



An Investor's Analysis of the Company

An Investor's Perspective

- ❖ **Management Team**
- ❖ **Market Opportunity**
- ❖ **Competitive Landscape**
- ❖ **Financial Model**
- ❖ **Valuation**
- ❖ **Next Steps**

Why this Team?

- ❖ **Domain Knowledge and Expertise**
 - Depth and Breadth
 - Network
- ❖ **Relevant Operating Experience**
 - Current Roles and Responsibilities
 - Prior Assignments
 - Demonstrated Decision Making
- ❖ **Track Record**
 - Results – Success and Failure
 - Lessons Learned
 - References
- ❖ **Fit – Complementary / Prior Experience Together**
- ❖ **Current Organization Chart / Gaps**
- ❖ **Board/Advisors**

Why this Market?

- ❖ **Customer Value Proposition – Why Do They Care?**
 - Save Time
 - Save Money
 - Increase Revenues
- ❖ **Size of Market**
 - Addressable Market and Segmentation
 - Market Share
 - Expansion / Extension / Adjacent Opportunities
 - Market Research Reports
- ❖ **Time to Market (2nd Mover Advantage)**
- ❖ **Differentiation – Value Proposition**
 - Unique Attributes
 - Sustainable Attributes
 - Intellectual Property
 - Registered / Unregistered

❖ Go to Market Strategy

- Direct / Indirect
- Internet
- Channel
- Customer Segmentation
- Models
 - Sales Cycle
 - Quota
 - Organizational Structure
 - Commission Structure
 - Cost of Customer Acquisition

❖ Pipeline

- Funnel
- Win / Lose – Why?

❖ Customer References

- Selection Criteria
- Alternatives Considered
- Ease of Use / Relationship

Why Do You Win?

- ❖ **Current Competitors**
 - Identified/Unidentified
 - Magic Quadrant
 - Industry Analyst Reports
- ❖ **Competitor Characteristics**
 - Offering
 - Positioning
 - Distribution
 - Resources
 - Intellectual Property
- ❖ **Anticipated Response**
- ❖ **Potential Competitors**
- ❖ **Structural Risk**

How Do I Make Money? How Much? When?

❖ Assumptions

- Key Drivers
 - Rate and Cost of Customer Acquisition
 - Production / Delivery Capacity
 - Roadmap (Technology / Product)
 - Third Party / Regulatory Approval
- Identify Milestones
- Sensitivities - Leverage
 - Rate of Growth
 - Margin Expansion
 - Units Sold
 - Selling Price
 - Cost of Sales
 - Expenses
 - Headcount
 - Intellectual Property Development
- Dependencies
- Innovation Required

❖ Complete Financial Statements

- Income Statement
- Statement of Cash Flows
 - Working Capital
 - Capital Expenditures
- Balance Sheet
- Format
 - 3 Years
 - Monthly
 - Assumptions / Triggers

❖ Benchmark Against Industry / Competitors

❖ Next Round of Financing

- Catalyst
- Timing
- Amount
- Source

Investor Sets the Price! Company Selects the Investor!

❖ Investor Return Required

- Sector and Stage
- Holding Period
- Rate of Return

❖ Current Capitalization Table

- Prior Financings and Terms
- Adequacy of Option Pool

❖ Methodologies

- Public Company Comparables and Precedent M&A Transactions
 - Both Methods Yield Multiples of Revenue & EBITDA
- Discount to Pro-Forma Financial Statements
 - Investor's Risk Adjustment to Plan

❖ Pre- vs. Post-Money Value

❖ Likely Exit – Who?

- Timing
- Acquisition / Merger
- Recapitalization

Investor Traits and Attributes

- ❖ **Role of Friends and Family**
- ❖ **Personality**
 - Fit
 - Relationship with other CEOs / Boards
 - Commitment / Participation
- ❖ **Experience**
 - Relevance
 - Operating / Financial / Technical
- ❖ **Value Add**
 - Relationships
 - Customers / Potential Customers
 - Distribution Channels
 - Strategic Partners / Acquirors
 - Operating / Financial / Technical
 - Other Investors
 - Other Members of Investor Team
- ❖ **Ability to Fund Future Rounds**

What's Required?

- ❖ **Revenue Generating Customers**
- ❖ **Term Sheet**
 - Governance
 - Preferences
 - Required Insurance
- ❖ **Formal Due Diligence**
 - Business
 - Confirmatory
 - Competitive Landscape
 - Legal
 - Financial
 - Historical
 - Budgets
 - Projections
 - Unrecorded Liabilities
 - Capital Expenditures
 - References
 - Management
 - Customer

❖ Drafting Definitive Documents

- Major Terms Negotiated in Term Sheet
- Customary Agreements
 - Stock Purchase Agreement
 - Co-Sale and Right of First Refusal
 - Voting Agreement
 - Investor Rights
 - Amended and Restated Articles
- Transaction Counsel
- Executive Employment Agreements

❖ Closing

❖ Execution Against Plan



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