

How to become Investment Ready

European Photonics Roadshow

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2 Northstar Ventures: Who We Are

- Venture Capital Firm based in Newcastle
 - Investing in high potential innovative businesses with a commercial footprint in the North East
 - Currently Investing the £27m North East Innovation Fund
- Established in 2004 – c£100m under management
- Early stage investor – Start-ups and SMEs with scaleable business models and global ambitions
- Team of 6 investment managers from varied backgrounds with technical expertise in multiple sectors.

3 What is Venture Capital?

- Investment by a third party into equity in your business in the expectation of a return of multiples of the original amount invested (think 10x)
- VCs accept a very high level of risk to achieve this return and are fully aware that 8/10 businesses won't make it.
 - The rough stats on building a unicorn are 10,000:1 (of companies getting investment)
- Early stage VCs are prepared to invest
 - Pre-product
 - Pre-revenue(i.e. at a point where traditional sources of finance won't touch it)

4 Becoming Investment Ready

Typically the development curve of a successful business looks something like this

Absolute start up/ Proof of Concept	Seed	Series A	Development capital
£50-200k	£100-£500k	£500k-£2m	> £1m
Friends / family. POC investors	early stage VCs. angels	Main VC market	PE IPO

Clearly investment readiness looks different at each stage

Will look primarily at Seed stage and Series A which is where we work

5 Investors at all stages look for the following

You have to convince investors that the following stack up

- The idea / technology
- The team
- The market
- The customer
- The competition
- The funding journey

All of these are critical but above all else it is the team which wins it!!

6 The Idea / Technology

- What is it?
- What are the development requirements i.e. what does it take to become ready to sell
 - Technical development
 - What is required to convince people it works
 - Regulatory hurdles
- Route to Market
- IP

7 The Team

- Who are you?
- Who does what?
- What are the gaps and how will you fill them?
- How ready are you to take advice?
- Have you built an ecosystem around you?

- ARE YOU A TEAM

8 The Market

- New Market / Existing market
 - Is your timing right?
- Total available market (TAM) / Serviceable available market (SAM)
- Segment to understand where you really fit (then segment again)
- Are you on a critical path?
- Do not make the mistake of saying it's a really big market and we only need 1% of it.
- Investors ideally want to see a new product in a fast growing market.

9 The Customer

- Who is the end customer (for example is it the Doctor or the patient)?
- Who makes /influences buying decisions?
- What is the buying cycle?
- Where are the budgets?

One of the biggest mistakes companies make is not talking to their customers enough. Get your product into their hands as quickly as you can.

Continuous customer feedback is key.

10 The Competition

- Do not make the mistake of thinking there is no competition, if nothing else the *status quo* is the competition.
- Analyse competition objectively and in detail. Remember that competition is global even if your initial market is local
- Really understand your USPs and make sure they matter to your customers.

11 The Funding Journey

- How much will you need to get the product on the market and selling?
 - This is the end to end amount not just what you are looking to raise now
- Even if you can't predict sales you should understand your costs in detail
- Give yourself enough time to get to the point where you can raise more cash / breakeven (what does the company need to look like to attract next round investors?)
- Be realistic.

12 Seed vs. Series A

- At seed stage we do **not** expect you to have
 - a complete team
 - all the answers

We **do** expect you have thought about all of the above and made sensible realistic assumptions.

We **do** expect you to have engaged with customers even if you haven't sold anything


13 Seed vs. Series A (2)


- At Series A, we **do** expect you to have
 - a complete team fit for the stage you are at
 - most of the answers, or at least provable assumptions

We **do** expect you have begun to sell product to live customers and we expect this to be growing.

Thank you. Any questions?



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