

Early Stage Financing

Business Growth Tsunami

Silver Spring, MD

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About Opus8

- Private Investments and Strategic Advisory Services
- Helping PE/VC funds and tech companies raise money
- Investors in BPO and CRM assets nationally
- CONNECTpreneur Community – connectpreneur.org
 - World's largest virtual investor pitch events – monthly
 - Premier investor / tech networking events in MidAtlantic
 - Next Event is evening of August 3 at Universities at Shady Grove in Rockville, MD
 - Partners with HCCMC and AACCC – comp tickets – please see Carmen Larsen

Sampling of Types of Investors

- Individual HWN/UHNW Angels
- Incubators/Accelerators/Venture Studios– CVL, Halcyon, Datatribe
- Angel Groups – BluVentures; Dingman Center Angels; New Dominio
- State Funds – TEDCO in MD and VIPC in VA
- Family offices – Rezon8, Blue Marlin, IDPE, Ruxton
- Early Stage VCs – Edison Revolution, New Markets, Razors Edge, Sands Capital
- Growth VCs – Revolution, Udata, ABS, NEAs



The Capital Stack and Investment Objectives

- FFF - “do a favor, maybe get lucky”
- Angels – “make money”
- Seed Investors – 3x in 5 years
- Series A – 3x in 5-7 years
- Growth Equity – 1.7x in 3 years, pre-IPO
- Mezzanine – debt/equity hybrids – 14-20% IRR in 5 years
- Private Equity – 2.5x in 7 years

FFF

- Who: Friends, Family and Fools; Your trusted network
- Amounts: \$10k – 200+k
- Use: Initial concept development, Ramen noodles
- Valuation – informal; \$100k - \$2+ million
- Structure – flexible. Personal loans, common stock, convertible notes, “handshake” arrangements
- Reporting – limited
- Investor Governance - limited
- Legal documentation – minimal



Angels and Angel Groups

- Who: HNWI, cashed out entrepreneurs, formal groups
- Amounts: \$20k – \$1 million generally
- Use: Product dev, customer research, PMF development,
- Valuation – more formal; \$100k - \$1 - \$5 million+
- Structure – Convertible notes, SAFEs, some common
- Reporting – quarterly and more often
- Investor Governance – Board seat, observation rights
- Legal documentation – basic



Seed Investors and Series A

- Who: Formal funds, Super angel groups
- Amounts: \$500k – \$5 million generally
- Use: Product tweaks, traction, team buildout
- Valuation – \$3-10+ million; 20-33% equity give-up
- Structure – Convertible notes and SAFEs (seed); preferred stock, common sometimes
- Reporting – quarterly and more often
- Investor Governance – Board seat(s), observation rights
- Legal documentation – Formal and thorough



Growth – Series B, C...

- Who: VC funds, some PE funds
- Amounts: \$10– \$50+ million generally
- Use: Growth, traction, sales, M&A
- Valuation – \$20 - x00m+ ; 20-33% equity give-up
- Structure – preferred stock, common sometimes
- Reporting – Frequent
- Investor Governance – Board seat(s), observation rights
- Legal documentation – Formal and thorough



Hybrid Debt/Equity

- Who: Mezz players, nonbank financials – GE, Golub, Hedge funds
- Amounts: \$10– \$x00
- Use: Growth, traction, sales, M&A, recaps
- Valuation – \$20 - x00m+ ; 20-33% equity give-up
- Structure – Sub debt plus warrants; “Unitranche” senior/sub
- Reporting – Audited financials
- Investor Governance - Board observation, Board seats not common
- Legal documentation – Formal, loan and inter-creditor agreements



Thank You. Connect with me!

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