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R E P O R T

Q&A with Santiago Tello Of VCM Managing Partner

Principal Series:

VCM is an investment firm founded in 2010 which focuses on alternative investments. The firm, and its affiliated companies, manages \$800+ million on behalf of high net worth individuals, advisors, and institutions, and employs a staff of 30+ corporate professionals and 170+ site level employees. Our diverse range of investment strategies encompass real estate, private equity, and public market alternatives. We prioritize commonsense investing and preservation of capital across all our strategies.

Join Us for a Family Office Insights Webinar

Tuesday June 23rd, 2020 at 2:15 PM -3:15 PM Eastern

Q&A with Tom Vukota, CIO & Founder at VCM GAM and Santiago Tello

Managing Partner at VCM GAM

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What is most appealing of this transaction ?

A very favorable asymmetric payoff for investors given the downside in relation to valuation is limited, however, the upside is immense. We strongly believe that it can achieve a valuation above \$ 1bn in due time, even if trading at a conservative multiple. In our estimates, in year 5 will hit \$100mm EBITDA an assuming a 10x multiple it will be reached. However, comps in this high growth/high multiple sector are 30 to 50x. A good example is MarketAxess (MKTS US), which is dominant in electronic bond trading, where it is currently is trading at 62x EV/EBITDA and 85x P/E. In theory, this investment could provide a +50x return if it were to trade at that valuation and achieve its forecast. It is not our base case but we wouldn't rule it out, our point is, the upside is immense. On the downside, we feel our downside is

covered as we are very confident that the business will be reasonably successful as we are partnering with very competent and experienced industry leaders (Parent Co is one of the world leading FX AM and has been around for 25 years), the business has a strong competitive advantage in their pricing and have signed up 10 of the largest banks in the world onto their platform. Assuming a conservative EBITDA multiple, even if the company achieves 5% of their forecast or ~\$5 million in EBITDA, we would very likely not lose our investment, and at only 20% of achieved forecast, a 20% IRR is conceivable. We have structured the deal as Convertible Preferred with a Liquidation Preference of 1x and Anti-Dilution rights, all of which protect ourselves as investors.

Does the company have any key differentiation from existing players? First mover advantage? How's the competitive landscape ?

Most FX execution options available to corporates, institutions and asset managers are opaque. This leads to high costs including both explicit and hidden charges. Up to now, only the largest corporates and institutions are immune to this problem as they have in-house infrastructure and direct access to multi-bank rates. The company has first mover advantage to disrupt the FX industry by combining expertise in FX and technology with strong governance, have created an innovative, independent, and regulated ecosystem. This means that corporates, institutions and asset managers finally get direct access to real-time multi-bank Foreign Exchange prices.

Parent company is a very well known and established FX AM that has been around for 25 years and manages over \$18 bn and transacted over \$750bn of FX in 2018 with 10+ of the largest bank counter-parties in the world. The infrastructure and reputation build over those many years increase substantially the traditional barriers of entry.

Where does the business and the funding round stand ?

Most of the regulatory and operational de-risking has been already achieved. Parent Co has invested substantial capital among other resources and the business has now a live platform with the first clients been on boarded which will represent \$ 2,250,000 in annual revenues and only in the immediate prospect list with advanced talks there are another 15 clients from Europe, USA & Latin America that would represent another \$ 4,000,000 per year.

VCM is raising a total of \$ 30 MM for this Co-Investment Opportunity of which has already invested \$ 4 MM of which VCM has been the major investor. Expect VCM to invest a total of \$ 3MM of its own capital under same terms that investors on the overall deal. Important to note that this is the first and only expected funding round for the company.



Santiago Tello Of VCM

Mr. Tello has 10+ years of experience in the investment industry, possessing diverse real assets and public markets. Santiago was previously an Investment Specialist at Pictet and also ran a team in the trading floor of Morgan Stanley in London. Santiago holds a Bachelor in Economics from the Universidad de San Andres and a Master in Finance from ESADE University, he is also a Chartered Financial Analyst.

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Alert & disclosure: *The Coronavirus (COVID-19) has now been identified in New York City. During the outbreak of the virus, in order to protect the health of our friends members and staff. Family Office Insights, BavelasGroup LLC and all affiliates is following the recommendations of the CDC and suggest you do the same. Affected individuals should limit their exposure to everyone including fellow members and staff.*

Affected individuals include members, non-members, guests, general population and staff who exhibit Coronavirus symptoms (including but not limited to fever, cough and shortness of breath), may have been exposed to the Coronavirus, or who have recently traveled to countries affected by the Coronavirus. Limiting exposure may include self-quarantining, avoiding common areas, and limiting close contact with others as much as possible.

All are also encouraged to continue to engage in everyday preventative actions, including covering coughs and sneezes with a tissue, washing their hands often with soap and water for at least 20 seconds (or using hand sanitizer), and cleaning frequently touched surfaces and objects daily using a regular household detergent and water. We DO NOT assume or accept any responsibility for the negligence or any action or inaction of anyone. As is our standard policy, we will with pleasure reschedule any service with best efforts issuing FOI services credit only. Please note it is your choice to participate or interact in any way with anyone and is your choice alone and you assume the responsibility thereof. Family Office Insights, BavelasGroup and/or an affiliates or assigns does not offer or give medical, financial or investment advice, or offer or suggest or recommend securities or any other invest for sale or otherwise, and is not a broker

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