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Online Training - 2023

Proven Models and Engaging with Investors

Session 3: Engaging with investors (1)

Supported by the European Union & Implemented by EBN

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Objectives

The course is designed to provide incubators with an opportunity to connect with incubation and innovative entrepreneurship experts and among themselves

- **To learn about proven models and strategies of setting up and running business incubators, including how to engage with investors**

A total of four sessions

- Session 1: Introduction to Incubation and Ecosystems – 29 November 2023
- Session 2: Business Model Canvas – 4 December 2023
- **Session 3: Engaging with Investors (1) – 6 December 2023**
- Session 4: Engaging with Investors (2) and Interactive Business Case – 13 December 2023

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Online Training 2023

Session1: Introduction to Incubation and Ecosystems - 29 Nov

Session 2: Business Model Canvas - 4 Dec

Session 3: Engaging with Investors (I) - 6 Dec

Session 4: Engaging with Investors (II) and Interactive Business Case - 13 Dec

Time: 2:00pm to 6:00pm (EAT)

Location: Zoom

Designed by the BIC Africa Virtual Training Centre.

JOIN US!

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Meet the Expert Trainers

Francesca Natali

Board Member at META Group and Managing Director of META

Susana Seabra

Manager in Private Sector Area of SPI

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Manager of the International Area of SPI

Lorenzo Valeriani

Senior Expert at META Group and EIC

Francisco Rocha

Senior Consultant in the International Area of SPI

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The European Business and Innovation Centre Network (EBN)
www.ebn.eu

- Since its inception in 1985 as an **EC-funded pilot project** EBN pursues its mission to support business innovation centers' & incubators, represent our shared goals, bridge network actors, and use business innovation to inspire and implement solutions for regional economic and sustainable development.
- We do so through the design, development, collaboration, and delivery of **a wide range of technical business support services and quality assessment and certification products** under the EU|BIC brand, within its licensing association EBN.
- Our EU|BIC service offering covers nearly every activity that can be performed in a **complex spectrum of entrepreneurial innovation support**, including incubation, acceleration, internationalisation and access to funding, using a community building approach and strengthening the networking component.

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Introduction

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EU Programme ‘Support to Entrepreneurship and MSME creation (Business Incubators)’

- **5 country projects, establishing and consolidating business incubators – fostering decent job creation and sustainable livelihoods:**
    - Angola (IFC).
    - Comoros (UNIDO)
    - Ethiopia (SEQUA).
    - Madagascar (UNIDO).
    - Somalia (UNIDO).
- **A regional network with dedicated capacity building and networking support, while providing softer networking services to the wider incubation ecosystem in the region:**
    - BIC Africa (EBN).

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BIC Africa Beneficiaries

- **Direct and indirect beneficiaries:**
  - Entrepreneurship Ecosystem Actors (EEAs) -> BIs, investors, policy makers, etc.
- **Final beneficiaries:**
  - Entrepreneurs, SMEs and start-ups.

Target Group A	Target Group B	Target Group C
Direct Beneficiaries	*Final Beneficiaries*	*Indirect Beneficiaries*
Business Incubators	Entrepreneurs, SMEs, and Start-ups	Enablers i.e., policy makers, business angels, universities, EU delegations

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BIC Africa Service Offer for BIs in Africa – in support of the country projects

- **Facilitating capacity building and skill development** through a dedicated working group and an annual capacity building programme.
  This includes a Virtual Training Centre, 5 National and 2 African on-site Boot Camp Trainings.
- **Making a better connection** between European and African innovation hubs to develop intercontinental collaboration, as well as Inter-African collaboration between the BIs.
  This includes Soft-Landing Services and Staff Exchange Programme.
- Ensuring that **quality standards are respected** in all supported incubators through the Quality Certification Label. *This includes BIC Africa Certification Programme.*
- Support with **benefiting from exchanges and cooperation** with other initiatives
  This includes Connection with Diaspora and Networking activities.
- **Awareness Raising** about the needs and challenges faced by incubators and advise decision-makers
- Support with **exploring business opportunities** and public/private investment opportunities with local and European initiatives and companies

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Why are you here?

- Understanding what it means to be more «investors ready» for early stage start-ups.
- Getting acquainted with tools which help you in assessing and supporting the investment readiness of an early stage start-ups.

- Increase your skills and confidence in helping your start-ups in being more investors ready helping them in fundraising.

Main topics of the session

1. Early-stage start-ups investment readiness process.
2. Private and institutional investors and their investment processes.
3. How early-stage start-ups need to approach investors and be prepared for pitching.

META knowledge to market

Detailed topcis

Early-stage investors

- The investment readiness process.
- Choosing the right sources of capital: all money is not the same!
- The equity financing process: stages and players --> business angels and seed venture capital funds.
- Tips to understand the level of investment readiness of supported ventures

Approaching investors and pitching

- Tools to evaluate the investment readiness for early-stage start-ups-
- Tips and suggestions for stat-ups to approach investors.
- How to prepare a good pitch.
- The pitch deck template: structure and contents.
- Tips to understand the level of investment readiness of supported ventures.

META experts

FRANCESCA NATALI, Partner at META Group

LORENZO VALERIANI, Senior expert at META Group

December 2023

Before starting

WHO ARE YOU?

WHICH ARE YOUR MAIN EXPECTATIONS FOR TODAY?

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Where are you from?

ⓘ Start presenting to display the poll results on this slide.

Where are you from?

Wordcloud Poll 5 responses 5 participants

Somalia

Ethiopia

slido

In which kind of organization are you working for?

ⓘ Start presenting to display the poll results on this slide.

In which kind of organization are you working for?

Wordcloud Poll · 6 responses · 6 participants

Adanian Labs

Ethiopia

University

ACE Advisors

Nonprofit

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Which is your role in the organization?

ⓘ Start presenting to display the poll results on this slide.

Which is your role in the organization?

Wordcloud Poll | 7 responses | 7 participants

Coordinator

Advisor

Instructor

Chairmans

Junior Analyst

Incubation Director

Finance and administration Manager

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Which is your main expectation for today session?

ⓘ Start presenting to display the poll results on this slide.

Which is your main expectation for today session?

Wordcloud Poll · 7 responses · 7 participants

Tools to prepare companies for investors

What do investors consider when it comes to inv...

opportunities

ecosystem

countries

ways

ready

make

(funds)

proved

Investment

Sahara

entrepreneurs

startups

readiness

Somalia

Sub

means

builders

available

Meeting investors to sustain our business

slido

Structure of the session

- The structure is based on:
  - Theoretical slot.
  - Interactive slot.

- The following tools will be introduced:
  - Pitch deck structure.
  - Pitch evaluation form.

Rules/tips to enjoy the session

- Be pro-active.
- Ask questions whenever you want → please raise your hand!
- Do not be shy (there are no stupid questions!).
- Be always polite and open during the interactive slots and respect others' opinions.

Today agenda

02.00 – 02.20	Ice breaking and introduction
02.20 – 03.00	**Early-stage investors (1)**
03.00 – 03.15	Coffee break
03.15 – 04.00	**Early-stage investors (2)**
04.00 – 04.15	Coffee break.
04.15 – 05.00	**Approaching investors and pitching**.
05.00 – 05.55	Interactive session and Q&A + feedbacks.
05.55 – 06.00	Wrap-up and conclusions.

Time is pm and EAT

Early-stage investors

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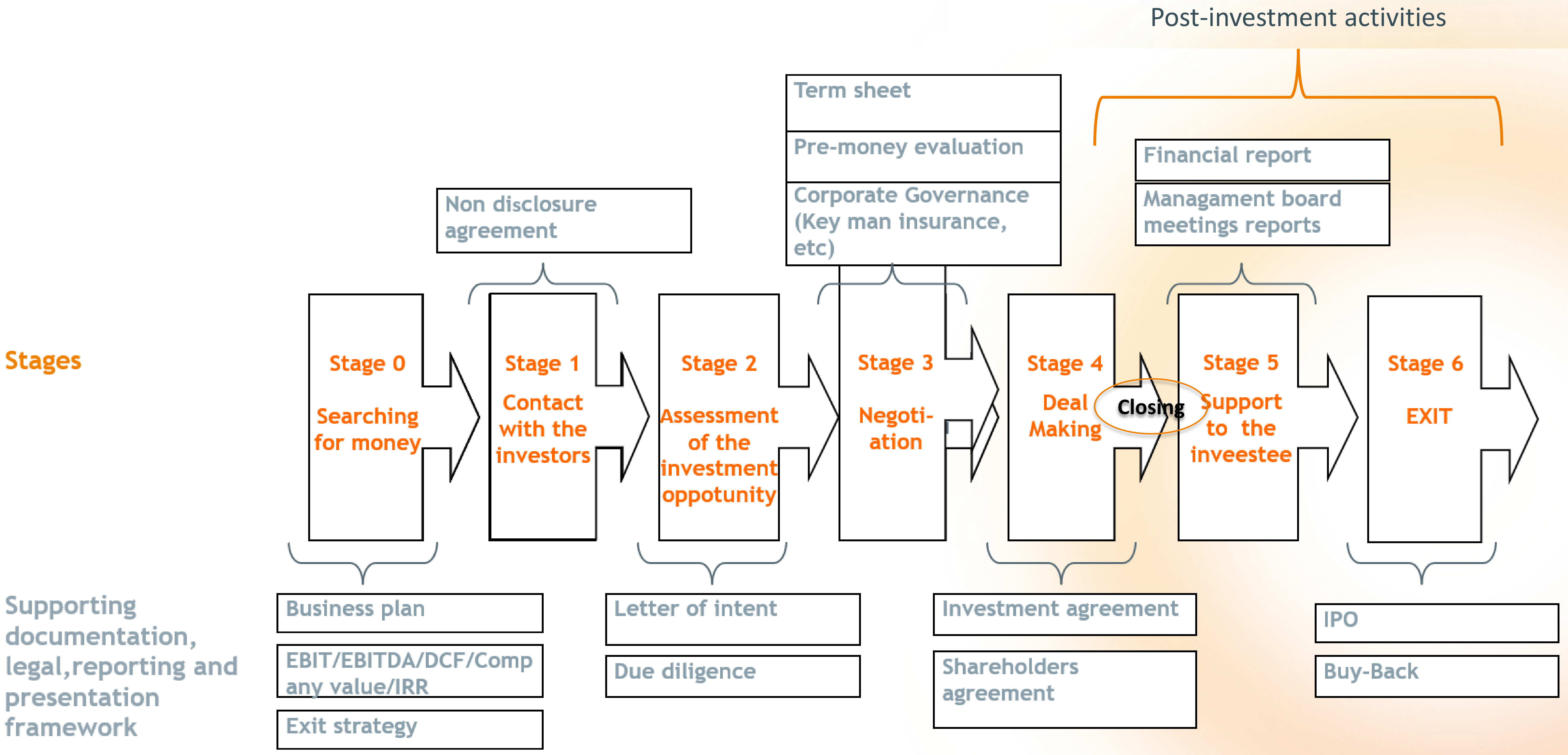
Content of the topic

1. The investment readiness process.
2. An overview of private and institutional investors and their investment processes.
3. Choosing the right sources of capital: all money is not the same!
4. The equity financing process: stages and players → business angels seed and venture capital funds.

UNDERSTANDING OF THE INVESTMENT READINESS PROCESS



ARE YOU READY TO SUPPORT ENTREPRENEURS IN BECOMING MORE INVESTORS' READY?

Raising (equity) capital is challenging at best.

Becoming an **Investor-Ready Entrepreneur** is a learning process aiming at educating and preparing growth-oriented entrepreneurs to successfully engage with private equity investors.

By viewing investors as "customers of equity", entrepreneurs can reduce barriers to funding, navigate the process more easily, and increase the chances of obtaining funding.

ANY QUESTIONS? LET'S START!

Sources of Funds:
All money is not the same!

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CHOOSING THE RIGHT SOURCES OF CAPITAL

Entrepreneurs must cast a wide net to capture the financing they need to launch their businesses:

1. Debt Capital.
2. **Equity Capital.**
3. Guarantees.
4. Subsidies and incentives & Grants : national and international opportunity
5. Tax relief.

Do not underestimate the relevance of NON-FINANCIAL SUPPORTS namely business services that MAY be provided together with the money

(Tips: Layering – piecing together capital from multiple sources)

DEBT CAPITAL

- Must be repaid with interest.
- Is carried as a liability on the company's balance sheet.
- Can be just as difficult to secure as equity financing, even though sources of debt financing are more numerous.
- Can be expensive, especially for small companies, because of the risk/return tradeoff.
- Personal guarantees are required.

EQUITY CAPITAL

- Represents *the personal investment of the owner(s)* in the business.
- Is called *risk capital* because investors assume the risk of losing their money if the business fails.
- Does not have to be repaid with interest like a loan does.
- Means that an *entrepreneur must give up some ownership* in the company to outside investors.

Traditional/stable growth Vs Innovative/fast growing companies

GUARANTEES

- tax relief
- mutual or joint-guarantee societies
- public guarantee schemes, often set up by national or region public authority
- guarantee or counter-guarantee schemes

SUBSIDIES

- tax relief
- investment subsidies
- support for job creations
- innovation grants

OTHER FUNDING SOURCES

- Factoring
- Awards and sponsorship
- Leasing
- Franchising
- Sale and lease-back

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NON-FINANCIAL SUPPORTS

- space in incubator.
- coaching, mentoring, including a Business Angel.
- consultancy services aiming at improving the management capability of the entrepreneurs (marketing, innovation, quality, human resources …)
- clustering and networking.
- investment readiness schemes.
- support to fill in the paper requested to access the funding.

RAISING CAPITAL

- Raising capital to launch or expand a business is a challenge.
- Many entrepreneurs are caught in the “credit crunch.”
- Financing needs in the €100,000 to €3M may be the toughest to fill.
- Choosing the right sources (or mix) of capital is a decision that will influence a company for a lifetime.
- **Money is crucial but not enough, especially at the start up phase!**

RAISING (EQUITY) MONEY COSTS A LOT

The process is stressful and can drag on for months as interested investors engage in “due diligence” examinations of the founder and the proposed business. Getting a yes can easily take six months; a no can take up to a year.

Young companies can go broke while the founders are trying to get capital to fund the next growth round.

Look for the next round when you still have money in your pocket.

Tip no 1:

It is all about alignment of interest and fitting (different) expectations.
You MUST know the engagement rules of each money providers if you want to be successful (and support your client in getting the funding !)

Source of funds: Equity capital

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THE RISK CAPITAL INVESTMENT

WHAT IS IT?

It is fresh capital provided by Investor to support company growth/expansion (as described into the BP).

Capital invested into the company in exchange of a certain amount of new shares (capital increase) or old shares (sale of shares by existing shareholders)

WHO ARE THE INVESTORs?

Individuals (Business Angels) or Financial Company (Venture Capitalist, Private Equity Funds) specialised in risk investments.

WHEN?

At different stages of Company's life cycle

WHY?

Profit (IRR) and also «collaterals»

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Investment stages and actors

Early stages

Angel Investing
€20k - €200k
Business Angels

Seed – Start Up
Early Stage
€200k - €1.5M
Early-Stage Fund – BAN – Super Angels

Business plan

Company established but not invoicing

Expansion Stage Later Rounds
€1.5M - €5M
Venture Capital Fund

Late-Stage Growth Capital
€5M - €50M
Growth Capital Mezzanine

Building up turnover

Making Profits

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Scaler

Challenge: Sustain market leadership and growth

Scaleup

Challenge: Exponential growth and market development via strategic collaborations with established corporates

Startup

Challenge: The search for a repeatable and scalable business model

From SEP, Startup Europe Partnership

- **Start-ups** are companies that in the last three years of activity have collected investments between 500 thousand and 1-2 million dollars or that have self-financed and have a turnover included in the same ranges

- **Scale-ups** are companies that have collected (last three years) from one up to 100 million dollars of investments or have self-financed and have a turnover included in the same range

- **Scalers** are companies that have collected (last three years) more than 100 million dollars of investments or have a similar turnover

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Tip no. 2 DO NOT TALK WITH STRANGERS

Each financial partner has its own expectations and consequently requirements and evaluation criteria

“Am I looking for the right financial partner?”

THE EARLY-STAGE RISK CAPITAL INVESTORS
Financial sources for start ups

Business Angels

Seed and VC funds

- **High Net Worth Individuals (HNWI)**
- **Entrapreneurs with financial means**

Angel investors often organize themselves into angel groups or angel networks to share and pool their investments

- Venture capital funds are pooled investment funds that manage the money of investors who seek private equity stakes in start-ups and small- to medium-sized enterprises with strong growth potential. These investments are generally characterized as very high-risk/high-return opportunities.

(Source: Investopedia)

WHO IS THE PERFECT INVESTOR ?

- Enough money for further round of financing.
- Expertise in the target company field of work.
- Hands on approach.

Please take a break of 15 minutes

Approaching investors: Common mistakes to avoid

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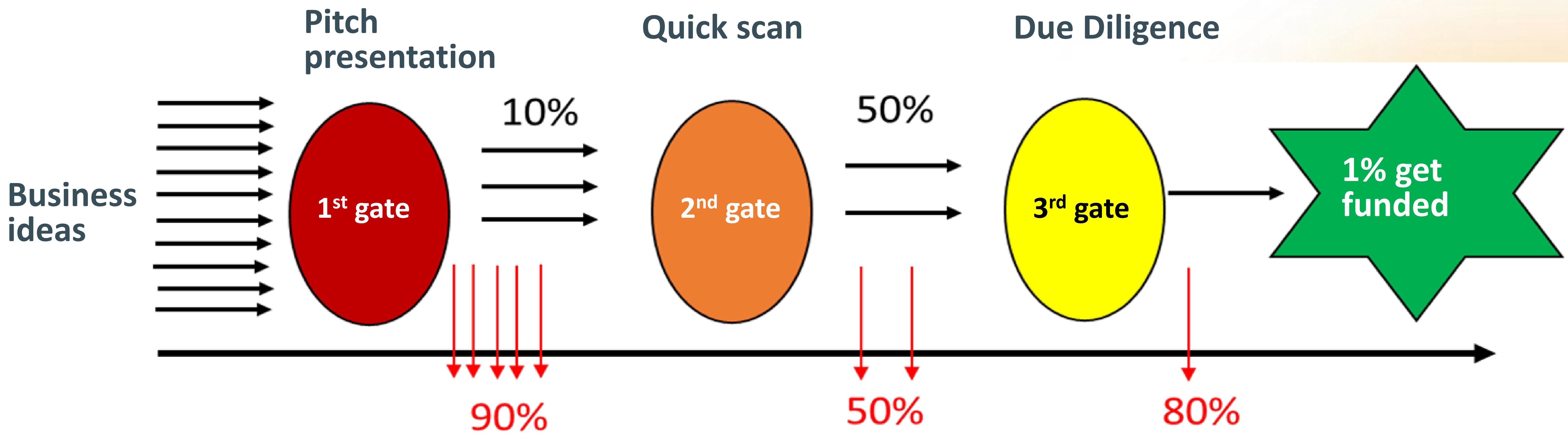
IT IS NOT SO EASY TO ACCESS TO RISK CAPITAL MONEY.



Activities

Rejection of not promising deal and not eligible deal (size sector..)

Verification of critical information and the main assumptions / assumptions made in the business plan (interview /visit)

Discussions with key personnel, customers, suppliers and creditors
Using external consultants such as lawyers and auditors

EXPENSIVE AND TIME CONSUMING.

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WHAT RISK CAPITAL INVESTORS ARE LOOKING FOR?

a) **High-grow ventures** which are capable (also thanks to money invested!) to increase their values in a certain (reasonable) period of time!

INVEST TO EXIT!!

B) The fund manager must maximize the return from the **sale of shares of portfolio companies**: with no profitable exits, he won't be able to raise additional money for the next funds!

HIGH-GROWTH VENTURES

A high-growth enterprise (or more) is a company with an average annualised growth greater than 20 % (or more) per year over a three-year period. (Source https://ec.europa.eu/eurostat/statistics-explained)

Growth can be measured by the number of employee or by turnover; other KPIs, Key performance indicators, can be used, according to the sector and companies' stage.

Some examples are:

- Annual turnover.
- Expansion to different locations.
- No. of employees.
- Changes in a product line, product development, and production technology.
- The complexity of organizational chart and span of control.

Companies should look to their industry to determine if their revenue growth is in line (or better!) with others in their industry and they need to choose the right KPIs (10-20 no more!) to monitor it.

KEY PERFORMANCE INDICATORS

The metrics that you measure and track depend from each organization’s goals and objectives. First, ask yourself what it is that you want to achieve.

Next, consider how you can measure the progress towards your goals.

An (effective) key performance indicator is a number that shows whether you’re getting closer to your goal or if there’s a lag in progress.

Each KPI should be:

1. ***Specific***
2. ***Measurable***
3. ***Attainable***
4. ***Realistic***
5. ***Time-bound***

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KEY PERFORMANCE INDICATORS

Key performance indicators may fall into four different categories of business metrics: sales, financial project management and marketing

Examples of sales key performance indicators:

- Monthly sales growth
- Monthly sales/new customers
- Monthly new leads/prospects
- Number of qualified leads

Examples of project management key performance indicators:

- Planned value (PV)
- Actual cost (AC)
- Earned value (EV)
- Cost variance (CV) (planned budget vs. actual budget)

Examples of financial key performance indicators:

- Operating cash flow (OCF)
- Current ratio
- Quick ratio / Acid test
- Net profit margin

Examples of marketing key performance indicators:

- Monthly new leads/prospects
- Qualified leads per month
- Marketing qualified leads (MQL)
- Sales-accepted leads (SAL)

FREQUENTLY MONITORED KEY PERFORMANCE INDICATORS

- Revenue growth rate
- Net profit
- Project schedule variance (PSV) (are projects completed in time)
- Churn rate (how many people stop using the product or service)
- Average revenue for each customer
- Customer lifetime value (CLV/LTV)

(https://www.scoro.com/blog/key-performance-indicators-examples/)

INVESTMENT DECISION DRIVERS

- Management team (+++): Execution!!
- Product defend (IPR).
- Market size & growth rate: prove you can scale it!
- Current and further capital needs.
- Exit routes.

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FEW (CRUCIAL) QUESTIONS

Technology is not an isssue!

- Is the **business opportunity** as presented both highly attractive and clearly realistic?
- Is the business defensible from competitors?
- What is the **business model**?
- What comparisons are there to **past success stories** that indicate this venture will succeed?
- What is the amount of up-front capital investment required?
- Do the market and **financial projections** demonstrate that the team understands its business?
- **How long will it take** from the current stage of development **to bring this to market**?
- Can this venture achieve a leadership position in its market?
- Has the team gone out to the market already to test its ideas?
- Who will be the **first customers**?
- Is the **team** of sufficient breadth, balance and quality to make its ideas happen?
- Will the ego of the founders get in the way of success?
- Is the team focused on its target market?
- What is the **expected time and amount of pay-off to investors**?
- Is the plan clear and well-written?
- Does the team have the necessary communications skills to present a compelling story?
- What roles will the team members play in the venture?
- Are the **team members dedicated** to the venture and their roles in the group?
- Does the team have a **clear plan for spending the investment money it receives**?
- Why is this business going to be around and a real world winner in 5 years?

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INVESTOR NEEDS/REQUIREMENTS

1. High IRR.
2. To reduce failure risk.

COMMON GOALS

- Create value
- Further round of financing at higher value
- Profitable exit (in short time!)

ENTREPRENEUR NEEDS/REQUIREMENTS

1. High company valuation.
2. Not to loose control.

ENGAGEMENT RULES (FOR LIVING HAPPY TOGETHER)

Management involvement

- Financial involvement to the round of financing.

Way-out

- Exit modalities identification.
- Milestones identification.

Governance

- Drag and tag along clause.
- Lock in.
- Anti dilution clauses and liquidation preference.
- Board of directors and statutory auditors' member.
- Special decision right for extraordinary situations.

TYPICAL REASONS FOR NOT TO INVEST

1. **Your startup doesn’t fit the investor’s criteria.**

2. **Business plan nor realist and entrepreneurial team not trustable**
    - Market size.
    - IPR.
3. **IRR not appealing for the investors**
    - Big initial investment.
    - Poor cash flow.
    - No way out.
4. **Scarce willgness to accept risk capital investors rules.**

5. **Not investor-ready.**

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THE REASONS WHY A VC PASSED ON YOUR STARTUP*
Founder/team-related reasons

- "**Founder or team dynamics** This reason can be uncomfortable to explain to a founder, but it's a frequent one for VCs. These negative dynamics can take many forms, but at their core, they signal that the team either isn't meshing well today or won't in the future. Examples include:
  - A dominant founder who belittles and speaks over the others, who appear frustrated
  - Too many co-founders (usually more than three), whose job titles and expertise appear to intrude on each others'; e.g., a COO, CEO, CSO, and CFO is far too many non-technical founding members at an early stage startup
  - A married or dating founding team (not always a red flag, but many VCs consider it to be one)
  - Multiple co-founders from academia who aren't involved in the business day-to-day
  - A very seasoned founding team from big corporations or consultancies that doesn't have any startup experience
  - Any other palpable tension, awkwardness, or discomfort between the founders that seems abnormal
- **"Missing a key person**" This is a chicken-and-egg problem: founders raise money to hire great people for their teams, but having great people on their teams is what enables them to fundraise, especially at the very early stages when they don't have much product or traction. Sometimes we see a founding team that's missing a skillset that's so key to that business that we have to pass. E.g., you have an autonomous vehicle startup with a business model that requires you to integrate your system with car manufacturers, and your team is all technical and doesn't have any business development ability. Not having a business-focused founder, especially one who's worked with auto OEMs, is problematic.
- "**Founders aren't mission-driven**" This is another way of saying that the founders just don't seem that into the idea. They should care deeply about the problem they're building the company to solve, and ideally have experienced it themselves. They may reference the draw of making money, which is never the right reason to found a company; not even an absurdly high salary will keep people fighting during the inevitable dark periods that startups have to face. Or they refer to doing something else in a few years and don't see this company as long-term. E.g., the past few months VCs have been seeing a lot of "blockchain for X" pitches where the founders don't seem to have a great reason for including blockchain, other than other people's hype.
- **"Lack of focus**" The VC thinks you're trying to do too many things at once. This could apply to several spots in the business, including product (you're trying to build too many things), go-to-market (you're trying to sell to an array of customers without understanding which one's truly best), business model (e.g., you have freemium, paid with multiple pricing tiers, and enterprise sales, but you haven't sold anything yet), team (multiple part-time people who should be full time, including founders who haven't quit their day jobs yet) or operations (e.g., you have a time-consuming services studio in addition to the startup business).

*Sarah Downey, www.forbes.com/sites/forbesfinancecouncil/2018/07/06/why-a-vc-passed-on-your-startup-the-market-related-reasons/

THE REASONS WHY A VC PASSED ON YOUR STARTUP*
Market-related reasons

- **The opportunity's not big enough"** VCs want to invest in companies that can grow to become massive. We strive for 10x, 100x, even 1000x returns. You're building something that might be a great, sustainable business, but we don't see it being venture-scale. E.g., you make software for US-based entertainment lawyers who focus on celebrity endorsements, and you're charging a SaaS subscription of $100/month. There might be a thousand of those lawyers in the US, and even if you got all of them to sign up and had zero marketing and 100% margins (which you won't), you're making $1.2M per year. That's too small for venture capital.
- **"You're too early to market**" The investor may like your idea but thinks it'll take significant time for the market to come around and recognize its value. Funding the company now means that it'll take a few checks to keep it alive until the world realizes it needs to pay for the product or wants to use it. Imagine fundraising for a mobile gaming startup in 2004 when the iPhone didn't launch until 2007: even if the founders are visionary and know that mobile gaming will be big, how will they cover expenses for the 3+ years it'll take for that to happen?
- **"No (or weak) competitive differentiator**" Someone else could come along and build this exact thing easily. Even if you're the first to market, competition could cut down your position and your ability to command a high price whenever they choose to. We often say this about startups that don't have a strong technical element to them. The less technical an idea is, the simpler it is to copy. Having a unique brand may feel like a competitive differentiator — and some of the most successful companies have built themselves up on brand — but a bad PR scandal or well-executed knockoffs can derail that fast.
- "**Unfavorable macroeconomic or regulatory trends**" It feels like the wrong time to start this business, whether because of shifts in technology, behavior, or regulation. For example, Apple announcing they were dropping the headphone jack was bad news for companies making non-Bluetooth headphones, whereas Apple switching to USB-C charging cables was great for companies who had already embraced that standard. A regulation that bans facial recognition scanning in retail stores would be tough on a company selling those systems to malls.
- "**An existing, more established company could do it easily**" Big companies with tons of product lines, employees, and resources can quickly release products that encompass a startup's entire concept. Building something that falls in the realm of one of these companies' roadmaps — think Amazon, Google, and Facebook — can instill fear in VCs. Sure, it makes you a potential acquisition target, but most investors want you to aim to create a large, sustainable, standalone business first. They're more valuable. For example, if I meet a startup that creates animated avatars for augmented reality, I'm wondering whether Snap is going to roll out the same capability next week.
- **"This is a crowded space**" The VC thinks there are too many competitors already working on this problem. Break it down further, though, and it could suggest a few nuances. Maybe the investor is worried about your sales and marketing abilities to stand out from the crowd. Maybe they think you're not the one to bet on in this group. In any case, competition is fierce and the thought of having to battle for visibility, users, ad space, and market share is making the investor wary. Instead of joining a competitive space, VCs would rather you start a new industry from scratch or heavily disrupt an existing one.

THE REAL REASONS WHY A VC PASSED ON YOUR STARTUP
Product or tech-related reasons

- "**Not enough product**" Some VCs, usually pre-seed or micro VCs, will back startups that are nothing more than an idea. Others require a finished product that's been researched, tested, and launched.
- "**Feature, not a product**" The VC may like the idea, but it doesn't feel significant enough to be a standalone business. This "no" is related to market size: the VC doesn't think the concept can hook a lot of people, or inspire them to pay or use it frequently. One way to counter this assumption, if you believe it isn't correct, is that the feature may be the focus today but it's the first step in a larger product plan.
- **"Product dysfunction"** Not having any product built is bad if you're fundraising at a point where an investor expects to see it. But having bad product to show is also, well…bad. If you have a tech demo, make sure it works. Prepare for demoing on different devices and in different settings, from coffee shops to conference rooms. If you're claiming the product does X, make sure it really does X. It's better to under-promise and over-deliver than to hype up an investor on everything your product can do and have it flake out. Exaggerating your product capabilities can come off as disingenuous or naive.
- **"Licensing or IP issues"** Many founders, especially those who are highly technical or academic, seem to think that securing patents is important to VCs. Actually, VCs don't care much about patent portfolios; they're expensive, time-consuming, and can distract you from all the other things you need to do to build the business. Instead, intellectual property issues in fundraising usually have more to do with a startup's questionable use of existing IP. A few examples:
  - The founders spun the technology out of a university but haven't negotiated rights to use it yet or got a bad deal
  - The founders used a development studio to build an app and now owe the studio a high percentage in royalties forever
  - The founders came from a previous company that has patents protecting a certain thing, and whatever the new startup is building looks dangerously similar to the previous company's tech; there may be an infringement lawsuit ahead

META knowledge to market

THE REAL REASONS WHY A VC PASSED ON YOUR STARTUP
Business model reasons

- “**Not enough traction**” VCs have a bar for the amount of traction that they’re comfortable with. Depending on the type of company, that could mean users, downloads, paying customers, revenue, partnerships, etc.
- “**Dislike the business model”** Something about the business model is a red flag. Maybe the VC thinks you’re targeting the wrong customer, or that you don’t understand which customer is the most valuable. Maybe your pricing seems off. Maybe that VC doesn’t have confidence or enthusiasm about that type of business model. Some investors just don’t like e-commerce; others love it and do only that. Maybe the model requires working with many different stakeholders and seems confusing and time-consuming. Ideally the VC tells you exactly what put her off about your model. If not, it’s okay to ask.
- “**Dislike the go-to-market**” Usually this pass reason means that the VC thinks your go-to-market (GTM) plan is non-existent, not well thought-out (e.g., “we’ll do a launch, and then users will just…find us”), or they don’t think tactics mentioned will work. I’ve seen really high-tech products with ill-fitting, old-school GTMs, like trade shows and direct mailings for a big data company. Or simply saying “we’ll do Facebook ads” for a consumer product doesn’t cut it because they’re competitive and expensive; plus you should have an organic strategy for users to find you without paying for them.
- **“Supply chain concerns**” Many VCs have horror stories about hardware startups: they tend to be a lot more expensive and take much more time to get to market than anyone expects. Many of these issues relate back to problems with the supply chain. If you’re pitching a hardware business, you or an expert on your team should know exactly how and where you’ll manufacture every component and what it’ll cost.
- **“Not a scalable model**” Venture-backed companies should be scalable, meaning that they can multiply revenue with minimal incremental cost as they grow. Studio or high-touch service models that need more people to do their work aren’t scalable. Software scales; people do not. Many models start out with heavy reliance on people or slow processes, but they should move to scalability as they evolve.
- **“Unclear value proposition**” In the investor’s opinion, you’re solving a problem that the world doesn’t have. The solution that the company provides should be essential, not nice-to-have; it’s a painkiller, not a vitamin. Maybe the value proposition is strong, but it’s not coming across because of complicated or confusing messaging.
- “**Weak metrics/unit economics**” One or more aspects of your unit economics were concerning. Maybe you calculated something wrong (like you report your burn rate as much lower than it really is, or you’re claiming 50% month-over-month user growth but your user numbers don’t support that), you’re presenting something that seems low (e.g., the ratio of your customer acquisition cost to your customer lifetime value is one or below, or your margins only 15% in a software business), or the investor is calculating something additional using the metrics you provided and doesn’t like the result (like using acquisition cost and lifetime to determine that payback period is extremely lengthy). Weak metrics hurt your viability; false metrics hurt your credibility.

THE REASONS WHY A VC PASSED ON YOUR STARTUP
Fundraising-related reasons

- **"Problematic cap table"** VCs will ask to see your cap table, especially as they get more serious about the investment. Short for "capitalization table," it's a spreadsheet showing which people and firms have ownership in the company and its financing rounds. Problematic cap tables may have format issues (like being out of date, not reflecting recent funding rounds or equity grants, broken models, or mispriced option grants), ownership issues (like angels who got way too much of the company for a small amount of money, not having employees on a vesting schedule, advisors who think they have equity but aren't on the cap table, or confusing agreements like warrants or verbal promises that don't show up in the document), or both.
- "**Valuation issues**" Usually this means that the VCs think your valuation is too high. A high valuation means that the VC will get a smaller ownership piece for the same amount of funding, plus you'll have to raise your next round on an even higher valuation. That's tough: you'll have to hit lots of milestones and execute flawlessly, and that's never guaranteed. Depending on how much higher your desired valuation is than what the VC thinks is reasonable, you may also risk appearing overconfident and out of touch with reality. Too low a valuation is also a negative signal: it suggests a lack of sophistication around fundraising, the market, and the value of what you've built.
- "**Undesirable terms**" There's a long list of possible issues that could go wrong in negotiating a term sheet — it's outside the scope of this article — so you should push a VC to give you specifics. Some of the most contentious areas include classes of stock, pro rata rights, liquidation preferences, founder vesting, the board makeup, employee stock options, drag along rights, information rights, and voting rights.
- **"You need to find a lead**" Some firms do not lead investment rounds or only do in rare cases. If they tell you they want you to find a lead, that lead will not only put in the largest check in that round, but they'll set the terms that the rest of the syndicate will follow. However, some VCs who don't have enough conviction around your company will ask you to find a lead as a pretext because they want to hang back and see if you can convince a quality firm or person to join. That removes some of the risk that they're struggling with.

THE REASONS WHY A VC PASSED ON YOUR STARTUP
Individual investor or firm-related reasons

- "**Not in our geographic area**" Most VCs have geographies in which they do and don't invest. Pay attention to the VC's current portfolio: where are those companies located? Where are they relative to the investor's offices? Most firms will put their preferred geographies on their websites or social media accounts. Don't waste your time pitching your UK-based company to a US firm that only invests in the US and Canada.
- "**Too capital-intensive for us**" In non-VC jargon, this means that we think it's going to take a ton of money to get this business to work. Different firms have different comfort thresholds with capital-intensive startups; bigger funds are often better suited for them. If you're starting a virtual reality headset company — a complicated hardware play — don't expect a $50M pre-seed fund to be a great match. Certain industries, like cybersecurity and hardware, tend to need more funding to reach product-market fit than others, like consumer mobile apps or SaaS platforms. They'll need a VC who understands that it'll take a few checks (and years) to get it off the ground.
- **"Too early for us" / "too late"** All VCs have a stage or range in which they invest. That stage considers how far along the product is, who and how many people are on the team, how much funding they've raised, what amount they're seeking to raise and at what valuation, their industry, and more. If a firm mainly invests in Seed and Series A companies, one that's just at the idea stage with nothing built and that's seeking $50k in funding is too early. One that has 200 people and is seeking a $50M Series C round is too late. Not aligning within a VC's investment stage(s) is one of the most common reasons for a pass. Some VCs make personal angel investments in companies that are too early for their firm but that they love and want to stay close to as they grow.
- "**Too small a round" / "too big a round**" Like with company stage, VCs have round sizes in which they prefer to participate. Many VCs are conscious of ownership and seek to buy a certain percentage of a company when they invest. For example, Accomplice looks to put in $1M-$2.5M first checks for between 10 and 20% of a company. If a founder is raising a $15M round, our investment won't make up a significant enough piece of it to hit our desired ownership. But as with stage (too early or too late), VCs will sometimes make exceptions to their model to have a small ownership percentage of a company that they think has huge potential.
- **"Competitive with a portfolio company"** If you're a founder in a certain industry, it's smart to pitch VCs who have already made investments in that industry as long as it's broadly defined. If you get too specific with the similarities, though, you risk the VC telling you that your company is competitive with one of their existing investments. E.g., if I'm on the board of Niantic, which made Pokemon Go, I would pass if you pitched me a new company's idea for "Pokemon Go but for kittens" (even though someone should make that). But a mobile gaming company in general may be a good fit.

CLOSING THE DEAL

It is all about fitting expectations and find (the best possible) aligment of interest.

MORE TIPs

(before meeting an investor)

December 2023

KEY ELEMENTS INVESTORS LOOK AT

- You need to be an **entrepreneur.**
- You need to have a **business** not an **Invention or a research project.**
- You need to have a **core team.**
- You need to have a clear view of **financial resources needed.**

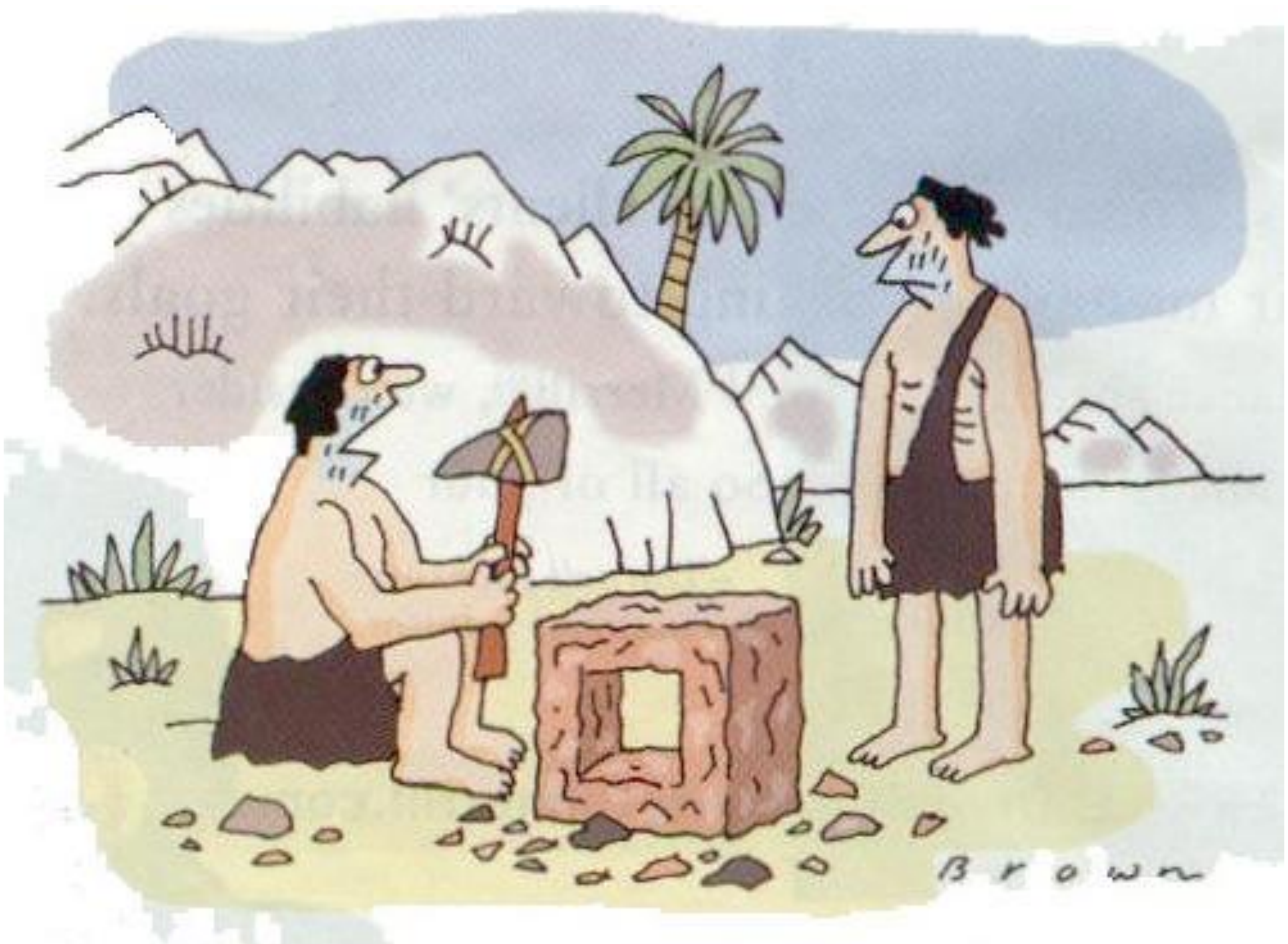
ISSUES OF CONCERN FOR A RISK CAPITAL INVESTOR

- Want their money back (at a certain time).
- Want more (much more) than they put.
- Want to know when.
- Want to measure the opportunity/risk.

HOMEWORK TO BE DONE (BEFORE THE MEETING WITH THE VC)

get prepared get prepared get prepared

- Write a clear and comprehensive business plan.
- To prepare an appealing executive summary can attract who receives 10,000 per year business plan.
- Get ready for an elevator pitch: think you are in a lift with a VC and you have 4 floors to explain what you want to do: *leave an impression*!
- Do not talk with strangers: choose the right (potential) investor Seed, first stage? Specialized or non-specialist? Intrusive or financial?



"I call my invention 'The Wheel,' but so far I've been unable to attract any venture capital."

What Investors are looking for..

A.A.A. Entrepreneurs who want to change the world!!

December 2023

Who are they?

FACEBOOK, 2005

December 2023

Microsoft Corporation, 1978

Greenbone Horto is a company based in Faenza and Brescia which wants to become a worldwide leader for biomimetics by providing innovative and easy to use lifelike inspired solutions that will help cure severe diseases.

GreenBone develops a highly innovative wood-derived bone implants technology, to generate biomimetic – reabsorbable– load bearing implant suitable to address non-union fractures, a severe high morbidity condition

Please take a break of 15 minutes

The art of pitching

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PITCHING:

clearly and **convincingly** **present** your **solution** in a **very short time**

OBJECTIVE:

ATTRACT INTEREST NOT "**CLOSING**"

Penguin motivational speakers.

Like …

Executive Summary	Elevator Pitch	Business Plan	PowerPoint
› 1-3 pages written summary › Balanced presentation › **<u>Attract</u>** interest not “explaining”	› Very short verbal summary (1-3 minutes) › Product, differentiation, opportunity › **<u>Attract</u>** interest not “closing”	› 20-50 pages plus appendices › Validation scorecard (due diligence) › **<u>Convincing investors/ partners</u>**	› 20 min. verbal presentation › Cover whole business plan › **<u>Convincing investors/ partners</u>**

META knowledge to market

Attracting interest (what the audience looks for)

Key elements for engagement	
	▪ a **sound proposition** not an invention ▪ **entrepreneurial attitude** (proactive and **deliver**) ▪ a balanced core **team** ▪ a clear view of **resources** needed to achieve what is presented

Keeping audience engaged - what to avoid

Reasons for turn off (not the only ones …)

- Research project **mindset** - a usable result is not an R&D project
- Too **little ambition**
  (no willingness to "scale up" from day 1)
- Lack of **clarity** on what will be **next**
  (clear picture of what is needed, to do what and what it is offered)
- Not showing **confidence** – knowledge of **external** conditions
  (**competition**)

Why is it difficult?

two different points of view and interests!

Presenter:

- Loves the solution, “**The best idea in the world**”
- Knows very well the **technology** but not so much **audience’s expectations**
  Aims at developing a **successful technology**

- «There are not enough partners/**investors willing to finance solutions**»

Audience:

- Looks at the proposition as “**one of the many projects to work with**”
- Does not care much about the technology but about implementation and **impact**!
- Wants a “**return**” **- 10x**

- There are not enough “**business/investment ready projects**”

Preparing the right presentation for investors

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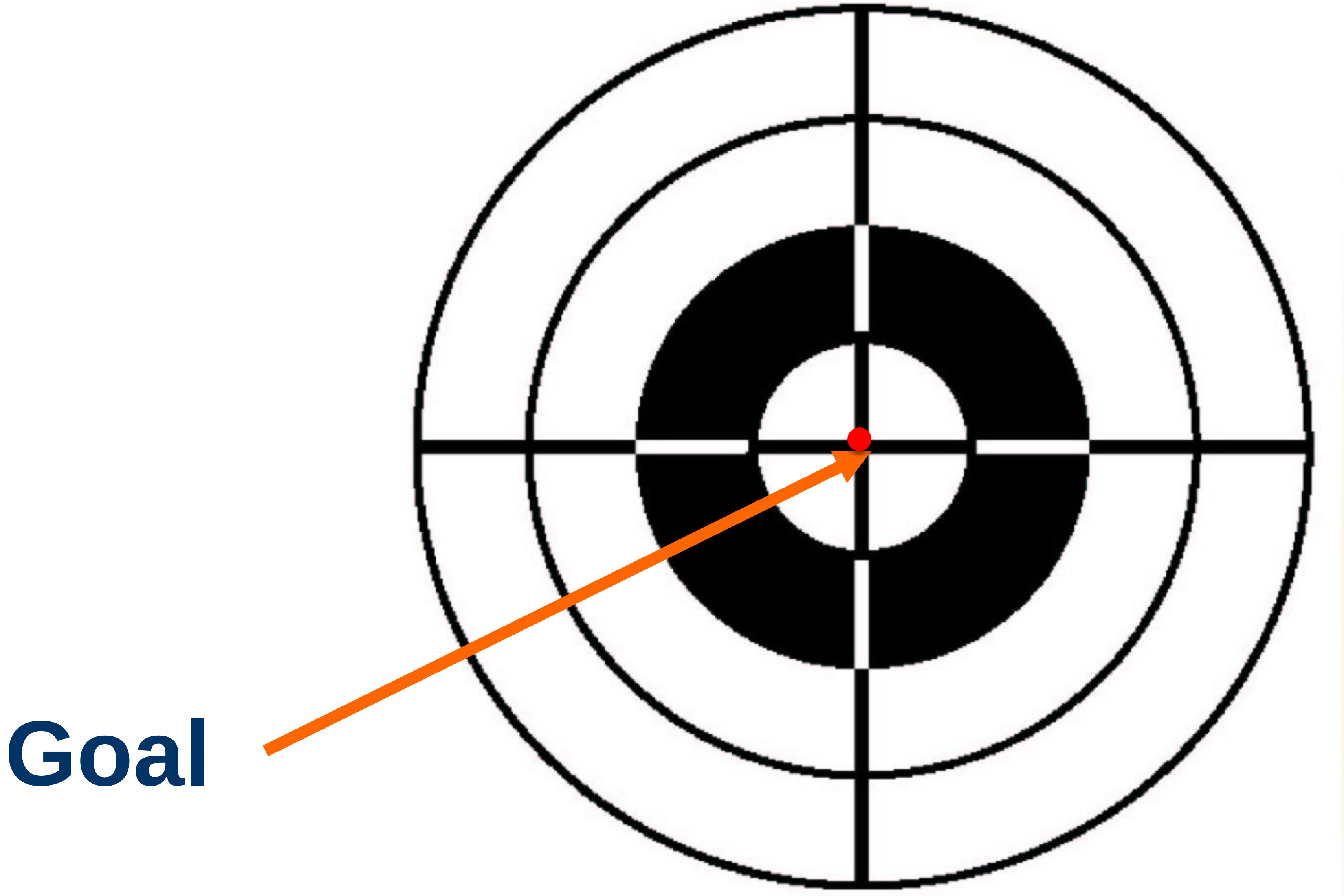
a storytelling….


50
What is your story?



Why are you pitching?

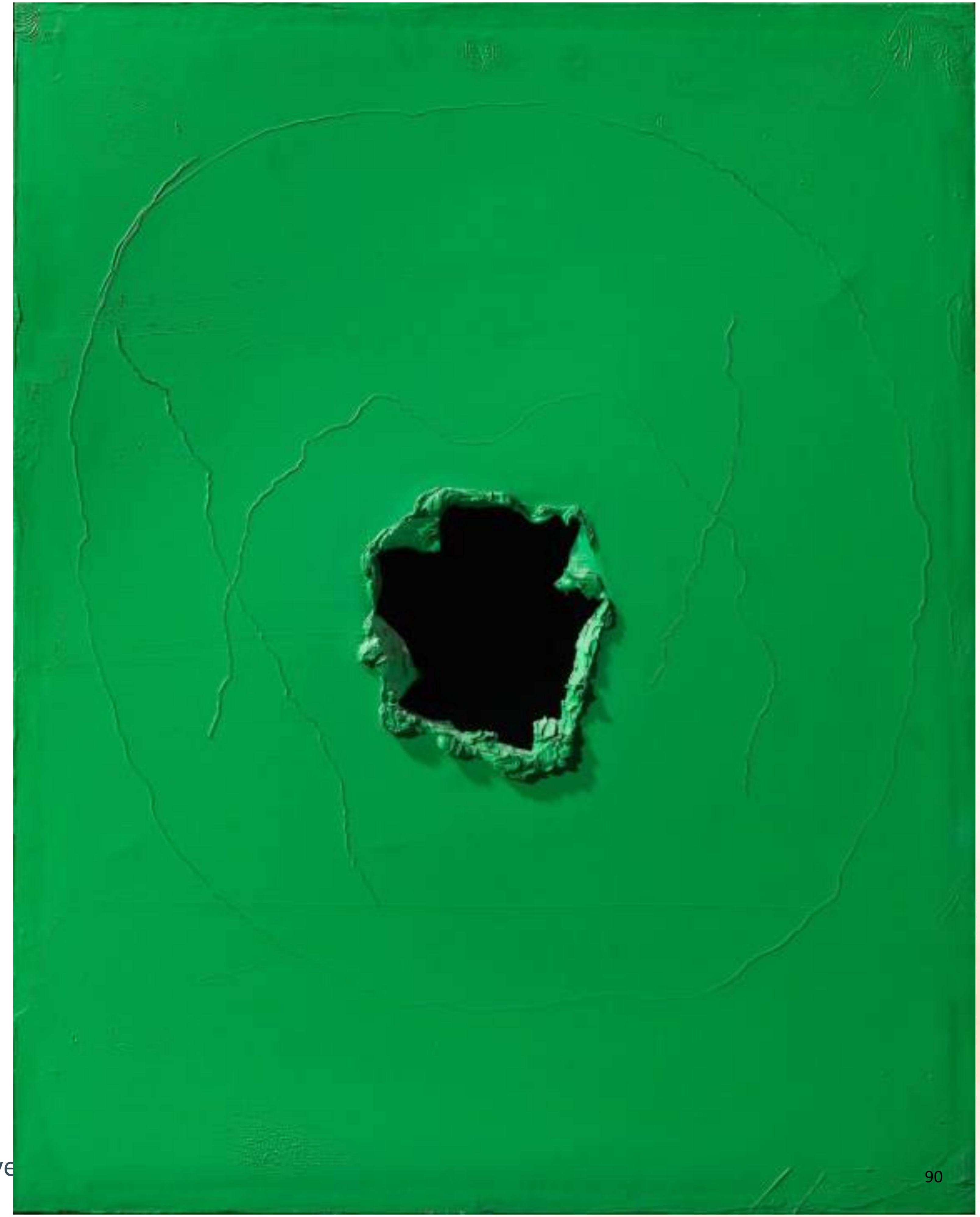
December 2023

You got few minutes: get set, go …

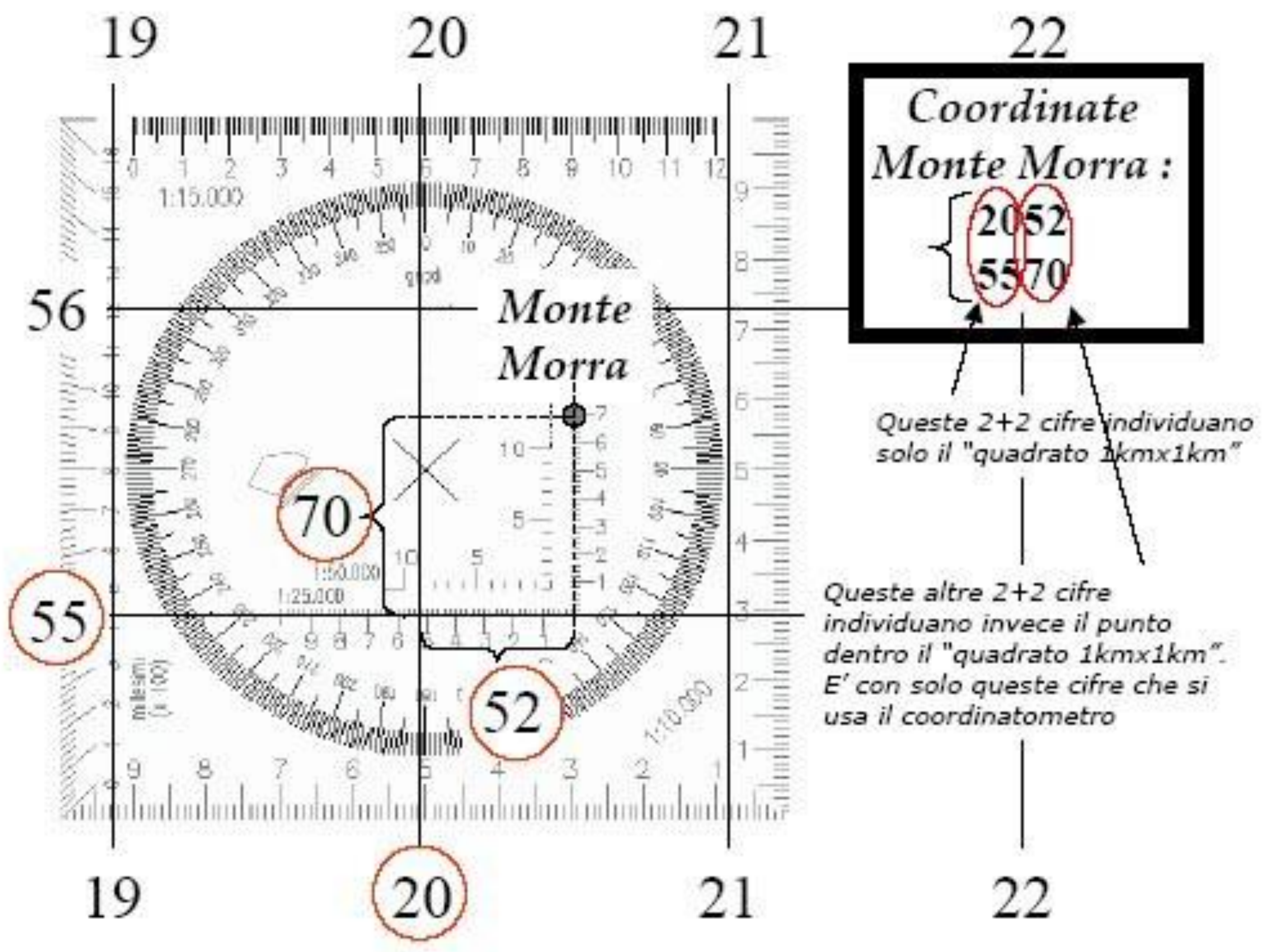
Team	Patent	shareholders
Technology	Track record	Business model
Mission	Strengths	Expected turnover
vision	Weaknesses	BoD
value	Challenges	SAB

Marathon 100 metri

Leave an impression!



Verbal vs Visual communication



The human mind processes visual information are 60,000 times faster than text.

83% of human learning is visual, as opposed to auditory or verbal

tip (not rule) no. 1

keep it high level

keep it clean

don’t DROWN in DETAILS

From Huh to aha

NOW!

(rapid transfer..)

Underlying takeaway message(s)

A B C

?

what is a presentation

the GREAT ones are more than a series of slides..

• GHTYX •GHTUDC •GHUTK •HHU GI	• GHTYX •GHTUDC •GHUTK •HHU GI	• GHTYX •GHTUDC •GHUTK •HHU GI	• GHTYX •GHTUDC •GHUTK •HHU GIv	• GHTYX •GHTUDC •GHUTK •HHU GIv	• GHTYX •GHTUDC •GHUTK •HHU GI	• GHTYX •GHTUDC •GHUTK •HHU GI	• GHTYX •GHTUDC •GHUTK •HHU GI
• GHTYX •GHTUDC •GHUTK •HHU GI	• GHTYX •GHTUDC •GHUTK •HHU GI	• GHTYX •GHTUDC •GHUTK •HHU GI	• GHTYX •GHTUDC •GHUTK •HHU GIv	• GHTYX •GHTUDC •GHUTK •HHU GIv	• GHTYX •GHTUDC •GHUTK •HHU GI	• GHTYX •GHTUDC •GHUTK •HHU GI	• GHTYX •GHTUDC •GHUTK •HHU GI
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20-30 slides


SORIES

tip (not rule) no. 2

Think about structure DON’T COME UP FLAT

To sum up

Complexity/quantity	Time constraints	Durable goals
↓	↓	↓
right information	rapidly transferred	High impact/recall
↓	↓	↓
don’t drown in detail	grid it to great	don’t come up flat

Presenting to win:

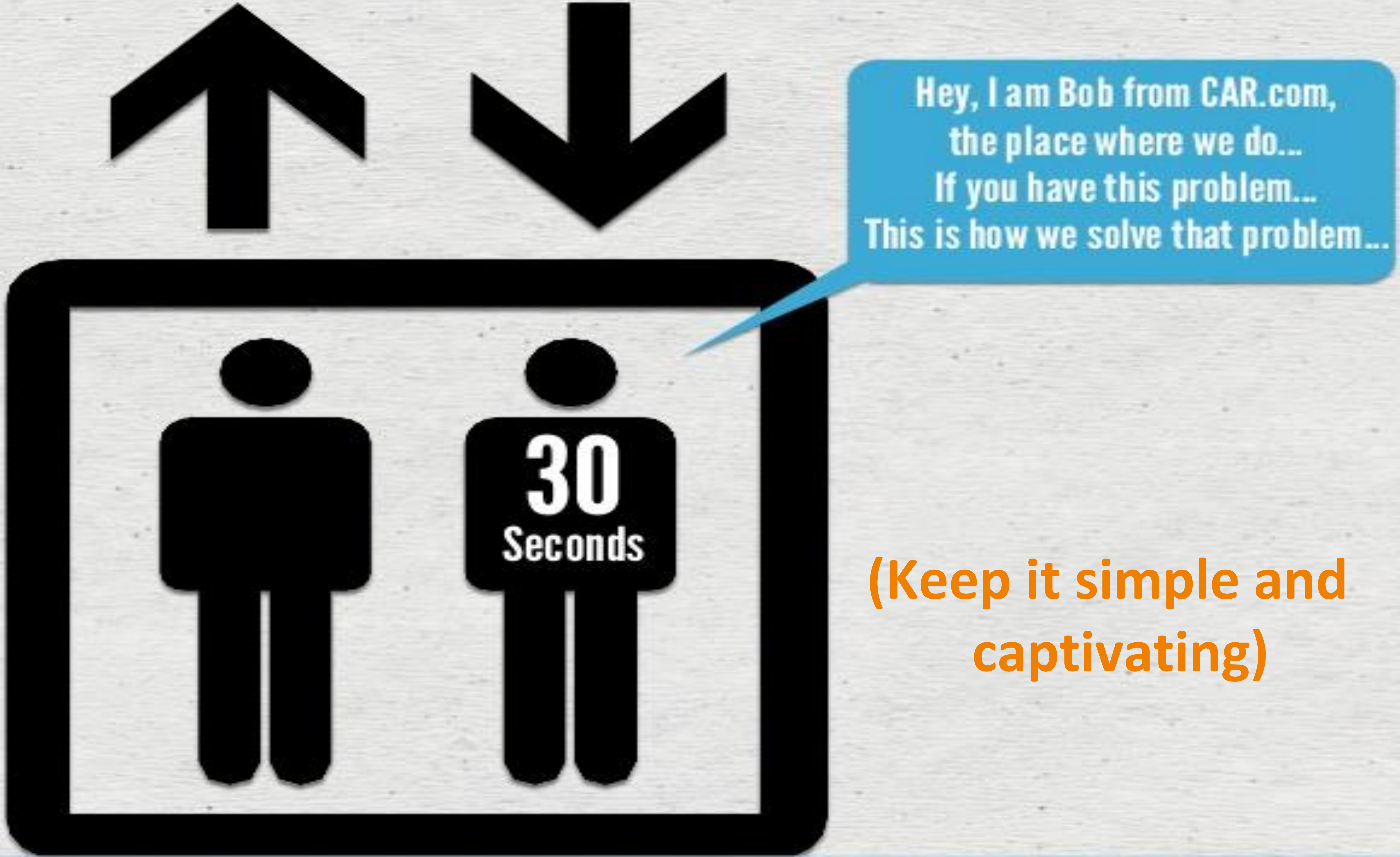
THE ART OF TELLING YOUR STORY

(in 10 memorable slides)

META
knowledge to market

December 2023

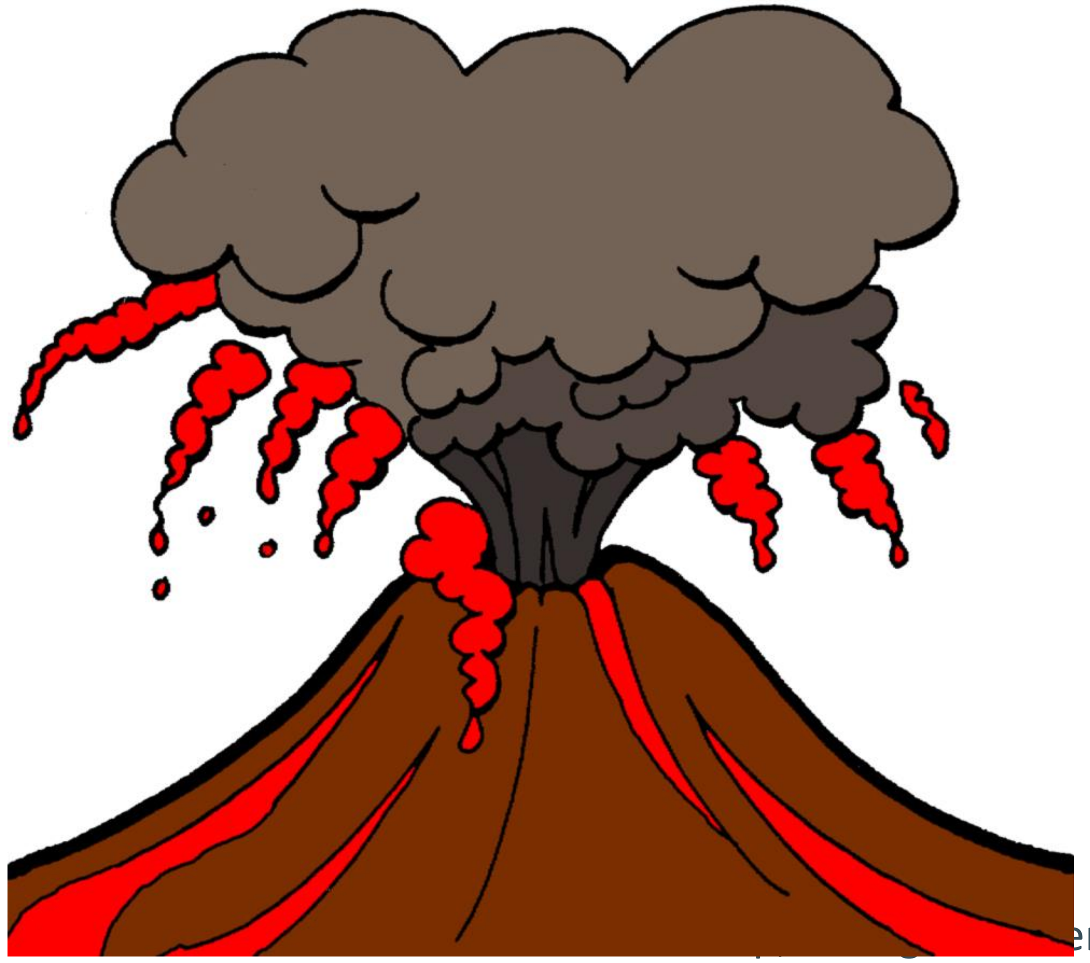

The
ELEVATOR PITCH



(Keep it simple and captivating)


2
THE PROBLEM
MEET THE
DRESSMAKER FROM PARIS

The bigger the pain, the better…



(make them feel the pain)

Remember:

PROBLEM always come before the SOLUTION


3
THE SOLUTION

Describe how **YOUR SOLUTION** makes your clients HAPPY and how it DOES **BETTER** than anyone else..

do It in a simply way

If you have a demo, show it !

4 MARKET SIZE

The size counts!

BIGGER IS BETTER

Make sure you can prove the market size and your capability to scale it

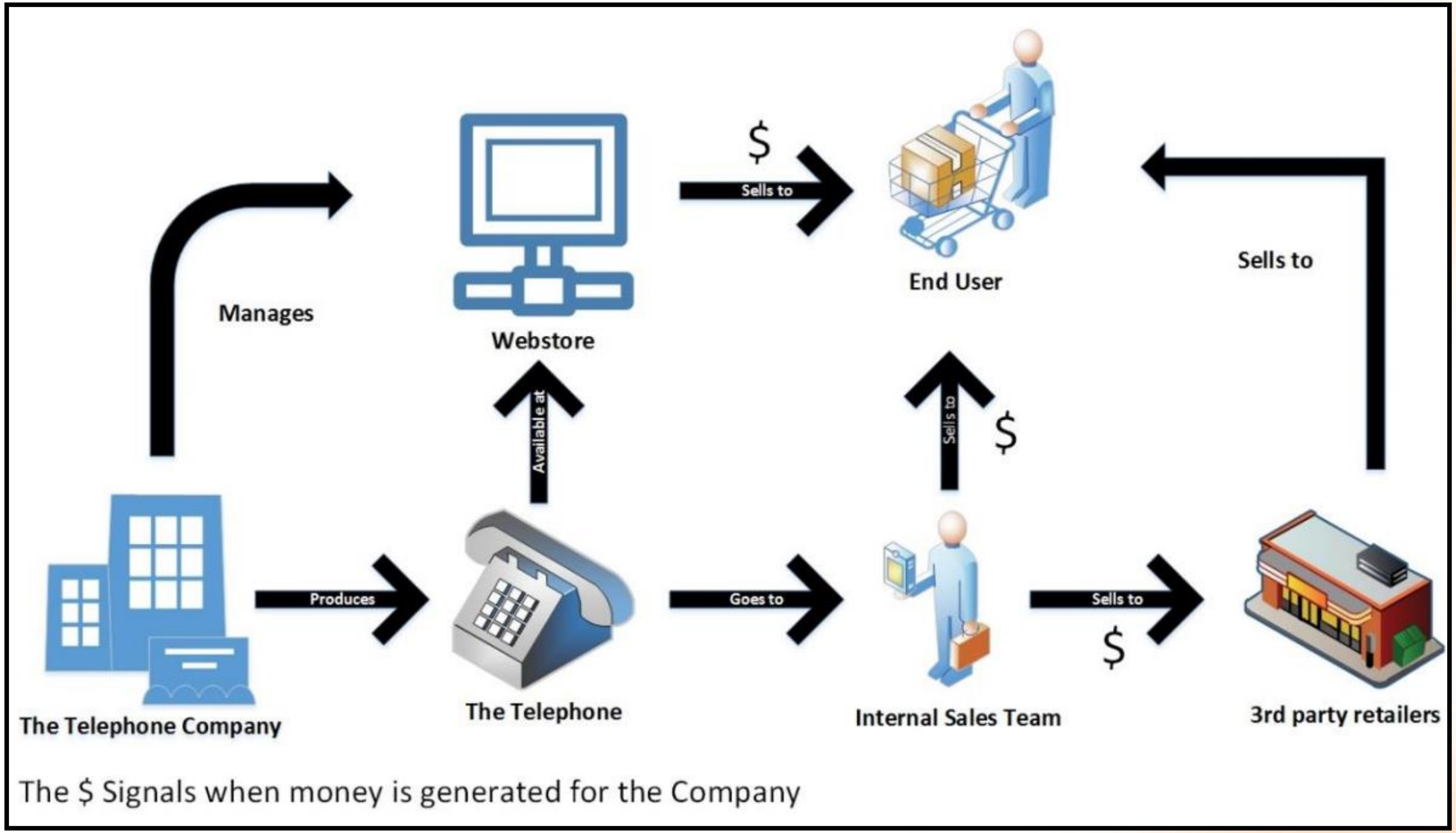
META knowledge to market

December 2023


5
BUSINESS MODEL
ROYAL
10

HOW and WHEN you (and your investors!) will be RICH

Describe the revenue sources!


Manages
Webstore
$
Sells to
End User
Sells to
Available at
Sells to
$
The Telephone Company
Produces
The Telephone
Goes to
Internal Sales Team
Sells to
$
3rd party retailers
The $ Signals when money is generated for the Company

Show you are the first and the better!

(At least different..)

META
knowledge to market

YOUR (UNIQUE) VALUE PROPOSITION

Single, clear, compelling message stating why you're different and worth buying.

It rapresents the benefits (NOT FEATURES) that the company delivers to its clients. Which value do you transfer to the client?

- Novelty
- Performance
- Targeted solution
- Price
- Design
- Risk reduction
- Usability

The value trasferedd to the client can be qualitative (eg: travel experience) or quantitative (lower fare)

Three key points

YOUR (UNIQUE) VALUE PROPOSITION

Understandable in less than 8 seconds

Example

We will fix your iPhone fast.
We will fix your iPhone. In less than 1 hour
We will fix your iPhone. In less than 1 hour. Wherever you are

Facts & Data > Bla Bla Bla

META knowledge to market


8
MARKETING PLAN
İzmir NIC
Network and Innovation Centre

HOW do you get your customers?

9 TEAM

İzmir NIC
Network and Innovation Centre

Who is your TEAM?

- Experienced&well balanced
- Fully committed
- Capable to bring money back to investors

10 MONEY

How much have you raised?

How much are you raising?

How will you spend the money?

When will you give back the money to investor? EXIT!!

To sum up

10 slides for a memorable presentation

1. The elevator pitch
2. The Problem
3. The solution (DEMO here)
4. The market size
5. Business Model
6. Proprietary tech
7. Competition
8. Marketing plan
9. Team
10. Money

To sum up: key elements

- ❑ Voice
- ❑ Body language
- ❑ **Eye touch**
- ❑ Attitude
- ❑ **Presence**
- ❑ Use of the space

- ❑ Avoid slow start (first 30 seconds are crucial)
- ❑ Say only key things
- ❑ Do not speak too fast
- ❑ Use short clear sentences
- ❑ Use pauses
- ❑ **Talk to the audience**
- ❑ Respect time

Practice!!!

An example of how to pitch

https://www.youtube.com/watch?v=kzcQtXA5Gc8

Apply the 10/20/30 rule to your presentation

https://www.youtube.com/watch?v=-M13SObffog

Interactive session:
Pitch evaluation

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Interactive session

- Presentation of the tool to be used.
- Presentation of the exercise.

PITCH EVALUATION FORM

- Main area of evaluation:
  - Pitch deck:
    - Solution and benefits for users.
    - Unique Value Proposition.
    - Team.
    - Business Model.
    - Financial Plan.
    - Market opportunity.
    - Call for action.
  - Pitch presentation:
    - Perceived confidence of the presenter.
    - Ability to grab attention.
    - Balance and articulation of voice.
  - Overall presentation:
    - Overall Attractiveness and appeal of presentation.
    - Structure.

PITCH EVALUATION FORM (2)

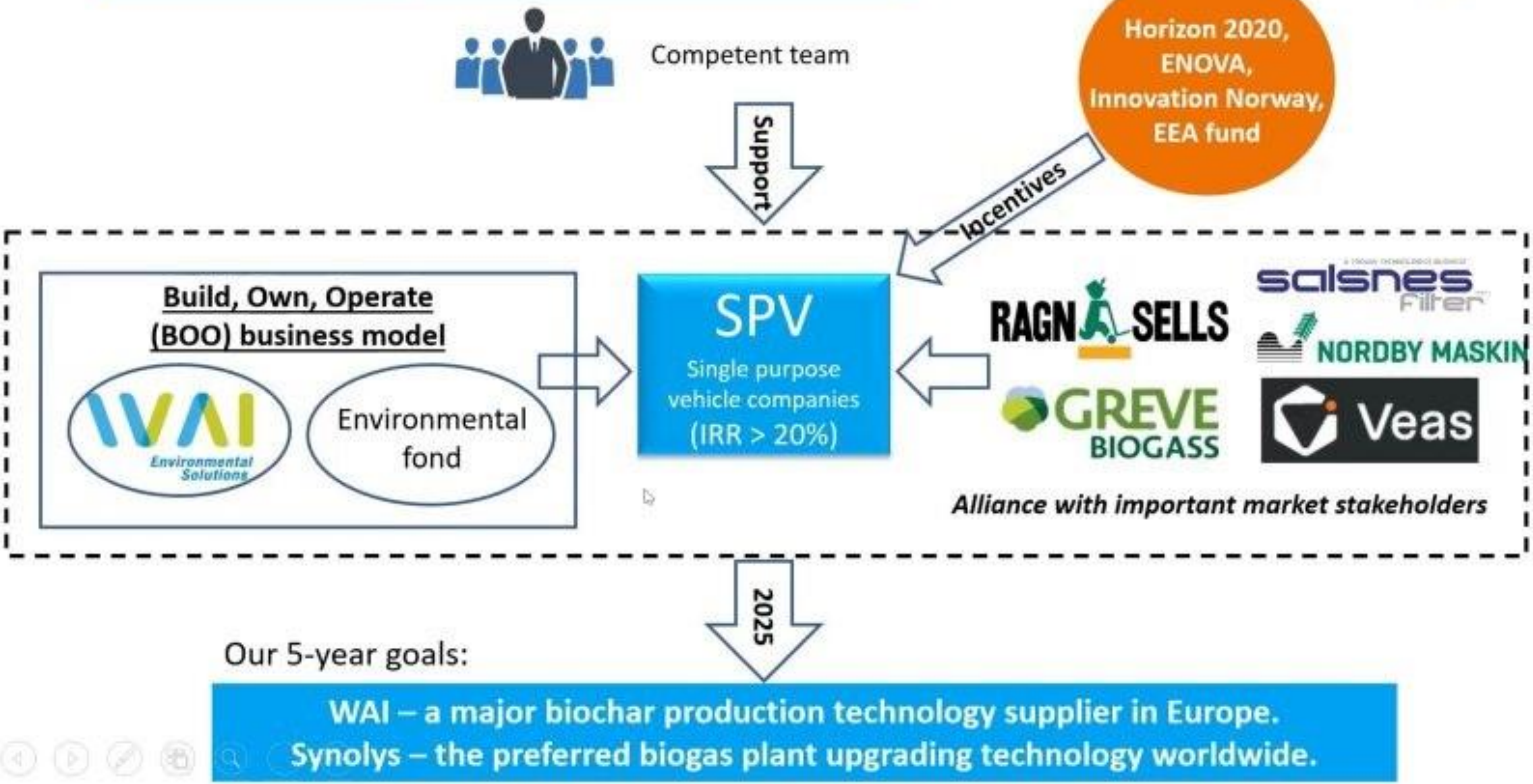
- Scale of evaluation:
  - Poor.
  - Fair.
  - Good.
  - Great.
- For each area there is also a box to list the info you think is missing.
- There is a final box “Comments & recommendations” to write down the main and relevant feedbacks for the specific pitch.

THE BUSINESS CASE

- WAI Environmental Solutions AS (WAI) is a technology company based in Norway, which focuses on developing and implementing various types of technologies for organic waste treatment, nutrients and resources recovery, hazardous waste treatment and wastewater treatment. WAI provides innovative solutions to clients throughout Europe and China and our primary goal is to improve sustainability of the waste management industry.

ANY QUESTIONS?

Shared savings and revenue model



LET’S COLLECT YOUR IMPRESSIONS

December 2023

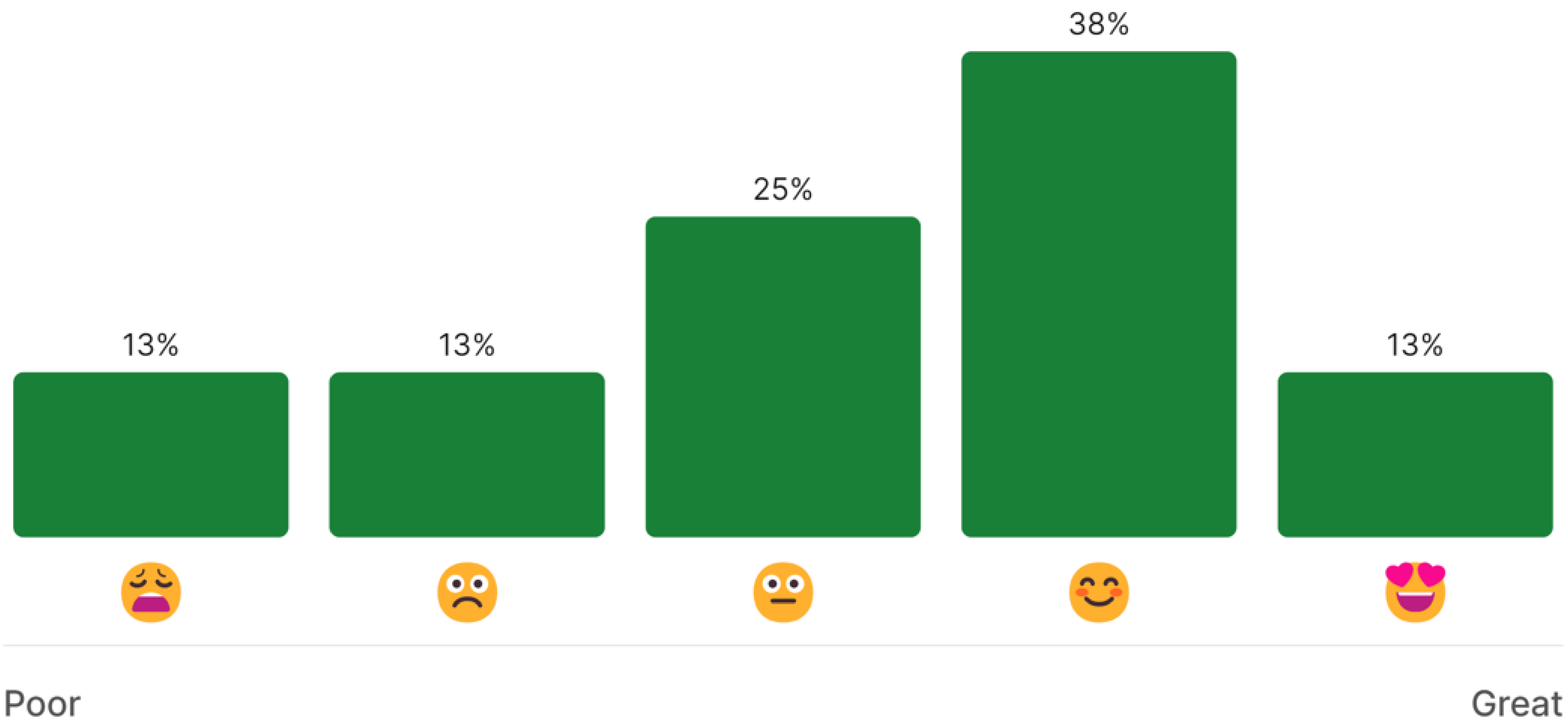
Problem and solution

ⓘ Start presenting to display the poll results on this slide.

Problem and solution

Rating Poll 8 votes 8 participants

Score: **3.3**



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Unique Value Proposition

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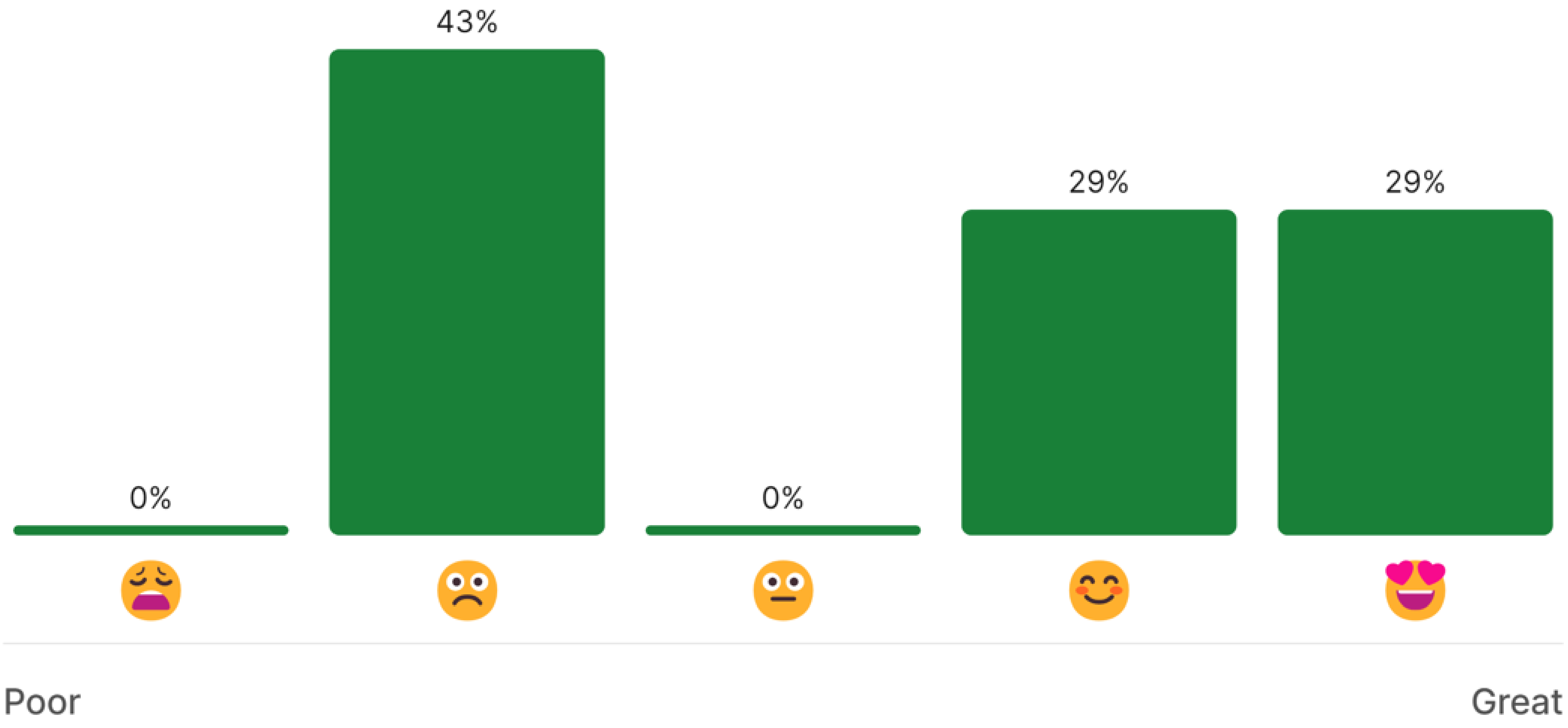
Unique Value Proposition

Rating Poll 7 votes 7 participants

Score: **3.4**



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Team

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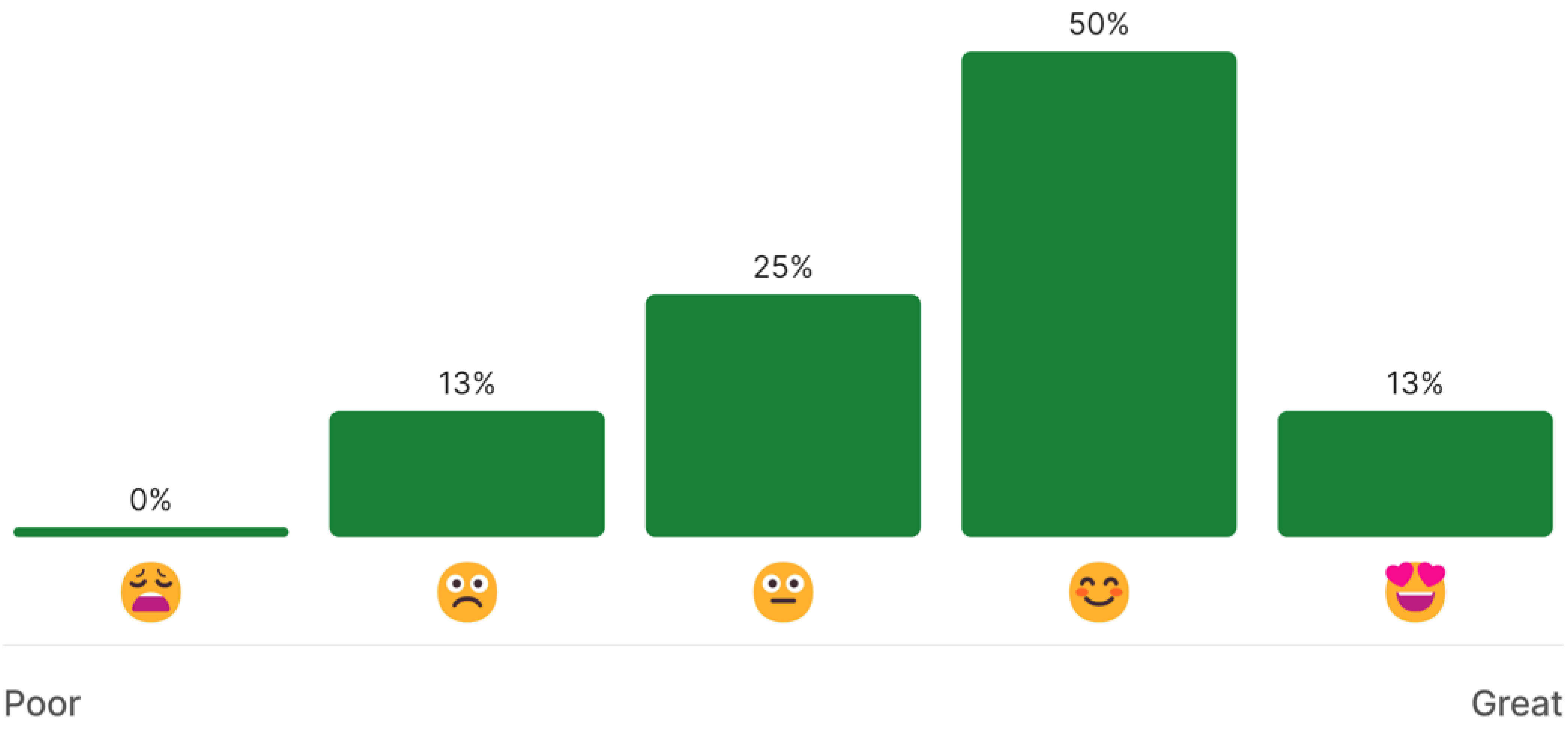
Team

Rating Poll · 8 votes · 8 participants

Score: 3.6



Business model

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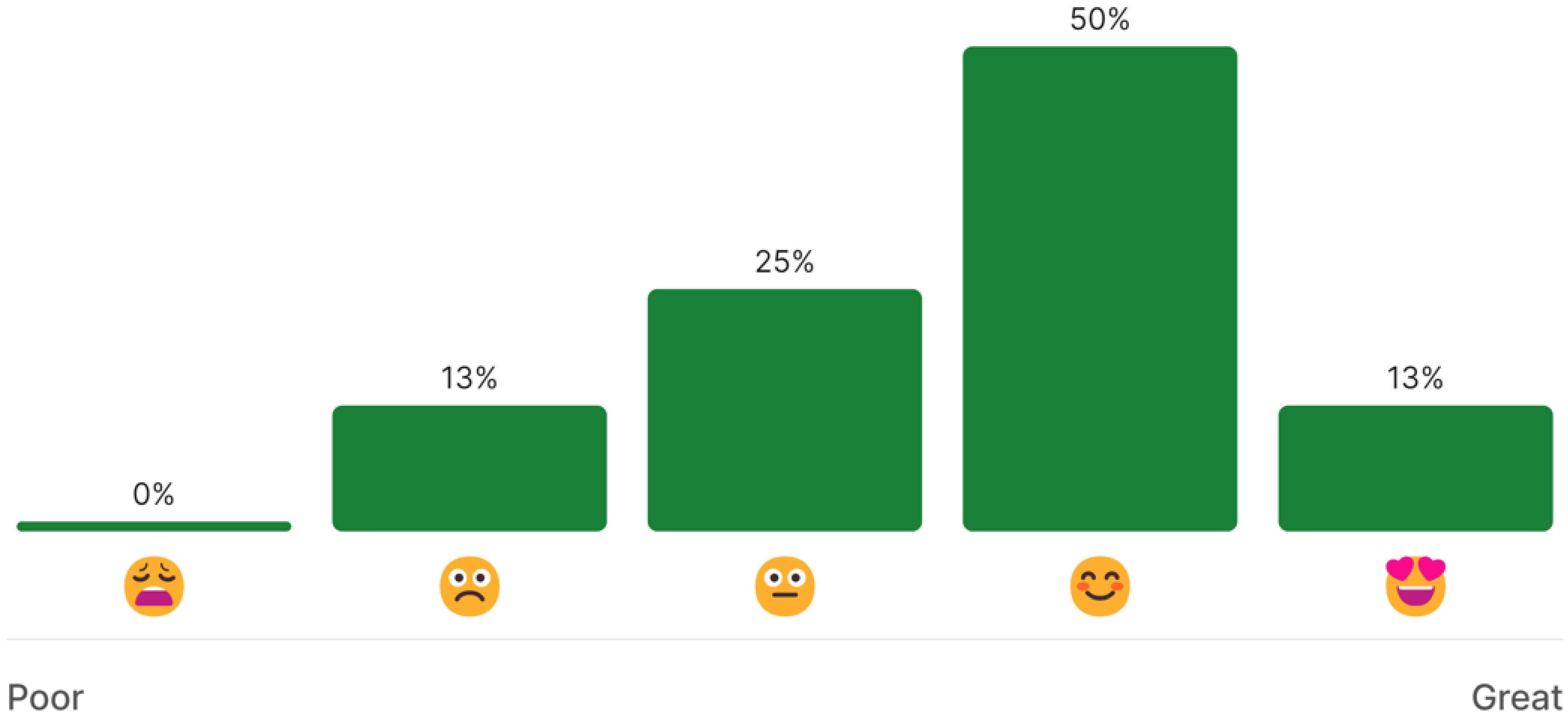
Business model

Rating Poll 8 votes 8 participants

Score: **3.6**



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Financial plan

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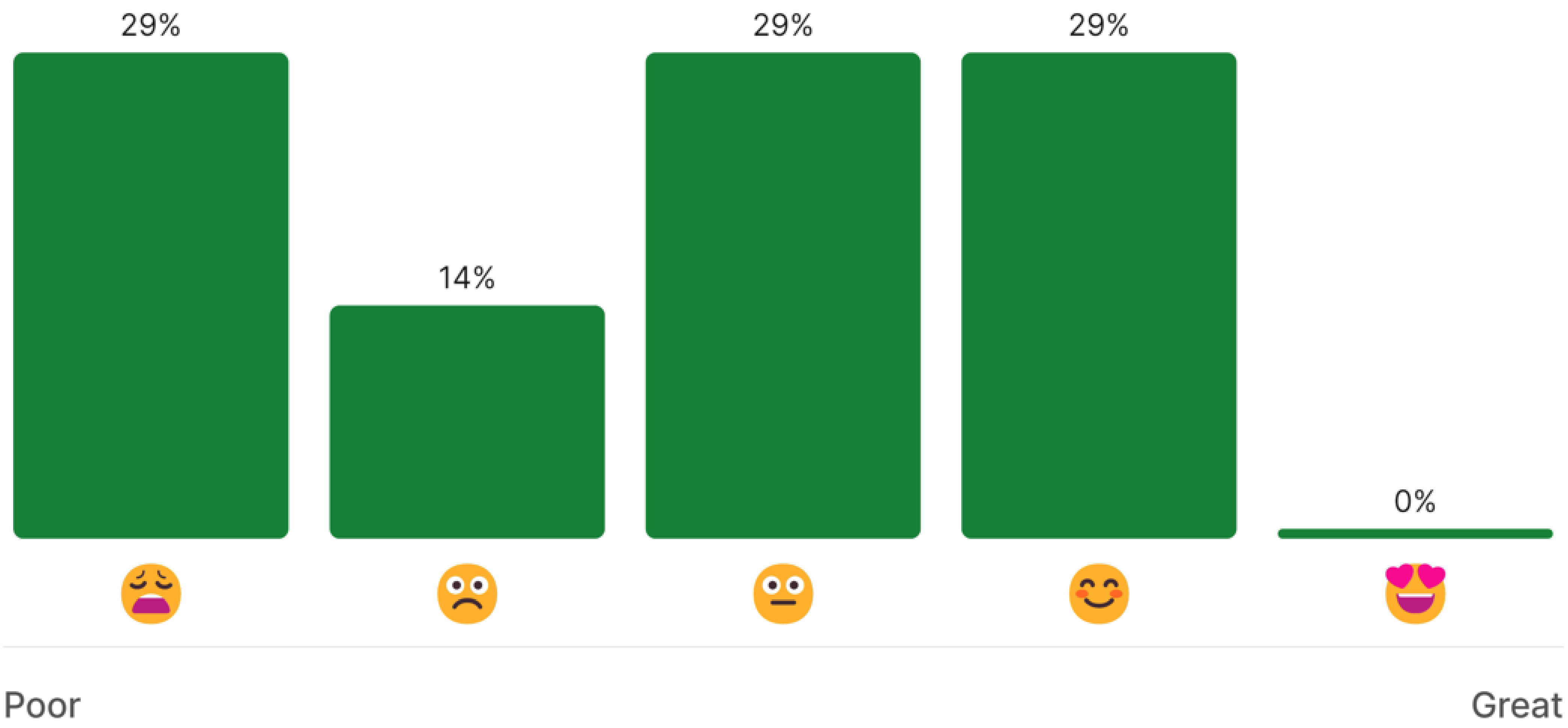
Financial plan

Rating Poll   7 votes   7 participants

Score: 2.6



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Market opportunity

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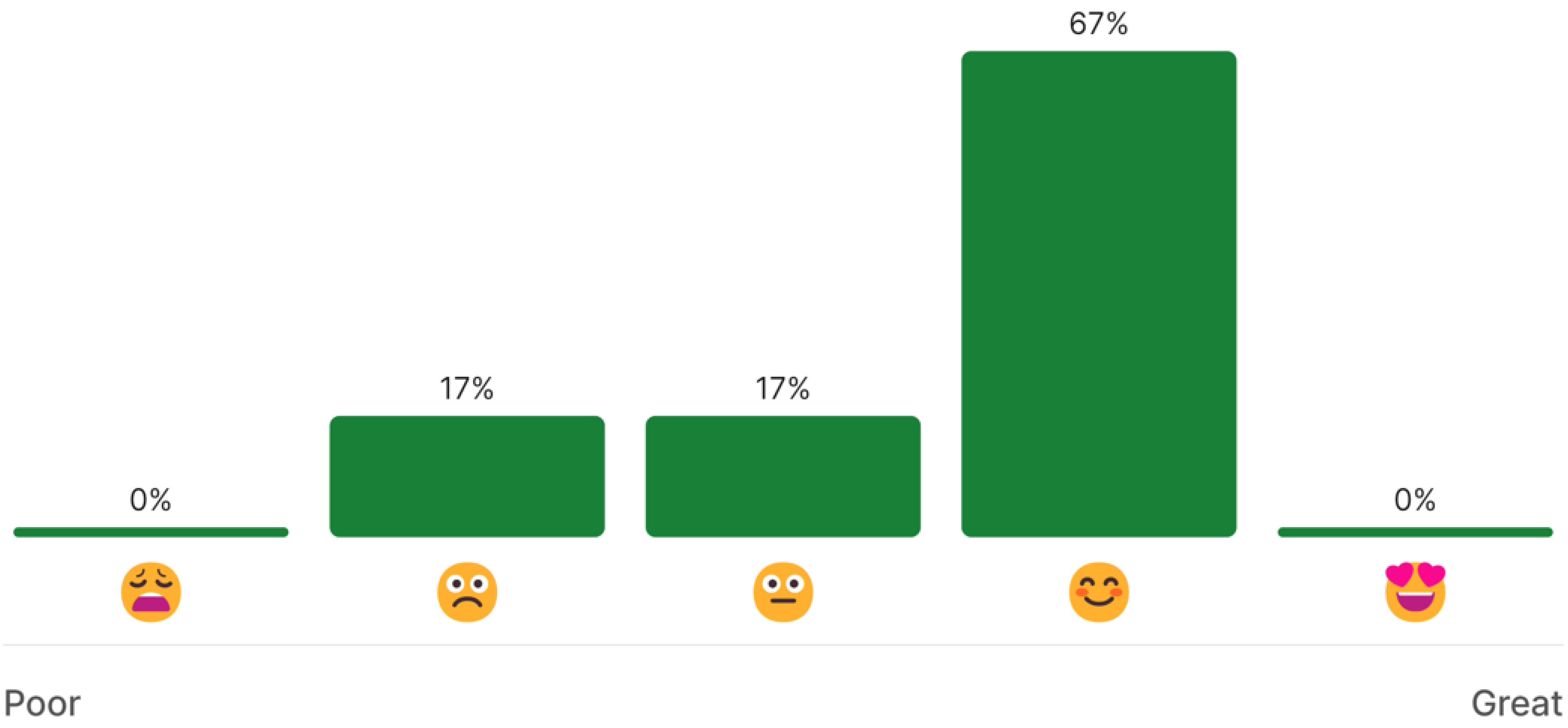
Market opportunity

Rating Poll 6 votes 6 participants

Score: **3.5**



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Call for action

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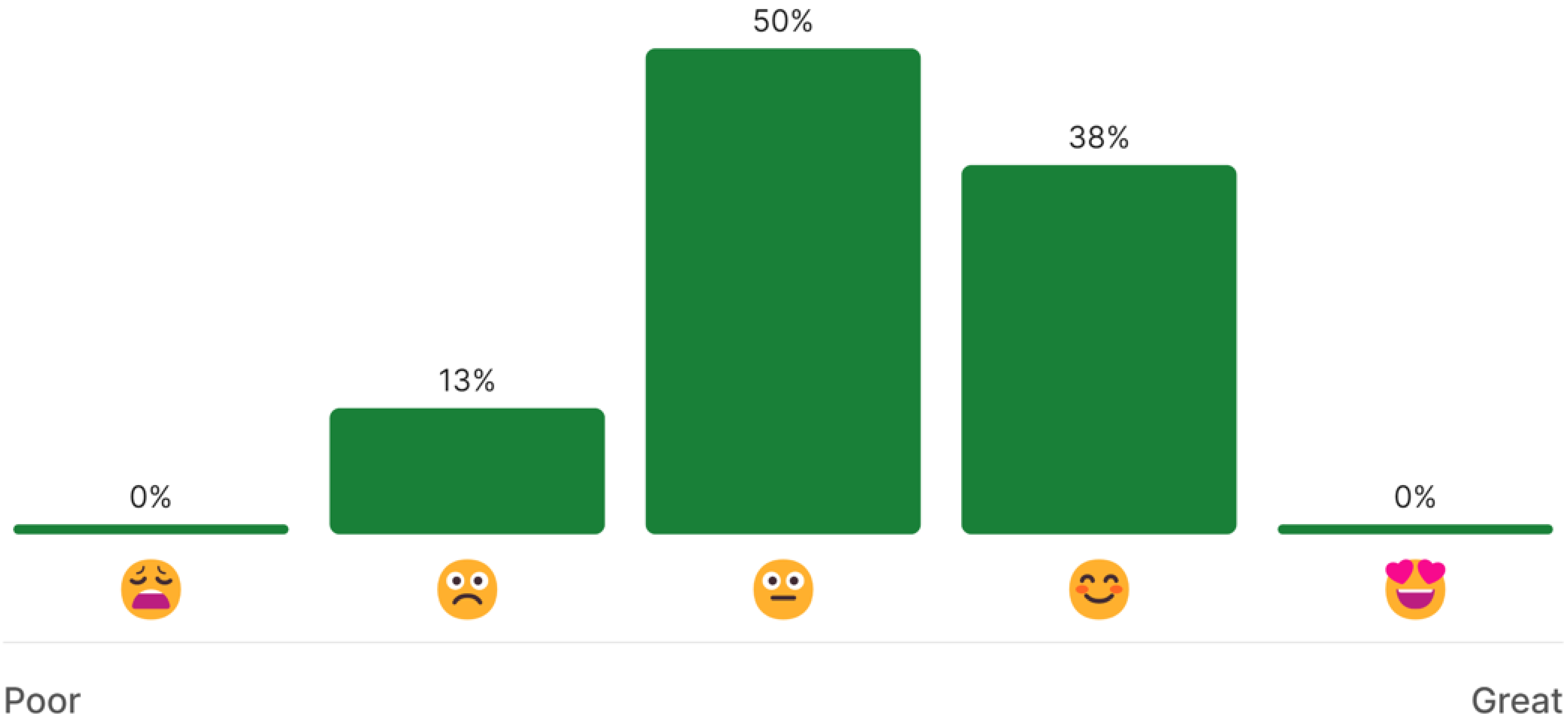
Call for action

Rating Poll 8 votes 8 participants

Score: **3.3**



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Perceived confidence of the presenter

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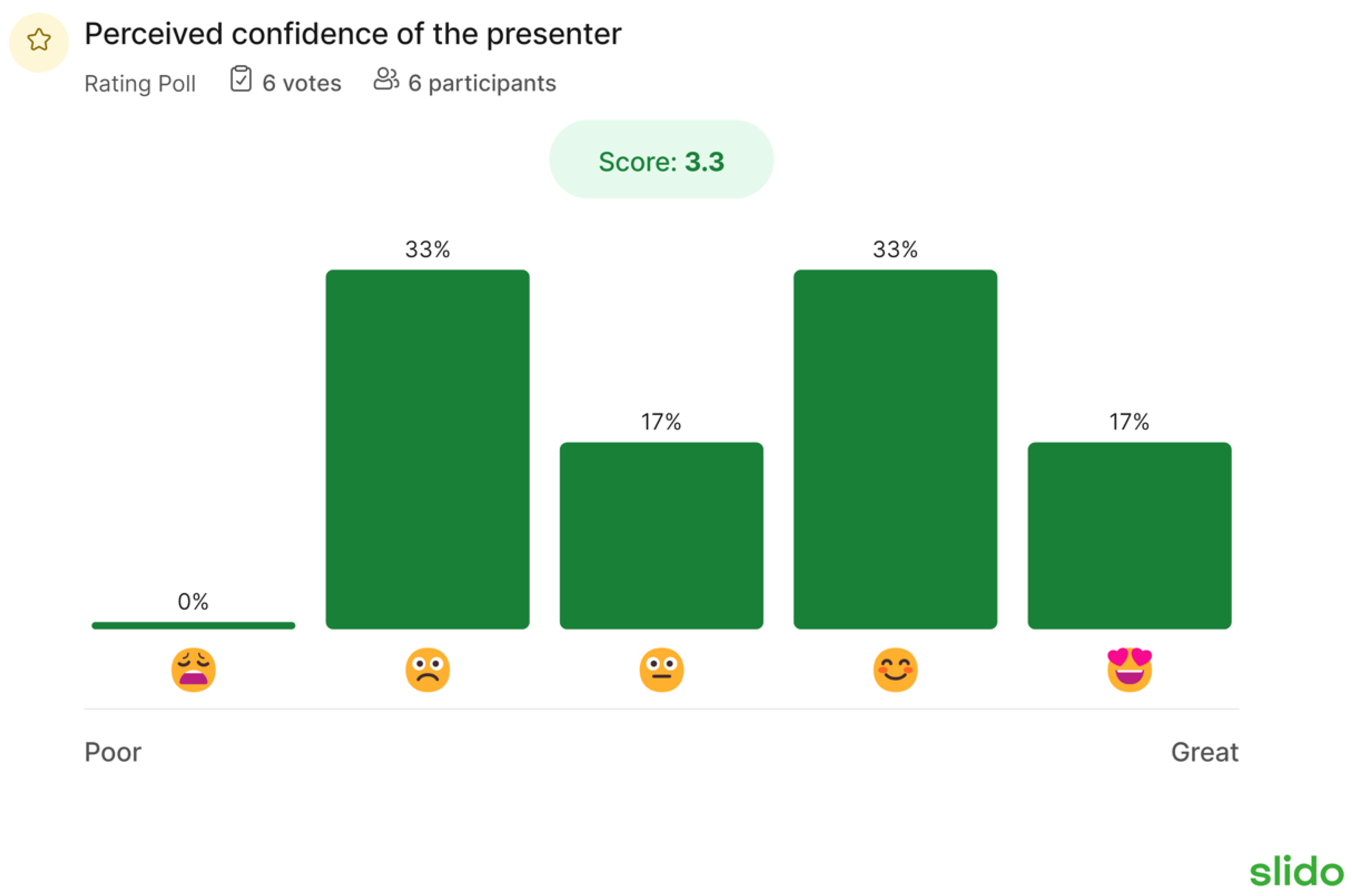
Perceived confidence of the presenter
Rating Poll
6 votes
6 participants
Score: 3.3
0%
33%
17%
33%
17%
Poor
Great
slido

Ability to grab attention

ⓘ Start presenting to display the poll results on this slide.

Balance and articulation of voice

ⓘ Start presenting to display the poll results on this slide.

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Overall attractiveness and appeal of presentation

ⓘ Start presenting to display the poll results on this slide.

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Comments & recommendations

ⓘ Start presenting to display the poll results on this slide.

Thank you!

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W. www.bic-africa.eu

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