

Thorney Technologies Ltd

ABN 66 096 782 188

27 June 2019

Dear fellow TEK shareholder

Chairman's Update

With the end of the 2018/19 financial year upon us, I wanted to provide you with a brief summary of your company's performance over the past year and to highlight one of TEK's most unique attributes by focussing on a few companies from our growing portfolio of unlisted investments.

TEK's most recently reported post tax Net Tangible Assets (NTA) backing per share after fees as at the end of May was 30.7 cents per share (cps), up from 29.7 cps a month earlier. This compares to 24.7 cps at the same time last year and represents an increase of about 25% on an annual basis.

At a time when many active fund managers are experiencing large cash redemptions and some are even closing because of under performance, the growing trend to in-sourcing by superannuation funds and the explosion of exchange traded funds (ETFs), it is pleasing that TEK has been able to consistently outperform the share market since inception.

TEK's continued significant NTA growth reflects the inherent strength of our portfolio and its ability to deliver solid growth over time. This comes from our relentless approach to due diligence and continuing to work closely with the companies we decide to invest in.

The past 12 months has seen strong share market performances by many of the leading listed stocks in TEK's portfolio including Afterpay Touch Group (APT), Zip Co Limited, (Z1P), Credible Labs Inc (CRD), Dubber Corporation Limited (DUB) and Next Science Limited (NXS) to name a few.

I will be writing more fully on these and other listed companies in my next Chairman's update after the 2018/19 financial results reporting season. But for this brief note I wanted to highlight what is becoming an increasingly important aspect of the TEK portfolio - our growing number of UNLISTED companies. It is this feature which helps set TEK apart and which offers investors access to an exciting range of otherwise unavailable opportunities.

This is because, since its inception TEK has had a mandate to invest in both listed and unlisted companies in the tech space at every stage of the business life cycle from start up right through to IPO and beyond. As we continue to grow and mature, our focus is shifting more towards increasing the number of unlisted and pre IPO companies in our portfolio.

TEK's extensive connections to the technology industry and private investment sectors not only in Australia but also in countries such as the USA and Israel gives us visibility and participation potential in opportunities which would not otherwise be available to retail investors.

There can be no guarantees of course. In addition, operating in the unlisted space also presents challenges for investment managers because the companies they are exposed to have no day to day publicly traded market to set values and/or offer an easy exit.

For these and other reasons TEK has always taken a very conservative approach to the valuations we place on our unlisted holdings. We will mark down holdings if we perceive they may not be meeting our growth/value projections, and we only revalue companies upwards when there has been a material event that can more than justify a new holding valuation.

Our largest unlisted investment by value, UPDATER INC., delisted from the ASX late last year to position itself to take advantage of the USA private investment markets where the company operates.

Updater continues to perform well and in its most recent communication to shareholders, the company reported that its total transaction value had increased by more than 320% to \$US50 million in the first quarter of 2019 compared to the previous year.

In March this year, Updater decided to delay a foreshadowed capital raise. However this company's fundraising process is still actively ongoing and Updater management remains optimistic that it will be successful, based on the strong investor interest it has received, and its continuing business growth.

Another of our unlisted investments based in the USA, NJOY, has already twice raised new capital at significantly higher valuations than TEK's initial entry price.

NJOY operates in the controversial, but booming "e-cigarette" and "vaping" sector which is exploding in popularity in the USA and other countries as a perceived less harmful alternative to traditional combustible cigarettes. The FDA is actively monitoring this phenomenon which has seen e cigarette companies such as JUUL achieve market valuations in excess of \$US30 billion. There remains considerable regulatory risk of the FDA limiting the growth of e-cigarette and nicotine vaping companies and accordingly TEK's exposure to the sector through NJOY is comparatively small and exploratory.

Nevertheless since TEK was introduced to NJOY through our US connections and made its investment late last year at a whole of company valuation of around \$US800 million, the company has raised further capital at valuations of \$US1.2 billion in February and \$US2 billion only a few months later.

I have attached a recent Morgan Stanley report on NJOY for your interest. My purpose in sharing the NJOY information with you is by no means an endorsement of the booming e-cigarette and vaping industry. It is merely to illustrate the sorts of value uplifts which are possible in the unlisted tech sector and why TEK will continue to be very active in the private and pre IPO tech space.

Closer to home and much less controversially, TEK has recently invested in a pre IPO round, \$75 million capital raise by an exciting Australian high technology manufacturing company, CARBON REVOLUTION. Based in Geelong, Carbon Revolution has its origins in the advanced Materials Science R&D sector.

From there it has emerged to become a world leader in the manufacture of single piece carbon fibre wheels for the high end automotive industry while still having partnerships with research organisations including Deakin University and RMIT University.

The company is already supplying its high technology lightweight wheels to car manufacturers including Ferrari and Ford as options for their top of the range high performance models. It has several other major supply deals in the pipeline. Carbon Revolution is expected to seek an IPO listing later this year or early in 2020.

The company has had a great deal of interest from a wide range of global car manufacturers and plans to dramatically scale up its manufacturing capacity and bring down costs in order to meet demand from mainstream car manufacturers.

If it can achieve this it will be a brilliant Australian high tech manufacturing success story and a bright silver lining in the cloud of the exit of the car manufacturing injury from Australia which had a significant impact on Geelong.

I have included a recent press item on Carbon Revolution as well as a photo of the newest Ferrari model with Carbon Revolution wheels fitted.

Carbon Revolution has attracted Victorian Government support for its expansion plans and the pre IPO capital raise was heavily oversubscribed. We will watch its progress with great interest and keep you informed of developments.

Another highly prospective pre IPO company in which TEK has invested is CREDIT CLEAR.

Credit Clear has developed a mobile app that reduces the cost and increases the effectiveness of collecting receivables. It is ideally suited to larger corporates and utilities that have many thousands of customers and spend large amounts of money collecting their overdue accounts.

Credit Clear sends SMS messages to the debtors and makes it easy for them to pay the outstanding account via their phone. Utilities and other companies that have been using Credit Clear's product, including some in the Thorney network, report lower collection costs and better recoveries than from competing systems.

We like the Credit Clear model and believe it to be highly scalable. The company is expected to IPO by early 2020 and on current indications has a bright future ahead of it.

There are many other companies in TEK's unlisted portfolio, some of which I have detailed in previous newsletters. I hope you have enjoyed learning about three of the recent additions - NJOY, Carbon Revolution and Credit Clear.

As mentioned above I will be sending a more comprehensive update after the conclusion of the 2018/19 financial year profit reporting season.

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

[Click to download the Morgan Stanley Research on NJOY](#)

[Click to download the Geelong Advertiser article on Carbon Revolution](#)

Yours sincerely



Alex Waislitz
Chairman