

Tips For Pitching to A VC [Venture Capitalist]

Your business plan is your product and the funder, your client.

Before The Pitch:

Getting The Business Plan Out- A large number of VC sites allow entrepreneurs to submit their business plans over the internet but considering the huge volume of submissions received annually, and the measure of filtering that could be applied, how could you improve your chances? Many VCs claim that to exhibit the seriousness of your status and proposal, entrepreneurs should make reasonable attempts to find someone who knows the VC, or even someone who knows someone who knows a VC, develop a relationship with that person and then get the person to introduce you to the VC. Of course, this could largely depend on the size of the VC firm, or its speciality, and there are success stories with online submissions- but ask yourself first, before you distribute your ideas electronically, who do you know that knows someone who knows a VC? That personal connection could make a world of difference. You could start by checking with LinkedIn contacts, friends and acquaintances, portfolio companies online, fellow entrepreneurs at social networking events as well corporate lawyers who usually are a good source of early stage deal flow.

Start early: Do not wait till your product is manufactured, packaged and you have a steady flow of customers. You are probably too late then. When considering funding, your business plan is your product and the funder/ venture capitalist is your client. Most VCs would not fund on first sight so it is a good idea to start developing the relationship before it is time to fund.

NDAs : A Non Disclosure Agreement is very rarely signed by VCs to protect portfolio companies and other such companies from gaining access to competitive advantage. Do not be suspicious if you are in a situation where a VC is reluctant to sign one. To protect yourself, you could leave out highly confidential information and only provide this verbally. Interestingly, many entrepreneurs soon come to realise that property and information they assumed they had exclusive rights and title to is not proprietary. Whatever the case, VCs realise that their reputation is always at stake, so in most cases, any information you divulge is safe in their hands.

The Pitch:

If you happen to bump into a VC at an unplanned time in an unplanned place, have a short pitch ready. There is the 'elevator pitch' which you can use in this situation and as the name suggests should be short enough to use during an elevator ride if you are lucky enough to find yourself next to a VC on a short trip between building levels (also called an impromptu speech). Then there is the real pitch which is planned, involves several more people and is very formal.

The Impromptu Pitch:

- A 2-sentence brief would normally do especially at a public/social venue.
- Identify the issue your service or product will solve. This validates your offering.
- Describe how your solution works and for which demographics (target market)
- What extent of research have you done, or what experience do you have with similar ventures? Make sure you have moved from the conception stage and the idea is more than just a dream or belief. Have you launched a test product?
- Be determined, passionate and enthusiastic and communicate without excessive jargon. Know your financials. Numbers are important to funders. Close by clarifying your call to action. What involvement do you expect from the VC and at what stage of the business?

The Real Pitch:

The Solo Pitch: The first screening meeting can be done by the CEO alone so that he gets the chance to build a relationship with the VC. If you have 3 or more people from your team attending, practice the flow of the presentation beforehand. You could have a technical person, an enthusiastic personable team member, a commercial person so that you can bring different dimensions to your proposal to show expertise in various aspects of the business and you can

tackle all manner of queries. Anticipate difficult questions, write them down and practice the answers. Give everyone an equal opportunity to show their strength and expertise and avoid dominating someone else's slot if they have been assigned that section of the presentation even if you are the CEO. Your team spirit needs to be obvious in that room. VCs invest in the people as much or sometimes more than the product or service itself.

The Presentation:

Try to prepare a PowerPoint presentation. A few may not appreciate it but it is pretty much an accepted standard these days. You could keep it to 10 core slides. Keep as visual as possible with as little text as possible. There are 3 main rules:

1. Know your audience – There will be associates, directors, partners at big meetings all with varying levels of knowledge. Do a bit of research on the team and how much they know because sometimes due diligence could depend on the buy-in of one partner, who has very little knowledge of you and your business as opposed to other members within the team.
2. Remember the focus - Keep the presentation relevant to the situation and don't go overboard with technical information. Inject commercial aspects to keep it relevant.
3. Expect objections and prepare to deal with sceptical questions as professionally as possible and if you feel you might be unable to give a reassuring answer which could ruin your entire proposal, ask to deal with the question after the presentation to provide a more detailed response. Involve everyone in the room including those who do not question or challenge you.

The PowerPoint Slides:

1. Biography - Yours and Core Team
2. Core offering - If possible, show target product, service/ company in pictorial/ diagrammatic form.
3. The Gap - What problem have you identified that you think your offering can solve?
4. Your Solution - How will your service/ product work? Why is it different to anything in the market?
5. Can you do a guided tour, demo to tell a short story of how this will work?
6. Market – Show realistic market size, market share, market value and possible growth plans
7. Customer Acquisition
8. Competitors
9. Financials
10. Use of funds and exit plan

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