Thorney Technologies Ltd

ABN 66 096 782 188

4 April 2018

Dear fellow TEK shareholder

I am pleased to report that at the end of February 2018 TEK's Net Tangible Asset (NTA) backing was 26 cents per share, an increase of about 25% over its NTA as at the end of February 2017.

This is a very satisfying performance especially in view of the significant sharemarket gyrations which have occurred over the last few months. It is testimony to TEK's portfolio approach of investing in both listed and unlisted technology companies at every stage of the investment cycle and to the abilities of the Thorney team to keep identifying value and potential in the sector.

A number of what can be described as "disclosure scandals" have dominated the Australian listed tech sector in recent months, resulting in a degree of nervousness about valuations in the sector. At the same time the recent data privacy scandal surrounding Facebook and President Trump's targeting of Amazon have also affected sentiment in the sector, both locally and overseas.

While these issues have very appropriately focussed attention on the governance and continuous disclosure obligations of listed Australian tech companies, at TEK we remain firm believers in the long term potential of tech to transform many established industries. We are just at the beginning of what will surely prove to be one of the most exciting and business disrupting periods in our history. TEK will continue to be very much involved.

We remain excited about the sector and are extremely well placed to take advantage of opportunities which present themselves in the tech space. Our networks both locally and overseas mean we have constant visibility of attractive deals. In addition, having successfully raised $15 million last year we are sitting on about $20 million cash as we continue to examine a host of opportunities in both listed and unlisted companies in Australia, the USA and Israel.

Below I have outlined some of the highlights in the TEK portfolio as of this month.

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Listed Portfolio highlights

Afterpay Touch Group Limited (APT): APT remains TEK's largest single holding and continues to exceed expectations with the market penetration of what it calls its "buy now, receive now, pay later" service to Australian retailers and consumers. APT is still growing strongly, and as at 31 December 2017 had more than 1.5 million customers and more than 12,000 retail partners in Australia and New Zealand.

This growth in customers and retail partners has led to APT representing more than 25% of all Australian domestic apparel online sales and more than 8% of all online physical retail sales. To me, this appears just the beginning for APT with further growth opportunities identified in several new verticals and service industries both domestically and overseas.

After a spectacular run APT shares came off their highs recently amid some profit taking and short selling based on speculation that APT will be targeted by regulators looking to clamp down on the fast growing payments sector.

At TEK, we are confident that APT has taken a proactive and transparent approach towards the regulatory environment and dealing with any prospective challenges to its business model.

We believe APT Executive Chairman, Anthony Eisen, CEO, Nick Molnar, Group Head, David Hancock, and their team have done a tremendous job positioning the company so far, and we continue to believe strongly in their ability to achieve their growth ambitions.

Updater Inc. (UPD): UPD continues to impress with the dynamic expansion of its relocation services platform across a number of verticals and we look forward to the company delivering its first significant revenue flows over the next 12 months. The company's most recent market update and the results from various pilot programs suggest that UPD's platform has very significant growth potential which it can fund, having raised more than US$50 million in equity capital during September 2017.

UPD is well advanced in establishing the appropriate governance structures and management capability, ably led by founder and CEO, David Greenberg. It recently appointed the co-founder and principal of SNL Financial, Jessica Nagle to its Board of Directors. The company is doing a good job of delivering its message to the market and despite being based in New York, has an active investor relations strategy offering clarity about its business model and timing of revenue growth.

I continue to believe in UPD's ability to exceed its internal growth targets and emerge as the preferred technology service platform for the millions of American citizens who relocate each year.

Yojee Limited (YOJ): Just as Updater seeks to disrupt the US home relocation industry and its associated services, Yojee is working to disrupt the logistics space with its platform technology which provides logistics and supply chain management capabilities via its blockchain secured software.

We are excited by the potential for innovation in the massive and growing global logistics industry and believe YOJ is well placed to become a significant player.

The company recently entered a pilot services agreement with UPS Asia - a subsidiary of the giant United Parcel Service - for the use of Yojee's technology in UPS Asia's specific supply chain environment.

While the program will not generate revenue in the pilot stage, it is a compliment to YOJ and its technology that UPS Asia is willing to trial it. The outcome of the pilot will be keenly watched.

YOJ also appears to be doing a good job in the areas of corporate governance and shareholder engagement, having appointed an independent chairman, holding regular roadshows and briefing sessions for investors and working with reputable stockbroking firms.

GetSwift Ltd (GSW): In contrast to Yojee, GSW's ambitions to become a dominant player in the logistics software space have hit a significant snag.

The company is now facing two shareholder class actions over alleged failures in its disclosure obligations which resulted in its share price plunging from more than $4 just a few months ago to less than 50 cents currently. While GSW is defending the actions, at best they will be a major distraction for management and they have highlighted what appears to have been a lack of understanding at GSW about how Australian public companies operate, how they should be structured from a governance, transparency and continuous disclosure perspective.

We still believe in the integrity and potential of GSW's platform product and understand the company is working hard to maintain and grow its customer relationships. Fortunately, GSW has a solid cash buffer while it works through its issues however, it also needs to convince its investors and the market that it is still worthy of support. I have called for GSW to appoint both an independent chairman and additional directors, to work on its governance practices and restructure its performance incentives. Until we see some real changes in those and other areas the market is entitled to remain cynical.

While TEK's exposure to GSW is currently comparatively modest, we have been both a buyer and a seller of GSW shares in recent months. We will continue to monitor developments.

ReadCloud Limited (RCL): ReadCloud is an Australian education software provider serving secondary schools. In February, it completed a $6 million capital raise and listed on the ASX with TEK participating in its heavily oversubscribed IPO.

The company's shares, 20 cents at IPO, enjoyed a strong debut and are now trading at around 37 cents.

We are excited about the potential of this company which describes itself as a provider of digital reading solutions and e-books delivering Australian school curricula digitally in one app across many devices.

Students and teachers using the ReadCloud app can share notes, questions, videos and weblinks within the platform.

RCL experienced steady growth and cashflows for several years as a private company and before listing was serving about 50 schools and 22,000 users.

The capital raise provided it with sufficient cash to fund its expansion plans targeting the more than 2,700 secondary schools in Australia.

OneVue Holdings Limited (OVH): OVH's emergence as a relevant and investable 'fintech' appears to be well on track after it reported improved financial metrics in its recent half year results. This company is another good example of Thorney's ability to "sniff out" value at an early stage and then work with the company to release that value and move onto the market's radar. A 27% increase in total revenue, coupled with improved operating margins delivered a result which shareholders should be confident that the market will continue to recognise.

I continue to be impressed by how well OVH's fund services, platform services and trustee services are regarded by its customers, a principal reason why growth in each business segment was witnessed during the recently completed reporting period.

We maintain our confidence that OVH will deliver further earnings improvements and enjoy even greater market recognition.

HUB24 Limited (HUB): Another of our favourite fintechs, HUB has continued its evolution as one of the fastest growing superannuation and investment management platforms in Australia.

HUB recently reported another excellent half year period of profitable performance. At the end of February, it had in excess of $7.2 billion in funds under administration and an ambition to continue its strong performance led by a dynamic management team.

The diligence, discipline and steady growth demonstrated by HUB continues to be rewarded by the sharemarket with the share price more than doubling in the period since 1 January 2017.

While TEK has taken advantage of HUB's strong share price gains and trimmed some of our holding we remain optimistic that it will continue to grow and will hit $10 billion in funds under administration in the not too distant future.

Oventus Medical Limited (OVN): Oventus is an Australian company which has developed a non-invasive device that deals with the common and sometimes life threatening problem of sleep apnoea.

While other options such as surgery and CPAP devices already address sleep apnoea and snoring, the attraction of the OVN device is that it is similar to a mouthguard which is easily fitted and it is comparatively less expensive than other medical options. The company has signed a global manufacture and distribution agreement with the Modern Dental Group.

At the Sohn Hearts and Minds Investor conference in Sydney late last year, I recommended OVN as a stock likely to significantly outperform.

Subsequently, OVN shares did enjoy a strong rise but have since fallen back on a lack of news from the company.

We are not concerned about this as we have always understood OVN's revenues would not begin to flow for some time. We continue to have high expectations for the company and will look to add to our position at lower price levels.

Unlisted companies:

TEK has an increasing number of positions in unlisted companies in Australia, the USA and Israel. While the vast majority of these are small start-ups, they do give us a breadth of valuable exposure to the unlisted tech space and a portfolio from which may emerge some tech stars of the future. Here are few of the highlights.

Daisee: Daisee is an Australian artificial intelligence (AI) company which recently raised $8.8 million from a range of investors including TEK.

Daisee's name stands for Deep Artificial Intelligence for Enterprise Ecosystems. Its aim is to combine the best in AI research from leading universities including Deakin University and the University of New South Wales with commercial know how to create software applications for companies across a range of industries.

The company has considerable commercial expertise in its management including Richard Kimber who is a former Google regional MD.

Businesses around the world are, for the most part, only just beginning to appreciate the potential of AI to make them more efficient. The number Australian companies spending more than $1m on AI is expected to more than double over the next 4 years. Daisee is well placed to tap into that growing demand.

Pulse Health: This US based company produces the Revelar breath analysis technology which measures aldehydes - organic compounds found in the breath.

Aldehydes are a key indicator of lipid peroxidation and disease risk especially in cancer and heart disease.

As a result the Revelar product offers hope of an easy non invasive test which may provide early warning of elevated disease risk. The company has a highly qualified and experienced board and executive team and is progressing manufacture of commercial orders in anticipation of a soft launch. It recently completed a funding round at a valuation above TEK's entry price.

The next 12 months should prove very interesting for Pulse and we will watch the company's progress with interest.

Hyp3r: As mentioned in my last update, Hyp3r was introduced to us through our strong connections to the San Francisco-based venture capital fund, Structure Capital which has a good track record of backing successful start-ups. Hyp3r was recently named one of the world's Top 10 social media companies by Fast Company Magazine in its World's Most Innovative Companies 2018 issue.

Hyp3r's technology enables social media to be tracked and analysed by reference to locations, so allowing its customers to engage with their own customers while they are in their venues. For example theme park and stadium owners can use Hyp3r to communicate directly via smart phones with people while they are visiting their venues.

Conclusion

The tech industry is a dynamic, exciting and potentially lucrative one which is changing the way we live and do business.

This so called fourth industrial revolution we are experiencing - like all revolutions - will produce both big winners and big losers.

At TEK we will continue to grow our tech networks and exposures domestically and internationally and take a broad portfolio approach to manage risk. We also take advantage of trading opportunities when we see them.

We are prepared to take overweight positions in companies that we believe have the potential to deliver strong returns, while never "risking the farm".

In this way TEK will continue to provide its shareholders with exposure to the tech revolution at every stage of the cycle while still aiming to produce superior returns.

Thank you for your continued support.

Best regards

Alex Waislitz
Chairman