ENTREPRENEURIAL FINANCE 3

Business Management & Entrepreneurship 2020-21
Starter Seminars 2020-21

Marc Goldchstein
1. Setting the scene
General Assembly of Shareholders
General Assembly of Shareholders

Board of Directors
funding needs: the Enfocus case
About Enfocus

Connecting graphic designers, publishers and printers

Enfocus is a leading software company specializing in the development of tools to **control the quality of PDF files** for print and to **automate workflow processes** in the **graphic arts industry**. The company’s innovative solutions streamline the workflow throughout the complete production chain — **from design to final print** — thereby connecting printers, publishers and designers.

Enfocus products go beyond preflight checks, delivering **auto-correction of PDFs**, advanced **PDF editing and automation** to guarantee accurate and efficient file exchange.

Well-known product brands include **PitStop, Switch** and **Connect** while new technologies are constantly explored, resulting in for example the **Enfocus Appstore**.

**Founded:** 1993  
**HQ:** Ghent, Belgium  
Enfocus is an **Esko** company.
the valley of death
Emfocus Software cash flow 1998-2003

-1,000,000

1998 1999 2000 2001 2002 2003

cash in
cash out
cash flow
cumulated cash flow
WHO ARE YOU?
WHAT DOES IT TAKE TO START YOUR VENTURE?

- A consultant
  - yourself
  - a car, phone, PC, business cards, LinkedIn page, presence on events
- Biotech/Medtech start-up
  - million of things to do and € to spend before any revenue is generated from sales
  - ...or anything in between

-> are you a starter or a start-up?
  - Start-up: a large company starting small
  - Starter: independent entrepreneur (zelfstandige/ KMP)

-> How much money do you need to start your company and bring it to...
  - cash break-even
  - a milestone

-> prepare your business plan!
2. The Business Plan
“never mind the Business Plan:
what’s the plan?”
A Business Plan is a series of 2D projections of an ‘x-D’ project
- Market analysis
- IP aspects
- Mission statement
- Product/solution roadmap
- Marketing strategy
- Operations strategy
- Team composition
- Financial plan

The financial plan is the translation of the Business Plan in financial numbers
- Forecasted costs
- Revenue estimations
- -> Funding needs

-> Possible funding sources
- Investment proposal
BUSINESS PLAN

WHAT DO INVESTORS EXPECT?
WHAT SEQUOIA CAPITAL EXPECTS...

- the company that funded:
  - Apple, Google, Oracle, Atari, Cisco, Instagram, LinkedIn, Nvidia, Paypal, Youtube
  - Sequoia-backed companies now represent more than 20% of the total value on NASDAQ

- We like business plans that present a lot of information in as few words as possible. The following business plan format, within 15–20 slides, is all that’s needed:

  - **Company purpose**
    - Define the company/business in a single declarative sentence.

  - **Problem**
    - Describe the pain of the customer (or the customer’s customer).
    - Outline how the customer addresses the issue today.

  - **Solution**
    - Demonstrate your company’s value proposition to make the customer’s life better.
    - Show where your product physically sits.
    - Provide use cases.

  - **Why now**
    - Set-up the historical evolution of your category.
    - Define recent trends that make your solution possible.
Helping enterprises make data meaningful since 2008

We are on a mission.

We accelerate trusted business outcomes by connecting the right data, insights, and algorithms for all Data Citizens. True Data Intelligence allows organizations to unlock the value of their data and turn it into a strategic, competitive asset.

Learn about Data Intelligence
Calculate the market size:

- **Total Available Market (TAM):** the total market demand for a product or service.

- **Serviceable Available Market (SAM):** the segment of the TAM targeted by your products and services which is within your geographical reach.

- **Serviceable Obtainable Market (SOM):** is the portion of SAM that you can obtain.
**Example: starting a fast food chain.**

- **TAM:** the worldwide upmarket fast food restaurant market.
  - --> if you were present in every country and had no competition you would generate TAM as revenues.

- **SAM:** But you are starting your restaurant chain in only two cities
  - --> demand for fast food in these cities can be estimated based on: population, food habits, fast food revenues from restaurants in cities with similar demographics.
  - That is your SAM: the demand for your type of products within your reach. if you were the only upmarket fast food in town you could generate SAM revenues.

- **SOM:** But you are not the only upmarket fast food in town
  - --> so you can capture only a fraction of your SAM. Most likely you will attract fast food aficionados living or working close to your restaurants and a fraction of the people located further away that are willing to give a try for the sake of diversity. This is your SOM.
WHY AND WHEN DO TAM SAM SOM MATTER?

- You need to deliver a return to your investors

  therefore:
  - they invest in opportunities with large upside potential = huge market size -> TAM
  - objective: find out with minimum capital if start-up has a market -> SAM and SOM
  - = de-risking the investment early

- SOM is your short term target and therefore the one that matters the most
  - if you cannot succeed in the local market you will probably not capture a large part of the global market

- To be realistic your SOM needs to factor in:
  - your product: people will want to buy your goods
  - your marketing plan and the identified distribution channels
  - The strength of your competition. Your SOM needs to be a reasonable fraction of the SAM.

- Once you demonstrated your ability to penetrate a local market, the investor will start looking at how you can expand and increase the company’s penetration within the TAM.
Market size
- Identify/profile the customer you cater to.
- Calculate the market size: TAM (Total Available Market), SAM (Serviceable Available Market), and SOM (Serviceable Obtainable Market).

Competition
- List competitors
- List competitive advantages

Product
- Product line-up (form factor, functionality, features, architecture, intellectual property).
- Development roadmap.

Business model
- Revenue model; Pricing
- Average account size and/or lifetime value
- Sales & distribution model; Customer/pipeline list

Team
- Founders & Management
- Board of Directors/Board of Advisors

Financials
- P&L, Balance sheet, Cash flow
- Cap table; the deal
Vinod Khosla is co-founder of Sun Microsystems. Forbes named him amongst the 400 richest people in the United States

About Khosla Ventures
- Khosla Ventures is a venture capital firm focused on early stage companies in a/o Internet, mobile, silicon and cleantech
- Based in Menlo Park, Cal., manages approximately $1.3 billion of investor capital

What Khosla Ventures expects

Overall:
- a crazy idea that may have a significantly non-zero chance of working
- the key technology risks of your approach need to be identified
- The economic and market benefits if it is successful need to be identified
- Planning for risk elimination at the lowest possible cost is the key variable we look for
- Your seed plan should validate your hunches about the market and help you decide what market segment you want to enter

problem overview
- What is the problem you are trying to solve?
your unfair advantage
- Do you have a scientific breakthrough or IP, a business-model innovation, or a unique partnership?
  - Address the innovation in significant detail - think science and engineering, not marketing-
  - Why is now the right time?
  - What has been proven and how far is this from a commercial scale?
  - What risks remain to be proven?
    - What are the three major things that could go wrong?
  - How long will it take to experimentally validate the technology viability?
- milestones / financials
  - What are the technical milestones that this financing will achieve?
  - What are your future milestones, and how much capital will you need to achieve these milestones?
  - What is your total and operating cash burn (the amount you're spending) per month

market / competition
- Do you have a good understanding of the competitive landscape?
- Are you comparing your company against the competition in areas that matter to the end customer?
  - Are you comparing your future product to your competitor’s current product or to their future product?
  - Is your innovation addressing a need in a large enough market ($1B plus)?
- How significant a step forward is represented by the technology or innovation? What impact will it have on the competition?
- Why can’t your plan be replicated tomorrow by a competitor? Why have other players in the field missed out on the technology?
your team

- Address why you are uniquely qualified to solve this problem. People key to your innovation matter to us
- Who are you, and why are you qualified to lead this opportunity? What skill sets do you bring to this problem? What technical skills will your team need to add?
  - Do you envision yourself as the long-term CEO or in another role?
- What is the role of every member of your current team? Are they all working toward mitigating your primary risks, or on non-critical "development" that can be addressed later? Are they the best possible people for meeting your current milestones?
- Are the founders thought leaders or associated with the thought leaders in the field?
- What critical people who could address your key risks are missing, and where can you find them?
"We project $XXXM in revenue over 5 years."
- Your five-year marketing financials and revenue projections are a shot in the dark
- All forecasts are wrong (including ours)
- Focus on the burn rate and your path toward achieving the milestones, instead of false precision at this stage

"We expect to grow from 50M to 150M users in XXX"
- We're more interested in how you acquire your initial customers, and how you keep them
- Plans often fail to explain how the founders will bootstrap themselves in the start-up mode. How will you get that large customer base in the first few months or quarters?
- Details matter more than gross, unsupported assumptions. If you have indicators of solutions to this bootstrap risk, that is important for us

"I have the next Facebook / Google / Twitter"
- If your business plan is built on copying what existing companies are already doing, you are unlikely to succeed
- Instead, explain to us why you are the first XYZ. A better Facebook or social network will receive substantial skepticism; but again, we have occasionally climbed past this skepticism
- We will keep an open mind, but another "me too," slightly-better-features plan is seldom our cup of tea

"I have a complete business plan; I just need funds to make it happen"
- Unfortunately, experience has led us to disagree. If you are looking solely for funds as opposed to help building a business, we are probably not your best option
- It is important to us to understand what help you need and how open you are to this help
Former chief evangelist of Apple, advisor to the Motorola business unit of Google.

Currently trustee of the Wikimedia Foundation, and executive fellow at the Haas School of Business at U.C. Berkeley.

The Only 10 Slides You Need in Your Pitch

‘I evangelize the 10/20/30 Rule of PowerPoint.

A pitch should have 10 slides, last no more than 20 minutes, and contain no font smaller than 30 points.’

‘This rule is applicable for any presentation to reach agreement: for example, raising capital, making a sale, forming a partnership, etc.’

http://guykawasaki.com/the-only-10-slides-you-need-in-your-pitch
THE 10 SLIDES OF GUY KAWASAKI

- **Title**
  - company name, your name and title

- **Problem/opportunity**
  - describe the pain you’re alleviating or the pleasure you’re providing

- **Value proposition**
  - explain the value of the pain you alleviate or the value of the pleasure you provide

- **Underlying magic**
  - Describe the technology, secret sauce or magic behind your product. The less text and the more diagrams and flow charts the better.
  - If you have a prototype or demo this is the time to transition to it.
  - As Glenn Shire of Google said: a picture is worth 1.000 Words, a prototype is worth 10.000 slides

- **Business model**
  - explain who has your money temporarily in his pocket and how you’re going to get it into yours

- **Go-to-market plan**
  - explain how you’re going to reach your customer without breaking the bank

- **Competitive analysis**
  - provide a complete overview of the competitive landscape. Too much is better than too little

- **Management team**
  - Describe the key players of your management team, board of directors and board of advisors as well as investors. It’s OK if you have less than a perfect team, if your team was perfect you wouldn’t need to be pitching

- **Financial projection and key metrics**
  - Provide a three year forecast providing not only dollar values but also key metrics such as number of customers and conversion rate. Do a bottom-up forecast, not top-down

- **Current status, accomplishments to date, timeline and use of funds**
  - explain the current status of your project, what the near future looks like and how you’ll use the money you’re trying to raise
### Venture Capital Investment Criteria

- **More Risk -> More Returns**
  - The investor should know for which stage of development the investment is needed.
    - It will provide a basic idea of the risk factor involved and time period of investment.

- **Company Profile: the company should**
  - be a fast-growing company with a huge market presence
  - have abundant intellectual property to be able to put a barrier to its competitor’s growth
  - be large or reputed enough to be able to grow fast
  - active into a promising business field

- **Company’s Development Stage**
  - Generally, VC investment is needed for four different stages of the company’s development
    - idea generation
    - start up
    - ramp up
    - exit.

- **As we move along**
  - the investment amount increases substantially
  - but the risk gradually diminishes

- **Business model**
- **Management team**
- **Company’s Valuation**
- **The Exit Plan**
“There’s only one thing that matters to me when I am investing in a company.”

“The single most important decision in evaluating a business is pricing power. If you’ve got the power to raise prices without losing business to a competitor, you’ve got a very good business. And if you have to have a prayer session before raising the price by 10 percent, then you’ve got a terrible business.”

Warren Buffett
In any case the CEO needs to own the Plan

But get help

At a minimum, get help and participation from all the key players in your company to complement your skill set, and to get the much needed interaction and brainstorming.

Seek external feedback from different perspectives
potential customers, industry experts, or friends – even if they are not really in your industry; those who can help you find the weaknesses in your plan, and add new ideas.

Seek external help for areas outside your collective skills
for many entrepreneurs with a technical background this means the marketing research area.

Have one or more independent readers review the Plan for feedback:

- Accountant
- Lawyer
- Retired industry pro
- Customer
- Consultant
- Professor
A FEW RULES FOR WRITING A BUSINESS PLAN

- **Keep it short**
  - you want your business plan to be read (no one reads a 100-page business plan)
  - your business plan should be something you continue to use and refine over time.
    - excessively long business plans are a hassle to deal with and will be relegated to a desk drawer.

- **Know your audience**
  - Your plan should be written in a language that your audience will understand.
  - Accommodate your investors, keep explanations of your product simple and direct, using terms that everyone can understand.
    - use the appendices to provide more specific details

- **Don’t be intimidated**
  - The vast majority of business owners and entrepreneurs aren’t business experts. Just like you, they’re learning as they go and don’t have degrees in business.
BUSINESS PLAN

Mission/Vision statement
1 Paragraph

Elevator pitch
30 seconds

Executive summary
2-5 pages

Slide deck
10-15 slides

Full business plan
20-30 pages

Details/supporting documents

Financial plan
Technology
Intellectual property
Market analysis
Competitive Analysis
Sales & Distribution
Team

Very short description of key message

Why should anyone buy this?
for [target customer]
who [statement of need or opportunity]
the [product/service name] is
a [product/service category]
that [statement of benefit].

Why should they buy it from you then?
unlike [primary competitive alternative]
our product [statement of primary differentiation].

Source: Stanford University Technology Ventures Program, entrepreneurial marketing, Byers & Kosnik 2008
An Executive Summary is NOT an introduction

An Executive Summary is NOT a preface

An Executive Summary is NOT a random collection of highlights

An Executive Summary is the Business Plan in miniature

Size
Two pages (preferable) to five pages (max)

The Executive Summary must be
Logical
Clear
Interesting/Exciting

The Executive Summary is like a resumé
If it gets the reader’s attention, the rest gets read

The Elevator Speech is to the Exec Summary as the Exec Summary is to the Full Plan
OUR TIPS AND TRICKS

- First: forget the business plan; what is the plan?
- Start with a slide deck
  - Much easier to adapt, to find the story line
- Be concise, to the point
  - Limit the length
- Address key concerns head-on
  - Denial is not an option
- Be consistent across the document
- Work out the financial part, assess it from the perspective of the investor
- The plan will change (slightly) after nearly every meeting
  - Based on comments, questions
  - Adapt to the next person you present to
- Use external references
https://ondernemingsplan.unizo.be/nl
HOW INVESTORS READ A PLAN

FIRST READING: LIKE A RESUME
- Often: only the executive summary and investment proposal
- Make the cut, so that you get an opportunity to tell your story

SECOND READING: JUSTIFY THE INVESTMENT

THIRD READING: COMMIT TO THE PLAN

MAKING THE FIRST CUT:
- An idea too good to ignore
- A financial promise too good to turn down
- A team good enough to believe in
- An action plan that’s
  - **Credible**
  - **Focused**
  - **Details that give assurance of insight, commitment and follow through**
- Format and style that show
  - **Passion**
  - **Sanity**
WHY PLANS FAIL THE FIRST CUT

- Insufficient market
- Non-credible technology
  - Too wild
  - Too blue-sky (unproven)
  - Not protectible
  - Too mundane
- Investment too large for the promise
- Failure to understand the market
- Action plan not credible
  - Too optimistic
  - Naïve about the hurdles
  - Runs off in all directions
  - Not ambitious enough
  - Regulatory barriers insufficiently addressed
  - Gaps filled by handwaving
  - No promises at all
- Team not credible
  - Not enough experience
- Investment not profitable
- Cosmetic reasons for failing the first cut
  - I can’t understand it.
  - Filled with market or technology-specific jargon
  - Naïve projections
  - Sloppy: misspellings, poor grammar, poor quality printing
  - Too damn long
  - Ignores the basics
  - “Forget marketing, my technology is the best”
  - Naïve (or terrible) writing
tot hier opname 2
3. Sources of funding
MAIN FINANCING OPTIONS

- **Internal vs. External financing**
  - **Internal**: from within the company
    - E.g. profits, sale of assets, reduction working capital,
    - **Bootstrapping**
  - **External**: funds from outside the company
    - E.g. Gift, grant, soft money, loan, equity...
    - Evaluate
      - *Length of time the funds are available*
      - *Costs involved (not only financial)*
      - *Amount of control lost*

- **Debt vs. Equity financing**
  - **Debt**: obtaining *borrowed funds* for the company
    - Often assets are used as collateral (car, houses, machine, land...)
    - Pay back loan over time + interest
  - **Equity**: obtaining funds for the company in exchange for *ownership*
    - Investors get ownership + share profits
THE VALLEY OF DEATH

cumulated cash break-even

cash break-even
SOURCES OF FUNDING

- Self-funding
- Friends, family and fools (3F’s)
- Bank loans
- Partners
- Customers and suppliers

- Venture capital
- Business angels
- The crowd
- Governmental support schemes
positive

- your operation funds itself -> generates profits
- -> No additional funds needed for day-to-day operations
- **BUT** may still require new capital for investments!
- It is the ultimate objective of all enterprises to be profitable
  - You can’t be a promising star forever!
- Very few companies managed to be cash flow positive from very early stage on
- Don’t underestimate the amount of money that is tied in an organization
  - Stock (voorraad), unpaid customer invoices, monthly salaries...
  - = working capital needed to pre-finance the operation
- Founders, friends, family and fools (4F’s)
  - Bank loans
  - Partners
  - Customers and suppliers

- Venture capital
- Business angels
- The crowd
- Governmental support schemes
THE 4 F’S

- Founders: own resources and time
  - Each entrepreneur invests his own time and often money
  - Belgium: 90% of startups use own capital of entrepreneur; often pays himself small or no wage in startup period

- Friends, family and fools
  - Has advantages, but...
  - Be aware of disadvantages:
    - risking personal relationships (money back, law suit)
    - inexperience of investors
    - Time consuming

- Some advice:
  - (Don’t take it for granted that your parents (continue to) fund you)
  - If you ask family and friends to fund your venture: approach them as professionally as any other investor
- Founders, friends, family and fools (4F’s)
- **Bank loans**
- Partners
- Customers and suppliers
- Venture capital
- Business angels
- The crowd
- Governmental support schemes
BANK LOANS

- By law banks are limited in the risks they may take
  - Banks therefore always look for collateral, which they can sell in case of failure of project

- Most start-ups lack track record; collateral = resaleable assets
  - This limits their use for high tech startups, where assets are intangible, or don’t have resell value
    - software
  - If startups invest in equipment with resale value banks can get involved
    - fitness centers, real estate...

- Public authorities can intervene and act a guarantor

- Banks will often require that you co-invest in the project
- **Some more tips for the conversation:**
  - First impression: make sure you and your documents have a good appearance
  - Be yourself during the conversation
  - Take the time to explain your project thoroughly
    - show professional knowledge
    - prove that you know the sector thoroughly
  - Sketch multiple scenarios:
    - from optimistic to pessimistic
  - Put your talents, competences and assets in the spotlight
    - expertise, network, unique business concept
  - Be realistic; provide a margin of error
  - You need to commit a minimum of your own resources
  - Always check whether you can apply for a subsidy or premium
- **the banker has questions about your project**
  - Is the loan application well-founded?
  - Is the loan amount in proportion to the financial situation and capital?
  - Does the project have potential in the short and long term?
  - Why will the project succeed?
  - What will you do if it doesn’t go as planned?
  - Is the loan repayment schedule feasible?
- **You have an advantage when you are a loyal customer at the bank**
SOURCES OF FUNDING

- Self-funding
- Friends, family and fools (3F’s)
- Bank loans
- **Partners**
  - Customers and suppliers
- Venture capital
- Business angels
- The crowd
- Governmental support schemes
In some cases, strategic alliances are major sources of funds. Many alliances are based on simple logic:
- Capital rich established partner invests in start-up
- In exchange for substantial long-time revenue streams
  - beer sales, drug distribution

Alliances can have vastly different ‘formats’:
- Investor
- Supplier/customer
- Funding for exclusivity
PARTNERS AND ALLIANCES

- **Sportopolis** (fitness centers):
  - breweries co-funded equipment for gym bar in exchange for exclusivity
  - → how to turn 50,000 euro into 2.5 million euro
    - 50,000 euro own capital
    - funding by brewery: 200,000 euro
    - public/private collaboration adds 1 million
    - and then loan by bank: double the amount = 1.25 million euro

- **Ablynx** (drug company):
  - had more than 45 proprietary and partnered product candidates in development
## ABLYNX CLINICAL PIPELINE 2017

<table>
<thead>
<tr>
<th>Product</th>
<th>Indication</th>
<th>Target</th>
<th>Pre-clinical</th>
<th>Phase I</th>
<th>Phase II</th>
<th>Phase III</th>
<th>Filing</th>
</tr>
</thead>
<tbody>
<tr>
<td>caplacizumab</td>
<td>aTTP</td>
<td>vWF</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>vobarilizumab</td>
<td>RA/SLE</td>
<td>IL-6R</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALX-0171</td>
<td>RSV</td>
<td>RSV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 17 programmes</td>
<td>Immuno-Oncology</td>
<td>Various</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Up to 8 programmes</td>
<td>Immuno-Inflammation</td>
<td>Various</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ozoralizumab</td>
<td>RA/RAsia</td>
<td>TNFα</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Japan</td>
</tr>
<tr>
<td>ALX-0761/M1095</td>
<td>Psoriasis</td>
<td>IL-17A/IL-17F</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Greater China</td>
</tr>
<tr>
<td>ALX-1141/M6495</td>
<td>Osteoarthritis</td>
<td>ADAMTS-5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BI 836880</td>
<td>Oncology</td>
<td>VEGF/Ang2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BI 655088</td>
<td>Chronic kidney disease</td>
<td>CX3CR1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ALX-0141</td>
<td>Bone disorders</td>
<td>RANKL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Greater China</td>
</tr>
<tr>
<td>&gt;20 wholly-owned and partnered programmes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Filing in EU based on Phase II TITAN data
**Potential to generate >€10.6Bn in milestones plus royalties**

<table>
<thead>
<tr>
<th>Partner</th>
<th>Collaboration Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>MERCK</td>
<td>Strategic immuno-oncology collaboration (up to 17 programmes) with focus on multi-specifics, Ion channel collaboration</td>
</tr>
<tr>
<td>SANOFI</td>
<td>Strategic discovery collaboration (8 programmes) with focus on multi-specifics in immune-mediated inflammatory diseases</td>
</tr>
<tr>
<td>abbvie</td>
<td>Global licensing option deal for vobarilizumab (anti-IL-6R) in RA and SLE</td>
</tr>
<tr>
<td>Merck</td>
<td>Five active programmes of which one is moving towards Phase II and another is in Phase I</td>
</tr>
<tr>
<td>Boehringer Ingelheim</td>
<td>Global strategic alliance with four active programmes of which two are in Phase I</td>
</tr>
<tr>
<td>Novo Nordisk</td>
<td>Discovery collaboration focussed on one multi-specific Nanobody programme</td>
</tr>
<tr>
<td>Edding Pharm</td>
<td>Licensing deals in Greater China for ALX-0141 (anti-RANKL) and ozoralizumab (anti-TNFα)</td>
</tr>
<tr>
<td>Taisho</td>
<td>Licensing deal in Japan for ozoralizumab in RA</td>
</tr>
<tr>
<td>Novartis</td>
<td>Discovery collaboration against several targets</td>
</tr>
</tbody>
</table>
Sources of Funding

- Self-funding
- Friends, family and fools (3F’s)
- Bank loans
- Partners
- Customers and suppliers

- Venture capital
- Business angels
- The crowd
- Governmental support schemes
Most companies have to pay their employees and suppliers before receiving money from their customers
- the company must finance its operations upfront
- = Working Capital

Customers who pay upfront generate cash upfront
- see Dell business model
- used by Artwork Systems (AWS) to finance its product development
  - AWS is a typical Product Starter

Long payment terms by suppliers provides start-ups financial breathing space
- can sell resell the goods before it has to pay the supplier

Customers that don’t pay create important problems for a company
- a large bankruptcy can have an important impact on its suppliers
SOURCES OF FUNDING

- Self-funding
- Friends, family and fools (3F’s)
- Bank loans
- Partners
- Customers and suppliers

- Governmental support schemes
- Venture capital
- Business angels
- The crowd
Governments supports certain activities by providing funding
- Research & innovation funding
- Ad-hoc subsidies (for patents, feasibility studies...)
- Public(ly supported) Venture Capital
- Public-private collaboration

Always check subsidies

The VUB situation
- education: Flemish Community
- research, innovation: Flemish & Brussels region, Belgium, Europe
SOURCES OF FUNDING

- Self-funding
- Friends, family and fools (3F’s)
- Bank loans
- Partners
- Customers and suppliers

- Venture Capital & Business Angels
- The crowd
- Governmental support schemes
Lenders look at the risks of the loan

Equity investors look at the potential of the investment

""
PRIVATE EQUITY (PE) FUNDING

- the provision of equity capital
  - by financial investors
  - over the medium or long term
  - to non-quoted companies with high growth potential

- Public Equity
  - the provision of equity capital to companies quoted on the Stock Exchange
  - stock owned by large number of people

- Private equity can take on various forms
  - business angel funding
  - venture capital funds
  - private equity companies
    - complex leveraged buyouts
    - consolidation of industries

Advantages of PE
- easy access to alternate forms of capital for entrepreneurs
- less stress of quarterly performance.

Disadvantages of PE
- private equity valuations are not set by market forces
- investor often wants to exit from his investment after a certain time: may result in loss of control by entrepreneur
WHAT IT'S ALL ABOUT...
DIFFERENT PRIVATE EQUITY INVESTOR ‘ LEAGUES’

- **Business Angel (BA)**
  - Seed/ start-up financing
  - Relatively small amounts, limited investments
  - Active monitoring and assistance

- **Venture Capitalist (VC)**
  - Seed/ start-up/ expansion financing
  - Bigger amounts, larger portfolio of investments
  - Also ‘hands on’ financing, but due to portfolio size, less than BA

- **Private Equity (PE)**
  - Turnaround financing, leveraged buyouts
  - Large scale projects (consolidation of industry players,...)
  - Very big amounts
  - Little hands-on, but mainly financial architects
  - Examples: Health City

- **Commitment to firm nearly always limited in time**
  - investors always look for exit opportunities
# Private Equity versus Venture Capital

<table>
<thead>
<tr>
<th></th>
<th>Private Equity</th>
<th>Venture Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Investment</strong></td>
<td>Acquire shares from existing shareholders</td>
<td>Issueing shares, and therefor investing in the company</td>
</tr>
<tr>
<td><strong>Size of Stake</strong></td>
<td>Often Majority Stakes</td>
<td>Often Minority stakes with special clauses in SHA</td>
</tr>
<tr>
<td><strong># Rounds</strong></td>
<td>1 (except for further acquisitions in Buy and Build)</td>
<td>Several, in syndication</td>
</tr>
<tr>
<td><strong>Usages of Debt</strong></td>
<td>Yes, leverage</td>
<td>Only in the growth stages of company and late scaling</td>
</tr>
<tr>
<td><strong>Creating value</strong></td>
<td>Financial engineering, leverage</td>
<td>Company building</td>
</tr>
<tr>
<td><strong>Distributions from</strong></td>
<td>Big investments early, quick distributions to LP’s by dividends</td>
<td>First relatively small investments, later higher tickets, exits after 5-7 years</td>
</tr>
<tr>
<td><strong>and to LP’s</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Risk of Failure</strong></td>
<td>Relatively low #’s (available product market fit, available cashflows) but high amounts when failure</td>
<td>#’s: 30%-55% failures, but less in $$’s (fail fast, when the exposure is still limited)</td>
</tr>
<tr>
<td><strong>Return (Net IRR)</strong></td>
<td>10%-15%/yr, with a low spread/company</td>
<td>High spread, up to X00%/yr per company, 3%-20%/yr /fund</td>
</tr>
</tbody>
</table>
biotech company

‘regular’ company

biotech valley of death: best case scenario

‘Regular’ Valley of Death
- **Business Angels (BAs)**
  - "small independent Venture Capitalists"
  - often (ex-)entrepreneurs
  - invest (mostly) their own funds
  - in high potential start-ups
  - generally in sectors they are knowledgeable
  - provide guidance to entrepreneur, using their own expertise, skills, and knowledge
  - sometimes gets operationally involved in the venture
    - Part time Financial Director
  - gives the company a substantial credibility boosts towards customers, suppliers, banks...
  - often have an extensive network of contacts

- **Funding strategy**
  - Seed, start-up and early stage of enterprises
  - Average investment between 25.000 and 250.000 euro

- **Business Angels Networks**
  - national / regional
  - online BA Networks
THE AVERAGE BUSINESS ANGEL

- Age 40-65
- Male
- High qualification
- Wealthy
- Successful entrepreneur

IGNACE DE BOCK
3. Venture Capital
VENTURE CAPITAL (VC)

- financial capital
  - provided by professionally-run investment funds
  - provided to early-stage, high-potential, high risk, growth oriented companies.

- these companies generally possess a novel technology or business model.

- The VC fund receives equity (shares) in exchange for the money invested in the company

- The first VC investment typically occurs after the seed funding round

- Generally several investment rounds are needed; are called Series A, B, C,... Rounds

- The VC generates a return by selling the shares it owns
  - after an Initial Public Offering (IPO) “beursgang”
  - or during a trade sale of the company.
    - the company is acquired by another company

- -> Venture capital (VC) is
  - Risk sharing investment money
  - With limited investment time horizon
  - Supplied by professional investors
  - In growth oriented companies
  - In form of shares of company
Not destined for average starter...
- <1.5% of all Belgian starters & startups use VCs or Business Angels

Growth intention and potential is a necessary condition
- Often linked to innovative/technology
- 30-50% of all ‘innovative startups’ in Flanders use VC in some stage of its life

Drawbacks for the entrepreneur
- Loss of managerial control
- Give away shares of the company
- Regular auditing
- Often commits to selling his company
VC ACTORS:

- VC firm (General Partners)
- Limited Partners (Investors):
  - public pension funds, corporate pension funds, insurance companies, individuals, family offices, endowments, foundations, fund-of-funds, ....

VC fund

Investment

Investment

Investment
RELEVANCE OF VC TO THE US ECONOMY

Venture-Backed Jobs – 2010

11% 11.9 million venture-backed jobs = 11% of U.S. Private Sector Employment

107.3 million U.S. Private Sector Jobs

Venture-Backed Revenue – 2010

10% $3.1 trillion in venture-backed revenue = 10% of Total U.S. Sales

$30 trillion U.S. Total Sales
VC represents +/- 10% of all private equity
EUROPEAN VC MARKET

INVESTMENT PER INDUSTRIAL SECTOR
<table>
<thead>
<tr>
<th>quality of investment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td># projects</td>
<td>2</td>
</tr>
<tr>
<td>amount invested</td>
<td>4</td>
</tr>
<tr>
<td>multiple after 5 years</td>
<td>2</td>
</tr>
<tr>
<td>cash from trade sale</td>
<td>1</td>
</tr>
<tr>
<td>revenue</td>
<td>1</td>
</tr>
</tbody>
</table>
## The Financial Logic of a VC

<table>
<thead>
<tr>
<th>quality of investment</th>
<th>bad</th>
<th>alive</th>
<th>ok</th>
<th>good</th>
<th>super</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td># projects</td>
<td>2</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>amount invested</td>
<td>200</td>
<td>400</td>
<td>200</td>
<td>100</td>
<td>100</td>
<td>1000</td>
</tr>
<tr>
<td>multiple after 5 years</td>
<td>0</td>
<td>x1</td>
<td>x5</td>
<td>x10</td>
<td>x20</td>
<td>x4,4</td>
</tr>
<tr>
<td>cash from trade sale</td>
<td>0</td>
<td>400</td>
<td>1000</td>
<td>1000</td>
<td>2000</td>
<td>4400</td>
</tr>
<tr>
<td>revenue</td>
<td>-200</td>
<td>0</td>
<td>800</td>
<td>900</td>
<td>1900</td>
<td>3400</td>
</tr>
</tbody>
</table>
what struck you?
The Limited Partners expect a 3x (or 20% IRR) on the fund.

Example:
- 100 mln VC Fund needs to deliver 300 mln after 12-15 years!
- 20% costs over 12-15 year life time (fund costs, Mngt fees etc)
- 80 mln available of investing
- 20 mln failures
- 60 mln must lead to 300 mln!: an average of 5X!
  - 6 years of 30+% YoY growth....
  - therefore a 10 mln post money valuation, must turn into a 50 mln valuation

-> VCs will never invest in a project that doesn’t even have the potential of generating such return.
Funding stages

- **Pre-seed**
  - Mostly just an idea about the business concept
  - No product yet
  - Technological uncertainty

- **Seed**
  - Business concept fine-tuned
  - Proof of concept delivered
  - Prototype might be delivered as well

- **Early stage/start-up**
  - Proof of product
  - Company starts up, makes first real marketing expenses

- **Growth/expansion**
  - Proof of market
  - Expands, turns break-even

Investment rounds

- VC’s do not invest all the money required to get to profitability in one go
- Often the ‘necessary’ funds are provided to achieve certain milestones
- Round A, Round B...

Lead investors and others

- Often one investor does the work: due diligence,...
- Often a new investor that joined in the round becomes the lead investor
- Why?
<table>
<thead>
<tr>
<th>Round</th>
<th>Date</th>
<th>Amount Raised</th>
<th>Post-money Valuation</th>
<th>Investors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seed round</td>
<td>2008</td>
<td>€850 k</td>
<td>N/A</td>
<td>Brustart, BI3</td>
</tr>
<tr>
<td>Series A</td>
<td>2010</td>
<td>€2,5 m</td>
<td></td>
<td>Newion Investments</td>
</tr>
<tr>
<td>Series B</td>
<td>2015</td>
<td>$23 m</td>
<td></td>
<td>Index Ventures, Dawn Capital</td>
</tr>
<tr>
<td>Series C</td>
<td>Jan 2017</td>
<td>$50 m</td>
<td>$650 m</td>
<td>Index Ventures, Battery Ventures, Dawn Capital, Iconiq Capital, Newion Investments</td>
</tr>
<tr>
<td>Series D</td>
<td>Dec 2017</td>
<td>$58 m</td>
<td></td>
<td>Reid Hoffman, Jack Dorsey, Mark Zuckerberg, Iconiq Capital, Sheryl Sandberg</td>
</tr>
<tr>
<td>Series E</td>
<td>Jan 2019</td>
<td>$100 m</td>
<td>$1 b</td>
<td>Index Ventures, Battery Ventures, Iconiq Capital, CapitalG</td>
</tr>
<tr>
<td>Series F</td>
<td>Apr 2020</td>
<td>$112.5 m</td>
<td>$2.3 b</td>
<td>Index Ventures, Battery Ventures, CapitalG, Dawn Capital, CONIQ Capital, Durable Capital Partners LP</td>
</tr>
</tbody>
</table>
- **Stage one: Finding (2008-2012)**
  - **Investors**
    - 4Fs
    - BI3
    - Brustart
    - €850,000
  - **Objectives**
    - first customers, first markets
    - Validation

- **Stage two: Proving (2012, 10-ish FTE)**
  - **Investors**
    - Newion
    - 2.4M
  - **Objectives**
    - First steps in US
    - FSI dominant Market Vertical

- **Stage three: Scaling (2015, 50-60 FTE)**
  - **Investors**
    - Index Ventures
    - Dawn Capital
    - $23M
  - **Objectives**
    - Expansion in US, From “on prem” to SaaS
    - Full Leadership team to US

- **Stage four: Hyper Growth 2016-…. Now >500 FTE**
  - **Investors**
    - Battery Ventures
    - iConiq
    - Index Ventures
    - Dawn Capital
    - Capital G
    - Newion
    - $320M
  - **Objectives**
    - Global Market leadership
    - Several Market Verticals
VC’s invest in a company for a limited time
They want their money back after that period
VC’s exit by selling their shares to someone else...
- Generally the whole company is sold to another company
- Sometimes the company goes to the stock exchange and they sell their shares
Working with VCs implies accepting the fact that you will probably sell your company...
...They will check whether you acknowledge this fully
VC funds as a rule have a limited life span
- Except for evergreen funds, e.g. GIMV
- Therefore needs to recover the invested funds before the fund closes
- Typical: 10+2 year lifespan: 5y investing, 5-7y divesting
- A traditional VC will generally remain in a company for maximum 7-10 years
- Working with VCs therefore implies accepting the fact that you will probably sell your company...
- ...They will check whether you acknowledge this fully

Main ways to ‘exit’
- Initial Public Offer: go to the stock exchange
- Acquisition: the company is sold to another company
  - In this case the entrepreneur loses control of his company
- Implication: inviting VCs onboard implies committing to sell your company in a foreseeable future
3. Venture Capital Dealmaking
Most VC’s focus on a certain subset such as:

- industry sector (biotech, IT, energy, materials...)
- investment size
- stage of investment (early stage capital, ..)
- geographical focus

this functions as a filter for VC’s

It enables them to provide ‘smart money’: allows them to leverage their expertise and networks within a certain domain

Two schools of thought:
- ‘I invest in people first and foremost. Smart people will find great opportunities and I will never know the sectors or technologies as well as smart people.’
- ‘I don’t care about people, I care about markets. I look for big painful problems that customers have. *If management doesn’t work out, I can always fix management.*’

Typical Venture Capitalist profiles

- **technology investors**
  - focus on uniqueness and protection of product and technology, then on close personal contact with entrepreneur
  - investment manager has technical expertise, sometimes ex-entrepreneurs
  - often government funded, local focus

- **people investors**
  - leadership, team, then financial
  - mainly private investors, both early stage and follow up investments
  - non technological as well as technological

- **financial investors**
  - 30% of sample
  - financial return from BP is essential, then team
  - Often funds related to banks

Other considerations

- Fund duration
- Portfolio balancing
- Recent experiences
- Personal preferences: distance,...
VC’s are also looking for ROI on their own time
- that’s why sometimes it seems easier to get $2m than $1m, provided you can come up with a meaningful way to spend 2m. (Peter Camps)

! don’t run out of money before you get new funding
- don’t wait too long to start the process
- don’t ramp up your expenses until you have new funding secured
- it is much easier to get money when you don’t need it (yet)
  - people appreciate the fact that you have planned ahead
Due diligence
- the process by which confidential legal and financial information is exchanged, reviewed and appraised by the parties to a merger or substantial asset transfer
- Make everyone as aware as can be of any liabilities the other party may bring to the transaction
- The desire is to create a "no surprises" situation
- Investors
  - use in-house resources
  - or hire a consulting firm
TERM SHEETS
TERM SHEETS

- Document describing the conditions under which the VCs agree to enter the company

- some comments on Term Sheets
  - by Peter Camps, founder Enfocus Software:
  - watch for clauses that undermine your control over the company
    - VCs invest large amounts in return for a limited % of shares
    - it is therefore reasonable that they expect additional control rights
      - over and above the rights attached to their % of shares
    - make sure you feel comfortable with these additional control rules,
      - especially since all of this stuff is in fairly inaccessible legalize.

- watch for non-compete and commitment clauses
  - the VC wants the key staff to remain at the company for a certain period
  - make sure you understand the implications and minimize the period

- watch for clauses that define restrictions for selling shares
  - VCs will demand certain limitations on your right to sell shares
    - “sell along” clause, ensures that you don’t sell your 80% of the company to some bozo.
  - make sure you feel comfortable with these rules
  - try to make them symmetric
    - providing other minority shareholders with the same rights.

- never sign a personal guarantee, unless that’s exactly what you want

- -> find help from the right people to help you in these negotiations
Bring Along

in the event that all of the Investors accept an offer to sell all of their shares to a third party at a price of at least three times as defined in the price per share of this round, and such sale is conditioned upon the sale of a majority of the shares of the Company to such third party, all other shareholders shall be required to sell their shares in such transaction, on the same terms and conditions. In case the other shareholders do not agree to sell, they shall be required to purchase the shares of the Investors and of the shareholders that are willing to sell at a price equal to the price offered by the third party purchaser.

Investors = VCs
3. Venture Capital companies
### TEN LARGEST US VCS MARKED NAMES: SILICON VALLEY BASED...

<table>
<thead>
<tr>
<th>Firm</th>
<th>Location</th>
<th># of Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Enterprise Associates, Inc.</td>
<td>Timonium, MD</td>
<td>70</td>
</tr>
<tr>
<td>Kleiner Perkins Caufield &amp; Byers</td>
<td>Menlo Park, CA</td>
<td>63</td>
</tr>
<tr>
<td>Polaris Venture Partners</td>
<td>Waltham, MA</td>
<td>58</td>
</tr>
<tr>
<td>Draper Fisher Jurvetson</td>
<td>Menlo Park, CA</td>
<td>54</td>
</tr>
<tr>
<td>First Round Capital</td>
<td>West Conshohocken, PA</td>
<td>51</td>
</tr>
<tr>
<td>Venrock Associates</td>
<td>Palo Alto, CA</td>
<td>50</td>
</tr>
<tr>
<td>U.S. Venture Partners</td>
<td>Menlo Park, CA</td>
<td>41</td>
</tr>
<tr>
<td>Sequoia Capital</td>
<td>Menlo Park, CA</td>
<td>38</td>
</tr>
<tr>
<td>Canaan Partners</td>
<td>Westport, CT</td>
<td>36</td>
</tr>
<tr>
<td>Highland Capital Partners LLC</td>
<td>Lexington, MA</td>
<td>34</td>
</tr>
<tr>
<td>Innovation Works, Inc.</td>
<td>Pittsburgh, PA</td>
<td>33</td>
</tr>
<tr>
<td>Versant Ventures</td>
<td>Menlo Park, CA</td>
<td>33</td>
</tr>
<tr>
<td>North Bridge Venture Partners</td>
<td>San Mateo, CA</td>
<td>32</td>
</tr>
<tr>
<td>Domain Associates LLC</td>
<td>Princeton, NJ</td>
<td>30</td>
</tr>
<tr>
<td>Duff Ackerman &amp; Goodrich LLC</td>
<td>San Francisco, CA</td>
<td>30</td>
</tr>
<tr>
<td>Menlo Ventures</td>
<td>Menlo Park, CA</td>
<td>30</td>
</tr>
<tr>
<td>Accel Partners</td>
<td>Palo Alto, CA</td>
<td>29</td>
</tr>
<tr>
<td>Foundation Capital</td>
<td>Menlo Park, CA</td>
<td>29</td>
</tr>
<tr>
<td>InterWest Partners</td>
<td>Menlo Park, CA</td>
<td>28</td>
</tr>
<tr>
<td>ARCH Venture Partners</td>
<td>Chicago, IL</td>
<td>27</td>
</tr>
<tr>
<td>Benchmark Capital</td>
<td>Menlo Park, CA</td>
<td>27</td>
</tr>
<tr>
<td>Bessemer Venture Partners</td>
<td>Larchmont, NY</td>
<td>27</td>
</tr>
<tr>
<td>Intel Capital</td>
<td>Santa Clara, CA</td>
<td>27</td>
</tr>
<tr>
<td>Mohr Davidow Ventures</td>
<td>Menlo Park, CA</td>
<td>27</td>
</tr>
<tr>
<td>SV Life Sciences Advisers</td>
<td>Boston, MA</td>
<td>27</td>
</tr>
<tr>
<td>Advantage Capital Partners</td>
<td>New Orleans, LA</td>
<td>26</td>
</tr>
<tr>
<td>Flagship Ventures</td>
<td>Cambridge, MA</td>
<td>26</td>
</tr>
<tr>
<td>Oak Investment Partners</td>
<td>Westport, CT</td>
<td>26</td>
</tr>
<tr>
<td>True Ventures</td>
<td>Palo Alto, CA</td>
<td>26</td>
</tr>
</tbody>
</table>
...join an elite white male club...
- Belgian VC Association
  - `68 Investment Funds members
  - 62 Associate members
- Invest Europe
  - Europe’s private equity, VC and infrastructure investment firms
    - and their investors, including pension funds and insurers
- US National Venture Capital Association
  - lobbyist
  - more than 400 members
QBIC

- a seed and early-stage, sector agnostic, inter-university fund
- invests in spin-offs and companies that have a link with Qbic’s partner universities and innovation-driven hospitals
- assists founders in articulating their business plans and in building the right team. Acts as lead investor, creating investor syndicates. Supports its portfolio companies through follow-up investments until exit.
- managed by a team of seasoned investment and business professionals: Sofie Baeten, Martin De Prycker, Jean Van Nuwenborg
- Funds:
  - Qbic I incorporated in 2012 with a capital of € 40,7 million, invested in 18 companies.
  - Qbic II started in December 2016 and has a capital € of 58,9 million.
- With in aggregate close to € 100 million under management, one of the largest inter-university spin-off funds in Europe.
TOT HIER DEEL 3
VALUATION & DILUTION
• 1. Startup
  ▪ Entrepreneur: invests €100,000
  ▪ receives 1000 shares = 100% of shares

• 2. investment round:
  ▪ VC A:
    ▪ invests €3 million
    ▪ receives 1000 newly issued shares

• -> Situation after first investment round:
  ▪ total # shares: 2,000
  ▪ Entrepreneur: 1,000 = 50% of shares
  ▪ VC A: 1,000 = 50% of shares

• -> what is the impact for the entrepreneur?
• -> has the entrepreneur made a good deal?
VC A: invests €3.000.000 for 50% of total shares
other 50% of the shares are worth as much!

- post-money valuation = €6.000.000

- pre-money valuation = post-money valuation – investment = €3.000.000

The toughest negotiations relate to the pre-money valuation of the firm
- the VC invests €3.000.000:
  - what does he get in exchange?
    - 10%, 25%, 33%, 50%, 75%, 90% of the shares?
    - these can be extremely emotional negotiations and a deal breaker!
- valuation of a high tech start-up is black magic but has to happen!
  - be prepared!
  - there are techniques to
    - postpone the decision
    - allow correcting valuation if commitments by entrepreneurs aren’t held
    - do not commit to anything you do not fully understand!

The shares of the entrepreneur:
- he paid €100.000
- now they are worth €3.000.000
- BUT: he lost control of the company!
If the Company issues additional shares or any other securities at a purchase price less than the price paid by the Investors (excluding up to 500 shares issued to employees in the form of stock options and stock purchase plans), the number of shares acquired by the Investors in this investment round will be adjusted as if the current investment would have taken place at this lower valuation, in order to diminish the dilutive effect for the Investors.
The value of the shares change between rounds

- this has a substantial impact on the value of the company

example Ablynx:

- 7/2001: founding €0.1M € 0,06 Euro/ share
- 11/2001: €2M : €2/share
- 7/2002: €5M : €2/share
- 8/2006: €40M: €4/share
- 10/2007: €100M IPO €7/share
- 2017: Ablynx sold to Sanofi for 3.9 Billion = €49/share
EXITS
VC’s invest in a company for a limited time

They want their money back after that period

VC’s exit by selling their shares to someone else...

- Generally the whole company is sold to another company = trade sale
- Sometimes the company goes to the stock exchange = IPO
  - VCs can sell their shares while other investors keep theirs

Working with VCs implies accepting the fact that you will probably have to sell your company...

- ...They will check whether you acknowledge this fully

Advantages:

- Conversion to cash for investors
- Major shareholders usually maintain control
- High potential return

Disadvantages:

- company must have substantial growth potential to receive IPO
- costly process
- uncertain outcome
- major shareholders may be limited as to how much, when, and how they can sell stock
**Exits**

- **Initial public offerering (IPO):** sell the shares of the company to the public to be traded on a stock exchange.
  - **Advantages:**
    - Conversion to cash for investors
    - Major shareholders usually maintain control
    - High potential return
  - **Disadvantages:**
    - Company must have tremendous growth potential to be fit for an IPO
    - Costly process
    - Uncertain outcome
    - Major shareholders may be limited as to how much, when, and how they can sell stock

- **Trade sale:** business bought outright by another existing company.
  - **Advantages:**
    - Investors and entrepreneurs receive cash (or stock in acquiring company)
    - Often purchased by strategic partner with important complementary assets
    - Management contract can be negotiated
  - **Disadvantages:**
    - Fit must be appropriate
    - Potential management changes
    - Corporate identity may disappear

- **Other exits**
  - **Buy-out:** one or more stockholders buy out the others
  - **Bankruptcy:** (10 to 20% of the cases)
Sources of funding: Crowdfunding
The act of funding a project or venture by raising many small amounts of money from a large number of people (aka the crowd), typically via the Internet.

- Relatively recent phenomenon
- Generally used for consumer-oriented products
Donation-based crowdfunding
- Campaigns amass donations without being required to provide anything of value in return.
- Often for ‘good causes’

Reward-based crowdfunding
- # levels of rewards that correspond to levels of funding.
- Often (a personalized version of) the product is the reward
- A standard rewards campaign offers at least three levels of pledges/rewards.
- -> crowdfunding becomes a marketing channel!

Debt-based crowdfunding
- Raise funds in the form of loans that they will pay back to the lenders over a pre-determined timeline with a set interest rate.
- Works well for entrepreneurs who don’t want to give up equity in their startup immediately.

Equity-based crowdfunding
- Exchange of actual shares in a private company for capital.
INDIEGOGO

Reevo: The Hubless E-Bike
2478% funded | 1 day left | 666 backers

Deeper Connect Mini: Decentralized Cybersecurity
933% funded | InDemand

The FlexBEAM: Revolutionary Red Light Therapy
1391% funded | 15 days left | 793 backers

Bubble Hotels - Sleep Under the Stars in Style
2047% funded | 14 days left | 1084 backers
CROWDFUNDING

CF PLATFORM PROVIDERS IN BELGIUM

VRIJE UNIVERSITEIT BRUSSEL
GOkey
A new kind of device for your keychain. One that is Powerful, Smart and Connected.

Battery
A small powerful battery to charge your phone on the go for up to 2 hours.

Cable
Use it as a USB cable to charge your phone from any USB port or sync it to a computer.

Locator
Connects through bluetooth with your phone to help you locate your lost keys or find your phone.

Memory
Store photos, music, videos and files. Choose from 8, 16 or 32 GB of flash memory.

Black
OR
White

Lightning
Micro USB

Flash memory
$69 8 GB
$79 16 GB
$89 32 GB

Add $10 for international shipping

GOkey color preference to be asked at end of the campaign
Stretch goals

- $500,000
  GPS Location
  App to track the lost GPS location of your keys

- $650,000
  USB 3.0
  Five times faster transfer speed for GOkey’s USB

- $800,000
  Phone Remote
  Remote for camera, music, keynote, incoming calls

- $1,000,000
  File Manager App
  Open, copy & paste files from GOkey to your phone

$1,111,697 USD
RAISED OF $40,000 GOAL

2.779%

This campaign raised $1,029,604 by its July 03, 2014 deadline, and is continuing to accept contributions.

∞ Forever Funding pilot program
what struck you?
November 2016

Hi everybody,

We are resolving the issues with wifi and we are moving on.
We had to change the wifi chip and redesign the antenna.
The new chip consumes less energy and boots twice as fast.
And the new antenna design performs well and is stable.

The GoKey project has dragged longer than any of us could have ever imagined.
Please accept our sincere apologies.

Being late, we ought to at least deliver a device that works reliably and that is what we are striving for.

Our goal now is to ship GoKeys in time for Christmas holidays.

All the best
GoKey team

Doros K

April 2017

posted by Doros K
Apr 15, 2017 • 8:26AM

Dear Backers:

I sincerely regret to inform you that GoKey lacks the funds to complete the delivery of a viable product. We ran into technical difficulties that we could not resolve. There are no funds left to cover claims of suppliers and others or to offer refunds. I have been exploring all avenues to raise additional funds so that we could complete and deliver the product, but we have been unsuccessful.

I honestly fought with all I had to do good at the end. Tried so hard to raise a round or form a partnership to deliver. And there have been times where a deal was looking 100% certain. But the age of the product, the liability and the negative cloud hanging over it always prevailed.

I am left with no alternative but to completely cease and shut down all operations and activities and consider filing for bankruptcy.

I feel terribly shameful for letting you down.
I am sorry,
Doros
QUESTIONS?
thomas.crispeels@vub.be
marc.goldchstein@vub.be
kevin.de.moortel@vub.be

Offices
Pleinlaan 5, Level 4
PL5.4.27 & PL5.4.28o