

So you have a real business. Now what?

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COSIMO Venture Partners

Project, Hobby?...Or Company? - ENET April 2, 2019



Have a story to tell

- Make it compelling
- Have an elevator pitch
- Be able to explain your company quickly and succinctly
- Describe your business in two sentences, expand as warranted
- Focus on a large addressable market – this is critical to attracting venture capital
- Practice telling your story



Have it in words and pictures

- Make sure you have the following completed and ready to go:
 - Verbal elevator pitch
 - Executive summary (1-2 pages)
 - Presentation – focused investor deck
 - Business Plan – thoughtful, reasonable and defensible
 - Financial Model to support the plan that is functional and includes 2-3 years of projections
 - Make sure your model shows growth because that is what the VC's are investing in



Think about what you need vs. what you want

- You will want a lot of money at a high valuation
- You will likely get neither
- Understand what your funding needs are for the next 18-24 months under different circumstances – bear, base and bull cases
- Know what it is like to have to bootstrap your business
- Decide roughly what you would need to accept – how little money at how low a valuation
- Aim for somewhere in between “want” and “need”



Get your ducks in a row

- Gather up all of the following:
 - Prior financing and ownership documentation
 - Intellectual Property
 - Employment Agreements
 - Business Contracts
 - Vendor Agreements
 - Anything else you think an investor would want to see (hint: they will want to see everything)
 - If one of the above does not exist but should, get it prepared



Draft your team

- Have a "People Strategy"
- Get key personnel in place if you can
- Employees and contractors
- Directors - formalize your Board if you have not done so already, but keep it small - save room for the VC's
- Trusted Advisors – assemble confidantes that you can trust to help
- Select reputable lawyers, accountants, commercial bankers, etc.



Show that you have already met some milestones

- Have already raised at least a “friends and family” round and/or an angel round
- As an entrepreneur, show you have both real money and sweat equity dedicated to the business
- Have your IP locked down if possible
- Have a key customer that is referenceable
- Outline your prior period actuals vs. plan – don’t worry if the actuals were not perfect. You wouldn’t be looking for financing if it was and VC’s understand that.



Know your business

- Understand your Intellectual Property
- Know your competitors cold – be able to show how and why your business is superior
- Understand what it will take to get your business to the next level
- Understand your capitalization table:
 - Current structure, share classes and investors
 - % ownership before and after a financing
 - Option pool
 - Dilution



Meet and greet

- Get out to as many events as you can to meet potential investors
- Use all of your contacts to make personal connections and introductions
- Make use of Linked In and social media
- Network, network, network...
- Remember, very few deals are ever funded based on unsolicited submissions



Understand your capital options

- Understand that capital can take different forms with very different terms and conditions:
- Equity: Common or Preferred – founders and investors are in it together, kind of
- Venture Debt – top of the capital stack
- Convertible Note – somewhere in between



Be prepared and be patient

- Fundraising is typically a 60 day – 180 day process, and can be longer depending on market conditions
- Be targeted, but cast a wide net and expect to have many meetings
- Continue to refine your pitch and customize your deck for each one
- Expect to handle lots of requests for information, follow up questions and extensive due diligence
- Remember, it is not the VC's money. They have investors and will be very careful with their money. That said, if they don't invest it, they have to give it back!



Choose wisely...if you have a choice

- The highest valuation is not always the best choice for your business
- Do your own due diligence on them
- Reputation is important...
- ...So is their contact list
- Try to determine who can help you grow your business the most
- Treat this like you would treat selecting a partner or finding a spouse



Be prepared for what comes next

- Shared high level decision-making
- Firm milestones and deliverables
- Formalized board meetings and processes
- Lots of follow up
- Use it all to your advantage: ask for help when you need it, accept counsel, be upfront with information
- Treat it like a partnership



Do not forget the most important thing:

- **DO NOT SPEND THE MONEY UNTIL THE CHECK HAS CLEARED!!!**
- Term sheets are not binding
- People change their minds
- Deals fall apart
- Businesses only fail because they run out of money.

