

# MERIAN CHRYSLIS INVESTMENT COMPANY LIMITED

Merian Chrysalis Investment Company Limited ("MERI") is a new investment company to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on the London Stock Exchange's Main Market for listed securities.

## AN INTRODUCTION



### INVESTMENT OPPORTUNITY

Aims to provide access to returns available from investing in later stage private companies with long-term growth potential, an investment class that has traditionally been difficult to access for individual investors.



### INVESTMENT STRATEGY

Utilising permanent capital to invest in crossover opportunities where we can help de-risk a future IPO\*. Merian Global Investors (MGI) has the scale, expertise and relevance to be a crossover investor.



### INVESTMENT OBJECTIVE

To generate long-term capital growth through investing in a portfolio consisting primarily of equity or equity-related investments in unquoted companies.



### INVESTMENT ADVISER

The company will be managed by MGI's award-winning UK small- and mid-cap desk, which manages £7.0bn<sup>1</sup> and has invested around £300m in unlisted companies since September 2017.

## Key dates

- Close of offer for subscription and intermediaries offer on 31/10/2018
- Admission and dealing in shares: 8am on 6/11/2018

## THE WIDER OPPORTUNITY

THE POPULARITY OF PRIVATE CAPITAL HAS INCREASED SHARPLY IN RECENT YEARS

### PRIVATE MARKETS ATTRACTIVE



MGI believes private markets offer greater flexibility, less loss of control for founders, and less concern over near-term profit targets versus public markets.

### CROSSOVER COLLABORATION

Successful private companies, often as mature as many that choose to IPO, are looking for relevant 'crossover' investors to help them over the public ownership line. Collaboration significantly de-risks IPO.



### CAPITAL-LITE



Characteristically, many of the companies we look at are "tech-enabled disruptors." In MGI's experience, typically as they approach breakeven or profitability, these businesses tend to be relatively non-capital intensive and they have less need to raise primary capital.

### PRIVATE FOR LONGER

More companies are looking for private capital, albeit most providers are of a 'traditional' nature. The increase in private capital availability has enabled companies to raise fresh finance without IPO and stay privately owned for longer.



### VALUE CURVE

MGI believes public markets are less used to valuing very high growth situations. As a result, private owners feel they will not be rewarded for their growth and so only IPO once significant value has already been captured.



## PORTFOLIO MANAGERS

THEY WILL BE SUPPORTED BY MGI'S UK MID & SMALL CAP TEAM: £7.0BN AUM<sup>1</sup>



**RICHARD WATTS**  
FUND MANAGER

Richard joined the team in 2002 and manages the Merian UK Mid Cap Fund. He initially joined the UK mid- and small-cap team as an analyst before assuming full portfolio management responsibilities in 2009. He joined from Orbis Investment Advisory where he spent two years as an equity analyst, before which he was a senior associate in the investment management division of PwC. Richard has a degree in mathematical sciences from the University of Oxford, is IIMR qualified and is a CFA charterholder.



**NICK WILLIAMSON**  
FUND MANAGER

Nick has worked with the team since 2008, covering a variety of sectors. Prior to his appointment as manager of the Merian UK Smaller Companies Focus Fund in 2016, Nick acted as deputy manager on both the onshore and offshore UK smaller companies funds, since January 2014. Before this he was a sell-side analyst for more than 10 years, with a broad range of analytical responsibilities, most recently at Citigroup. Nick has an economics degree from Durham University and is a CFA charterholder.

\* An initial public offering, or IPO, is the very first sale of stock issued by a company to the public.

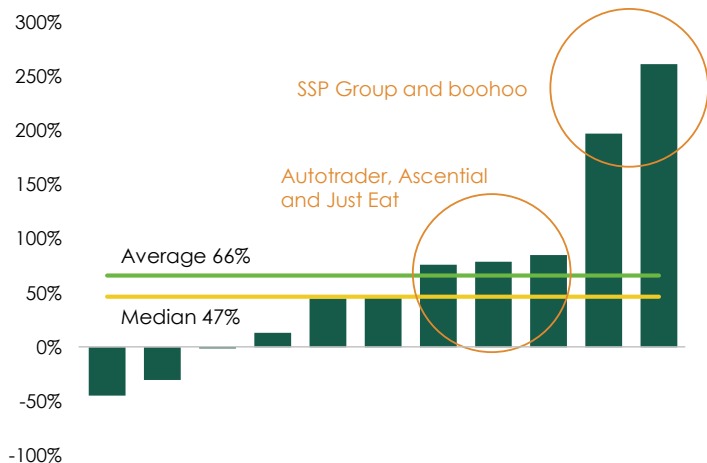
<sup>1</sup> Merian Global Investors, as at 31/07/2018.

## TRACK RECORD – IPO PERFORMANCE

EACH FUND SHOWS A STRONG MEDIAN PERFORMANCE, WITH AVERAGE RETURNS BOOSTED BY SOME EXCEPTIONAL INDIVIDUAL CONTRIBUTIONS

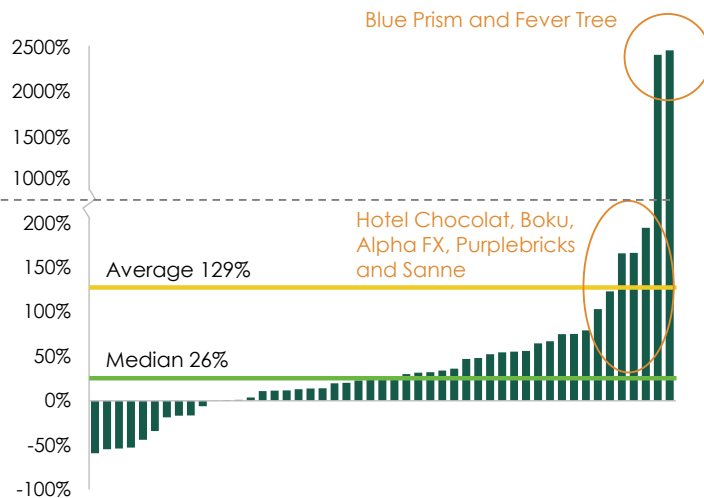
### MERIAN UK MID CAP FUND

IPO PERFORMANCE RELATIVE TO BENCHMARK<sup>2</sup>



### MERIAN UK SMALLER COMPANIES FOCUS FUND

IPO PERFORMANCE RELATIVE TO BENCHMARK<sup>3</sup>



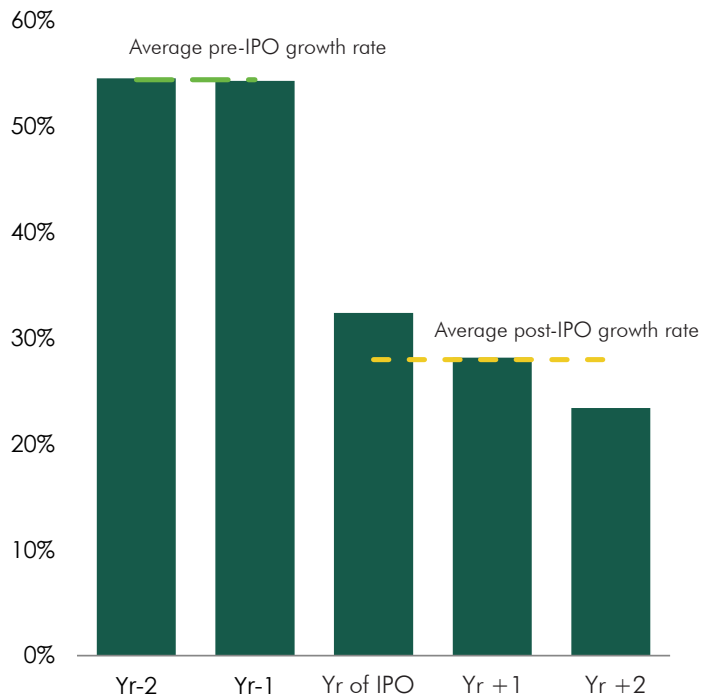
Source: Merian and Bloomberg, as at 17/08/2018, IPOs since beginning of 2013.

<sup>2</sup>FTSE 250 Ex Inv Trs. Relative performance to date or to point of sale. <sup>3</sup>Numis Smaller Companies ex ITs.

## THE VALUE CURVE

IT'S ALL ABOUT THE TIMING

**GROWTH RATES FORECAST POST-IPO ARE TYPICALLY c50% OF THOSE ACHIEVED PRE-IPO**



Source: Source: MGI plus IPO broker research, as at 17/08/2018

Cohort: Just Eat (UK sales growth); Blue Prism; Fever-Tree; boohoo.com; Alfa Financial Software; Alpha FX; MindGym; Sanne; Medica; FootAsylum; Joules; Codemasters; Boku (ex social games); Aquis Exchange.

## DEAL CHARACTERISTICS

FOCUS ON THE RIGHT COMPANY AT THE RIGHT PRICE



**Looking for compelling opportunities for minority, private investments, displaying some or all of the following:**

- Ability to generate growth rates substantially better than average UK plc;
- Ability to protect these growth rates for a substantial period of time;
- Where valuation appears attractive, particularly against a listed market backdrop, giving an ability to earn a multiple of the entry valuation;
- Ability to earn superior returns at scale; and
- Investee companies to typically have demonstrated proof of concept – usually implying revenue generation credentials

These businesses are typically at an advanced stage of private ownership and beginning to consider an IPO

Maturity substantially decreases stock-specific risk

### Other considerations include

- Timetable to IPO/realisation
- Likely capital consumption

- Possible secondary liquidity
- **Strong management team which MGI can support to achieve their goals**

## INITIAL INVESTMENT

### AIM TO BE 40% INVESTED QUICKLY POST LAUNCH

- Anticipated that the Company will be seeded with two unlisted investments: Transferwise and Secret Escapes
- MGI believes there is an opportunity for the Company to make a follow-on investment in The Hut Group, subject, inter alia, to agreement of terms



#### TransferWise – invested Oct '2017

- Highly disruptive FX payments company
- Charges just 0.3% to send money on some of its routes
- 4 million users to date
- Year ending '2018 revenues of £118m and profit of £6m



#### Secret escapes – invested Jul '2018

- Global digital market place connecting discerning travellers with discounts on inspiring travel experiences
- We estimate an organic compound growth rate of >45% 2014-17
- This growth has been driving diminishing losses and strong working capital flows
- Potential bolt-on acquisition opportunities



#### The Hut Group – invested Sept '2017 (follow-on investment in Feb '2018)

- Highly scalable, end-to-end technology platform serving on-line retail
- Holds a strong position in the attractive verticals of wellbeing and beauty ecommerce
- Profitable and has grown EBITDA at over 40% compounded 2014-17; 2017 sales were £736m for 2017 fiscal year
- Substantial engagement with the management, including undertaking site visits
- Financial due diligence and monitoring as well as third party financial and legal diligence

<b>Structure</b>	Closed-ended Guernsey investment company Traded on LSE Main Market, Premium segment GBP denominated
<b>Strategy</b>	Unlisted pre-IPO opportunities focused fund Ability to hold units/make follow-on investments post IPO if investment thesis warrants Holding size: up to 20% of gross assets, calculated as at the time of investment Borrowing: up to 20% of gross assets, calculated as at time of drawdown, for investment and working capital purposes
<b>Size &amp; deployment</b>	Initial target proceeds £200m Proceeds expected to be substantially invested within 6-9 months of IPO* Other MGI-managed funds committed to 15% of total issue Typical number of holdings once fully invested : 7-15 MGI OEICs currently expected to use this company to gain access to unlisted opportunities in most circumstances
<b>Costs &amp; expenses</b>	Launch costs capped at 1.5% of gross issue proceeds Management fee: 0.5% p.a. of NAV (less cash until 90% of IPO proceeds deployed) Performance fee: 20% of NAV returns in excess of 8% pa compounding hurdle with high water mark. Fee payable annually up to the amount of net realised profits earned / value of listed shares in year of the relevant investment's IPO in the period, with deferral to future periods where there are insufficient net realised profits / value of listed shares in year of the relevant investment's IPO
<b>Pricing</b>	Quarterly NAV valuation updates
<b>Discount management</b>	Authority to buy back shares at the board's discretion up to 14.99% of issued share capital
<b>Continuity</b>	Continuation vote after 5 years and every 3 years thereafter

\*Assumes target IPO size of £200m is achieved and final commercial terms with the Hut Group are achieved.

## KEY RISKS

<b>Market risk</b>	Market conditions may restrict the supply of suitable equity or equity related investments that may generate acceptable returns and thereby cause “cash drag” on the Company’s performance. Adverse market conditions and their consequences may have a material adverse effect on the Company’s investment portfolio. To the extent that there is a delay in making investments, the Company’s returns will be reduced. Greater concentration of investments in any one geographical location is generally considered a higher risk investment strategy than that with a more diversified geographic focus, as it exposes investors to the fluctuations of a single geographic market and currency. This may result in greater volatility in the value of the Company’s investments and consequently its respective Net Asset Value, and could affect the value of the Shares.
<b>Investment risk</b>	Equity and equity related investments in the Company’s portfolio may not provide a consistent rate of realised return.
<b>Portfolio risk</b>	Late-stage private growth companies and smaller capitalisation companies that the Company will invest in have a higher risk profile than their quoted company equivalents and investments in such companies may be difficult for the Company to realise. A failure or delay to realise an investment may restrict the ability of the Company to make other more lucrative investments, or require the sale of other more liquid investments, and may materially and adversely affect the performance of the Company and returns to the Shareholders. Investment documentation may include finance, shareholder and other agreements and may contain certain minority or other restrictions that may impact on the ability of the Company to have control over the underlying investments, to access information which may be relevant to the investments made by the Company and/or expose the Company to the risk that other investors may individually or collectively act in a way that is contrary to the Company’s interests (including in circumstances where Merian Global Investors has board observer status).
<b>Valuation risk</b>	There can be no guarantee that the basis of calculation of the value of the Company’s investments will reflect the actual value achievable on realisation of those investments.
<b>Tax risk</b>	Any change in the tax status or tax residence of the Company, tax rates of the Company, tax legislation or tax or accounting practice (in Guernsey or the UK) may have an adverse effect on the returns available on an investment in the Company.
<b>Liquidity risk</b>	First Admission should not be taken as implying that there will be a liquid market for the Shares. Prior to First Admission, there has been no public market for the Shares and there is no guarantee that an active trading market will develop or be sustained after First Admission. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares may be adversely affected. Even if an active trading market develops, the market price of the Shares may not reflect the value of the underlying investments of the Company.

The art and science of investing™

**Merian**  
GLOBAL INVESTORS

This advertisement is issued by and has been approved for the purposes of section 21(2)(b) of the Financial Services and Markets Act 2000 by Merian Global Investors (UK) Limited (the “Investment Adviser”). The Investment Adviser is registered in England and Wales (number: 02949554) and is authorised and regulated by the Financial Conduct Authority (FRN: 171847). Its registered office is at 2 Lambeth Hill, London, United Kingdom, EC4P 4WR. This advertisement is not a prospectus and investors may only subscribe for or purchase any shares in Merian Chrysalis Investment Company Limited (the “Company”) on the basis of the information in the prospectus published by the Company. The prospectus and key information document are available at [www.Merian.com/Chrysalis](http://www.Merian.com/Chrysalis) and at the Company’s registered office.

The Investment Adviser only acts for the funds to which it provides regulated investment management and transaction services and does not act for or advise potential investors in connection with acquiring shares in the Company and will not be responsible to potential investors for providing them with protections afforded to clients of the Investment Adviser. Prospective investors are strongly advised to take their own legal, investment and tax advice from independent and suitably qualified advisers. The value of investments may go up as well as down and you may not get back the full amount of your investment. Past performance is not a guide to future performance.

This document contains only summary information and is incomplete. The information and opinions contained in this document are provided as at the date of the document and are subject to change and no representation or warranty, express or implied, is or will be made in relation to the accuracy or completeness of the information contained herein and, save in the case of fraud, no responsibility, obligation or liability (whether direct or indirect, in contract, tort or otherwise) is or will be accepted by Liberum Capital Limited (“Liberum”), Zeus Capital Limited (“Zeus Capital”), the Investment Adviser or the Company or by any of their respective directors, partners, officers, employees or advisers (“Affiliates”) in relation thereto.

All projections, estimations, target returns and the like in this document are illustrative exercises involving significant elements of judgement and analysis and using the assumptions described herein, which assumptions, judgements and analyses may or may not prove to be correct. The actual outcome may be materially affected by changes in, for example, economic and/or other circumstances. Each of Liberum, Zeus Capital, the Investment Adviser, the Company and their respective Affiliates expressly disclaims any and all liability which may be based thereon. In particular, no representation or warranty is given as to the achievement or reasonableness of future projections, estimates, or target returns, if any. Any views contained herein are based on financial, economic, market and other conditions prevailing as of the date of this document. The information contained in this document will not be updated.

Similar Funds: Certain information contained in this document relates to the historic performance of funds managed by the Investment Adviser or its Affiliates (“Similar Funds”). There can be no guarantee that the Company’s performance or investment pipeline will match the performance of, or investment pipeline available to, such Similar Funds.

This document may not be published, distributed or transmitted by any means or media, directly or indirectly, in whole or in part, in or into the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. The securities mentioned herein have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “US Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and will not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, in or into the United States or to, or for the account or benefit of, any US person (as defined under Regulation S under the US Securities Act). The Company has not been, and will not be, registered under the U.S. Investment Company Act of 1940, as amended.

Neither this document nor any copy of it may be: (i) taken or transmitted into or distributed in any member state of the European Economic Area (other than the United Kingdom), Canada, Australia or the Republic of South Africa or to any resident thereof, or (ii) taken or transmitted into or distributed in Japan or to any resident thereof. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any such jurisdiction. The distribution of this document in other jurisdictions may be restricted by law and the persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

Liberum and Zeus Capital, each of which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting only for the Company in connection with the matters described in this document and is not acting for or advising any other person, or treating any other person as its client, in relation thereto and will not be responsible for providing the regulatory protection afforded to clients of each of Liberum and Zeus Capital or advice to any other person in relation to the matters contained herein. Neither Liberum, Zeus Capital nor any of their respective directors, officers, employees, advisers or agents accepts any responsibility or liability whatsoever for this document, its contents or otherwise in connection with it or any other information relating to the Company, whether written, oral or in a visual or electronic format.

By accepting this document you agree to be bound by the foregoing provisions, limitations and conditions and, in particular, you have represented, warranted and undertaken that you have read and agree to comply with the contents of this notice including without limitation the obligation to keep the information given at the presentation and in this document and its contents confidential.