



ICAP
Innovation Commercialization
Assistance Program

Funding for Later-Stage Startups

June 16, 2022



The Virginia SBDC Network is funded in part through a cooperative agreement with the U.S. Small Business Administration, George Mason University, and local host institutions. The Virginia SBDC is credentialed in technology by America's SBDC.

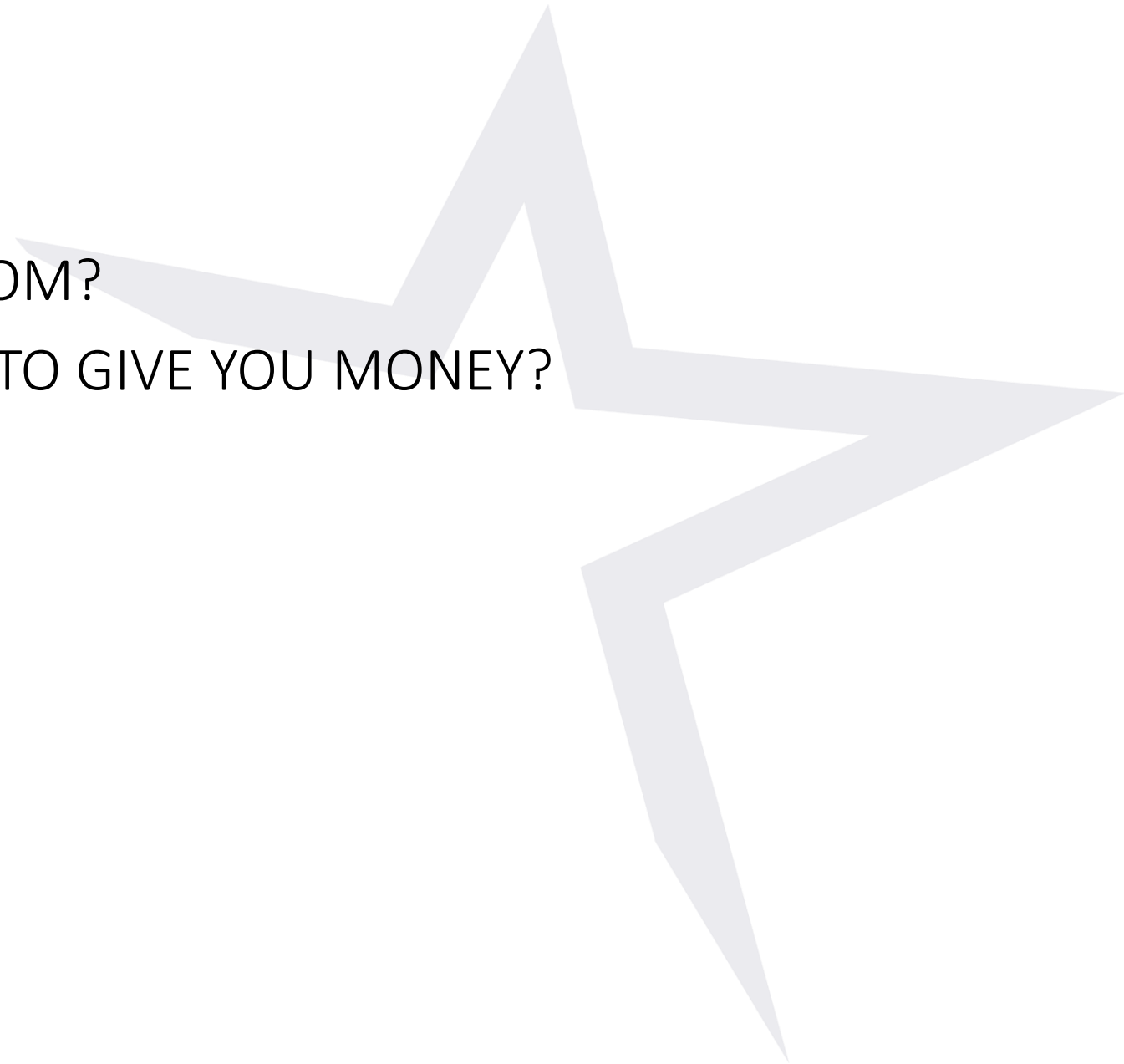
Virginia SBDC-ICAP Funders



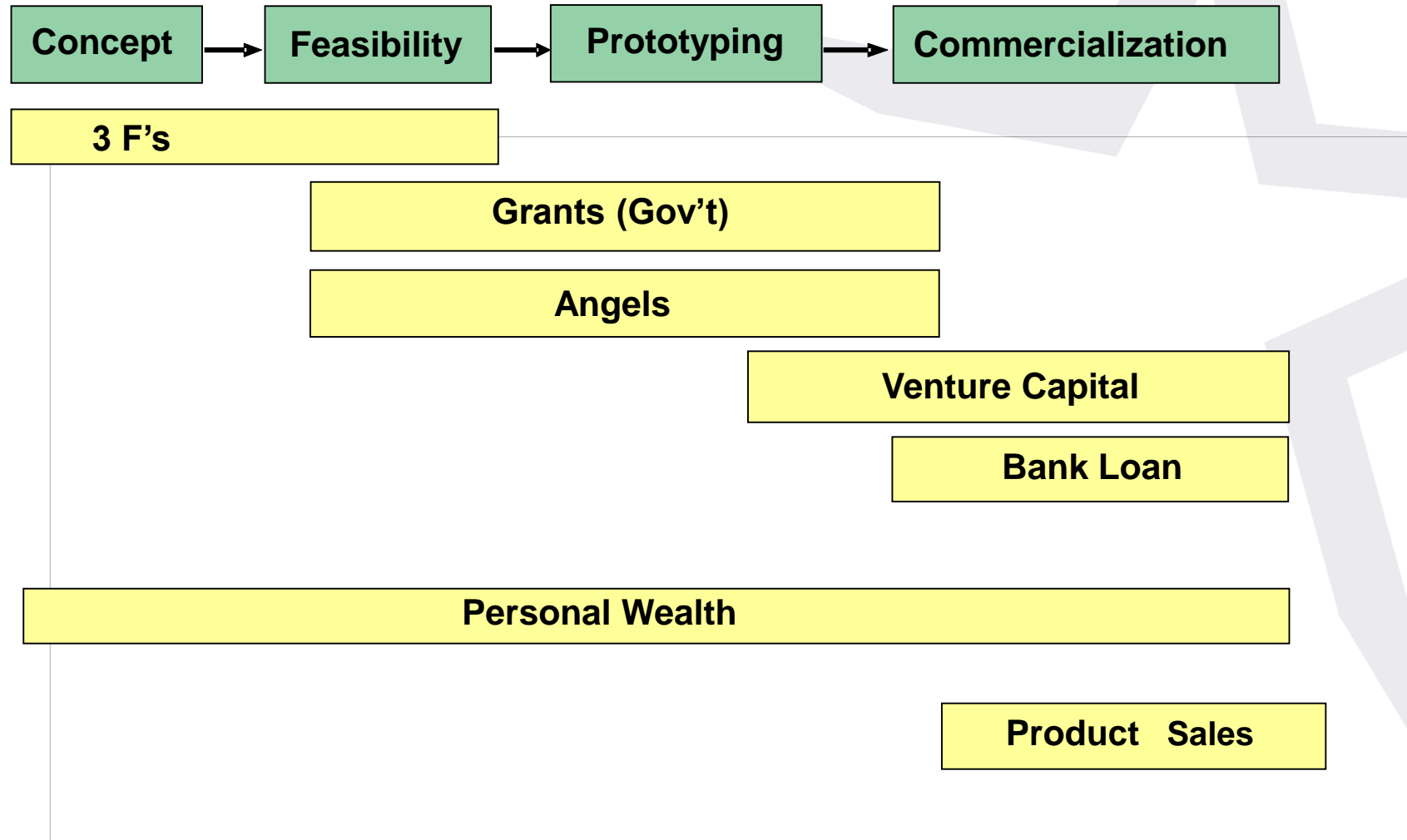
ICAP is also funded through partnerships with the Center for Innovative Technology, GO Virginia, Virginia Bio and the Commonwealth Cyber Initiative.

Funding Sources

- WHERE DOES MONEY COME FROM?
- HOW TO CONVINCING INVESTORS TO GIVE YOU MONEY?



Where Does The Money Come From?



<u>TYPE OF INVESTOR</u>	<u>PREFERRED SIZE OF INVESTMENT</u>	<u>TIMING</u>	<u>DECISION MAKER</u>	<u>KEY DECISION CRITERIA</u>
SELF	-10% of Net Worth -Sweat (opportunity cost)	Any Time (Not all Upfront)	-You -Significant other	-Get project going -Reassure Investors
3F FRIENDS, FAMILY FOOLS	\$25,000 - \$500,000	Early stage	Individual (Church Test)	People
ANGELS	\$100,000 - \$1,000,000	Early stage Mid Stage	-Individual -Organized group of Angels	Management
Government (Non Dilutive) -SBIR/SBA -STTR (partnership)	Phase 1: \$500,00 Phase 2: \$1,000,000 More	Early Stage	-Govt. Official -Peer review	-Strength of science -Academic credibility
Venture Capital	\$500,000 - The Sky	Mid Stage to Mezzanine	Committee	-Management (Track Record, Credibility) -Market Potential (Ability to disrupt or dominate) NICE TO HAVE vs HAVE TO HAVE

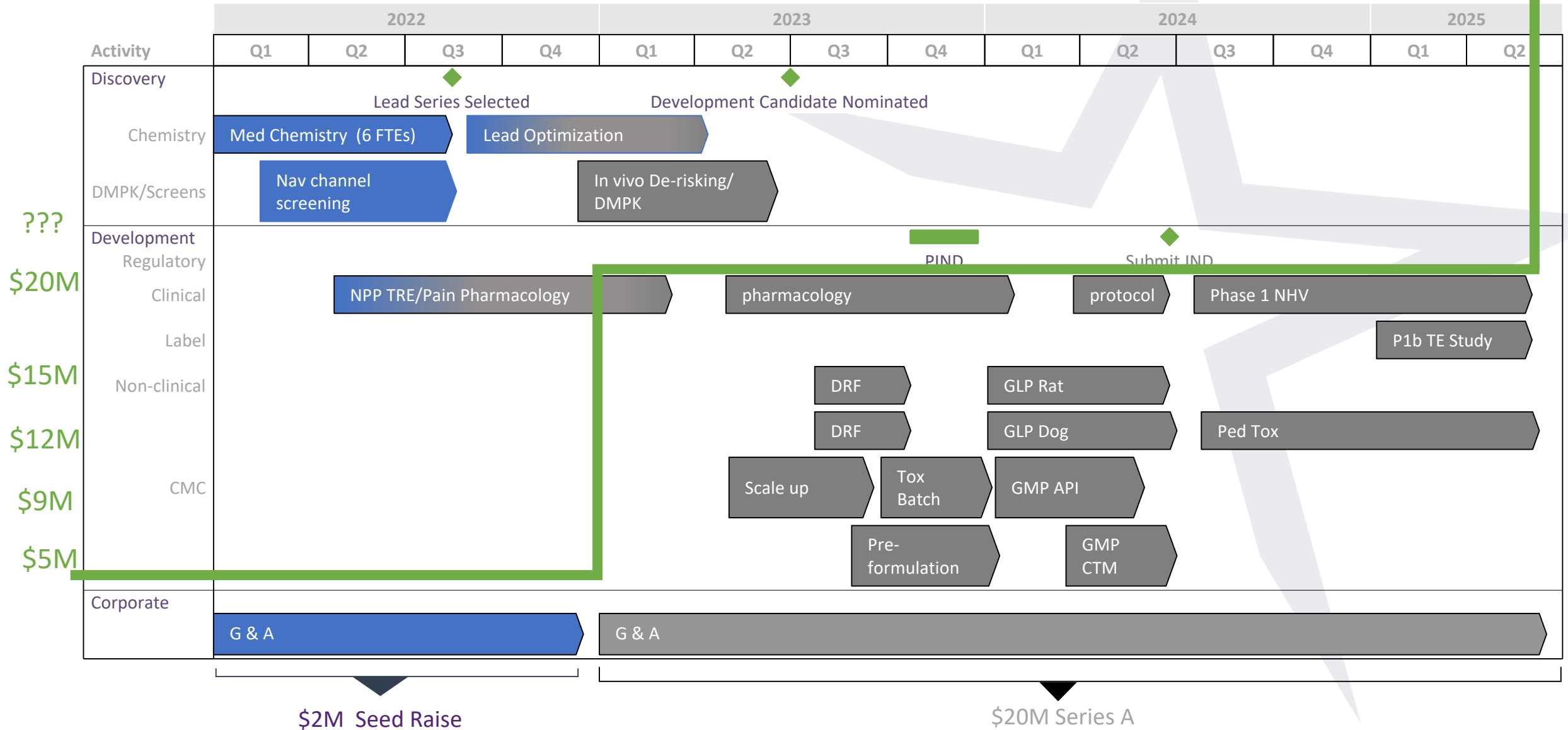
HOW TO CONVINCe INVESTORS TO GIVE YOU MONEY?



- STORY OF THE BUSINESS
 - What problem am I solving?
 - Who is my customer?
 - Does the solution work?
 - Is there a viable revenue model?
 - Can I scale it?
- STORY OF THE MONEY
 - If an investor gives you money, how are you going to return them 10X that amount?
 - Initial valuation
 - Amount of \$ needed in the life of the startup
 - When do you need the money
 - What are the likely “step-ups” between rounds
 - What is the company worth on exit.

Development Plan: \$20M Series A Raise

Sale
\$150M?



Recent Epilepsy Transactions: What would a Phase 1b Company be worth? >\$150M Upfront???

Company	Acquirer	Date	MOA & Epilepsy Disease	Phase	Deal Terms; Upfront	Total Deal: Milestones
→ Channel Therapeutics	Biohaven	1/22	KV7.2/3	IND Ready	\$65M Stock \$35M Cash	\$1.2B Tiered Royalties: "high single digit to low teens"
Zogenix	UCB	1/22	Lennox-Gastaut Dravet	Commercial to Pre-Clinical		\$1.9B
CombiGene	Spark (Roche)	10/21	Gene Therapy Treatment Resistant Focal Epilepsy	Early Pre-clinical	\$8.5 M and \$50 million at preclinical	\$328.5 M Tiered Royalties
Ovid	Takeda	3/21	CH24H Lennox- Gastaut & Dravet	Completed Phase 2	\$196M Cash	\$856M Tiered Royalties: "Low double digits to 20%"
GW Pharma	Jazz	3/21	Cannabinoid Dravet	Commercial to Pre-Clinical		\$7.2 B
Engage	UCB	6/20	Acute Seizure Termination	Completed Phase 2b	\$135M	\$270M
→ Xenon	Neurocrine	12/19	Nav1.6 SCN8A	IND Ready, plus 3 Pre-clinical compounds	\$30M Cash \$20M Investment	\$1.7B

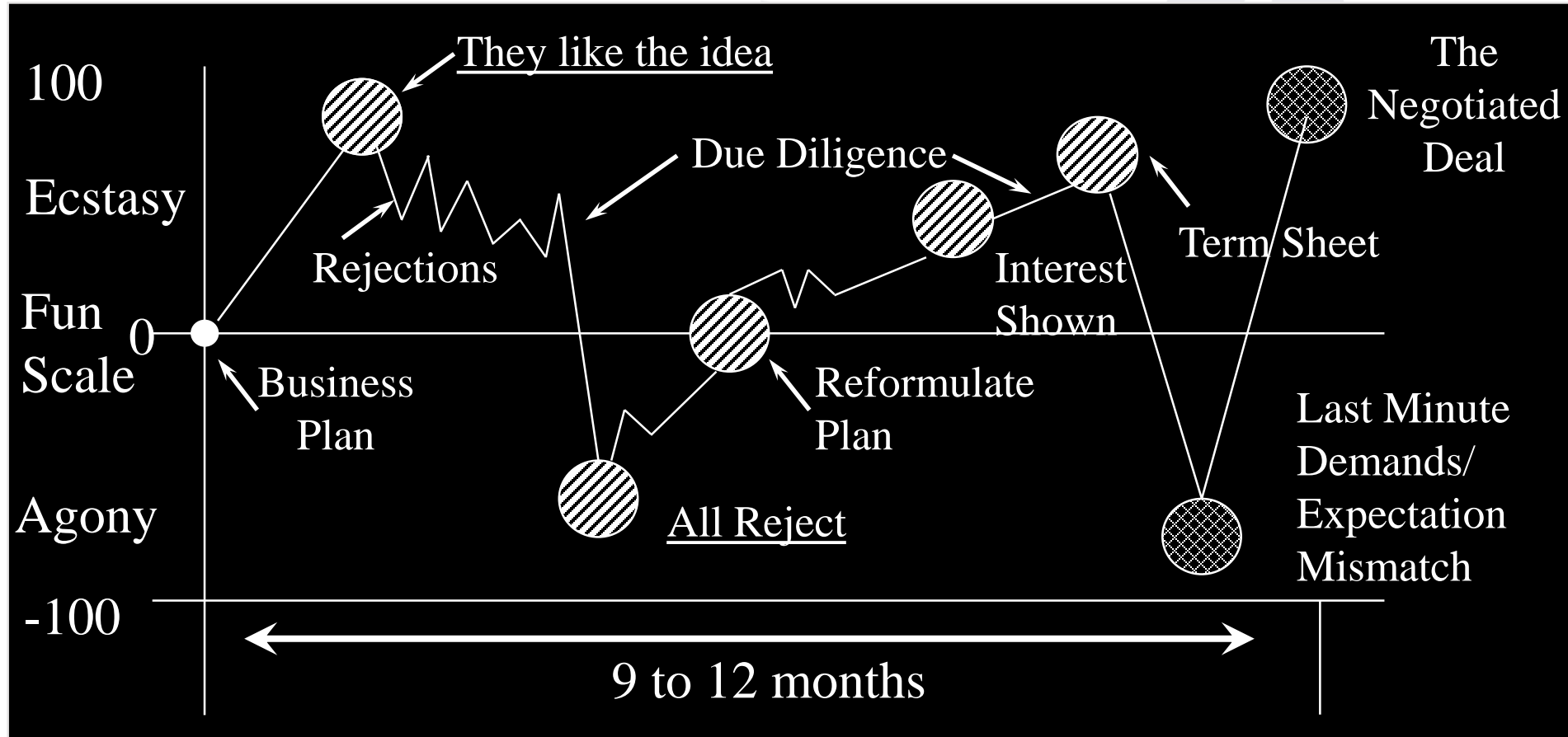
How Do We Price the Series A?

Investors	PRE-Money	NEW Money	POST Money	SALE PRICE \$150M	Seed Equity Position	Series A Equity Position	CASH PAYMENT	MULTIPLE	ROI Annualized
FOUNDERS					72%	35.67%	\$53.50M		
SEED	\$5M	\$2M	\$7M		28%	14.27%	\$21.40M	10.7X	27%
SERIES A	\$20M	\$20	\$40M			50.06%	\$75.09M	3.8X	28%
FOUNDERS					72%	39.58%	\$47.20M		
SEED	\$5M	\$2M	\$7M		28%	15.83%	\$18.88M	9.4X	25%
SERIES A	\$15.8M	\$20	\$35.8M			44.59%	\$83.92M	4.2X	20%
FOUNDERS					72%	27.13%	\$40.7M		
SEED	\$5M	\$2M	\$7M		28%	10.85%	\$16.28M	8X	23%
SERIES A	\$12M	\$20	\$32M			62.02%	\$93.02M	4.7X	21%
FOUNDERS					72%	21.74%	\$32.61M		
SEED	\$5M	\$2M	\$7M		28%	8.7%	\$13.04M	6.5X	21%
SERIES A	\$8.8M	\$20	\$28.8M			69.57%	\$104.35M	5.2X	23%

Valuing your company

- Equity Simulation (Who will own what, when)
 - <http://ownyourventure.com/equitySim.html>
- Philippe's Model (What is the Co worth)
 - <https://www.youtube.com/watch?v=jaSbQqanQJo>
 - XL File

The Agony and the Ecstasy





Questions?

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