

Investor Readiness : 99 Questions





ESN
EUROPEAN
STARTUP NETWORK

Investor readiness: 99 questions from investors

Attention points

- Team
- Product & technology
- Market & competition
- Business model
- Metrics/unit economics & traction/growth
- P&L
- Clean company

Attention points

Founders' tips

- Each point is a reason to decline
- Ask/know/understand what is crucial for the investor in front of you
- The further you are in the funding stage (Serie B vs pre-seed) the more precise the answers you need to provide
- Recap :
 - pre-seed -> discover
 - seed -> test
 - Serie A -> grow
 - Serie B+ -> scale

Founders

1. Are you a complementary (founding) team?
 - Technical & engineering, marketing, sales (+finance)
2. What's your background/experience? Is it relevant?
3. Do you have experience/network in the sector?
4. How did you meet each other?
5. How long do you know each other?
6. What did you reach together?

Founders

7.How do you solve conflicts?

8.Do you, as founders, have the right :

- Vision, determination, humility, ambition, resilience, charisma and integrity?

9.What is your knowledge regarding :

- Market, industry, needs, customers, what—slacking in company?

10.Do you know the metrics to look for?

11.Do you know how to assess the market?

Founders

12. Are you realistic?

13. Would we work together for the next 5-7 years?

14. Do I want you to call me @2 am because you have a problem?

15. Do I want to cancel my holidays for you?

Founders & Team

16. Are there seniors in the team?

17. Do you have the key people / roles to go to the next milestone(s)?

18. How many people in each «department»? What's their background?

19. What are the next hiring to be made?

Founders & Team

20. How will/did you hire the people?

21. Why would they work for you?

22. What are the salaries?

23. Can you execute / deliver?

24. Do you have a concrete plan/ know where to go?

Product

25. Is the product stable & scalable?

26. How easy is it to use/integrate it? (User Experience)

27. What's the technology you use?

28. What are the «moats» that you built?

29. What's the product roadmap (12-24 months)?

30. (Do you have patents?)

Market

- 31. Is it in a market I focus on/ have knowledge?
- 32. Is it a fragmented or concentrated market?
- 33. What is the current/future market growth rate
- 34. How many potential customers do you have? (TAM)

Top-down & Bottom-up

Market

35. How did you assess the market potential and industry sales?

36. Is it a new market or a current market to be disrupted?

37. Is it the right moment to target this market?

38. What are the market segment(s) you are going after?

Customers

39. Who are your customers?

40. How do they currently solve the problem you are tackling?

41. How much do they currently spend in this area?

42. What is the perceived value of your product?

43. How much potential customers can you target?
(TAM)

Customers

44. How much potential customers can you reach?
45. How long is the sales cycle?
46. How long is the contract?
47. Who is the decision maker?
48. Why would they not chose your product?
49. What is the NPS (net promoter score)?
50. What is the customers—concentration (%your sales)?

Competition

51. Who are the competitors?

- What—stheir size and funding?
- How long do they exist?

52. What are their value proposition & perceived value(s)?

53. How is your solution better (cheaper, more efficient, quicker, easier, ...)?

- Did customers change from your solution to yours?

Competition

54. Are there (in)direct competitors?

55. If only indirect competitions, why nobody tried before?

56. Who are the «latent » competitors?

- Is it a fragmented / concentrated competition?

Business Model

57. What problem do you solve that hasn't been solved before?

58. How does the customer solve the problem currently?

59. Why hasn't it been solved (better) before?

60. What is the value proposition?

61. What is your revenue model (recurring or transactional)?

Business Model

62. What is your pricing (plan)

63. What are your acquisition channels (paid vs organic & (in)direct)?

64. Do you solve a problem or do you follow an opportunity?

Metrics

65. How many (active) users/customers?

66. What are your revenue (MRR, transaction)

- Contract value vs Revenue

67. What is your retention & usage rate? / What is your churn rate?

- Cohort Analysis
- Usage rate (daily/weekly/monthly/...)

68. How does your funnel look like?

- What are your different conversion rates?

69. How does your funnel look like?

Metrics

70. Do you upsell?

71. What is your evolution / growth for each of the segment?

Founders' tips:

Each business has its own metrics. Be careful to follow the right ones for your startup!

Unit economics

72. What is your CAC (customer acquisition cost) per channel & segment?

73. What is your CLTV (customer lifetime value)?

74. How long is the payback period?

75. How much transactions do you have per week/month?

76. What is the transaction size?

77. What is your ARPU (Annual/average revenue per user)?

Unit economics

- 78. What are your gross and contribution margins?
- 79. What's the ratio recurring vs total revenue?
- 80. What's your (net) burn rate?
- 81. How does each of this unit evolve?

Plan for the future

82. What are the milestones you want to reach?

83. How will the team evolve?

84. Are you going to raise further rounds?

85. How will the law evolves?

Deal

86. Is it a good investment opportunity?

87. What's the valuation?

88. What's the current cap table?

89. Who are the other investors around the table (if any)?

90. How long can you run with the money you are raising?

91. How will you evolve with less/more money?

Legal / Due Diligence

92. Is the IP protected?

93. Is your brand protected?

94. What kind of contracts employees & outsourcing partners do have?

95. What are the contracts that you have with partners?

96. What are the contracts that you have with clients?

Legal / Due Diligence

97. How does your cap table look like?

98. How was the previous term sheet(s) you signed?

99. Are your accounts ok?

Risks

- **Why would you fail?**
 - Financially (do not raise enough/ burn too much or do not go to next milestones)
 - Legal & product liability
 - Technology (new standards, shift in usage)
 - Environmental

Why would an investor not invest

- **Team**

- Don't believe (in) the team
- No personal fit
- Not ambitious enough
- Lack of knowledge
- (Lack of key people)

Why would an investor not invest

- **Product**

- Does not work, has main bugs/problems
- Scalibility problem (robustness)
- Not innovative enough
- Outdated techno
- Does not solve any problem
- UX and UI

Why would an investor not invest

- **Market**
 - Not big enough
 - Complicated
 - Not growing
 - Wrong time to market
 - Out of VC's scope

Why would an investor not invest

- **Competition**

- Too crowded
- Not clear differentiation
- No clear USP

- **Customers**

- No traction (seed) / no growth (Serie A +)
- No clear need/problem
- Wrong target(s)/segment(s)

Why would an investor not invest

- **Business model**
 - Complicated revenue model
 - No (future) profitability -> unit economics & metrics
 - No clear/efficient customers/users acquisition strategy
 - No clear UVP

Why would an investor not invest

- **Others**

- Not excited by product/market/team
- Don't understand the product/market/team
- Too busy at the moment
- End of fund
- Out of scope (too early/late, wrong geography, wrong industry/sector)

Focus Areas

What does ESN do exactly?



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EUROPEAN
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Make Collaboration Happen

- Startup European Partnership programme (<http://startupeuropepartnership.eu>)
a platform where the best scale-ups meet the best corporates

EU Projects

- Growing visibility & opportunities for European startups
- Corship (<https://www.corship.eu/>)
- UpskillingLab 4.0 (<https://www.upskillinglab.eu/>)
- TETRA (<https://www.ngi.eu/ngi-projects/tetra/>)

European Startup Monitor

- Analysis on European startup landscape & ecosystem
=>infographics, maps & reports
- Providing the insight for policy makers to design the strategies
- Latest version 2019/2020 (europeanstartupmonitor2019.eu)

A common voice for European Startups

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