



New
Ventures BC

newventuresbc.com

The “BUSINESS CASE”

Apr 28, 2021

(What Angels *Really* Want)

[www.mikevolker.com]



Mike Volker (mike@volker.org)
www.wutif.ca

1



Backgrounder



1975



113 Keyboard / Display



VOLKER-CRAIG (1975/77)

2



Two Topics Today:

#1. How to engage with Angels

#2. How to WIN the NVBC Competition

BOTH of these require you to:

MAKE A COMPELLING BUSINESS CASE

It all comes down to making money!

3



Local Success Stories?

Name some.....




4



Recent B.C. Successes

(Angel-backed) \$CDN




Just in the last year....

Thinkific IPO	\$160M IPO >\$1Bn
AbCellera	\$500M IPO >\$15Bn (NVBC 2013)
LoopEnergy	\$100M IPO >\$5Bn
Eupraxia	\$41M IPO >\$500M
Galvanize	\$1Bn sold to Diligent
Beanworks	\$105M sold to Quadient
Darkvision	>\$50M sold to Koch (NVBC 2014)
Neurio	>\$50M sold to Generac (NVBC 2006)
ehsAI	>\$25M to Intelix in 10 months after angel seed round!

Check: www.moneylinks.ca

5




The E-Myth

Most “entrepreneurs” are not entrepreneurs

They are technicians suffering from an entrepreneurial seizure.

They have NO experience in business

Is it for you??



6

Success Factors: Just Two!

1. PEOPLE
experience
risk takers
total commitment
2. CAPITAL
enough to cash flow



7

Observations

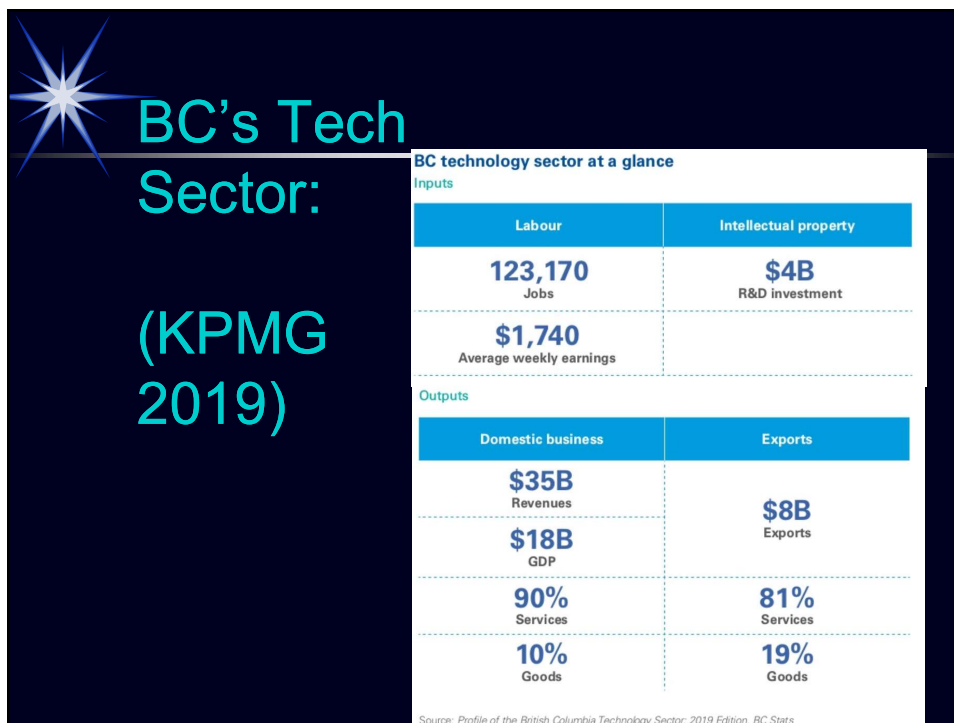
- “good” companies *will* always get funded
- startups are getting better each year
- more & more private capital available
- Many new angels and angel funds
- Most companies fail!
(>50% in 5 yrs, >80% in 10 yrs)
- Best time ever to raise capital!

8

A Great time to start a Company

- Prime at **2.45%**, inflation: <2%, GDP: ~ 6% f.c.
- Lower taxes (small bus. rate, cap gains exempt)
- Low R&D costs (SRED Credits)
- Great Infrastructure (see www.hitechbc.com)
- Special incentives: BC pays investors 30%
- Make a list of all un-invented things!
- Americans will buy anything!

9



10



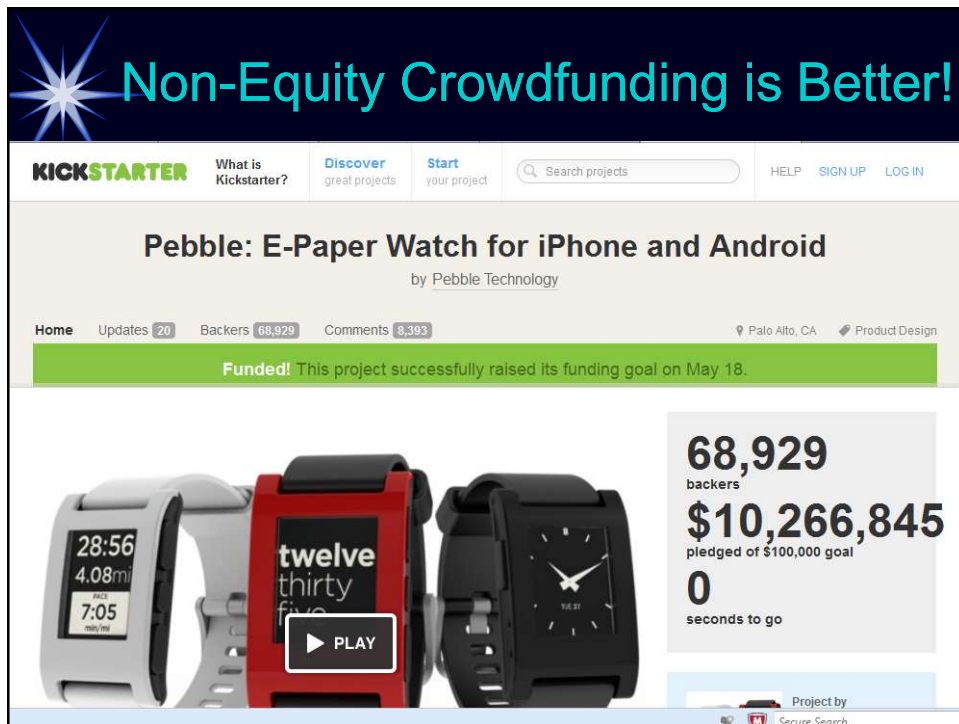
11

Access to Capital

www.moneylinks.ca

- ❖ Family Friends Relatives only go so far
- ❖ Crowdfunding – product & equity
- ❖ Junior Public Market – not easy to do
(great if you want to be big!)
- ❖ What about angels?
Great, but <4% of population

12



13

Spoiler Alert

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

you use a PROSPECTUS *and*
are a REGISTERED dealer

OR.....

use an “EXEMPTION” to the PROSPECTUS &
REGISTRATION Requirement

WHY???

To protect investors, especially poor ones!

14

What's a [Business] Angel?

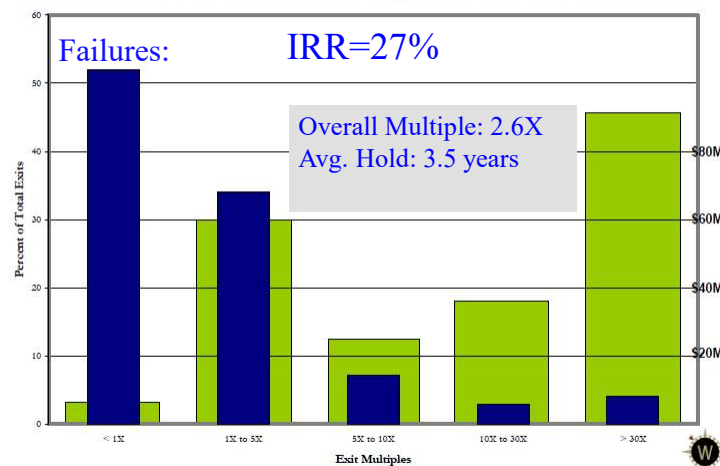
- Successful Entrepreneur
- Giving back time & money
- A Mentor & Coach
- "Accredited Investor"
 - millionaire or
 - \$200k/yr income



15

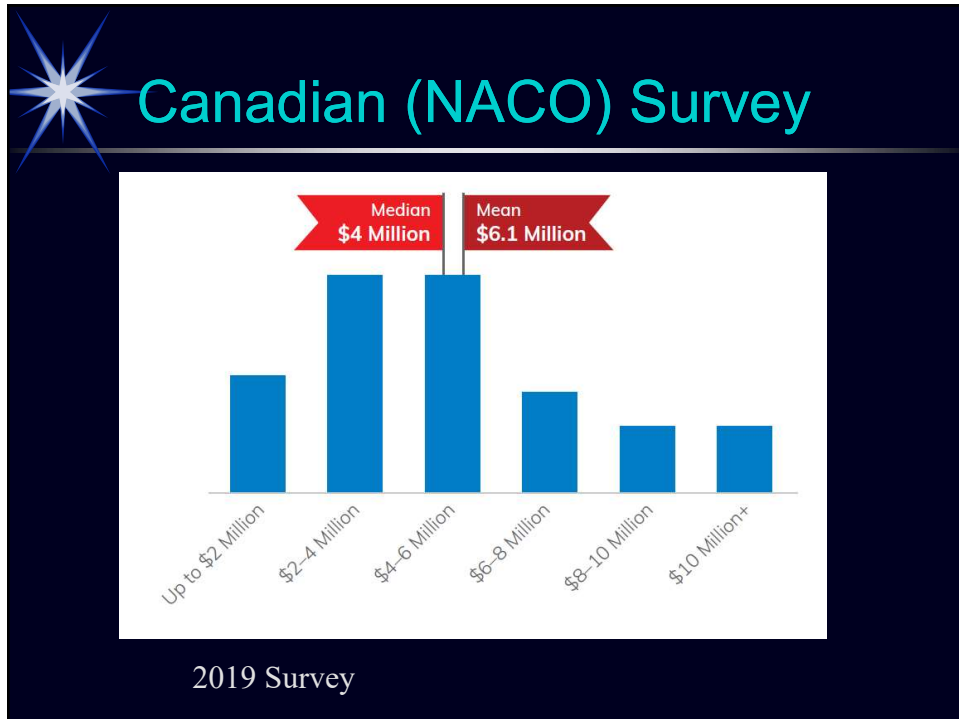
Angel Investing 101

Distribution of Returns by Venture Investment



Study by Rob Wiltbank, Willamette Univ.

16



17

How to Engage with Angels?

Make your pitch...

COMPELLING

and

INTRIGUING



18

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)



19

What do you offer Angels?

Co-ownership

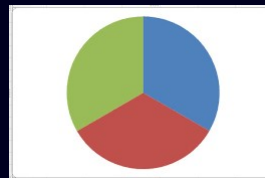
(20-30% as a group)

Participation

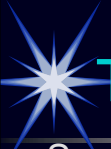
(Mentor, Board?)

Upside Gain

(10X in 5 to 10) = 58% to 26% IRR



20



Term Sheet

- Security: Shares, Debt, SAFE
- Valuation
- Amount
- Legal compliance
- Rights
- Restrictions
- Vesting
- Shareholders Agmt
- Cap Table (options?)

Reference:
NACO Common Docs

WUTIF Capital TERM SHEET for SEED Investment Round

<p>Company: _____ (the "Company").</p> <p>Date: _____</p> <p>Pre-Investment Value: _____</p> <p>WUTIF Investment: _____</p> <p>Total Investment Round: _____</p> <p>Jurisdiction: _____</p> <p>ESB Status: _____</p> <p>Exemptions: _____</p> <p>Closing: _____</p> <p>Rights: _____</p>	<p>Total Shares Issued: _____ @ _____ \$/shr = \$ _____ (use per-share offering price as noted below)</p> <p>_____ Shares (or Units) at \$ _____ /Share. = \$ _____ (Describe shares or units). [Attach before/after Capitalization table. This should include an allocation of shares to be issued and held in trust for new management/employees]</p> <p>WUTIF: \$ _____ (____ Shares). Other parties: \$ _____ (____ Shares). (the "Investors").</p> <p>[WUTIF's share must be no more than 50% of all capital raised on this round.]</p> <p>____ BC Corporations Act, Province of British Columbia; or ____ Canada Business Corporations Act</p> <p>Company is an Eligible Small Business (ESB) under the terms of the British Columbia "Small Business Venture Capital Act" ("SBVCA"). [This term would only apply in B.C. where investors want to use the Provincial 30% tax credits available to angel investors.]</p> <p>Company will use all appropriate and available exemptions from prospectus requirements. The most common exemption used by angel investors is the "accredited investor" exemption. Unfortunately, there are very few "exemptions" that companies can use to raise capital.</p> <p>Closing shall take place within fifteen (15) days of the date when Company has raised, subsequent to _____ (date), additional financing of \$ _____ and has provided evidence of such financing satisfactory to WUTIF. (Could have a second closing to accommodate additional investors for a specified time period)</p> <p>These shares are convertible on a 1:1 basis with any new class of shares that may be created on the next financing round. Also, in the event that shares in the next round(s), are sold at a lower price, additional shares will be issued at no cost to the Investors on this round so that their average cost per share is the same as that of said round.</p> <p>In the event the Company is sold at a share price below the average share price paid by investors, additional shares will be issued to investors. This would have the effect of giving the investors a return of capital and avoids a situation in which investors have a negative return while founders have a positive return.</p> <p>[As an alternative to the rights (down-round protection and conversion) expressed above, it may be simpler to offer the investors a liquidation preference on sale of the Company giving them a return of their capital first and then distributing the balance of any sale proceeds to all shareholders pro-rata to their equity interests. This should be implemented by using a new class of Preferred Shares.]</p> <p>In the event that subsequent financings are done by way of debt, e.g. convertible debentures, investors on this round will also be entitled to, at their option, exchange their shares for the same instrument at the price paid for their shares.</p>
--	--

21



Angels Don't Like a SAFE (Simple Agreeent for Future Equity)

- It's un-collateralized debt that converts to equity on a priced round
BUT...BUT....
- Adds unnecessary complexity (more legality)
- Investors are not shareholders (just debt holders)
- Investors are not party to Shareholders Agreement
- What if Series A takes too long or doesn't happen?
- Solution: Issue shares with a possible future adjustment

22

Angel Networks, Groups & Funds

A GLOBAL movement: *They're Everywhere!

In Vancouver:

VANTEC.ca

K4NORTHWEST.com

NewVenturesBC.com:

meet & greet angels



In Canada:

NACOCanada.com – great resource material

*[*even more so during COVID]*

23

WUTIF Angel Fund (wutif.ca) (Western Universities Technology Innovation Fund)

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



24

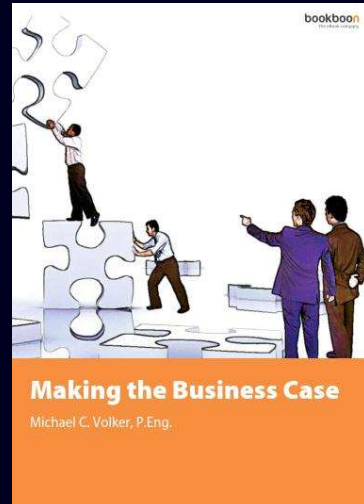


Making the Business Case

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

DOWNLOAD:

www.mikevolker.com



25



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.

Examples: Apple iPod, Starbucks (see D Thomas' deck)

26



Positioning Example: Apple iPod

For mobile, high-income individuals
who need a way to listen to their entire music collection in different settings
the Apple iPod is a small, portable digital music player
that offers elegance of design, the ability to store an entire music collection, and easy purchasing of new digital music.
Unlike flash mp3 players (Creative, Rio, etc),
the product stores an entire music library and is integrated into a service to purchase new digital music (iTunes)

27



The Investor Pitch

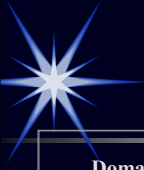
It's easy! Just fill in the blanks:

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%).


28



Angel's BS Bingo:

Domain Expertise	ProActive Management	Unique Proposition	Low Burn Rate	Best of Breed
Enabling Technology	Empowered Team	Ground Floor Opportunity	First To Market	Platform Technology
Market Driven	World Class Products	<u>PROFITS</u>	Competitive Advantage	Renowned Board
Proprietary Technology (no competitors)	Revolutionary Business Model	IP Portfolio	Favorable Valuation	Liquidity Event (Exit Strategy)
Revenue Traction	NASDAQ IPO	Blockchain	Defensible Strategy	Visionary

29



The Competition

Is New Ventures BC a....
*Business Plan* competition?
 or
A *Business* competition?

Answer: It's Both!

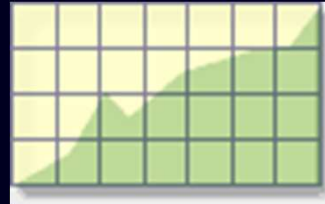
It's the *business* that counts,
 but the *plan* explains it.

30



Judging

“pick the idea most likely to be commercially viable with the greatest value”



Will it cash flow? and Will it scale?

31



What about Scale?

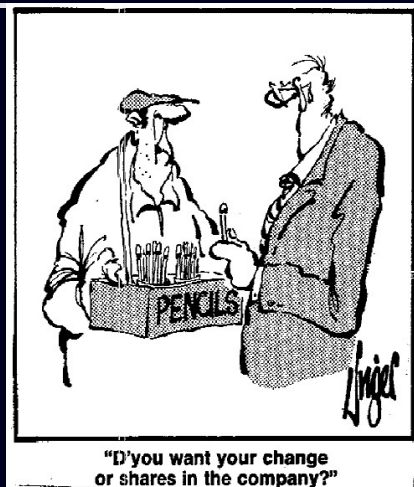
A \$100 million deal?

or

A “Lifestyle” Business?

YOUR DECISION!

Then sell your story
to the right audience!

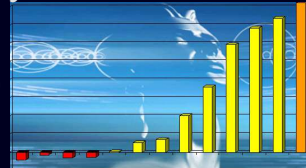


32



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)



33



New
Ventures BC

ROUND #1

THE IDEA

(back of the envelope)

(i.e. 1 page)

Due: Apr 12, 10:00 pm

www.newventuresbc.com

34



New
Ventures BC

ROUND #2 FEASIBILITY TEST

(5 pages max)

Due: May 6, 7:00 pm

40 move on to Round 2.5

www.newventuresbc.com

35



New
Ventures BC

PITCH DAY

June 24

25 Move on to Round #3

www.newventuresbc.com

36



New
Ventures BC

ROUND #3
VENTURE PLAN
(8 page condensed plan)

Due: July 29, 7pm

www.newventuresbc.com

37



New
Ventures BC

ROUND #4
Top 10 Pitches Finale
September 9 & 10

www.newventuresbc.com

38



New Ventures BC

PARTY TIME!!
Sept 27



39



My First Business Plan

BMO: “Show me your business plan”



40



CONFIDENCE!



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

41



Business Plan & Model

- A plan is better than a forecast
- The plan shows what you will achieve and how you will get there
- The NVBC questions challenge you to think about what you are planning to do
- Tools, such as the Business Model Canvas*, help you figure it out

(Kirk's deck: <http://www.newventuresbc.com/wp/wp-content/uploads/2016/04/Value-Pricing-NVBC-14-06-27.pdf>)

42

Questions: Round #2 and #3

ROUND #2 (5 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

43

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

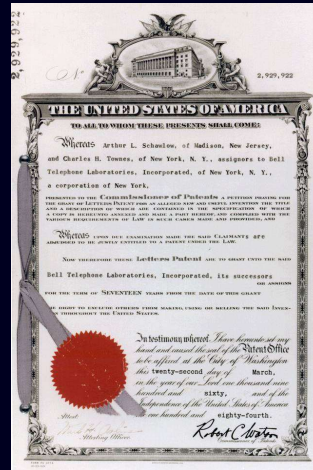


44

Question #2: Intellectual Property

What is it?
(Everyone has it)

Patentable?
Copyright?
Trade Secret?
Just an idea?
Know-How?
Processes?



45

Question #3: TECH DEVELOPMENT

STAGE of DEVELOPMENT?

Idea?
Prototype?
Beta model?
Production?



And...mention TIME FRAME

46



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



47



Question #5: MARKET

The most important question!

Who will buy it? (customers!)

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)

Check Dave Thomas' slides:

<http://www.newventuresbc.com/resource/product-market-fit/>



48



Question #6: DISTRIBUTION

How will they buy it?

Distribution channels (and margins)

Strategic Partners? OEMS? Chains?



49



Question #7: COMPETITION

There's no such thing as "no competition"

Uniqueness?

Substitutes?

Differentiators?

Barriers?



50



Question #8: THE TEAM

STRENGTHS

Participants (now & planned)
Advisors (now & planned)
Board Members (now & planned)

WEAKNESSES

Know your shortcomings!



51



Question #9: FINANCIAL

It's all about the money!!

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!



52



	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?

• 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:

					Month#10:
CASH FLOW #2(\$):					
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

This?

Or This?

53



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!)

54



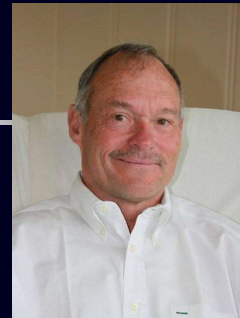
A Few Final Tips:

- 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!

55



Contact Info



<http://www.newventuresbc.com>

<http://www.mikevolker.com>

"Success is the difference between quitting and finishing."

(mike@volker.org)

56