

Agenda

1. Things to consider before taking on external investors
2. Get the psychology right
3. What to look for in an investor
4. The Fund Raising Checklist
5. Investor Pitch Canvas
6. Importance of storytelling

Expectations for the session

Kim:

Considering SEIS scheme for Y2 - what to consider around equity, board meetings. What changes once you have investors about how you run your business?

Ghassan:

Getting the psychology right (closed and competitive industry). Non-industry professional are excited. Looking for sector as an investor.

Nour:

Agenda points
3,5 and 6

Things to consider before taking on investors

1. **Wealth vs Control** - autonomy/control vs faster growth/more wealth?
2. **Means to an end, not the end itself** - are you very clear as to why you are raising the capital?
3. **Time & Energy & Persistence** - have you got the time to allocate to fund raising? Can you handle the emotional rollercoaster?
4. **Timing** - when is the right time to raise capital?
5. **Skills to raise funds** - have you got the ability to raise the funds or do you need help to do it? Have you considered who can help you with creating pitch deck, storytelling, PR, negotiating terms etc?
6. **Long-term relationship** - do you appreciate it's like a marriage?
7. **Time it will take to raise the capital** - do you appreciate how long it might take? Savviest give themselves plenty of time
8. **The opportunity for investors** - have you thought about whether it is a good opportunity for investors who have many other alternatives? The more you progress the product, and provide proof venture is a go the better

Why does your business stand out?

How to compensate someone helping to raise capital?

Fee based on percentage raised (1-7%) / some want a retainer

What are your core skills?

Get the psychology right

Learn to love rejection - 95% plus probability you will not get money from the person you are meeting

Opportunity to learn - wealth of experience sat right in front of you, accept gracefully all feedback

Opportunity to build network - with the investors you meet as well as through referral requests, find ways to stay in touch, add value

Optimism vs pessimism - your job to be optimistic, investors job to look for red flags NB 99% of the time they say 'no'

Just as much about you getting to know them as them you - come with questions and think about investor-founder fit

Divide & conquer

- Choose one Founder to be in charge of fundraising - ideally the CEO
- Rest of team remain working on business - whilst CEO laser-focused on mission-critical task

Strong management team

- Make sure you know what you can contribute and your limitations
- Have the right people around or know who they are

Set the milestones

- Set notable milestones to be achieved during your startup and fundraising process
- Milestone examples - develop idea, market research, business plan creation, finding cofounders, making key hires, prototypes and beta testing, launch of MVP, expanding early adopters, gaining revenues, build a board, proof of demand and potential for scale, breakeven point

Build a process

- Use a CRM system to track customer interactions, follow up properly, and personalise the interaction, you must do the same with potential investors
- Create timeline for the process
- Create sense of urgency

Project momentum

- Progress with the business and in the fundraising process
- Look forward 18-24 months, and break down milestones need to achieve to take you there
- You want to show business is accelerating in many ways as you can e.g. hiring/ metrics/ marketing/ product/ technology/ customer traction/ sales/ industry/ partnerships
- Make sure you exceed expectations and maintain momentum during fundraising process
- Create awareness with potential investors - CEO introductions, accelerators, conferences, PR
- Create feeling that train about to leave the station, if don't get on board now, it will be gone forever

Create a buzz around your startup

- PR is critical to fundraising (and startup success) e.g product launches, blogging, partnerships, awards

This is a process and it needs to be planned

Don't underestimate the importance of storytelling


1. For startups storytelling can be the make-or-break part of the pitch
2. Doesn't matter how great the idea or team or tech is, if people can't relate to it, they won't invest
3. Document everything that led up to the idea, pick out the highlights, journal your experience to help evolve the story
4. Some of the best entrepreneurs are highly articulate at telling their story, describing the problem they are resolving and reason why started

INVESTOR PITCH CANVAS

Designed for:

Date:

Version:

<p>MISSION AND VISION</p> <p>The dream scenario - where you want to be</p>	<p>PROBLEM TO BE SOLVED</p> <p>List up to five problems your company aims to solve.</p>	<p>HOW YOU AIM TO SOLVE THE PROBLEM</p> <p>Describe how you plan to solve the problems you have identified. What will be different when the problem is solved by you?</p>	<p>THE PRODUCT OR SERVICE</p> <p>Introduce your company's product or service as the solution to these problems.</p>
<p>THE MARKET OPPORTUNITY</p> <p>What is the size of the total available market? The serviceable available market? The reachable obtainable market?</p> 	<p>TARGET MARKET</p> <p>Who are the customers you want to cater to? Which Customer Personas will be the most important to share?</p>	<p>COMPETITIVE ADVANTAGES</p> <p>How is the category differentiated? What do you better than the competition? How will you out-perform them?</p>	<p>MARKETING APPROACH</p> <p>What are the key channels you will use to reach your customers? Detail any early successes.</p>
<p>DIRECT COMPETITORS</p> <p>Who are your direct competitors?</p>	<p>INDIRECT COMPETITORS</p> <p>Who are your indirect competitors? Why are they a potential threat?</p>	<p>TRACTION</p> <p>Where is your company currently? What data is the most important to make your case?</p>	<p>ORIGINS OF THE BUSINESS</p> <p>A simple timeline detailing how your product or service came into being, where you are today and what is left to tackle.</p>
<p>TIMING</p> <p>Why is now the best time for your company to move to the next level? What trends are you riding?</p>	<p>REVENUE MODEL</p> <p>What are the ways that your company plans to make money? What metrics will you use, such as Life Time Value and Customer Acquisition Cost?</p>	<p>THE TEAM</p> <p>List the leadership team and their roles and responsibilities. Make it clear these are the people to solve the problems you have identified.</p>	<p>FUTURE ROAD MAP (THE ASK)</p> <p>What are your next steps and goals? How much support do you need from investors and what will it get you?</p>

What do investors want?

1. Well thought out and research business idea and plan
2. Integrity and character
3. Organisation
4. Answers to obvious questions
5. You know what you don't know and don't have, but you have a plan to get it
6. Market potential
7. Plans for additional rounds of funding
8. That you have put your heart into the project
9. That have skin in the game and will continue to
10. Feedback from others
11. Proof of demand
12. That they can get along with you
13. That you will listen and are coachable
14. You care about safety of their capital
15. Passion for product or service
16. Passion for connecting with and working with them
17. An opportunity that will take them closer to their goals

Financials
with sensible
assumptions
around them

Dilution?

One potential
investor has
said yes, but
only if an
exclusive deal

Spread the
power, 4
investors
better than 1



"ULTIMATELY, THE BEST ENTREPRENEURS ARE NOT THE BEST VISIONARIES. THE GREATEST ENTREPRENEURS ARE INCREDIBLE SALESPEOPLE. THEY KNOW HOW TO TELL AN AMAZING STORY THAT WILL CONVINCE TALENT AND INVESTORS TO JOIN IN ON THE JOURNEY."

The Art of Startup Fundraising - Alejandro Cremades

0.91% OF STARTUPS ARE FUNDED BY ANGEL INVESTORS AND 0.05% BY VCS

57% OF STARTUPS ARE FUNDED BY PERSONAL LOANS AND CREDIT

38% RECEIVE FUNDING FROM FAMILY AND FRIENDS

VCS FUND ONLY 2% OF THE OPPORTUNITIES THEY REVIEW

3% OF VC FUNDS GO TO BRAND NEW START-UPS

What investors do you want?

1. **Domain experts** e.g. industry, geography, sector, function
2. **Connections** - look for well-connected investors who can help find other investors, new hires, open doors to new customers/suppliers
3. **Financial firepower** - investor track record, willingness to invest more than initial capital
4. **Mentoring/Coaching**
5. **A Good Fit** - added value, stage of investment, values, time horizons

Industry
enthusiasts

Identifying
the right
stakeholders

What investors do you NOT want?

1. Don't understand startup rollercoaster journey
2. Who want to take control
3. Lack integrity
4. Overly greedy
5. Not a good fit - values, time horizons, expectations etc

Questions:
Time
horizons?

How does it effect
funding if
someone else
runs the business
other than me,
the founder?

Investor will want to
know who the team
is, how much are
you standing back
and what the
timeline is?

Passion?

Inform the
potential
investor before
they invest in
your plan

Different type of investors

Bootstrapping

Far more common than raising external money from investors NB one of the biggest causes of business failure is running out of cash.

Friends and Family

Typically the first round of up to £20k. Multiple friends and family members will invest.

Crowdfunding

Platforms which connect founders to large community of investors mainly strangers. Now a well-developed route but usually for companies with some level of revenues.

Accelerators

Investing capital in and offering services to these companies in exchange for ownership stake. Common services include coaches, mentors, office space, opportunity to pitch directly to investors at end of program. Pure start-ups, very early-stage. Good option for first time entrepreneurs. Ask for 2-10% of your equity.

Incubators

Similar to accelerators but often focused on hatching ideas and can be for longer period of time than accelerator.

Angel Investors (individuals or groups)

Individuals investing their own money directly into companies.

Family Offices

Either one family or group of families set up own investment firm to invest in multiple areas potentially including early-stage.

Venture Capital

Investment firms who have pooled together pot of money to invest in early-stage companies in exchange for equity. Venture refers to risk nature of investing in early-stage.

Private Equity

Investment firms who have pooled pot of money to invest in later stage businesses.

Strategic Investors

Corporates increasingly are investing in venture space to get exposure to growth.

Create a pitch & practice presenting

- Make it simple and memorable
- Have lots of data in the appendix
- Practice the pitch in as realistic manner as you can

Build the financial model

- Make sure you have clarity on how much capital you need and when
- Don't spend too much time on it - most other stuff more important and investors know financial plans will often change

Know your terms

- Know how much willing to trade for specific amount of capital
- Know the valuation of your business
- If don't have lead investor don't mention valuation - talk about competitor valuations

Have a clear vision

- Know what the end goal is for you and your investors

Select best fit investors

- Select the types of investors with best fit - friends and family, angels, VCs or strategic
- Fit in terms of stage, business type, geography and are interested in your problem
- Speak to other founders the target investor has invested in
- Get a warm intro - 100x better than cold one

Build investor relationships early

- Don't want first touchpoint with VC right before looking to raise
- Ideally start six months in advance
- Are you networking and meeting up with potential investors?
- Get to know the investors as well as you know your customers

Build social proof

- Bring top advisors, influencers and business angels into your inner circle to gain social proof
- Use your inner team to make multiple introductions to investors
- Get endorsements from customers, business partners, press stories etc..

Get data room ready

- Make you anticipate what areas investors will want to look at in detail and set up virtual data room

Follow up after a meeting

- Write thank you email
- Make sure tackle points left open in the meeting
- If you promised additional information send it as soon as possible
- Update investors when hit new milestone
- When get term sheet update investors in the process

The Effective Elevator Pitch

1. Quick introduction to your business
2. Sparks interest and response
3. It's about your customers not you
4. It highlights the problem you are solving
5. It introduces your uniqueness
6. It's relatable
7. It's clear
8. It's less than 60 seconds long

DO NOT UNDERESTIMATE THE ELEVATOR PITCH. IT IS THE KEY TO UNLOCKING THE GATES TO CAPITAL

***NO CORRELATION BETWEEN GETTING FUNDED AND VOLUME OF PITCH
DECKS SENT OUT***

Harvard Business study

General Tips On Effective Pitch Deck Design

1. Clear and simple
2. Compelling
3. Easy to act on e.g. basic contact information, social handles, URLs so can follow you and share presentation with other investors
4. Look at what's trending in pitch deck styles
5. Visuals are great for building emotion
6. Create a one-pager

Bestpitchdecks.com

Headout Pitch Deck

OPENING SLIDE

Airbnb is a platform that allows people to list, find, and rent lodging.
This company is one of the greatest startup success stories of our time.
Airbnb's pitch deck has become a most used reference for entrepreneurs around the world.

Welcome

1

AirBed&Breakfast

Book rooms with locals, rather than hotels.

This is a PowerPoint reproduction of an early AirBnB pitch deck via Business Insider @
<http://www.businessinsider.com/airbnb-a-13-billion-dollar-startups-first-ever-pitch-deck-2011-9>

MISSION SLIDE

Mixpanel is an advanced analytics platform for mobile and the web. They not only measure page views but also analyze the actions people take. This is the series-B deck for Mixpanel that helped them raise over \$65 million.

MISSION

Help the world learn from its data.

PROBLEM SLIDE

Airbnb's problem slide. When you describe the problem, remember investor looking for genuine customer need, a significant need and something people will pay for

Problem

2

Price is an important concern for customers booking travel online.

Hotels leave you disconnected from the city and its culture.

No easy way exists to book a room with a local or become a host.

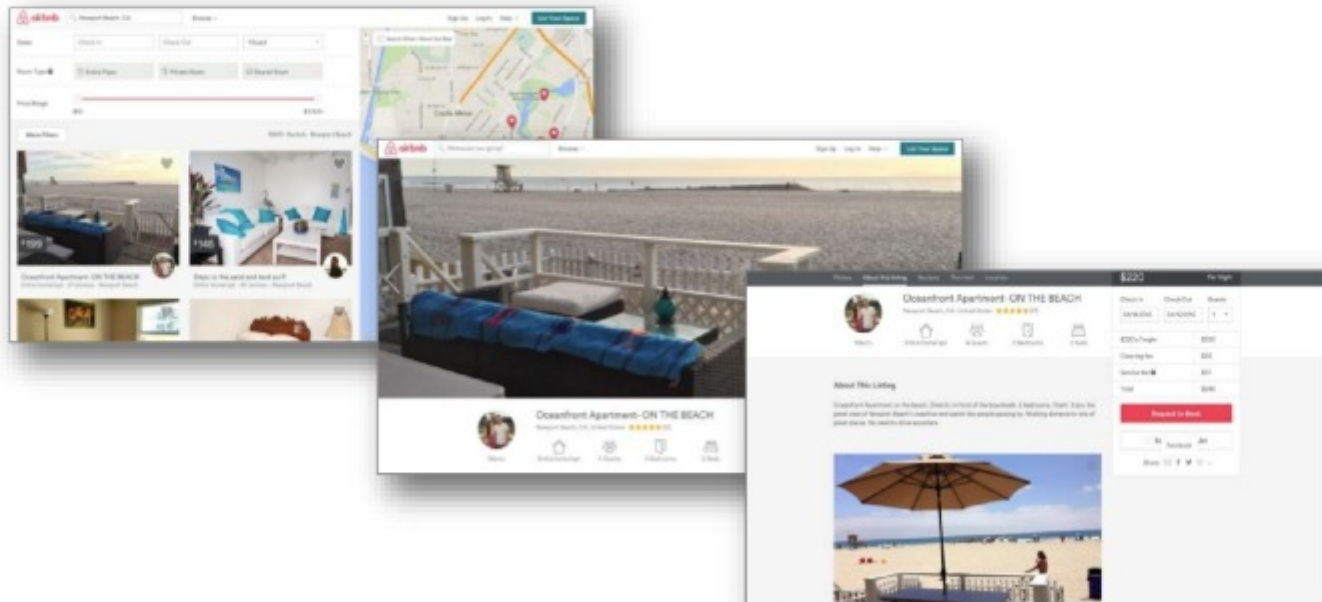
PRODUCT SLIDE

Airbnb's product slide. Good example of using visuals to show the product NB where can do a demo do it

Product

6

SEARCH BY CITY ———> REVIEW LISTINGS ———> BOOK IT!



COMPETITIVE ADVANTAGE SLIDE

Canvas replaces paper-based processes with affordable and easy-to-use mobile apps and forms. They raised \$9 million with these decks.



COMPETITIVE LANDSCAPE & CANVAS ADVANTAGE

Focused on the **what/tactical**

Focused on **THE WHY**

App development platforms/middleware

Logos Redacted



Rapid ROI at fraction of the cost

Vertical software

Logos Redacted



Fully flexible, thousands of horizontal and vertical applications

Forms software

Logos Redacted



Not just forms, but business processes. Content for every industry.

“ 5 Leading Companies Focused on the Business of Mobility — Capital Business

MARKETING (CUSTOMER ACQUISITION) SLIDE

Square is a company that allows merchants to accept mobile credit card payments via a dongle.

Customer Acquisition



▣ *Through wide exposure, Square targets anyone that seeks easy payment*

Target Customer

- Small businesses, independent workers, individuals selling goods
- Market: anyone who accepts payments
- Square's Cost: gaining customer awareness + free card reader

Selling Points

- Easy convenient everyday usage
- No surprise fees
- Adaptable across multiple devices

Advertisement

- Social media and internet advertising
- Traditional mediums with max exposure/min cost

Retail

- Selling through online registration and Apple stores
- Follows razor blade retail model

Acquiring 100,000+ customers per month



COMPETITION SLIDE

AirBNB positioning in the competitive landscape

Competition

9

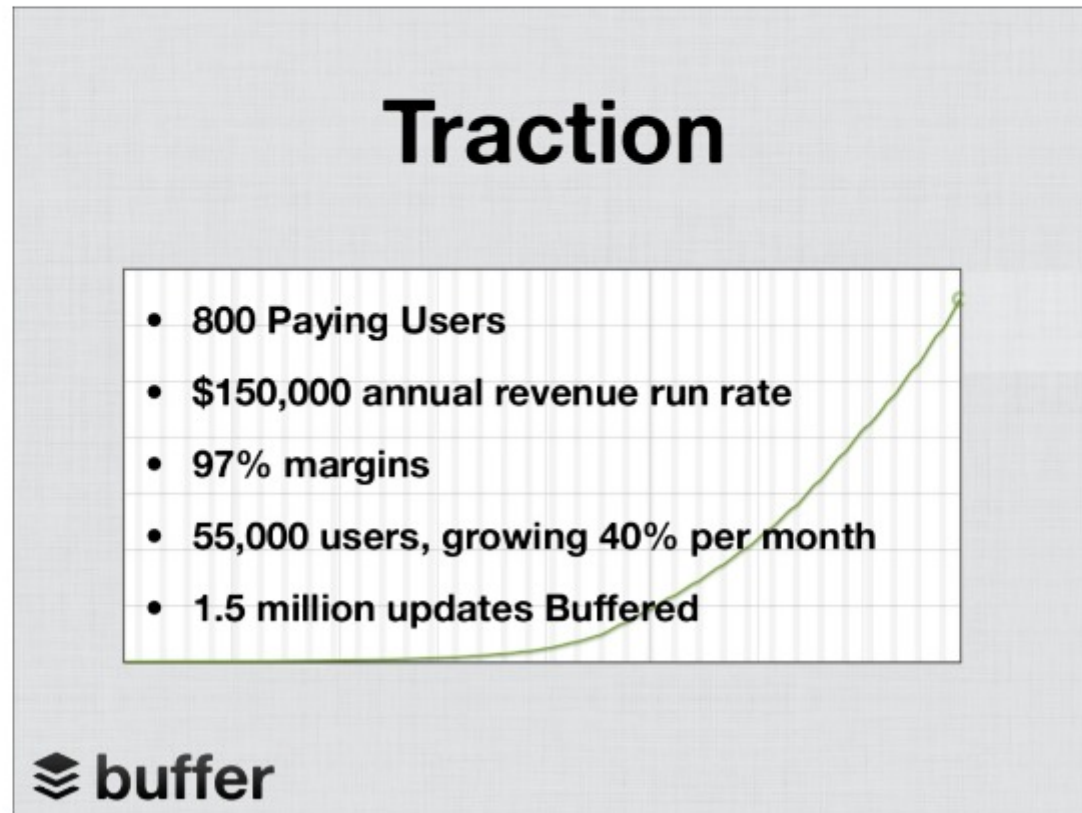


TRACTION SLIDE

Buffer is a social media scheduling platform that helps you schedule content to Facebook, Twitter, LinkedIn and Pinterest.

The almighty startup pitch deck that helped Buffer to raise half a million dollars, gained popularity by becoming one of the first pitch decks openly shared online. The founder decided to put it up to help other startups to raise funds.

Favorite takeaway: Similar to Facebook, the deck was based on solid numbers from Buffer's users (e.g. 800 users, \$150,000 annual revenue run rate, etc.)



TIMING SLIDE

Square is a company that allows merchants to accept mobile credit card payments via a dongle.

Why Invest Now



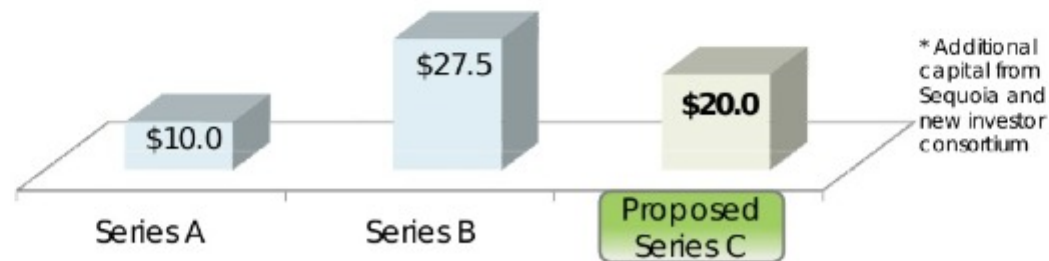
▣ *Additional investment will generate outsized returns due to growth prospects*

Need for Additional Investment

- ▣ Additional resources needed to maintain first mover advantage
- ▣ Competitive pressures increasing
- ▣ Expected spend in advertising and customer acquisition

High Potential for Growth

- ▣ Potential for growth will allow new investors to see an outsized return
- ▣ Customer adoption will scale up exponentially
- ▣ The key to success will be in locking in a loyal customer base early



BUSINESS MODEL SLIDE

Airbnb's business model slide

Business Model

7

We take a 10% commission on each transaction.



MANAGEMENT TEAM SLIDE

Square is a company that allows merchants to accept mobile credit card payments via a dongle.

Favorite takeaway: Social proof! It doesn't hurt to promote the management team if they've been with Twitter, Google, LinkedIn, Paypal, and more. It shows that your management team's experience is an armour to the company.

Management Team



The team has the background, proven track record and vision to succeed



Jack Dorsey - Co-Founder, CEO

- Co-Founder, Chairman of Twitter
- Advisor at Ustream



Keith Rabois - COO

- VP of Strategy & Business Development for Slide
- VP of Business & Corporate Development at LinkedIn
- EVP of Business Development and Policy for PayPal



Bob Lee - CTO

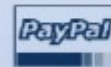
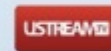
- Founder at Twubble
- Software Engineer at Google



Jim McKelvey - Co-Founder

- Owner at Mira
- Co-founder at Third Degree Glass Factory

Successfully Managing



Other Key Advisors

Gideon Yu
Roelof Botha
Ryan Gilbert
Alyssa Milano
Greg Kidd
Andrew Rasiej

FUTURE ROAD MAP SLIDE

Swipes is a task manager app to help its users increase their productivity.

