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## et Funded

The global venture capital marketplace is very much open for business. There are significant funds within the venture capital market and VCs frequently complain about the lack of high quality opportunities for investment. The bar is always high but there are actions you can take to get noticed. However, it's worth remembering that raising capital is not a quick process. Funding takes approximately six months for each round and there are effectively six stages to the process:

### STAGE 1 THE BUSINESS PLAN

The business plan is the starting point: send it to VCs who invest in your sector and funding range.

Keep it concise and make sure you are conveying a business and not a concept; the stronger and the more substantive the better. Length wise, keep it to about twenty-five pages.

Write a punchy two-page executive summary, then email it ahead of the plan. This allows a VC to make a quick evaluation of the proposition. It should convey what's exciting about your business and, at a glance, make a VC want to take the full plan. One of the first things they will look at is the financial summary, so make it easy to spot. Whilst looking at it, they will be having thoughts along the lines of, "like the sector, team appear good, signed up some big name customers, interesting technology and good financials, worth spending some more time on it, let's get the full plan and organise a meeting".

### STAGE 2 VC PRESENTATIONS

Typically you will have one hour. In this time you need to convey clarity of vision and strategic thought, great knowledge of the market and why you believe you have what it takes to create a successful business.

### STAGE 3 PRELIMINARY DILIGENCE

The deal is moving now and second meetings have been set up. These provide the VC with the opportunity to understand more about the business, how it operates, the market and the technology. Usually this preliminary diligence will cover commercial issues. The VC may also get in an industry expert to take a close look at the sector and technology. If they like it, then it's all about routes to market, pricing models and what existing customers think. If this stage goes well, you'll receive a term sheet – this sets out the indicative offer and terms on which the VC will invest.

### STAGE 4

### SELECTING THE INVESTOR

The principle objective of this process is to end up with the cash required to develop your business, with the right investor on the right terms.

Other critical factors are more subjective, such as: does the chemistry feel right between you and your investor, are there lengthy internal procedures which could add risk to the deal completing, are they over-promising on what they can deliver, how hands on are they, where is the value added, how will they support you through tough times and do they have deep enough pockets for further funding rounds?

### STAGE 5 LEGALS AND DUE DILIGENCE

Once you have chosen, the pendulum of control swings in favour of the VC. Up to this point they have been courting you to get preferred investor status. Once they achieve this, they get a period of exclusivity in which to complete the deal. From hereon in to completion they have the power. If you fall out during this final run in, it can be difficult to go back to other investors. They are likely to question why the deal has not gone through, or they may be pre-occupied with another deal.

What can go wrong at this stage? Unfortunately, quite a bit. Challenges include a market shift in sentiment, poor due diligence, bad references on the management team, disagreement over legal documents, a decline in the trading performance, a new unknown competitor emerging with clout, problems with the development of the technology, alliance partners or reference customers not coming through as planned, problems over protection of the IP. The trick is to close a deal as fast as you can between choosing the VC investor and completion.

### STAGE 6 COMPLETION

Completion date set, reams of documents to be signed, money sent to your bank, a quick party, then back to the hard work of turning the cash invested into a hugely successful business.

## Seeking Funding

### BASIC ADVICE FOR CEOs

Target investors who specialise in your sector and investment size.

A great product/service in a big market will get a VC's interest.

Have a compelling financial story.

Hire good people and keep them motivated.

Before accepting a term sheet, make sure your VC has deep enough pockets for follow-on funding rounds.

Raising money takes up to six months, so make sure you have the financial and human resources to run and grow your business during fundraising.

### WHY BUSINESS PLANS DON'T GET FUNDED

Market opportunity too small. VCs won't invest in a company with limited growth.

Poor track record of the team. Work with the best people in your industry.

Too technical - sell the financial return not the technology.

No traction, no customers, no prototype, no patents.

Poor go-to-market strategy.

Poor financials.

No credible research that identifies market growth potential.

No real USP - or barriers to entry.