

Venture Capital Funding Search Whitepaper Series

Preparing Your Company “Pitch” Documents

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Introduction

The purpose of this VentureDeal Whitepaper is to provide an overview of the various documents that an entrepreneur needs to properly communicate or "pitch" his company to prospective venture capital investors, and how best to structure these documents.

There are numerous templates, examples and opinions about how best to prepare an effective Company Overview, Executive Summary, Business Plan and Presentation. There is no "best" format to use. The key to thinking about how to prepare your documents is that they should be tailored to the audience that you expect will read them.

Thus, in order to properly prepare documents, you need to get into the mind of your intended audience, in this case, venture capital firms or angel investors. This white paper aims to help you understand how potential investors look at investment opportunities, by going through each of the main investment document types and providing some insight as to how to organize your information.

I. Company Overview

Many angel groups and some VC firms first want to see a summary about your company and investment opportunity, commonly referred to as a Company Overview.

The purpose of the Company Overview is to provide the potential investor with a one page overview of the problem that your company wants to solve, why you and your company are the best choice to solve that problem, and other basic information such as the amount you are seeking, recent achievements and funding proceeds uses.

To the entrepreneur, the value of creating a one-page Company Overview is that it forces you to distill down into very direct language exactly what your company is all about. It is essentially a two minute "elevator pitch" in written form, since a fast reader can usually read through it in just a few minutes to determine their interest.

For the investor, having a single page Overview helps them to screen large numbers of deals in a relatively short period of time. Also, as their initial view of your company, the Company Overview serves as an initial view into the clarity of your thinking. So creating a compelling and succinct one-page Company Overview will be extremely helpful to your fundraising efforts.

II. Executive Summary

Almost all VC firms and angel groups who are evaluating your opportunity will want to see an Executive Summary.

An Executive Summary is usually a summary of your business plan and is ideally approximately 3 pages in length. Also, the Executive Summary touches upon all of the main categories of discussion contained in the business plan, and does so in the same order as the business plan. So essentially it is a slimmed down version of the business plan.

There are numerous formats and templates for executive summaries, however the format that we feel communicates to potential investors in a language that they understand best is as follows:

- Problem
- Solution & technology
- Addressable market size & marketing
- Competition
- Company management
- Funding amount sought and milestones

The purpose of formatting the Executive Summary in this manner is that investors initially want to know two things: what the current problem or pain is and how your company or technology intends to solve it. Getting these two important aspects in front of the investor at the beginning of the document will improve the communication process. Either the investor will agree or disagree with your analysis of the problem and solution, or will be intrigued to find out more.

The third and fourth items – Addressable market size and Competition - helps the investor understand how large the opportunity is and some of the risks related to pursuing the opportunity.

The last two items - Company management and Funding information – tells potential investors why they should be investing in you and your team, as well as what they should expect to will receive in return for their investment. Having a realistic and compelling milestones section, where you detail the amount of funding and the related milestones that you intend to achieve with that funding, will go a long way to showing your potential investors that you understand how they think.

III. Business Plan

The format order of the Business Plan should be essentially the same as the Executive Summary in order to retain continuity. The purpose of the Business Plan is to provide an in-depth view of the market opportunity, your company and related supporting information.

There is no common standard for the appropriate length of the business plan. It should provide readers with significantly more detail than the Executive Summary, but not provide extraneous detail just for the sake of length.

Examples of sections that would be included in the Business Plan in addition to those in the Executive Summary would be:

- Distribution
- Market research
- Intellectual property
- Existing Company capitalization
- Detailed financial projections
- Current Financials
- Competition matrix
- Management bios
- Listing of risks
- Press mentions
- Summary

One note on confidentiality and non-disclosure agreements: most venture capital firms and angel groups review so many business plans that as a rule they do not sign non-disclosure agreements, since over time that would preclude them from having discussions with virtually anyone.

It is desirable to communicate the opportunity and technology in a preliminary fashion without divulging your treasured company secrets. At some point, however, you will need to share the details of your technology with a potential investor. It's up to you to make the judgment as to when that point in time has arrived, based on your comfort level with the investors involved.

IV. Presentation

Presentations are inherently different than documents that are primarily meant to be read, because they are meant to be referenced as part of a conversation and are usually presented in real time. Your Presentation should be designed to create an impact and an emotional response of excitement and interest in your company and the investment opportunity.

The order and content of the Presentation should be similar to that of the Executive Summary. However, paired with the content should be a much higher proportion of graphical information, especially graphs that are relatively simple and easy to comprehend within a few seconds of viewing. The reason is that graphs are generally easier for people to understand in a real-time setting.

We are also big fans of the "10/20/30" Presentation guideline. This refers to the following:

- 10 - number of slides
- 20 - presentation length in minutes
- 30 - smallest font used

The point of the 10/20/30 guideline is not to slavishly use it as a hard and fast rule, but rather as a recognition that the ability of a typical person to absorb a large amount of detailed information in a short period of time is very limited. Thus, your best approach is to limit the Presentation to only the top level concepts involved in your company and opportunity.

By focusing your Presentation on top level concepts, you will stimulate conversation and provide your audience with the ability to ask questions on areas of their concern or focus, without overloading them with information that they can find in the Business Plan.

V. Conclusion

Your company's "pitch" documents are the primary way that potential investors begin to learn about you and the opportunity to invest in your company. It is important that you create the documents with your potential investors in mind.

The benefit to you of structuring your documents based on how investors think is that it reduces the communication "noise" between you and potential investors. It also goes a long way to showing them that you understand their world and their point of view, which is a great way to begin a potential business relationship.

Notes

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