

# Investment Playbook



01

# Our Mission •

**We want to be the early-stage VC  
of choice for management teams,  
investors and talent.**



# Our mission:

Build a world-class culture.

Back exceptional companies and people.

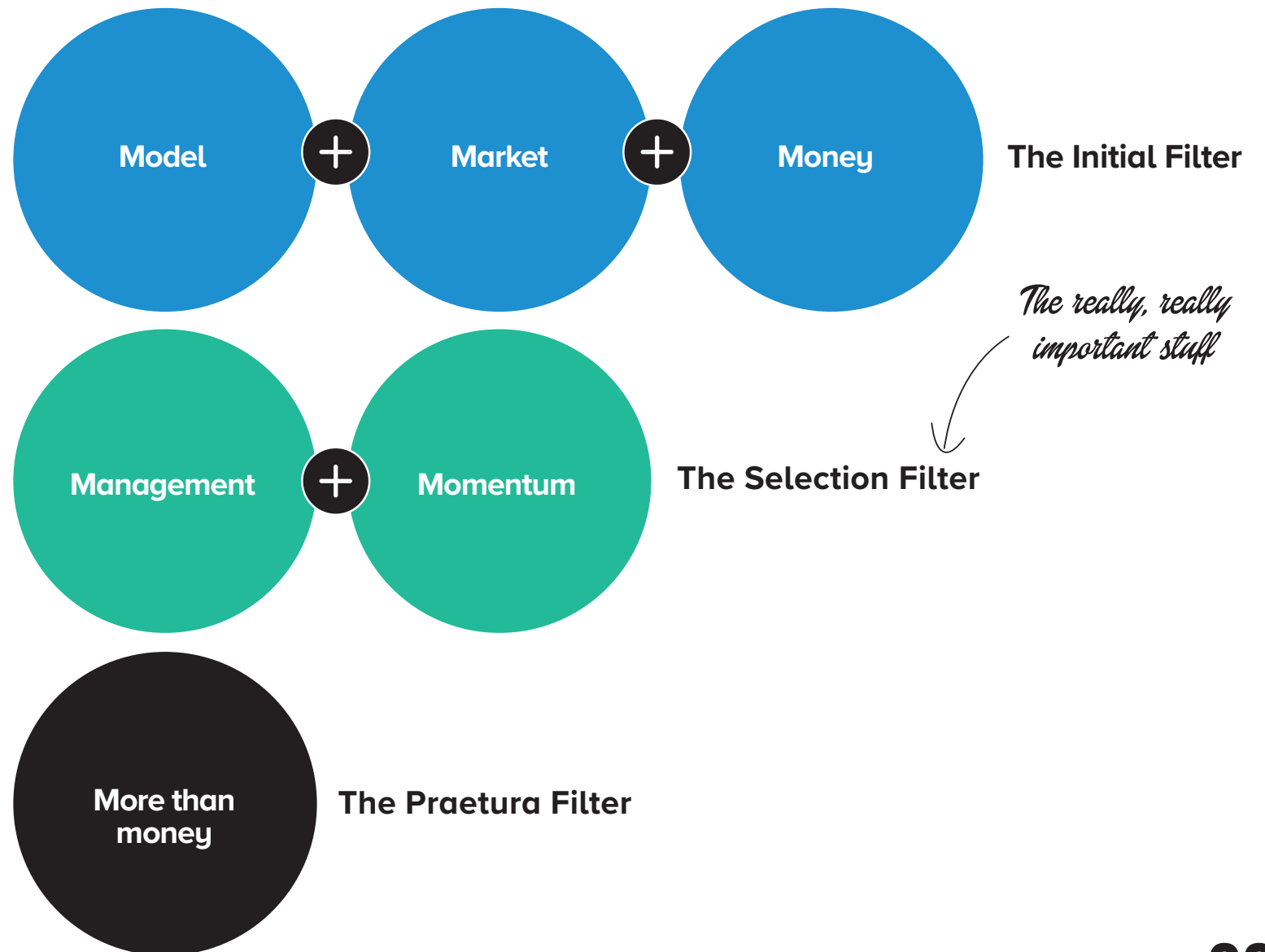
Consistently give founders and investors 'more than money'.

*Our investment process  
should help us do this!*



## What do we **Invest** in? •

# Our investment criteria – “The 6Ms”



TO MAKE  
SOMETHING SPECIAL  
YOU JUST  
HAVE TO BELIEVE  
IT'S SPECIAL

## Does the business model support rapid scaling?

In our opinion, indicators of scalability include:

### Recurring revenue

Contracted income streams that help to provide a level of certainty for businesses as they grow.

### High margin product

Scale can be achieved without having to sell significant volumes with high variable costs.

### Operational leverage

Once scale is achieved, growth in revenue shouldn't require similar growth in costs.

### Minimal working capital

Our equity investment should not be tied up in stock, WIP or trade debtors.

### Repeatable product

Selling the same or similar products on a repeatable or platform basis.

**A business does not have to demonstrate every single trait identified above. Similarly, other indicators of scalability can be used to justify an investment decision.**

# Is the market opportunity big enough?

When we invest in a company, we pay careful attention to its market to see if there is an opportunity for that company to thrive or build a substantial business.

This could be a company with a sizeable potential market. Or, if the market is smaller, a company aiming to be a category leader – a big fish in a small pond.

## Our key considerations include:

- Is the opportunity in an attractive niche within an existing market?
- Can the business be an early mover in an emerging market segment?
- Can the business defend its position over the long-term? What is the competitive landscape?
- Can the current industry be disrupted through innovation, technology or IP?
- Are there regulatory drivers or constraints within the sector?
- Is there potential for global expansion?





# What is the impact of our money?

As a patient, long-term investor we're not expecting a quick return.

Building a business can take longer than expected and there are likely to be bumps in the road. We appreciate that more than one funding round may be required to achieve any ambitions. We also have a track record of supporting companies throughout their journey.

Our investments range between £1m-£3m, dependant on the size of the round. We are also happy to syndicate with other investors who share our vision and can add value to the company.

## Key considerations:

- Is the valuation fair and reflective of the business' progress? What is the multiple of existing revenue? Are there comparable valuation benchmarks in the industry?
- Can we achieve a significant return from our investment? Are there precedents of exits achieved in the sector?
- What does the current capital structure of the business look like? Does it feel fair? Are the management team appropriately incentivised to achieve significant returns for all stakeholders?
- What is the use of funds? Is the money being used to grow the business, as opposed to dealing with legacy issues? Do we think it is enough to achieve the company's milestones?





## Is the management team exceptional?

One of the most important factors for us when assessing an opportunity is the management team. We acknowledge that the team does not need to be complete on day 1, and we'll work with the business on critical hires.

## We are looking for talent

Does the team have talent, drive and passion?

Does the business have a great founder story which demonstrates real knowledge or first-hand experience of the problem the business is looking to solve?

Are we aligned behind the vision, mission and purpose of the business and the founders?

Are the team good people with character and values that we also believe in? The best fit for Praetura will be those who have the talent but are humble, authentic and willing to learn.

Are they team players? Do they function well and, like us, believe in teams above individuals?

Are they constantly learning and developing?

Are they focused on creating and maintaining a great culture for their employees?

Fundamentally, do we believe the team is capable of executing on the plan and building a great business?

# Is there strong momentum? Can we see rapid growth or development?

We are looking for businesses that demonstrate real momentum. Our investment should be to fan the flames, not start the fire.

Momentum is so important in our investment decision making process that it can, at times, compensate for other less favourable views of the investment.

If a business has genuine momentum, particularly around revenue and customer numbers, the market is telling us that it's got 'something' right.

- Is revenue growing rapidly? Has the business got a wide customer base to protect against concentration risk?
- Are they making significant progress with their product or go to market strategy?
- Is the pipeline developing? And is it real?
- What evidence have we got that this business is going places? And quickly?



# Can we add more than money?

We are looking to back businesses that enable us to play our part in creating a great company.

This is not to say that we have first-hand experience in every sector. Nor does this mean that we must be able to demonstrate an exact match for the needs of the team.

But this collaborative approach does translate to us looking for the best ways to help the management team as they develop their people and strategy or execute on their plans.

- In what areas can we help the business?
- Where are their weaknesses? Can we help them develop their people, strategy or execution?
- Who is the right investment director? Which operational partners fit best?
- Does the team want help in a certain area? Are they willing to learn, either from us or external parties?
- How can we help to build an awesome business?



# Our journey for investee companies

WE ALWAYS NEED TO BE TRANSPARENT ABOUT WHERE A COMPANY IS UP TO IN OUR PROCESS AND THE LIKELY TIMING BETWEEN STAGES.



## Guiding Principles of Interaction •

# Our promise to founders

Everyone deserves a great experience when dealing with Praetura, whether we invest in them or not.

We must remember every founder has taken risks, made sacrifices and poured their heart and soul into their business. And whether we believe in their plans or not, that does not diminish the level of hard work and sacrifice they've gone through prior to meeting us.

We also acknowledge that raising capital is difficult and emotional at the best of times. We understand this as we've been there.

Founders we meet will have heard 'no' many, many times. They will be concerned that their business may not get funding and therefore may not survive. We must, at the very least, make sure that dealing with Praetura does not add to the stress or make life more challenging – even if we decide not to invest.

**Our focus, in every interaction, is to create a positive experience.**

**To ensure this is always the case, we use the following eight guiding principles...**





# Live our values

The simplest way to create a positive experience is to act in line with our values of 'doing the right thing' with courage, authenticity and humility.

Every founder deserves to be treated properly, regardless of whether we think they've founded the next Google or haven't yet developed their plan beyond an idea.



# Be there to learn and listen

When working with founders, we appreciate that we are there to learn from them – about their business, their challenges, their aspirations and their industries. We embrace this opportunity by gleaning knowledge from every founder we interact with.

We should be prepared. If we're sent information in advance, we'll read it. If the meeting requires technology, we'll ensure it's set up beforehand.

And in the meeting, we listen intently when founders are telling us their story. We don't read our emails during pitch presentations, and we don't constantly check our phones. Put simply, we give founders our undivided attention.



## Be truthful

So many investors bullshit prospective founders. They give bland answers to direct questions and, at worst, lie about where the business is in their pipeline. They keep a list of companies hanging simply to act as backup to other deals that are higher priorities. For a founder raising money, this is crap.

We have a duty to do better. We should answer questions fully. And we should be honest when we aren't sure about whether we're likely to invest. If the answer is no, we should communicate this quickly.

This requires trust on both sides. We need to trust the founder to take such candidness in the spirit intended.

We believe that the benefit of being truthful outweighs the potential negatives and accept the risk of conflict willingly.





## Remember the question

When we are giving feedback to management teams, we must remember that the overarching question is not “is this a good business?” but “will Praetura invest in this business?”

These are two very different questions. It is not for us to say whether we think a business is good or doing something ‘wrong’ or different to how we would expect.

Likewise, we recognise we won't get every decision right. Naturally, we'll miss out on some great businesses, as we can only invest in a small fraction of what we see.

Our feedback to founders should not be focused on errors or issues. Feedback should always be in the context of why we're not willing to invest. This is authentic and truthful because it's our reason for not investing as Praetura – it's our job and responsibility to make this clear.

Above all, we do not need to justify that decision by picking holes in the business or by asking for more information to prove our point of view.


# Respect founders' time

When communicating with founders, we should always be conscious that they are working around the clock to build their business.

We should be mindful of creating additional work for them by not asking for information for the sake of it. Clearly, if there is critical analysis to do, we should not shy away from requesting information and making the result mutually beneficial.

We tailor any information requests to the specific company and will not make companies transfer their data into standard templates just to make our life easier.





**GOOD  
VIBES  
ONLY**

## **Be transparent and fair with our terms**

As an investor, there are certain rights and terms we need to protect our investment. This is a fact of life when investing and our standard terms should provide a good starting point for the investment documentation.

However, our goal when dealing with companies should be to agree the terms that we need to protect our investment, but not more onerous than necessary.

Moreover, we should be prepared to deviate from our standard terms when the situation is unique or commercially justifiable.

Our term sheets are purposely detailed and transparent so there shouldn't be any surprises when we enter the legal process.

# Be clear on where we can add value

We focus on providing more than money from our first interactions. However, this doesn't mean we're able to help in all scenarios, nor does it mean we'll be the best investor for each individual founder.

Many founders believe the best value-add from their investor is client and network introductions. And it's likely that we will be able to add value in this way. However, our view of 'more than money' extends beyond this.

We continue to help founders by structuring sales teams and processes, providing access to additional funding sources, helping with messaging, developing go-to-market strategies and more.

Nevertheless, we shouldn't seek to run the company or have day to day involvement. Our role is to guide, mentor, advise, motivate but roll our sleeves up when asked to.

When we speak to founders, we must be honest and transparent with where we see our value-add being. This won't always be in line with what a founder is looking for, which we must accept.





Get S#!t  
DONE

## Deliver on every promise

If we agree to do something, take an action, or take the lead on a project, we fully commit to delivering.

We undertake the work with diligence and in the time-frame agreed. We hold ourselves to incredibly high standards and deliver results.

And, if we are unable to achieve what we set out to, we communicate this quickly and openly.

We don't hide behind excuses and, where necessary, we apologise unreservedly and commit to putting it right.

Live our values

Be there to learn and listen

Be truthful

Remember the question

Respect founders' time

Be transparent and fair with our terms

Be clear on where we can add value

Deliver on every promise





**Thank you**