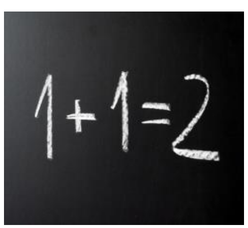
THE MILLION DOLLAR QUESTION

What criteria should the investors evaluate when screening start-up companies?



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Aug 5, 2014 - An early-stage company that shares these attributes may be the one that makes you rich. If you're an angel investor, you probably have some insight into the mind of an entrepreneur.

The Four Main Things that Investors Look for in a Startup ...
www.bothsidesofthetable.com/.../the-four-main-things-that-investors-loo...
Oct 6, 2010 - I obviously don't speak for all investors. But in my experience as an entrepreneur and now spending my time amongst investors I can ...

5 Things To Know Before Investing In Business Startups ...
www.bankrate.com/finance/investing/investing-in-business-startups-1.aspx
If you find yourself with the opportunity to invest in a business startup, tread carefully. Think about liability, the valuation of the business, your timeline and your ...

9 Things You Need To Know For Startup Investing - Forbes
www.forbes.com/.../9-things-you-need-to-know-for-startup-investing/
Mar 18, 2013 - Startup investing can be rewarding both financially and personally. By investing in a startup you are contributing to job creation and capital ...

What to know before you invest in a startup - MarketWatch
www.marketwatch.com/.../what-to-know-before-you-invest-in-a-startup-...
Jan 17, 2014 - Investing in high-risk startups can be lucrative, but you should first consider three major factors to make sure these investments are right for you, ...

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1. An All Star Team
2. A Completed Business Plan
3. Appropriate Valuation
4. Integrity
5. Understanding the Risks

Seven Key Questions to Screen Investment Opportunities?

- Question 1: Is this a good deal for the angel investor?
- Question 2: Is this the right team to execute this business?
- Question 3: Does the business have superior proprietary products?
- Question 4: Do the products address a clear need in a large market?
- Questions 5: Is the requested investment sufficient for the company to achieve a key milestone?
- Question 6: Has this company made a compelling case for the overall attractiveness of the business opportunity?
- Question 7: Is this an attractive investment opportunity?

Criteria that Angel Investors should look for in Start-ups provide answers to these questions

Things that angel investors should look for in Start-ups

– Companies that lie in the high growth industry within range of expertise of angel investors
– Companies with clear protectable intellectual property may be of interest, but ideally companies should be in beta-trials, have purchase orders, or an existing customer base
– Company is located within 2 hours of driving radius
– Companies with existing investors i.e. significantly raised capital from friends, family and other angels, and are bootstrapping, should be promoted
– Companies with an all-star team i.e. balance of operational expertise (including financial), domain knowledge, and business acumen (including capital markets) should be preferred

Things that angel investors should look for in Start-ups (cont.)

- Companies who clearly understand their competition and how they differentiate themselves from their competition
- Companies which have clearly identified their strength and weaknesses relative to their competitors
- Companies with a good *value proposition* with a good market size to support revenue projections
- Companies which can achieve a significant milestone to make them attractive enough for a follow-on venture investment or bring them to cash flow break-even point
- Company with reasonable valuation expectation. It is generally unusual to have a pre-money valuation of over $3 million across most sectors. Best practice indicates that any company with a pre-money valuation of over $10 million should be out-rightly rejected.

QUESTIONS FOR PANELISTS

2 minutes of answer time
for each panelist

1. In your opinion, which of these criteria should be emphasized upon more than others and why?

2. Do you think valuation of the start-ups is tied closely to the market mood at large, and therefore needs to be critically analyzed?