



Naturally Boulder

April 2015

Why We Exist



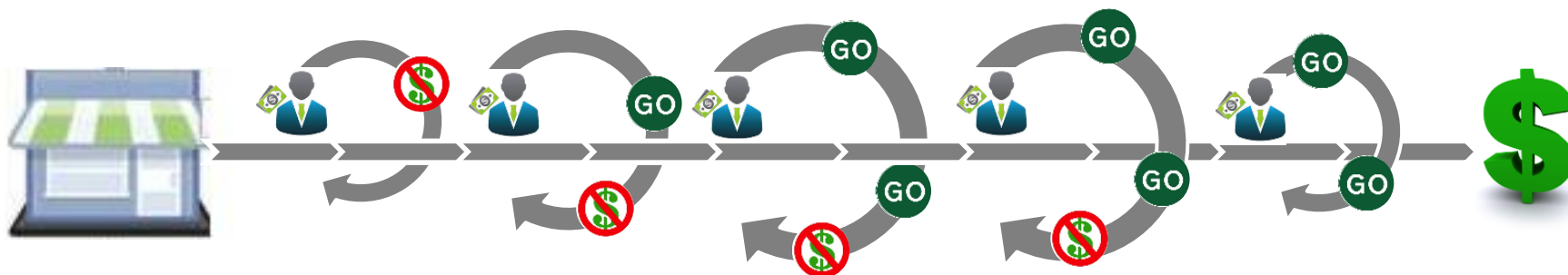
Tech fundraising



Consumer fundraising



Fundraising Comparison



Typical Process			CircleUp Process
X	Limited access to investors	✓	Access to large community of consumer investors – you decide who’s relevant
X	Slow conversion of investors	✓	No exclusivity & we may help convert your offline investors
X	~6-18 months on average	✓	2-3 months on average
X	Meeting overload	✓	Meetings often are not necessary
X	Lots of lost time with each investor that passes	✓	Less time spent on each investor lessens impact of dead ends
X	Manual process recreated for each investor	✓	Online tools for communicating with & prospecting investors
X	Investor-specific documents / conversations	✓	Documentation & communication centralized on platform & consistent across investors

1. Diligence Process

- **What investors look for**
- **Common diligence topics/questions**

2. Structuring the Deal

3. Closing the Deal

What Investors Look For



Industry

Industry size & growth and other drivers/dynamics at play

Stage

Typically angels like to see proof of concept >\$500K revenue. There are exceptions & seed capital does exist for standout companies

Product/Brand

Differentiated product and brand & a market need

Growth / Margins

History of/opportunity for attractive growth rates and strong gross margins. Quality of growth/revenue matters.

Team

Ability to execute, prior experience, commitment.

Deal Terms

Valuations and other terms in-line with market comparables

Diligence Topics

Category	Topics of Focus
Industry	<ul style="list-style-type: none"> • Size & growth • Industry drivers / trends • Competitive landscape • Exit opportunities
Brand / Product	<ul style="list-style-type: none"> • What is the need/void being filled • Form of differentiation • How will you win share
Financial Metrics	<ul style="list-style-type: none"> • Revenue – growth & quality of revenue • Margins • Categories of spend below gross margin • Burn rate • Comparison to comparables
Team	<ul style="list-style-type: none"> • Background/experience • Personal investment & commitment • Extended team – advisors, investors
Terms / Valuation	<ul style="list-style-type: none"> • Uses of capital • Runway • Valuation / Terms

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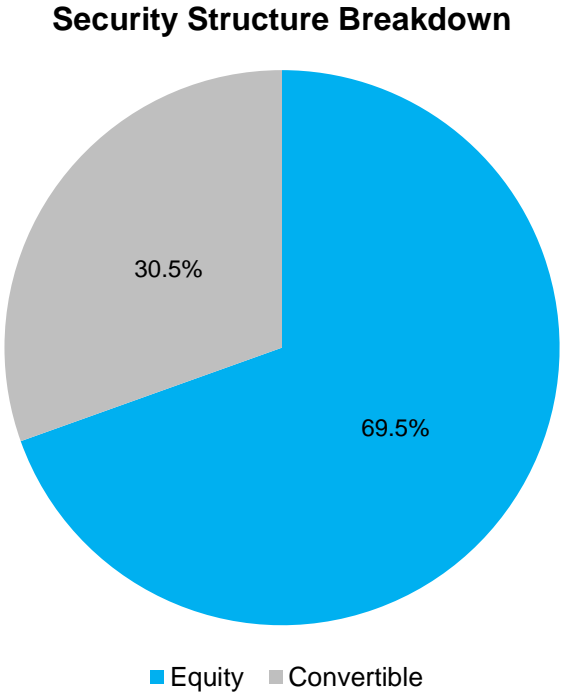
2. Structuring the Deal

3. Closing the Deal

Most Common Structures

Preferred equity is most common structure but we see many companies raise under convertible note structure especially smaller or very rapidly growing companies because they are hard to price

Type	Common Terms to Understand
Equity	<ul style="list-style-type: none"> • Liquidation preference – convertible preferred, participating preferred, common • Pro-rata rights • Anti-dilution protection • Information rights
Convertible Note	<ul style="list-style-type: none"> • Conversion price <ul style="list-style-type: none"> • Conversion Cap – maximum valuation • Discount rate • Interest rate • Maturity



Note(s): Application data from 2013 and 2014

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2. Structuring the Deal

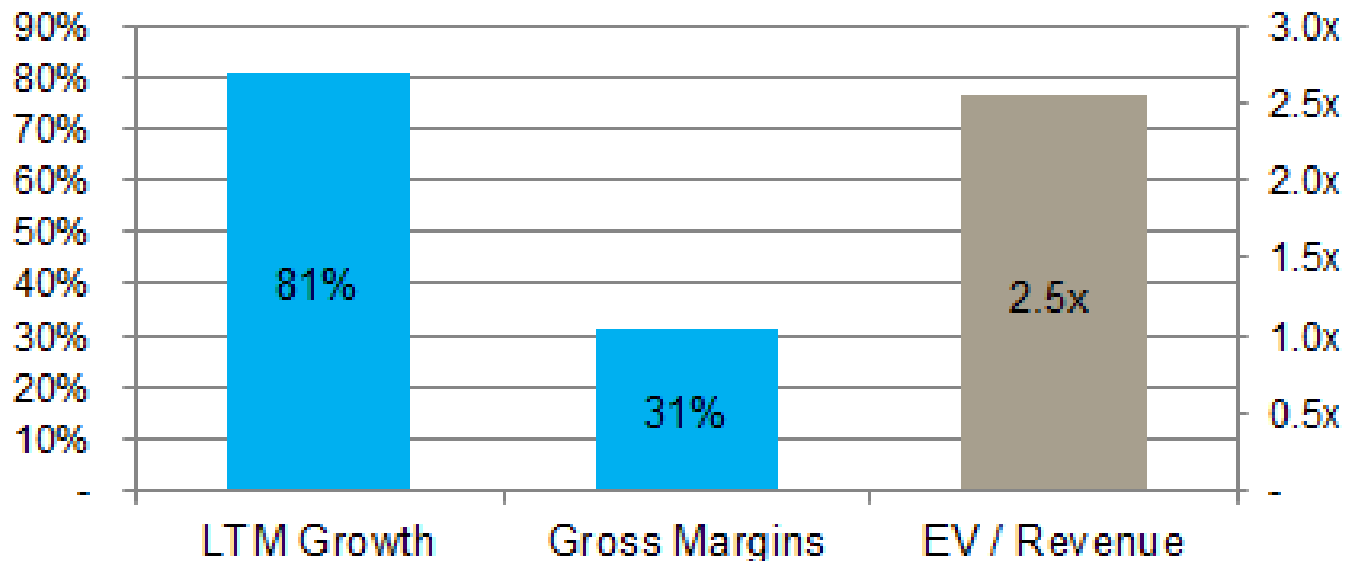
3. Closing the Deal

What We See Closing



Investors look for a “fair” valuation relative to company specific metrics & industry comps

Successfully Closed Food & Beverage *(Median Metrics at Application)*



Top Reasons Investors Pass



- 1. Brand / product – they don't get it**
- 2. Financial performance expectations unmet**
- 3. Valuation / structure**
- 4. Path to scale and exit unclear**
- 5. Lack of confidence in team**
- 6. Industry Dynamics**
- 7. Investor specific preferences**
- 8. Growth capital needs unmet**

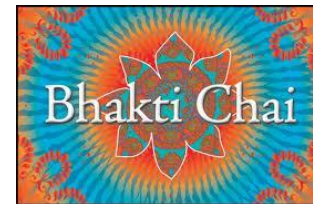
Mistakes to Avoid

- **Starting the process too late when there is a very short term capital need**
- **Be prepared for investor conversations - know your business and key metrics investors care about**
- **Valuation or terms far outside of market**
 - Impact in current & future rounds
 - Consider alternative structures (e.g. convertible note)
 - [Visit CircleUp.com to see our database of comparables](https://www.circleup.com)
- **Keep your options open – avoid getting tied to one investor early in process**
- **Lack of resources / focus towards fundraising process**
- **Not communicating post-close**

Companies



> 85 companies have raised capital with CircleUp, a few examples:



Contact



Contact:

Katie Fitzgerald

Business Development Manager

kfitzgerald@circleup.com