Venture funding – Is it right for me?

Economic Forecasting Conference
Georgia State University

Overview

• atdc
• State of Georgia seed funds
• Venture funding
• Questions
### atdc-Background

- Opened in 1980
- Home to over 30 companies
- Over 70 graduates
  - MindSpring (merged with Earthlink)
  - Digital Furnace (acquired by Broadcom)
  - Future Networks (acquired in 2001)
- atdc companies have contributed the following:
  - Over 3,200 jobs
  - $625MM in annual revenues
  - $400MM in capital raised
- Acceptance rate: 1 of 8 applicants

### atdc Programs

- Venture Lab-Georgia Tech
- Faculty Research Commercialization Program (FRCP)
- Seed Capital Funds
- CEO Roundtable
- Brownbag Luncheons
- Community
Yamacraw & Bioscience Seed Funds
Mission & Charter

The $5.0 MM YSF & $3-6MM Bioscience Seed Fund have been created by the State of Georgia to provide equity and other risk capital to support the birth of companies engaged in next generation technology.

Particularly:
- High bandwidth communications,
- Semiconductor technology
- Content processing
- Cancer research
  - Therapeutics
  - Diagnostics
- Bio-engineering

As well, these firms can also be characterized as:
- Entrepreneurial in nature,
- Engaged in innovative work in targeted areas,
- Highly risky investments,
- Located in the State of Georgia
- May increase the State’s share of domestic or international markets

Criteria for Investment

For an early stage opportunity in the targeted industry sector these funds typically will:

- Be matched 3 to 1 by the private sector on a deal by deal basis
- Follow an active/passive model of investing
  - actively pursuing deals in targeted areas
  - passively managing the investment (non-lead role)
- Provide no more than $500,000 in the seed round of financing
- Be provided after positive results of a rigorous investment evaluation process
Seed Fund Design Perspectives

- **Seed Fund:**
  - Become a source/magnet for deals that are liberally shared with the community
  - Enhance job creation and economic growth in GA
  - Start-up versus sustainability
  - Building from the ATDC model allows a fast start
- **Investment community:**
  - To be a credible co-funding source, the scope of services must provide a clear value added
  - Wants: Contacts, Credibility, Consistency
- **Entrepreneurs:**
  - Wants: Cash, Contacts, Credibility
  - Fund must provide a value added process with or without providing funding;
- **State:**
  - Demonstrated success without concern
  - Supporting infrastructure for local financial community

Objectives

- Seed up to four new companies per year
- Achieve substantial capital appreciation with an acceptable level of risk
- Become self funded over time
- Become a key deal source for seed stage technology in GA
- Be considered smart money that’s relatively easy to get
- Become a funnel to multiple funding sources and assistance
- Provide a “first stop” for input
- Clear funding successes to point to

Stakeholders Assessment

(How do we generate interest?)

- **Investors**
  - Non-competitive search arm
  - Risk buy-down
  - Focus in a high risk, high maintenance, potentially high return market sector
  - Seed round financing infrastructure
- **State of Georgia**
  - Implements legislation
  - Good PR for Georgia Universities
  - Additional draw for companies
  - Promotes startup investments
  - Potential self funding initiative
- **Entrepreneurs**
  - Additional consolidated resource of services
  - Consolidates a series of public funding at the seed level
- **ATDC**
  - Extends the model
  - Additional leverage of resources
  - Consolidates funding sources
Self Inventory

- Are you committed?
- Do you need Venture Capital?
- Can you scale the business?
- Quickly?!?

The “First 10 Questions”

1. What is the business? (Explain the product or services of the company)
2. How big is the market?
3. What makes the business different or unique?
4. Who are the competitors?
5. How much money is the company seeking?
6. How will the company spend the money?
7. What is the burn rate?
8. What is the capital structure?
9. What is the revenue model?
10. Where will you be a year from now in terms of maturation?
11. Who is the management team?
What VC’s are looking for

...isn’t everyone?

• “skin in the game”
• Management team
• Domain expertise
• Market Plan
• How much capital do you need?

What we’re looking for, Today

• Revenue, or close to it
• No research projects
• Close to product
• Ability to think on your feet
• Execution
• Exit strategy
• Milestones
• Tranches
What’s good?

- atdc – 12 companies this year
- Entrepreneurs are resourceful
- Economic demand increasing in certain sectors

Suggested Links

- www.atdc.org
- www.yamacraw.org
- www.gra.org