



## Rho Canada Ventures - Overview

*Presented by:* Sean Brownlee

sbrownlee@rho.com

*Date:* October 18th, 2014

Concordia University - JMSB

# Important Notice

## ***Rho Capital Partners is registered with the U.S. Securities and Exchange Commission.***

THIS PRESENTATION OUTLINES CERTAIN INFORMATION REGARDING RHO CAPITAL PARTNERS, INC., ITS AFFILIATES AND CERTAIN INVESTMENT FUNDS UNDER THEIR MANAGEMENT (EACH, A "RHO FUND"). THIS MATERIAL IS PRESENTED SOLELY FOR INFORMATIONAL PURPOSES AND SHOULD NOT BE REGARDED AS AN OFFER TO SELL OR AS A SOLICITATION OF AN OFFER TO BUY ANY INTEREST OR SHARES IN ANY RHO FUND, WHICH OFFER MAY ONLY BE MADE IN A PRIVATE OFFERING TO QUALIFIED INVESTORS PURSUANT TO THE APPLICABLE RHO FUND'S OFFERING MEMORANDUM AND SUBSCRIPTION AGREEMENT.

THE INFORMATION CONTAINED IN THIS PRESENTATION IS IN SUMMARY FORM FOR CONVENIENCE OF PRESENTATION. THIS MATERIAL IS BASED UPON INFORMATION OR SOURCES THAT WE BELIEVE TO BE RELIABLE, BUT WE DO NOT REPRESENT OR GUARANTEE THAT IT IS ACCURATE OR COMPLETE, AND IT SHOULD NOT BE RELIED UPON AS SUCH. WITHOUT LIMITATION ON THE FOREGOING, THE 'FAIR MARKET VALUE' OF A RHO FUND'S ASSETS IS DETERMINED IN ACCORDANCE WITH THE VALUATION METHODOLOGY SET FORTH IN THE LIMITED PARTNERSHIP AGREEMENT AND MAY NOT NECESSARILY REFLECT THE TRUE FAIR MARKET VALUE OF ANY SPECIFIC ASSET. SIMILARLY, WHERE THE GENERAL PARTNER OR ITS MEMBERS HAVE CONFLICTING DUTIES TO PORTFOLIO COMPANIES AND TO THE LIMITED PARTNERS, THE LIMITED PARTNERSHIP AGREEMENT PROVIDES THAT DUTIES TO PORTFOLIO COMPANIES TAKE PRECEDENCE, WITH THE RESULT THAT THE GENERAL PARTNER MAY WITHHOLD INFORMATION FROM LIMITED PARTNERS IN ORDER TO AVOID VIOLATING DUTIES TO PORTFOLIO COMPANIES.

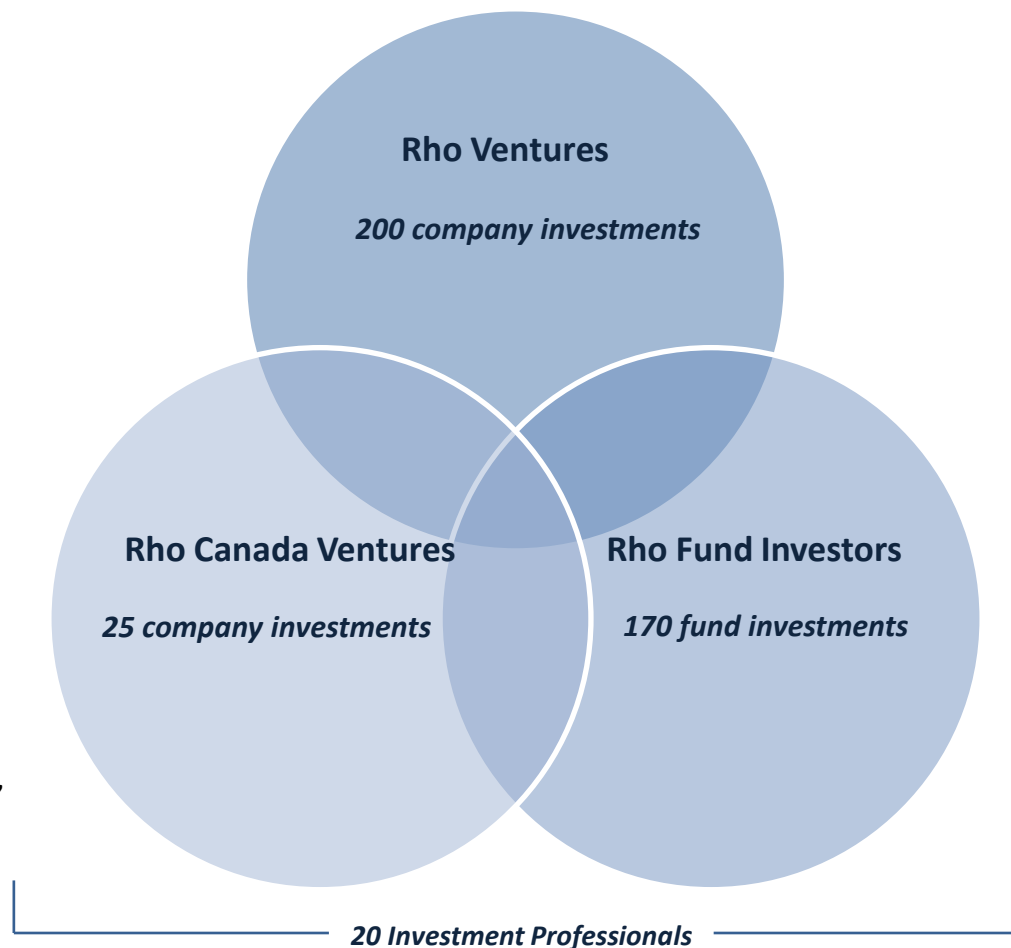
CERTAIN STATEMENTS IN THIS PRESENTATION CONSTITUTE FORWARD-LOOKING STATEMENTS. WHEN USED HEREIN, THE WORDS "PROJECT," "ANTICIPATE," "BELIEVE," "ESTIMATE," "EXPECT," AND SIMILAR EXPRESSIONS ARE GENERALLY INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH FORWARD-LOOKING STATEMENTS, INCLUDING THE INTENDED ACTIONS AND PERFORMANCE OBJECTIVES OF THE RELEVANT PARTY REFERENCED HEREIN, INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER IMPORTANT FACTORS THAT COULD CAUSE THE ACTUAL RESULTS, PERFORMANCE, OR ACHIEVEMENTS OF SUCH PARTY TO DIFFER MATERIALLY FROM ANY FUTURE RESULTS, PERFORMANCE, OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. ALL FORWARD-LOOKING STATEMENTS IN THIS PRESENTATION SPEAK ONLY AS OF THE DATE HEREOF. INFORMATION REGARDING ALL REVENUE, EBITDA AND OTHER PROJECTIONS RELATING TO ANY OF RHO'S PORTFOLIO COMPANIES WERE PROVIDED TO RHO BY EACH RESPECTIVE PORTFOLIO COMPANY. RHO EXPRESSLY DISCLAIMS ANY OBLIGATION OR UNDERTAKING TO DISSEMINATE ANY UPDATES OR REVISIONS TO ANY FORWARD-LOOKING STATEMENT CONTAINED HEREIN TO REFLECT ANY CHANGE IN ITS EXPECTATION WITH REGARD THERETO OR ANY CHANGE IN EVENTS, CONDITIONS, OR CIRCUMSTANCES ON WHICH ANY SUCH STATEMENT IS BASED. FURTHERMORE, NOTHING CONTAINED HEREIN IS, OR SHOULD BE RELIED UPON AS, A PROMISE OR REPRESENTATION AS TO THE FUTURE PERFORMANCE OF ANY FUND SPONSORED BY RHO. AN INVESTMENT IN A RHO FUND INVOLVES SIGNIFICANT RISKS, INCLUDING THE RISK OF SIGNIFICANT LOSS OF CAPITAL. A RHO FUND'S PERFORMANCE CAN BE VOLATILE. IN ADDITION, A RHO FUND'S FEES AND EXPENSES MAY OFFSET THE FUND'S PROFITS. INTERESTS IN A RHO FUND ARE SUBJECT TO RESTRICTIONS ON TRANSFER, AND THERE IS NO SECONDARY MARKET IN THE RHO FUNDS' INTERESTS, AND NONE IS EXPECTED TO DEVELOP. THIS MATERIAL IS CONFIDENTIAL AND MAY NOT BE REPRODUCED OR REDISTRIBUTED IN WHOLE OR IN PART FOR ANY PURPOSE.

THIS MATERIAL IS TO BE TREATED AS STRICTLY CONFIDENTIAL AND MAY NOT BE DISCLOSED DIRECTLY OR INDIRECTLY TO ANY OTHER PARTY OTHER THAN THE RECIPIENT. BY ACCEPTING THIS MATERIAL, THE RECIPIENT AGREES TO BE BOUND BY ALL LIMITATIONS STATED IN THIS MATERIAL. THE INFORMATION CONTAINED IN THIS PRESENTATION IS CURRENT AS OF MAY 13<sup>th</sup>, 2013, UNLESS OTHERWISE SPECIFIED IN THIS PRESENTATION.

# Rho Capital Partners

## *Company Overview*

- Rho was founded in 1981 as an asset management firm for a European family
- Private Equity focus since the early 1980's
  - Anchor investor in several leading early stage venture funds
  - Active direct investor across all stages of venture and growth companies
- Admitted first outside client in 1993 and today has three divisions:
  - Rho Ventures
  - Rho Canada Ventures
  - Rho Fund Investors
- Rho Capital Partners has \$1.42+ billion assets under management
  - Most recent direct fund is RCV II \$100 million, 2012 vintage
  - Most recent US direct fund is Rho VI \$510 million, 2008 vintage
- Offices in New York, Palo Alto, and Montreal



# Rho Canada Ventures

## Montreal Investment Team Members



**Jeff Grammer, Partner**

- 31 years of operational and venture experience in Silicon Valley, Boston, and Montreal. Joined Rho in 2006, is a Partner in Fund I & II, and co-invested with Rho since 2002
- Areas of expertise include Cloud Computing, IT, New Media, Security, and Wireless & Communications
- Previous experience: Intel, Chips & Technologies, N\*Able, Ember, TechFarm Ventures, and Sigma Partners
- BA and MA from Boston University



**Roger Chabra, Partner**

- 20 years of operational and venture experience in Toronto and Montreal. Joined Rho in 2010, is a Partner in Fund I & II, and co-invested with Rho since 2008
- Areas of expertise include E-Commerce, Adtech, Mobility, and Internet & Consumer Services
- Previous experience: GrowthWorks Capital, BCE, Hargan Ventures, Rogers, Mobilesense, and Logorhythm
- BA and MBA from University of Western Ontario



**Sean Brownlee, Partner**

- 20 years of operational and venture experience in Boston, Ottawa, and Montreal. Joined Rho in 2012, is a Partner in Fund II, and co-invested with Rho since 2010.
- Areas of expertise include IT, Energy & Clean Technology, Infrastructure Technologies, and Wireless & Communications
- Previous experience: JMH Capital, EDC, and 3i Corporation
- BA and MBA from Carleton University

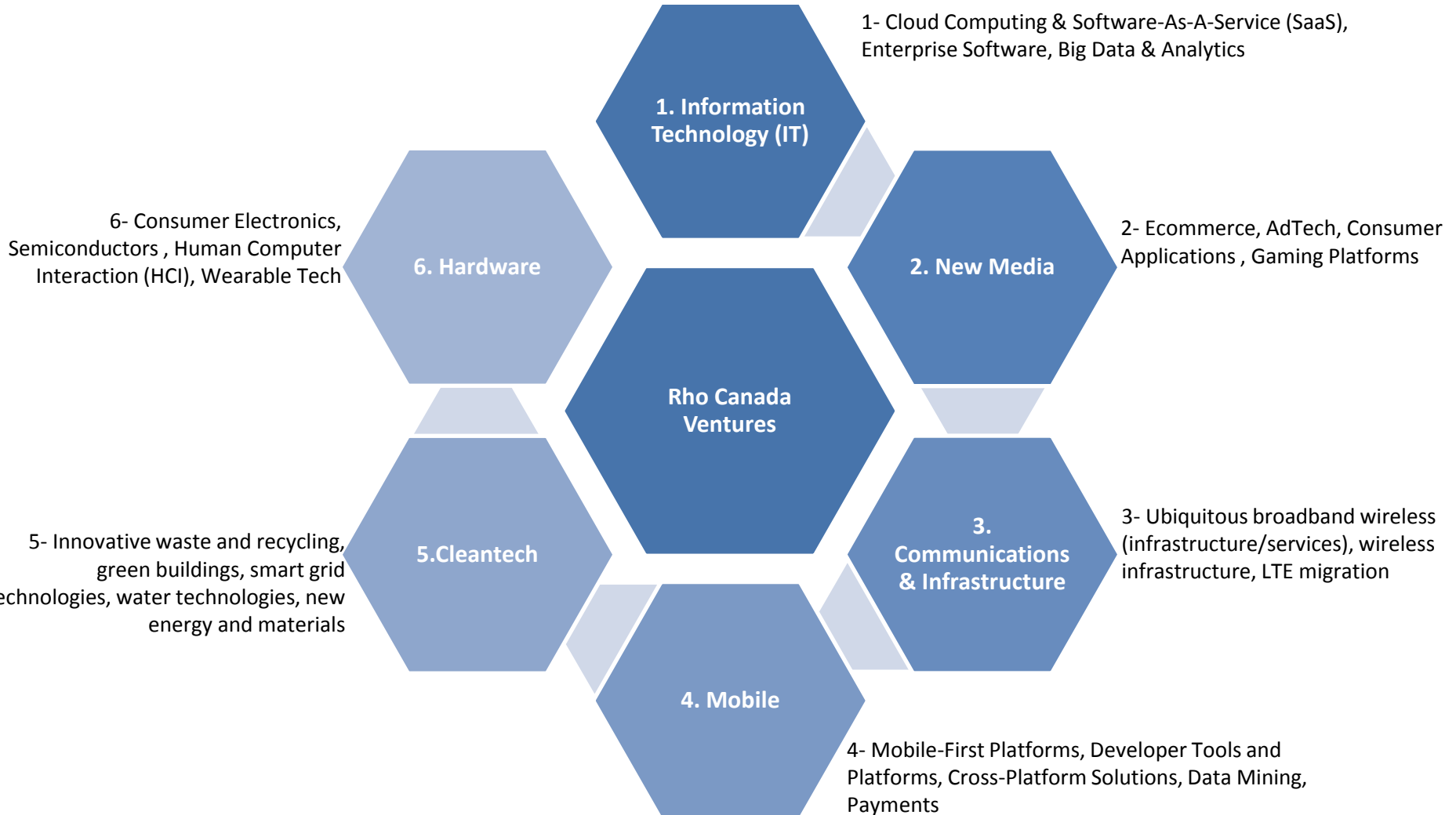


**Jonathan Arsenault, Associate**

- 4 years of Technology & Management Consulting experience in New York City, Toronto, and Haiti. Joined Rho in 2012
- Areas of expertise include Enterprise Software, SaaS, and Mobility
- Previous experience: IBM, Virgin Mobile, and Accenture
- B.Comm from McMaster University

# Rho Canada Ventures

## Sector Focus



# Rho Canada Ventures

## Investment Criteria

### Exceptional Management

- Experienced business and/or technical leadership that is open to support from investors in recruiting additional team members to build the company

### Large, Growing Market

- A substantial and rapidly growing market opportunity with attributes enabling a new, technically-advanced entrant to gain traction and, ultimately, pursue an attractive exit

### Differentiated Offering

- A technology that provides for a product or service that can generate strong margins and long term competitive differentiation within the target market

### Traction

- A company that has revenue opportunities, feedback from early users, a high level of retention, and strong unit economics (e.g. LTV, CAC, etc.)

### Investment Stage

- Company is at the seed or early stage

### Attractive Deal Terms

- Opportunity to add value through a board seat and a valuation and transaction structure that provides for substantial equity with commensurate downside protection in the event of unattractive growth.

# Rho Canada Ventures

## Meeting the VC.....where to focus???

### 1- TAM

- How to calculate?
- Why is it important?
- What is the minimum TAM?
- My idea is disruptive.....there is no market today!!!

### 2- USP

- Vitamin versus Aspirin?
- “Me Too” ideas
- Feature versus company
- Crowded market

### 3- Use of Funds

- Have a plan and a financial model. No rules of thumb!!!
- *Capital efficiency*
- SaaS, Cloud.....why we love them!!!
- Investing in hardware

# Rho Canada Ventures

## *Management Philosophy*

### 1- Portfolio Diversification

- Jeff, Roger, Sean and Rho Capital partnership: *experienced, proven, cohesive team and investment platform*
- Diversified backgrounds, experiences, and sector focus
- Diversified, multi-sector, early stage investment strategy
- Commitment to being a national fund: *invest all over Canada*

### 2- Activist Investors

- Preference to lead first round
- Work closely with senior management
- Leverage global contacts
- Active board members (recruiting, business development, financing, exit strategy, etc.)

### 3- Proactive Portfolio Management

- 30 years experience with best practices
- Constantly re-evaluate for every follow-on financing
- Double and triple down on stars
- Leverage venture partners



# Rho Canada Ventures

## Term Sheet

### 1- Valuation

- What is my company worth? Pre\$ and Post\$?
- Do you use comps?
- What % do VCs need to own?
- Is it true VCs take control of the company?

### 2- Structure

- Convertible notes?
- Preferred vs. Common?
- Preferred stack, cap table???

### 3- Terms

- Liquidity Preference
- *Voting rights*
- Protective provisions: anti-dilution, pay-to-play, pro-rata rights
- Options....why? How much?

# Rho Canada Ventures

## Getting In Promising Deals Early



### Direct Strategy

5-10 seed deals – exceptional founder(s), massive market opportunity, differentiated technology

### Indirect Strategy

Active relationships with all the key accelerators and seed groups

 **GrowLab**  
RCV Partnership: Investor

**invoke**

RCV Partnership: Mentor

COMMUNTECH  
**HYPERDRIVE**

RCV Partnership: Funding Partner

**[IN]cubes**

RCV Partnership: Mentor

**JOLT**

RCV Partnership: Mentor

 **Extreme**  
STARTUPS

RCV Partnership: Investor

 **FounderFuel**

RCV Partnership: Mentor

**LaUNCH** 36

Powered by: *propelICT*

RCV Partnership: Mentor

**GreenCentre** Canada  
changing chemistry, changing the world

RCV Partnership: Mentor

Digital Media *Zone*

RCV Partnership: Mentor

# Rho Canada Ventures

## Fund I & II Co-Investors

Co-Investor Geography	Co-Investors
Canada	
US	