

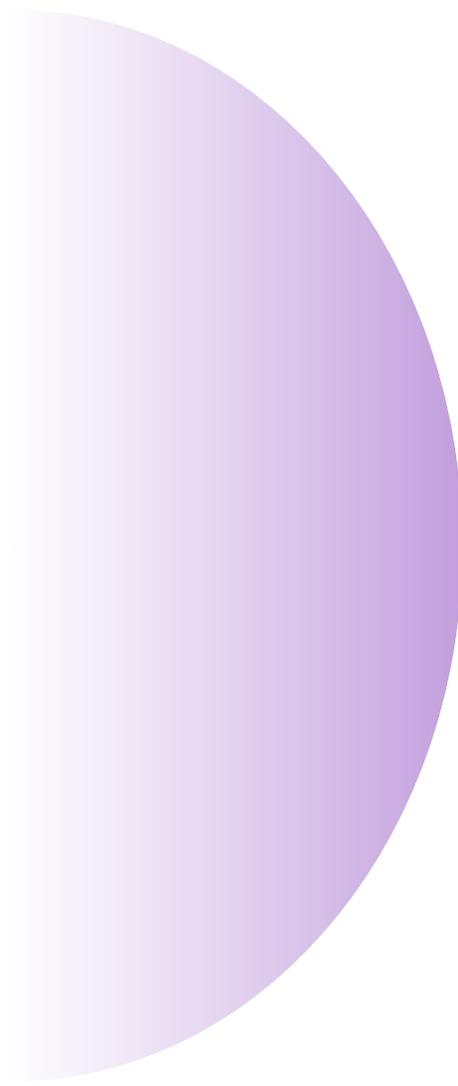
**BIO Entrepreneurship
Boot Camp**

June 3, 2019

Capitalization of Your Venture

**Navigating The Waters Of
Raising Capital**

Wei Wu, PhD

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- Equity Funding Sources
 - Navigating the Fund Raising Process
 - Investor sourcing
 - Pitch meeting
 - Post pitch meeting
 - Closing the deal
 - Help from an intermediary
 - Key Lessons Learned

Angel Investors

- Angel groups, Super angels, etc.
- Early-stage investment typically with company valuation <\$10M
- Check size typically <\$1M, can go beyond with syndication
- Example: Life Science Angels

Incubators

- University affiliation, corporate extension, or commercial space
- Many provide lab space, core facilities, connections, mentorship, sometimes funding
- Example: QB3, Jlabs, LabCentral

Family Offices

- Single family offices (SFO), Multi-family offices (MFO)
- Some have Chief Investment Office, others don't
- Some focus on impact investing
- Example: Morningside Group

Foundations

- Align assets with mission
- Recover charity funds for future use
- Example: Gates Foundation, Michael J Fox Foundation

Corporate Ventures

- Traditional direct investment, semi-independent, or independent corporate venture capital (CVC)
- Often have strategic focus
- Example: JJDC, SR One, Illumina Ventures

Venture Capital Funds

- GP+LP structure
- Driven by financial return
- Investment thesis vary by fund size, stage focus, management team expertise, geography, etc.
- Example: Many...

Navigating the Fund Raising Process



Process: Investor Sourcing

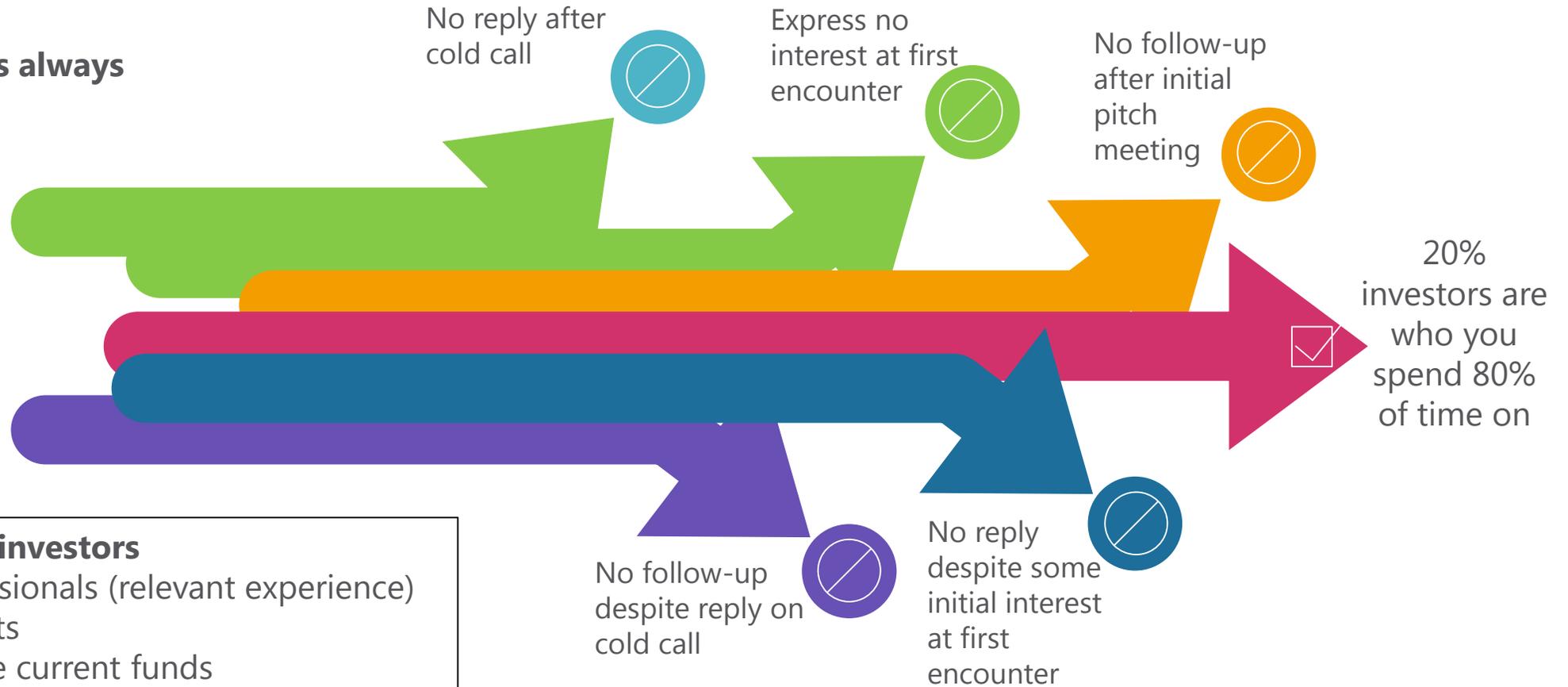
Search for firms interested in your business sector

Warm introduction is always better than cold call

- Personal network
- Service providers
- Incubators
- Conferences
- Online

Research about the investors

- Investment professionals (relevant experience)
- Recent investments
- Stage, focus of the current funds
- Preference to lead or follow
- History of syndication and preferred syndicate members
- Investment process



Process: Pitch Meeting

PITCH CAN HAPPEN ANYWHERE. BE READY TO SELL YOUR VALUE PROPOSITION FORMALLY AND INFORMALLY

TAILOR YOUR PITCH SLIGHTLY TOWARDS INVESTOR INTEREST

PRACTICE PITCH WITH LESS LIKELY INVESTORS CAN BRING INSIGHT TOO

01

Take the opportunity to learn about the investors

02

Present business idea with passion and enthusiasm

03

Be prepared of potential questions

04

Ask for opportunities to provide follow-up information and schedule additional meetings

Entrepreneurs

- Be thorough, complete, and responsive in follow-up due diligence questions
- Gauge investor interest to know how much efforts to spend with them
- Decide your comfortable level of confidentiality and sign NDA before disclosing confidential information
- Prepare and provide access to data room following NDA
- Follow up regularly to assist due diligence process
- Negotiating the terms

Investors

- Ask follow-up due diligence questions
- Conduct due diligence (preliminary DD before NDA and deep DD after NDA)
- Identify strategic fit (CVC, impact/mission-driven investors)
- Debrief to capture collective opinion on backing the opportunity (or not)
- Negotiating the terms
- If it appears to be a match, partners cast vote

Experienced investors drill down to the most critical factors as a process of elimination

Due Diligence Checklist

- Is there real market need and how big?
- How differentiated is the solution compared to competitors?
- Data validation?
- Is IP in place and solid?
- How strong is the team?
- Is the development/funding plan reasonable?
- What are the likely exit opportunity?
- What sort of financial expected over a reasonable time horizon?

Process: Closing the Deal

Entrepreneurs

- Identify a lead investor, usually with domain expertise and invest in larger stake. Sometimes no lead investor is needed.
- Work with the lead investor to finalize investment terms
- Bring in additional investors and balance investor interests
- Work with legal counsel to finalize documents
- Provide closing documents with signatures and mail stock certificate after receiving fund wiring and filing with the incorporation state

Investors

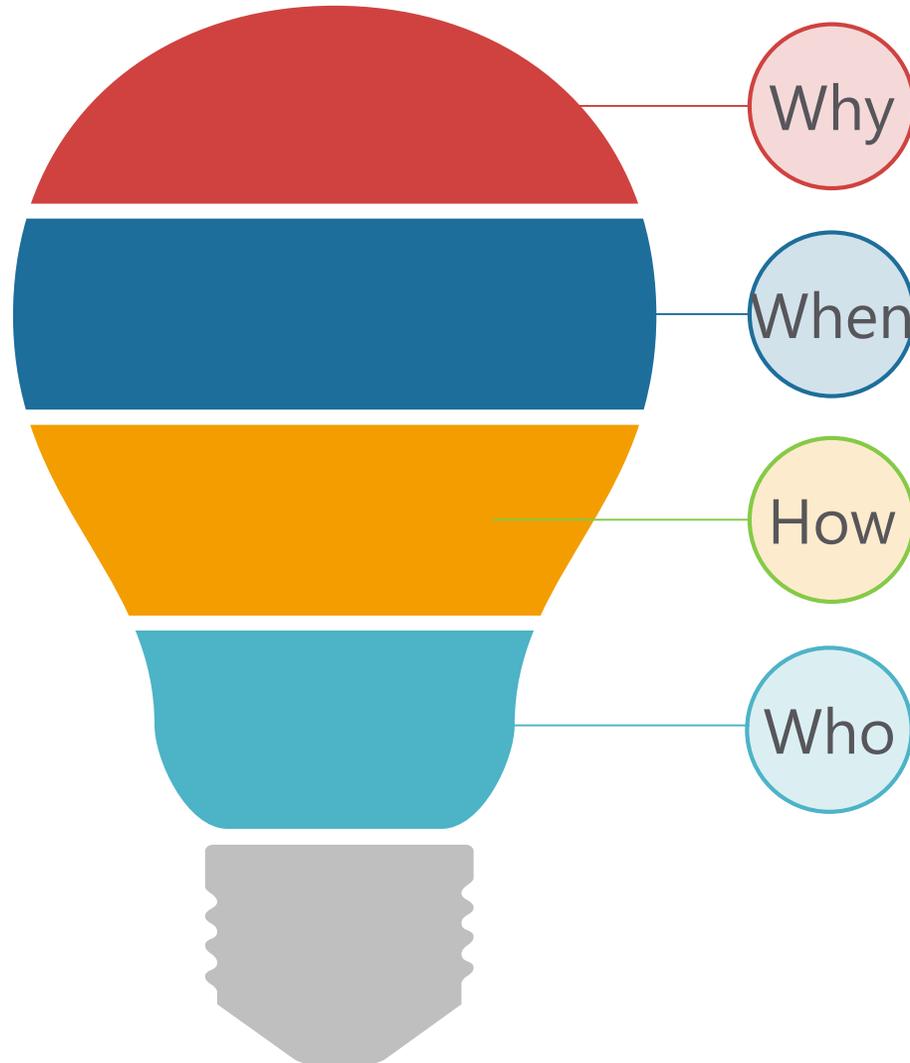
- Lead investor:
 - Lead due diligence (sometimes providing deal memo)
 - Lead negotiation
 - Lead syndication
- Other investors:
 - Additional negotiation of side letters
- All investors:
 - Double-check final documents before signature
 - Fund wiring

Lead investors with proven track record are always busy.

Leading a deal takes a lot more efforts than following.

Building relationship with lead investor is very important. They're likely influential on your board.

Process: Getting Help from an Intermediary



Why

Save time and energy in raising capital

When

Time and resources are constraints, e.g.

- Raising funding from a different country for geographic expansion
- Raising funding in preparation of an exit

How

Work with a consultant/financial advisor

- Help craft a compelling value proposition

Who

Experienced, dedicated, with proven track record

- Bankers, seasoned deal makers with broad life sciences expertise
- Network of relationship with global VCs
- Multiple touch points and access to decision makers
- Strong scientific and commercial knowledge to assist in positioning the opportunity

Key Lessons Learned

- Do your homework, take a targeted approach
- Know the investor you are courting and cultivating relationship early
- Be the evangelist of your business, pitch with passion but do not oversell
- Be prepared, startup pitch can happen anywhere –formally or informally
- Do not underestimate time and resource need, the process is full of false positives
- Do not hesitate to get experienced help early

