

British Smaller Companies VCT2 plc
Interim Management Statement
For the quarter ended 31 March 2024

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 31 March 2024. The statement also includes relevant financial information between the end of the quarter and the date of this statement. A copy of this interim management statement can be found at www.bscfunds.com.

Overview

In the quarter to 31 March 2024, the Company saw a 0.1 per cent reduction in its Net Asset Value per share to 59.25 pence, compared to a 0.6 per cent fall in the FTSE Small Cap.

The Company’s Total Return at 31 March 2024 was down 0.05 pence at 145.50 pence per ordinary share.

During the quarter, the Company invested £1.2 million into three existing portfolio companies: Outpost, Relative Insight and SharpCloud. Subsequent to the period-end, £3.1 million has been invested into two new investments, Fuuse and Ohalo.

The Company has had a busy quarter of exit activity; it partially realised its investments in KeTech and Arcus in January 2024, and fully exited its investment in Displayplan in February 2024.

The Company realisation of Displayplan generated proceeds of £4.8 million. Total proceeds received over the life of the investment are £6.7 million, an excellent 9.6x return on the Company’s cost. There is the potential for further receipts in due course, with £0.4 million of deferred proceeds recognised at the period end.

The KeTech business was split into its two component parts, Rail and Defence, to maximise shareholder value, with the Defence business subsequently sold in January 2024, generating proceeds of £1.5 million. To date, the Company has realised proceeds of £4.1 million from its KeTech investment, a 2.0x return on cost, while still retaining its investment in the Rail business, which at the period-end was valued at £1.2 million.

The Company realised part of its investment in Arcus, generating proceeds of £0.2 million, while still retaining its investment in the remaining restructured business, which at the period-end was valued at £0.6 million.

The Company, alongside British Smaller Companies VCT plc, raised £90 million in aggregate under the Offers launched on 20 September 2023 in relation to the 2023/24 tax year. A total of £34.5 million was raised by the Company, of which £11.4 million was allotted on 30 January 2024 and £23.1 million was allotted shortly after the period-end, on 3 April 2024.

Performance

The movement in **Total Return** in pence per ordinary share is set out in the table below:

	31 December 2023	Increase in value	Issue/Buy-back of shares	Movement in period	31 March 2024
Net Assets (£m)	135.6	0.3	10.4	10.7	146.3
NAV per share (PPS)	59.30p	0.15p	(0.20p)	(0.05p)	59.25p
Cumulative dividends paid (PPS)	86.25p	-	-	-	86.25p
Total Return (PPS)	145.55p	0.15p	(0.20p)	(0.05p)	145.50p
Shares in issue	228,758,665	-	18,214,394	18,214,394	246,973,059

The movements in NAV per ordinary share are set out in the table below:

	£m	Pence per ordinary share
NAV at 31 December 2023	135.6	59.30
Increase in portfolio value	0.4	0.15
Net operating costs	(0.1)	-
	0.3	0.15
Issue/buy-back of shares*	10.4	(0.20)
Total Return in the period	10.7	(0.05)
NAV at 31 March 2024	146.3	59.25

* The allotment of shares from the first allotment of the 2023/24 fundraising reduced Total Return per ordinary share as the fundraising was priced at the last reported NAV at the time of the allotment of 56.90 pence per ordinary share, being the NAV as at 30 September 2023 of 58.40 pence per ordinary share, adjusted for the interim dividend of 1.50 pence per ordinary share paid on 3 November 2023.

Buy-backs and shares in issue

On 30 January 2024 the Company issued 19,533,372 shares at prices between 57.76 pence and 60.83 pence per share in the first allotment relating to the 2023/34 fundraising.

On 25 March 2024, the Company purchased 1,318,978 ordinary shares of 10 pence each at a price of 56.84 pence per ordinary share. These shares were placed in treasury.

The number of ordinary shares in issue at 31 March 2024 was 246,973,059 (31 December 2023: 228,758,665), with a further 22,702,746 ordinary shares held in treasury (31 December 2023: 21,383,768).

Subsequent to the quarter end, on 3 April 2024 the Company issued 37,666,087 shares at prices between 59.76 pence and 63.95 pence per share in the second and final allotment relating to the 2023/34 fundraising, taking the number of shares in issue at that date to 284,639,146, with a further 22,702,746 shares held in treasury.

Net assets

Net assets at 31 March 2024 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	91,163	62.3
Cash and cash equivalents	54,682	37.4
Other net current assets	454	0.3
Net assets	146,299	100.0

Investments

The investment portfolio at 31 March 2024 comprised:

	Valuation £000	Cumulative valuation as a % of net assets
Matillion	23,158	15.8%
Unbiased	8,554	21.7%
Outpost	6,346	26.0%
Elucidat	3,954	28.7%
Force24	3,890	31.4%
SharpCloud	3,584	33.8%
Vypr	3,544	36.2%
ACC Aviation	3,163	38.4%
Wooshii	2,767	40.3%
Quality Clouds	2,679	42.1%
	61,639	42.1%
Other investments	29,524	62.3%
Total investments	91,163	62.3%

New director and Chair

On 13 June 2024, at the end of the Company's AGM, Peter Waller retired as Chair and stood down from the Board. The Board and the Manager thank Peter for all of his efforts and valuable contributions over the course of his tenure. Barbara Anderson, who has served as a director of the Company for three years, succeeds Peter as Chair.

Also on 13 June 2024, Arif Ahmed joined the Board of Directors. Arif is a serial entrepreneur and private equity investor with particular expertise in healthcare and technology.

Shareholder relations

The Company will be hosting a physical investor workshop jointly with British Smaller Companies VCT plc on 20 June 2024 at One Great George Street, Westminster, London SW1 3AA to provide an update to shareholders; for further details please contact Tracey Nice at tracey.nice@yfmep.com.

Outlook

Despite recent declines in inflation rates, central banks remain cautious, with interest rates remaining at elevated levels for longer than originally anticipated. 2024 has the potential for further geopolitical instability, with elections taking place across a significant proportion of the globe and ongoing conflicts in Ukraine and the Middle East.

Portfolio companies continue to demonstrate resilience in their trading and navigation of this environment. Last year's priority of capital efficiency has left companies well positioned for growth, with multiple opportunities for the Company to deploy capital anticipated over the next six to 12 months. The Company's successful 2023/24 fundraising provides the capital to support this strategy, as well as continuing to invest in exciting new opportunities.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014). Upon the publication of this announcement via Regulatory Information Service this inside information is now considered to be in the public domain.

14 June 2024

For further information please contact:

Dan Perkins	YFM Private Equity Limited	Tel: 0113 244 1000
Alex Collins	Panmure Gordon (UK) Limited	Tel: 0207 886 2767