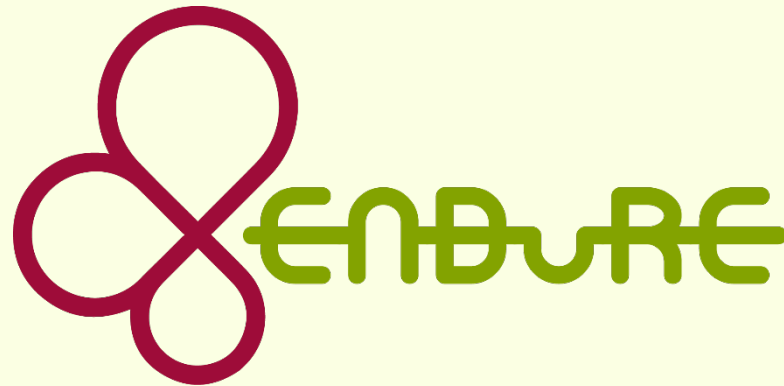




Economy

Funding & Investor Perspective

10.06.2016

Cortex Lab Room 2.2.04, Odense



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Agenda

- Introduction/ Recap
- Topics of the day – subjects to be discussed
 - Economy, how to ?
 - Funding , how to ?
 - Pitch Training & Feed backs
- Wrap up
- Celebration

Tid	Emne	undertemaer	Hvem	Take away
12.00 - 12.30	Start-up	➤ Introduction & sandwich	LfT/ ALL	
12.30-12.45	Venture Cup	➤ Mentoring	Alexander	
12.45-13.15	Dissemination	➤ Hvorfor de har meldt sig til programmet ➤ Hvad de og deres 'forretning' har fået ud af at være med ➤ Hvad der har været det bedste ved at deltage ➤ Hvad de vil arbejde videre med som det første, når programmet er slut	Tina / Lone	
13.15-14.00	Economics, Financials & Legal	➤ Cost and income ➤ Evaluation and monitoring ➤ Due diligence ➤ Share Structure & Governance	lvT lvT lvT lvT	
14.00-14.30	Economics, Financials & Legal	➤ Draft your budgets	Alle	
14.30-14.45	Coffee Break			
14.45 - 15.45	Investment & Funding	➤ Reasons for funding ➤ Investor pitch ➤ Funding strategy ➤ Negotiation ➤ Business valuation ➤ Exit strategy ➤ Your business case	lvT lvT lvT lvT lvT lvT	
15.45-16.15	Pitch Preparation	➤ Prepare your pitch for investors	Alle	
16.15-16.55	Pitch Round I	➤ Pitch_Training for "investors"	Alle	
16.55-17.10	Break		Alle	
17.10-17.55	Pitch	➤ Pitch_Training for "investors"	Alle	
17.55-18.00	Afrunding	Tak for i dag: Afslutningsfest & bobler	Alle	
18:00- Open end	Fest ???		MADS	



Lone Toftild

Education:

Master of Business Administration
certified coach

Carrier:

- The furniture industry – Denmark and Spain
- Center for Small Business Research
- IDEA





Ivan Tyrsted

Director, IDEA

Education:

BSc EE
HD O
eMBA

Carrier:

- Employee: B&K, ESA, B&O, Carl Bro as
- Intra/ entrepreneur/ shareholder:
 - Sam-system as
 - Master Control as
 - Vivox as
 - PRC Data as
 - Athena as
 - TEO Intl
 - Etc'
- Board member > 20 companies
- Business Angel
- IDEA



Economy

	1.000 DKK
Turnover	1.000
- Variable costs (direct cost of goods/services sold)	400
= Gross profit / Contribution margin	600
- Fixed Costs (staff, premises, marketing, administration)	400
= Earnings before interest, depreciation and tax	200
- Depreciation	50
- +/- Interest	10
= Net profit	140

DKK	Concept development	Technological development	Proof of concept
Wages	800.000	200.000	500.000
Software development		3.000.000	
Videoproduction			200.000
Other external salaries	50.000	100.000	120.000
Premises and office	70.000		
Travel and transport	40.000	60.000	80.000
Marketing and sales			500.000
Total costs	960.0000	3.360.000	1.400.000

<http://viq.idea-viq.dk/help/I-5/>

Economy

Presentation af Jan Bendtsen / [Slideshare](#)

Economy

Draft your budget:

Coffee Break



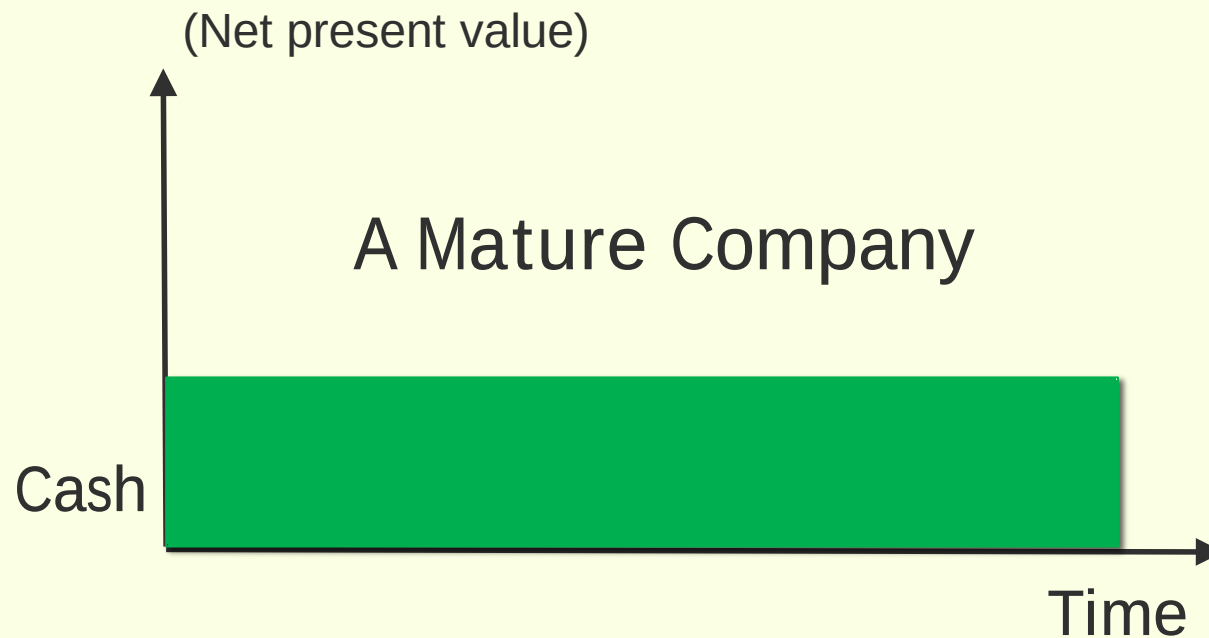
Funding

- Funding , how to ?



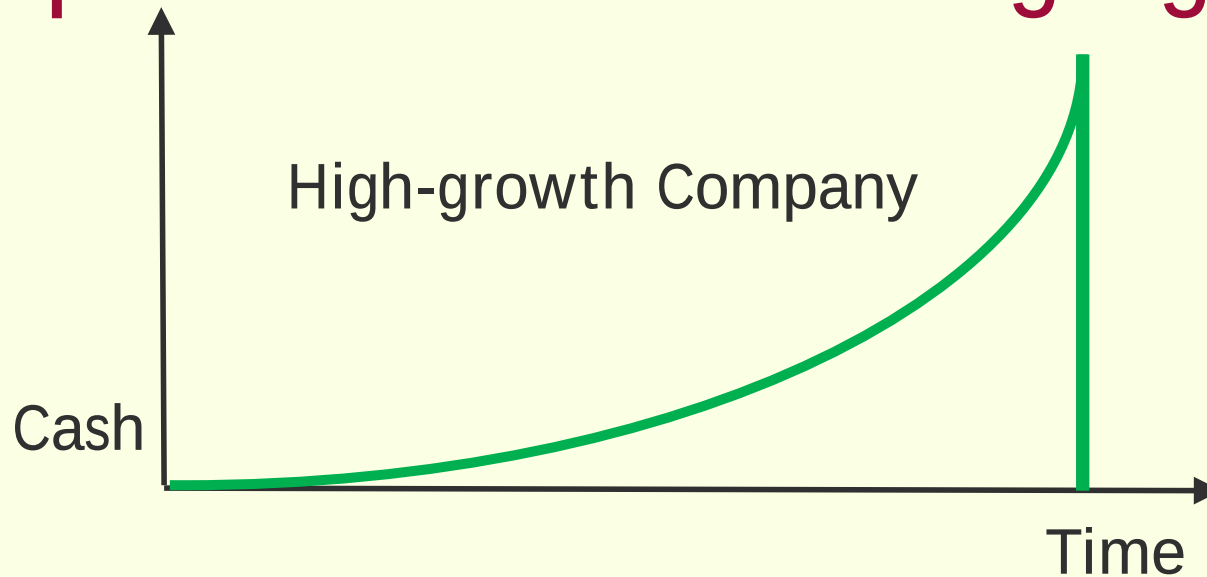
Corporate Value Fundamentals

Value = NPV of EXPECTED Future Cash flows



- Cash flow can be predicted with relative certainty
- Value based on stable growth of past performance

Corporate Valuation- High-growth



- Cash flow cannot be predicted with relative certainty but expectation of considerable revenue in the future exists
- Metrics other than cash flow needed for valuation purposes

Setting Up a Company

Where does the money come from?

- Savings
- Friends & family
- Grants
- Sell car / re-mortgage house
- Crowd-funding
- Business angels
- Venture capital
- Bank loan

Funding Sources- Informal Investors

Who will invest?

The 4 F's *

Founders

66%

Family

17%

Friends

9%

Foolhardy investors

8%

* Bygrave & Zacharakis

Funding Sources - Business Angels

Types of Business Angels

Entrepreneurial angels	Have already started their own business and are diversifying
Corporate angels	Managers from large corporations who invest their savings
Professional angels	Doctors, dentists, lawyers who invest their savings; generally, silent partners
Enthusiast angels	Retired or semi-retired entrepreneurs or executives who invest as a hobby
Arch angels	Invest on a wing and a prayer

<http://www.youtube.com/watch?v=1X8JjFclroQ>

Funding Sources- Crowdfunding

- ❑ Collective funding vehicle using internet to raise funding for charities, projects, films and companies;
- ❑ Funding can take form of debt, equity, donations or goods

2001 Originated with launch of Artistshare

2008-09 Boomed as several new launches

Indiegogo.com (USA)

Crowd-cube.com (UK)

Kickstarter (USA)

Funding Circle (UK)

Charity funding

Equity fund-raising

Donation/reward funding

Peer-to-peer lending

Venture Capital (VC)

Typically, VC's avoid investing in start-ups... why?

- Start-ups are difficult to value
- VC's expect higher returns than angels
- VC's expect higher certainty of exit

VC's invest instead in early-growth companies

- Gazelles Growth company increasing revenues by at least 20% / year for 4 years or more from a revenue base of at least \$1 million
- Unicorns Start-up whose valuation exceeds \$1 billion;
E.g. Oculus
- Decacorns Start-up whose valuation exceeds \$10 billion;
E.g. Uber, Snapchat

VC Investment Process

Priorities

- | | |
|-------------------------|--------------------------------|
| 1. Management team | Sometimes recruit key member |
| 2. Target market | Fragmented and growing rapidly |
| 3. Product / service | Superior product or service |
| 4. Competitive position | No dominant competitor |
| 5. Financial returns | 7 x investment in 5 years |
| 6. Business plan | Well written business plan |

VC Investment Process

☐ **Carry out due diligence**

- Review priorities

- Set investment objectives

☐ **Determine investment vehicle**

- Equity or debt

- Exit strategy

☐ **Make investment**

- Monitor investment

- Manage investment

☐ **Exit**

- Set valuation

- Execute exit

Venture Capital Perspective

Perspective of VC firm

- How much do they typically invest?
- How do they look upon relationship?

Perspective of VC Investor

- What is a fund of funds?
- Why do they invest in VC?

Perspective of Entrepreneur

- How does relationship develop?
- What does VC firm bring to the table?

<http://www.youtube.com/watch?v=bGhMGLIpwV8>

Investors Expectations

How are they compensated for risk?

<u>Sources of Capital</u>	Risk		<u>Compensating Mechanisms</u>
	<u>Tolerance</u>	<u>Cost</u>	
Friends & family	• ?	?	• Love for you
Bank	• Very low	P + 1%	• Collateral
Lease	• Low	P + 5%	• Collateral, industry focus
Mezzanine	• Medium	P + 15%	• Convertible debt
Business Angels	• High	+ 20-40%	• Equity, board, management
Venture Capital	• High	+ 40%	• Equity, board, ratchet

DISCUSSION

Pitching for Start-ups

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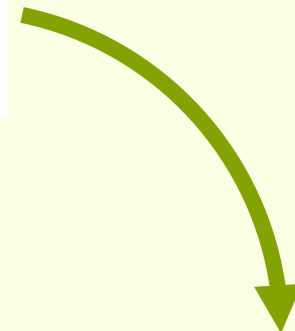


Pitch Training

1. 2 min. Pitch
2. 8 min. Feedback
3. Next team on stage

(4 x 10 min.)

External observers



Start-up Pitches

Identify key information:

- ☐ Team
- ☐ Product
- ☐ Unique Selling Point
- ☐ Market Research
- ☐ Competitive Edge
- ☐ Competitor analysis
- ☐ Differentiated Customer Niche
- ☐ Key Cost Centres
- ☐ Revenue Projections

ASK FOR MONEY!!!

Start-up Pitches

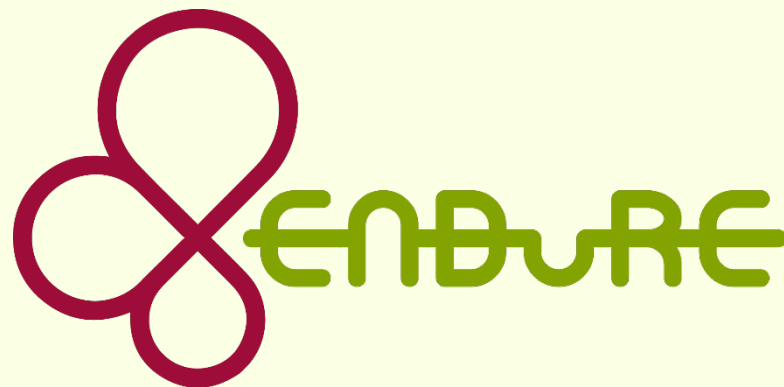
HOW TO

<https://www.youtube.com/watch?v=Tq0tan49rmc>

ASK FOR A MEETING!!!

Conclusion





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