



Money Raising

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Introduction

Steps to create business:

- creating idea
- gathering team
- market analysis
- **raising money**
- creating MVP
- surviving and selling



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Introduction

Raising money is a key action on every stage of start-up's life. Different amount of money is needed on different maturity level of start-up. This is the money needed to finance essential actions and plans on the road of business idea commercialization or product development.

You can have a brilliant business idea, a well-chosen team, a well-recognized sales market and you can be favoured by a good market situation, and you still will not succeed... without financial help from outside.



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Introduction

Two facts:

- raising funds can be one of the most frustrating aspect
- you can learn the skills of persuading others to invest in your business

The success factors are:

- selection of the best source of financing,
- substantive arguments included in the documents,
- convincing presentation
- enormous faith in your business idea.



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What is money raising?

First questions to answer on start of money raising process:

- How much I should raise?
- When is the right time to raise?
- How do I meet investors?
- What do they expect from me?
- Do I achieve what I need the most: money in the bank?



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What is money raising?

Money raising process enables to earn money or encourage donations for the benefit of start-ups.

IMPORTANT: Any outsource funding is not replacing the need for customers and revenues!!!

The initial capital raised by a company is typically called “seed” capital.

But... needs are changing during start-up live cycle.

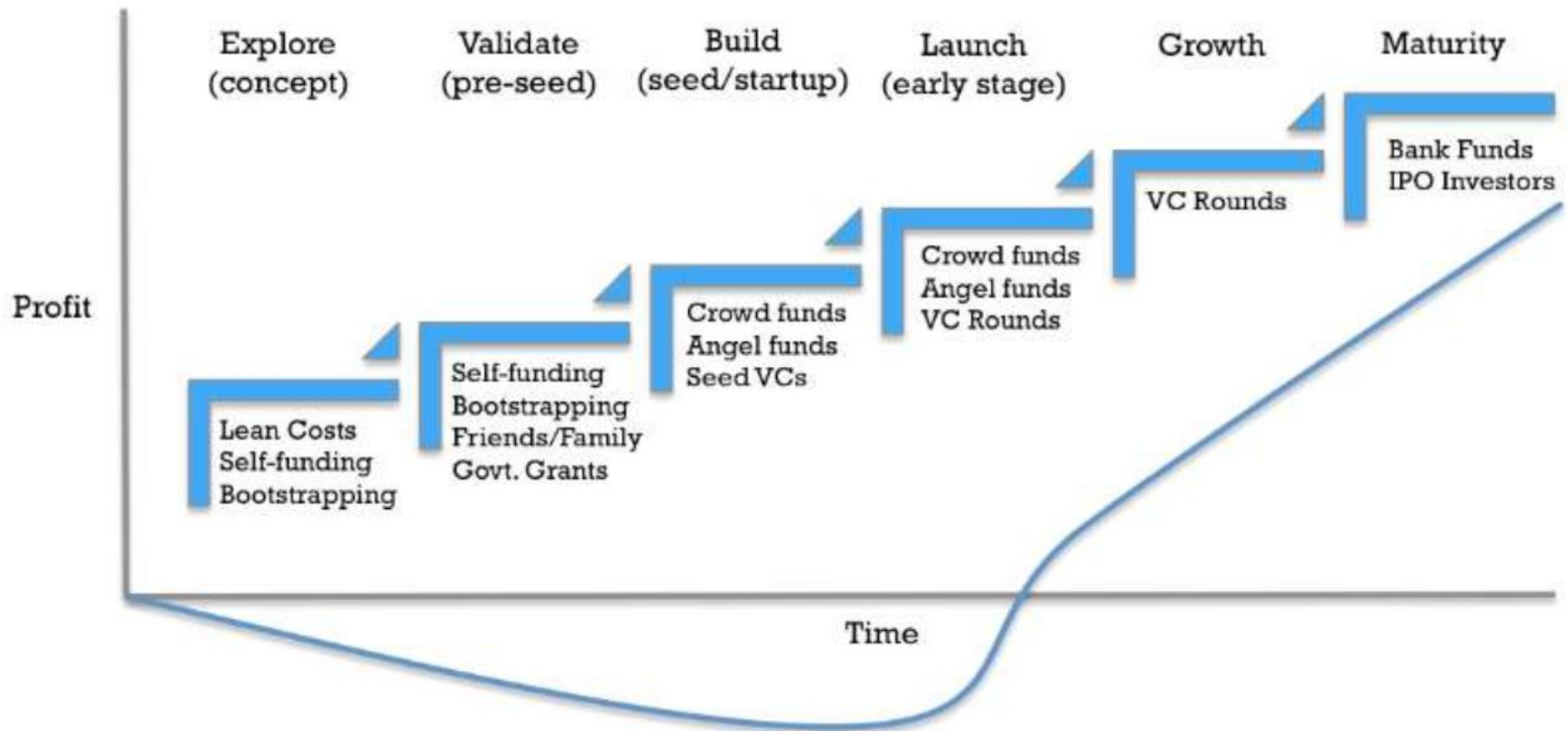
Therefore, we distinguish several financial milestones.

Match milestones with available funding sources.



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What is money raising?



Money sources

1. Friends and Family (Bootstrapping)
2. Loan
3. Crowdfunding
4. Business partner
5. Private investors
6. Business angels
7. Venture capitals
8. Private equity
9. Grants
10. Business incubators and accelerators



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Money sources

1. Friends and Family (Bootstrapping)

Sometimes, people invest in the person and not in the idea. And who knows you better? Your friends and family! Turn to them first as they are more inclined to support your start-up than total strangers. This can be the first round of your start-up capital to get the ball rolling.



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Money sources

2. Loan

Normally, banks is the first place that entrepreneurs go when thinking about funding. The bank provides two kinds of financing for businesses. One is working capital loan, and other is funding.



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Money sources

3. Crowdfunding

One of the trendiest ways of raising funds in the world today is through crowdfunding. Basically, it is a brilliant way to raise funds from individual investors. Sites like *Kickstarter* are more popular than ever, where their particular focus is on helping receive lots of small donations from regular citizens and push it to fund start-up projects or existing business where cash expansion is sought.



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Money sources

4. Business angels

Similar to private investors, these are the people that have money made on their own businesses. They offer not only cash, but also huge experience that was built on basis of expanding their companies.



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Money sources

5. Venture capital

Institutions that are focusing on investing in companies on different, but mainly first stages of growing enterprises.



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Money sources

6. Grants

There are many sources for getting money from public sources, especially when project is related to R&D stage. This possibility is available on national and European level.



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Money sources

7. Business incubators and accelerators

Business incubators basically nurture business while accelerators fast-track businesses.

Both institutions are focusing on early stage companies, where they offer support, knowledge, mentoring and access to usually small money for checking feasibility of idea.



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Money sources

Other funding sources:

8. Private investors

People with money

9. Private equity

Companies with money

10. Business Partner

Team mate with money

11. IPO (Initial Public Offering)

Public money



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Process overview

Steps leading to investment:

1. Acquiring contacts to investors
2. Sending first document set (teaser)
3. If response is positive – sending more detailed documents
4. Investment presentation and Q&A
5. Analysis of sent documents
6. Another Q&A
7. Term sheet
8. Due diligence
9. Investment agreement
10. Exit



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Term sheet

Facts about term sheet:

- letter of intent for future cooperation
- does not force to cooperate
- usually contains exclusivity part
- contains basis of future investment agreement

Cooperation with „startup lawyer“ is strongly recommended from this point.



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Due diligence

Facts about due diligence:

- covers deep analysis of all data in sent documents
- strong cooperation between investor and founders
- lot of questions expected to be answered very fast
- identifies risks, explains processes and possibilities
- covers team, market, technology and finances



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Due diligence – team

What	How
Team's experience in business plans execution	CVs of core team
Competences coverage	Conversations
Cooperation experiences between team members	Feedback from market
Team's motivation	
Relationship with other players on the market	



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Due diligence – market

What	How
Growth rate	Business plan
Product's time to market	Internet
Market's need for product	Competition
Business model reality	
Marketing strategy consistence	



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Due diligence – technology

What	How
Competitive advantage	Business plan
Intellectual property protection	Internet
Scalability	Consultation with experts
Technology readiness level	Patent advisors
Usage in different fields	



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Due diligence – finances

What	How
Consistence and reality of assumptions	Business plan
Investment amount	Historical data
Cash flow	
Investment return rate	
Exit possibilities	



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Necessary document set

The entry documents portfolio should include:

- **one-pager/teaser,**
- **pitch deck,**
- business plan,
- Business Model Canvas,
- financial analysis,
- **investment presentation,**
- competition analysis,
- milestones definition.



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One-pager

One-pager facts:

- first document sent to investor
- contains most important information
- has short form
- needs to be graphical attractive
- should be structured



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One-pager – contents

One-pager covers following topics:

- problem introduction
- short description of solution
- definition of potential users
- market size and market value introduction
- growth rate and future plans including business model
- competitive advantage
- amount of money to be raised
- main costs
- contact details



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One-pager – recommendations

Focus on following aspects:

- use simple language
- do not use long descriptions for each section
- use graphic-friendly approach
- add images and graphs
- prepare graphic template according to brand book
- do not exceed 2 pages



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Pitch deck

Pitch deck facts:

- subsequent document sent to investor
- contains more detailed informations
- has form of self-explainable presentation
- needs to be graphical attractive
- should be structured
- text-entended version of investment presentation



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Pitch deck – contents

Pitch deck consist of following slides:

- name, logo and motto of company/idea
- problem definition
- solution description
- main advantages of presented solution
- product/service description including use-cases
- traction of the market
- market definition in terms of size and value
- competition (direct and indirect)



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Pitch deck – contents

Pitch deck consist of following slides:

- team presentation focusing on roles and competences
- business model introduction
- investment requirements (e.g. money, contacts, etc.)
- contact details



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Pitch deck – recommendations

Focus on following aspects:

- use simple and descriptive language
- do not use long descriptions for each slide
- use graphic-friendly approach related to your brand book
- add images and graphs
- keep it simple, but meaningful



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Investment presentation

Investment presentation facts:

- document directly presented to investor
- contains detailed information
- has form of slides presentation
- needs to be graphical attractive
- should be structured
- contents delivered mostly in verbal form
- not sent by email 😊



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Investment presentation – contents

Investment presentation consists of following slides:

- name or logo of company/idea
- problem definition
- solution description
- market definition in terms of size and value
- business model
- competitive advantage
- competition (direct and indirect)
- marketing plan
- team
- money needed



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Investment presentation – recommendations

Focus on following aspects:

- use simple and descriptive language
- focus on short descriptions for each slide
- use graphic-friendly approach related to your brand book
- add images and graphs
- focus on text and non-verbal parts of your pitch



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Investment presentation – recommendations

Focus on following aspects:

- use simple and descriptive language
- focus on short descriptions for each slide
- use graphic-friendly approach related to your brand book
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- focus on text and non-verbal parts of your pitch



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Investment presentation

Things important for potential investor:

- team
- passion
- experience
- knowledge
- skills
- leadership
- commitment
- vision

Investment presentation slides

Main principles:

- don't use fancy templates
- trust the simplicity
- avoid „walls of text“
- less text is better
- use images

What next?

How to make on money on startup:

- salary
- selling shares
- going to stock (IPO)
- dividend on income



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SIX STEPS AHEAD



Erasmus+



Thank you



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