



# CAPITAL PLANNING FOR START UPS



**TIMIA  
CAPITAL**  
frictionless finance

[TIMIACAPITAL.COM](https://TIMIACAPITAL.COM)

# Background

- **CEO of TIMIA Capital**
  - Revenue Finance for SaaS
  - TSX-V Listed Company
- *15 Years Venture Capital Experience*
- *Multiple Investments and Board Seats*
- *Board of the Canadian Venture Capital Association*



# PIE



It is better to have a small piece of a  
large pie....

than to have a large piece of a small pie.



## **BUT, WHAT IF....**

Your option is a MEDIUM SIZE PIE, not a small pie....

Your chances of getting to a LARGE PIE, are less than 2%.....

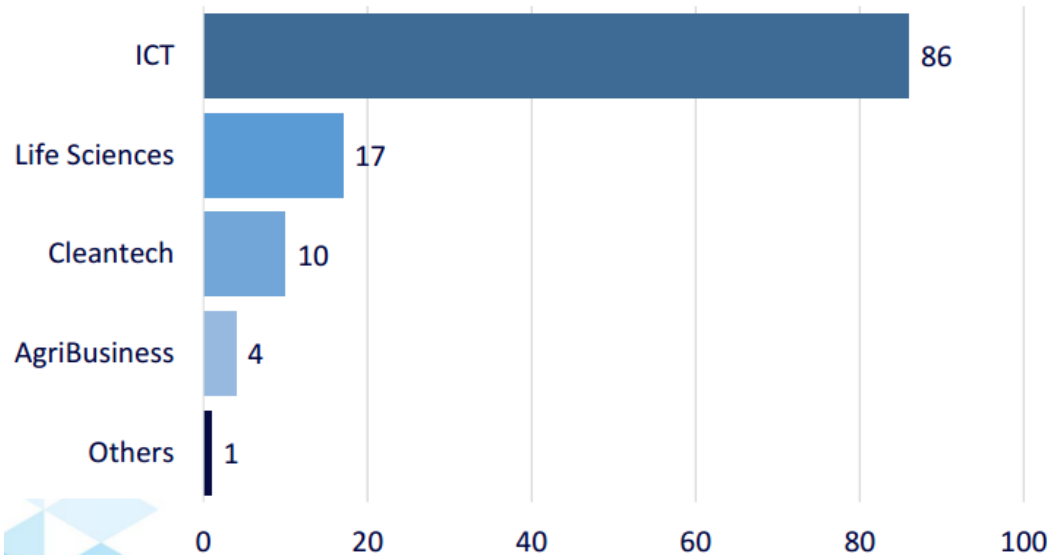
You want to maximize the **ABSOLUTE SIZE** of the piece of PIE

# Venture Capital Needs Billion \$\$ Companies

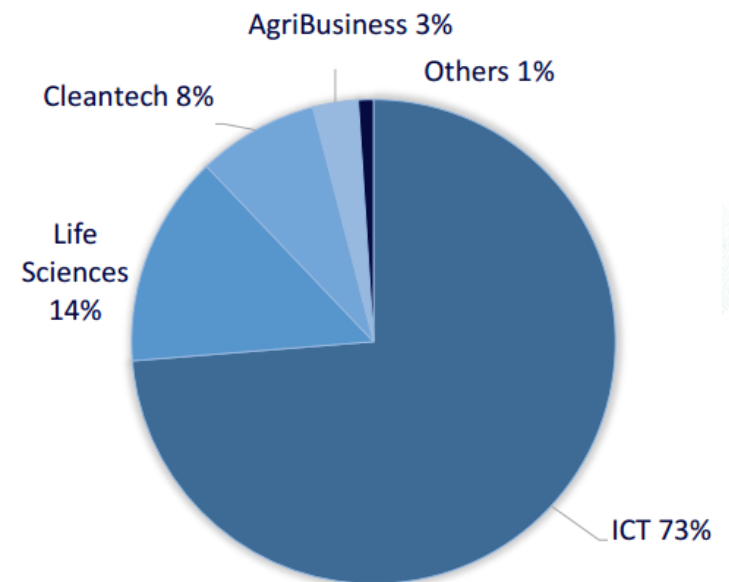


## Top VC Sectors – Q1 2016

**# DEALS**



**# SHARE**



## Most Active VC Firms – Q1 2016

### Private Independent Firms

VC Firms	# Total Deals	\$ Millions*
Real Ventures	20	20
Relay Ventures	10	83
iNovia Capital Inc.	8	74
Cycle Capital Management (CCM) Inc.	5	15
Georgian Partners Inc.	4	100+
Freycinet Investments Ltd.	4	7
Avrio Ventures Management Corp.	3	64
Celtic House Venture Partners	3	30
Wellington Financial LP	3	27
Yaletown Venture Partners	3	4

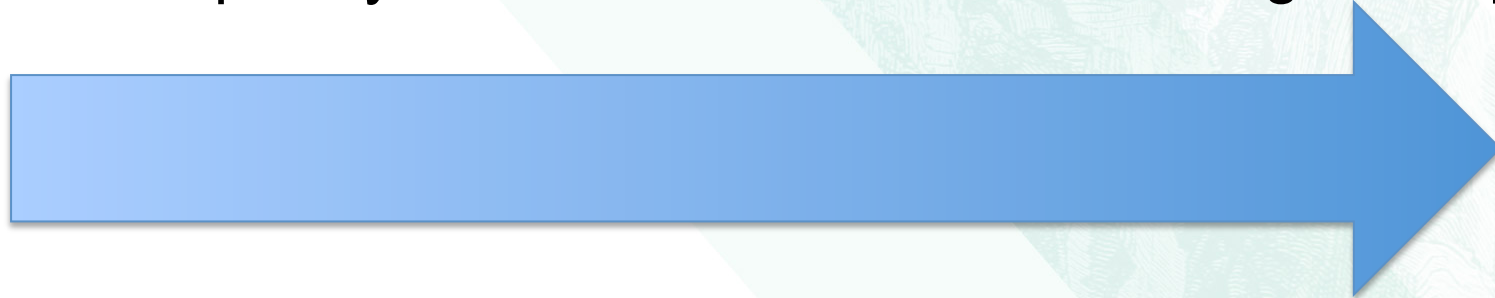
*\*Total deal values – includes all participating investors.*



# FINANCING OPTIONS

Low Complexity

High Complexity



Friends and Family

Government Grants

Customer Financing

Revenue Financing

Angel Financing

Venture Debt

Venture Equity



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# Equity Investing - Gives and Gets





# GIVES and GETS....

## The Entrepreneur wants...

- Access to Capital
- Access to Value Add Skill Sets
- Introduction to Customers and Strategic Partners

and expects....

An ABSENCE of Value Destruction



# GIVES and GETS....

The Investor wants...

- A Big Return on Money ( >10X usually)

And Expects...

- Consistent progress updates
- An opportunity to help improve the outcome
- To not be unduly crammed down in the future, and
- Possible Seniority in the Cap Table



Issue	Basic Definition
<b><u>Share Type</u></b>	Common vs. Preferred. All in the Same Boat vs. Stratified.
<b><u>Liquidation Preference</u></b>	Preferred Shares get money back first
<b><u>Participating</u></b>	Preferred Shares get their Liquidation Pref back and then get to also participate in Common Share distribution.
<b>Pro-rata Rights</b>	Right to participate in future rounds of investments.
<b>Information Rights</b>	Access to monthly or quarterly updates
<b>Board Rights</b>	Right to a Board seat.
<b>Drag along</b>	Ability to force others to join sale of company
<b>Co-sale and ROFR</b>	Ability to restrict others in selling their shares (via joining in their transaction or outright restriction), or ability to buy their shares first
<b>Protective Provisions</b>	You can't do XXXX without my approval.

# Who wants what....

Issue	Entrepreneurs	Angels	Venture Capital
<b><u>Share Type</u></b>	Common Shares	Mostly Common, Some Preferred.	Preferred
<b><u>Liquidation Preference</u></b>	“Destroys Value”	Some	Always want
<b><u>Participating</u></b>	“Destroys Value”	Some	Always want
<b>Pro-rata Rights</b>	Indifferent	Should get.	Always get.
<b>Information Rights</b>	Only to large investors	Sometimes Get	Always Get
<b>Board Rights</b>	Only to large investors	Sometimes Get	Always Get
<b>Drag Along</b>	Usually included	Usually included	Always get to control exit
<b>Co-Sale and ROFR</b>	Usually included	Small investors not given right	Large investors get and enforce.
<b>Protective Provisions</b>	‘Destroys value’	Rarely	Always.



# A Common Problem

ACME Co. has common and preferred shares  
Preferreds are participating with 2X liquidation.

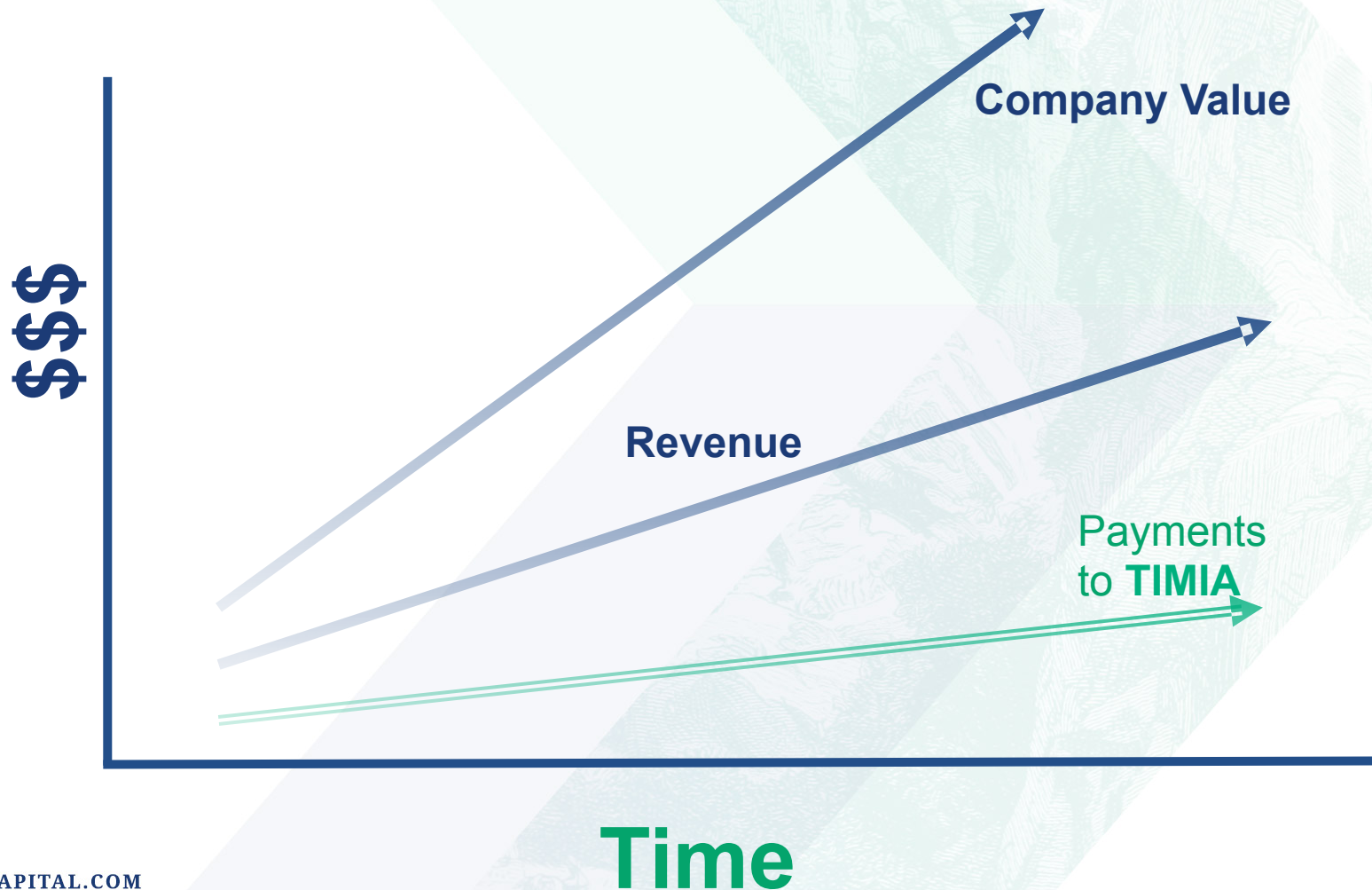
\$20M has been invested. (\$5M Common and \$15M in Preferred)

\$40M offer is received to buy the company.

- \$37.5M would go to the Preferred Shareholders (2.5X), and
- \$2.5M would go to the Common Shareholders (0.5X) ....

**Chaos Ensues....**

# Revenue Financing – The Basics



# REVENUE FINANCING

**TIMIA** provides financing and takes a share of the Company's future revenue

- No dilution
- Payments flex with her revenue growth
- TIMIA makes a great return
- **Sam gets to grow her Company HER WAY!**





# TO GET THE MOST PIE.....

1. Keep your cap table as flat as possible for as long as possible.
2. Understand your total capital requirements to get to \$10M in Revenue
3. Explore ALL Financing Options.
4. If you choose to pursue Venture Capital, understand the rules of the game

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