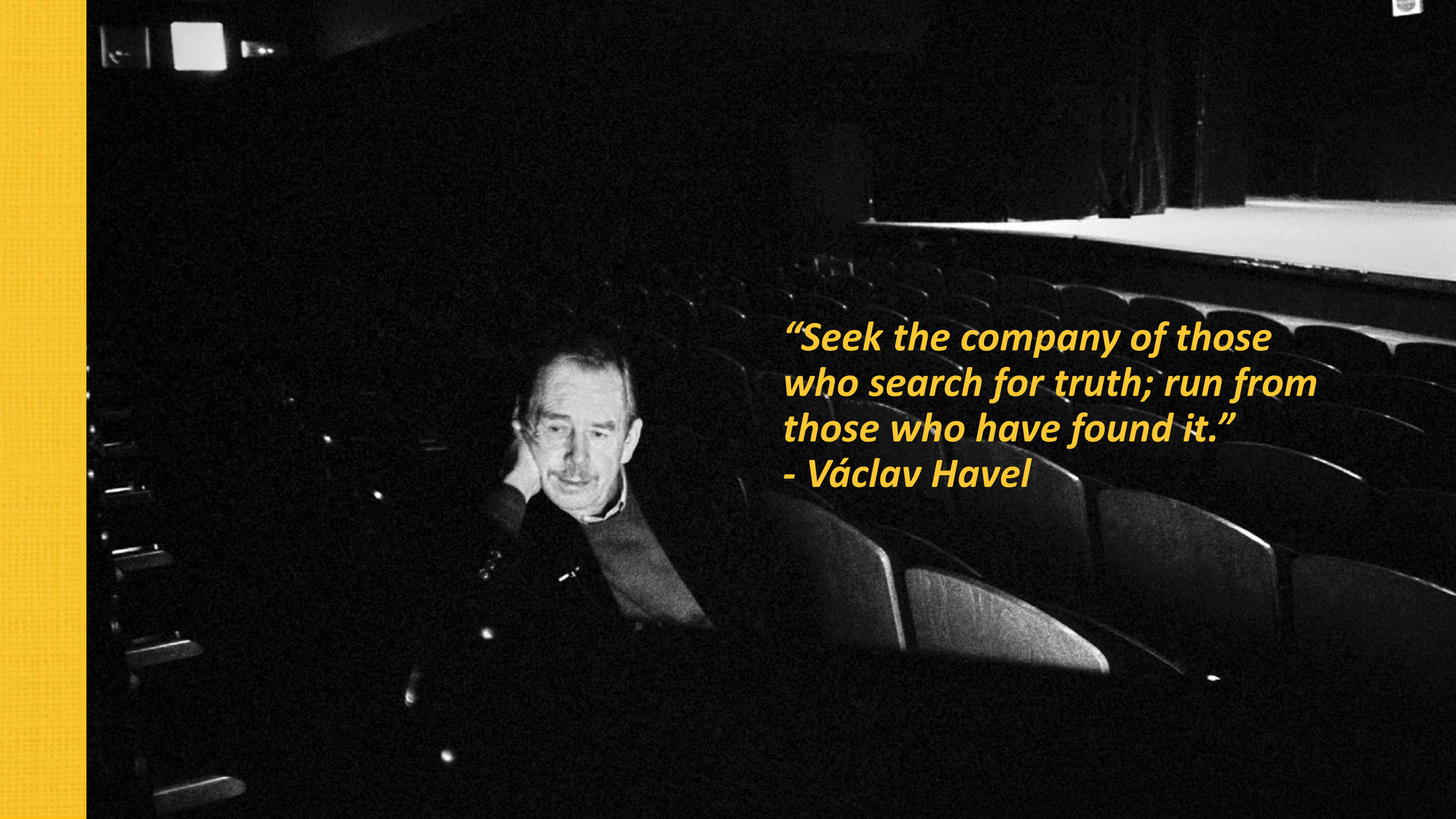


Building a Fundable Startup

WHAT FOUNDERS NEED TO KNOW

For pre-seed, and seed stage startups





***“Seek the company of those
who search for truth; run from
those who have found it.”
- Václav Havel***



STARTUP STUDIO

Accelerator and Early Stage
Venture Capital Fund





Deck Outline

LAYOUT

1. Some general concepts that early-stage founders need to know
2. What are investors looking for
3. What can you do to increase your chances of raising capital
4. Larger industry trends that effect you – Q2/Q3 2023 edition



Deck Outline

LAYOUT

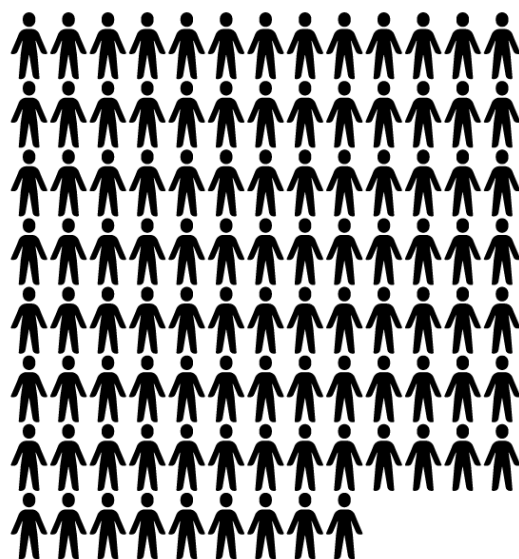
Part 1

Some general concepts that early-stage founders need to know



Startup Success Rate

DATA



Founder + Friends and Family Funded

100

First Outside Capital - Angel/Venture

10

Series A

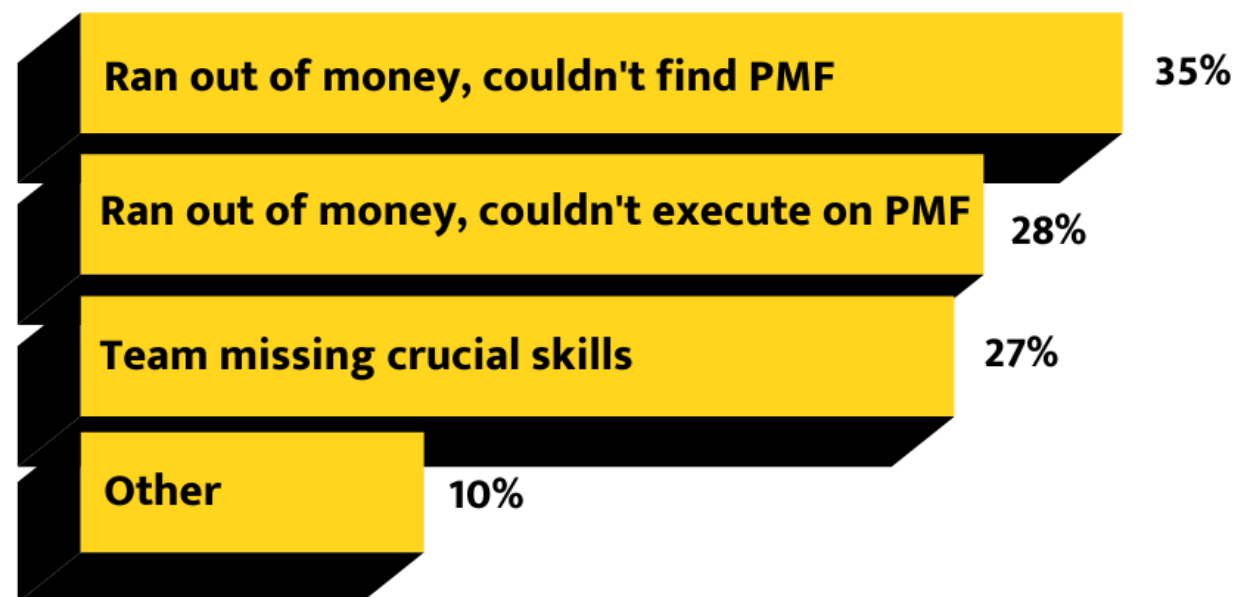
1

Based on 10,000 North American startups 2012-2022



Why Post-Seed Startups Fail?

DATA



Based on a postmortem of 500 angel/venture funded seed startups



... in a nutshell

DATA

“

**The single biggest determinant of
success between Seed and Series A:
Speed of execution**



Valuation & Dilution

DATA

Pre-Seed/Seed startup (pre-money) valuation benchmarks

- BC range - \$3.5 to \$5m CAD
- US - up to \$10m USD

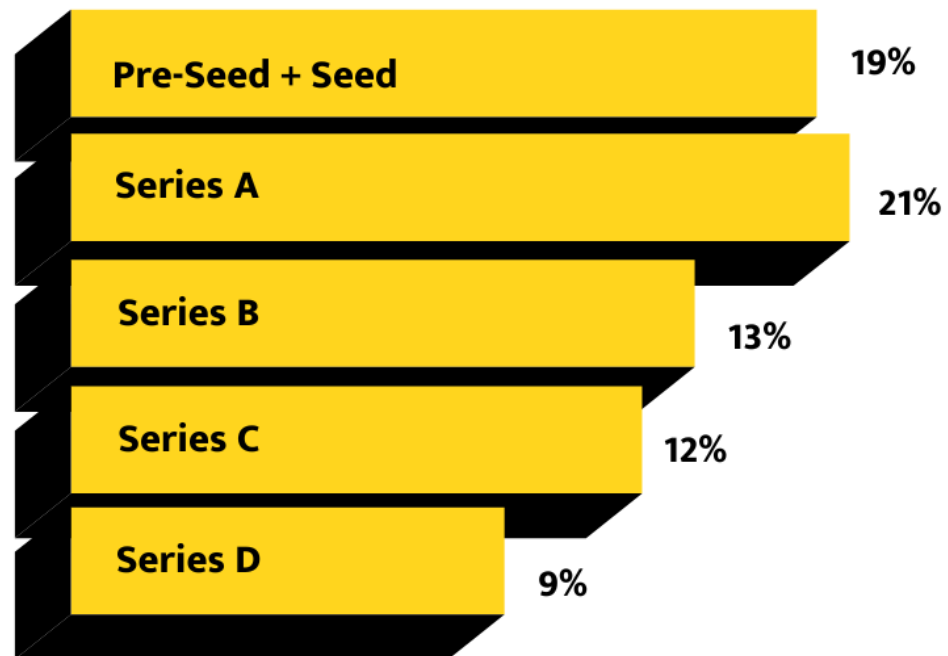
Pre-Seed/Seed startup dilution benchmark

- Range - 5% to 20%



Startup Dilution

DATA



Based on 5,000 North American startups 2018-2022



SAFE Note

- Big decisions pushed to future
- High flexibility
- High speed
- Founder is king



Convertible Note

- Some big decisions made, some not
- Medium flexibility
- Medium speed
- Balanced power

Priced Round

- Big decisions made and agreed to
- Lower flexibility
- Lower speed
- High complexity and paperwork



Deck Outline

LAYOUT

Part 2

What are investors looking for

EVALUATION CRITERIA

Every round you're evaluated for something different

- Pre-seed → Vision
- Seed → Team & Product
- Series A → Traction
- Growth rounds → Economics



EVALUATION CRITERIA



It's not just about revenue metrics ...

- Pre-seed → Differentiated idea in large market with a strong team
- Seed → Product with early PMF
- Series A → Strong PMF with early distribution channel fit *
- Series B → Strong distribution channel fit with early signs of becoming a multi-product company
- Series C+ → Becoming a multi-product company, speed of scale



Investor Questions for Founders

DATA

1. What are you building?
2. Why are you building this?
3. Why now? *
4. What's your unfair advantage?
5. Who is your competition and how do you compare? **
6. How do you make money?
7. How much do you charge customers?
8. How much does your average customer spend?
9. What are some reasons why this business might fail?



Evaluation of Risk

DATA

Highly subjective – based on the moment in time, environment, immediate conditioning, individual bias – but has three main components:

1. Is there a market for this?
2. Can this team execute on the promise?
3. Would downstream investors find this attractive? *



Venture Scale Business

DATA

Early stage investors are looking for '**venture suitable business**' - a candidate for future venture capital. Once you figure out the product-market fit, you should be able to jump a revenue level every quarter. SaaS calls it **T2D3**.

What early stage investors don't care about:

Positive EBITDA ✖

Breakeven ✖

Dividends ✖

Growth potential and **ability to scale** matter - high profit margins, low cost of customer acquisition, some moat, and massive addressable market.

NARROW STRIKE ZONE

Good Startups

Good Startups
Suited for
External
Funding





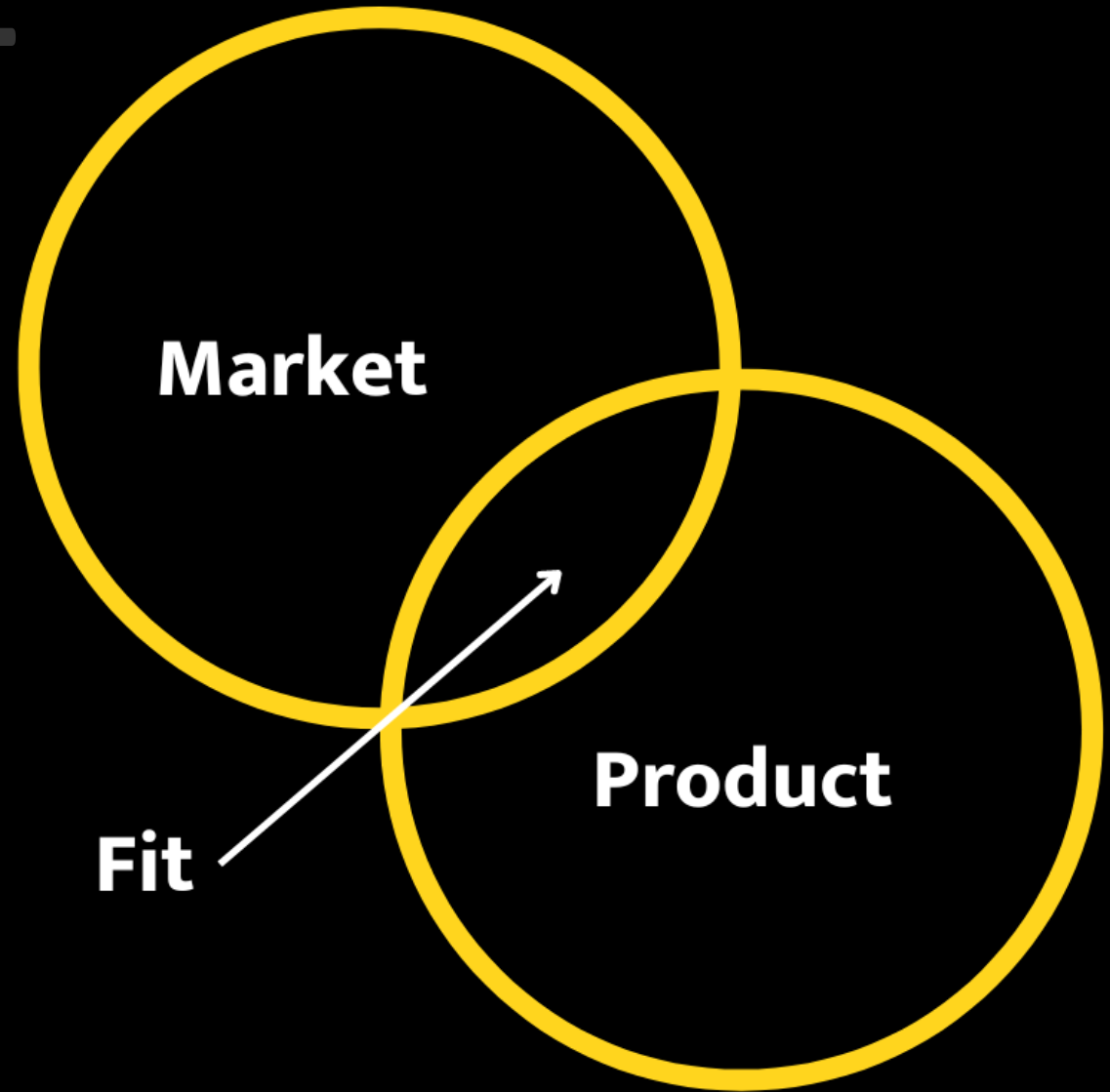
... in a nutshell

DATA

“

Early stage funding markets reward outliers. The outliers who can show explosive growth potential AND promising business fundamentals.

PRODUCT MARKET FIT



GO TO MARKET





Deck Outline

LAYOUT

Part 3

What can you do to increase your chances of raising capital



Increasing Your Chances of Getting Funded

There are essentially two stages to a startup:

1. Idea Validation - Is it valuable?
2. Scaling - Do you have a plan to grow profitably?



... in a nutshell

“

**Startup success is just a founder's
tenacity, willingness to pivot, & ability
to acquire critical relationships
(customers, employees, partners) as
every pre-seed strategy has obvious
flaws.**

WHAT IT MEANS



You can increase startup's 'investibility' through tangible growth and traction

- Startups can raise at a higher valuation
- You can raise more money
- You can raise with less dilution
- You can raise from the best investors
- You can raise from a larger investor pool
- You can raise faster
- 'Nice to have' in good times
- 'Must have' in tough times

Building fundamentally strong companies



Real Market Validation

DATA

I'd use that

vs.

I'll pay for that





Consider this ...

“

When deciding whether to optimize for product or traction, consider this. Very few startups raise a round because investors are impressed that they over-delivered on their product roadmap. The exact opposite is true with traction.



What you are trying to achieve

GOALS

There are essentially two parts to increased fundability:

1. De-risk the investment
2. Negotiate from a position of strength



Signs of Early Promise

STEPS

Build, borrow and transfer **credibility**. Rinse and repeat.

- Big vision - with **actual progress** made in early steps
- Channel the Zeitgeist
- For startups with market ready product, the only real market proof is **paying customers**, or for pre-product startups, **strong letters of intent** from future paying customers
- Closed key sales demonstrate **ability to execute**
- Early **sales** help define if you are an elephant hunter or a deer hunter *
- Key **partnerships** demonstrate **ability to marshal resources & networks**
- Advisory board of well-known industry leaders reinforces **credibility** of the product and team **



STARTUP STUDIO

Accelerator and Early Stage
Venture Capital Fund



HOW WE CHOOSE PROJECTS



Major value-add

\$1M in new revenue in 12-18 months

Or

2x the startup's pre-money valuation

Higher traction means **less dilution**
or
a higher raise

WHAT WE DO



**We are a team of founders with
over 2 Billion in exits and extensive
global networks**

Step 1

Hands-on support in **Building ‘leverageable’ sales stacks**

- Find the ‘big levers’ of growth; push them hard and push them smart
- New sales contracts, and strategic distribution partnerships
- Increased revenue, and increased sales velocity
- Wider reach into existing sectors and geographic markets
- Expansion into new sectors and geographic markets
- Enhanced distribution footprint

WHAT WE DO



We are a team with extensive global experience and technical expertise

Step 2

Working capital plus strategic advisory for **leveraging of sales stacks**

- High octane, turbocharged growth
- Working capital injection
- Strategic advisory and mentorship from successful exited founders
- Advisory access to world-class sector experts through our extended global networks
- Increased strategic growth and traction
- Higher pre-money valuation
- Ability to attract the top investors and strategic partners

WHAT WE DO



**We bring our unparalleled US,
Canadian and global investor
network to the table**

Step 3

Investment banking services to **raise capital**

- Access to our global investor network including Fortune 500 strategics, global conglomerates, VC funds, family offices and private equity funds
- Ability to raise from the top investors in US, Canada and worldwide
- Ability to raise at a reduced dilution or to raise more capital



STARTUP STUDIO

Accelerator and Early Stage
Venture Capital Fund



PHASE I AUDIT & STRATEGY



Quickest path to growth and traction

- What is the **quickest way for you to get to the next step** in growth & traction?
- What does a '**game changer**' plan look like for your startup?
- What are the best **strategic partnerships**?
- What are the next **geographic expansion** opportunities?
- What **distribution channels/partnerships** do you need to achieve the next step?
- What **local and global networks** you need access to?
- What human and technical capabilities you need on your executive team?

Define the best GTM strategy, and try to deliver on it as much as possible and as fast as possible.

PHASE II REVENUE GROWTH



Convincing investors you are a 'real' business

- Valuation is based on revenue
- Valuation multiple is higher if you can show that you can acquire users profitably at scale
- For startups with market ready product, the **only real market proof is paying customers**, or for pre-product startups, strong letters of intent from future paying customers
- How can you **get a sales team without adding to burn rate?**
- Can you find a way to **cash flow and the runway to hire well** and at the right time?

Secure paying customers and strategic revenue partnerships, quickly and at scale.

PHASE III INVESTOR READY



Metrics that investors find most important

- Investors invest in **accelerating growth**
- Multiples are based on your company's ability to capture revenue, and **increase the rate of revenue growth**
- Accelerating growth leads to higher valuations
- You can raise more money for the same dilution or the same dollars for less dilution

Focus on the metrics that investors are looking for to raise the next round faster and at a higher valuation.

PHASE IV CAPITAL RAISE



Power of warm introductions and the right messaging

- Strategic partnerships with top industry players **highlight startup's potential to lead the market**
- **Global reach** for distribution & customer acquisition puts a startup ahead of its competitors
- Advisory board of **well-known industry leaders reinforces credibility** of the product and team
- Closed key sales **demonstrate ability to execute**
- **Robust revenue pipeline** gets a higher multiple towards higher valuation, and an oversubscribed round

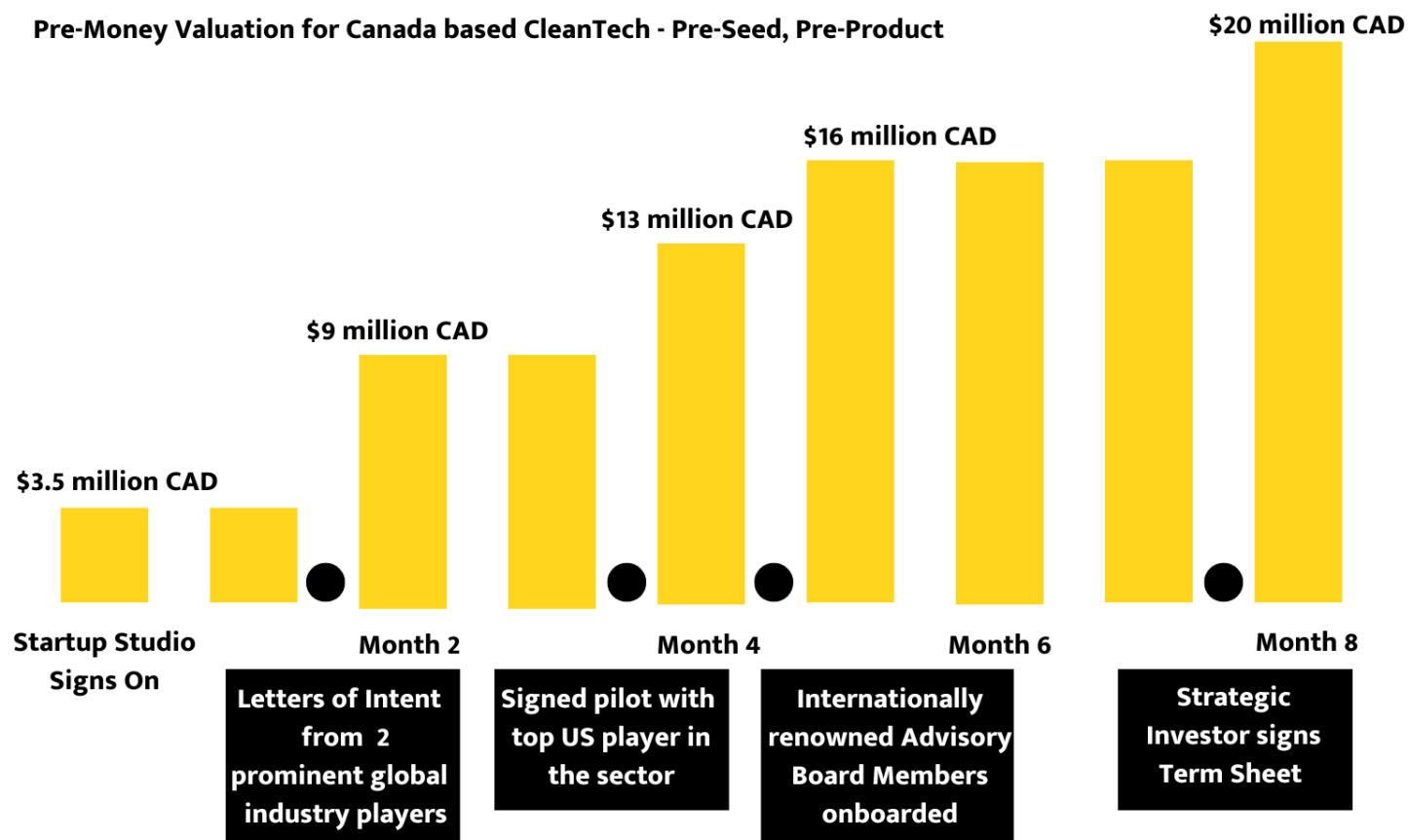
Find and leverage access points to large pools of investors. Run a fundraising process.



Pre-Seed Valuation Growth

CASE STUDY

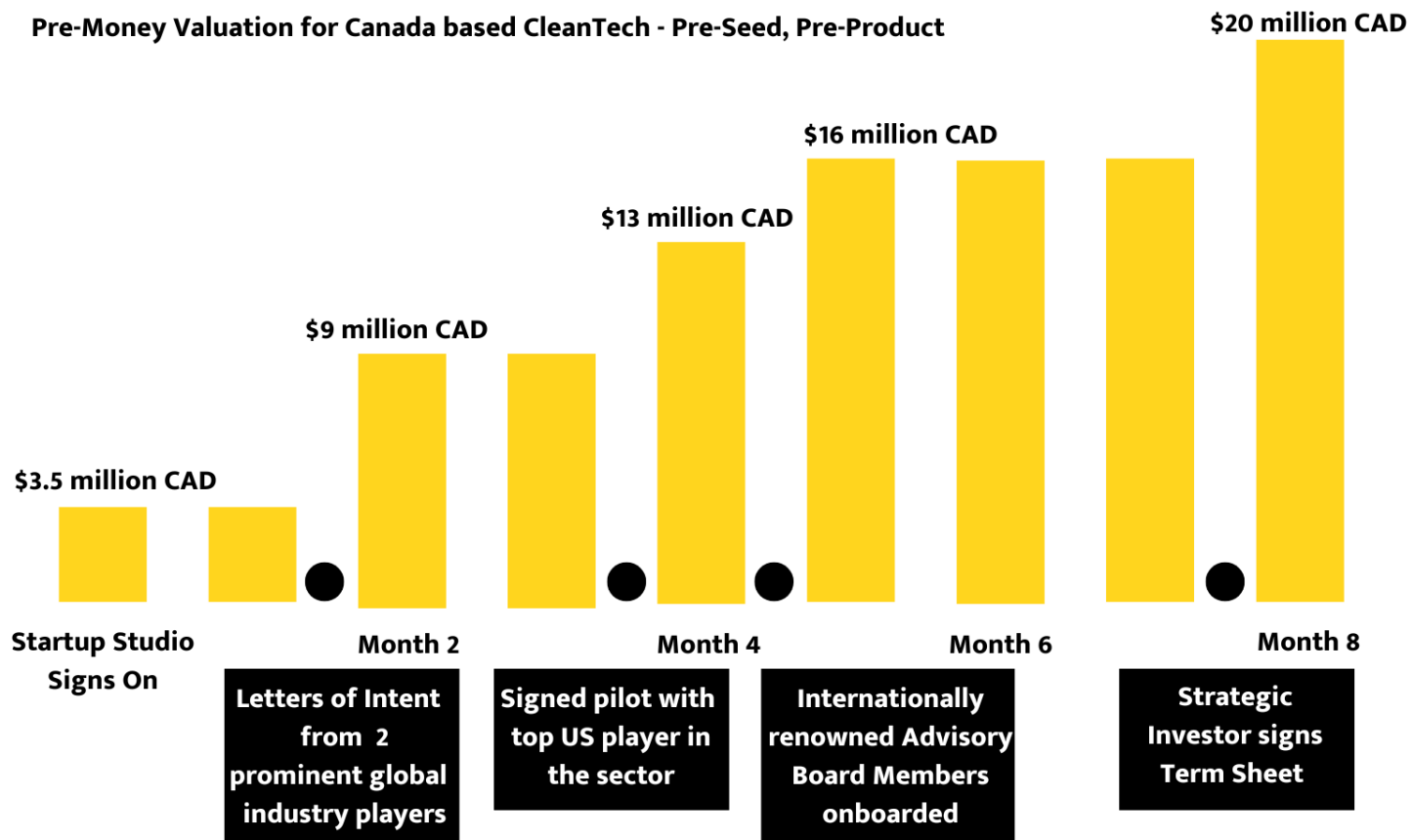
Pre-Money Valuation for Canada based CleanTech - Pre-Seed, Pre-Product





Pre-Seed Valuation Growth

CASE STUDY



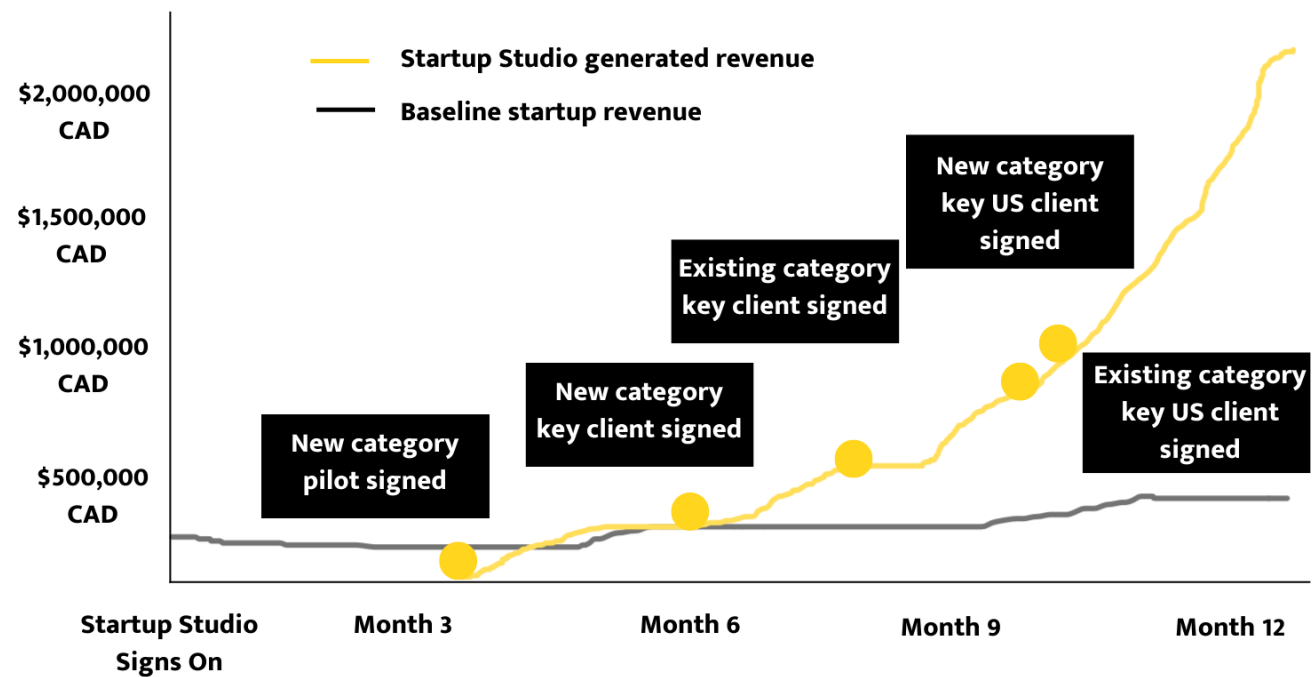
Value-add in 8 months:

- \$16.5m CAD for the cap table
- ~6X valuation



Post-Seed Valuation Growth

CASE STUDY

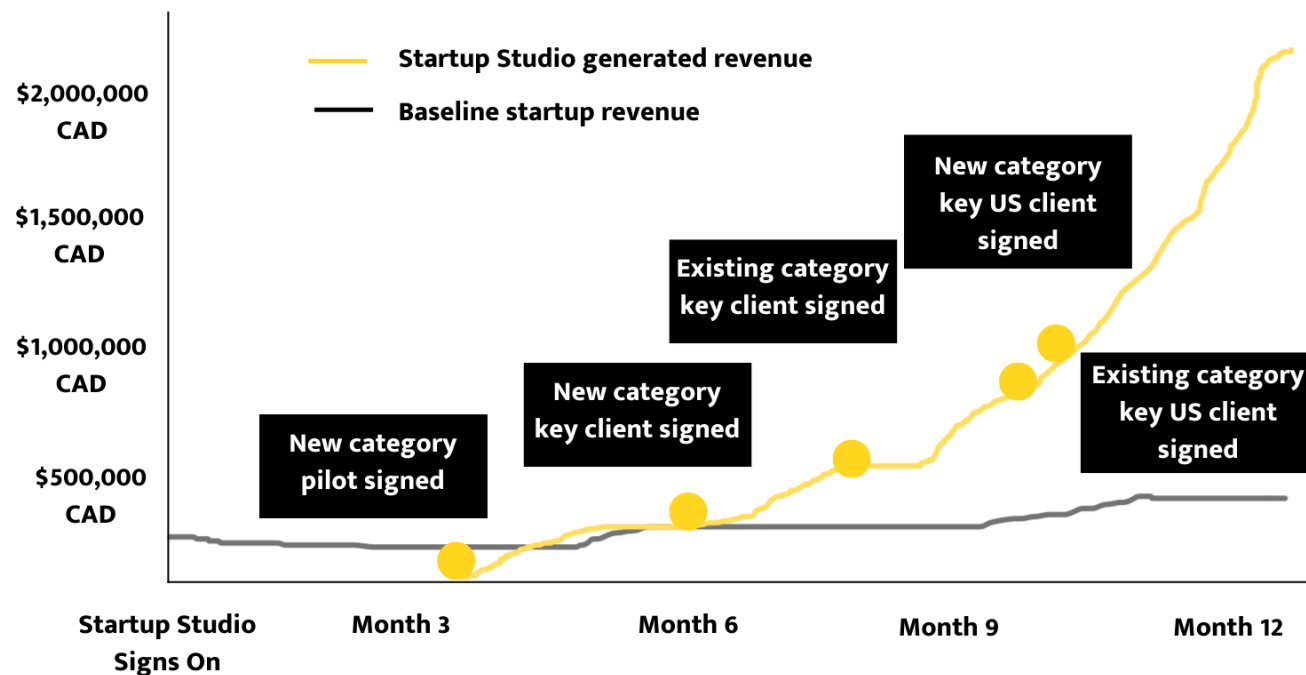


Gross Revenue for Canada based SaaS - Post-Seed, Pre-Series-A



Post-Seed Valuation Growth

CASE STUDY



Gross Revenue for Canada based SaaS - Post-Seed, Pre-Series-A

Value-add in 12 months:

- \$2m CAD in cash flow
- \$10-20m CAD towards valuation based on revenue multiples



Deck Outline

LAYOUT

Part 4

Larger industry trends that effect you – Q2/Q3 2023 edition



The Tides

- Narrowed investor strike zone
- Compressed multiples
- More thoughtful process
- Software reigns supreme
- Hardware, high R&D, regulatory, marketplaces - GTM speed, runway and downstream investibility are now part of the conversation
- Business model, revenue, profit margin are no longer four-letter words



Beware of dirty term sheets



Industry Trends Q2/Q3 2023 edition

OPINION

What's hot



AI*
Climate
Health

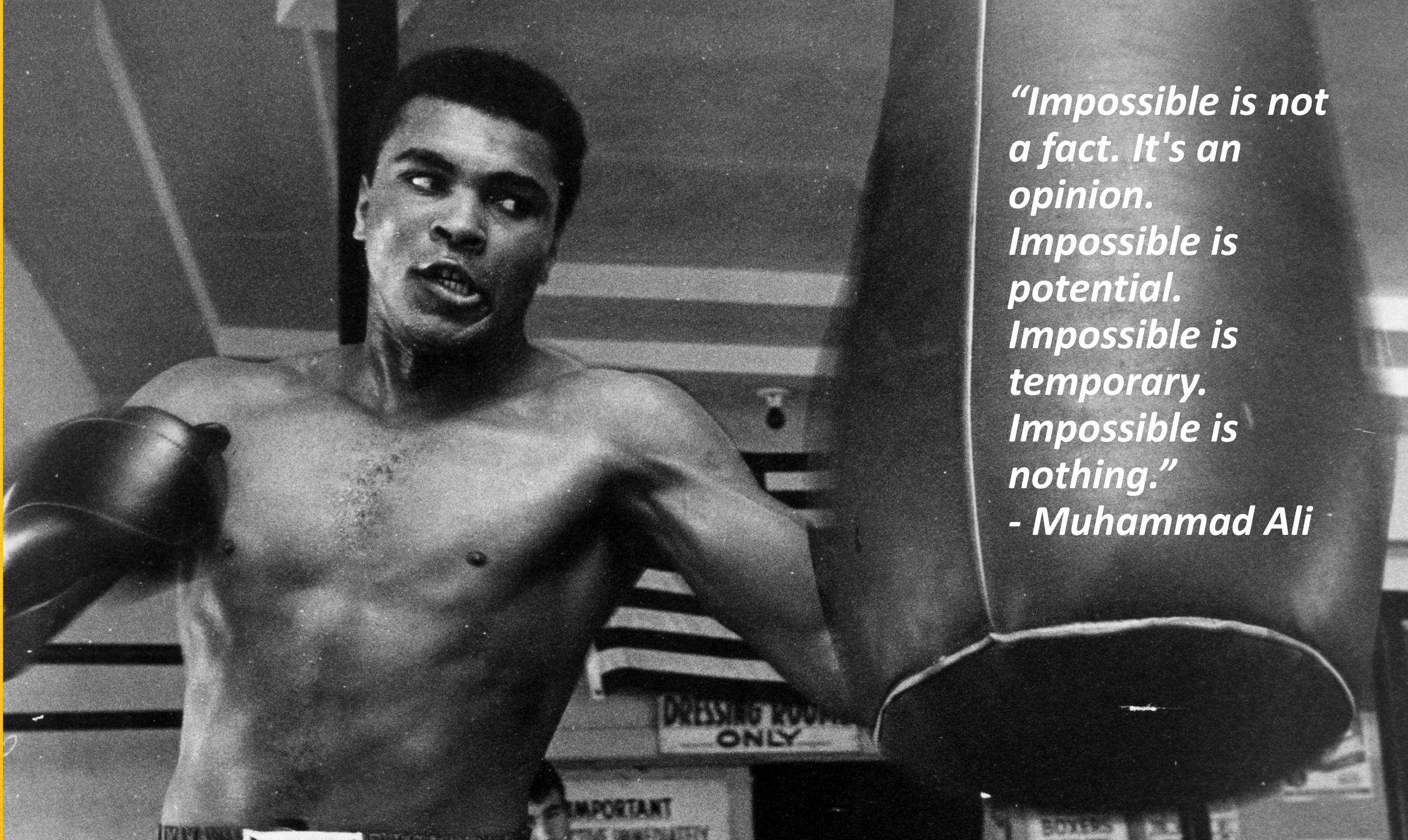
What's not



Consumer & e-Commerce
Crypto & Web3



Founders with work experience
pedigrees entering the market



*"Impossible is not
a fact. It's an
opinion.
Impossible is
potential.
Impossible is
temporary.
Impossible is
nothing."
- Muhammad Ali*



Coordinates

CONTACT

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Managing Partner

Startup Studio Accelerator & Venture Fund

 @dhaliwalmk



StartupStudioVC.com



Appendix – TiE Angels Evaluation Criteria 1 of 11

Investment Thesis – What is the overall logic of the investment and how will investors will make money.

Questions may include:

- Is this a billion-dollar IPO opportunity or is it more likely to be acquired for under \$50M? Or something in between?
- Are there limited number of risks that can be mitigated or is this a moonshot deal with big risk and potentially big reward?
- Will it take 10 years to complete the product and get FDA approval etc, or could this company be acquired in the first couple of years by a big competitor?



Appendix – TiE Angels Evaluation Criteria 2 of 11

What Needs To Be Believed (WNTBB) - Boil down all of the key risks that need to be assumed in order to invest. If an investor cannot make peace with or cannot believe an item on this list can be overcome, they should not invest.

Example WNTBBs might include:

- That this market can be disrupted.
- That enough customers will find this essential at this price point.
- That the company will be successful in transitioning from current niche to mainstream.
- That the company can build out a successful go to market plan and demonstrate traction on this round size.
- That this management team can scale to pull this off.
- That the company can achieve market share before the large competitors crowd them out.



Appendix – TiE Angels Evaluation Criteria 3 of 11

Failure Risk - What are the main weaknesses in the plan and the degree to which they are mitigated. If this company fails, is it likely for lack of capitalization, inability to make the technology work, or due to competition?



Appendix – TiE Angels Evaluation Criteria 4 of 11

Leadership Assessment – What is your assessment of the management team.

Questions may include:

- Does the CEO possess the experience and leadership abilities to succeed?
- Do they have skills for where they are going, as opposed to where they have been?
- Do the CEO and team have a proven track record?
- Does the team possess the appropriate balance of experience and skill sets?
- Are the board members and advisors suitable and committed?
- What key hires are needed to address gaps?



Appendix – TiE Angels Evaluation Criteria 5 of 11

Technology, IP and Product Roadmap – What is your assessment of the technology, technology risk, and the IP.

Questions may include:

- Is the technical team qualified and experienced?
- How strong are the technology and IP positions?
- Is there a product roadmap and is it achievable?
- What are the remaining risks related to technology, IP and product roadmap?
- Are their superior technologies on the near-term horizon?



Appendix – TiE Angels Evaluation Criteria 6 of 11

Customer Need and Go-To-Market Plan - What is your assessment of the plan to take the product to market.

Questions may include:

- Is the GTM plan sufficiently detailed?
- Are the assumptions, including required level of sales spend and time lines reasonable?
- Is the sales pipeline adequate, and are key metrics for adoption rate, conversion rates, etc. conservative?
- Do customers confirm the need and likely adoption rates?
- Beyond verifying some demand, do we understand the customers buying priorities? Is this Oxygen, Aspirin or Collagen?
- What are the major risks in marketing awareness, customer adoption rates and sales cycle?



Appendix – TiE Angels Evaluation Criteria 7 of 11

Uniqueness and Competition – What is your assessment of the overall competitiveness and defensibility of the offering.

Questions may include:

- Is the company well positioned with respect to current and likely future competitors?
- Is the founding team well-informed about their market and industry? Do they have a good competitive sense, or are they unaware of key issues?
- What are the major risks in marketing awareness, customer adoption rates and sales cycle?



Appendix – TiE Angels Evaluation Criteria 8 of 11

Market Size and Market Opportunity – What is your assessment of the actual addressable market.

Questions may include:

- Are the top-down and bottoms-up market estimates consistent and attractive?
- Are the market share projections reasonable?
- What are the remaining risks in market development?



Appendix – TiE Angels Evaluation Criteria 9 of 11

Financial Projections and Funding Strategy – What is your assessment of the financial plan and capital raising strategy.

Questions may include:

- Does the balance sheet make sense? Are there any showstopper issues?
- Are the financial projections reasonable and conservative in light of past performance?
- What are the implications of variances in key assumptions?
- Is the future financing risk manageable?
- What are remaining financial risks?
- Are the assumptions about scaling expense (e.g. G&A, etc.) reasonable, or is the model unrealistic?



Appendix – TiE Angels Evaluation Criteria 10 of 11

Exit Strategy - What is your assessment of the likely exit opportunities.

Questions may include:

- Is there alignment with the CEO and team on exit goals?
- Is the exit strategy reasonable?
- Is the assumed timeline reasonable?
- What exit multiples can be predicted under representative scenarios?
- Does the CEO know people in the industry? Are they a networker who will make the relationships and do the thought-leadership necessary to get a buyer interested?



Appendix – TiE Angels Evaluation Criteria 11 of 11

Deal Terms and Payoff - Summarize the relationship between the deal terms in the term sheet and the expected investor return.

Questions may include:

- Is this a low valuation, high risk deal, or a high valuation, low risk deal?
- Does the term sheet include specific terms intended to protect this round of investors?
- What could be the return multiple based on exit multiples for comparable companies?