



# Early Stage Funding: Capital Expectations Primer

Presented by Roger London  
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# RL Background

Serial Entrepreneur #6?

\$1B

Dept of Defense and Intelligence Community Tech Scout

NOKIA Venture Capital

Dingman Angels, Baltimore Angels

Homeland Security Incubator Director

Startup America/NYSE, Wal-Mart, GE, Coca-Cola

Chaired 2017 and 2018 ASCE Innovation Contest  
and providing Entrepreneur on Demand for 2019



# Innovation v commercialization

- Define innovation
  - What is difference between successful innovation and unsuccessful?
- Define commercialization
  - What is difference between successful commercialization and unsuccessful?



# Top 4 reasons startups fail

Not Right Team

Poor Marketing

No Market Need

Ignore Customer Needs

Ignore Customer Needs

No Market Need

Not Right Team

Poor Marketing



# Business model mistakes

1. Overlooking competitors with inferior offerings
2. Solving a headache, not heart disease
3. Only targeting largest markets
4. Confusing marketing with sales
5. Failure to leverage sales channels
6. Underestimating length of sales cycle
7. Tacking too fast and too often
8. Not pinpointing who ideal customer is
9. Confusing management with leadership
10. Grant revenue reliance v customer revenue



**Commercialization Business Models  
(and Investor Red Flags)**



# What should you build?



1. High touch client retention plan
2. Early adopter market makers
3. Clearly defined benefits and differentiation in scalable business
4. Build to buzz ratio
5. Cashflowing/subscription models
6. Track data (sales cycle, production time and costs, marketing results)
7. Profitable, repeatable, sustainable, scalable
8. Multiple revenue lines over many clients

**Commercialization Business Models  
(and Capital)**



# Elevator pitch

max 40-50 words

My Company, (company name)  
is developing (a defined offering)  
to help (a target audience)  
(solve a problem)  
(with secret sauce)



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UBER

an on demand sedan service  
to help people  
get a safe quality sedan quickly  
by matching local real time taxi  
needs with local sedan  
contractors





IT DOESN'T MATTER WHAT YOU THINK YOU SAID.....



**IT ONLY MATTERS WHAT  
THEY HEARD!**

# Presentation- what do I share, with whom and when?

Presentation	Investor	Customer
Elevator Pitch	yes	yes
Executive Summary	yes	yes
Business Plan	yes	x
Presentation Deck	yes	yes
White Paper	yes	yes
Use Case (Study)	yes	yes
Non-Disclosure	x	?
Website	yes	yes

Presentation Strategies

	R&D	Pilot	Pre Revenue	Post Revenue	Expansion	Type
Grants	✓	✓	✓			Loan or Revenue
FFF	✓	✓	✓			Loan, equity or convertible note
Angel		✓	✓	✓		Loan, equity or convertible note
VC				✓	✓	Equity
CVC		✓	✓	✓	✓	Equity
Bank					✓	Loan
I-bank					✓	Equity or loan
PE					✓	Equity

**Stages of money**



# Investor Red Flags

1. Market share based on % of total market
2. No competition
3. FF&F terms not angel friendly
4. Use of Proceeds pays salaries or debt
5. NDAs
6. Polishing the cannonball
7. Bury the headline
8. Relatives/friends on team
9. Muddy IP
10. Hockey stick growth
11. Lack of attention to cashflow
12. Founder CEO



Capital Sources and Expectations



# What else should you do for capital?



1. Show clear IP trail
2. How are you going to make money!
3. Clearly defined benefits and differentiation
4. Evaluate scalability, repeatability and profitability
5. Team examples of success
6. Valuation
7. Clear, concise and compelling- 6<sup>th</sup> grader \*
8. Profitable, repeatable, sustainable, scalable
9. Founder self awareness

Capital Sources and Expectations



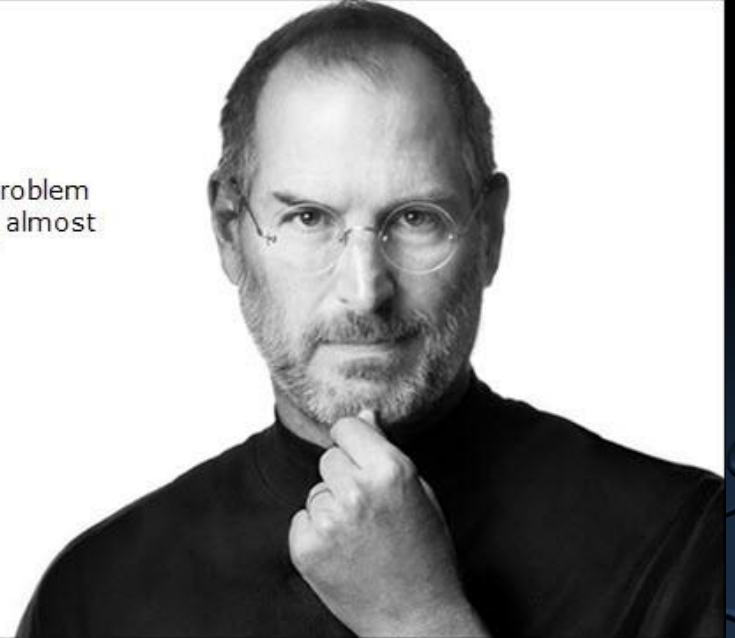
# Define the problem

What **problems are you solving** and why does it cause customers so much pain?

Is a solution a “nice to have” or does the problem keep them up at night?

"If you define the problem correctly, then you almost have the solution."

-- Steve Jobs



# Evaluate the problem...how systemic?

- How big a problem is it?
- How common is the problem? How many people does it effect...

5k

5m?

5b?



# Market Potential

**Who** are the potential users and buyers of the innovation?

**How many** are there and where are they (e.g. how big is the market)?

Is this a **growing market** or have you created a solution for a market that is shrinking?







# Product Use

Describe the product and how it would be used



(**FAB** and not so much a technical description but rather a what it does, who will use it and how it would be used...highlight of how user Chris is going to use it)



# Financial planning

- Cash burn
- Fully burdened FTE costs
- Office space- no foosball tables
- Waiting too long to raise money
- Ignoring/refusing to pursue long term capital
- Comingling
- Estimate break even point
- Underestimate development costs
- Never apply a small % against a big market
- Financial forecast by month
- “these are conservative”
- Variable what-ifs in model

Financial Planning



# Entrepreneur Skills

In addition to innovating, what entrepreneur senses increase chances of successful commercialization?

1. Self Awareness
2. Time management: prioritization and sense of urgency
3. Messaging- FAB, WIFM, so what?
4. Cash management
5. Difference between prospect and customer
6. Knowing when to walk away

Entrepreneurs are not always founders



# Profit is not a dirty word

Misconception: Capitalism and profits are the gain to some by taking from others.

**FALSE**

Profits provides you the freedom to choose

- how you want your business to operate and
- who to serve!

Lack of profit means you have to listen to others because you need their money (OPM).



QUESTIONS?





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