

British Smaller Companies VCT2 plc
Interim Management Statement
For the quarter ended 30 September 2023

British Smaller Companies VCT2 plc (the “Company”) presents its interim management statement for the quarter ended 30 September 2023. 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 30 September 2023, the Company generated a 0.8 per cent return on its opening Net Asset Value of 57.95 pence, compared to a 0.1 per cent rise in the FTSE Small Cap.

The Company’s Total Return at 30 September 2023 was up 0.45 pence at 143.15 pence per ordinary share.

During the quarter, the Company invested £1.6 million into GEEIQ, a data and market intelligence platform in the gaming space. The Company has also invested a further £0.2 million into Elucidat.

Following the quarter end, a £0.5 million follow-on investment into Force24 has been completed, taking the total invested in the current financial year to £9.7 million, following the £16.3 million invested in 2022.

Post-period end, in November 2023, the Company exited its investments in E2E, a consultancy in the satellite industry, for £1.4 million, representing a 2.5x return on the Company’s cost; and MacroArt, a large scale branding and signage specialist, for £1.0 million, representing a 2.0x return on the Company’s cost. This was a pleasing outcome for the Company following a challenging hold period, and reflects the Company’s ethos of working hard to generate positive returns from all of its investments.

Performance

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

	30 June 2023	<i>Increase in value</i>	<i>Buy-back of shares</i>	Movement in period	30 Sept 2023
Net Assets (£m)	133.0	<i>1.0</i>	<i>(0.5)</i>	0.5	133.5
NAV per share (PPS)	57.95P	<i>0.45P</i>	-	0.45P	58.40P
Cumulative dividends paid (PPS)	84.75P	-	-	-	84.75P
Total Return (PPS)	142.7P	<i>0.45P</i>	-	0.45P	143.15P
Shares in issue	229,484,783	-	<i>(907,200)</i>	(907,200)	228,577,583

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

	£m	Pence per ordinary share
NAV at 30 June 2023	133.0	57.95
Increase in portfolio value	1.4	0.6
Net operating costs	(0.2)	(0.05)
Incentive fee	(0.2)	(0.1)
	1.0	0.45
Buy-back of shares	(0.5)	-
Total Return in the period	0.5	0.45
NAV at 30 September 2023	133.5	58.40

Post-period end, on 3 November 2023, a second interim dividend of 1.5 pence per ordinary share for the year ending 31 December 2023 was paid, taking cumulative dividends paid to 86.25 pence per ordinary share and resulting in a corresponding reduction to the 30 September 2023 unaudited NAV, to 56.90 pence per ordinary share.

Buy-backs, dividends and shares in issue

On 25 September 2023, the Company purchased 907,200 ordinary shares of 10 pence each at a price of 55.55 pence per ordinary share. These shares were placed in treasury.

The number of ordinary shares in issue at 30 September 2023 was 228,577,583 (30 June 2023: 229,484,783). In addition, at 30 September 2023 the Company held 20,449,923 ordinary shares in treasury (30 June 2023: 19,542,723).

Subsequent to the quarter end, on 3 November 2023 the Company issued 1,114,927 shares under the Company's Dividend Re-investment Scheme (DRIS) following the payment of the interim dividend, taking the number of shares in issue at that date to 229,692,510, with a further 20,449,923 shares held in treasury.

Net assets

Net assets at 30 September 2023 comprised the following:

	£000	% of net assets
Unquoted investments at fair value	92,274	69.1
Listed investment funds	1,698	1.3
Cash and cash equivalents	39,273	29.4
Other net current assets	269	0.2
Net assets	133,514	100.0

Investments

The investment portfolio at 30 September 2023 comprised:

	Valuation	Cumulative
	£000	valuation
		as a % of
		net assets
Matillion	21,314	16.0%
Unbiased	7,708	21.7%
Outpost	5,957	26.2%
Displayplan	4,637	29.7%
Elucidat	4,330	32.9%
Wooshii	4,004	35.9%
Force24	3,195	38.3%
ACC Aviation	2,949	40.5%
Vypr	2,746	42.6%
Quality Clouds	2,628	44.5%
	59,468	44.5%
Other investments	32,806	69.1%
Total investments	92,274	69.1%

Shareholder relations

The Company will be hosting an online webinar on 27 November 2023 to provide an update to shareholders; for further details please contact Tracey Nice at tracey.nice@yfmep.com.

Regulatory Developments

In the Autumn Statement on 22 November 2023, the Government announced it would extend the sunset clause currently in place for Venture Capital Trusts until April 2035, and that it would include legislation to achieve this in the next Finance Bill.

Fundraising

Having assessed its expected cash requirements, the Company announced a new share offer on 20 September 2023, alongside British Smaller Companies VCT plc, with the intention of raising up to £90 million (in aggregate), which includes an over-allotment facility of £25 million. Applications exceeding £45 million have been received as of the date of this report, of which £18 million relate to the Company. The first allotment of £30 million of gross proceeds will take place between 29 and 31 January 2024. The second and final allotment will take place in early April 2024.

Outlook

The UK macro-economic environment has stabilised somewhat and the economy may well avoid a recession, although growth levels are likely to remain weak. And while rates of inflation are expected to reduce, interest rates are anticipated to remain at the current elevated levels for some time. Portfolio companies have coped well in this environment, and continue to grow revenues, which helps to offset the impact on the Company of muted valuations multiples. It has also been pleasing to continue to achieve good realisations of portfolio companies and we feel the Company's investments are well placed to deliver further exits in the coming quarters.

We continue to see opportunities to deploy capital into promising new businesses, as well as to continue funding existing portfolio companies to help them scale up their growth plans.

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.

24 November 2023

For further information please contact:

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