

## **Seraphim Space Investment Trust – Shooting For The Stars**

(Summary of note from Charles Murphy of N+1 Singer published 27.06.22)

### **About Seraphim**

- Seraphim (SSIT) is a venture and growth fund targeting >20% IRRs and specialising in the rapidly developing Space economy.
- Seraphim's core strategy is to access the opportunities created by the current construction of a space based digital infrastructure made possible by innovations such as the Falcon 9 (low launch costs) and miniaturisation of satellites (smaller, cheaper & more powerful)
- SSIT investments target large (\$80bn plus) markets (TAMs) - such as shipping & aviation, weather forecasting, temperature monitoring, and space mapping - with significant demand from Government as well as commercial customers
- Governments (Defence, Intelligence and Civil) are responsive customers, and this demand alone is sufficient to underpin the commercial viability of most investees. The insurance industry is identified as the next most responsive market segment.

### **The Strategy**

- Seraphim's portfolio targets multi-decade opportunities with multiple tens of billions plus TAMs via subscription-based business models (XaaS) that use software to monetise innovative hardware.
- Seraphim highlights that operating in space is technically difficult, lightly patented and is seeing rapid innovation, offering successful first-movers the opportunity to build a patent moat.
- The target markets are linked to solving climate-related problems – ranging from communicating, observing & tracking objects (ships, planes, buildings etc) to weather forecasting, pollution & temperature monitoring - that can be addressed by a constellation of satellites. The Company also invest in space -orbit services/logistics.
- Seraphim is targeting opportunities in the Data 41% of NAV. The manager believes this offers best near-term opportunities: Downlink, Product and Beyond Earth Segments.

### **Portfolio and Near-Term Drivers**

- The portfolio is concentrated and largely comprises of investees at the Series B & C stages plus listed assets c. 15% of NAV (e.g. Arqit - ARQQ and Spire - SPIR) that are more mature with a substantial market share but still at the early stages in terms of revenue generation. The top 10 investees account for 68% of NAV, cash for a further 25% with the balance (c7%) comprising smaller investees. The investees are well financed with most not needing additional capital until 2023.
- In our opinion, we believe holdings in Arqit Quantum, Isotropic, D-Orbit and Spire Global (30% of NAV as of 31 March) will drive NAV over the next 3-12 months.

### **Outlook and Valuation**

- Our research highlights that c30% of the portfolio (see the portfolio section below) offers the potential for near term (the next 3 - 12 months) value drivers and a strong long-term outlook.
- Our reading of the outlook is positive. We view the fund's de-rating as collateral damage tied to the market's issue with 'growth' assets and not related to the opportunity.
- In our opinion, the valuations feel conservative, considering the revenue underpinned by Government contracts. Successful execution on the value drivers, will translate into NAV growth. Given the reactive nature of the current environment, our view is that SSIT's share price will respond to events and, as market confidence (re)builds, the discount will narrow.