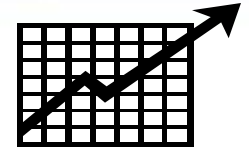


Characteristics of Fundable Companies



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High Growth Business Plans “Must Haves”



- Large Market
- Grade A, experienced team
- Barriers to entry
- A sophisticated sales plan
- Financials comparable to industry stnds
 - Can the idea scale profitability
- Technology focused on market needs

Two essential areas for fundable companies



- Intimate understanding of how to build a sales organization
- Realistic Financials





Building the Sales Organization *can you succinctly explain?*



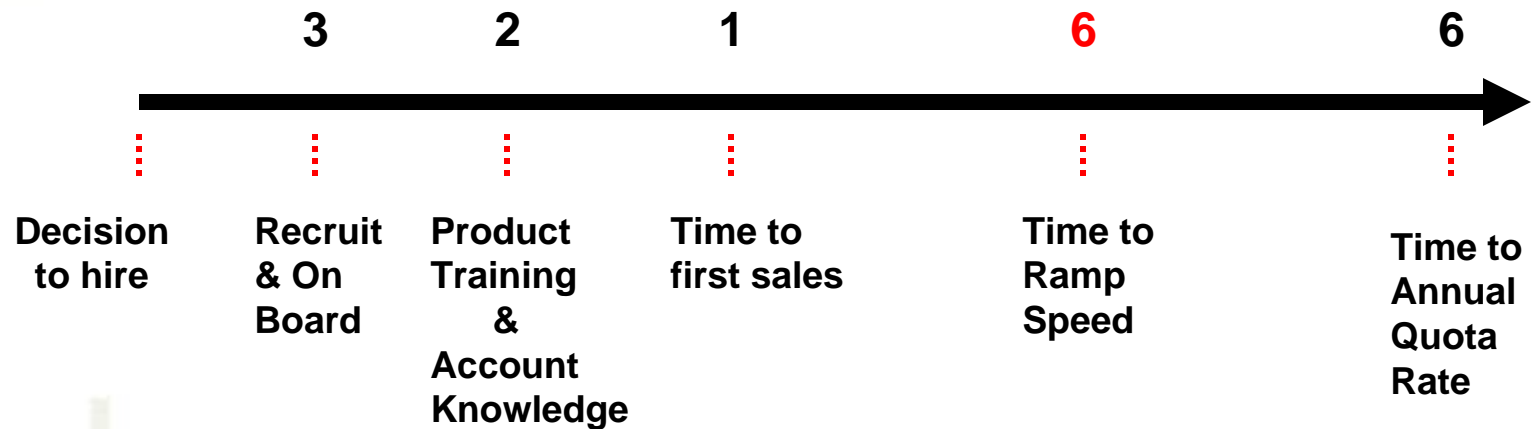
- Your Sales Channel(s)
 - Direct vs. Indirect
 - First two years
 - Beyond year two
- Compensation Plan
 - Base, Variable, other
- Hiring Ramp
 - How long will it take to find sales warriors
 - How long until first order
 - How long to break-even on a Gross Profit basis
 - What is expected turnover



Hiring- Create Your Own Ramp...



- Assumes 3 month sales cycle
- Assumes “standard” relationship sale
- Assumes A to B+ hires



It takes 18-24 months to reach “Time to Cash B/E”



Building the Sales Organization *can you succinctly explain?*

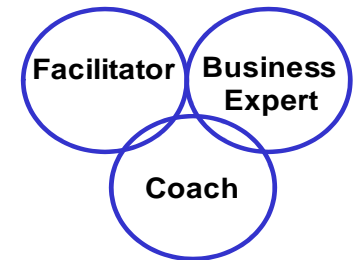


- What are your Annual Bookings expectations
 - Bookings per sales person
- Describe your pre-defined sales process
- What are your forecasted Closing Ratios
 - Funnel Math

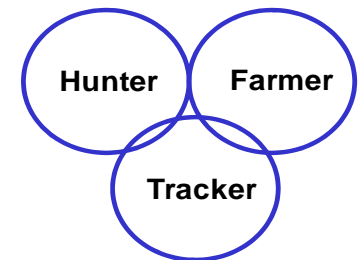
So, if you as The Architect...



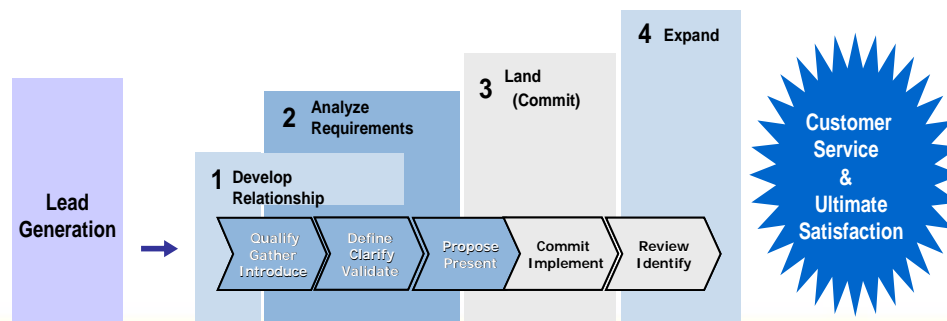
1. Created a Customer Value Model



2. Designed a more effective Sales Model



3. Developed a Process (your “Way of Selling”)





Building the Sales Organization *can you succinctly explain?*



- Explain “cost of selling” in relation to P+L
- Marketing to sales relationship
 - \$\$
 - Time
 - # leads
- “Viral Marketing” = hitting the lottery
 - Not part of a realistic plan

In 2007, we surveyed Sales Pros...



...and unfortunately, we found...



- Salespeople not currently employed in their dream job 84%
- Salespeople not effectively selling to senior levels 57%
- Sales Team employs little methodology 53%
- Sales Team does a poor job generating new leads 52%
- Sales Team's product knowledge is weak 50%
- Sales Team lacks business & financial acumen 47%
- Salespeople are unable to forecast effectively 47%
- Salespeople lack adequate industry knowledge 42%
- Salespeople did not meet quota 41%
- Basic sales skills are deficient 32%

Financials: Focus on detailed understanding of Gross Margin



- Important for BOTH product and service companies



Profit Margins- (as seen by the customer)



- Profit Margins simply reflect the premium a customer will pay you rather than make the product and/or perform the service themselves.
- Your customer's major purchase decisions eventually come down to Make vs. Buy

Margin Dictates Your Business Model



Gross Margin	Typical Industry	Commentary
70%+	Software	Heavy engineering costs
60%+	Med Devices	Long FDA approval cycles
50%+	Tech Hardware	Need to bankroll margin for continuous innovations
40%+	Specialized services	Outsource pressure
30%+	Competitive services	Only best can afford to innovate
20%+	#1-2 in commodity product or service	Cost and expense controls are critical
10%+	# 3+ in a commodity	Bankruptcy

Financials: Focus on detailed understanding of Gross Margin



- Do the math so you can explain what happens if sales double and triple
 - What happens to overhead per unit
 - Operating team required to support a \$30M plan
 - Size and nature of quality group
- When do fixed costs take step changes
- Articulate expected pricing trends
- Why will your margins be better than your competitors



Company Valuations...



- The most important factor in determining the value of a company is the gross margins they can achieve.
- When compared to industry averages, the companies with superior margins earn superior valuations.
- It's that simple!



Last Slide



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