

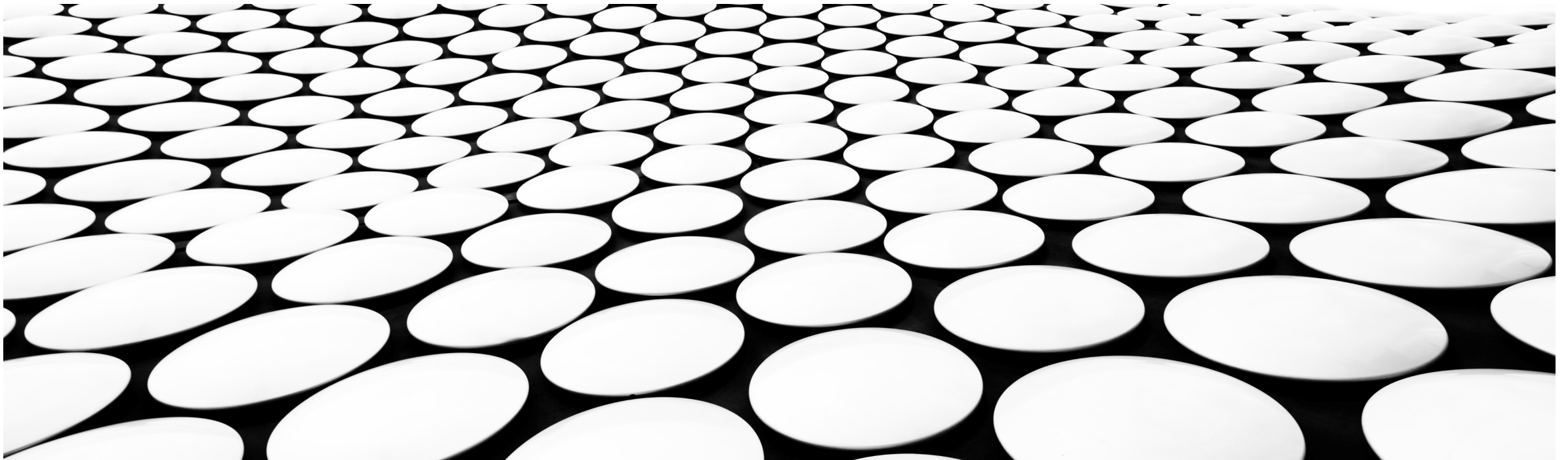


MISSOURI
INNOVATION
CENTER

FUNDING VS BOOTSTRAPPING

MATCHING AND SECURING THE RIGHT FUNDING

QUINTEN MESSBARGER





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INNOVATION
CENTER

INTRODUCTION - ME

- Vice President, Missouri Innovation Center
- Manage and operate the MU Life Science Business Incubator
- 25 years in business incubation
- Specialize in entrepreneurial finance, especially angel capital



MONEY – BUSINESS FUEL, GOT TO HAVE IT

- How much?
- When?
- How do you know?
 - Financial projections
- Use of funds?
- Ability to repay?
- Ability to provide and exit?



BOOTSTRAPPING

- Bootstrapping is building a company from the ground up with nothing but personal savings, and with luck, the cash coming in from the first sales. (Investopedia)
- Works when:
 - Lots of time
 - You have most of the money you will need
 - Sales come very quickly
 - Growth is slow and steady



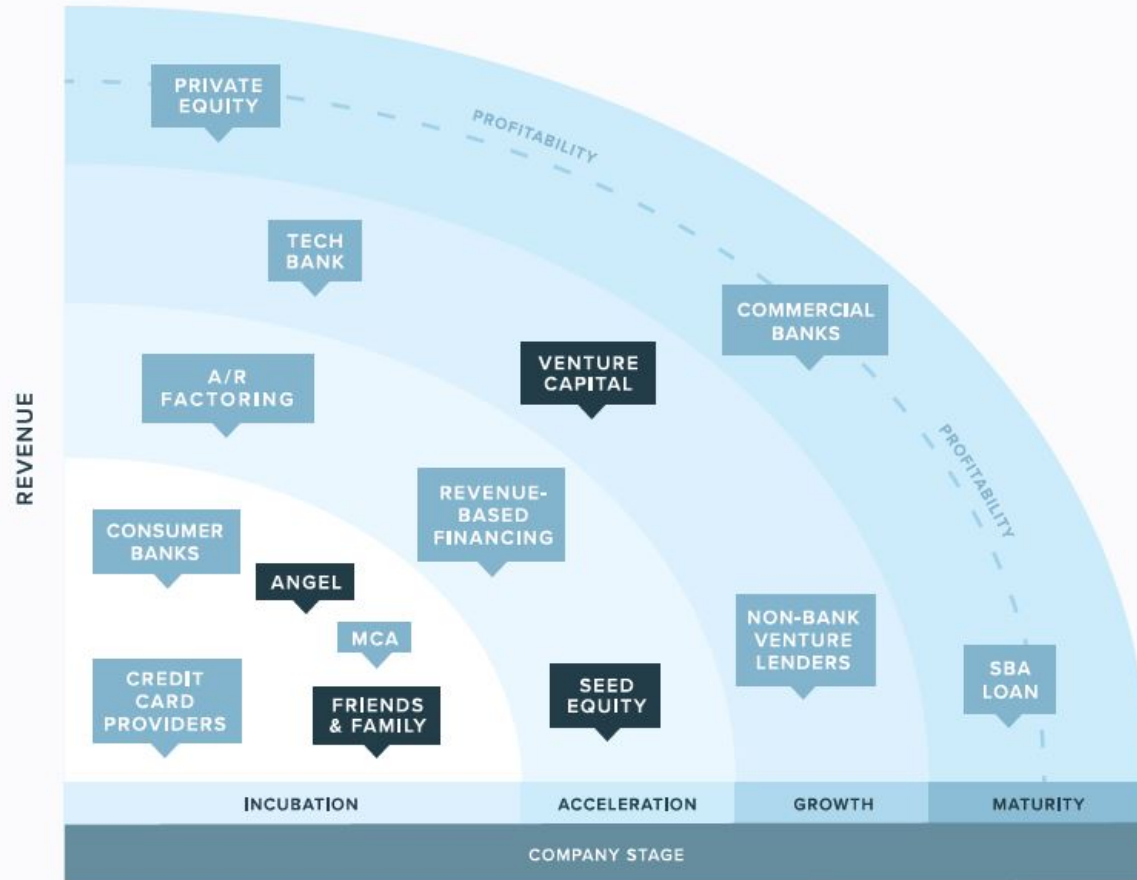
BOOTSTRAPPING

- Tools & Techniques
 - Gifts – often from family
 - Grants – local, state, federal, other
 - Crowdfunding – Indiegogo, KickStarter
 - Competitions – business plan and pitch events, accelerator programs
 - Leasing – small monthly payments, not big upfront cash outlay
 - Bartering/Partnering – cashless win-win arrangements with suppliers, vendors, & others
 - Trade Credit – extended payment terms
 - Factoring – selling your orders/invoices to a finance company

Figure 1: AVAILABLE FORMS OF FINANCING



External Funding Options





DEBT VS EQUITY

- What is debt?
 - Money loaned to your business, at very low risk, for a specific amount of time
 - Most often requires some type of collateral and/or guarantee
 - Requires evidence that you can service the debt (operating history/financials)
 - Types (Credit cards, Family/Friends, Microloans, Bank loan, Line of credit, SBA loans, etc.)
 - Pros: Cheap, government regulations protect borrower, maintain control of your business
 - Cons: Immediate payback, need collateral, need operating history



DEBT VS EQUITY

- What is equity
 - Funds provided to a venture in exchange for some ownership stake in the company
 - Patient Capital – investors willing to wait 2-7 years for return
 - No collateral or past operating history required
 - Types (Family/Friends, Angel, VC, Private Equity)
 - Pros: Delayed payback, “smart” money
 - Cons: Expensive, government regulations protect investor, shared control of your business



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QUESTIONS

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