



Concept-to-Company: An Investigator's Guide to Starting a Business

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AGENDA

- When & How to Form a Company
- Capital Sources
- Key Features of Investible Companies
- Important Considerations in Developing a Pitch Deck
 - Non-Disclosure Agreements
 - Key Points to Consider
- The Pitch Deck



WHEN & HOW TO FORM A COMPANY



STAGES OF A COMPANY

- **EARLY STAGE**

- Idea stage – concept
- Proof-of-Concept – reduced to bench model; drawing, prototype
- Seed – minimum viable product released to establish a scalable, repeatable, profitable business model
- Start-up or Launch – commercial product released

- **LATER STAGE**

- Growth – company past start-up hurdles, beginning to grow rapidly
- Maturity



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STEP One – Intellectual Property (IP)

- **PATENTS, TRADEMARK, COPYRIGHT, TRADE SECRETS**
 - US, xUS, worldwide – existing vs planned
 - Issued vs application – dates of issuance, application, office action
 - Freedom-to-Operate (FTO) – informal vs formal
- **DOES IP EXIST?**
 - If none – hire patent attorney & start the process before public disclosure of technology (e.g. publication in scientific journals)
 - Know rules around US & XUS patent requirements relative to publication/disclosure date
- **WHO OWNS IP?**
 - If university – disclose to Tech Transfer Office (TTO)
 - Prepare to negotiate licensing terms with TTO
 - If other entity – need for negotiation to acquire rights to IP
 - Your company will need to own/license IP rights – seek legal advice



STEP Two – Company Formation

- **COMPANY STRUCTURE**

- C-Corp, S-Corp, LLC, Sole Proprietorship
- Investors will insist on C-Corp
- Incorporate in business-friendly states – Delaware is preferred

- **REQUIREMENTS FOR A C-CORP**

- Chief Executive Officer
 - Part-time initially is ok but be prepared for full-time commitment
 - Prior relevant experience is preferred
- Board of Directors
 - Odd number of Directors – start with 3, 5 is better
 - Should be outsider controlled (not paid by company)
 - Directors should bring real value/experience



STEP Two – Company Formation

- **STOCK & STOCK OPTIONS**
 - First Board action – authorize stock & set valuation
 - Authorize incentive stock option plan
 - Employees
 - Board members
 - Advisors
- **DIRECTORS & OFFICERS INSURANCE**
 - Required for most outside directors
- **RETAIN CORPORATE LEGAL COUNSEL**

STEP Three – Licensing Agreement

- **OBTAIN RIGHTS TO IP**
 - Retain legal counsel – representing the company
 - Negotiate licensing terms - friendly to company
 - Investors want their money to support the company – not the university or holder of IP
 - Low up-front & milestone cash payments
 - Single digit royalty on early product revenue
 - Back loaded terms
 - World-wide rights preferred
 - Multiple indications if possible
 - Right to sublicense

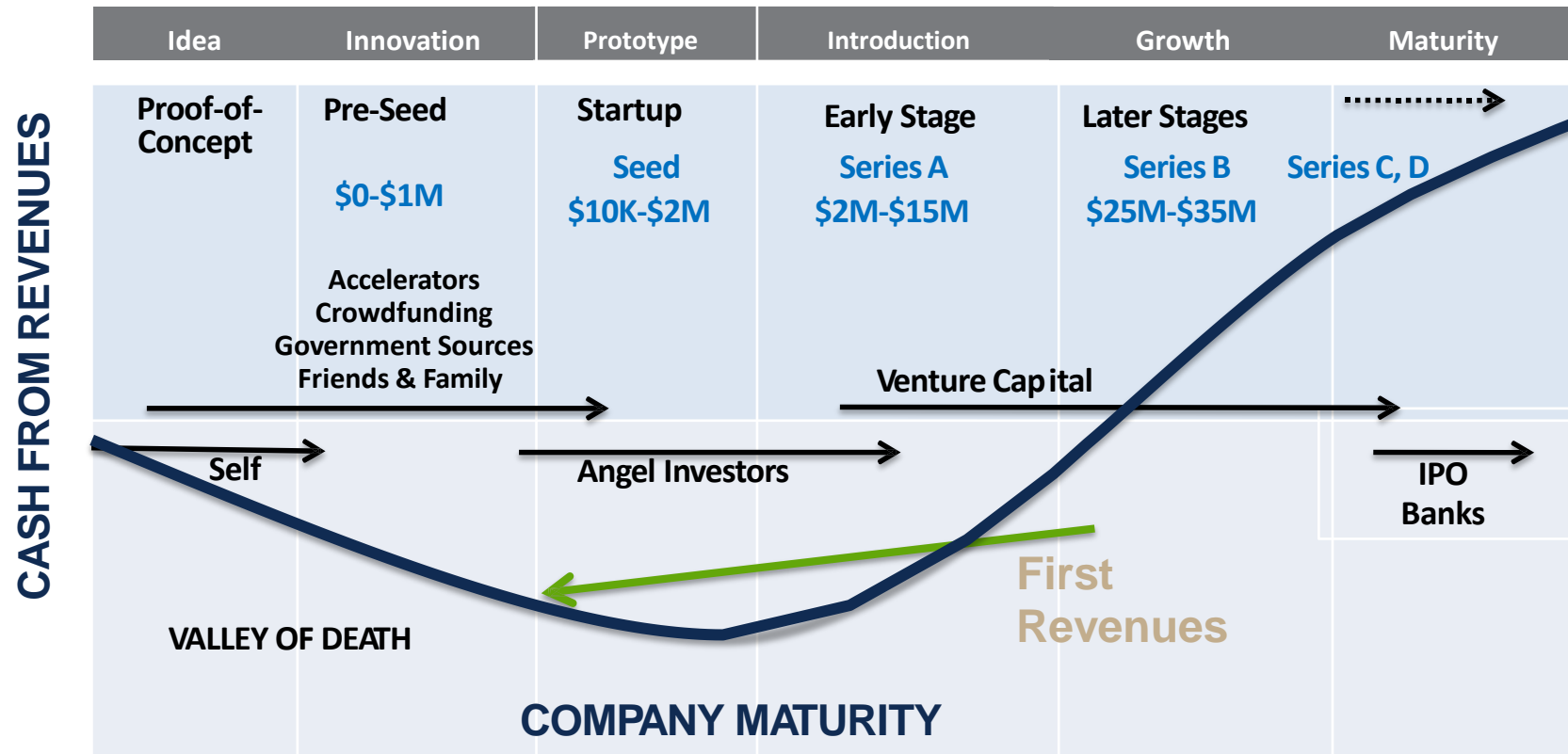


STEP Four – Funding

- **EARLY-STAGE SOURCES OF CAPITAL**
 - Founders
 - Friends & Family
 - Non-Dilutive Capital
 - Grants (e.g. NIH SBIR Phase I)
 - Nonprofit Sector-Specific Organizations – grants (e.g. AHA, ADA)
 - Process is slow – starter money
 - Provides validation of company & technology
 - Springboard for subsequent fund-raising activities



CAPITAL SOURCES OVER THE STARTUP LIFECYCLE



CAPITAL AMOUNTS INVESTED

- Founder, Friends, Family \$0-\$200K
- Angels \$50K-\$2M
- Venture Capital \$1M & up
- (Crowdfunding) up to \$50M
- Bank (Debt) Any Amount



ANGELS vs VENTURE CAPITAL

- **Angels** – high network **individuals** who **invest their own capital** (& usually their experience) with the intent to create value & help the local economy
- **Venture Capital** – **investment funds, managed professionally** with intent to create value greater than available through traditional investments



KEY FEATURES OF INVESTABLE COMPANIES



WHAT DO ANGELS LOOK FOR?

- **Unique product or service** that...
- **Solves a problem** (relieves a pain) that is...
- **Worth solving** (>\$100M market) and can be...
- **Reached** (distribution strategy) with a...
- (Experienced) **team** that can execute & is...
- **Capital efficient** with...
- **Exit** potential



WHAT DO ANGELS LOOK FOR?

- Balanced, skilled & experienced team
- Important problem
- Working solution
- Good value proposition
- Customer traction
- Sustainable competitive advantage
- Solid go-to-market strategy
- Adequate raise based on solid financial plan
- Exit strategy



FUNDABLE MANAGEMENT TEAMS

- CEO
 - Coachable (very important)
 - Integrity
 - Prior C-level experience, leadership
 - Vertical experience
 - Team members identified
- Team
 - Balanced & complete
 - Experience working together



SIZE OF THE OPPORTUNITY

- Scalable
 - \$20M (minimum) in revenues in 5 years
 - (VCs look for >\$100M)
- Large niche market
 - Achieve high revenues
 - With minimum competition
- High gross margins
 - Growth with internally generated cash
 - Requires less investment capital



PRODUCT & TECHNOLOGY

- Product available for customer validation
 - Prototype
 - Beta test stage
- Unique technology
 - Patents, trademarks
 - Trade secrets
 - IP protection underway
- Manufacturability in quantity validated



INTELLECTUAL PROPERTY

- Patents, trademarks, trade secrets
- Competitive advantage is a “must have”
 - Competition with resources cannot just reverse engineer & compete
 - But, IP does not bring great value to startups because they do not have resources to defend
- Intellectual property primary value at exit
 - Acquiring companies insist on IP
 - Great IP adds substantial value at exit



MARKETING & SALES

- Customer validation is available
 - Investors need to verify with customers
 - Essential to investment
- Marketing/branding issues addressed
- Reasonable sales channels defined
- Some partnerships established
- Competitive advantage identified
 - Small competitors, fractured marketplace



IMPORTANT CONSIDERATIONS IN DEVELOPING A PITCH DECK



NON-DISCLOSURE AGREEMENT (NDAs)

- Most angels & VCs will not sign NDAs
 - See too many deals
 - Integrity is key to continuing business
 - Not motivated to steal technology
- May sign NDA in certain circumstances
 - During due diligence, not earlier
 - Covering a very narrow set of issues
- Business Plans - no proprietary information!



KEY POINTS TO CONSIDER

- 10 minutes/10 slides – typical pitch (time important)
- PowerPoint wide format – slide numbers
- Large font – see from back of room
- Presenter is CEO
- Business (not science) presentation – you are selling
- Make your claims – no time to substantiate claims
- Goal is to get the next meeting
- Bullet points – not full sentences
- Text reflects speaker's words
- Avoid public solicitation of funds
- No truly confidential information
- Practice, practice, practice – use a timer



THE PITCH DECK



TITLE SLIDE

NewCo, Inc.

Short tagline relaying what the company does

Presenter's Name
Title in the Company
Contact Information



PROBLEM

- Explain the problem/unmet clinical need
- What is the current standard of care/protocol?
- Highlight inefficiencies, gaps or suboptimal outcomes, process, safety or market access your technology will overcome

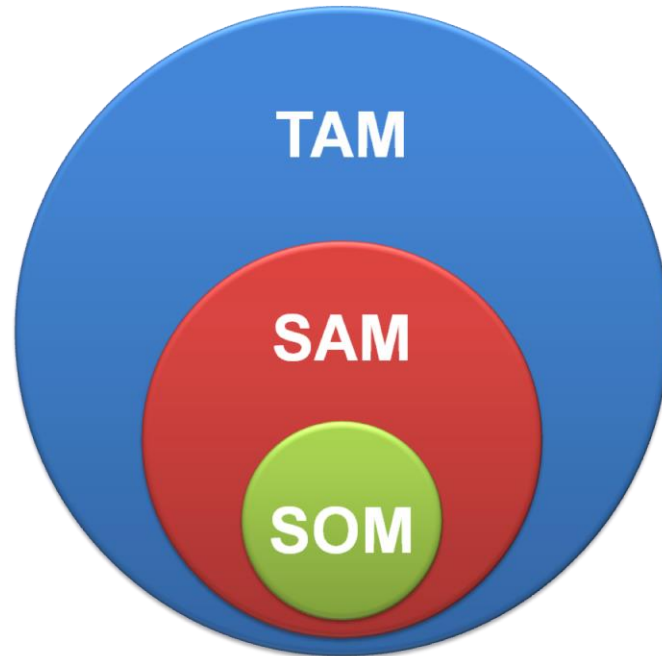


YOUR SOLUTION

- How does your technology solve the problem?
- Data: Use no more than 2-3 slides to explain
 - How your technology works
 - Any proof-of-concept data (*in vitro*, *in vivo*, preclinical or human) to support this assertion
 - No jargon terminology – keep it simple
- For healthcare: reimbursement plan & healthcare economics
- Do not include any confidential information



THE MARKET OPPORTUNITY



- TAM/SAM/SOM
 - **T**otal **A**dressable **M**arket = the entire world or wherever the technology can be used
 - **S**erviceable **A**vailable **M**arket = the market you will likely reach either geographically (eg. first world populations) or selected patients
 - **S**erviceable **O**btainable **M**arket = the % of the SAM that you will likely capture (e.g. “10% of SAM”)
- All values should be currency (not size of population); assumptions made to arrive at numbers should be presented or available in a backup slide, along with your financial model and other assumptions

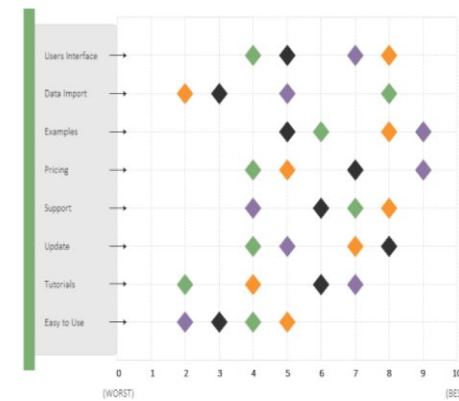
COMPETITIVE LANDSCAPE

- Ways to highlight your solution's or company's value proposition

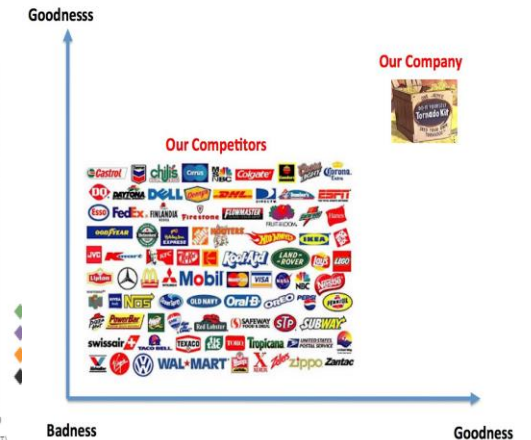
Table 4: Competitive Analysis Matrix

	Trait 1	Trait 2	Trait 3	Trait 4	Trait 5	Trait 6
Competitor 1	✓		✓		✓	✓
Competitor 2		✓	✓			✓
Competitor 3	✓			✓		
New Organization	✓	✓	✓	✓	✓	✓

Product Competitive Analysis



Our Company Competitive Analysis



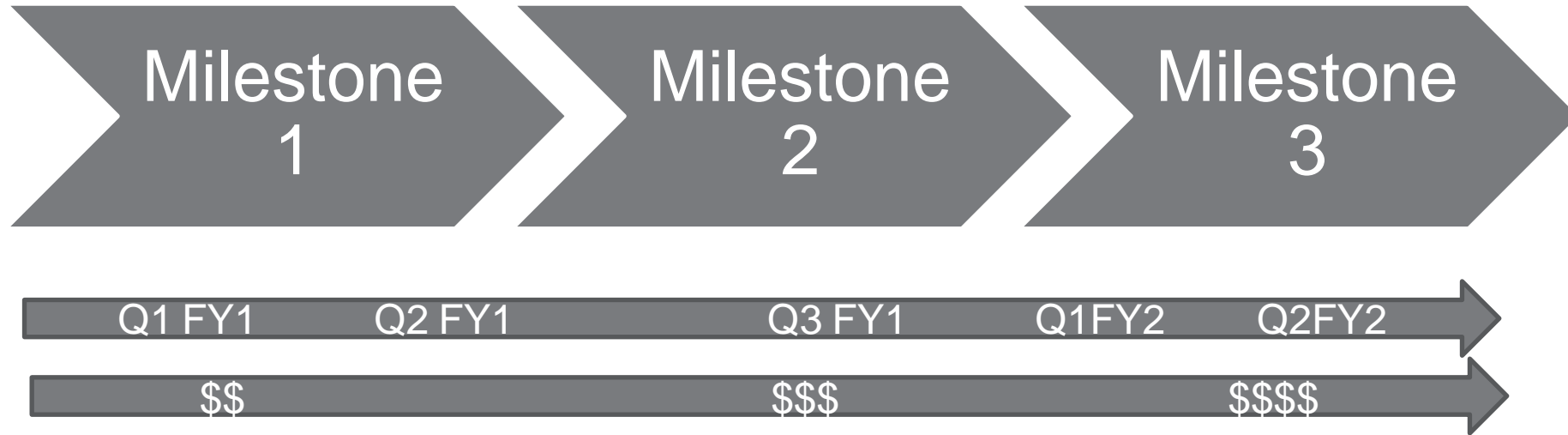
- Focus on properties or characteristics that differentiate your product and/or company from the competition
- Competitive intelligence comes from many sources; keep track of references in notes where possible

BARRIERS TO ENTRY

- This is primarily your IP strategy
- Present your IP portfolio
 - Patent applications & PCTs including numbers & dates
 - Patents granted & date
 - Country(ies) covered
- Differentiate composition-of-matter from method patents
- Provide only high-level summary of information on provisional patent applications
- Other potential barriers:
 - Specific know-how
 - Trade secrets or other secret sauce you own or have developed
 - Stated without details
- Freedom-to-operate (FTO) assessment – informal or formal



PROJECT PLAN TO EXIT



- Major milestones in the development plan
- How much time & money (costs) will it take to execute plan
- How & when will you likely exit? (show *recent* comps, if any)
- Avoid a "public solicitation of funds" – talk about costs, not fund-raising when audiences are NOT 100% accredited investors

- Include key players from:
 - Management team
 - Founders
 - Advisors
 - Board of Directors
- Headshots, title & brief (1-2 sentences or few words) bio or description (e.g. ex-Pfizer or ex-Medtronic); include logos if possible
- Aggregate into 1 sentence (eg. “Combined 150 yrs experience in drug development from top 10 biotechs including Amgen, Celgene & Genetech with over 2 dozen products on the market”)

SUMMARY

(projected during Q&A so gets the most air-time)

- Bullet list of major points made during the pitch
-
-
-
- Last bullet is your “ask”

Company Name

Presenter Name

Title/Position in Company

Contact Information





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