

MONEY. GET IT, KEEP IT, GROW IT – FINANCIAL LITERACY

Business Basics for Innovation



February 16, 2017

James McCartney

BCITTM

ABOUT ME

Office | Better With

Do.com helps power productive meetings for Aerobotika with Office 365

OFFICE 365 ADD-IN VIDEO

07.11.2016

Do is a collaboration platform that helps people run productive meetings and manage meeting workflow. Now, Aerobotika is running all their meetings with Do and Office 365 to save time and ensure their follow-ups actually get done.

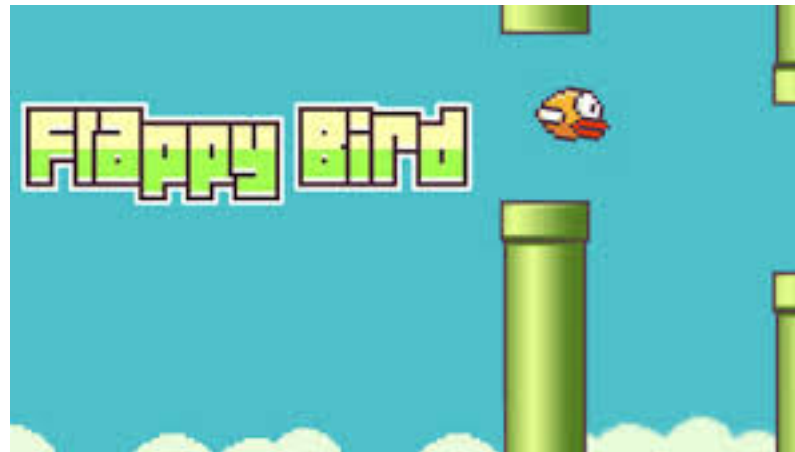


Aerobotika specializes in high-tech drone services, racing, and regulation. With a small team and limited resources, time is of the essence for them. They were using Office 365 for all their fundamental business needs, like email and calendar, but were facing collaborative issues with their meetings, being unable to set concrete agendas and identify actionable follow-ups. So, they discovered and adopted Do.com, using Do's Office 365 integration to surface all the relevant data from Outlook.

Investment Bank



Your Goal -> Be a Successful Company



How?...

KICKSTARTER



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Kung Fury is a visually spectacular action comedy that has its

17,713

backers

\$630,019

pledged of \$200,000 goal

0

seconds to go



Project by

Laser Unicorns

Umeå, Sweden

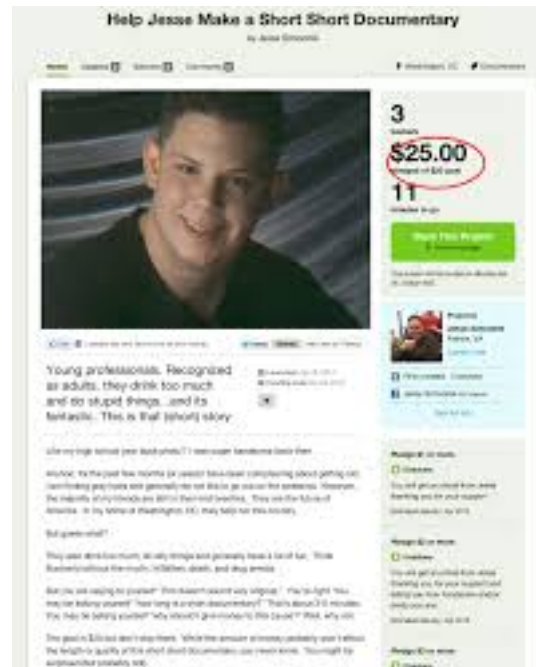
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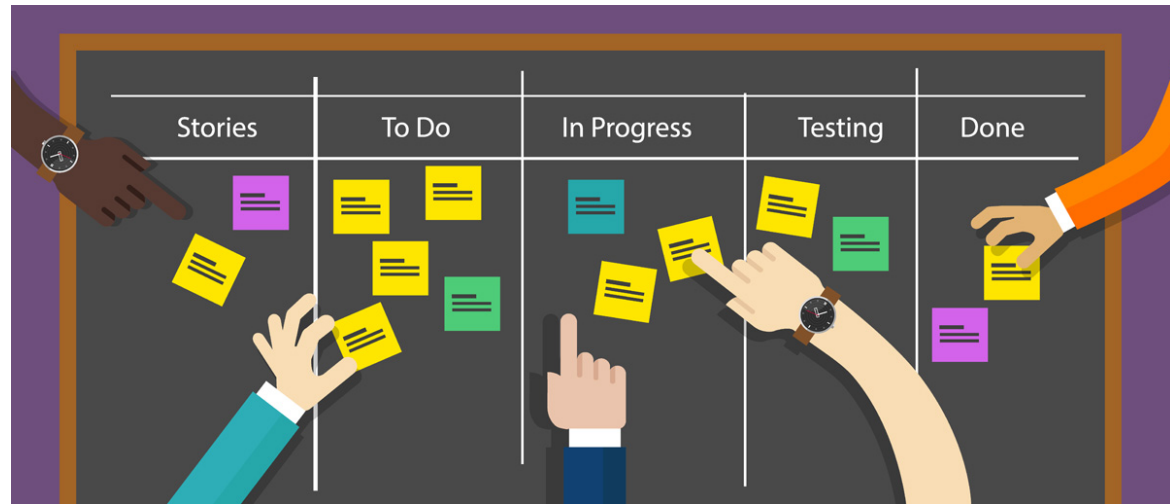
Crowdfunding: Easy Right?

Reality



Not So Easy!

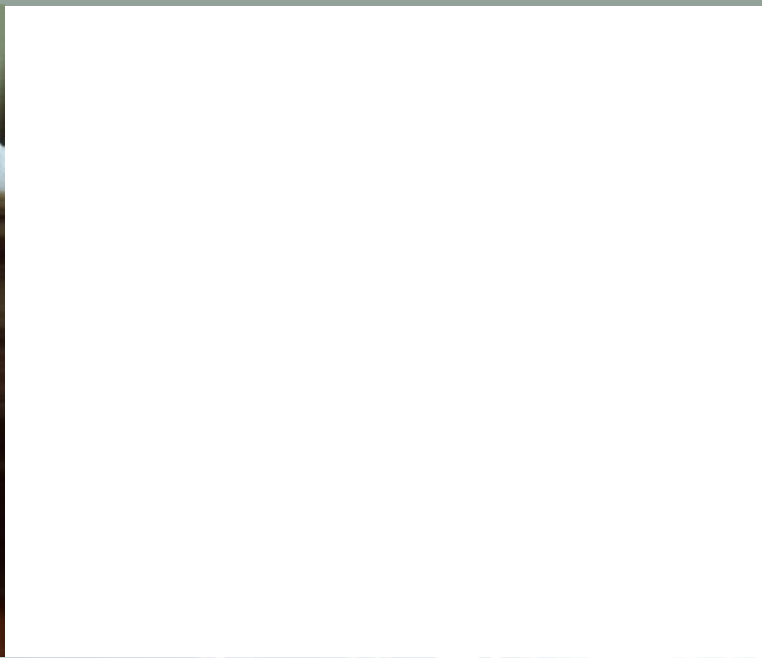
Money = Work



Why do you need Money?

- Market Research
- Product Development
- Product Production
- Marketing
- Overhead (Office and Storage Space)





Where to Get Money?

- Customers
- Your Pocket
- Family & Friends
- Banks
- **Angel Investors**
- Venture Capital Firms
- Government Grants
- Competitions
- CrowdFunding?
- IPO?



Non-Equity Crowdfunding (Pre Orders)


KICKSTARTER What is Kickstarter? Discover great projects Start your project Search projects HELP SIGN UP LOG IN

Pebble: E-Paper Watch for iPhone and Android


by [Pebble Technology](#)

Home Updates **20** Backers **68,929** Comments **8,393** Palo Alto, CA Product Design

Funded! This project successfully raised its funding goal on May 18.



68,929 backers
\$10,266,845 pledged of \$100,000 goal
0 seconds to go

Project by  Secure Search

The Law (BC Securities Comm)

It is ILLEGAL to sell shares to anyone unless...

you use a PROSPECTUS & are
a REGISTERED dealer



OR.....

use an “Exemption” to the PROSPECTUS &
REGISTRATION Requirement

WHY???

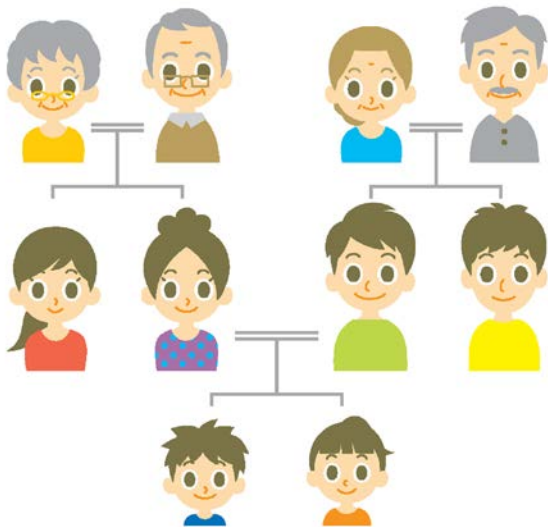
The *Offering Memorandum*

- Like a business plan
- Why isn't it used more often?
-it's expensive, time-consuming, legalistic
-requires **audited financial statements**



Exemptions

- family, friends, business associates
- rich people (angels, “accredited”)
- minimum \$150K
- Offering Memorandum



What Do Investors look for?

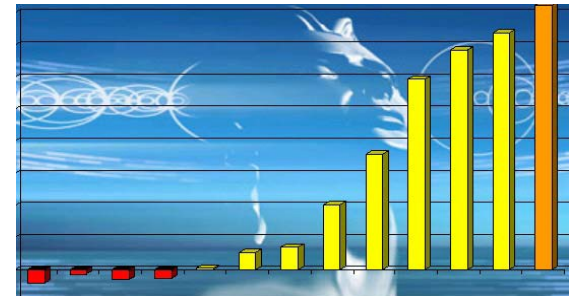
- Unique Idea (Not in the market)
- Team of Experts
- Validation (Technical / Financial)
- Drive
- Persistence



It's all about P&L:

What are you selling, who will buy it, how much will you make?
(Profit & Loss & CASH FLOW)

Why you and your team?
(Passion & Leadership)



What about Scale?

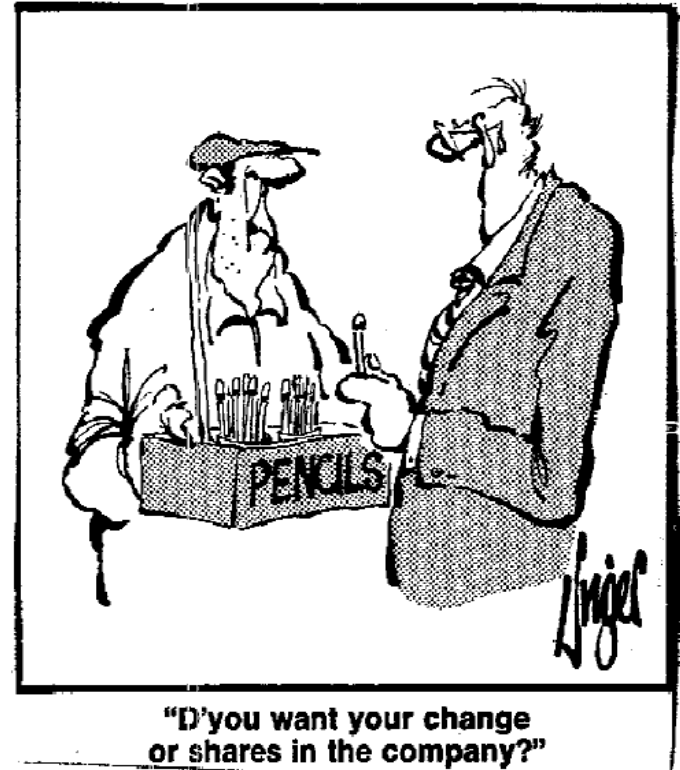
The \$100 million deal?

or

The “Lifestyle” Business?

YOUR DECISION!

Then sell your story
to the right audience!



What Angels Want

- Fun
- Interesting Opportunity
- A willing protégé
- To use one's resources
- Attractive Return:
10X to 100X
- Intensity, Integrity, Immediacy
- Goodness, Greatness, Greed



The Elevator Pitch

We, (Company) _____, are (doing?) _____
for (who?) _____ who need (address what
pain?) _____ that unlike (existing
solutions) _____ will (do what?)
_____ unlike _____ (competitors).

Example:

We, Ace Corp, are making a personal GPS tracker for parents who need to know where their children are that unlike cell phones and other devices will, via a web browser, provide real-time location, speed, and path information.

The Investor Pitch

We, (Company) _____, require (\$\$) _____
for (what) _____ in return for ____% of the
Company. Our plan is to be acquired by (name some):
_____ in ____ (yearr) for \$ _____ million to
give you an IRR of ____%.

Example:

We, Ace Corp, require \$500K mainly for production tooling & hiring sales staff in return for 30% common shares. Our plan is to be acquired by Polycom for \$15M in 2014. This will give you a 5X return in 5 years (ie IRR=38%).

* MikeVolker.com

PRODUCT

What is it?



Product or Service?
NOT the technology



How will revenue be generated?

E.g. selling a gadget, renting, licensing, etc

FINANCIAL



How much MONEY do you need?
(e.g. to positive cash-flow milestone)

How much have you raised (from?)

How much have you spent?

5-year projections?

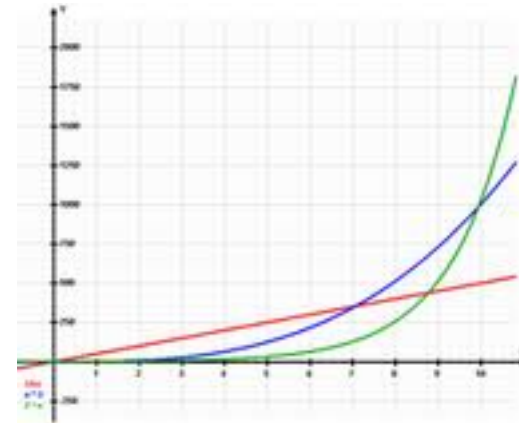
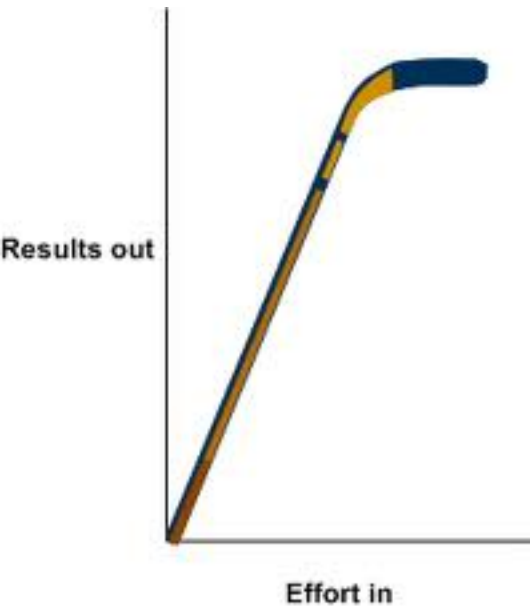
Beware the hockey stick sales curve:

0.5% of startups achieved \$50M in 6 years!



Need to think Big

(but realistic)



REVENUE ↑



Can you provide 10x ROI?

TIME →

So why do deals get funded?

Because the people behind them are:

- credible (domain knowledge, esp. market)
- realistic (show how they can achieve goals)
- aware of what they don't know (use experts)
- not alone (have a team)
- in control (leadership, contingencies)

But mainly because:

- they are liked! (it's really a courtship!)

What to Remember

- People know Startups are risky, you need to de-risk it
- Don't spend your money too quick, once you are out your company is likely over.
- People who lend money to startups likely know more about what can go wrong than you, don't BS them.
- Use conservative numbers (Don't fool yourself)
- Investors want good returns
- don't make the "only 1% of market" claim
- never procrastinate!



Example: 1st Year Costs

Start Up Costs	-\$2,000
Legal	-\$1,000
Product Cost (\$10 per unit x 1000)	-\$10,000
Monthly Expenses (\$2,000)	-\$24,000
Current Assets \$	\$3,000
Required Capital ->	\$34,000

Revenue

Revenue (\$40 per unit x 1000)	\$40,000
Product Cost (\$10 per unit x 1000)	-\$10,000
Profit	\$30,000
Monthly Expenses (\$2,000)	-\$24,000
Net Profit	\$6,000

Is this a good investment?

- \$6,000 Net profit over a year
- Working 20 hours a week, 52 weeks
- \$6,000 / 1100 hours

- \$5.45 / per hour

You Need Money in the Bank!

- You can't spend all of your money on inventory
- Customers might take months to pay you
- Product could be stuck at the border
- Unforeseen costs can come up
- Monthly Cash Flow is Key!

Cash Flow Statements

Your Business

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Cash Receipts													
Cash from Sales	3000	3000	3000	3000	4000	3000	3000	3000	3500	4000	5000	5000	42500
Loan contributions	5000												5000
Other													0
Cash contributions													0
Total Receipts	8000	3000	3000	3000	4000	3000	3000	3000	3500	4000	5000	5000	47500
Cash Payments													
Equipment Purchases				300									300
Land and Building Purchases													0
Vehicle Purchase	100	100	100	100	100	100	100	100	100	100	100	100	1200
Wages - Management	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	12000
Wages - Employees													0
Wages - benefits (CPP, EI, WCB, etc)	150	150	150	150	150	150	150	150	150	150	150	150	1800
Inventory (purchase before you expect sales)	4000	200	200	200	400	800	800	2000	1000	1200	1500	800	13100
Utilities - Power (gas & water in rent)	30	30	30	30	30	30	30	30	30	30	30	30	360
Rent (heat and water included)	400	400	400	400	400	400	400	400	400	400	400	400	4800
Phone, fax, internet	50	50	50	50	50	50	50	50	50	50	50	50	600
Licenses, fees & dues	45	45	45	45	45	45	45	45	45	45	45	45	540
Insurance	100	100	100	100	100	100	100	100	100	100	100	100	1200
Repairs & Maintenance			200										200
Travel	200						200						400
Vehicle expenses (gas)	100	100	100	100	100	100	100	100	100	100	100	100	1200
Office Supplies & Postage	20	20	20	20	20	20	20	20	20	20	20	20	240
Accounting & Legal					500					200			700
Advertising				200				200	100				500
Bank service charges	20	20	20	20	20	20	20	20	20	20	20	20	240
Municipal Taxes			1000										1000
Loan repayment													0
Personal contribution repayments								500	500	500	500	500	2500
Income Tax Paid				200									200
Colouring Contest									200				200
													0
Miscellaneous	20	20	20	20	20	20	20	20	20	20	20	20	240
Total Cash Payments/Expenses	6235	2235	3435	2935	2935	2835	3035	4735	3835	3935	4035	3335	43520
Net Cash = Total Cash Receipts -(minus) Total Cash Payments)													
A - Opening Cash Balance	0	1765	2530	2095	2160	3225	3390	3355	1620	1285	1350	2315	
B - Net Cash	1765	765	-435	65	1065	165	-35	-1735	-335	65	965	1665	
Cumulative Cash Balance	1765	2530	2095	2160	3225	3390	3355	1620	1285	1350	2315	3980	3980

Notes: Your Fiscal year may not be the same as a calendar year so change the months to correspond with your year (maybe April through March is your fiscal year)
Your Receipts and expenses may have different categories - just change the names to your list.

More Information

- <http://www.bcit.ca/appliedresearch/student/businessbasics/>
- <http://www.bcit.ca/innovate/>
- research@bcit.ca
- <https://www.bcitsa.ca/beaboss/>
- <https://www.bcitsa.ca/beaboss/events/>

Upcoming Sessions

- Mar 10 Plan to Win (Your Business Plan)
- Mar 16 Sell! Sell! Sell! (Perfecting your Pitch)
- Mar 23 Pitch Video Tips and Tricks