

How to Attract Venture Capital

UNIVERSITY STARTUP DEVELOPMENT WEBINAR SERIES

SPEAKERS



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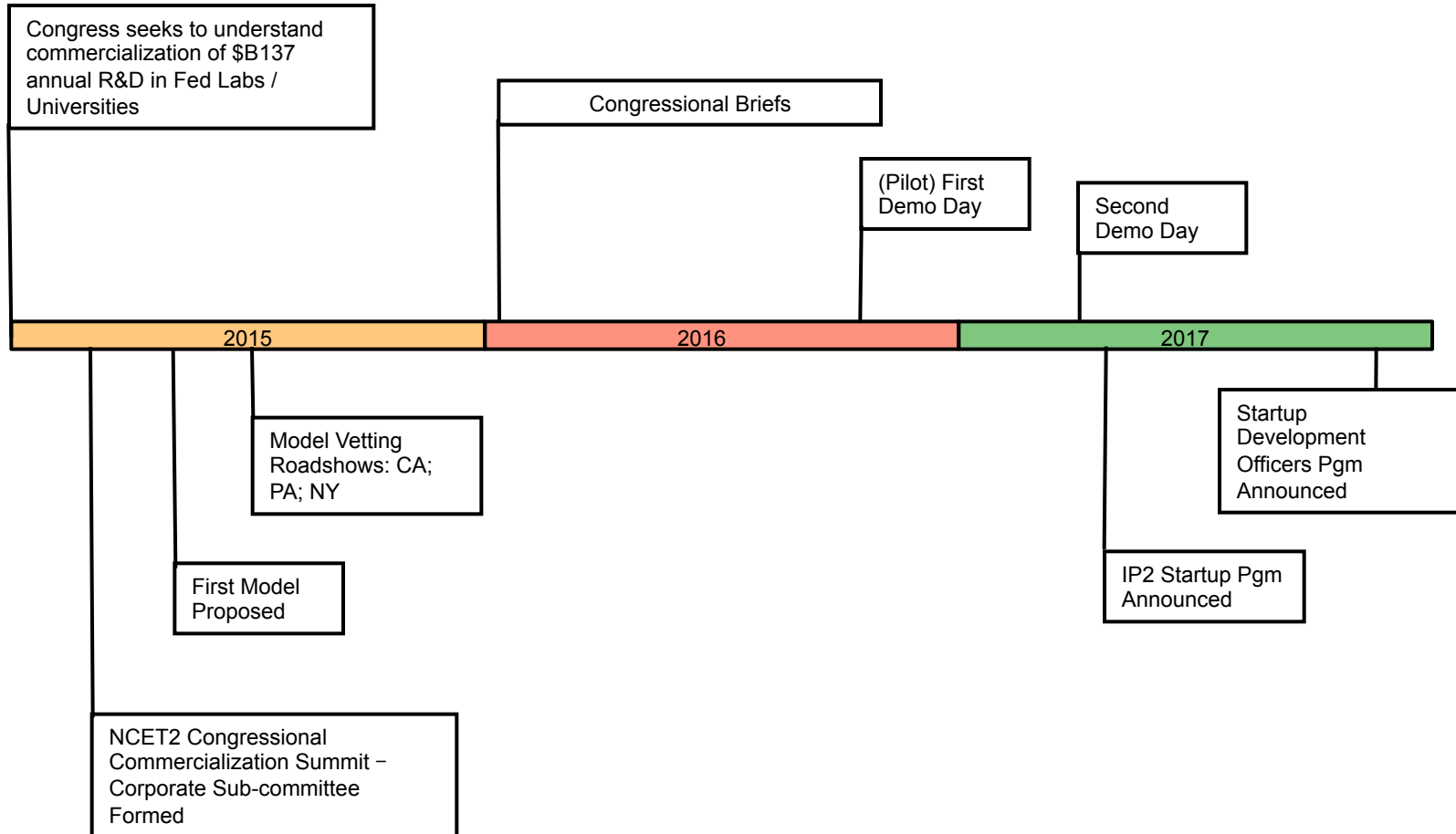
Steve Socolof

NCET2 Startup Development Officer and

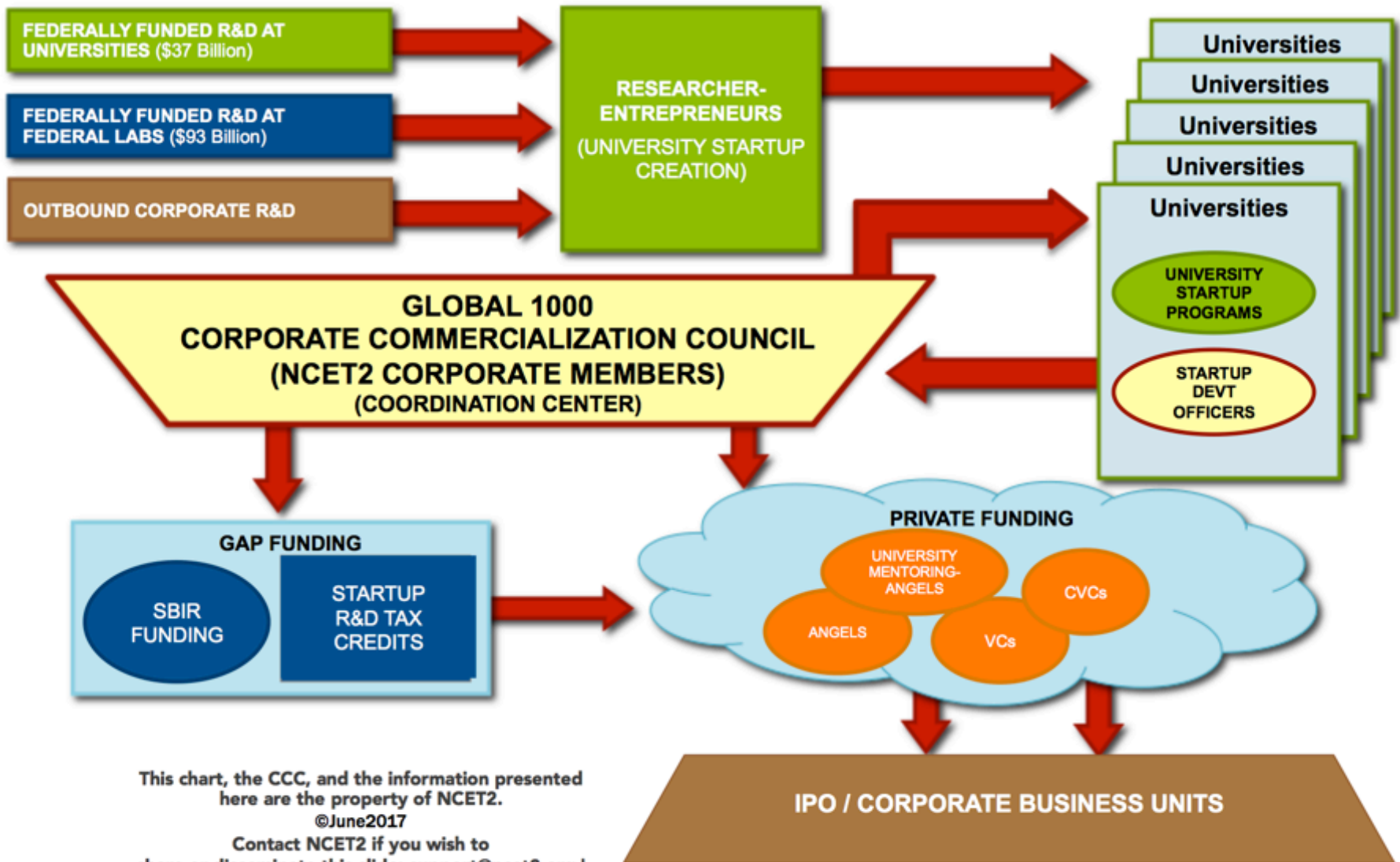
Managing Partner of Tech Council Ventures

BACKGROUND ON THE STARTUP DEVELOPMENT PROGRAM

Commercialization Model Timeline



CORPORATE COMMERCIALIZATION CENTER (CCC)



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Startup Development Program

- Congress funds \$137 billion in federal funded research at universities and federal labs
- Excellent opportunity for entrepreneurs to build a university startup around that IP
 - Universities have programs to help you
- NCET2 Fortune 500 members and SDOs who will partner with university startups to help develop and fund those startups

Startup Development Program

- NCET2 Startup Development Officer will also help university entrepreneurs, faculty, researchers, and students create, develop and fund market aligned university startups (<http://ncet2.org/sdo>)

SDO SERVICES

- Early management teams of university entrepreneurs, graduating students, faculty, and researchers
 - Business plan
 - proof-of-concept
 - prototyping,
 - early product development
 - SBIR, Angel, and VC funding
- “Commercialization Experiments”
 - Get to work with Fortune 500 companies, angels, VCs, and serial entrepreneurs to help commercialize university and Federal Lab technologies

Benefits

- **Startups/Entrepreneurs/Faculty/Researchers/Students**
 - Access to professional SDO talent to help create, develop, and fund your startup
- **Universities**
 - Moving IP to market for significant market impacts
 - Graduating students into startups and working with Fortune 500

Interested?

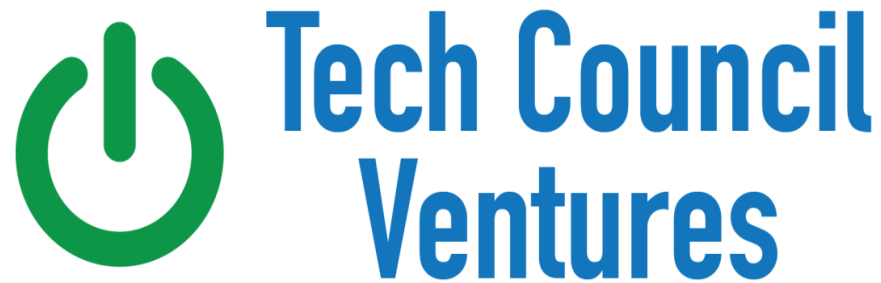
- If you are interested in creating a startup and have the SDOs help you, contact us at support@ncet2.org

SPEAKERS



Steve Socolof

**NCET2 Startup Development Officer and
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NETWORKED CAPITAL



How to Attract Venture Capital

Agenda

- The state of the venture capital industry and some statistics on what venture capitalists are investing in
- The characteristics of opportunities that make venture capital an appropriate and timely potential source of funding
- Ideas for how best to find and approach venture capitalists
- The critical first interaction or meeting to gain a venture capitalist's interest
- The relationship-building process that will involve due diligence on both sides
- Proposal of terms by the venture capitalist on which he or she will invest in your opportunity

Sources of Financing

Type of Investor	Description	Investments
Friends & Family	Close/known relationships. Not professional investors	<\$100K
Angels	Local individuals or groups	\$100K - \$1M
Grants	Federal/State	\$100K +
Venture Capitalists	Institutional	\$1M +

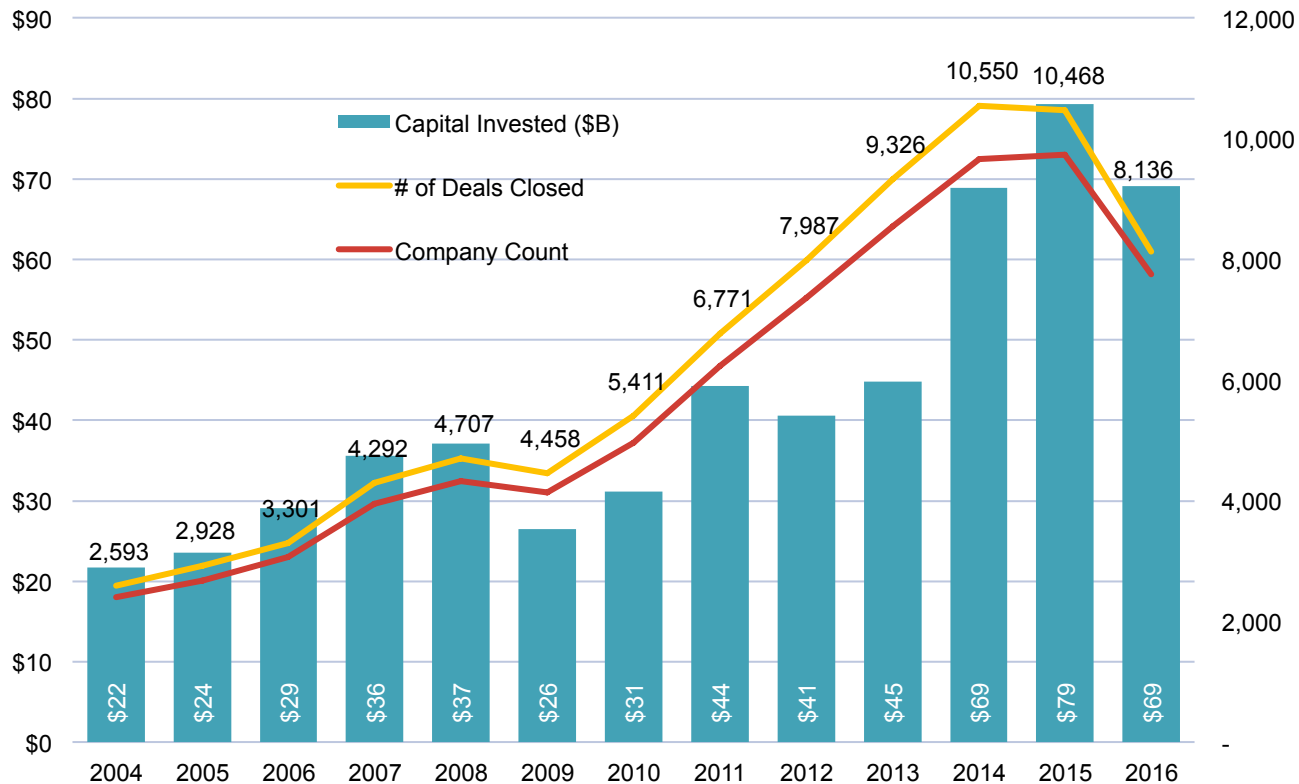
Distribution of Venture Capital Firms by Assets Under Management in 2016



Source: NVCA, Pitchbook

VCs: \$70B in 8000 Deals in 2016

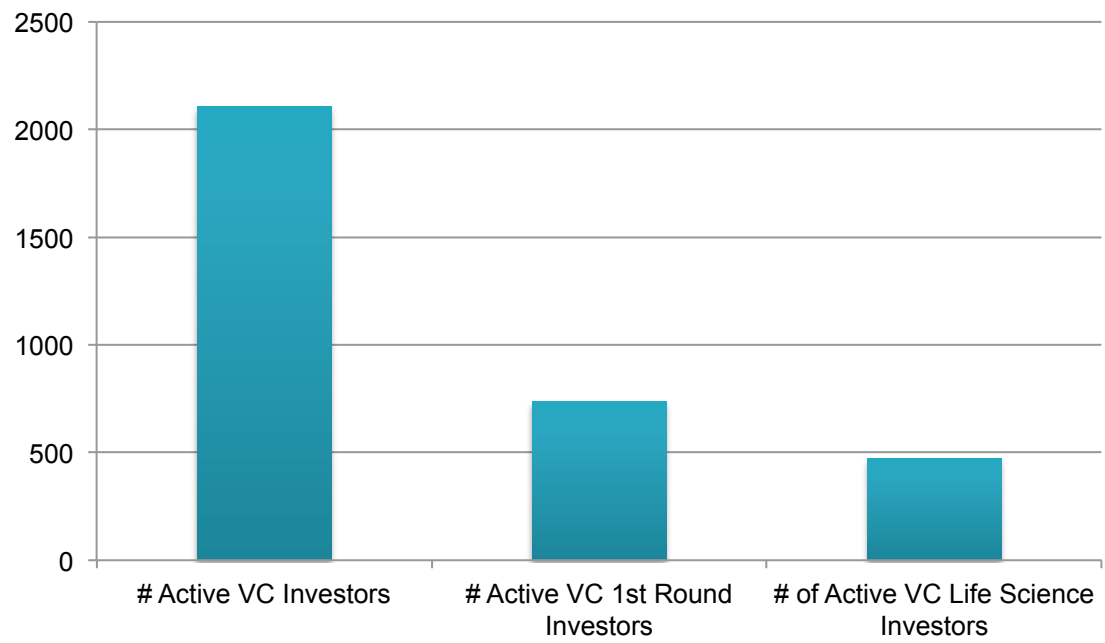
US VC Deal Flow



Source: NVCA, Pitchbook

Only 1/3 Are Active 1st Round Investors

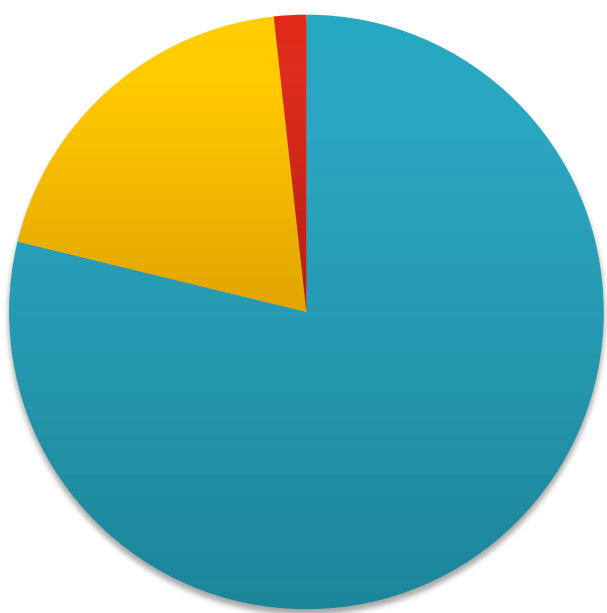
Active VC Investors



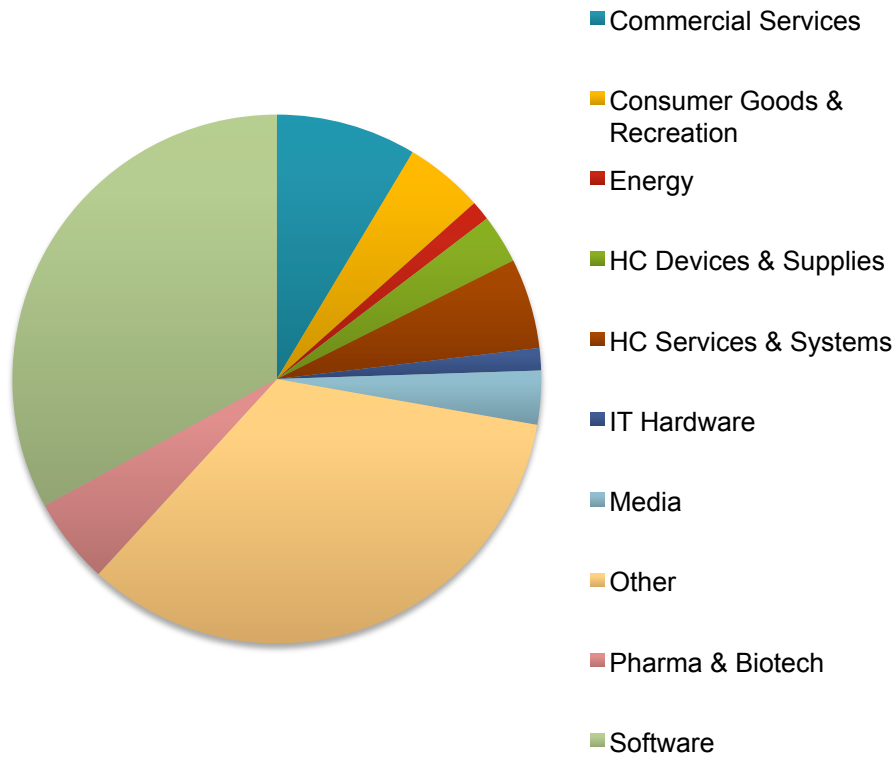
Source: NVCA, Pitchbook

2340 First Financings in 2016

2016 VC First Financings By Stage and Sector



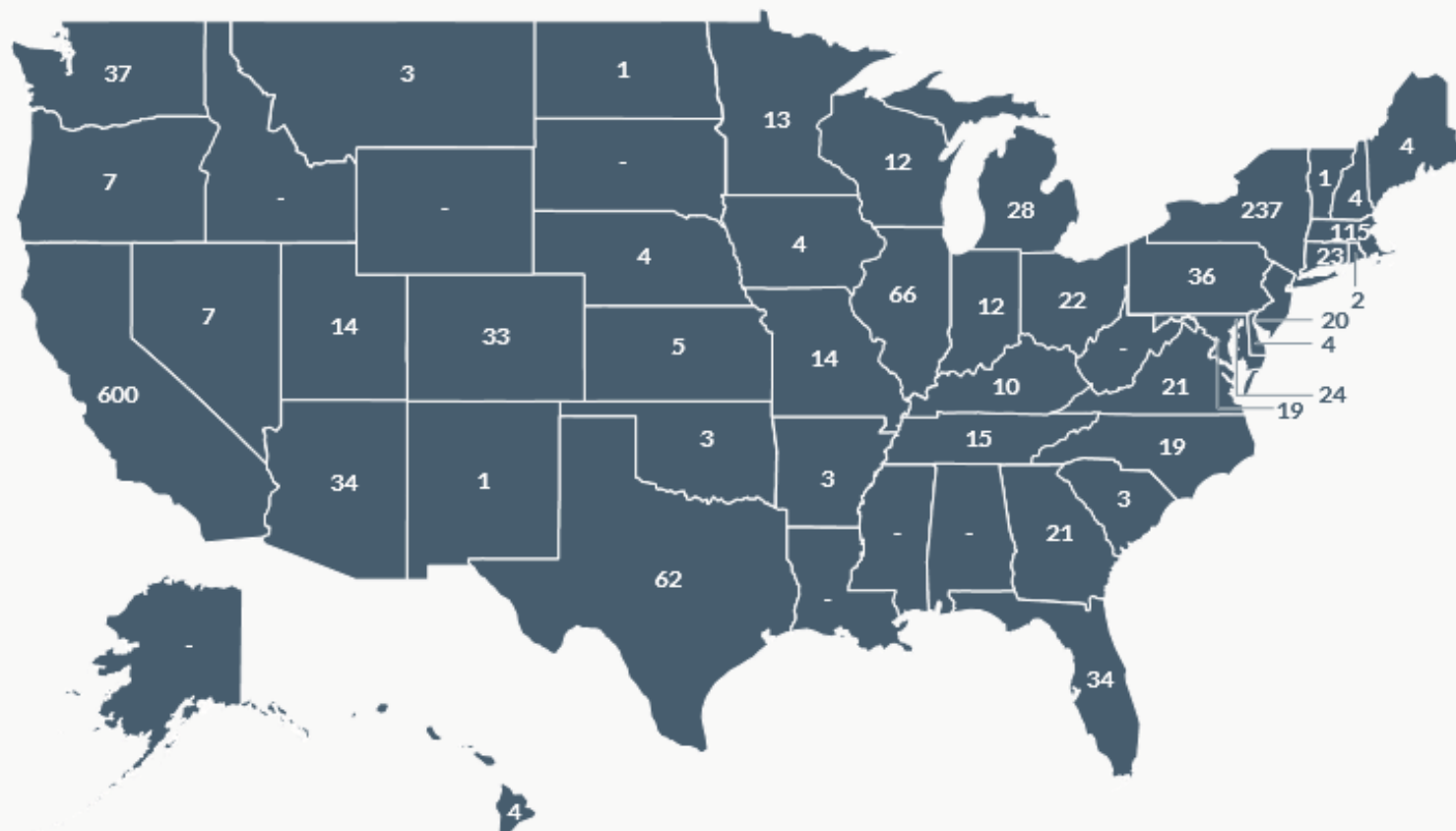
■ Angel/Seed ■ Early VC ■ Later VC



Source: NVCA, Pitchbook

Most Geographies Are Represented

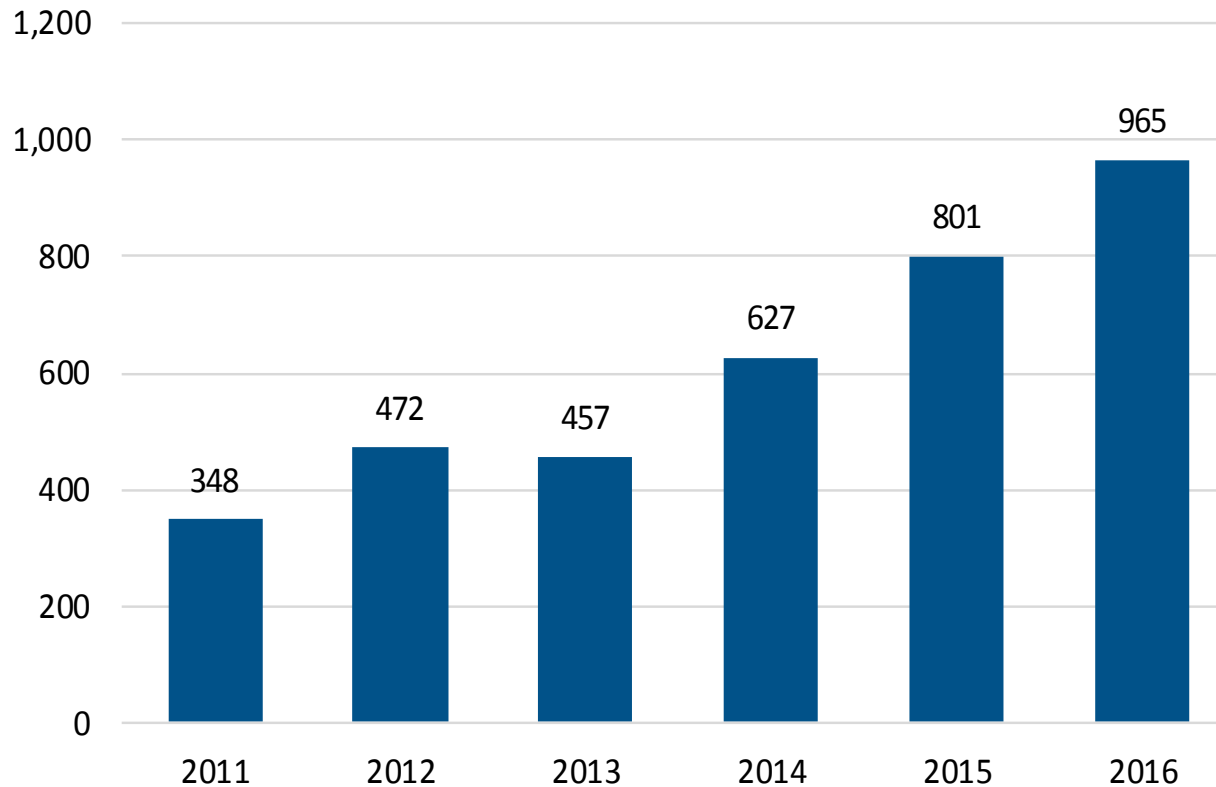
Active Investor count in 2016 deals by HQ state



Source: NVCA 2017 Yearbook, Data Provided by PitchBook

Source: NVCA, Pitchbook

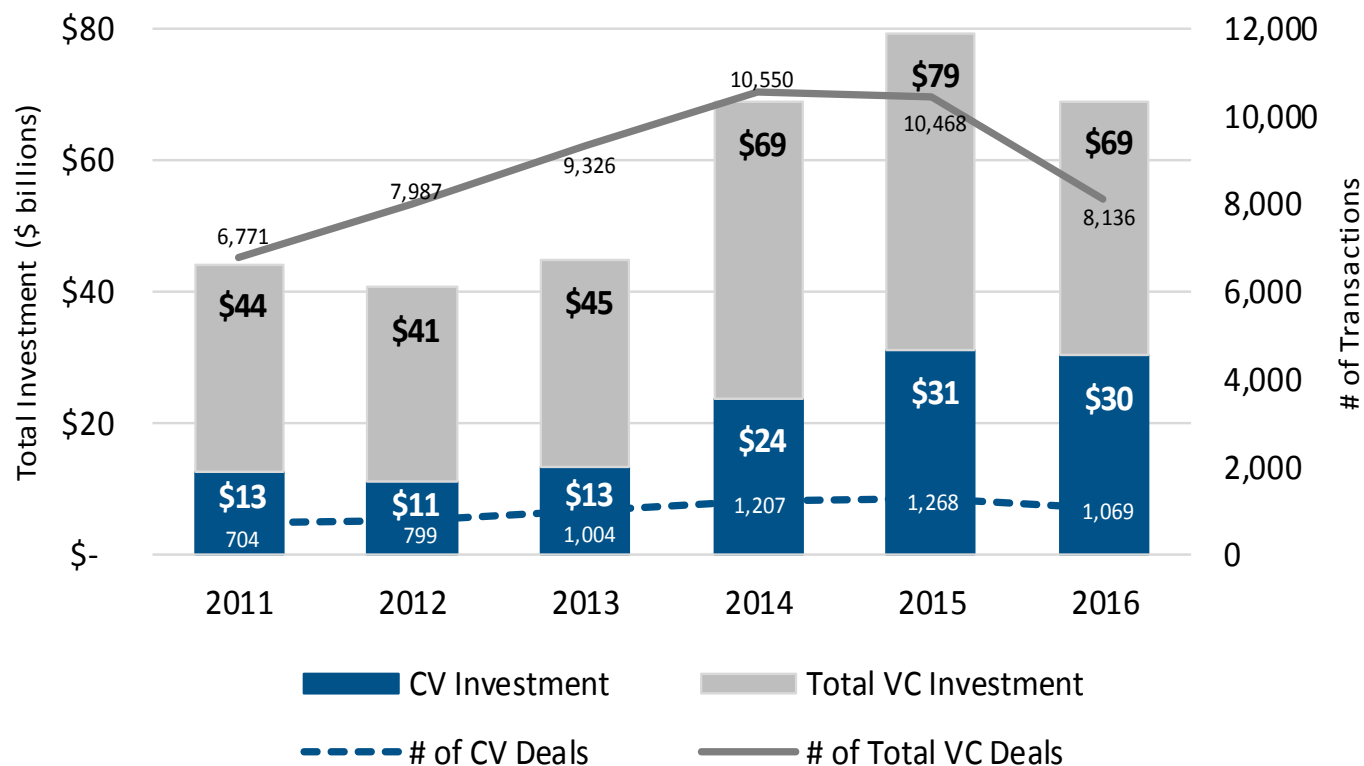
of Active CVC Units (*)



(*) Source: Global Corporate Venturing, "The World of Corporate Venturing 2017"

Corporates Represent Growing Share of Venture

Corporate Venture vs. Total VC Market (**)



(**) Source: NVCA/Pitchbook; Corporate Venture includes investment by CVC units and direct corporate venture investment

Why Do Corporates Partner

- Identify and understand disruptive innovations to their businesses
- Explore new markets
- Bring new products and services to market through their channels
- Develop and leverage new capabilities
- Expand their ecosystem – support revenue drivers
- Commercialize and scale internal innovations through spinouts

How Do Portfolio Companies Benefit

- Exchange market intelligence and insight on industry trends and opportunities
- Develop large customers and partners
- Access resources to help with product development and commercialization
- Reach customers and markets through corporate channels and go-to-market
- Leverage corporate financial resources to scale business
- May lead to M&A



CVC Investment

What Are VCs Looking For

- Business opportunities that can generate wealth at scale (profitable, sustainable, growing)
- Evidence of a large and growing market
- Belief in the team's ability to execute – experience, talent, ability to learn and build
- Sustainable advantage / IP
- Signs of success – early traction that demonstrates customer interest, willingness to pay, successful business model - revenues
- Clear path to liquidity
- Ability to generate 10x return in 3-5 years

Themes That Are Hot or Not

Hot	Not
Autonomous Vehicles	Apps for Phones
AI/Machine Learning	ASICs
Augmented/Virtual Reality	Hardware
Consumer Brands	Phamaceuticals
Digital Health	Renewable Energy
Drones	
Fintech/Bitcoin/Bockchain	
Gaming/eSports	
SAAS	
Security	

How to Find Them

- Cold calls / mass mailings likely to be ignored
- Research to identify likely investors
 - Geography, stage, and sector
 - Look for relationship links – schools, advisors
- Research sources
 - CB Insights
 - Dow Jones Venture Source
 - National Venture Capital Association
 - TechCrunch
- Local resources
 - Local venture capital associations
 - Local angel groups
 - Venture fairs
 - Accelerators/incubators/co-working spaces
 - University startup officers
- Network through Advisors, Board Members, NCET2 SDOs

- VCs are making new investments, managing existing investments, and raising capital
- VCs will receive 100s/1000s of solicitations to make 1-2 investments per year
- Getting them to spend time on your opportunity is the first challenge
- Elevator pitch / Pitchbook is critical first step
- Need to highlight:
 - Product / market description
 - Valuable problem being addressed/solved
 - Market size / go-to-market strategy
 - Experience/strength of team
 - Signs of success – market traction, partnerships, revenues, etc.

Due Diligence Can Take Several Months

- VCs will want to test the value proposition
 - Leverage their network for perspective on the opportunity
 - Call your customer / partner references
 - Engage experts on technical aspects of product
- VCs will want to get comfortable with team and its ability to execute
 - Team references
 - Advisors
 - Interactions to build relationship, gain trust in listening/learning/team-building
 - Chemistry
- VCs will want to know where their investment takes them
 - Map investment versus spending over time
 - Map investment versus key milestones / value inflection points
- Having guides like the SDOs involved to prepare you for due diligence can be very helpful

Finally, The Term Sheet

- If due diligence succeeds, then VCs will discuss deal terms and/or present a term sheet
 - Reflects amount and terms under which they will invest
 - Determines valuation and treatment of prior ownership and investment
 - Addresses governance and risk management
- VCs may or may not be offering to fully fund the opportunity – may need to seek additional sources of capital
- There may be some flexibility to discuss / negotiate terms, which also may depend on how competitive the opportunity is
- Use experienced advisors to help navigate this part of the process – lawyers, SDOs, etc.