ASPENCAPITALFUND

Venture Readiness Workshop

DYI VERSION

For startups and established businesses.

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Want more?

Every year, we take on a limited number of clients –startups and established businesses (all industries) who are looking to attract investors and/or want direct feedback on how to improve their chances for meetings and deals.

1 on 1 consulting

Work 1 on 1 with our founder and managing partner, Gregory Tanner. Reach your goals faster. Get maximum value. Save time.

Who this is for?

It's for people just starting out or those who are more experienced and already established who want to raise capital. It is for people who are raising capital for a fund, seed capital, follow-up rounds or other larger deals.

Position with Aspen Capital Fund

Position your partnership with Aspen Capital Fund to attract the attention of new investors. You will get access to our community and weekly Q&A calls, where we offer all the support and coaching you need.

The contents of this book, including any videos presented herein, do not constitute an investment recommendation. As such, this book does not contain all information that a prospective investor may desire in evaluating an investment strategy or individual investment.

Each investor must rely on his or her own examination of an investment strategy or individual investment, including the merits and risks involved in making an investment decision. Prior to making an investment decision, a prospective investor should consult his or her own counsel, accountants, and other advisors to evaluate the merits of an investment strategy or individual investment. Additionally, any discussion of the past performance of any investment strategy or individual investment should not be relied on as a guarantee of future performance, and no warranty of future performance is intended or implied.

Introduction

The difficulty isn't finding capital, it's the lack of knowledge on the process of how to successfully get the capital. Much of the knowledge in this guide isn't something you find or can learn in a single seminar or classroom. Gathering this knowledge can take a tremendous amount of time and trial and error. This guide is designed from our experiences at Aspen Capital Fund from an insider's perspective. We have focused on the topics we see entrepreneurs struggle with the most. In the venture readiness workshop, we have highlighted the top topics that can help put your fundraising on track, avoid common pitfalls and make careful decisions.

Built for first time business owners or no revenue startups, the 99-point venture readiness workshop covers the essentials to bring your idea venture ready.

Fundraising is a difficult task. It is even more difficult if you don't know the process or understand the requirements. The challenge of the competitive environment, the hordes of business opportunities, and the scores of information you need to know is enough to discourage anyone.

The combination of all of this creates a false illustration to the startup or established business that is seeking capital.

Too often, because of the nature of the venture capital industry, great deals are passed over. This workshop was created to be a resource for entrepreneurs who have several different factors to consider when out fundraising for their business. This formula isn't a sure-fire way to success but certainly brings light to the many things that simply aren't public knowledge for outsiders.

This workshop covers some obvious topics and uncovers the nuances in the venture capital industry that everyone should know and understand.

The ideal investor.

Define your ideal investor: Before you start your capital raising strategies, it's important to step back and consider what types of investors you are targeting. It is never a good idea to go after every type of investor because the returns or potential of an offer is so appealing. Not every type of investor will agree with you, and you will want to maximize your time with those who are most likely to understand the investment and have a natural interest in it.

Your ideal investor is a well-defined picture of the exact type of investor from which you hope to raise capital which you hope to raise capital If you try to raise capital from all types of investors, you'll fail or struggle. If you don't know the specific needs, challenges, and fears of the investor you're approaching, you are more likely to fail.

What risks are your investors considering while reviewing your offer?

Why would they not invest?

How educated are they about your type of fund and asset class?

What potential investors are there to choose from for your specific investment type? i.e. venture capital, angel, private equity.

What is the most common investor for your asset type or offering?

What is the most profitable type of investor to serve that realistically would give you an audience?

If you could get inside the minds of potential investors, what would be the ideal offering in your space?

Marketing message: The messaging that speaks directly to this investor.

Build an advisory team.

Firms raising capital succeed because they sought advice from a diverse and experienced group of industry professionals. Building a board of advisors of 4-12 professionals with experience in running the portfolio management, marketing, and operations of a fund can make the difference between making it to the $100 million marks or staying off the radar of most investors forever.

First and foremost, the pedigree of your team can be the thing that attracts the attention of a new investor, attracts additional talented professionals to join your team, and helps you build a credible board of advisors if they really believe in the portfolio management team and the executive team.

There are ways of expanding the pedigree of your team using non-traditional methods and it can really help your company gain an advantage. One way is by bringing on consultants and business partners. Whenever you interview a service provider or a consultant that you are considering hiring, you should look at their pedigree and their experience and determine how it will complement your team's experience. Nowadays, investors are doing due diligence on the service providers used by startups as much as they are doing their due diligence on the startup themselves. It's very important to look at the experience of the people you'll be working with as extensions of your own team. You can position your partnership in your marketing materials, over the phone, and really benefit from associating yourself with a highly regarded company.

The best way to expand your expertise quickly when you don't have lots of money to hire expensive and rare high-pedigree people is to build a board of strategic advisors. You can call them a board of advisors, strategic advisors, or it could just be your strategy team.

Startup Cultivation

You need to plan, build relationships, educate potential clients, and design high-quality marketing strategies and materials for the long term.

One way to generate more investor relationships is to involve yourself in layers of social groups that are enjoyable and filled with high-net-worth individuals and potential investors.

Be sure to incorporate investors into your network on all levels

- Marketing automation software
- Newsletters / Updates over email
- Automate any type of communication
- Track all interaction with your marketing
- Set up CRM and marketing automation
- Social media — LinkedIn

Investor resources

Investor Lists

The first thing you need to get is a database of investors that would consider investing in your area. There are lists to purchase but you may also search the web. We have compiled a database of more than 10000 investors in the U.S.

You can do your own research by web searches or networks like LinkedIn

Essentially, the advice here is to know your position and your ideal investor and then find a strategy by which you find exact matches for your ideal investor.

Due Diligence Questionnaire

Most investors will require you to complete a due diligence form that is as short as five pages to as long as 50 pages or more, which will request details on your operations, investments, compensation structures, and team. Most investors request similar types of information, so it is helpful to create a master document from which you can pull well-refined and compliance-approved answers. It is best if your answers cite sources and use graphs and charts that are accurate and refined to the point where they are concise yet robust enough to position your value offering in the marketplace. Most people rush through these and provide thorough answers that end up being long-winded. Be concise, provide great transparent data and figures, and treat this as a marketing piece that still directly answers each question asked.

One-Pager

This is your short, condensed overview of your project at the 10,000-foot level. The purpose of this document is to grab the attention of your potential investor, draw them in to your team and investment process, and make your plan clear in a minute or less. Literally, if it takes more than a minute to see what your strategy is and what your advantage is in the marketplace, you will lose the attention of many investors. To your one-pager to stand out, try to focus on adding a visual three- to five-step investment process diagram, pictures of your key executives, a two- to four-sentence description of your crystal clear advantage including the story of your project and why it exists, and try to keep enough blank space on the page to make sure it isn't too crowded.

Pitch Deck

The pitch deck is a visual representation of your company. The pitch is how you present your business idea to potential investors. A well-designed pitch deck clearly conveys what your business does, why, and how you will be successful. A pitch deck is an engaging and compelling way that excites your audiences and spurs them to action. The story you craft in your deck gets people engaged to start filling in the blanks for themselves. You want to give enough information to grab their interest, but not too much as to overwhelm them or have your story lose clarity & focus.

Your deck should be able to stand on its own, without your presentation.

You must communicate your business to investors in a short period of time. Your message must be clear, or you can lose credibility fast. You really do only get one chance to make a first impression.

The quality of a pitch deck is an important measure of the entrepreneur. Unprepared, ill-at-ease entrepreneur presenters create concerns among candidate investors regarding of the entrepreneur's skill sets in recruiting a management team or engaging with customers. Entrepreneurs must be confident, self-assured salespersons: selling investors, selling potential employees and selling the vision of the business and the utility of the product. Total familiarity with all aspects of the plan - including the financials, the need for capital, and the milestones that can be met with the capital to be raised - is critical to the success of entrepreneurs in pitching to investors.

Stats Page or Data Room

This is an online warehouse of key documents about your company.

The data room should have your company's important documents: contracts, intellectual property information, employee information, financial statements, capitalization table, etc. The online data room allows you to provide valuable information in a controlled manner and in a way to help preserve confidentiality. The online data room helps expedite fundraising process.

The online data room can be established to allow access to all documents or only to a subset of documents, and only to pre-approved individuals.

Access to the online data room is made via the Internet, with a secure user identification and a protected password.

FAQ

Compile a list of frequently asked questions and put this on your website and data room.

Investor resources checklist

- ✓ Investor List
- ✓ Professional Logo
- ✓ One-Liner
- ✓ Pitch Deck
- ✓ One-Pager
- ✓ Data Room
- ✓ Master DDQ
- ✓ Educational Marketing Folder
- ✓ Top 10 FAQs
- ✓ CRM
- ✓ Recorded Audi/Video Speech
- ✓ Whiteboard Explainer Video
- ✓ Video Pitch or Pitch Supporting
- ✓ Video
- ✓ 360 View Package

Define the business concept and vision.

1. Why does your firm exist and what is the creation story behind it?

2. What is your unique ability, your #1 area of strength, and how does that relate to your firm's unique offering?

3. Based on what the competition is doing and what investors are wanting more of in your space, what are three obvious areas to focus on to differentiate yourself?

4. What is a positive quality that makes you completely different than the big competition? Responsiveness? Business-minded? Flexible? Lean Infrastructure (lower fees)?

5. What could you do as a small firm which a large firm could never replicate due to their size and bureaucracy?

6. What are you passionate about? In what ways are you involved in your community? What do you have fun doing which could naturally help produce new investor relationships?

7. Now that you have looked at the top 7-10 competitors in detail, what do their brands stand for vs. yours? What is the gap, the empty space, the high-end niche appeal that you could take to edge out the competition for the most prized turf? Is there a way to appeal to a top segment of their investors more than your competition by targeting this group and ignoring the rest?

Go to Market Strategy

What is a go to market strategy? And why do you need one?

Let's start with the basics. A go to market strategy is a tactical action plan that outlines the steps necessary to succeed in a new market or with a new customer. It can apply to pretty much anything, from launching new products and services, to re-launching your company or brand, or even moving a current product into a new market.

An easy way to think of it is as a more specific version of your marketing plan—one with a narrow scope and that is hyper-focused on just one product. Like any good strategy, it's not meant to be some unwieldy document, but rather a tool that can be used and shared across your entire company. This means your go to market strategy needs to be comprehensive enough to be valuable, yet agile enough to be updated as you get customer feedback.

That's still a little bit vague, so let's dig deeper into why you'd want to put together one of these documents. A go to market strategy serves a couple of purposes. First, it clarifies why you're launching your product, who it's for, and how you're going to tackle the never-easy job of getting them to engage with and buy it.

Second, it forces you to think through all the issues your customers will face when presented with your product. This helps make sure you can give them the best experience possible and build trust with them. As the old saying goes, it takes years to build trust and seconds to destroy it. Your strategy is what ensures you're not messing up all the hard work you've put into getting to where you are now.

It takes years to build trust and seconds to destroy it.

Everything you need to know before you write your go to market strategy

Like any plan or strategy, you need to do a bit of research and digging before you can put it together. Your go to market strategy covers a lot of information in a short, concise manner. And before you jump in and start filling out page after page, it's important to have a firm idea of what you're doing.

For brevity's sake, we are going to use the word "product" to represent anything you're looking to launch—a product, service, offering, or brand.

Product-Market Fit

What problems does your product solve for people and how have you validated the need?

It might seem obvious that a company and product will only succeed if people need it. But if history is anything to go on, demand isn't always so easy to determine. In fact, a recent analysis of over 100 startups who shut down last year found that 42% didn't solve a valid customer problem.

As you put together your go to market strategy, dig deep into the "why" that led you to build this product in the first place.

As part of this, try to think long-term about your strategic objectives. How will your product change and adapt? What do you want to see happen in 6-months or a year?

Audience and buyers

Who is going to buy your product, what do you know about them, and how does your strategy support them?

Before you can put together your go to market strategy, you need to know who exactly your customer is. This means both high-level knowledge like basic demographic info, as well as specific knowledge of your ideal customer—their wants, needs, passions, and preferences.

To do this, break your questioning down into a few levels. First, who are your target markets? How big are they and what's their makeup in terms of reachability and buying power?

Next, who are your ideal customers within those markets? Are their specific groups or segments you know will be more likely to want your product?

Finally, what do you know about the market and your customers that supports your strategy? How does what you know and the personas you've created support your long-term vision?

As you go through all this, try to get specific and personal. The more you can make realistic customer profiles, the better you'll be able to make decisions about how to get in front of them, talk to them, and eventually make them customers.

Competitive landscape

Who else is in the market and how are they going to react to you waltzing in?

No one goes into battle without understanding both their opponent and the battleground. So why would you even think of launching a product without knowing what you're getting into? A go to market strategy is something that should constantly change and adapt to the market, and so you need a deep understanding of what the market looks like now as well as a pretty good idea of where it's going soon. What market trends are happening (or on the horizon) that will affect your launch and product success? Who are the main competitors and how will they react to your launch?

Distribution

How and where will you distribute your product?

More specifically, when customers are interested in buying from you, how will you make that happen? Is it a physical product in a store (if so, how do you get it there)? Is it on your own ecommerce site or a third party? Or is it a software product that they download directly from you? Don't leave distribution to an afterthought.

Is your product marketing-intensive or sales-intensive? (Will your customers respond better to marketing or sales?)

Marketing or Sales?

While these two are often complementary, they're also counterbalances. As Stanford professor Mark Leslie explains, the more marketing muscle you flex the less sales you should need, and vice versa. You should know your customer and what approach they react to more positively. In some industries, traditional sales techniques feel "icky" to customers, while in others, it's what they expect.

One way to figure this out is to look at a few factors:

Price: How much selling do you need to do? Higher prices and larger economic decisions for customers are better suited to sales than marketing.

Market size: Are you going after a large pool of customers where direct sales would be inefficient? Or a small group who need more attention before they'll decide?

Product complexity: Do you need a salesperson to explain the features and benefits to potential customers? Or is it self-explanatory enough that people who buy it can start using it right away?

B2B or B2C: Are you selling to companies or to individuals? In most cases, individuals will be better suited to marketing campaigns, while companies need to be sold to.

Relationships: Does your success rely on building a long-term relationship with a customer? Sales helps you connect more regularly with people, while marketing puts you in front of people when they need you.

Knowing which approach, you're going to take is an integral part of designing your go to market strategy and will inform what you prioritize and how you execute on your plan.

Your go to market strategy template: A step-by-step guide to bringing your product to the people

With all that information gathered, you should be in a pretty good place to put together a proper go to market strategy. As we said before, this strategy should act as a tool and a guide. Try to keep it as short and simple as possible, while also highlighting the nuances of what makes your product special.

Using the following framework, you should be able to put together a comprehensive strategy that will help you break into whatever market you're after.

1. What is your business case?

Why are you launching this product right now and what do you hope to gain from it?

The start of your go to market strategy should explain how this product aligns with your overall business plan and strategy. This can be a short explanation of how it ties into your other offerings, or how you're approaching a new market. Whatever your reasoning, be specific, concise, and honest.

2. Define your market strategy

Where does your product sit in the market and how will you tell users about it?

The next section will cover how you plan to engage with customers, create value, and hit that strategic objective you just explained. Some of the things you should cover here include:

Value props: What makes you different from the competition? Why would someone choose to buy you over what's already available? For example, you integrate with more tools they already use, or you have a mobile version.

Positioning: Where does your product fit in the market? How do you want people to view you in relation to other products out there? (i.e. you're a "luxury Airbnb" or "a more affordable and powerful version of Slack")

Messaging: How do you talk about the value you create? Don't get overwhelmed here. It's enough to just pick 3 pain points you solve for users or benefits you provide.

Sales and support materials: What is necessary to support and sell the product? What resources, tools, and support do you need?

Customer journey: How many stages are there in your customer's buying journey and what are the behaviors they take before and after purchasing? How much should people already know about you when they engage with the product?

Personas: Who uses your product? What are their specific characteristics and behaviors? Try to narrow this down to 1 or 2 user personas and get specific.

Use Cases: How will those people use the product? How can you help them imagine a life that's better because they're a customer of yours?

Keep each of these sections as short as possible. The goal here is to simply paint a picture of where your new product sits in the market and how you'll talk about it. You'll get more in-depth into the "how" behind each of these later in the go to market strategy.

3. Lock in your pricing strategy

How much are you going to charge for your product and why?

Pricing is more than just a financial decision. Of course, your pricing structure needs to make sense based on your business model, but it's also a signal to people about the value you're going to provide.

Pricing reflects every other aspect of your go to market strategy, from your customer to the market to how you use strategies like PR, marketing, and sales. And it needs to be a purposeful and deliberate choice.

Think about the message you send with your pricing. Are you a premium product that will need to be aggressively sold? Or are you trying to undercut the current competition and open new customers?

4. Create your external marketing plan

What sort of external marketing are you going to use to tell people about your new product?

Marketing is important no matter what your go to market strategy, but especially if your product is marketing intensive. If you're expecting customers to find you via ads and content (versus you selling to them) then you should pay special attention to this section of your plan.

Here's what you should be covering:

Branding: Who are you? What promises do you make as a company, both through the language you use to describe yourself and the way you present yourself visually? If you already have a strong and well-established brand for your company, is this new product consistent with it?

Lead generation: How are you going to find people to become customers? There are many ways to find leads and generate demand for your product. How are you going to do it?

Content: What value are you creating for users outside of the product? Content is a powerful way to get in front of potential customers and show them that you're knowledgeable and trustworthy. Think about what you can teach users and how your content strategy can help support your launch with things like blog posts, videos, eBooks, and whitepapers.

Marketing site: Where will the main information about your new product live? Will it be on your main site or on a micro-site? How will you explain your value quickly and in a compelling enough way to get people to purchase?

Events, ads, and PR: What else can you do to get people interested? This could mean using paid ads, search engine marketing, hosting or presenting at events, and using PR to amplify your launch in other outlets.

5. Specify your sales strategy and supporting materials

How are you going to empower salespeople to help you get a piece of the market?

If your product is more sales-intensive, you'll want to spend more time outlining how you expect that sales process to work. Sales is by no means easy. And you'll want to make sure that the people going out and representing your product have all the resources and knowledge they need to be successful.

<u>Here's a few things you should include here:</u>

Tools and resources: How are your sales team going to find, engage with, and sell to potential customers? What tools are they going to use for managing relationships and demoing the product? Are they in the loop with the latest Instagram trends and other key marketing channels your customers are active on?

Client acquisition: What's the right approach for finding clients? Inbound sales? Outbound sales? Cold calling? Resellers and partners?

Training support: How are you going to train the sales team so they're knowledgeable enough and confident in selling the product?

6. Sync up with support

How will you support new users and customers with questions or issues?

Any time you're launching a new product you can expect some added pressure on your support team (especially if you've done your work with your product launch and driven a ton of traffic!) And nothing sours an experience of a new product and your company in general than poor support.

Make sure your support team is prepared for whatever's coming their way by including things like this in your go to market strategy:

Tools: What tools are you going to be using to build and manage relationships with your customers? Do you have a CRM or some other tool you already use and are familiar with? Will support be done in real-time or over email?

Onboarding and support: How will new users know how to use your product? Do you have an onboarding or training series ready for them?

Retention strategies: How will you make sure people stick around? Or identify and nurture people who look like they're going to leave?

Satisfaction measurement: What will tell you that you're successful? (repeat usage, NPS scores, upgrades, etc.…)

7. Know where this product fits in your overall roadmap

What priority will this new product have over other features/products/initiatives?

The responsibilities of bringing a new product to market don't end once it's out in the wild. In fact, it's usually the complete opposite. Every time you launch something new, you're adding another item to your list of things that need to be prioritized. When you go to market with this new product, will it still get your attention? Or will your team move onto other projects?

There's a few different angles to think about this from and should be addressed in your go to market strategy:

Priority for development team: How (and in what order) will new features or bug fixes be addressed?

Market feedback: How will future plans be communicated to customers?

Employee feedback: How will other people on your team keep up-to-date with this new product?

8. Decide on success metrics

What is the main purpose of this new product and how will you know if it is a success?

Every go to market strategy needs a success metric—something you can look at and judge whether your product is doing what you wanted it to do. As we've written before, these metrics should be:

Meaningful: Is it tied to a specific business goal that most people can agree on?

Measurable: Is there a number attached to it or some way to quantify the results?

Operational: Will you be able to quickly see the effects of your changes?

Motivational: Is it something you and your team want to work on?

It's a good idea to think of this in the same terms as OKRs—Objectives and Key Results—a goal-setting technique popularized by companies like Intel and Google. With OKRs, the "goal" isn't to hit 100% success each time, but to have an acceptable margin of success like 60-70%. This way, everyone's inspired to work hard, but knows that the best-case scenario is just that.

9. Clarify your ongoing budget and resource needs

How will you continue to support this product?

Brand Workshop

Why you need to carefully consider your brand (logo and positioning) when executing a capital raise strategy:

As competition creates infinite choices, companies look for ways to connect emotionally with customers, become irreplaceable, and create lifelong relationships. A strong brand stands out in a densely crowded marketplace. People fall in love with brands, trust them, and believe in their superiority. How a brand is perceived affects its success, regardless of whether it's a start-up, a nonprofit, or a product.

In the positioning spectrum you want to be at the level 4 position.

Brands have three primary functions*

Navigation

Brands help consumers choose from a bewildering array of choices.

Reassurance

Brands communicate the intrinsic quality of the product or service and reassure customers that they have made the right choice.

Engagement

Brands use distinctive imagery, language, and associations to encourage customers to identify with the brand.

When to start the process

New company, new product.

I’m starting a new business. I need a business card and a website.

We’ve developed a new product and it needs a name and a logo yesterday.

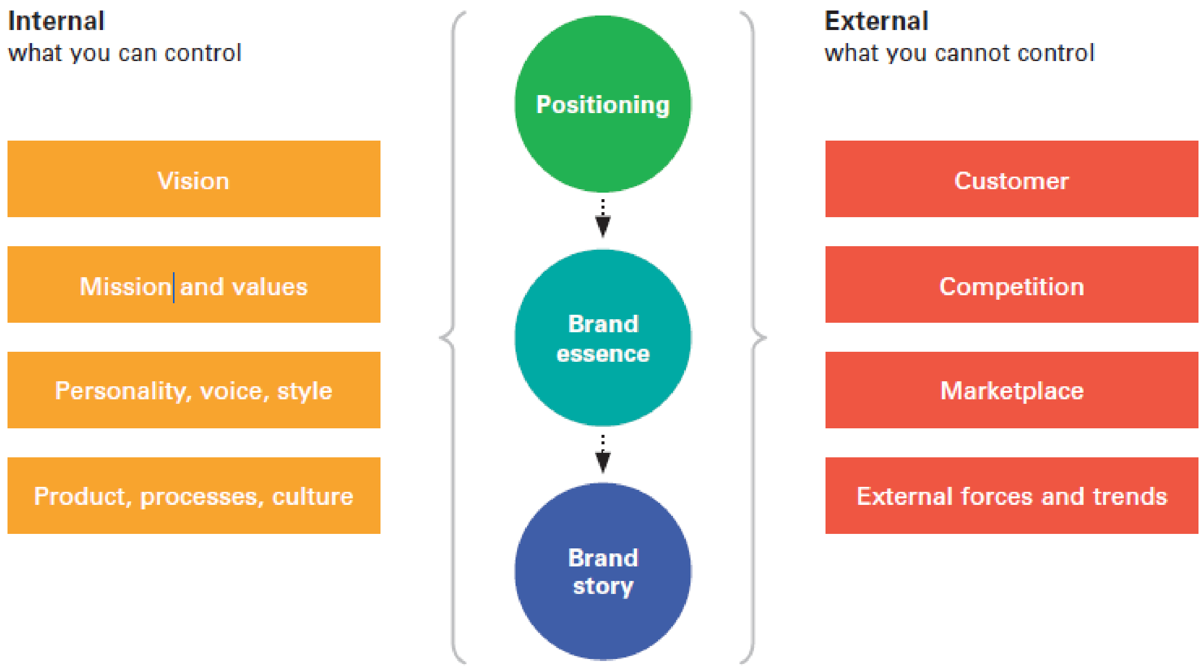
We need to raise millions of dollars. The campaign needs to have its own identity.

We’re going public in the fall.

We need to raise venture capital, even though we do not have our first customer.

Brand strategy builds on a vision, is aligned with business strategy, emerges from a company’s values and culture, and reflects an in-depth understanding of the customer’s needs and perceptions. Brand strategy defines positioning, differentiation, the competitive advantage, and a unique value proposition.

Brand strategy needs to resonate with all stakeholders: external customers, the media, and internal customers (e.g., employees, the board, core suppliers). Brand strategy is a road map that guides marketing, makes it easier for the sales force to sell more, and provides clarity, context, and inspiration to employees.



Branding review

One of the key things for branding will be your position statement - the statement essentially describes what you do and the promises that you make to the customer.

In consideration of your brand think about the personality traits you want to portray. Things like values, culture and marketing should be considered.

Brand visuals

Your brand visuals should be reflection of the culture and values that you have considered as your reviewing your position and promises. Positioning statements values and promises should be reflected in the visual images you are using your brand and ultimately your logo.

Your taglines or positioning statement or brand promises should be supported by pillars. The pillars are essentially the offerings have, your products and the supporting examples of that.

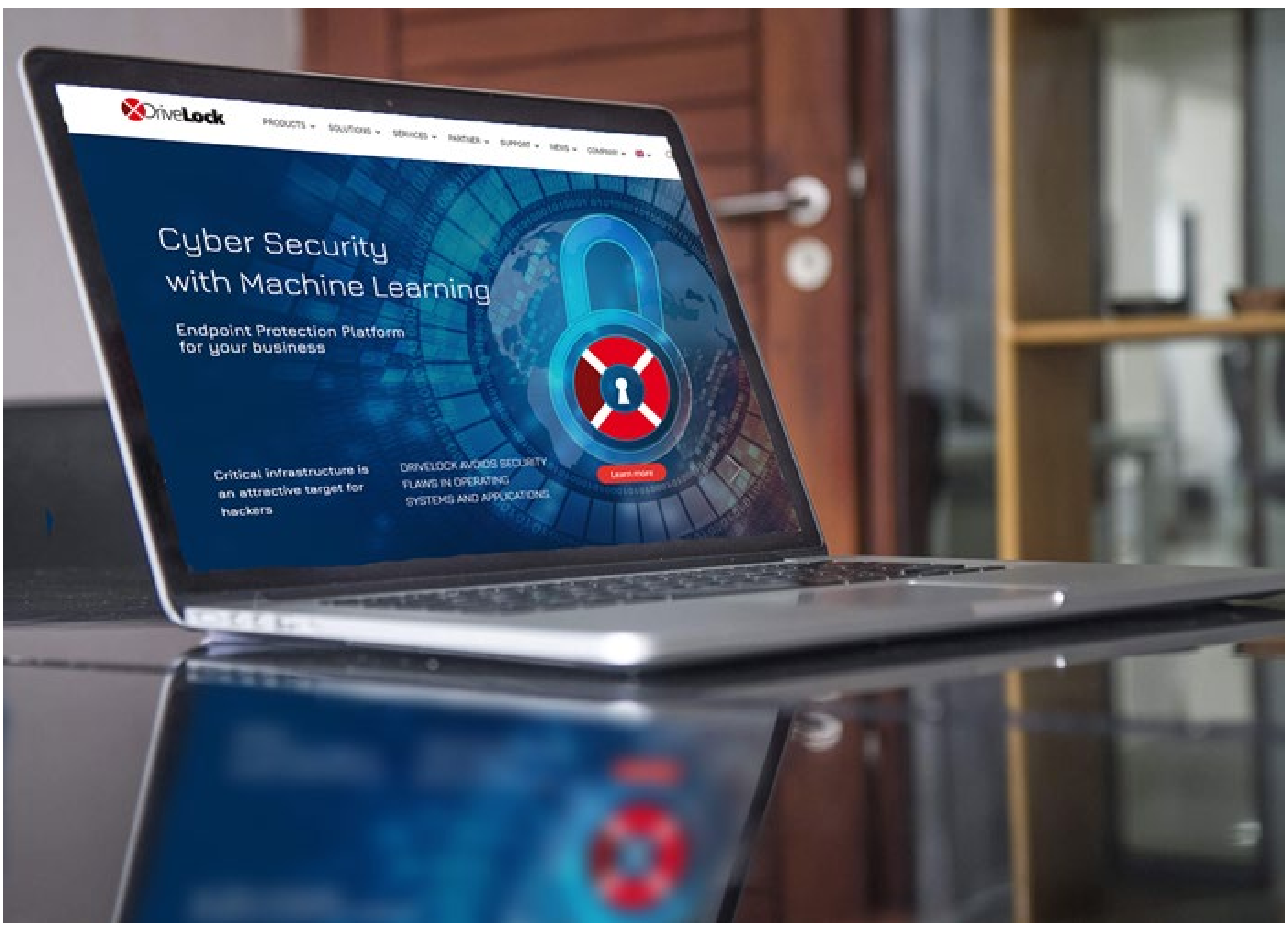
Your elevator pitch should be succinct and short describing your company and what you do in simple terms.

Marketing Materials

Website

Formulating a comprehensive, yet well-designed website for your company will also give you a competitive edge. Those who want to be in front of the competition in this area would be wise to add video content, audio content, whitepapers, and articles that the team has written to show off your collective expertise and experience.

Do not use a pop-up $10 website that has a badge bragging about how cheap you were right on the website. Get a real website created—this is cheap in the scheme of things.



Content Marketing

Content Marketing is the creation and sharing of content for the purpose of promoting a product or service. Though the focus of this content may not specifically be about your organization or its offerings, often assets created for the purpose of content marketing include a mix of problem-specific information and thought leadership.

Types of Content

- Articles
- Presentations
- Blog Posts
- Press Releases
- Books/eBooks
- Product Data Sheets
- Brochures/manuals
- Reference Guides
- Case Studies
- Resource Libraries
- Email
- RSS/XML Feeds
- Images
- Videos
- Information Guides
- Webinars/Webcasts
- Microsites/Web Pages
- White Papers
- Online Courses
- Widgets
- Podcasts/Videocasts

Authority building

Building subject matter expertise. One of the things this is often overlooked but investors look for is subject matter expertise. You can build subject matter expertise and authority through your content plan. You can write about your expertise in your blogs and back your position through public relations speaking and press releases as well as creating a book, case studies and podcasts.

Supporting marketing and sales messaging

You can use the messaging that you built while doing your branding and positioning. you should have an elevator pitch, positioning statement and a few taglines. From these taglines you can build SEO terms and SEO categories.

Social media

One way to prove that you're getting traction is through social media outlets. You'd be surprised at how many investors look for social proof before they listen to your pitch. You can use the traditional social media or be specific for your industries such as LinkedIn or Quora. It's a great way to build traction and to prove that your audience is interested in what you have to offer.

Public Relations

Speak at public events, conferences, networking events, and other industry forums where you will be heard not only by your peers, but probably a few members of the press, as well. I would highly recommend writing and speaking every week to help build a presence, brand, and network in the industry.

Funding and capital requirements

Financial needs

This is the area where you can discuss the amount of money you are seeking. The valuation of your company before investment and post investment. Keep is simple and straight forward. A good investor will ask this question up front but will want to hear the whole story of the company. A poor investor only will look at the financial numbers.

Smart money comes from savvy investors with the time and inclination to help you build your business. These investors are successful, exited entrepreneurs or experienced businesspersons who bring both time and money to their portfolios of invested companies. Funding from angel investors is smart money. Many entrepreneurs have told me that the time angels invest in their companies is more valuable to them than the funding they provide.

It is lonely at the top. Entrepreneurs have few problem-solving advisors and business counselors for vexing issues related to building management teams and growing businesses. Smart money investors provide entrepreneurs with solutions through coaching and mentoring, and by serving on Boards of

Directors of their invested companies. Furthermore, a good Board of Directors meets regularly and forces the entrepreneur to work "on" the business not "in" the business at frequent intervals. Stopping to look at the business from 30,000 feet, comparing performance to plan, and, if necessary, revising the plan are keys to success for high-growth companies.

Solo angels are considerably more difficult to locate, but they generally bring a valued set of skills and experiences to entrepreneurs. Extensive networking locally is the only way to meet and attract solo angel investors to your company. Start by asking the head of the local entrepreneurship center, your attorney or your accountant for introduction to angel investors. You will find that angel investors know other angels, so don't forget to continue to network once you identify an angel or two. Perseverance is required to engage with solo angels.

Dumb money is invested by unsophisticated investors who have little or no business acumen to share with you. Unsophisticated, passive investors, who invest in your company and patiently wait on the sidelines for return on investment, can be valuable to entrepreneurs, but there is always risk involved in taking dumb money. Does the investor understand the risks involved in start-up companies? Does this investor really understand the difference between an equity investment and debt financing, i.e. will these investors appear at your door one day expecting to immediately collect their money with interest? Smart money always understands the risk involved and structures the deal with you so that it makes sense for both sides.

Valuation

Reverse engineer your exit strategy to plan for enough equity and growth. This is a place where you can start to develop valuation for your business. Valuation for a new company is complicated but here are some guidelines to consider. Always have these in the forefront of your valuation mindset. This thinking will help you avoid "overvaluation" or "poor valuation". This is one area where entrepreneurs go wrong. A dose of reality is always needed for early businesses. Saying you have a Million Dollar Idea doesn't make it so.

When valuing a company as a going concern there are three main valuation methods used by industry practitioners:

(1) DCF analysis,

(2) Comparable company analysis, and

(3) Precedent transactions.

These are the most common methods of valuation used in investment banking, equity research, private equity, corporate development, mergers & acquisitions (M&A), leveraged buyouts (LBO) and most areas of finance. When valuing a business or asset, there are three broad categories that each contain their own methods.

The Cost Approach looks at what it cost to build something, and this method is not frequently used by finance professionals to value a company as a going concern.

Market Approach, this is a form of relative valuation and frequently used in industry. It includes Comparable Analysis Precedent Transactions.

Discounted cash flow (DCF) approach is a form of intrinsic valuation and is the most detailed and thorough approach to valuation modeling.

Method 1: Comparable Analysis (“Comps”)

Comparable company analysis (also called “trading multiples” or “peer group analysis” or “equity comps” or “public market multiples”) is a relative valuation method in which you compare the current value of a business to other similar businesses by looking at trading multiples like P/E, EV/EBITDA, or other ratios. Multiples of EBITDA are the most common valuation method.

The “comps” valuation method provides an observable value for the business, based on what companies are currently worth. Comps are the most widely used approach, as they are easy to calculate and always current. The logic follows that, if company X trades at a 10-times P/E ratio, and company Y has earnings of $2.50 per share, company Y’s stock must be worth $25.00 per share (assuming its perfectly comparable).

Method 2: Precedent Transactions

Precedent transactions analysis is another form of relative valuation where you compare the company in question to other businesses that have recently been sold or acquired in the same industry. These transaction values include the take-over premium included in the price for which they were acquired.

These values represent the end bloc value of a business. They are useful for M&A transactions but can easily become stale-dated and no longer reflective of the current market as time passes. They are less commonly used than Comps or market trading multiples.

Method 3: DC Analysis

Discounted Cash Flow (DCF) analysis is an intrinsic value approach where an analyst forecasts the business' unlevered free cash flow into the future and discount it back to today at the firm's Weighted Average Cost of Capital (WACC).

A DCF analysis is performed by building a financial model in Excel and requires an extensive amount of detail and analysis. It is the most detailed of the three approaches, requires the most assumptions and often produces the highest value. However, the effort required for preparing a DCF model will also often result in the most accurate valuation. A DCF model allows the analyst to forecast value based on different scenarios, and even perform a sensitivity analysis.

A good knowledge of these models will help greatly in your pitch or pitches. Valuation is the most problematic area for most pitches. Be realistic. If it's real, then either build more value or come to reality.

IMPLIED VALUE

Implied value is the value that isn't a hard-financial value. It's what you believe someone should pay. It's a perception of what your business is worth at a point in time. It helps to build the valuation but use care to be realistic.

EXPLICIT VALUE

Explicit value states the absolute, like facts and straight on. These are absolute statements that can be absolutely defended.

Value directly from the books.

Sales in the books.

The balance sheet.

Exit Strategy

Entrepreneurs are often quite surprised when asked early-on to define the company's exit strategy. In fact, this is a most logical question. It is critical that the interests of entrepreneurs and their investors be carefully aligned. The culmination of the investment process is the harvest, that is, exiting the business with an attractive return on investment for both the entrepreneur and investors.

Investors are not banks, to be paid back with interest after a pre-arranged period or upon the achievement of specific milestones. Angel investors and venture capitalists seek substantial return on investment in a relatively short period of time, say 5-7 years. What is substantial? Funding startup companies is high risk investing, with most of the return on investment resulting from 10 to 25% of portfolio companies. (That's right. . . the other 75 to 90% do not survive or provide investors with some return of capital or a small return on investment, only covering the investment in those companies lost.) For these reasons, investors in startup companies seek 10 to 30 times their invested capital in 5-7 years. With these returns for a small fraction of their invested companies, angels seek portfolio returns of 20-25% per year.

When defining their exit strategy, investors are asking the entrepreneur to take off his or her founder/CEO/employee hat and exchange it for the shareholder chapeau. Yes, entrepreneurs serve these two roles in their companies and the two functions sometime conflict with one another. By describing their exit strategies, investors are asking the entrepreneur to view the company solely from the perspective of the shareholders. Alignment of objectives is a critical ingredient in the relationship between investors and entrepreneurs. How can the entrepreneur and investors optimize the return on investment for all shareholders?

What are the exit opportunities for entrepreneurs and their investors? Traditionally there have been two: an Initial Public Offering (IPO) in which the company raises money from public markets, which eventually (over a period of years) allows private shareholders to sell their shares in public markets. The second alternative is selling the startup company to a larger private company for cash or to a public company for cash or publicly tradable shares of the purchaser. It is important to note that selling to another private company is not an exit, only a trade for illiquid shares in another venture.

A common mistake made by entrepreneurs in defining their exit strategy is to summarily state their exit will be by an IPO or via an M&A transaction. This is totally insufficient. Investors want to confirm that an M&A exit after successful execution of the business plan would in fact be attractive to potential buyers. It is incumbent upon entrepreneurs and their advisors to think through possible exits. What strategic buyers would pay an attractive price for a successful company in this space and why? What exit alternatives are likely to be available to the startup company in 5-7 years? Entrepreneurs need to be quite specific in defining possible exits. Or else, there will be no entrance!

It took me to quite a while to explain the Exit strategy because it is an important aspect that must be included in your pitch. Sadly, one of the aspects that left put by people who try to be overly optimistic. You must know that having an exit strategy does not reduce the level of hard work you must infuse into your business. It rather increases it, because if you're hoping to sell or involve others, you' need to put your company in a saleable condition. Keeping good records, tax returns, bank statements, cash registers and other documents that demonstrates income and expense. This would put one in apposition that requires the same amount of effort even if you have no hopes of exiting. Ideally businesses should start panning an exit strategy from the very outset of starting the business.

What Does Pro Forma Mean?

You may be wondering, what does “pro forma” mean? Basically, it is a fancy word for “future” or “projected.” Sometimes, however, it is used to restate financial books in an unofficial way.

For example, a company might present a “pro forma” income statement of what its income may have looked like if it did not include the money-losing division it sold off. But for our purposes, we will be using the first definition.

How to Create a Pro Forma Income Statement

Pro forma is a fancy word for future or projected.

A Pro Forma Statement Is an Important Tool for Planning Future Operations

For my purposes here, a pro forma income statement is like a historical income statement, except it projects the future rather than tracks the past. If the projections predict a downturn in profitability, then you can make operational changes, such as increasing prices or decreasing costs, before these projections become reality.

Pro forma income statements provide an important benchmark or budget for operating a business throughout the year. For example, they can determine whether expenses can be expected to run higher in the first quarter of the year than in the second. They can also determine whether sales can be expected to run above average in, let's say, June. They can determine whether your marketing campaigns need an extra boost during the fall months. All in all, they provide you with invaluable information—the sort of information you need to make the right choices for your business.

How Do You Create a Pro Forma Income Statement?

To create a pro forma income statement, work from your current Income statement and try to predict the future changes.

Sit down with an income statement from the current year. Consider how each item on that statement can or will be changed during the coming year. This should, ideally, be done before year's end. You will need to estimate final sales and expenses for the current year to prepare a pro forma income statement for the coming year.

Pro Forma Gross Profit

Let's assume that you expect sales to increase by 10 percent next year. You multiply this year's sales of $1,000,000 by 110 percent to get $1,100,000. Then, in this case, you assume there will be no increase in the cost of each item you are selling, but you will need 10 percent more items to sell in order to achieve your sales goals. So, you multiply this year's cost of goods sold (let's assume a figure of $500,000) by 110 percent to get $550,000.

To figure your pro forma gross profit for next year, subtract the pro forma cost of goods sold from the pro forma sales. Thus, $1,100,000 minus $550,000 equals your gross profit, or $550,000.

This is, of course, a very simple example. What you really want to do is take into consideration everything possible to project sales. Are you going to launch new products? New promotions? Change pricing? Expect new customers? All these items should be carefully figured into creating sales projections.

Pro Forma Total Expenses

Let's assume salaries and other expenses will increase by 5 percent. So, you multiply your historical salaries of $200,000 and your historical expenses of $100,000 by 105 percent each. Your pro forma salaries for next year will be $210,000 and your pro forma expenses will be $105,000. You then figure your pro forma total expenses by adding pro forma salaries and pro forma other expenses together. In our sample case, your pro forma total expenses will be $315,000.

Pro forma income statement expenses

Creating a pro forma income statement is a good opportunity to predict your future expenses and costs.

I would give a lot of thought to every single expense line item. Is there any way you can cut this cost? Is the cost projection realistic?

Pro Forma Profit Before Taxes

Pro forma profit before taxes is figured by subtracting the pro forma expenses from the pro forma gross profit, or $315,000 from $550,000, for a pro forma profit before taxes of $235,000.

Pro Forma Taxes

Pro forma taxes are figured by taking your estimated tax rate—in this case, 30 percent—and multiplying it by the pro forma profit before taxes of $235,000. This produces a pro forma tax bill of $70,500.

Pro Forma Profit After Taxes

Pro forma profit after taxes is figured by subtracting the pro forma tax bill of $70,500 from the pro forma profit before taxes of $235,000. Your pro forma profit after taxes, in this case, would be projected at $164,500.

Remember that pro formas are essentially best guesses. You should continually update your projections by recalculating your pro formas using any new and actual financial information you have as a base. Doing this on a monthly or quarterly basis will help ensure that your projections are as accurate as possible.

Pitch Deck

There are a lot of things that go into putting together a professional and compelling pitch deck, but only a few things that really matter. Your pitch deck shows the world your company from a 30,000-foot view; what you do and how you're going to be successful. You will use your deck to tell your unique and engaging story, while covering key information that your potential investor or audience is looking to hear. It's your first impression.

And in a world where good design is all around us, bad design stands out more. While few investor will tell you that they are not interested in your company due to the design of your deck, a poorly designed deck is a subconscious signal that since your message and presentation is not well put together, that you are not well put together, not capable, and that the business is not well thought out. That's not good!

Create Pitch Deck (up to 20 slides)

- ✓ Company Overview
- ✓ Mission/Vision of the Company
- ✓ The Team
- ✓ The Problem
- ✓ The Solution
- ✓ The Opportunity
- ✓ The Product/Service
- ✓ The Customers
- ✓ The Technology/Differentiator
- ✓ The Competition
- ✓ Current Traction
- ✓ Business Model
- ✓ Sales & Marketing Plan
- ✓ Financials
- ✓ The Ask or Investment

99 Point workshop topics

1 DEVELOP YOUR IDEAL INVESTOR

2 Geographic

3 Group/ Type

4 Age

5 Profession

6 Communication mediums

7 Expectations

8 BUILD YOUR TEAM OF ADVISORS

9 Service providers

10 Association

11 Direct advisors

12 Executives in residence and senior advisors

13 STARTUP CULTIVATION

14 Community

15 Investor lists

16 Investor resource checklists

17 Pitch deck

18 Data room

19 Define the business concept and vision

20 Why do you exist?

21 Unique offering

22 Differentiation

23 Competitive consideration

24 Investor relationships

25 Brand consideration

26 Develop Go to Market Visualization

27 Key differentiators

57 Lite capital requirements planning (single scenario)

58 In-depth and tiered capital requirements planning (multi-scenario)

59 Company valuation planning and discussion

60 Terms and Overview planning and discussion

61 Funding options planning (equity, debit)

62 Investor recommendations

63 Capital plan

64 Exit planning

65 Investor/Deal Review from Trusted Advisor

66 Financial Modeling

67 Service/Product offering breakdown

68 Service/Product pricing discussion

69 Current Expenses/Budget discussion

70 Future Expenses/Budget planning

71 Cost of Goods/Services Planning

72 Create Lite Sales Model Analysis (single scenario)

73 Create Lite P&L Pro-Forma (single scenario/ 2 years)

74 In-depth Sales Model Analysis and Forecast

75 Multi-Scenario Sales Analysis (3 scenarios)

76 Multi-Scenario P&L Pro-Forma (3 scenarios/3 years)

77 Financial Development

78 Customer Acquisition Cost Analysis

79 Deep Dive into Costs of Goods/Services (scaling, outsourcing)

80 Assess customer and product profitability

81 Optimize customer and product mix

82 Define financial measures for success

83 PITCH DECK CREATION

84 Create Pitch Deck (up to 20 slides)

85 Company Overview

86 Mission/Vision of the Company

87 The Team

88 The Problem

89 The Solution

90 The Opportunity

91 The Product/Service

92 The Customers

93 The Technology/Differentiator

94 The Competition

95 Current Traction

96 Business Model

97 Sales & Marketing Plan

98 Financials

99 The Ask or Investment

Venture Readiness Workshop

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Find more information here
https://aspencapitalfund.com