

WELCOME TO THE FUN HOUSE:
A QUICK OVERVIEW OF THE VC WORLD
&
WHAT IT MEANS FOR PITCH DECKS

1Q17

JAMES C. ROBERTS III
GLOBAL CAPITAL

GLOBAL CAPITAL STRATEGIC GROUP | GLOBAL CAPITAL LAW GROUP PC

GLOBALCAPITAL



Please note that this presentation does not constitute legal advice.



3 ~~4~~ PARTS TO THIS PRESENTATION

Part 1: Introduction—Your Assignment

Part 2: What VCs want in your deck

Part 3: Your Pitch Deck



PART 1: INTRO & YOUR ASSIGNMENT



THE BASIC MESSAGE OF YOUR DECK

“WE WILL DEMONSTRATE HOW WILL
WILL SPEND THE VC MONEY TO ACHIEVE
THE SPECIFIED

– *Rinse and repeat as necessary.*



PITCH DECKS: 8 THINGS TO SAY

1. What you do.
2. Where you are.
3. Where you are going (steps to get there).
4. What's the market?
5. What are the financial building blocks and projections?
6. How you will go to market.
7. How much will your efforts cost and for how long?
8. Why this team and whom else will you need?



YOUR ASSIGNMENT

Prepare the following slides:

1. What you do
2. Where you are
3. Where you will be once the money is spent.
4. Steps to get there
5. Why this team



PART 2: WHAT VCS WANT IN YOUR DECK

GLOBALCAPITAL



1.2 THE VC INDUSTRY: INVESTOR TYPES

Angel investors

- Individuals/Networks

Accelerators

- Y Combinator, 500Startups, Techstars
- Foreign: Rockstars, LVentures, TAG

Venture Capital Funds

- Micro VC Funds
- Seed
- Early stage/”Bridge to A”
- Later stage
- Mega Funds
- Sidecar funds



OTHER OPTIONS

Credit cards

- Personal risk

FFF

- Friends, families and fools

Banks

- Unsecured/secured lending

Crowdfunding

- JOBS Act, Flashfunders, et al.

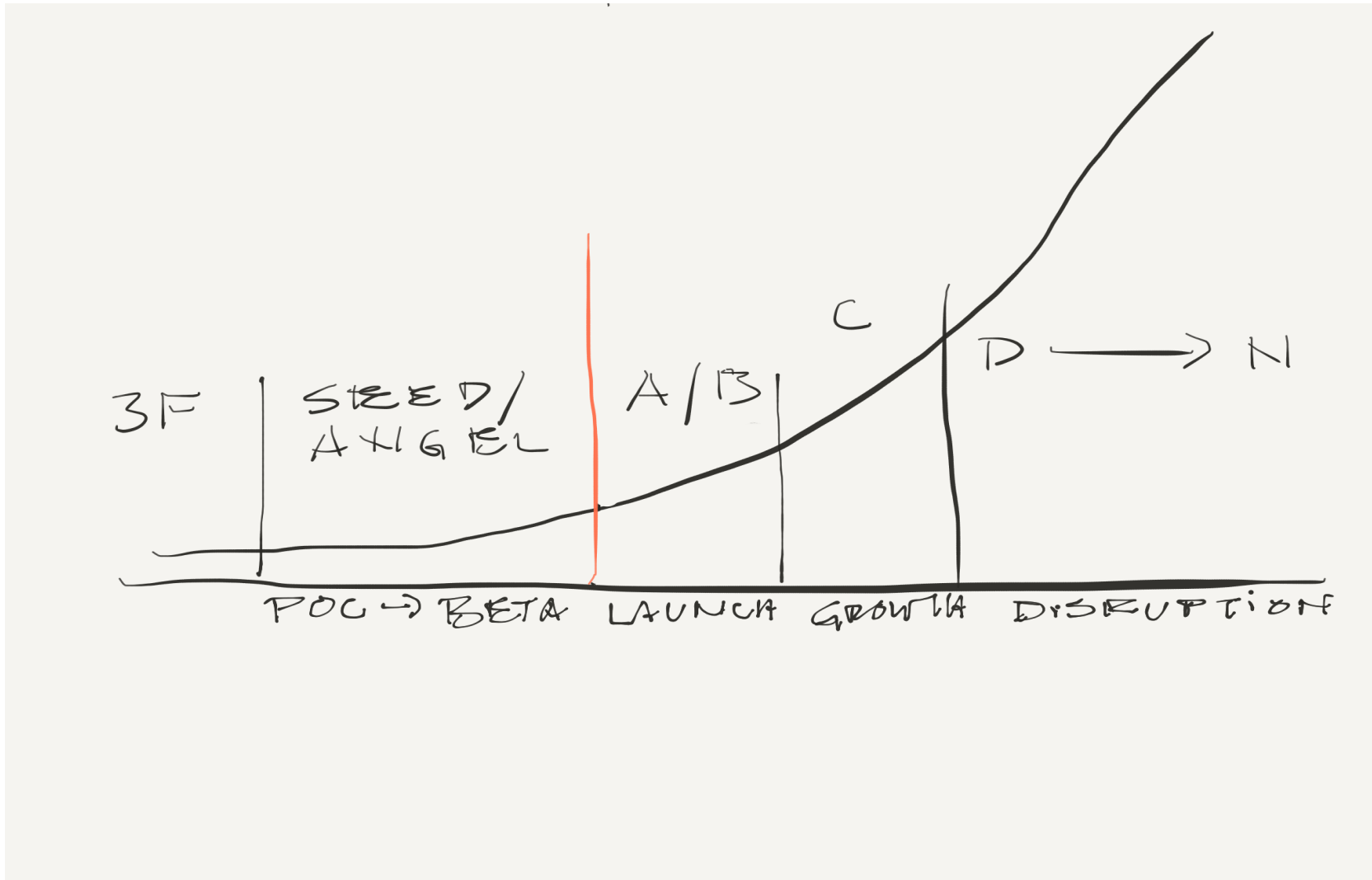
Private Equity

- Final stages

GLOBALCAPITAL



MONEY BY GROWTH STAGE



PROFESSIONAL INVESTORS WANT...

Professional investors invest in teams

- Good idea + *great* team always beats great idea + good team
 - Like people with a track record
 - People who are serious
 - People who can delegate



PROFESSIONAL INVESTORS WANT...

What milestones will be achieved with my money?

- They have improved enough to get the next round of money at a higher valuation

GLOBALCAPITAL



PRE-SERIES A: THE PURPOSE

Pre-Series A:

For the startup:

- Enough money to achieve your short-term milestones needed for your next round

For the investor:

- Enough money to test the team and the idea's viability *and* to get a higher valuation in the next round

GLOBALCAPITAL



WHAT IS ANGEL INVESTMENT?

First money in after:

- Founders (e.g., credit cards)
- FFF

Expecting sufficient traction to attract
VC Fund

Money usually for 6-9 months



ANGELS ARE NOT AS DEMANDING

- OK to have more "sex & sizzle"
- OK to have minimal financials
- OK not to have your business/revenue model nailed down
 - The Lean Startup Methodology:
 - You will test 3 models in the next phase

(Pinterest)



WHAT IS A SEED ROUND?

“Half Step” to real money

- Often done by angel networks or seed funds (VC funds)

Small money:

- \$50K-500K

Purposes:

- early-stage operations—primarily POC and market research
- Validate viability

But does it “move the needle?”

Lean Startup Methodology



SEED ROUND DECK

Somewhat more detail than an angel deck

- Depends on where you are
- Usually, more discussion on revenue alternatives
- More on market size



SERIES A ROUND

- Named after Preferred Stock class
 - Usually 1st preferred stock issuance
- 1st “serious” money
- \$2-10m for 10-30%
- 6 months to 2 years funding



SERIES A ROUND (CONT'D)

- To become a “serious” company
 - Hire professionals in specialized categories (CFO, marketing, development)
 - Accelerate development/commercialization
 - Begin market entry (e.g., increased sales teams)
 - Begin sales and serious metrics

Series B often required for same purposes

GLOBALCAPITAL



SERIES A & BEYOND: THE PURPOSE

Series A & Beyond:

For the startup:

- Enough money to achieve your short-term milestones needed for your next round at a higher valuation

For the investor:

- Enough money to commercialize
- Enough money to demonstrate *your* value to your LPs



SERIES C+ ROUND(S): SPEND \$ FAST

- \$10m-50m
- The company has serious market traction
 - B2B: handful of major customers + pipeline
- Exchanging losses for market presence & rapid growth
- “Evidence” of near-term revenue (or acquisition)
- Team grows from 50 to 500

Demands for break-even of EBITDA are premature*



LATER STAGE ROUNDS

- Serious money for specific objectives
- >5-10% market penetration
- Substantial revenue
 - Usually still losing money but break-even is imminent
- Expectations of exit within 2 years



STARTUP STAGES & VC ROUNDS

Stage	Investors	Examples
Idea:	Founders	
Incorporate:	Founders + FFF + accelerator	Techstars, 500Startups, Talent Garden
POC:	FFF/angels	Pasadena Angels, IAG
Private beta:	Angels/seed	Pasadena Angeles, Susa VC
Public beta:	Angels/seed	same
Market Ready:	Seed/Series A	Canyon Creek, March
Entry:	Series A	March, Upfront Ventures
Initial Growth:	Series A/B	same
Fast Growth:	Series C+	Upfront, Sequoia
Rev Growth:	Series F+	KPCB, Sequoia, Andreessen Horowitz
Mkt Leader:	Series "N"	Same + Private equity



PART 3: YOUR PITCH DECK



YOUR DECK WILL ALWAYS BE WRONG

Every investor will find something wrong with it

- Wrong industry focus
- Wrong metrics
- Etc., etc.

They might be right. They might also be the wrong investor.

GLOBALCAPITAL



THE “ENDURING” PITCH DECK

VCs will want a copy of your Pitch Deck.
Therefore:

Make sure that the Pitch Deck can “stand alone” as a document

- i.e., that it explains enough when someone reads it that he or she will want to meet you.



IN YOUR DECK . . .

Less detail on the "sex & sizzle"

More detail on:

- Why this particular team?
- What are your milestones *with this money?*
- *How will you get there?*
 - *E.g., GTM strategy*



MATCH DECK & DEV PHASE

Match your deck with your development phase

- POC then your deck is simpler
- Series A then your deck has much more on
 - Market
 - Revenue model
 - Etc.



WHAT WE KNOW ABOUT PITCH DECKS

1. Investors want great teams + good idea
2. Match message to dev phase
3. Explain where you are
4. Where you will be with this money spent
5. How you will achieve these milestones for 3 & 4



WHAT WE KNOW ABOUT PITCH DECKS

6. Use online decks as guidance and not as templates
7. In earlier phases, you will test certain models crucial to the future
8. Embrace the Hockey Stick
9. You are not the next Facebook (but you might be the AirBnB for the XYZ industry)
10. The later the stage then the more the detail



REPEAT AFTER ME:

“OUR PITCH DECK WILL SHOW HOW WE WILL SPEND THEIR MONEY TO ACHIEVE SPECIFIED GOALS.”



PITCH DECKS ARE NOT THE PRODUCT: A TOOL TO IMPRESS.

- It's not a school assignment:
 - Don't act like you have memorized it.
- Show your knowledge & your leadership.
- Don't be hesitant & don't be shy.



BE ASSERTIVE: USE ACTIVE VERBS

For example: Section titles . . .

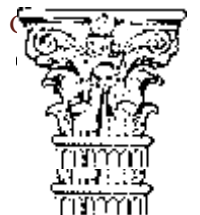
Our Platform

but

Our Platform Monetizes Visitors

Or

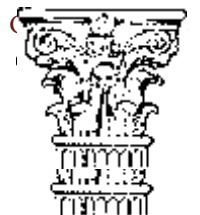
How We Make Money: We Aggregate Traffic



BE SIMPLE: SUBJECT. VERB. OBJECT

This is not a reading comprehension test!

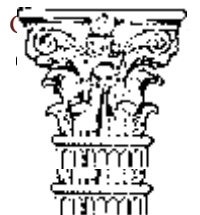
- Don't make readers work
- It is not obvious to them



SIMPLE SLIDES: ONE THESIS PER SLIDE

1 Thesis (a thesis is a *statement*, not a topic)

1. Maximum of 3 supporting points
2. That includes graphics (graphics are good)
3. Only 2 points is better than having 3.



EXAMPLE: GOOGLE DOCS INTEGRATION

1st Thesis Statement (1st group of slides):

- Answers the questions of what we do

Slide 1: We enable users to integrate Google Docs across all devices and all software—without coding.

Slide 2: A graphic of how it works.



EXAMPLE: GOOGLE DOCS (CONT'D)

2nd Thesis Statement (2nd group of slides):

- Explains Milestones

Slide 1: We have launched iOS private beta.

Slide 2: Our milestones are . . .

Slide 3: Milestones chart



10 QUESTIONS/20 SLIDES

What we do

Why it matters: Why do users need it?

Who we are and why we can do it

How we do it

Financials

How we make money or build traffic

Who else is doing it and how we differ

Milestones & Metrics

What money we need

How we'll use the money

Why would someone invest in it or buy it?

GlobalCapital



SLIDE 1: SUMMARY SLIDE

Summary slide *summarizes* you now and in the future:

- We enable Google Docs to integrate across devices and across documents—without coding.
- We are in the EU and will expand to China with the next round of funding.
- We seek \$500K to expand to other platforms and markets and build the team.



SLIDES 2-3: WHAT WE DO (“WE MAKE . . .”)

Show what you do:

- **Flowchart?** (*Always a good idea.*)
- **Screenshot?** (OK idea as slide *after flowchart*)
- **Video?** (Bad idea: expensive & time-consuming)



4: THE MARKET [NEEDS] OUR PRODUCT . . .

- Market—size, growth rate
- Suitable for graphics!!!



5-6: (ALMOST) THE MOST IMPORTANT

Milestones:

- Where we are
- Where we will be
- The milestones in-between

Milestones tell VCs how you will spend their money.



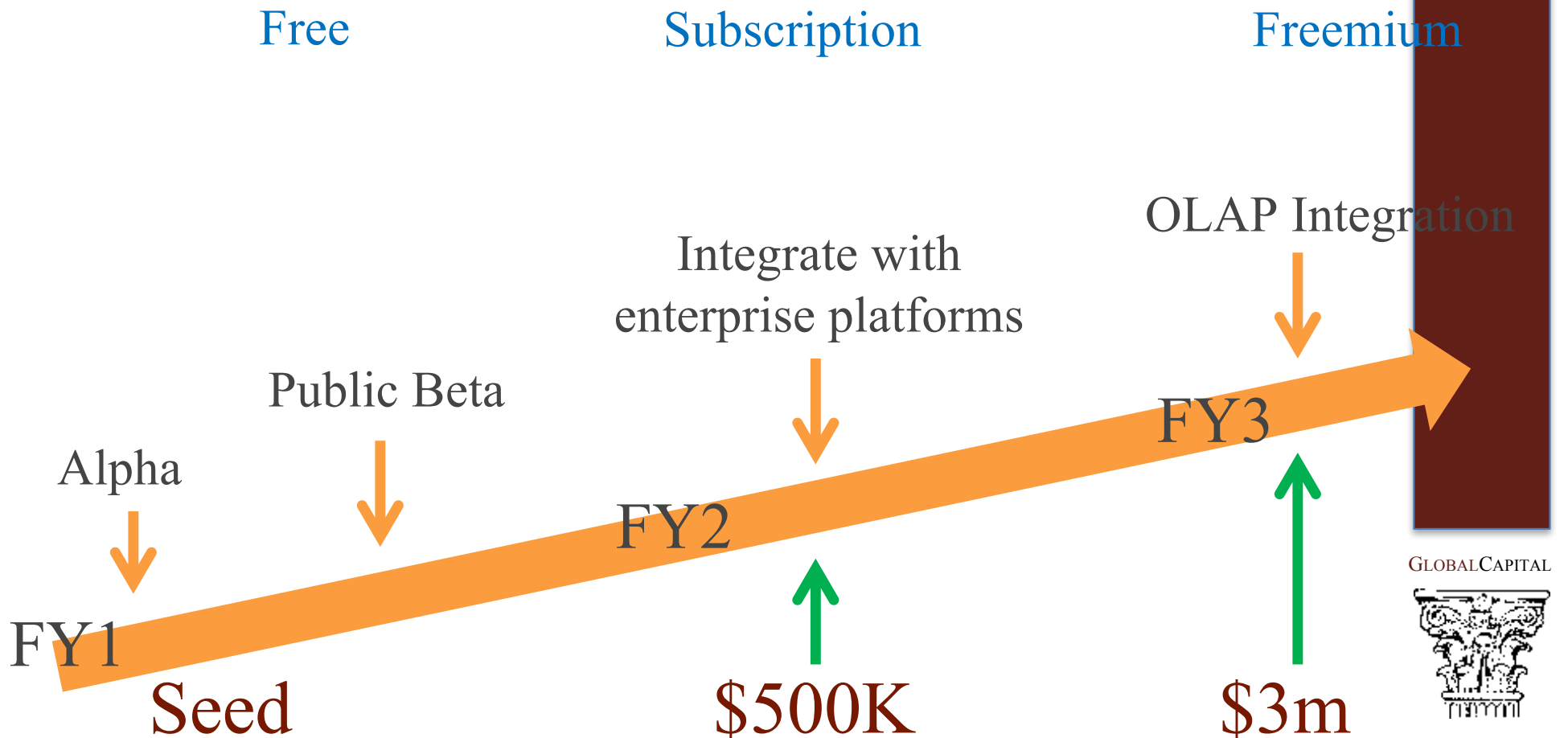
MILESTONES: USE A GRAPHIC

- Horizontal or vertical works.
- Don't put too much information on one slide.
- Use slide for each “category” (product development, team development, market penetration, etc.)



MILESTONES & MONEY

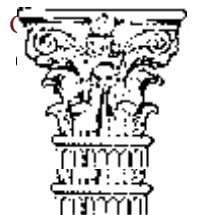
TMI: TOO MUCH INFORMATION?



USE A GANTT CHART?

GANTT Chart = Tasks over time*

** The example on the next page is too complicated but conveys the intent.*



	11.03	12.03	1.04	2.04	3.04	4.04	5.04	6.04
Preparation and Planning								
Develop project proposal	■							
Approve project proposal		◆						
Recruit project team		■						
Development and Test								
Specify detail requirements			■					
Develop prototype			■	■				
Approve prototype					◆			
Develop beta version					■			
Test beta version						■		
Apply final corrections							■	
Approve final version							◆	
Implementation								
Train users							■	
Roll-out final version								◆



TEAM: THE MOST IMPORTANT SLIDE(S).

The Team

- Why you?
 - Track Record?
- What is relevant?
 - Education?
 - Clients?
- What will you need?

“Brand names” (e.g., MIT, IBM) are good

