Effective Investor Presentations

November 6, 2018

Jim Jen

Intro

- COO, Innovation Works
- Founding Managing Director, AlphaLab
- Investments in 100+ accelerator and seed-stage cos including
  - Wombat Security, NoWait, Shoefitr, ShowClix, mSpoke
  - JazzHR, Blastpoint, Ikos, Honeycomb
- Led product at venture-backed software startups in Silicon Valley

innovation works

Some Initial Thoughts

- Not about fundraising strategy
- Bias toward early stage presentations
- May not work with pitch competitions
- Not your customer/sales pitch

- No absolute format
- Key is to most effectively communicate your story

10-20-30 Rule

- Problem
- Your Solution
- Business Model
- Underlying magic/technology
- Marketing and Sales
- Competition
- Team
- Projections and Milestones
- Status and Timeline
- Summary and call to action

Guy Kawasaki

Former Chief Evangelist, Apple

Author 13 Books, including The Art of the Start

RETHINKING THE STANDARD FUNDRAISING DECK

nextview

Rob Go
NextView Ventures
Oct 10, 2018

innovation works

Slide 1: Who are you? (Team)

#2:   What do you do?

#3:   Is it working?

#4-5:   Why does it matter? (Market)

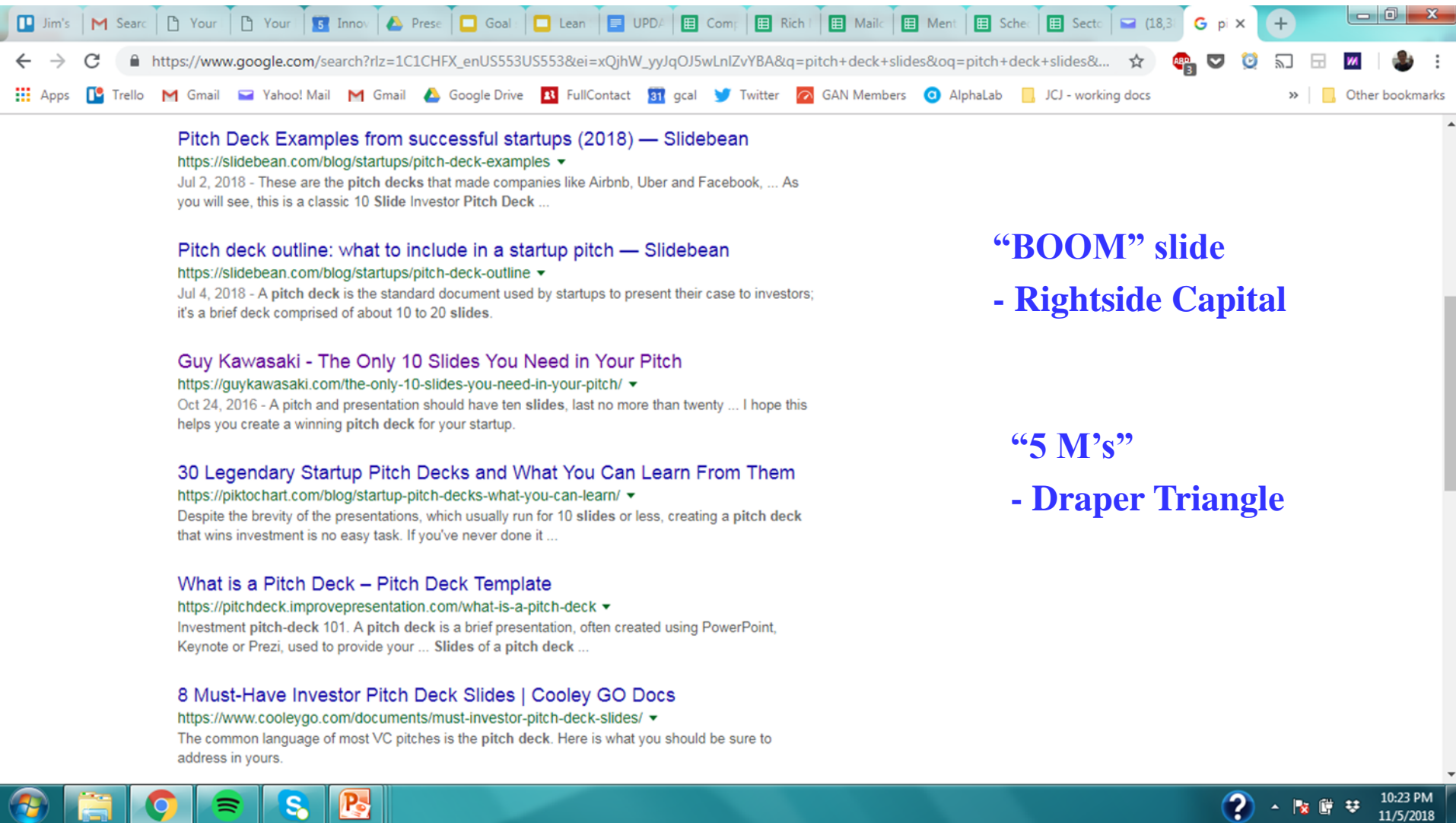#6-8:   Can you be the best in the world? (product, growth, financial metrics)

#9:   Where are you going?

#10:   What do you want?

Appendix

Everyone has a framework

"BOOM" slide

- Rightside Capital

"5 M's"

- Draper Triangle

Including me…

- **Compelling market opportunity & vision**

AND

- **Evidence YOU are the one to win**
  - Awesome Team
  - Advanced understanding of market, customer problems
  - Unique product adding *enough* value to beat competition
  - Real traction and momentum - Demonstrated customer value, engagement (usage, adoption, retention)
  - Repeatable customer acquisition

Compelling Market Opportunity and Vision

What is it?

- Unique point of view and big vision on a large and growing market

Why investors care?

- Need outsized returns potential
- Ability to change an industry
- Measures team's ability to think big

Awesome Team

What are investors looking for?

- Unique qualifications
- Execution-to-date
- Team chemistry (in the meeting)
- Coachability

Advanced Understanding of Customer Problems

What is "advanced"?

- Do you know the customers and problems at a detailed, segmented level?

- Can you define your initial target customers clearly enough so that they're reachable?

- How intense a problem is this? (Vitamin or pill)

Unique Product/Enough Value

What are investors looking for?

- How well does the solution solve problem?
- Is it unique and defensible?
  - IP protection
  - Differentiation beyond just features
  - Build a moat (e.g. data, network)

- Proof: User engagement metrics, ROI ("Goodness factor")

Real Traction, Momentum

What are investors looking at?

- How quickly are you moving?
- # customers, revenue
- How did you get those customers?
- Quantity and quality
- Growth rate, engagement
- Baseline - especially important for 2nd interaction

Repeatable Customer Acquisition

Depends on stage of company but this is needed to scale

- Similar types of customers
- Can you reach them reliably and cost-effectively?
- Repeatable process

Coherent Funding Plan

- How much are you raising?

- Where are you spending it?

- To accomplish what goals?

- In what timeframe?

- So that you can _____ (raise next round, breakeven, get acquired

A coherent funding plan has to be realistic, achievable and yet aggressive enough to keep up with the market realities.

Thank You!

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The Pitch

PRESENTED BY DESMOND O'CONNOR – OCT 2017

Suggested Structure - Generic

- Overview
- Problem
- Solution
- Technology / IP
- Market Size
- Commercial Traction
- Competition
- Business Model / Pricing

- Go to Market Strategy & Plan
- Operating Plan
- Raise & Uses
- Exit Strategy
- Financial Projections
- Team
- Wrap Up

Company Name

PRESENTER(S)

TITLE

CONTACT INFORMATION

Company Overview

- What business are you in

- What is the unique value proposition?

- What are the target markets?

- What have you accomplished thus far?

- What do you want to accomplish next?

- How much is your raise?

• Does not have to be a slide – probably better that it not be

• Tell them what you will tell them, tell them, tell them what you told them

• Hit the highlights / manage the story

Make the problem real

- What commercial situation ("pain") will you solve/exploit?

- Describe it as a **business** problem

- Why does the situation exist?

- Demonstrate you know customer's market.

• Your opportunity to set the stage

• Tee up the problem that you can address

• ID some specific problem areas that you will address

Get Heads Nodding

Amazingly your Solution directly addresses the problem

- What are you specifically offering? To whom?
- What do you have/do that solves problem(s)?

- Describe the solution in business terms – this is not the 'technology' slide

- Make sure that all the problem areas identified on the previous page are addressed

Get Heads Nodding

Technology / IP

- Describe the technology in your offering
- Describe any protections you have in place or anticipate having

- For a technical offering this is a huge differentiator

- Avoid acronyms

- Describe the technology in a way that makes sense to your audience

  - Business differentiators and benefits

- This is one slide for a reason – don't deep dive at this stage

How big is the Market?

- How large is market and how fast is it growing?
- Size of your company's opportunity?
- Are there unique market dynamics/trends?

- Standard investment requirement (VC considerations)
- Market Dynamics / structure are particularly important
    - Can you legitimately contend that you could be a top three
- Different definitions that are relevant
    - Market size
    - Total addressable market

Commercial Traction

- What progress has been made with entities (customers) who pay good money for the product or service

- Interested parties, Beta Testers, Co-developers, first customers etc.

- Key determinant of commercial success

- Independent verification of the value of your offering

- Might be the most important slide in the deck – doesn't need to be a slide.

Competition

- Who are they?
- How are you better?
- Why will you win?

- THERE ARE ALWAYS COMPETITORS!
  - Even if the alternative is 'do nothing'
- Need to demonstrate a clear advantage (50%) that will allow you to differentiate from the established players.
- Can you be a leader (#1 or 2) in the market space

Go to Market Strategy & Plan

- ## What is your strategy for customer acquisition?
  - Segments, Prioritization, Approach
- ## What is the plan to accomplish that strategy?
  - Approach
  - Timeline
  - Hires
  - Partners
  - Targets

- Short term more important than long term
- Where the rubber meets the road

Operating Plan

- Preferably a Gantt Chart with a short to mid term focus showing how all the relevant activities hang together

- Most early stage investments are made based on a credible plan – need to make sure that this works

Operating Plan - sample

Key Milestones	2013				2014				Notes:
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Raising Capital*									
Seed		$350k							
Series A				$500k					
Product and Web Development									
Product Development									
Marketing Site Development									
Alpha Testing									
Beta Testing									
Launch									
Develop/Launch Product Modules									
Hire Employees**									
CEO/Sales									
Senior Developer									
Developer									
Salesperson									
Customer service rep									
Controller									
Marketing support									
Sales and Marketing									
Regional									
National									
Metrics									
Cash at Q end	$25	$375k	$200k	$550k	$450k	$300 $200k	$175k	$200k	
Headcount	3	3	3	2	4	4	4	6 8	
Customers	0	20	40	70	120	160	200	250	

Business Model & Pricing

- How do/will you make money?
- Why will you be profitable?
- What is sales cycle?
- Pricing
- Keep it simple. Examples?

- How is it all going to work
- Be Specific
- 'Typical' project or customer scenario
- Revenue Recognition

Raise & Uses of Funds

- How much and for how long?

- Preferred Investment vehicle

- What will you accomplish with that money?

- What will you look like? Will that picture make the next raise a slam dunk?

- Future raises?

- JOBS Act

- Key point – what will you look like at the end of the period that enables accomplishment of the next objective?

- Don't dictate the terms – rarely works, and sends the wrong message – Golden Rule

Exit Scenarios

- Almost invariably acquisition
- Who's buying?
- Examples of recent acquisitions in the space with multiples

- No mathematical scenarios – not credible
- Give the investor confidence that there is an acquisition market, and therefore a pathway to a return for them.

Financial Projections

- Provide projections for next 4 to 5 years
  - Annual Revenue, Expense, Profit / Earnings
  - Cash balance
  - # of customers and employees

- Yes, It's probably wrong and yes, nobody can foresee the future
- Keep it credible
- You need to look attractive as an investment <u>but</u> not to the point of being ridiculous
- VC Considerations
- Cash is King

Projections - Simple

000s	2016	2017	2018	2019	2020
Revenue	$ 200	$ 750	$ 1,800	$ 5,800	$ 10,500
Expenses	$ 450	$ 800	$ 1,350	$ 2,500	$ 5,500
Earnings	$ (250)	$ (50)	$ 450	$ 3,300	$ 5,000
Customers	10	20	50	150	250
Headcount	6	10	20	40	50

Team

- Who are the 3 or 4 key players in Company?
- Focus on significant, relevant accomplishments

- Why is this the team that is going to deliver and in which I should invest?
- 40 to 60% of the investment decision is based on the team – not a throw away slide
- Put the team here unless…..

Summary Slide

- Reinforce your company's mantra.
- Solidify core value proposition and technology.
- What have been your key achievements?
- What does road ahead look like?
- Where does funding get you?
- Do not deviate from the story you just told.
- MAKE THE ASK *

- Tell them what you just told them
- Create the synopsis / assessment that <u>you</u> want them to leave with
- This is not a throw away slide!

Other Considerations

How to handle a Demo

- Best to not go live
- Live Demos can be risky
  - Confirm and test all the variables – internet, code availability, database availability etc.
  - Have a canned backup
  - Have a script and stick to it - get in, get out, move on.
    - Deviating will kill your time
    - You increase the risk of a failure / mis-step
- When do I do it? - Slot it in after you describe your solution

How to handle Q and A

- Listen to the full question and make sure you answer the question asked
  - Then finish and move on
  - You can restate the question to suit your purposes
  - If the answer is not positive, lead with the bad news and then articulate the positive outcomes and next steps

How to handle Interruptions

- If the answer is later in the presentation, then defer the question politely
- If the questioner is persistent, take the time and answer the question
  - But get back on track as soon as is polite

JOBS Act Implications

- Jumpstart Our Business StartUps (JOBS) 2012
  - General Solicitation
    - Private vs Public / General
    - Once in the Gen Solicitation category you can't go back
  - Accredited Investors
    - You are responsible for confirming the status of everyone you present to
  - In a general presentation do not reference raise, or financials etc.

- Disclaimers
  - I am not an attorney. Check with your attorney!
  - This is actively and constantly evolving
  - Be afraid, be very afraid

Investor Pitch FAQ

- **Should I provide additional information?**
  Absolutely.

- **Do I have to use powerpoint?**
  *No and yes. **No**, you may use other software products, but **yes**, you will eventually need to express your ideas in an electronic format (ppt, pdf, etc.)might as well start now*

- **Can my presentation have animation?**
  Yes, but it is not required. Investors want to know about you and your company – not whether you know how to make images shoot across the screen. If you choose to use animation or other media…make sure it will work. If there is any doubt, leave it out, and don't let it be a distraction.

- **Should I provide hardcopies of my presentation?**
  Not necessary and definitely not before the presentation.

- **Should I require NDA?**
  No – not going to happen. Too many presentations, too much exposure for an investor to ever keep it all straight. Anyway, would you want to present to a group you weren't sure you could trust. Better to not present if that's the case. Investors depend on their integrity. If there was an issue they would never see the good opportunities

Additional Advice

- ## Rehearse, a lot.
  - Get very comfortable with the material and the flow
  - Don't get jaded
- ## Check the Room
  - Make sure everything works
  - Confirm the internet connection, speaker volume etc. – do not leave anything to chance
  - Have a back up
    - Thumb drive
    - Canned demo etc.

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* Drop or modify if in a setting that might get you in the General Solicitation category