

Create your Pitch

How to make friends and influence people

Agenda

1. Things to consider before taking on external investors
2. Investor fit
3. When to raise external funds
4. How to value your business
5. How much to raise
7. Get the psychology right
8. Investor Pitch Canvas

Things to consider before taking on investors

BREAKOUT

What do you think you should consider?

Things to consider before taking on Investors

Lifestyle - do you want to create a lifestyle business or something of scale?

Wealth vs Control - autonomy or faster growth/more wealth?

Financing risk - what financial risk are you prepared to take on?

Time - have you got the time to allocate to fund raising?

Long-term relationship - do you appreciate it's like a marriage?

Means to an end, not the end itself - are you very clear as to why you are raising the capital?

Achieve momentum - have you got forward trajectory on your business?

Build investor relationships - have you started to build those relationships?

Investor fit

**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**

**In the US in 2015 public companies
received VC backing accounted
for 20% of market cap, 44% of
R&D**

Like a 'financing co-founder'

Questions to ask

Focused on my industry?

Right for my stage?

Focused on my geography?

Already invested in one of key competitors?

Money to invest? Follow-on capability?

Added-value?

Word on the street?

N.B. Weed out time wasters. Rather get a firm no than a muddy yes

Founders who have spent time figuring out who they want as investors before starting formal process ensure have pot of potentially good investors

When to raise the funds?

**Best time to raise money is when
you don't need it!**

How to value your business?

**Company valuation fifth most-cited
factor in decisions about which
deals to pursue**

BREAKOUT

What is the current valuation of your business?

Valuation

Valuation not most important thing

Getting funding done is just as important - if fundraising not running the business

Be aware too high a valuation creates problems for subsequent rounds i.e. more likely lead to down round

Best investor likely to come in with lower valuation than someone not as good

Poor investor likely to pay more to win deal

Potential of business only indirectly relating to valuation. More to do with competitiveness and trends in investing

Have a well-prepared cap table you understand well

Remember to have an option pool for people you want to recruit

How to value your business?

Paul Graham of Y Combinator advice:

- not to sell more than 15% in what he calls “phase 1 (‘a few tens of thousands from something like Y Combinator or individual angels’)”
- and no more than 25% in “phase 2” or “seed phase” (‘raise a few hundred thousand to a few million to build the company’),”
- for a total of no more than 40% before the Series A

Because investors typically expect 20 - 25% ownership after the round, your valuation is typically 3 - 4x the amount you are looking to raise.

How much to raise?

How much to raise?

Plan: Need to have a realistic, believable plan setting out cashflow requirements for next 2-3 years.

Right amount: Don't raise too much (lose discipline) or too little (running out cash biggest reason for company failure)!

Raise it in stages

Need to understand interplay of time, dilution, valuation and burn-rate

Recommendation: raise enough money to get you through a meaningful milestone

Get the psychology right

Learning meeting as well as money raising exercise

The Right Psychology In Fundraising Meetings

1. 95% plus probability you will not get money from the person you are meeting
2. So if your only goal is to get the money you are wasting 90%+ of your meetings
3. Better to view meeting as opportunity to build your company using information you get from the investor as well as money might get
4. Wealth of experience sat right in front of you
5. Come to investor meetings as an equal
6. Make sure you allocate enough time to dialogue
7. Questions you ask not just about gathering information but also Founder-Investor fit
8. Collaborate in discussion, don't get defensive, don't just shoot off all your ideas in your head
9. Remember investors say 'no' 99% of the time, minds trained to look for red flags

The Investor Pitch Canvas

INVESTOR PITCH CANVAS

Designed for:

Date:

Version:

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

BREAKOUT

Discuss which of these boxes you would currently struggle to answer

Piktochart: 30 legendary startup pitch decks

The Fund Raising Checklist

The Fund Raising Checklist

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

Build a process

- Like use 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

Project momentum

- Progress with the business and in the fundraising process
- 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

The Fund Raising Checklist

Create a pitch & practice presenting

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

Build the financial model

- Make sure you have clarity on how much capital you need and when

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

The Fund Raising Checklist

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?

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..

The Fund Raising Checklist

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