

Startup Investment Guide

10 steps to assess if a venture
is suitable for investment

board of
innovation



#SALMANQADIR

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is suitable for investment**

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We make corporations innovate like startups, mixing proven methods from Design Thinking and Lean Startup.

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with whom we are
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Roche

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EUROPEAN
COMMISSION

proximus

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ENGIE

DISRUPTING

Let's start



10-step guide to evaluate a startup

PREPARATORY WORK, LIGHT EFFORT



HANDS-ON, INTENSIVE



This playbook provides a structured approach to evaluating a venture for potential investment.

We have outlined **10 key steps to follow** in order to validate a venture's potential and justify an offer for investment.

Based on the venture's maturity at evaluation, proven by existing evidence, you can adjust the effort level involved at each of these steps. In addition to this, there is a **final checklist** to bring focus to the eventual investment decision.

Why?

If you're reading this guide, it means that your company is probably **interested in investing in one or more startups.**

Prior to making an investment decision, we have to make sure that the opportunity makes sense both **strategically** (with a validated offering along with a compelling and competitive go-to-market path) as well as **financially**. We therefore need to proceed step by step to evaluate the investment opportunity based on validated evidence.



**so this guide has almost 100 pages
...what if you only have 10 minutes?
We got you covered!**

1 pager checklist

Strategic fit

- Does the startup fit our investment strategy?
Are we smart capital?
- How high of a risk would this be?

Startup

- Is the team unique capable to validate/
execute the startup?
- Is there a continuous learning mindset?
- Is the offering a painkiller or a vitamin?
(Problem-Solution Fit) Both are fine, but find
out whether the problem is worth solving!
- Is the company undeniably differentiated?
- Is the market opportunity compelling
enough?
- Do they have a specific niche to focus on?
- How much is customer traction growing?
- Is the business model scalable?

**But, if you have enough time,
let's go a bit more into details...**

Step 1

Kickoff considerations

SOME SUGGESTIONS BEFORE WE START

The Investment before the Investment

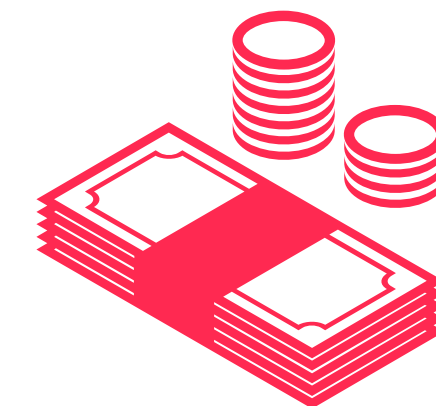
At the kickoff conversation, make it known that before making a decision, you will run a rapid evaluation track that will in reality benefit both parties. For your organization this means peace of mind and for the venture it is a valuable validation exercise that builds the relationship!

By following these steps, you'll show the venture's what smart capital means to you! Make them understand that you're putting the 'smart' on the table before putting the 'capital' on the table. Keep in mind that before you have a formal investment/ actual financial investment, you will be doing a serious investment in time, energy and knowledge by following this guide, **before investing with money.**

First investment



Second 'real' investment



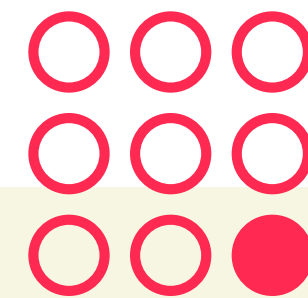
Some considerations



Not an intimidation doc

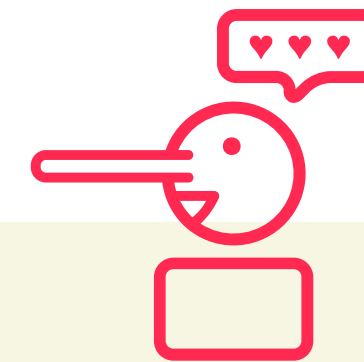
Use this document internally only. This will overload and intimidate any startup.

Print the checklists before conversations to use, but don't share the whole document.



Select wisely

The checklists are non-exhaustive but still very elaborate, and might be a huge burden for the startups. Only ask for the info that is mission critical to you, and the phase of the startup. Ask what you need only.



Attitude over info

If a startup cannot answer questions, check their attitude. It's all about how they handle questions they don't know the answer to: will they invent something to make you happy, or be upfront about it?

Step 2

Objectives and Strategy

GOALS, OUTCOMES AND SELF ASSESSMENT

What's the goal behind your interest in investing in a venture?

Carefully consider your objectives to engage with new ventures.

Remember, there is a substantial initial investment of time, energy and knowledge way before money is involved, so before diving into the investment evaluation, you need to clearly define the organisational goals and expected outcomes of this process.

This will be the foundation to return to when deciding on the right approach to pursue, that will best deliver on these objectives.

If you don't know where to start, let's take a look at some of the main drivers of corporate-startup collaboration

For some organizations, the goal is to overcome their key weaknesses...

Weaknesses of large organizations

Slowness

Lack of Creativity

Standardisation of processes

Limited motivation

Slow-paced growth

Risk aversion

Operate in mature markets

**... by leveraging
the strengths of
new ventures**

Weaknesses of large organizations

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Standardisation of processes

Limited motivation

Slow-paced growth

Risk aversion

Operate in mature markets

Strengths of startups

Organisational agility

Creativity & new ideas

Challenge the status quo

Versatile environment

Highly motivated teams

Potentially rapid growth

Willingness to take risks

Strengths of large organizations

- Access to market
- Market Knowledge
- Workforce
- Economics of scale
- Resources and Power
- Capital
- Viability

Weaknesses of startups

- Difficulties in accessing new markets
- New to market
- Limited workforce
- Lack of resources and partners
- Need of extra resources to scale
- Lack of money
- Lack of visibility

Weaknesses of large organizations

- Slowness
- Lack of Creativity
- Standardisation of processes

At the same time, the startups will be able to leverage the strengths of your organization

- Limited motivation
- Slow-paced growth
- Risk averse
- Operate in mature markets

- Strengths of startups
- Organizational agility
- Creativity & new ideas
- Challenge the status quo
- Versatile environment
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- Operate in mature markets

**dynamic
exchange of
technology,
talents &
clients**

Weaknesses of startups

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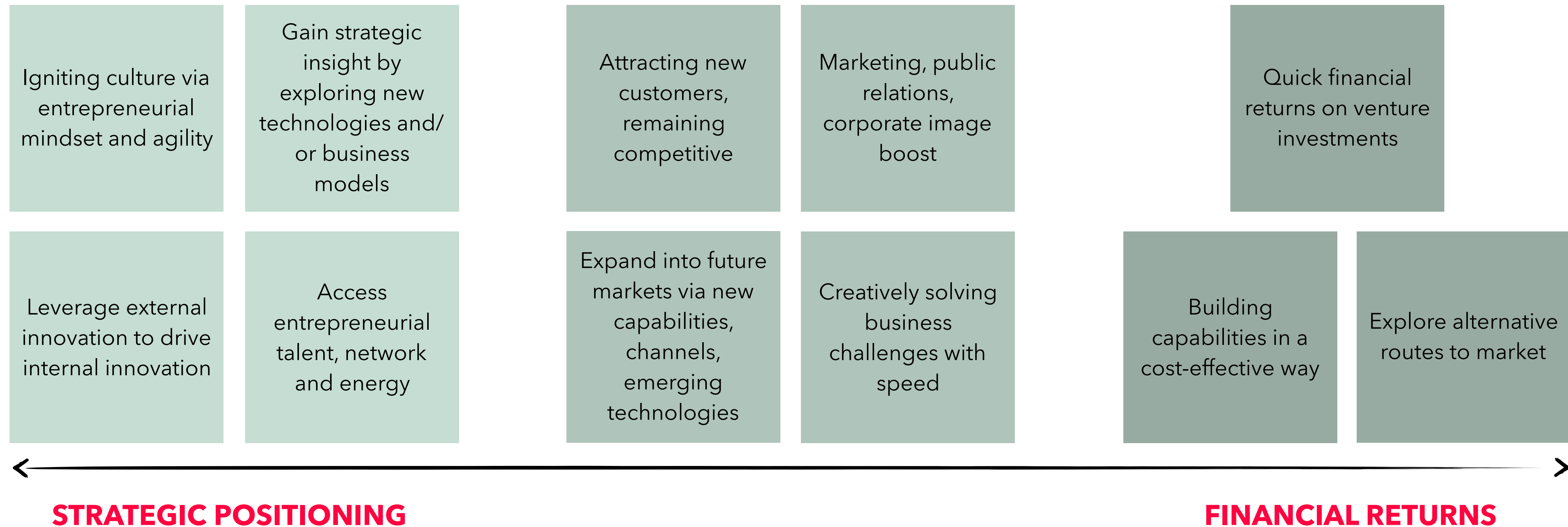
Goals and outcomes of a potential collaboration

Defining your intent will support further decision making in this process and avoid wasting time or resources on potential collaborations that don't contribute to achieving these objectives.



Goals and outcomes of a potential collaboration

Circle 4 statements that most apply to you. Are you investing for strategic purposes, or more for financial gains, or a healthy mix of both?



Goals and outcomes of a potential collaboration

Circle 4 statements that most apply to you. Are you investing for strategic purposes, or more for financial gains, or a healthy mix of both?

Corporate VC tend to have strategic objectives.

They often proceed with startup collaboration in order to impact the sales and profits of the corporation's own businesses. An organisation making a strategic investment seeks to identify and leverage the synergies between itself and a new venture.

In the short-term, they invest in partners that drive closer alignment and tighter relationships to the company; while in the long-term, invest more strategically.

Traditional VC tend to prioritize financial returns.

VC groups function on seeking out above average financial returns by engaging with startups.

It is crucial to identify and define your venturing strategy up front, so that you can manage the expectations of your team and the startups and measure progress and scope creep.

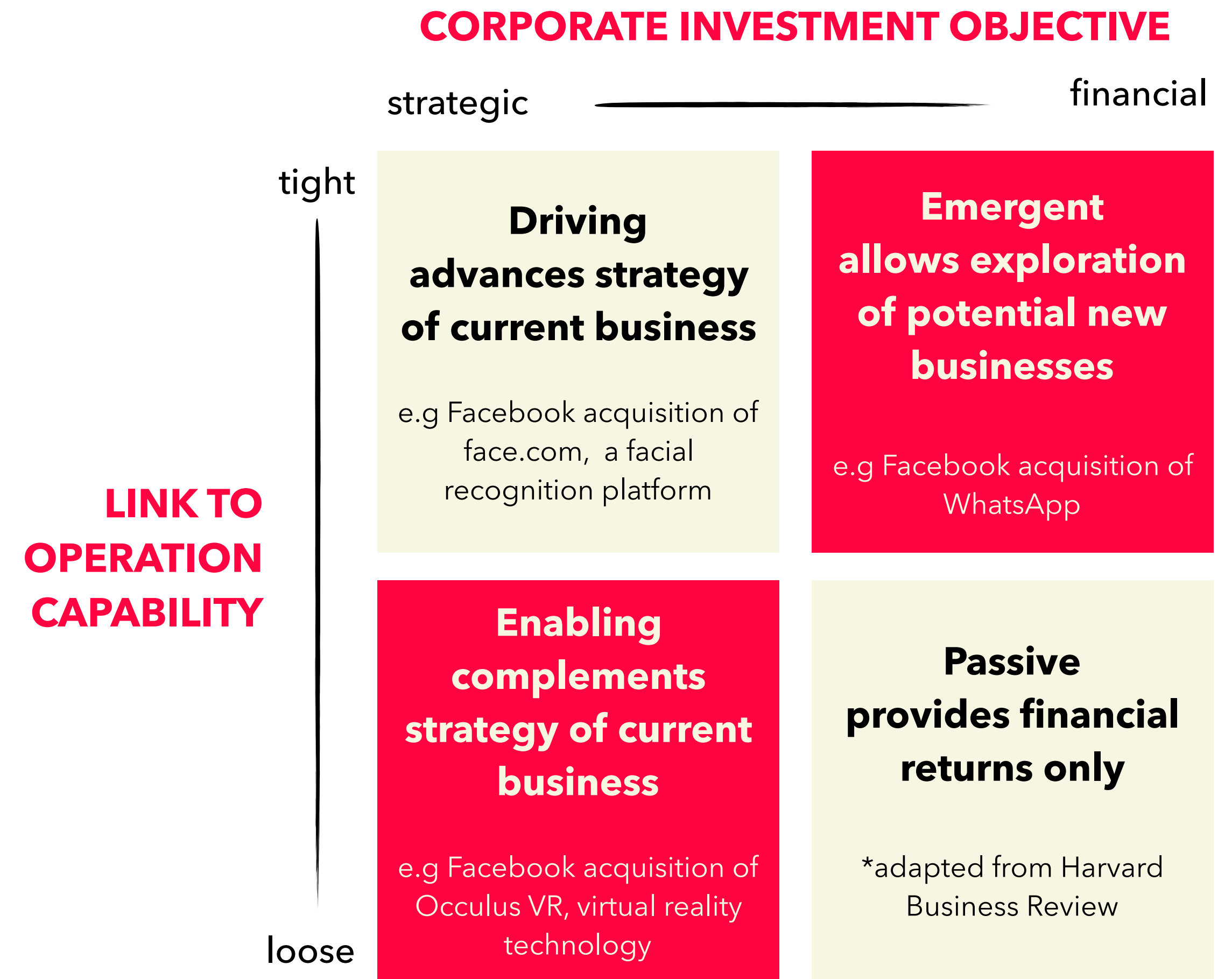
←
STRATEGIC POSITIONING

FINANCIAL RETURNS →

Goals and outcomes of a potential collaboration

Next step: determine how closely these startups relate to your operational capabilities. Do you want to invest in ventures that are closely linked to your core and would advance your current business (**DRIVING**)? Or is a simple complementary fit enough for you to leverage at this point (**ENABLING**)?

Alternatively, if investing for financial reasons, do you only care about returns (**PASSIVE**), or you want to explore potential new businesses (**EMERGENT**)?



Step 3

The Pitch

EVALUATION OF THE FOUNDERS PITCH



Why a pitch?

THE PITCH IS A CRUCIAL MOMENT TO KICK-OFF THE FORMAL RELATIONSHIP INTO EVALUATING A VENTURE'S POTENTIAL FOR INVESTMENT

It may be tempting to simply have an informal discussion with the founder, however, it is crucial to rather **clearly define a date and time for the pitch** and **keep it formal**.

In this way, you signal to the team that they have to come prepared, which will **set the tone for your collaboration**, should you later decide to proceed with the Rapid Investment Evaluation track.

Communicate to the team what you expect to be covered in the pitch, but give them the freedom to bring their own style.



Use this moment to determine if the pitch was memorable or engaging and if the team managed to convey the value of their offering.

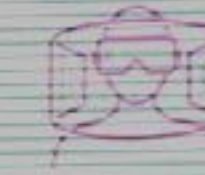
One of our clients created a formal ceremony where startup teams were called to pitch in front of an audience of employees.

The pitch: keep it formal

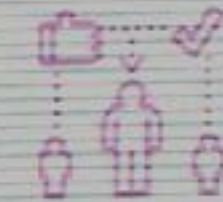
CALL TO ACTION



Explore Partnerships



Develop a prototype



Validate patient interest in the different use cases

De-
Bu
Mo
Ho

+
1 Day per week for team members &
60 K EUR Funding

CREA
TIVITY

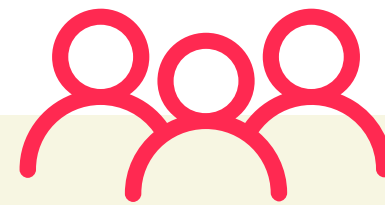
Pitch expectations

Clearly communicate to the venture and other key stakeholders, the expectations for the initial pitch.



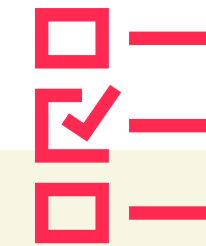
How long?

most funding pitches, are about 15 - 30 minutes and shouldn't really be longer than this



Who attends?

the founding team and key innovation drivers



Before the pitch?

inform all key attendees of the expectations and the pitching evaluation points

Pitch Evaluation Checklist

In your pitch briefing, communicate clearly what you expect to see in their pitch.

Do encourage them to be creative with it too, but these basics should definitely be covered.

While they are pitching, observe their body language, and ask a lot of 'why' questions.



You may be tempted to, but try not to give advice yet, mostly ask clarifying questions. For now, simply focus on building the relationship.

#1 Problem to Solve

- Define the situation
- General market info
- Trends: Problems and/or Opportunities to start from.
- What's the relevance of your problem?

#2 Your solution/offering

- Define your idea/concept in one slide
- Describe everything in 3 sentences max.
- Pitch like a sales person
- What's your solution to the problem? Why is it unique?
- Visual mock-up of your concept

#3 Value of solving the Problem

- How are you going to make (big) money?
- How many customers do you want to approach, what's your market size?
- What's your market potential? How fast are you going to move?
- Key financial figures

#4 Credibility

- What are the assumptions you validated? What was the outcome?
- Have you approached already different stakeholders? What did you learn?
- Why will it work?
- Why should they believe you?

#5 Call to Action/Next Steps

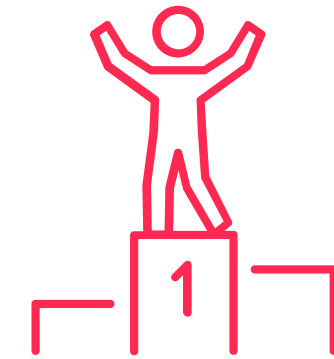
- What's the roadmap you want to follow?
- What are the main assumptions you want to test with a Minimum Viable Product?
- How will the MVP look like? What do you want to build?
- Investment needed? (costs, people, resources, ...)
- First 6 month & long term vision

Some no-no's that put us on high alert 🚨



'We can't share anything without an NDA.'

Don't sign an NDA before getting into the more sensitive investment discussions. Only sign an NDA if very detailed IP-sensitive info is shared. Don't sign an NDA if you're planning to see multiple competing startups. VC's don't sign NDA's either.



'We have 1st mover advantage'

This usually sounds great to investors, but is sometimes actually a disadvantage! Then you're either too early, or your problem doesn't have a market. You're going to have to work hard to educate the market and lay the groundwork for your following competitors.

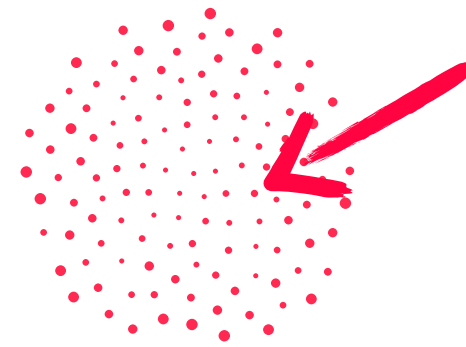
It is okay to be the 2nd, 3rd, 4th or 5th. Just make sure there's **no dominant** player yet.

Some no-no's that put us on high alert 🚨



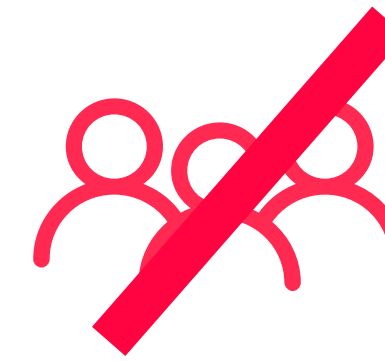
'We will also have this and that feature'

If they don't dare to strip down their solution to the bare essentials, there's probably not enough on offer. Hiding behind a feature-mania and impossible promises is easy.



'We just want 1% of this huge market'

Big red flag. You should aim to own 100% of a niche of the market, you need to find a focus. Especially in the early days, you need a clear target to aim for, instead of pursuing any direction that 'could work'.



'We have 0 real customers. We're worth 3 million.'

Throw water in their face at this point, they need a wake up call. Find out why they think that. Ask if they pitched for anyone else, call their references and ask what they think about that valuation.



Do you need a tailored approach?

[learn about external
startup acceleration](#)

or

[send us a message](#)

Step 4

Information Exchange

THE PITCH DOCUMENT IS NOT ENOUGH

Why information exchange?

You now have seen the pitch, you've identified your venturing goals and you've decided to engage in the rapid investment evaluation process with a particular startup.

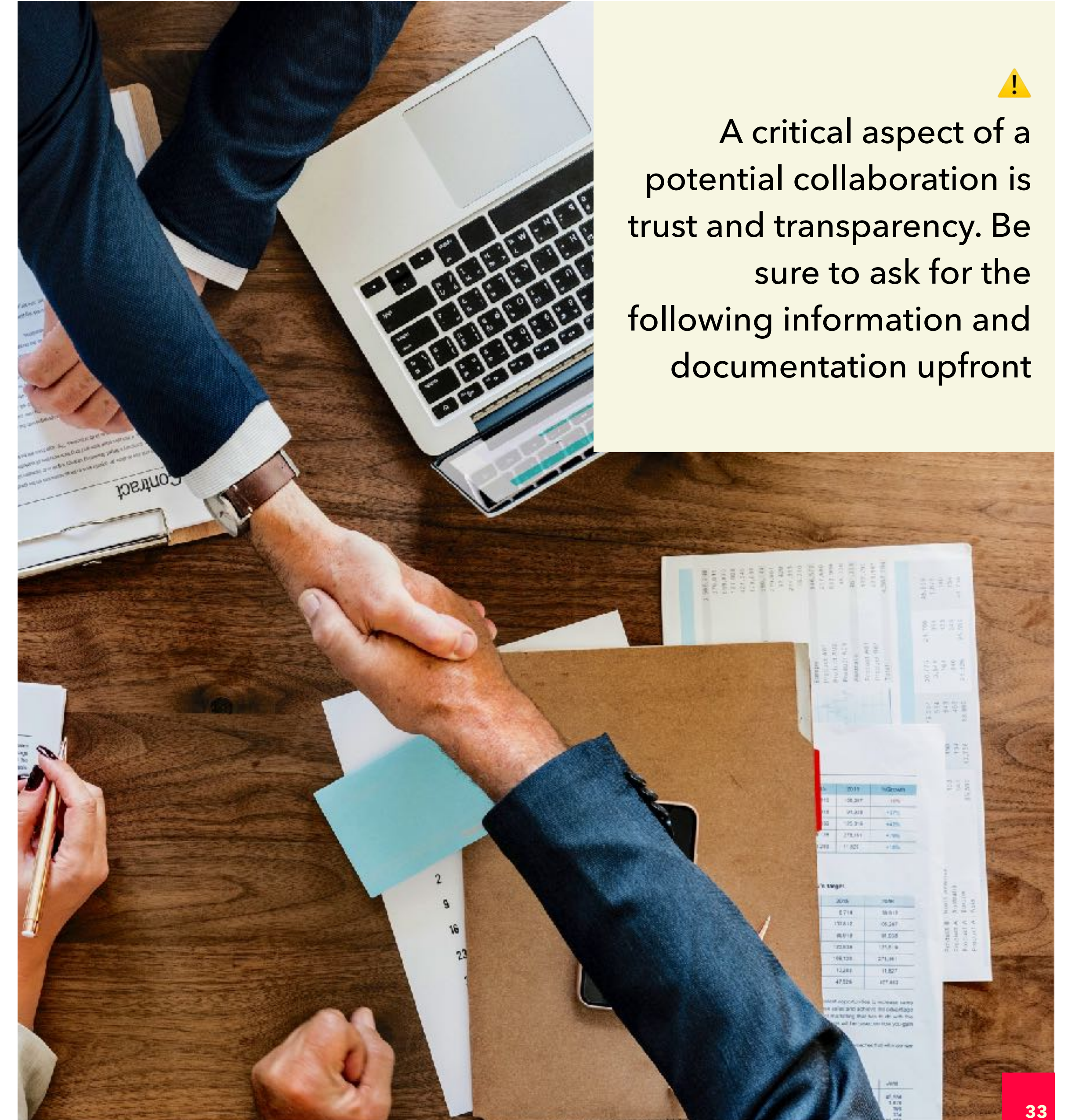
What's next? The information exchange!



In order to start the collaboration off on the right foundation, be sure to **ask for enough information you'd need ahead of time** - as acquiring this information could often take some time.

Information exchange

- ❑ Pitch document
- ❑ Business Model
- ❑ Team CVs and Organizational chart
- ❑ Proof of traction (customer information, sales references, letters of intent etc.)
- ❑ Current investment and capital structure
- ❑ Financial information (e.g. burn rate €/month)
- ❑ Description of all products and services
- ❑ Supplier or significant partnerships information
- ❑ Legal information



⚠
A critical aspect of a potential collaboration is trust and transparency. Be sure to ask for the following information and documentation upfront

Step 5

Venture Maturity Evaluation

ARE WE BUYING A SEED OR A SEQUOIA?

Why to assess the maturity of the venture?

VENTURES AT DIFFERENT MATURITY LEVELS WOULD REQUIRE A DIFFERENT VALIDATION TRACK.

Before spending substantial time and energy in the validation phase of this process, you need to define how much effort will be needed for the Rapid Investment Evaluation by assessing how mature the startup is, which in turn affects how much resources you will have to invest in the venture validation phase.

Ventures at different maturity levels would require a different validation track. **Startups** are naturally risky, and would consequently need more time spent on validation of various aspects in comparison to **Scaleups** for instance, that have found a market-fit and are seeking to grow.

"A startup is a human institution designed to create a new product or service under conditions of extreme uncertainty."

Eric Ries

Startup maturity level

	Conceptual: Early stage pre-startup	Launch: Early stage/ Startup Infancy	Startup: Increased credibility	Venture growth: sustainability & scalability	Mature venture/SME/ Later stage
Maturity	Concept/idea	Idea launched	Operational efficiency, potential to scale	Significant traction, scalability, operational efficiency	Established market position, scalable growth
Problem/ solution fit	in progress	being optimized	validated	validated	validated
Market fit	Not yet	in progress	x	x	x
Business Model	conceptual	in progress	x (validated and repeatable)	x (validated and scalable)	x (optimization)
Team	< 5	2+	Optimized team	Growing team	Growing team
Return		Typical time: 5+ years Typical size: 10x		Typical time: 3+ years Typical size: 2-3x	
Investment size	•	••	•••	••••	•••••
Investment risk	•••••	••••	•••	•••	••
Customers	<20 customers Customer segment unclear	20+ customers Focused target customer segment	50+ customers Fast growth	100+ customers with info on retention rates	250+ customers

Conceptual: Early stage pre-startup



Conceptual: Early stage pre-startup



Funding

- > Bootstrapping
- > Lean operational costs
- > Angel
- > Pre-seed
- > Crowd sourcing

Validation Needs

- > Problem Fit
- > Solution Fit
- > Business model validation

USE CAPITAL FOR

- > market research
- > MVP development

Maturity

Concept/idea

Problem/ solution fit

in progress

Market fit

Business Model

Team

< 5

Return

Investment size

•

Investment risk

•••••

Customers

<20 customers
Customer segment unclear

A small green seedling with three leaves is growing out of a vast, flat, sandy desert landscape. The seedling is positioned on the left side of the frame, and its shadow is cast long and dark to the right, indicating a low sun position. The sand is a uniform light brown color, and the overall scene is brightly lit, suggesting a clear, sunny day. The text "Launch: Early stage/Startup Infancy" is overlaid in white, bold, sans-serif font across the middle of the image, centered horizontally and partially overlapping the seedling and its shadow.

Launch: Early stage/Startup Infancy

Launch: Early stage/Startup Infancy



Funding

- › Bootstrapping
- › Leans for operational costs
- › Angel
- › Peer-to-Peer lending
- › Seed
- › Equity crowdfunding

Validation Needs

- › Problem Fit
- › Solution Fit
- › Business model validation

USE CAPITAL FOR

- › Constructing a working prototype
- › Additional validation and legalities

Maturity

Idea launched

Problem/ solution fit

being optimised

Market fit

in progress

Business Model

in progress

Team

2+

Return

Typical time: 5+ years
Typical size: 10x

Investment size

••

Investment risk

••••

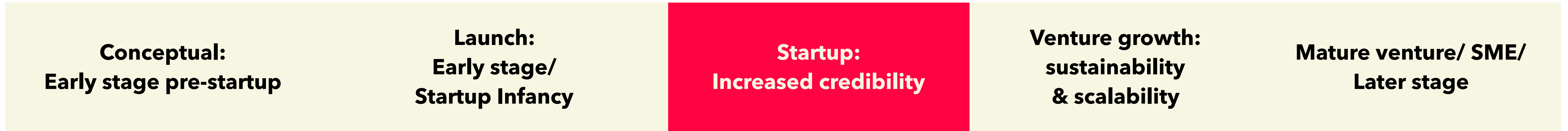
Customers

20+ customers
Focused target customer segment



Startup: Increased credibility

Startup: Increased credibility



- Funding**
- > Series A/B funding
 - > Bank loans/ credit
 - > Strategic alliances

- Validation Needs**
- > Solution Fit
 - > Business model improvements
 - > Diversifying offers

- USE CAPITAL FOR**
- > Scaling and improving operations
 - > Cash flow

Maturity	Operational efficiency, potential to scale
Problem/ solution fit	validated
Market fit	x
Business Model	x (validated and repeatable)
Team	Optimized team
Return	
Investment size	●●●
Investment risk	●●●
Customers	50+ customers Fast growth

A tall palm tree with a textured trunk and a full, green canopy, set against a clear, bright blue sky. The tree is centered vertically and horizontally in the frame.

Venture growth: sustainability & scalability

Venture growth: sustainability & scalability



Funding

- > Series B/C
- > Venture Capital
- > Loans
- > CVC
- > Strategic alliances

Validation Needs

- > Validate additional offerings
- > Validate pricing structures within the business model

Maturity

Significant traction, scalability, operational efficiency

Problem/ solution fit

validated

Market fit

x

Business Model

x (validated and scalable)

Team

Growing team

Return

Typical time: 3+ years
Typical size: 2-3x

Investment size

••••

Investment risk

•••

Customers

100+ customers
with info on retention rates



Mature venture/SME/Later stage

Mature venture/SME/Later stage

Conceptual: Early stage pre-startup	Launch: Early stage/ Startup Infancy	Startup: Increased credibility	Venture growth: sustainability & scalability	Mature venture/SME/ Later stage
	Funding <ul style="list-style-type: none"> > Series C and further rounds > Loans > Venture Capital > CVC 	Validation Needs <ul style="list-style-type: none"> > Validate additional offerings > Validate alternative pricing structures within the business model 		
				Maturity Established market position, scalable growth
				Problem/solution fit validated
				Market fit x
				Business Model x (optimization)
				Team Growing team
				Return
				Investment size ●●●●
				Investment risk ●●
				Customers 250+ customers

Step 6

Impact vs. Activity Metrics

MAKE SURE THE RIGHT METRICS ARE IN PLACE

A venture's first focus should be *learning*. Only after a while should it be *earning*.

If you start focusing on **earning**, you start by building things right. If you focus on **learning**, you start by wondering what is the right thing to build. That is the mindset we're looking for.

action

ACTIVITY METRICS

learning

earning



impact

IMPACT METRICS

**“The only way to win
is to learn faster than
anyone else.”**

Eric Ries

The right metrics at the right time

ACTIVITY METRICS

Early stage startups should only focus on activity metrics: measuring what the startup **does**. Soft metrics, focused on method.

Conceptual:
Early stage pre-startup

Launch:
Early stage/
Startup Infancy

Startup:
Increased credibility

Venture growth:
sustainability
& scalability

**Mature venture/SME/
Later stage**

The right metrics at the right time

ACTIVITY METRICS

Early stage startups should only focus on activity metrics: measuring what the startup **does**. Soft metrics, focused on method.

IMPACT METRICS

From mature startups, expects data about their actual **impact**. Look into how well the startup does its job: ask for the results, the tangible hard metrics.

Conceptual:
Early stage pre-startup

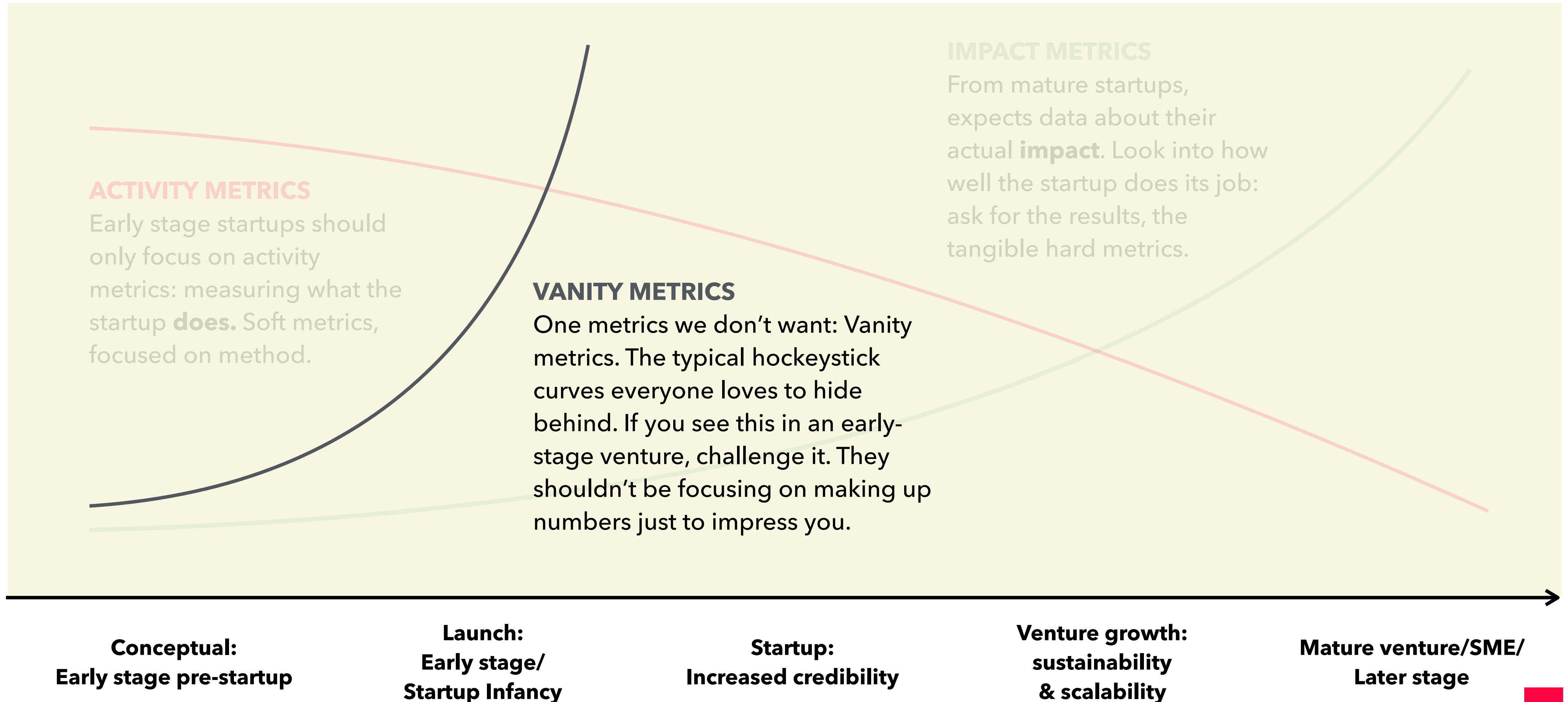
Launch:
Early stage/
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Venture growth:
sustainability
& scalability

**Mature venture/SME/
Later stage**

The right metrics at the right time



Metrics early stage/pre-startup

ACTIVITY METRICS

- > # of customer interviews & conversations
- > # of customer problems identified
- > 1 clear problem statement selected
- > # of jobs-to-be-done identified
- > # of how might we statements identified
- > # of experiments
- > # of low-fidelity prototypes developed
- > # of insights gathered
- > % of time spent on non-value adding activities (logo, branding, solution design, features,)
- > # of ideas generated, # of ideas killed, % of ideas selected

IMPACT METRICS

- > # of leap-of-faith assumptions identified
- > # of experiments designed
- > # of experiments run
- > Experiment results in itself
- > Cohort analysis
- > Cost-per-learning
- > Time-cost-per-learning
- > Learning velocity

Focus on problem exploration, not solution fit

**Conceptual:
Early stage pre-startup**

**Launch:
Early stage/
Startup Infancy**

**Startup:
Increased credibility**

**Venture growth:
sustainability
& scalability**

**Mature venture/SME/
Later stage**

Metrics early stage/startup infancy

ACTIVITY METRICS

- > # of concepts in validation pipeline
- > # of concepts moving stages
- > Average amount spent per stage
- > Average time spent per stage
- > # of low fidelity MVPs made
- > Burn rate
- > Clear summarisation of Value Proposition
- > Validation of blocks on right side of the business model canvas

IMPACT METRICS

- > # of leap-of-faith assumptions identified
- > # of experiments designed
- > # of experiments run
- > Experiment results in itself
- > Pirate metrics (AARRR)
- > Cohort analysis
- > Cost-per-learning
- > Time-per-learning
- > Learning velocity
- > Validation velocity
- > Assumption-to-knowledge ratio
- > Revenue per customer
- > Customer Lifetime Value
- > Customer Acquisition Cost
- > Conversion Rate

Focus on solution fit

**Conceptual:
Early stage pre-startup**

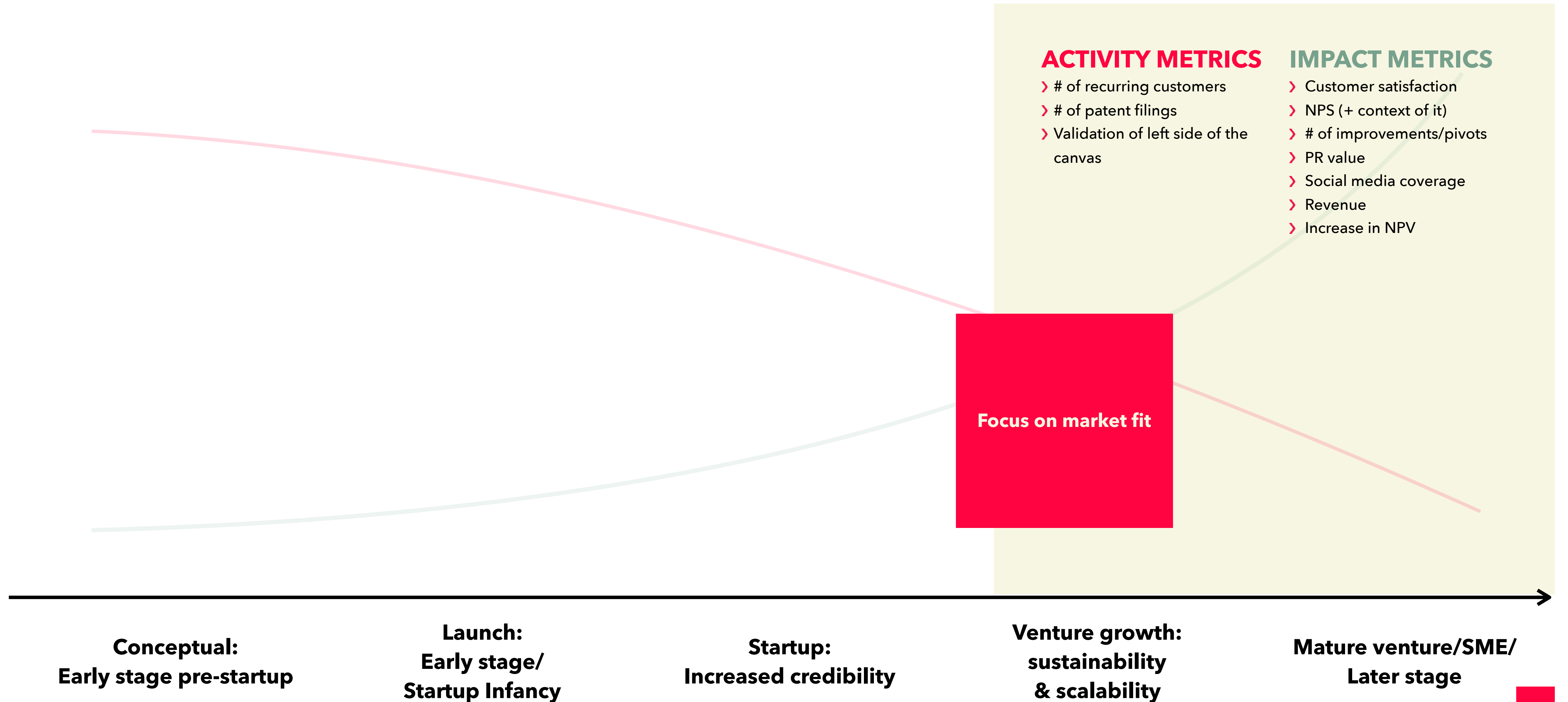
**Launch:
Early stage/
Startup Infancy**

**Startup:
Increased credibility**

**Venture growth:
sustainability
& scalability**

**Mature venture/SME/
Later stage**

Metrics startup: increase credibility and up



Step 7

Venture Validation

HAVE THE ASSUMPTIONS BEEN VALIDATED?

A red Volkswagen Beetle toy car is shown from a high-angle, three-quarter perspective. The car is positioned on the left side of the frame, casting a soft shadow to its left. The background is a plain, light grey surface. Overlaid on the right side of the image is white text and a red button.

Note: this is just a quick overview of validation

download a full Validation Guide

Why validation?

5 ASPECTS OF THE VENTURE NEED TO BE VALIDATED AHEAD OF MAKING A DECISION WHETHER OR NOT TO INVEST

The amount of time that you'll spend in this phase depends on the venture maturity.

Typically, for an early stage startup, you would spend a substantial amount of time and resources validating whether the **problem** selected is really worth solving.

Once this has been validated, your efforts can be focused on determining if the ventures intended **solution solves the problem in an effective and in a scalable way.**

The 5 investment criteria to validate the venture

Problem Validation

Problem size, timing and
opportunity

Solution Validation

Is the venture's offering
differentiation
strong enough?

Business Model Validation


Is the Business Model viable
and scalable?

Strategic Fit

Does the Venture comply with
the organisation's strategy?

Team

Team's mindset, composition,
and ability to execute



Problem Validation

Market Factors

- › Problem size & Desirability
- › Timing
- › Opportunity



If customers don't think this is a major problem, your solution won't be appealing.

“We must learn what customers really want, not what they say they want or what we think they should want.”

Eric Ries



Solution Validation

**Is differentiation
strong enough?**

Does the offering solve a problem for enough people?
Is the solution sufficiently differentiated?



The problem might exist, there is a market need, but does your product actually solve it in a meaningful way?

A woman in a brown coat and hat is blowing bubbles in a crowd. The bubbles are large and colorful, floating in the air. The background is a blurred crowd of people.

Business Model Validation

- > Viability
- > Scalability

Validating various aspects of the proposed business model in order to determine viability and potential for scale

“A startup is a temporary organization used to search for a repeatable and scalable business model.”

Steve Blank

Strategic Fit

- > Does your investment strategy link to your innovation strategy?
- > Where does this venture fit in?

Refer back to the investment strategy identified in phase 2: is this opportunity a fit?



Team

Does the company have the right people, with the relevant experience and talent and drive to make the venture successful?



Make sure the startup's team is diverse, composite. Teams with low internal diversity may overlook crucial elements, lack skills and assets.

4 core roles in startup teams

Think about the team of the venture you're investing in:
does it have these 4 mindsets covered?



"I Have Access To
Relevant
Networks"



"I Get Results By
Convincing
People"



"I Have The Power
To Inspire &
Motivate"



"I See Solutions
Not Problems"

"A startup is not just about the idea: it's about testing and then implementing the idea. A founding team without these skills is likely dead on arrival."

Steve Blank

Execution Capabilities

Other talent considerations:

- Character and Personality of the entrepreneur(s)
- Leadership capabilities
- Experience of the entrepreneur(s)
- Track record
- Technical qualification(s)
- Business qualification (s)
- Capable of sustained intense effort
- Market/industry knowledge
- Able to evaluate and react well to risk
- Articulate in discussing venture
- Reliable references
- Compatible personalities
- Go to Market capabilities

Entrepreneurs should signal their readiness and commitment to the intended venture from the very beginning of the process in the most credible way



“Sweat equity is the most valuable equity there is. Know your business and industry better than anyone else in the world. Love what you do or don't do it.”

Mark Cuban

Step 8

Venture Valuation

SOME TOOLS TO CALCULATE THE FINANCIAL VALUE OF A VENTURE

Venture Valuation

When it's time to have the Valuation conversation, things could get less than amicable. There is no 'single right way' to do this and we would definitely recommend bringing in an expert.

However, since these conversations sometimes occur quite spontaneously, we have put together a few pointers to help you keep the discussion in the relationship building realm vs. delving into financials too early.



4 common methods of Venture Valuation

While valuing mature companies is fairly straightforward using market capitalisation and sales multiples, valuing startups is often more ambiguous and involves not only money, but also energy spent. Popular valuation methods for startups include:

The Berkus Method

for projecting the potential of a company to reach over \$20 million in revenues by the fifth year of business

The Risk Factor Summation Method

consider important exogenous factors and should be used alongside other methods

The Scorecard Method

comparison with xangel-funded ventures & adjusts the average valuation of recently funded companies of similar maturity level in the region to establish a pre-money valuation.

The Cayanne Consulting Calculator

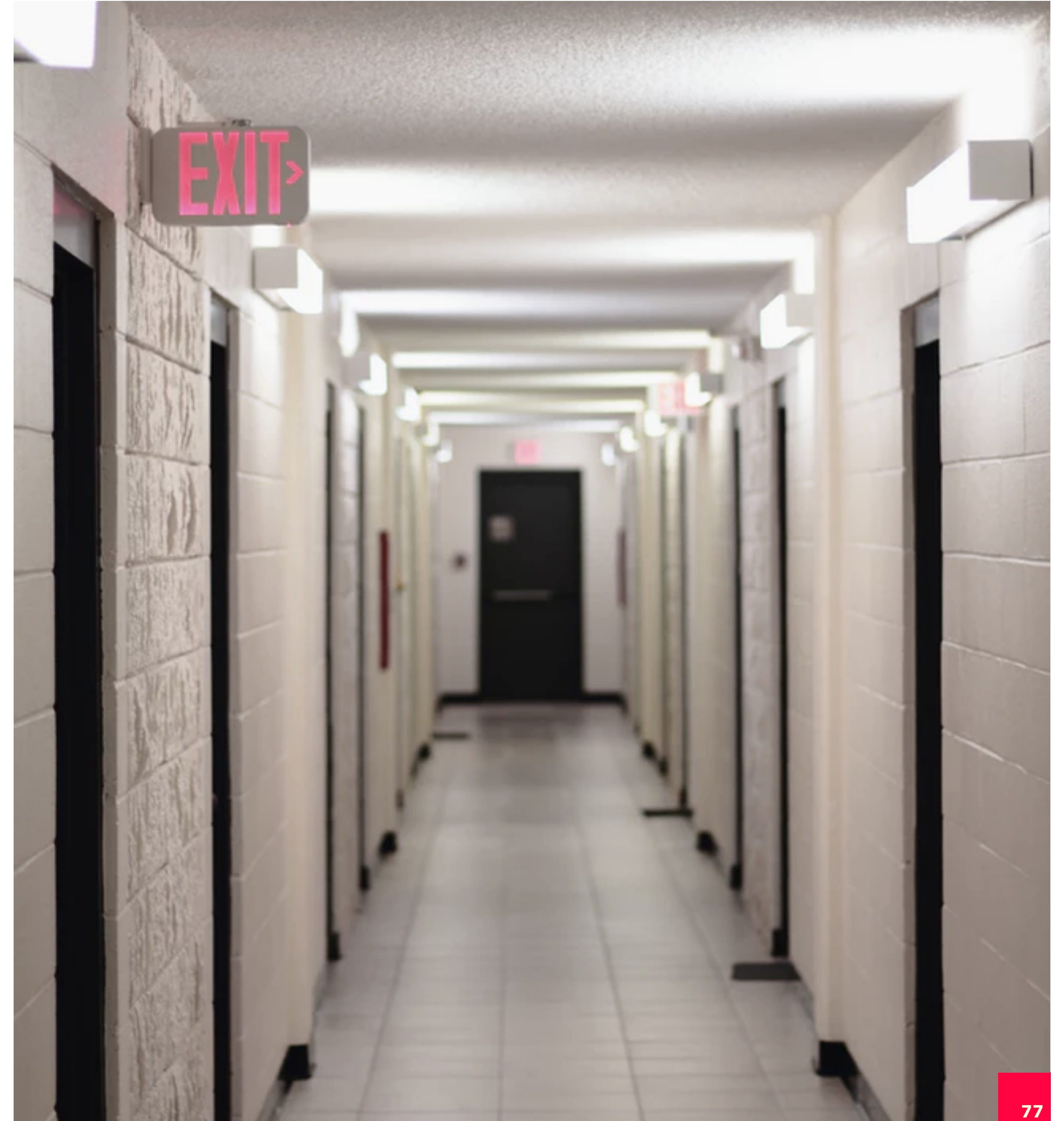
A model that provides a range after answering several questions. It is intended more for educational purposes than for performing serious valuations.

Exit strategy discussions

Match to your investment goals.

When assessing a financing partner, clarifying growth trajectory and exit potential, is key.

Depending on the Investment Strategy identified, you can explore various exit opportunities and outcomes from your investment, or focus on prioritising high financial returns.



Step 9

Investment Criteria

A FINAL CHECKLIST: IS EVERYTHING IN PLACE?

Investment criteria

After validating the 5 key aspects, use these investment criteria as a litmus test to make the decision whether or not the venture in question has the potential to be a fit within your organisational goals.

Use the checklist to gauge whether or not you have covered the crucial who, how and what questions.

5 criteria for investment

Market

- problem size
- desirability
- timing
- opportunity

Offering

Is differentiation strong enough?

Business model

- Viability
- Scalability

Team

- Team's mindset
- Execution capability:
feasibility
- Composition

Strategy fit

Does your investment strategy link to your innovation strategy?

Final Checklist

Who

- Competent team with relevant expertise and executional capabilities
- Trusted founder/leader
- Candid and honest with investment team
- Investment Readiness level

How

- Clear target customer
- Product solves a problem for a validated target customer
- Clarified and validated market demand
- Clarified and validated business model
- Functional prototype
- Demonstrated earning potential, proven traction or measurable interest (some customers, early revenue)
- Sustainable competitive advantage identified
- Potential market share identified
- Plan for timing

What

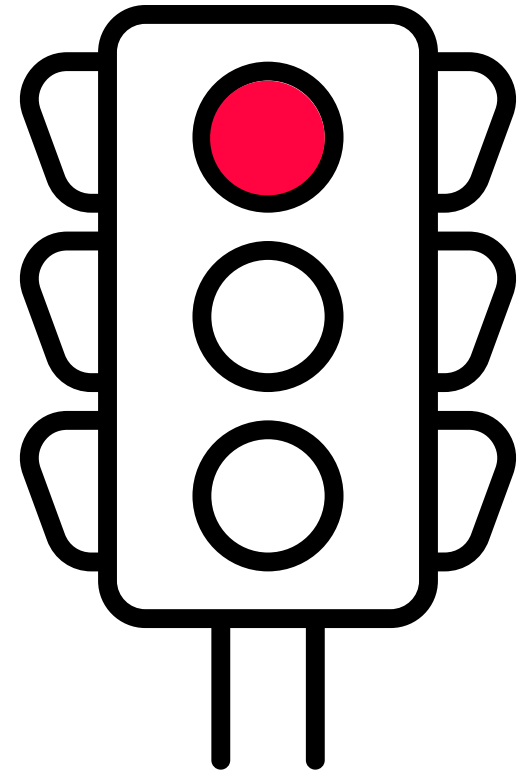
- List of top customers
- List of strategic relationships
- List of suppliers and agreements
- Analysis of competitive landscape per market segment
- Clear fundamentals and operating history of the startup (including planned vs actual results)
- Capital and distribution-efficient
- Established operating metrics to be monitored
- Clarified current value and existing equity structure
- Startup has declared Company debt
- Clarified value chain
- Identified key risks
- List of patents, copyrights, licenses or trademarks
- Demonstrated healthy return on invested capital so far
- Defined an exit strategy

Step 10

Final decision

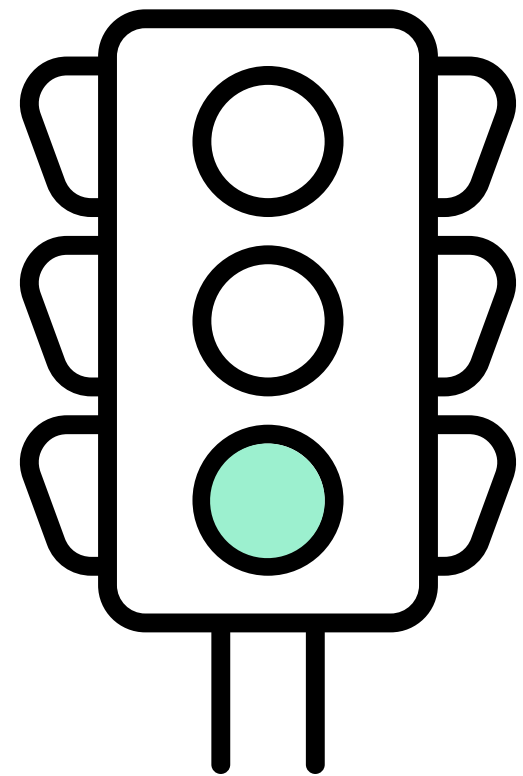
TO GO OR NOT TO GO?

Investing in that startup: go or no-go?



No-go

- > Communication of the decision to the startup's team



Go!

- > Thorough **due diligence** initiation.
- > Identifying the **right parties/specialists to involve** regarding high risk factors such as legal and technology aspects.
- > Establishing a **timeline** and collaboration roadmap.

Glossary of terms

Acqui-hire: An organisation's acquisition of a venture for the primary purpose of hiring its employees, rather than for the value of the company itself.

Acquisition: The process of a company buying the controlling interest of another company.

Angel Financing: Seed or pre-seed capital raised from independent angel investors.

Angel investor: An individual who provides a relatively small amount of capital to a startup (usually in its infancy) for a stake in the company.

Bootstrapping: Bootstrapping refers to the funding process whereby entrepreneur's operates and grows a company with little capital without outside investments. They generate capital from their personal resources or the company's own operating revenue.

Bridge Loan: A short-term loan to bridge the gap between larger financing rounds.

Burn Rate: The rate at which a company used their net cash over a certain period of time, usually measured for a month.

Buyout: Purchasing a company or a controlling interest of a company's shares, product line or business.

Corporate Venture: When an organisation invests in another company, usually at an early stage for strategic or financial reasons.

Dilution: Issuing more shares of a company dilutes the value of holdings of existing shareholders. A reduction in the percentage ownership of a given shareholder in a company caused by the issuance of new shares.

Due Diligence : The investigation process undertaken by potential investors in order to assess and verify the potential of an investment opportunity in a company.

Issued Shares: The amount of common shares that a company has issued/ sold.

Peer to Peer Lending: Online funding where which individuals lend money to other individuals or small businesses.

Pre-money Valuation: The company's value before a funding/ investment round.

Preferred Stock: Shares where the holders can exercise more rights, preferences, and privileges.

Seed Capital: Seed Capital is the first official round of financing. Investors buy equity-based interest in a new or existing company. This seed capital is usually quite small because the venture is still in the idea or conceptual stage and will typically use funds for proof of concept and/or to build out a prototype.

Series: Refers to the particular round of funding a company is raising. For example, the venture is raising their Series A/B/C round.

Valuation: The process by which a company's worth or value is determined from different variables including capital structure, management team, and revenue or potential revenue, among other things.

Vanity Metrics: Refers to the statistics often used to show the growth of a startup that doesn't really mean anything, or is not tangible/actionable. E.g the Twitter opinions of a startup.

Useful Resources

- › [Validation guide](#) and [Experiment Picker](#) covers how to choose the right experiments to validate elements of a business.
- › [Questions](#) to ask during a founders pitch.
- › [Competitor mapping analysis](#) tool to compare companies
- › [10 questions](#) we ask founders
- › [Crunchbase](#) and [Mosaic](#): Discover innovative companies and the people behind them.
- › Inspiration from [the top 100 venture capitalists](#).
- › [How to Pitch to a VC](#) covers what Venture Capitalists usually look for in a pitch for investment
- › [Overview](#) on Corporate Venture Capital

A group of people in a meeting giving a high-five. The image shows several hands stacked in the center, with a woman on the left and a man on the right. The background is a dark wall with colorful sticky notes. The text "You're done!" is overlaid in the center.

You're done!



What now?

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