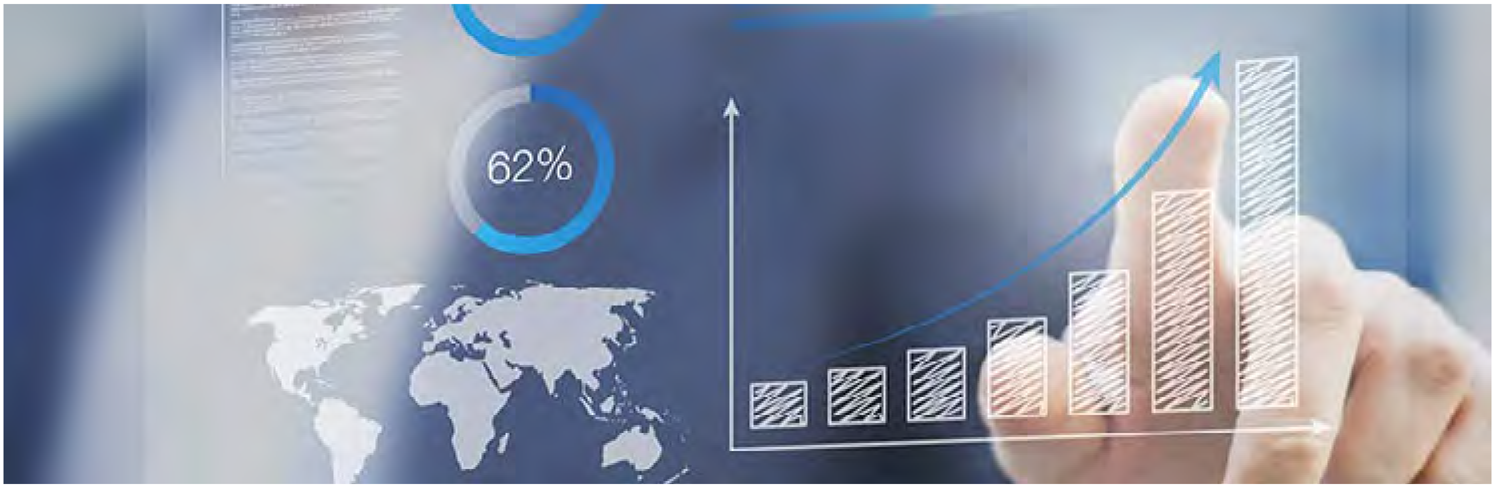

IS YOUR AGTECH IP VENTURE SCALE?

A KEY FACTOR WHEN SEEKING INVESTMENT

You need to know if your technology is venture scale before approaching investors.

WHAT DOES VENTURE SCALE MEAN?

Venture scale technologies scale faster as they have less need for ongoing investment to scale production. Fixed costs are lower, in both absolute and in per unit terms than traditional businesses.

Software is an excellent example of this concept. Once built, software is sold, replicated, and accessed with virtually no incremental cost, allowing the business to scale rapidly while increasing profits. It is largely scale-free, as profits are not tied to material costs or the utilization of fixed assets.

WHY DOES VENTURE SCALE MATTER?

Venture scale matters because there are plenty of low-risk investment opportunities offering decent but modest returns. An angel or venture capital investor must justify a high-risk investment opportunity with the potential for a high return on their investment. As such, the ability to scale is paramount in their decision making.

Angel and venture capital investors are unlikely to finance a business if the IP is not scalable.

WHAT MAKES A TECHNOLOGY VENTURE SCALE?

> *"Venture scale technologies scale faster as they have less need for ongoing investment to scale production."*

SIZE & SCOPE OF THE MARKET

The larger and more cohesive the total addressable market, the greater the opportunity to scale.

Technology with a niche or regionally-specific audience has less market potential than one with a global audience.

HIGH PERCEIVED VALUE

A venture scale opportunity has the potential to charge a premium for its high actual and perceived value. This premium pricing helps to offset development costs and is vital to sustaining rapid growth and development. The reinvestment of profits also helps finance improvements that keep and grow the customer base.

High perceived value is often associated with "must-have" products, as demand holds through economic cycles.

Commodities are not attractive venture scale investments because there is little opportunity to establish and maintain premium pricing.

SINGLE REVENUE STREAMS

Technologies with solid profit potential from a single revenue stream are more attractive than innovations requiring multiple revenue streams to achieve profitability.

Too many things need to go right for complex business models to cash flow quickly and reliably.

SUSTAINABLE DIFFERENTIATION

It is important to have some form of sustainable differentiation. This is often a technical differentiation, protected by an effective patenting strategy or "black box" know-how that is nearly impossible to reverse engineer.

Easily replicated products are vulnerable to competitive action.

"Fixed costs are lower, in both absolute and in per unit terms than traditional businesses."

A SHORT PATH TO MARKET

Many venture investors look for evidence of market traction. That is, they have little interest in technologies that still need years of development before commercialization.

MINIMAL REGULATION

Technologies with minimal regulatory obstacles are more attractive to venture investors because there is greater control over the commercialization timeline.

There must be a clear plan to address regulatory hurdles.

CONTROVERSY FREE

Some investors love a dark horse and even court controversy. Others tend to shy away from those investments.

While popular, cannabis-based technologies are examples of controversial investments. Greenhouse gas-emitting technologies have recently become less attractive than carbon neutral opportunities.

Controversy limits the range of investors who will participate.

APPLICABILITY TO CARROT VENTURES

Carrot Ventures considers all these factors when evaluating new agricultural technologies.

INCOMPATIBLE TECHNOLOGIES

Despite Carrot's broad mandate within the AgTech space, some technologies do not align with Carrot's selection criteria. Examples include:

- Seed genetics
- Synthetic chemistries
- Products related to cannabis production
- Construction of greenhouses and biorefineries
- Forestry and other natural resources technologies

"Carrot does not invest in existing companies."

OTHER FACTORS SPECIFIC TO CARROT VENTURES

- Carrot does not invest in existing companies
- Carrot does not invest in farming operations or natural resource technologies
- Capital intensive (Capex) opportunities are not a fit for Carrot
- Carrot invests in technologies at or past the proof of concept stage, where they have been demonstrated to work in a target market application (**TRL Level 7**)
- Carrot invests in technologies with the potential to generate market traction within approximately two years

IS YOUR AGTECH IP VENTURE SCALE?

We invite you to explore **The Third Option** for commercializing novel AgTech IP. **The Third Option** is for IP holders who want someone else to commercialize their AgTech innovation.

Carrot Ventures is that "someone else".

After over 20 years of working with AgTech startups, **AVAC Group** created The Company Formation Model offered through Carrot Ventures.

The Company Formation Model results in a new company with vetted technology, a compelling value proposition, a professional CEO, a governance board, and a financing term sheet from Carrot Ventures.

We believe the Carrot model offers a compelling combination of success factors and an alignment of interests for all involved.

If you have Venture Scale AgTech and are interested in learning more, **watch our intro video**, **download our PDF eBook** or **Express Interest** in participating. We're happy to discuss your AgTech Innovation and explore potential fit.

WHO IS CARROT?

Carrot Ventures forms and funds new companies to commercialize novel agricultural technologies.

AVAC Group is an internationally syndicated, multi-stage venture capital investment company.

Where To Start? If you think Carrot is the right option to bring your AgTech to market, contact us.

CarrotVentures.com **403.274.2774**

Seeding New AgTech Ventures