

What will 2021 look like for **Private Equity**

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50 Questions Angel Investors Will Ask Entrepreneurs

By [Richard Harroch](https://www.allbusiness.com/author/richard-harroch) | In: [Angel & Venture Funding](https://www.allbusiness.com/finance/angel-venture-funding/)
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Entrepreneurs need to be prepared when pitching their startup companies to angel investors by anticipating the questions they will receive. The failure to have thoughtful and reasonable answers to these questions will decrease the likelihood of the entrepreneur's company getting funded. The following is a list of key questions all entrepreneurs should be well prepared to answer during their investor pitch:

Overview

At the beginning of an investor pitch, the angel investors will want a clear and concise overview of what the company does, why it is interesting, and why it could eventually lead to a large exit. So, expect that you will need to cover the following:

- What does the company do?
- What is unique about the company?
- What big problem does it solve?
- How big is the market opportunity?
- Where are you headquartered? (Many investors prefer companies located in San Francisco/Silicon Valley or New York).

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Market

You will need to paint a clear picture that the market opportunity is meaningfully large and growing, so you will receive questions like:

- What is the actual addressable market?
- What percentage of the market do you plan to get over what period of time?
- Why does your company have high growth potential?

Founders & Team

For many angel investors, the management team is the most important element in deciding whether or not to invest. Entrepreneurs must show they are passionate, dedicated, and have relevant domain experience. So anticipate these questions:

- Who are the founders and key team members?
- What relevant domain experience does the team have?
- Why is the team uniquely capable to execute the company's business plan?
- What motivates the founders and how are they showing their commitment to the business?
- How do you plan to scale the team in the next 12 months?

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Products and Services

The entrepreneur must clearly articulate what the company's product or service consists of and why it is unique, so expect to get the following questions:

- Why do users care about your product or service?
- What are the major product milestones?
- What are the key differentiated features of your product or service?
- What have you learned from early versions of the product or service?
- Can you provide a demonstration of the product or service?
- What are the two or three key features you plan to add?

See also [Angel Investing: 20 Things Entrepreneurs Should Know](https://www.allbusiness.com/angel-investing-20-things-entrepreneurs-should-know-20552-1.html)

(<https://www.allbusiness.com/angel-investing-20-things-entrepreneurs-should-know-20552-1.html>).

Competition

The company's competitors will always be an issue and any entrepreneur who responds with "we do not have competitors" will have credibility problems. So make sure to anticipate the following questions:

- Who are the company's competitors?
- What will give your company a competitive advantage?
- What advantages does your competition have over you?
- Compared to your competition, how do you compete with respect to price, features, and performance?

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Marketing and Customer Acquisition

The investors will want to get a sense of how the company plans to market itself, the cost of acquiring a customer, and the long-term value of a customer. So, be prepared for the following:

- How does the company market or plan to market its products or services?
- What is the cost of a customer acquisition?
- What is the projected lifetime value of a customer?
- What is the typical sales cycle between initial customer contact and closing of a sale?

Progress in the Business

A company that has gotten early traction in some way will be viewed positively, so be prepared to answer these questions:

- What early traction has the company gotten (sales, traffic to the company's website, app downloads, etc., as relevant).
- How can the early traction be accelerated?
- What has been the principal reasons for the early traction?

See also [The 10 Commandments for Obtaining Angel Funding for Your Startup](https://www.allbusiness.com/angel-funding-startup-21773-1.html)
(<https://www.allbusiness.com/angel-funding-startup-21773-1.html>).

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Risks

There inevitably are risks in any business plan, so plan to answer these questions thoughtfully:

- What do you see as the principal risks to the business?
- What legal risks do you have?
- Do you have any regulatory risks?
- Are there any product liability risks?

Intellectual Property

For many companies, their intellectual property will be a key to success. The investors will pay particular attention to the answers to these questions:

- What key intellectual property does the company have (patents, patents pending, copyrights, trade secrets, trademarks, domain names)?
- What comfort do you have that the company's intellectual property does not violate the rights of a third party?
- How was the company's intellectual property developed?
- Would any prior employers of a team member have a potential claim to the company's intellectual property?
- Will there be any claims by a party claiming to be a co-founder? (Note that this issue arose with Facebook and other companies.)

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Financials

Any angel investor will spend time understanding the company's current financial situation and proposed future burn rate. Be well prepared for these questions:

- What are the company's three-year projections?
- What are the key assumptions underlying your projections?
- How much equity and debt has the company raised; what is the capitalization structure?
- What future equity or debt financing will be necessary?
- How much of a stock option pool is being set aside for employees?
- How much burn will occur until the company gets to profitability?
- What are the key metrics that the management team focuses on?

Financing Round

The investors will want to get a clear picture of how much is being raised in the financing round and related information as follows:

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- What milestones will this round of financing help you achieve?

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Richard D. Harroch is a Managing Director and Global Head of M&A at VantagePoint Capital Partners, a large venture capital fund in the San Francisco area. His focus is on investing in Internet and digital media companies, and he was the founder of several Internet companies. His articles have appeared online in Forbes, Fortune, MSN, Yahoo, FoxBusiness, and AllBusiness.com. Richard is the author of several books on startups and entrepreneurship as well as the co-author of Poker for

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Expert Profile

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