

Getting financials from start-ups 'like herding cats', so transparent businesses can stand out: SCMP Game Changers



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Shanghaivest director Bruno Bensaid, CompareAsiaGroup.com CEO Gerald Eder, GogoVan co-founder Reeve Kwan, and James Giancotti, chief executive of Oddup, speak at the SCMP Game Changers Forum. Photo: Cheng Kok-yin

Start-up founders should be as transparent as possible to keep backers on side for future investment, entrepreneurs and venture capitalists told an audience at the third SCMP Game Changers Forum.

James Giancotti, an Australian former investment banker and chief executive officer for start-up rating system Oddup, said he set a strict schedule to update his company's investors to maintain their trust.

"For an angel investor, getting a report from start-ups is like herding cats, it just doesn't happen" he said.

"Once you have [investors] on board, keep them notified, because when you need to raise your second round, it's easier if you set that expectation the whole way."

Gerald Eder, founder of financial comparison platform CompareAsiaGroup.com said maintaining a good relationship with current investors would save time and resources when looking for the next round of investment as funding rounds can distract from the core business.

In April, the company raised US\$40 million in a financing round led by Goldman Sachs Investment Partners and including major local and international investors such as Jardine Pacific, ACE & Company, and Mark Pincus, founder of internet gaming firm Zynga.

Eder said the company hopes to see further investment from these companies in future fundraising.

While many start-ups think the onus is on them to prove their business plans to potential backers, founders should also do due diligence on their investors, said angel investor Bruno Bensaid, co-founder of Shanghaivest.

"If you are raising angel money, do more due diligence than less on the angels and ask for credentials," Bensaid said.

"See how fast we can turnaround, how much we invest, how many deals, it has to be a two-way street."

Giancotti warned against hype surrounding start-ups which have raised millions in funding and achieved high valuations as he views investment like a mortgage to be repaid through a strong business model and good execution.

When asked if there is a start-up bubble, Giancotti said it was inevitable, especially considering recent valuations of start-ups in China, but this was not a bad thing.

"A lot of people have been talking about a bubble for a very long time and at some point one of them will get it right, whether it's this year or next year," he said.

1. <http://cdn4.scmp.com/sites/default/files/styles/980w/public/2015/09/15/funding.jpg?itok=CwaEmTqd>