

## BATTLE BORN VENTURE 2016 ANNUAL REPORT

*Battle Born Venture has continued to invest in the State's early stage startups, alongside institutional investors such as John Hancock, in 2016. In addition, it has worked with portfolio companies to add value, and some have been recognized as leaders in their industries, for example, Base Venture was selected as one of Red Herring's Top 100 North America.*

### INTRO TO BATTLE BORN VENTURE

Battle Born Venture is the state venture capital program for Nevada. It makes equity and equity-like investments in early stage, high potential Nevadan startups. It is a component of the State Small Business Credit Initiative (SSBCI), a federal program that seeks to enhance local capital infrastructures across the US.

### BATTLE BORN VENTURE'S 2016

Battle Born Venture continued to expand its portfolio through steady investment through 2016, both adding new investments and recommitting to portfolio companies. It worked with several of its portfolio companies to add value as the portfolio becomes more mature. Its current portfolio includes:

*Access Health Dental.* Access Health Dental is a Las Vegas-based dental practice company that brings an innovative, systematic approach to the delivery of

dental care; it provides management support services for its dental offices so dentists can focus on providing the best care for patients. It continued to acquire practices through 2016, and saw its long-planned cost reduction programs begin to bear fruit through initiatives such as centralized materials purchasing.

*Base Venture.* Fintech firm Base Venture pivoted its business model in 2016, and gained traction for its newly launched fund administration automation product. FundManager.io streamlines fund management by connecting fund administrators, fund managers, and investors, and allowing fund managers to easily see their portfolio positions and communicate with clients. The company raised an additional round in 2016, led by \$26bn market cap financial services software company FIS. Battle Born Venture again participated in the round. It also won a slew of awards during the year, such as,

being listed in Red Herring's Top 100 North America. Base Venture originally anticipated that it would build a small team in Carson City, but has accelerated its efforts thanks to its relationship with University of Nevada, Reno. It now has a sales and customer service team at its Carson City office, housed in incubator space, Adams Hub.

*Fandeavor.* Las Vegas based Fandeavor.com is the hassle-free solution for door-to-door fan travel packages and VIP gameday experiences. Fandeavor's "Build Your Own Experience" technology allows customers to seamlessly create custom travel packages on an easy to use online platform. Fandeavor is bringing a level of customer service and product experience not previously seen in the sports industry.

Fandeavor continued to introduce new product features during the year, and achieved a 30+ growth in gross bookings as

a consequence. It raised an additional round in 2017, in which Battle Born Venture participated. Co-investors in the round include VTF Capital (formerly VegasTechFund).

*TransWorldHealth.* Reno, NV-based TransWorldHealth provides productivity software to the \$1bn+ safety net healthcare market. The platform incorporates advanced fuzzy logic matching to identify and locate patients as well as sophisticated forecasting algorithms, such as, the likely number of patients that a clinic will see in the following week. The platform integrates with leading electronic health record (EHR) providers, rather than replacing their offerings.

TransWorldHealth's investors include the Reno Angels, along with several private angel investors.

During 2016, the Company secured a software development contract from a large local company. In addition, Battle Born Venture worked with its fellow co-investors to add value to the company's growth plan.

*Wedgies.* Wedgies is a Las Vegas-based inline social media polling software company. It allows you to: easily create attractive, responsive polls from a selection of templates, embed the same poll across multiple sites (WordPress, Twitter, Facebook, Tumblr), allows the user to respond directly in those sites, see responses in real time (hundreds of thousands of votes in milliseconds) collated across platforms, and display these to respondents. Battle Born's co-investors in the Company include Graycroft Partners and VTF Capital. Wedgies' other investors include 500 Startups and SVAngel.

During 2016, the Company pivoted to service the business to business market, and secured its first large corporate client as a consequence.

*WiseBanyan.* Las Vegas and New York based WiseBanyan is one of the fastest growing independent roboadvisors in the US, with more than 15,000 clients. It offers free portfolio management, and an increasing range of other financial management tools. Battle Born Venture's co-investors in the round include strategics, such as John Hancock and CFSI

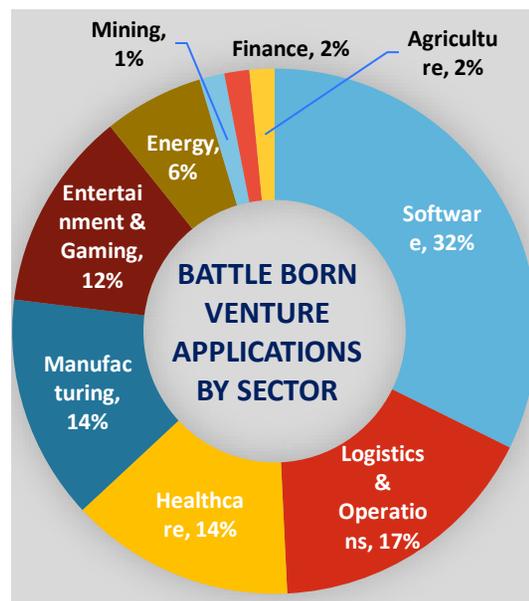
with founding partner JPMorgan Chase & Co. Proceeds from the round are being used to expand its product offerings and marketing reach.

#### **BATTLE BORN VENTURE'S DEMOGRAPHICS**

Battle Born Venture accepts applications through the Gust platform, and all applications are evaluated by an independent Investment Advisory Committee. Investment decisions are ultimately made by the Nevada Governor's Office of Economic Development.

The most common reason for an application to be rejected is that the startup is either based outside of the State or is too early stage: Battle Born Venture does not invest in pre-revenue companies nor in companies not based in Nevada. These applicants were each referred to free mentoring services in state at Nevada SBDC.

Battle Born Venture Applications By Sector

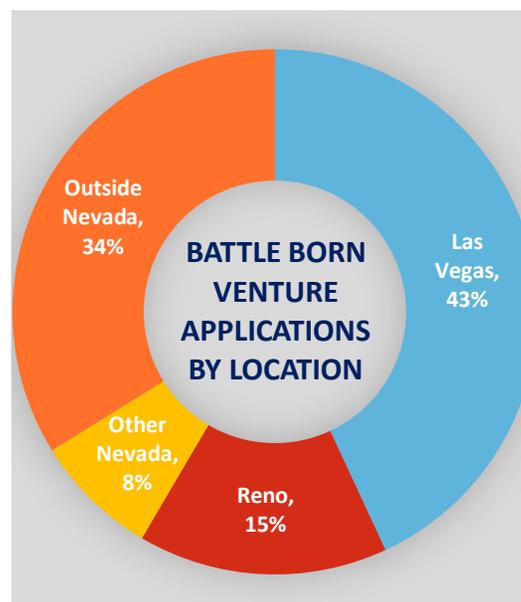


Source: Battle Born Venture

Applications to Battle Born Venture were again dominated by the software sector, which represented 32% of the total. Logistics and operations, healthcare, manufacturing and entertainment and gaming remained significant sectors in addition.

As has been the case in previous years, there were more applications from Las Vegas (43%) based startups than from those in Reno (15%) or elsewhere in Nevada (8%).

Battle Born Venture Apps By Location



Source: Battle Born Venture

**PROGRAM UPDATES**

Battle Born Venture successfully completed a routine US Treasury audit during 2016.

In addition, Battle Born Venture established a non-profit entity – under the auspices of Nevada AB17 - to house Battle Born Venture’s investments and operations. The entity is overseen by the State legislature.

**VENTURE CAPITAL MARKET TRENDS**

During 2016, the major trends in the early stage venture capital market on which Battle Born Venture focuses were:

**I. Slowing Venture Capital Market**

Venture capital investment began falling in the fourth quarter of 2015, and – after hovering in a \$27-28bn range per quarter in the first half of 2016 – fell further in the third quarter. At \$24bn total fund, the third quarter saw the lowest investment level for two years<sup>1</sup>.

In turn, Battle Born Venture – which does not lead rounds - is currently waiting for

<sup>1</sup> “Venture Pulse, Q3 2016”, KPMG / CB Insights

several promising opportunities to secure lead investors.

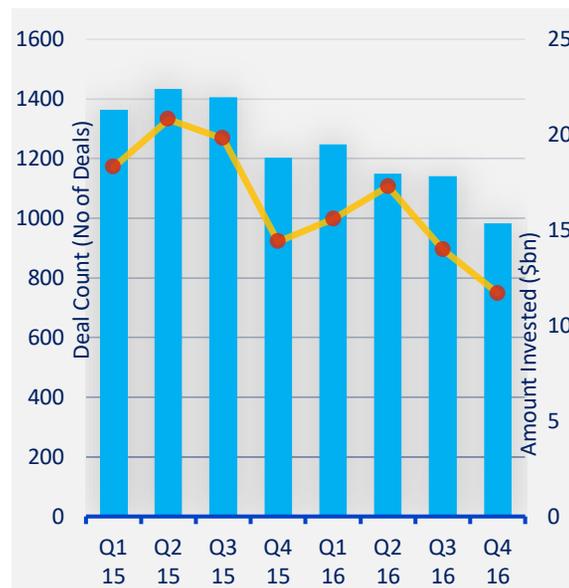
That said, venture capital funds have had a strong year of fundraising, so have substantial capital on hand, and several commentators – such as Matt Murphy of Menlo Ventures – have therefore forecast higher activity levels in 2017.

## 2. A Big Year for Fintech

While seeing a lower level of activity than the highs of 2015, fintech funding remained a feature of the venture capital landscape in 2016. Shifts in technology and consumer preferences have rendered the \$3tn global financial services market ripe for disruption. Investors have capitalized on this opportunity, backing more than 3,000 fintech deals since 2011. These are in areas as diverse as lending, payments and investments and incorporate mundane approaches such as point of sale systems through to more exotic technologies such as blockchain.

<sup>2</sup> US Department of Commerce, Bureau of Economic Analysis figures for 2015, published September 2016

## 2016 Venture Capital Deal Activity



Source: PWC / CB Insights

Battle Born Venture contributed to this trend through investments in fintech software firm Base Venture, and in roboadvisor WiseBanyan. It is notable that finance, insurance, real estate, rental, and leasing is the largest sector of the Nevada

<sup>3</sup> CB Insights figures

economy, making up just over a fifth of Nevada gross domestic product (GDP)<sup>2</sup>.

## 3. Longer Between Fundings

The time between rounds has been lengthened at every stage of venture capital, and startups' likelihood of raising a sequential round has fallen. For instance, the average time between rounds for those at seed stage rose from 1 year in 2015 to 1.2 years in 2016 per data provider PitchBook. The percentage of companies that succeed in raising an additional round after their seed one has fallen from 50% in 2010 to only 11% by 2016<sup>3</sup>.

In turn, this forces a focus on burn rates, the losses that a startup faces each month, a trend which arguably benefits lower cost jurisdictions such as Nevada.