# How Antler thinks about investments

**Why Antler?**

Antler is the day zero investor and one of the largest startup communities in the world, including a unique network of advisors and a global footprint that is unrivaled in early-stage investing. Antler is a platform through which entrepreneurs can build their companies—from day zero to greatness.

We see ourselves as a long-term partner to world-leading entrepreneurs. As such, we will always take the entrepreneur's vantage point on the road to creating sustainable value. Our investment terms always reflect this philosophy.

**Who do we back?**

At Antler, we know that a unique team is at the heart of every startup's success. Our core activity is to bring together exceptional founders across the world, helping them find a co-founder(s) and getting their venture off the ground. In these instances we work alongside the teams for up to 12 weeks, then partner and invest in exceptional teams executing strongly towards a large opportunity.

Antler invests at the earliest stage of a venture's life cycle. While most of our investments will be made in teams that form through Antler's cohorts, we will also invest in existing ventures with established founder teams that seek funding from Antler.

We invest in people. We have found that an amazing team with a mediocre idea in most cases will outperform a mediocre team with a great idea. We often see a team pivot its idea after finding a more pressing or interesting problem to solve. If we decide to invest, it is first and foremost because we have high conviction that the team we are backing will be future winners and because we are confident that we can and want to work with the team.

Our ambition is to be a long-term partner for the founders and companies we back. Thus, we want to offer our portfolio companies follow-on capital as they grow and scale. Since we were one of the earliest backers, we retain a right to invest in potential upcoming financing rounds to maintain our pro-rata ownership share.

**Which rights do we ask for?**

We invest in you because we think you can create something big, and we want to support you and be a part of your journey. We believe that as investors, we should have aligned interests with the founders we invest in. Our philosophy is simple: we invest for the mutual upside, not to protect our downside.

When we ask for certain rights like liquidation rights it is primarily to avoid lengthy discussions in a failure scenario. When we invest at early stages, we try to keep the number of investor rights to a minimum and, as an example, do not ask for antidilution rights nor do we require veto rights on decisions made by the company.

We may also ask for certain information that relates to ESG and, if appropriate, impact to better understand the non-financial factors that can influence company performance. We offer resources and guidance to support our founder community on their sustainability journey.

In later rounds, it is more customary for investors to require certain investor rights and we will in these instances often invest alongside other investors with particular demands, but we will always be upfront on what the investor rights would be, and argue for moderate rights rather than aggressive ones. In priced equity rounds we will normally ask for standard rights in terms of requiring our consent for certain material decisions.

**Who decides?**

The teams we invest in determine the company's success, and we believe that the teams should make the key decisions. At the earliest stages it is often not conducive to value creation to have a large formal board. As investors we seek to support you through our unique platform and reach as you grow your business, and provide more value to you than what we could in a boardroom. Therefore, we do not enforce board participation in our companies.

However, in order to keep track of how you progress so we can help you, we ask for basic information rights and the option to appoint a board observer. You should expect that we ask for certain basic KPIs about your company on a monthly basis.

**How do we think about the people we back?**

The most valuable asset in a company and the key determinant of its future success, is its people. Therefore it is important that you can (i) incentivize the best talent to join your company, and (ii) have certain mechanisms in place to protect co-founders from each other. We know that co-founder dynamics can sometimes be challenging to maneuver and/or that a co-founder has to leave the company. In these cases it is important to have clear mechanisms in place to ensure it doesn't hinder the future success of the company. As we want to see your company succeed, this is equally important to us as your investors. Therefore there are a few things we would want to see in the companies we invest in:

<u>ESOP</u>: As the first investor, we primarily bet on the future potential of the company you will create, and the most important component of future success is being able to attract and retain the best talent. We believe that the best talent wants to be rewarded by ownership. When we invest, we therefore expect that there is an ESOP pool in place of at least 10% of the share capital to ensure that you are able to recruit and retain the best talent.

<u>Key Person Clause</u>: We are investing in you as a team. It is important to us that the people we invest in stay in the company and have a 100% focus on building the company for a period of time. It is also not fair to you that if your co-founder decides to leave after just a few months or a year, that they maintain a large share of the ownership in the company while the other co-founders are the ones building it. Having “dead equity“ on your cap table will make it more difficult for you to raise your next round of financing, as well as incentivize new talent. Thus, we believe founder shares should vest monthly over a period of 48 months, with a 12-month cliff. If founders or key persons leave within this period, they will sell the vested shares back to either the existing founders, new talent, or the company.

<u>Founder restrictions</u>: Since we are backing you and your idea, we want you to stick to developing this idea with us (and not others) for a certain period. Further, we think it is important that you as founders are protected against your co-founder leaving and building a similar business. Therefore we would like to have standard non-competition and anti-solicitation (customer and suppliers) in place for as long as you own shares in the company and for a period of 12 months after a sale of your shares. In addition, we believe intellectual property must be assigned to the company.

**What happens if we decide to invest?**

When we have made a decision to invest in your company, this is what you can expect from us:

Valuation: The company's capitalization at the equity financing will include outstanding convertible notes, SAFEs (outstanding and future issues), warrants, and the outlined ESOP (issued and unissued).

Indemnification: We will not ask for founder indemnifications that involve a personal liability for the founders.

Costs: We want our money to go towards building your company, not cover legal costs. We think it most fair—and cost effective—if you cover your legal fees and we cover ours.

Exclusivity (residency investing): If you are part of an Antler residency you must enter into an exclusivity agreement for four months from the start of Phase 1 (in line with our offer letter). This provision is aimed at providing Antler with the right to be the first investor into your company as we are investing time and resources in you from day zero. However, if Antler at the end of Phase 1 (~12-week time period) decides not to make an investment in your business, you are from then on free to receive investment from other investors than Antler.

Exclusivity (non-residency investing): When we have made a positive investment decision and you agree to move forward, we may enter into a term sheet (mostly relevant in priced rounds). We think it is fair that you are not using our term sheet to solicit better offers while we produce the relevant agreements and documents. We therefore ask that you agree to a period of exclusivity, where you ask for our consent before soliciting other offers.

Due Diligence: Our primary due diligence is happening real time working alongside you for up to 12 weeks. We might have some additional questions and will ask you to fill out a due diligence questionnaire to help our efforts. For existing ventures with established co-founder teams, the questionnaire will probably be followed up by a few meetings or calls.

Also, please feel free to do your due diligence on us as well by talking to some of the companies and founders we have invested in.

**Investment instrument:**

Antler invests through different instruments depending on the location and stage. In some locations we invest in priced equity rounds, while in others we invest through convertible instruments, e.g. SAFEs (see below). Where we for different reasons can not use a SAFE (or equivalent) we will use other instruments that are optimal for the location in question.

**Antler SAFE**

Antler's default investment vehicle at the pre-seed stage is using a post money SAFE (Simple Agreement for Future Equity). The SAFE is a relatively simple document outlining rights and obligations between Antler and the founders we back, in line with the principles outlined in this document. The SAFE is basically a right to convert an investment into a certain percentage ownership at the first priced equity round. The Antler SAFE will have standard terms, and also include pro-rata participation rights, information rights and board observer rights. The SAFE will vary slightly across various locations depending on local laws, regulations and tax considerations. Sometimes, the instrument will also be called something other than a SAFE, but we adhere to the same principles.

# How Antler Invests

Antler invests primarily in three ways:

1. **Pre-seed residency investing**

   Where prospective high-potential founders are admitted into local residency programs, finding their co-founders to form teams and together develop high-potential startups in a matter of months. When we start working with individual founders with the purpose of forming a new company, we both sign an offer letter between us. The offer letter reflects the investment terms in the subsequent pre-seed investment should Antler decide to invest in your company.

   The investment terms vary slightly across various Antler locations. You can find out more the specific terms of the locations you are looking at here, but in general Antler retains a right to invest in exchange for 7% to 12.5% equity in the companies we decide to back during the first phase of the residencies. Investment decisions are normally made in a formal IC after 2-3 months of working together.

   Individuals who participate in one of our residencies may receive a personal grant for taking part. Read more about our residency investing here. The size of the investment and founder grants will vary slightly from location to location depending on local factors.

2. **Investing in pre-seed and seed rounds of companies formed outside our residencies**

Antler will also invest in pre-seed and seed rounds of incorporated companies that are not formed through our residencies. If we invest at the pre-seed stage and are the first investors, Antler will normally invest using a SAFE (see above).

When Antler invests in priced seed rounds alongside other investors, the investment terms are normally set by the lead investors in the round. Antler does, however, have founder-friendly standard terms that we want to see reflected in the investment terms when we invest. Antler will normally refrain from investing in seed rounds where we find that the investment terms are too unfriendly towards the founders.

## 3. Investing in A rounds and beyond

Antler will invest in A rounds and beyond. We usually don't lead investments in A rounds but will co invest with local, regional, or global investors and VC firms. The investment terms in A rounds and beyond are normally set by the lead investors in the round. Antler does, however, promote founder friendly standard terms that we seek to implement in the investment rounds.