Saturn’s Investment Focus

Info and Financial Technology
Advanced Materials
Specialty Energy
Select Biotechnology

• Large, growing market
• Significant return potential
• Saturn domain knowledge
• Saturn operating experience
• Saturn access to experts

Eastern U.S.

• Entrepreneurial strength
• Many overlooked areas
• Saturn network

Seed & Early Stage
First Institutional Capital

• Persistent “funding gap”
• Higher ROI potential
• Saturn deal experience
• Saturn operating experience
• Saturn active involvement
# Saturn’s Investment Criteria

## Attractive Dynamics
Substantial market size, recurring revenue, barriers to entry, and ability to attract investors and enhance exits options

## Clear Differentiation
Invest early in areas we have a sourcing advantage and can affect outcome via active involvement

## Fewer Competitors
“Funding gap” between angel investors and more later stage larger sources of capital

## Innovative
Leading edge of emerging industry trends

## Painkillers
Fill existing customer need or create new market

## Disruptive
Proprietary, unique or disruptive technologies

## Execution Ability
History of success in operational execution

## Adaptable
Strong vision but able to anticipate shifts

## Committed
Unambiguous commitment, discipline and urgency

## Valuation
Substantial price leverage and margin of safety

## Risk
Capital efficiency. Risk commensurate with return potential.

## Harvest
Attractive and practical exit strategies, timing

## Objective
Target 5X returns and 40%+ IRR

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### Market

- Product, Service

### Team

- Return Potential

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### Saturn Partners
Saturn’s Investment Execution

**Sourcing:** Prefer warm introductions from our network. Actively source opportunities via trusted channels. Interest and experience exploring where others do not.

**Size:** Initial average investment of $1-3 million per company. Invest additional capital as our companies develop, increasing our average investment to $4-6 million per company.

**Structure:**
- First professional investor
- Board seat
- Preferred position
- Rationale valuation

**Portfolio Management:** Actively “roll up our sleeves” to drive company’s development in conjunction with senior management. Tight focus on capital efficiency and marginalizing the “J-Curve”.

- Strategy
- Sales & marketing
- Business development
- Team
- Partnerships
- Operations
- Financial planning
- Financings
- Exit strategy and execution

**Alignment of Interests:** Capital structure and incentives that align the interests of management teams, limited partners and general partners

**Philosophy:** Learn from mistakes, expand network and knowledge, move quickly, be direct
Perspectives Regarding Fundraising

Almost everybody answers to somebody
- Shareholders, board, limited partner, trustees, regulators, family
- Everyone can use help in helping their constituents

Almost everybody has something of value to offer
- The key questions are: What? How much? To whom? When?

Successful entrepreneurs always create the most value
- Money, jobs, social good, etc.
- That does not make your job easier, but you are what it’s all about

Raising money is tougher and more time consuming than you think
- Raising money requires a good strategy
- Raising money requires stamina and a thick skin

Always remember
- There is more than one way to skin a cat when it comes to fundraising
- An early “no” is often better than a long “maybe”
Understanding The Funding Market

The players

- Spectrum of possible investors (i.e. F&F, angels, small VC, large VC, strategic)
- Polarization of players (specialized vs. generalist, big vs. small, early vs. late)
- Debt and trade financing as an alternative to equity

The VC “value chain”

- Money ➔ Deals ➔ Diligence ➔ Transaction ➔ Manage ➔ Harvest
- Understand pinch points in the chain and timing specific to different investors

The VC mindset and approach

- Top down vs. bottom up
- Want (and need) to do deals, but better to miss good ones than do bad ones
- Cash on cash returns and IRR
- Internal decision making process
- Status of fund and fundraising cycle

Investment opportunities

- Attractive sectors, geographies, and types of solutions
- Trends vs. bubbles
Positioning Your Company

Consider this a sales process

— Identify “customer” ➔ Pitch “product” ➔ Close “sale” ➔ Provide “customer service”

Identify and solicit customers (i.e. investors)

— Focus the funnel. Make this less of a numbers game.
  • Find “fit” with sectors, stage, portfolio
  • For funds, stage of fundraising is important

— Follow the “bowling pin” strategy
  • Whom to target, earlier vs. later
  • Get feedback and improve your pitch each time

— Warm introduction
  • Get an introduction from a trusted source
  • Leverage your advisory board and other interested parties

— Early contact
  • Basic marketing materials vs. detailed due diligence materials
  • Tailor method of communication (email, phone, text, in person)
  • Be aggressive, but not a pain
Positioning Your Company

Pitch the product

Show the Team
- Successful ... Hungry
- Empathy ... Self-awareness
- Focus ... Flexibility
- Vision ... Follow the dollar
- Cheer leader ... Task master
- Domain experts ... Athletes
- Experienced ... Skill gaps

Show the Value Proposition
- How do you help your customer make money?
- How do you help your customer save money?
- What are the non-monetary benefits (if any)?
- Keep it simple

Show the Traction
- Stage of development (seed, growth, expansion)
- Product or service development
- Customers and partners
- Revenue, cash flow, balance sheet

Show the Potential
- Show market size, growth and profitability
- Structure and defend an assumptions-driven financial model
- Maintain a capital efficient business model
- Highlight potential opportunities that require more capital
- Map out realistic harvest events (type, size, and timing)
- Show how smart money can be put to use, but don’t rely upon it
Positioning Your Company

Close the sale

- Getting the sale is most important
- The best deal is not necessarily the best valuation
- Be selective with investors. This is a marriage.
- Provide early investors with a margin of safety for the significant risk they assume in backing you
- Be willing to live with creative or seemingly restrictive financing structures (e.g. milestones, tranched investments, liquidation preference, etc.)
- Work with legal counsel, preferably well in advance of serious investor discussions

Customer service

- Provide regular updates, don’t hide or delay bad news
- Help investors understand what they can do to help
- “Blue sky” conversations apply best to growth opportunities, not operations
- You are a source of deal flow for your investors
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