

Draper Esprit VCT

Draper Esprit VCT is a leading venture capital investor which has been making investments in unquoted UK companies since 1998.

Draper Esprit VCT – a later stage Technology VCT

The board of Draper Esprit VCT Plc is pleased to offer, once more, an opportunity to invest in this highly rated, VCT with its consequent tax advantages. The Company is a successful VCT, with a high analyst's score, generating tax free income from a portfolio increasingly focused on knowledge intensive technologies.

We are also delighted to announce that Draper Esprit Plc ('Draper Esprit') has exercised its option to acquire Elderstreet Investments Limited and is now your new VCT Manager. Since the deal sharing association with Draper Esprit was signed in November 2016, the prospects of this VCT have been transformed.

Draper Esprit is a leading venture capital investor in the UK and European technology sector, floated on the AIM market in June 2016 and at the time of writing has a market capitalisation of over £1 billion. The Draper Esprit team has a wealth of experience. The team has now operated for 14 years and, prior to that, its members worked in leading firms in the venture capital industry.

The Company's investment in new technology is led by the highly regarded, Draper Esprit investment management team with its record of success in knowledge intensive technology investing.

Since their involvement in the management of the portfolio, over £42 million has been raised by the Company and at the time of

writing over £23 million has been invested into 22 new technology companies. The first exit from the Draper Esprit portfolio was made in February 2020 delivering a 2.2 times return on cost and an IRR of 63%.

The VCT targets a potential tax free dividend yield of 5% per annum.

Larger, late stage, investments

The target is that a majority of funds will be invested in later stage, growth investment rounds of £5-20m+ in companies with established revenues and strong growth momentum.

Co-Investment Model

We focus on a scale of investment that is an order of magnitude larger than typical EIS funds, by co-investing alongside Draper Esprit Plc and other syndicate partners.

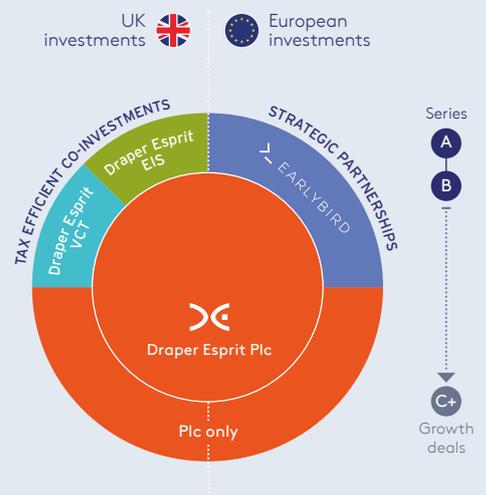
Extensive team track record

Investment team members have invested over \$1 billion into high growth technology businesses, with \$10 billion+ of combined enterprise value from exits achieved to date.

Draper Esprit VCT coinvest with Draper EIS and Draper Plc.

For the last six years running Draper Esprit's EIS funds have continued to receive the highest rating from Martin Churchill of Tax Efficient Review, a well-respected VCT analyst, with a score of 89/100.

Draper co-investment structure



The Company (along with Draper Esprit EIS and Draper Esprit's strategic partner Earlybird), will invest in Series A and B rounds but, due to the VCT regulations, is unlikely to participate in Series C and beyond.

Knowledge intensive companies

Draper Esprit Plc, the Draper Esprit EIS and the Draper Esprit VCT all invest in companies that are deemed 'knowledge intensive' – this has several advantages over non-knowledge intensive companies (NKI) but the key points are:

- You can invest in older companies – 10 years since first commercial sale vs 7 years for NKI
- Companies can raise £10m of state aid monies per year vs £5m for NKI
- Companies can raise £20m of state aid monies over the lifetime of the business vs £12m for NKI
- Investors can utilise the full £2m per annum investment limit as £1m can be invested in knowledge intensive companies and £1m in NKI

Draper Esprit VCT completed deals

Sector split as % of the Fund			Companies		
	Consumer Technology	32%	  		
	Enterprise Technology	32%	  		
	Hardware and DeepTech	7%	 		
	Digital Health and Wellness	29%			 

Key features

The VCT targets a potential tax free dividend yield of 5% per annum

Investment into an existing mature portfolio

Investors gain immediate exposure to an existing portfolio. As at February 2020 the Company had distributable reserves of over £20 million.

Experienced manager with strong track record

Elderstreet Investments is one of the oldest VCT managers having made its entry into the VCT market in 1998. The Manager has previously won the 2014 VCT Investment Company of the Year Awards, and VCT Fund Manager of the Year in 2009 and 2010 organised by the Growth Company Awards. Draper Esprit were nominated for Investor Allstars VC fund of the Year 2018, Simon Cook the CEO Draper Esprit was Nominated for Investor Allstars Investor of the Year 2018. The Draper Esprit EIS has been the top rated EIS Fund by Tax Efficient Review for the last six years.

Access to larger more mature growth opportunities

The Board believes that the VCT, through the co-investment agreement, provides an excellent opportunity for Shareholders to participate in leading edge investments alongside the widely experienced network of Draper Esprit associated funds and partners into bigger, as well as better, technology companies. The Company has particular expertise in growing businesses through a 'hands-on' investment style and, in aggregate with the Draper Esprit funds, prefers to be part of a syndicate which holds a significant stake and a board position in its portfolio companies. Draper Esprit receive circa 2,500 business plans per annum, meet about 1,000 companies, and make approximately 20 new investments a year.

Target tax-free income of around 5%

It is the Board's objective to maximise dividends to Shareholders, subject to liquidity, the availability of sufficient distributable profits, capital resources and VCT regulations, and to target a dividend return of 3 pence per annum (equivalent to a 4.9% tax free return based on the Estimated Offer Price, and a 7.0% tax free return after factoring in initial tax reliefs).

Further details on the potential yields are shown below.

Potential yield

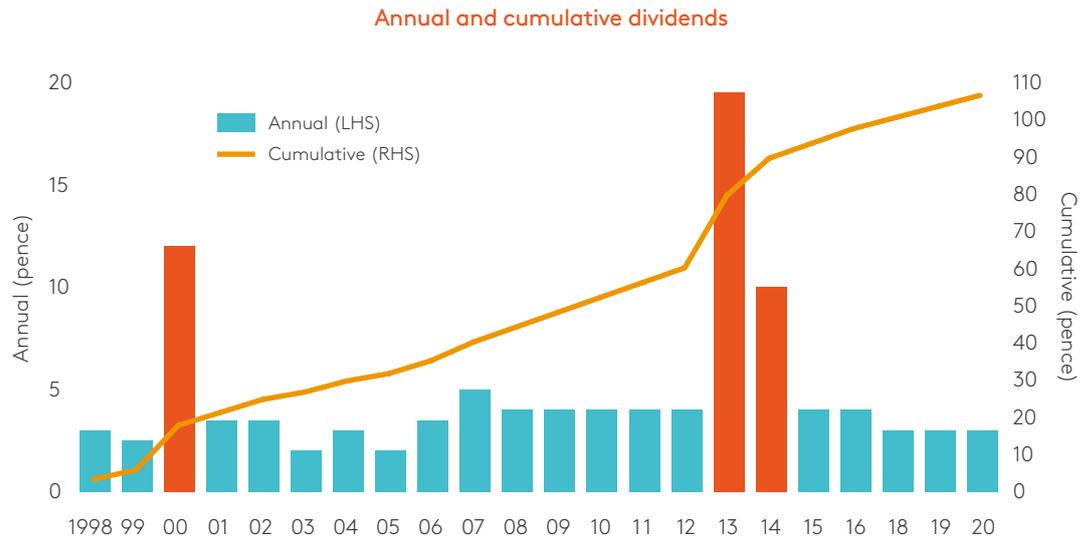
The following table gives an illustration of potential returns to Ordinary Shareholders, assuming a dividend of either 2 pence, 2.5 pence or 3 pence per annum is paid, and the equivalent taxable yield grossed up for a taxpayer paying 40% or 45% tax on his income. Dividends of 3 pence per Share have been paid in the year ending March 2020. These illustrations do not include initial VCT tax reliefs.

Offer Price* (gross of tax relief)	Target annual dividend	Tax free yield per annum	Grossed up yield per annum	
			40% taxpayer	45% taxpayer
51.2p	2.0p	3.9%	6.5%	7.1%
51.2p	2.5p	4.9%	8.1%	8.9%
51.2p	3.0p	5.9%	9.8%	10.7%

*Using an Estimated Offer Price of 51.2p. The September 2020 NAV of 49.9p has been adjusted down by the 1.5p dividend payable in October 2020 and for the maximum issue costs of 5.5%. No forecast or projection should be implied or inferred.

Historic dividends

The VCT has paid a total of 106.5 pence in dividends since inception. These include special dividends when meaningful exist have occurred. These can be seen in the chart opposite as orange bars.



Portfolio allocation

The Company will continue to invest predominantly in a diversified portfolio of companies in the technology sector. Draper Esprit is one of the leading venture capital investors involved in the creation, funding and development of high-growth technology businesses with an emphasis on digital technologies. Draper Esprit IPO'd on the AIM market in 2016.

Going forward, the average initial deal size is likely to rise to with a focus on the following technology sectors:



Consumer Technology

Companies with exceptional growth opportunities in international markets that are underpinned by new consumer facing products, innovative business models and proven execution capabilities.



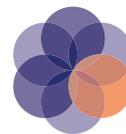
Enterprise Technology

Companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises.



Hardware and DeepTech

Companies developing differentiated technologies that underpin advances in computing, consumer electronics and other industries.



Digital Healthcare and Wellness

Companies leveraging digital and other technologies to create new products and services for the health and wellness markets.

Today, by percentage of net asset value, Investors in the Offer would be buying into a portfolio made up of 50% Draper Esprit technology investments (including investments completed after 30 September 2020 and two new investments 'in legal's' at the time of publication), adjusted cash of 23% to be invested in further technology investments, and a legacy portfolio representing the remaining 27% as set out on page 38 of the Prospectus.

Consequently, if this offer is taken up in full (including the over-allotment facility), once invested, the Company will have over £75 million of net assets of which over £60 million will be allocated predominantly to technology investments, driven by one of the UK's leading technology investment managers.

As to the legacy portfolio, currently 94% of the legacy portfolio is made up of four companies. Two are AIM quoted and the other two are private companies which are profitable engineering and manufacturing businesses.

Sector split as % of the Draper technology portfolio – at February 2020



Performance

The Company has a track record of providing good returns for its Shareholders. Income from investments and proceeds of profitable realisations have enabled the Board to pay cash dividends of £30.3 million, a total of 106.5p per Ordinary Share to original investors who subscribed at £1.00 (80p after the initial tax relief) at the Company's launch in 1998, a 93.6% tax-free uplift on the net investment.

The Company has an unaudited net asset value of £55.3 million and is now invested in 30 trading companies.

Draper Esprit track record

At the 31 March 2020 valuation and reporting point, Draper Esprit EIS and the prior EIS Funds had made investments in 40 companies.

Out of these 40 companies there had been 10 realisations as at that date, comprising seven that were profitable and three that were not.

Of the seven profitable exits two returned over 10x gross cash on cash, one was a nil return, and two returned under 1x cost.

Sample exit



In February 2020 the Company sold Pod Point, an electric vehicle charger installation company, realising a profit of £1 million and an IRR of 63%.

This is the first exit from the Draper Esprit portfolio.

Having backed Pod Point through a critical stage in the company's development and supported it through its journey, their new partnership with EDF is an exciting development for the business and a prime example of how Draper Esprit is able to help portfolio companies secure important backing from strategic partners.



Acquired by



Details of the Offer

Minimum Investment

£6,000 per investor and applications should be in multiples of £1,000.

Maximum Investment

£200,000 per investor in VCTs, in total, for the current tax year.

Initial Charge

3.0% of the amount subscribed.

Annual Costs

Total running costs (excluding performance fees) capped at 3.5%. Any excess will be borne by the Manager and Administrator through a reduction in their fees.

For the year ended 31 March 2020, the Total Expenses Ratio (TER) was 2.84%; for the year ending March 2019 the TER was 2.89%; for the fifteen month period ending March 2018 the TER was 3.4%, equivalent to 2.73% on a weighted 12-month basis.

Further information regarding the management of the VCTs and the performance fees is set out in the Prospectus.

Contact details

FOR IFA ENQUIRIES



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Risk Warning: This is a financial promotion issued and approved by Elderstreet Investments Ltd, who are authorised and regulated by the Financial Conduct Authority, FCA No.148527. Prospective Investors should note that past performance should not be seen as an indication of future performance. The value of an investment can fall as well as rise and investors may not get back the amount originally invested. Your capital is at risk. Therefore you should only make investments in the VCT which you can afford to lose without having any significant impact on your overall financial position or commitments. Taxation levels, bases and reliefs may change if the law changes and the tax benefits of products will vary according to your personal circumstances; independent advice should therefore be sought.