

Presenting Your Business Idea to Investors

Following are key points made by seasoned investors at panels hosted by the Rhode Island Business Plan Competition.

Before you meet:

- Know what types of deals the investor is looking to invest in.
- Find out the process each investor follows for engaging with potential investees.
- Try to meet with CEOs of companies in the investor's portfolio to learn about the investor.
- Understand that the goal of your first meeting is to get the next meeting.
- Practice your pitch. Do a mock presentation. Develop answers you know will be asked.
- Recognize that investors, as a rule, will not sign an NDA (non-disclosure agreement).

In a first meeting with an investor, you should...

- Make the best impression he/she can within the first five minutes.
- *Convincingly and clearly explain* what problem or need your business will address.
- Demonstrate your credibility, but not oversell yourself. Investors need to feel the conviction of entrepreneurs.
- Be confident, e.g., "I will do..." as opposed to "I hope to..."
- Show passion for your idea, that you want to create a going business, e.g., Will you walk on hot coals to make it happen?
- Demonstrate your in-depth knowledge.
- *Not* talk valuation: It's the investor's job to value the company; it's your job to build a business.
- Explain your exit strategy. Few investors want to fund a lifestyle business,

You should validate your idea with...

- Cash investments from yourself, family, friends. Everyone puts in sweat equity; cash demonstrates a deeper commitment.
- Paying customers. But if you're ramping up by making a service freely available, show how you will monetize those users.
- Relevant data and articles relating to what you're proposing to create.
- A team of advisors who have faith in you and are willing to work with you without necessarily getting paid.

To convince investors, you should...

- Know what your value proposition is, i.e., how you will make money.
- Understand that your business plan is a work in progress and will keep changing as you learn more: "The plan is always wrong and never right."
- Show your commitment. If you're not involved full-time now, explain when you will be. Investors want to know that your team is "all in."
- Do a bottom-up analysis of your market to determine what revenues you could reasonably expect to generate.
- Know what you don't know *and* outline how you will get that knowledge.

continued on next page

- Never fudge an answer. Chances are investors know more and will know you are faking it.
- Explain previous mistakes. Investors know that everyone makes mistakes – and want to know how you’ve learned from yours.

What you should avoid at a first meeting with investors include...

- Being defensive.
- Stumbling.
- Talking at investors.
- Demonstrating your product. It wastes time, may not work, and distracts the people who should be listening to you.
- Interviewing the investor: the first meeting is for the investor to learn about and get confident in you.
- Quoting industry experts; you should be the expert. However, investors know that no one has all the answers; if they decide to work with you, they’ll help you get the answers.
- Appearing sloppy, disheveled, late, or unclear. *The first impression is everything and determines what happens next.*

Slide decks can help...

- Nearly all investors want to see a slide deck, but there are two types: One you deliver in person, and the other that you may send in advance to help investors prepare for the face-to-face, or send on to another investor. The latter has more descriptive text so that, by itself, it fully and compellingly tells your story.
- Slide decks should be available at a meeting to refer to as needed, but likely will not be used; creating a slide deck helps you refine your story.
- Slides should be *simple*, no more than a handful of bullet points on each. Photos, diagrams, and other graphics help.
- Tell your story in 10 – 15 slides, as follows: Problem or need; Your solution; The market; Business/pricing model; Competition; How you will protect your business; Funding strategy; Traction to date; Exit strategy; Your team.
- Have a trusted advisor outside your team review your slide deck in advance: Does it clearly and compellingly tell your story?
- If used, *never* read your slides to your audience. Investors need to know that you know your story cold.

Remember...

- You’re telling a story. Investors want to get excited enough about it to invest.
- If you have no experience, do the best imitation of the CEO you need to be.
- Don’t hide the fact you’re speaking with other investors. In fact, investors like it that you’re meeting with others – it shows you’re organized and aggressive.
- There’s capital and there’s smart capital. Smart capital is about investors who are willing to invest *and* work their networks on your behalf.
- Dress for the job you want. “You can wear a hoodie to your first meeting with a potential investor after you’ve made your first billion dollars.”
- Sometimes, the most important result of a first meeting with an investor is getting a referral to another investor.
- Practice your presentation. Then practice it again...and again...and again...and then some more.
- Participate in as many competitions as you can, because doing that helps you refine your idea and presentation skills.