



FINANCING STRATEGIES FOR HIGH GROWTH COMPANIES:

SECURING INVESTMENT

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FINANCING STRATEGY - OVERVIEW

- Financing is sales - you run a methodical sales process to sell your product, do the same with your financing process
- An investor slide deck matched with a “spray and pray” approach to the market is neither a strategy nor a plan
- Without a **financing strategy & plan**:
 - you may approach the wrong class of investors,
 - with the wrong investment pitch,
 - at the wrong stage of your company’s development,
 - before you have put the company’s house in order

= No Financing

*A process won't get
you funded*

*– only a good
opportunity will –*

*but a well thought
out financing
strategy & plan will
**maximize your
chances to secure
investment***

NO MAGIC BULLETS

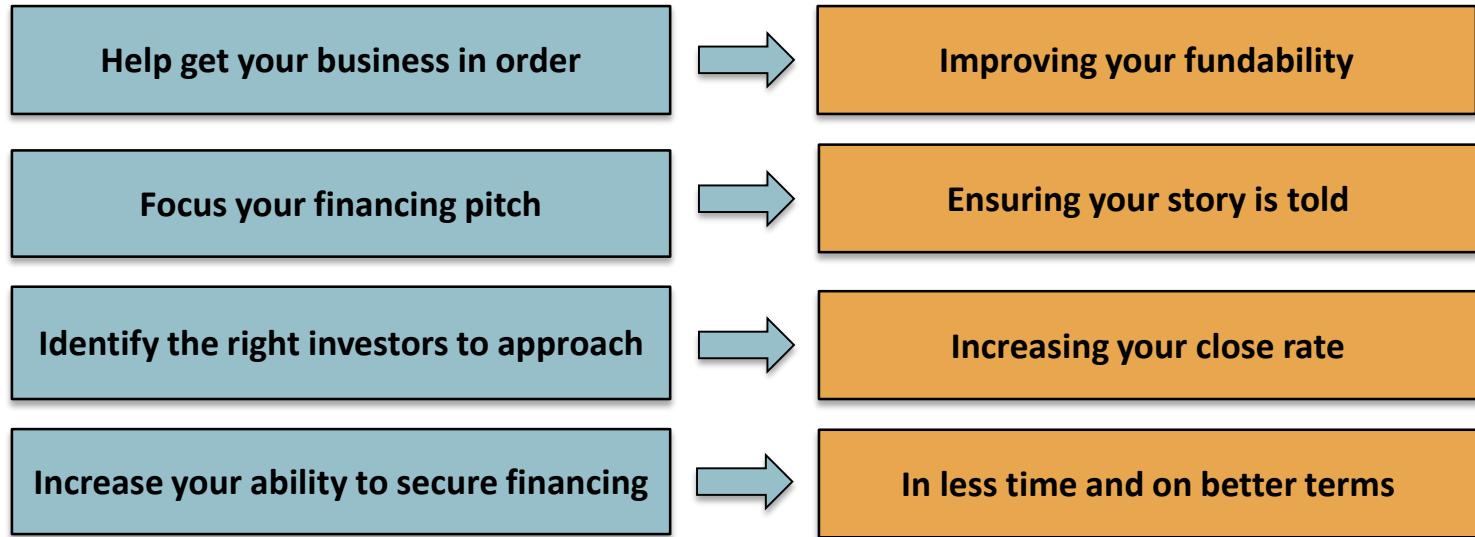
- There are no shortage of tips on how to get funded, many of them contradictory – business plan or not, one page executive summary or five, ten slides or twenty-five etc.
- Smoke and mirrors will not get you funded. What will get you funded is having:
 - a great business idea,
 - aimed at a significant market opportunity,
 - with the team to execute on it
- Focus first on **getting your business strategy & plan right**, then make sure your financing package tells your story



Build from the foundation up: business strategy & plan first, then financing strategy & plan

BE STRATEGIC

Having an intelligent, well-defined business growth and financing strategy will:



STRATEGY & PROCESS – FIVE STAGES

1 Analyze

- Does the company have a sound business proposition and a viable business strategy?
- What needs to be done to improve the business before hitting the financing trail?

2 Build

- Refine the business strategy and plan, add people and grow the business – market traction will improve your fundability
- Fill the holes that can be addressed without funding – use sweat equity

3 Prepare

- Prepare a *complete set* of financing collaterals, assemble your due diligence room and develop the financing plan

4 Market

- Identify, profile and approach the right class of investors with the right story for your company

5 Close

- Manage the financing from Term Sheet through to close

STAGE 1: ANALYZE

IS THE BUSINESS PROPOSITION SOLID?

- Many entrepreneurs go after financing before they have addressed the flaws in their business strategy or plan
- Often they do not see these flaws – either they do not have the ability to spot them or they are too close to do so
- Identify these business issues and get out in front of them before going out for financing. This is critical, if investors have to point them out it is difficult to recover
- ***First and foremost***, you must have a compelling business proposition and strategy, a large market opportunity and the team to execute on it

STAGE 1: ANALYZE

BEFORE YOU TALK TO INVESTORS, CAN YOU EXPLAIN:

WHO ARE YOU?

Remember, it is all about the people

WHAT DO YOU SELL?

Not in technical terms - in terms anyone can understand

WHAT IS YOUR MARKET?

Overall market, theoretical addressable market, and your real addressable market

Audit your business opportunity, strategy and plan and prepare your answers. If you can't fully answer these questions (and others), your company is not ready for financing

WHY ARE YOU?

What was your "ah-ha" moment? What made you launch?

WHAT IS YOUR INDUSTRY?

Do you know your ecosystem – can you define how it operates

YOUR SECRET SAUCE

What's special about you. Is there IP?

REVENUE MODEL

How do you price, value to customer, can you make money?

WHAT IS THE MARKET PAIN?

Who is screaming for your product. Why?

GO TO MARKET STRATEGY

Can you get their quickly, cost-effectively

COMPETITORS

Who are they, why you better? What about indirect competition?

FINANCING

How much do you need, what will you do with it, what will you accomplish, why should I invest now, how will I make money?

STAGE 2: BUILD

GROWTH ENABLING TOOLS & PLANS

BUSINESS PLAN

“David led a process and provided a template to update our business plan. We were skeptical about why we needed to do this but we ended up identifying a number of things in our business we had not considered. And we produced an investor friendly business plan to boot.”

CASH FLOW MODEL

“David provided a template for a cash flow model which helped us figure out what we needed to raise, by when and what we would do with it. It spoke to our investors in their language, providing the information they wanted to see in a form they liked. We ended up using it internally and for our Board as well.”

EQUITY PLANS

“Our equity plans were a mess – we gave up way too much dilution, created tax problems and we weren’t getting the value we wanted. He explained what we were doing wrong and provided a path to create the alignment we were looking for, and fixed the niggly crap too.”

ENGAGEMENT TERMS

“We weren’t thinking that far down the road but David explained what could go wrong when we went to sell the company if we didn’t lock our people up properly. He explained what terms were reasonable and called out business issues we never thought of. And he coached some of our more high maintenance people through what we needed to do and why - they didn’t feel threatened by him.”

Use tools and templates generated from over thirty years of working with high growth companies

STAGE 2: BUILD

- **Add human capital.** Even without funding, you can achieve progress by building the team. Add full and part-time employees, mentors, advisors and board members, working for equity, to help fill the gaps
- **Refine and improve the value proposition, business strategy and plan.** Making the story more powerful and improving the company's prospects of succeeding. Do as much heavy lifting as you can pre-financing
- **Generate market traction by staying laser focused on your market.** What sales and partnerships can be closed while still boot-strapping? Market traction goes a long way in investors' eyes
- **Get organized.** Address IP issues & strategy, founders issues, employment agreement loose ends, cap table issues, inefficient equity plans, challenging partnering deals, governance and reporting, etc. – *eliminate as many issues as you can that investors would flag*

STAGE 3: PREPARE

FINANCING STEPS & STRATEGIES

FINANCING ALTERNATIVES

“He knows how to structure angel and VC rounds; he walked us through RTOs as an alternative; he helped with negotiating SRED loans and venture debt; he even helped with a SaaS royalty financing we did. We learned a lot.”

FINANCING PACKAGE

“We thought we had a good financing pitch and package. We didn’t. David worked with us to revamp our materials, providing really helpful templates. When we were done I jokingly asked him if he wanted to do the pitch because he understood it so well. He laughed, then declined. We were way better prepared when we went out.”

INVESTOR READY

“David provided a helpful tool he developed to make sure we were ready before we went out for financing, and then he tested us on it. We were way more ready to respond to investor DD when we went looking for investment.”

NEGOTIATING TERMS

“He knows how to negotiate, speaks with authority and knows what market terms are. Small things can impact future valuation. I’m certain we got better terms because of him.”

Guides are provided to explain the financing landscape, what VCs want and how their terms work, and explain financing alternatives such as IPOs and RTOs

STAGE 3: PREPARE

KEY FINANCING DOCUMENTS

Executive Summary

Different versions for different target investor audiences

Cap Table

Built in a form investors understand – parsing how the company is held, its corporate history and valuation ramp

Slide Deck

Financing specific and targeted to the investor class in question – one size does not fit all

Term Sheet

Financing terms and conditions – guide investors on what terms you are looking for and why

Story Board

Ask and answer the key investor questions that will come up – be well prepared for investor due diligence

Due Diligence

Deploy a sophisticated DD process to address financing DD and serve as foundation for a future IPO or M&A event – build from day one

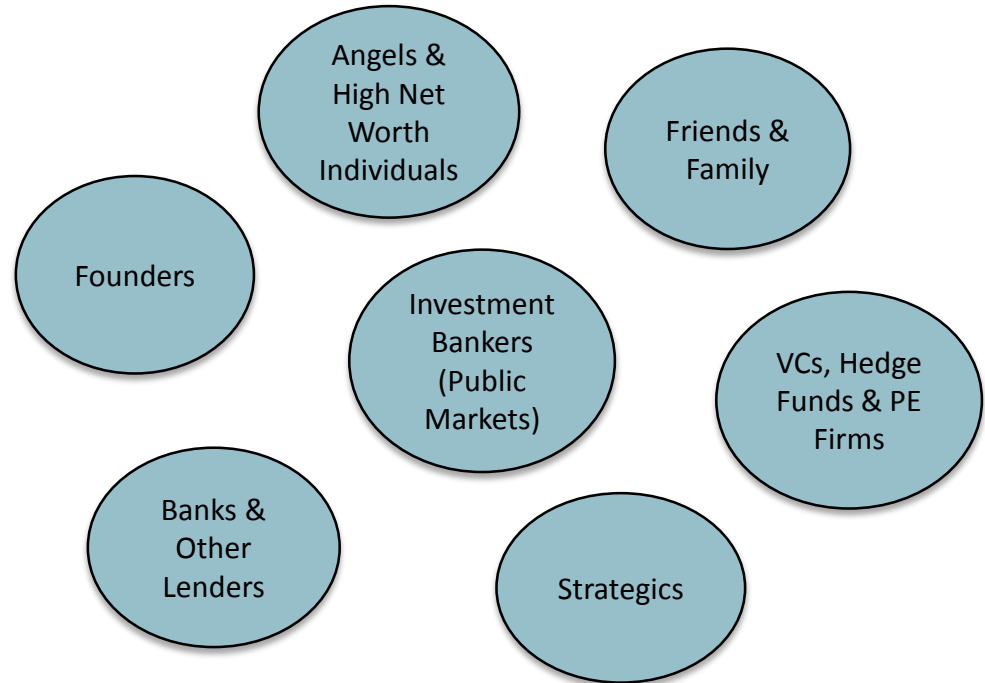
Tools, templates and guides provided to enhance the company's chances of securing funding - It is not enough to have a good story if you don't get it across to investors

STAGE 4: MARKET

Who plays in the early stage financing space?

There are multiple classes of investors, each with their own investment criteria and drivers

Knowing who to approach, when and with what pitch is critical to securing financing



STAGE 4: MARKET

- Identify and profile the different classes of potential investors, their investment criteria and their value drivers
- Identify the right targets for the company's stage of development, the financing ask and milestones to be achieved, and the desired valuation
- Tailor the financing collaterals to the targets in question – one size does *not* fit all
- Develop and implement an intelligent plan to approach the prospects

“Target and qualify investors. Understand who you are going after and why. Make it easy for them to say “yes” instead of no.”

STAGE 5: CLOSE

The final, most important stage, is closing the financing:

- Understand and negotiate on terms – minimizing dilution, loss of control, risk
- Negotiate the Term Sheet or Letter of Intent
- Understand, negotiate and manage the formal papering process
- Actively manage the transaction to minimize the risk of deal failure

*“David came on as our founding Chairman and worked with us on all aspects of building our company. Our financing strategy led us to an RTO and **David negotiated and led this transaction from start to finish.** We didn’t know what we didn’t know when we started down this path but he sure did. Not sure how we would have closed without him.”*

~Chris Taylor, CPA, CA, ex-CFO of Emerald Health Therapeutics



BACKGROUND

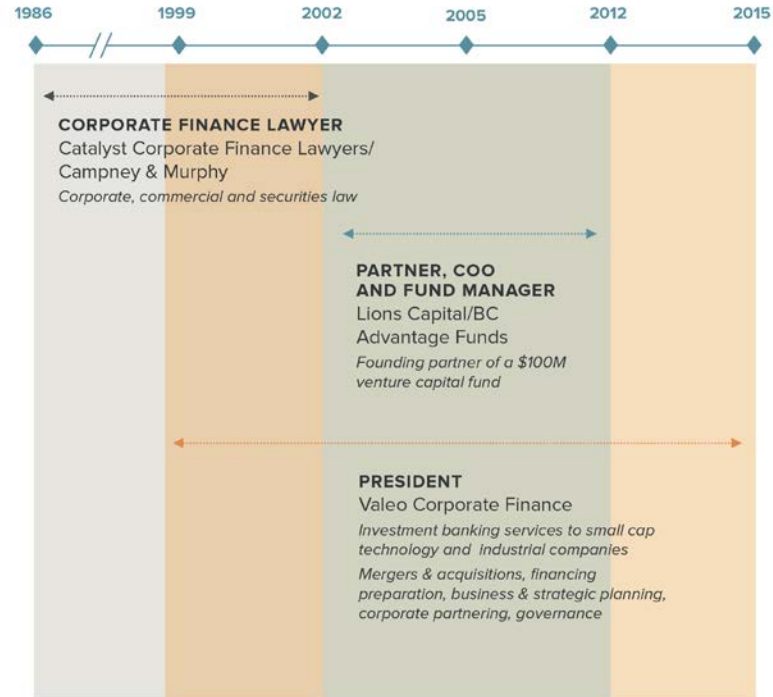
PROFESSIONAL BACKGROUND

M&A for Small Cap Technology and Industrial Companies

Advising companies through the high growth stage

Leading their liquidity event when they are ready to sell or IPO

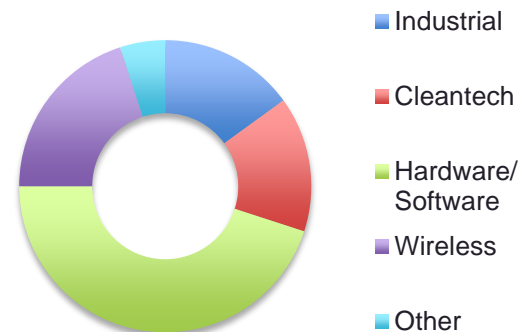
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CORPORATE FINANCE



BUSINESS BACKGROUND

- Co-Founder, Partner and COO, Lions Capital/BC Advantage Funds (investment bank and \$100M early stage venture capital fund)
- Past Executive Chair, ActiveState Corp - acquired by Sophos PLC (UK)
- Co-Founder and Past Executive Chair, Emerald Health (TSXV:EMH)
- Co-founder and Past VP Corp Fin, Amorfix Life Sciences (TSX:AMF)
- Co-Founder, Past President and CEO, Brightwave Technologies - now Sophiris Bio (NASDAQ:SPHS)
- Past Board/Advisory Board member of more than 30 companies:
 - Parasun Technologies – acquired by Uniserve
 - Layer 7 Technologies – acquired by CA Technologies
 - Wolf Medical Systems - acquired by Telus
 - In Motion Technologies – acquired by Sierra Wireless
 - Scorpion Software – acquired by Kaseya
 - 3 Tier Logic – acquired by KCO Capital
 - Contigo, Redlen, Mobidia, Rewardstream, Mazza Innovation, AlgaeCan, Plurilock, Zorroa, Prollster
 - Past (legal) Advisor to Avigilon (TSX:AVO), Flickr (acquired by Yahoo), Verrus Pay-By-Phone (acquired by Paypoint)

BOARD POSITIONS BY SECTOR



GROWTH STAGE EXPERIENCE

HANDS ON HELP

- Having worked with many high growth companies, I've learned what needs to be done to optimize their businesses for financing
- If there are steps which should be taken to improve the company's prospects for financing, I will help identify them and work with the principals to implement
- I will commit to work with the company on an ongoing basis (post-financing) to make it a success

“There are no short cuts to securing financing – it is not about having the best deck or knowing the right person.

You must do the hard work to build the company for growth and success, solidify the story you are going to tell, and only then approach investors and do so with a clear message and ask.

And you must show them the value you will deliver from their investment.”

“I wish I had met you earlier”

~ Wayne Guilderson, Founder & CEO, Sqwrl Collective

VALUE PROPOSITION

- I am:
 - A hands on, senior resource to help you drive your financing – an experienced wing-man
 - Much more help than a typical Advisory Board or Board member (much deeper engagement)
- I will:
 - Improve your ability to secure financing
 - Help you get a better valuation
 - Negotiate better financing terms
- This will increase value and help you retain more of your equity

What does it mean?

Every percentage point increase in your exit value, and every percentage point of equity you retain by minimizing your dilution, equals:

- *\$200,000 on a \$20M exit, and*
- *\$1,000,000 on a \$100M exit*

***Build a better company, faster,
with less dilution***

SUCCESSFUL FINANCINGS



These companies all completed one or more rounds of financing during my involvement, including venture rounds and public offerings. I was not engaged to provide finder or brokerage services but instead I served as part of the team working on the business and financing strategy. Although I was not engaged to find investors, in many cases I made introductions to investors who participated in these rounds.

TESTIMONIALS

*“David stepped in as a founding Board member and worked actively to help grow our company. He worked with management to build and write our business plan, develop our financial model, structure our equity, build our team, **prepare our financing strategy and collaterals**, and help set our future business strategy. Any company looking to accelerate growth and raise financing will really benefit from David’s expertise. **His experience was invaluable and he helped us raise several rounds.**”*

~Leonard Zapalowski, ex-CEO, Mazza Innovation

*“I have twice asked David to join me to help build a tech company that I was Chairman of. He jumped in, rolled up his sleeves and **helped build both companies, secure financing** and then when we were ready, he led the sale of both companies and achieved excellent results. So when I decided to come out of retirement to take on a new opportunity to build yet another tech company, this time as Chair and CEO, I called him again.”*

~Barry Carlson, CEO & Chairman, Plurilock Security Solutions

FEES

For growth, financing and governance advisory services:

- Cash consulting fees:
 - by the hour, or
 - fixed priced for defined projects, or
 - monthly retainers for long-term engagements, or
- For project or long-term engagements, I will consider taking a portion of the fees in equity

For M&A engagements:

- Monthly work fee for a fixed and capped period
- Success fee as a percentage of the sale price

*“I work with clients to build a fee structure that motivates **performance** and **aligns interests**”*

FINAL NOTE

*“Taking a hard look at the business, identifying what needs to be done, and then building a sound business strategy to do it improves the fundability of the company. Adding a **well thought out, targeted financing strategy** will go a long way to securing funding.*

This has to be done right – you only get one chance to make a good first impression on a potential investor.”

Helping companies with their growth, financing and governance strategies and then leading their exit - relevant experience, proven results.

CONTACT

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