

اجتماع عالمي في نادي التسويق  
مع العالمي عمر صقر الثلاث ١٠-١-٢٣ ٨ بتوقيت مصر  
عن تمويل المشاريع الناشئة

**45th #Business\_Club**

#73 Marketing Club 20th Cairo

**Startup Funding**

How, Where, When & When not

**Tuesday 10-1-2023**

8 PM EGY 9 PM KSA 10 PM UAE

FOUNDER & HOST

Dr. Mahmoud Bahgat



INSTRUCTOR

Dr. Omar Shoukry Sakr

Nawah Scientific CEO



**NAWAH**  
— scientific —

The go-to place to outsource  
scientific services online

## Fund Raising for Startups

**Dr. Omar Sakr**

PhD (Geneva), MBA (London)

Founder | CEO





# Dr. Omar Sakr

## Great to meet you



- PhD in pharmaceutical sciences, Geneva.
- MBA , Hult University, London.
- Lead researcher, Capsulation Pharma, Berlin.
- Adjunct Ass. Prof. of entrepreneurship, Zewail City of Science and Technology
- **Founder and CEO, Nawah-Scientific**







**Multiple international  
award winners!**





# Small business vs Startups



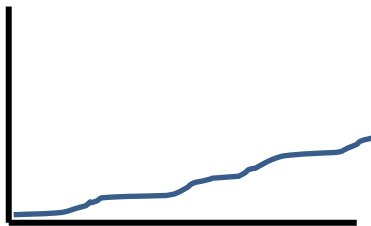
## Small Businesses



Traditional business model



Low risk ventures



Less Scalable

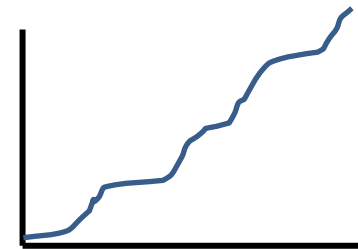
## Startups



Innovative business model



High risk ventures



Highly Scalable



# Overview



## Debt Financing

- Bank loans
- Family Loans
- Credit cards

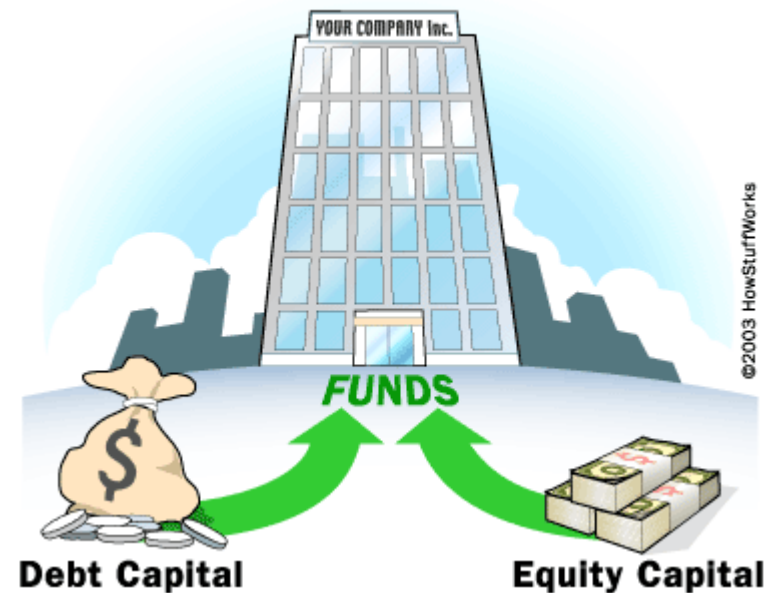
## More creatively...

- Gifts / Grants
- Competitions
- Money circles
- Crowd funding
- Vendor financing

## Bootstrapping?

## Equity Financing

- Angels
- Venture Capitalists
- Private Equities





# Do you need money to kick off?

## Here are some strategies



**Financing:** The act of providing or raising funds (capital) for a purpose





# Debt financing



## Money now vs Money later + interest

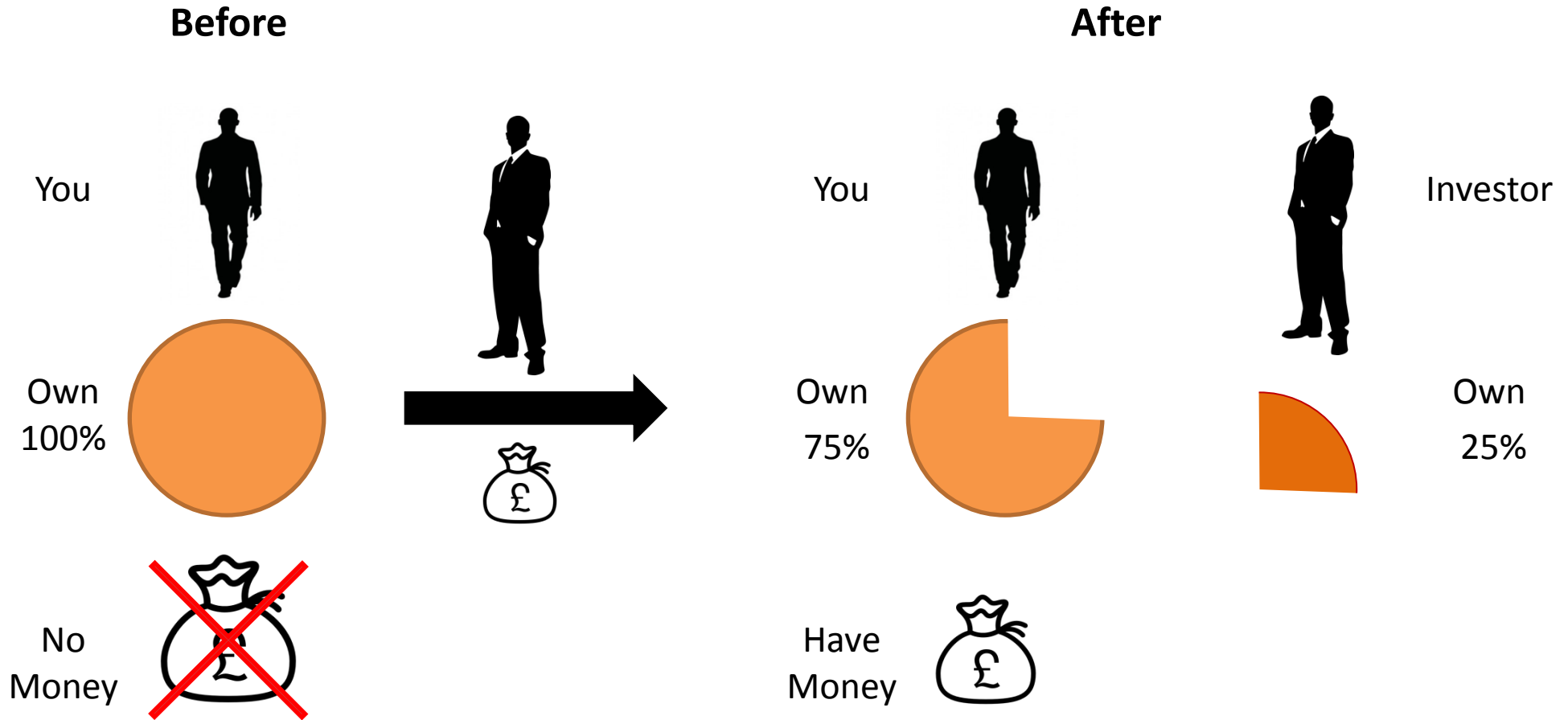
- You can take loans from friends, banks or even use your credit card for small funds
- Interest can be simple or compound, the more time you keep the loan, the more interest you pay.
- **Pros:**
  - Easy to get if you have a collateral or a stable history of revenues
  - Debt value will not increase with profits you make
- **Cons:**
  - Debt have to be paid at maturity date, otherwise your business is bankrupt, and you may go to jail
  - Not easy to get for startups with no history of revenues





# Equity financing

## Money now vs shares in your company





# Equity financing



## Money now vs shares in your company

- **Pros:**

- You get partners not lenders, you win together or lose together.
- Partners will offer more than money: expertise and connections
- If you lose and cannot repay, you don't go to jail
- Easier to get for startups
- No collaterals, no track record needed

- **Cons:**

- You lose part of ownership on your idea
- You need to form a board of directors to protect the investors interests, so be careful with conflicts in leadership
- The more you make profits, the more money they take



# How do equity investors make money?

## Capital gains أرباح رأس مالية

- Let's assume an investor bought 10% at your company when it was valued at 1M USD. He will pay you 100,000 USD.
- In 4 years and after successful company growth, the company is now valued at 4M USD.
- At this point, he will sell his shares (10%) to another investor. **(called an Exit)**
- His shares now equal to 400,000 USD. **(i.e. he made 400% or 4X in 4 years)**
- Capital gains =  $400,000 - 100,000 = 300,000$  USD

## Exit التخرج

- Selling to another, usually bigger investor
- Acquisition: A bigger company acquires the whole startup (e.g. Amazon acquiring Souq, Ubr acquiring Careem.)
- IPO (initial public offering) الطرح في البورصة
- Buy back: The company buys its shares again from the investor paying him to leave



# DEBT FINANCING

ADVANTAGES		
Keep full ownership	1	Less risk than debt
No obligations after paying debt	2	No paying back funds
Interest is tax deductible	3	Gain credibility through investor networks
Short- and long-term options	4	Investors don't expect immediate ROI
More cash on hand	5	Fixed payments for better budgeting
DISADVANTAGES		
Must pay back	1	Investor returns could be more than debt payments
Could cause cash flow issues	2	Investor gets some ownership
Usually need collateral	3	Must consult investor for decisions

# EQUITY FINANCING



# Equity financing

## Business Angels

- Wealthy, private individual investors
- They are risk takers, come on early stages (Idea, seed, pre-growth)
- Usual investment is between \$50,000 and \$250,000
- Typically seek a return of 3-7 times the investment at the end of 5 years
- E.g. Cairo Angels  
Slogan (3to5 in 3to5)  
We need 3-5 multiples in 3-5 years
- They might ask for an exit or not
- They bring expertise and connections (Smart Money)





# Equity financing

## Venture Capitalists

- Investors or investment companies seeking equity
- Risk takers, can come at early and middle stages
- Expect 5-10 times their money back over 5 years
- Desire candidates likely to grow to a multimillion company in 5 years
- Sometimes called sharks / wolves: They seek a majority ownership and can take control over the company if you don't do well.
- Usual investment is between \$0.5M and \$50M





# Equity financing

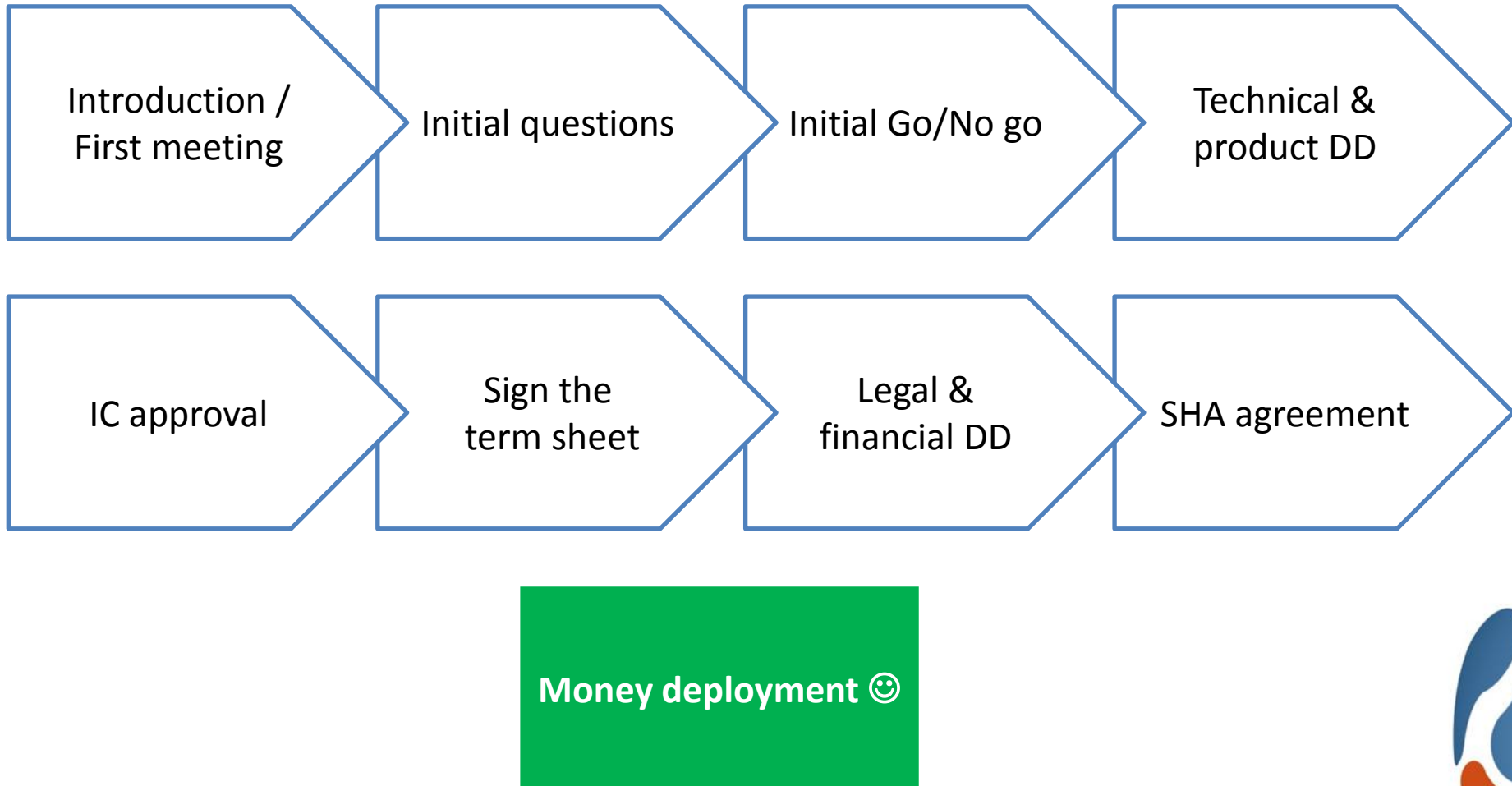
## Private equities

- Investment companies seeking equity
- Not risk takers, Prefer to invest in medium and late stages (perfect for growth phase)
- Expect 3-5 times their money back over 5 years
- You need a proven record of revenues/profits
- Usual investment is between \$10M and \$100M





# How does it happen?







# Important definitions



- Share issuance
- Offshoring
- Convertible notes
- Term sheet
- SHA: Shareholders agreement

**Never sign without a lawyer revision**





# Creative options

## Soft Money

### Grants

- Non-Refundable gift
- Usually available to support research activities and development of strategic products



### Competitions

- Pitching in front of a panel of judges
- Great support at the idea and early stage



# Creative options



## Soft Money

### Money circles

- AKA “Algam3eya الجمعية”
- Can help with small urgent funds for short term.

### Crowd funding

- Announce the idea and the prototype of your project
- Offer that interested buyers can buy the product early on at reduced price.
- Collect the money from early buyers
- Use the collected fund to produce your product
- Deliver the product to early buyers and sell the rest of products at full price
- Example of crowd funding platforms: Kickstarter



# Bootstrapping



- Starting with minimal capital, selling no equity to investors and utilizing soft money and self owned resources (e.g. credit card, money circles,...)

## Pros:

- When you sell equity at early stage, you sell at minimal price. When you bring on investors later, they buy at a higher price.

## Cons:

- Possible only for low capital projects
- Your project may die of low cash available

## Tips of bootstrapping

- Never buy new what you can buy second hand
- Never buy what can be rented
- Never rent what can be borrowed
- Try to fund your business from the pockets of your customers
- Go for low hanging fruits





# Customer funded business models



## 1. Matchmaker platforms:

- Bring the buyer and seller to a common space
- Make profits from the transactions
- E.g. ebay, fiverr, instacart, taskrabbit, Uber, Mumm

## 2. Paid in advance:

- Crowd funding: Get money early on from buyers
- E.g. Crowd funding of startups: Kickstarter

## 3. Subscription:

- You get constant timely (e.g. monthly) payments

## 4. Vendor financing

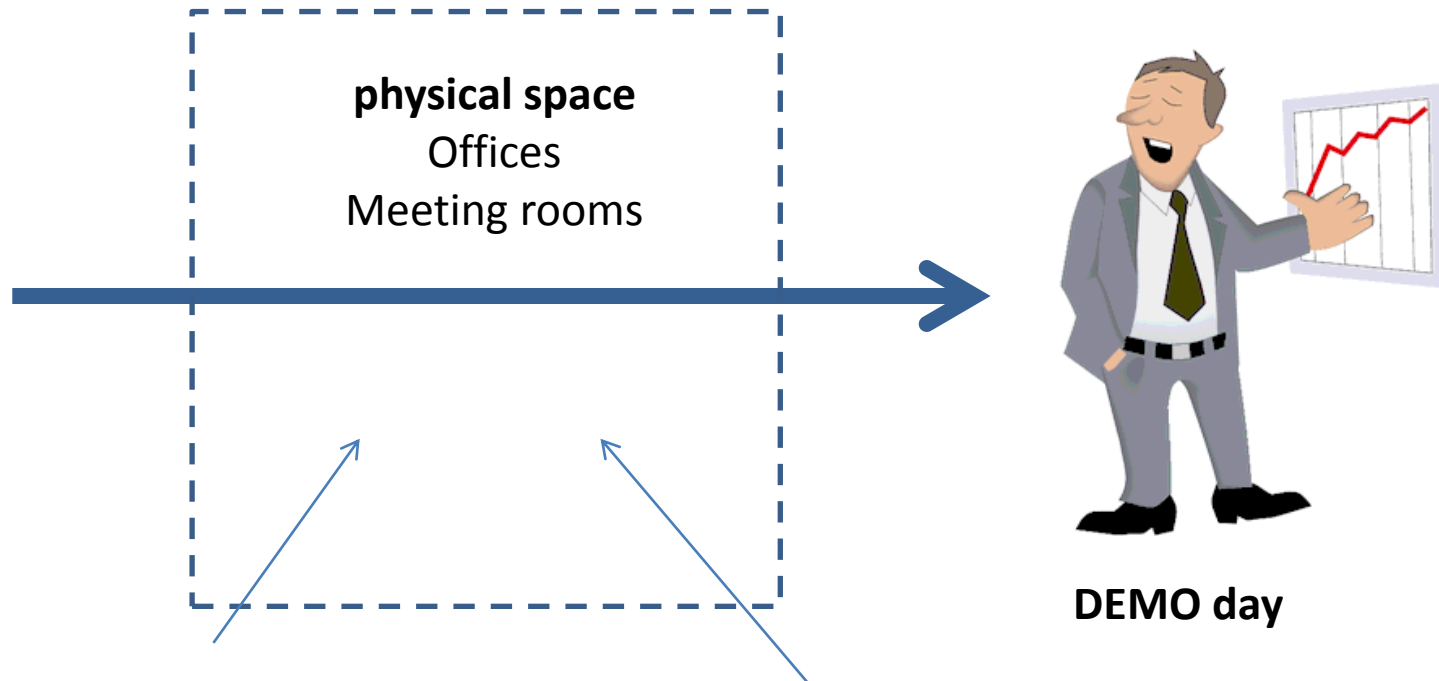
- Buy now from vendors and give them their money after you sell the goods

## 5. Service to product

- Start with offering services to collect cash and fund the development of products

# Business incubators

## Where transformation happens



**Services**  
Internet connection  
Networking events  
Collaborators  
Investors

**Business Training/ coaching**  
Bis Model  
Financial planning  
IP rights  
Consultancies



# Incubators vs Accelerators



Incubator	Accelerator
For early stage startups	For advanced stage startups
Helps develop from idea level to B. Model / MPV level	Helps to grow your business, become profitable
May / may not invest	More probably to invest
May / may not take equity	Mostly take equity
longer time (6-9 months)	Shorter time (1-3 months)





# Examples of incubators / Accelerators

## Incubators



## Accelerators



Accelerators & Incubators



Local VCs & Angel Groups



Govt. Support & Non-Profits



Coworking Spaces



Regional & Intl. VCs



Events, Meetups & Bootcamps



Startup Media & Insights





# MENA Investment Landscape

## Angel Groups



## Accelerator Funds



## Corporate VCs



## Early-stage



## Late Stage



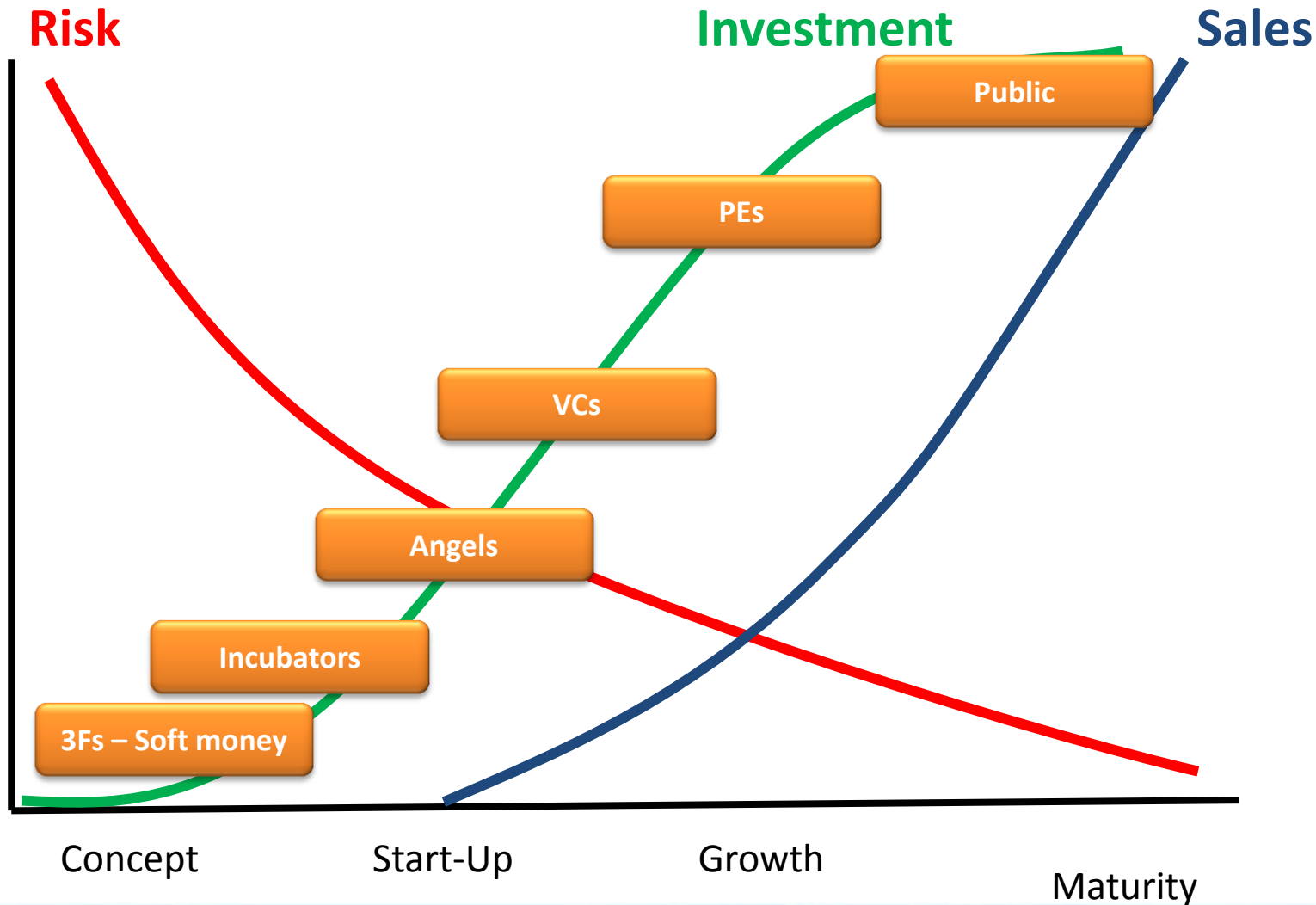
## Private Equity/Family Office





# Putting things in time perspective

## When to use what



## Entrepreneurship and Small Business Management Lecture 13

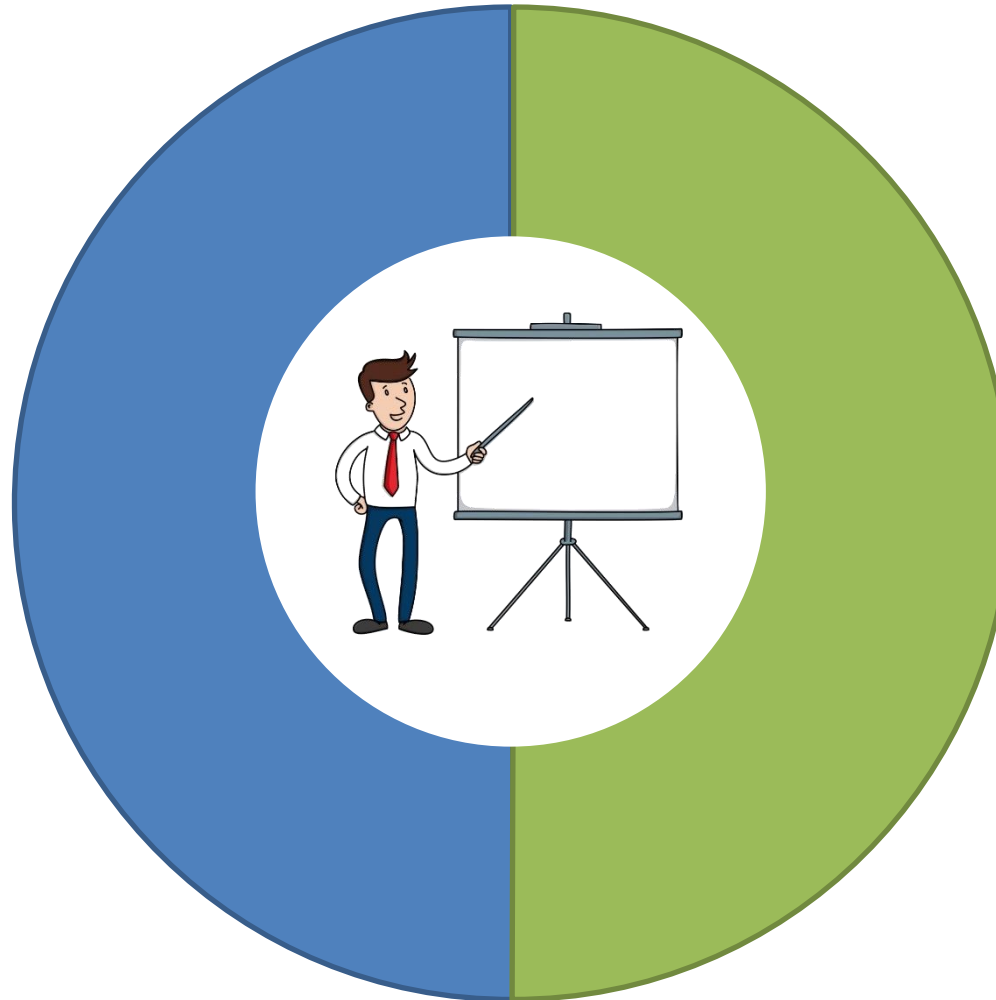
# Pitching to raise investment

**Dr. Omar Shoukry Sakr**

PhD, Pharmaceutical Sciences, University of Geneva  
MBA, HULT Business School, London

# What I have learned?

**Excellent  
presentation  
skills**



**Great  
content**

**Successful Presentation**



**Are you a startup  
raising money?**








**Here is how to build  
your pitch**

## 12 blocks for a great content

- 
- 1 The Context
  - 2 The **PROBLEM**
  - 3 The Solution
  - 4 Market Size
  - 5 Business Model
  - 6 Proprietary Tech
  - 7 Competition
  - 8 Marketing Plan
  - 9 Team
  - 10 Traction
  - 11 Financials
  - 12 Funding

# Thank you!

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