

اجتماع عالمي في نادي التسويق
مع العالمي عمر صقر الثلات ١٠-١-٢٣ ٨ بتوقيت مصر
عن تمويل المشاريع الناشئة

45th #Business_Club

#73 Marketing Club 20th Cairo

Startup Funding

How, Where, When & When not

Tuesday 10-1-2023

8 PM EGY 9 PM KSA 10 PM UAE

FOUNDER & HOST

Dr. Mahmoud Bahgat



INSTRUCTOR

Dr. Omar Shoukry Sakr
Nawah Scientific CEO



NAWAH
scientific

The go-to place to outsource
scientific services online

Fund Raising for Startups

Dr. Omar Sakr

PhD (Geneva), MBA (London)

Founder | CEO



Dr. Omar Sakr

Great to meet you



- PhD in pharmaceutical sciences, Geneva.
- MBA , Hult University, London.
- Lead researcher, Capsulation Pharma, Berlin.
- Adjunct Ass. Prof. of entrepreneurship, Zewail City of Science and Technology
- **Founder and CEO, Nawah-Scientific**





Multiple international award winners!





Small business vs Startups



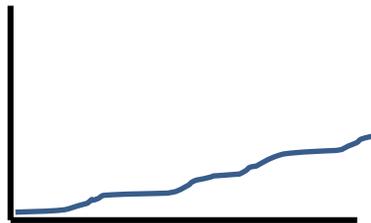
Small Businesses



Traditional business model



Low risk ventures



Less Scalable

Startups



Innovative business model



High risk ventures



Highly Scalable



Overview



Debt Financing

- Bank loans
- Family Loans
- Credit cards

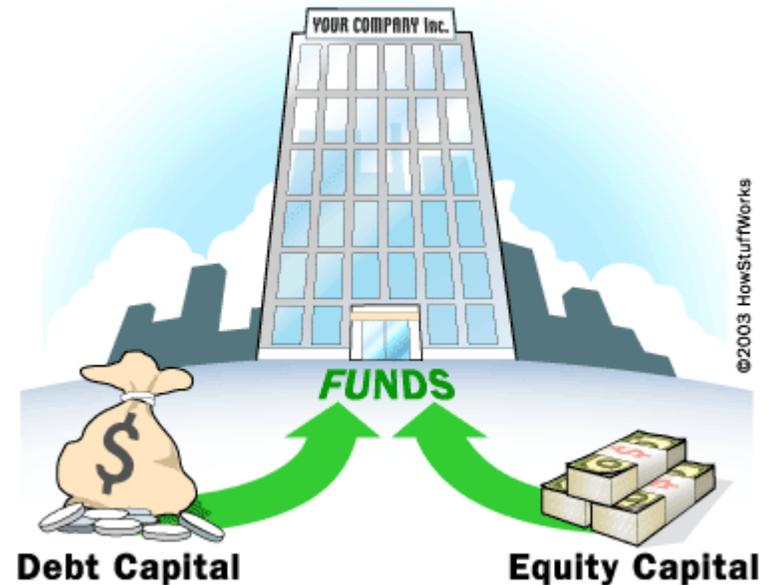
More creatively...

- Gifts / Grants
- Competitions
- Money circles
- Crowd funding
- Vendor financing

Bootstrapping?

Equity Financing

- Angels
- Venture Capitalists
- Private Equities





Do you need money to kick off?

Here are some strategies



Financing: The act of providing or raising funds (capital) for a purpose



Debt financing



Money now vs Money later + interest

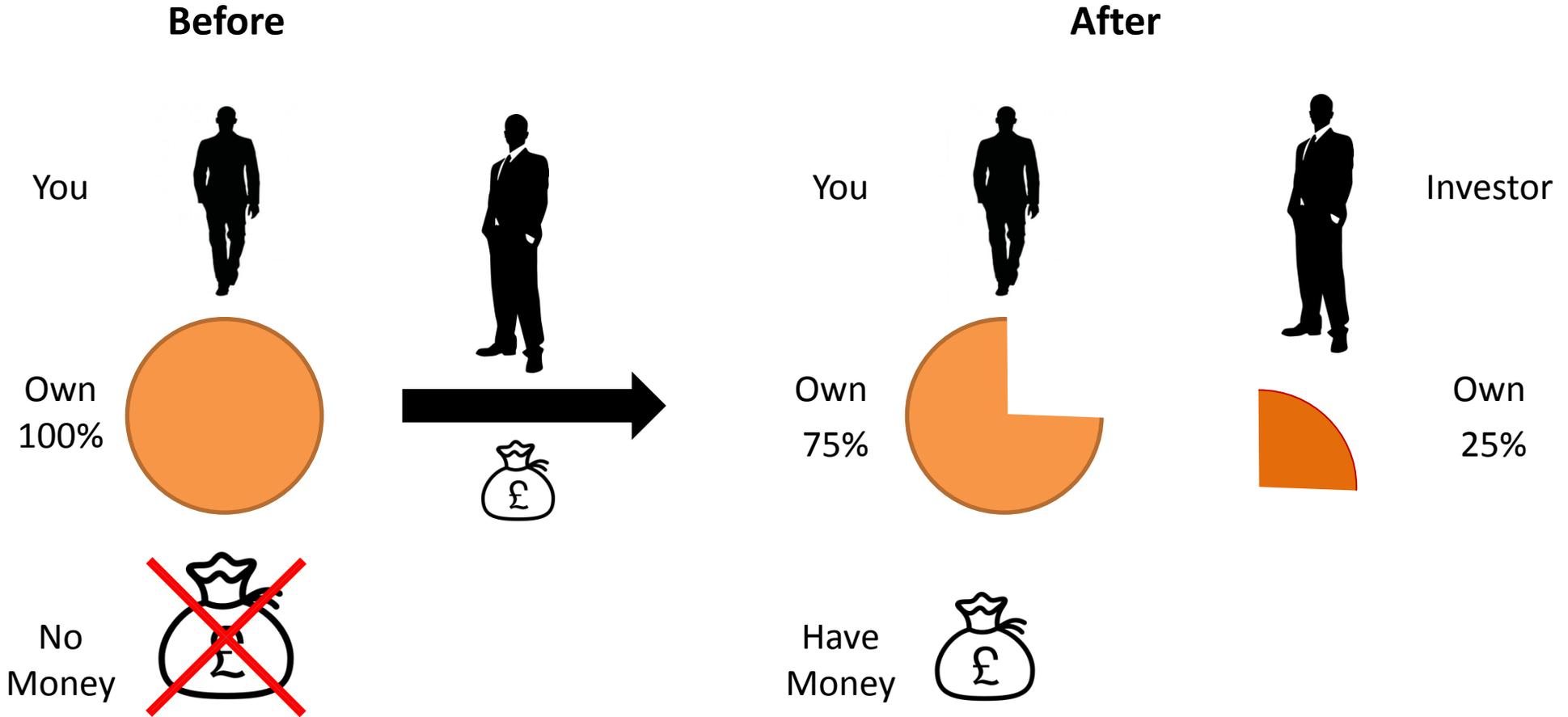
- You can take loans from friends, banks or even use your credit card for small funds
- Interest can be simple or compound, the more time you keep the loan, the more interest you pay.
- **Pros:**
 - Easy to get if you have a collateral or a stable history of revenues
 - Debt value will not increase with profits you make
- **Cons:**
 - Debt have to be paid at maturity date, otherwise your business is bankrupt, and you may go to jail
 - Not easy to get for startups with no history of revenues





Equity financing

Money now vs shares in your company





Equity financing



Money now vs shares in your company

- **Pros:**

- You get partners not lenders, you win together or lose together.
- Partners will offer more than money: expertise and connections
- If you lose and cannot repay, you don't go to jail
- Easier to get for startups
- No collaterals, no track record needed

- **Cons:**

- You lose part of ownership on your idea
- You need to form a board of directors to protect the investors interests, so be careful with conflicts in leadership
- The more you make profits, the more money they take



How do equity investors make money?



Capital gains أرباح رأس مالية

- Let's assume an investor bought 10% at your company when it was valued at 1M USD. He will pay you 100,000 USD.
- In 4 years and after successful company growth, the company is now valued at 4M USD.
- At this point, he will sell his shares (10%) to another investor. **(called an Exit)**
- His shares now equal to 400,000 USD. **(i.e. he made 400% or 4X in 4 years)**
- Capital gains = 400,000 – 100,000 = 300,000 USD

Exit التخرج

- Selling to another, usually bigger investor
- Acquisition: A bigger company acquires the whole startup (e.g. Amazon acquiring Souq, Ubr acquiring Careem.)
- IPO (initial public offering) الطرح في البورصة
- Buy back: The company buys its shares again from the investor paying him to leave



DEBT FINANCING



EQUITY FINANCING

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Equity financing

Business Angels

- Wealthy, private individual investors
- They are risk takers, come on early stages (Idea, seed, pre-growth)
- Usual investment is between \$50,000 and \$250,000
- Typically seek a return of 3-7 times the investment at the end of 5 years
- E.g. Cairo Angels
Slogan (3to5 in 3to5)
We need 3-5 multiples in 3-5 years
- They might ask for an exit or not
- They bring expertise and connections (Smart Money)





Equity financing

Venture Capitalists

- Investors or investment companies seeking equity
- Risk takers, can come at early and middle stages
- Expect 5-10 times their money back over 5 years
- Desire candidates likely to grow to a multimillion company in 5 years
- Sometimes called sharks / wolves: They seek a majority ownership and can take control over the company if you don't do well.
- Usual investment is between \$0.5M and \$50M





Equity financing



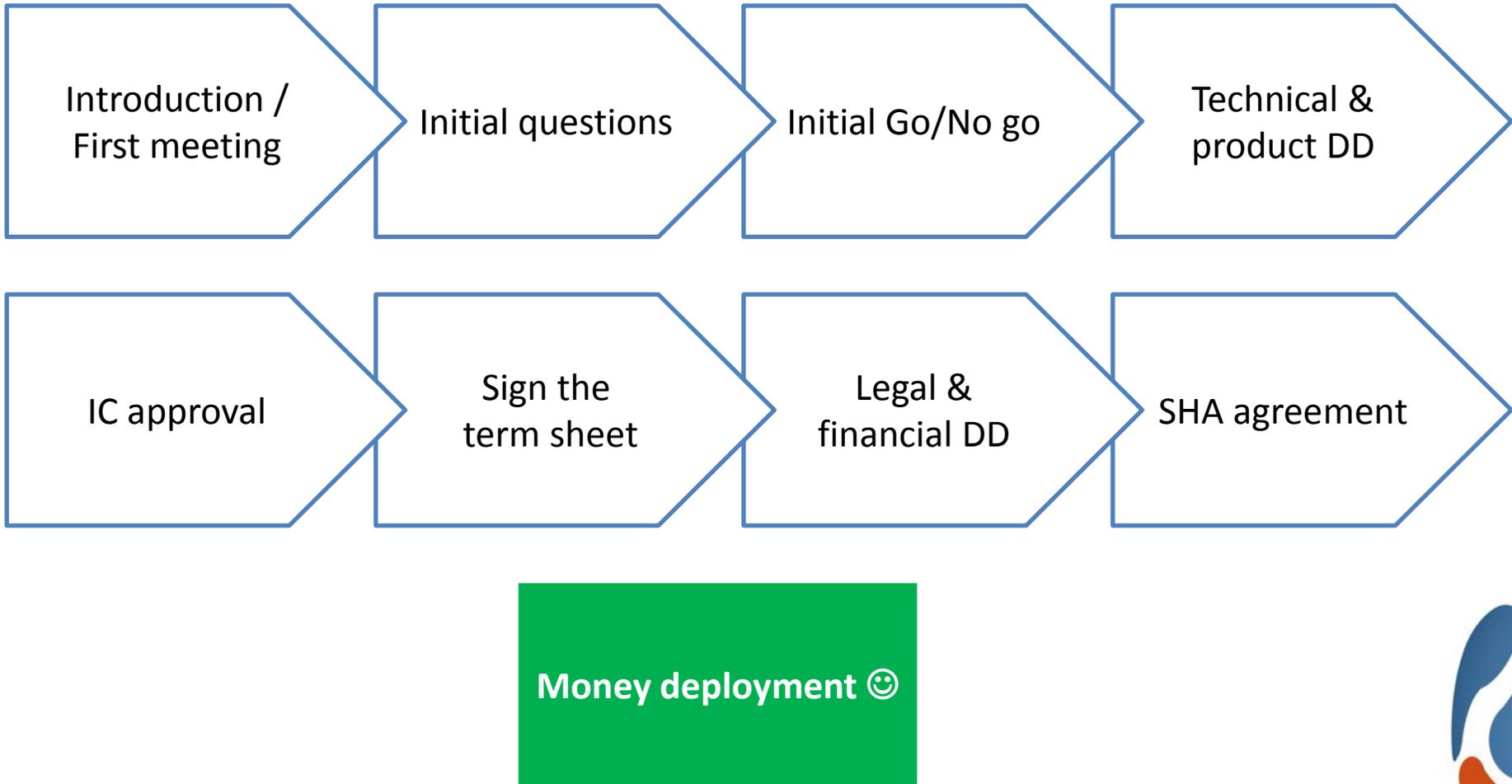
Private equities

- Investment companies seeking equity
- Not risk takers, Prefer to invest in medium and late stages (perfect for growth phase)
- Expect 3-5 times their money back over 5 years
- You need a proven record of revenues/profits
- Usual investment is between \$10M and \$100M





How does it happen?





Important definitions



- Share issuance
- Offshoring
- Convertible notes
- Term sheet
- SHA: Shareholders agreement

Never sign without a lawyer revision





Creative options

Soft Money

Grants

- Non-Refundable gift
- Usually available to support research activities and development of strategic products



Competitions

- Pitching in front of a panel of judges
- Great support at the idea and early stage



Creative options



Soft Money

Money circles

- AKA “Algam3eya الجمعية”
- Can help with small urgent funds for short term.

Crowd funding

- Announce the idea and the prototype of your project
- Offer that interested buyers can buy the product early on at reduced price.
- Collect the money from early buyers
- Use the collected fund to produce your product
- Deliver the product to early buyers and sell the rest of products at full price

- Example of crowd funding platforms: Kickstarter



Bootstrapping



- Starting with minimal capital, selling no equity to investors and utilizing soft money and self owned resources (e.g. credit card, money circles,...)

Pros:

- When you sell equity at early stage, you sell at minimal price. When you bring on investors later, they buy at a higher price.

Cons:

- Possible only for low capital projects
- Your project may die of low cash available

Tips of bootstrapping

- Never buy new what you can buy second hand
- Never buy what can be rented
- Never rent what can be borrowed
- Try to fund your business from the pockets of your customers
- Go for low hanging fruits



Customer funded business models



1. Matchmaker platforms:

- Bring the buyer and seller to a common space
- Make profits from the transactions
- E.g. ebay, fiverr, instacart, taskrabbit, Uber, Mumm

2. Paid in advance:

- Crowd funding: Get money early on from buyers
- E.g. Crowd funding of startups: Kickstarter

3. Subscription:

- You get constant timely (e.g. monthly) payments

4. Vendor financing

- Buy now from vendors and give them their money after you sell the goods

5. Service to product

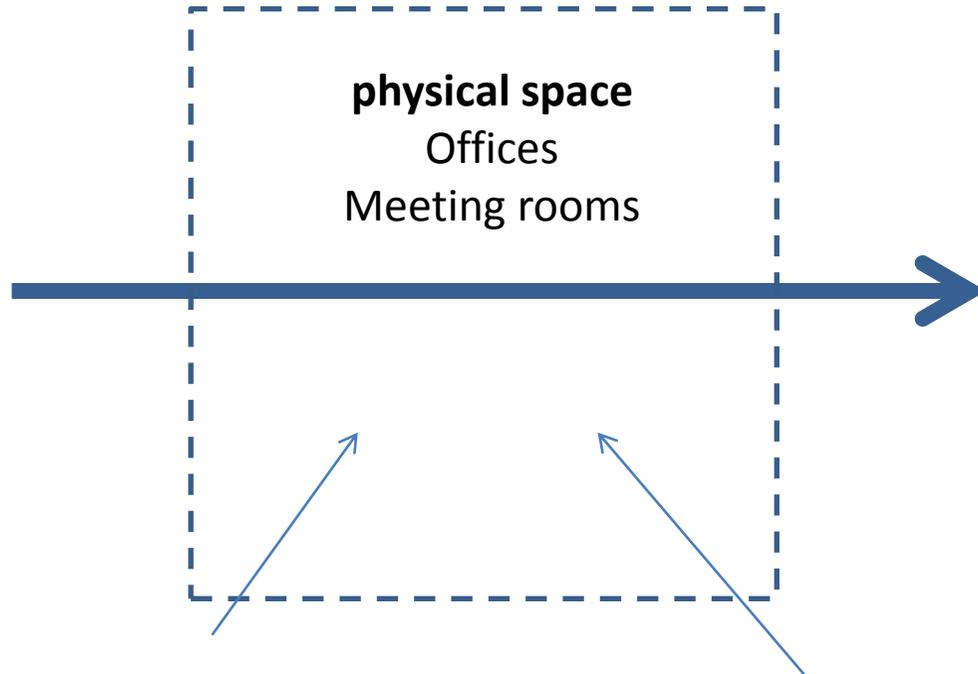
- Start with offering services to collect cash and fund the development of products



Business incubators



Where transformation happens



DEMO day

Services

- Internet connection
- Networking events
- Collaborators
- Investors

Business Training/ coaching

- Bis Model
- Financial planning
- IP rights
- Consultancies





Incubators vs Accelerators



Incubator	Accelerator
For early stage startups	For advanced stage startups
Helps develop from idea level to B. Model / MPV level	Helps to grow your business, become profitable
May / may not invest	More probably to invest
May / may not take equity	Mostly take equity
longer time (6-9 months)	Shorter time (1-3 months)





Examples of incubators / Accelerators

Incubators



Accelerators



Accelerators & Incubators



Local VCs & Angel Groups



Govt. Support & Non-Profits



Coworking Spaces



Regional & Intl. VCs



Events, Meetups & Bootcamps



Startup Media & Insights



MENA Investment Landscape

Angel Groups



Accelerator Funds



Corporate VCs



Early-stage



Late Stage



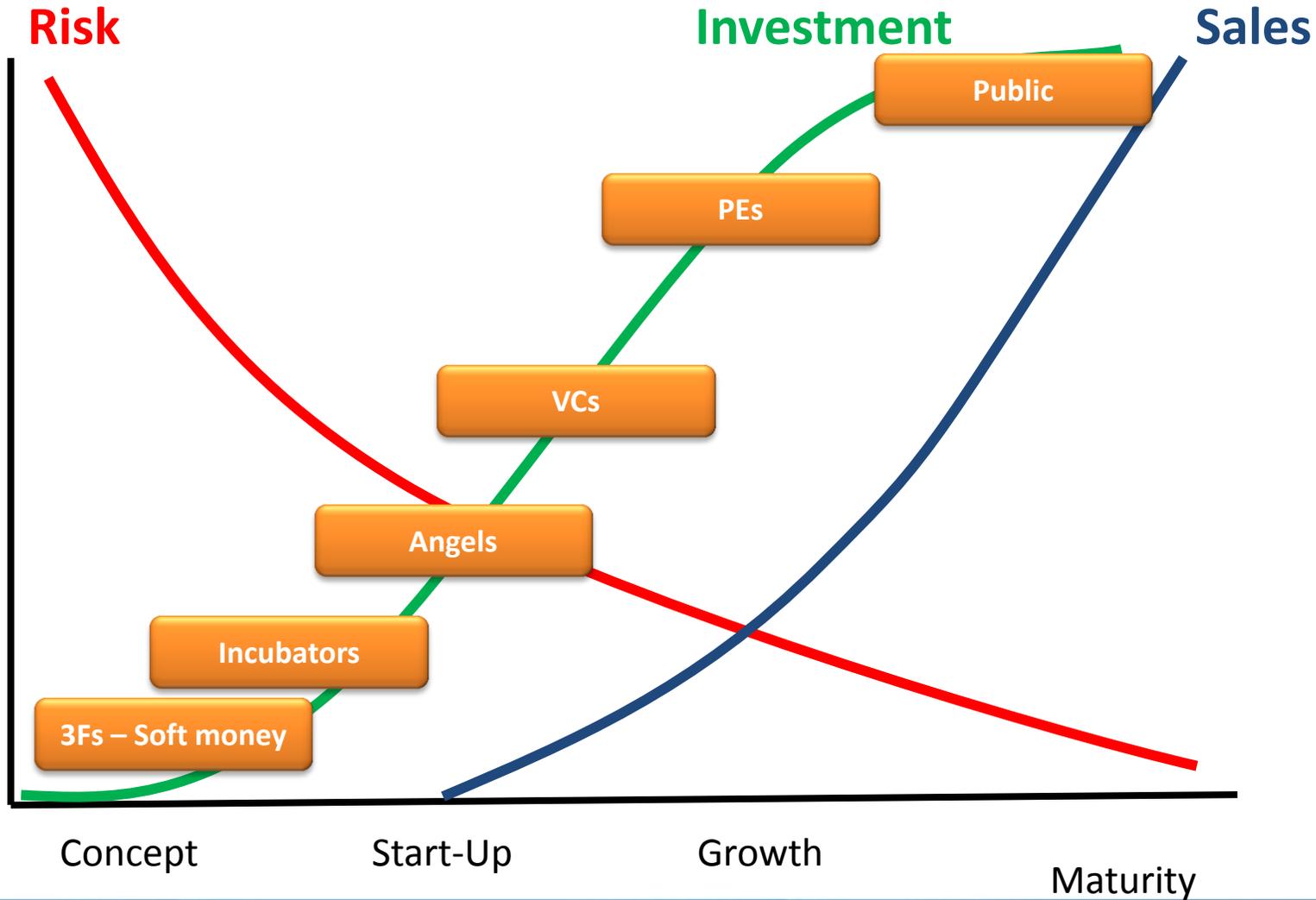
Private Equity/Family Office





Putting things in time perspective

When to use what





Entrepreneurship and Small Business Management Lecture 13

Pitching to raise investment

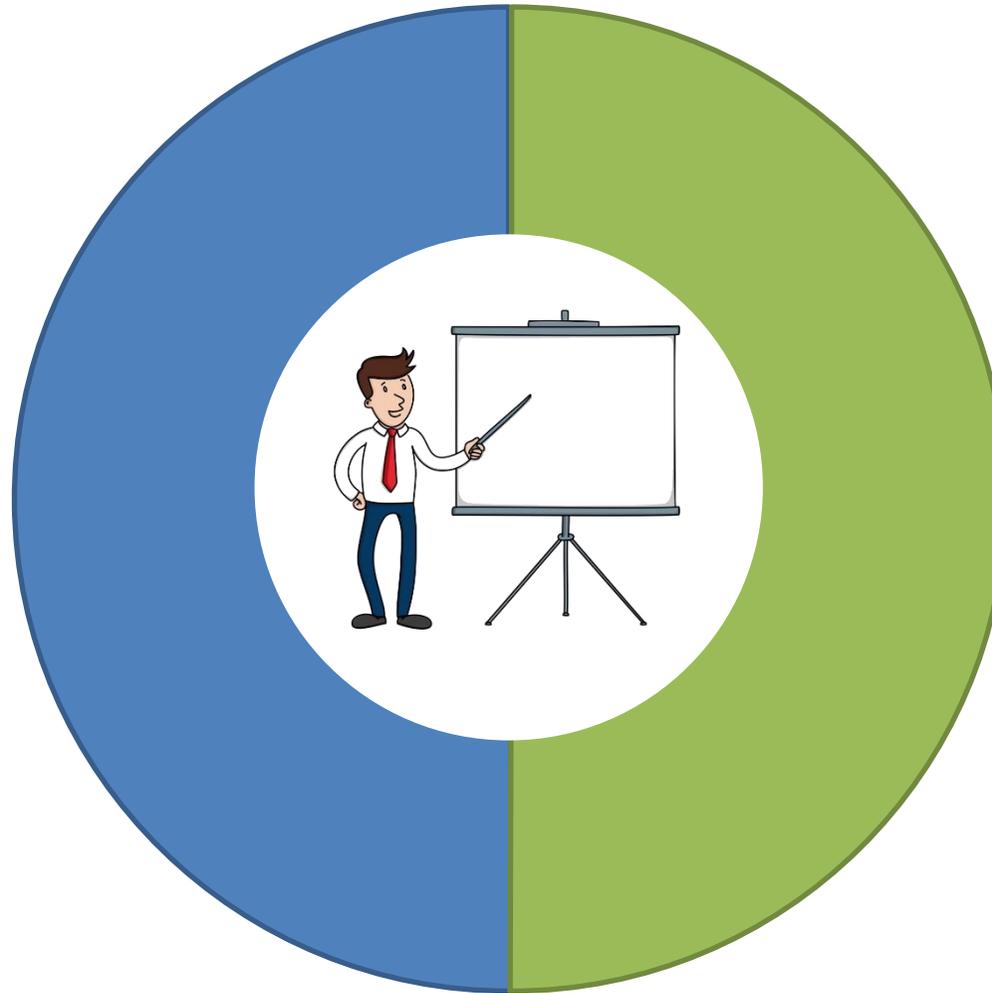
Dr. Omar Shoukry Sakr

PhD, Pharmaceutical Sciences, University of Geneva
MBA, HULT Business School, London



What I have learned?

**Excellent
presentation
skills**



**Great
content**

Successful Presentation

**Are you a startup
raising money?**





**Here is how to build
your pitch**

12 blocks for a great content

- 
- 1 The Context
 - 2 The **PROBLEM**
 - 3 The Solution
 - 4 Market Size
 - 5 Business Model
 - 6 Proprietary Tech
 - 7 Competition
 - 8 Marketing Plan
 - 9 Team
 - 10 Traction
 - 11 Financials
 - 12 Funding

Thank you!

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