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Matching capital to new firms

Companies can pitch their ideas to investors

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Michael Hammons' cargo-tracking device company is trying to raise money to expand, and he hopes it can do it in the Valley.

Hammons is chief executive officer of Tucson-based ARGO Tracker Corp., a company spun out from Cleveland-based Argo-Tech Corp., which sells software and hardware packages for businesses to follow their products in real time.

ARGO Tracker is one of 13 early-stage companies from Arizona, California and New Mexico that have been selected to strut their stuff next month at the 2007 Invest Southwest Capital Conference in Scottsdale.

There, investors with cash will be looking for potential innovations that fit their portfolios.

Each company will give a 10-minute presentation to investors, hitting the highlights of their business.

A screening panel of venture capitalists, "angel" investors and investment bankers selected the 13 companies from 70 applicants as part of the Best of the Southwest contest last fall.

The panel, whose members were chosen by conference operators, planned to pick only 10 companies but selected an additional three because of the quantity and quality of applicants, said Tom Curzon, conference chairman.

"There were some great companies that didn't make the cut that we definitely hope will get funded as well," said Stephanie Spong, a principal of Wasatch Venture Fund in Santa Fe, and a member of the screening panel.

New approach

The Invest Southwest conference, scheduled for Feb. 22 at the Four Seasons Resort Scottsdale at Troon North, has taken place for 14 years.

In prior years, the conference has had different names and has been geared toward angel investors or venture capitalists.

Angel investors typically finance early-stage startups seeking smaller amounts of capital.

Venture capitalists invest larger sums in companies beyond the startup phase, and they often take a bigger ownership share.

For this year's event, the conference board decided to open the event to any investor accredited through the Securities and Exchange Commission and choose companies seeking \$250,000 to \$5 million.

Setting a funding limit gives potential investors a clear idea of what they can expect to find at the conference. That will make the event more beneficial for financiers and the presenting firms, Curzon said.

"By saying \$5 million or less, you're eliminating the whole big world of institutional investors who need to invest at least \$5 (million) or maybe \$10 (million) or \$20 million in a round to be interested," he said.

Curzon and others say the focus makes sense.

The Southwest, and Arizona in particular, has a heavy concentration of early-stage startups, and market shifts have caused venture-capital firms to gravitate toward larger deals.

"Both locally and across the country, venture capital as an industry has moved away from early-stage companies . . . and so providing a focus on early-stage (financing) is important for our regional development," said Harry George, chairman of the Invest Southwest screening panel and managing partner of Solstice Capital in Tucson.

Banking on success

Entrepreneurs such as Hammons say they hope the conference will help them make the connections needed to get funded and advance their companies.

ARGO Tracker, which has 25 employees, finished raising an initial round of financing in December, which will fund it through the end of this year, Hammons said.

When the company tried to raise its first round of financing locally, Hammons said, he was disappointed by the lack of venture-capital activity he saw here.

Now the company is seeking \$5 million, which he said it plans to use to expand across North America and become profitable.

"I'm looking at the Invest Southwest conference from a timing perspective," he said.

Ultimately, whether any presenting company gets funded depends on its ability to impress investors.

Investors want to see a proven management team, a well-defined market and potential for future revenue when making funding decisions.

Peter Vanderlee said that even if his company does not receive funding directly from the conference, the experience of presenting still is valuable.

Mentors assigned

Each company was assigned a mentor to help fine-tune its sales pitch in the weeks leading up to the conference.

"I think it will still be very valuable because they will help us package ourselves in a good way for investors, no matter what they (decide to do)," said Vanderlee, executive vice president of CopperKey Inc.

The Gilbert-based firm makes predictive marketing software. It wants to raise \$3 million to \$6 million.

Vanderlee said that the company would use the financing to build out its information-technology infrastructure to support customers using its Web-based programs, hire

additional sales personnel and apply for patents.

'Best of the Best'

At least one company won't leave the conference empty-handed.

Audience members will select a "Best of the Best" presenting company.

The company will receive a package worth about \$25,000, including office supplies, business services, such as financial planning, legal assessments, information-technology assessments, employee benefit consulting and cash.

The conference is expected to draw more than 100 investors from around the country, said Terree Wasley, the director of entrepreneurial services at Arizona State University, which is hosting the event.

The cost for accredited investors to attend is \$300. To register, visit www.investsouthwest.org.

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