

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 a bold, red, sans-serif font.The SIEBEL logo, featuring the word "SIEBEL" in a bold, blue, sans-serif font.The BROADCOM logo, featuring the word "BROADCOM" in white, sans-serif font on a black background, with a red stylized waveform graphic above the text.The CISCO SYSTEMS logo, featuring the words "CISCO SYSTEMS" in a red, serif font.The DELL logo, featuring the word "DELL" in white, sans-serif font on a blue rectangular background.The eBay logo, featuring the word "eBay" in a multi-colored, sans-serif font (red, blue, yellow, green).

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

▶ Bootstrapping Often Creates Stronger Businesses

- ▶ Customer focus is baked into the company's 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 management and investors
- ▶ Managers tend to be more focused and goals more closely aligned
 - Do-or-die nature of the business
 - Fewer distractions
 - Too many people / too few projects
 - 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

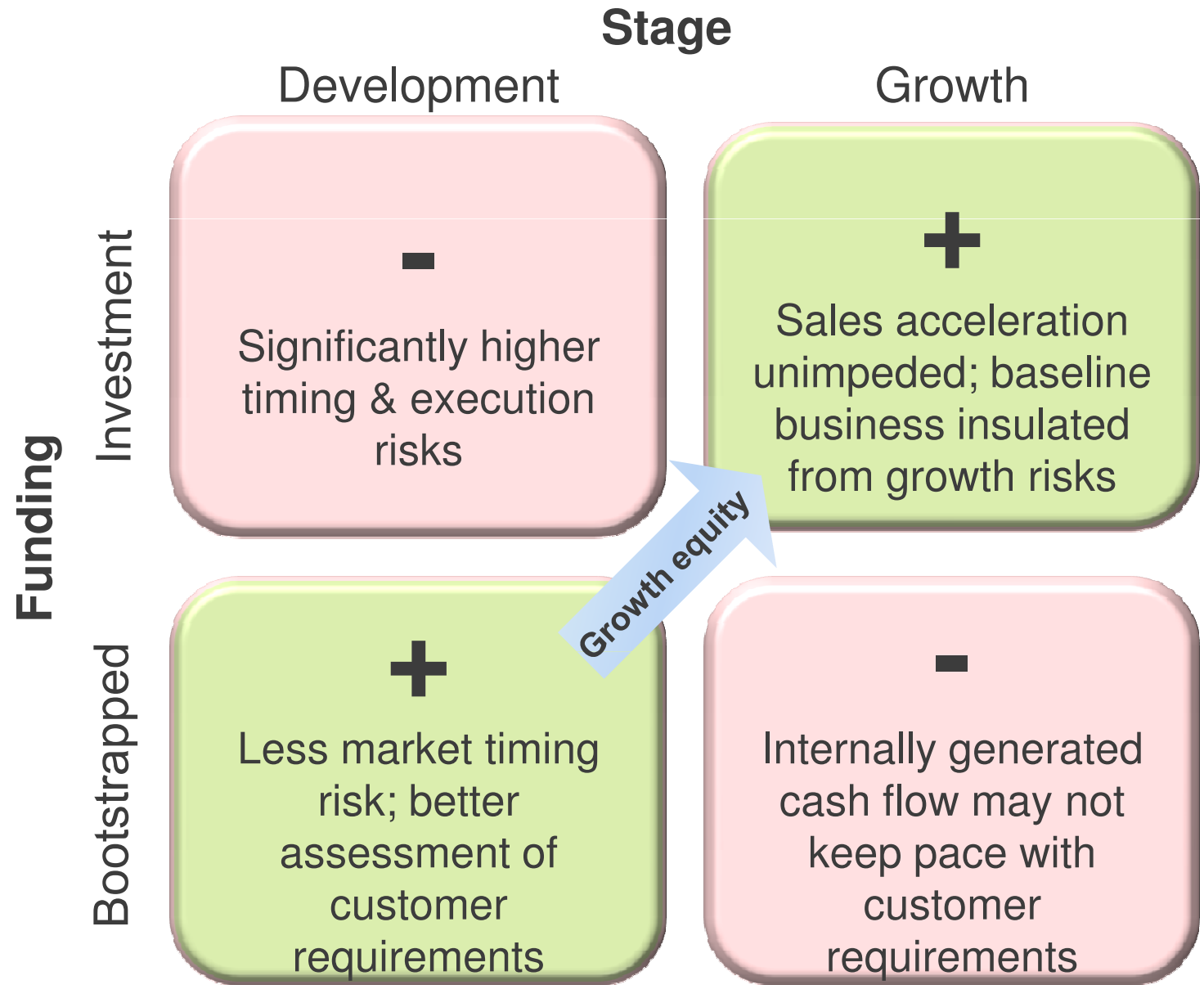
▶ Management Recruiting

- 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

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