The Investment Partnership

Strategic Options for Growing Your Business

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What we will Cover

- What is Venture Capital
- Why is it Important for Research?
- How Investors Work
- Partnering with Investors - What’s Next
If You Don’t Remember Anything Else from Today ....

Venture capital investors may help you with CAPITAL, KNOW-HOW, NETWORK

Know your Science & Business better than the Investor!

Find the Investor Who Shares Your Same Objectives!
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What is Venture Capital

- Pool of money €5m-500m … “The Fund!
- Professionally managed (General Partner)
- Those who put in money (Limited Partner)
- Industry Experts & Financial Expertise
- Network across industry, function and region
- Stage focus (seed, early, ramp-up/growth)
- Technology focus (bio, nano, cleantech, med device…)

High Risk

High Reward

Non-Liquid Assets
Venture Capital – Pros & Considerations

**PROS**
- Have the money
- Have the connections
- Can provide for industry partnerships & distribution
- Have the right skills

**CONSIDERATIONS**
- Change of control
- Have decision-making authority
- Introduce your new boss who you may not like
Other Types of Investors

- Concept
- Bootstrap
- Family & Friends
- Strategic Partners
- Angels
- Grants
- Vendors
- Customers
- Private Equity
- Banking
- VC
- Exit/ROI
Where is the capital flowing?

**U.S. VC & Angel Investment Flows: 2011**
*Total $48B (28m VC + 20m Angel)*

- Healthcare services/ medical devices (30%)
- ICT / Software (21%)
- Biotech (19%)
- Industrial / Energy (8%)
- Retail (5%)
- IT / Services (5%)
- Other (12%)

**2011 Europe Venture Capital: €11B**

Sources: Dow Jones VentureSource and LP Source; UNH Center for Venture Research; EVCA 2010
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Often the big investments are made here!
Research is like Investing / Start-ups

The Startup Curve

Source: Paul Graham; avc.com

Chart Source: SV Insider: Follow the Chart Of The Day on Twitter: www.twitter.com/chartoftheday
Do you have a Viable Business Idea?

- You have the research
- You have published ad nauseum
- The IP is there; FTO
- People or businesses would buy what you can make
- What do I need?

Simple Business Plan
Dedicated Team
Funds (It Works – It Sells)
D.L. 18 ottobre 2012, n. 179
Ulteriori misure urgenti per la crescita del Paese

**Startup innovative**

**perché sono importanti?**

- crescita economica
- occupazione, in particolare giovanile
- sostegno all'innovazione
- promozione della mobilità sociale
- attrazione di talenti e capitali dall'estero
- promozione di una cultura della trasparenza, dell'imprenditorialità e del rischio
Italianizzato...

definizione

- società di capitali, costituite anche in forma cooperativa
- non quote, detenute e controllate almeno al 51% da persone fisiche
- sede principale in Italia
- meno di 4 anni di attività
- fatturato annuo inferiore a 5 milioni di euro
- non distribuiscono utili
- contenuto innovativo identificato con:
  - almeno 30% spese in ricerca e sviluppo oppure
  - almeno 1/3 della forza lavoro complessiva costituita da dottorandi, dottori di ricerca o ricercatori oppure
  - startup titolare o licenziatario di brevetto

trasparenza

- Obbligo di iscrizione in sezione speciale del registro delle imprese, per assicurare massima trasparenza sui dati startup
Comunque aumenta l’awareness!

**Risorse finanziarie**

- **Incentivi fiscali** per privati cittadini e aziende che investono in startup

- Introduzione in Italia del **crowdfunding**, strumento di finanziamento innovativo che prevede la raccolta diffusa di capitali di rischio tramite portali online

- Accesso gratuito e semplificato al **Fondo centrale di garanzia**

- Risorse subito disponibili **200 milioni** euro
  (110 a regime più 50/100 da FII di CDP)

- Entro ottobre decreto ministeriale per stanziare fondi per le startup in **Mezzogiorno**
What is Venture Capital

Why is it Important for Research?

**How Investors Work**

Partnering with Investors - What’s Next
Venture Investing

- Try to make money
- They try…

**The Objective**

I give you €100 today

I get back €100 + interest tomorrow (Multiple X)

I give you €100 today
What do Venture Capitalists Do?

- Scout for great people & opportunities
- Perform “Due Diligence”
- Create a “Term Sheet” (patti parasociali)
- Deal!
- Participate, manage and drive
All Investors Generally...

- Invest in what they know
- Optimise Risk versus Reward

Search for People who are:
- Smart
- Likeable
- Able to tell a Compelling Story

Search for Winning Ideas
- ...with a Compelling Plan
Common Beliefs of all Investors

- Exceptional People make Exceptional Businesses
- Best Entrepreneurs have Sector Expertise + Drive to Win
- Excellent Ideas Still Need Differentiators:
  - Sustainable Competitive Advantage
- Winning Ideas create New Markets
  - or significantly modify them
- The Numbers Must be More Compelling than The Risk
- It’s About Making Money
What are they looking for

- Your (and the team’s) drive to win
- You know extremely well the market & opportunity
- That you are solving a real problem
- You have a unique solution
  - Preferably a platform of a series of options versus one product
- Your solution is affordably scalable
  - Industry specific – software vs biotech
  - Time required → size of opportunity
- Your solution is defendable
  - “Sustainable Competitive Advantage”
- Your objective is a return on investment (ROI)
Not All Investors Are the Same...

...but all good investor-entrepreneur partnerships are based on a strong alignment of objectives

- Alignment = People Synergy,

.....then the Numbers
Finding the Ideal (Tech) Investor

MUTUAL DILIGENCE!

- Track record – experienced (tech) investor
- Direct experience in your specific sector
- Strong network in your sector and target geography

Think about:

- **Strategic Collaboration**: understands your business and sector
- **Insightful**: Focus on intelligent growth vs. looking for risks
- **Strong network** to help you build your business
- …they will be there for you in the tough times
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How Investors Work

Partnering with Investors - What’s Next
Create a **Simple** Plan

- **Business Plan – Why?**
  - Besides the investor, you first need to convince yourself!
  - Market opportunity becomes clear
  - Nice-to-have vs game-changer
  - Lifestyle Business vs Fast Growth Business

- **What Goes into Business Plan**
  - Product, Market, Team, Distribution and Financials
  - Your Sustainable Competitive Advantage

- **Pitch it!**

5-10 Pages!
What about the New «Lean» Business Plan?

Lean start-up model relies on hypothesis, experiment and testing in the marketplace

- Stanford’s Steve Blank
  - Quickly develop “minimum viable products”
  - Low-cost versions – get customer input
  - Rapidly test business models and ideas
  - Kill failures early & fast, then “pivot” to Plan B…

- Yes! If you have funding and your business model warrants this approach…
Due Diligence Phase

Once an Investor has the Plan, they will begin asking questions!
Due Diligence: What Investors Look for:

- Who are you as a person?
- Product unique?
- Market attractive?
- Pricing strategy – is it affordable?
- Do you know your competitors well?

- How you estimated sales
- How you estimated costs (...and funding needs)
- Hidden complexities (growth + exit)

How much money do you need!
Investor Activity in Due Diligence

- Study the market, competitors and speak to investors
- Referrals network – Are other investors interested?
- Recreate the financial model
- Challenge all assumptions

- Individual investors & funds have different time horizons
- Different investment return objectives

How will this deal impact the investor’s reputation / network!
Getting to a Deal (via the term sheet)

- Investors have comfort in own jurisdictions
- Deal terms will provide the investor rights
- Investor may want to plan the exit within the terms
  - …but the terms are transparent

If your business growth is predominantly in a foreign market, a foreign investor can strategically be an advantage.
Partnering towards a **Return on Investment**

- Acquisition - “Exit”
- Stock or Assets
- Licensing Deal
- Debt --- Principal + interest %
  - Convertible Note
- Profit Sharing -- or -- Dividends
- Public Offering -- IPO
Final Thoughts…

- Think big!
- Can investors help you / your idea
- Raise the right amount of money from as few investors as possible
- When the money comes in, ….everything changes!
"The future belongs to those who see possibilities before they become obvious."

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