



# FMS VC Forum

Session 301B-1  
8/9/18

Wayne Rickard, Moderator



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## VC Panel

- **Wayne Rickard**, Moderator, Tech Coast Angels and Arizona Tech Investors
- **Pete Pappanastos**, Consultant, Vonzos Partners
- **Gaurav Tewari**, Managing Director, Citigroup Ventures
- **Stephen Socolof**, Managing Partner, Tech Council Ventures



# Sources of Funding

FINDING INVESTORS

- **Angel Capital**
  - Typically local individuals or groups
  - Investments range from \$100K to \$1,000,000 and average around \$600K
  - Target 10x to 15x return in 3-5 Years
  - Tech Coast Angels, Band of Angels, Sand Hill Angels, Keiretsu Forum
- **Venture Capital**
  - \$5 million and up
  - Institutional funds
  - Look for 5x to 10x return
  - NEA, Sequoia, Accel Partners, Bessemer, Lightspeed

Pre-seed Stage	Seed/Start-up Stage	FUNDING GAP	Early Stage	Later Stages
Founders' Friends & Family	Angel Investors	Very few angel deals done above \$1 million  Very few VC deals done below \$4 million	Venture Capitalists	

\$0                      \$250K                      \$1.5 million                      \$4 million                      \$10 million & up



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# Grant Money

- Federal Government has multiple programs
  - SIR, STTR, ATP
- Multiple Agencies within the “alphabet soup” of agencies:
  - DoD
  - NSF
  - NIH
  - NIST
  - NASA
  - VA
- Non-Dilutive



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## What is an Angel Investor?



- Anyone who makes a private investment in a non-public company
- High net worth individual
- Live in tech hubs, typically invest locally
- Usually well-educated
- Part-time investor
- Sees 50-250 startups/year, invests in 2-3
- Often are entrepreneurs themselves
- May be a member of an Angel Group for evaluating investments and sharing risk



## What is an Accredited Investor?

- defined in Rule 501 of Regulation D of the U.S. Securities and Exchange Commission
  - \$1 million in investable assets (not including value of primary residence) OR
  - \$200K in income (\$300K joint)
- Friends, family & founders can be non-accredited
- Crowd sourced investor are new category of non-accredited investors



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# Angel Groups Network with Each Other

- the Angel Syndication Network shares the best deals among 40+ prominent angel groups (up from 25 last year)
- Each angel group nominates their best deals to share with other angel groups
- Syndication can help fill a round, expedite a closing, and save the CEO from extended road shows
- Collectively, the angel groups participating in ASN represent over 1500 angels, and over \$1 billion in direct investment





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## What are Investors Looking For?

- Enduring, Wealth Generating *Companies in Growth Markets*
- Early Stage or Seed Stage
- Management / Team
- Pain Killers, Not Vitamins
- Unfair Advantage / IP
- Ability to Rapidly Achieve Scale
- Clear and Rapid Path to Liquidity
- Strong Business Model

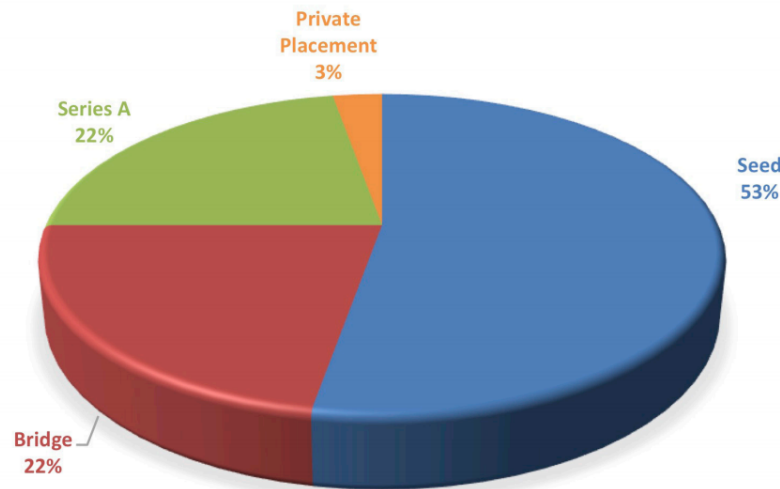




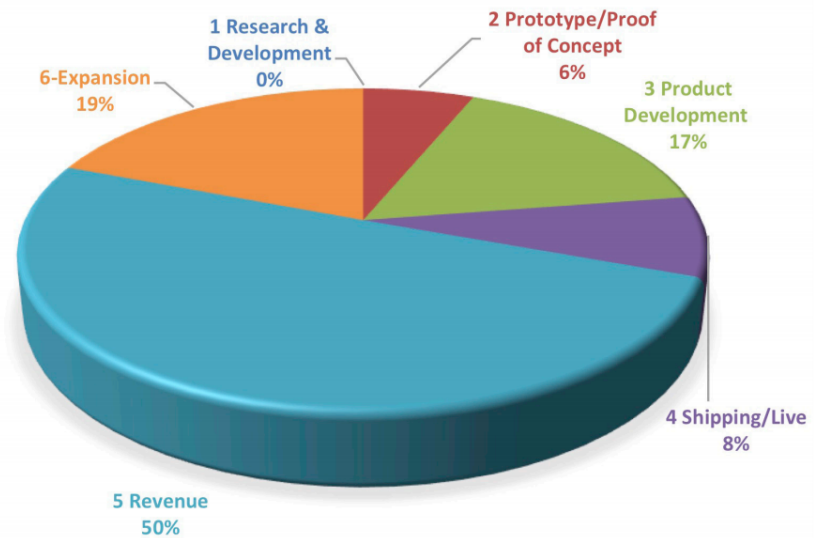


# Trend: Early Stage Investors Getting Picky about Revenue

2017 TCA Mix by Stage of Round



2017 TCA Mix by Stage of Company





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# Investors are like Lemmings



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**IN**

- Internet of Things (IoT)
- Autonomous Vehicles
- AI / Deep Learning
- Wearables
- Virtual / Augmented Reality
- Digital Health
- Fintech / Bitcoin / **Blockchain**
- Gaming / eSports
- Security
- Cannabis
- Pharmaceuticals ↑

**OUT**

- Drones ↓
- Renewable Energy
- Apps for Phones
- SAAS ↓
- ASIC's
- Hardware

# Non-Rational Criteria

## Founders

Do I identify with you?

Industry  
University  
Experience

## Product

Cool factor

Resolving  
personal pain

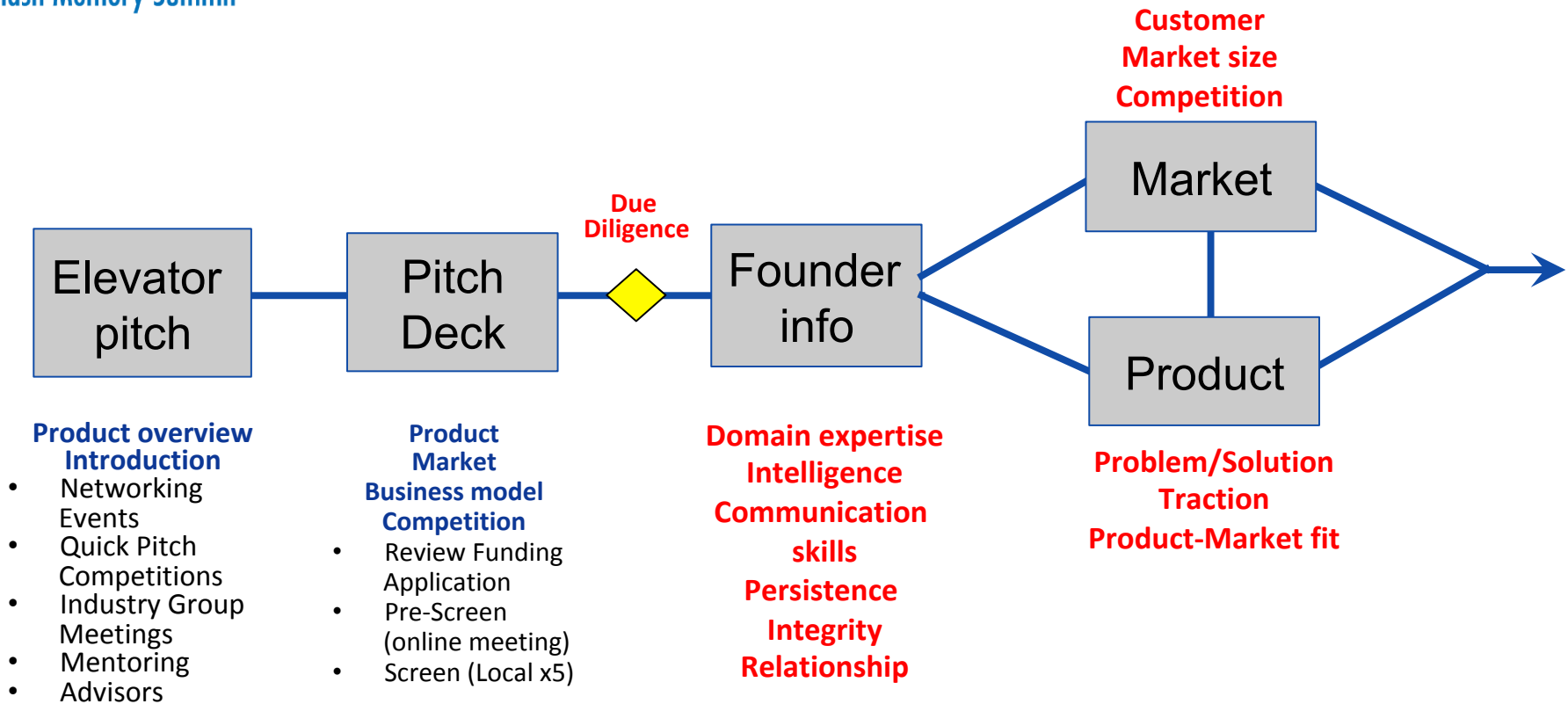
## Market

Personal  
experience

Interest



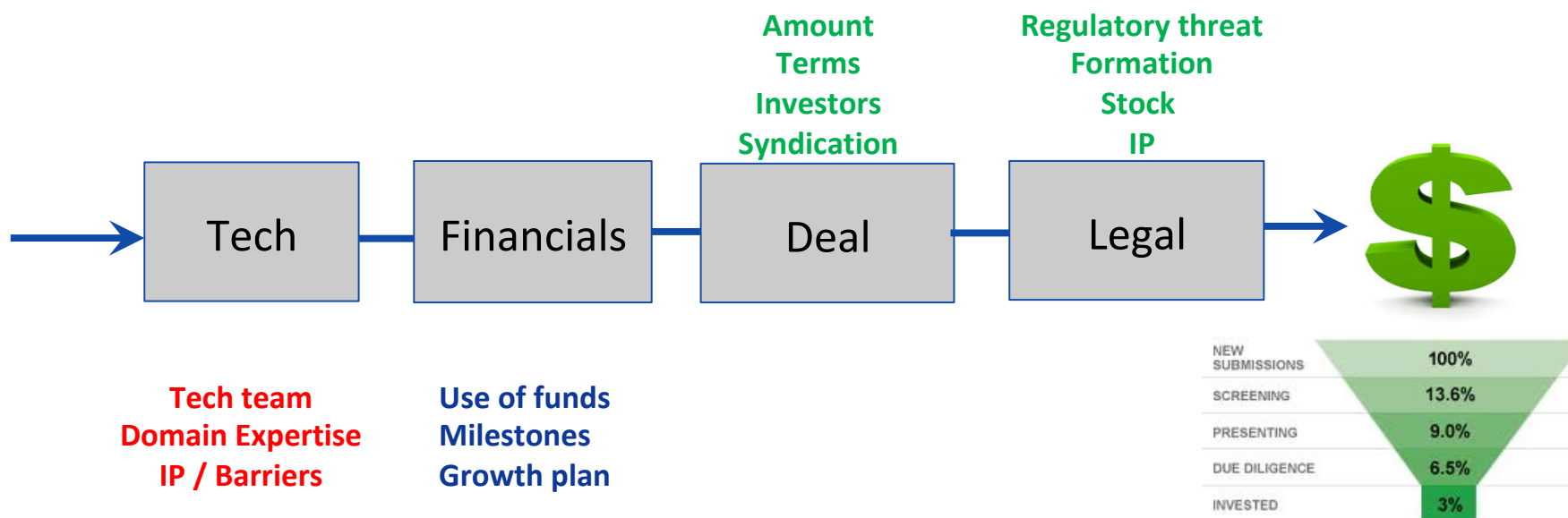
# Decision-Making Process





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# Decision-Making Process





## Final Thoughts



- **Valuations have been dropping**, so don't cling to a higher expectation based on averages of the last several years. Doing so may leave you underfunded or even unfunded
- **Raise as much money as you can** in the current round, and don't be concerned about dilution. The next round of equity will be particularly challenging given we could soon be in a down cycle
- Develop a plan that allows you to **achieve cash flow breakeven** with the funds you are raising in the current round. This may not be your "Plan A", but you'll need to have a way to survive if future funding does not materialize.
- **Spend wisely and frugally**. If the next dollar you spend doesn't make for a better product or better customer experience, don't spend it
- Seek investors who can provide you with **experience, guidance and contacts** that can help you navigate the challenges ahead



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