

Investor Guidance on Business Plans & Presentations

~ Product & Market Considerations ~

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General Partner



Topics

- Introduction
- Product & market considerations
 - Product
 - Market
 - Business model
 - Competition
- General observations



About Castile Ventures

- Early-stage VC investing in emerging technology companies
 - Seed through first expansion round (A's, B's & C's)
 - \$5 -10m per company (typical initial investment \$2 - 5M)
 - Leads or co-leads most investments
- Founded in 1998; three funds under management
- Distinguished by:
 - Right-sized to back early-stage companies
 - Deep sector and business-building experience
 - High degree of value-added support
 - Lasting relationships with entrepreneurs



Sample Investments



Sonus
NETWORKS

(NASDAQ: SONS)

Ahura Scientific

Network **Intelligence**[™]
CORPORATION
(Acq'd. by EMC)



Brix[™]
Networks

(Acq'd. by EXFO)

TRAPEZE
smart mobile.
(Acq'd. by Belden)

QUANTIVA
(Acq'd. by NetScout)


GeoTrust[™]
(Acq'd. by VeriSign)

 **FUNAMBOL**



 **SilverStorm**
TECHNOLOGIES[™]
(Acq'd. by QLogic)


STARGUS
(Acq'd. by C-COR)


whaleback
SYSTEMS[™]

 **RatePoint**sm
Reputation is Everything

CHOSEN SECURITY
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Roger Walton

- Investment focus on advanced computing, component and subsystems, and innovation enabled services
- Investments include Neah Power (OTC BB: NPWS), North End Technologies, Quantiva (acquired by NetScout), Sandbridge Technologies, Stargus (acquired by C-COR) & Whaleback Systems
- Prior to joining Castile Ventures
 - Ovum, IT analyst
 - Netlink, VP of Marketing
 - Cabletron, Motorola and Octocom Systems
- Oxford University
 - MA in Mathematics



Product Considerations

- What is your product?
- What big problem do you solve? (Or what big new opportunity do you create?)
- What does it cost?
- Who will buy it?
- What is the cost justification?
- Why is your product compelling?



Market Considerations

- What is your market? Initial & over time?
- How big is it? Will it be? (Top down & bottom up)
- Is there a particular market window?
- Who are the current & potential market players?
- Who has a stake in your success?
- How will you gain access to the market?



Business Model

- How will you make money?
 - Product sale/one-time license?
 - Recurring fees?
 - Secondary services?
 - Advertising?
 - Other?
- Considerations:
 - Customer acquisition and support cost
 - Margin share with distribution & support partners
 - Churn
- Where do you fit in the value chain?
 - Can you build a stand-alone business?



Competition

- What form does your competition take?
 - Direct alternative?
 - Indirect alternative?
 - Potential new entrant?
 - Do nothing?
- Where will you win?
- Why will you win?
- Do you bring sustainable differentiation?
 - E.g. rooted in proprietary technology, expertise etc.
 - Why are you uniquely qualified?



Common Omissions & Problems

- What do these guys do?
 - Not clear exactly what you do
 - Not clear who wants it or why
- Why you?
 - Not clear how your background fits you to your business
- Competition avoided or dismissed
- Unconvincing financial plan
 - Not clear how you generate revenue
 - Unrealistic projections
 - Overly-conservative or hedged projections