

Start-up Funding Path **for Aalto Venture Program**

Finance / Fundability 6.10.2022 & Financier roleplay 15.11.2022
Tuomas Maisala / CEO & Founder at Maisala.net Oy

Tuomas Maisala

22 years as a start-up advisor

350+ start-ups

50M€+ funding raised

12 direct investments

Crowdfunding experiments

Endurance sports enthusiast

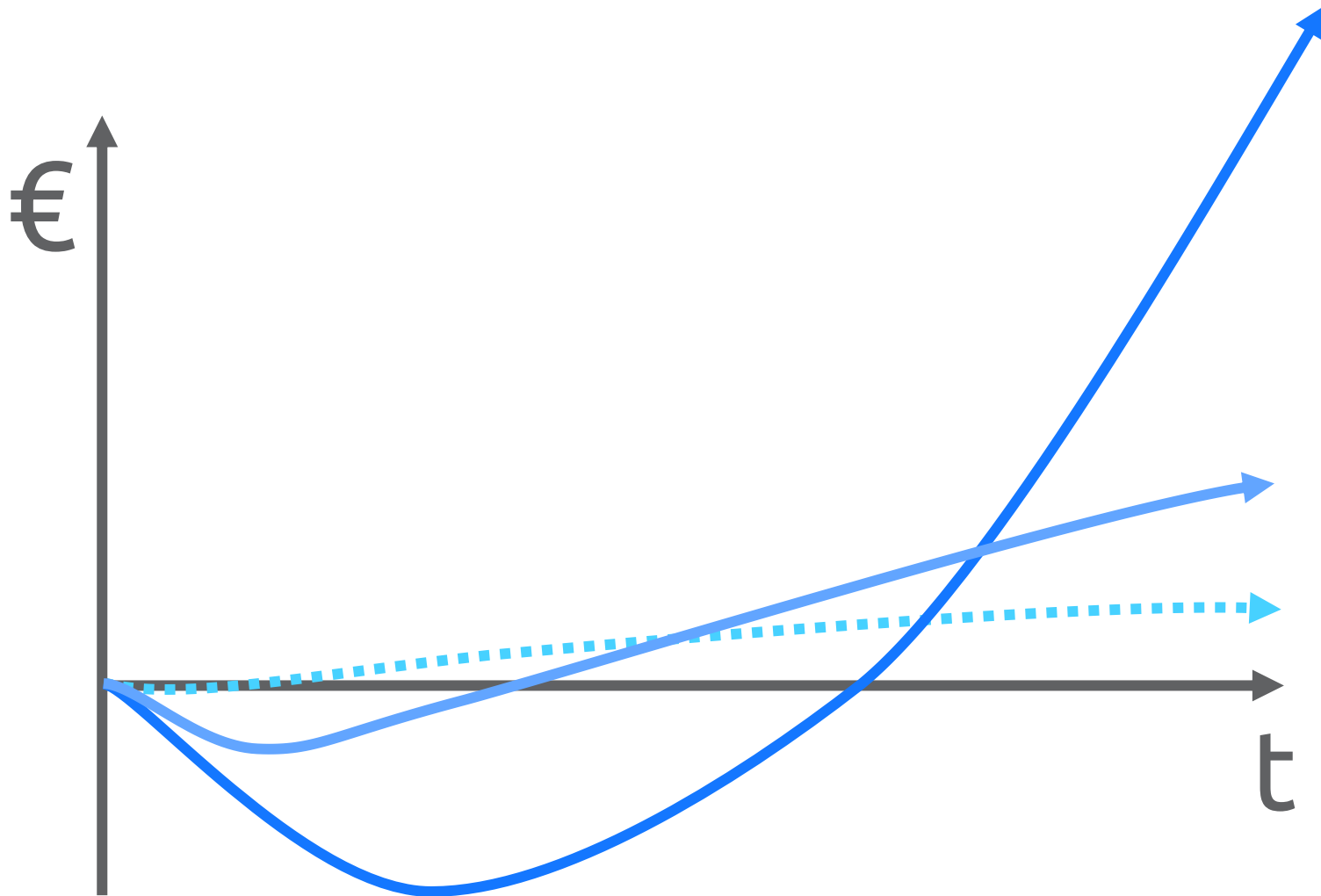


Funding & Fundability

- Today
 - Startup Funding Path & Fundability
 - How to reach quickly fundability?
- November 15th
 - Deliverables before: Investor Deck & calculation
 - Funding negotiation (a simulated roleplay)

*What is the most important source of money for a startup?
Always.*

How much funding do you need?



Funding mix

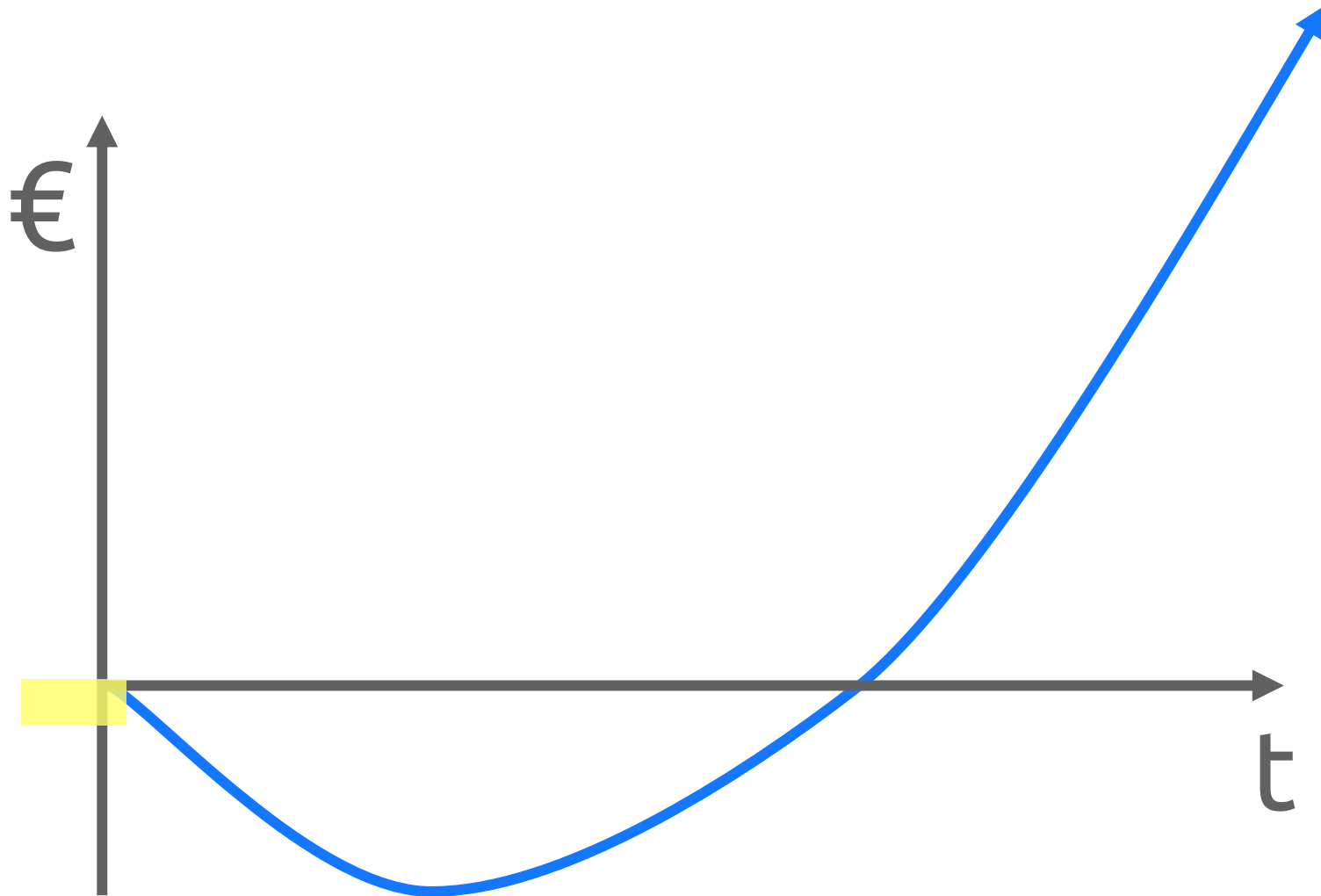
Debt: e.g. bank loans

Equity: e.g. investments

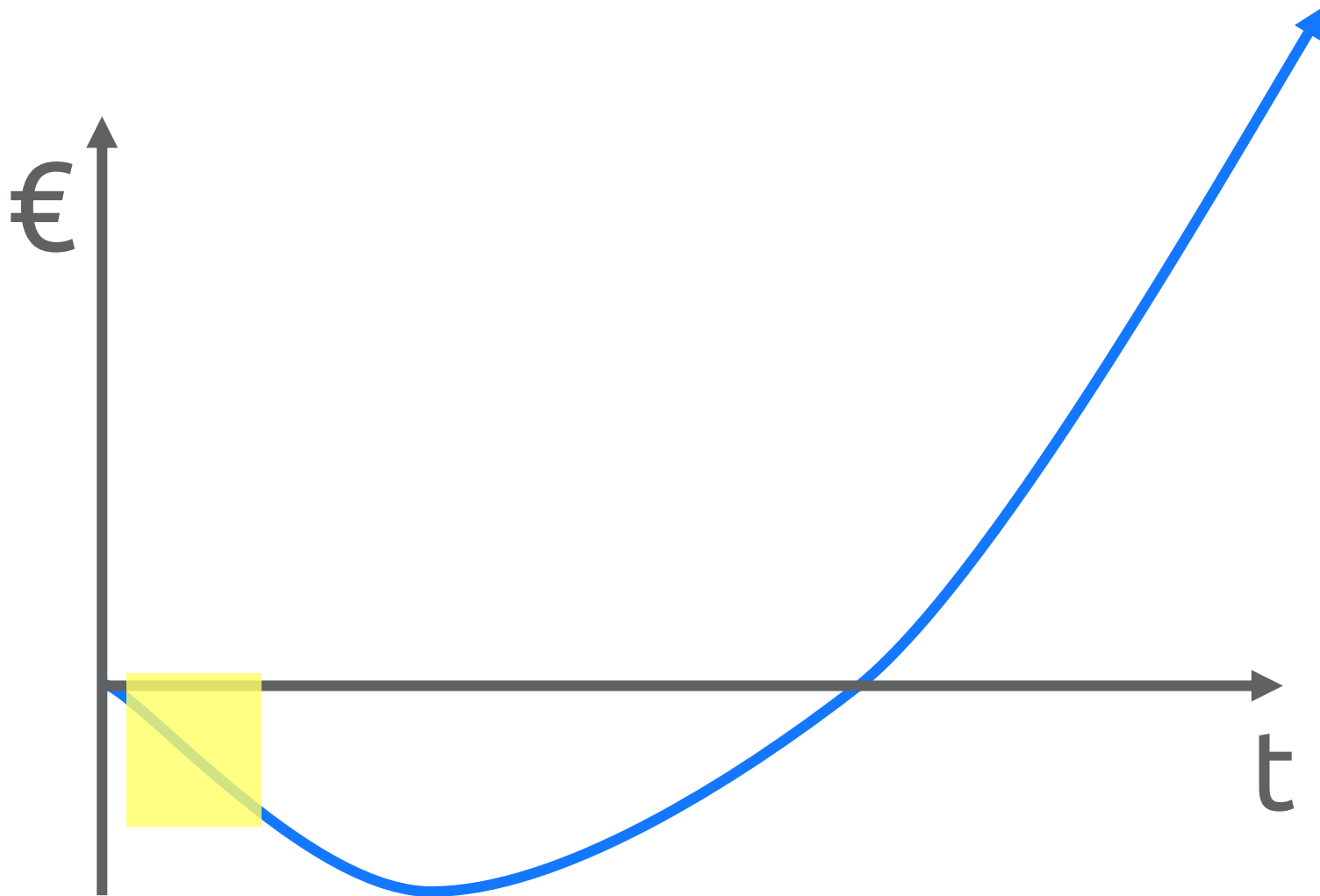
Grants and soft loans

Crowdfunding (many forms)

1 Idea / prototype phase = own pockets & bootstrapping



2 Pre-seed phase = MVP version, going beyond your own pockets



FFF

They like you

They want to support you

They want you good things

They trust you



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Public grants:
Innovation Voucher
Tempo grant for market validation

Example: Pre-Seed Round

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Tempo 75 % of
R&D costs

Founders & FFF
investment 30k€

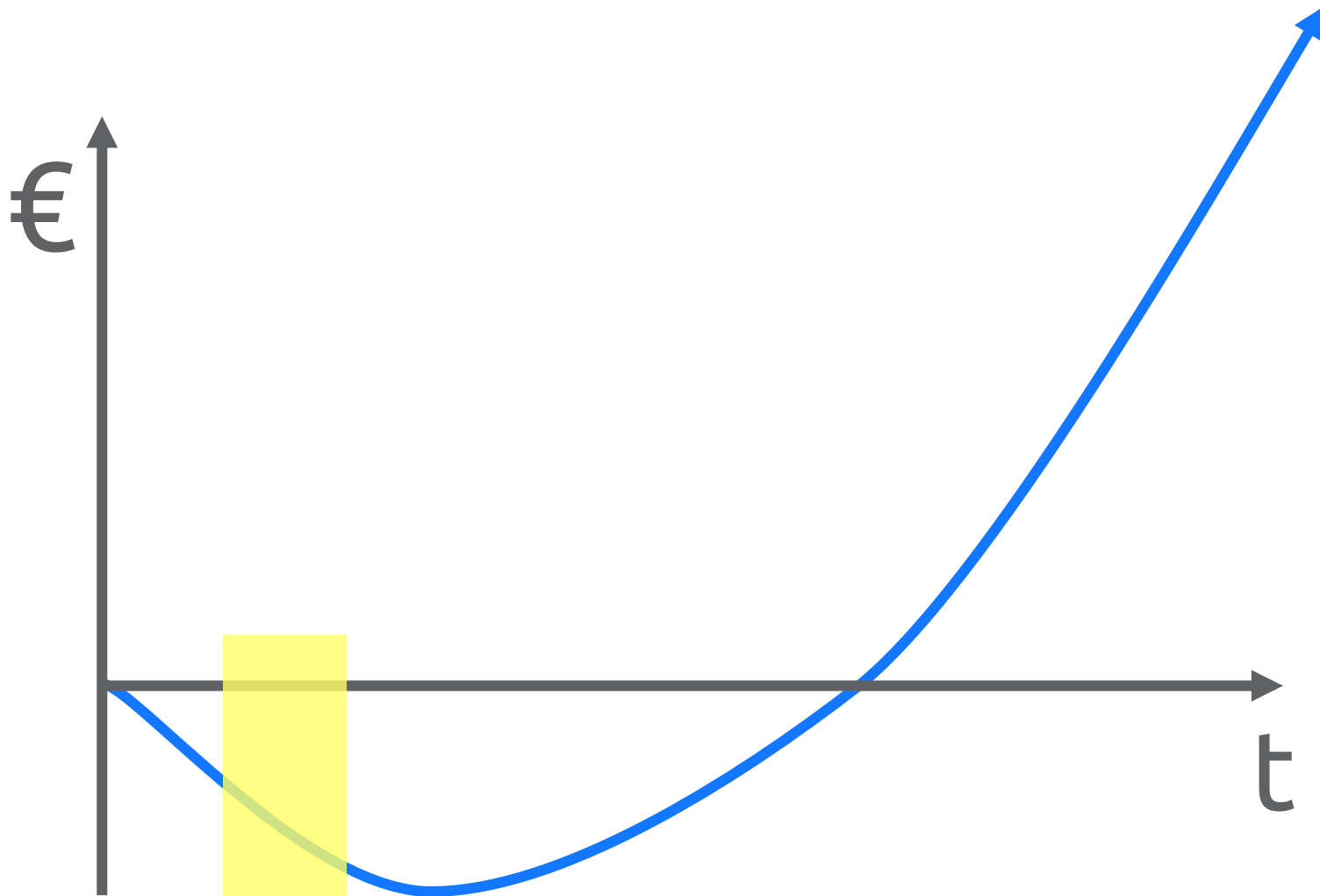
Grant 50k€

Equity 30k€ (16+14)

Tempo project costs are 66k€

Other 14k€

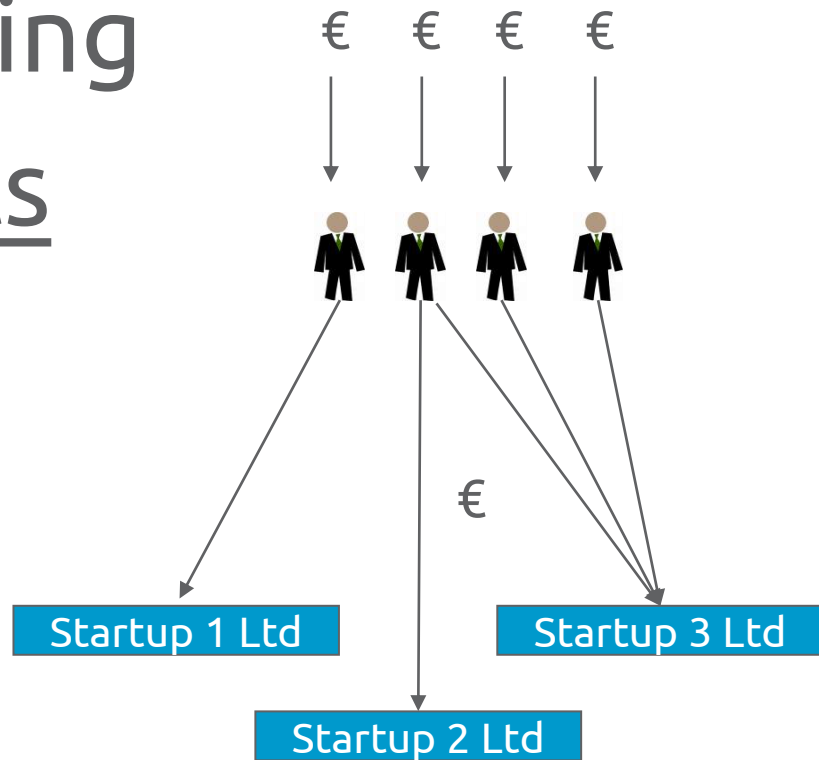
3 Early seed phase = accelerating development with high "burn rate"



Business Angels

They are investing
their own assets

Personal
interests





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R&D loans (50 % of eligible costs)

Example: Seed Round #1

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R&D Soft Loan
50 % of R&D costs

Syndicated angel
investment

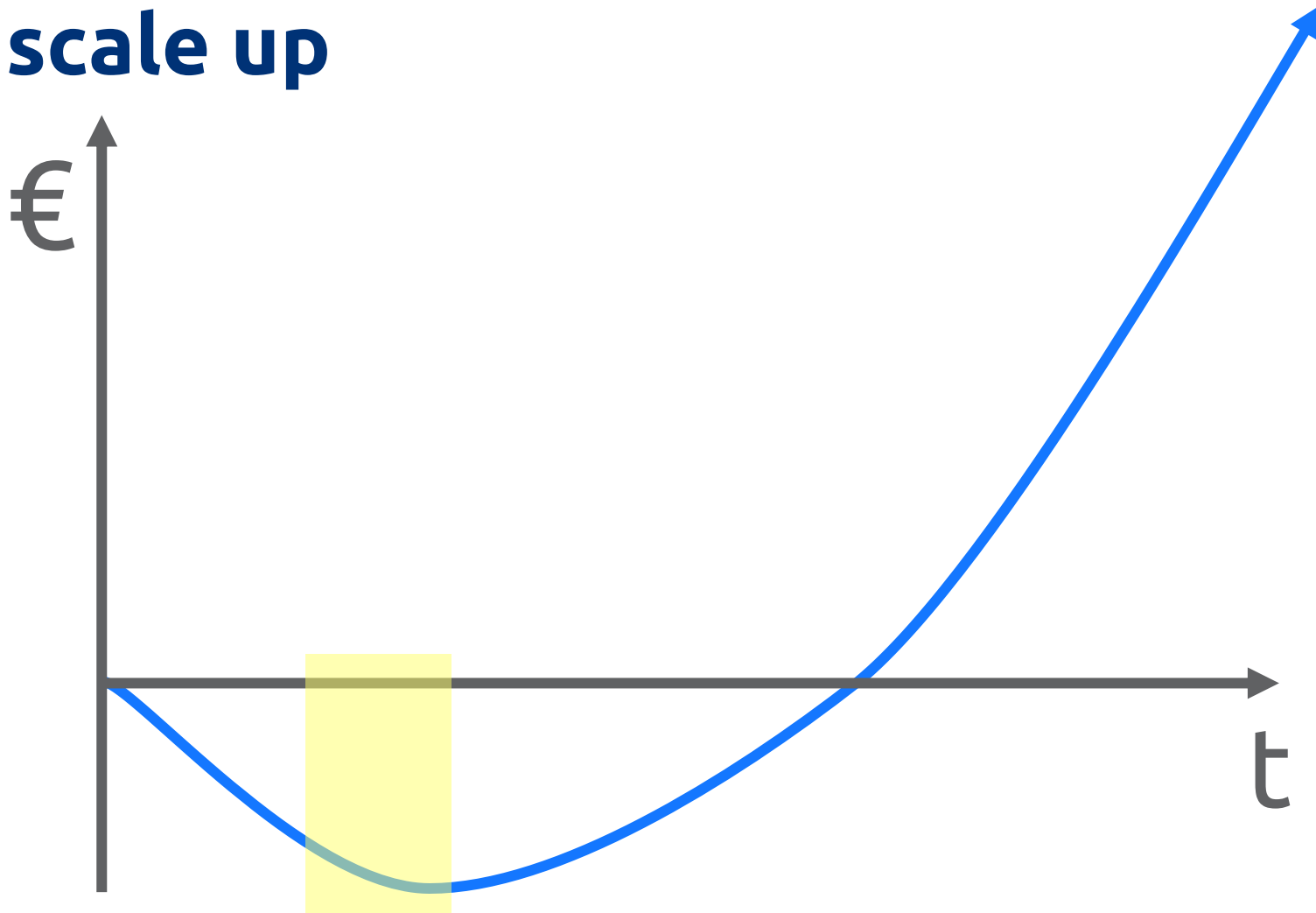
Debt 150k€

Equity 250k€

R&D project costs are 300k€

Other 100k€

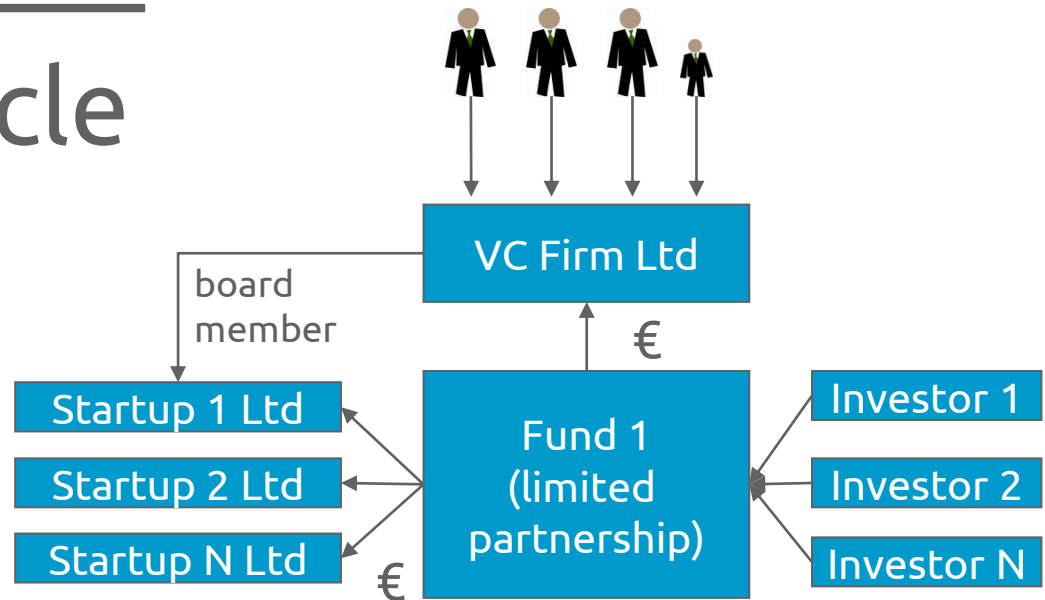
4 Seed phase = revenue, but still burning cash and seeking path to scale up



Venture Capitalists

They are professional
asset managers

- Fund lifecycle
- 10x return
- Portfolio



Example: Seed Round #2

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**SUPERHERO
CAPITAL**



R&D Soft Loan #2
50 % of R&D costs

Small VC
investment

Some angels
participate

BF 200k€

Equity 200k€ + 200k€

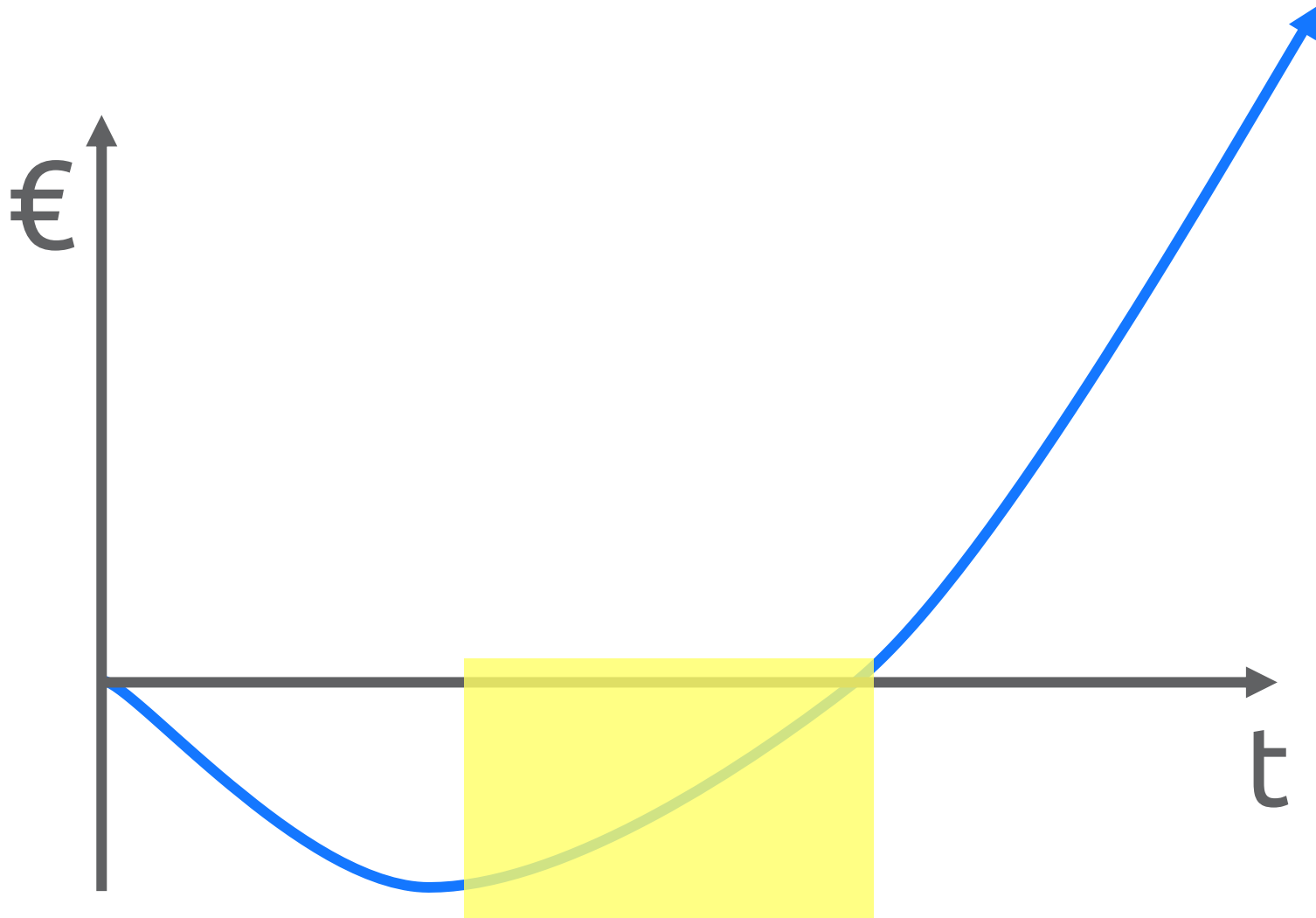
BF project costs are 400k€

Other 200k€

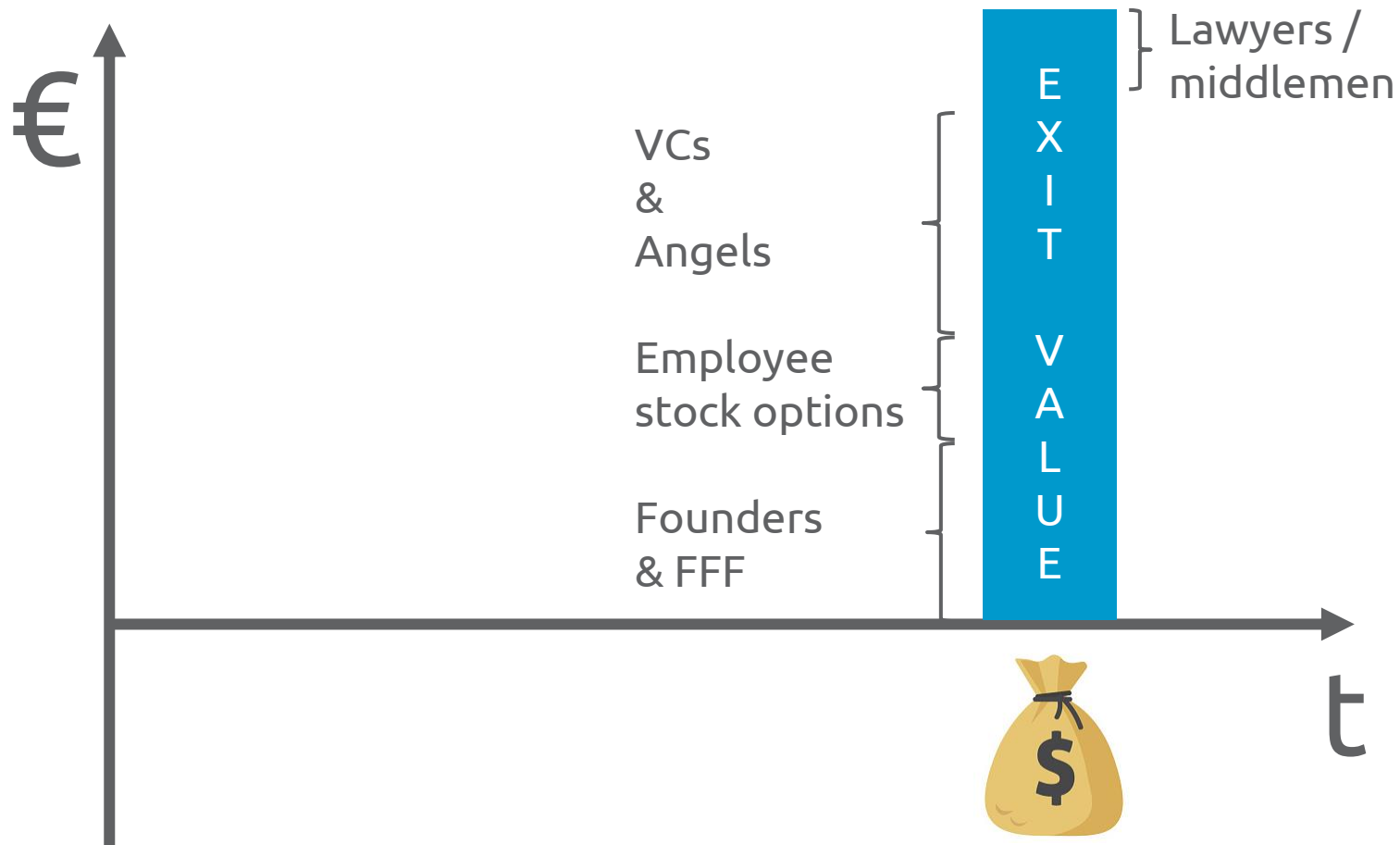
Quick math test

- Bank expects a 10 % overall return for a loan
 - 10 equal loans, 1 fails to return anything
 - Angel is lucky and hits a tenbagger (10x)
 - 10 equal investments, but 9 fails to return anything
- > How much capital they have at the end?

5 Early growth phase = scaling up with debt and/or VCs



6 Growth phase OR an early exit through a trade sale



Crowdfunding?





What do you need for fundraising?

Credible business opportunity

Some evidence / traction

Relevant team with fire in the eyes

Understanding the play from the other side (logic of the financier)

Finance task for Investor Deck

- 1) Estimate roughly the amount of funding that you will need over the time to reach profitability (your income covers your costs)
- 2) Sketch your funding plan = where and when do you raise funding for your new venture
 - Own funding, FFF investors
 - Business Finland instruments
 - Business angels, VCs
 - Finnvera loan/start guarantee/bank loans
- 3) Illustrate this plan on your Investor Deck

Finance task before Nov15th

3) Prepare cash flow plan for 9-15 months

- Excel table: by months money in, money out

4) Decide what funding you are raising NOW:

- Business angels or early-stage VCs
- Finnvera loan or bank loans
- Business Finland Tempo or another instrument
- Crowdfunding

Prepare to negotiate for this selected funding in a simulated business meeting.

Finance task before Nov 15th

5) Approach the selected financier by email

Email: tuomas@maisala.net

Topic: **AVP: team number and team name**

In the message:

- Describe why do you want to meet (what funding you are applying such as Tempo grant/Finnvera loan/angel investment)
- Request a quick meeting for Thursday
- Appendices: Investor Deck + cash flow plan

DL: Thursday Nov 10th 23.59

Funding Negotiations

Negotiation = simulated business meeting

Duration: about 20 minutes

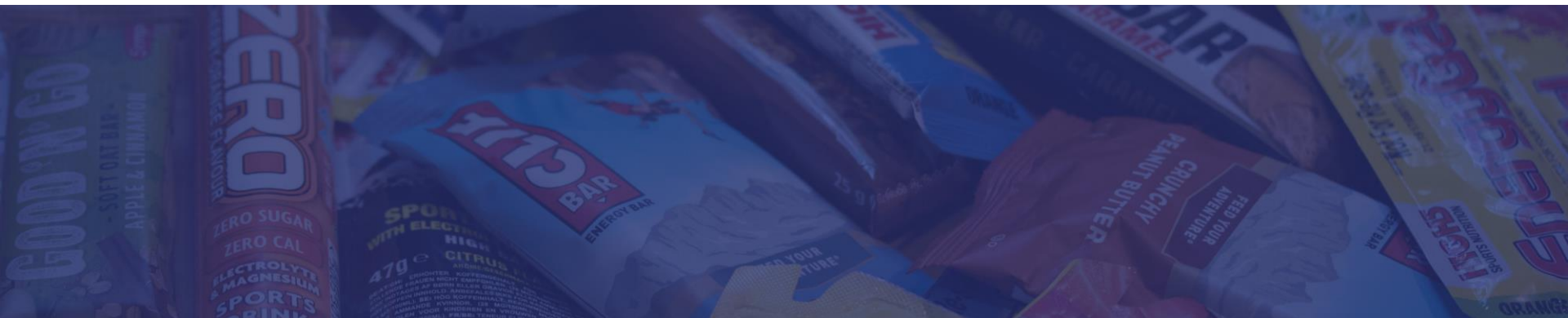
- Educational purpose: *no real money*
- 2-3 parallel tracks, teams mixed to tracks
- One group on stage, others listen and learn
- Your target: to convince the financier
- Our task: to play the role of the financier you are approaching and assess if your start-up qualifies for this funding
- Cast: Myself + Oki Tåg + Jussi Mononen

Looking forward the roleplay!

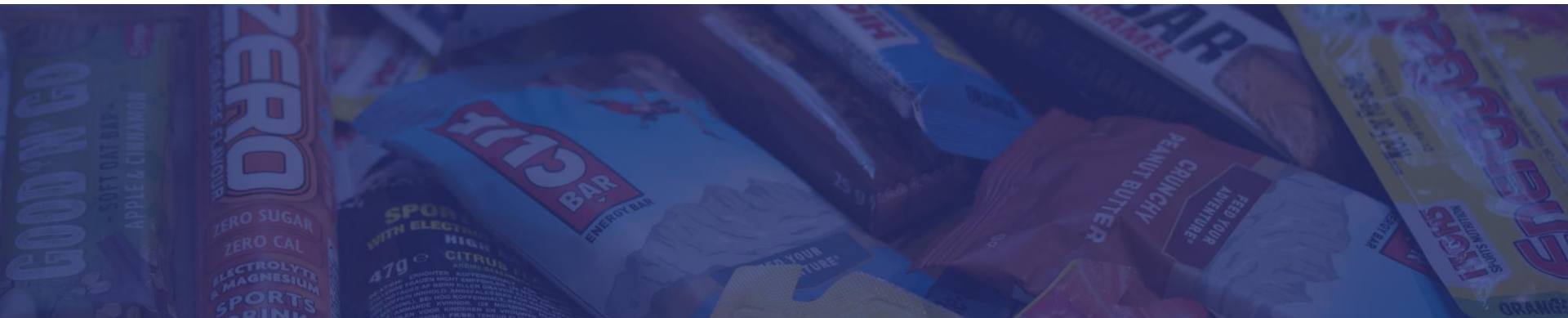
www.maisala.net | tuomas@maisala.net

Phone/WhatsApp +358 44 766 7000

Skype: tmaisala



Additional Materials



FINNVERA



- Operates like a commercial bank but is state-owned
- Various loan and guarantee products
- SME loans for "ready" new businesses, up to 50ke

Nordea



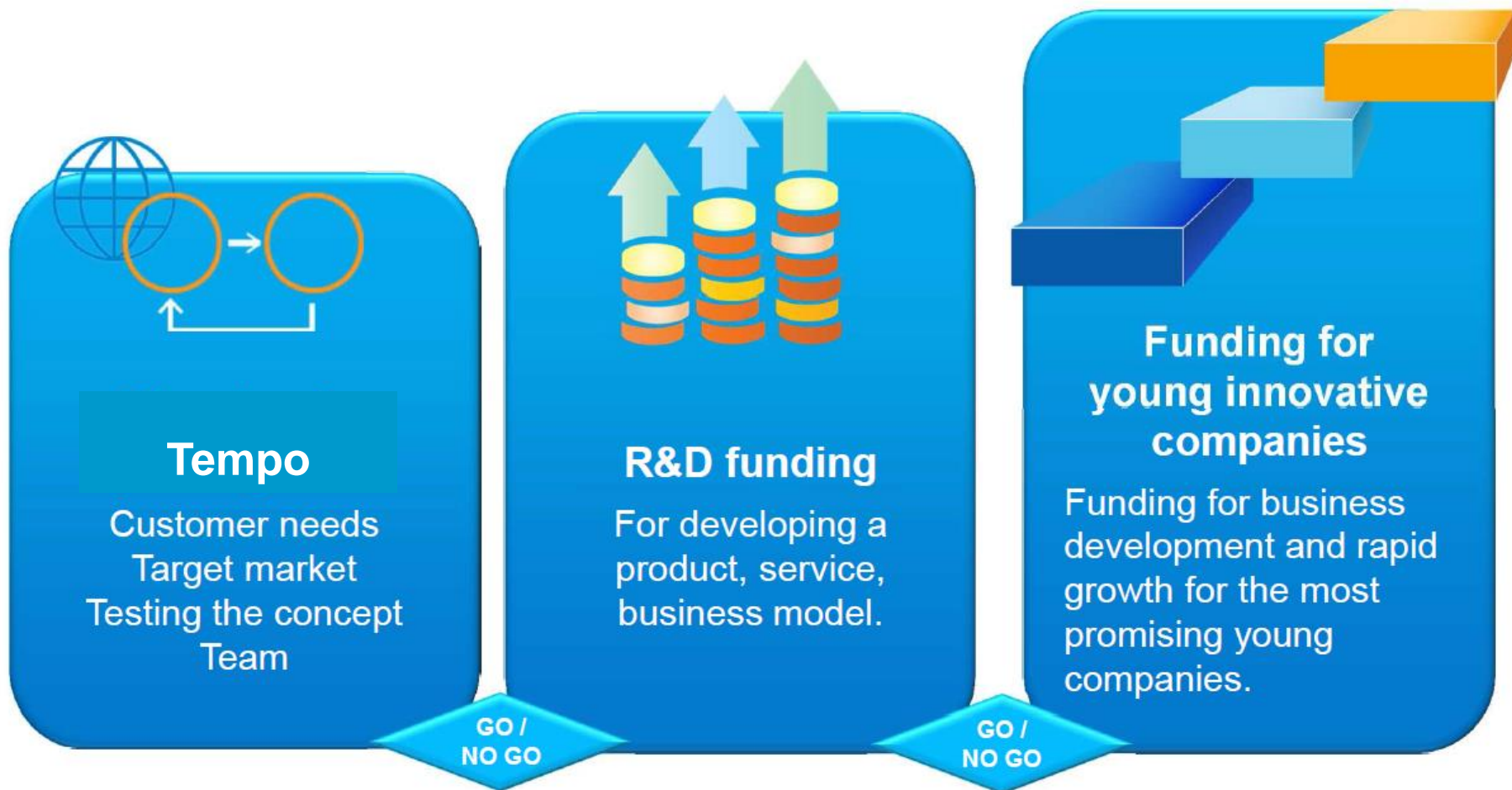
Danske Bank

- Loans for businesses with (nearly positive) cashflow
- Debt for all other companies than start-ups
- Possible combination: Finnvera guarantee with a loan from a private bank



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for startup companies





Business Finland Tempo

- Intended for innovative start-ups and SMEs aiming to enter quickly international markets
- Start-ups can develop a product/service from a proof-of-concept to a Minimum Viable Product
 - Supported activities focus on
 - market validation
 - customer explorationbut not just in Finland, also on international level!
 - Project duration 4-5 months
 - Grant 50.000 euros, covers 75 % of approved costs.
 - Requirement: 30k€ as investment (own, angels or VCs)



Other sources of grants

Not really many that are relevant, but...

Examples of industry-specific

- United Nations Technology Innovation Labs (to be seen)
- Finnpartnership (technology to developing countries)
- Nordic Project Fund aka Nopef (green solutions to global markets)
- Finnish Independence Fund SITRA and a few foundations (themes as: Circular Economy, Workplace Safety, Renewable Energy)

Others

- Salary support for employing unemployed persons (appr 30 %)
- EU (EIC Accelerator instrument & research groups)
 - rarely viable, just for some start-ups / young growth companies that fit and pass the tight criteria and can promise a major impact
- Regional support: remote parts, not relevant in the Helsinki area



Some of the Finnish VCs


Pre-seed / 50k€+	icebreaker	wave ventures	gorilla ventures
Seed / 0,5M€+	SUPERHERO CAPITAL	MAKI.VC	Vendep
	LIFELINE ventures	INVENTURE	OPEN OCEAN
Venture / 1M€+	INDUSTRY INVESTMENT	nexit VENTURES	

Understand which VCs
have active funds.

Foreign VCs: active
mainly on larger
rounds

Understand valuation of your company

Business idea	10k€
Business plan / prototype / demo	100k€
Pilot client(s) and proof-of-concept	
Real product (price, materials, support etc)	1M€
Repeatable and scalable business model	
Ability to execute in the growth-phase	10M€



Unique idea and IPR may increase valuation.

Skilled, credible team raises valuation much more!

Crowdfunding for start-ups

Forms:

Semi-grants by giving perks:
sell "invaluables" like t-shirts

Pre-order:

sell consumer products (to raise
funding for the 1st batch)

Microloans (= debt):

pooling of small private loans,
often w/o collaterals

Equity investments:

group of "mini business angels"

Examples of web services:

Mesenaatti.me

Kickstarter & Indiegogo
FundedByMe

Fundu, Yrityslainat, Invesdor

Invesdor, FundedByMe,
Privanet/Around and others