



SPRING



LIFEBOOSTER

THE FUTURE OF OCCUPATIONAL  
HEALTH AND SAFETY

4 out of 5 industrial workers will experience a muscular  
skeletal injury (MSI) during their working lives

# Funding Fundamentals

New Ventures BC Start-Up Sprint Seminar Day

May 11, 2019

OUR MISSION

**Change the  
world through  
entrepreneurship**



## Spring

is a global community that helps **purpose-driven** leaders and entrepreneurs amplify their impact.

We provide the **tools**, **knowledge**, **mentorship**, and **support network** to help them build a better business.



  
SPRING  
STARTUP SCHOOL

700+  
Spring  
Alumni



\$18M  
Capital  
Raised



13 Roundtables



At Spring, impact means fostering social, environmental, and financial sustainability into all of the businesses we work with.

# Our Partners

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# Thanks To Our Community Partners



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# Agenda for today

- Module 1: Capital Raising overview
- Module 2: Ideal investor profile and funnel
- Module 3: Pitching
- Module 4: Process including DD
- Module 5: Negotiation
- Module 6: Wrap up

# What are your Burning Issues?

- Top 1-3 fundraising challenges
- Top 1-3 things you've heard about fundraising
- Top 1-3 concerns you have

# Goal Setting

- Round Size
- What kind of Paperwork?
- What is your target get close date
- Who is your Ideal investor?

# Module 1: Capital Raising Overview



# Look at All Types of Funding Equally

You + Friends & Family

Revenue

Grants & Loans

Crowdfunding

Equity

Equity Crowdfunding

**EVERYTHING IN MODERATION.  
EXCEPT CHOCOLATE.**

*Except Chocolate by Spot\_Of\_Tees*

**Zazzle**

# How many investors?

**60 contacts**

**40 meetings**

**10-20 cheques**

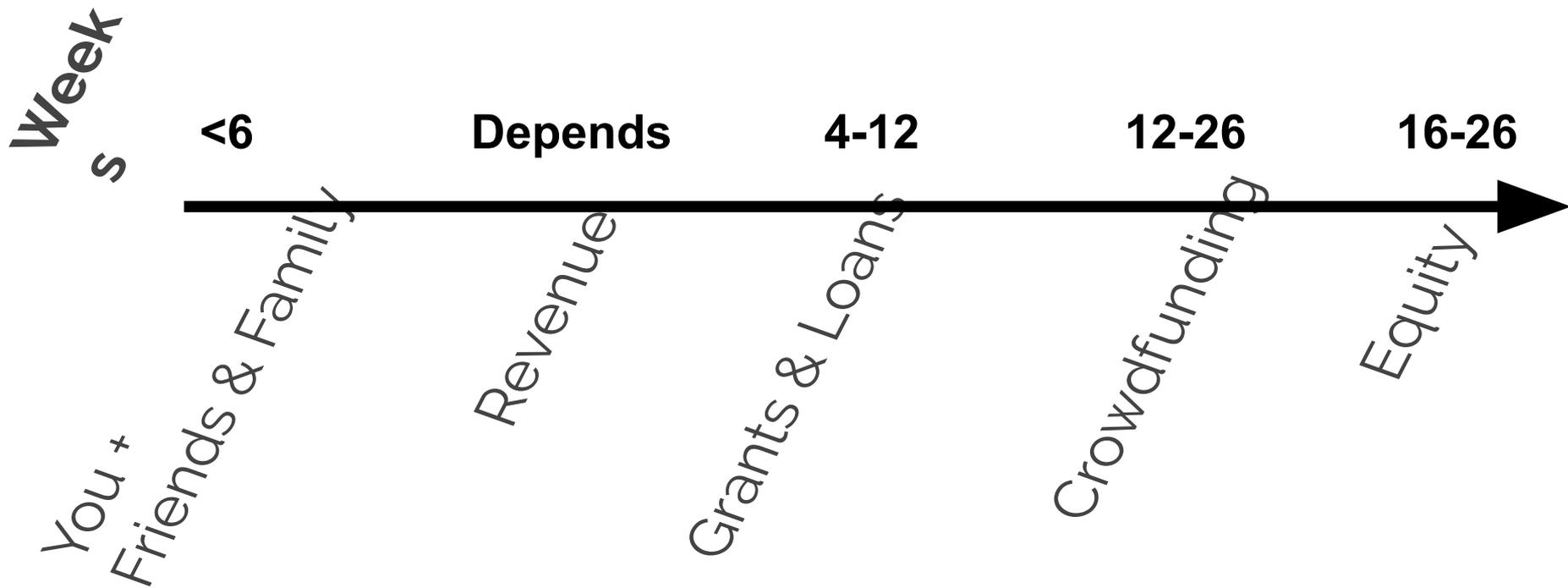
# Key Questions: Early Stage Investing

When will I get my money back?

Why else am I doing this?

***Can I trust you & your team with my money?***

# How long to close



# The Sales Funnel



# The Flow

1. Initial Call / Meeting  
↓
2. Interest (10% Prob. to Close)  
↓
3. Follow-up Meeting (25%)  
↓
4. Due Diligence Commences  
↓
5. Verbal Commitment (50%)

# The Flow

6. Additional due diligence



7. Sharing paperwork (60%)



8. Negotiation (70%)



9. Signed paperwork (90%)



10. Money clears the bank!! (100%)

Risk vs. Reward

=

Special Treatment



# Landscape of Paperwork

	<b>Common</b>	<b>Convertible Notes</b>	<b>SAFE Agreement</b>	<b>Preferred</b>
<b>Set Price</b>	Yes	Discount + Cap	Can have caps	Discount
<b>Shares</b>	Yes	Debt first that can convert	Special class of equity that will convert (pref)	Yes, with preferred terms
<b>Preferred Treatment</b>	Valuation	Interest, on sale, future financing	Convert to pref., no timeline	On sale, future financing

# Watch for preferences

VCs only do preferred

Angels often have specific preferences

There are also trends by region



# Module 2: Ideal Investor Framework & Tools

# Ideal Investor: Universal Truths

1. Industry
2. Business Model
3. The right network: investors, customers, talent
4. Has geographic relevance
5. Return aligned

# Ideal Investor for You

- Aligned values
- Easy to work with
- Long-term partner



# Where to Find Them

- Profile aligned
- Former CEOs who have exited
- CEOs of comparable companies
- CEOs you trust
- Investors in the news & events

 **AngelList**

**Linked in**

**gust** 

**CrunchBase**



INVESTORS'CIRCLE



# Exercise 2: Building out AngelList

Start Here

Filter by sector, location, etc.

# Building out the Funnel

- Build the first version of your [investor tracking funnel](#)
- Add the names you know today
- Add the characteristics of the other ideals, leaving the name blank



A word cloud of the 5W1H questions (Who, What, Where, When, Why, How) arranged around a central blue question mark on a chalkboard background. The words are in various sizes and orientations, creating a circular pattern. The central question mark is a large, light blue 3D-style character. The background is a dark, textured grey, resembling a chalkboard.

HOW  
WHY  
WHERE  
WHO  
WHAT  
WHEN  
WHY  
WHERE  
WHY  
WHEN  
WHAT  
HOW  
WHAT  
WHEN  
HOW  
WHO  
WHERE  
WHY  
HOW

# Module 3: Deck & Pitching



# You will have two decks

- A highly visual deck to walk people through
- A longer, more complete and text rich version for you to share as a takeaway

# Working backwards

- What are the Top 3 points?
- Think about the points that will help tell that story
- Leave an impression of you and your team

## The foundation of the deck - 6 slides

1. What problem are you solving & how big?
2. How do you solve that problem?
3. How are you different from the competition?
4. How do you make money?
5. How amazing is the team?
6. Ask

# What is your Person (Man) in Hole

1. Character: the customer
2. The Hole: the ONE problem to solve
3. The end: how you help them get out



# Best practices

- 10 points (3 key)
- 20 words per slide MAX
- 30 point font MIN



# Module 4: Due Diligence Process



# Sample Due Diligence Process

## Sample Due Diligence Process



Source: Invested Development, 2013.

# Why do investors do due diligence

- To get to know the founder(s), team, space, company
- To establish how well you can work together
- To arrive at a consensus on valuation
- To test your resilience



# The Due Diligence Folder Bucket List

## Company Description

- Pitch Deck
- Business Plan (if applicable)
- Investment Summary

## Operations

- Business Model Description
- Customer / Client information
- Production information
- Supplier information

## Sales & Marketing

- Sales / Marketing strategy
- Testimonials, case studies
- Market landscape

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## Financials

- 3-5 year financials
- Key Metrics

## HR

- Employee / Contractor agreements
- Org. Chart

## Capital Structure

- Cap Table
- Use of Proceeds

## Legal

- Intellectual Property
- Other (major NDA's, contracts)



# Financial Forecast

# Financial Forecast

- Shows you are smart and understand how it COULD grow
- You understand the levers
- You understand the risks, opportunities, and how to respond to either

# What to have

3-5 year financial forecast

3 scenarios

- Base case, Worst case, Best case

Why?

- Shows how you think? How will you adapt? Homework on how you'll use the money

# Traction / Progress

# Progress

- Decide now how you are going to frame traction
- What are your key metrics?
- How are they evolving?
  - Sales,
  - Users,
  - Product
  - Marketing
  - Team
  - Financials

Do I need local investors?



# No..... and yes

- In general
  - The majority of your round should come from strategic fit
  - That means cross-border
- Why yes?
  - If they are strategic
  - If you, or cross border investors, value a local presence

# Module 5: Negotiation & Getting to a Close



# Why is it hard?

- Most Investors are in no hurry
- Busy, other deals, distracted
- Relationship—financial transaction

# What is the most important thing?

## Progress

- Traction that can be defined in multiple ways
- Sales, users, metrics
- Team
- Marketing, PR
- Additional investors and commitments

# Lead Investor

- A few rounds have them, but most don't
- Generally you NEVER ask, they offer
- What if no one does?
  - Create an initial "group" that will walk over the line together

# Creating Urgency

- Need to gently push people to the line
- This is a negotiation

## **Best way:**

- Get to 50% paperwork signed, then tell everyone 15-30 days to close
- Now they know it's happening, and they know it's getting scarce
- The demand is there

# Key Tips to a Close

- Have the paperwork ready
- 24-48 hour turnaround on paperwork requests
- Be ready and open to negotiate
- Know the priority list of your investors

What if I have no lead?



# What if I have no clear lead?

- A lead can be very strategic or just the first cheque
- Build interest across a set of prospects
- Get to verbal interest
- Shape the “Lead” as a group representing a total amount

# Tips

# You drive the bus



# The 150% rule

**150% EXTEND**



# The tail wagging the dog



# Monthly updates increase success rates



# What goes in the monthly update

1. Big Wins
2. Progress
3. Key Metrics
4. Product
5. Team
6. Finance & Funding
7. Big Ask (just 1)

What comes next?



# How and where do I start??

## Lack of structure

We often struggle with the sequence of the steps to get a round going and to keep up the momentum

We can forget that it's a process, a sales process, similar to a sales process

We're not sure of where to go for help when we need it



# The first steps to Start



# How to get started

## 10 steps to a strong start

1. Set goals for the round
  - a. Amount, by when, ideal investors
2. Define the ideal investor and identify targets
  - a. AngelList, CrunchBase, Gust, LinkedIn
3. Select a lawyer with experience with funding rounds
  - a. You wouldn't get a painter to fix your car



# How to get started

## 10 steps to a strong start

4. Build your 3-5 year forecast

- Ideally 3 scenarios: Base, best, and worst

5. Start your Due Diligence folder

- Dropbox or Google Drive

6. Ask the lawyer to create the draft financing docs

- Start with then financing docs, then the term sheet



# How to get started

## 10 steps to a strong start

7. Build your pitch deck

- Get it reviewed (at least 3-4 people)

8. Identify ways to get warm intros to key investors

9. Practice your pitch on others first

10. Start to reach out!

- Warm intros & do your homework on them







Thanks!



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