

Five Steps to a Strong Pitch to Prospective Investors

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As many entrepreneurs know, funding is essential to getting a business off the ground. Investors are very busy, so you're lucky to get even a few minutes with them. The Alliance of Angels' Program Director, Rebecca Lovell, recently came to the Tri-Cities to coach aspiring entrepreneurs on how to deliver a 10-minute pitch to angel investors and to help prospective investors know what they should expect to hear in a pitch.

The Alliance of Angels is an organization dedicated to bringing together high-growth, early-stage entrepreneurs and sophisticated angel investors. The largest angel organization in Washington state, the Alliance of Angels offers clinics and workshops to educate entrepreneurs on how to position their businesses as a worthwhile investment.

"In presenting to angel investors, it is essential that you establish trust," said Lovell. "An angel's investment decision is individual, not collective, so the connection with them must be very personal."

Establishing trust is something that usually develops over time. So, how do you establish trust when you only have ten minutes? Lovell offers the following tips to help entrepreneurs sell their businesses in a limited amount of time.

Step 1: Introduce the Problem – Start by stating the problem your business will solve. The statement should be clear, concise, and in a language the average person understands. Next, reveal who has this problem and the unique way that your business will eliminate or ease the pain. Your introduction should also include a traction slide that identifies your commitment and the business's success to date. Include how long you've been working on the business, who your current customers are (separate paying from nonpaying), current and proposed channel partners, any licenses or patents, awards, etc. The introduction should take no longer than three minutes.

Step 2: Describe the Market – Do your homework and be realistic about the market you can capture. Graphs are a great way to visually break down the market and pinpoint the percentage you can realistically capture. Explain the drivers that will contribute to growth in your market share. Discuss partners that you have and partners you are pursuing. Show a revenue model, which will give investors an idea of how much money the business could expect to make. Finally, talk about who your competition is. Don't assume you have no competition – investors won't believe that.

Step 3: Introduce the Team – The right team can make all the difference. Here is where you list who is on your management team and their experience. Be sure to mention how long they've been together and if they've worked together before. If you have an advisory board, list who is on that as well. Be sure to identify who is established on the board and who is proposed – if someone is listed who is not on board, it will be discovered. By now you should be at the eight-minute mark.

Step 4: Show them the Money – Make sure the numbers add up. Use graphs to visually show financial projections. Graphs are easier for investors to follow and paint a clearer financial picture. Be sure to list the assumptions and steps it will take to arrive at your projections. It's extremely important to make sure that you are consistent with your

metrics throughout the presentation. If your numbers don't add up, investors will recognize it.

Step 5: Make the Offer – You set the terms, but remember the deal must be designed so that everyone wins. Investors want to help your business, but they also want a deal that will make them money. Try to focus on tangible milestones in using funds and be sure to have a clear exit strategy for your business. At this point you should be at your 10-minute limit.

“Investors want to make sure that you will be a good steward of their money,” said Lovell. “They want to know how much you’ve already invested and that you have a clear, realistic idea of where the business is going and what it will take to get there.”

For more information on the Alliance of Angels or to learn about future pitch clinics go to www.allianceofangels.com.