

Pitching your business idea

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Housekeeping

The real world is still there – take the phone calls, answer the urgent messages, but please **keep your camera on while you are in the room otherwise**

Please do **vacate your room if a fire alarm sounds**

Toilets are where you left them this morning



2

Please ask questions as we go
Out loud or in the chat window

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You will get a copy of the slides
And templates, handbooks and good websites via email

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The event is being recorded

For quality control purposes.

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What do you want to pitch ?

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**If you remember just a few things
from today**

The highlights, because life is too short to listen to a whole talk.

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1

Ask yourself:
What do I want to

other person

to do for

me

after this pitch.

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2

Ask yourself:
What does the

**other person
Need**

for them to know if they can / want to

**Help me
after this pitch.**

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Then:
Tell the

other person

What they need so they can decide
if they can / want to

**Help you
after this pitch.**

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4

Then:
Ask the

other person

to

Help you
after this pitch.

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Then:

Shut up

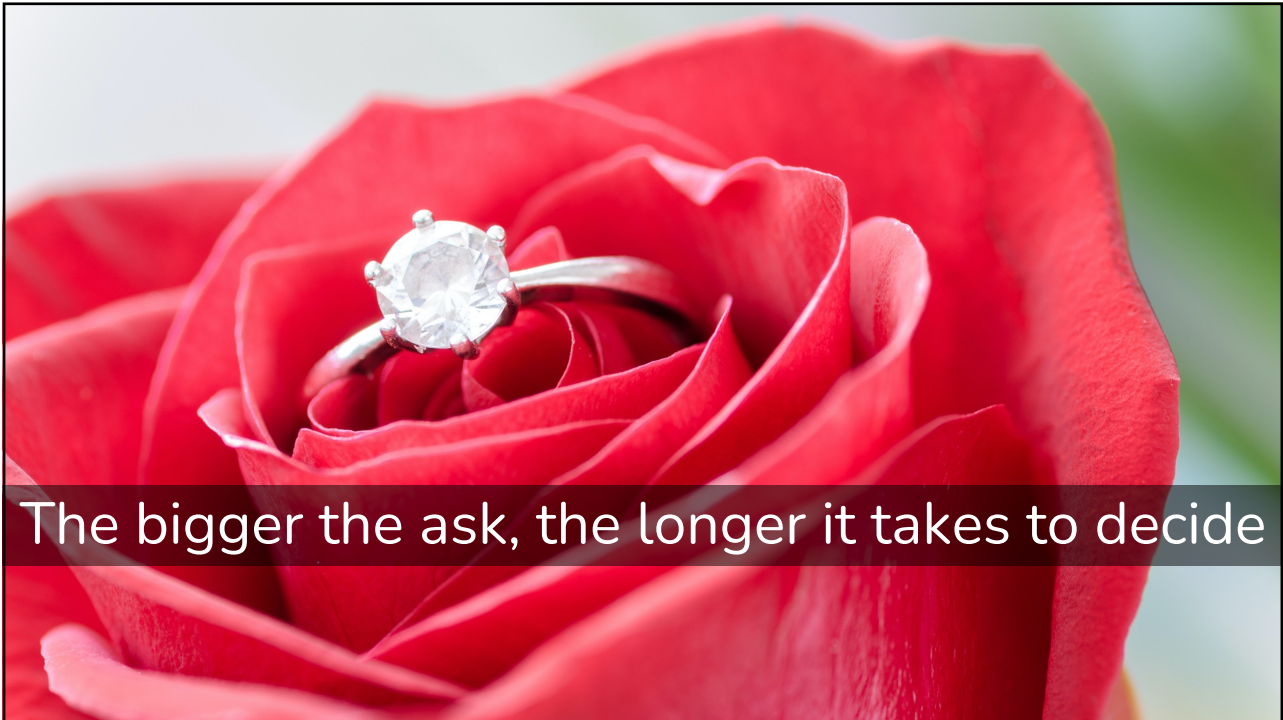
and

listen

All the way along.

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The bigger the ask, the longer it takes to decide

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Value Proposition

Understand your target audience
and the value of your products & services, to them

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That is a **value proposition**:

“a promise of value to be delivered, communicated, and acknowledged.”

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What is the value proposition

Investors
Your boss
Your lab
Society

For your idea / research ?

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The Business Proposition Canvas

Vs

The Value Proposition Canvas

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The Business Proposition Canvas

Helps create value for your company

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Helps create
value for your
Customer

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The **Business**
Proposition
Canvas
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A simple Template

For (**target Customers**) who are
dissatisfied with (**the current solution**)
our product is a (**new product**) that
provides (**Key solution**) unlike (**the**
product alternative)

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The Value Proposition
Explaining why people need you

When we offer our product or company shares to others, we want them to complete the transaction. A Value Proposition is a methodology used to help present the information they need to reach the conclusion we want.

It is often said that you need people to understand why they need to listen to you, in less than a minute, otherwise their mind wanders.

Firstly, what is a Value Proposition? It explains, from the customer / budget holders point of view, why your product will help them. If your product helps them more than the cost, the likelihood of a sale being made is significantly better.

Secondly, how do we create one? There are many ways of doing this. We describe a few of the common approaches.

Steve Blank Formula. famed for running the Lean Startup Circle, states that most founders focus upon features rather than benefits, so he uses a simple sentence to capture what a company does.

We help (X) do (Y) by doing (Z).

Then you speak to your target customers, and ask if it makes sense to them. When they say "No" he describes in detail what the company does and asks them to build the "We help (X)..."

Harvard Business School have simplified the Value Proposition to a set of questions. These are:

- Which customers are you going to serve?
- Which needs are you going to meet?
- What is the right price that is right for the company and the customer?

Typically you start with the first two questions then explore the last question.

Strategyzer Value Proposition Canvas, is split into two, the customer on the right and the product on the left.

The customer element describes: what are they trying to do, what problems are they worried about and what improvements are they looking for.

The left hand side describes the product, and how it generates gain for the customer and prevents pain. There should be a mapping between the pain reliever & Gains / Gain Creators

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How to create products and services customers want. Get started with...

Value Proposition Design

strategyzer.com/vpd

Written by
Alex Osterwalder
Yves Pigneur
Greg Bernarda
Alan Smith

Designed by
Trish Papadokos

WILEY

Strategyzer Series
Sequel to Business Model Generation
International Bestseller
30+ Languages

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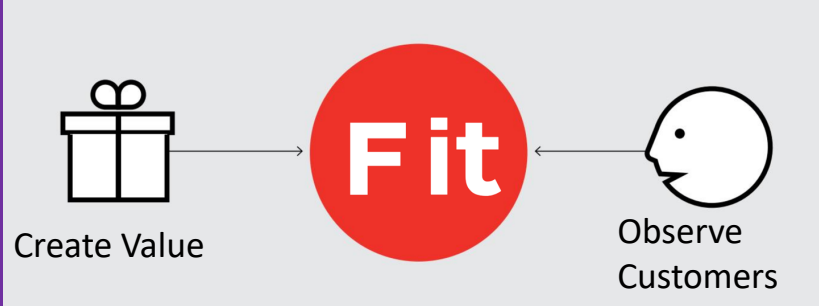
The Value Proposition Canvas

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Strategyzer

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Create Value

Fit

Observe Customers

Pivot the feature set, as we learn more about our customers

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We can do the same with Investors

We present, ask, refine and improve, based on what we learn as we go out to seek investment.

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The Elevator Pitch

How to tell a story in 30 seconds.

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Elevator Pitch

The goal is simply to convey the overall concept or topic in an exciting way..

...a short description of an idea, product or company that explains the concept in a way such that any listener can understand it in a short period of time.

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Often

The goal is simply to convey the overall concept or topic in an exciting way..

...a short description of an idea, product or company that explains the concept in a way such that any listener can understand it in a short period of time.

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Five simple steps

1 Grab Attention

2 Filter

3 Credibility

4 Call to Action

5 Contact Details



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Grab Attention

Don't waste time! You want to avoid the following:

- You're going to be a Unicorn in "years?! Yeah, Sure
- Nope, not interesting, time to update my twitter...
- Oh, great, another AI company....

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- Use a question or thought provoking and insightful statement...

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Grab Attention !

"Last year over £2B was invested
into early stage companies



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Filter

We want to encourage the right people to listen

We use the filter as a means of signposting who we want to listen to our pitch.

We can give them the sector, stage of the idea, technology...

..also helps if it is **interesting**.

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Filter

“Anchored In helps technology companies get their first investment”

Filter: Early Stage, Technology



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Credibility

We want to add some depth to the story

- How do we show that our idea is believable ?
- What evidence do we have that this could work.

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Credibility

one of our recent cohorts raised over 100 Million pounds.

We are the prime investment trainer for the UK Innovation agency.



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Action

You need to tell them what they need to do

Remember, you're there for a reason!

What do you want **them to do next?**

Keep it **simple**

Relate this to an outcome

How can the help you? (& how can you help them..)

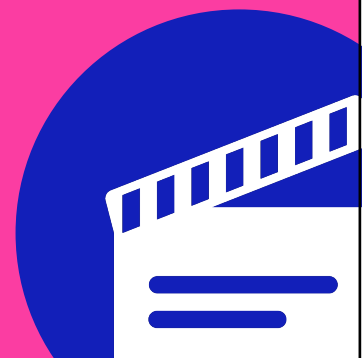
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Action

“So if you are a company wanting to understand how to get ready for investment, then we offer a free call to signpost you to the support you need.”



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Contact Details

If they are still listening now,

- The right person will remember you if you have pitched well
- Signpost them (stand/location)
- Look distinctive
- Be the person they want to speak to!

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Contact Details

“My name is Ian Tracey.

Please talk to me if you are interested.”

“My name is Ian Tracey
and you can find me on LinkedIn.”



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Grab Attention

Last year over 2B was invested into early stage companies

Filter

Anchored In helps technology companies get their first investment: one of our recent cohorts raised over 100 Million Euros.

Credibility

We are the prime investment trainer for the UK Innovation agency, Innovate UK

Action

So if you are a company wanting to understand how to get ready for investment, then we offer a free call to signpost you to the support you need.

Contact

My name is Ian Tracey and you can find me on LinkedIn.

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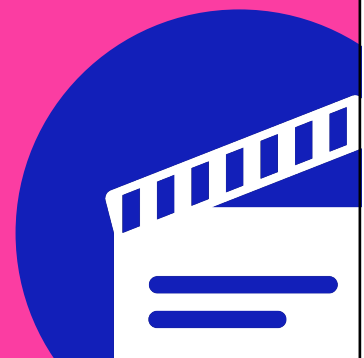
Notice

We did not say:

I only have 30 seconds so I need to be quick

Err & Ummh


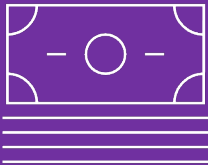


Waffle



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Sources of (External) Funding
Useful to know

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-  Grants
-  Debt Finance
-  Sales
-  Investment

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Remember Sales!

- Not to be under-estimated as a source of business finance
- Self funding through customer sales
- Re-invest profits into further product/service development
- Keeps you in complete control
- Can take time to achieve

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Banks do not like us

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Fees Enhance Margin Income But Limited Room for Failure	
Loan per customer	1,000,000
Number of customers	100 x
<i>Total portfolio value</i>	<i>100,000,000</i>
Arrangement fee @ 2%	2,000,000
Annual margin income @ 5%	+ 5,000,000
<i>Total lending income</i>	<i>7,000,000</i>
Net income, assuming 50% cost/income ratio	3,500,000
If 3.5 out of the 100 loans turn into bad debts: NO PROFIT	

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Portfolio Investment

How does an investor manage risk

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In theory...

Invest evenly and get an even return on investment (ROI) providing interest on your money of 25%

The diagram illustrates a theoretical investment scenario. On the left, the text 'Anchored In' is written vertically. Ten identical icons represent investments, each consisting of a building icon with a downward arrow pointing to a circle containing '+25%'. The text 'In theory...' is centered at the top, followed by the text 'Invest evenly and get an even return on investment (ROI) providing interest on your money of 25%'. The website 'www.anchoredin.uk' is at the bottom right.

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In reality:

The diagram illustrates investment outcomes in reality. On the left, the text 'Anchored In' is written vertically. The outcomes are categorized as follows: '5 fail' (indicated by a red line above five red circles with 'X' marks), '2 break even' (indicated by a yellow line above two yellow circles), '2 return 2-3x' (indicated by a green line above two green circles with checkmarks), and one unknown outcome (indicated by a yellow circle with a question mark). The website 'www.anchoredin.uk' is at the bottom right.

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In a portfolio of 10 companies:
To get an average of 25% interest...
1 needs to return
+300%

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In reality:

5 fail

2 break even

2 return 2-3x

+300%

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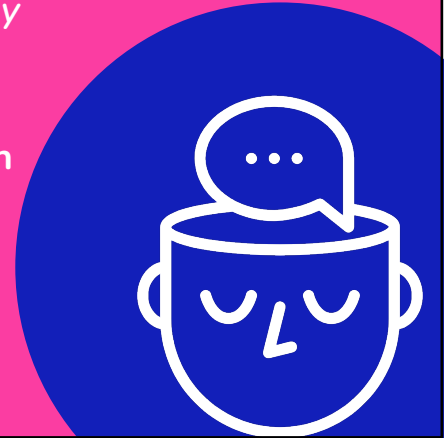
Remember...

No one has gone home to their loved ones and said:

“Great day at work today, I found one of my 5 companies I need to fail”

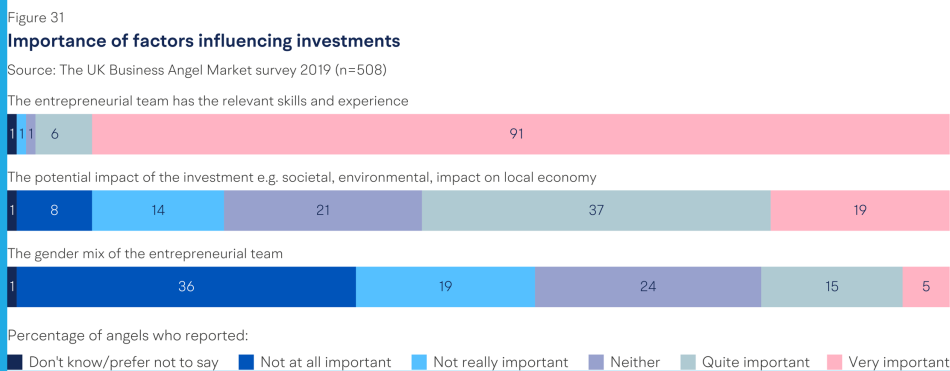
They all look for the upside, and cope with the downside.

So profit is more important than S/EIS protection



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Factors that drive investment choice



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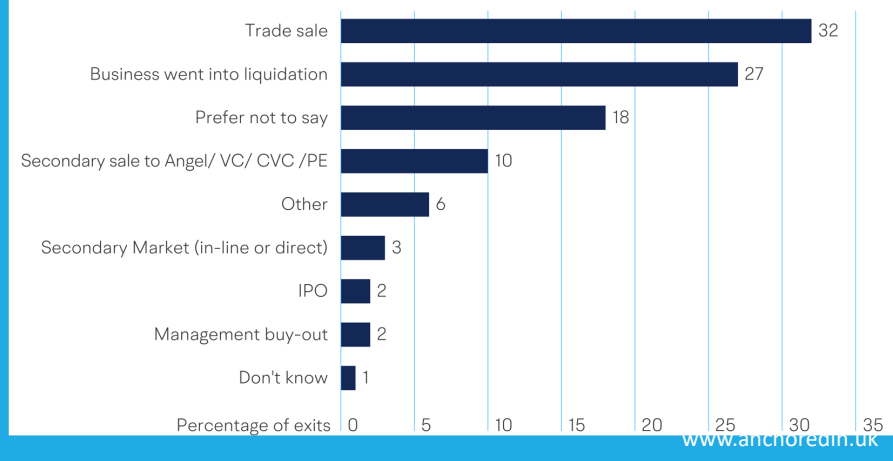
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Typical Exit routes



Figure 27
Investment exit routes, 2018/19
The UK Business Angel Market survey 2019 (n=300)



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The Average (US) funded deck



Nailing your investor communication strategy



18.35

Avg. deck length in pages



30

Avg. meetings set



58

Avg. investors contacted



3:40

Avg. read time in minutes




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The Average (US) funded deck

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From first meeting to money in the bank

 59% complete their fundraise in 12 weeks .	 15.5 weeks Avg. fundraising time	 32% take 19+ weeks to complete their fundraise
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The Long Pitch

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What would you buy?

If you had a spare £1m..



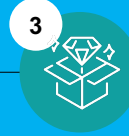

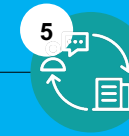

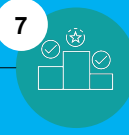




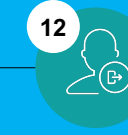
This is fun money, a pure treat **just for you**



Photo by Miro Alt from Pexels

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The essential investment pitch slides

-  1 Title slide
-  2 Elevator Pitch
-  3 Product + Value Proposition
-  4 Business / Revenue Model
-  5 Traction
-  6 The Market
-  7 Competition
-  8 People
-  9 Finances
-  10 The Ask
-  11 The Exit
-  12 Closing Slide

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How many slides do you use ?

- If 7 mins or more – all of them
- Otherwise, focus on your best ones, the heavy hitting slides are:
- People, traction, finances

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Title Slide

Think.....this slide will be read while you are waiting for the room to settle...



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Elevator Pitch

Grab attention from the room

Give them clear direction on what you are about to tell them



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Your Product

What you do – The service or Widget

How your product solves customer problems

Why customers would buy this product



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Business & Revenue Model

How do you make money from your customer base.



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Traction & Validation

Investors want to know customers are buying your product




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The Market

Your specific and addressable market

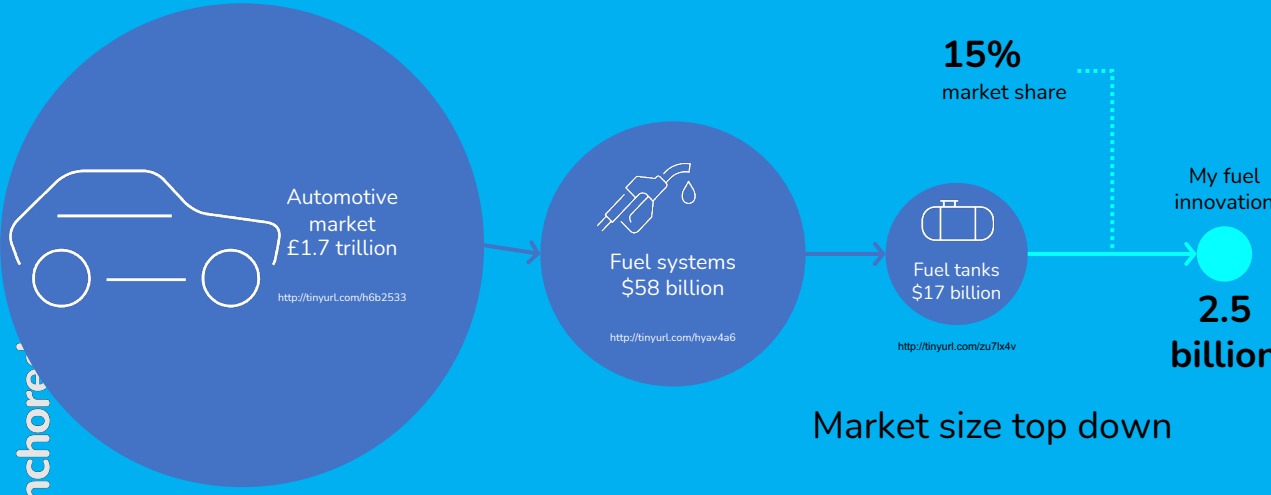
How you will reach your customer?

Trends



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6. The Market



Automotive market
£1.7 trillion
<http://tinyurl.com/h6b2533>

Fuel systems
\$58 billion
<http://tinyurl.com/hyav4a6>

Fuel tanks
\$17 billion
<http://tinyurl.com/zu7k4v>

15% market share

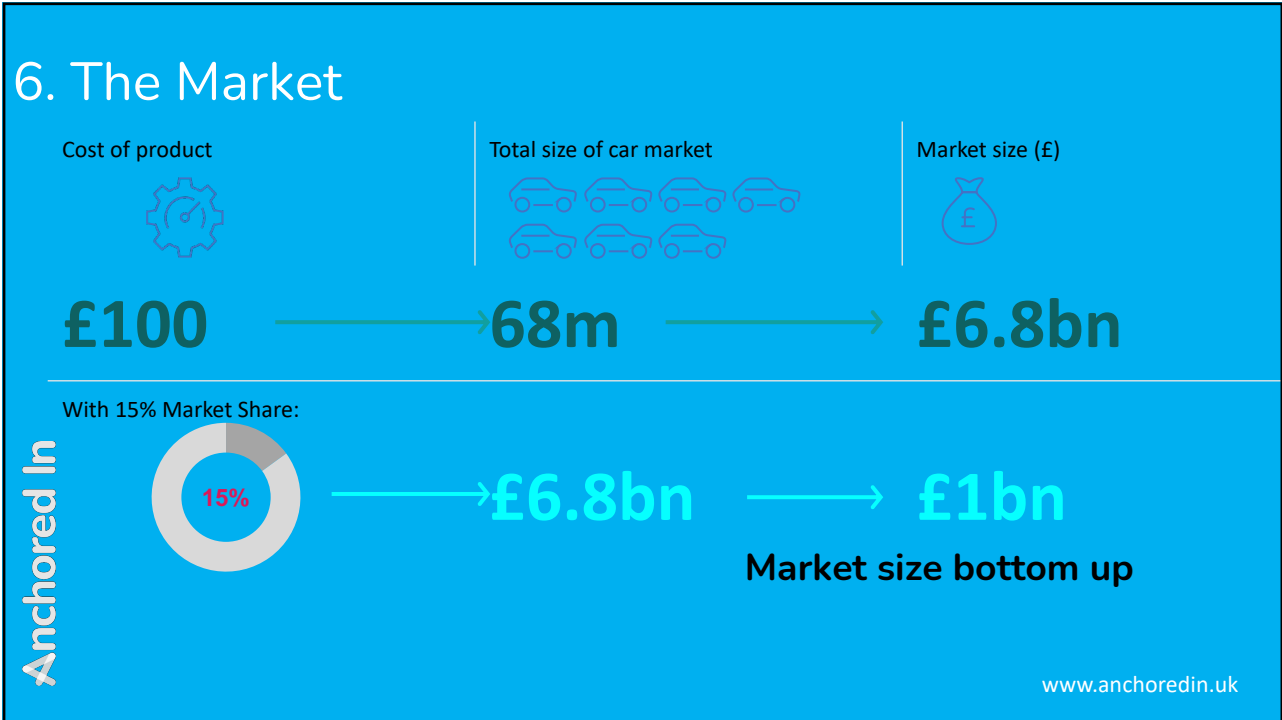
My fuel innovation
2.5 billion

Market size top down

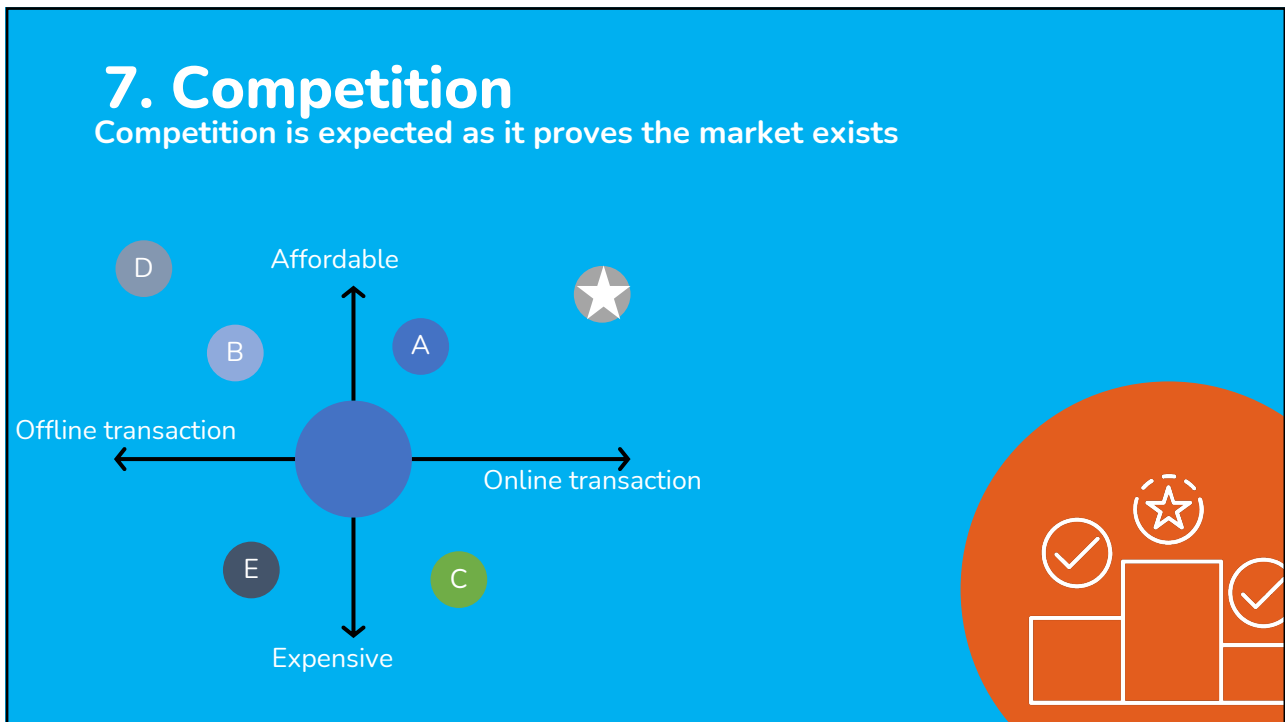
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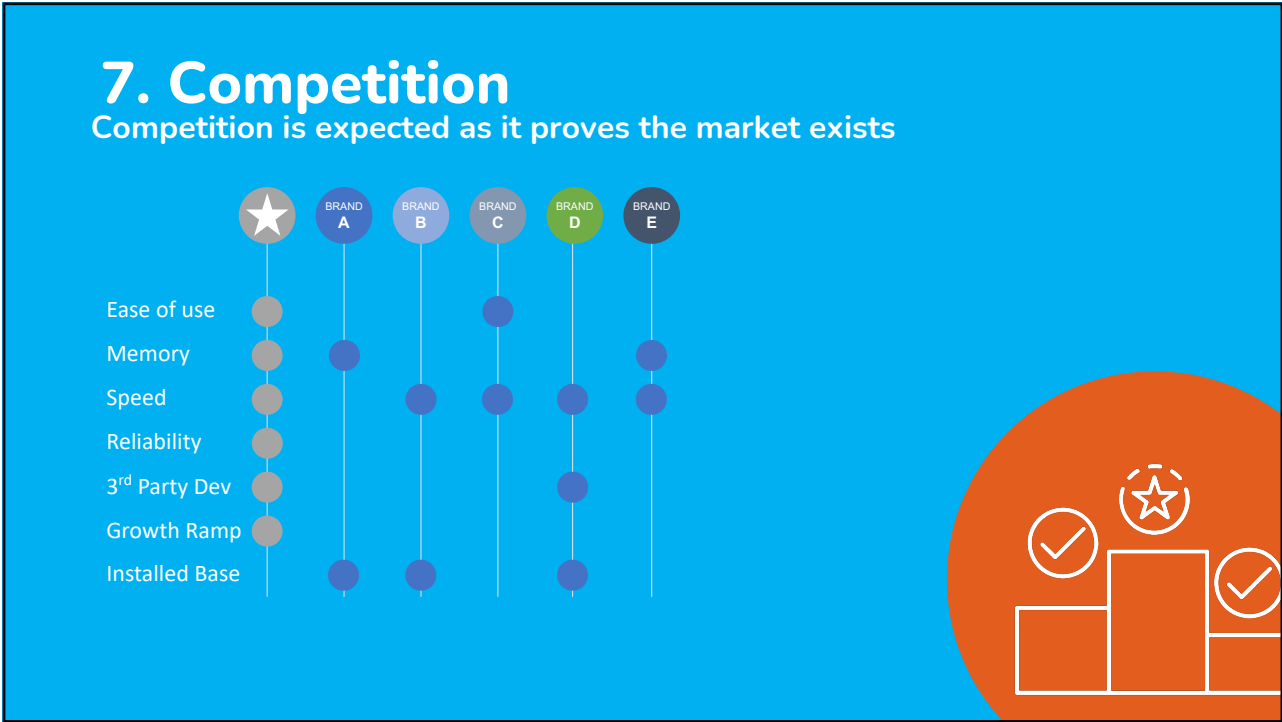
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8. The People

The 'A Class' Team

Identify gaps

- Non-executive Directors
- Advisors
- Partnerships



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9. Finances

Summary forecast 3-5 years

Financial Model / Projections

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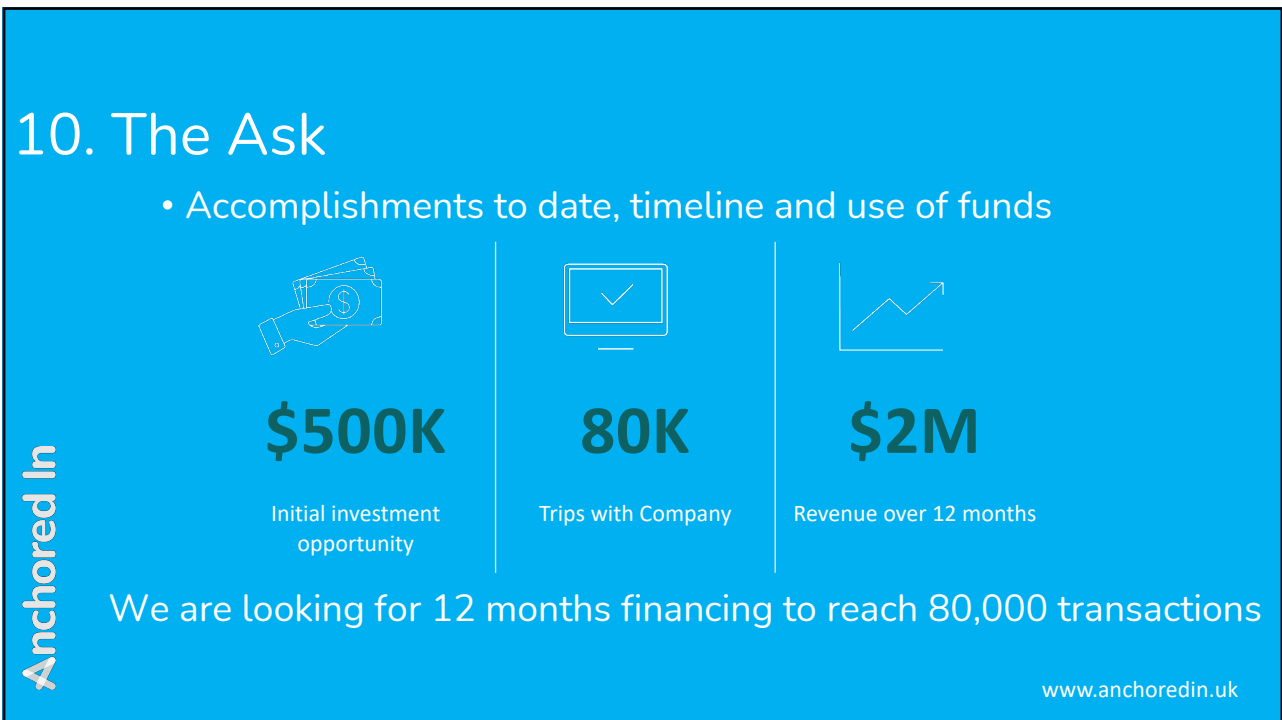
	Year 1	Year 2	Year 3	Year 4
# of Paid Subscriptions	5k	10k	15k	20k
# of Accounts	25k	50k	100k	300k
Sales of Paid Subscriptions	£1k	£10k	£60k	£100k
Payments Processing	0	0	£400k	£800k

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11. Exit Strategy

Do you need one?



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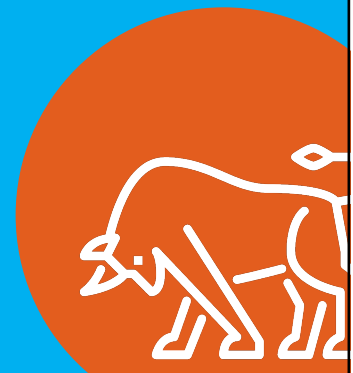
11. Exit Strategy

How will investors make their money?

Initial Public Offering (IPO)

Trade Sale


Revenue distribution



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Closing Slide
Thanks & Questions

Contact details.



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If you have zero questions ...
... then it is time to worry

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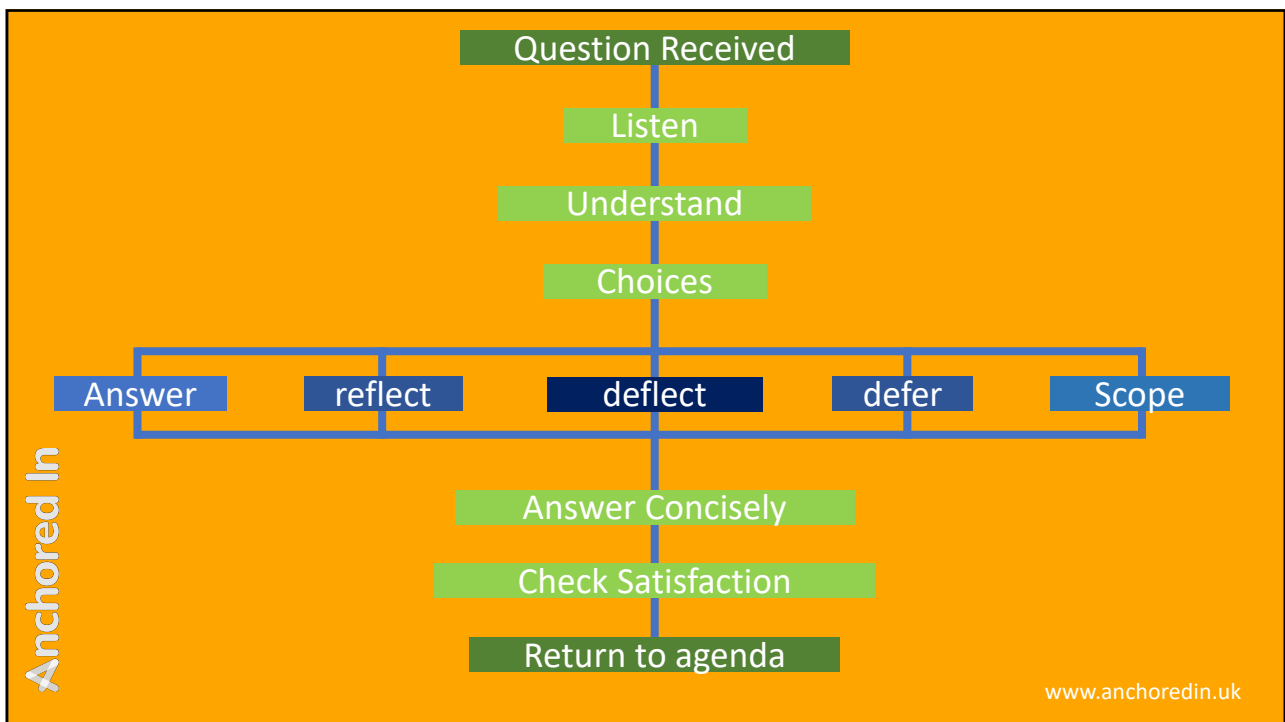
How to buy time ... so that you can think

- Repeat the question back to them – check you are correct
- Take a sip of water.
- At the end of a difficult question, ask the room what they feel.

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Stopping Someone Taking too Much Time

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- Remain calm, depersonalize the attack, avoid being defensive
- Treat them the same as any other question, honestly and as professionally as you can
- repeatedly rejected / looking for more of an argument
 - close the exchange down
- **You have some options...**

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Stopping Someone Taking too Much Time

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- **You have some options:**
 - You can acknowledge their concern and suggest that the two of you meet separately after the presentation to discuss the matter in greater detail
 - If the questioner persists you can calmly assert:
 - ❖ *'I'm afraid I need to move on now ...'*
 - You may need to repeat this two or three times.

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In Short...

That distinction is achieved through conscious focus and effort to:

- Listen very carefully to the question
- Lose the 'head stuff': not making it all about you
- Pause and breathe
- Repeat the question if necessary and appropriate
- Understand the motivation behind the question
- Respect the questioner and the audience
- Anticipate difficult questions whilst crafting the presentation
- Stay calm, focused and on message
- Close the questions down politely and move on

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Q&A: Stay in Control

Make sure you have understood the question, paraphrase if necessary and engage:

“did I understand that correctly?” “is that what you wanted clarified?” “did I answer your question?”

Make sure discussion stays on track:

“let’s discuss this later”; “come and find me later”; “let’s exchange contact details”;

If you do not know the answer, say so and follow up:

“I don’t know but I will find out and let you know”

Do not be defensive: some investors will push you to see how you handle pressure

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What to Expect in Due Diligence

The easy stuff

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- 
R&D
- 
Product
- 
People
- 
Competition

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What to Expect in Due Diligence

A bit harder

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- 
Customers (traction)
- 
Financial information
- 
Marketing, Sales & Distribution
- 
Legal & related

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R&D

- Strategy
- What are your major (priority) activities?
- Any critical technology required (where/who from)
- New product Pipeline
- Who is doing the work (sub-contracted?)
- Costs?
- What are the main risks?

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Product

- Customers and the applications (value proposition)
- What is your projected market share?
- How quickly does technology change in this sector/segment?
- What new products will you need and by when?
- Costs?

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People

- Organisation chart – how you intend to fill gaps
- Credibility of the team and advisors?
- How will your headcount need to grow?
- Employment contracts - secondments etc.
- Share and incentive stock plans

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Competition

- Landscape
- How does it break down by segment
- USP
- SWOT
- Value proposition – segment and vertical

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Customers (traction)

- Demonstrate that you understand their needs and issues
- Who are they (and how do you reach them)?
- What strategic relationships do you have (channel partners?)
- Projected revenue by customer type
- Examples of customers
 - Beta testing and/or
 - Strategy to reach them if early stage

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Financial

"I have never met a successful entrepreneur who did not understand the finances and if they don't why should I give them my money!"

- Projections for 3-5 years; first 12-18 month in detail
- Know your monthly burn rate!
- Questions on financial reports if available
- Explain any CapEx
- Capital (share) structure
- Demonstrate that you understand:
 - SEIS/EIS; R&D Tax credits
 - Basic financial obligations

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Marketing, Sales & Distribution

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- Strategy
- Positioning of company and products
- Opportunities to start promoting products
- Customers and their sales cycles
- Pipeline – measured against business plan
- Scalability - internationalisation
- Cost to acquire a customer, profit
- Have you budgeted enough?

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Legal

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- Contracts
- IP & IPR
- HR compliance to legislation, including H&S
- Compliance to industry regulations or standards
- Insurance
- Lawsuits against or made by company
- Legislation: new regulations and what impact on business (growth)

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Valuation

& factors that drive it

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- Revenue model is key:
 - Monthly revenues good
 - Lumpy project-driven sales more challenging
- More hybrid hardware/software models in emerging industries, e.g. robotics and sensor-driven big data:
 - Strong margins
 - Sticky customers and recurring revenues
- Capital intensity, R&D spend to maintain edge: huge factors
- IP/technology providing a defensible position

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Legal Process

No fixed rule but some common themes

Initial stages (2-4 weeks):

- Business plan review/financial model review – critical to understand assumptions
- Initial meeting or two
- Indicative offer

Exclusivity (8-12 weeks)

- Back and forth on the initial offer
- Then once agreed into exclusivity (typically 8 weeks but almost always extended)

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Legal Process

Due diligence (4-6 weeks during exclusivity and runs simultaneously)

- Financial: limited information at early stage
 - But extensive modelling for sensitivity analysis
 - Pricing and margin sensitivities, run rates and overheads
- Legal company records, leases, customer contracts/SLAs, KYC,
 - IP (plenty of deals fall because of poor IP protection)
 - Directors backgrounds
- Specialists brought in to assess technology:
 - Architecture, functionality, comparison vs competitors
- Commercial market size and scope, competitor analysis, benchmarking

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Legal Process

Legal drafting (2 - 4 weeks, back end of Due Diligence process)

- Sales and Purchase Agreement (SPA)
 - Sometimes a NewCo sometimes straight investment into the existing entity
 - SPA outlines transaction terms price, mechanisms, warranties and indemnities and covenants
- Investment/Shareholders agreement (IA)
 - Public document similar to SPA but with less detail
 - SPA gives investors an additional layer of protection which often trumps the IA
- Share structure, class rights, fees, non-compete
- Articles – how the company is run
 - Terms of corporate governance: board structure, Remco, committees, consents and controls
- Ancillaries – board minutes/resolutions, service agreements, customer change in ownership consents if necessary – lots of admin!

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Doing the right thing
and making it look easy

Not the easy thing
and making it look right

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