

THE SBS LATER STAGE EIS FUND

Presentation

the**side**by**side**
PARTNERSHIP



DISCLAIMER

IMPORTANT NOTICE

Reliance on this promotion for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all of the property or other assets invested. Any individual who is in doubt about the investment to which this document relates should consult an authorised person specialising in advising on investments of the kind in question.

Please note that an investment in the Fund can only be made after an investor has received and read the Key Information Document, the full Information Memorandum and completed an original application form. This document does not constitute an offer for shares or an offer or inducement to engage in any investment activity.

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(b) Article 48: Certified High Net Worth Individuals. Such an individual must have signed the requisite statement relating to his net worth within the last 12 months; to be a certified high net worth individual an individual must meet one of the following criteria:

- (i) had annual income in the preceding financial year of at least £100,000;
- (ii) had net assets throughout the preceding financial year of at least £250,000 (excluding primary residence and certain other assets).

(c) Article 49: High Net Worth Companies. This includes body corporates with a called up share capital or net assets of not less than £500,000 where it or its parent undertaking has more than 20 members, otherwise £5 million; any unincorporated association or partnership which has net assets of not less than £5 million.

(d) Article 50: Sophisticated Investors. Such an investor must have a requisite certificate signed by an authorised person to the effect that he is sufficiently knowledgeable to understand the risks associated with this type of investment and must have signed a requisite statement within the last 12 months declaring that they qualify under this exemption.

(e) Article 50A: Self-certified Sophisticated Investors. Such an individual must have signed the requisite statement within the last 12 months. To be self-certified an individual must meet one of the following criteria:

- (i) be a member of a network or syndicate of business angels for at least six months;
- (ii) have made more than one investment in an unlisted company in the prior two years;
- (iii) be working or have worked in the prior two years in a professional capacity in the private equity sector or the provisions of finance for small and medium enterprises;
- (iv) are or have been in the two years prior a director of a company with an annual turnover of at least £1 million.

If you are in any doubt about whether the investment described is suitable for you, you should seek a personal recommendation from an authorised person specialising in advising on investments of this kind.

The price, value or income of or from securities may fall and you may lose all of the capital that you invest in the Fund. Investments in unquoted companies are not readily realisable or transferable and you may not be able to realise your investment when you want to do so. This document may contain projections and information on past performance. Neither past performance nor projections are a reliable indicator of future results.

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Welcome

The SBS Later Stage EIS Fund has been formed to invest in and actively guide a select number of companies as they transition from scale-up to large scale commercialisation.



THE SBS LATER STAGE EIS FUND

Focused on addressing the challenges to UK companies as they grow (as identified by the UK Government)

“Many of our innovative businesses...do not grow to be substantial”

HM Government: Industrial Strategy White Paper¹

“Fewer than one in 10 firms that obtain seed funding in the UK go on to receive later stage fourth round investment”

The Guardian referring to the HM Treasury Consultation (2017)²

“Although we score third globally in an OECD ranking of the number of startups created, we don’t make it into the top ten when it comes to businesses that grow into established, medium-sized companies that have a lasting impact on our economy”

The Independent, referring to the OECD Global Rankings³

WHAT WE DO



The SBS Later Stage EIS Fund supports up to eight promising companies in the transition from scale-up to larger scale commercialisation.

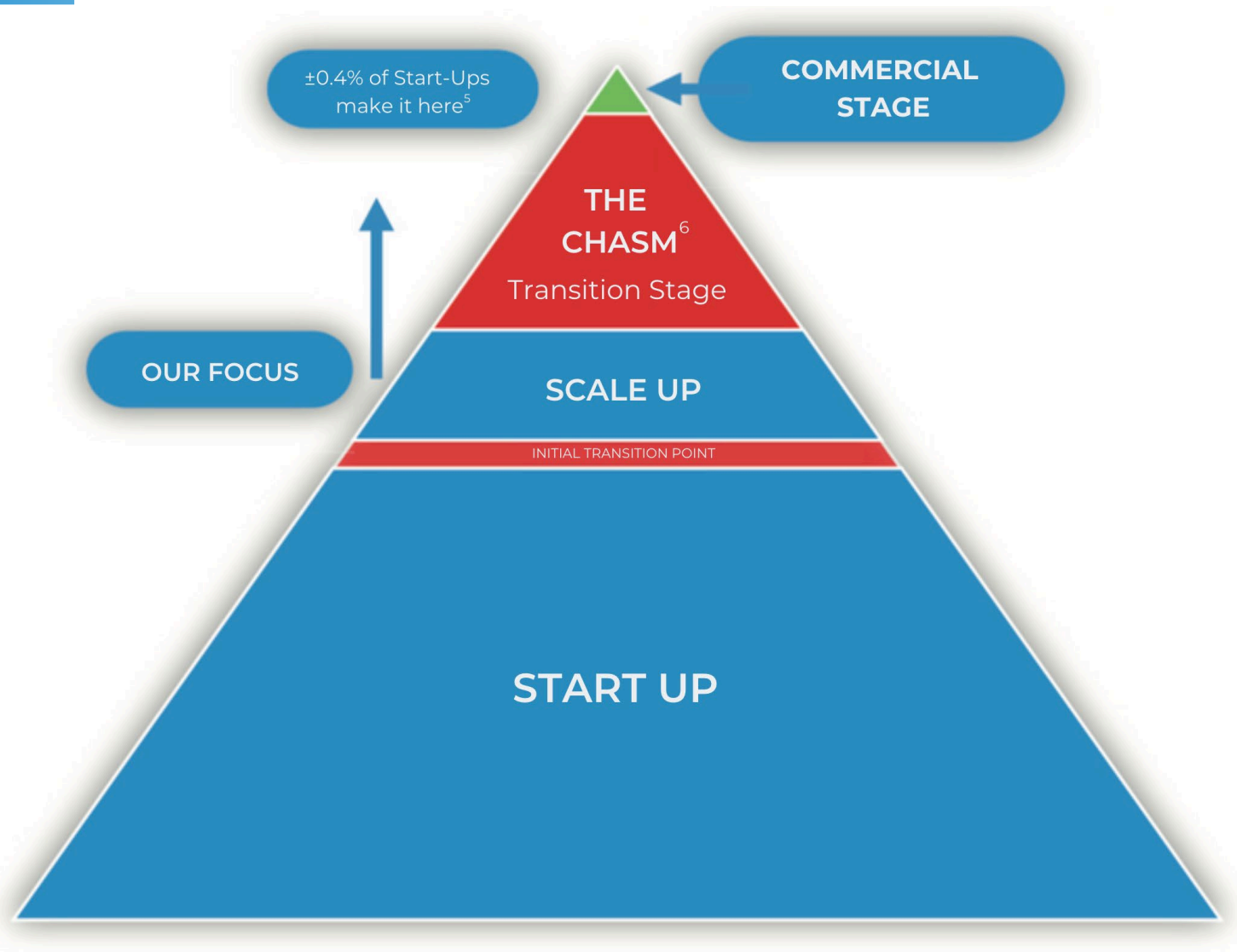
The companies we select to invest and assist in this challenge have applied technology to change existing or grow new markets.
Our name is our practice. We work Side by Side with:

- **INVESTORS**
- **PORTFOLIO COMPANIES**
- **ADVISERS**

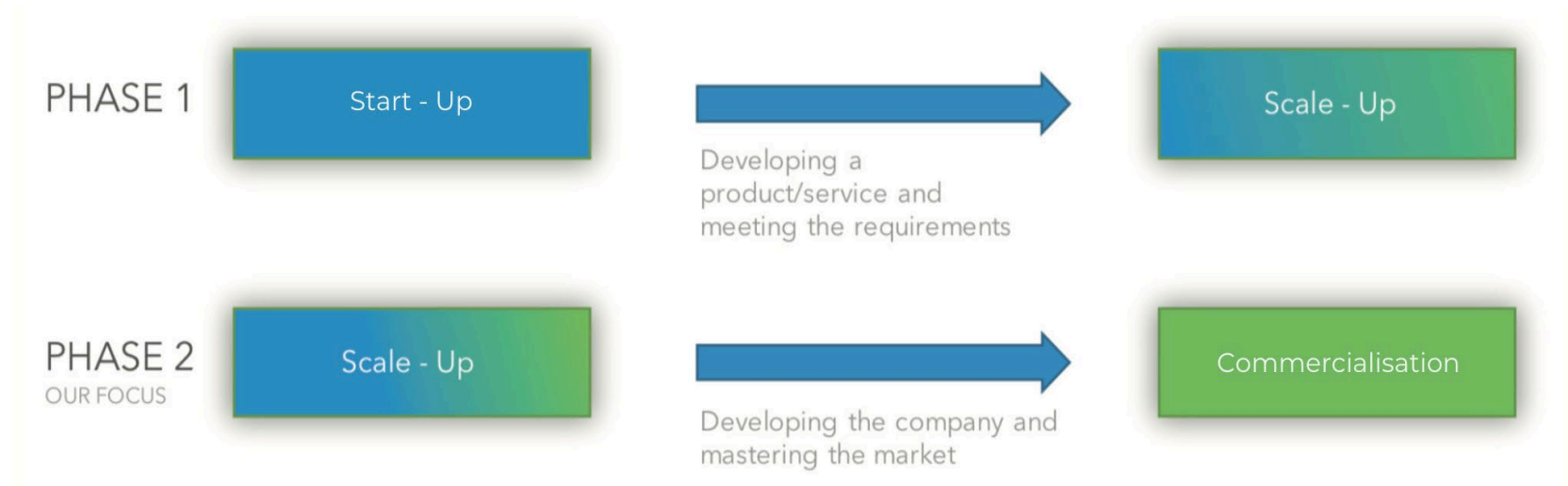
WHY DOES THIS MATTER?

"Even a 1% increase in the number of successful scaleups could result in the UK's collective payroll increasing by 288,000"⁴, creating great value for investors and the UK economy.

WE PREDOMINANTLY INVEST IN LATER STAGE COMPANIES



THE MECHANICS OF GROWTH

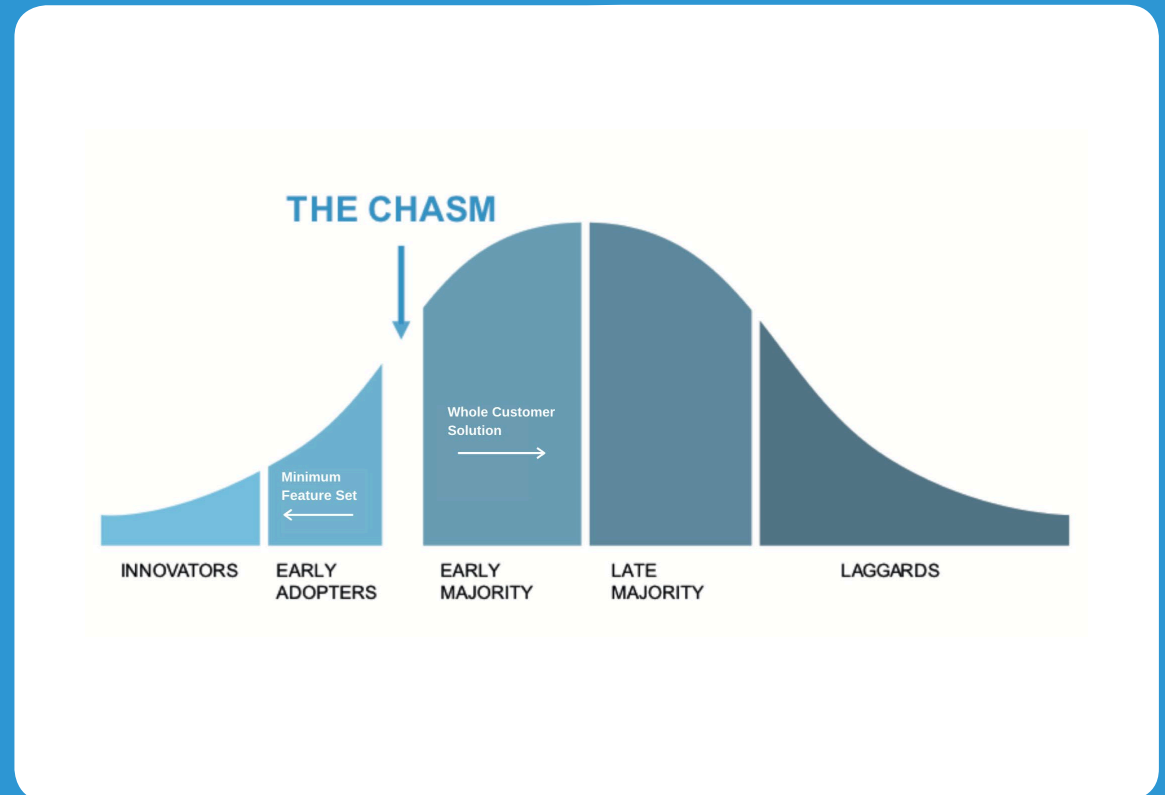


AVAILABLE MARKET VALUE



WHY IS THIS TRANSITION SO HARD?

- To achieve success in the mainstream market, a company has to address new challenges that require a customer centric focus rather than just a product development focus.
- The dangers of this transition were first identified and defined in G.A. Moore's influential book "Crossing the Chasm"⁶. In the book, Moore describes how products and services must "Cross the Chasm" situated between the minority Early Adopters (visionaries) and Early Majority (pragmatists), reflecting the move from early to mainstream markets.
- We help the companies we invest in to achieve this by working closely with the management teams.





WE ARE DIFFERENT BY DESIGN

Money alone is insufficient to make the “Crossing”.

- We provide a high touch model which means we are actively and regularly involved with every company we invest in.
- As an evergreen fund, we self limit to eight portfolio companies simultaneously, reflecting our priority to meet the needs of each portfolio company. Only when a portfolio company is sold will we add in another company.
- From our global alumni, we recruit the specific skills and experience necessary for a company in transition.
- Selective portfolio: Each company has to have the potential to be a winner. Hence, prospective exits are considered prior to the decision to invest.
- Our due diligence process is very extensive, covering both prospective companies and their customers. We also use third parties to carry out personal investigations on the management teams.
- We have a wide spectrum of deal flow, sourced from a variety of networks, including regional angel groups and Family Office connections.
- Co-investment by The SidebySide Partnership: Members of The SidebySide Partnership may independently co-invest their own capital - up to 10% of the Fund.



FUND STRUCTURE

A unique approach

- We expect to invest in multiple smaller tranching rounds in each company. Consequently, we deploy new capital more quickly.
- We believe we have the highest performance hurdle (160%) of any EIS Fund in the market.⁸
- All fees are transparent to advisers and their clients for each portfolio company.
- We plan to offer limited access to a secondary market service, enabling emergency liquidity for some investors that need this service due to previously unforeseen circumstances.
- We aim to protect investors' value by providing our "graduating" portfolio companies access to follow-on funding via less dilutive private capital.
- Foster Investments: we may make, very selectively, smaller investments in earlier stage companies if we believe they have a strong future potential.

OUR SUCCESS FEES REWARD OUTSTANDING RETURN

We believe we best meet the needs of investors, advisers, and our companies when we align all our interests.

Our success fees don't start until 160%, which we believe is the highest performance hurdle in the market⁸. We also have high expectations. So for exceptional returns above a performance hurdle of 400% our success fee is 33%.

PERFORMANCE HURDLE		SUCCESS FEE
0% - 160%	➔	0%
161% - 400%	➔	20%
401%+	➔	33%

Value added tax will be charged where applicable

FULL TRANSPARENCY FOR OUR INVESTEE COMPANIES

Initial Costs:

- Investee Companies will pay an initial capital raise fee of 3%

Annual Charges:

- Investee Companies will pay an annual administration charge of 2%

Other Fees:

- Investee Companies will pay a dealing charge of 0.5% on purchases and sales of shares

Value added tax will be charged where applicable.





INVESTOR & ADVISER TRANSPARENCY

- Frequent and structured reporting on portfolio company performance for IFAs and their clients (see appendix 2).
- Independent annual review of portfolio companies.
- Workshops and education services for advisers and paraplanners.
- Available for one-on-one meetings with investors and their adviser.

THE CORE TEAM

Leading the Side by Side Partnership



John Bailye – Managing Director

An Australian, who moved to the United States in 1987, John co-founded and assembled the team that grew a start-up to a billion-dollars in market cap (formerly on Nasdaq: DRTE) with nearly 3,000 employees. He sponsored and co-founded the New Jersey Technology Council, now with 1,500 entrepreneurs as members, which is aimed at creating an exchange for entrepreneurs' experiences and ideas.

John has personally been investing in early stage companies for many years.



Ben Ashworth – Portfolio Manager

Ben joined the SidebySide Partnership in a series of roles that have taken him from the critical assessment of possible investee companies to the breadth and depth of the private capital due diligence process and the management of investee companies.

Ben is usually the main contact for all investee companies and is commonly at business functions introducing the SidebySide Partnership to investors and potential investee companies.



Tom Govan – Analyst

Tom is the newest member of the London team and is deeply involved in the early analysis and review of prospective companies. Tom is the initial point of contact for all investee companies and helps them through the review process at the SidebySide Partnership, which is a bit more challenging than at other investment houses.

The core team in the UK is also supplemented by the services team who are brought in to support the companies the Fund invests in, as they are needed.

SELECTED EXAMPLES OF THE CURRENT SERVICES TEAM

Barbara

Barbara Spurrier and her partners at CFPro will support the investee companies with a wide range of specific skills in accounting, finance and administration/governance, supplied for short or longer terms as demanded by the Fund's growing companies. This ensures that they have the critical, yet constantly changing repertoire of skills available to step in and guide them over time.

Industry expertise amongst her partners ranges from technology to media, fast-moving consumer goods, healthcare and retail. She will engage with the investee companies from the earliest days to prepare them for a public listing if that is the chosen path.

Barbara will review the due diligence and be responsible for ensuring newly funded investee companies are prepared and equipped for the monthly reporting the Fund requires, in addition to correcting any critical deficiencies found in her review.



Rodrigo

Rodrigo Jesus, a partner at One Vision, is an international serial entrepreneur, with experience primarily in technology, ranging from acquisition to capital raising, strategy, operational development, distribution and exits. He will be a key strategic and operational resource to investee companies and is part of our review and selection team who make the early decisions to proceed with a company through the due diligence process and ultimately to the investment committee. He will ultimately be a resource to oversee and guide selected teams who assist the investee companies.



Grant

Grant Allen, who is also a partner at One Vision, is a specialist in software design and works with teams to help them sell and deliver software. As one of the early designers of the product that became Google Maps, Grant has worked for many years as a Google resource to guide and direct promising software companies. Grant's insight into computer support and IT functional structures are critical capabilities that form part of the due diligence process. Grant may stay engaged with the investee companies for their early days post-funding, to guide any systems redesign as well as operational and sales structures.



SUMMARY

This is a Fund formed by our personal experiences and consequential personal investment practices.

- Our model is hard work. We don't bother with potential investee companies that seek a mediocre return.
- Our success fee structure highlights our ambition to make a great return, otherwise we aren't rewarded even to industry standard rates. When we are successful, we, the company, and the investors all prosper.
- We may co-invest in companies alongside high-quality family offices, other complimentary Funds, and members of The SidebySide Partnership.
- We practice and expect the highest ethical standards, ensuring that the interests of investee companies and investors are preserved.



THANK YOU



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APPENDIX 1 - BIBLIOGRAPHY

- 1: HM Government: *Industrial Strategy White Paper* (Nov 2017). Pg 62
- 2: The Guardian: *Zombie startups: why are entrepreneurs failing to grow their businesses?* Retrieved from <https://www.theguardian.com/small-business-network/2017/aug/07/zombie-startups-entrepreneurs-failing-grow-businesses> . Article referring to the HM Treasury Financing growth in innovative firms Consultation (Aug 2017) (pg. 22)
- 3: The Independent: *The UK produces huge amounts of startups – but our obsession with personality cults means they fail to grow.* Retrieved from <https://www.independent.co.uk/voices/startups-unicorns-business-uk-economy-innovation-us-asia-brewdog-a7933816.html> . Article referring to OECD Rankings Industry and Entrepreneurship 2017
- 4: Forbes: *Why are UK Start-Ups Failing to Scale? Estimate from RBS*
- 5: The Economist: *Why British businesses don't scale up.* Retrieved from <https://www.economist.com/britain/2016/12/10/why-british-businesses-dont-scale-up> (Website accessed 01/02/2019)
- 6: Moore, G. A. (1999). *Crossing the Chasm: marketing and selling high-tech products to mainstream customers.*
- 7: Rogers, E. *Diffusion of Innovations*, 5th Edition. Pg. 307.
- 8: Intelligent Partnership AIR EIS 2019 Industry Report (pg 23).(Retrieved from: <https://intelligent-partnership.com/research-hub/eis-industry-report-2019/>)





APPENDIX 2 - FREQUENT AND STRUCTURED REPORTING

We operate on the basis of complete transparency

After we invest in a company, we will always show investors our portfolio companies:

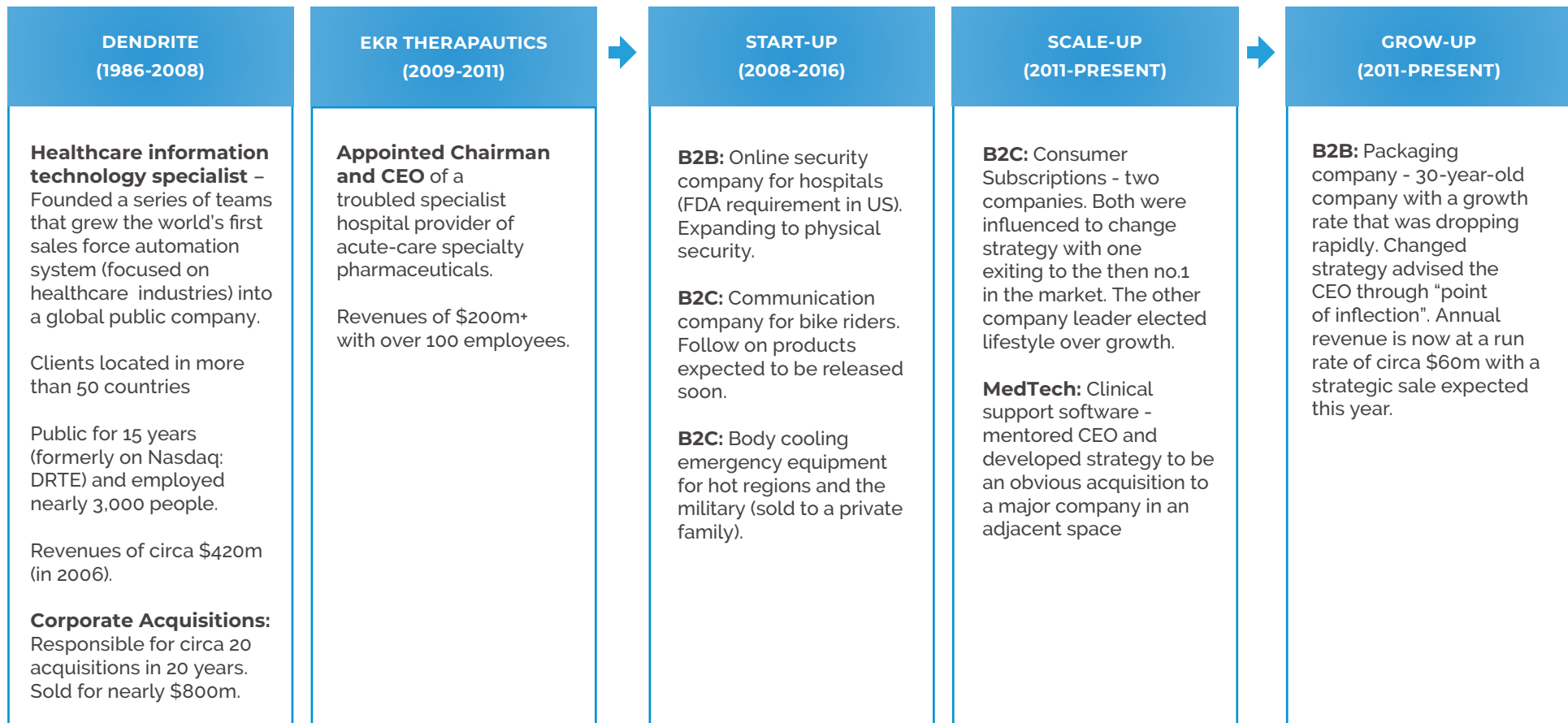
- Current year business plan
- Current year budget (approved)
- Current year results vs. target

We monitor our portfolio companies very closely and so provide the Fund investors access to quarterly and annual P/L, management and KPI reports. We also show investors (annually) our portfolio companies next year business plan and budget.

APPENDIX 3 - APPLYING PAST EXPERIENCES



JOHN BAILYE



APPENDIX 4 - POTENTIAL INVESTMENTS

The following companies are representative of the type of potential investments identified by SBS that may be made by the Fund. **It is noted that these are examples only and do not represent actual investment opportunities for the Fund and should not be regarded as an indication of the performance of future investments in the Fund.**

Sport Wearable

SportTech

- This company uses a combination of patented wearable technology, patented processes, cloud-based algorithms and proprietary database IP to automatically collect a unique set of advanced statistical data that allows users to monitor and improve their performance.
- The company is uniquely placed as the first product to meet the needs of a growing market that desires a single piece of technology to gather this kind of statistical data and performance information and assemble them in applications for sporting organisations to bring into their businesses new revenue forms and thus attract 'sticky' customers.

Medical Device Company

MedTech

- This company is a growth-stage and revenue generating medical device company, formed to address cancer surgery.
- The company develops and markets medical imaging technologies that surgeons can use during surgery to improve outcomes.
- The company has four products under various stages of development.

Financing for holidays

FinTech

- The company is a London-based technology business offering a new service in online travel and is leading a change in financing consumer holidays.
- They have initially unlocked a new segment of the market and have potential for future expansion to other cohorts.
- They need to maximise the future value of current customers and leverage operating margins as they expand their scope of coverage and convincingly assure us that they have created a sustainable market differentiator based on this customer analysis.

Financial technology

FinTech

- The company is an online and capital raising deal platform focusing on large corporate clients and professionals looking to fundraise in private as seamlessly as possible.
- Designed by seasoned capital markets professionals, the platform provides an out of the box solution to manage deals from origination to distribution.
- The company's technology currently powers a major European Stock Exchange connecting high growth companies with their institutional investor network.

APPENDIX 5 - FUND FACTS

The Start-Up phase is about product development. The Scale-Up is not a phase, it is the start of a “long and patient process of getting a new technology to market” (pg 62, Industrial Strategy White Paper).

FUND NAME: The SBS Later Stage EIS Fund

STRUCTURE: An unapproved EIS Fund, which makes investments into companies that qualify for EIS.

MAXIMUM FUND SIZE: No maximum, as the Fund is an evergreen structure (subject to the absolute discretion of the AIF Manager).

INVESTMENT OBJECTIVE: The Fund will seek to invest in up to eight later stage transitional companies with an established customer base and revenue. In addition to the eight transitional companies in the Fund we may also, very occasionally, make small investments in a few earlier stage companies if we believe the management and strategic opportunity might mature to make them future Fund members. All companies will be companies that qualify for EIS that are located primarily in the United Kingdom or will qualify for EIS by having a permanent establishment in the United Kingdom.

INVESTMENTS MANAGER OR SBS: The SideBySide Partnership International Limited: Stag Gates House, 63/64 The Avenue, Southampton, Hampshire, SO17 1XS.

AIF MANAGER: Sapphire Capital Partners LLP: 28 Deramore Park, Malone, Belfast, BT9 5JU.

TARGET FUND SIZE: A target of at least eight companies that qualifying for EIS (typically investing from £200,000 to £1,000,000 per company per tranche).

DURATION: The expected life of an investor's portfolio in the Fund is eight years.

MULTIPLE CLOSING DATE: The Fund can accept investments throughout 2019.

Please note that Investors who invest in the Fund later may not always be invested in the same Investee Companies as earlier Investors. Therefore, Investors may not hold shares in all the Investee Companies in which the Fund invests and earlier Investors will have different portfolios from later Investors.

FOLLOW-ON INVESTMENTS: The Fund has discretion to use moneys raised from Investors as follow-on investments in Investee Companies in this Fund.



APPENDIX 6 - WHAT IS AN EIS FUND

This is not a capital structure fund. It is an EIS fund, which holds many benefits for investors who qualify for the EIS. For example:

- 30% income tax relief on amount subscribed (up to £1 million for 2018/2019 tax year)
- 100% inheritance tax relief after two years
- EIS Capital Gains Tax deferral for life of the investment made
- 100% tax free growth (assuming income tax relief has been given)
- Loss Relief (loss of shares disposed can be set against an Investor's income or capital gain to reduce tax)
- Business Investment Relief (no taxable remittance for foreign income or gains brought into the UK from offshore for qualifying investments for certain UK resident non-domiciled investors)

