



# Capital Raising

Workshop led by Richard Dale on Monday, 6 September 2021  
(a version of the presentation for participants on the day)



[www.dale-advisers.com.au](http://www.dale-advisers.com.au)

Dale Advisers Pty Ltd ACN 104 635 430  
Australian Financial Services Licence 298916  
**ABN 84 831 916 162**

©Dale Advisers Pty Ltd



# Capital Raising Workshop

2-5pm Monday 6 September 2021

Young firms with high growth potential usually need to raise funds from external sources, to invest in the staff, products, marketing and sales, and corporate infrastructure needed to launch and scale-up their business.

Established firms may also need to raise funds, to invest in expansion projects or M&A, to create liquidity for shareholders, or to restructure their balance sheet.

Whatever your situation and objectives, this workshop will provide guidance for planning and executing a project for raising the funds you need, from appropriate sources.

This free online workshop will be led by Richard Dale, principal of [Dale-Advisers.com.au](http://Dale-Advisers.com.au) AFSL 298916.

Richard has extensive experience with strategy and funding solutions for private companies, from spin-outs and start-ups, up to established SMEs with \$50M revenue.

Over 3 hours the workshop will cover:

1. Defining your objectives
2. Assessing your situation
3. External sources of funds suitable for your objectives and situation
4. Designing the fund raising project
5. Running the project.

There will be regular breaks and plenty of time for Q&A.

All workshop participants will be able to get a copy of the presentation after the workshop.

## Dale Advisers provides Strategy and Funding Solutions

We are a boutique firm providing strategy & management consulting and licensed (AFSL 298916) corporate & investment advisory services.

Our mission is to identify and assist the rapid growth of Australian businesses that have innovative technologies and global market opportunities.

We advise the founders, CEOs, Boards, investors and partners of these businesses on strategy and funding solutions for the next stage of growth, and we're hands-on helping them achieve it.

## A typical client is an "IP rich" company in Australia, with high growth potential, needing \$2 – 10M for the next stage of growth

- Products and services based on intellectual property they have developed and own
- Proven with customers and sales greater than \$2M over last 12 months
- Addressable market not limited to Australia and ideally global
- Plan for next stage of growth may need to be developed or refined
- Need \$2 - 10M capital to fund the next stage of this growth or expansion plan.



### INVESTMENT ACTIVITY AIR TERMINAL TECHNOLOGY BACKED FOR GLOBAL EXPANSION

Investec Australia Limited has taken a minority equity stake in airport technology firm ICM Airport Technics.

The Sydney-based company produces self-service "auto bag drop" technology for airport check-in stations. The technology enables passengers to drop their bags with the technology doing the rest, scanning tags and despatching the bags to the right aircraft.


For example, our client ICM Airport Technics was the cover story in the Australian Private Equity & Venture Capital Journal Nov 2014 edition. We advised ICM on its global expansion plan and raised the funds it required, closing a deal with Investec, a value-adding strategic investor. Over the next 5 years ICM successfully executed their global expansion plan, which led to Amadeus offering to acquire the business, which was completed in 2019.

## We also help other types of client to grow

- Well-funded start-ups accelerating into early-stage expansion (we encourage unfunded startups to apply to Sydney Angels)
- Mature businesses, including business units or subsidiaries of large corporations, with potential to grow faster through new products, services, or geographies; or stronger and better execution, restructure, or spin-off/MBO
- Large corporations interested in growth through external innovation and ecosystem collaboration, partnering, alliancing, venture investing, or M&A.

## Richard Dale leads Dale Advisers



Richard has more than 30 years' experience in top-tier management consulting, new venture development, venture capital and R&D engineering. He has extensive experience with growth and transformation for clients ranging in size from large multinational corporations to technology startups. He is hands-on, able to work across all levels internally and externally, on his own, in a team, or managing others. Richard holds an MBA from London Business School and a first class honours degree in Mechanical Engineering from the University of Western Australia. 

## Highly relevant expertise, experience and networks

- Well connected and actively involved with HNW investors, family offices, VC and PE funds, corporate (strategic) investors, and Australian government innovation grant programs
  - Regularly marketing clients to suitable investors to raise capital
  - Former VC fund Investment Director
  - Previously involved with a UK corporate venturing fund that had a synergies mandate
  - Former Commercialisation Australia Case Manager facilitating grants and investor co-funding, and before that similarly for the COMET program
  - Member of the Management Committee of Sydney Angels Inc, Australia's largest most active angel investor group, and member of the Investment Committee of the two \$10M Sydney Angels Sidecar Funds (ESVCLPs) that co-invest with Sydney Angels members
- Strategy and management consulting inside large corporations up to CEO and Board level while with Booz.Allen in the 1990s, and later as an independent. Skills, experience and insights which are useful for partnering, alliances, strategic investment or acquisition
- Knowledgeable in a wide range of science and engineering fields and technologies. Enables rapid comprehension of opportunities and risks in processes, products and services.
- Broad industry experience in manufacturing (both low and high tech), food, utilities, energy, telecoms, IT (both software and hardware), retail, and financial services. Enables application of cross-industry ideas and best practices
- Extensive professional network for specialist expertise in technologies, industries and countries



**DALE ADVISERS**  
Strategy & Funding Solutions

[www.dale-advisers.com.au](http://www.dale-advisers.com.au)  
Dale Advisers Pty Ltd ACN 104 635 430  
Australian Financial Services Licence 298916  
ABN 84 831 916 162



# Disclaimer and Terms of Use

- The slides in this distribution are based on those used in a workshop that was delivered via Zoom on 6 September 2021
- Participants were business owners, directors, or managers who were invited or approved to attend the workshop
- You are only entitled to receive and view these slides if you were a participant in the workshop
- During the workshop the presenter may have said things that elaborated on, qualified, or put in a particular context, certain points in the slides, as well as expanded on them in response to questions from participants
- Therefore the slides in this distribution on their own may not be complete or fully accurate information
- Raising capital for your business is complex and needs to be carefully approached for your specific situation and needs. The business, financial, and legal consequences are very material
- No reliance should be placed by users on this information as it may not be appropriate to their specific situation or needs. Dale Advisers, Impact Tech Ventures, and the presenters disclaim any liability to any user of this information
- Any user of this information is strongly advised to seek appropriate professional advice before applying any of the ideas presented in these slides
- Any user of this information does so at their own risk
- The copyright in these slides is exclusively owned by Dale Advisers Pty Ltd
- Receiving these slides does not give you any rights to sell, copy, modify, incorporate, or publish, in whole or in part, for any purpose
- All enquiries about the content or use of these slides should be referred to the presenter and copyright owner:
  - Richard Dale, Director of Dale Advisers Pty Ltd AFSL 298916
  - richard@dale-advisers.com.au



# Agenda

Time	Activity
2:00	Warm-Up
2:15	Your objectives and situation
2:30	Discussion
2:45	Sources of capital that are right for you
3:15	Discussion
3:30	Break
3:45	Designing a fund raising project
4:00	Discussion
4:15	Running the project
4:30	Discussion
5:00	Next steps



# Some common questions about raising capital

1. What are the main reasons companies get rejected when applying for capital?
2. How do I qualify which sources of capital are the right fit for the stage and requirements of my business?
3. How do I value my business to work out the terms I should offer or accept?
4. How many people should I approach at one time when looking to raise capital?
5. What's a realistic timeframe for raising capital?
6. As the CEO/Founder, how much time should I devote to capital raising?
7. Can you provide examples of companies that have done very well in raising capital and what made them so?



# 1. What are some common reasons companies get rejected when applying for capital?

- Not a fit with interests or criteria
  - They're not interested in your stage or type of business, for example:
    - They only invest in SaaS businesses with MRR > \$100K
    - They only invest in businesses which have EBITDA > \$1M p.a. in each of the last 3 years
  - The amount of capital sought is too much or too little, for example:
    - You're want to raise \$2M
    - But their minimum is \$5M, or their maximum is \$0.5M
- Business case is not attractive enough
  - Opportunity not big enough to provide adequate return for risk
  - Valuation too high
  - Better opportunities to choose from (more exciting, better ROI potential)
- Not sufficiently confident about the management team



## 2. How do I qualify what sources of capital are the right fit for the stage and requirements of my business?

- Do your market research, read investor web sites to identify their sweet spot, look at the companies they've invested in and when they invested
- Or engage an adviser who already knows who's who and what they want





### 3. How do I value my business to work out the terms I should offer or accept?

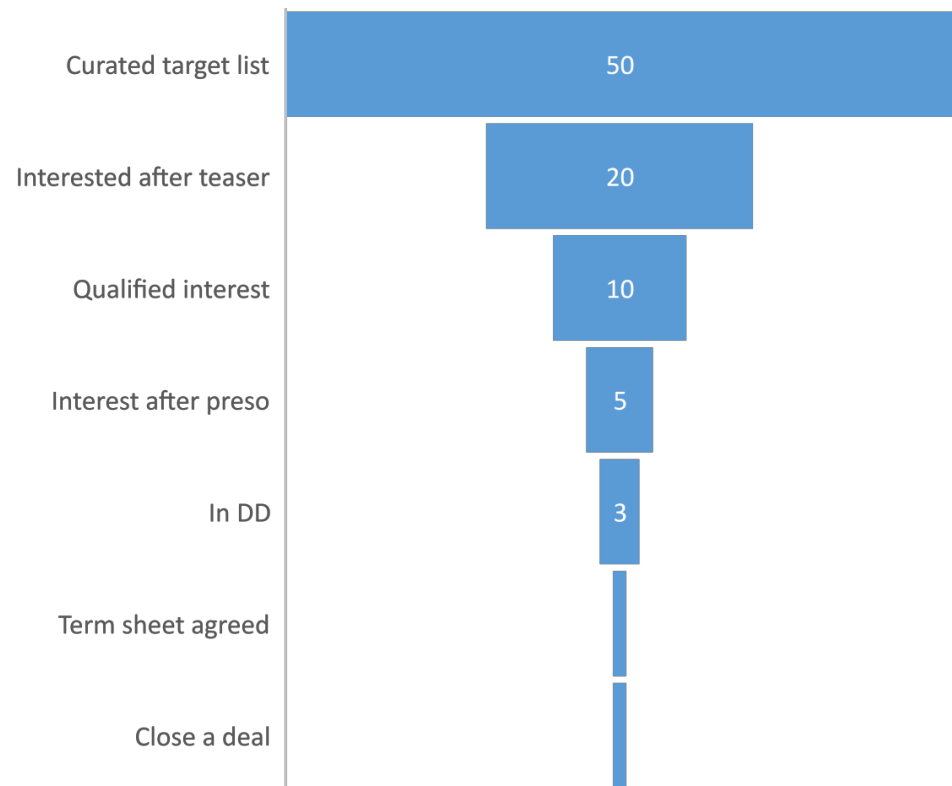
- Valuation and terms are always business specific, based on a mixture of art and science
- We could dedicate a whole workshop to it
- But there are rules of thumb for valuation based on:
  - Stage of business
  - Type of business
  - Financial performance
- Terms other than valuation will depend on your situation

	Product in development	Product ready	Growing sales but burning cash	Growing sales and profitable
Product or service sales business	\$0.5 – 1.0M	\$1.0 – 2.0M	1 – 5 x revenue depending on gross margin and growth rate	8 - 15 x EBITDA depending on growth rate
SaaS subscription business	\$0.5 – 1.0M	\$1.0 – 3.0M	10 - 20 x ARR depending on MRR growth rate, CAC and LTV	Same as on the left as valuation tends to be driven more by growth rate than current profitability



## 4. How many people should I approach at one time when looking to raise capital?

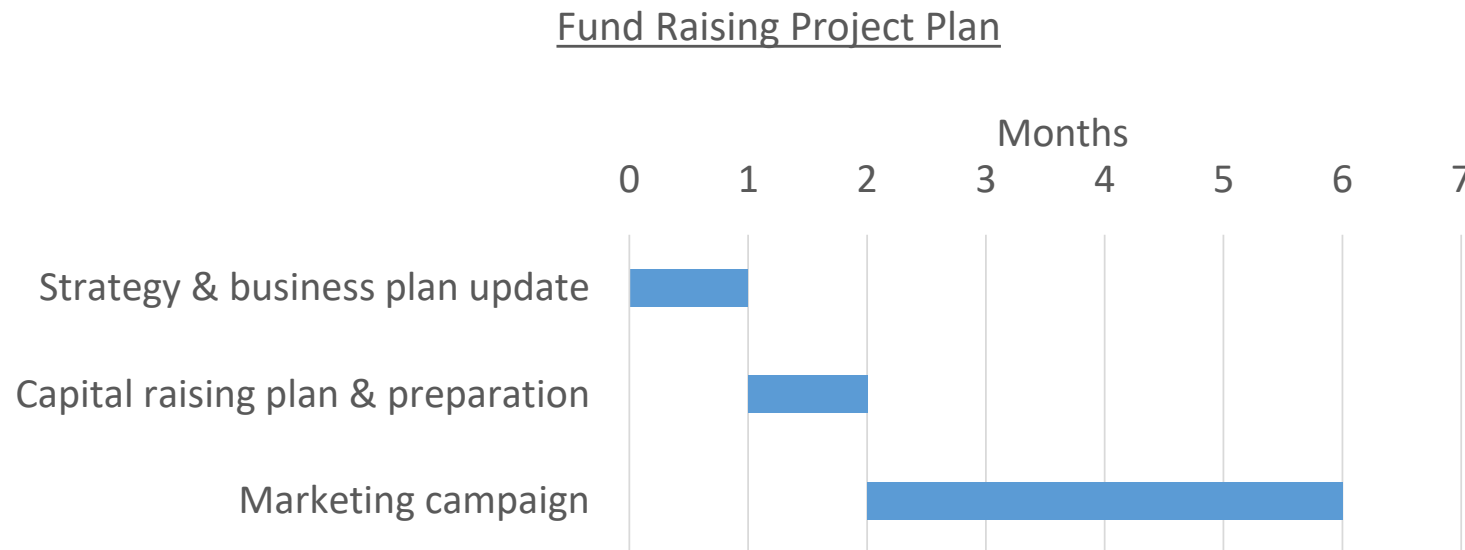
- It's a funnel
- Start with a curated list of 30 – 50 suitable targets (i.e. theoretically all good fits)
- Approach them all, to end up with at least one and the funds you need
  - Test interest with all of them, you should expect many won't be
  - Progress discussions with those who say they are interested, but most will drop out
  - Hopefully ending up with 1 – 5 who are seriously interested
  - You may only need to close one to get the funds you need





## 5. What's a realistic timeframe for raising capital?

- 6 months is realistic, so plan well ahead of when you will actually need the cash
- Deals do close faster, say in 3 – 4 months, but relying on this is being overly optimistic
- It all depends on how ready your business is, and how quickly investors want to work
- But it can take much longer, 9 to 12 months is not uncommon





## 6. As the CEO/Founder, how much time should I devote to capital raising?

- 50 – 100% of your time, if doing it yourself
- 10 – 20% if adviser led, but likely to get more intense in the closing stage

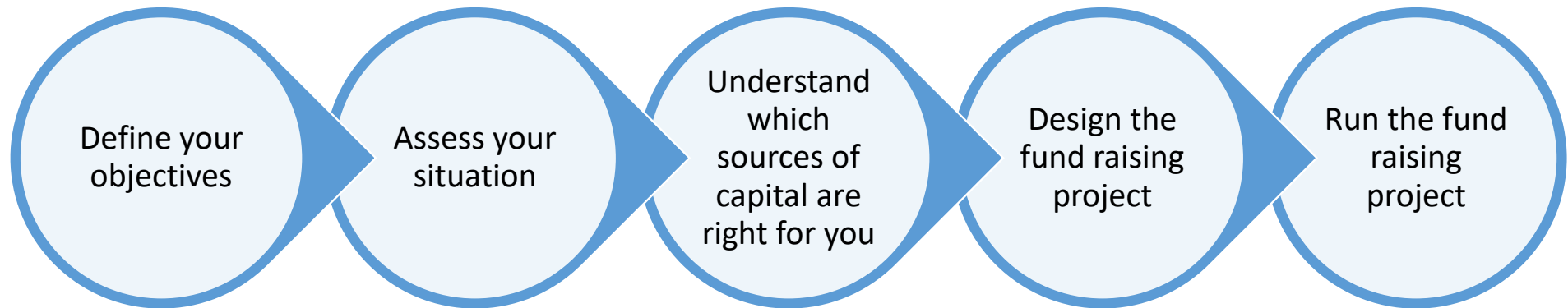


## 7. Examples of companies that have done very well in raising capital, and what made them so?

- The amount of capital raised, or the valuation it was raised at, are not useful comparisons or guides to success
- Your goals should be:
  - To raise the capital required by your business plan, in time for when it is needed, so the business is not delayed
  - ... from suitable sources, who have follow-on funding capacity, who won't cause problems later, and who may also bring other value, e.g. lead the next round, customer relationships, complementary capabilities
  - ... on terms that were fair and reasonable for the business at that time
- Clarity Pharmaceuticals is an example of a company that has demonstrated good capital raising skills
- They recently did their IPO on the ASX in August, achieving a market cap of \$350M and raising \$92M
- But before getting to IPO stage, they had raised \$42M from 8 rounds over 11 years since startup, from a wide range of investors (angel investors, HNWIs, funds, and strategic investors)
- Their ability to keep on attracting capital was due to:
  - The potential of their business (novel technology platform enabling treatments for a range of cancers, strong value proposition for clinics, competitive barriers in patents and manufacturing system)
  - Good execution and evolution of strategy over a long period of time, adapting to discoveries and opportunities
  - Leaders experienced with capital raising, building a strong advisory board, and managing shareholder relations (regular updates, good reporting, always accessible).

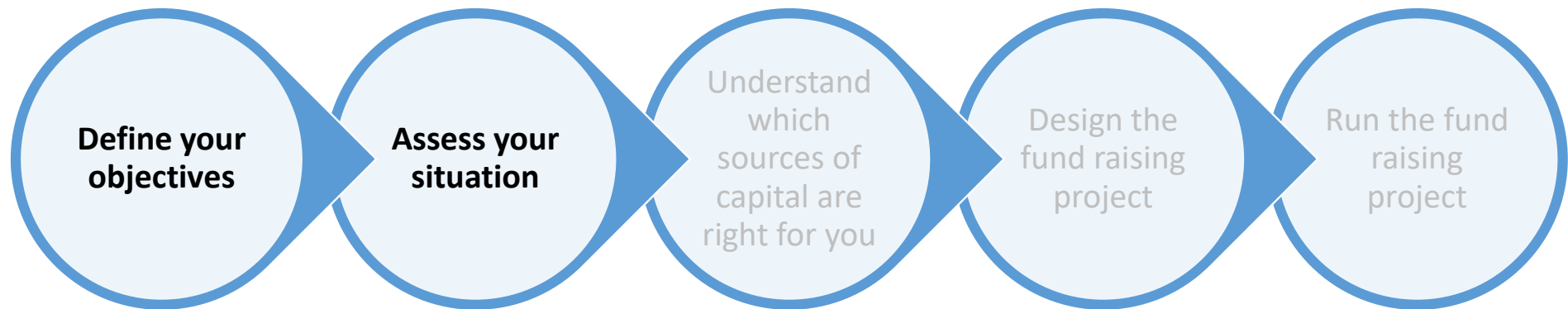


This workshop will explain how we think you should go about raising capital





# First be clear about your objectives and situation



- Why you want to raise capital?
- Amount needed?
- To spend on what?
- When needed by?

- Type of business?
- Stage of business?
- Financial performance or strength?
- Structure, ownership, and control?



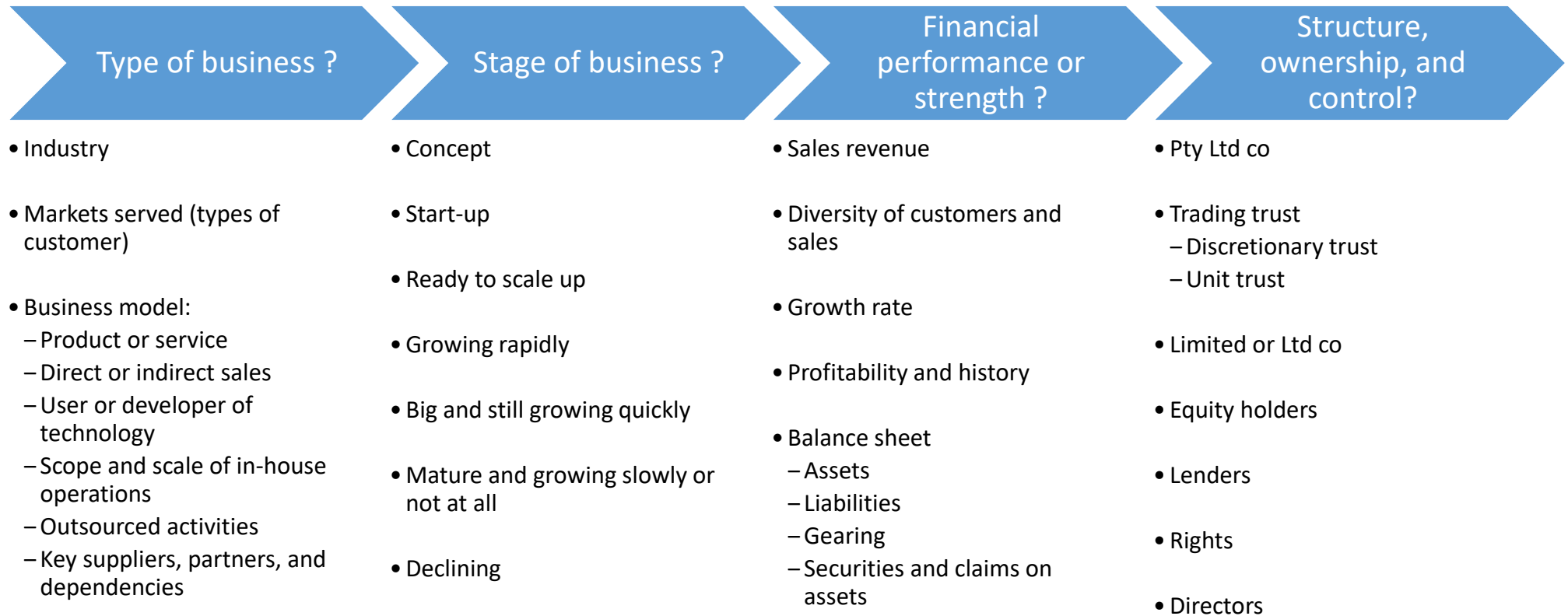
# Define your objectives

Why you want to raise capital?	How much you need/want to raise?	How funds will be used or applied?	When the funds are needed by?
<ul style="list-style-type: none"><li>• Runway</li><li>• General working capital</li><li>• Buy plant &amp; equipment</li><li>• R&amp;D</li><li>• Launch a new product</li><li>• Increase capacity</li><li>• Increase marketing</li><li>• Expand sales team</li><li>• Expand overseas</li><li>• Startup a new business</li><li>• Acquire a business</li><li>• Buyout shareholders</li><li>• Repay loans</li><li>• Refinance on better terms</li></ul>	<p>\$M</p> <p>&lt; 0.1</p> <p>0.1 – 0.5</p> <p>0.5 – 1</p> <p>1 – 3</p> <p>3 – 7</p> <p>7 – 15</p> <p>&gt; 15</p>	<ul style="list-style-type: none"><li>• At your discretion</li><li>• As per Board approved business plan, which allocates funds to activities, projects, and milestones</li><li>• For contingencies and opportunities</li></ul>	<p>Months from now</p> <p>1</p> <p>3</p> <p>6</p> <p>9</p> <p>12</p> <p>As per the schedule in the business plan</p>





# Assess your situation





Therefore, the type of funds that would be suitable and possibly available for you

Objectives	Situation	Equity	Debt	Grants
Business as usual	Profitable	✓	✓	
	Burning cash	? (preference or sale)	? (priority rights)	
Develop new product	Project defined	? (business situation)	? (business situation)	? (criteria)
Accelerate growth	Profitable	✓	✓	
	Burning cash	? (business plan)	? (venture debt)	
Start-up new business	Core business profitable	✓	✓	
	Otherwise	? (business plan)		? (criteria)
Acquire a business	Combination profitable	✓	✓	
	Otherwise	? (business case)		
Restructure capital	Profitable	✓	✓	
	Otherwise	? (preference or sale)	? (priority rights)	

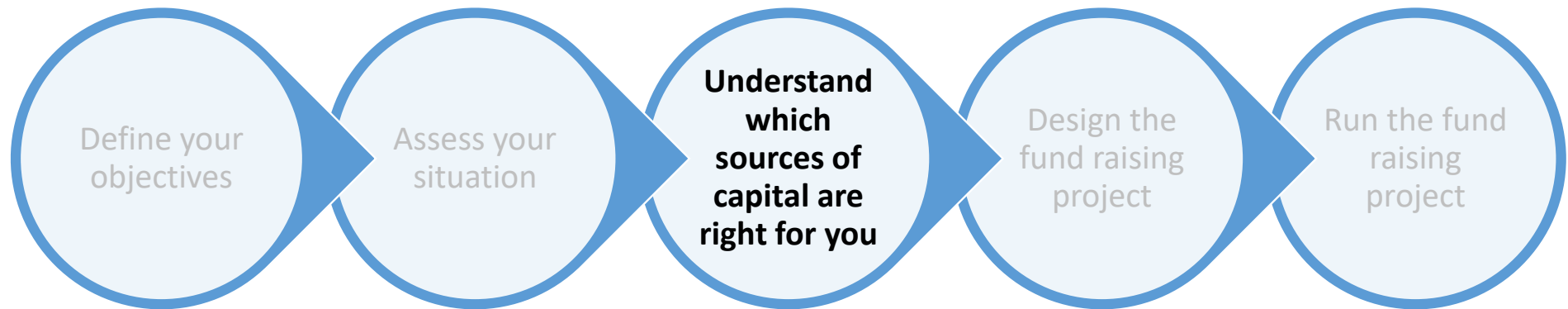


# Discussion

- You've come to this workshop, so presumably you're thinking about raising capital
- Would anyone like to share their objectives, and situation?
- Do you have other questions?



Now that you're clear about your objectives and situation, where should you look for the money?

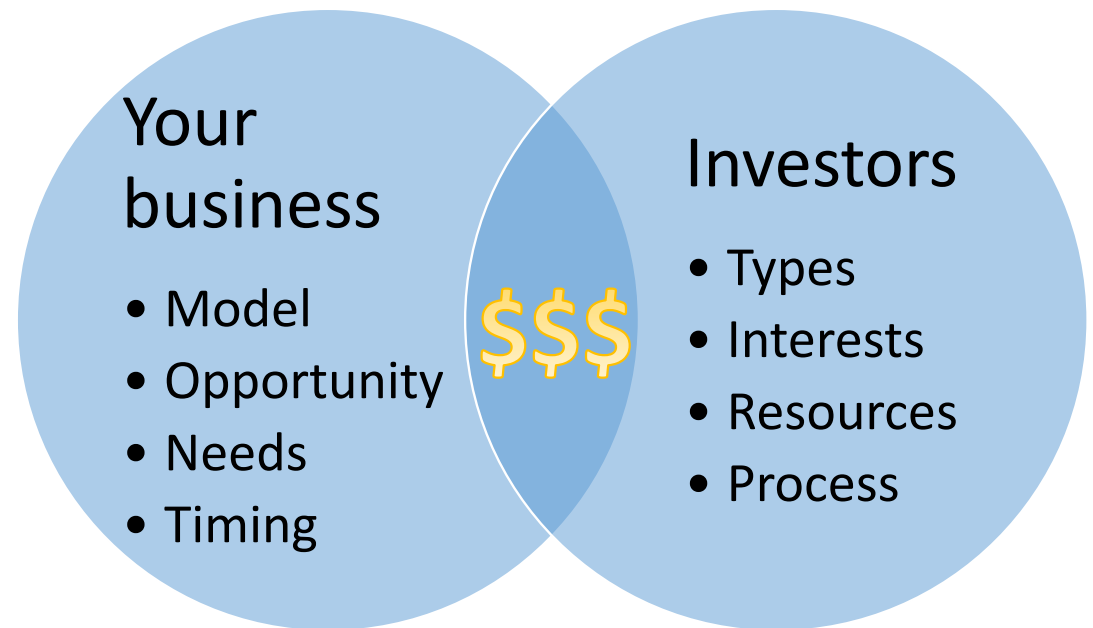


- Raising capital is a marketing problem
- Many types of funder, and many of each type
- Which should you sell to?
- How?

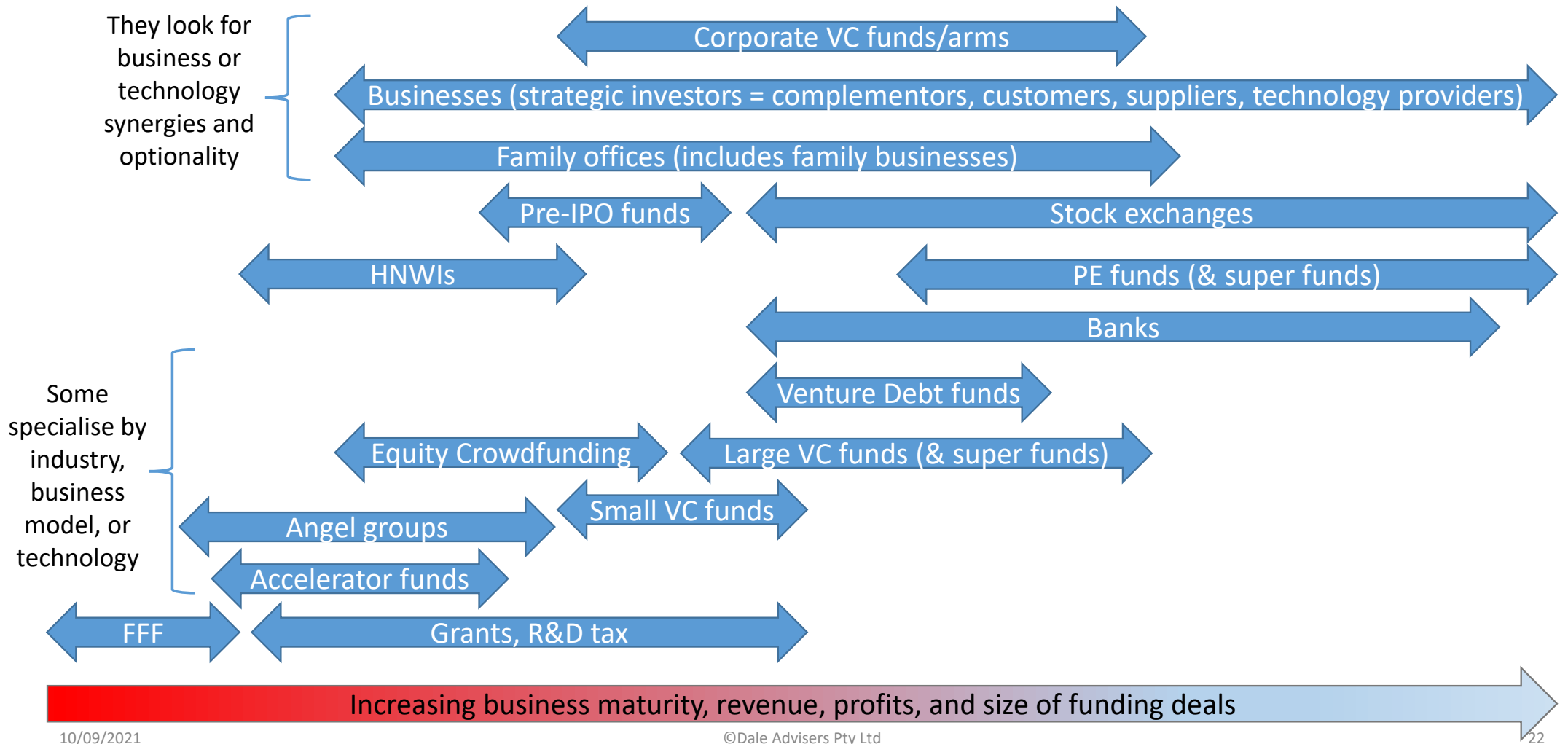


# Raising capital is a marketing problem

- Think of your business as a “Product”
- The “Market” you’re selling to is made up of many different types of investors
- Which types should you target?
- The ones with “Product – Market fit”
- How do you reach them? (outbound)
- Or how do they find you? (inbound)



# Which types of investor or source of capital is a fit?





# How can you engage with them?

	Outbound (directly approach suitable sources)	Inbound (build a profile and see who it attracts)
Method	<ul style="list-style-type: none"><li>• Build a list of suitable target investors</li><li>• Directly approach them (like B2B sales), to test their interest in investing in your business</li><li>• Staged disclosure and negotiation process.</li></ul>	<ul style="list-style-type: none"><li>• Build a public profile of what you do, and why you're better</li><li>• Mention you're also looking for investors</li><li>• Wait for interested parties to contact you.</li></ul>
Examples	<ul style="list-style-type: none"><li>• Personal networking</li><li>• Adviser led process</li></ul>	<ul style="list-style-type: none"><li>• Advertising to your market</li><li>• Reputation in your industry</li><li>• Social media campaigns</li><li>• Pitching competitions, demo days</li><li>• Campaigns on equity crowd funding platforms</li></ul>
Pros	<ul style="list-style-type: none"><li>• Control over process and disclosures</li><li>• Preferred by professional investors</li><li>• Pitch can be customised to address interests</li><li>• Learn and improve after each meeting</li></ul>	<ul style="list-style-type: none"><li>• Potentially broadest reach</li><li>• Also attracts customers and partners</li><li>• Serendipity, perhaps even virality</li></ul>
Cons	<ul style="list-style-type: none"><li>• Reach is limited by the list and access</li><li>• Can be more expensive (but not necessarily)</li></ul>	<ul style="list-style-type: none"><li>• Uncontrolled process and timing</li><li>• High risk of disclosure to competitors</li></ul>



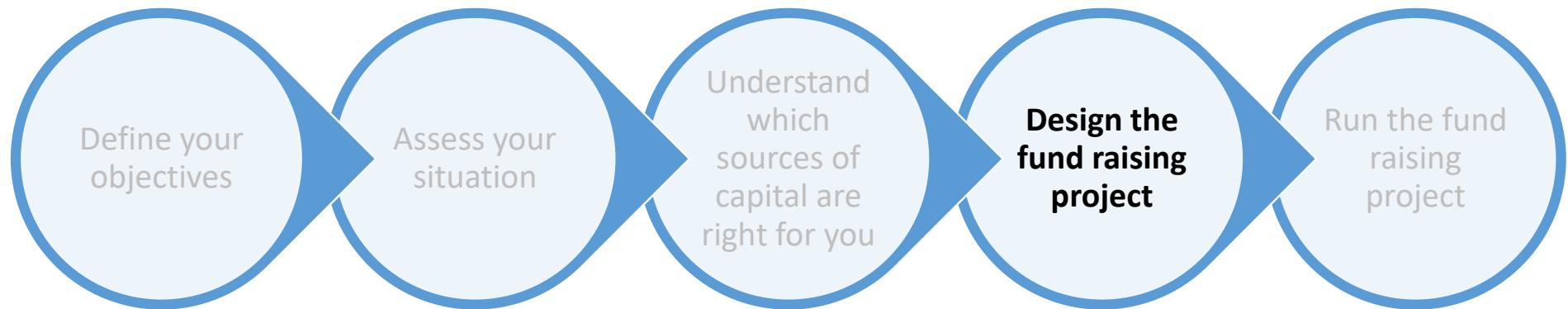
# Discussion

- If you've previously raised capital, how did you approach it?
  - Amount sought
  - Outbound or inbound approach?
  - Types of sources targeted
  - Did it yourself, or used an adviser?
- What was your experience?
  - Results
  - Time commitment
  - Elapsed time
  - Difficulties





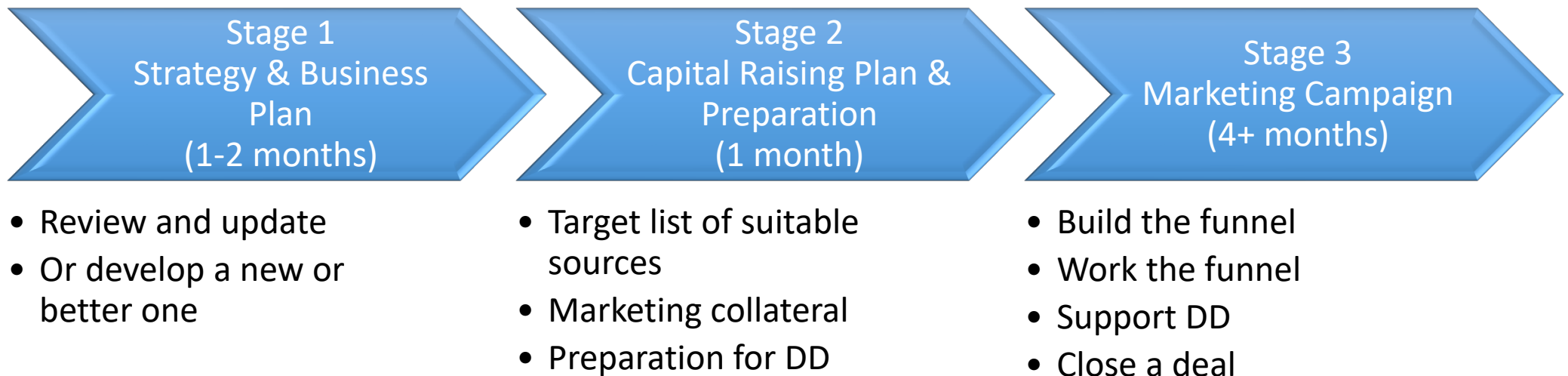
# Designing the Fund Raising Project

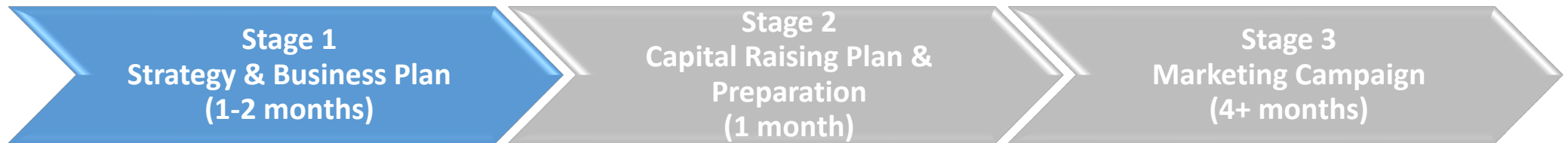


- First update strategy and business plan
- Choose fund raising process and team
- Determine DD requirements
- Plan the project

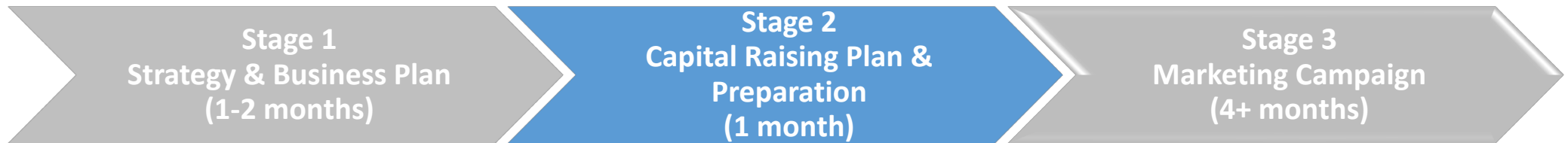


We recommend 3 stages for the project, which will take around 6 months (depending on your business)





- Review current strategy, business performance, business plan, financial model and funds required
- If appropriate, recommend changes to strategy and business plan, and redo financial model
- Determine amount and timing of funds required to implement business plan, and indicative market terms for raising the funds
- Obtain Board and shareholder agreement on strategy, business plan, and fund raising mandate



- Develop a target investor list compatible with the strategy and fund raising mandate agreed in Stage-1
- Develop an executive summary (“teaser”) of the business plan and investment opportunity, tailored to the interests and requirements of each type of target investor
- Develop plan for Stage-3 Marketing Campaign
- Determine the preparation you will need for investor meetings and due diligence
- Obtain Board approval for executive summary, target investor list, and plan for Stage-3
- Start work on preparations:
  - Investor presentation
  - Investment documentation
  - Due diligence files
  - Dataroom



# Do it yourself, or use an adviser?

	Do it Yourself	Use an Adviser
Pros	<ul style="list-style-type: none"><li>You're in complete control</li></ul>	<ul style="list-style-type: none"><li>You get the benefit of their knowledge, experience, and network</li><li>Reduces your workload and time commitment</li><li>A hybrid approach is possible: adviser leads on some things, management leads on others</li></ul>
Cons	<ul style="list-style-type: none"><li>It will take up a lot of your time and the time of your team, the business may suffer</li><li>Rookie errors, costing opportunities and time</li></ul>	<ul style="list-style-type: none"><li>It will cost you more in cash (but probably less in time and opportunity costs)</li><li>No adviser can guarantee a result, it's always on a best efforts basis</li></ul>
KSFs	<ul style="list-style-type: none"><li>Know what to do</li><li>Use your network</li><li>Good preparation</li><li>Run a good process</li><li>Commit enough time and resources to it</li></ul>	<ul style="list-style-type: none"><li>Find a good one, with a licence</li><li>Involve them in the strategy &amp; business plan stage, as they need to be confident in the "product" you want them to sell</li><li>Be open with them, explain the weak spots, who you've already tried, and any "baggage"</li><li>"One team" approach, weekly huddles</li></ul>

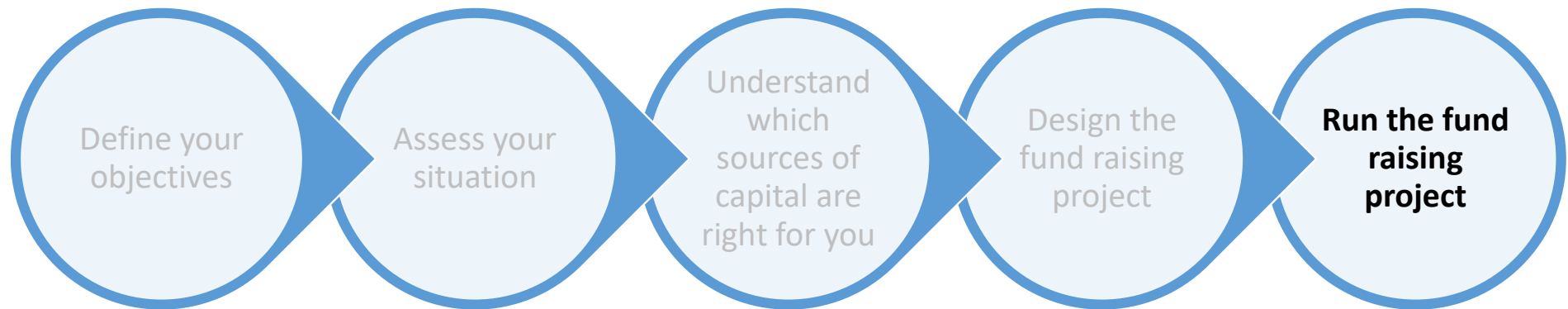


# Discussion

- Should you modify your strategy and business plan to appeal to certain types of investor?
- Should you offer a term sheet, or ask for offers?
- Should you promise an exit plan for investors?
- How do you find a good adviser, and what are typical terms?
- Other questions?



# Run the Fund Raising Project

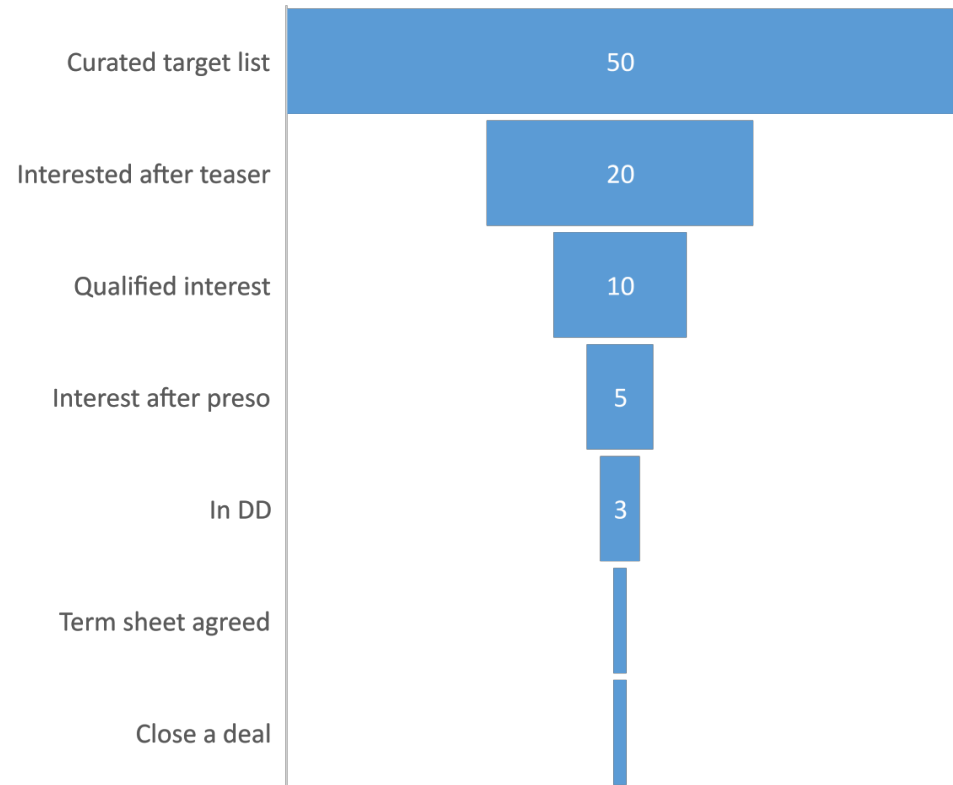


- Build the funnel
- Start conversations
- Qualify interest
- Support due diligence
- Close a deal



# Build the funnel and manage through to closing a deal

1. Systematically approach each type of target investor using a staged process to test interest before disclosing too much
2. Engage in Q&A to qualify their interest and suitability
3. Invite qualified investors to a presentation (and site tour or demo), allowing them to assess the team, and see the products and operations
4. Respond to the due diligence requirements of investors wanting to take things further, and give them access to a confidential dataroom
5. Try to move discussions forward, but pace usually determined by the investor
6. Develop term sheet and negotiate with the serious investor(s) who remain
7. Ideally, close a satisfactory deal







# Discussion

- What can be done to shorten the process?
- Can we update and change things along the way?
- To what extent should we accommodate investors' requests for information or changes to business plan or terms?



# Wrapping up and call to action

- Today we've explained how to prepare and run a good process for raising the capital your business plan needs
- Later this week we'll provide you with a version of today's presentation
- Along with a capital raising readiness self-assessment tool
- We encourage you to complete the self-assessment and share it with us so that we can follow-up to understand your requirements in more detail