



The people's VC

June 2019  
[info@hatchworksvc.com](mailto:info@hatchworksvc.com)

Executive Summary	3
Problem	4
Solution	5-6
Competition	7-9
Initial Exchange Offering	10-12
Team	13
Risks	13-14
Disclosures	15

## Executive Summary

Hatchworks is a venture firm with an in-house incubator and market insight platform known as 'Hatchnet'. Unlike the opaque world of venture capital where both, venture capitalists and venture firms tend to reveal little information about companies they research or invest in, Hatchworks changes this paradigm by publicly revealing not only all past investments made and detailed information about them, but current, live investments being researched and investments being made. This process is done in real-time on Hatchnet; Hatchworks' market insight platform that provides the most relevant information to everyday investors on deals they never get to see until they IPO.

It is no secret that by the time companies like Uber or Beyond Meat come to market, they have already progressed through various rounds of funding, at increasing valuations. These funding rounds start with seed funding where unicorns such as Uber and Beyond Meat still have modest valuations in the single digit million-dollar range (the ideal time for retail investors to get in), all the way to Series A through D and pre-IPO funding, which happens at valuations often in the hundreds of millions to a few billion-dollar range. Money exchanges hands behind closed doors and specifically, between ultra-high-net-worth institutional investors, other venture firms or syndicates. Rarely do average retail investors hear about this period of significant ROI. The average retail investor is only contacted when the time comes for venture firms to exit; i.e. the big initial public offering (IPO). By the time this happens, average people on the street are paying rich valuation premiums and high-net-worth people and companies are selling.

While there have been attempts to address the above problem through vc-tracker funds, many of these have failed (explained in 'Competition' section later). Hatchworks' Investment Committee members hold key board-memberships on multi-billion-dollar asset managers such as MFO Asset Management Ltd. Owing to these strategic networks along with already having access to a multi-million-dollar liquidity pool known as the DALP (which belongs to a portfolio company called Spectre.ai), Hatchworks already commenced its portfolio construction process having invested in both, public deals at various stages of investment but also behind-the-door VC type syndicated deals such as Weengs. It has also completed Hatchnet (alpha version available on [www.hatchworksvc.com](http://www.hatchworksvc.com)) which showcases a new way for retail investors to get access to lucrative deals they otherwise would not. Hatchworks is now seeking funding of \$50,000,000, in order to scale up its portfolio construction process, launch the commercial version of Hatchnet for the masses and create a series of funds (known as 'Hatchfunds') which allow everyday people to get access to lucrative start-ups.

In doing so, Hatchworks is issuing an ERC-20 digital utility token known as HATCHTOKEN. This utility token will provide the masses basic and premium access to Hatchnet, thereby dramatically increasing their chances of investment success. Along with this, it unlocks a range of unique utilities all of which are detailed later.

## The Problem

95% of venture capital firms lose money, struggling to make the customary 'venture rate-of-return' over a 5-10-year period<sup>1</sup>. However, that's an irrelevant problem for the average person on the street who relies on their 401k/pension fund or a low-yield cash savings ISA to generate meagre return on their behalf. After a career spent toiling for an employer, usually chasing a personal debt spiral in the bargain, one spends the remainder of their retirement years in financial mediocrity. During this period, the 1% get richer as they receive institutional level deal flow at low valuations, paving the way for ongoing wealth creation. Sadly, wealth opportunities are rarely bestowed on the 99%. Although the ongoing fin-tech revolution has paved the way for certain market insight platforms like AngelList, Crunchbase and crowd-funding websites like Kickstarter, Crowdfunder or Crowdcube, it is a rare occasion that any of these showcase transformational deals or give average retail investors a shoe-in to transformational wealth.

We believe this resulted in a retail-investor-led *rebellion* in 2017, whereby pent-up levels of decades of frustration with the system, resulted in the birth of ICOs (Initial Coin Offerings) and around \$5.6 billion was ploughed into start-ups<sup>2</sup>. These mass-scale crowdfunds were a well-meaning, but failed attempt by the average investor to get in early on transformational companies. The reason it did not work and continues to get worse, is owing to the lack of an institutional grade due-diligence process, which would need to be run on the teams that were raising millions during ICOs.

The lack of information on lucrative deal flow and irrelevant or outdated information on market insight platforms, means the average investor is kept out of the loop almost entirely. Hatchworks tackles both these problems. This is explained in detail next.

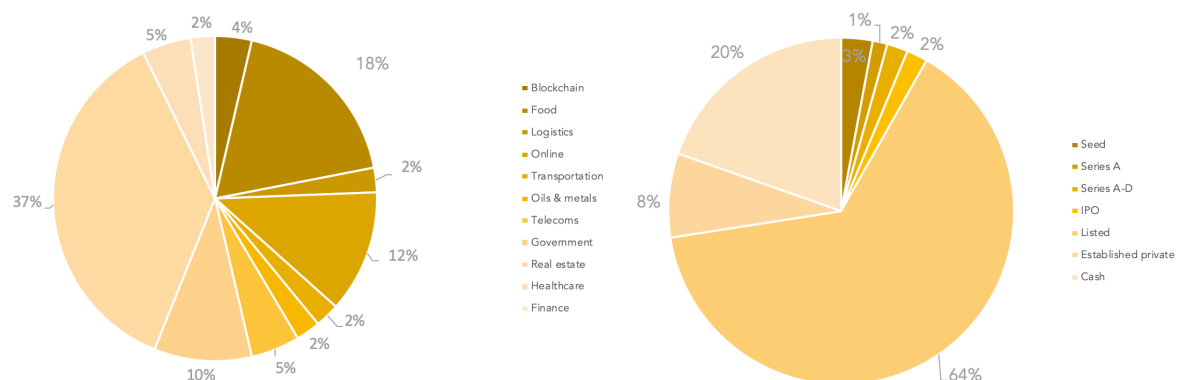
---

<sup>1</sup> Source: Tech Crunch [https://guce.techcrunch.com/copyConsent?sessionId=3\\_cc-session\\_e786f115-ff1d-46bd-bb5f-fa8408bb2be6&inline=false&lang=en-GB](https://guce.techcrunch.com/copyConsent?sessionId=3_cc-session_e786f115-ff1d-46bd-bb5f-fa8408bb2be6&inline=false&lang=en-GB)  
<sup>2</sup> Source: Business Insider <https://www.businessinsider.com/how-much-raised-icos-2017-token-data-2017-2018-1?r=US&IR=T>

## The Solution

Hatchworks' Investment Committee members sit on the board of MFO Asset Management Ltd, an EU-regulated investment company managing \$1.5bn through multiple alternative investment funds. Owing to these positions along with its strategic access to Spectre.ai's DALP (decentralised autonomous liquidity pool), Hatchworks receives regular insight and overviews on many of the VC industry's lucrative deals that are in the process of institutional funding. These deals may be Silicon-Valley based or may span the entire globe. Most recently, owing to these relationships, Hatchworks invested in Weengs, as part of its £6.5m Series A funding round<sup>3</sup>. Noteworthy is that it did so, along-side a VC syndicate comprising of Oxford Capital and others. It is worth noting that since 2017, Hatchworks has invested in over 70 companies using its rigorous portfolio construction process alongside its investment committee (IC). It typically invests in early stage companies who have traction, but generally has ensured it has covered the entire spectrum, starting with seed rounds all the way up to IPO and listed companies (Exhibit A).

Exhibit A: Sector and investment stage allocation



Note: Hatchworks has, through its investment companies, invested in excess of \$4,000,000 at the time of writing.









Over time as Hatchworks' portfolio assets mature and exit either as trade sales or IPOs, its buying power and thus, negotiation power will increase thereby allowing HATCHTOKEN token holders to get an increasing level of early insight on the industry's most lucrative and cutting-edge companies and deals. Hatchworks will also expand beyond its current relationships into various relationships with family offices and venture firms around the world, thereby not only increasing the frequency of companies and deals being researched, vetted and appearing on Hatchnet, but also preferential deal terms being arranged for HATCHTOKEN holders (*who can choose to participate at very low minimum investment levels by not investing directly in the target asset but instead in a Hatchworks sub fund with any returns being paid out pari-passu their investment. These are known as 'Hatchfunds'.*)

<sup>3</sup> Source: Tech Crunch <https://techcrunch.com/2019/04/18/weengs-collects-series-a/>

Unlike convoluted market insight platforms where average investors get access to thousands of companies but don't get basic questions answered such as "is the company break-even, is its valuation rich, have owners actually invested themselves", one look at Hatchnet (which is live on [www.hatchworksvc.com](http://www.hatchworksvc.com)), will reveal just how unique and far more relevant Hatchworks' market insight platform is, relative to competition. The purpose of this platform is not only to represent deals that have been rigorously vetted by our highly experienced investment committee (IC), but also parse data on companies inside the system in a way that answers real questions for average investors.

#### Exhibit B: Hatchnet (Alpha)

HATCHNet.

	Name	Location	Sector	Stage	Revenues	Net Profits	Yield	Valuation	Hatchscore	
Previous exit		Spectre	Cyprus	Fin-tech	Series A	\$6m	Nil	1.5%	\$20m	
Owner invested										
Post revenue		Weengs.	UK.	Logistics.	Series A.	\$3m.	Nil	Nil.	\$24m	
Profitable										
Stage		Beyond Meat	USA.	F&B.	IPO	\$100m.	Nil.	Nil	\$3bn	
Distressed										
Cheap (P/E)		Netflix	USA.	Online.	IPO	\$16bn.	\$1.2bn	Nil.	\$168bn	

Note: The above is for illustration purposes only and while Spectre.ai, Weengs and Beyond Meat are portfolio companies of Hatchworks, Netflix is not. The alpha version of Hatchnet can be accessed on [www.hatchworksvc.com](http://www.hatchworksvc.com)

Retail investors are somewhat interested in information such as whether or not there are drag along or tag long rights in the current funding round or, at what preferred valuation the current convertible equity converts to or if the company was featured by TechCrunch. However, what they really want to be able to see, at the touch of a button, is if the management team seeking funding has invested themselves, if they've had previous successful exits, if the product is disruptive, if it solves a problem, if the business is currently break-even or burning through reserves, if it holds patents that protect it, if the management team has had any run-ins with the law and the qualified technical opinion of our investment committee (IC) on every possible investment. Hatchnet (Exhibit B) sorts its companies and deals using 25+ such criteria which provide real and relevant information to potential investors. HATCHTOKEN holders get access to this premium information thereby getting a significant edge on which deals to consider and which ones to avoid.

## Competition

The firm has no intention to compete with other venture capital companies, but rather to obtain early access to lucrative deals (which it already does) and open these up for HATCHTOKEN holders as and when applicable.

### Exhibit C: Peers

Peer	Dedicated funds	Market insight platform	Relevant data	HNW Screening	Pipeline transparency
AngelList	Yes	No	No	Yes	No
Crunchbase	No	Yes	No	No	N/A
Pitchbook	No	Yes	No	N/A	N/A
AcquiredBy	No	Yes	No	N/A	N/A
FundComb	No	Yes	No	N/A	N/A
StartupRanking	No	Yes	No	N/A	N/A
AIN	No	No	No	No	No
Hatchworks	Yes	Yes	Yes	No	Yes

Note: Certain data aggregators such as AcquiredBy and FundComb do not have within their mandate to operate a fund and as such, high-net-worth (HNW) investor screening and pipeline transparency would not be applicable to them.

On the market insight/product side, Hatchnet's competitors would be platforms such as Pitchbook, Crunchbase and AngelList (Exhibit C). While attempts by crowdfunding platforms such as Crowdfunder have been made to provide access for everyday investors to lucrative VC deals, these efforts failed<sup>4</sup>. Today, most crowdfunding platforms showcase bottom rung deals which have a high failure rate and rarely see big VC or syndicated institutional investor interest. This is why we have excluded the likes of Crowdcube, Crowdfunder, Kickstarter and others associated peers in our competition matrix.

AngelList has had its fair share of success in the last 3 years, obtaining billion dollar exits for Twilio, Dollar Shave Club and Cruise. While AngelList has its origins in being a company data aggregator, similar to Crunchbase, it operates a few funds similar to Hatchworks and allows some of its userbase to co-invest. However, it is worth noting that according to the company itself, just 170 investors were able to access the above deals<sup>5</sup>. We believe part of the reason this figure is small, owes to the fact that mainly only high-net-worth and/or accredited investors can invest. Notably, investing in AngelList's Access Fund requires a \$100,000 minimum investment and investors need to apply in order to be considered for the 'deal-by-deal' VC fund where the minimum ticket is just \$1,000 and attest to the fact that they are a 'certified high net worth individual or a high net worth company'.

Therefore, in our view, they operate a high-net-worth individuals club as the ability to invest in, let alone see, all active deals and companies, is impossible before being

<sup>4</sup> Source: Tech Crunch <https://techcrunch.com/2016/04/07/crowdfunder-index-fund/>

<sup>5</sup> Source: Fortune <http://fortune.com/2016/08/10/angel-list-unicorns/>

accepted. In our view, measures like these alienate the everyday investor. When an investor does finally gain access to individual company pages within the AngelList website, they are provided with surface level data such as a brief summary of the project, location, website, number of employees, if they are seeking hires or not, funding levels and who the backers are. Information like this is rather irrelevant or low priority.

Retail investors at the click of a button should be able to see if the management team seeking funding has invested themselves, if they've had previous successful exits, if the product is disruptive, if it solves a problem, if the business is currently break-even or burning through reserves, if it holds patents that protect it, if the management team has any run-ins with the law and the qualified technical opinion of the investment and operations committees at AngelList, on said investment. This lack of relevant information is a theme across other competitors such as Crunchbase, as well.

Crunchbase, unlike AngelList, doesn't actively promote various funds for everyday investors to get the opportunity to invest in, but it does provide what at first glance seems to be a rich market insight platform. Unfortunately, this is not the case, in our view. Pulling up any company on Crunchbase will give algorithmically collected basic information such as who the founders are, what the funding rounds have been and then in partnership with web services such as SimilarWeb, BuiltWith and Apptopia, Crunchbase provides insights on web traffic for the company's website and information (that is, according to our analysis, not always accurate) on possible competitors and basic financials like revenues or IT spend.

Again, none of this information really provides deep insightful, meaningful information to investors wanting to filter and hone in on investment worthy companies. While platforms like Pitchbook provide rather accurate and deep level information on company funding rounds, deal terms and other deal specific data, they do not provide qualitative answers to the most important questions in investing. AcquiredBy, a peer to Pitchbook, provides satisfactory information surrounding M&A activity and exits but again doesn't provide answers to real questions most investors have. Another peer is FundComb, which does provide the average investor certain filters however these are predominantly focused on deal size, fund size and sectoral filters. StartupRanking is another aggregator and while it does have a scoring mechanism, this is unfortunately purely based on the web popularity of a website and data provided on the investment worthiness of a company, is sparse. Finally, retail investors do have access to prominent angel investment networks such as AIN in the UK, however, these either do not have their own funds or data provided on deals is sparse or doesn't exist in a proper market insight platform.

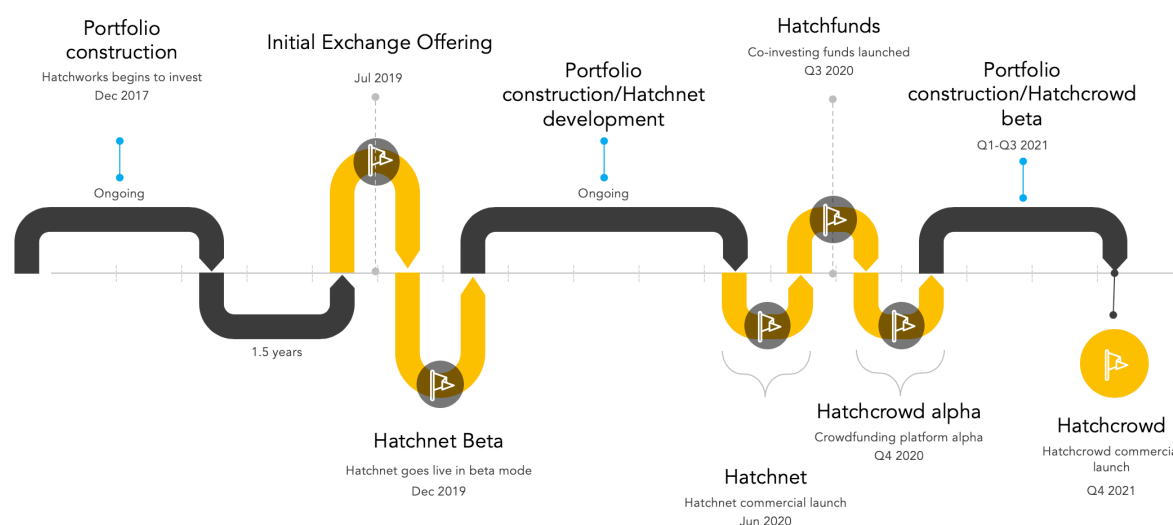
We would like to reiterate, retail investors at the click of one button, should be able to see if the management team seeking funding has invested themselves, if they've had previous successful exits, if the product is disruptive, if it solves a problem, if the business is currently break-even or burning through reserves, if it holds patents that



protect it, if the management team has had any run-ins with the law and the qualified technical opinion of our investment committee (IC) on every possible investment. Competitors today simply don't provide this information. Hatchnet sorts its companies and deals using 25+ such criteria which provide real and relevant information to potential investors. HATCHTOKEN holders get access to this premium information thereby getting a significant edge on which deals to consider and which ones to avoid.

# Initial Exchange Offering

## Exhibit D: Roadmap



Note: The development of Hatchcrowd, the crowdfunding platform, is dependent on the success factor of the initial exchange offering (IEO). Specifically, it will only be developed in the event of a raise in excess of \$30,000,000. If this figure is not reached then Hatchworks will continue its mandate of ongoing portfolio construction with raised funds and the creation of co-investing funds (i.e. Hatchfunds) which provide HATCHTOKEN token holders access to deals Hatchworks is investing in, at preferred rates.

Since 2017, Hatchworks has invested in over 70 companies using its rigorous portfolio construction process alongside its investment committee (IC). It invests in early stage companies with traction but also covers the entire gamut, starting with seed rounds all the way up to IPO and listed companies (Exhibit A). In order to expand its investment capacity and carry out its mandate described in this paper so far, it is seeking to raise funds through the issuance of an ERC-20 digital token known as HATCHTOKEN.

The firm plans to issue 200,000,000 HATCHTOKENS at a set price of \$0.25/token in return for a raise of \$50,000,000 which is the hard cap. The soft cap, below which the raise would be considered unsuccessful is \$1,500,000. The offering is at a 20% free-float, which means the management will retain 80% of tokens to which a 5-year vesting period is attached, resulting in HATCHTOKENS coming to market at a rate of up-to but no more than 1.33% per month. The reasons behind holding 80% privately is in order to partially fund the incubation of Hatchfunds in the future (26.7%), legal, advisory, management and research associate incentivisation (26.7%) and owing to currently weak market conditions (and subsequently, a possibly low IEO raise), to re-access the markets if they return to bullish territory (26.7%), in the future. Owing to regulatory reasons, the following regions are restricted and participants in the offering from these regions will be excluded by the exchanges where HATCHTOKEN will be issued: United States of America.

The HATCHTOKEN token is a utility token in the classic sense and does not have any attributes of a security. It will unlock the following unique benefits for holders:

- **Hatchnet**

Basic access which is worth \$99.99 per year will be only available to token holders who hold the above dollar amount in HATCHTOKENs. At IEO prices this would mean around 400 tokens.

- **Hatchnet Premium**

As for premium access which is valued at \$999.99 per year, token holders get access to premium filters (one of the key features and USPs of Hatchnet) including direct contact with management teams of certain portfolio companies and the ability to submit their own companies to our investment committee (IC) for due diligence. At IEO prices this privilege would mean holding around 4,000 tokens.

- **Hatchfunds**

Token holders also obtain access to certain deals on preferential investment terms owing to Hatchworks being a co-investor in said deals. As stated earlier, in order to truly democratize the VC investing process, Hatchworks will keep the minimum investment amount into its unique deal-specific funds that are setup, at just \$100.00. This would mean the masses can invest in companies they otherwise not get access to. We value this privilege at \$5,000 and as such, at IEO prices, around 20,000 tokens would need to be held by token holders.

In order to manage volatility in access costs to Hatchworks, the firm will tie token quantities required to access Hatchnet and Hatchfunds to U.S. dollars. Furthermore, in order to contain token price volatility (as high volatility in token prices is not commercial, in our view, as it signals a fluctuating value of privileges), after apportioning capital gains on investments to fortify proprietary investment funds and the DALP, the firm will use some gains on investments to procure and burn HATCHTOKENs over time. This activity will result in a drop in HATCHTOKEN supply over time.

Hatchworks will be able to execute the entirety of its planned roadmap (Exhibit D), in the event of a raise of between \$30,000,000 and \$50,000,000. In the event that the raise is between \$15,000,000 and \$30,000,000, the firm will deliver a full-scale version of the roadmap but not invest in the creation of Hatchcrowd (towards the end of 2020), its own vetted crowdfunding platform built on the principles of Hatchworks. If the raise falls anywhere between \$5,000,000-15,000,000, it will deliver on roadmap items including Hatchfunds, albeit at a reduced scale and size. Should the raise fall in the range of \$1,500,000 and \$5,000,000, Hatchworks will deliver Hatchnet and continue to focus on its existing portfolio construction process, albeit with a stronger focus on seed-stage venture deals but whether or not it invests in the creation of Hatchfunds will depend on market conditions.

## Exhibit E: Proceeds allocation

Item	5 year (\$)	% of raise	Stage	5 year (\$)	% of raise
Research team	600,000.00	1.2%	Seed	5,000,000.00	10.6%
Admin team	300,000.00	0.6%	Series A	10,000,000.00	21.2%
Dev team	500,000.00	1.0%	Series A-D	10,000,000.00	21.2%
Fund marketing	500,000.00	1.0%	IPO	5,000,000.00	10.6%
Legal	600,000.00	1.2%	Listed	5,000,000.00	10.6%
Travel	300,000.00	0.6%	Est. private	5,000,000.00	10.6%
Offices	120,000.00	0.2%	Cash and yielding	5,000,000.00	10.6%
Cash and investments	47,080,000.00	94.2%	DALP	2,080,000.00	4.4%

Note: The above distribution of proceeds is based on a target raise of \$50,000,000. The percentages will change should the raise come in lower or substantially lower. The same holds true for the allocation of cash for investments across the various stages of investing.

As for the allocation of proceeds, Exhibit E above shows how funds will be used. Operational expenses, depicted over a 5-year period, would be incurred owing to bolstering of our investment research and development teams. These teams will vet deals and help populate/maintain Hatchnet, respectively. The importance of regulatory compliance and licenses, especially for Hatchfunds, cannot be underestimated and will account for around 1.2% of funds raised. Hatchworks already operates office space and thus the expansion in costs here is likely to be modest.

As for cash and investments to be made, these will account for around 94% of funds raised and will be invested over a 3-year period. The firm will only focus around 11% of proceeds on higher risk, seed stage deals where it currently does and will continue to seek out future unicorns or assets which can produce a traditional venture rate of return (typically 3x) over a 5-10-year period. As for later stage deals (Series A-Series D), these are relatively de-risked in comparison to seed stage companies and as such we would expect a lower turn at exit, after an incubation period of 3-10 years. As for investments in IPOs, established listed and private firms, we expect yields of between 3-15% per annum, depending on sector and type of business (note: at present Hatchworks is generating an estimated net yield on this portion of its portfolio of over 10% already). The remainder of the funds will act as a buffer, invested in liquid money market funds and to bolster the DALP liquidity pool which currently powers some portfolio companies.

## Team

Hatchworks' investment committee consists of former or current pedigree entrepreneurs who have had multi-billion-dollar exits and currently actively invest in various stages of companies and those that have high-finance experience in major investment banks such as JP Morgan and Goldman Sachs. Individual profiles of our team can be viewed on [www.hatchworksvc.com](http://www.hatchworksvc.com)

## Risks

- **Asset risk**

After the initial exchange offering, while Hatchworks aims to restrict position sizes to no more than 1% of portfolio along with diversification on a sector level, multiple failures of investments can result in periods of drawdown.

- **Market risk**

In the event of a global economic recession, existing portfolio investments can experience drawdown or go out of business. Furthermore, the ability to raise new deal-specific funds (Hatchfunds) can be delayed, all in all resulting in a delayed roadmap and less than efficient execution.

- **Key man risk**

While the firm has taken legal measures to ensure longer tenures of its investment committee (IC), along with having multiple people on the IC, multiple forced departures could result in temporary periods of low manpower and thus a slow-down in deal flow being added on Hatchnet along with a slower pace of Hatchfund incubations.

- **Regulatory**

While the initial exchange offering is regulated and performed under KYC along with the fact that Hatchworks' series of Hatchfunds will be regulated, regulation on digital tokens may take a turn for the worse resulting in adverse consequences for digital tokens issued.

- **Exchange**

While Hatchworks has taken every precaution in ensuring it is conducting its initial exchange offering with high quality exchanges in the blockchain sector, it cannot guarantee the long-term financial balance sheet durability and viability of said exchanges. These exchanges are run by separate management teams with their own risk appetite. Shutdowns of these exchanges owing to regulatory reasons or inappropriate risk management could result in a sharp drop in liquidity in HATCHTOKEN tokens.

- **Funding**

Hatchworks is conducting an initial exchange offering with the view to raise \$50,000,000. However, owing to possible lack of demand or adoption of the idea at various exchanges where HATCHTOKEN will be issued, the project may be under funded (funding levels of under \$5,000,000).

- **Price**

The value of digital tokens can fluctuate significantly. Similar to the share price of any listed company, tokens tend to track the health of the underlying project. In the event of any of the risks listed in this section materialising, this could have an adverse impact on the HATCHTOKEN token price. While the management will, owing to its multi-exchange IEO, attempt to ensure healthy levels of liquidity for HATCHTOKEN along with continue to purchase and burn tokens as and when portfolio investments come to fruition and deliver a timely roadmap, the firm cannot guarantee that the price of tokens will not drop.

## **Disclosures**

Hatchworks is invested in Weengs, Spectre.ai and Beyond Meat.