Top 5 Do’s and Don’ts
Seeking Angel Investment

ENET - SEEDING WITH ANGELS

11.6.18

JOHN HALLAL
My Journey
Seeking Angel Investment
#1 DO determine readiness

- Do you need or even want angel $$?
- Problem being solved/are existing solutions inadequate?
- Does your solution really differ from competition?
- Do you have traction? Prototype? Beta?
- Is this an “Angel Deal”?
  - 10x return in 5-7 years
  - Additional capital needs
## Financing for Start-Ups

Kaufman Foundation 2015

<table>
<thead>
<tr>
<th>Major Categories</th>
<th>Amount</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank and Other Loans</td>
<td>38,059</td>
<td>34.90%</td>
</tr>
<tr>
<td>Personal Savings</td>
<td>32,658</td>
<td>30.00%</td>
</tr>
<tr>
<td>Friends and Family</td>
<td>6,910</td>
<td>6.30%</td>
</tr>
<tr>
<td>Credit Cards</td>
<td>6,756</td>
<td>6.20%</td>
</tr>
<tr>
<td><strong>Angel Investors</strong></td>
<td>6,350</td>
<td>5.80%</td>
</tr>
<tr>
<td><strong>Venture Capital</strong></td>
<td>4,804</td>
<td>4.40%</td>
</tr>
<tr>
<td>Government Related</td>
<td>2,129</td>
<td>2.00%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>109,016</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
DO master your market

• KYC
• How large is addressable market – specific data?
• Determine how you will reach and acquire customers
  • Google AdWords
  • Direct Sales
  • Online Advertising
  • E-Retailer
• Address typical sales cycle
#3 **DO build a business model**

- Determine if you have a business or just a product
  - Few companies survive on one or two products (e.g., umbrella)

- Build financial pro forma
  - Sales/revenue projection
  - COGs/customer acquisition costs
  - Likely lifetime value of a customer
  - Calculate monthly burn
  - How long will the capital last?

*How Will You Make Money?*
DO understand use of funds

- Amount of raise/terms
- Identify use of proceeds
  - Sales and marketing
  - R&D
  - SG&A too high?
- What will you prove with the capital?
DO know your exit strategy

- Identify potential acquirers
  - Strategic v. Financial Buyers
- Identify market comps
- Be clear about value inflection points for selling
Top 5 Don’ts

#INNERSHAQ

No, NO, DON’T DO IT !!!
Top 5 Don’ts

1. Don’t have an unreasonable valuation
2. Don’t have a simple analysis about market penetration
3. Don’t underestimate customer acquisition issues or competition
4. Don’t expect easy or “dumb money”
5. Don’t give investors a 50-page plan to review. They don’t have the time.
Executive Summary and Deck

- Identify the problem
- Explain your solution
- Marketing and sales
  - (customer acquisition)
- Business model
  - How will you make money?
- Underlying magic/technology

- Competition
- Management team
- Projections and milestones
- Status and Timeline
- Exit (comps)

Practice, Practice, and Practice Some More
Thank you.

WINNERS ARE NOT PEOPLE WHO NEVER FAIL, BUT PEOPLE WHO NEVER QUIT

Entrepreneurs are willing to work 80 hours a week to avoid working 40 hours a week.
- Lori Greiner (Shark Tank)

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