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Early Stage East

By: Marc Kramer , The Bulletin

This coming Wednesday is the 10th anniversary of Early Stage East (ESE), one of the few east coast venture conferences focused on introducing early stage companies to private investors and venture capitalists. The conference takes place in Wilmington, Del.

The following is an interview with the founder of the conference David Freschman, the managing director of the Delaware Innovation Fund. (For additional information on the conference go to www.earlystageeast.org.)

Kramer: When and why was Early Stage East started?

Freschman: Early Stage East was created in 1998 by a group of venture capitalists and entrepreneurs who saw a need for a focused platform to allow emerging companies the opportunity to meet one-on-one with investors and to promote their opportunities to the broader venture and investment community. Today it celebrates its 11th year with over 500 companies participating throughout its history and over \$1 billion invested into the companies that have presented.

Kramer: How many investors will be attending?

Freschman: ESE anticipates that over 50 investment groups and venture capital firms will be in attendance with access to over \$10 billion collectively.

Kramer: What is the average investment made?

Freschman: Over its history, ESE estimates that the average investments into companies that have received funding have exceeded \$2 million per company.

Kramer: What percentage of companies has received investment?

Freschman: ESE has tried to track these statistics throughout its history and it is believed that at least that 20 to 40 percent of the companies that have presented have received capital. This is a substantial increase over the success rate of companies raising capital by just approaching VCs.

Kramer: What is the industry mix of companies?

Freschman: ESE will have companies presenting from a broad array of industries and technologies including software, Internet, consumer, specialty materials, medical devices and wireless industries. They will be attending from throughout the Mid-Atlantic region to New England to western Pennsylvania.

Kramer: Will companies have a difficult time raising money because of the rough economy?

Freschman: Although the economy is having a difficult time, venture capitalists are long-term investors who look beyond current economic trends and try to understand what future technologies and solutions will be required in the economy. As such, there is sufficient capital in the firms looking for investment opportunities. Venture capitalists typically are counter-cyclical so we expect a vibrant conference and appetite.

Kramer: What do investors typically look for in early stage companies?

Freschman: Early stage companies are visions of the future. As such, investors are typically evaluating the future trends of an industry and the experience and relevance of the management team. Management teams with sufficient experience to "bob and weave" throughout the growth of a company are the key driver for investors.

Kramer: Have you seen any new trends emerging?

Freschman: Early stage companies are coming in with much better and detailed plans and strategies and typically have more than ideas. Management teams are more experienced and grey hair is carrying a great deal of weight in driving investors'

appetites.

Kramer: What is the biggest mistake presenting companies make?

Freschman: Not preparing and practicing enough to get their message through in the allotted seven-minute time frame. Companies typically focus on macro industry and investors want to see more of bottoms up build out in the current environment. The old belief that a rising tide lifts all ships does not carry weight today.

Kramer: If there is one piece of advice you would give entrepreneurs looking for capital, what would that be?

Freschman: Patience, practice and performance!

Marc Kramer, who is the author of five books and project faculty at the Wharton School of Business at the University of Pennsylvania, is a serial entrepreneur.

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