

Approach to Funding

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Entrepreneurship comes in many forms

SOCIAL VENTURE COMPANY

- Goal is to fulfill a social need
- Has mission orientation
- Team needs to support mission
- Growth profile often one resource at a time
- Exit ...much harder to find fit

NORMAL GROWTH COMPANY

- Includes service businesses
- Exploiting a local market need
- Team has 'great jobs'
- Growth by adding resources one by one
- Exit will be based on value of cash flow (mature biz.)

HIGH GROWTH COMPANY

- Company can grow fast (on-line) or has a scalable system
- Team often motivated by exit
- \$7-10M revenue in 5 yrs & market size allows significant additional growth
- Capital efficient total investment \$2-4M
- Exit by M&A

EXTREME HIGH GROWTH COMPANY

- Growth profile ultra-scalable
- Team focus is exit
- Revenue \$40M+ with lots of room for growth (5 yr.)
- Based on \$20M+ investment
- Exit targeted to IPO or by 'large' M&A event

Match Funding Sources

SOCIAL VENTURE COMPANY**

- Friends family, founders
- Charity\$\$
- Crowd funding (Kickstarter, etc)
- Impact Angels
- Crowd funding (portal style)

** Funding similar to solo practitioners

NORMAL GROWTH COMPANY

- Friends, family, founders
- Debt, Bank, and other, (Cabbage, SAS, etc.)
- Crowd funding (portal style) (Future)

HIGH GROWTH COMPANY

- Angels
- Angel Groups
- Angel Group Syndication
- Angel List
- Micro-cap Funds
- (Future) Crowd funding (portal style)
- Increasingly Strategic Corporate VCs

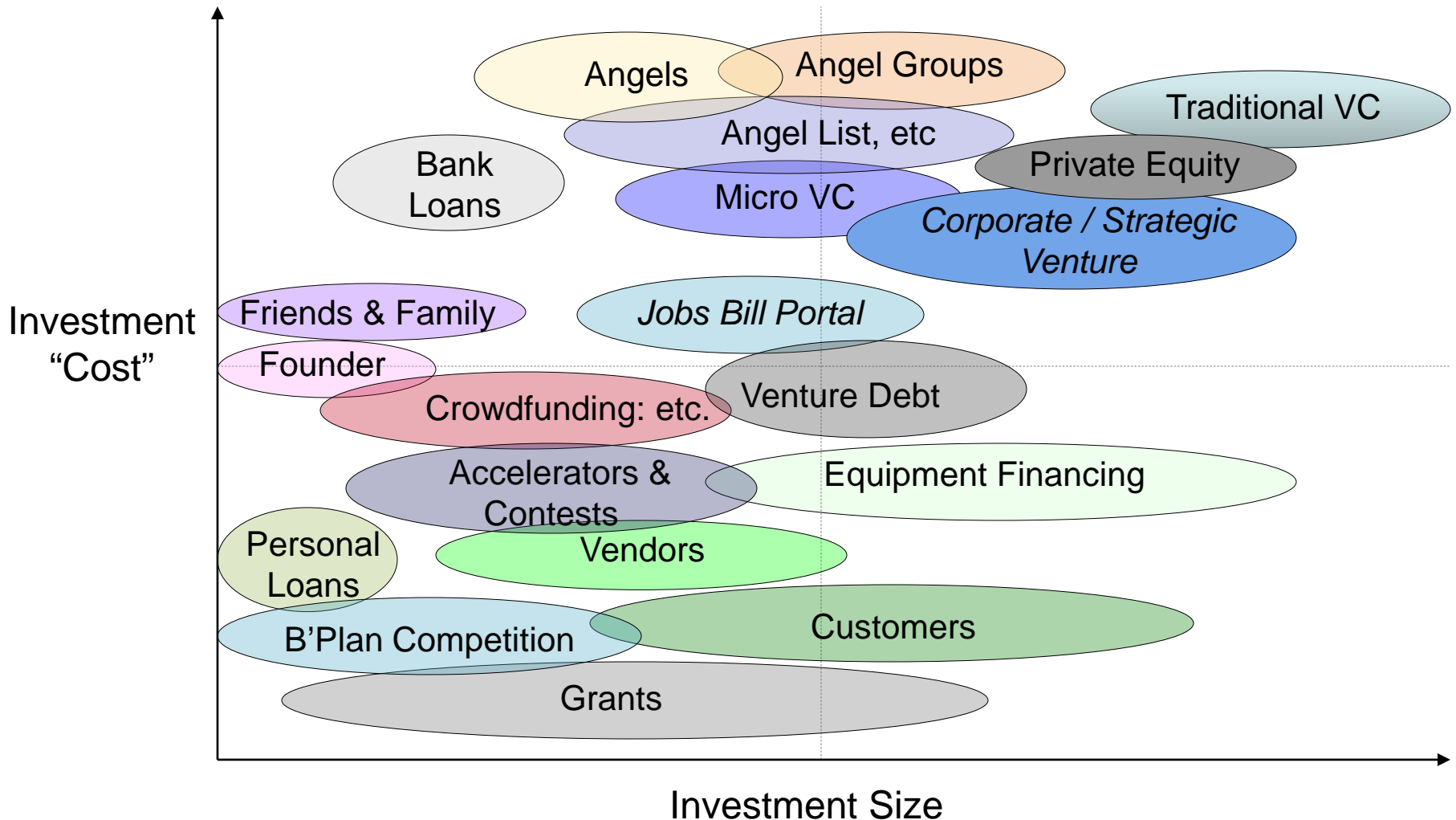
EXTREME HIGH GROWTH COMPANY

- Early on**
 - Accelerators
 - Individual Angels
 - Micro Cap VCs
 - Seed from VC
- Later stages**
 - Venture Funds
 - Strategic VCs
 - Angel Syndication

Equity Capital: Shared Upside (VC / Angels)

- Equity Capital requires an exit:
 - - M&A (most)
 - IPO & Private Equity
- VCs invest other people's money (from pension funds etc.)
 - Returns are measured on a per fund basis
 - Focus find the best & adding resources to aid success
 - ~\$33.2B annually, over 3,000 new investments 2014
- Angels invest own personal funds
 - Prefer capital efficient / early exit opportunities
 - ~\$24.1B annually, ~ 73,000 new investments 2014
 - Individual Angels
 - Angel Groups
 - Syndicates of Angels
 - Micro-VCs

Capital Sources: Size & Cost





What do Angels Fund?

- Early stage, high growth companies
 - \$10 - \$15 million in revenue in five years
- Product not services
 - Food and fashion generally not suitable for angel groups
- Companies with an opportunity to exit within 5-7 years generally through M&A
- Capital requirements: \$100K to \$10 million



Are you Ready for Funding?

- Stage of development
 - Concept (probably friends and family, maybe an individual angel)
 - Prototype (some angel group interest)
 - First revenues (lots of angel group interest)
- Team in place or identified
- Clear understanding of your capital requirements
- In depth understanding of your financials
- Executive summary and investor pitch ready
- References and diligence materials lined up

What Investors Want to Know

5 P's of investment

- Product – both differentiated technology or service and the market need and size
- Promotion – market entry plan and cost of marketing
- Profits – a business model that has margins and distributions costs that are profitable
- People – a team to meet the needs of the business
- Plan – good idea of the steps needed to create a repeatable business model

Key concepts to convey:

- *What our potential customers are saying to us*
- *How we plan to run a series of market entry tests*
- *How the team matches the needs of the business*
- *How we will scale against a repeatable business model*

First Time Entrepreneurs

- Without a startup track record, funding can be a challenge
 - Later stage because of risk
- Moving from negative to positive
 - Communicate relevant experience
 - Hire a compelling management team
 - Surround yourself with experts
 - Show us some milestone accomplishments
- Don't ask us to take a leap of faith – show us how you are going to be successful

Creating an Effective Investor Deck (10 Slides)

1. What problem are you solving?
2. What is your solution to the problem?
3. Who has this problem?
4. What do these people do now to solve the problem? How is your solution better in ways that matter to your customers / you can defend from your competitors?
5. How are you going to attract customers and how much will it cost?
6. How are you going to generate revenue?
7. Who is on your team and why have you chosen them?
8. How much money do you need and why?
9. How do you intend to give investors a return on their investment?
10. Summary: Why should we invest?

Compare what makes it and what doesn't

Factors	Companies getting angel investment	Companies that don't
CEO	Some experience or 'coachable' wants listen	CEO talks about him or her 'expertise' forever
Team	Enthusiastic! pretty good match to required skills	One person, says no one will work without \$\$
Unique	A neat idea, could be big	Seems 'me too'
Stage	Lots done, working code, just needs mkt. entry \$\$	Idea and ppt., or a complex science project, or "old"
Market size, str.	Market is big and can be reached	Market is huge or Market extremely fragmented
Total investment	Cashflow breakeven known, Can use more \$\$	Needs \$10-20M more after this round
Valuation	Willing discuss a range of values & funding strategies	Is fixated on a very unrealistic high value

What are the Initial Materials You Need?

- Business Summary: 2 to 5 pages with financial summary
- 10 to 20 slide pitch deck with a backup side for every serious question
- 5 to 8 page market (size and structure) summary
- Integrated financial model
- 30 second elevator pitch
- 1-2 minute tell me more / meeting request pitch
(write a business plan for yourself)



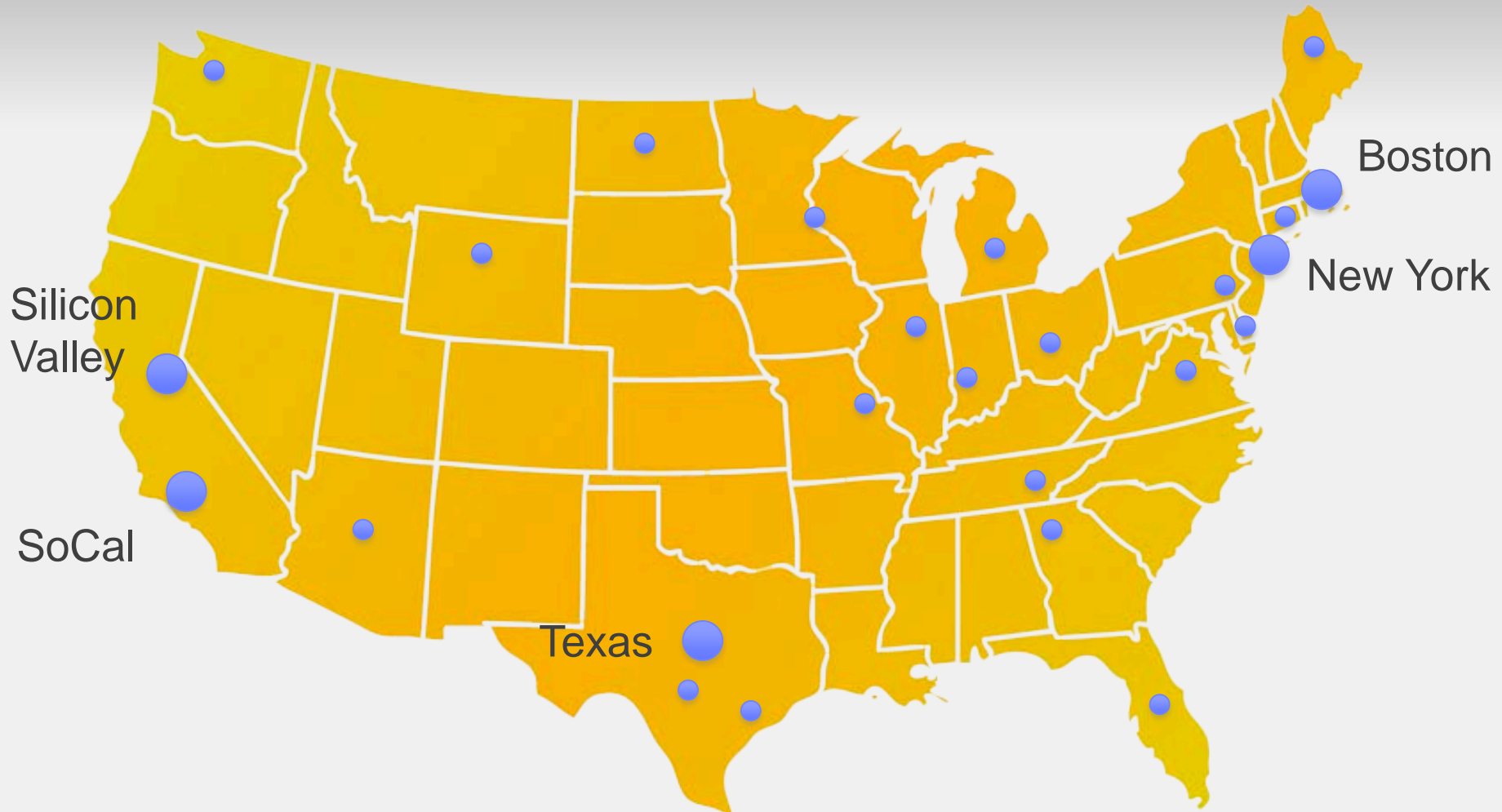
Golden Seeds

- One of ~26 **angel groups** in New England
- Mission driven: Golden Seeds is an investment firm that pursues above market returns through the empowerment of women entrepreneurs and the people who invest in them. Translation – we invest in diverse teams with one female entrepreneur who holds a significant equity stake.
- Founded in 2004
 - Forums in New York, Boston, Silicon Valley, Dallas, and SoCal
 - One of the largest Angel groups in the USA
- Hybrid: Network plus Funds
- Boston office meets 10x a year to look at company pitches; at each meeting we see 3-4 companies

Golden Seeds Progress

- Evaluated over 2400 companies
- Invested \$75+M in 72 companies (3%)
- \$11+M invested in 2014
- Nearly 275 active members nationwide (84% women)
- 30 Golden Seeds members are board directors
- Members invest in companies and participate in due diligence
- Golden Seeds VC funds greatly increase capital invested
- Top 10 (number of deals) angel group by ARI Halo Report

Nationwide Membership Organization



Over 275 Members in 22 States, Five Chapters



The Golden Seeds Environment

We offer entrepreneurs

- Opportunity for funding
- Mentoring
- Access to the Golden Seeds members and their networks
- Constructive feedback – always

Our Approach

- Seek high-potential, scalable companies
- Rigorous due-diligence
- Deep involvement in our companies – board, advisors
- High use of members' expertise

Closing Thoughts...

Leverage the Entrepreneurial Community in Boston!

- Greenhorn Connect**
- The Capital Network (TCN)**
- SheEOs**
- Etc.**

- FIND A CHAMPION!!!!!!!!!!**

