Investor Deck

Qbit Technologies

TiE50 2017 WINNER

Foreword

"...We are used to computers that are separated from our bodies...With VR it is us who is going inside computers. In this steady march of computers towards us, VR is what will make us go, for the first time, literally inside of computers. As humans, we have taught machines to be like us and now machines are teaching us to be like them. Through VR we enter the digital dimension of computing, with ourselves. The computer generated world surrounds us, we become part of it, becoming ourselves a fully traceable digital entity. We bring our presence in the computer realm, in its synthetic ecosystem."

Mattia Crespi

Introduction

Qbit VR products ecosystem


VR Conference

AVA

Virtual Geo Tools

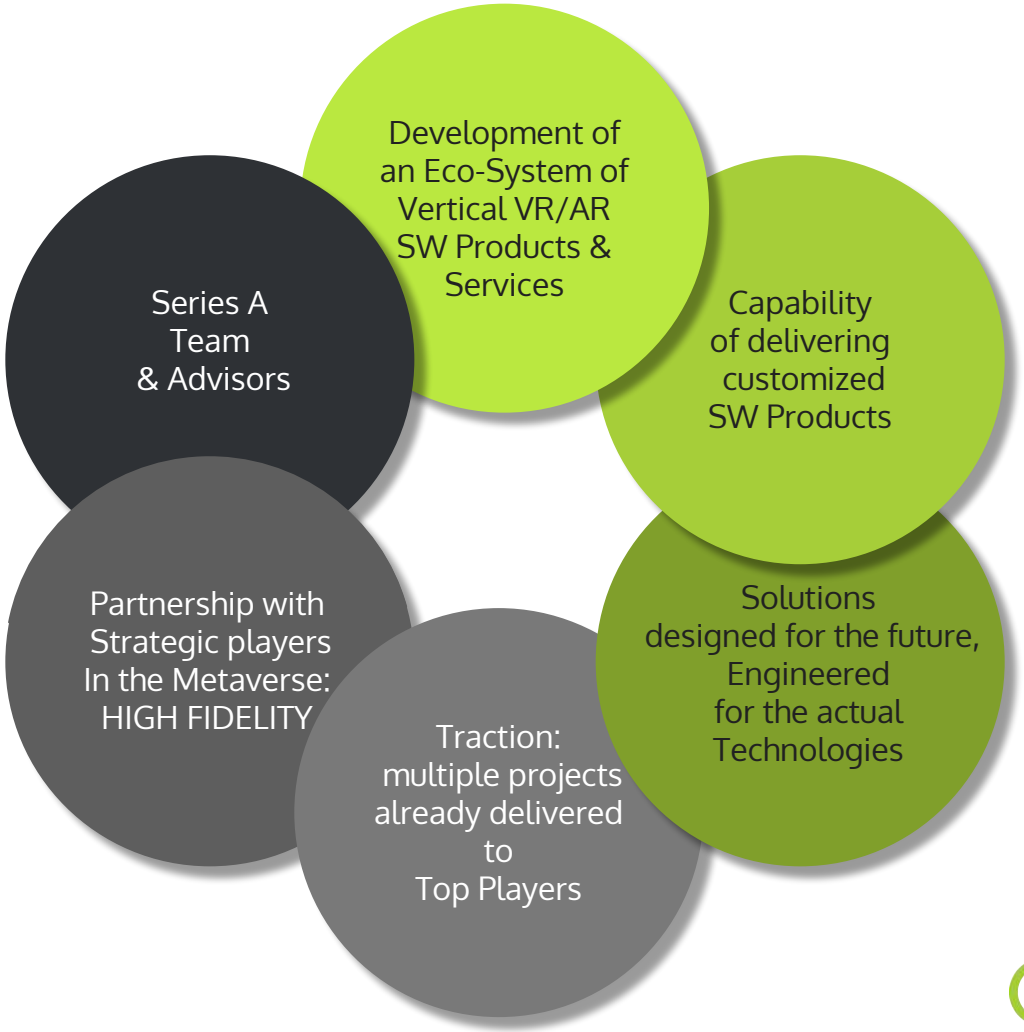
VR Customer service

VR Commerce

VR Training

Click on the hexagons to see the product presentations

Qbit Technologies at a glance



Core Team & Board Members:

A unique combination of competencies and experiences, a networked team based between Italy and Palo Alto and a group of advisors that so far made the history of VR

Mattia Crespi - CEO
Expert in Virtual Reality. Futurist and technology evangelist, speaker, **entrepreneur**. Mattia interacts with innovators and innovation centers globally – **research affiliate** for the **Institute For The Future** (Palo Alto) -, to bridge research on new technologies, future ecosystems and the business environment.

Stefano Tenca - Program Manager
Technology lover and video game aficionado, Stefano turned his passion into his work. He manages virtual reality projects at Qbit, taking advantage of Prince2 Methodology.

Alex Bellesia - Chief Marketing Officer
Alex bridges Qbit products and solutions with new and existing clients by focusing on their needs and long-term goals. Started to deal with Marketing in London, first with a disruptive tech market research company and later with a successful digital media firm.

Edgar Pironti - Chief Technology Officer
Master's degree in Computer Engineering with a specialization in Computer Graphics and Virtual Reality. After an internship at High Fidelity Inc., at Qbit, Edgar's work is focused on software development UX for VR apps and online VR environments.

Philip Rosedale – Board Member and Advisor
Co-founder and **CEO** of **High Fidelity, Inc.**, a company devoted to exploring the future of next-generation shared virtual reality. Founder of **Second Life**, the VR civilization populated by one million active users **generating US$700M** in annual transaction volumes.

Michael Min - Board Member and Advisor
Michael began his career at Industrial Light & Magic as a Technical Director on such films as "Men In Black II", "The Mummy Returns", "Star Wars: Episode I", "Sleepy Hollow" and "Mission Impossible", with over a dozen film credits. Michael was also Supervising Technical Director in Dreamworks Animation.

Gene (Ginsu) Yoon - Board Member and Advisor
Gene has been a product leader, a founder, a startup exec, a venture capitalist and a lawyer. At Google, he led product development for systems that protected the world's largest online advertising business. At Linden Lab, he was a key executive in building the business of Second Life to a $100 million run rate.

The market

A matter of timing

Virtual reality, an historical perspective:

VR idea and prototypes has been around since the 30's but until now hardware and software limitations didn't allow a mass market approach...

E.Link
First Flight Simulator
1929

1961
M.Healing
Sensorama

Illinois Univ Sayre
Gloves
1977

VPL Research
Data Suit
1989

1986
US Air Force
Super Cockpit Program

HTC
Vive

Oculus
Rift

2016

2015

Google
Cardboard

Samsung
Gear VR

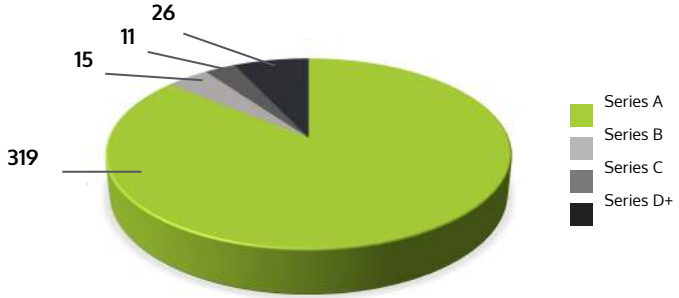
...as technology enables new VR implementations, investments are constantly growing

- Technology Giants – Google, Facebook, Apple, Microsoft, AliBaba - and VCs are heavily investing in VR and AR, in the last 3 years investments accounts for over 4.3 $ Bln.
- Investment CAGR since 2011 is 71%, only in 2016 1,8 $ Billion were invested
- Deals are concentrated in Seed stage ventures fostering even bigger follow up rounds in the near future

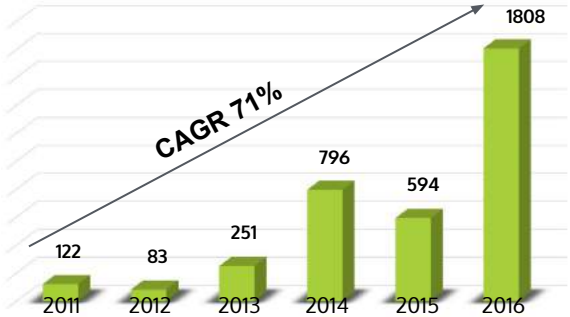
Some of the biggest rounds in VR/AR of 2016:

magic leap, ODG, blippAR, LUMUS, Meta, baobab, uSens Inc, NEXTVR, roobo, mindmaze, SURVIOS, STARBREEZE STUDIOS

VC investments in VR/AR by Stage: # of Deals



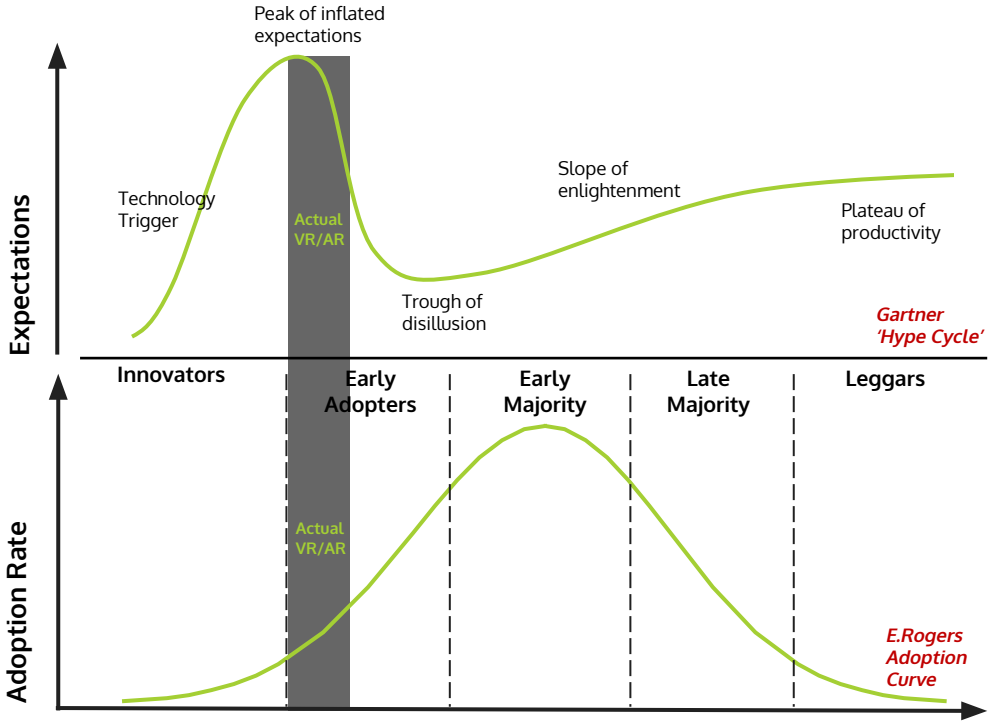
Yearly VC investments in VR/AR: $ Mln



Source: Greenlight insight, Goldman Sachs Equity research

VR market is booming, we're fast moving from early adopter to early majority adoption phase

The level of investments - over 2 Bln$ - in VR/AR technology recorded in 2016 clearly shows that we reached the so called 'Peak of expectations'. This phase also corresponds to Early Adopters phase during which adoption rate fast climbs up to his maximum.

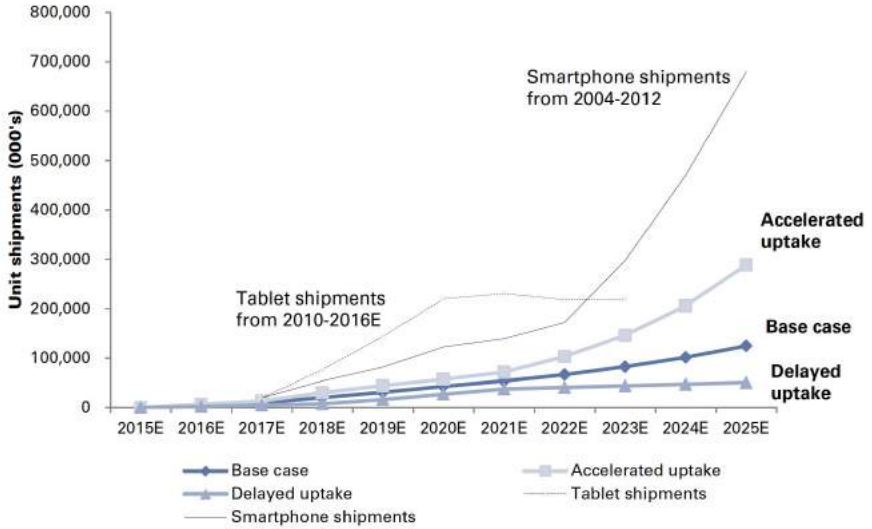


Source: Greenlight insight, Goldman Sachs Equity research

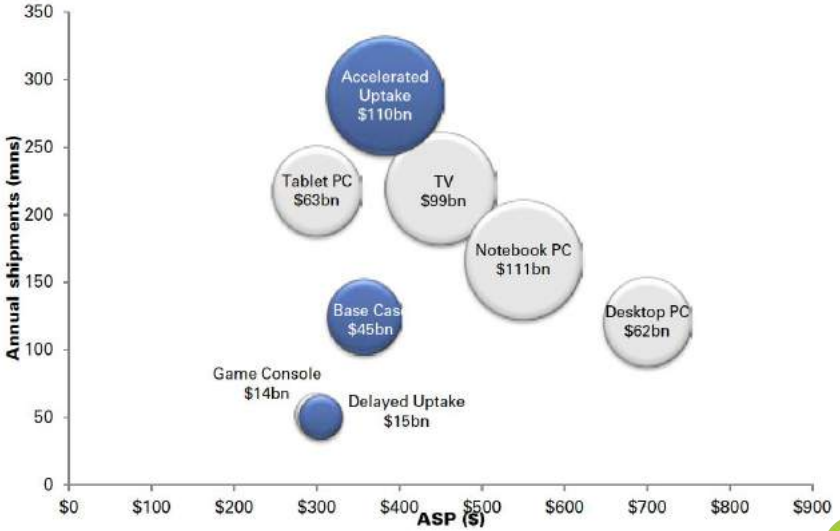
VR/AR adoption forecast compared with Tablet and SmartPhones adoption curves

VR/AR Head Mounted Displays future adoption curve is compared with the past observed adoption curve for Tablets and Smartphones. Even if growth projections are very prudential if compared with those recorded the former devices, **yearly annual shipment forecasted for HMD by 2025 lies between 15 and 110 $Blns**

Yearly shipments evolution forecast for VR/AR Devices compared with evolution observed in the past for tablets and Smartphones



Forecast of Yearly shipments and Average Selling Price for VR/AR Devices and comparable products in 2025:
Size: $ Bln

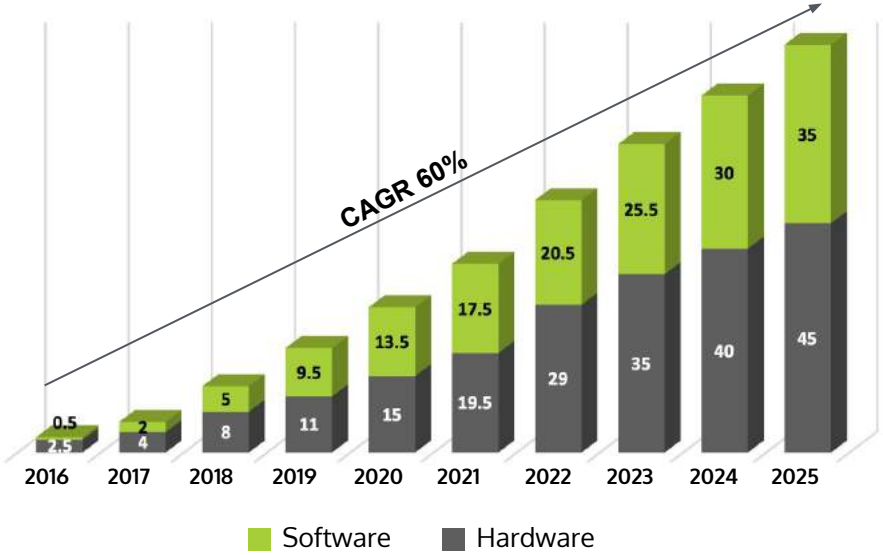


Source: Goldman Sachs Equity research

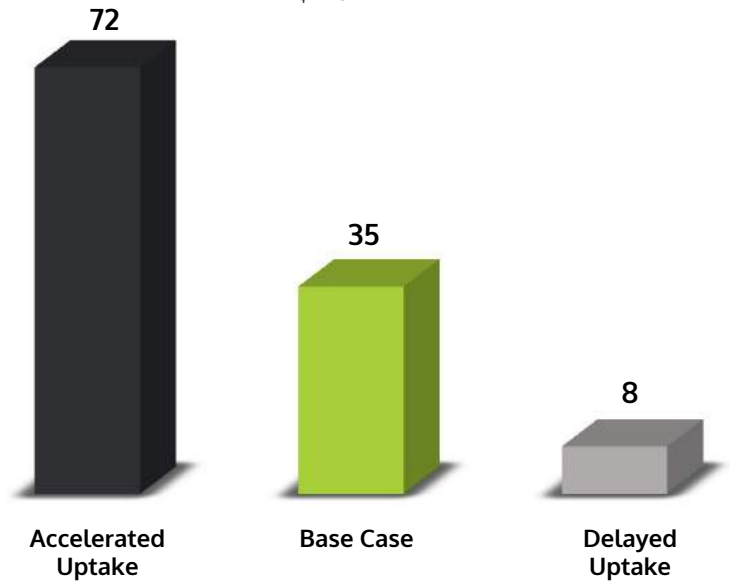
VR/AR Expected dimensions of the target market

In the Base case Scenario CAGR for VR Software is expected to be over 60%, reaching a market size of $ 35 Bln by 2025

Expected Growth (Base case Scenario) for VR Hardware and Software '16-'25:
$ Bln



Scenarios for VR software market size by 2025:
$ Bln



Source: Goldman Sachs Equity research

The value proposition

Value Proposition: developing and deploying an Ecosystem of VR software Vertical Products

Develop an Ecosystem of Virtual Reality based products for vertical markets and applications such as: VR Conferencing, VR e-Commerce, VR Customer Care, VR Training Tools, VR Geo Tools

According to product/services characteristics, and market/clients requests products will be deployed in 3 different ways:

Plug&Play

Highly standardized product that can be used out of the box, e.g.:

VR Conferencing

Customized

Customization and optimization of a in-house pre-build framework based on specific clients needs e.g.:

VR e-Commerce

Made to Order

Development of a client specific project or consultancy service that cannot be included in the standard projects deployment e.g.:

Swiss Post VR Training Platform

The Ecosystem of Vertical products and Services:

Designed for the future and engineered to maximize UX on current widespread platforms (1)

Main Features

VR e-Commerce

- Clients will be able to navigate, shop and interact in a full 3D environment
- Real time interaction between users enables 'online social shopping'
- Perfect 'Staging' for each product
- VR enables total tracking – up to eyesight tracking* - of the customer's journey delivering to the merchant precise and actionable metrics

VR Customer service

- Enables Brands to develop a Company VR space open to the public
- Help customers in real time leveraging 3D
- Engage Customer with innovation, e.g. online 3D tutorials
- Combine VR with AI natural language processing engines in order to create 3D virtual assistants capable of assisting and engaging the client

The Ecosystem of Vertical products and Services:

Designed for the future and engineered to maximize UX on current widespread platforms (2)

	Main Features	
VR Training	• Creation of 3D engaging and risk free environments designed for training • Learn by doing thanks to 'Serious Games' • Immersive 3D training environment accessible from anywhere • High accuracy in real-life mechanics reproduction, maximize knowledge transfer and reduce human resource management costs	
Project AVA	• Plug'n'play platform for complete body scanning • Upload and manage your own VR digital identity • Personalize your mirroring Avatar enabling new channels of marketing targeted to the digital identity. E.g.: Brands can provide virtual clothes freely available for Avatars	

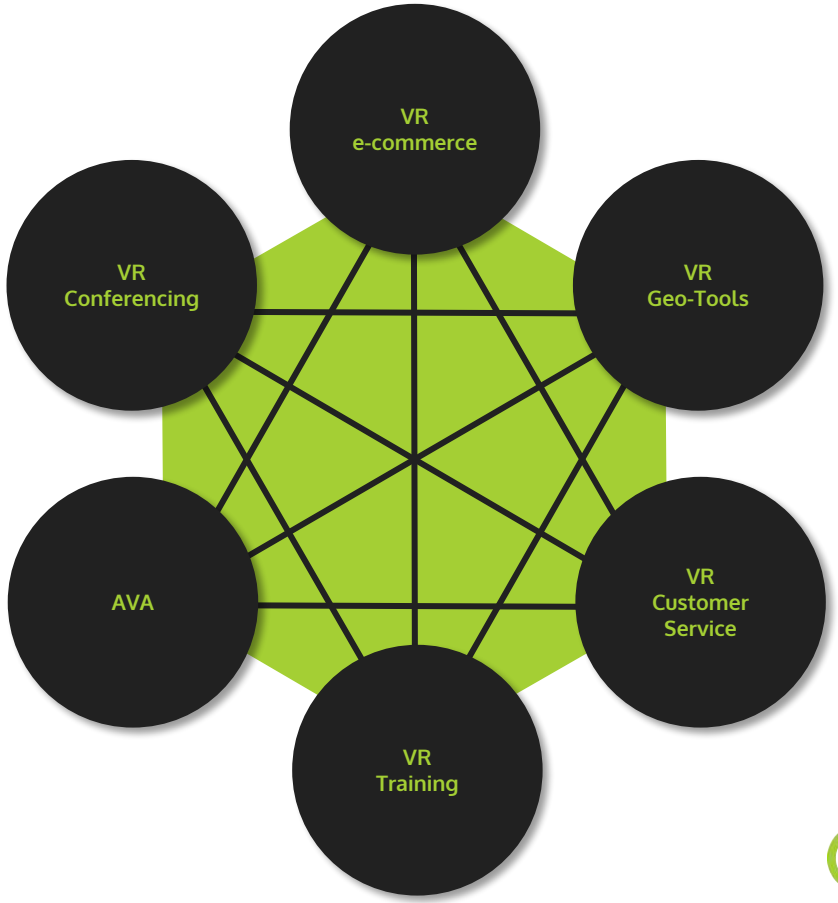
The Ecosystem of Vertical products and Services:

Designed for the future and engineered to maximize UX on current widespread platforms (3)

	Main Features	
VR Conference	• Users will have a fully virtualized physical presence • Users can walk, sit, move and interact with each other and with objects • The environment if fully collaborative • Thanks to VR face and body mirroring is possible to reproduce the whole persona up to our very own facial expression	
Virtual Geo Tools	• Build 3D realistic geographical simulations of nature, cities and real life environments or infrastructures • Combining geo data and Google's satellite API, Qbit can map and import real time geographical areas and recreate any location in the world • The environments are fully explorable by users	

Each vertical has independent sustainability but is also part of an integrated ecosystem

- Vertical projects have an **independent economic sustainability**
- They are also **part of an Ecosystem** where each vertical can deliver value and expand opportunities and usability of other verticals, creating a **Net Externality effect**
- **Some examples**: AVA can provide the digital identity used in VR e-Commerce, Conferencing or VR Training; VR Customer Service can support VR e-Commerce; VR Geo-Tools can support Training and e-Commerce
- Qbit will provide to his customers an **unparalleled and unique offer of vertical and integrated services**



Strategic partnerships

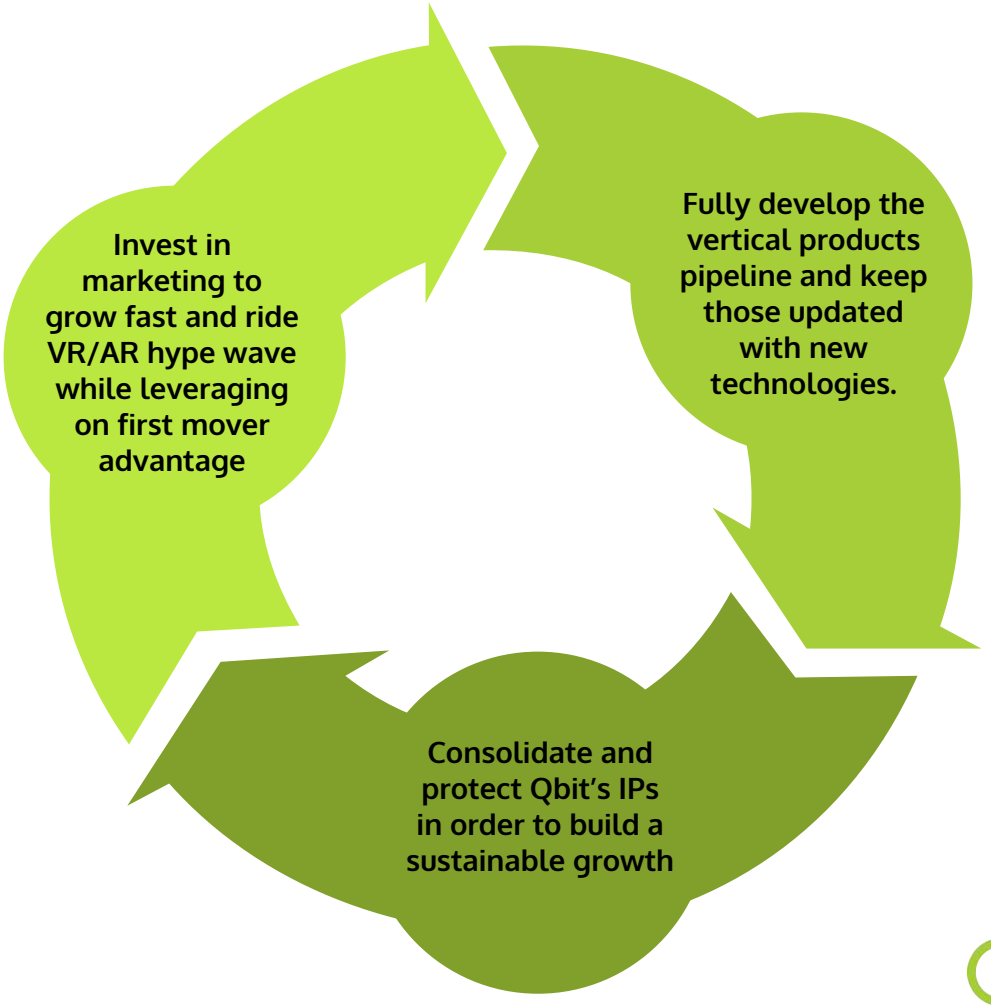
HIGH FIDELITY

The company, founded by **Philip Rosedale** - **creator of Second Life** and **board member in Qbit** – is **developing the new open source standard protocol for the Metaverse**, the 3D of internet. Besides the 3D engine the breakthrough of High Fidelity is represented by a **protocol for distributed computing** that allows to the connected devices with limited computing power to render very complex 3D words leveraging on network computing power. **All of Qbit products are compliant with hi-fidelity platform** and some of them are already built on it.

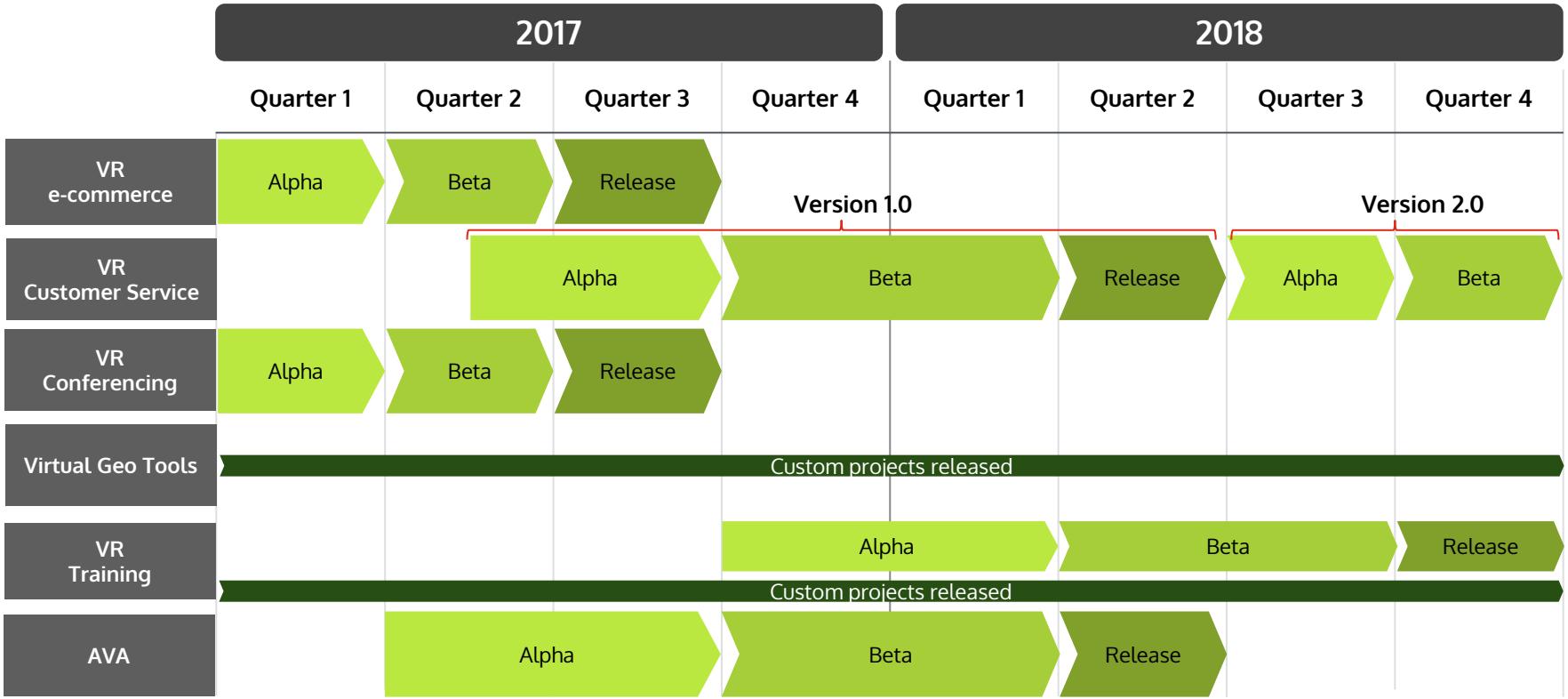
INSTITUTE FOR THE FUTURE

Mattia Crespi is a research affiliate of Institute for the Future, a nonprofit Research Institute, based in Palo Alto since 50 years. The IFTF **helps some of the world's top organizations to make more informed decisions about their future, by defining scenarios in which they will operate in the next 10 to 20 years.**

The Ecosystem of Vertical products and Services:



Products development Pipeline



VR Customer Service: new versions will be deployed in order to integrate with new available AI protocols

Traction

Qbit has already delivered and is currently developing projects for institutions and Top industry Players

Partners

In this time of rapid technological advancement, nothing is impossible with the right partners.

What makes us different

Based in Silicon Valley and Europe

Partner of the Institute For The Future, in Palo Alto

Partner of High Fidelity, a leading open source, scalable and interoperable VR platform technology

Partnership development in progress with PwC and joint projects

VR Showcase Station in IFTF Innovation Gallery, Palo Alto

Clear vision and roadmap in the VR sector

Alpha release of VR Conferencing and VR events product.

Management with over 11 years of documented experience in VR

Shareholders and Advisors from leading strategic positions

Absolute Competitive Advantage on VR and connection with leading VR players

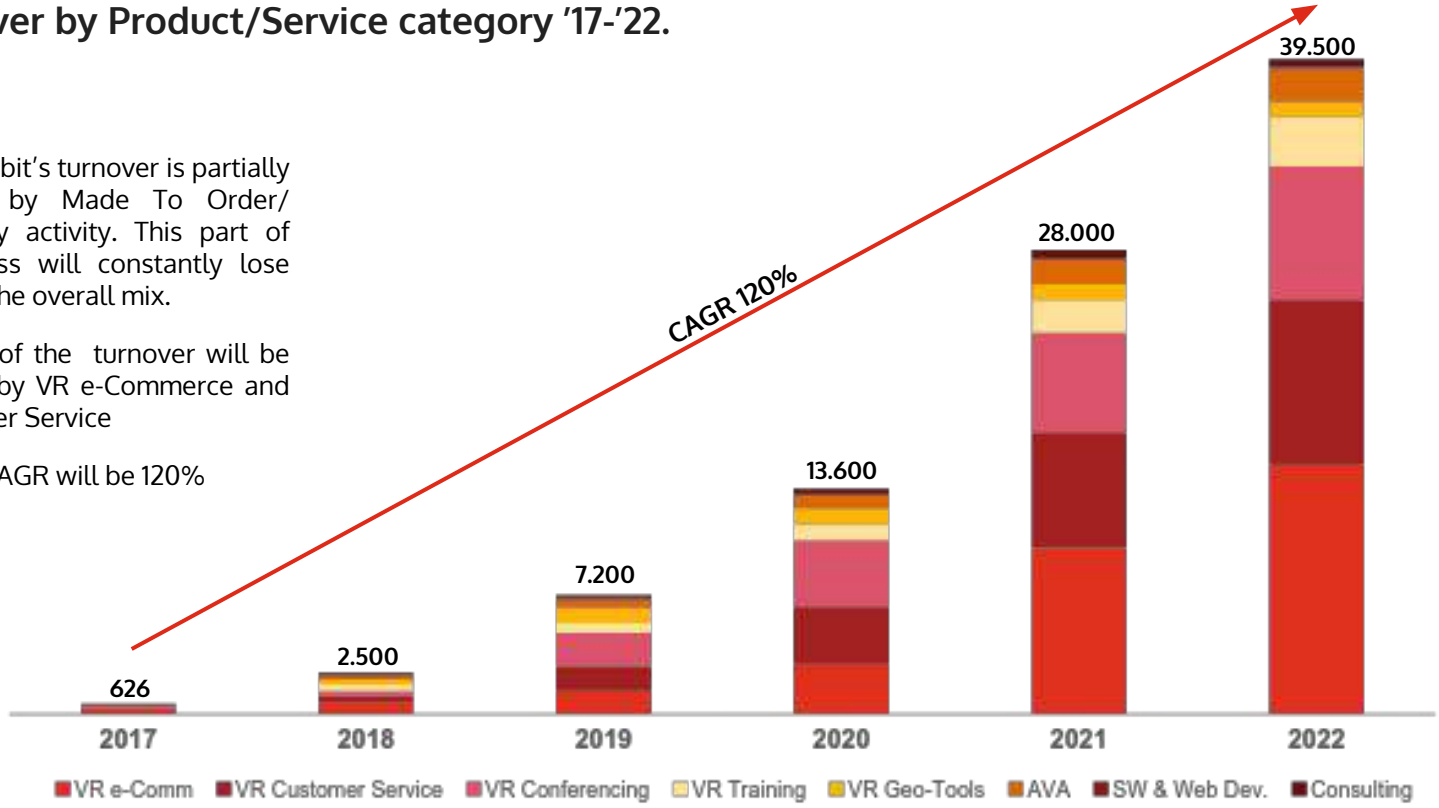
Main economics

Economics (base case)

Annual Turnover by Product/Service category '17-'22.

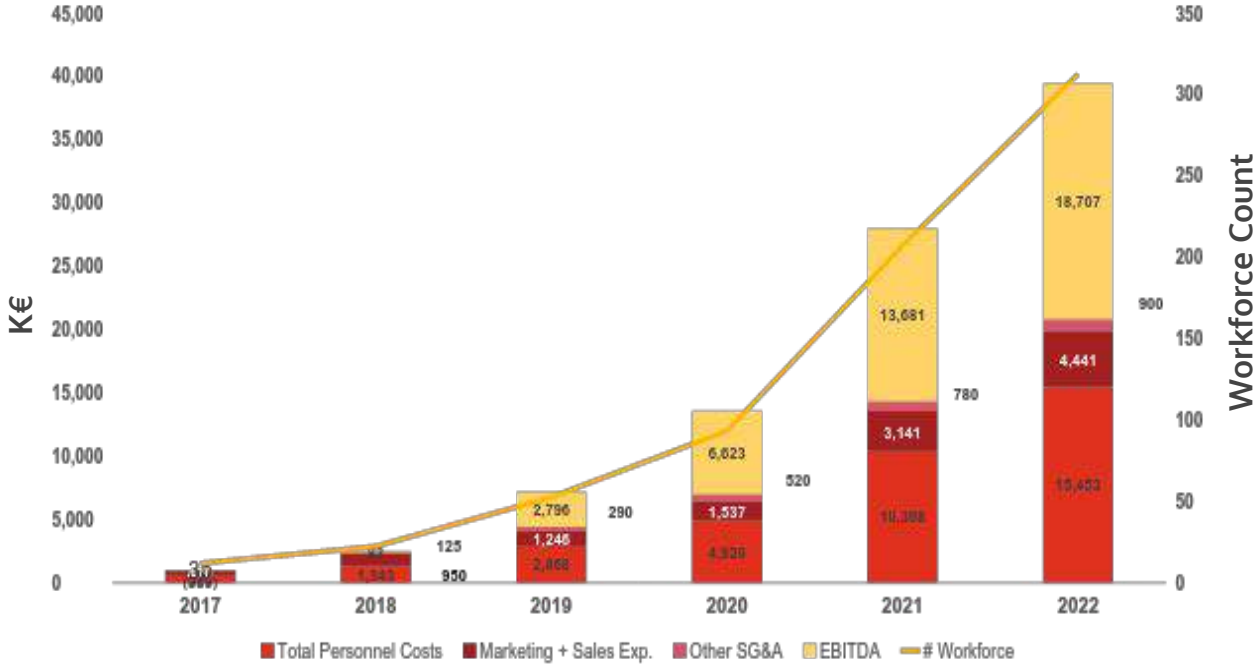
K€

- Currently Qbit's turnover is partially generated by Made To Order/ Consultancy activity. This part of the business will constantly lose weight on the overall mix.
- Over 60% of the turnover will be generated by VR e-Commerce and VR Customer Service
- Expected CAGR will be 120%



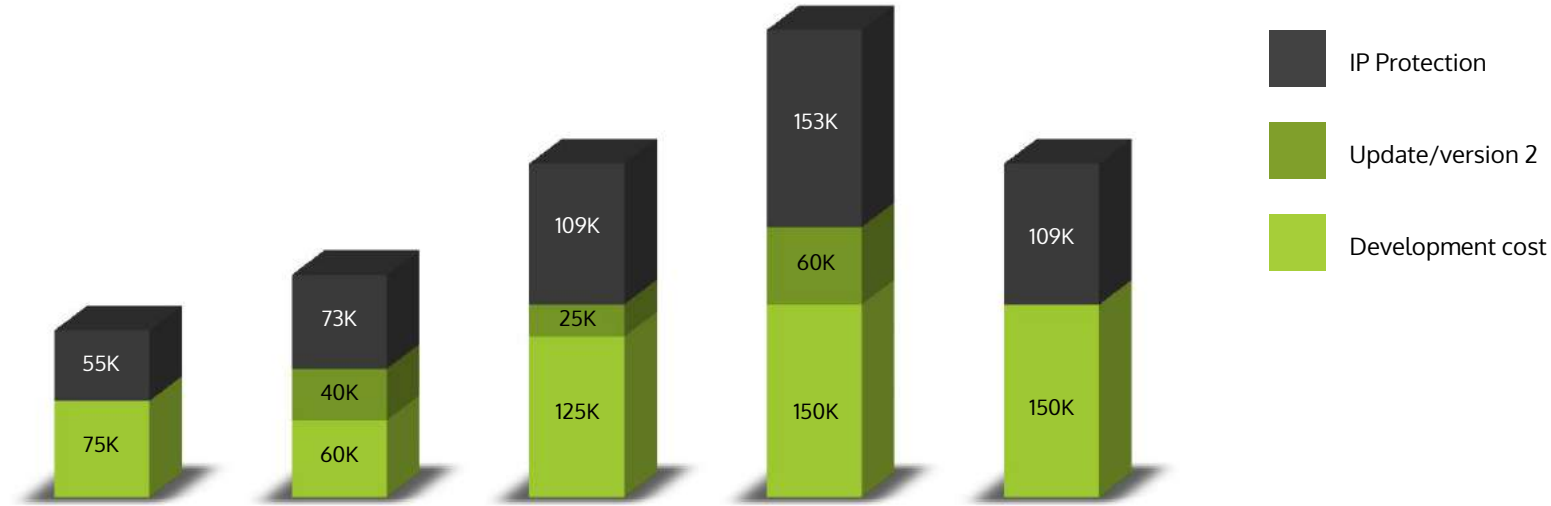
Economics (base case)

- Compression of EBITDA in 2017 is due to incidence of development costs for vertical products in Pipeline
- Workforce count grows linearly with turnover increment
- Expected Full potential EBITDA margin is 49%



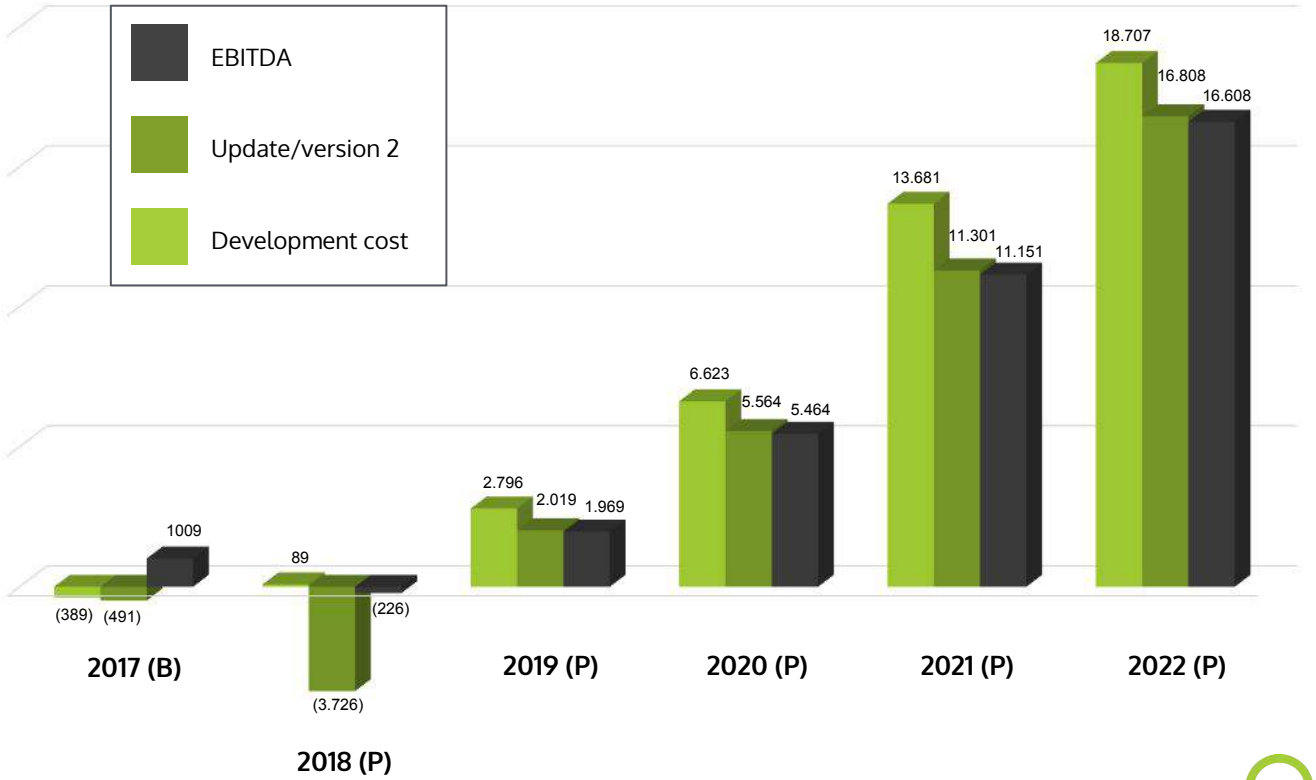
Turnover	626	2.500	7.200	13.600	28.00	39.500
EBITDA	(389)	83	2.796	6.623	13.681	18.707
EBITDA %	(62%)	3%	39%	49%	49%	47%

Vertical product development cost



Financials (base case)

- Qbit currently has minimal cash burn rate
- Negative Ebitda in 2017 is due to fast full development of all verticals
- EBITDA will be positive by the end of 2018
- Total expected cash requirements to develop the company at full speed are 5 M



Main Business Plan Assumptions (1)

Drivers	Assumptions
Sales	• Each Key Account/Sales Person will generate and manage ~ 900 K • Average cost per Sales Person will be 45K
Developers	• Developers will be based in Italy, US, Brazil, India, Australia, average cost will be 45K
VR e-Commerce	• Average Gross Margin will be 70% • Considered diffusion of VR technology Average Gross Margin will decrease to 60% by 2022
VR Conferencing	• Will be marketed as Plug&Play, Average Gross Margin will be 80% • VR Conferencing Marketing expenses will grow linearly with VR Conferencing Turnover
VR Customer Care	• Average Gross Margin will be 70% • Considered diffusion of VR technology Average Gross Margin will decrease to 60% by 2022

Main Business Plan Assumptions (2)

Drivers	Assumptions
VR Training	• Considered high need for customization Average Gross Margin will be 60% • Considered diffusion of VR technology Average Gross Margin will decrease to 54% by 2022
Virtual Geo Tools	• Average Gross Margin will be 70% • Considered diffusion of VR technology Average Gross Margin will decrease to 60% by 2022
AVA	• Average Gross Margin will be 70%
SW & Web Development	• The business will be no further developed • Average gross margin is 60%
Consultancy	• The business will be no further developed • Average gross margin is 60%

Investment opportunity

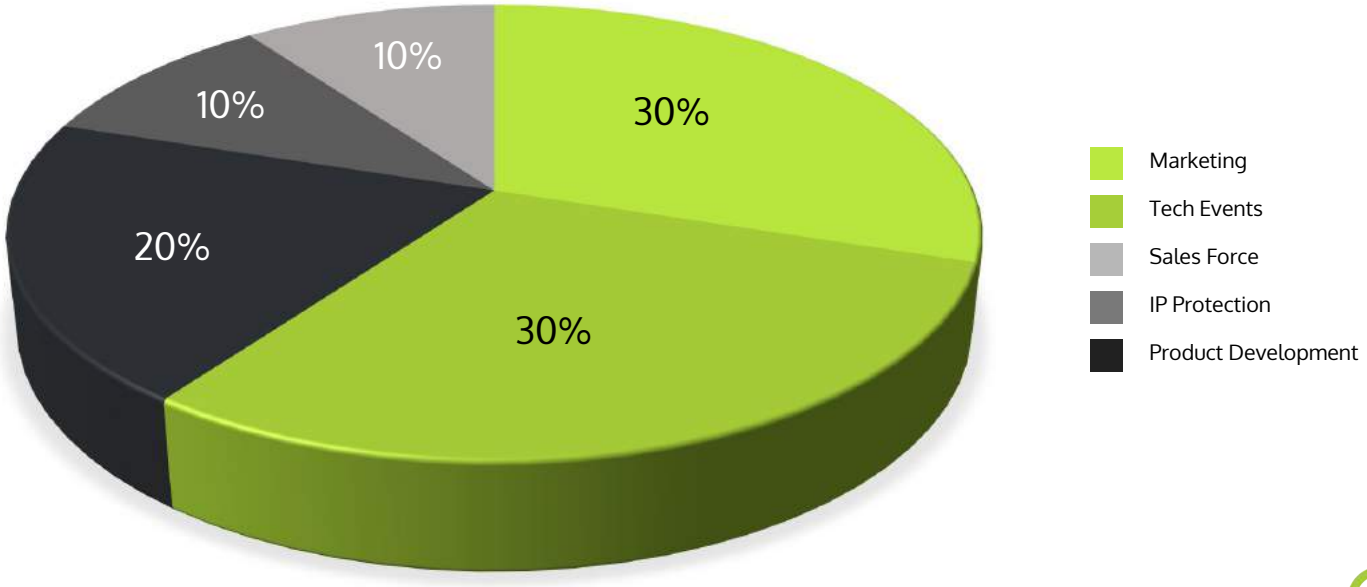
Funds Request & Use Of Funds

Qbit is looking for the first round **Convertible Note investment of 1.5 Mln** in order speed up growth, complete the products pipeline and protects his IPs. A **second round of 3.5 Mln** is expected by the end of 2018

Convertible note

-Conversion of first liquidity event with 20% discount on equity valuation

-Valuation Cap: 20 Mln



Investment thesis and exit strategy

- **Qbit is NOT the classic tech startup** with no traction and no immediate path to BEP
- Qbit is **already deploying** most of the **services and products it** is developing with **top rank players** and institutions, **economics are already sustainable**
- **Cash Flow generation** will **exclude VC** follow-up **rounds** beyond the total 5M projected
- An **Exit** is expected in the **next 5 years** with an acquisition lead by a **Top Technology Player**

Latest M&A comparables in VR:

Target

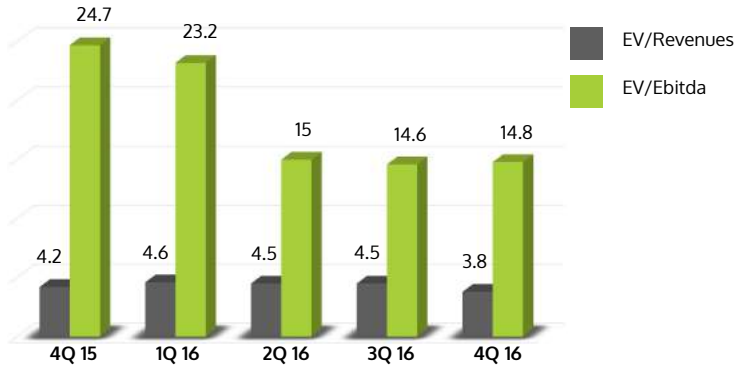
YoFloor · Kolor · SKILLMAN & HACKETT · Mind Pirate · ARrival Labs · layar · animation! · freeD FREE DIMENSIONAL VIDEO REPLAY TECHNOLOGIES

Acquirer

LIVSPACE · GoPro · Google · hp · SOCIALVOUCHER · blippAR · ACQUIRE · intel

Expected valuation on exit

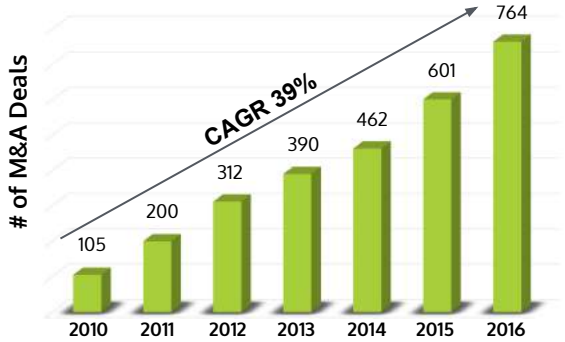
Revenues and Ebitda multiples on EV for SW Company Deals in US by quarter



Expected valuation on exit ($)

Revenues Multiple Method	EBITDA Multiple Method
178 Mln	345 Mln

Number of Software Company M&A Deals in US by Year



Expected IRR for investors

Revenues Multiple Method	EBITDA Multiple Method
48%	69%

Source: Software Equity Group Research

Expected IRR: exit on year 5, valuation equal to Convertible Note Cap

Take a first step toward the future

Join us on our social media and visit our website for more info about our VR solutions and Virtual Reality.

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Qbit TECHNOLOGIES