



Augmentum Fintech

May 28th 2020

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Summary

The Fintech opportunity is nascent

The Fintech opportunity is nascent and the UK is at the epicentre.

Augmentum gives investors access

Augmentum's listed structure offers access to a strong, diversified portfolio and growing pipeline of high-growth, unquoted fintech companies.

A leading team of sector specialists

Augmentum are a well-networked team of Fintech experts, well-positioned to find and back companies building the future of financial services.

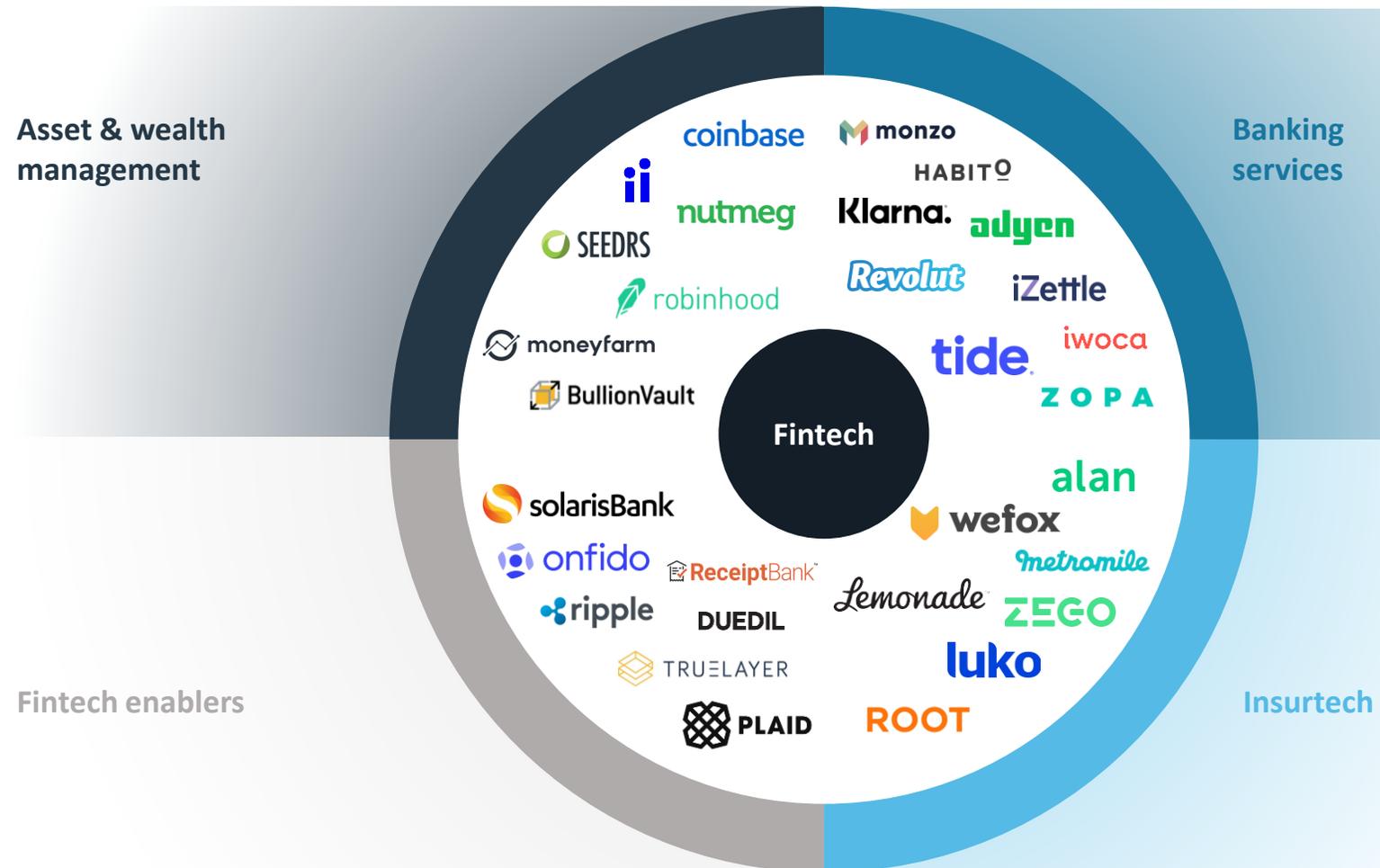
Resilience

Our portfolio is well diversified, balanced and has shown resilience during the current crisis.

Find the substance not the hype

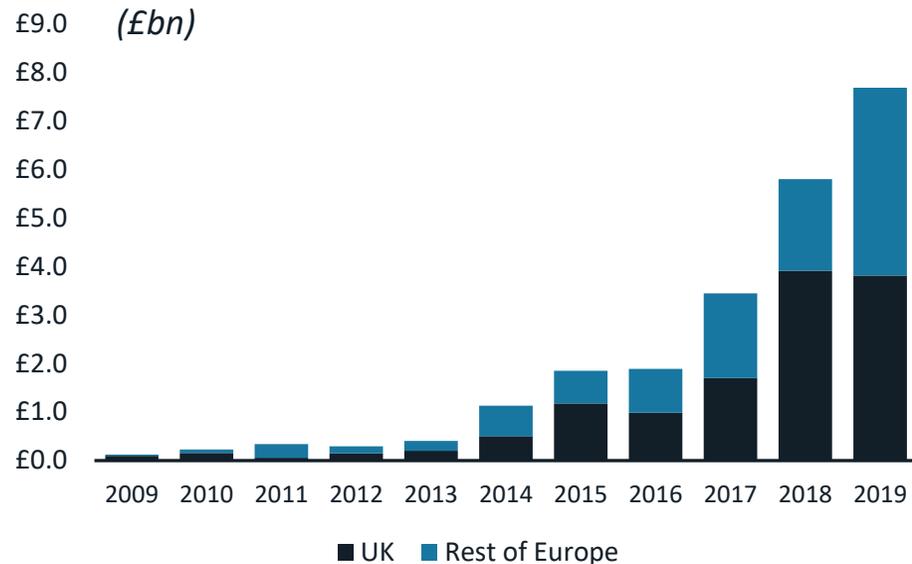
Our approach on investing in businesses with strong underlying unit economics allows us to strip out the noise and avoid overhyped propositions

Fintech is transforming the global financial services landscape



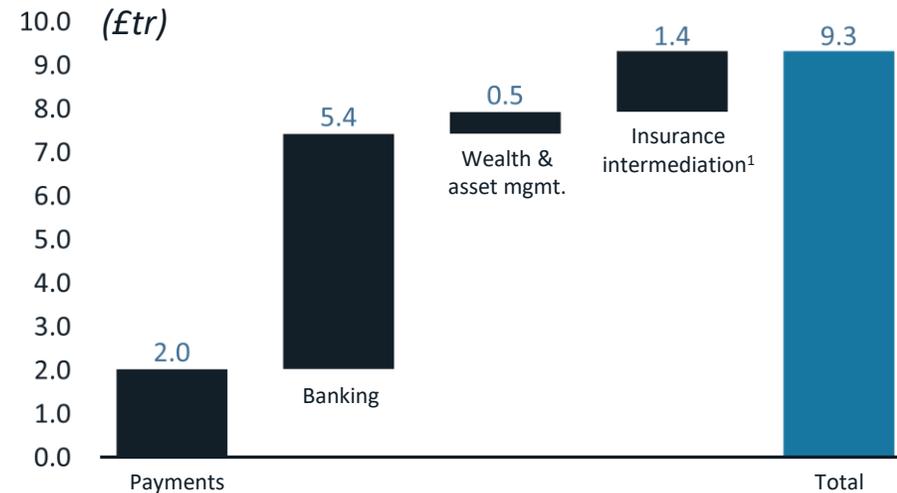
Investment in the sector is rising, driven by a huge market opportunity

European venture investment has increased 55% YoY since 2016



European Fintech investment 2009-2019 (£ bn)

And there is a vast market opportunity up for grabs



Total addressable market, annual revenue (£ trillion)

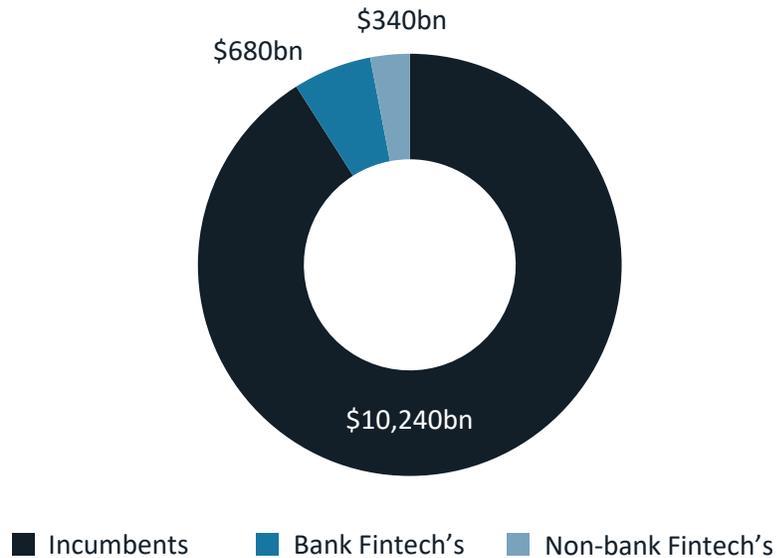
Source: Pitchbook.

Source: McKinsey Global Payments Report 2019; McKinsey Global Banking Annual Review 2019; BCG Global Wealth 2019; Case Quirky: Asset Management Review 2020; Euler Hermes Economic Research 2019; McKinsey Global Insurance Insights.

1. Figure calculated by applying average loss ratio to Global GWP (Life and P&C only).

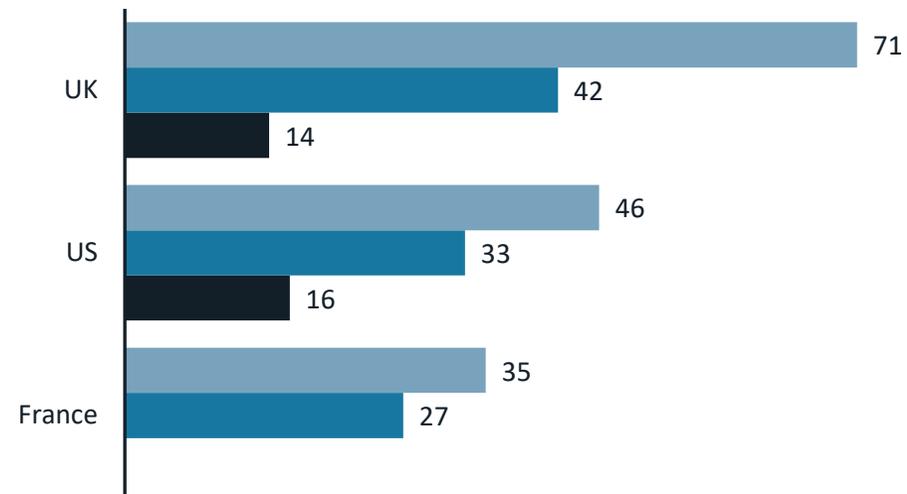
And yet the expected upside in Fintech is yet to come...

Incumbents still own 91% of global financial services revenue



Financial services industry revenue breakdown in 2019

But momentum is shifting as Fintechs have fragmented the bank-customer relationship irrevocably



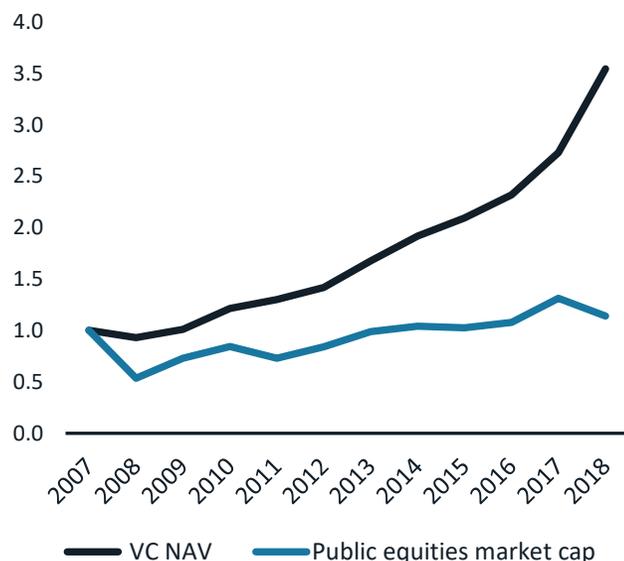
Fintech adoption from 2016-19 (%)

Source: IMF Fintech: The Experience So Far 2019.

Source: EY Global FinTech Adoption Index 2019; Fintech adoption defined as usage of two or more Fintech products/services; (1) France not included in 2016 report.

Venture investment continues to outperform public markets, with Fintech producing the lion's share of returns

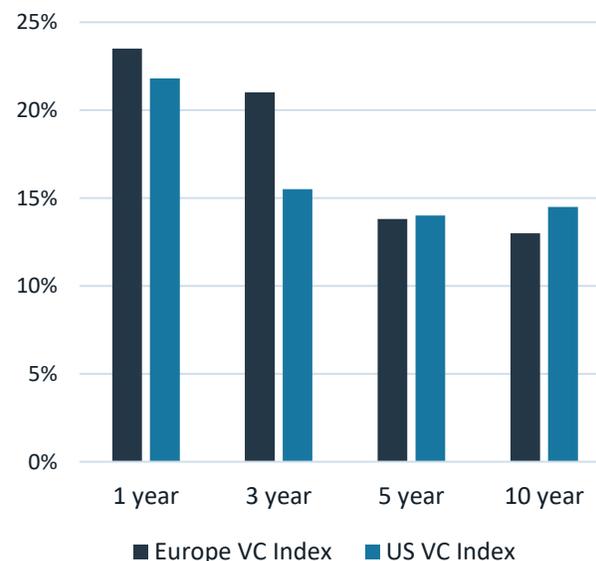
Venture backed companies have grown 3.5x since 2007, outpacing public market equities



Public equities and VC Net Asset Valuations indexed to 2007

1. Net asset value (NAV) = AUM less dry powder. Total market cap. Covers companies listed globally. Source: Preqin Global Venture Capital Perspectives 2019; World Bank Dataset.

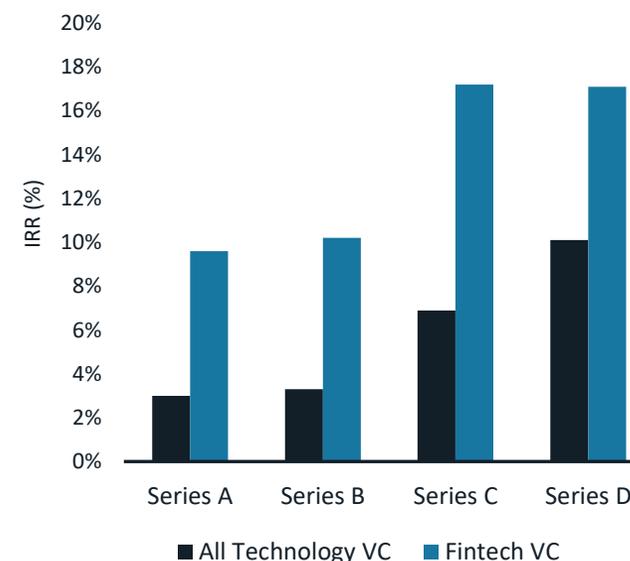
European VC performance is on par or outperforms US VC over 1, 3 and 5 year horizons



Horizon pooled return (net) by fund index, as of Q2 2019

Source: Cambridge Associates; State of European Tech 2019.

... and Fintech companies are bringing the biggest returns for investors

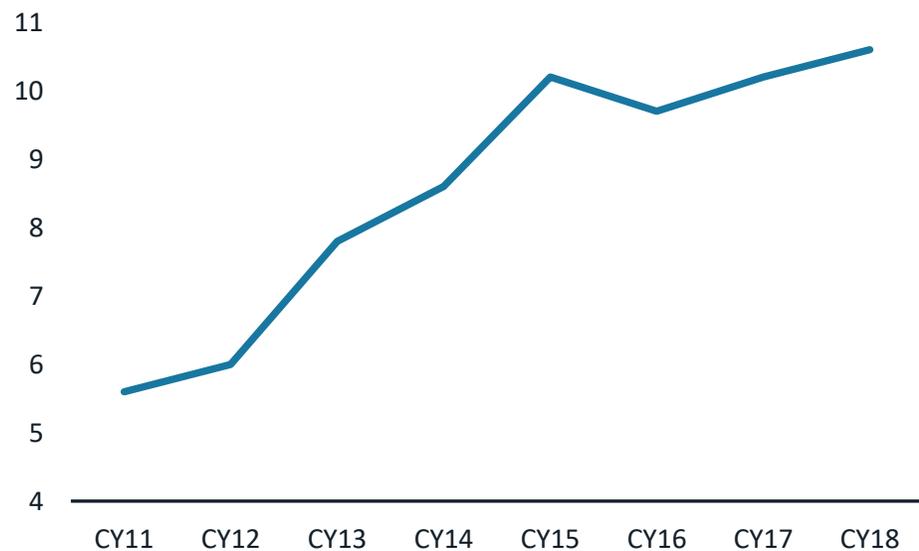


Adjusted annualised return of VC tech exits 2009-19

Source: Pitchbook.

However, increasingly this value can only be accessed in the private markets

Public market pressures are leading companies to stay private for longer



Avg. age (yrs) to exit for UK private financed companies¹

Source: Merian Global Investors research.

1. Defined as duration from, first engagement with private finance to subsequent exit (exits > \$250m).

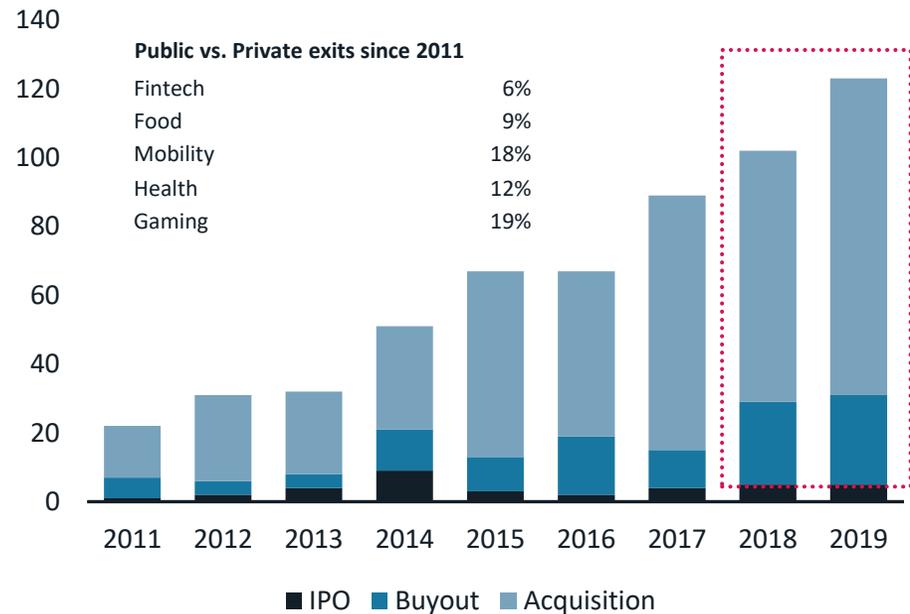
... resulting in the bulk of a company's value now being generated prior to public listing

	Time to liquidity	IPO value (\$bn)	Current value (\$bn)	Public Return
Past...				
	3	\$0.4	\$1,202	3005x
	5	\$0.3	\$185	617x
	5	\$1.1	\$159	145x
Present...				
	12	\$2	\$2	1x
	10	\$82.4	\$60.5	0.7x
	12	\$8.3	\$33.2	4x

Source: Capital IQ; Current value as of 29/05/20.

And the majority of the most valuable Fintechs are never reaching the public markets at all

>90% of Fintech VC exits are buyouts or acquisitions



Fintech exits (#) by type

2018 – 2019 acquisitions		Exit valuations
First Data	fiserv.	\$22bn
credit karma	intuit.	\$7.1bn
PLAID	VISA	\$5.3bn
honey	PayPal	\$4bn
nets:	mastercard.	\$3.2bn
iZettle	PayPal	\$2.2bn
Ebury	Santander	\$908m

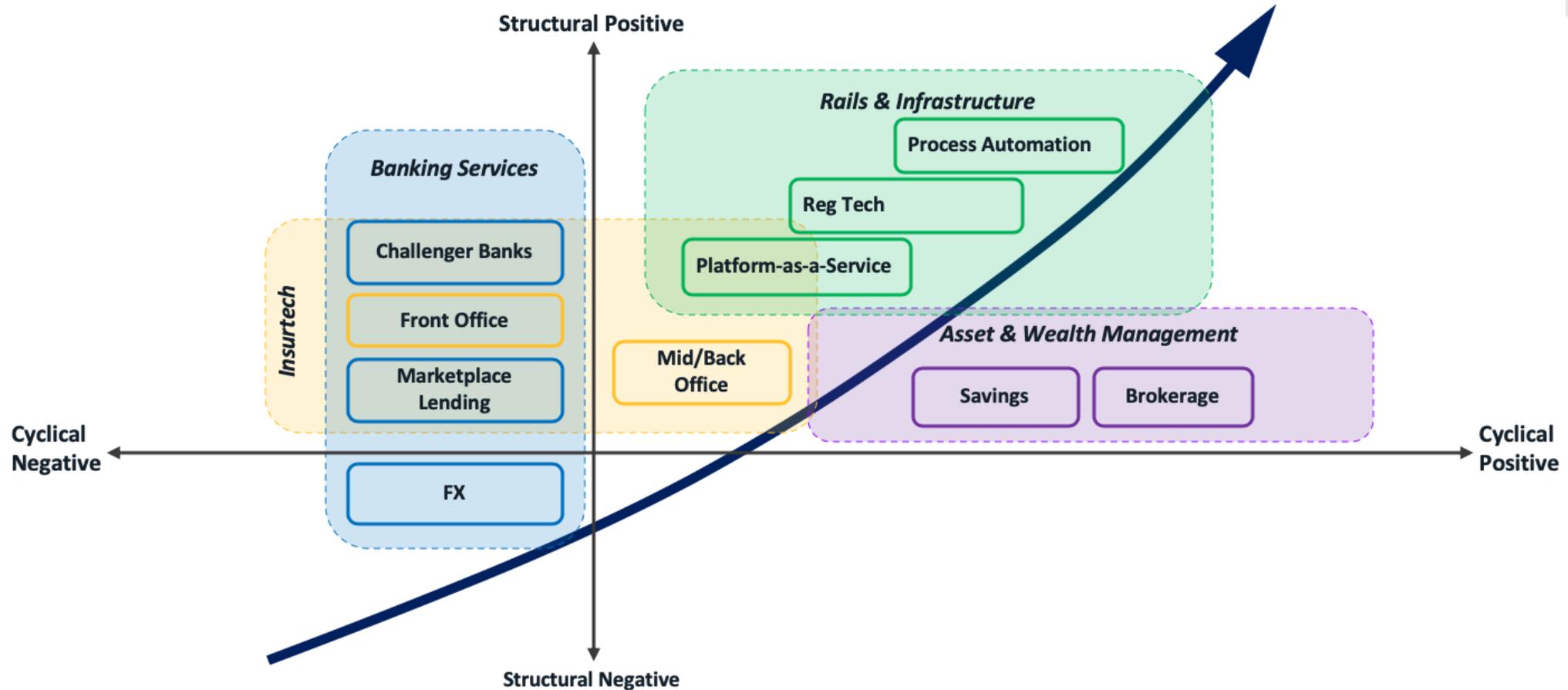
Source: Pitchbook.

Permanent capital gives us the flexibility to invest in opportunities across growth stages

	Early growth	Later growth
Banking services	 	   
Rails & infrastructure	 	 
Asset & wealth management	     	 

Fintech is expected to prosper in the post-Covid trading environment

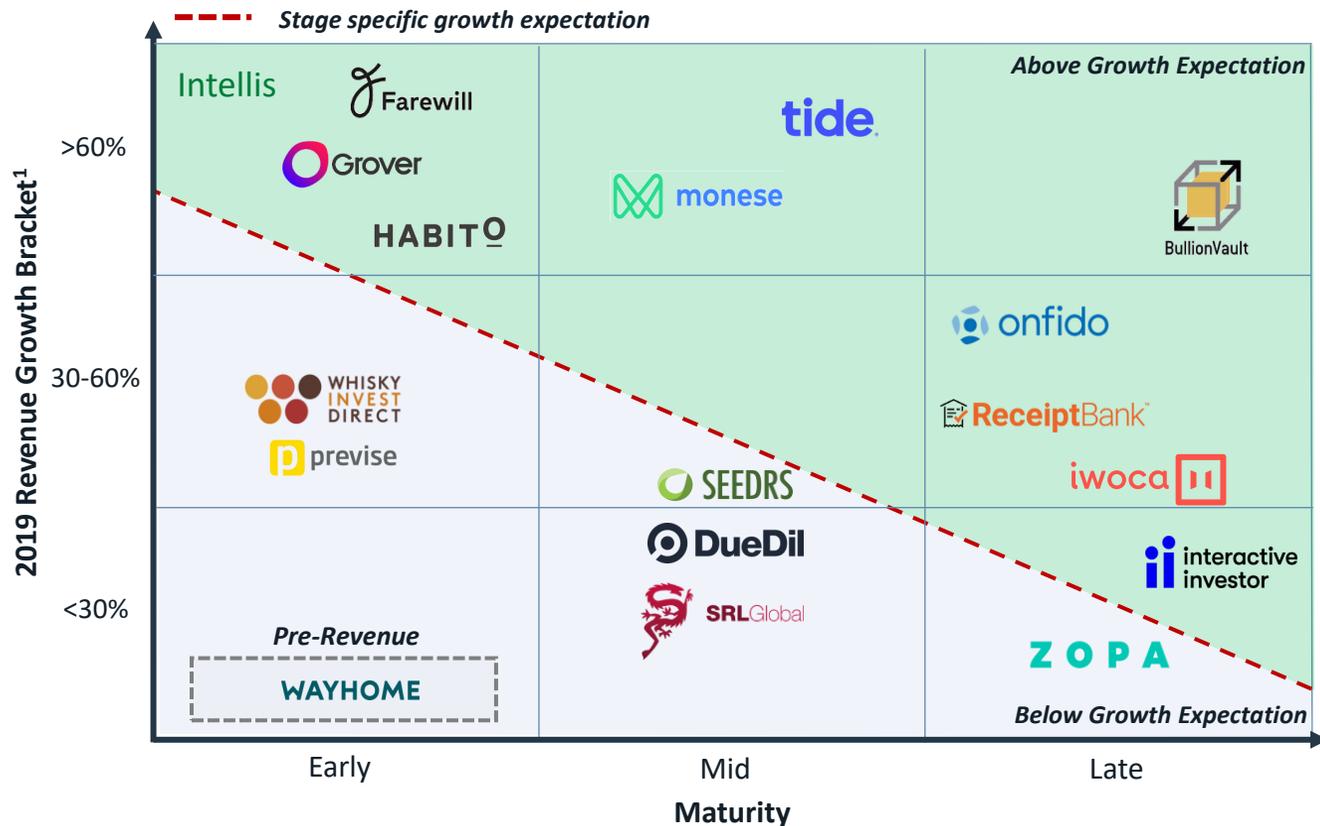
Outlook for fintech verticals during Covid-19 & recovery period



We present additional commentary and analysis of the impact of Coronavirus on Fintech in the thought piece '[Fintech in the Eye of the Storm](#)' published in May 2020

Our portfolio is a collection of dynamic businesses that can thrive and/or adapt in a post-Covid environment

Portfolio Company Performance by Maturity



Fintech sub-Sector Sentiment post-Covid

● Favourable ● Neutral ● Impacted

Rails & Infrastructure

- B2B Software ●/●
- Reg Tech ●

Banking Services

- Challenger Banks ●/●
- Lending ●

Asset & Wealth Management

- Platforms ●
- Wealth Management ●/●

1. Bracket allocation based on 2019 YoY revenue growth, except for Intellis that began trading in 2019 (YoY revenue growth 2019Q1-2020Q1 used instead).

We use a variety of valuation methodologies to value each business, tailoring the approach to the stage & circumstances of the company

Examples...*

Calibrated price of recent transaction (CPORT)	Where there has been a recent funding round we take the price of Augmentum shares at the point of this transaction and calibrate the value according to our analysis of the performance of the company since that date.	
Multiple comparisons	Where there are comparable businesses in the public markets, we use multiple comparisons to value our portfolio company using the most appropriate financial metrics for that business (e.g. Revenue, Earnings, AUA etc.).	
Discounted cash flow forecast	For more mature, profit-making businesses we use DCF forecasts to reach an estimated valuation, taking into account liquidity discounts.	
Convertible loan note (CLN)	Where CLNs have been issued we determine the value by calculating the built-in discount that the note will receive on the next round and applying it on a pro rata basis according to the expected round date.	
Downside protection	<p>We employ deal terms to protect our exposure to downside risk & factor this into our valuation assessments, e.g.:</p> <ul style="list-style-type: none"> ▪ Anti-dilution ▪ Liquidation preferences ▪ Ratchets ▪ Warrants 	<p>100% of our early stage investments, and 16/18¹ of the total portfolio have downside protection.</p>

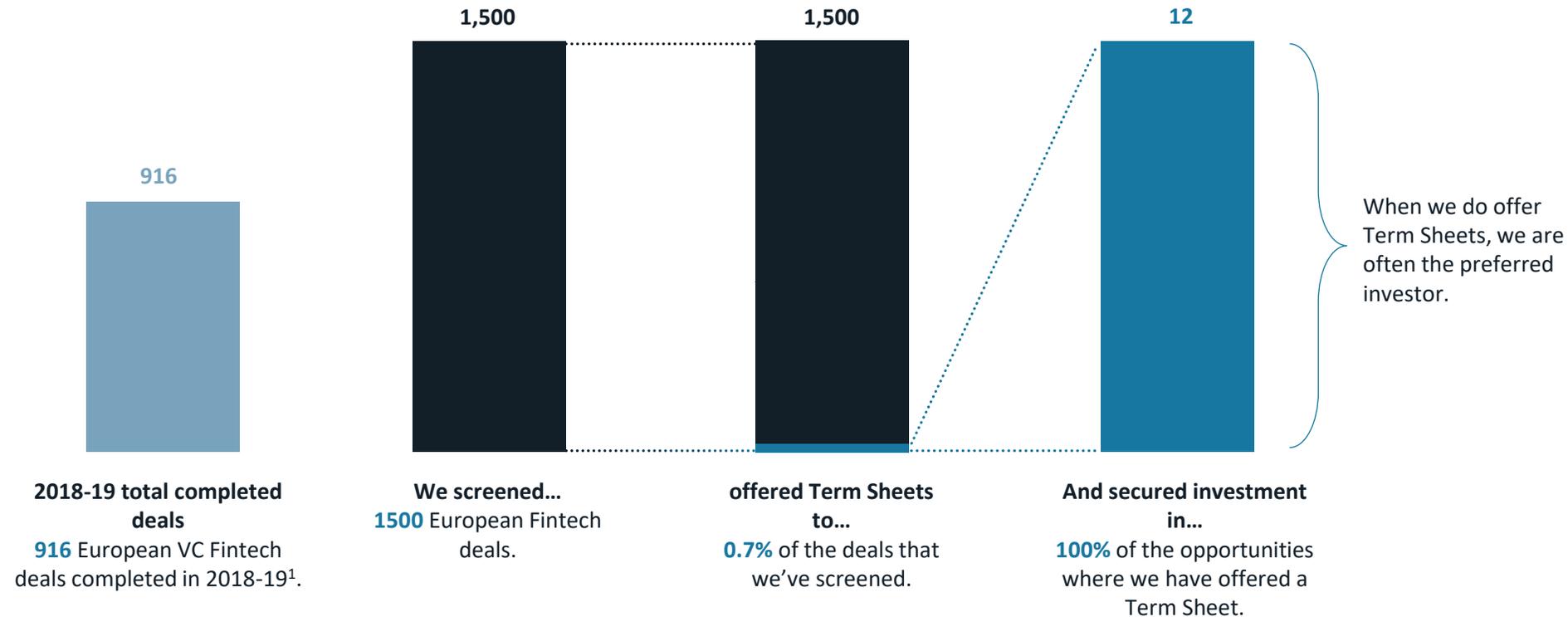
BDO audit or review our valuations twice yearly.

*All examples refer to methodologies used for the 30th September 2019 valuations report (apart from Receipt Bank).

1. Interactive investor and SRL Global do not have downside protection.

Our reach and focus gives us phenomenal access to much of Europe's Fintech deal-flow ... however our criteria remains stringent

European Fintech deals seen and invested in by Augmentum 2018-19,



Source: Innovate Finance 2019 FinTech Investment Landscape Report

1. 2018-2019 European Fintech Deal Count (excl. Pre VC deals).

We're well placed to capitalise on 'special situations'

Down rounds

Some Fintech's have raised & spent considerable capital refining their proposition, but haven't achieved expectations. We seek out opportunities to restructure their capital base at discounted prices, & then crystallise the long-term growth potential.

Secondary

A lack of liquidity in the market means founders and early investors are seeking liquidity at attractive prices. Many traditional VCs are unable to buy secondary despite their often compelling nature.

Consolidation

Margin & profitability are more important than ever, and consolidation is being forced on many subscale Fintechs across the sector. We look to invest in companies as they acquire distressed competitors at 'down round' prices.

Pre-exit rounds

There is funding gap at Series B+ as companies look for final tranches of funding. Our IRR focus allows us to target meaningful returns over shorter timescales.

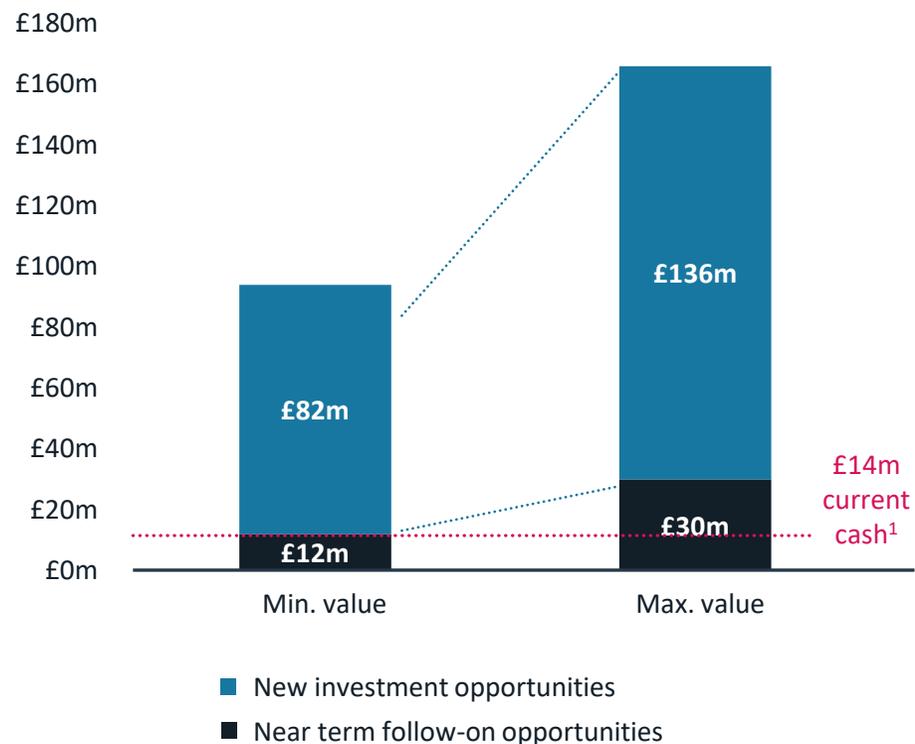
Convertible loan notes

We use Convertible Loan Notes to our advantage to avoid ballot market scenarios, determine value in the future & capitalise on built-in discounts.

The current
climate provides
an un-paralleled
opportunity for
'special situation'
investments.

We now have a live pipeline of over £800m, with ~£170m of near term opportunities

We have built a near-term pipeline of >£160m



Company	Sector	Ticket Value (£m)	
		Min.	Max.
1	Banking services	15	20
2	Insurtech	10	20
3	Banking services	10	20
4	Payments / Loyalty	10	15
5	Reg tech	8	15
6	Banking services	8	15
7	Payments	5	10
8	Banking services	7	10
9	Trading	5	5
10	Payments	4	6
Total near-term new opportunities		82	136
Near-term follow-on opportunities		12	30
Total		94	166

1. As of 28/05/20.

Company summary

Company	Augmentum Fintech plc.	Management fee	1.5% of NAV up to £250m. 1.0% of NAV above £250m.
Portfolio Manager	Augmentum Fintech Management Limited.	Incentive fee	Carried interest scheme of 15% subject to minimum IRR of 10% p.a. with catch-up. Only payable cash on cash.
Structure	Internally managed, closed-ended, listed investment trust.	Returns of Capital	Up to 50% of realised gains over a financial year will be available for return to shareholders through buy backs, tenders or special dividends.
Exchange	Main Market, London Stock Exchange (Premium Listing).	Consultation	Should the NAV per share fall below 70pps, adjusted by the Board from time to time, at any point, the Company will suspend new investments and consult with shareholders as to the future of the Company.
Fund size	NAV as of 30 th September 2019 £131.4m.	Board	Independent, non-executive Board of Directors.
NAV	112.2 pence per ordinary share (as at 30 September 2019).	Joint Brokers	Peel Hunt and N+1 Singer.
Strategy	To generate capital growth over the long term through investment in a focused portfolio of fast growing and/or high potential private financial services technology (“Fintech”) businesses.	AIFM	Frostrow Capital.
Geography	UK and wider Europe.		

*As at 30 September 2019.



Thank you

 @AugmentumF
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