SECRETS OF A SUCCESSFUL RAISE PROCESS:

Understanding how investors think to develop a successful raise for your company

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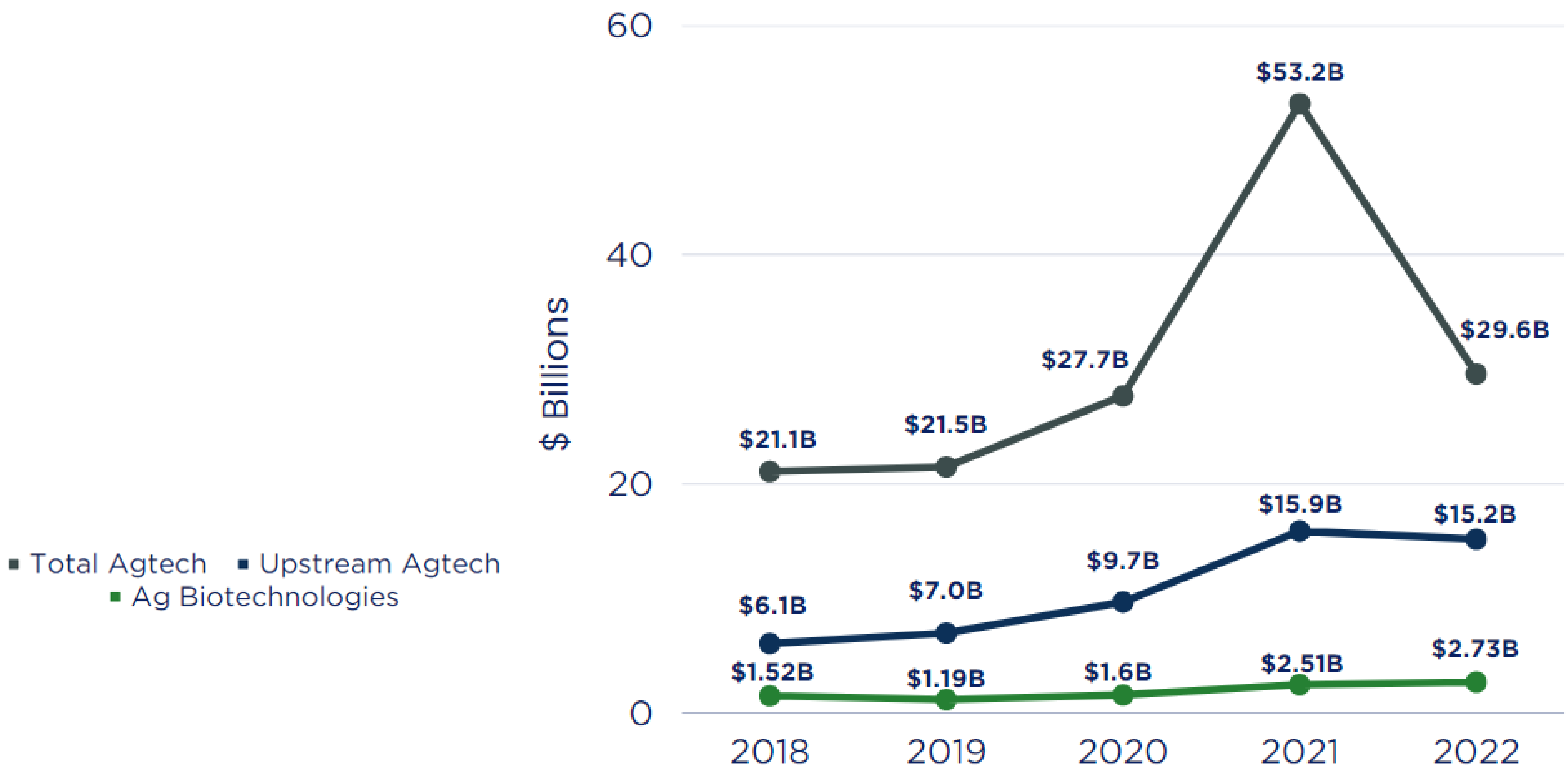
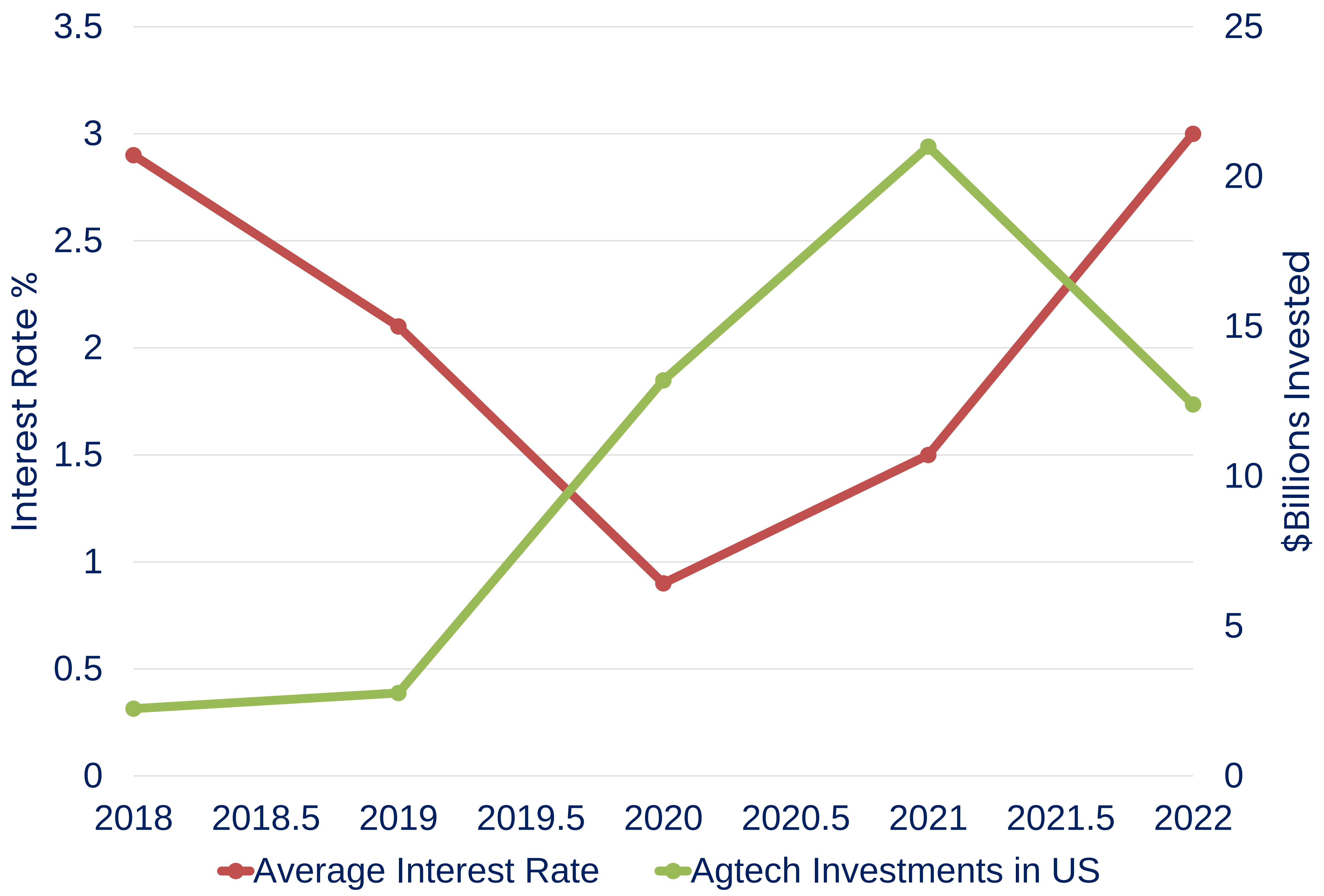
Contents of the Workshop

1. Agtech Investment

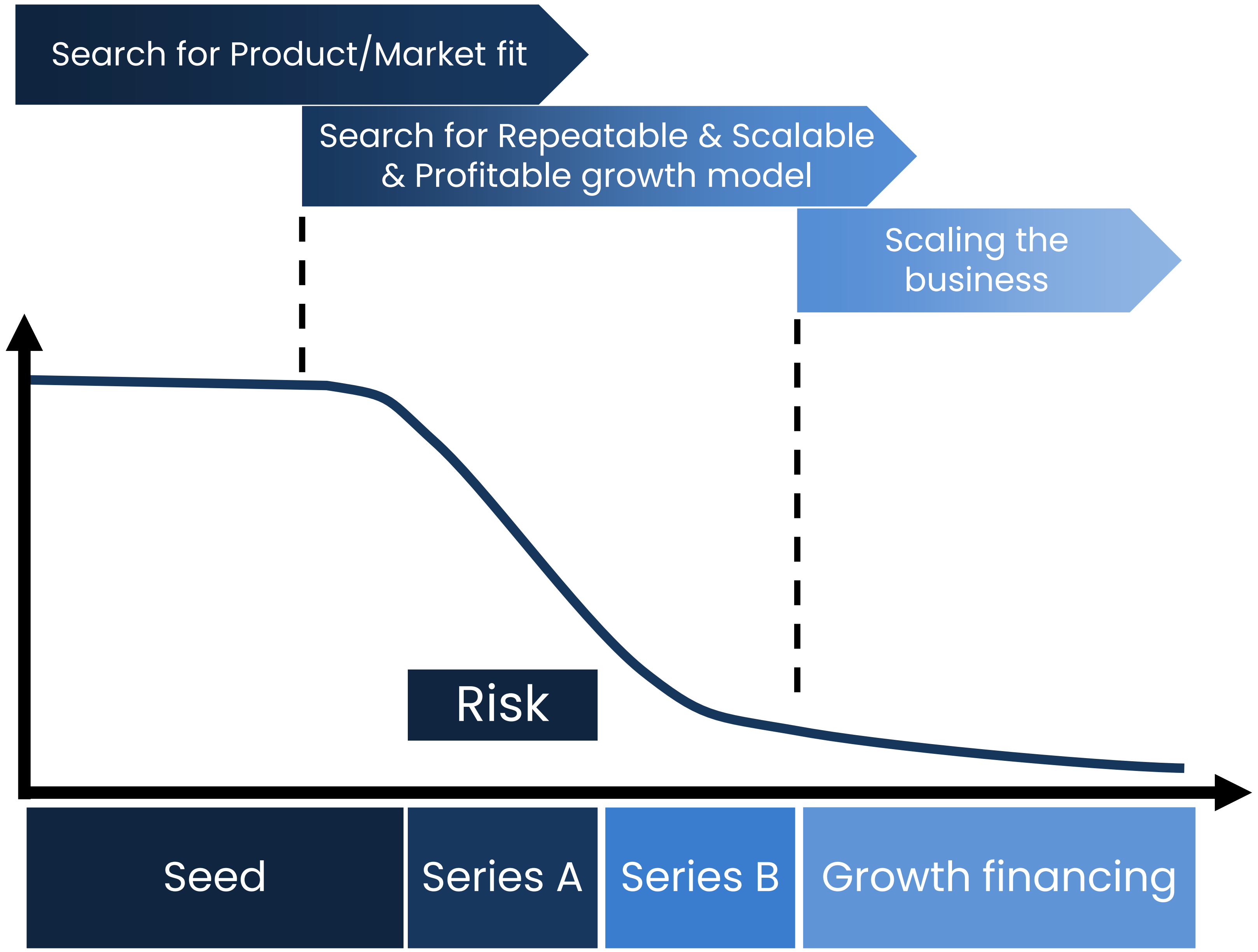


1. Cost of Capital

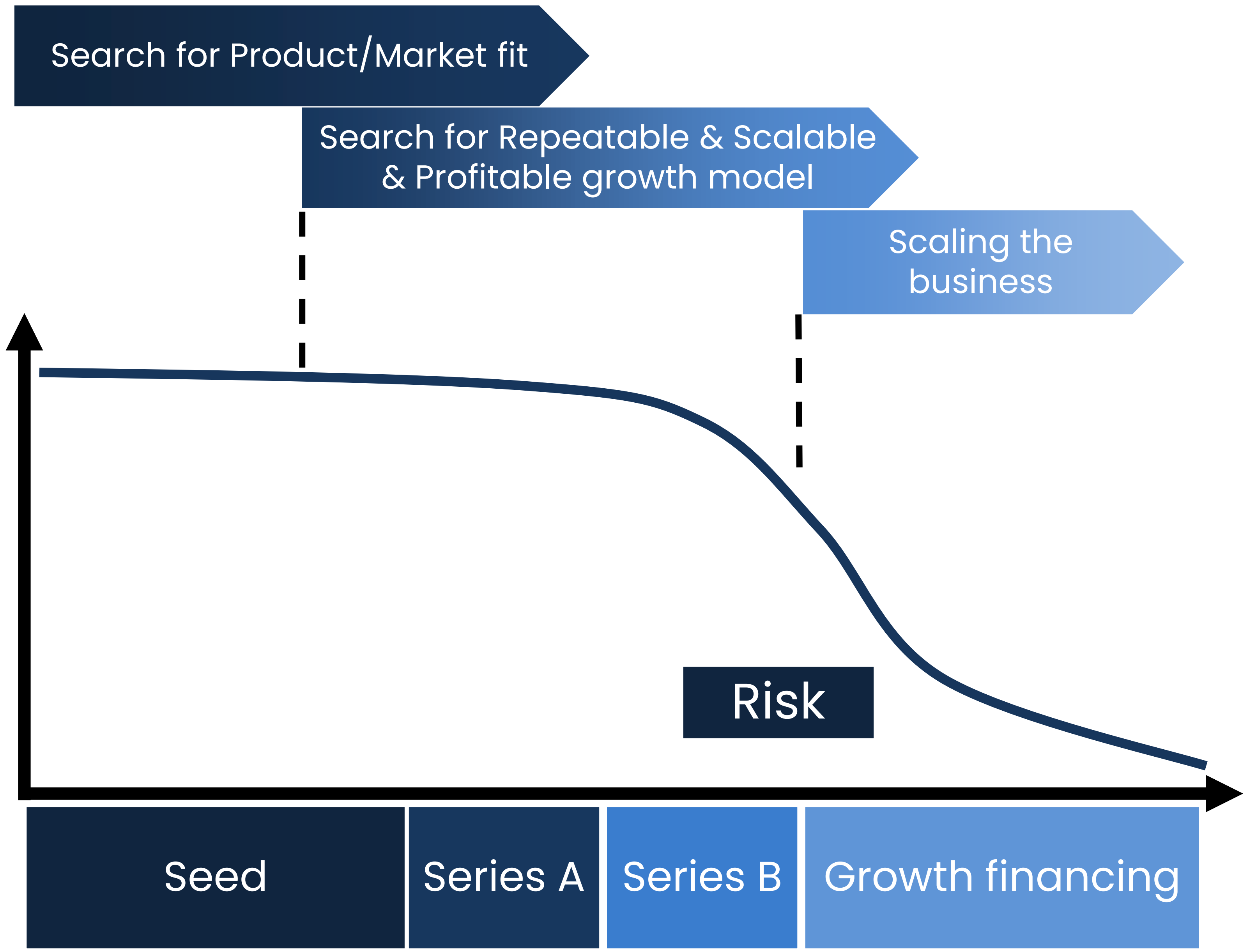


2. Understanding Start-up risk

Perceived by Early-Stage Investors



Perceived by financial metrics and Growth Investors



3. Venture funds: What are they and what role do they play?

“Venture investing, if you boil it down, is an information business. It is about understanding spaces, differentiated insights and having an opinion.”

Chris Douvos, Ahoy Capital

Regenerate Ventures

Regenerate Ventures is a purpose-driven investor in technology that delivers a **positive impact on the the health of our planet, society and future climate**.

Our mission as a leading agrifood & climate investor:

- **Invest** in the most ambitious entrepreneurs that will change the future of farming and deliver nature positive results
- **Realise** and scale technology to improve sustainable food production and decarbonise the agricultural sector
- **Deliver the next revolution in food production and achieve a 5x return on investment**

3. History of venture capital

- Discussion begins in the **late 1930s** – conservative positive response to Reconstructive Finance Corporation
- VC firms launched post war – greatest successes were in sectors where disruption created new economic spaces
- **1958** saw the launch of Small business investment corporations
- **Late 1970s and 80s** provided changes to the regulatory environment enabling VCs and other tax advantageous vehicles to be launched
- Biotech and consumer IT revolution begins
- **1980s** saw the venture capital market become a part of the US national security initiative
- **1990s** saw a boom in early stage and growth capital as the internet came 'online'
- **2000s** onwards saw a maturity of the generalist investor and introduction of specialist investors

3. How do other agtech venture capital funds present themselves?

- We help ambitious founders transform food and agriculture
- We help the ambitious build a food system that is nourishing, regenerative, scalable, trusted and produces delicious food for all
- Created to invest in innovative food and agriculture companies who are commercializing the necessary solutions and actively collaborating with strategic partners
- A new kind of venture capital firm. Our mission is to invest in bold and impactful technologies rapidly transforming our food and agriculture system
- Leveraging technology to build a safe, sustainable, and resilient food system

4. Where do venture capital funds invest?

Venture funds look for a market opportunity with significant growth and scale

Farm connectivity & Digital enablement have the potential to revolutionise farming over the next decade

Smart-crop monitoring

$130B

Connected-irrigation and nutrient-distribution equipment based on connected sensor data and imagery analysis, aimed at optimising resource usage and crop growth through real-time precise, location-dependant adjustments

Drone farming

$85B

Drone surveillance and remote interventions based on image analysis and connected sensors communication data with the drone, aimed at providing more frequent, cost-effective remote monitoring of large areas and enabling remote interventions to boost yield and reduce losses from pests as well as optimising deployment costs.

Smart-livestock monitoring

$70B

Individualised feeding-and-care plants based on connected-body-sensor data and movement tracking. Aimed at detecting illnesses early and providing each animal with its optimal feed and medicine mix to maximise growth.

Autonomous-farming machinery

$50B

Self-operating machinery and robots able to perform targeted interventions based on connected sensor data, GPS data, and imagery analysis. Aimed at optimising resource usage, reducing labour requirements and boosting yield through more precise and individualised interventions.

Smart-building and equipment management

$40B

Prescriptive maintenance and real-time environmental adjustments, aimed at improving performance and extending useful life of farm equipment and other assets as well as decreasing risk of mould and fire, and other threats.

McKinsey connected future - 2020

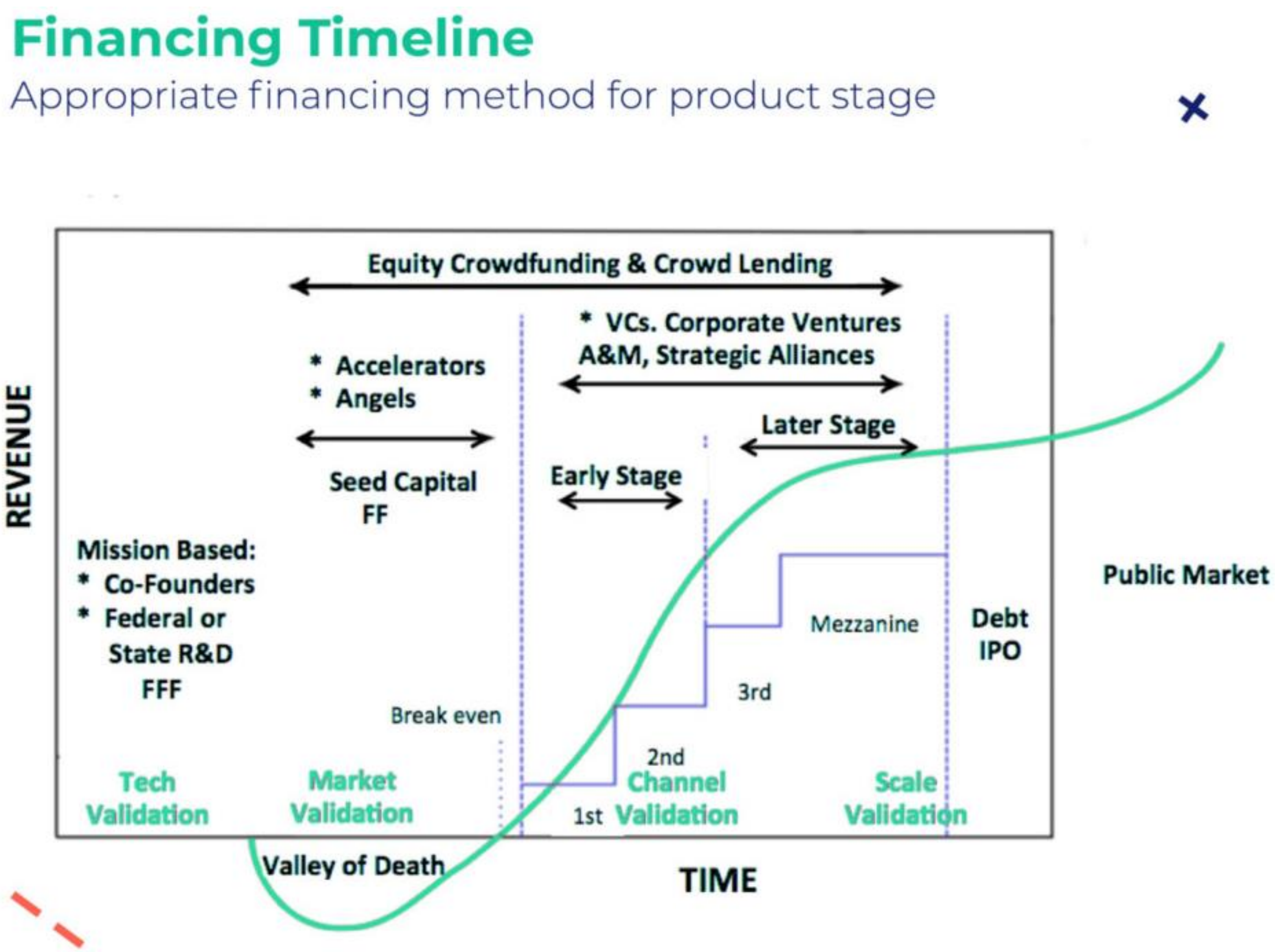
4. Funding stages and the role of venture capital

Startups rely on a range of funders and ecosystem players to get them to the next stage of growth

- Universities, venture builders, cocreation labs, incubators, accelerators, and mentoring programmes can help startups form their ideas and attain validation

- Early funders, including venture funds, provide capital to derisk the idea/product

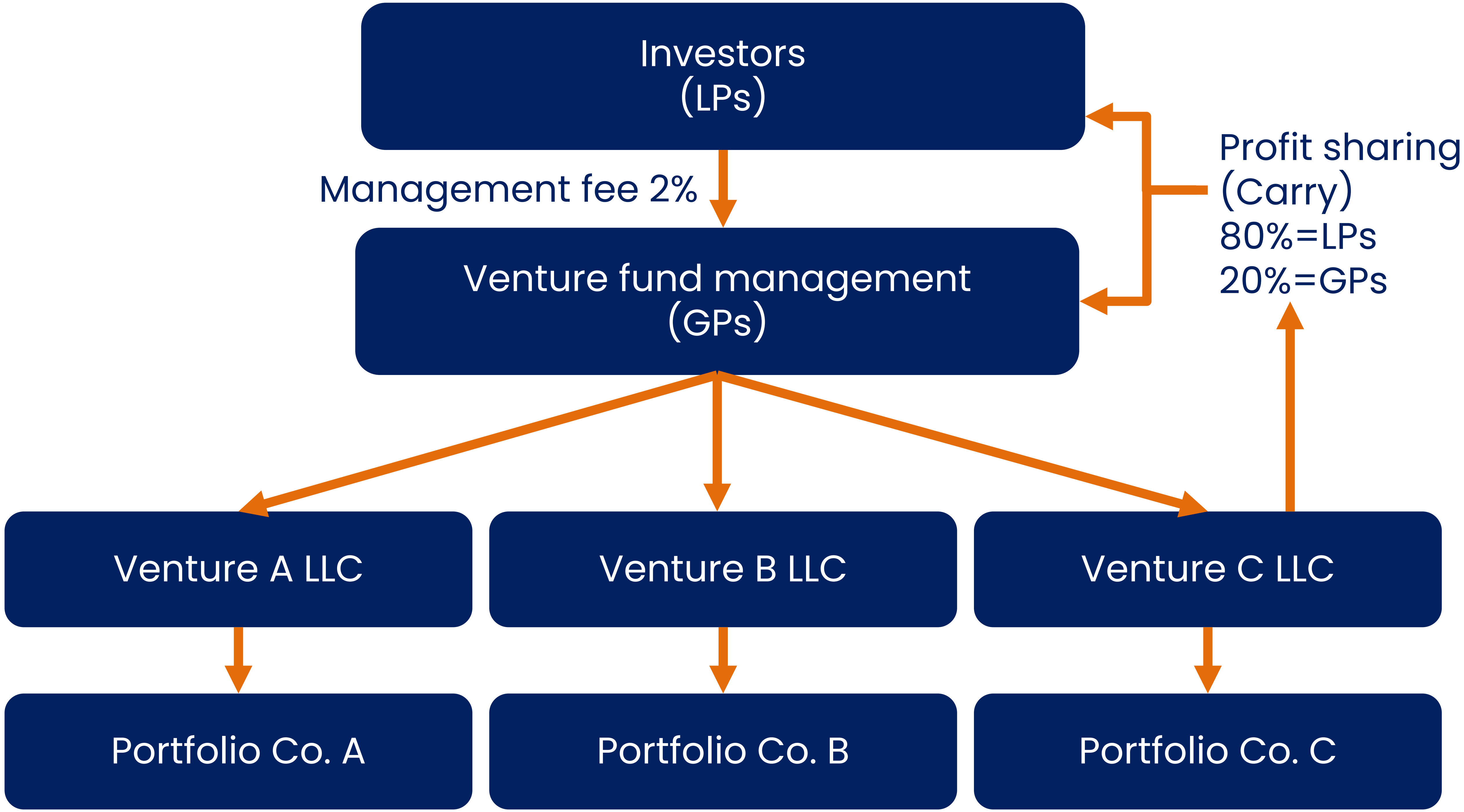
- ‘Venture capital’ can span almost all funding stages



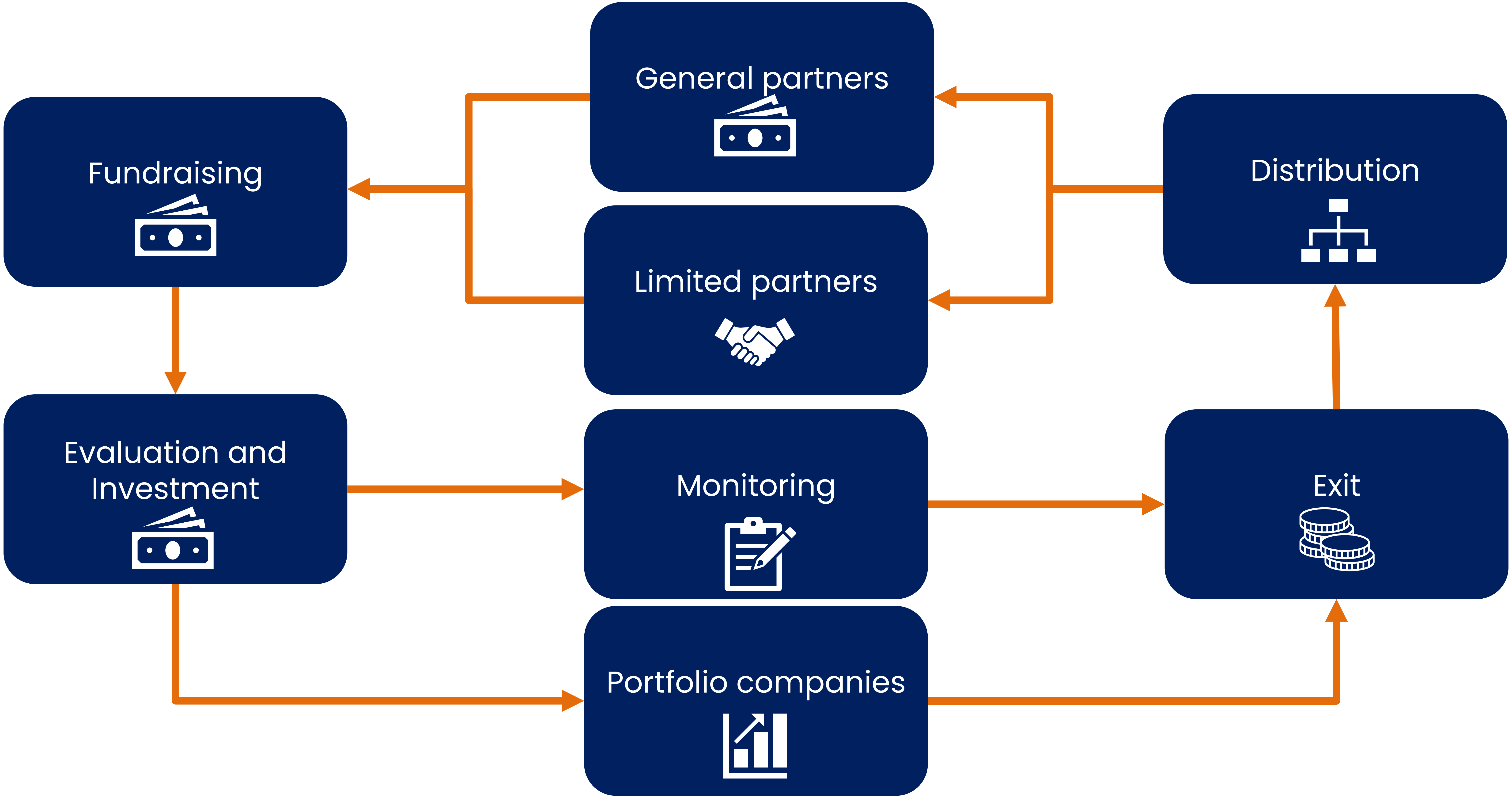
5. Setting up a Venture Fund

- Focus - Sector, Themes, Geography
- Investment Rational - Fund Size
- Capabilities & Expertise
- Track Record
- Access to Structural Capital

5. Structure of a Venture Fund



6. How the fund works



7. Why do Start-ups fail?

7. 90% of startups fail

- **Lack of product-market fit:** This is the most common reason for failure, and it means that the product or service doesn't meet the needs of its target market.
- **Running out of money:** Starting and running a business can be expensive, and many startups simply don't have enough money to survive.
- **Weak management team:** A strong management team is essential for any startup, but many lack the experience and expertise necessary.
- **Competition:** Competition is another major challenge for startups, and many can't compete with more established businesses.

	2017	2018	2019	2020	2021	2022
Running out of cash	15%	29%	29%	17%	22%	25%
Lack of business model	20%	14%	11%	15%	12%	9%
lack of financing/investors	7%	14%	7%	5%	13%	27%
Market competition	10%	9%	12%	13%	13%	4%
Pricing/costs issues	19%	10%	8%	10%	9%	4%
Poor timing	2%	3%	8%	17%	7%	12%
Legal challenges	10%	8%	7%	8%	6%	11%
Lack of demand for product	12%	8%	9%	8%	6%	4%
Product not user friendly	5%	4%	9%	8%	13%	5%

Source: 2022 CB Insights Survey of 500 failed start-ups

8. Getting ready for an investment

- **Do your research:** Make sure you have a deep understanding of your target market and the competitive landscape.
- **Develop a sound business plan:** This will help you to define your goals, strategies, and financial projections. It’s not just a fancy deck.
- **Build a strong team:** Surround yourself with experienced and talented people who share your vision for the business.
- **Set and share a vision:** This creates the culture and is important to be fostered for success and growth. Every employee is an ambassador for the company and the product.
- **Be flexible and adaptable:** The startup world is constantly changing, so it's important to be able to adapt your plans as needed.
- **Don't give up:** Starting a business is hard work, and there will be setbacks along the way. But if you're persistent and passionate, you'll have a better chance of success.
- **Raising the right capital takes time:** Give yourself time to fundraise and find the right strategic investors
- **Kick things off properly:** Use the right legal advice and documentation as it will cost more later.

Be aware of the Red flags: NDA, design, lack of detail and thought, too much information.

9. Portfolio Construction

- Fund Size
- Fees and Carry %
- Number of investments / Stage of investing
- Check-Size & Follow-on
- Targeted Return Multiple
- Sector or Type of Company Performance Exit
- Avg. Time to Scale / Grow Value

10. How VC's mitigate risk

- Research & Analysis
- Portfolio Diversification
- Due Diligence
- Expertise & Advisory Positions
- Investment Syndication
- Follow-on (Bridging Capital)

10. Typical Process

Pre-Investment

- Business planning
- Capital requirement & valuation
- Pitch deck, teaser & CIM
- Pre-investment health check

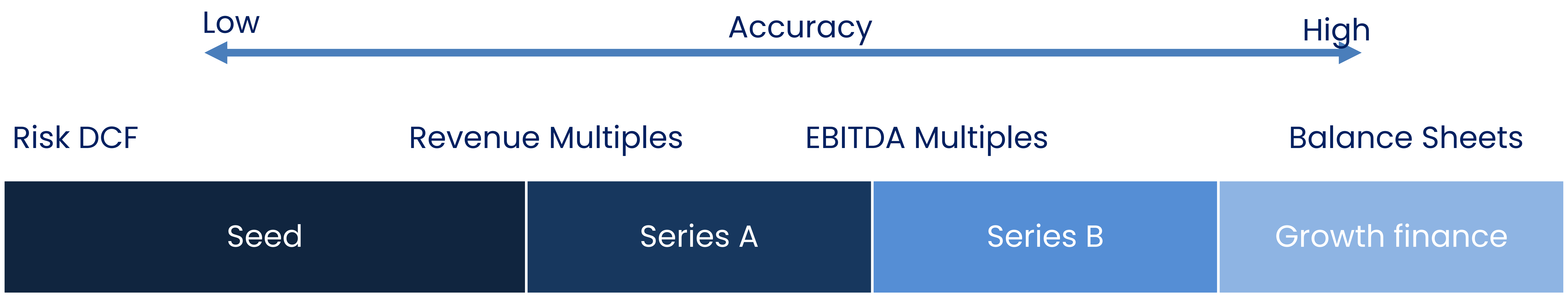
Investor Research & Marketing

- Company investment profiles
- Investor research
- Investor targets
- Communications plan
- Investor meetings

Investment process

- Lead investor
- Term sheet
- Due diligence
- Syndicate investors
- Legal documents
- Signing & receiving funds

11. Valuing your Company: Methods



11. Valuing your Company: Start-up

Risk DCF	Revenue Multiples		EBITDA Multiples
Seed	Series A	Series B	Growth finance

11. Valuing your Company: Investors

Valuation Multiple 6 – 9x

Valuation Multiple 4 – 5 x

Valuation Multiple 2 – 3 x

Risk DCF | Revenue Multiples | EBITDA Multiples

Seed	Series A	Series B	Growth finance

E.g. **$10M** → **$30-45M** → **$60-90M** → **$120-180M**

12. Understanding your impact

1. Setting a strategy for sustainability and impact
2. Creating supporting policies and governance
3. Measuring alignment and impact metrics
4. Regular reviews and governance checks
5. Independent Certification

13.What are the 8 main criteria investors look for in a transaction?

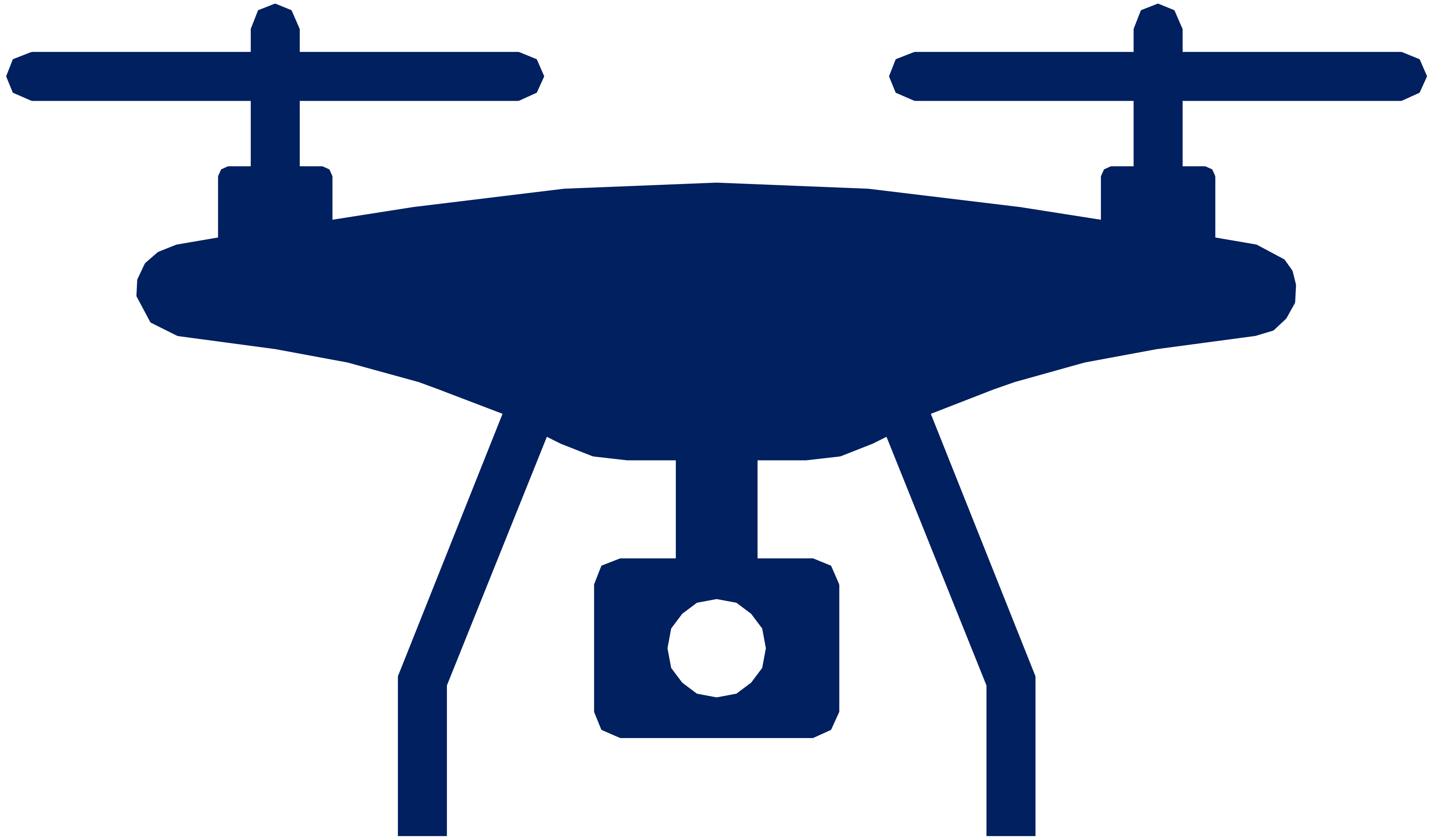
14. Pre-Investment Health Check

	Score	Weight	Comments
Technology	0	15%	
Executive Team	0	15%	
Investment Terms	0	15%	
Marketing	0	15%	
Supply Chain	0	10%	
Financials	0	10%	
Legal	0	10%	
ESG	0	10%	

Overall Score

0

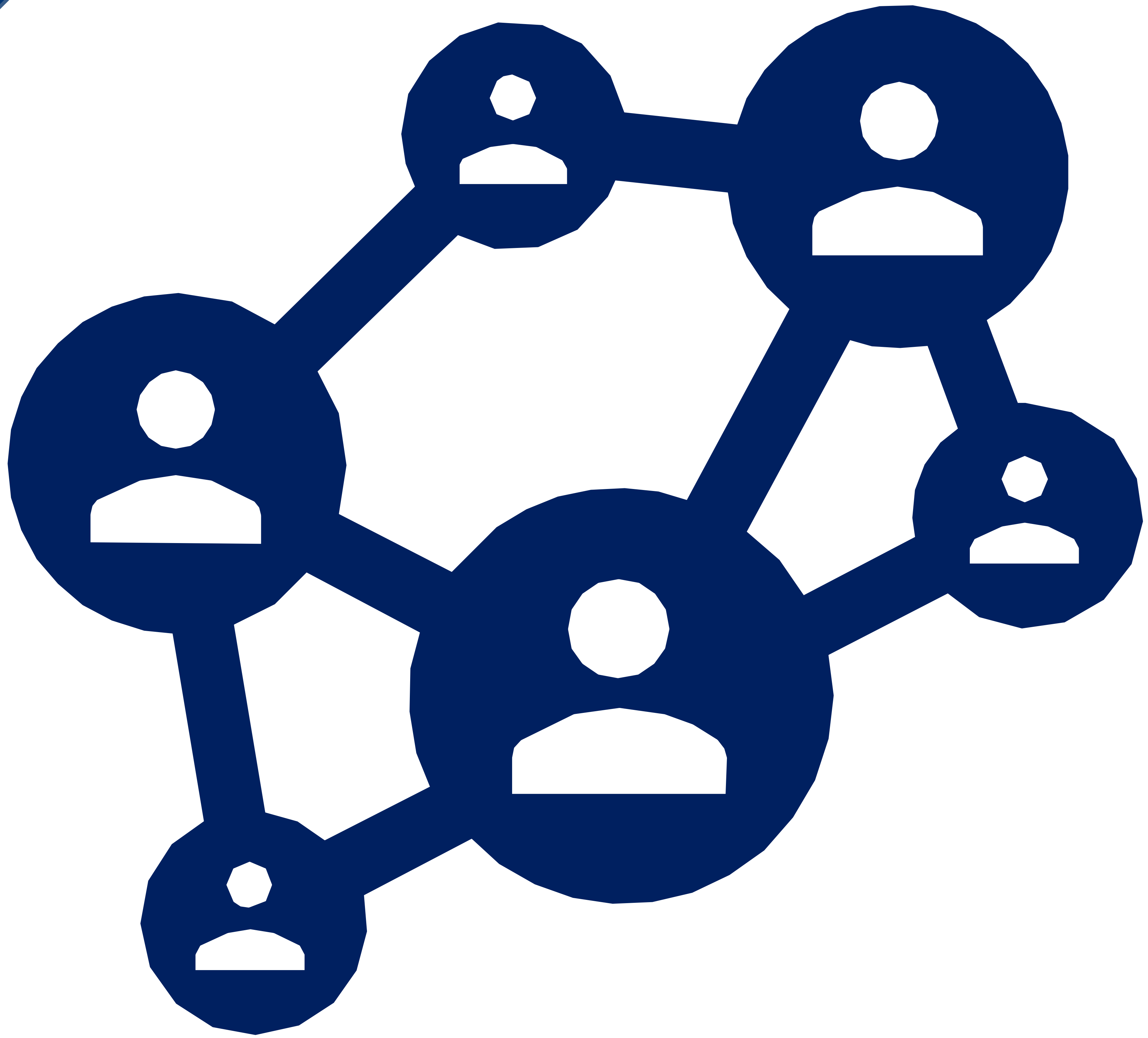
Technology



Executive Team

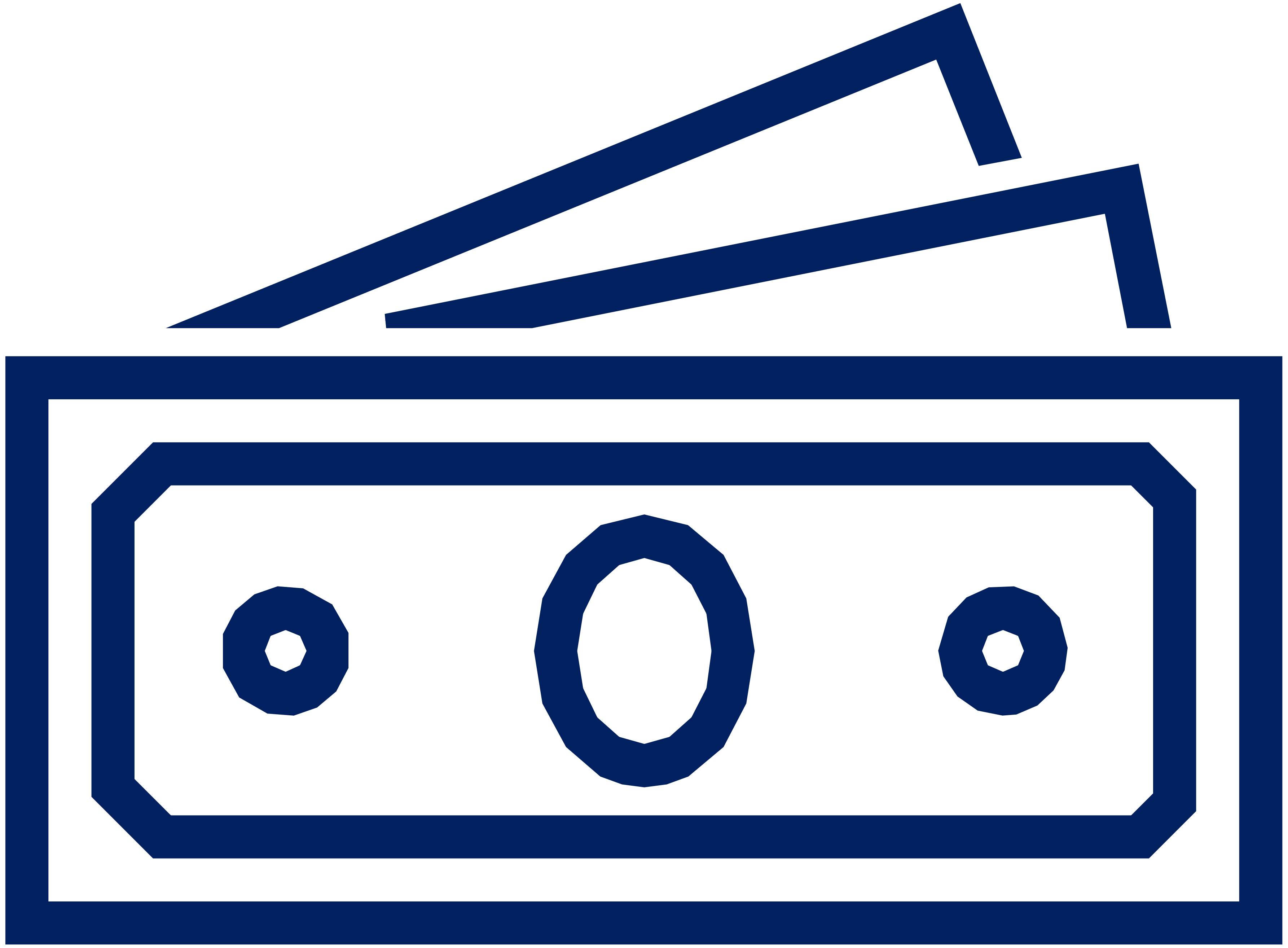
Investment Terms

Marketing



Supply Chain

Financials



Legal

ESG

"… it is desirable to optimally scale the impacts of innovation. Not the innovation, not the innovation program, not the sales or production of the product developed, not the coverage of the policy created, not the size of the program, and so on. These factors may or may not correlate to good change that people endorse. What matters when scaling is the positive impact the innovation creates for people and the environment."

Mclean and Gargani (2019) - Scaling impact for the public good

Q&A