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/ofering do?
- What pain point do you solve?
- How does your product/ofering solve the pain point?
- What barriers to entry does your product/ofering 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
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