ALIUM CAPITAL MANAGEMENT

ALIUM ALPHA FUND

MARCH 2024

Performance	Q1	Q2	Q3	Q4	Calendar Year
2017 (%)	7.1	4.9	26.7	3.6	**48%**
2018	5.1	-0.6	4.0	0.2	**9%**
2019	5.7	2.5	8.1	0.4	**18%**
2020	-1.7	2.2	8.2	7.5	**17%**
2021	3.7	0.6	7.0	6.4	**19%**
2022	-1.8	-2.7	-1.2	-2.9	**-8%**
2023	1.5	-1.8	3.9	-1.5	**2%**
2024	3.4*				**3.4%***
Inception					**153%^**

Notes: (^) Performance is Net of Fees; (*) Estimated performance

The Alium Alpha Fund returned +3.4% for the quarter as both public and (in particular) private markets show increased signs of stability and recovery after a deadly quiet 36-month period for IPO activity. The much-anticipated IPOs of technology companies Reddit and Astera Labs in the US signal a gradual thawing of capital market activity. We are encouraged by their trading performance post-listing with each experiencing almost 100% gains during their first week on the boards. It is also worth noting that last year's largest technology IPO - ARM Holdings - is up 140% since listing. There is increased speculation that other high-profile technology businesses such as Stripe, Databricks, and SpaceX are looking to potentially list in the next 2 quarters; this would add to investor confidence in public market transactions.

Within an Australian context, capital markets activity remains subdued, however recent catch-ups with domestic investments bankers suggests that institutional investors are increasingly enquiring about opportunities for new listings in the technology space. The huge gains over the last 12 months in profitable tech companies in the US has been difficult to replicate on the ASX with the limited availability of high-growth, profitable businesses listed. As such. domestic demand for new profitable tech opportunities is elevated at this stage in the cycle. We have been engaged with these banks on several of our private assets and are working closely with them on navigating the best path to exit via trade sale or IPO.

It was confirmed this week that Guzman Y Gomez raised $135m at a $1.725b pre-money valuation, a significant positive development for our capital markets. Importantly, we saw large ASX listed investors like QVG, Hyperion, and Cooper Investors join the cap-table alongside existing investors like TDM and Aware Super, ahead of a likely imminent IPO. In our view, a multi-billion-dollar high-profile IPO like GYG, could be just the tonic needed to kickstart the long-dormant capital markets in Australia given the confidence this would provide to other companies and investors alike.

Another clear positive in the case of GYG is the premium multiple of approximately 32x EBITDA achieved in this funding round. This is a clear sign that sophisticated Australian investors – as has been the case in the US – are willing to pay up for solid, high-growth companies, at or close to breakeven.

In terms of an update on the current fund, we remain focused on working with our portfolio companies to ensure they are fully prepared both financially and structurally to take advantage of an anticipated improvement in conditions for trade sales and exits. We are currently engaged on several assets where there is genuine M&A interest, and we hope to share some progress on these sale processes in coming quarters which can hopefully allow the fund to commence paying out investor capital as the year progresses. From a high-level perspective, our current opinion is that a genuine opening-up of the IPO markets in Australia is more likely to occur in 2025 and hence we feel that the majority of our public market exits are likely to occur next year. Whilst the delayed recovery of capital markets in Australia has been painfully slow, it is a clear positive that both global and domestic SaaS EV multiples have been steadily creeping higher and our most recent data suggests a range of 8-10x on average versus 5-7x 18 months ago. Furthermore, average EV/EBITDA multiples currently sit closer to 30x.

During the first week of April the fund undertook a 2 day offsite to meet with all portfolio companies and gain insights into current business traction, forecasts, and exit strategy or requirements for further capital. The overriding conclusion from these updates was that the majority of our portfolio is performing strongly and capital discipline in recent years has seen margins expand and profitability improve with continued top-line growth. Please see below for a snapshot of some of the more important company meetings from the offsite.

We will also be launching our second fund on May 1st to take advantage of favourable opportunities, and will be sending out more detailed information on the opportunity shortly. The fund will be closed-ended with a 90 day offer period. For those that are interesting in learning more about the new Innovation Fund, please reach out to mn@aliumcap.com for a copy of the presentation or if you would like to organize a time to meet the managers.

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HAPPYCO	**HAPPYCO** was founded in 2011 in Adelaide and is now a US based PropTech application used by 4mn multi-family residences as their AI powered maintenance operations tool for residential property owners. The tool manages due diligence, renovations, maintenance and more.
Sector	PropTech
Management Update	During the current quarter they launched more AI enriched products including JoyAI which centralizes maintenance for owners. The company has 3 product SKUs and are having good success in cross-selling all 3 into a single client. Transformational deal in progress with a large asset owner that has 850k units and could be a $6mn contract on 1 product and increase to $18mn if all 3 products are done. Expecting to sign soon and roll out in late 2024. Targeting >US$20m ARR end-CY2024. Company expects to be break-even by year end.
Expected Outcome	We are actively working on a Sale of our position to large Strategic holder (existing) and a PE growth firm. We expect we may achieve a better price than our current holding. We are working towards a potential sale before Jun24.

DesignCrowd	**DESIGNCROWD** was founded in 2007 in Sydney and is a global online design and logo company which has a marketplace, SaaS business via BrandCrowd which was launched in 2020, and the most recently launched business called Design.com which is growing extremely rapidly. The transition to SaaS focused opportunities has been lucrative with the company expending its reach globally.
Sector	SaaS Design
Management Update	In the last 2 years, DC has often beaten budget and has operated profitably, with growth being 100%+ YoY in the new businesses. The company purchased Design.com which reduces costs and drives new traffic. The new property is growing the fastest of any business division and is already tracking ahead of budget in Mar24 after having only launched in Jan24. Design.com is expected to contribute meaningfully to revenue / growth in 2H and the strong performance for Design.com is expected help beat year-end budget targets. The company has a strong pipeline in GenAI products and the early signs with the product are very strong. The company expects to beat Budget guidance for FY24. As it stands, they suggest 100% YoY SaaS growth.
Expected Outcome	The strength in the business means there is significant interest, especially from US based growth investors. Mgmt has returned from a US roadshow and we are confident of secondary liquidity in the next few months. Given the parallels with Canva, we believe this asset will trade in CY2024 and will be an exit above our holding price.

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Academy X[i]	**ACADEMY XI** was founded in 2015 in Sydney and is an EdTech business. The company began in UX/UI courses for consumers and businesses. More recently, AXi has become a Enterprise focused content and delivery solution in areas beyond UX/UI to include Cybersecurity, AI, software engineering and Data Analytics. The company services Government like Dept of Education, Dept of Transportation and Enterprises like PWC, CBA, Dan Murphy's and many more.
Sector	Enterprise EdTech
Management Update	The transition to Enterprise only is proving to be successful, and most of the prior cost structure was Consumer focused and very SEO driven business. Enterprise is larger, stickier and repeat in nature. The average cost per applicant is $11-12k. The company is having success with distribution partners as well, and as an example are dealing with a Philippine Govt entity which is early, but could be a $2mn ARR transaction. More recently, AXi has become a significant partner to the tertiary education channel with Open Uni, TAFE and RMIT keen to deal. The recent brands that have engaged AXi include CHUBB, UGL, Xero, AMP. There are RFPs in the works with both NAB and ADF (for cyber-security). YTD tracking at 80% YoY growth. The company expects to grow 70% over FY25 and be profitable.
Expected Outcome	AXi has been dealing with well-known PE owned portfolio companies as a means of illustrating their value and 'roll-up' optionality. The ex-Chair is a highly regarded EdTech builder and he is leading the charge on a 12m liquidity option. He has exited 2 EdTech business previously and is the 2nd largest shareholder.

GAMURS	**GAMURS** which is an esports media and entertainment published was founded in 2014 in Sydney and is now a global business headquartered in Austin, Texas. The group operates multiple brands focusing on esports and entertainment news markets, including the websites: Dot Esports, We Got This Covered, The Mary Sue, Prima Games, and Escapist. The company has more than 60mn MAUs (vs 51mn 6mths ago).
Sector	eSports Media
Management Update	There has been a significant focus at the company over the last 12mths to be in control of more Content and Ad networks. To that end, Gamurs total published content catalogue surpassed 1.5mn unique articles recently. In addition, the company invested in their own Google Ad Manager (GAM). GAM gives them flexibility with the Gamurs ad roadmap, improved ad performance data, and a greater share of the ad revenue pie. The impact of the above reduces annual costs and also improved yields. Management's key focus is 1) to grow EBITDA $ and margins during Cal24, 2) selectively considering M&A, and 3) Doing more work in Data Sales. Gamurs has achieved successful operating profitability in the past. This dipped in 2H23 as they grew too fast, but realized the need for austerity. The company expects to grow 50% over FY25 with a 15% EBITDA margin.
Expected Outcome	The company is focused on growing and scaling revenues and EBITDA. This exercise will continue during CY2024. We expect that media M&A could be interested during 2025.

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daisee	**DAISEE** was founded in 2017 in Sydney with its product launched in 2019. It is a category leading AI conversational analytics software focused on improving quality assurance, compliance and business outcomes (post-call analysis). The company has developed industry specific AI applications in banking and financial services, healthcare, tele-medicine, government and digital commerce markets. Daisee's competitive edge is 'mining the gold' from every customer interaction, generating actionable insights to drive efficiency, increase retention, expand revenue, boost compliance, and reduce risk all at lower cost.
Sector	AI SaaS
Management Update	2H Cal23 focused on strengthening and formalising partner channel relationships that is now paying off in pipeline activity (>$12mn). Clients that have started product in the last 6mths is strong and high quality: ICare, Gallagher Basset, QBE, MLC and several Universities including Charles Sturt, Monash and Deaking. The exciting product roadmap opportunity is Scorecards pre-built for call centres, with pre-trained compliance, communication and conduct modules. These have the ability to embed sales methods, complaints, etc. GMs remain strong at 80%+ with ongoing stability reflecting its strong SaaS business model. New CEO with the current CPO, Ryan Morrell stepping into that role as he has been at the company for 5 years. This is an important transition as Ryan is strong in Sales and Product and the company moved to a Sales Driven organisation. The company expects to achieve profitability in FY25.
Expected Outcome	The company rejected a M&A opportunity in CY2023. This asset, given its AI model, high quality customer base and profitability could be purchased in Cal24.

alex.bank	**ALEX BANK** is an Australian neobank founded in 2018 in Brisbane by ex-Suncorp Digital/Innovation banking executives. Unlike other neobanks, Alex targets personal lending to high credit-worthy customers, and has prioritised stable growth. As such, Alex is one of the few remaining new, independent banks in Australia following acquisitions (e.g. 86 400) and closures (Volt, Xinja) in the sector. Holding an unrestricted banking license gives the business an advantage over non-bank FinTech lenders in the form of 200-300bps cheaper borrowing rates. Alex is looking to scale the lending book through 2024-2025 on its path to listing on the ASX.
Sector	FinTech
Management Update	FY24 has seen continued growth in Revenue (>100%) and closing Loan Book size (>100%) with NIMs expanding from 1.3% to 2.1%. Having moved from a restricted banking license to unrestricted, management expects FY25 to be a transformational year as Revenue and Loan Book growth accelerates with NIMs forecast to increase to >5% sustainably. FY24 also saw Alex pay back $30m of wholesale debt, meaning the lending business is now 100% deposit funded. The company has engaged an investment bank for a current raise, which should see the business funded through to FY27.
Expected Outcome	CY2024 is a year of significant growth for Alex. We expect that an IPO or M&A interest from other Banks to emerge in CY2025.

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koala	**KOALA** was founded in 2015 in Sydney. Through a modernisation of the archaic furniture supply chain Koala creates profitable, sustainable and loved furniture experiences suited for the digital age. It began in Australia, grown in Japan, expanded in Korea, and recently launched in the USA and UK. It has moved from Bed in a Box to 40+ SKUs.
Sector	Marketplace
Management Update	The company improved Sales, Margins, and Product range in CY2023. They reverted to in-house product teams to create proprietary designs. Another key initiative to maintain its fresh approach was to re-launch products every 6-9 months – which also allowed a broadening of price points and enhances retention. Australia has been sustainably profitable, Japan is tracking to high growth and profitability in CY2024, and the US is growing much faster (though early) versus Budget. The Company has achieved >60,000 5-star product reviews and 35+ product and business awards. There has always been a focus on sustainability initiatives. Specifically, the company is being recertified as a B-Corp, is developing its Carbon Strategy, and continues to be involved in Japanese Earthquake initiatives. The company will close FY24 EBITDA positive and is forecasting continued profitability in FY25 and FY26. Management is targeting >20% growth in FY25.
Expected Outcome	Public market takeover, IPO, Growth equity buyer and secondary options are all being discussed.

ORDRE	**ORDRE** was founded in 2015 and is an industry leader and innovator in virtual designers and platforms. The company's core product is the ORB360 imaging system which helps luxury designers digitise their collections for B2B and B2C sales. Ordre has 40 Orb360 units with global designers. Most units are based in Paris with other locations including LA, NYC, Sydney, Shanghai, Milan, and Tokyo. The business is also pioneering a digital-to-physical asset connector called Authentique which allows for luxury item authentication using a phone camera, without the need for a physical addition/alteration to items (e.g. QR codes, NFT chips) we can be removed. Authentique looks to solve the significant issue of fraudulent returns for 2nd hand luxury resellers such as Vestiaire.
Sector	eFashion
Management Update	FY24 has continued to see growth in clients and use-per-client of the ORB360 system, with Ordre also designing and launching their ORB Studio product which will have improved Revenue and margins per unit. Authentique has seen its first paying customer and management expects CY2024 to be the ramp up year. FY23 was a flat and disappointing year for Ordre due to the pull-back in activity from eCommerce which occurred in the post-Covid surge lull. FY24 has seen a return to growth with management targeting continued Revenue growth in FY25.
Expected Outcome	Ordre is currently going to market with a capital raise at a meaningful increase in valuation from the last round. Management has considered a Nasdaq listing in the past and expects the IPO path to re-open once improving capital markets align with the ramp up in Authentique Revenue.

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atmo BIOSCIENCES	**ATMO** was founded in 2017 after almost a decade of RMIT research and prototype work to provide a more accurate solution for diagnosing gastrointestinal disorders compared with the standard of care (breath tests). The Atmo capsule is the world's first ingestible, gas-sensing capsule that wirelessly transmits gas measurements at the source of production in the gastrointestinal tract.
Sector	MedTech
Management Update	In April 2024, Atmo completed its pivotal clinical trial for its initial indication in motility ahead of schedule, with the primary endpoints met. Atmo now has a clinical portfolio of more than a dozen trials across multiple applications and peer-reviewed publications following >1,000 Atmo capsule ingestions. 510(k) application to the US FDA targeted for submission in Q2 CY2024. Pending FDA clearance, Atmo capsule launch for initial indication (gut motility) late CY2024 with the predicate Medtronic device (SmartPill) being discontinued. Atmo capsule launch expected to generate US$800/capsule at 80% Gross Margin as a starting point without further work done to reduce COGS. 4,000-5,000 SmartPills were being sold annually (US$4m/yr), however the initial indication for Atmo has a market of >200,000 procedures annually in the US alone.
Expected Outcome	Cash runway to see the business through to regulatory clearance and a US launch. IPO process to follow approvals and launch with the company expecting a material upside to valuation. Atmo is well-supported (with follow-up investment) from its largest shareholder, Otsuka Holdings, a $35bn Japanese pharmaceutical conglomerate.

YSB	**YORK STREET BRANDS** is the combination of a successful Alium portfolio asset (Boost Lab) with the acquisition of the equally fast-growing acne treatment company Tbh Skincare with strong anti-bacteria biofilm IP. Both brands have grown rapidly in the Australian D2C eCom space as well as seeing strong traction within retail. Tbh has become a leader in the anti-acne category within its first year of sales in Priceline. YSB continues to launch new, innovative beauty SKUs within both brands as it also tests out an expansion into International markets.
Sector	Consumer Discretionary
Management Update	FY24 was a breakthrough year for YSB following strong growth in FY23. The combination of BL with Tbh saw significant synergies within the D2C, marketing, Retail, and Supplier elements of the businesses. Following a successful launch of Tbh into Coles, this relationship is likely to expand to include BL with a target of late-CY2024 launch. Tbh has 2 well-advanced discussions for Retail launch in NZ following a highly successful year for BL which is now a top 5 skincare brand in Pharma departments. Management is testing out 2 further international markets. Revenue grew by >300% in FYTD24 vs. pcp with the business now profitable. April performing ahead of schedule due to Coles re-stocking. Continued growth forecast in FY25 from further product and market launches.
Expected Outcome	YSB is planning a raise to accelerate its International launch and has seen strong support from a European FMCG multinational where the demand is expected to exceed available primary capital raised. Alium is likely to sell a portion of Secondary stock given the size of Alium's position and the strong demand.

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