

TiE IoT Day Fundraising Workshop

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Financing Options

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- Founders' savings
- Loans from Friends and Family
- Loans from Banks
- Kickstarter/Crowd sourcing
- Grants from Government/Trusts
- Incubators
- Angel investors
- Seed funds
- VC Funds

Founders' criteria

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- Access to decision maker/disburser
- Speed of decision making
- Security/Collateral required
- Liability – financial and emotional
- Active operational support
- Non-financial perks
- Operational independence
- Mentoring
- Future fund raising involvement

Relative marking

	Founder's savings	Family loans	Bank loans	Crowd Sourcing	Govt. grants	Incubators	Angels	Seed funds	VC Funds
•Access to decision maker/disburser	Green	Green	Green	Yellow	Red	Yellow	Yellow	Yellow	Yellow
•Speed of decision making	Green	Yellow	Yellow	Yellow	Red	Yellow	Yellow	Red	Red
•Security/Collateral required	Green	Green	Red	Green	Green	Green	Green	Green	Green
•Liability – financial and emotional	Red	Yellow	Red	Green	Green	Green	Yellow	Green	Green
•Active operational support	Red	Green	Red	Red	Red	Yellow	Yellow	Green	Green
•Non-financial perks	Red	Yellow	Red	Red	Red	Green	Yellow	Yellow	Yellow
•Operational independence	Green	Green	Green	Red	Green	Yellow	Yellow	Yellow	Yellow
•Mentoring	Red	Green	Red	Red	Red	Green	Yellow	Green	Green
•Future fund raising involvement	Red	Red	Red	Yellow	Red	Yellow	Yellow	Green	Green

The VC checklist & how they 'grade' your pitch

The Setting

- Long odds:
 - Proposals received – 200 a year
 - Second meeting -- 40 a year
 - Due diligence undertaken – 12 a year
 - Deals done -- 1 a year
- First meeting: 1 hour

The think through

PROBLEM

- Do I buy into the problem?

SOLUTION

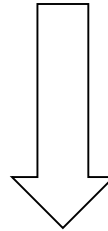
- Do I like the proposed solution?
- Is it feasible?

MARKET

- Is there a paying customer?
- How many?

The clincher

THE TEAM



Do they jell well together?

Can I work with them?

The Problem

- *Who all is it impacting?*
- *What is the extent of pain?*
- *What is the cause of pain?*
- *What is the benefit of relief?*

		WORST	BEST	SCALE (0-10)
1	Problem definition	Subjective	-Customer specificity -Quantification of pain	
2	Quality of data	None or anecdotal	Multiple sources	
3	Customer validation	None or anecdotal	Data backed	

The Solution

- *What is the approach mooted?*
- *What are other approaches feasible – why this one?*
- *What is the extent of relief?*

		WORST	BEST	SCALE (0-10)
1	Extent of relief	< 20% better	> 50% better	
2	Validation with customers	Anecdotal	Data backed	
3	Differentiation	None	Patent protected	
4	Market insertion strategy	Large ecosystem changes required	Plug-and-Play	
5	Simplicity of the solution	Multiple technologies / domain expertise	Small set of related domains	
6	Solution risks	-Navigating through existing Patents -Needs new standards / changes in regulation	-Radically new approach -Conformance to existing standards	

The Market

- *What is the addressable market size?*
- *What is the potential market share?*
- *What and why would the customer pay for it?*
- *How would the market be addressed?*
- *What is the competitive landscape?*

		WORST	BEST	SCALE (0-10)
1	Total addressable market per year	< \$10 million	> \$1 billion	
2	Industry growth rate	<10%	>33%	
3	Barrier to competition	Operational difference	Technology and Business process IP	
4	Customer readiness	No contact	Provisional order in hand	
5	Expected market share	>80%	<10%	
6	Barrier to entry	<6 months	>3 years	

Team

		WORST	BEST	SCALE (0-10)
1	No. of Co-founders	<2 or >6	2 to 5	
2	Ex-colleagues	< 6 months	> 5 years	
3	Collective work experience	<10 years	>20 years	
4	Relevant experience		Same domain & market	
5	Team balance	All similar profile	Each different + understudy	
6	Start-up experience	None	2 stints with 1 as founder	
7	Interplay between members	Tyrant!	<ul style="list-style-type: none">• Consensus building leader• I among equals	
8	“Idea” vs. Goal	No detailing	<ul style="list-style-type: none">• Meticulous detailing• Good risk assessment	

Opportunities and Threats

- *Other potential applications for the product*
- *Other by-products*
- *Other possible markets*
- *Risks of time and cost*
- *Market risks*
- *Legal risks*

		WORST	BEST	SCALE (0-10)
1	Regulated market: licenses required	Yes, AND no scheme in place	No	
2	Monopoly vendor or client	All	None	
3	“Gorilla” competitor	Many	No	
4	Time-To-Market	>4 years	< 1 year	
5	Potential Application across multiple domains	No	Yes and more than 3 domains	

Financials

- *Cash Flow: milestone based*
- *ROI*
- *Expected market share*

		WORST	BEST	SCALE (0-10)
1	Spend outlay	> 70% front-ended	> 70% is post beta	
2	Expected ROI	< 4X	> 10X	
3	Costing assumptions in Financial Plan	All 'lump- sum'	Quotes in hand for top 10 items	

Some Tips

- If you don't know some of these answers, say so- that is better than assumptions or ducking the issue.
- Provide many data points and all from credible III parties
- Go through the VC's website to check whether there is alignment—before contacting them.
- Keep ready both a 2 page executive summary AND a detailed Business Plan

- US – India; ‘concept-stage’ fund
- Assets Under Management - \$ 1.3 B
 - 35 companies, 7 from India
- Current fund size (raised in Feb’07) - \$230 m
- Investment philosophy
 - White spaces
 - Large opportunities with no identifiable competitors
 - Significant market or technology lead

How to DATE a VC



THE FIRST TRUISM

The First Truism

The need is MUTUAL !

It just takes time for both to find the right match

VC pressures

- Fund's resolve to commit investment in a particular time frame
- VC's performance measured by funds deployed & returns thereof, not funds raised

THE SECOND TRUISM

Some people are already taken

Check out for wedding bands before you make your approach

- Very early stage or early stage or mid stage or late stage ?
- Investment charter (Bookworm or Sporty type?)
- Conflict of interest (Jealous lover)
- Current fund liquidity (not right now, but..)
- First impressions (looks, clothes, style of speaking)

THE THIRD TRUISM

It's a long night

Remember that for an early stage venture, the VC will stay invested and will be on the board from 4 to 7 years

- Check body chemistry
- Check previous relationships (CEOs of portfolio companies)
- Check degree and quality of involvement

Cruising spots

No, it's not the Golf course !

- Check out forums where the organizers are both entrepreneurs and VCs: TIE is a good one
- Industry meets

Matchmakers

- Investment Bankers
- Consulting firms
- Lawyers specializing in startups
- Accountants
- Former/current entrepreneurs

Pickup lines

BAD

- I have got other options(dates) waiting for me
- First tell me you are keen, then I will tell you what my plan is
- I don't need the money (date) really, just dropped by (to tell you what you are missing?)

GOOD

- A 2page executive summary

Thank You

Contact

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