

Scrubbed Version

Diligence Training

2021



GOOSE
Capital

The Deal Flow Pipeline

❑ Deal sourcing: webform

- Cold
- Warm
 - Goose Investor/Founder Sourced
 - Fellow VC Sourced
 - Goose Network Sourced

❑ Fund fit

- Stage: Seed/Srs A
- Appropriate raise (\$) and past financing

❑ Begin diligence

❑ If we like – discuss round logistics

(price/terms/logistics) & round timing for bids

❑ Pull a round together (right co-investor syndicate) of lead investor(s) and strategic follow investor(s)



The Problem: What Does Your Company Address?

- ❑ What problem does your company address?
- ❑ How costly or big is the problem?
 - Time problem (money)?
 - Cost problem (also money)?
 - Quality problem (which leads to money)?
- ❑ Evidence of the problem

The Solution: What Is Your Solution?

- ❑ What stage is it?
 - Pre-product?
 - MVP?
 - Working Product?
- ❑ What traction do you have so far?
- ❑ Detailed explanation of how the product/service works
- ❑ Consider all stakeholders for their solution – who benefits and how?
 - Customers
 - Partners
 - Suppliers

Market: How Big Is The Market?

- ❑ Total Addressable Market?
 - Top-Down
 - Bottoms-Up
- ❑ \$1B+ market size
- ❑ Growing market
- ❑ Tailwinds/headwinds
- ❑ Customers in each market?
- ❑ How do those customers spend/what do they care about?

Sustainable Competitive Advantage

- ❑ Unique, sustainable, competitive advantage to solve this problem?
- ❑ What's your value prop?
- ❑ Patents?
- ❑ Trade secrets?
- ❑ First mover advantage?
- ❑ Is your solution a “vitamin” or a “painkiller?” Be a “painkiller”

Competition

- ☐ Who are your competitors?
- ☐ Why are you better than them?
- ☐ Do you understand your competitors pricing?
- ☐ Do you understand your competitors value proposition?
- ☐ How easily can they squish you?
- ☐ Is what you're doing easy or hard to copy?

Exit Opportunities & Next Round Financing

- ❑ How will we get our money back?
- ❑ Who will buy you?
 - Are they feasible acquirers?
 - What reasoning would the company have for an acquisition?
 - Are they large enough for a big exit?
- ❑ How much are comparable exits going for?
- ❑ What revenue/EBITDA multiples do similar companies sell/trade for?
- ❑ What will you have to do for me to believe you'll raise the *next* round of financing?

Go-To-Market Strategy

- ☐ How are you going to launch your product?
- ☐ How are you going to scale?
- ☐ Partnerships? Pilots?
- ☐ Marketing campaign?
- ☐ CAC/LTV?
- ☐ Customer churn/retention?

Traction

- ❑ Traction, traction, traction
- ❑ Real traction, not made up traction
- ❑ If you don't have real traction, figure out some way to show people actually want your solution
- ❑ Talk to your customers. If you haven't talked to any customers, this is a red flag

Fundraise & Use Of Funds

- ❑ How much are you raising?
- ❑ What's your net burn rate?
- ❑ What are you scaling your burn rate to for growth?
- ❑ What revenue/milestone goals will you achieve to reach your next raise?
- ❑ What will you do with the money?
 - Hire staff
 - Develop product
 - Marketing
 - Inventory

Prior Fundraising, Security Type, & Valuation

- ❑ Cap table
- ❑ Convertible securities & dates
 - Notes
 - SAFEs
 - Post-Money
 - Pre-Money
- ❑ Priced round amount/pre-\$/post-\$
- ❑ High level valuation discussion – what % equity would they like to give up for what amount?
- ❑ Expected dilution?
- ❑ Comps/Analog?
- ❑ This is often not explained in detail in the pitch deck, but you can choose to divulge upfront whatever you want – the best is to not set a price (valuation) unless you are forced to, let the market set a price. You can always say “no”

Operating (Financial) Model

- ❑ What's the revenue model?
- ❑ What are the cost assumptions?
- ❑ SG&A assumptions?
- ❑ Cash flow requirements?
- ❑ What do they need to accomplish to hit their next round?
- ❑ Future dilution assumptions

Team & Governance

- ❑ Who's on the team?
- ❑ Who's full time?
- ❑ Founder-market fit?
 - Missionary vs mercenary
 - Industry insiders or not
- ❑ Prior successful exits?
- ❑ Do the founders have the grit/sales chops to recruit and raise additional capital?
- ❑ Board of directors – how many, who?
- ❑ Board of advisors?
- ❑ Has founding team attracted the talent and advisor expertise they need?

Documentation Request

- ❑ Copy of charter & bylaws
- ❑ Copies of IP
- ❑ Copies of licenses
- ❑ Copies of manufacturing agreements
- ❑ Copies of publications
- ❑ 510(k) clearances (healthcare)
- ❑ Use of funds
- ❑ Go-to-market strategy
- ❑ Cap table & convertible debt with terms
- ❑ Past two year financials (or fewer)
 - Balance sheet
 - Profit & loss statement
 - Statement of cash flows
- ❑ 5-year projection (annual)
- ❑ Detailed two-year financial projection
 - Are they sophisticated enough to have a working operating model to meet their next milestone?
 - Have they identified their KPI's?