

## MARKET STATISTICS

Exchange / Symbol	NYSE: SFE
Price:	\$12.45
Market Cap (mm):	\$253.54
Enterprise Value (mm):	\$271.58
Shares Outstanding (mm):	20.36
Insider Ownership (%):	1.7%
Volume (3 month avg):	62,174
52 week Range:	\$10.60 - \$14.75
Industry:	Asset Management

## CONDENSED ASSETS/LIABILITIES

(\$mm, except per sh data)	12/31/2016
Cash & Cash Equivalent:	\$33.44
Cash/Share:	\$1.65
Portfolio at FV:	\$336.70
Total Debt:	\$52.60
Net Assets:	\$231.82
Net Assets/Share:	\$11.45

## LARGEST SHAREHOLDERS

First Manhattan Company	1,679,147
T. Rowe Price Group, Inc.	1,437,601
BlackRock, Inc.	1,382,634
Dimensional Fund Advisors LP	1,098,794
RBC Global Asset Management Inc.	1,050,497

## STOCK CHART



## COMPANY DESCRIPTION

Safeguard Scientifics, Inc. (NYSE:SFE) is a publicly traded private equity and venture capital firm that provides growth capital to early stage businesses. Safeguard has a noted track record of cultivating innovation and building market leaders that spans more than six decades. Safeguard provides the relevant expertise and capital to fuel the growth of technology-driven businesses in financial services, digital media and healthcare. Safeguard targets companies that utilize the next wave of enabling technologies with a particular focus on the Internet of Everything, enhanced security and predictive analytics. Safeguard is a proven partner for entrepreneurs looking to accelerate growth and build long-term value in their businesses.

## SUMMARY

Safeguard Scientifics provides investors the unique opportunity to hold liquid equity stakes in early- and growth-stage technology companies and has a storied record of realizing value of said companies through selective, well-timed exits.

- Safeguard's business model involves acquiring positions in early- and growth-stage technology-driven businesses in financial services, digital media and healthcare. Safeguard targets companies that have competitive advantages and are currently operating in large and/or growing markets and in areas with high barriers to entry.
- SFE's investment strategy can be summarized as: acquire significant minority positions, between 20% and 50%, in early- and growth-stage companies with attractive growth prospects; provide hands-on strategic, management and operational support; hold positions in partner companies until they believe the risk-adjusted value has reached its highest point; use the proceeds of sales to pursue other capital deployment opportunities or for working capital purposes.
- Safeguard looks for companies with total anticipated deployment of up to \$25 million (initial capital requirements between \$5 million and \$15 million, and follow-on financing requirements of between \$5 million and \$10 million).
- The Company's corporate staff of about 30 employees is committed to helping partner companies build and realize value through well-timed, selective exits of partner companies. Safeguard believes that these focuses will generate long-term value for their shareholders.
- Safeguard management has equity incentive compensation that is structured to align with shareholder interests. In addition, there are ownership requirements of 2x-4x base salary for senior management.
- At December 31, 2016, Safeguard had \$337 million deployed into 29 partner companies, with a primary ownership percentage ranging from 20% to 44%. Safeguard looks to serve as the lead financial sponsor in a deal and Safeguard executives will serve on the board of directors of partner companies.
- Safeguard has a proven track record of successful acquisitions of equity holdings, with 29 partner companies currently in the portfolio.
- We have conducted a sum-of-the-parts analysis of Safeguard's partner company positions to illustrate a more accurate valuation. Based on our analysis, we believe that Safeguard is significantly undervalued, without factoring in SFE's \$225 million in NOLs.

## BUSINESS OVERVIEW

Since Safeguard's founding in 1953, the Company has a noted track record of cultivating innovation and building market leaders. Safeguard provides the relevant expertise and capital to fuel the growth of technology-driven businesses in financial services, digital media and healthcare. Safeguard targets companies that utilize the next wave of enabling technologies with a particular focus on the Internet of Everything, enhanced security and predictive analytics. Safeguard is a proven partner for entrepreneurs looking to accelerate growth and build long-term value in their businesses. Trading on the NYSE since 1971 under the symbol SFE, Safeguard provides Investors a unique opportunity to tap into the high potential of the Company's early- and growth-stage technology partner companies.

## INVESTMENT PORTFOLIO

At December 31, 2016, SFE's portfolio consisted of held interests in 29 non-consolidated partner companies. Safeguard deployed \$337 million in those same partner companies, which are all technology-enabled companies across three main sectors: healthcare, financial services and digital media.

*Exhibit 1: Partner Companies*

TECHNOLOGY		
Healthcare	Financial Services and Other	Digital Media
            	     	         

*Source: Safeguard Scientifics*

The Company is targeting potential partner companies that operate in large and/or growing markets and have proprietary technology, intellectual property or other competitive advantages, which present high barriers to entry for competitors. Safeguard believes these types of companies fall into their core competency and are best suited to benefit from Safeguard's approach to aiding partner companies to both build and realize value. Exhibit 2 exemplifies the strict vetting process through which all potential partner companies must pass. Safeguard believes their disciplined approach provides maximum shareholder value.

*Exhibit 2: Safeguard's Pipeline (2016 Actual)*



*Source: Safeguard Scientifics*

## INVESTMENT STRATEGY

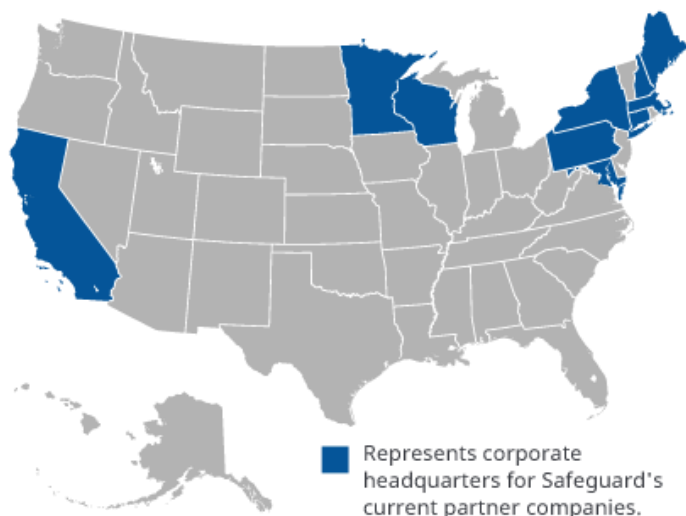
SFE's investment strategy can be summarized as:

- Acquire significant minority positions, between 20% and 50%, in early- and growth-stage companies with attractive growth prospects;
- Provide hands-on strategic, management and operational support to help partner companies build value;
- Hold positions in partner companies until they believe the risk-adjusted value has been maximized, as a result of their involvement and influence; and
- Use the proceeds of sales to pursue other capital deployment opportunities or for working capital purposes.

Specific elements of the strategy include:

**Sourcing efforts** – Safeguard employs robust marketing and sourcing activities within their sector of focus (Technology) in order to generate a high number of suitable partner company investment opportunities. The Company's sourcing efforts are primarily focused on the East Coast, but SFE is not bound to exclusively exploring opportunities in a certain area of the country. In-bound deals come from a variety of sources, including investment bankers, syndication partners, existing partner companies and advisory partners. As a result, potential opportunities are generated throughout the United States.

*Exhibit 3: Partner Company Headquarters Geography*



*Source: Safeguard Scientifics*

**Suitable growth potential** – Safeguard focuses on acquiring positions in early- and growth-stage companies they feel they can add the most value to through the expertise of SFE's employees. The management team's careers as entrepreneurs, board members, financiers and operators enable SFE to aptly aid partner companies in the introduction of new products and services, generating growth opportunities through market knowledge, leveraging business relationships and evaluating and providing capital to pursue potential acquisitions.

**Capital and stage requirements** – Safeguard Scientifics targets companies that have initial capital requirements between \$5 million and \$15 million, and follow-on financing needs of between \$5 million and \$10 million, with the total anticipated deployment of up to \$25 million from Safeguard. Companies with these particular capital requirements are best suited to benefit from Safeguard's financial, strategic, managerial, and operational support. This disciplined approach to investing has allowed Safeguard to have success since inception.

*Exhibit 4: Deal Size & Structure*

Deal Size	Deal Structure
○ Initial Capital: \$5M - \$15M	○ Position: Typically Lead Financial Sponsor
○ Follow-On Capital: \$5M - \$10M	○ Ownership Target: 20%-50%
○ Total Target Size: Generally Less Than \$25M	○ Involvement: Board Representation

*Source: Safeguard Scientifics*

**Strategic, management and operational support** – Safeguard's management team brings expertise to partner companies in the form of experience in business strategy, sales and marketing, operations, finance, legal and transactional support. By investing in only early- and growth-stage companies, Safeguard believes they are able to best leverage their expertise to support growth through hands-on assistance. The Company is able to accelerate a partner company's development and success through the provision of human, financial and strategic resources by helping to define strategic goals, planning for critical success

factors, addressing operational challenges and implementing business measurements. In addition, Safeguard provides its partner companies management and operational support. Safeguard's executive and advisory board members offer mentoring to develop partner company management, thereby helping to foster competitive advantages in the partner companies' respective markets.

**Realizing value** – Safeguard seeks to hold its position in a partner company for as long as the Company believes that the risk-adjusted value of that position is maximized by Safeguard's continued ownership and influence. If the Company believes that a partner company's growth can best be nurtured by a different ownership structure or if Safeguard believes that it is in shareholders' best interest, the Company will explore selling part or all of a position. Position exits can come in the form of privately negotiated sales of stock or assets, mergers and acquisitions, public offerings of the partner company's securities and, in the case of publicly traded partner companies, sales of their securities in the open market. Also, Safeguard has taken partner companies public through rights offerings and directed share subscription programs.

Since Stephen T. Zarrilli became the President and CEO of Safeguard in 2012, after serving as the CFO since 2008, Safeguard has managed to have minimal write-offs. For initial deployments since 2012, Safeguard has only had 3 write-offs, totaling approximately \$20.4 million dollars. Investing in early- and growth-stage companies can carry a higher level of risk than investments in established companies, but Safeguard has an impressive track record in both investment selection and management.

Zarrilli has stated that Safeguard will focus less on deploying capital and more on monetization through timely exits of positions over 2017.

After a sale of a position or a sale of assets is completed, Safeguard will look to redeploy capital for working capital purposes or into new and existing partner companies.

## INVESTMENT STRUCTURE

Safeguard faces a great deal of competition from other companies that provide capital or acquire technology businesses. Venture capital firms, private equity investors and companies seeking to make strategic acquisitions also pursue the same companies as Safeguard. While other companies also offer strategic, management and operational support to potential partner companies, Safeguard believes its experience in cultivating entrepreneurial growth sets it apart. Safeguard offers responsive operational assistance, strategy design and execution, business and corporate development, and interim C-level management.

In addition to the hands-on assistance offerings, Safeguard differentiates from other capital providers in its flexibility to structure transactions. Safeguard can structure their deals with or without debt and provides partner companies the opportunity to leverage Safeguard's balance sheet for borrowing and stability. In order to maximize their ability to bring value to potential partner companies, Safeguard aims to be the lead institutional investor in any deal in which it participates.

The Company provided a \$6.3 million letter of credit expiring on March 19, 2019 to the landlord of CompuCom Systems, Inc.'s Dallas headquarters, which was required in connection with the sale of CompuCom Systems in 2004. As of December 30, 2016, Safeguard had \$22.1 million of cash and cash equivalents, \$8.4 million of marketable securities, and \$2.1 million of prepaid expenses and other current assets for a total of \$32.6 million. For these reasons, Safeguard is well positioned to continue making investments when opportunities arise.

## COMPETITIVE ADVANTAGES

Safeguard competes with venture capital private equity, buyout funds, as well as BDCs to make investments in early- and growth-stage companies. Many of the competing entities do not have the restrictions that are imposed on public companies and many have higher risk tolerance; however, Safeguard offers some distinct advantages when competing for new partner companies.

**Safeguard benefits from more flexibility through the structure of its transactions** – Many private equity and venture capital funds provide investors cash at the onset of the transaction in exchange for equity in the company. Safeguard has the flexibility to structure transactions with or without debt and is capable of providing both initial capital, as well as follow-on financings. This makes Safeguard a more attractive source of capital to many early- and growth-stage companies than other venture capital or private equity firms.

**Safeguard's experience in the technology sector makes them an ideal partner** – Since 1953, Safeguard has a distinguished track record of helping to build market leaders by providing growth capital and operational support to entrepreneurs. Safeguard's management team collectively has a wealth of operational expertise and experience in successful entrepreneurial endeavors, specifically in the technology sector. In August 2016, Safeguard added Scott Snyder, PhD to the role of Chief Technology and Innovation Officer. Snyder's addition to the team helps Safeguard to stay current with all technological advantages and to recognize potential technological developments in partner companies that may be applicable and advantageous to others. The Safeguard team brings the necessary knowledge and ability to help both partner companies and shareholders to achieve long term value.

**Investors are able to invest in early-stage private companies while maintaining liquidity** – Investment in private companies is generally much more restrictive and difficult than investing in companies traded in public markets. As a result, investing in private companies is not feasible for many investors. For investors who do invest in early-stage private companies, often by investing capital into venture capital and private equity firms, any money invested is tied up fairly long-term. Investments in early- and growth-stage companies generally take a longer amount of time to achieve suitable levels of returns. Safeguard provides all the positives of investing in early- and growth-stage private companies, such as the potential of high returns, while still allowing the investors to liquidate their investment quickly through the sale of stock in the public markets.

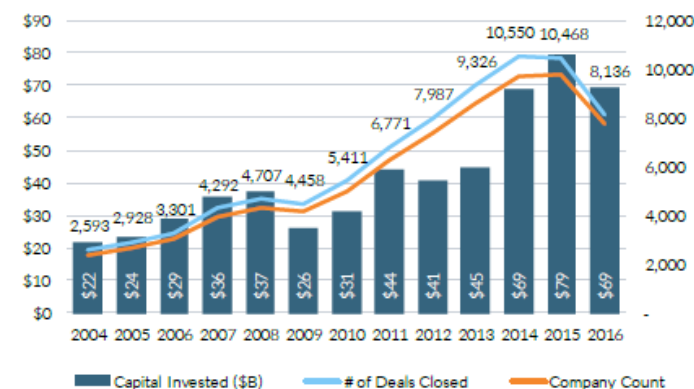
**Safeguard maintains the flexibility to return capital to shareholders in various ways** – Safeguard generally will look to redeploy capital for working capital purposes or into new and existing partner companies after the sale of a partner company position. While this has been the primary focus of Safeguard historically, Safeguard has had discussions internally to explore other methods of returning capital to shareholders. Since 2010, Safeguard has repurchased \$35 million in stock. Safeguard still has \$15 million available under the previously approved stock repurchase program and will continue to explore further stock buybacks. In addition to the available stock repurchase program, Safeguard has also discussed the introduction of a special dividend following the exit of a position in a partner company.

## INDUSTRY

Small and medium businesses, with fewer than 500 employees, generate a full 50% of U.S. gross domestic product; however, they are missing from most investor portfolios. Venture capital and private equity firms provide the opportunity to tap into that investment opportunity, and these investment companies have become an increasingly important source of capital to American businesses. While many venture capital and private equity firms are privately held entities in which only a limited few are able to invest, some are traded publicly, subject to fees and expenses.

*Exhibit 5: Venture Capital Investments*

### U.S. VC Deal Flow

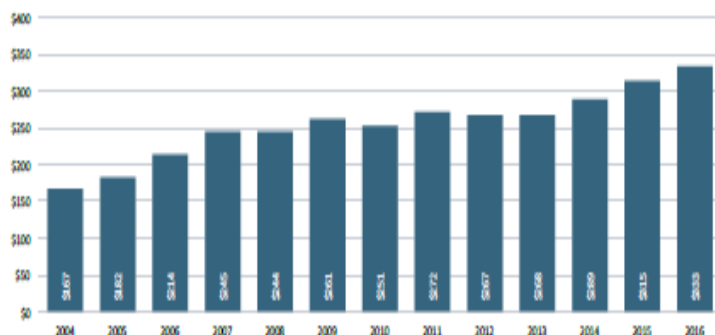


*Source: National Venture Capital Association (NVCA)*

The venture capital sector is a fast-evolving participant of the financial marketplace. Venture capital firms raised \$41.6 billion through 253 funds in 2016, 22 of which were new funds and nearly \$70 billion in venture capital was deployed across 7,750 venture-backed companies, with more than 2,300 companies receiving capital for the first time through venture investment.



Exhibit 6: VC Capital Under Management (\$B)



Source: NVCA

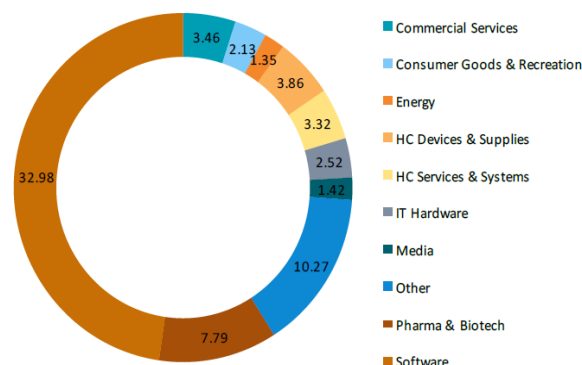
Early- and growth-stage companies are always in need of capital at some point in order to stimulate growth, make strategic acquisitions, increase marketing, production or research & development. For early-stage companies, venture capital and private equity firms offer an attractive option to those looking for capital. Many traditional lenders such as larger banks will not provide capital to growth-stage companies, that are often not profitable and do not have hard assets against which to lend. These companies generally only have access to debt capital provided at high interest rates. Many growth-stage companies prefer to receive capital in the form of cash in exchange for equity in the company. In addition to a preferable form of capital, venture capital firms also offer hands-on assistance that can help early-stage companies immensely.

While early- and growth-stage company investing can carry high risks, venture capital and private equity investing can be attractive due to the potential of very large returns. In addition to the inherent risks of success of early-stage companies, venture capital and private equity investors experience significantly less liquidity than investors in publicly traded companies. Publicly traded venture capital firms offer the opportunity to investing in private, early- and growth-stage companies to parties that would not otherwise have the chance. For this reason, this sub-sector of the financial marketplace is growing in popularity.

## RISKS

**Highly competitive landscape** – Safeguard is constantly competing with many other businesses to provide capital to early- and growth-stage companies. With venture capital firms, private equity investors and companies seeking to make strategic acquisitions target the same types of companies as Safeguard. If Safeguard is not able to successfully close deals with prospect partner companies at the necessary rate, the pipeline for position exits will decrease.

Exhibit 7: 2016 US VC Deals by Sector (\$B)



Source: NVCA

**Liquidity** - SFE offers the liquidity similar to that of other publicly traded stocks. The Company generally invests in privately held companies, which by nature themselves lack liquidity. SFE does strategize on timing its exits to occur with certain regularity, including an initial public offering or sale of the company to a strategic buyer. Since Safeguard does not receive operating cash flows from partner companies, the Company relies on cash on hand, liquidity events and their ability to generate cash from capital raising activities to finance operations. This could cause liquidity issues that may prevent Safeguard from conducting business.

**Sector related risk** – All of Safeguard's partner companies are technology-driven companies, operating in the healthcare, financial services or digital media spaces. While these are the areas in which Safeguard is the most experienced, the lack of sector diversity creates risk in the face of sector-wide downturns. If these particular market sectors lessen, Safeguard may not be able to realize as much value from partner company positions. Partner companies may struggle to attain profitability or stay in business.

**Partner company risk** – Due to the nature of Safeguard's business model, there are inherent risks with investing in early- and growth-stage companies. The companies in which Safeguard invests are not in mature stages of business, meaning many are not currently profitable and are still growing. Due to a variety of internal and external factors, partner companies may experience difficulties stemming from inadequate growth, unsustainable growth, inability to attain market share, loss of intellectual property, highly competitive business environments, shifting economic landscapes and government regulations. In addition, since Safeguard holds minority positions, there is a limited amount of influence the Company has on each partner company. This exposes Safeguard to risks associated with a given partner company's business decision making.

## VALUATION

Safeguard actively manages a large portion of the partner companies in their portfolio, and as such, the Company is classified as an “operating company.” Most publicly-traded BDCs are classified as “investment companies” under the 1940 act, allowing them to “mark to market” their holdings quarterly. Operating companies cannot do this. The valuations of Safeguard’s investments are represented by their “carrying values,” which are calculated by taking the cost of investment plus or minus their share of operating losses or gains, respectively. It is common for early- and growth-stage tech companies to incur operating losses, resulting in the decrease of the estimated carrying value of Safeguard’s investments. Valuations increase as partner companies begin to grow, but the carrying value generally stays below cost. The accounting methods that Safeguard use are the cost method and the equity method. As a result, Safeguard’s book value is understated compared to a valuation method employed by other publicly traded venture capital and private equity firms.

We believe the cost/equity method of accounting does not properly reflect the fair value of Safeguard’s investments for the following reasons:

- The Company has provided revenue guidance of their partner companies of between \$395m and \$420m for 2017
- Revenue growth rate of their partner companies has been ~30% CAGR of the past four years
- The Company’s average holding period for their portfolio companies is 3.9 years

Safeguard trades at a significant discount to its peer group. We believe this is largely due to the irregularity of gains over the past few years which Safeguard only recognizes at the holding company level when they exit a position in a partner company. In the past 12-18 months, the Company has not exited portfolio positions at a pace that investors have expected. Management is continually seeking to monetize their holdings and redeploy the capital into new opportunities.

### Valuation Analysis




















#### Sum of the Parts

We believe applying a sum-of-the-parts analysis is a more accurate way to value Safeguard. In Exhibit 9 below, we have provided three scenarios, applying multiples of 2.0x, 2.5x and 3x the Company’s initial purchase price of its portfolio positions resulting in potential cash-on-cash returns from position exits. It is common for Technology growth Companies to trade at 4-5.5x. Using a conservative discount rate of 20% and estimating exit dates for each partner company based on their revenue stage and other news, we derived a net present value for each portfolio Company. For one of the Company’s “high-traction” revenue stage companies (Media Math), we adjusted the multiple (to 4.4x) to estimate their potential near-term exit multiple more accurately. It should be noted that Transactis also received an increased multiple (of 3.5x), in light of their recent financing coming at a 2x valuation of initial investment. The increased valuation for the follow-on capital raise suggests that the company is steadily growing and may receive a higher valuation in the future. Our sum-of-the-parts valuation suggests that Safeguard’s is significantly undervalued in all three scenarios. Additionally, Safeguard currently has NOLs and capital loss carryforwards of \$225 million to offset future gains.

#### Summary

We believe Safeguard’s current market cap of \$253.5m (Enterprise Value of \$271.6m) does not accurately reflect the true value of the Company. Other public investment Companies (Private Equity firms and BDC’s) trade at a multiple of between .9x – 1.4x net asset value (NAV). Safeguard’s peer companies mark to market quarterly to reflect the current value of their portfolio positions more accurately. Safeguard’s stated objective is to exit key portfolio positions over the next 6-12 months. This should serve as a catalyst to narrow the discount to the Company’s true NAV representing significant upside from the Company’s current valuation.

*Exhibit 8: Safeguard Recent Sales Transactions*

	Capital Deployed (Yr)	Acquired By	Realized (Yr)	SFE Proceeds	SFE CoC Return
 PUTNEY	2011	 Dechra	2016	\$58.6M	4x
 drivefactor	2011	 CCC INFORMATION SERVICES INC	2015	\$10.2M	2x
 Sotera	2013	 FORESIGHT CAPITAL	2014	\$4.2M	2x
 CRESCENDO	2012	 PTC	2014	\$41.3M	4x
 NuPath	2006	 TEVA	2014	\$23.1M	1x
 Alverix	2007	 BD	2014	\$17.4M	2x
 ThingWorx	2011	 PTC	2013	\$47.0M	5x
 Portico	2006	 MCKESSON	2011	\$38.2M	4x
 Advanced BioHealing	2007	 Shire	2011	\$138.2M	13x
 Avid	2007	 Lilly	2010	\$41.3M	3x
 CLARIANT	1996	 Clariant	2010	\$207.8M	3x

Source: Safeguard Scientifics

Exhibit 9: Sum-of-the-Parts Analysis

	Stage	Category	Acquisition Year	Primary Ownership%	Cost	Carrying Value	Low	Estimated CoC Return	Medium	Estimated CoC Return	High	Estimated CoC Return	Estimated Exit Date	Discount Period	Discount Factor	Estimated NPV * (2x)	Estimated NPV * (2.5x)	Estimated NPV * (3x)
							Estimated Exit Value (2.0x)		Estimated Exit Value (2.5x)		Estimated Exit Value (3x)							
Technology:																		
AdvantEdge Healthcare Solutions	High Traction	Healthcare	2006	40%	16.3	5.2	32.6	2.0x	40.8	2.5x	48.9	3.0x	2017	1.0	0.83	27.2	34.0	42.0
Beyond	High Traction	Digital Media	2007	38%	13.5	15.2	27.0	2.0x	33.8	2.5x	40.5	3.0x	2017	1.0	0.83	22.5	28.1	34.8
Good Start Genetics	High Traction	Healthcare	2010	30%	17.1	-	34.2	2.0x	42.8	2.5x	51.3	3.0x	2017	1.0	0.83	28.5	35.6	44.1
MediaMath	High Traction	Digital Media	2009	21%	25.5	5.2	112.2	4.4x	112.2	4.4x	112.2	4.4x	2017	1.0	0.83	93.5	93.5	96.4
NovaSom	High Traction	Healthcare	2011	32%	22.1	2.8	44.2	2.0x	55.3	2.5x	66.3	3.0x	2017	1.0	0.83	36.8	46.0	57.0
Clutch Holdings	Expansion	Digital Media	2013	43%	16.3	10.7	32.6	2.0x	40.8	2.5x	48.9	3.0x	2018	2.0	0.69	22.6	28.3	43.1
Prognos	Expansion	Healthcare	2011	35%	11.6	5.7	34.8	3.0x	40.6	3.5x	34.8	3.0x	2017	1.0	0.83	29.0	33.8	29.9
Sonobi	Expansion	Digital Media	2015	22%	5.4	3.8	10.8	2.0x	13.5	2.5x	16.2	3.0x	2020	4.0	0.48	5.2	6.5	14.8
Spongecell	Expansion	Digital Media	2012	23%	18.0	12.1	36.0	2.0x	45.0	2.5x	54.0	3.0x	2017	1.0	0.83	30.0	37.5	46.4
Transactis	Expansion	Financial Services	2014	24%	14.5	11.1	50.8	3.5x	50.8	3.5x	50.8	3.5x	2019	3.0	0.58	29.4	29.4	45.7
WebLinc	Expansion	Digital Media	2014	38%	12.0	8.4	24.0	2.0x	30.0	2.5x	36.0	3.0x	2019	3.0	0.58	13.9	17.4	32.4
Aktana	Initial Revenue	Healthcare	2016	31%	8.3	7.6	16.6	2.0x	20.8	2.5x	24.9	3.0x	2021	5.0	0.40	6.7	8.3	23.1
Apprenda	Initial Revenue	Other	2013	29%	22.1	11.1	44.2	2.0x	55.3	2.5x	66.3	3.0x	2018	2.0	0.69	30.7	38.4	58.4
Brickwork	Initial Revenue	Digital Media	2016	20%	4.2	4.1	8.4	2.0x	14.7	3.5x	12.6	3.0x	2018	2.0	0.69	5.8	10.2	11.1
Cask Data	Initial Revenue	Other	2015	31%	11.0	8.1	22.0	2.0x	27.5	2.5x	33.0	3.0x	2020	4.0	0.48	10.6	13.3	30.2
CloudMine	Initial Revenue	Healthcare	2015	30%	5.5	3.0	11.0	2.0x	13.8	2.5x	16.5	3.0x	2020	4.0	0.48	5.3	6.6	15.1
Full Measure Education	Initial Revenue	Digital Media	2015	35%	8.6	5.9	17.2	2.0x	21.5	2.5x	25.8	3.0x	2020	4.0	0.48	8.3	10.4	23.6
Hoopla Software	Initial Revenue	Digital Media	2011	26%	4.8	0.1	9.6	2.0x	12.0	2.5x	14.4	3.0x	2018	2.0	0.69	6.7	8.3	12.7
InfoBionic	Initial Revenue	Healthcare	2014	40%	14.5	2.7	29.0	2.0x	36.3	2.5x	43.5	3.0x	2019	3.0	0.58	16.8	21.0	39.1
Lumesis	Initial Revenue	Financial Services	2012	44%	6.2	1.9	12.4	2.0x	15.5	2.5x	18.6	3.0x	2018	2.0	0.69	8.6	10.8	16.4
meQuilibrium	Initial Revenue	Healthcare	2015	32%	8.0	5.2	16.0	2.0x	20.0	2.5x	24.0	3.0x	2020	4.0	0.48	7.7	9.6	22.0
Moxe Health	Initial Revenue	Healthcare	2016	32%	4.5	4.5	9.0	2.0x	11.3	2.5x	13.5	3.0x	2021	5.0	0.40	3.6	4.5	12.5
Pneuron	Initial Revenue	Financial Services	2013	35%	8.5	5.7	17.0	2.0x	21.3	2.5x	25.5	3.0x	2018	2.0	0.69	11.8	14.8	22.5
Propeller Health	Initial Revenue	Healthcare	2014	24%	14.0	9.3	28.0	2.0x	35.0	2.5x	42.0	3.0x	2019	3.0	0.58	16.2	20.3	37.8
QuanticMind	Initial Revenue	Digital Media	2015	23%	9.8	7.8	19.6	2.0x	24.5	2.5x	29.4	3.0x	2020	4.0	0.48	9.5	11.8	26.9
Syapse	Initial Revenue	Healthcare	2014	26%	13.3	6.3	26.6	2.0x	33.3	2.5x	39.9	3.0x	2019	3.0	0.58	15.4	19.2	35.9
Trice Medical	Initial Revenue	Healthcare	2014	28%	8.1	3.9	16.2	2.0x	20.3	2.5x	24.3	3.0x	2019	3.0	0.58	9.4	11.7	21.9
T-REX	Initial Revenue	Financial Services	2016	24%	6.0	6.0	18.0	3.0x	21.0	3.5x	18.0	3.0x	2020	4.0	0.48	8.7	10.1	16.5
Zipnosis	Initial Revenue	Healthcare	2015	25%	7.0	5.7	14.0	2.0x	17.5	2.5x	21.0	3.0x	2020	4.0	0.48	6.8	8.4	19.2
<b>Total</b>					<b>336.7</b>	<b>179.1</b>	<b>774.0</b>		<b>926.5</b>		<b>1053.1</b>					<b>527.1</b>	<b>627.9</b>	<b>931.5</b>

Cumulative Present Value	527.1	627.9	931.5
Less: Total Debt	52.6	52.6	52.6
Plus: Cash and Cash Equivalents	30.4	30.4	30.4
Implied Value	505.0	605.8	909.4
Shares Outstanding	20.4	20.4	20.4
<b>Implied Share Price</b>	<b>24.80</b>	<b>29.75</b>	<b>44.66</b>
Current Share Price:	12.48	12.48	12.48
<b>Implied Discount:</b>	<b>49.7%</b>	<b>58.0%</b>	<b>72.1%</b>

Source: SCP

## CORPORATE TIMELINE

**2012 - Today** – In 2013, the company celebrated 60 years of innovation and honored the many members of its network. Since then, Safeguard has achieved some impressive exits, demonstrating the remarkable power of its platform. Today, Safeguard is positioned better than ever, leveraging the power of partnership to augment the visions of American entrepreneurs and build the market leaders of tomorrow.

**2000 - 2011** – Safeguard emerged from the ashes of the dot-com crash, regained its footing and realized a number of key deals that positioned the Company for future growth, by the end of the decade.

**1991** – Amidst an economic recession, Safeguard Scientifics experienced a year of strong financial turnaround. A national corporate restructuring trend that began in the 1980s was intensified by the 1990-1991 recession, causing companies to downsize in order to remain competitive, with fewer employees expected to work at higher levels of productivity. To achieve this efficiency, management turned to productivity enhancing information technology tools. For Safeguard Scientifics' partner companies, the demand curve fueled sales.

**1982** - Began deploying capital in the nascent biotechnology market

**1981** - Emerged as Safeguard Scientifics—a differentiated capital provider focused on the high technology markets.

**1971** – The Company began trading on the NYSE under the ticker symbol SFE.

**1968** – The Company, then called Safeguard Industries, went public on the AMEX

**1953** – Founded as the Lancaster Corporation

## SAFEGUARD SCIENTIFICS

### Stephen Zarrilli – President, Chief Executive Officer, and Director

Mr. Zarrilli has served as both the CEO and CFO of both privately held and publicly traded, venture-backed companies, over the course of his 30-year career. Having been directly involved in the launch of two companies prior to joining Safeguard in 2008, Mr. Zarrilli is intimately familiar with the entrepreneurial challenges, both operationally and strategically, faced by Safeguard's partner companies. In addition to his responsibilities at Safeguard, Steve is a Board Member for Safeguard's partner companies Apprenda and Pneuron; University City Science Center; and Virtus Investment Partners. Steve is a graduate of LaSalle University in Philadelphia earning a B.S. degree in Accounting. He is a former Certified Public Accountant, and is a frequent lecturer on corporate governance, financial management, organizational and capital development matters. He also completed the Advanced Management Program at the Wharton School at the University of Pennsylvania.

### Al Wiegman, Senior Vice President and Managing Director

Al brings more than 15 years of venture capital experience to Safeguard, with a deep domain expertise in healthcare services and technology. Prior to joining Safeguard, Al was a General Partner at HLM Venture Partners, a leading venture capital firm, and directly participated in 30 early- and growth-stage transactions across the technology and healthcare sectors, and was integrally involved in some notable exits. He received an M.B.A. from Babson College and a B.A. in Economics from Hobart College.

### Erik B. Rasmussen, Senior Vice President and Managing Director

Erik has nearly 20 years of experience including venture investing and operations. During his career, Erik has held various positions at software, investment banking, private equity, and venture capital firms. Instrumental in investing, sourcing and conducting due diligence throughout his career, Erik works closely with Safeguard's partner companies to provide support, analysis and insight. Erik is currently a board member at Safeguard's partner companies Beyond, Brickwork, Clutch Holdings, Full Measure Education, MediaMath, Spongelcell and WebLinc. Erik served on the board of former Safeguard partner companies including Kadoo (acquired by 3Sixty); Swap.com (acquired by NetCycler); and ThingWorx (acquired by PTC, NASDAQ:PTC).

### Gary J. Kurtzman, M.D., Senior Vice President and Managing Director

Gary has more than 30 years of experience in operations and investments, leveraging his medical expertise to enable businesses to enhance their products and grow their services, as well as to discover new partnering potential in developing entrepreneurial companies. Gary joined Safeguard in 2006, where he is responsible for identifying, deploying capital in and supporting emerging healthcare companies in diagnostics, medical devices and healthcare IT. Throughout his career, Gary has realized value for companies through a series of successful IPOs, M&A and turnaround transactions.

### Tina F. Aufiero, Senior Vice President and Managing Director

Tina has more than 20 years of experience in principal investing, M&A, strategy and board governance. Tina is responsible for sourcing and deploying capital in early- and growth-stage companies, providing operational oversight and driving successful exits for Safeguard's partner companies. Prior to joining Safeguard, Tina most recently served as Managing Director and Head of Corporate Development for Tradeweb, a leading New York-based financial technology firm, where she led several key acquisitions and inorganic growth initiatives. A certified public accountant, Tina earned a B.S. in economics from The Wharton School of the University of Pennsylvania and an M.B.A. from the UCLA Anderson School of Management.

### Board of Directors:

**Robert J. Rosenthal Ph.D** – Chairman of the Board

**John J. Roberts** - Chair of the Nominating & Corporate Governance Committee, Member of the Audit Committee and the Compensation Committee

**George MacKenzie** - Chair of the Audit Committee, Member of the Compensation Committee and the Nominating & Corporate Governance Committee

**Julie A. Dobson** – Chair of the Compensation Committee, Member of the Nominating & Corporate Governance Committee

**Stephen T. Zarrilli** – Board Member

**Stephen Fisher** – Member of the Audit Committee and the Compensation Committee

**Mara G. Aspinall** – Member of the Audit Committee and the Nominating & Corporate Governance Committee



## IMPORTANT DISCLOSURES AND DISCLAIMERS

The following disclosures are related to Stonegate Capital Partners (SCP) research reports.

### ANALYST DISCLOSURES

I, Kevin Latta, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

### INVESTMENT BANKING, REFERRALS, AND FEES FOR SERVICE

SCP does not provide nor has it received compensation for investment banking services on the securities covered in this report. SCP does not expect to receive compensation for investment banking services on the securities covered in this report. SCP has a non-exclusive Advisory Services agreement to provide research coverage, retail and institutional awareness, and overall Investor Relations support for which it is compensated \$6,500 per month. Stonegate Capital Markets (SCM) is an affiliate of SCP and a member of FINRA/SIPC. SCM may seek to receive future compensation for investment banking or other business relationships with the covered companies mentioned in this report. In certain instances, SCP has contracted with SCM to produce research reports for its client companies.

### POLICY DISCLOSURES

SCP analysts are restricted from holding or trading securities in the issuers that they cover. SCP and SCM do not make a market in any security nor do they act as dealers in securities. Each SCP analyst has full discretion on the content and valuation discussion based on his or her own due diligence. Analysts are paid in part based on the overall profitability of SCP. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by SCP for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article. No employee of SCP serves on the Company's Board of Directors. Research analyst and/or a member of the analyst's household do not own shares of this security. Research analyst and/or a member of the analyst's household do not serve as an officer, director, or advisory board member of the Company. This security is eligible for sale in one or more states. This security is subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities. SCP or its affiliates do not beneficially own 1% or more of an equity security of the Company. SCP does not have other actual, material conflicts of interest in the securities of the Company.

### ADDITIONAL INFORMATION

Please note that this report was originally prepared and issued by SCP for distribution to their market professional and institutional investor customers. Recipients who are not market professional or institutional investor customers of SCP should seek the advice of their independent financial advisor prior to making any investment decision based on this report or for any necessary explanation of its contents. The information contained herein is based on sources that SCP believes to be reliable, but it is not necessarily complete, and its accuracy cannot be guaranteed. Because the objectives of individual clients may vary, this report is not to be construed as an offer or the solicitation of an offer to sell or buy the securities herein mentioned. This report is the independent work of SCP and is not to be construed as having been issued by, or in any way endorsed or guaranteed by, any issuing companies of the securities mentioned herein. The firm and/or its employees and/or its individual shareholders and/or members of their families and/or its managed funds may have positions or warrants in the securities mentioned and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the firm from time to time in the open market or otherwise. While SCP endeavors to update the information contained herein on a reasonable basis, there may be regulatory, compliance, or other reasons that prevent us from doing so. The opinions or information expressed are believed to be accurate as of the date of this report; no subsequent publication or distribution of this report shall mean or imply that any such opinions or information remains current at any time after the date of this report. All opinions are subject to change without notice, and SCP does not undertake to advise you of any such changes. Reproduction or redistribution of this report without the expressed written consent of SCP is prohibited. Additional information on any securities mentioned is available on request.

### RATING & RECOMMENDATION

SCP does not rate the securities covered in its research. SCP does not have, nor has previously had, a rating for any securities of the Company. SCP does not have a price target for any securities of the Company.

### CONTACT INFORMATION

John E. Shave III  
Safeguard Scientifics, Inc.  
170 North Radnor-Chester Rd., Suite 200  
Radnor, PA 19087  
Phone: (610) 293-0600  
[www.safeguard.com](http://www.safeguard.com)

Investor Relations – Casey Stegman  
Stonegate Capital Partners  
8201 Preston Rd. - Suite 325  
Dallas, Texas 75225  
Phone: 214-987-4121  
[www.stonegateinc.com](http://www.stonegateinc.com)