# 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

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

what it really looks like