



# BIC Africa

Online Training - 2023

*Proven Models and Engaging with Investors*

*Session 4: Engaging with investors (2)*

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**

# BIC Africa

## Online Training 2023

Session 1: 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!



## 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*



**Douglas Thompson**

*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](http://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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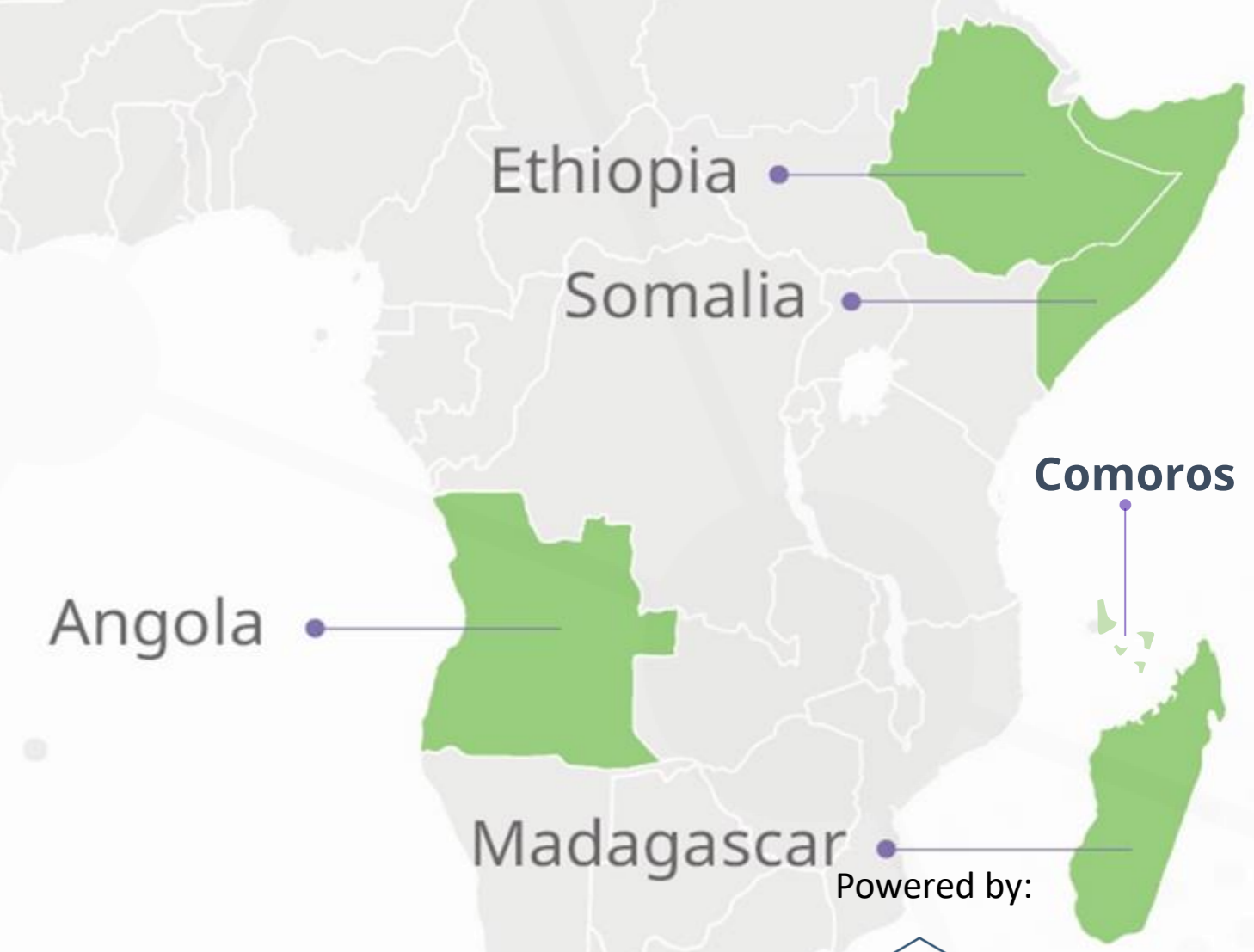
# Introduction



BIC Africa is funded by the European Union.

# 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
<i>Direct Beneficiaries</i>	<i>Final Beneficiaries</i>	<i>Indirect Beneficiaries</i>
Business Incubators	Entrepreneurs, SMEs, and Start-ups	Enablers i.e., policy makers, business angels, universities, EU delegations

# 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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## The BIC Africa Team at EBN



**Robert Sanders**  
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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. The due diligence process.
2. The different kind of due diligence and expectations of early-stage risk capital investors.
3. Startups' relevant metrics.

# Detailed topics

## Due diligence process: steps and expectations

- Due diligence process: steps and expectations.
- The different kind of due diligence and expectations of early-stage risk capital investors.
- Tips to understand the level of investment readiness of supported ventures

## Startups' metrics

- Main decision drivers for evaluating a start-ups – focus on start-ups' metrics.
- 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

# Before starting

**WHO ARE YOU?**

**WHICH ARE YOUR MAIN EXPECTATIONS FOR TODAY?**



**slido**



**Where are you from?**

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

**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 12 responses 12 participants



**slido**



**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  11 responses 11 participants



**slido**



**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 5 responses 5 participants

**Financial sustainability for startups**

**Understanding red flags for Investment**

**start up Investment Readiness**

**Risk assessment**

**Engaging with investors**

**slido**

# Structure of the session

➤ The structure is based on:

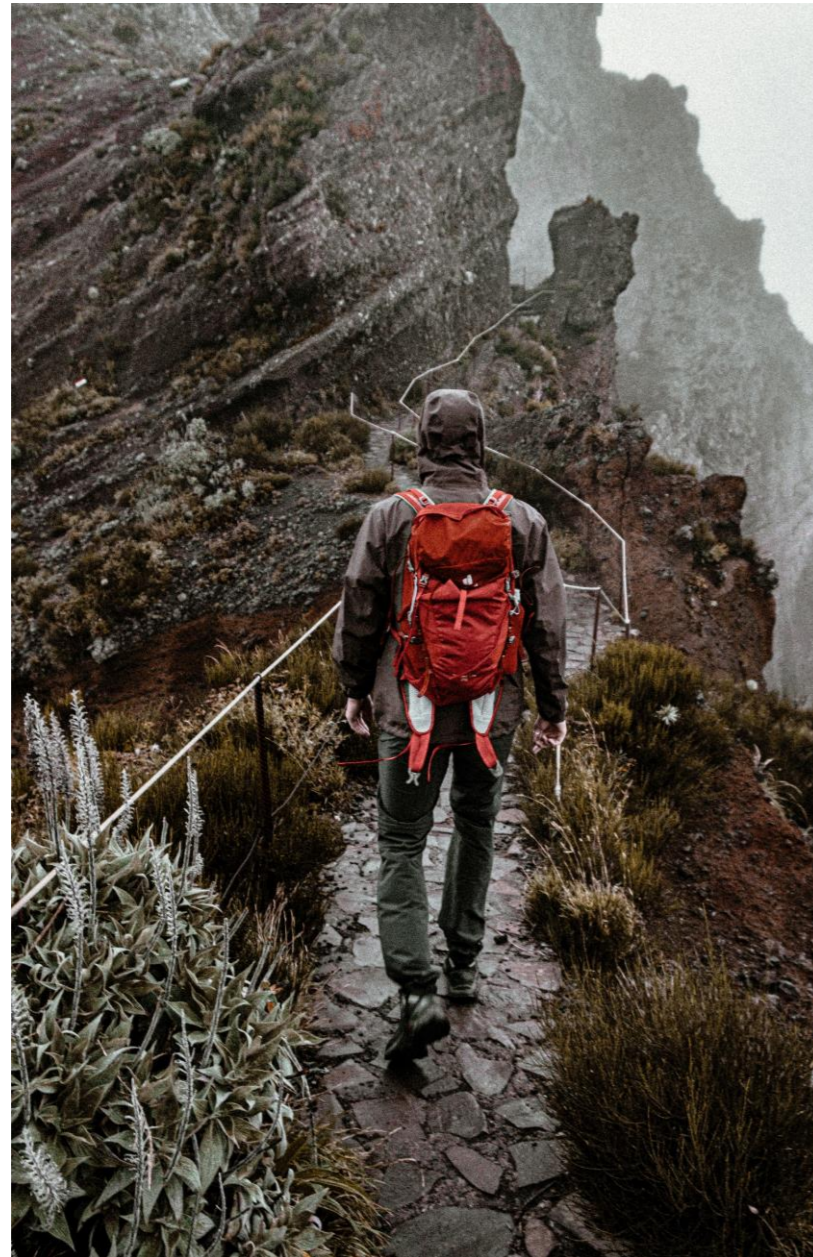
- Theoretical slot.
- Interactive slot.



➤ 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	<b>Due diligence process (1).</b>
03.00 – 03.15	Coffee break.
03.15 – 03.45	<b>Due diligence process (2).</b>
03.45 – 04.45	<b>Startups' metrics.</b>
04.45 – 05.00	Coffee break.
05.00 – 05.55	Interactive session and Q&A + feedbacks.
05.55 – 06.00	Wrap-up and conclusions.

Time is pm and EAT



# Due diligence process



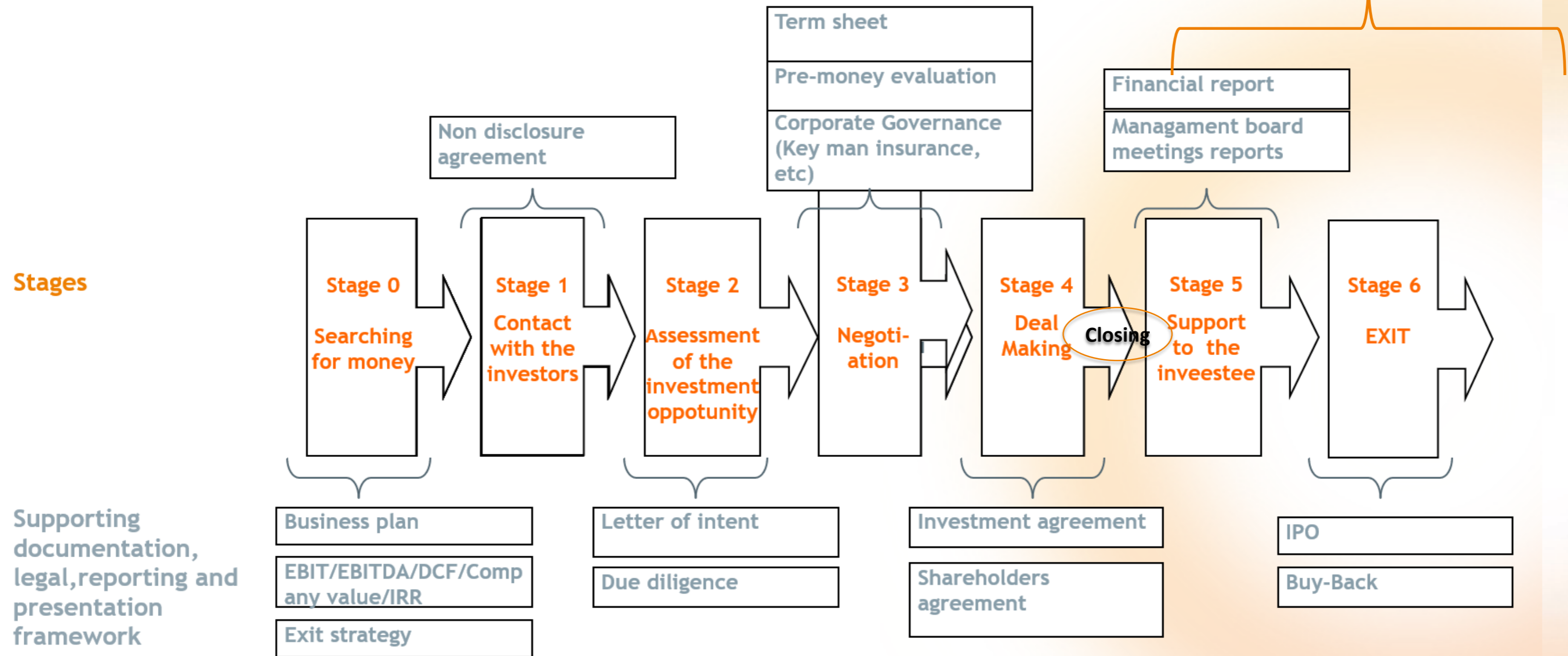
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# The content of the topic

1. The due diligence process.
2. The different kind of due diligence and expectations of early-stage risk capital investors.
3. The term-sheet.
4. The most relevant clauses in the term-sheet when dealing with investors.

# UNDERSTANDING OF THE INVESTMENT READINESS PROCESS

Post-investment activities



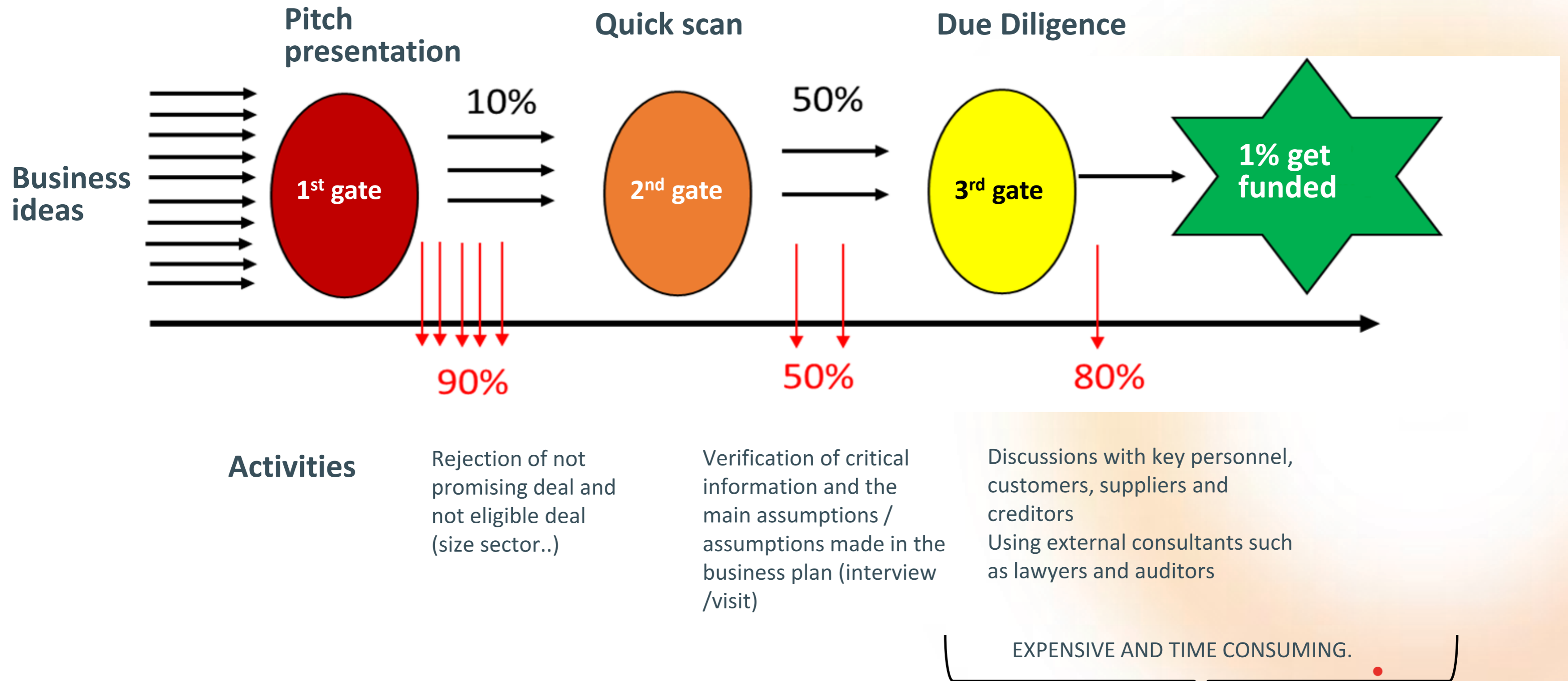
**ANY QUESTIONS? LET'S START!**

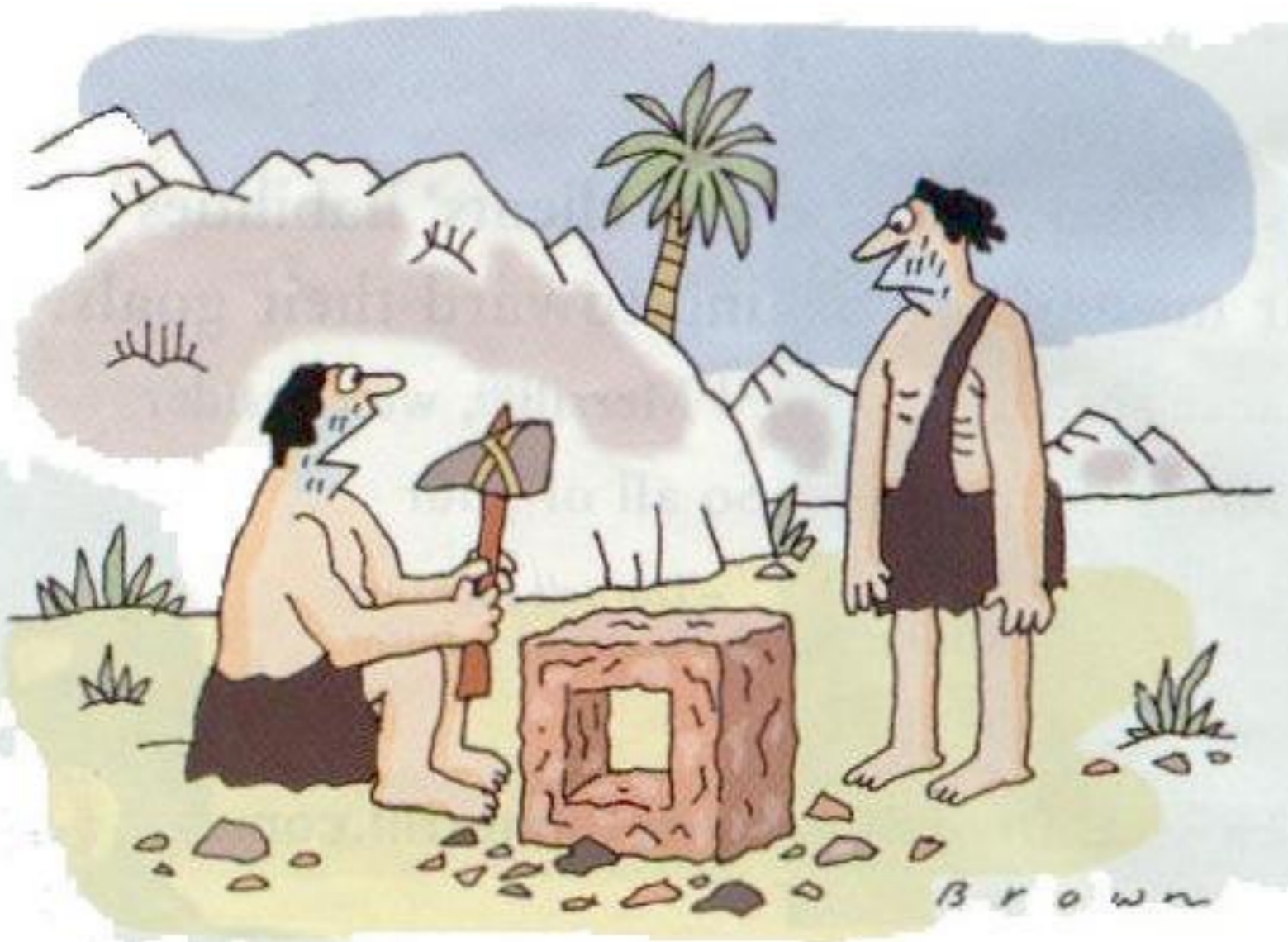
# The approach of an early-stage investor from the D&D until the exit



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





***“I call my invention ‘The Wheel,’ but so far I’ve been unable to attract any venture capital.”***

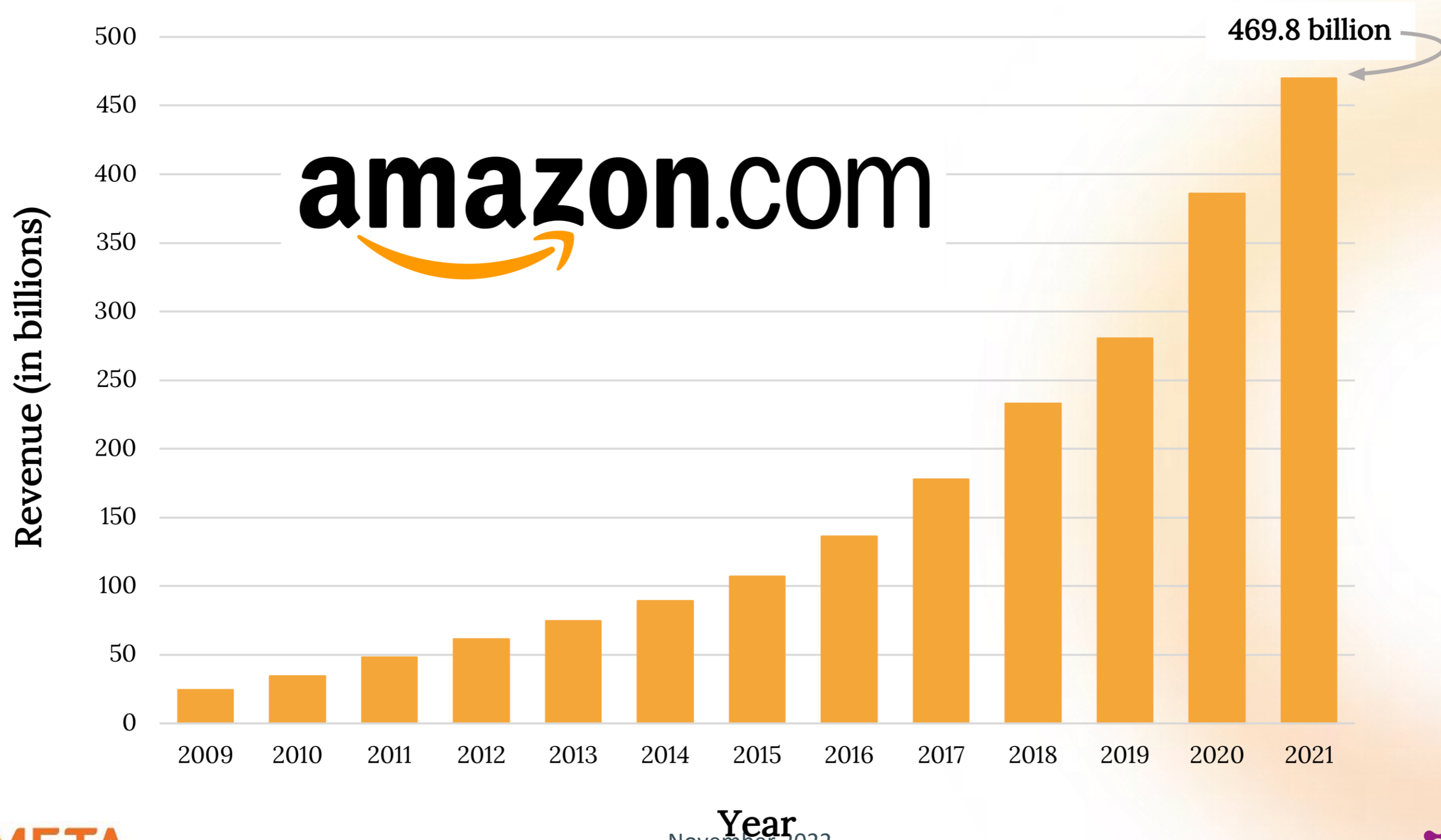
**WHAT INVESTORS ARE LOOKING FOR?**

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





# AMAZON ANNUAL REVENUE GROWTH (2009-2021).



## BUT HOW TO SPOT AN UNICORN?

To invest into successful companies it is mandatory to:

- **select the target carefully:**
  - access to great deal flow (quality vs quantity)
  - perform an accurate **due diligence**
- **Fix clear rules of the game: Term Sheet + Shareholder agreement**

...And the lucky factor!!!

# What is the due diligence?



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# THE DUE DILIGENCE: WHAT TYPES OF DUE DILIGENCE ARE THERE?

Due diligence is the detailed investigation a potential investor carries out on a target business after successfully completing preliminary negotiations with the business's owner.

The objective is to confirm the accuracy of the seller's information and appraise its value (pre-money evaluation). It is performed by professionals on different topics, according to the stage and the type of the target company

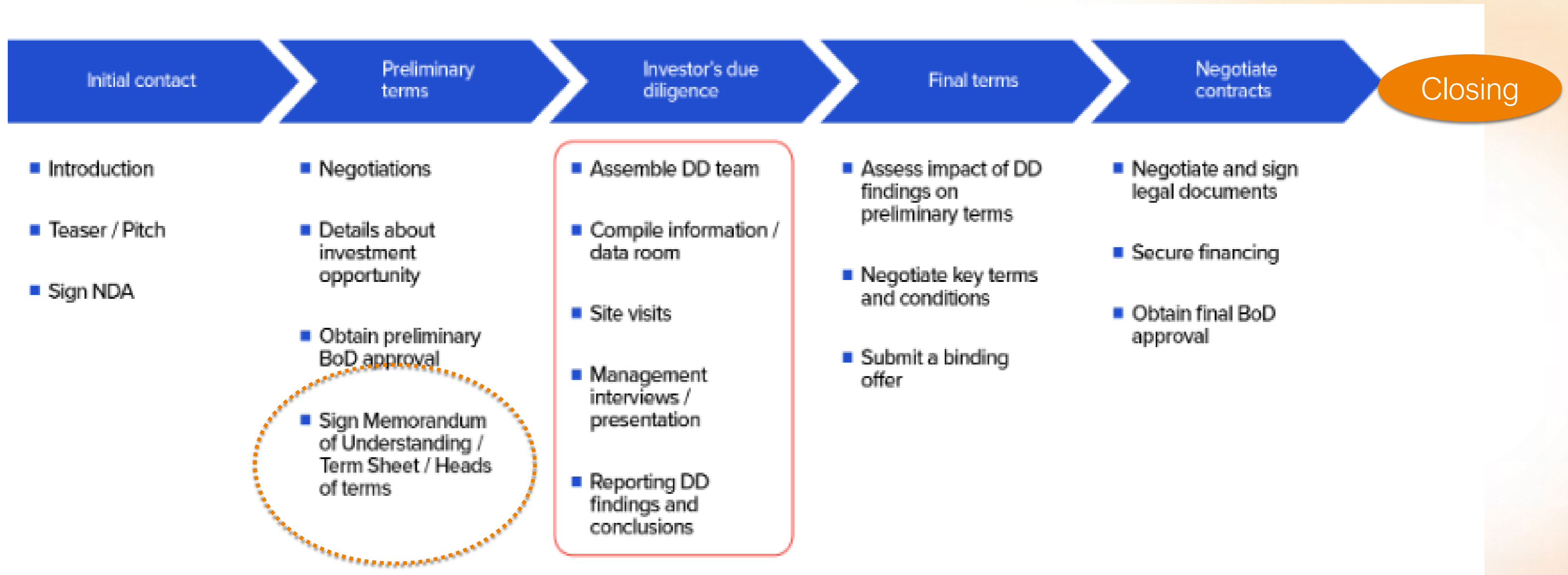
## Types of due diligence



The purpose of investment due diligence is to confirm the investor's initial understanding of the investment opportunity, underpinning the terms agreed with the business's owner in the preliminary negotiations

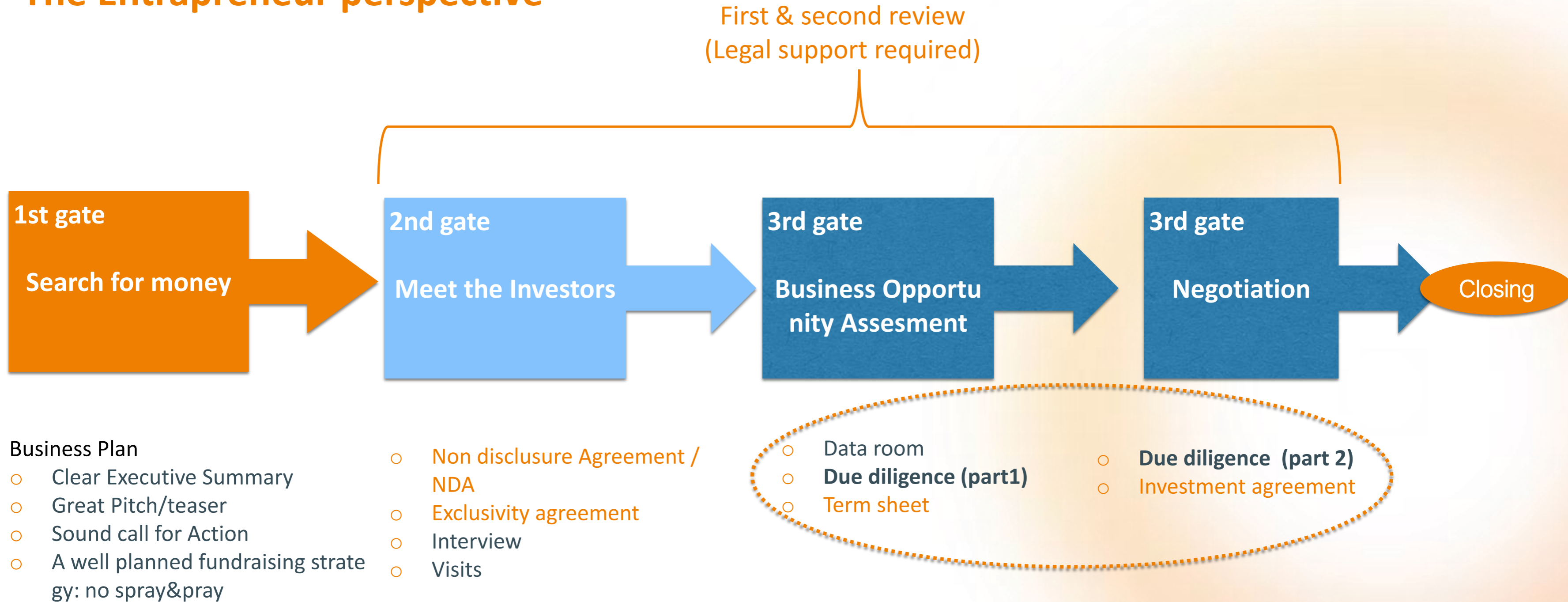
# UNDERSTANDING OF THE INVESTMENT READINESS PROCESS

## Due Diligence with steps of a transaction: the investor perspective



# UNDERSTANDING OF THE INVESTMENT READINESS PROCESS

## The Entrapreneur perspective

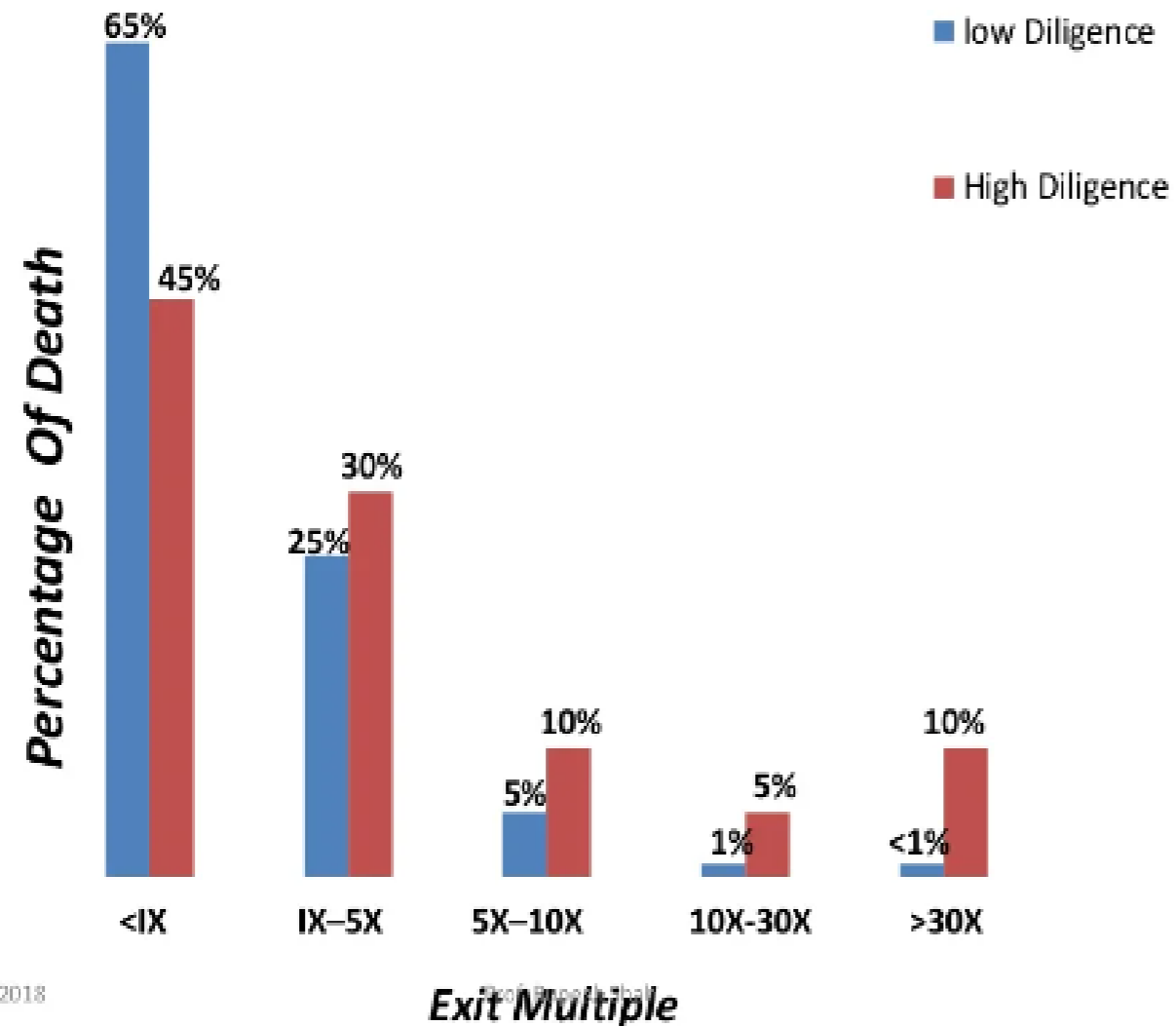




# Due Diligence

*['dū 'di-lə-jən(t)s]*

An investigation, audit, or review performed to confirm facts or details of a matter under consideration.



- VC is a game of risk
- 3 out of 4 start ups fail
- Everything is based on assumption: in the due diligence we make sure our assumption are sound

1/31/2018

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## BEFORE THE DUE DILIGENCE

1. The potential investor has expressed its interest in the opportunity presented by the investee (founder, business owner, supplier, etc)
2. The two sides have met and established a relationship, discussed the opportunity, and agreed in principle on the key terms of the investment (transaction)
3. The key terms agreed in the preliminary stage typically include:
  - transaction structure (what does the investor receive?)
  - price (what does the investor pay?)
  - and process (what steps must be completed to close the transaction?)

Frequently such terms are laid out in a non-binding document called:  
**Letter of Intent, Term Sheet or Memorandum of Understanding.**

## DUE DILIGENCE KICK-OFF

1. The investor introduces a larger team into the process, including external advisers which may be used to perform due diligence in specific areas (e.g. legal, financial and tax, technical)
2. The investor and the investee agree on the terms of access to information, including confidentiality undertakings, scope, and limitations of the investigation, communication protocol and points of contact
3. Access to information can be organised through a virtual data room (VDR)
4. A timeline is established including deadlines for receiving the information

## DUE DILIGENCE PROCESS

1. Information requesting and receiving; Q&A
2. Site visits at the target business by the due diligence team
3. Interviews with management
4. Internal communication and discussion of findings; progress reports and clearing of procedural issues with the investee
5. Preparation of one or more investment due diligence reports
6. The investor puts the investment due diligence findings on the table to negotiate the changes or additions to the terms of the transaction.

# DUE DILIGENCE TIMELINE

Kick offs and  
documentation  
exchange

Follow ups

Final legal  
back&forth

Final steps and  
closing

**5 weeks** to close

**2 - 4 weeks** to close

**1 - 2 weeks** to close

**1 week** to close

- Financial tax & HR due diligence
- Business diligence
- Tech diligence
- Legal request lists

- Follow ups and additional requests
- Meeting and interviews

- Finalize legal documents

- Final review and organising the closing

## DUE DILIGENCE CHALLENGES

The due diligence investigation is mostly carried out on information provided by the target business.

At the due diligence stage, the target business “opens up” to the investor in order to substantiate the claims about the opportunity made at the initial stage of the negotiations.

There are two aspects to the investee’s cooperation: **its (i) ability and (ii) willingness to provide appropriate information.**

# THE DUE DILIGENCE: WHAT TYPES OF DUE DILIGENCE ARE THERE?



**Financial due diligence** refers to an in-depth analysis the company's financial records. Materials and documents analyzed during the financial due diligence are:

- Revenue, profit, and growth trends
- Stock history and options
- Short and long-term debts
- Valuation multiples and ratios in comparison to competitors and industry benchmarks
- Balance sheets, income statements, and the statement of cash flows



**Legal due diligence** Focusing on all legal aspects of the company and its relationships with its stakeholders. It helps determine whether the target company is legally subservient or embroiled in issues. Items assessed include:

- Contracts
- Corporate documents
- Board meeting minutes
- Compliance doctrine
- legal liabilities that may be pending

It includes also **IP due diligence**



**Tax due diligence:** Focusing on all of the company's tax affairs and ensuring that its tax liabilities are paid in full to date. Due diligence in tax also looks at how a merger would affect the tax liabilities of the new entity created by the transaction.

# THE DUE DILIGENCE: WHAT TYPES OF DUE DILIGENCE ARE THERE?



**Business due diligence** identifies who the company's customers are and pinpoints its industry. It helps forecast the impact and associated risks that the transaction may pose on the acquiring firm's current customers



**Operational due diligence** involves an examination of all the elements of a company's operations. The objective is to evaluate the condition of technology, assets, and facilities and unearth any hidden risks or liabilities.



**Environmental due diligence** verifies that the company's processes, equipment, and facilities are in compliance with environmental regulations. The purpose is to negate the possibility of penalties down the line. These may span from small fines to more severe penalties such as plant closures

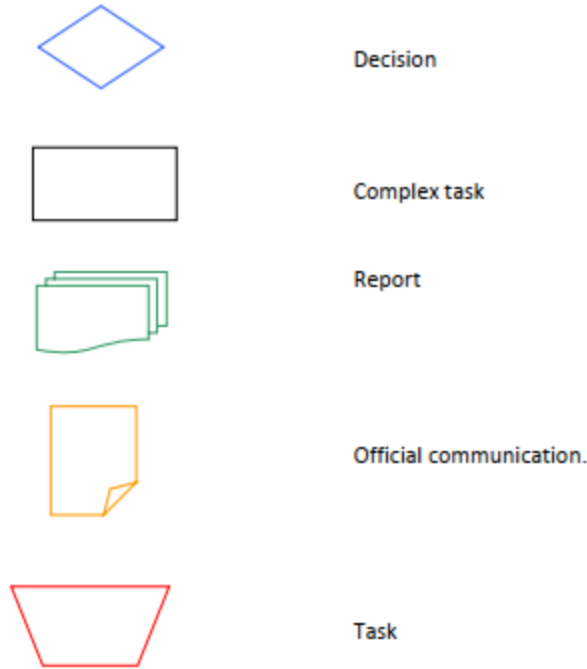


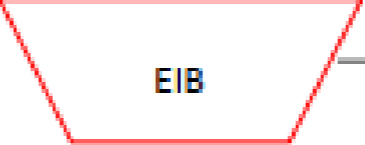
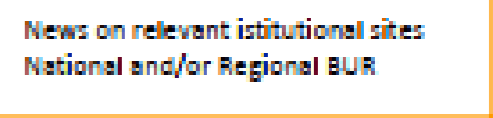

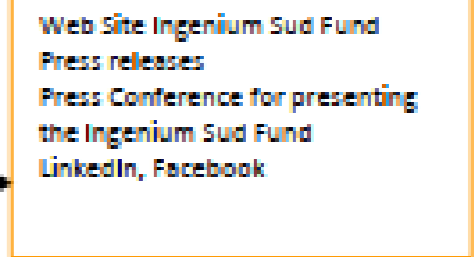
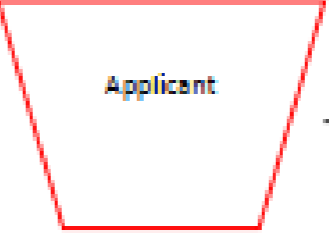
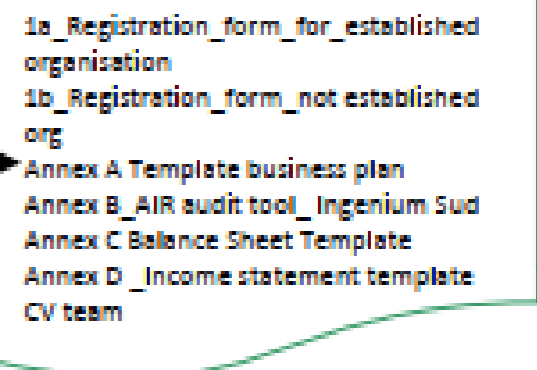
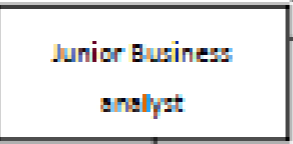
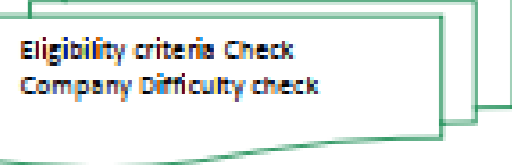
**Human Resources (HR) due diligence** focuses on the company's most vital asset: their employees. HR investigation aims to understand:

- The company's organizational structure
- Compensation and benefits
- Vacancies
- Union contracts (if applicable)
- Any types of harassment disputes or wrongful terminations

**INTERNAL CONTROL MONITORING AND REPORTING SYSTEM INGENIUM FUND FLOW CHART**

Legenda



Process	Management Team	Entrusted Entity	Final recipient	Output
Communication Activities				
Communication Activities				
Preparation of the registration forms and related annexes plus guidelines				
Registration form and related annexes received for checking and controlling the eligibility criteria				



Legenda



Decision



Complex task



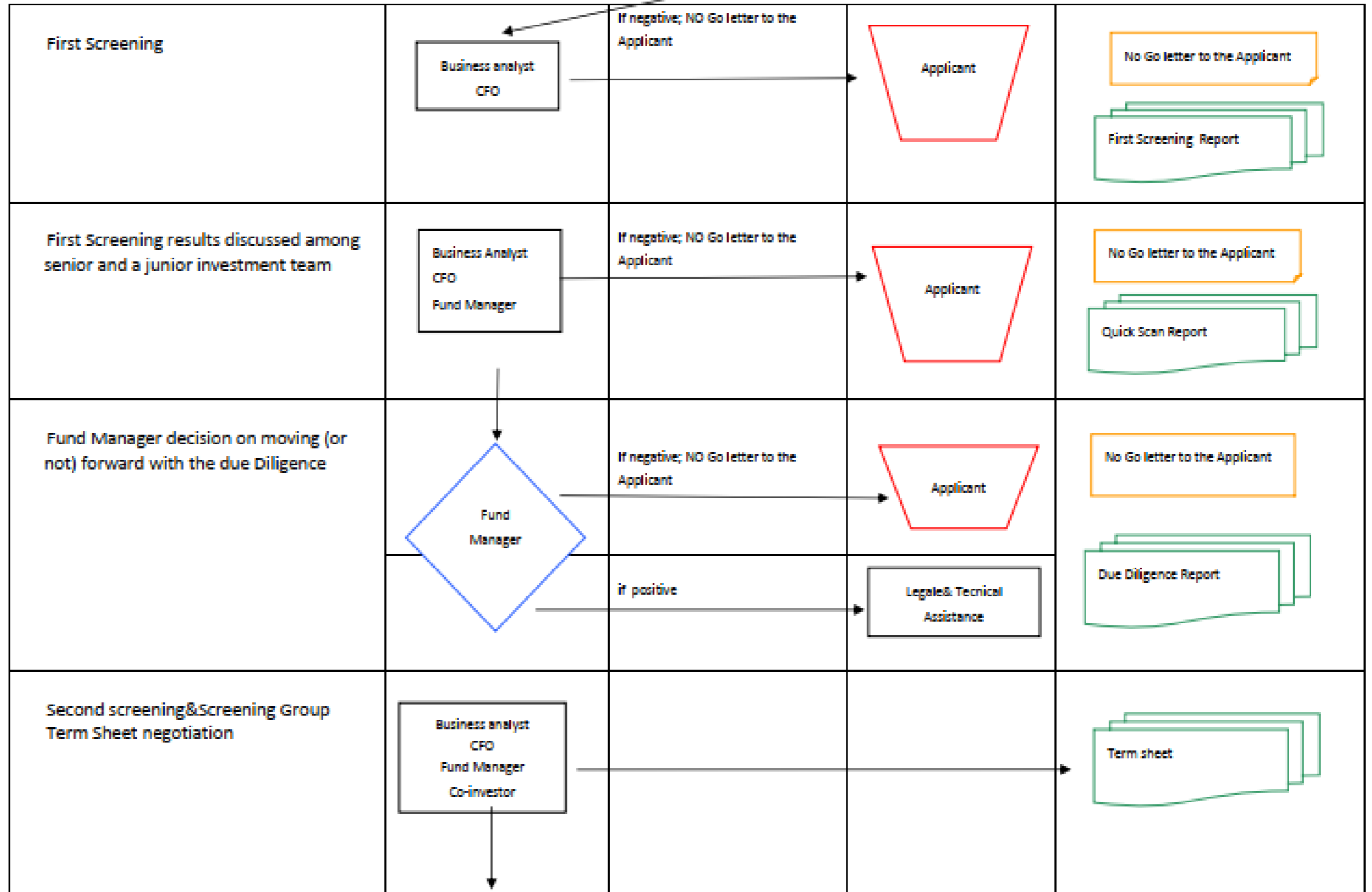
Report



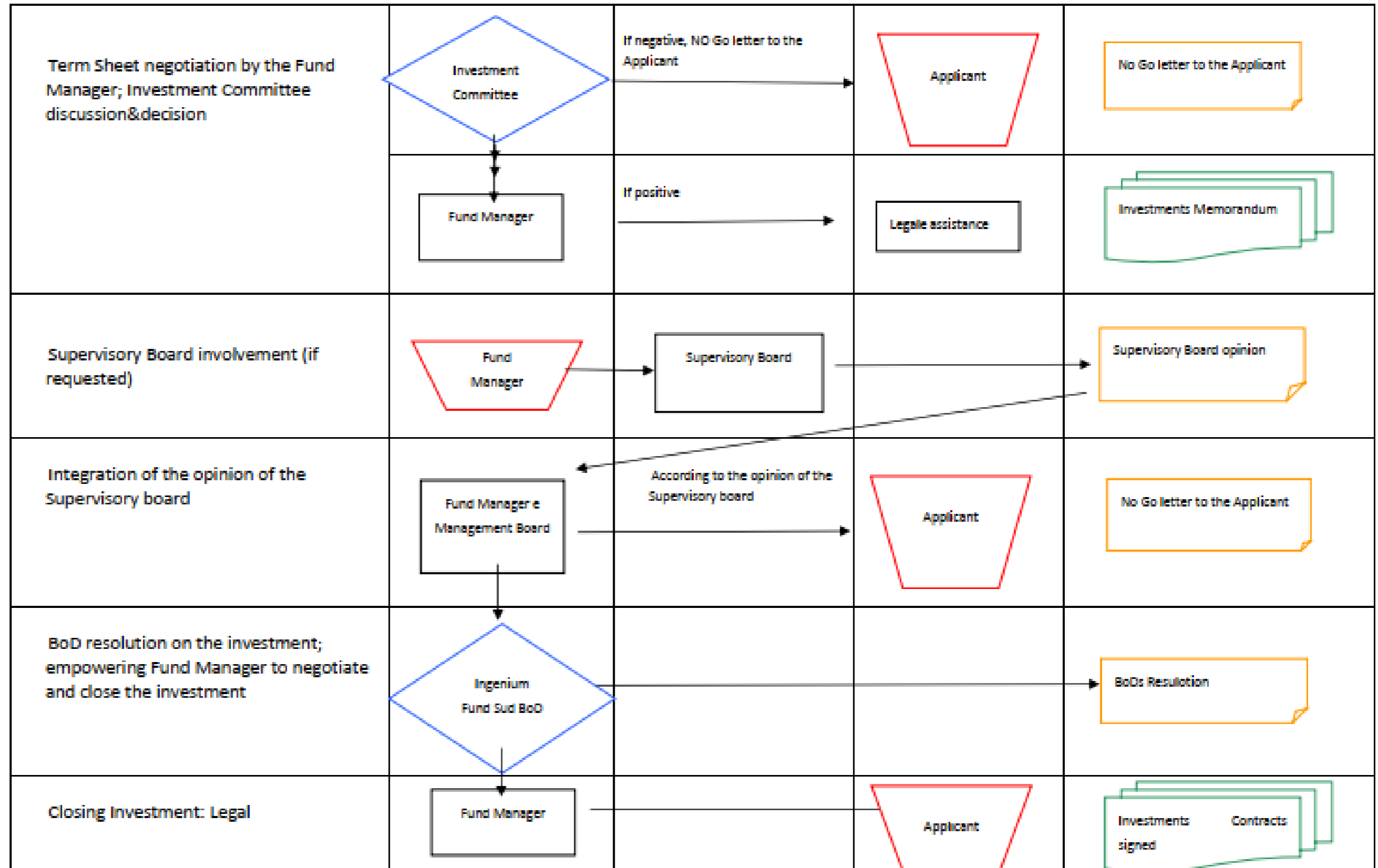
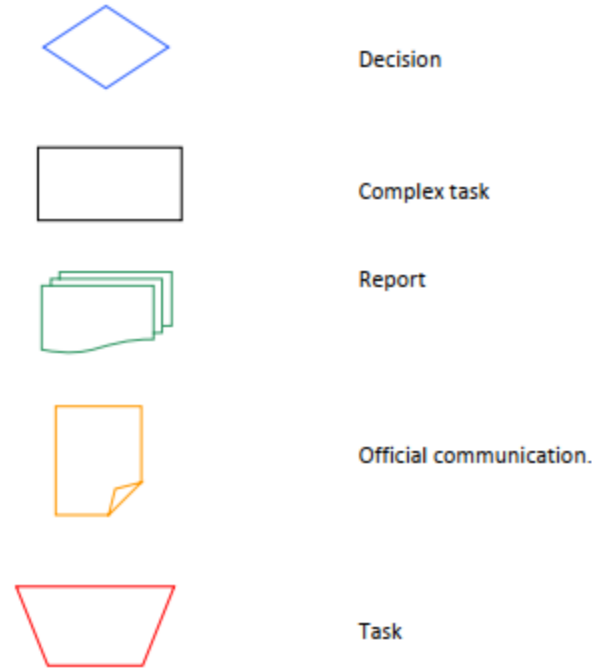
Official communication.



Task



Legenda



Legenda



Decision



Complex task



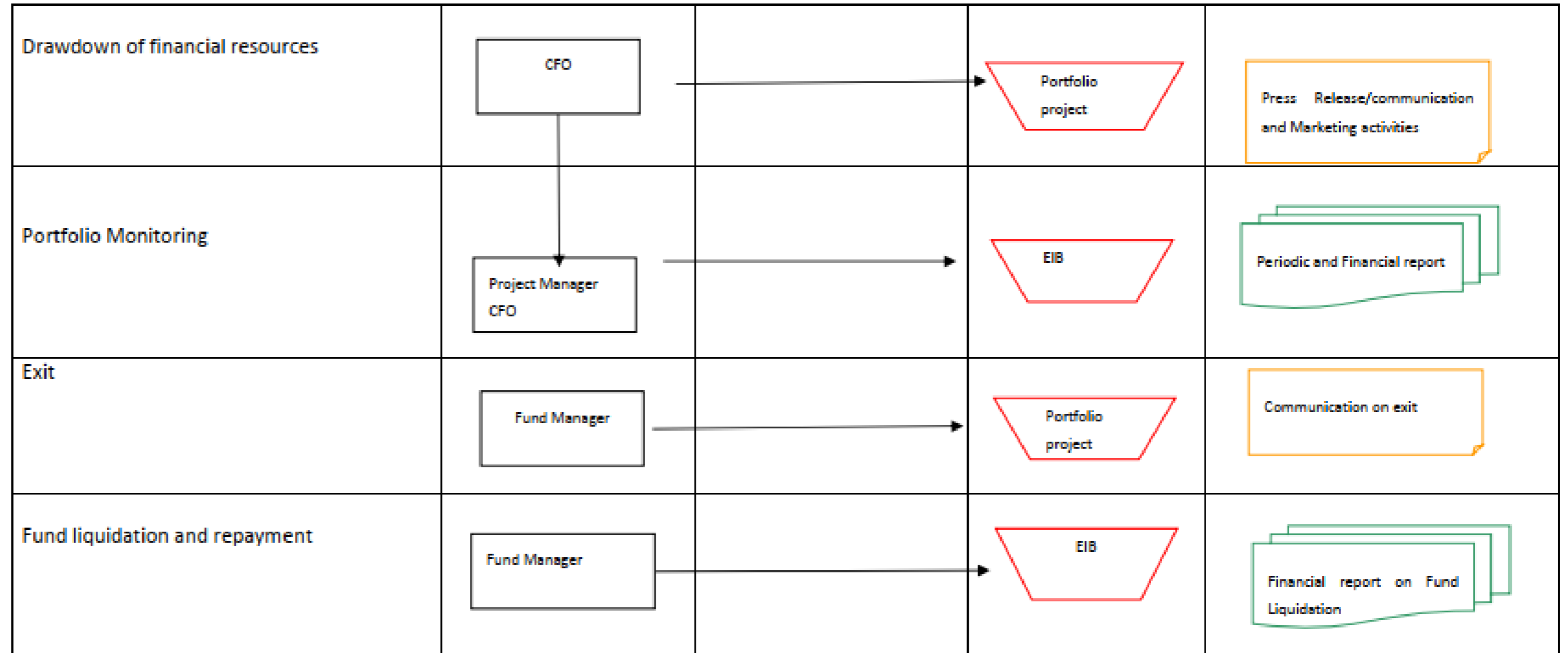
Report



Official communication.



Task





**Please take a break of 15 minutes**

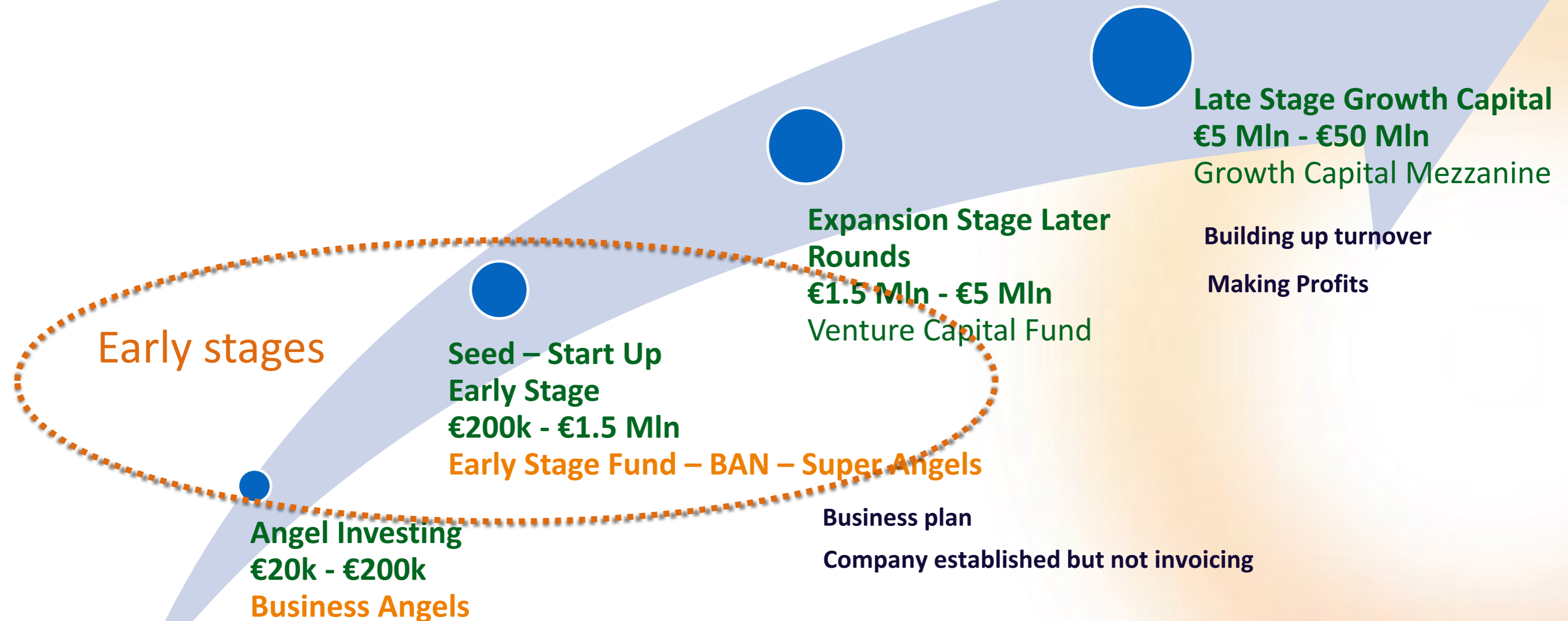
# How the seed investors (BAs& VC) evaluates



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# DEMAND & SUPPLY OF RISK CAPITAL MONEY: different players

## Investment stages and actors



Different approach for assessing the business

# THE EARLY-STAGE RISK CAPITAL INVESTORS

## Business Angels



- High Net Worth Individuals (HNWI)
- Entrepeneurs with financial means

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

*(Tip: if more than 1 BA is willing to invest, ask for SPV!)*

## Seed and VC funds

- Financial Intermediaries specialized in risk capital investing into start-ups





## WHY DO BAs INVEST INTO START UPS?

- They are (or were) entrepreneurs willing to invest into technology based business they are familiar to make the business successful (and themselves happy!!)
- They invest only a certain percentage of their financial means into a single company to reduce risk
- They are keen to support the local development



**But all of them want to support entrepreneurship among young people!**





## HOW BAs EVALUATE A START UP (AND WHAT THEY MAY ASK FOR)

### Evaluation

- Sometimes based on personal feeling
- According to market trends
- Pre-money around € 0,5 up to 2 millions
- Investment up to € 500k-1m

### Requests

- Around 10-60% of shares
- A managerial involvement
  - A seat into the BoD
  - A clear exit route



## BENEFITS (FOR THE START UPS)

- BA is familiar with the technology he/she is investing in and with possible related problems
- BA may help in the definition of the business model, in client and competitors identification of the target company
- BAs are often member of business Network which may provide access to new and /or additional clients



## SEED AND START UPS FUNDS

- The purpose is to earn money by investing where others can not / want to (because it is too risky)
- To avoid/reduce default, the team works closely with the start-up to
- Most funds acts locally, relying on its network, often without industrial specialization (with the exception of few funds specializes in biotech).
- They can support the target company trough further rounds of financing
- They invest up to 3-4 millions euro trough further rounds of financing
- **They DO NOT invest their own money...**

# FUNDS EVALUATION APPROACH

- Team (+)
- Market Growth potential (High)
- Clear Business model
- Availability of a clear exit route
- Return on investment (capital gain)



# FUNDS EVALUATION APPROACH

## MANAGEMENT TEAM

Is the management team experienced & well balanced? Is it fully committed and capable to bring money back to investors? Can the team execute the plan?

## MARKET

Is the market large enough and growing? Can the team scale it fast? What part (%) of the target can be taken by the company taking into consideration the competitive landscape? What about macroeconomic or regulatory trends?

## BUSINESS MODEL

Has the BM you are suggesting an attractive sizing and realistic return? Are you targeting the right customers? Do you have a scalable model?

## EXIT

What type of exit is the company targeting? How much money does the company need before the exit? Will it be profitable enough? Exit time?

## MANAGEMENT TEAM DUE DILIGENCE: A KEY FACTOR (for early stage investors)

**The management team** is a key factor in the success or failure of any investment, especially at the early stage.

The team is entrusted with executing the investor's value-creation plan ahead of a successful exit and having the wrong leaders can create huge delays or take the company to the failure.

Examples are:

- If the company's growth is based on technology adoption, you should be asking how literate the management are with technology and implementing change;
- if the company's growth is based on entering new markets and geographical expansion, you will want to know the management team have a successful track record in this area.

**These considerations are the basis of ensuring you have the right team for the job at the right time**

### **Note:**

1. Investors prefer to invest in top people with a second-class idea, rather than the other way around.
2. Management behaviour and integrity can be more important than competences

# HOW FUNDS EVALUATE A START UP AND WHAT THEY MAY ASK FOR

## Evaluation

- According to market trends and portfolio synergies
- Pre-money around € 0,5 up to 3 millions
- Investment up to € 3m (per milestone and more rounds)

## Requests

- Around 20-49% of shares
  - A seat into the BoD
- Drag/liquidation /governance rules to protect their minority position
  - A clear exit route
  - High IRR

# EQUITY INVESTMENT FUND

Limited Partners (investors)

General Partner

VENTURE CAPITAL FUND

SEED FINANCING

START UP FINANCING

EXPANSION FINANCING

TARGET COMPANIES



# Metrics which matter for investors



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# IDEAS ARE COMMODITIES, EXECUTION IS NOT



You need a data drive-approach to succeed with your business idea

## REASONS FOR TRACKING METRICS

Your business needs data the way it needs funding.

Every business, no matter what stage of development it's in, needs a means to collect, analyse, and interpret relevant data.

KPIs, Metrics and Analytics are significant in making informed decisions on various aspects including business scalability and product/service specifications.

Startup Analytics, specifically, are most helpful to early-stage startups to **prove market traction and growth potential to investors.**

## REASONS FOR TRACKING METRICS – Founding team

- Focus on your execution.
- Be Coherent.
- Iterate/pivot based on findings, not just gut feeling.
- Have a clear and profitable goal.

## REASONS FOR TRACKING METRICS – Investors

- Assess whether know what you are doing.
- Know more about the business.
- Reduce uncertainty.
- Evaluate the opportunity (current and future).

## KPIs vs METRICS (1)

- KPI: A Key Performance Indicator measures performance or progress based on specific business goals and objectives. A pivotal element to consider is the word "key", meaning they only track what is truly relevant for the company's strategic decisions.
- Metric: It is a quantitative measurement used to track the performance of specific business processes at an operational and tactical level. It helps provide context to the performance of key business goals but are not critical to its success like KPIs are.

## KPIs vs METRICS (2)

### > KPIs

- > Measure progress towards key business goals.
- > They have a high-level perspective.
- > They are relevant across different departments.
- > Used for strategic decision-making.

### > Metrics

- > Measure performance of specific business activities or process.
- > They have a lower level perspective.
- > They are relevant for specific departments or business areas.
- > Tend to be operational or tactical.

## KPIs vs METRICS (3) - Example

- **KPI: Increasing sales by 20% by the end of the year.**
- A big goal like the one of sales growth is relevant for various departments across a business such as management, sales, marketing, and production. Each of these departments will track its own metrics to understand how their activities are contributing to the general goal.
- Which could be some metrics you would track for reaching the KPI?



## GOOD METRIC

Understandable

- If you are busy explaining the data, you won't be busy acting on it

Comparative

- Active users vs Active users/month

A ratio or rate

- % Monthly active users

Behavior changing

- You know how you'll change your business based on what the metrics tell you

## Metrics – Golden rule formula

# Metrics

=

# $f_{(\text{type, stage})}$ business

- B2B, B2C, B2B2C
- Retail, Banking, Internet, Media Biotech, etc.

- Proto – MVP
- Comercially available (with REVENUE)
- Expansion, etc.

## NINE «VERTICALS» BASED ON COMMON BUSINESS MODELS, NOT INDUSTRY!

ENTERPRISE

SAAS

USAGE-BASED

SUBSCRIPTION

TRANSACTIONAL

MARKETPLACE

E-COMMERCE

ADVERTISING

HARDWARE

## ENTERPRISE (1)

- An **enterprise** company sells service or software to other businesses on a single-license basis. These contracts have fixed terms, designed contract values, and come up for renewal at the end of the term.
- Examples: Microsoft (Cloud solutions, Office, etc.).

METRIC	DEFINITION
Bookings	Sum of value of all customers contracts (LoI and verbal agreements are not bookings!)
Total customers	Total number of unique contracted customers today
Revenue	Revenue is recognized when the service is actually provided or ratably over the life of the agreement

## ENTERPRISE (2)

### > Common mistakes:

- > Don't use Bookings and Revenue, or Bookings and ACV (Annual Contract Value), interchangeably.
- > Don't include letters of intent (LOIs) and verbal agreement in bookings → they are not yet bookings!

## SaaS (1)

- A SaaS (Software as a Service) company sells subscription-based licenses for cloud-hosted software solution.
- Examples: Dropbox.

METRIC	DEFINITION
MMR (Monthly Recurring Revenue)	Revenue recognized for recurring services rendered in a given month (does not include one-time or non-recurring revenue such as fees and professional services revenue)
ARR (Annual Recurring Revenue)	Measure of revenue components that are recurring in nature on an annual basis (ARR = MRR *12)
Gross MRR Churn	Monthly recurring revenue lost in a given month/monthly recurring revenue at the beginning of the month.
PAID CAC	Cost per customer acquired through paid marketing channels (total sales and marketing spend in a given month/ total customers acquired via paid channels in a given month)

## SaaS (2)

### > Common mistakes:

- > Don't use Annual Recurring Revenue (ARR) and Annual Revenue Run-rate, interchangeably.
  - > Multiplying one month's all-in revenue by 12 = Annual Run-rate no AAR.
- > Don't include one-time or not-recurring revenue such as fees and professional services revenue in your monthly recurring revenue (MRR) calculation → only include recurring revenue

## SUBSCRIPTION (1)

- > A **subscription** company sells a product or a service, usually to a consumer, on a recurring basis.
- > Examples: Netflix

METRIC	DEFINITION
MMR (Monthly Recurring Revenue)	Revenue recognized for recurring services rendered in a given month (does not include one-time or non-recurring revenue such as fees and professional services revenue)
MRR CMGR (Compound Monthly Growth Rate)	Implied compounded monthly MRR growth rate between two disparate months [CMGR = (latest month MRR/ first month MRR) ^ (1/# of months) -1]
Gross User Churn	Total lost customers (cancelled subscriptions) in a given period / prior period total customers.
PAID CAC	Cost per customer acquired through paid marketing channels (total sales and marketing spend in a given month/ total customers acquired via paid channels in a given month)



## SUBSCRIPTION (2)

➤ Common mistakes:

- Don't measure CMGR as a simple average of discrete monthly growth rates -> use right CMGR formula!

## TRANSACTIONAL (1)

- A transactional company enables a financial transaction on behalf of a customer and collects a fee (usually a percent of the underlying transaction).
- Examples: Stripe, PayPal, Coinbase, Brex

METRIC	DEFINITION
Gross Transaction Volume	Total sales or payment euro volume transacted in a given period
Net revenue	The portion of GTV that the company recognizes as revenue for services rendered
User retention	Percent of customers who go on the make at least one purchase in month 2 (note: this is a cohort metric).
Paid CAC	Cost per customer acquired through paid marketing channels (total sales and marketing spend in a given month/ total customers acquired via paid channels in a given month)

## TRANSACTIONAL (2)

### > Common mistakes:

- > Gross Transactional Volume and revenue are NOT the same thing → revenues = the €'s you keep!
- > User retention is a cohort\* metric, meaning it is re-calculated to include each new cohort acquired
- \*Cohort= a group of customers acquired withing a given period of time (usually a 28-day “month”).
- \* Retention can be calculated on a month 2, month 6, month 12 basis (depending on your business model)

## MARKETPLACE (1)

- A marketplace company acts as an intermediary in the sale of a good or service between sellers and buyers, generally collecting a percentage of the total transaction value.
- Examples: Airbnb and eBay

METRIC	DEFINITION
GMV (Gross Merchandise Value)	Total sales dollar volume of merchandise transacted in a given period
Net Revenue	The portion of GMV that the company recognizes as revenue for services rendered
Net Revenue CMGR (Compound Monthly Growth Rate)	Implied compounded monthly net revenue growth rate between two disparate months [CMGR = (latest month MRR/ first month MRR) ^ (1/# of months) -1]
User retention	Percent of customers who go on the make at least one purchase in month 2 (note: this is a cohort metric).
Paid CAC	Cost per customer acquired through paid marketing channels (total sales and marketing spend in a given month/ total customers acquired via paid channels in a given month)

## MARKETPLACE (2)

- Common mistakes:

- Paid CAC: failing to include all costs associated w/user acquisition such as referral incentives, discounts, credits, etc.

## E-COMMERCE (1)

- An e-commerce company sells physical goods online. Generally, e-commerce companies manufacture and inventory those goods.
- Examples: Hawkers.

METRIC	DEFINITION
Monthly revenue	Total revenue in a given month
Revenue CMGR (Compound Monthly Growth Rate)	Implied compounded monthly revenue growth rate between two disparate months [CMGR = (latest month MRR/ first month MRR) ^ (1/# of months) -1]
Gross margin	Gross profit in a given month/ total revenue in the same month (gross profit equals total revenue less cost of sales and goods sold)
Paid CAC	Cost per customer acquired through paid marketing channels (total sales and marketing spend in a given month/ total customers acquired via paid channels in a given month)

## E-COMMERCE (2)

- Common mistakes:

- Gross profit: not breaking down all costs included and those excluded in gross profit calculations.

## ADVERTISING (1)

- An advertising company offers a free service to consumers and derives revenue entirely, or predominantly, from advertisers. Common advertising companies include social networks and content sites.
- Examples: Facebook and Twitter.

METRIC	DEFINITION
Daily active users (DAU)	Total number of unique users active in 24-hour day, averaged over a given period of time.
Monthly active users (MAU)	Total number of unique users active at least once in last 28-days.
Percent logged-in	Total monthly active users with a registered account («logged-in») divided by the total unique visitors (inclusive of both «logged-in» and «logged-out») during the same 28-day window.



## ADVERTISING (2)

- Common mistakes:

- Not defining what “active” means in the context of your business.

## HARDWARE (1)

- A hardware company sells physical devices to consumers or businesses.
- Examples: Fitbit and GoPro.

METRIC	DEFINITION
Monthly revenue	Total revenue in a given month
Revenue CMGR (Compound Monthly Growth Rate)	Implied compounded monthly revenue growth rate between two disparate months [CMGR = (latest month MRR/ first month MRR) ^ (1/# of months) -1]
Gross margin	Gross profit in a given month/ total revenue in the same month (gross profit equals total revenue less cost of sales and goods sold)
Paid CAC	Cost per customer acquired through paid marketing channels (total sales and marketing spend in a given month/ total customers acquired via paid channels in a given month)

## HARDWARE (2)

- Common mistakes:

- Gross profit: not breaking down all costs included and those excluded in gross profit calculations.



**Please take a break of 15 minutes**

# Interactive session: BOSAT



BIC Africa is funded by the European Union.

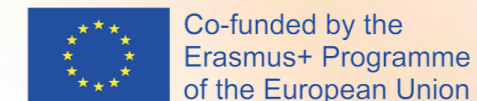
## Interactive session

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

# BOSAT – Business Opportunity Self-Assessment Tool

- Self-assessment represents an important step in the strategic process of evaluating the potential of business opportunities.
- The tool is addressed to students, researchers, entrepreneurs, one-person teams or consortiums to self-assess their projects, whether these are already developed and commercially available or are still in an ideation phase.

The tool was developed within BOSS project and co-funded by the ERASMUS+ Programme of the European Union



## BOSAT GOAL

- To measure the innovation maturity of business project.
- To measure the business opportunity potential of business project.
- To understand strengths and weaknesses related to the exploitation of projects' results.



# THE STRUCTURE

The tool is structured in six dimensions:

1. Technology.
2. Team.
3. Market.
4. Unique Value Proposition.
5. Intellectual Property.
6. Financials.

# TECHNOLOGY



- Technology is the backbone of your project.
- If you are willing to transfer it, it represents your main «product».
- If you are willing to start a business, it represents a crucial element around which you can build up a successful enterprise.
- 6 questions will help you to define the uniqueness, the positioning and the maturity of your technology.

# TEAM



- To properly develop your business opportunity, a team is crucial.
- 15 questions will inspire you to think about:
  - Your team development plan
  - How you intend to manage the team
  - Roles, skills and expertise needed to further develop your business opportunity

# MARKET



- Market is your playground, your main point of reference.
- Your main goal is to reach out to your potential customers and offer what they need.
- 11 questions on market analysis, marketing plan and market launch, will help you to understand the market readiness of your business opportunity.

# UNIQUE VALUE PROPOSITION



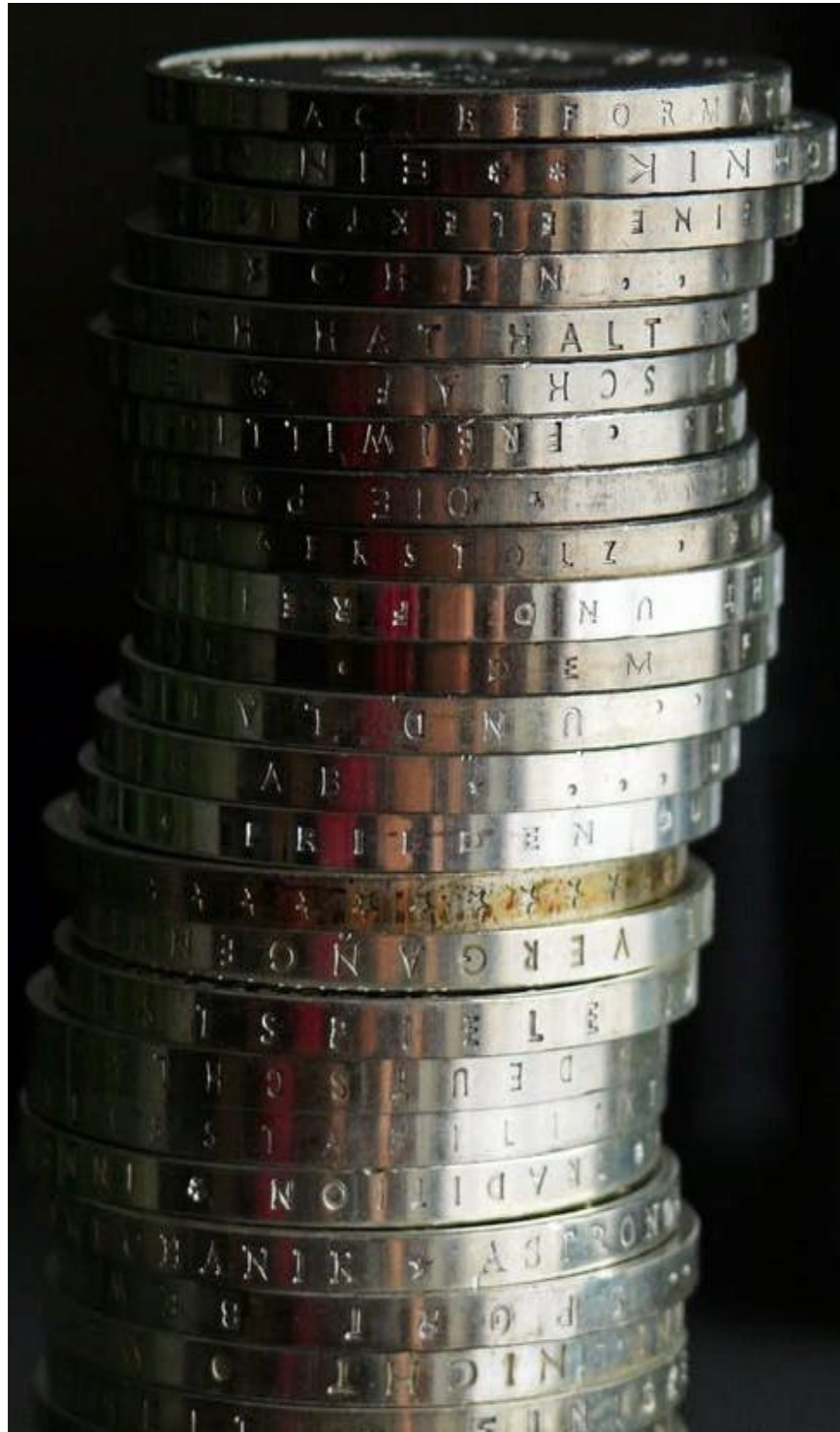
- Thanks to your Unique Value Proposition, you can:
  - Quantify the benefit of your offer
  - Understand how you solve your customer's needs
  - What distinguishes you from the competition
- 4 questions will help you to reflect about the added value of your business proposition.

# INTELLECTUAL PROPERTY



- Without an adequate protection of your intellectual property, your business opportunity is vulnerable, and the commercial potential of your technology hampered.
- 12 questions will support you to reflect on your IP rights strategy and on the risks related to IP rights.

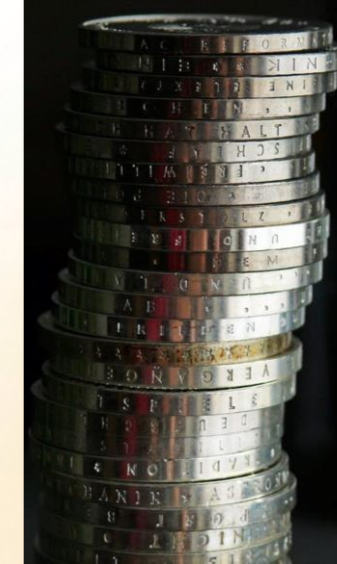
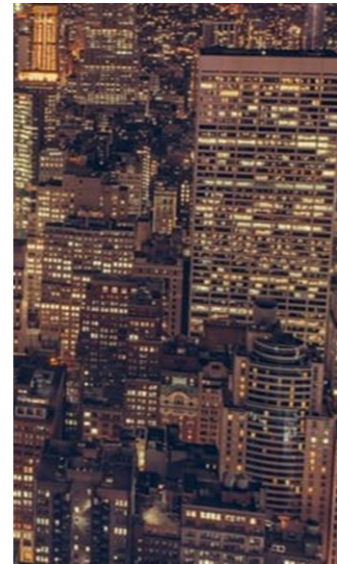
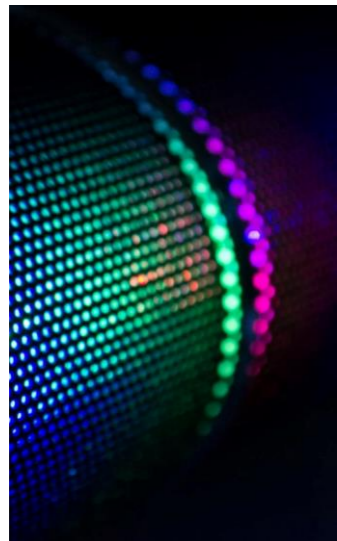
# FINANCIALS



- Being able to raise funds is paramount in order to implement your business opportunity.
- 11 questions will help you in assessing your expertise in raising funds, your access to funding and more in general your investor readiness.

## WRAP-UP

- The six dimensions represent the pillars of your business opportunity



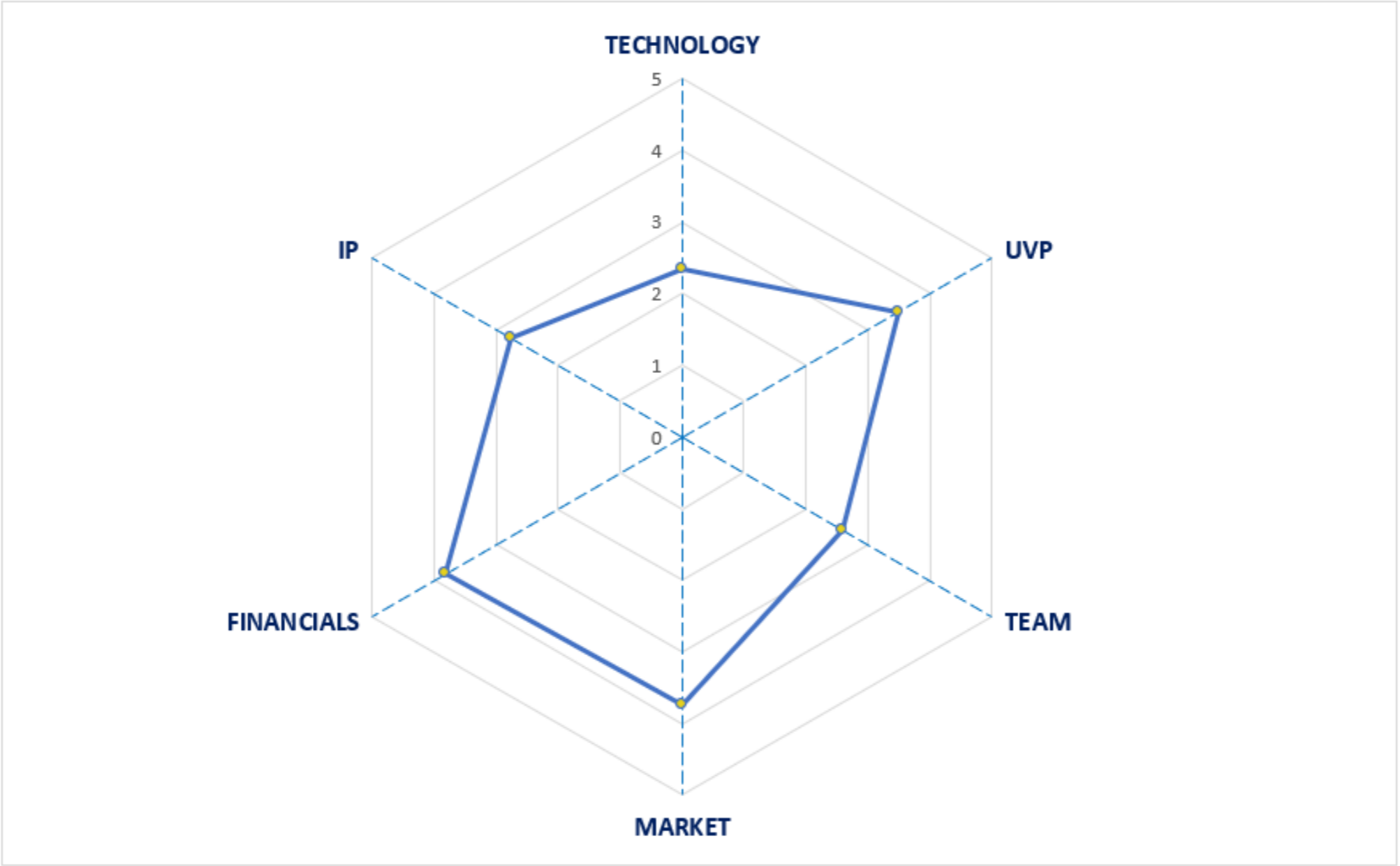
- Being able to detect strengths and weaknesses for each of them is key in order to fine-tune your business opportunity and consequently to develop an efficient and effective business model.
- For each of these dimensions a training material has been created, aimed at giving the user the conceptual framework in order to develop and implement an effective business opportunity.



## HOW IT WORKS

- There are a total of 59 questions:
  - 6 under Technology area.
  - 15 under Team area.
  - 11 under Market area.
  - 4 under UVP area.
  - 12 under IP area.
  - 11 under Financials.
- The scale of evaluation is from 1 to 5 (“not ready” – “ready”)
- Each question has 5 possible replies to which is linked a score from 1 to 5.
- After each question is replied, as an output there will be the spider graph which summary the “readiness” of the start-ups for each area.

# HOW IT WORKS



## INTERACTIVE SESSION

- A business case will be presented to the class (**10 minutes**).
- A first investment readiness assessment process will be presented to the class (**10 minutes**).
- Business case BOSAT presentation and gaps identification through an open discussion (**20 minutes**) – **document to be provided by the expert.**

# BUSINESS CASE BOSAT PRESENTATION AND GAPS IDENTIFICATION

## THE BUSINESS CASE

**PoC** - Baby wet wipes pioneer innovation: skin- and eco-friendly sustainability concept.

**Technology area** - Wet wipes manufacture

**Target market(s) sectors** - Baby wet wipes, baby consumables

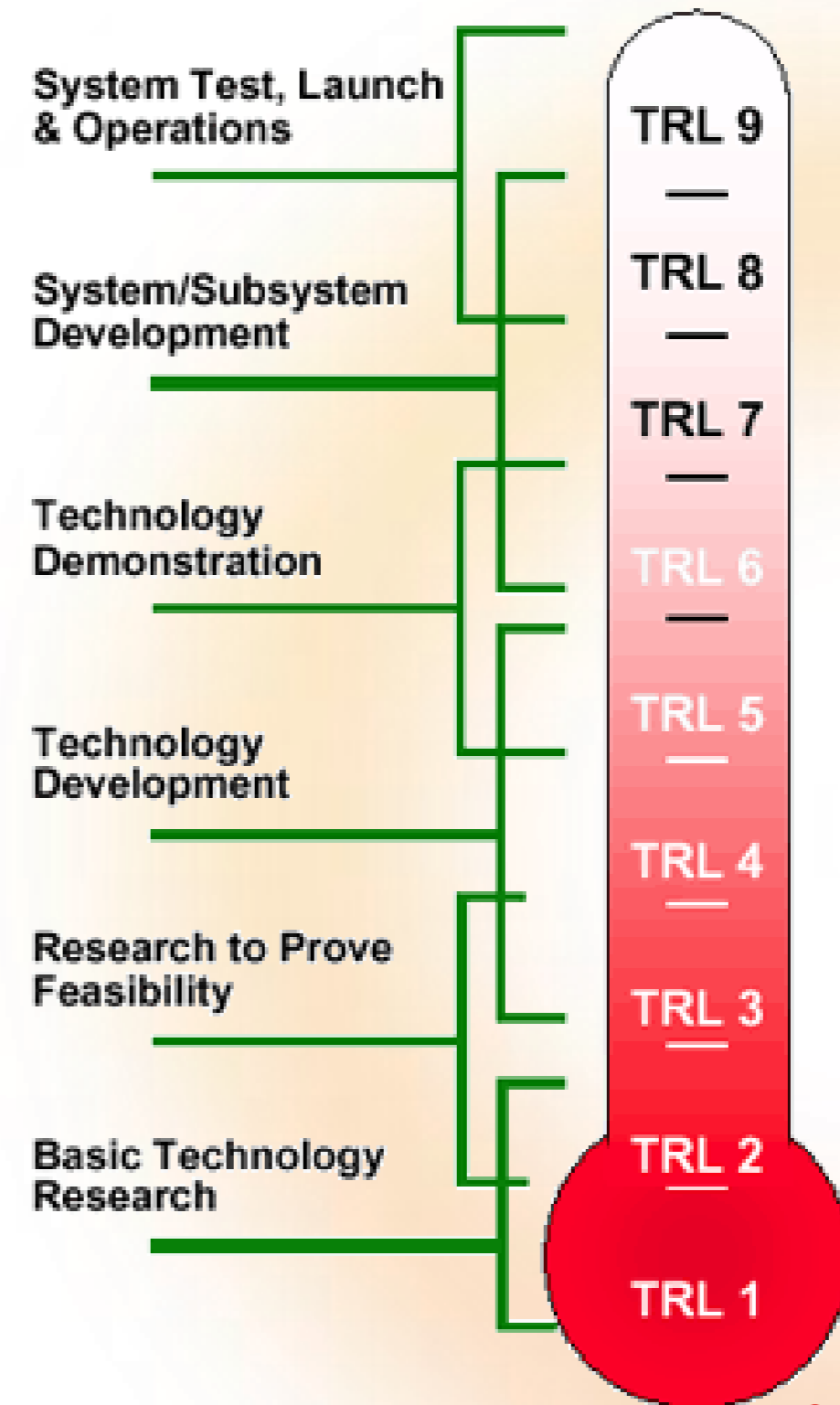


November 2022

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# THE BUSINESS CASE (2)

TRL 3 – Experimental proof of concept



## THE BUSINESS CASE (3)

**BENEFICIARIES' PROBLEMS:** Commercially available baby wipes' composition is based on dozens chemicals which compromise their safety for daily activities. Common baby tissues contain allergy-causing substances which usually initiating skin irritation and painful, red rashes.

**MARKET SIZE:** Wet tissues market continues to arise as one of the fastest-growing in recent years, even with this problematic issue in mind. Rough estimations indicate that between 7,300 and 9,125 baby tissues are used per year for a one-year-old baby.

## THE BUSINESS CASE (4)

**SOLUTION/TECHNOLOGY:** The ultimate goal of the project is to develop:

- Two different kind of baby wet tissues based on two different compositions containing only four 100% natural ingredients.
- Different packaging solutions based on source-reduced materials providing reasonable tissue life within the package and protecting from external factors.

**UVP (UNIQUE VALUE PROPOSITION):**

- Impeccable quality: skin-friendly effects such as anti-inflammatory, antibacterial and hypoallergenic.
- Price: reducing family costs in comparison to the corresponding organic alternatives.
- Reducing waste and protecting the environment: designed tissues shall have recyclable and eco-friendly packaging.



## THE BUSINESS CASE (5)

### TEAM:

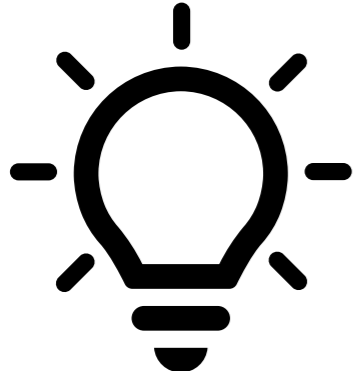
- Project leader – associate professor at Innovation Center of the Faculty of Chemistry. In parallel to the scientific activities, is recognized for her innovative acting through the participation in two national projects.
- Team member 1 – Researcher at Faculty of Chemistry with expertise in bio(in)organic chemistry, especially for water solution speciation of organic and inorganic compounds.
- Team member 2 – PhD student at Faculty of Chemistry.
- Team member 3 – Electronic engineer with experience in leading tech teams and developing products. He is working with small and medium companies in defining strategies to develop new business models.

# THE BUSINESS CASE (6)

## Roadmap:

1. Public procurements of raw materials.
2. Selection of acquired raw materials based analysing materials' features in depth. It is expected to select the components of the best quality, which will be safe and legal for the intended use.
3. Baby wipes manufacture.
4. Quality Control - to conduct all relevant safety tests regarding e.g. wipes stability.
5. Researching the quests of the market – collecting (with focus grouos) relevant data concerning market quests and marketing challenges.
6. Starting up a website, which will serve as an MVP to test the interest and willingness to buy the product from the end-users.
7. Attorney activities regarding IPR's issues.

# INVESTMENT READINESS ASSESSMENT PROCESS



**1 - BUSINESS IDEA GENERATION**



**3 - INVESTMENT READINESS SELF-ASSESSMENT (BOSAT)**



**5 - ROADMAP PRESENTATION**



**2 - BUSINESS IDEA PRESENTATION**



**4 - EXPERT REVIEW AND GAPS IDENTIFICATION**

## INVESTMENT READINESS ASSESSMENT PROCESS (2)

### SUGGESTIONS:

1. Ask only for the relevant information to evaluate the investment readiness of a business idea (e.g., avoid long explanation around the technology in this moment).
2. Use a self-assessment tool to understand the wannabe entrepreneur around her/his business idea.
3. Check the coherence between the business idea presentation and the results of the self-assessment tool.
4. The roadmap must indicate the actions to take to cover the gaps, you as expert identified.

**ANY QUESTIONS?**

**slido**



**In your opinion, which is a critical point in the technology?**

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



## In your opinion, which is a critical point in the technology?

Open text poll 9 responses 8 participants

- Anonymous  
Sustainability and environmental impact
- Anonymous  
Not knowing well about the existing technology for similar products
- Anonymous  
Is the Technology scalable??
- Anonymous  
Tested with early adopters
- Anonymous  
Meeting the required specification
- Anonymous  
Quality control
- Anonymous  
Artificial intelligence
- Anonymous  
Easy to copy and produce by R&D center
- Anonymous  
It's worrying that the technology can be copied easily

slido



**In your opinion, which is a critical point in the team?**





## In your opinion, which is a critical point in the team?

Open text poll 8 responses 7 participants

- Anonymous  
Performance measurement
- Anonymous  
Comerciallialize
- Anonymous  
Fund raising capability
- Anonymous  
Communicate each other
- Anonymous  
Not fully committed to the project
- Anonymous  
Less than 50% input from the team
- Anonymous  
The amount of time spend on the BO
- Anonymous  
The team flexibility

**slido**



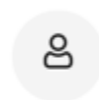
**In your opinion, which is a critical point in the market opportunity?**

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



## In your opinion, which is a critical point in the market opportunity?

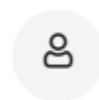
Open text poll 8 responses 7 participants



Anonymous  
Total available market (TAM)



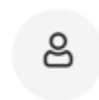
Anonymous  
Market gap and competitors analysis



Anonymous  
Expand the market at national level



Anonymous  
Requirements of our products and its availability



Anonymous  
Huge reliance on external consultants



Anonymous  
Research was done externally



Anonymous  
Presence of similar solution in the market



Anonymous  
Other existing solutions were not searched well enough

**slido**



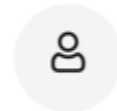
**In your opinion, which is a critical point in the unique value proposition?**

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

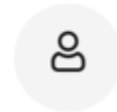


## In your opinion, which is a critical point in the unique value proposition?

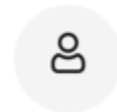
Open text poll  4 responses 4 participants



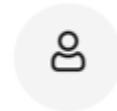
Anonymous  
VP internal validation vs external validation



Anonymous  
Qualitative and qualitative



Anonymous  
Not entirely clear how the product is unique indeed



Anonymous  
Not all relevant actors were identified

**slido**



**In your opinion, which is a critical point in the intellectual property?**

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



## In your opinion, which is a critical point in the intellectual property?

Open text poll 6 responses 5 participants

- Anonymous  
Patent
- Anonymous  
Copy right
- Anonymous  
Copycat
- Anonymous  
Legal protection
- Anonymous  
The type of IP
- Anonymous  
The status of BO

**slido**



**In your opinion, which is a critical point in the financials?**

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





## In your opinion, which is a critical point in the financials?

Open text poll 7 responses 4 participants

- Anonymous  
Amount of money for further commercialialize
- Anonymous  
Financial projection
- Anonymous  
Only development financial needs evaluated
- Anonymous  
Only having an internal estimation of business value
- Anonymous  
Action plan on fund utilization
- Anonymous  
Not all financial needs evaluated
- Anonymous  
Not having a business plan

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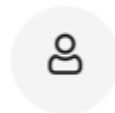
## Comments & recommendations

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

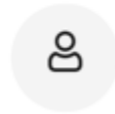


## Comments & recommendations

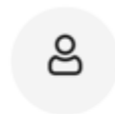
Open text poll  4 responses  4 participants



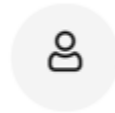
Anonymous  
Adapting



Anonymous  
Taking care of IP



Anonymous  
Financial documents preparation



Anonymous  
Increase the team commitment

# Thank you!

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