



Nutter McClennen & Fish LLP
Attorneys at Law

Pitching the Plan: The Deck

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Biography



- › Nutter, McClennen & Fish, LLP - Partner; Director of Biz Dev, Emerging Companies Team
 - Top 10 Boston law firm
 - Represent clients in technology, hardware, software, mobile, medical devices, health IT, biotechnology, cleantech CPG, consumer electronics, sports & entertainment
 - Provide support and outreach to the entrepreneurial community
- › MTDC– Director & Investment Committee Member
 - The Venture Arm of the Commonwealth-- catalyzing innovation in Massachusetts by providing seed and early stage venture funding to high growth technology startups.
- › The Capital Network – Director; Past Chairman
 - Providing education, resources and community to high growth entrepreneurs and angel investors as they navigate the early stage capital process.
- › Tufts University; Professor of Entrepreneurial Leadership
 - Educating students in the art and science of leading ventures with limited resources.
- › Entrepreneurial Experience
- › UC Berkeley, B.A. (Go Bears!); UCLA School of Law, J.D.; Admitted to practice, CA and MA.



Nutter's Emerging Companies Group

As a full service firm with a dedicated team of lawyers in the Emerging Companies Group, Nutter supports ventures across the innovation economy:

- Biomedical Devices
- Biotechnology
- Pharmaceuticals
- Life sciences
- Software
- Hardware
- Information Technology
- Cleantech
- Mobile
- Consumer Products
- Analytics
- New Media
- Robotics

We provide entrepreneurs with the full spectrum of support that they need to build their businesses and realize their visions:

- Entity Formation
- Founders Agreements
- Financing Strategy and Key Introductions
- Angel & Venture Capital
- Debt Financing
- Private Equity
- Initial Public Offerings
- Private Placements
- Strategic Partnering
- Mergers & Acquisitions
- Employment support
- Equity Compensation
- Tax Strategy
- Litigation
- Licensing
- Distribution
- Manufacturing
- Supply Agreements
- Electronic Commerce
- Patent and Trademark Strategy & Prosecution



Cover Slide Introduction

- 1 Minute Elevator Pitch
 - Get their attention!
 - Introduce company without distracting from spoken introduction
 - Sets the tempo
- Content:
 - Logo
 - Tag Line – should explain business and begin to differentiate
 - Contact information
 - Name of the investor/group to whom presentation is delivered
 - Possibly a non-distracting picture
- Be enthusiastic – people buy from people not PowerPoint



Company Value Proposition (*Zoom out)

- Argued to be most important slide in presentation – a 1 slide summary
 - Important enough to repeat 3 times
 - Bookend the deck – begin and end presentation
- Content objective – why should investors invest
 - 5-7 bullets outlining strengths and direction of presentation
 - Core technology
 - Product candidates
 - Market opportunity
 - Key partnerships
 - Management strengths

The Problem a/k/a the Opportunity

- What is the unsolved problem or need?
- Who has this problem? Define your Core Customer and their attributes
- How serious is it? Do you have Metrics?
 - Magnitude : How significant is it? Can you quantify it?
 - Frequency: How often is pain experienced (life insurance vs. coffee)
 - Criticality: Will the pain disrupt the business (e.g., IT outage).
 - Cancer Drug vs. Aspirin vs. Vitamin?
- How have the alternative offerings failed to meet the need?
- Analysis of why has the problem not been solved until now?
- Remember!
 - Customers buy if they experience need, not if society does.
 - Business customer buy to make money or solve problems.



Product/Service Solution

- Describe your product or service?
- What does it do and how does it work?
 - Do not get too detailed? Assume technical matters will be validated later.
 - Use pictures or diagrams where possible.
 - Demo / screen shots, etc. if necessary.
- How does it fit within the customer's environment?
- What proof of concept have you achieved? Prototype? Beta?
- What proof do you have of its effectiveness?
- Use accurate words to describe phase of development:
 - "it does" vs. "it will" vs. "it may"

Solution Value Proposition and Competitive Advantage (*Zoom In)

- How is your solution better, faster or cheaper than the existing solutions for your customer? **Remember Different \neq Better**
 - Saves costs -
 - Drives revenue or customer acquisition
 - Allows customer to offer its customers a superior value proposition
 - Decreases risks
 - Leverages customer's existing customers or solutions
 - Provides enjoyment, recreation, education, time saving... (consumer product)
- How much better, faster, cheaper? Can you quantify the value proposition to the customer?
 - Can you validate that your solution is better? Do you have data to indicate that such items are meaningful to the customer?
 - Can you quantify a Return on Investment (ROI) for your customer.

Strategy: Business and Revenue Model

- Answer the question on the VC's mind upfront: How and when will you make money?
- Who is going to pay (i.e, what is the "Revenue Model")? Explain are YOUR customers?
- Manufacturing and commercialization strategies
- Timing and frequency of buying decision and payments
- Average \$/purchase? Likely to increase or decrease?
- Cost of Customer Acquisition (CCA/CAC) vs. Lifetime Value of Customer (LTV/LVC)
- Fixed vs. variable costs
 - Direct Sales
 - Indirect Sales
 - Razor (asset) and blade (consumable)
 - Auction / Arbitrage
 - Digital Marketplace
 - Subscription
 - Advertising
 - Professional Services
 - SAAS
 - Licensing
 - Maintenance Contracts
 - Insurance
 - Loyalty business models
 - Freemium business model
 - Value Added Reseller (VAR)
 - Multi-level marketing (MLM)
 - Cost Savings Share
 - Franchise
 - Data Broker
 - Sponsorship
 - Government Contractor

Sales and Distribution Model

- How you get your customers and costs
- How you actually deliver solution to customers (trucks, distributors or click?)
- Go-to-Market and General Marketing strategies
- How you incentivize and compensate sales (if applicable)
- Explain geography and expansion strategy (scaling or growth issues)
- Discuss critical distribution partners, options and roadblocks
- Core business vs. non-core business
 - potential licensing or spin-off opportunity
- Conversion metrics (identification > lead > sales process > conversion)

Competitive Landscape

- Who is competing with you?
- Barriers to entry for you? For others? Ones that you are creating?
 - Blocking IP
 - Startup Cost to competition
 - Change Cost to customers
 - Geography
 - Contract exclusivity or change penalties
 - Market dominating companies (“800lb Gorillas”)
- Competitive Advantage revisited - Why will you be able to win (not “cooler”)
- Points solution vs. total solutions
- Current major competitors and why you will beat them
 - Avoiding the “no-competition trap”
 - Explaining their trends of growth or contraction
- On a matrix – show advantages and areas where you don’t compete
 - Pick metrics your customers care about not just those you “win” at!
 - Avoid upper right quadrant graphs

The Addressable Market

- **Industry size** = the total revenue generated in a segment of the economy.
 - These are what are tracked by Forrester, Gartner, Thomson etc.
 - Only useful for trend analysis, not for evaluating investability.
 - Example: “The internet advertising industry is an \$X billion industry”
- **Addressable Market** = the total amount of revenue that your company could generate if it acquired every potential customer (the “Addressable Population”).
 - Willing and able buyers that you can reach
 - **Initial Target Market**: subset of the addressable market for whom the value proposition is truly compelling and obvious at product introduction.
 - **Annual Sales**: that subset of the addressable market or the initial target market who buy or who are likely to buy each year.
- Explain how the market is changing and why.
 - Customers, pricing, competition, new technology, etc.
- \$500m TAM vs. \$50m TAM – know your investors!

Defensibility

- Intellectual Property: Patents, Trademarks, Copyrights, Trade Secret
 - Difference between provisional, applications and granted patents
 - Patent strategy
 - IP that covers advantage vs. extraneous claims/assets
- How unique is your solution?
- Trade Secret and development lead; Ease of replication
- Cost/Ability of customer to replace your Solution
- Key relationships
- Contractual protection

Management Team and Advisors

- Top executives, Board of Directors, Board of Advisors & SAB
 - Startup, domain, customers or key opinion experience
 - Prior success
 - Balance
 - Cohesiveness
 - Don't put their whole resume on the slide
 - Only show actives
- Current staffing gaps and strategy for filling
- Orientation towards success not control ("Rich" not "Monarch")

Current Status: Achievements and Upcoming Milestones

- Demonstrate current progress and achievement of milestones
 - Development partnerships
 - Distribution partnerships
 - Customer acquisition progress (conversion rates)
 - Publications
 - Financing
 - Team Developments
- Upcoming milestones and Challenges
 - Gant-style Charts
 - How you will overcome the challenges/weakness (ex. key hire)
 - Often integrated with use of proceeds slide

Funding, Cash and Use of Proceeds

- Identify existing/timing of prior preferred stock deals
- Cash and monthly cash burn
 - How much of burn is variable vs. fixed
 - Lowest you can the Burn without killing the company
- Time and investment dollars to reach cash flow positive
- Timing and quantity of future rounds
- Current round size and timing
- Use of proceeds - what will it be used for? What will it buy?
- Optimal deal structure
- Pre Money Valuation
 - Dangers of including suggested valuations
 - Dangers of not knowing the appropriate valuations

Risks and Plans

- Technology / Product – Will the solution work? Can you build it?
- Business Model – Can you sell the solution at margin?
- Supply – Can you acquire and manage critical vendors
- Customer Adoption Risk – Will the Dogs eat the Dog Food?
- Market Dynamics – Do customers have cash and the will to spend?
- Distribution Risk - Can you acquire and run critical distribution and sales points?
- Competition Risk – Is there an opportunity in the marketplace? Will an 800lb gorilla eat your lunch?
- Financial risks – Will you have positive cash flow? Will you have sufficient capital? Will investors be interested in you down the road?
- Legal risks – Freedom to operate ? Do you have the ability to defend your IP?
- Regulatory risks – Are there barriers beyond your ability to influence?
- Team risks – Is our product or customer knowledge distributed and accessible?
- Exit Risk – Are there willing buyers (or a public market) for your company?

Exit Strategy and Options

- Length to liquidity
- IPO vs. M&A vs. Licensing (vs. other)
- Potential Acquirers
 - Acquirer characteristics and rationale for acquisition
- How frothy is the current/expected market now and at maturity
- Recent exits for similarly situated companies
 - Valuations (if available)
- Counterpoint: Building a company vs. building an exit

Summary Slide / Investment Rationale

- End with a summary of what you have just said.
- Leave them with the key message points you are trying to convey.
- Be prepared for questions
- Appendices
 - All of the information that may backstop your conclusions
 - Case studies
 - Customer testimonials
 - More detailed technical or product information
 - More detailed market or customer information
 - Demo videos

Financials and Projections

- P&L – Historical + 3-5yrs; Often with cash, customers and headcount
- Segment revenue by type of revenue
- Fixed vs. Variable cost structure
- Revenue and Margin Ratios
 - Think about cash flow timing issues – see revenue model (e.g., direct/reimbursement)
- Bottom-Up vs. Top-Down projections
- Assumption tab in the Excel build
- What does “conservative” mean: Use of High / Medium / Low
- Perfect vs. Functional – Running your business vs. Building a model
- Anticipating investor cutback
- Risks of projections being tied to equity and compensation
- Valuation Issues

General Dos and Don'ts:

“Presentation is a visual not a reference”

Do

- Use one topic per slide
- Limit text on each slide
- Use pictures, graphs, video's
 - Not all bullets
- Choose fonts and colors that are easy to read
- PowerPoint is the accessory to YOUR presentation
- Spell Check

Don't

- Use sounds with slide transitions
- Overdo the ALL CAPS, **bolded**, *italicized* or underlined text
- Use too many different fonts
- Overuse special effects – focus on the content
- Have technical difficulties – test before the meeting

Presentation Skills: Part I

- Know your material cold! Don't wing it.
- DON'T READ your presentation.
- You should have answers to likely questions.
- Be clear when you don't know an answer – then follow up.
- When possible, know the room. Arrive early, walk around the speaking area and practice using the microphone and any visual aids.
- Body language and appearance = 50% of the pitch
- Prioritize and eliminate less critical points.
- Be flexible – be prepared to be interrupted.
- Understand the goal of your presentation. Is it to inspire, to educate, to connect, to get attention, to get a second more personal meeting?

Presentation Skills: Part II

- Modulate your pace, pitch, volume, tone and enthusiasm – like when you are telling a story. This helps keep the audience focused.
- Use humor, personal stories and conversational language where possible. Use easy to understand analogies.
- Practice. Practice. Practice! GO SEE OTHER PRESENTATIONS!
- Slides should HELP the oral presentation, not BE the presentation.
- Bring a backup copy on a flash drive and via cloud
- Slides should be professional and consistent with your image.
- Spend more time building the business than the presentation
- Leave time for questions.
- RELAX, BREATHE and SLOW DOWN

Interacting with Investors

Basic Principles - Overview

- Research the investor in advance
- Pay attention to what you say during the presentation banter
- Communicate
- Be likeable
- State your value proposition up front
- Come prepared with sufficient data (including back up slides)
- Enjoy yourself and let it show
- Keep the presentation within allotted time
- Be realistic about valuations in the market
- Make due diligence easy
- Realize investors are thinking about exit strategy



Interacting with Investors

Cautionary Overview – Don't do the following

- Bash the competition
- Hype
- Condescend or talk down
- Be arrogant
- Be vague about your technology
- Underestimate the importance of the core science/development
- Deluge investors with facts
- Act desperate for funding (even if you are)
- Act like you don't need money
- List 'the company is undervalued' as a reason to invest
- Overprice your rounds so you can keep stepping up valuation
- Give investors a reason to turn you down



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