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ASX Announcement: **14 November 2023**

ASX Code: **TEK**

## **2023 Annual General Meeting Chairman's Address**

Good morning ladies and gentlemen,

On behalf of the Board, I'd like to welcome you to the Annual General Meeting for Thorney Technologies.

Before getting into the body of my Chairman's Address discussing TEK's performance over the FY23 financial year and providing my thoughts on the market outlook, I would like firstly to comment on the proposed change to Thorney Technologies' management fee structure which was announced to the ASX yesterday.

After an internal review, along with feedback from our shareholders, the Board has reached agreement with the Investment Manager to implement a high watermark for TEK, effective from 1 January 2024. Although the Investment Management Agreement does not require it to do so given it was approved by shareholders at the inception of TEK, the Investment Manager has taken heed of this item of concern by shareholders and prospective new shareholders to address this issue. The introduction of the high watermark better aligns the interests of the Investment Manager with those of TEK's shareholders. It also represents a further initiative aimed at reducing the prevailing share price to NTA discount and bringing it more into line with market practice.

TEK, we believe is somewhat unique in the LIC space as its premise is to provide shareholders with access to a wide range of technology companies in all of the unlisted, pre-IPO and public sectors, at every stage of their life cycle.

A key differentiator to other technology-focused LICs and a key reason to invest in TEK has been – and remains – gaining access to technology-related deals that retail investors might not otherwise obtain. Given the nature of early stage investing, this approach requires a medium to longer term investment timeline.

Indeed, right now I see TEK as ideally placed to take advantage of its position as one of the few remaining active investors in the unlisted and listed small and mid-cap technology space. A number of fund managers have left the sector in recent years and investment dollars have been in outflow. When the cycle does turn back to favour the sector, TEK and its shareholders will inevitably do well.

Turning specifically to TEK'S performance over FY23, the environment for small and mid-cap publicly listed technology stocks was an extremely difficult one. Many former tech market stars suffered as investors reduced risk due to rising interest rates, a weaker macroeconomic outlook, and a global rush into a small number of US mega stocks exposed to the AI phenomenon. In addition, those unlisted companies, without the opportunity to access public capital due to the effective closure of the IPO market, still required additional capital which had to be raised under

difficult conditions and often on less favourable terms than previously achieved. Unfortunately, certain early stage companies could not raise capital and folded. As a result, the Investment Manager has maintained its conservative and pragmatic approach to assessing the carrying value of its investments.

This environment saw the TEK investment portfolio finish the year ended 30 June 2023 down 15.7% on an after-tax basis.

Despite this disappointing result, I remain optimistic about the outlook for the technology sector and the diverse exposure contained within the TEK portfolio. Indeed, cheaper valuations present many good buying opportunities for investors and TEK has added to a number of our portfolio stocks at what we regard as attractive prices.

These opportunities include TEK itself and during the year we maintained our on-market buyback of TEK shares to improve shareholder value and help address the continuing discount to NTA at which the company has been trading.

The TEK portfolio has been designed with a medium to long term view and to contain a mix of early stage, developing and positive cash generating companies to deliver superior returns to shareholders over time.

As an example, we are optimistic that our largest listed holding Calix Limited (ASX:CXL) can continue to deliver on its strategic ambitions thanks to its quality and well-credentialled management team, solid agreement pipeline, promising technology, and a capital-light business model.

CXL continued to accelerate its technology across FY23, securing a joint venture agreement with Pilbara Minerals Limited (PLS.ASX) for the development of a demonstration plant to produce lithium salts via an innovative "value added" refining process utilising CXL's patented calcination technology. CXL CEO, Dr Phil Hodges, will be joining me at the conclusion of the TEK AGM for a conversation about the outlook for the Company.

Regenerative medicine company, Avita Medical Inc, is another portfolio holding we are positive about. We believe AVH will achieve both revenue growth and a broadening of its product offering over the years ahead. The Company achieved a number of milestones in FY23 for its innovative spray-on skin cell repair device, the RECELL System including FDA approval for its approval supplement for the use of RECELL to treat full-thickness skin defects and premarket approval to use RECELL for the treatment of skin blotch disease, vitiligo.

A pivotal trial using RECELL to treat soft tissue injuries showed statistically superior donor sparing and comparable healing rates.

Clarity Pharmaceuticals Limited (ASX: CU6), Imugene Limited (IMU.ASX) and Microba Life Sciences Limited (MAP.ASX) are three additional life sciences positions in the portfolio that are showing promising developments with their technology or products.

CU6 operates in the exciting radiopharmaceuticals space and has six products CURRENTLY under the FDA's Investigational New Drug program for US clinical trials. Whilst commercialisation remains some years away, we believe the Company is sufficiently well supported to achieve its objectives.

IMU has several clinical trials underway, and in September, it acquired an off-the-shelf cell therapy drug which targets blood cancer following a \$65m capital raise which should provide it with the necessary funding to achieve its ambitious objectives.

DUG Technology Limited (ASX: DUG) is another holding we remain enthusiastic about. DUG specialises in analytical software development, big-data services and reliable, green, high-performance computing and is leveraged to a number of industries, including resources.

DUG's profitability, cash flow and share price improved over FY23 given the recovery in the oil and gas markets. We expect the industry tailwinds to continue as evidenced by a number of contract wins and increased capacity at its Houston operations in the US.

Amongst the unlisted portfolio, TEK's previously largest unlisted position, Updater Inc., conducted a heavily dilutive capital raise in May resulting in TEK taking a material write-down to the carrying value of its investment. Despite our disappointment in the management and board around the terms and basis of the capital raise, we remain a believer in Updater's potential, particularly as it is part of the winning consortium for a substantial US military-related contract. As a result of these beliefs, TEK participated in the raising.

Mosh, the online men's health clinic, continued to execute its strategic plan and gain prominence and market share. One of Mosh's co-founders, Gabriel Baker, will be joining me for a chat post-AGM.

The TEK investment team will continually monitor the progress of Updater, Mosh and all other companies in the TEK portfolio.

This includes a number of other early stage, unlisted portfolio positions which we believe have great potential to deliver value accretion to the TEK portfolio. In the case of unlisted positions, we will continue to take a risk adjusted approach to assessing valuations.

## Outlook

Despite the current underperformance of many small cap technology shares, we have been encouraged by some M&A activity in the sector. One example is Nitro Ltd which was acquired by Potentia during the period delivering TEK shareholders a good return. We also believe the recent bounce back by global, large-cap technology stocks will eventually flow through to the small-cap and mid-cap sector where TEK is well positioned to be a beneficiary.

My sincere thanks go to my fellow TEK Directors, the Thorney investment management team and to all TEK shareholders for your continued support.

I also hope you can stay for our Investment Forum which will follow the conclusion of our AGM today.

Thank you.

**Alex Waislitz**  
Chairman

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## About Thorney Technologies Ltd

Thorney Technologies Ltd (TEK) is an ASX-listed investment company (LIC), with a broad mandate to invest in technology-related investments at all phases of the investment lifecycle. As well, TEK seeks to identify early-stage companies with new and disruptive technology and business models and invests in a broad range of areas of technology, such as fin-tech, e-commerce, education, agriculture, medical, telecommunication, robotics and AI. High quality deal flow is generated via our networks established in Australia, Israel and USA for investment opportunities in both listed and unlisted entities.

TEK is managed by the privately owned Thorney Investment Group pursuant to a long-term investment management agreement. You can invest in TEK by purchasing shares on the Australian Securities Exchange (ASX). For more information visit: <https://thorney.com.au/thorney-technologies/>