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# VALAR

## VENTURES

VALAR VENTURES IS AN INTERNATIONALLY-FOCUSED VENTURE CAPITAL FIRM

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## INTRODUCTION

### VALAR HIGHLIGHTS

**INCEPTION** - 2010

**TOTAL INVESTED** - \$78.0 mil

**TOTAL GROSS & NET VALUES**  
\$271.2 mil / \$223.0 mil

**GROSS & NET MULTIPLES**  
3.5x / 2.9x

**GROSS & NET IRRs**  
120% / 98%

All figures presented are unaudited estimates in USD as of 6/30/2014. Net figures were calculated by reducing gross profits by a flat 25% for hypothetical management fees, expenses and carry.

**VALAR**, A GLOBAL VENTURE CAPITAL MANAGER, HAS ACHIEVED EXTRAORDINARY RETURNS FOR ITS CLIENTS, TRIPLING ASSETS IN JUST OVER THREE YEARS AND VASTLY OUTPERFORMING INDUSTRY BENCHMARKS.

### VALAR VENTURES

Since 2010, the value of client assets has risen from US \$78 million to \$271 million, for gross multiples and IRR of 120% and 3.5x; net multiples and IRR are 2.9x and 98%.

Valar is managed by Andrew McCormack and James Fitzgerald; Peter Thiel, one of Silicon Valley's most successful venture capitalists, serves as the firm's advisor and chairman.

The firm is launching its first institutional fund, which will deploy up to \$150 million during 2015-2019, its primary investing phase.

	NET MULTIPLE	NET IRR
<b>VALAR</b>	2.9x	98.4 %
<b>CAMBRIDGE US VC INDEX</b>	1.7x	31.3 %
<b>CAMBRIDGE GLOBAL EX-US DEVELOPED MARKET VC/PE INDEX</b>	1.1x	5.5 %
<b>CAMBRIDGE GLOBAL EMERGING MARKETS VC/PE INDEX</b>	1.0x	0.1 %
<b>S&amp;P 500</b>	1.6x	10.5 %

Numbers presented for Valar are as of 6/30/2014. Valar made its first investment on 10/28/2010. Because final Cambridge data is not made available for several months after the end of a quarter, Valar has presented the most recent final data available for vintage 2010 funds; in the case of US VC, Cambridge data is as of 12/31/2013 and in the case of ex-US developed and emerging markets PE/VC, Cambridge data is as of 9/30/2013. Numbers presented for the S&P 500 are for the period 1/4/2010 (first trading day of 2010) - 6/30/2014. Net figures for Valar and the S&P 500 were calculated by reducing gross profits by a flat 25% for hypothetical management fees, expenses and carry. All figures presented are in USD. Valar's figures are unaudited estimates incorporating all realized and unrealized gains/losses. Sources: Cambridge Associates; Google Finance; Standard & Poors and Valar.



ANDREW AND JAMES FOUNDED VALAR IN LATE 2010 TO PARTNER WITH THE BEST ENTREPRENEURS OUTSIDE THE UNITED STATES.

The team brings extraordinary operational, deal-sourcing, and reputational assets to its investing activities.



**ANDREW  
McCORMACK**  
PARTNER



**Andrew McCormack** Andrew is a founding Partner at Valar Ventures. Andrew's career in technology has included business and corporate development roles at eCount (acquired by Citicorp) and Yahoo!. He joined PayPal in 2001, where he worked closely with Peter in preparing for the company's IPO. After PayPal's sale to eBay, Andrew helped launch Clarium Capital and later founded a restaurant group in San Francisco.

In 2008, Andrew rejoined Peter at Thiel Capital, where he led various international initiatives for Thiel Capital and Peter personally. Andrew received his B.A. in Political Science from the University of Pennsylvania.

**JAMES  
FITZGERALD**  
PARTNER



**James Fitzgerald** James is a founding Partner at Valar Ventures. Prior to Valar, he was COO and General Counsel of Peter Thiel's global parent company, Thiel Capital, where he helped manage Peter's extensive network of investments and businesses. In that capacity, he worked closely with the Founders Fund, Mithril, and Clarium.

Prior to joining Thiel Capital, James practiced law for seven years in the New York office of Skadden, Arps, Slate, Meagher & Flom LLP. He received his J.D. from the University of California, Los Angeles and his undergraduate degree from Brigham Young University.



PETER THIEL  
CHAIRMAN



**Peter Thiel** is a founding Partner and the Chairman of Valar. As a technology entrepreneur, investor, and philanthropist, he first gained attention for innovations in banking and startup finance. Today he is known as the mentor of the PayPal network of entrepreneurs. He works to accelerate innovation by identifying and funding promising technology ideas and by guiding successful companies to scale and dominate their industries.

In 1998, Peter made e-commerce easier, faster, and more secure by co-founding and leading PayPal. In 2002, he sold PayPal to eBay and founded a global macro fund, Clarium. In 2004, he co-founded Palantir Technologies, which offers platforms for finance companies and intelligence, defense,

and law enforcement communities to integrate, visualize, and analyze the world's information. In the same year, he made the first outside investment in Facebook.

In 2005, he co-founded Founders Fund, a leading Silicon Valley venture capital fund that has pioneered new methods of venture financing that benefit founders. Through Founders Fund, as well as through his private investing, Peter has helped build the next generation of tech companies.

Peter earned a B.A. in philosophy from Stanford University and a J.D. from Stanford Law School, where he occasionally teaches on globalization and technology and serves on the board of overseers of the Hoover Institution. His articles have appeared in *Policy Review* and the *Wall Street Journal*. He lives in San Francisco.

As Chairman of Valar Ventures, Peter provides strategic advice and mentoring to Valar and its portfolio companies.



## VALAR IS DIFFERENTIATED BY SEVERAL DISTINCT ADVANTAGES:

**TRACK RECORD:** Valar's managers have shown exceptional investing acumen. Returns are at the top of class, with a net multiple and net IRR of 2.9x and 98.4%, respectively.

**THESIS & MARKET:** Persistent inefficiencies in venture markets outside the US provide compelling opportunities for future returns.

**TEAM:** Valar's team has a successful and long record of working together to find and oversee investments.

**REPUTATION:** In addition to an outstanding track record and strong credibility with portfolio companies, the team is advised by Peter Thiel, consistently named one of the most influential venture capitalists in the world.

**ACCESS:** Valar has access to deals at propitious moments – when local VCs have moderately de-risked the company but before scale makes the investment obvious to large, less price-sensitive investors.

**We believe these characteristics serve as a solid foundation for outperformance in Valar's new fund.**

Net figures are as of 6/30/2014 and were calculated by reducing gross profits by a flat 25% for hypothetical management fees, expenses and carry.

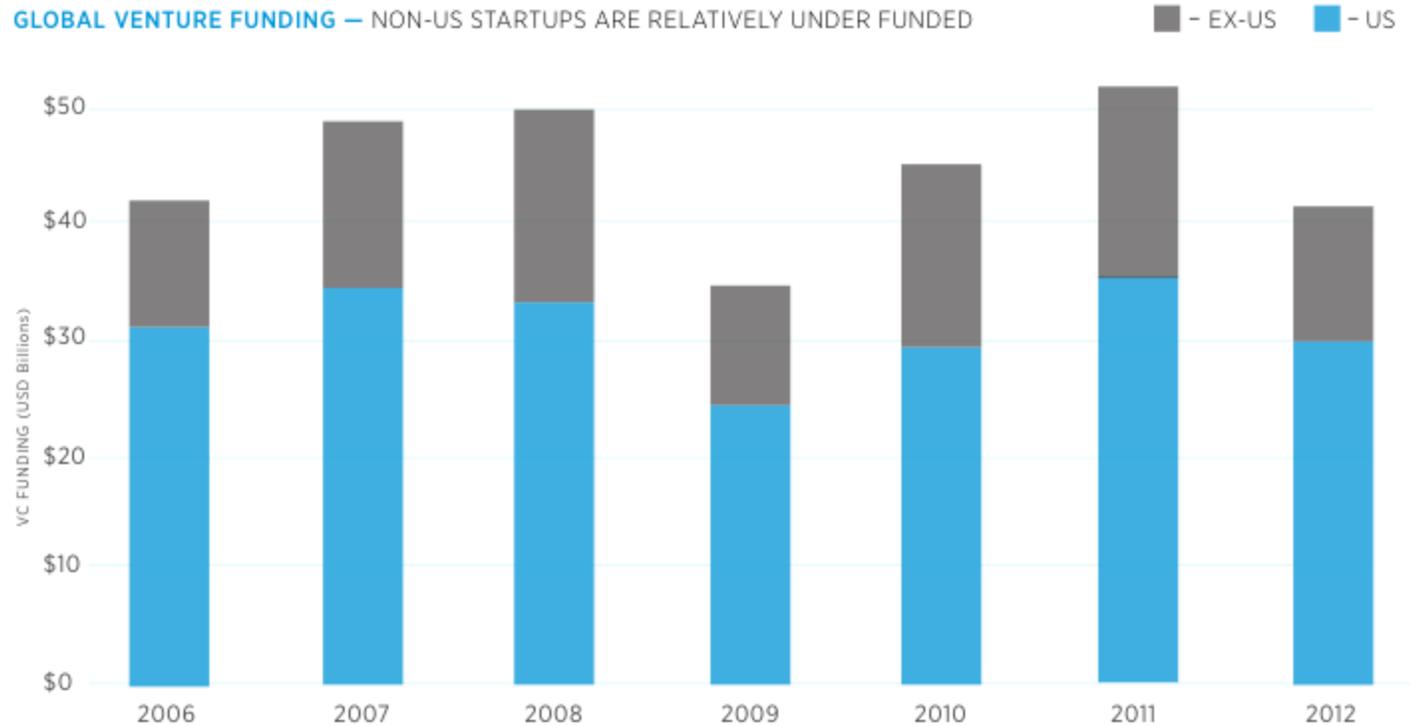


# GLOBAL VENTURE CAPITAL IS HIGHLY INEFFICIENT

## COMPELLING OPPORTUNITIES

While the abundance of capital in Silicon Valley has compressed returns for all but the best venture firms (most of which are closed to new investors), start-ups outside Silicon Valley have much more limited access to both capital and experienced start-up investors. This creates compelling, well-priced opportunities for Valar.

GLOBAL VENTURE FUNDING — NON-US STARTUPS ARE RELATIVELY UNDER FUNDED



Source: Dow Jones. "Ex-US" constitutes the five largest venture markets outside the US, which represent the substantial majority of all venture funding outside the US.



VALAR BELIEVES THAT THESE INEFFICIENCIES WILL PERSIST, EVEN AS US FIRMS EXPAND OVERSEAS, A PHENOMENON EMBODIED IN THE LACKLUSTER RETURNS OF US VCS OPERATING OVERSEAS.

I. Local entrepreneurs perceive satellite offices as merely regional players without access to the marquee talents of the flagship office and disfavor them for deals.

II. The best Silicon Valley VCs generally do not travel outside the US - they have sufficient deal flow at home and have partnership and family dynamics that make frequent travel difficult.

III. This creates opportunities for Valar, which has deep links to Silicon Valley, strong access to capital, and an explicit mandate to invest overseas.



## VALAR ADVANTAGES / A GROWING GLOBAL NETWORK



**A.** PayPal network develops in San Francisco. James joins Andrew at Thiel Capital in 2008; the two begin working on special investment opportunities for Peter.

**B.** Team diligences investments in New Zealand, leading to an investment in Xero and an eventual partnership with NZ government.

**C.** Team expands Australasian presence, making two investments in Australia and establishing their network there.

**D.** Oppa's founder, aware of the growing reputation of the Thiel team, meets with Valar as it begins exploring opportunities in Brazil.

The firm invests and its relationship with Oppa and its syndicate produce three additional investments in Brazil.

**E.** Introductions from colleagues and contacts lead to investments in Toronto, establishing the beginnings of a Canadian network.

**F.** Max Levchin, co-founder and COO of PayPal and a former colleague of Andrew's, introduces the team to Transferwise, establishing Valar's first presence in Europe.

**G.** Valar establishes its own offices in New York to better manage international operations.



THE FIRM IS FOUNDER FRIENDLY AND EMPHASIZES LONG-TERM VALUE CREATION: IT ENCOURAGES FOUNDERS TO RESIST SHORT-TERM FINANCIAL PRESSURES IN FAVOR OF MAXIMIZING LONG-TERM (BUT LIQUID) VALUE.

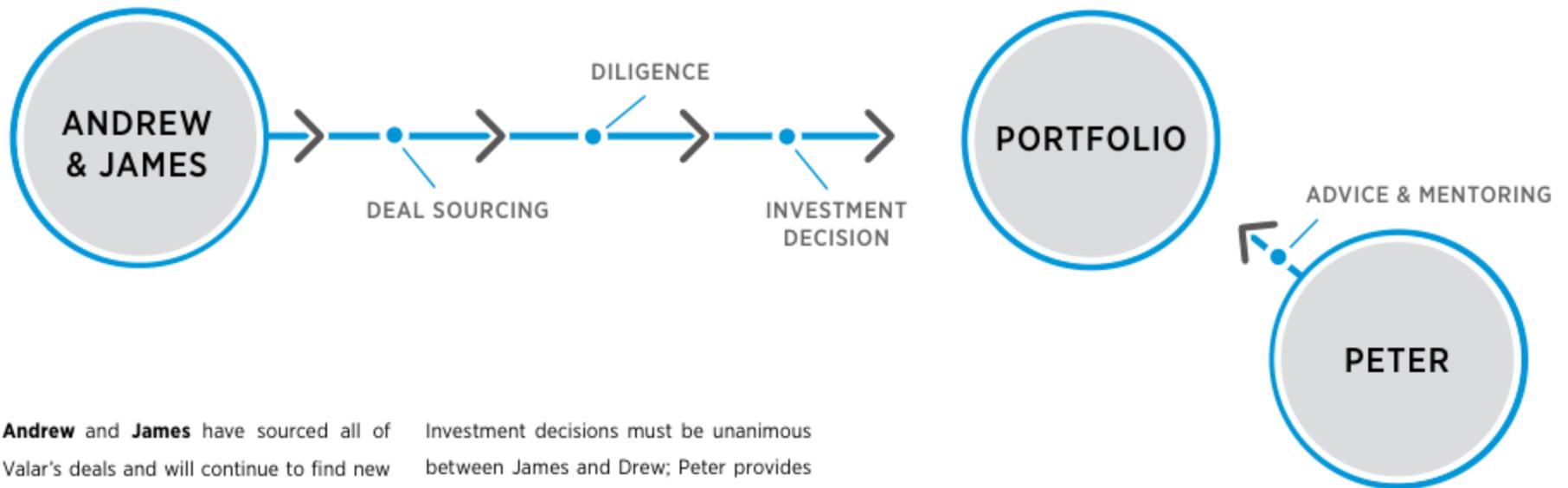
The firm generally enters after a local partner has partially de-risked the investment but before standard metrics make the company an obviously good investment to purely financial investors.

The firm prefers to lead initial investments of US \$3-10 million.

The firm does not believe board seats are inherently valuable, preferring to secure rights via observation and its financing documents.



## VALAR ADVANTAGES / INVESTMENT PROCESS



> **Andrew** and **James** have sourced all of Valar's deals and will continue to find new companies and manage the portfolio. **Peter** provides advice to the firm and its portfolio companies.

Valar intends to run a concentrated portfolio of 7-10 significant investments in each fund, aggressively following on in its winners.

Investment decisions must be unanimous between James and Drew; Peter provides advice and counsel prior to and following the investment decision.



# XERO - ACCOUNTING SOFTWARE AS A SERVICE FOR SMALL BUSINESS

OCT 2010

**AMOUNT INVESTED:** \$3.0 mil  
**VALUE AT 6/30/2014:** \$61.2 mil  
**GROSS MULTIPLE:** 20.4X

FEB 2012

**AMOUNT INVESTED:** \$3.3 mil  
**VALUE AT 6/30/2014:** \$33.2 mil  
**GROSS MULTIPLE:** 10.0X

NOV 2012

**AMOUNT INVESTED:** \$20 mil  
**VALUE AT 6/30/2014:** \$92.7 mil  
**GROSS MULTIPLE:** 4.6X

OCT 2013

**AMOUNT INVESTED:** \$5 mil  
**VALUE AT 6/30/2014:** \$7.5 mil  
**GROSS MULTIPLE:** 1.5X

TOTAL

**AMOUNT INVESTED:** \$31.4 mil  
**VALUE AT 6/30/2014:** \$194.7 mil  
**GROSS MULTIPLE:** 6.2X



ROD DRURY: XERO FOUNDER / NEW ZEALAND

Figures presented herein are unaudited gross estimates as of June 30, 2014.

The screenshot shows the Xero website's 'FEATURE TOUR' section. At the top, it says 'Beautiful accounting software' and lists target audiences: 'SMALL BUSINESSES', 'ACCOUNTANTS & BOOKKEEPERS', and 'MO'. The main headline is 'ALL YOU NEED TO RUN YOUR BUSINESS', followed by the sub-headline 'Try the world's easiest accounting software and you'll see why so many people around the world love Xero'. Below this are four feature cards: 'Online accounting' (See your cashflow in real-time. Just login anytime, anywhere. Learn more), 'Bank reconciliation' (Automatically import and code your bank transactions. Learn more), 'Invoicing' (Create and send invoices automatically & get paid online. Learn more), and 'Add-ons' (Pick from a wide range of powerful add-ons. Learn more). A 'Try Xero for free' button is at the bottom.



## THESIS

The market for accounting software is large, growing and surprisingly untapped (with many consumers relying on ad hoc ledgers rather than formal software). Incumbent players, e.g. Intuit, are trapped in legacy architecture and have not successfully migrated to the cloud; they also view their accounting products as leaders for more profitable ancillary services and have under-developed their marquee products as a result.

Because the opportunity for sales was large even without disrupting incumbents and because few investors were willing to underwrite a multi-year development cycle, Valar saw the opportunity for durable and compelling returns.

## HISTORY

Based on the Valar team's reputation and Silicon Valley connections, a high profile New Zealand entrepreneur introduced one of Xero's directors to Valar in 2010. Valar was convinced that the founder had extraordinary execution abilities, a flair for sales, a plan for rapid global growth and the energy necessary to convert users away from entrenched systems. Xero's driven and experienced COO also gave Valar confidence that the firm would have the institutional heft to support the founder's vision.

## OUTCOME

The firm has grown quickly, taking dominant positions in New Zealand and Australia. It has launched in the US and will continue to expand in the Anglophone world. Valuation rose from less than US \$100 million at the time of Valar's initial investment to US \$2.9 billion (based on publicly traded prices as of 6/30/2014). Xero is now approaching its liquidity window.

[WWW.XERO.COM](http://WWW.XERO.COM)



# TRANSFERWISE - LOW-COST CURRENCY TRANSFER SERVICES

JAN 2013 / SERIES A

**INVESTED:** \$3.8 mil

**VALUE AT 6/30/2014:** \$23.1 mil

**GROSS MULTIPLE:** 6.2X

APR 2014 / SERIES B

**INVESTED:** \$6.7 mil

**VALUE AT 6/30/2014:** \$6.7 mil

**GROSS MULTIPLE:** 1.0X



**KRISTO KÄÄRMANN, TAAVET HINRIKUS: TRANSFERWISE FOUNDERS / UK**

Figures presented herein are unaudited gross estimates as of June 30, 2014.



## THESIS

The market for currency-driven financial services is high-fee for historical rather than technological or business reasons — and is thus ripe for disruption. The partners know the space well from Andrew's and Peter's history at PayPal and James' work at Clarium, giving them an informational advantage in the space.

## HISTORY

Max Levchin, one of PayPal's co-founders and its CTO, referred the partners to the founders. The teams met several times, and the partners believed that Transferwise had the ideal combination of a strong technical bench, deep knowledge of finance, and a history of successfully building companies — Taavet Hinrikus was the first employee at Skype and Kristo Käärmann had a long career at PwC and Deloitte helping financial institutions modernize their infrastructure. Valar led the company's Series A and Series B financings in rounds that closed in early 2013 and 2014, respectively.

## OUTCOME

All metrics continue to show extraordinary growth — users, monthly revenues and transfer volumes (now nearing \$200 million monthly) all grew over 7x during 2013.

[WWW.TRANSFERWISE.COM](http://WWW.TRANSFERWISE.COM)



# VEND - CLOUD-BASED RETAIL MANAGEMENT SOFTWARE

MAR 2014 / SERIES D

**INVESTED:** \$8.6 mil

**VALUE AT 6/30/2014:** \$8.6 mil

**GROSS MULTIPLE:** 1.0X

**VAUGHAN ROWSELL: VEND FOUNDER / NEW ZEALAND**

Figures presented herein are unaudited gross estimates as of June 30, 2014.



## THESIS

Traditional retail relies on archaic payment and management systems: while online stores have achieved various efficiencies, the much larger offline market relies on idiosyncratic, expensive and antiquated systems of cash registers, disparate software packages, and non-networked computers.

By creating a point-of-sale system that both customers and retailers find easy to use and native to the cloud, Vend makes offline retailing more efficient and reliable (Vend even works when a store temporarily loses connectivity). Retailers no longer have to bear the high fixed and variable costs of ad hoc payment and retail management systems, freeing them to spend time on their area of highest competitive advantage: curating compelling off-line shopping spaces.

## HISTORY

Vend was founded in New Zealand by Vaughan Rowsell, a programmer with a long history at emerging companies. Valar's partners met Vaughan while completing their first investment in Xero – a company Vaughan admired. Over the next two years, Valar followed Vend as it scaled in its home markets and expanded its team. Persuaded that the founder had both the deep technical knowledge to develop a comprehensive but intuitive retail system from first principles, complemented by a dedicated and business-savvy chairman, Valar led an expansion round of financing in 2014.

## OUTCOME

The company has now opened offices in Australia, Canada, and the United States and growth is accelerating, with more than 8,000 stores now relying on Vend for their POS needs.

[WWW.VENDHQ.COM](http://WWW.VENDHQ.COM)



# OPPA - SELF-BRANDED e-COMMERCE

AUG 2012 / SERIES B

**AMOUNT INVESTED:** \$8.0 mil  
**VALUE AT 6/30/2014:** \$17.3 mil  
**GROSS MULTIPLE:** 2.2X

SEP 2013 / CONVERTIBLE NOTE

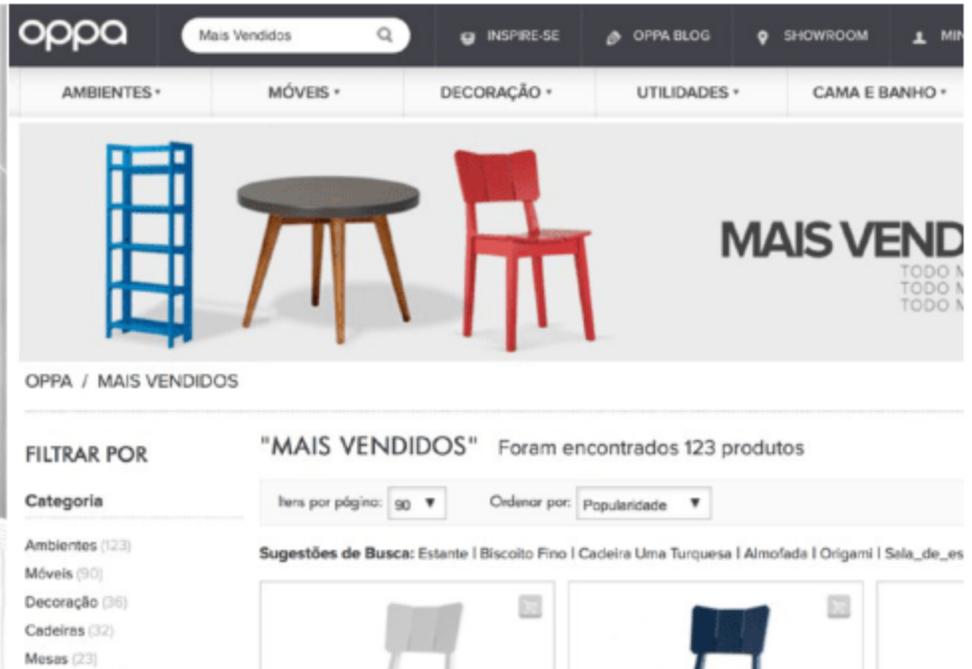
**AMOUNT INVESTED:** \$5.3 mil  
**VALUE AT 6/30/2014:** \$6.7 mil  
**GROSS MULTIPLE:** 1.3X

JUN 2014 / SERIES C

**AMOUNT INVESTED:** \$2.5 mil  
**VALUE AT 6/30/2014:** \$2.5 mil  
**GROSS MULTIPLE:** 1.0X



MAX REICHEL: OPPA FOUNDER / BRAZIL



Figures presented herein are unaudited gross estimates as of June 30, 2014.



## THESIS

The merger of high-end design, low-cost manufacturing, and elimination of traditional furniture industry middlemen allows Oppa to deliver both well-priced goods and comparatively high gross margins relative to other retailers. Direct sales, both online and offline, plus careful maintenance of lean inventory allow Oppa (much like Warby Parker in the US eyeglass market) to consistently exceed conventional industry margins. Brazil's import regime also favors domestic manufacturers like Oppa, providing additional barriers to entry for competitors (such as IKEA).

## HISTORY

Oppa's founder had followed the Thiel team; contact was made and after several rounds of diligence, Valar invested. After Valar's first priced investment, Oppa came to the firm for expansion capital. Valar designed its follow-on investment to give the founder the time and flexibility to explore additional sales channels to accelerate growth otherwise unavailable with standard funding mechanisms.

## OUTCOME

Oppa has grown rapidly, gaining market share by maintaining high-quality, fresh designs manufactured quickly and locally. Sales roughly doubled during 2013 and Oppa is well positioned to meet or exceed that growth in 2014.

[WWW.OPPA.COM](http://WWW.OPPA.COM)



## PORTFOLIO / OTHER PORTFOLIO HIGHLIGHTS



SEP 2013

**INVESTED:** \$0.9 mil  
**VALUE:** \$0.9 mil  
**GROSS MULTIPLE:** 1.0X

Valar's thesis for ContaAzul mirrors that it held for Xero: the demand for intuitive, web-based and well-priced accounting software for smaller businesses is surprisingly underserved. This dynamic is especially pronounced in emerging economies with non-Anglophone accounting needs.

Valar found the team earnest, open-minded to the Silicon Valley approach and cohesive (having previously worked together). Valar invested in September 2013 and traction has already been strong.

[WWW.CONTAAZUL.COM](http://WWW.CONTAAZUL.COM)



NOV 2012/MARCH 2014

**INVESTED:** \$0.7 mil  
**VALUE:** \$0.7 mil  
**GROSS MULTIPLE:** 1.0X

Canopy Labs takes customer data and, applying a proprietary algorithm, allows companies to find and prioritize their most valuable customers and more efficiently target marketing campaigns.

[WWW.CANOPYLABS.COM](http://WWW.CANOPYLABS.COM)



AUG 2012/MAY 2014

**INVESTED:** \$0.4 mil  
**VALUE:** \$0.4 mil  
**GROSS MULTIPLE:** 1.0X

Using AI and large data sets, Granify helps companies identify and convert the large population of users who visit commerce websites but fail to make a purchase - offering significant increases in conversion rates at effective costs.

[WWW.GRANIFY.COM](http://WWW.GRANIFY.COM)



NOV 2012/DEC 2013

**INVESTED:** \$0.3 mil  
**VALUE:** \$0.4 mil  
**GROSS MULTIPLE:** 1.5X

Descomplica is Brazil's largest on-line classroom and brings high-quality, data-driven classes to a wired, middle-income market underserved by traditional off-line education. The company now has more than 5,000 lessons and videos available and has served more than 4.5 million students.

[WWW.DESCOMPLICA.COM.BR](http://WWW.DESCOMPLICA.COM.BR)

Figures presented herein are unaudited gross estimates as of June 30, 2014. Only a portion of Valar's portfolio companies are listed here. Please consult the Private Placement Memorandum for a complete list and performance of all portfolio companies.



## TERMS

### INVESTMENT PERIOD

5 Years

### TARGET SIZE

\$150 Million

### MANAGEMENT FEES

2.5% / year (subject to step-down)

### LEGAL COUNSEL

Cooley LLP

### INCENTIVE FEE

20% scaling to 25%/30% at 3x/6x returns

### GP COMMITMENT

1% of overall fund commitments  
(in addition to Peter Thiel's investment)

### MINIMUM INVESTOR COMMITMENT

\$5 Million (subject to GP discretion)

### AUDITORS

BDO



## TERMS

915 Broadway, Suite 1101  
New York, NY 10010



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