Startup Strategies

CPS SUMMER SCHOOL
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Ok, You have decided to realise a business idea!

So now what?!
Alternatives

Nothing to protect

vs

Protectable Result (IPR)
Putting together the team

• Look for strategic competences
  – Graphical designer, Copy
• Make a simple agreement
  – Expectations
  – Stake
  – Rights to result
  – Time limited
  – Other legal aspects (No compete)
• Establish routines for meetings etc
The process

1,5-2 Year

Business Coach
Product Ver
Market Ver
Business Plan!
Go / No Go

$$$?!
Brand / Logo
Register company
IPR
PR/Sales

Incubator
LAUNCH!

Business Angels

Love money / Soft Money
Soft Money / Debt
To ask your self

• What are your goals with the company and what is your own future role?
• How fast do you want your company to grow?
• How much capital do you think is needed before you have a product that can start to sell (proof of concept) and reach milestones?
• Do you want to share your company with others?
Investment Process 6-9 month

• Step 1: Reception
• Step 2: Pre-selection
• Step 3: Presentation (pitch)
• Step 4: Investigation and evaluation
• Step 5: Presentation to Investment Committee
• Step 6: LOI, Term sheet
• Step 7: Investment
A typical Investment Journey

Founders
Friends
Public Financiers

Product idea
< 6 months
Capital need: 30’- 100K€

Public Financiers
Business Angels
Seed financiers
Customer/supplier financing

12 – 18 months
Prototype/alpha/beta
Technical “proof of concept”
First customer
Capital need: 100K – 500k€

Venture Capital (start-up, expansion)
Business Angels
Industrial partners
Bank financing
Capital market

1 – 3 years
Development phase
Sales development
Industrialisation
Capital need: 500K€ –
## Angels vs VC’s

<table>
<thead>
<tr>
<th>Important differences</th>
<th>Business Angels</th>
<th>Venture Capital Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invested capital</td>
<td>Own money</td>
<td>Other investors’ money</td>
</tr>
<tr>
<td>Investment focus</td>
<td>Seed, start-up</td>
<td>Early-stage up to expansion</td>
</tr>
<tr>
<td>Ownership</td>
<td>Below 10%</td>
<td>20-40%</td>
</tr>
<tr>
<td>Investment process</td>
<td>Experience based, less formal. Quicker decisions (a few weeks)</td>
<td>More thorough due diligence, most often with advisors</td>
</tr>
<tr>
<td>Geographical proximity</td>
<td>Important</td>
<td>Less important</td>
</tr>
<tr>
<td>Type of contract</td>
<td>Simple structure</td>
<td>Complex</td>
</tr>
<tr>
<td>Engagement post-investment</td>
<td>Active, operational</td>
<td>More strategic</td>
</tr>
<tr>
<td>Drivers</td>
<td>Returns, but also soft values as personal interest, support entrepreneurs, local business etc.</td>
<td>Returns, personal incentives by investment team</td>
</tr>
</tbody>
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What are investors valuating?

**Team**
- Entrepreneur
- Team
- Track record
- Time invested
- Other stakeholders

**Business Opportunity**
- Customers/users
- Uniqueness: Business Model and Idea
- Scalability
- Market
- Timing
- Potential size of business
- IPR

**Risks**
- Technical
- Market, including trends
- Competition
- Society, e.g. regulatory risks
- Team

**Investment**
- Valuation
- Cap table (ownership)
- Risk hedging
- Potential need of further rounds
- Exit opportunities
- Potential shareholder value
Early Stage

Need
• 20k€ – 800k€

Situation
• Finalizing product/services
• Attracting talents
• Winning grants and non-dilutive financing
• Winning first customers
• Going to the market
• Prepare fundraising

Typical Investment
• Grants, government subsidies
• Friends and family, Love Money
• Business Angels
• Crowd funding
Established

Need
• 1 – 10 m€

Situation
• Scale-up: increasing sales and production
• Growing internationally
• Recruiting a team
• Differentiating from competition
• Elaborating pricing strategy
• Defining a corporate strategy
• Developing a brand
• Improving margins and efficiency

Typical Investment
• Venture Capital
• Corporate Venture funds
• Sovereign funds
• Family offices
• Debt, if possible
Are you ready?

• You won’t get money just because you need it

• You must be ready for investors
  – The vision and model – ”the Story”
  – Business plan, Investment memorandum, Presentation, Teaser
  – A thought-through milestone plan and budget/forecast

• Everything in order (legal docs, accounting, business vs private)

• The company and pitch must be crisp
  – Packaging & Presentation
  – The “social proof” – the network and references
  – PR
How’s it done?

• Do your homework!
• Have your business model clear
• Try to anticipate the difficult questions (empathy with an investor is a good start)
• Evaluate and decide on what kind of financing you really want
• Do your research
• First contact with a teaser (phone or mail)
• Elevator pitch is not a theoretical thing – it is a must have
• Meeting/pitch
• Follow-up with more info (IM and/or presentation and/or business plan)
• Mutual evaluation, narrowing down on valuation etc
• Term sheet, Letter of Intent, Share purchase agreement, Shareholder agreement
Summary

- Plan ahead!
- Do your homework before contacting investors (business model, IM etc)
- What will the money be used for?
- How will the goals be achieved and by whom?
- How and when will the investor get their returns?
- Use door openers if possible
- Go to the right party, with the right story, at the right time
- Do your own DD on investors and be careful about the “personal chemistry”
“We dream and we build. We never give up, we never quit.”

- Jeremy Renner as Mayor Carmine Polito in American Hustle