



New  
Ventures BC

[newventuresbc.com](http://newventuresbc.com)

# The “BUSINESS CASE”

May 12, 2018

(What Angels *Really* Want)

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



**TIMIA**  
**CAPITAL**  
frictionless finance

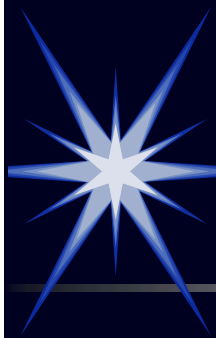
Mike Volker ([mike@volker.org](mailto:mike@volker.org))

[www.timiacapital.com](http://www.timiacapital.com)

[www.wutif.ca](http://www.wutif.ca)



W U T I F<sup>®</sup>



# Two Topics Today:



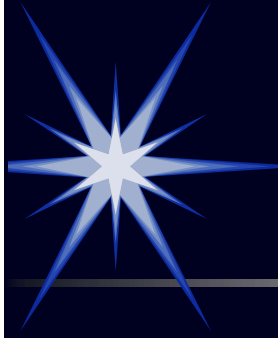
#1. How to access Angels

#2. How to WIN the NVBC Competition

BOTH of these require you to:

**MAKE A COMPELLING BUSINESS CASE**

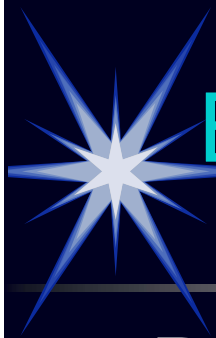
*It all comes down to making money!*



# Local Success Stories?

Name some.....



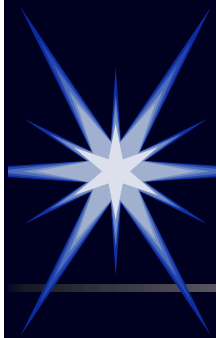


# B.C Success Stories

(Angel-backed)



Daiya Foods	\$405M
Zymeworks	\$400M (IPO)
Avigilon	\$1 Bn (US)
AgreementExpress	\$65M
Bitstew	\$207M
Recon Instruments	\$175M
QHR Corp	\$170M
Flickr	\$30M?
Slack	>\$1Bn?



# The E-Myth

Most “entrepreneurs” are not entrepreneurs

They are technicians suffering from an entrepreneurial seizure.

They have NO experience in business

*Is it for you??*





# Success Factors: Just Two!

## 1. PEOPLE

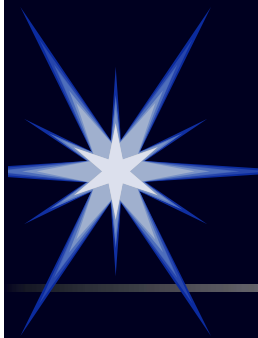
experience  
risk takers  
total commitment



## 2. CAPITAL

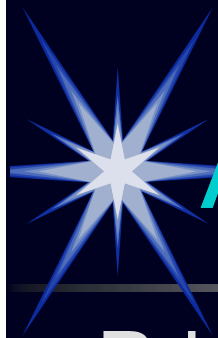
enough to cash flow





# Observations

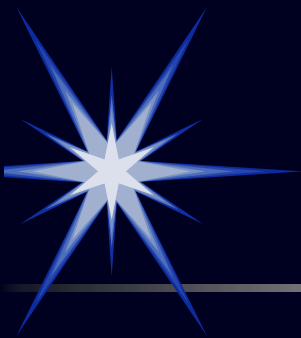
- “good” companies *will* always get funded
- startups are getting better each year
- more private capital available
- Equity Crowdfunding is here!
- VC’s invest later in prospective “unicorns”
- Most companies fail!  
(>50% in 5 yrs, >80% in 10 yrs)
- Steve Blank says 1 on 1000 make it big!



# A Great time to start a Company

- Prime at 3.45%, inflation: <2%, GDP: >2 %
- Lower taxes (small bus. rate, cap gains exempt)
- Low R&D costs (SRED Credits)
- Great Infrastructure (see [www.hitechbc.com](http://www.hitechbc.com))
- Special incentives: BC pays investors 30%
- Make a list of all un-invented things!
- Americans will buy anything!





# BC's Tech Sector: (KPMG 2016)

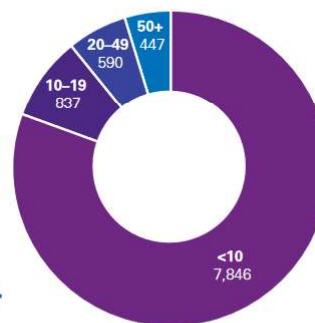
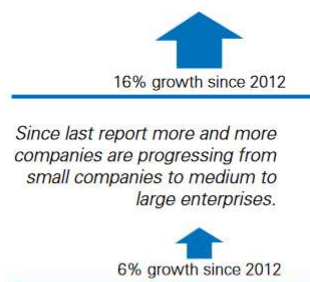
## The technology sector at a glance

### Inputs

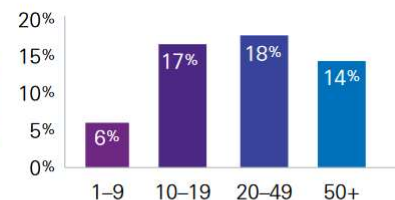
Labour	Capital	Intellectual property
<b>92,700</b> Jobs	<b>\$464M</b> VC Investment	<b>\$3B</b> R&D Investment
<b>\$1,580/week</b> Average weekly earnings	<b>\$107M</b> Angel Investment	<b>220</b> # Canadian patents
		<b>447</b> # PCT filings
		<b>83</b> # University licenses

### Production

Distribution of Companies by Employee Size 2014

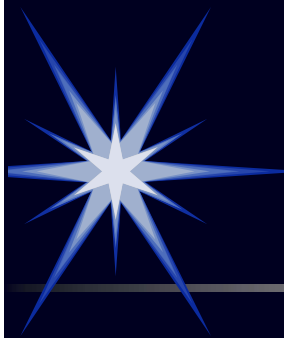


Growth in Tech Company Count by Employee Size 2012-2014



### Outputs

Domestic business	Exports
<b>\$15B</b> GDP	<b>\$5B</b> Exports
<b>\$26B</b> Revenues	
<b>90%</b> Services	<b>77%</b> Services
<b>10%</b> Goods	<b>23%</b> Goods



# 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+







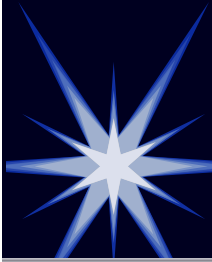
# Access to Capital

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[moneylinks.ca](http://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

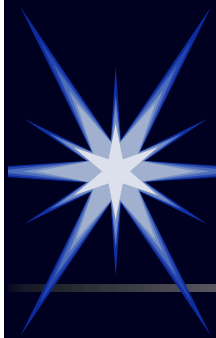
# 0

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?**

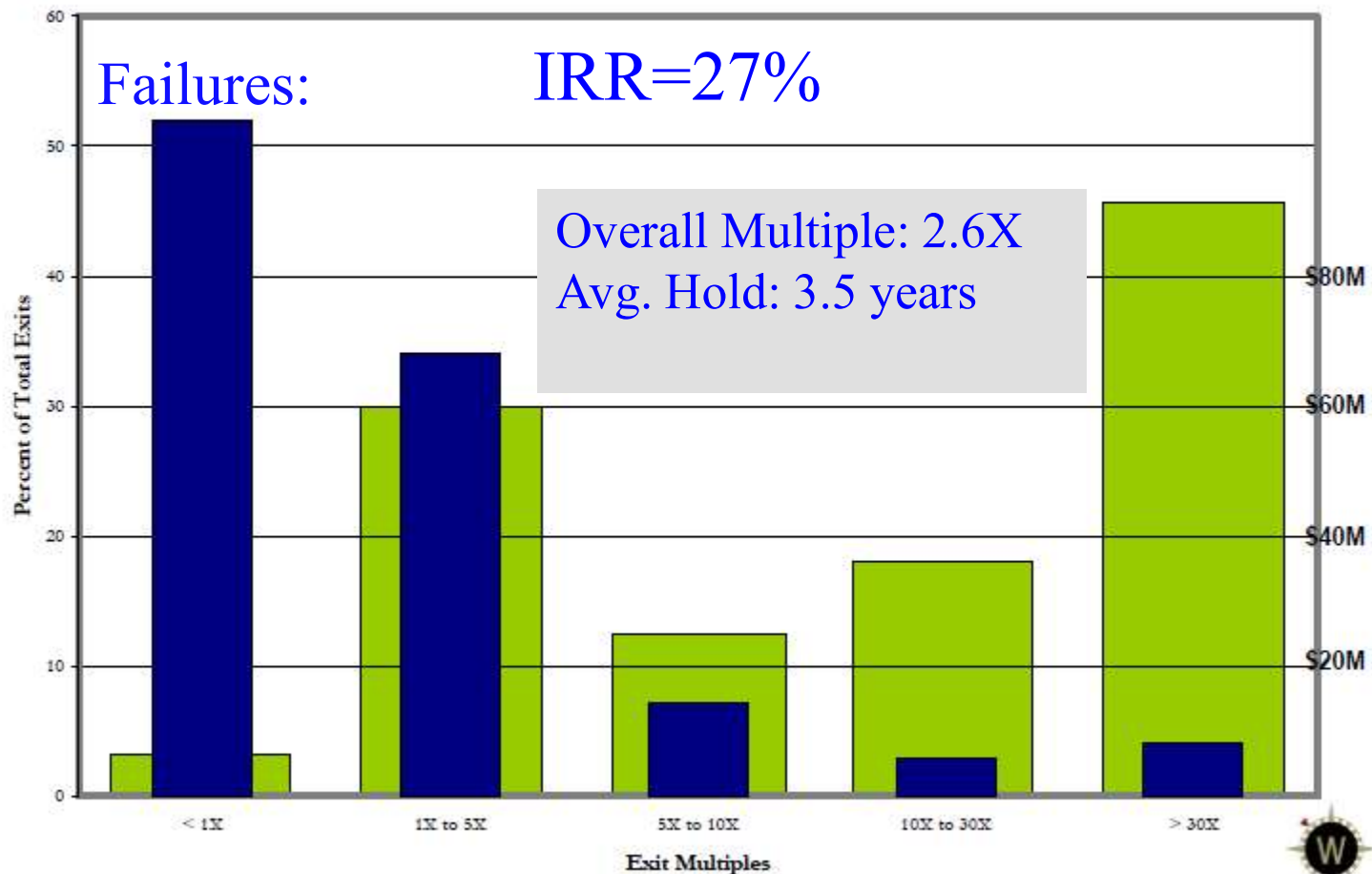
# What's a [Business] Angel?

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



# Angel Investing 101

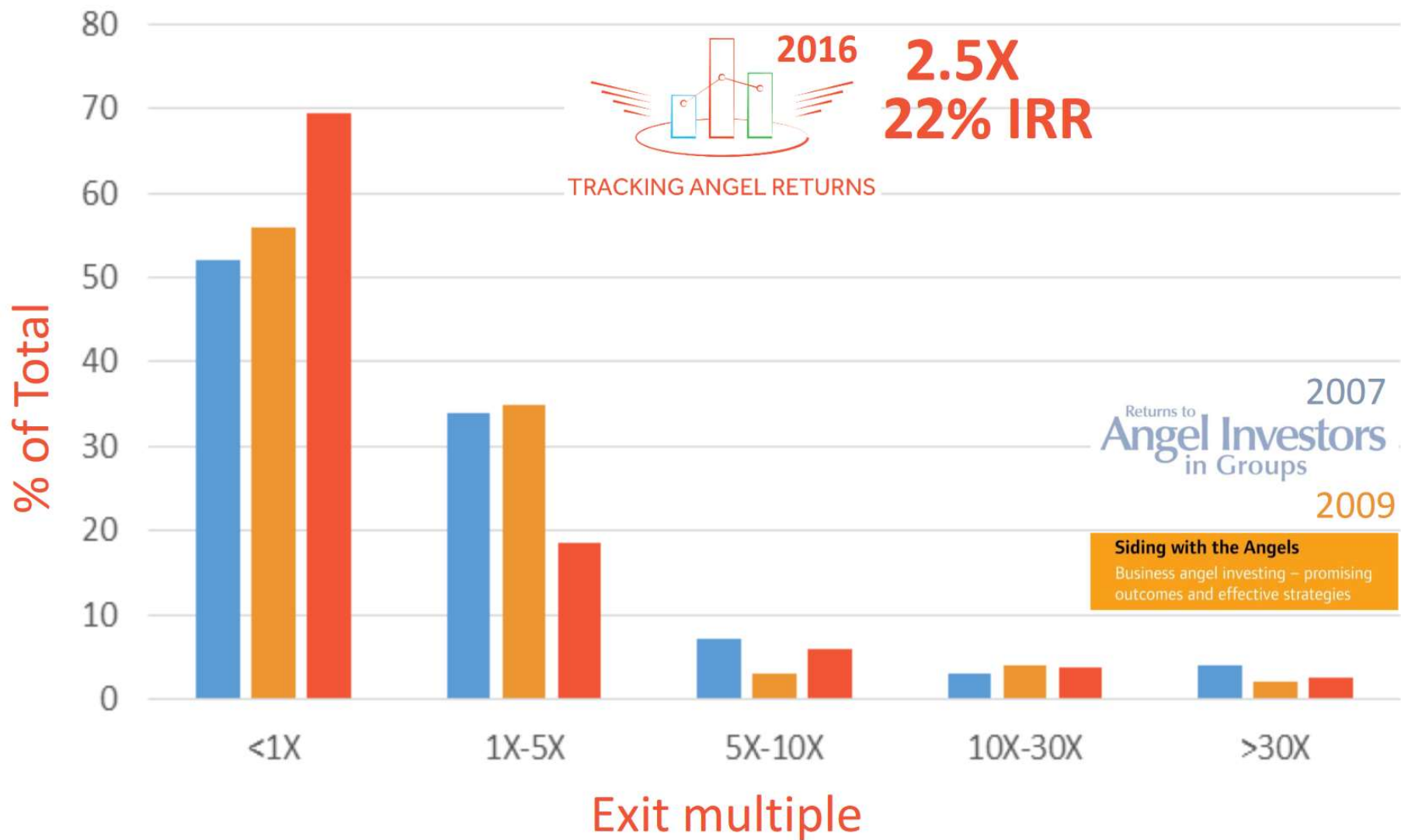
## Distribution of Returns by Venture Investment

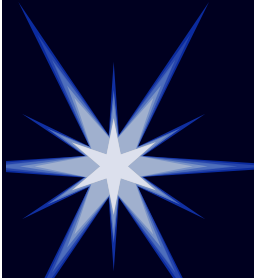


Study by Rob Wiltbank, Willamette Univ.



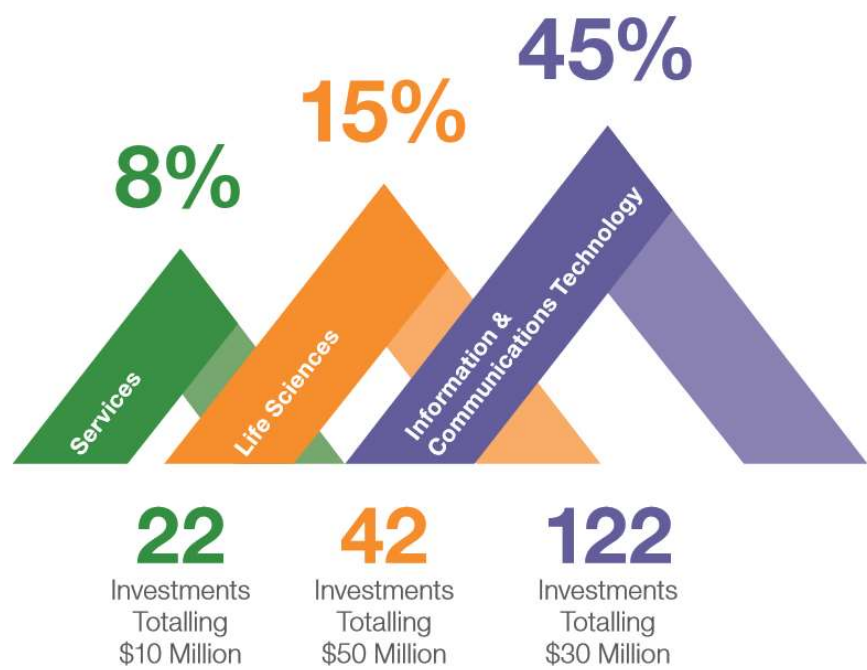
# Distribution of Outcomes



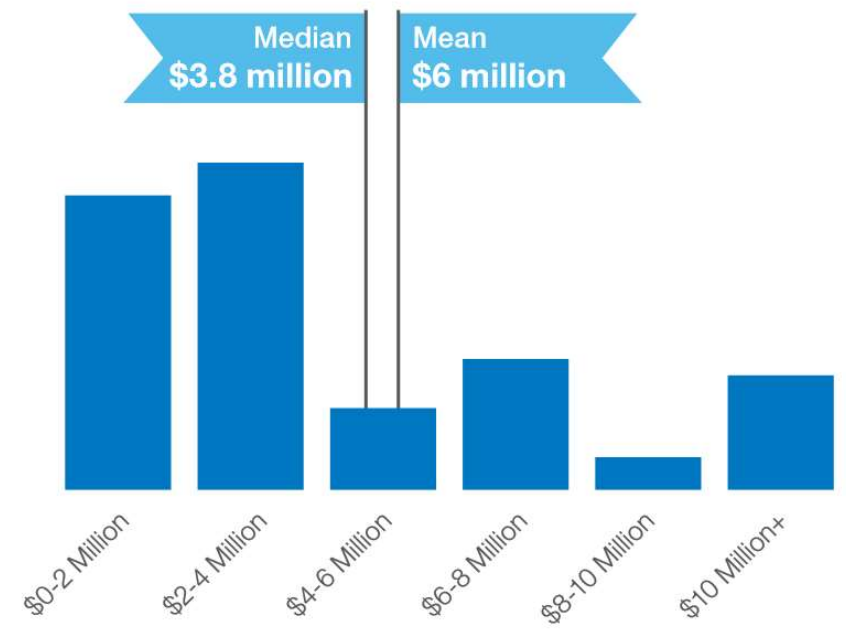


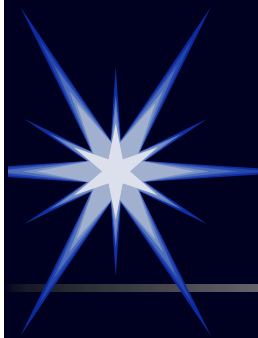
# Canadian (NACO) Survey

## Top 3 Industry Sectors



## Median and Mean Valuation





# How to Engage with Angels?

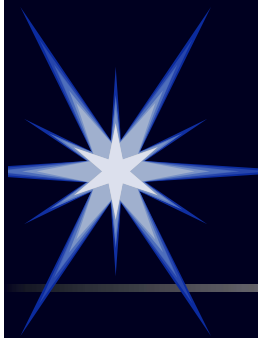
Make your pitch...

**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

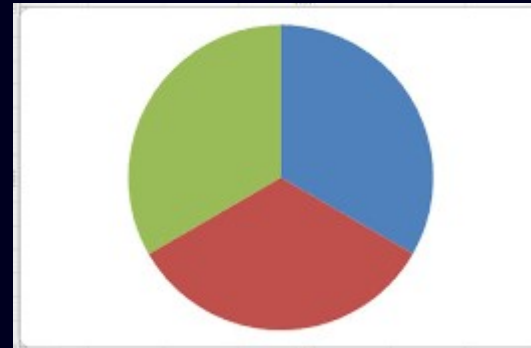
(20-30% as a group)

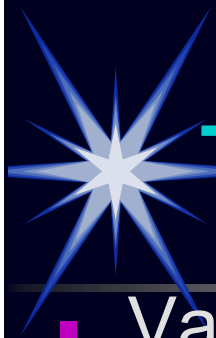
Participation

(Mentor, Board?)

Upside Gain

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





# Term Sheet

- Valuation
- Amount
- Legal compliance
- Rights
- Restrictions
- Vesting
- Shareholders Agmt
- Cap Table (options?)

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(2j) - 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](http://VANTEC.ca)

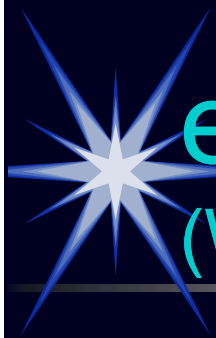
[K4NORTHWEST.com](http://K4NORTHWEST.com)

[NewVenturesBC.com](http://NewVenturesBC.com):  
*meet & greet angels*



In Canada:

[NACOCanada.com](http://NACOCanada.com) – great resource material



# e.g. WUTIF Angel Fund ([wutif.ca](http://wutif.ca))

(Western Universities Technology Innovation Fund)

- Started in 2003 as a VCC
- *any* tech startup in B.C. can apply
- >75 investments: \$100K average/company
- >150 investors
- 30% tax credits
- RRSP + Rollover = 100% capital return

**WUTIF**

Western Universities Technology  
Innovation Fund





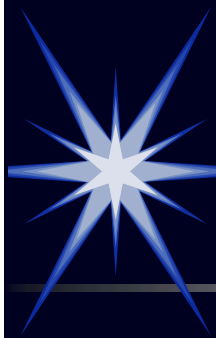
# e.g. E-Fund (VCC)



## 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!

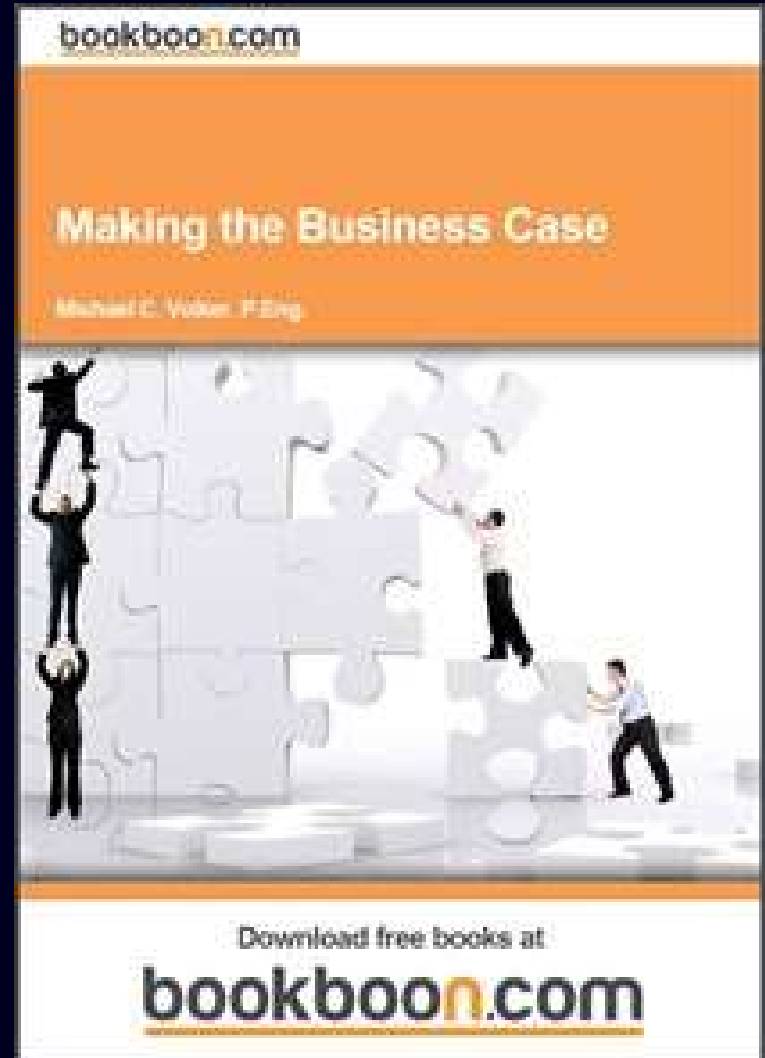


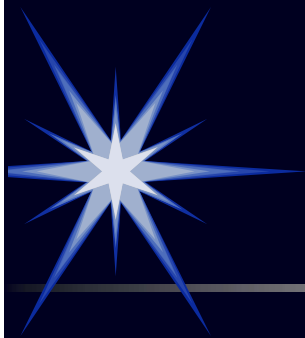
# Why did I write this book?

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

DOWNLOAD:

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





# The Elevator Pitch

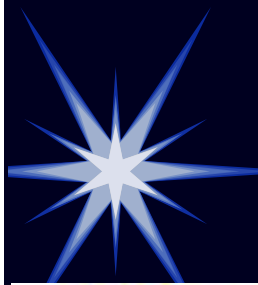
It's easy! Just fill in the blanks:

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.*

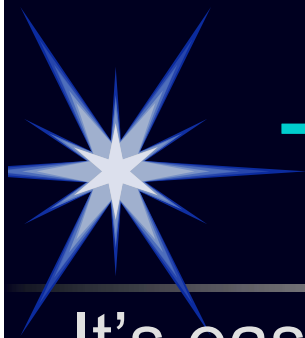
*Examples: Apple iPod, Starbucks (see D Thomas' deck)*



# 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 \_\_\_\_%.

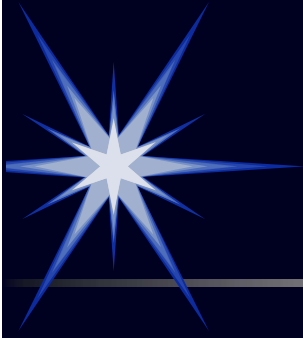
*Example:*

*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:

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



# *The Competition*

Is New Ventures BC a....

....*Business Plan* competition?

or

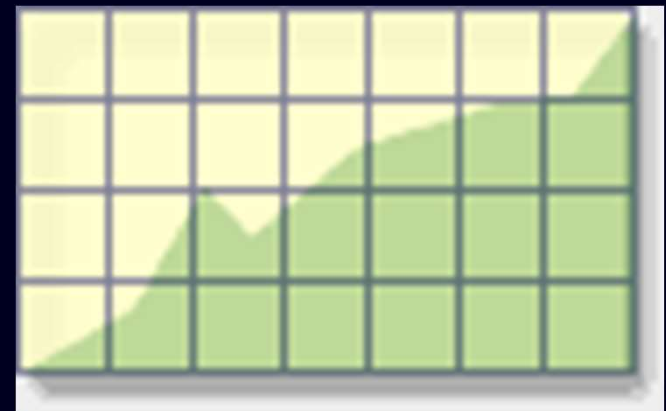
....*A Business* competition?

*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?

PS: I am not a judge: so I can help you



# What about Scale?

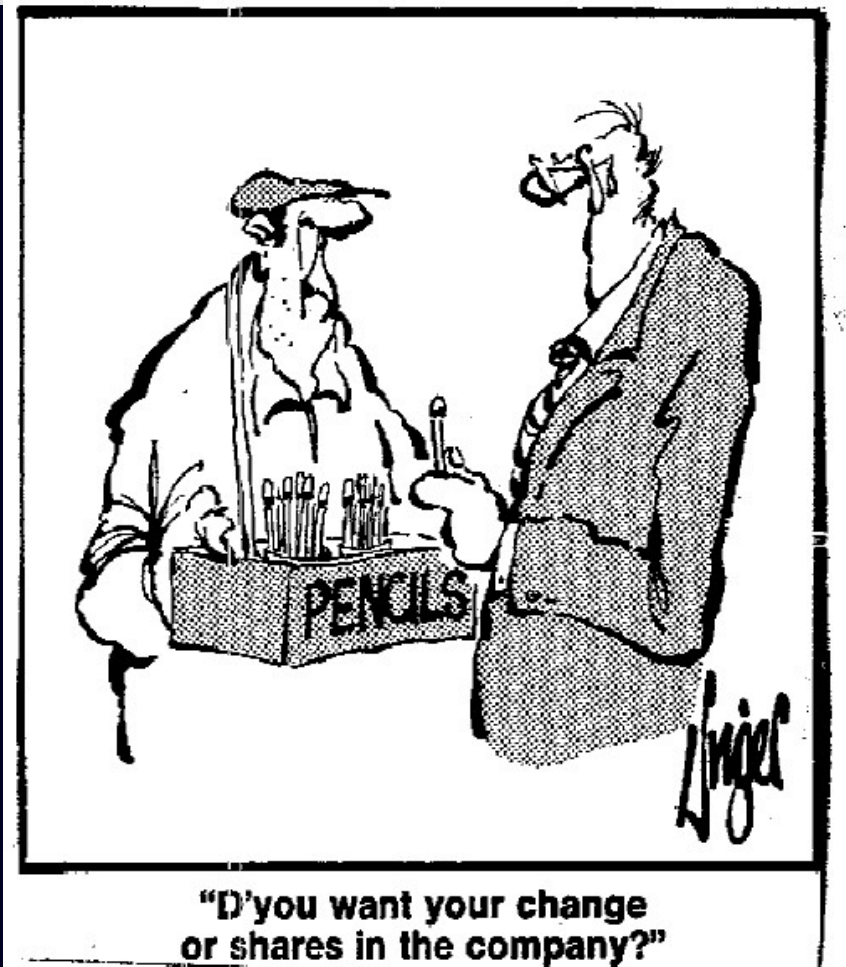
The \$100 million deal?

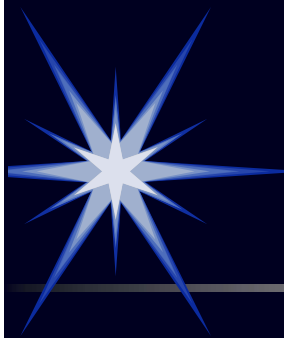
or

The “Lifestyle” Business?

YOUR DECISION!

Then sell your story  
to the right audience!

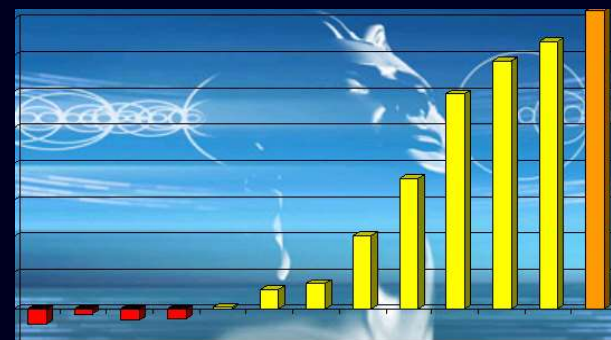




# It's all about P&L:

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 16, 11:59 pm***

**[www.newventuresbc.com](http://www.newventuresbc.com)**



**New  
Ventures BC**

**ROUND #2 (& 2.5)  
FEASIBILITY TEST**

*(6 pages max)*

*Due: May 7, 6:00 pm*

*25 selected*

*[www.newventuresbc.com](http://www.newventuresbc.com)*

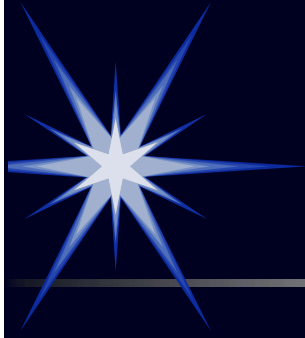


**New  
Ventures BC**

**ROUND #3  
VENTURE PLAN**

*Due: July 31*

[www.newventuresbc.com](http://www.newventuresbc.com)

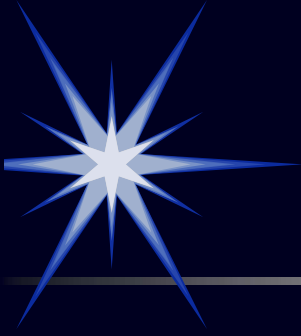


# My First Business Plan

BMO:

“Show me your business plan”

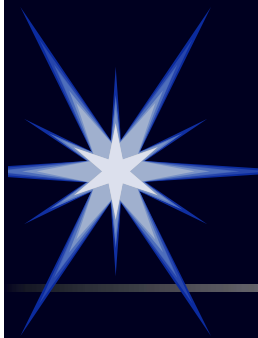




# CONFIDENCE!



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

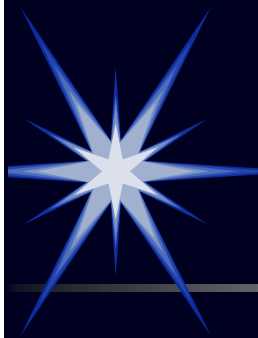


# Business Plan & Model

- 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?

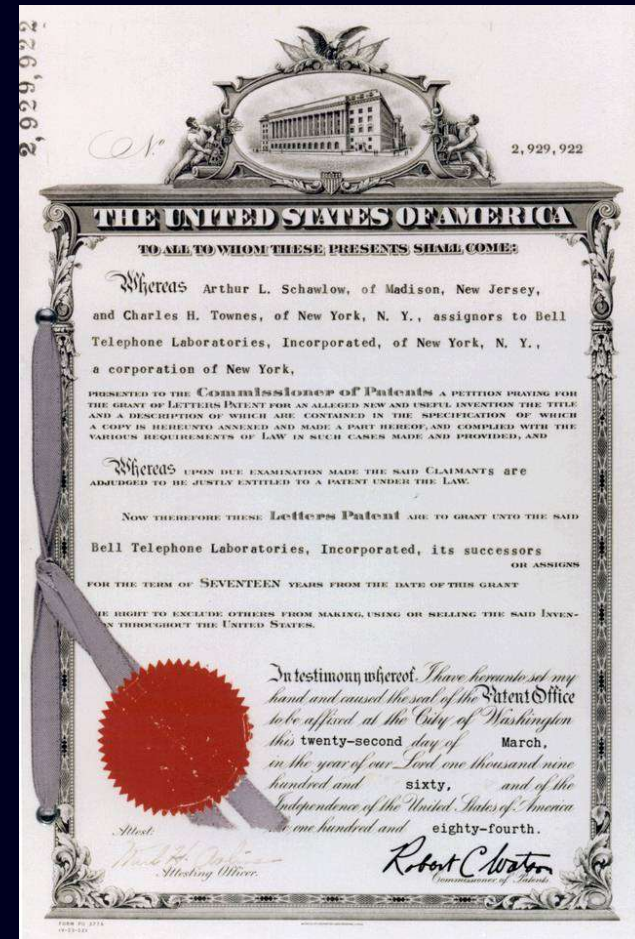
E.g. selling a gadget, renting, licensing, etc



# Question #2: Intellectual Property

What is it?  
(Everyone has it)

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



# ★ Question #3: TECH DEVELOPMENT

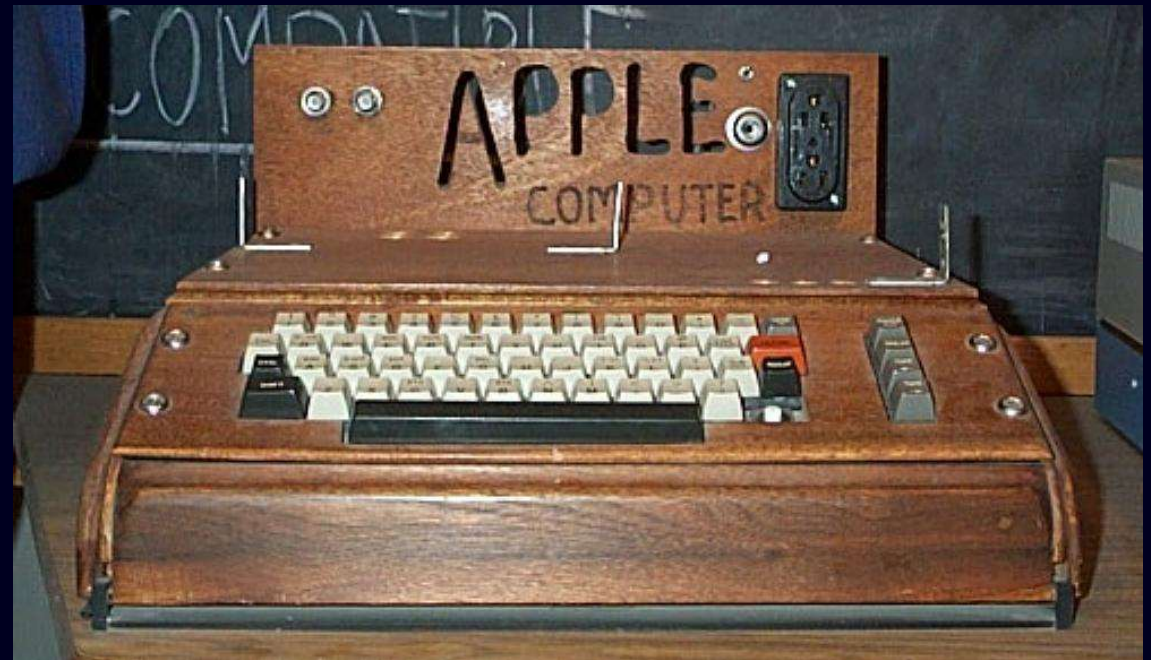
STAGE of DEVELOPMENT?

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/>



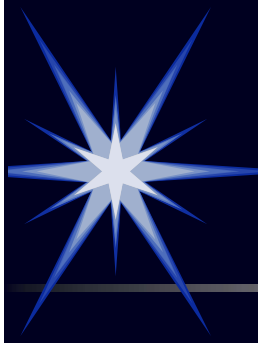
# Question #6: DISTRIBUTION

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?

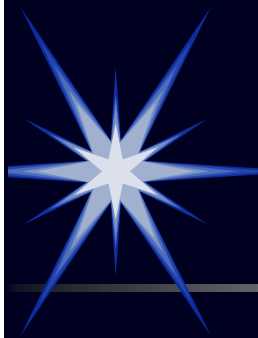
Substitutes?

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)

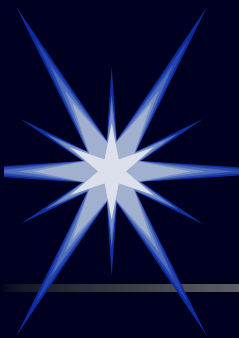
How much have you raised (from?)

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

*Sample  
cashflow  
forecast:*

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

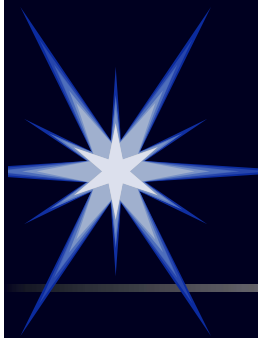
This?

- 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

Or This?



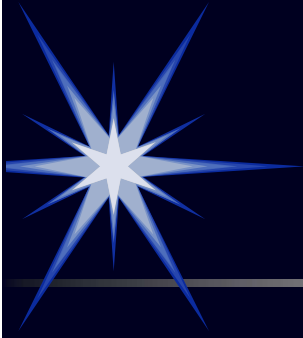
# So why do deals get funded?

- 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!)

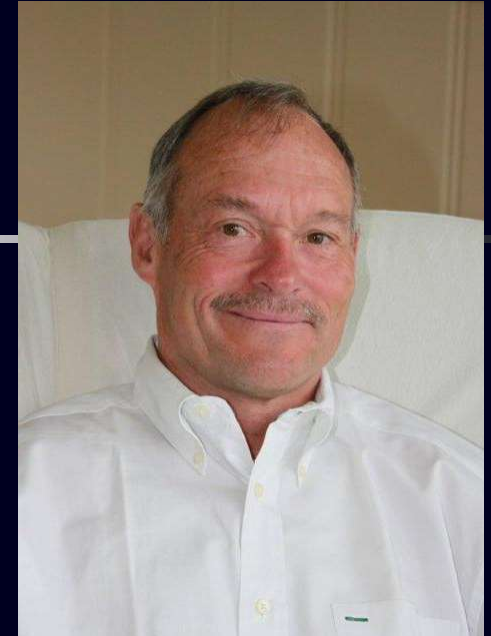


## A Few Final Tips:

- 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



<http://www.newventuresbc.com>

<http://www.mikevolker.com>

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

(mike@volker.org)