

Thorney Technologies Ltd

ABN 66 096 782 188

3 April 2019

Dear fellow TEK shareholder

Chairman's Update

The period since my last shareholder update has been one of significant volatility in the listed technology space.

The latter half of 2018 saw big falls in the share prices of many global tech giants including Apple, Amazon and Google. Key Australian listed tech companies were affected as well.

However, as we enter Q2 2019, the prices of many listed tech companies on both global and local markets have staged a substantial recovery.

These sorts of fluctuations can distract from what I believe is the ongoing and unstoppable technology revolution which continues to disrupt and forever change the way business is done and lives are led around the world.

Thorney Technologies exists to give our shareholders exposure to this exciting technology revolution by holding shares in both listed and unlisted companies at every stage of the business life cycle in key technology markets not only in Australia, but also the USA and Israel.

Our portfolio now consists of more than 50 investments giving us exposure to a very wide range of companies across a broad cross section of the technology space and in several different countries.

More than 30% of TEK's investments by value are now in unlisted companies, providing a form of hedge against sharemarket volatility as well as the potential to throw up future tech winners at valuations much higher than those at which they are currently held.

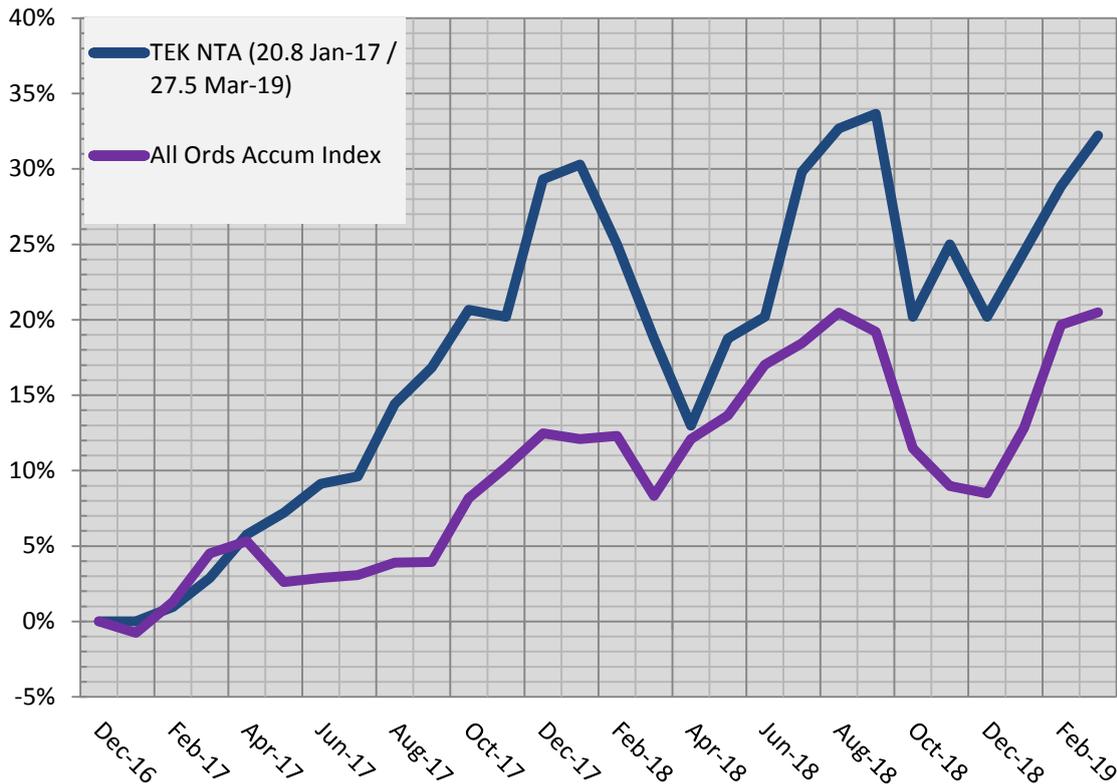
This balance of exposure to both listed and unlisted technology companies in several countries is one of the attributes that sets TEK apart from other Listed Investment Companies.

It is also why I believe holding shares in TEK is one of the best available ways for investors to participate in the highly prospective potential of the tech revolution, taking advantage of TEK's strong management team and its portfolio approach.

My belief in the TEK model is underscored by the history of growth in TEK's net tangible assets (NTA) since inception in January 2017.

As the chart below shows, TEK's NTA has grown steadily and, although affected by the global downturn late last year, is recovering well. At February 28 TEK's NTA stood at 26.8 cents per share (cps). TEK's NTA for March, reported this week was 27.5 cps due to strong performances by some of our leading portfolio stocks including the Afterpay Touch Group (APT), Zip Co Limited (Z1P) and Credible Labs (CRD).

**TEK NTA (after costs) vs All Ords Accum. Index
(January 2017 to March 2019)**



While I remain very pleased with TEK's proven ability to show strong NTA growth, I remain disappointed with the current approximate 19% discount to NTA at which TEK shares are trading.

The stock market investor in me sees this as a buying opportunity and, just as I've been doing with Thorney Opportunities (TOP) shares recently, I've been steadily adding more TEK shares to my personal portfolio to take advantage of this discrepancy.

TEK's trading discount is one of the main topics I get asked about when I speak to TEK investors and other interested parties so, for a change of pace for this newsletter, I will address that and a couple of other questions that I am regularly asked.

But firstly some highlights from both the listed and unlisted shares in the TEK portfolio.

PORTFOLIO HIGHLIGHTS

Afterpay Touch Group Limited (APT)

Afterpay remains TEK's largest holding and we continue to be impressed with the company's growth and leadership. It appears to have come through the recent Senate Inquiry into the "buy now pay later" sector with limited downside risk to the company and an enhanced reputation for setting high standards in the sector.

More importantly APT's expansion into the USA seems to be going extremely well with early penetration levels significantly above what was achieved in Australia over the same time period. This augers well for continued growth in the massive US market. With APT planning expansion in the UK market this year we continue to be excited about the global potential for this company.

ZIP Co Limited (Z1P)

Another "buy now pay later company", Zip Co is TEK's second largest holding by value and, like APT, has also been showing tremendous growth. Z1P recently announced some very significant partnerships including Chemist Warehouse and Bunnings Warehouse, and also completed a successful \$50 million capital raise to fund expansion and strengthen its balance sheet.

TEK participated in this raise along with our associated private Thorney Investment Group.

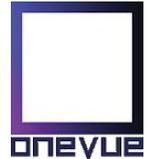
Credible Labs Inc (CRD)

The financial services space is an area which we believe is potentially one of the most vulnerable to tech disruption. Our third largest holding, Credible Labs Inc is also a fintech growth story.

Based in the USA, Credible started out as an online marketplace in the massive US student loan market and has recently expanded into the even more massive US home mortgage market. Partly as a result of its US domicile and operations, CRD was not immediately well understood by many Australian investors.

But after its expansion into home mortgages and the strong growth reported in its most recent results, CRD is finally starting to get some of the investor recognition it deserves. We added to our holdings of CRD at lower price levels and are optimistic that there is substantial growth ahead for this company.

OneVue Holdings Limited (OVH)



One of TEK's listed fintech holdings which has not received the sharemarket attention it arguably deserves is the superannuation fund services and platform company OneVue (OVH).

Despite reporting excellent results recently and selling one of its divisions for an attractive price, the OVH share price has underperformed.

At current levels we regard this as being a buying opportunity and remain confident that OVH will be re-rated by the market once its strong performance and potential for continued growth are more widely understood.

Dubber Corporation Limited (DUB)



This "cloud" based communications call recording software as a service (SaaS) corporation is an Australian based, internationally applicable technology company for which the team at TEK has had high hopes for some time.

However, along the way we have also been critical of DUB's board, some of the leadership structure and the costs of running the business. In recent times DUB has taken steps to address these issues.

It's most recent results showed a strong lift in customer numbers and financial performance and its share price has responded accordingly. It recently reported a promising deal with Optus and earlier this week completed a \$22 million equity raising for accelerated expansion and marketing. TEK participated in the raise along with Thorney Investment Group.

Mesoblast Limited (ASX:MSB NASDAQ:MESO)



A global biotech leader, Mesoblast has a range of patented stem cell treatments for several intractable diseases including acute graft versus host disease, chronic heart failure and chronic back pain. This year and next will be pivotal for MSB as it seeks to obtain FDA approval for its first product sales in the USA.

We have been pushing the company to make changes to prepare for the commercialisation phase. We welcome the recently announced appointment of a new US-based Chairman, Mr Joseph Swedish, with very strong US health care experience and credentials to oversee this next crucial stage in the company's development.

After many years we believe MSB may finally be on the cusp of becoming an Australian-based global biotech success story in the tradition of CSL, Cochlear, Resmed and all too few others.

Updater Inc. (unlisted)

This New York based residential moving and relocation (“ReloTech”) app company delisted from the ASX last year and is now TEK’s largest unlisted investment. Updater makes moving easier for the millions of Americans who relocate each year, allowing them to book moving companies and connect utilities and other services through one app. It has continued growing strongly since becoming a private company.

The company recently announced to shareholders that a planned capital raising to secure funds to further accelerate its US growth plans has been delayed. While this is a very significant disappointment for supportive shareholders who had been hoping for confirmation of a sizeable uplift in the valuation of Updater since it delisted from the ASX, the underlying Updater business continues to grow as evidenced by \$US140 million of Total Transaction Value during 2018. Its long term prospects remain exciting.

Given some recent negativity about aspects of Updater’s capital raise and its communication to investors I am pleased to see that Updater is maintaining the same disciplines as when it was on the ASX. It has committed to provide regular and detailed reports to its shareholders on an, at least, quarterly basis as well as continuing to produce audited accounts.

We encourage the company to make sure these future reports are as detailed as possible, especially given its private status and the delayed capital raise.

There have also been reports about one particular shareholder who has been agitating for more clarity around Updater’s financials and also potentially seeking to sell their shareholding. Whilst Thorney is always supportive of maximum transparency from companies, we have urged Updater not to give any individual shareholder preferential treatment.

Worthy Inc. (unlisted)

Worthy is a New York-based, Israel-founded online jewellery auction site that enables people to trade in estate and relationship jewellery items like diamonds by creating a highly efficient online auction marketplace. It is growing strongly and more than \$US30 million worth of jewellery has already been traded on its site in the past 12 months. Not surprisingly it is attracting attention from some major players. We are excited by its potential and continuing to support its expansion. TEK recently participated in a capital raise for Worthy at higher valuation than our original investment.

Arbe Robotics (unlisted)

This Israeli company uses radar technology to produce real time, four-dimensional images with huge potential in the rapidly growing autonomous (“driverless”) vehicles sector. It has just completed a capital raise at a substantially higher valuation than TEK’s average entry price. Arbe has developed a turnkey solution which has the potential to make any vehicle fully autonomous and its vision is to make autonomous driving safe, affordable and available.

The autonomous vehicle space is extremely exciting and Arbe is gaining attention from the major auto makers. We have high hopes for Arbe which came to us through our alliance with the Israel-based, iAngels group.

Caja Systems (unlisted)



Caja is another Israel founded robotics company which offers an integrated system for automating warehouses. It provides software, robots and infrastructure which it claims can reduce the manpower required in conventional warehouses by more than 80% and increase throughput by more than 40%. It has been focused mainly on the European market but has begun to make inroads into the US.

Honk (unlisted)



Honk is a Los Angeles-based company that enables roadside assist services to be provided much faster and more efficiently than the traditional AAA services available in the USA. Unlike traditional roadside services which require an annual membership fee similar to those in Australia, Honk has developed an app that offers a low fee for service model, dispatching registered roadside assist vehicles to a breakdown in much the same way as Uber operates. Its revenue has grown significantly and it is gaining many strategic partners, including insurance companies.

If Honk continues its strong growth trajectory it will likely be on track to a potential IPO over the next year or two.

Cluey (unlisted)



Cluey is a Sydney-based technology company that matches students with online tutors to deliver online learning programs adapted to each student's needs.

Currently offering programs in English, Maths and Chemistry, Cluey can develop tailor-made online tutoring programs that have built in monitoring and progress reporting tools.

We're particularly excited by Cluey's potential, not only because it is in the important education space but because of the range, flexibility and accessibility it offers. It has equal application for city-based students as well as those in remote locations who now have access to a much more sophisticated and personalised version of the old "school of the air" service that used to be provided to students in highly remote locations.

With a much needed service, an experienced management team that has had numerous successes in the education sector before and a highly impressive academic board of advice, we think Cluey has great growth potential ahead.

Why should people invest in TEK shares?

Technology has been, and will continue to change the world.

Just as we have seen over the last decade or two with the creations of giants like Amazon, Apple, Facebook and Google, we anticipate the creation of huge value in the tech sector in coming years.

In almost every field, - whether it is artificial intelligence, machine learning, medical technology, quantum physics, digital analytics, medical devices, diagnostics, financial services, all industries will be disrupted and facilitated by new technology.

New industries will emerge around new technologies and great changes to the world will occur. Significant valuations will manifest around the best companies that emerge out of this revolution.

So, in my view every investor should have some exposure to technology to give themselves a chance to participate in the outperformance that the tech revolution will provide.

However, unless you are a highly sophisticated and resourced investor in your own right, you need to partner with an experienced and connected investor at the helm. TEK is such an investor and our team has been investing in tech very successfully for well over a decade.

We've positioned ourselves to be at the heart of it which, although as a boutique company, enables us to be highly efficient in the way we operate.

TEK shareholders not only get exposure to the public and private tech sector in Australia, but uniquely through our network built up over the last 20 plus years, they can indirectly own a part of technology companies based in places like Israel, which is a leader in the tech knowledge revolution, and in the United States through our connections in places like New York, Boston, San Francisco, Los Angeles and other locations.

This exposure to unique deal flow would otherwise not be available to retail investors in Australia. We think that is a particularly exciting opportunity and one which investors will find they will be well rewarded for over time.

Why is TEK trading at a discount to NTA?

Well, I think that the wide range of exposure to the tech sector that TEK provides is still not well understood. At the moment, people really only have visibility to a few of the listed investments that we have in Australia, which by the way, with the way they've performed, would justify people owning TEK shares on its own.

Our job is to educate the investment community about the breadth and potential of TEK's entire portfolio. I believe we have a tremendous amount of embedded value in the portfolio which will flourish over the next several years and we are starting to get that message out. But whilst TEK is trading at such a large discount to NTA, I've been adding to my own personal position and have been very happy to do so. I'd recommend other shareholders do so too.

Are there any disappointments in the portfolio?

The nature of technology investing is that the risk profile is always quite high both in terms of the operating risk of early stage companies and in terms of how the market will value such companies at various times.

Our experience, especially with start ups, is that it usually costs more and takes longer to achieve the outcome that management are optimistic about. We have some of those in our portfolio of course. And we will continue to work hard with those companies to see if we can narrow those bridges and tighten up the performance and speed of outcomes.

But we take a portfolio approach, so that we don't have all our eggs in one basket. Secondly, we leave ourselves sufficient bandwidth. So if companies we like get knocked about in their share price, we can actually buy more shares.

We take a prudent approach based on our 20 plus years of experience in the marketplace. We always take some money off the table when the prices are performing particularly well.

Afterpay is our best example of that. It is our largest holding by far and yet our carrying cost is zero because we have taken money off the table at various times and various prices over the past couple of years and we have bought back in at times when we've judged the stock to be oversold. But while APT is the best example of this in the TEK portfolio it is far from the only one.

Conclusion

TEK continues to be inundated with deal flow in the unlisted tech sector, from our network in Israel, from our contacts in the United States, and directly in our home country of Australia.

There will continue to be volatility, victories and casualties in the tech sector just as there is in any revolution. But the mega trend of technology disruption and its subsequent potential to deliver significant outperformance is clear.

TEK is extremely well placed to participate and profit from this and I am confident our shareholders will reap the benefits over time.

Thank you for your continuing support of TEK and I look forward to communicating with you again soon.

Yours sincerely



Alex Waislitz
Chairman