

Albion News

Shareholder magazine

Spring 2022

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AlbionCapital

2021 in numbers

6 new team members



Agnese Palermo,
Marketing Associate



Gita Kler,
Analyst



Lauren Apostolidis,
Platform Director



Leigh Brody,
Investment Manager



Le Van Ta,
Marketing Manager



Molly Gilmartin,
Investment Manager

VCT Funds Under
Management

£536m

(31/12/2021)

£41.6m

5 new and
14 follow on
investments

£96.5m

raised for the
2021/2022
top-up period

To keep abreast of developments at Albion Capital, including top-up offer announcements, please sign up for electronic communications by emailing info@albion.capital

A very warm welcome to our spring 2022 newsletter



Will Fraser Allen - Managing Partner

Two years after the Covid pandemic we here at Albion can once again look forward to the future as things slowly revert to normal, or a 'new normal' I should say. Our team is back in the office under a hybrid working model, balancing working in the office and working from home. Like many businesses we are keen to retain the positive elements of working during successive periods of lockdown. Our AGMs will continue to run virtually to cater to a wider audience, as we have had record levels of engagement from shareholders who were previously unable to attend. More and more shareholders have come forward to opt for electronic communications, which is fantastic to see as that is the fastest and most sustainable way for us to correspond with you. For those shareholders who have not yet signed up for electronic communications, I would encourage you to do so.

We are particularly excited about seeing our shareholders in person at our annual seminar, which will take place on 23rd November. Please see the details herein and reserve your place as early as possible.

The year has got off to a busy start with the launch of our Top Up Offers across all Albion VCTs. I have been encouraged by the support from both existing and new shareholders to date. As the UK looks to build back stronger from the pandemic, VCTs, with their national footprint, play an important part in unlocking the UK's growth potential. Your investment into our VCTs makes it possible to provide capital to talented entrepreneurs building high growth and innovative businesses, despite the economic and geopolitical challenges that face all of us.

William Fraser-Allen

New investments

Since our last issue of the newsletter, we have invested in two new opportunities:

Perchpeek – a disruptor in the antiquated relocation market. £3.8m of a £8m Series A funding

Relocating can be one of the most desirable experiences for working professionals but also a painful process. There are about 4 million movers annually yet only 5% are supported by relocation agents. Why? Being a highly manual and high friction service, it is expensive and mostly reserved for highly paid executives.

Enter digital relocation platform, Perchpeek, which provides a far better alternative to traditional support at an attractive price point. The step-by-step app has, within a short timeframe, helped over 5,000 movers across over 25 geographies and unsurprisingly corporates are quickly jumping on-board.

“ The pandemic has accelerated the shift in the way people choose to work and live. Relocation is one of the most desirable experiences for working professionals, yet it remains painful and archaic. PerchPeak is the long-awaited disruption that will help expand the relocation market and enable an increasingly mobile and global talent pool. We are excited to partner with Paul and the team of Perchies, whose fire and pace continue to impress us every day and we look forward to supporting them as the company grows the team and scales internationally. ”

Nadine Torbey,
Investment Manager



Brytlyt – provider of the world’s fastest data analytics and visualisation technology. £2.5m of a £3.8m Series A funding

Brytlyt’s algorithms allows businesses to leverage the force multiplier of Graphics Processing Units with processing, sometimes up to 100x faster than alternative databases. Their serverless platform enables them to be the first database to run both Structured Query Language and Artificial Intelligence workloads on the same data, on the same hardware, at the same time. These architectural decisions, together with a powerful visualisation engine and pay-as-you-go model, have the potential to completely transform data science and data ops for teams. We believe Brytlyt will empower organisations of all shapes and sizes to run previously inaccessible analytic workloads.

“Organisations that can extract insights from big data in a timely manner will be the leaders of tomorrow. Our investment in Brytlyt is in firm support of that thesis. We are therefore delighted to welcome Brytlyt, and visionary founder Richard into our growing portfolio of cutting-edge data companies that includes Quantexa, Solidatus, Elliptic and more.”

Cat McDonald,
Investment Manager



The long read

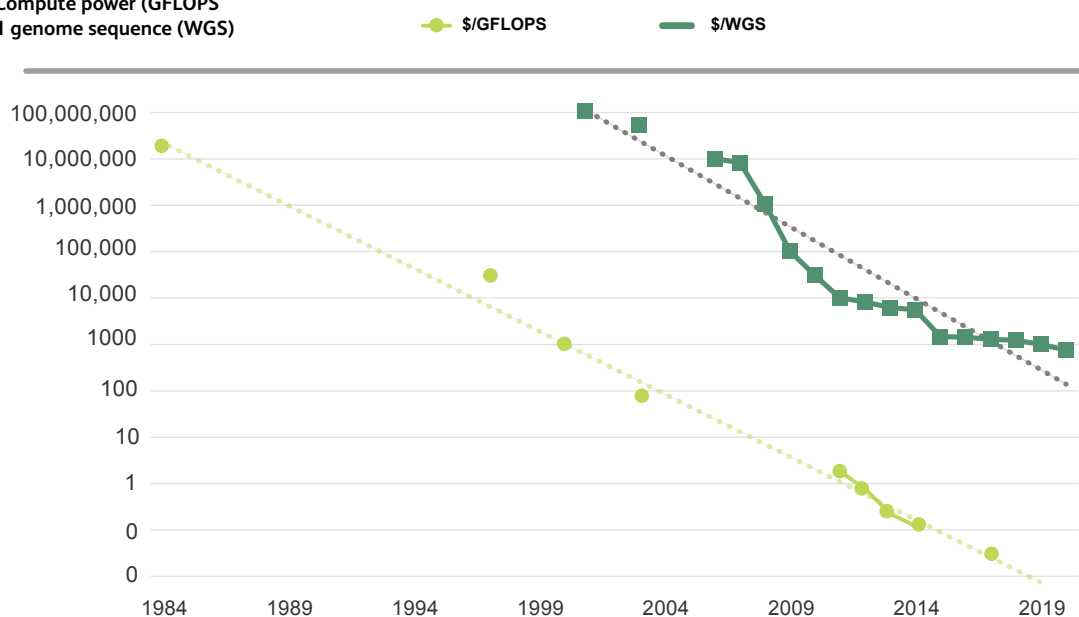
The state and future of technology in European healthcare

Since 2020, healthcare has been at the forefront of almost every agenda, much of it driven by the worst pandemic in generations. Having invested in European healthcare and technology for over two decades, we have never experienced anything like this. The stories we're hearing from our companies on the frontlines of healthcare every day make it clear that the industry is undergoing the most monumental shift of modern times. To appreciate what has happened, let's first examine the broader technology industry. The chart below overlays the price of compute power with the growth in the value of technology companies over the last 25 years. As the price of something drops, mass adoption follows and significant markets are created. Plotting this against the price of genome sequencing shows a striking similarity of fundamental drivers - we believe this dynamic will underpin a similar growth in value in health technology companies in the future.



Dr. Christoph Ruedig
Partner

Log price per (\$) per unit:
- Compute power (GFLOPS)
- 1 genome sequence (WGS)



The first genome was sequenced in 2000, after over 10 years and at a cost of \$3bn - literally off the chart! That cost has recently come down to below \$1,000. This reduction has already had a profound impact by vastly enriching our knowledge on the genetic causes of diseases, which has led to the cell and gene therapy (CGT) revolution that is currently taking the biotech world by storm. We know from many investments in CGT companies, and the work we're doing at the UCL Technology Fund, that science is just scratching the surface and that there's so much more to come.

Pre-Covid: Slowly but steady

The adoption of digital technology in healthcare pre-Covid-19 has been slow but steady. In certain areas, considerable momentum was already unfolding in the middle of the last decade but were mostly confined to the USA whereas Europe continued to move very slowly.

To understand where technology in healthcare is today and where it could go, it helps to look at other industries that have been disrupted by technology. A comparison of the global size of the healthcare industry (in money spent per year) to the combined market value of the largest digital health companies in 2019 (before pandemic) produced a ratio of 0.03 or roughly 3% of the annual spend on healthcare. This compares with 2.7 in advertising, an area heavily disrupted by digital. In financial services and retail, it was 0.4 but trending upwards. This comparison shows how small the digital health industry was in 2019. Clearly not all of healthcare can be digitised but there's a lot of room for growth.

We're seeing evidence of the enormous potential in some of the recent telehealth success stories in the US such as Livongo (a platform for remote support of chronic diseases that started in diabetes) whose patient numbers have grown >100% by mid-2020 to over 400,000. Livongo is the largest diabetes platform, yet there are over 30 million diabetes sufferers in the US and almost 90 million with pre-diabetes so digital penetration levels are still vanishingly low.

The long read

Most people in the industry would answer the question of why healthcare has been a technology laggard by quoting the high regulations or sensitive information as reasons (there are more). These are true. However, the lightning-fast adoption in the wake of the pandemic shows that, in fact, the main problem has been inertia.

The main disease burden today is from chronic conditions that require frequent diagnostic and therapeutic interventions, and often a multi-disciplinary approach. Many also require a high level of patient compliance and behaviour change. In this world, expensive secondary and tertiary care centres do a lousy job providing good outcomes at reasonable cost.

If one was to design a healthcare system from scratch today using available technology, it would likely be focused on identifying risk factors early (either at home or in low acuity primary care centres), monitoring them (remotely) and focusing interventions on behaviour change. A powerful analysis by McKinsey shows that health behaviours and social determinants contribute more strongly to outcomes than healthcare. Alas, the system isn't geared to provide interventions focused on behaviours and social aspects well.



The moment of disruption

An area where prevention has actually worked extremely well is vaccines. The childhood vaccination programs that were put in place over the course of the 20th century have helped drive down childhood mortality considerably.

Vaccines aren't treatments - they are given to train your immune system to prevent infections. In the case of the highly successful mRNA vaccines against Covid-19, these were actually developed to train the immune system to fight cancer - luckily it turned out they are very good at training our immune system to fight SARS-Cov-2.

The speed at which these and other vaccines were developed speaks to the forces that a major crisis can unleash on individuals, entrepreneurs, communities, companies all the way up to governments and their agencies. It's these forces that are the catalyst behind the rapid rise of digital technologies in healthcare. Tech-enabled services companies such as Livongo and Omada in the US, and Albion's portfolio companies Oviva and NuvoAir in Europe that support remote monitoring and treatment of chronic conditions have flourished. The list of examples goes on and on.

The pharmaceutical and medical device industries have also had a rough ride with the worst-impacted part being clinical development which typically requires physical enrolment and follow-ups. The impact is also strongly felt by sales reps struggling to visit prescribers and large industry events cancelled or moved online. The beneficiaries have again been technology vendors. Companies that are successfully combining remote-enabling technologies in comprehensive decentralised or virtual clinical trial offerings have seen sometimes meteoric growth rates.

Exactly where we are going to end up on the healthcare digital technology adoption curve once Covid-19 is under control, nobody knows. One thing is clear: there's no going back to the old ways.

The long read

State of digital adoption in Healthcare in UK and Europe

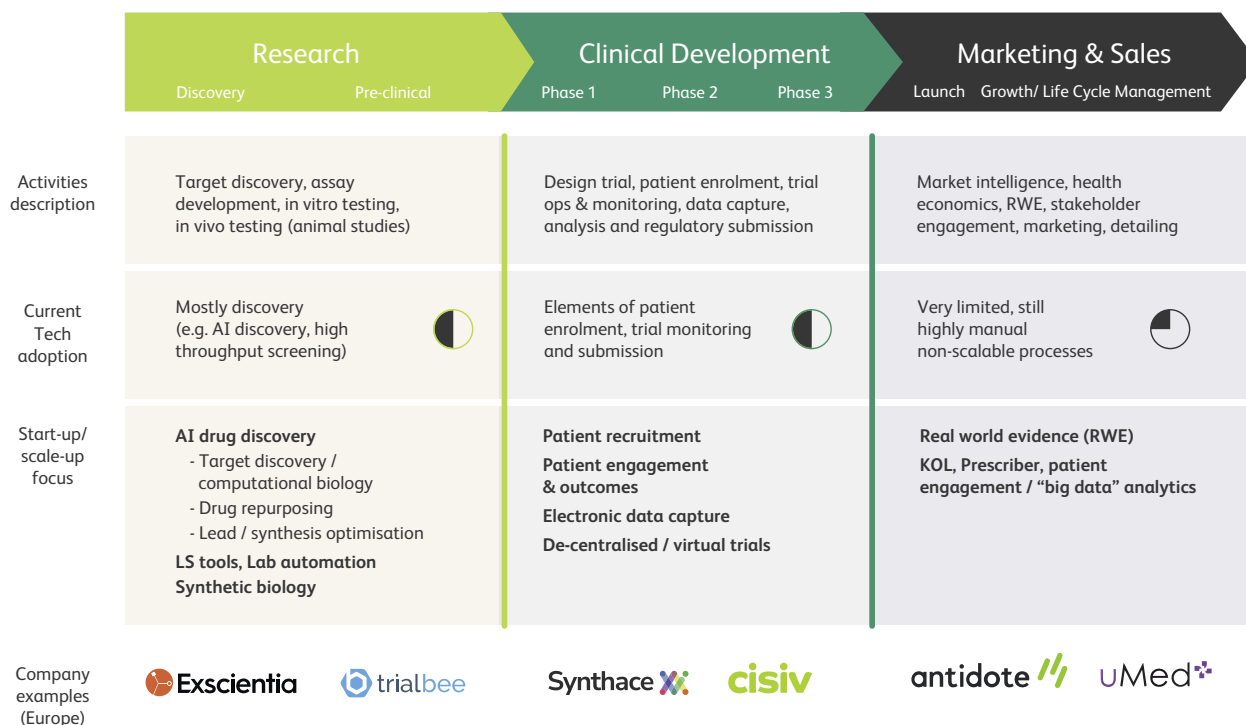
When we started investing in healthcare 25 years ago (15 for digital health), opportunities were limited. There has since been an explosion of entrepreneurial activity, especially since Covid-19. A number of digital health unicorns now exist in Europe with more and more dedicated digital health or health tech funds being established.

Albion's focus is mostly in B2B, particularly the pharmaceutical industry (Digital Pharma) and healthcare providers (Digital Care). Looking at Digital Pharma first - the graphic below provides our view of the state of technology adoption.

Clinical trials was the first part that saw strong adoption of digital. Clinical development is the largest segment in terms of revenues by pharma technology vendors and we expect it to continue to grow strongly following the leapfrog that happened with Covid-19.

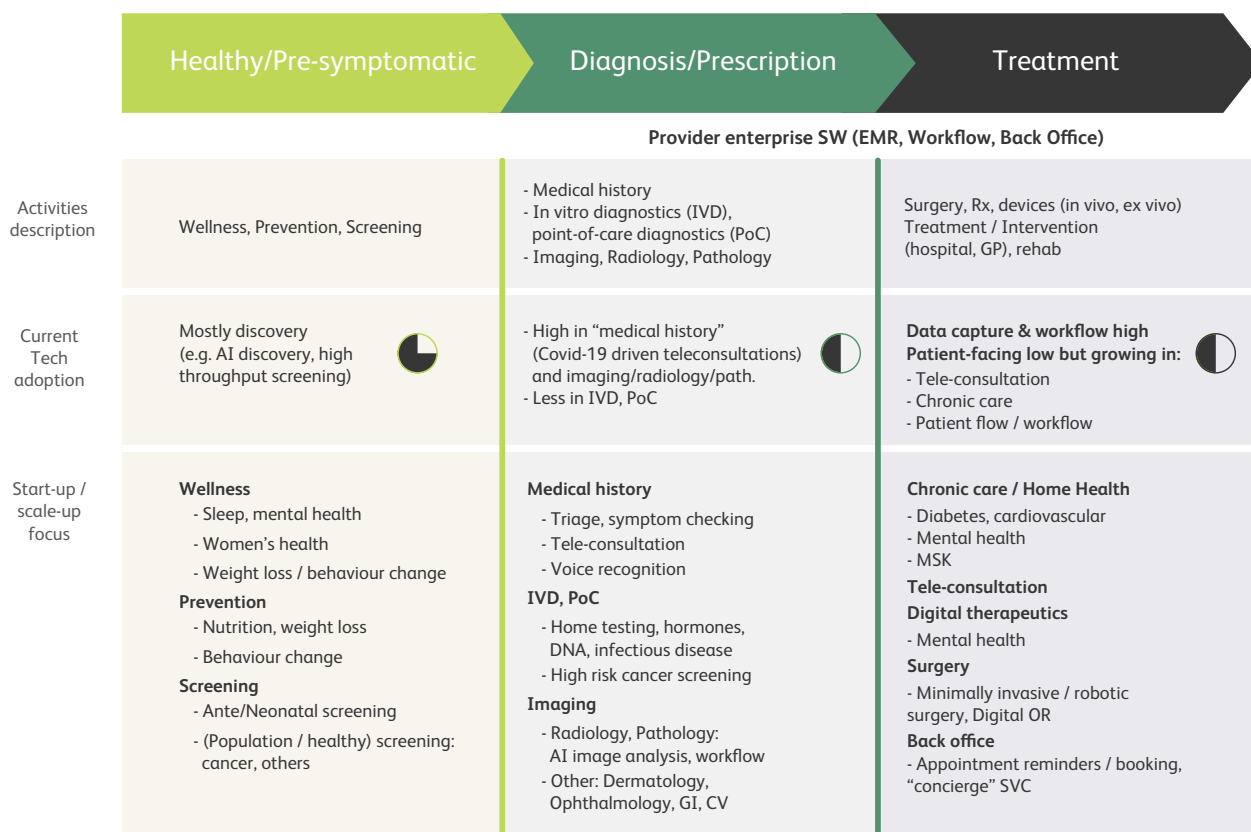
A segment that is still underpenetrated but with huge potential for digital growth is marketing and sales. The current "hottest" segment is early-stage pharmaceutical research and the many start-ups trying their luck with AI drug discovery. While it receives a lot of interest and with some notable successes, the size of the segment in revenues generated from the sale of digital technology is still small.

Digital Pharma: State of technology adoption



On Digital Care, the graphic below shows a very simplified patient-provider journey with our view of the state of technology adoption in Europe today.

Digital Care: State of technology adoption to chart



Company examples (Europe)



First to digitise in the hospital were the picture archiving systems (PACS), followed by the widespread adoption of electronic medical records (EMRs) and patient administration systems. Today, this is quite a mature and fragmented market with most larger European countries having their own national champions for secondary and primary care IT solutions (except the UK, which has been rolled up by American firms).

Most recent digital start-up activity has however been in consumer/ patient-facing applications such as apps for mental health, female health, weight management, etc. Most companies in this category follow the usual B2C model, though are increasingly also selling to employers. Another category to witness strong growth

is teleconsultation with companies such as Babylon or Kry, most of which also operate B2C models. The third and, we believe the one with the biggest potential to transform healthcare, is digital care with companies such as Oviva, Kaia or Healios focusing on chronic care and which are primarily B2B businesses with solutions delivered remotely.

In summary, a lot has happened in health tech in Europe over the last decade and the industry is currently witnessing a quantum leap brought about by the worst pandemic in generations and driven by a growing number of trailblazing entrepreneurs that are helping healthcare adapt and change for good.

Your questions. Our answers

Q How does Albion pick the winners that it has had recently?

A Picking winners is at the core of Albion's investment strategy. The process includes originating deals, finding the right one, and then backing it through to an exit opportunity. Albion looks for opportunities where it believes markets will be created, and new products can have a big and significant impact on the economy. Team members are assigned specialities and perform deep dives into technology sub-sectors to develop an investment thesis. Albion's team is constantly thinking about how the world is changing (e.g. Albion were one of the earliest investors to focus on digital health fifteen years ago and were also early to focus on B2B software).

Q If a company IPOs, will you sell the stake or hold listed equities too?

A At the heart of this question is the belief that maximising value for investors is delivered by being able to back winning businesses through their growth cycle. An IPO can either be an exit opportunity or a fundraising to deliver further growth. Importantly, an IPO triggers an investment decision, hold if the growth opportunity continues to be compelling or sell if it is not.

Q How does the uncertain outlook for inflation affect the investment strategy?

A There is a broad range of views on inflation from economists at the moment, with differing views on the short and long term outlook. However, even with the overall uncertain outlook, a broader point is that pricing of mission critical software should be relatively resistant to inflation. The contracts with customers are often annual contracts which have inflationary increases built into them to increase along with Retail Price Index. However, we can expect wage inflation, particularly software developers, to increase. Therefore, on balance, we believe our focus on structural growth and mission critical business provides a degree of insulation in an inflationary world.

Q What is the pipeline of new investments looking like?

A Overall, the investment pipeline is strong. The growth of entrepreneurs looking to build valuable businesses in recent years has, in turn, led to an increase in the opportunities the Albion team is considering. We are also seeing a growing number of opportunities to provide follow on funding to our existing portfolio companies as they grow. The long term nature of a VCT makes it an ideal investment partner to support businesses as they develop new products and enter new markets.

Early exits, however lucrative, creates a need for Albion to identify new smaller replacement investments which is resource intensive.

Q What is your approach to holding investments for the long term?

A Enabling businesses to grow significantly prior to sale continues to be our core objective. However, there will be instances where a set of circumstances arise and there is an opportunity to sell earlier, but that is not our ambition. Supporting businesses over a long period of time is the most successful way to maximise returns for shareholders.

That being said, Albion has been adding new members to the investment team so are now substantially resourced to ensure that realised investments are replaced with new and exciting opportunities.

If you have a question and would like the chance for it to be featured in future editions, do sign up for electronic communications at info@albion.capital and submit your questions there.

Team spotlight

We think that if you entrust your investments with us, it makes sense to know who is looking after it. In this new series, we get close and slightly personal with our team through some short questions to shed light on the personalities and culture that make up Albion.

First up is Molly who recently joined Albion from McKinsey & Company where she focused on healthcare systems, services and technologies. We first met Molly as a founding member of Albion VCTs portfolio company Pando when she pitched for funding as part of their leadership team.

Dr. Molly Gilmartin

Investment Manager



Tell us about yourself

I'm Molly – the newest member of the investment team with a focus on health technology. I first became interested in health tech as a medical student when I was part of the team that set up the Oxford Reproductive Tissue Cryopreservation programme. It became clear very quickly that the biggest challenge in setting up this new, national service was actually the need for technology to connect hospitals. This led to me taking on leadership roles in two early stage health tech start ups where I realised that health tech is a very complex challenge – it is not only about building scalable technology with clinical security, but also about building products that your users actually want to use, be it doctors or patients! I then spent time at McKinsey where I worked within the healthcare practice across healthcare systems, services and technologies.

I actually first met some of the Albion team when I was a founding team member of one of their portfolio companies, Pando. Therefore, I am so delighted to join the amazing Albion where I hope to bring my high energy, fun-loving and impact-driven nature to the investment team.

Did you always want to be a healthcare investor?

In my personal statement for medical school, the first line was “I want to find the cures for cancer”. This was something that an amazing Clinical Oncologist I had the chance to complete work experience with taught me – there will not be one cure for all the different types of cancer so it has to be lots of cures. After this, I started doing a lot of fundraising for

charities and I think, when reflect on this, it drove my belief that funding the best initiatives supported them in making an impact across the healthcare system. Applying this logic to health tech, I hope I can find the most exciting technologies, build great relationships with the businesses and support them in impacting patient care and ultimately saving lives.

What excites you about partnering with early stage entrepreneurs?

Early stage entrepreneurial ventures are fuelled by energy, passion and relentless problem solving. I have experienced this first hand and I have also seen the impact that the right technologies and tools can have in delivering care on the front line. It is exciting to see the biggest problems facing healthcare being tackled with boundless motivation and the vision that things can actually be done differently. The infectious energy, belief and passion that early stage entrepreneurs show is why I jump out of bed each morning – it is really cool to be part of the journey to do things differently and better.

What values do you think are important when working in venture capital?

Being curious about new ways of thinking and doing things, being trusting and trustworthy to the founders we work with, and bringing energy to every discussion we have. I joined Albion because they have an incredible focus on building long term relationships with founders and I think these values are essential to work through the highs and the lows of any start-up journey.

What area of healthcare are you most excited about at the moment?

I would say it is the way that technology is actually changing how care is being delivered and how research is being conducted to find new treatments and therapies. It is really cool when technology becomes a vehicle to disrupt how the process is actually conducted. In my opinion, this is where we really can impact patient lives in huge ways. This is another reason I was so excited to join the Albion team as its healthcare portfolio is one of the largest in Europe.

What would you like to change the most about healthcare ecosystem?

The appetite of the ecosystem to try new ways of doing things and adopt new technologies and digital health tools even faster. It is totally understandable why in healthcare we must be more risk-averse but at the same time I have seen first hand that being used as an excuse in a time-stretched environment to not try something new. One positive to come out of the pandemic is we all learnt, in all parts of our lives, that technology can enable more efficient and effective ways of doing things and I think in healthcare this is particularly exciting if we manage to build on that momentum.

Best piece of advice you have given or received?

My grandfather always told me “Knowledge is not about what you know, it is about knowing where to find it.” I always liked this piece of advice as it made me realise you do not need to be an expert in everything but knowing how to engage your team, network and supporters will always result in much better solutions.



Past performance is not a guide to future performance

Albion VCTs continue to pay a regular stream of tax-free dividends to their investors. For details of recent dividends, fund share prices and the latest reports, please visit the VCT Hub section of the Albion website www.albion.capital. Dates of forthcoming AGMs can also be found on our website.

The target dividend per annum is 5% of NAV.

| Performance of VCTs managed by Albion | | | | |
|--|----------------|--------------------------|------------------------|------------------|
| Fund | Year of launch | Total value since launch | Mid-market share price | Total net assets |
| Albion Venture Capital Trust PLC * | 1996 | 240.77p | 49.00p | £54.8m |
| Albion Development VCT PLC * | 1999 | 203.84p | 91.00p | £97.6m |
| Albion Technology & General VCT PLC * | 2001 | 200.28p | 77.00p | £107.0m |
| Albion Enterprise VCT PLC | 2007 | 192.05p | 123.50p | £98. 7m |
| Crown Place VCT PLC ** | 1998 | 99.47p | 31.40p | £75.4m |
| Kings Arms Yard VCT PLC ** | 1996 | 94.23p | 22.00p | £101.8m |
| *** | | | | |
| | | Total Value since launch | | |
| Albion VCTs Linked Top Up Offers 2010/2011 | | 168.54 | | |
| Albion VCTs Linked Top Up Offers 2011/2012 | | 169.80 | | |
| Albion VCTs Top Up Offers 2012/2013 | | 168.49 | | |
| Albion VCTs Top Up Offers 2013/2014 | | 167.41 | | |
| Albion VCTs Top Up Offers 2014/2015 | | 163.12 | | |
| Albion VCTs Top Up Offers 2015/2016 | | 157.79 | | |
| Albion VCTs Top Up Offers 2016/2017 | | 153.89 | | |
| Albion VCTs Top Up Offers 2017/2018 | | 148.54 | | |
| Albion VCTs Top Up Offers 2018/2019 | | 123.16 | | |
| Albion VCTs Top Up Offers 2019/2020 | | 118.36 | | |
| Albion VCTs Top Up Offers 2020/2021 | | 117.24 | | |

Five year discrete performance

| Fund | Dec 2016 to Dec 2017 | Dec 2017 to Dec 2018 | Dec 2018 to Dec 2019 | Dec 2019 to Dec 2020 | Dec 2020 to Dec 2021 |
|------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| AADV | 10.04% | 20.19% | 3.86% | 3.82% | 20.54% |
| AAEV | 8.95% | 19.79% | 4.84% | 1.66% | 20.47% |
| AATG | 6.01% | 13.21% | 11.86% | -0.34% | 21.60% |
| AAVC | 5.48% | 14.30% | 3.81% | 0.36% | 6.79% |
| CRWN | 8.53% | 18.40% | 4.17% | 0.66% | 18.57% |
| KAY | 5.56% | 11.02% | 1.93% | 4.22% | 16.25% |

All data as at 31/12/21

Details of the financial performance of the different share classes or VCT's merged with the above Company's can be found at www.albion.capital/vct-hub/albion-vcts under the "Financial summary for previous funds" section of the relevant Company.

†Dividends paid/declared plus NAV. Please note: the above excludes all tax reliefs.

** Albion Capital Group LLP took over the management of CRown Place VCT PLC in April 2005 and Kings Arms Yard VCT PLC in January 2011.

***Performance data for the Albion VCTs Top Up Offers are based on pro forma calculations based on the performance of each of the VCTs which were part of the Offers. Assumes investment across the VCTs as per the Investor Guides, or equally across each VCT as applicable.

Shareholder seminar 2022

Numbers are restricted so please
reserve your place as soon as possible.

23rd November 2022 **Registration from 10am**

The View at Royal College of Surgeons
38-43 Lincoln's Inn Fields
London WC2A 3PE

Agenda

Economic
review



Portfolio
company presentations



Managing
partner update



Questions
and answers



Topical break-out
sessions



A delicious buffet lunch
served with wine



To keep abreast of
developments at Albion
Capital, including top-up
offer announcements,
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You will receive an email confirmation of your place.

Email info@albion.capital

with subject heading Shareholders Seminar and
include your full name. You will receive an email
confirmation of your place.

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