

March 4, 2010

# What do Investors Look For?

Business Plan Resource Night

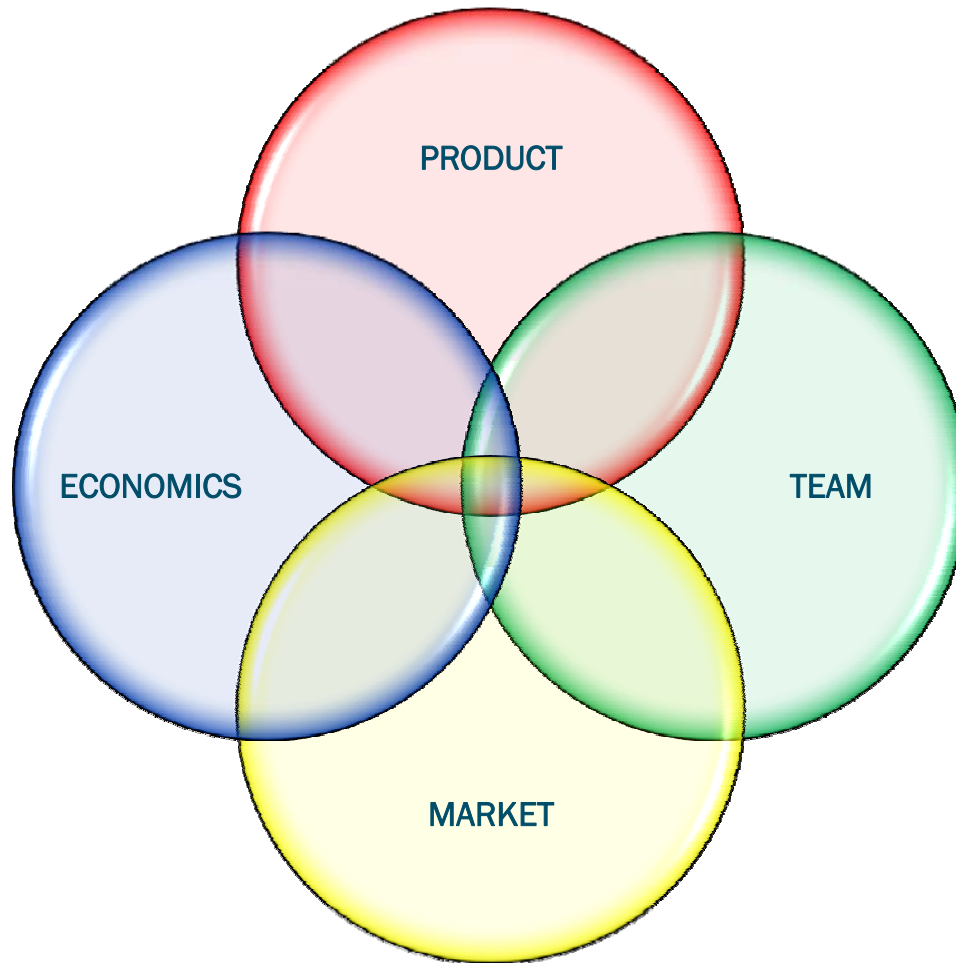
# Introduction

- There is no formula for securing an investment
- Every investor weighs the same opportunity differently
- Every deal is unique
- You need to be confident in your plan, realistic about strengths and weaknesses, and persistent

# What are the Key Components?

- Product/Offering
- Market
- Team
- Finances/Economics
- Business Plan and Presentation
- Miscellaneous Other

# Key Components



# What is your Product/Offering?

- What does your product/offering do?
- What pain point do you solve?
- How does your product/offering solve the pain point?
- What barriers to entry does your product/offering have?
  - Patent
  - Science
  - Regulatory Protection
  - First Mover
  - Capital
- How will you create *and capture* value?

# What is the Market for your Product/Offering?

- Does the market currently exist?
- What is the “Total Addressable Market”?
- Who is your customer?
- Who is your competition?
- Will this customer purchase this product?
  - Affordable
  - Does the product solve the problem the customer has?
  - Is the product compatible with existing infrastructure or process?
  - Sufficiently large incremental improvement?

# Team

- Experience in target industry
- Serial entrepreneur is good
  - But not always
- Interrelationship of team
  - Is  $1 + 1 > 2$ ?
- Motivation
- Commitment
- What are the weaknesses and/or needs

# Team

- Advisors
  - What do they bring to the business plan?
  - How obligated are they to the company?
    - Board of Directors
    - Advisory Board
  - Cost



# Economics and Finances

- Numbers lie
- What are the capital requirements for each milestone?
- What is the realistic ramp for revenues and expenses?
- Financial model
- What are the exit opportunities?

# Business Plan and Presentation

- Who is your audience?
  - Angel Investor
  - Venture Investor
  - Strategic/Corporate Investor
  - Government/Regulatory Investor
- What is your audience looking for and capable of?
  - Capital available for investment
  - Involvement level
  - Intangibles
    - Quality of advice
    - Ability to drive business
    - Influence, both positive and negative, on subsequent capital raises

# Business Plan and Presentation

- Brief summary and/or 'Elevator Pitch'
- Presenting
- Expose your team members
- Focus on strengths
- Don't hide weaknesses
- Demos, Props, and Pyrotechnics

## Do, Do Not, and Miscellaneous

- Tell the story the way you believe it is most compelling
- Investors are smart
- Good technology is not enough
- Appearance, Confidence, Energy
- Ego
- Be Honest
- “I Don’t Know” is O.K. - usually

## Do, Do Not, and Miscellaneous

- Non-Disclosure Agreements
- Depth is often more valuable than breadth
- Providing terms in the presentation/meeting
- Discussing the exit in the presentation/meeting

## Conclusion

- You need a balance of several elements to successfully raise capital
- You have to believe in your plan yet be aware of its weaknesses and needs
- Know what you want from an investor and what an investor wants from you
- Be flexible and creative