

All the money is not the same!

Identifying Funding and working with Investors

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La cooperazione al cuore del Mediterraneo
La coopération au coeur de la Méditerranée

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1. The money is out there; the key is knowing where to look.
2. Raising money takes time and effort.
3. Creativity counts. Entrepreneurs have to be as creative in their searches for capital as they are in developing their business ideas.
4. The World Wide Web puts at entrepreneur's fingertips vast resources of information that can lead to financing.
5. Be thoroughly prepared before approaching lenders and investors.
6. Entrepreneurs should not underestimate the importance of making sure that the "chemistry" among themselves, their companies, and their funding sources is a good one.

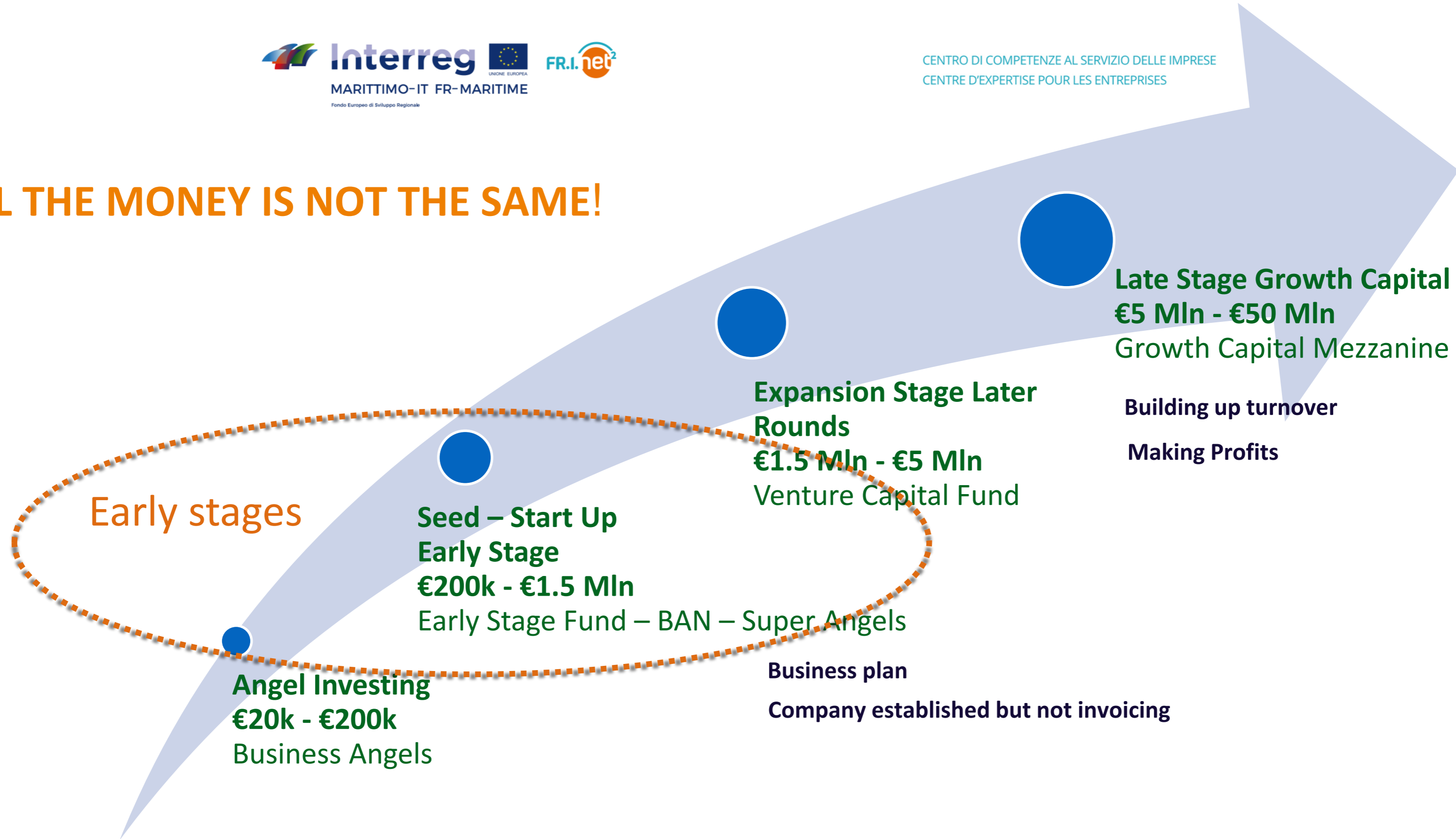
ALL THE MONEY IS NOT THE SAME!

Entrepreneurs must cast a wide net to capture the financing they need to launch their businesses:

1. Debt Capital
2. **Equity Capital**
3. Guarantees
4. Subsidies
5. Non-financial supports

(Tips: Layering – piecing together capital from multiple sources)

ALL THE MONEY IS NOT THE SAME!



Early stages

Angel Investing
€20k - €200k
 Business Angels

Seed – Start Up
Early Stage
€200k - €1.5 Mln
 Early Stage Fund – BAN – Super Angels

Expansion Stage Later
Rounds
€1.5 Mln - €5 Mln
 Venture Capital Fund

Business plan
 Company established but not invoicing

Late Stage Growth Capital
€5 Mln - €50 Mln
 Growth Capital Mezzanine

Building up turnover
 Making Profits

THE RISK CAPITAL INVESTMENT

WHAT IS IT?

It is fresh capital provided by Investor to support company growth/expansion (as described into the BP).

Capital invested into the company in exchange of a certain amount of new shares (capital increase) or old shares (sale of shares by existing shareholders)

WHO ARE THE INVESTORS?

Individuals (Business Angels) or Financial Company (Venture Capitalist_Priva Equity Funds) specialised in risk investments.

WHEN?

At different stages of Company's life cycle

WHY?

Profit (IRR) and also «collaterals»

THE EARLY STAGE RISK CAPITAL INVESTMENT

Financial sources for start ups



Business Angels

- High Net Worth Individuals (HNWI)
- Entrepeneurs with financial means

Angel investors often organize themselves into angel groups or angel networks to share and pool their investments

Seed and VC funds



Financial Intermediaries specialized (mostly) in risk capital investing into technology start-ups

- The purpose is to earn money by investing where others can not / want to (because it is too risky)
- To avoid/reduce default, the team works closely with the start-up to
- Most funds acts locally, relying on its network, often without industrial specialization (with the exception of few funds specializes in biotech).
- They can support the target company trough further rounds of financing
- They invest up to 3-4 millions euro trough further rounds of financing
- **They DO NOT invest their own money...**

INVESTMENT DECISION DRIVERS

- Team (+)
- Clear Business model
- Product defend ability (IPR)
- Market size & growth rate
- Current and further capital needs
- Availability of exit route
- Return on investment (capital gain)



WHO IS THE PERFECT INVESTOR ?

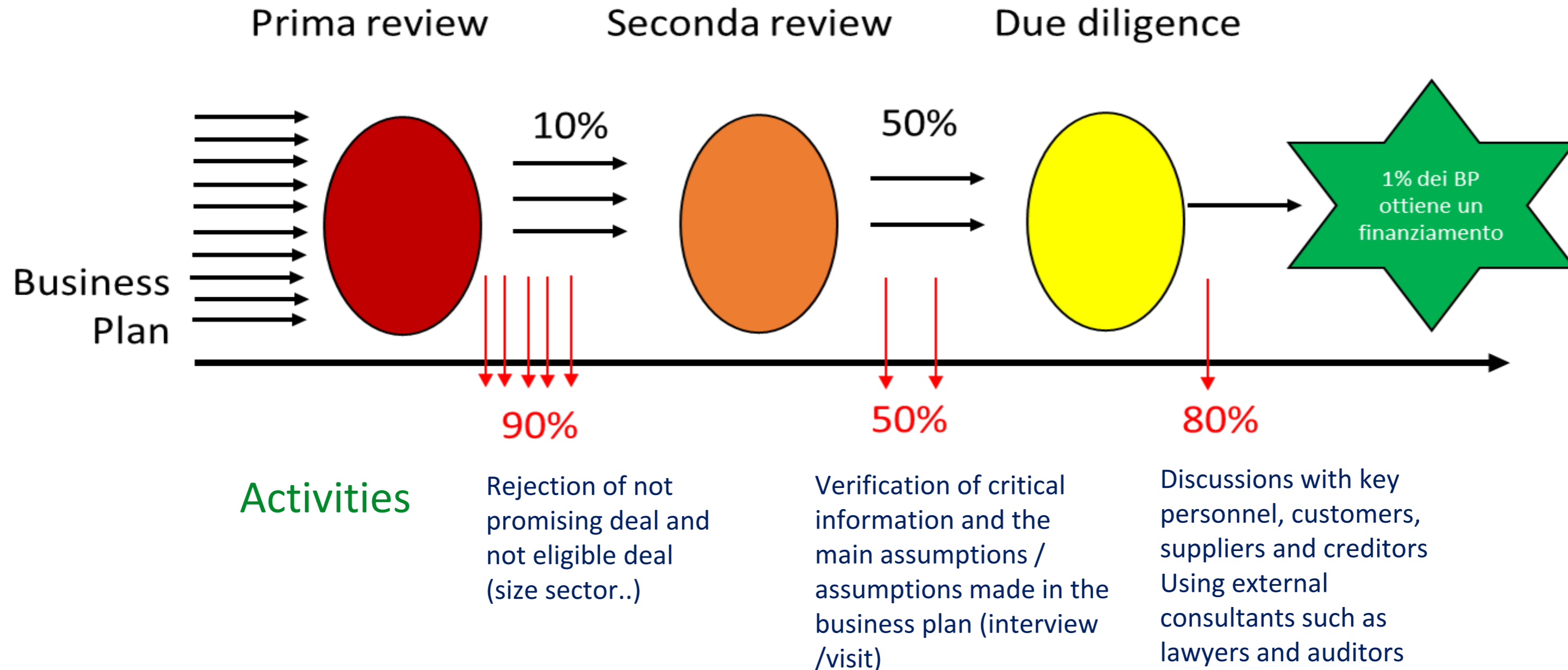
- Enough money for further round of financing
- Expertise in the target company field of work
- Hands on approach

Si può fare

Tutto il bene... a spesa zero



BUT IT IS NOT SO EASY TO ACCESS TO RISK CAPITAL MONEY..



THE CLOSING PHASE

Investor needs/requirements

1. **High IRR**
2. **To reduce failure risk**

Common goals

- Create value
- Further round of financing at higher value
- Profitable exit

Entrepreneur needs/requirements

1. **High company valuation**
2. **Not to loose control**

WHAT THE INVESTOR IS LOOKING FOR?

High-grow ventures which are capable (also thanks to money invested!) to increase their values in a certain (reasonable) period of time!



INVEST TO EXIT

The fund manager must maximize the return from the sale of shares of portfolio companies: with no **profitable exits**, he/she won't be able to raise additional money for the next funds!

INVEST TO EXIT

To invest into successful companies it is mandatory to:

- o Select the target carefully
- o Fix clear rules of the game
- o The Lucky factor!!!

ENGAGEMENT RULES (FOR LIVING HAPPY TOGETHER)

Management involvement

- Financial involvement to the round of financing

Way-out

- Exit modalities identification
- Milestones identification

Governance

- Drag and tag along clause
- Lock in
- Anti dilution clauses and liquidation preference
- Board of directors and statutory auditors member
- Special decision right for extraordinary situations

TIPs

KEY ELEMENTS INVESTORS LOOK AT

- You need to be an **entrepreneur**
- You need to have a **business not an Invention or a research project**
- You need to have a **core team**
- You need to have a **clear view of financial resources needed**

**Make money is not the only motivation
but is how the shareholders
measure success**

ISSUES OF CONCERN FOR A RISK CAPITAL INVESTOR

- Want their money back (at a certain time)
- Want more (much more) than they put
- Want to know when
- Want to measure the opportunity/risk



HOMEWORK TO BE DONE (BEFORE MEETING THE VC)

get prepared get prepared get prepared

- Write a clear and comprehensive business plan
- Prepare an appealing executive summary can attract who receives 10,000 per year business plan
- Get ready for an elevator pitch: think you are in a lift with a VC and you have 4 floors to explain what you want to do
- Do not talk with strangers: choose the right (potential) investor Seed, first stage? Specialized or non-specialist? Intrusive or financial?

TYPICAL REASONS FOR NOT TO INVEST

1. **Business plan nor realist and entrepreneurial team not trustable:**
 1. Market size
 2. IPR
2. **IRR not appealing for the investors**
 1. Big initial investment
 2. Poor cash flow
 3. No way out
3. **Scarce willgness to accept Risk capital investors rules**
4. **Non investor-ready**

What we are looking for..



“I call my invention ‘The Wheel,’ but so far I’ve been unable to attract any venture capital.”

A.A.A. Entrapreneurs who want to change the world!!



Who are they?

Who are they?



Microsoft Corporation, 1978

Companies than can bring back **an increased value** to shareholders in a **short period of time!**

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