25th November 2021

S-VENTURES PLC

VSA capital

Initiation of Coverage

Marketing Communication (Connected Research)

S-Ventures PLC

BBG Ticker: SVEN NXX *Price: 34p/sh.* *Mkt Cap: £38m* **BUY**

Year to September	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (£p)	DPS (£p)	EV/Sales (x)	EV/EBITDA (x)	P/E (x)
FY 2021E*	1.6	-0.6	-0.8	n/m	n/m	n/m	n/m	n/m
FY 2022E	13.0	1.8	1.5	1.5	n/m	3.2	n/m	n/m
FY 2023E	18.0	3.1	2.8	3.1	n/m	2.3	13.1	11.0

***SOURCE**: Company Data, VSA Capital Research. *First Year of Trading*

Creating Value for Food Technologies

S-Ventures PLC ("S-Ventures, The Company") was incorporated on July 6th, 2020, as an Investment Vehicle to identify acquisitions and investment opportunities in the Wellness sector with a focus on Food Technology. Its strategy is to acquire and invest in underdeveloped and poorly capitalised brands with strong food technologies and apply the board's skills and capital to significantly scale them. Since IPO on the London Aquis Exchange in September 2020, S-Ventures has raised £3.7m in equity and £2.1m in debt, made one acquisition and four investments. End markets are significant: according to Euromonitor, the global healthy snacks market alone is expected to reach US$98bn by 2025.

Strong Progress Since IPO

S-Ventures, post IPO, has invested in Ohso Chocolate, which has developed a probiotic chocolate; We Love Purely, a plantain chip producer; juicing technology company, Coldpress, and entered into a joint venture with Vegan Punk Ventures, which is developing low-fat, plant-based meat technology. In July 2021, S-Ventures wholly acquired Pulsin, a UK protein bar and shake producer with annual revenues of £7.1m. Using only bootstrapped finance, Pulsin had developed products, brands, production, and markets. S-Ventures sees it as a blueprint opportunity for high growth.

M&A Driving Global Brand Growth

Food multinationals are seeking new products for high growth, high margin markets targeting consumers who are health conscious and concerned about the environment. This is seeing a surge in M&A of later stage brands with strong technology that can be globally scaled. S-Ventures is seeking to acquire and invest in earlier stage companies that can be scaled within a central Group. As a listed vehicle, S-Ventures could grow into a highly attractive entity with a strong portfolio of food brands and core technologies.

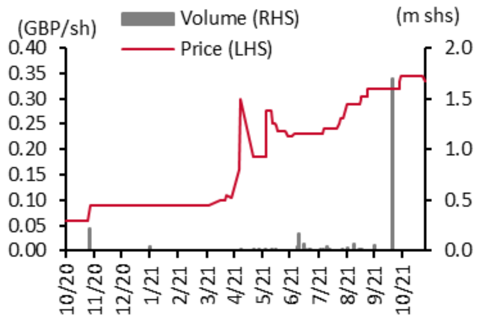
Recommendation

We initiate research coverage of S-Ventures with a **Buy recommendation and 12-month Target Price of 76p/sh.**

Group Description

Brands investment vehicle

One Year Price Performance



Price % chg	1mn	3mn	12mn
	4.7%	45.7%	458.3%
12mn high/low			35p/6p

***SOURCE**: FactSet, as of 24 November 2021 close.*

Market:	AQSE
Shares in issue	112m
Target Price (p/sh.)	76p
Free float:	29.4%
Net debt (FY2021e) £m	-3.1
Enterprise value £m:	41.3

Major shareholders	
Scott Livingston	42.6%
Simon Ashburner	7.3%
Sherwood International Holdings	3.3%

Phil Smith, Head of Technology

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Investment Case

The Recipe for Success

In the businesses that S-Ventures is targeting, developing new products through food technology, managing the supply chain, including ingredients sourcing and price management for commodities such Whey Protein, Soybean and Pea Protein, efficient production, and wide marketing, are vital to securing revenue and margin growth. Although demand is growing, these challenges need to be met and this requires broad expertise and discipline. The Company is also seeking to buy, build and invest as a publicly listed entity. Pulsin brings expertise in supply challenges, capacity that can be scaled, multichannel market access and product development resource. S-Ventures' board combines the industry experience and the financial discipline required for Group management and structure, access to capital, M&A and investment. In the current environment, this management strength will be the recipe for success.

The UK, Taking a Lead in Healthy Food Legislation

Poor diet in England contributes to an estimated 64,000 deaths every year and results in more than half of the UK's over-45 population living with diet-related health conditions. The UK Government states that this is putting a significant strain on the UK National Health Service (NHS), and on 28th December 2020, announced that it was to introduce new legislation to place restrictions on the promotion of HFSS (high in fat, sugar, and salt) products by location and price in retail settings, stores and eCommerce websites that sell food and drink in England. The HFSS legislation is a strong driver of business for S-Ventures as it sees Heathy Products put to the fore of retail multichannel promotion.

UK Scaled Food Technology Companies are Being Acquired by the Multinationals

Multinationals are watching what is happening in the UK market, legislation, and the growth in healthier food demand. U.S. based, **Mondelēz International Inc. (MDLZ)** has annual sales of US$26bn and the UK is MDLZ's 2nd largest market globally. The MDLZ Chief Executive, quoted in an FT interview this year stated that, "We sell a range of products but some of them are more indulgent products where the consumer, if eating too many of them, could face obesity…We feel it's the right thing to do…to help the consumer make conscious decisions about what they eat and educate them." In December 2020, Essex UK based cereal bar producer **Eat Natural**, with revenue of £35m, was acquired by food giant **Ferrero**. In March 2021, MDLZ announced an agreement to acquire a significant majority interest in **Grenade**, the Midlands UK based, producer of the well-known high protein, low sugar, Carb Killa® bar.

The Business Model

The company has just one minority holding, a 3.3% stake in Coldpress Foods. Pulsin is wholly owned, Vegan Punk Ventures is a JV, and Ohso Chocolate and We Love Purely are 75% owned. Outside of Coldpress Foods, S-Ventures is applying central skills and resource to Pulsin, the JV and majority stakes held. We understand from management that going forward, S-Ventures will either wholly acquire or take majority stakes in businesses. Near term, we expect Pulsin to drive revenue and profits. From 2023, we expect material profit contribution from the majority stakes held (reported under share of associates in the P&L) as the companies benefit from being under the S-Ventures umbrella and grow.

Valuation

S-Ventures is at an early stage of growth and the risks of forecasting earnings are higher at this stage. Our FY 2021 forecasts only encompass two months of trading from Pulsin, the majority contributor to near term estimates. The Company will publish FY 2021 results in due course. Our FY 2022 forecast is for S-Ventures to move into EBITDA profit, of £1.8m rising to £2.9m for FY 2023. Our valuation, to set a 12-month price target, is based on a blend of three valuation methods, Sum of The Parts (SOTP), EV/Revenue, EV/EBITDA and a DCF. Our Sum of The Parts valuation sets an EV valuation of £88.0m, based on our FY 2023 estimates, when profit accelerates, a Company EV/EBITDA, sets a valuation of £50.9m, and a Company EV/Revenue, sets a valuation of £61.3m, the valuations weighted 20% each respectively. Our DCF, weighted 60%, based on explicit forecast cashflows, produces a valuation of £109.3m. We are, on a blended basis, valuing S-Ventures at an EV of £88.0m and market capitalisation of £84.9m (given our estimated £3.1m net debt for September 2021 end). **Buy. Target Price 76p**.

Strategy to Accelerate Sub Scale Brands in Food Technology

S-Ventures is seeking to identify investment opportunities in the healthy food and wellness sectors within the UK and Europe. The Company is buying and building brands through acquisition and investing in brands. S-Ventures seeks to work with brands that have an established but sub-scale market presence, strong foundations and technology platforms but may lack the breadth of skill and the capital to maximise the growth opportunity.

Taking A Fantastic Brand and Increasing Scale through Capital and Central Focus

S-Ventures' main objectives will be to scale the individual brands by evaluating, improving, and investing capital in:

- Food technology and product development;
- Marketing channels;
- Production and Logistics;
- Supply chain economics;
- Financing;
- Third party collaboration opportunities; and
- Cross selling opportunities across S-Ventures investee companies.

Ultimately, S-Ventures, having built value over time, will be assessing potential exit opportunities to maximise returns for shareholders.

The Strategy is already yielding shareholder value

The Company believes that it is opportune to be entering the wellness brands market at this time, specifically food technology, as valuations are favourable. This creates an opportunity to scale and create significant value for investors. As S-Ventures grows in valuation and increases its ability to access capital, the Company, in our view, will have the option to accelerate investments and invest in larger opportunities than those currently held.

The Investment Committee

S-Ventures' level of profit and potential investment return will be reliant upon the performance of the assets acquired, invested in and execution of strategy to build the businesses. The success of the strategy will, to an extent, depend upon the S-Ventures ability to identify suitable investments. To do this, S-Ventures has established an Investment Committee that will comprise all the Company Directors. The Investment Committee maintains a prudent and effective allocation of capital across the business.

S-Ventures noted in their UK Aquis Exchange listing documents that:

- No assurance is given that the strategy to be followed will be successful under all or any market conditions;
- The Company may not be able to identify opportunities meeting the Company's investment criteria; and
- The Company may not be able to invest its capital on attractive terms or that the Company will be able to generate positive returns for Shareholders.

Investors need to understand that these are potential risks.

The Investment Committee performs a key role in S-Ventures' success and chaired by Scott Livingston, the CEO. The Board will approve all investments made by the Company and as part of the approval process will consider any comments made by any of its members.

Board of Directors

David Mitchell, Chairman

Mr Mitchell founded Astron Group, a provider of document management solutions and associated business process outsourcing services in 1996, following a management buy in/ buyout and subsequent secondary buyout of three print related businesses. He oversaw, as Managing Director and founder, the growth of this business leading to its sale to Chicago based RR Donnelley & Sons, the world's largest print group, for US$1bn. Mr Mitchell is also currently Chairman of Perigord Limited, the Dublin based leading pharma content management and software provider for the pharmaceutical sector. David is also a founder shareholder of 24 Haymarket Limited, an FCA regulated HNW and UHNW members investment platform and syndicate, with offices in London and Edinburgh. David has overseen and invested in companies in various sectors. David lives in Surrey and is a keen golfer and a highly qualified SCUBA diver.

Scott Livingston, CEO

Scott started his career in sales and sales trading. At the age of 21, he founded a telecommunications company, Evolution, which he eventually listed and sold in 2005 before setting up Westlab Ltd, a bath salts business. Through his roles as a professional investor and senior management, Scott has overseen capital raising projects including EIS venture funds and other UHNW investors and professional institutional investors. During 2008 to 2011, in parallel to incubating Westlab, Scott operated and ran an FCA regulated algorithmic hedge fund, using quantitative models on highly liquid FX / index and bonds. Since 2011, Scott focussed full-time on Westlab as CEO and on Ohso Chocolate (now an S-Venture investment) as a non-executive director and investor. In 2017, Scott joined YPO (Young Presidents Organisation) and is now deputy Education Chair for 2020 and 2021. He is also currently pursuing a diploma in private equity and venture capital at Harvard University. Scott is a member of RORC (Royal Ocean Racing Club) and sails regularly in regattas and races. He also serves the local community boxing club and has a strong interest in boxing, skiing, tennis, and golf.

Robert Hewitt, Chief Financial Officer

Robert qualified with Touche Ross and became a licenced Insolvency Practitioner. He left and founded his own firm – Gibson Hewitt & Co – in 1988. He was an Insolvency Practitioner until he retired from the firm in 2016. At the same time, he headed up the firm's small accounting and tax function aimed at helping businesses manage change and with a particular emphasis on start up or growing businesses. He has helped businesses in a variety of roles, sometimes by serving as Director and occasionally nominated by Venture Capital (VC) firms to join boards of their investments. Since leaving his firm, he has been Director to several new ventures and growing businesses. He is an opera fan and keen landscape photographer.

Alex Phillips, Director

Alex is a partner at Smith Square Partners LLP and has over 25 years' experience in corporate finance and capital markets. Alex started in banking at CSFB (1992-2000), was Executive Director at Morgan Stanley (2000-2003), and Managing Director of Credit Suisse (2004-2013). Recently, Alex was Chief Executive Officer of Passtech, a private business serving oil & gas equipment manufacturers, with operations in the Middle East (2014-2016). In addition, Alex has served as Vice Chairman of Notting Hill Housing Group, one of London's leading housing associations with over £7bn of property assets (2008-2013). Alex has a BSc (Hons) in Economics with Politics and Philosophy from the University of Bristol.

Bhanu Choudhrie, Director

Bhanu Choudhrie founded C&C Alpha Group (CCAG) in 2002, a UK based holding company for a group of private investors with more than three decades of venture capital funding experience. CCAG has a diverse range of investments within hospitality, healthcare, real estate, utilities, aviation, and advanced technologies. Bhanu unites companies and clients with their strategic goals, providing investment strategy and insight to assist individuals to incubate and grow their businesses to maximise their business potential. He advises and sources deals in emerging markets such as India, Russia and South-East Asia as well as guiding on potential markets and giving clarity on new markets. Bhanu studied International Business and Marketing at Boston University before attending the Owner/Management Program at

Harvard Business School. He was a Director of Customers Bancorp (NYSE: CUBI) in the United States for more than eight years and was also a member of the board for Atlantic Coast Financial Corp prior to its acquisition by Ameris Bancorp in 2018.

Nick D'Onofrio, Non-Executive Director

Nick was the co-founder, Managing Partner and Chief Executive Officer at North Asset Management an FCA regulated London based alternative asset management business. Nick established the operational and financial infrastructure of the firm and managed all areas of the business including marketing and investor relations, risk, compliance, accounting, legal, and banking and service provider relationships. Created a multi-product fund platform including a macro fund, emerging markets fund, collateralized debt obligations/credit fund and real estate fund that raised in excess of US$2bn in assets. Nick is a former Executive Director at Morgan Stanley and managed Morgan Stanley's counterparty credit team covering all of Europe and the Middle East (EMEA) region. Prior to working at Morgan Stanley, Nick worked at Swiss Banking Corporation from 1994 to 1996 and ABN AMRO from 1990 to 1994. Nick was awarded a bachelor's degree from Harvard University in 1990.

Julien Machot, Advisor to The Board

In November 2021, S-Ventures announced that appointment of Julien Machot as advisor to the Board. Julien Machot is the Managing Partner of VERSO Capital, an asset manager focused on alternative assets, including private equity, venture capital especially in food and agriculture technology, and real estate. Julien started his career as an entrepreneur in the field of management education, building a successful company across 14 European countries. In 2012, Julien sold his company and started his career in Private Banking in Switzerland where he worked for Mirabaud and for EFG Bank. Since 2017, following the launch of VERSO Capital, he has invested in high-profile food technology companies including Impossible Foods, EAT Just, and TurtleTree Labs. To date, Julien Machot has invested over USD 400 million while expanding VERSO Capital operations in Switzerland, Liechtenstein, the United Arab Emirates and offshore in the British Virgin Islands with its own regulated professional mutual fund.

Addressing the High Growth Wellness Markets

S-Ventures is looking to identify investment opportunities in the wellness sector in the UK and mainland Europe. Within the wellness sector key market segments are:

- Healthy Eating, Nutrition and Weight Loss
- Fitness and Mind-Body
- Personal Care, Beauty and Anti-Aging
- Wellness Tourism
- Preventative and Personalized Medicine and Public Health
- Traditional and Complementary Medicine

S-Ventures near term focus - Healthy Eating, Nutrition and Weight Loss

S-Ventures has chosen Healthy Eating, Nutrition and Weight Loss as its first target market. There are specific reasons for this: the largest market, Personal Care, Beauty and Anti-Ageing, addresses global markets, is very attractive for major eCommerce channels, and Private Equity funds have been focused on the space. This means that opportunities for smaller investment entities, such as S-Ventures, are rare.

The second largest market opportunity is Healthy Eating, Nutrition and Weight Loss and within that, S-Ventures will focus on the healthy eating related markets. These markets are attractive; market research provider, Euromonitor, estimates the global healthy snacks market to reach US$98 bn by 2025, growing at a CAGR of 5.8% between 2020 and 2025. The UK is leading global market, taking a lead in food technologies, legislation and has advanced consumer awareness of healthy foods and their environmental benefits.

Food, Health and Restricting Unhealthy Food Promotion

In July 2021, a UK report titled “The National Food Strategy”, outlined the findings of an independent review, undertaken on behalf of the UK Government, into the nation’s entire food chain. The report stated that poor diet in England, contributed to an estimated 64,000 deaths every year and that more than half of UK over-45s are living with diet-related health conditions. This, noted the Government, is putting a significant strain on the UK National Health Service (NHS). The cost of NHS treatments for Type 2 diabetes is forecast to reach £15 billion a year by 2035/36; this is 1.5x as much as cancer treatments cost today.

Sugar and salt intake must reduce – so called “junk food” is formulated to use high levels of sugar and salt to make the taste attractive. However, excess junk food consumption can lead to obesity and diabetes. The introduction of a sugar and salt tax is a way persuade food producers to reduce the amount of sugar and salt in their products.

HFSS (high in fat, sugar, and salt) Legislation is Introduced

The UK Government, on 28th December 2020, announced that it was to introduce new legislation that would place restrictions on the promotion of HFSS (high in fat, sugar, and salt) products by location and price in retail settings, stores and eCommerce websites that sell food and drink in England.

Healthy Foods to Be in Prime Promotion Locations: A Legislation Driver for S-Ventures

The new legislation states that from April 2022, retailers in England that sell food and drink will no longer be able to place HFSS products at store entrances, aisle ends, checkouts or the website equivalents including the main pages and the shopping basket and payment sites.

The new legislation will also prevent promotions including 'Buy One, Get One Free', so called "BOGOF" for all HFSS products. It will also place volume price restrictions on retailers.

The HFSS legislation is potentially a strong driver of business for S-Ventures as it sees Heathy Products put to the forefront of retail multichannel promotion.

Food Production, a Major Contributor to Global Greenhouse Gas (GHG) Emissions

The UK National Food Strategy report also outlined that meat and dairy consumption needs to fall further. In the UK, people are eating 17% less meat than 10 years ago. A key recommendation from the report was that we should eat 30% less meat over the next ten years. This is not only for health reasons but also for positive environmental impact.

UK newspaper, The Guardian, recently quoted data from a September 2021 report entitled "Global greenhouse gas emissions from animal-based foods are twice those of plant-based foods", originally published in Nature Food. **This study found that food-based agriculture accounts for 35% of all human-made greenhouse gas emissions.**

- **Plant-based foods emissions contribute 29%:** this consisting of 19% CO2, 6% methane and 4% nitrous oxide emissions;
- **Animal-based food emissions contribute 58%:** this consisting of 32% CO2, 20% methane and 6% nitrous oxide emissions; and non-food utilisation such as cotton and rubber production contributes 14%.
- **Farming needs to focus land use on crop production:** meat production and so dairy, produces greenhouse gases - primarily through animal wind emission. According to the National food Report, one of the most effective ways to reduce carbon emissions and free up land for nature is to cut back on animal proteins. 85% of the land used to feed us is used for livestock farming, even though meat and dairy only account for one third of our calories.
    - Plant based proteins produce, on average, 70 times less greenhouse gas emissions the equivalent amount of beef.
    - Plant based foods use more than 150 times less land to produce.

S-Ventures' markets target growing consumer demand for products with a focus on reducing global warming.

S-Ventures: The Value of Food Technology

S-Ventures is investing in companies that are strong in Food Science and Technology. Strength in these disciplines is key to creating and manufacturing high value, high margin, brands.

Food Science is the study of the biological, chemical, and physical composition of food. According to the U.S. based Institute of Food Technologies (IFT), this involves scientific disciplines including chemistry, engineering, microbiology, and nutrition. 46 UK Academic Institutions offer Food Science degree courses.

Scientists work on the development of methods to formulate new products ("product formulation"), production processes, preservation methods and packaging.

Product formulation: the Creation of IP and Brand Value

Formulation, the creation of new recipes and the resultant products, is the critical step in food business. Formulation creates the product, IP, and brand value.

Formulation needs to create products:

- That are highly differentiated;
- Have great taste and have other attributes attractive to the target market;
- Are able to be profitably mass produced;

- Meet regulatory requirements; and
- Can be packaged using mass production methods, attractively and to preserve contents.

S-Ventures target markets, also require the products to be healthy and fulfilling.

The type of ingredients used in formulations of healthy foods such as protein bars, can include protein source, vitamins, minerals, sweetener type, fibre source and chocolate type (if applicable).

The development of high value, global brands in the healthy foods sector requires strong science and technology to develop new products that interact safely and effectively with the human digestive system, as well as deliver nutritional requirements whilst providing an attractive taste. Biology is a key scientific discipline within food technology.

Technology and Production

Food technology encompasses developing new ingredients, products and processes that can be scaled for mass production and yield consistently to achieve required profit margins.

The philosophy behind food technology has similarities with the global semiconductor industry whereby complex chip designs need to be able to successfully work utilising key materials of silicon, oxides, metallisation and be produced using latest fabrication techniques, in multi-billion-dollar plants. The chips are “designed for manufacture”, targeting consistent, high process yield.

Food scientists and technologists, in formulating new products, may develop them for production using off the shelf equipment or developed using new manufacturing techniques. The goal is to develop a formula that can attract and scale to a global market and that is able to be mass produced.

Such formulas, understandably, command significant value.

The Value of Formulas (Recipes) to the Food Industry – An Acquisition Driver

Product Formulations are of significant value, given the challenges in developing a formulation that can create a global product.

Global multinationals are acquiring businesses with proprietary formulations that succeed in creating higher volume, and market winning products. Typically, these are businesses that are already reaching international markets. The industry as, we will show, assigns high valuations to such food technology.

Successful food formulation and establishing markets takes considerable time and error and resource. Multinationals have their own development teams, however, as with other industries, acquisition in a tried and testing method of building a successful brand portfolio.

S-Ventures - Acquisitions and Investments Since IPO

We have noted below S-Ventures' key milestones since IPO:

September 2020: acquires a 3.3% stake in Coldpress Foods Ltd and a convertible loan, convertible into ordinary shares of Coldpress Foods at the discretion of the Company, allowing S-Ventures to increase its stake in Coldpress foods to 6.2% upon conversion. According to S-Ventures, UK based Coldpress Foods produces Europe's first range of Vitamin Fortified Super Juices & Smoothies www.cold-press.com. S-Ventures paid £0.03m consideration and agreed to loan Coldpress Foods a further £0.03m via a secured convertible loan note ("CLN") that carries interest at 10% per annum.

November 2020: invests a further £0.08m into Coldpress Foods Ltd via a seventeen-month CLN bearing an annual interest rate of 15% and with first interest payable after 7 months. If the CLN converts within 7 months of its term commencement, the Company will be issued with a further 4.5% of the enlarged equity of Coldpress Foods.

January 2021: acquires a 75.1% interest in We Love Purely Limited ("Purely") a healthy snacking brand, offering a premium plantain crisp product, Purely Plantain Chips, in the UK and certain international markets. Clients include Harrods, Selfridges, Harvey Nichols, Ocado, Holland and Barrett, Spinneys in Dubai, and The Craft Gin Club. The 75.1% stake was acquired through the issue of 1.5m S-Ventures shares, equating to £0.14m at a price of 9p per share plus a cash payment of £0.03m to repay an outstanding Purely shareholder loan. This was a related party transaction; Scott Livingston, the S-Ventures CEO, held 40,846 shares of Purely, his wife held 1,900 shares. Robert Hewitt, Chief Financial Officer, held 3,000 shares in Purely. Together their shares, at the time of original investment, represented 28.2% of the total issued shares in Purely.

February 2021: acquires a 75.1% interest in Ohso Chocolate Limited ("Ohso Chocolate") a probiotic chocolate company, promoting healthy daily regime snacking. The stake was acquired through the issue of 3.3m ordinary shares in S-Ventures to the shareholders of Ohso Chocolate, equating to £0.3m at a price of 9p per share (being the prevailing mid-market price at the time of agreement of the transaction).

May 2021: raises £3.0m gross through the placing of 20.0m shares at 15p per share. For every two S-Ventures shares subscribed in this placing, investors received a warrant to subscribe for an additional share in S-Ventures at 25p per share, or a total of a further 10.0m on the exercise of shares all warrants. The warrants granted are exercisable up to an including May 2023. Also in May 2021, S-Ventures announced that its shares had admitted to trade on the U.S. OTCQB Venture Market ("OTCQB") with ticker symbol SVTPF.

July 2021: acquires 100% of Pulsin Limited ("Pulsin" www.pulsin.co.uk), a well-established plant-based nutrition company with a focus on healthy protein bars, protein shakes and Keto bars. Pulsin had gross sales of £7.1m in the twelve months to 30 April 2021 and £1.2m of net debt as at that date. S-Ventures consideration comprised a combination of £2.0m in cash, £2.0m in the form of loan notes issued by S-Ventures, plus a total of 15.2m shares in S-Ventures, of which 3m are deferred and contingent upon the net sales performance of Pulsin in the twelve months to 31 December 2021. The total consideration, including the contingent portion, equates to a total of £7.5m using a price of 23p per share.

August 2021: enters into a joint venture, Vegan Punk Ventures Limited ("VPV"), to invest in the production and sale of plant-based meat and fish alternatives that promote both healthy living and sustainable agriculture. S-Ventures will own 50% of the issued share capital of VPV and has agreed to invest up to £0.1m in loans to co-fund the joint venture. VPV will operate commercially under the "PlantPunk" brand umbrella.

Group Companies and Investments

We have summarised S-Ventures' interests in the table below:

S-Ventures Interests

Company	% Held
Coldpress Foods Ltd	3.3%
We Love Purely	75.1%
Ohso Chocolate	75.1%
Pulsin	100.0%
Vegan Punk Ventures	50.0%

Source: Company data, VSA Capital Research.

We have detailed each company as shown below:

Coldpress Foods Ltd (3.3% convertible up to 6.2%)

Following his successful development of Preshafruit in the Australia market, entrepreneur Andrew Gibb founded Coldpress Foods in 2011.

Coldpress uses High Pressure Processing (HPP) technology to kill off harmful bacteria, virus, and parasites in pressed juices. The juice, once bottled, undergoes high isostatic pressure in water. This combination of processes ensures that food safety standards are met and, as the juice is not heated as would be the case for pasteurisation, keeps its fresh taste and retains more nutrients.

We Love Purely Limited (75.1% share held)

Purely, based in Birmingham UK, is a healthy snacking brand, offering a premium plantain crisp product, Purely Plantain Chips.

Plantains

Plantains are major group of banana varieties (genus Musa) that are staple foods in tropical areas. According to Encyclopaedia Britannica, plantains originated in Southeast Asia. Today, plantains account for 85% of all banana cultivation. The top three plantain cultivation regions are Cameroon, Ghana, and Uganda. The global plantain market grew 2.6% during the pandemic to US$31.9bn (source: IndexBox). The countries with the highest volumes of plantain consumption in 2019 were the Democratic Republic of the Congo (5.7m tonnes), Cameroon (5.2m tonnes), and Ghana (4.2m tonnes), together comprising 36% of global consumption.

The edible fruit of plantain bananas has more starch than the common dessert banana and are not eaten raw. Because plantains have the most starch before they ripen, they are typically cooked green, either boiled or fried, in savoury dishes. Fried plantain chips are hugely popular across consuming countries.

Plantains are Rising Popularity in the West

In 2019, the U.S. accounted for 27% of global plantain imports. From 2013 to 2019, average annual rates of growth of plantain imports into the U.S. stood at +2.6%. Over the same period, average regional growth rates were: United Arab Emirates (+24.7%), Netherlands (+17.2%), UK (+10.2%), Macedonia (+9.3%), Romania (+6.4%) South Africa (+5.6%) and Saudi Arabia (+4.1%).

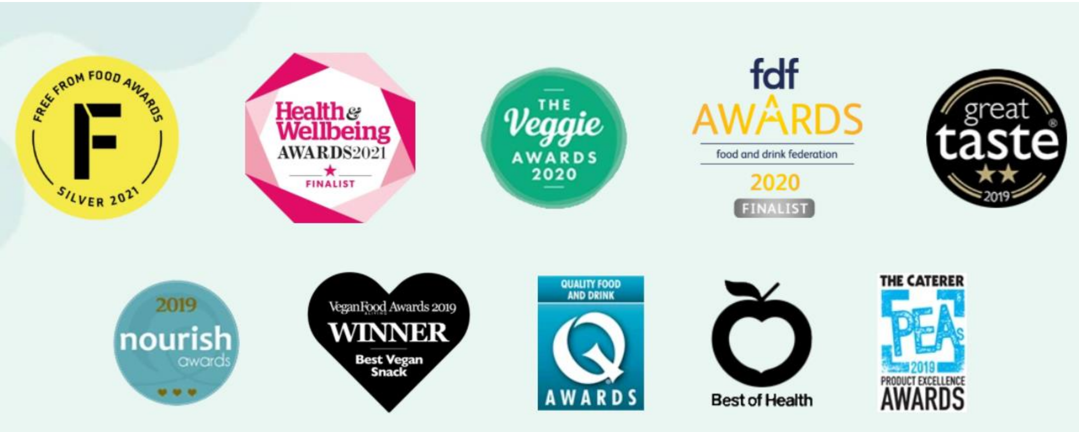
Riding on the back of rising UK market appetite for plantains, Purely has developed their own version of fried plantain chips – a premium plantain chips product for the UK market. The chips, sold as a premium snack product, are shown below.

We Love Purely – Plantain Chips

Source: welovepurely website, VSA Capital Research.

Purley's product has won several awards as the illustration below shows.

An award-winning chip



Source: welovepurely website, VSA Capital Research.

Purely plantain chips are available directly on the Company's website or through the following stores and eCommerce channels:

Stores: Holland and Barrett,
eCommerce: Amazon and Ocado

Ohso Chocolate (75.1% share held)

In February 2021, S-Ventures PLC acquired a 75.1% interest in Ohso Chocolate (www.Ohso.com). The business, based in Lymington UK, was incorporated by Andrew Marten and Liz Hallet in 2017 to develop and produce probiotic chocolate and promote healthy daily regime snacking.

Food Technology – Unique "live cultures" Belgian chocolate

Ohso Chocolate has developed Belgian chocolate that not only tastes good but delivers digestive health, immunity and looks after the gut.

The Osho food technology ensures that each bar contains over one billion live Lactobacillus and Bifidobacterium bacteria. Osho states that its unique microencapsulation process that ensures 3 times more effective delivery into the gut than the than the popular yoghurt and milk alternatives.

The bacteria help to positively influence healthy gastrointestinal functions and the immune system.

The Ohso bars are lower calorie and contain B-complex vitamins, vitamins D and E.

Ohso Chocolate: low calorie, sugar free and probiotic

Source: Ohso Chocolate website, VSA Capital Research.

The idea of eating chocolate being a positive health choice has been promoted by British Olympian and gold medal winning medallist, Laura Trott, who has become a brand ambassador for what she calls her 'guilt free' treat.

The Ohso "no added sugar" variants and delivering portion control bars are highly relevant and effective at a time when high sugar products are being withdrawn from the marketplace.

Pulsin (100% held) A Strong Brand Developed on Little Capital

In July 2021, S-Ventures PLC acquired 100% of the share capital of UK, Gloucester based, Pulsin Limited ("Pulsin") a plant-based nutrition company with a focus on healthy protein bars, nutritional snacks, and Keto bars. Pulsin (www.pulsin.co.uk) was founded in 2006 by three university friends Nick Bildner, Ben Lewis, and Simon Ashburner.

Following the acquisition by S-Ventures, the entire Pulsin team, led by Simon Ashburner, joined the S-Ventures family. Simon will continue as Managing Director of Pulsin and contribute to S-Ventures more widely as a member of the senior executive team.

Bootstrapped, Brand Built and Ready to Rapidly Expand

Pulsin has a strong history in developing new products, growing demand, and expanding production to achieve sales growth. The progress made has been remarkable given that the business has never raised capital and has only taken on a small amount of debt. Whilst only "bootstrapped" financially, Pulsin has been able to build market brands.

In 2008, Pulsin expanded capacity and product development facilities through a move to a new HQ in Gloucester, UK. The business subsequently accelerated and in 2012, Pulsin achieved 1 million bar annual production for the first time. It has continued to grow since that time. At the time of acquisition by S-Ventures, on July 27th, 2021, it was noted that Pulsin had gross sales of £7.1m in the twelve months to 30 April 2021 and £1.2m of net debt as at that date.

Pulsin today produces plant-based products under its own brands as well as for third parties, many of which are household names. The product range addresses consumer requirements that are in high demand:

- **Diet & Difference:** Keto and low carb, Low Calorie Snacks and Lean Protein.
- **Heath & Wellbeing:** Snack & Protein Bars, Ready to Drink Shakes and Protein Powders.
- **Sports & Fitness:** Protein Powders, Protein Bars and Ready to Drink Shakes ranging from popular protein powders such as whey and soya, to more unique plant-based protein powders such as fava beans and pea.

Diet & Difference

Pulsin has developed products that address the rapidly growing Keto Diet market**.** The ketogenic diet, or keto for short, is a low-carbohydrate, high-fat diet. The diet typically contains 75% fat, 20% protein and only 5% carbs. The reduction in carbohydrate induces the body into the metabolic state, ketosis, through which the body becomes highly efficient at burning fat.

This popular diet consists of consuming less than 50g of carbohydrate per day and around 70% of your daily macronutrients coming from fat. If followed your body will stop using glucose as its main energy source and start producing ketone bodies instead, therefore a ketogenic diet is a ketone-producing diet. People go on the keto diet for a variety of reasons, including health issues or lifestyle.

- The Pulsin product range includes on-the-go keto snacks alongside keto protein powder and the products are gluten free and high in plant-based protein.

Heath & Wellbeing and Sports & Fitness: High Protein Products

Proteins are large molecules (macromolecules) formed by amino acids and 20 different amino acids exist in proteins. Amino acids are combinations of carbon and hydrogen atoms. A protein is made up of hundreds of thousands of amino acids attached in long chains. Proteins perform critical functions in the human body including:

- Body growth and tissue maintenance;
- In the form of enzymes aiding biochemical reactions to help with, for instance, digestion;
- In the form of hormones acting as chemical "messenger" between cells, tissues, and organs; and
- Providing cell structure and rigidity.

We typically derive protein in our diet through eating food such as eggs and chicken. Protein bars, powders and shakes are increasingly seen as a convenient alternative to sourcing protein.

Pulsin Products

Source: Pulsin website, VSA Capital Research.

Multi-channel sales access

Products can be purchased directly on the Company's website and are available from a wide range of retailers as shown below.

Pulsin: available from major UK retailers

Source: Pulsin website, VSA Capital Research.

The product is ideal for eCommerce, given the availability in high volume but also the unit prices and product size. Pulsin recently added Amazon is now selling through the eCommerce channels overleaf:

Pulsin: available online

Source: Pulsin website, VSA Capital Research.

We understand from the management team that most sales are currently in the UK. Revenues are evenly split across 3 channels: eCommerce, Supermarkets, and manufacture for 3rd party brands.

Pulsin has developed products for markets that are undergoing structural growth as consumers focus on dieting, wellness and free from food.

Pulsin Production and Logistics: Bring Scale and Opportunity for Group Expansion

We visited the Pulsin Gloucester HQ in October 2021. The site houses product development, the main production line and warehousing. Production is planned up to 8 weeks in advance to ensure availability of ingredients, staff, packaging, outbound transport etc.

Pulsin: Protein Bar Production

SOURCE: *Company data, VSA Capital estimates.*

The factory is currently running one shift per day, 6 days a week. The company has an opportunity to deploy additional shifts as required. Food production facilities are under strict government regulation and subject to inspection by the authorities and customers.

The nature of the products is such that within a working week, the line can be changed over to accommodate different products. This whilst allowing for relevant cleaning processes.

The Gloucester Facility Could Potentially Accommodate More Brands

Not only is there plenty of scope to expand the Gloucester manufacturing base's output of Pulsin products as demand rises but also to manufacture some of the other brands that it has investments in.

Given Pulsin's expertise and experience with larger scale production, we would expect the team there to take a lead in the Group's activities to scale manufacture.

Vegan Punk Ventures Ltd (50% owned Joint Venture)

In August 2021, S-Ventures announced that it had entered into a joint venture, Vegan Punk Ventures Limited ("VPV"), to invest in the production and sale of plant-based meat and fish alternatives that promote both healthy living and sustainable agriculture.

VPV will operate commercially under the "PlantPunk" brand umbrella. The Company is partnering with Dave Ahern, an award-winning chef in the plant-based foods sector, to accelerate growth of PlantPunk and its products. S-Ventures will own 50% of the issued share capital of VPV and has agreed to invest up to £0.1m in loans to co-fund the joint venture.

The strategic plan is that under the PlantPunk brand umbrella, VPV will scale up production and marketing of its "Zero Beef" range of plant-based meat alternatives.

Vegan Punk Ventures: Zero Beef Burgers

SOURCE: *Company Data, VSA Capital Research*

A strong, ethical approach is taken to the ingredient sourcing, manufacture, and marketing of the Zero Beef products.

Zero Beef is made with 100% natural ingredients and contains no artificial additives of any kind. According to the company, it has 5.7g of fat per 100g, less than half the sodium of other brands and less calories per 100g than lean turkey mince. According to S-Ventures, "the product is already attracting interest from some of the biggest names in the food service industry."

VPV plans to review the prospective extension of the PlantPunk range for launch later in 2021.

Markets

Healthy Snacks and Protein Shakes

According to Euromonitor, the global healthy snacks market is forecast to reach US$98bn by 2025, growing at a CAGR of 5.8% between 2020 and 2025. Nuts, seeds, and trail mixes continue to lead the market, with a revenue share of 41%, followed by snack bars with 20% share.

The Mintel Global Product Launch database (quoted by Glanbia plc) shows that in the previous five years, snacks with a vegan/"no animal" ingredients claim grew by 11.8% annually, environmentally friendly packaging grew 7% annually, snacks with high or added protein grew 11.5% annually, and those with no or reduced sugar grew by 13.4% annually. Glanbia provides ingredients to a number of the largest global producers of nutrition bars.

Data from the European Snacks Association (ESA) estimates that in 2018, the retail value of the savoury snacks market in Europe amounted to around €17 bn with represent nearly 1.5% of the European food and beverages market. The ESA note that the largest market for savoury snacks in Europe is the UK which is estimated to be worth around €5 billion. The ESA also highlight that the Netherlands, Norway, and Spain are large consumers of chips / crisps, savoury snacks and snack nuts.

The Keto diet is increasing in popularity, particularly in the UK. May 2021 market research data from Technavio estimates that the keto diet market will grow by US $1.2bn between 2020-2024, progressing at a CAGR of almost 5% during the forecast period. 33% of the market's growth will come from Europe and that the UK is seen as a critical.

Plant-Based, Meat Alternatives

The market for meat substitutes is growing. According to The Vegan Society, in 2019, the UK meat substitute market was valued at US$489.2m and is forecast to reach US$726.8m by 2025, growing at an estimated CAGR of 6.8% between 2020-2025.

CNBC recently quoted market research data from Euromonitor stating that the global meat substitutes sectors was worth US$20.7bn and forecast to grow to US$23.2bn by 2024.

The global meat industry, according to July 2021 data from market research house Statista, is forecast to rise from US$838bn to over US$1trn by 2025. The U.S. market as the highest demand at US$56bn and double that of Germany, the second largest global meat consumer.

S-Ventures: Growth Strategy

S-Ventures' objectives are to scale the individual brands, both wholly owned and where majority stakes are held, by evaluating, improving and investing in:

- Product proposition;
- Marketing channels;
- Supply chain economics;
- Financing;
- Third party collaboration opportunities; and
- Cross selling opportunities across S-Ventures investee companies.

Product Proposition: there is a common set of values across the S-Ventures brands including health benefits, perfect for individual consumers, eating on the go, and price points that are single digit pounds. This means that S-Ventures can centrally position products for buying channels that have common needs for their customers.

Marketing Channels: all the portfolio products can be marketed through eCommerce channels, direct retail, and distribution channels. S-Ventures can therefore move to a centralised marketing function with the scale, cost benefits and efficiencies that centralisation brings. It can be close to the market across the brand range.

Supply Chain Economics: the supply chain encompasses utility services, IT services, production and development technology and equipment, packaging, and ingredients. Combined procurement across the companies, rather than individual brands acting along, brings increased buying power. Volume pricing and price breaks as the combined business expands become increasingly attractive and support margin expansion.

Financing: the Board brings strong financial experience in centrally managing financial resource and reporting, integrating entities, accessing capital and efficiently investing to drive growth.

Third Party collaboration opportunities: this includes the opportunity to co-manufacture for larger brands, joint ventures and co-owned brands.

Cross selling opportunities: the market demographic buys a broad range of wellness products, providing a broad channel to cross sell into. Central retail buyers have similar buying requirements in terms of quality, availability and prices paid.

Competition

S-Ventures competition to the current brand portfolio splits into two categories: Healthy Snacks alongside Plant Based Meat Alternatives. We focus on Healthy snacks as this is a key driver for our FY 2022 and FY 2023 forecasts.

Healthy Snacks and Protein Shakes?

The major global snack producers include:

- **B&G Food (BGS)**
- **Beyond Meat Inc. (BYND)**
- **Danone S.A. (DANO)**
- **General Mills Inc. (GIS)**
- **Kellogg Company (K.N)**
- **Kraft Heinz Company (KHC)**
- **Lindt & Sprüngli AG (LISP)**
- **Mondelēz International (MDLZ)**
- **Nestlé S.A. (NESN)**
- **PepsiCo Inc. (PEP)**
- **The Hershey Company (HSY)**
- **Utz Brands (UTZ)**

All the above have a presence in the UK markets and are of global scale.

The multinationals are seeking new products for high growth, high margin markets that target consumers who are health conscious and concerned about the environment. This, as we will later demonstrate, is resulting in a surge in M&A given that it can be more cost efficient to acquire rather than internally develop and launch new brands. Looking to just one multinational example, in September 2020, UK publication The Financial Times reported that MDLZ planned to acquire healthy snack brands over the coming 5 years. US based MDLZ brands include Cadbury Chocolate, Toblerone and Oreos.

The UK is MDLZ's 2nd largest market globally. The UK government has announced anti-obesity measures and according to the MDLZ Chief Executive, quoted in an FT interview, "We sell a range of products but some of them are more indulgent products where the consumer, if eating too many of them, could face obesity…We feel it's the right thing to do…to help the consumer make conscious decisions about what they eat and educate them." In 2019, MDLZ acquired US-based Perfect Snacks, a protein bar producer, for US$284m and baked goods manufacturer, Give & Go, for US$1.1bn.

UK Well Known Brands: Growing Fast, Attracting Industry Investment and Being Acquired

- **Daylesford Organic Ltd** – founded by Lady Bamford (the wife of Lord Bamford – JCB Chairman), owns organic farms and produces organic foods and healthy snacks including Daylesford organic chocolate. Such is demand for this type of product, a Mail on Sunday article reported that Daylesford had seen sales surge during the pandemic and revenue in the year to March 2021 rose by 27% to £43.1 million. This, driven by a 263% increase in online sales as well as rising sales from its farm shops, which were open through the pandemic. Daylesford's revenue is forecast to grow by 16% this year.

- **Eat Natural** – is based in Essex, UK, was established in 1997 and produces cereal bars. In December 2020, EAT natural, with revenue of £35m, was acquired by food giant Ferrero. This demonstrating that although of producing smaller revenue, compared to that of the acquirer, the brand was of clear value.

- **Fulfil Nutrition** – Ireland based snacks group Fulfil, launched it vitamin and protein bars in 2016. In 2018 it received €10m in financing from bank AIB which valued the business, after only 2 years, at €40m. In 2019, global confectionary giant Hershey Co. put in "significant investment". Fulfil later launched in the U.S. In April 2021, an article in news publication Independent.ie reported that Fulfil Nutrition prior full year revenue had hit €120m and the company reported that, "In Q1 of this year, our sales increased 150pc versus Q4 2020, and the momentum just keeps growing. Fulfil has been available on Amazon in the UK for some time now, but our sales in March 2021 were 4.5 times bigger than March 2020."

- **Grenade** – was founded in the Midlands, UK in 2010 and launched its first weight management product. In 2015 it launched the now well know high protein, low sugar, Carb Killa® bar. This, followed by Shake products in 2016 and in 2019, energy drinks. According to a September 2020 article from publication "insider media limited" revenue for the year end December 2019 increased by 37.6% to £51.6m producing a profit of £4.8m, down from £6.0m due to bad debt. In March 2021, Mondelēz International (Nasdaq: MDLZ) announced an agreement to acquire a significant majority interest in Grenade. Acquisition terms were not disclosed.

- **Huel** – Julian Hearn founded Huel in the UK in 2015. The company name is short for "Human Fuel". Their meal replacement powders and drinks use ingredients including pea protein, rice protein, sunflower, and flaxseed. In 2018, after bootstrapping Huel to £40m annual run rate, the company took £20m investment from Highland Europe, valuing the company at £220m. By January 2020, it was reporting that it was now delivering to 100 countries and had sold 100 million meals to date. A February 2021 article in The Grocer reported that in the 12 months to July 2020 sales were up 42.6% to £71.6m and produced an EBITDA of £1.6m.

The multinationals seek successful product formulas and brands, at a later market stage, that can be globally scaled.

S-Ventures seeks to acquire and invest in earlier stage or underinvested brands that have used their food technology to create differentiated products and are ripe for scaling. This, ultimately creating attractive targets for multinational acquirers.

The Competitive Edge

This is a crowded market. Brands must differentiate through ingredients, benefits, and product taste by formulating new and exciting products for a fast growing and educated consumer base.

This quote, from global food producer Cargill is of note, "To stand out in this crowded field, brands first need to understand who is buying bar products, how they perceive different product categories and why they consume bars," said Pam Stauffer, global marketing programs manager, Cargill. "Clearly, convenience is paramount, but consumers also expect bars to be made with simple ingredients, deliver nutritional benefits and taste great. The segment has evolved from its granola and cereal bar roots to offer consumers products that offer energy, protein, and fibre, backed by a dizzying array of health claims—packaged and marketed with a hip vibe that speaks to shoppers' lifestyles and values."

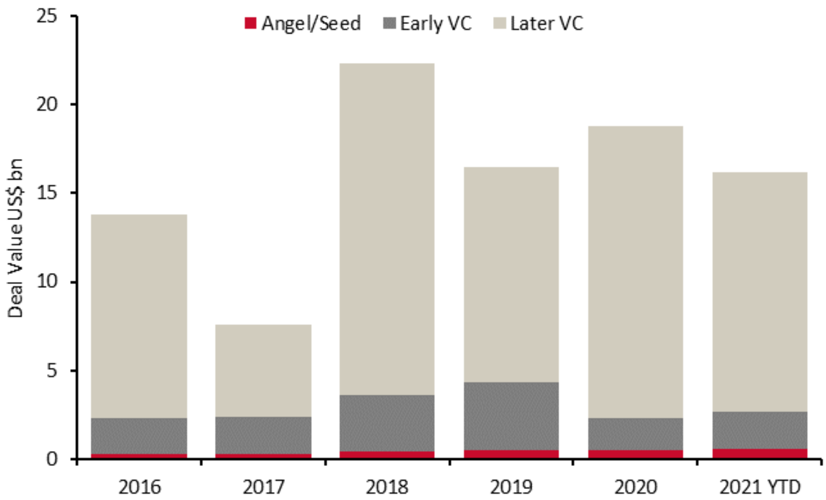
A 2020 ShortList.com review of Pulsin quoted, "Pulsin's Protein Boosters weigh in at 50g, and are high in both protein and fibre, with ingredients across the range including chocolate chips and peanut butter. The full range is vegetarian, but you can also get hold of a number of vegan recipes including Mint choc chip (12.3g of protein per bar) and Maple & Peanut (12.8g of protein, and 7% natural maple syrup). The entire Pulsin range is delicious, but the Mint Choc Chip stands out to us. Punchy peppermint oil and big dairy-free (not that you'd guess) chocolate chunks make the bar more of a taste burst than the average chocolate bar."

Pulsin has already proven it can compete and has become a supplier to major retailers. This has been achieved on a shoestring and through the strategy already discussed, S-Ventures is looking to fire up growth in the UK and, we would imagine, internationally. S-Ventures investments are just finding their feet as businesses and will, given Company resource and technologies such as the probiotic chocolate developed by Osho and Vegan Punk Ventures low fat meat alternatives, be out competing at scale in the near future.

M&A Activity at Record Levels

Food technology is attracting significant amounts of Venture Capital investment. June 2021 data from Pitchbook, shown in the chart below, shows 2021 on track to be a record year as by mid-year 2021, US$16bn had already been raised.

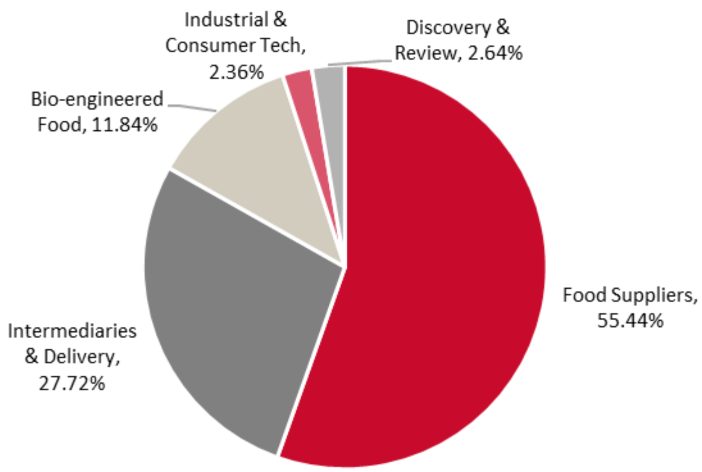
Pitchbook: VC food technology deal activity



Source: Pitchbook data, VSA Capital Research

The chart below, from Pitchbook, shows VC deal activity within the food technology sector:

Pitchbook: VC food technology deal activity by subsector

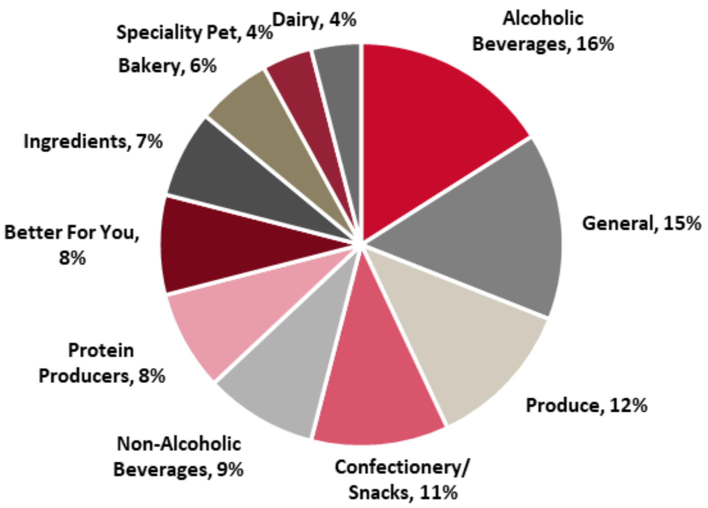


Source: Pitchbook data, VSA Capital Research

Bio-Engineered foods include fermented proteins. In Q3 2021 Natures Fynd completed a US$350m Series C investment. The company develops and produces Fy, a versatile nutritional fungi protein that is grown by a revolutionary fermentation technology. The protein is used to produce alternative meats and dairy products using a "fraction" of the resources required by traditional agriculture. Food suppliers include online grocers, and these are also attracting large investments, JOKR in Q3 2021 raised US$170m in Series A investment. Berlin based Choco, which has developed ordering software for restaurants and their suppliers to help reduce waste, attracted US$100m of investment at a US$600m valuation.

International financial consultancy form Duff & Phelps (owned by Kroll) splits out North American M&A activity in the 12 months to June 2021 as shown below. Specific to S-Ventures areas of interest and investment we see companies involved in Better for You, Ingredients, Snacks and Produce collectively accounting for 38% of M&A activity.

Duff & Phelps: North American M&A (TTM to June 2021) by subsector



Source: Duff & Phelps data, VSA Capital Research

Looking to major deals in the food technology sector, we pick out the following transactions in the healthy snack sector:

November 2020: Mars fully acquired KIND, the U.S. healthy snack bar manufacturer in a deal, according to the New York Times, valued at US$5bn.

December 2020: Ferrero Group acquired UK based Eat Natural (bars). Valeo Foods Group, for an undisclosed amount, acquired NVM Private Equity backed, UK based, tortilla chip producer It's All Good (IAG).

March 2021: Mondelēz International (Nasdaq: MDLZ) announced an agreement to acquire a significant majority interest in Grenade. The terms of the transaction were not disclosed.

April 2021: UK quoted THG acquires Brighter Foods Limited ("Brighter"), a specialist developer and manufacturer of snack bars, from Real Good Food plc for £43.0m, payable in cash. Brighter, For the 12 months prior to March 2021, Brighter generated £19.8m in revenues and £3.7m adjusted EBITDA.

May 2021: Mondelēz International acquired European snack maker Chipita SA for US$2bn. Chipita reported 2020 revenue of US$580m. During the month, Bain capital acquired Ireland based Valeo Foods for US$1.5bn.

Financials

***Notes in relation to our forecasts:**

S-Ventures has been a public company since September 2020 and has not yet published Full Year results for the Full Year ending September 30th, 2021 (FY 2021). Alongside our own research to derive financial estimates for FY 2021, we have had to rely, to an extent, on Company management guidance.

S-Ventures owns 100% of Purely and it is the main contributor to our P&L, Balance Sheet and Cashflow estimates.

S-Ventures has owned Pulsin since July 27th, 2021, and therefore our FY 2021 estimates assume only 2 months of Pulsin trading contribution. Upon the acquisition of Pulsin, it was noted in the announcement that, "Pulsin had gross sales of approximately £7.05m in the twelve months to 30 April 2021 and approximately £1.2m of net debt as at that date." This provides context for our estimates.

S-Ventures own stakes in Coldpress Foods Limited, We Love Purely Limited, Osho Chocolate Limited, and Vegan Punk Ventures Limited. The P&L earnings from these investments are reported under Share of Associates in our forecasts.

Revenue

Using £7.05m annual revenue to April 2021, as a base starting point for our revenue forecast, we estimate the two months trading to September end 2021 driving our FY 2021 revenue estimate of £1.6m. We are assuming a higher monthly revenue run rate from point of acquisition by S-Ventures than at the start of Pulsins' last financial year in April 2020.

FY 2021 Share of Associates from the profit generated by investments held (i.e., non-Pulsin) is not expected to be material given the early stage of the companies. Coldpress, though a more advanced business, is only a 3.3% holding.

For FY 2022, we estimate Company revenue of £13.0m. As noted earlier, this is all from Pulsin. We expect a strong increase in growth given that Pulsin has already established itself as a prominent brand, however, this has been through limited investment. S-Ventures is to increase investment across the business, Pulsin has launched on Amazon and S-Ventures will look to grow brand presence through investment in marketing. Pulsin is currently only running one shift on one production line. We see opportunity to not only increase marketing and drive demand but also scale through additional manufacturing capacity. This creates its own economies of scale.

We forecast FY 2022 Share of Associates at £0.2m. We anticipate rising profit contribution from the investee companies as Vegan Punk Ventures launches and increases sales of its meat free burgers but also as Ohso Chocolate and We Love Purley benefit from marketing, new products, and operational synergies as a result of being under the S-Ventures umbrella.

For FY 2023, we forecast Company revenue growing by 38.5% to £18.0m. During this period, we expect earlier investment across marketing and operations to be fully effective and driving revenues higher. We would also expect the business to be widening marketing in Europe supported by expanded manufacturing capacity

FY 2023 Share of Associates is forecast at £0.7m as we start to see scale achieved in the investee brands.

Gross profit and margins

Within cost of sales are the costs of ingredients, production, and upfront, one-off initial costs, so called "slotting costs", to place new products at the retailers. The largest contributors to costs are ingredients and labour. Key ingredients include Pea Protein, Whey Protein and Soybean.

Looking at a number of leading industry players for a guide on sector gross margins; Danone S.A., Mondelez International, Nestle S.A. and PepsiCo Inc. all secure gross margins ranging from just under 40% to over 50%. Broader food producers including Kraft Heinz Company, Kellogg Company and General Mills Inc. have gross margins averaging 33%. S-Ventures, specifically Pulsin, are supplying high value food products including protein bars and shakes. These should command higher margins, from looking at the industry. From our discussions with Company management, we forecast an FY 2021 gross profit of £4.9m and gross margin of 37.5%.

For FY 2022 and FY 2023 respectively, we forecast gross profits of £6.8m and £8.9m; a gross margin of 38.0%. Normally as revenues rises and through efficiencies of scale, we would expect the gross margin of increase. However, near term, we are being prudent and allowing for possible ingredients and labour cost inflation offsetting the benefit of scaling.

Operating costs

In addition to sales, marketing and general costs associated with the main trading business, Pulsin, S-Ventures will incur Company central costs for management, central marketing, and product development as the Company scales Pulsin and helps the investee companies. On guidance from S-Ventures, we forecast FY 2021 operating costs of £1.4m. For FY 2022 and FY 2023 respectively, we estimate operating costs of £3.6m (given a full year of Pulsin) rising to £4.6m representing, as a percentage of revenue, 27.7% falling to 25.6%. This to produce an FY 2022 £1.6m rising to £2.9m for FY 2023.

EBIT & EBITDA Margins

For FY 2021, FY 2022, and FY 2023 respectively, we estimate EBIT margins of (-44.5%), 12.0% and 16.0%. Longer term, given decelerating cost growth coupled with operating leverage, we estimate a steady state EBIT margin of 22%.

We forecast EBITDA margins of (-38.2%), 13.9% and 17.4%. Our forecast depreciation charge of £0.1m for FY 2021, and £0.3m per year for FY 2022 and FY 2023, mainly comprises depreciation of factory equipment.

Financial income and costs

The Company has loan notes on the balance sheet totalling £2.1m. For FY 2021, FY 2022, and FY 2023, we forecast interest charges of £0.1m per annum.

Tax

We understand from the Company that it expects to be carrying forward tax losses and therefore, based on our Pre-Tax profit/loss estimates, the Company will not incur a 19% UK corporate tax rate until FY 2024.

Net profit/loss

We estimate a net loss of £0.8m in FY 2021 on 2 months of Pulsin trading coupled with S-Ventures central costs since IPO in September 2020. For FY 2022 and FY 2023 respectively, we forecast a net profit of £1.7m (£0.2m from investees) and £3.5m (£07m from investees) on sales of £13.0m and £18.0m. Our estimates see an EPS loss of 0.6p in FY 2022. For FY 2023 and FY 2024 respectively, we forecast an EPS of 1.5p rising to 3.1p.

Cashflow

FY 2021, given the listing of the business, central costs as it builds and a short period of Pulsin ownership and its balance sheet, will, we forecast see a net operating cash outflow of £1.7m. Additionally, financed raised including cash from share issue and loan notes combined with the acquisition of Pulsin and investments made, see an overall net inflow of £0.3m, closing cash of £0.3m and debt of £3.4m.

In FY 2022, we see the Company moving into profit, generating £1.6m of cash from operations and, post capital expenditure of £0.2m and £0.1m paid in deferred consideration, end cash increasing by £1.4m to £1.7m. For FY 2023, we forecast £3.0m of cash from operations and, post capital expenditure of £0.3m by £2.7m to £4.4m. Given end debt of £3.4m over our forecast period, we forecast period end net debt of £3.1m for FY 2021, £1.7m for FY 2022 and net cash of £1.0m for FY 2023 close.

In time, we believe the Group may offer scope for a dividend, however, near term, we expect it to focus on investing in high growth.

Valuation

We are setting a valuation of £84.9m and 12-month share price target of 76p.

Our valuation is based on a blend of Sum Of The Parts (SOTP) EV/Revenue, EV/EBITDA and is supported by a Discounted Cash Flow (DCF) which highlights the value potential as growth is realised. We have % weighted our valuation EV/Revenue 20%, EV/EBITDA 20% and DCF 60%. We have given the DCF a heavier weighting as this is a growth company. For calculation, Year 1 is FY 2022 and Year 2 is FY 2023. We use Year 2 as a base comparator as that is when we fully expect the S-Ventures model to driving material profit growth. On an EV valuation basis:

- A Group EV/Revenue multiple, sets a valuation of **£61.3m**
- A Group EV/EBITDA multiple, just set our FY 2023 EBITDA rather FY 2024 when profit growth really kicks in, sets a valuation of **£50.9m**
- Our DCF produces a valuation of **£109.3m**
- ***We have not factored in future acquisitions and investments.***

Sum of The Parts Valuation

	Revenue £m Year 1	EV/Revenue Multiple Year 1	Implied EV £m	Revenue £m Year 2	EV/Revenue Multiple Year 2	Implied EV £m Year 2	Valuation Weighting	Valuation Contribution £m
Company	13.0	3.8	49.2	18.0	3.4	61.3		
EV/Revenue			49.2			61.3	20.0%	12.3
EV/EBITDA			31.0			50.9	20.0%	10.2
DCF			106.2			109.3	60.0%	65.6
12-month EV Valuation Target £m								88.0
Net Cash								-3.1
12-month Market Capitalisation target								84.9
Shares in issue								112.0
12-month share price target								**76**

Source: Eikon, VSA Capital Research.

Sector Valuation

S-Ventures' wholly owned brand Pulsin and its investee companies are all food producers. We have shown a representative sample of the quoted peers in the table below:

Peer Group Valuations: The Food producer sector

Ticker	Company Name	Market Cap. US$m	Gross Margin %	EV / Revenue Year 1	EV / Revenue Year 2	EV / EBITDA Year 1	EV / EBITDA Year 2
BGS	B&G Food	1,982	22.5	2.1	2.1	12.1	11.8
DANO.PA	Danone S.A.	42,930	47.3	2.1	2.0	11.7	11.0
GIS US	General Mills Inc.	38,340	34.2	2.8	2.8	13.8	13.6
K US	Kellogg Company	21,559	32.8	2.1	2.1	12.8	12.6
KHC US	Kraft Heinz Company	43,074	33.6	2.6	2.6	10.4	10.9
MDLZ US	Mondelez International Inc	85,540	39.1	3.6	3.4	17.2	16.3
NESN SW	Nestle S.A.	366,040	49.1	4.4	4.2	20.6	19.5
PEP US	PepsiCo Inc	226,396	53.5	3.3	3.2	18.2	16.9
BYND US	Beyond Meat Inc	4,785	27.5	10.8	7.7	NaN	NaN
HSY US	The Hershey Company	37,280	44.8	4.7	4.4	17.9	17.0
UTZ US	Utz Brands	2,180	35.6	3.2	3.0	23.4	21.4
LSIP SW	Lindt & Sprüngli AG	29	65.7	6.1	5.8	30.7	27.8
Sector average			**38.4%**	**3.8**	**3.4**	**17.2**	**16.3**

Source: Eikon, VSA Capital Research.

The tables above for the peers show:

An EV/Revenue multiple of 3.8x for Year 1 falling to 3.4x for Year 2

An EV/EBITDA multiple of 17.2 for Year 1 falling to 16.3x for Year 2

Discounted Cash Flow (DCF) Valuation

S-Ventures has the potential to be a highly cash flow generative business and based on our forecasts, will produce an FY 2023 EBIT margin of 16.0%. The Group, given high gross margins, has the potential for high operating leverage and we estimate the EBIT margin rising to 19.5% in FY 2024 and achieving a steady state of 22.0% as the Group will still need to invest in marketing and in developing its technology in the years ahead.

S-Ventures, in our view is more than capable of achieving strong double digit top line growth. Towards the end of our 10-year forecast period, we moderate this to 5% growth so that the DCF terminal value does not overly weigh on overall value from core cashflow generation. We believe that a WACC of 9.5% is appropriate given that the business is expected to move into profit this fiscal year. Our DCF valuation is shown below.

DCF Valuation of S-Ventures

	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Sales	**13.0**	**18.0**	**23.4**	**30.4**	**38.0**	**45.6**	**52.5**	**57.7**	**60.6**	**63.6**
% Change	0.0%	38.5%	30.0%	30.0%	25.0%	20.0%	15.0%	10.0%	5.0%	5.0%
EBIT	1.6	2.9	4.6	6.1	7.6	9.6	11.0	12.7	13.3	14.0
EBIT Margin	12.0%	16.0%	19.5%	20.0%	20.0%	21.0%	21.0%	22.0%	22.0%	22.0%
Depreciation & Amortisation	0.3	0.3	0.3	0.2	0.3	0.3	0.4	0.4	0.4	0.4
EBITDA	1.8	3.1	4.9	6.3	7.9	9.9	11.4	13.1	13.7	14.4
Share of associates	0.0	0.2	0.7	1.0	1.2	1.4	1.6	1.8	1.9	2.0
Change in working capital	-0.2	-0.1	-0.2	-0.3	-0.4	-0.5	-0.5	-0.6	-0.6	-0.6
Capital Expenditure	-0.2	-0.3	-0.3	-0.5	-0.6	-0.7	-0.8	-0.9	-0.9	-1.0
Cash tax	0.0	0.0	-1.1	-1.5	-1.9	-2.4	-2.8	-3.2	-3.3	-3.5
FCFF to Equity	**1.5**	**2.9**	**3.8**	**5.0**	**6.2**	**7.8**	**8.9**	**10.3**	**10.8**	**11.3**
WACC	9.5%									
Discount factor	1.00	0.91	0.83	0.76	0.70	0.64	0.58	0.53	0.49	0.44
Discounted cash flow	**1.5**	**2.7**	**3.2**	**3.8**	**4.3**	**5.0**	**5.2**	**5.5**	**5.2**	**5.0**
10-year NPV £m	**41.4**									
Terminal value (TV) £m	67.9									
EV £m	109.3									
Net cash September 2021=	-3.1									
Equity value £m	**106.2**									
Number of shares m	112.0									
DCF price per share p	**95**									
Current price per share p	**34**									
Upside	**278.8%**									

SOURCE: *Company data, VSA Capital Research*

The Group is exposed to end markets that are undergoing long-term structural growth. The explicit forecast period provides a Net Present Value (NPV) of £41.4m and a terminal value of £67.9m. Our overall DCF valuation uses conservative assumptions for the Weighted Average Cost of Capital (WACC) and growth rates, clearly demonstrates the value proposition and growth potential. Our DCF produces a market capitalisation of £106.2m and share price of 95p.

Key Risks

Short Operating History

The Company has recently been incorporated and has no operating history upon which prospective investors may assess the likely performance of the Company. The Company's success will depend upon the Directors' ability to identify and manage future opportunities that may arise.

Competition For Acquisitions

Competition may exist that will impact the Company's ability to identify and acquire suitable investments in accordance with its strategy. It may also lead the price of investments being increased by vendors as a result of the receipt of competing bids by other potential purchasers. This may result in increased costs in the carrying on of the Company's or any of its subsidiaries' (so existing from to time) activities and reduced available growth opportunities.

Bigger Competitors

Competitors may have larger financial resources, research and development capacity, market presence, facilities and other resources and as a result may be in a better position to compete for opportunities. The Company may have less market experience than its competitors. If competitors establish a more prominent market position that the Company, the Company may be unable to increase its sales or market share. The Company may need to invest financial resources in research and development to maintain its competitive advantage.

Management Team

The Company is reliant on the performance of the Directors to achieve its strategic aims. The failure of the Directors in their roles as they relate to identifying, acquiring, managing, growing businesses could have material adverse effects on the Company's short term and future success as it relates to the business, financial condition, and results.

Inflationary Costs and Supply Chain Stress

UK inflationary pressures are well documented, driven by post COVID growth recovery pressuring staff availability and costs but also international issues in relation to gas supplies which are impacting energy costs. S-Ventures investee business require staff, and also energy to run the production plant in Gloucester. The UK is currently experiencing a shortage of qualified Heavy Goods Vehicle (HGV) drivers through a combination of ageing workforce and, post Brexit, drivers from mainland Europe, which were living in the UK, returning to home countries and this not only increasing logistics costs but also impacting deliveries of food nationally to supermarkets and food outlets. The latter could impact the Company's ability to significantly grow revenue.

Project Development Risks

There can be no guarantee that the Company will be able to effectively manage the expansion of its operations or that the Company's current personnel, systems, procedures, and controls will be adequate to support the Company's operations. Any failure of the Board to effectively manage the Company's growth and development may have material adverse effects on the Company's business, financial condition, results and/or future operations.

COVID-19

This could have a material adverse effect on the Company's results of operations and financial condition. The pandemic outbreak could result in protracted volatility in international markets and/or result in a global recession as a consequence of disruptions to travel and retail segments, tourism and manufacturing supply chains.

The Company's Strategy

The implementation of the Company's strategy will have a significant effect on the success of the Company. While the Directors believe from their collective experience that they will be in a position to grow the Company and to identify and attract opportunities and investment in line with the Company strategy, there is no guarantee that such opportunities will present themselves or present themselves within adequate timeframes. The Company's ability to implement its strategy within envisaged timeframes may be impacted as a result of the following:

- The Company may need to raise further capital to make investments and/or fund the assets or business invested in;
- The Company may be required to conduct extensive negotiations in order to secure and facilitate an investment;
- The necessitation of certain structures in order to facilitate an investment;
- The Company's intention to conduct rigorous due diligence prior to investment; and
- Market conditions, competition from other investors, or other factors may limit the Company in respective of identifying suitable investments or such investments may not be available at the rate the Company currently envisages.

Financials

Unaudited Interim Results: Income Statement, £

Income Statement	6 July 2020 to 31 January 2021
Continuing Operations	
Revenue	11,803
Cost of Sales	(8,424)
	3,379
Cost of Listing	76,300
Administrative Expenses	63,491
Loss before Taxation	**(139,791)**
Finance Income: interest receivable	3,468
Loss for the Period	132,945
Loss Attributable to Minority Interests	(501)
Loss Attributable to Shareholders	**132,444**
Loss per Share	
Basic loss per share attributable to the equity shareholders of the parent (pence)	(0.178)

Source: Company Data, VSA Capital Research

Unaudited Interim Results: Balance Sheet, £

Balance Sheet	As at 31 January 2021
Assets	
Fixed Assets	4,603
Goodwill	180,102
Investments	30,000
Total non-current assets	**214,705**
Current Assets	
Stocks in Trade	64,154
Trade & other receivables	167,696
Cash & cash equivalents	362,816
Total Current Assets	**594,666**
Total Assets	**809,371**
Liabilities	
Current Liabilities	
Trade & other payables	65,228
Income in advance	15,295
Borrowing	1,354
Total Current Liabilities	**81,877**
Bounceback loan (non-current element)	14,893
Total Liabilities	**96,770**
Net Assets	**712,601**
Equity Attributable to the Owners of the Company	
Share Capital	75,919
Share Premium	762,115
Minority interests	7,011
Retained losses	(132,444)
Total Equity	**712,601**

Source: Company Data, VSA Capital Research

Unaudited Interim Results: Cashflow Statement, £

Cashflow Statement	Parent	Group
Reported Trading Los Pre-Interest	(58,102)	-60112
Add Back Depreciation	45	139
	(58,057)	**(59,973)**
Sources of Funds		
Share Raise	700,400	700400
Interest Received	3,468	3468
Bank Loans		16247
	703,868	**720,115**
Application of Funds		
Investment (ColdPress)	30,000	30,000
Net Assets Acquired (goodwill less shares issued to acquire the group interest in We Love Purely Ltd)		34,956
Listing Costs	76,300	76,300
Fixed Assets	1,964	4,742
	(108,264)	**(145,998)**
Changes in Working Capital		
Stocks & Inventories		(64,154)
Accounts Receivable	(199,832)	(167,696)
Creditors	5,710	80,522
	(194,122)	**(151,328)**
Cash & Equivalents	**343,425**	**362,816**

Source: Company Data, VSA Capital Research

Forecast Income Statement, £m

Profit & Loss Year end September	2021E*	2022E	2023E
*Revenue from 2 months of Pulsin			
Revenue	**1.6**	**13.0**	**18.0**
Revenue growth %			38.5%
COS	**-1.0**	**-8.1**	**-11.2**
Gross profit	**0.6**	**4.9**	**6.8**
Gross margin	37.5%	38.0%	38.0%
Sales, distribution and overheads	-0.4	-2.6	-3.2
% of sales	25.0%	20.0%	17.8%
Central costs	-0.7	-1.0	-1.4
% of sales	43.8%	7.7%	7.8%
Exceptional (listing and acquisition costs)	-0.3	0.0	0.0
Total operating costs	**-1.4**	**-3.6**	**-4.6**
EBIT	**-0.7**	**1.6**	**2.9**
EBITDA Margin %	-44.5%	12.0%	16.0%
Depreciation and amortisation	-0.1	-0.3	-0.3
EBITDA	**-0.6**	**1.8**	**3.1**
EBIT Margin	-38.2%	13.9%	17.4%
Finance Expense	-0.1	-0.1	-0.1
Finance Income	0.0	0.0	0.0
Profit/(loss) Before Tax	**-0.8**	**1.5**	**2.8**
Tax	0.0	0.0	0.0
Tax %	0.0%	0.0%	0.0%
Net profit/(loss)	**-0.8**	**1.5**	**2.8**
Share of associates	**0.0**	**0.2**	**0.7**
Average shares in issue m	112.0	112.0	112.0
Weighted average shares in issue m	112.7	112.7	112.7
EPS pence	**-0.6**	**1.5**	**3.1**
EPS diluted pence	-0.7	1.3	2.5
Dividend per share pence	n/a	n/a	n/a
EV/Revenue	n/a	3.2	2.3
EV/EBITDA	n/a	n/a	13.1
P/E	n/a	n/a	11.0

Source: Company Data, VSA Capital Research

Forecast Cash Flow Statement, £m

Cash Flow £m Year End September	2021E	2022E	2023E
Profit/(loss) after income tax	**-0.8**	**1.5**	**2.8**
Depreciation	0.1	0.3	0.3
Amortisation	0.0	0.0	0.0
Finance costs	0.1	0.1	0.1
Finance income	0.0	0.0	0.0
Income tax expense/(credit)	0.0	0.0	0.0
Share based payment	0.0	0.0	0.0
Inventories decrease/(increase)	-1.3	0.4	0.0
Trade and other receivables decrease/(increase)	-1.4	0.3	-0.4
Trade and other payables (decrease)/increase	1.8	-0.9	0.3
Other	-0.2	0.0	0.0
Change in working capital	**-1.1**	**-0.2**	**-0.1**
Cash from/(used in) operating activities	**-1.7**	**1.6**	**3.0**
Tax(paid)/received	0.0	0.0	0.0
Net cash from operations	**-1.7**	**1.6**	**3.0**
Purchase of property, plant and equipment	-1.3	-0.2	-0.3
Acquisition of subsidiary (cash + shares)	-6.3	0.0	0.0
Finance income	0.0	0.0	0.0
Net cash used in investing activities	**-7.6**	**-0.2**	**-0.3**
Free cash flow	**-9.3**	**1.5**	**2.7**
Equity raised (net of fees)	3.7	0.0	0.0
Shares exchanged in relation acquisition/investment	2.5	0.0	0.0
CBIL and HP loans	1.1	0.0	0.0
Loan notes	2.1	0.0	0.0
Bank borrowing	0.2	0.0	0.0
Finance interest/(expense)	0.0	0.0	0.0
Repayment of obligations under finance leases	0.0	0.0	0.0
Payment of deferred consideration	0.0	-0.1	0.0
Repayment of right-of-use lease liabilities	0.0	0.0	0.0
Repayment of loans	0.0	0.0	0.0
Net cash used in financing activities	**9.6**	**-0.1**	**0.0**
Net (decrease)/increase in cash and cash equivalents	**0.3**	**1.4**	**2.7**
Cash and cash equivalents at beginning of period	0.0	0.3	1.7
Cash and cash equivalents at end of period	**0.3**	**1.7**	**4.4**
Debt at period end	**3.4**	**3.4**	**3.4**
Net cash/(debt)	**-3.1**	**-1.7**	**1.0**

Source: Company Data, VSA Capital Research

Forecast Balance Sheet, £m

Balance Sheet £m Year end September	2021E	2022E	2023E
Property, plant and equipment	1.2	1.1	1.2
Intangibles	0.1	0.0	0.0
Goodwill	6.3	6.3	6.3
Right-of-use assets	0.0	0.0	0.0
Total Fixed Assets	**7.6**	**7.4**	**7.5**
Inventories	1.3	0.9	0.9
Trade receivables	1.4	1.1	1.5
Loan notes issued	0.0	0.0	0.0
Other (Group balances)	0.2	0.0	0.0
Cash and cash equivalents	0.1	1.7	4.4
Total Current Assets	**3.0**	**3.6**	**6.8**
Total assets	**10.6**	**11.0**	**14.2**
Borrowings	0.2	0.2	0.2
Trade Payables	1.8	1.0	1.3
Deferred consideration	0.1	0.0	0.0
Loan note 1	1.0	1.0	1.0
Right-of use lease Liability	0.0	0.0	0.0
Tax	-0.1	0.0	0.0
Total Current Liabilities	**3.0**	**2.0**	**2.3**
Net Current Assets	**-0.1**	**1.6**	**4.4**
Total Assets Less Current Liabilities	**7.5**	**9.0**	**11.9**
Right-of-use lease liabilities	0.0	0.0	0.0
CBIL & HP Debt	1.1	1.1	1.1
Loan Note 2	1.1	1.1	1.1
Deferred tax liability	0.1	0.1	0.1
Non-current liabilities	**2.2**	**2.2**	**2.2**
Total liabilities	**5.2**	**4.2**	**4.6**
Net Assets/(liabilities)	**5.3**	**6.8**	**9.7**

Source: Company Data, VSA Capital Research.

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BUY:	The stock is expected to increase by in excess of 10% in absolute terms over the next twelve months.
HOLD:	The price of the stock is expected to move in a range between -10% and +10% in absolute terms over the next twelve months.
SELL:	The stock is expected to decrease by in excess of 10% in absolute terms over the next twelve months.

In addition, on occasion, if the stock has the potential to increase by in excess of 10%, but on qualitative grounds rather than quantitative, a SPECULATIVE BUY may be used

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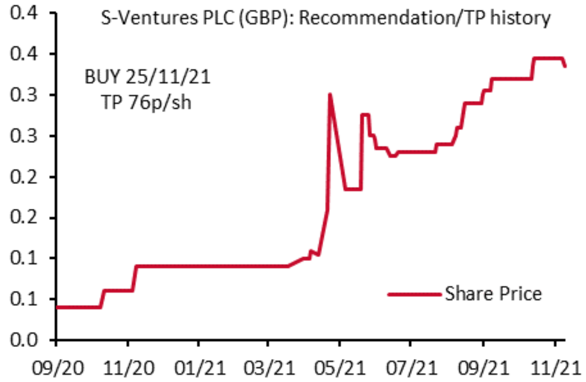
Recommendation and Target Price History



Valuation basis

Our valuation is derived from a risked NPV calculation.

Risks to that valuation

COVID-19, political risk, execution risk, financing risk.