



MindShare Investment Committee Fundraising Briefing

April 2017

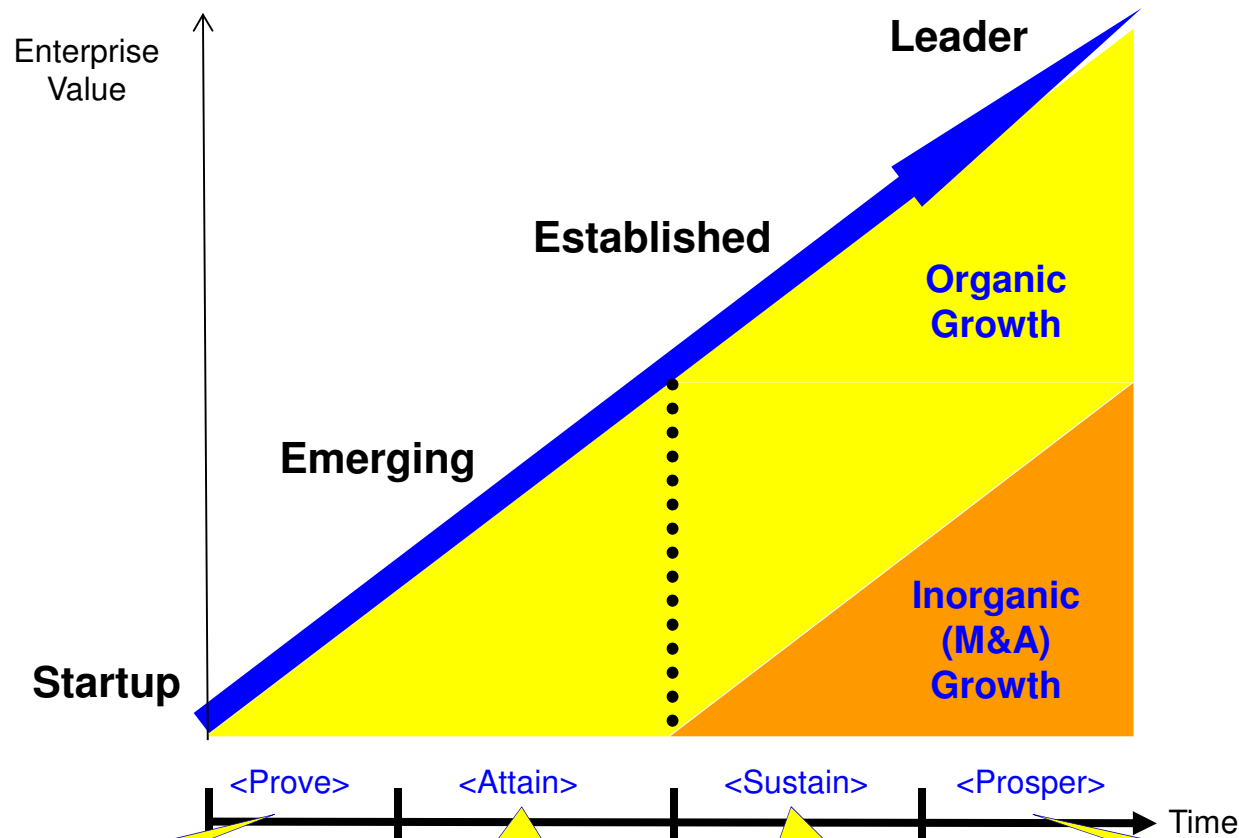
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What is fundraising?



Fundraising is a mergers and acquisitions (M&A) transaction-related process where a company (the “seller”) tries to convince an investor or financier (the “buyer”) to provide capital (i.e., the “funds”) into the company so that it can grow faster. Often “intermediaries” (e.g., specialists, advisors) assist the buyer and/or seller during the fundraising process. Buyers and intermediaries may be individuals or enterprises/institutions. The funds may be provided to the company in exchange for equity (e.g., stock), debt (e.g., loan), or some combination thereof (e.g., convertible note). Whatever the form, the buyer expects a certain return-on-investment (ROI) consistent with its risk/reward deal thesis.

Enterprise Growth Stages of the Seller



Startup Enterprise:
 Demonstrate a prototype solution of products, services, and/or data to prove a concept.

Emerging Enterprise:
 Begin to attain business success with production solutions for select paying customers.

Established Enterprise:
 Become productive and efficient to sustain success over time with many satisfied customers.

Market Leader Enterprise:
 Reach a level of market differentiation and excellence such that it will prosper compared to its competitors.

Investor Funding Scenarios for the Seller



❖ Startup Enterprise:

- *Funding Type:* "Seed" [\$50K - \$500K]
- *Financial Buyers:* Bootstrap, Family & Friends, Government/Foundation Grants, Crowd Sourcing, Shark Tanks, Angels, Angel Groups, Family Offices
- *Strategic Buyers:* N/A

NOTE:

Two of the most common institutional M&A transactions are **financial transactions**, where the funding comes from a financial services industry firm, and **strategic transactions**, where the funding comes from a company in the same or similar industry.

❖ Emerging Enterprise:

- *Funding Type:* "Early-Stage" [\$1M - \$10M]
- *Financial Buyers:* Venture Capital (VC) Firms
- *Strategic Buyers:* Small-to-Very Large Companies

❖ Established Enterprise:

- *Funding Type:* "Mid-Stage/Expansion" [\$20M - \$50M]
- *Financial Buyers:* Private Equity (PE) Firms
- *Strategic Buyers:* Medium-to-Very Large Companies

❖ Market Leader Enterprise:

- *Funding Type:* "Late-Stage/Initial Public Offering (IPO)" [\$100M+]
- *Financial Buyers:* Investment Banks (IBs) with Funds/Underwriting
- *Strategic Buyers:* Large-to-Very Large Companies

Financial Buyer Descriptions



❖ **Startup Enterprise Funding Options:**

- *Bootstrap* – owner’s personal checking/savings account, and credit cards
- *Family & Friends* – people with a close personal connection to the owners
- *Grants* – government and foundation contracts that you don’t need to pay back
- *Crowd Sourcing* – online network of many cause-based contributors
- *Shark Tanks* – TV/webcast-based pitch events/competitions
- *Angels* – individual accredited investors
- *Angel Groups* – teams of angels pooling resources
- *Family Offices* – wealthy family-owned investment vehicles

❖ **Emerging Enterprise Funding Options:**

- *Venture Capital Firms* – firms with general partners (GPs) managing assets and limited partners (LPs) writing checks into funds that invest in higher-risk, “homerun/unicorn” potential companies and which expect a ROI in 3-5 years [NOTE: Investment rounds are usually called “Series,” starting with Series A.]

❖ **Established Enterprise Funding Options:**

- *Private Equity Firms* – firms with GPs managing assets and LPs writing checks into funds that invest in lower-risk companies with proven management teams and consistent track records and which expect a ROI in 5-7 years

❖ **Market Leading Enterprise Funding Options:**

- *Investment Banks with Funds/Underwriting* – firms that will bring a company whose sales revenue reaches at least \$100M to an IPO on a public exchange

How does a seller get funding?



❖ Need a Great Business Plan:

- Documents typically used by the entire team internally to guide them in building, running, and growing the company
- Written in the language of the seller/owner/operator

❖ Need a Great Investor Package:

- Documents typically used by the leadership team externally to attract capital providers during fundraising
- Written in the language of the buyer/investor/financier

❖ How are they related?

- The seller's leadership team should first create, while collaborating with key members of the rest of the company, a comprehensive business plan
- Then the leadership team should extract and tailor select portions of the business plan as content for the investor package in whatever format the potential buyers expect/request

Key Business Plan Types of Content (Not Format) in the Eyes of the Potential Buyer Reading It



- ❖ ***The Hook:*** Quickly get my attention and impress me! Excite me enough that I eventually want to read the entire business plan.
- ❖ ***Business Case Justification:*** Are you solving a big problem in a unique way so that I see the potential for a high-growth business?
- ❖ ***Check Under the Hood:*** How specifically does your solution work in solving the problem for the customer?
- ❖ ***Sharks in the Water:*** Who will be trying to eat you and do you see any blue ocean space ahead?
- ❖ ***Fearless Leaders:*** Are your key people well qualified to grow the business and have they done this type of thing before?
- ❖ ***Ecosystem Connections:*** Who else (of relative importance to your business) believes in you?
- ❖ ***Business Success Criteria:*** How do you use a business excellence framework to define and measure success?
- ❖ ***Detailed Plan on How Your Company Will Meet Criteria:*** How will you transition from your current status to your targeted future status?
- ❖ ***Show Me the Numbers:*** Show me the aggressive (but realistic) financials to make your business case and meet my ROI expectations!

Sample Business Plan Outline



- ❖ **Executive Summary**
- ❖ **Background** (Value Proposition, Challenge & Opportunity)
- ❖ **Market Positioning** (Vision & Mission, Addressable Market, Prospects, Competitors, Exit Strategy)
- ❖ **Solution Description** (Intellectual Property, Solution Composition, Solution Roadmap)
- ❖ **Company Overview** (Company History, Organizational Structure, Leadership, Traction)
- ❖ **Financials** (Business Model, Investment Request, Financial Projections)
- ❖ **Performance Measurement** (Strategic Goals, Year 1 Objectives with KPIs, Select Tactical Projects)
- ❖ **APPENDICES** (Pro Forma Financial Statements, Market Research/Competitive Analysis, Contracts/Agreements, Collateral Material, References, Testimonials)

What's included in an investor package?



- ❖ 1-2-Page Executive Summary of Business Plan (Screening Mechanism)
- ❖ Investor Pitch (Summary Briefing—Investor will Often Give You the Topics and the Preferred Slide Sequence) with Script (Sometimes Presented as Long Version of Executive Summary)
- ❖ Live or Simulated Demo of Proprietary Product If Have One (Minimally a Prototype; Best a Finished Product)
- ❖ If No Product, Validation of Services, Data, and/or Packages (by a Respected Independent Source)
- ❖ Seller Valuation by Certified Professional or Self (if Have)
- ❖ Competition/Auction Process Guidelines (if Run by an Investment Bank/M&A Advisor)
- ❖ Complete Business Plan (if Asked)

Sample Investor Pitch Outline (w/ Topics...)



1. Value Proposition
2. Challenge & Opportunity
3. Vision & Mission
4. Addressable Market
5. Prospects
6. Competitors
7. Exit Strategy
8. Intellectual Property
9. Solution Composition
10. Solution Roadmap
11. Company History
12. Organizational Structure
13. Leadership
14. Traction
15. Business Model
16. Investment Request
17. Financial Projections
18. Strategic Goals
19. Year 1 Objectives with KPIs
20. Year 1 Select Tactical Projects

Demonstration

Q&A

NOTE:

These 20 slides represent a “superset” template of topics, which can later be combined, sliced ,or diced into a custom briefing to a targeted audience for a specified period of time.

1. Value Proposition



❖ Elevator Pitch

2. Challenge & Opportunity



- ❖ **Market/Business Problem**
- ❖ **Market/Business Solution**

3. Vision & Mission



- ❖ **Future Vision**
- ❖ **Current Mission**

4. Addressable Market



- ❖ **Sector**
- ❖ **Sub-Sector**
- ❖ **Industry**
- ❖ **Sub-Industry**
- ❖ **Domain**
- ❖ **Solution Categories**
- ❖ **Geography**
- ❖ **Macro- and Micro-Environmental Forces**
- ❖ **Addressable Market Size (\$)**
- ❖ **Your Niche Within Addressable Market (\$)**

5. Prospects



- ❖ **Direct/B2C and/or B2B Prospects**
- ❖ **Indirect/Channel Prospects**

6. Competitors



- ❖ **Direct Competitors**
- ❖ **Indirect Competitors**

7. Exit Strategy



- ❖ **Lifestyle Business**
- ❖ **Initial Public Offering (IPO)**
- ❖ **Non-IPO Strategic M&A Transaction**
- ❖ **Non-IPO Financial M&A Transaction**

8. Intellectual Property



- ❖ **Patents**
- ❖ **Copyrights**
- ❖ **Trademarks**
- ❖ **Other Trade Secrets**

9. Solution Composition



- ❖ **Products**
- ❖ **Services**
- ❖ **Data**
- ❖ **Bundled Packages**

10. Solution Roadmap



- ❖ **Clickable Demo**
- ❖ **Prototype**
- ❖ **Alpha**
- ❖ **Beta**
- ❖ **Minimum Viable Product (MVP)**
- ❖ **Later Versions/Releases**

11. Company History



- ❖ **Founding**
- ❖ **Major Events to Date**

12. Organizational Structure



- ❖ **Structure Focus (Sector/Industry/Geography/Subsidiary/Hybrid Scenario)**
- ❖ **Structure Breakdown (Functional Units with CXO Titles, Executive Offices/Departments/Groups, Programs)**

13. Leadership



- ❖ **Executive Team (CXO Bios)**
- ❖ **Board of Directors (Captions)**
- ❖ **Board of Advisors (Captions)**

14. Traction



- ❖ **Customers**
- ❖ **Partners**
- ❖ **Other Ecosystem Constituents**

15. Business Model



- ❖ **Revenue Streams (by Organizational Structure Focus)**
- ❖ **Expense Buckets (by Organizational Structure Breakdown)**

16. Investment Request



- ❖ **Funding Amount/Type Asking For**
- ❖ **Use of Funds**
- ❖ **Return-On-Investment (ROI)**

17. Financial Projections



- ❖ **5-Year Pro Forma Income Statement Summary (Revenue, Direct Costs, Gross Margin, Indirect Costs, and EBITDA)
[NOTE: Assume Investment Request Granted]**

18. Strategic Goals



- ❖ **Within the Vision/Mission, High-Level Financial, Legal, and Operational Due Diligence Goals (for a Self-Assessment)**

19. Year 1 Objectives with KPIs



- ❖ **Within Each Goal, Some High-Profile Year 1 Objectives with Key Performance Indicators (Metrics)**

20. Year 1 Select Tactical Projects



- ❖ **Within Each Objective, Highlights of Critical External and Internal Initiatives**

Need fundraising assistance?



Please contact the MindShare Investment Committee to learn about our:

- ❖ Investor Directory
- ❖ Investor Prep Sessions
- ❖ Fundraising Mentor Program
- ❖ M&A Special Interest Group (SIG) Events