

# Molten Ventures

## Initial signs of stabilisation in H223

Molten Ventures released its FY23 trading update (to end-March 2023), with its NAV per share down c 17% in FY23 to c 775p. That said, it posted only a minor 2% decline in its gross portfolio fair value in H223 (excluding foreign exchange impact), which indicates some stabilisation after the 17% decline in H123. Molten's 'Core' portfolio (c 62% of total portfolio) saw a robust 40% value-weighted revenue growth in the calendar year to end-December 2022 (though below the expected 60-65%, partly due to greater focus on cash preservation). The company expects continued high top-line growth of its 'Core' holdings in 2023 at over 65%. Management highlighted that its 'Core' holdings remain well funded, with over 80% of them having a cash runway of more than 18 months.

Period end	Plc cash* (£m)	Gross portfolio value (£m)	NAV (£m)	NAV/share (p)	Discount/premium to NAV (%)**
09/21	156.2	1,350.2	1,357.4	887	12
03/22	78.1	1,531.5	1,433.8	929	(16)
09/22	28.5	1,448.9	1,279.9	837	(64)
03/23***	23	1,370	1,200.0	775	(65)

Note: \*Includes restricted cash but not funds held on behalf of EIS/VCT investors. \*\*Calculated based on share price at respective period-end. \*\*\*Unaudited preliminary figures.

## Fair value fall cushioned by liquidation preferences

The 2% fall in fair value in H223 represents a £23m markdown, as £81m uplifts were offset by £104m reductions, with £63m of the latter coming from 'Core' holdings (mostly two assets) and £41m from the 'Emerging' portfolio. We note that the pressure on valuations (enterprise values of Molten's 'Core' holdings were down 37% in FY23) was partly cushioned by liquidation preferences, as 97% of the company's 'Core' investments are structured as preferred shares. Molten's current portfolio valuations are underpinned by the £1bn of capital raised across 28 rounds during FY23, of which 90% had valuations higher than or in line with the previous funding round.

## Continued emphasis on cash preservation

Molten invested £138m in FY23 (vs the targeted £150m), mostly in H123 (£112m) with higher focus on capital preservation in H223. Meanwhile, realisations amounted to £48m in FY23, of which c £35m in H223 (ahead of H223 investments). Management sees signs of stabilisation in the venture capital tech markets, therefore expecting fundraising and dealmaking to pick up at some stage over its current fiscal year to end-March 2024. Molten's CEO anticipates further realisations in the year though the timing is uncertain. It therefore prioritises cash preservation in FY24 and expects a funding requirement within its portfolio at c £20m. The company had £23m cash and £60m in undrawn revolving credit facility at end-March 2023 (its EIS/VCT funds had £58m available for investments), as well as c £10m in listed holdings. We also note that its operating costs net of fee income were c 0.1% of period-end NAV, ie visibly below the targeted 1%.

## Valuation

Molten's shares currently trade at a wide 64% discount to its end-March 2023 NAV per share. A potential rebound in deal activity and risk appetite across global private markets would likely constitute a catalyst for narrowing the discount.

FY23 trading update

Listed venture capital

02 May 2023

**Price** 280p  
**Market cap** £428m

Gross cash (£m) at end-March 2023 23  
Shares in issue 153m  
Code GROW  
Primary exchange LSE  
Secondary exchange Euronext Dublin

### Share price performance



### Business description

Molten Ventures is a London-based venture capital (VC) 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.

### Analysts

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