

8 May 2023

ASX Announcement

Strong momentum continues

Key Points

- **Assets Under Management (AUM) of \$500M as at the end of April 2023**
- **Launched rights issue of \$40M for Lux Group**
- **Perpetual capital AUM of \$285M or 57% of current AUM**
- **Appointment of Chief Financial Officer**

Auctus Investment Group Limited ('AVC', 'Auctus' or 'the Company') is pleased to provide shareholders with a detailed company update as at the end of April 2023.

Due to the continued positive operating cash flow from operations of the Company, Auctus is no longer required to lodge an Appendix 4C in accordance with ASX Listing Rules. Auctus' next periodic report will be its annual financial results for the financial year ending 30 June 2023, which will be released during August 2023.

Capital Metrics

Assets Under Management

Auctus' current AUM sits at \$500M¹ with total invested capital since inception of \$576M¹. Approximately \$285M¹ or 57% of the Company's total AUM is now perpetual capital underpinning recurring revenue.

Deployment

Given current market conditions we have remained patient on new transactions with the business anticipating total deployment of \$55M during FY23 including a US\$10M (~\$15M¹) investment in ID.me in November 2022 and an additional \$40M due to close prior to 30 June 2023 with Luxury Escapes.

Realisations

Auctus anticipates near-term total realisations of \$219M^{1 2} with the exit of esVolta and Petstock, the latter which remains subject to ACCC approval². These realisations are due to deliver Auctus performance fees in excess of \$7.5M.

Financial Measures

The Company continues to mature with growing performance fee revenue expected over future periods following 4 years of investment. In addition, recurring revenue is growing in-line with AUM:

- Accrued performance fees as at 31 December 2022 of \$10.25M including \$6.67M linked to Petstock exit²
- Annualised recurring revenue as at 31 December 2022 of \$6.06M (anticipated to be \$6.41M at end of FY23³) with quarterly management fees continuing to grow in-excess of fixed costs

We have provided a detailed portfolio and fund update below.

Capital Returned to Shareholders

The Company has distributed a total of \$6.33M to shareholders with respect to the current financial year through a capital return of \$3.78M (5c per share) paid in August and share buy-back of approximately \$2.55M.

Further purchases via the buy-back will be subject to market conditions and balance sheet management.

Portfolio and Fund Updates

Despite economic headwinds due to global inflationary pressures and central banks increasing interest rates, our portfolio is performing extremely well with all companies funded for continued growth:

Luxury Escapes Fund

Lux Group is a leading online travel technology business and the owner of the Luxury Escapes Brand – one of the world’s fastest growing travel technology businesses. Through their deep and long-standing partnerships with many of the world’s most exclusive travel brands, Lux can secure a wide range of curated hotel and tour packages, experiences, and flights at exclusive rates.

The business continues to perform extremely well growing Total Transaction Value (TTV) both domestically and offshore. The recent March quarter was the largest in Lux’s history. This commentary is mirrored across global travel companies.

Lux continues to grow both domestically and internationally with further properties now live on the platform. Stronger sales are correlated to the number of new properties offered. Launched just two years ago, Lux’s “marketplace” is now generating a current annualised TTV run rate of ~\$250M, with “flash” sales continuing to generate impressive growth. Lux is looking at several strategic acquisitions that provide synergies to their current offerings, as a result, Auctus is currently undertaking a \$40M rights issue to existing investors.

Pet Fund (PETstock or Petspiration Group)

On 15 December 2022, Auctus advised that Woolworths Group (ASX: WOW) had announced its intention to acquire a 55% equity interest in Petspiration Group ('Petspiration'), for a cash consideration of \$586M. Subject to the customary closing conditions including regulatory approvals, Auctus will sell the Fund's entire stake of 10.22% in Petspiration, which is expected to generate a gross IRR of approximately 30% p.a. and money multiple of 1.8x for Pet Fund Investors.

Further to the above, on 28 April 2023, the New Zealand Commerce Commission (NZCC) granted clearance for the transaction in the New Zealand market. Whilst the NZCC clearance satisfies one of the conditions precedents, the transaction remains subject to other customary closing conditions, including ACCC approval in the Australian market.

Petspiration continue to work with the ACCC, and we look forward to updating investors as we get more clarity in regards to this process.

At close Auctus is expected to receive a cash performance fee in excess of \$6M².

Energy Storage Fund (esVolta, LP)

The Company achieved its first realised exit and performance fee after generating an initial 50% return on equity and 18% p.a. IRR from the sale of esVolta, LP (Energy Storage Fund) to Generate Capital (the 'Buyer').

There is an additional performance earnout linked to the buyers' realised return over its investment period in esVolta of up to US\$100M. The performance earnout is tiered and begins accruing once Buyers have secured a 10% net return on their esVolta investment. The financial strength and expertise of the Buyer will be of significant benefit to esVolta as it matures, and existing investors will participate in the future growth of the business and sector through the performance earnout mechanism.

To date Auctus has received a pre-tax cash performance fee of \$2.41M.

US Opportunities Limited ('USO')

USO was established to invest in late-stage, growth private equity and pre-IPO opportunities across the USA sourced through Auctus' longstanding and trusted partnerships. USO provides non-US investors the opportunity to co-invest alongside leading US Institutions and Family Offices into unique, hard to access opportunities.

Auctus recently returned from meetings in the United States with all three USO portfolio companies: **Voyager Space Holdings, Unite Us Inc, and ID.me**. Auctus remain excited for the possibilities, growth and trajectory of each after a transformational 2022. Pleasingly, all three have significant runway to execute on their growth plans during 2023 and beyond.

Voyager Space Holdings

Voyager is a multi-national organisation specialising in the acquisition and operation of companies in space exploration and infrastructure industries. Services range from robotics to launch support to communications technology.

Voyager spent 2022 establishing itself in a class of its own. Despite a tumultuous year, Voyager had an organic growth rate of over 30% and secured new business to continue expansion. They made strong progress on Starlab, evaluating and growing their partner network, making key technical and programmatic decisions, and building the business model to make this never-done-before type of project doable, sustainable, and profitable.

Voyager recently participated in the World Economic Forum in Davos. We encourage shareholders to watch the following 7 minute video prepared for the event by Voyager CEO, Dylan Taylor and COO, Matt Kuta - [Building our future in space and on earth.](#)

ID.me

ID.me is the next-generation digital identity platform that enables trusted and convenient interactions between individuals and organizations and has now signed multiple \$1BN+ contracts including US Internal Revenue Service (IRS).

Auctus settled an investment of US\$10M (~\$15M) in ID.me in November, further diversifying the USO portfolio. Since USO's investment, ID.me reached a major milestone of 100M users (over a quarter of the US population) signing a further 100,000 per day.

Unite Us

Unite Us is the nation's leading software company bringing sectors together to improve the health and well-being of communities. They drive the collaboration to predict, deliver, and pay for services that impact whole-person health.

Unite Us continues to make strong progress and remains in an extremely good position to dominate the market. Management continues to focus on growing the business at a high rate, while improving operational efficiencies and profitability.

The regulatory tailwinds are accelerating. All 50 states now mandate social needs screening for health systems, 39 states mandate Medicaid health plans to address social needs, and 12 states allow for payment for social care services. Unite Us has done incredible work pushing the industry towards recognition and inclusion of social needs in whole-person care.

Going into 2023, Unite Us have the infrastructure, market momentum, and leadership to drive profitable scaling. Even though many companies are pulling back investments, the tailwinds in Unite Us' market present a unique opportunity to capitalise on this moment in their country's history where equitable access to care is a top strategic initiative for every one of their stakeholders.

US Student Housing REIT (ASX: USQ)

Current portfolio occupancy is strong at 96.5%, with pre-leasing for the 2023-2024 academic year sitting at 70.43%. Student Quarters has forecasted rental increases for the portfolio in-excess of 10.5% for the 2023-2024 academic year after achieving 8% rental increases for the current 2022-2023 academic year.

Following are the key financial metrics from the first half FY23 USQ results released to the ASX:

- \$5.086M (US\$3.492M) Net Profit After Tax for the half-year⁴
- 9.16 Earnings Per Unit (cents) for the half-year ended 31 December 2022⁴
- 1.59 cpu Q4 2022 distribution⁴
- 6.63% p.a. Q4 2022 DPU yield annualised based on share price at 5 May 2023⁴
- Portfolio level Net Operating Income (“NOI”) grew by over 50% from pre-IPO to the half ended 31 December 2022

Despite a dramatic increase in interest rates and the corresponding expansion of cap rates, performance at the property level is still creating value for the portfolio. As previously advised, this is largely due to the unprecedented occupancy levels and rent increases which are expected to continue through the 2023-2024 academic year. Fundamentals are as strong as we’ve seen with new supply at historic lows with construction costs rising due to inflation.

Short duration leases enable Student Quarters to reset rents every academic year, as a result, portfolio income has the potential to grow and outpace inflation each year.

US student housing continues to outperform as an alternative real estate asset class from both a rental growth and occupancy perspective. As of February 2023, rental rate growth trended 3.5x ahead of the long-term average for the sector, at approximately 8.3% for the upcoming academic year.⁵ Prelease occupancy for the RealPage 175 is the highest-ever February rate at 55.4% - nearly 9% higher than the long-term February prelease average.⁶ Investor interest across the sector has remained robust, with 81% of current investors aiming to increase capital allocation in student housing during the 2023 calendar year.⁷

Appointment of Chief Financial Officer

Since inception, Auctus has outsourced the accounting and finance function to third-party providers. As part of the Company’s evolution and growth, we are pleased to announce the appointment of Julie Parr-Davies as in-house Chief Financial Officer commencing on the 1st of May 2023. Julie, a Chartered Accountant, brings a wealth of experience to the Company and our board, having held senior finance roles at various financial services companies over a 20 year career both domestically and offshore. We welcome Julie to the team.

- ENDS

This announcement has been authorised for release by the Board of AVC

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¹ Assuming an AUD:USD FX rate of 0.6613 as at 30 April 2023

² Assuming settlement at 30 June 2023. Timing of ACCC approval remains uncertain

³ Subject to close of \$40M Luxury Escapes rights issue by 30 June 2023

⁴ Assuming annualisation of December quarter distribution; AUD:USD FX rate was 0.6866; USQ share price of \$0.96 as at 5 May 2023; Net of 15% US withholding tax

⁵ Per Yardi Matrix April 2023 Interface Student Housing update

⁶ Per RealPage Market Analytics Student Housing (MASH)

⁷ CBRE – Year End 2022 Student Housing Review

About Auctus

Auctus Investment Group Limited ('Auctus') is an ASX listed private markets asset manager with in-excess of \$500M Assets Under Management (AUM), focusing on opportunities across private equity, infrastructure and operating real estate. Our core investment thesis is investing in sectors with strong tailwinds and potential to scale. Auctus provides wholesale, Family Office and sophisticated investors with access to a highly curated selection of private market investment opportunities.