

# Funding Sources

Before you can get funded,  
you have to know  
***where to look***

Before you know where to look,  
you need to understand  
***what you are***

# Entrepreneurship comes in many types

## 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 all 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

# What Type of Company Are You?

- In many cases the nature of the business decides the type of company ...
- In others, changing how you bring the product to market can really affect the cost of scaling and the funding requirements
  - Example: license new battery technology to existing players vs build a battery company with outsource manufacturing or build a manufacturer
- Every company's financing path is unique
- Funding comes in distinct flavors; all financial partners are specialists

# Match Funding Sources

## SOCIAL VENTURE COMPANY

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

## NORMAL GROWTH COMPANY

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

## 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

# Debt Capital

- Funding based on a set schedule of principal and interest payments that provide a fixed return for the lender. Availability may be based on asset value or cash flow or personal guarantee
- Sources:
  - Personal Loans – Friends/Family
  - Bank Loans
  - SBA Loans
  - Expect debt classes from Jobs Bill crowd funding portals
  - Credit Cards

## Equity Capital: Shared Upside (VC / Angels)

- Requires an exit:
  - IPO & Private Equity
  - M&A (most)
- VCs invest other people's money
  - Returns are measured on a per fund basis
  - Focus find the best & adding resources to aid success
  - ~\$26.5B annually, ~ 3,700 new investments 2012
- Angels invest own money
  - Prefer capital efficient / early exit opportunities
  - ~\$23B annually, ~ 67,000 new investments 2012
  - 26 New England

# Alternative Sources of Capital

- Business Plan Competitions and Accelerators
  - Many firms gain enough for some product completion
- Revenue – Best of all (**Bootstrapping**)
  - Revenue history opens more fundraising opportunities
  - Pre-payments, etc.
- Vendors, partners and customers
  - Including NRE to build joint product
  - Great source of quick capital for marketing or sales collaboration
- SBIR Grants
  - ~\$2 Billion department specific funding
  - 2 or 3 ‘research’ calls from each department each year, must be used for research ... then you commercialize with other funding
- Other government funding
  - i.e. Mass Life Science & Sustainable Energy, Mass Growth Capital –loans or convertible notes



# Capital Sources: Size & Cost

