

Inner Circle

OCTOBER SESSION



COACH



Alejandro Cremades

CoFounder at Panthera Advisors

- Serial entrepreneur
- Guest lecturer professor at Wharton, NYU, Columbia University
- Ranked #1 in the Top 30 under 30 list by Vanity Fair, Entrepreneur Magazine, and GQ Magazine
- Forbes contributor
- Author of *The Art of Startup Fundraising*

**“Your attitude, not your
aptitude, will determine
your altitude.”**

-----Zig Ziglar



The Vision



Goals

Finance

Larger
Community



The Vision - Examples

Individuals

- John F. Kennedy
- Martin Luther King
- Bill Gates
- Buckminster Fuller

Their vision

- Putting a man on the moon
- Free of prejudice and injustice
- Every home has a computer
- Everybody has access to electrical power

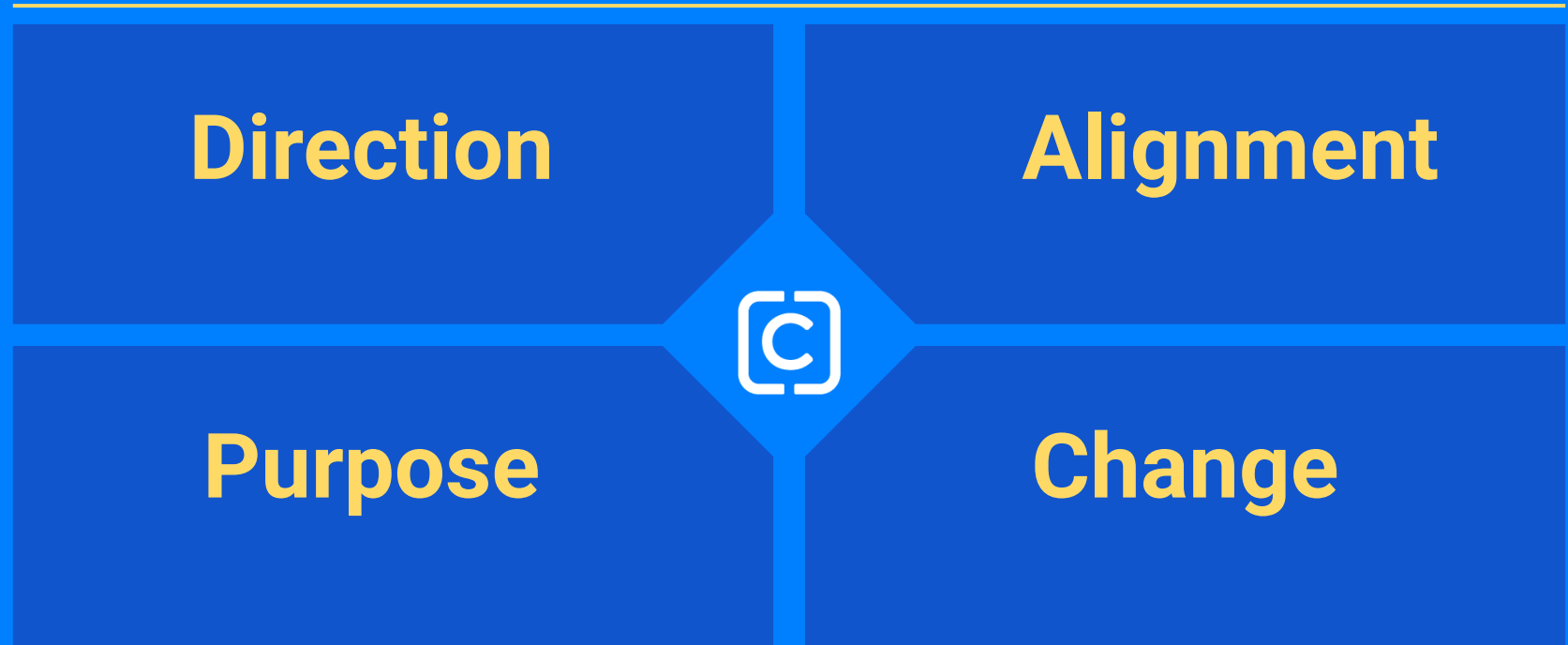


What do they have in common?

They see the world as a place where amazing things can happen. Where billions of lives can be improved and where technology can change the way we live.



Factors behind an effective vision



Market & Growth Potential



Why is this so important?

- Determine business and marketing direction
- Performance issues
- How sustainable the business is
- Investors use trailing growth rates to determine their investment decision



Market & Growth Potential

Market size

- Determine market size via credible sources
- Calculate how much revenue the market made
- Include total sales of you and competitors

Growth Rate Example

Example: your company generated \$50M this year and \$30M last year. The change in revenue is \$20M. Divide \$20M by \$30M and multiply quotient by 100. Your sales growth rate is 66% over the the past year.

Market Opportunity vs. Growth Rate

**Expected to
tackle \$1B+**



**Sustainable
growth**

Potential market size

Volume

Value

Market volume= Number of target customer +
penetration rate

Market value = market volume x average value

Ask yourself the right questions!

- Who are my potential customers?
- What competition is out there?
- How different is my company?
- At what prices are customers prepared to buy my product or service?
- How big is the overall market today?
- How big is it growing?
- What segments are the most interesting?

Addressable Market vs. Available Market

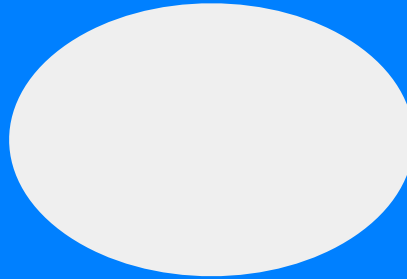


Including findings inside the pitch deck



\$1B

Lorem ipsum dolor sit amet,
consectetur adipiscing elit. Sed
tristique fermentum



\$2B

Lorem ipsum dolor sit amet,
consectetur adipiscing elit. Sed
tristique fermentum



\$3B

Lorem ipsum dolor sit amet,
consectetur adipiscing elit. Sed
tristique

Traps of being overvalued



Risks of being overvalued

- Adding hurdles to raising capital ever again
- Increasing the chances of doing down rounds in the future and disappointing early investors
- Reputation of immature management team
- Make your early employees angry and disrupt the working environment



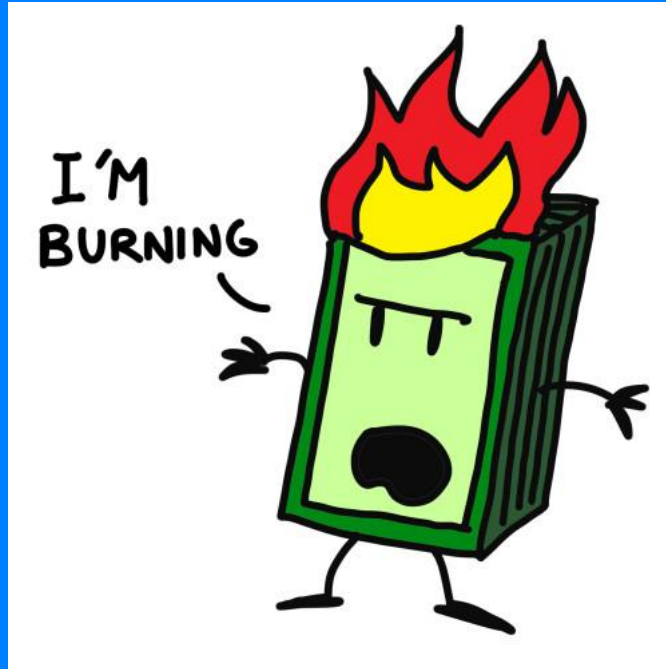
Impact of dilution



Example

Dilution example. If you own 20% of a \$2M company your stake is worth \$400K. If you raise a new round of venture capital (say \$2.5M at a \$7.5M pre-money valuation, which is a \$10M post-money) you get diluted by 25% ($2.5m/10m$). So you own 15% of the new company but that 15% is now worth \$15M or a gain of \$1.1M.


Burn rates



The burn rate

If your costs are \$500K per month and you have \$350K in revenue then your net burn is \$150K.

High burn rates



Conservative
backdrop

Shiny
offices

Down
rounds

Rule of thumb

Your value needs to be at least 3X the amount of money you are burning.

Example

If you raise \$10M at a \$30M pre-money valuation that investor will need to exit for at least \$120M to hit the minimum.

Recommendations

Burn rates

- Your burn will be multiplying \$10k per employee to factor in rent and other costs.
- Know if your burn is going up or down

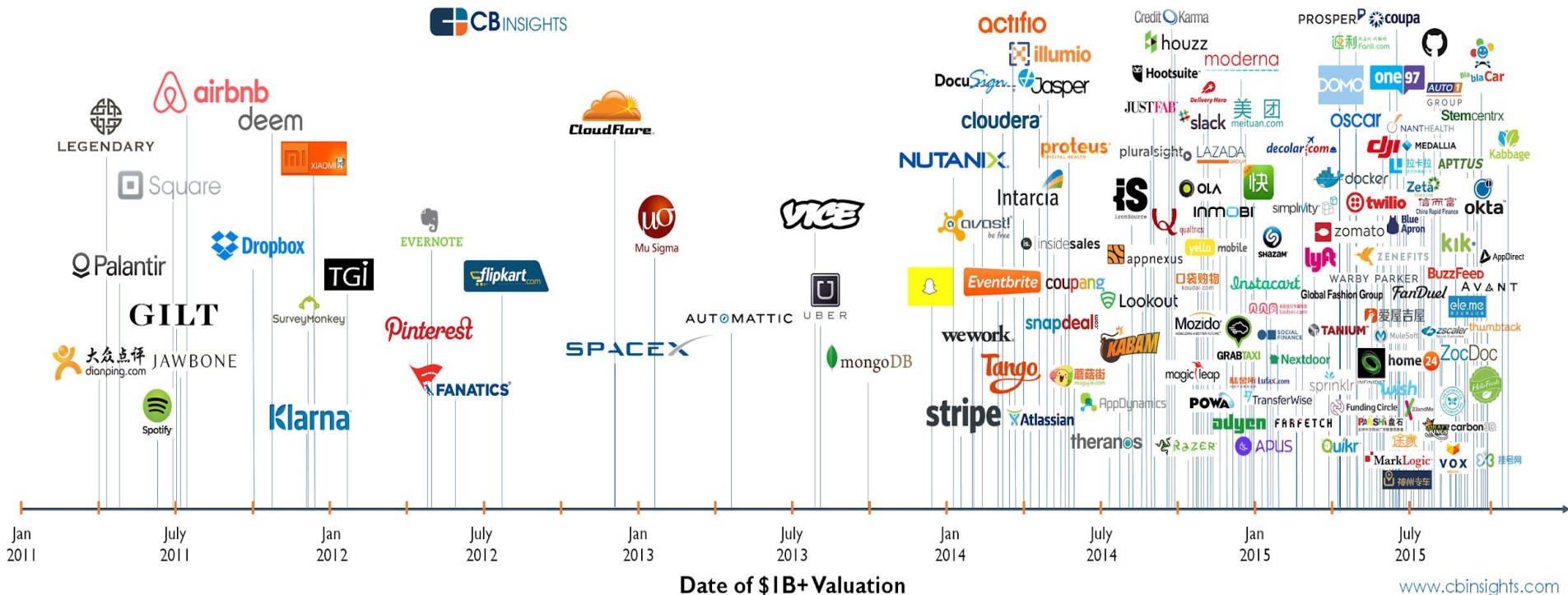
The unicorn club

The Increasingly Crowded Unicorn Club

Created by:



Private Unicorns since 2011



zirtual

- Zirtual is a company that aimed to put virtual assistants in the hands of any business owner
- The company was founded in 2011
- **Raised \$5.46 Million** from a bunch of investors (Tony Hsieh, founder of Zappos, Jason Calacanis, early Uber investor, Structure Capital)
- Zirtual employed 400+ employees



Zirtual employees get an email at 1:34 am saying they are stopping operations immediately. **400 employees laid off!**

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zirtual

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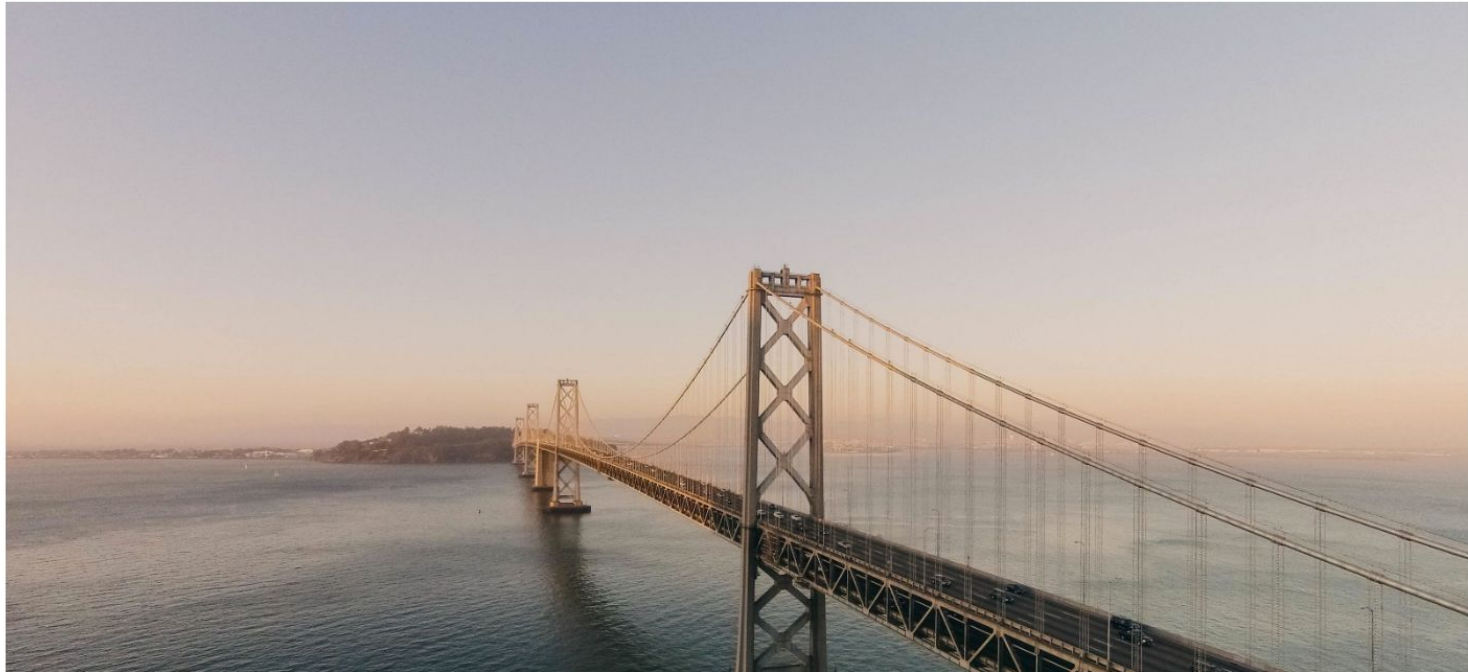


Maren Kate

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Currently embracing peace, love, abundance and adventure. Entrepreneur/writer exploring the f...
Aug 11, 2015 · 4 min read

Zirtual: What Happened and What's Next



owns. I don't work out of Starbucks; I work out of our SF or Vegas offices now. Zirtual did grow to be "big"; at its peak it had almost 500 employees, was serving thousands of clients and was on an \$11M run rate.

Then growing fast caught up with us, and the last seven days have been a spiral like I have never experienced before in my life.

So what went wrong?

Short answer: burn.

Burn is that tricky thing that isn't discussed much in the Silicon Valley community because access to capital, in good times, seems so easy. Burn is the amount of money that goes out the door, over and above what comes in, so if you earn \$100 in a month but pay out \$150, your burn is \$50.



Failure after raising financing



Solyndra

- Raised \$1.2B
- Investors included Redpoint Ventures,, US Venture Partners, or Argonaut Ventures
- Company filed for bankruptcy after prices on its market plummeted.



Better Place

- Raised \$675M
- Investors included VantagePoint Capital Partners, HSBC, GE, etc
- Company filed for bankruptcy as a result of mismanagement



Terralliance

- Raised \$296M
- Investors include Kleiner Perkins, Goldman Sachs, DAG Ventures
- Company filed for bankruptcy from CEO misusing investor funds



Top reasons why startups fail





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