lean financing



Boris Wertz | June 2012

agenda

- about me
- what is lean financing
- top 5 strategies
- Q&A

15
minutes

about me

- entrepreneur: co-founded JustBooks / AbeBooks (sold to Amazon in 2008)
- angel investor: 30+ early-stage investments in consumer internet, SaaS & mobile
- venture partner with late-stage fund Acton Capital
- co-founder of startup accelerator GrowLab
- BC Angel of the Year 2011
- Pacific E&Y Entrepreneur Of The Year 2005
- Masters and PhD in business administration from the Otto Beisheim Graduate School of Management (WHU)



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what is lean financing?

- bootstrapping +
- minimize capital needs
- minimize dilution for founders
- BUT: only applicable to certain business models & specific market dynamics

5 top lean financing strategies

- revenues: think about revenues from the very first minute on
- salaries: low personal burn rates, leverage stock options
- marketing spent: only invest in trackable marketing channels
- capital expenses: minimize (AWS!)
- financing: optimize timing of financing rounds & leverage non-dilutive ways of financing

unbounce



github
SOCIAL CODING

revenues

- generating revenues most powerful way of self-financing
- does not work with business models that require scale (e.g. advertising) or are generally hard to monetize (e.g. social media)
- works very well in e-commerce & SaaS
- sometimes dangerous to monetize too early
  - need product / market fit first
  - winner takes it all market
  - might change character of a community

salaries

- minimize personal burn rate of founders (“ramen profitable”)
- use stock options / equity to keep salaries of employees low
- get contractors to work for stock
- not only saves money but also good test for culture fit

marketing spent

- only invest in trackable marketing channels
- CAC / LTV ratio – length of payback period
- avoid large marketing investments with upfront risk

capital expenses

- minimize everything that might use up capital
  - hardware
  - office furniture
  - deposits
- cash is king!

financing

- optimize timing of financing round > step up in valuation b/c of traction, favorable unit economics, or other risk-reducing events
- explore non-dilutive means of financing
  - SR&ED
  - IRAP

lean financing =

powerful way to limit dilution for founders but don't miss out on growth opportunities b/c you are too focused on keeping a big piece of a small pie while you could have had a smaller piece of a huge pie

thank you

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selected investments

