

28 November 2023
ASX Announcement

AGM Shareholder Update

Key Points

- **Assets Under Management (AUM) of ~\$540M as at 28 November 2023**
- **Strong free cashflow anticipated for first half of FY24**
- **\$35M raise into US Opportunities Limited close to fully committed**
- **Launched US\$10M (~\$16M) feeder fund into Scout Ventures Fund IV**
- **US Student Housing REIT announces intention to delist and become open-ended unlisted unit Trust**
- **Anticipate paying a dividend to shareholders at close of Petstock transaction**
- **Company to explore ways to unlock shareholder value**

Auctus Investment Group Limited ('AVC', 'Auctus' or 'the Company') is pleased to provide shareholders with a detailed company update for the Annual General Meeting on 28 November 2023.

Financial Measures

The Company continues to mature with performance fee revenue expected over future periods following ~4 years of investment:

- At 30 June 2023 the Company had accrued a \$7.19M performance fee linked to the PETstock exit. Whilst we await final regulatory approval, the extreme delay in timing of this, and the divestment package proposed by the ACCC will reduce the accrued fees at close of the transaction. Whilst it is not yet possible to accurately calculate its impact, the Company assumes a cash performance fee of between \$2m – \$3M during FY24²
- Upon delisting, US Student Housing REIT (ASX:USQ) will have a positive non-cash impact in the second half of FY24 for Auctus of \$3m – \$4M
- Annualised recurring revenue as at 31 December 2023 of approximately \$7M net of Pet Fund (up from \$6.60M at 30 June 2023³) with quarterly management fees continuing to grow in excess of fixed costs
- Strong free cashflow anticipated for H1 FY24 based on both existing and new investments

Auctus will provide final details on the Petstock transaction once regulatory approval is finalised.

Capital Metrics

Assets Under Management

Auctus' current AUM sits at ~\$540M¹ with total invested capital since inception of \$616M¹. Approximately \$225M¹ or 41% of the Company's total AUM is now perpetual capital underpinning recurring revenue.

Deployment

The Company has a strong pipeline of new opportunities both domestically and offshore. Given market conditions throughout 2023 we have remained patient on new transactions, however, believe that 2024 will see an increase in deal activity. Over the next quarter, we anticipate deploying approximately \$35M via US Opportunities Limited (USO).

Realisations

Subject to market conditions, Auctus anticipates further successful exits during 2024 following the exit of esVolta, LP (with a further potential earnout detailed below) and Petstock, which remains subject to ACCC approval.

Capital Management Initiatives

On 1 November 2023 the company lodged its final buy-back notification with 3,000,000 ordinary shares worth a total of \$2,934,383 bought back on-market. The Company has now ceased this initiative and instead aims to reward shareholders by way of dividends out of free cashflow.

The Company anticipates paying a dividend at the close of the Petstock transaction.

In addition to focusing on delivering strong and consistent underlying investor returns, the Board and Management will explore ways to unlock shareholder value.

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 (Lux) 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 September quarter was the largest in Lux's history. During FY23 Lux grew Gross TTV by 27% (>\$750M), Net TTV by 65% and Group Revenue by 65%. Lux is extremely well placed for future growth, and we look forward to working with Management to continue executing the business plan.

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.

Recently, the ACCC announced a divestment package in order for the deal to proceed. Petspiration and Woolworths 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 of between \$2-3M².

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').

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

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.

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.

The strategy will close as a A\$100M vehicle with an investment time horizon of 2026, with exits anticipated to commence during 2024 subject to market conditions.

Auctus has a strong pipeline of US private equity opportunities via our offshore partners with the view to seed a A\$150M- A\$200M "US Opportunities Fund 2" over the next 12-18 months.

Auctus recently returned from meetings in the United States with all three USO portfolio companies: **Voyager Space Holdings, Unite Us Inc, and ID.me**. Some updates are as follows:

- **Voyager** and Airbus have announced a joint venture to build and operate Starlab – a Commercial Space Station planned to succeed the International Space Station (ISS)
 - The proposed joint venture will ensure continued US and European collaboration in space and is great news for ongoing public and private partnerships between Voyager and NASA
 - Awarded a US\$900M indefinite-delivery/indefinite-quantity (IDIQ) contract by the Air Force Life Cycle Management Center's Architecture and Integration Directorate (AFLCMC/XA) for yielding cost-effective warfighting capabilities.
 - The above wins add significant value to the Voyager business as they head towards a traditional Initial Public Offer (IPO) in 2024

- **Unite Us** closed 138 new deals in 1H 2023 vs 95 deals in 1H 2022 (up 45% YoY) whilst growing several top deals that were up for renewal across the government sector (Georgia, Virginia, North Carolina Department of Public Safety/Corrections) and renewing their two largest health plan customers
 - 33M+ individuals managed via Unite Us
 - Unite Us Payments now across 12 states with US\$12BN running through it
- **ID.me** are adding 90,000 new users daily and now has 114M verified users (~45% of US adults)
 - Deployed by 30 states and 15 federal agencies to protect sensitive transactions and services
 - 7 of the 30 states have publicly credited ID.me with helping prevent US\$273BN of fraudulent and improper payments
- **Cross Creek III Fund** portfolio company, Klayvio successfully listed on the New York Stock Exchange during September
- **Scout Ventures Fund III** portfolio company, Tomahawk Robotics was acquired by AeroVironment Inc. (NASDAQ: AVAV), for a combination of cash and stock with Fund III commencing distributions to investors.

US Student Housing REIT (ASX: USQ):

On November 3rd, Auctus and Equity Trustees announced the intention to request ASX delist USQ, enabling it to operate as an open-ended unlisted registered Trust. The investment strategy remains unchanged. The investment objective of USQ is to generate a 15% p.a. total return for unitholders over a three to-five-year investment cycle, through a disciplined strategy of acquiring under-optimised operating assets, executing on a business plan to reposition them with a focus on Net Operating Income (NOI) growth, and then on-selling those assets for a capital gain.

Upon disposal some of the capital gain is expected to be paid to unitholders via special distributions with the balance of the proceeds being used to actively grow the portfolio. Through the holding period of those assets, it is expected unitholders will be paid regular income through quarterly distributions.

Despite the challenging macro environment, the assets comprising the USQ portfolio have still appreciated in value since the IPO in March last year, up to US\$147.75M from US\$136.9M, underscoring both the broad strength of the US student housing sector and the effectiveness of SQ as an asset acquirer and operator. Further to the ASX announcement of September 14, 2023, the NTA of the portfolio as at 30 June 2023 is AUD 1.601 per unit (US 1.06 per unit). Assets in the portfolio are independently valued on a 6-monthly basis, with the next round of valuations occurring in December 2023. We look forward to providing investors with an update in the half year review.

- ENDS

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

For all shareholder enquiries please contact:

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¹ Assuming an AUD: USD FX rate of 0.6500 as at 24 November 2023

² Assuming settlement during FY24. Timing of ACCC approval remains uncertain

About Us

Auctus Investment Group Limited is an ASX listed global investment manager with in-excess of A\$530M Assets Under Management (AUM), focusing on opportunities across private equity, infrastructure and private real estate. Our core investment thesis is investing in sectors with strong tailwinds and potential to scale. Auctus provides access to these private market investments for wholesale, Family Office and sophisticated investors.