Taligo, LLC

Startup Presentations

To Angel/Seed Stage Investors and Partners

Recommendations for Best Practices, a White Paper

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Disclaimer

This white paper provides information that may be useful to technology startup companies for initial meetings with angel/seed stage investors or partners. This white paper is for informational purposes only and is not intended to be legal advice or investment advice and should not be relied on for such purposes. In addition the facts and circumstances of each situation are different and may be fluid and unpredictable. Thus, advice must be sought on each specific situation from well-informed legal, investment, tax, financial, and management professionals.

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Introduction

Early stage companies in Silicon Valley want to be successful in their initial presentations to angel or seed stage investors or potential partners. Unfortunately, outside Tier I (please see the Glossary) many of these initial presentations are of low quality and are prepared by poorly informed executives who lack clarity on many key points. Further, outside Tier I, the potential investors and potential partners may be poorly informed, of varying experience, and lacking clarity on a number of key points.

This white paper is written for the various participants who will be involved in:

- Establishing initial relationships between a technology focused company (the "Company") and with Angel or seed stage investors or partners
- Participating in a first meeting between the Company and the "Investor" for the purpose of exploring potential joint interest in an alliance, licensing of technology, a development agreement, angel or seed stage investment, and/or an acquisition.

This white paper provides a series of recommendations fostering the use of *Best Practices*[1] to assist those who are preparing questions to ask their legal counsel or investment advisor concerning strategy or tactics as they prepare for this first Investor meeting. Prior to that point it may be useful as a guide for internal discussions as to what plans and decisions might by made before raising funds. Thus this White Paper is not legal or investment/financial advice.

Further, it has been written from the unique perspective of Silicon Valley and thus may be inapplicable in other locations where processes, criteria, and in some cases even the facts may be perceived differently. Many Investors have contributed to this white paper. The author shares their hope that this white paper will lead to better presentations and more effective use of the Company's and the Investor's time.

In this white paper, the Company's objectives are assumed to be one or more of the following:

- A development agreement
- Licensing of technology
- Some other type of alliance
- Angel or seed stage financial investment or strategic investment
- Investment now with possible acquisition later
- Acquisition now or later – As one example, some investors/acquirers in the medical device community provide criteria by which they will invest or acquire at a later date.

Thus, the Company is interested in an alliance or funding to support a launch or growth as a normal part of the company life cycle. Presentations by companies in distress are not addressed in this white paper.[2]

Prior to its first meeting, the author assumes that the Company:

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1 Some consider the term "Best Practices" to be too absolutist and not referenced to needs for alteration to fit circumstances. The need for *well informed* alteration is clear. However, the audience for this white paper is more used to the term "Best Practices" than the terms "Successful Practices" or "Green Paper".

2 For restructuring issues, please see *Equity Planning, A White Paper For Those Associated With Restructuring an Early Stage Startup*, by Fred Greguras, Rod Hoagland, Eric Johnson, Tim Massey, Osamu Tagaya, and John Gale, edited by John Gale, published by Taligo, LLC, April 2003

- Is a startup or a small established company based in Silicon Valley
- Is focused on technology as the basis of its offering (IT, nanotechnology, alternate energy, sustainable environmental technology, medical, biotech, etc.)
- Is incorporated in California, Delaware, or (less desirably) Nevada, preferably as a "C" corporation
- May have just launched an angel or seed stage fundraising campaign. This ranges from having completed only founder and perhaps FFF (see Glossary) financing to being a small established private company that is raising funds.

Some serial entrepreneurs present only to investors that they know from prior successes. This white paper does not address their unique situation based on strong prior relationships.

This white paper considers Investors to be both those with financial interests and those with strategic interests. These distinctions can be "fuzzy." Thus, while some Investors clearly are financial investors and others have purely strategic interests, many Investors have some combination of these motivations. Further, frequently, they may not understand each other's agendas in a useful way.

Financial Investors include:

- Most Angel investors (wealthy individuals) and Angel funds
- Seed stage venture capital firms
- Some corporate investors

For the purposes of this white paper, Strategic Investors are trying to accomplish something that supports the strategic goals of their organization.[3] These Investors include the following:

- Early stage corporate investors including corporate development executives, business development executives, product development executives, and other executives who commercialize technologies. Within a company, these units do not necessarily work together.
- Some early stage private equity investors
- Some seed stage venture capital funds that invest in early stage startups where a non-financial objective is very important. Their objectives tend to be one or more of the following; specific relationship focus, product focus, technology focus, market theme, and economic development. For example, some economic development units funded by government entities invest in startups with the intent of creating jobs, usually within a defined geographic area. One early stage fund invests only in early stage semiconductor startups that wish to serve customers in a specific country.
- Some Angel investors act as the venture capital arm of a company that they founded or control.

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3 Corporate venture funds are housed within corporations. They may have financial or strategic objectives. If their objective is to generate financial returns then they are somewhat similar to traditional venture capital firms. However if their objectives are strategic, then their objective is to support the future product/service offerings of the corporation. The typical strategic venture capitalist unit is a part of the corporate development activity of an established corporation. Thus, they may also be interested in licensing technology or in some other business relationship with a startup. Their due diligence processes frequently differ from those of financial investors.

Applicability of This Document

In all cases the advice of knowledgeable legal counsel & licensed investment advisors should be obtained.

This white paper describes the first presentation and some prior interactions. It has been prepared with consideration of the unique ways Silicon Valley does business. As one example, Silicon Valley startups do not prepare prospectuses or private place memoranda, instead, they prepare PowerPoint presentations.

The PowerPoint presentation should support progress towards an intended financial exit, as described below. Please also see the material on the Technology PowerPoint slide later in this white paper.

Applicability by Intended Financial Exit

The more experienced, sophisticated, professional, and adaptable the team (including employees, Investors, and key partners), the more likely they will achieve their goals. Unfortunately, some CEOs, wealthy individuals, and potential partners with less experience do not understand this.

Tier I startup CEOs and investors expect one of the following exits:

> **IPOs on the NASDAQ.**[4] When Silicon Valley refers to an IPO, it is usually on the NASDAQ. Startups that actually achieve these exits are almost always founded by experienced, sophisticated, professional entrepreneurs working with sophisticated Silicon Valley experienced angels and similar venture capitalists.
>
> **High-Multiple (of original investment amount) Acquisition Exits.** For acquisitions of all types, the "selling" of the acquisition itself will require conforming to the information requirements of the acquiring organization. Early investors may be required to instill capital in stages in order to achieve this exit.
>
> **Shorter Term Moderate Multiple Exit Acquisitions. There** is now a shorter term acquisition exit strategy where after a smaller investment and over a relatively short period of time, the Company develops its first customers and then sells out to an acquirer before scaling the business to robust revenues. These exits can be attractive because a smaller pool of Investors, share in the (smaller) financial exit with the employees, etc. A number of Silicon Valley investors focus on such exits.
>
> **Bridge loans** with a predetermined rate of interest, security, and maturity

Tier II startup CEOs and investors typically achieve one of the following exits:

> **IPOs of Varying Success.** (less frequent)
>
> **WR Hambrecht Style Auctions.** (a NASDAQ IPO without a typical investment bank)
>
> **Moderate Multiple Exit Acquisitions.** As the anticipated multiple decreases, Investors will lose interest. Startups that target these exits typically receive investments from sources other than the high-multiple-exit focused Silicon Valley Investor (Tier I) community.
>
> **Low Multiple Exit Acquisitions.** Startups anticipating these exits are usually funded outside of the Tier I and Tier II Investor communities.

4 IPOs in other countries such as London, Toronto, Hong Kong, etc. are not addressed in this white paper.

Dividend Exits. (usually not on purpose)

Restructuring. [5] (not expected)

Tier III startup CEOs and investors typically achieve one of the following exits:

Low Multiple Exit Acquisitions.

Dividend Exits. The Company becomes a standalone profitable business and delivers a financial exit to the Investor by paying dividends. A Company without an anticipated liquidity event from IPO or acquisition is unattractive to most sophisticated Silicon Valley Investors.

Restructuring.

Failure to raise funds. If an inadequate amount of funding is raised, the funds should be returned, not expended.

Other Uses of The PowerPoint Presentation

The presentation for Investors is typically edited for meetings with potential strategic partners, early customers; and candidates for, employment, the Board of Advisors, and the Board of Directors.

Objectives For The First Meeting

The Company's Objectives

In the first meeting, the Company's objectives are:

Determine the financial/strategic fit. Is the Investor a good fit for the Company and qualified to help? What non-financial benefits such as development partnerships, equipment/manufacturing support, marketing/channel partnerships, etc. are likely? What are the Investor's interests and what types of deals have been done? What is the Investor's strategy for co-investment, follow-on investments, and financial/IP exit?

Determine personal fit. The CEO will "live with" the Investor through good times and bad, much like a marriage with a difficult divorce procedure. Is this an individual with relevant competencies with whom the CEO wishes to be in the trenches when the going gets tough?

Evaluate the Investor representatives. To see which, if any, of those individuals present are qualified to really help the Company achieve the goals required to justify the next round of funding.

Gain intelligence. Ask the Investor for suggestions, such as what would strengthen the offering, what are the deficits, etc. The more the Investor is engaged, the more likely a deal will occur.

Gain references and recommendations. Who does the Investor know that can help the Company? If the Investor is uninterested, the Investor might recommend someone who might be interested.

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5 Please see *Equity Planning, A White Paper For Those Associated With Restructuring an Early Stage Startup*, by Fred Greguras, Rod Hoagland, Eric Johnson, Tim Massey, Osamu Tagaya, and John Gale, edited by John Gale, published by Taligo, LLC, April 2003

Influence the Investor's due diligence team. Suggest domain expertise for due diligence.

Decision process. Determine the Investor's decision process and timeframe [6].

Achieve mutual interest in moving forward and progress to meeting #2.

The Company's Tactics

Before the first meeting, the Company's objectives are:

- Determine if the company has made a competing investment.
- Screen out Investors who are just performing market research before scheduling the meeting.
- Determine who will attend the meeting. Know who will attend; review their web site and their background. The PowerPoint will be customized for this meeting based on this research.
- Agree on a meeting objective when the meeting is scheduled.
- Establish the agenda when the meeting is scheduled.

In the first meeting, the Company's tactics include:

- Review the agenda and time availability
- Being on time, attending as a team when appropriate. Many investors and partners schedule back-to-back meetings at one hour intervals. Their most precious resource is their time.
- Present key information about the business and team in 15 minutes or less using a PowerPoint presentation. This is the primary focus of this white paper.
- Have material on hand to support an in-depth discussion of the competition
- Hold back more privileged information for future meetings after Investor qualification
- Determine if the Investor representative has the power to say yes. If not, do not give them the opportunity to say no.

Investor/ Partner Objectives

Investors understand that most Company presentations sound like good ideas. But, only a small percentage has the management team, available market, sustainable competitive advantage, etc. to become success stories. In the first meeting, the Investor's objectives are:

- Develop a connection with the presenter(s). Some feel that relationship "chemistry" is the key issue.
- Try to understand what the Company is really doing, what are the key issues, and the competence?
- Determine what it will take to "know" that the technology will commercialize
- Determine what it will take to align expectations between the Company and the Investor(s).
- Determine if this is an opportunity to invest, partner, or license a product or technology that may help to build out an internal roadmap or vision? Will involvement with this Company "Place a marker" in an area of potential future interest?
- Determine if valuation (or other financial) expectations are "in the ballpark."
- Achieve mutual interest in moving forward and progressing towards a potential deal

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6 At the end of a first meeting with investors, Vladimir Miloushev, founder of Attune Systems was known to say, "Right now - on a scale of 1 to 10 - what is the probability that you will spend more time on this deal?"

Investor/ Partner Tactics

Investors will sometimes describe their organization's way of participating in the business community. If the Investor does not volunteer this information, the Company needs to ask for it. This includes:

- Whether or not they have read any of the Company's "paper" in advance
- Ability to invest and/or lead both now and in future rounds, typical amounts invested and at which stages (as initial investments), co-investment strategy. What percentage of the fund has been invested/committed? If a strategic Investor, whether the "fund" is funded or "balance sheet funded."
- Discussion of investments/alliances /licensing /etc. done in the past
- How the Investor can deliver relevant non-financial value; deep domain knowledge; market connections, technology, etc. "Dumb Money" can be acceptable if both the Investor and the Company understand this and why/how the Company will get the "Smart Money" elsewhere.
- Previous experience as a successful investor at which stages
- Areas of interest at the present. Any unique due diligence process, criteria, or metrics
- What type of relationship the investor would like to have with this Company, as an individual, and as an entity, if they invest in them. As one example, how involved will the Investor want to be with the Company after the investment is made? How much involvement is the Company prepared to live with? Their needs to be mutual understanding and comfort on this topic.
- Any desire to acquire Board seats or rights to observe Board meetings (and commitments for continuity of the representative)
- Legal structure of investments and which financial exits are preferred
- Any special terms the investor might want on the Term Sheet that are really unusual

Typically, strategic investors/business development executives will care most about how well this Company's offering matches their corporation's objectives. In other words, will this Company's technology/product/offering enhance or extend their current or planned offerings?

Checklist of Materials for the First Meeting

For some strange reason, many Company CEOs refuse to acknowledge that experienced Investors have seen at least hundreds of presentations and can quickly identify lack of effort and superficial knowledge on the part of a presenter.

Many startup CEOs refuse to acknowledge that investors have experienced hundreds of presentations and can quickly identify lack of effort and knowledge.

Therefore, presentations by Tier I and Tier II Companies stand out. They have rehearsed their presentations and the key presenter knows it cold. Often the presenter has rehearsed with an expert presentation packager. For a first Investor meeting the Company's presentation package typically includes: [7]

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7 The Silicon Valley Association of Startup Entrepreneurs sells a package of tools to its members for a modest fee at www.svase.org This package includes the following:

- Is your business fundable? – this is a quick and straightforward self evaluation checklist.
- Funding Flow – charts the critical steps for a successful funding approach

A 30 second elevator pitch. This is a rehearsed interactive dialogue that conveys the 100,000 foot view in a brief, yet comprehensive manner. The listener must understand quickly what the Company does for Who? How? Why? Why this is exciting? [8]

A 15 minute investor PowerPoint presentation. This is a sales presentation, rehearsed to take only 15 minutes, that grabs the Investors' interest and compels their attention.

Backup PowerPoint material. This is well organized and easily accessible to help answer questions. Key slides may be incorporated in a subsequent one hour meeting (45 minutes for presentation and 15 minutes for questions). Backup material includes detailed information on the competition.

Rehearsed presentations of all of the above. The key presenter knows it cold. He has rehearsed with an expert presentation packager.

An investor or partner strategy. Before scheduling the meeting, the Company should have established a funding/partnering strategy. Criteria in this strategy will be used to qualify/disqualify investors/partners. This strategy reflects an understanding that many financial Investors while likely to be more sophisticated financially; frequently do not understand strategic investors; and that strategic Investors, while having less focus on financial returns; usually have more sophisticated knowledge of their markets.

Straw proposals for partnering. Think through several of these in advance and be prepared to discuss various scenarios.

NDA. Some Company CEOs ask that an NDA be signed before the first meeting. However, most Investors will not consider this until after an investment. Strategic Investors may be more flexible.

Executive Summary. Soon after its first successful Investor meeting the Silicon Valley startup will need to have ready a 2-3 page Executive Summary document. It describes the startup, its plan, and funding requirements with information similar to that provided in the PowerPoint Presentation.

The PowerPoint slides are described in detail later in this White Paper.

One or more consultants are retained to develop the finished PowerPoint and provide related support.

The CEO works hard to prepare a detailed draft of the presentation. Then one or more appropriately experienced consultants are retained to develop the finished PowerPoint, prepare the presentation, and help determine what information should be presented before and after Investor qualification. Further, because the target audience can strongly influence the presentation content, the core presentation must be sufficiently flexible to facilitate tailoring as needed.

- 10 slide funding pitch template – (similar concept as this white paper)
- Creating a compelling Executive Summary

8 Investors prefer tightly focused companies with the intellectual property or core capabilities to enable additional offerings in the future.

PowerPoint For Financially Oriented Investors

This white paper discusses information that the Investor will typically receive during a first meeting with a well-prepared Company (especially a startup). This anticipates a 15 minute presentation that was prepared for an angel/seed financing or partnering discussion.

Many Companies have difficulty putting together a coherent 30 minute presentation in response to being told that they need a 15 minute investor presentation.[9] As a result, only Tier 1 and some Tier II Companies come across with a well-organized presentation of approximately the appropriate duration.[10]

A well prepared Company has a crisp 15 minute PowerPoint presentation targeted to a financially oriented Investor audience. It is:

- Tight, focused, and every slide is as compelling as possible
- Addresses only core topics
- Has only key points on the slides; is not cluttered with detail. Text should be at least 24pt.
- Rehearsed to be no longer than 15 minutes

In other words, the audience learns that they can believe in the Company and in its offering; that they can (potentially) make money by investing in (or doing business with) the Company, that the Company CEO is well informed, confident, and can think well under pressure.

PowerPoint For Strategic Investors

Some corporate development teams have the flexibility of being able to look at an opportunity and then decide which of the following they prefer to consider:

- Strategic partnership or development agreement (may be decoupled from any investment)
- Licensing of intellectual property
- Collaboration
- Investment (In some cases, investment or acquisition may be a last resort if collaboration, licensing, or partnerships are not feasible)
- Acquisition

Which of these alternatives they prefer may depend entirely on the specific situation.

Some technically oriented investors in Silicon Valley, such as chip focused investors, will only look at deals that center on specific technology groups. In some cases they have researched the markets and have a good understanding of market demand. Some such investors prefer to see very technically oriented presentations. They expect to see the standard business information noted in the slides above. But, they really want to receive a one hour technical presentation at the block diagram level. Most technically centric Company CEOs can be easily coached to deliver a one hour technical presentation.

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9 At startup showcase events, organizers, on short notice, frequently tell the presenting startups that have a shorter time slot, sometimes only 5 minutes.

10 Presentations targeted at those with extensive domain knowledge can use acronyms and buzzwords. However, the startup should realize that any group may include attendees who do not understand them.

The Presentation of The PowerPoint

It is key to couple the verbal presentation to the brief phrases on the PowerPoint slides. The presenter really needs to be prepared for a range of things that may happen while they are in front of the investors.

This range includes:

- Investors who have done no homework and sit through the entire presentation and after without a question, emotion or any expression of any kind.
- Investors who listen to the pitch and interact somewhat. Others will flip back and forth through their paper copy of the presentation during the presentation. Questions come after the presentation.
- Investors have read the Company's material earlier, know the space, have probably looked at other companies in this space and do not want to hear a pitch. On slide one, they start asking questions.
    - Savvy CEO's will turn off the projector and allow the Investor to control the situation and will respond to the specific Investor questions. In spite of the “derailed” agenda, the CEO must be sure that all the important messages (Team, Market, Solution) are delivered during the meeting.
    - When an attendee requests information that has not been presented, or is being held back pending Investor qualification, the presenter can then say one of the following:
        - (VERY GENTLY) We would like to hold that back until we both confirm mutual interest. If the Company perceives that the requested information is extremely proprietary, they may say that “We do not normally discuss that outside of our core technical team. After an investment we will be willing to provide an overview on that issue.” This can become a sticking point. It needs to be said carefully, or, Investors will see the CEO as non-responsive. Some technically focused Companies have walked away from Investors over this issue. After the Investors control 50% of the stock, this answer will probably not be acceptable. But, by then, all involved should see each other as being on the same team.
        - The answer is X.

In a great presentation, the Investor comes to understand that the startup CEO is so knowledgeable that he/she can adapt quickly to respond to various presentation needs.

PowerPoint Slides

This section describes a “business” presentation for financially oriented investors. Strategic investors will typically be more interested in the product or technology aspects of a company’s offering. Before the meeting, it is wise to ask any Investor what type of information they wish to see. The basic types are:

- Business presentation
- Product presentation
- Technology presentation
- Other type of presentation, based on a specific request

List of Recommended Slides for a Business Presentation

This section describes the following slides, one by one:

Executive Summary	Management Team	Technology and IP
Mission	Boards and Advisors	Business Model
Strategy	Achievements and Assets	Financial Projections
Market Pain and Solution	Customers and/or Partners	Fund Raising
Market Opportunity	Competition	Other Information

Which information must be presented before investor qualification is unique to each situation.

Versions of the PowerPoint Presentation

This section describes the individual PowerPoint slides. However, the Company holds back some, if not all privileged information until after Investor qualification. A startup CEO will probably end up with several base versions of the Investor PowerPoint presentation. These will include:

- A generic high-level version that is shown to the broadest group of unqualified Investors. So, for a first presentation by a software startup the slides might address:
  - The Company is best at doing "X" that no one else can do. Here are the underlying innovation, product, solution. That translates to the following customer benefit that is improved in this way.
  - These markets desperately need this solution (urgency vs. nice-to-have)
  - These functional roles must purchase this. This creates a "Fundable" target market.
  - These customer problems are solved by this solution. This is how customers talk about this problem. Their point of view is described in this way.
  - Here is the world class team.
  - The real cost to bring the solution to market is "X". Time and resource requirements are "X".
- The "leave behind" version after any meeting needs to stand on its own without any verbal supplement when (for example) it is emailed to an Investor who did not attend the presentation by an Investor who attended the meeting. This version may omit some information/slides
- Versions with privileged information are used for meetings after Investors have been qualified.

The CEO presents partial information to unqualified Investors.

More complete information can be provided to Investors before a Term Sheet is signed.

Hopefully, the slide presentation developer and the presenter both understand that which information is presented before and after Investor qualification, the order of the slides, slide titles, and placement of information by slide will vary to best fit a particular company's business and maturity.

Here is the recommended information for a business presentation.

Executive Summary *(1 slide)*

This first, key, slide tells everything that is truly important about the Company on one PowerPoint slide. This is the 50,000 foot view with only the key information. This is a must have slide. This slide should address only core aspects of the business and display customer logos, symbols, and numbers. Avoid clutter and peripheral information. Topics that may be included are:

- Focus of the business
- Business model diagram
- What market pain is addressed? For what market? What % of what Total Addressable Market (TAM)? Show logos for closed customers/partners.
- Why the solution is world class
- Experience that proves the team is world class (key)
- Revenue forecast
- Other compelling facts
- The CEO's contact information must be on copies distributed to potential Investors

This first slide starts addressing the first thoughts of an investor or partner "What does this company do? Is this a technology, marketing, licensing, partnering, or channel play? Am I comfortable with this type of play by this team for this market? What are the key issues critical to success?"

Mission *(1 slide)*

This slide should address:

- What the company will do in the next 6-12 months. This should be quantified as much as possible (revenue, product features completed, achieving some level of distribution, or etc.)[11]
- Somewhere in the presentation, a timeline is often useful to describe past and future events.

Strategy *(This information may be included on the Business Model slide)*

This slide should address:

- This is a high level discussion of how the company will accomplish its mission. It includes how the offering will go to market and sell and to whom.
- May include a product roadmap showing key features by release and how each supports the mission.

Notes

- The intended financial exit may be listed here. This is especially true if the business model, technology, and market support the concept of a smaller investment with an earlier exit.

Market Pain and Solution *(1-3 slides)*

This slide should address:

- What market pain (problem) is addressed? Why is a solution needed? How big is this market pain? The size and significance of the "Market Pain" addressed by the Company is a

11 In some cases, objectives for the next defined period are described under use of funds.

key criterion.
- What is the solution? Why is this a world class solution?
- What future offerings (solutions) can be evolved from the first offering for these same customers?

Notes
- Use of the offering must be easy and convenient. Otherwise, the use of intermediaries may be required, thus creating a *difficult-to-scale* services business. Technology enabled services startups can be scalable and thus can be fundable.

Market Opportunity *(1 slide)*

This slide should address:
- Target markets showing segmentation based on the Standard Industrial Classification Code (SIC Code) or North American Industry Classification System (NAICS Codes). How large is each, how are they growing? What part of which segments are addressable and why?
- What is the opportunity size or TAM (see Glossary)? If the Company says it is creating a market, the Investor wonders; "How do I know there is a market opportunity at this time?"
- The plan for growth, how business will grow, piece by piece to "own" what market. This includes the strategy by which the Company will gain access to the appropriate channel.
- The world is "flattening out" and "globalizing" at an accelerating pace. Increasingly, American companies are competing with foreign companies. This does not mean that the markets are decreasing in size, but, evolving. These factors impact this Company as follows.

Notes
- Many Companies make the mistake of claiming that they will penetrate (for example) 10% of a large market instead of understanding the real TAM that they should attempt to address effectively. A good strategy grows the business in a step by step way; including showing how the first few (or next logical group of) customers will be closed. This is also known as a bottom up strategy.
- Many startups are launched solely in the US market and may later expand internationally. Others are formed with the plan to perform internationally from inception.
- Some suggest that the right Investor (individual) knows the market already (before the presentation).

Management Team *(1 slide)*

This slide should address:
- Who are the key officers? Why is each a real asset? Why are they better qualified to run the company and solve this market problem than anyone else? The quality of the officers is key to the perception of the Company as a Tier 1 opportunity.
  - What experience proves that they understand how to take a startup from $0 to $10 million in this market sector? If this is an established company, why is this, the right team to grow it to the next level?
  - Which officers are critical to success will vary with the type of Company. For example, for a Fabless Chip startup, the

The key officers need to have experience delivering new products to this US market.

CTO or technical architect may be the critical executive. In a Marketing Play, the marketing and/or sales officers will likely be the critical executive. However, the CEO is usually the most critical executive in the Company.

- Total headcount and recruiting strategy for key roles. The completeness of the team required at the time of a first investment depends on the situation. Some technology focused "plays" need only the technical expert(s) who will drive technical success.
- Key consultants may perform *one time tasks* such as developing the strategy and facilitating initial business growth. This relieves some of the pressure on the "team" to perform in so many ways.

Notes

- For an IPO or high multiple exit play, there may be a note indicating that certain officers are willing to step aside to be replaced by officers selected by the Investors.
- The key officers need experience (and success) in delivering new products to this US market; or, as a less desirable solution, the Company can use an appropriate advisor or advisory consulting company to take on the sales responsibility. While not a metric, having one or two employees who have Silicon Valley headquartered startup experience makes the Investor or partner more comfortable.
- The key presenter, and perhaps each of the presenters, will describe how they will accelerate progress. This almost always means reducing time to revenue.
- The business partner, licensor, or investor wants to receive information that facilitates understanding of the key executives from various perspectives:
    - How well does the CEO/Team think on their feet? Is their experience relevant? How articulate are they? Is there a sense of urgency about the important issues? Are they prepared and relaxed? Are they really coach-able? Do they really understand the Company's space and the fundraising process? Do they have the right personal network to do this?
    - How well did they choose the other employees/consultants?
- Presentations to Angel and Seed Stage investors frequently include "Might Be" Officers who have agreed verbally, or contractually, to become employees if the startup is funded. Investors want to understand the strength of the commitment of the key team members.

Boards and Advisors *(optional, 1 slide)*

This slide should address:

- Board of Directors (most startups do not have a complete Board in place prior to an A Round).[12]
- Board(s) of Advisors are most valuable at the angel or seed stage, and less crucial later. The Company has written contracts with vesting schedules for equity based compensation for its Advisors.
- Legal advisors including IP experts
- The corporate structure, needs to be described here or elsewhere.

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12 For those interested in Board issues, the Western Association of Venture Capitalists published a white paper on January, 2007 at http://wavc.net It is titled *The Basic Responsibilities of VC-Backed Company Directors*

Achievements and Assets *(optional, 1 slide)*

This slide should address:

- Description of history or track record including a list of key achievements to date, probably in a timeline format. One example is FDA approval cycles. Another is when external factors control the Company's window of opportunity. The importance of each achievement is indicated.
- List and description of any significant assets:

Customers and/or Partners *(1 slide)*

This slide should address:

- Who are the paying customers to date? How do they use the offering to do what? Why is this mission critical? Which are available as reference customers?
- How can the customers and the channel to them be defined?
- Investors will want to know if any prior employer believes that the prospect/customer list belongs to them.
- Who are the current or potential partners? What will they really do for the Company? Are there meaningful dialogues in process? Are certain partnerships required for success?

Having real, paying customers who will talk to potential investors is a key asset for a startup in raising funds.

Notes

- Explaining the cost of the prior solution utilized by each paying customer is useful.

Competition *(1 slide)*

This slide should address:

- Who are the competitors? There is ALWAYS competition. Even if the potential customer is doing nothing, the Company must overcome the customer's inertia and current allocation of money to unrelated products and services. What do they do well? (If the Company executives believe that no one is competing for the customer's budget, they are not credible).
- How does the Company do what, better than any other solution?
- What is the sustainable competitive advantage that will protect the Company from existing or future competitive products? This is not necessarily a technological advantage. Usually, it is based on intellectual property or core competencies of key team members. Typically, patents by themselves or relationships by themselves are not adequate. If there is no sustainable competitive advantage, the Company needs to develop one.

If a startup does not have a sustainable competitive advantage, it needs to develop one.

Technology and IP *(1 slide)*

For a first presentation, some technically focused strategic funds and some technology companies will wish to see much more technical information. For example, some in the semiconductor industry will prefer to see a one hour technical presentation at the block diagram level.

This slide should address: [13]

- What is their technology, architecture, etc.? Why is it "World Class"?
- What intellectual property protection do they have in place today to protect patents and trade secrets?

Notes

- If the Investor has a serious interest, at some early point they will want to ask about the origins of the technology. Are any of the Company participants still employees of other companies? Did the founders develop the technology using resources belonging to a prior employer? Was there an invention assignment agreement in place with a prior employer that impacts intellectual property ownership? Was the technology presented to and thus offered to any prior employer? If a founder owns the intellectual property free and clear, has it already been assigned to the Company?
- Legal issues associated with any use of Open Source software are addressed by "X".

Business Model *(1 slide)*

This slide should address:

- A robust description of the Company's business model. The best presenters can sketch the relationships between the players (Company, suppliers, customers, partners, relevant others) showing how information, product, contracts, and $ flow between them.

Notes

- The presenter is prepared to describe; how they attract new customers, differentiation from each of the key competitors, and required changes in the way the customer does his business.
- Saying "our business model is to sell differentiated product" will not impress Investors.
- Many startups say that they offer a truly transformational offering. This is desirable, as long as the offering provides a level of benefit that is so compelling that it overwhelms all objections to the required changes in the end user's *way of doing business*.

Financial Projections *(1-2 slides)*

Financial projections (Profit & Loss and Cash Flow) are best made with a one page spreadsheet showing units shipped, revenue, and etc. In some cases, projections can not yet be made for some reason. In that event it is better that this be stated in a believable way as opposed to creating fallacious data. Projections are typically for 5 years. [14] Investors will not expect that the projection for year five is highly accurate. However, the assumptions, detail, and reasonableness for year one will receive serious examination. Investors know that the natural tendency is to overstate achievable revenue and understate expenses.

This slide should address:

- Revenue. See the Market Opportunity slide. Investors prefer bottom up forecasts that are supported by real plans. They will consider what is the time line of customer interaction to achieve a given revenue assumption? Is the near term revenue projection supported by the necessary pipeline activity today? How does the long term projection compare to the total

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13 See the slide on Competition

14 For a discussion of financial plans for startups, see Chapter 2, pages 23-40 of *Funding and Financial Execution for Early Stage Companies* by Rod Hoagland

market size? Is the projected share unrealistically high or uninterestingly low?
- Expenses, the monthly "Burn Rate" for both the current period and after investment should be shown
- Profits before taxes.
- EBITDA (earnings Before Interest, Taxes, Depreciation, and Amortization)
- Cash Flow
- Capital investment
- Proceeds from sale of equity
- Current debt of $0.00. The Company should not accrue salaries if it wants to raise money! Investors prefer to invest in future growth as opposed to past debt of the Company. As the total amount of debt (especially accrued salaries) increases the company becomes less "fundable" by Tier I, and then by Tier II Investors. Companies that already have a revenue stream may well have working capital financing lines in place which will not present a problem so long as the line is truly used for working capital needs and the line will not be paid off with the proceeds of Investor financing.

Notes

- Key assumptions and useful related information should be available on backup slides.
- Financial projections must be based on more than a one page spreadsheet. Understanding and implementing the following will be very helpful.[15]
    - Methodology for developing a financial plan
    - Knowing how to build a credible revenue model
    - Understanding rules for building a usable expense model
    - Techniques for preserving scalability and data integrity as subsequent updates to the plan are made
    - Ways to validate the model using publicly available data
    - Equity planning for the founders, employees, and investors
        - How to project future valuations from the financial plan
        - Verifying the financial plan (spreadsheet)
- Company can compare forecast revenue ramps to revenue ramps previously achieved in their sector.
- The technology company has performed a preliminary IRR calculation and is prepared to discuss it and how it compares to what is expected in that industry sector.
- While discussing this slide, the CEO wants to briefly project that he understands key tasks including how to manage cash flow, IRR, and its meaning to investors in early stage startups, valuation, etc.

Fund Raising *(1 slide)*

Fund-raising is a subject the Company usually wants to discuss only with Investors. However, business partners and customers are also interested and in early days may insist on knowing about it.

Business development executives and Investors prefer that the Company include valuation expectations. However, the Company will probably hold back on this unless they are looking for a low valuation.

15 Adapted from suggestions by Anthony Nassar of Venture Momentum, Inc. in an eBIG event discussion.

This slide should address:

- Investment required at this time. It is important to show the Company is asking for enough money to achieve the next key benchmarks, with enough cash afterwards to raise the next round, and to have a financial cushion. For seed financings this may be 6 months. In all cases it is situation-ally specific. Show the cost to achieve each milestone.
- Total funds required to achieve key milestones or breakeven. Depending on the situation, achieving key milestones can be much more important than achieving breakeven.
- Total investment required (total for all rounds).
- Deliverables tied to use of funds. When/why more funds are needed. Goals achieved by then.
- Prior funding raised involved the following list of investors
- Anticipated financial exit, how it will be achieved, and when it will occur.[16] Corporate development units tend to be more focused on how soon production product can be shipped. Financial Investors prefer that the startup will be capable of an IPO exit (implies a level of quality in several ways).

Notes

- The best investors, from the perspective of future investors, provide funding, have connections to key business opportunities, and furnish strong introductions to superior "next round" investors.
- Investors will want to understand the "Financial Exit" expectations of the startup officers and the other investors. This includes expectations as to type of exit, when, and investment multiple.
- Typically a technology company is looking for a small number of key partners/investors[17] with knowledge of a specific domain. However, if the Company is trying to cross diverse sectors, they may be seeking multiple partners/investors to cover all of the key sectors.[18]
- There is a fair equity plan in place with employees (including founders) on a four year vesting schedule (with cliffs). All put their own employment agreements in place early so that the vesting schedule clock starts "ticking." For IPO's or high multiple exits, the "overhang" must be reasonable.
- It takes at least nine months to get to know the Silicon Valley community well enough to raise funds. Part of this can be done while still resident elsewhere through visits to Silicon Valley. Some corporate funds and others with global reach can invest from within foreign countries.
- Startups entering the US market from foreign country origins should note that Investor requirements for staff US market experience will likely be lower outside of the Tier I Silicon Valley Investor community
- Depending on the CEO, founders, and/or CFO, there may be written documents and verbal commitments that create a host of real or potential equity/IP rights holders that is difficult-to-resolve.

16 Please see also the material under "Applicability of This Document".
17 Having only one partner/investor can be a problem if one person loses interest in or faith in the Company.
18 A Company does not want to have an offering that is so complex that no one wants to get involved.

Other Information *(Probably has a different title)*

This slide should address:

- Investors, acquirers, and business partners will perform due diligence. If they uncover material facts which have not been disclosed "up front", they may disengage on general principles. Further, they may spread negative stories about the Company "to protect other Investors."
- Product Development may need to be described on a separate slide showing a Product Roadmap.
- Especially, if product development is planned or currently in process, it is very important to show how prospective customers will be/are involved in the product development process.
- The timing of the product launch is important. Why is now the right time? Why is it not too early or too late? Being early is the same as being wrong. Almost all business concepts have a finite "Window of Opportunity." Thus, it is useful if market timing factors are described.
- The last slide should always include "Thank You" and complete contact information.

It is very important to show how prospective customers will be involved in the product development process.

Glossary

Angel or Seed Round	The Angel or Seed Stage Round is the first round of capital financing beyond the financing provided by the founders or FFF. There may be several Angel or Seed Stage Rounds. Ultimately, it or they precede the A round (the first round of professional capital financing).
Burn Rate	The monthly "Burn Rate" is the cash expended in a typical month by the technology company at the current (or designated) funding level.
Cliff	Vesting schedules for officers of startups frequently provide for a 6-month or 12 month "Cliff." Prior to the Cliff, the person has not earned any shares/options. At the time of the Cliff, the person receives rights to all of the shares/options earned during the preceding 6 (or 12) months.
FFF	FFF refers to those who make very early investments in startups. Formally known as Friends and Family, the startup community sometimes refers to them as FFF or friends, family, and fools.
IPO	IPO means initial public offering. For a Silicon Valley startup, it is usually on the NASDAQ stock exchange. But, it might be in Taiwan or elsewhere.
Overhang	Overhang is the amount of equity held by the founders and employees. If this is too high, i.e. more than 20% of what will be the outstanding equity at the IPO, the company becomes non-fundable because new employees cannot be "paid" enough equity as a part of their compensation. This percentage limitation at the time of an IPO is usually only with respect to outstanding options and options available in the option plan not the percentage of shares actually owned by founders and employees. The perception that the overhang is "too high" usually impacts a startup well before an IPO[19, 20, 21] Overhang at the time of an acquisition can be more acceptable.
TAM	The total addressable market (TAM), is only that part of the total market that can be reasonably addressed by a specific product.
Tier 1	The highest quality company, startup, partner, or investor.
Tier 2	The intermediate quality company, startup, partner, or investor.

Tier 3 The lowest quality company, startup, partner, or investor.

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19 Executive recruiters are more likely to correctly understand overhang than the potential employees.

20 If a startup replaces an officer or officers before an IPO, vesting clauses in employment contracts may prevent overhang from becoming a problem from the company's perspective. However, automatic vesting clauses in employment contracts (usually only for CEOs) can complicate this issue.

21 Some employee and non-employee option plans provide for the distribution of stock as well as options.

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