

The Art of the (Investor) Pitch



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Objectives for Today



- **Provide a framework for effective pitching**
 - Put the Investor Pitch in context
 - Walk through a proposed structure for the pitch
 - Provide some tips for effective pitching

Introduction



- **Des O'Connor**
 - Executive in Residence
 - GSIA 1995
- **Innovation Works - Seed stage investor**
 - 174 companies
 - \$54M invested
 - \$1.5 Billion in follow on funding
 - 25 exits
 - 5th most active investor in the US
 - \$150k - \$250k typically

What is your objective with your pitch?

You walk up to the door of the fancy VC office with laptop in hand and freshly updated pitch loaded and ready to go.

What are you hoping to accomplish?

Primary Objective: Get to the next Meeting



Also:

- Provide enough information to get them interested
- Don't try to educate them
- Tell your story
- Leave them wanting more

Furthermore....



- **Establish your credibility and competence**
- **Create the basis for a relationship**
- **Demonstrate coachability**
- **Be somebody they might be interested in spending time with**

Is the Investor Pitch a sales pitch?



- **Yes!**
 - but not a product sales pitch.....
- **Investors are interested in a return, a large return**
 - Product success is important, but the overall enterprise and its future success is what you are selling

The Investor Pitch is not the only tool in your bag



- **Elevator Pitch**
 - 30 – 90 second verbal communication that gets an investor engaged
- **1-2 Pager**
 - Brief overview that can be mailed / emailed
- **6 Page Executive Summary**
 - We have a plan – It's not all big ideas and hyperbole
- **The Business Plan**
 - Questionable whether you need it, but you definitely need to have done the thinking

Communication Philosophies



- The slides support the narrative, not the other way round
 - Don't read it - Tell your story
- Don't try to educate – be the expert in the room
- Heavy text / Light text
 - The Pitch needs to be a stand alone document but...
- Many different pitching scenarios
 - Large room / small room
 - 8 min.s – 60 min.s
 - Etc.

Tactical Considerations



- Have a standard pitch – lots of variations
 - 25 Minutes talk time
 - 14 to 16 pages
- Not full sentences
- Use graphics / illustrations
- Use the slide real estate intelligently
 - Headers
 - Bullets <7

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

The Pitch



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

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

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 in the future?
- 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 situation (“pain”) will you solve/exploit?
- If it’s not a problem specifically, then what’s the opportunity?
- 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
- 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 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?
- 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

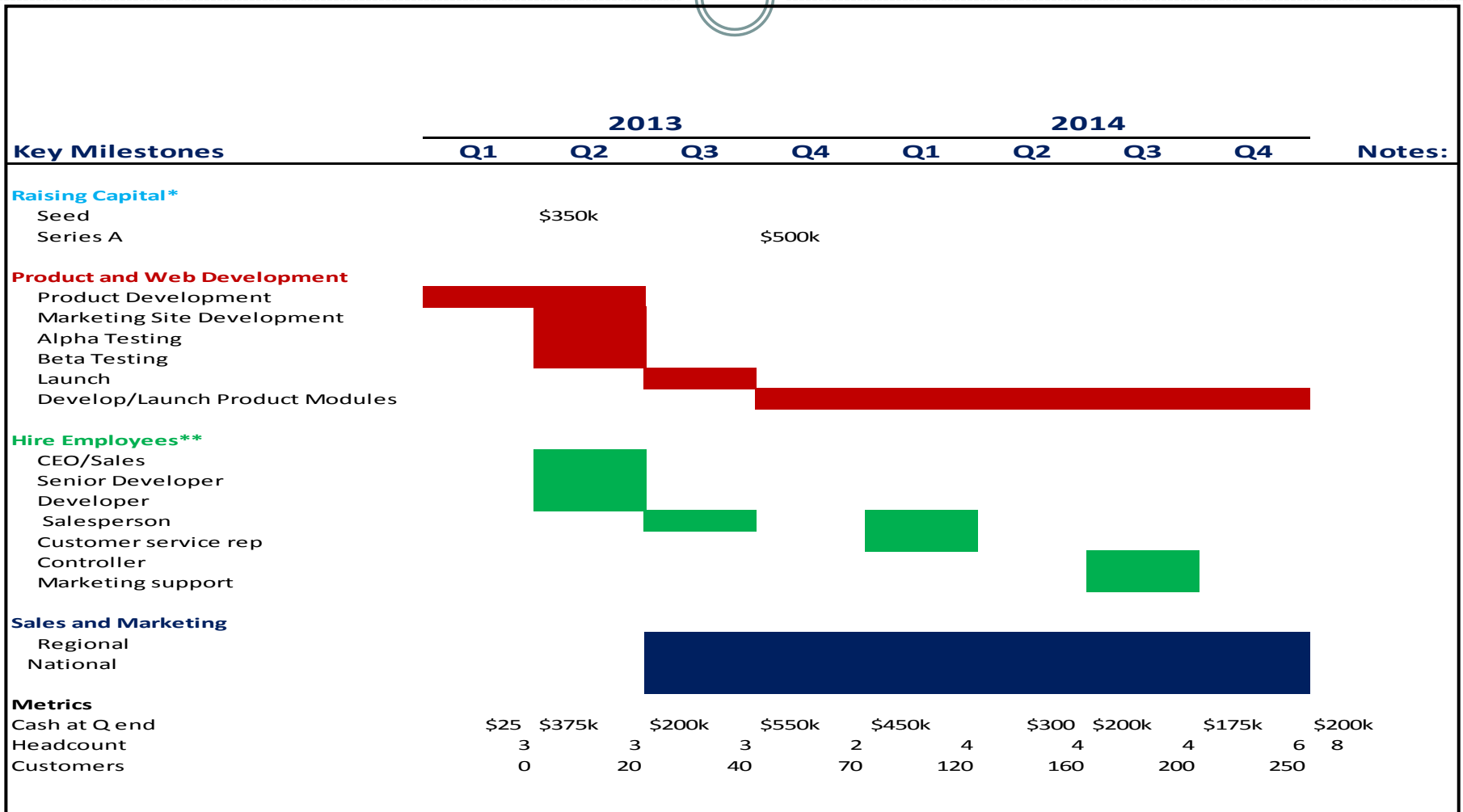
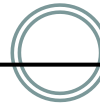
Operating Plan



- 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



Business Model & Pricing



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

- How is it all going to work
- Be Specific
- 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 but not to the point of being ridiculous
- VC Considerations
- Cash is King

Projections - Simple



000s	2014	2015	2016	2017	2018
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 you 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

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.

Good Luck!!



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