

## **Introduction**

Differentiating the sources of funding is key to the company's financial robustness.

Nonetheless, not all funding schemes are suitable to all companies or to every company's stage of development.

EEN advisors can play a significant role in supporting the company:

- understanding its investment's needs;
- getting the whole picture of available sources of funding;
- being aware of the financial providers that can be involved;
- preparing to meet with the financial provider.

When referring to equity financing and to private investors, the company is required to be able to present its own investment project in front of a panel: the pitching exercise!

This leaflet summarizes the key elements a company has to manage when preparing for pitching.

## **The players and their approach**

In the pitching exercise two categories of players are actively involved: the entrepreneur and the investor.

They have different needs and approaches but they are both committed to create value and to make the project successful.

### **Entrepreneurs VS Investors**

#### **The Entrepreneur:**

- Loves his business idea ("The best business idea in the world")
- Knows very well the product but not so much the investor's expectations
- Aims at developing a successful product
- thinks that "There are not enough investors willing to finance businesses"

#### **The Investor:**

- Looks at the business idea as "a project"
- Does not care about the product/technology but about doing a profitable investment!
- Wants to get the 30% of IRR and an exit 10x
- thinks that "There are not enough "investment ready" projects"

### Investor needs/requirements

1. **High IRR**
2. **To reduce failure risk**

### Common goals

- Create value
- Further round of financing at higher value
- Profitable exit

### Entrepreneur needs/requirements

1. **High company valuation**
2. **Not to loose control**

### How to prepare for the pitching session

The company's team has to:

- **define 2-3 pitch sessions with variable time frames (2 minutes, 5 minutes, 10 minutes)**
- **organize a pitch deck: a short and catchy PowerPoint presentation (use graphics and presentation tools)**
- **have a factually supported, well-written Executive Summary (1-2 pages)**
- **think about a realistic exit strategy for investors**

The team also has to:

- **rehearse many times**
- **be prepared to answer questions**
- **look professional**

### Pitch Deck Do's and Don'ts

The company's team is invited to pay particular attention to the following features when preparing its pitch deck:

- Do convince the viewer of why the market opportunity is large
- Do include visually interesting graphics and images
- Do tell a compelling, memorable, and interesting story that shows your passion for the business.
- Do show that you have more than just an idea, and that you have gotten early traction on developing the product, getting customers, or signing up partners
- Do have a soundbite for investors to remember you by

The company's team should remember the followings:

- Don't make the pitch deck more than 15-20 slides long (investors have limited attention spans). If you feel you need to add more information, include it as an appendix.
- Don't have too many wordy slides.
- Don't provide excessive financial details, as that can be provided in a follow-up.
- Don't try to cover everything in the pitch deck. Your in-person presentation will give you an opportunity to add and highlight key information.
- Don't use a lot of jargon or acronyms that the investor may not immediately understand.
- Don't underestimate or belittle the competition.
- Don't have your pitch deck look out of date. You don't want a date on the cover page that is several months old (that is why I avoid putting a date on the cover page at all). And you don't want information or metrics in the deck about your business that look stale or outdated.
- Don't have a poor layout, bad graphics, or a low-quality "look and feel." Think about hiring a graphic designer to give your pitch desk a more professional look.

### **The key slides in a Company's Investor Pitch Deck?**

#### Company Overview

Summarize in 4-6 bullet points your business, what problem it solves, where you are located, the experience of the management team, and any key traction already established.

#### Mission/Vision of the Company

Clearly state your mission and your vision in a synthetic but effective style, by conveying your key objective and defining who you want to become.

#### The Team

A company's team is the most important determinant of whether or not to invest. "The Team" slide will typically include:

- Pictures and titles of the key team members
- Short summary of prior employment of the team showing domain experience and relevant expertise
- Advisors, consultants, and Board members (sometimes included in this slide to bolster credibility)

#### The Problem

Define the problem or need your company is solving, focusing on its impact and the target clients it affects.

#### The Solution

Articulate your proposed solution and why it's better than other solutions in the market. This deck should be carefully coordinated with the "Product" slide of the pitch deck, as there may be some overlap.

## The Market Opportunity

Investors want to invest in big opportunities with large addressable markets. Define the market you are in ;Include graphs showing which portion of the addressable market your company will be addressing (the biggest, the better...always reasonably).

## The Product

Clearly articulate what your company's product or service consists of and why it is unique. Images, visuals, and videos can play an important role here—don't just have lengthy written explanations. Include the followings:

- key features of the product
- reasons why users care about the product
- the major product milestones
- the key differentiated features of the product

## The Customers

A "Customers" slide can be powerful and add credibility. Normally, the logos of customers that are well known are included in this slide page.

## The Technology

Provide in a friendly-user jargon information on basic technology backbone; key intellectual property rights the company has (patents, patents pending, copyrights, trademarks, domain names); why the technology is or will be superior and why it will be difficult for a competitor to replicate the technology.

## The Competition

It is of utmost importance to clearly state who the company's competitors are; what your competitive advantage relies on; the key differentiating features from your competitors. You really have to show an understanding of the competitive landscape and be prepared to answer questions about your competitors. If you don't understand your competitors, then the investor may conclude that you really don't understand the market.

## Traction

Explain the progress of your company and the momentum it gains as the business grows. Traction applies to nearly any kind of business, whether service or product-oriented, or whether it sells to the public or to other businesses.

## Business Model

investors will want to understand your business model. Therefore address key issues like: how do you make money? What is the pricing model? What is the long-term value of a customer? What are the customer acquisition channels and costs?

## The Marketing Plan

No matter how good your product is, you will need to have a good marketing plan to get customers or users.

Provide concise information on your key marketing channels (paid search, social media, TV, radio, email marketing, etc.); early successes you have had and channels you have worked with; your preliminary customer acquisition costs per customer (and, correspondingly, what is the projected lifetime value of a customer); early press or buzz you have already got.

### Financials

Investors will want to understand the company's current financial situation and proposed future "burn" rate (monthly or yearly cash loss while the company is developing and marketing its product).

The "Financials" slide can include the following: Three- to five-year financial projections; Unit economics; Burn rate; Key metrics that are important to the business (such as annual recurring revenue); Total revenue and expenses; EBITDA; Key assumptions

### The Ask

Provide indications on:

- how much money you are seeking (a range is fine, such as "we are seeking \$2-\$3 million in financing")
- How long you think the financing will last (15-18 months)
- What major milestones you think you will be able to reach with the financing
- What your key use of proceeds from the investment will be (e.g., technology and product development, new hires, capital expenses, marketing, etc.)
- Who your existing investors are (highlighting any well-known investors)

## **The most frequent mistakes entrepreneurs make when pitching to investors**

### **Mistake #1: a 50-page business plan to review**

Investors do not have the time to review a 50-page business plan up front to decide whether it is worth taking a meeting or following up. Give the investor a 2-3 page executive summary and maybe a PowerPoint deck

### **Mistake #2: Not showing why the market opportunity is big.**

Most investors are looking for businesses that can scale and become meaningful. So make sure you address this issue right up front as to why your business can really become big

### **Mistake #3: Telling an investor you do not have any competition.**

Telling an investor you have no competition likely says you are unrealistic or naive. Of course you have competition, whether direct, indirect. or someone who provides a substitute solution. And your analysis of your competitors will show the investor you have an understanding of the market.

### **Mistake #4: Showing uninteresting or unrealistic projections.**

### **Mistake #5: Forgetting to highlight your team's experience and credentials**

investors will want to know that the team has the right set of skills, drive, experience, and temperament to grow the business

**Mistake #6: Not paying attention to detail.**

Make sure your presentation doesn't contain typos or inconsistencies. Present a well-written, visually interesting presentation. Include page numbers on each slide so I can easily reference a specific page. For your legal protection, put a copyright notice at the bottom and add the phrase "Confidential and Private."

**Mistake #7: Not understanding the potential risks to the business.**

Investors will want to test what you see are the risks to the business. They want to understand your thought process and the mitigating precautions you might take.

**Mistake #8: Not selling the investor on your intellectual property.**

**Mistake #9: Not doing research on the investor and his portfolio.**

Showing some awareness of the investor's background and the companies he invests in will facilitate parts of the conversation, and also shows you have done some advance due diligence for the meeting.

**Mistake #10: Not offering a clear exit strategy**