



## General Business Plan

### Presentation Guidelines

- Find out how much time you have for your pitch, and adjust the level of detail accordingly.
- This is only a guideline, not an outline. Select what's appropriate.
- Summarize only the most important points. (Leave the details for the formal Business Plan.)
- Investors are looking for clear, compelling and credible information.

### Business Positioning

Slide one should position the company to create a framework for listening.

- Company name
- One-sentence "what we do" statement:  
*ABC Company cuts costs for professional photographers through online proofing and transaction processing.*

### Market Opportunity

- Describe the need and the size of the market
- Describe what creates the demand for your solution
- Define the characteristics of the customers that need a solution
- Quantify the opportunity... number of prospects that have the need (if appropriate, define market segments and size each of them)
- Explain how the market is growing and why

#### **Be prepared to answer the following questions from investors:**

*What specific problem or need do customers have?*

*Why is the problem important?*

*For whom? That is, who, specifically is the customer?*

*How do we know the market exists? What independent evidence can you cite, such as independent market research?*

*How large is the specific (narrowly defined) market for our product?*

*What growth is expected in this market?*

*Are the market size estimates realistic?*

*For industrial products...*

*What 2-3 industries comprise the most important prospects*

*What are the job titles of the buyers (decision-makers) in these prospects?*

*For consumer products...*

*What are the demographics of the 2-3 most important customer segments in Year-1? Year-3?*

### Targeted Market Segment

Identify the most important 2 - 3 segments of the market you are addressing. For each segment:

- Estimated market size (customers & potential sales)
- What distinguishes the key segments from the broad market and from each other



- How much customers need or want the solution - the value-proposition

***Be prepared to answer the following:***

*What, specifically, are the company's products?*

*What do the products do?*

*Why would the customer buy these products?*

*What makes the products unique or special?*

*How are they better than other products or alternative solutions?*

*How much better are they than other solutions?*

*Can we demonstrate that they are cost effective?*

*What, if any, proprietary technologies are used to make them?*

*Are there patents? If so, what, specifically, do they protect?*

*Why will they be of value to the company?*

*What special issues relate to manufacturing the product(s)?*

*Any special materials or processes?*

*What special equipment or facilities are required?*

*What investment is required to set up manufacturing? For what capacity?*

*How do you know you can manufacture the product at a cost that will yield acceptable gross margins?*

**Competitive Positioning**

Address barriers to adoption:

- Inertia - What will it take to get customers to change what they are using/doing today?
- Big Dogs - What are the well-known companies with established relationships with your target customers doing?
- How will they react to your initiatives?
- Innovators - What companies might leapfrog your solution with equal or better technology? Explain how you propose to win against the best of these. In particular, describe your strongest Barriers to Competition

***Be prepared to answer the following:***

*How else can the customer solve the problem our products solve?*

*What are the alternatives?*

*How do we compare to each?*

*Why are we better?*

*In what ways are we worse?*

*Who are the vendors of these other solutions?*

*How do they compete with each other?*

*Where will we fit into the industry?*

*Why will we be able to compete effectively against them for the next ten years?*

*Why are we confident no new entrant will come along with a better solution?*

*Why do we think we can dominate our market niche?*

**Product Development**

Explain the development status... how much work remains before it achieves full functionality?

- Product development on a time-line
- Identify major development risks or challenges
- Provide estimated levels of effort and/or costs for each product
- Summarize product fit with market needs

***Be prepared to answer the following:***

*What needs to be done to finish your first product(s)?*

*What does your product road map look like? What's your next act?*

*How much of the development process does your company perform?*

*How much do you rely on outside contractors?*

*How much do you license from others?*

*What expertise do you have at developing this kind of product?*

*What development challenges are most important or difficult to overcome?*

*How do you intend to do so?*

**Marketing and Sales**

Briefly explain the expected selling cycle: how you propose to reach your targeted customers

- Marketing - To raise customers' awareness of your product and stimulate their interest in buying
- Sales - To give buying decision-makers a convenient way to find out the details and place an order
- Support - To help customers understand your product before buying, during installation and in use

If you rely on indirect channels, explain:

- Your approach to reaching them
- Whose responsibility it is to raise awareness and generate demand among end-customers
- Who provides pre- and post-sales support
- Describe special sales incentive programs (if any)

***Be prepared to answer the following:***

*What channels of distribution will you use to deliver your products ?*

*How will these channels be established? By whom? When?*

*What expertise does your company have to execute the marketing / sales program?*

*How are you going to stand out among all the established competitors?*

*How can you boil down the advantages of your sophisticated technology so prospects will understand it, quickly and easily?*

**Executive & Management Team**

Focus on the management team, in particular:

- CEO - Prior entrepreneurial experience in similar businesses
- CTO - Proven know-how in your core technologies
- CMO - Proven knowledge of the target markets; strong relationships with channel partners and/or key industrial customers
- CFO - Prior IPO or acquisition experience
- Identify who is full-time and who is part-time or on the sidelines waiting funding.
- Identify BOD and BOA members, highlighting any strategic members' value-added.

***Be prepared to answer the following:***

*What is your background and previous experience?*

*Where did the idea for the company come from?*

*How did you get involved with the company?*

*Who is presently involved in managing the company?*



What are their credentials?

Why will they be able to build a successful company?

If not all management spots are filled, what is the plan for filling them?

What kind of people are we seeking? To fill what roles?

If you do not expect to be the CEO that builds the business to \$10 or 20 million, what kind of person would you bring in?

When?

Who is on your board of directors?

How does the board function?

## **Business Strategy**

- Brief history of the company.
- Recap what business you are in and your goal.
- Identify the several most important steps you need to take to achieve positive cash flow.
- Identify remaining steps to achieve IPO or acquisition readiness.
- Chart the key steps and milestones.

### ***Be prepared to answer the following:***

*When did the company begin operations?*

*What exactly does the company do?*

*What is your long-term vision for the company?*

*How has it been funded to date?*

*Where does it stand today?*

*What are the important strategies for building the business?*

*What kind of business will it be? (manufacturing, service, distribution, software, combination?)*

*What is the business model? (i.e. what will produce the company's revenue?)*

*What kind of gross margins will the company have?*

*What expense levels are required to run the business?*

*What level of operating profit can the business generate?*

*Do you have any corporate partnerships in place?*

*Do you plan to put any in place?*

*What are the significant risks your business faces?*

## **Projected Financials**

Be prepared to explain "dramatic" numbers, such as:

- "Hockey stick" growth
  - Unprecedented margins
  - Long periods of negative cashflow
- ("goodness" is positive cashflow in 6 to 12 months)



Last Year	This Year	Year 1	Year 2	Year 3
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- New Customers**
- Units Shipped**
- Revenues**
- Gross Margin %**
- Gross Profit**
- Overhead**
- EBITDA**
- Cashflow**
- Cummulative Cashflow**

**Be prepared to answer the following:**

- What kind of revenues can the business produce, on an annual basis, over the next five years? Profits?*
- What investment is required to carry the company to the next major level of valuation?*
- When do you expect the next rounds to take place?*
- What specific tasks need to be accomplished to do that?*
- How long will it take? (Try to identify a "next level" that can be achieved in less than 18 months.)*
- What investment will be required beyond that?*
- To the extent possible, explain key assumptions behind your forecast. And make sure the forecast relates in a logical way to the market forecasts you described previously.*
- How will the investor get his money back? Through an IPO? Acquisition? When?*

**Requested Funding / Use of Funds**

Identify the major uses of funds for each round. Describe the size and composition of your current "burn-rate." *The Tech Coast Angels' "sweet spot" for investing is a pre-money valuation of \$1.5MM - \$3MM. (Expect tough questioning in proportion to any higher valuation.)*

Round	Pre-Money Valuation	Raise	Post-Money Valuation	Total	Founders	Round 1 Investors	Round 2 Investors	Round 3 Investors	IPO
1	\$ 1,191,892	\$ 700,000	\$ 1,891,892	100 %	63%	37%			
	\$ 1,191,892	\$ 700,000							
2	\$ 4,000,000	\$ 2,500,000	\$ 6,500,000	100 %	39%	23%	38%		
	\$ 2,520,000	\$ 1,480,000	\$ 2,500,000						
3	\$ 12,000,000	\$ 7,000,000	\$ 19,000,000	100 %	24%	14%	24%	37%	
	\$ 4,652,308	\$ 2,732,308	\$ 4,615,385					\$ 7,000,000	
IPO	\$ 45,000,000	\$ 15,000,000	\$ 60,000,000	100 %	18%	11%	18%	28%	25%
	\$ 11,018,623	\$ 6,471,255	\$ 10,931,174					\$ 16,578,947	\$ 15,000,000

**Be prepared to answer the following:**

- How much hard-money (cash) has the founders put in?*
- How much cash have Directors and Advisory Board members invested?*
- What equity is available to recruit key executives?*
- How did you arrive at your pre-money valuation for this round?*
- What comparables are you using for your proposed IPO/exit round?*

**Exit Strategy**

If shooting for an IPO...



- Cite recent comparable offerings, their offering valuation and their current market cap.
- Explain why you believe the opportunity will remain when your company is "ready."

If you anticipate being acquired...

- Identify the two or three most likely buyers
- Explain why they would be interested
- If possible, describe recent acquisitions of comparable companies and the deal value
- Describe any relationships you already have with potential acquirers, investment banks or VCs that might facilitate your liquidity plans
- Summarize why you think there is an opportunity to build a new, successful company.

***Be prepared to answer the following:***

*Why is this an exciting opportunity?*

*Why is it an exciting investment opportunity?*

*What kind of value might the company have in the future?*

***If you aren't sure how to value the company in the future, use 1 x annual sales in Year-2 and 15 or 20 x net profits in Year-3 as reasonable estimates. Describe any other factors that make this an exciting opportunity.***

## **"Embedded Value"**

The combination of Value-Added and Customer Need = Embedded Value:

- The more you contribute to the whole solution, the more potential your company has to become embedded in your customers' business
- The more valuable your solution is to your customers, the more likely they are to continue to use you (or seek to acquire you). Examples include Microsoft (with Windows built-in, they are embedded in PC products); Amazon (becoming a "one-stop" shop for e-customers); and Yahoo (easily-substituted).

***Be prepared to answer the following:***

How important is your product, really, to the customer? Is your product just a tool that could be replaced with another tool without affecting the customers' suppliers or customers? Will your product become embedded in what your customers sell? How easy would life be for your customers if they were to uninstall your product?