BENNU PARTNERS

CAPITAL MINDSET

ATTRACT MORE INVESTORS
BY THINKING AND ACTING LIKE AN INVESTOR

The Mindset that Will Create More Successful Investor Engagement

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Empowering Founders to Think and Act Like an Investor

To attract investors, you need to THINK like an investor. To think like an investor, you need to understand THEIR needs.

At Bennu Partners, we often see a fundamental disconnect between institutional investors and growth stage entrepreneurs. We Believe:

01 Investing is Binary – but Growing Businesses are Not

Investors follow a binary approach, believing a company is either ready for capital or not. As such, they reject 99% of the companies they meet. However, growing businesses are not binary. Many would attract institutional investors if only key strategic improvements were made to the business.

02 The Problem is that Founders Don't Think Like Investors

Investors expect entrepreneurs to be capital markets experts – yet most are not. Many Founders simply lack the necessary investment expertise to effectively position the business for investors. In most cases, this leads to a lengthy, unorganized capital process – wasting significant time and investor money.

03 Capital is a Mindset – Adopting it CAN Save Hundreds of Thousands of Dollars

Raising investor capital is a repeatable formula. Success, in every case, is the result of effectively following each step of that formula. Every single month wasted on an ineffective capital raise can cost both companies and investors hundreds of thousands of dollars.

We EMPOWER Founders

We exist to level the playing field for the 99% of growth-stage entrepreneurs that are not investing experts. With a cross-functional team of C-Suite experts, we help you to execute an efficient and focused capital process, saving your company and investors hundreds of thousands of dollars in the process.

Leveling the Playing Field for a Targeted Group of Founders

Bennu Partners

The **Bennu Partners Capital Mindset Program** was designed to help companies seeking between $5M and $50M in growth capital and who generally fit into one of three categories:

01

Management Team that Lacks Investor Expertise

- **First-time or Inexperienced Founder** – Management team has not raised institutional capital before. Team is coachable and recognizes that it needs assistance.
- **Finance Team Lacks Capital Markets Expertise** – Company may not have a full time, dedicated CFO, and/or the CFO is inexperienced with the capital markets funding cycle.
- **Family-Owned Business** – Owner is seeking to understand the capital options for growth funding, partnership, or sale/exit.

02

Highly-Technical Business

- **Technical Product/Service** – includes science, engineering, manufacturing, deep technology, or healthcare. Investors require highly specialized technical expertise to understand the value drivers of the business.
- **Management Team with Highly Technical Expertise** - Company is led by a Founder with a specialized background (PhD/Engineer) – but lacks capital markets or investment expertise.

03

Business that is a Challenging Fit for Investors

- **Not an Obvious Fit for Private Equity or Venture Capital** – A business that is not well-positioned for the rapid scale and revenue growth required by both Private Equity and Venture Capital investors.
- **Challenging Funding or Industry Structure** – The business may require an outsized upfront investment in equipment or materials, may have a longer sales cycle, or may be a smaller entrant into an industry dominated by a limited number of well-established players.

Why we Created the Capital Mindset Program

We were Tired of Watching Good Companies Fail - Simply Because they Were Not Getting Effective Capital Expertise

The Capital Mindset was born of the frustration of watching otherwise viable companies fail to secure institutional capital - simply because Founders:

1. Did not understand the needs of institutional investors,
2. Were never told that adjustments to the business could lead to capital,
3. Were unwilling to create and follow a disciplined Capital process.

Marc has over three decades of experience in Growth-Stage Investing and Capital Markets. He has operated alongside, evaluated, advised, and invested in countless growth-stage companies. He has watched entrepreneurs both succeed and fail at the capital raise process.

Marc has held leadership roles in investment management, consulting, and investor relations - focusing on venture capital, private equity, strategic investors, and family offices.

In addition, he served as Managing Director of the Colorado office of Endeavor, the world's largest scale-stage entrepreneur advisory network and venture capital fund – supporting over 2,600 scale-stage founders, operating in over 45 countries.

At Bennu Partners, Marc has assembled a team of collaborative, cross-functional, and experienced operating partners that help growth-stage companies master the crucial elements of a successful capital raise process – called the Bennu Partners Capital Mindset.

Program Creator

Marc Patterson

Founder and Managing Director

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Leveling the Playing Field for Founders Seeking Institutional Capital

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How the Program Works

The first 90 days of a Capital Raise are crucial. Having a team of experienced allies can help Founders avoid costly mistakes, save wasted time, and successfully raise capital more quickly.

Capital Mindset Signature Program

Ongoing capital raise expertise and an on-demand team of allies during all phases of the crucial first 90 days of a capital raise process.

Program Summary:

- Weekly 1-Hour Workshop Sessions (90-Day Commitment)
- One workshop session every week
- Focused one-on-one sessions utilizing the Capital Mindset Program framework - designed specifically for the company's needs

Program Benefits:

- **A Community of Allies** – You will no longer be alone. You will have of a team of experts and peers - all committed to your success at securing capital.
- **Alignment with Investors** - You will improve your business, aligning it more effectively with the needs of investors. It will become a more 'fundable' company.
- **Time and Money** – You will raise capital more effectively. Ultimately saving time, monthly cash burn, and needless frustration.

Additional Programs

Founder Capital Forum

Monthly collaborative forum offering ongoing advice, support, and best practices from a peer group of other growth-stage Founders also in the midst of a capital raise.

Expert Roundtable Workshops

2-Hour Workshops featuring a team of cross-functional professionals, all with growth-stage experience. Focusing specifically on your nuanced challenges.

Custom Consulting Projects

Need deep focus on one or more aspects of your capital raise? Leverage our on-demand team to custom build a consulting solution for your company.

INVESTOR CAPITAL IS A MINDSET

Every Successful Capital Raise is the Result of Understanding and Aligning with the Investor's Needs

Importance of a Capital Mindset

Understanding What Investors are Looking for, How They Think, and How Best to Engage Them is the Proven Path to Success

Creating the correct Capital Mindset comes first. Once established – the rest is just tactics.

Capital is the lifeblood of any rapidly growing business. For a great many growth-stage companies, access to capital is an urgent priority, as well as a source of great frustration.

At the growth-stage, where resources for expansion are vital, access to capital is likely more important than ANY other aspect of the business. No capital, no business.

Many Founders deeply dislike the process of raising capital. For them, time spent raising capital can feel like an unwanted distraction from building the business.

Therefore, far too many Founders make the mistake of treating the capital raise process as an afterthought, inconvenience, and annoyance. This is the Mindset that leads to struggle.

Many Founders are painfully aware of their inexperience and lack of enthusiasm with the institutional capital raise process.

But, with no other viable choice, they launch themselves headlong – and unprepared - into the process.

Unfortunately, the most common methods most growth-stage companies employ for raising capital are misinformed, outdated, inefficient, and ineffective. Therefore, a great many struggle, or ultimately fail to successfully make the transition to institutional investors.

The good news is that there is a fundamental, repeatable, and actionable Mindset that will lead to investor capital – every time.

The Mindset is the real work. The hard work. The necessary work. The Mindset sets the stage for everything that follows The tactics without the correct Mindset will be ineffective and incomplete – and the results will reflect this.

Successfully raising investor capital is the result of understanding this Mindset. Mindset First. Tactics Second.

THE CAPITAL MINDSET

Investor Capital = Business Progress Alignment + Effective Investor Positioning + Structured Capital Markets Process

Capital 'Death Spiral'

A Tragic Tale - What Happens When Founders Choose to Pursue Shortcuts to the Capital Raise Process

Everyone likes a shortcut. After all, why not get something done with less effort and time? But shortcuts to the capital raise process are an illusion. Chasing them always leads to wasted time and money.

Why companies fail to secure institutional capital is a sad story. Unfortunately, one that is all too common. We call it the Capital 'Death Spiral.'

The capital raise process begins with the best of intentions, optimism, and enthusiasm.

Unfortunately, however, that positivity begins to fade as the investor meetings drag on, decks are modified endlessly, weeks turn into months, investors go dark, rejections pile up.

The worse part is, no one knows for sure why investors aren't interested. Investor feedback is unhelpful, and often contradictory.

Without access to sufficient expansion capital, plans for future growth are altered dramatically.

Headcount is usually the first domino to fall. Sales forecasts are the next, with timelines and revenue projections pushed out much further into the future.

Lowered expectations for sales only create increased pressure on the need for near-term liquidity. At this stage, the financing options become sub-optimal to say the least. From here, it is most often a slow and painful downward spiral.

The capital death spiral began because institutional investors were simply not interested, and the Founder did not understand why. The Founder was not thinking like an Investor.

In every case, the failure was due to a problem that the Founder was likely unaware of in three crucial areas:

1. The business progress was not aligned to the needs of the investor
2. The Founder was not targeting appropriate investors
3. The Founder did not create an effective Capital Raise Process

All of these conditions are correctable. The Capital Mindset was designed to do just that.

Myth of More Investors

The Mindset that is a Guaranteed Path to Wasted Time, Wasted Money, Frustration, and Failure

Many entrepreneurs working through an institutional capital raise unwittingly operate under the deadly 'Myth of More Investors.'

Without question, this myth is the single largest cause of frustration, wasted time, and wasted money in any growth-stage capital raise.

The myth is the mindset that the capital raise process can be simply reduced to a numbers game. The only thing a Founder needs to focus on is meeting an endless number of investors.

Quantity of investors over quality. Meet more investors, and eventually capital will follow. The more investors the better.

The myth is deadly in its simplicity. However, like any enduring myth, this one has a seemingly reasonable assumption at its core.

After all, the capital raise process will most likely require a significant amount of investor meetings. What could possibly be the problem with engaging more investors?

However, this reasoning is flawed. It is a mindset that most often leads to pain.

The reason that this myth is a trap, is because it overly simplifies a very complex process to one unit of input – the number of investors that the Founder meets. Success or failure is simply a factor of this number.

This mindset assumes that every aspect of the business and product are optimal, the business model aligns well with the investor's needs, and that the Founder is targeting the appropriate group of capital providers (among many other assumptions).

However, the truth is rarely that simple. In fact, in most cases, the exact opposite is true.

As discussed earlier, it is most often the case that the business is not well aligned to the needs of the investor, there are weaknesses in the business that must be corrected, and the Founder is often targeting inappropriate capital providers.

Therefore, in most cases, success is not simply a matter of meeting more investors.

Not only is meeting more investors not the solution, meeting more investors can be a significant waste of time, effort, and money.

Understanding How Investors Think and Act Will Lead to Success

With Help from Experts, Success is Possible

Investors expect Founders to completely understand the investment industry – and what they are looking for in an opportunity. That may not be fair – but it is reality.

But you know that's not actually the case. Most Founders do NOT understand the investment industry.

Investors think in a binary fashion - believing a company is either ready for capital or not. As such, they reject 99%+ of the companies they meet.

However, growth-stage companies are not binary. Many companies could attract institutional investors.

What is needed is key strategic improvements to the business, appropriate investor targeting, and a more effective process.

Helping is Not the Investor's Job

The good news is that, with the appropriate planning and work, challenges in the business, incorrect investor targeting, and weaknesses in the capital raise process are all correctable.

However, it is not the investor's job to help you figure out how to correct these issues. Their job is to find companies ready to receive growth capital and move on quickly from those that they believe are not.

The Capital Mindset was created to step in and help Founders with the Capital Process. It systematically walks Founders through all three major phases of a successful capital raise.

The goal is to correct weaknesses in each category - thus helping to make the company more attractive candidate for capital. There is no quick fix. But there is a teachable and trackable process.

THE CAPITAL MINDSET

Part 1: Business Progress Alignment
Part 2: Effective Investor Positioning
Part 3: Structured Capital Markets Process

Capital Mindset - Part 1

Business Progress Alignment

Understanding Business Progress Alignment

Defining Business Progress Alignment

Business progress alignment is a common-sense concept – yet is ignored by most growth-stage companies that are in a rush to secure growth capital. Ignoring this concept is one of the major reasons that companies struggle to secure investment capital.

In short, the concept is to ensure that, in its current state, the business has progressed to the stage that aligns appropriately with the type of opportunities that the target investor is focused on and interested in putting capital to work.

Growth-stage companies - particularly those in the Seed, Series A, and Series B stages – rarely grow in a uniform, consistent manner. Most often, growth takes place in a sporadic, inconsistent, and step fashion.

Growth-stage investors are most often very particular and disciplined about what stage of growth they prefer to focus upon. Different stages of growth and progress with the business will attract different potential capital partners.

The definition of 'Business Progress' is crucial and will differ meaningfully from Seed to Series A to Series B. However, it often is the determining factor in an investment decision.

Understanding Why it is So Critical to Success

Institutional investors will only invest in companies that are executing the business plan to the point in which the progress aligns with the stage of growth that they are interested in.

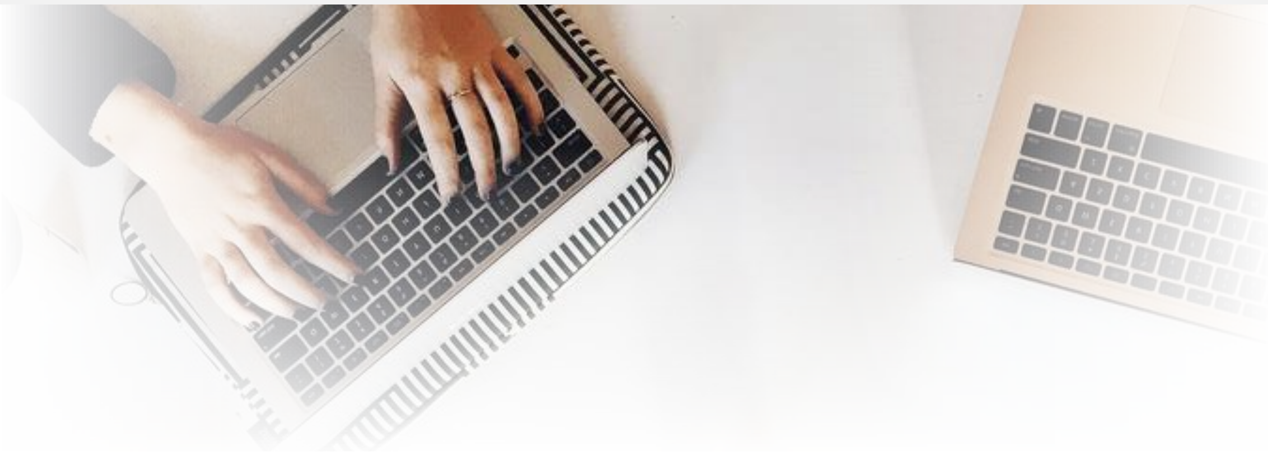
These investors will relentlessly scrutinize every single aspect of the business for signs of this progress.

Weakness, uncertainty, or shortcomings in any one area of the progress of the business will often lead to them passing on the investment.

The unfortunate truth is that most businesses have not progressed far enough to qualify for many of the institutional growth investors that they meet with.

It is impossible to calculate the amount of lost time and money in the capital raise process that this situation causes.

To successfully engage investors, Founders must spend time upfront to ensure that the business has progressed to the point it is ready to receive institutional-quality capital. Understanding the Investor Business Progress Mindsets that follow is key to correcting this.



Investors Focus on the Business

Great Product Ideas Get Investor Meetings. Great Businesses Get Growth-Stage Capital.

There is a distinct and important difference between a great product, and a great business.

Unfortunately, these two often get intermingled and confused during the capital raise process – and this leads to trouble.

Over the last several decades, popular business investment culture has elevated the role of the disruptive and innovative idea to hero status.

The popular notion is that a truly innovative and revolutionary idea will overcome all obstacles and opposition until it dominates a market and subsequently lavishes financial success on both management and investors alike.

The idea is supreme while the underlying business is secondary. To be sure, there are examples of this that we all could reference.

However, the more challenging truth is that this type of business success tends to be the exception, not the rule.

Most new and innovative products that enter the marketplace face overwhelming hurdles, opposition, and competition on the way to trying to establish a stable position within the market.

In most cases, an innovative and disruptive idea is just the start. That can be enough for a growth-stage company to secure capital from the angel and friends and family ecosystem.

However, for a business to achieve scalable success, that product or idea must be wrapped in an organized, highly focused, and executable business plan.

Institutional investors understand this. Many growth-stage companies do not – which is why their capital raise fails.

Growth-Stage Investors Fund Execution

They Tend to Avoid Businesses That are Still in 'Exploration' Mode (The Principle of Want vs. Need)

At the growth-stage, management teams often don't fully understand what investors are looking for in an opportunity. To make matters confusing, investors don't often share the criteria through which they filter investments.

Given that the criteria is not always written in stone, Founders need to embrace one guiding principle. That principle is that institutional investors want to invest in 'execution' - not 'exploration.'

This is a major underlying principle governing investor behavior that growth-stage companies need to understand.

In growth-stage circles, one often hears institutional investors say they are interested in finding an opportunity in which their capital can 'throw gas on the fire.'

What that means is that they are seeking investment situations in which a management team has a well-established business plan, product/market fit, laser-focused client profile, pricing solution, established go-to-market strategy, strong team, and visibility to robust near-term revenue growth.

If this sounds to you like a business that doesn't really need growth capital at all – good - you are starting to get the point.

The mindset for Founders to avoid is 'need.' Growth-stage investors are not looking for companies that 'need' capital. They are looking for companies that can 'use' capital as a leverage point for rapid growth.

Therefore, the further along you are in successful business 'execution' mode, the more attracted institutional investors will be to your company.

All too common are companies that create a strong pitch deck, praising the product, the massive size of the market, and their ability to revolutionize an industry.

However, it becomes very evident in the early stages of diligence that management has done far less work on validating, much less executing the business strategy.

Investors can sniff out business 'exploration' from a mile away. If investors sense that a company is still working through or 'exploring' any of the primary business functions mentioned earlier, they will pass on the investment.

Therefore, the goal for the management team is to optimize the business strategy and move the business as far into the 'execution' phase as is possible.

Investors Seek Measurable Progress

There is a Crucial Difference Between Business Milestones and Business Weaknesses

Growth-stage investors want their capital utilized to achieve definable and measurable milestones. As mentioned earlier, they want their capital to 'throw gas on the fire.'

This much is true, and most entrepreneurs understand it. However, the error that most entrepreneurs make is in misunderstanding what investors qualify as a true milestone.

Further development of a major function of the business – such as defining the ideal client profile or solidifying a go-to-market strategy – does not qualify as a milestone.

That is simply concrete and confirmed evidence of a business that has not yet matured enough to qualify for growth-stage capital.

That Founder is unwittingly operating under the assumption that the company cannot master a crucial aspect of the business, without capital.

This is a business seeking capital to correct a weakness, not to achieve a measurable milestone.

Investors see it correctly for what it is - and move on to another opportunity.

For investors, a management team that approaches the capital process with this mindset simply showcases the fact that they are not yet ready to receive the capital.

The hard truth is that the company likely will not get the capital UNTIL it fixes the business weakness.

This is an extremely difficult concept for many Founders to accept – and is the cause of a tremendous amount of wasted time and effort in a capital raise.

Nothing wastes more time, money, and resources for Founders than chasing growth capital when the business still has too many weaknesses and is not yet ready to support it. To make matters worse, many investors are too polite to point out this hard truth.

In these instances, management's time is likely better spent working to correct shortfalls in the business, rather than on the road talking to investors.

Business Progress Mindset #4

The Team. The Team. The Team.

At the Growth-Stage, the Capital is an Investment in the Team More So Than the Product

Growth-stage companies are attractive to institutional investors because they offer compelling risk-reward characteristics.

In most cases, the companies have not quite hit the point of growth in which significant scale (and investor returns) kick in. Yet, they also exhibit some degree of downside protection, given the fact that they have products deployed in the marketplace, revenue, and cash flow.

However, while those characteristics are helpful, this stage of growth is still highly uncertain. Investors understand that, time and time again, the difference between success and failure, lies in the ability of the team to manage extreme growing pains.

The risk that the team is not able to successfully execute is one of the areas that institutional investors focus on the most when evaluating opportunities at this stage.

Investors are hyper-focused on the management team's ability to formulate, evaluate, articulate, execute, iterate, and adapt the business plan.

In order to successfully navigate the capital raise process, management teams had best prepare for the onslaught of scrutiny and judgement that every strategy, decision, and option will receive during investor diligence.

The more effectively a management team can demonstrate that they have thought through the pros, cons, and every eventuality of the business plan, the more confidence investors will have.

If an investor suspects, even a little, that management has not thoroughly thought through the process and is still exploring areas of the business plan - they more likely they are to pass on the investment.

To be sure, for most growth-stage companies, some degree of business model exploration is understandable. There are likely aspects of the business that will always be in flux and under development. Areas such as new market segments, new products, and optimized pricing schedules are always being scrutinized.

Institutional investors understand that growth-stage companies are constantly working to navigate unknowns. However, the principle to remember is that, ultimately, institutional investors see themselves as backing the ability of a management team – not just a product or service.

At every point of engagement, management must be able to clearly articulate their knowledge and command of their product, the customer, market, strategy, competition, risks, and options. The more effectively management does so, the more confidence investors will gain in the team.

When interesting companies with products in lucrative markets and identifiable customers simply cannot secure institutional investor capital, it is rarely the product or the market that is the issue.

Oftentimes, the problem lies in management's inability to clearly articulate the strategy or win investor confidence of its ability to effectively execute that strategy.

Business Progress Mindset #5

Business First. Capital Second.

Focus on Optimizing the Progress of the Business at its Current Stage – Institutional Capital Will Follow

As stated at the opening, many growth-stage companies raising institutional capital struggle or fail to successfully obtain it. The unfortunate truth in many cases is that they fail because the business has not yet reached the level of progress or success that it needs to attract institutional investment partners.

This lack of business preparedness is often the main source of frustration during the raise. Nothing wastes more time, money, and resources for growth-stage companies than chasing institutional capital when the business is not yet ready to support it.

The best idea or product is not always the one that secures funding. It is usually the company that has the most fully developed business plan, with a strategy that is currently being well-executed, by a team that has demonstrated command of their market.

Capital is always a priority, and most capital raises operate under some level of urgency and duress. However, while it may seem counterintuitive, the quickest way to secure institutional capital is often to spend more time and resources upfront optimizing the progress of the business.

Unfortunately, far too many management teams do the exact opposite. They seek to obtain capital first, in order to optimize the business second.

This is not a strong recipe for success with institutional investors. Investors are looking for companies that can 'use' capital as a leverage point for rapid growth. In the mind of the investor, optimizing the business comes first, and the capital follows.

The quickest, most direct path to success in attracting institutional capital is to create the strategic, structural, and operational progress in the business that those investors seek.

Capital will appear once you have created a strong and accountable management team, a well-established business plan, product/market fit, laser-focused client profile, pricing solution, established go-to-market strategy, and visibility to robust near-term revenue growth.

This may seem like a heavy lift. However, it is nothing in comparison to the time, money, and effort companies waste working through an ineffective capital raise.

Skip the business optimization process beforehand, and you can expect countless wasted months rolling from one disappointing investor meeting to another.

Failure to effectively prepare the business for these high demands and expectations is a major reason that institutional capital raises falter or fail.

Successful capital campaigns optimize Business Progress Alignment by focusing on three core principles:

1. ***Optimize the Business First – Capital Will Follow.*** *The unfortunate truth is that most institutional capital raises fail because the business has not yet reached the level of execution progress or success that it needs to attract institutional investment partners. While the upfront lift may seem heavy, the quickest, most direct path to success in attracting institutional capital is to create the strategic, structural, and operational progress in the business that those investors seek.*

2. ***Focus on Execution – Not Exploration.*** *Institutional investors are interested in finding an opportunity in which their capital can 'throw gas on the fire.' They are seeking investment situations in which a management team has a well-established business plan, product/market fit, laser-focused client profile, pricing solution, established go-to-market strategy, strong team, and visibility to robust near-term revenue growth. Therefore, the goal for the management team is to move the business as far into the 'execution' phase as is possible.*

3. ***The Team. The Team. The Team.*** *Institutional investors understand that the difference between success and failure at the growth-stage lies in the innate ability of the management team to manage the ever-changing growing pains. At every point of engagement, management must be able to clearly articulate their knowledge and command of their product, market, strategy, competition, risks, and options. The more effectively management does so, the more confidence investors will gain in the team.*

Capital Mindset Program - Part 1
BUSINESS PROGRESS ALIGNMENT

Ensuring that the progress achieved to date, and the future potential of the business is aligned appropriately with the needs of the investor is the first part of successfully adopting the Capital Mindset.

Pitching a business not progressed enough to align with the potential investor is the surest road to wasting your time, money, and effort.

To successfully engage capital providers, Bennu Partners works with Founders and their team to ensure that each aspect of the business listed below is properly aligned with the needs of the investor.

Work to optimize the elements of each of the steps listed below, and you will increase the chance of successfully raising institutional-quality capital.

STEPS TO CREATE BUSINESS PROGRESS ALIGNMENT

STEP 1: PRODUCT

- Demonstrate Mastery of the Problem Being Solved
- Articulating the Product's Edge
- Timing: Industry-wide Demand for Product
- Current Alternatives for the Product

STEP 2: CUSTOMER

- Tightening up the Ideal Customer Profile (ICP)
- Customer Awareness of the Problem/Solution
- Urgency – How Motivated is the Customer to Solve the Stated Problem (Changing Behaviors)
- Who Benefits/Who Pays – Customer, Beneficiary, Stakeholder Analysis
- Understanding and Mapping the Customer Journey (How long does it take to generate revenue)

STEP 3: BUSINESS STRATEGY

- Building and Articulating an Effective Business Model (Pattern Recognition)
- Pricing Options and Tiers (Customer pricing optionality)
- Market Entrance Timing
- Expected Market Response to Product Entry

STEP 4: REVENUE EXECUTION

- Creating a Tangible, Credible, and Executable Go-to-Market Strategy
- Length of Sales Cycle/Expected Revenue Ramp Rate
- Tangible Sales Pipeline Development
- Expected Challenges to Product Adoption
- Brand Strength/Recognition

STEP 5: INDUSTRY AND COMPETITIVE PROFILE

- Team's Past Success in the Industry/Chances for Future Success
- No Competition = No Credible Market (creating new markets requires a lot of time)
- Differentiation from the Competition
- Barriers to Entry
- Industry Challenges
- Technology/IP/Processes
- Other Business Risks

Program Exercises Designed to Create Effective Business Progress Alignment

Bennu Partners begins with the following prompts to assist teams in optimizing the elements that lead to Business Progress Alignment

STEP 1: PRODUCT

- Are you in love with your product, or with your customer's problem?
- How effective is the product at solving the customers problem?

STEP 2: CUSTOMER

- How deeply do you really know your Ideal Customer Profile ? (Who Needs Your Product? Is it an Urgent Need? Will They Pay for It? How Much Will They Pay?)

STEP 3: BUSINESS STRATEGY

- Can you clearly articulate the Value Proposition nuances between Customer, Beneficiary, Stakeholder?
- What is your plan to help quickly facilitate a change in Customer Behavior?

STEP 4: REVENUE EXECUTION

- How tangible, credible, and executable is your current Go-to-Market Strategy, Funnel Pipeline, and Sales Process? Are your timelines for each realistic?

STEP 5: INDUSTRY AND COMPETITION

- How aware is the industry and your competition to the Problem you are solving, and the Solution you are offering? Is the timing correct for the solution you are offering?
- Why is your team the group to bet on in this industry?

Capital Mindset - Part 2
Effective Investor Positioning

Understanding Effective Investor Positioning

Defining Effective Investor Positioning

Most Founders would claim to have a fair working understanding of the concept of investor positioning – and believe that they are capable and effective at it.

However – if pressed on the topic – most of these same Founders would immediately focus the discussion on the investor deck, and the information contained within. Unfortunately, the deck is not positioning – it is just marketing.

Effective investor positioning goes far beyond the investor deck. At the heart of effective positioning is having an accurate understanding of the needs and requirements of the investors you plan to target – and how your opportunity meets or exceeds those investor needs.

Investment capital is NOT all created equal. Institutional investors come in many shapes and sizes, and have very specific needs, growth expectations, timelines, and exit scenarios.

Understanding how the underlying business needs to be positioned with the appropriate investor at the appropriate stage is one of the least understood, yet most important aspects of a successful institutional capital raise.

Understanding Why it is So Critical to Success

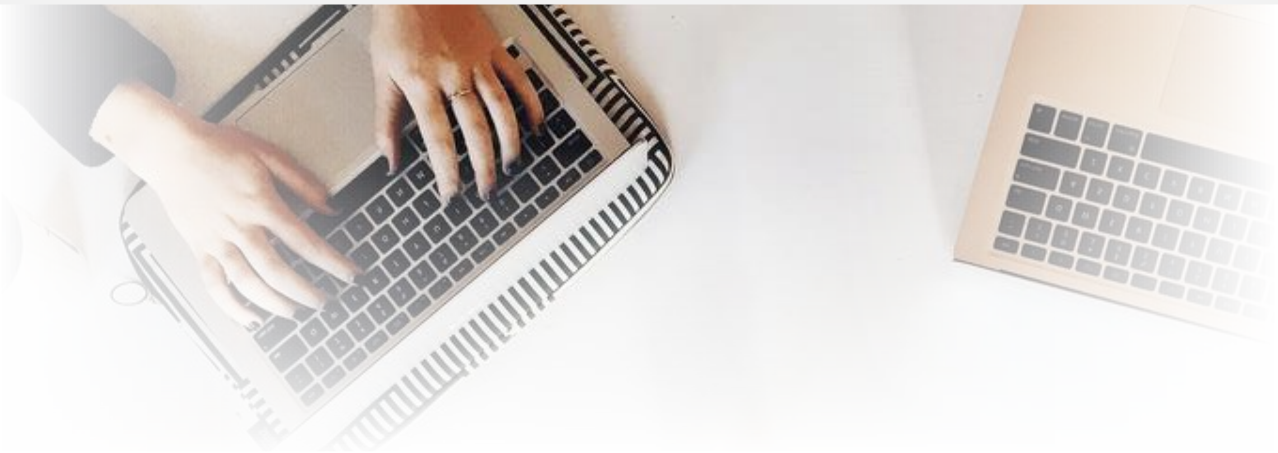
Choosing a capital partner with mismatched expectations is one of the most certain ways to take a company with future growth potential – and utterly destroy it.

Not only that - but initiating and participating in an endless stream of meetings with potential investors – most of whom are poorly aligned with your company's growth potential is the cause of countless wasted time and money.

Unfortunately, out of haste or inexperience, most growth-stage companies make the mistake of skipping the crucial step of understanding the positioning which would lead to more effective investor targeting.

Instead, they rely on the numbers game, meeting everyone that they can, and treating investors as if they are all looking for the same thing in an investment opportunity.

Understanding the Effective Investor Positioning Mindsets that follow is key to correcting this mistake and creating stronger engagement with the appropriate capital partners.



Understand Your Investment Partners

Private Markets Investors Come in Many Shapes and Sizes – and Have VERY Different Needs and Expectations

As stated earlier, many growth-stage management teams lack experience with engaging institutional investors.

Entrepreneurs often do not understand what investors are looking for in an opportunity, or how to position their business to meet the investor's needs.

Private equity, venture capital, family office, and strategic investors may all look the same from the outside. However, they all have unique needs and expectations when looking at growth-stage investments.

Unfortunately, out of haste or inexperience, most growth-stage companies make the huge mistake of treating these investors as if they are all looking for the same thing in an investment opportunity.

When launching a capital raise, most of the energy of a campaign understandably gets channeled into creating a slick, articulate, and compelling pitch deck.

The focus centers on the product, the business, the market, and the team.

Unfortunately, little to no effort is exerted beforehand in understanding the underlying needs or strategy of any one particular investor.

Most Founders have no idea whatsoever if the potential return profile of their business fits into the investor's overall portfolio needs.

If they are being honest, most Founders would admit that they have no idea on even how to begin to know how to research or understand an investor's strategy and needs.

These questions are just too big to contemplate, and the Founder simply has no time for them. The need for capital is dire. Activity is all that matters.

Lining up a string of pitch meeting creates a great deal of excitement, energy, and hustle on the part of the management team. It feels good to engage in action.

However, the result of this hectic process is most often a tremendous amount of wasted time and money on meetings with inappropriate investors – with no capital to show for it in the end.

Understanding how the underlying business needs to be positioned with the appropriate investor at the appropriate stage is one of the least understood, yet most important aspects of a successful institutional capital raise.

Given time constraints, it is tempting to skip this part of the process. But doing so is a HUGE mistake.

Investor Positioning Mindset #2

All Capital is NOT Created Equal

Adding the Wrong Capital Partner to your Cap Table can be Deadly to the Future Growth of Your Company

The four most common categories of institutional investor that entrepreneurs pursue are venture capital, private equity, industry strategics, and family office.

As mentioned, each of these investor categories has vastly different portfolio needs, annual growth expectations, return requirements, exit options, and holding period timelines.

It is vital that entrepreneurs understand that all capital is not created equal. Each investor comes with its own unique pros and cons. However, they all come with well-defined strings attached.

Not completely understanding the strings attached to each capital category is a dangerous mistake. One that can ultimately lead to the demise of the business.

Every business is unique. Just as DNA sets natural parameters as to the growth and potential capabilities of humans, companies also have a DNA component.

In many ways, the future growth potential of a business is bound by the parameters of its DNA. For example, a Saas business is going to have a very different growth timeline, trajectory, and set of challenges than a manufacturing business.

When researching and engaging institutional investors, it is crucial that Founders are aware of and honest with themselves about the true and realistic DNA growth profile of their business.

The realistic and achievable growth profile of your business – over the course of five to ten years - had better match up quite well with the growth expectations and requirements of your institutional capital partner.

If it doesn’t, you will almost certainly run into trouble at some point in time. Ideally, your capital partners will be collaborative and value-add for the five to ten-year cycle.

However, choosing a capital partner with mismatched expectations is one of the most certain ways to take a company with potential – and utterly destroy it.

While this may sound a bit dramatic – it is not. The last several decades of investment history are littered with examples.

Sad stories of companies with great potential going bankrupt, simply because the growth potential of the company ended up being a poor match (ie. too low) for the growth needs and expectations of the institutional capital partner.

Understanding what type of capital partner you need takes time upfront – but it is time well spent.

Investor Positioning Mindset #3

Know Your Realistic Growth Potential

Grow Fast or Die – Are you Even a Good Fit for Venture Capital or Private Equity Investors?

For the first step when strategizing positioning, every growth-stage company seeking institutional investment capital must answer two basic, yet crucial questions about their business.

The first is whether or not the underlying business realistically has the ability to match the lofty growth and accelerated timeline expectations of institutional investors.

If the answer to the that question is yes, then the second question is which specific category of institutional investor is the most appropriate fit, given the nature of the business.

Every growth-stage company has a unique set of characteristics with respect to its industry structure, financing options, challenges, opportunities, strengths, weaknesses, and growth potential.

While there is an almost infinite number of business input combinations, the reality is that there are likely natural limitations to what the business model can actually achieve - and how quickly.

At the outset, it is vital that entrepreneurs are brutally honest with themselves about the realistic growth potential of the business.

Companies operating in more growth-oriented industries can often grow between 20% and 50% per year. Private Equity funds like to operate in this range.

Disruptive industries can routinely experience companies that grow at over 100% per year over many years. This is the domain of Venture Capital funds.

However, the reality is that these growth rates are extremely difficult to sustain over several subsequent years.

Quite frankly, the vast majority of businesses in existence simply do not have the ability to match the relentless growth expectations of venture capital and private equity investors.

In other words, these investors are not an optimal source of growth capital for a great number of businesses.

Not knowing this, far too many entrepreneurs seek and accept capital from these types of investors and are ultimately unable to successfully meet those growth expectations.

The end result is the failure of a business that might have otherwise succeeded with the appropriate capital partner.

Optimal Message for the Ideal Investor

Products Have an Ideal Customer Profile. Growth-Stage Companies Have an Ideal Investor Profile.

Growth-stage companies are all different, and experience different challenges. However, all successful institutional capital raises exhibit two crucial characteristics:

1. a clearly articulated message,
2. directed at the ideal investor.

These two elements are the definition of effective investor positioning.

The overall market opportunity, the product narrative, the customer, the growth potential, and the time frame to exit all must fit squarely within the required parameters of the potential investment partner.

In addition, these elements must all be articulated in the investor engagement material in a concise and compelling manner.

Unfortunately, in far too many cases, either one or several of these elements is missing or mis-aligned with the needs of the targeted investor.

The primary reason is that too many management teams simply have not taken the necessary time upfront to diligence and research the characteristics of the ideal institutional investor target.

Most management teams are either in too much of a hurry to secure capital to do the upfront work or are not even sure on how to research investors in the first place.

Many Founders believe that what worked for the angel and friends/family crowd will work for institutional investors. It will not.

There is a great deal of upfront diligence work and research on potential investors that needs to be done before engaging investors. Many entrepreneurs mistakenly skip this step.

This lack of upfront preparation leads to a potential investor list made up of people who are willing to listen to the pitch, with no clear association to the realistic chance of success.

Companies correctly put a great deal of time and effort into understanding the profile and motivations of their targeted customer. They create elaborate processes and campaigns to reach those individuals – and succeed in doing so.

Inexplicably, however, Founders tend to completely abandon these sales principles when targeting potential investors. After all, this process is just selling shares in the company.

Once again, the result of this misstep is wasted time, wasted money – with no investor capital to show for it.

Investor Positioning Mindset #5

Ready. Fire! Aim?

Move Fast and Break 'Stuff' is Actually Terrible Advice – Take the Time to Do This Right the First Time

'Ready. Fire! Aim' is the most common rallying cry for most growth-stage companies as they rush into a capital raise process. Get in front of any investor with a warm pulse – and fast!

It feels great to get started. However, weeks and months go by before any real aiming begins to take place.

By that time, tens if not hundreds of thousands of dollars has already been wasted targeting the wrong investors with a sub-optimal message.

This situation is an unbelievably significant unforced error – one that we see over and over and over again.

We get it. Things are moving fast. Capital is urgently needed. However, the drive to move fast and break 'stuff' is more appropriate for startups working out of the garage.

For established companies that have customers, revenue, cash flow, and employees – it's awful advice.

In an institutional capital raise, if speed trumps diligence and quality of engagement, then in the end, all that is left is a bunch of broken 'stuff'.

That broken 'stuff' includes payroll, employment contracts, partnerships, revenue timelines, and cap tables – to name just a few.

As covered earlier, private equity, venture capital, family office, and strategic investors all have unique needs and expectations when looking at growth-stage companies.

Each capital category has its own strict expectation for market size, revenue growth, cash flow, profitability, investment time horizon, and exit optionality - among other criteria.

It is crucial to not make the mistake of treating these investors as if they are all looking for the same thing in an investment opportunity.

If the company's growth potential does not match the investor needs, it is far better to know that upfront and avoid frustration and pain (and potential collapse) further down the road.

Understanding how to correctly position your growth-stage company with the appropriate investor at the appropriate stage is one of the most important aspects of a successful institutional capital raise.

Speed kills. Putting in the necessary time upfront may seem like a frustrating delay in action. However, it is valuable time, well spent.

Doing it correctly can ultimately save priceless time, team resources, and money as the raise progresses.

Successful capital campaigns create Effective Investor Positioning by focusing on three core principles:

1. ***Investors Come in All Shapes and Sizes.*** *Don't run an ad hoc process and reach out to investors of all stripes. Take the initial step of getting to know the needs, requirements, and expectations of each potential capital provider category. Once you understand the target profile, create the optimal message for the ideal investor. Create a narrative specifically targeted to your specific investor. Frenzied meeting activity may feel like progress, but only if the proper diligence and research is performed upfront.*

2. ***All Capital is Not Created Equal – Understand Your Options.*** *Courageously perform the assessment to understand the natural potential and growth limitations of your company and industry. In other words - know your company 'DNA'. Don't assume that any one category of institutional capital is the correct course of action. Matching your company potential with the appropriate investor expectation is crucial for success – and will help avoid potentially painful decisions further down the road.*

3. ***Speed Kills – Don't Move Fast and Break 'Stuff.'*** *Once you have taken the steps above and truly understand what type of investor is most appropriate, then it is time to sharpen your pencil on highly targeted investor lists. Take the appropriate time upfront to research and compile your potential investor target list. Always strive for quality of engagement over volume of meetings. The keys to success are appropriate positioning, a clearly articulated message, directed at the ideal investor.*

Capital Mindset Program - Part 2
EFFECTIVE INVESTOR POSITIONING

Ensuring that your company is properly positioned and is aligned appropriately with your targeted investor group is the second part of successfully adopting the Capital Mindset.

Participating in an endless stream of meetings with potential investors – most of whom are poorly aligned with your company's growth potential is the cause of countless wasted time and money.

To successfully engage capital providers, Bennu Partners works with Founders and their team to ensure that each aspect of the steps listed below is properly positioned with the appropriate investor target.

Work to optimize the elements of each of the steps listed below, and you will increase the chance of successfully raising institutional-quality capital.

STEPS TO EFFECTIVE INVESTOR POSITIONING

Step 1: INVESTOR FEEDBACK
- Understanding Investor Perception of the Opportunity
- Courageously Analyzing the Company's Strengths and Weaknesses
- Creating the Strategy to Address Investor Concerns

Step 2: MAPPING THE COMPANY'S 'GROWTH DNA'
- Understanding the Credible Return Capability of the Company
- Mapping the Appropriate Strategy for Future Growth Financing
- Understanding the Company's Most Likely Exit Options
- Preparing Professional Balance Sheet, Income Statement, and Cash Flow Projections
- Analyzing Appropriate Valuation Expectations

Step 3: PROFILING APPROPRIATE INVESTORS
- Understanding the Needs and Expectations of Different Investor Categories
- Match the Investor Needs with the Company's 'Financial DNA'
- Analyze Opportunity Stage, Investment Category, Investor Risk Profile
- Develop the Ideal Investor Profile

Step 4: TARGETED COLLATERAL CREATION
- Understanding the Most Compelling Aspects of the Opportunity for the Investor
- Creating the Narrative that Highlights these Compelling Aspects
- Developing the Messaging that Targets the Most Appropriate Investor Profile
- Creating a Pitch Deck that Effectively Incorporates this Data
- Develop Supportive Outreach Collateral

Step 5: INVESTOR TARGETING
- Compile Investor Profile and Contact Data (Crunchbase, Pitchbook, Other)
- Create Target Investor Lists Based Upon the Ideal Investor Profile
- Develop First Draft of Proposed Deal Structure Terms
- Develop Investor Warm and Cold Outreach Collateral

Program Exercises Designed to Create Effective Investor Positioning

Bennu Partners begins with the following prompts to assist teams in optimizing the elements that lead to Effective Investor Positioning

STEP 1: INVESTOR FEEDBACK

- Taking a deep look at the company through the eyes of the investor.
- Effectively understanding and adjusting to investor feedback. Don't fall into the binary 'Fundable vs. Non-Fundable' trap.

STEP 2: MAPPING THE COMPANY'S 'GROWTH DNA'

- What is the company's realistic 'Growth DNA'?
- What return are you credibly capable of achieving – and how quickly can you achieve it?

STEP 3: PROFILING APPROPRIATE INVESTORS

- Investor 101: Understanding the needs of the different investor categories: Venture Capital, Private Equity, Strategic Investors, Family Office, Angels

STEP 4: TARGETED COLLATERAL CREATION

- Capturing investor attention. Science + Art = Capital.
- Your cap table tells an important story. Is it the story you want told?

STEP 5: INVESTOR TARGETING

- How to effectively research, organize, and prioritize a target investor funnel
- Forget the 'Dumb Money.' Understand the role of strategic investors as a potential path to success – and how to engage them

Capital Mindset - Part 3

Structured Capital Markets Process

Understanding a Structured Capital Markets Process

Defining a Structured Capital Markets Process

When it comes to executing on a successful capital raise, this is the area that most Founders would vigorously agree that they have the least experience with and least interest in doing.

It is – without question - the least sexy and least interesting aspect of a successful capital raise. However, it is also the most easily correctable of all the three categories of a successful raise that we have discussed thus far.

It all begins, flows from, and ends with the process. The quality of your process absolutely determines the quality of your results.

Successful teams begin with the end in mind. They spend the necessary time upfront to define what success ultimately will look like. They set achievable goals, a realistic timeline, the appropriate budget, and the infrastructure that will lead to success. THIS is the definition of a Structured Capital Markets Process.

After all, raising investment capital is a process – no different than the process of selling a product or service. It is a process that must be constantly studied, refined, iterated upon, and adapted throughout the entire sales cycle of the raise.

Understanding Why it is So Critical to Success

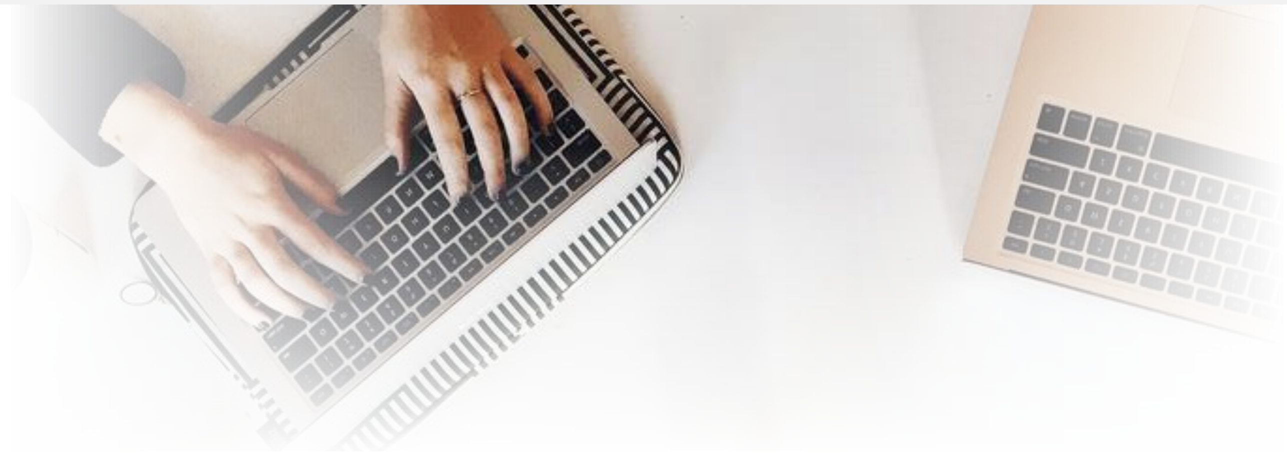
Unfortunately, as echoed with the other two Mindsets, most Founders and companies are in far too much of a rush, don't want to have to contend with these details, and too anxious to get in front of any potential investor – that they fail to take the time to appropriately create the necessary infrastructure.

The sad truth is that most capital raises ultimately fail due to an unstructured, undisciplined, or poorly planned capital markets process. What a ridiculous unforced error for a company to bring upon itself.

Performing diligence requires a lot of time on the part of the investor. By investing, they are putting reputation and capital on the line. Treat the entire process with the time and respect it deserves.

Understanding the Structured Capital Process Mindsets that follow is key. They will lead to greater clarity and a more effective infrastructure.

Ultimately they will also increase the chance of successfully raising capital – on your predetermined timeline and budget.



Structured Process Mindset #1

It’s No Different than Selling a Product

Capital Raises Most Often Struggle Due to a Lack of an Organized, Repeatable, and Disciplined Sales Process

Securing sufficient funding capital for the growth of the business is a vital function. Just as vital as other core elements of the business such as talent, technology, product, marketing, etc.

Yet far too many growth-stage entrepreneurs make the mistake of treating the capital raise process different than those other core parts of the business.

More often than not, they treat the capital process as a part-time annoyance and huge distraction from time spent on the business.

Raising investment capital is a process – no different than the process of selling a product or service. Most growth-stage companies are great at creating a process to effectively engage potential customers.

Yet, inexplicably, they abandon those very same successful sales principles when it comes to selling investors on shares in their company.

Successfully raising capital is a carefully planned, disciplined habit - not a one-time event as many entrepreneurs approach it.

It is a process that must be constantly studied, refined, iterated upon, and adapted throughout the entire sales cycle of the capital raise.

To run a successful capital raise process, the company narrative, positioning, message, and materials must be carefully designed to meet the needs of the correct investor, with the correct industry focus, at the correct investment stage.

Unfortunately, in our experience, most investment decks, narrative, content, and messaging are created for a generalized audience. As such, they are poorly prepared - and mostly ineffective.

A vital first step – one that most companies skip - is to spend time upfront setting the proper, realistic goals, timelines, and organizational structure that will lead to success.

This is what we call ‘Begin with the End in Mind.’ Start first with defining what success looks like. We have already discussed the business and the ideal investor profile.

Now, clearly articulate what the structure of the capital raise process will look like. Define core elements such as timeline, budget, capital target, valuation expectation, funnel management, team roles and responsibilities, etc.

This is not sexy stuff. However, this information is crucial. Unsuccessful raises skip this step. Successful capital raises all perform this step well.

Your Team was not Built for Capital

Most Growth-Stage Management Teams Simply do not Have the Necessary Capital Markets Expertise to Run an Effective Process

No Founder ever started a company for the purpose of become great at raising capital. Also, most professionals that join a growth-stage company do so for reasons other than the chance to raise investor capital.

Entrepreneurs start a company because they are passionate about the product that they are building. Raising capital is an afterthought at best, or a huge nuisance at worst.

The simple – and unfortunate - truth is that many management teams at the growth-stage lack the capital markets experience needed to drive a comprehensive and effective institutional capital raise process.

However, to be clear, this is not meant as criticism. Given that capital is not a passion, it should come as no surprise that a great majority of entrepreneurs do not fully understand the motivations of investors, how they evaluate an opportunity, or how to structure a successful process.

Fair or not - investors expect Founders and their management teams to excel at all of these activities.

However, most growth-stage management teams are woefully unprepared and uneducated on how to effectively execute in the arena of investor capital.

This complete lack of capital markets expertise can often have dire consequences for the company.

More often than not, it leads to a capital raise that is ineffective, rushed, ad hoc, poorly planned, and unenthusiastically (or fearfully) pursued.

Unfortunately, this is an approach that will not cut it at the level of the institutional investor. A successful process for raising institutional capital will look very different from what was needed to raise capital from friends, family, and angel investors.

As discussed, private equity, venture capital, family office, and strategic investors all have extremely high expectations.

These institutions most often have deep expertise in their chosen industry, product, and sector. Performing extensive due diligence is what they do. Most do it well.

Without capital markets expertise, most Founders will find the process to be painful and frustrating.

Entrepreneurs lacking the ability to skillfully engage these investors, communicate the business edge, and demonstrate how it is replicable – are simply out of luck.

Structured Process Mindset #3

What about Investment Banks?

Investment Banks were Primarily Built to Assist More Mature Companies and are Often not a Great Growth-Stage Fit

Interestingly, most entrepreneurs are painfully aware of their inexperience with the institutional capital raise process. They are also fully aware that their enthusiasm for the capital raise process is lacking – to say the least.

This awareness leads many - with the best of intentions - to take what they believe to be the next logical step. They turn to professionals that specialize in raising capital – investment banks.

Unfortunately, while the logic may seem sound, and the intentions are pure, this decision often exacerbates the problem and needlessly wastes more time, money, and energy.

The challenge with this solution is that growth-stage companies transitioning from friends/family rounds to institutional capital are often a very poor fit for the typical investment bank's investor ecosystem.

To be very clear on this point, the problem is not investment bankers or the investment banking industry. They are often great solutions – for the correct situation.

The challenge is that investment banks typically are structured to finance companies that are more mature, have longer operating histories, are cash flow positive, exhibit trackable revenue growth, and are profitable.

Companies in the earlier phases of their growth and operating history – such as Seed, Series A, or Series B - tend to be a poor match for the skill set and investor ecosystem typical for most investment banking clients.

Over the years we have seen far too many cases in which a growth-stage company has hired an investment bank to run the entire capital raise process – only to experience very disappointing results. In many cases, not even a single investor meeting was secured.

This is not to say that investment banks have no role to play in growth-stage capital markets. Investment banks can and do frequently play a crucial role.

However, their value and expertise are more appropriately leveraged once companies have matured a bit and have longer histories of revenue growth and cash flow.

While there is no specific cutoff, investment banks tend to add more value once companies reach a Series C or beyond.

For companies raising a Seed, Series A, or Series B – the strategy of handing the capital raise over to an investment bank can be alluring.

However, the stage mismatch can render the investment banking network ineffective – and most often leads to disappointing results (and wasted money).

Structured Process Mindset #4

Investors Demand Founder Engagement

Growth-Stage Investors Will Only Engage the Founder – and Will be Skeptical of any Third-Party Intermediaries

As discussed, the investment banking community is not often a great capital solution for growth-stage companies raising a Seed, Series A, or Series B round.

However, the stage mismatch is not the only challenge with this approach. An additional wrinkle is that most institutional investors have an extremely rigid expectation of dealing directly, and solely with the founder of the company.

As covered earlier, when evaluating a company at this stage, investors strongly believe that it is ultimately the founding team that they are backing with capital.

Therefore, they understandably demand deep engagement with that team in order to thoroughly complete their evaluation.

Given this expectation, there is a deeply negative bias in the investor community towards working with any paid third-party intermediary acting on behalf of a growth-stage company – such as an investment banker or contracted 'equity raiser.'

Fair or not, many institutional investors won't even look at an opportunity presented to them from a third-party, paid intermediary.

In cases such as this, founders may be doing what they believe is the responsible thing by hiring a professional to fully handle the raise process.

However, in doing so they can actually be decreasing their chance for success with the investment community.

When contacted by a paid intermediary, investors often make three negative assumptions:

1. The company is not good enough to attract institutional capital on its own.
2. The Founder is not capable enough to raise capital – and thus unable to build a company.
3. A portion of their capital will be used to pay the agent, not allocated to the growth of the company. [Most investors have a huge problem with this last one.]

To be clear, these assumptions do not have to be true. In fact, in many cases the assumptions are false. However, any one these assumptions can be the death knell to the chances of securing a pitch meeting.

The unfortunate part is that the company could be a great fit for the investor. But it doesn't matter. The deal is dead on arrival due to the investor's negative bias of engaging with a paid intermediary.

This bias may or may not be fair. However, it is vital to acknowledge that it does exist. Companies contemplating hiring a paid broker at this stage need to be aware of it. Doing so could be both costly and ineffective.

Structured Process Mindset #5

Own Your Capital Ecosystem

You are Likely Raising Capital for this and Subsequent Funding Rounds – It's Best to Own Your Funding Future

Investment banks may not be a great solution at the growth-stage. Paid third-party intermediaries or brokers may not be a great idea either.

However, neither of those are the best reason to not turn over your entire capital raise to a third party.

The best reason is that, as a Founder, you want to own your own current and future capital ecosystem.

As discussed, obtaining growth-stage capital from institutional investors is often one of the most significant transitions in the maturation cycle of a company.

However, an important detail to remember is that as the company grows, it will likely need additional rounds of investor funding as it continues to mature.

That being the case for most growth-stage companies, the best thing that a Founder can do is start immediately to build their own capital ecosystem – and continue to add to it over time. The company that owns its own capital ecosystem owns its own funding future.

Paid intermediaries are not incentivized to share their relationships with you. Generally, it is a domain that they keep very close to the vest.

For growth-stage companies, building an ecosystem of capital providers that have the ability to invest at various stages of growth is of immeasurable value – and should be pursued.

Founders that are successful in the capital arena know this. These Founders approach the capital raise in a structured, systematic, intentional, and disciplined fashion.

They run a professional process that includes meeting investors on a regular basis – whether the company currently needs the capital or not. Meeting with investors is a habit, a normal function of a healthy and growing company.

When the entire capital process is outsourced to a third party, the company tragically misses out on the opportunity to build the robust and engaged investment community that it will need over time.

The most successful Founders know that the longer an investor gets to engage with the company and the story, the higher the likelihood that they will invest as some point in the company's growth trajectory – whether it is for this round or for a subsequent round.

Taking the time to build a robust ecosystem of investors that can engage either now or in a subsequent round is the best gift a Founder can give to their company's future.

Structured Process Mindset #6

Capital Won’t Be Rushed

Investors Operate on their Own Timeline – Design Realistic Time Expectations into Your Process (and Budget)

Optimism is a valuable trait for Founders. However, optimism often leads too many management teams to create unrealistic expectations for the amount of time and effort needed to successfully complete a capital raise.

Unfounded optimism often leads companies to make the mistake of not budgeting the necessary time, talent, and resources to complete a successful funding round.

The unfortunate truth is that raising capital takes time. Regardless of the type of target investor, most will move much slower than Founders prefer.

Many entrepreneurs mistakenly expect to successfully close a round of capital in three to six months. However, the data strongly suggests that most capital raise campaigns often actually take between nine and fourteen months to successfully complete. This is a fairly large expectations gap – one that often leads to trouble.

Far too many growth-stage companies run out of time and resources because they planned for a short raise timeframe - and end up having to make suboptimal capital choices (or go out of business) when that deadline is not reached.

Performing comprehensive diligence requires a lot of time on the part of the potential investor. By investing in your company, they are putting reputation and capital on the line.

There is quite a bit of risk involved with the decision. Successful Founders understand and respect the gravity of the process that their potential investment partners are working through. They start with an open dialogue, working to build a partnership of trust and transparency throughout the entire process.

Founders should quickly work to understand the investor’s diligence operational process and expected timeline. Doing so early helps to discover the investor’s highest priorities, underlying concerns, and a realistic timeframe.

Having an institutional investor that is aligned with the mission, collaborates in helping to grow the business, and operates as a true growth partner is one of the most important elements of success. Finding that quality partner takes time and effort.

Give the capital raise due diligence process the respect and attention that it deserves. Budget for the necessary time, talent, and materials to be successful in this endeavor. If outside professional assistance is needed – budget for that as well.

If of all this sounds like hard work, that is because it is. However, plan and execute effectively, and you will certainly distinguish yourselves from the investment competition.

More importantly, you will also likely shorten the diligence period, saving you additional time and money.

Successful capital campaigns create a Structured Capital Markets Process by focusing on three core principles:

1. ***Begin with the end in mind.*** *Set achievable goals and work backwards to create the plan that will lead to success. Based upon that plan, perform a current state and future needs assessment. Don't assume that the company has the required internal expertise on the team. Determine where capital markets expertise gaps exist on the team and how best to fill those gaps.*

2. ***Structured Plan = Success. Weak Plan = Failure.*** *Commit to creating a professional, disciplined, and organized capital markets process. Create the internal organizational structure needed to run a sustainable, intentional process. Develop defined management roles, metrics, a realistic timeline, and a manageable budget.*

3. ***Leverage Professional Expertise - But Remain Front and Center.*** *Take the time upfront to plan the strategy with professionals that have gone through the process before. This is a key missing ingredient to success for many companies. It is acceptable to collaborate with and leverage the expertise of professionals with significant aspects of the process. However, do not fully outsource the process to a third-party agent. Take ownership of the investor ecosystem. Investors demand that the Founder is front and center of the campaign – so stay engaged.*

Capital Mindset Program - Part 3
STRUCTURED CAPITAL MARKETS PROCESS

Ensuring that your company has created a structured, disciplined, and carefully planned capital markets process is the final part of successfully adopting the Capital Mindset.

Begin with the end in mind. Spend the time upfront to define what success ultimately will look like. Set achievable goals, a realistic timeline, and the infrastructure that will lead to success.

To successfully engage capital providers, Bennu Partners works with Founders and their team to ensure that each aspect of the steps listed below is properly followed to create a Structured Capital Capital Markets Process.

Work to optimize the elements of each of the steps listed below, and you will increase the chance of successfully raising institutional-quality capital.

STEPS TO A STRUCTURED CAPITAL MARKETS PROCESS

Step 1: ORGANIZATIONAL GOAL PLANNING

- Begin with the End in Mind: Create Realistic and Achievable Capital Raise Goals
- Develop a Credible Schedule for Future Growth Financing
- Set Capital Raise Target Timeline and Milestones
- Current State of the Raise: Strengths and Needs Assessment
- Create the Capital Raise Process Budget

Step 2: CREATE TEAM ROLES

- Develop the Organizational Process Infrastructure: Creating the 'Capital Committee'
- Assign Team Roles and Responsibilities
- Develop Appropriate Process Metrics and KPIs: What Success Looks Like
- Team Pitch Practice: Overall Narrative and Deck
- Team Investor Ecosystem Mapping Exercise

Step 3: RELATIONSHIP MANAGEMENT: INVESTOR DATABASE

- Creating the Data Infrastructure: Investor Database Management
- Investor Prioritization and Categorization (this round, next round, third round)
- Investor Assignment: Assigning Capital Committee Members to Investor Relationships
- Content Infrastructure: Create system and Assign Responsibility for all Marketing Content and Collateral

Step 4: EXECUTION OF OUTREACH PROGRAM

- Develop Investor and Stakeholder Outreach Strategy
- Create Content Calendar
- Content Management: Posts, Blogs, Whitepapers, Podcasts, Webinars
- Quarterly Potential Investor/Stakeholder Call Schedule
- Events Schedule: Webinars, Industry Conferences, Social Events

Step 5: PROCESS & INFRASTRUCTURE GOVERNANCE

- Investor Relations Role Development and Management
- Data Room Creation and Management
- Board of Directors Development, Management, and Relationship Leverage
- Corporate Governance Development and Management
- Ongoing Capital Committee Management and Review

Program Exercises Designed to Create a Structured Capital Process

Bennu Partners begins with the following prompts to assist teams in optimizing the elements that lead to a Structured Capital Process

STEP 1: ORGANIZATIONAL GOAL PLANNING

- Understand the Three Most Common Capital Raise Mistakes
- Begin With the End in Mind – Creating the Goals, Timelines, and Infrastructure that Will Lead to Success

STEP 2: CREATE TEAM ROLES

- Creating a Capital Committee
- Process Infrastructure Matters – Roles and Responsibilities

STEP 3: RELATIONSHIP MANAGEMENT: INVESTOR DATABASE

- Map Your 'Capital Ecosystem': Engage the Networks of Your Entire Team
- Relationship Management Process, Tools, and Expectations

STEP 4: EXECUTION OF OUTREACH PROGRAM

- Collateral, Content, Timelines, and Schedules
- Leverage the Data Room as a Marketing Tool

STEP 5: PROCESS AND INFRASTRUCTURE GOVERNANCE

- The Pitch Meeting is the Opening, NOT the Close: Building a Robust and Structured Investor Relations Function
- Putting it All Together: The Capital Mindset Playbook

Capital Mindset Program

Getting assistance in the first 90 days can have a significant positive impact on results

The First 90 Days are Critical

In this environment, getting help with a capital raise is a necessity - not a luxury.

No Founder Ever Started a Company to Become a Great Capital Raiser

Very few people were born into this world great at raising investor capital. Unfortunately, however, investors both expect and demand that entrepreneurs excel at this task.

It is an open secret that most entrepreneurs loathe the process of raising capital. The capital is merely a means to an end.

As discussed, you cannot outsource the entire capital raise. It simply does not work. However, you absolutely CAN get help from professionals to optimize significant aspects of your company's capital raise process.

The capital raise process can be quite lonely and frustrating. There is a lot of pressure riding on the shoulders of the Founder. The more allies a Founder has, the greater the chance for success.

Mature companies create capital committees consisting of Board Members, Advisors, and industry experts. Why not learn from their example and create your own Capital Committee?

A Capital Committee can be an Effective Tool to Increase the Chance of Success

Investors want to engage with the Founder – there is no getting around that.

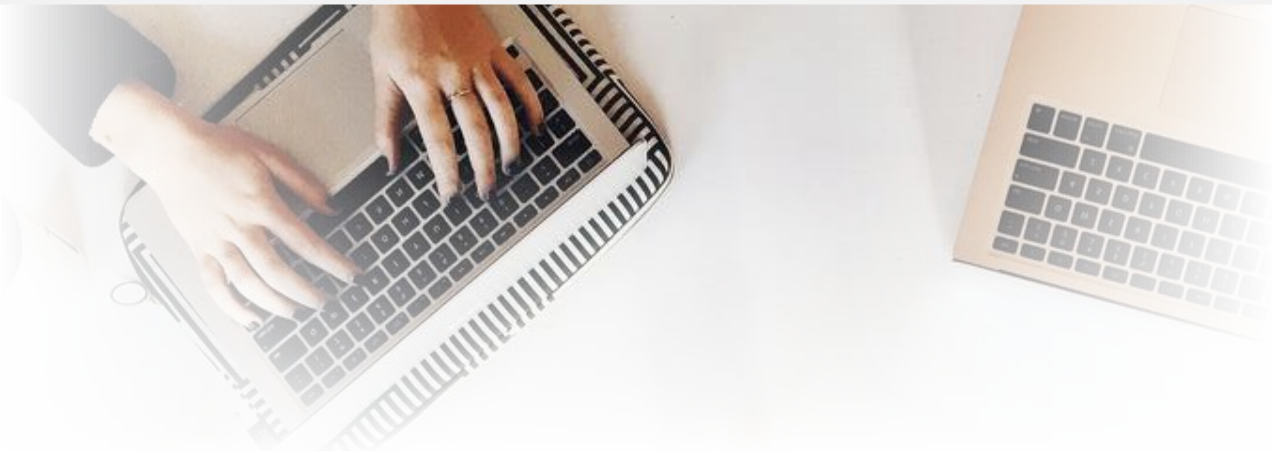
However, the process can be assisted by experienced professionals who can help with strategic refinements, pitch improvements, investment targeting, and other optimizations that can make the process more efficient.

Doing so can lead to more success, with less time, at an ultimately lower overall cost. You don't have to do it alone. In fact, getting assistance is the model that most often leads to a successful capital raise process.

In this challenging environment, your company needs to optimize every single investment connection that you can make.

Proper business alignment, effective investor positioning, and a structured capital raise process will lead to success – every time.

Now more than ever, you need to get it right the very first time. Doing so will be the difference between success and failure.



How the Program Works

The first 90 days of a Capital Raise are crucial. Having a team of experienced allies can help Founders avoid costly mistakes, save wasted time, and successfully raise capital more quickly.

Capital Mindset Signature Program

Ongoing capital raise expertise and an on-demand team of allies during all phases of the crucial first 90 days of a capital raise process.

Program Summary:
- Weekly 1-Hour Workshop Sessions (90-Day Commitment)
- One workshop session every week
- Focused one-on-one sessions utilizing the Capital Mindset Program framework - designed specifically for the company's needs

Program Benefits:
- **A Community of Allies** – You will no longer be alone. You will have of a team of experts and peers - all committed to your success at securing capital.
- **Alignment with Investors** - You will improve your business, aligning it more effectively with the needs of investors. It will become a more 'fundable' company.
- **Time and Money** – You will raise capital more effectively. Ultimately saving time, monthly cash burn, and needless frustration.

Additional Programs

Founder Capital Forum

Monthly collaborative forum offering ongoing advice, support, and best practices from a peer group of other growth-stage Founders also in the midst of a capital raise.

Expert Roundtable Workshops

2-Hour Workshops featuring a team of cross-functional professionals, all with growth-stage experience. Focusing specifically on your nuanced challenges.

Custom Consulting Projects

Need deep focus on one or more aspects of your capital raise? Leverage our on-demand team to custom build a consulting solution for your company.