

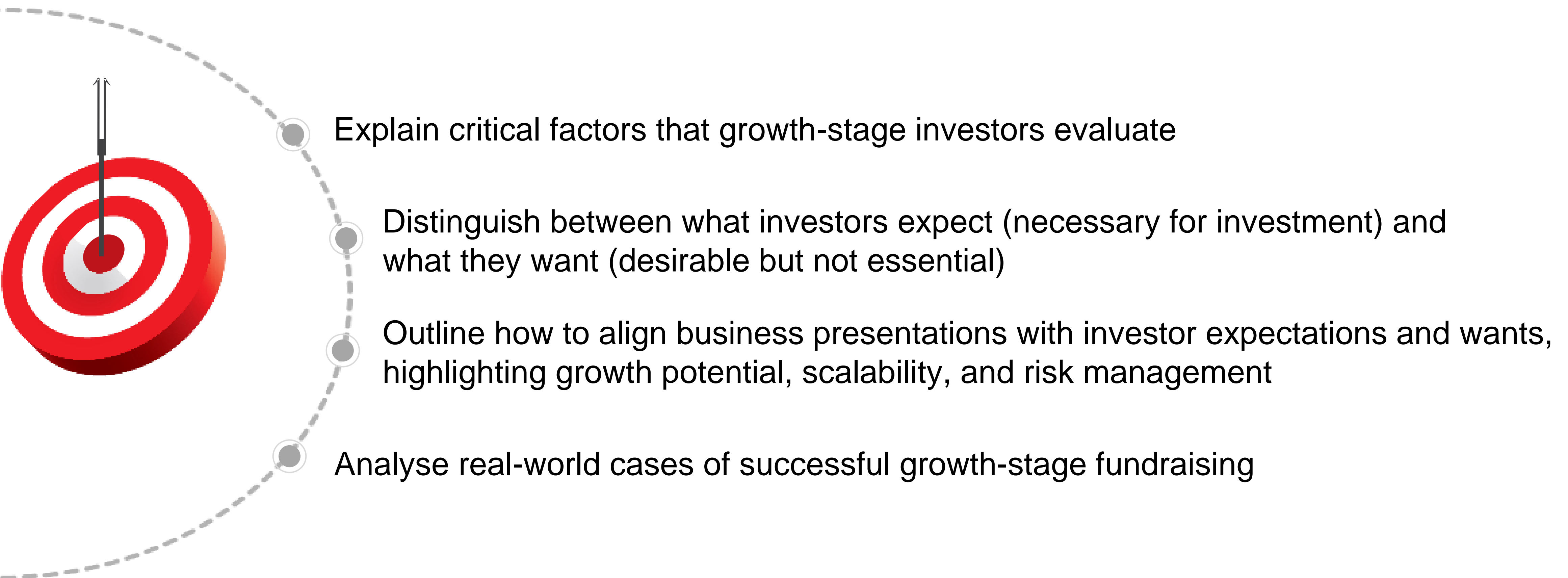
Investor Expectations Versus Wants for Growth Stage Investments

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Learning Objectives

At the end of this module, you will be able to:

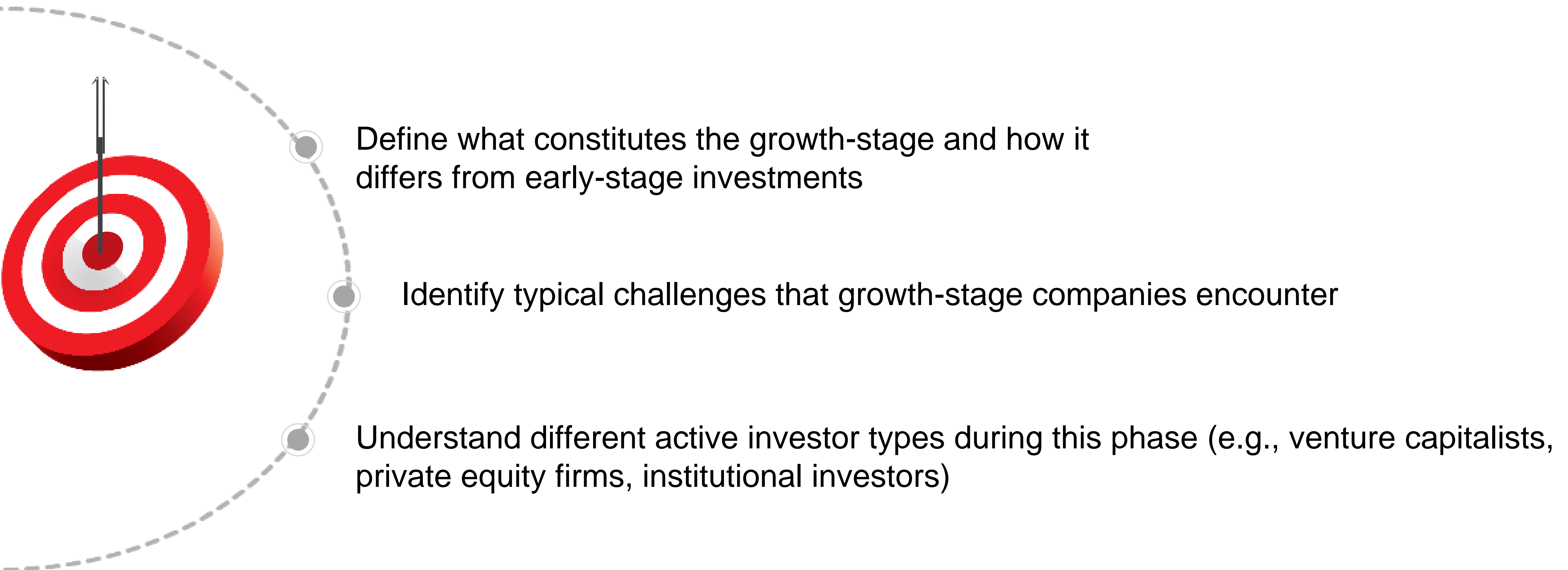




Understanding Growth-Stage Investments

Learning Objectives

At the end of this topic, you will be able to:



Definition of Growth-Stage

.....●

“Companies in the growth-stage have achieved a product-market fit, developed a sustainable revenue stream, and are focused on scaling operations. The focus is on market expansion, increasing revenue, and optimising operational processes.”

●.....



Investor Types

Venture Capitalists(VCs)



Typically interested in businesses with high growth potential.



They seek returns by investing in companies that can scale rapidly.

Private Equity Firms(PEs)



These firms focus on improving operational efficiency, and profitability, and scaling established companies.

Institutional Investors



Pension funds, hedge funds, and mutual funds looking for lower-risk investments in businesses with a proven model.

Case Study

Airbnb's Series D Funding:

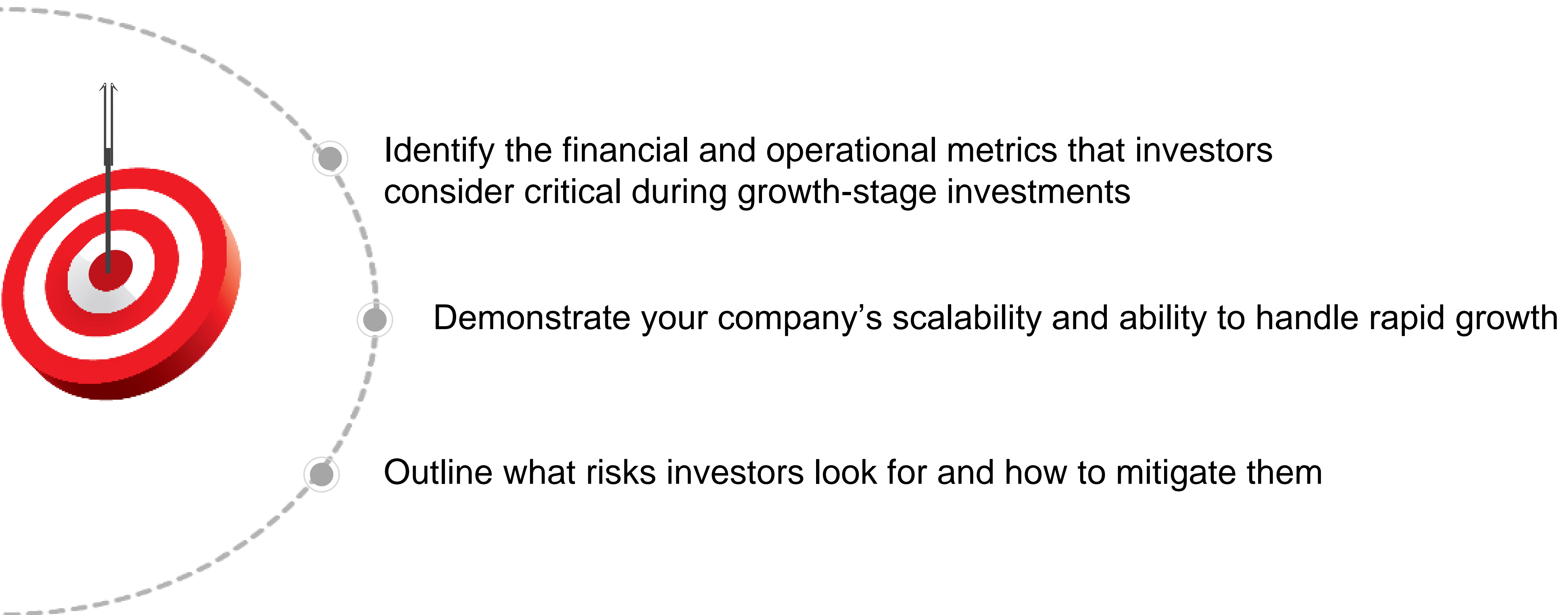
How Airbnb demonstrated its scalability, market reach, and potential for global dominance, which attracted substantial growth-stage investment.



Investor Expectations at the Growth-stage

Learning Objectives

At the end of this topic, you will be able to:



Key Financial Metrics

Revenue Growth

- Investors look for consistent growth in revenue as a key indicator of business health and scalability.

Customer Acquisition Cost (CAC) vs. Lifetime Value (LTV)

- Investors expect to see a reasonable balance between how much it costs to acquire new customers and the revenue these customers generate over their lifetime.

Churn Rate

- A lower churn rate signals customer satisfaction and loyalty, essential for sustainable growth.

Scalability

- Investors want to see that your business model can scale effectively, meaning you can increase revenue without a linear increase in costs.
- The ability to expand into new markets or launch new products should be clear in your strategy.



Team Expertise

A strong leadership team with **operational experience** is vital to manage the complexities of scaling. Investors will assess whether the team can drive the company toward **sustainable growth**.



Risk Management

- Investors expect you to identify risks (market competition, operational inefficiencies) and provide clear mitigation strategies.
- Managing competition, securing intellectual property, and navigating regulatory issues are all important.



Case Study

Spotify's Growth Journey:

Spotify highlighted its rapidly growing user base, innovative technology, and plans for global expansion, attracting growth-stage funding from major VC firms.

Activity: Group Analysis

- Examine a company's financials (provided in a case format) and assess its readiness for growth-stage funding.
- Teams will discuss scalability, financial health, and risks.

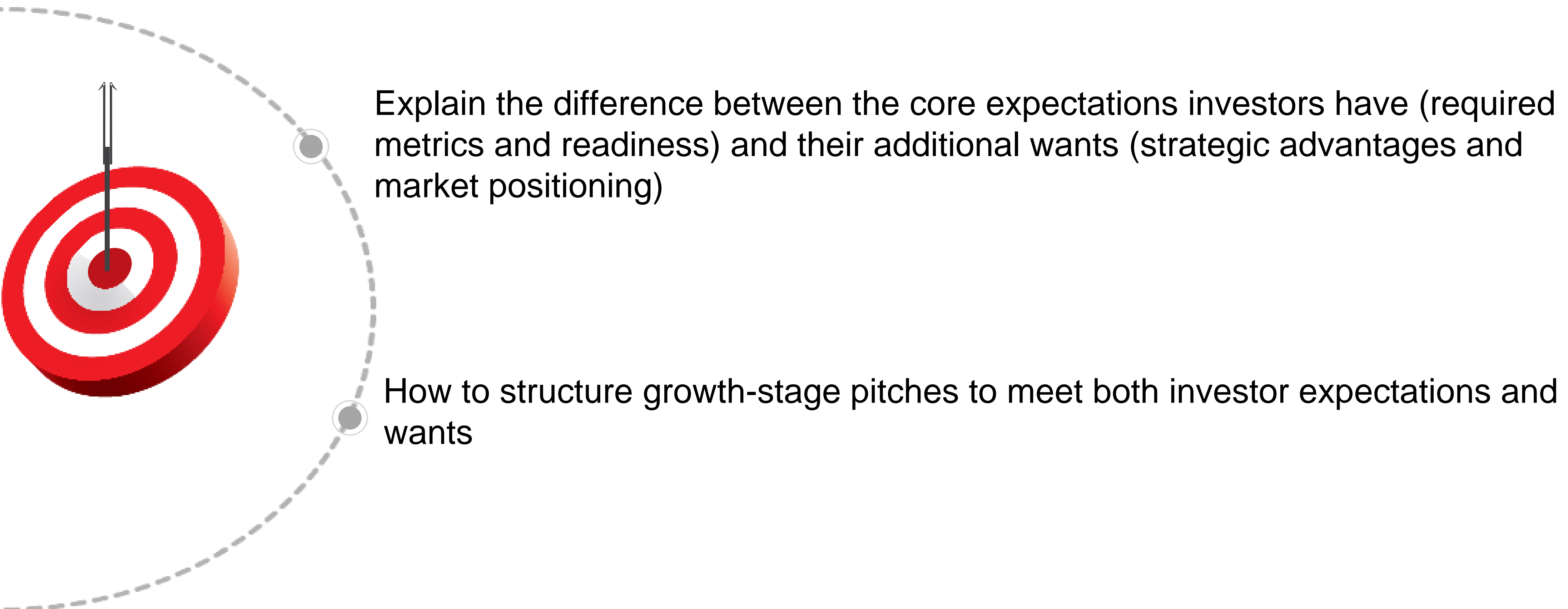




What Investors Expect Versus What They Want

Learning Objectives

At the end of this topic, you will be able to:



Core Investor Expectations (Must-Haves)

Solid Financial Performance

- Consistent revenue growth and profitability metrics are non-negotiable.
- Investors expect detailed financial statements and projections.

Scalable Business Model

- Investors require proof that your business model can handle rapid growth without exponentially increasing costs.

Product-Market Fit

- The product must address a significant market need, supported by customer traction and validation.



What Investors Want (Nice-to-Haves)

Innovation and Competitive Edge

Investors are drawn to companies that have a unique advantage, such as proprietary technology, patents, or a strong brand presence.

Mission-Driven Companies

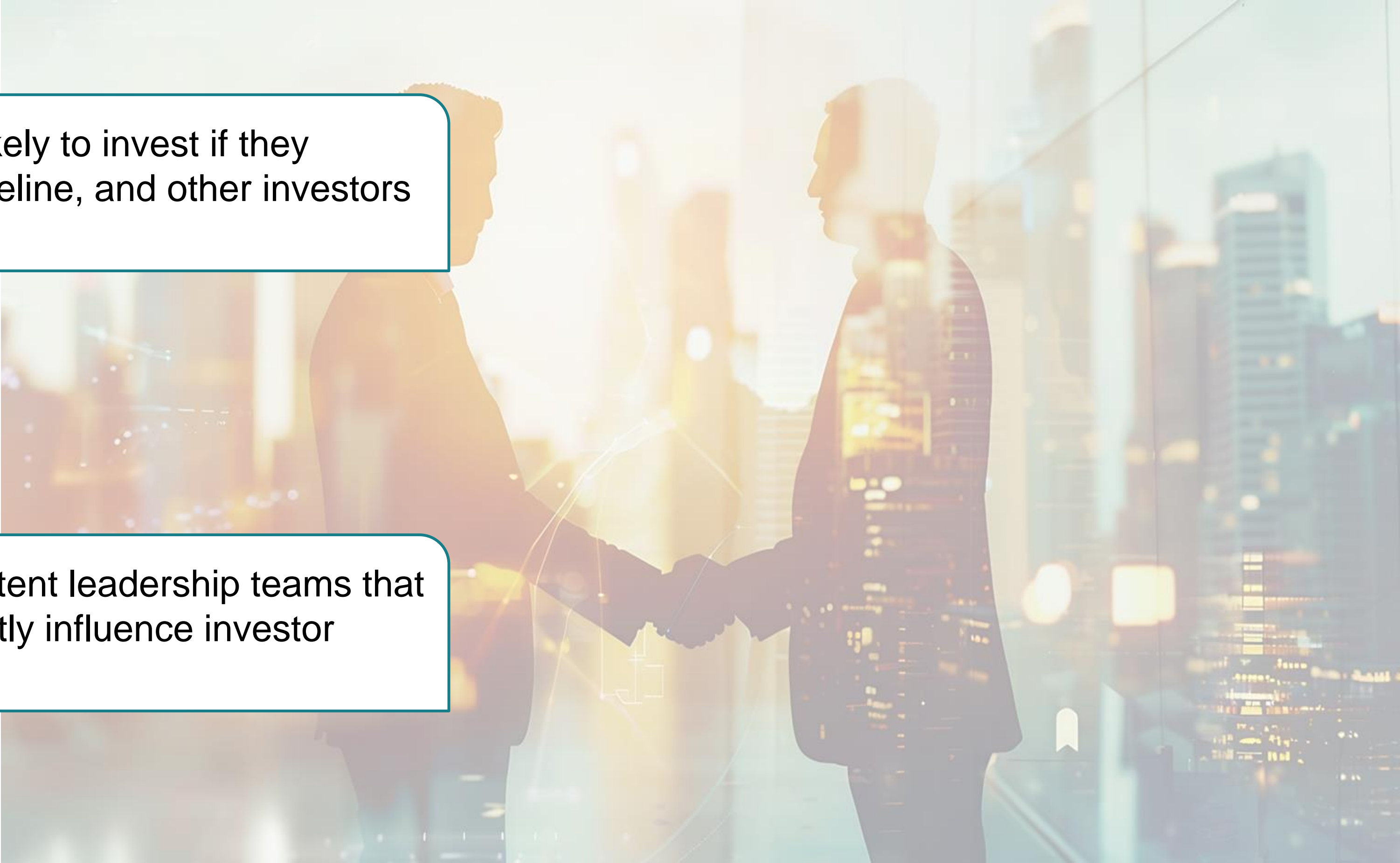
Investors increasingly value businesses with a clear social mission or environmental impact, aligning with larger market trends like sustainability.

Loyal Customer Base

A company with a highly engaged and loyal customer base provides investors with confidence in the product's marketability and long-term potential.



Investor Psychology



FOMO (Fear of Missing Out): Investors are more likely to invest if they perceive your company has momentum, a strong pipeline, and other investors showing interest.

Confidence in Leadership: Charismatic and competent leadership teams that convey confidence in their growth plan can significantly influence investor decisions.

Activity: Pitch Simulation

- Teams present a growth-stage pitch to “investors” (role-played by peers or instructors).
- Focus on aligning key expectations while also appealing to investor wants.

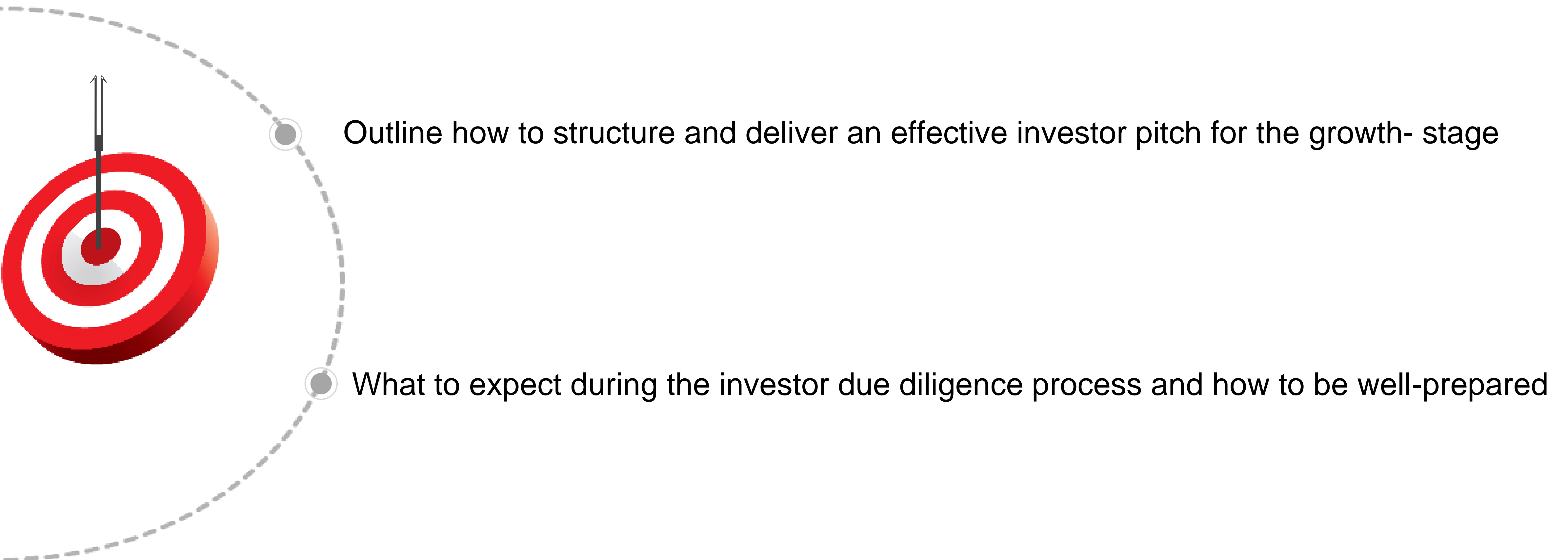




Preparing for Investor Meetings and Due Diligence

Learning Objectives

At the end of this topic, you will be able to:



Structuring a Growth-stage Pitch

➤ **Problem-Solution Fit:** Clearly articulate the problem your company solves and how you've validated the solution through market traction.



➤ **Scalability and Market Opportunity:** Demonstrate a clear plan for scaling, supported by market research and a large Total Addressable Market (TAM).



➤ **Team and Leadership:** Highlight your team's expertise and ability to execute on the growth plan.



➤ **Financial Projections:** Present realistic, data-backed forecasts that show long-term growth potential.



The Due Diligence Process

Operational Due Diligence

Investors will closely examine your operational efficiencies and strategies for scaling.



Financial Due Diligence

Expect detailed reviews of your financial statements, cash flow projections, and customer acquisition data.



Market Validation

Investors may seek external validation (industry reports, customer reviews) to confirm the viability of your market.



Case Study

WeWork's Due Diligence Challenges:

Learn from WeWork's failed attempt to secure funding during its growth-stage due to misaligned projections, risky business models, and lack of transparency.

Activity: Pitch Refinement Workshop

Participants will refine their pitch decks based on feedback from peers or instructors, focusing on presenting a balanced and compelling case for growth-stage investment.



Suggested Pre-reads

Books:



- "Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist" by Brad Feld and Jason Mendelson.
- "Measure What Matters" by John Doerr.

Articles:



- "What Venture Capitalists Expect from Startups in the Growth Stage" (Harvard Business Review).
- "How to Scale a Business: A Guide to Growth-stage Funding" (Stanford Graduate School of Business).

Assessment:

- Participants will be evaluated based on their ability to deliver a well-structured and compelling investor pitch, demonstrating an understanding of both investor expectations and wants.
- They will also be graded on their ability to analyse financials, scalability factors, and risk management strategies.



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HAPPY LEARNING!

