

Different Forms of Entrepreneurship

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Four basic questions:

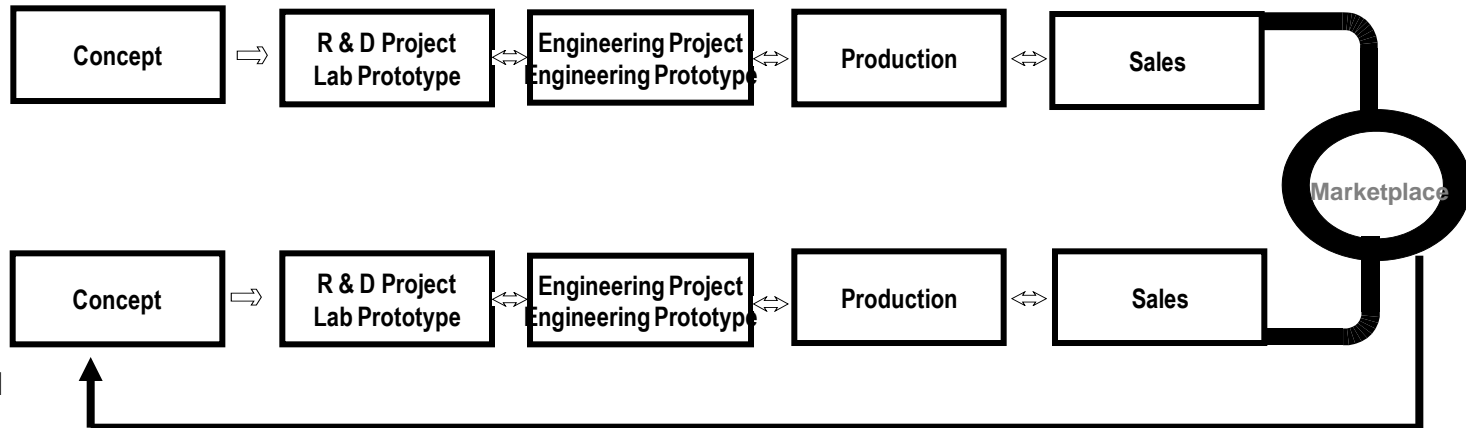
- What does my business look like ?
- What resources do I need?
- How do I fit into the rest of the world?
- What is my business model?

Technology Commercialization

KNOWLEDGE
Universities / Hospitals
Government Labs

PATENTS (Novel, Useful, Non-Obvious)

Company II



Company I

Business types - Consulting

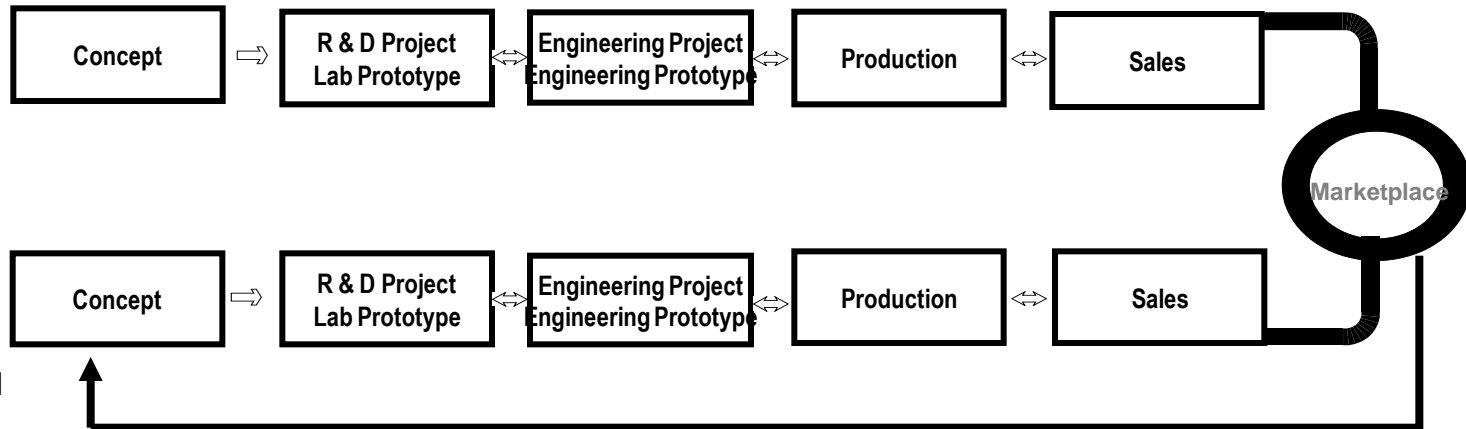
- You provide advice, based on your specialized knowledge

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Company I

Consulting Cont'd

- Can start as a one-person business
- May have a technical, management, or marketing focus
- Often stay small, but consulting engineering firms can be large (e.g Hatch Associates)
- Often operate via a virtual network of consultants
- Need liability insurance
- Capital costs low

Business types - Consulting

■ Q: How much should I charge?

* A: What is the client's alternative cost?

Business types: Service

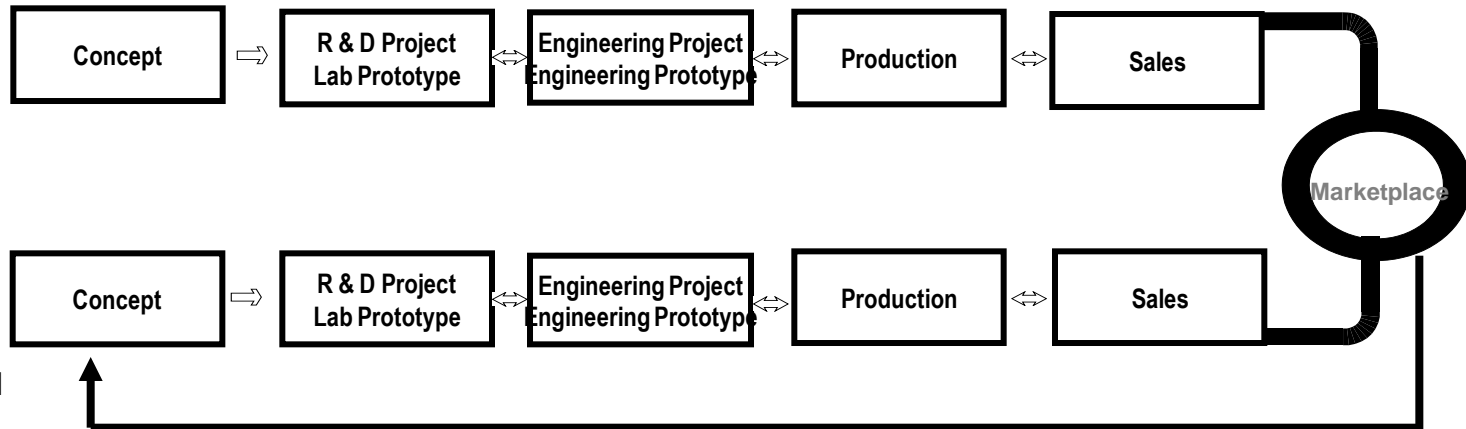
- You provide a service to existing businesses

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Company I

Service business.... Cont'd

- Technical service businesses often provide analytical services
- May provide custom clinical trials
- Classic IT service providers
- Can be very small or very large
- Capital costs can be quite high

Business types: Product

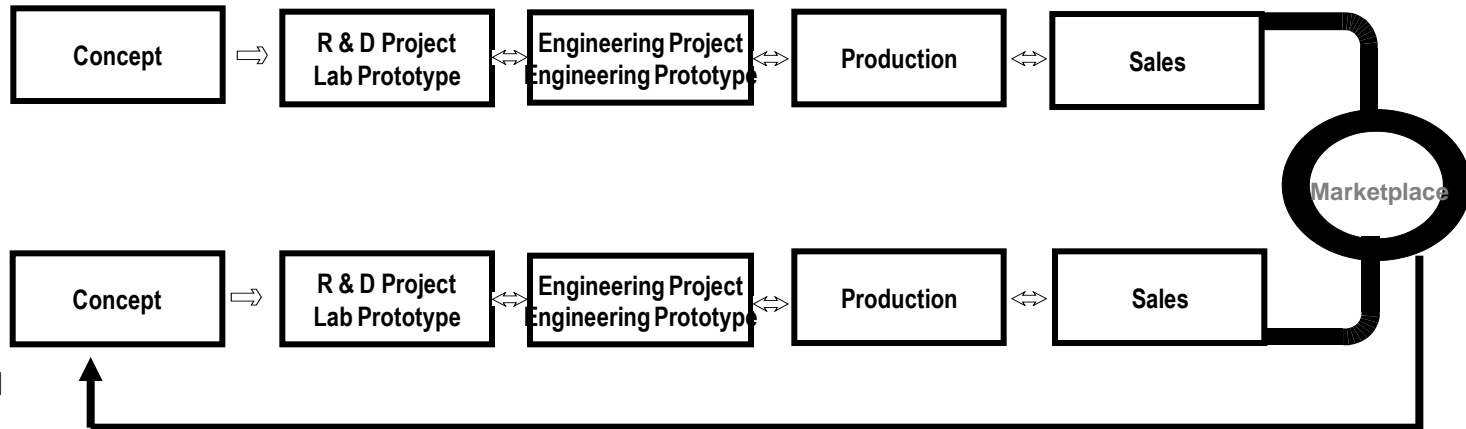
- You have real article (pharmaceutical compound, medical device, consumer product....) that you wish to take to the market

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Company I

Product Cont'd

- Examples range from cottage industry craft producers up to General Motors
- Capital needs vary widely, but there will usually be a need for at least working capital
- “Mercedes in the driveway” vs. high growth

Types of Financing

- **Debt**
 - ▶▶ **You borrow from someone, using some asset as security, an amount that will have to be repaid**
- **Equity**
 - ▶▶ **You sell a piece of your venture to someone in exchange for an investment in the venture**
- **Bootstrap**
 - ▶▶ **You self-fund by using the profits of your business to grow the business**

The Lemonade Stand Example

Assume you're 8 years old and you need \$20 to set up a lemonade stand

	<u>Revenues</u>	<u>Debt</u>	<u>50:50 Equity</u>
Rain	\$10	lender loses \$10 entrepreneur gets \$0	partner loses \$15 entrepreneur gets \$5
Cloud	\$30	lender is even entrepreneur gets \$10	partner loses \$5 entrepreneur gets \$15
Sun	\$50	lender is even entrepreneur gets \$30	partner makes \$5 entrepreneur gets \$25

Sources of Debt Financing

- You – your mortgage
- You – your credit cards
- The 3 F's – Friends, Family and Fools
- Banks
 - ▶▶ Can lend to you (e.g. line of credit) or to your venture
 - ▶▶ Lend against assets or receivables
- Venture Debt funds

Sources of Equity Financing

- The 3F's again – Friends, Family and Fools
- Angels (aka high net worth individuals)
 - ▶▶ Generally like to invest in areas that they have worked in or are comfortable with
 - ▶▶ Can add valuable hands-on experience
 - ▶▶ <http://www.angelinvestor.ca/>
 - ▶▶ http://www.mapleleafangels.com/186103_186104.html
- Venture Capital Funds
 - ▶▶ Different funds invest at different stages in the growth of a company
 - ▶▶ <http://www.cvca.ca/>

Special Financing Sources

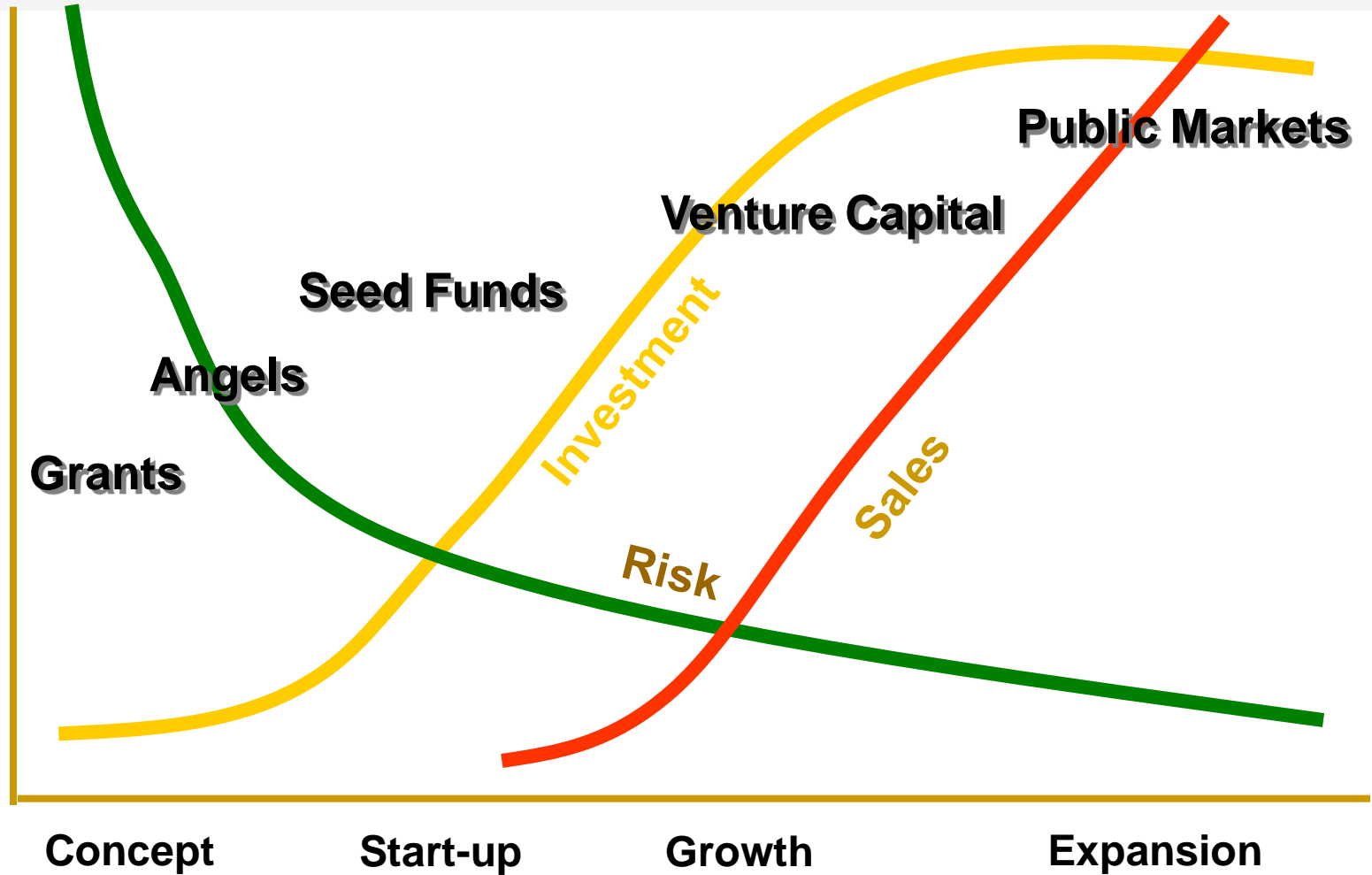
■ Proof of Principle / Idea to Innovation

- ▶▶ <http://www.researchnet-recherchenet.ca/rnr16/viewOpportunityDetails.do?prog=205&view=search&terms=proof+of+principle&org=CIHR&type=AND&resultCount=25> NSERC Idea to Innovation (I2I) Program
- ▶▶ http://www.nserc.ca/professors_e.asp?nav=profnav&bi=b4

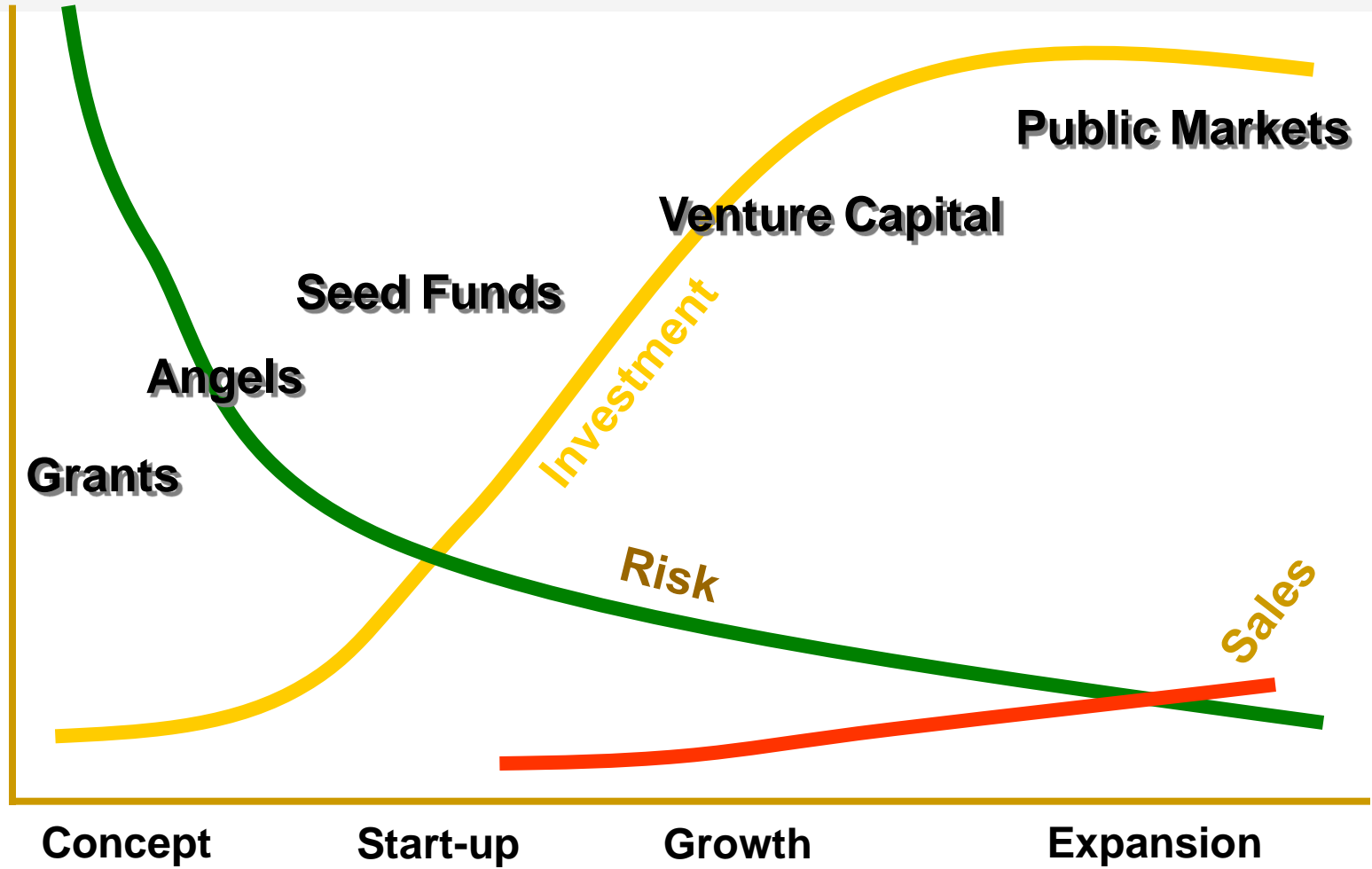
■ NRC - IRAP

- ▶▶ http://irap-pari.nrc-cnrc.gc.ca/main_e.html

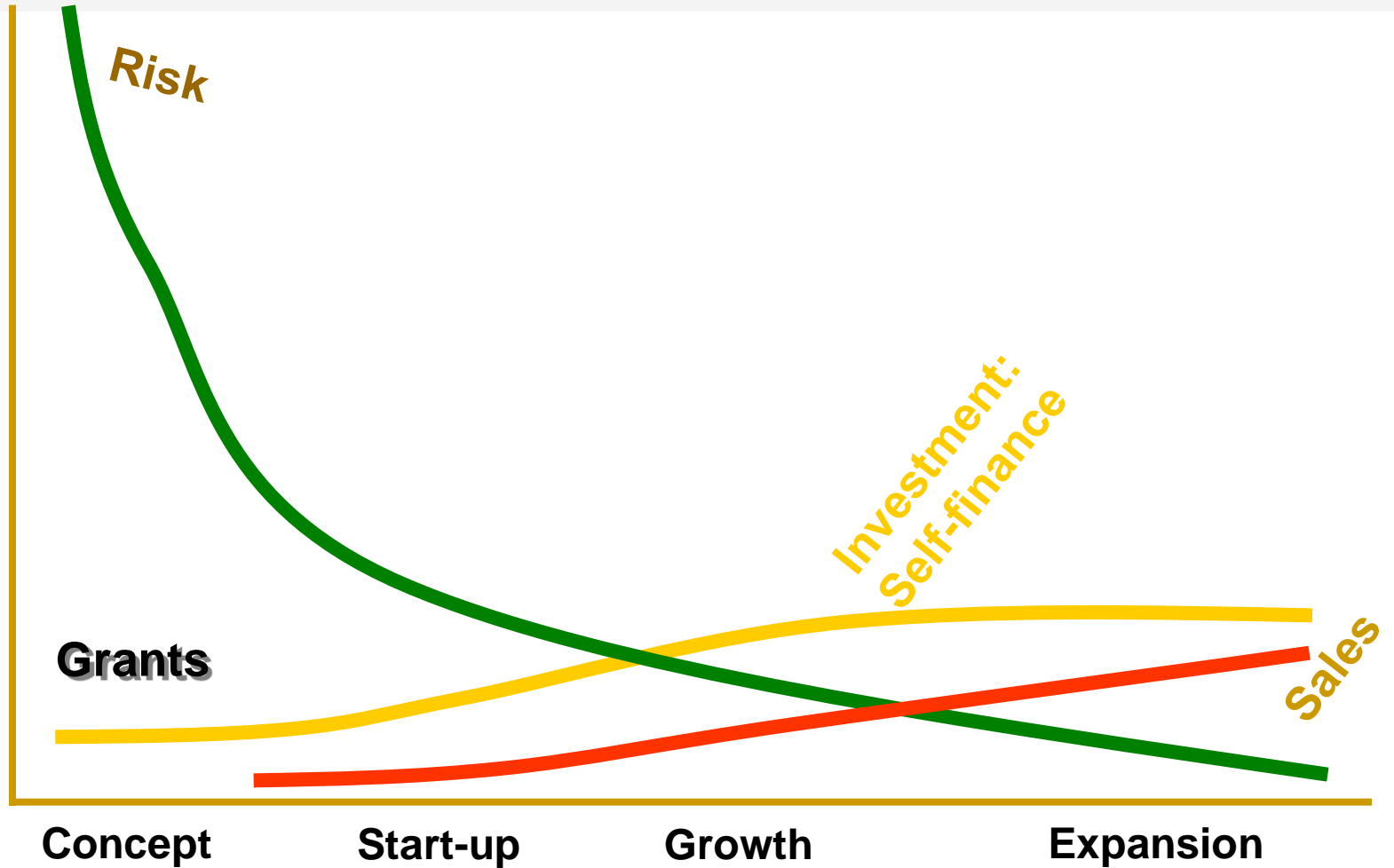
The Financing Life Cycle



The Financing Life Cycle



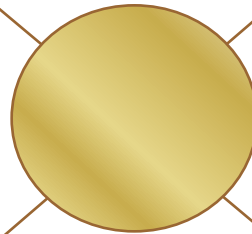
The Financing Life Cycle



What do Financing Sources Look For ?

Technology Risk

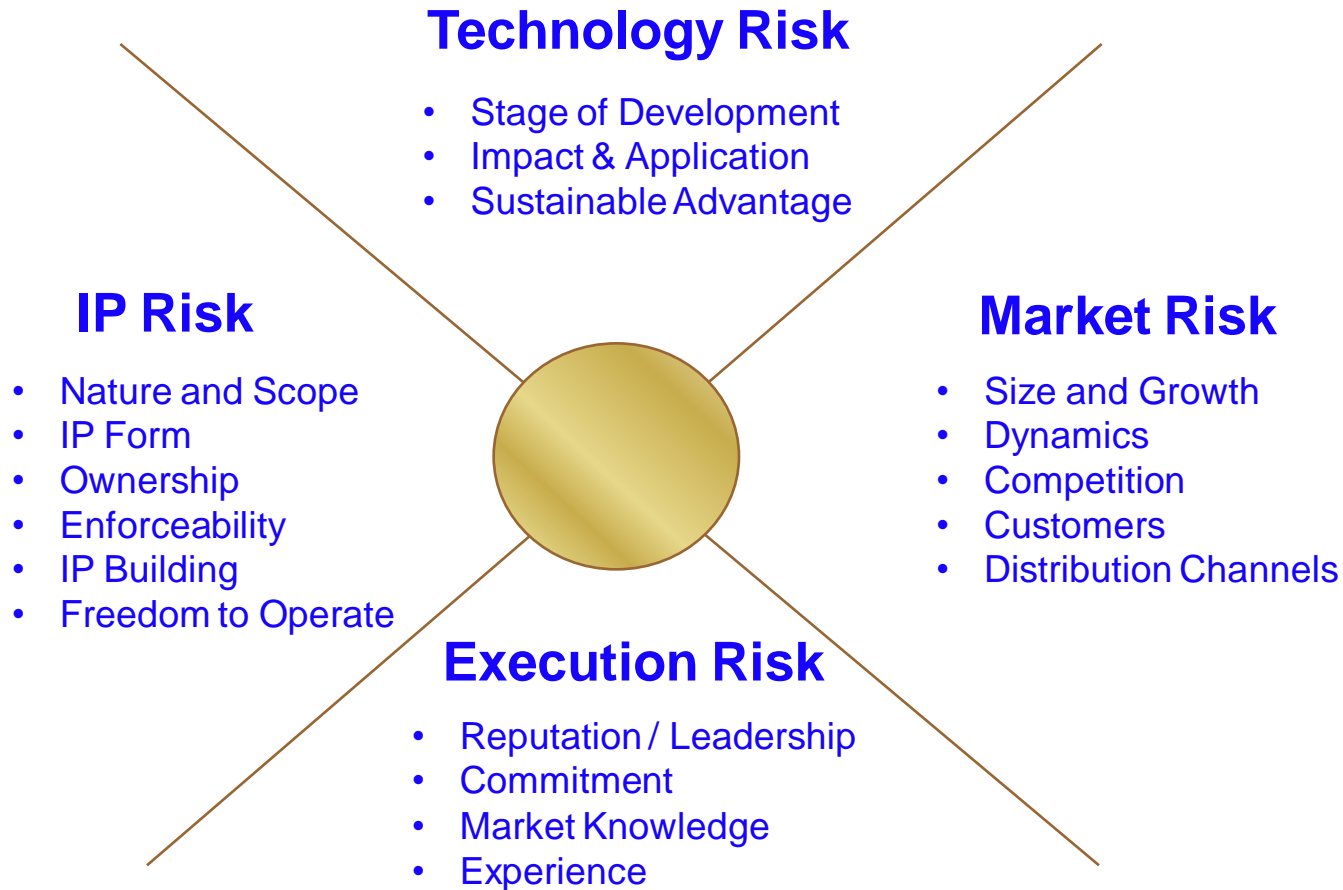
- Stage of Development
- Impact & Application
- Sustainable Advantage



Technology Risks

- Stage of Development (concept ✍️ proof of concept ✍️ prototype of product)
- Product development path (costs and “risks”)
- Technology impact
- Scope of application
- Competitive technologies
- Disruptive technologies
- Reliance on infrastructure
- Ease of scale-up, technology transfer, copy
- Manufacturability and costs

Due Diligence and Valuation Criteria



Intellectual Property Risks

- Nature of the invention
- Scope of the invention
- IP form: Patent, know-how, software
- Ownership of IP - Lingering rights of funding agencies or students
- Level of IP protection – NA, worldwide
- Competitive research activity, patent activity, availability of Licensees
- Prior disclosure - publications or conferences
- Enforceability

Market Risks

- Market size, dynamics and growth potential
- Route to market, access, scalability
- USPs of the products or services
- Nature of the customers
- Lead customers
- Market or industry drivers
- Competitive landscape and profit margins
- Regulatory barriers or opportunities

Execution Risk

- Management vision for the company
- Management leadership ability
- Commitment and drive
- Recognized technology expertise
- Knowledge of the market, networks
- Skills required to move the technology through all stages of development and product launch
- Reputation in the marketplace

Building a Business Model

- Where do you fit in the ecosystem?
 - What do you enable (not just what do you do)?
 - How much money is on the table?
-
- **THINK BIG!**