The Executive Summary
- for startups seeking funding

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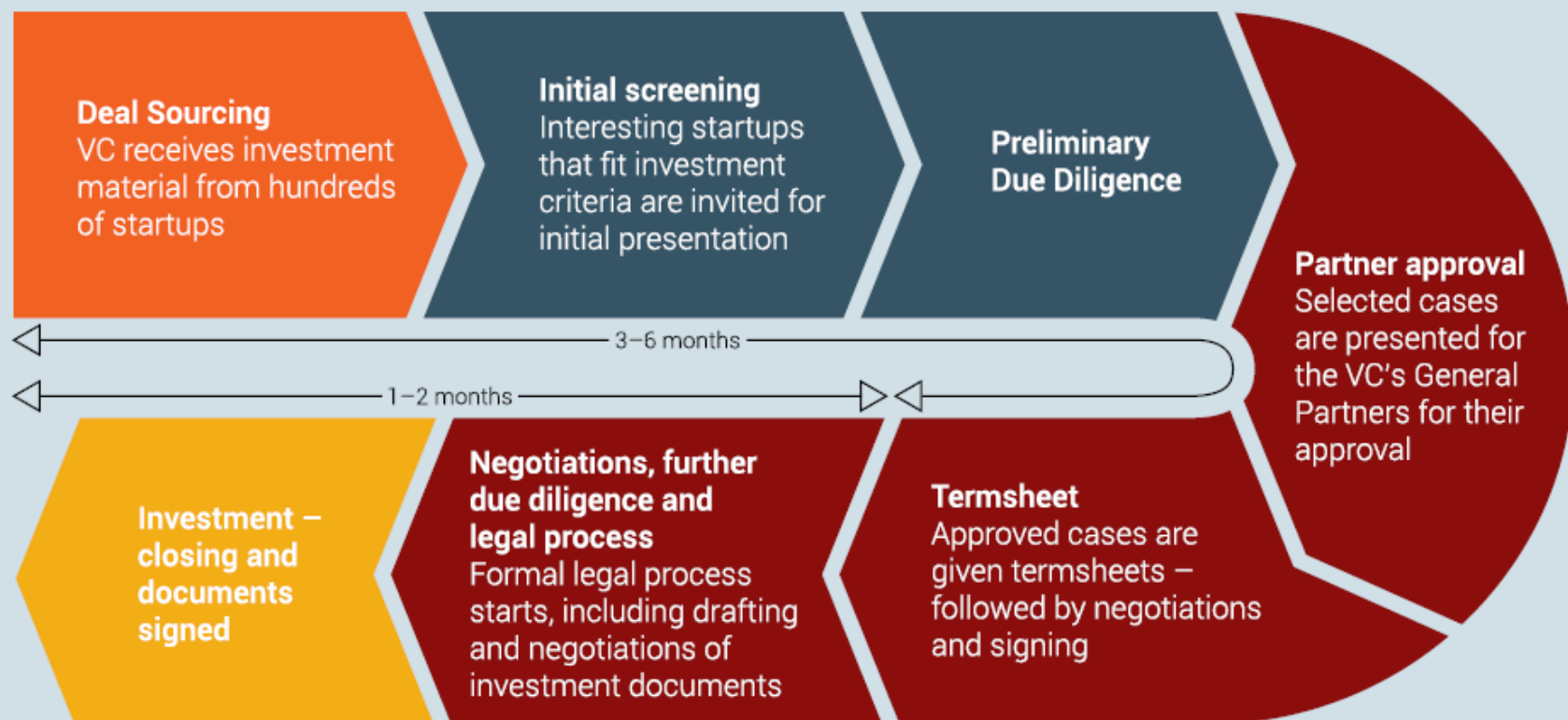
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STARTUP FUNDING

Background: Most investors invest in less than 1% of the proposals they see

Example: VC funnel

Investment decision process at a VC fund

Deal Sourcing
VC receives investment material from hundreds of startups

Initial screening
Interesting startups that fit investment criteria are invited for initial presentation

Preliminary Due Diligence

Partner approval
Selected cases are presented for the VC's General Partners for their approval

3–6 months

1–2 months

Investment – closing and documents signed

Negotiations, further due diligence and legal process
Formal legal process starts, including drafting and negotiations of investment documents

Termsheet
Approved cases are given termsheets – followed by negotiations and signing

- 200-500 contacts per year
- Partners approve 10-20 which receive term sheet
- Initial meetings with 50-100
- 5-10 investments per year

You read very little before you decide on "no" or "maybe"

Result: You need to send the potential investor something very brief

CODESEALER
Protecting online banking

Reducing online bank fraud without irritating the end-users

Industry: IT-security software

Key IP: Three patents concerning novel obfuscation technologies and validation of web pages using JavaScripts

Product: The world's first invisible Web Session Firewall that does not require any end-user action or client installation

Customers and business model: Financial institutions, recurring software licensing fees

Status: Product launched in Dec 2011. Three banks signed as pilot-customers (total of 20 million users)

Company: Located in Copenhagen, Denmark. 12 FTEs.

Current investors: SEED Capital (DK), business angels and founders ($2.5 million in total)

The pain. Half of the world's computers are infected with viruses that cyber criminals use to commit online bank fraud. The direct losses are $3-4 billion per year and growing with +20 % p.a. Banks have no effective measures against the attacks. The current solutions demand the active involvement of the end-users leading to very high implementation and maintenance costs, inconvenience for the end-users and lack of compliance.

CodeSealer's solution. The world's first <u>invisible</u> software based Web Session Firewall that does not require any end-user action or client installation. It enables financial institutions to reduce direct and indirect costs of malware-based mobile- and online bank fraud.

The product is installed on the bank's servers and works by establishing a secure session between the user's browser and the Web Session Firewall. The product continuously monitors the web pages displayed to the end-user to detect unauthorized changes. All communication with the user's browser is encrypted and authenticated using session-specific cryptographic keys. The unique obfuscation and verification technologies are protected by three patents.

CodeSealer's approach is unique. A) We are protecting the bank's entire online bank user-base without annoying them! B) We are <u>not</u> trying to remove the malware, but instead detecting whenever it tries to break into the online bank and C) The solution is browser independent and works on both PCs, macs, tablets and smartphones.

Current investors: SEED Capital (DK), business angels and founders ($2.5 million in total)

Investment opportunity: $5 million in Q4 2012 to accelerate sales and marketing

Key Team Members:

▮▮▮▮▮ CEO
Serial entrepreneur, 10 years' experience in commercialization of technology products

▮▮▮▮▮ CTO
15 years' experience within cryptography and IT-security consultant to several banks

▮▮▮▮▮ VP Sales
Highly experienced in sales of IT-security products to EU banks

Forecast: Cash-flow positive by Q2 2013. By 2015 the company will protect 175 million users, have yearly revenue of $90 million and EBITDA margins of +60%.

The market. The addressable market is the approx. $3 billion banks are spending on two-factor authentication systems, to which CodeSealer's solution is a strong complement. The main geographical market has so far been EU, but the use of two-factor authentication is rapidly spreading to USA (driven by new regulation) and Asia (driven by rapid increase in online banking). The current global 1 billion online bank users will have increased to 2 billion users by 2015.

Traction. The first product has been released and has been launched in EU in November 2011. Three European banks with up to 20 million users have signed as pilot-customers with further ten banks in the pipeline (75 million users).

Partnership with IBM. CodeSealer has furthermore signed a non-exclusive partnership agreement with IBM, who has a very strong presence within the financial services sector. IBM will help market the product by testing the product and present the solution towards their clients.

More information. For additional information or to schedule a presentation detailing the opportunity please contact ▮▮▮▮▮ at ▮▮▮▮▮ or ▮▮▮▮▮

Role of the executive summary: Analog – getting a job

Problem: Explain the nail, not the hammer!

▶ **What** is the problem (time, money, cost, pollution etc.)?

▶ **Who** has the problem (customer segment) ?

▶ What are they doing **today?**

▶ **Users vs. customers**/payers ?

▶ Can you **quantify** the size of the problem (Euro, time) ?

Solution: Don't talk about the specifications

▶ **Explain** your solution in layman terms (software, hardware)

▶ **Benefits for customers**: Time, %, Euro? …" Unlike technology X…"

▶ **Barriers to competition**: How will you ensure your solution will not easily be copied? (patents, network effects, hard to replicate know-how etc.)

Market size: Is the market large enough to be interesting?

▶ **Today.** How much money is spent on either direct competitors or alternatives today?

▶ **Future.** External reports that estimate future market size and growth

Team: Why are you the one that can solve this problem?

- **Core team:** Industry expertise, university degrees/positions, citations in famous journals etc.
- **Advisors:** Have you convinced any (famous) advisors to join?
- **Investors/partners:** Have you made any partnerships (or investors) that can prove other people want to work with you?
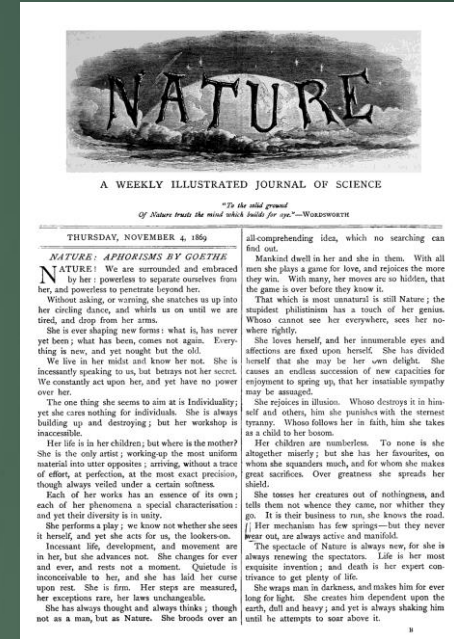
Traction: What have you achieved so far?

► **Product:** How far are you in the development? Have you any data/studies that can prove your claims? (quantify where possible). When will your product be launched?

► **Revenue:** If already on the market, how much revenue are you having, and growing how fast?
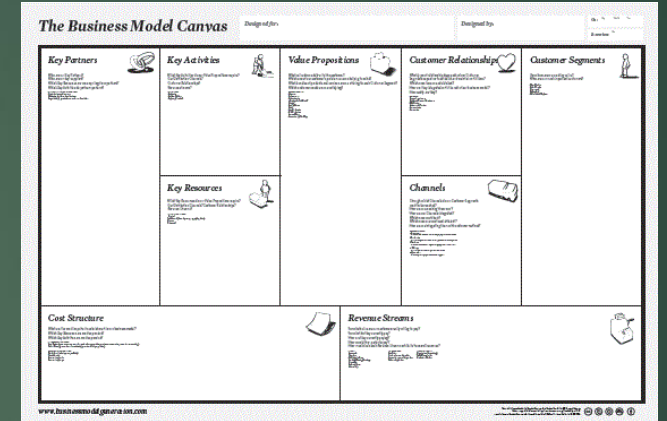
► **Users/pilots:** If no revenue, have you unpaid users or signed pilot-projects up?

Business model: How to bring the product to the market?

► **Go-to-market**: Who will be your customers (end-users or channel)?

► **Revenue model:** How will they pay you (per unit, subscription, service/hours??

► **Profitability**: Price vs. COGS

The vision: Where do you hope to be?

- **Long term goal**: Where will the company be in say 5-10 years?
- Leader within industry X ?
- Market share ?
- Revenue ?

(be ready to defend the above assumptions during further negotiations, should be based on your assumptions about your product vs. alternatives/competitors in the future market?

The ask: How much money do you need?

► **Important:** You "never" get money to finance the entire lifetime of the project

► **Milestones:** What are the milestones (product and/or revenue) you can achieve in the next years?

► **Funding:** How much do you need to achieve this?

► **Co-investors:** Have you already secured part of the funding round?

The basic details:

▶ Official company name

▶ Where is the company HQ?

▶ How many full-time employees?

▶ Name of persons in management team (and link to Linkedin-profile)

▶ Existing investors in the company?

▶ How much funding has the company already raised?

▶ **Contact information!**

KEEP CALM AND FOCUS ON THE BASICS