Smart Money: 238 Tips and Insights from 63 CEOs to Help You Fund Your Business Without Losing Control

Description:
Smart Money provides 5 years worth of realistic, effective insider information, derived from research and CEO interviews. In 200 pages, you'll find 238 actionable tips, insights and guidelines to help you through the funding maze.

What are the various sources of capital available to you, and how do you know which one is right? You'll find 50 real-world tips to help you decide if you're really ready for outside financing, how to determine much you actually need, and how to evaluate the pros and cons of the various sources.

What do you need to look out for if you're considering a merger or acquisition? Advice on how to approach M&A opportunities... with 57 tips on identifying likely targets, managing employee retention and communicating to customers.

How much is your business worth? Learn how to put a realistic valuation on your company.... including 13 M&A points to follow when preparing for an eventual sale.

What if you're thinking about going public? Advice from the experts on preparing for an IPO, including n in-depth analysis of the recent software IPO landscape.

What if you're ready to exit? 17 tips on successfully selling your business.

How do you attract VCs and when should you say no thank you? You'll find 77 tips and insights to guide you through the maze of VC funding... Where to find it, what to ask for, and what to avoid. Plus the 10 Immutable Laws of Raising Capital.

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Introduction
Funding
To fund your up-and-coming software firm, keep your day job
Going for government work? Have a backup plan to keep the cash flowing
Maintain control by limiting VC money
Sell services to fund R&D and meet prospects
But beware of other people's money
Don't take other people's money until the time is right
Don't chase venture capital; chase sales
Raise cash the old-fashioned way: sell your software
And, in case you haven't gotten it yet: In the early stages, build your business organically
And again: Your cash should flow from customers, not VCs
When you need it, get an early commitment from customers
For more rapid growth, add capital (according to taste)
Control your equity
It's nice to grow organically
One of the joys of this strategy of independence is, well, independence
Don't stifle your growth with limited funding
Don't take too much VC too soon just take enough to get to the next set of milestones
Get some grey hair on staff who have been through the VC route
Plan your spending
Bring in outside money to reduce risk and increase expertise
Fundraising is delayed by do-it-yourself confidence
If you don't have comfortable cash reserves, go get some more
Growth eats up cash — and it's always more than you think
Never rebuff eager investors
How to get cash-carrying investors on board
Find the right backers
DON'T let the economy stop you
If you need money, seek out smart money
Skip the VCs; find partners with money
But make sure your partners don't become your keepers
A story about the quest for capital
Webroot CEO David Moll's Immutable Laws of Raising Capital
Get an introduction
Learn from rejection
Don't get hung up on points
The money is there, if you can execute
Look to strategic partners, not just VCs
Look for partners beyond your partners
A funding nightmare with a happy ending

Investors

Look for funding from within your industry
Don't give up control
Choose your investors wisely
Choose investors carefully, but don't pass up investment when available
Plan realistically for the future
Be creative about financing, to give your investors every break you can
Don't even think about looking for investment capital without an SaaS strategy
Use the SaaS cash-flow model to strut your stuff in front of financiers
Money-hunting advice for entrepreneurs
Don't expect to get money for nothing
Cash is more important than percentage points

Venture Capitalists

You say you hate VCs? We say grow up
The money is out there, if you know how to get it
Venture funding sets a high bar, but it's worth it — if you know how to work it
Think of VC money as a means to an end, not an end in itself
If one VC doesn't get it, get another VC
Learn what the money wants
To attract VC, act like a public company, even while you're still private
Put someone with a track record at the helm
Choose investors compatible with your software business
Create a just-add-water business that any VC will love
Not all VCs are the same, so watch out for the bankers
Your passion and mix of people are key when pitching to investors
Investors look for momentum; metrics make the milestones manageable
When you're pitching investors, show them you're acting on the numbers, not just recording them

Insight #1: VCs are people too
Insight #2: VCs have to show results too
Insight #3: VCs may surprise you, especially the younger partners
Insight #4: Allow more time to raise money
Insight #5: Don't waste time presenting to juniors
Insight #6: Get a referral
Insight #7: Know your audience
Insight #8: Spend time developing a relationship
Insight #9: Follow up personally
Insight #10: Bring along printed copies of your plan
Insight #11: Spin your story to fit today's hot markets
Insight #12: Keep it simple, and avoid hype
Insight #13: Go big or go home
Insight #14: But size your market carefully
Insight #15: Never say you have no competition
Insight #16: Push results, not technology
Insight #17: Nail down your competitive edge
Insight #18: Face reality
Insight #19: Learn how syndication works
Insight #20: Don't bring the wrong partner to the table
Insight #21: Think beyond the money
Insight #22: Think beyond the valuation
Insight #23: Remember that you're all in it together

Tip #1: DON'T think raising VC is easy
Tip #2: DO plan on giving up equity
Tip #3: DON'T think VCs are terrible
Tip #4: DO understand how VCs think
Tip #5: DO practice telling your company's story in minutes
Tip #6: DO listen to feedback even if they tear you to shreds
Tip #7: DO keep your pitch short
Tip #8: DO learn what questions to expect from a VC

Funding prep #1: Understand how much money you really need
Funding prep #2: Don't take on too many investors
Funding prep #3: Map your business to the VC's strategy
Funding prep #4: Where you're going is more important than where you've been
Funding prep #5: Show a realistic run to $20 million
Funding prep #6: If you have a long history, justify it
Funding prep #7: Find someone to introduce you
Funding prep #8: Don't rest with a single sponsor
Funding prep #9: If you don't make the cut the first time around, don't give up

Funding magnet #1: You're more software than services
Funding magnet #2: You're selling software on a subscription basis
Funding magnet #3: Your company's current owners accept the concept of dilution
Funding magnet #4: Your company's current owners are honest about their own weaknesses
Funding magnet #5: You've got a dynamite VP of sales
Funding magnet #6: You're realistic about valuations

Facts and fables about funding
Tip #1: Wait as long as you can
Tip #2: Make sure your software is unique and defendable
Tip #3: Tie your money hustle to milestones
Tip #4: Make sure half your milestones are already in the bag

Ten commandments for dealing with VCs
Commandment #1: Do your homework, and contact the right person
Commandment #2: Be on time
Commandment #3: Tease, don't overwhelm
Commandment #4: Know your audience
Commandment #5: Create the "Aha" early
Commandment #6: Explain your new idea by analogy to, or contrast with, old ideas
Commandment #7: Limit yourself to the baker's dozen
Commandment #8: Know what you don't know — and admit it
Commandment #9: When it comes to competition, be like Goldilocks
Commandment #10: Control the meeting (but be smart about it)

A VC Newsletter Worth Reading? Really

IPOs
If you want to go public, hire people who've worked for public companies — especially in finance
Don't get caught up in the hype of your IPO
An IPO is not a liquidity event
How to offset restrictions on selling shares after an IPO
Public versus private: Why take a step "backwards"?
2001 M&A and IPO analysis now available
A look at M&As and IPOs in 05
What's a software company anyway?
Nine companies came out of the gate into 05
2005 continues trend towards "real" IPOs
A seven-year roller coaster ride for software IPOs
IPO company revenues push higher in 05
A slight lowering of expectations for multiples
Revenue-per-employee expectations steadily increase
Early and later-stage companies face different RPE expectations in 05
What happened with the 05 IPOs since they went public?
So who were the biggest winners (and losers) of 05?
Market capitalizations are a mixed bag in 05
Software versus services: some real differences reappear in 05
IPO software CEOs fared extremely well in 05
A look at M&As and IPOs in 06
Calculate your market worth
What’s making the strong deal market?
2006 software IPO activity was a repeat of 05
What is a software company anyway?
Six companies came out of the gate into 06
Trend towards “real” IPOs softens in 06
The ups and downs continue in 06
IPO company revenues lower in 06
A slight lowering of expectations for multiples
Revenue-per-employee expectations soften a bit
Different revenue-per-employee expectations
What’s happened since they went public?
So who won and who lost in 06?
Market capitalizations reflect a broad range in 06
Software versus services: some real differences reappear in 06
2006 a mixed year for IPO software CEOs

Valuations

The right price is based on reality, not revenues
When you acquire, measure income, not sales
Healthy rise in valuations, for some in 05
What you need to get high valuation
Valuations on the rise in 04
Valuations are way up—but there’s a catch
2004 sellers more willing to take stock in trade
What was on buyers’ shopping lists in 04?
What can you do to prepare for an eventual sale?
Guidance for putting a value on a company
A Peek into the Valuation Process

Mergers

Consider merging, rather than fighting with a rival in the same space
If you do merge, be decisive
Take over the firm that takes over you
If you’re doing an M&A, do it fast And tell your team how it’s going to be
Finalize your integration plan, in detail, before the deal closes
Hang on to the revenue enhancers: your people But don’t bribe them to stay
If you consider consolidating locations, weigh cost savings against employee retention
Use your investors to help manage the deal
Let the seller’s customers know what your plans are — even if you don’t know yourself
Looking for a partner
Internal and external communication
Marketing integration
Merger management: Five tips, and SumTotal’s lessons learned
Business and Integration Plan

Acquisitions

Don’t rush to make any acquisitions Look carefully before you leap
Be choosy about your growth opportunities
When and for whom do acquisitions make sense?

Mergers Moral #1: Sometimes you can swallow a bigger rival
Mergers moral #2: When the deck is shuffled, it's time to get back in the game
Mergers moral #3: Your goal is to understand their business better than they do
Mergers moral #4: Don't get overly hung up on NDAs
Mergers moral #5: If your target is a company outside the U S , prepare for a long haul
Mergers moral #6: Watch out for the biggest deal-killers: IP, culture, and drunkenness

Buy up the competition
As a buyer, due diligence and a detailed LOI are your best friends
Buy what you need to fill in your gaps
Buy a bigger hosting platform
If you buy another company, buy smart
Acquire a company that already has customers in your industry
Think of acquisition as an ongoing process, not a one-time deal
When you acquire a company, replace the executive team
But tap former executives for advice
What do you do if a buyer comes calling?
Two niche solution providers combine forces
Why be acquired when you're on a roll?
How Aelita became an acquisition candidate
A smart move for Quest: Three strategic reasons for
Lawyers are not all bad, once they're controlled and directed
OK, OK, let's wind up the deal already!
A tough adjustment post-acquisition

Tip #1: Preparing for an acquisition: How do you know you're making the right deal?
Tip #2: Four essential conditions for a successful acquisition
Tip #3: Post-acquisition advice: There will be surprises

How to sell like a general
How to deal with your lawyer
How to sell your software firm

Exit Strategy

Don't daydream about scoring big when you sell out Make your company work today
Examine each exit opportunity, but remember there will be another one soon enough
Before you sell, know the true value of your company in the software landscape
When selling a software firm, timing is everything
When you're selling out, be honest with your employees
Tame the borrowing beast to sell out for the best price
Identify your best buyers
Put provisions in place to ensure a smooth transition for customers
Don't be too hasty: Consider these concerns

Tip #1: Rethink your revenue relationship with all your existing customers
Tip #2: Avoid a single point of failure in the management team
Tip #3: Cut costs, preserve profits, and figure out how to survive
Tip #4: Don't waste your money on an outside audit
Tip #5: Don't put market share ahead of market potential
Tip #6: If you have multiple shareholders, align their interests
Tip #7: Your most likely buyer right now is not another software company

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