The "Best" Startup Pitch Deck & How to Present to Investors

YOUR FUNDING OPTIONS

VC is just one option. There are numerous sources so make sure you evaluate the pros and cons of each.

Debt / Credit Cards
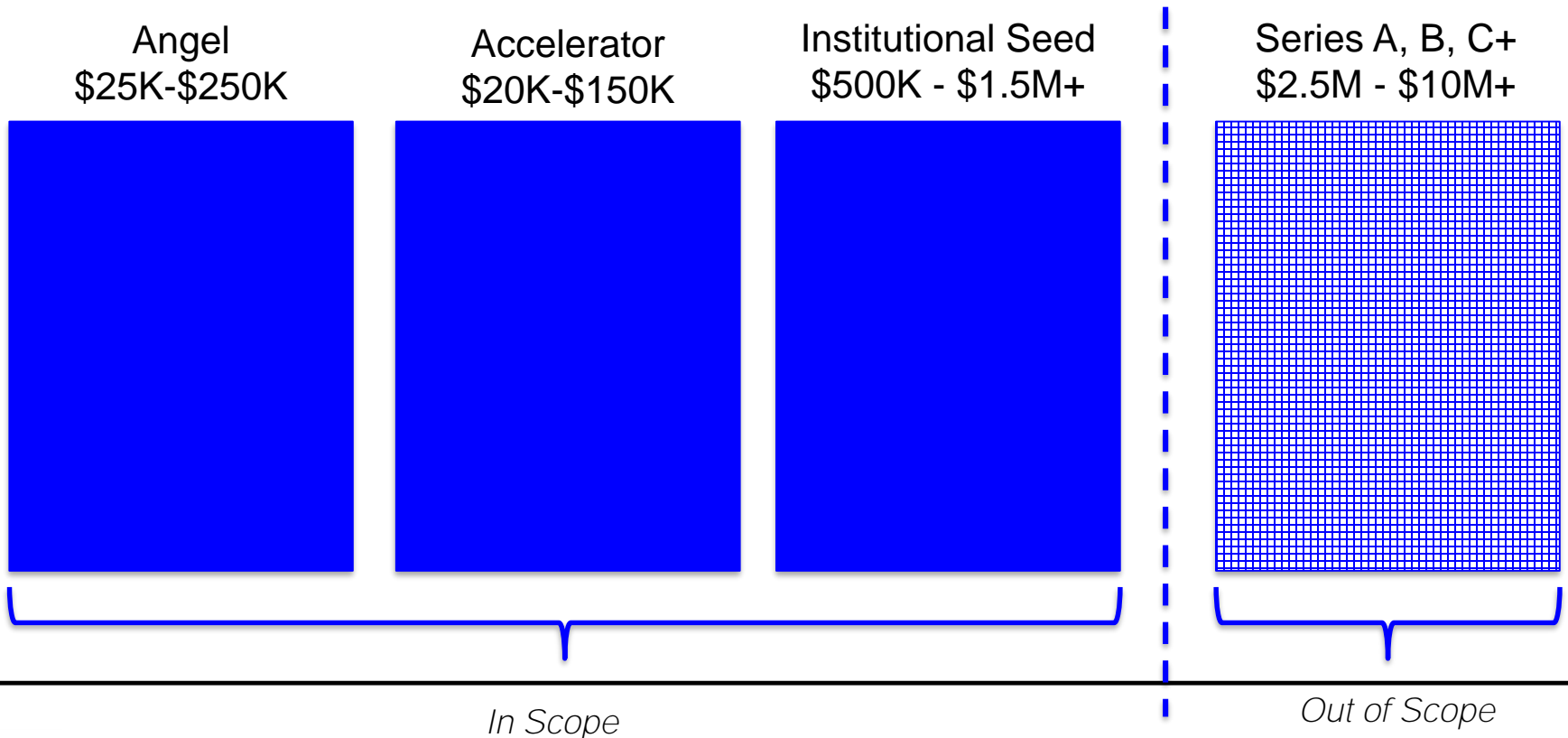
Family & Friends

Grants

Crowdfunding

Your Customers

Venture Capital

WHAT IS SEED STAGE?

The seed is the "setup" round(s) where a person or startup venture approaches an angel or a VC firm for funding their product / idea.

Angel $25K-$250K	Accelerator $20K-$150K	Institutional Seed $500K - $1.5M+	Series A, B, C+ $2.5M - $10M+

In Scope

Out of Scope

SEEK ADVICE

Before you kick off the fundraising process, build an experienced advisory board that can help with strategy, introductions and general advice.
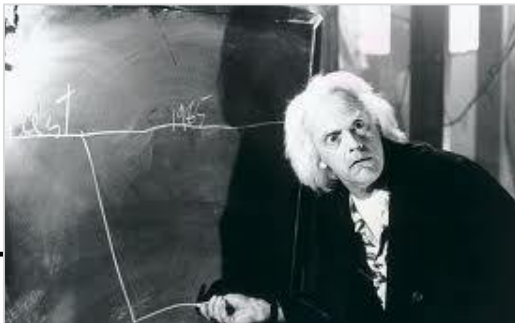
Founders

Successful Execs

Investors

Professors

Industry Experts

Influencers

SET ROUND SIZE

Estimating the amount of capital you'll need requires more art than science. Here are some tips to keep in mind during your quest.

1. **Runway**: Raise enough capital to give yourself 18 months. Keep in mind it will likely take 3-6 months to raise a Series A.

2. **Dilution**: Every time you raise a round, try to sell no more than 10-25% of the company.

3. **$ Target**: Set a modest raise amount. It's always better to nail your target, say you're "oversubscribed" and then increase the size of round depending on investor interest and terms / dilution.

- Network Within International Communities and Events
- Highlight the Benefits of Investing in Your Country
- Participate in International Startup Competitions
- Keep Your Documents Neat and Ready

ACCELERATORS

A three to six month "startup boot camp" that provides mentoring, office space and access to capital in exchange for 3-6% of common stock.

The "Best" Investor Pitch Deck Outline

0) Cover Slide

1) Elevator Pitch Slide

2) Market Problem & Current Solutions

3) Market Opportunity: Define Market, Size & Target Client

4) Your Solution (1-5 slides)

5) Team (If really impressive, move after "Elevator Pitch" and lead with it)

6) Board Members & Advisers (Optional, combine w/ team slide)

7) Traction & Awards (Optional, if none yet) (1-3 slides)

8) Market Fit / Competition (Optional, can be explained in slide 5 & 6)

9) Competitive Advantages (Optional, can be explained in slides 5 & 6)

10) Revenue Model: Key Revenue Streams & Business Model

11) Expense Model: Key Expenses, Time Efforts & Strategy

12) Financial Projections

13) Exit Strategy (Optional)

14) The Ask: Capital Raise & $ Uses

15) Closing Slide: Questions? Contact Details

Various Deck Size Options & Content:
5 Slide Deck: 1, combine 2 + 3, 4, 5, combine: 7 + 10 + 11 (Show LTV / CAC Multiple) + 12 + 14.
10 Slide Deck: Don't include optional slides
15-30 Slide Deck: Slides 1-15 + add'l slides: Your Solution (1-5), Traction (1-3), Explain: LTV vs. CAC

Cover Slide

- Logo / Name of Company

- Purpose of Presentation: "Investor Presentation"

- Date: Optional - if you send a deck with an old date, you look outdated (is it taking you a while to raise the round, mmm that's odd, why's that?), I suggest never using a date!

- Other Potential Additions:
  - Logos of accelerator, awards, publications featuring company
  - Slogan
  - Name of Presenter / CEO

Elevator Pitch Slide

Create a brief one liner that describes:

- What's the service / product?

- What's the core problem (describe pain) or need that you're solving?

- What's your big vision?

- Graphically show all of this if possible (and use less words than on this slide!)

Market Problem / Current Solutions

- What's the problem or unmet need you're solving?

  - Clearly show the pain of the problem or convey the strong need that is currently unfulfilled. Don't just say it!

  - You can't create demand (usually only market leaders can)

- "Solve your clients' number-one problem", Cyrus Massoumi, CEO of ZocDoc. Not their 4th or 10th problem. What keeps them up at night or really really bothers them?

Potential Appendix Slides

- **VC Favorite Slide:** Life-time Value of Customer (LTV) vs. Cost to Acquire Customer (CAC)
- Timeline: History, Milestones & Prior Fundings
- Detailed Value Proposition to Clients / Users / Partners
- Additional Screen Shots from Demo
- Average Revenue Per User (ARPU)? Per Client Size?
- Pipeline of potential clients, % likelihood of closing, revenue potential from pipeline
- Churn rate by cohort analysis
- Detailed Financial Breakdown: Revenue % by type, expense % by type
- Cash Runway (# months @ $ burn rate)
- Breakeven Analysis: # Clients / $ Revenue needed to match $ expenses per month
- Head Count Projections (# Employees) / Type of Key Hires Needed
- Partnership Agreements / Structures
- Proprietary aspects not discussed in core deck
- Additional Strategy Slides: Ex. Architecture, How to avoid/limit circumvention, Funnel system of business operations, Growth strategy
- Capital Structure: Ownership of founders & current investors
- List of Competitor's Capital Raises & Investors
- Summary Slide: Why We'll Be Successful (Add if deck > 15 slides, otherwise too redundant)

Market Opportunity

- What is the Total Addressable Market (TAM)?
  - What's your <u>real</u> target market size? The sub-sector of the General Market?
    - Example: Total sales of mid-priced women's shoes online (TAM)
      vs. Total online retail sales (Genera Market)
  - Name it. Size it: in Units and/or Revenue. Growth rate % & projections.

- Define Target Client? Key characteristics?
  - Ex. Consumers vs. Enterprises, Demographic target vs. Type of business (small vs. large), examples of ideal individuals or clients

- Current demands and unique needs?

- Describe any important market evolutions and why we're <u>now</u> at an inflection point

Your Solution / Demo

- Show > Tell: ~1-5 slides of your product / service

- Show screen shots of key parts of business

- If you have time in a meeting, show a live demo (but not when pitching on stage)

- Tell a story of a future client or an example of current client

- Show the core value proposition to a client

  - Better, Faster, Cheaper (More Economical)

Team

- Core Team: The Founders & Chiefs

- Photos (Optional)

- Relevant Experiences / Successes (Exits?) / Failures (Good war stories?)

- Leadership Experience

- Education

- <u>Don't write sentences</u>, do 1-3 brief bullets per person, or even better do 1 key bullet per person

"We are the right team who can execute this business plan because..."

Board & Advisors

- Board of Directors

- Board of Advisors? (Give 0.1%-1% to advisors, no more!)

- How can they help, other than being a big name?

Traction / Performance / Awards

- Timeline / Key Milestones

- Soft Traction: See other people think we're awesome!
  - Accelerator programs (we graduated!)
  - Awards: #1 Best Startup / # 1 Best DEMO
  - Lots of articles about us: TechCrunch / Forbes / CNN / FOX

- Hard Traction: We're growing fast! Lots of clients and making money!
  - Brand name clients or strong volume in pilot phase and/or paying
  - A growing pipeline that will generate lots of $
  - We're performing amazing for clients, look at these results!
  - See our key business metrics, see we're doing great!

- **Show increasing # customers, increasing total revenues, increasing revenue per customer, decreasing cost to acquire a customer. Show LTV > CAC! In the end, this is all that matters!**

Market Fit / Competition

- Show how you fit into the Market Landscape

- Direct Competitors vs. Indirect Competitors?

  – How much capital raised? Which Investors? Revenues? Key stats?

  – Why won't indirect become direct if they see what you're doing works?

- Your biggest competitor is the status quo! Why will customers switch to you vs. the incumbent?

- Are you changing customer behavior?

- Types of Diagrams/Charts:

  - Market Landscape: X / Y axis charts or venn diagrams (often used, easy to make, easy to understand)

  - Feature List Comparison (often weaker looking, more confusing, takes longer to understand)

Pitch why you're 10x better, not just 3x better!

Market Landscape (Example 1)
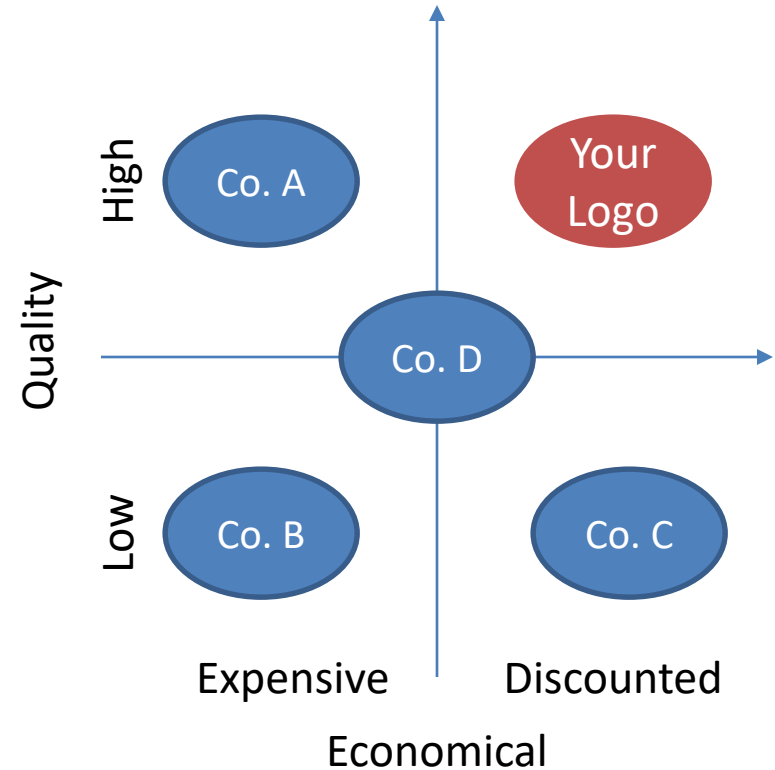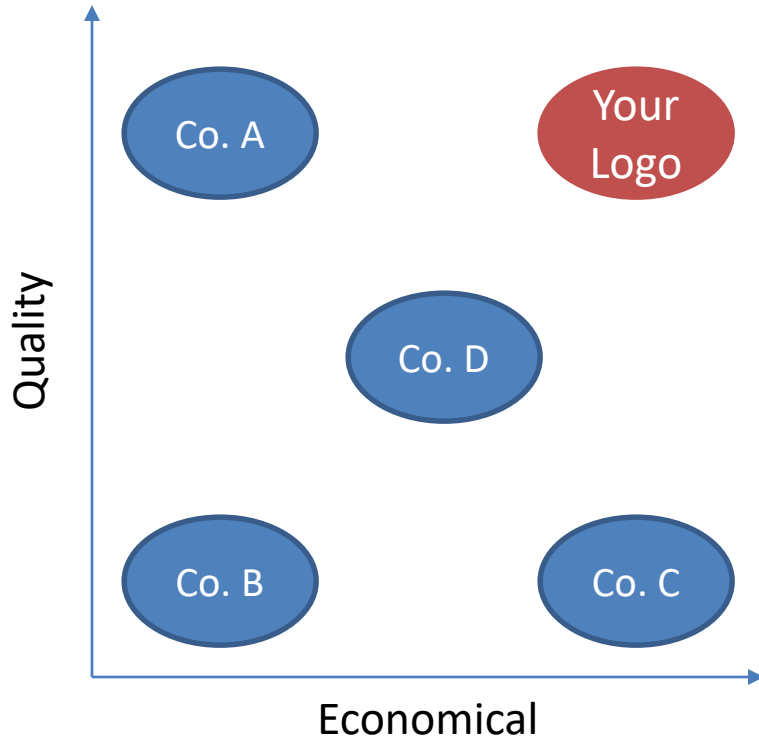
Put your company in the top right corner!

Feature List Comparison

Company	Feature 1	Feature 2	Feature 3	Feature 4	Feature 5	Feature 6	Feature 7	Total
Your Company	✓	✓	✓	✓	✓	✓	✓	**7**
Competitor A	✓	✓			✓		✓	**4**
Competitor B		✓		✓		✓	✓	**4**
Competitor C		✓		✓			✓	**3**
Competitor D	✓		✓					**2**
Competitor E	✓		✓					**2**
Indirect Competitor A	✓		✓					**2**
Indirect Competitor B	✓		✓		✓			**3**
Indirect Competitor C	✓		✓	✓				**3**
Indirect Competitor D		✓				✓	✓	**3**
Indirect Competitor E		✓				✓	✓	**3**

This often makes you look 2-3x better, not 10x better, so maybe only have as an appendix slide

Competitive Advantages

- Current Competitive Advantages?

- Sustainable Competitive Advantages?

- Unfair Competitive Advantages?

- Patents?

- Key Relationships / Partnerships?

- Barriers to Entry for New Players?
  - Money, Time, Expertise, Relationships, Patents

- Competitor's Competitive Advantages / Weaknesses?

Revenue Model

- How do you make money? Key revenue streams?

- Pricing? Flat fee or %? Why that rate?

- Recurring revenue frequency?

- Is there a big difference between Gross vs. Net Revenue?

- High Volume vs. Low Volume Business?

- Example showing basic math:
  - 100 Clients x A Units x B Fee = $C Revenue
  - Easy to apply multiples: 10x, 100x clients

- Cash collections: Immediately? 30-90 Days?

- Expected conversion rate to get a paid client?

- Expected ARPU (Average Revenue Per User)?

- Life-time Value of Customer (LTV)?

Financial Projections

- # Years Projected:
  - Early-mid stage: 1-2yr historicals, 3-5yr projections
  - Pre-revenue (angel / seed stage): May show 6yr projections (accounts for ~6 mos to 1yr to build technology before generating revenues)

- Target Market Size vs. Acquired Clients:
  - Show total # potential clients in target market per year. Show growing market size.
  - # Free Users vs. # Revenue Generating Users
  - Show total # clients per year and % market penetration
    - Shows entrepreneur's sanity: Growing from 0% to 1%-5%+ penetration is usually sane and conservative, acquiring 50%-100% of the target market is insanity

- High Level Financials:
  - Main line items: Total Revenue, Total Expenses, EBITDA, EBITDA Margin %
  - Optional: Break out key revenue streams and Gross vs. Net Revenue
  - Optional: Break out key expenses (Ex. # Employees)

Financial Projections

	Year 1	Year 2	Year 3	Year 4	Year 5
Target Market	14,000,000	14,140,000	14,281,400	14,424,214	14,568,456
Users	47,542	180,903	454,991	837,215	1,308,040
Active Users, After Churn	3,402	15,587	37,058	63,930	93,567
% Market Penetration (Active)	0.02%	0.11%	0.26%	0.44%	0.64%
Revenue	$ 647,306	$ 4,708,532	$ 15,184,121	$ 32,632,708	$ 55,162,995
Total Annualized Revenue	$ 1,611,599	$ 7,802,411	$ 20,992,150	$ 40,339,770	$ 63,540,712
Expenses	$ 1,092,011	$ 4,583,543	$ 11,748,537	$ 21,555,679	$ 32,593,302
Annualized Expenses	$ 1,690,658	$ 5,990,906	$ 12,614,351	$ 19,725,236	$ 26,342,579
EBITDA	$ (444,705)	$ 124,989	$ 3,435,585	$ 11,077,030	$ 22,569,693
Annualized EBITDA	$ (79,059)	$ 1,811,505	$ 8,377,799	$ 20,614,534	$ 37,198,133
EBITDA Margin	-69%	3%	23%	34%	41%

By year 5:

Revenue = $30M-$50M+ (ideally $100M+), EBITDA = $10M-$20M+
- Exits = 1-5x+ Revenues, 6-12x EBITDA. Check comparables in industry
- VC's look for $100M-$1B+ exits to achieve 10x-100x return multiple on capital
  - Initially investing at $10M-$100M post-$ valuations

EBITDA margins usually range 10%-40%. Good sanity check on model.
- Look up public companies in your industry or reports to see what is normal

Capital Raise & Use of Proceeds

- The Ask: How much capital are you looking to raise?

- Capital Raise:

  - Stage / Size? Example: Seed Round: up to $500K, Series A: $2M-$3M
  - Investment Terms:
    - Preferred Equity (convertible into common) @ $X Pre-Money Valuation
    - Convertible Note @ $X Valuation Cap, Y% discount into next round, Z% interest rate, W months to maturity, 1.5x premium (if acquired while note is outstanding)
  - Investors in Round: Previous investors? New investors? Founders? Key angels or strategics?
  - Avg. Monthly Expenses? / How long will new $ last (runway)?
  - Prior Investment Rounds: Size? Investors? Valuation? Key Terms?

- Use of Proceeds: (Name It / $ Amount)
  - Sales & marketing, Hire key employees, Founders salaries (Don't be greedy!!!)
  - Build out / further develop technology, File patents
  - Achieve key milestones: 1st Client? Get to Breakeven? 3x Rev Growth?

Closing Slide

- Your Logo (Big & in Middle) / Link to site

- Any Questions?

- Contact Info: Name / E-mail / Phone

After all questions have been asked by the investor, ask "What's the next step in the process?"

Remember:
Goal of Meeting =
Get the Next Meeting

GETTING TO YES

Every investor / firm has a different process. Some make a decision in 30 minutes while others take months of diligence. Here's my process:
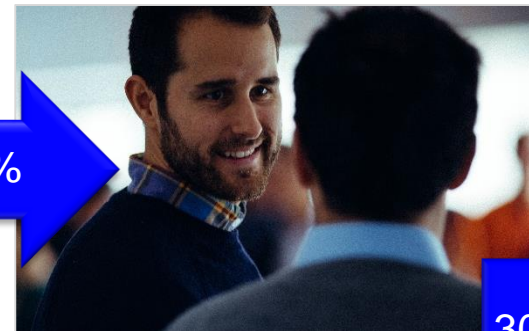
1. Get "Warm" Intro
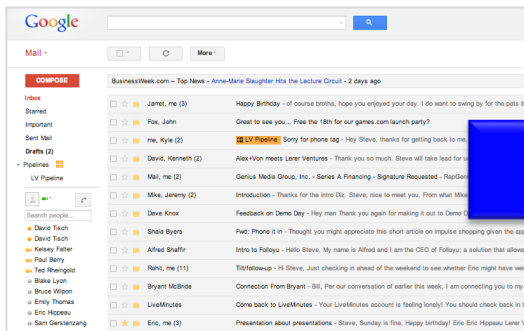
80% →

2. Review Product

60% →

3. First Meeting

30% ↓

5. Term Sheet / Close

← **< 1%**

4. Partner Meeting

← **15%**

4. Diligence

Words of Wisdom

- There are no right number of slides, only critical points you need to cover!

- Be 10x better (at one thing vs. doing 10x more things). Being 2-3x better isn't good enough!

- Focus on your customers #1 problem, not 10th problem

- Prepare yourself for rejection, ask why and learn (don't take it personally)

- There are lots of great ideas, but few can execute them

- Time is your biggest enemy! Build quick and cheap, and iterate, iterate, iterate…pivot when needed

- Biggest competition to raising capital: Companies with equally great (or better) ideas and teams, but more traction at your stage (If you were a VC, which would you pick?)

- Best Opportunity: A big growing market, with a big problem, and an elegant solution, where you can achieve LTV > CAC

- You don't know, the market does! Ask often.

AcmePower

Corporate tagline goes here

First Last Name
Founder

AcmePower 2009 by the numbers

Revenue

X.xMM

(xxk) Net income

(xxxk) Gross monthly burn

2008 vs 2009 Usage growth

Activity Stream Server

XXX,XXX	Daily reach
$xxxk	2010 Contract value
$xxk	Server cost
$xxk	Year of support
xx	Clusters deployed

Usage

04:39:32	Time on app daily
00:44:49	Time on site
XXX,XXX	Total active users
X,XXX	Total active customers

Employees

6 / 3	Full-time employees
4	New hires
3	Consultants
1	Outsourced technical firms

Development

5 Major releases	8,345 Minor releases	99.92% Total service uptime
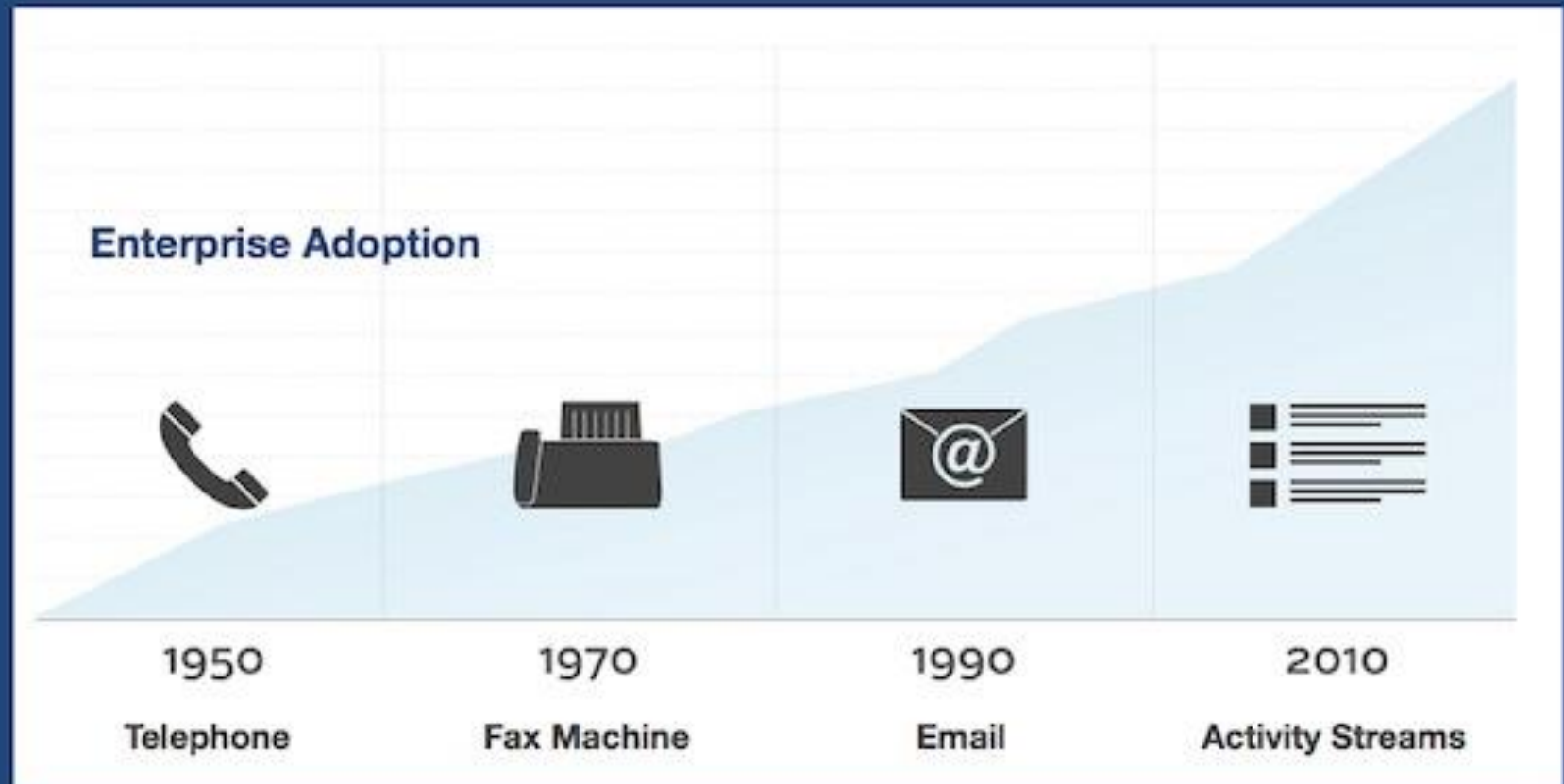
This slide should be blank as you transition to a laser focused product demo no longer than 3 minutes.

** Make sure to rehearse
(I rehearsed ~150 times using ScreenFlow so I could review playback)