TERVISETEHNOLOOGIA TEADUSKIIRENDI:
Ideede arenduslaager Tartus

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#healthtechestonia
How to Understand Investors?
What every founder shall know.

Mart Maasik, UniTartu Ventures

inspired by Heidi Kakko and ESTVCA

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What is a Startup?

• Newly founded company vs startup

"A structure designed to create a new product or service under conditions of extreme uncertainty“ by Eric Ries

The term „startup“ is reserved for companies that are innovative or that make use of new technologies. Unlike a typical SME/newly founded company, a startup has to invent its own processes and define its business model beyond common or traditional.

• Scaleup vs mature/established company

A startup that has grown, that has changed scale – reached the proof of business model and expanding in team (more than 10 employees, 20% annually), revenues (1-5-10 million EUR), funding 1-5-10 million EUR.
Still operating under uncertainty?

• Spinoff

A formal split of a company/ institution into two or more separate entities, while a start-up is a new brand entity created by an existing company.
Startup Financing Cycle

- Customers / Pioneers-early adopters „Capital at Risk”
- Retail investors / Crowdfunding
- Business Angels / Syndicates
- „Not-a-fund”-s
- Professional Venture Capital
- VC funds - seed, early, growth
- Growth funds
- CVCs
- Other
- M&A, corporate sponsors etc

www.estvca.ee
Investor Profiles and Strategies

Business Angel
- Invests own money
- Often semi-professional
- Personal motivation

Syndicate
- Managed by a Lead Investor
- Lead Investor’s role and quality
- Followers vs crowdfunding

Institutional VC investor
- Fund manager
- Other investors’ funds
- Strategy-based
What does a professional VC look for?

REASONS TO SAY „NO”!

• FIT with the investment STRATEGY
• TIMING - corporate life cycle + life cycle of the fund
• TEAM - Founders, TEAM - extended, TEAM - new hires
• Market size & growth (global, growing, emerging)
• Market opportunity (narrative vs numbers)
• Fit-levels – concept-product-market fit-business model
• Long-lasting unfair competitive advantage
• Potential for solid return & exit
• Other specific issues - problems, ease of entry
Negotiating with a VC

- Model Documents [https://startupestonia.ee/resources](https://startupestonia.ee/resources)
- Pre-seed rounds dominated by a Convertible Loan
- Seed rounds mostly equity investments
- Basic terms
  - Investment size, round size, stages
  - Structure of financing – convertible, equity, SAFE (Simple Agreement for Future Equity)
  - Share of ownership / Pre-money valuation
  - Important decisions and investor rights
  - Investor protection & liquidation preference
  - Founder shares and vesting
  - Further capital rounds (option pool etc)
The VC Decision-Making Tree

At time of intro, these matter:
- Who else is investing?
- Who makes the intro?
- Founder/team

Ultimately the Questions:
- Do you obviously have the chops to take it to a massive exit?
- Does the VC love the product?
- Deal terms, valuation, and expected amount of downstream financing
Low Valuation
- Indicates inexperienced founders
- Dilution, low motivation for founders
- No room for new rounds
- Sets a benchmark for next rounds

High Valuation
- If can’t prove even higher for the next investor, then
  - downround or
  - no round....
- If to raise high, large scale

Valuation does not make the deal good, BUT it can kill the business!
Investors are in exit-business!
UniTartu Ventures unlock the potential of research-based entrepreneurship in Estonia

We team up with early-stage deep tech investors to support the University of Tartu connected researchers, startups and spinn-off’s growth
The investment model

• We invest in ‘IP-for-equity’ transactions (incl. access to data)

• Our prerequisite is to have external lead investor who invest at least equal value, we support with investment readiness

• Evergreen fund, readiness for long term relationship with University of Tartu

• The readiness for direct financial and follow-on investments will matures during the next years
Thank you!
Fundraising Package by the Founders

One- or two-pager
- To get an intro
- Appetizer - teaser
- Executive Summary

Investor Pitch/Slide Deck
- 10-12 slides
- Give a balanced overview
- Focus on growth story and current traction

Term Sheet Draft
- Preferred structure - equity vs CLA
- Valuation / offered share
- Rights / Decision making power
- Draft Cap Table
- Best practice based
Investor Pitch Slide Deck

Title. Your company name and one-line description.
1. Problem/Opportunity. What pain point are you solving?
2. Value Proposition. How are you tackling the problem?
3. Underlying Magic. What’s the secret sauce of your solution?
4. Business Model. How do you or will you make money?
5. Go-to-Market Plan. How do get the customers/ revenues?
6. Competitive Analysis. Who are the other players in the space and their size in the market?
7. Team. Who’s on the management team?
8. Financial Projections and Key Metrics. What do you measure to improve?
9. Current status, accomplishments to date.
10. Timeline and use of funds. How much money are you trying to raise?