

# Walnut Venture Associates

## Walnut Venture Associates

### Objectives

- To help talented entrepreneurs build lasting businesses of significant value
- To supply capital and expertise as active investors

### Investment Focus

- **Geography** New England
- **Industries:** Software, Internet in rapidly growing markets such as social commerce, ad tech,
- **Stage** Seed, First Round, Expansions
- **Typical Round:** \$250,000-1,000,000

### Walnut Members Can Help

- Refine business plan
- Fill out management team
- Develop financing strategies
- Make contacts for strategic customers and partnerships
- As active board members

### Walnut Members Bring Expertise

- Founders and/or CEOs of more than 20 companies
- Have been on BOD of 125 companies
- Have invested in 225 companies

# Walnut Investing Process

## Pre-Screening

- Geography
- Industry
- Potential For High Returns
- Initial Assessment of Business Idea/Model
- Initial Assessment of Entrepreneur
- Initial Assessment of Management Team

## Tuesday Presentation

- 30 Minute Presentation to Walnut Group
  - 15 Min. Presentation
  - 15 Min. Q&A
- Problem Solved
- Market Size/Growth
- Solution
- Initial Markets and/or Customers
- Team Track Record
- Business Model
- Capital Needs and Milestones
  - Now
  - Next Rounds

## Due Diligence

- Follow-up Meeting: Meet with Key Management at Company Office
- Thorough Due Diligence
  - Personal References
  - Customer References
  - Competitive Assessment
  - Financial Review
- Negotiate Term Sheet

## Investment and Support

- Board Seat
- Annual Update to Walnut Investors
- Refine business plan
- Help Recruit Key Management
- Introduce Company to Sources of Follow-on Financing
- Guidance on Financial Strategy
- Make key contacts for strategic partnerships
- Configure the company for an IPO or being acquired

# Product: What important customer problem are you solving?

- Show the problem and its impact on one example customer. “Take us into their world.”
- Does the CEO think this is one of the top 3 problems for the company? Is it urgent?
- How your product or service solves the problem
  - World/pain before; World/benefits after
- Status- prototype, beta, revenues etc.
- Does it provide 10x benefit over status quo?

# Business Model: How will you make money?

- How your product or service
  - Drives customer savings or growth
  - Gives you a good profit margin over your costs
  - Is repeatable and valuable
- Pivot the model if needed
  - Ex. SaaS model valued more highly than agency
- When and how you'll scale to fast growth
- How can you win, what's your unfair advantage?

# Market Sequencing

- Early- your best first customers and market
  - Screaming need, willing to pay a lot to solve problem, minimal product is acceptable
  - Small industries are just fine, practice dominating
- Later- Adjacent opportunities
  - Adjacent markets
  - Adjacent needs in current customers
- Add up the larger opportunities
  - Geography, next logical industries, partnerships
  - Forces driving high growth, why it's not niche

# Go after the First Market

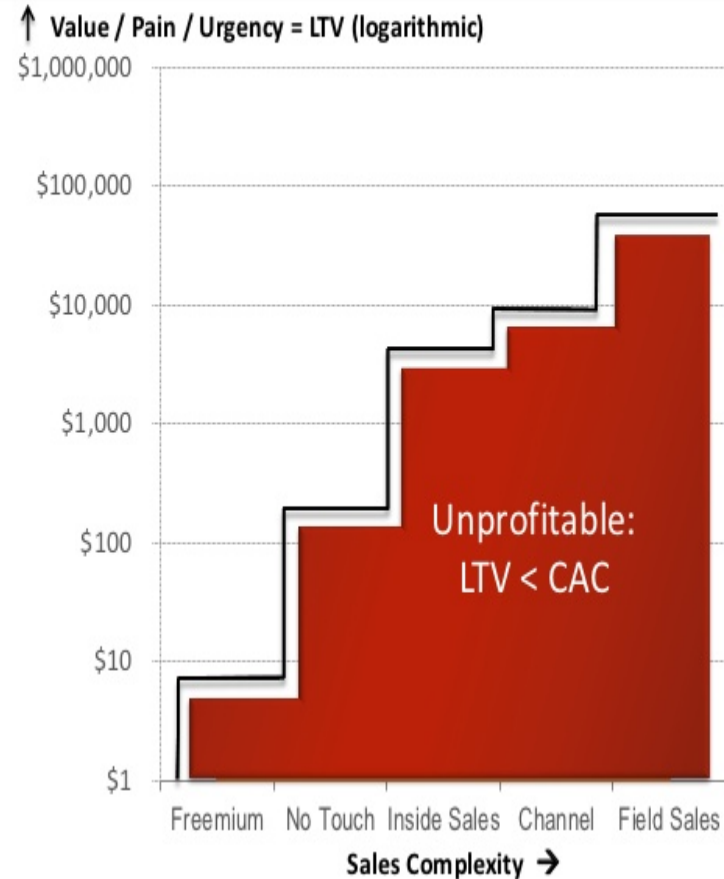
- Map how your customer buys
- Apply marketing, direct response, sales efforts etc. to the customer buying process
- Build the minimum viable product and get it to light house customers
- Build the solution that solves their whole problem, go after the followers
- Iterate the business model and the value prop

# Scale Sales and Marketing Channels to reach your Customers, Profitably

High CAC, requires high scores for: Value, Pain, Urgency

David Skok of Matrix balances price point, sales cost and business model

- First sales won't be profitable, but keep scale in mind as you learn
- Price reflects the value, urgency and uniqueness of your solution
- Customer Acquisition Cost (CAC) varies by channel
- 



# Financial Model

*Plans are nothing; planning is everything*

- Helps confront assumptions
  - Get reality-based metrics from operating companies
- Revenue driving assumptions
  - Customer Acquisition Cost vs. Long Term Value
  - Churn, upsell, sales cycle, pricing, channels
- Cost assumptions
- Cash Flow analysis
  - Scenarios, ranges of assumptions
  - Reveals when you'll need capital
  - Cash is King
- Map key valuation-improving milestones to timing of capital slices, if possible.



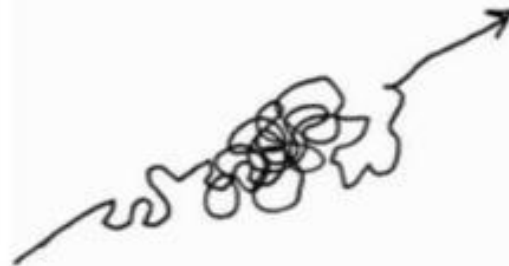
# Not as simple as it looks

Success



what people think  
it looks like

Success



what it really  
looks like