



THE INFORMATION TECHNOLOGISTS' COMPANY

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Pre-requisites for Technology Companies seeking Venture or Angel Funding

Prior to directly seeking venture or angel funding for their business, the Principals or Promoters need to demonstrate / reveal:

1. **Demand / Opportunity** – a clear demonstration of the market demand / problem to be overcome, or opportunity to be taken. There must be the potential for rapid growth. Evidence of solution acceptance and willingness to pay for it from target market is critical.
2. **Solution which is compelling and sustainable** – showing potential for the product or the service completely to satisfy or overcome the business need or problem i.e. why it will have a winning and sustainable advantage in the near future.
3. **Resiliencies** – resistance to external threats and continuing robustness of the Company's business model. What protection is there against:
 - (i) competition (assertions that there is 'no competition' are rarely believable);
 - (ii) obsolescence; and
 - (iii) current or projected economic cycles and other downside risks?
4. **Quality of IPR and competitive advantage** – for example, the uniqueness of the solution, its differentiation from and competitive advantage over the existing market place. The existence of clear IPR rights is an undoubted plus. If these do not exist then clarity over the barriers to plagiarism are important.
5. **Competitive Positioning** – list the key players and the barriers to their entry in competition with the company.
6. **Business model** – this must show proof of concept, channels and routes to market, sales pipeline, the methodology for charging customers, pricing models and details of any recurring revenue. It is undoubtedly better if customers exist who have already been signed up or are committed even if they are have been given 'early adopter' pricing.
7. **Team/Experience** – the entrepreneurial team and its business partners must have a range of skills and experience with roles clearly defined e.g. CEO, CFO, VP Sales, CTO. An experienced mentor or non-exec. director can be helpful.
8. **Financial Return** – the business plan should be prepared in a granular fashion (e.g. predicted sales from defined numbers of sales people from specific market segments), should show sensitivities against different up-side and down-side scenarios and must show a financial return to potential investors. Realism is important – a plan that shows an 'early struggle', then 'magic' happening followed by global domination, will be greeted with scepticism.
9. **Business partners** – it is important to demonstrate both the quality and engagement of upstream and downstream business partners. Defining the value proposition for these partners is important too i.e. how they will make money from working with you.
10. **Business Positioning** – including analyses such as a SWOT, PEST (political, social, economic, technical), and/or Porter's 5-Forces (3 "horizontal" competition Forces, namely: threats of substitute products, from established rivals and from new entrants and 2 "vertical" competition Forces, namely: bargaining powers of suppliers and of customers) will provide a sense of depth to the plan.
11. **Due Diligence readiness** – it can help if you can show an orderly enterprise, which means documentation, process manuals, board minutes, plans, contracts and financials to pass due diligence processes speedily.
12. **Finance required** – this should show the financing undertaken to date, the ongoing requirements for finance and how it will be spent. It should be clear whether the money sought is pre-revenue, development or growth finance. In addition, a complete list of shareholders and their share ownership, should be provided including all 'promises', options and inducements made to anyone.