

ANGEL WORKSHOP SESSION 2: IS THIS AN INVESTABLE BUSINESS?



**STARTUP
FUNDING**

+



**ONGOING
SUPPORT**

=



**PHX EV
ANGEL**



PRESENTED BY JAMES GOULKA
NOVEMBER 8, 2017

INTRODUCTION

- **Objective:** Add more Angel Investors in the East Valley
- **Who:** Accredited Investors who live or work in the East Valley
- **What:** 6 session primer on how to think about angel investing
- **When:** First Wednesday of each month
- **Where:** ASU Chandler Innovation Center, 249 E Chicago St

WHY WE'RE HERE

More Local Angel Investors



More Local Capital for Local Startups



Easier to Raise Money



Spend Locally On:

Hiring, Buying Goods and Services, Occupying Space,
Creating Local Wealth for Local Investors

JIM GOULKA

- Leads Arizona Tech Investors
 97 men and women
55 companies in 10 years
- Serial CEO in software & NASA tech transfer
- COO/CFO of \$650 million publisher
- Private Equity finance
- Corporate finance

PREVIOUSLY

- Defined angel investors
- Discussed potential for huge gains

STARTUP SEEKING CAPITAL

- 1-2 year old business
- Management: Most are first time entrepreneurs
- Team: Incomplete
- Product: Prototype
May be a thing or may be electrons
- Disruptive: Requires customers to change behavior
- IP: Is there any?
- Capital: Limited to founder funding+friends+family

WHERE DO YOU START?

- No direct history
- There are indicators
- Derived from systematic questioning
- **ATI** candidate template

MANAGEMENT: BASICS

- Does management have experience that relates to the opportunity?
- Serial entrepreneur > value of first time entrepreneur
- Entrepreneurial mindset = no staff
- Youth doesn't matter: Fit does

MANAGEMENT: CHARACTER

- Integrity: Background checks
- Coachability: Listen to advice or know it all
- Passion: 24/7 work ethic
- Team Sense: I vs. We / Boundaries

MANAGEMENT: ECONOMICS

- Skin in the game
- Can they afford to be entrepreneurs?
- Not greedy: little cash / mostly stock
- Share rewards with everyone in company

IS THERE A PROBLEM TO BE SOLVED?

- A problem that needs solving: Not a solution in search of a problem.
- Validate the argument by:



WHO HAS THE PROBLEM? = CUSTOMERS

- Who are they?
- How many of them are there? (Size of market)
- How acute is the problem? (Importance)



TURN PROSPECTS INTO CUSTOMERS?

- Can the company get to their buyers?
 - Consumers
 - Enterprise purchaser
- Do they know how customers buy?
- Do they know how to convert prospects to customers?
 - Tools
 - Methods

FINALLY: THE SOLUTION

- Does the product solve the customer problem?
- Does the customer value proposition make sense?



SOLUTION: NOW & FUTURE

- Intellectual property
- Product development road map
- Test the product
 - Look at the code or the device mechanics
 - Does it work?
 - Is it scalable?
- Supply chain evaluation & management assessment
- Regulatory path

WITHOUT MEASUREMENT YOU HAVE A HOBBY

- Management dashboards: what do you measure?
- Do actions convert to numbers?
- Do numbers cause actions?
 - Especially recalibrations of behavior?

FINANCIAL PROJECTIONS

- High level only
- Don't believe them as a promise of the future
- Reflects management thinking about drivers and results
- Solve for capital need, not driven by it

RECAP

- Is there a superior (if incomplete) management team?
- Is there a serious problem to solve?
- Is the market big?
- Will customers put great value on (i.e. pay a lot for) the solution?
- Can the company sell effectively?
- Does product work as advertised? Can they protect it?
- Does management know how to manage?

FIGURING IT ALL OUT

- A lot more than trend analysis
- Analytical efficiency gained through sharing work with others who know parts of the analysis.
This is why ATI exists.
- Can't reach certainty, only an acceptable level of confidence
- Confidence level is defined by the investor

NEXT SESSION: VALUING THE OPPORTUNITY

- If you get comfortable that a company is a business with high potential and acceptable uncertainty:

Then determine what price you will pay to get a piece of it.



- Is This opportunity worth enough to allocate some of my scarce capital to?
- December 6
- Same time and place

FUTURE SESSIONS:

DEC. 6, 2017 

Is *This* Company Worth It?

Angel investors are scarce and entrepreneurs seeking capital are abundant. That means that investors can select which companies are attractive enough to invest in. “Attractive enough” has two parts: the company prospects have to be good (as discussed in Session 2) and the economic outcome must be sufficiently high to justify the allocation of funds to a particular opportunity. Learn the techniques for valuing opportunities that have no direct history and where each opportunity fits into a portfolio of investment opportunities. Learn these techniques.

JAN. 10, 2018 

Setting the Terms of a Deal

Investing in a startup is *not* like investing in a NYSE or NASDAQ listed company: once in, you’re in for an extended period. Since angels can’t get out of an investment quickly, learn how they structure their investments to reduce the risk and help a company become successful.

FUTURE SESSIONS:

FEB. 7, 2018 

Trends in Investing, with a Nod to Venture Capital

Startups are emerging in Arizona in software, semiconductors, medical devices and other fields all the time. Arizona is not Silicon Valley and Silicon Valley is not the entire U.S. Some trends apply everywhere; others are localized, and all of them matter. Learn which comparisons are important and which are not. And learn how angels and VCs are dependent upon each other...to a point.

MARCH 7, 2018 

Angel Investing - Doing It

Individuals invest as angels in several ways: alone or together in groups sharing intelligence. They can be active or passive. They can have a little of each. Learn the differences and how to take action that suits you.