

Started at 17 Now Funding Others

Master Class

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Andrew Maxwell

- *Serial Entrepreneur*
- *Return to Study*
- *Management Consultant to Start Ups*
- *MOOT CORP Australia*
- *CEO - ES Group Ventures*

ES Group Ventures

- *Smorgon family owned \$40m VC fund*
- *Invested \$15.5M – 12 deals (80% seed)*
- *Focus - IT & T; Biotech; Mfg with tech. twist*
- *Stage of investment - seed, start-up, early expansion*
- *How many deals do we see?*
- *What % equity do we typically require?*



ES Group Ventures

- *What quantum of \$'s do we invest?*
- *Is there a minimum deal size?*
- *Do we syndicate deals?*
- *What is our core value add?*

What Do Investors Look For?

- *Compelling idea for a product (or service)*
- *Value proposition*
- *Market size & competitiveness*
- *Competitive advantage*
- *Management team*
- *Exit & financial return*

Compelling Idea or Concept

- *Articulate what it is!*
- *Articulate why it is novel, unique or different*
- *Communicate your innovation in a clear and compelling way that a lay person will understand - no technical jargon!*

Value Proposition

- *From technology to market the VOP is the missing link*
- *Once defined & tested - becomes the business foundation*
- *Define what problem the innovation solves in the market place today - must be compelling.*
- *Qualify & Quantify why that is important to customers - how big is the problem and where/who does it hurt?*

Market Size & Competitiveness

- *How big is the problem that the innovation solves? - addressable market of \$500M+?*
- *Who within that market will the innovation be sold to - target market?*
- *Has there been market testing with potential customers?*
- *What is the competitive environment of this market?*
- *Is the market growing?*

Competitive Advantage

- *Intellectual property - should be owned & controlled by the investee entity.*
- *IP - should ideally be protectable by patent in more than one jurisdiction.*
- *What are the switching costs - old to new?*
- *P.R.O.F.I.T (Physical; Reputational; Organisational; Financial; Intellectual Property; Technological)*

Management Team

- *There should be a clear leader*
- *Must be a good fit (skills, chemistry & ego)*
- *Industry expertise & preferably start-up/commercialisation experience*
- *Business expertise & financial participation*
- *Background of determination & achievement*
- *Ownership & expectations amongst stakeholders determined at outset*

Exit & Financial Return

- *Investors (VC's) make money by selling companies - IPO or trade sale*
- *Ideally exit within 3 - 5 years*
- *Invest with potential sale targets in mind*
- *Target return of 5 - 10x invested \$'s within 3 - 5 years*

Key Tips

- *Entrepreneurs must be consummate communicators*
- *Need to convey Credibility; Passion and Reason*
- *Know your audience*
- *Must be clear, concise, compelling, not repetitive and less is always better*
- *Bullet points, graphs, tables, diagrams*

Reading List

- Good to Great by Jim Collins
- Built to Last by Jim Collins
- Moments of Truth by Jan Carlzon
- Jack Welch and the GE Way by Jack Welch
- Maverick by Ricardo Semler
- Leading the Revolution by Gary Hamel
- High Tech Start up by John L. Nesheim
- The Fifth Discipline by Peter Senge

Contact Us

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Seed	Start-up	Early Expansion
<ul style="list-style-type: none"> ○ Pre-proof of concept ○ Pre-prototype ○ Pre-beta customer ○ IP in development ○ Competent founder (likely to be technology skilled) ○ Global potential ○ Pre-revenue ○ Co-investment partner ○ \$500,000 - \$1M ○ Exit 5 years + 	<ul style="list-style-type: none"> ○ Post proof of concept ○ Prototype developed and tested ○ Pilot customers and beyond ○ Developed IP ○ Founder and some management team ○ Global opportunity ○ Early revenue ○ Co-investment partner ○ \$1m - \$3M ○ Exit 3 – 5 years 	<ul style="list-style-type: none"> ○ Concept proven ○ Commercial product in market ○ Customer list demonstrating product acceptance ○ Established IP & development program ○ Established management team ○ Global opportunity ○ Established revenue – may be profitable ○ Co-investment partner ○ \$2m - \$5M ○ Exit within 3 years