

Selecting the Right Funding & What it means to be *Investor Ready*

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This Presentation

- **Funding sources** for high growth start-ups and expanding SMEs
- What it means to be **“Investor Ready”**
- Flag some **common and avoidable errors** made by founders.
- **How an Investor thinks**, what they are looking for in a proposal.
- Workshop – Turning the Table **“Put Yourself in the Investor’s Shoes”**

Who are we?



John O'Dea

- Advisor to many tech startups in Ireland – strategy, funding, market validation
- Managed Enterprise Ireland early stage investments
- Mechanical engineer, research program manager, MBA



Jonathan Ryan

- Managed Enterprise Ireland Commercial Evaluation Team
- Country Director Turkey and Japan/Korea
- Marketing Manager High Potential Software company
- B.Comm, MII (grad.) MBA , FCA.

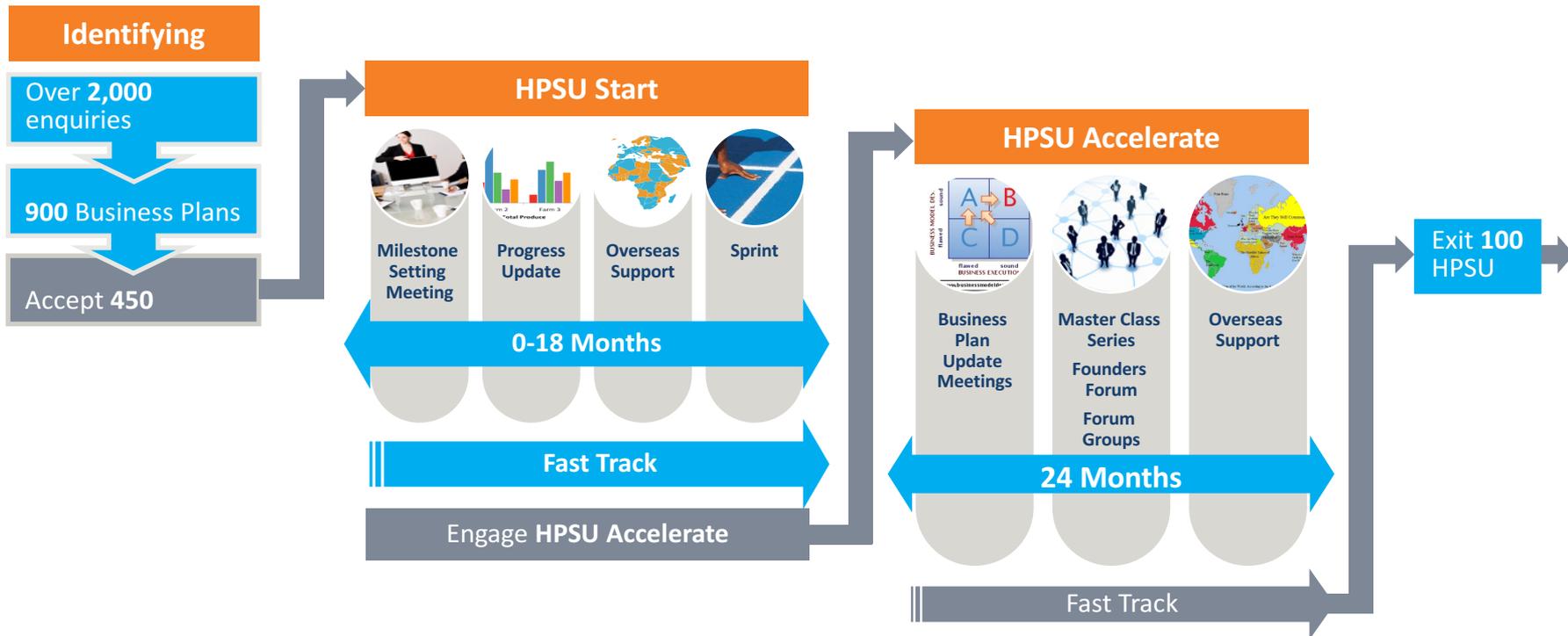
Our Background



- Irish Government Development Agency
- Annual budget of €300 million Euro (986 million Turkish Lira)
- 30 International Export Office – Incl. Istanbul
 - High Potential Start-Ups
 - SME Expansion
 - Innovation and R&D, SME Efficiency (Lean), Management
 - University Research Commercialization Funding & Incubators
 - Export Development

How Enterprise Ireland Works With Start-ups...

Enterprise Ireland needs to liaise with 2000 companies to identify 100 viable High Performance Start Ups



2016 Investments

- **63% Software and ICT, 17% Fintech, 15% Medical devices**
- **Most were B2B**
- **35% managers of indigenous business, 32% manager in MNC**
- **27% had a female entrepreneur in a lead role**
- **15% were from Third Level Research**
- **16% were by internationally mobile founders**

Investment Approval Process

- **Due Diligence is done In-House**
- **Investments in Start-Ups are by way of Equity.**
- **Profits from Successful Investments are returned to Government.**

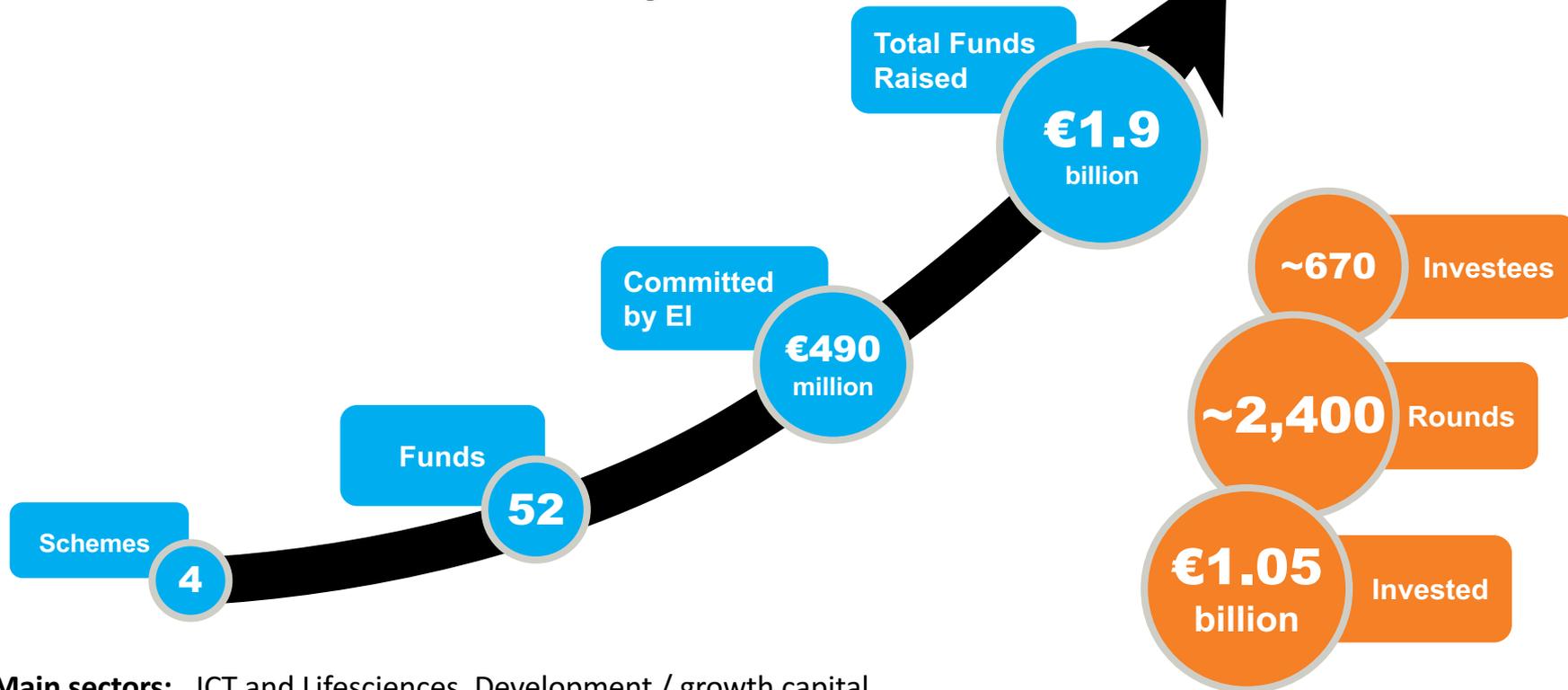
Enterprise Ireland ranked third globally for Seed Investment

Ranked by Pitchbook, November 2015



Enterprise Ireland Seed & Venture

Indirect Investment....Funding Schemes 1994 - 2018



Main sectors: ICT and Lifesciences. Development / growth capital across **domestic and foreign venture capital companies.**



Direct Investment....

The make-up of EI Direct Equity Portfolio (DEPF):

Size of Portfolio

Enterprise Ireland has investments in 1,542 companies. EI invests in over 300 companies each year.

Investment Activity

Enterprise Ireland was ranked by Pitchbook as the 3rd largest seed investor in the world in 2015.

Portfolio Cost

The cost of the Direct Equity investment portfolio is currently €300m



Funding Strategy & Sources of Funding



Funding Strategy

Funds to get to profitability? Total funds needed?

Funding milestones?

What type of investor at the different stages?

Tranche the funding. Don't give too much equity away

Sources of Funding

“what is the right source of funding for my business at this stage?”

Different Funders have different objectives and requirements.



The Correct Investor for you

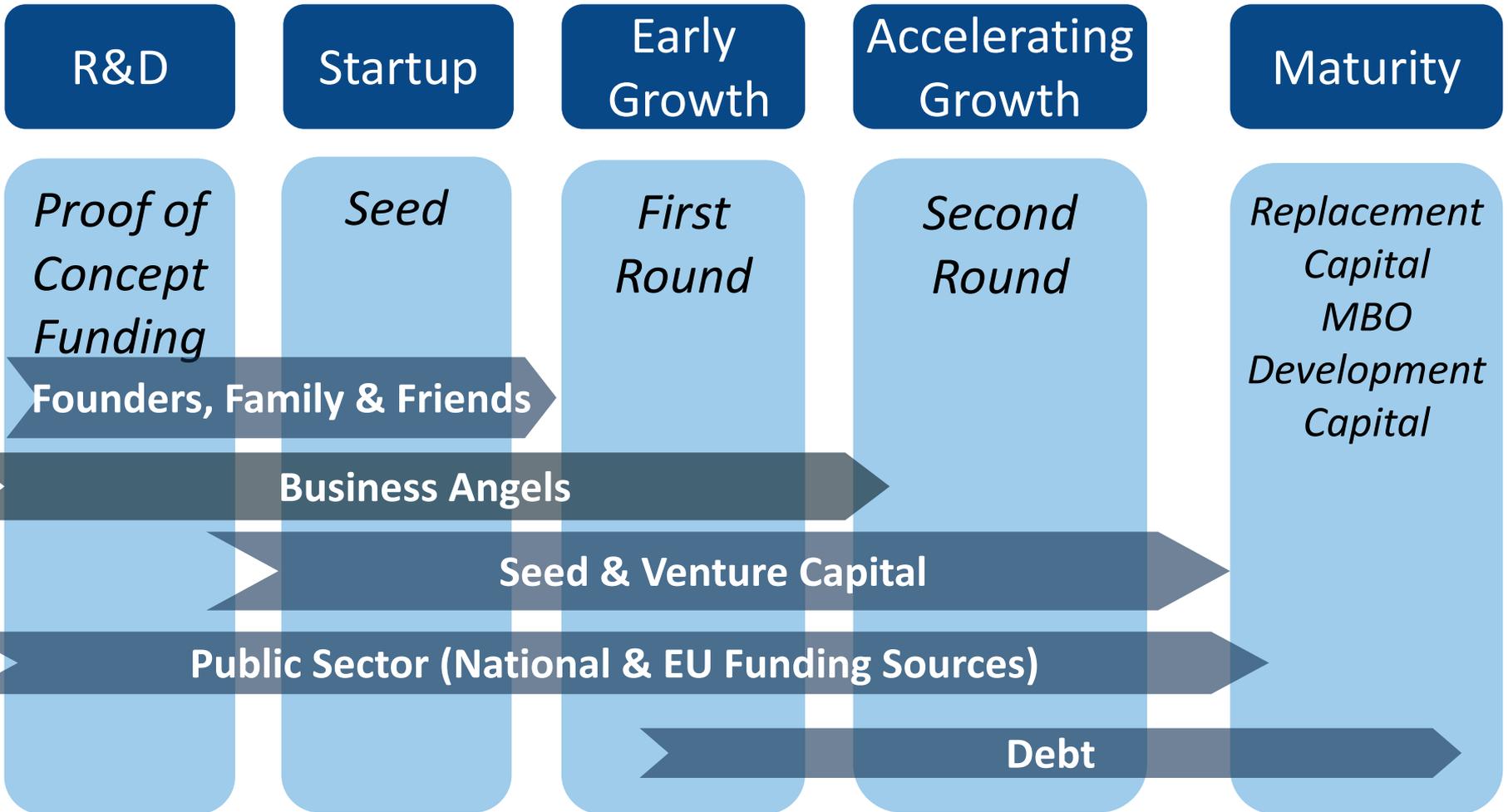
Depends on

- **level of funding** - required
- **type of funding** - Grant, Debt, Equity, Quasi-Equity)
- **stage of development** - of the business,
- **growth potential** - of the business
- **time frame to scale** - the business
- **Innovativeness** - of Product/Service

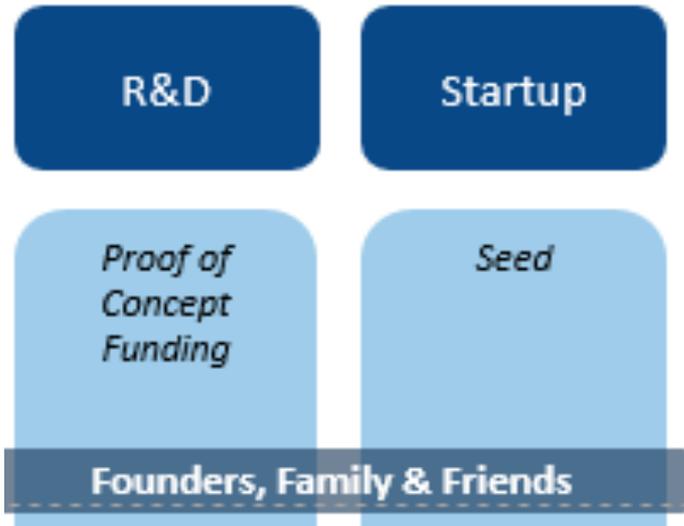
You

- **Your required ownership and control of the business**
- **Your assessment of the investor(s) value and track record.**
- **Your relationship with the investor**

The Funding Journey



Family, Founders & Friends (3 F's)



- First capital normally from founders. Having **“Skin in the Game”**
- Family and Friend investors normally invest in the person – not the idea or the business.



- Be sure to have a clear record of money invested.
- Ensure family and friends **understand the risks**.
- A lot of small family and friend investors **can make it difficult to negotiate later funding rounds**.

Business Angels



- High net worth individuals.
Many also want to get involved in the business.
- Increasingly Business Angels form investment syndicates. Pooling funds and spreading risk.



- **Find a business angel that understands your business.**
- **Not just about Money – Find an angel who is strong where you are weak.**
- **Clarify the Business Angels time frame for exit.**

Crowdfunding



- Becoming a recognized way to raise early funding
- Get early revenue and market validation
Kickstarter, Indygogo, crowdfon.com, fongogo.com,
fonlabeni.com



- Very uncertain, many campaigns fail
- Mainly consumer products
- Pre-sale, not equity,
- You still have to deliver the product. If you don't negative reviews on-line

Seed & Venture Capital Funds



- A major source of funding for fast growth, technology-based
- Require business that can scale - need significant return on their investment – not *“Lifestyle”* businesses.
- Generally “Tranche” investment. It’s important to achieve planned milestones.



- **Seed & VC funds are not always keen to invest early.**
- **Funds will seek to exit after 5-7 years**
- **They are tough negotiators. Build the business proposition to a point where you have stronger negotiating position.**
- **research funds to understand their track record – speak to other investee companies.**
- **Ensure fund has ability to “Follow its Money”**

Public Sector Funding Sources (National/EU)



- Make maximum use of national and EU funding [the cheapest money in the room].
- Private investors will expect you to leverage public sector funds **prior and during their investments.**



- Be prepared for the paperwork.
- Treat Pubic funders with the same respect as private investors.
- Do your homework and research the objective and eligibility criteria [e.g. social impact, collaboration etc .]
- Keep up to date with fund closing dates

Corporate Venturing



- Many Multi-Nationals also act as venture capital investors.
- This source of funding is often forgotten about by entrepreneurs.
- They have the same approach as traditional VC funds however can bring significant value and credibility.



- **You need to be careful that the Corporate Venture Funds does not limit your market potential.**

Corporate Venturing



The Most Active Corporate VCs of 2014

Rank	CVC Investor
1	Google Ventures
2	Intel Capital
3	Salesforce Ventures
4	Qualcomm Ventures
5	Comcast Ventures
6	Novartis Venture Funds
7	Samsung Ventures
8	Cisco Investments
9	Siemens Venture Capital
9	SR One



Is my Business “Investor Ready”



Is my Business Investor Ready?

Convincing Family & Friends not too difficult.

Public & Private Funding – how to succeed?

Key question; Are you “Investor Ready”



Pitching isn't a Business Plan



Many workshops and Training Sessions focus building a Value Proposition for Investors and the Importance of Pitching to investors.

While these are important they are not enough.

“Dragon’s Den” Mistake

Is my Business Investor Ready?

Your **Business Plan** is the mechanism for convincing potential investors of the potential of your business.

It can be a Word Document, a Presentation Slide Deck but it must include the detailed information that gives

EVIDENCE OF POTENTIAL but also helps to **DE-RISKS** the Business in the Eyes of Investors

So what needs to be covered?



Is my Business Investor Ready?

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So what needs to be covered?



Is my Business Investor Ready?

Remember the Investor looks at your business plan to learn about your business

But

is also looking to assess your understanding of the Market.

THE LEAN STARTUP

- **Minimum Viable Product**
- **Business Model Canvas**
- **Pivot**
- **Rapid Iteration to product/market fit**

The Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners

Who are they?
Key suppliers?
Key activities they perform?

Key Activities

Distribution channels
Customer relationships
Revenue Streams

Key Resources

Physical
Intellectual
Financial

Value Propositions

What value do we deliver?
What problem are we solving?
What are we offering to each customer segment

Customer relationships

What type?
How costly are they?

Channels

Best way to reach customers?
Most cost effective?
Integrate with customers?

Customer Segments

For whom are we creating value?
Who are most important customer?
Mass market?
Niche?

Cost Structure

Most important costs
Fixed Costs
Variable costs
Economies of Scale, of Scope

Revenue Streams

What will customers pay?
Fixed price? Subscription? Dynamic price?

<http://www.bing.com/videos/search?q=youtube+the+business+model+canvas&view=detail&mid=EBA1A2C994B2D98C541DEBA1A2C994B2D98C541D&FORM=VIRE>

5 Pillars of Investor Ready Business Plan

1. The Product or Service – What will you Sell / What need are you satisfying?

2. The Market Research – Who will buy?

3. The Team – Who are you, your experience in this market, who else is involved?

4. The Go to Market Strategy (Channels to Market)

5. The Financials – How much do you need, how will you spend it?



What will you Sell / What need are you satisfying?

- **Exactly what you are selling.** IP, Product, Service?
- **Value proposition - the Problem, the Solution**
- Stage of development; Prototype, Beta, Market Ready.
- Intellectual Property owned or needed.
Is the IP in your company?
- How will the product/service be made/delivered – manufactured, outsourced etc.

The Team – Who are you, what’s your experience?

- Who will manage the company – full time
- Balanced team - roles and shareholding. (serial entrepreneurs are great)
- Domain / Market knowledge, experience
- Advisers, mentors or informal partners
- Full Disclosure; other business team are/were involved in.
- The gaps in the team that you intend to fill

Hacker; Engineer, developer

Hipster ; design, user experience [UX]

Hustler; marketing, “growth hacker”



The Team – Who are you, what's your experience?

Many Investors back the **Jockey not the Horse.**

An **excellent Team** and an **average product** will always do better than a **weak team** and an **excellent product**

the gaps in the team that you intend to fill

The Go to Market Strategy (Channels to Market)

- Are you a B2B or B2C ?
- Show you understand how the market works.
- Operational issues; Logistics, Licensing, Currency etc

The Market Research – Who will buy?

- What proof have you that customers will buy?
- If no customers yet, you need to
 - Speak with target users
 - Speak with target buyers
 - Speak with competitors
 - Competitor analysis
- Paying Customers add most credibility

Be Clear on your Market Size Projections

Most early stage Business Plans focus on the first 2 or 3 levels

“We plan to win 2% of this 3 Billion Euro Market”

THE MARKET – Overall Global Market

Gartner, Frost & Sullivan etc, Estimates based on Number of Potential Users etc.

YOUR TARGET MARKET

The portion of the market that you will be focusing on to win business

YOUR ADDRESSABLE MARKET

The portion of your target market that you can get access to – based on plans, resources', etc.

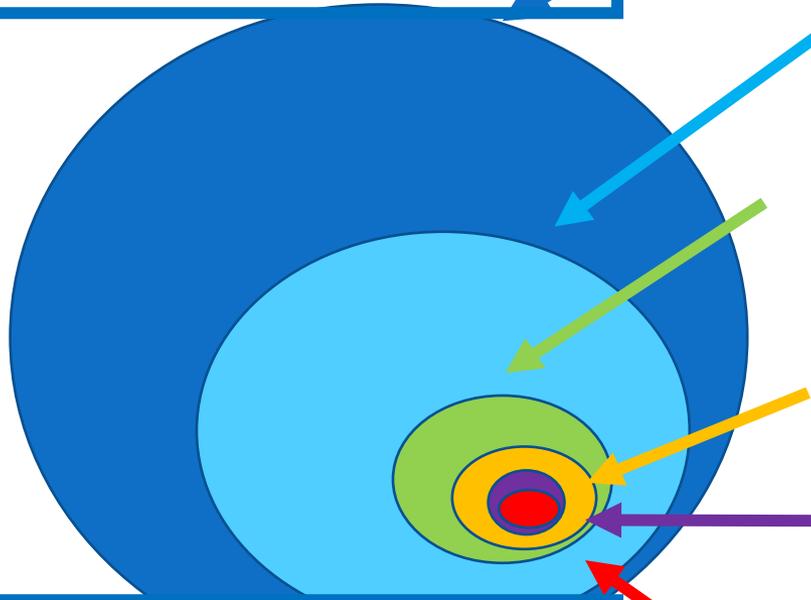
TARGET CUSTOMERS

Names, contact details??

VALIDATED CUSTOMER PIPELINE

Who have you spoken to – what is their interest?

CUSTOMERS – RECURRING CUSTOMERS



Investors want to see that you have actually spoken with and validated your target customers.

Funding Plan

- Typically 3 year sales projections.
- Cash flow / cash burn is key issue for first years
- Time and cost to get to first sales, then time and cost to get to breakeven.
- Investors will want to understand and challenge
 - Revenue Model – Pricing Strategies
 - Company set up and running costs – “Burn Rate”
 - Validated Sales Pipeline (if possible)
 - Salary for founders

Common & Avoidable Errors



10 Common & Avoidable Errors

- 1. Approaching Investor too early (for money).
- 2. Not clearly explaining what you are selling.
- 3. Focusing only on the Technology/Product.
- 4. Not Speaking with Target Customers/strategic partners or Speaking to the wrong Customers
- 5. Poor competitor analysis [***Customer Decision not to buy is competition***]

10 Common & Avoidable Errors

- 6. Part-Time Entrepreneurs.
- 7. Preparing for a Pitch instead of Due Diligence.
- 8. “x% of Market”
- 9. IP not assigned to the company.
- 10. Not realistic about “giving away” equity.

51% of a successful company is better than 100% of an unsuccessful company.

Securing investment is not the end goal but the real start of the journey.

The hard work is still ahead - Delivering!



Turning the Tables

Putting Yourself in the Investor's Shoes

Campus Ltd – Case Study



EACH GROUP IS AN INVESTOR CONSORTIUM



- Review the brief two-page investment proposition (15 minutes).
- 4 Question
 1. What is your view on our proposition?
 2. What are the main questions that you have?
 3. Is this project Investment-ready?
 4. Give feedback to the founder

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Teşekkür ederim!

Thank you!

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