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## Seek Venture Capital When the Market is Hot

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Raising equity capital for a business venture never happens in a vacuum. External forces inevitably affect when and how and where investors are found, just as they affect decisions about how much money is needed to support the company for a few years until it starts showing a profit.

External forces include the financing market — the universe of people and institutions that constitute funding sources for a company — as well as the larger business market in which it operates. Understanding these forces can help an entrepreneur develop a fundraising strategy.



Pure financial investors are in the game to make the most money they can from their investment in a company. But even they can make mistakes and act impulsively.

Investors can misread the economic signs and underestimate or overestimate the market appeal of a particular product or service. Their fallibility is one reason why certain market segments get “hot” and others get “cold.”

A business owner fortunate enough to find himself in a market that financiers consider hot should capitalize on it. In a hot market, many investors chase deals, and valuations are exceptionally attractive. That makes it a good time to raise money, particularly if the business’s industry regularly cycles through busts and booms.

An example is the market for oil. Because the market is booming and oil-exploration companies know it may not always be that way, they raise money and drill while they can — while investors are most willing to back them.

No one, of course, can accurately predict what the economy will do in the near or distant future, but paying attention to what’s happening in the world of business is wise for anyone planning to raise capital.

Most businesses that choose the path of equity financing undergo up to three rounds of fundraising to reach profitability. Where a business ends up in that range should be a result of careful strategic planning rather than chance.

Entrepreneurs interested in learning more about market forces and strategies for business launch can attend the Verge Fund Lecture Series in Innovation, Ventures and Entrepreneurship hosted by New Mexico State University College of Engineering in Las Cruces. The series features speakers who will provide insights into how to take technologies and innovations to market.

Lectures, which are free and open to the public, take place at 4:00 p.m. on March 1, March 15, April 5 and April 19 in the Thomas and Brown Hall Room 104 on the NMSU Las Cruces campus. For more information, contact Spyros Angelis at NMSU at 575-646-2975 or [loky@nmsu.edu](mailto:loky@nmsu.edu). To learn more about Verge Fund, visit <http://www.vergefund.com/>.

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