

## Making a Pitch – Resources for the Entrepreneur

Here are three excellent website links with interactive resources and step-by-step guides to making a winning pitch. Also included are some helpful articles on how to make a successful pitch to angel investors or venture capital groups and an article from the Puget Sound Business Journal describing an actual pitch session, including helpful tips and questions that were asked by the investors.

---

### Step-by-Step Guides

- ★ The Alliance of Angels has a 10-minute pitch clinic with detailed information on how to prepare your presentation, even breaking down minute by minute.  
[http://www.allianceofangels.com/companies/presentation\\_guidelines.html](http://www.allianceofangels.com/companies/presentation_guidelines.html)
  - ★ GoldenCapital.net has an interactive resource for preparing a pitch:  
<http://www.goldencapital.net/portal/gcn/Resources/static/StaticPage?action=2&staticpage=03380cca23d6335661867974b4f749ec233a2ac1>
  - ★ Download one of Garage.com's step-by-step guides, *Perfecting Your Pitch*, *Write a Compelling Executive Summary*, and *Critical Factors for Obtaining Venture Funding*  
  
Perfecting Your Pitch: <http://www.garage.com/resources/perfectingpitch.shtml>  
Executive Summary: <http://www.garage.com/resources/writingexecsum.shtml>  
Critical Factors: <http://www.garage.com/resources/criticalfactors.shtml>
- 

### Elements of a Winning Pitch

By: **Susan Greco**. Source: Springboard Enterprises Bootcamp

A presentation to potential investors in your business -- to family, friends, or angels -- should include most of these elements.

Typically at a venture-capital forum, you have about 10 minutes to cover the topics listed below. VCs in particular love the nitty-gritty details of how, say, you plan to grow 200% in two years. But any presentation to investors --whether to family, friends, or angel groups -- should include most of these elements:

- Opening
- Benefit statement of what you do
- Problem and solution

- Market size and opportunity
  - You and the team
  - Revenue model and financial projections
  - Competition
  - Milestones to date (partnerships, customers, revenue, product development, investment)
  - Milestones for the future
  - Use of funds
  - Exit strategy
  - Close and call to action
- 

## **Making a successful presentation to potential investors**

Puget Sound Business Journal (Seattle) - by Cheryl Isen

So far your business has survived through aggressive bootstrapping. A stellar initial team is assembled. Your value proposition is strong. You have traction with early customers. Now it's time for a larger capital infusion.

With so much to be proud of, why does presenting to angel investors seem so daunting? For one, investors don't make it easy. Consider the stories of CEOs presenting to a room of bored, uninterested investors who spend time texting, or worse, leave the presentation early after asking curt interrupting questions.

Wouldn't it be great to know in advance what angel investors really want? At a recent Northwest Entrepreneur Network breakfast meeting, we were behind the scenes when members of Seattle's angel investment community agreed to critique three company pitches.

Presenters from local startups included: Hyran Media, makers of interactive radio content; Paperspine, a subscription-based book rental service; and Pathable, providers of an attendee event communication system. Each were given five minutes to persuade the angels of their investment potential.

In advance, each company's presentation was fully vetted by experienced Northwest Entrepreneur Network volunteers. Even so, the presenters put themselves on the line for an extremely public critique. And, similar to the show "American Idol," the knowledgeable panel of judging angels proved to be a thoughtful and complex group of personalities. They provided excellent feedback although they weren't always in agreement.

Each angel also had a unique style, personality and interest. They were sometimes careful and nice, always appropriately professional, but periodically edgy and impatient. The panel included Hyer Bercaw, of Hyer Ventures; Rebecca Lovell, of the Alliance of Angels; and Gary Ritner, of the Puget Sound Venture Club.

Personalities aside, the valuable insights provided by this real-world panel of angels will help any entrepreneur improve the odds of delivering a well-received presentation.

Tips to bank on:

- State your unique value proposition within the first 30 seconds or risk losing the audience. For example, what is different than your competition and why is this important? Be clear about what is defensible.
- Use story-telling to engage your audience. Present your concept and information as a story rather than as a set of slides and facts. For example, verbally begin your story by setting up a scenario and then use questions to tee up the answers in each slide.
- Bring your story to life with charts, graphs, screen shots, pictures, illustrations and client logos whenever possible.
- Establish a point of parity to help clarify a complex message and create understanding; however, be selective about who or what you're comparing to. Make sure the example doesn't work against you by making the audience think of the problems.
- Be wary of over-hyped words. They can work against you — Web 2.0 might position your business as just another similar company and as being late to the game.
- Sprinkle user quotes into the slides for subtle validation, but don't read or talk to them.
- Speak with confidence. With practice you should be self assured enough to deliver a great presentation. Practice in front of co-workers and people you don't know. Videotaping your presentation will also provide valuable insights.
- Never forget to: Explain the critical success factor to success and how you are addressing it; validate growth and financial projections; use industry information available for similar companies if you don't have your own; demonstrate the market and technology validation. This is critical to establishing credibility; and stay within the allotted time limit.
- Always be honest and forthcoming about shortcomings, current status or threat. For example, every company has competition. Be clear about how you will address it or you'll be leaving a giant elephant in the room.
- Lastly, all angel judges agreed that defensible technology is less important than the stability of the management team and their ability to execute. Be sure to emphasize your management team strengths.

Investor presentations are short. Ten minutes is typical, followed by a quick question-and-answer session. Therefore it's critical to keep slides to a minimum and to anticipate all possible questions and be ready with answers. These were typical follow-on questions presenters heard:

### ***Offering***

- Will it scale?
- What makes it easy?
- Is it protected?
- Who owns the data? Can it be used again and again? Are there privacy/security issues with data?

### ***Market***

- How is the market segmented?
- How will you reach the market?
- Assuming the market is crowded and behavior change is required, what makes it easy?

### ***Company/sales***

- How do you sell your product and what sales effort do you have in place?

- How long does it take to close a deal and who is the key decision maker?
- What do you need to be successful: land a big fish or lots of one-off sales?
- What is the management team's experience relative to their ability to execute?

### ***Competition***

- Who doesn't like you or whose toes will you be stepping on?
- How will the "giant" competitor handle you?
- What is different from the competition that you can tell your customers?
- Clarify who is direct competition and is indirect.

### ***Financial***

- What is sales cycle to ramp up to projections?
- How did you validate the numbers?
- Define the revenue model — and be prepared to validate it.

### ***Management and advisory board***

- Has your team worked together before?
- How much individual and aggregate experience does the team have?
- How many startups has the team been involved in?

### ***Funding needed***

- What prior funding have you received? Be prepared to break down each source.
- What are you seeking now and how will it be used?
- What do you expect to need in the future? (This helps investors predict dilution.)

Although as individuals the judges disagreed on some points, they all agreed on one critical take-away: When searching for money, it's crucial to get your presentation in front of as many investors as possible because there is no perfect business model. What offers high appeal to one, may appear silly to another.

## **GoldenCapital.net – Two Minute Pitch Guide**

**These are the topics you should plan to cover in your 2-minute pitch:**

What you do

- Your name and name of company
- Single sentence overview of company
- Market problem or market need that your company addresses
- Your solution and differentiation (product, why it's better)
- Your customers (who do you sell to)
- Size of your target market (the more specific you can get, the better)

- How you make money (business model)

Who you are

- Key management experience
- Any spots needing to fill
- Current status
- What you have accomplished
- Where your company stands in business development

What your next steps are

- Next milestone(s) your company will accomplish

What you need to get it done

- Resources you need to get it done framed as a "Call to Action" (i.e. Looking for: capital, management talent, strategic relationships, etc).

## **GoldenCapital.Net – What to include in pitch presentation and materials**

Format is important, but content is king, so recommendations about WHAT you include in your Executive Summary and your slideset are outlined in some detail below. If you follow these simple instructions, you will be much farther along on your way to clearly and concisely communicating your business opportunity.

### **General Executive Summary Format Tips -- You can upload your summary as part of your profile for screening**

- **Keep it to the 3-page limit** - Yes you can include a contact cover page, and that does not count against the 3-pages (see next bullet)
- **Include Contact Information** - Seems simple, but many entrepreneurs somehow neglect to do it.
- **Use common document formats**, such as Word or PDF
- Name the document you submit something other than Executive\_Summary. We get hundreds of submissions. **Include your COMPANY NAME in the document title**
- If you "track changes" in editing, clear the notations before you submit
- Cover all the content areas outlined below

### **General Slide Presentation Format Tips:**

- **Large Font Size** - Use 24 point or larger text for readability at the back of the room
- **Use Minimal Text** - You don't want the audience reading your slides, but rather listening to you. Keep the text short and speak to the concepts
- **One Slide Per Topic** - Use one slide for each topic in the executive summary. A couple of topics might require two, but be concise.
- **Minimize bells and whistles** - Keep the audience focused on what you are saying, not the fact you can use PowerPoint animation wizards. Animation is great, but make it work and make it count.

- **Use Clean Design and a Folio** - Slides should be clean and compelling (dark text, light background or vice versa) with some "folio" including company name and logo on each slide.
- **Make A Statement with Your Headings** - Headings on slides are more effective if they represent the conclusion you want the audience to draw from the slide, versus a generic statement about the slide subject
- **End with Contact Slide** - End your presentation with a contact information slide that stays on the screen while you address audience questions.

[One-Sheet Template](#) - Download this template to submit your company one-sheet to the printer for inclusion in the book that all attendees receive at a GCN event. It can be front and back if necessary.

### **Slideshow and Executive Summary Content Components**

Your presentation should cover these elements. They do not necessarily have to be in this order, but you should address all of them within the 10-minute timeframe.

### **HINT: Spend Less Time on the Tech, More Time on the Business**

#### **1. Company Overview**

Be sure to tell your audience what you do and what business you are in. This is a good place to hit highlights of your presentation, but very quickly (i.e. we have paying customers, we have met the milestones from our first round of capital, we have a management team with stellar credentials, etc. -- whatever is strongest)

#### **2. Customer Pain / Problem Addressed / Market Need**

Discuss this in specifically and succinctly. How painful is the problem. How strong is the need.

#### **3. Product/ Solution / Technology**

How you address the problem/need. For the most part, your investor audience in this format will grant you that your technology does what you say it does (though always expect rigorous due-diligence). Often, graphics and/or diagrams are particularly useful here.

#### **4. Market Size & Addressable Market Segment**

How large is the market, and what portion of that market is your addressable segment. Be as specific as possible and show the overall potential.

#### **5. Customers**

If you have customers, who are they (logos are good). If you don't have them yet, who will they be and what do they say now (you had better be talking to them). Paying customers establish proof that someone is willing to pay for your product or solution.

#### **6. Competition / Competitive Advantage**

Who are they, why are you different and better. How will you establish and maintain a sustainable competitive advantage. Often communicated in a scatter graph or features comparison grid.

#### **7. Management**

Include names and brief credentials and achievements of important members of the team, board of directors and advisory board who add value to the enterprise because of what they have achieved.

### **8. Financial Projections**

What are the assumptions your "hockey stick" is based on. Bottoms up revenue analysis is strongest.

### **9. Execution or Go-to-Market Strategy**

We've seen the hockey stick, now describe how you will do it.

### **10. Funding Stages & Milestones**

Milestones are significant value-creating events: product, revenue, customers. Include those you have achieved so far (so we know where you are in your business development) and those you project to achieve with each subsequent funding round (so we see how you get where you want to be). Funding rounds should be based on milestones achieved.

### **11. Capital Required, Uses of Capital and Exit Strategy**

How much you are looking for now, what you plan to use it for, and what are potential exits for investors. This is not a venue for discussion of terms. You can discuss amount of capital required to execute your plan, what you will use it for, and whether you will need additional capital in the future.

The items above are presented in one potentially logical order, but the order in which you communicate them will depend on your strong points.

---

## **The Investment Pitch: How to be succinct in 10 minutes**

Answer seven basic questions to persuade investors to fund your company

Puget Sound Business Journal (Seattle) - by Dan Rosen

You're standing in front of a room filled with angel investors and venture capitalists, and you have 10 minutes to pitch your company.

While confident of your material, the butterflies in your stomach and dampness on your brow emphasize the importance of the next few minutes. You have invested more than a year of your life and an appreciable part of your life savings to build your startup company. What do you say?

The ultimate goal of presenting to investors is to get funding. In a 10-minute pitch, though, the purpose is to generate enough interest to secure a follow-up meeting with investors. A successful presentation accomplishes this by answering seven basic questions with just enough detail to be compelling and convincing.

- What does your company do?

Begin with a clear description of your company and product. This is one of the most important parts of your presentation because investors will lose interest almost immediately if they don't understand what your company does.

You're probably not talking to experts in your particular field, so avoid using a lot of technical terms. Instead, give a one-sentence description of your company that would make sense to your neighbor. Follow this with examples of how your product or service is used and why a customer would buy it.

- Who are you selling to and how big is the opportunity?

Just because you have a cool technology doesn't mean that you have a compelling business opportunity. Investors are looking for strong business models that sell into large and growing markets. They need to know the projected number of customers, the size, and the growth rate for each of your key markets. This discussion should be limited to only the markets your company is addressing, and don't inflate the size of the market.

If there is a business opportunity, you have competition. List your direct and indirect competitors from industry leaders to other startups. Ignoring competitors or claiming that you don't have competition tells investors that you don't know the market. You also miss the opportunity to highlight your competitive advantage.

Do you have patents on key technologies? How large is your lead and what barriers to entry do your competitors have? These are the points that can sell investors on your company, even in a tight market.

- How do you sell it?

A comprehensive marketing plan is less important because investors understand that it may change as the company evolves. However, it's still important to show a clear strategy. Investors are particularly interested in whether your company has a well-constructed and realistic distribution plan. Outline direct and indirect sales and explain how you will reach these customers. In addition, note key partners and how you work with them.

- How do you make money?

Investors won't put money into your company if it doesn't have a revenue model. For each customer you have, explain the type of fee, the amount they pay, and the length of the sales cycle. Do you get revenue through licenses, subscriptions or maintenance contracts? Are these fees based on one-time use or do you have a recurring revenue stream? Are there other companies that have used a similar model successfully?

- How much money will you make?

The amount of money you will make and when you expect to break even are critical. This information is best presented in an easy to read graph that projects your revenue, expenses and net income for the next five years. Highlight your break-even point and state assumptions in your calculations, such as the number of customers and further rounds of financing.

- How much money do you need?

Now that investors understand your company, your product and your financials, it's time to let them know how much you need. Start by listing previous funding and the type of investors involved. This can be as simple as "financed by friends and family." When explaining your current funding round, note money already committed and the terms. Next, provide a breakdown of how the money will be used and indicate whether you plan to seek funding in the future.

Be sure to include a pre-money valuation for your company in this discussion. A lot of presenters avoid valuation because they don't want to get locked into a price before starting negotiations. This can undermine your presentation, because investors use valuation to size up the opportunity and make sure that you are being realistic. The best approach is to offer a valuation range that is in line with your company size and market, and show a willingness to negotiate.

- Why should we believe in you?

In the current funding climate, even a great idea or product won't attract investors unless it is backed by an experienced and entrepreneurial management team. When introducing the leadership, briefly mention their relevant experience. You can also list noteworthy advisory board members, especially if you have unfilled management positions.

Making an effective pitch in 10 minutes isn't easy. It can be done, however, by clearly and succinctly presenting the right information. As a result, you'll find yourself much closer to that second meeting.

---

## Angel Financing: Do's and Don'ts for Entrepreneurs

By Andy Sack

Two years ago, when I was raising capital for my new software company, Abuzz, I invited two potential investors to a presentation I was giving. They invited two other investors, one of whom, after asking questions about Abuzz's market focus, started to criticize our strategy. Rather than question what he, an uninvited guest was doing asking questions in the first place, I let his negativism take over, and it turned the whole meeting sour.

My unfortunate experience suggests two lessons about securing money from "angels," private individuals most likely to fund companies in the very early stages. The first is that *angels are idiosyncratic*. Rather than dealing with institutions (as you'll do when your company gets big enough for you to go to venture capitalists), you're dealing with individuals--and their whims. The second lesson is that you, the entrepreneur, *can and must manage and master those whims*. But you need to prepare.

More and more very young enterprises *are turning to angels for initial rounds of financing*. Based on my experience raising capital for two companies--yes, I finally did raise \$335,000 for Abuzz--*I've developed a checklist of dos and don'ts*. I've divided the list into two parts: what you

must do prior to making human (or should I say angelic?) contact and how you should handle the angels once you do get in touch.

### ***Prior to Making Contact...***

#### Write a Presentation and a Business Plan

I suggest starting with a presentation that contains 10 to 15 slides and runs for no more than 20 minutes. In the course of your presentation, you should *outline your product, your market, your management team*, and the reason you think your product will sell. You should make the presentation before a few people you trust, get feedback, revise it, and give it again, this time taping it. When you view your taped version, make sure you are making a compelling case for your company.

Only after you are satisfied that your presentation does make your case, are you ready to *write your business plan*. Crafting such a plan is a fairly standard exercise. You can find tips in books, Web sites, and software programs. I recommend making an outline, using simple prose, and *keeping your document to a maximum of 20 pages*. Don't submit an 80-page plan!

#### Identify Potential Investors.

Having developed a presentation and a plan, it's time to identify potential investors. One rule of thumb: Approach only those individuals who are *less than two degrees of separation from you*. Get references from people you know, but should those new acquaintances refer you to their contacts, you're on thin ice. Referrals from referrals rarely invest.

Another tip: *Stay local*. You won't need to go beyond your geographic area to find pockets of people eager to invest. It is, however, a good idea to approach people you don't know (and who may not be in your locale) if you believe they have a unique understanding of your product.

#### Create a Term Sheet and Specify a Valuation

You're now ready to create a term sheet, a one-page outline of *the investment opportunity your company affords*. It should include a "valuation," your best estimate of what the company is worth. Determining valuation is tricky. I suggest that you not try to gouge your investors. Aim for a fair deal. If you think your company is worth, say, \$3 million, and your investors offer \$1 million to \$2 million, go with the \$2 million. From the beginning, you want investors always to feel as if they're making money. Even though they'll own more of your company with the lower valuation, during later financing rounds, your company's stock will be more likely to increase.

Even though some angels are sophisticated investors, it's a good idea to *warn them about the risks involved*. (Each state has its particular disclosure requirements. You should check with your attorney or CPA to make sure that you are in compliance.) At the very least, you'll save face, and in the unfortunate event that your venture fails, you'll still be able to have lunch with your angels.

Finally, *structure the investment as common stock*, rather than preferred stock. While savvy investors often push for preferred stock, I'd recommend that the first money into a business--the "seed" capital--be in the form of common stock, because *it puts the investor on equal footing with the entrepreneur*. If the company's valuation is fair, getting common stock shouldn't be too difficult.

If your investor insists on preferred stock, which comes with privileges that aren't available with common stock, make sure that you have a fair liquidation preference." Such a clause addresses *the way the money is allocated in case of an acquisition or bankruptcy*. Don't allow angels "double dipping" that provides for their getting back their original investment as well as their pro-rata percentage. It's best if they get only their pro-rata percentage of the company's sale or liquidation value.

### **Making Contact...**

#### Contact Prospects and Arrange Meetings

Armed with a list of potential investors and your term sheet, you're ready to begin dialing the telephone and filling your date book. If an investor asks for a business plan, explain that although you'd rather meet before handing over a formal plan, you're willing to forward a two-page executive summary of the plan. Angels invest in people, not plans. *You want an investor's first impression of your business to be you*, not a piece of paper. Next, prepare for the meeting! Do your homework, fine tune your pitch, and even during introductory sessions, make sure you ask for an investment.

#### Create Excitement Around the Investment

After a handful of angels have expressed any degree of interest, you, the entrepreneur, should move interest into action and investment. *Set a realistic deadline for the investment*, and then, tell investors that the supply of available equity is fast dwindling.

#### Keep Investors Informed

Once investors have put money into your company, your relationship isn't over; it's just beginning. To state the obvious, *angels have a vested interest in seeing your business succeed*. Make a point of involving them in your success. *Send them quarterly updates*. Tell them about the company's achievements: new hires, new contracts, new partnerships, stories in the press. Be scrupulous about sharing bad news, and express your willingness to talk with your investors individually about their concerns.

**Investors can be a great source of contacts.** They have access to sales leads, job candidates, potential partners, and other investors. Let them know what you need and how they can help you. Considering that I allowed an uninvited investor to steal my thunder at the presentation for Abuzz, you might conclude that I could have done a better job of following my own advice. I could have been more aware of the idiosyncratic nature of angel investors, who are, after all, only human. I also could have been better prepared.

And all entrepreneurs should prepare. If you follow my guidelines, you'll be *doing your part to make the process manageable, productive--and profitable*.