

# Molten Ventures

Let the good times keep rolling

H122 interim results

Listed venture capital

8 December 2021

**Price** **924p**  
**Market cap** **£1.41bn**

Net plc cash (£m) at 30 September 2021 (including £16m of restricted cash) 156

Shares in issue 153.0m

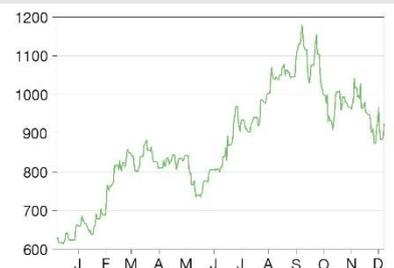
Free float 93%

Code GROW

Primary exchange LSE

Secondary exchange Euronext Dublin

## Share price performance



In H122, Molten Ventures saw a continuation of the strong performance reported in FY21, with 27% fair value growth in the period taking gross portfolio value to £1,350m. Management reconfirmed its expectation for c 35% fair value growth for FY22 ‘subject to wider market conditions’, well ahead of management’s initial guidance of below-trend 15% growth. H122 NAV per share increased by 19% to 887p per share, with the five-year CAGR now over 20%. With an uncertain outlook, Molten Ventures offers a diversified portfolio across multiple technology segments, with its funds’ strategy capturing unique deal flow, delivering the potential for returns uncorrelated to the wider market. Management expects strong markets to persist for at least the next 12–18 months, with the launch of the growth fund a key focus for 2022, now that the preparatory work is complete.

Period end	Plc cash* (£m)	Gross portfolio value (£m)	NAV (£m)	NAV/share (p)	P/NAV (x)
03/20	34.1	702.9	659.6	555	1.67
09/20	62.1	702.4	714.7	600	1.54
03/21	160.7	983.8	1,033.1	743	1.24
09/21	156.2	1,350.2	1,357.4	887	1.04

Note: \*Includes restricted cash but not funds held on behalf of EIS/VCT investors.

## H122 results: Growth momentum carried over

Gross portfolio value rose 27% in H122 to £1,350m (FY21: £984m), with management reconfirming its expectation of 35% growth for FY22 ‘subject to wider market conditions’. H122 NAV per share increased to 887p (FY21: 743p), a 19% increase. Plc cash at period end stood at £156m (FY21: £160m), following investments of £165m (H121: £32m) and cash realisations of £67m (H121: £106m), together with net proceeds from the June 2021 funding round of £107.7m.

## Outlook: Continuing demand for late-stage rounds

Management remains confident in the outlook for European technology investment, seeing rising demand for late-stage rounds in leading companies. In H122, Molten Ventures committed £165m to investments, exceeding the company’s targeted £150m annual investment. With total liquidity of £221m at period end, the company is also able to sell-down post-IPO stakes in Trustpilot and UiPath, providing additional investment capital. On this basis, together with envisaged exits, management can identify at least 12–18 months of cash runway. Management believes that strong growth will continue over this timeframe and remains focused on launching its Series B+ growth fund in 2022 to capitalise on the opportunity.

## Valuation: Sector leader justifying a premium rating

Sector valuations have fallen recently with renewed concerns over rising interest rates, high technology valuations and latterly with the spectre of the omicron variant. Molten Ventures offers a diversified technology investment portfolio that has delivered a consistent track record of growth. After its strong performance in 2020 and 2021, the group demonstrated why it warrants a premium rating as a mature leader in the technology venture capital (VC) sector, a sector that offers the potential for returns uncorrelated with the wider market. Molten Ventures trades on 1.04x H122 NAV, in the top half of our field of peers.

## Business description

Molten Ventures (formerly Draper Esprit) is a London-based venture capital firm that invests in the European technology sector. It has a portfolio of c 70 investee companies and includes a range of funds (seed, EIS and VCT) within the group, as well as its flagship balance sheet VC fund.

## Next events

Investor day 3 March 2022

FY22 results May 2022

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## H122 results: Momentum carried through

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Following two trading updates, one prior to the H122 period end and one post period end, there are few surprises in the H122 results. After recent sector weakness, Molten Ventures' shares continue to trade at a reduced premium to the H122 net asset value (NAV) of 887p per share (see Valuation section). The portfolio has continued to perform strongly in H122 and the launch of a potential growth fund remains a focus for FY22. Cash realisations of £67m included proceeds from the exits from SportPursuit, Conversocial and PremFina, as well as selling shares (post-initial public offering (IPO)) in Trustpilot and UiPath.

The fair value of the portfolio rose 27% in H122 to £1,350m (FY21: £984m), with management reconfirming its expectation for 35% fair value growth for FY22 'subject to wider market conditions'. H122 NAV per share increased to 887p (FY21: 743p), a 19% increase. Plc cash at period end stood at £156m (FY21: £160m), including £16m of restricted cash, following investments of £165m in H122 (H121: £32m), ahead of the group's target of over £150m for FY22, and cash realisations of £67m (H121: £106m), together with net proceeds from the June 2021 funding round of £108m. The group also has a £65m undrawn credit facility, meaning that total available liquidity as at 30 September 2021 was £221m.

Net portfolio value rose to 91% of gross portfolio value (GPV) in H122 from 88% in FY21, as external carry fell from 10% to 9% of GPV, largely due to a reduction in deferred tax from £20m in FY21 to a credit of £0.2m in H122. In H122, Molten Ventures benefited from foreign exchange gains (£12.6m profit), having suffered a £51.2m foreign exchange loss in FY21.

Income came from £252m of investment gains (H121: £56m), together with fee income from management fees and directors' fees of £10m (H121: £6m). G&A costs rose substantially to £11.2m (H121: £6.6m) as Molten Ventures continued to invest in its team and infrastructure, but nevertheless net operating costs of £5.7m (H122: £1.3m) (net of fee income), including £2.4m of exceptional costs relating to the move to the Main Market, remained comfortably below 1% of NAV (management's target), with net income and NAV both rising in the period. The company reported net income of £218m (H120: £54m).

Post period-end, Molten Ventures committed a further £11m of net investment. Investment of £37m included a new investment in Satellite Vu (a £15m Series A round for a UK-based satellite scale-up led by Seraphim Space Investment Trust) and realised cash proceeds of £26m from further Trustpilot and UiPath share sales. As confirmed in November 2021, Draper Esprit changed its name to Molten Ventures – 'recognising the company's transformation, accelerated growth and inclusion in the FTSE 250, as well as its unique role in the democratisation of venture capital'. Despite the change in name, we understand that Molten Ventures remains part of the Draper Venture Network.

## Portfolio update: A diversified technology investor

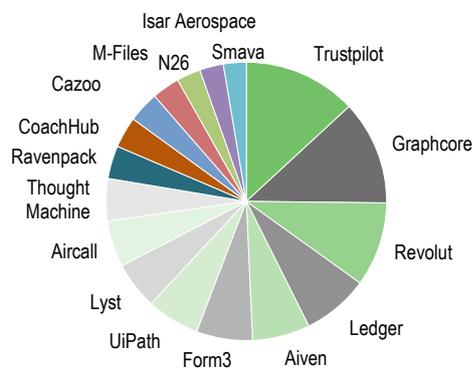
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Despite changes to the constituents of the core portfolio (holdings with a fair value above £20m) in H122 (four new entrants: CoachHub, Form3, ISAR Aerospace and N26; one exit: SportPursuit; and three holdings falling below the £20m threshold: Perkbox, Freetrade and Endomag), there remain 17 companies in the core portfolio, with 72 companies across the full portfolio. The value of the core portfolio remains at 68% of GPV (FY21: 68%), with the average core holding valued at £54m (FY21: £39m) and an average holding across the full portfolio of £19m (FY21: £14m).

These figures highlight the asset growth that Molten Ventures has enjoyed in FY21, with the average core holding rising in value by 36% over the H122 period. This also helps underline why management is looking to raise a growth fund in 2022. The growth fund will raise additional capital to invest at Series B+, allowing the company to continue to lead rounds with a larger commitment and hold investments for longer as round sizes grow and competition for leading UK and European businesses increases, in the face of increasing US investment.

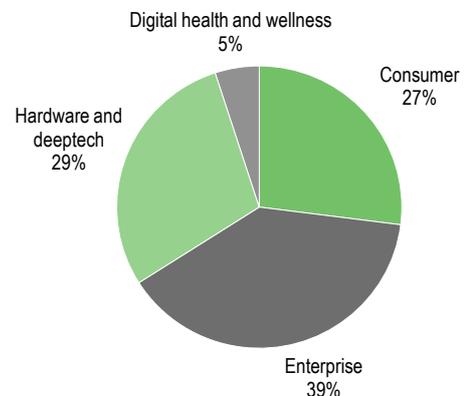
As well as having a broad-based mix of assets, Molten Ventures' portfolio is well distributed across four segments of the technology space: consumer technology; enterprise technology; hardware and deeptech; and digital health and wellness (Exhibit 2). The rationale is that this spread affords the group a degree of diversification, with each segment following slightly different cycles. This offers Molten Ventures the opportunity to be selling down in one sector, while simultaneously finding attractive investment opportunities in another.

**Exhibit 1: 17 members of the core portfolio**



Source: Molten Ventures

**Exhibit 2: Spread of technology exposure**



Source: Molten Ventures

In terms of diversification, the group's funds programme is another key pillar of the business. Despite Molten Ventures seeing heightened competition with increasingly larger rounds for late-stage businesses, this same dynamic is not being seen for early-stage investment. Molten Ventures is increasingly being seen as a strategic partner of choice, receiving a rising number of incoming opportunities to participate in high-quality seed fund rounds, both as a knowledgeable investor and for the group's ability to support the growth of seed companies in follow-on rounds.

**Exhibit 3: Molten Ventures' fund-of-funds strategy**



Source: Molten Ventures

Molten Ventures has committed a further £75m to this programme over the next five years, having already built a network of 47 funds, with a further 12 funds added in H122, in total covering 900 companies. Through its fund investments, Molten Ventures is able to identify and build relationships

with a breadth of early-stage companies that it would not be able to source directly, positioning itself to participate and lead future, larger rounds as the fund investee companies mature. Added to this strategic benefit, fund investments have also delivered an attractive financial return, with 2x returns earned on investments to date.

**Exhibit 4: Investment portfolio summary**

	£m	Fair value of investments	Investments	Realisations	Total change in fair value in H122		Fair value of investments	Proportion of GPV	Cumulative share of GPV
		31 Mar 2021	H122	H122	£m	%	30 Sept 2021	%	%
1	Trustpilot	85.5	-	(2.5)	36.7	40%	119.7	8.9%	9%
2	Graphcore	108.8	-	-	1.9	2%	110.7	8.2%	17%
3	Revolut	20.4	-	-	69.3	340%	89.7	6.6%	24%
4	Ledger	41.8	10.0	-	18.5	68%	70.3	5.2%	29%
5	Aiven	45.5	-	-	15.2	33%	60.7	4.5%	33%
6	Form3	10.2	25.0	-	24.0	480%	59.2	4.4%	38%
7	UiPath	100.3	-	(35.8)	(8.7)	(44)%	55.8	4.1%	42%
8	Lyst	35.1	7.2	-	8.0	43%	50.3	3.7%	46%
9	Aircall	32.8	3.6	-	12.9	50%	49.3	3.7%	49%
10	Thought Machine	18.4	15.4	-	11.1	144%	44.9	3.3%	53%
11	Ravenpack	29.9	-	-	5.0	17%	34.9	2.6%	55%
12	CoachHub	12.4	14.7	-	5.9	166%	33.0	2.4%	58%
13	Cazoo	25.7	-	(0.1)	7.2	28%	32.8	2.4%	60%
14	M-Files	29.7	-	-	(0.4)	(1)%	29.3	2.2%	62%
15	N26	10.0	-	-	15.3	153%	25.3	1.9%	64%
16	Isar Aerospace	14.8	-	-	10.3	70%	25.1	1.9%	66%
17	Smava	23.8	-	-	0.3	1%	24.1	1.8%	68%
	<b>Core portfolio</b>	<b>645.1</b>	<b>75.9</b>	<b>(38.4)</b>	<b>232.5</b>	<b>42%</b>	<b>915.1</b>	<b>67.8%</b>	<b>68%</b>
	Remaining Portfolio	336.1	89.1	(29.1)	36.6	29%	432.7	32.0%	100%
	<b>Total</b>	<b>981.2</b>	<b>165.0</b>	<b>(67.5)</b>	<b>269.1</b>	<b>37%</b>	<b>1,347.8</b>	<b>99.8%</b>	
	Co-Invest	2.6	-	-	(0.2)		2.4	0.2%	
	<b>Gross portfolio value</b>	<b>983.8</b>	<b>165.0</b>	<b>(67.5)</b>	<b>268.9</b>	<b>37%</b>	<b>1,350.2</b>	<b>100.0%</b>	

Source: Molten Ventures

GPV as at 30 September 2021 reached £1.35bn (31 March 2021: £984m), with cash proceeds from realisations (including escrows) of £68m during the period. Molten Ventures committed £165m of investment (£98m net investment), with a gross change in fair value of £269m, including a £13m foreign exchange gain. Molten Ventures targets 20% growth in GPV through the cycle (H122: 27%), as well as 10–15% realisations as a percentage of GPV through the cycle (H122: 7%).

## Outlook: Focused on the growth fund in 2022

Management remains confident in the outlook for European technology investment, seeing rising demand for late-stage rounds in leading companies. In H122, Molten Ventures committed £165m to investments, exceeding the company's targeted £150m annual investment. With total liquidity of £221m at period end, the company is also able to sell-down post-IPO stakes in Trustpilot and UiPath, providing additional investment capital. On this basis, together with envisaged exits, management can identify at least 12–18 months of cash runway. Management believes that strong growth will continue over this timeframe and remains focused on launching its Series B+ growth fund in 2022 to capitalise on the opportunity.

Looking ahead, on the results call, management was keen to clarify that the group has continued to make good progress on preparatory work for the growth fund, which will be a continued focus in 2022. The proposed growth fund is a co-investment fund that would be able to deploy third-party capital alongside Molten Ventures' balance sheet for Series B+ funding rounds, providing Molten Ventures with a greater ability to lead deals and secure allocation in competitive funding rounds.

Management anticipates FY22 fair value growth of around 35%, subject to wider market conditions, taking into consideration continued revenue growth within its portfolio, as well as financing rounds and exits, and a healthy pipeline of new investment opportunities.

## Valuation: Molten has justified a premium valuation

Molten Ventures' most direct competitors are private European VCs such as Accel Partners, Balderton Capital, Index Ventures, Northzone and Partech Partners. However, there is also now a growing list of peers on the public markets and we would identify the companies in Exhibit 5 as Molten Ventures' closest quoted comparables and the most relevant valuation benchmarks.

**Exhibit 5: Quoted peer group**

	Price	Currency	Market cap (£m)	Last NAV reported (£m)	Net cash/ (debt) (£m)	NAV per share (p)	NAV premium/ discount
Molten Ventures	924	GBp	1414	1,357	156	887	1.04
3i Group	1409	GBp	13,785	11,173	(931)	1,153	1.22
Augmentum Fintech	162	GBp	294	267	44	142	1.14
Eurazeo	73	EUR	5,760	7,900	(306)	99	0.73
Forward Partners	111	GBp	150	102	37	104	1.06
HgCapital Trust	420	GBp	1,885	1,850	(101)	415	1.01
IP Group	114	GBp	1,193	1,439	249	135	0.84
Mercia Asset Management	36.8	GBp	163	186	52	42.4	0.87
Oakley Capital Investments	377	GBp	676	804	172	445	0.85
Seraphim Space IT	125	GBp	264	221	124	104	1.20
TMT Investments	7.68	USD	241	237	41	7.49	1.02
VNV Global	104	SEK	12,193	13,023	527	122.50	0.85
<b>Peer group mean</b>							<b>0.98</b>
<b>Peer group median</b>							<b>1.01</b>

Source: Company accounts, Refinitiv. Note: Priced at 7 December 2021.

As an investment company, Molten Ventures' financial performance centres around its balance sheet, the growth in fair value of its investment portfolio (H122: 27%, FY22 c 35% growth expected by management), the resultant growth in net assets (H122: 31%) and NAV per share (H122: 19%, five-year CAGR of 20%), and the total liquidity available to the company (c £221m) to allow it to continue to invest in new assets as well as fund new portfolio companies to maturity and exit.

Sector valuations have fallen recently with renewed concerns over rising interest rates, high technology valuations and growing unease over the Omicron variant of COVID-19. Molten Ventures offers a diversified technology investment portfolio that has delivered a consistent track record of growth and, after its strong performance in 2020 and 2021, it has demonstrated why it warrants a premium rating as a mature and rapidly scaling leader in the technology VC sector. As technology valuations come under pressure, this will be the time for Molten Ventures to demonstrate that it can offer returns uncorrelated with the wider market. Molten Ventures trades on 1.04x H122 NAV, in the top half of our field of peers, which largely trade in a range between 0.8x and 1.2x NAV.

## Environmental, social and governance

Molten Ventures continued to develop its environmental, social and governance (ESG) roadmap in H122. Management has started to collect annual carbon emissions data to feed into its Streamlined Energy and Carbon Reporting for FY22. Although, as a Chapter 15 company, Molten Ventures is not required to report on Task Force on Climate-Related Financial Disclosures project, it is doing so voluntarily. The group has also strengthened its board and governance, released its board diversity and inclusion policy and started to engage with its portfolio companies on ESG (Exhibit 6).

### Exhibit 6: Continued progress on the ESG front

#### Our Sustainability Ambition

At 30 September 2021, we assessed 52\* of our portfolio companies for alignment with 1 or more UN Sustainable Development Goals (14% of the Gross Portfolio Value not assessed).



Source: Molten Ventures

**Exhibit 7: Financial summary**

	£'000	FY17	FY18	FY19	FY20	FY21
Year end 31 March		IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>						
Change in unrealised gains on investments		35,744	66,603	114,715	40,755	276,307
Fee income		1,673	7,163	6,101	11,255	12,507
Revenue		37,417	73,766	120,816	52,010	288,814
Cost of Sales		-	-	-	-	-
Gross Profit		37,417	73,766	120,816	52,010	288,814
Operating costs		(3,832)	(5,945)	(7,937)	(10,330)	(14,494)
Investment and acquisition costs		-	(424)	(207)	(239)	(262)
Normalised operating profit		33,585	67,397	112,672	41,441	274,058
Amortisation of acquired intangibles		-	-	-	-	-
Exceptionals		-	(229)	(34)	-	94
Share-based payments		(4,551)	(4,896)	(3,089)	(990)	(1,548)
Reported operating profit		29,034	62,272	109,549	40,451	272,604
Net Interest		-	112	120	(1,302)	(1,809)
One-off items (incl FX)		221	(1,530)	1,481	1,234	(3,348)
Profit Before Tax (norm)		33,806	65,979	114,273	41,373	268,901
Profit Before Tax (reported)		29,255	60,854	111,150	40,383	267,447
Reported tax		(438)	43	11	(17)	(26)
Profit After Tax (norm)		34,309	65,931	114,262	41,390	268,901
Profit After Tax (reported)		28,817	60,897	111,161	40,366	267,421
Minority interests		(330)	(3,131)	(582)	(659)	-
Discontinued operations		-	-	-	-	-
Net income (normalised)		33,979	62,800	113,680	40,731	268,901
Net income (reported)		28,487	57,766	110,579	39,707	267,421
Basic average number of shares outstanding (m)		32	65	96	118	129
EPS - basic normalised (p)		105.4	96.6	118.4	34.5	208.7
EPS - diluted normalised (p)		103.8	95.9	113.6	33.7	207.3
EPS - basic reported (p)		88.4	88.9	115.1	33.6	207.5
Dividend (p)		-	-	-	-	-
Revenue growth (%)			97.1	63.8	(57.0)	455.3
Gross Margin (%)		100.0	100.0	100.0	100.0	100.0
Normalised Operating Margin		89.8	91.4	93.3	79.7	94.9
<b>BALANCE SHEET</b>						
Fixed Assets		116,716	242,629	572,658	669,379	879,392
Intangible Assets		10,335	10,232	10,130	10,028	10,936
Tangible Assets		152	229	209	1,760	1,368
Investments		105,971	231,910	562,061	657,333	867,088
Investments in Associates		258	258	258	258	-
Current Assets		25,419	61,481	51,498	41,857	164,377
Stocks		-	-	-	-	-
Debtors		527	4,840	1,140	7,719	3,700
Cash & equivalents		24,892	56,641	50,358	32,255	158,417
Restricted cash		-	-	-	1,883	2,260
Current Liabilities		(1,548)	(2,948)	(4,959)	(5,396)	(9,990)
Creditors		(1,548)	(2,948)	(4,959)	(5,038)	(9,645)
Tax and social security		-	-	-	-	-
Lease liabilities		-	-	-	(358)	(345)
Short term borrowings		-	-	-	-	-
Other (incl deferred consideration)		-	-	-	-	-
Long Term Liabilities		(716)	(651)	(631)	(46,222)	(638)
Long term borrowings		-	-	-	(44,636)	393
Lease liabilities		-	-	-	(975)	(669)
Other long term liabilities		(716)	(651)	(631)	(611)	(362)
Net Assets		139,871	300,511	618,566	659,618	1,033,141
Minority interests		104	2,792	234	-	-
Shareholders' equity		139,767	297,719	618,332	659,618	1,033,141
<b>CASH FLOW</b>						
Op Cash Flow before WC and tax		33,712	67,557	112,835	41,961	274,708
Revaluation of investments held at fair value through P&L		(35,744)	(66,603)	(114,715)	(40,755)	(276,307)
Working capital		(42,306)	(62,249)	(212,927)	(61,750)	74,684
Exceptional & other		(438)	(74)	97	(17)	68
Tax		28	(107)	(32)	(3)	(2)
Net operating cash flow		(44,748)	(61,476)	(214,742)	(60,564)	73,151
Capex		(166)	(155)	(58)	(368)	(143)
Acquisitions/disposals		-	-	-	-	(650)
Equity financing		69,665	95,086	207,496	292	104,285
Dividends		-	-	-	-	-
Other		-	(49)	-	-	-
Net Cash Flow		24,751	33,406	(7,304)	(60,640)	176,643
Opening net debt/(cash)		0	(24,892)	(56,641)	(50,358)	12,381
FX		221	(1,530)	1,481	1,234	(3,348)
Other non-cash movements		(80)	(127)	(460)	(3,333)	(2,104)
Closing net debt/(cash)		(24,892)	(56,641)	(50,358)	12,381	(158,810)
Closing net debt/ (cash) (inc restricted cash)		(24,892)	(56,641)	(50,358)	10,498	(160,470)

Source: Company accounts, Edison Investment Research

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