

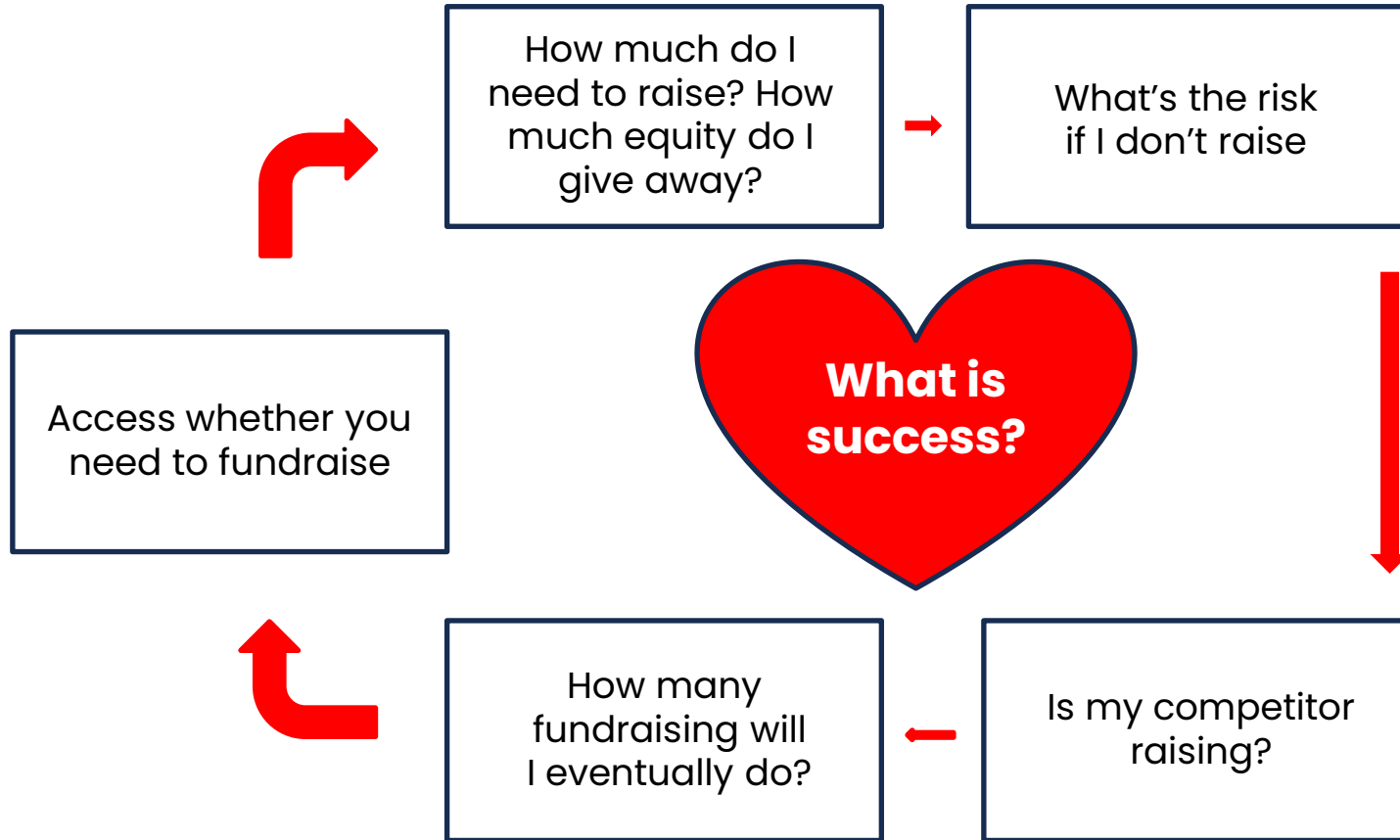


# **Are You Investible?**

On the Fundraising Landscape, Investors  
and Readiness

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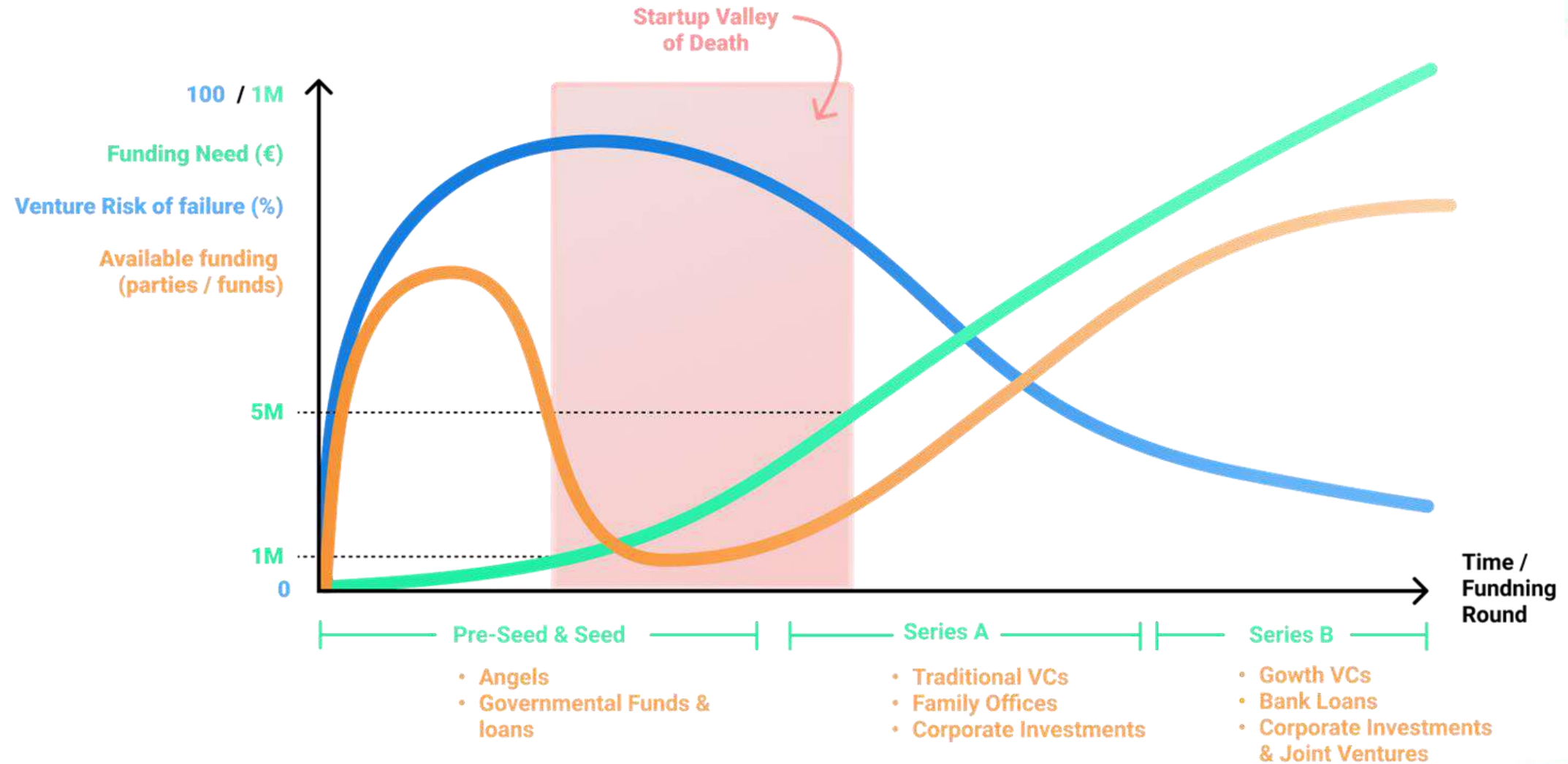
# Why Are You Fundraising?



# The Main Reason Why Startups Fail



- According to a CB Insights report, **lack of market need is the most common reason for startup failure**. Failed startups created a product or service that didn't meet a real need in the market. Without strong market demand, it can be difficult to gain traction and grow the business.
- Another top reason is startups **run out of cash and lack of financing or investors**.
- Both reasons are inter-connected.

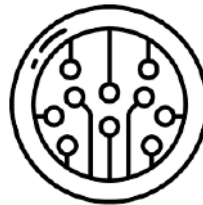


# Types of Funding



**Equity financing** is the method of raising capital by selling shares of the company to investors.

**Debt financing** is when a company borrows money to be paid back at a future date with interest.



**Initial Exchange Offering or Token Crowdfunding** is when a company offers a utility or securitize digital token of the company to investors.

# The Fundraising Lifecycle



## Maturity

Concept/Ideas	MVP/Prototypes	Product Market Fit	Working at Scale	Diverse Revenue Streams
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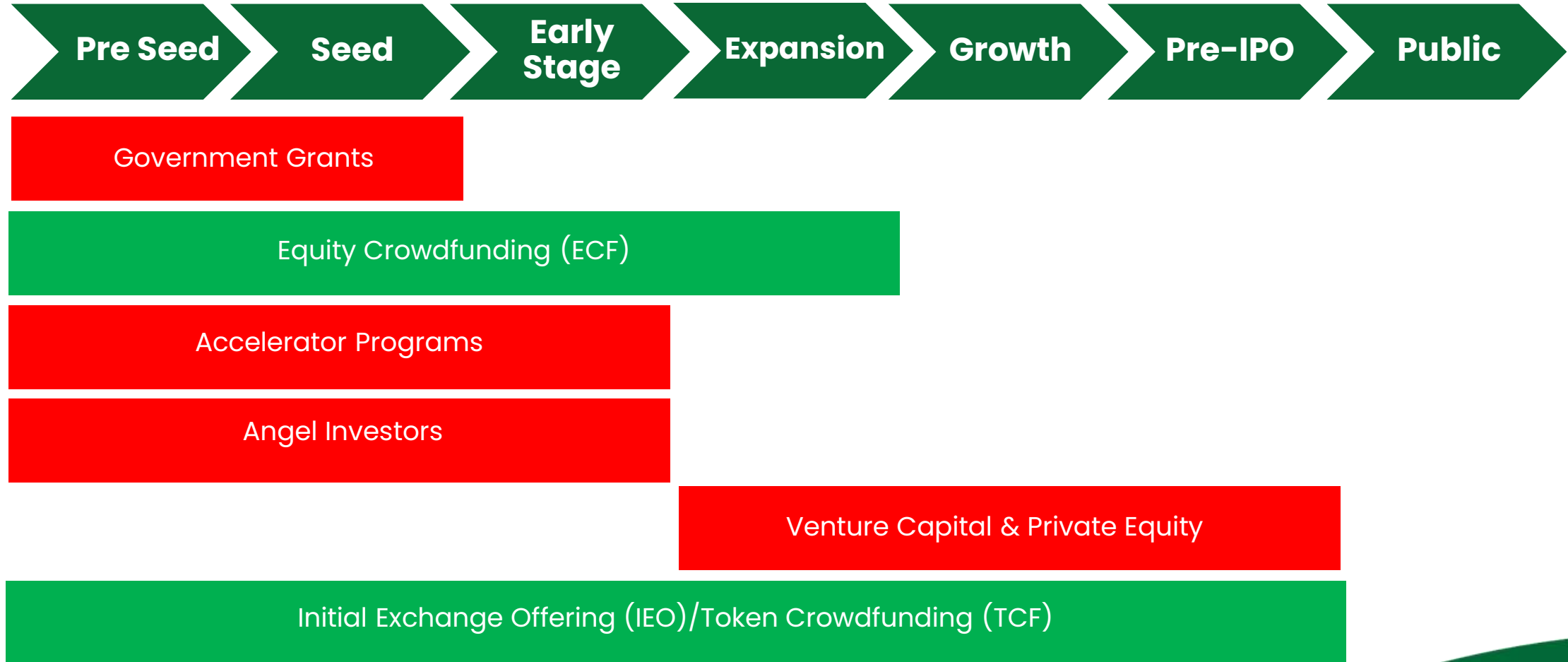
## Typical Raise

< 1 mil	< 2 mil	3-12 mil	10 mil +	100 mil +
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## Typical Valuation

1-2 mil	3-10 mil	10-30 mil	100 mil	500 mil +
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# Fundraising Spectrum



# Funding Landscape in Malaysia

## VENTURE CAPITAL



## PRIVATE EQUITY



## EQUITY CROWDFUNDING



## P2P FINANCING



## FINANCIAL INSTITUTIONS



## GRANTS



## ACCELERATORS



## ANGEL INVESTORS





# Grants



Grants are non-repayable funds (some do require a certain % to be paid back upon a successful post funding round) often disbursed by a government department, corporation, foundation or trust, to a recipient, often (but not always) a non-profit entity, educational institution, business or an individual.

- TERAJU Superb (RM500k)
- MESTECC/MOSTI – Dana R&D (RM3M)
- MIDA – Domestic Investment Strategic Fund (DISF)
- Cradle – CIP Ignite (RM500k) & Accelerate (RM2M)
- MDEC
- Penang Seed Fund – (RM50K – RM250K)
- Others



# Pre Seed and Seed Funding (Accelerator Program)



- WTF Accelerator
- Beyond4
- NEXEA Accelerator
- 1337 Ventures
- Antler
- Growth Charger
- Satu Creative
- Sunway iLabs
- Selangor Accelerator Program (SAP)
- TEGAS Startup Lab Accelerator
- Pahang Innovative Startup Accelerator (PISA)
- Mranti Global Accelerator Program (MaGIC)
- Cyberview Living Lab Accelerator
- Cradle's MyStartup Accelerator/Pre Accelerator
- Shell Livewire
- Petronas FutureTech



# Angel Network, Venture Capital & Private Equity



## Venture Capital



## Private Equity



## Angel Network



# Angel Network, Venture Capital & Private Equity

- Angels invest in Pre-Seed and Seed stage companies
- In Malaysia, a mix of privately run VCs and Government “related” VCs
- Private VCs like Gobi Partners – Investment size between RM1 to RM10 Mil per company. (Investment period up to 7 years)
- Government “related” VCs like MTDC, VentureTECH – Investment size from RM3 – RM10 Mil. (Investment period up to 7 years)
- Khazanah’s Dana Impak + EPF + KWAP (RM 1 Billion+)
- Gobi Partners & 500 Global
- Antler
- PEs invest in matured companies – example: Mr DIY, CTOS by Creador.
- Watch out for Tealive, Speedmart

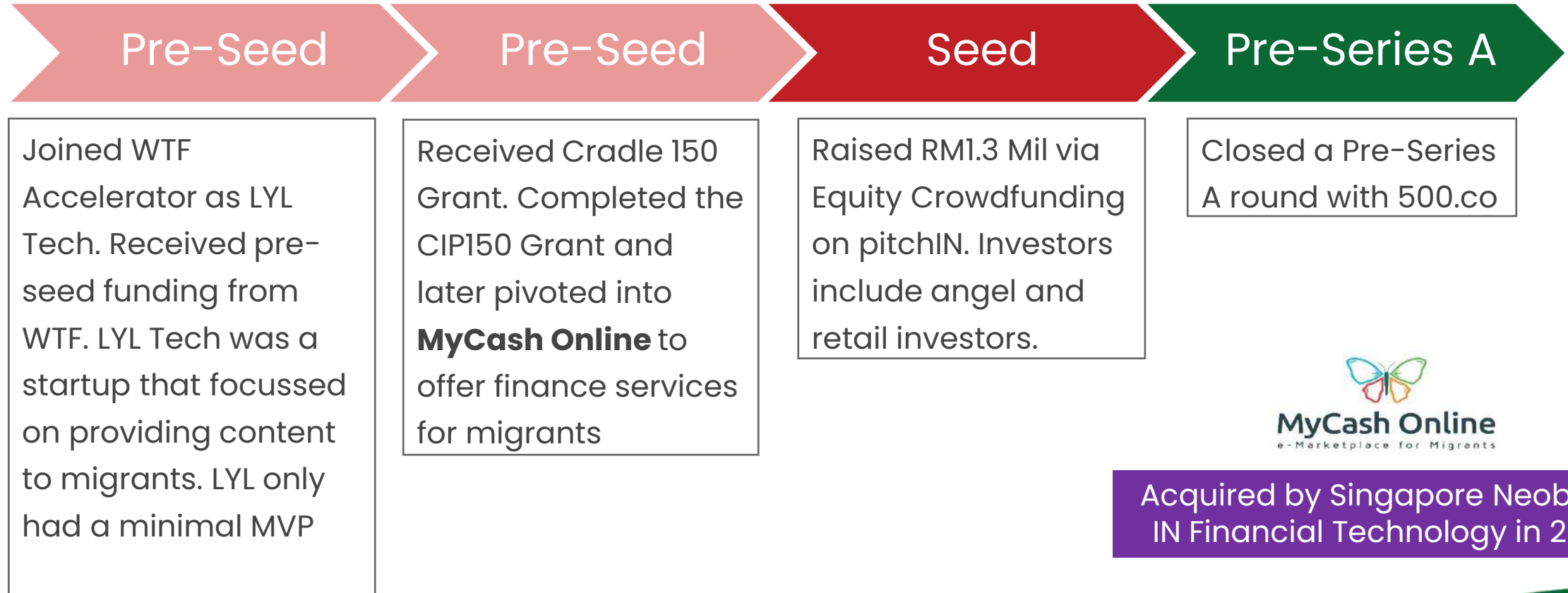
# Equity Crowdfunding (ECF)



- Regulated by Securities Commission (SC)
- 12 registered operators (RMO)
- Maximum RM20 Mil
- Must be incorporated in Malaysia as a LLP, Sdn Bhd and Unlisted Berhad
- Total industry raised more than RM600 Mil.
- Co-Investment Funds for companies and Tax incentives for investors available



# MyCash Online – Fundraising Journey





# The Investor



# What Motivates the Investor



Early  
investment  
equals greater  
rewards  
vs De-risking



Diversifying  
their  
portfolios



Impact  
investment/  
Changing  
landscape



Fair Valuation.  
High potential  
for exits



# What are Investors Most Interested in?



An industry  
that they  
are familiar  
with



A large  
market and a  
competitive  
advantage



Generate  
cash flow



Management  
team that  
they believe  
in

# The Importance of Founders

... Fundraising is a sales process. The investor is a customer and they have money to spend but only for a limited number of companies. They are buying trust in you that you will build a large business that will be valuable

The first “blink” evaluation they’ll make is about “YOU” and only when they’re subconsciously decided whether they find you’re smart, likeable, credible, a good leader, inspirational, competitive and all of the other attributes they’ll look for do they begin to truly think about whether your business or business idea has legs.



# Different Types of Investors and Their Incentives



## Government

Governments have many reasons for investing in startups. There are many government grants available in various countries that are designed to promote startups as a way to increase job growth.



## Family/Friends

While your friends and family are probably hoping to get a huge return from their investment, they're more likely motivated by wanting you to get a chance to succeed and be happy.



## Angel

Usually a wealthy individual who invests their own money in startups. Their financial source is usually from their own startups, other businesses from different industries, or inherited their wealth.

# Different Types of Investors and Their Incentives



## Accelerator

Accelerators are, for the most part, a subset of VC firms where there are professional investors who raise funds from outside parties to invest in startups.



## Corporate Offices

When an investment comes directly from the company's balance sheet at the direction of a particular business line, the corporation is usually looking for strategic value from the investment.

# Different Types of Investors and Their Incentives



## VC

The classic startup investor that is primarily working to achieve returns for the funds they've raised from a set of Limited Partners. VCs generally invest only in deals which they believe will return all or most of their returns.



## Family Office

Generally, these entities are very concerned with not losing their principal. Whereas a VC fund that loses an entire fund will have a hard time raising other funds, a family office that loses all its principal has no recourse for more funds.

# Things That You Should Consider (Before Fundraising)

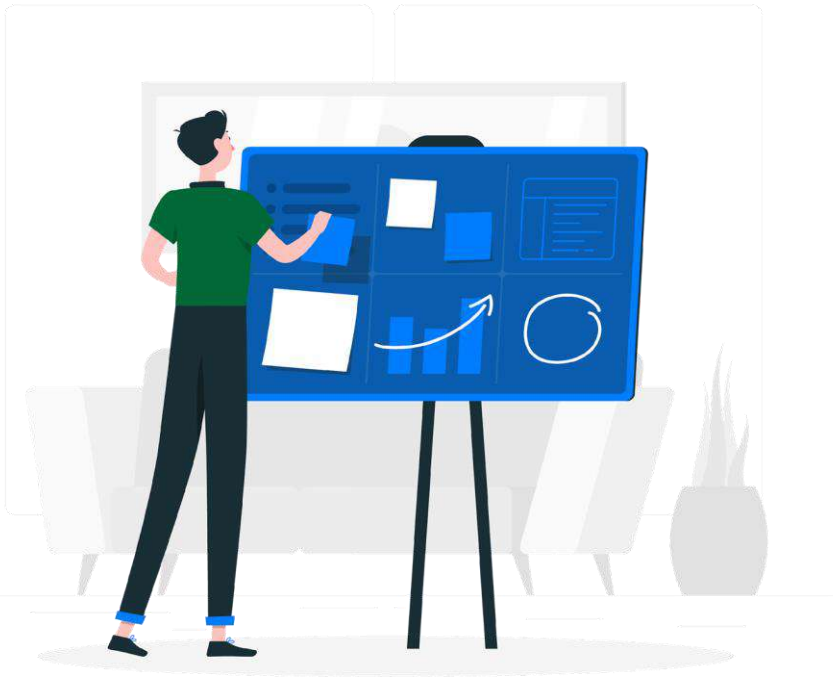


- When to raise and why do you need it
- What matters to you
- Understanding the process
- Appreciate the preparation
- Know the key stakeholders
- How to determine valuation



# Things That You Should Consider (Before Fundraising)

- Understanding dilution
- Understanding controlling & financial terms
- Due diligence & Term sheet
- Understanding exit



# When and why Do You Need to Raise?

- To create a new business/product?
- To sustain my business?
- To grow my business bigger, and faster?
- My competition is raising?



Best is to raise from the position of strength and when you're most ready!



# When and Why Do You Need to Raise?

## Is it for you?

Are you a venture-type of business?

Are you willing to partner with someone?

Do you want to chase a big vision?

Are you willing to increase the risk?

## When to raise?

Always be raising?

Have at least 6 – 12 month runway before fundraising

Are you ready as a company?

Are you all prepared?

## How much to raise?

Balance between your dilution vs control

Seed: 20% – 30% dilution

Series A: 25% dilution

Series B: 15% dilution

# What Matters to the Founder?

## Future of the Company

- The reason you're raising
- Is this the right partner?
- Is this the right round amount?
- Will it help chase the dream?

## Control

- Board seats
- Can they replace you?
- How much equity that will be diluted in Pre-seed, Seed, and Series A.
- Staying at the driver's seat

## Dilution

- Try to own as much as possible
- But dilution is not bad – it's better to have a small piece of bigger pie as compared to a bigger piece of small pie.

# Understanding the Process



- The most challenging part is “preparation”
- It takes 3 to 6 months to typically raise a round
- Seed and Series A process is same
- Series A stages are more complicated, requires extensive work
- Work involved in each stage may vary depending upon the investor

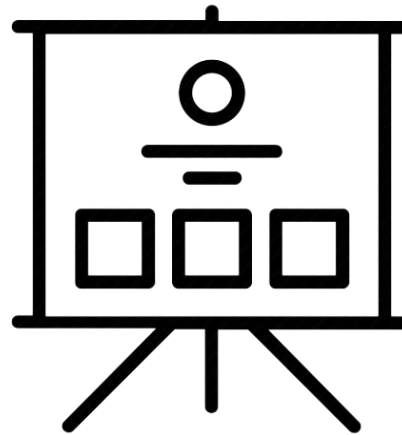
# Appreciate the Preparation

## Preparing Yourself

- It is very time consuming
- You need to work full-time fundraising
- You may not close the round
- Closing may take longer than 6-months
- Can business run without you?
- Fundraising can be stressful

## Pitch Deck

- Build your story
- Practice



## Preparing Due Diligence Items

- Data Room: All metrics
- Financial model
- Projections
- Accounts



# Appreciate the Preparation:



## Build the List

- Identify target investors – Angels, VCs
- Do research, identify General Partners
- Follow them on Social Media, read their articles, understand how they make investment decisions
- Ask peers

## Booking in-person Meetings

- Get warm introductions through your professional networks
- Meet them in events
- Reach out to them – emails, cold calls, Twitter, LinkedIn



## During the Meetings

- Pitch your business and vision
- Build relationship
- Excite them
- Book follow up meetings

# Know the Key Stakeholders

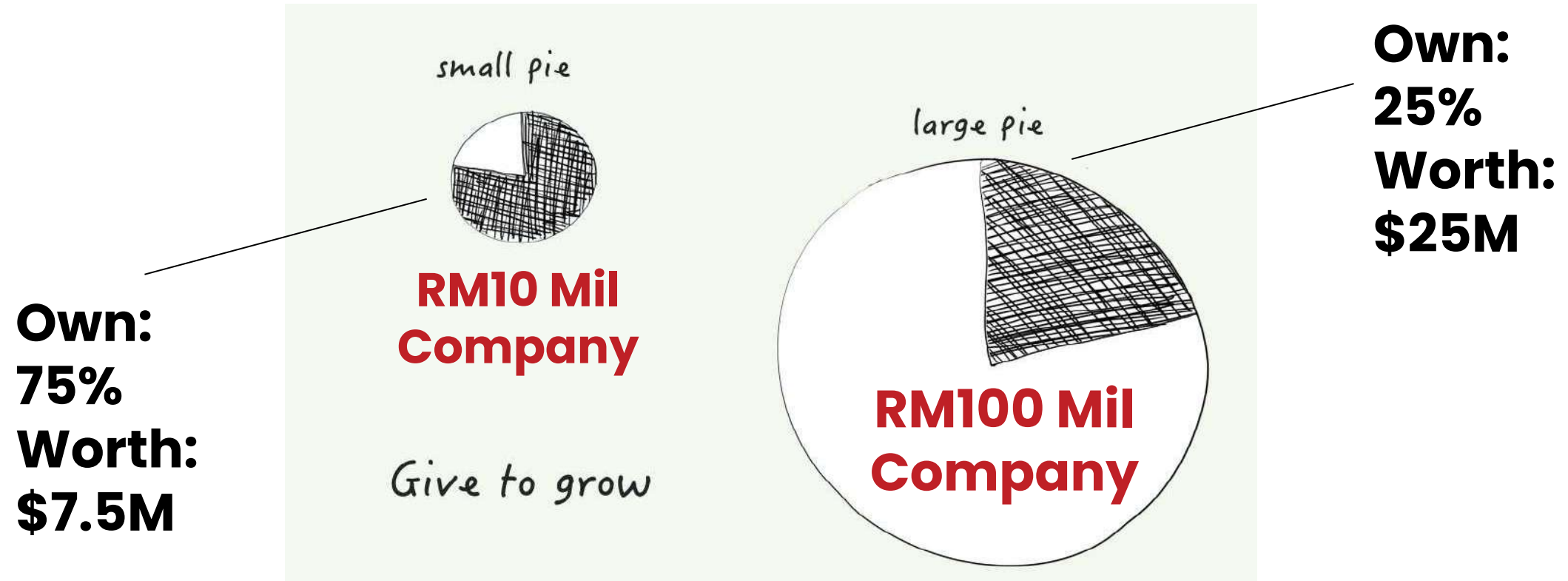
- Investors
  - Friends, Family
  - Angel Investors
  - Accelerators
  - Venture Capitalists
  - Strategic Investors
  - Institutional/Corporate
- Your Board Members
- Your Executive Team
- Lawyers
- Advisors/Mentors
- Partners & Customers

# How To Determine Valuation

There is no one formula!

- A combo of numbers and storytelling skills, esp for early stage companies
- Read or hear from Aswath Damodaran
  - [https://www.youtube.com/watch?v=c20\\_S-QgvsA&t=54s](https://www.youtube.com/watch?v=c20_S-QgvsA&t=54s)
- Be careful. Too high of a valuation could lead to a tricky situation in the future

# Understanding Dilution





# Understanding Controlling & Financial Terms

## Controlling Terms

- Board Seats
- Voting rights
- Vesting of your stocks
- Termination conditions
- Liquidation rights
- Anti-Dilution provision
- Drag along & Tag along rights
- Information rights

## Financing Terms

- Valuation
- Preferred shares
- Ordinary shares
- Convertible notes
- Safe notes
- Preferred stock & liquidation preference

# Due Diligence

## What is it

- Investors will verify everything you said before the term sheet signing
- Finance
- Legal
- Technology
- Team
- Market
- Customers

## What to do

- You should be well prepared with all the material(s)
- Ensure you do not fake anything to get the term sheet
- Be transparent and helpful
- Keep pushing to the closing deadline



## Legal

- Run the legal paperwork in parallel
- Get a really good lawyer
- Make sure you read and understand all the legal terms



# Term Sheet

## What is it?

- Informal proposal to invest in your Startup
- Includes key terms
- Few days to 2 weeks to negotiate and sign

## What to do?

- Ensure you line up VCs in a way to that you get maximum no. of term sheets within a week or two
- This will help you boost your valuation and negotiate easily
- Immediately consult with your Board, Lawyer, and Advisors

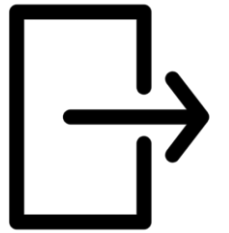
## Signing Term Sheet

- Once everything is negotiated, Investors and Founders will sign term sheet with closing the deal in X days
- You enter into formal due diligence

# Understanding Exits

When you raise funding for your company, there is an expectation of an exit. What are the potential exit for your investor(s)?

- Secondary trading
- Buy out by future incoming investors
- Buy back after X number of years
- Merger and Acquisition
- An IPO (but it is rare)



# Closing

## What is it?

- All papers signed by all the involved parties
- Money is in your company's bank account

## How long does it take?

- Once all the paperwork is ready and the diligence is done. Get everyone sign and wire transfer the money



“

Until you have money in the bank account, nothing is guaranteed i.e you may lose the deal even at the closing stage!

”

# “Mistakes” You Want to Avoid (During Fundraising)



Not researching who  
you're meeting

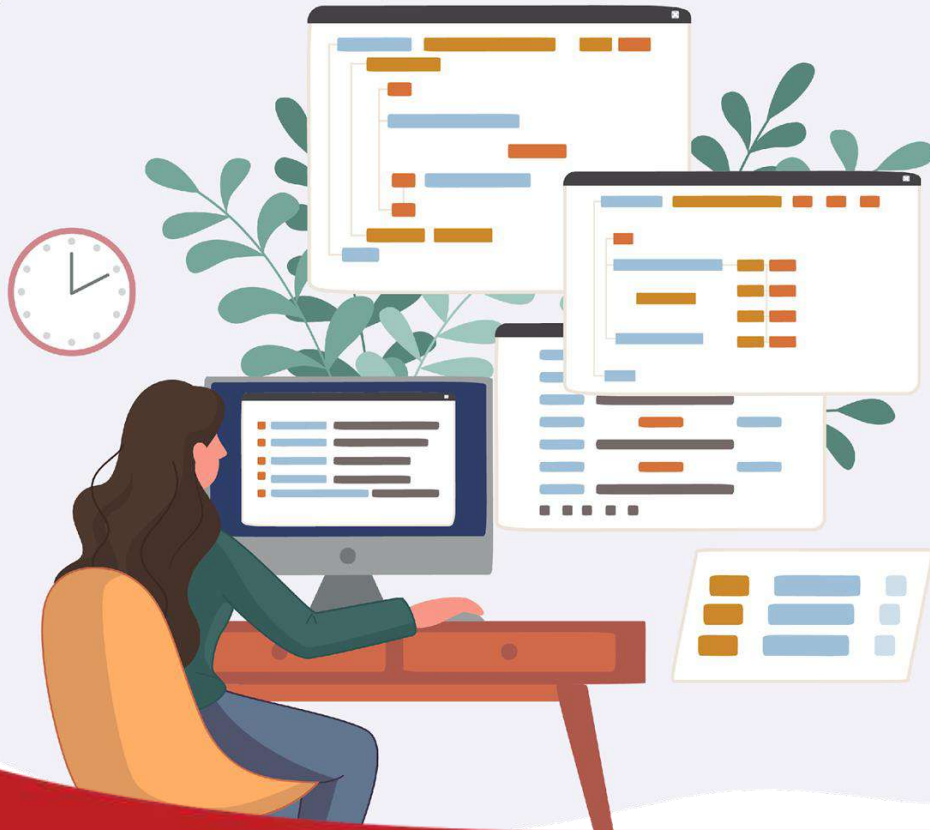
Not understanding  
dilution and liquidation  
preferences

Not practicing  
your pitch

Non-alignment  
of interests

Raising more  
than you need

Not ready with  
documents





# Every “No”, Gets Me Closer to a “Yes”\*.

- Ask for feedback.
- If its’ a no, nothing personal. It’s all business.
- Be relentless

\* Mark Cuban

# Summary

- Funding is an ongoing activity of a startup that is looking to scale.
- The funding landscape is a dynamic and changing ecosystem.
- Learn as much from peers
- The difficulty is not usually about the availability of funds. But rather to build a venture attractive enough to be funded. So ... **are you investible?**



# Read

**The Startup Fundraising Playbook**

<https://www.docsend.com/index/startup-fundraising/>

**Startup Fundraising Pitch Deck Metrics**

<https://www.docsend.com/index/pitch-deck-metrics/>

# Reading Resource



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