

OSEM
OXFORD SPIN-OUT EQUITY
MANAGEMENT



Funding Innovation – What Investors look for
The Benefits & Pitfalls of Strategic Investors

A technology innovation company delivering unique products and data services to help consumers visualise, understand and reduce their energy consumption to save money and live more sustainably.



Disaggregation
Technology – energy
measurement by
appliance from the
meter point



Online whole house
electricity & gas monitoring
with accurate tariff price
comparison and switching

VC backed:

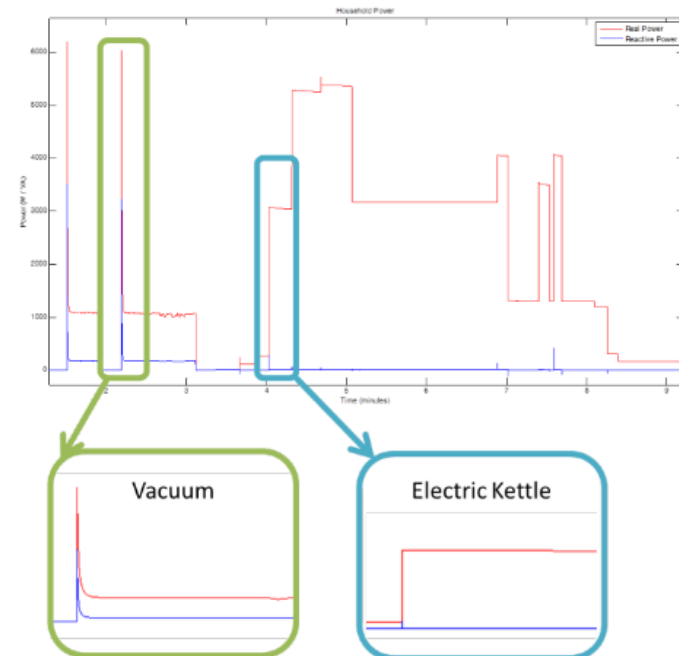
2008 Post Money Valuation £4M – Raise £3M
2010 Post Money Valuation £16M – Raise £4M

A cutting edge technology that had many challenges:

- Data gathering
- Test & validation
- Appliance identification
- Drawing on latest unproven AI techniques

..... led to delay in commercialisation of technology

..... led to pressure from VC investors



Investment Challenge

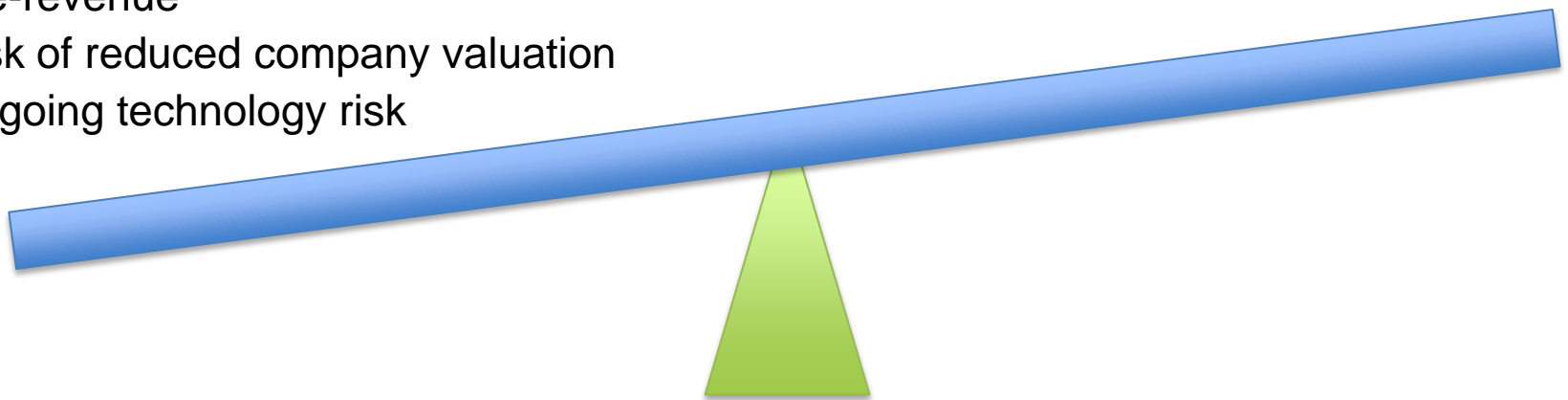
2011

Challenge

Pre-revenue
Risk of reduced company valuation
Ongoing technology risk

Demonstrate

Market demand
Technology asset value
Credibility in technology performance



.... a further VC investment round could not deliver the company potential

What we looked for in a Strategic Investor:

- Business need
- Route to market
- Available capital to invest

What we wanted to avoid:

- Restricting market opportunities
- Restricting future exit

Strategic Investor Pitfalls

Examples of strategic investment in our field that we wanted to avoid:

Onzo

- 2008 – Scottish & Southern Energy (SSE) invested £1M for 24.5% equity
- Agreed exclusive supply agreement
- Initially a good deal, but volumes declined
- 2012 – SSE acquired ONZO products
- ONZO energy systems remains independent



Alertme

- 2010 – British Gas (BG) investment of £5.7 for 16% equity
- Delivered excellent route to market through BG
- Other UK utilities refused to do business



Strategic Investor Preferences

- A partner that serves our end customers, not an end customer
- A strong brand in our industry
- Geographically strong where Navetas is weak

Time consuming process

Management commitment

Work with the business in preference to VC arm

Companies Navetas worked with to secure a Strategic Investor:

- *Panasonic*
- *Texas Instruments*
- *Schneider Electric*
- *Sensus*

- Sensus Inc. \$1B US smart metering and communications company serving utilities
- Requirement for Navetas patented technology to:
 - Differentiate their offering
 - Enhance product margins
 - Develop data services
- US exclusive technology license granted
- Access to Navetas management and expertise

Achieved through Strategic Investor

2012 Post Money Valuation £33M - £5M raise

- Route to market in the US
- Built credibility and confidence in technology
- Demonstrated the value of Navetas product
- Harmonised shareholder rights e.g. anti-dilution, capital distribution waterfall
- Didn't restrict sales channels
- Didn't restrict future exit
- Strengthened Board



Questions?

Securing a Strategic Investor takes time and is built on trusted relationships as much as on company offering:

Sensus was the first company to visit Navetas back in 2008!!

“Choose the right one and get the terms right!”