



## Class 8

### Startup Valuation and Investment Pitch



# Learning Objectives

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- 01.** Recognizing the reasons of raising capital for new business
- 02.** Developing an understanding of terminologies related to business valuation
- 03.** Communicating effective presentation pitch

# Introduction to Startup Valuation

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**Indonesian investment app Stockbit raises series A funding**

**Indonesian robo-advisor app Bibit raises \$30 million led by Sequoia Capital India**

## **Indonesian start-ups enjoy wave of funding, investment despite sluggish economy**

The Jakarta Post

You have defined your big vision and you're ready to take the world.

But there's one problem, you need resource.

With headlines like the above plastered all over the news, they make it seem easy to become a successful entrepreneur and bring your idea to life. After all,

all you need is a good idea, right?

**Sadly, it is a startup misconception and the reality paints a different picture.**



## Did You Know?

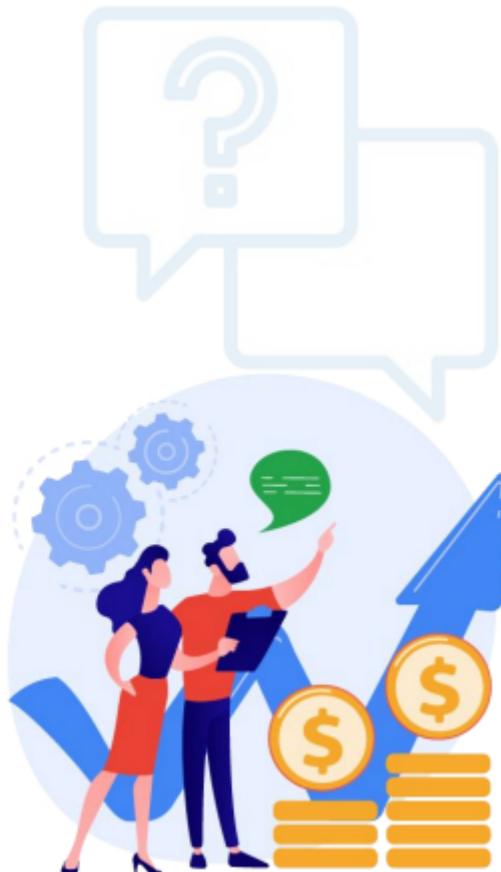
In the third quarter of 2020, the world saw a total of US\$76.4 billion in venture funding, but **only towards 360 companies**.

(Source: [Crunchbase](#), based on disclosed rounds in Q3 2020).

It won't be a smooth-sailing journey to receive funding, but either you're building your product as an entrepreneur or under a company, you'll need capital (funds) to fully develop your idea.

As such, there are two important elements that you need to pay attention to when planning for your project:

1. Why you need to raise capital.
2. Why people would be on board and invest in your idea.



# Why the Need to Raise Capital

Here are several general reasons why someone looks for fundings:

## 1. Prototype development.

When starting your business, you might find yourself in need of new equipments and technologies to build your product, team members to do the work, or storage to store them.

*Example:* Manufacturing or robotics sector, such as 3D printers, which require warehousing and technology support.

The same also applies if you are an intrapreneur. Although the money doesn't go into your account, they are allocated to cover other costs, such as coaching needs, product support, or intrapreneurial incubators, all of which require the companies to spend money for a period of time.

*Example:* [IBM Garage](#) rewards innovative minds by giving its employees resources and time to tinker and around under the expectation that their ideas will bear fruits for the company.

# Why the Need to Raise Capital

Here are several general reasons why someone looks for fundings:

## 2. **Urgency to grow the product as fast as possible.**

You might not need to finance all of them at the same time, but there are times when you **need to start as soon as possible** before the momentum disappears and competitors come in first. Especially so in a competitive market, you may want to ensure that your product can be a **first mover** and gain people's attention before everyone else.

*Example:* An online marketplace needs to build presence by partnering with vendors/sellers which require staffs to do outreach marketing.

## 3. **Overcome barrier to entry.**

Government regulations and certifications compliance require extensive research and multiple testings before you're able to release the product to the mass market. This alone will require some amount of funds to ensure that your product are safe and secure to use.

*Example:* Building products for financial or pharmaceutical industries, where you need licenses from OJK or BPOM.

# Why the Need to Raise Capital

Here are several general reasons why someone looks for fundings:

## 4. Gain external feedback.

It may not be as obvious at first, but when you're looking for funds, you not only get the opportunity to secure the fundings, but you also get an **additional benefit** in a form of **investors' feedback**, criticism, and thoughts on your product.

These investors are people who have seen and listened to numerous proposals. Thus, these feedback are valuable even if they don't invest in you, because you have the **next starting point to improve** your solution.

# Why do People Invest?

It is entirely up to you if you'd like to proceed to look for fundings, use your own resource, or wait out until you have enough. You have learned about the benefits and risk surrounding each option.

If you choose the former, you need to start thinking of your startup/product value. To do so, you need to pay attention to these two key factors that people look for in common:



## 1. A robust business model with growth potential

**Investments are not donations.** People put in their own money because they believe that it will be good for them, and that is why they expect a return on investment (ROI). If you can demonstrate that your idea will be able to make money a lot more than what they can provide now, you will have a chance to secure their help in form of fundings or even knowledge.

To do that, refer to your learning in building an MVP, that is to know your market, who your customers are, how you can reach out to them, whether your feature will work, when you can expect the MVP to be released, and your competition. Essentially, you need data to make sure that you can make money or deliver results. From there, demonstrate that you have a clear plan, i.e. your product roadmap.

# Why do People Invest?



## 2. Product vision, which is your narrative.

Remember, ideas are a dime a dozen, but executions make the difference. People hear a lot of pitches packed with hard data, but how do they compare similar business models and choose one over the other? **Your vision** and how you can convey it. What makes your idea unique and special? Strongly show that you want to **bring impact** to the world.

*“People don’t only buy products, they buy stories.”*

# Understanding Investment Stages

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# Understanding Investment Stages

Businesses receive their investments in several rounds depending on the current valuation and growth trajectory of the respective business. Here's a glossary to help you go through each of them.

## Pre-Seed Funding

This is the money that most likely comes from your own pocket, gifts or loans from family and friends, and can also be the prize for winning on competitions, which will be used to get you started. The funding is usually just enough to get you start tinkering on your idea.



## Seed Funding

This is the stage where **angel and venture investors start to be viable financing options**. The aim of a seed round is to give your idea enough money to take root, which usually means to help you develop the initial product, find initial customers, and conduct validation/retargeting as needed. To be noted, usually in this stage entrepreneurs are the price takers while investors become the price makers.

# Valuation Terms Glossary

## Series

### A

Businesses that go through Series A Funding are companies that can demonstrate market demand and have a potential to grow. The number of investment varies and changes over the years, but it could reach up to tens of million US\$ depending on the number of interested VCs. According to [Alpha JWC Ventures](#), the average Series A funding in 2020 is \$15.6 million.

- In Series A funding, investors are not just looking for great ideas. In addition, they are looking for entrepreneurs with a **strong business model and real market traction** that can turn the product into a successful, money-making business.

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## Series

### B

"B" is for "build". As the business continues to receive growing market demand, so does the need to increase manpower to support the growth.

- Series B fundings are all about taking businesses to the **next level** beyond the development stage. You can predict a market expansion while the business is fine-tuning a winning product through a strong and high quality internal team.

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## Series

### C

As businesses show signs of self-sustainability, they usually look for additional funding in order to help them develop new products, expand rapidly into new markets, or even acquire other companies.

- Companies engaging in Series C funding, often called later-stage rounds, should have **established** strong customer bases, healthy revenue streams, proven histories of growth, and resilience in challenging times.

Beyond Series C, businesses may still continue with Series D funding and beyond. They tend to do so because they are in search of a final push before an IPO or to scale up even more. In fact, in 2020, Gojek has raised over US\$3 billion in its ongoing [Series F round](#).

**The rule of thumb is, the further you get in the funding rounds, the more you have to prove.**

# Valuation Terms Glossary

## Unicorn

A Unicorn company is a business that is valued for more than USD\$ 1 billion or equals to IDR 14 trillions.

*Example:*  

## Decacorn

10 times higher than a Unicorn, a Decacorn company is valued to USD\$ 10 billions.

*Example:*  **gojek**

## Hectocorn

Hectocorn can be attained if the company valuation is US\$ 100 billions and is still a startup.

# Startup Valuation

When you start looking for funds to boost your business, you also need to [start talking about your business valuation](#).

Valuation is essentially determining how much your business is worth. This worth will then be utilized by VCs or angel investors to help determine whether they should invest in you and by how much.

The problem is there is no exact way on how to value your business, particularly for businesses that haven't generated revenue or even the solution itself ([pre-revenue or pre-product](#)) or going through seed funding. What most businesses at this stage have is simply the idea.



# Startup Valuation

However, this doesn't mean that you can come to investor meeting empty-handed. In seed rounds, startup valuation boils down to **negotiation between you and the investors** to find a deal that will benefit both sides.

A negotiation then requires you **back up your argument** with data and analytics, planning, as well as an educated guess on the aspects surrounding your business.

**Here are the guideposts you need to prepare before you start raising your seed round:**



## Startup budgeting

How much do you need to run your operation?



## Market size

What is the potential scale of the business?



## Milestone

How are you going to develop the business?



## Supporting data points

What else do investors may look at?

# Estimating Your Startup Expenses

When your business is still in its early stage, it would be difficult to project how much income you're going to make. However, one data point that you can plan since the beginning is the **cost you need to maintain operation and acquire customers.**

Understanding your business finance and how you utilize those expenses to support business growth is what the investors will look for, as they will want to know how much capital you need to operate and why you need it.

In general, there are **2 types of expenses** that a company needs to project:

1. **One-time expenses:** initial costs needed to start the business and only payable once throughout the course of the business.

*Example:* permits/licenses, equipments like chairs or other technologies, logo design fees, etc.

2. **Recurring expenses:** various costs that you need to pay every month, usually to cover for day-to-day business operations.

*Example:* salary, office rent, tax, utilities, marketing costs, etc.

# Estimating Your Startup Expenses

You should have identified the total money that you need to support your operations for 1 year or even more. When you ask for investment, it is in your best interest to having the entire expenses covered so that you can focus to achieve whatever milestone you've set, for example from pre-product phase to having your MVP ready.

In seed round, the capital that you want to ask usually covers **12 to 18 months cost plus 20-30% buffer** from the projected cost.

## Always add buffer.

Remember, what you have right now is a projection. Your monthly expenses could be different each month depending on your needs. There will be unexpected and emergency needs that emerge and affect your financials. Buffer acts as a guard so you have more room to adjust and continue your operations.

### Example:

Startup A projected that its monthly expenses stand at \$15,000 a month. However, it also plans to hire two more engineers at the start of the second semester to help build its product. Each employee will have US\$1,000 monthly salary. It is currently unknown if Startup A will need more employees down the road. To cover for 12 months expenses, this is how Startup A may calculate its expenditure:

Projection	:	(first 6 months x \$15,000) + (second 6 months x \$17,000) = \$192,000
Buffer	:	25% x \$192,000 = \$48,000
Total Budget	:	\$192,000 + \$48,000 = \$240,000

# Estimating Your Startup Expenses

Calculating a realistic startup cost is an essential factor of your plan due to these reasons:

## 1. Signalling to the investors that you've done your homework.

Many entrepreneurs opt to raise more money than they need should any changes happen during the operations. While that would be advantageous if you can secure it in the short term, investors will question your business model. VCs don't want to give you more money than you need, for obvious reasons: it's their money at stake.

As such, the cost budgeting is important because it shows that **you've thought about what it takes to actually build the business**. It shows a plan for how you will spend the money you raise from investors. You are thinking about who you need to hire, what you need to focus on, and how you plan to balance your priorities over a specific time frame in order to achieve key milestones for your business.

Key milestones could include: "X" number of customers or key product launches. These are the commitments you give to signal that the business is worth injecting capital into.

# Estimating Your Startup Expenses

Calculating a realistic startup cost is one of the essential factors of your financial plan due to these reasons:

## 2. Determining how much capital you need to raise.

Having a careful planning on your expenses allow you to **know how much money you really need from an equity investment**. In seed rounds, valuation is most often based on how much money the business founders think they need to support the business. As such, your expenses will be translated to how much you're asking the investors.

This will also assist the investors to **estimate the ownership stake that justifies their time and money**. Remember, investors and VCs are businesses. It is in their interest to have an ownership shares that is large enough so that they can take measures in your company to ensure that it will be able to generate returns. Naturally, you'll want to keep the majority of ownership so you still have sway over the direction of your company.

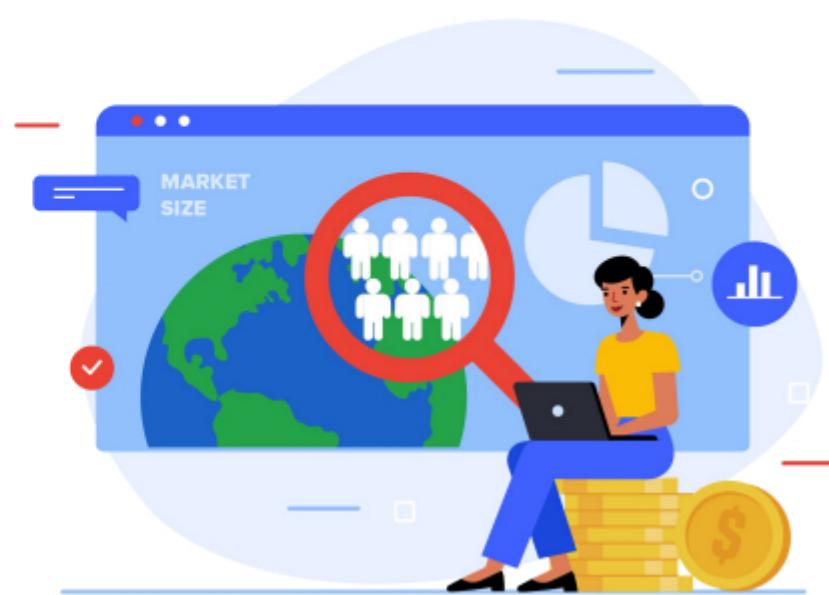
At the end, you need to engage in negotiations, and the results needs to be a win-win. So, aside of determining the fundraising needs, you need to have other bargaining power to improve your valuation, which comes from the **market opportunity** you have.

# Forecasting Your Market Size

Determining how much you need to run the business is only half the battle. The other half is to make a projection of the potential scale of the business in regard to the market.

## Investors need this data for two reasons:

- 01.** Help them figure out if your startup has a market (i.e. risk assessment)
- 02.** Identify whether your business has a substantial upside potential (i.e. huge market size)



# Forecasting Your Market Size

As a starting point, you can predict your business market size through the following concepts:

## 1. Total Available Market (TAM)

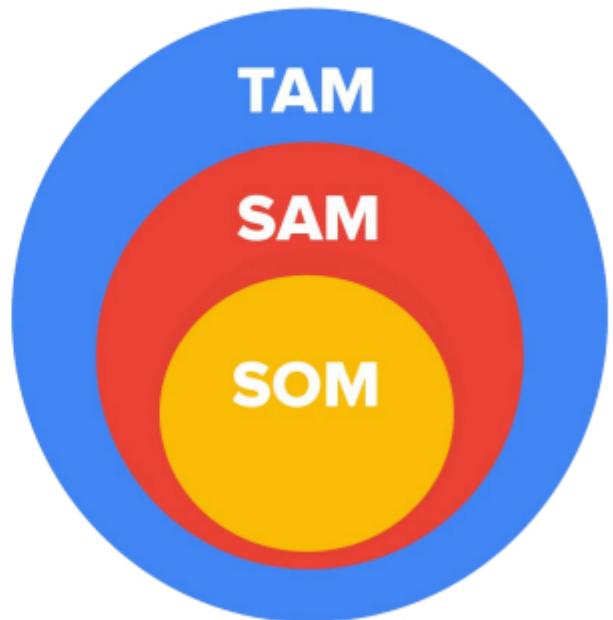
The total market demand for a product or service. It refers to the industry's entire revenue opportunity.

## 2. Serviceable Available Market (SAM)

A segment of the TAM which is within your reach.

## 3. Serviceable Obtainable Market (SOM)

A fraction of SAM that your product can capture considering competition and market exposure.



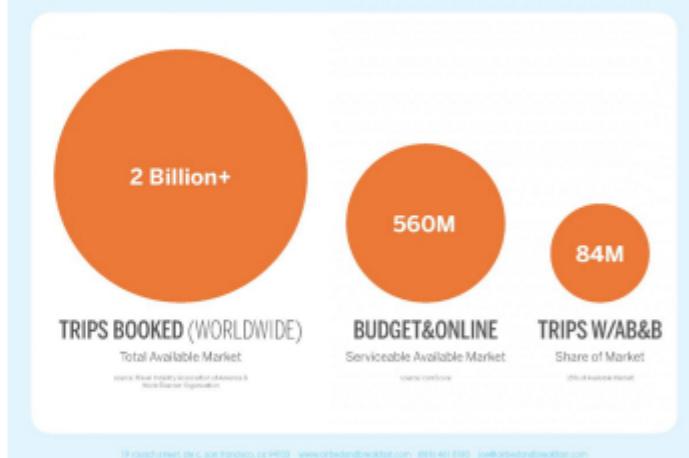
# Forecasting Your Market Size

To illustrate, let's take a look at **Airbnb's pitch deck** at seed stage investment, when its name was still **AirBed&Breakfast**.

- As it operates in the travel industry, its TAM was more than **2 billion people**. This represented not only American travelers, but also **worldwide**. Potentially, if it was present in every country and had no competition, it would generate revenue in proportion to its TAM.
- However, **customers' journey and needs were different**. Some preferred to book through travel agent and pick established hotels, while Airbnb targeted travelers who ordered online and prefer budget accommodations. In turn, this decreased its market size to 560 million people, which represents its SAM, i.e. the demand within its reach.
- Further complication arose, as Airbnb was not the only player offering affordable packages online. This **shranked its market size** even further to **a more realistic 84 million people** who show potential to use Airbnb's services, hence its SOM.

## Market Size

5



(Source: Airbnb, cited from [AlexanderLarys.com](http://AlexanderLarys.com))

# Forecasting Your Market Size

Its **84 million SOM** was then translated into its business model. AirBed&Breakfast **gained income** by taking 10% commission on each booking, which averaged at \$25.

When multiplied by its SOM, AirBed&Breakfast showed that it had a large market size and revenue potential, which was an **attractive but reasonable projection**.

## Business Model

7

We take a 10% commission on each transaction.



(Source: Airbnb, cited from [Alexander Jarvis.com](#))

# Forecasting Your Market Size

Based on the example, the **SOM is your short term target** and therefore the one that matters the most. If you face difficulties on a fraction of the local market, it might be even more difficult to capture even larger market. As such, to be realistic, your SOM projection needs to consider:

1. **The quality of your product itself.** Will people buy from you?
2. **Marketing plan.** How far and wide can you realistically market your product to your target?
3. **Competition.** You won't be the only player; hence your SOM depends on their strength in the market.

If you can service your projected SOM in a time period that you've set, then your business gains credibility. You might be able to increase the market share and **reach a more important penetration of the SAM** which would deliver a higher revenue and more ROI for the investors.

Once you have demonstrated your ability to penetrate the local market and eliminate risks, investors can start looking at how you can expand and increase the company's penetration within the **TAM**, i.e. **upscale your product to be even bigger**.

# Milestones Planning

You have identified the cost of your operations and your revenue potential based on the market size. The opportunities are endless and your growth trajectory could go a long way. It is therefore important that you establish **milestones that signify the development stage of your company**.

Consider the following example of a company's 1 year plan:



# Milestones Planning

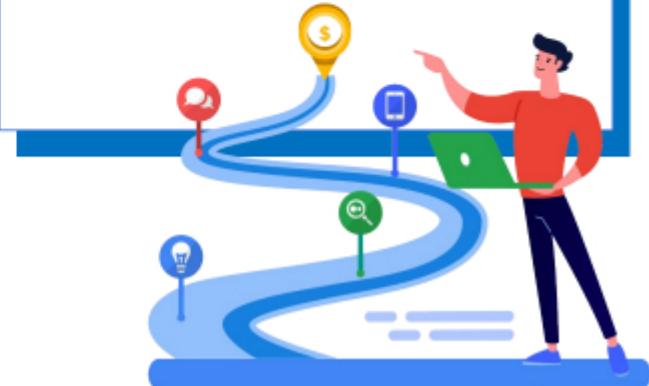
At the end of each stage is your milestone: be it launching your MVP or having a certain number of customers buying your product. By having milestones, just like a product roadmap, you know your achievements and measurement of success.

In relation to raising capital, you are **specifying how much capital is needed to fund those milestones one by one**.

By splitting the company's development into stages and milestones, you are making it easier for the investors if it's the right time to invest in you and when they are supposed to exit and sell their shares to other investors who might fund your next business stage.

**In short, a milestone is beneficial for:**

1. **Giving clarity on to what extent the investors are funding.**
2. **Making it obvious for investors that this is the time to invest.**
3. **Signalling the time when they could sell their ownership stake.**



# Milestones Planning

The logic behind this is that if an investor feels confident that your business is viable and on track to hit its milestones, they know that once the company succeeds, your company will be more valuable to the market because your success has eliminated some risks, such as market validation. As such, investors want to have some stakes in your business right before 'launch' for example, so that they can get in before your business is too valuable for them to invest.

**The bottom line is that when milestones are combined with data on your market size, your valuation could be positively leveraged.**





Our learnings about the 3 previous guideposts ultimately boils down to help you articulate the following sentence during your investment meeting.

**“This is the market potential of my product [number of the market size], and this is what I can accomplish now to be able to serve that market [the milestones], which will require this much [amount of expense/investment].”**

In this way, you can determine set up startup valuation as well as your investment ask.

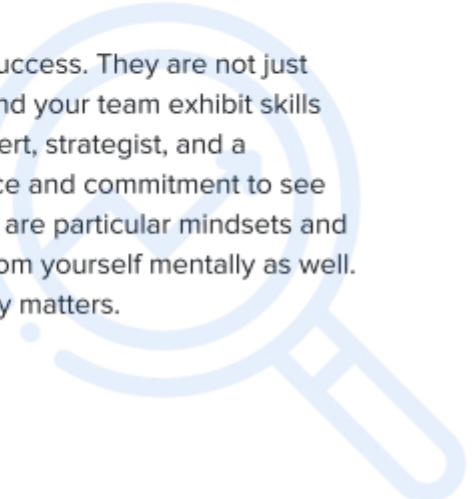
# Other Common Data Points

Aside of the previous preparations, there are a couple of other **determinants based on your current situation** that can influence the valuation of your business.

**Take a look at some of the most common data projections that you can use to leverage your valuation:**

## 1. The founders' background

Investors would like to be sure that they are backing a team destined for success. They are not just investing for a profits-making idea, they are **investing into people**. If you and your team exhibit skills diversity that can complement each other (such as having a marketing expert, strategist, and a programmer together), have domain expertise on top of industry experience and commitment to see things through, then your team is an arsenal to assure the investors. There are particular mindsets and certain energy that investors love and seek in some entrepreneurs, so groom yourself mentally as well. They do check your track record on paper, but the personality is what really matters.



# Other Common Data Points

## 2. Unique value proposition

This is highly crucial especially in seed round funding. You need to explain in great detail how your solution can solve the problem. The challenge is how you could make it **unique and outstanding** compared to the current players. The more unique your product is, the more valuable your valuation is.

## 3. Viable business model

You will need to answer this question: "Will you have a revenue stream?" Remember, investors are running a business, and they want to see **how your business generates money**. The more customers can use your product, the better your market opportunity becomes. This will influence your income projection, and subsequently your valuation. You also need to conduct a competitors check how crowded the market is.

## 4. Funding competition

With your situation analysis at hand, you can predict how attractive your company is to the investors. Do you have little competition in the market? Can your revenue be realistically measurable? If so, then you might see multiple interested VCs competing for the shares in your company. **The more competitive the investment funding among the VCs**, the higher you can boost your valuation.

# Other Common Data Points

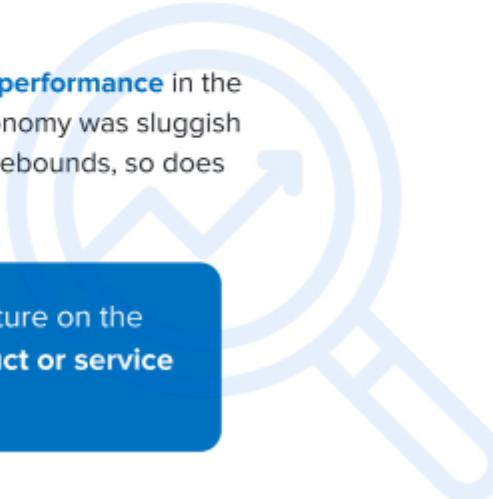
## 5. Comparables and preceding investment

For each funding stage, there is usually a certain **realistic range that serves as a threshold** on how much money they're willing to invest. If your company is currently in the seed stage, then it would be beneficial if you can find how other companies with a similar business model and size performed before and make comparisons to justify your valuation.

## 6. Economic outlook

This is the most unpredictable data point as you **rely on current economic performance** in the market you're operating. In the early months of Covid-19 pandemic, the economy was sluggish which forced the market down and so did valuations. But once the market rebounds, so does valuations. You need to pay attention and adjust accordingly.

With these data points in mind, we hope it can give you a clearer picture on the complex process of raising capital, and the **central role of any product or service that you will develop and manage** once you start your career.



# Determining Your Startup Valuation

Having determined your research and planning, your next step would be aimed to **finding out your startup valuation** and **agreeing upon it with the investors** who you'll meet.

There are two terms that are used as signposts when talking about a startup value, which are:

- **Pre-money valuation:** The value of your company before any investment is made.
- **Post-money valuation:** The value of your company in addition to the funds invested.

For example, if you and an investor agreed that your pre-money valuation is at US\$3 million and you receive US\$1 million in investment, then your post-money valuation stands at US\$4 million. This means that, in exchange for the investment, your share of the company is 75%, because the investor now owned the 25%. This is how equity works.

Your post-money valuation will be influenced by the market potential of your business. This is why you need to research your cost, market size, your business milestones, as well as other data points so that both sides can agree on your business prospects.

# Pitch Perfect!

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# What is Pitching Process?

*Pitching is essentially an art of presenting and convincing others to invest in your idea.*

*Investment pitch is not exclusively utilized by entrepreneurs towards investors. Intrapreneurs will also need to master pitching skills to get your foot in the door.*



## How will this affect the investment?

A great investment pitching can make obtaining financing for your startup much more likely, or in the case of intrapreneurship, to get your idea accepted by your company' management. In this case, at the early stage, investors are mostly the price maker, pitching is the right time for you to show strong impressions to them.

The rule of thumb is to ensure that your story is **complete**, **compelling**, and **interesting**. The goal is to explain why your idea/startup is an attractive investment opportunity.

# What to Prepare

Prior to meeting your investor or management, you need to prepare the following items to ensure that you've come prepared:



01

## **Presentation Deck (Slides)**

A material to explain deeper about your company which will use when meeting with the investors.



02

## **Elevator Pitch**

A short statement describing your idea and vision.



03

## **One-Pager**

As the name implies, it's a short document summarizing your business and projections, as well as the key aspects of the deal.



04

## **Minimum Viable Product**

Bringing what you have created will provide clarity on how you develop a solution and how you translate it to a product. It doesn't have to be a physical product; demo slides are acceptable. Recall your learnings on MVP module.

# Building a Great Pitch Deck

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Your fight to raise funds don't start when you're already in a room with the investors. Preparation is the starting line, and your pitch deck is your weapon.

Nailing it on your pitch deck is critical. Preparing a comprehensive pitch deck will help you create a complete picture of your business as well as current situation and future plans. In turn, it allows you to create the other pitching materials.

You should have two versions of your pitch deck:

**1. Live Presentation Deck**

More visuals to be used when presenting in person so people can focus on you instead of the text.

**2. Email Friendly Deck**

More text and informations to be shared with the investors via email or Drive.

# Building a Great Pitch Deck

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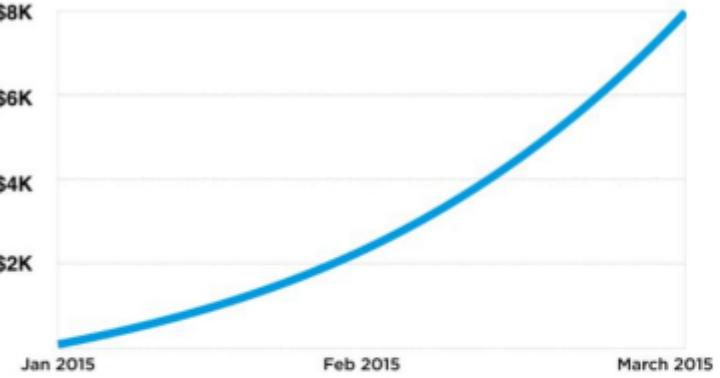
Investors or accelerator programs like Y Combinator listen to tens or hundreds of pitchings within a time period. Hence, standing out from the crowd is the key to get noticed.

To get noticed, you need the listeners to remember your talking points. To make your points easy to remember, you need to make them easy to understand.

As such, there are 3 principal elements that should be shown throughout your pitch deck:

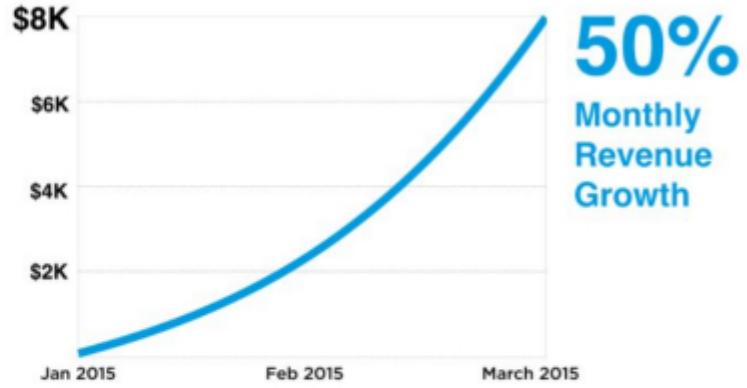
**Clarity - Conciseness - Explicit**

The general guideline is to keep your pitch deck within **20 - 25 slides**. Going more beyond that will risk the investors losing interest or unable to remember your points due to information overload.



## Not Recommended

Unclear message; makes the readers wondering



## Recommended

Explicit on the idea and clear on the data and presentation

(Source: [Y Combinator](#))

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## Not Recommended

Wordy, unclear, show too much complexity. Hard to remember.

(Source: Afrostream, taken from [Y Combinator](#).)

## Recommended

Short, digestible, easy to remember.

# Components of the Deck

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Now that you've understood how you need to deliver your pitch deck, ensure that you cover the following content in your presentation.

All of which should be explained as clear and concise as possible.

- |                              |                               |
|------------------------------|-------------------------------|
| <b>1. The Problem</b>        | <b>6. Business Model</b>      |
| <b>2. Your Solution</b>      | <b>7. Existing Traction</b>   |
| <b>3. Market Opportunity</b> | <b>8. Team Members</b>        |
| <b>4. The Product</b>        | <b>9. Product Roadmap</b>     |
| <b>5. Competition</b>        | <b>10. Investment Request</b> |

## The Problem

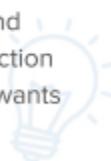
Define the problem that your company or startup is solving through your products. Point out how big is the problem, who is impacted by this, how it impacts those people, and why is it important to solve it.

This serves as a background to why you start the company at the first place.



## The Solution

As an answer to the problem slide, give your proposed solution. Explain how you can solve the problem and why it's better than other solutions in the market, if there's any. Since this slide is inline with the product section that will follow after this, don't make it overlap with each other. Use the slide to explain what your product wants to become, i.e. the big vision.



Example: "Our product strives to become the leading e-commerce company for women that provides convenience and improves the lives of local craftswomen."

## Market Opportunity

Many investors prefer ideas with large addressable market as they provide big opportunities for return. Define the market you are in and how large its size is by number. Show hard data and visualization to picture your target market demographics and persona. In addition, explain how technology advancement could help support your product to address the problem.

These are important because you want to show that there is a promising market out there. You can drive the message that it is a good time for your product to exist in the market, i.e. there is a sizeable market and viable technologies to support it.

*Example:* Your fresh-produce delivery service have a potential to grow amid rising healthy lifestyle among the middle class regardless of age. Orders and supplies can be tracked and managed on a secure cloud platform.



## The Product

Clearly define what your company's product or service consists of and why it is unique, so "The Product" slide of the pitch deck should answer the key features offered, their functionality, why it is different, and how unique and complex the technology is to ensure that your competitors cannot replicate it.

Visuals can play an important role here instead of relying on lengthy words.



## Business Model

After you've explained your product. You need to answer another important part: How would you create your revenue streams? Relate your revenue projection to the market size that you've shared earlier.

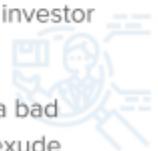


Investors want to see that you understand the numbers and have thought about your execution strategy. They will take time to go through this part as they want to have an answer on the ROI from your product.

Example: A travel startup charges 10% commission on each booking, which could generate over US\$ 1 billion in revenue in the span of 3 years.

## The Competition

Talking about your competitors could be a sensitive issue to be addressed with your possible investors. Nevertheless, they need to know who is your competitor. Show a competitive landscape and prepared to respond to concerning questions. You need to understand your competitor, otherwise if you don't, the investor will assume that you don't really understand your market.



Important: Make sure to never bring down other companies while talking about competitors. It leaves a bad impression on the investors as it paints you as obnoxious and arrogant. Show respect at all times but exude confidence that you can beat your competitors.

## Existing Traction

Traction is evidence that your product or service has started. You need to convince your investors that you already have evidence of early successes. Demonstrate various metrics that articulate your tractions: active users, sales' revenue, traffic of your website, testimonials, partnerships, press exposure if you have any, etc. Once again, you need to convince the investors that you have started your business well so they can invest on your company.

Just like explaining about market size, showing your traction is all about the numbers and user stories. Support what you say not just with words, but concrete action.



## Team Members

Once you've reached this slide, the investors should have some understanding that your idea can be a good investment. What's left is to show the people behind the idea — you and your team.



This slide can include the name, pictures, titles, and short summary of experience or expertise. Who you show in this slide can be one of their considerations.

## Product Roadmap

Nearing to the end of your session, you could show your product's progress and its direction. Tell the investors what changes they can expect in the next 6 months, 1 year, and 2 years.



This will give them clarity about your product pipeline and how they could translate into profitability, even when they are still hypotheticals.

## Investment Request - Your Ask

This is the aim of your presentation. Combine all of your data to state your valuation and tell the investors how much money you need to be able to reach the growth rate you've envisioned. Remain realistic, but be bold.





Canva is a graphic design platform, providing templates and custom designs to create social media graphics, presentations, posters, documents and other visual content.

In 2020, the company raises \$60 million on an already high \$6 billion valuation. Take a look at their final pitch deck version.

#### PROBLEM: DESIGN TOOLS ONLY ACCESSIBLE TO PROS

Creating a professional design is a complex process. There are a plethora of websites and programs that must be learned and used. This complex process is often above the skills of an amateur designer and they are left with limited options, such as (1) outsourcing to a designer, which is expensive; (2) use Vista Print, Microsoft Word or Publisher, which creates an unprofessional product.



The Problem

#### SOLUTION: CANVA, COMMUNITIES UNITE

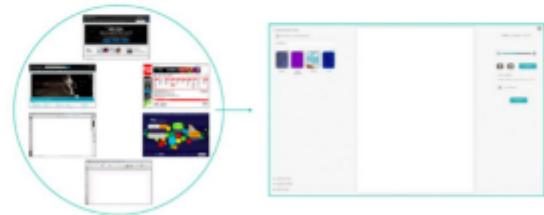
CANVA is an aggregate of all the tools and companies required to produce a professional design.

**DESIGNERS** Supply layouts which can be purchased and edited using Canva.

**PHOTOGRAPHERS** Supply stock photography which can be dragged directly into the clients design.

**PRINT COMPANIES** Become CANVA Certified and receive work through CANVA in perfect print ready format.

**AGENCIES** Share their work with clients and colleagues in CANVA format, which enables clients to make edits.



The Solution

(Source: Canva, cited from [Alexander-Jarvis.com](http://Alexander-Jarvis.com). For more pitch decks, visit the website.

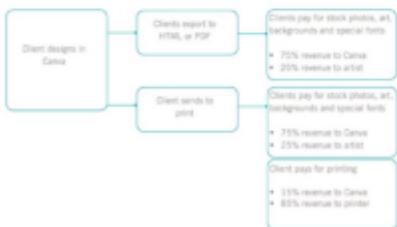
## TARGET MARKET



## Market Opportunity

### MICROPAYMENTS

Micropayments for content.



## Business Model

(Source: Canva, cited from [Alexander-Jarvis.com](http://Alexander-Jarvis.com). For more pitch decks, visit the website.

## THE FIRST APPS



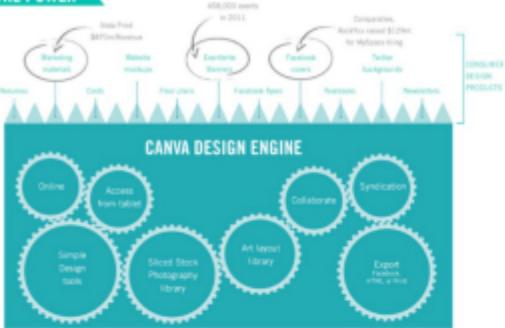
## The Product

### GAP IN THE MARKET



## Competition

## THE POWER



## Existing Traction

## FUNDING

### MILESTONES BEFORE SERIES A

- (1) Develop the Canva platform  
Including Canva Editor, global network of printers, payment module, background, stock photography and layout modules and concepts.
- (2) 1 million images/art pieces  
Layout library, stock photography library, background library, features, fonts and global print community.
- (3) Launch  
Web and Tablet for iOS and Android.
- (4) 3 million users  
Serious traction in the consumer and small business market.

### FUNDING AND TERMS

- \$1.5 million convertible debt  
15% discount  
\$8M valuation cap

## CANVA TEAM



MELANIE PERKINS  
FOUNDER & CEO  
CEO of Fashion Design  
Melanie turned her non-profit  
idea into a profitable company at 21. Taught  
design at University.



CLIFF OBERECHT  
FOUNDER & COO  
Founder and CEO of  
PhotoShelter, a leading  
non-profitable sales and  
marketing teams.



CAMERON ADAMS  
FOUNDER & COO  
Founder and product  
manager of Canva's initial  
canva core. Previously on  
Facebook, Google Photos &  
Designer of Google Glass.



OLIVIER BIERLAIRE  
LEAD DEVELOPER  
CTO at Fusion Media,  
former CTO of Orange  
and Admeets. Tailored Java  
expert with a unique feel  
for design.



LEE TORKEINS  
STOCK PHOTO GURU  
Stock photography blogger @  
www.microstocktimes.com  
author of "Microstock Agency  
Success" and expert  
about microstock.



LARS RASMUSSEN  
ADVISOR & INVESTOR  
Director of Engineering at  
Facebook, Google Images and  
Google Photos. Deep  
understanding of Canva's  
cutting edge technology.



DAVE BAGSHAW  
ADVISOR & INVESTOR  
Former CEO of Shutterfly,  
PhotoShelter, Shutter  
Graphics, SHUTTER and  
PhotoShelter. Academic  
and Researcher in Electrical  
Engineering at Stanford  
University.

Canva

## Team Members

## Product Roadmap & Investment Request

(Source: Canva, cited from [AlexanderJavis.com](http://AlexanderJavis.com). For more pitch decks, visit the website.

# The Art of Pitching

Everyone has their own style and preferences in doing their pitch. Nonetheless, there are basic strategies and practices that you should master to make your pitch a success.



- Practice a lot before you pitch!
- Clearly show the benefit to the investor.
- Project realistic, but bold outcomes and milestones.
- Show that you are the company they should invest in.
- Be flexible and open to advice.
- Make a soundbite to ensure that your point comes across.

Have confidence in your product and act like it is a sure thing you will get funded, but don't come across as arrogant and greedy. Stay humble in admitting you would like this investor to participate, but don't need them or the money to make this venture a success.

# Pitching Do's and Don'ts

## ✓ Do's:

- Do prepare non-disclosure agreement and copyright terms.
- Do convince the reader of why the market opportunity is large.
- Do include visually interesting and relevant graphs and images.
- Do send the pitch deck in a PDF format to prospective investors in advance of a meeting.
- Do plan to have a demo of your product as part of the in-person presentation.
- Do tell a compelling, memorable, and interesting story that shows your passion for the business and why you want to change the status quo.
- Do show that you have more than just an idea, and that you have gotten early traction on developing the product, getting customers, or signing up partners.
- Do use a consistent font size, color, and header title style throughout the slides.

## ✗ Don'ts

- Don't make the pitch deck longer than 20 slides. Include additional info as appendix.
- Don't use a lot of jargon or acronyms that the investor may not immediately understand.
- Don't provide excessive financial details, as that can be provided in a follow-up.
- Don't try to cover everything in the pitch deck.
- Don't underestimate or belittle your competition.
- Don't have a poor layout, bad graphics, or a low-quality "look and feel." You can delegate it to a graphic designer to have more professional look.
- Don't force the investor to get files from file sharing platforms since you are giving more steps and making barrier of them reading it. Remember, they have limited amount of time.

# Creating an Elevator Pitch



## WHAT IS ELEVATOR PITCH AND HOW TO CREATE ONE?

Just like pitching about your personal brand, an elevator pitch is a brief, persuasive speech that you use to spark interest in what your organization does. You can also use them to create interest and show the uniqueness of project, idea, product, and even for yourself. A good elevator pitch should last no longer than a short elevator ride of 20 to 30 seconds, hence the name.

A catchy and brief statement might allow the investors to catch up on your idea quickly, even more so if it can be memorable. To have a successful elevator pitch, follow these steps:

1. Point out who you are.
2. Articulate what your product is and how it can change the world.
3. Tell what you need.
4. Engage with a question to get them wondering.
5. Always have your business card ready.
6. Put it all together and keep practicing.

# Creating an Elevator Pitch

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## ELEVATOR PITCH EXAMPLE:

"Hi, I'm Krisna from Healthee, a smart digital assistant designed to help people focused on the wellbeing goals they have: staying fit, eat healthier, or as simple as drinking enough water. Did you know that 50% of Indonesians don't drink enough water, and the number is even less for people, simply because they lack commitment and are often distracted to do so. Simply with a touch of fingerprint, my smart AI will tell you if you spent too much time indoors and recommend activities to do based on your need. My team has got a working prototype and we're looking to raise angel investment. Would this be an interest to you?"

# One-Pager

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## What is a One-Pager?

A one-pager is essentially an executive summary that serves as a written pitch of your business. It is an easy and quick way to present your ideas instead of having to read many pages of documentation. It provides brief outline of your business, explanation of how your product/service will work, as well as how your revenue and growth trajectory look like.

As the name implies, your one-pager needs to be attention grabbing.

In it, you should talk about:

- Overarching problem in the market
- Your solution
- Market size and competitive advantage
- Team qualifications
- Business model
- Milestones

Creating a one-pager also serves as giving out first impression, which may result in an invitation to an investor meeting.



## STARTUP NAME

Contact Name

Email



+1 (123) 456-7899

www.website.com

An overview of your company goes here. Founded in 2015, Company is a service/product that provides a unique thing to a certain audience. Our product reduces pain points and enhances the lives of our users. This is your elevator pitch.

Stage: Pre-Seed, Seed I, Series A

Industry:

Number of employees:

Market size: \$5.6 B

Investment opportunity: \$3.2 M

Use of funds: Accelerate sales, grow team, open locations, enhance marketing, strengthen operations, fuel research & development

### MANAGEMENT TEAM



Name  
Founder, CEO  
Succinct description of background and specialization



Name  
Strategic Advisor  
Succinct description of background and specialization

### CURRENT STATUS

Describe what you've achieved to this point. Do you have a prototype? Have you received any customer feedback?

[Image Source here.](#)

#### CHALLENGE

Have a crystal clear idea of the problem you are aiming to solve. Include a powerful description of the problem or gap in the market.

#### SOLUTION

Describe how your solution uniquely addresses the above challenge. Show clearly and concisely how your product or service will disrupt the industry. Who is the customer? Why do they care?

#### MARKET

Describe the market, market size, market opportunity, market validation, market activity, and/or your go-to-market strategy.

#### MILESTONES

Identify key milestones that describe the progress you've made thus far. List funding you have secured and when. You can describe any upcoming or goal milestones as well.

#### REVENUE MODEL

How is the project going to make money? How will the team carry out this plan? What is your marketing strategy? Are there any important points that an investor needs to know about the structure of the company?

#### COMPETITIVE ADVANTAGE

Who are your competitors? How is your solution distinct and better than your competitors. Any IP?

#### EXIT

Investors need an exit strategy. Identify who could potentially buy your company. At what phase could you foresee an acquisition?



## TIPS:

- Focus on providing a summary
- Keep it short and concise
- Keep your language strong and positive
- Tailor it to your audience and put yourself as a reader looking at something new
- Check on any typos
- Design your executive summary so it looks clean and easy to digest, while being catchy.

# Further Preparations

Investor relations is a long-term commitment, so it is important that you are ready to work with them.

Here are several tips that you need to consider before entering into a commitment with investors:

## 1. Know your why

Defining your reasons before you start to pitch your ideas is very crucial. The questions you should acknowledge before pitching include: (a) *why do I need to raise money for my startup now?*, (b) *how will I use them?*, (c) *what will it mean for my venture?*, and (d) *what are my options other than raising funds from a VC?*

Take time to answer these questions before you start the laborious process of raising investment funds.

## 2. Create the “Who” list

If you are ready to look for an investor, you can start by making a short list of people that you want to approach or want to work with. From there, you can look at the potential people that can fund your startup. Ask yourself: who has the money, who is able to fund, who is actively funding? You can also try resources like [Crunchbase](#) that will help you to identify the most active investors in your sector and the type of companies they invested in.

# Further Preparations

## 3. Introduce and build connections

The easiest path to gain an entry to a VC is to get introductions from your current network. Remember that having one connection will lead you to other connection. Make sure that you introduce yourself out there and be in-touch with them.

You can also use the list you've prepared to find their contact. Then, you can try to email or greet them to build connection. It's important to remember that you shouldn't spam them so as to annoy the people you want to impress. Investment is not a sales process.

## 4. Practice your pitch and confidence

Preparation is key. Your elevator pitch, executive summary, and presentation pitch will be rendered useless if you couldn't explain it verbally with confidence and eloquence. Like an interview, go through your pitch and prepare the answers to various questions that the investors may ask. Create your talking points so you have a mental structure.

Investors could appear as a very intimidating individual, but don't be intimidated. Have confidence that you're ready and you've done the best you can at the present situation.

# Further Preparations

## 5. Be truthful

The way to appear confident as an inexperienced founder is to stick to the truth. Convince yourself that your startup is worth investing in because you know that it's truthful. Convincing oneself doesn't mean playing mind tricks to boost your confidence. It means that you truly need to evaluate whether your startup is worth investing in. Don't try to seem more than you are.

To evaluate whether your startup is worth investing in, you have to be a domain expert. Investors can tell fairly quickly whether you're a domain expert by how well you answer their questions. Know everything about your market. The rule of thumb is: you'll never convince investors if you're not convinced yourself.

## 6. Manage your pitching time

You won't have an endless amount of time in an investor meeting. Practice your pitch, and ensure that it should be within 45 to 60 minutes, including the Q&A session. Most investors have limited time and short attention spans. Some of them will not hesitate to cut off your presentation. Practice your pitch to ensure that they pay attention to you and you send your message across.

**Tips:** Use stopwatch to count your time as if you're pitching for real. Take notes which parts need extra times.

# Accepting a “No”

You've made your case, but oftentimes, things don't work out as you'd like.

**Here are two alternatives that you could do when you received rejection from an investor:**

## 1. Their “no” today does not mean a “no” forever.

Investment is not like selling a product. When investors have said no, they do mean it and you shouldn't press them to argue and plead them to give you a chance as they have their own consideration in saying no. More importantly, it will leave a dent on your reputation.

You can come back to the same investor in 2 or more years time, offering a new idea or even showing that the company they rejected years ago has proven to be profitable.

Ask them if they'd like to receive monthly or quarterly short update from you. Sending an update will enable them to keep track of your progress, and if your company can show progress, they might re-invite you for a discussion again.



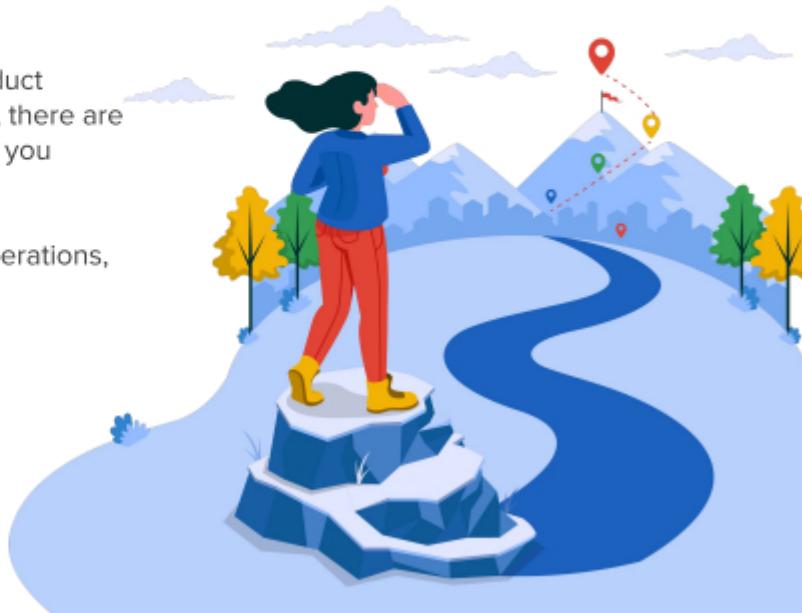
# Accepting a “No”

## 2. All roads lead to Rome.

Don't let rejections drag you down. As previously mentioned, all entrepreneurs face failures.

You might want to step back and rethink of your product strategy. Once you've come up with an updated one, there are other funding alternatives that you can utilize to help you realize your vision.

This includes bootstrapping, taking loans, internal operations, and more.



# Final words

## Why do I need to learn about startup valuation as part of my studies?

Be it joining a startup or building your own, understanding the common terms associated with startup and investment serves as a foundation for you to see, understand, and seize opportunities around you.

The world is rich of possibilities. Being a tech talent doesn't mean that you just have to focus on your field without knowing anything else in the company.

## Recognizing entrepreneurial terms can help you:

- Understand your company's business model.
- Identify market dynamics.
- Adapt to new responsibilities so that you're able to create more values for your company and other stakeholders.



# Thank You

