



New
Ventures BC

newventures.bc.com

The “BUSINESS CASE”

April 22, 2017

(What Angels *Really* Want)

[\[www.mikevolker.com\]](http://www.mikevolker.com)



**TIMIA
CAPITAL**
frictionless finance

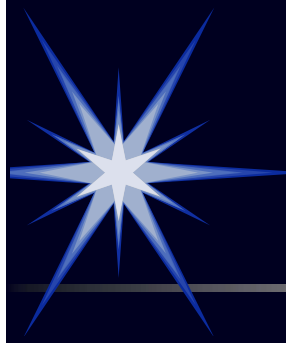
Mike Volker (mike@volker.org)

www.timiacapital.com

www.wutif.ca



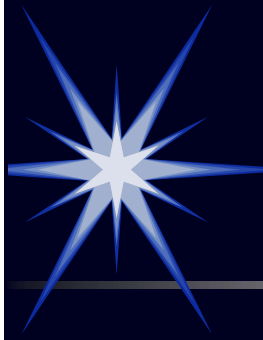
W U T I F[®]



Local Success Stories?

Name some.....





The E-Myth

Most “entrepreneurs” are not entrepreneurs

They are technicians suffering from an entrepreneurial seizure.

They have NO experience in commerce & business



Success Factors: Just Two!

PEOPLE

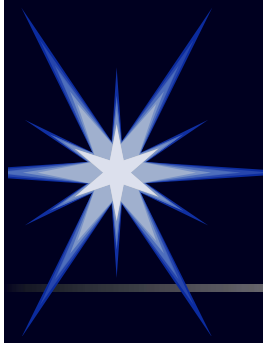
experience
risk takers
total commitment



CAPITAL

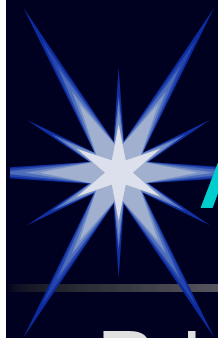
enough to cash flow





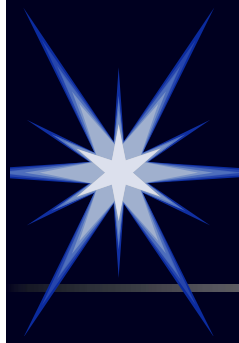
Observations

- “good” companies *will* always get funded
- startups are getting better each year
- more private capital available
- Equity Crowdfunding is here!
- VC’s invest later in prospective “unicorns”
- Most companies fail!
(>50% in 5 yrs, >80% in 10 yrs)
- Steve Blank says 1 on 1000 make it big!



A Great time to start a Company

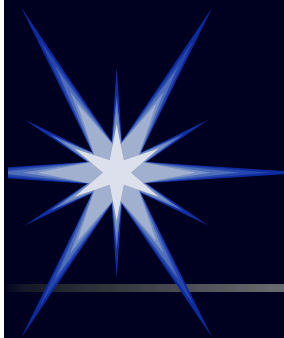
- Prime at 2.7%, inflation: <2%, GDP: >2 %
- Lower taxes (small bus. rate, cap gains exempt)
- Low R&D costs (SRED Credits)
- Great Infrastructure (see www.hitechbc.com)
- Special incentives: BC pays investors 30%
- Make a list of all un-invented things!
- Americans will buy anything!



BC's the place to be

IN 2015, THE TECH SECTOR:

- Reached over 100,000 jobs for the first time (101,780¹) at 9,905 companies.
- Had wages 75 per cent higher than the B.C. industrial average, with average weekly earnings of \$1,590.²
- Had the fifth consecutive year of growth in employment.³
- Employed around 4.9 per cent of British Columbia's workforce – more than the mining, oil and gas, and forestry sectors combined.⁴
- Generated approximately seven per cent of the province's GDP.⁵



Innovation Incentives (B.C.)

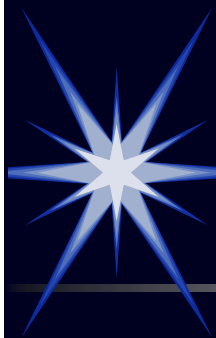
Example: Fusion Energy Ventures (VCC) Inc:

- SRED tax credits: up to 68% - Good as Cash!
- NRC-IRAP, ICE Fund, STDC, NSERC I2I, etc
- 30% VCC Tax Credit (Combine with RRSPs)

Raised \$400K in 2002
(investors get \$\$ back if
it fails!)

Now at \$100M+





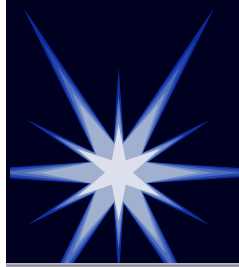
Access to Capital

moneylinks.ca



- ❖ Family Friends Relatives only go so far
- ❖ Less VC capital; mainly later stage
- ❖ Junior Public Market – not easy to do
(*great if you want to be big!*)
- ❖ What about Crowdfunding? (Product vs Equity)
- ❖ What about angels?
Great, but <1% of population





Non-Equity Crowdfunding is Better!

KICKSTARTER

What is
Kickstarter?

Discover
great projects

Start
your project

Search projects

HELP SIGN UP LOG IN

Pebble: E-Paper Watch for iPhone and Android

by [Pebble Technology](#)

Home

Updates 20

Backers 68,929

Comments 8,393

Palo Alto, CA

Product Design

Funded! This project successfully raised its funding goal on May 18.



68,929

backers

\$10,266,845

pledged of \$100,000 goal

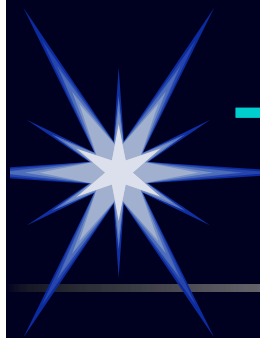
0

seconds to go

Project by



Secure Search



The Law (BC Securities Comm)

It is ILLEGAL to sell shares to anyone unless...

you use a PROSPECTUS & are
a REGISTERED dealer

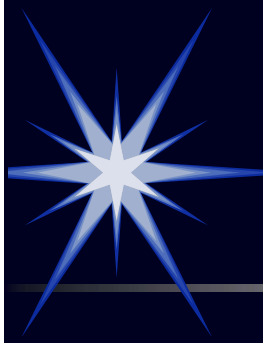
OR.....

use an “EXEMPTION” to the PROSPECTUS &
REGISTRATION Requirement

WHY???

Why not have the BC Lotteries Corp be the regulator?



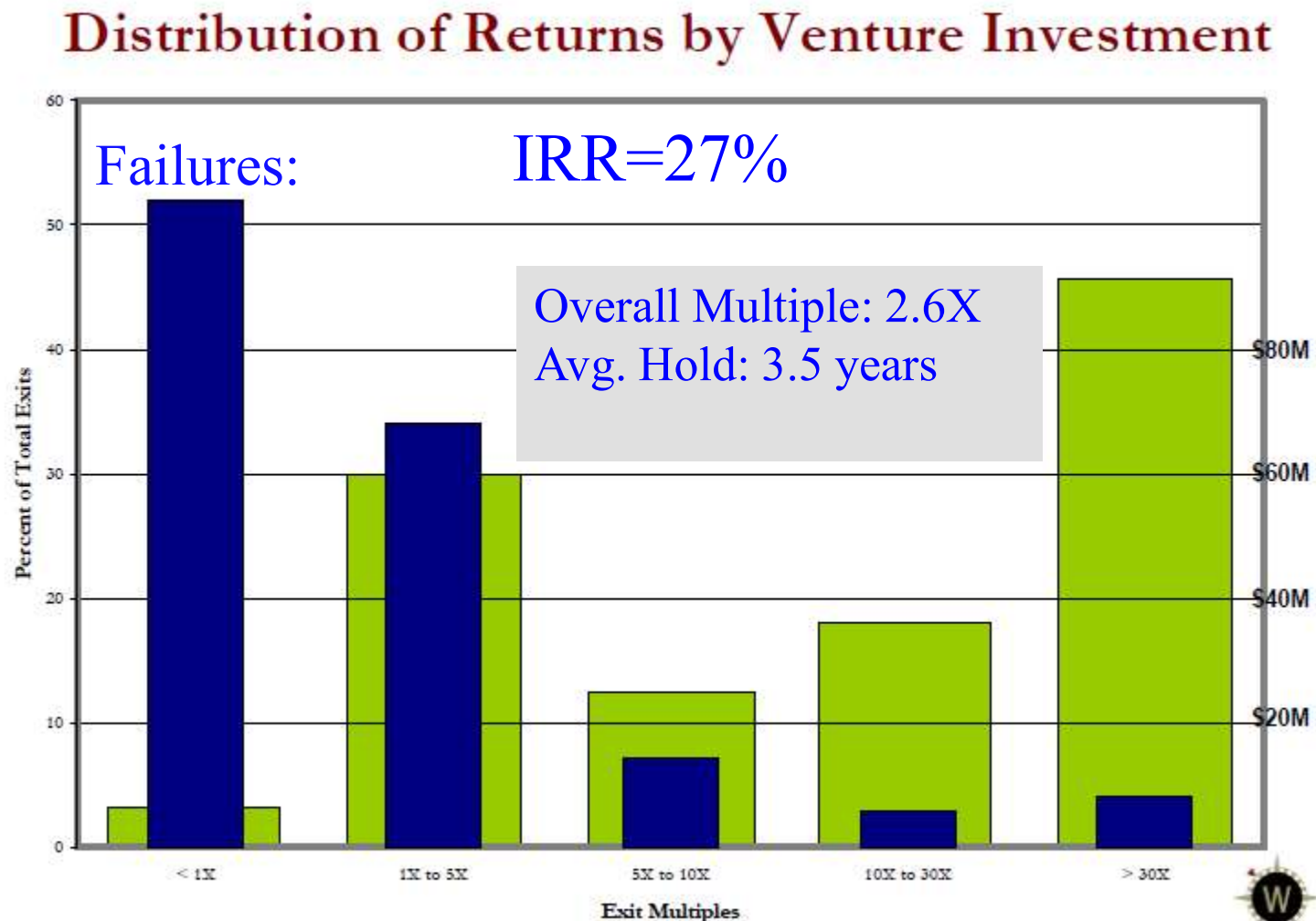


What's a [Business] Angel?

- Successful Entrepreneur
- Giving back time & money
- A Mentor & Coach
- “Accredited Investor”
 - millionaire or
 - \$200k/yr income

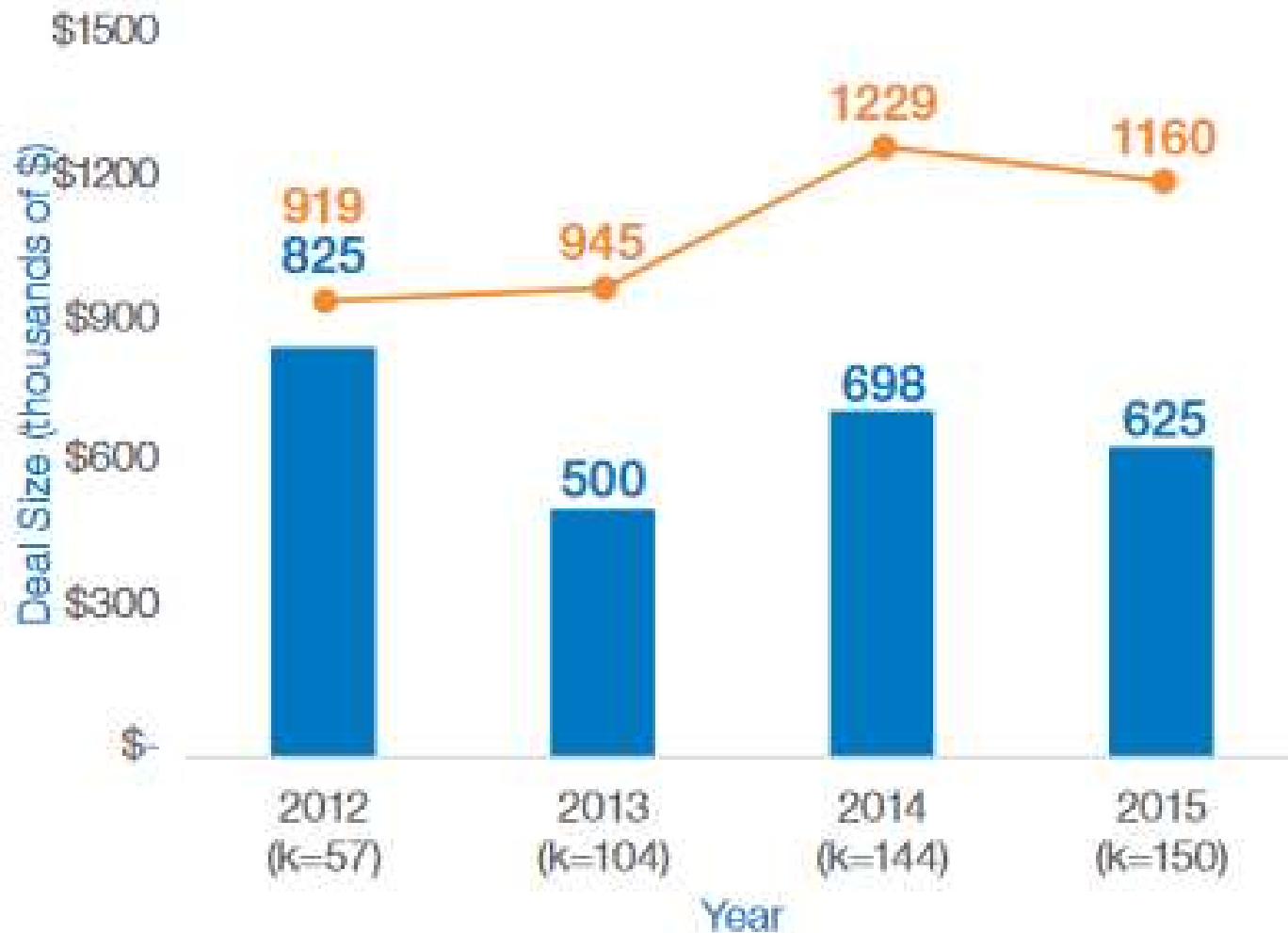


Angel Investing 101



Study by Rob Wiltbank, Willamette Univ.

Canada Angel Deals Done

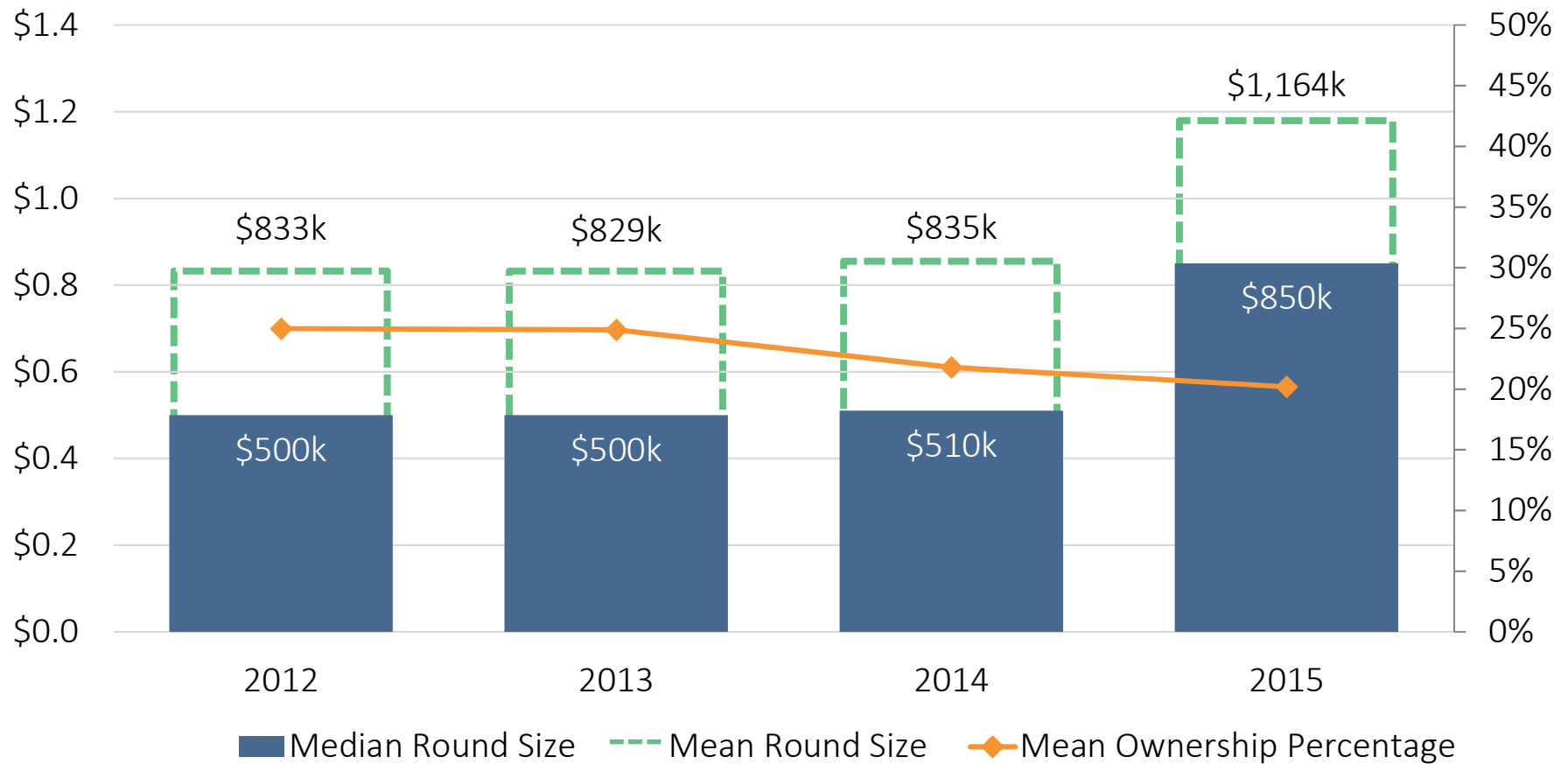


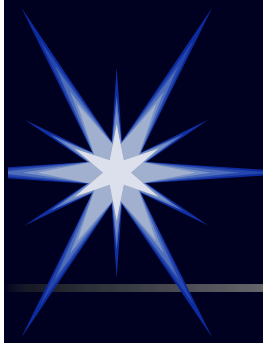
Median Average

Median and Mean Round Sizes – Angels Only

2015 Shows Round Sizes Increasing,
Mean Ownership of Angel round is Relatively Stable 20-25%

U.S.A





How to Engage with Angels?

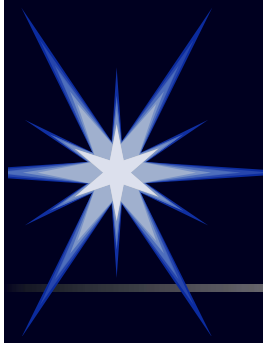
Make your pitch...

COMPELLING

and



INTRIGUING

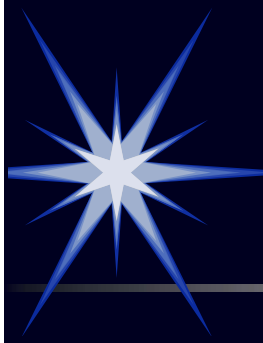


What Angels Want



- Fun
- Interesting Opportunity
- A willing protégé
- To use one's resources
- Attractive Return:
10X to >>100X
- 3 I's: Intensity, Integrity, Immediacy (person)
- 3 G's: Goodness, Greatness, Greed (company)





What do you offer Angels?

Co-ownership

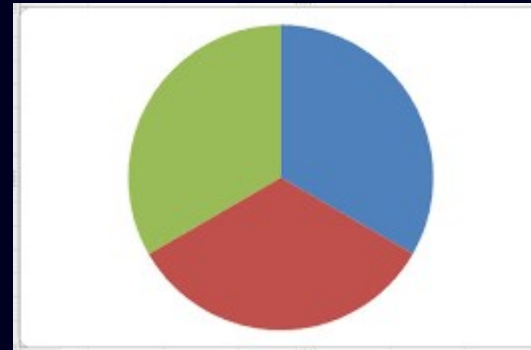
(20-30% as a group)

Participation

(Mentor, Board?)

Upside Gain

(10X in 5 to 10) = 58% to 26% IRR





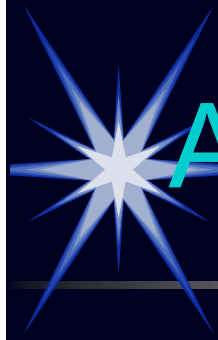
Term Sheet

- Valuation
- Amount
- Legal compliance
- Rights
- Restrictions
- Vesting
- Shareholders Agreement

Reference:
NACO Common Docs

WUTIF TERMS SHEET Seed Investment Round

Company:	_____ (the "Company").
Date:	_____
Pre-Investment Value:	Total Shares Issued: _____ @ _____ \$/shr = \$ _____ (use per-share offering price as noted below)
WUTIF Investment:	_____ Shares (or Units) at \$ _____ /Share, \$ _____ (Describe shares or units). [Attach before/after Capitalization table. This should include an allocation of shares to be issued and held in trust for new management/employees]
Total Investment Round:	WUTIF: \$ _____ Shares), Other parties: \$ _____ (_____ Shares), (the "Investors"). [WUTIF's share must be no more than 50% of all capital raised on this round.]
Jurisdiction:	<input type="checkbox"/> BC Corporations Act, Province of British Columbia; or <input type="checkbox"/> Canada Business Corporations Act
ESB Status:	Company is an Eligible Small Business (ESB) under the terms of the British Columbia "Small Business Venture Capital Act" ("SBVCA"). Company will maintain this status (unless sold) for at least 5 years, failing which WUTIF will have a PUT option for its shares based on current market value of its shares. Company will prepare all documentation required under the Act. NB: the Investment must be at arms-length (see Note 1 below) [This term would only apply in B.C. where investors want to use the Provincial 30% tax credits available to angel investors.]
Exemptions:	Company will use all appropriate and available exemptions from prospectus requirements. If available, it is best to use the "Private Issuer Exemption", i.e. NI45-106 2.4(2) - ie a person (in this case, WUTIF) of which a majority of directors are accredited. [The most common exemption used by angel investors is the so-called "accredited investor" exemption. Unfortunately, there are very few "exemptions" that companies can use to raise capital.]
Closing:	Closing shall take place within fifteen (15) days of the date when Company has raised, subsequent to _____, _____ (date), additional financing of \$ _____ and has provided evidence of such financing satisfactory to WUTIF. (Could have a second closing to accommodate additional investors for a specified time period)
Rights:	These shares are convertible on a 1:1 basis with any new class of shares that may be created on the next financing round. Also, in the event that



Angel Networks, Groups & Funds

A GLOBAL movement: They're Everywhere!

In Vancouver:

VANTEC.ca

K4NORTHWEST.com

NewVenturesBC.com:
meet & greet angels



In Canada:

NACOCanada.com – great resource material



e.g. WUTIF Angel Fund (wutif.ca)

(Western Universities Technology Innovation Fund)

- Started in 2003 as a VCC
- *any* tech startup in B.C. can apply
- >70 investments: \$100K average/company
- >150 investors
- 30% tax credits
- RRSP + Rollover = 100% capital return

WUTIF

Western Universities Technology
Innovation Fund



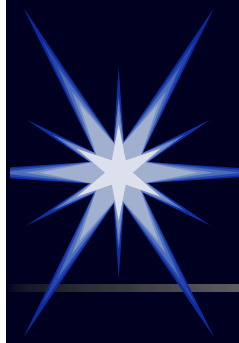
e.g. e-Fund (VCC)



E-Fund Since 2011

- 720 Investment Opportunities Screened
- 80 Follow-up Meetings with Entrepreneurs
- 41 Due Diligence Reports
- 12 Investments in E-Fund I
- 9 Investments in E-Fund II
- 2 Exits

More to come!

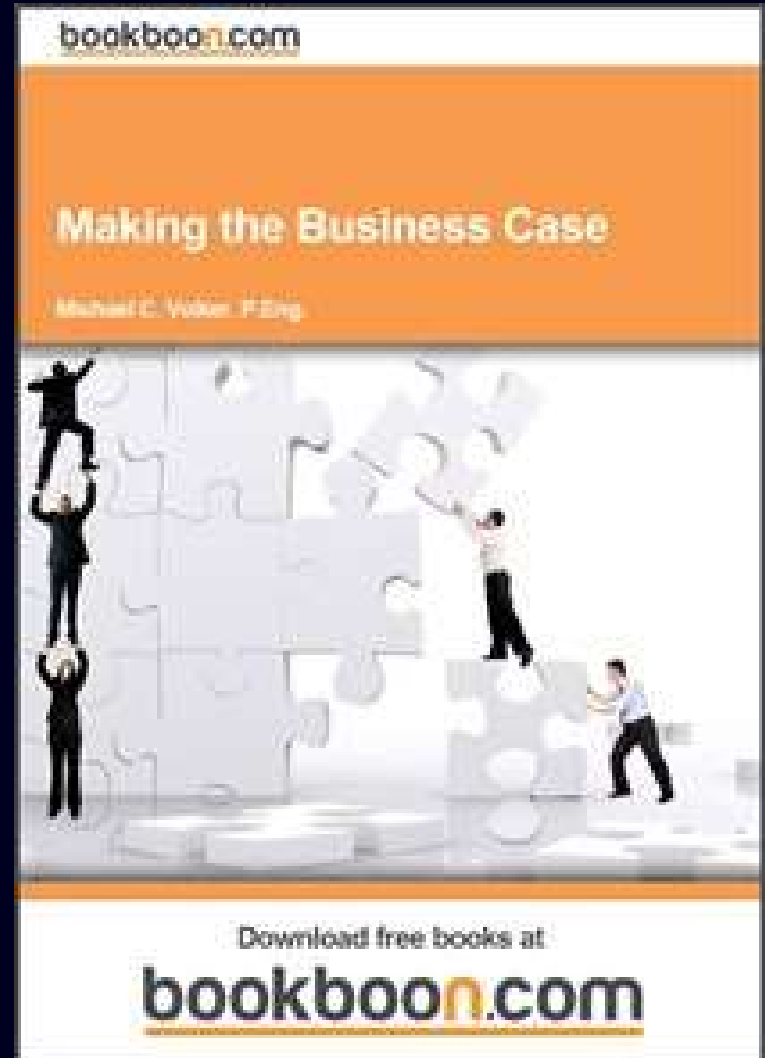


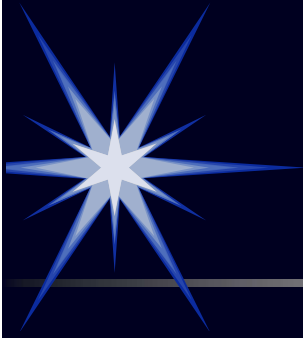
Why did I write this book?

- What are you selling?
- Who will buy it? (and why?)
- How will you make money?

DOWNLOAD:

www.mikevolker.com





The Elevator Pitch

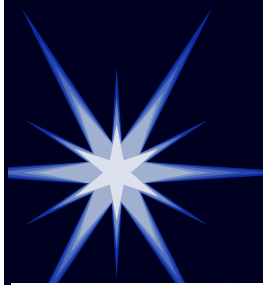
It's easy! Just fill in the blanks:

We, (Company)_____, are (doing?)_____ for (who?)_____ who need (address what pain?)_____ that unlike (existing solutions)_____ will (do what?)_____ unlike _____(competitors).

Example:

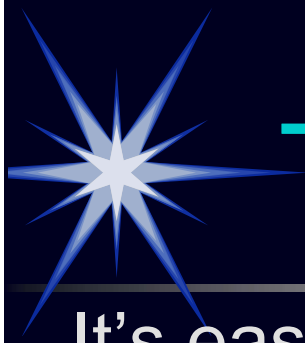
We, Ace Corp, are making a personal GPS tracker for parents who need to know where their children are that unlike cell phones and other devices will, via a web browser, provide real-time location, speed, and path information.

Examples: Apple iPod, Starbucks (see D Thomas' deck)



Positioning Example: Apple iPod

For mobile, high-income individuals
who need a way to listen to their entire music
collection in different settings
the Apple iPod is a small, portable digital music
player
that offers elegance of design, the ability to store
an entire music collection, and easy purchasing
of new digital music.
Unlike flash mp3 players (Creative, Rio, etc),
the product stores an entire music library and is
integrated into a service to purchase new
digital music (iTunes)



The Investor Pitch

It's easy! Just fill in the blanks:

We, (Company)_____, require (\$\$)_____ for (what)_____ in return for ____% of the Company. Our plan is to be acquired by (name some):_____ in ____ (year) for \$_____million to give you an IRR of ____%.

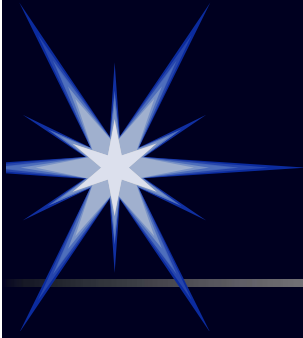
Example:

We, Ace Corp, require \$500K mainly for production tooling & hiring sales staff in return for 30% common shares. Our plan is to be acquired by Polycom for \$15M in 2014. This will give you a 5X return in 5 years (ie IRR=38%).



Angel's BS Bingo:

Domain Expertise	ProActive Management	Unique Proposition	Low Burn Rate	Best of Breed
Enabling Technology	Empowered Team	Ground Floor Opportunity	First To Market	Platform Technology
Market Driven	World Class Products	<u>PROFITS</u>	Competitive Advantage	Renowned Board
Proprietary Technology (no competitors)	Revolutionary Business Model	IP Portfolio	Favorable Valuation	Liquidity Event (Exit Strategy)
Revenue Traction	NASDAQ IPO	Mezzanine Round	Defensible Strategy	Visionary



The Competition

Is New Ventures BC a....

....*Business Plan* competition?

or

....A *Business* competition?

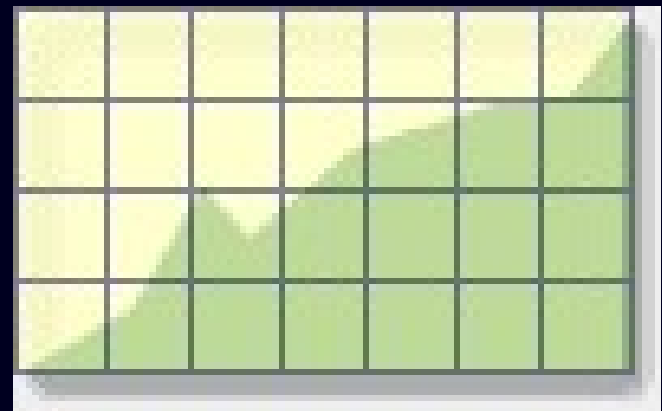
Answer: It's Both!

It's the *business* that counts,
but the *plan* explains it.



Judging

“pick the idea most likely to be commercially viable with the greatest value”



Will it cash flow? and Will it scale?

What about Scale?

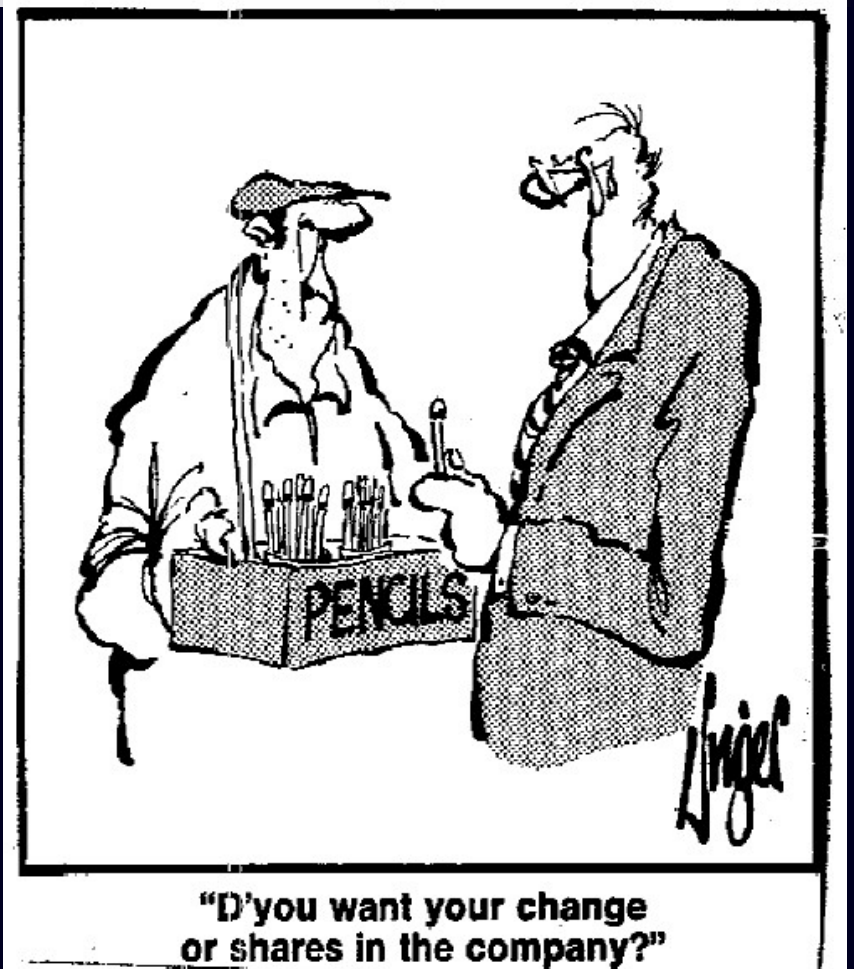
The \$100 million deal?

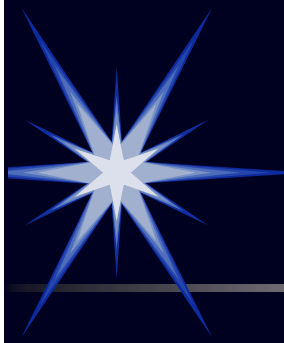
or

The “Lifestyle” Business?

YOUR DECISION!

Then sell your story
to the right audience!

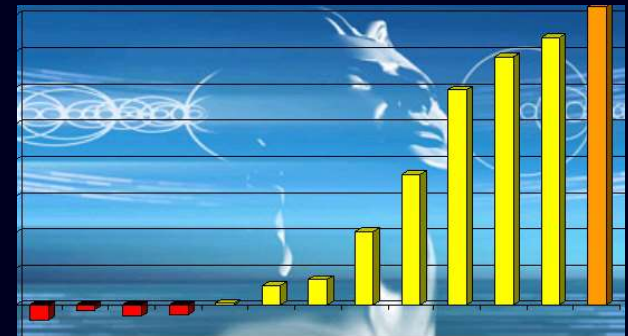




It's all about P&L:

What are you selling, who will buy it, how
much will you make?
(Profit & Loss & CASH FLOW)

Why you and your team?
(Passion & Leadership)





New
Ventures BC

ROUND #1

THE IDEA

*(back of the envelope)
(i.e. 1 page)*

Due: Apr 14, 11:59 pm

www.newventuresbc.com



New
Ventures BC

ROUND #2 (& 2.5) FEASIBILITY TEST

(6 pages max)

Due: May 3, 6:00 pm

25 selected

www.newventuresbc.com

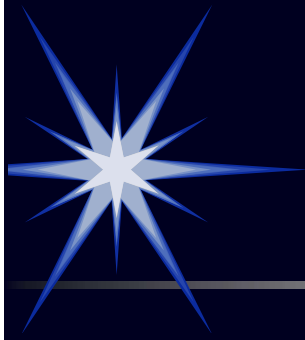


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Ventures BC

ROUND #3 VENTURE PLAN

Due: August 2, 6:00 pm

www.newventuresbc.com

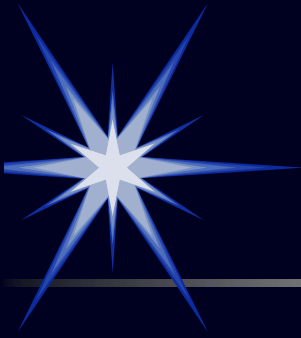


My First Business Plan

BMO:

“Show me your business plan”

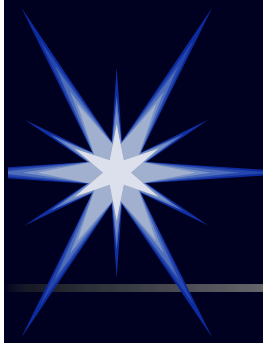




CONFIDENCE!



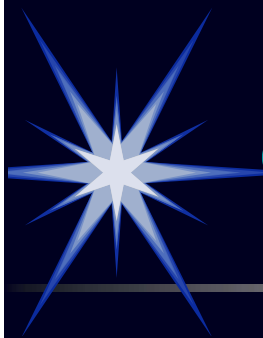
Is a Business Plan *really* necessary?
(*my RIM Story*)



Business Plan & Model

- A plan is better than a forecast
- The plan shows what you will achieve and how you will get there
- The NVBC questions challenge you to think about what you are planning to do
- Tools, such as the Business Model Canvas*, help you figure it out

(Kirk's deck: <http://www.newventuresbc.com/wp/wp-content/uploads/2016/04/Value-Pricing-NVBC-14-06-27.pdf>)



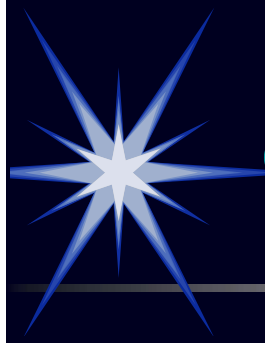
Questions: Round #2 and #3

ROUND #2 (6 pages)

- 1.Product
- 2.Intellectual Property
- 3.Technology Development
- 4.Business Plan Status
- 5.Market
- 6.Distribution
- 7.Competition
- 8.Team
- 9.Financial (basic)

ROUND #3 (8 pages)

- + Technical Team
- + Market Scope & Need
- + Barriers to competition
- + 18-36 months



Question #1: PRODUCT

What is it?

Product or Service?
NOT the technology

How will revenue be generated?

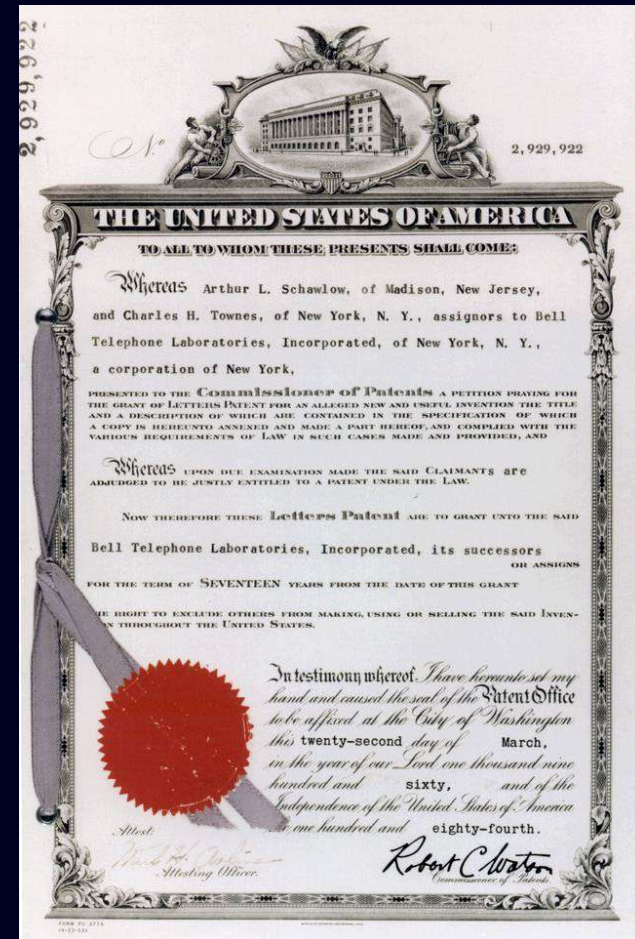
E.g. selling a gadget, renting, licensing, etc



Question #2: Intellectual Property

What is it?
(Everyone has it)

Patentable?
Copyright?
Trade Secret?
Just an idea?
Know-How?
Processes?



Question #3: TECH DEVELOPMENT

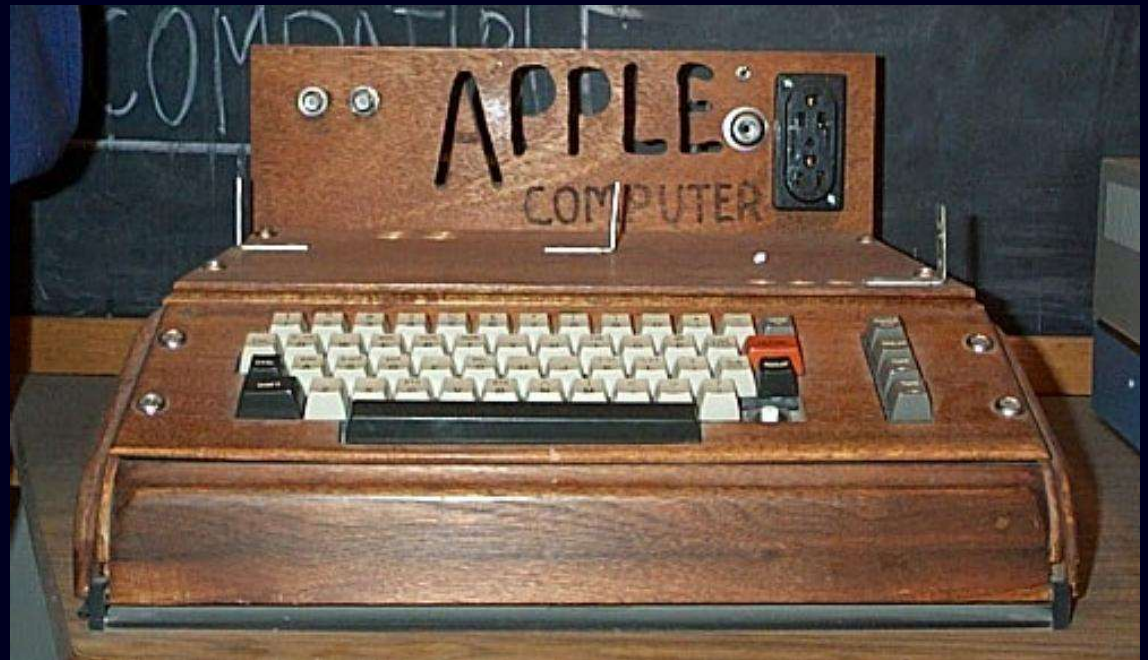
STAGE of DEVELOPMENT?

Idea?

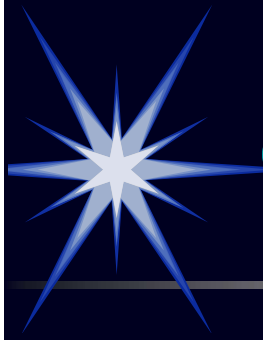
Prototype?

Beta model?

Production?



And...mention TIME FRAME



Question #4: Bus Plan Status

How much background research done?
i.e. pertaining to business viability

What still needs to be done?
e.g. checking out costing, competition, etc



Question #5: MARKET

The most important question!

Who will buy it? (customers!)

Why will they buy it?

Potential? How much can you sell?

TAM = Total Available Market

DO NOT SAY: 1% of \$1 Billion!

INSTEAD, READ: Regis McKenna's
Marketing is Everything (Harvard Bus)

Check Dave Thomas' slides:

<http://www.newventuresbc.com/resource/product-market-fit/>



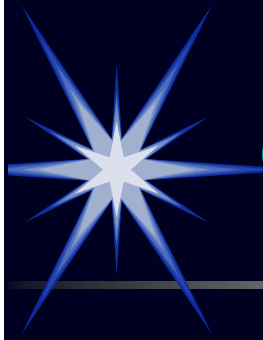
Question #6: DISTRIBUTION

How will they buy it?

Distribution channels (and margins)

Strategic Partners? OEMS? Chains?





Question #7: COMPETITION

There's no such thing as "no competition"

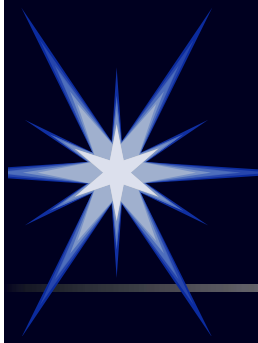
Uniqueness?

Substitutes?

Differentiators?

Barriers?





Question #8: THE TEAM

STRENGTHS

Participants (now & planned)

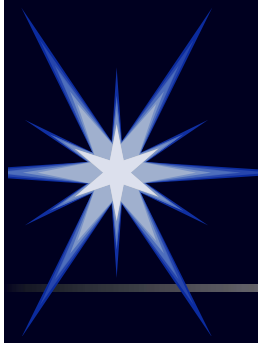
Advisors (now & planned)

Board Members (now & planned)

WEAKNESSES

Know your shortcomings!





Question #9: FINANCIAL

It's all about the money!!

How much MONEY do you need?
(e.g. to positive cash-flow milestone)

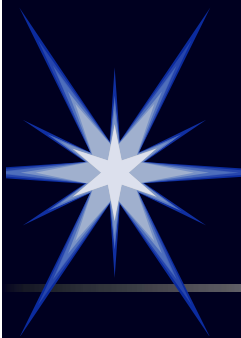
How much have you raised (from?)

How much have you spent?

5-year projections?

Beware the hockey stick sales curve:
0.5% of startups achieved \$50M in 6 years!





	MONTH#1	MONTH#2	MONTH#3	...	FYTOT:
GROSS REVENUE (\$):	11200	27720	54886	...	2162713
COST OF GOODS SOLD:	7680	19008	37636	...	1483003
GROSS MARGIN:	3520	8712	17250	...	679710
EXPENSES:					
Sales:	9060	8167	12222	...	199954
R&D:	1100	867	1022	...	92044
G&A:	1100	1267	1322	...	93944
TOTAL EXPENSES:	11260	10300	14567	...	385942
NET PROFIT (BT):	-7740	-1588	2683	...	293768

(The following rows have been added for CASHFLOW purposes.)

CASH FLOW #1 (\$):	Month#7:			
Open Balance:	0	-7680	-26748	...
+ Cash from Sales:	0	11200	27720	
- Cash re Expenses:	0	-11260	-10300	
- Cash for Prodn:	-7680	-19008	-37636	
= Closing Cash:	-7680	-26748	-46964	-106384

- receive production supplies 3 months (not 1 month) before shipping
- receive payment from customers in 2 months (not 1 month)

Cashflow#2 rows now replace the Cashflow#1 rows to produce the following spreadsheet details:

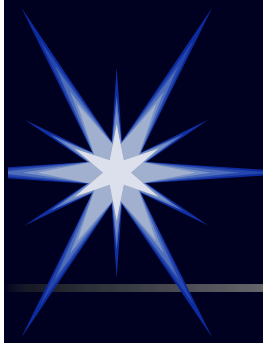
CASH FLOW #2 (\$):	Month#10:			
Open Balance:	-26688	-64324	-142651	
+ Cash from Sales:	0	0	11200	
- Cash re Expenses:	0	-11260	-10300	
- Cash for Prodn:	-37636	-67067	-97750	
= Closing Cash:	-64324	-142651	-239501	-721842

*Sample
cashflow
forecast:*

*How much \$\$
do you need?*

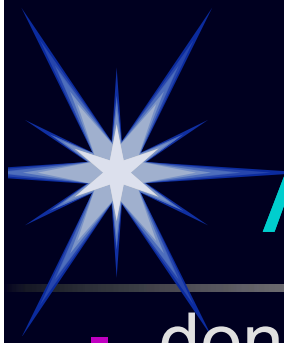
This?

Or This?



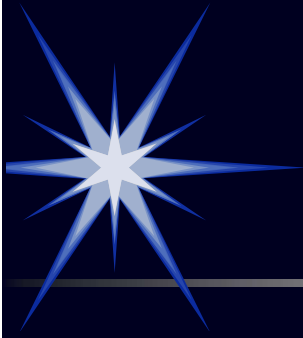
So why do deals get funded?

- Because the people behind them are:
- credible (domain knowledge, esp. market)
- realistic (show how they can achieve goals)
- aware of what they don't know (use experts)
- not alone (had a team)
- in control (leadership, contingencies)
- But mainly because:
- they are liked! (it's really a courtship!)

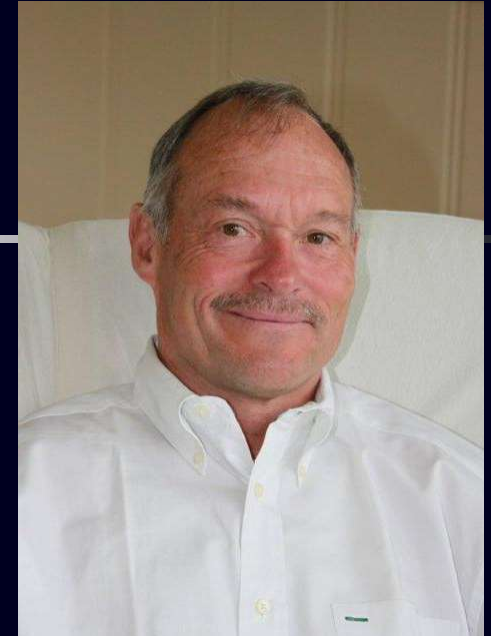


A Few Final Tips:

- don't make the "only 1% of market" claim
(it's the kiss of death!)
- don't compromise by saying what you
think investors want to hear
- don't be given to hyperbole;
confident humility can go a long way
- show leadership!!
(the reasons for failure always
point to lack of leadership)
- never procrastinate!



Contact Info



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“Success is the difference between giving up and sticking with it.”

(mike@volker.org)