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EQUITY VENTURE PARTNERS

Quarterly Report

EVP FUND II

December 2018



Letter to Investors

A happy new year to all of our investors. Thank you again for your support and welcome to our first quarterly update.

The period to December 2018 was particularly eventful:

- We completed fund raising for the EVP Fund II. With \$35 million of committed capital, we have now closed the fund;
- We completed our first four investments in Fund II – Fusion Sport, Pendula, Deputy and Uptick respectively;
- We signed a term sheet for our fifth investment which remains subject to due diligence. We hope to provide details in Q1 2019;
- And EVP's very own Justin Lipman finally tied the knot. (Congrats Justin and Gabi!)

Closing the fund

We were pleased to reach our \$35m fund raising target in late 2018. We're appreciative of the ongoing support by many of our Fund I investors, and are pleased to welcome a number of investors who join us for the first time. A thank you to our partner Spire Capital, who introduced many of our new investors and who, alongside the EVP team, made a meaningful direct investment in the fund.

The (relatively small) fund size of \$35m is ideally suited to our investment strategy. At core we are an early stage

investor. Our preference is to lead funding rounds at the Series-A stage with initial investments in the range \$1-2m, to take an active, hands on role with our companies, and to build a concentrated portfolio of no more than 10-15 companies. The \$35m fund size positions us well to double down on this approach, which has served us well over the past decade of early stage investing.

The timing of the fund's close seems also to be opportune. With the continued tightening of liquidity in the market, several early stage funds have found it challenging to raise further capital. This, combined with a clearly diminished angel investor appetite, is serving to reduce competition for quality opportunities, with consequent impact on pricing. At the same time, we're observing an increase in the number of investors and executives from startups funded over the the 2012-15 timeframe seeking to crystallise value. These dynamics clearly favour those investors with capital to deploy, particularly those in the early phase of their investment cycle.

Uptick - our fourth portfolio company

We have previously announced our investments in Fusion Sport, Pendula and Deputy. In December 2018 we completed a \$0.5m investment in Melbourne based "prop-tech" startup Uptick.

We have been close to Uptick for two years. Our Fund I (the Microequities Venture Capital Fund) is an existing investor and Les is a director of the company. EVP Fund II participated in a total \$2.0m funding round alongside the two current VC investors (the Microequities Venture Capital Fund and Tempus Partners respectively), both of which increased their investment.

Letter to Investors

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

The business has established a strong customer base of 41 property groups, delivering a growing subscription revenue nearing \$200k per month. Over the past 6 months the business has been focused on extending its product capability to add maintenance and compliance modules to its core field workforce platform. Two large corporate customers have effectively underwritten the costs of this product build, with upfront payments and with commitments to substantial ongoing license fees upon completion.

We expect ongoing growth in Uptick's core business. More importantly we expect the new product release to underpin significant and sustained revenue growth over the long term. We believe we are buying into this company at a particularly opportune time.

We include further details on Uptick further in this report.

A word on Deputy

In November 2018 we announced our investment in Deputy, participating alongside IVP, Openview and SquarePeg in Australia's largest ever Series-B funding round.

In Q4 2018, Deputy added 90,000 net new paying users. This exceeds the total number of users added in the first 7 years of the company's life!



The Deputy executive team after raising \$US81m

Over time, we see Deputy becoming one of this country's truly outstanding global software companies.

Closing comments

It's early days, but we're confident that the fund is off to a good start. Our first four investments provide a solid early underpinning to the portfolio, and we believe the fund is particularly well placed in the market.

We look forward to an ongoing two-way dialogue with our investors and, as always, encourage you to be in touch with any questions or comments.

Until next quarter,

Les, Howard, Justin and Dan

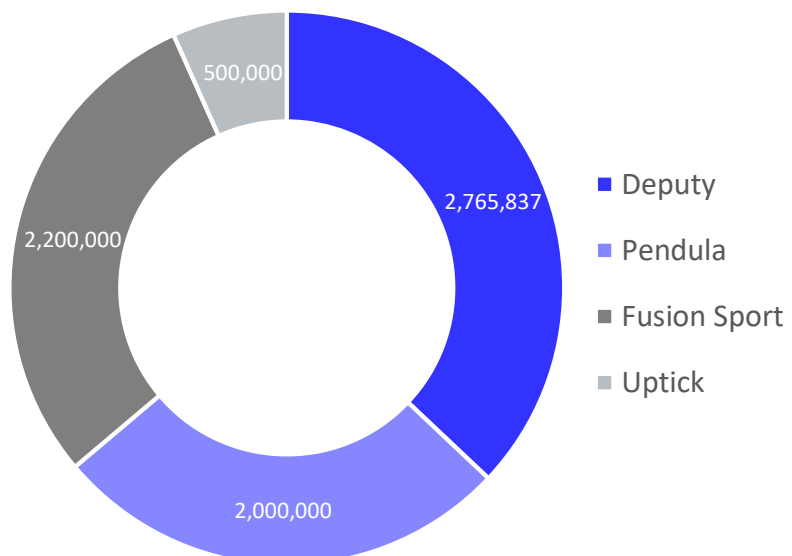


Portfolio Summary

- In January 2019 EVP called a First Close to EVP Fund II, with total capital committed of approximately \$35 million.
- During the quarter to Dec-18 EVP Fund II made new investments in Fusion Sport, Pendula, Deputy and Uptick.
- Total invested capital to Dec-18 is \$7.5m.

Company	Date of Initial Investment	Amount Invested	Portfolio Weighting	Market Valuation	Valuation Uplift	Holding Period (months)
Fusion Sport	Sep-18	2,200,000	29%	2,200,000 ⁽¹⁾	na	3
Pendula	Sep-18	2,000,000	27%	2,000,000 ⁽¹⁾	na	3
Deputy	Oct-18	2,765,837	37%	2,765,837 ⁽¹⁾	na	2
Uptick	Dec-18	500,000	7%	500,000 ⁽¹⁾	na	1
Total Investments		7,465,837	100%	7,465,837	na	
Total Value to Paid in Capital				1.00x		

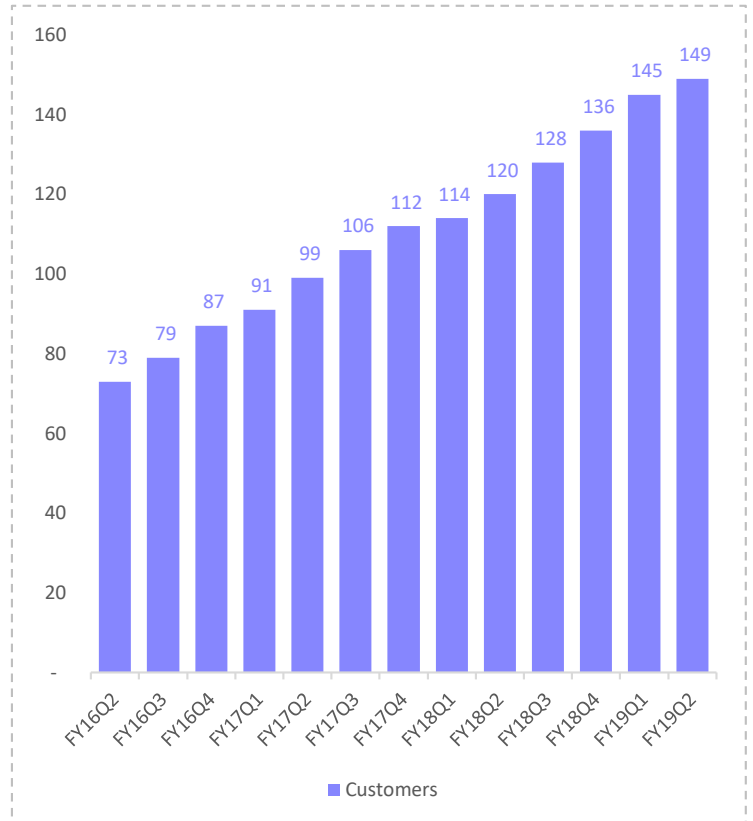
⁽¹⁾ Recently completed investment carried at cost



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)

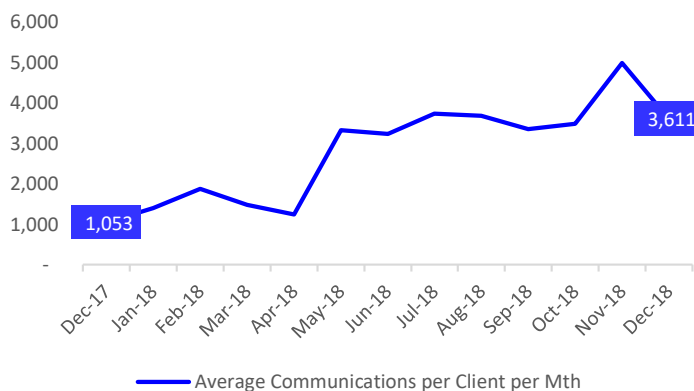
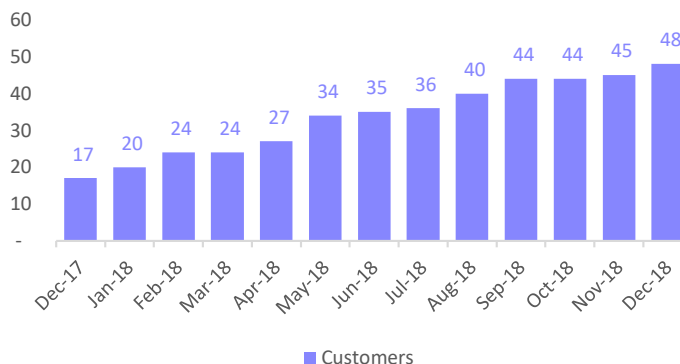
KEY METRICS

PERFORMANCE UPDATE

- Fusion continues to add to its high profile global customer list. Over recent months, the business has won Ohio State University, the US Marine Corps, Football NSW, Sydney FC, Otago Highlanders, Manly Sea Eagles, GoSports India, Israel Football Federation, West Indies Cricket, Royal Antwerp FC, Santa Ana College Firefighters and USA Pegasus (Military), amongst others. Importantly, retention remains very strong, with all existing customers renewing. Fusion expects to lose only one customer over the entire course of FY19.
- During the quarter Fusion released a beta version of Axiom, a new product targeting the semi-professional and sub-elite market. Axiom is a “trimmed down” version of Fusion’s market leading Smartabase platform, positioned at a far lower price point. With some 200 customers having signed up for a trial account, Fusion aims to refine the product over coming months ahead of a full commercial release. Axiom has the potential to significantly broaden Fusion’s target market and to contribute a significant additional subscription revenue stream.
- In late 2018 Fusion opened its US office in Boulder, Colorado and began recruiting a US sales and support team. In February CEO Markus Deutsch will be moving to the US with his family for a minimum two year period to drive growth in Fusion’s key North American market.

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

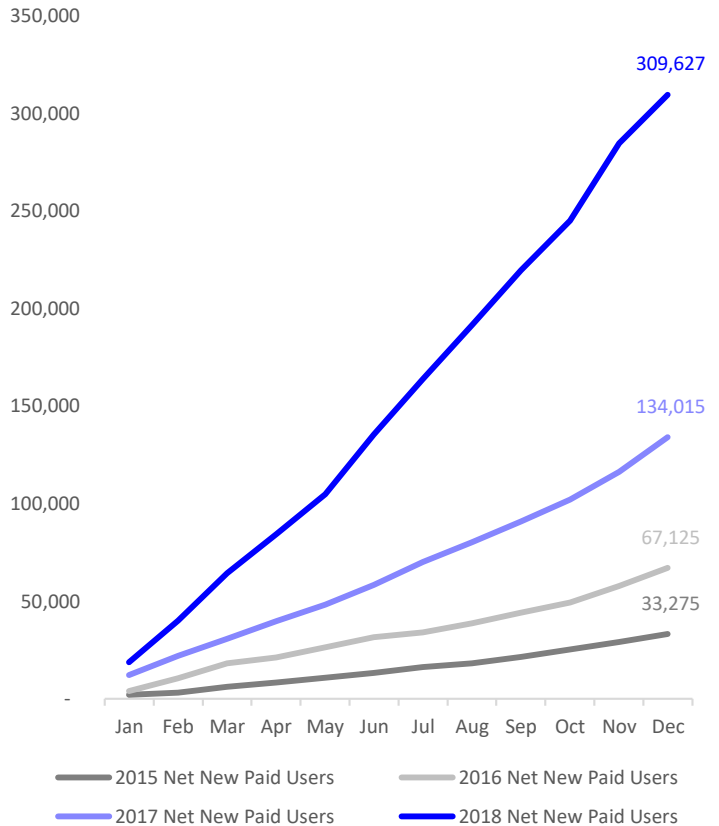
- During the quarter the business added University of South Australia, My Mobile Data, Hudson RPO and BizCover as new clients. The company has a healthy pipeline of prospective customers at various stages of engagement. With the addition of three new salespeople in late 2018, we anticipate an increased rate of new customer wins over the first half of 2019.
- Over the quarter Pendula implemented a concerted program to increase overall customer engagement with the product. This included the establishment of a dedicated account management function and greater separation between sales and customer success. The business has seen a material lift in key engagement metrics as a result, essential for maintaining the company's low churn rate and healthy customer retention profile.
- In late 2018 Pendula became the first global partner in the Zuora app marketplace. Pendula integrates very tightly with the Zuora platform and the two companies have developed a close working relationship. Our expectation is that Pendula will increasingly leverage this relationship to drive new sales as Zuora becomes a key acquisition channel partner for the business.



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	\$USD 2m
Current Holding	c. 0.4%
Key Personnel	<ul style="list-style-type: none"> Howard Leibman (EVP Team) Ashik Ahmed, Steve Shelley (Founders)

PERFORMANCE UPDATE

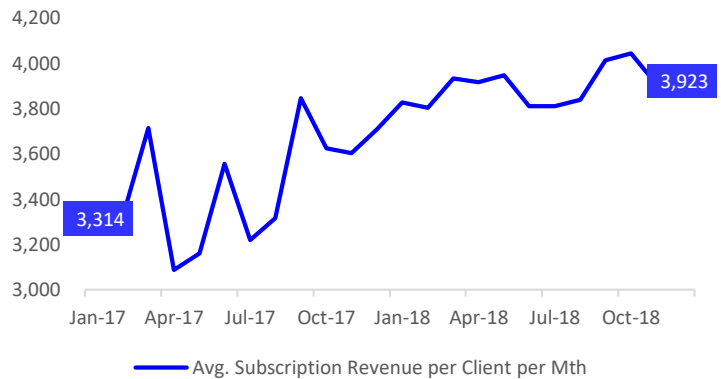
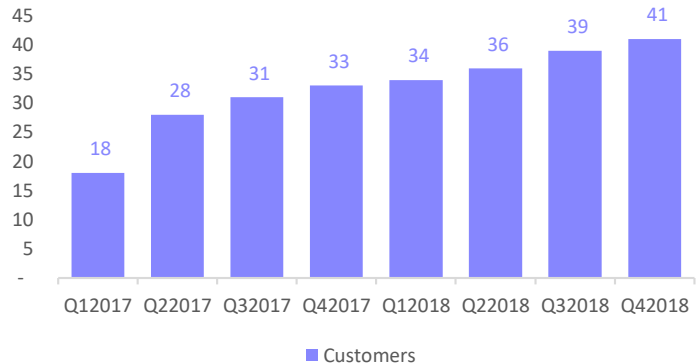
- In November 2018 Deputy raised \$US81m, marking the largest ever Series-B funding round in Australian history. We are delighted to have Silicon Valley's Institutional Venture Partners (IVP) participate as the lead investor and to welcome IVP's Eric Liaw to the Deputy board. The funding will underpin significant ongoing investment in product, marketing and organisational depth to drive and support the company's continued growth
- Over Q418 Deputy delivered record performance across all metrics. The company added 90,000 net new users, taking total active users to over 600,000. This growth translated into similarly strong financial performance, with contracted annual recurring revenue now well over \$30m.
- Deputy has been transitioning from its early focus on the SMB market to an increased focus on enterprise customers. The company's enterprise capabilities have been validated through 2018 with brands such as Amazon, Google, Uber, American Airlines, McDonalds and Estee Lauder.
- Deputy continues to invest significantly in product, delivering a number of important upgrades in late 2018. Key releases relate to auto-scheduling, break planning and custom reporting. Ongoing platform enhancements continue to extend Deputy's already significant market lead.



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.

KEY METRICS



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)

PERFORMANCE UPDATE

- Uptick is overwhelmingly a product and engineering led organisation. The business has no sales staff and limited marketing capability. This notwithstanding, the company has successfully established a strong early-adopter customer base and has delivered incremental monthly growth in both accounts and revenue over 2018.
- Uptick's primary focus over 2018 was to extend its platform to include specific compliance and maintenance modules. Two large corporate customers have effectively underwritten this product development effort with sizeable upfront payments as well as commitments to ongoing licence fees when the product upgrades are released in early 2019.
- Whilst revenue growth has slowed during this build phase, we expect release of the new products to deliver significant upsell opportunity across the existing customer base and to open material new opportunities for the business. Licence fees already pre-committed will add a minimum \$100k per month in additional subscription revenue early in 2019.
- Upon completion of the recent \$2m funding round, Uptick will now establish its sales, marketing and support capabilities ahead of the planned new product release. We expect a significant acceleration in customer and revenue growth through 2019 and beyond.



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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