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11 July 2022

Chrysalis Investments Limited ("Chrysalis" or the "Company")

Portfolio Update

Today, the Company can report that Klarna Holding AB ("Klarna") has announced an \$800m funding round that values the company at \$6.65 billion post new money.

The round, which was larger than anticipated, was led by Sequoia Capital and has been undertaken at a valuation that represents a material discount to the Company's current carrying value of the asset. Other investors in the round include Silver Lake and Commonwealth Bank of Australia, both existing investors, and new investors such as Mubadala Investment Company and the Canadian Pension Plan Investment Board.

The Company's Investment Adviser believes the current valuation to be very attractive, and the Company has therefore committed to its pro-rata entitlement of \$8.7 million. Consequently, the Company will not suffer any dilution of its holding because of this funding round.

The Company first invested in Klarna in August 2019 at a post-money valuation of \$5.5 billion, with an EV/Sales multiple of approximately 6.7x. In 2019, Klarna generated revenues of \$753m and a +20% rate of growth. The company had a very strong market position in the Nordics and Germany but had not fully proven its ability to penetrate some of the largest ecommerce markets globally, including the US, UK and Asia.

Since our initial investment, Klarna has achieved the following milestones:

- Revenues have grown from \$753 million in 2019 to \$1.6 billion in 2021 (+112%).
- Gross Merchandise Volume (GMV) processed has increased by \$45 billion (to \$80 billion).
- The number of Global Active Users has increased from 60 million to 150 million (+150%).
- The number of users in the US has increased to 27 million (+700%).
- The number of merchants using Klarna has increased from 130k to 400k (+167%).
- 10 new markets have been entered and Klarna is now present in 45 countries globally.
- The company has acquired Pricerunner, Hero, Inspirock, APPRL and Stocard.
- A global partnership with Stripe was announced in October 2021 giving access to millions more small-to-medium sized businesses.

Over the past three years, Klarna has grown into a global payments business with a dominant market position in several territories. The company's rate of growth has accelerated, and the customer and merchant base has expanded materially. Innovative products and services have continued to be rolled out across new and growing verticals such as travel, event ticketing, beauty, and high-frequency verticals such as pharmacy and grocery.

The current valuation of \$6.7 billion implies an EV/Sales multiple of approximately 3.0x; this represents a discount of over 30% to Affirm's EV/Sales multiple and a 55% derating versus our initial entry valuation. Some investors view Affirm as Klarna's closest listed peer.

Richard Watts (co-portfolio manager) comments:

"The current funding round does not reflect Klarna's progress since our initial investment, it reflects the very attractive terms that providers of capital are demanding against the current macroeconomic backdrop. We remain extremely positive on the outlook and potential of this business and believe that Klarna now has sufficient capital to reach profitability, whilst continuing to grow strongly."

Company Update

As announced on 23 May 2022, the Company's net asset value ("NAV") per ordinary share was 211.76p as of 31 March 2022.

It is estimated that the revised valuation of the Company's investment in Klarna due to this funding round, along with the movement of listed assets and FX post-period end, would result in a decrease in the NAV per ordinary share of approximately 32p as compared to the Company's last reported NAV per ordinary share. The resulting NAV would therefore be 179.50p

Note that 45% of the portfolio is currently profitable and 51% of the portfolio is now either profitable or has sufficient cash to reach profitability. The remaining 44% of the portfolio, excluding cash, has approximately 15 months of runway without raising further capital.

Cash Update

As of 7 July 2022, the Company held approximately £51m of cash. In addition, the Company also has significant further liquidity available, most notably its holdings in listed assets, which currently total approximately £64m.

Portfolio Composition

As of 7 July 2022, the portfolio composition was as follows:

Portfolio Company	% of portfolio
Starling	25.1%
Wefox	13.3%
Smart Pension	10.6%

The Brandtech Group	10.5%
Graphcore	6.1%
Klarna	5.5%
Featurespace	3.8%
Tactus	3.7%
InfoSum	3.3%
Deep Instinct	3.2%
Sorted	2.7%
Wise	2.3%
Revolution Beauty	1.9%
THG	1.7%
Secret Escapes	1.5%
Growth Street	0.0%
Rowanmoor	0.0%
Cash	4.8%

Source: Jupiter Investment Management Limited. Holding sizes, as of 7 July 2022, are calculated using 31 March valuations, adjusted for FX as of 7 July 2022 and capturing transactions concluded post the NAV calculation period, and thus using cash as of 7 July. For listed shares, the holding values are based on closing share prices as of 7 July, namely: THG at 82p; Wise at 351p; and Revolution Beauty at 73p. Due to rounding the figures may not add up to 100%. The above percentages are based on an aggregate portfolio value (including cash) of approximately £1.07 billion.

-ENDS-

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A copy of this announcement will be available on the Company's website at <https://www.chrysalisinvestments.co.uk>

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