

# How to choose your **investor?**





**ESN**  
**EUROPEAN**  
**STARTUP NETWORK**

# How to choose your **investor?**

# Agenda

Investment criteria

Choose an investor who can add value

How does their fund work?

Your due diligence

Personal fit

Be careful

What to look for in your investor? Questions to ask after 2<sup>nd</sup> meeting

# Focus Areas

What do we do exactly?

## Giving startups a voice

- Startup Manifesto ([www.startupmanifesto.be](http://www.startupmanifesto.be))
- Karen Boers @ Digital Minds for Belgium (taskforce Alexander De Croo)
- Representation in Startup Nations PR
- Campaigns (110 press articles in 2014)

## EU Projects

- Growing visibility & opportunities for the Belgian startups
- LIFE project: coordinator ([www.failbetter.eu](http://www.failbetter.eu))
- Erasmus for Young Entrepreneurs: Partner

## Startup Monitor

- Smart analysis on startup landscape & ecosystem  
=> infographics, maps & reports

## Giving startups a voice

- National representation
- EU & world-wide connected
- Lobby
- Research

# Reviewed by



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Partner



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Partner



# Investment criteria

Active in your region

Ticket size and round(s) for you

Your sector and/or industry

If not, maybe not the good fit

BUT you can try to get some feedback

# Investment criteria

What's their time horizon as investor?

- When did they start the fund? For how long?
- How much money do they still have?
- When do they want to exit?

⇒ Questions to ask to them



# Investment criteria

What is their risk appetite?

- High risk / high return?
- Lower risk / lower return?

What's their expected exit value?

=> Questions to ask to them

# Choose an investor who can add value

Your investors give advice above money

Consider them as a partner more than shareholders

Ask for intro before they invest

=>Test these points during due diligence (before Term sheet)

# Choose an investor who can add value

Do they ask relevant questions?

Are they credible?

Did they have had exits in your domain?

Do they have international experience and want to follow you in this strategy?

# Choose an investor who can add value

Where do you lack people/competences?

- Can the investors help you fill this gap?
- Do they have the network to?

Did they already co-invest with top investors?

- Was it a successful investment?

# Choose an investor who can add value

Where do you lack people/competences?

- Can their personal background help you?
- How did they make money?
- Have they already worked/invested in the sector/industry? Have they had an exit?

# Choose an investor who can add value

How many startups do they (plan to) have in their portfolio?

What's the real commitment/time they can allow to you?

=> Questions to ask to them

# Personal fit

Do you want to be called/call him at night?

Do you want to call this person each week for the next 7 years?

Do you feel comfortable with this people?

=> Questions to ask to yourself

# Personal fit

What is his personality?

- Aggressive / call often
- Pressure vs passive

How will you work with him?

Is he excited by your company/product?

=> Questions to ask to yourself & him



# Personal fit

He has less knowledge than you on your market and product.

How does he handle this?

- Humble, arrogant, ...?

⇒ Questions to ask to yourself

# Be careful

If nothing is to find online about them

If no good feedbacks from (ex) portfolio's companies

If ask too low valuation or too much equity => doesn't know the rules. Opposite is true either!

# Be careful

If they don't have experience in investing

If they don't know how to handle a term sheet

If they only bring cash

# Be careful

If there is no personal fit

If they are not your «ideal » investor

If they want to be reassured, want precise and long term revenues predictions

- When you are a pre-revenue/ really early-stage startup

# Be careful

«logo investment» doesn't mean they made a good return.

- Ask the shares they have
- How they did it?

Did they invest recently?

- Are they active or will just lose your time?

# Your due diligence

What's their reputation?

- Challenge it
- Check online

How do they handle portfolio companies (success and failures)?

⇒ Call their current/past portfolio companies

# Your due diligence

What's their track record?

What's their IRR?

- Will they raise a new fund?
- Will you benefit from their reputation?

Why do they invest?

- Do they have objectives next to return?

# How does their fund work?

What's their fund size?

What's their follow-on investment policy?

How much can they invest in a company?

⇒ Questions to ask to them



# How does the fund work?

Are they raising a new fund?

- Important for future funding rounds
- It shows current performance

Do they lead rounds?

Do they co-invest (solo vs syndicate)?

# How does the fund work?

## Who are the Limited Partners?

- Objectives of LP's?
- Help from LP's?

Can the LP's co-invest?

# How does the fund work?

Who are the partners / principals / analysts?

- Which role has each of them?

Who are the shareholders in the fund?

Who will sit on your board?

- Is he a leader in the fund?

# What to look for?

Network

Brand name

Level of capital to support

Sector expertise

Deal experience

Vision

Investment thesis

# What to look for?

People you can learn from

People that will learn from you

People that can add value. How?

- Network (recruitment, biz dev)
- Knowledge
- Moral support
- Expansion (International experience)

# What to look for?

People who are objective and can have a helicopter view

People who have time to help you

- How many startups did they already invest in/ will invest in?

# SUM UP

On the short term it's more painful not to raise than raising but on the long term it's safer

# Appendix

What's their investment process?

How is the investment's decision made?

Who does make the decision?

What's the timing to closing?

What are their fund's performances up to now?

⇒ Questions to ask after 2<sup>nd</sup> meeting



# Any Questions?

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