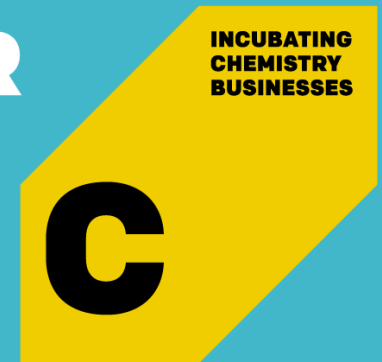


**BRUSKI
SMEETS
& LANGE
RECHTSANWÄLTE**

CHEMOVATOR

A subsidiary of
BASF – We create chemistry



- Thought through from the end – how to
become a unicorn? -

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1 The Passion as a Founder

- As a founder you deal with your own actions without having any constraints from other institutions.
- The founder is willing to overcome the lack of money, staff and customers and is coming-up with creative solutions to compensate for such deficits.
- Creative solutions sometimes require toughness, unconventionality and guerrilla-like approaches.
- The founder is passionate about making the impossible possible.

2 Writing a Success Story

- Compared to established companies, team play is one of the most significant success factor in startups.
- The employees identify with the product and their work results in an outstanding way, because they are proud to be part of a success story.
- A smart founder knows how to use that to his advantage but holds himself as to the same standards as his employees.
- In a successful startup, the management ensures that the group as a whole succeeds more than the sum of its parts.
- It is the primary responsibility of the founders to identify and leverage such potential.

3 Social Skills

- Necessary leadership qualities on the road to success are:
 - a passion for business
 - leadership quality
 - perseverance
 - empathy
- To become a unicorn a founder should identify with these leadership qualities or at least he should understand their importance and the necessity to acquire them.
- Regrettably, the idea, the concept, the product account for 10-15% of a company's success, while 85-90% can only be achieved through many years of stringent, exacting execution.
- To make a company shine, a team player is needed rather than a lone fighter.

4 Key Investment Hypothesis

- Factors that raise the probability of business success
 1. Does the company offer a unique, scalable, protected (by robust IP) and long-term viable solution to
 2. an urgent customer need
 3. with an attractive pricing model
 4. addressing a large, solvent, and rapidly growing market
 5. while being a properly constituted company with appropriate corporate governance and shareholder protection
 6. with a sophisticated management team, and
 7. working on a tight but robust budget and capital base?

5 Storytelling

- The before mentioned factors are the ideal criteria for a start-up investment but would be as realistic as heaven on earth.
- Nevertheless, the better the business model is aligned to this catalogue the greater the chance of success and the easier successful fundraising will be.
- Fundraising is one of the most crucial responsibilities of a startup, as liquidity will be a decisive factor of the company.
- For successful fundraising use your team's best storyteller to impress with his competence to draw a clear, coherent and exciting picture of the company.
- Choose your investors wisely according to their reputation and try to understand to which criteria they make their investments. Building and maintaining an investors universe is essential for every startup.

6 Questionnaire – Customer Solution

- Evidence-based analysis of the company's customer base
 - Content of the solution offered
 - Who are the customers and what is the specific task that the company helps them to get done?
 - Does the offering focus on analyzing customer's tasks, not just what they are currently buying or what they think a good solution would look like?
 - Does the offering help with both functional and emotional tasks (where possible)?
 - Does the offering focus on satisfying the most important tasks first?

7 Questionnaire - Customer Need

- Importance of the solution offered
 - What makes the task(s) the company wants to help getting done so important to customers?
 - What are the typical attitudes, background, and circumstances of customers and does the offering take these into account?
 - Has any trial, market research etc. been carried out? If not, which should be carried out?
- Ease of switching, current approaches and pain points for customers
 - What are customers currently doing to satisfy the task (what are their typical current approaches)? How much will they likely cling to those?
 - Will it be easy for customers to switch to the company's product or are there any pain points, areas of difficulty, frustration, or inefficiency?
- Success criteria: Why is this offering better than others?

7 Questionnaire – Road Blockers and Threats

- Road blockers: What are potential obstacles to making customers switch? Obstacles come in two forms, obstacles to adopt and obstacles to use a solution.
- Competitive threats in general
 - Is there any relevant direct competition to the company's offering?
 - Who are the main competitors? What are their strengths and weaknesses?
 - If the company has a competitive advantage, how easy will it be for traditional and non-traditional competitors to destroy that advantage?
- Competitive threats and IP strategy: How well does the company's IP strategy protect its competitive position?

8 Questionnaire – Value Capturing and Price Model

- Value capturing: Will the company's offering and the company's pricing strategy fairly, but fully capture the value of what the company are offering for the benefit of the company?
- What are the principal sources of profits and risk factors?
 - Is the business profitable, and if not, when will profitability be achieved? Where is the break-even, and how can profits be achieved and increased?
 - What are the key profit drivers of the business?
 - What are the key assumptions behind the business plan and what evidence exists to support these assumptions?
 - What are the key challenges in achieving the business plan/the main risks of the business?
 - How sensitive is the business plan to changes in the price and volume of sales?
 - What are the factors and risks that can bring down sales and profits?

9 Questionnaire – Market and Go-to-Market Strategy

- Is the company's offering clearly targeting the right (deep and fast-growing) market?
 - Is there any data-based analysis of market segments and growth areas? Is the market sufficiently deep and is it growing fast?
 - What evidence is there that the company's offering meets/will meet a will-identified high and rapidly growing demand?
- How will that market be approached?
 - What are the USPs of the business, and is there evidence that they are genuinely unique?
 - What is the go-to-market strategy for the business? What makes the company think it will work?
 - If there is a significant marketing activity (and spend) planned for this business, what evidence is there that it is well focussed?

10 Questionnaire – Customer Relationships and Sales

- How will longer-term relationships with customers be built and maintained?
 - Is there evidence that the business model works well?
 - What is the evolution of sales in the last three years?
 - What is the current sales pipeline? How are win % arrived at? What significant customer contracts currently exist?
 - How many customers are there? Who were the top ten customers in the last three years? Have they changed? Have any major customers stopped doing business with the company? If so why?
 - Have there been any significant customer disputes in the last three years, whether taken to court/tribunal or not.
 - If the sales strategy involves third party channels, what arrangements are in place. What contracts/partnerships exist?
 - What evidence is there that the pricing model is correct?

10 Questionnaire – Management Quality

- Is there a strong management team with venture experience and a robust governance structure?
 - Who are the key people in the management team? What skills and background can be identified, what is their career history?
 - Are the management team and the board appropriately composed and qualified (appropriate size, diversified experience and backgrounds)? Are they motivated and able to:
 - deliver growth
 - recognize opportunities earlier than competitors
 - quickly develop appropriate business models and processes to exploit such opportunities
 - capable of superior execution of the business model?
 - How is the company run? Are tasks and responsibilities properly allocated, and what responsibilities have been defined?

11 Questionnaire - Operations

- Has the company developed a robust operations model?
 - How will the company produce and deliver its offering?
 - If the company plans to grow significantly, is there a plan to cope with all the implications of this e.g. premises, infrastructure, new roles in the company etc.?

12 Questionnaire - Risks

- Evidence-based analysis of the company's business model – risks (what can destroy the business model)
 - Are there any risks beyond the company's control that can damage the business? Are there
 - existing or future threats to the business model (such as technology becoming obsolete, markets changing, competition arising)
 - regulatory risks (such as risks due to non-compliance with legal requirements or risks of change)
 - environmental risks (such as existing contamination or future costs of compliance),
 - contractual risks (such as penalties, damages, options granted, price adjustments etc.)
 - risks resulting from employment matters (such strikes, contingent rights of employees, difficult terminations),
 - other litigation risks (such as risks of losing existing rights or risks of damage claims resulting from a violation of third party rights)
 - If there are such risks, has all possible been taken to mitigate them?

13 Questionnaire - Business Model

- Evidence-based analysis of the company's business model – financial statements and financing (how the company raises the money it needs and at what cost and risk)
 - Have the current financials and managements accounts been properly prepared and audited, so that they give a reliable basis for an analysis of the company's current operations and financial situation?
 - Do the financial statements properly reflect all risks to the company that have been identified (considering steps taken to mitigate)?
 - Based on past performance and available other data as well the analysis done above, does the company have sufficiently secured funding to implement its business model in the future (forecast horizons may vary)?
 - Is there a good quality business plan with a realistic budget?

14 Questionnaire - Exit

- Exit scenario analysis
 - Is an IPO likely? At what price? Will this company meet the (current) requirements for an IPO, and where will the overall capital markets cycle be when the IPO is likely to happen?
 - Who are potential strategic buyers, and what will be their investment rationale? What is their likely exit valuation?
 - Investment rationale
 - Buying a competency they need
 - Buying enhanced efficiency (process optimization or synergies)
 - Likely purchase price (exit valuation)?
 - What are typical valuations of businesses sold (look at M&A reporting, comparables and DCF)?
 - Are there any factors that may drive these up for specific buyers (strategic need to complement offering or thwart competition)?
 - Who are potential VC or PE buyers, and what will be their investment rationale? What is their likely exit valuation?
 - What has the company done and what will it do to facilitate a particular exit (with an exit by sale in the double digits being the most likely outcome)?

15 Legal Matters and Corporate Governance

- It is indispensable to have all legal documents in order and up-to-date.
- Get a lawyer involved at an early stage or engage a team member who is well informed about legal matters.
- Corporate governance should be seen as a part of professional set-up instead of a burden of responsibility.
- A confident team does not fear interference but embraces senior level support and experience
- A smart management squad uses its advisory board to scale-up business faster and to achieve a steeper learning curve.

16 The Human Factor

- The most important question of a founder is with whom to start the business.
- A bad decision will destroy the dream of becoming a unicorn.
- The team must support the idea of the company, in a professional and intellectual way.
- Besides the relevance of social skills, the team must be up to the task, both professionally and intellectually.
- Staffing is a supreme discipline in which high standards should apply.
- Mistakes in recruiting should be corrected continuously and consequently but this should happen fair, respectful and based on clearly defined criteria that will also apply for the management team.

17 Join the Club



I wish you good luck!!!

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