Investor Q&A

Deterministic Settlement Controller - "Pay Only When It's Proven Right"

Market & Opportunity

1) What problem are you solving and how big is it?

The Problem: Payout systems at scale are brittle and unprovable. Gaming platforms, creator economies, and marketplaces move billions but can't prove their math is correct before funds leave accounts. Bad payout runs cause clawbacks, reconciliation nightmares, failed audits, and blocked migrations.

Market Size:

- Gaming: $200B+ annually with 15-25% flowing to players/creators
- Creator Economy: $100B+ with direct payouts to millions
- Gig Economy: $400B+ with instant/batch settlements
- Total Addressable Market: $50B+ in annual payout volume requiring provable correctness

Pain Points We Address:

- **Risk:** One bad payout run can leak $5-10M+ before detection
- **Audit Failure:** Manual reconciliation takes weeks; auditors can't verify determinism
- **Migration Paralysis:** Can't prove new system produces identical results
- **Operational Overhead:** 60-85% of support tickets are "where's my payout?"

2) Why now? What's changed in the market?

Three converging forces:

1. **Scale Crisis:** Payout volumes grew 10x while accuracy expectations stayed at 100%

2. **Regulatory Pressure:** Auditors now require provable determinism, not just reconciliation
3. **Migration Urgency:** Platforms need to re-shard/modernize but can't risk cent-level drift

Catalyst: Gaming platforms like Roblox pay creators $500M+/year. One drift incident = regulatory scrutiny + creator exodus + audit failure.

3) Who are your customers and what do they pay for this today?

Primary Targets:

- **Gaming Platforms:** Roblox, Epic, Unity, mobile game publishers
- **Creator Platforms:** YouTube, TikTok, Twitch, Patreon
- **Marketplaces:** Uber, DoorDash, Airbnb, Amazon Seller Central
- **Financial Services:** Neobanks, payment processors, treasury platforms

Current Costs (What They Pay Today):

- **Engineering:** $2.5-4.5M/year for 5-8 engineers to build settlement infrastructure
- **Operational:** 12-18 months to build + 60-85% support ticket overhead
- **Risk:** $5-10M+ per bad payout incident (clawbacks, fines, customer churn)
- **Audit:** $500K-2M annually for manual reconciliation and audit prep

Our Value: From $5-10M annual risk/overhead to $200K-1M predictable platform cost.

Business Model & Economics

4) How do you make money?

Three-tier pricing:

1. **Platform Fee:** $100K-500K annually (enterprise SaaS)
2. **Volume Fee:** $0.10-0.50 per million events processed
3. **Managed Flow:** 5-15 basis points on governed disbursements (optional)

Target Gross Margin: 80-90% even at low volumes

Customer Examples:

- **Mid-size gaming platform (500M events/year):** $300K platform + $250K volume = $550K annually
- **Large creator platform (5B events/year):** $500K platform + $2.5M volume = $3M annually
- **Enterprise with managed flow ($1B disbursements):** Platform + volume + $10-50M bps = $10-50M annually

5) What are your unit economics and path to profitability?

Cost Structure (COGS per million events):

- Compute: $0.005-0.022
- Storage/Transcripts: $0.001-0.004
- Infrastructure: $0.02-0.09
- **Total COGS:** $0.04-0.12 per million events

Contribution Margins by Customer Size:

- **100M events/year:** 85% gross margin
- **1B events/year:** 88% gross margin
- **5B+ events/year:** 90% gross margin

Path to Profitability:

- **Year 1:** 3-5 enterprise customers → $5-15M ARR → Break-even
- **Year 2:** 10-15 customers → $25-50M ARR → 30%+ EBITDA
- **Year 3:** 25+ customers → $75-150M ARR → 45%+ EBITDA

6) How sticky is this? What prevents churn?

High Switching Costs:

- **Integration Depth:** Sits above all payment rails; rip-and-replace is complex
- **Audit Dependency:** Transcripts become part of compliance posture; switching breaks audit trail
- **Network Effects:** More integrations = more rail compatibility = higher value

Expansion Revenue:

- Start with one payout stream → expand to all settlement flows
- Geographic expansion requires new compliance integrations

- Managed disbursement generates 5-15 bps ongoing revenue

Churn Risk Mitigation:

- **No Vendor Lock-in:** Transcripts are portable; customers can exit cleanly
- **Rail Agnostic:** Works with any PSP; reduces lock-in concerns
- **Pilot Success:** 2-window pilots prove value before full commitment

---

Competitive Position & Moat

7) Who are your competitors and how do you differentiate?

Not Competitors (Different Layer):

- **Payment Rails (Stripe, Adyen):** We sit above them; they execute our instructions
- **Ledger Systems (Modern Treasury):** They book transactions; we decide if transactions should happen
- **Reconciliation Tools:** Post-hoc cleanup; we prevent problems before they occur

Potential Competitors:

- **DIY Engineering Teams:** $2.5-4.5M annual cost, 18-30 month timeline, 80% failure rate
- **Consulting Firms:** One-off projects, not scalable infrastructure
- **Rails Adding Gates:** Would need to copy our patented approach

Differentiation:

1. **Patent Protection:** Filed claims on deterministic windowed compute + acceptance-gated disbursement
2. **Audit-by-Construction:** Transcripts designed for regulatory scrutiny, not internal debugging
3. **Rail Agnostic:** Works with any PSP; reduces switching risk
4. **Migration Unlock:** Dual-write capability proves cross-system equivalence

8) What's your intellectual property position?

Patent Strategy:

- **Provisional Filed:** Priority date established for core inventions
- **Non-Provisional Timeline:** 6-12 months to file US + PCT applications
- **Coverage:** System, method, and non-transitory medium claims covering on-prem and SaaS
- **Enforcement:** Post-issuance ability to pursue licensing and infringement actions

Trade Secrets:

- Carry-ledger algorithms for sub-cent distribution
- Transcript checkpointing and replay optimization
- Policy DSL and static analysis engines
- Battle-tested negative know-how

Why Patents Matter: Settlement infrastructure is hard to design-around. Claims pressure common workarounds (removing outputs digest, acceptance gating, or carry-ledger fairness).

Go-to-Market & Growth

9) What's your go-to-market strategy?

Phase 1: Land (Pilot Program)

- Target: One payout stream per customer
- Timeline: 2-4 weeks shadow mode → core mode → transcripts
- Proof Points: Zero settlement variance, 60-85% support ticket reduction

Phase 2: Expand (Full Integration)

- Multiple payout streams and geographies
- Audit season (Q4/Q1) creates natural expansion cycles
- Integration with customer's compliance/finance teams

Phase 3: Platform (Managed Flow)

- Regulated PSP partnerships for end-to-end management
- Basis point revenue on total disbursement volume
- White-label opportunities for smaller platforms

Sales Motion:

- **Enterprise Sales:** Direct to CTO/CFO/Chief Compliance Officer
- **Channel Partners:** Consulting firms, system integrators, audit firms
- **Developer Relations:** Technical content, conference presence, OSS contributions

10) How do you plan to scale sales and what are the key metrics?

Sales Team Build:

- **Year 1:** 2 enterprise AEs, 1 solutions engineer, 1 customer success
- **Year 2:** 4 AEs, 2 SEs, 2 CS, 1 channel partner manager
- **Year 3:** 8 AEs (geographic expansion), 4 SEs, 4 CS, 2 channel

Key Metrics:

- **Pipeline:** $50M+ in qualified opportunities by end of Year 1
- **Conversion:** 25-35% pilot-to-paid conversion
- **Deal Size:** $300K-3M average annual contract value
- **Sales Cycle:** 6-9 months for enterprise deals
- **Logo Expansion:** 150-300% net revenue retention

Success Drivers:

- **Reference Customers:** 2-3 marquee logos by end of Year 1
- **Audit Season:** Q4/Q1 creates natural urgency and budget availability
- **Regulatory Events:** SOX, PCI, GDPR compliance cycles drive demand

---

Team & Operations

11) What's your team composition and hiring plan?

Current Team: [Fill with actual numbers]

- **Engineering:** 4-6 senior engineers (distributed systems, security, compliance)
- **Go-to-Market:** 2-3 (sales, solutions, customer success)
- **Leadership:** 2-3 co-founders with domain expertise

18-Month Hiring Plan:

- **+2 Senior Engineers:** Distributed systems, cryptography
- **+1 Risk/Privacy Engineer:** Compliance and audit tooling
- **+2 Solutions Engineers:** Customer implementation and success
- **+1 SRE:** Platform reliability and customer deployment
- **+2 Sales:** Enterprise AEs for geographic expansion

Advisory Board:

- Payment risk executive (ex-Stripe, PayPal, Adyen)
- Big 4 audit partner with fintech specialization
- Gaming/creator platform executive (product and compliance)

12) What are your operational challenges and how do you address them?

Challenge 1: Technical Complexity

- **Risk:** Deterministic settlement is hard; bugs cause customer losses
- **Mitigation:** Extensive test coverage, formal verification, customer canary deployments

Challenge 2: Enterprise Sales Cycle

- **Risk:** Long sales cycles, complex procurement, technical evaluation
- **Mitigation:** Pilot program reduces friction; clear ROI metrics; audit season timing

Challenge 3: Regulatory Compliance

- **Risk:** Customers operate in heavily regulated industries
- **Mitigation:** SOC 2, privacy-by-design, audit-assistance clauses in contracts

Challenge 4: Scaling Engineering

- **Risk:** Hiring senior distributed systems engineers in competitive market
- **Mitigation:** Remote-first culture, equity upside, mission-driven product

---

Financial Projections & Use of Funds

13) What are your funding needs and use of proceeds?

Funding Round: Series A, $15-25M

Use of Proceeds:

- **Engineering (40%):** $6-10M - Scale technical team, R&D, compliance
- **Go-to-Market (35%):** $5-9M - Sales team, marketing, customer success
- **Operations (15%):** $2-4M - Legal, finance, HR, infrastructure
- **Working Capital (10%):** $2-3M - Runway buffer, strategic investments

Capital Efficiency: Target 18-24 months runway to next funding milestone or profitability.

14) What are your 3-year financial projections?

Revenue Projections:

- **Year 1:** $5-15M ARR (3-5 enterprise customers)
- **Year 2:** $25-50M ARR (10-15 customers + expansion)
- **Year 3:** $75-150M ARR (25+ customers + managed flow)

Profitability Timeline:

- **Year 1:** Break-even on contribution margin; invest in growth
- **Year 2:** 20-30% EBITDA margin; scale-efficient growth
- **Year 3:** 40-50% EBITDA margin; path to IPO or strategic exit

Key Assumptions:

- 25-35% pilot-to-paid conversion rate
- $500K-3M average deal size
- 90-95% gross revenue retention, 150-300% net retention
- 80-90% gross margins maintained at scale

Risk Factors & Mitigation

15) What are the key risks to your business?

Technical Risk: Bugs in deterministic settlement could cause customer losses

- **Mitigation:** Formal verification, extensive testing, insurance coverage, pilot programs

Market Risk: Customers may prefer DIY or delay payout infrastructure investments

- **Mitigation:** Clear ROI metrics, audit season timing, regulatory compliance drivers

Competitive Risk: Large platforms or payment companies could build similar solutions

- **Mitigation:** Patent protection, first-mover advantage, customer switching costs

Regulatory Risk: Changes in financial regulations could impact customer demand

- **Mitigation:** Privacy-by-design, jurisdiction flexibility, compliance expertise

Key Person Risk: Founders have deep domain expertise that's hard to replace

- **Mitigation:** Document processes, hire senior team, advisory board oversight

16) How do you plan to exit and what's the valuation potential?

Exit Scenarios:

1. **Strategic Acquisition:** Payment companies (Stripe, Adyen), cloud providers (AWS, Azure), enterprise software (Oracle, SAP)
2. **IPO Path:** $200M+ ARR with 40%+ margins and clear path to $1B+ revenue
3. **Private Equity:** Profitable SaaS business with predictable cash flows

Valuation Benchmarks:

- **Revenue Multiple:** 10-20x ARR for high-growth fintech/infrastructure SaaS
- **Comparable Companies:** Modern Treasury ($2B), TigerBeetle (early), Stripe ($95B)
- **Strategic Premium:** 20-50% premium for IP protection and customer moats

Timeline: 5-7 years to exit readiness; 3-4 years to strategic interest threshold.

This Q&A is designed for investor due diligence and fundraising conversations. Financial projections are estimates based on market research and comparable company analysis.