

new VENTURES BC  
COMPETITION

# The “BUSINESS CASE”

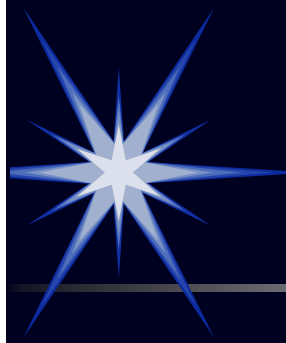
April 8, 2015

(What Angels *Really* Want)

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

SFU

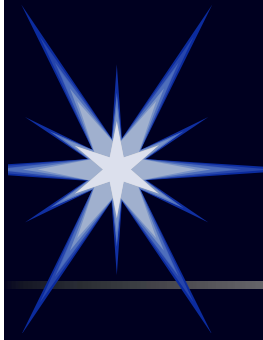
Mike Volker (mike@volker.org)  
Innovation Office  
Simon Fraser University



# Local Success Stories?

Name some.....





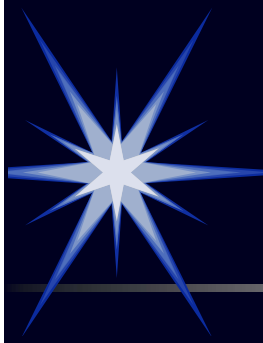
# The E-Myth

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

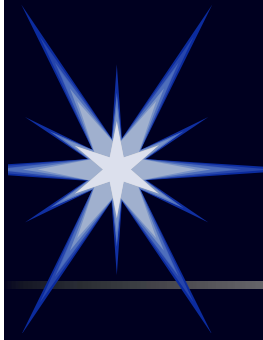
experience  
risk takers  
total commitment



## CAPITAL

enough to cash flow

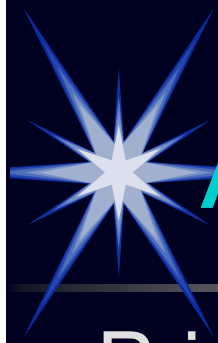




# Observations

- “good” companies *will* always get funded
- startups are getting better each year
- more private capital available
- Equity Crowdfunding is coming!
- less VC money available
- Most companies fail!  
(>50% in 5 yrs, >80% in 10 yrs)

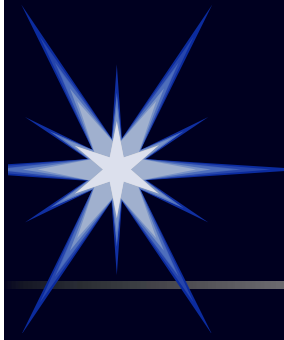




# A Great time to start a Company

- Prime at 3.0%, low inflation, 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!





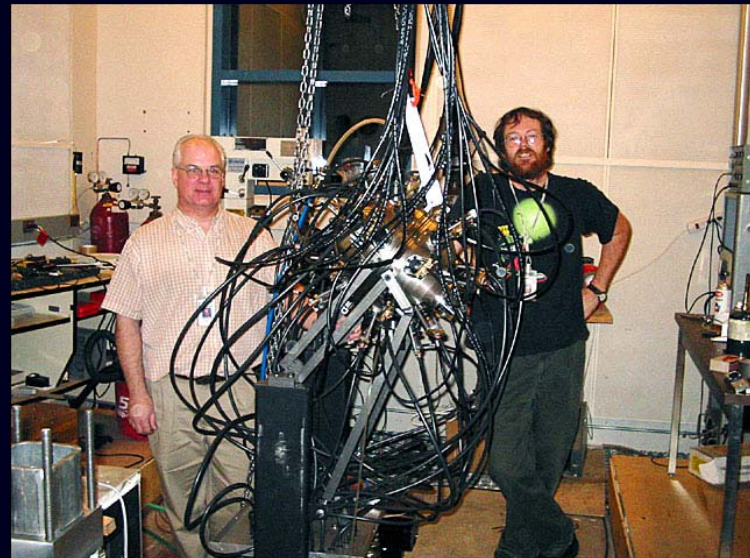
# Innovation Incentives (B.C.)

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

(investors get \$\$ back if  
it fails!)





# Access to Capital



- ❖ 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

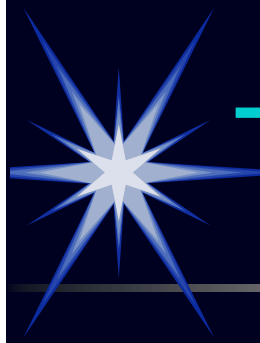
**0**

seconds to go

Project by



Secure Search



# The Law (BC Securities Comm)

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

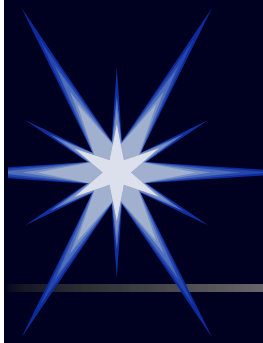
you use a PROSPECTUS & are  
a REGISTERED dealer

OR.....

use an “Exemption” to the PROSPECTUS &  
REGISTRATION Requirement

WHY???

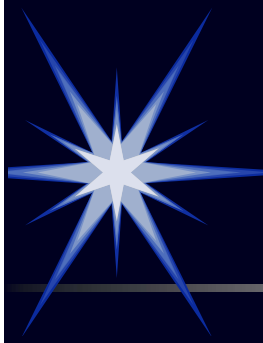




# What's a [Business] Angel?

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



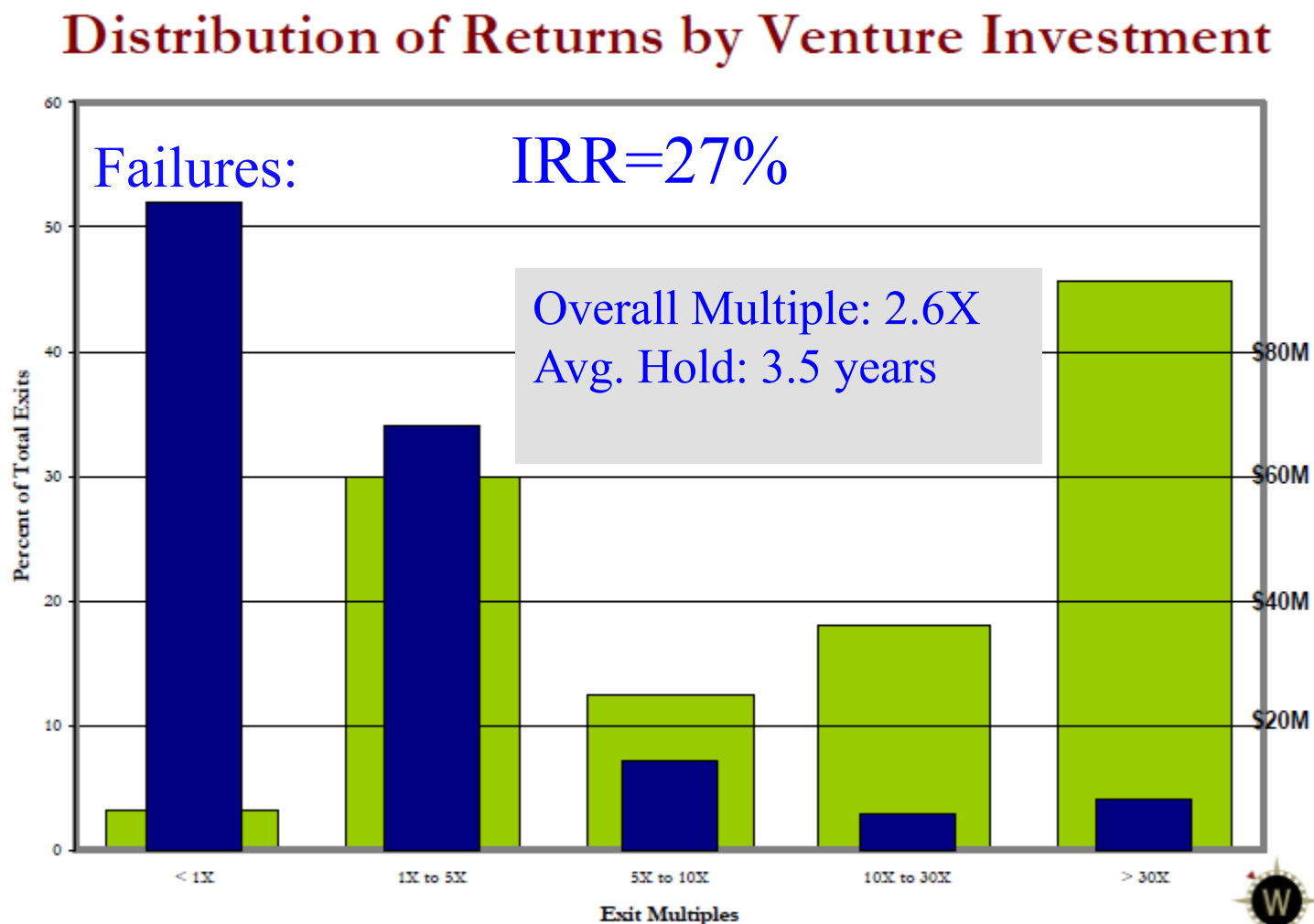


# What Angels Want

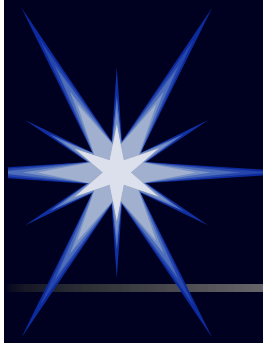
- Fun
- Interesting Opportunity
- A willing protégé
- To use one's resources
- Attractive Return:  
10X to >>100X
- 3 I's: Intensity, Integrity, Immediacy (person)
- 3 G's: Goodness, Greatness, Greed (company)



# Angel Investing 101



Study by Rob Wiltbank, Willamette Univ.



# Recent Trends



- Valuations (\$2M avg)
- More investors at smaller amounts
- It's all about EXITS!! – need a real “Plan”  
(What's better 5X in 5? Or 10X in 10?)
- More Angel Funds  
WUTIF, GreenAngel, e-Fund, PowerHaus





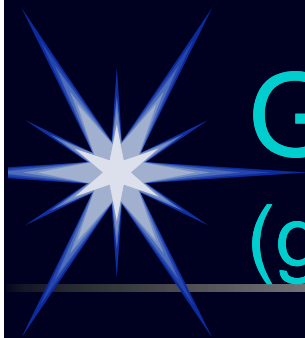
# WUTIF Angel Fund (wutif.ca)

(Western Universities Technology Innovation Fund)

- Started in 2003 as a VCC
- *any* tech startup can apply
- >60 investments: \$100K average/company
- >100 investors
- 30% tax credits
- RRSP + Rollover = 100% capital return

**WUTIF**

Western Universities Technology  
Innovation Fund



# GreenAngel Energy Fund

(greenangelenergy.ca)

- Started in 2009
- >7 investments
- >500 investors
- Publicly traded on TSX Venture Exchange
- No minimum; no hold



You, too, can be an angel investor!

TSXV: GAE

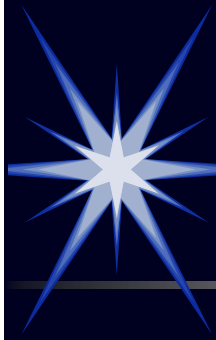


# PowerHaus Angel Net & Fund

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- Focus on Green Tech
- Supported by NRC-IRAP
- Focus on people first, money second

[www.powerhaus.info](http://www.powerhaus.info)



# Angel Networks & Groups

A GLOBAL movement:  
They're Everywhere!

In Vancouver:

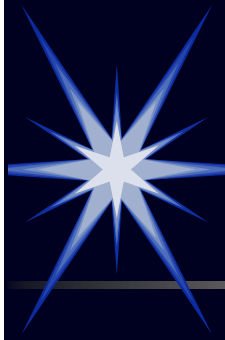
[VANTEC.ca](http://VANTEC.ca)

[POWERHAUS.info](http://POWERHAUS.info)

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

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

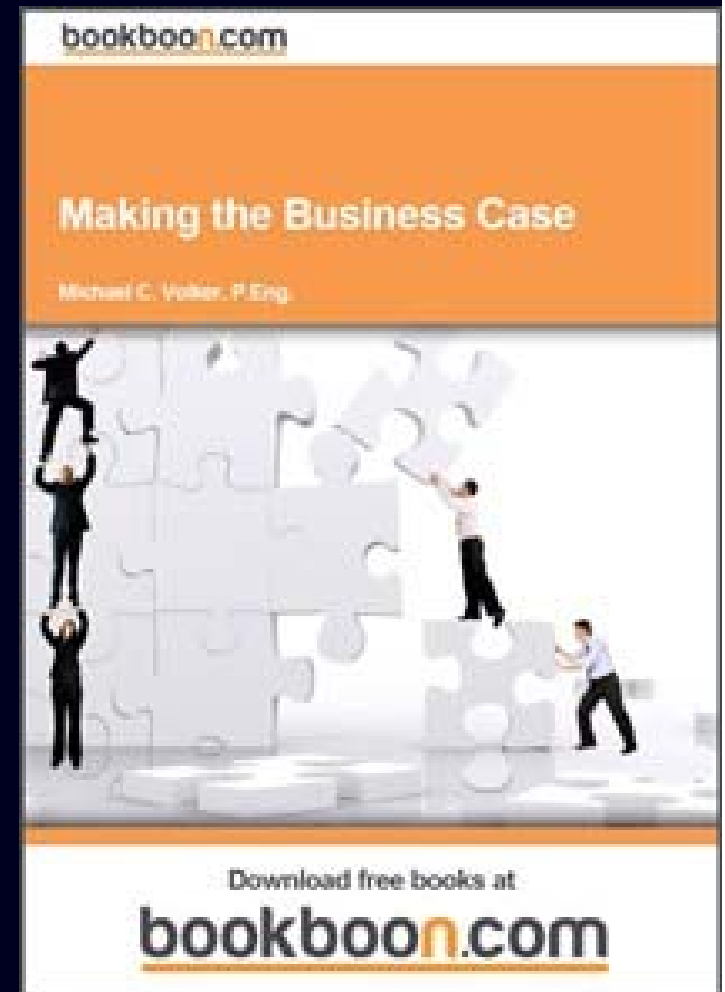


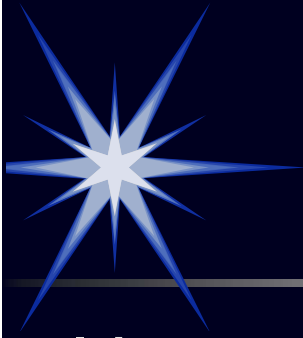


# Why did I write this book?

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

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





# The Elevator Pitch

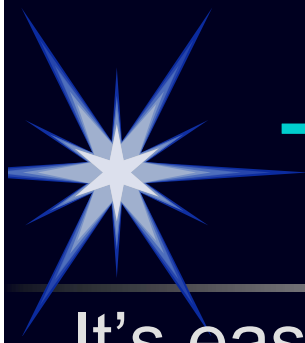
It's easy! Just fill in the blanks:

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.*





# 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 \_\_\_\_%.

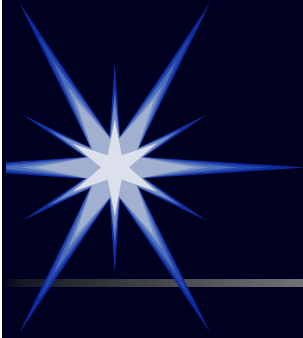
*Example:*

*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*

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Is New Ventures BC a....

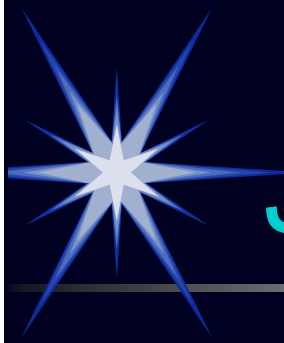
....*Business Plan* competition?

or

....A *Business* competition?

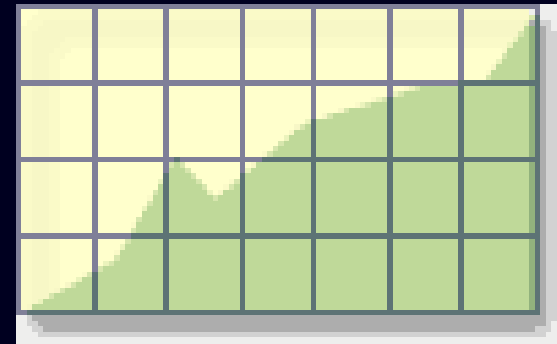
*Answer:* It's Both!

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”



# What about Scale?

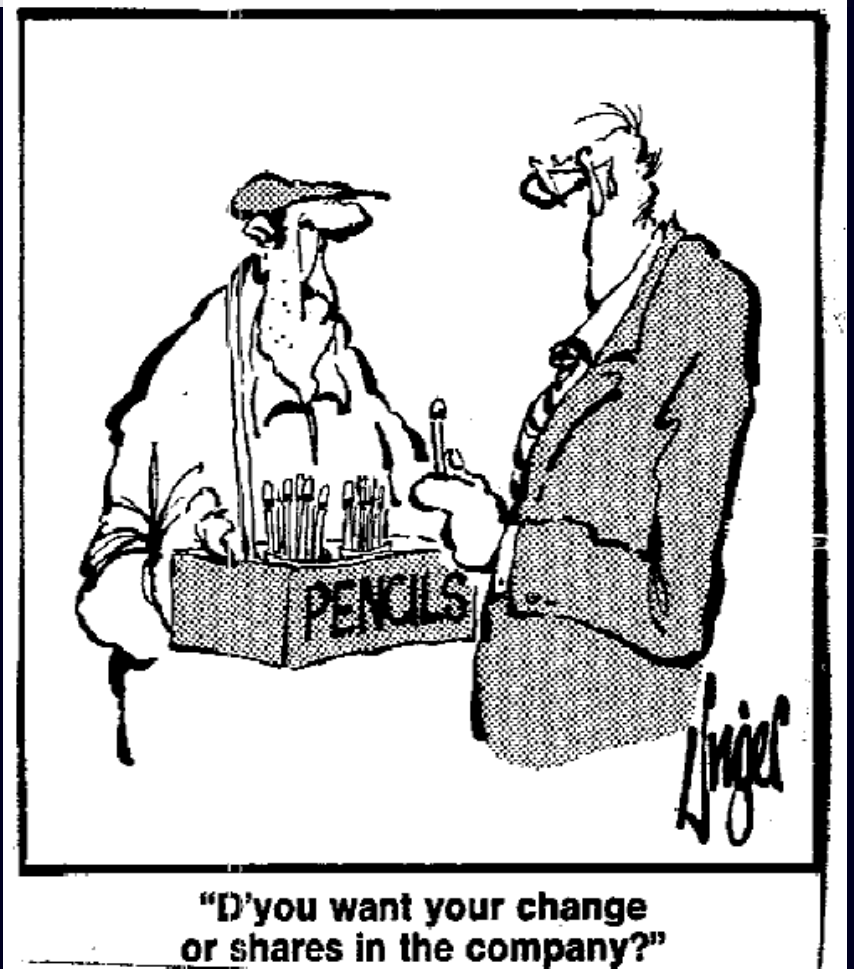
The \$100 million deal?

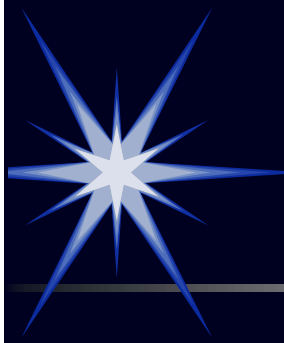
or

The “Lifestyle” Business?

YOUR DECISION!

Then sell your story  
to the right audience!

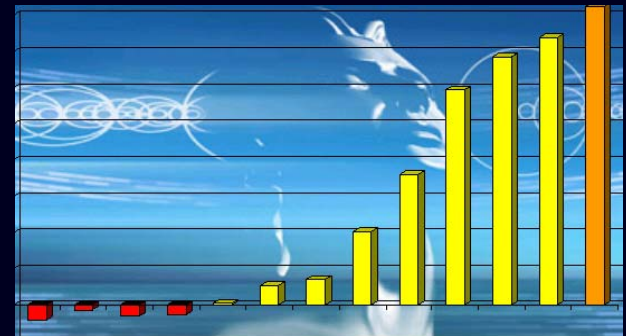




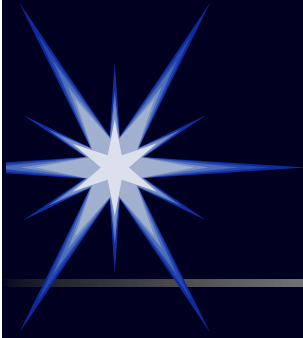
# It's all about P&L:

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

Why you and your team?  
(Passion & Leadership)







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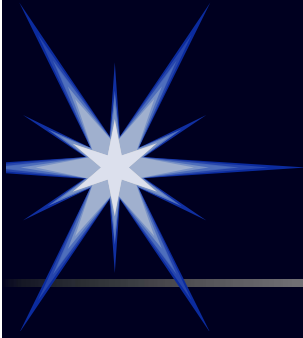
# ROUND #1

## *THE IDEA*

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

*Due: Apr 14, 5:00 pm*

[www.newventuresbc.com/the-competition/rules/](http://www.newventuresbc.com/the-competition/rules/)



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COMPETITION

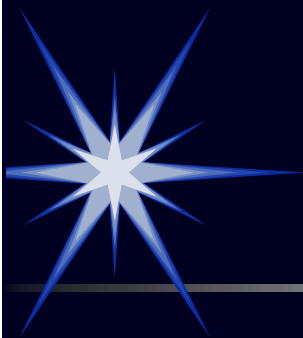
# ROUND #2 FEASIBILITY TEST

*(6 pages max)*

*Due: Apr 30, 5:00 pm*

*25 selected*

*[www.newventuresbc.com/the-competition/rules/](http://www.newventuresbc.com/the-competition/rules/)*



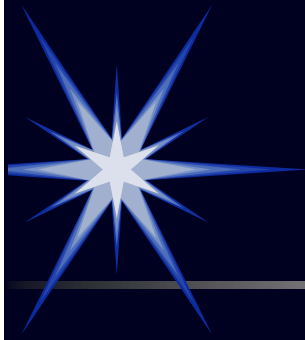
new VENTURES BC  
COMPETITION

# ROUND #3

## CONDENSED BUSINESS PLAN

*Due: July 30, 5:00 pm*

[www.newventuresbc.com/the-competition/rules/](http://www.newventuresbc.com/the-competition/rules/)

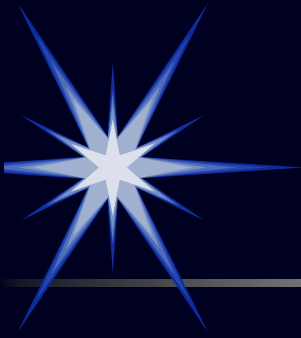


# My First Business Plan

BMO:

“Show me your business plan”

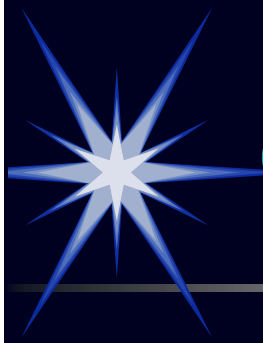




# CONFIDENCE!



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



# Questions: Round #2 and #3

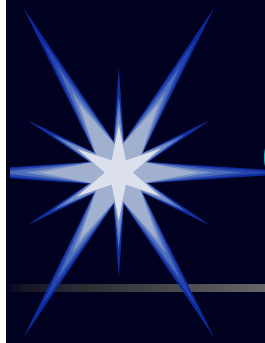
## ROUND #2 (6 pages)

- 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

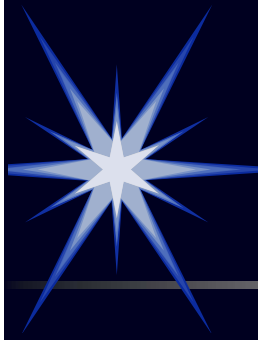
What is it?

Product or Service?  
NOT the technology

How will revenue be generated?

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





# Question #2: I.P.

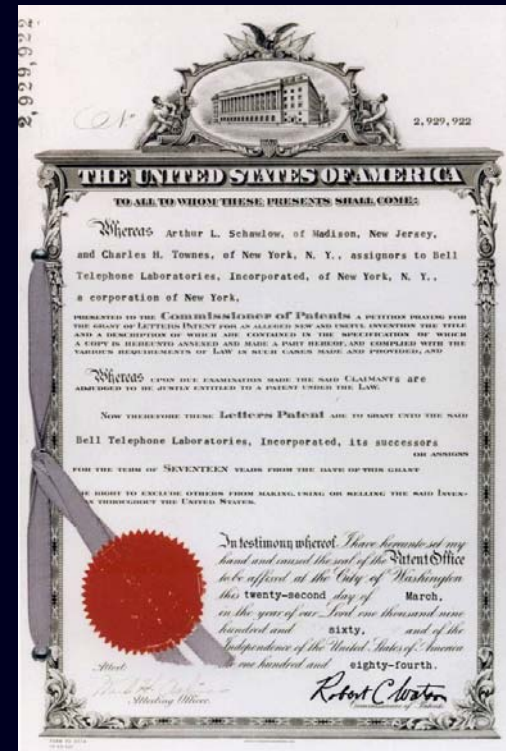
What is it?

Patentable?

Copyright?

Trade Secret?

Just an idea?



# Question #3: TECH DEVELOPMENT

STAGE of DEVELOPMENT?

Idea?

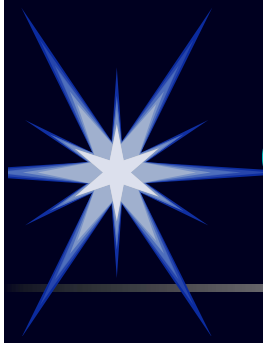
Prototype?

Beta model?

Production?



And...mention TIME FRAME

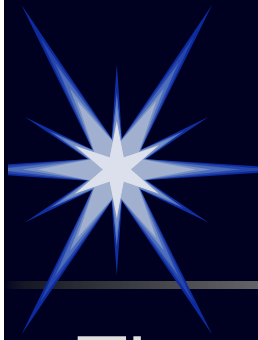


## Question #4: Bus Plan Status

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?

Why will they buy it?

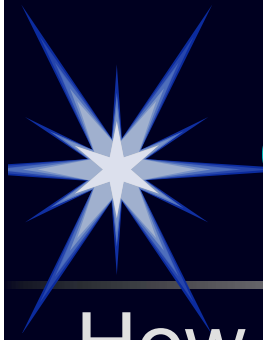
Potential? How much can you sell?

TAM = Total Available Market

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

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





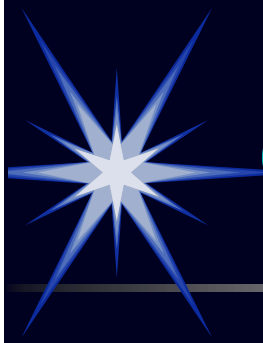
# Question #6: DISTRIBUTION

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?

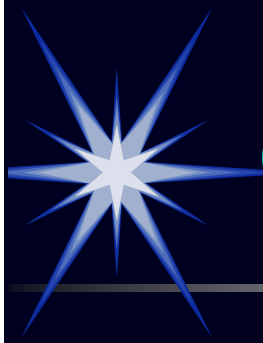
Substitutes?

Differentiators?

Barriers?







# Question #8: THE TEAM

## STRENGTHS

Participants (now & planned)

Advisors (now & planned)

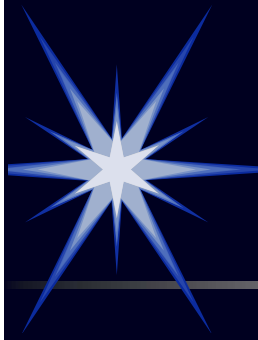
Board Members (now & planned)

## WEAKNESSES

Know your shortcomings!







## Question #9: FINANCIAL

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

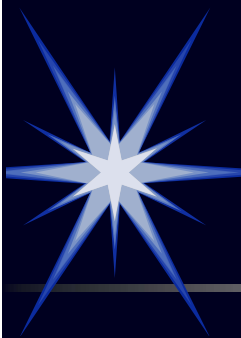
How much have you raised (from?)

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?*

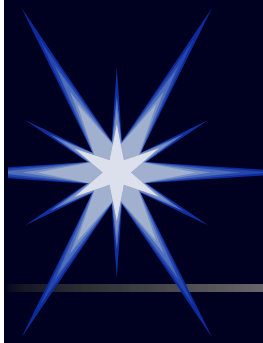
This?

- 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:

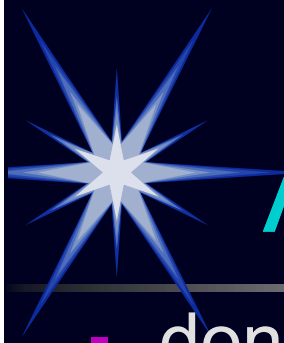
CASH FLOW #2 (\$):	Month#10:			
Open Balance:	-26688	-64324	-142651	
+ Cash from Sales:	0	0	11200	
- Cash re Expenses:	0	-11260	-10300	
- Cash for Prodn:	-37636	-67067	-97750	
= Closing Cash:	-64324	-142651	-239501	-721842

Or This?



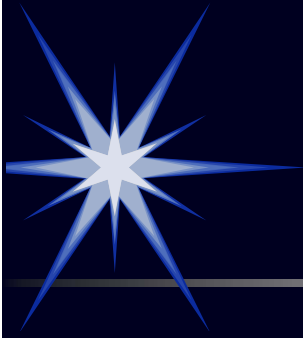
# So why do deals get funded?

- 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!)

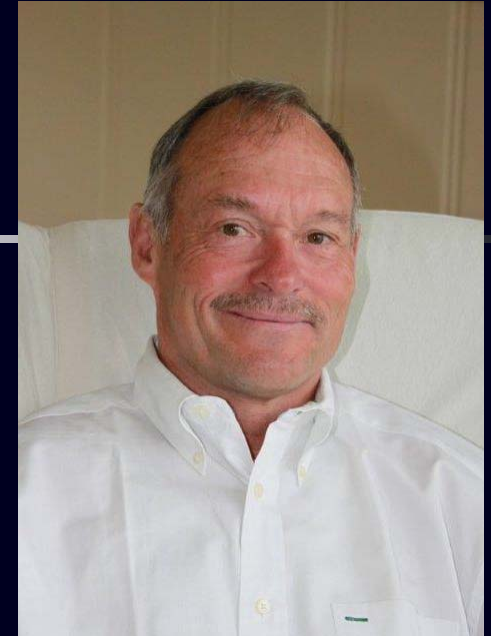


## A Few Final Tips:

- 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>

THANK YOU!  
([mike@volker.org](mailto:mike@volker.org))