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**REASONS
WHY YOU
WON'T GET
INVESTMENT
AND HOW TO
DEAL WITH
THEM**

NIALL MCGINNITY

9 REASONS WHY YOU WON'T GET INVESTMENT AND HOW TO DEAL WITH THEM

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Quite often an investment will collapse after weeks, maybe months, of work. What are the most common reasons and how can you avoid them?

It can kill your company or at worst set it back months. More than that it can be a confidence killer and you may even start to question are you on the right path working on a cash burning pre-revenue startup. Here are some of the main reasons that investment can fall through and what you might consider doing to avoid it happening to you.

1. Investment Due diligence uncovers something on you or your co-founders

Maybe you have a bankruptcy behind you due to a previous company failure. Maybe you have a litigation on a previous employer, for good reason. There is basically only one straight forward tip here. Be open and honest about any issues that you know will affect your position as director & shareholder of the company. If the potential investor doesn't like it, at least he walks away at the start, rather than wasting time. Bottom line is the information will come out and most investors will respect the honesty at the start.

2. Investors initial demands are too high

Just because an investor has the money doesn't mean he is right for you and your startup. Take advice, look at comparable companies valuation at similar stages of development. Go with your gut. But ultimately don't proceed if you aren't comfortable with the demands. Many investors may even respect that and renegotiate.

3. Investment Due diligence indicates there is a lack of market need/demand

There could be two scenarios here. Either the due diligence is flawed and



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maybe the wrong market was tested or the investor has misunderstood – in this case tackle this and see if you can re-evaluate based on a deeper explanation. However, if the analysis is valid then you need to think about this as independent verification that there may be no demand and no-one to sell your product to?

4. Non committal from an investor at the outset

If you've been issued with draft generic term sheets, it's an indication that the investors aren't overly committed in the first place. If they wanted to be in, they would at least get you a term sheet with your company name at the top of it! Best advice? Walk away and stop wasting your time.

5. Investor pushing a deal to do a deal and ultimately being too aggressive

If this is the way an investor behaves before he gives you money can you imagine working with him afterwards?

6. Disputes between other investors

Investors with cash have big egos and if more than one are investing this can quite often lead to cheque books at dawn scenario. Very frustrating as its out of your control. Try and play peacemaker but also look at the bigger picture and imagine what the first post investment board meeting will be like.

7. The business runs out of cash before the investment round is complete

This isn't uncommon. You must take the initiative here. Put some pressure on and get the deal done. Else a promising startup dies before it gets the chance to grow.

8. Unable to negotiate on the Investment legal documents

Quite often a startup and an investor or group of investors shake hands and a deal is done. At least until the small print arrives. Cap your legal fees and give



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your solicitors as good an incentive to get the deal done. Otherwise months and month of negotiations start until and one, or both, or all parties walk away

9. You get cold feet

If, after going through the process, you simply get cold feet, don't do it. Running a startup is difficult. Running it with other people's money and having them analyse your every month is 100 times more stressful. If you feel like you are getting cold feet when you realise what you might be taking on with this investor, a bit like getting married, better to realise this before than after the event!

Nuvm9 specialises in working with startup and early stage businesses and has vast experience in generating investment for businesses. Contact us via the contact form below to set-up a free consultation.

Jacqui O'Doherty

A promotional banner for 'Accountant Services'. The text 'Accountant Services' is in a large, bold, white font at the top. Below it, 'Tailored To Your' is in a smaller font, followed by 'BUSINESS' NEEDS' in a large, bold, white font. In the center, there is a yellow button with a white right-pointing arrow and the text 'Call Us Today'. At the bottom, the 'nuvem 9' logo is displayed in white against a blue background with a faint city skyline.



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