

A decorative graphic on the left side of the slide, consisting of a network of white lines and circles on a blue background, resembling a circuit board or a data network.

# FUND RAISING 101 FOR SEMICONDUCTOR STARTUPS

# AGENDA

Round Constraints

Round Dynamics

Top Three Mistakes

# ROUND CONSTRAINTS

Three key numbers ...

1. How long will the round take?
2. What's the pre-money?
3. How much is the raise?

# ROUNDS TAKE 6-9 MONTHS

- Make sure you have enough cash to last, you can handle the workload and the materials are ready.
- Go to lots of investors, and quickly prune them down.
- You'll present to investment teams, then to Investment Committees (ICs), and handle continuous DD.
- Then Term Sheets, Term Sheet negotiations (important), Syndicate Build, and final DD and legals.
- N.B. legals always take longer than you think.

# PRE-MONEY VALUATION

- There's *some* science behind a valuation if you have revenue; nothing at all if you're pre-revenue.
- Investor appetites for really early stage:
  - Angels – up to £2m-£3m. More and you're filtered out
  - VCs - a little higher, but more work
- If you don't give a valuation, it's back calculated from the raise:
  - You typically sell 33%-20%, so a raise of £500K implies a pre-money of £1m-£2m. £2m is £4m-£8m, etc.

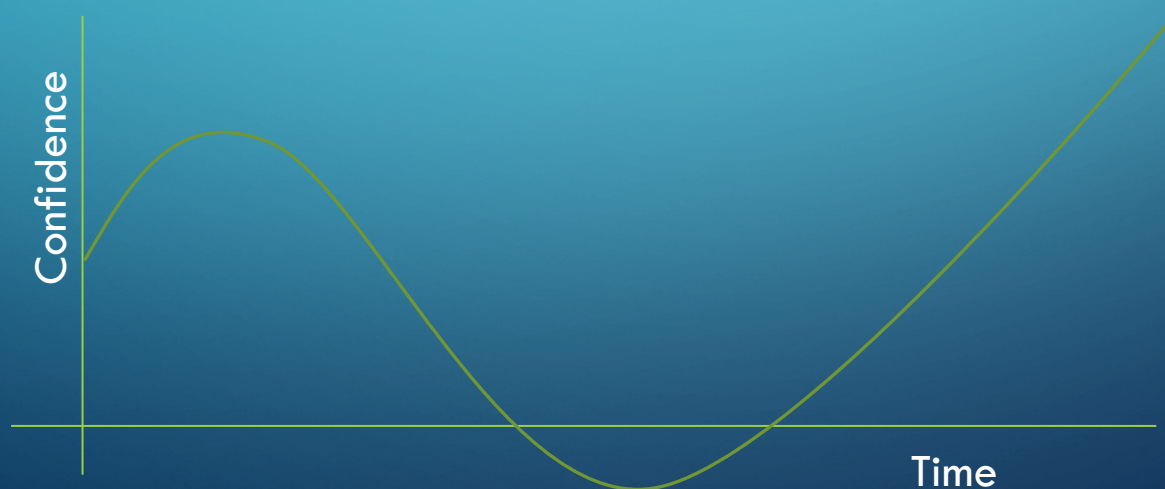
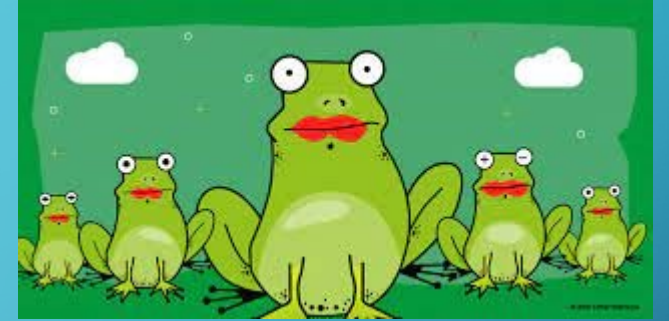


# KEEP THE RAISE LOW

- You don't want investors to immediately filter you out, you want them "add value" and push you up.
- Try and raise for 18-20 months.
- Get the basics right – salaries, NI, pensions, offices, travel, R&D tax credits, patents and have a revenue forecast.
- Revenue will be ignored; but the thought process is important.
- Don't put in anything that's not absolutely needed. Number needs to be credible, but not too high – balance is key.

# ROUND DYNAMICS

- Get a tight deck and business plan.
- Kiss a lot of frogs fast – there are LOTS of VCs out there.
- Don't get depressed when you get “fast nos” – those are the second best answer as long as you learn from them.



# MISTAKE #1 – YOU PRICE YOURSELF OUT

- You ask for too high a pre-money or too big a raise.
- You might get away with raising £5m@£20m for a brilliant idea and a great team, but it's unlikely.
- If you fail to get any takers, and then pull back on the raise, you will have poisoned the market – VCs talk, and rounds do fail!
- Best to go with a small raise, say you'll let “the market decide on valuation”, and be pushed up as people get interested.

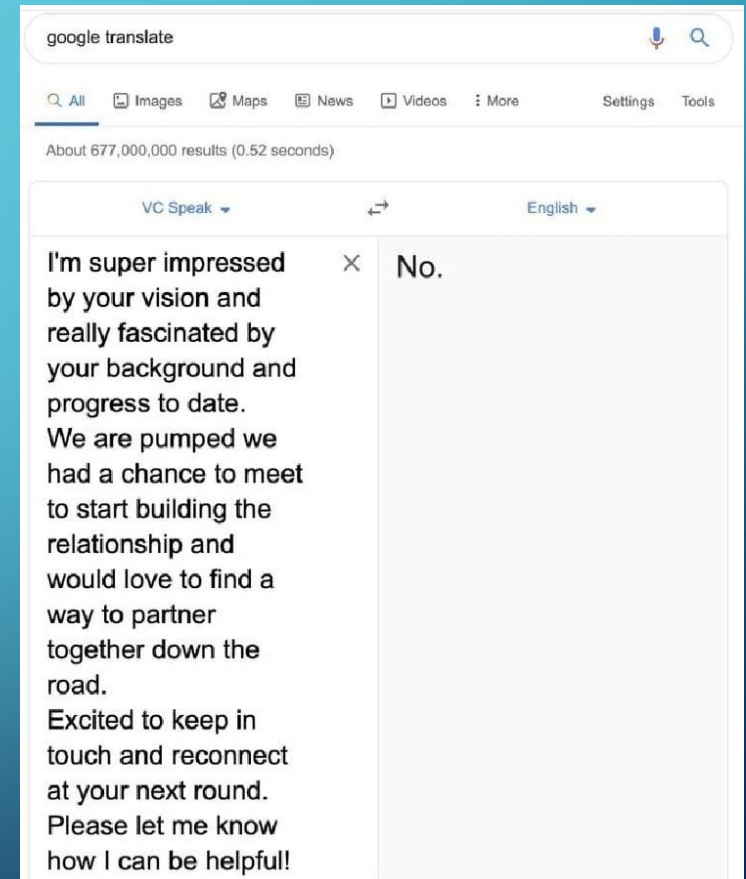


# MISTAKE #2 – GEEK OUT TOO MUCH

- Don't just focus on technology, explain what it can be used for:
  - 90% of Angels/VCs won't understand the technology
  - 99.9% of technologists can't explain why customers care
- Answer the four key questions:
  - Team – just geeks or will anyone actually call customers?
  - Technology – simplify it and explain why people want it.
  - TAM – how big is the market, and how much can you get?
  - Traction – has anyone paid you real money? Will they ever?

# MISTAKE #3 – YOU KISS THE WRONG FROGS

- Really listen to what the VCs say ...
- Good VCs will tell you their investment thesis – so select the right ones:
  - Some do seed, some only do Series A+
  - Some do semis, some only do software
  - Don't bother with US VCs if early stage
- Choose investors who give you more than “just” money and can help for your next round



# FINALLY

- Fund raising is hard work, but you learn to love the hard questions that make you think.
- And ... you have no choice but to enjoy them, so do, and good luck!