

Bankrolling your

BIG idea

A crash course in how to sell your business opportunity to the investment community from an investor's perspective

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SEMINAR OVERVIEW

Are you seeking investment capital for your startup? Do you need to secure additional financing to expand your business?

This presentation provides a crash course in selling your business opportunity to the investment community from the investor's perspective. We cover the ins and outs of the investment process and focus on how you can create a *marketable* business plan that will generate buzz within the investment community for your product or service.

SEMINAR TOPICS

- YOUR BUSINESS PLAN
- CREATING A MARKETABLE BUSINESS PLAN
- THE FUNDING PROCESS
- TYPES OF INVESTORS
- SELLING YOUR BUSINESS PLAN TO INVESTORS
- GENERATING INVESTOR BUZZ
- PROTECTING YOUR INTELLECTUAL CAPITAL

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YOUR BUSINESS PLAN

WHAT IS A BUSINESS PLAN?

- Executive Summary
- Company Summary
- Products and Services
- Market Analysis Summary
- Strategy and Implementation Summary
- Management Team Overview
- Financial Plan

Investors hear new business concepts nearly every day. Your business plan is your main tool to gain their **ATTENTION**.

WHY IS YOUR BUSINESS PLAN SO IMPORTANT?

- Investor / Lender Demands
- Attract Collaboration
- Consider the Details
- Management Tool

Fail to plan and you plan to **FAIL!**

AVOID THESE COMMON MISTAKES

- Procrastination
- Sharing your business plan with the world
- Distributing a bland plan
- Distributing an incomplete or error-filled plan

Pay as much **ATTENTION & FOCUS** to your business plan as you do your product or service!

WHAT INVESTORS EXPECT FROM YOUR PLAN

- Thoroughness
- Audience driven
- Paints a realistic picture
- Addresses pros and cons of the business idea
- Conveys professionalism
- Demonstrates your business acumen

Investors expect your plan to be **INVESTOR READY**. Create a plan that is marketable and stands out from the crowd.

CREATING A **MARKETABLE** BUSINESS PLAN

ELEMENTS OF A MARKETABLE BUSINESS PLAN

- Attracts positive attention
- Demonstrates your marketing capabilities
- Demonstrates your knowledge & skills
- Demonstrates your business acumen
- Fosters **goodwill**

Business Plans are a lot like resumes, the good ones generate a **QUICK RESPONSE** while the rest wind up in the trash.

TIPS ON WRITING YOUR BUSINESS PLAN

- Keep it clear
- Keep it concise
- Write naturally
- Be Logical
- Professional Tone
- Be confident, but don't avoid addressing weaknesses

Understand the **INVESTOR's MIDSET** and write your business plan directly to them.

TIPS ON PACKAGING YOUR BUSINESS PLAN

- Stand out from the crowd & demonstrate your marketing capabilities
- Provide product samples
- Be willing to demonstrate your product on demand
- Create dynamic presentation materials
- Research the investment team before you present to them

You generally have to spend money to make money so **INVEST** in your presentation materials.

THE **FUNDING** PROCESS

THE STAGES OF FUNDING

1. Early Stage Financing
2. Expansion Stage Financing
3. Acquisition/Buyout Financing
4. Initial Public Offering (IPO)

Capital investment is a **STAGED PROCESS**. Securing investors usually isn't a one-time deal.

EARLY STAGE FINANCING

- Seed Financing
- R&D Financing
- Startup
- First Stage

THINK about your long term growth objectives and your funding objectives very early on in your business planning process.

EXPANSION STAGE FINANCING

- Second Stage — a.k.a. “Working Capital”
- Third Stage — a.k.a. “Mezzanine Financing”
- Fourth Stage — a.k.a. “Bridge Financing”

Pay attention to **EQUITY DILUTION** very early in the funding process if you want to maintain majority ownership of your company!

ACQUISITION / BUYOUT FINANCING

- Acquisition Financing
- Management LBO

Complex deals require professional **EXPERTISE**. If you aren't a finance expert then hire one.

INITIAL PUBLIC OFFERING

Public Stock Offerings

If you **GO PUBLIC** some day, consider hiring a CEO who has successfully taken a company public before.

TYPES OF INVESTORS

ANGEL INVESTORS vs. VENTURE CAPITALISTS

Main Differences	Angels Investors	Venture Capital Firms
<i>Personal</i>	Entrepreneurs	Money managers
<i>Money Invested</i>	Own money	Fund provider's money
<i>Firms Funded</i>	Small, Early-stage	Medium to large, Later stage
<i>Amount of Investment</i>	Small	Large
<i>Due Diligence Done</i>	Minimal	Extensive
<i>Location of Investment</i>	Of concern	Of lesser concern
<i>Contract Used</i>	Simple (10 pgs.)	Comprehensive (100 pgs.)
<i>Monitoring After Investment</i>	Active, Hands-on	Strategic
<i>Involvement in Management</i>	Important	Of lesser concern
<i>Exiting the Firm</i>	Of lesser concern	Very important
<i>Rate of Return</i>	Of lesser concern	Very important

Unless you have a rich uncle, Angel investors and Venture Capitalists are your main sources of **STARTUP CAPITAL**.

MORE ABOUT ANGEL INVESTORS

- You won't be an Angel's only investment
- Each individual investment an Angel makes is very risky
 - 47% -- Lost Investment (5 in 10)
 - 26% -- 1x to 4x Return (3 in 10)
 - 15% -- 4x to 6x Return (2 in 10)
 - 8% -- 6x to 30x Return (1 in 10)
 - 4% -- >30x Return (>1 in 10)
- Demand high returns from each investment because they CANNOT know and WILL NOT know which one deal will succeed wildly.
- Nor can they reliably predict which ones will fail miserably.

Expect to **PAY OUT** huge returns to your Angel investor when your business begins to generate a positive ROI.

RULE OF THUMB FOR ANGEL INVESTORS

- Angels look for a 10x return on EVERY deal
- Seek to exit deals 5-7 years down the road
- Typically invests no more than \$250,000 in any one investment
- Don't invest any more than 10% of funds in any one venture

To receive **SERIOUS** consideration from Angel Investors your ROI should be 30-40% minimum.

WHAT ANGELS LOOK FOR IN A POTENTIAL DEAL

- SCALE! SCALE! SCALE!
- Your Valuation **MUST** be reasonable!
- You have the capacity and ability to execute

Angels look to **MINIMIZE RISK** by selecting ventures that offer rapid growth potential, a high rate of return & strong management teams.

14 QUESTIONS YOU WILL DEFINITELY BE ASKED

1. Who are your major competitors?
2. What makes your products and services unique?
3. Who are your targeted customers?
4. How have your targeted customers responded to your prototype?
5. What is your marketing strategy for your products and services?
6. How much angel capital are you seeking?
7. How do you plan to distribute my investment?
8. What time frame do you expect the invested money to last?
9. What is my stake in the company and my ROI?
10. What will happen next if the company fails?
11. How much profit will your company make?
12. How much money do you have invested in your venture personally?
13. Do you have experience in this field?
14. What are the long term goals of the company?

SELLING YOUR BUSINESS PLAN TO INVESTORS

YOUR PITCH

- A “pitch” is simply how you present your company verbally
- Any verbal communication to an outsider about what your company does or will do should be considered a pitch
- Lay it out on paper before you talk to outsiders
- Identify complementary materials you need to make your pitch effective

Chances are your products or services have a **UNIQUE SELLING POINT**... Your business plan better have one too.

THE ELEVATOR PITCH

- An elevator pitch is a short informal presentation
- Engages discussion / gets someone interested
- Make it Short, Simple, Memorable: “What, How, Why.”
 - Max 3 key words / phrases, 2 sentences.
- Make it easy for non-experts to understand

Think through your elevator pitch **CAREFULLY** before you discuss your business with anyone... friends, family and acquaintances included.

ALWAYS BE PREPARED TO MAKE YOUR PITCH

- Practice! Practice! Practice!
- Keep some type of promotional material on you at all times
 - Always have a business card at a minimum
- You never have a second chance to make a first impression

Sometimes strange encounters lead to big things. **ALWAYS** be prepared to make your pitch.

FORMAL PRESENTATIONS

- Perfect your presentation
- Come prepared
- Watch the clock
- Image is Important
- Always follow up

Investors want you to demonstrate your **CAPABILITIES** when they meet with you... Put on a show!

ASKING FOR INVESTMENT CONSIDERATION

- Don't beat around the bush
- Don't expect an immediate decisions
- Don't appear desperate

Investors expect discussions to focus on financial outcomes...
specifically what type of **ROI** they can expect.

GENERATING **BUZZ** AMONG INVESTORS

UNFAIR ADVANTAGE

- Forget Competitive Advantage
- Angel Investors and VCs *really* like Unfair Advantage
 - Big market lead
 - Experienced team
 - ex-Google PhDs
 - Core / “breakthrough” tech
 - “Defensible” IP / patents
 - “Exclusive” partnership
 - Great sales/marketing

Chances are your products or services have a **UNIQUE SELLING POINT**... Your business plan better have one too.

PEOPLE OVER PRODUCT

- Your management team is often your make or break point with investors
- Types of people who get potential investors excited:
 - Geeks with deep technical background
 - Entrepreneurs who have sold companies
 - Recognized experts in their field or sector
 - Sales/Marketing rainmakers
 - Teams that have worked together before and shown real success
- Make sure your management team has skin in the game

Attract world class talent **BEFORE you solicit investment capital... it's a differentiating factor that every investor respects and appreciates.**

TALENT ATTRACTS ATTENTION

- Seek people with A-caliber startup qualities
- If your investors aren't impressed, it reflects on your ability to recruit talent
- Worse still, your investors may handpick people to manage your business if you are talent deficient

Ideas don't make money, **PEOPLE** make money.

PROTECTING YOUR **INTELLECTUAL CAPITAL**

GUARD YOUR IDEAS

- Being first to market isn't always an advantage
- Confidentiality agreements with employees & contractors are musts
- Get management to sign non-compete agreements
- Forget confidentiality agreements with potential investors
- Trademark / service mark your intellectual property
- Expect new competition soon after you go to market

There are **NO PATENTS** for business ideas... If someone leverages your ideas and leapfrogs you, you have little or no recourse.

IN CONCLUSION

SET REALISTIC EXPECTATIONS

- You will likely be turned down A LOT!
- Learn to handle criticism
- Deals often fall through
- Finding the right investor takes time and effort
- Investors will demand results

LEARN from every rejection you receive... understand why and refine your business plan and pitch strategy accordingly.