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Finding Investors for Your Life Science Company's First Professional Raise

Embarking on your company's first professional fundraise takes a lot of preparation. Your to-dos probably include creating a multi-year company pro forma (budget), researching valuations, preparation of a strong fundraising deck and executive summary, and outlining and building your data room. **But of these activities, the one that will have the most impact on your raise, is compiling a list of qualified and relevant investors you want to engage.** This activity often does not get allotted the attention it deserves, and subsequently founders don't spend enough time and thought on it.

Before you do your first pitch session, you should have a list of investors. This list should aim for both quality and quantity. Quality means that for each name on the list, you have a note that explains clearly why the investor is a fit in terms of the stage of companies in which they invest and the match between their interests and your company.

> The length of this list will determine whether your raise will get done at all and how long the process will take. It will also determine whether you end up with so much interest that you can choose among potential investors for those whose terms you like and for the personalities and skills you want at your table.

Compiling the list may take a few weeks, but it's best not to start outreach until you have a spreadsheet with at least two dozen qualified firms. Referrals will help your list grow during the months you spend fundraising but starting the process with outreach to a few dozen means you will start to fill your book with six to 10 pitches and get feedback to finetune your approach. Success in getting the first few appointments booked will give you confidence, your potential investors will see signs that you are managing a calendar that reflects healthy interest, and you will get feedback to finetune your approach.

So where do you find investors, especially qualified and relevant ones? To begin with, let's establish that the focus of this article is on your first professional round -- the round in which you approach investors for the sole purpose of raising the funds to get you to your first meaningful inflection point.

This may not be the first money into your company – which could have come from non-dilutive grants, friends and family, crowdfunding, accelerators, or the founders themselves (in terms of dollars or sweat equity.) This first professional round will be early stage (pre-seed, seed, or even Series A) and the instrument could be convertible notes (including SAFEs) or equity (i.e., a priced round.)
This first professional round is different from those that follow. Get this one right and the investors you bring to the table will help introduce you to those you need for subsequent rounds. And by the time you get to the next round, you'll have done the kinds of things early-stage companies do to get the attention of later stage investors including speaking at conferences, getting patents, being featured in coverage, or creating interest through social media. But for this first round, instead of being found, you are doing the finding.

Which Investors "Fit" your Company

Investors state on their web site what stage of company and technology development they invest in and their area(s) of focus. In your outreach to these investors, either directly or through introductions, the more often you can use their own words to describe why you are a match and worthy of a call, the more likely you'll earn the first conversation.

In general, early-stage investors can include angels, family offices, individual investors, and venture capitalists whose mandate includes or is focused on early stage. Categories of fit to look for include companies who note they invest in early stage and who may also invest based on:

- **State (or Regional) Development**
    - A state or regional development group that makes equity investments (versus grants) is a great target for this first raise. While groups like this can have heavy paperwork requirements, they also sometimes will be one of the first to commit on an early stage raise because their mandate is to help companies in their regions. And once invested they will often be able to make introductions to other investors and resources. **Examples:** Maryland's TEDCO and Connecticut's Connecticut Innovations.
- **Funding Team Characteristics**
    - Funds may target their investments to founders of different types. For instance, there are funds that focus on founders who are: women; minorities; veterans; alumni of certain colleges; and immigrants (this is undoubtedly a partial list). Like regional funds, these groups have the dual motivation of making an investment that will have a return and help a certain group of entrepreneurs.
- **Topic Area**
    - This type of investor will most likely make up the majority of your list. These will be investment firms (or angel groups/family offices) who match with your company based on their interest in investing in the life sciences in general, the type of company (i.e., therapeutics, diagnostics, mode of care delivery etc.) and sometimes the field of medicine (i.e., there are VCs, angels and family funds that focus on pediatric innovations; others interested in cancer, or in women's health.) You are looking for a

company who is not an investor in your direct competition yet is relevant either by what they say they invest in on their web site or their history of investment.
    - In this category, make sure to look at the venture arms of major corporations (aka strategics) in your discipline. Some corporations have divisions set up to invest in early-stage companies developing technologies or solutions which may have eventual interest to their corporate parents. Some of them have been set up to protect the entrepreneurs and reduce concerns about conflict of interest. This is a category to research and to be aware of, though engaging requires homework.

Creating Your Initial List of Investors

Now that you have a sense of what you might be looking for, let's turn to the tools to find them. These include:

- Internet search. A search that includes "early-stage investors in XXX" aligning with the categories of fit will produce a solid list of entities. Also search for the announcements that more mature companies in your field published about their first investment, to identify their early investors.
- A database like Pitch Book or Crunchbase. Many young companies don't have their own subscriptions to these databases - but your university, your grant partner (i.e. the NIH SEED office), or someone in your inner circle of friends or advisors may. Some of these resources offer free versions with limited use or search capabilities.
- For angels, look to sources like AngelList or the Angel Capital Association (ACA). For instance, the ACA has a public directory that includes over 250 angel groups.
- Professional contacts and colleagues. Ask your advisors, colleagues, grant officer, former professors - in short everyone who may be rooting for you in any way - if they know of relevant investors that should be on your list, and whether they can make introductions to them.
- Activities: enroll in pitch competitions and do occasional posts about your company's work. This will help interested investors find you.
- Investment conferences. If funds allow, registering at a conference whose past agendas and attendees include relevant investors can be very valuable. Make the time to use a partnering portal well. You can read more about this in our post "Building Your List" at Life Science Conferences.

What's Next?

The above activities will give you lots of names to populate on a spreadsheet under the category "Investor." But your spreadsheet should also have columns labeled "Why a Fit," "Target Contact(s)," and "Mode of Introduction." As you meet these companies, you'll also have columns labeled "Check size; Lead or Not Lead; Process; and Next Steps."

You'll fill in "Why a Fit" primarily by looking at a firm's website. Make your comments as robust as possible (for instance, "Looking for companies not based in NY or California who are making advancements in maternal health. Past investments include xxx and xxx.").

These notes will help you tailor your email to the firm asking for a meeting, or the introduction you ask a colleague to make. “Target Contact” will get identified by looking at which partner has led which investments or other sources (such as which partner has attended a relevant investment conference.) After identifying the target contact, you’ll go to LinkedIn to see if you know anyone who is connected to that person. If you do, asking if the connection is strong enough to make an introduction will help you decide if the “Mode of Introduction” will be through an introduction or through your reaching out directly.

A Time Investment that Pays Off

At the end of the day, fundraising is the Chief Executive’s most important job. If the company doesn’t have the dollars to move to its next value inflection point, it will stall – or die. Recruiting investors who have great experience and networks, and whose advice you value, is the difference between a hard path and an easy one. The investment you make in looking for as many of these candidates as possible while your company is young will be worth every minute of time spent on your spreadsheet.