



HotelClub



EQUITY VENTURE PARTNERS

Annual Report

EVP FUND II
June 2019



Investor Update

During the quarter to June 2019 we completed and announced our investments in two new companies - EatClub and Lumary. We are currently in active due diligence in relation to a further three opportunities, all of which we hope to complete in the current quarter. We anticipate calling capital over coming weeks to complete these new investments.

EatClub

EatClub is a dynamic pricing platform used by restaurants. The platform allows restaurants to offer last minute discounts to prospective customers, helping to fill empty tables and utilise excess capacity in real time.

Our decision was largely shaped by our high regard for the EatClub founders. Pan Koutlakis and his team have a strong track record of operating successful technology businesses in the food and hospitality space. They have a deep understanding of the industry and a compelling vision for the future of dynamic pricing in the sector. Over the past two years the team have built a rapidly growing business with strong underlying fundamentals. The company operates across Sydney, Melbourne and Brisbane, and has recently launched in New York. Order volume through the platform has increased seven-fold over the past 12 months.

We have invested \$1.4m in the business. With our experience across Deputy and Foodbomb particularly, we expect material value-sharing across the portfolio and we look forward to supporting the business as it scales.



Daniel (RHS) with Joseph from Lumary following the investment

Lumary

Lumary is a SaaS company focused on the Australian disability and aged care sectors. The company delivers a comprehensive CRM and business management platform, helping service providers manage all aspects of their operations whilst ensuring compliance with NDIS and Aged care regulatory and funding frameworks.

Lumary sits squarely within our focus on deep, vertical B2B SaaS platforms that become central to the operations of their customers. The company has developed market leading software, evidenced by its rapid growth over the past three years, and its exceptional record of customer retention over that period. The company addresses a sizeable market, with macro factors such as Australia's ageing population and committed government funding programs driving long-term structural growth.

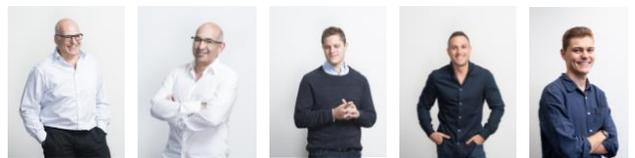
We led Lumary's first ever capital raise with an investment of \$2m. We look forward to working with founders Joseph Mercorella and Matthew English as they establish Lumary as the leading software provider to the disability and aged care sectors.

The Fund II Portfolio

Fund II has invested \$11.9m across seven portfolio companies. Whilst early days for these investments, we are very comfortable with the performance across all of our business thus far, as detailed further in this report. Amongst the portfolio, Deputy (the largest investment in the Fund) remains a standout as it continues to emerge as one of Australia's defining technology success stories.

Until next quarter,

Les, Howard, Justin, Dan and Mark



Fund Snapshot

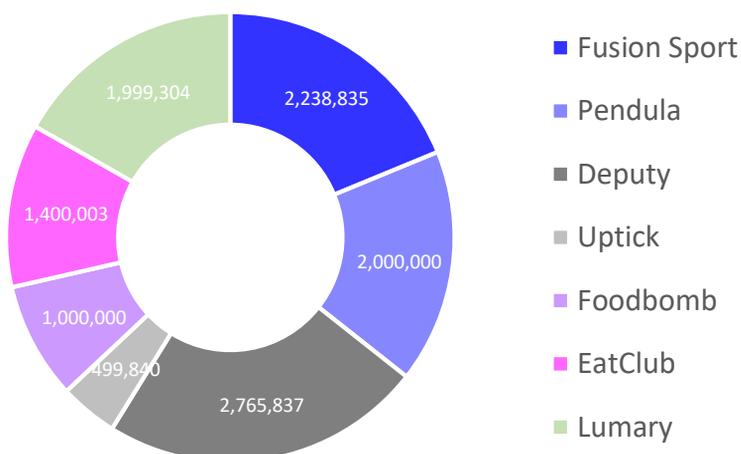
- During the quarter to June 2019 EVP Fund II invested \$1.4 million in EatClub and \$2.0 million in Lumary. The Fund also completed the second tranche of its investments in Fusion Sport and Pendula.
- At June 2019, the Fund had invested a total of \$11.9 million across a portfolio of seven companies. All investments are carried at cost.

	<u>30 June 2019</u>	
Number of Portfolio Companies	7	
	<u>\$</u>	<u>As % of Com. Cap.</u>
Committed Capital	35,240,000	
Cumulative Paid-In (Called) Capital	13,038,800	37%
Less Cumulative Distributions	-	0%
Net cash from investors	13,038,800	
<i>Use of called funds:</i>		
Purchase of investments	11,903,819	
Management fees and outgoings	751,520	
Cash at bank	383,461	
Net assets of the Fund	13,038,800	
Valuation of portfolio companies	11,903,819	
Other net assets	-	
Net assets of the Fund	12,287,280	
Total Value to Paid in Capital (TVPI)	0.9x	
Uncalled Capital	22,201,200	63%
<i>Amounts Reserved for:</i>		
Follow-On Investments	-	0%
Commitments to the management company	0%	
Called and Reserved Capital	13,038,800	37%
Available for drawdown	22,201,200	63%

Portfolio Summary

Company	Date of Investment	Amount Invested	Portfolio Weighting	Market Valuation	Valuation Uplift	Holding Period (months)
Fusion Sport	Sep-18	2,238,835	19%	2,238,835 ⁽¹⁾	na	9
Pendula	Sep-18	2,000,000	17%	2,000,000 ⁽¹⁾	na	9
Deputy	Oct-18	2,765,837	23%	2,765,837 ⁽¹⁾	na	8
Uptick	Dec-18	499,840	4%	499,840 ⁽¹⁾	na	7
Foodbomb	Feb-19	1,000,000	8%	1,000,000 ⁽¹⁾	na	4
Eatclub	May-19	1,400,003	12%	1,400,003 ⁽¹⁾	na	1
Lumary	May-19	1,999,304	17%	1,999,304 ⁽¹⁾	na	1
Total Investments		11,903,819	100%	11,903,819	na	
Total Value to Paid in Capital				1.00x		

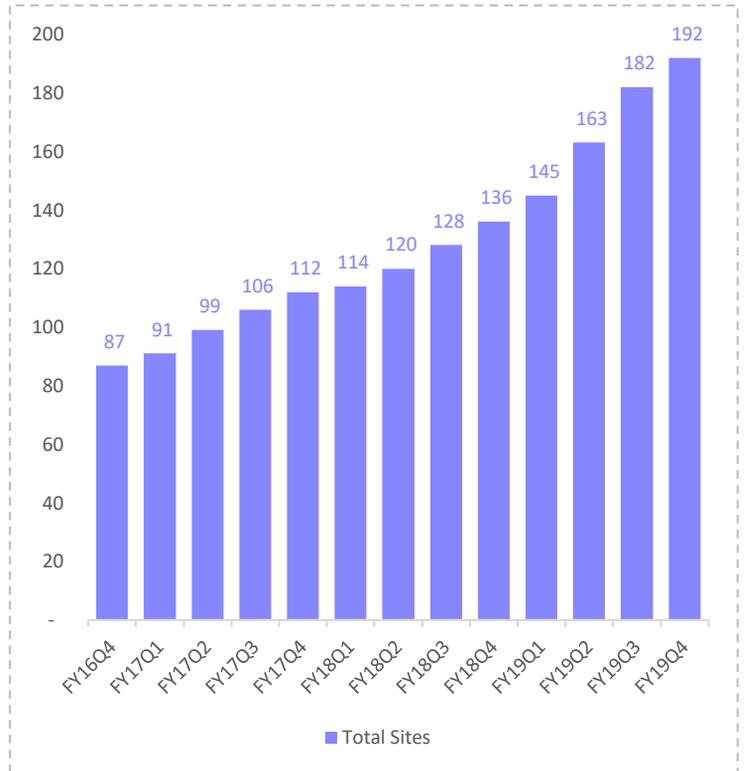
⁽¹⁾ Recently completed investment carried at cost



DESCRIPTION

[Fusion Sport](#) is a global leader in “human performance” software. The Fusion platform is used by professional and semi-professional sporting teams, national sporting associations, and the military for assessing and optimising performance and health outcomes across athletes or personnel.

Investment Date	Sep-18
Investment Amount	\$2.2m
Current Holding	11%
Key Personnel	<ul style="list-style-type: none"> Howard Leibman (EVP Team) Markus Deutsch (Founder)

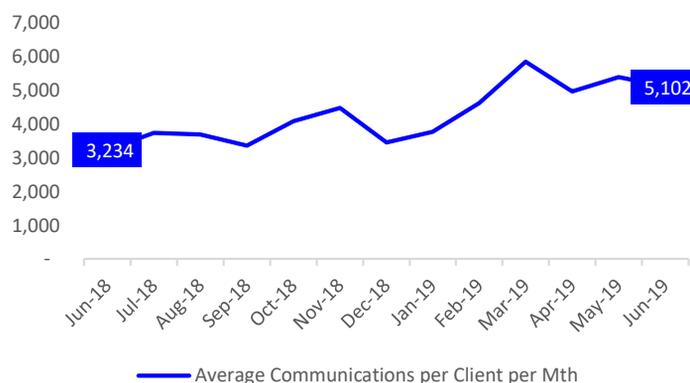
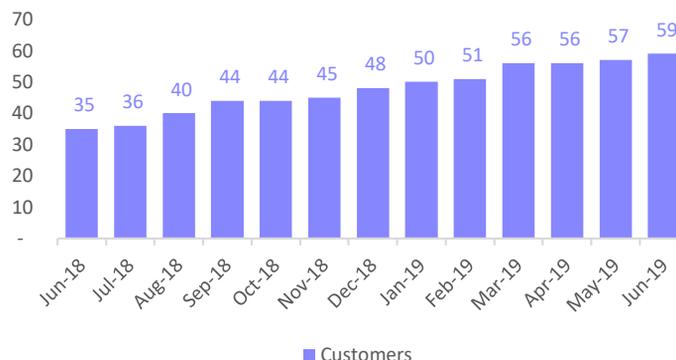
KEY METRICS

PERFORMANCE UPDATE

- Fusion Sport continues to work on its go-to-market function in the US. Historically a deeply engineering focused organisation, the business is yet to optimise its sales and marketing processes. The business continues to grow steadily, however we’re looking for an acceleration over the coming 12 months as the new US sales team begins to bed down. The business closed FY19 with revenue exceeding \$6m and with a very healthy pipeline.
- During our due diligence we identified the military as a significant adjacent market opportunity for the business. In coming weeks we anticipate Fusion signing a multi-year, multi-million dollar contract with a division of the US forces. The contract delivers long term recurring revenue and serves as a critical reference for other military organisations that are currently considering Fusion as their human performance software solution.
- Other notable completed sales include whole of league deals with the US NBA and US Soccer. The Dutch Olympic Committee is moving towards successful completion of a large pilot program, and conversations are ongoing with the French Olympic Committee and other national sporting organisations. These deals are in addition to the momentum the business is building in the professional sports market.
- We were pleased in June to welcome [Leslie Milne](#) as CFO. Leslie brings a strong track record leading finance teams within global technology businesses.

DESCRIPTION

[Pendula](#) is a two-way customer communication engine that helps businesses leverage multiple communications channels (SMS, Email, Social) to automate online interactions with their customers.

KEY METRICS



Investment Date	Sep-18
Investment Amount	\$2m
Current Holding	17%
Key Personnel	<ul style="list-style-type: none"> Justin Lipman, Howard Leibman (EVP Team) Alex Colvin (Founder)

PERFORMANCE UPDATE

- While new customer growth in the quarter to June was slow, the business upgraded 11 of its existing customers to increased pricing and longer contract terms. As such, the business grew its revenue base by 17% for the quarter. The business continues to enjoy a favourable cash cycle and excellent retention within the base. Importantly, two of the company's new customers were acquired via the fledgling Zuora channel partnership that launched earlier this year.
- The business continues to work on a number of important product and integration features. Pendula's core solution, its ability to deliver two-way, multi-channel customer communication for large enterprise clients, plays squarely into an important new theme in the enterprise software space. The emerging category of "conversational AI" has seen a multitude of global startups recently funded, and [Zendesk's acquisition of Scrunch](#) has brought further focus to the area. We believe Pendula will benefit significantly from this growing awareness and from the increased enterprise focus on the need for conversational AI solutions.
- The business has recently added three new staff members taking total headcount to 18. In June the company relocated to larger premises in Surry Hills.

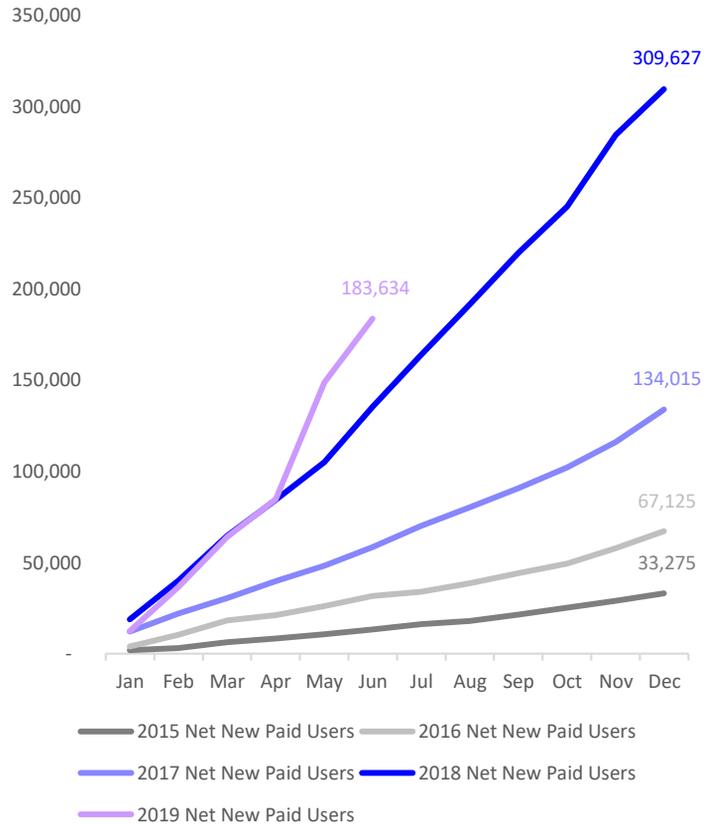


DESCRIPTION

[Deputy](#) is a global workforce management platform that aims to redefine the shift work economy. The platform spans employee scheduling, communication, time and attendance, performance management, tasking and payroll.

KEY METRICS

Investment Date	Oct-18
Investment Amount	\$2.8m
Current Holding	c. 0.4%
Key Personnel	<ul style="list-style-type: none"> Howard Leibman (EVP Team) Ashik Ahmed, Steve Shelley (Founders)



PERFORMANCE UPDATE

- Deputy continues to deliver strong top line growth. Over the quarter to June, the company added over 100,000 new paying users, taking the total to almost 800,000. Anecdotally, the net new users added for the quarter exceeded the total users acquired by the business in its first six years.
- Deputy continues to grow its core base of SME customers whilst seeing increasing success amongst larger enterprise clients. During the quarter the business signed Bunnings as a new flagship customer. Over an initial 6-month trial period, Bunnings ran a test to compare Deputy with Kronos, its incumbent software provider. Deputy won the contract, and will be rolled out across the entire Bunnings network, with a workforce exceeding 40,000 staff.
- In line with its growth, Deputy continues to rapidly expand its human capital capability. The business now employs over 350 people as compared to just under 200 when we invested less than 9 months ago. As a truly global business, Deputy is sourcing talent in Australia, the US and the UK as it continues to build its product, engineering, sales, marketing and support capabilities.

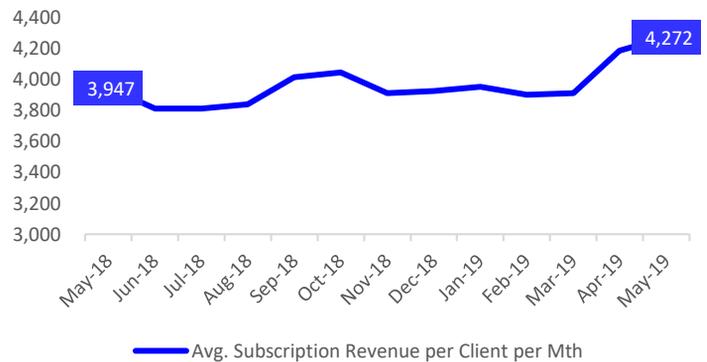
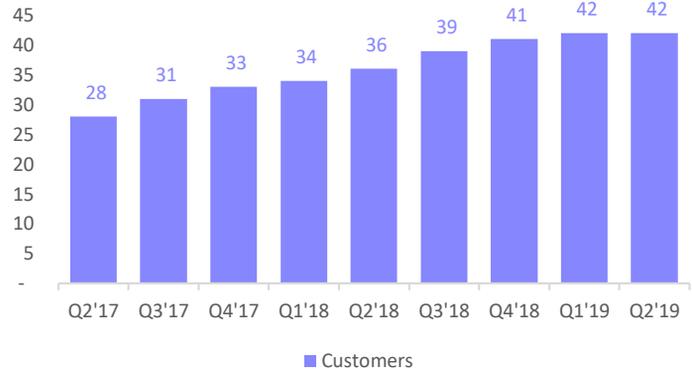


DESCRIPTION

Uptick provides specialist, cloud-based software for facility managers and field service operators to specify, manage, track and audit the delivery of regulated compliance services in the property sector.

Investment Date	Dec-18
Investment Amount	\$0.5m
Current Holding	4%
Key Personnel	<ul style="list-style-type: none"> Les Szekely, Dan Szekely (EVP Team) Aidan Lister (Founder)

KEY METRICS



PERFORMANCE UPDATE

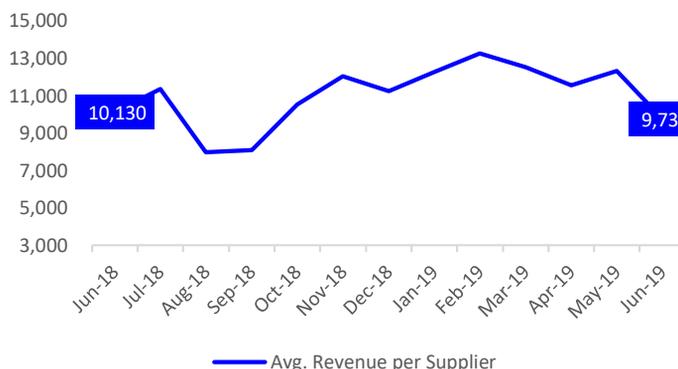
- Uptick is undergoing a process of transformation. Having built a best in class workflow product for regulated services, specialising in fire and audit, Uptick has now shifted its focus to developing its broader vision of providing a two-way, integrated data layer that pulls building compliance data from service providers and pushes that data to asset managers via a compliance portal.
- The shift in focus and dedication of resources to Uptick's new products has been part of the long term vision since before our investment. It does however result in a slow down in growth as the team remains dominated by product and technology over commercialisation.
- The company is in the early stages of resourcing its sales and marketing functions but has resolved to delay material commercialisation spend until the products are market ready. At this stage, two out of three of the new products are nearing completion while the third is still in its early stages due to restraints on resourcing.
- While revenue growth was expected to accelerate in the middle of this year, commercialisation of the new products at scale will be delayed until the third product is complete.



DESCRIPTION

[Foodbomb](#) is an online marketplace connecting food service businesses with wholesale suppliers. Restaurants and cafes use Foodbomb to search for product, compare pricing and order supplies.

KEY METRICS



Investment Date	Feb-19
Investment Amount	\$1m
Current Holding	20%
Key Personnel	<ul style="list-style-type: none"> Justin Lipman, Dan Szekely (EVP Team) Paul Tory, Josh Goulburn (Founders)

PERFORMANCE UPDATE

- The new 3 person go-to-market team continues to drive growth on both the supply and demand side with a number of larger restaurant chains, catering companies and new suppliers recently joining the platform. While still off a small base, the business continues to maintain growth rates in excess of 200% per year. The business has recently added 15 suppliers from Melbourne and anticipates launching in that market over the coming quarter.
- As an early stage company Foodbomb continues to refine its value proposition and iterate on how best to target the various segments of the large restaurant/café/catering sector. The business is starting to narrow in on a repeatable sales playbook and now has a far clearer product roadmap to execute on over coming quarters. In parallel, the business is beginning more proactively to build its team, recently adding engineering talent and bolstering its sales and account management capability. A focused effort around establishing strong account management processes in the business has led to vastly improving customer retention and upsell which is obviously as critical to performance as new customer acquisition.
- The Foodbomb platform itself is also undergoing a substantial rebuild to ensure that the technology scales effectively with the growth in the number of orders flowing through the platform. While these improvements are largely backend focused and not visible to the end customer, they are important product enhancements for the business over the longer term.

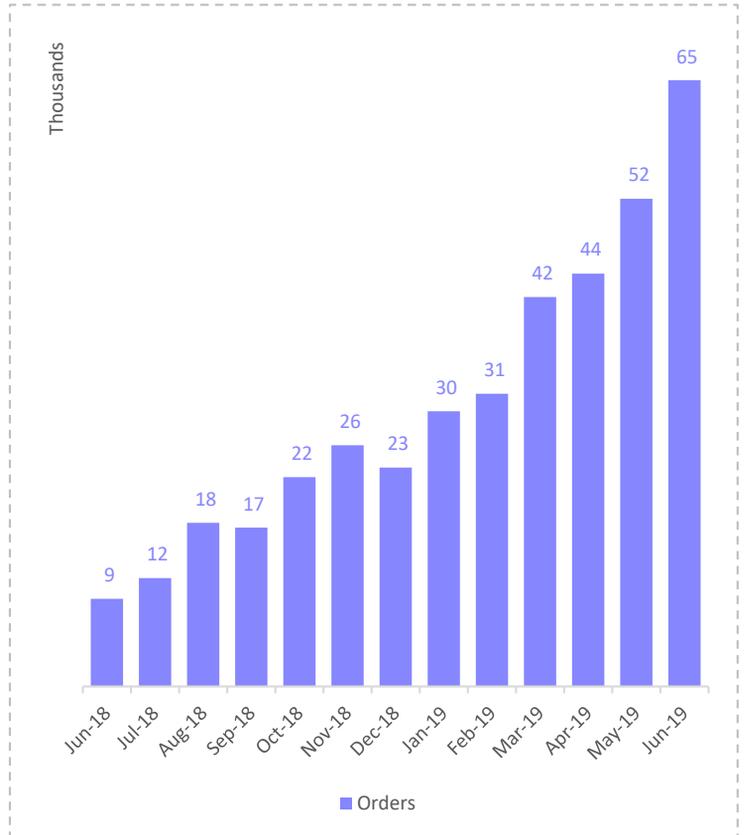


DESCRIPTION

[EatClub](#) allows restaurants with empty tables to offer last minute discounts to customers in real time, helping to filling excess capacity and to drive additional foot traffic to their venue.

Investment Date	May-19
Investment Amount	\$1.4m
Current Holding	c. 6%
Key Personnel	<ul style="list-style-type: none"> Daniel Szekely (EVP) Pan Koutlakis (Founder)

KEY METRICS



PERFORMANCE UPDATE

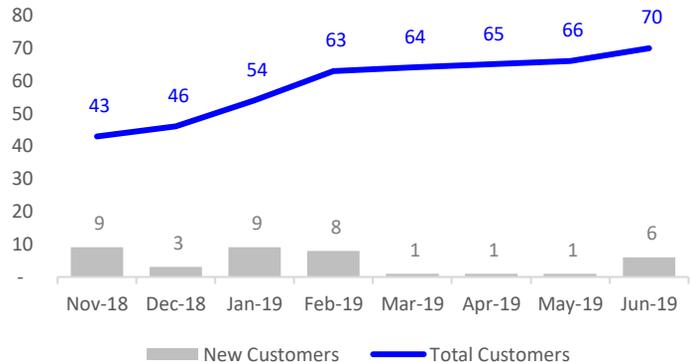
- The EatClub team have successfully deployed a hyper-local rollout strategy, focusing on micro-regions to build density on both the restaurant and customer side of the platform. The team is currently focusing on Chatswood, Parramatta, Collingwood and other key suburbs of Sydney and Melbourne.
- Since completing our financial diligence, which was based on Feb-19 results, the business has grown by more than 50% and has successfully launched in New York. The company's CEO, Pan Koutlakis, has relocated to the US to lead the rollout and has recruited a city manager and several sales staff. After an initial 4 weeks of activity the team had added 170 restaurants to the platform. Order volumes in New York now exceed 150 per day.
- Alongside the focus on customer acquisition and order volumes, the EatClub team are also continually improving the product. Several important updates are due for imminent release, including online ordering, a referral program and various data-driven prompts to drive usage and engagement.

Lumary

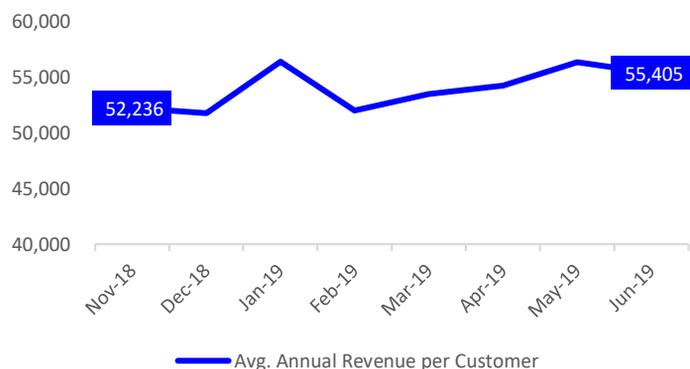
DESCRIPTION

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KEY METRICS



Investment Date	May-19
Investment Amount	\$2.0m
Current Holding	c. 12%
Key Personnel	<ul style="list-style-type: none"> Daniel Szekely (EVP) Joseph Mercorella (Founder)



PERFORMANCE UPDATE

- Since completing our investment in May, the Lumary team has continued its strong record of new customer growth. Importantly, the team have also begun scoping a number of very large enterprise opportunities, each of which would deliver significant multi-year subscription revenues. The company has recently expanded the sales team and has employed a new Head of Sales based in Sydney.
- Lumary continues to maintain customer and revenue growth rates well in excess of 100% per year. Importantly, the business enjoys very positive net dollar retention, meaning that the existing customer base will continue to deliver increasing revenue over time. We note that in the June quarter alone, upgrades from existing customers added over \$250k in annualised recurring revenue.
- We're looking forward to helping the Lumary team add a reporting capability and a framework for better understanding and optimising key operating metrics. Whilst the business is growing well, there remains significant untapped potential to drive further expansion revenue, to explore adjacent verticals and to think through potential for geographic expansion.



EQUITY VENTURE PARTNERS

EVP is an early stage venture capital firm based in Sydney, Australia. We partner with exceptional founders who have the vision, talent and tenacity to build outstanding companies.

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