

# Bringing In The \$\$ What Investors Want

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## The High Level...

# 5 Steps to Win Our Hearts

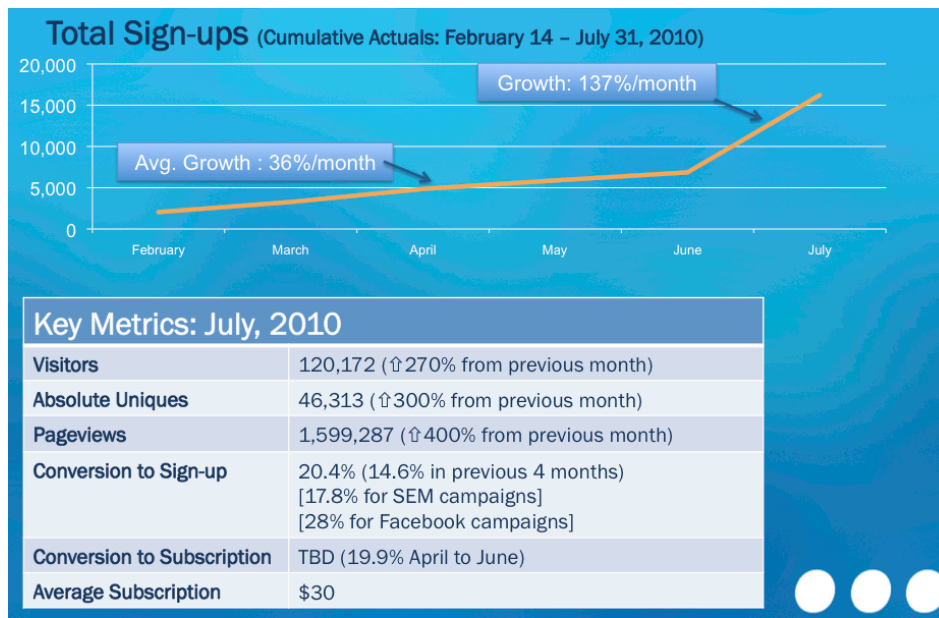
- A great pitch is the key to an investor's wallet
  - You'll never get one without the other
- Every pitch is different but there are a handful of things effective pitches do:
  - Sell the vision
  - Outline the market opportunity
  - Show metrics
  - Outline financing goals
  - Address the challenges

- The most important thing to do when pitching an investor is to sell the vision for the company being built
  - Share your excitement and conviction
  - Get us excited about what you are doing
- Do this by
  - Telling a story
    - The best presentations tell a coherent story that engage the audience and venture pitches are no different
  - Selling yourself
    - Why are you the right team to tackle this particular business problem
  - Leave us wanting more
    - No VC investor is going to write a check after 1 meeting
    - The goal of your pitch should be to get the investor wanting to spend more time with you to “turn over another card”

# Outline The Market Opportunity

- Behind team, the market is the second most critical aspect a VC will evaluate
  - Venture investors look for large opportunities
    - Market sizes in excess of \$500M
    - Business revenue potentials of \$100M+
  - We do this because we need to see a way to make 5-10x our money on any given investment
    - For each \$1M we invest, we want to see a path to get \$5-10M out
- The presentation should clearly articulate the size of the market being addressed and how you will capture that opportunity to build a big business

- No matter the focus of your business, demonstrating traction goes a long way with venture investors
  - There are thousands of risks to any startups and VCs like to eliminate as many as possible before investing
  - Data is a great way to demonstrate risk reduction
  - Be sure to tie the metrics to the business (ie, why they are important)
- A good example from a recently funded consumer internet business:



- Be explicit on how much money is being raised and why
  - Clearly describe what significant business milestones will be hit during the requested financing round
    - There should be logic behind the amount of money you are asking for
    - Fund towards value creating milestones
  - Describe how much more capital will be needed over time and how that additional capital will be used
- Many early stage VCs like to participate in \$2-6M series-A financings and put a total of \$12-14M into investments over time
  - If your business requires significantly more capital, think about raising money from more than one VC or targeting larger investors

# Address the Challenges

- Every business faces challenges; be upfront in addressing yours
  - Talk about
    - The risks and how you will address them
    - The competition and why you will outperform them
  - You're not fooling anyone by not including it in the presentation
- The worst thing you can do is pretend no challenges exist
  - It means that either you don't know you will face challenges or you are foolish enough to think you won't hit any
  - Significantly reduces credibility in the investor's mind



# Creating The Pitch Deck

- Start with the team
  - Highlight key management and relevant background
- Then hit the problem you're addressing
  - Write it for a 5<sup>th</sup> grader – pretend like your audience knows nothing about the problem you are hitting
- Talk to the market opportunity
  - Make the case for how solving the problem can make you a lot of money
- Speak to your solution
  - How will your business attack the problem to capture the market opportunity
- Talk product
  - Tell the audience where you are, what you've built
  - Hit relevant business metrics and describe why the metrics you are seeing mitigate risks
  - Talk about the competitive landscape
- Financials
  - Show the financial plan (3 years out), the amount of money you are raising and where that money gets you to

- Do...
  - Get an overview from the firm
    - Get to know how they operate, what they focus on and how they like to invest
  - Be comfortable saying “I don’t know”
    - Honesty is the best policy and if you make stuff up that is incorrect, you lose credibility
  - Cite sources where you can
    - If you’re sizing the market, tell us where the numbers you’re getting come from or how you generated them
  - Be open to feedback and dialogue
    - This should be an interactive session, not a lecture
    - We’ll want to pressure test your assumptions and see how you work through issues

- Don't...
  - Include an exit slide
    - Venture investors are in it to build large companies; explaining that your strategy is to build something for 2 years and then sell it to Google makes us worry you're not aligned with us
  - Manage time poorly
    - You probably have an hour with an investor; if you bullshit about the Yankees for 20 minutes and then spend 20 minutes telling me your life story, we'll only have 20 minutes to actually discuss the business
  - Allow participants to check email in the meeting
    - Your co-founder shouldn't be browsing the internet; we're not
  - Read every word of your presentation
    - This isn't a screen test – hit the highlights of each slide, not each word
    - Be flexible and go where the conversation takes you
  - Make your presentation too abstract to understand without you in the room
    - Materials will likely be shared internally with the VC team and if they can't follow without your voiceover it doesn't do much good

# Examples

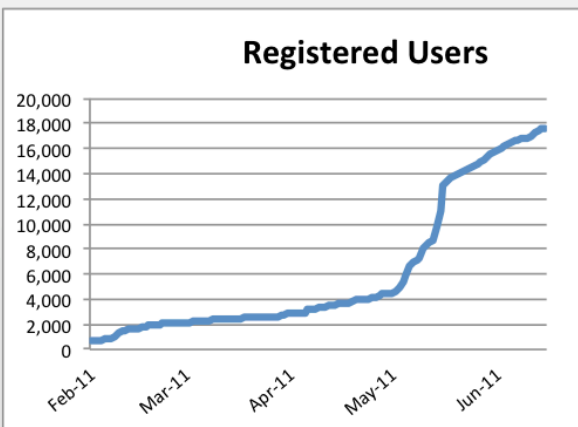
- This slide is great and the metrics look strong but it could be made better
  - Any ideas how?

## Users

17,500+ users

7,500+ waiting for invite

18% weekly user growth

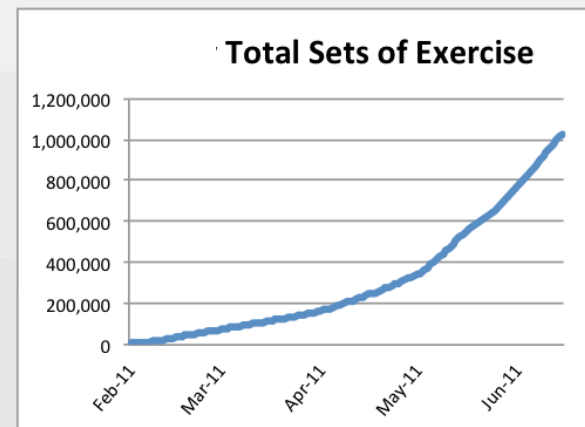


## Activity

0:07:04 avg time on site

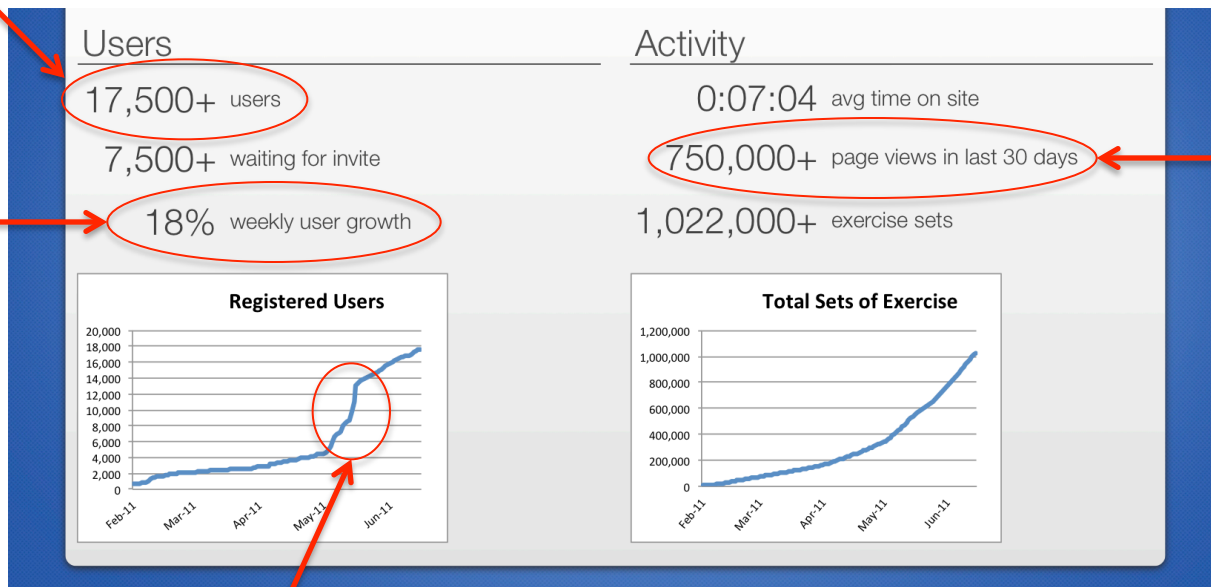
750,000+ page views in last 30 days

1,022,000+ exercise sets



How are "users" defined?  
 How many are "active"?  
 How do you define "active"?

What is driving this growth?  
 Is it scalable?  
 SEM? SEO? Etc?



Is this metric relevant?

Something awesome happened here. What?  
 Can it be repeated?

- What do you guys think of this competitive slide?



- Besides being in the top right, why are you better / different?



- The revenue slide is good but...

Revenue Source	Description
Corporate Wellness Program	White label corporate wellness program designed to reduce healthcare costs
Brand Partnerships	Integrate brand content such as custom badges, quests, health product deals, etc, into user experience
In-App Purchases	Charge users to access certain content such as workout plans (i.e. "quests"), advanced workout analytics/insights, videos, custom themes, etc

- Do you have any data around the revenue sources?
  - Have you run any tests? Do you have any proof you'll be able to monetize in this manner?
- Does anyone have ideas on how to test this?