

ACS Symposium

# Financing your Business: Financing Options and Strategies

Judith Giordan and Joseph Steig

August 2011

## IT'S ALL IN THE NUMBERS... OR IS IT?



2011 ecosVC ([www.ecosvc.com](http://www.ecosvc.com)) Copyright. All Rights reserved. No use without permission

# It all comes down to...

- All \$\$\$ are NOT equal
- NEVER, NEVER, NEVER take more than you need...
- Basic math:  $100 \times 0 = 0$
- Be sure it's \$\$\$ you need when you go after them...you may really be seeking expertise!

**CREDIBILITY is NUMBER 1**



# Form Follows Function...

- **Aspirations versus reality...**
  - How big is BIG
  - Does time to market matter..does size matter
  - Is this a “life-style” business
- **Command and control...**
  - How much control do you need/want
  - What role should you play? Now? Later?



# Form Follows Function...

- **Market sector and time based ROI...**
  - How long will this take to scale
  - When will investors get \$\$\$ out
- **How much \$\$\$ will you *really* need...**
  - Over what timeframe
  - Dilution if it's equity or a convertible note you can't pay back!
  - Is it money or KNOW HOW that you need



# \$\$\$ and the Second Law of Thermodynamics...

## Dilutive (to Founders)

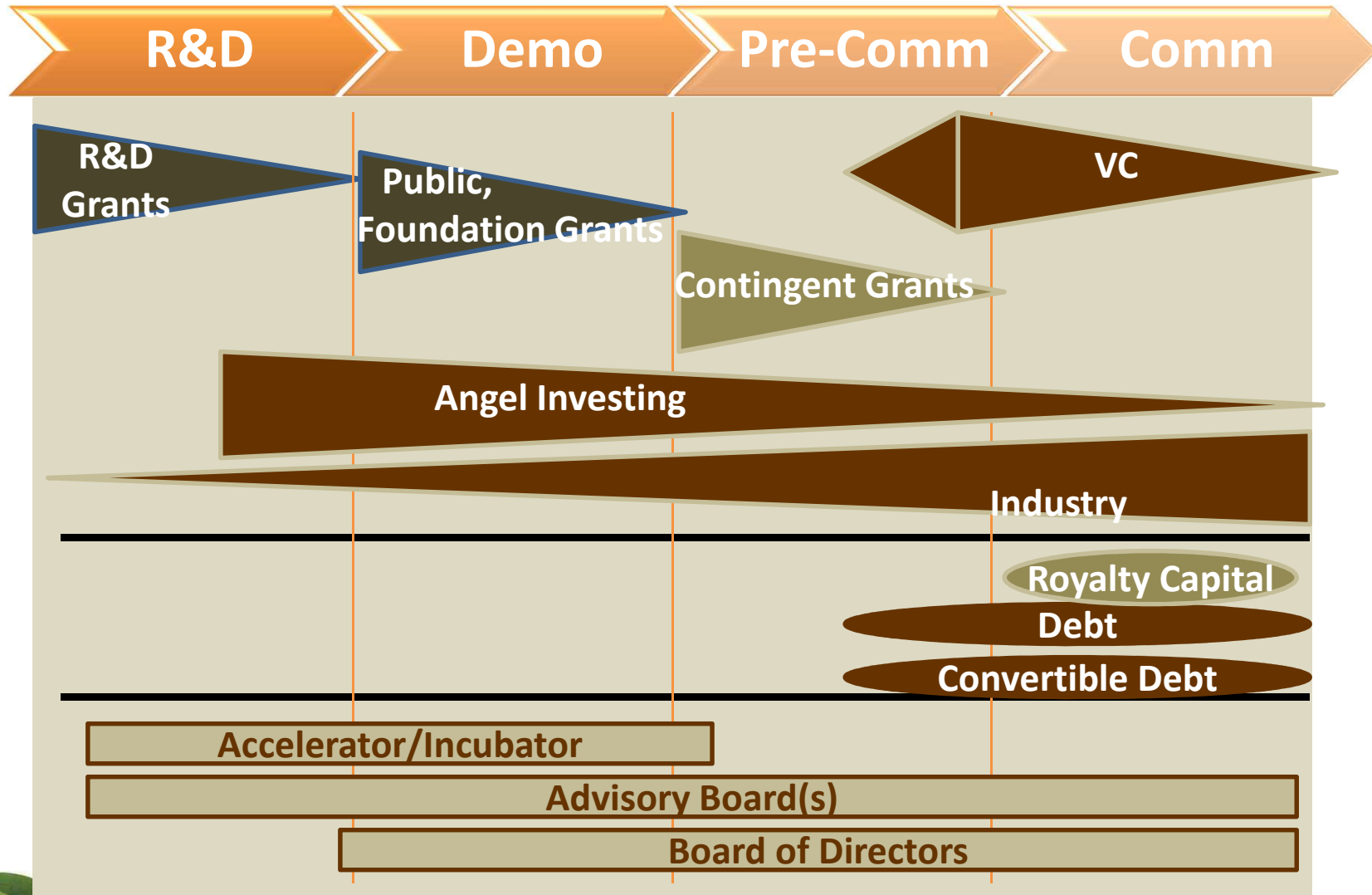
- Equity investors
  - Yourself and co-founders
  - Friends and family
  - Angel investors
  - Venture capital
  - Corporations
- Equity partners
  - Boards and advisors
  - Services: legal, other
  - Accelerators or incubators
- Convertible debt
  - Royalty capital
  - Loans

## Non-Dilutive (to Founders)

- Debt
  - Yourself and partners
  - Friends and family
  - Angel investors
  - Banks including lines of credit
  - Equity investors/partners
- Grants/Contracts
  - Government: Federal, State, Local
  - Foundations
  - Corporations
- Deferred payments
  - Taxes/enterprise zones
- Assistance
  - Accelerators and incubators



# Investment Continuum



# Give me a reason to invest!

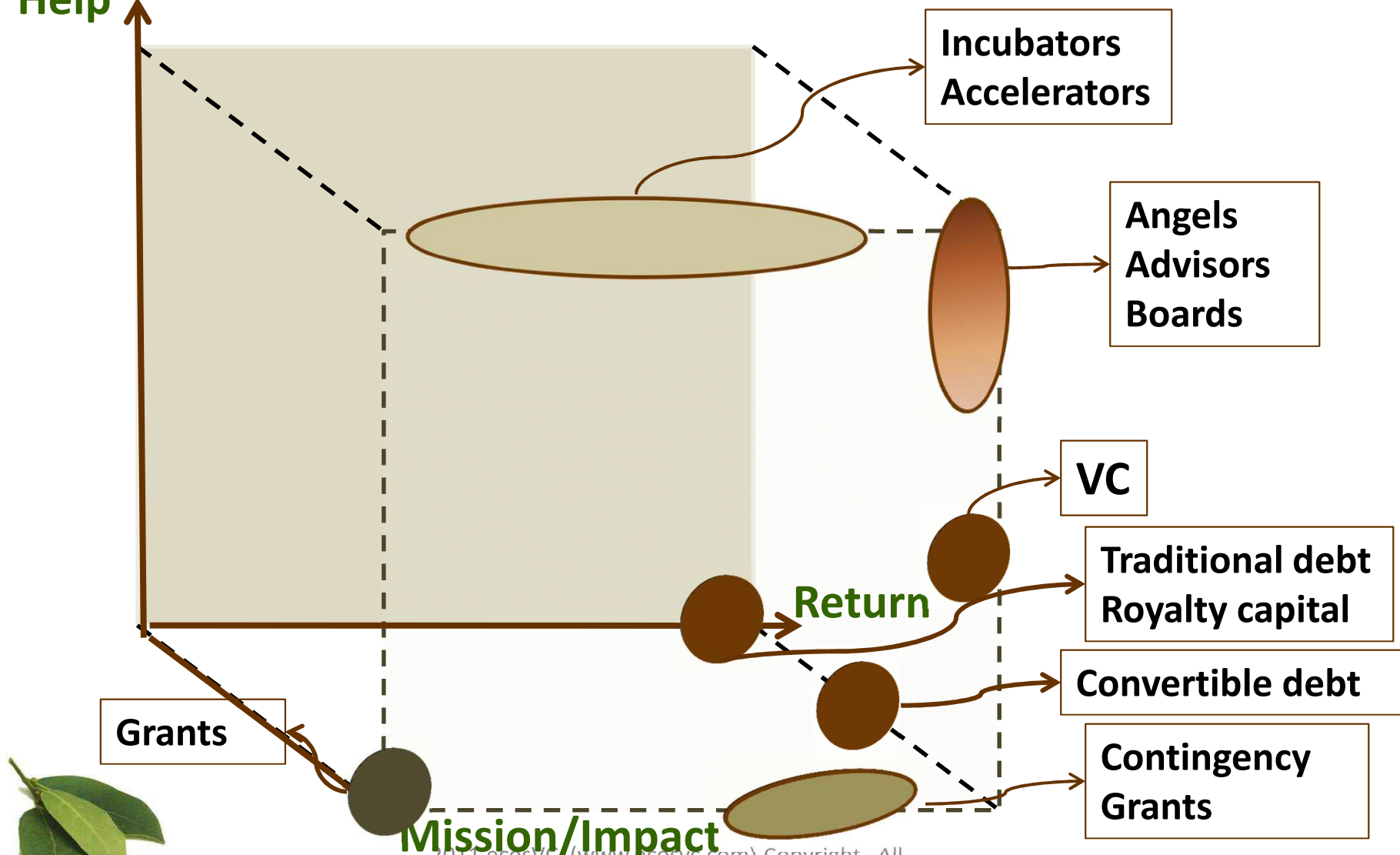
- WHAT makes you credible to an investor..from the *investor's perspective*. *NOT YOUR OWN*
- HOW does your proposition align with the investor's goals. *AS WELL AS YOUR OWN*

This ALL implies that you DO YOUR HOMEWORK  
and know motivations and how you fulfill  
them...



# Motivation!

Help



Grants

Incubators  
Accelerators

Angels  
Advisors  
Boards

VC

Traditional debt  
Royalty capital

Convertible debt

Contingency  
Grants

Return

Mission/Impact





# Strategy for Approach - Equity

## Angel Investors

- WHO are angel investors
- WHY might they be important to a strategy... Angel-funded firms
  - are significantly more likely to survive at least four years and to raise additional financing outside the angel group.
  - are also more likely to show improved venture performance and growth typically range between 30 and 50 percent.
  - Often get more than \$\$\$\$. Some of the "softer" features, such as angels' mentoring or business contacts, may help new ventures the most.



# Strategy for Approach - Equity

## Angel Investors

- WHO are angel investors
- WHY might they be important to a strategy
- WHAT do angel investors “want”
  - Proof points... evidence of/that
    - Size and addressability of the market
    - Team can deliver – skills, expertise and track record
    - Product is important to market and can be made
    - Plan to get to profitability – and they know their role
    - Their money will get you to the next important step
  - What do they want as a return
    - 10x in 5 years!



# Strategy for Approach - Equity

## Venture Investors

- WHO are VC
- WHY might they be important to a strategy
- WHAT do they “want”
  - Proof points... evidence of/that
    - Size and addressability of the market
    - Team can deliver – skills, expertise and track record
    - A LOT OF EVIDENCE product is important to market and can be scaled and sold IN LARGE AMOUNTS AT A GOOD PROFIT
    - Plan to get to profitability and their money will get you to the next important step
  - What do they want as a return
    - 10x in 5 years with a proof point of substantial sales early in investment cycle



# Strategy for Approach - Equity

## Corporations

- WHO are corporations
- WHY might they be important to a strategy
- WHAT do they “want”
  - Proof points... evidence of/that
    - The product is important to market and can be scaled and sold IN LARGE AMOUNTS AT A GOOD PROFIT
    - There is a lock-step fit with their growth strategy
    - There is something unique they cannot do themselves
  - What do they want as a return
    - clear path of how this is integral to their growth



# Strategy for Approach - Equity

## Equity partners...advisors, board, accelerators

- WHO are equity partners
- WHY might they be important to a strategy
- WHAT do they “want”
  - SAME as angels or VC...
  - “Knowledge” that their time and effort will make a difference....to you and to themselves



# Strategy for Approach - Equity

## Convertible debt providers

- WHO are convertible debt providers
- WHY might they be important to a strategy
- WHAT do they “want”
  - To be PAID BACK...and if not
  - SAME as angels or VC...



# Strategy for Approach - Grants

## Grant providers

- WHO are grant providers
- WHY might they be important to a strategy
- WHAT do they “want”
  - To see that the RESULT you promised is achieved
  - To know that their mission was achieved
  - To know their \$\$\$ were wisely spent



# Raising \$\$\$ is a CONTACT SPORT

- KNOW who you are approaching and why
- KNOW who you are, what you are providing and whether the \$\$ your are seeking are in alignment
- DEVELOP contacts and a Rolodex
- BORROW credentials and credibility
- BUILD a great team... people get funded, NOT ideas!

