

Financing an early-stage business

SFU - New Venture Development



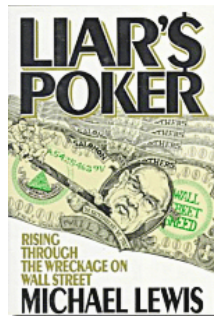
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Personal Snapshot

ACCOUNTANT



CORP STRATEGY
CORP FINANCE



CORP
FINANCE
GROWTH
FIRMS



ENTREPRENEUR



HomeProud™



Blog - "Finance & Strategy Musings"



www.stirlingmercantile.com
www.cleantechinvestor.com

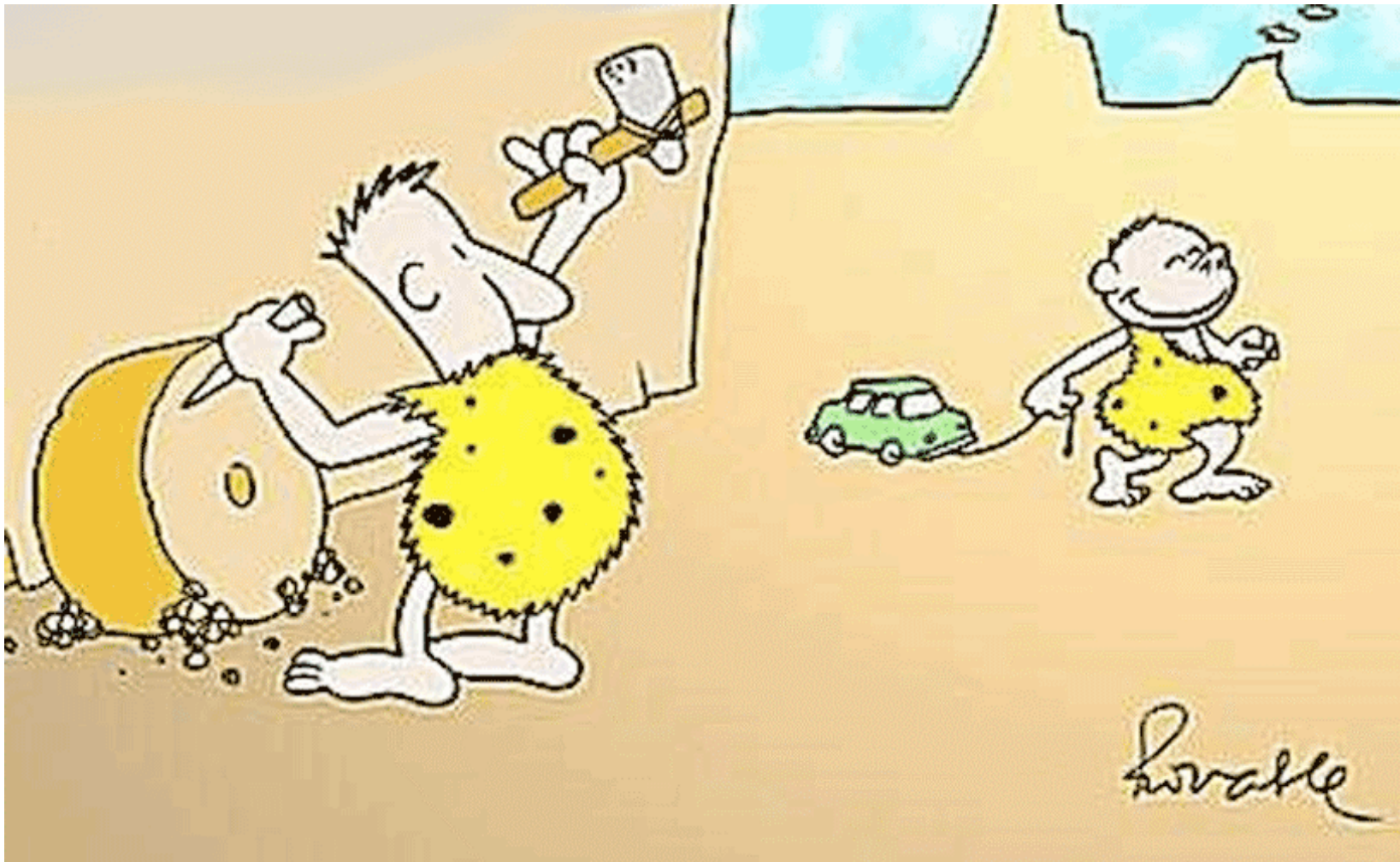
www.acg.org/Portals/0/MAJJuly08.pdf
blog.ross-mcdonald.com

Financing an early-stage business



A fundable business venture requires more than a thorough financial model. It needs an innovative solution, clearly defined and evidenced, with a strong team.

Innovation



Innovation

Cake

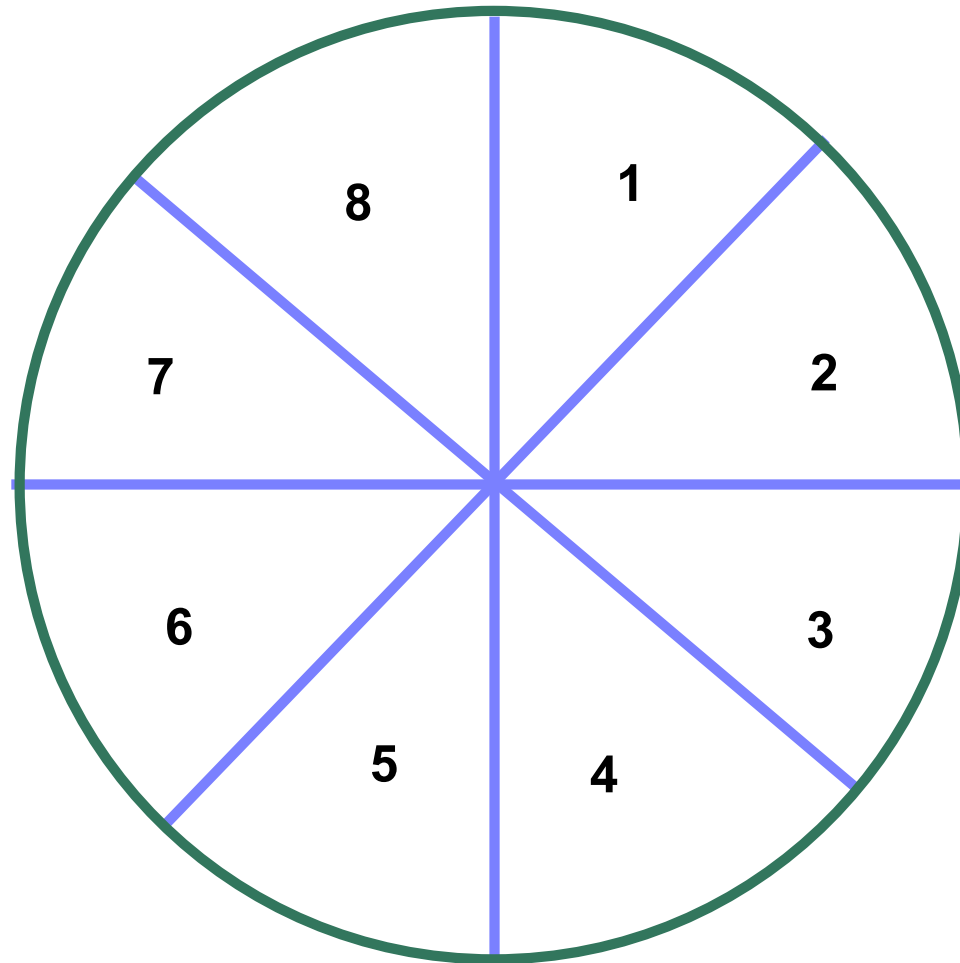
**YOU HAVE A CAKE AND A KNIFE.
YOU CAN CUT CAKE FOUR TIMES IN STRAIGHT LINES.**

**WHAT IS THE MAXIMUM NUMBER OF PIECES THAT
YOU CAN CUT THE CAKE INTO?**

YOU HAVE 2 MINUTES.

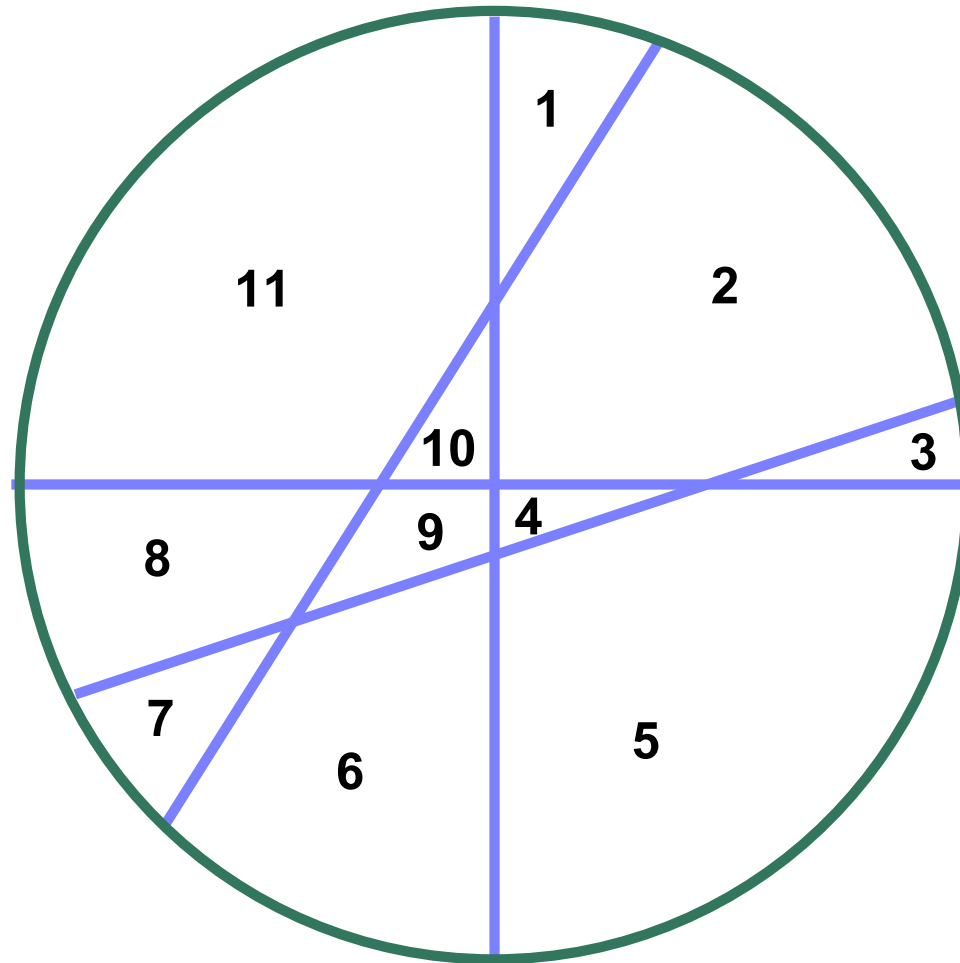
Innovation

Cake 8



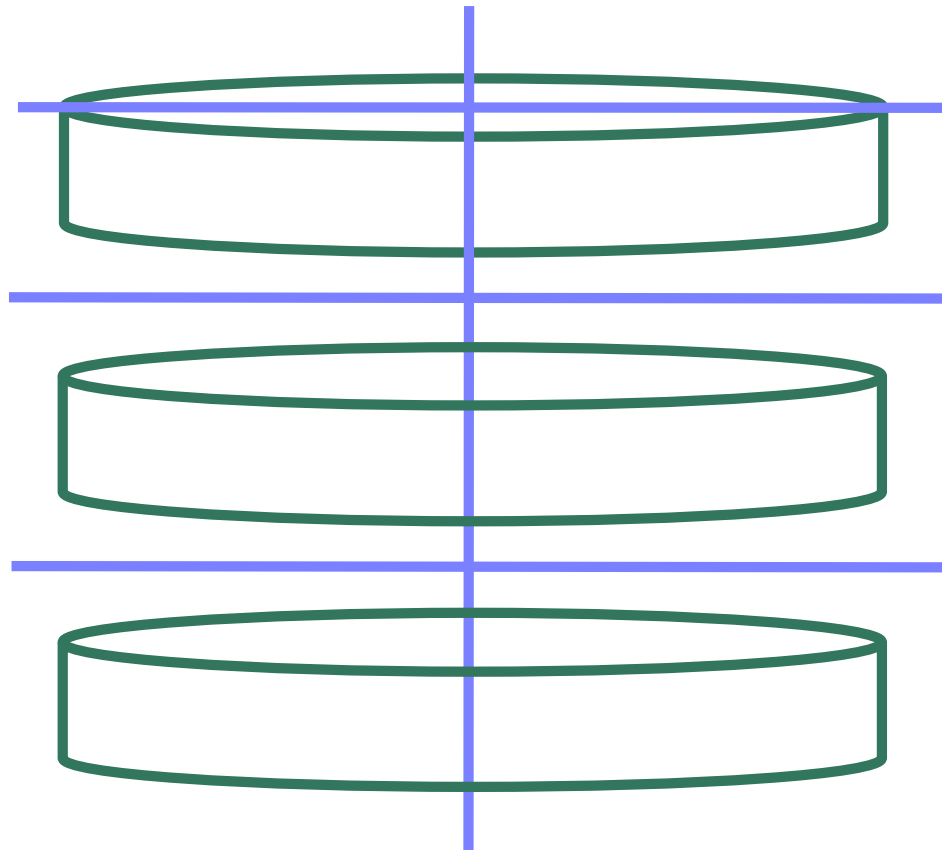
Innovation

Cake 11



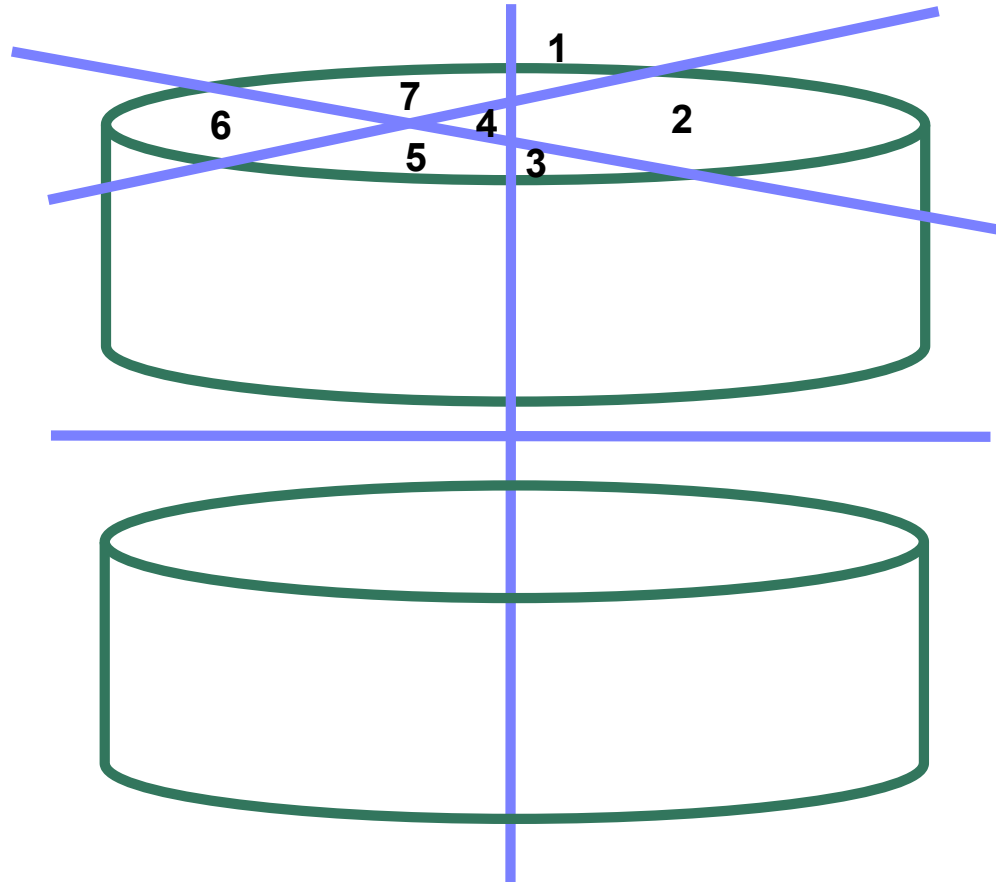
Innovation

Cake 12



Innovation

Cake 14



Innovation

Cake 16

ANSWER = 16 (2^4)

CUT CAKE INTO TWO PIECES.

PUT ONE PIECE ON TOP OF OTHER, CUT AGAIN.

PUT ALL PIECES ON TOP OF EACH OTHER, CUT AGAIN.

PUT ALL PIECES ON TOP OF EACH OTHER, CUT AGAIN.

Strategy



Strategy

Value Proposition



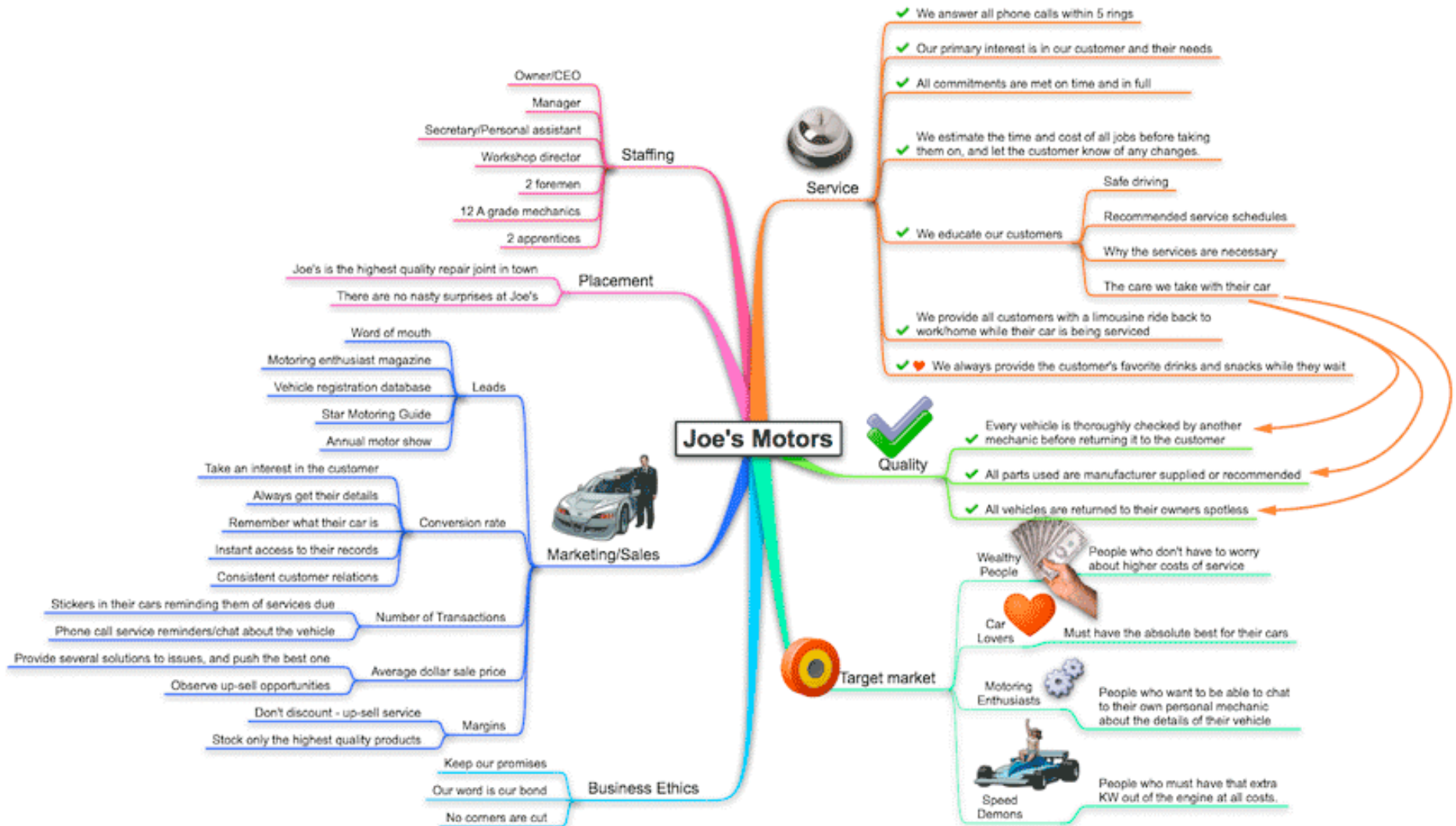
Strategy

Example Disruptors

INDUSTRY	DOMINANT COMPETITOR	TRADITIONAL COMPETITOR	STRATEGIC INNOVATOR
Airlines	American Airlines	Delta, United, Northwest	Southwest Airlines
Car rental	Hertz	Avis, Europcar, National	Enterprise
Securities	Merrill Lynch	Smith Barney, Paine Webber	Edward Jones
UK Banking	Natwest	Barclays, Lloyds	First Direct
Photocopiers	Xerox	IBM, Roche, Kodak	Canon

Strategy

Mind Mapping



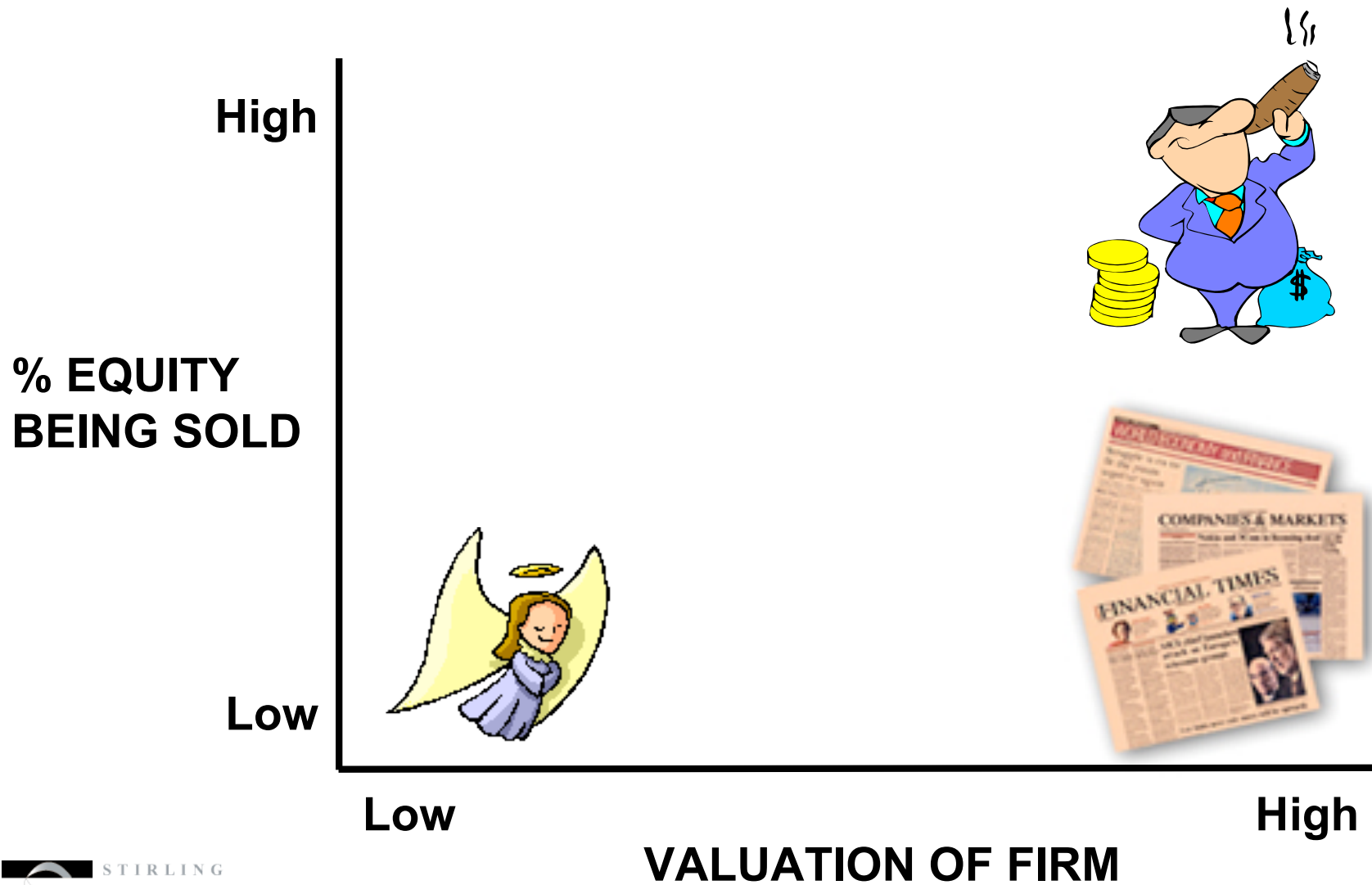
Investment

Pitching



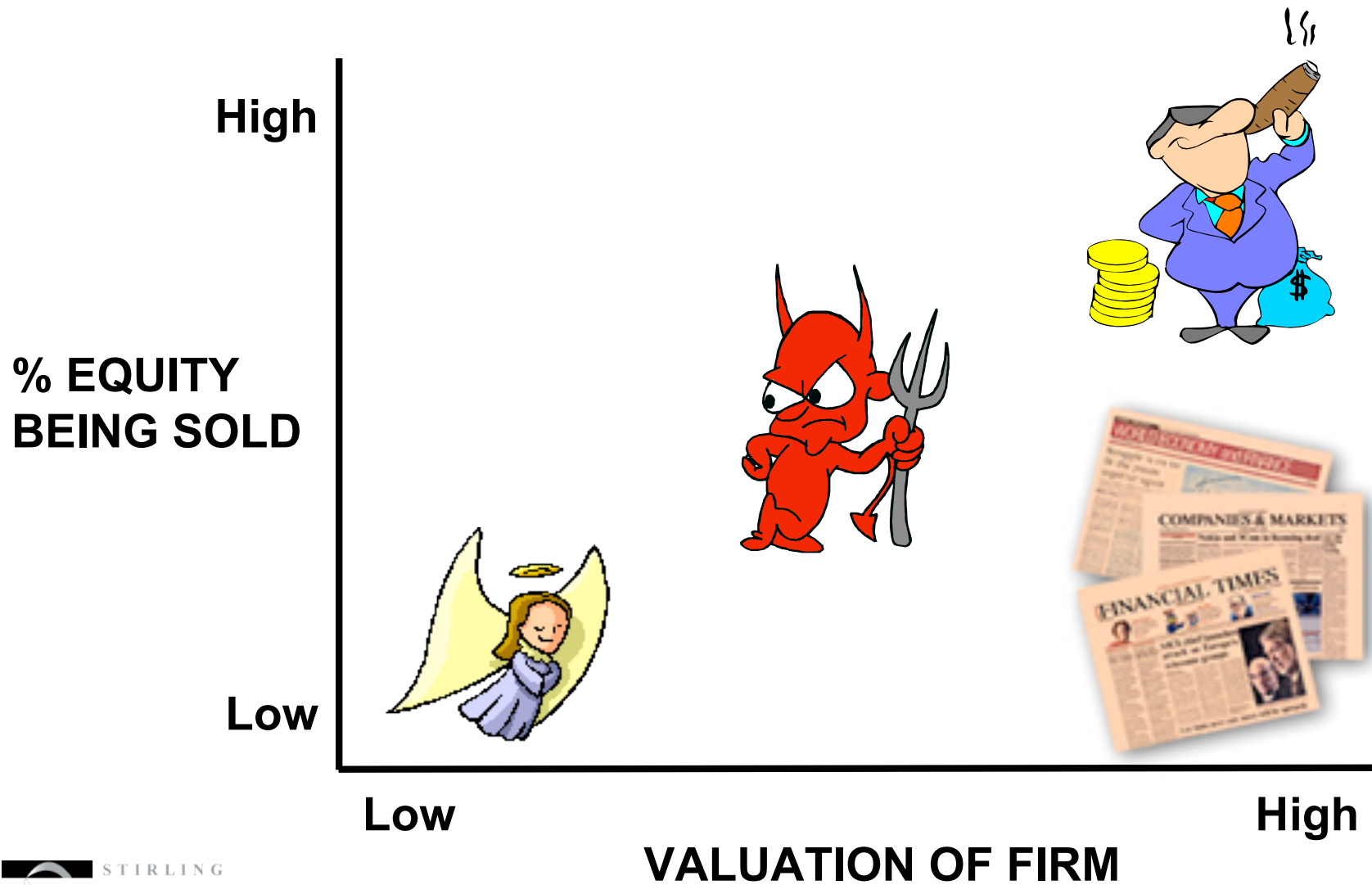
Investment

Fit for Purpose



Investment

Fit for Purpose



Investment Interests of each party

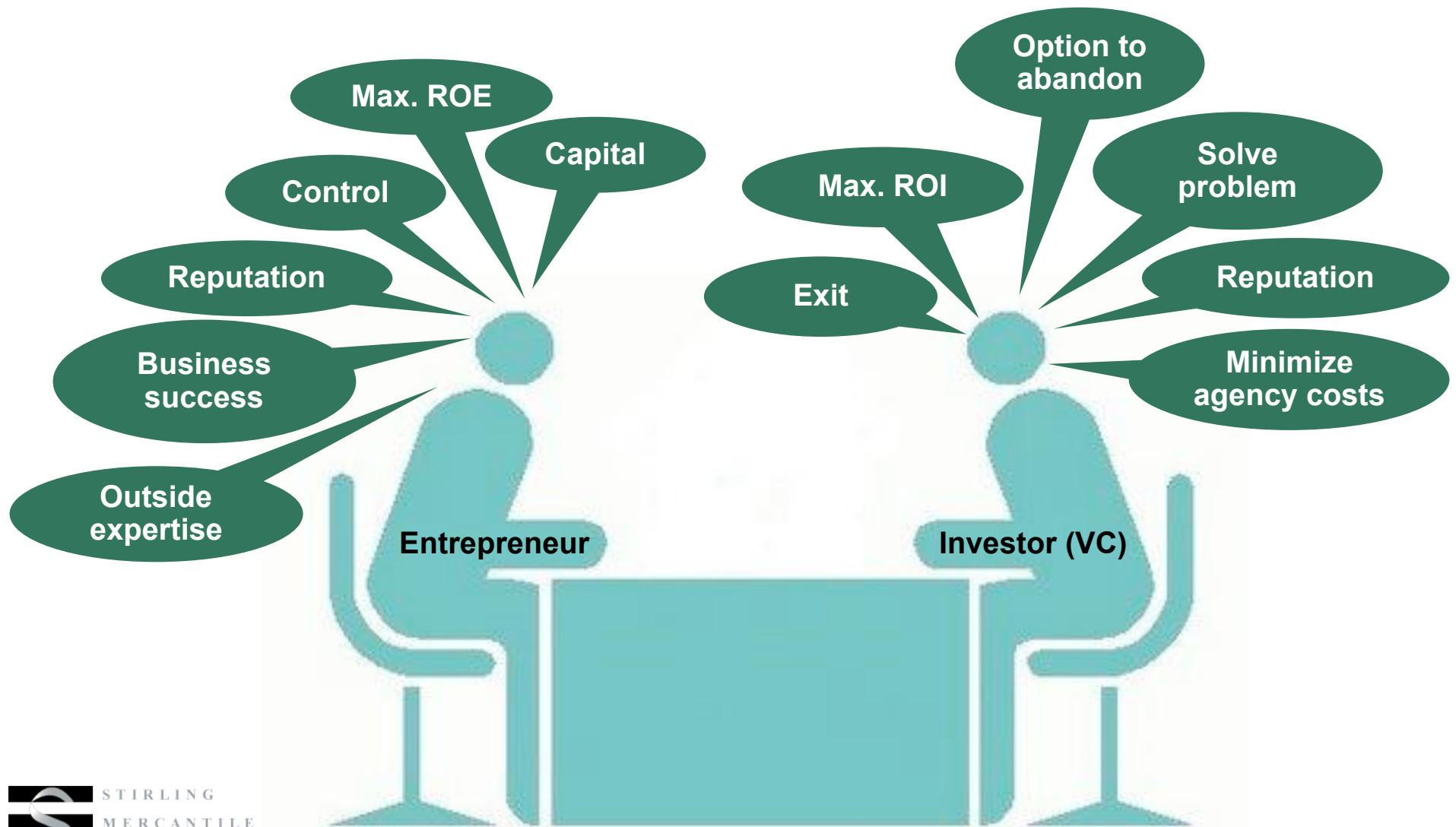
What issues are important to me?



What issues are important to me?



Investment Interests of each party

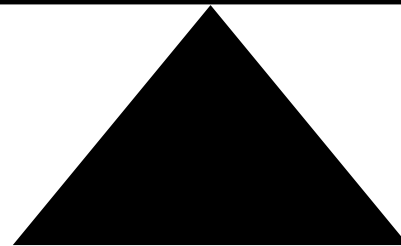


Investment

Negotiating Power

ENTREPRENEUR

VENTURE CAPITAL



Investment

Negotiating Power

Deep domain expertise

Successful track record

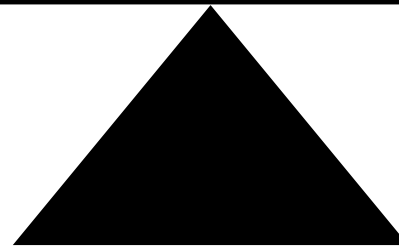
Strong team

VC's reputation

BATNA: other investors

ENTREPRENEUR

VENTURE CAPITAL



Investment

Negotiating Power

Deep domain expertise

Successful track record

Strong team

VC's reputation

BATNA: other investors

Cash investment

Venture credibility

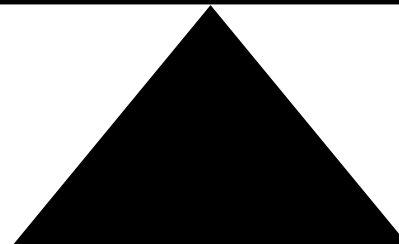
Expertise, contacts

Entrepreneur's reputation

BATNA: demand vs supply

ENTREPRENEUR

VENTURE CAPITAL



Investment

Storytelling



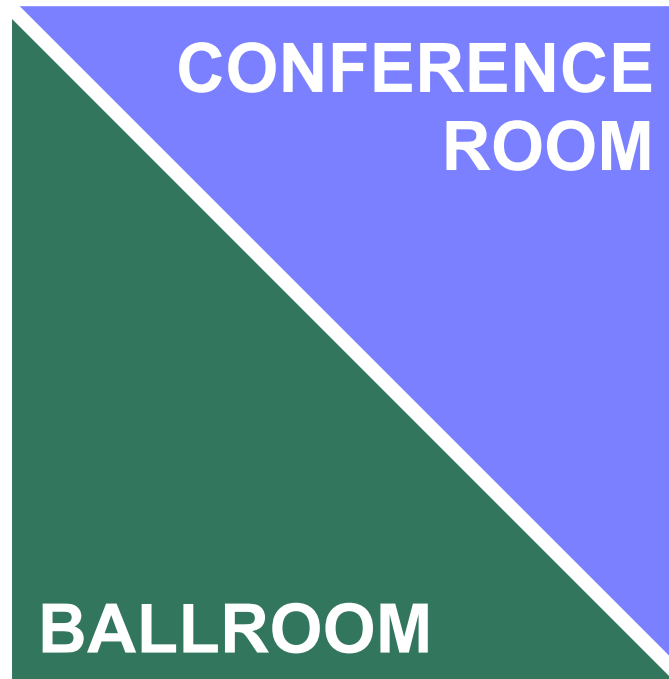
"He may have a Ph.D. in elementary particle physics, but he's having an awful lot of trouble with the application form."

Investment

Presentations

ENVIRONMENT
Large audience
Projected output

PRESENTATION
Objective: WOW
Minimal content
Lots snazzyness

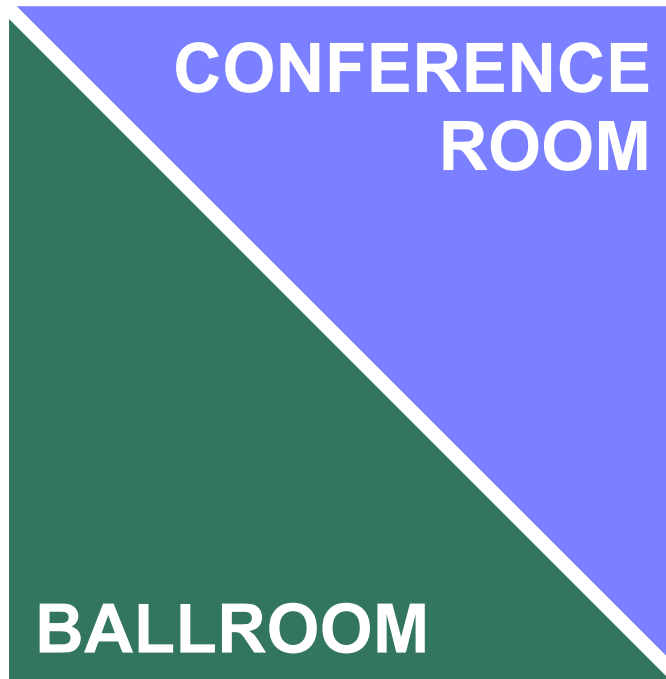


Investment

Presentations

ENVIRONMENT
Large audience
Projected output

PRESENTATION
Objective: WOW
Minimal content
Lots snazzyness



ENVIRONMENT
Board / Investors
Printed output

PRESENTATION
Objective: Action
Structured content
Minimal distractions

Investment

Financial Modeling



"We've got to cancel the project -
we've spent all the money on the
model."



STIRLING
MERCANTILE
CORPORATION

Investment

Financial Modeling



"We've got to cancel the project -
we've spent all the money on the
model."

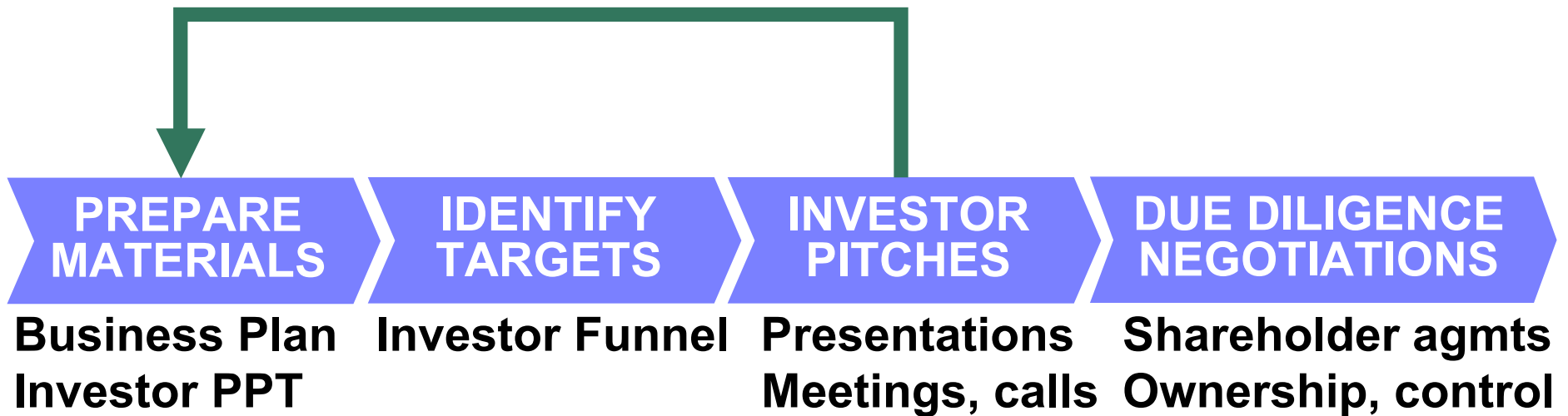
BEST PRACTICE

STRUCTURE WORKBOOK
CONTROL ASSUMPTIONS
SENSITISE KEY INPUTS
SIMPLIFY METHODOLOGY
GRAPHICAL OUTPUT

Investment

Process

Feedback, FAQ



TIMELINE: TYPICAL FOUR TO NINE MONTHS

Top Tips

Personal Experience

BRUTAL LESSONS

Velociti

Primary research is essential
Meet, assess competitors
Supplier due diligence

Top Tips

Personal Experience

BRUTAL LESSONS

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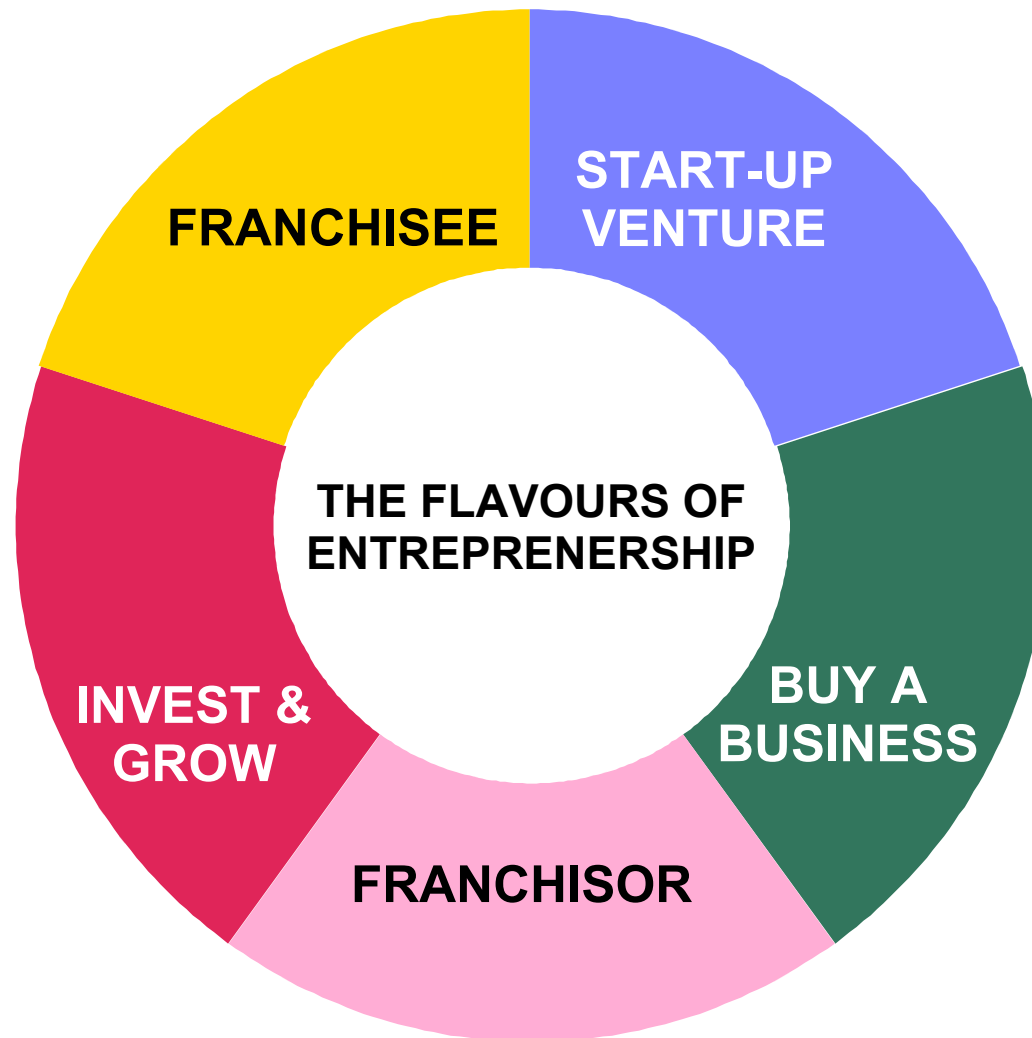


Primary research is essential
Meet, assess competitors
Supplier due diligence

Driving a new market needs \$\$
Do one thing really well
Buy industry connectedness

Top Tips

Entrepreneurship



Top Tips

Early-Stage Pitfalls

COMMON PITFALLS

MITIGATING FACTORS

CREATE IT

Unoriginal concept
Insufficient benefits
Poor competitor awareness

Team brainstorming
Hard work (product development)
Research (primary, secondary)

DEFINE IT

Lack of focus
Too much waffle
Analysis paralysis

Who, What, How (plus negative)
Elevator pitch (30 seconds)
Primary research

FUND IT

Superhero entrepreneur
Insufficient proof of concept
Inappropriate investor
Unrealistic valuation
Insufficient cash 'runway'

Identify, cover weaknesses
Name, address first customer
Fit for purpose, due diligence
Risk, return for venture stage
Prepare early for financing

Top Tips

Reference Material

BOOKS

- **“The new business road test”** by John Mullins (feasibility studies ... before business plan)
- **“All the right moves”** by Constantinos Markides (corporate strategy)
- **“Building great customer experiences”** by Colin Shaw, John Ivens (customer benefits)
- **“The next cleantech revolution”** by Ron Pernick, Clint Wilder (informative industry insight)
- **“Guide to financial modeling”** by the Economist
- **“[The Jackson Theories]”** by Ean Jackson (bestseller-in-waiting)
- **Anything written by competitors! (or peers in another country)** e.g. marketing materials, PR

WEBSITES

- **extremepresentation.typepad.com** Excellent advice and tools for best practice presentations
- **www.37signals.com** Web-based collaborative software-as-a-service for small businesses
- **www.nova-mind.com** Mind-mapping software (brainstorming, structured analytics)
- **www.trendhunter.com / www.springwise.com** Innovative trends, new products / services
- **www.toodledo.com** ‘Getting Things Done’ web-based task management utility
- **www.netvibes.com** Free advanced RSS news/blog reader with tabs, widgets
- **chartchooser.juiceanalytics.com** Downloadable well-designed MS Office charts & tables
- **www.ted.com** Video presentations by prominent business and social leaders

OTHER

- **Harvard Business School Press** ‘Negotiations: VC vs Entrepreneur’, ‘Deal Structure & Terms’

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