



IEEE- ENET Boston Entrepreneurs' Network

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JPH-Associates

Golden Seeds, Hub, Launchpad

Active Angel Investor

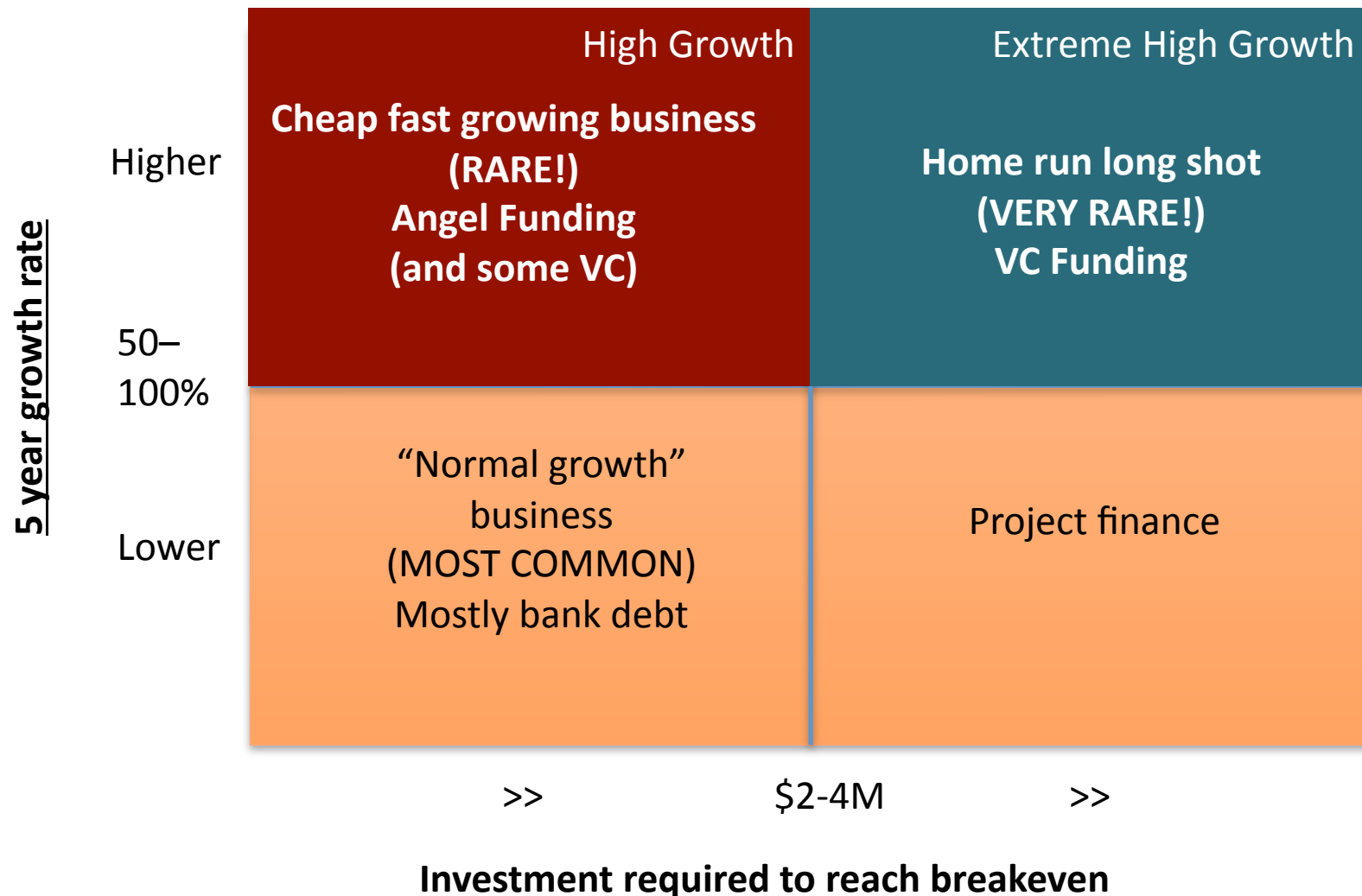
- Sloan 1986
- Serial Entrepreneur –
 - Founded AXON Networks –sold to 3Com
 - Co-Founded Quarry Technologies
- Member of 3 angel groups in town
 - Hub Angels Investment Group, LLC
 - Fund ~\$4M in each of 3 funds since 2003
 - Launchpad Venture Group
 - Club style since 2003 about \$20M invested
 - Golden Seeds Venture Group
 - Founded in 2004, club style with side car fund (added 2008)
 - About \$34M invested to date, ~\$25M in fund
 - I founded the Boston branch
 - Requires a woman in senior team

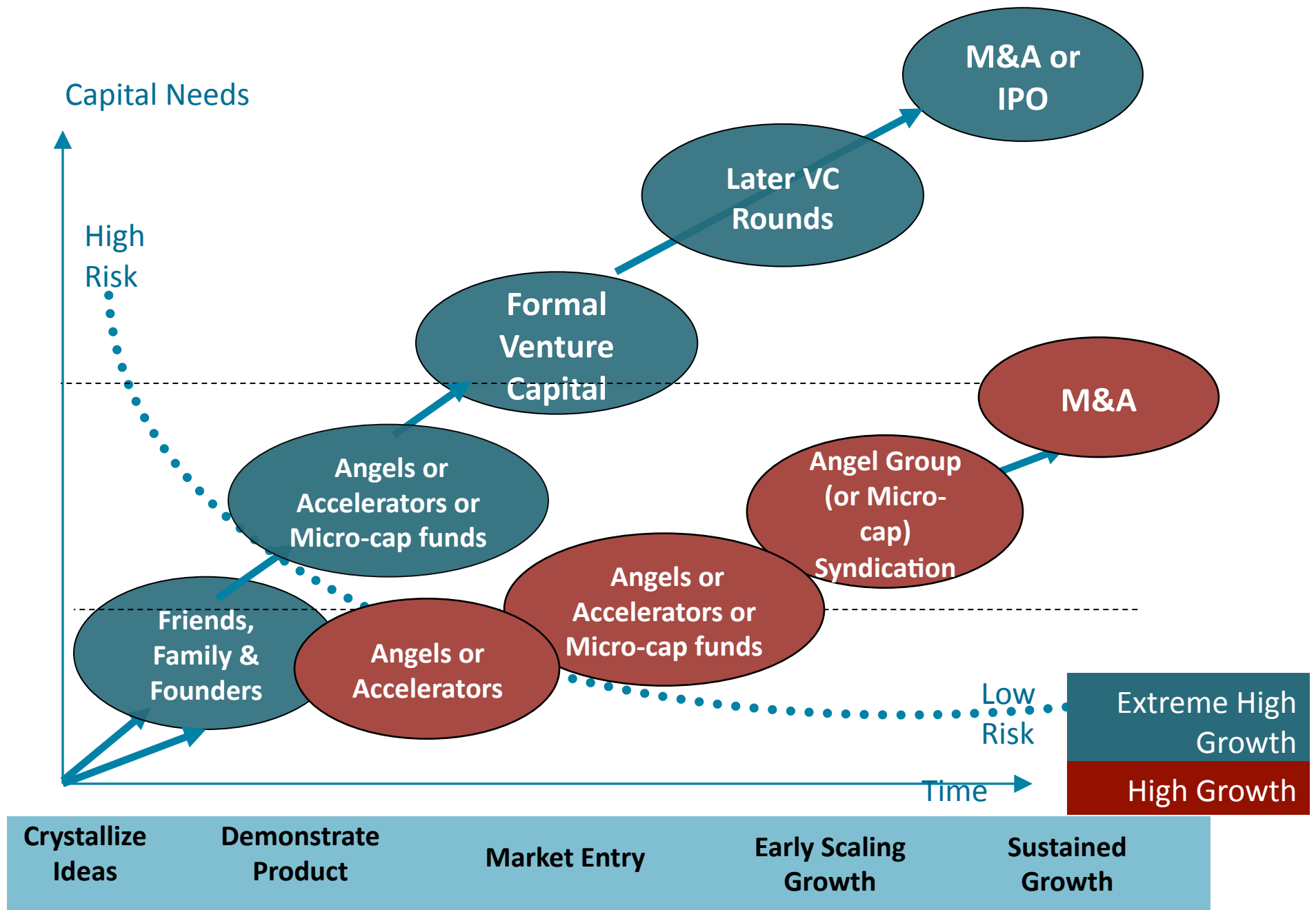


A Summary of Capital Sources

| Source | Timeline | Their Goals | Your Concerns |
|---|-------------|---|--|
| Bank Loans | 2-4 months | Payback, interest, collateral | Rates & terms |
| Credit Card | 0-1 month | Payments, interest | Ability to payback, interest rates |
| Friends/Family (debt or <i>equity</i>) | 0-3 months | Success, payback | Ability to sustain relationships, return the \$\$ or make returns |
| Micro financing (Kickstarter.com) | 1-3 months | Showing support | Ability to deliver, products, etc. |
| Government Grants | 2-12 months | Funding particular initiatives | Process & timeframe |
| Customers/ Partners | 3-12 months | Mutual sales, marketing and/or product outcomes | Structure of relationship and ability to deliver |
| Suppliers/Trade | 1-3 months | Payment relationship | Credibility, relationship |
| Angel Investors | 4-12 months | Return on investment, control | Strings & outside involvement & scrutiny |
| Venture Investors | 4-12 months | Return on investment, control | Business growth curve, outside involvement & scrutiny |

Many types of Entrepreneurship: Don't raise money until you know who you will be





Equity - VC and Angel

- VCs invest other people's money, from pension funds etc.
 - Returns are measured on a per fund basis
 - ~\$26B annually, ~ 3,000 new investments annually
- Angels invest own money
 - ~\$20B annually, ~ 60,000 new investments annually
 - 18 New England, 8 greater Boston
 - Angel groups ~10-15%,
 - Informal networks & one-time-investors ~15-20%,
 - Super angels ~25-30%,
 - Family offices ~35-45%
 - Lots of styles - Club style, fund, mix
- **Must have exits for equity model to work!!**
 - 2011 US IPOs - \$36B
 - 2011 US M&A - \$57B
 - 2011 US Private Equity -\$35B
 - *2011 - likely cleared 2+ years of back log*

Equity Capital Sources: High Growth Companies

| Stage | Crystallize Idea & Early Demonstration | Demonstrate Product & Market Interest | Market Entry & Early Growth | Early Scaling Growth | Repeatable Growth |
|--------------------------------------|--|---|--|---|------------------------------|
| Capital Source | Founders, Friends, Family, Grants, Kickstarter, etc | Accelerators, Individual Angels, .. many others now “exploring” | Angel Groups, Angel Syndication Micro-cap Funds | VCs, Angel Group Syndication Micro-caps | VCs |
| Investment | \$25,000-100,000 | \$100,000-500,000 | \$500,000-1,000,000 | \$5,000,000-as needed | As needed |
| Key Factors | Team, Founders with insight | Team, understands path to market | Team, can execute on product delivery & promotion | Scaling Executive Team filling in | Scaling Team in Place |
| Other Factors Critical at this stage | Market Size / capital match; Future Biz. Model shows promise | Customers want it, Product Fit, Promotion – start mkt trails | Tune Product, find partners | Growth | Profitable |

What do Angels look for ? What do they do?

Stuff they know, people they like, near where they live

Finding Investments

- I see a lot of companies
- Screening and Gust
- MIT E-Center
- The Capital Network
- Other groups: MIT Enterprise Forum, Mass TLC, TechStars, Mass Challenge, etc.
- Universities
- Lawyers
- Friends

An opportunity with passion

- Addressable market size
- Pain points
- Unique ability to address pain
- Barriers to entry
- Stars on management team
- Impressive Board/Advisors
- Examples of comparable exits

Deciding

- Fun team
- Real innovation

After the Investment

- Find resources
- Advisor
- Board member, observer
- Read updates, have dialog ... think about partners

What Investors Need to Know

- **5 P's of investment**

- Product – differentiated technology or service that serves market need for a significant, large market product
- Promotion –market entry strategy, with detailed plan
- 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

- **Some key concepts to convey:**

- *What our potential customers are saying to us: is this a nice to have or must have*
- *How we plan to run a series of market entry tests delivering meaningful metrics*
- *How the team matches the needs of the business*
- *How we will scale against a repeatable business model*

Marketing Materials to Sell the Deal

- Business Summary: 2-5 pages with financial summary
- Market size and structure summary ~ 5 pages
- Integrated financial model P&L, BS, cash flow with assumptions
- 30 second elevator pitch
- 1-2 minute tell me more / meeting request pitch
- Angel presentation: 12-20 slide pitch deck with a backup side for every serious question, or
- VC presentation: 25+ slides with marketing metrics
- (*write a business plan for yourself not for an investor)
- BUT every part of the plan will be needed for “diligence”

Company Attributes Indicating Good Odds with Angel Groups

| Factors | Companies getting angel investment | Companies that don't |
|-----------------------|---|--|
| CEO | Some experience or “coachable”, wants to listen | CEO talks about his or her “expertise” forever |
| Team | Enthusiastic! match to required skills, “owners” | One person, says no one will work without \$\$ |
| Unique, Need | A neat idea, could be big Talks to customers - needed | Seems “me too” “My” idea - doesn't talk to market |
| Stage | Lots done, working code, just needs market entry \$\$ | Idea and PowerPoints, or a complex science project, or “old” |
| Market size, strength | Market is big and can be reached | Market is huge, or market extremely fragmented |
| Total investment | Cash flow breakeven soon, can use more \$\$ | Needs \$10-20M more after this round |
| Valuation | Willing to discuss a range of values and funding strategies | Is fixated on a very unrealistic high value |

Angel (group) attributes: difficult to control for

- Each angel group gets 10-20 applications for each presentation and less than 1/3 of those presenting get funded
- Despite lots angel money, other deals use up capacity:
 - Existing portfolio looking for more cash
 - Presenter right before you might be a super star
- Champion (at angel group) most important method to manage “external” factors and reach success
 - Champion has expertise match to company
 - Champion and CEO having fun
 - Group respects champion
- Remember funding is a relationship, check out your partner
 - Diligence is a two way street

Questions and Answers

