# Antler

Pitching Investors

# Introduction

This deck provides suggestions for how to pitch venture capital investors including:

**Team preparation:** What to do before, during and after meetings

**Pitch deck content:** Pushing the right triggers to win over investors

**Warning signs:** Things to look out for among investors, partners, customers and founders

**Words of wisdom:** Lessons from the field

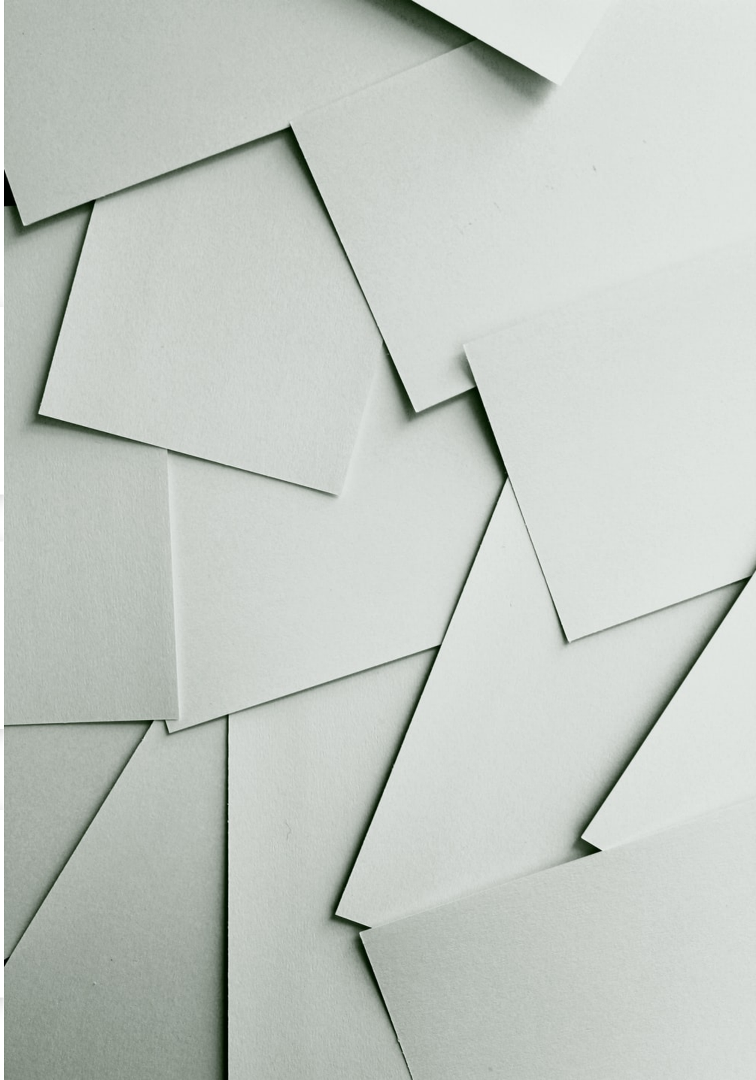

# TEAM PREPARATION

# Conducting background research

Map the investor landscape of relevance to your vertical sector / business model / geography. Build a spreadsheet early on from research and by following the news.

Don’t pitch consumer hardware to enterprise software investors and don’t pitch lifestyle businesses and social enterprises to conventional angels and venture capitalists.

Complete the same exercise for acquisitions in your space so that you know who the acquirers are (and in what geography they are based). Investors like to see that there is M&A activity within a space.



# Preparing slide decks & executive summaries

Prepare slide decks of a variety of lengths to be ready for different kind of pitches:

- 2-minute elevator pitch
- 5-minute pitch
- 15-minute pitch
- 30-minute pitch

Prepare a summary paragraph about your company that can be included in e-mails.

Prepare a 1-2 page executive summary.

Prepare the Demo Day Presentation for large audience (i.e. more like TED Talk)

# Setting up meetings with investors

Investors are often swamped with irrelevant and / or low-quality pitches. Don't contribute to the problem by opportunistically spamming everyone you come across. Understand what a particular investor is looking for and include a couple of "hooks" in your e-mail.

Personal investor introductions help to rise above the noise factor – but only when the links are strong.

Leverage homophily – "birds of a feather flock together" nationality/region/city, university alumni, company alumni… to connect

Go for "soft" pitches early in your journey (e.g. working on so and so and would appreciate your feedback)

# Preparation before the meeting

- Always be on time when you pitch investors; have a safety buffer
- Be fresh: don’t walk 20 min in the tropics or eat tomato sauce pasta with a white shirt before your investor meeting
- Use relevant currency based on where you pitch (i.e. not Euro in Singapore)
- Check presentation for correct use of “.” and “,” (i.e. Anglo versus Europe standards)
- Bring multiple pitch presentations in case your meetings is cut short
- Have presentation available in the cloud
- Never count on the meeting room’s WiFi (bring wifi hotspot) and have an offline demo
- Carry all kinds of adaptors for screens / projectors

# During the meeting

- Be polite and thank the investor(s) for taking the time to meet with you
- Leverage the power of flattery: drop a few remarks that show that you have studied the venture capital fund and know their portfolio / exits
- Bring a notepad and take notes to show that you value the feedback given (but don’t take notes like an overly diligent school student)
- CEO to talk minimum 50% of the time. VCs want to get a feel for whether they can / would like to work with the CEO going forward
- If you are getting pushback, ask clarifying questions to show that you are seeking to understand where the investor is coming from. If pushback is substantial, ask what traction would make the investor change his / her mind so that you know when you can come back
- Always ask whom else to talk to (investment, partnership, feedback, etc.)

# After the meeting

- Grab a coffee with the pitching team and do an immediate de-briefing (key take-aways, things to improve, insights gained)
- Write a short summary note for the future – including what the investor would like to see to engage again (in case of a negative response)
- Send a flattering note to the investor with any requested follow-up material together with a couple of key take-aways showing that you paid attention during the meeting
- Amend your presentation and pitch as necessary to make it stronger


# PITCH DECK CONTENT

# Setting the scene

**Investor Takeaway**
This sounds promising; I want to learn more; this company might have legs.

Control how investors “pigeonhole” you. Outline the landscape and where you fit in

Assume that additional people might join the meeting who have not seen your introduction e-mails or materials sent in advance; help bring them up to speed

Show that the opportunity is big enough to merit venture capital investment

Offer some interesting insights about where the space is heading (i.e. that you are surfing on favorable trends) and suggest that you have something novel and valuable to offer to customers.

# Positioning platform businesses

**Investor Takeaway**

The business has both a high-degree of initial focus (to gain traction) and potential to scale beyond the initial vertical.

Many founders work on businesses that can stretch beyond the initial vertical. A "T-Shaped" positioning can be leveraged to sell both breadth and depth to investors

A simple framework (e.g. Harvey balls) can be used to justify the prioritization of verticals (e.g. market size, strength of competition, favorable regulatory conditions, ability to win business, ability to serve customers)

# Company journey

**Investor Takeaway**

The team has achieved a lot with limited resources and been open to learning / pivoting along the journey.

What are the key achievements to date?

How much money has been invested and by whom?

What did you learn along the journey that made you change direction?

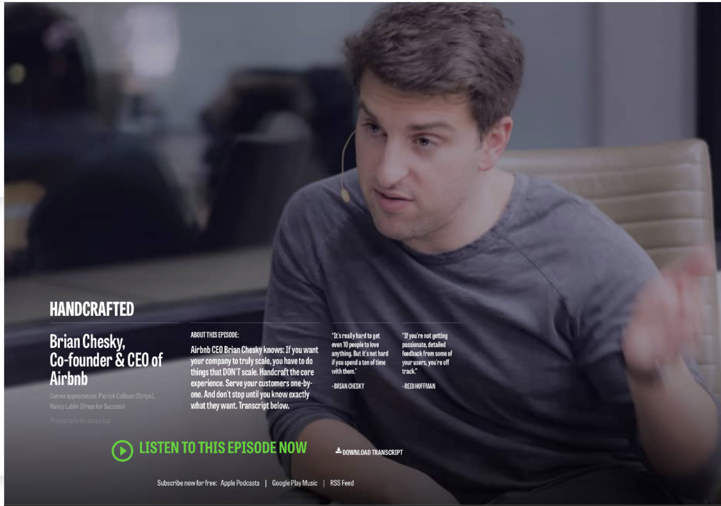
# Perfecting the customer experience

**Investor Takeaway**
The team has crafted and validated a customer experience worthy of scaling.

Screenshots (software) or photos (hardware products / packaging) with a wow factor

Describe the product development process: e.g. ethnographic interviews, low fidelity + high fidelity clickable mockup testing / hardware prototype testing, MVP feedback

Listen to “Handcrafted” by Airbnb’s Brian Chesky on how to handcraft the core customer experience




https://mastersofscale.com/brian-chesky-handcrafted/

# Business model engine

**Investor Takeaway**
The company has an attractive business model that works and that can scale profitably.

The unit economics are favorable with high gross margins (e.g. above 80%) and attractive contribution margins (e.g. at least 25-30%).

Revenues are of a recurring nature (e.g. either monthly subscription or razor+blade / inkjet consumables that need to be regularly replaced by the installed base)

The business model is ”asset-light” – i.e. scaling does not require linear investment in working capital, PPE (Property, Plant & Equipment) or addition of staff on payroll (i.e. why network orchestrator business models are favored by investors)

For pre-seed stage companies, there should be more focus on the business model engine than on detailed long-term financial forecasts

# Sample revenue discount model

## Benchmarks from Right Side Capital Management in Palo Alto, California:

| Pre-Money Valuation Benchmarks for Revenues: | Revenue Type Discount Factor: |
|---|---|
| USD 1.5M = USD 3-4k per month | 100% recurring subscription revenues |
| USD 2.0M = USD 5-8k per month | 75% transaction revenue with a “razor + blade / inkjet” business model that generates repeat purchases of consumables |
| USD 2.5M = USD 9-15k per month | 50% for pure one-off transaction revenues |
| USD 3.0M = USD 15-25k per month | 25% for advertising revenues and affiliate sales commission revenues |

# Sales & marketing

**Investor Takeaway**

The founders are focused on generating revenues and they have figured out how to profitably sell their products and services.

**B2C businesses:** growth marketing machinery with a purchase waterfall (awareness, consideration, decision) – i.e. a conversion funnel. Show an engine that works and that it is ready for more fuel (i.e. investment) to scale

**For B2B businesses:** B2B sales cycles with # of meetings to close, often an in-house SWAT team to win initial reference cases and build enablement stacks for subsequent scaling through channel partners (e.g. distributors, SIs, VARs)

SME clients present a special challenge as revenues may only be somewhat higher than for consumers while the acquisition cost might approximate enterprise clients

Some business models have multiple CAC costs: Airbnb (host + guest), Uber (driver + passenger)

# Team experience

**Investor Takeaway**
The team has a much better than average chance of success.

**Elite markers**: prestige universities, selective employers, sport achievements, service in special forces – all highly selective arenas

**Relevant Domain / Functional Experience:** "This is not our first rodeo"

**Achievement:** A track-record of consistent over-achievement throughout life

**Company Building:** founders who have built, scaled and sold companies before providing returns to investors

**Maturity**: Realization of who is missing on the team and willingness to add talent

# Company roadmap

**Investor Takeaway**
The founders know what needs to be done when (i.e. focus on the right things); the business has momentum and conveys an air of inevitability.

Planning should be focused on the upcoming investment horizon (relay race) rather than calendar year driven

Highlights picked from

- Sales and marketing roadmap
- Product development roadmap
- Business development roadmap
- Operations roadmap
- Recruitment roadmap

# Specific considerations for lab-based business

**Investor Takeaway**
Founders who understand hardware / chemistry complexity

**Hardware**

- Access and cost of hardware lab
- Development of prototypes
- Selection of contract manufacturer
- Cost of molds for manufacturing
- Product safety certification
- Regulatory approvals (e.g. FDA)
- Warehousing and outbound logistics
- Inbound logistics / product repairs
- Appointing distributors and retailers
- BOM optimization
- Fully loaded BOM at ¼ of MSRP

**Chemistry**

- Access and cost of chemistry lab
- Clinical trials (for medical)
- Regulatory (e.g. FDA approvals)
- Production facilities
- Outbound logistics
- Licensing
- Appointing distributors / retailers
- Managing shelf life expiry
- Piracy prevention and mitigation

# Business defensibility

**Investor Takeaway**

There is a protective moat around the business making a future acquisition more likely than a 500-pound gorilla just copying the business idea.

**Secret Sauce:** What is proprietary or very difficult to do / replicate?

**Unfair Advantage:** What knowledge, assets, resources, channel partners does the business have access to that others will struggle to get access to?

How will the business capture long-term value (e.g. Google, Facebook) compared to initial value creation that is quickly eroded (Yahoo, Excite, Altavista, Friendster, MySpace, Friends Reunited, FortuneCity)?

**Honest Reflection**: If you feel that merely talking about your business puts it at risk of being copied, consider letting someone else invest their precious life years building it

# Exit (acquisition)

**Investor Takeaway**
There are active acquirers in the space.

Common Acquisition Rationale

- Access to talent (acquihire)
- Access to IP (e.g. patents)
- Solving a key problem for the acquirer
- Geographic footprint extension
- Product portfolio extension
- Fear – “poking a sharp stick in the eye”

Categories of acquirers, examples within category, rationale, past acquisition examples (target name, acquisition value, date)

# The ask plus handshake

**Investor Takeaway**
The founders know what they need (within realistic limits) and they are willing to commit deliverables in return.

- How much money are you seeking to raise?
- What legal entity / domicile are you raising money into?
- Are you offering straight Equity, a SAFE note or a Convertible note?
- How will you spend the money?
- What realistic outcomes do you seek to achieve with the funding (often overlooked)
- How far will the funds take you (i.e. when will you raise another round)?

# WARNING SIGNS

# Warning signs: Investors

- To the extent possible, you want investors who are familiar with investing in early stage technology companies. Investors from mature industry sectors (e.g. manufacturing, distributors, retailers, oil and gas, crop plantations and real estate) are used to companies with a more predictably linear progression
- Be careful with investors blocking asset flips into overseas jurisdictions (e.g. into a US Delaware C-Corp); especially the case with government investors
- Do not accept unreasonable personal indemnification or liability (beyond gross misconduct such as fraud)

# Warning signs: Partners

- When doing B2B sales / partnerships, be careful with corporate partners who lack a track record of early adoption / partnering with startups. They might just be on a lengthy fishing expedition to learn about a new sector or break the boredom of their corporate lives. It might lead to endless meetings without anything getting signed
- Be careful with overexposure that might ruin the business. An example is placing a hardware product in 5000+ Walmart stores with full right of return of unsold inventory (actual example). Or being dependent on a single partner who might radically alter the terms / margin (several actual examples)

# Warning signs: Customers

- Friends and family might not tell you the truth as they might be afraid of hurting you or jeopardizing their relationship with you – be careful with overly rosy “customer” feedback from friends
- “Do good” businesses make many prospective customers say “Awesome” due to “virtue signaling” – but may not convert to sales down the lines
- Giving stuff away for free does often not convince venture capitalists. Customers using a free product will be heavily discounted in case you later on plan on charging
- Launching indiscriminately runs the risk of attracting demanding ”mainstream customers”, who will never forget and never forgive, before you are ready to “cross the chasm” – think about ways to attract early adopters first

# Warning signs: Founders

- Founders and co-founders who drink their own Kool-Aid (i.e. have a poor grasp of reality and ignore market feedback / metrics)
- Founders who have 100% focus on running a science / R&D lab without thoughts about how to commercialize their innovations
- Founders who don't "sell, sell, sell" – ABC "Always Be Closing"
- Founders who keep chasing awards and media coverage rather than building the business (the equivalent of chasing Facebook / Instagram followers / likes)
- Founders who can easily walk away due to low exit barriers (little equity in business)

# WORDS OF WISDOM

# Parting thoughts

- Don’t bite off more than you can chew. Focus on a powerful core idea that can be extended over time
- With SaaS tools and contract manufacturing, the cost of launching a business has been substantially reduced while the cost of scaling has in many cases increased (e.g. more companies than ever bidding on Google Adwords keywords and Facebook ads). A lot of businesses falter because they don’t raise sufficient funds to fuel their growth cycle
- You can raise money on “hope” or on “real traction” – in between you often find yourself in the Valley of Death (e.g. having launched with limited traction is a tough position to be in)
- Unlike what Tom Friedman wrote, the world is not flat. It is really expensive to build a company located geographically far away from customers as well as low cost talent
- If you have investors who do follow-on investing in some portfolio companies, the negative signaling risk of not receiving follow-on investment can be decapitating
- An awesome demo can overcome a lot of push back from investors. But traction is the ultimate proof to win over skeptics


YOU CAN'T OUTRUN A
GRIZZLY BEAR.
BUT YOU CAN OUTRUN YOUR MATES.

# Contacts

For further information, please contact:

**Andreas Birnik**
andreas@antler.co