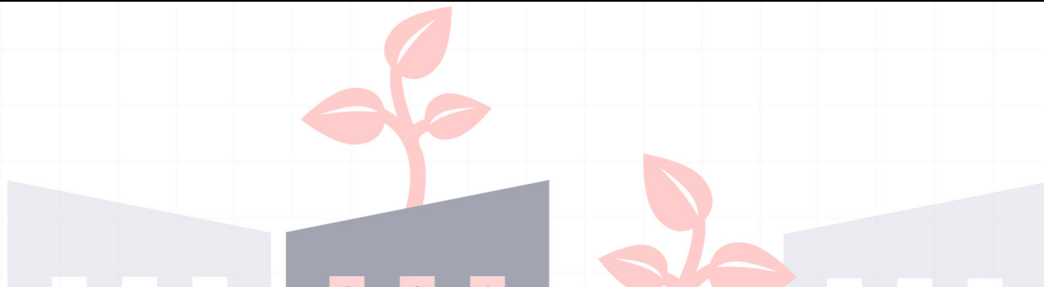
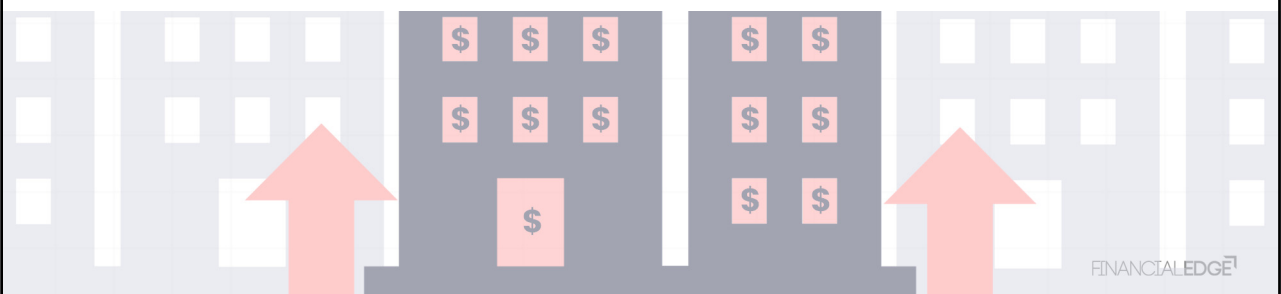




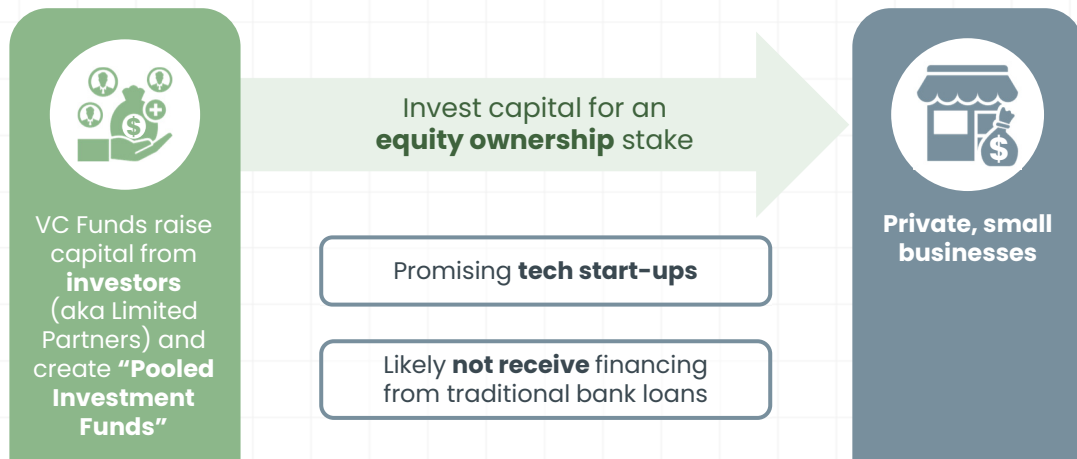
What is Venture Capital Investing?



What is Venture Capital?



Venture Capital (VC) is a type of **private equity investing** in innovative and technology startup companies



As an asset class, Venture Capital is **unique**.



✓ Focused on **equity investing** in startups



Illiquid



Hard to value

✓ Long term **investment** focus (5 to 8 years)

✓ Enables **innovative** and **disruptive** technologies

As an asset class,
Venture Capital
is **unique**.



VC Funds make **equity investments**
in companies whose **stock** is:



Illiquid



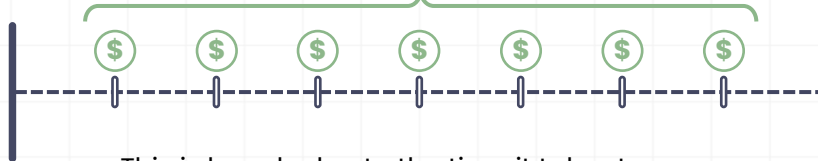
Hard to value



Until the company **grows**
and **matures** over time

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LONG-TERM INVESTMENT



This is largely due to the time it takes to **grow**
the company after the initial capital investment



The investment
has to be made



The improvements to
the company made

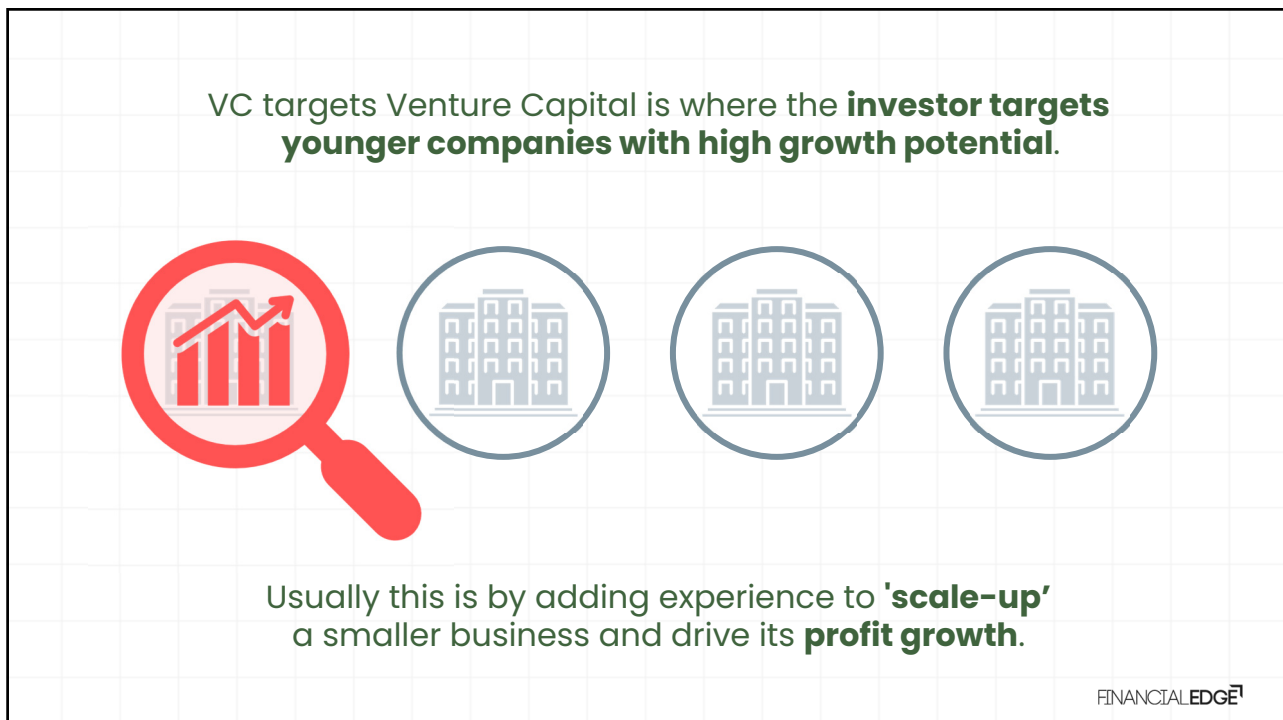
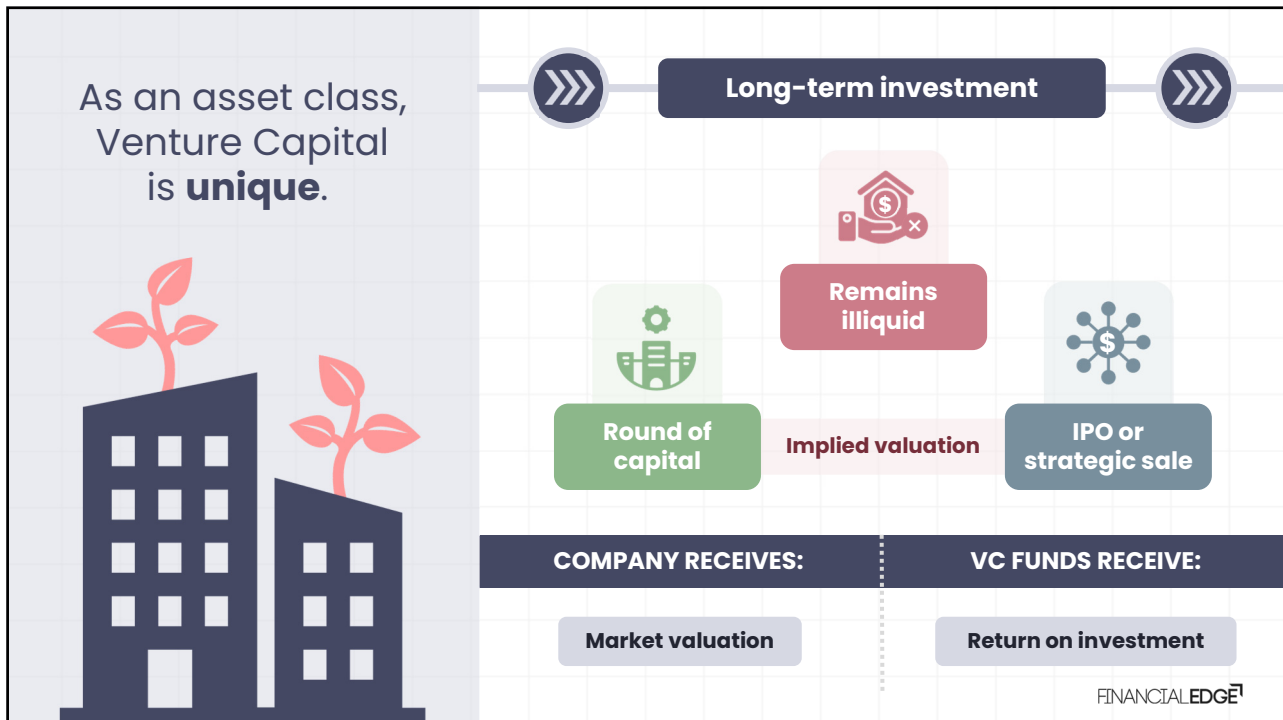


Sales and then profit
will be successfully
driven from this

New **software** platform
Expanding **distribution**

Adding **scale** and **value**

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Venture Capital (VC) **does NOT** take part in:



Leveraged Buyouts

Involves large **acquisitions** of more **mature companies**, significantly financed with **debt**.

VC is **equity only investment**



Growth Capital

Involves purchasing **a minority, or non-controlling stake** in more **mature companies**.

VCs tend to focus on **new companies** or **turnaround companies**



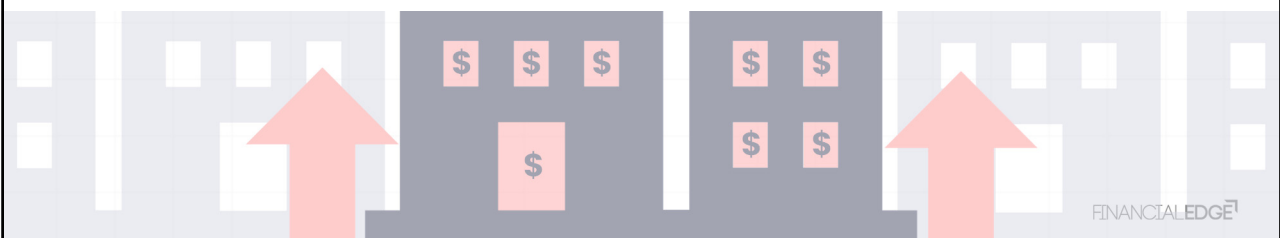
Distressed Turnarounds

The aim is to **identify companies** which are currently **undervalued** due to temporary **cash flow problems**.

This is **not a typical investment** for a VC company

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Venture Capital Investment Stages



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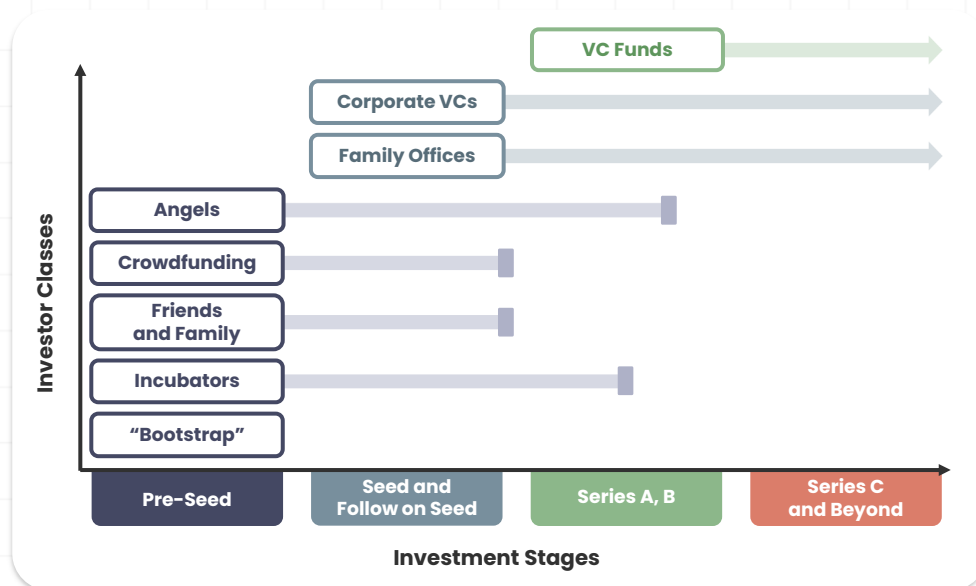
The time horizon for **start-ups** varies but there is a typical **evolution of growth**:

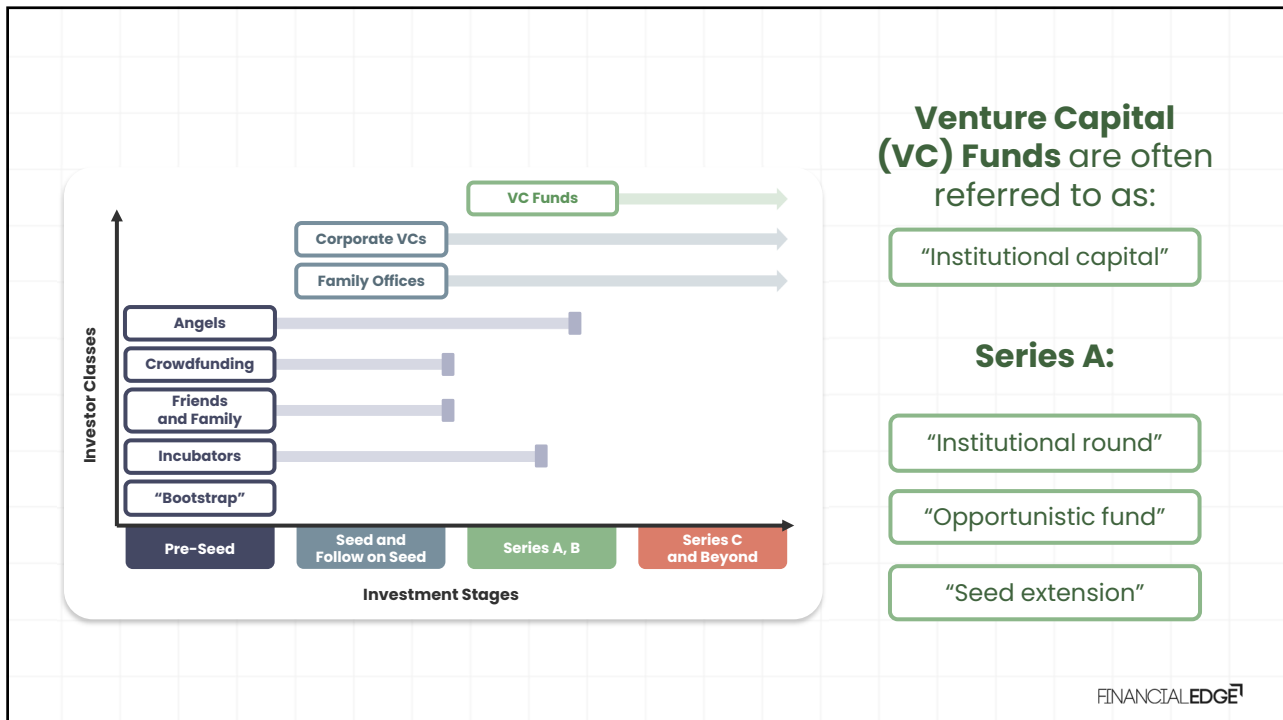


Stage

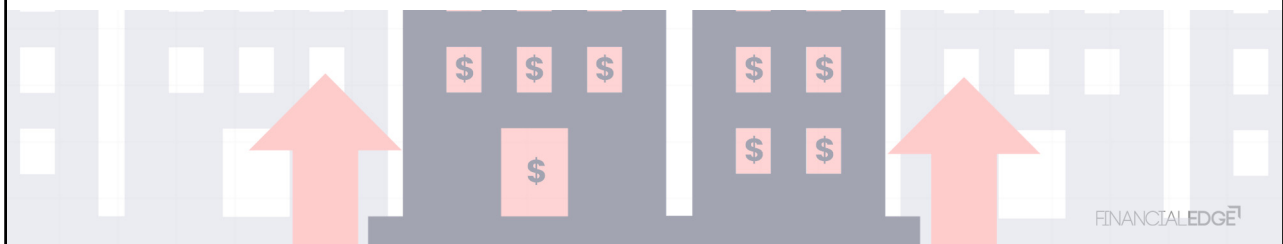


Round of Capital

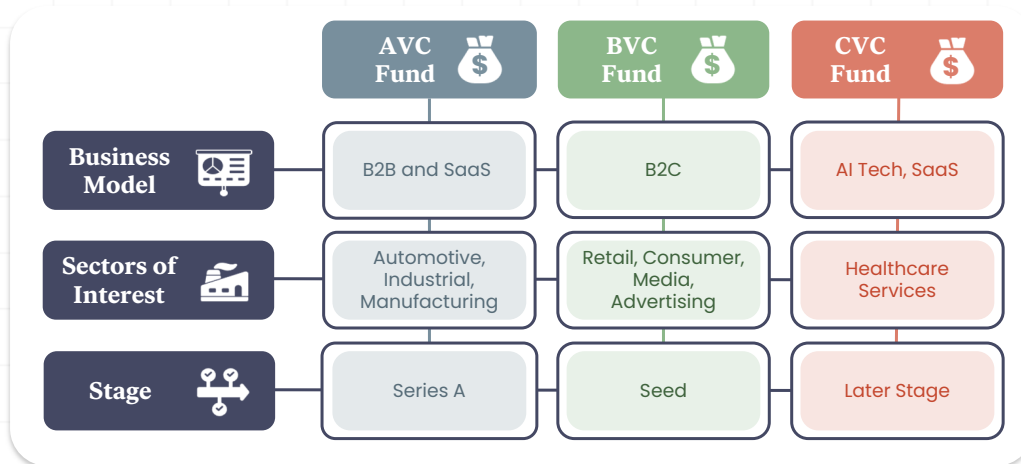
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VC Fund Examples – Investment Criteria



VC (Venture Capital) funds often provide a summary profile of their **“investment criteria”** on their website

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VC Fund Differentiation

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In addition to providing equity capital...

This is a **'value-add' proposition** that can help give entrepreneurs a **competitive advantage** or a **boost to their business plan**.



Size of fund & investment check size.



Capabilities of the VC team.



Sector and/or product focus.



Functional expertise or operational value-add.

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In addition to providing equity capital...

In particular **industry sectors** or in a **functional area**.



Building



Product or Service

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“Value-Add”

Articulated in the Venture Capital (VC) Fund’s **Investment Thesis**

DEVELOPED BY:



Managing Partners

Of the VC Fund.

COMMUNICATED TO:



Potential Investors

Raising capital
for the fund.



Entrepreneurs

Market and pitch
their investor
qualifications.



Other VC Funds

Distinguish their “brand”
and align themselves in
the tech eco system.

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Often a fund will start with...



Specialist interest

Depending on **experience**
and **skills** of it's team



Attract **investment**
from others who also
share the **same interest**



Or those looking
to **gain exposure**
to a **certain sector**

Growth or diversity

A VC fund will want to make sure it can use its Value-add expertise to **maximise**
any investments made and the **returns it can generate for investors**

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VC Fund Examples – Investment Differentiation



**AVC
Fund**

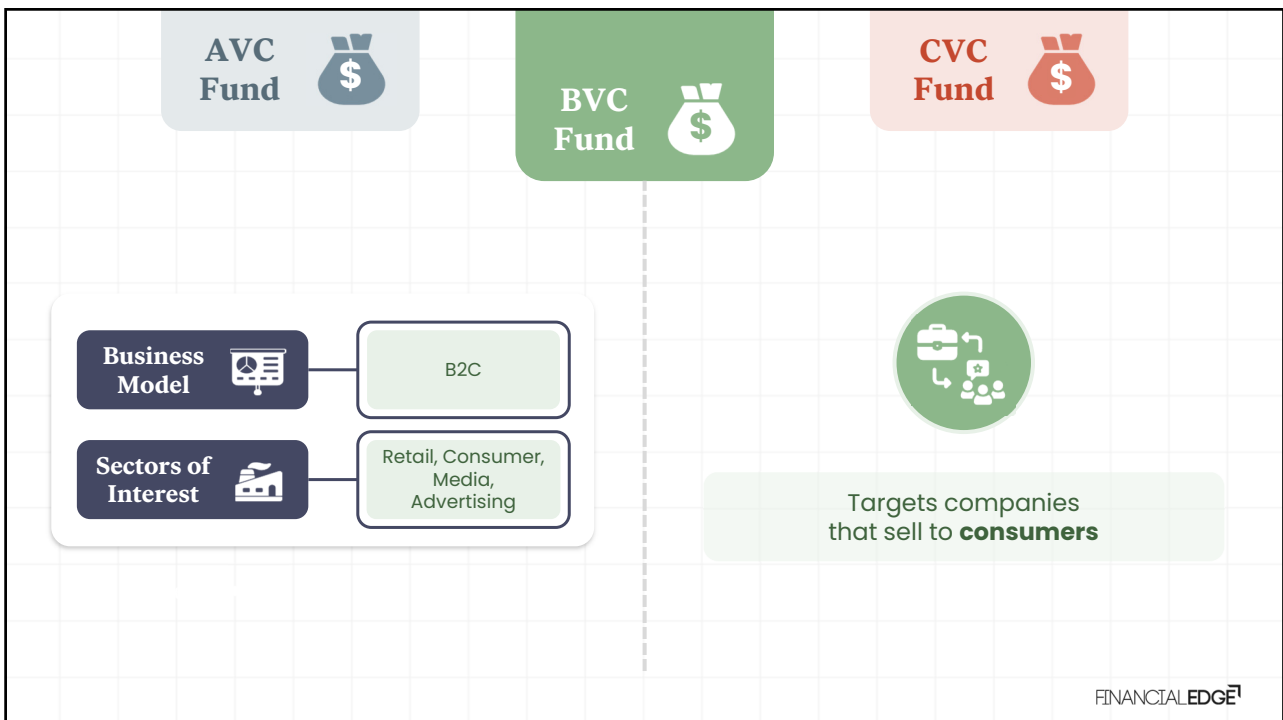
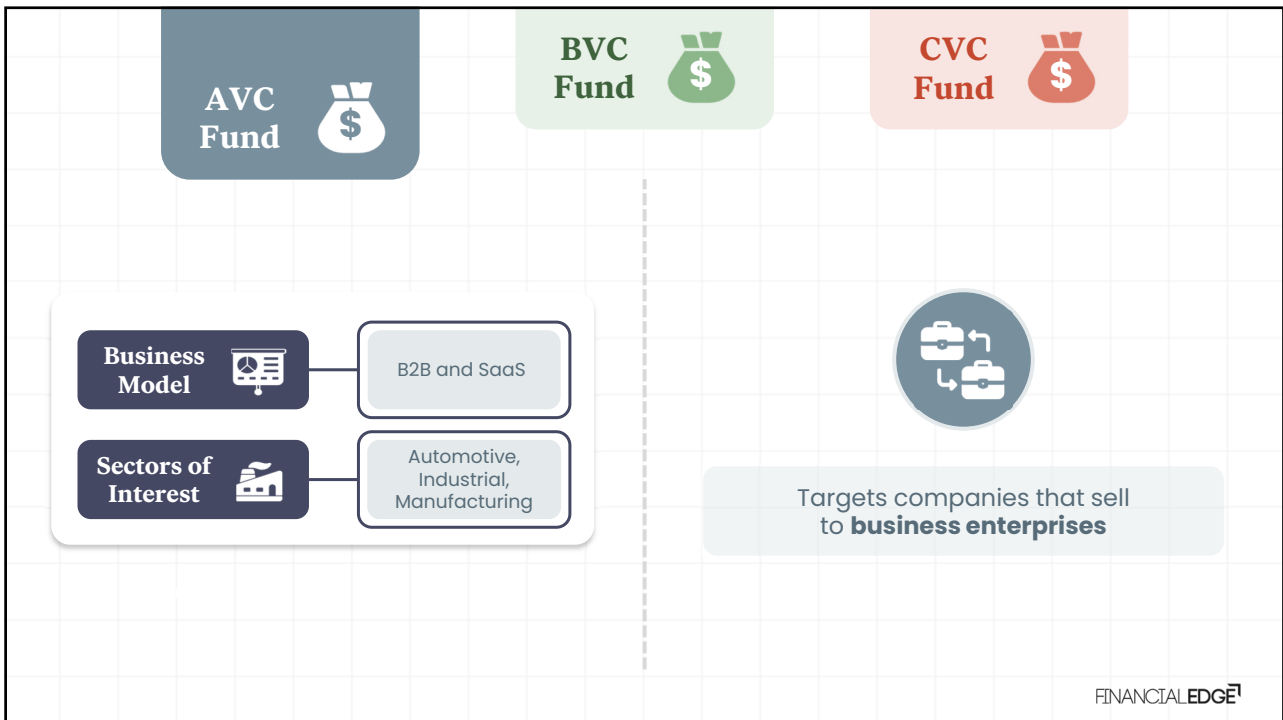


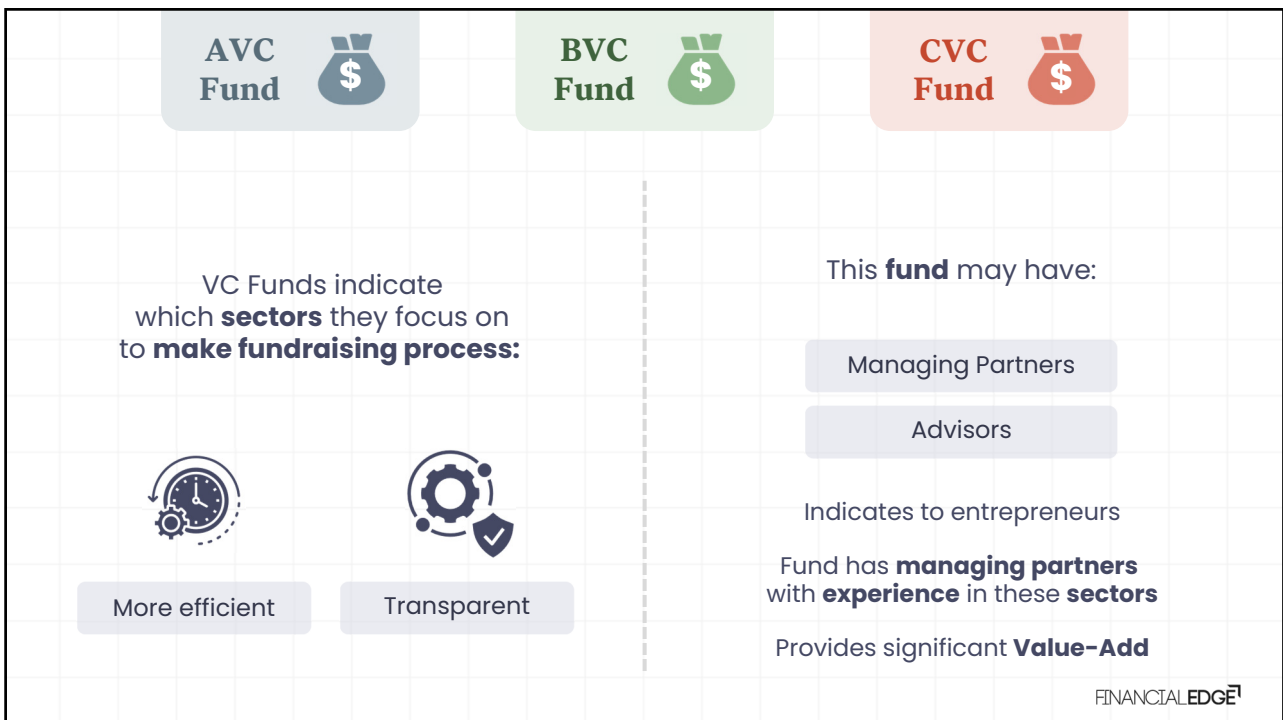
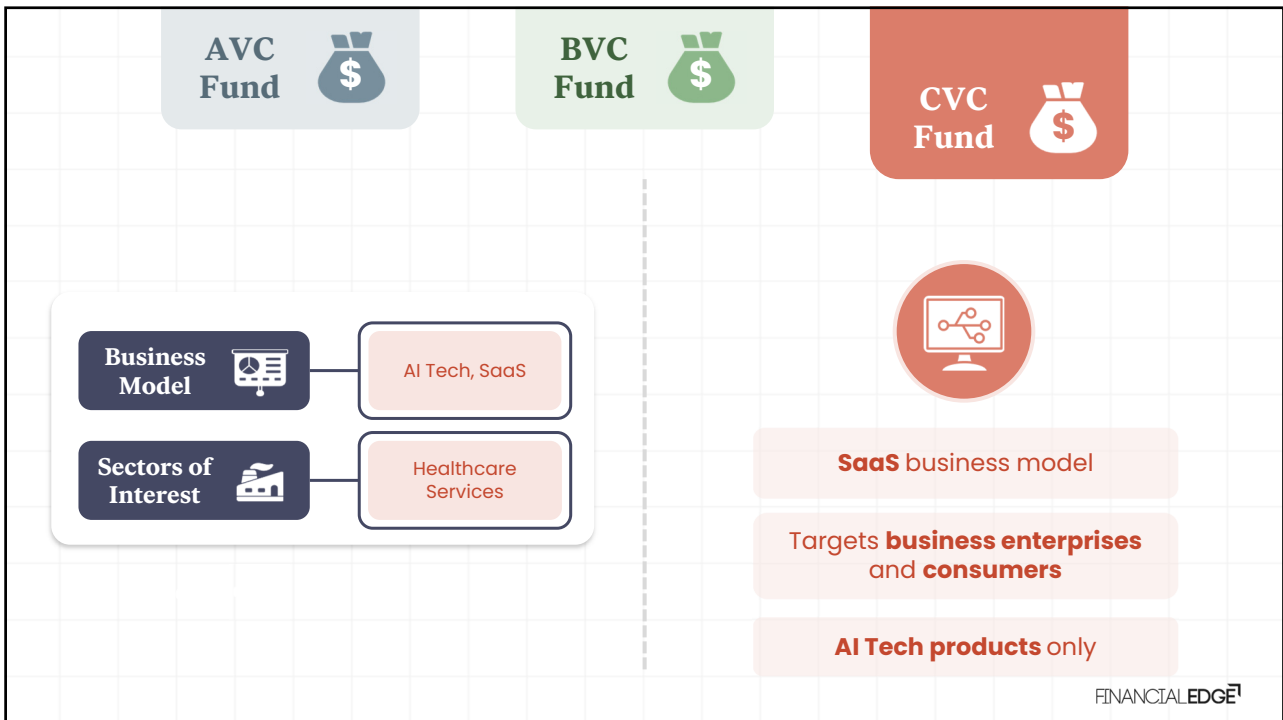
**BVC
Fund**



**CVC
Fund**

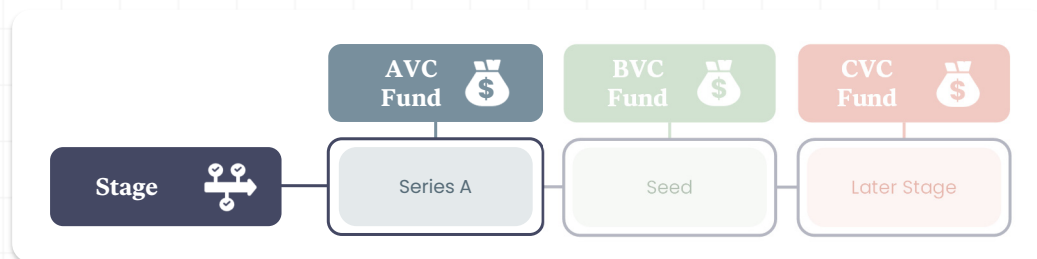








VC Fund Examples – Investment Stages



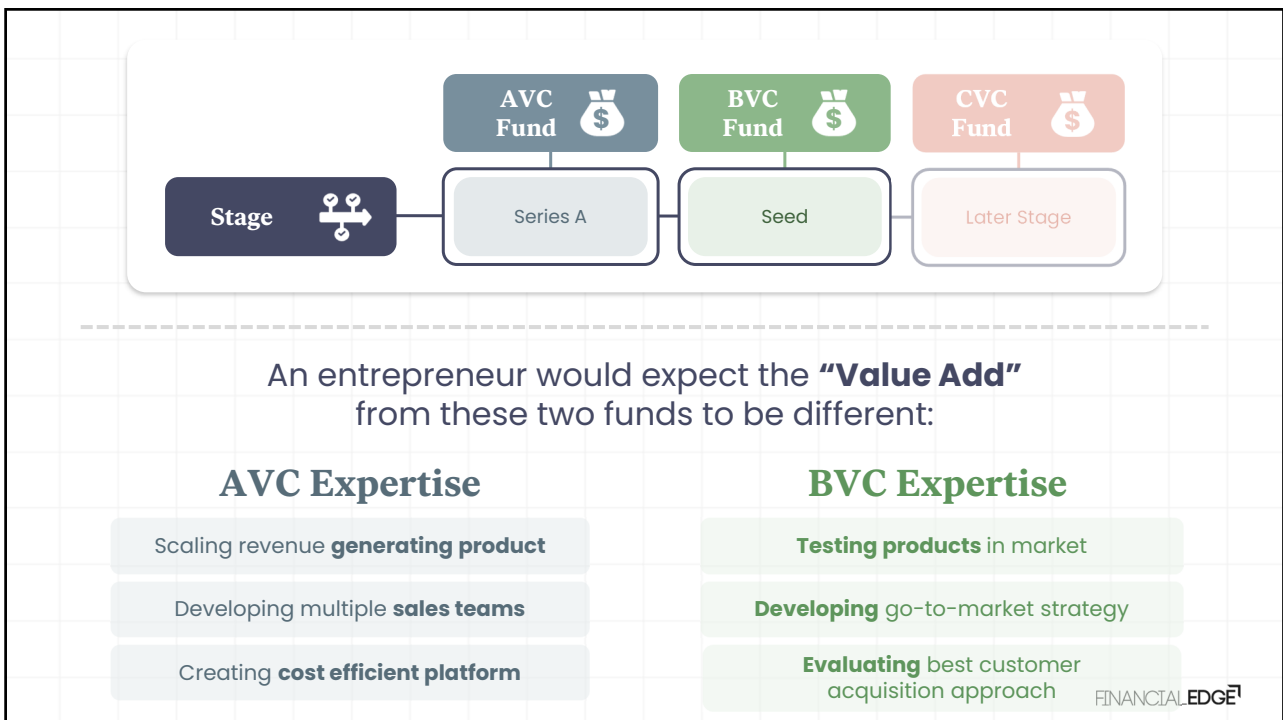
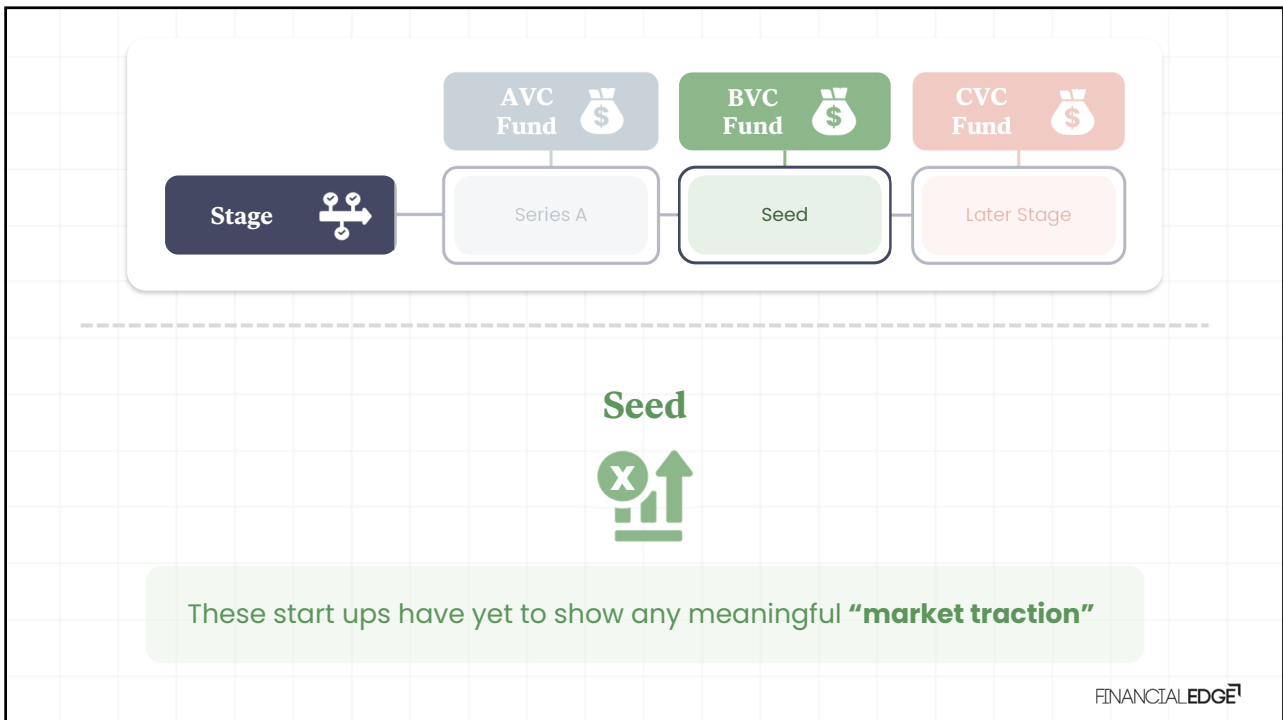
Series A

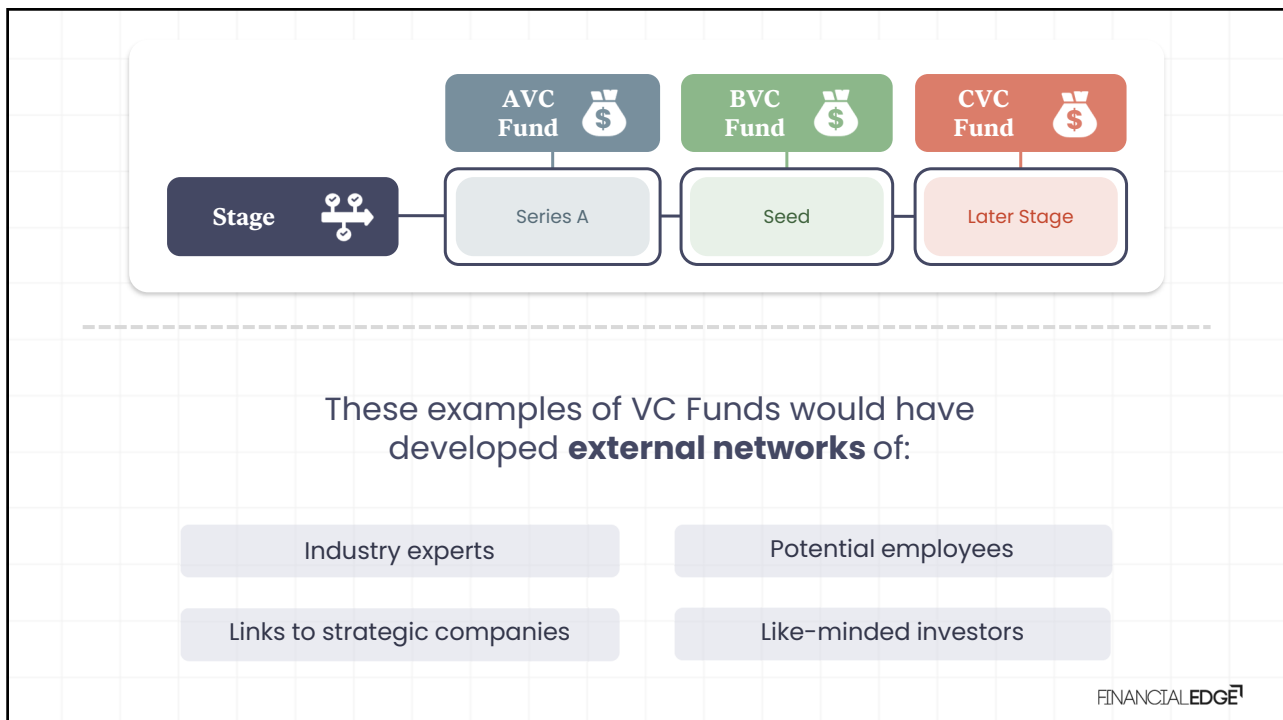
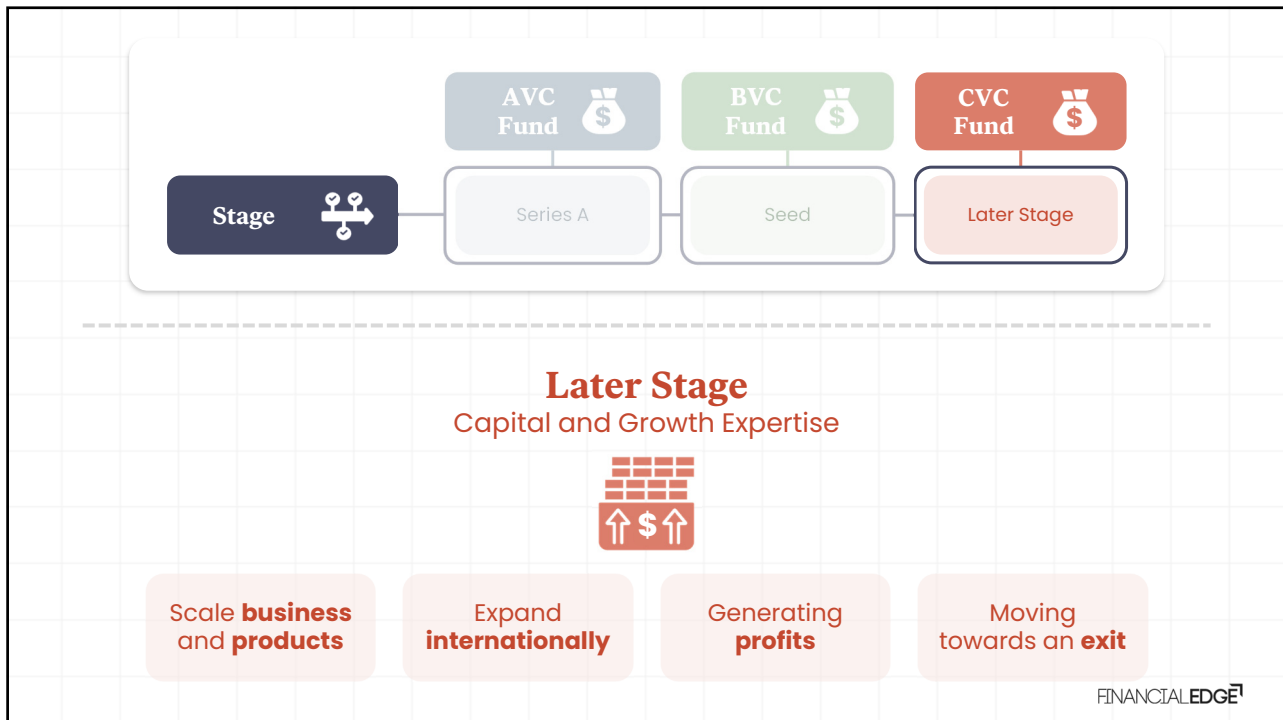


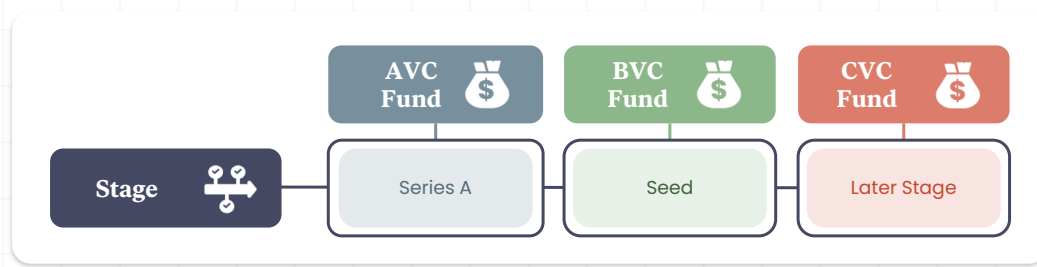
Product in the market

Generating **revenue**

Signs of
market traction







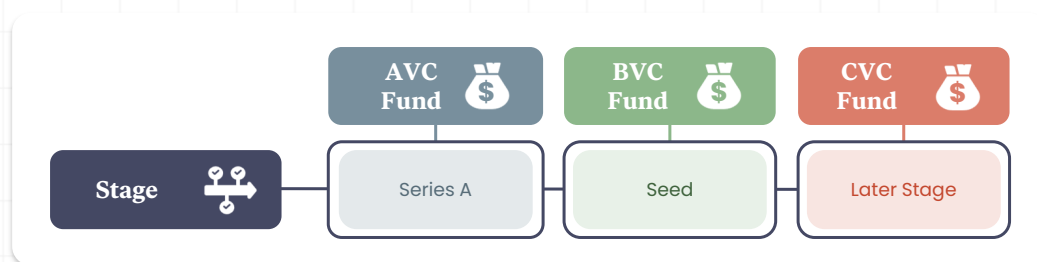
The more **strategic entrepreneurs** evaluate VC Funds based on:



Value they offer



Impact they make

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Earlier stage VC funds tend to be more “hands-on”

Help create **roadmap for growth**

Help **devise strategy**

**Leading Investor
in Fund Round:**

Key VC Fund investor

Takes a board seat

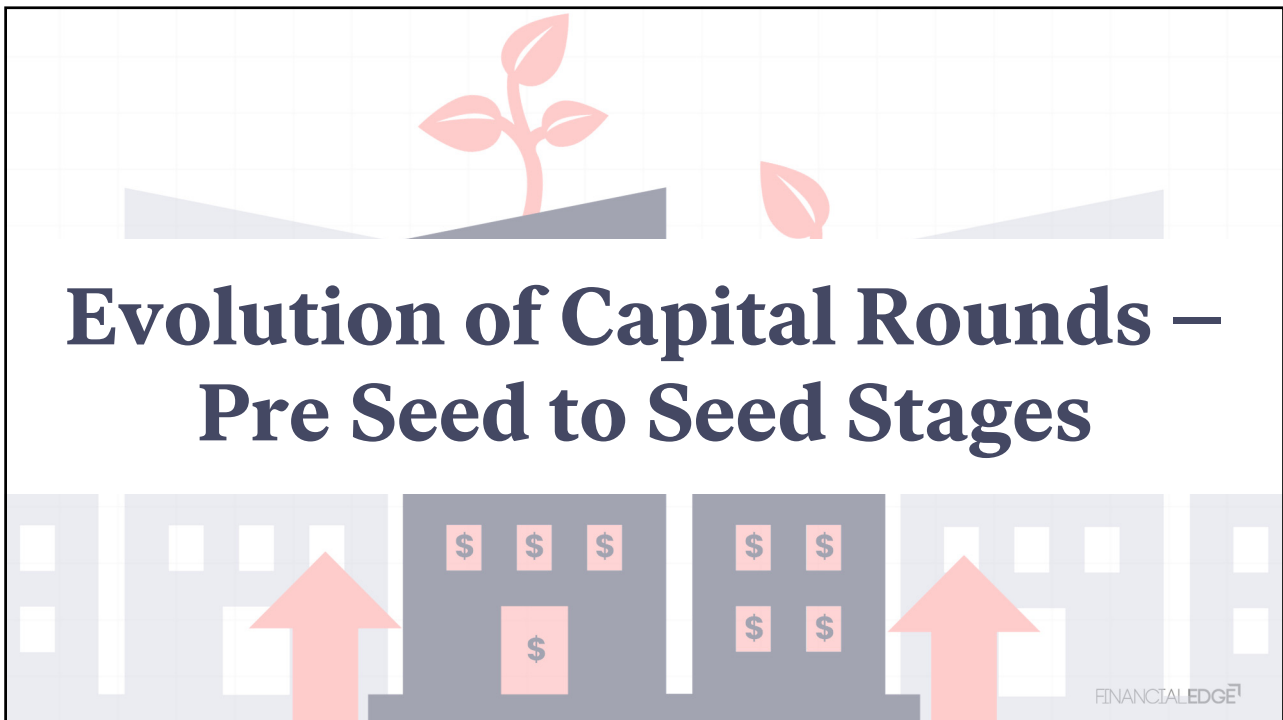
Other Investors:

Smaller investors in
the funding round

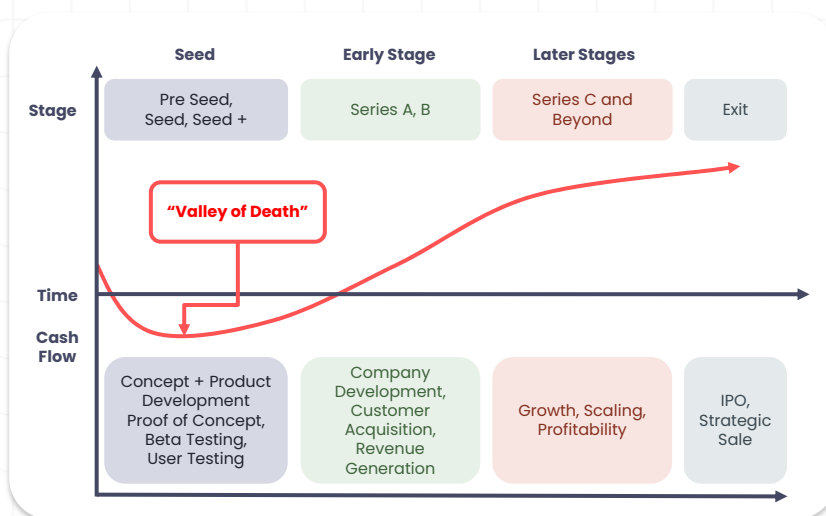
Takes an “observer seat”
(no voting rights, term limits or options)

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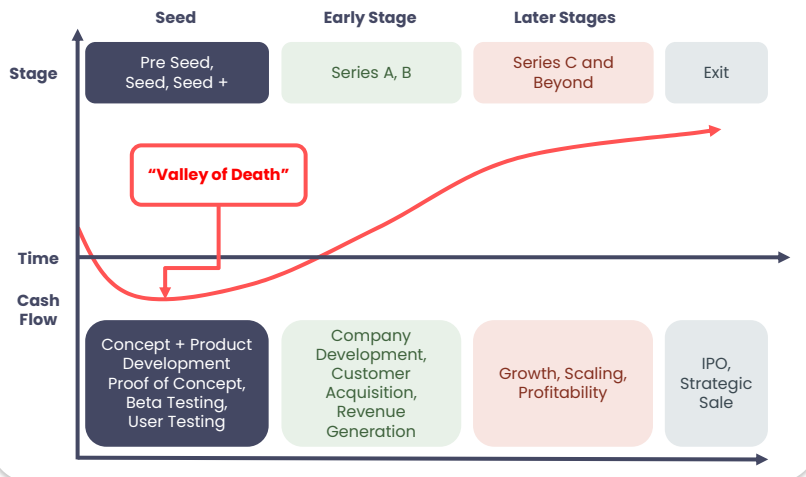
Evolution of Capital Rounds – Pre Seed to Seed Stages



This chart is useful in understanding the **correlation** between a **startup company's evolution** through the various **Stages**.



Pre Seed to Seed Stages



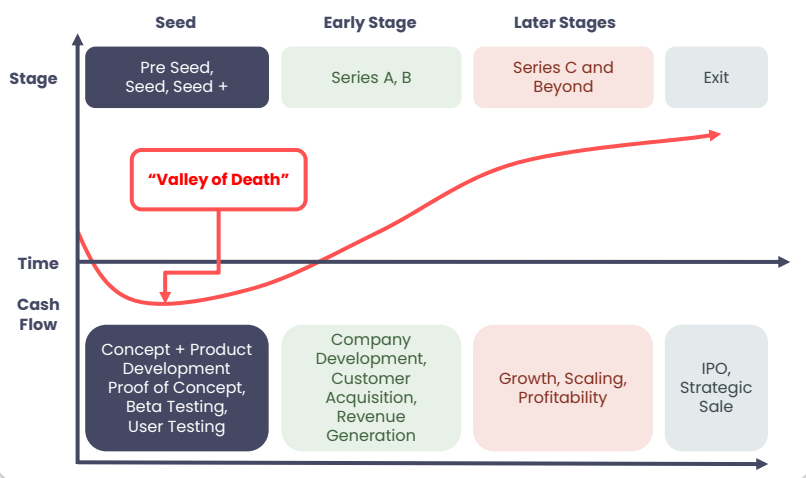
Take an **idea** or **concept**...

Introduce it into the **market** through multiple **iterations**

Ultimately validate the **business model**

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Pre Seed to Seed Stages



Minimum Viable Product (MVP)

OR

Product-Market-Fit (PMF)

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Pre Seed to Seed Stages

New Idea



Mail-order subscription

Monthly flowers
delivered to your door

Minimum Viable Product (MVP)

Company's **product** introduced to a **specific target market**

Satisfy "**early adopter**" customers

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Pre Seed to Seed Stages

New Idea



New **soft play area** coming soon!

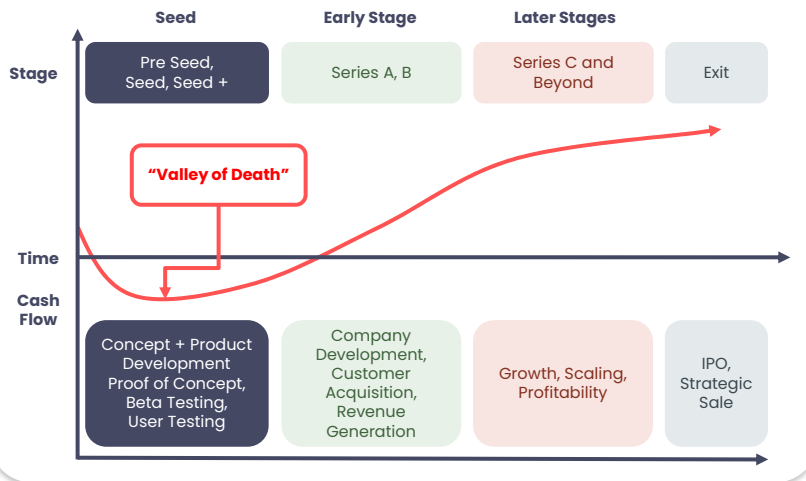
Product-Market-Fit (or PMF)

Company's product solves the needs of a **target customer or market**

Look to certain metrics to "**prove**" PMF

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Pre Seed to Seed Stages



Product-Market-Fit (or PMF)

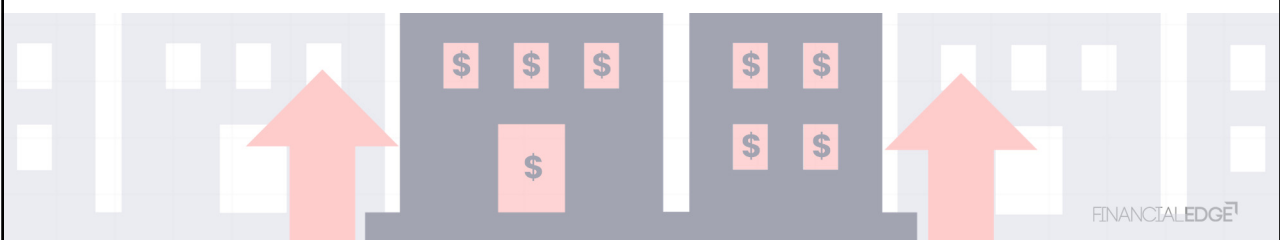
'Hockey stick' like growth trajectory

Can **burn cash** faster

Not generating the revenues needed to sustain growth

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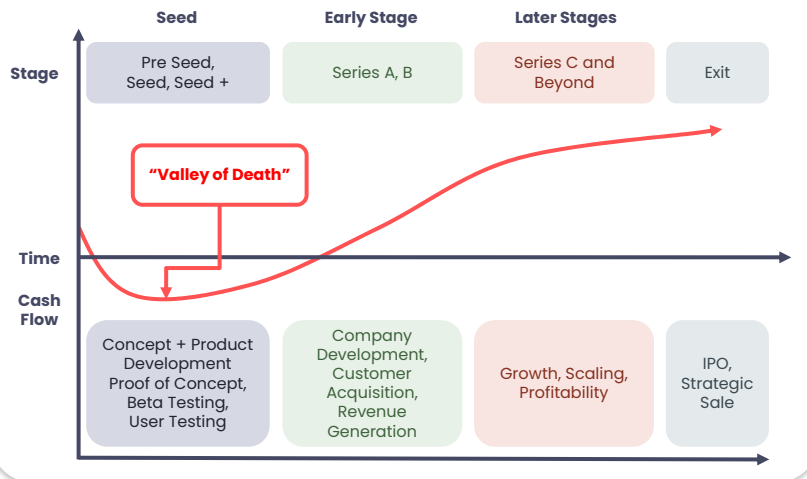
Evolution of Capital Rounds – Valley of Death



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Valley of Death:

When a startup runs out of seed capital but still hasn't generated revenues or demonstrated PMF



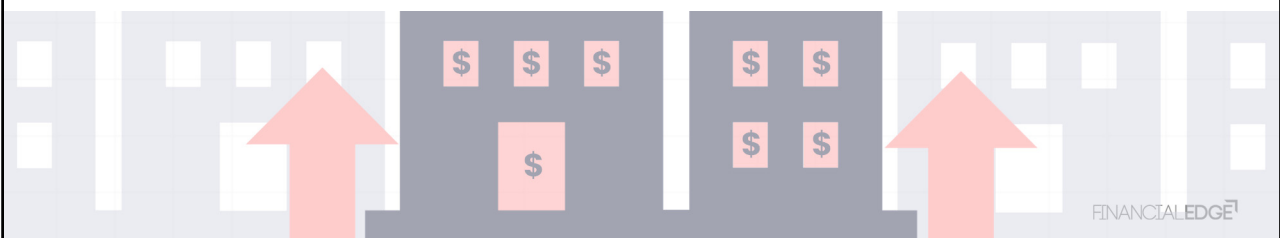
The shape of a **startup's cash flow burn** on a graph.

Difficult to raise a **Series A** round

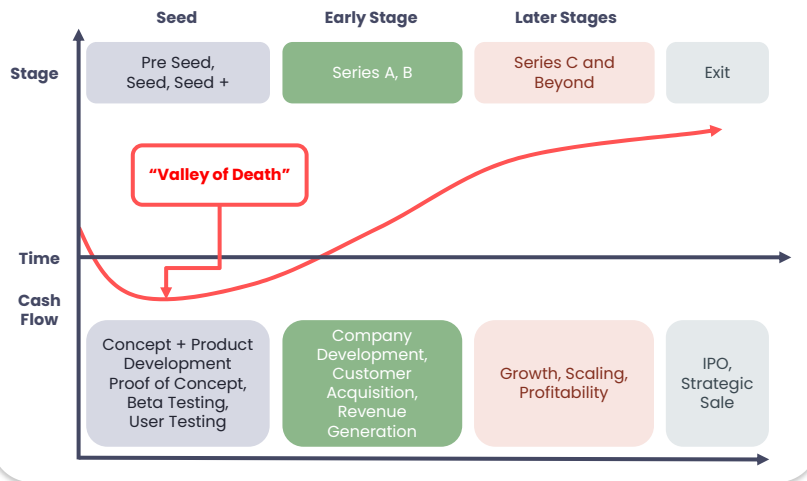
The startup needs to generate **breakeven cash flow** or raise additional **seed capital**

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Evolution of Capital Rounds – Early Stage



Early Stage



Demonstrated metrics that **prove PMF** and now focus on:

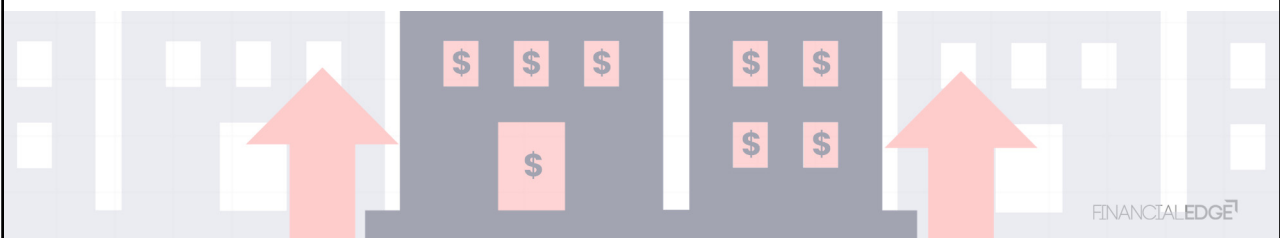
Customer acquisition

Revenue generation

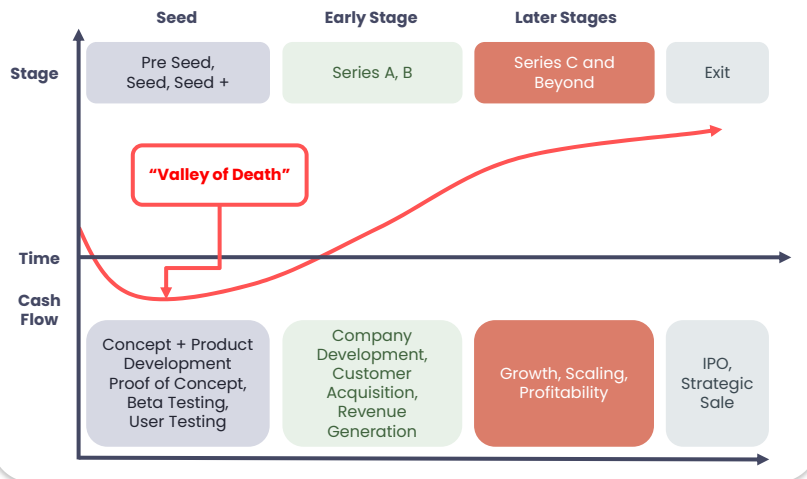
Moving towards profitability

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Evolution of Capital Rounds – Later Stage



Later Stages



Focuses on companies growing **steadily** and **rapidly**.

Scaling the **business model**

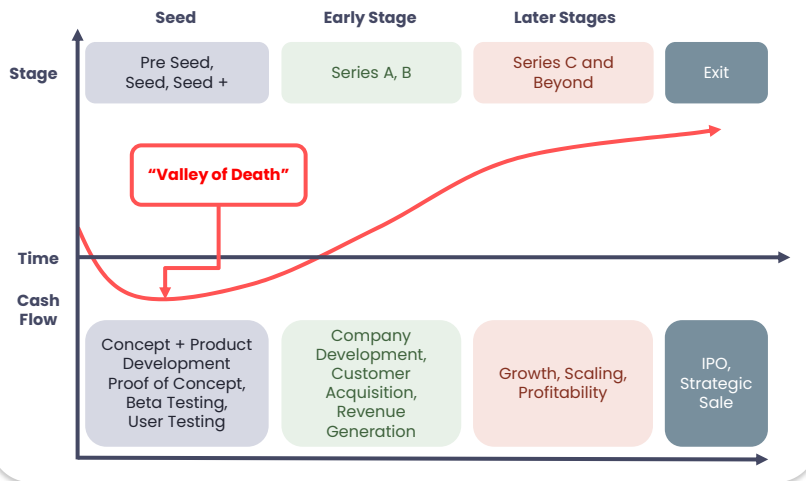
Reaching **profitability** without sacrificing **product quality** and **revenue growth**

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Evolution of Capital Rounds – Risk

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Venture Capital and Risk



Pre Seed or Seed

Capital Requirement:
Low (e.g. \$2million)

Risk of failure:
Very high

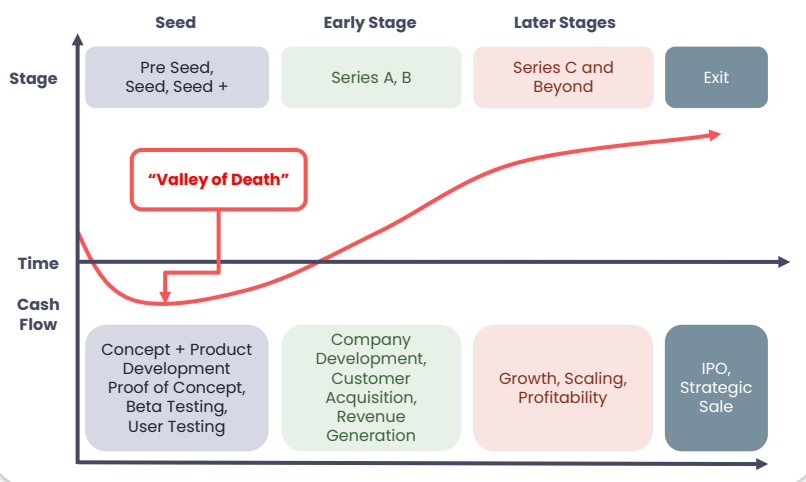
Series C and Beyond

Capital Requirement:
Investment continues

Risk of failure:
Decline slowly

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Venture Capital and Risk



Investors may **exit**
the company.

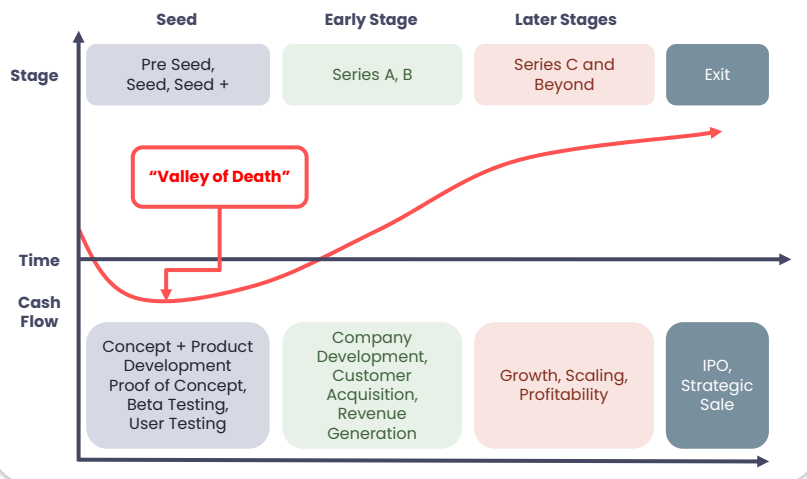
Sell their **stake**

To a **new investor**
(strategic sale)

May consider an **IPO**

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Venture Capital and Risk



Initial Public Offering:

Requires completing a **number of steps** to list the company on the **stock market**

Sets the company up for **growth**

Greater **liquidity** and **new interest**

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