

EQUITY VENTURE PARTNERS

# Quarterly Report

EVP FUND II

September 2019



# Investor Update

During the quarter to September 2019 we announced investments in Hnry and Practifi. Whilst Hnry is new to the EVP portfolio, we already have a longstanding relationship with Practifi, which is emerging as one of the standout performers in Fund I. We are particularly pleased to have secured an initial stake for Fund II.

We're also well progressed in relation to a further two new investments, both of which will likely complete in the current quarter. Also this quarter we expect to complete follow-on investments in two existing portfolio companies, Foodbomb and Eatclub respectively. Both have been delivering outstanding results in the relatively short period since our initial investments and are seeking fresh capital to accelerate growth.

We anticipate calling capital within the next four weeks as these investments move towards completion.

## Hnry

Hnry is a New Zealand based platform for self-employed contractors and freelancers, providing invoicing, tax, compliance and insurance services. The business automatically completes all financial admin for its customers including the deduction and payment of taxes in real time.

We approached co-founder James Fuller proactively to explore an investment and worked with the Hnry team over several months as the opportunity crystallised. With our investment of \$1.5m we become Hnry's first institutional shareholder.

In the two months since our investment, revenue has increased by c. 38%.



*The Hnry Founding team – Richard Freestone, Claire Fuller and James Fuller*

## Practifi

Practifi has developed a practice management solution for financial advisors. The product is used by some 2,700 wealth professionals. This is growing strongly as the the business gains traction in the vast US financial advice market.

We are already investors in Practifi via EVP Fund I. Opportunity arose to purchase shares from three current shareholders and to provide modest additional working capital. We invested \$1.2m to secure an initial equity position for Fund II.

In recent weeks Practifi has been in discussions with several US funds regarding a Series-B round. The company has received an offer for a US\$10m investment at a valuation more than twice our Fund II entry price. We will likely participate in this round to increase our stake in the business.

## Follow-on Investments

Key to our investment strategy is to secure meaningful early equity positions and to “double down” on our best performing companies.

Barely 8 months since our investment, Foodbomb is raising a further \$2.5m at a valuation of \$10m, a more than 2x uplift on our initial investment. We intend investing \$1.5m of this amount, taking our ownership to almost 30%.

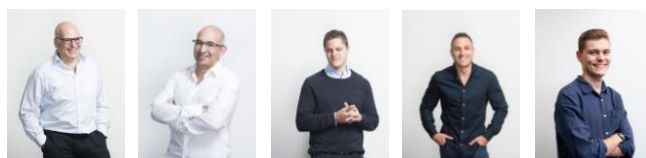
On our prompting, EatClub too is likely to raise a small additional round. We anticipate investing a further \$1.5m on terms very similar to our initial investment 6 months ago, notwithstanding the company's substantial growth over that time.

## The Fund II Portfolio

Fund II has invested \$14.5m across nine companies. We hold our investments at cost for at least twelve months, other than in the event of a material 3<sup>rd</sup> party transaction. As we now move beyond the anniversary of our first investment, future quarterly updates will begin to reflect updated valuations across the portfolio. We remain extremely pleased with performance.

Until next quarter,

Les, Howard, Justin, Dan and Mark



# Fund Snapshot

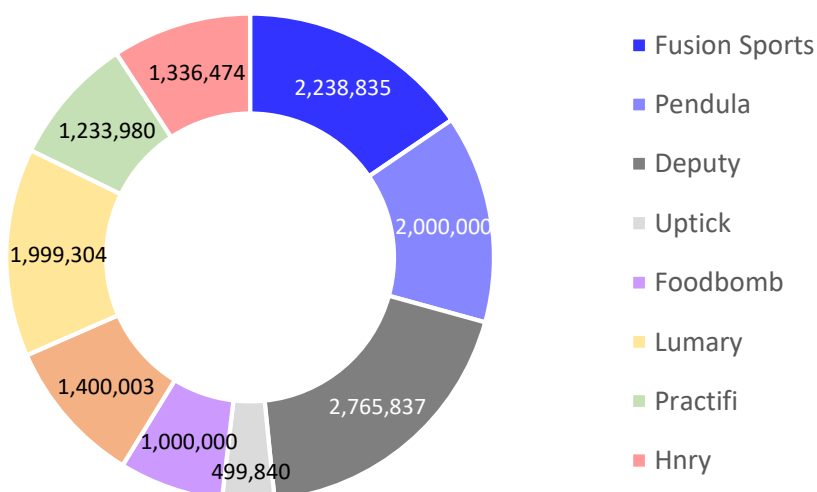
- During the quarter to September 2019 EVP Fund II invested \$1.2 million in Practifi and \$1.3 million in Hnry.
- At September 2019, the Fund had invested a total of \$14.5 million across a portfolio of nine companies. All investments are carried at cost.

	30 September 2019	
Number of Portfolio Companies	9	
	\$	As % of Com. Cap.
Committed Capital	35,240,000	
Cumulative Paid-In (Called) Capital	17,620,000	50%
Less Cumulative Distributions	-	0%
<b>Net cash from investors</b>	<b>17,620,000</b>	
<i>Use of called funds:</i>		
Purchase of investments	14,474,274	
Net cash provided by/(used in) operating activities	1,049,348	
Cash at bank	2,096,378	
	<b>17,620,000</b>	
Valuation of portfolio companies	14,474,274	
Other net assets	-	
<b>Net assets of the Fund</b>	<b>16,570,652</b>	
<b>Total Value to Paid in Capital (TVPI)</b>	<b>0.9x</b>	
Uncalled Capital	17,620,000	50%
<i>Amounts Reserved for:</i>		
Follow-On Investments	-	0%
Commitments to the management company		0%
<b>Called and Reserved Capital</b>	<b>17,620,000</b>	<b>50%</b>
<b>Available for drawdown</b>	<b>17,620,000</b>	<b>50%</b>

# Portfolio Summary

Company	Date of Investment	Amount Invested	Portfolio Weighting	Market Valuation	Valuation Uplift	Holding Period (months)
Fusion Sport	Sep-18	2,238,835	17%	2,238,835 <sup>(1)</sup>	<i>na</i>	12
Pendula	Sep-18	2,000,000	15%	2,000,000 <sup>(1)</sup>	<i>na</i>	12
Deputy	Oct-18	2,765,837	21%	2,765,837 <sup>(1)</sup>	<i>na</i>	11
Uptick	Dec-18	499,840	4%	499,840 <sup>(1)</sup>	<i>na</i>	10
Foodbomb	Feb-19	1,000,000	8%	1,000,000 <sup>(1)</sup>	<i>na</i>	7
Eatclub	May-19	1,400,003	11%	1,400,003 <sup>(1)</sup>	<i>na</i>	4
Lumary	May-19	1,999,304	15%	1,999,304 <sup>(1)</sup>	<i>na</i>	4
Practifi	Sep-19	1,233,980	9%	1,233,980 <sup>(1)</sup>	<i>Na</i>	1
Hnry	Sep-19	1,336,474	10%	1,336,474 <sup>(1)</sup>	<i>na</i>	1
<b>Total Investments</b>		<b>14,474,274</b>	<b>100%</b>	<b>14,474,274</b>	<b><i>na</i></b>	
<b>Total Value to Paid in Capital</b>				<b>1.00x</b>		

<sup>(1)</sup> Recently completed investment carried at cost

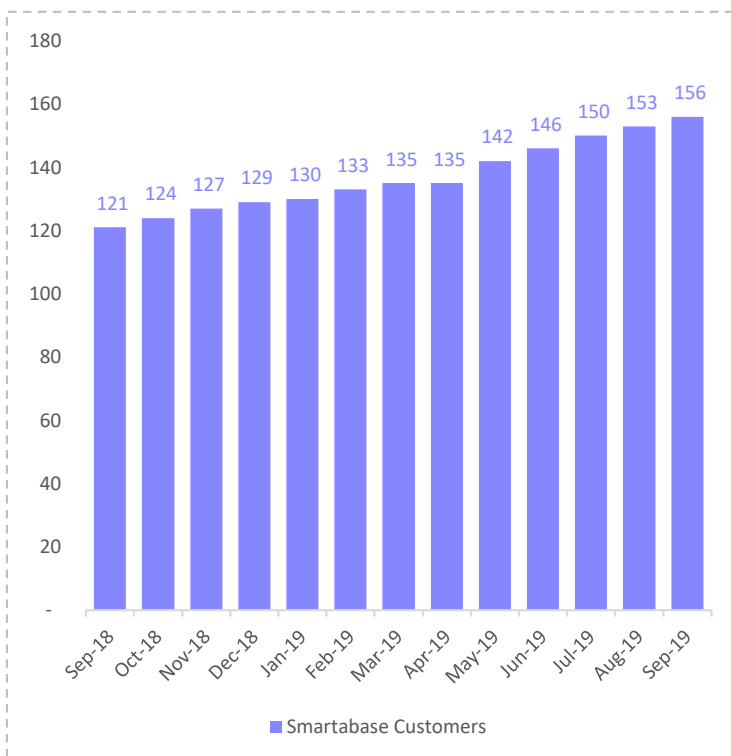


## DESCRIPTION

[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"> <li>Howard Leibman (EVP Team)</li> <li>Markus Deutsch (Founder)</li> </ul>

## KEY METRICS



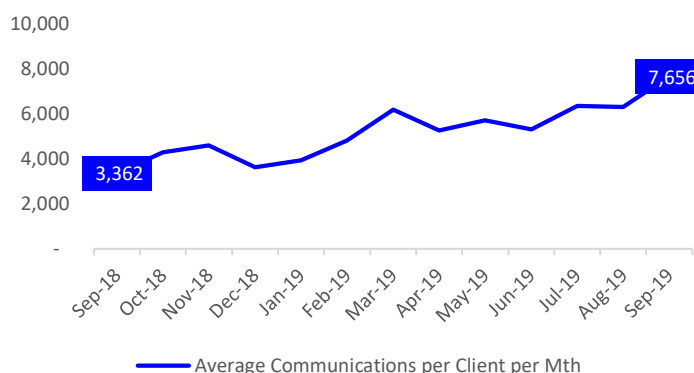
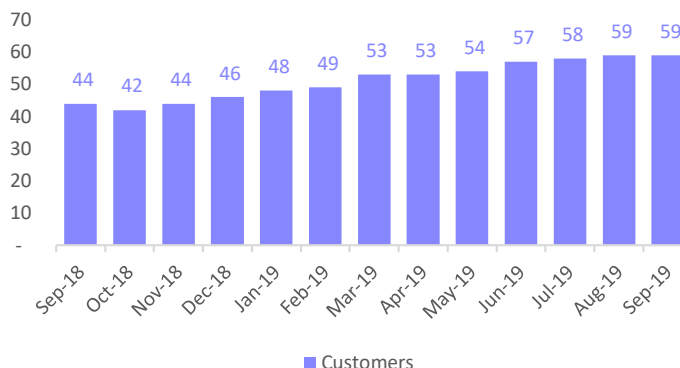
## PERFORMANCE UPDATE

- Fusion Sport has had challenges scaling its sales and marketing capability in the US and this has been a significant focus over recent months. During the quarter, the company began seeing the benefits of these efforts, signing ten significant new Smartabase customers across professional sporting clubs, Olympic organisations and the military. The team have added several marquee sporting customers, including the LA Lakers in the US NBA and Arsenal F.C. in the English Premier League. The customer pipeline is strong, and we expect to see customer acquisition accelerate in the current quarter and beyond.
- Most significantly, the company signed a multi year deal with a unit of the US Special Forces with a first year contract value of c.\$1.8m. The deal is the culmination of many months of effort, with the team having to deliver against extremely high security, compliance and performance specifications. The value of the contract is likely to expand materially over time as additional functionality is added and as the number of users expands beyond the relatively contained initial user group set out in the current contract terms.
- The Special Forces deal is not the company’s first engagement with the military, but it is the largest and highest profile. As anticipated, the deal is already serving as a reference for the wider military community, and Fusion Sport is already fielding inbound interest from a number of large military and research organisations. The military opportunity serves to significantly expand the company’s addressable market beyond elite sports, and we expect this segment to account for a growing proportion of the company’s revenue over time.

## 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"> <li>Justin Lipman, Howard Leibman (EVP Team)</li> <li>Alex Colvin (Founder)</li> </ul>

## PERFORMANCE UPDATE

- Pendula is used by a wide range of telecommunication, media, health and financial services firms, both to engage with their clients and to improve internal communication flows. The platform is flexible and configurable, with potential to engage customers across a diverse range of use cases. Typical of a horizontal software business, such diversity of potential customer segments and applications can compromise the efficiency of sales and marketing efforts. There is a clear need for the company to more clearly articulate its proposition for specific enterprise categories, to identify its optimum target segments and to more clearly focus on specific use cases. The business continues to grow well, but clarity around these issues will become essential to developing a more scalable go to market strategy.
- The business delivered another record sales quarter adding in excess of \$350k of net new sales over and above its existing client base. This included a significant client win out of Hong Kong. The business is currently working towards completion of a c. \$1m annual contract with an Australian telecommunications provider, indicative of the value of the software and the potential scale of enterprise contracts that the business can realistically go after.
- Pendula has historically added clients on both the Zuora and Salesforce platforms. Whilst this is ongoing, it is pleasing that the business now also operates an “off-platform” solution, helping both to expand the potential universe of customers and also to mitigate the risk of reliance on any third party platform.

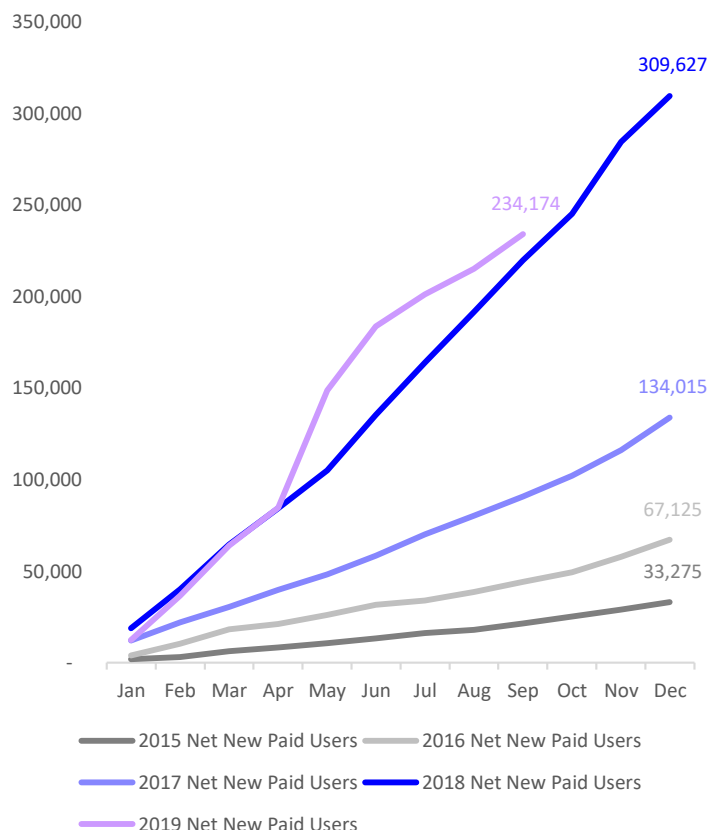


## DESCRIPTION

[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.

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

## KEY METRICS



## PERFORMANCE UPDATE

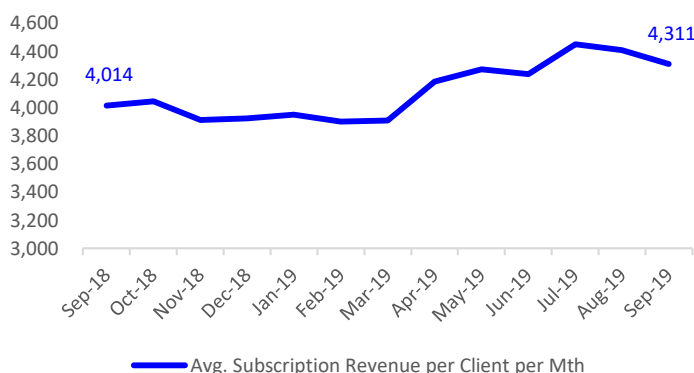
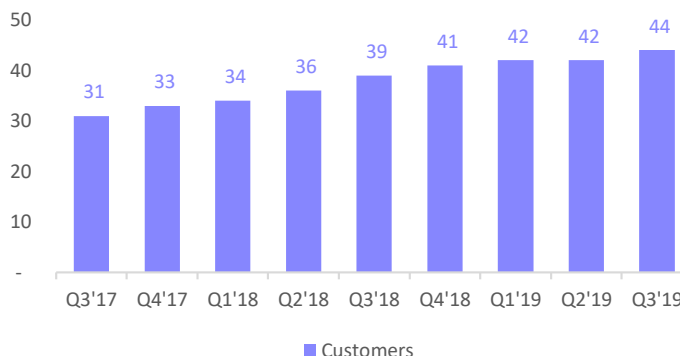
- Deputy continues to deliver strong top line growth. Each quarter the business adds c.3,000 new accounts, translating to c.80,000 net new paying users. (The quarter to June 2019 was something of an anomaly, with the addition of Bunnings, and the on-boarding of the entire 40,000 strong Bunnings workforce, boosting net new user acquisition to well over 100,000 for the quarter.)
- As the user base expands, so too does the challenge of maintaining quarter on quarter growth whilst ensuring healthy underlying unit economics. Deputy's traditional small business segment (primarily in retail and hospitality) continues to underpin its customer growth, but in order to maintain user growth rates the company needs increasingly to acquire larger mid-market customers. As Deputy invests both in the US SMB channel and in its mid-market capabilities, customer acquisition costs are trending higher. As the business heads towards 1 million users, it remains a key priority to identify and leverage new acquisition channels (primarily through partnerships) to supplement its existing SMB acquisition activities.
- Deputy continues to build a world class team. An executive search process is currently underway for the role of global President, targeting an experienced senior software executive to lead Deputy's international expansion activities alongside CEO Ashik Ahmed.

## 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"> <li>Les Szekely, Dan Szekely (EVP Team)</li> <li>Aidan Lister (Founder)</li> </ul>

## KEY METRICS



## PERFORMANCE UPDATE

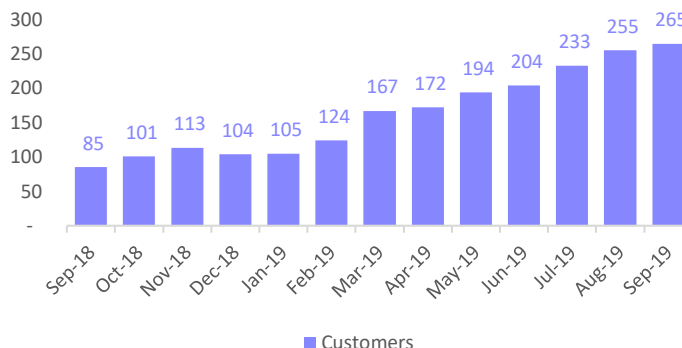
- The first of Uptick's new major products deployments is nearing its initial completion. The business has two new products that it will be developing over the next 12 months. The first is Uptick Maintenance, a software platform which allows property managers to raise tickets and accept quotes for maintenance work on managed properties. The second is Uptick Compliance, a platform which allows property owners to visualise and monitor compliance and regulated services across their asset portfolio.
- The Maintenance product has the potential to materially impact the way in which property managers run their businesses by allowing these managers to charge a small margin on maintenance work carried out on managed properties. This new revenue stream creates an incentive for managers to be vigilant in relation to property maintenance and produces an incentive model that aligns remuneration with work actually carried out by the manager in relation to the property.
- With traditional property managers under threat by automated and self managed platforms, current market conditions lend themselves to adoption of a new fee model as managers seek out ways to resist the fee compression currently being experienced by the sector. Uptick has already signed a number of early adopters to the platform prior to having a finished product and it is hoped that the Australian property management sector will adopt this model which is already common place in other jurisdictions.
- Revenue from the business' core workflow tool continues to experience modest growth during this time and remains a market leader in workflow software for regulated service providers.



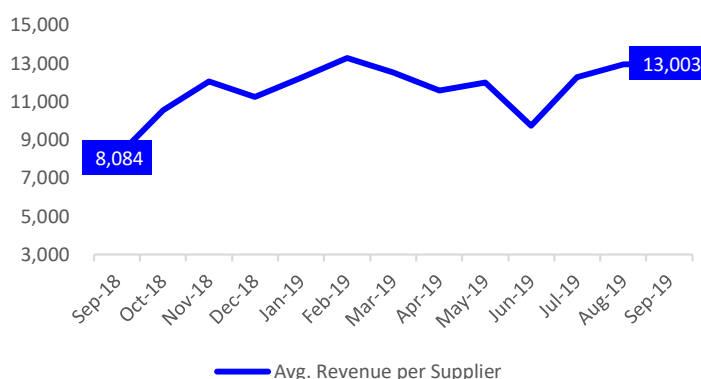
## DESCRIPTION

[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"> <li>Justin Lipman, Dan Szekey (EVP Team)</li> <li>Paul Tory, Josh Goulburn (Founders)</li> </ul>



## PERFORMANCE UPDATE

- The quarter to September 2019 marked a busy period for Foodbomb. The team grew from 8 staff to 17, commenced business in the Melbourne market and ran a capital raise process to bring an additional \$2.5m into the business. Growth continues to accelerate with the business now processing several thousand orders each month across multiple categories.
- Recently the business has agreed to raise an additional \$2.5m. Aura Ventures will be participating alongside EVP in the round. Whilst the transaction is yet to be finalised, EVP Fund II intends to invest an additional \$1.5m, with Aura subscribing for the remaining \$1.0m. The transaction, priced by Aura, is proceeding at a valuation of \$10m, which represents a more than 2x uplift on our original investment less than 8 months ago. The round received significant interest from multiple local venture funds. We consider this to be an exceptional investment and are pleased to increase our stake to almost 30%.
- The second half of 2019 continues to see rapid iteration of the product and platform. The team is expanding its product capability to support a range of integration partners, additional functionality for its existing base and overall improvements to its UX and feature set. We expect continued improvements in growth, revenue per customer and conversion rate as a result.
- Foodbomb remains an early stage business relative to others in the portfolio. However the team continue to execute very effectively and the size of the potential opportunity is becoming increasingly evident. We are firming in our conviction that Foodbomb will deliver outstanding returns for the Fund.

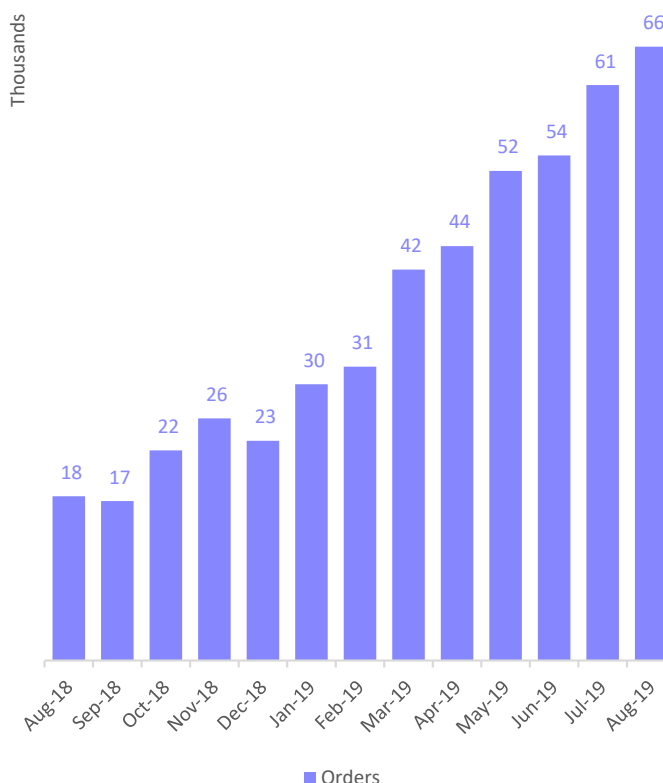


## DESCRIPTION

[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"><li>• Daniel Szekely (EVP)</li><li>• Pan Koutlakis (Founder)</li></ul>

## KEY METRICS



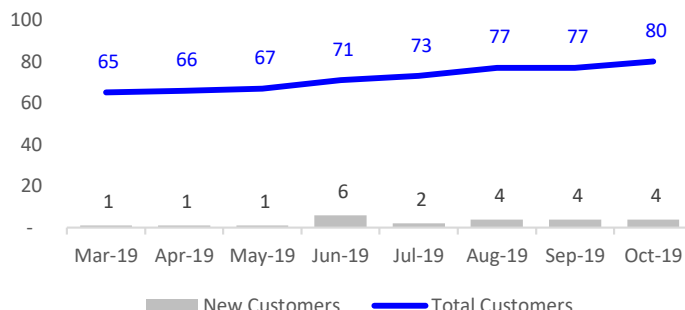
## PERFORMANCE UPDATE

- EatClub has successfully launched in New York City under the Crave brand. After three months the team has on-boarded over 250 venues, leading to strong early density in Manhattan. Thousands of New-Yorkers have used Crave to redeem offers (September saw over 4,500 bookings in NYC) and the product appears to be resonating in the world's most competitive hospitality market. Building a new team in a new country comes with significant complexity, but Management continue to execute well. We note that NYC, which marks EatClub's fourth city after Melbourne, Sydney and Brisbane, is performing materially better than the prior three cities at the equivalent point. All Australian cities continue to grow strongly.
- With the US expansion CEO/Founder Pan Koutlakis is residing permanently in New York, and EatClub's team remains stretched. Additionally, a number of significant product opportunities and potential partnerships have emerged with the software gaining attention as a potentially valuable addition to the required restaurant technology stack. We have been pushing Management to consider a small bridging round to help expand the team and to begin investing in these product initiatives.
- We expect to complete an investment of an additional \$1.5m in Q4 2019. Effectively this is being structured as an extension of our original investment, reflecting broadly similar terms. We note that the business has more than doubled since we completed diligence in March 2019, and see this bridging round as presenting a compelling opportunity to increase our stake.

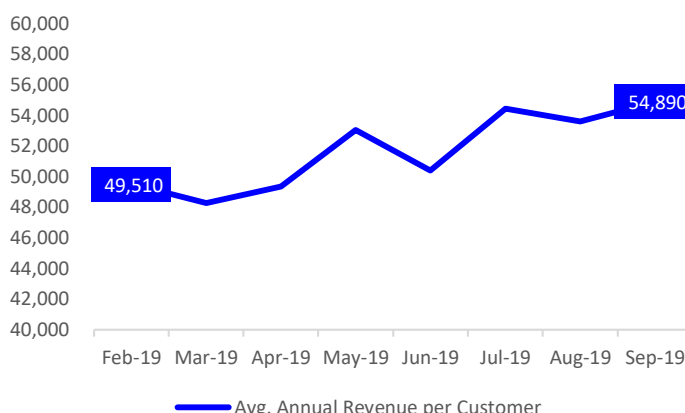
## DESCRIPTION

[Lumary](#) is a SaaS company focused on the disability and aged care sectors. Lumary 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.

## KEY METRICS



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



## PERFORMANCE UPDATE

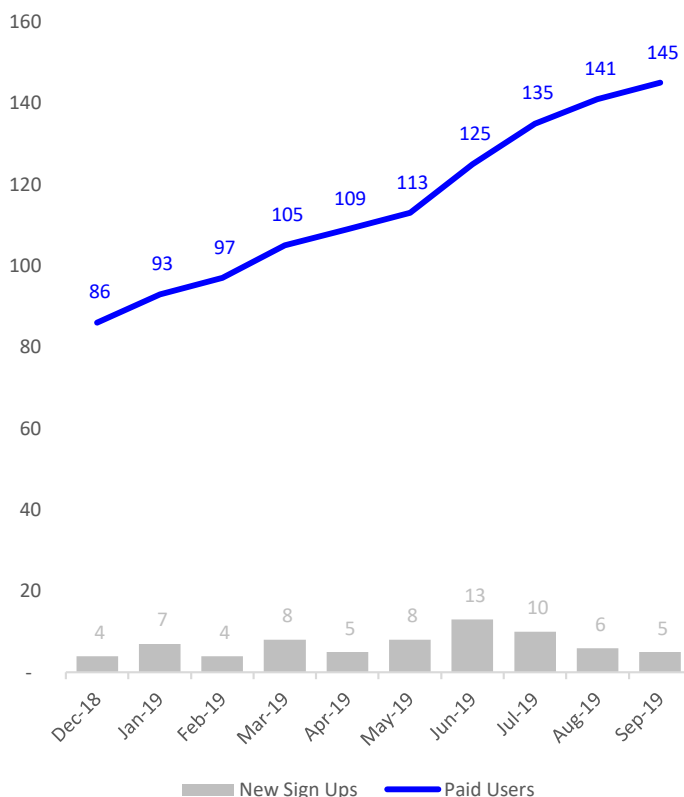
- Lumary has continued its strong growth trajectory over the past quarter. Consistent with our investment thesis, revenue growth is underpinned both by new customer acquisition and by ongoing expansion of existing customer revenues. In the three months to September, this expansion revenue accounted for more than double the revenue from new customers.
- This quarter Lumary released a new product aimed at Plan Managers for NDIS participants. Plan Managers and self-managed care are accounting for an increasing proportion of services rendered under the NDIS. The company is looking to position itself as central to these trends with Lumary for Plan Managers the first in a line of potential new products. The initial response has been promising, and we've seen meaningful uptake since the launch of the Plan Manager product in September. The company will continue to identify further opportunities to service stakeholders across the NDIS and Aged Care sectors.
- The past month also saw Lumary update its branding and [website](#), clearly articulating its vision to "impact and empower health and wellbeing organisations to provide better care for their communities."

## DESCRIPTION

[Practifi](#) has developed a cloud based practice management solution for financial advisors. Built on the Salesforce platform, Practifi provides best in class CRM capability. The product integrates with a range of wealth-specific and general business applications, creating a central platform from which financial professionals can manage all aspects of their practice.

Investment Date	Sep-19
Investment Amount	\$1.23m
Current Holding	c. 3%
Key Personnel	<ul style="list-style-type: none"> <li>Howard Leibman, Justin Lipman (EVP)</li> <li>Glenn Elliott, Adrian Johnstone (Founder)</li> </ul>

## KEY METRICS



## PERFORMANCE UPDATE

- Since launching in 2014, Practifi has emerged as a significant contender in the wealth CRM space. The platform is now used by some 146 wealth advisory businesses, representing approximately 3,000 individual advisers. The business continues to grow at well over 100% year on year.
- We have known Practifi founders Glenn Elliot and Adrian Johnstone for several years. We led Practifi's Series-A funding in mid 2018 with an investment of \$3M through EVP Fund I. Since then our confidence in the team and our conviction in the opportunity has increased. During the quarter to September 2019, Fund II acquired an initial \$1.2m stake through a combination of a primary investment and a secondary purchase of shares from three current shareholders.
- At the time of our investment the founders were already contemplating a Series-B funding round. EVP introduced a number of potential US investors and helped facilitate discussions with several preferred partners. In late October Practifi received several funding offers and moved to an executed term sheet with a preferred investor. The offer is for a minimum US\$10m investment at a valuation more than twice our entry price of less than 3 months ago.
- We have indicated that EVP will participate in the Series-B round. We are working through transaction details and hope to complete the investment early in the new year. Practifi is emerging as an outstanding vertical SaaS business with a huge potential market. We are excited by the opportunity and look forward to doubling down on our investment alongside a large US fund.

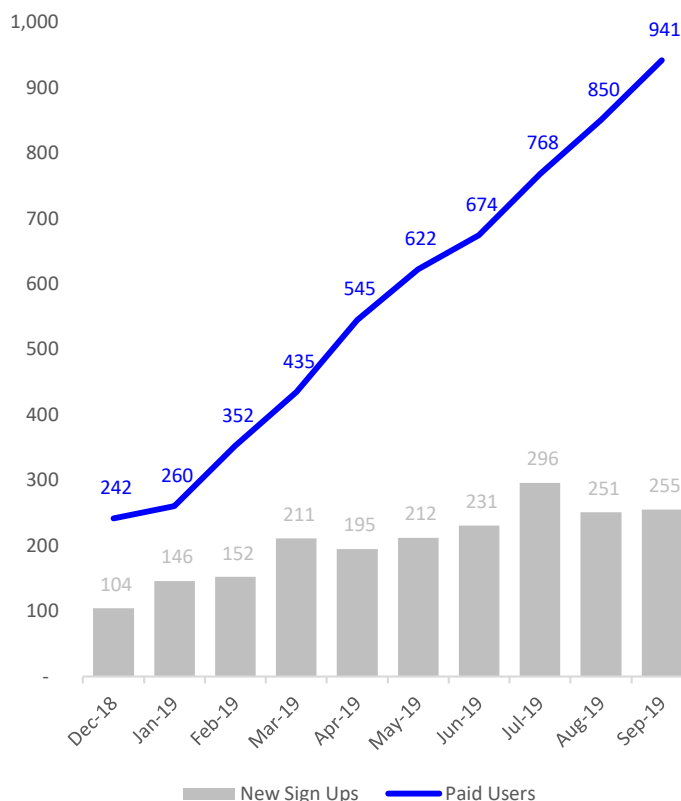


## DESCRIPTION

[Hnry](#) is a New Zealand based technology solution for self-employed contractors and freelancers, providing Invoicing, Tax, Compliance and Insurance services. The business automatically completes all financial admin for its customers including the deduction and payment of taxes in real time.

Investment Date	Sep-19
Investment Amount	\$1.5m
Current Holding	c. 19%
Key Personnel	<ul style="list-style-type: none"><li>Justin Lipman, Mark Velik (EVP)</li><li>James Fuller (Founder)</li></ul>

## KEY METRICS



## PERFORMANCE UPDATE

- Hnry is the most recent addition to the EVP portfolio, following our \$1.5m investment in September.
- Key to our investment thesis was Hnry's ability to expand into the Australian market, and to replicate its New Zealand success in Australia and beyond. Over recent months Management have turned their focus significantly towards the Australian rollout, with various regulatory, banking and compliance requirements now completed and a range of launch partners identified. EVP has made more than 40 introductions to potential distribution channel partners and discussions are underway with a good number of these. The company has a waitlist of almost 1,000 potential Australian customers and we look forward to a successful launch early in 2020.
- The core NZ business continues to grow well. On the back of exceptional NPS and strong referral rates the business continues to enjoy a strong degree of virality and the rate of customer acquisition is accelerating. Whilst acknowledging the relatively small base, we note that in the 6 months to September the company more than doubled its customer numbers. The team has also continued to extend the product capability with a new quoting module and additional features aimed at driving further automation of the tax compliance service.
- We have only just embarked on our journey with Hnry, but are impressed by the focus and capability of the team. Growth is already ahead of plan and timing of the Australia launch is on target. We look forward to a rewarding ongoing partnership with the business.



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.

Level 25, Westfield Tower 1  
520 Oxford St, Bondi Junction

**Telephone**

Registry: +61 2 8188 1510

**Email**

[contact@evp.com.au](mailto:contact@evp.com.au)

**Website**

[www.evp.com.au](http://www.evp.com.au)