

BREAKING THE CODE:

What to Present to Venture Capitalists

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YOUR BUSINESS PLAN IS COMPLETE, and you've used your best contacts to arrange a meeting with a venture capital firm or an angel investor. What should you show them?

First of all, recognize that you will have very little time to make a good first impression. If you're lucky, you will have an hour to make your pitch. If your audience shows up 10 minutes late, don't expect to extend your visit 10 minutes into the next hour: The likelihood is that you'll only have 50 minutes. Or less. These are busy people.

Remember that your investors want to play an active role in helping you to **succeed.**

Second, you and the VCs have very different world-views. You are seeing them because you lack capital. Their scarcity is time, not capital. They are *not* interested in passbook savings account returns. They are willing to risk much in the hope of hitting home runs, and if they think you're a single or a double, you'll lose their interest.

Your job is to present your case crisply and quickly. You should come prepared with both hard copies and a projectable version of a formal presentation. It should be colorful, engaging, and capable of standing alone as a "leave-behind" to be absorbed after you depart.

How long should it be? If you have an hour, and if you want to spend perhaps four or five minutes on each slide, then simple arithmetic would tell you your presentation should contain no more than 12 to 15 slides. (Of course, you will need to have additional material as backup, but don't plan on presenting it unless it's directly germane to a question someone asks you.)

Here are the slides you must have:

I. Executive Summary

This is the most important slide you will prepare. On a busy day, yours may be one of a half-dozen presentations your potential investors will view. They will come in pre-occupied. Your goal for this slide is to answer a simple question: "Who are these people and why are they here?"

Compose this slide so that if you never get past it, you will still have communicated the essentials. Complete the following phrases:

- ◆ Our company is...
- ◆ We solve the following problem for our customers...
- ◆ The market for this product or service is this big...
- ◆ This is what differentiates us from our competitors and potential competitors...

- ◆ Our business will be this big and this profitable by this month/year...
- ◆ Here is our team...

II. The Market

You need to describe your target market. Here are some of the points you must convey:

- ◆ Who are your customers?
- ◆ How many of them are there?
- ◆ What problem do they have that you will solve for them?
- ◆ What are they willing to pay for that solution?
- ◆ Based on these previous points, how big is the market?

This may take more than one slide to convey, but it shouldn't exceed three.

III. The Solution

Use anywhere from a single slide to as many as four to convey exactly how your product or service solves your customers' problems. The first of these slides should be an overview; the others should satisfy the VC's natural thirst for technical depth. (Some venture capitalists refer to these as the "geek slides." They should contain enough gee-whiz details and diagrams to impress Dilbert.)

IV. The Value Proposition

Here you must convey what you will say to your customer. What makes your product or service unique? Why is it preferable to alternative solutions? How will you contribute to your customers' bottom line? This is best summarized in a single slide.

V. The Competition

Identify your current and potential/latent competitors. If you try to maintain that you have no competition, you

will be dismissed as arrogant and unrealistic. Even a technology as revolutionary and disruptive as the telephone competed with the telegraph and the postal service!

On the other hand, don't make your competition seem invincible. Set up a straw man, and then knock it down.

VI. To Market, to Market

How will you take this product to market? What's your distribution methodology? What do your distribution channels look like? How many salespeople, how much of an advertising effort? What price points do you envision?

VII. The Team

Who are the key people on your team? What expertise do they bring? What gaps remain to be filled? Here's another place where, if you claim to have no gaps, you will lose credibility. Remember that your investors want to play an active role in helping you to succeed, and finding the key players you lack is one area where they can be invaluable.

VIII. The Numbers

You must, of course, build detailed financial models and summarize them in your presentation. Devote two or three slides to them. But don't be surprised if they aren't reviewed in detail (or even at all) during your meeting. The people across the table do this all day, every day. They will already have formed a notion of how big and how profitable they think you can become, and they're very capable of revisiting your financials, without you, in the quiet of their office or in front of a fireplace at home over the weekend.

Devote your first financial slide to a financial summary. Project out five or six years:

- ◆ Gross revenue, gross profit, and gross margin %.
- ◆ Total operating expenses, operating income or EBITDA (earnings before interest, taxes, depreciation, and amortization), and operating margin %.
- ◆ Annual operating cash flow.

Your second financial slide should present key indicators: Total headcount, unit volumes and unit costs, and market share are some examples. A third slide might identify and quantify risks and issues.

IX. Funding Requirements

This is your last slide. Here's where you're "asking for the order." You need to lay out your funding requirements and tie the timing of funding to key deliverables. For example, you might need "seed money" to build a working proof-of-concept model, followed by development money to bring the proof-of-concept into production, followed by working capital to bring the business to cash self-sustainability.

A PICTURE IS WORTH . . .

Make your presentation stand out. Remember that words can be awfully dry after a while, but don't be frivolous or cute. Use pictures, diagrams, graphs. Use animation or video, but only if you are sure that the slides will make sense when viewed as a hard copy a few days or weeks later.

Use a consistent, professional-looking template and color scheme. For heaven's sake, proofread it carefully, and have your spouse proofread it again to make sure there are no typos. If you can't be trusted with a word processor, what makes you think you can be trusted with money?

PRACTICE MAKES PERFECT

Rehearse, rehearse, rehearse. You WILL be asked the questions you wish you didn't have to answer. Try to find a friendly but knowledgeable outsider to do a dry run with, at least once, and leave time between the dry run and the real thing so you can edit or rework as necessary.

Don't fall in love with your own words or pictures. If your dry-run audience doesn't "get it," neither will real-live investors. Be prepared to do a complete rewrite if necessary.

And good luck. VCs exist to invest, not to hide money in mattresses. Your opportunity is to convince them that they should invest in you. ■

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