



The "BUSINESS CASE"
 June 6, 2008
 or
 "What Angels Really Want"
[\[www.mikevolker.com\]](http://www.mikevolker.com)



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My Passion: Tech Startups

Experience:

- starting them (tech entrepreneur, mentoring)
- raising capital for them & investing in them

Observation over 30 years:

It's as tough being an investor (ie. picking winners) as it is to be an entrepreneur!

Conclusion:

It's all about Entrepreneurship & Leadership
 Beware of the E-myth!

A Great time to start a Company

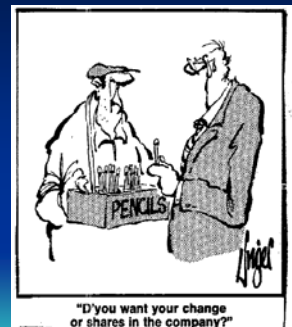
- Prime at 4.75%, low inflation, GDP: >3.0%
- Lower taxes
- Low R&D costs
- Great Infrastructure (see www.hitechbc.com)
- Overhaul of securities regs (easier financing)
- Special incentives: SBVCA - VCC program
- Make a list of all un-invented things!
- Americans will buy anything!

What about Scale?

The \$100 million deal?
 or
 The Lifestyle Business?

YOUR DECISION.

Then sell your story
 to the right audience!



Getting Started

Type of Business?

Proprietorship

Partnership

LLP Partnership

Corporation – BC or Canada?



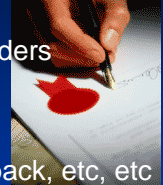
Structure

Who owns it? (for what....?)

Who runs it?

Shareholders' Agreement

- Protect your baby!
- How to bring in new shareholders
- How to buy/sell shares
- Buy-outs?
- Rights – pre-emptive, piggy-back, etc, etc
- Ask: What's the worst that can happen to me?
- Caution: Don't go with Boilerplate!



You have to sell your story

At the start, the *only* asset which you have to sell is *your* story.



And....how to achieve this?

Through....

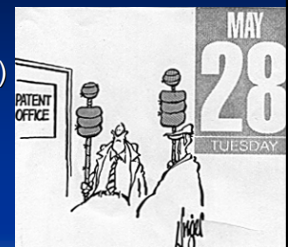
The People (why you?)

Your Idea.....

(your I.P.)

and

how will it make \$\$\$?



It's all about P&L:

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



Why you and your team?
(Passion & Leadership)

CONFIDENCE!



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

My First Business Plan

My introduction to *business* plans
The Bank of Montreal story
The INCO story

And, the happy ending....

- made me think about what I was doing
- gave me a vision, goals, and....
what I had to do to achieve these
- and, I got the \$\$\$!

Who are you selling to?

- Partners, employees, advisors
- Friends and Relatives (Love Money)
- Business Angels
- Seed Investors
- Granting & Funding Agencies
- Venture Capitalists
- Corporations and Institutions
- The Public

Note: They all have different criteria!

What's in a Plan?

- Executive Summary
- The Company
- Marketing
- Operations
- Financial
- Risk Factors

What's in a Plan?

Executive Summary

- Vision Statement (the big picture)
- Mission Statement (the task at hand)
- Statement of the opportunity
- Salient features (management, IP)
- Statement of sales and profit potential
- Investment highlights (if appropriate)

Elevator Pitch: a *summary* of the exec summary!

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?) _____.

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.*

What's in a Plan: The Company

- People (management, experience)
- History (background) of company
- Ownership structure (stakeholders)
- Board of Directors
- Board of Advisors (e.g. scientific)

What's in a Plan: Marketing

- The Opportunity
- Product(s) or services offered
- Market Mix (the 4Ps of marketing)
- The Sales Plan (not a *forecast*, but a *plan*)
- Competitive strategy
- Competitive analysis (and positioning)

What's in a Plan: Operations

- internal organization (who does what?)
- facilities description
- details on how product(s) is to be produced/sourced
- research and development activities
- logistics
- The Human Resource plan (recruiting)

What's in a Plan: Financial

- Profit and Loss Pro forma statements (2-5 yrs)
- Balance Sheets
- Cash Flow statements
- sensitivity analysis
- break-even analysis
- funding requirements (worst case, best case)
- sources of funding
- uses and applications of funding
- the "deal", i.e. the financing proposal, ROI
- Share capital, options plan

What's in a Plan: Risk Factors

- Identification of risks
- Potential problems
- Contingency plans
- SWOT (strengths, weaknesses, opportunities, threats)
- Other issues and Concerns

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!

Questions to Answer:

- 1.Product
- 2.Intellectual Property
- 3.Technology Development
- 4.Business Plan Status
- 5.Market
- 6.Distribution
- 7.Competition
- 8.Team
- 9.Financial

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

Maybe the most important question!

Who will buy it?

Why will they buy it?

Potential? Can you make money? How much?



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?



Contact Info



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THANK YOU!
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