

SUPERSEED CAPITAL LIMITED
(the “Company”)

FIRST QUARTER 2023 RESULTS (the “Period”)

SuperSeed Capital, a company established as a venture capital fund of funds for early-stage AI/SaaS companies, announces results for the quarter ending 31 March 2023. The Company invests in technology-led innovation, primarily through funds managed by SuperSeed Ventures LLP (the “Manager”). The Company’s principal investment to date is in SuperSeed II LP (the “Fund”).

Financial Highlights for Q1 2023:

- NAV per share has grown by 8% over the Period to £1.05.
- IRR on portfolio investments since IPO >25%.
- Available cash and prepaid investment commitments of £314,006 at end of Period.
- The Company’s Operating Profit for Q1 2023, which includes unrealised gains on investments held at fair value, has grown by 298% compared to Q1 2022.

Portfolio and Investment Highlights:

- Sales growth continued in Q1 2023, with quarter-on-quarter contracted SaaS revenue across the portfolio of the Fund up by 11% over the previous quarter. The expectation is that sales growth will increase in Q2 2023.
- Strong underlying performance for valuations based on new financing rounds for the Fund’s portfolio companies. Three companies in the Fund’s portfolio had offers for follow-on financing in Q1 2023, all at increasing valuations from the Fund’s 2022 investment cost.
- Positive portfolio financing activity led to a healthy result for the Company in Q1 2023, with earnings per share in excess of 8p.
- Kluster, the revenue strategy AI platform that helps companies beat their revenue targets, was added to the Fund’s portfolio in the first quarter of 2023.

Outlook for Q2 2023:

- Portfolio sales forecast for the Fund in Q2 2023 remains strong, and the expectation is sales growth will land in the 15-25% range (quarter-on-quarter growth).
- On the back of the performance of the underlying Fund portfolio and given the uncertain market environment, the Company expects second-quarter profit to be in the £200,000 to £300,000 range (8-13p/share).
- Continued strong investment activity, with the Fund expecting to make a further two investments in the AI/SaaS space in Q2 2023.

Mads Jensen, Investment Manager commented:

“In the face of significant macroeconomic headwinds and economic uncertainty, the Fund’s underlying portfolio has continued to perform strongly and is well-positioned for further growth in Q2 2023. Kluster has been a tremendous addition to our holdings and is well positioned to take advantage of the extensive structural growth in AI.”

For more information, please contact:

SuperSeed Capital Limited +44(0) 203 405 3060
Mads Jensen, Investment Manager

VSA Capital – AQSE Corporate Adviser and Broker +44(0) 203 005 5000
Corporate Finance: Andrew Raca

Investment Manager's Review:

We are now one-third of the way into 2023, and the world is in the middle of four major transitions:

1. Zero Interest Rate Policy (ZIRP) → Inflation and Higher Interest Rates
2. Globalisation → Global Power Rivalry
3. Internet & Mobile → Next-Gen AI
4. High-Carbon Economy → Low-Carbon Economy

We have only seen the beginning of the disruption caused by these changes. The next decade will see an upheaval of business, unlike anything we have seen in our lifetimes. The challenges will be immense. And the opportunities will be profound.

Opportunities in software investing

These global changes continue to dislocate industries. And with that dislocation, new investment opportunities emerge. On a gross dollar basis, the biggest economic opportunity is likely in the clean energy transition. Going from high-carbon to low-carbon provides a trillion-dollar opportunity in the coming decades. It will also require trillions of dollars in investment. There will be areas with stand-out returns, but in many cases the % returns will be modest as the transition will be very capital intensive.

When measuring on a %-return basis, we expect that the biggest investment opportunity in this decade continues to be in software. In the past decade, SaaS has already been an attractive investment category. And the value created by SaaS companies will only increase as we add more AI into the mix.

SuperSeed exists to back Europe's best B2B SaaS founders at the earliest stages and to help them build great companies. In the short term, our portfolio companies enable their customers to drive revenue growth and efficiency savings using next-generation software and AI. In the long term, they have an opportunity to create category-defining global technology companies.

The current investing landscape

In 2021 we started seeing something we haven't seen for a long time: inflation. In response, central banks have increased interest rates to reduce liquidity and cool down economies.

This policy change has done exactly what was expected. Liquidity has come down, and with less money sloshing around, so have the frothy valuations of 2020 and 2021.

The tech sector went through a massive valuation correction in 2022. From the peak in November 2021 to the trough in November 2022, EMCLOUD (the Bessemer Emerging Cloud Index – an index of 75 publicly listed SaaS/Cloud companies) declined by 62%. It's not quite the dot-com collapse, but it is a meaningful drop.

During the same period, the median forward revenue multiple declined from 15x to 4.5x (since recovered to 5.25x). Investment valuations are now back to where they were in 2017.

Macroeconomy in Q1 2023

As of the end of April, the S&P500 is up 9%. Although not bad over a 4-months period, this is on the back of a dismal 2022. And almost all the gains are driven by the big tech stocks (Microsoft, Apple, Google, Meta, Amazon and Tesla).

EMCLOUD is up 7%, but all the gains were in January. The index has been running sideways for three months.

2023 continues to be an uncertain proposition for investors. The big tech companies took the pain in Q4 and have been cutting costs. While this boosts short-term earnings, it paints a different picture of the future. Has big tech now gone "ex-growth"? And if even Google can't be relied on for growth, what will pull the economy out of the current malaise?

The upside of “back-to-basics.”

As highlighted above, we’ve seen a meaningful reduction in valuations. And counterintuitive as this may sound, this reduction is largely a great thing for serious technology start-up founders and investors. Frothy valuations and an abundance of capital drove all the wrong behaviours. Too much capital spent on unproductive endeavours. And too much competition for talent and customer attention.

The froth has now been replaced with a “back-to-basics” focus on strong unit economics and building good companies. This makes it easier for founders to focus on what matters and for investors to buy into the best companies at an appropriate price.

The venture eco-system in Q1

Venture funding continued to decline in the first quarter of 2023 and compared unfavourably to Q4 of last year, which was itself already the weakest quarter since Q2 of 2020. Both the number and value of VC deals were down, with the UK struggling compared to its global peers. It is fair to say that the general market slowdown has continued.

Outlook for the rest of 2023

Financial markets continue to be turbulent, and we don’t expect to see valuation multiples increase meaningfully in the short term. However, the four transitions mentioned above lead to many exciting investment opportunities – especially in AI.

Generative AI is a concept that has been building for years, but it came to the forefront of the tech industry in 2022. Over the past decade, AI (/machine learning) has primarily been used for classification. Show an algorithm lots of data, and it can help figure out whether it is a cat or a dog; a working product or a defective product; a stock to buy or a stock to sell. In one word: classification.

With generative AI, the field is taking a great leap forward. It’s no longer just about classifying things into neat categories. It is about creating whole new things. At first, this was mainly as digital objects (e.g. a digital product design), but generative AI now extends to physical objects. An example of this is our portfolio company Ai Build. The company has created a platform which helps high-end manufacturers use AI and 3D printing to create new products faster and more efficiently. This is especially useful in automotive and aerospace, where Ai Build already has many customers.

The outlook for the Fund’s portfolio for the remainder of 2023 continues to be very encouraging. We still expect revenue for the existing portfolio [companies] to more than double over the course of the year. And in parallel, we will be adding existing new AI/SaaS companies to the portfolio.

2023 is a great time to build technology companies and an excellent time to back the best technology founders to help them on their journey. We look forward to an exciting year for our portfolio and the wider software/AI industry.

New investment – Kluster:

Key information

Kluster has created a revenue intelligence platform which uses machine learning to accurately predict revenue forecasts and manage pipelines by reverse engineering targets through deeper analysis of management data, sales rep data, and market data. The platform is used by sales teams, function heads, and the board to optimise four main components; forecasting, reporting/dashboards, pipeline management, and setting/hitting KPIs.

Sales forecasting is the compass that CFO’s use to aid the navigation of their businesses and is a core metric employed to measure the improving financial performance of a company. Yet, many companies continue to fail to meet their targets, negatively impacting investors’ perception of a business, because they employ old-fashion approaches to setting goals and forecasting attainment.

Investment name	Kluster
Industry	AI/SaaS
Geography	UK
Currency of investment	GBP
Stage of initial investment	Series A
Fund's role in initial investment	Co-Lead
Website	https://www.kluster.com/

Investment Rationale

Solves a fundamental problem for businesses:

Kluster has developed a powerful platform to solve the problem of inaccurate and inefficient sales forecasting, reporting, and pipeline management.

Expertise of Management Team:

Founders Dan Thompson and Rory Brown combine experience from both a product/tech and sales domain perspective which positions them to capitalise on the need for intelligent revenue management software. The team are targeting high growth B2B SaaS companies who are hungry for real-time data but have poor visibility over their sales cycle. Kluster's platform pulls data from existing CRM systems and applies ML to pull smarter metrics from the data. Through this, Kluster is able to provide more accurate revenue forecasting, and realistic KPIs by reverse engineering targets – end result being an increase in conversion rates, decrease in sales cycles, and increase in AOV.

Customer Traction:

There are a number of revenue management platforms in addition to the incumbents such as Salesforce and HubSpot – however none offer the level of flexibility, mathematical/AI input driven input, and specific focus on top line growth and pipeline management. Kluster's revenue grew more than 60% in 2022 in an otherwise challenging climate, with solid pipeline for the year ahead.

SuperSeed Capital Limited

Condensed Statement of Comprehensive Income for the period 1 January 2023 to 31 March 2023

	1 January 2023 to 31 March 2023 £	6 October 2021 to 31 March 2022 £
Income		
Investment income	328	-
Realised gain on investments held at fair value through profit or loss	33,052	-
Unrealised gain on investments held at fair value through profit or loss	180,555	65,328
Other income	1	-
Total income	213,936	65,328
Expenses		
Establishment costs	-	194,298
Administration fees	7,611	4,932
Audit fees	5,671	5,178
Directors' fees	4,500	4,500
Insurance	-	535
Legal & professional fees	12,183	-
Loan interest	134	-
Regulatory fees	5,351	5,297
Sundry expenses	703	205
Total expenses	36,153	214,945
Total gain/(loss) and comprehensive income for the period	177,783	(149,617)
Basic earnings per share	0.086776	(0.210554)
Diluted earnings per share	0.069795	(0.210554)
Operating profit excluding establishment costs for the period	177,783	44,681
Basic operating profit excl. establishment costs per share	0.086776	0.062879
Diluted operating profit excl. establishment costs per share	0.069795	0.062879

SuperSeed Capital Limited

Condensed Statement of Financial Position as at 31 March 2023

	31 March 2023 £	31 December 2022 £
Non-current assets		
Investments	2,189,288	1,799,616
Total non-current assets	2,189,288	1,799,616
Current assets		
Trade and other receivables	254,895	11,025
Cash and cash equivalents	64,006	235,089
Total current assets	318,901	246,114
Total assets	2,508,189	2,045,730
Current liabilities		
Trade and other payables	16,678	21,745
Total current liabilities	16,678	21,745
Total liabilities	16,678	21,745
Net assets	2,491,511	2,023,985
Equity		
Share capital	2,369,743	2,080,000
Retained earnings	121,768	(56,015)
Total equity	2,491,511	2,023,985
Net asset value per ordinary share	1.051384	0.973070

SuperSeed Capital Limited

Condensed Statement of Changes in Equity for the period 1 January 2023 to 31 March 2023

	Share Capital	Retained Earnings	Total
	£	£	£
Ordinary Shares issued on incorporation	1	-	1
Issue of Ordinary Shares	1,999,999	-	1,999,999
Total comprehensive loss for the period	-	(149,617)	(149,617)
Balance as at 31 March 2022	2,000,000	(149,617)	1,850,383
	Share Capital	Retained Earnings	Total
	£	£	£
Balance as at 31 January 2023	2,080,000	(56,015)	2,023,985
Issue of Ordinary Shares	289,743	-	289,743
Total comprehensive gain for the period	-	177,783	177,783
Balance as at 31 March 2023	2,369,743	121,768	2,491,511

SuperSeed Capital Limited

Condensed Statement of Cash Flows for the period 1 January 2023 to 31 March 2023

	1 January 2023 to 31 March 2023 £	6 October 2021 to 31 March 2022 £
Cash flows from/used in operating activities		
Net cash flow used in operating activities	(43,290)	(213,071)
Cash flows used in investing activities		
Net cash flow used in investing activities	(127,659)	(289,687)
Cash flows from financing activities		
Net cash flow from financing activities	(134)	2,080,000
Net movement in cash and cash equivalents during the period	(171,083)	1,497,242
Cash and cash equivalents at the beginning of the period	235,089	-
Cash and cash equivalents at the end of the period	64,006	1,497,242

SuperSeed Capital Limited

Investment Analysis for the period 1 January 2023 to 31 March 2023

	31 March 2023	s
	£	£
Cost	1,748,152	1,539,035
Cumulative movement in value	441,136	260,581
Fair value	2,189,288	1,799,616

Investment fair value can be further analysed as follows:

	1 January 2023 to 31 March 2023	6 October 2021 to 31 December 2022
	£	£
Cost:		
Cost at beginning of the period	1,539,035	-
Cost of investment – settled	515,017	1,539,035
Cost of investment – sold	(305,901)	
Total cost of investment	1,748,152	1,539,035
Fair value movement:		
Fair value adjustment at beginning of the period	260,581	-
Revaluation of underlying investments	156,750	260,581
SuperSeed II LP management fee and other net movements in NAV	23,805	-
	441,136	260,581
SuperSeed Capital Limited fair value of investments	2,189,288	1,799,616