

Pitching to Investors



Investor Considerations

Management Team Experience	30%
Opportunity Size and Maturity	25%
Product or Service	20%
Technology / Product Uniqueness / Solution	15%
Investment Structure	10%

- **Management Team usually most important**
 - CEO
 - Coachable, vertical experience, leadership
 - Team
 - Balanced & complete
 - Experience working together
 - Understandable – some positions open

Investor Expectations

- **Potential for Company to grow and scale**
 - Annual recurring revenue
 - High gross margins business
 - Large “niche” market opportunity
 - Unfair competitive advantage
 - Fundable balanced management team
- **Business capable of providing a return to Investors through an Acquisition (rarely IPO)**
 - Expect a 10X – 30X ROI
 - 1 or 2 of every 10 investments bring most of return
 - 30-50% of businesses will fail

Elements of the Pitch

The Pitch

- Solid Business Plan and Financial Model
- Two page Executive Summary
- Presentation - 10 Slides, 20 Minutes, 30 Pt Font
 - Identify the Problem
 - Explain your solution
 - Business model – How will you make money?
 - Underlying magic/technology
 - Marketing and Sales
 - Competition
 - Management Team
 - Projections and Milestones
 - Status and Timeline

Opening Slide

- **Organization name, your name and title, and contact information.**
- **Explain what your organization does.**
(keep it simple for the intro: “we have a hardware solution for data networking companies.....or we are a medical device company that treats.....”)
- **Amount of money to be raised, and the purpose of the money.**
- **Cut to the chase!**

Problem

- Describe the pain/issues/problems you're alleviating.
- The goal is to get everyone nodding and "buying in" that the problem is real.
- Avoid looking like a solution searching for a problem.

Solution

- Explain how you alleviate this pain and the relevance of your product to the solution.
- Ensure that the audience clearly understands what you sell and your value proposition.
- Not the place for in-depth technical explanation.
- **Provide just the list of how you fix the pain.**

Example: "We are a discount travel site. We have written software that searches all other travel sites and collates their price quotes into one report."

Business Model

- Provide simple explanation of precisely how you make \$\$\$\$
 - Who pays you
 - Distribution channels
 - Gross margins, etc.
- A unique, untested business model is a scary proposition. Explain a revolutionary business model in terms of familiar ones.
- Drop the names of the organizations that are already evaluating or using your product or service.

Underlying Magic

- Describe the technology, secret sauce, or magic behind your product or service.
 - *Discuss source*
 - *Why it can't be easily duplicated.*
 - *Discuss patents*
 - *Is the technology yours, licensed from a University, exclusive, are there royalties, etc?*
- **The less text and the more diagrams, images, flowcharts, the better.**
- White papers, research, and objective proofs of concept are helpful.

Marketing and Sales

- Explain how you reach your customer and marketing leverage points.
- Estimate market size and realistic percentage that you can penetrate.
- Convince the audience go-to-market strategy is effective and won't break the bank.
- Explain the logic behind growth plans.
- Be sure working capital in financial models supports growth.

Competition

- Provide a complete view of the competitive landscape. Too much is better than too little.
- Never dismiss direct or indirect competition in core or adjacent market(s).
- Everyone including customers, investors and employees want to hear why you're good, not why the competition is bad.
- There is always competition!

Management Team

- **Key players are important.**
 - Management team
 - Board of directors
 - Board of advisors
 - Any major investors
- **Ok to have less-than-perfect team.**
- **As a founder, are you the “right” President & CEO?**

All startups have holes in their team; what's truly important is having a willingness to fix them.

Financial Projections and Key Metrics

- **Provide 5-year forecast:**
 - Chart or graph is better than just #'s
 - Know your key metrics: Customers #s, Conversion rate, etc.
- **Bottom-up forecast: consider long sales cycles and seasonality.**
- **Explaining forecast's underlying assumptions is as important as the numbers.**
- **Clearly identify cash flow break even point.**

Summary

- Various Exit Strategies and ROI
- Offering Amount, Terms and Conditions
- How money will fund milestone achievement.
- Current Status, Accomplishments & Timeline
- Positive momentum : close with a bias toward action.

Common Mistakes/Advice

- Common Mistakes

- Discussing only the product and not the actual business
- Lack of preparation
- Presentation too long and does not build momentum

- Advice

- Have back up slides with details to help answer questions
- Prepare, Rehearse, Prepare, Rehearse.....

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