



# Starting up: Planning for Success

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# Agenda

- Is entrepreneurship for you?
- Do you need capital, and where can you find it?
- What do investors look for?
- Communicating what you do. How to pitch an investor
- What should you look for in an investor?
- The evolving, global technology ecosystem
- Where should you start your company?
- Q&A

# Is entrepreneurship for you?

(Hint: Can't answer this for you)

- Persistence/never accept “no”
- Motivation/proactivity
- Willingness to take risks
- Tolerance of failure
- Need to have an impact
- Unrelenting search for quality
- Desire to build and lead teams
- **Not** because it's cool
- **Not** because it's an easy way to make money

# How do you get an idea?

- Solving a problem you have faced
- Applying technology to improve an existing product/service
- Using technology to create a new product category
- Taking solutions that have worked in a market and applying them to another market
- **Not** the consequence of top-down research
- **Must** be aware of market size, competition and uniqueness

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# Sources of capital

- Friends and family → willing to help
  - Angel investors, family offices → looking for returns and impact
  - Seed funds, venture funds → looking for returns
  - Banks, lenders → looking for returns
- 
- *Professional investors will look for high growth and attractive markets*
  - *You might not need professional funding for a small business or a “lifestyle” business*

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# What do VCs look for?

- An introduction from a trusted source (important)
- An opportunity they understand (VC selection is important)
- A clearly communicated plan
- Initial proof that business might work
- A situation they can add value to (if VC is hands-on)
- Mutual respect: an entrepreneur they are willing to work with
- A VC might look at 1000 opportunities every year and end up investing in 2. *You have to find a way to rise to the top* of the priority list.



# What's the most important ingredient VCs look for? (Hint: You)

- Integrity
- Passion
- Experience
- Knowledge
- Skill
- Leadership
- Commitment
- Vision
- Realism
- Coachability

(from David Rose's TED talk)

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# Communicating what you do: what's in a plan?

- Management team
- Market/Problem
- Product/Solution
- Business and sales model
- Strategic relationships
- Competition and barriers to entry
- Financial overview
- Use of proceeds, cap table and valuation

*A presentation should be 10 pages long and take 20 minutes to deliver. You can have as many backup slides as needed in an appendix.*

# Management Team

- Who is the management team?
- What is their experience?
- What pieces are missing and what is the plan for filling them (if one of the missing pieces is a CEO, say so upfront)
- Are there advisors who can bring value to the company?

# Market/Problem

- How big is the market opportunity you are pursuing and how fast is it growing?
- Size the market in a reasonable way. Understand the market you can serve and what part of it you can capture
- How established (or nascent) is the market?
- Do you have a credible claim on being one of the top two or three players in the market?
- Who are your customers and how are they meeting their needs today
- Emphasize the pain level and the inability of incumbents to satisfy the need.

# Product/Solution

- Introduce your product, and the benefits (which should obviously address the market problem you just described)
- How does the product/service solve your customer's problem?
- What is unique about your product/service?
- What is your value proposition to the customer?
- What kind of ROI can your customer expect by using buying your product/service? What pain are you eliminating?
- Are you selling vitamins, aspirin or antibiotics? (I.e. a luxury, a nice-to-have, or a need-to-have)

# Business and sales model

- How do you make money? What is your revenue model?
- What is required to become profitable?
- What is your sales, marketing and distribution strategy?
- What does the sales process look like and how long is the sales cycle?
- How will you reach the target customer? What does it cost to "acquire" a customer (CAC)? What is the LTV of a customer and is there a churn?
- What is the current sales pipeline?

# Partnerships

- The right partnerships on the distribution side can make a huge difference
- Who are your key distribution and technology partners (current & future)?
- How dependent are you on these partners?



# Competition and barriers to entry

- Never deny that you have competitors, no matter how unique you think you are. Sometimes competition is the established way of meeting the customer need.
- Who is your existing & likely competition?
- Who is adjacent to you (in the market) that could enter your market (and compete) or could be a co-opted partner?
- What are their strengths/weaknesses?
- Why are you different?
- What can you do to create more barriers for new entrants, or lock the market up?

# Financial overview

- For each time period, add headcount and cash balance. It should be clear how you expect the company to perform top line and bottom line three years out, and how much capital will be required now and later.
- Have backup slides to illustrate the assumptions behind these financials.
- VCs don't expect the numbers to be correct, but they need to see how you think about the problem and what assumptions you make

# Use of proceeds, cap table and valuation

- What funds have already been raised?
- How much money are you raising and at what valuation?
- How will the money be spent?
- How long will it last and where will the company "be" on its milestones progress at that time?
- How much additional funding do you anticipate raising & when?

# Be ready for possible questions

- What keeps you up at night?
- What assumptions are key to the success of the business?
- What "gotchas" could change the business overnight? New technologies, new market entrants, change in standards or regulations?
- What are your company's weak links?

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# What to look for in an investor

- Investors are long-term partners. Pick them well
- Look for investors who can help you strategically and tactically
- Look for investors who have invested in companies similar to yours or that have faced similar challenges
- Look for investors who are credible and can help you attract additional capital
- Importantly, you should look for investors who you have good chemistry with

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# The evolving global technology ecosystem

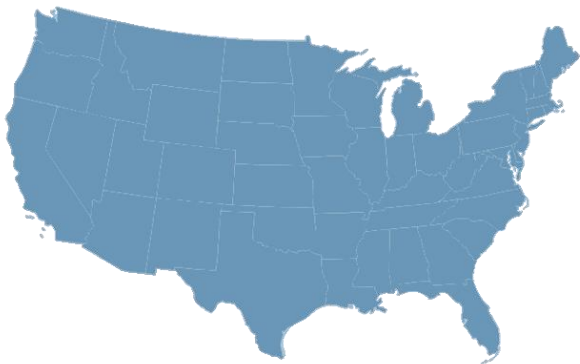
- While Silicon Valley is still the world's technology and innovation hub, other startups ecosystems have emerged around the world
- Main cause: software development paradigm has changed
- Talent is more ubiquitous
- Importance of domain expertise and regional centers of competence
- Migration to urban areas
- Need to stay close to customers
- In the 70s/80s we moved from monolithic businesses to networks, and we are now moving from local networks to global networks



# Today the US is still the capital of venture investing, but the dynamics are changing

## Total Gains in the Top 100 Investments

% of total gains generated by deal geography  
2012 investments, as of December 31, 2014  
Cambridge Associates



US  
84%



Rest of  
World 16%

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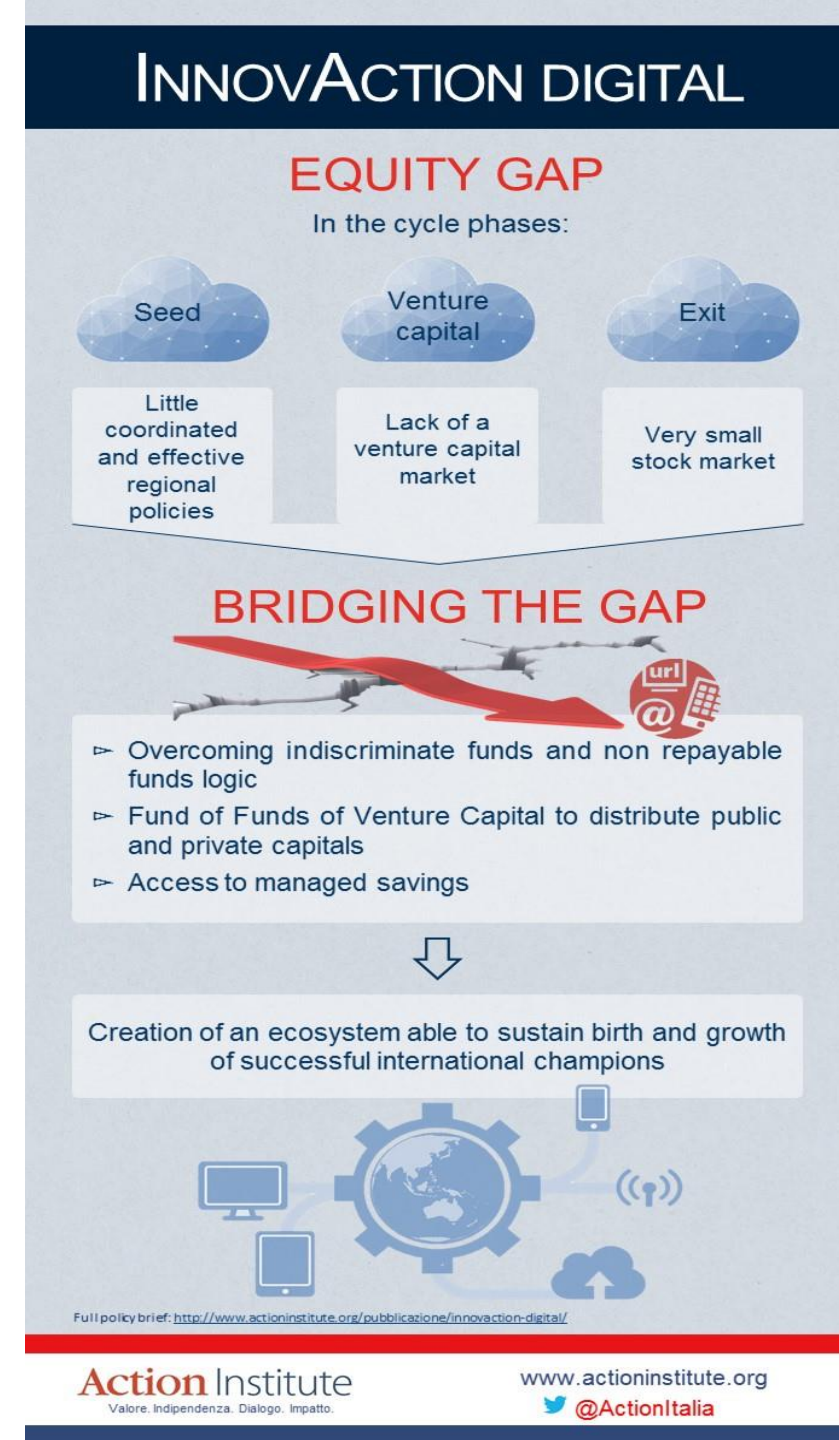
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# Where should you start your company?

- Today you can start a company from anywhere
- Key determinants: talent, customers, funding
- In Italy talent exists but VC industry is still nascent and inefficient. Systemic bureaucracy and inefficiencies are a problem
- Israel has pioneered a very successful model of incentivizing the development of creative technologies, and then developing the business itself abroad, especially in the US
- European hubs like London and Berlin have been able to attract talent and are seeing initial success

# The Italian landscape

- Italy is the second country in Europe after the UK for number of high tech firms, and second after Germany for density of innovative SMEs.
- One of the main challenges for startups in Italy is the ability to find capital.
  - In the last two years the situation has improved via the creation of a public sector VC Fund of Funds, investing in vertically specialized VC funds.
- Despite this, Italy is still lagging behind its European peers in total available venture capital and amount of venture capital as a % of GDP. In addition the Italian stock market is the smallest in Europe as a % of GDP after Greece.



Little  
coordinated  
and effective  
regional  
policies

Lack of a  
venture capital  
market

Very small  
stock market

## BRIDGING THE GAP



- ▷ Overcoming indiscriminate funds and non repayable funds logic
- ▷ Fund of Funds of Venture Capital to distribute public and private capitals
- ▷ Access to managed savings



Creation of an ecosystem able to sustain birth and growth

Q&A