

Raising Capital Seminar



March 25, 2019

RAISING CAPITAL SEMINAR

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Telling Your Story Charise Flynn



If the idea and execution are lacking, then <u>no</u> pitch deck will get you investors.





Typical Pitch Deck Slides

| | 500 Startups | SEQUOIA CAPITAL | AIRBNB |
|-------------------------------|-----------------|--------------------|--------|
| SLIDES | 12 | 11 | 12 |
| Problem | Х | Х | Х |
| Solution / Value Proposition | Х | Х | Х |
| Market Validation / Why Now | | Х | Х |
| Product | Х | Х | Х |
| Market Size | Х | Х | Х |
| Business Model | Х | Х | Х |
| Underlying Magic | Х | | |
| Competition | Х | Х | Х |
| Competitive Advantage | Х | | Х |
| Marketing Plan / Go-to Market | Х | | Х |
| Founding Team | Х | Х | Х |
| Board / Advisors | | Х | |
| Traction / Milestones | Х | | |
| Press / User Testimonials | | | Х |
| Fundraising | Х | Х | Х |
| Financial / Use of Funds | | Х | |





What makes a company fundable?

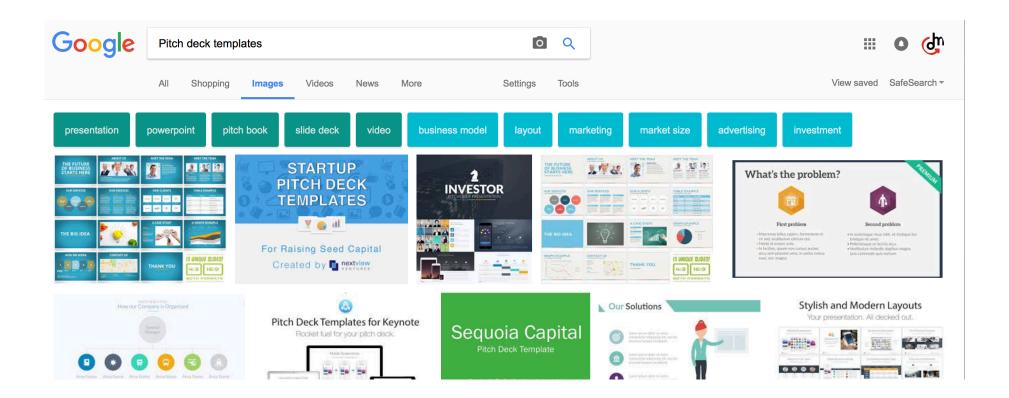
- <u>http://sofiafund.com/angels-tell-the-truth-what-makes-a-new-</u> <u>company-fundable/</u> (see appendix for full article)
- Investors want the entrepreneur to be successful so that he/she can deliver a profitable exit, for all parties (typically within 3 to 7 years after investment)
 - Big Market opportunity often looking for over \$1B
 - Great Team / Vision / Commitment
 - Strong Business Model
 - Competitive Moat / Secret Sauce





Use Google for examples

You can find a ton of examples by Googling "pitch deck templates"







Slide titles

- Short, punchy, and explain exactly each slide
- A compelling deck tells a story through your headings
- Example: "The Right Mix of Passion and Experience"... instead of just "TEAM"

Language

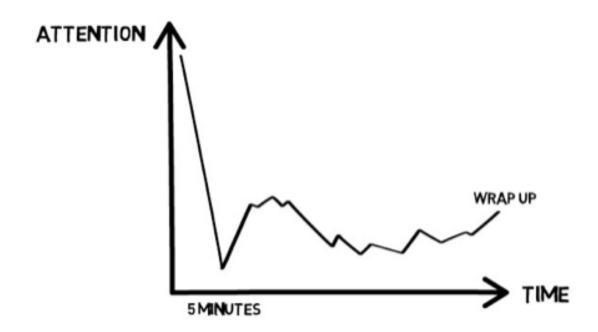
- Avoid obvious phrases that everybody uses (disruptive, innovative, world-class)
- Use your voice ultimately you need to be comfortable delivering the pitch





Avoid the 60-minute mistake

Assumption that if you get an hour meeting, you get an hour of attention. **You don't.**



First 2 minutes are <u>critical</u> to hooking interest for the rest of the meeting.





Cover Slide: Value Proposition

- Positioning statement that explains the who, what, how, why
- Steve Blank's template:
 - We help X to do Y by doing Z.
 - "We help non-technical marketers discover return on investment in social media by turning engagement metrics into revenue metrics.
- Other Examples:
 - "Mint.com is the free, easy way to manage your money online"
 - Unbounce- Build, publish and A/B Test Landing Pages without I.T. (The mobile responsive landing page builder for marketers)
 - Uber- Tap the app, get a ride. Uber is the smartest way to get around. One tap and a car comes directly to you. Your driver knows exactly where to go. And payment is completely cashless.





- What are you solving?
- What customer pain are you alleviating?
- Why does your company exist?
- Avoid looking like you are a solution looking for a problem

If you cannot convince an investor there's <u>something</u> <u>broken</u>, they will not be interested in a solution.







Problem

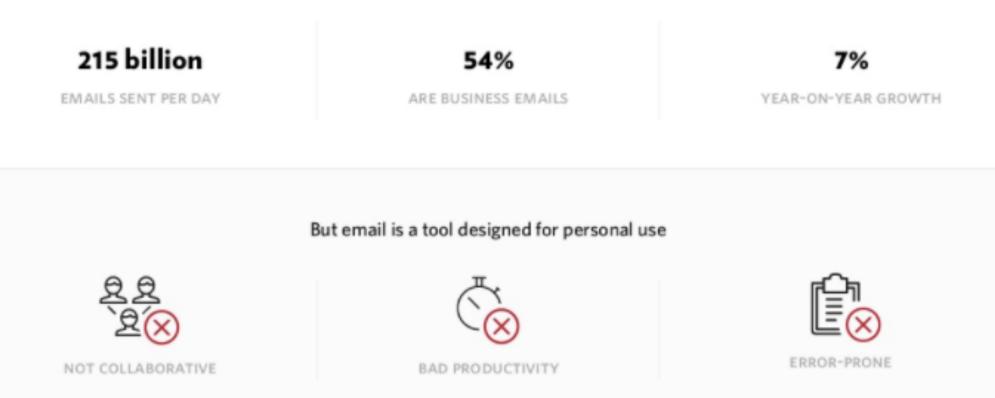
Price is an important concern for customer booking travel online.

Hotels leave you disconnected from the city and its culture.

No easy way exists to book a room with a local or become a host.

THE PROBLEM

Email is the most important business communication channel



- Explain how you alleviate the pain / problem
 - web platform, SaaS, hardware, etc.
- Demonstrate how your company makes the customer's life better

Solution

A web platform where users can rent out their space to host travelers to



Save Money when traveling



Make Money when hosting



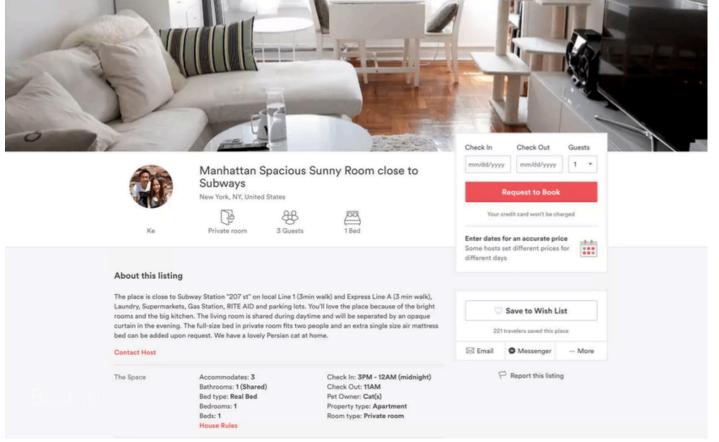
Share Culture local connection to the city





Slide 3: Your Product

- Demonstrate how your product works
- Screenshots, photos and / or a demo are very helpful







Slide 4: Market Size

- Break the market down by:
 - Total available market
 - Serviceable market
 - Share of market you think is realistic to capture

Market Size



Total Available Market source: Travel Industry Assn. of America and World Tourism Organization.



Serviceable Available Market source: comScore 84 Million Trips with w/AirBnB

Share of Market 15% of available market





Slide 5: Business Model

- What do you charge?
 - One time, monthly, annual?
- Average account / customer value?
- What is your revenue potential?

🚫 airbnb

Business Model

we take a 10% commission on each transaction

\$84M

Trips with AirBnB 15% of Available Market



Avg fee \$80/night for 3 nights



Revenue Projected by 2011





Slide 6: Competition

- Who are you competing against?
- What makes you different / better?
- Better to identify all competitors than have investors discover them
- Use Crunchbase and AngelList to find investors (we will discuss later in day)





Slide 6: Competition





Slide 7: Competitive Advantage

- Why do you win?
- Often fall into five categories: Product, Cost, Positioning, Distribution, Execution
- Pick 1 or 2 to areas excel in (often based on founder strengths)







Slide 7: Competitive Advantage

Product

- Ease of use
- Create barriers to switch
- IP

Cost

• Superior price point

Positioning

- Brand
- Clear value proposition

Distribution

 Buying chain disruption (especially online from traditional)

Execution

- First mover
- Uniquely qualified team

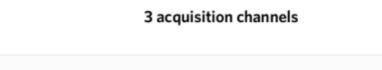




Slide 8: Go to Market / Marketing Plan

- How do you sell your product?
- What channels are you focused on? direct, online, channel, organic, partnerships
- What validation do you have that your plans will work?

ACQUISITION CHANNELS



| ORGANIC GROWTH | SALES | MARKETING |
|--------------------------|----------------------------------|----------------------------|
| 70% of 2015 leads | 40 qualified demos / month / SDR | ✓ Content playbook |
| Customer word-of-mouth | 28% post-demo conversion | ✓ Co-marketing playbook |
| Leader on "shared inbox" | \$36k ARR added / month / AE | ✓ Paid acq. unit economics |

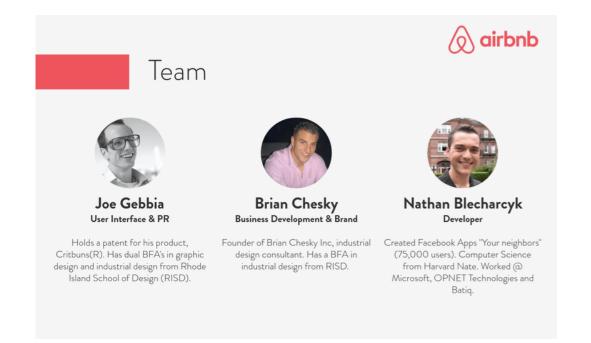
We've identified repeatable strategies to acquire new customers. We will iterate on those and double down on the winners.





Slide 9: Team

- Highlight any special talents or experiences that make the team well suited to building the business
- Key players, board of directors, advisory board
- Don't be afraid of having some holes in your team







Advisory Board

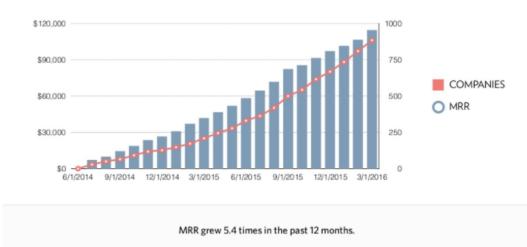
- Not expected, but can be helpful if managed thoughtfully
 - Know what you want from them
 - Manage the time you invest getting them up to speed
 - Map out the role you want them to play
- Don't overplay in your pitch
 - Investors realize the minimum impact they can actually have
 - MAKE SURE THEY KNOW THEY ARE PART OF YOUR PITCH!





Slide 10: Traction

- Highlight accomplishments to date
- Examples could be:
 - Product traction
 - Sales / partner traction
 - Marketing traction
 - User / customer traction

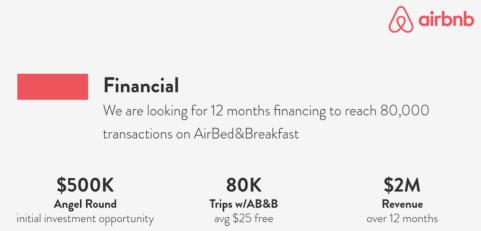


CONSISTENT ORGANIC GROWTH





- How much are you raising?
- What round is it? Angel, Seed, A?
- What will you achieve and in what amount of time?
- A simple timeline can be used to show how you will spend money in relation to achieving specific milestones







"...none of it will matter unless you <u>build shit people care about</u> <u>and use en masse</u> and thus you can attract capital even if you call it a Z-round. But my advice to entrepreneurs--stop sweating the silly optics."

- Mark Suster





How much to raise?

- Raise enough money to achieve a set of milestones that will attract a subsequent round of investment or get you to profitability
- Typically raise for a 15 18 month runway
 - Exception: early on you may raise a smaller amount for a shorter runway simply to demonstrate initial traction, or an initial working product
- Focus on getting done fast and back to work





Valuations often determined by investor ownership %

Because investors typically expect 20 - 25% ownership after the round, your valuation is typically 3 - 4x the amount you are looking to raise.

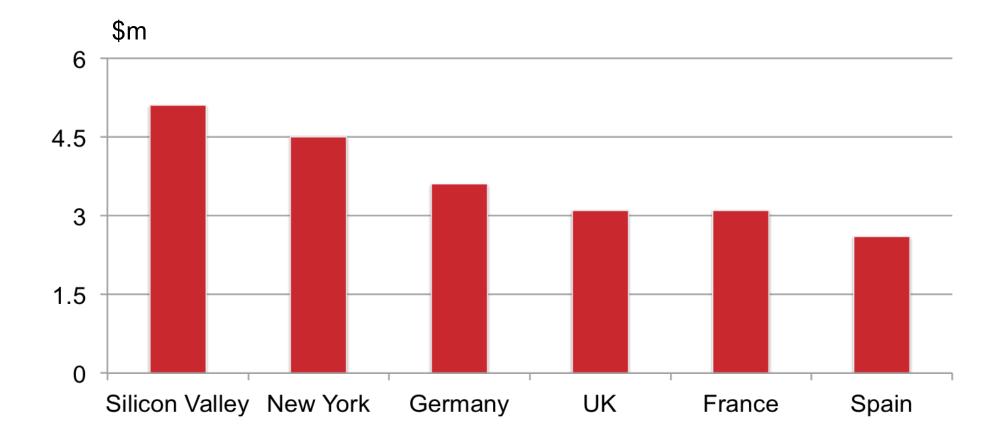
Example:

- \$1M raise
- \$1M = 25% of a \$4M post-money valuation
- Or \$1M = 20% of \$5M post money valuation
- Therefore, the pre-money valuation would be between \$3 \$4M





Seed/Angel Valuations



Iowa: typically sub-\$500K raise on a sub-\$2M valuation

GREATER DES MOINES



review handout on next page

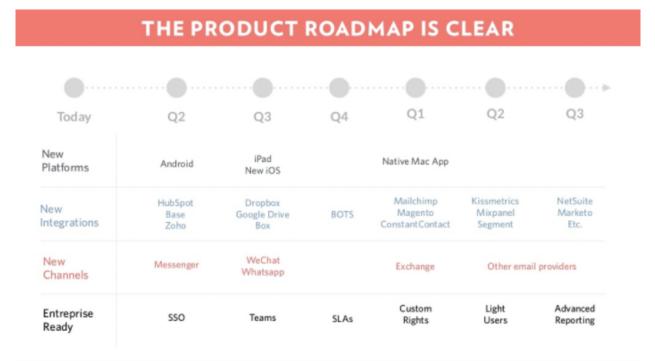




| | "Pre-Seed" | Seed | Series A | Series B |
|-----------------------|---|--|---|---|
| \$'s RAISED | \$50,000 - \$250,000 | \$250,000- \$2m | \$3-\$10m average ((Iowa: typically \$1.5MM to \$2MM) | \$10m- \$25m average (IOWA:\$2MM+) |
| VALUATION | | \$750k-\$8m | \$10m-\$40m (Iowa: \$4.5m-\$8m) | \$30m-\$100m (Iowa \$8m-\$10m+) |
| INVESTORS | Friends & Family Angels | Angels, Micro VC's | VC's | VC's |
| OWNERSHIP % | less than 5% ownership | no more than 20% ownership | average 20% ownership | average 20% ownership |
| BOARD SEAT | no | no | yes | yes |
| *MRR | - | \$0-50k | \$100-250k | \$350k-800k |
| PREFERENCE | | 1x | 1x | 1x |
| TEAM | Smart, committed with relevant experience | Found market fit: E.G. sales DNA, product design DNA, strong tech for API companies | No star VP's yet but often good director- level hires. Ability to attract and manage great people. | Senior leadership in most function and proven ability to recruit senior people |
| PRODUCT MARKET FIT | Market research indicates strong need for the product | Strong indication of product/market fit from early customers and pilot users | Clear product market fit (PMF) and increasing evidence of PMF in large market | |
| ТЕСН | Strong tech co-founder with relevant experience | Proven ability to move fast | Proven ability to attract and manage great engineers (product scales but still breaks) | |
| OPERATIONS | | | Regular P&L and Balance Sheet. Human Resources is formal (benefits, salaries, taxes) | Financial maturity demonstrated in projections |
| SALES & MARKETING | Understand best practices, good ideas | Strong indications of demand (e.g. organic trial signups) | Strong organic demand. Success with at least one customer acquisition channel. Decent understanding of funnel and pipeline conversion rates. | Excellent understanding of sales and marketing costs and CAC payback times by channel. Increasing confidence in scalability of the sales / marketing machine. |
| MARKET POTENTIAL | | Conviction that there is a \$100m Annual | increasing conviction of a \$300m Annual | increasing confidence in exit potential |
| | | Recurring Revenue (ARR) potential If pre-monetization, growing waiting list, trial user base | Recurring Revenue (ARR) potential Get from 0-\$100k MRR within 12-18M | (large strategic buyers or IPO) Growing 2.5 X y/y |

Slide 12: Key Milestones / Use of Funds

- Product lineup (features, functionality, architecture, IP)
 - Coastal VCs care about your product / tech innovation
- If team growth is a large use of funds, you may want to show team expansion

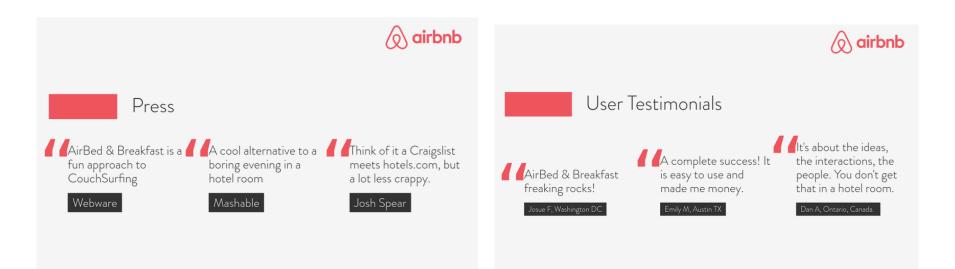






Optional: Press / User Testimonials

- Create excitement
- Show validation
- Only include if they are dramatic







Wrapping Up

- Plan to get through the entire presentation in 20 minutes
- Save time for discussion afterwards
- Best meetings feel more like conversations than
 presentations

THE OPPORTUNITY

Slack proved that businesses are ready to buy good communication tools.

They're going after the internal communications market.

We're going after the bigger opportunity.

Front will own the external communications space.





Anticipate questions, know your business

- Know how your type of business is being measured and demonstrate you know these numbers
 - SaaS business metric examples: MRR, ARR, CAC, LTV, Run Rate, Cash Burn
 - Read up on each of these as to how they are approached and debated. You need to be able to defend your position.
- Know your customers
 - Be able to give clear-use cases
 - Explain succinctly why they buy
- Know your industry / competitors
- 30 Questions Investors Will Ask Founders Appendix: <u>https://bit.ly/2dfJI1N</u>



