Transcript

2021-10-12 TENFL Setting Your Fundraise Target Q and A

Segment 1: Setting your fundraise target amount

Hall Martin: I want to thank everybody for joining today for the TEN Capital Network's fundraise launch event for this month. Today, we're going to talk about setting your fundraise target, and then we're going to have questions and answers. If you want to put them in the chat box while we're doing the presentation, we'll kick off with those questions first, and then afterwards, we'll let you just unmute and ask your question to the group. But with that, let's go ahead and kick off. We'll put the chat box up to see what comes in there. And like to talk about how do you set your fundraise target for your fundraise, how much are you going to raise, so with that we'll kick into the slides, and go to the next one. And so, when I talk to people about their fundraise, I often get an answer that goes, I'm pre-revenue, and I want to raise $5 million. And what they're really telling me is over the life of the company, I want to raise $5 million. And one thing we wanted to start thinking about is adjusting your raise for the stage of the company that you're at, and taking the 5 million and breaking it down into its component parts, how much now, how much next year, how much the year after. And you need to look at the stage of business that you're at, and the stages that we see for early stage companies are pre-seed, you're developing the idea, you're researching the market, you've got a great idea, and you've got experience, and you know what you want to do. Seed is when you actually start building the prototype, and you start talking with prospective customers and it's starting to become clear what this thing is going to look like. What I often find out there is that you often, people want to go from pre-seed to seed and then to series A. At series A, you have a clearly defined sales process; you have, what I call, the repeatable, predictable model for raising funding, or running your business and raising funding is a pretty straightforward view on the metrics and growth rate of the company. And it's often the case that you're right not there, ready for a series A when you think you are, and you have to do, what I call, a seed plus. That means you're going to do another round at the seed level in order to get the company where it needs to be in order to raise your series A. So that's what a seed plus is about, it's just doing a little bit more work on it before you go raise the series A, because that's a fairly big jump up, you get aboard, get board of directors, you get a substantial amount of money, and at that point, you really need to have a solid process; and while you may have some of it, most companies don't have all of that, and that's why they have to do a seed plus.

And then, so the thing you wanted to do is take your large overall raise and break it down and do it piece by piece and go through and how much am I going to raise on the pre-seed, how much on the seed, how much on the seed plus, how much on the series A, and one of the mistakes I see startups make is they want to raise too much money at a very early stage, and realize your valuation is very low at the earlier part, and as you build product and team and revenue, your evaluation takes a stair step function up. And

so, you don't want to raise too much money at the very early stage, you want to raise the minimum amount of money in order to carry forward, otherwise you're giving away too much equity.

And standard raises by stage are as follows: in the seeds or pre-seed you're raising often from family and friends, and it's common to get 10, 20, 30, maybe $100,000 from family and friends. And you're setting up your website, your legal entity, you found some patents and so forth, so you're doing the very basic work there. And then, you get into the pre-seed where you're now going to start raising money from angels, and those are typically at around 250 to 500. And when you go to outside of family and friends, the minimum raise is no less than 250; if you try to raise less than 250 from an angel, they'll wonder if you're maybe trying to, or for the round, you're trying to raise too little. We'd be able to accomplish something meaningful with less than 250. So you want to set the goal at 250, and then raise as much as you can from each investor on that for the research and development of the prototype. And then, you want to, at the seed level, start thinking about raising a 500-750k raise, and now you've got the prototype and you're now building that into a final product, and you're going into market because you're starting to close some initial customers.

You'll find that the seed plus is just like the original seed, it's yet another 500 to 750k, same valuation, same terms and so forth. When you get to the series A, I find people raising 1.5 million to 3, and sometimes $4 or $5 million, but somewhere it's in the low $1 million range that you're raising in. You're now trying to grow the revenue up past $1 million of revenue to go there. And then at series B, you’re at $3-4 million of revenue, and you're raising $5 to $15 million of funding to continue the growth up and you start moving into a scale mode. So when you go out to raise funding, yes, you should write a financial projection and figure out what your needs of funding are, but you should also maybe think about trying to fit into one of these standard models, and that'll make it a lot simpler and try to align with it, because you need to think about your audience, which is investors, and what do investors see. Well, they see this kind of model out there, and they're trying to figure out where are you on this model. And so, if you want to map into it, you'll find it a lot easier to communicate to your investor, use the same terms and so forth. I often get people at a very early stage, they've raised a round from one family member, another round from another family, but they want to call their next one a Series B, and that sometimes confuses the investor, because you don't have $3 million revenue, you have maybe 50k. So you want to try and match into the standard models that are out there for it.

So the standard raises by milestones, you should be breaking the raise down into smaller rounds; and then this way, you don't try to raise too much money early, which distracts you from the business, you raise a little bit, work on the business, go back, raise more, work on the business, and you start working your way up the curve. And so, you want to set milestones for your fundraiser, what am I going to do at each milestone, how far should I be, how much of a prototype should I have before I go to the next one, and

think through what those milestones are for your deal, and when you would raise those, and you can see what that might look like for your fundraise as well.

So the thing you want to do is start coming up with financial projections on your deal. You want to do a five-year window on your financial model, and you want to put last year, this year, and the next three years on the model, so people can see where you were, where you are now, and what you're predicting for the next three years based on achieving that fundraise. If you have multiple scenarios, the key here is pick one scenario and show that to the investor. Never show multiple scenarios to the investor, because it will confuse them, pick one, show it to them, and then if you need to adjust to another one, you can later, and you can always – and fundamentally, investors know the more money you have, the more you can do; the less you have, the less you can do, so they understand that. But you really need to come with the core message, core product, core team, core fundraising one out, and core outcome, just the – there's one of each, there's not multiple scenarios here. But you should start thinking about what your financials look like that you can use to show what you're going to do with the funding itself. That's one of the questions investors will have is we give you 250, what are you going to do, are you buying leads, are you generating product, are you closing sales, are you doing some combination of all three – they want to know you have a plan there for it, as opposed to I'm just going to put a lot of money in the bank account and just start work. Well, they want to know how you're planning to use the funds, and the financial model tells a lot about that story as well.

So you need to start putting into it not only what you're going to do with the funds, but also what is your cash runway, how much cash will you have in the bank to continue paying people, how far out will that go. Typically, you want 18 months, 18 to 24 months of runway on your cash flow, and then you can actually go in, before you start the next fundraise itself.

And so, as we said before, start small and work your way up, don't raise huge amounts of money at the get go, you want to raise as little as you need to get to the next milestone. And then, any money you raise in the beginning is going to be a fairly substantial dilution on the cap table. So you don't want to give up as any more than you have to on that amount. And you can always raise more money later, and that's the idea is raise the bigger amounts of money when the valuation gets up higher and you're incurring less dilution for it. And so, that's what we coach on this.

So the next slide, we want to talk about how long does it take to raise money, and my coaching is for every $1 million, you want to raise, it will take you one calendar year to raise it or 12 months. And so, this includes getting the documents ready, pitch deck financials, data room, this is getting the business ready, getting all documents filed and ready to go. And then getting out and starting to talk to investors which will take some time, it always takes longer than you think. So plan on spending time to go raise the funding, and if you only raise 250k, you're going to be, instead of a million dollars, you

will be reducing the time you spend fundraising and increasing the time you will spend on working on the product and closing sales.

Segment 2: Raising funding to increase revenue [00:10:15]

Speaker 3: I do. So we're in a unique situation where we already have a product, and we have customers, but – we actually have like over 50 customers, but the monthly recurring revenue is actually quite small. So how do we fit into the funding round, because I feel like the funding rounds are listed on the deck, they're kind of on like the high side for us, given the lower revenue numbers that we have? So I was kind of curious to get a sense of your thoughts.

Hall Martin: So you want to raise enough money to get to the next milestone, and if your product is priced very low, if it's recurring, that's great, but it may be priced at a very small amount, then you're really going to have to start thinking about how am I going to get the revenue up. And usually, that means more sales and marketing, you have to get a lot more people buying your product and continue using the product itself. And so, you want to start thinking about, well, maybe if I've got a product in the marketplace, typically, people are raising 500 to 750 to continue the growth, realize the investors are looking for high growth rates, are looking for no less than 50% year over year or better, a 100% year over year. So even if you don't have much revenue right now they do expect that numbers would start popping up, and you'll find that you may be spending more money on sales and marketing than you think you would need to spend to get the growth curve. I used to work at a company, and I always did this pop quiz to, you know, the incubators I taught, what do you spend more money on, sales and marketing or product development. And in almost every case, the class would say, oh product development, and I would say, well, by how much more do you spend on product development over sales and marketing, and the answer was, oh 2x. And then I would tell them, well, you got the 2x right, but you got the other part wrong; you spend two times more on your sales and marketing than you do on your product development. And so, the thing I would look at is, do you really have a handle on your cost of sales and marketing, in particular, on the customer acquisition and conversion rate, because one thing investors look for is do you have a customer acquisition process in place, how efficient is it, and then how much does it cost. So if you have a CAC/LTV ratio going, customer acquisition costs or lifetime value, fundamentally revenue is going to be a function of your expense, how much money are you putting into that customer acquisition model. And then, that tells you how much you have to put in order to get at least a 50% better, 100% growth rate year over year. So what are those numbers for you in your case?

Speaker 3: That's a good question. So that's a good idea for me to dive into those numbers a little bit deeper. Right now, our _________ customer acquisition, I would say, for at least digital marketing channels, is probably around $50 per customer. And then, we need to get a handle of our lifetime value, but our churn rate's really, really low, and we're a relatively new company, we started in the beginning of this year. So I think, do

you have any suggestions on how to calculate an accurate lifetime value, if we don't have as much of a long term set of data to go out?

Hall Martin: To calculate your lifetime value, of course, it'd be nice, if we could just wait till we got to the end of everybody's lifetime value, and then average it out, but that can be a while out there. Start looking at your churn rate, how many people drop out every month, is it 2%, 3%, 5%, and then just invert the 5% to give you your lifetime value. If it's 5% inverted, well, that means they're going to stay in, on average, 20 months. And so, the idea is you want to start calculating lifetime value off of monthly churn, and if it's consistent, that's probably going to be a good number for you as well. And the key there then is to start looking at what is the cost of customer acquisition, in other words, how much money do I need to pour into this machine in order to get the growth rate that we were talking about a moment ago. So you start looking at the cost of acquisition and delivering the service, and then, if there's extra things you're doing for retention, you want to add that in there. And then, now you're going to see what is this growth curve going to look like, and you'll find that has a pretty big impact on your fundraise to be a growth company, so to speak. And that's what investors are looking for, as you're bootstrapping it, the numbers are going to be low; as you raise funding, they're going to expect the numbers to be going up pretty dramatically. So I would do some work around CAC/LTV ratios, and think about, if I’m going to model this out in a five-year window, if it's by product or by account, how many clients do I need to sign up based – keep the current LTV ratio that you have, and then see how much money you need to raise in order to drive that sales and marketing machine. It's often higher than most people think it is, but it'd be interesting to see what you guys come up with.

Speaker 3: Okay, yeah, thank you so much. It's very helpful.

Segment 3: Financial projection templates [00:15:32]

Speaker 1: So do you have a standard spreadsheet that you use for projections? He's using a modified version of SBA form, so it's familiar to some.

Hall Martin: Yes, we have a financial worksheet you can use to build five-year financials. We'll send it to you afterwards. And just drop us in the note and we'll share with you, it's a spreadsheet, you type in some key numbers and it will calculate it out. And then, if you need to break it open, we can give you a password, if you need to break the formulas. But we have a standard financial model, we'll share with you afterwards on that _________.

Segment 4: Changing valuations during the fundraise campaign [00:16:13]

Speaker 1: Thank you, William. _________ has a question. Is it advisable to use a tiered system, so raise the first 120k at a 6 million cap, while the last 380k at a 10 million?

Hall Martin: You're effectively doing two raises at that point, but I've seen people put incentives in to their fundraise, but they're more along the lines of, I've got a standard cap rate for the raise, but if you come in this month, I'll give you two warrants; if you come in next month, I'll give you one warrant; if you come in after next month, I'll give you zero warrants. But the valuation cap is the same all the way across. One technique you might want to use is the convertible note and say, I'm going to put out 250 on this convertible note at a $3 million valuation cap. When that runs out, I get the first 250, I'm now going to my second convertible note for 250, but now the valuation cap is going to be $4 million. So I'd break it into two separate term sheets just so that it's difficult to put all that into one term sheet, but two separate term sheets, and then communicate that out, first 250 gets this number, next 250 gets that number, but they are two separate convertible notes, that's how you might want to do that.

Segment 5: Funding for asset purchases [00:17:34]

Speaker 1: Do investors prefer purchasing assets like instruments or heavy equipment versus salaries or other working funds? Does it make a difference, especially in pre-seed?

Hall Martin: Well, typically in venture, there's usually very little in the way of equipment aside from computers and servers; there's usually that part of it that comes into it, but there's usually not much more. The thing you'll find is, if you have true equipment like machinery and equipment to build products, you may or may not want to use equity funding for that, you would use equipment financing for that. That's a lot cheaper and it's not dilutive.

Speaker 4: Well, yeah. That's a very good idea. All right. I was just curious seems to me an investor might be able to regain their investment, if there's a problem, if they stick their name on the equipment, they can resell. _________ that's an incentive to put pre-seed money in.

Hall Martin: Right. It's just that there's very few startups today that are really that asset heavy, they're usually asset light, and almost all the funding is going into salaries, which is some version of sales, marketing or software development or tech development of some kind. And usually, the equipment is so expensive compared to everything else that it usually gets farmed out as equipment leasing. So in a growth company, that's really not usually a factor at play in most of these deals.

Speaker 4: So leasing then becomes an option, that's not frowned upon.

Hall Martin: No, that's smart money. One thing is equity funding is one of the most expensive forms of funding out there, and you want to explore the other alternatives such as lines of credit with a bank, I've had people tried to raise angel money to smooth out their cash flow cycles. Yet, if you go over to the bank, they'll give you a revolving line of credit, and you can, when the money's coming in, you could be paying it back, when you're in a gap, you need more money. Well, then you get a loan. And so, an evolving line of credit is a very useful tool in that case. And then the equipment leasing is another useful tool. You're trying to pull out all the, you know, use other tools to fund the things that it can fund, and then what's left, like services and salaries and so forth, those are things that you have to use angel funding for, because there's no way to do it otherwise. Cool.

Segment 6: Percent of equity given for a round of funding [00:20:04]

Speaker 1: Brian had a question. Do you have a rule of thumb on percentage equity to give up at each round?

Hall Martin: Typically, you're going to give up 20 to 25% of equity on every major round of funding, so think about that as far as dilution goes. So when you raise that 250 or 500k, you have to think hard about how am I going to best use these funds, because I'm taking a pretty substantial hit on dilution for it. So that's the number to plug into your model.

Segment 7: Using SAFE Notes with angels [00:20:39]

Speaker 5: I have a question about, I've been hearing a lot about safe instruments as a means of raising money from angel investors versus going to maybe like groups of angel investors or investment groups as a potential way to get easier access to capital and have a little bit less legal things to process. Could you speak a little bit on that, and your thoughts on the investment side, investor side?

Hall Martin: Sure. So it's very, very common in the early stage world that most startups are using a safe note or a convertible note. The safe note is basically a warrant, it gives you the right to buy stock at a certain price in a certain timeframe. So it's a type of equity, and it may or may not have an interest rate, discount rate. It should have a valuation cap on it, because I find most investors won't sign uncapped safe notes. And then, a convertible note is similar, it's a debt instrument that converts to equity later, but it provides the same functionality; it's a way of getting investment into the deal without having to set the valuation. Safe note and convertible note, they don't set the valuation, and they cap it, but they don't actually set it. And you'll find that that, if you try to take an equity term sheet out with a set valuation on it, that, it can be hard to close on, because that's the big number that really drives how much ownership or return the

investor is going to get. You ever do the math, the interest rate and discount rate, do very little on the final outcome, but the valuation drives almost all of it. So they look _________ just look very hard at that. And safe notes are simple, they're on the Y Combinator site and many other sites. Convertible notes, they're on the National Venture Capital Association, nvca.org website. So they're pretty straightforward, and a lot of people use those tools because you don't have to involve legal. It's always a good idea to have legal work and when we get it – but when we get into equity term sheets, I require people to go get legal counsel on your term sheet, because there's a lot more going on in that equity term sheet than there is on that safe or convertible note. But it's very common to use safes and convertibles in the very early stage to raise funding because they're simple, you're not setting valuation, investors just want to be in the deal, so they'd write the check, they're not going to do 10 hours of diligence, they're not going to spend time negotiating the valuation. At the very early stage, valuation is hard to set because there's not a lot there yet, and you're basically saying, we'll figure out valuation later, a year later we'll have a price round and the convertible notes will all convert over into that price round then, and they'll be a lot easier to value because there's just more business there to analyze than what there is today. So I have no problem with safe notes or convertible notes as far as raising funding in the very early stages, and it's very common.

Speaker 5: Got it. And when you were talking about how every single funding round, you can expect to give up 20% of your company, does that also hold true, depending on whichever instruments you use, for example, using maybe like safe notes for a pre-seed round?

Hall Martin: Yes, in the end, your safe notes are going to be, you know, you have a valuation cap, and you're probably going to be, as your company moves up the revenue curve, you're going to be raising at higher valuation rounds and so forth. So you will still be giving up about 20% in the very early stage on a safe or convertible note.

Segment 8: General vs industry specific angel investors [00:24:14]

Speaker 1: Typically, what do angel investors look for specifically, so should we focus on industry specific angel investors?

Hall Martin: So angel investors are either generalists or they're specialists, and generalists, they typically are investing everything in their local geographic territory, or, they're specialists where they invest in specific sectors like medical devices or Fintech. And so, you will come across both of them, and you'll want to be able to work with both of them. So in your local geographic territory, it's helpful if you go get some funding for it, and realize you're going to get maybe 200-250 at most in your local geographic territory, because investors are spreading their money across more deals, and there's more deals to fund these days, and they're just looking for a hit somewhere in there. But

the value of it is, is that it validates your business, it validates your model. I think everyone should have a national perspective on their fundraise from day one, but it's important to get local money into your deal. If you ever show up to another place outside your area and say, well, nobody back there will give me money, how about you, you'll notice that the conversation will be immediately over. If your home team is not supporting you, why should I in the next stage support you? So you would want to get local money just to validate that you can do that and they support you at some level. And then, what you find you're doing when you go nationally is you're typically getting more specific or more specialized, and you're finding investors that are more targeted in what they want. So local tends to be general and then outside your state tends to be targeted. And I think you have to put both on your plans, because it may be hard to raise funding all in one city or one region, you have to spread around to find the right investor for your deal.

Segment 9: Managing friends and family investments [00:26:14]

Speaker 1: Thanks for the question. So William asking, how do you recommend we manage friends and family funds, how's the equity calculated?

Hall Martin: I would calculate it the same way. I would come up with the standard valuation for that stage, pre-seed, seed or whatever. I've had people or startups try to get family and friends member a better valuation, I want, you guys to get a $5 million valuation, but then, when I go out to angels, I'm going to give them a $3 million valuation. Well, family and friends money typically comes in first, and so, if you give them 5 million in the next round, you're giving out $3 million, you've now created what's called a down round. And actually the value – the ownership that they got – family member's got for the 5 million will now be converted down to less than $3 million. And so, that's always a tough spot, so you don't want to give family and friends sweetheart deals, because this becomes a problem later. You want them to get a standard deal like everybody else, and when you have – when you sell the company, you can pay back more out of your earnings if you want to. But it messes up the cap table, if you start doing special deals with family and friends and realize they're typically up first, so they're getting the lowest valuation that you'll ever get into. I find mostly family and friends, they're there to support you, and so, it's not just a financial transaction, it's really helping make you a successful transaction.

Speaker 6: Well, sure. It's good to give friends and family something in return for money.

Hall Martin: Yeah. You give them equity, they get equity, just like everybody else.

Speaker 6: Yeah, standard equity, yeah. So then there has to be a friends and family type of valuation to calculate what it's worth and so on.

Hall Martin: Well, one way to do it is, hey, if you invest in my deal for the standard valuation, when the time comes, I'll invest in your deal, and make sure you're giving back

to the family and friends, but try not to do a lot of financial mechanics on your deal, because you'll find that very hard to sell later to follow-on investors. At some level, this is business and we got to adhere to it, and I've seen family and friends never get turned upside down by follow-on investments, because _________ wasn't done in a logical manner that is going forward to there. So you have to think about that, and investors are going to be looking at the cap table to see, okay, family and friends are on it, that's good, because they're supporting you. Again, if you show up and say, hey, nobody at home would give me money, how about you, the conversation's over. It's great to have funding from family and friends, because it shows proof of support – again, validation is what we're looking for at this stage. And you look for other ways to make it up to them for what they're doing. Cool.

Segment 10: What traction do angels expect for an AI company? [00:29:08]

Speaker 7: What level of traction expected during the angel round, especially for AI companies that is still in the data collection stage?

Hall Martin: So you're looking for customer engagement, you're looking for people that are going to use your product, they're engaging with it. So if you're collecting data, and you're giving a service maybe free, you're going to start looking for how many people are using the data, how many are downloading it, how many are daily and monthly active users. And so, you focus on the engagement side of it. When you turn on revenue, well, then they're going to start looking for an increasing monthly recurring revenue, MRR target, and 2 to 5% per month is a good decent increase every month on the MRR. So you start with engagement and move to revenue, and then you start moving the curve. If you did 2% per month, that's almost a 25% growth per year or higher. And so, that's decent starting traction. When you get above 50% year over year growth, then they're going to start saying this is a high growth company. If you're below 50%, then they're going to say, it's not quite high growth just yet. So those are some of the things to consider – do you have revenue yet or no?

Speaker 7: No, not yet.

Hall Martin: Okay. So you want to focus on metrics around people using your data, using your tool, engaging with you at this point, because that shows validation that they're using it on a regular basis, then they're more likely they're going to pay for it. They use it once and they're done and they don't come back, well, then it may be harder to monetize is what investors will think. Cool.

Speaker 7: Thank you very much.

Segment 11: How does TEN Capital fit into the startup ecosystem? [00:30:55]

Speaker 8: I have one question. I'm wondering how TEN Capital fits into this ecosystem? I wasn't able to get a clear sense on the website, whether or not you guys participate in investing rounds, or, are you more kind of helping working with these business owners to be able to plan financially, kind of like a CFO type role.

Hall Martin: Sure. So it's primarily the latter. We do have a fund, myself, I invest in startups. But for the most part, we call it funding as a service. And so, we're helping startups find investors for their deal, and we're using investor relations and introductions is what we do. We're not a broker, we're not taking back in fees or success fees or whatever. That doesn't really work in the very, very early stage world that we live in. So we just help you raise money by meeting investors and getting the introduction. We also help venture funds find limited partners people to put money into their fund. We help angel groups find members, so funding as a service is helping all the different components of the startup ecosystem is how we work. But primarily, what we're doing is running investor relations for startups, where we go out and we take your pitch deck, go to our network and say, here's a great deal, and then we give updates to those investors that express interest. And I came to that because when I ran angel networks, and I put three of them together, what I found is that entrepreneurs would come in and pitch to my roomful of investors, 90% would go away, we would never hear from them again, they got little or no money out of it. 10% though came back, and, on a regular basis, gave us updates, reminders, progress, built a little bit of relationship, and on the fourth update, out came the checkbooks. And so, that worked like clockwork, and I realized, well, the answer here is you don't just go ask for money, you have to go and demonstrate the growth story, you have to build a relationship, and you have to go back and follow up to close the deal. And startups had a very hard time with that. They were busy building product, closing sales, and they just didn't have time to go back to the investors. So that's what we built this company on was helping entrepreneurs find investors and then close through an investor relations process. So that's how we got to this one.

Speaker 8: Okay, cool. Thanks for sharing.

Segment 12: Do Pre-seed companies need a dataroom [00:33:10]

Speaker 1: So Catherine had a question: would you expect to see a data room in pre-seed – I hear conflicting opinions on this.

Hall Martin: I would think so, I think people would still like to see it's not a lot in there. But if you have patents, provisional patents, you'll find that that's a great thing to put in the data room. If you have filed the Delaware C or an LLC, I would put that in there as well. If you have an initial three-year projections on what you're going to see in the next

three years, how the money's going to be spent, that would be a useful document as well. And the data room just shows we kind of have our stuff together, we kind of have our documents together, we know what we're doing and we're on top of it. And so, if an investor ever wants to see the data room, the data room exists, it may not be full; in many cases, even with seed, there are early stage companies. The data room is about six to eight documents, it's not more. When you get a series B company that's been around for 10 years, then there's a lot of documents in there, a huge number of documents. But in the very early stage in most companies, there's not a lot of documents to begin with, but it just shows you have your deal together.

Speaker 1: Thanks for the question, Catherine. So does anyone else have any more questions? Feel free to write in the chat or as well speak in the room.

Segment 13: What do investors count as engagement ? [00:34:33]

Speaker 9: I don't know if you might have an answer to this, because it's specific to the healthcare industry – before the solution is out there and folks are using it, what kind of, what other things count as engagement? Does getting grants count as engagements, does signing up partners count as engagement, does getting interest from maybe physicians and cardiologists count as engagement?

Hall Martin: So yes, all of those would count, there are all forms of support. If you can raise a grant money like an SBIR, it means you passed the government tests, there's – somebody's saying this is enough to give you a certain amount of money, that's useful. If you have downloads and people are actually engaging with the content that you have or the application that you have and they're using it, that is a good validation there as well. If you have people signing up to endorse it, like physicians and doctors and other people saying, I like this, this is going to help me, that's good to have in there as well. Partnership agreements are great, especially in the pharmaceutical, I find that's what, because there's no revenue and there won't be revenue for a while – what a lot of industries do is look at how many partnership agreements have you signed up, and people sign up partnership agreements when they think there's real value there and something's going to happen. So I would look at partnership agreements as a good proxy that you're building a solid network, and you're getting support from the community for what you're proposing to do. And in the therapeutics world, where it's just early stage science, if you get pharmaceuticals signing up, partnership agreements, because they want to follow, that's a very good sign to show off as well. In fact, that's one of the key ways people use to check how your progress is – progress through clinical trials can take a long time to prove out, but those are useful as well. So those are the – it always comes down to engagement, how many people are engaging with you and using your stuff. If it's just a download and nobody ever comes back, that doesn't mean much; but if they take it, and they are actually working with it in some way on a regular basis, daily active – daily or monthly active users, those are very, very useful metrics at the early stage.

Speaker 9: Thank you very much.