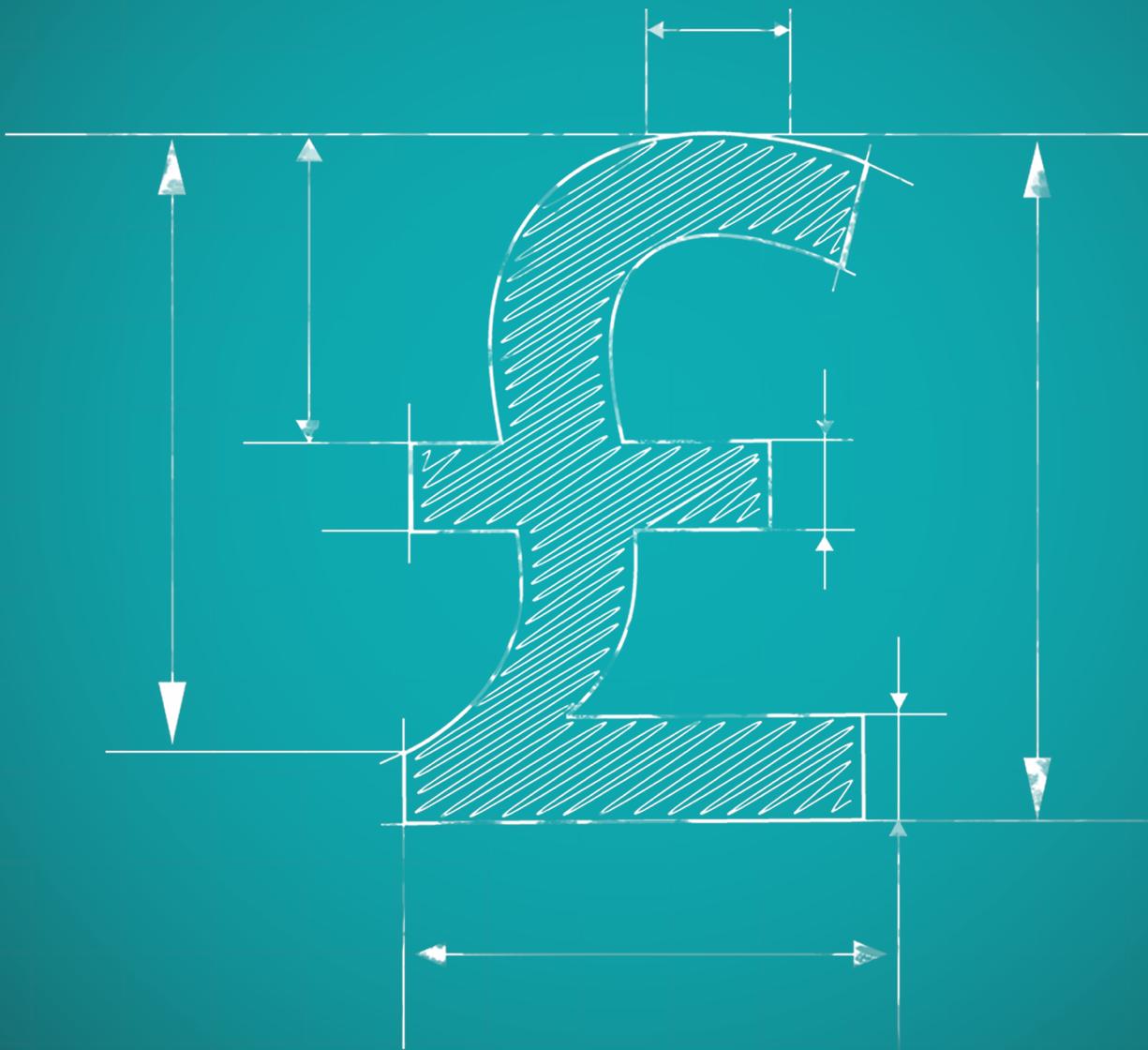


Preparing a good investment pitch



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General Advice for Private Investment

Before you get started preparing your documentation, take some time to consider your strategy and what you want to get from the process.

Think like an investor

Take a minute, step back from thinking about your company and try to imagine you are an investor. What are your priorities? Of course, you may be interested in giving back and seeing great ideas come to fruition but ultimately you want to see a return on your investment. After all, that will allow you to invest in more companies!

Your first instinct when you think about your company is probably to talk about your product – what makes it special, and how it is going to revolutionise the world. When talking to investors, however, it's not about the product, it's about how you are going to make money!

An investor is looking for a strong business proposition and a clear idea of how their investment is going to be returned to them together with how much extra they could stand to make.

It's not just about the money

Making a company successful is as much about the individuals driving the company as it is about having a great product and sufficient cash flow. Think about the skills and experience that would add value to your company and target investors who could provide this as well as the money.



General Advice for Private Investment

Sell yourself

Of course, what you present to an investor is important but who you are is just as important. It is often said that an A class team can make a B class product successful but a B class team will often make nothing of an A class product. Make sure you convince your investors that you are an A class team (with an A class product as well of course!).

Be realistic

You believe 100% in your product and your company's potential for growth but in reality very few companies experience exponential growth and completely dominate a particular sector. When presenting your investment proposition try to think conservatively about the value of your company, its growth potential and the timeline to achieve this.

Know your limits

Securing investment is a process of negotiation so it's a good idea to consider what your backstop position would be. Retaining a controlling share in the company or only selling a certain amount of equity for example.



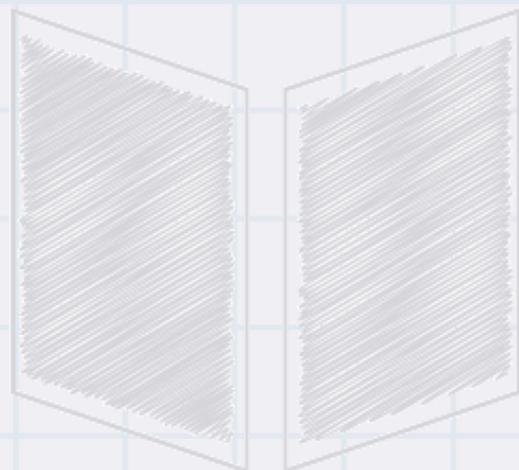
Investment Documentation

When starting to prepare for investment, there are a number of documents you will need to produce. These are usually:

- **Investment Pitch**
- **Business Plan**
- **Supporting Documentation:**
 - **SWOT analysis and plan**
 - **Milestones/KPIs**
 - **Financials**

When you get to the Due Diligence stage with an investor there may be further documentation you will need to produce. Ensuring you have all your paperwork in good order will make this process far quicker and simpler as well as being best practice and demonstrating your business management credibility.

There are lots of resources available to help you prepare these documents including templates and worked examples. In this booklet, we will concentrate on the Investment Pitch, and in particular, the pitch presentation.



The Investment Pitch

An investment pitch presentation should be a concise summary of your business plan that piques the interest of potential investors.

It should **NOT** be just a product pitch – your product is only one element of your business plan.

Before you start:

- Research how much time you will have to pitch and prepare a presentation to fit – do **NOT** overrun your time slot!
- Keep it simple – avoid jargon and acronyms
- Make it look good – this is your chance to stand out from the crowd
- Know your audience – adjust your content appropriately
- Practice makes perfect – rehearse your presentation before pitching for real to investors

How to use this guide:

On the following pages, you will find a step by step guide to preparing an investment pitch. The presentation has been broken down into each of the main slides that should be included with information about what to include in each one as well as an example slide for reference.

There is no magic formula!

This guide shows you the important information to include and a sensible order in which to present it but it is by no means a magic bullet to successfully securing investment. Use the information to build your own proposition and amend the content/order as you see fit.



The example slides:

We have developed a pitch presentation for a fictional company to allow you to see the sort of information you should look to include in your own pitch. We have tried to make it fairly realistic but it should be taken as an example rather than a serious, factual proposition!



1. Introduce yourself

First of all you want to introduce yourself and your company. Remember your audience will be evaluating you as much as what you tell them about your company. Now is your opportunity to make a good first impression and capture their attention so they engage with what you have to tell them.

What's your company?

Who are you and what do you do?

One sentence summarising what you are looking for (how much) and what you need it for.



2. Elevator pitch

Before you get into the details of your pitch, grab your audience's attention with a summary of what you do and what you are looking for. This should be less than a minute long.

Hone and learn this and you can also use it as an “elevator pitch” to introduce your proposition when networking/meeting with investors for the first time.

Here are 5 simple steps to a strong and effective elevator pitch:

1. **Grab attention** – what's the challenge/opportunity?
2. **Focus on solution** – how can you solve/take advantage of it?
3. **Inform** - what are the key pieces of information an investor needs to know?
4. **Credibility** – why you/your team?
5. **Action** – what do you want from your audience?



3. Your product

Briefly describe your product or service. Be succinct; mention key features that set the product apart from others but don't go into lots of technical detail. In most cases, your audience will be educated lay people.

Where is it in the development process? If there is more work required before it can be sold to the market then be clear about that.

Is the technology protected or protectable? What is your strategy for protecting your technology or your market position?



4. Business Model

This slide is about the Business and how you are already, or will be, making money.

For an early stage, or pre-revenue company, you will need to explain how you have arrived at the model.

Back up any statements with your market validation. If you have made any assumptions, explain the logic behind this.

For those of you in revenue, the focus should be on how you plan to make more money and scale the business.

Whatever stage you're at, you should highlight any potential sources of revenue and income generation, for example grants or consultancy work.

Some questions to consider:

- How will you make (or plan to make) money now or in the near future?
- Are there other potential revenue sources?
- If you are pre-revenue, how have you arrived at this model and price point?



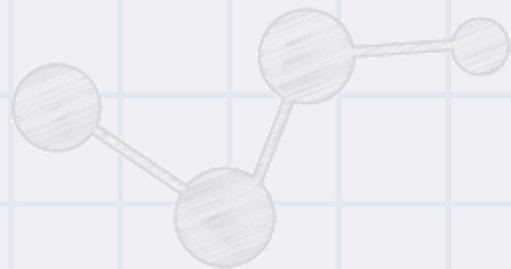
5. Market traction

Is your supply chain in place? Who have you already approached or got on board?

Are there any barriers to entry?

What is to stop someone else coming in and stealing your idea?

Have you made any sales, done a trial or carried out market analysis?



6. The market

What is the size of the market you are targeting?

Is that market growing – by how much? (quote credible sources when citing trends)

What percentage share of that market could you realistically capture, how and over what timescale?

Never say you will capture 1% of some huge industry like Automotive, just because you make a car gadget – instead get into the details of what parts of the industry you will target, why and how.



7. Competitor analysis

Competition is expected as it proves the market exists. Saying you have no competition raises a warning flag to potential investors. If your technology is truly disruptive with no obvious competitors, you should explain how you will get your customers to change from their current solution.

A great way to present competitor information is with a table or diagram:

Company	Feature A	Feature B	Feature C
Our company			
Competitor 1		x	x
Competitor 2	x		
Competitor 3	x		x

This allows investors to see your competitors at a glance as well as how your product is superior to others. A diagram, such as a Boston matrix, is a good way of showing how the different players fit into the marketplace. If doing this, ensure your axes mean that your company is displayed in the top right hand section - this is associated with positive attributes (in contrast, the bottom left hand section is associated with negative attributes).



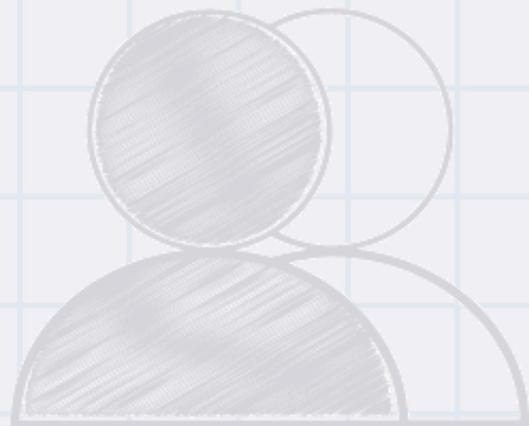
8. Your team

This is your opportunity to show why your company has what it takes to make the business a success.

Include details of all roles covered in the team – who is filling them and what skills and experience they bring. Investors are looking to see that both technical and business expertise are represented.

Are there any gaps in the team? For example, maybe you need to recruit a Marketing Director and this is one of the things you need the investment for. If this is the case, be up front and say this but include your plan for recruitment. What is the expected timeline to have someone in place? Do you have someone lined up already?

Mention non-executive Directors, advisors, supporters etc as well – it's all about adding clout and showing credibility.



9. Financial information

What is your current financial position in terms of turnover and profit/loss?

Detail any grants secured or applied for and show how these could leverage additional value for the investors.

Show projected finances but remember to be realistic and justify how they have been calculated, i.e. as you scale production, do unit costs go down? Include your predictions for 3-5 years but bear in mind that investors will be most interested in the next 12-24 months.

Be wary of predicting huge, sudden jumps into profit particularly if it's way into the future as investors are likely to view these sceptically.



10. Investment proposal

Start off by stating how much money you need and what percentage equity this represents. When calculating the percentage equity, relate it to a realistic valuation of the company rather than the percentage you would like to give away. For example, if you need £500k but only want to give away 10% equity, can you really justify a £5m valuation for your company? If not, either scale back your request or scale up the equity it represents.

So many good proposals lose the interest of investors at this point by asking for too much money for too little equity. You don't have to say how much equity the investment will buy but bear in mind that you will be asked and you should have a suitable response prepared. It is a negotiation process but you should have a good idea of what you expect or are willing to part with.

Be specific about what the investment will be spent on and over what timescale. If the investment will last a year but in your financial predictions you don't expect to move into profit until year 3, explain your plan for covering expenses in the intervening time. Do you expect to enter into a further round of investment for example?

It is also important to relate the expenditure to key milestones to be reached. This will demonstrate to your investors that they will be able to monitor the progress of their investment.



11. Exit strategy

Do not confuse exit strategy in the context of an investment pitch with you exiting from the business. One does not necessarily follow from the other. In an investment pitch, exit strategy relates to how and when the investors may make a return on their investment.

Exit strategy is the most common area where investment pitches fall down. Understandably you are focused on running the business now and helping it grow in the immediate future. Investors main focus, however, is going to be how, when and how much of a return on their investment they are going to make, so you need to give it some thought now.

Some questions to consider are:

- How will investors make their money?
- Who will buy the company?
- How long will it be before you are in a position to exit?
- What is the expected return on investment (ROI)



Thanks & Questions

Finish your presentation by thanking the investors for their time. If you have been allocated time for questions, now is the time to invite them.

This is also a good opportunity to leave your contact details on screen while you answer questions. Depending on the nature of the event you are pitching at, you may find that some investors prefer to note your contact details and then follow up with you after the event.



Extra information for an investment pitch

It can be useful to have some extra slides in your pitch deck with more detailed information in case you need it to answer questions. Remember to still keep these clear and easy to read and understand; you want to maintain the same level of professionalism even in your back up slides.

Useful extra slides can include:

- More detailed financial information or calculations for the financial information you presented
- Technical diagrams – these should make the product easier to understand
- More detailed market analysis results, testimonials etc
- Details of sales records
- Brief biographies of team members



Preparation checklist: Investment Pitch

Before you finish, go through this quick checklist:

- Have you answered all the questions (honestly)?
- Are your slides easy to read and follow?
- Do your slides look good?
- Have you practiced and timed your presentation?
- Have you thought about supplementary materials for your pitch, e.g. your product/prototype, summary sheet, business cards?
- Do you feel confident that you know everything, particularly the financials, off the top of your head?
- Have you sense checked your presentation with an objective 3rd party?

You've prepared an excellent presentation but now you have to present it in front of potential investors. A lot could be at stake.

Dress smartly – you are representing your company so convey a professional, business-like appearance.

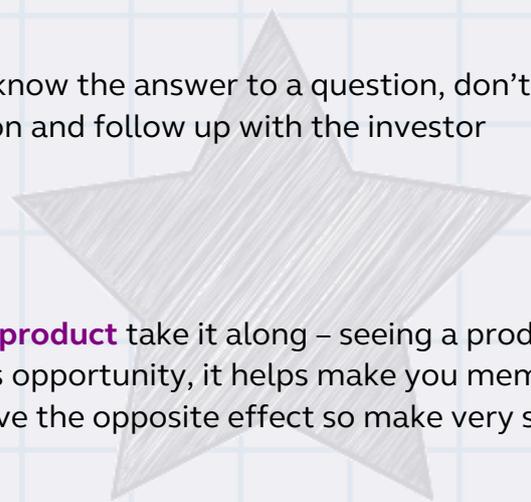
First impressions count so make sure you **smile and shake hands**. Speak **clearly and confidently** – you want your investors to believe in you so they'll be more likely to believe in your company and the opportunity you are presenting.

Stick to your timings

Answer questions but don't bluff – if you don't know the answer to a question, don't make something up. Instead take details of the question and follow up with the investor afterwards.

Take plenty of business cards

If you have a **working demonstrator or finished product** take it along – seeing a product in action not only shows investors you are a serious opportunity, it helps make you memorable. Of course, if it doesn't work on the day, it can have the opposite effect so make very sure before doing this.



Top Tips for Pitching to Investors

1. Focus on business not product

- An investment pitch is to show how your product will make money not to discuss how great it is

2. Have an elevator pitch ready

- Be able to grab attention, say who you are and what you want in less than a minute. Sell yourself as well as your business

3. Be clear & concise

- Avoid jargon, acronyms and technical terminology and don't overfill your slides

4. Be realistic

- Especially when it comes to valuing your company

5. Be convincing

- Why do you need the money? Ask yourself – would you invest?

6. Consider your exit strategy

- When, how and how much money do your investors stand to make?

7. Quantify & justify

- Provide numbers and evidence where possible to back up your claims

8. Check timings & deadlines

- Stick to your time slot and check whether you need to submit your presentation or other documents in advance of your meeting.

9. Get advice & feedback from KTN

- We are grant funded and are here to help by providing independent, objective feedback and advice

10. Don't leave it too late to ask questions or get feedback!

- Contact us early to get the most value from the support available



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website: ktn-uk.org

email: enquiries@ktn-uk.org

tel: 03333 403 250

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