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business dominoes

Transformational strategies to grow valuable businesses

Strategy vs Operational Excellence

- Strategy development and assessment
 - macro economic drivers and trends
 - leveraging your position of power
- Business model development
- Deals to enable and finance growth
- Pitching your business – customers, bankers, investors etc

\$5000 Prize
for all Finalists
3 Days Sept 24th -26th
Auckland

Hands on workshop

- 3 full days 9am – 5pm + homework
- No long boring ppt sessions
- Pragmatic tools
- For complete exec team (3 max)
- Business focus not academic

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business dominoes

Transformational strategies to grow valuable businesses

Compelling Market Strategy

Identifying the macro market drivers that de-risk your business and create momentum.

- **Growth models** - Comparing alternatives and clarify shareholder wealth goals
- **Value Chain Analysis** - Examine your market position and unveil the market dynamics that impact your growth strategy
- **Strategy Design** - Determine a unique market opportunity space and how to gain a position of power within it

Lucrative Business Case

Building a business case that creates shareholder return and gives clarity and focus to the business.

- **Business Model** – Design a business model that allows expansion whilst delivering the customer experience
- **Roadmap** - Determine the key steps and milestones on your growth roadmap
- **Valuation** – tools to determine the current & future value of your business

Clear Investment Proposition & Deal-Making

- **Alternative Sources for financing growth** - External capital investment is rarely the best vehicle to fund growth
- Identify alternative sources and types of transactions to fund growth
- **Investment** – learn basic mechanics of venture investment including terms, exit strategies.
- **Negotiation** – get some tips on effective negotiation and how to maximise deal structures

Successful Pitching

Effectively communicating your product and business is often a major barrier to both growth of sales and securing finance for growth.

Get some great tips on how to create a succinct and compelling pitch for your business.

Get plenty of constructive critique and feedback on your pitch.

This day concludes with a pitch to an independent investment / banking panel.

Strategic Clarity

Valuation Drivers

Deal Structures

Engaging Partners



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The image is a promotional graphic for Growth Management Consulting. It features a man in a dark suit and striped tie, pointing his right index finger at a large, curved financial chart that wraps around him. The chart displays various line graphs and data points. To the left of the man, a large grey arrow points towards him. Inside the arrow, the text "BUSINESS OR HOBBY" is written in red and grey. Above the arrow is the "gmc" logo in white on an orange square. Below the arrow, the text "MARK ROBOTHAM © GROWTH MANAGEMENT CONSULTING LTD 2012" is displayed. At the bottom left of the arrow is the "Unlimited INVESTMENT CHALLENGE" logo. At the bottom right of the graphic is the "gmc" logo and the website "www.growthmanagement.co.nz".

gmc

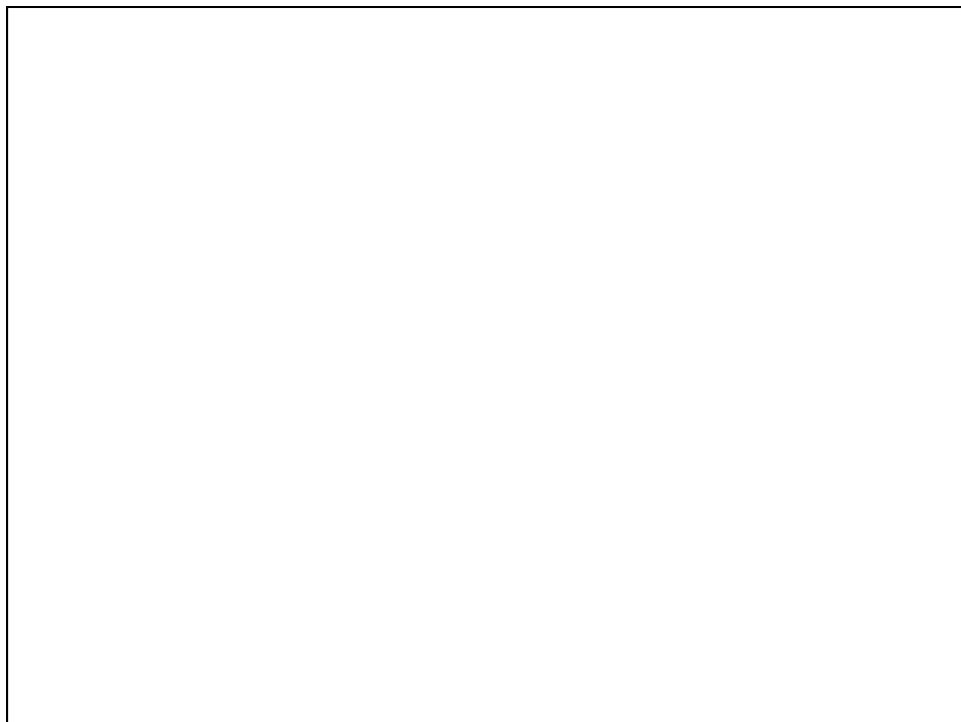
BUSINESS
OR
HOBBY

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Unlimited
INVESTMENT CHALLENGE

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SUCCINCT.CO.NZ



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SERVICES:

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- FACILITATION – STRATEGY DAYS
- BUSINESS TRAINING
- PROF. SPEAKER
- CYCLIST

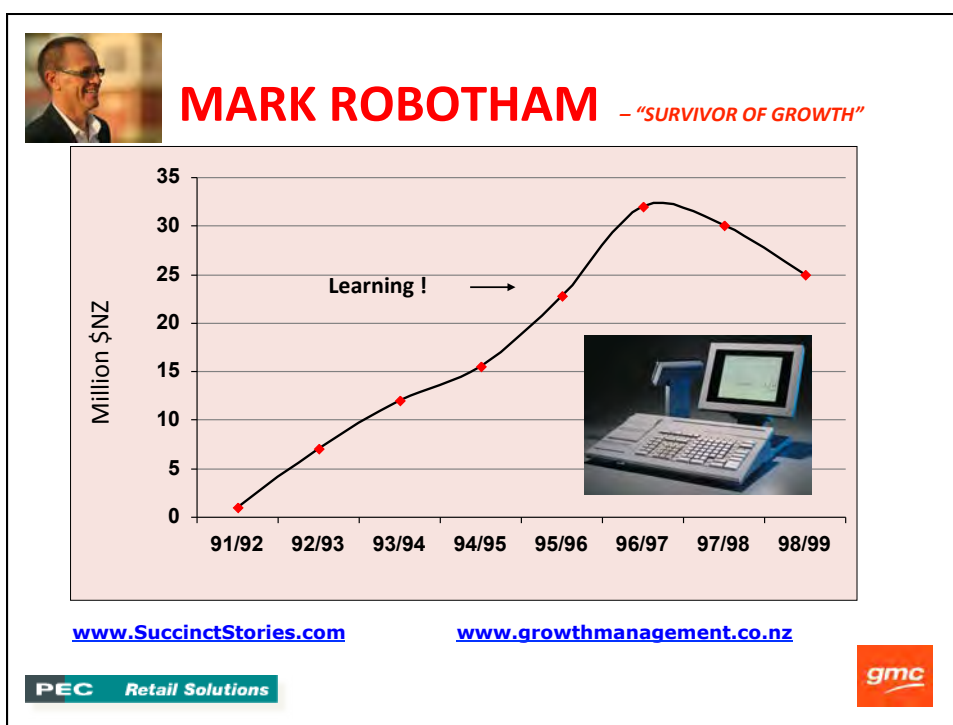
BACKGROUND:

- CAPITAL INVESTMENT - FINANCE
- INTERNATIONAL MARKETING
- PRODUCT DEVELOPMENT
- ELECTRONICS & S/W ENG
- HIGH GROWTH COMPANIES

[business dominoes](#)
Transformational strategies to grow valuable businesses

Pragmatism – Passion - Pace

TIPS BLOG

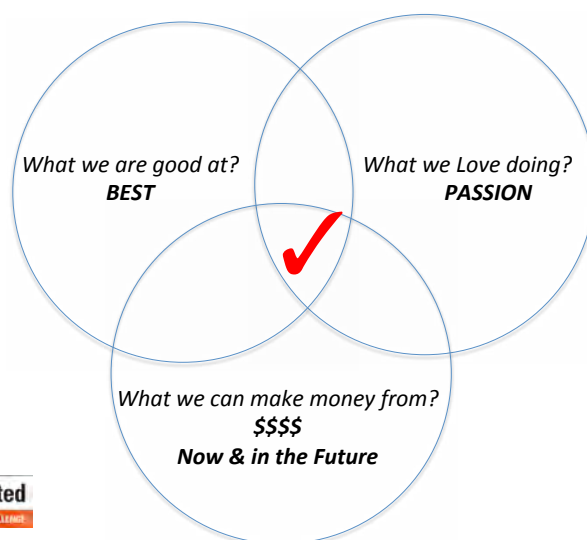


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BUSINESS OR HOBBY



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FAILURE TO GET INVESTMENT

1. Individual Un-investable – “founderitis”
 - Control vs Growth
 - No need for help or too late
2. No Succinct Story or Pitch
 - What do you do?
 - No compelling need
3. No Attractive Business Model or Plan
 - No money in it
 - Doesn't easily scale
4. Unrealistic Expectations - Valuation



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FAILURE POST INVESTMENT

- LACK OF DUE DILIGENCE
 - Deal based on false premise
- PEOPLE DYNAMICS
 - Poor post governance
- FAILURE TO ADOPT AND LEVERAGE INVESTMENT
 - still operating on bootstrap mentality
- 1 in 10 succeed
 - 2, 2, 0.5 Rule (2x money , 2x time, 0.5 return)



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FOCUS

- Kill Puppies
- Validated Markets vs Opportunities
- Play to your strengths – *business models*
- Have a plan – *milestone map*
- Own your own number\$



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TOO MANY IDEAS & OPTIONS

Not Enough Time or Cash...



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*"Your success will be determined
by what you **don't** do..."*

*"...so what do I **stop** doing?"*

"Just because you have a hammer, don't treat everything as a nail"



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Time to

KILL A PUPPY










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ASSUMPTION



- ✓ *We know what customers want*
- ✓ *We will build it and they will come*





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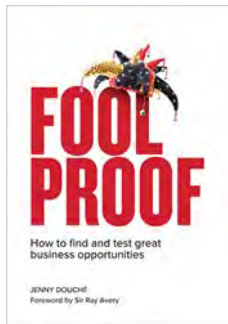


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SEEK FERTILE MARKETS NOT OPPORTUNITIES



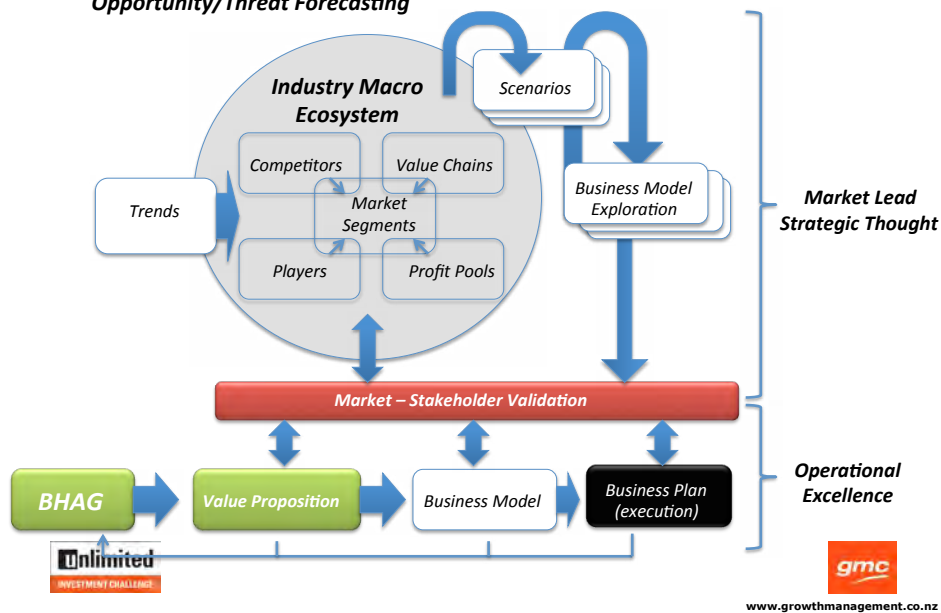
- Map Market out
 - Explore for clear space
 - Players & Trends & Profit Pools
- Validate Assumptions
 - No.1 way to reduce risk
 - No.1 way to increase probability of investment
 - Only 20% of coy's do this



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DE-RISKING BUSINESSES

Opportunity/Threat Forecasting



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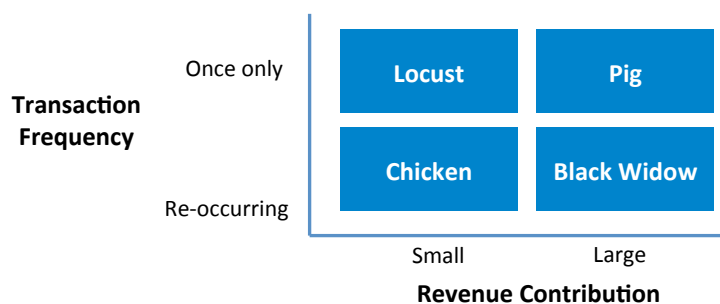
ESSENCE OF BUSINESS MODELS

- Who pays? (consumer, producer, or third parties?)
- What for? (e.g goods, services, expertise, assurances of quality or security)
- To whom?
- Why? (e.g. perceived value, or being locked in)
- How does money flow through the organisation?



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PIGS & CHICKENS



If your business...	Then it is ...	Your customer offer...	Your resource issue...
Sells directly to the public	Locust	Satisfaction	Efficiency
Is a project business	Pig	Problem Resolution	Availability
Enjoys subscription revenues	Chicken	Problem Management	Consistency
Has 1 or 2 dominant accounts	Black Widow	Partnership	Learning



Source: Chicken and Pigs Business Models & Strategies
Harold Star
www.master-your-business-model.com/types-of-business-models



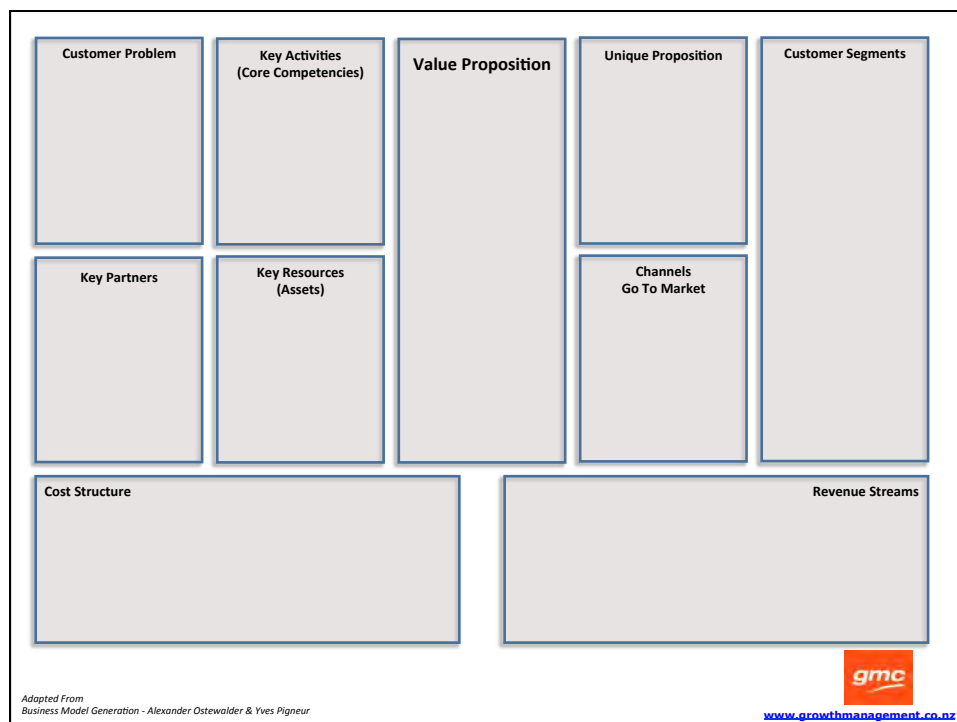
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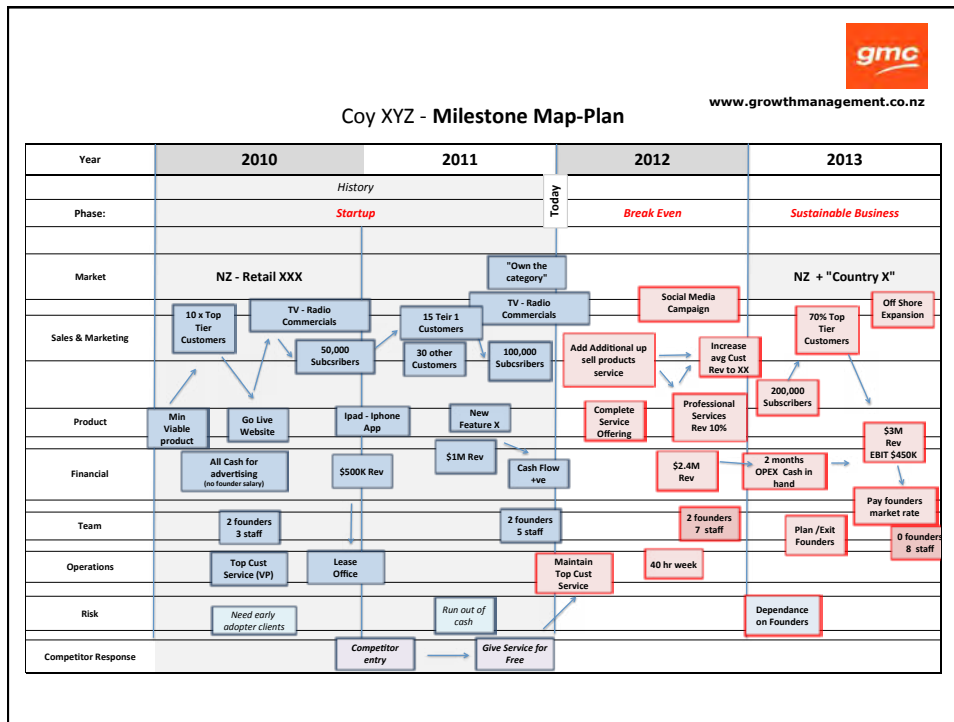
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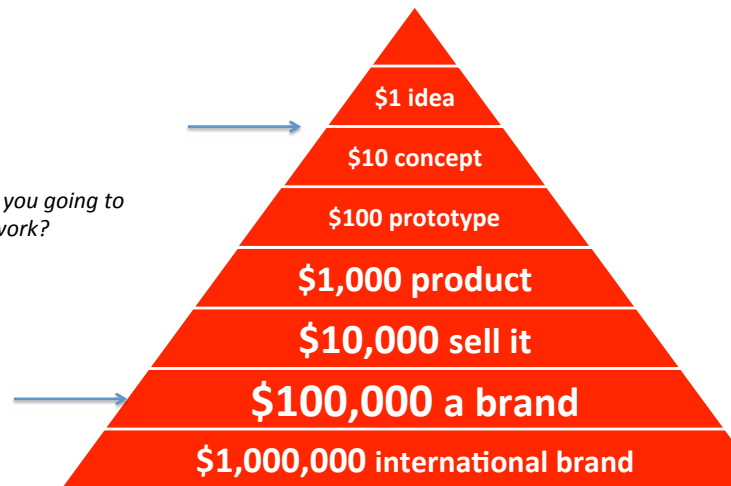
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RULE OF 10' S

At what point are you going to test it's going to work?



KPI'S – LESS THE BETTER

Lead:

- Downloads
- Bed nights

Lag:

- » Revenue per employee >\$100,000
- » Profit
- » Market Share



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CHALLENGE	DISCIPLINE	PHILOSOPHY
1: Does it add value to customers? & differentiate us	Proposition	We exist because of customers <small>Does this drive us?</small>
2: Does it make money?	Cost structure	Investment decisions <small>Our money and false economies</small>
3: Does it fit our business model? <small>Can we outsource it?</small>	Business Model	Are we working smart?
4: Are we having fun? <small>Does it fit our culture?</small>	Working in the Zone <small>Culture</small>	Living and managing by brand & culture
5: Does it fit our master plan?	Strategy	Are we focused on one goal <small>Is it a diversion?</small>
6: Challenge me: <small>Is it time to rethink the plan? Does it make good business sense?</small>	Governance	Do we have a reference point and high performance coaches?



IS IT SUCCINCT & WILL IT PASS THE NO BULL-SHIT TEST?



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THE BIG QUESTIONS

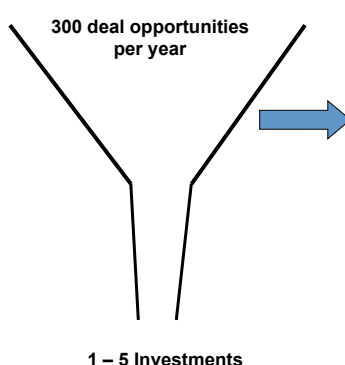


1. Control or Growth Strategy?
2. Exploring growth finance options?
3. Investible business?
4. Should I (founder) continue to invest?
5. What will improve my chances?



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VIEWING YOUR BUSINESS FROM AN INVESTORS VIEW POINT



NO

Should even you (founder) continue to invest?



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EXCITING INVESTMENTS...



1. *A product that we the understand - the problem and the solution*
2. *Validated market demand for the product*
3. *A trend driving increased demand – creating the “perfect storm”*
4. *A sustainable competitive advantage*
5. *Clear quantified metrics, on how the business makes money*
6. *Inspirational BHAG*
7. *Clear easily communicated business plan/strategy – including go to market*
8. *Experienced team*
9. *Clear return & exit for investor*



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GROWTH FINANCE OPTIONS

- Sales Revenue – ***No. 1 source of capital***
 - Smarter sales
- **FFFF – Founders, Friends, Family & Fools**
- Boot Strapping – *Creative cash flow funded*
- Cash Flow Management
 - CAPEX, Debtor Mgt, Invoice factoring...
- Merger & Acquisitions - Strategic Alliances
- Licensing
- Capital Investment – Angel Investors
- ~~Bank Debt~~



Growth vs Control Strategy?



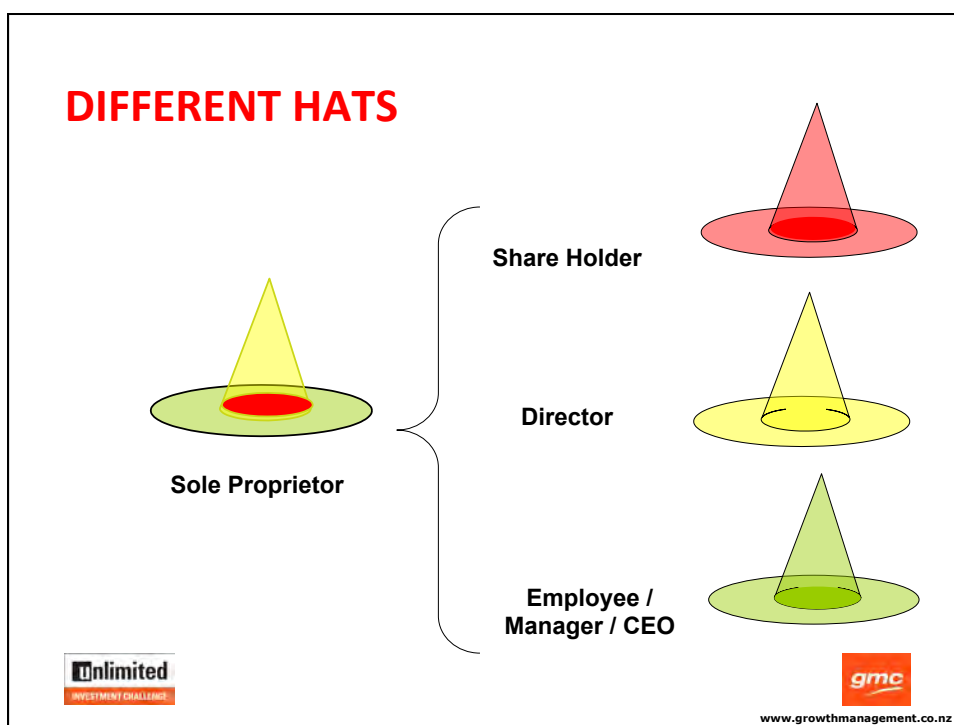
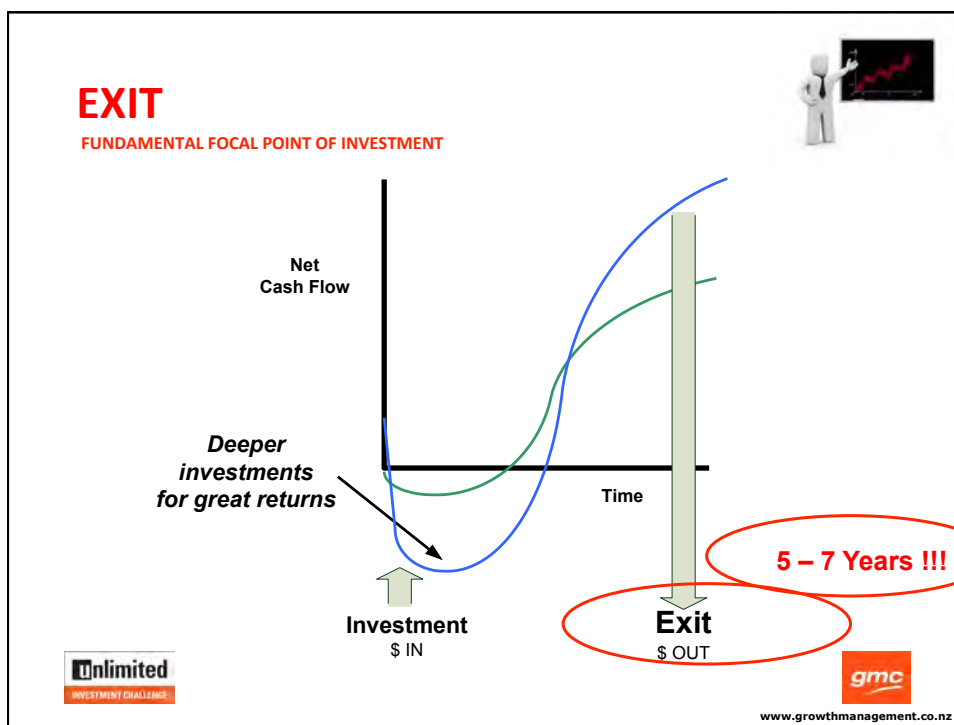
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CONTROL VS SHAREHOLDING



– Shareholders agreement = control

- Most investors use preferential shares
- 50% ≠ Control

– Equity position = exit value

- Focus on shareholder wealth not percentage



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SHAREHOLDER WEALTH ONLY NO. TO FOCUS ON

TRADE ME (ESTIMATED)

	Source		Founders Shares		Total Shares	Value	Founders Share
1999		Sam Morgan		100%		Concept only	
13-08-99	Company Formed	Sam Morgan	75,000	50%	150,000	\$150,000????	\$75,000???
30-08-02	Annual return	Sam Morgan	60,000	31%	194,730	Something	
23-07-03	Annual return	Sam Morgan	60,000	31%	194,730	Something more	
27-07-04	Annual return	Sam Morgan	63,171	32%	194,730	Something more still...	
16-08-05	Annual return	Sam Morgan	63,171	32%	194,730	\$700,000,000	227,082,114

*Which would you rather own - 100% of something small
or 32% of something worth \$700 million!*



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SHAREHOLDERS AGREEMENT (SHAG)

SIMPLE SHAREHOLDING

- Is a mechanism for distributing returns to investors
- Is a simple instrument for exercising control
 - 51% gives a simple majority
 - Directors decide dividend distribution policy
 - 75% for 'major transactions'



SHAG

- OPEX / CAPEX decisions
- Right of veto on major decisions
- Anything operational / strategic
- Subscription for new shares
- Appointment of directors
- Settlement
- Further issues of shares and rights of sale
- Ongoing arrangements
- General provisions – dividends, major transactions, etc
- Schedules

50% ≠ CONTROL

See Example SHAG in workbook

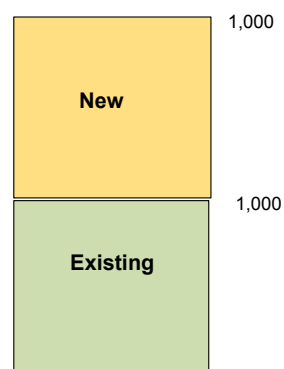


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DEAL MECHANICS



**50% EQUITY STAKE =
New Shares Issued**



Equity deals = issuing new shares



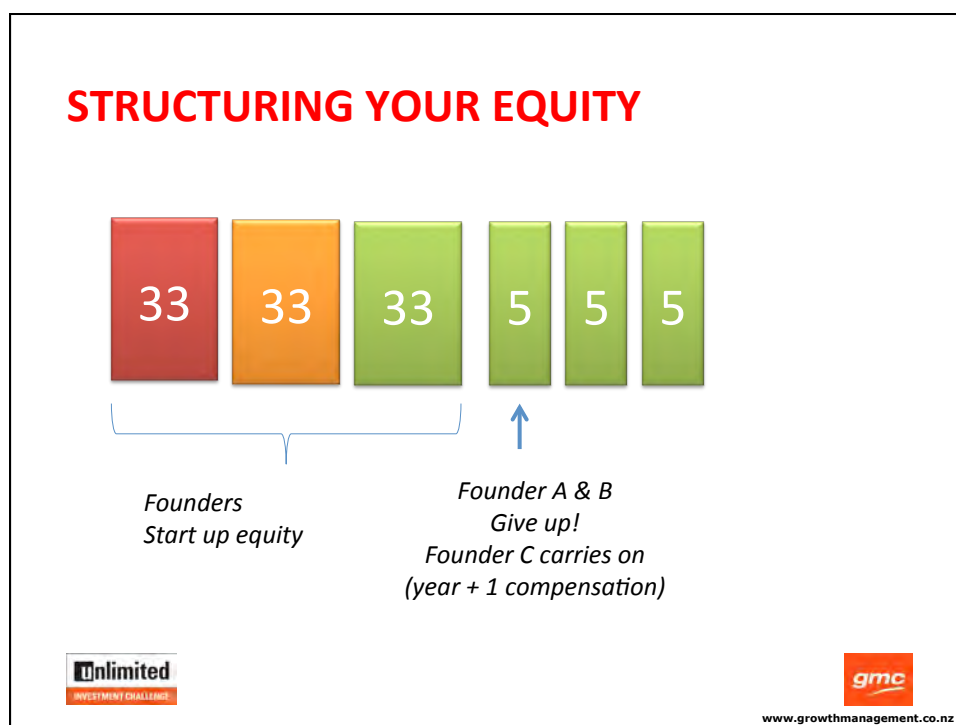
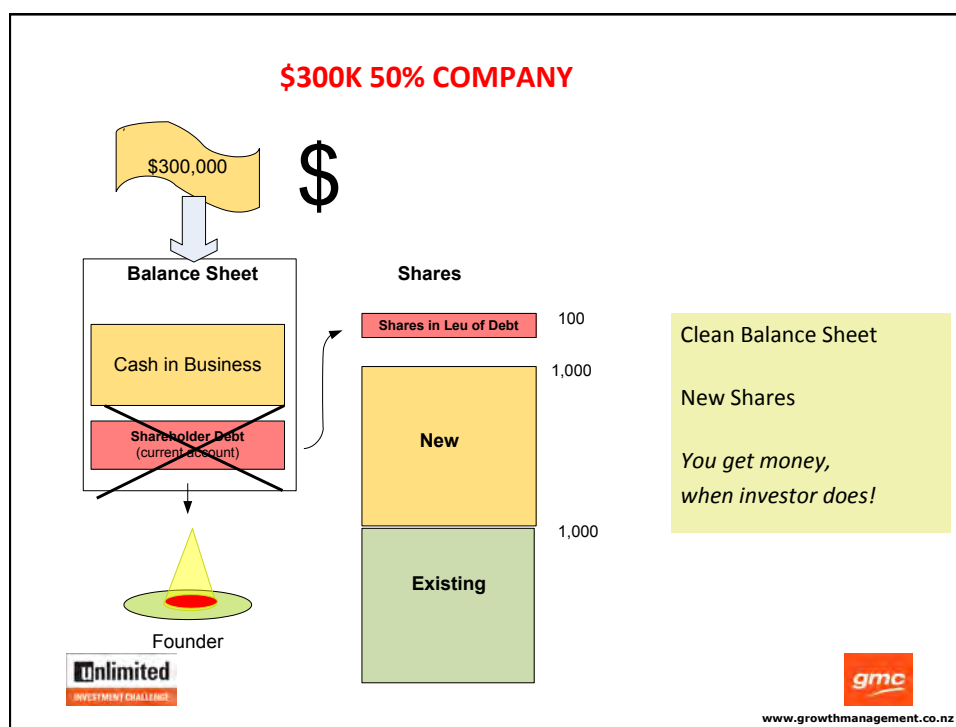
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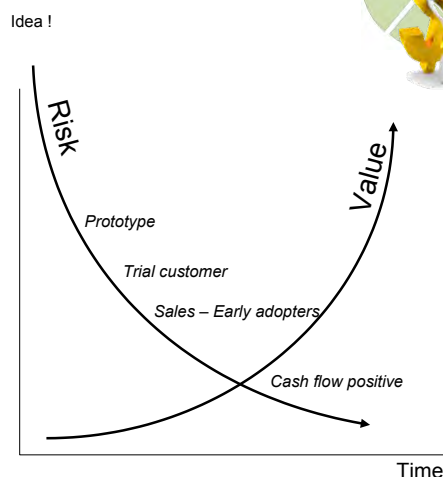
INVESTOR VIEW

VALUATION:

AN ESTIMATE

OF THE BUSINESSES ABILITY

TO MAKE MONEY IN THE FUTURE.



Your choice – Opportunity cost vs attainable value now!



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RETURNS VS STAGE



Company Stage	ROI	5-year Increase in Capital
SEED	60%+	10x +
STARTUP	50%	8x
EARLY STAGE	40%	5x
2 nd STAGE	30%	4x
NEAR EXIT	25%	3x

Eg 60% increase in value for 5 compounded years = 1,000% Increase = 10X



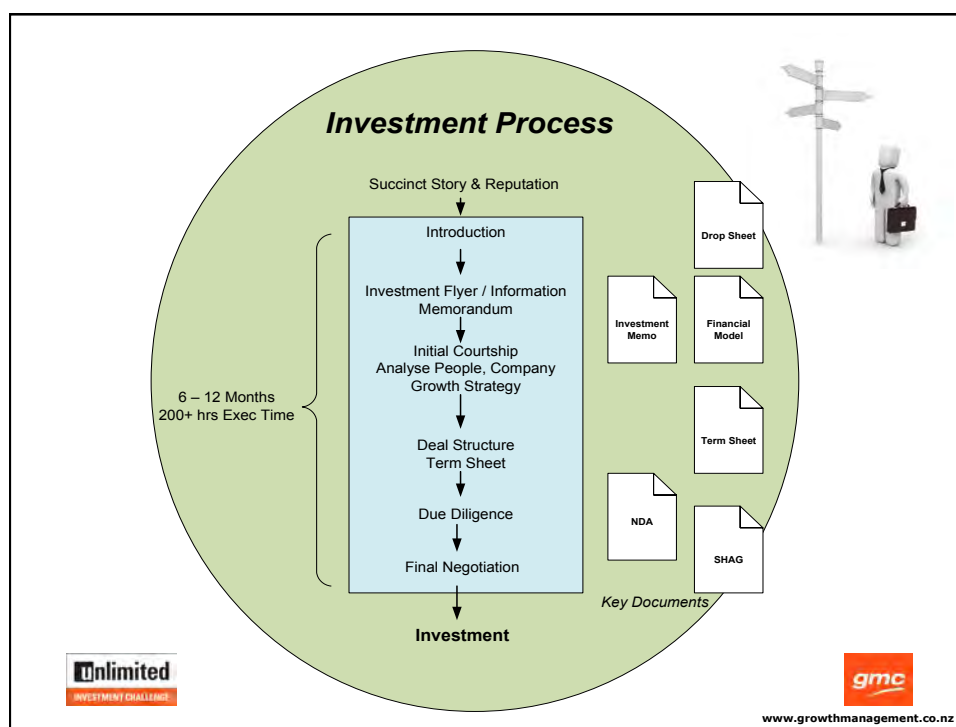
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TWO WAY DUE DILIGENCE

"You WILL get the investor you deserve!"

Check out the investor carefully:

- Web site and annual report
- Talk with other companies they have invested in
- Find common acquaintances
- What can they contribute beyond money?
- How have they performed?
- Are your ethics and styles compatible
- Understand the features of other deals they have done (deal & governance style)
- Understand their decision making process
- See if there is a personal fit

Research tools

- Google
- www.linkedin.com
- www.companies.govt.nz

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DUE DILIGENCE – (DD)



Common Risk factors

- Technology adaption rate
- Beta site and launch plans
- Customer adoption rate and sales cycle
- Competitive landscape
- Worst case scenario
- Regulatory issues
- Series B milestones
- Financial projection assumptions
- Likelihood of follow-on funding
- Exit strategy

Common Deal Killers

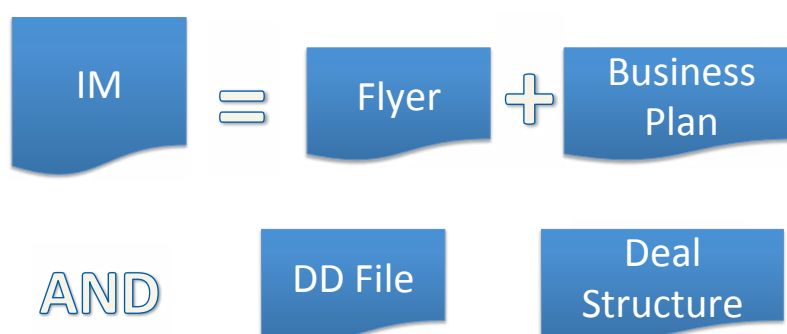
- Harmful pre-existing agreements (often R&D contracts)
- Unsettled management team issues
- Disruptive or complex shareholders issues
- Inadequate IP protection
- Excessive current liabilities
- Inappropriate use of proceeds
- Uninvestible people
- Seeking only to de-risk shareholders
- Lack of integrity

*List from Angel Capital Education
Foundation (ACEF)*



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INVESTMENT MEMORANDUM (IM)



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PRE – POST MONEY VALUATION

SEEING YOUR BUSINESS THROUGH THE EYES OF AN INVESTOR

- **PRE MONEY:** Value of the company before the investment
- **POST MONEY:** Value after the investment

ENTREPRENEUR VIEW

You need \$1,000,000 to develop a new export market...

You are prepared to give up 20% of your business for the \$1,000,000.



INVESTOR VIEW

The company needs \$1,000,000 for a 20% share.

How is the \$4,000,000 pre money valuation justified?

PRE MONEY = \$4M

POST MONEY = \$4M + \$1M

$1/5 = 20\%$



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VALUATION – 3 STAGE GAME



- **FORECAST & VISION**
- **VALUATION MODEL(S)**
- **TERMS**



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MARKET VALUE/MULTIPLE



- Most widely used business valuation method.
- Benchmark business with comparable companies sold that operate in the same industry.
- Gives an indication of what the market is willing to pay.

Requirements...

- Normalised EBITDA (Profit)
- Comparable company multiplier

Example...

A firm with EBITDA over the forward or last three years of 420K, 440K, 430K has recently found that a comparable company has been sold at an EBITDA multiple of 3.

What is the valuation?

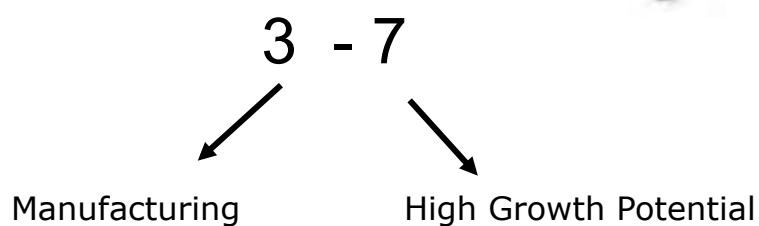
Answer...

Normalised EBITDA		=430K
Comparable company multiple		= 3
Enterprise Value	$\$430,000 \times 3$	= \$1.29M



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EBIT MULTIPLIERS



HOW WELL DOES IT SCALE ?

A multiple based on gut, personal experience and benchmarks, recently been in 2-5 range



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VENTURE CAPITAL METHOD

Example

Investment	\$1M
Exit Year	5 th year after investment
Revenues (in 5 th year)	\$20 million
Net Profit (in 5 th year)	10% of \$20 million = \$2M
P/E (comparatives)	15x
Company value (in 5 th year)	\$30M
Required ROI (from table)	60% = 10x
Required ROI (in dollars)	\$10 million
% Ownership in Coy	33%
Post money	\$3M
Pre-money Valuation	\$2M



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REALITY

*He with the money, sets the rules...
Take it or leave it ... opportunity cost*



- *Do the maths 30 X post-money = exit price
...is there a market for 30x your exit*
- *Seeking more than \$1M pre revenue – go away*
- *"I typically"...*
 - *Have max. pre money valuation \$1M for early stage coy*
 - *Invest \$500K for 40% stake*



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EXIT STRATEGY

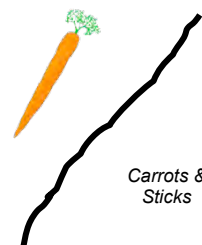
- Investors in the early stage market do not tend to be long-term.
- A clear exit strategy needs to be laid out:
 - Selling their shares back to the business
 - Sale of the company
 - Listing on the stock exchange
- Growing trend Investors need to know next round investors.



BALANCING RISK



- Convertible Notes
- Preference
 - Anti Dilution
 - Ratchet
 - 3x Liquidation preference
- Protective Mechanisms
 - Board seats, Consent requirements
- Exit Provisions
 - Tag, Drag
- *Always expect milestone funding*



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Pragmatism – Passion - Pace



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TODAY



• CREATING SUCCINCT STORIES

- WOW – STAND OUT FROM THE CROWD
- STORIES – CONTRAST – BEFORE/AFTER WITH/WITHOUT
- QUANTIFY – BE SPECIFIC
- SIMPLE SOUND BITES
- WIFM

*“Sorry for the long letter,
I did not have time for a short one”* Mark Twain



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**STANDING OUT
FROM THE CROWD**

**SIMPLICITY
WINS**



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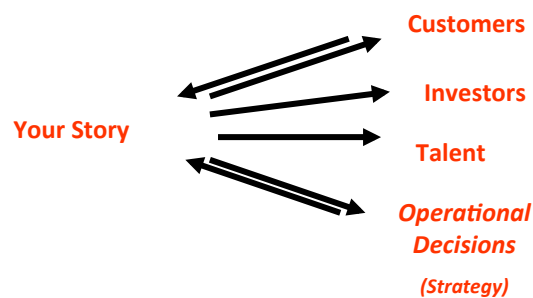
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GET TO THE POINT



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POWER OF YOUR SUCCINCT STORY




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**No. 1 Reason
Business Failure
WEAK
VALUE PROPOSITION**

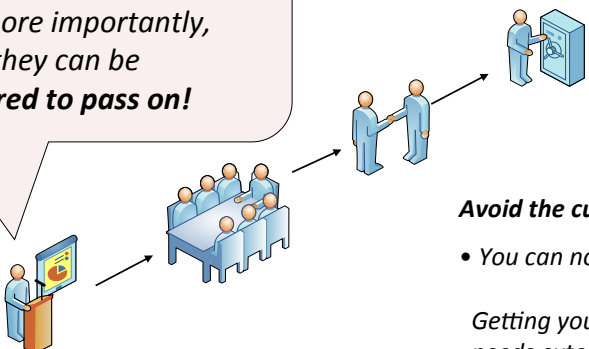
NOT Identified – Expressed – Measured
NOT – Central to business strategy

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GETTING YOUR STORY RIGHT!

*It's not what **you** say,
It's what **they** remember.
And more importantly,
what they can be
bothered to pass on!*



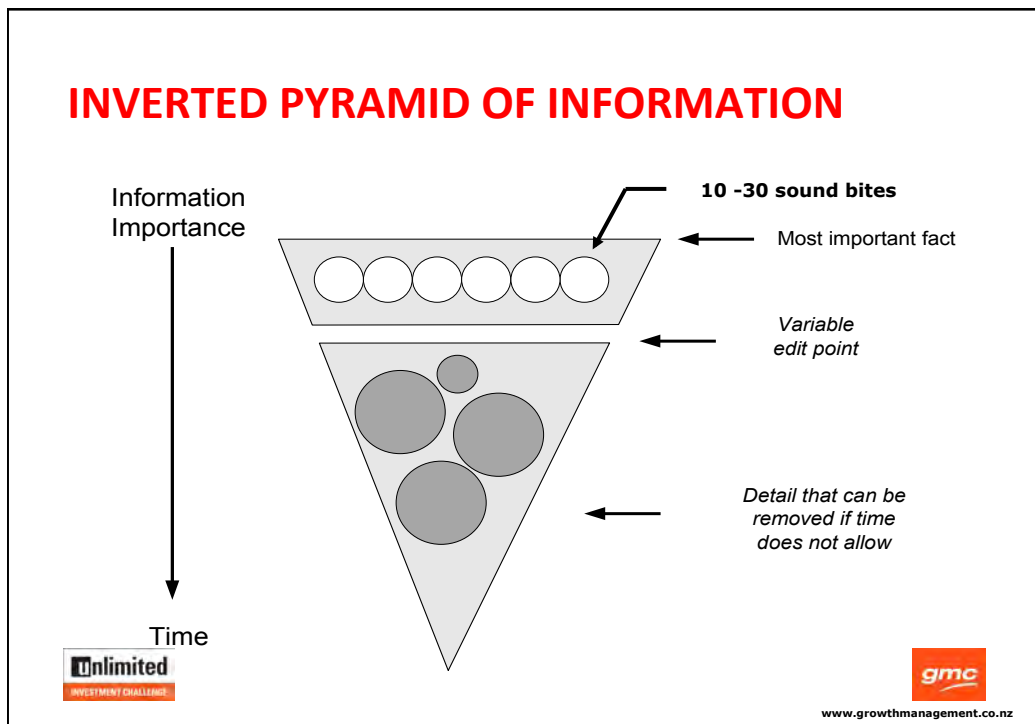
Avoid the curse of knowledge

- You can not see yourself


*Getting your succinct story right
needs external help*

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EXCITING INVESTMENTS... REMOVE LISTENING BLOCKERS

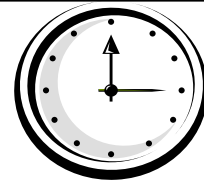


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8. *Clear return & exit for investor*

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THREE MINUTE **WOW** TEST!



1. **What is the product or service?**
What problem are you solving ? What quantified difference (VALUE) do you offer?
2. **What makes you different?** *Your sustainable competitive advantage*
3. **How does the business make money?** *Business model, trends, scalability*
4. **What is the plan?** - *business strategy - plan, go to market plan*
5. **Why believe you & your team ?** - *credibility & experience*
6. **What's in it for the investor** - *investment case: valuation, ROI & exit*



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PITCHES THAT DON'T WORK !

- Alienated the audience
– Not matched to audience or purpose
- Left asking what do they do?
Or how are they different?
- Boring
Too much and / or wrong detail
- Autobiography
- Why should I trust you ?
- Unbelievable ...



Don't forget: ***"Passion and confidence"***



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GRABBING ATTENTION

Sound bite #1

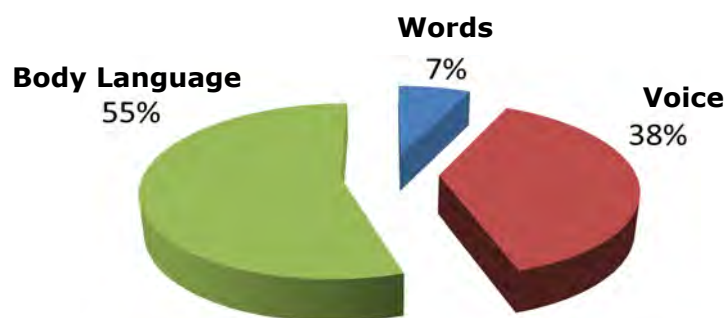


What is your attention grabber?



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MESSAGE IMPACT



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CRAFT VS PRODUCT VS BUSINESS

Product

- Electric Drills
- Mouse Trap
- CRM (software)
- Swatches
- Harley Davidson

Craft

- Manufacture Power Tools
- Manufacturer
- Software Developer
- Watch Manufacturer
- Motor Cycle Manufacturer

Business

(essence)

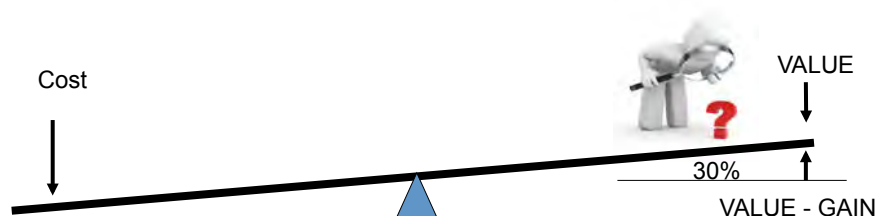
- Making Holes
- Mice Problem
- Increasing Sales - Customer Satisfaction
- Fashion Statement
- Escape



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NO VALUE PROPOSITION = NO CUSTOMERS = NO BUSINESS

- What problem are you solving?
- How do your customers measure success?



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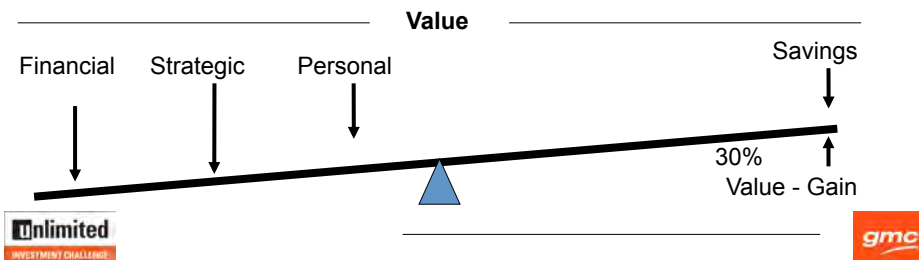
CUSTOMER VALUE DIMENSIONS

- Financial
- Strategic
- Personal

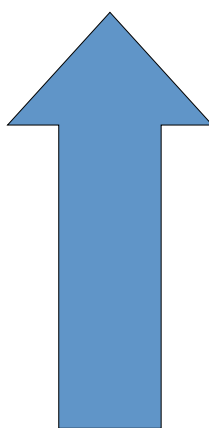
How much money will your prospects save or how much profit will they gain if they buy your solution? What is the ROI ?

How will your prospect's business benefit from your solution? Increased quality, shorter time to market, diversification, etc ...

How will your prospect's life be better with your product? More fun, less stress, career enhancement, political advantage, etc ...
Ego factors.



VALUE OF PROOF



- Customer Case (80-100%)
- Demo (60-100%)
- Data (20- 60%)
- Vision (10- 40%)

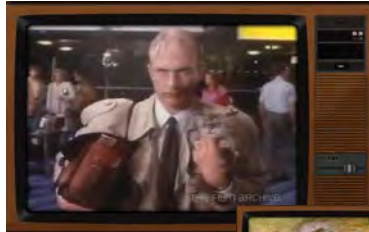
Unlimited
INVESTMENT CHALLENGE

gmc

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MEMORY HOOKS

- Stories
- Props
- Contrast
- FUD *fear uncertainty doubt*



Ansett Airlines
"Fluffy the cat"
198-

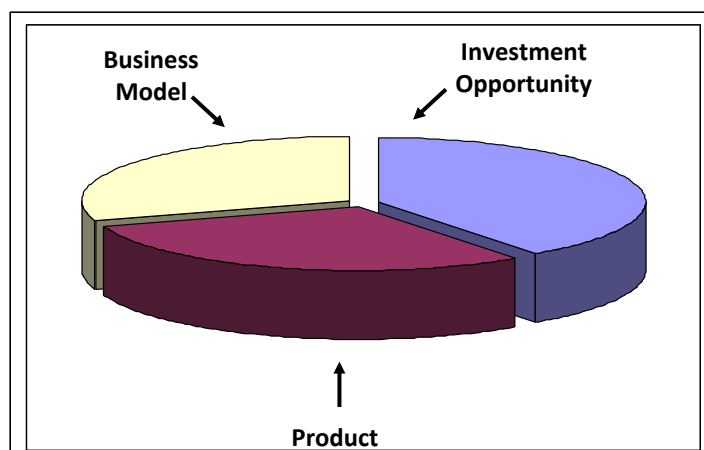


Toyota Hilux
"Bugger"
1999



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THE **PRODUCT** YOU ARE SELLING...
IS YOUR **BUSINESS**, NOT YOUR PRODUCT!



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TEST YOUR MESSAGE

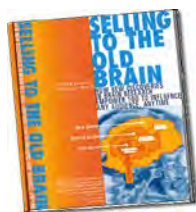


- Why am I saying this?
- What am I really saying?
- How am I different?



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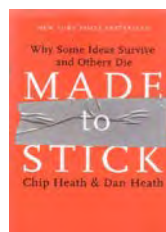
BOOKS



Patrick Renvoise
&
Christophe Morin

www.Salesbrain.net
Neuromarketing

(Value propositions & Presentations)



Chip & Dan Heath

Made to Stick
www.madetostick.com



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MY TOP 10 SOUND BITES

Opening: _____

- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____



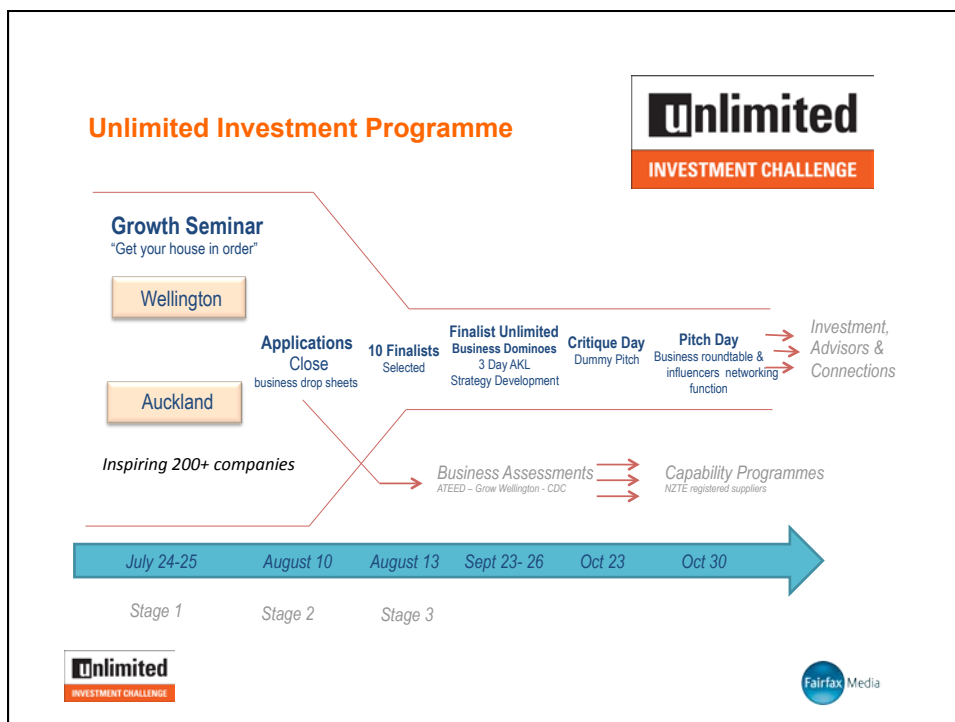
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SAMPLE DEAL

sampledeal@samplegroup.angelssoft.net

Business Summary: We buy, sell and produce goods and services that are bought, sold or produced. We sell all the goods and services that are bought or produced. We buy all the goods and services that are sold or produced, and we produce all the goods and services that can be bought or sold. We buy when prices are low, sell when prices are high and skim fees off the top of every transaction. This question allows up to 450 characters. I have used a total of 449.

Customer Problem: Consumers want or need to purchase goods and services that are produced. This requires a marketplace for vendors to provide these. This question has a limit of 210 characters. I have used a total of 203.

Product/Services: When someone wants to buy something, we provide them with the product and the vendor. When someone wants to sell something, we provide them with the consumer and the product. When a product is to exchange hands, we provide the consumer and the vendor. We buy when the prices are low, sell when our prices are high, and charge fees on each and every transaction that is made. This question allows up to 450 characters. I have used a total of 450.

Target Market: There are 6.1 billion consumers in the world. We create a potential marketplace for each and everyone one of them. Today we are reaching one hundred million people in the US, over one hundred fifty million people in Western Europe, and another 50 million people in Australia and New Zealand. We are confident that with your money we will be able to reach one billion people. This question allows up to 450 characters. I have used a total of 450.


Customers: Current customers are two hundred fifty million men, women, and children in the United States, Canada, and the European Union. This question has a limit of 210 characters. I have used a total of only 206.

Sales/Marketing Strategy: We advertise using extensive marketing campaigns on television, radio, billboards, magazines, the Internet, and by word of mouth. Our advertising campaign includes a catchy tune and an easy to remember slogan, accompanied by a well recognized logo. We are looking to expand our market into Asia, Africa, South America, Antarctica, and Greenland by the end of this year. This question allows up to 450 characters. I have used a total of 445.

Business Model: We charge a fee of ten percent on every transaction made, at each level of production, distribution, wholesale, and retail sale. This question has a limit of 210 characters. I have used a total of only 208.

Competitors: Current competitors include but are not limited to shopping malls; retail, wholesale, and second hand stores; manufacturers, buyers, sellers, resellers, and advertisers; law firms, doctors offices, banks, and consulting firms; black markets, importers, exporters, and mom and pop shops; restaurants, hotels, salons and resorts; high tech, low tech, and no tech companies. This question allows up to 450 characters. I have used a total of only 449.

Competitive Advantage: The current way of partnering consumers with vendors for the purposes of buying, selling, and producing goods and service is the age old marketplace. We provide the only alternative to that marketplace with our completely innovative model. We have intellectual property of patents, copyrights, and trademarks. We have recently cornered 80% of the potential market. This question allows up to 450 characters. I have used a total of only 445.



Company Profile:
URL: www.SampleDeal.com
Industry: Electronic Instruments & Controls
Employees: 12
Founded: 01/2006

Contact:
Horace B. Gillywater
sampledeal@fairexmail.com
w 111-222-3333
c 222-333-4444
f 333-444-5555

Financial Information:
Funding Stage: Product In Development
Capital Raised: \$250,000
Monthly Burn Rate: \$45,000
Pre-Money Valuation: \$5,000,000
Capital Seeking: \$1,000,000

Management:
Horace B. Gillywater, CEO
Jimmy J. Wallenwash, CFO


Advisors:
Lawyer: Dewey and Howe

Investors:
Friends
Family



Referred By:

SAMPLE DEAL
111 Elm Street
Metropolis, AL 77777
USA

Financiate*	2005	2006	2007	2008	2009	2010	2011
Revenues	\$0	\$0	\$0	\$0	\$15,000	\$65,000	\$100,000
Expenditures	\$200	\$400	\$800	\$1,000	\$2,500	\$4,000	\$9,000
Net	(\$200)	(\$400)	(\$800)	(\$1,000)	\$12,500	\$61,000	\$91,000


Powered by  Angelssoft. Submitted to Angelssoft Angels on 06/21/2008

* In Thousands (000)





Entries close

10 August



ENTER NOW

<http://unlimited.co.nz/investmentchallenge>



MAKE IT SUCCINCT

- Fill in all sections of form
 - Including financial numbers
 - Add your advisors (extra credibility)
- Web sites and videos only watched if they like what they see on form
 - Put your web site address in
 - If you add a video make it short (3 min max)



business dominoes

Transformational strategies to grow valuable businesses

Strategy vs Operational Excellence

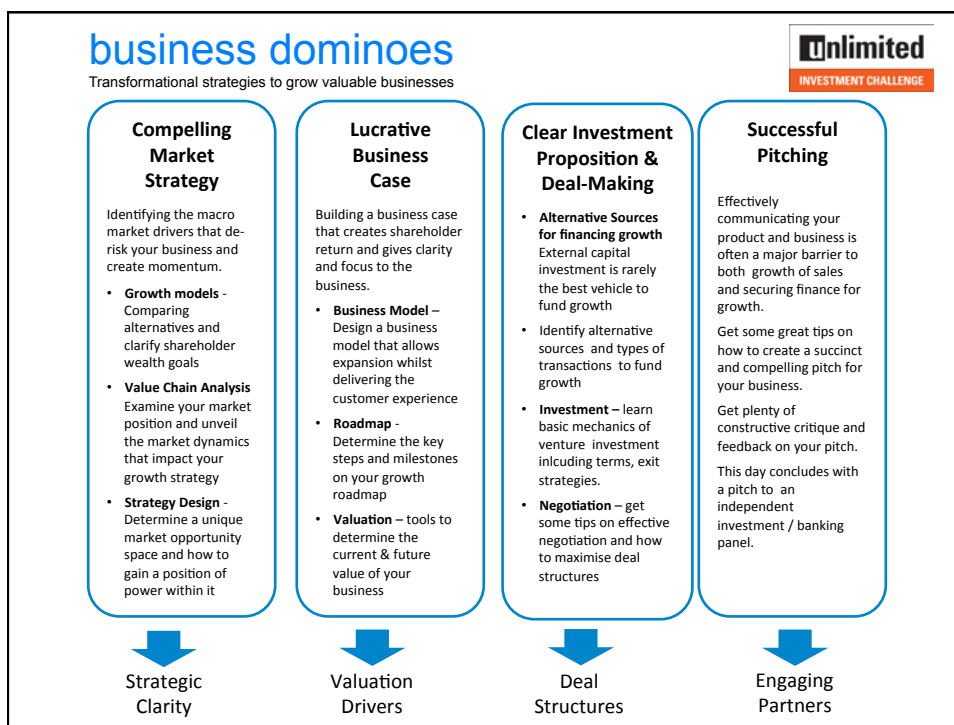
- Strategy development and assessment
 - macro economic drivers and trends
 - leveraging your position of power
- Business model development
- Deals to enable and finance growth
- Pitching your business – customers, bankers, investors etc

Hands on workshop

- 3 full days 9am – 5pm + homework
- No long boring ppt sessions
- Pragmatic tools
- For complete exec team (3 max)
- Business focus not academic

**\$5000 Prize
for all Finalists
3 Days Sept 24th -26th
Auckland**





CLOUD COMPUTING – MY PICKS

Must haves:

- Mac OSX, PC and IOS Support a must – apple nut ☺
- Auto replicate data across devices – available on aeroplanes (no wifi)



Exchange Online

NZ\$75 per year per user
email, calendar & contacts



US\$100 per year - 100GB (file access everywhere)



NZ\$7200 per year (no offline support)



CLOUD COMPUTING - DISCUSSION

- Who are the good IT solutions people for non IT savvy customers?
 - Cost effective cloud setups
 - No over spec-ing solutions
 - No on going fees
- What are your favourite applications & why?



OPEN FORUM - QUESTIONS

