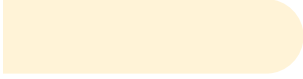
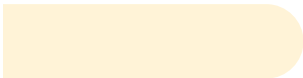




FINANCING AGTECH INNOVATIONS



BECOMING ATTRACTIVE TO INVESTORS

So, you have developed a novel agricultural technology. Will anyone use it? How will you commercialize your intellectual property?

Many AgTech companies require millions of dollars of investment to launch and commercialize their innovation. The process of raising early and multiple rounds of capital is new territory for many inventors. While the idea of entrepreneurial fame and fortune is romantic, it can feel like a marathon without end. The process involves all the facets – and risks – of raising capital and operating and growing a company.

“Finding and dealing with investors is a challenge for even the most experienced CEOs.”

The most common commercialization pathways include:

- Commercializing your innovation within a parent corporation
- Selling or licensing your technology to a third party to commercialize
- Starting a new company yourself

If you work within a corporation, your employer may decide to finance your invention, in which case they will build the team to protect and commercialize the IP. This can be a good option if your invention meets your company’s internal thresholds to receive support.

If you plan to license or sell the IP, you are similarly relying on someone else to commercialize your innovation.

If you choose to start a company around the IP on your own, you are taking on a monumental task.

Scientists and engineers are experts in their field and know their technology inside and out. However, starting a company, securing financing, attracting talent and leading the business building process may be unfamiliar and risky territory.

Finding and dealing with investors, understanding their preferences and meeting their investment criteria is a challenge for the even the most experienced CEO.



INVESTMENT ATTRACTIVENESS FACTORS

While this list is not exhaustive, these are key factors investors consider:

- Is the leadership investable?
- Is the opportunity venture scale?
- Is the value proposition unique and compelling?
- Is the corporate and ownership structure appropriate?
- Is suitable governance in place?
- How much capital is needed, and over what timeframe?

Investable Leadership

Investable leadership is about credibility, which includes relevant business and industry experience. Credibility is largely about the CEO's vision, business and financial acumen, connections, and ability to sell. However, it is also about a leader's history of building successful businesses.

Founders who are scientists and engineers often focus more on developing their technology than building their company. That is why investors want a CEO to be commercially and financially competent, with experience building teams, raising capital, and growing companies.

Venture Scale Opportunities

In simple terms, **venture scale technologies** scale faster than their need for capital. A highly scalable opportunity is one where profits are not tightly correlated to material costs or the cost of production.

Software is an excellent example of this. Once developed, software can be distributed in a relatively low-cost or scale-free manner.

Helping investors appreciate how the business will grow relative to the capital required is key to success.

“Investable leadership is about credibility and relevant industry experience.”

“To reach a broad market, you need a compelling value proposition.”

A Compelling Value Proposition

For a product to reach a broad market, it needs a compelling story for people to relate to and buy into. The story needs to be obvious to its target audience. The value proposition is unclear if it is difficult for others to understand your innovation, how it works, and how customers benefit.

Good investors think like customers. They need to appreciate how obvious and compelling your value proposition is before they will invest.

Incorporation and Ownership

Before getting involved, investors will want to make sure the company has been structured properly. It needs appropriate and complete incorporation documents and shareholder agreements.

Regardless of where the innovation is developed, the chances of success with investors will increase if ownership of the technology is clear.

Good Governance

Institutional investors are unlikely to invest in a company without solid controls in place. A key requirement is to appoint an appropriate board of directors.

How Much Capital Is Needed?

Investors want to know that companies are raising enough capital to achieve important milestones. Those measures of progress increase valuation, which makes it easier to raise more capital in the future.

THE STARTUP REALITY

Many startups fail to identify and address these factors and more. Delays in financing and growth are the result.

If you intend to start a new AgTech venture to commercialize your technology, you will need to find a workable balance between the worlds of technology, business, and finance.

Establishing financial credibility is essential for raising capital.

One of the most effective ways to gain financial credibility is to ensure the CEO has the experience and credentials to lead the venture and address investor attractiveness issues head-on.

ATTRACTIVENESS TO INVESTORS

Many inventors want their company to be about their technology. While the proverbial better mousetrap is key to the process, it is not everything. Addressing investability issues requires an experienced leader and significant upfront effort and expense.

WHAT IS THE SOLUTION?

Let someone else take your AgTech Innovation to market for you!

Let them pull all the business and financial elements together while you step into the role of a significant shareholder, possibly with a technical role in the venture.

“Find a workable balance between the worlds of technology, business, and finance.”

WHY LET SOMEONE ELSE LEAD?

The primary benefits to AgTech innovators include:

- Experienced leadership expedites timelines and minimizes costly setbacks
- Greater access to potential customers and talent
- Greatly improved access to capital to finance the opportunity
- More capital equals increased speed to market
- Shared risk / shared reward

QUESTIONS TO CONSIDER

How you commercialize your venture is a choice. Perhaps you are ready for and relish the leadership growth opportunity that entrepreneurship offers. But maybe you are not.

Before you decide, ask yourself these questions:

- Can your innovation remain unique and compelling long enough for you to make your way through so many learning curves?
- Are you willing to focus your time and effort on company building as much or more than technical innovation?
- Are you willing to seek the help needed to succeed?
- Do you have the credibility and force of personality to build and motivate a team, and win over cautious investors?
- Do you have the risk tolerance, leadership skills and financial capacity to weather the ups and downs of entrepreneurship?

It is not a simple choice. Sure, there is an obvious appeal to starting and leading a successful company. It can be a pathway to recognition, wealth, freedom and personal satisfaction. However, the entrepreneurial path is not one to embark on without careful reflection. Entrepreneurship presents significant professional and personal risks and challenges.

“How you commercialize your IP is a choice between control and speed to market.”

A NEW POSSIBILITY

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

The Company Formation Model is an investor attractiveness solution. It results in the formation of a new company, with vetted technology, a compelling value proposition, a professional CEO, a governance board, and a financing term sheet from Carrot Ventures. The model offers a powerful combination of success factors, and an alignment of interests for all involved.

Carrot Ventures was not designed to be a general-purpose financing solution. Carrot does not invest in existing companies. AVAC created Carrot specifically for AgTech innovators who prefer an experienced team to commercialize their innovation.

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.

“Carrot is that Someone Else, when you'd prefer someone else take your IP to market.”



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

