Saul Ewing LLP

# Roundtable Takeaways

## Entrepreneur's Guide to Early Stage Financing

At the September 2013 Emerging Company Roundtable session, Gianna Arnold and Phil Bogart of Saul Ewing facilitated an energetic discussion regarding tips for entrepreneurs seeking early stage financing. Excellent insight was provided by Kyp Sirinakis of Rock Spring Ventures, Chuck Cullen of Grotech and Paul Silber of Blu Venture Investors and HealthCare Innovators Fund, along with Saul Ewing attorneys Eric Orlinsky and Adam Zarren. A few takeaway tips from the group's discussion are as follows:

1. **Meeting investors** can be daunting, but it doesn't have to be. If you are involved and complete your background research, these introductions feel more natural. Try to attend events where you are likely to meet investors. Working your existing network is critical. Your lawyer, accountant, or financial advisor can facilitate introductions to investors. Often these facilitated introductions are the most successful.

2. **Prior to approaching investors do your homework.** Be sure you know their focus: what industries do they support and at what stage do they invest? Your initial contact should be used as an opportunity to introduce yourself and your high-level concept. Send a brief two-page executive summary highlighting who you are, what you've done, your idea and the value proposition. Make sure your introduction is tailored to the investor. To do otherwise is a waste of everyone's time. Keep the information direct and brief. Include key components such as go-to-market propositions, financials, players, business proposal and payoff. Technology descriptions should be clear and concise. Define the problem that your product addresses, not how the technology works. Identify why your product or service is a must-have for your target audience.

3. **Once you have a relationship with an investor, maintain contact.** Touch base at events and tradeshows. Send follow-ups on your company developments so the investor is aware of your progress and can help when appropriate (either with financing or connecting you with the right people). Communicating effectively prior to investment demonstrates that after the investment there will be continued, clear communication. Keep in mind that sometimes the best time to develop the relationship is when you don't need the money. This is the time when you can focus on fostering your relationship and get to know each other's interests and goals.

4. **When preparing budgets or projections, do your research.** Look at public numbers and analogues when proving your own projections and numbers; consider at what rate others have grown. Keep in mind that you want to include attractive numbers, but avoid being wildly optimistic. Discuss how you plan to get the projected numbers – identify milestones you're targeting for the first year and include dates. Consider outsourcing a CFO if you don't have one working with you already – a CFO can provide confident numbers with assumption plans.

5. **Keep in touch with investors post-investment phase.** They have a stake in your company and will want to be kept abreast of activities. Your investors bring more to the table than serving as a financial resource.

The Roundtable proved to be a productive discussion with an engaged audience of industry insiders, entrepreneurs and investors.

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