



**KAIZEN GLOBAL**  
Investments

## Unaudited NTA per share August 2023

Kaizen Global Investments Limited ("**KGI**") advises that the unaudited pre-tax Net Tangible Asset (**NTA**) backing per share of the company as at 31 August 2023 is **\$1.0708** and on a post-tax basis is **\$1.1204**.

We have highlighted the capital raising 'winter' for cash-burning companies in recent months, with a dilutive capital raise in a non-alcoholic spirits portfolio holding company, which reduced the valuation substantially. Unfortunately, another holding, a relocation technology company in the United States, which is a one-stop shop for anyone moving (think removals, telco connections, home insurance etc) has also run low on cash and is still in the EBITDA cash burn phase. It too has undertaken a capital raise at a significant reduction in valuation. This is, simply, very disappointing and our appetite to reinvest, even at far lower valuations, is low.

Of note, only a week ago Instacart (which is not a holding) filed its IPO in the US with a valuation down 75% from the private market two years ago. The IPO market has been closed for some time and the success of the Arm Holdings IPO has opened a door for capital to be raised. The bigger point is that cash burning companies are experiencing dramatic valuation contraction if they need to raise capital at the moment (and are loss making).

Our challenge in giving more capital to management of these growth companies that have run out of cash, is that they can surely burn, but can they be frugal? Perhaps we're being too cynical, but despite management/founder holdings being heavily diluted today, we think that they may award generous options packages in the future to make them 'whole' again. The common equity shareholders funding the journey will not be so fortunate. We believe that both companies are attractively positioned and have attractive market opportunities ahead. However, the skill is going to be 'when' to add to the positions, if at all. At times like this there may be follow on rounds, that are also dilutive, but should the companies turn the corner, the very last capital raising round is likely to be very profitable. Timing is always key, but the mark downs are so severe at present, the opportunity, with future hindsight, may be today.

We recently released our annual report for the year to June 2023. In that we highlighted that the private company's earnings, due to strong performance, triggered one of the performance awards. This will result in 5% more shares being issued in the upcoming period. In the Manager's letter we discuss breaking out the EBITDA/share of the private operating companies and potentially thinking about ways to value it in the future.

Recall that a 6.5 cent dividend was paid to all shareholders during the month of May 2023, which reduced the NTA but went to shareholders as cash. So, as a shareholder you simply have the 6.5 cents in your pocket vs on the balance sheet of KGI.

As highlighted in the first half results of 2021, we have taken a tax charge for the sale of the private business in the audited 1H numbers, as per the accounting standards. Investors should be aware that if we make an acquisition of a controlling stake out of the proceeds of the sale, within two years, this tax charge will not crystallise and it will be added back to the NTA.

All holding enquiries should be directed to our share registry, Boardroom on 1300 737 760.

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