July 2022

Venture Capital and Tech Startups 101

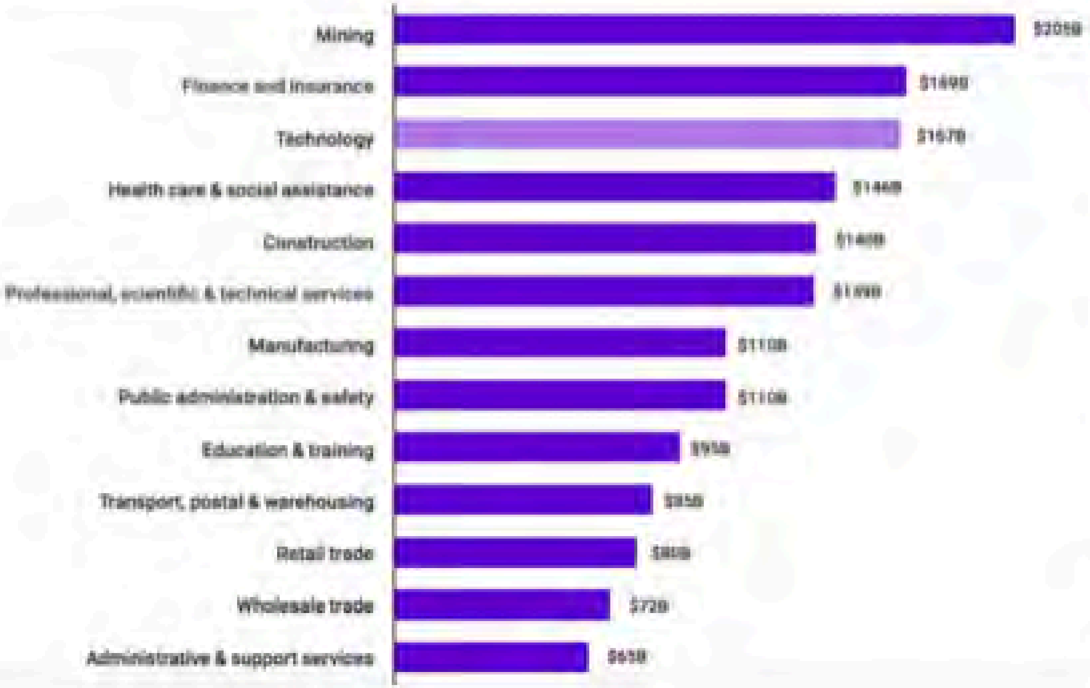
AirTree Ventures

Introduction: The Australian Tech Startup Sector

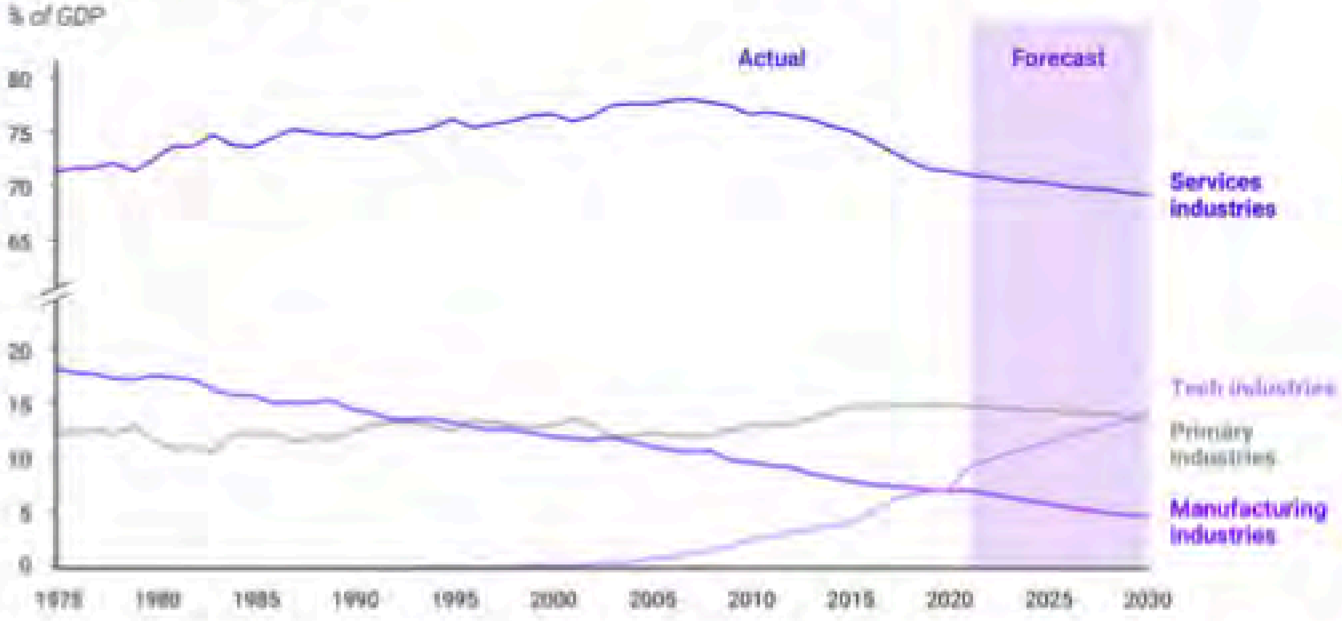
AirTree

Technology sector: the 3rd biggest contributor to the Australian economy

Industry ranking of contribution to GDP



Australian economy by sector



Source: Accenture analysis of ABS 5204.0 Australian System of National Accounts, 2021

AirTree

What's a tech startup?

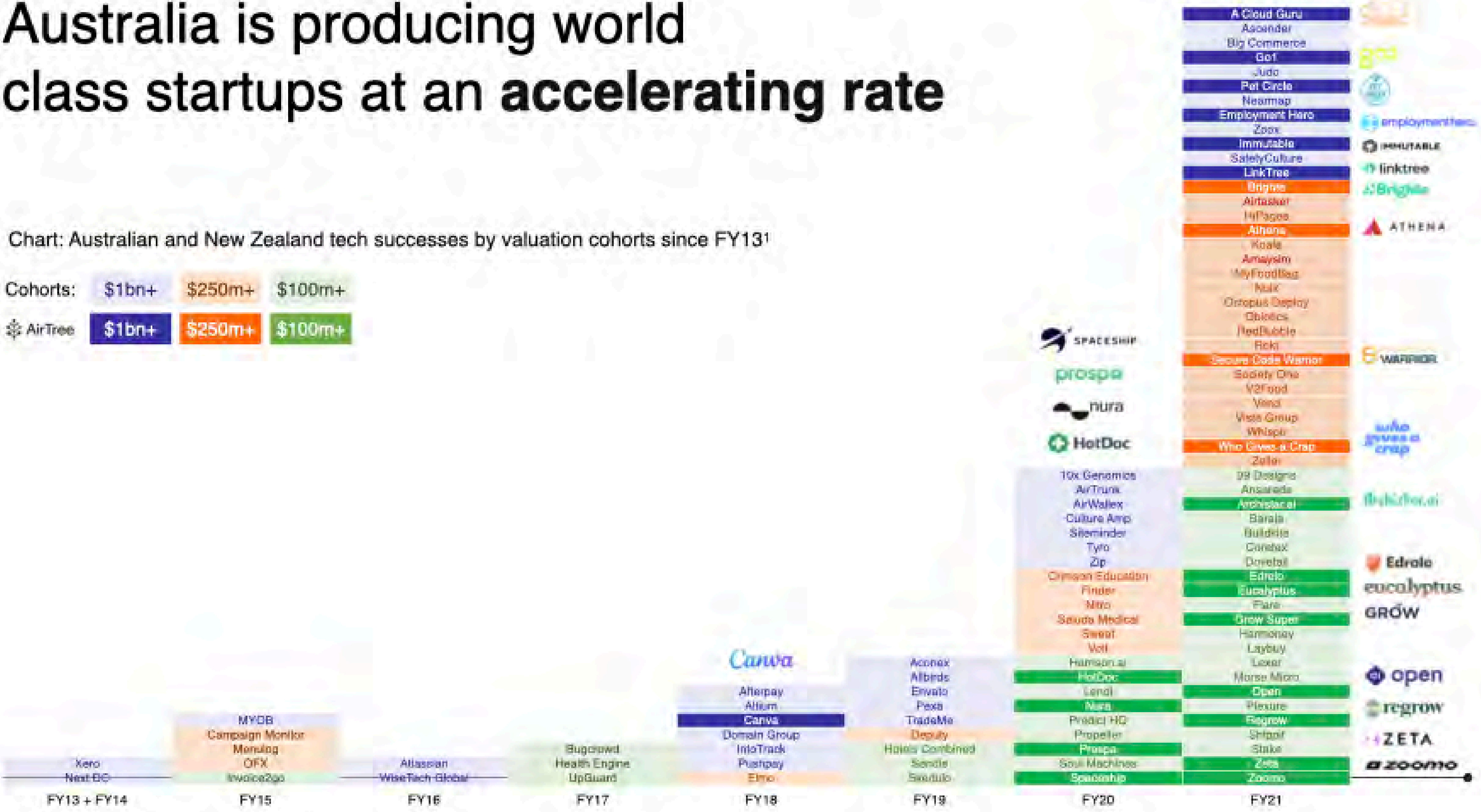
An early-stage, young business that:

- Innovates in technology or business model
- Is enabled or driven by technology
- Is highly scalable
- Has large market potential
- And fast growth potential

AirTree

Australia is producing world class startups at an **accelerating rate**

Chart: Australian and New Zealand tech successes by valuation cohorts since FY13[1]



1. Based on publicly available data and to the best of our knowledge

Why startups matter

AirTree

ASX Top 15 Companies by Market Cap: June 2022

Rank		Code	Company	Price	1 Day	1 Week	1 Month	1 Year	Sector	Mkt Cap
1	↑	BHP	BHP Group Ltd	$42.98	+4.32%	+6.76%	-1.58%	-0.27%	Materials	$217.58 B
2	↓	CBA	Commonwealth Bank of Australia	$93.54	-0.21%	+6.84%	-12.28%	-6.34%	Financials	$159.62 B
3	↑	CSL	CSL Ltd	$274.03	+0.38%	+4.16%	+1.86%	-4.99%	Health Care	$132 B
4	↓	NAB	National Australia Bank Ltd	$27.79	-0.50%	+6.64%	-12.28%	+6.39%	Financials	$88.72 B
5	↓	WBC	Westpac Banking Corporation	$19.75	-0.85%	+2.92%	-18.02%	-23.51%	Financials	$69.15 B
6	↑	MQG	Macquarie Group Ltd	$167.23	+0.58%	+3.59%	-8.62%	+7.96%	Financials	$64.17 B
7	↓	ANZ	Australia and New Zealand Banking Group Ltd	$22.42	-0.67%	+4.82%	-12.70%	-20.47%	Financials	$62.64 B
8	↑	WDS	Woodside Energy Group Ltd	$32.68	+4.34%	+7.61%	+8.43%	+45.05%	Energy	$62.05 B
9	↑	FMG	Fortescue Metals Group Ltd	$18.58	+3.00%	+9.10%	-5.26%	-19.46%	Materials	$57.15 B
10	↓	WES	Wesfarmers Ltd	$43.14	-2.29%	+1.75%	-7.66%	-26.24%	Consumer Discretionary	$48.91 B
11	-	TLS	Telstra Corporation Ltd	$3.93	0.00%	+3.15%	+0.51%	+9.17%	Communication Services	$45.41 B
12	↑	TCL	Transurban Group	$14.52	+0.42%	+4.24%	+0.90%	+1.39%	Industrials	$44.59 B
13	↑	WOW	Woolworths Group Ltd	$36.15	+0.22%	+9.95%	+5.80%	-4.49%	Consumer Staples	$43.88 B
14	↑	RIO	RIO Tinto Ltd	$106.92	+3.00%	+5.25%	-5.71%	-15.18%	Materials	$39.69 B
15	↑	GMG	Goodman Group	$18.99	+0.69%	+7.35%	-4.33%	-10.13%	Real Estate	$35.48 B

AirTree

ASX Top 15 Companies by Market Cap: June 2022

Rank	Code	Company	Price	1 Day	1 Week	1 Month	1 Year	Sector	Mkt Cap
1	↑ BHP	BHP Group Ltd	$42.98	+4.32%	+6.76%	-1.58%	-0.27%	Materials	$217.58 B
2	↓ CBA	Commonwealth Bank of Australia	$93.64	-0.21%	+6.84%	-12.28%	-4.34%	Financials	$159.62 B
3	↑ CSL	CSL Ltd	$274.03	+0.38%	+4.10%	+1.80%	-4.99%	Health Care	$132 B
4	↓ NAB	National Australia Bank Ltd	$27.79	-0.50%	+5.64%	-12.28%	+6.39%	Financials	$88.72 B
5	↓ WBC	Westpac Banking Corporation	$19.75	-0.85%	+2.92%	-18.02%	-23.51%	Financials	$69.15 B
6	↑ MQG	Macquarie Group Ltd	$167.23	+0.58%	+3.55%	-8.62%	+7.86%	Financials	$64.17 B
7	↓ ANZ	Australia and New Zealand Banking Group Ltd	$22.42	-0.67%	+4.62%	-12.70%	-20.47%	Financials	$62.64 B
8	↑ WDS	Woodside Energy Group Ltd	$32.68	+4.34%	+7.61%	+9.43%	+45.05%	Energy	$62.05 B
9	↑ FMG	Fortescue Metals Group Ltd	$18.56	+3.80%	+9.16%	-5.26%	-19.48%	Materials	$57.15 B
10	↓ WES	Wesfarmers Ltd	$43.14	-2.29%	+1.75%	-7.08%	-26.24%	Consumer Discretionary	$48.91 B
11	- TLS	Telstra Corporation Ltd	$3.93	0.00%	+2.15%	+0.51%	+9.17%	Communication Services	$45.41 B
12	↑ TCL	Transurban Group	$14.52	+0.42%	+4.24%	+0.90%	+1.33%	Industrials	$44.59 B
13	↑ WOW	Woolworths Group Ltd	$36.15	+0.22%	+9.95%	+5.60%	-4.49%	Consumer Staples	$43.88 B
14	↑ RIO	RIO Tinto Ltd	$106.92	+3.00%	+5.25%	-5.71%	-15.18%	Materials	$39.69 B
15	↑ GMG	Goodman Group	$18.99	+0.69%	+7.35%	-4.33%	-10.13%	Real Estate	$35.48 B

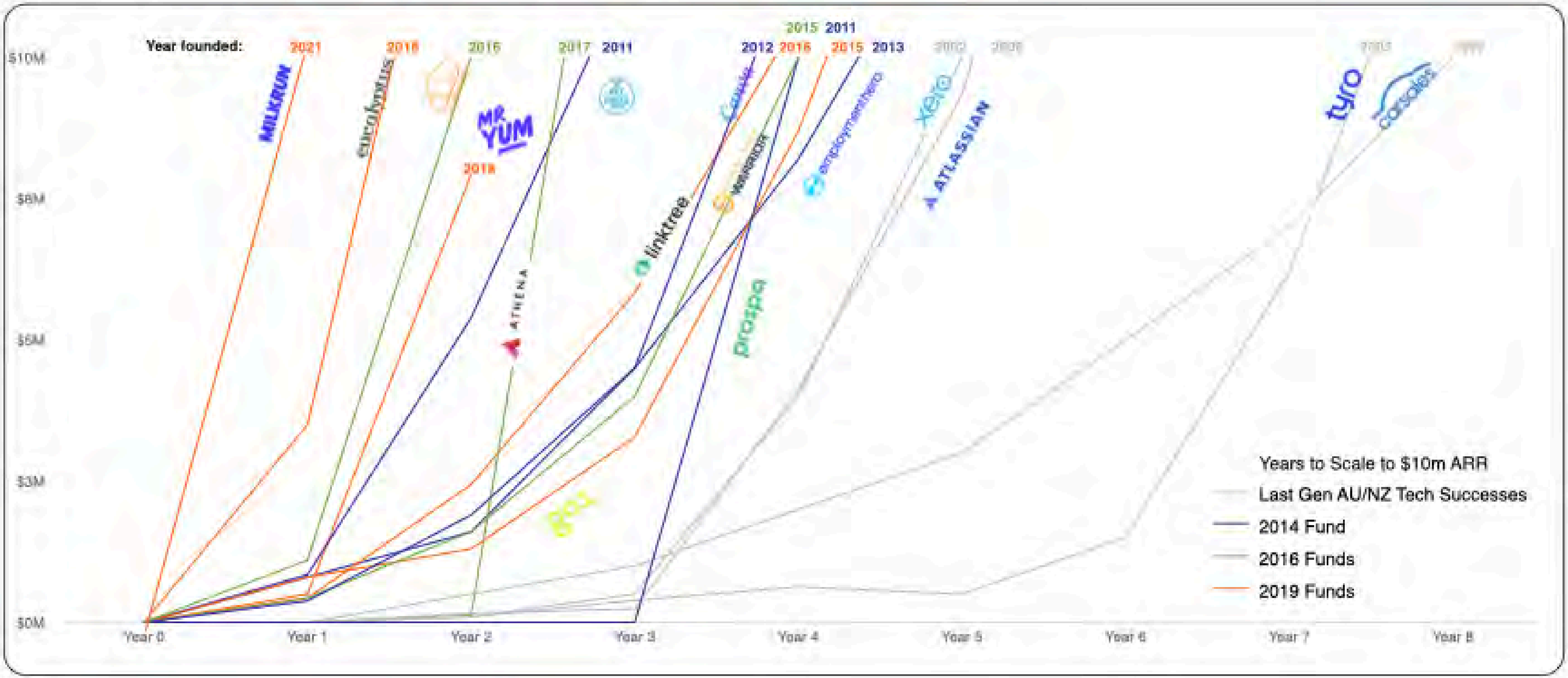
ATLASSIAN
$74BN

Canva
$55BN

AirTree

Startups are scaling faster than ever

We are intercepting them at inflection points in their growth



Creating high-quality jobs of the future

- 861,000 people employed the Tech sector across Australia today
- 1 in 16 working Australians work in tech sector jobs: more software engineers and developers in Australia than solicitors, plumbers, hairdressers.
- Since 2005, tech jobs have grown by 66%, compared to an average jobs growth rate of 35% across the economy.
- Tech jobs are great jobs
  - Highly paid: 64% more weekly than economy-wide average
  - More flexible & more secure: rate of people no longer working in tech after 8 years 6.2 percentage points lower than other industries

AirTree

Creating high-quality jobs of the future

ATLASSIAN

Founded in 2002
~10000 Employees

Canva

Founded in 2013
~4000 Employees

afterpay

Founded in 2014
~1000 Employees

Airwallex

Founded in 2015
~1000 Employees

go1

Founded in 2015
> 500 Employees

iMMUTABLE

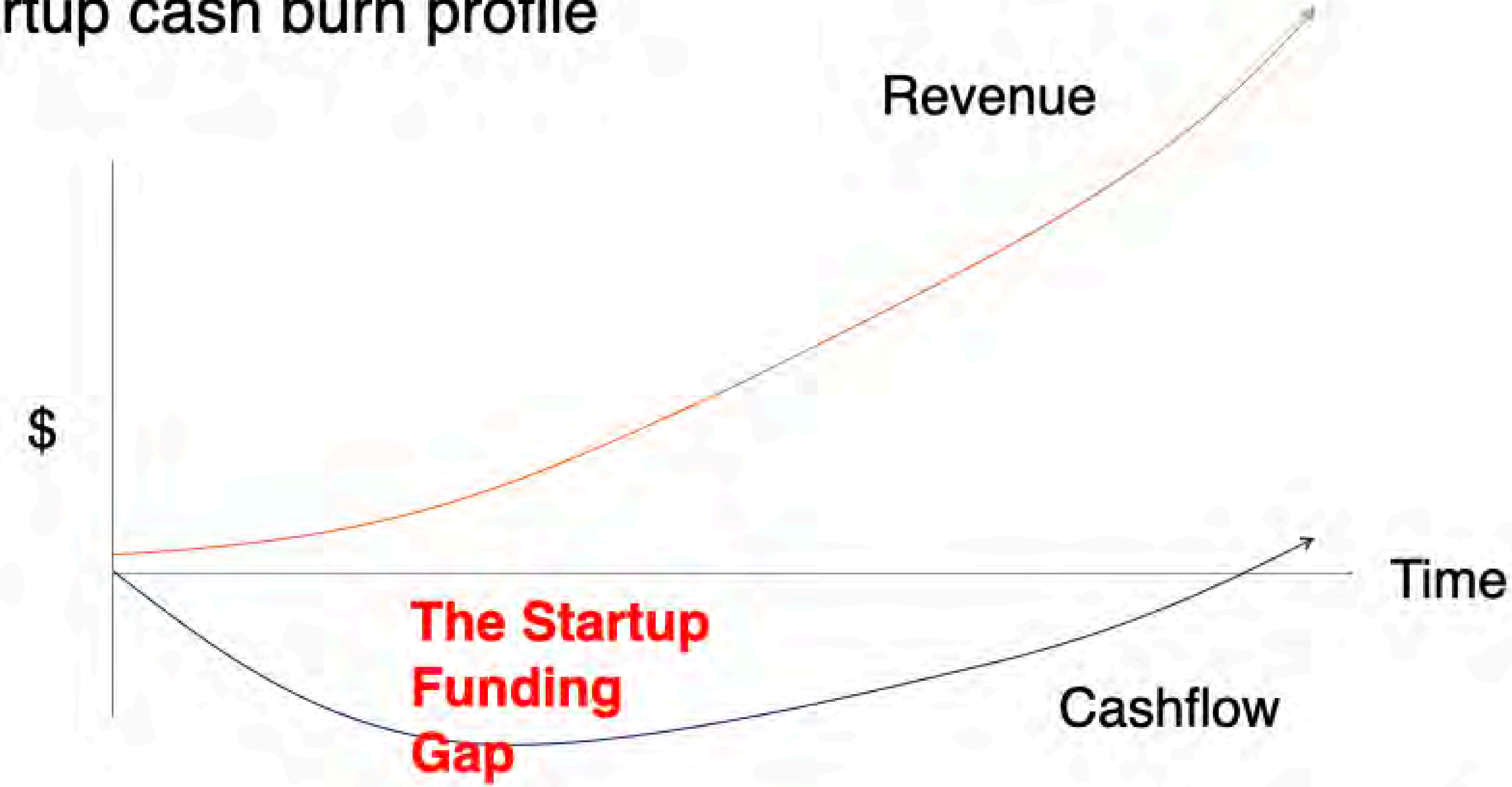
Founded in 2018
~ 300 Employees

AirTree

Introduction to Venture Capital

AirTree

Startup cash burn profile



AirTree

What is VC?

An asset class focused on funding and supporting early-stage startups

Funds from institutional (super) and individual investors

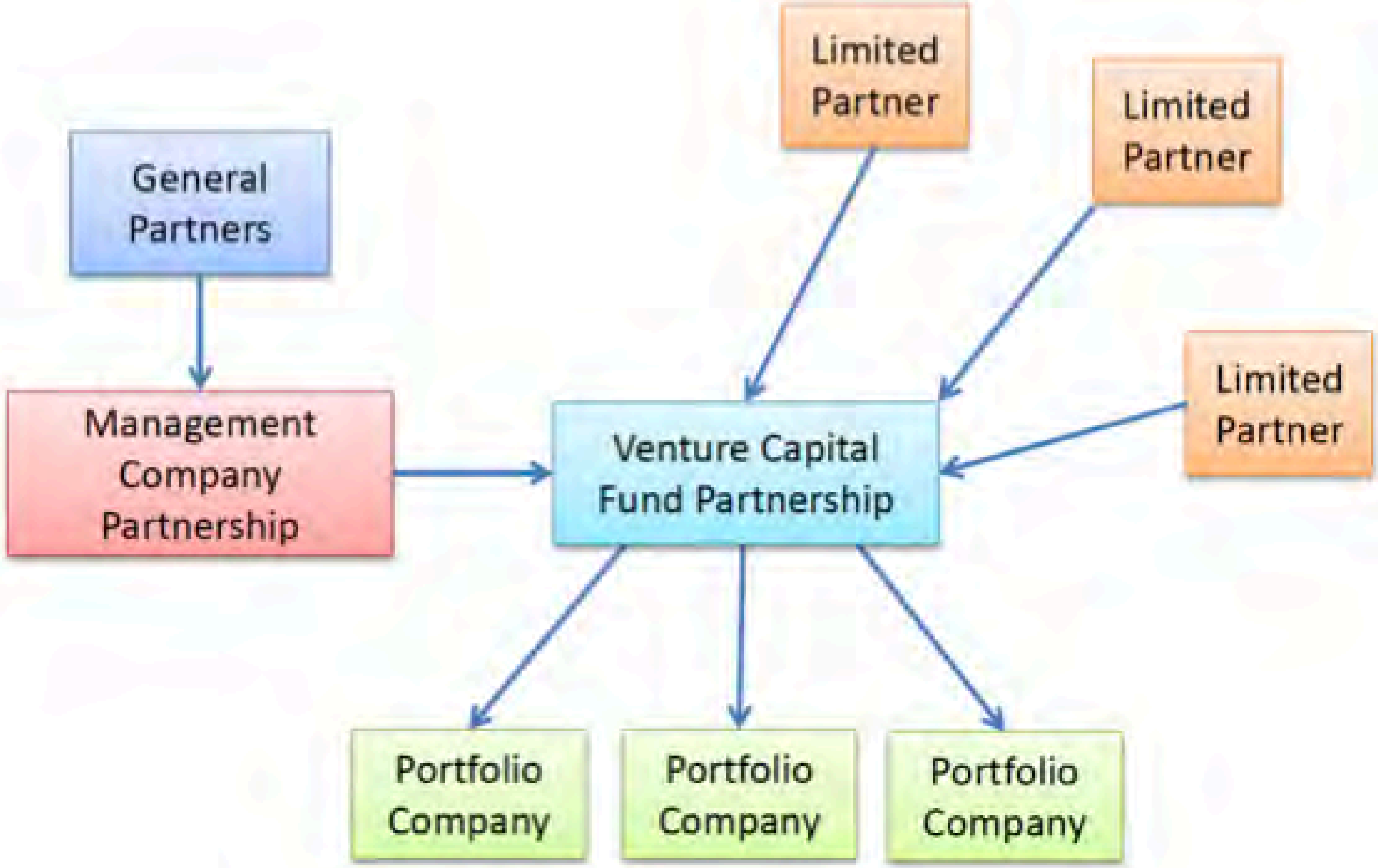
Early stage and high risk

Minority (non-controlling) equity stakes

Active support for company founders

Usually 10 year funds investing in a portfolio of 10-30 startups

Typical VC Fund Structure



AirTree

What do venture capitalists do?

Raise money from our investors (Limited Partners): Superannuation Funds, private wealth funds, HNWIs

Find and assess great early-stage technology companies

Make initial investments

Invest further time/effort/resources to help these companies grow

Get the companies to an exit: acquisition, IPO

Return funds to our investors

AirTree

Typical VC investment process

Several weeks or years

Getting to know the founding team and business: meetings, forming long term relationships

4-8 weeks

Due Diligence & Investment Memo
Investment Committee Meeting
Term sheet offer

Compliance and contracts
Capital deployment

Up to 10 years

Ongoing portfolio support

AirTree

How do VCs assess companies?

- Team
- Market opportunities
- Product market fit
- Unit economics
- Clear differentiation
- Financials
- Likely exit options

VC is a Small Asset Class, But Has an Outsized Impact on the Economy

R&D

- Globally, despite making up only a fifth of the public markets, venture-backed companies account for 44% of their total R&D spend.

Jobs

- Over a 10-year horizon, VC backed businesses see a 475% increase in their employee-base, compared to just 230% for otherwise similar companies.

Shareholder Value

- From 1980 and 2020, over a third of all IPOs (39%) were venture-backed.
- Currently, seven of the biggest 10 firms in the world by market cap were built with the help of VC firms; (Apple, Microsoft, Amazon, Alphabet, Facebook, Tesla & Tencent).
- Shares in VC-backed companies grow more than 2x their non-VC-backed peers over a 10-year period

Source: Rist, Kjarten, "VC's Outsized Economic Impact Will Power A New Golden Age", Published in Forbes 28 July 2021

Introduction:
The Australian VC Market

AirTree

Australian VC Market Has Grown Quickly…

Emerging separation between large, scaled funds with strong local brands and smaller niche offerings

$500m-$1b+

- AirTree
- Blackbird
- Square Peg

$100m-$500m

- Carthona
- Main Sequence
- nab
- Bailador
- evp
- OUR

<$100m

- King River
- artesian
- Right Click Capital
- Tidal
- Tempus
- Follow the Seed
- AURA
- Jelix
- x&.
- Afterwork
- Black Sheep Capital
- investible
- Ryder Capital

AirTree

And with increasing institutional fund support…

FINANCIAL REVIEW

AusSuper to enter local VC as industry funds eye private assets

Sam Sicilia on how super fund Hostplus became Australia's biggest tech VC backer

AustralianSuper

TelstraSuper

HESTA

HOSTPLUS

Australian Retirement Trust

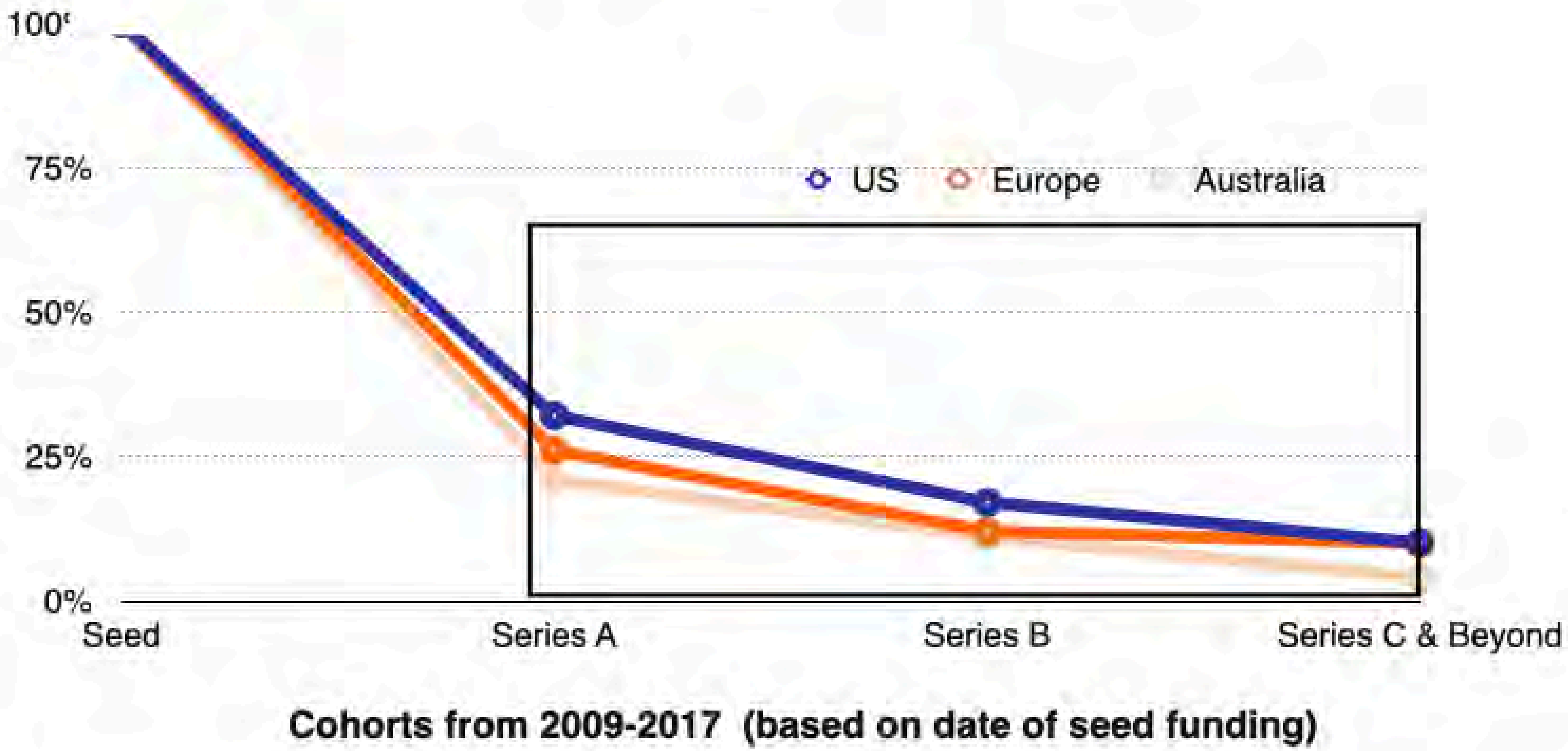
Statewide Super

AirTree

… but it's still underserved

Source: Preqin
OECD

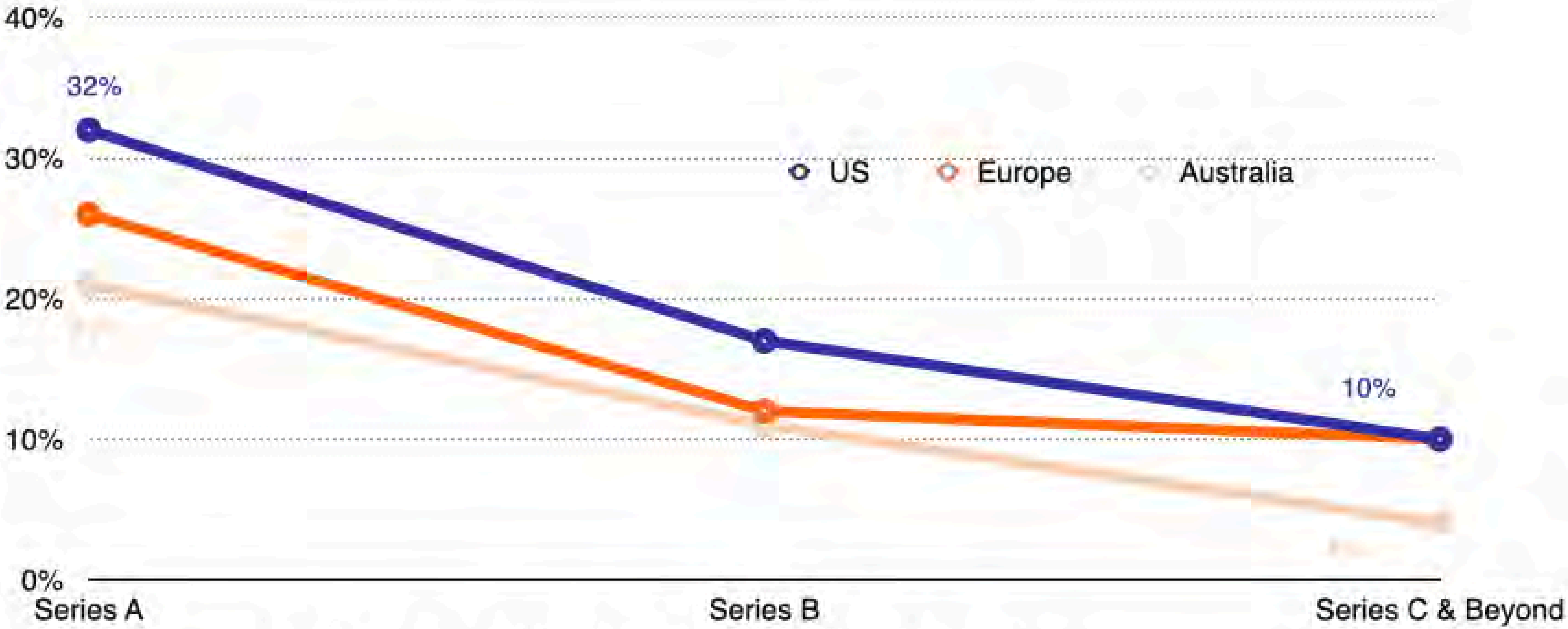
Startup graduation rate: cliff can be steep



Data: Mattermark, Pitchbook, DealRoom.co

AirTree

Startup graduation rate: cliff can be steep



Cohorts from 2009-2017 (based on date of seed funding)

Data: Mattermark, Pitchbook, DealRoom.co

AirTree

Policy Support

AirTree

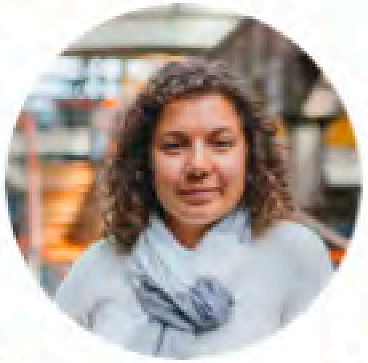
Policy support areas

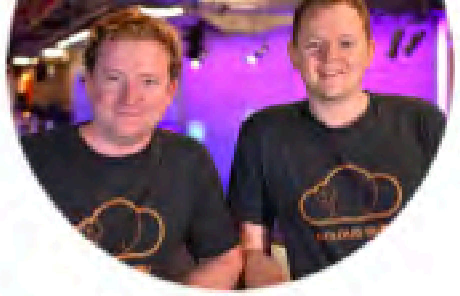
Incentivise investment into innovation

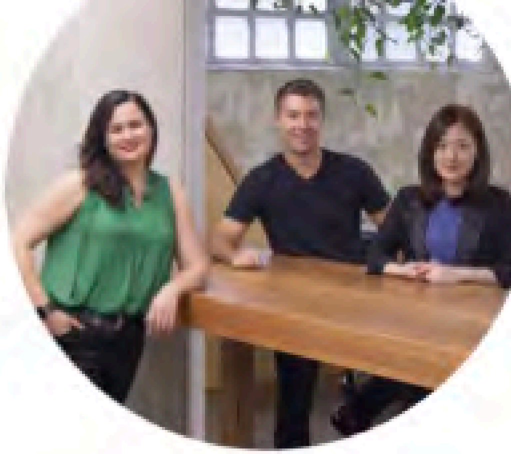
Create and attract globally competitive talent

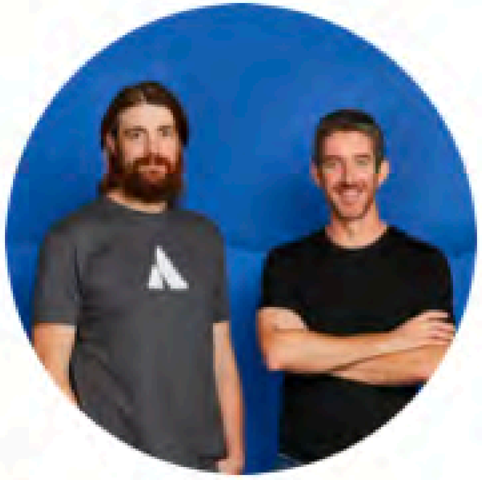
Support tech take-up by Aussie businesses

Supporting founders









AirTree