



University of Oxford
**Centre for Entrepreneurship
and Innovation**
Saïd Business School

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Raising Capital, Doing Deals

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Accel Partners

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Agenda

Introduction

Should You Seek Investment?

The Fundraising Process

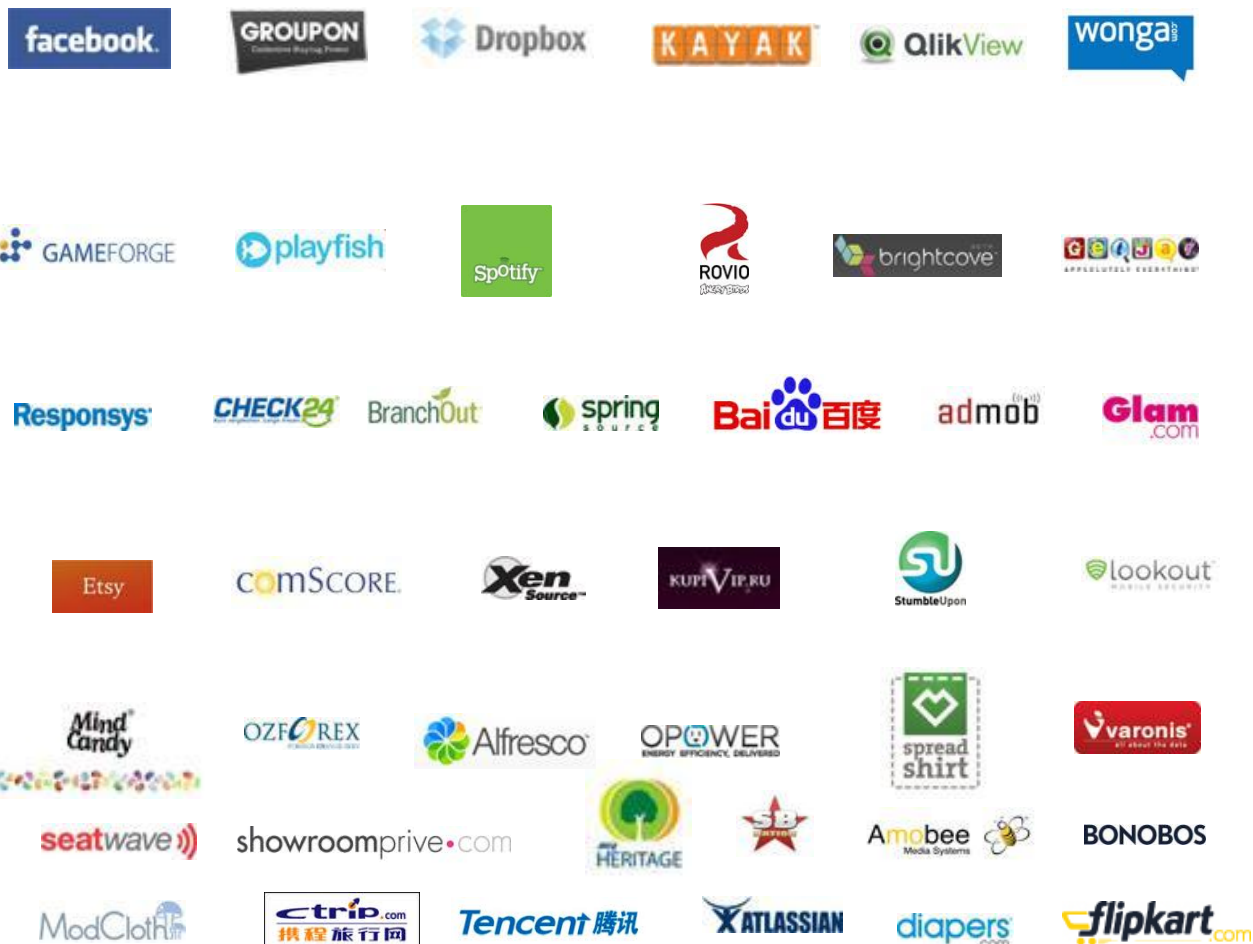
Preparing and Pitching

Investment Basics

Questions



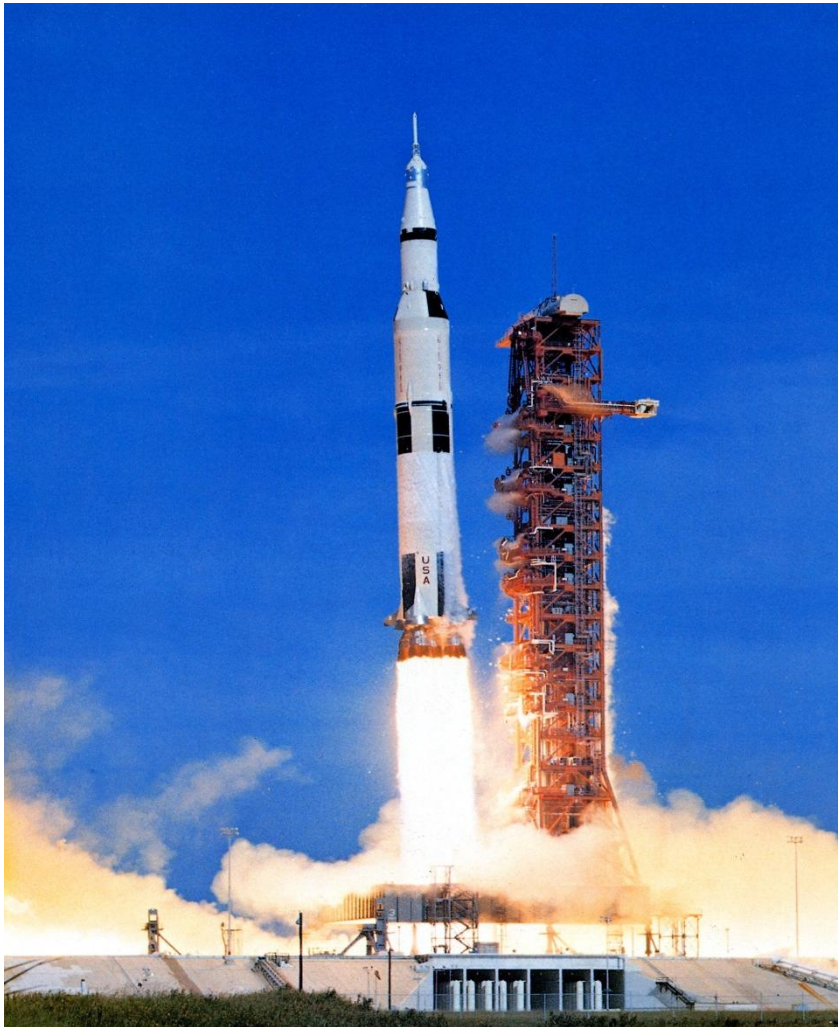
Some Previous Accel Investments



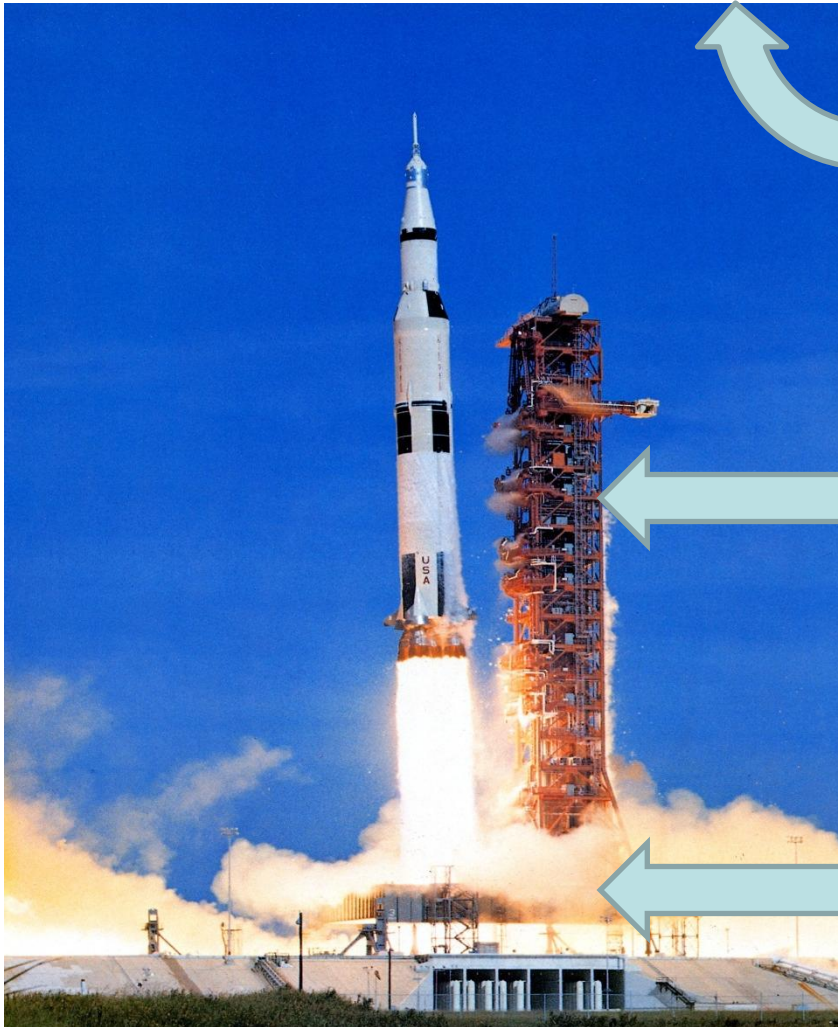


SHOULD YOU SEEK FUNDING?

What do you want?



Start-Up Stages



Scaling

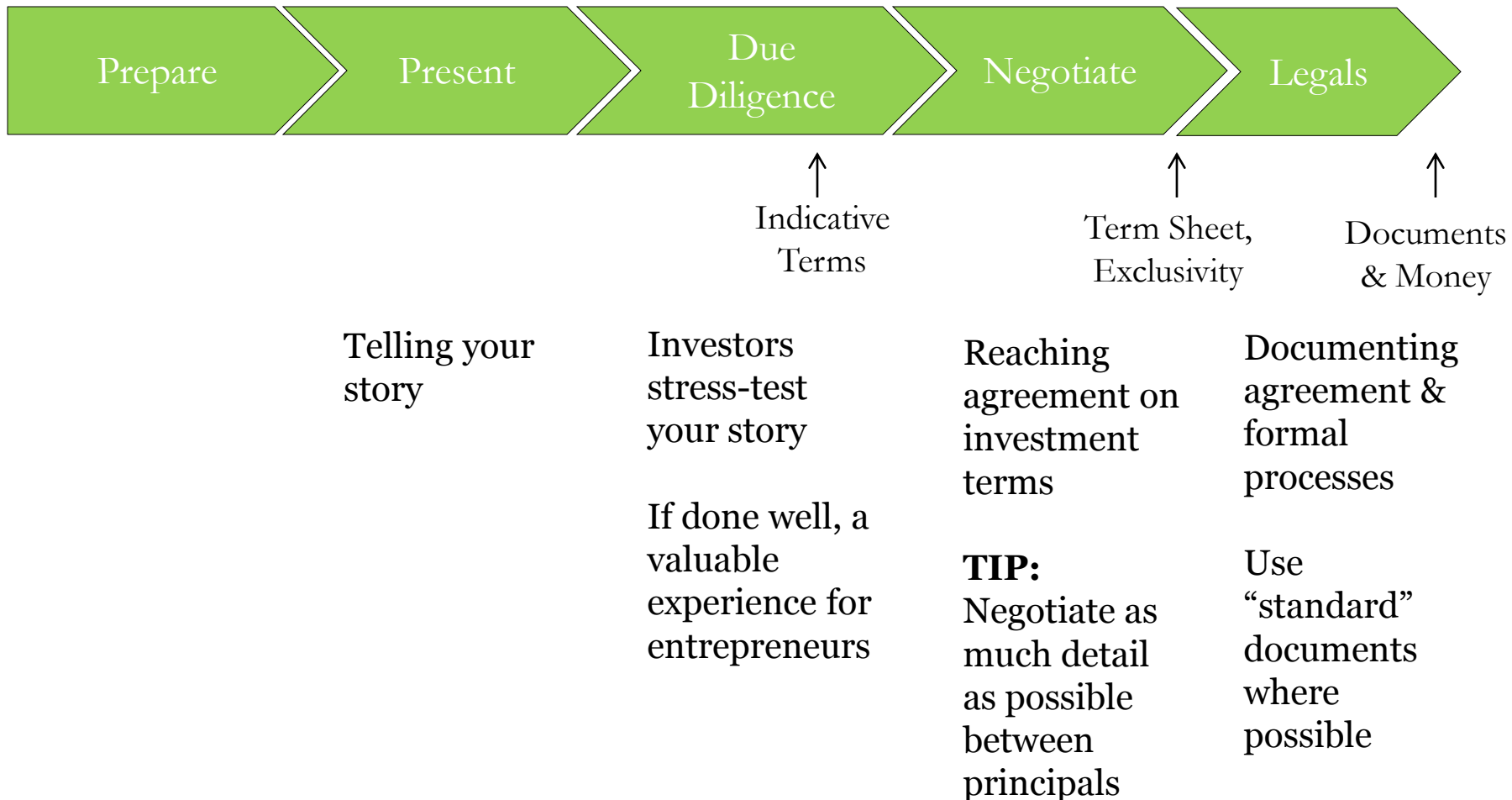
**Building a Repeatable Sales
Model**

Product/Market Fit



THE FUNDRAISING PROCESS

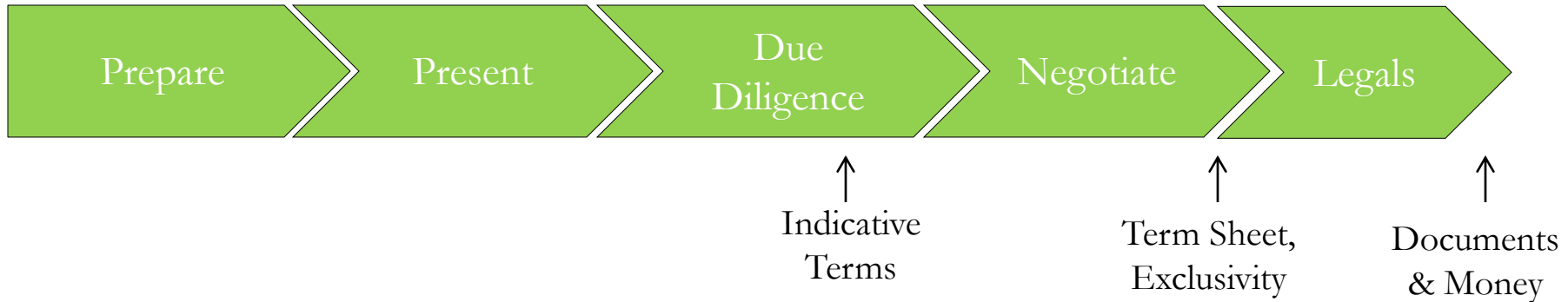
Fundraising



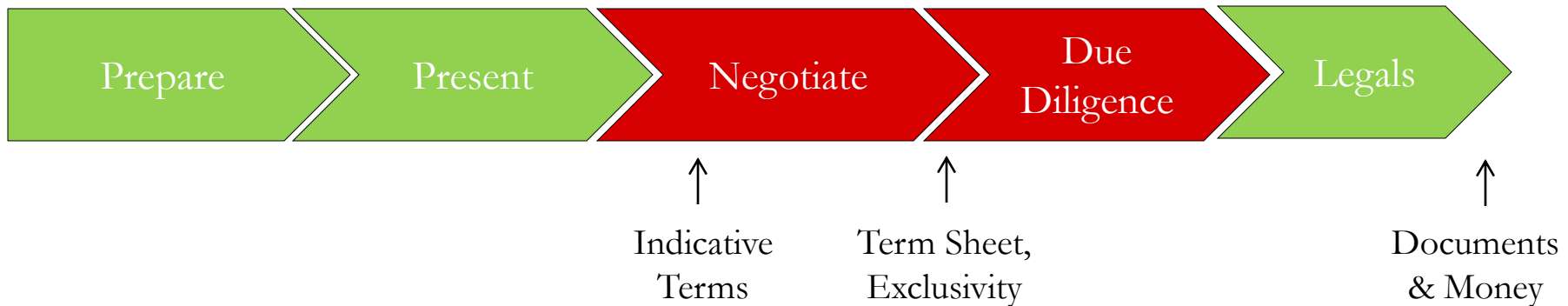


Fundraising

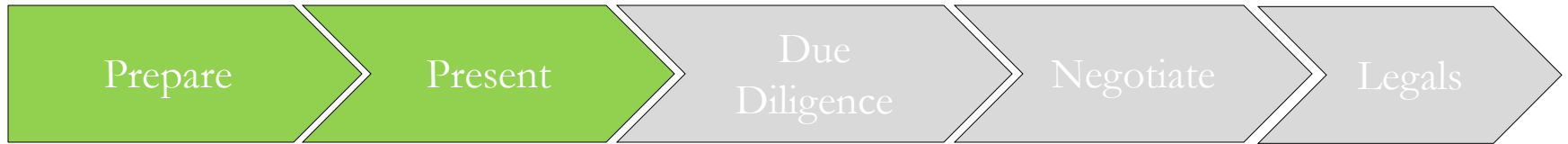
Good Process:



Avoid:



You lose control of the process, your alternative investors and hence negotiating power



PREPARING & PITCHING



Address the Key Questions

Do customers recognise the problem you're trying to solve?

How many customers are there?

If there was a solution, would they buy it?

How much would they pay?

Would they buy it from you? How would they find you?

Can you build a commercially viable solution for the problem?

Note order: focus on the value in solving the problem, not how many sprocket-fangled widgets your product has



The Pitch – Telling Your Story

Short - no more than 20 slides (everything else in backup)

Simple – forces focus & clarity; much harder than you realise

Structured – presentations must ‘flow’

Key elements covered in Lecture 1 of this series

Read “Presenting to Win” and take the advice

Practice, practice, practice



The Importance of Networking

VCs are very busy people

Accel London can talk to 100+ companies a week

Proposals sent in 'cold' are undifferentiated - how will you stand out?

Gaining 'unfair access' demonstrates a key skill, also used in finding customers and partners

Network with the people we network with – other entrepreneurs, business angels, business partners



Choosing Your Investor

Domain knowledge & relevant network

Do your due diligence

- Talk to other entrepreneurs & board members

- Look at facts, examples, actions. Lots of “talkers”

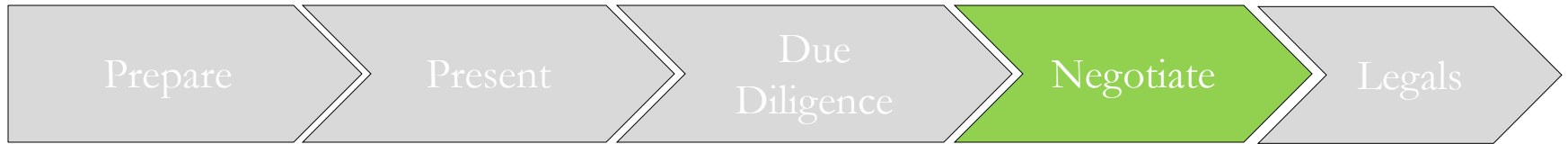
- Be brutally analytical and demand evidence; take references

Personal chemistry

- It's going to be a long relationship

- Need not be best buddies

- Can you work together under stress?



INVESTMENT BASICS



Key Term Sheet Elements

Valuation & Share Price	Values company before investment. “Fully-diluted pre-money” means include effect of <u>all</u> shares, options and other instruments that could be converted into shares.
Investment Amount	Who will invest, and how much?
Type of Security	Preferred shares, ordinary shares, convertible loan...
Option Pool & Vesting	Options provide incentives for new employees and independent board members
Board Seats	Investors typically want a board seat to be involved in key decisions
Anti-Dilution Protection	Re-pricing of shares if next round is at a lower share price. “Weighted average” (shared risk), or “full ratchet” (company takes all risk)

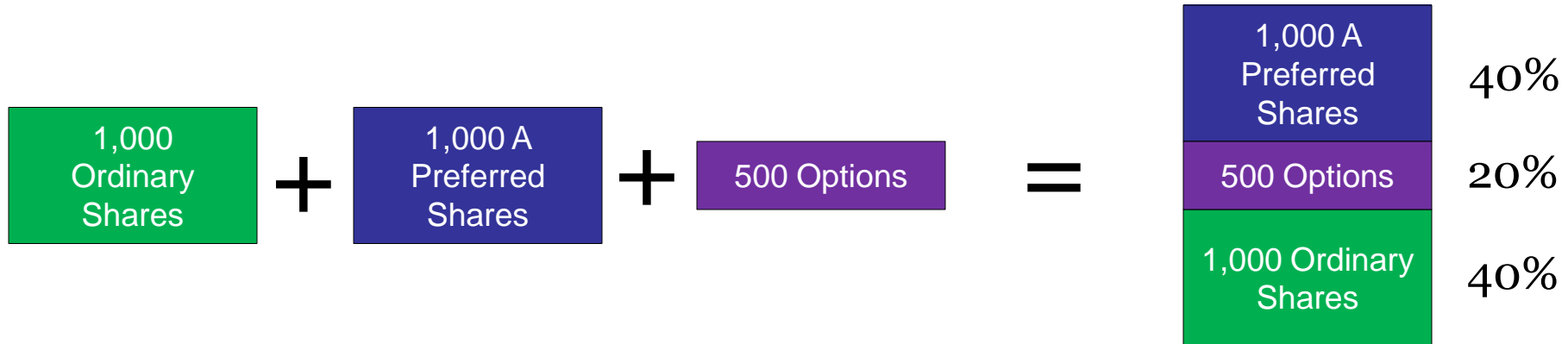


Key Term Sheet Elements (2)

Dividends	Cash dividend not normal – cash should remain invested in growth. Sometimes accumulating preference to lock in a basic return.
Veto Rights	Company actions that require explicit consent from the investor. eg further fundraisings, big deals, large debts, shutting down
Pre-Emption Rights	A right to invest further in future rounds
Conditions Precedent	Investor sets out items that need to be verified before closing
Exclusivity	Investor has exclusive access to the company for a defined period (typically 4 weeks)



Simple Capital Structure



Shares you create and own when you form the business – your equity

Shares purchased by investors in exchange for cash – the investment

Options over ordinary shares

Post-investment capital structure

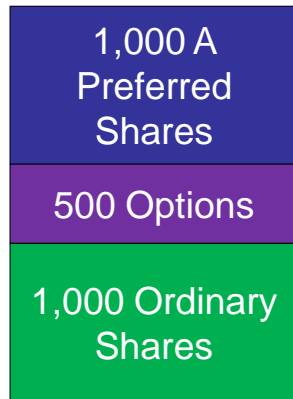


Company Progresses, Value Builds

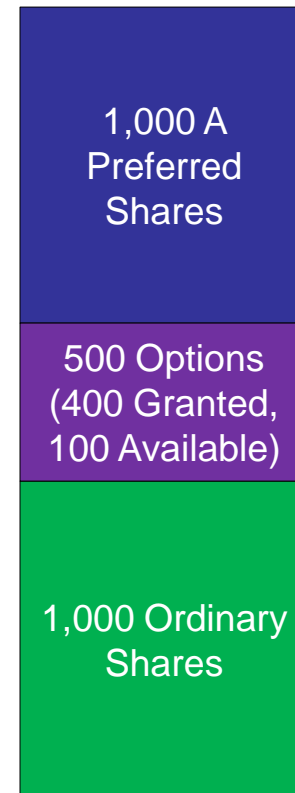
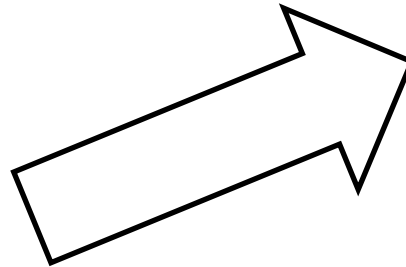
Technology works, product/market fit is proven,
customers begin to adopt and some even pay

Company value increases

Same number of shares, but each is worth more



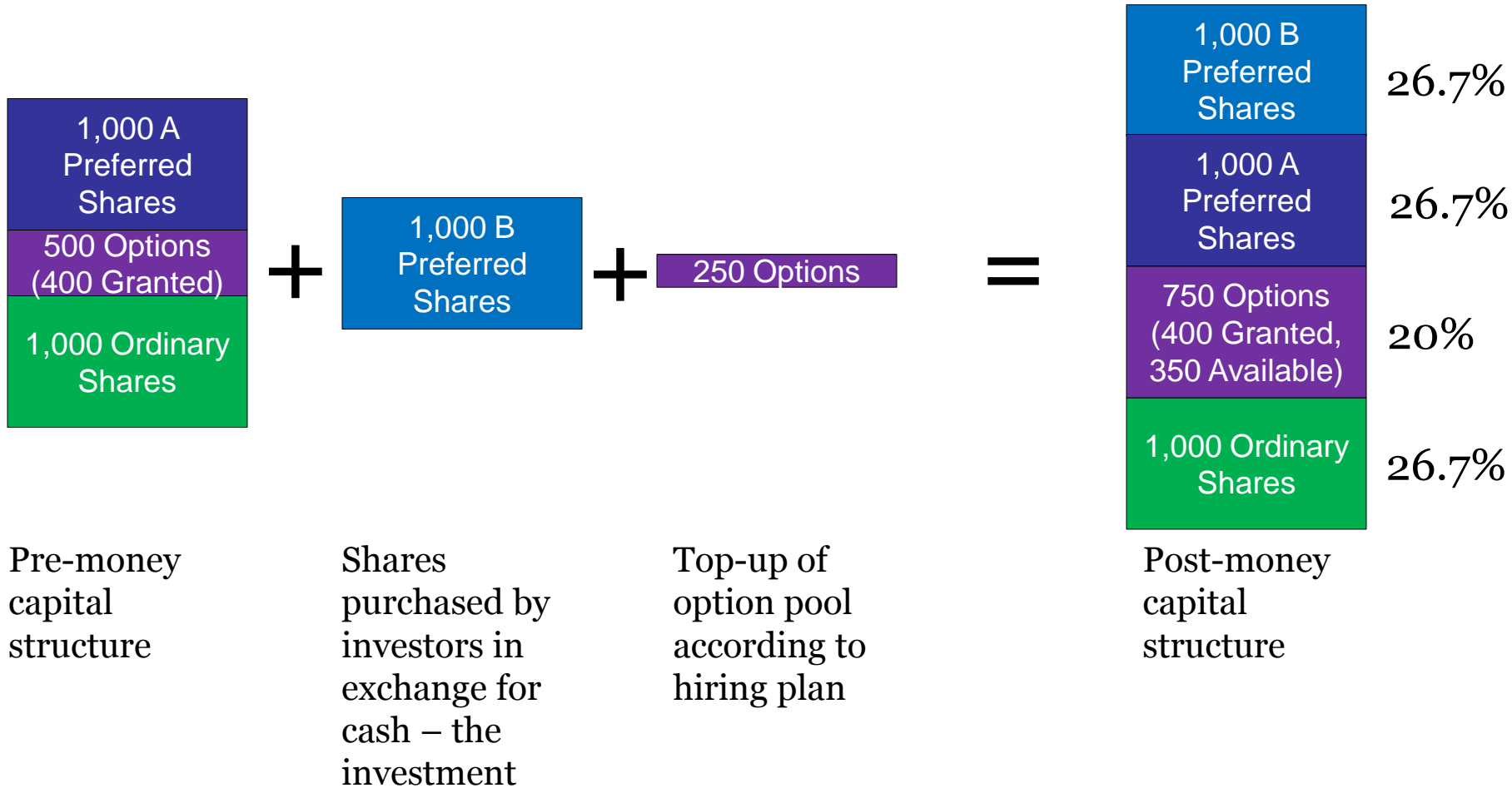
£1,000/share



£2,000/share



Follow-On Funding Round





(Convertible) Preferred Shares

Fixed amount
(eg top 10mm)

Everything else



OR
(at investor's
discretion)



Everyone shares
according to %
ownership

Hint: You drink the top part first!

Participating Preferred Shares



Investors receive the preference AND a share of the remainder

Participation feature is a matter of negotiation.

Higher price with participation vs lower price without it?

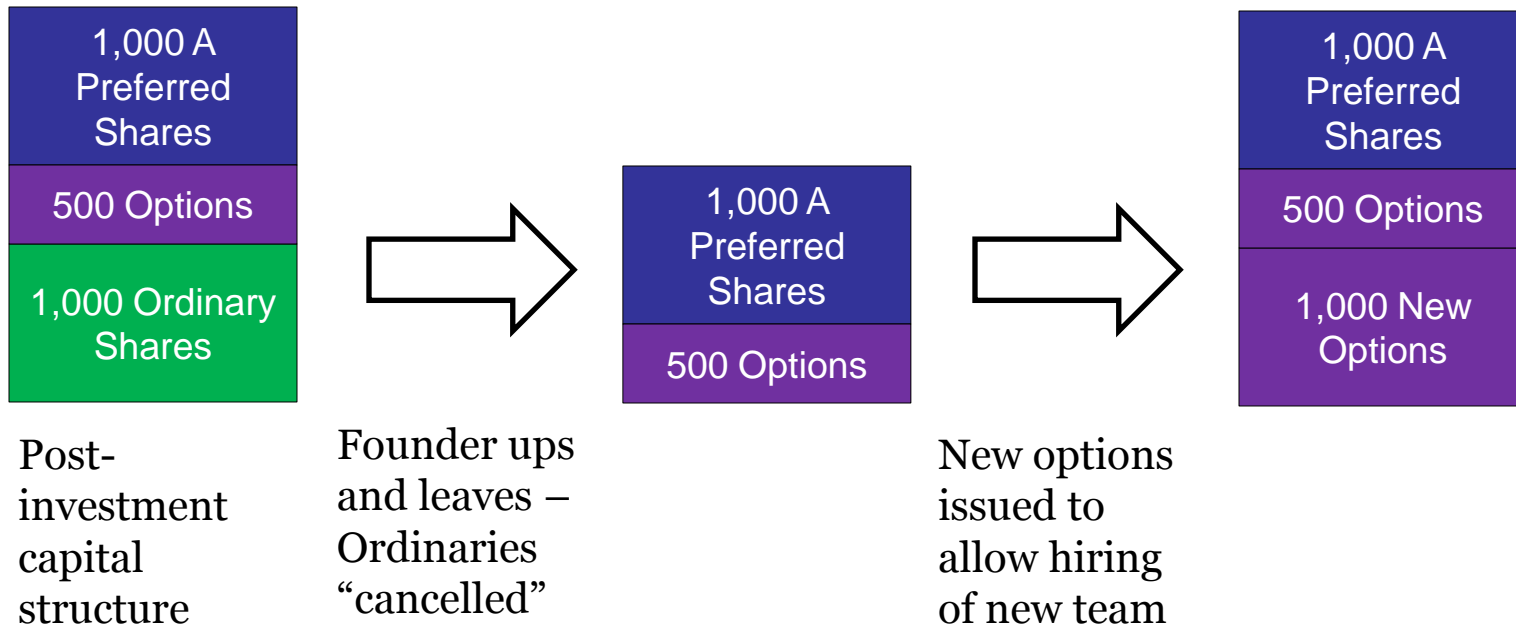


But It's My Company!

Investors backed the idea and the team

What if the team leaves the day after investment?

Founder vesting incentivises founders to stay and see it through





THANK YOU!

QUESTIONS?

Email me: mgibson@accel.com

Further reading:

Presenting to Win

Jerry Weissman

Crossing the Chasm

Geoffrey Moore

The Lean Startup

Eric Ries

Startup Genome Report blog.startupcompass.co
