



## ***Seeking Funding? How to Approach Potential Investors***

**Timing:** Target your meeting length for 60 to 90 minutes, with 30 to 40 minutes used for your presentation and the remainder of the time used for questions. Make sure your presentation is well organized, clear, concise, and to the point. The more professional you are, the better your ideas will be received.

**Subject:** First, discuss the market you intend to serve and the product(s) you intend to introduce into that marketplace. Describe what is driving the growth in your market (what problem are you trying to solve) and the value proposition of your product (i.e. why customers would choose your product over the competition). Get a testimonial about your technology from an industry expert. Discuss how far along you are in the development of your product and list the customer you have signed up so far or those customers that are sampling your product. Provide market definition and market size numbers “gravitas”; get a well respected market study to support your assumptions.

Second, give the audience an overview of your management team, and the experience they bring to the company. The more experience, the likely-hood for success in executing the Business Plan.

Third, present a Business Plan. How much money you will need to launch your product(s), and how long it will take for your business to be self-sustaining. Some observers say seasoned investors pay little attention to a company's financial numbers during a "pitch"; they prefer to run their own numbers. Still, you need to have this section of your presentation well organized and easy to understand. Prepare for a lot of questions on the assumptions you used to build the Business Plan.

**Feedback:** After the Q&A portion of your presentation is complete, ask for feedback on your presentation. Constantly look for ways to improve yourself.

**Follow-Up:** After your meeting, be prepared to devote energy to following-up. Seasoned Investors have very busy schedules. Show determination, keep in pursuit until you have an answer; Yes, let's have a second meeting, or No, we'll pas

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**Get Investors and Venture Capitalists Interested In Your Company:** The best way to get the attention of investor and venture capital firms is to get a referral from a legal firm, an accounting firm, and/or an entrepreneur you may know that works within the target VC firm. Also, use contacts you have within your management team.

**Interview them. Investors in your company will be your Partner:** When meeting with potential investors; pitch your company story and get them interested in you. At the same time, interview them to get an understanding the business expectations. A quality investor can make invaluable contributions to your company by helping with key hires, putting you in contact with key people in your industry, and introducing you to other investors. Make sure to interview executives at companies that your target firm has invested in. Get insight on how your potential investment firm conducted business



during a tough economy. Did they roll up their sleeves and help out, or did they sit back and take shots at the company's management.

There are a lot of quality venture firms out there. Make sure you find the right one for your company.

When pursuing funding from a venture capital firm or strategic investor it very important you hire excellent legal counsel to assist in the negotiation of the term sheets and the final agreement for your funding. Investors have their lawyers working to get specific terms and conditions in the contracts that will allow them to maximize their return on their investment [ROI]. You need to ensure these term and conditions offer an adequate return for you and your team.

A good **BUSINESS PLAN** possesses five main characteristics:

- 1** A detailed description of the product you want to develop
- 2** An understanding of the marketplace and the competitors within your market segment (i.e. why would customers want to buy your product versus those offered by the competition)
- 3** A description of the technology required to develop the product.
- 4** A detailed analysis of the resources required to develop the product and bring it to market.
- 5** An incorporation of feedback from friends and professionals who have read early drafts of your plan. They will help you understand whether or not you are getting your point across, where your plan is weak, where it is strong, and most importantly, whether or not they understand the value proposition of your product/business.

## Components of the Business Plan:

### 1. Executive Summary {EC}

In your EC, you need to summarize the value proposition of your business in a short, comprehensive narrative. Assume the person receiving a business plan does NOT have time to read the full document.

On average, a typical Venture Capital partner receives 3 to 7 business plans per week; he/she does not have time to read through all reports.



### It is critical to convey 6 characteristics within the EC:

- A description of the product/service you want to offer;
- An overview of the marketplace and competitors in your market place (here you'll need to emphasize what makes you unique. Why potential customers will want to choose your product/service, instead of those from established competitors;
- A description of the technology required to develop your products;
- A background summary of yourself; education, work history and other pertinent facts;
- A summary of the resources needed to develop the product and bring it to market; and
- Incorporate feedback you have received from those who have read earlier drafts of the EC.

## 2. Position your products:

- Describe the market you are serving:
  - What is the growth potential;
- Define the value proposition of your products (how will you compete price/performance/lower cost-of-ownership)
- Anticipate what the competition will do once you introduce your product
- What Intellectual Property will you be developing?
- Cost of Build/Pricing
- Estimate the cost of your product. Is your product economically viable?
- Assess yourself: Do you have a competitive advantage?
- Assess yourself: Never give up.

## 3. Size of the opportunity:

- Identify the potential trends/technologies that could affect development & growth. Disruptive technologies.

## 4. People, Places & Things

- Executive & Management team
- Development to Production
- Sales/Marketing
- Identify 'Critical Success Factors'
- Equipment/Technology
- Capital

## 5. Financial Plan:

- **Revenue Plan.** Show in detail within the Business Plan a carefully thought out revenue forecast. You can do this one of two ways. Be realistic.
  - First, you can estimate the total size of the market you want to target and then estimate the share of this market you want to capture. This is commonly referred to as a "tops-down" forecast.
  - Second, identify the customers you want to target and then estimate the revenue you will generate from each of these customers. This is commonly referred to as a "bottoms-up" forecast.
- **Profit & Loss Statement:**



- Revenues
- Product & Service costs (corresponding Gross Profit)
- Operating Expenses (Research Development and Engineering, Sales and Marketing, and General & Administrative expenses)
- Operating Income
  
- **Balance Sheet**
- **Cash Flow** (Most important financial schedule in your business plan:
  - How much cash is needed?
  - What is the break-even point?

## 6. Plans for raising cash for your business:

- Identify potential sources of funds
- Venture Capital
- Banks
- Angel Investors
- Large companies (“strategic investors”)