

Funding 101

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Your Job:

To convince investors that they should invest in your business instead of the many other great investment opportunities that compete for their investment.

The Elevator Pitch

The point of an “elevator pitch” is to quickly create enough interest in your company to get a prospective investor to listen to more information. You are not trying to convince them to invest in your Company; you are trying to get them to listen to you.

An Good Elevator Pitch:

- Is concise, <150 words, 60 seconds
- Explains the problem you solve
- Describes benefits of your product/service
- Easy for your audience to understand
- Grabs attention
- Qualifies the prospective investor
- Shows your passion
- Ends with an action plan

Simple Advice #1

- Use a dark blue background
- Put your corporate logo on every page
- Build bullet points
- Don't use fancy animations
- Use pictures, diagrams and graphs as appropriate
- Use 30 point Arial font
- No clutter (in the thinking or the presentation)

The Ten Slide Presentation

- Slide 1: What does your company do?
- Slide 2: What customer problem are you solving?
- Slide 3: How do you solve this problem?
- Slide 4: What is your business model? How do you make money? Who pays you? How do you distribute your goods/service? How big are your margins?
- Slide 5: Where's the magic? What makes your company better than the others? Technology? IP? People?

Slide Presentation, continued

- N.B.: Slides 1-5 tell a prospective investor WHY THEY SHOULD CONSIDER INVESTING IN YOUR BUSINESS
- NOW THAT THEY ARE LISTENING, Slides 6-10 tell them why you will succeed.

SLIDES 6-10

- Marketing and Sales: How do you reach your customer and close sales in a reasonable time and on a tight budget?
- Competition: Who are your competitors and why are you better than them?
- Management Team: Why do you have the right experience and expertise for this project?
- Financial Projections and Key Metrics: The promises you make to your investors
- Milestones: Current status, timeline and use of Funds

Simple Advise #2

- Tell an exciting story
- Your prospective customer is suffering terribly in the world as it is today.
- He desperately wants his world, i.e., his current business situation, to change for the better.
- “Better” means that _____.
- But, something terrible is preventing this change...but (turn the page...)

Simple Advise #2 continued

- A HAPPY ENDING! Your company has the magic solution that the market needs desperately. It will make your customers' lives better. Your customers will buy your solution because they have to have it. They will buy lots of it. They will pay lots of money for it.
- PS: This will happen quickly, on budget, and then there will be a liquidity event.

Storytelling techniques that work

Good analogies were 'good' means analogies that powerfully connect your concept to a concept that the listener already understands

...it's like a Yahoo! for your town...

...it's an On-star for apartment dwellers...

...just as digital cameras are replacing traditional silver halide chemistry, this technology is the revolution in printing substrates...

Storytelling Techniques

- Facts: consider using a large number or a quantitative graph that conveys real information to support and advance your story
- Factoids: a good one can really stick in your listener's mind
 - ...100 million customer contacts were mishandled last year due to our customers' inability to track...

Storytelling Techniques

- Use quotes, especially customer quotes
- It validates that the problem is real
- It evidences that you have, or are at least talking to, real customers
- It shows real market research
- It is interesting
- Prospective investor can conduct due diligence

Storytelling Techniques

- Tell your personal story of pain and suffering that led you to found your company. This...
- moves the story along in an interesting way and
- explains why you're the right woman for the job.

Simple Advise #3

- Test market your elevator pitch and presentation...and really listen to feedback
- Use vignettes because they're memorable
- Don't use technical jargon - people don't like to feel stupid or uninformed
- Never talk about features or functions (this is a really stupid mistake that happens all the time)

BENEFITS vs. Features/Functions

- No one cares about features and functions
- Every prospective customer cares (and, therefore, every investor also cares) about how your product or service will benefit them
- Remember, you've spent time explaining the market demand, SO NOW explain the benefit that is going to cause customers to race to buy your product or service

An Example of Benefits, not Features

- Millions of consumers will buy WIDGETS, the _____, _____, and _____ choice for _____.
- WIDGETS will:
 - permit users to _____.
 - reduce costs by _____.
 - alleviate the need for _____.
 - result in better _____.

Q and A: Addressing Concerns

- Risk: technology risk, IP-related risk, product risk, people risk, the competition, financing risk, barriers to entry, regulatory risk, environmental concerns, time to market, market adoption, political risk, liquidity concerns...
- For an investor, an investment decision is all about managing risk.
- You need to have the answers.

The 11th Slide

- The Offer: How much money are you raising? How much of this amount is spoken for? Do you have a valuation in mind? How flexible are you? Do you have a lead investor yet? What's your timetable for this financing?
- How will you use the funds?
- What are the milestones? Where will the company be when this money runs out?
- What are the next steps?
- **DON'T FORGET TO PUT YOUR CONTACT INFORMATION ON THE SLIDES**

The Investor's Scorecard (how will your presentation be evaluated?)

- Management team: experienced, driven, ambitious, coachable?
- Market attractiveness: big, in pain, adoptable, rich?
- Competition: weak, unable to adapt, missing the market, look more like potential acquirers?
- Technology/Product: unique, patentable, responsive to feedback?
- Forecasting results: clear understanding of the business, defined business model, sensible relationship between milestones, new hires and additional capital requirements, path to liquidity?
- Capital Requirements: time and money required supports an attractive ROI?

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