

Making the Pitch: The Five Most Important Lessons for Presenting to VCs *When your startup or restart is looking for financing, you have your work cut out for you*

by Mike Gospe

The executive walks into the conference room of a top-tier venture capitalist firm in Silicon Valley. Four polite but skeptical people welcome him as he enters the room. He's solely focused on securing the B round of funding for his young company. The past three years have been especially brutal for his business – from its exhilarating beginnings in 1999, to its failed market penetration, and now several rounds of debilitating layoffs, including the original CEO. This new CEO was recently hired to be the change agent – the pinch hitter – with the directive to regroup the company and establish stability. He knows the technology and is confident. He trusts that his instincts in being able to communicate the value of his product will be enough to win favor. He stands at the podium, shows his first slide containing 75 words in small type and no pictures, and spends 45 minutes telling his audience who he is and why his company's technology, four years in the making, is worthy of their investment. The meeting ends with no clear next steps. The executive never receives a call back.

What went wrong? Plenty.

A good technology, even coupled with a good CEO bio, is not sufficient for winning the financial support that your company deserves. The fact of the matter is that the CEO's presentation and skills as an orator are equally as important as the product or service you are selling. The presentation must be direct and to the point, be compelling by clearly and succinctly illustrating a pain point that requires immediate attention and resolution, and maintain control of the agenda for the next 45 minutes. The words used and how they're said, as well as the visuals used, will have a direct impact on the speaker's ability to hold the audience's attention and secure that critical second meeting.

Knowing how to avoid the five most common critical mistakes that CEOs make in their presentations will greatly improve your ability to control the agenda and begin meaningful discussions with your target VCs.

Lesson 1: Forget the "I" word.

Most CEOs and founders start their presentation with their own biography and center their entire presentation on the history of their company and the relevancy of the management staff. In one presentation, the CEO spent 20 minutes describing his background before he told the audience what his company did. This was 20 minutes of wasted time where the VCs were not sure why they were in the room listening to this gentleman.

Your first presentation to VCs is not about you. Nor is it directly about your technology. It's about the customer problem and pain that your solution can solve, and why it is relevant in today's market. Distribute your biography and company history on a single leave-behind sheet. If the audience wants more information about your background, they will ask.

Lesson 2: Lead with the customer problem, not the technology.

Most startups make the mistake of telling a technology story with a lot of hype and three-letter acronyms. A good technology will not sell itself. Instead, the presentation must focus on telling the story of the business or consumer problem. VCs need to understand your value proposition within the first 3 slides. Paint a picture of a "day in the life of the prospect" to highlight the pain your target audience goes through each day. Explain why current solutions are unsatisfactory for meeting this critical business need. Then, tell the VCs why and how your solution will meet this need and capture market-share faster than any other competitive solution. This is a compelling story.

Lesson 3: Control the agenda with a strict presentation format.

If your presentation is unstructured, it will immediately invite a myriad of questions that will take you off track. Good presentations are tightly structured to address the business basics – but not in too much detail (that will come in the due diligence phase) – and should never take longer than 45 minutes. This will ensure you have 15 minutes to drive to specific action items at the end of the meeting. Forty-five minutes is not a lot of time, so every slide must count. Top-class presentations to VCs use no more than 20 slides and tend to follow this outline:

1. The problem your prospects face, with a keen focus on a target market
2. The evolution of solutions addressing the problem
3. The criteria that separates a winning solution from the rest of the pack
4. Introduction of your company (only now do you introduce your company's mission and vision)
 - Corporate Summary
 - Market Size & Opportunity
 - Product Suite & Roadmap
 - Benefits & Competitive Advantages
 - Sales Strategy
 - Financial Results and Forecasts
 - Investment Strategy
5. Summary specifying action items you'd like to undertake with the VC

By controlling the agenda, you are acknowledging the value of the VCs' time and are ensuring they receive the most important information you need to communicate.

Lesson 4: End with a call to action.

Unfortunately, it is common for presentations to end with a whimper instead of a bang. Most presenters are hesitant to end with a specific call to action, erroneously believing that next steps are "obvious." The best presentations end with a strong, confident close.

Be specific about the next steps. Yes, it's clear you came looking for funding. But, do specify how much you need in this round and how it will be used. Highlight your goals and expectations. Ask the VCs what additional information they require to make a decision to invest in your business. Invite them to talk with a few beta customers or advisors or see a short demo. By offering these and other specific next steps, you are showing your interest, drive, and confidence. Use this opportunity to set an agenda for the second meeting.

Lesson 5: Putting it all together.

Remember: the single goal of the first meeting with VCs is to get to the second meeting. Deliver a presentation that:

- is direct and to the point
- illustrates a pain point that requires immediate attention and resolution
- maintains control of the agenda by following a tight structure and format, and
- ends with specific action items

Following this winning format will help you communicate clearly and with confidence, hold the audience's attention, and greatly improve your chances of securing that next vital meeting.

Good luck!

For more tips & tricks on creating, critiquing, and giving your presentation to VCs, please contact Mike Gospe at mikeg@kickstartall.com or 650.464.7663.