



ACCELERATING EARLY-STAGE INVESTMENT

Preparing Entrepreneurs to Engage Angel
Investors

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Entrepreneur Self Assessment

- What type of funding best fits with your personal objectives?
- Will Investors objectives be compatible with yours?
- Can you work with a business partner?
- Can you share control?
- For which investor are you suitable?
- Are you an appealing investment
- Is **DEBT** or **EQUITY** best for your current stage of development:



Debt Vs Equity

Debt Financing

Borrowing money from an outside source with the promise of paying back the borrowed amount, plus the agreed-upon interest, at a later date.

Equity Financing

Raising capital by selling shares, part ownership, of a business to investors. Investors only get a return when the company is sold (may receive dividends if profitable AND company has cash to pay them)



Debt Vs Equity

	DEBT	EQUITY
TYPICAL USES	Covering short term cash flow - time between purchasing stock and receiving payment from your customer (term loans / overdraft)	Start up costs, converting past & future losses; growth of new business; R&D; high growth, expansion
	Expanding existing cash positive business (term loan)	High Risk – new / unproven concept / product
	Asset purchase – car, property, machinery.	When you don't qualify for debt - No collateral, credit rating etc.



Who is an Angel Investor

- “An individual, who invests their own money and time, directly in private companies (most often for an equity stake) in which they have no family connection, in the hope of financial gain.”





Why do Angels do this?

1. To put something back into local economies by investing in young people and companies, particularly those in emerging technologies
2. To look for investments where they can add value by passing on their own business experience
3. They Enjoy the Process

People don't become angel investors solely for financial purposes

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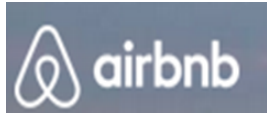
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Global Companies started with Angel Funding



Designed for living. Engineered to last



Caribbean Companies Receiving Angel Funding



"What I learned was invaluable. Going through the process reinforced the need to constantly think in a strategic way about my business, my processes and people. Getting help with governance was one of my key objectives. I sought funding, but I also looked beyond the money to the experience of the investors and their desire and ability to help me access markets across the Caribbean region."

– Danielle Terrelonge , Founder & CEO, DRT Communcations Limited



"Even though we had received an offer from another investor, we are happy that we made the decision to choose FirstAngelsJA . The experience taught us first-hand how rewarding risk-taking is for an entrepreneur. The most challenging aspect was the extensive research that we had to undertake to fill the gaps and to satisfy the concerns of the investors, but that in itself was enormously beneficial as it taught us so much about the due diligence process"

– D'Andre Fraser, Co-Founder & CEO, Billodex Limited



"I can't begin to tell you how we felt after the pitch, which was so well received by the FirstAngels members! We took the whole weekend to absorb what transpired and for it all to really sink in. We know we have a lot of work ahead of us but we are elated, excited and ready to get working."

– Allison Debbie Turner, Co-Founder & CEO, Turner Innovations Limited.



It's not just about the money

Sun | Mar 6, 2016

Google™ Custom Search

The Jamaica WI **Gleaner** Established 1834

Turner Innovations Ready To Go Commercial With Sorrel Harvesting Machine



The redesign of the sorrel harvester also means that Turner Innovations can now process 1,600 pounds of sorrel up from the current 300 pounds.

“The Turners were connected with Seabrook by their angel investors.”

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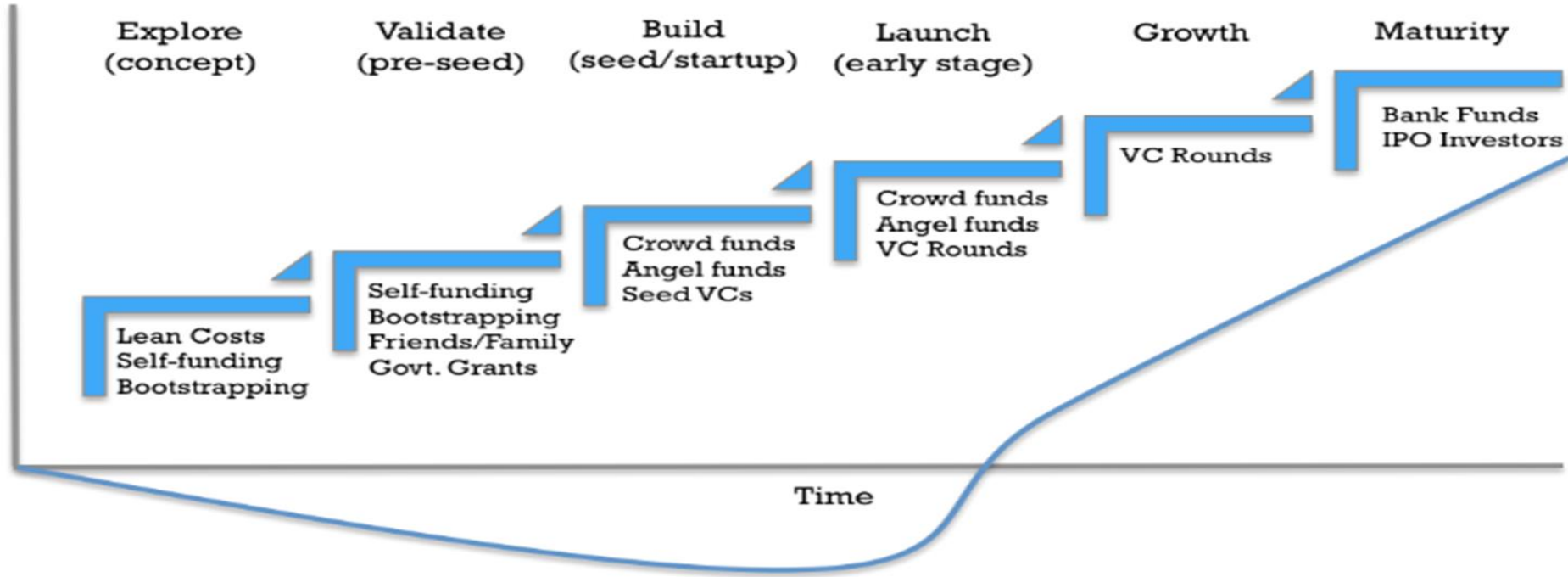


Who are the Angel Groups in the Caribbean

FirstAngelsJA



Typical Equity Funding Cycle



...In Reality Angel Investing is Broad

- Any Stage
- Any Size of Company
- Any Sector
- Cross Border



Pitch Preparation Advice

- Investors are the primary audience
- You must capture their attention in the first 60 seconds
- An effective pitch is no more than 16 slides
- Delivered in no more than 8-15 minutes
- Tell your story like a story
- Help your audience get a picture in their heads.
- Rehearse Rehearse Rehearse





Typical Pitch Table of Contents

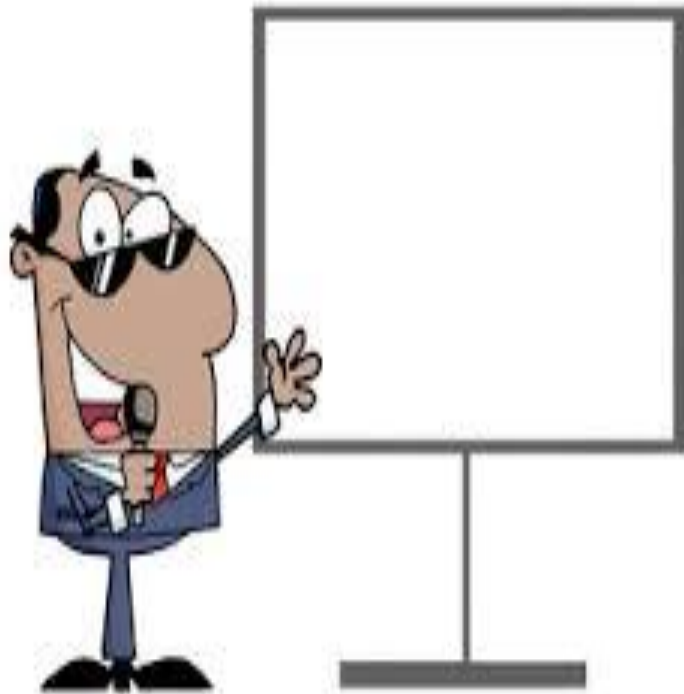
1. Title Slide
2. Market Problem
3. Your Solution
4. Business Model & Sales
5. Market Demand
6. Competition
7. Growth Opportunity
8. Management Team
9. Financial Projections
10. Financial Projections Chart
11. Investment Strategy & Use of Funds
12. Funding Sought/Valuation Chart
13. Company Milestones
14. Risk Assessment
15. Exit Strategy



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So you get to the Pitch

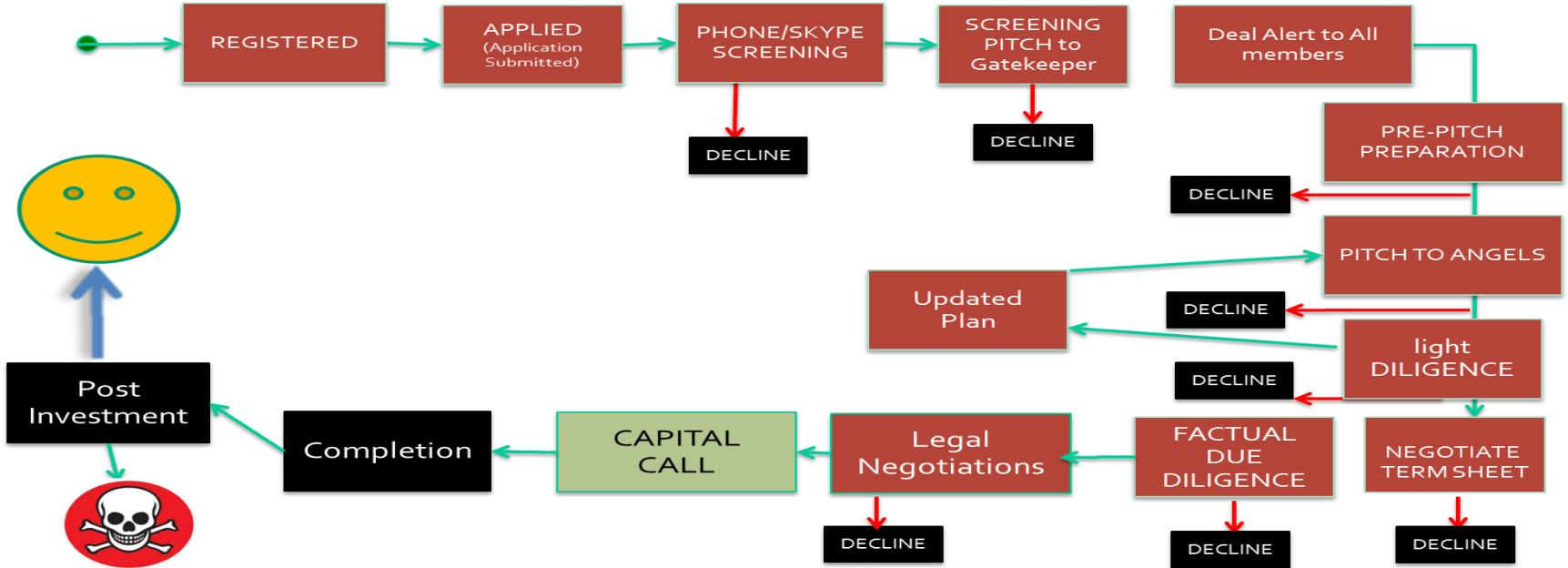


And Expect This



Reality Check: Process has just started

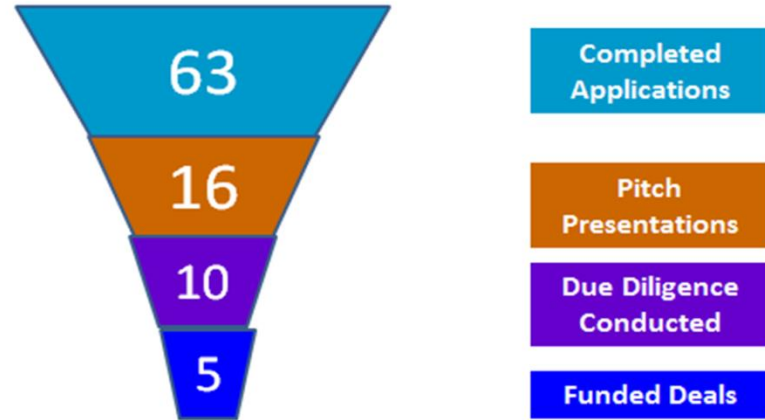
Sample Deal Workflow





So will you be able to secure funding?

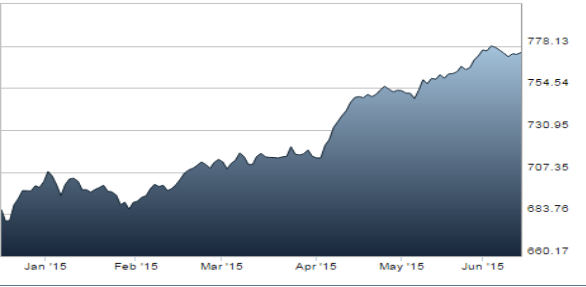
Of 63 companies that applied to one regional angel group only a few received funding. The best-prepared entrepreneurs are more likely to secure Angel Funding...Be an elite Navy Seal, not regular infantry



Always Remember:

**A good business is not necessarily
a good Investment**

Other Investment Returns – You are Competition for Funds



- Property Investments
- Stock Exchange Investments
- An Investor using his money to buy a luxury car, wines etc



But what do Angels want?

- Firms in a cutting-edge industry, like technology or a cool consumer product
- Firms that have the ability to gain traction overseas
- Entrepreneurs that Can demonstrate that the company will generate a significant return for investors in 5 years
And have a clear path to an exit
- Entrepreneurs ready to exchange equity and some control for funding and mentorship



...And what do Angels look at?

- A CEO who is:

- Coachable,
- Experience,
- Leadership



- A Team that is:

- Balanced & complete
- Experience working together
- OK to have some positions still to be filled



You get more than Cash

- 1. It's not just about the cash** – it's the investment of the Angel's time and reputation regardless of the \$ amount.
- 2. A \$50k deal is not a \$50k deal** – that's just the first round. If the first round is successful it can lead to additional investment . Therefore Angel's will do the DD on that basis.





What it really means to take on an Investor:

- Do you have:
 - Willingness to take on a Partner?
 - A truly high growth potential business?
 - Experience / capability to execute a high growth plan?
 - A management team that will work with you?
 - A credible exit strategy?



If YES— an Angel Investor may be the right solution for you.



Prepare for Due Diligence

- Whole team must know the business plan.
- Team Data:
 - update resume
 - personally call probable references
 - brief the investor on career anomalies
- Contact key vendors and customers.
 - Explain that they may be called, and use the opportunity to check their satisfaction with your company and your product. Again, if you find problems you can't fix, be up-front with the investor to avoid a surprise.



TRUST is Key!

1. To achieve success the entrepreneur has to TRUST his Angel
2. An Investor is a full PARTNER, and will have say in the direction of and development of the Business they have made an investment in



TRUST is Key!

1. Angel Investors are not looking to steal your business
2. Angel Investors are not looking for you to be their puppet





TRUST is Key!

Start-up myth 1:

Someone is going to steal your idea if you tell people about it

But in Reality

You probably could not even pay your top competitor to execute your idea – they have plenty of their own. So get out there and talk and test and validate. Execution is the key, not idea generation.



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Term Sheets

- AKA- “Letter of Intent,” “Memorandum of Understanding,” “Agreement in Principle”
- First major step in transaction, when material terms of the deal are negotiated and agreed to
- Not a binding agreement to fund
- Subject to actual documents, due diligence, other Closing conditions (e.g. legal opinion)



But some provisions are legally binding:

- Confidentiality (company can't disclose terms or even existence of term sheet)
- Exclusivity ('no shop' provision that specifies that, upon signing, an entrepreneur will cease the process of courting other investors. usually 30-60 days)



What's in a term sheet?

- The Business
- The Investors
- The Amount of Investment
- Type of Shares (Ordinary/ Preferred).
- Investment Disbursement (is it Tranched?)
- Pre-Money Valuation
- Conditions Precedent
- Target Completion Date
- Anti Dilution
- Board Structure
- Protective Provisions (minority Protections)
- Information rights
- Drag Along / Tag Along
- Warranties, - promises by the entrepreneur
- Transaction Costs – who pays the fees?
- Exclusivity Period
- Confidentiality



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THANK YOU

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