

Equity Matters Series: 1. Long Term Funding Strategy

16-02-2022



Agenda

- + Opening
- + Presentation on Long Term Funding Strategies
- + Panel Discussion
- + Questions and Answers
- + Links and Resources



Equity Matters Series

Long Term Funding Strategy

16th February 2022

- *Mapping and updating your funding journey*
- *Common Instruments*
- *Cap table structure*
- *Understanding investor motivations and goals*

Investor Types

22nd March 2022

- *Who invests in earlier stage*
- *Pro's & Con's of each investor type?*
- *Investor type and fit with long term funding strategy*

The Deal – Part 1: Investment Economics

26th April 2022

- *Who invests in earlier stage*
- *Pro's & Con's of each investor type?*
- *Investor type and fit with long term funding strategy*

The Deal – Part 2: Investment Management

31st May 2022

- *Control Rights*
- *Decision making rights*
- *Share transfers*
- *Insurances*

Investor Types

28th June 2022

- *Preferred share rights*
- *Liquidation Preferences*
- *Anti-dilution rights*

The Deal – Part 1: Investment Economics

26th July 2022

- *Exit Types*
- *Secondary sales*
- *Exit Strategies*

Today's Speakers



Anthony Quigley

*Founder
Code Institute Limited and The
Corporate Governance
Institute*



Tom Early

*Head of Funding & Scaling
Solutions
Enterprise Ireland*



Killian McMahon

*Senior Investment Advisor
Enterprise Ireland*

Funding Strategy



Funding Strategy

- + ***Draft and constantly revise your long term financing strategy:***
 - ***Map your funding journey***

For example, if you give away 50% of equity at seed stage, you could end up with a small shareholding percentage when an exit occurs
- + ***Share cap table structure matters***
 - ***The simpler the cap table the better***
- + ***Consider using nominee structure(s) where you have a fragmented cap table with many small non-institutional investors***
- + ***Devise a distribution waterfall after each round***



Considerations



- + *You may need to consider a share split:
- If the price per share is high, this can cause negotiations about rounding up to the nearest share*
- + *If you are issuing a new instrument (e.g. options or warrants), make sure you understand the new instrument*
- + *Ask for ESOP to be completed after new investment(s)*
- + *Negotiate – it is allowed*

Investment Instruments





Investment Instruments:

- + *Ordinary Shares*
- + *Preferred Shares*
- + *SAFE — Simple Agreement for Future Equity*
- + *KISS — Keep it Simple Securities*
- + *Convertible Loan Notes*
- + *Loan Notes*

Choosing an Investor





Goals and Motivations



VCs are seeking to:

- + *Secure adequate control*
- + *Mitigate financial risk*
- + *Maximize return*

Entrepreneurs are seeking to:

- + *Maintain their financial interest*
- + *Maintain adequate control*
- + *Limit future constraints on decision making*

Negotiation is allowed and expected

Both parties must seek alignment and trust



Questions to ask investors



Is the investor providing more than financial support?

What is the VC's track record?

How much money is the VC investing personally?

How big is the VC / investor fund?

- + Is investment performance remuneration the primary element of the VC's compensation?*
- + Will the investor be able to follow its money?*



Questions to ask investors

Ask to talk to portfolio company CEOs (you select from the population)

Where is the fund in its life cycle?

+ *Is the fund raising a new fund?*

Is an ESOP required?

+ *Will the company be able to allocate all the share options?*

+ *If all share options are not allocated, existing shareholding percentages can increase*

Thank You

- + The next webinar in the series is Funding & Investor Types on Tuesday 22 March at 11am

Register here:

globalambition.ie/equity-matters-webinar-series/

- + For more information on the supports mentioned: visit enterprise-ireland.com.