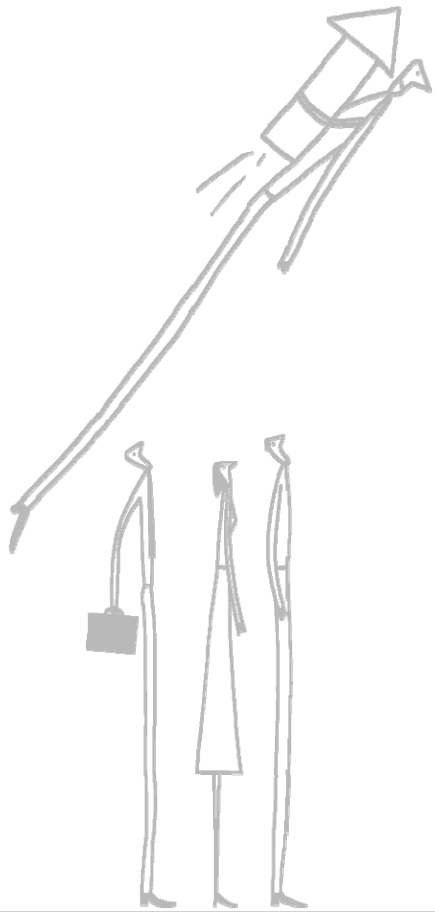


Confidential



Growth Strategies for Bootstrapped Companies

Building Shareholder Value in Today's Market

▶ Kennet

What do all these Companies Have in Common?

The Microsoft logo, featuring the word "Microsoft" in white, italicized, sans-serif font on a blue rectangular background.The ORACLE logo, featuring the word "ORACLE" in red, all-caps, sans-serif font.The SIEBEL logo, featuring the word "SIEBEL" in blue, all-caps, sans-serif font.

- ▶ Contrary to popular perception, many of today's market leaders "bootstrapped" their initial business through "sweat equity"
- ▶ They all raised growth equity capital after achieving run-rate revenues of between \$4 million run (eBay) and \$60 million (Dell)

▶ Bootstrapping Often Creates Stronger Businesses

- ▶ Customer focus is baked into the company DNA
 - Forced to listen to the customer (very carefully)
 - Market test (will someone pay for it?)
- ▶ Capital allocation is more rational, less speculative
 - Investments are more gradual
 - Sustainable burn rate
 - Avoid fund-raising time drain
 - Avoid conflicting expectations of managers and investors
- ▶ Managers tend to be more focussed and goals more aligned
 - Do or die nature of the business
 - Fewer distractions
 - Too many projects / too few people
 - Problems cannot be glossed over with capital

▶ Bootstrapped Companies Face Challenges as they Mature

▶ Constrained Growth

- If market growth accelerates, bootstrapped businesses may not be able to fund initiatives required to keep pace

▶ Weak Capital Base

- Often leads to overly conservative risk profile due to inability to fund new initiatives, which impacts management decision making

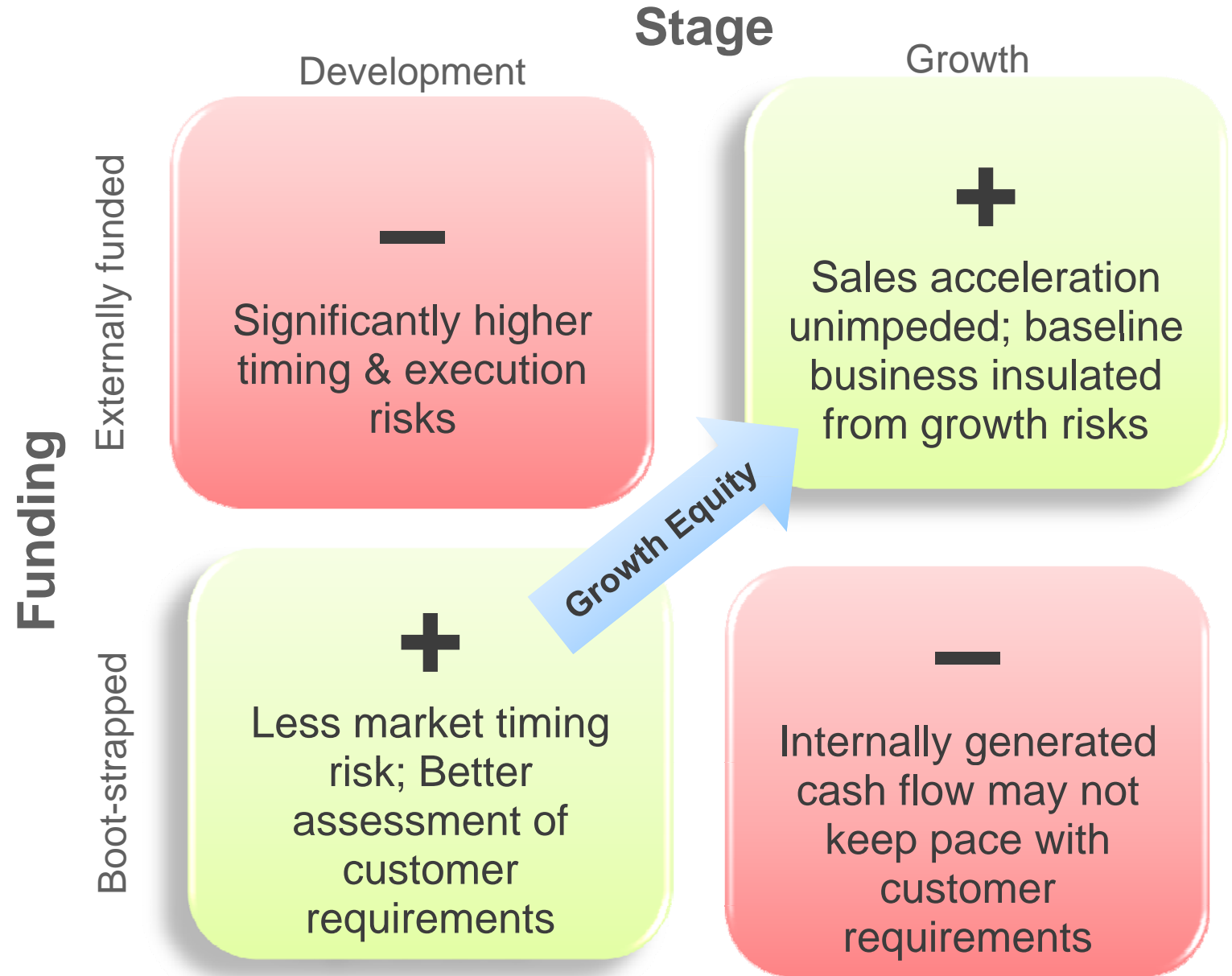
▶ Management Recruiting

- Recruiting top-flight senior management can be difficult if funding is limited and/or founder's objectives are not clear

▶ Fewer Sources of Management Guidance

- Bootstrapped businesses often lack external board members, or advisors with a vested interest in maximizing shareholder value

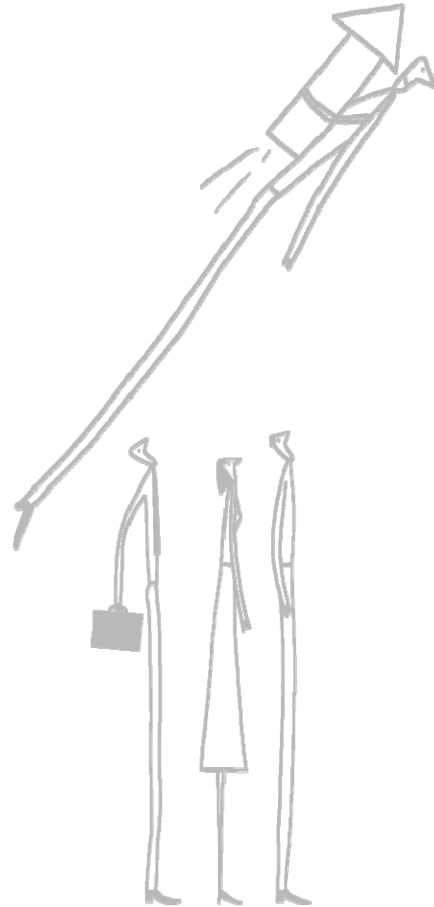
Raising Capital at the Right Time Can Transform Growth



Laying the Foundations for Managed, Sustainable Growth

- ▶ Determine growth opportunities and develop the business plan to exploit the company's strengths – avoid about-turns
- ▶ Develop and validate a sales model that can scale predictably and profitably
- ▶ Develop relationships with strategic partners that can help reduce cost of sales and/or accelerate growth
- ▶ Evaluate management strengths & weaknesses. Recruit outside management talent to invest in key areas that can be improved
- ▶ Evaluate the capital needs of the business – must fuel growth and insulate the baseline business from risk
- ▶ Bring in an outside board for management guidance
- ▶ Consider adjacent product areas and/or acquisitions that can build on the company's organic success

▶ For more



▶ www.kennet.com/ideas-and-resources

▶ Contact Kennet:

- Silicon Valley
Kennet Partners LLC
950 Tower Lane Suite 1710
Foster City
CA 94404
T: +1 (650) 573 6700
E: info@kennet.com

- London
Kennet Partners Ltd.
Nuffield House
41 – 46 Piccadilly
London
W1J 0DS
T: +44 (0)20 7839 8020
E: info@kennet.com

▶ Authorized and regulated by the Financial Services Authority
Registered in England 3295094