

# How to Pitch to Angels

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# How to Pitch to Angels

**Before you can begin to put your pitch together, it is important to understand:**

- Who angels are
- The funding process
- Angels place in the funding landscape

# Who are Angel Investors?

- Often successful entrepreneurs or retired professionals
- Accredited investors – SEC definition
- Invest their own money (not money managers)
- Generally invest in local companies
- Invest in businesses not run by families
- Invest individually or as part of an angel group

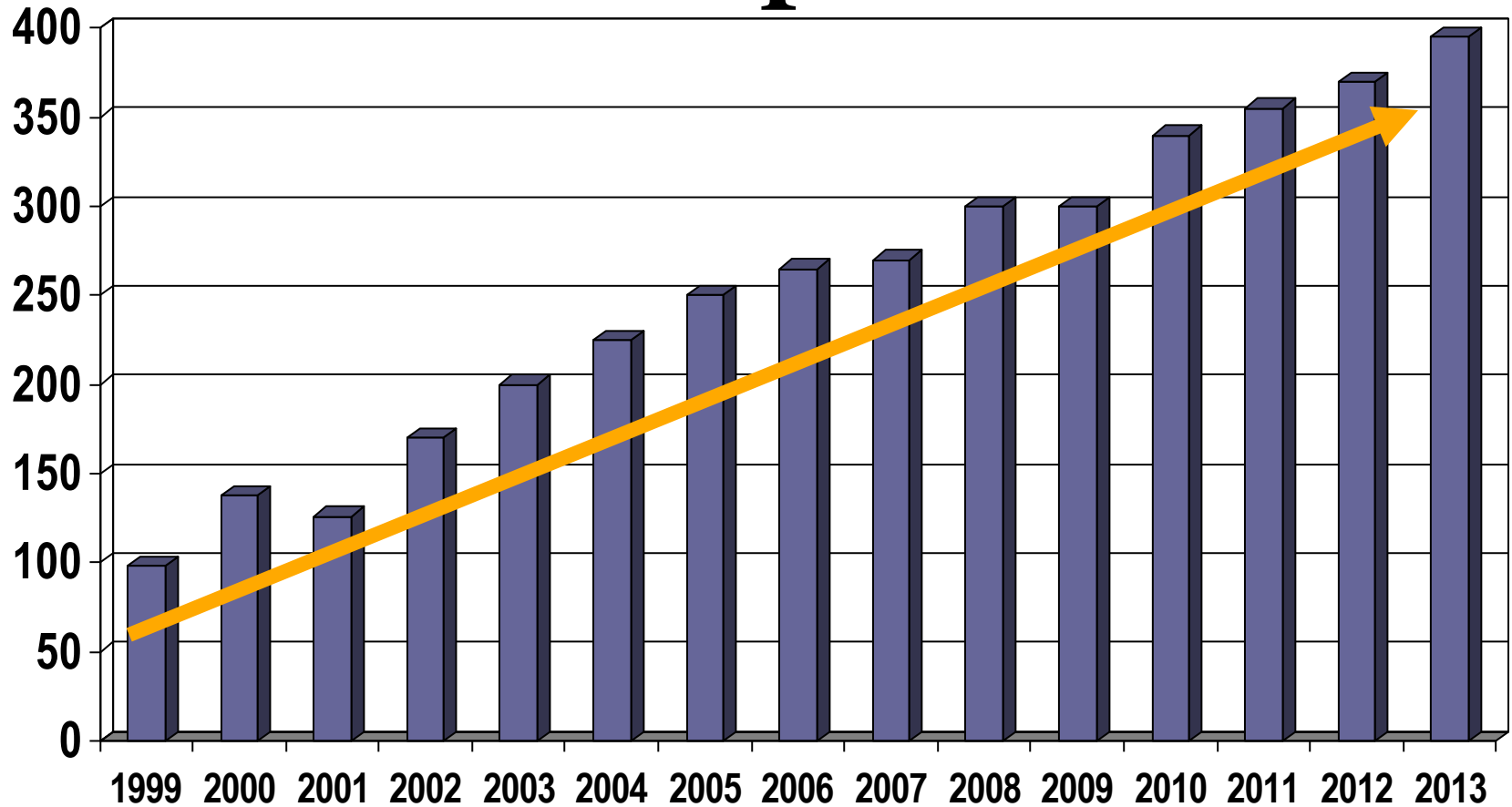
# Why Angel Groups?

- The Power of Aggregation
- Mitigate Risk
- Higher Quality Deal Flow
- Greater Investment Clout
- Portfolio Management

# Advantage of Angel Groups for Entrepreneurs

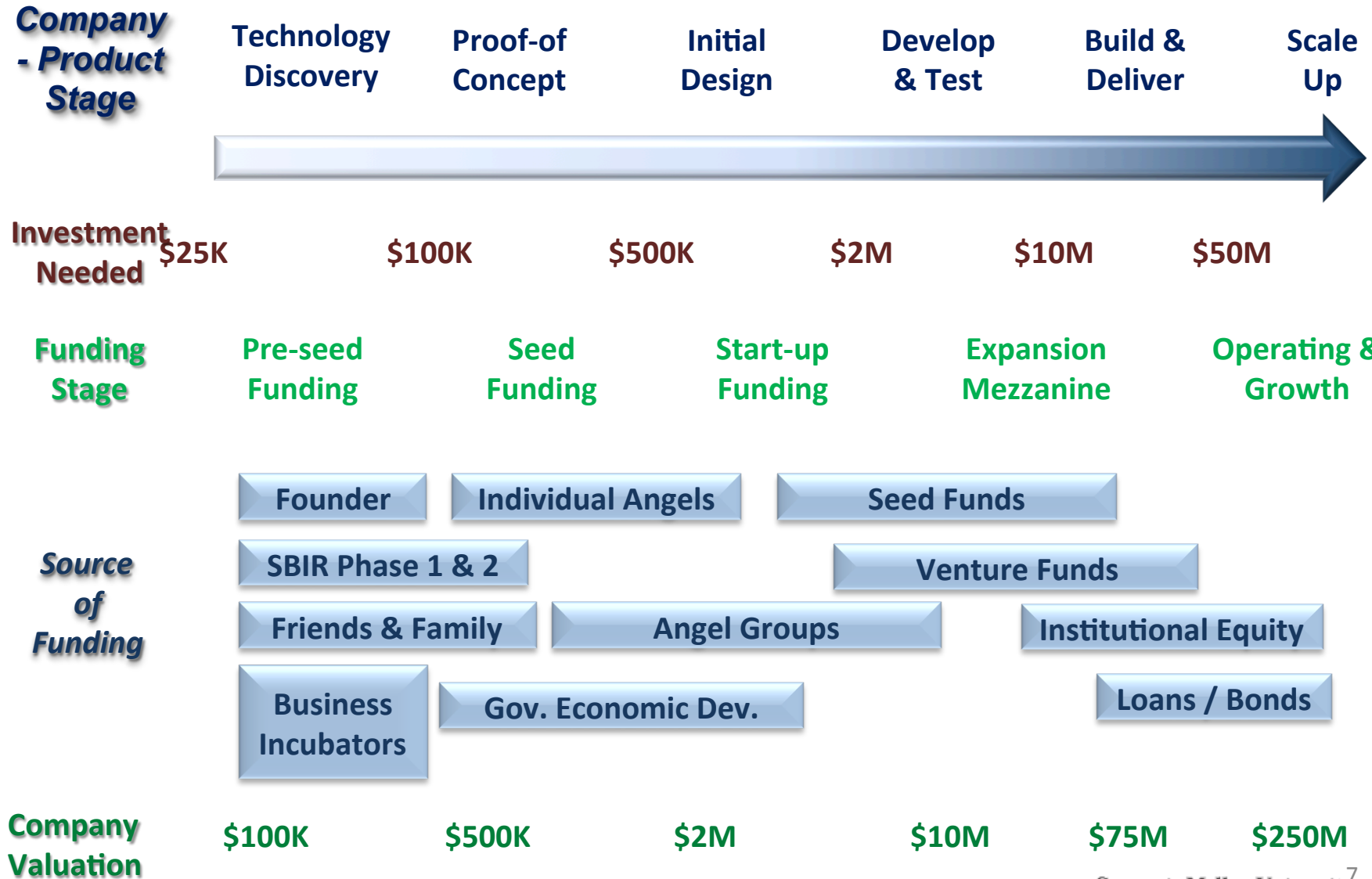
- Diversified business experience
- Extensive industry contacts
- Opportunities to syndicate

# Growth in Number of Angel Groups



Sources: Center for Venture Research (pre 03 data) and Kauffman Foundation/ARI (04-13 data)

# The Funding Landscape



# Angels Fund Majority of Startups in USA

Angels Provide ~90% of Outside Equity for Startups

## Angel Investors (2013)

- \$24.8 billion
- **71,000 deals**
- 32,000 seed
- 29,000 early stage
- 9,200 expansion
- > 298,000 individuals

## Venture Capital (2013)

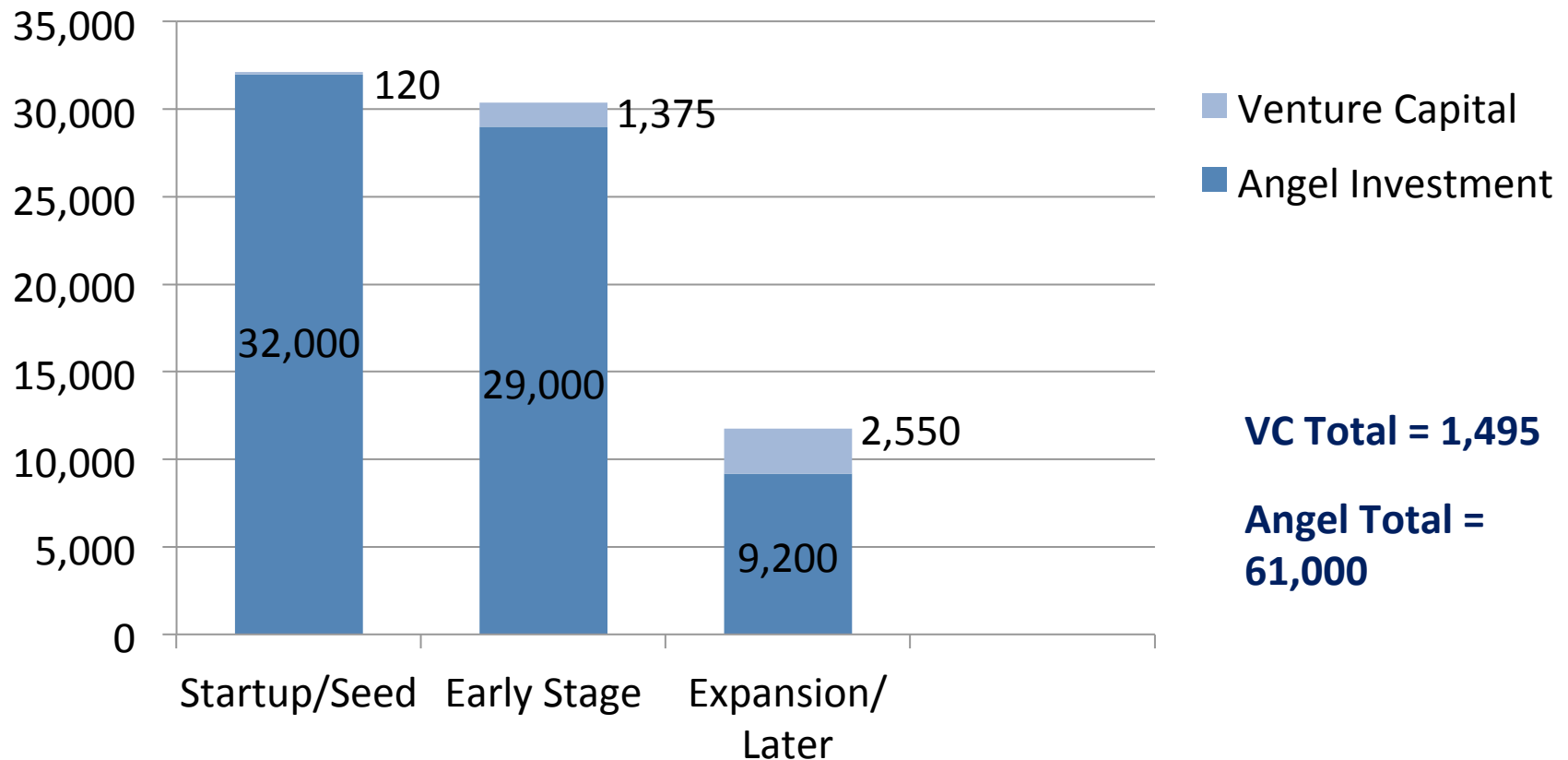
- \$29.6 billion
- **4,050 deals**
- 120 seed
- 1,375 early stage
- 2,550 later/expansion
- 548 active firms

Sources: Center for Venture Research/ UNH; NVCA 2014 Yearbook; PwC MoneyTree



# Angels Fund Nearly All Seed/ Early-Stage Deals...

Number of Deals in 2013: Angel Investment and Venture Capital



**Without angels few startups would make it to VC, PE or IPO funding**

Source: Jeffrey E. Sohl, Center for Venture Research and 2013 NVCA Yearbook

# Telling Your Story

## (Elements of the Pitch)

**To get funded, entrepreneurs need to tell a compelling story. Your story, or “pitch”, must contain several important elements:**

- Product/Service
- Market
- Business Plan
- Sales & Marketing
- Financials
- Management Team
- Exit strategy

# Product or Service

## (Elements of the Pitch)

Your product slides should explain what “problem” or “pain” you are addressing:

- How big is the problem?
- Who is your target customer?
- Who are your competitors?
- What is your product differentiation or competitive advantage? How does it work?
- What is your value proposition?
- What are the barriers to entry? (Patents, trade secrets)
- What are the risks? (Technology, regulatory)

# Market

## (Elements of the Pitch)

**You should address the following questions about the market for your product:**

- What is the total market size?
- What is the *addressable* market size for your product?
- What is the projected market growth?
- What % of market share will you have in 5 years?

# Business Plan

## (Elements of the Pitch)

### Your Business Plan slides should address:

- What is your revenue model?
- What assumptions are you making regarding:
  - Pricing and margin?
  - SG&A?
  - Supply chain?
- How will you scale?
- What is the long-term prospect for product or market extension?

# **Sales & Marketing**

## **(Elements of the Pitch)**

**Even the best ideas go nowhere without a sound sales and marketing strategy. Your Sales & Marketing slides should address:**

- Go to market strategy:
  - Direct sales?
  - Channel Partners?
  - Licensing?
- Cost of customer acquisition?
- Length of sales cycle?
- Regulatory Drivers (or Barriers)?

# Financials

## (Elements of the Pitch)

**As part of the story, the Financials should convey:**

- 5 Year P&L Projection
  - Revenue
  - Expenses
  - EBITDA
- How long and how much will it take to get to breakeven ?
- How much are your asking for?
- Use of funds
- How much have you raised to date?
- How much additional capital will you need?
- PMV?

# Management Team

## (Elements of the Pitch)

**You must talk about the team that will be responsible for executing the business strategy.**

**Your Management Team slide should address:**

- What is the CEO's start-up experience?
- Who are the other key management team members and what is their experience?
- Is the team balanced?
- Who is on the company's board of advisors/directors?



# Exit Strategy

## (Elements of the Pitch)

**Every investor want to know how they might get their investment back. This typically happens by way of an acquisition or more rarely via an IPO. Your Exit Strategy should address:**

- Who might acquire you?
- What other companies have been acquired in this space?
- What were the exit multiples? (EBITDA, revenue)
- How long will you take to exit?

# The Pitch

**Here are some tips on presenting an effective pitch:**

- Plan on a 20 Minute pitch
- Practice, practice, practice
- “Less is more” on your slides
- Avoid the “beautiful baby syndrome”
- Get feedback before and after
- Be excited and passionate

# Information, Resources, and Support



- **Kauffman Foundation** [www.eventuring.com](http://www.eventuring.com)
- **Angel Capital Association**  
[www.angelcapitaleducation.org](http://www.angelcapitaleducation.org)
- **Books**
  - Early Exits by Basil Peters
  - Term Sheets & Valuation by Alex Wilmerding
  - The Art of the Start by Guy Kawasaki



The Wilton E. Scott Institute for Energy Innovation at Carnegie Mellon University is focused on using and delivering the energy we already have more efficiently; expanding the mix of energy sources in a way that is clean, reliable, affordable and sustainable; and creating innovations in energy technologies, regulations and policies.



The Center works with its partners to serve the entire CMU community—departments, colleges, centers and campuses—to accelerate bringing research innovations and promising ideas to the global marketplace and helping all entrepreneurial students, faculty, staff and alumni tap into the 'innovation ecosystem.



Project Olympus encourages and support entrepreneurship on campus by helping faculty and students turn their cutting-edge research and great ideas into startups.