

Draper Esprit EIS

Draper Esprit EIS funds have been the top rated EIS by the Tax Efficient Review for the past 5 years running (89/100) and have the highest current MJ Hudson Allenbridge EIS rating (87/100)¹

Past year portfolio highlights



10x Exit²

Acquired by

ORACLE[®]



10x Exit³

Acquired by

 **Nestlé PURINA.**

GRAPHCORE

**\$200m investment,
led by**

 **Microsoft**

**\$1.7bn
'unicorn' valuation⁴**

Why Draper Esprit EIS is different...

Our approach to investing using the Enterprise Investment Scheme has a unique starting point.

The Draper Esprit EIS funds were launched following changes announced in Budget 2012 that allowed larger firms with up to 250 employees (rather than the previous limit of 50) to raise money under EIS.

Overnight, the majority of the dealflow of Draper Esprit, already a leading European venture capital firm with a successful 'late stage' investment strategy, became EIS qualifying.

Draper Esprit EIS follows a co-investment approach, investing alongside Draper Esprit Plc and other funds and fund managers, with a focus on larger investments into later stage, revenue generating, high growth businesses with attractive upside and exit opportunities.

The majority, if not all, investee companies are expected to meet the new definition of Knowledge Intensive Companies.

Draper Esprit EIS's co-investment approach and focus on larger investment rounds increase the availability of capital to the so called 'scale up' businesses which the Government's 'Patient Capital Review' highlights as a key requirement for UK Plc.⁵

¹ Tax Efficient Review (subscription required): www.taxefficientreview.com. MJ Hudson Allenbridge (subscription required): www.mjhudson-allenbridge.com

² www.oracle.com/corporate/acquisitions/grapeshot, plus Fund Manager records

³ www.nestle.com/media/news/nestle-purina-acquires-majority-share-tailscom, plus Fund Manager records

⁴ www.ft.com/content/f991ee80-022c-11e9-99df-6183d3002ee1

⁵ Patient Capital Review, October 2017. See www.gov.uk/government/publications/patient-capital-review

Important Notice: The figures above relate to past performance and as such are not necessarily an indicator of future results. Returns may vary as a result of currency fluctuations. Exits shown above have expected deferred payments (escrow or earn outs) which are included in the figures above at the value as of the exit transaction date. The figures above show gross returns at the individual investment level. Please see also the fund level performance which includes the impact of fees. Numbers are rounded to the nearest whole figure.

We seek scalable, high growth businesses with the potential to reach \$50m-\$1bn+ IPO or M&A valuations

We have a broad sector approach, however we believe that most venture capital investment opportunities in Europe with the requisite characteristics for our funds fall into the following core sectors:



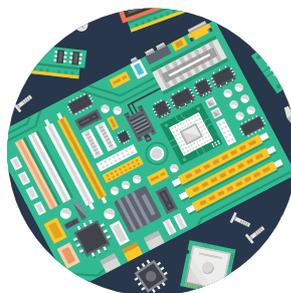
Consumer Technology

New consumer-facing products, innovative business models, and proven execution capabilities that bring exceptional growth opportunities.



Enterprise Technology

The software infrastructure, applications and services that make enterprises more productive, cost-effective and smoother to run.



Hardware and Deep Tech

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



Healthcare

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

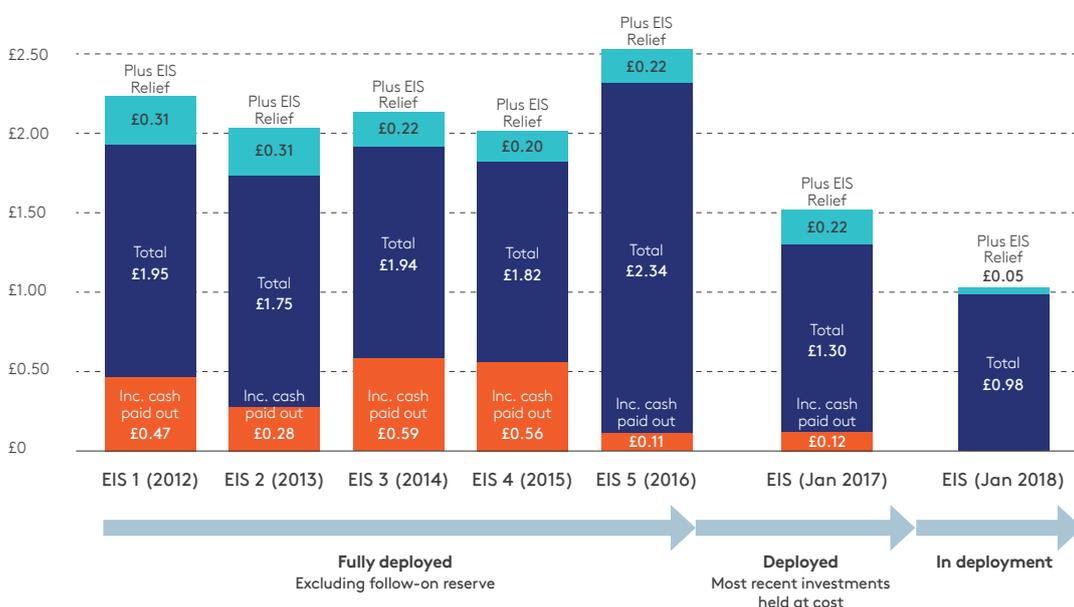
Track Record

The valuations below include the latest valuation of shares, together with current cash balances held by the Custodian and where relevant, proceeds that have already been distributed to investors. The potential EIS reliefs shown are calculated, as the ability to claim these reliefs depends on personal circumstances, and include Income Tax Relief and Loss Relief based on an assumption of a higher rate (45%) income tax payer. The amount of calculated EIS relief varies because earlier vintages include an amount of Loss Relief, and vintages which have had successful but early exits (within 3 years of the shares being issued) have a reduced amount of Income Tax Relief because of this.

Draper Esprit EIS funds - at 30 September 2018

Summary valuations per £1 Net Subscription

(Net Subscription is the amount subscribed to the fund less any adviser fee, where relevant)



Notes

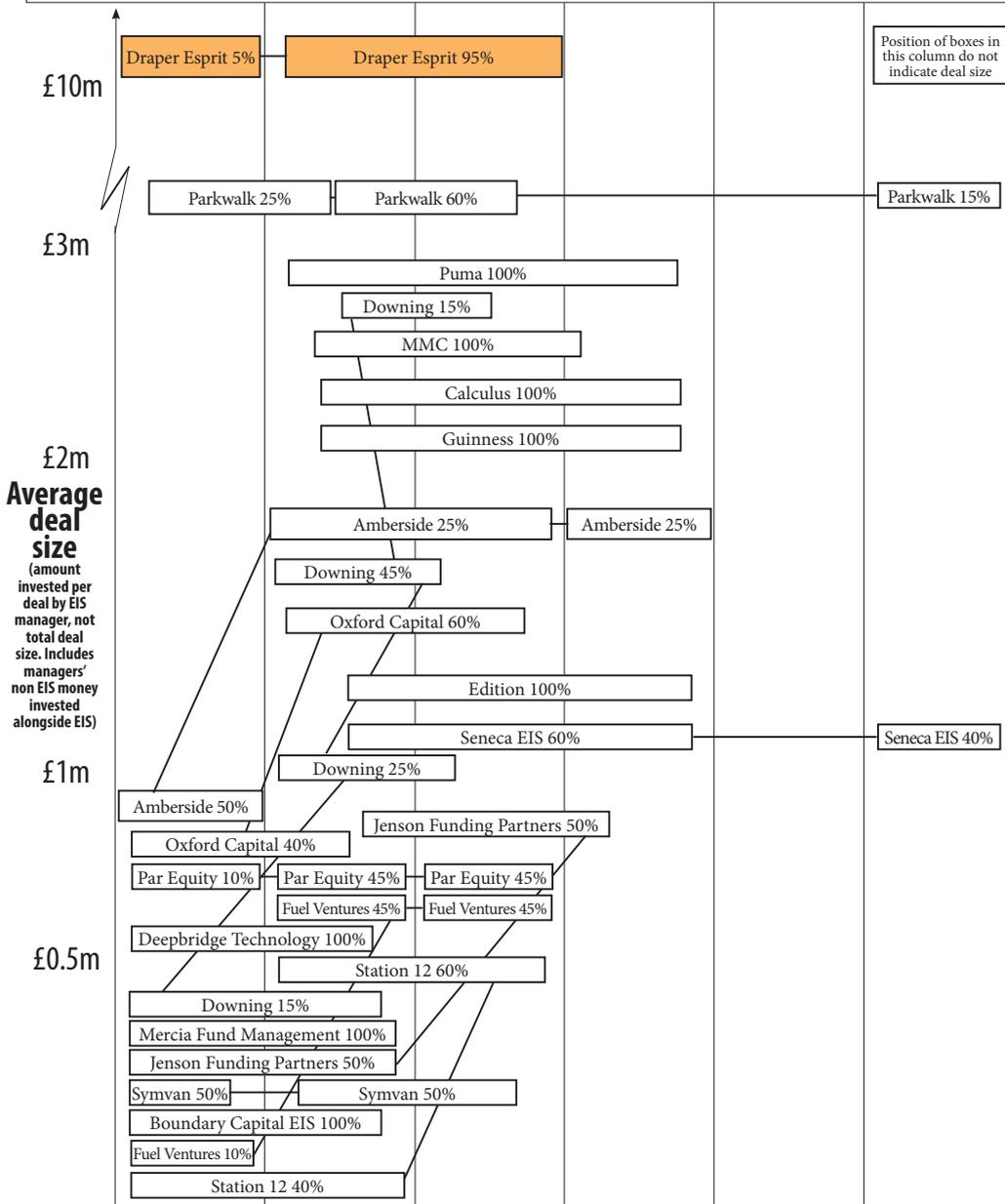
- The vintage shown for each fund is the year of the fund raising close. For funds with more than one close, the chart shows the first close of that fund.
- The 'cash paid out' figures are proceeds that have already been paid out to investors.
- The valuations take account of all fees charged to date. Funds which have made cash distributions include accruals for Performance Fees which may become payable in the future dependent on the overall fund performance – these accrual amounts are held as cash within investors accounts and currently form part of the cash element in these valuation figures.
- EIS 1 (2012) shows the position of investors who sold their shares in Unbound via an optional exit through a secondary share sale.

Source: Encore Ventures LLP internal records; reports distributed to investors.

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Draper Esprit EIS has a focus on larger, 'late stage' investment rounds

Diagram 1: Investment strategies of main Growth EIS managers raising funds in 2018/19
 Source: Fund Managers (% figures refer to funds invested in companies, not funds raised) 05/03/2019



The diagram is reprinted by kind permission of the 'Tax Efficient Review'.

It shows the relative size of investments made by different EIS managers and highlights the larger scale of investments in which Draper Esprit EIS participates via its co-investment approach.

We refer to these investments as 'late stage' growth deals, and the target for Draper Esprit EIS is that the majority (50%+) of invested capital is in this category.

Typically, these late stage investments are £5m-£10m+ and are larger than EIS funds could access alone.

It is the manager's belief that later stage deals benefit from lower failure rates and gives rise to faster exits compared to investing in early stage EIS companies.

Note

As the Fund Manager of Draper Esprit EIS we would map our own terminology of 'Early' and 'Late' stage deals to the TER 'Early Stage High Growth and Development Capital' category in both cases, although the our 'Late' stage growth deals would typically have a significantly higher level of revenue and growth momentum than 'Early' deals.

Seed capital/ Early stage	Pre-Profit	Post-Profit	Later Stage Development Capital Deals	Asset backed opportunities	AIM stocks
- high risk with hopefully high return - all equity investment - should have potential for rapid growth	- should have potential for rapid growth and exit within 3-5 years - usually no bank debt because of lack of assets for security and companies may not be able to support interest payments - focus on high growth market sectors in which company growth should be less dependent on the performance of the whole economy		- relatively low returns but should be lower risk - companies usually profitable - companies should be able to sustain loan interest payments - profitable companies seeking capital for expansion	- low return and should be low risk - should be able to support interest on debt	- some stocks are dividend paying - limited liquidity - potential volatility

Summary

Investment and deployment

- **Minimum subscription:** £25,000.
- **Target investment period:** 12-18 months from each fund raising Close.
- **Target portfolio:** 8-12 EIS qualifying companies.
- **EIS3 certificates:** Issued for each investment, and now expected to be digital rather than paper format. Typically available around 8 weeks after each investment, dependent on turnaround time and HMRC workload.

Focus and differentiation

- **Focus on late stage opportunities:** The target is that the majority of Investments by value will be made in companies with £2-20m+ in annualised revenue at the time of investment.
- **Strongly differentiated:** Providing diversification versus alternative 'early stage' or 'seed stage' EIS investment approaches.

Holding period and exits

- Our target holding period is 3-5 years for each Investment.
- The exit route for successful Investments is most likely to be via trade sale (M&A) or an initial public offering (IPO) and sale of shares.
- Investors will receive distributions from the proceeds of successful realisations as they are made.

Timing – evergreen with four fund raising closes per year

- Applications may be submitted at any time and will be allocated to the next fund raising close during the year.
- Investments for each fund tranche will start following its fund raising close.

Rolling fund raising close dates



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Risk Warning: 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. Therefore you should only make investments in unlisted companies 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. This financial promotion has been approved by Encore Ventures LLP, who are authorised and regulated by the Financial Conduct Authority (FRN: 510101).