



Perfecting Your Pitch
August 28, 2018

Welcome and thank you!

Welcome and thank you for
joining us today!

Please help us thank our
sponsors and partners for their
support of this program!



About Us

Venture Carolina is an educational non-profit that provides entrepreneur and investor education to facilitate more robust early-stage capital formation in the Southeast



About Us

VentureSouth operates angel investment groups and funds that provide capital and expertise to promising early-stage ventures across the Southeast



VentureSouth Overview



Make money. Have fun. Do good.

We wrote the book...



We've seen a lot of pitches...



...but we only invest in about 2% of incoming opportunities

So here's the secret, right up front

- Early stage capital is scarce – especially in our market, and...
- Most startups fail, so in order to secure funding, you must...

build credibility
that you can beat the odds

Our agenda for today



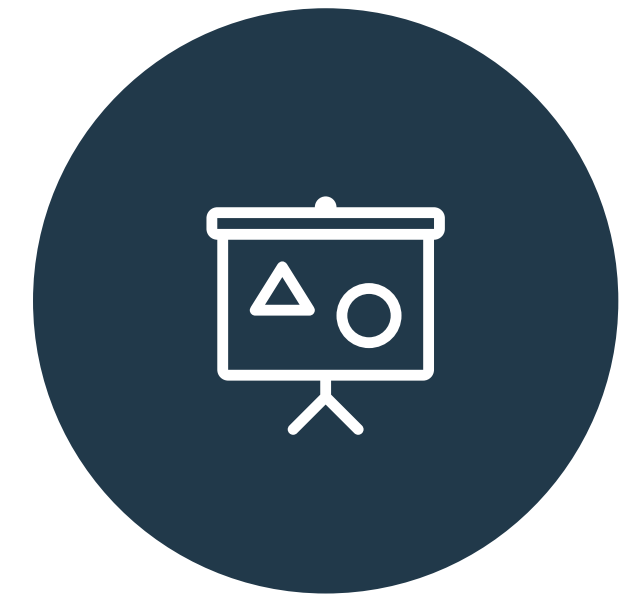
THE AUDIENCE



THE PROCESS

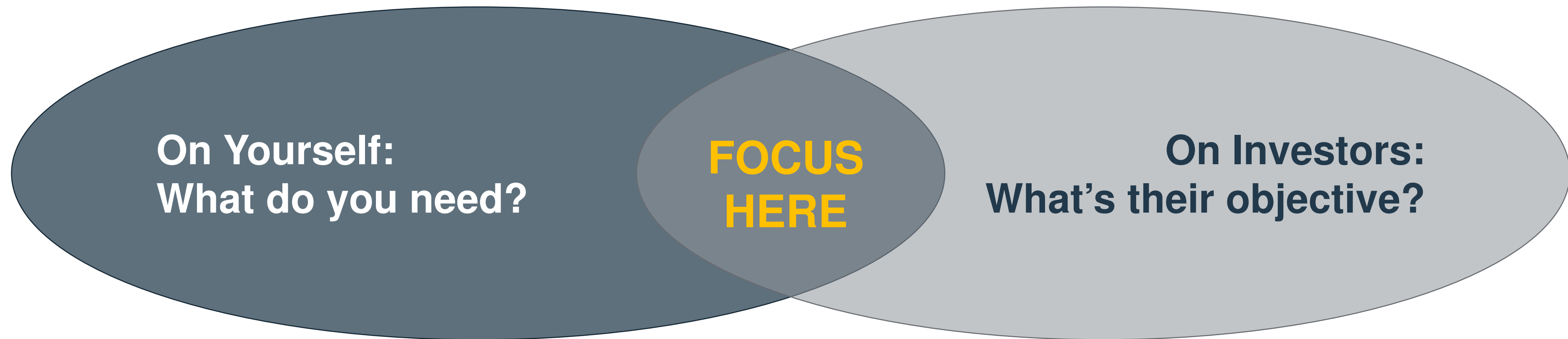


THE DECK



THE DELIVERY

First things first: Do your homework!



- Focus on investors whose objectives overlap with your potential
- Tailor your pitch to align with those investors

Understand the funding landscape

Stage &
Capital Needs



Sources of
Capital



Angels are individual accredited investors who invest their own capital and expertise in early stage ventures

Understand investors' parameters



GEOGRAPHY

Southeastern United States (bias for Carolinas, Georgia)



STAGE

Go-to-market (short term path to revenue growth)



TEAM

Trustworthy, resourceful, committed, adaptable



MARKETS

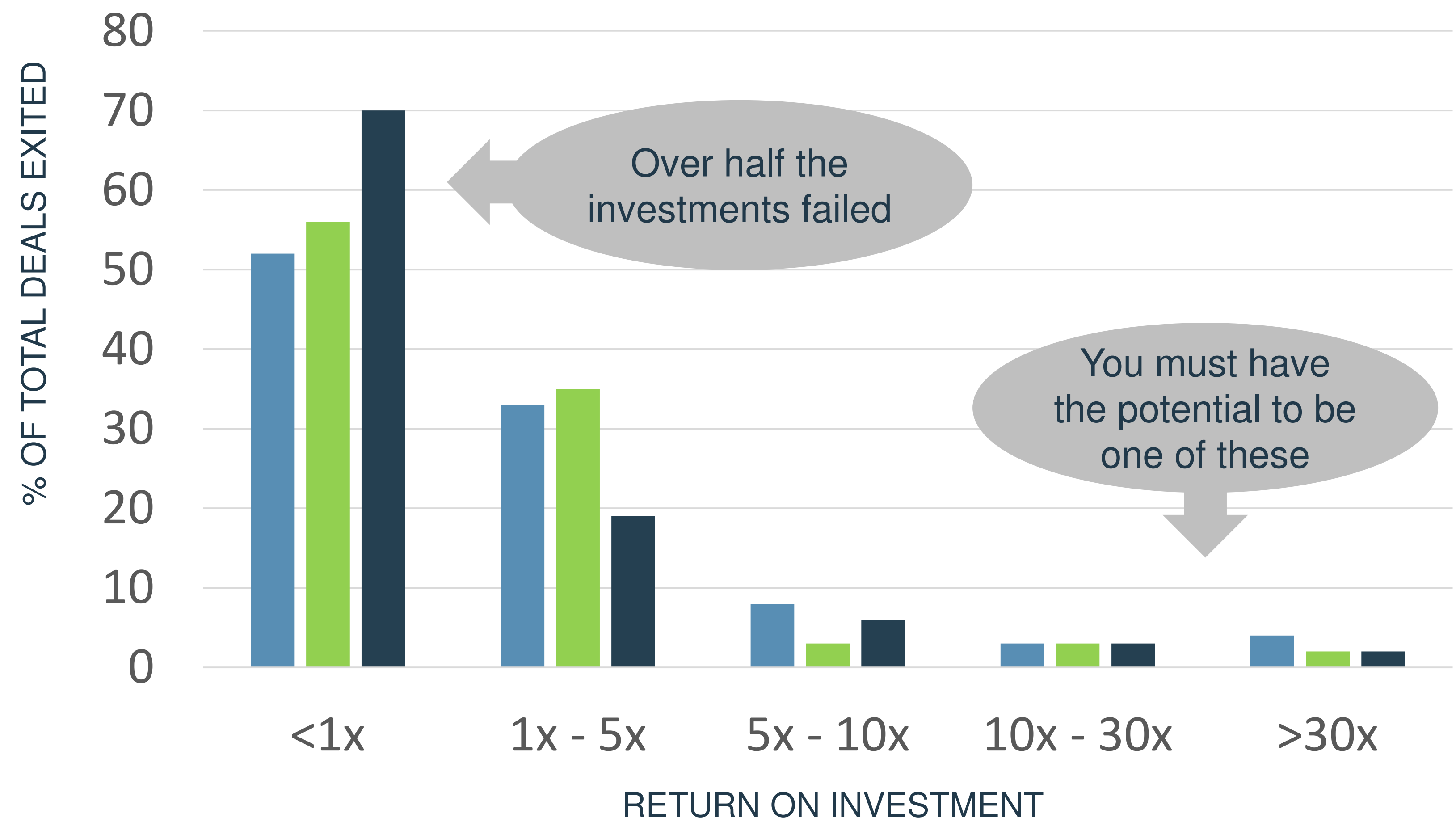
Industry agnostic, defensible, scalable, capital efficient



STRUCTURE

Preferred equity, target return of 50%+

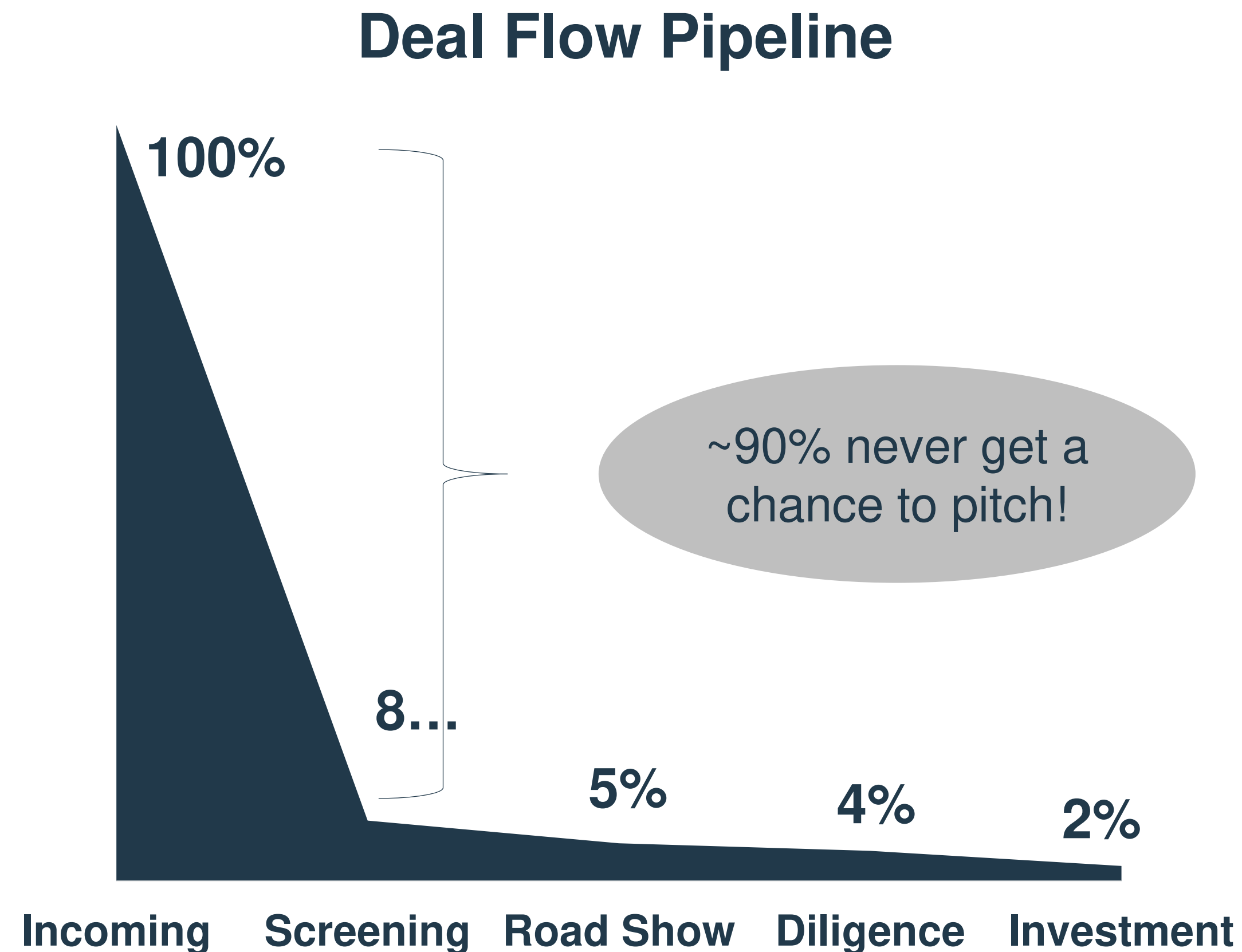
Understand investors' portfolio math



RETURNS TO ANGELS

2016	2.5X ROI, 4.5yrs, 22% IRR
2009	2.2X ROI, 3.6yrs, 22% IRR
2007	2.6X ROI, 3.5yrs, 27% IRR

Understand the pipeline effect



So how do you survive the cuts?

Get a warm introduction!!!

- Leverage your network
- Cold calling might work – but it's a long shot

Our agenda for today



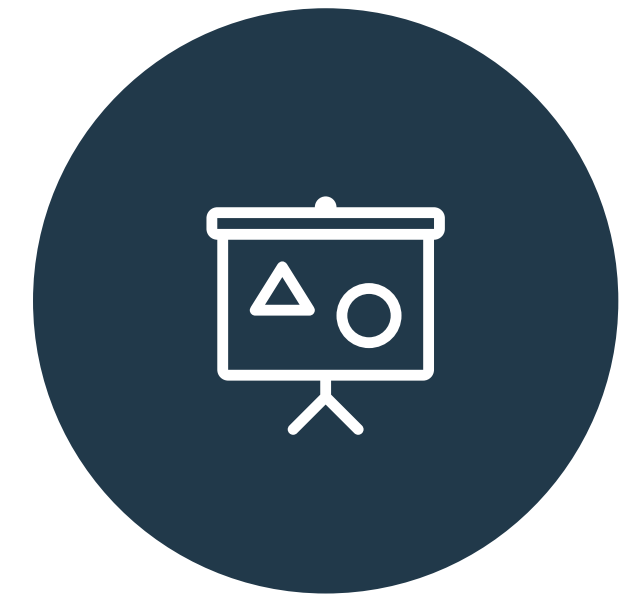
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THE DELIVERY

Anticipate the process



- Note there's no business plan listed here....that's for you, not investors
- The goal at each step is to be invited to proceed to the next step
- Again, the objective is to build credibility (and avoid undermining it)

The conversation starter

3

Elevator pitch

- 2-3 sentences you can recite in under 30 seconds...
- or easily insert into an email (after the warm intro)

We launched a consumer app earlier this year that helps xxxx and xxxxxx increase audience engagement and increase sponsorship sales. We have partnered with xxx, xxx and xxxx as well as many xxxxx. Earlier this month, we launched a seperate SaaS web app which is generating revenue.

Problem → Solution → Business Model

The first pitch

4 Executive Summary

- 1-2 page summary of the opportunity
- Initial document you send to investors (unless they request more)
- Include key elements like problem, solution, market, competition, business model and summary financials (but tailor to your business)
- Always send in PDF format to avoid any format issues
- Make it look professional, easy to read, free of errors
- There are many templates/examples available online

The key sales pitch

5 The pitch deck

- ~10-12 slide summary of the opportunity
- Key document for convincing investors to take a deeper dive
- Always transmit in PDF format
- Consider two versions: one for oral delivery, one for transmittal
 - The version for reading can include more explanatory text
 - You provide the verbal explanation for the live presentation
- We're coming back to the deck and delivery shortly...

Closing the deal

7 Due diligence documents

- Build a “deal room” in advance (dropbox, etc.)
- Keep it updated and ready to share as soon as requested

8 Investment documents

- Do your homework on terms sheets, deal terms
- Hire a good securities lawyer to help you avoid mistakes

9 Investment monitoring

- Keep investors updated regularly – with good and bad news
- Building trust will serve you well, regardless of outcome

Our agenda for today



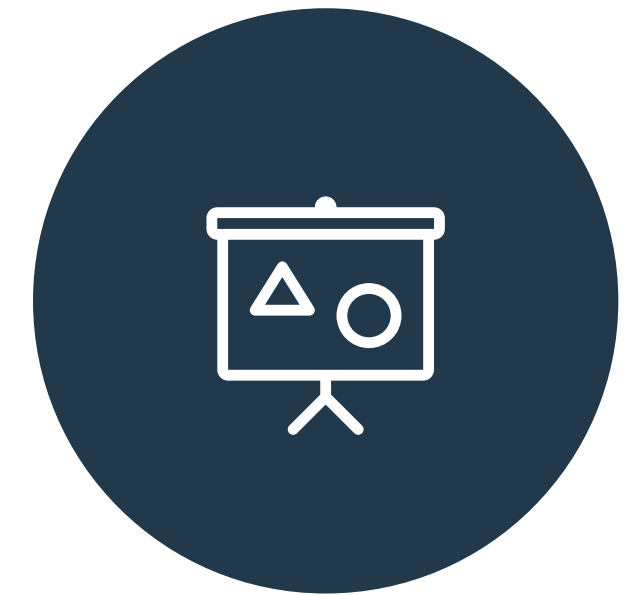
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For starters, a few general guidelines

- Beautiful slides don't save bad delivery...or a weak business!
- Be concise: favor pithy bullets over sentences
- Make sure text is large enough to read easily
- Pictures/diagrams are worth a lot of words
- Avoid busy slides – white space is good
- Details matter (avoid detracting/distracting)
 - Formatting, spelling, grammar, alignment, consistency, color scheme
-  • Carelessness here may not be substantive, but it undermines credibility

Example presentation outlines

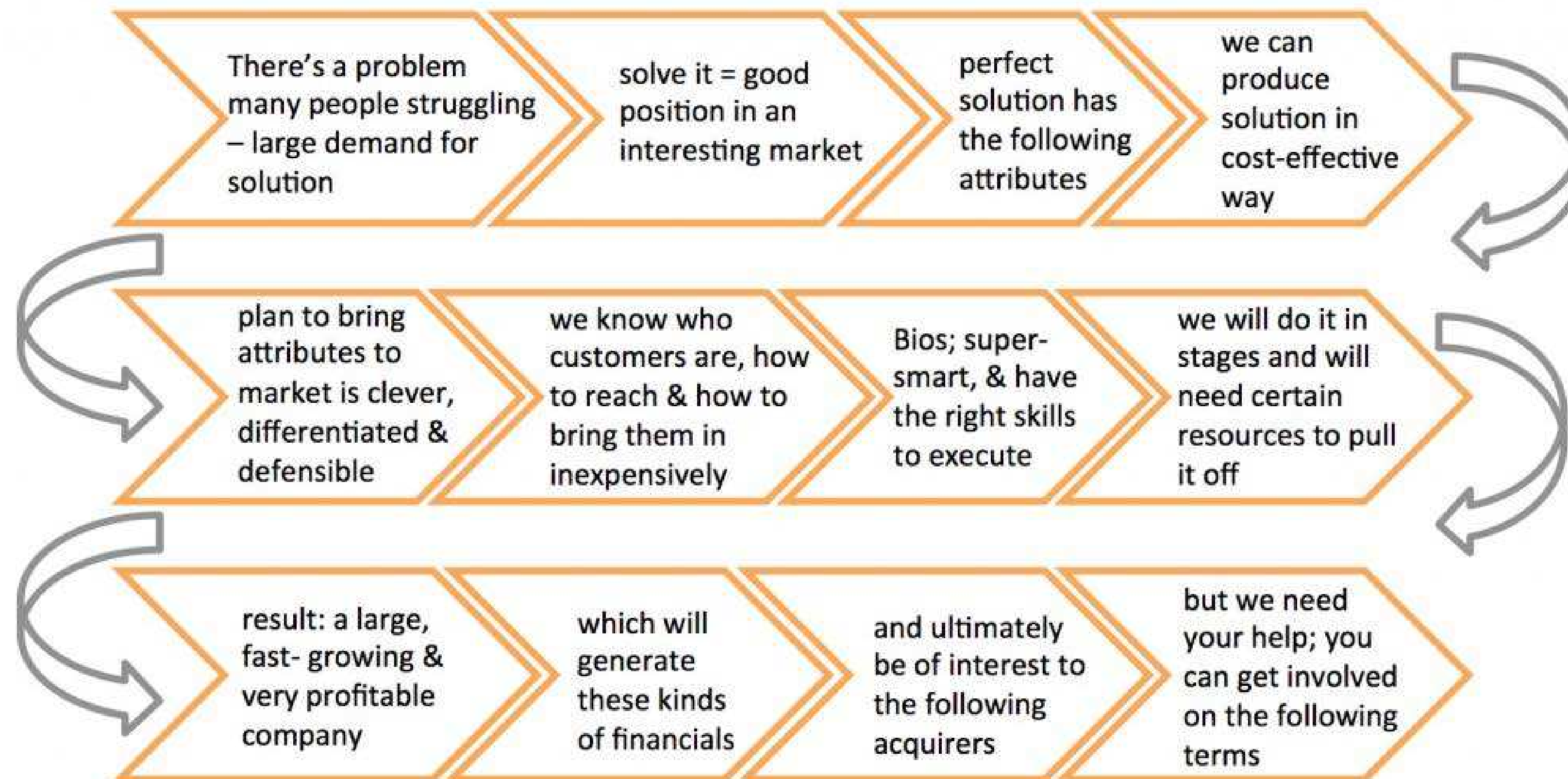
Garage Technology Ventures

1. Team – intro slide
2. Overview
3. Problem/Opportunity (size)
4. Solution (delivery)
5. Benefits/Value
6. Secret Sauce/IP
7. Competitive Advantage
8. Go to Market
9. Business Model
10. Financials
11. Raise/deal structure
12. Summary

VentureSouth

1. Problem/Pain point
2. Product/solution
3. Business Model
4. Industry/market overview
5. Competitive situation
6. Path forward
7. Management team
8. Key financials
9. Deal structure
10. Exit strategy

Another framework: tell a story that sticks



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Make it flow (logically)!



A closer look: Team

- *“The jockey is more important than the horse.”*
- Explain why this team can execute this plan
 - Give high level backgrounds, relevant experience
- ❌ • Avoid hubris: ~~“We have a world class team”~~
- If exec team is not complete, outline plan for critical hires
- Mention key advisors – but don’t spend much time
 - Only mention those who are meaningfully involved
- ❌ • Don’t “name drop” if not legit – investors will check!



A closer look: Product/Solution

- Describe the technology in layman's terms anyone can follow
- Use simple diagrams/schematics
- If you use a demo, triple check that it works – and have backups


DO NOT:

-  • Get in the technical weeds
-  • Reveal any secret sauce
 - Most investors won't sign an NDA (perhaps for technical diligence)

A closer look: Market

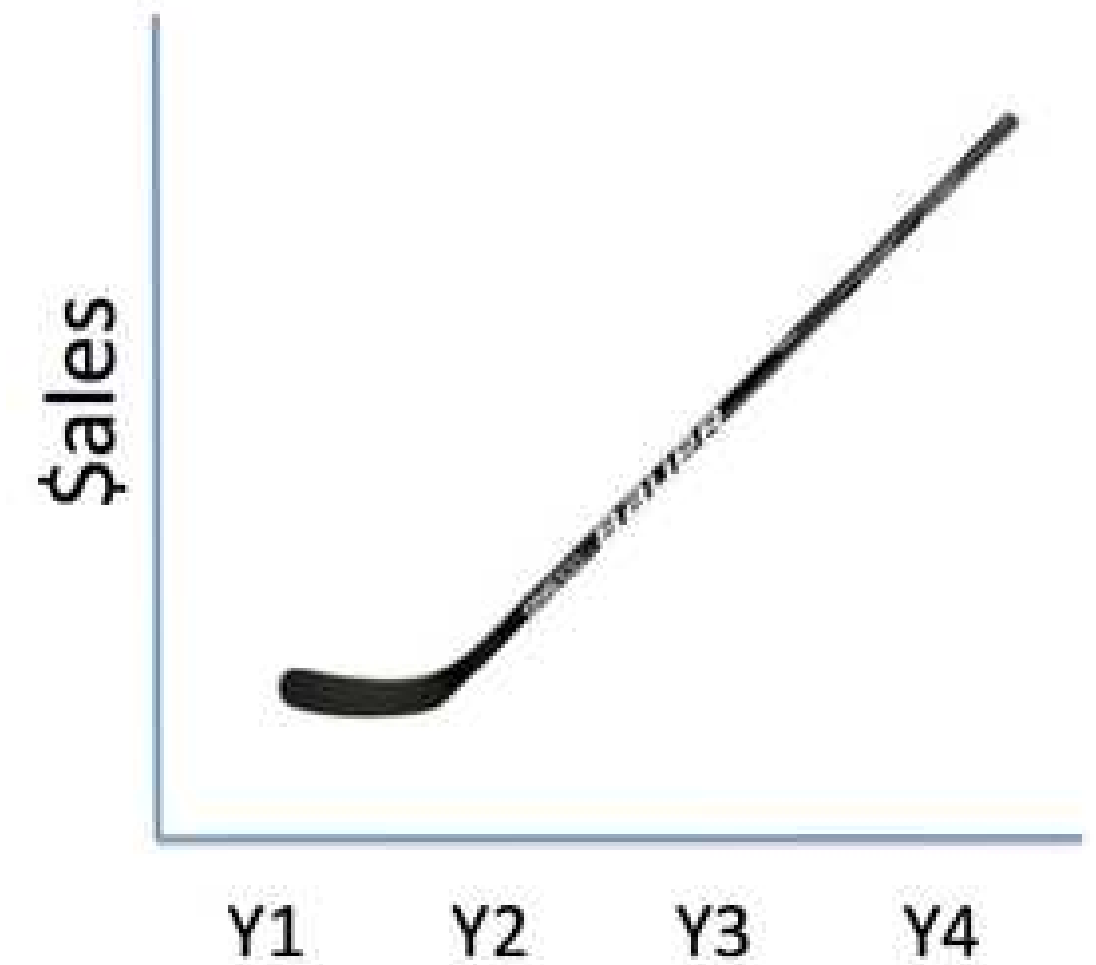
- Provide a sense of the size of the addressable market
 - Use bottom up approach: (customers*price*frequency)
 -  • Avoid top down: ~~“If we get only 1% of the market...”~~
- Be sure to address competition
 - Make sure you research competitors (investors will)
 -  • Never say you don't have any (even if it's not direct)
 - status quo behavior is competition
 - Emphasize your defensible competitive advantage(s)
 - A side-by-side feature/benefit comparison can be helpful

A closer look: Business Model

- Who is the customer? (Who makes purchase decision?)
 - The more customers you've talked to (or sold to) the better
- How do you sell to them?
 - Direct sales? inside/outside? distributors? channels?
 - What is cost of acquisition (CAC)? Lifetime value (LTV)?
-  • Don't expect "eyeballs" model to work in our market
 - Need to explain monetization, not just "vanity metrics"
- Remember: startups die from lack of cash - and the number one cause of running out of cash is not selling - so focus here!

A closer look: Financials

- We don't believe hockeystick projections...
- ❌ • And don't say "these are conservative projections"
- But we do expect to see (defensible) rapid growth
- Understand your unit economics (and scalability)
 - Make sure you know your numbers cold!
- Remember that cash is key – don't run out!
 - You can be profitable and still run out of cash
- ❌ • Don't create a pro-forma eye-chart (keep it high level)
 - Show ~ 3 years, annualized, with key drivers




A closer look: Example Financials


	2014	2015	2016	2017	2018
Market Share		2.6% of NYC	2.5% of top10 cities	5% of top10 cities	4% of US
Revenue	\$350,000	\$3.7 M	\$16.3 M	\$40.0 M	\$61.6 M
Gross Profits	\$182,000	\$1.9 M	\$8.8 M	\$22 M	\$35.1 M
Sales/ Marketing	\$50,000	\$370,000	\$1.6 M	\$2M	\$2.3 M
EBITDA	\$20,000	\$160,000	\$4.5 M	\$12.0 M	\$20.0M
Units Sold	2,000	19,500	81,000	200,000	308,000

- List revenue driver first (units, etc.)
- Avoid top down (market share) - use bottoms up (units sold) approach
- Avoid over-precision (round numbers)
- Use large font, only show key metrics
- Best practice to also show cash/investment

A closer look: Deal Structure

- Be clear on your proposed ask
 - amount, security type, valuation, timetable
- Make sure your ask is aligned with investor parameters
 - Preferred equity
 -  • Many good investors avoid convertible notes in most cases
 - Valuation range ~\$1M-\$4M, 20%-30% equity
 - Expect funding to take 6-12 weeks from pitch (plan accordingly)
- Provide a detailed use of funds
- Apply as Qualified Business for SC Angel Tax credit if applicable

A closer look: Exit Strategy

- How will you generate a return on investors' capital?
- Investors typically expect acquisition by strategic buyer...
 - Within 3 to 5 years
 - IPOs are exceedingly scarce, and not always best option
- Provide as much data as possible on relevant comparable sales
 - Types of acquirers, revenue (or earnings) multiples
-  • Don't cherry pick outliers
- The more connections to potential buyers, the better

Our agenda for today



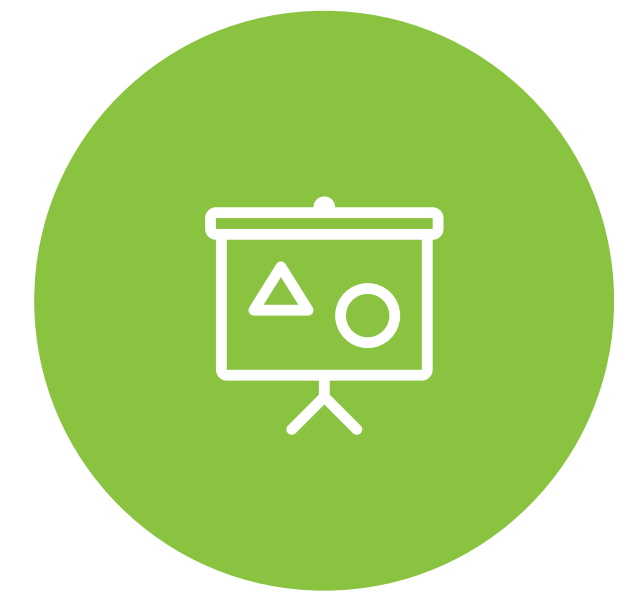
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THE DELIVERY

The purpose of the pitch

- To SELL, not TEACH **Unlike this deck!**
 - Excite, not educate (at least not deeply)
 - Initially selling next steps, not investment
- How do you sell?
 - Connect with head, heart, and gut
 - Tell a compelling story
 - Convey knowledge
- Demonstrate alignment with investor objectives
- Build credibility!

The pitcher

- Who presents?
 - Typically the CEO (in general, avoid more than one presenter)
 - If not, a good salesperson beats expert technician
- Ideally someone who is passionate, clear, concise...
 - Engaging and confident is good – but hubris is bad
 - Prepared and conversational is good – overly polished is bad
-  • Never make claims you can't back
 - Be sure to speak to audience – not the screen
- Build credibility!

The clock

- Be sure to stay within allotted time limit
 - Typical pitches range from 8-15 minutes
 - Practice leaving yourself an extra minute
 - ❌ • You will usually say more in live pitch than you intended
 - Don't get bogged down in technical details
 - Be sure to leave time for Q&A
- Be prepared for technical snafus (have backups, printouts, etc.)
- Product demos have to work!
- Build credibility!

The Q&A

- Q&A session after the pitch is possibly the most critical portion
- Allows investors to deepen understanding....
-and test depth of knowledge, response to pressure
- Anticipate questions and be prepared to answer
- ❌ • Never waffle, dodge, or avoid answering
- If you don't know, say so, and indicate how you'll find out
- Build credibility!

(In)famous last (or first) words

(don't use these...)

- “Our mission statement is...”
- “I am confident YOU will be very interested”
- “Get in now or you will miss out...”
- “1% will be worth \$47B in 10 years...”
- “Our customers are people between the ages of birth and death”
- ❌ • Avoid undermining credibility!

Wrapping it up

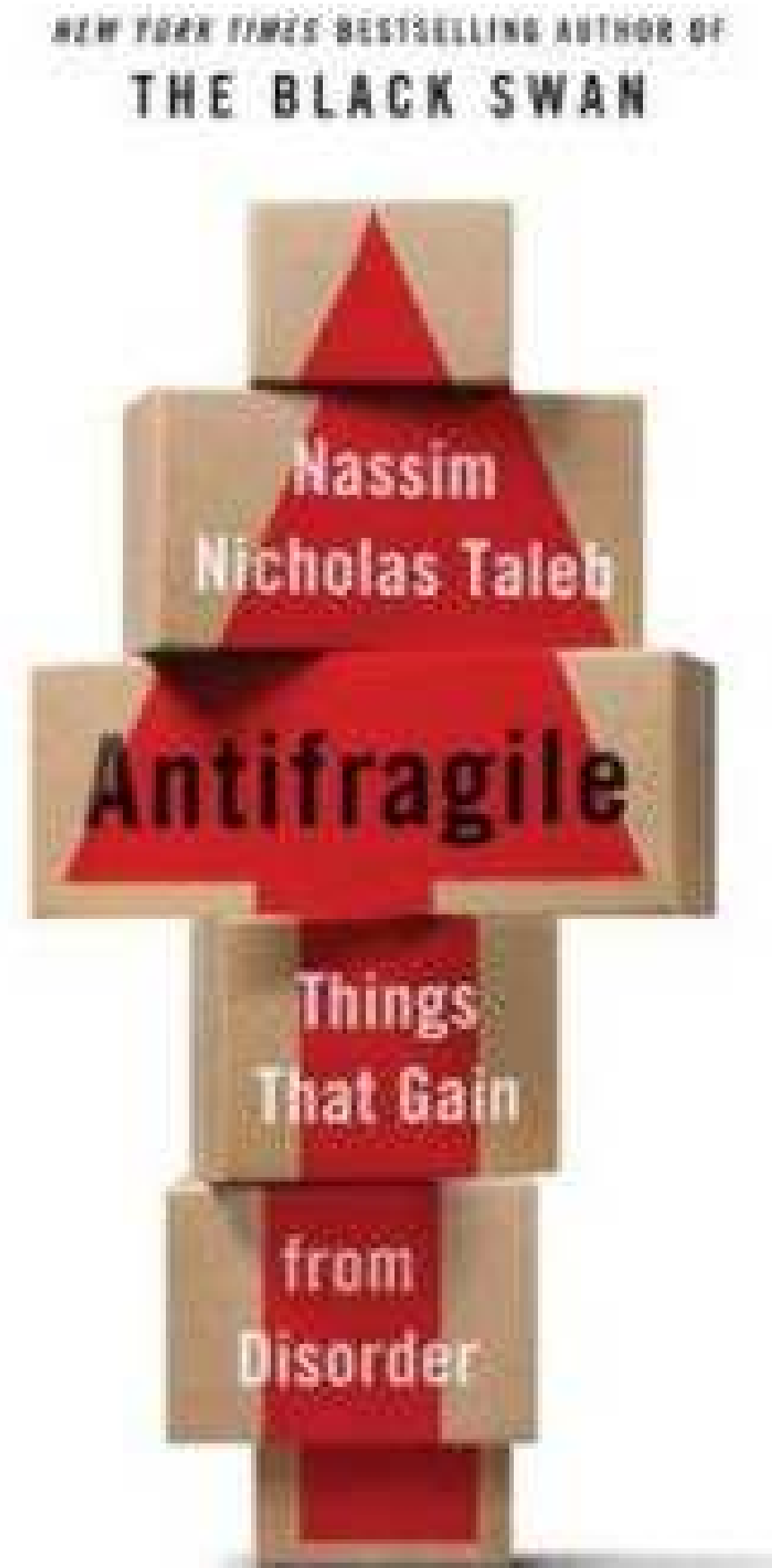
- Do your homework and prepare for the (whole) process
- Keep it simple but know your business and numbers
- Tailor your message, documents and pitch for the audience
- Practice, Practice, Practice

At every step, focus on building credibility with investors so they come to believe a risky bet on you and your company just might pay off!

Thank you and good luck!

Heroism and the respect it commands is a form of compensation by society for those who take risks for others. And entrepreneurship is a risky and heroic activity, necessary for the growth or even the mere survival of the economy.

Most of you will fail, disrespected, impoverished, but we are grateful for the risks you are taking and the sacrifices you are making for the sake of the economic growth of the planet and pulling others out of poverty. You are at the source of our antifragility. Our nation thanks you.





Thank you!



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