WINNING INVESTORS WITH YOUR PITCH DECK AND PRESENTATION

June 7, 2016
• **Why am I here?**
• Why bother raising money?
• From whom should I raise?
• What do VCs look for?
• What does the perfect pitch look like?
• What should I do next?
Venture Capitalist since 1994

General Partner, Flybridge (2002-present)
• Focus on enterprise technology, with a particular emphasis on developer-driven companies and cloud infrastructure
• On the Board of companies such as MongoDB, Digital Lumens, Nasuni
• Formerly on the Board of Firebase, Stackdriver, PatientKeeper and others

General Partner, Greylock (1994-2002)

Stanford BA, Harvard MBA

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WHY RAISE MONEY AT ALL?

• Hire super-talented people

• Scale company to the next-level

• Develop product quickly (before a competitor)

• Survival (food/housing/clothing/beer)

• (Most) companies are very expensive to build

• The business is very risky

• Even big risk-takers need some security
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VENTURE CAPITAL IS NOT THE ONLY WAY

Source: Jean Hammond, LearnLaunch
WHY DO START-UPS RAISE VENTURE CAPITAL?

• Because they have no other choice
  – Two people and a dog with a dream (usually the people) and the need for more money than “alternative” sources can or are willing to provide

• Because they want to
  – Deep pockets: Additional funding for follow-on rounds, high risk tolerance
  – Value-add: Domain experience, industry contacts, strategic planning
  – Experience: VCs have “seen the movie” before and can help avoid pitfalls
  – Swing Big: VC’s don’t invest in niches, they invest in transformative ideas that can build large companies
VC Firms and Funds are Defined by the Big Wins

This “Power Law” Defines Every Decision We Make
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6 STEPS TO WIN OUR HEARTS

• A great pitch is the key to an investor’s wallet
  – You’ll never get one without the other

• Every pitch is different but there are a handful of things really effective pitches do:
  – Establish excitement about the team
  – Sell the vision
  – Outline the market opportunity
  – Show metrics
  – Outline financing goals
  – Address the challenges
• We back people and want to help them win and stay with the company until we all ride off into the sunset.
• Teams need not be complete or experienced, but
• Founders / managers MUST exude confidence to succeed
• Traits we look for:
  – Command of the business / sector / ecosystem
  – Concise articulation of the value proposition
  – Evidence that homework has been done
  – Confidence without arrogance (swagger with backup)
  – “Pied Piper” ability to recruit & retain a great team, advisors, partners
  – Interpersonal chemistry
• The most important thing to do when pitching an investor is to sell the vision for the company being built
  – Share your excitement and conviction
  – Get us excited about what you are doing
• Do this by
  – Telling a story: the best presentations tell a coherent story that engage the audience and venture pitches are no different
  – Selling yourself: Why are you the right team to tackle this particular business problem
• Leave us wanting more
  – (Almost) No VC investor is going to write a check after 1 meeting
  – The goal of your pitch should be to get the investor wanting to spend more time with you to “turn over another card”
• Behind team, the market is the most critical aspect evaluated
  – Venture investors look for large opportunities
    • Market sizes in excess of $500M
    • Business revenue potentials of $100M+
    • We do this because we need to see a way to make 5-10x our money on any given investment
  – Also look for practical go-to-market strategies
    • Basecamps on Mt. Everest

• The presentation should clearly articulate the size of the market being addressed and how you will capture that opportunity to build a big business
  – Hard to do when you are creating a market that doesn’t yet exist
• Demonstrating traction goes a long way with venture investors
  – There are thousands of risks to any startups and VCs like to eliminate as many as possible before investing
  – Data is a great way to demonstrate risk reduction
  – Be sure to tie the metrics to the business (ie, why they are important)

• A good example from a recently funded company:
• Be explicit on how much money is being raised and why
  – Clearly describe what significant business milestones will be hit during the requested financing round
    • There should be logic behind the amount of money you are raising
    • Fund towards value creating milestones
  – Describe how much more capital will be needed over time and how that additional capital will be used

• Typical nomenclature, sizes and goals:

<table>
<thead>
<tr>
<th>Seed</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C (+)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$250k - $2M</td>
<td>$2M - $7M</td>
<td>$7M - $20M+</td>
<td>$30M+</td>
</tr>
<tr>
<td>Product/user fit</td>
<td>Business model</td>
<td>Scale</td>
<td>World domination</td>
</tr>
</tbody>
</table>
• Every business faces challenges; be upfront in addressing yours. Talk about:
  – The risks and how you will address them
  – The competition and why you will outperform them
  – You’re not fooling anyone by not including it in the presentation

• The worst thing you can do is pretend no challenges exist
  – It means that either you don’t know you will face challenges or you are foolish enough to think you won’t hit any
  – Significantly reduces credibility in the investor’s mind
SIX QUESTIONS

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- What do VCs look for?
- **What does the perfect pitch look like?**
- What next?
AN OUTLINE FOR SUCCESS

• Start with the team
  – Highlight key management and relevant background

• Then hit the problem you’re addressing
  – Write it for a 5th grader – pretend like your audience knows nothing about
    the problem you are hitting

• Talk to the market opportunity
  – Make the case for how solving the problem can make a lot of money

• Speak to your solution
  – How will your business attack the problem to capture the market opportunity

• Talk product
  – Tell the audience where you are, what you’ve built
  – Hit relevant metrics and describe why they help mitigate risks
  – Talk about the competitive landscape

• Financials
  – Show the financial plan (3 years out), the amount of money you are raising
    and where that money gets you to
• Do…
  – Your homework before you email, call or meet
    • Make sure the firm is a fit with your business
  – Get an overview from the firm
    • Get to know how they operate, their focus, how they like to invest
  – Be comfortable saying “I don’t know”
    • Honesty is best policy; making up stuff loses credibility
  – Cite sources where you can
    • If you’re sizing the market, tell us where the numbers you’re getting come from or how you generated them
  – Be open to feedback and dialogue
    • It’s a conversation, not a lecture
    • We’ll want to pressure test assumptions and see how you think
  – Be crisp and on point
    • If you can’t show good summarization skills when raising money, how will you handle customers, partners, employees?
• Don’t…

  – Include an exit slide
    • VCs are in it to build large companies; explaining your strategy to build and flip makes us worry we’re not aligned

  – Manage time poorly
    • You probably have an hour with an investor; if you BS about the Yankees for 20 minutes and then spend 20 minutes telling your life story, we’ll only have 20 minutes to actually discuss the business

  – Read every word of your presentation
    • This isn’t a screen test – hit highlights, not each word; we can read
    • Be flexible and go where the conversation takes you

  – Make your presentation too abstract to understand without you in the room
    • Materials will likely be shared internally with the VC team and if they can’t follow without your voiceover it doesn’t do much good

  – Exaggerate, name drop, or otherwise
WHO SHOULD I APPROACH?

Stage
Location
Sector

Business Model
Investment Thesis
Social / Trust Filter
• Why am I here?
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YOU’VE HAD A GOOD MEETING, THEN WHAT?

- Treat fundraising like a sales process – build a pipeline, work people through the pipeline, build up to crescendo.
- VCs get distracted – typically only pursue 2-3 high priority new investment opportunities at any given time.
- Stay connected, top of mind, build a sense of momentum.
- Need to sell the individual “champion”, then the help them sell the partnership.
- Address objections with specific data:
  - Make the investment case for them.
  - Give them tools/materials to share with their partners.
THEN, EXPECT MORE DUE DILIGENCE

• Customers / partners
• Team
• Technology
• Business model
• Market size / analysts

➔ As with sales, package up the information, make it easy on the VC (references, financial models, detailed market size analysis, etc. in an easily digestible form
• Pitch
  – www.pitchenvy.com
  – www.bestpitchdecks.com
  – Guy Kawasaki: 10 slides / 20 minutes / 30 point font http://guykawasaki.com/the_102030_rule/
  – NextView www.nextviewventures.com/blog/free-startup-pitch-decks-template/

• Legal
  – Foley & Lardner https://www.foley.com
  – Goodwin Proctor www.foundersworkbench.com
  – Techstars www.techstars.com/docs
  – www.seriesseed.com

• General
  – www.soulmix.com/remix/619
  – www.robkornblum.com