

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

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Mr. Gerry O'Brien,
International Development Ireland Ltd
26th May 2016

Introduction - Gerry O'Brien



- Head of Projects, International Development Ireland (IDI).
- Economic Development & SME Finance Specialist.
- Degree in Economics & Finance and Masters in Public Sector Policy.
- Previously worked for **13 years in Enterprise Ireland** – Irish National Development Agency.
- Currently managing IDI Projects in **Turkey, Bahrain, Saudi Arabia, Kosovo, Nigeria.**
- Experience in **design and management of Grant & Equity Funding Instruments** for High Potential Start-Ups & SMEs
- **Investment Adviser** and **Mentor** to Irish Start-Ups.

Purpose of today's Presentation

- **overview of funding sources** for new high growth start-ups and expanding SMEs
- What it means to be **“Investor Ready”**
- Flag some of the **common and avoidable errors** made by founders “again and again”.
- **Insight into how an Investor thinks** and what they are looking for in a proposal.
- Workshop – Turning the Tables **“Putting Yourself in the Investor’s Shoes”**

Introduction to Enterprise Ireland



- Irish Government Development Agency –
- 600 Employees
- 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 Funding
 - University Research Commercialization Funding & Incubators
 - Export Development, SME Efficiency (Lean),
 - Management Development

Average Annual Activity

ENQUIRIES Received from Entrepreneurs

2,000

New Business Proposal/Plans Reviewed

1,000

Meetings Held

500

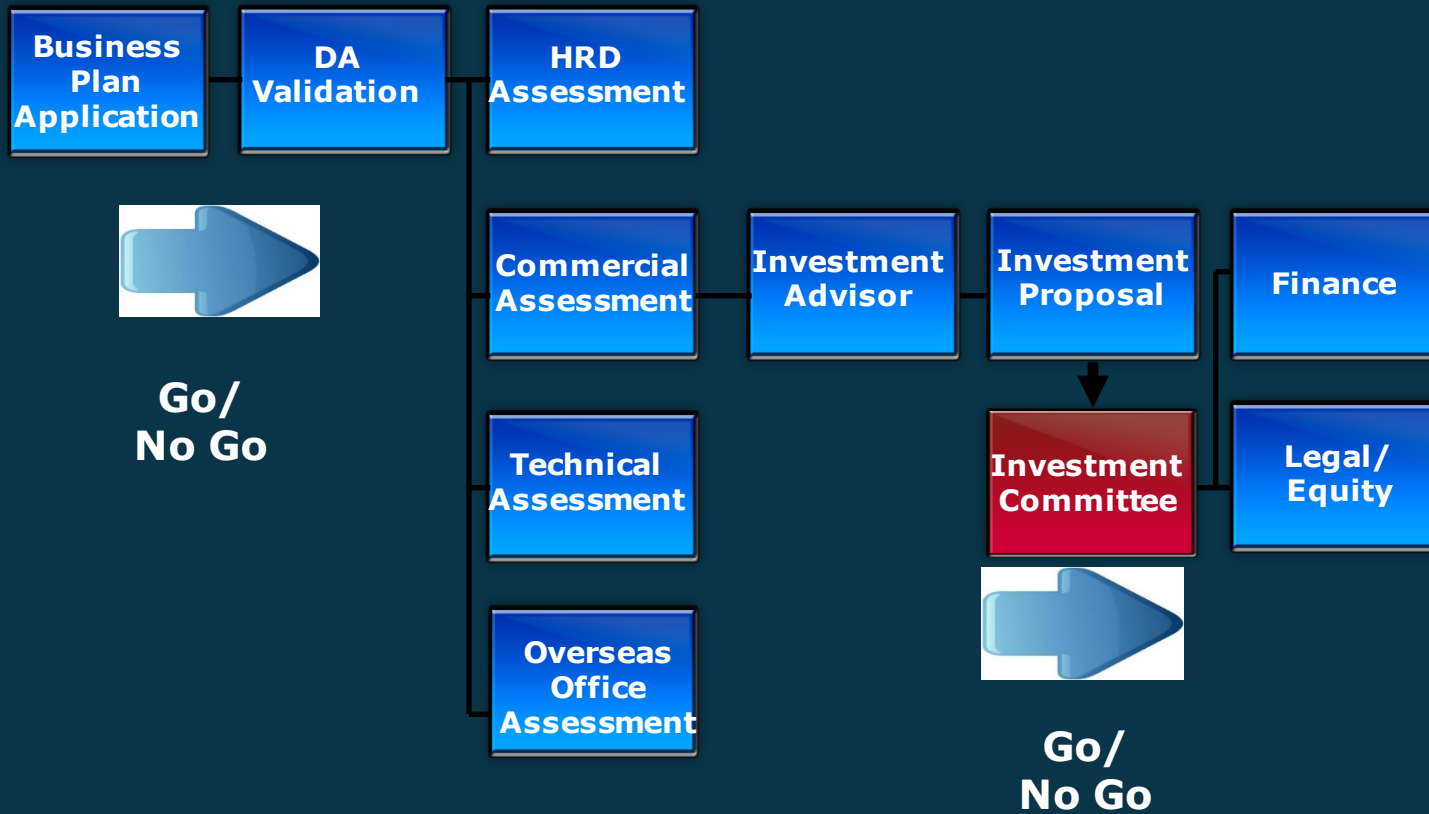
Seed Investments
€50k

150

Full Investments
€250k

100+

Investment Approval Process



Investment Approval Process

- Enterprise Ireland undertakes its own Due Diligence In-House with its Investment Services Team.
- Investment Decisions are made by the Enterprise Ireland Investment Committee chaired by the CEO.
- All Investments in Start-Ups are by way of Equity.
- Profits from Successful Investments are returned to Government.

Assessment

**Go/
No Go**

Largest Start-Up Investor in Ireland



Enterprise Ireland - The Start-Up Class of 2015

Supports for High Potential Start-Ups (HPSUs)

“Enterprise Ireland ranked 3rd Globally for Volume of Seed Investments in 2015” Pitch Book

1. SV Angel (232)
2. Kima Ventures (198)
3. Enterprise Ireland (196)
4. Andreessen Horowitz (134)
5. Google Ventures (131)

Enterprise Ireland - The Start-Up Class of 2015

Sources of Funding & What to be Aware of



Sources of Funding

One of most important considerations when raising external funding is

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

Different Funding Sources have different objectives and requirements.

Sources of Funding

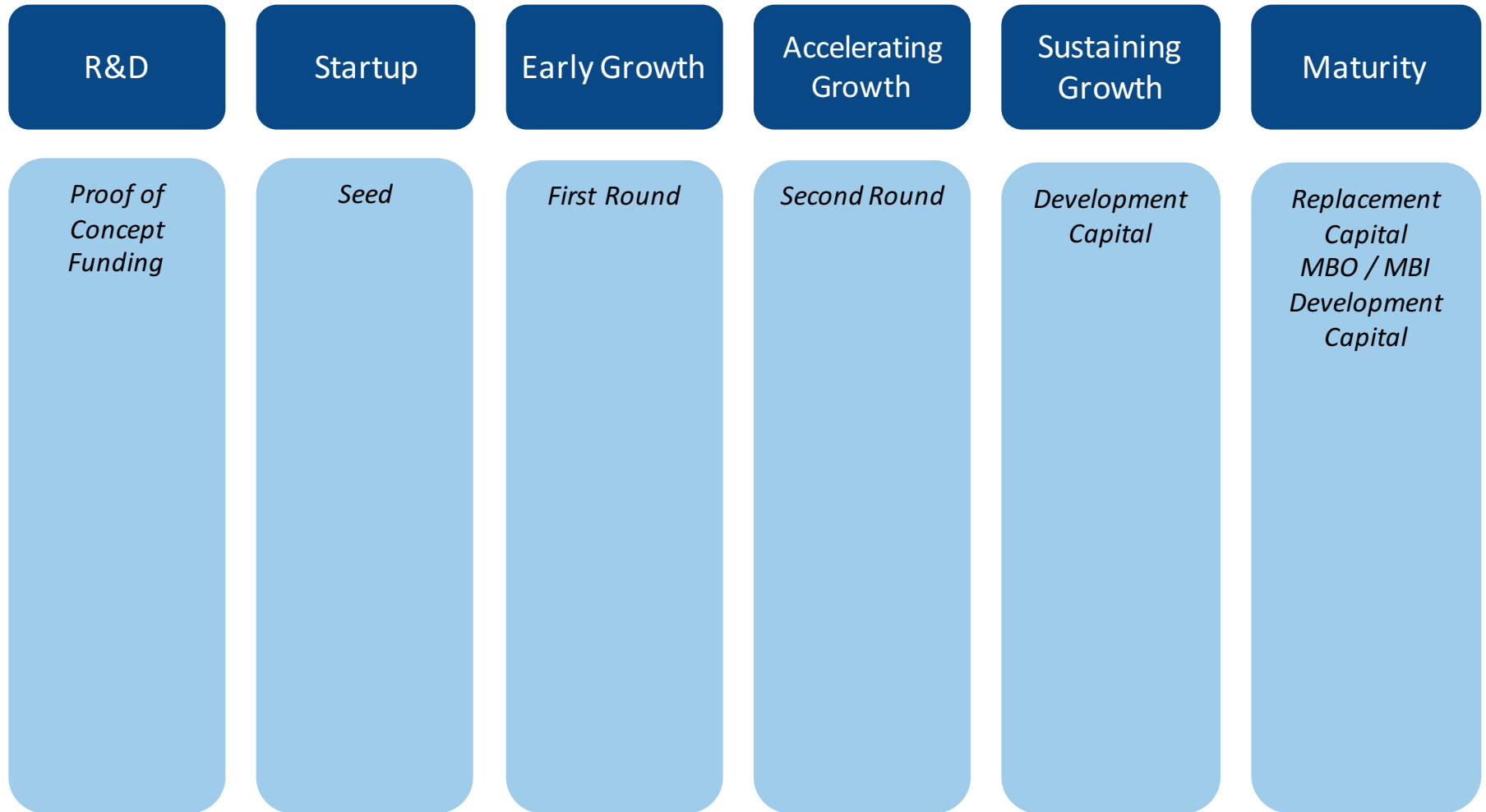
The appropriate investor will be determined by the;

- **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

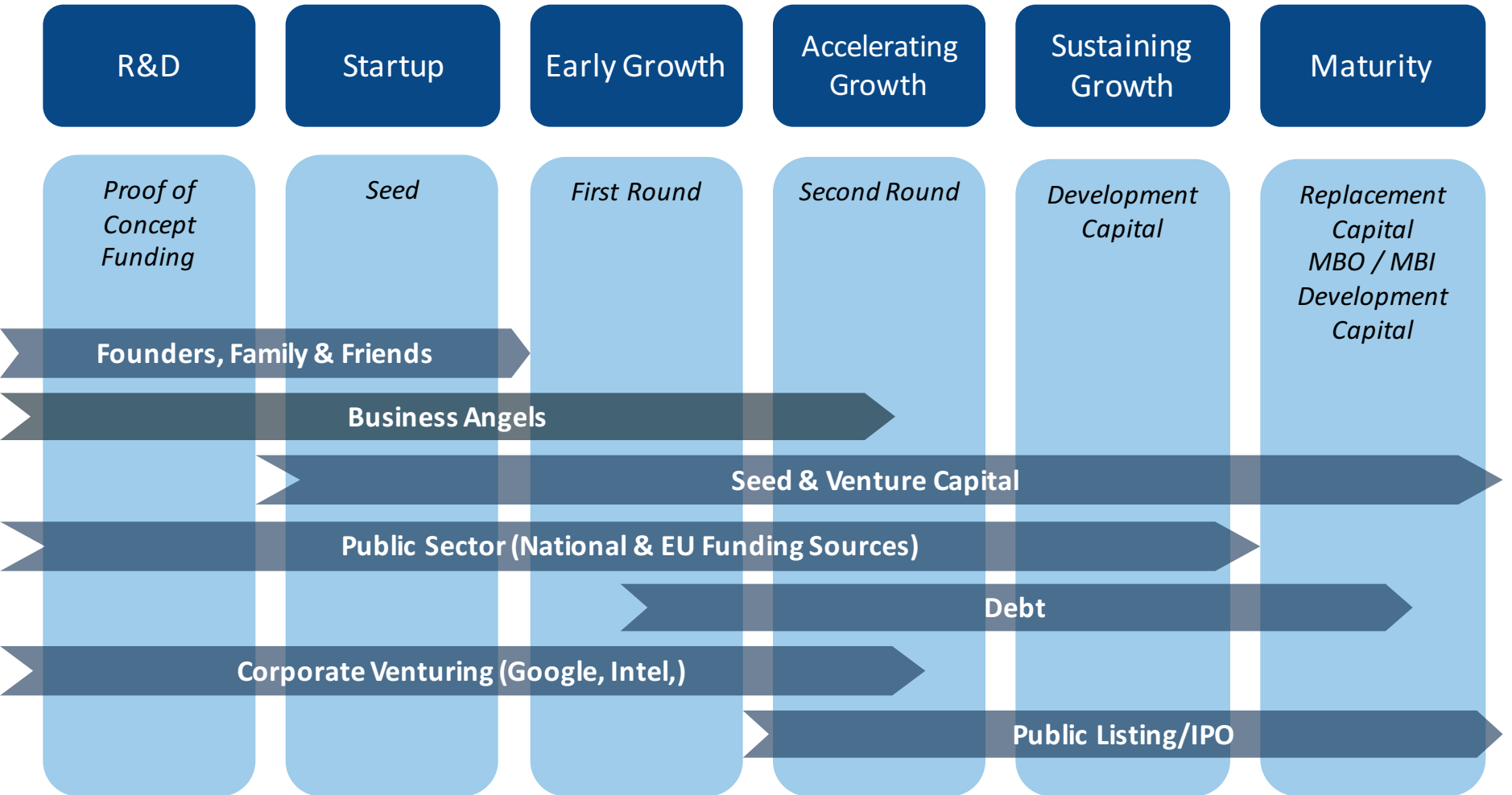
and

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

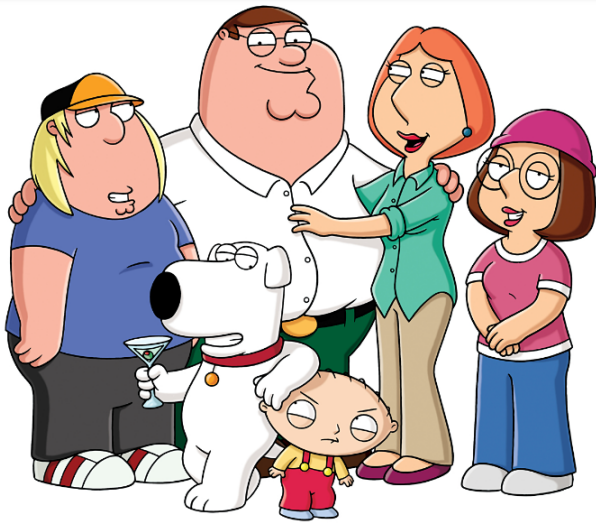
The Funding Journey



The Funding Journey



Family, Founders & Friends (3 F's)



- Normally the first capital invested is by the founder(s) of the company. Investors call this **having “Skin in the Game”**
- Family and Friend investors normally invest in the person – not the idea or commercial proposition.

WARNING!!!!

- Set up company and ensure that you have a clear record of money invested.
- It is important that they **understand the risks**.
- Having a lot of small family and friend investors **can put off some institutional investors and can make it difficult to negotiate later funding rounds**.

Business Angels



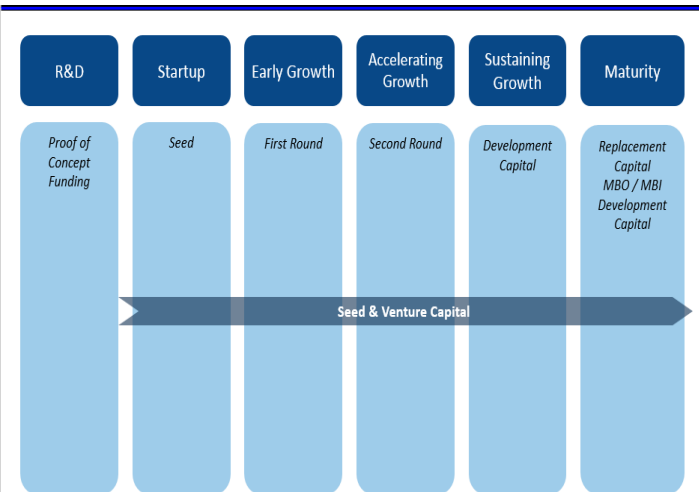
- High net worth individuals that are actively looking for investment opportunities **but many also want to get involved in the business.**
- Increasingly Business Angels are formalized and operate as part of investment syndicates. Pooling funds and spreading risk.

Warning!!!

- **It is important to find a business angel that understands your business model.**
- **Not just about Money - Try to identify a business angel that can address the areas of the business that you are weak on.**
- **Need to be clear on the Business Angels time frame for exit.**

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Seed & Venture Capital Funds



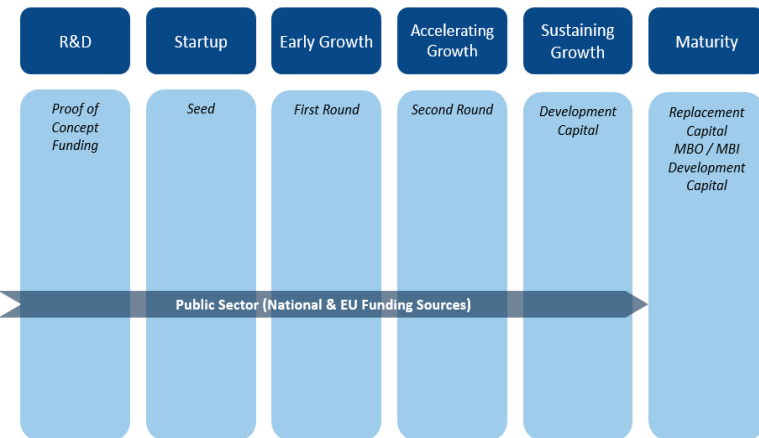
- A major source of funding for fast growing and technology based firms.
- Seed & Venture Capital Funds require significant returns and are not interested in “Lifestyle” businesses or business that cannot be scaled.
- Generally “Tranche” investment so it is important to fully explain the funding requirements and meet planned milestones.

WARNING!!!

- Despite the name Seed & VC funds are not always keen to invest early.
- It is important to maximize other available funding sources to build to business proposition to a point where it you have stronger negotiating position with VC Fund.
- Need to do your research on funds to understand their track record – speak to other investee companies.
- Need to ensure fund has ability to “Follow its Money”



Public Sector Funding Sources (National/EU)



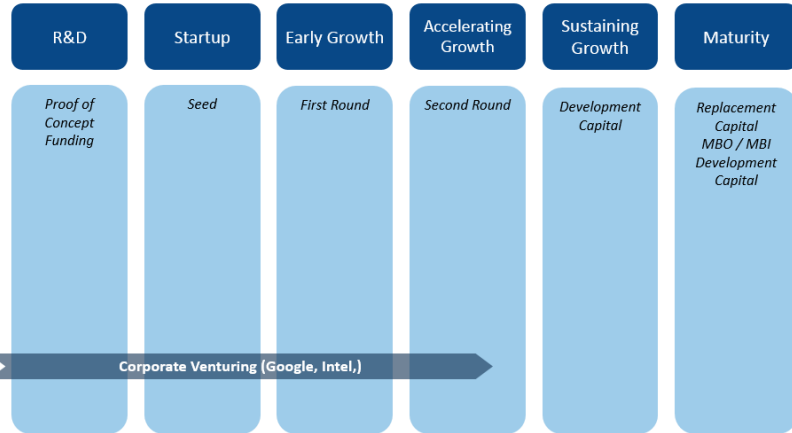
- As outlined this morning – there are many sources of funds available through National and EU Funding Instruments.

- Private investors will seek to ensure that you have leveraged available public sector funds **prior and during their investments.**

Warning!!!!

- Be prepared for the paperwork.**
- Ensure that you treat Public Investors with the same respect as private investors.**
- Do your homework and research the objective and eligibility criteria for the funding source that you are targeting. E.g. social impact, collaboration etc**
- Keep up to date with “Funding Call 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.

Warning!!!

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

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

R&D

Proof of
Concept
Funding

Corpo



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Is my Business “Investor Ready”



Is my Business Investor Ready?

Convincing Family & Friends may not prove too difficult.

However when raising funds from Public & Private Funding sources you need to give yourself the best chance of success.

You must address the key questions that determine if you are “Investor Ready”

Pitching V's Business Plans

Warning

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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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 Business Model Canvas

Designed for:

Designed by:

Date:

Version:

Key Partners 	Key Activities 	Value Propositions 	Customer Relationships 	Customer Segments 
	Key Resources 		Channels 	
Cost Structure 			Revenue Streams 	



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5 Pillars of Investor Ready Business Plan



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



1. The Offering – (Product or Service) – What are you Selling

- Need to explain **exactly what you are selling**. IP, Product, Service?
- Explain the **Market, the Problem, the Solution**.
- Highlight your **value proposition** to the end user.
- Clearly explain the stage of development of your technology/offering. Prototype, Beta, Market Ready.
- Explain any Intellectual Property that you have or that you need to secure. **Is the IP in your company?**
- Explain how the product/service will be made/delivered – Manufactured by your company, outsourced partner etc.

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

- Investors want to know about you and the wider team.
- Explain who will be managing the company – full time!!!
- Focus on relevant “Domain or Market Knowledge and experience”.
- Clearly explain who is involved, their roles and their shareholding.
- It is ok to list advisers, mentors or informal partners if they add credibility.
- Full Disclosure on any other businesses that you and the team are involved in or where involved in.
- If you do not yet have a core team – you need to explain the positions that are needed and their role/value.

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

- Investors want to know about you and the wider team

- For example, Many Investors back the **Jockey not the Horse.** and

- Customers will always back an excellent team and their

- It is better to have an excellent team and an average product than a weak team and an excellent product. ers if

- Full Disclosure on any other businesses that you and the team are involved in or where involved in.

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

- Need to explain how you plan to get your product or service to market.
- Are you a B 2 B or B 2 C?
- Need to explain that you understand how the market works.
- Highlight any barriers that you may face and how you plan to address them. Logistics, Licensing, Currency etc

4. The Market Research – Who will buy?

- Paying Customers add more credibility to your proposition than any other factor.
- If you do not yet have customers, Investors want to see that you have engaged with the marketplace.
- You need to get out there
 - Speak with target users
 - Speak with target buyers
 - Speak with competitors

7 Levels of Market Research

The Market – Overall Global Market

Source: Gartner, Frost & Sullivan, Value of Competitor Sales, Estimates based on Number of Potential Users



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Your Addressable Market

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

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Names, contact details??

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Validated Customer Pipeline

Who have you spoken to – what is there interest?

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Recurring Customers



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Your Addressable Market

The portion of the overall market that you can reach with your marketing and sales efforts

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

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

Recurring Customers



The Market – Overall Global Market

Source: Gartner, Frost

Number of

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

The portion of

ness

The portion

on

plans, resources, etc

Target Customers

Names, contact details??

Validated Customer Pipeline

Who have you spoken to – what is there interest?

Customers

Recurring Customers



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

- Many start-ups focus on 3 year sales projections.
- If you have not actually spoken with customers Investors will not take your projections seriously.
- You need to explain how long and how much it will cost to get your product or service Market Ready.
- 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



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- 3. Focusing only on the Technology/Product. *Passion is good but customers are better!*
- 4. Not Speaking with Target Customers or strategic partners or Speaking to the wrong Customers
- 5. No Competitors.

Customer Decision not to buy is competition!

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- 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

Acme Ltd – Case Study



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Teşekkür ederim!

Thank you!

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