GUIDE FOR THE DEVELOPER HOW TO LAUNCH A CAMPAIGN

STAGE 1 – TURNING THE IDEA INTO A VENTURE / THE PRE-CAPITAL RAISING STAGE

1. ELEVATOR PITCH

Drafting the elevator pitch is one of the most important stages in the preparation of the capital raising campaign. This proposal must be marketable, interesting and catch the eye of the reader. The pitch must present the nature of the developer's idea in a few sentences that will cause the reader to be interested and wish to hear more details about the venture.

The elevator pitch must relate to the following points:

- **The problem –** what is the problem that the venture is going to solve.
- **The solution –** what is the developer's solution.
- **The business potential/dream –** what does the venture aspire to / where will it be in three years time.

2. DETERMINE THE CAPITAL SUM REQUIRED

Determining the capital sum is not a run of the mill decision. The capital sum must be determined while relating to the following points:

- **A realistic capital raising target** (taking into consideration the fact that 20% - 30% of the capital sum should come from friends and family).
- **An economically logical capital raising target** – the desired sum must be derived from the sum required for management of the venture, with adjustments for the revenue forecast.
- **The capital raising target as part of strategic business thinking** – the developer must prepare a capital raising plan/forecast according to several action scenarios. The developer must consider whether more rounds of capital

raising might be required in the future and plan the dilution in its holdings in the venture accordingly.

3. PERFORM A REALISTIC VALUATION OF THE VALUE OF YOUR VENTURE

A valuation of the venture after it has been launched is not precise information and is liable to be interpreted subjectively. Nevertheless it is recommended that you conduct basic research about the initial value of similar ventures that are just taking off and adjust this information when valuing your venture. A realistic valuation of your venture will be of significant assistance in your capital raising campaign.

4. BUILD A BUSINESS PLAN FOR THE VENTURE

The business plan is the first stage in the formation of the venture and it should be written in a serious and comprehensive manner. The business plan is the core of the venture and it must touch upon all the aspects connected to it. Beyond the tool that will be used to finance the investment, writing a business plan will allow the developer to become acquainted with the business, the market and the customer so that he can overcome the business challenges that he will encounter in the future.

Every business plan must comprise the following heads:

- **A directors summary**
- **A description of the company**
- **An analysis of the business environment**
- **Business strategy**
- **The marketing plan**
- **The economic forecast**

5. BUILD A CLEAR AND REALISTIC ECONOMIC FORECAST

The economic forecast will allow you and the investors to appraise how attractive the venture is, and assist in the investment financing process. As a rule, the more the potential investor has more information about the venture and its forecasts, the more likely will he be to seriously consider investing in the venture.
The economic forecast must comprise the following elements:

- **The work assumptions**
- **Forecast profit and loss account**
- **An analysis of the cash flows**
- **A feasibility study**

It is very important to build a realistic economic forecast, because the more unrealistic the work assumptions the less successful are your chances of raising capital.

6. EXIT STRATEGY

Investors in start-ups do not do it in order to receive dividends (because in start-up companies the profits are generally injected back into the business so that it can continue to develop), but in order to enjoy especially high yields when the company makes an exit. Therefore you must invest some thought in your exit strategy.

Your exit strategy must be realistic (despite it not being a short time span) and reflect your real aspirations. It is recommended to encompass the strategy by means of a brief analysis of similar companies and details of the exit they made: the type of exit, time span, yield on the capital, etc.

7. PREPARE A PLAN TO MANAGE AND MARKET THE CAMPAIGN

The operation of a capital raising campaign is not a quick sprint and you must organize yourselves accordingly. An average capital raising campaign lasts about two months, during the course of which there are ups and downs and therefore you must prepare a defined and comprehensive management and marketing campaign plan in good time. The plan must be built in stages (including: a pre-campaign launch stage, the campaign opening stage, the middle stage and the end stage), and refer to several variables including: time, the amount of the sum accumulated (percentages of the entire capital raising), the number of potential investors and the number of investors who have entered the investment. The plan must include promotion by means of the following tools:

- **Activity and updates on the social networks –** Facebook, Twitter, LinkedIn etc.
  - The venture / campaign brochure
  - Capital raising newsletter / updates
- **Activity and shares with communities connected to the world of the product's content.**
- **An events program for promoting the campaign –** sending newsletters to the contact persons, webinars, home meetings, participation in conventions etc.
- **Public Relations plan –** making a noise arouse the campaign by promoting news items in a variety of the relevant media, publicizing video clips about the venture etc.

8. PREPARATION LEADS TO SUCCESS

Remember that preparation leads to success. In order to significantly increase the chances of your capital raising, you must make thorough preparatory work before launching the capital raising campaign. This work must include business, economic, marketing and branding aspects (logo, slogan, company website, Facebook site, brochure, newsletter etc.)

<u>STAGE 2 – LAUNCHING THE CAPITAL RAISING CAMPAIGN</u>

CREATING A CAMPAIGN PAGE

- **GENERAL**

The campaign page is the face of your venture. You should create a serious and detailed campaign page comprising the following items:

- Elevator pitch – brief, fluent and marketable (as explained in Stage 1).
- The personal story – it is important to remember that people invest in people. Therefore you should tell your story – who you are, what you do, and why it is worthwhile investing in you in particular.
- The business plan – comprehensive and detailed (as explained in Stage 1).
- The company's presentation – the presentation should convey the important points of the business plan. In other words, convey the nature of the idea behind the venture. The presentation should present the venture's strong points and be visual, interesting and marketable.
- The company's video clip - the company's video clip is the first item that your potential investors will examine. The clip must be brief and to the point, well thought out, interesting and inspiring. It must emphasize the latent potential in your business.
- Visual aids (if there are any) – photographs of the product, plans and sketches.
- Particulars of the company / the venture – the hard facts that testify as to the basic level of operative seriousness.
- Particulars of the developers – resumes, email addresses, addresses at the social networks and photographs.

- **CREATING THE PITCH**

Exitlist has created for you the framework for uploading the finished pitch. Exitlist's pitch has been divided into 6 categories:

- The idea - in this section you should encapsulate the venture idea in a clear and marketable form, so that the investor can easily understand the idea, bond with it, and wish to be part of it.
- The market - in this section you should present an essential (quantitative and qualitative) analysis of the market in which the company is due to operate.
- The team - in this section you should present each one of the members of the team in a few lines, emphasizing his experience that is relevant to the venture.
- What the money will be used for – one of the most interesting questions from the investors' point of view is what the money will be used for**.** In this section you should present the main expenses sections.
- Important points (the A-list) – here you have the opportunity to raise some main points that will emphasize your specialty, that of the project and of your chances of success.

STAGE 3 – MANAGING THE CAMPAIGN

1. PUT THE PLAN FOR MANAGING AND MARKETING THE CAMPAIGN INTO MOTION

- Closure of the previous stage and operation of the campaign – issuing a notice to all your contact persons, friends and family about the date of launching the campaign and a call for their support.
- Start of the campaign stage – put into motion the plan for the first stage being aware of the green bar effect, where the chances that people will invest in you are significantly less as long as the capital raising ruler is low and has not yet been filled with green paint. Therefore you should remember that the first 20% - 30% of the capital sum raised should be obtained from friends and family right from the start of the campaign stage.
- The middle stage – in this stage, according to studies in the field, the scale of investments in the project will decrease. For this purpose you should prepare yourselves in good time (as specified in Stage 2), and set in motion the plan for managing the middle stage that has been prepared in advance.

- <u>The end of the campaign stage</u> – this stage is the critical stage where you should use all the resources remaining for the developers with the aim of successfully completing the campaign. As part of the stage you should issue updates to the existing investors and personal approaches so that they will assist in closing the capital raising by finding additional investors.

<u>BECOME ACQUAINTED WITH YOUR WORLD – SHARE BASED CROWD FUNDING STATISTICS (ON THE BASIS OF ONE OF THE LEADING CROWD FUNDING WEBSITES IN EUROPE)</u>

- **<u>WHY DO PEOPLE WANT TO INVEST?</u>**

1. To earn money.
2. To support ventures and small businesses.
3. They want to be involved.

- **<u>HOW ARE THE INVESTORS DIVIDED UP ACCORDING TO AGE?</u>**

  - 29 – 48 – 54%
  - 49 – 65 – 25%
  - 18 – 28 – 14%
  - 66 – 78 – 5.5%

- **<u>WHAT ARE THE INVESTORS INTERESTED IN?</u>**

  - Technological businesses – 71%
  - Internet businesses – 60%
  - Information Management and Communications businesses – 55%
  - Consumer products businesses – 51%
  - Food and beverages businesses – 49%

- **WHAT CAUSES PEOPLE TO INVEST?**

  1. Market potential
  2. The idea
  3. The team

- **THE AVERAGE INVESTMENT SUM** - $4200

- **PEOPLE PREFER TO INVEST** – in companies in the early stages

- **DIVISION OF THE BUSINESSES SUCCESSFULLY FINANCED ACCORDING TO STAGE IN THE LIFE OF THE BUSINESS:**

  - 50% - Early stage
  - 24% - Start-up
  - 26% - Growth