



New
Ventures BC

newventuresbc.com

The “BUSINESS CASE”

Apr 13, 2019

(What Angels *Really* Want)

[www.mikevolker.com]



TIMIA
CAPITAL
frictionless finance

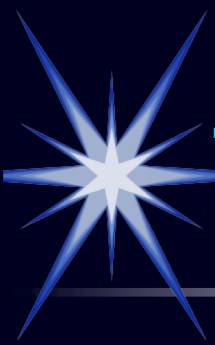
Mike Volker (mike@volker.org)

www.timiacapital.com

www.wutif.ca



W U T I F[®]



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!

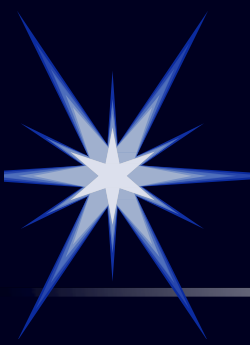
Recent B.C. Successes

(Angel-backed)

\$CDN



Hyperwallet	\$533M (PayPal)
Agreement Express	\$65M (Frontier)
Daiya Foods	\$405M (Otsuka)
Zymeworks	\$400M (IPO)
Avigilon	\$1.3 Bn (IPO – Motorola)
Bitstew	\$207M (GE)
Recon Instruments	\$175M (Intel)
Carmanah (3 divisions)	\$103M (SPX)
Neurio Inc	\$*** (Generac)
Quickmobile	\$29M (Cvent)
Mazza Innov	\$27M (Sensient)



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



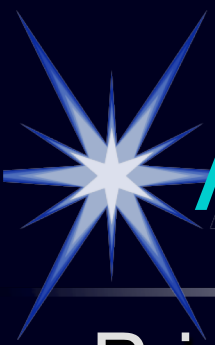
2. CAPITAL

enough to cash flow



Observations

- “good” companies *will* always get funded
- startups are getting better each year
- more & 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

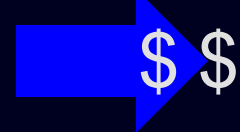
- Prime at 3.95%, inflation: <2%, GDP: ~2 %
- Lower taxes (small bus. rate, cap gains exempt)
- Low R&D costs (SRED Credits)
- Great Infrastructure (see www.hitechbc.com)
- Special incentives: BC pays investors 30%
- Make a list of all un-invented things!
- Americans will buy anything!

What's a Company?

Investors

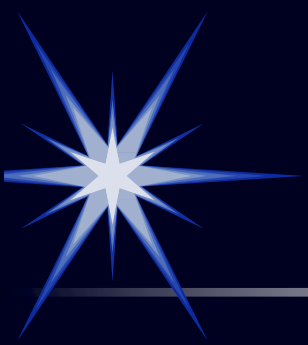


Taxes



\$\$\$\$

.....a Money Machine



BC's Tech Sector: (KPMG 2016)

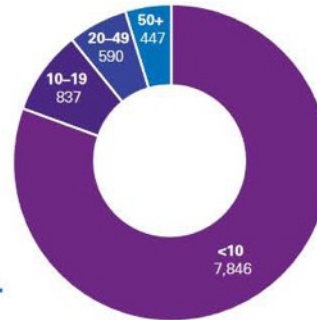
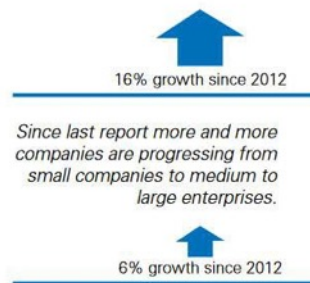
The technology sector at a glance

Inputs

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

Production

Distribution of Companies by Employee Size 2014



Growth in Tech Company Count by Employee Size 2012-2014



Outputs

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

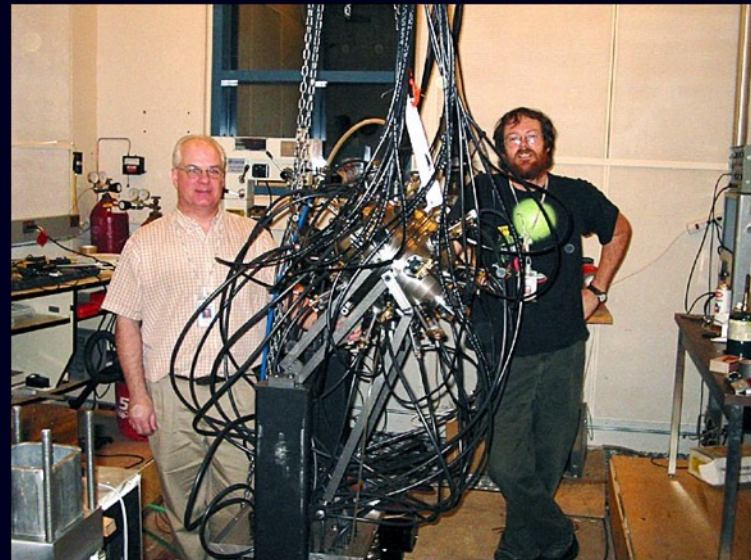
Innovation Incentives (B.C.)

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)

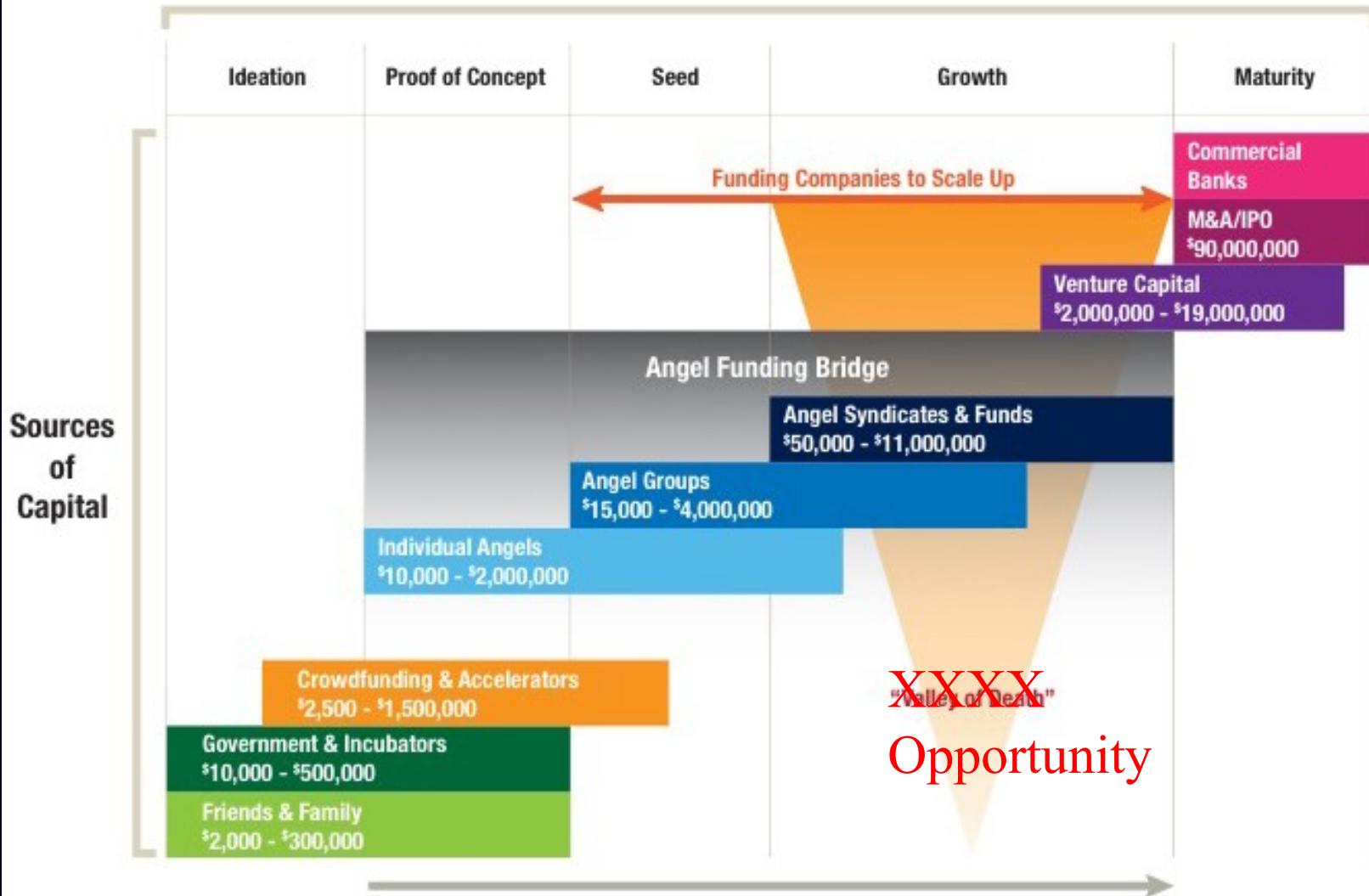
Raised \$400K in 2002
(investors get \$\$ back if
it fails!)

Now at \$100M+



Angel Investors are your best friend

Stages of Development



Access to Capital

moneylinks.ca

- v Family Friends Relatives only go so far
- v Less VC capital; mainly later stage
- v Junior Public Market – not easy to do
(great if you want to be big!)
- v What about Crowdfunding? (Product vs Equity)
- v 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

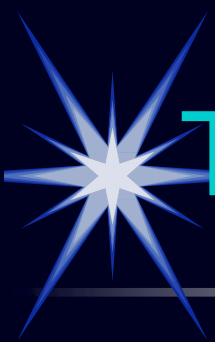
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seconds to go

Project by



Secure Search



The Law (BC Securities Commission)

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

you use a **PROSPECTUS** *and*
are a **REGISTERED** dealer



OR.....

use an “**EXEMPTION**” to the **PROSPECTUS & REGISTRATION** Requirement

WHY???

Why not have the BC Lotteries Corp be the regulator?

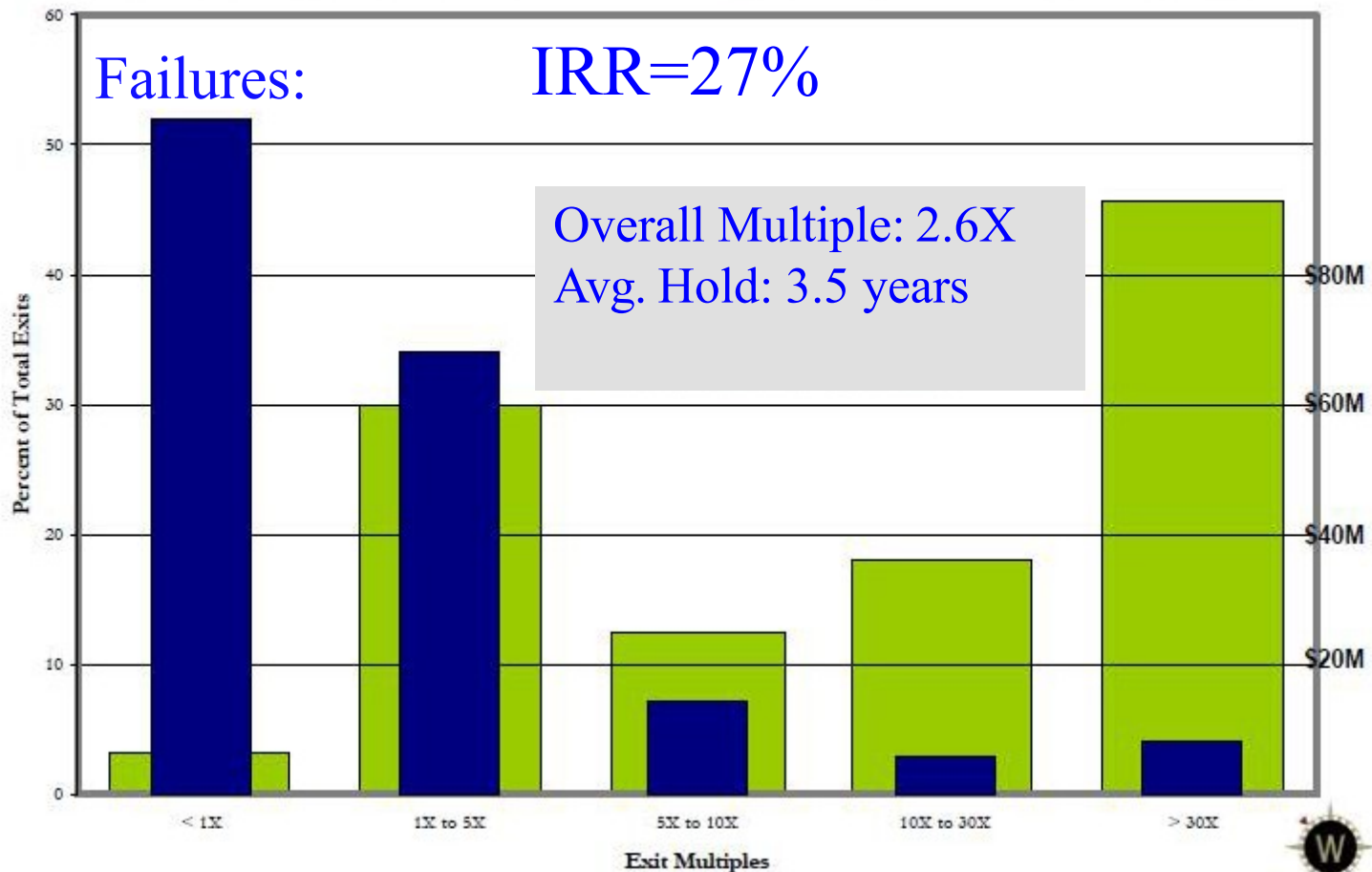
What's a [Business] Angel?

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

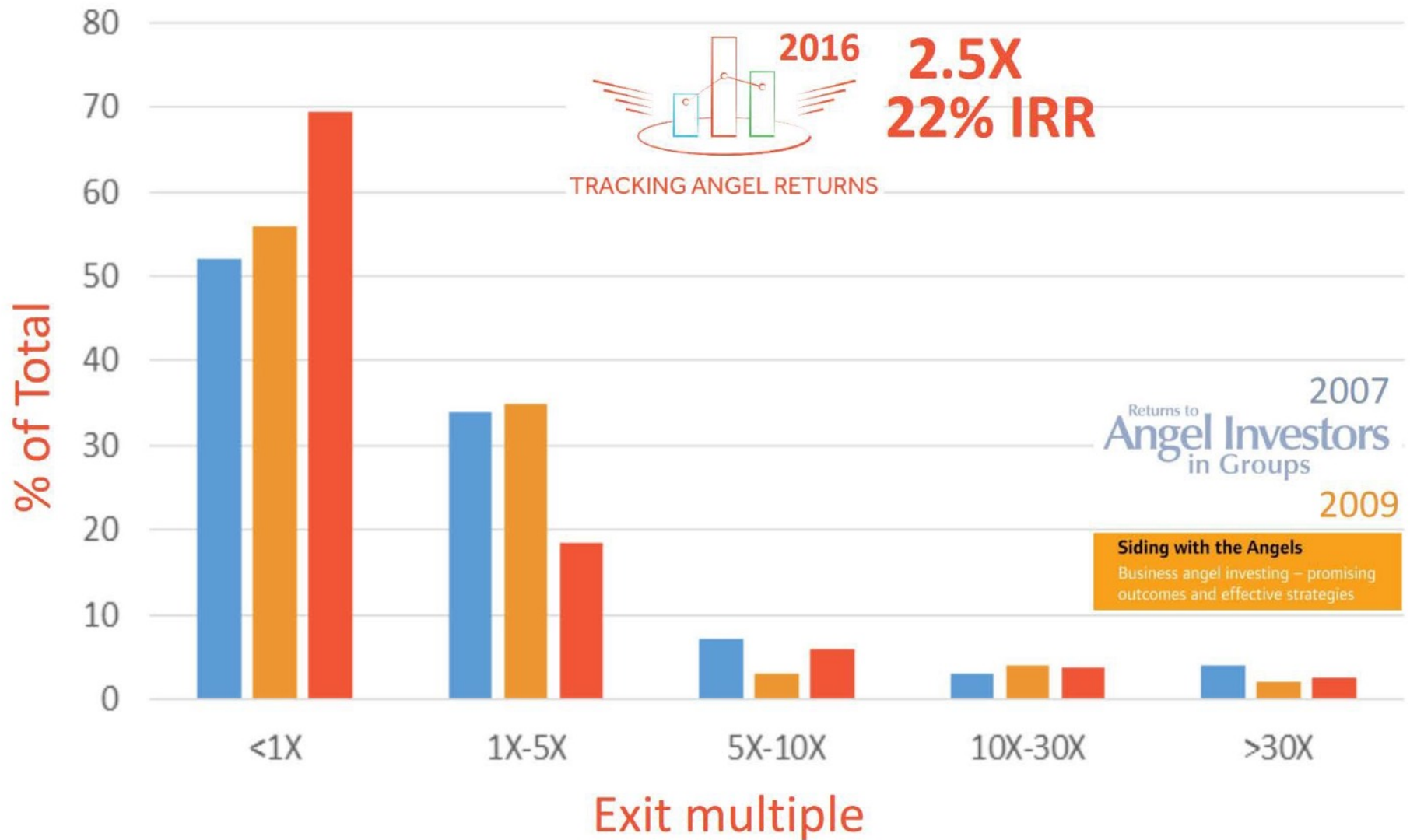


Angel Investing 101

Distribution of Returns by Venture Investment

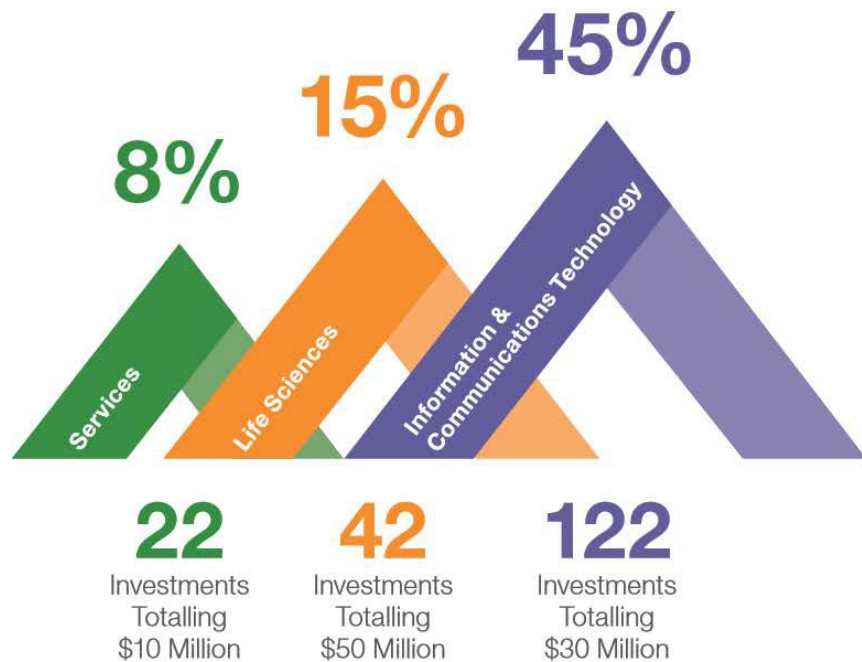


Distribution of Outcomes

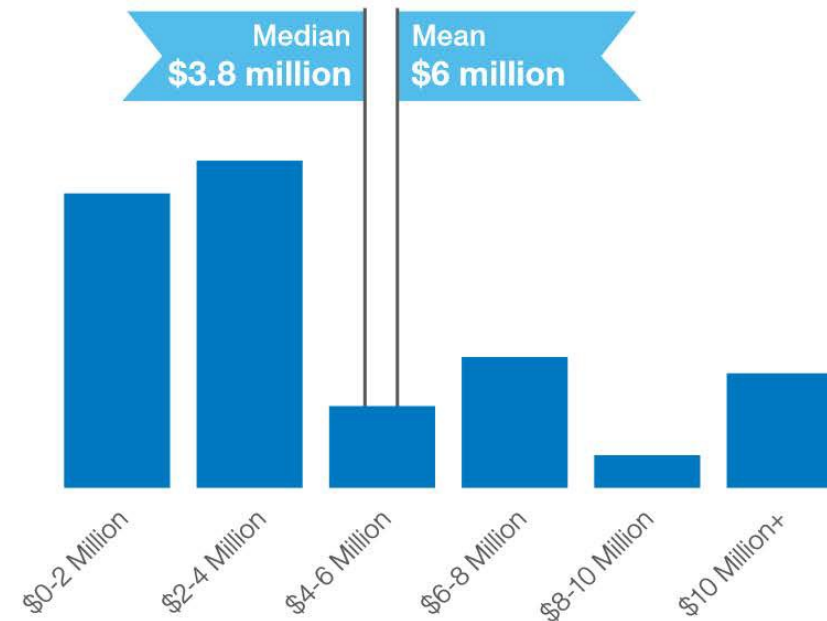


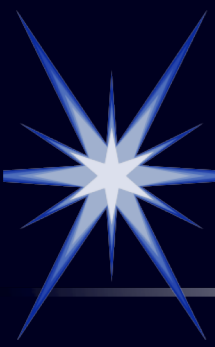
Canadian (NACO) Survey

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

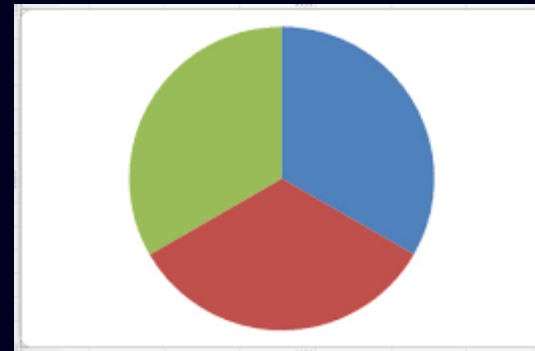
(20-30% as a group)

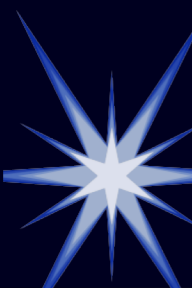
Participation

(Mentor, Board?)

Upside Gain

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



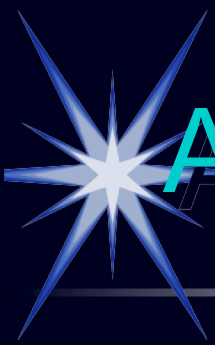


Term Sheet

- Security: Shares, Debt
- Valuation
- Amount
- Legal compliance
- Rights
- Restrictions
- Vesting
- Shareholders Agmt
- Cap Table (options?)
- Reference: NACO Common Docs

WUTIF Capital TERM SHEET for SEED Investment Round

Company:	_____ (the "Company").
Date:	
Pre-Investment Value:	Total Shares Issued: _____ @ _____ \$/shr = \$ _____ (use per-share offering price as noted below) _____ Shares (or Units) at \$ _____ /Share. = \$ _____
WUTIF Investment:	(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"). [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. The most common exemption used by angel investors is the "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) 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 shares in the next round(s), are sold at a lower price, additional shares will be issued at no cost to the Investors on this round so that their average cost per share is the same as that of said round.
Rights:	In the event the Company is sold at a share price below the average share price paid by Investors, additional shares will be issued to Investors. This would have the effect of giving the Investors a return of capital and avoids a situation in which investors have a negative return while founders have a positive return. [As an alternative to the rights (down-round protection and conversion) expressed above, it may be simpler to offer the Investors a liquidation preference on sale of the Company giving them a return of their capital first and then distributing the balance of any sale proceeds to all shareholders pro-rata to their equity interests. This should be implemented by using a new class of Preferred Shares.] In the event that subsequent financings are done by way of debt, e.g. convertible debentures, investors on this round will also be entitled to, at their option, exchange their shares for the same instrument at the price paid for their shares.



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



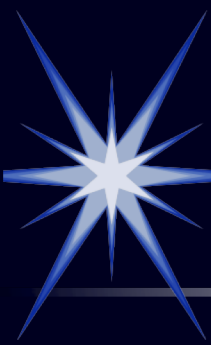
WUTIF Angel Fund (wutif.ca)

(Western Universities Technology Innovation Fund)

- Started in 2003 as a VCC
- *any* tech startup in B.C. can apply
- >85 investments: \$100K average/company
- >120 investors
- 30% tax credits
- RRSP + Rollover = 100% capital return

WUTIF

Western Universities Technology
Innovation Fund

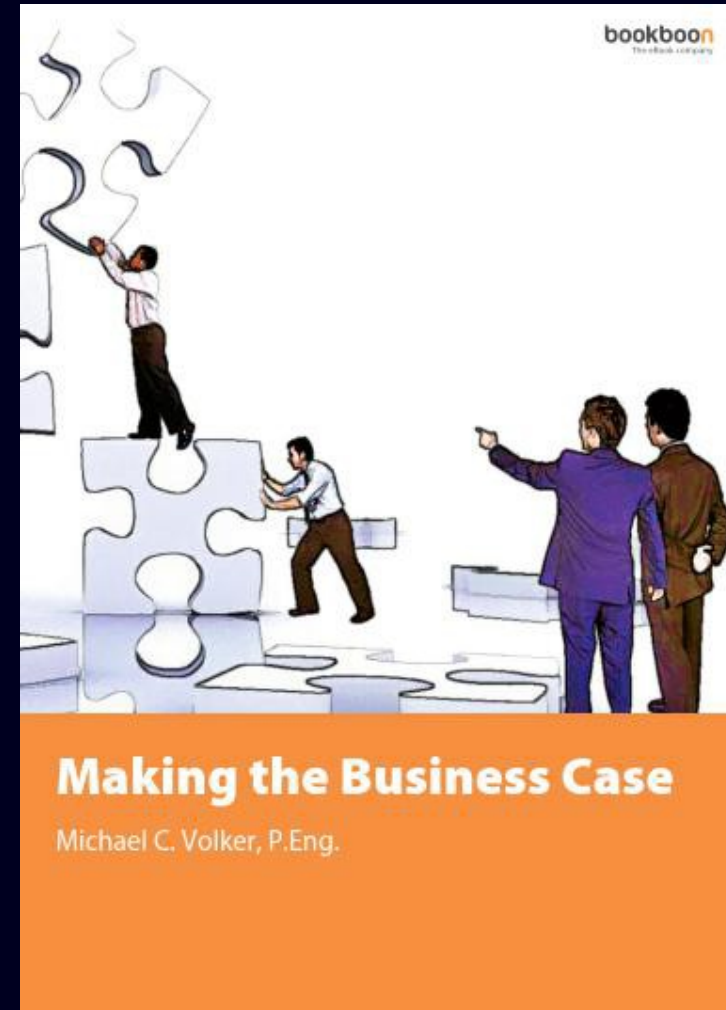


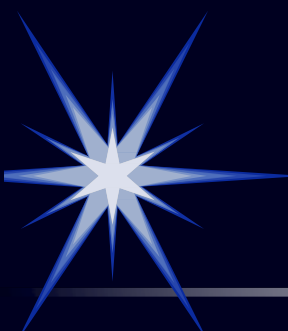
Making the Business Case

- 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 _____%.

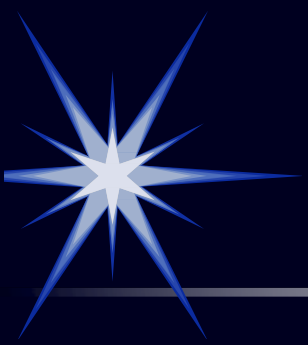
Example:

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	Blockchain	Defensible Strategy	Visionary



The Competition

Is New Ventures BC a....

....*Business Plan* competition?

or

....*A Business* competition?

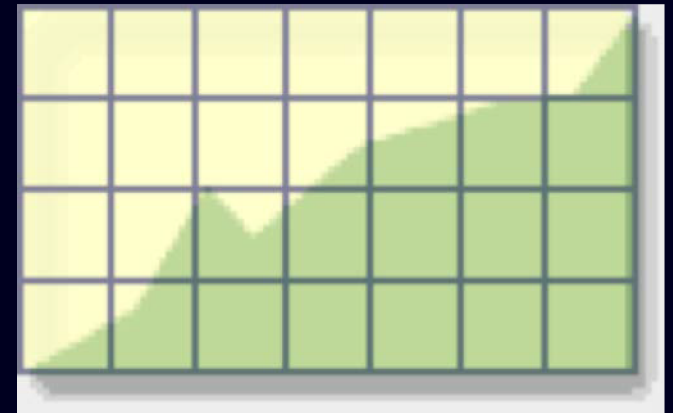
Answer: It's Both!

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?

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

What about Scale?

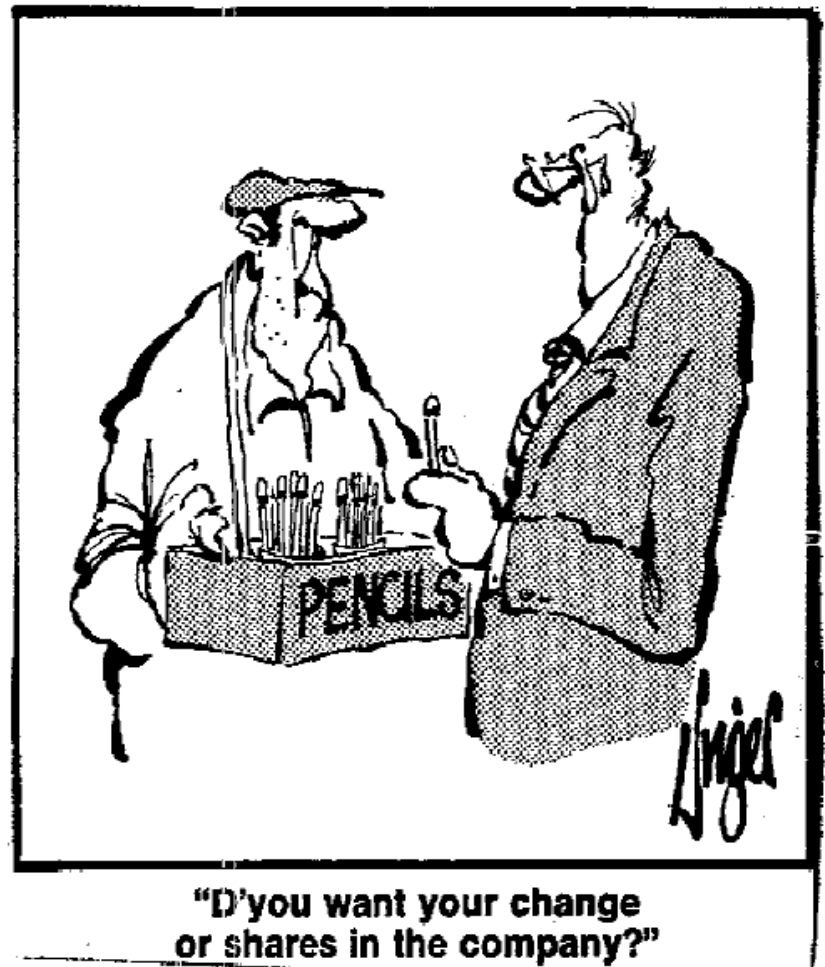
A \$100 million deal?

or

A “Lifestyle” Business?

YOUR DECISION!

Then sell your story
to the right audience!

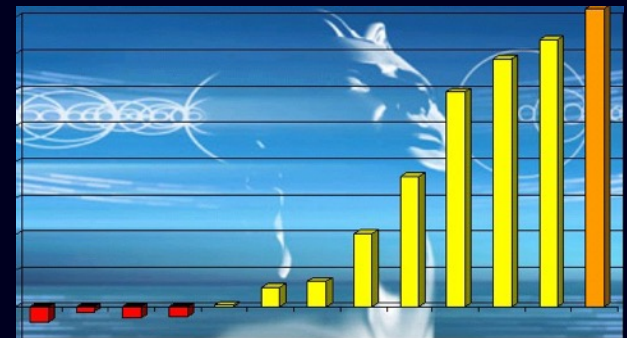




It's all about P&L:

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 10, 11:00 pm

www.newventuresbc.com



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ROUND #2 FEASIBILITY TEST

(5 pages max)

Due: May 6, 7:00 pm

40 move on to Round 2.5

www.newventuresbc.com



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ROUND #2.5

PITCH DAY

June 14

25 Move on to Round #3

www.newventuresbc.com



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ROUND #3
VENTURE PLAN
(8 page condensed plan)

Due: July 29, 6pm

www.newventuresbc.com



**New
Ventures BC**

ROUND #4

Top 10 Pitches Finale
September 5 & 6

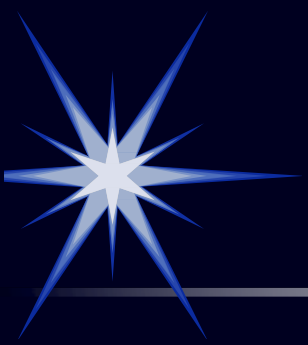
www.newventuresbc.com



New Ventures BC

PARTY TIME!! September

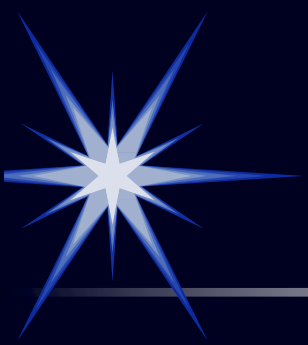




My First Business Plan

BMO: “Show me your business plan”

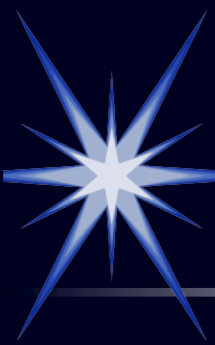




CONFIDENCE!



Is a Business Plan *really* necessary?
(*my Blackberry 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 (5 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?

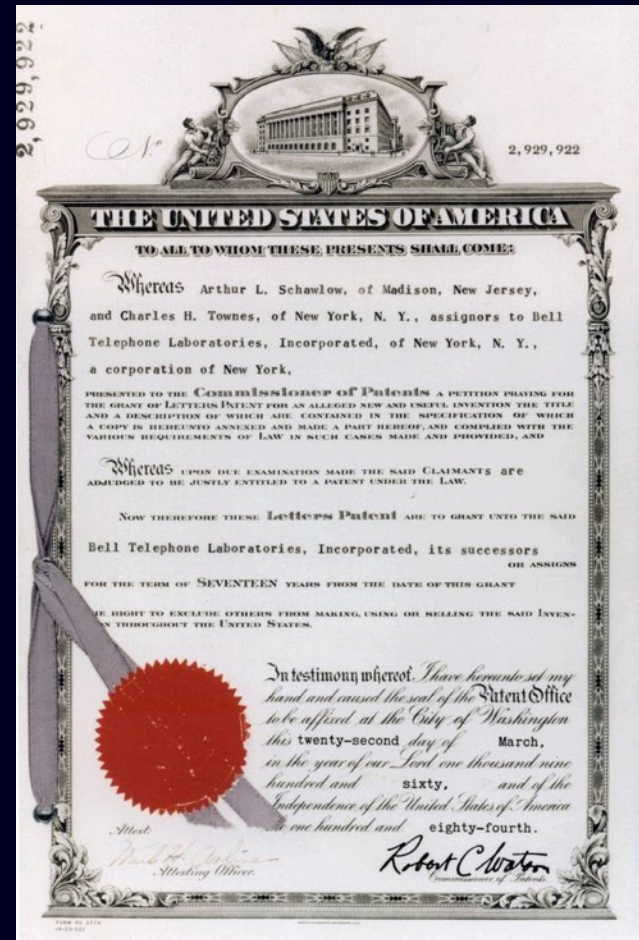
E.g. selling a gadget, renting, licensing, etc

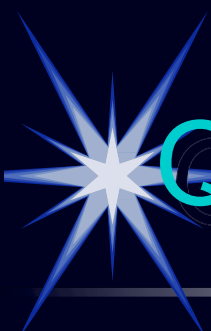


Question #2: Intellectual Property

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?



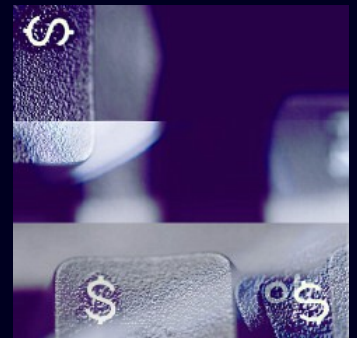
And...mention TIME FRAME



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?



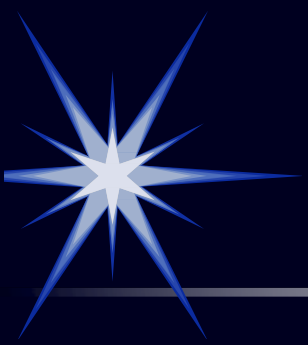
So why do deals get funded?

- 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 quitting and finishing.”

(mike@volker.org)