Tech Companies on the Rise

5 key strategies for raising capital

Investors have seen the value of tech companies increase for years. Local high-profile exits, like Vancouver's Recon Instruments (bought by Intel for $180 million), make it easier for other companies to raise money. Government programs are also leading the way: there is the Venture Capital Catalyst Initiative in Budget 2017 from the federal government, various research programs and a B.C. Venture Capital Eligible Business Corporation (EBC) Program that gives B.C. investors a 30 per cent tax credit for eligible investments.

Companies like FusionPipe Software Solutions Inc. have benefitted greatly from programs like these, raising $5 million in equity over the last few years, and $1.8 million in government grants. How did they do it? They stuck to these five key strategies for raising capital:

Interviewee : David Snell, CEO of FusionPipe

Choose your potential investor target.

"Base this on market segment, the solution you're offering (SaaS, hardware, software, etc.) and the stage your company is in," recommends David Snell, CEO and chairman of FusionPipe. "If you're not careful, you can waste a lot of time talking to folks who aren't interested but who are willing to listen to your pitch," for example, because they're scouting information for a competitor in their portfolio or just gaining tech trend education for education's sake.

Decide how much capital you need.

Think about the amount of money you actually need, the vehicle you're going to use, your valuation and the pricing. "Make sure you've prepared use of funds, you have some contingency dollars (there's always surprises), concern yourself about dilution of current shareholders and establish a reasonable valuation," says Snell. "If you're overpriced or asking too little, you're not going to be successful."

Make sure all your ducks are in a row.

Have a business plan, competitive reviews, pro forma statements, financials, cash flow statements, term sheets, agreements and a solid investment business case. "Put together a digital due diligence binder so the investor can look over everything," says Snell. "Approach it in a strategic fashion. Unless you have all of these things, you won't be successful. A smile isn't going to win the day!"

Safeguarding intellectual property (IP).

This is where the value of tech companies lies and is how to capture the intangibles, like how unique the technology is, the number of hours engineers have worked on a project, or a novel idea that turns into a software solution people are going to buy. "You need to ensure you own all of the IP you create, like the copyright in your code, and have proper licenses for the IP you need but don't own," says Roch Ripley, partner and co-Leader of Vancouver's Technology Industry Group at Gowling WLG, an international law firm that works with tech companies in B.C. "Particularly if you're a B2C business, you need to make sure your brand is properly protected with trademarks. And for some businesses, like FusionPipe, patents make a lot of sense and help valuation and credibility a lot."

Don't forget about marketing.

This is an important and often overlooked key to have in place from the beginning. "Your online presence should make you look like you punch above your weight—awards matter," says Snell. This is how you show your professionalism and credibility, which are both essential in securing capital. "These are the things that investors look for when do their research. They won't talk to you unless they see something special upfront."