A Guide on How To Get Funding For Your Startup

Pro Business Plans
Your future with a good plan!

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FUNDRAISING SOURCES

If you have decided that fundraising is best for your business, you have three primary options. The first option is investors, the second is a bank loan, and the third is crowdfunding. If you are indecisive about what fundraising is best for your business, you should ask yourself the following questions:

> **What industry am I in?** Most VC investors today rarely invest outside the technology industry. Almost all investments made by institutional investors are in either the Internet/Software or Biotechnology industry. This same factor will influence your financing options, as asset intensive industries with a fixed stream of income (E.g. natural resources, retail) will increase your lending options, but not the same companies venture capitalists invest in.

> **What am I willing to risk?** Each fundraising channel has its own pros and cons that must be decided on an as is basis. Business owners must risk how much ownership control and equity they are willing to sacrifice for a lower risk level.

NUMBER OF FUNDED COMPANIES BY INDUSTRY

Industry	Number
Software	37
Ecommerce	36
Mobile	17
Finance	10
Education	7
Hardware	6
Green	4
Healthcare	4
Social	4
Travel	4
Music	2
Transportation	2
Security	1
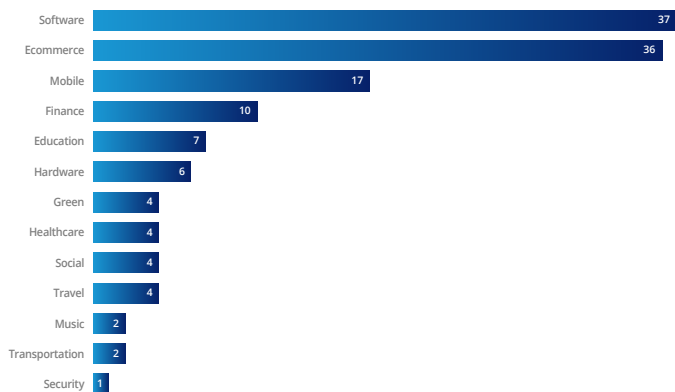
2015 RANKING OF VENTURE CAPITAL INVESTMENT BYMBER OF COMPANIES (TOP 20)

RANK	MSA	NO. OF COMPANIES	AMOUNT INVESTED
1	San Francisco–Oakland–Fremont, CA	797	$21,043,061,400
2	New York–Northern New Jersey–Long Island, NY–NJ–PA	416	$6,981,436,400
3	Boston–Cambridge–Quincy, MA–NH	348	$5,581,687,300
4	San Jose–Sunnyvale–Santa Clara, CA	321	$6,238,491,900
5	Los Angeles–Long Beach–Santa Ana, CA	240	$4,481,612,100
6	Seattle–Tacoma–Bellevue, WA	95	$1,171,961,700
7	Washington–Arlington–Alexandria, DC–VA–MD–WV	93	$923,988,400
8	Philadelphia–Camden–Wilmington, PA–NJ–DE–MD	93	$516,330,500
9	San Diego–Carlsbad–San Marcos, CA	83	$1,166,538,700
10	Pittsburgh, PA	83	$199,259,700
11	Chicago–Naperville–Joliet, IL–IN–WI	81	$1,103,907,600
12	Austin–Round Rock, TX	78	$739,989,300
13	Atlanta–Sandy Springs–Marietta, GA	58	$836,057,800
14	Denver–Aurora, CO	41	$540,260,200
15	Baltimore–Towson, MD	37	$445,075,600
16	Nashville–Davidson–Murfreesboro–Franklin, TN	34	$135,891,900
17	Portland–Vancouver–Beaverton, OR–WA	32	$161,304,100
18	St. Louis, MO–IL	30	$254,395,300
19	Minneapolis–St. Paul–Bloomington, MN–WI	28	$369,276,400
20	Boulder, CO	27	$230,908,400

Investors

There are generally two types of investors, private and institutional and two primary fundraising stages, Angel (< $3 M) and Venture. Angel investors usually consist of small syndicates of private investors or private investors directly, there are far fewer funds for angel investment since it is riskier without product validation and investors usually play a more active role. The cost of capital is also higher, so it is better to avoid this funding unless it is necessary.

Investor Resources:

> AngelList provides a searchable database of angel investors by city, industry, and investment size for companies looking to raise under $3.0, but also includes venture capitalists.

Remember that when searching for investors unfamiliar with you to focus your efforts on a smaller portion that are actively investing in your region, industry, and ideally have something in common with you such as alumnus of a company or school. Despite the surprisingly common invalid logic of 'they are rich, this is nothing to them', most wealthy people have financial advisors and rarely invest outside target industries. Taking time to curate a more customized approach for a smaller number of investors, rather than generically approaching anything with the title 'investor' generally has better results.
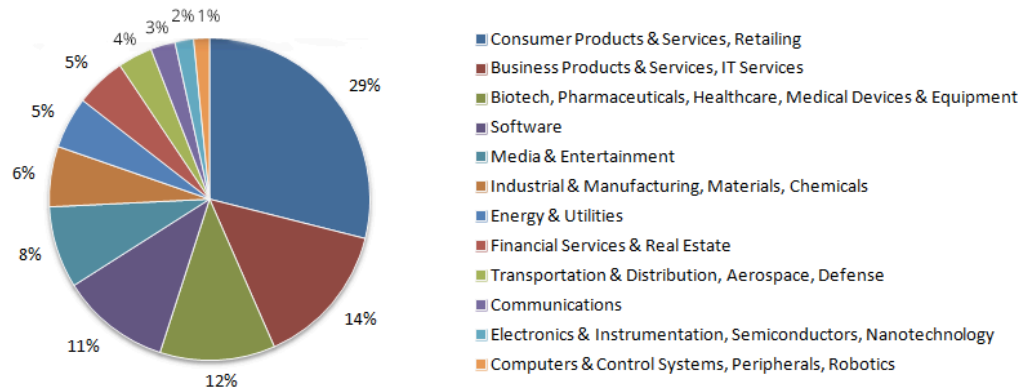
Bank Loans

Aside from hard money lenders and 'startup lenders' which mostly issue personal loans, which offer unattractive terms, the SBA is usually the only viable option for companies raising less then $5.0 M (their maximum amount), the SBA acts as a guarantor for approved lenders and offers rates as low as 6%. However, you will be working directly with your local 'SBA approved lender', which may be JP Morgan, Wells Fargo, or a comparable institution. Loans more than this amount usually involve an investment banker.

TOP 10 SBA 7(a) LENDERS BY LENDING VOLUME

Lender	Lending Volume
Wells Fargo Bank, National Association	$458,930,9000
Live Oak Banking Company	$362,614,300
The Huntington National Bank	$163,840,500
JPMorgan Chase Bank, National Association	$149,339,900
Celtic Bank Corporation	$139,972,100
U.S. Bank National Association	$132,923,500
Newtek Small Business Finance, Inc.	$96,090,500
Byline Bank	$79,743,000
Pacific Premier Bank	$70,585,400
KeyBank National Association	$65,171,800

Crowdfunding

Equity based crowdfunding such as EquityNet is best for companies that already have private investors in mind and is often better for its software since you will have a difficult time promoting the investment online due to legal restrictions.

Industry Sectors

- ■ Consumer Products & Services, Retailing
- ■ Business Products & Services, IT Services
- ■ Biotech, Pharmaceuticals, Healthcare, Medical Devices & Equipment
- ■ Software
- ■ Media & Entertainment
- ■ Industrial & Manufacturing, Materials, Chemicals
- ■ Energy & Utilities
- ■ Financial Services & Real Estate
- ■ Transportation & Distribution, Aerospace, Defense
- ■ Communications
- ■ Electronics & Instrumentation, Semiconductors, Nanotechnology
- ■ Computers & Control Systems, Peripherals, Robotics

Consumer and business product/service companies account for over 40% of equity crowdfunding activity. These are industries that were previously underserved by traditional venture capital.


InoLife Technologies Inc.

Irinve, CA 92618, US
Biotechnology
www.inolife.net

InoLife is a drug delivery company committed to commercializing innovative product for the care and cure of our global clients

InoLife Technologies Inc. is a publicly traded company, trading on the OTC Markets QB under the trading symbol INOL. The company has acquired the intellectual properties to a needle free injection system.

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ENTREPRENEURS - CREATE YOUR PROFILE
INVESTORS - REQUEST PLAN/DOCUMENTS
INVESTORS - SEND MESSAGE

Funding ❯

27%

Funding Goal	$15,000,000
Funding Raised So Far	$1,000,000
Funding Commitments	$3,000,000
Funding Remaining	$11,000,000
Funding Type	Equity
Pre-Money Valuation	Sign up as Investor
Investor Ownership	Sign up as Investor

Summary ❯

Prior Year Revenue	Current Year Revenue	Next Year Revenue
Sign up as Investor	Sign up as Investor	Sign up as Investor

Company Age	Employees	Sub-Industry
1 year, 3 months	15	Biotechnology – Devices & Equipment

Company Type	Stock Exchange	Stock Symbol
Publicly-Traded	OTCMKTS	INOL

Consumer based crowdfunding such as Kickstarter can be either a perfect home run or a premature disaster for your company. Fundraising is excellent for companies that are finished with R&D, have a simple tangible product, and are ready to fulfill orders. If you do not meet all three of these criteria, you will be an outlier of previously funded companies.

PITCHING TO INVESTORS

Pitching to investors is about like television show 'Shark Tank', however investors are usually more reserved and would conflict with the unrealistically optimistic outcomes of television programs and the unnecessary dramatic display of the entrepreneurs will be unimpressive – serious investors often discredit an entrepreneur for an eccentric show . As you may notice, the pitches include a product demonstration and follow-up discussion. The pitches are short because investors will usually ask questions that are of the most interest to them and focus on giving them a reason to ask questions such as the key information of the problem, solution, and key achievements.

Problem

The problem that you are solving is essentially why people should pay you and why they can't pay anyone else to do it. When Uber entered the market in New York City, it didn't solve any new problem – there are no shortage of cabs in Manhattan. It simply solved the problem better and in a way a cab company cannot replicate. Some important points about the problem.

1 Ask yourself 'so what?' when explaining key points to stay focused on the bottom-line.
2 Focus on the most important problem in the market rather than explaining them all.

Solution

The solution how you can solve this problem consistently, with little risk, and draw a profit. Focus on the most important reason you are uniquely capable of solving this such as your technology or unique aspect of your business model. In the case of Uber, they provided a better riding experience than taxis and often at a more affordable cost in a way taxis could not replicate.

1. Ask yourself why a new or existing competitor cannot easily copy you.
2. Focus on the most compelling aspect of your solution rather than lightly covering them all.

Key Achievements

The key achievements communicate it is not just a pipe dream, this is the part for quantitative information about what you have done including what you have built, how many customers you have, how much revenue you have generated, and other tangible data points that prove you have grown significantly. Investors want to accelerate an already growing company – they don't have time to build your product and risk other people's money to validate your product.
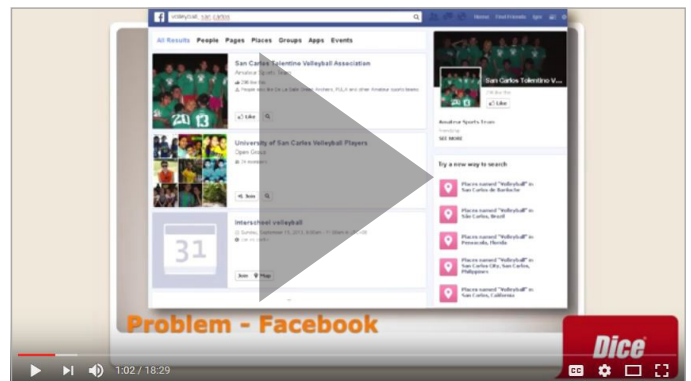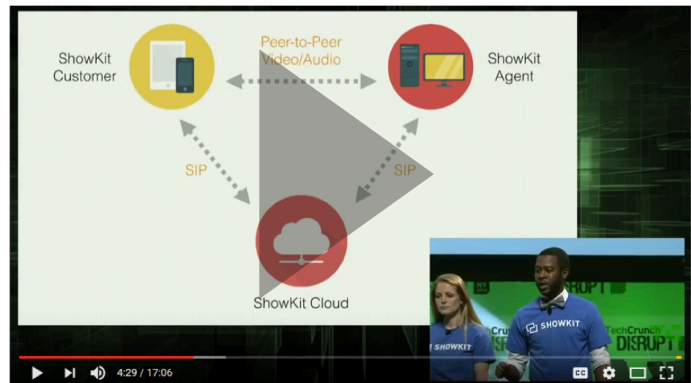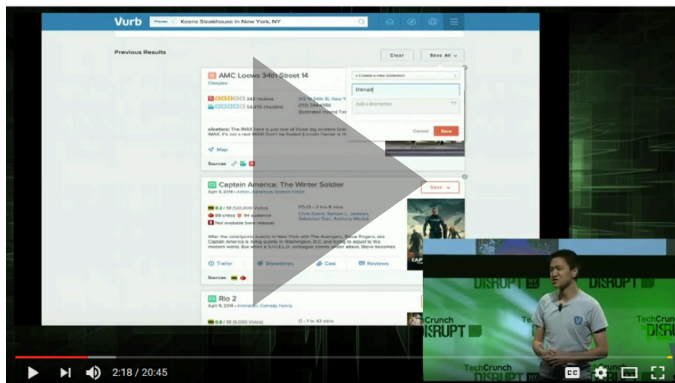
VALUATION

The valuation of a startup company is entirely different than how a company would be valued under normal circumstances. The traditional way to value a company requires at least three years of financial history and the reasonable assumption that the business will not change significantly. Without this information, the entire model falls apart and therefore- there is no commonly agreed method to value a startup.

The valuations range from the arbitrary to complex quantitative models. Startups are valued more like an art piece at an auction house in that the value is roughly estimated based on what similar paintings sold at and then depends on how many prospective buyers have interest. However, using such models can serve as leverage if you choose to negotiate as it based on the value of similar startup companies and reasonably qualitative aspects of your business model.

STAGE	INVESTORS	VALUATION
Concept / Business Plan	Self or Friends & Family	$250k to $1m
Technology Developed	Angels, Seed VCs	$1m to $5m
Launch / Early Customer Traction	Seed VC, Series A VC	$5m to $15m
Scaling and Adoption (Cash Flow Negative)	Series A / B / C VC	huge variability: $15m to $30m (with outliers to $100)
Rapid / Mass Expansion (Cash Flow Positive)	IPO or Exit (Public Co. or Strageic Acquirer)	huge variability: $100m to $1b (avg. IPO of $500m)

Venture Capital Method

This approach imagines the company is more established to apply the traditional valuation model and then adapts it for the unique situation of a startup, it is the closest approach to what is done for later stage companies. In general, you will hear people refer to 'pre money valuation' and 'post money valuation'. As you may assume, the former is the valuation before the investment you are seeking.

The following page provides an illustrated example, but a simplified explanation is provide below:

STEP ONE – REVENUE ESTIMATION

The profit estimates may be gathered from your financial projections. Such projections are usually based on your estimate customer acquisition fees, operating expenses, and profit. Be sure to review similar companies in your industry and make your net margins like their company. If you assume 50% profit margins in an industry that averages 30%, you better have a pretty good explanation for your investors.

STEP TWO – COMPARABLE MULTIPLE

Companies sell for a certain period of years worth of revenue and this is it's 'multiple'. If a company that generated $1,000 in revenue in 2017 sold at a multiple of 10x, it would be worth $10,000. In general, it is best to work hard to find a very similar company rather than the overall industry. For instance, Lyft may have used the value of Uber during a recent fundraising round as a comparable transaction.

STEP THREE – VALUATION

The valuation of a startup company essentially becomes a normal business valuation. The first two steps have prepared the data needed for the model. Any standard business valuation tool in Excel will generate the implied valuation. The problem, of course, is that the underlying assumptions for the first two steps are very minimal – so be prepared to have it scrutinized.

"VENTURE CAPITAL METHOD" OF VALUATION

	COMPANY A M&A	COMPANY B IPO	COMPANY C SaaS M&A
Revenue	$100,000,000	$80,000,000	$10,000,000
Net Income	$15,000,000	$9,000,000	$0
IPO/M&A Multiple	6X EBIT	15X Net Income	
SaaS metric			40,000 subs X $1200 per
Terminal Value	$90,000,000	$135,000,000	$48,000,000
Post Money = Terminal Value/30% (ROI)	$3,000,000	$4,500,000	$1,600,000
Subtract Investment	$1,000,000	$1,000,000	$1,000,000
Pre-Money	$2,000,000	$3,500,000	$600,000

	INPUT
Amount to Invest	$1,000,000
Net Income	$8,000,000
Year	5
Average P/E Ration of Profitable Comparable Companies	10
Shares Currently Outstanding	9,989,640
Target Rate of Return	50%

	OUTPUT
Discounted Terminal Value	$10,534,979
Required Percentage Ownership for the VC	9.49%
Number of New Shares Required for the VC's Investment	1,047,683
Price per New Share	$0.95
Implied Pre-money Valuation	$9,534,979
Implied Post-money Valuation	$10,534,979