



Excerpted from
FastTrac® TechVenture™



TAKE CHARGE OF YOUR BUSINESS®

A program of the Kauffman Foundation

Presenting to Angel Investors and Venture Capitalists

Communication with potential investors must be carefully planned. Angel organizations usually have a Web site describing their application and investment processes. Venture capitalists, on the other hand, are difficult to get an appointment with unless you have a referral from a mutual contact.

Presenting to Venture Capitalists

The story of Scott Cook's search for venture capital for Intuit is typical. He contacted 20 venture capitalists and was turned down by all of them. Only after raising money from friends and family, writing his own ads, and receiving orders was he able to catch the attention of venture capitalists and obtain funding.

From Real
Entrepreneurs

Target Investors

Before you try to get an appointment, make sure you're targeting the right investors. Carpet bombing, or the shotgun approach—sending unsolicited proposals to numerous investors—is rarely effective and can result in a loss of credibility. Do some research and target only those who are likely to invest in your company. Focus on those people and institutions that have invested in companies at your stage of growth, with your capital requirements, with products at your stage of development, in your industry, technical field, or market segment.

An angel group, for example, might be interested in early-stage, consumer electronics companies that need less than \$1 million to commercialize products at the prototype stage of development. A later-stage venture capitalist might be interested in medical equipment companies with \$100 million in sales that need \$5 million to go public. Don't waste everyone's time by taking your proposal to an investor who is not likely to be interested.

Applying for Funding from an Angel Organization

Most angel organizations encourage entrepreneurs to apply for funding and describe the process on their Web sites. To find the location of angel organizations near you, consult the directory on the Web site of the Angel Capital Association at www.angelcapitalassociation.com.

TIP When seeking a referral to an equity investor, do not overlook your attorneys and other service providers. These professionals often work on multiple transactions involving investors and have a built-in network as a result. It is not uncommon for an entrepreneur to consider the ability to utilize a service provider's network when forming a relationship.

Get an Appointment with the Target Venture Capitalist

Once you've targeted the right venture investor, you can work on getting an appointment. If possible, use your connections and networks to get a referral from a respected source. Make sure the source has had only positive interactions with the institution or individuals you're targeting.

If you are able to obtain a referral, be sure to have a concise, one- or two-page Executive Summary ready before you contact the investor. The summary should be more than a reduced Business Plan; it should effectively and concisely emphasize the most striking and salient information that promotes your company as a potential investment.

Make the Slide Presentation

Investors are busy people and will want you to get to your main points as soon as possible. The most efficient way to think about your presentation is to focus on the big picture. The largest amount of your time should be devoted to the unique value proposition of the company, which should be clear, simple, customer-focused, realistic, differentiated, and exciting.

The main points of the presentation follow the content of the Business Plan:

- **Market need** – Define the primary market need and make a logical case for how your product or service meets that need.
- **Industry** – Examine the product's competitive environment and unique advantages. If your solution is the result of a significant new development (genomics or proteomics, for example), establish this fact quickly, in the beginning of your presentation.
- **Target market** – Your market analysis should include the past, current, and future size of the market and touch on qualities that will facilitate your company's entry and expansion strategies.
- **Features/Benefits** – Discuss the unique features and technologies of your product or service, but always in the context of your customers' needs. Features don't sell products, solutions do. What your product does is more important than how it does it. Provide a timeline of the product's development: where it is today and where it will be in six, 12, and 24 months.
- **Sales channels** – Explain details such as how products or services will be sold, who will sell them, who customers will interact with, and who will control those interactions.
- **Competitive analysis** – Identify any competitors that exist, in the broadest possible sense, in the general market space you have targeted. Explain how you will establish and defend your market position against these competitors, highlighting any intellectual property that accompanies your product or service, and any other steps you can take to protect your market share. One effective visual tool is to use a matrix that compares your company's features, customers, or other aspects to those of your competitors.
- **Management team** – Establish the credibility of your management team. Venture and private equity financiers invest in ideas, but more importantly, they invest in people.

Tip Most angel investors seek investment in companies near their residences. Check the Web sites of angel organizations to confirm their geographical area of interest.

- **Financials** – Explain your company’s financial situation and strategy, but don’t get bogged down in the numbers. Include the company’s fund-raising history, current activities, future endeavors, and potential exit strategies. Provide a five-year projected income/cash flow statement that accounts for revenues, gross profits, operating costs (including development, sales and marketing, and administrative costs), capital expenditures, and annual and cumulative cash needs. When accounting for revenues, be sure to include product count, average selling price, and the launch of new product lines. For most early-stage deals, entrepreneurs should concentrate more on projecting expenses than revenue. Revenue is harder to predict. Expenses, on the other hand, will affect the burn rate and can be controlled. State the amount of money you’re looking to raise from investors, and what you plan to do with it. Make sure your spending plans are reasonable, necessary, and responsible. Present all your financial information in a clear and easily comprehensible form, but have more detailed financial information available in case the investor wants to see it.

For further guidelines on creating a compelling slide presentation, check out Guy Kawasaki’s book, *The Art of the Start*.

A presentation to investors is in some ways a sales pitch: you are asking them to purchase a portion of your company. Always end your presentation by summarizing your company’s top selling points. Ask the potential investors if they have any questions, and answer them honestly, deferentially, and to the best of your ability.

Don’t expect a decision to be made instantly, but ask them what the next steps are. Investors complete a thorough due diligence process before they make a decision. If they are not interested, you may at least elicit an honest response that could help you improve your presentation for the next investor.

Once a relationship is established, keep potential investors updated about your progress and setbacks. The longer you can bootstrap the business, the more interested they might become. They may also be more interested in follow-on rounds once they see that other credible sources have invested.