

# Impact Pitching

A slide by slide guide for entrepreneurs seeking investment capital

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*"My question is: Are we making an impact?"*

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## Introduction

This slide by slide guide to creating pitch presentations with impact is a proven methodology that results in funding from angel investors (wealthy individuals) and venture capitalists (professional investors of a venture fund). The style, content and organization are based on observations of the successful attributes of more than one hundred pitches that have been made at The New York New Media Association Angel Breakfasts and Venture Downtown conferences over the last five years. More than 30 companies have received funding using pitches based on this template. Fourteen of the Venture Downtown companies have gone public.

Throughout this guide we will use example slides based on the pitch of a company that raised more than \$5 million from angel investors and venture capitalists in 2000 and 2001. It is an excellent example of a highly compelling pitch; of the investors at the NYNMA Angel Breakfast two-thirds signed up to receive additional information and/or attend a due diligence session. The names and immaterial information have been altered at the request of the entrepreneurs. The company was a wireless gaming company that we will refer to as “Games on the Go.”

This guide was developed by McAdory Lipscomb, (mac@ceocoach.net) and adapted with permission by FastForwards. Presenting a business is an art and not a science. You may have to adjust this template to highlight the most compelling aspects of your own company and to address the specific concerns of the investors you are presenting to. Nevertheless, serious investors will expect you to cover all of the topics we discuss here. We hope you find this guide helpful and welcome your feedback.. For assistance in applying this methodology to your company, please contact:

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## Presentation Philosophy

Raising capital is a unique and distinct skill set that requires both the proper mindset and supporting materials tailored for this task. A few high level tips on the philosophy underlying the FastForwards framework:

A SALES PITCH ? A BUSINESS PITCH: In preparing your pitch for investors you will most likely be borrowing heavily from other documents you have created. You may be tempted to take your sales presentation insert some financial information and call it an investor presentation. However, you do not want investors to buy your product, you want them to buy your company. For example, a typical 50 year old male investor would be unlikely to purchase a new version of a Barbie doll, but he may be willing to invest in a company to compete with Hasbro.

TELL THEM WHAT THEY ARE LISTENING FOR: In addition to having the wrong message, a sales presentation has the wrong organization. They tend to try to build to a crescendo that will result in excitement and a quick sale. An investor presentation is just the first step in a long investment process. Investors used to hearing hundreds of pitches prefer entrepreneurs get straight to the point and address their concerns. The key is to assure them that the company meets their basic investment criteria and is a compelling opportunity worthy of further investigation. The format is similar to a business plan. To save time, you may try to take your plan or executive summary and cut and paste it verbatim directly into PowerPoint. The result is an ineffective pitch that can be read directly from the screen. Key information becomes buried in irrelevant text and excessive detail.

OBJECTIVES: While you will need to extract key pieces of information that would be contained in a sales presentation and business plan, be sure that the message fits the medium. Your goal is to offer a high-level, summarized view of your company - excite investors and convince them to participate in the due diligence process.

C.E.O. = CASH EXTRACTION OFFICER: The pitch should be given by the company's CEO not the marketing guy and not a hired business consultant. Other team members may be present to answer questions but the CEO should give the initial pitch to demonstrate facility with all aspects of the business and provide a cohesive presentation.

UNDERSTANDING THE AUDIENCE: Research your target investor and understand their backgrounds and interests. At a minimum you should know whether they are technologists, investment bankers, successful entrepreneurs or trust fund beneficiaries. Take for example, Paul Allen (Bill Gates' former partner) who actively invests via Vulcan Ventures. His website [www.paulallen.com](http://www.paulallen.com) reveals his interests include The Seattle Seahawks, Portland Trailblazers and Experience Music Project. If you were pitching Mr. Allen, you would probably want to highlight your company's cool software using a sports or music metaphor while speaking only briefly about your financial projections.



## Tips on Style

We will go into detail on the style and layout appropriate for each slide in the presentation. Following are overarching principles on presentation style. Please note that this document is meant to be read rather than presented. Therefore, it violates many of the presentation rules below e.g. it includes text that would be a voice-over in a presentation for the reader's clarity. The standard text is a 12 point font rather than 18 point etc...

TEXT = IDEAS, NOT SENTENCES: Feel free to take creative license with grammar, abbreviations and punctuation. Remove connecting words if it is feasible to do so. Your business plan should demonstrate your complete mastery of the English language, your presentation need not. Don't neglect a spell check, however, as typos will be perceived as a lack of attention to detail.

AVOID WRAPPING TEXT: Experts express many ideas on one line to avoid thought disruption.

NO WEB PAGES: Cutting and pasting screen shots into PowerPoint is **STRONGLY** discouraged; they always end up looking blurry and are usually illegible. You want the audience listening to you rather than focusing on deciphering the image. If your presentation is strong, they will visit your website later.

MAXIMUM FIVE POINTS: Use no more than five "bullet points" per page. If your presentation is clear enough you can eliminate bullet points, check marks, boxes and non-information symbols entirely to focus the audience on content.

DARK BACKGROUND / WHITE TEXT: Due to the physics of light projection, a dark background with white lettering is significantly easier to read on screen. Automatically reversing colors for printing handouts likely just requires selecting the right printing option depending on the configuration of your software and printer.

CLEAN TYPE FACE: Use a sans serif non-curlicue font such as "Arial", 18 point font **MINIMUM** for maximum legibility by investors who may be older and have vision troubles (try looking at your presentation through bifocals).

LINE UP THE DECIMAL POINTS: Wherever your presentation includes a table of numbers be sure the decimal points line up for maximum legibility. This allows investors to make quick calculations in their heads.

EQUIPMENT CHECK: When arranging your presentation, be sure to ask about availability of computers, projectors and screens. Be sure to bring back-ups. If your presentation is loaded on a laptop bring a disk as well in case of laptop difficulties. Hard copies of the presentation also work as a great back up if the audience is small enough.



## Tips on Style (cont'd)

“+”s = POSITIVE “-” = NEGATIVE: The default PowerPoint second level bullet is a “-” sign. Subconsciously this can be read as a negative and undermine the perceptions of your company. Use “-”s and “+”s appropriately.

NO LOGOS: Entrepreneurs love to include logos of their partners, competitors, and customers. Unless those logos are readily recognizable e.g. IBM, AT&T, McDonalds the presentation will read more quickly and easily if their name is included as text.

LAYOUT: People read top left to bottom right. Many entrepreneurs place their logos in the top left corner using precious screen real estate for an element that adds no information to the reader. Place your logo in the bottom right corner. Similarly, the most important information is likely contained in the body of your slide and not in the top left. Therefore, we recommend that you invert the default size layouts in PowerPoint. Your headers should actually be **SMALLER** than the information in the body of your slides (again we make an exception due to the print format of this document).

TIMING: You should spend approximately one minute per slide to give the presentation a sense of momentum without overwhelming readers with a strobe effect.

NO ROLL-INS or ANIMATIONS: This is one of the most abused features of PowerPoint. All elements of the slide should appear at once. Waiting for roll-ins will slow your presentation significantly and likely irritate your audience. Frequently, they confuse entrepreneurs in the midst of a pitch because they become unsure of the order.

DIAGRAMS: In the name of giving a presentation life, entrepreneurs frequently insert, diagrams and clip art in places where simple text will suffice. If you need a laser pointer to explain the diagram then it should be redesigned to be self explanatory.

CHANGE YOUR OWN SLIDES: The most effective presenters change their own slides. Frequently a laptop can be set up as a “tele-prompter” with the presentation visible on both the laptop and the main screen Try the function keys F10, F8 or F5 to change the projection option. This allows the entrepreneur to face the audience while speaking and has the added advantage of allowing them to control the pace of the presentation.

Flip through the slides that follow and you will see how Games on the Go adhered to these guidelines to create an impactful pitch and raise more than \$5 million in venture finance. Following you will find a slide by slide analysis of their presentation.



## Title Page Commentary

The company title page (see next page) should include the name of the company and the size of the round of financing to be raised.

INTRODUCTION: As the slide is shown the presenter should introduce themselves by name and title:

*“My name is John Smith. I am the CEO of Games on the Go.”*

In mentioning the company a one sentence description of your company is appropriate to orient the listener.

*“We are creating a platform and titles for the wireless gaming industry.”*

Introduce any of the other members of the team attending the presentation by name and title. In introducing other members of the team be sure to avoid the use of the word “my” as in “This is my CTO.” The team should project a cordial, harmonious relationship even if you spent the past three days in heated discussions about the company’s sales strategy.

*“With me today is my esteemed colleague, David Hale, Games on the Go’s Chief Designer, who will be happy to answer any technical questions you may have.”*

Finally, a simple statement of how much money the company is looking to raise at this time. Frequently entrepreneurs like to include a range in the amount they are looking as a hedge. In the worst cases they will say things like “I’ll take anything you want to give me.” It is important to project decisive confidence in your company, based on conservative and aggressive growth models. If it is a range you are presenting, make sure towards the end of your presentation to briefly explain what you think can be achieved if you were to take in the minimum or maximum amount you are seeking.





# Games on the Go

**\$ 2.5m Interim Round**

**\$ 20.0m Institutional Round**



## Overview Slide Commentary

Providing a clear roadmap of your presentation allows you to maintain control of your presentation and present all of the information in a coherent manner that you are comfortable with. A typical venture capitalist will allocate 20 minutes for your initial presentation. If after three or four slides your presentation appears to be heading in the wrong direction they will interrupt.

EXPECTATIONS: In introducing this slide the presenter should indicate the amount of time they plan to speak and the topics to be covered.

*“I am going to take about 15 minutes to tell you about my business. We will quickly cover background of the Management Team, our financial projections, the products and services that we plan to offer, the size of the market, our distribution strategy, our revenue model, the competition, the barriers to entry in this market, how we plan to use the funds we raise, some of our milestones to date, and specifics on the company valuation. Feel free to ask questions as we go along or when we finish.”*

This may seem a little stilted at first, but if done briefly it is very effective at setting expectations for the listeners. The classic presentation formula is “Tell them what you are going to tell them, tell them and then tell them again.” A summary at the end will recap the key points of the presentation in the exact same order as the overview slide.

ROADMAP: Please note that the bullet points on this slide should track almost exactly to the headers on the slides that follow. If you hand out copies of the presentation, this is helpful as a table of contents so listeners can flip to the critical sections. In a subtle manner, it also demonstrates that you deliver on your promises - I told you that I would I tell you about my competition and I did. I’m telling you that I will return five times your money in five years and I will.

\* STYLE POINTS: Note how clean and legible the overview slide is. Bullet points are not necessary because each line is clearly its own thought. The 24 point font and sans serif font make this slide pop!



## Overview

**Management Team**

**Financial Overview**

**Products**

**Markets**

**Customer Strategy & Distribution**

**Business Model**

**Competition**

**Barriers to Entry**

**Use of Proceeds**

**Milestones**

**Valuation & Investors**

**Next Steps**

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## Management Team Commentary

The angel investing cliché is “Bet on the jockey, not on the horse.” This slide should list the critical members of the team (the jockeys) and their qualifications. It identifies who will run the company day to day (CEO), who will watch the investors money and what type of financial controls will protect an investment (CFO), who is developing the product distribution plan and running sales and marketing (CMO) and finally, who is in charge of product development and production (CTO/CIO/CPO).

Mention the total number of full time and part time employees in the speaking points. Investors will be looking for:

SERIAL ENTREPRENEURS: Regardless of a previous ventures success include information here on previous start-ups here focusing on money raised, sales figures, milestones reached etc...

RELEVANT SALES EXPERIENCE: As an entrepreneur, you must “sell” your business to customers, partners, employees and investors. The amount and nature of any *directly relevant* sales experience is a major plus.

MANAGERIAL EXPERIENCE: Demonstrate the you have managed people and a P/L before.

PEDIGREE: Schools, degrees, certifications all provide an investor with confidence in your abilities. Mentioning names of reputable clients or employers can strengthen your presentation as well.

The Games on the Go slide below focuses primarily on the relevant experience of the team because it clearly demonstrates their ability to run this business.



## Management Team

### CEO and President, John Smith:

- Developed 50+ games w/TimeWarner, News Corp, Sony, AOL
- Co-designed 1st 100,000 player online game, *AngryMan*

### CFO, Adam Finkelstein:

- 15 years of game sales, \$1M+ each yr., last 5 years
- Comptroller Activision, Financial Analyst Electronic Arts

### CMO, Jennifer, Hobarth:

- Comptroller, Bank of New England; Financial Analyst, iVillage
- MBA, NYU Stern, B.A. Economics, Wellesley College

### Chief Designer, David Hale:

- Designed and published 27 electronic & paper games
- Clients include Viacom, France Telecom, Mattel, Sarnoff



## Financial Overview Commentary

The purpose of the financial overview slide is to size the business and market opportunity in quantitative terms. Use clear, concise, easily read numbers that a reader can digest quickly

KEEP IT SIMPLE: Simple financial information defines clarity of thought. Use few numbers but give the most information. Investors may want to do a detailed analysis of your financial projections and assumptions in due diligence but not until they have heard more about the business.

THINK MILLIONS: Leave the zeros off and present financials in millions for clarity. Use units consistently throughout the presentation.

IT ALL ADDS UP: Do the math for the reader and get it correct. Revenues minus expenses = net income.

COHERENT FINANCIAL PICTURE Establish “threads” to significant later information. Make sure the numbers on the financial overview match numbers presented elsewhere and the numbers in your business plan and detailed financial statements.

REASONABLE TIMEFRAME: Private equity investors generally expect to cash out within 3-5 years. Therefore, your projections should typically be over the same time frame. In the dot com boom, we recommended just three years worth of financials. However, companies are now taking longer to reach a liquidity event and we are recommend a four year timeframe. There are exceptions based on the business you are in traditional growth and liquidity timeframes within your particular industry sector. For example, pharmaceutical companies frequently take much longer to grow due to regulatory hurdles and require investors to stomach a longer time horizon.



## Financial Overview (\$m)

	YE01	YE02	YE03	YE04
<b>Revenue</b>	<b>6.8</b>	<b>47.0</b>	<b>127.4</b>	<b>263.1</b>
<b>Expenses</b>	<b>17.6</b>	<b>45.8</b>	<b>101.7</b>	<b>168.7</b>
<b>Net Income</b>	<b>(10.8)</b>	<b>1.2</b>	<b>25.7</b>	<b>94.4</b>



## Products Slide Commentary

This is a critical element of your pitch that will define the nature of your business. You need to clearly and concisely explain the nature of your product or service.

For Games on the Go their pitch was:

*“ We have created the first wireless games company that lets people play multiplayer games, on their phones. In addition we provide the billing, delivery and community platform to enable each wireless carrier to deploy, bill and collect for the air time used for game play entertainment.”*

That’s about all they said. They could easily have fallen into many of the traps described below and tried to convince the group to play one of the games in real time. However, it would have detracted from their pitch and used up valuable time that they spent describing their business.

UGLY BABY SYNDROME: Entrepreneurs want to spend a disproportionate amount of their available time to discuss their product or service - this is their true passion, their baby. However, investors don’t care how cute your baby is. All they want to know is if she’s going to grow up, attend an Ivy League university and make them a million dollars.

NO PRODUCT DEMOS: Entrepreneurs love to do product demos to show off their babies. This is appropriate at a due diligence session but not at an initial investor pitch. They always take 2-3 times as long as an entrepreneur thinks and are less relevant than other information. Be prepared to do one if asked in the Q&A.

NO LIVE DEMOS: Live demos are like playing Russian Roulette. If they fail, your pitch is over. They frequently fail. Eliminate all potential points of failure in your presentation and maintain control of your pitch. This will allow you to focus and not worry about whether or not the corporate firewall at your presentation site will interfere.

NO WEBSITE TOURS: If your pitch is compelling enough, investors will check out a website tour after your pitch.

NO VIDEO CLIPS: Free publicity may be important to your distribution strategy, but investors will have little interest in watching Oprah Winfrey interview you if you are present in the room.

\* STYLE POINT: note how each line on the slide below is a single active thought that does not wrap to the next line.





## Products

### Mobile Games Service

- Suite of easy, device friendly games
- Designed to the strengths of the medium
  - ✍ Portable: Play anywhere
  - ✍ Ubiquitous: Play anytime
  - ✍ Networked: Multiplayer games
  - ✍ Voice: Build communities

### MobileStage Platform

- Carrier-grade stable & scalable architecture
- Customer and community support
- Client device and platform agnostic
- Low-cost billing & provisioning carrier support



## Wireless Market Slide Commentary

The market slide should define the overall size of the opportunity. Providing this information to investors demonstrates that the business has sizable room to grow and that the business is not in too small of a niche. They can also be used to help identify the other competitors in the space and their relative positioning. These numbers indicate that due diligence has been done and reaffirm how you will grow your business in accordance with the numbers presented earlier.

3rd PARTY VALIDATION: Statistics from research institutions, wall street analysts, industry trade associations and government agencies can provide credibility for your plan.

2% OF A TRILLION PROBLEM: Many entrepreneurs identify a huge market and then base their financial projections on the assumption that they will get just 2% of a trillion dollar market. This top down approach is a mistake. Investors expect, that entrepreneurs will generate their financials from the business fundamentals such as the length of the sales cycle and the amount of sales each salesperson can reasonably be expected to generate.

ESTABLISHING NEW MARKETS: Paradigm shifting technologies create whole new markets that may be hard to quantify. Entrepreneurs with these revolutionary companies should provide some information on the markets that will be impacted by the new business.

\* STYLE POINT: Note the alignment of the decimal points in the Games on the Go slide for clarity of calculations about the current status of the market and its future potential.



## Wireless Market

### Near Term: Internet Enabled Phones

- 1.0b people 2003 (IDC)
- \$6.0b world wireless games market 2004 (Datamonitor)
- 7.1m phones in Europe 2000 (Forrester)
- 107.0m phones in Europe 2002 (Forrester)
- 525.0m in Europe & North America 2003 (Strategy Analytics)
- 20.0m North American phones 2000

### Long Term: New Platforms

- J2ME, Palm, PocketPC, Psion, EPOC, Blackberry
- Handheld game console w/built-in phone
- Third generation (3G) mobile networks and phones
- Bluetooth-enabled



## Games Market Slide Commentary

Games on the Go determined that it was critical to define both the wireless market and the games market separately since the wireless games market was just beginning to emerge. Furthermore, there was some concern that the gaming market may be perceived as having limited size. In applying the template we suggest, it is critical that you adapt your presentation to the particular strengths and weaknesses of your plan. FastForwards offers one on one coaching sessions to assist entrepreneurs with this process.



## Games Market

Fastest growing entertainment market segment

\$8.0b US game software market

\$1.6b Wireless games US & Europe 2003  
(Datamonitor)

33% Internet users play games online

90% Internet gameplay is multiplayer

Games are “stickiest” sites on the Internet

✍ 120 min/month (Uproar, Lycos' Gamesville)

✍ 2000 min/month (Ultima Online, EverQuest, Gemstone)

GameBoy: 5 of 10 best selling games of 1999 (NPD)



## Games Market(2) Slide Commentary

The slide below addresses some common misconceptions about the nature and size of the gaming market to reassure investors that it is not just a niche industry. Some entrepreneurs like to leave a few obvious questions unanswered to provide themselves opportunities to answer easy questions in any Q&A period. However, the great danger is that the questions will never be asked. We recommend addressing potential objections during the presentation, conceding any weaknesses when necessary.



## Games Market (2)

### Online player demographics (IDSA)

- 53% women & outnumber men
- 40% household income >\$60k
- 60% between the ages of 25-44
- 21% play at work

### Wireless game targets

- Online gamers
- Mobile Warriors (business and self employed)
- GameBoy kids
- Generation Y: cellphone generation
  - ✍ Market taste-makers
  - ✍ What GenX did for MTV in 1987



## Customer Strategy & Distribution Commentary

This slide defines the plan for sales and distribution of your product. Simply creating the best product does not guarantee success. Betamax was far superior to “VHS” and yet was a resounding commercial failure. You should be able to explain your cost of acquisition per customer, sales channels, sales cycle, industry focus, geographic focus and demographics of your target customer.

Games on the Go customers all had to own a cell phone in order to make use of the service. Therefore the company chose to distribute directly through the wireless carriers to reach a broad audience with minimal expense.

WEBSITE DISTRIBUTION: If you plan to sell directly through your website you will need to clearly indicate how you plan to drive traffic to your site and how much this will cost per unique visitor as simply creating a website, getting listed in search engines and exchanging links with affiliates is no longer considered a strong marketing strategy.





## Customer Strategy & Distribution

### Contracts

- Verizon, first product delivered Nov 15, 2000
  - ✍ Top “Games” menu placement
  - ✍ Additional games rolling out in Dec, Jan, and Feb
  - ✍ Three revenue streams
- Sprint, business terms agreed
  - ✍ Delivering 3 applications by Feb
  - ✍ Multiple revenue streams
- Development MOU’s
  - ✍ Motorola
- Negotiations Ongoing
  - ✍ Several major carriers



## Business Model Slide Commentary

The business model slide explains to the investor where the revenue is generated. The revenue totals should match the “thread” established earlier on the financial overview page. Be certain to use the exact same time frame and units. If you have multiple revenue streams, indicating the relative importance of each will define whether you are primarily a product or service company and how your product mix will change over time.

CONSULTING CONUNDRUM: In order to bootstrap their businesses, many entrepreneurs take on consulting projects. Consulting businesses generally do not require a significant capital investment to breakeven and grow. However, investors are hesitant to get involved with consulting businesses. They are difficult to scale as additional employees require training, Consulting businesses also have few inherent competitive advantages or barriers to entry.

RECURRING REVENUES: If your business generates sizable, regularly recurring revenues and customers have indicated some willingness to pay these fees, your company will be much more appealing to investors.



## Business Model (\$m)

	YE01	YE02	YE03	YE04
Platform	4.7	23.9	56.9	109.0
Useage & Analysis Gateway 3rd party host				
Games	2.1	23.1	70.5	154.1
Incremental Air User Pay/Play & Subscription Adv & Spon				
Rev Total	6.8	47.0	127.4	263.1



## Competition Slide Commentary

To demonstrate their understanding of the market, entrepreneurs should always list competition. Anyone who says there is no competition will appear naive in their market analysis. Competition validates that the company is likely pursuing a real market opportunity. If there is nobody else competing in the market yet, a frank discussion of who might enter the market if you are successful is appropriate.

Be careful about over talking this page. You will want to identify and dismiss each of the competitors in turn.

The weaknesses of each competitor should serve as a foil and help an entrepreneur clearly explain the barriers to entry they have established.

\* STYLE POINT: In the Games on the Go slide note how the plusses and minuses are used to indicate the strengths and weakness of each competitor.



## Competition

### US

- iEntertainment Network (PC games focus)
- Jamdat
- Pogo.com (Nokia investment; Excite@Home complication)

### Europe

- Developers: Digital Bridges, In-Fusio, Riot-e
  - Most have little or no multiplayer game experience
  - Many lack online operations experience
  - + Access to wireless savvy culture and developers
- Nokia
  - No game development experience
  - No community management experience
  - + Access to operators
  - + Control of hardware



## Barriers to Entry Slide Commentary

This section tells investors what you have that will keep the other competitors out of your business and ideally should flow seamlessly from the explanation of who the competitors are. This is one of the hardest slides for start-ups because many early stage companies are easy to replicate once the company has proven its success:

MONOPOLIES = GREAT BARRIERS TO ENTRY: If you seek information on how to erect barriers to entry, Michael Porter has written several books and articles on the subject. The underpinnings of his methodology are based on a study of government definitions of monopoly:

- Economies of scale: McDonalds has enough scale that it can sell hamburgers for just \$.99
- Product differentiation: Coke's secret recipe creates a unique taste reinforced by heavy brand marketing
- Capital requirements: creating a new airplane costs billions of dollars, limiting the # of manufacturers worldwide
- Cost disadvantages independent of size: experience in industry can reduce costs as companies become more efficient
- Access to distribution channels: Martha Stewart's relationship with Kmart is a classic though infamous example
- Government policy: telecommunications spectrum auctions, FDA approvals, liquor licenses all inhibit competition

INTELLECTUAL PROPERTY: For many start-ups patents are the easiest barrier to erect. Identify any patents held, patents pending, and geographic coverage. An attorney's firm name, especially if known for patent work is helpful. Note that a patent without the financial wherewithal to defend it in court is of dubious value. With the number of questionable patents currently being issued, investors perceive patents to be largely defensive.

NOBEL PRIZE WINNERS?: Key talent can also be a significant competitive advantage for start-ups. To create Netscape Jim Clark hired not only Marc Andreessen **creator of Netscape's predecessor but ALL of his graduate school colleagues as well.**

MYTH OF FIRST MOVER ADVANTAGE: Touting one's first mover advantage in the aftermath of the dot com bust is no longer a compelling argument.



## Barriers to Entry

- Platform integration experience (COLS, early Internet)
  - ✍ Patentable Platform Applications
  - ✍ Favored placement
- Multiplayer game experience (10 years online)
- Proven online content development and delivery
  - ✍ Built stable and scalable back-end systems
  - ✍ Supported large player communities
  - ✍ Carrier integration, 100k+ simultaneous players
- Stable platform
- Customer retention operators & portals



## Use of Proceeds Slide Commentary

Your use of funds will help define your company's stage of development. Investors want to know if you need funds to complete software development or plan to spend the money for sales, marketing and distribution. Investors also want to see that you have the discipline to determine exactly how you will spend the money you are trying to raise.

SUPERBOWL SILLYNESS: Investors want to make sure that you are not planning on squandering their funds on an extravagant launch party or brand building Super Bowl ad. You will need to be prepared to defend a large marketing budget if you require one.

REMEMBER YOUR ROI: Spending money is relatively easy. In reviewing your use of proceeds, however, consider exactly how each dollar spent will contribute to the overall return on investment.

CASHING OUT: Ideally, the new funds will be used for purposes that will generate a significant return on investment and not to retire past debt. Using new funds to cash out earlier investors raises a red flag for the investor. If the company is worthy of their investment, earlier participants should not be cashing out by choice.

RUNWAY AND MILESTONE: Investors want to assurance that the funds you are raising are sufficient for a MINIMUM of six months of operations and are adequate to allow you to reach the next critical milestone.

\* STYLE POINT: Note that the total use of proceeds on the Games on the Go slide matches the size of the round listed on the title first page, the units are consistent with the units used elsewhere in the presentation and the decimals points line up for a quick and easy read.





## Use of Proceeds (\$Ms)

### Interim Round

Payroll	\$1.25
Overhead	.42
Capital equipment, hardware & software	.36
Legal & other professional fees	.18
Travel & Entertainment	.06
Accounts Payable (primarily NOC)	.22
Marketing & public relations	.01
Total	\$2.50



## Milestones Slide Commentary

Entrepreneurs should provide a chronological record of their accomplishments to date, show momentum behind the business growing and the arc of a successful trajectory. This list may include key milestones in product development, customer acquisition, financing rounds, additions to the management team etc... The timeline should extend at least through the next year and if possible through the next four years to correspond with the projected financial information.

PUTTING MONEY WHERE YOUR MILESTONES ARE: Entrepreneurs should be VERY realistic in the targets they set on their milestone slide. Investors are posing tighter fiscal controls and many have been engaging in milestone financing; they commit to a large round of funding but only release funds based on set criteria in the company's development. They may not only withhold funds but also peg the company valuation to certain key milestones.



## Milestones

<b>Launch Games on the Go</b>	<b>June 2000</b>
<b>Closed \$1.0 m financing</b>	<b>June 2000</b>
<b>Signed Verizon Distribution Contract</b>	<b>Sept. 2000</b>
<b>Delivered 1st game to Verizon</b>	<b>Nov. 2000</b>
<b>Sprint business terms agreed</b>	<b>Nov. 2000</b>
<b>Interim financing round</b>	<b>Dec. 2000</b>



## Valuation & Investors Slide Commentary

The valuation slide describes who has put in what funds so far and at what valuation. Be as specific as possible. Previous investors demonstrate the company's ability to attract smart money and close on capital. Request permission from your existing investors to release their names and then use their reputations to sell additional investors if possible.

The investment community is very small and entrepreneurs should expect that new investors will contact your existing investors for the inside scoop.

IT'S WORTH WHAT SOMEBODY WILL PAY FOR IT: Entrepreneurs frequently hesitate to provide an answer for the valuation question and will often try to defer this discussion until after an in-depth due diligence session. Our recommendation is that a frank answer can often save both the entrepreneur and the investor a significant amount of time. Investors want to know that an entrepreneur is at least in the right ballpark before doing any significant work. A good response is "The market will decide, but we believe the company is worth X-1.2X." This answer demonstrates a willingness to discuss offers that are consistent with market rates and hopefully demonstrates an understanding of where the market is at. A 20% range provides some wiggle room, but demonstrates precision. One way to ponder the valuation question, is to determine how much the entire company would sell for if the entrepreneur were completely cashing out and then adjust the valuation of the funding round accordingly.

DEFERRING THE VALUATION QUESTION: One popular way to defer the valuation question if the company is at an Angel stage and pre-revenue is to structure the investment as a 10-30% discount to the first institutional round but even then the entrepreneur should have a good grasp of what valuation they expect at the institutional round.

FOUNDERS: If possible, founders should demonstrate that they have invested real cash into the business in addition to their sweat equity.

THE THANKSGIVING RULE: The difficulty with asking family members for money for your new venture is that it disturbs any barriers between your personal and professional lives. At Thanksgiving dinner do you really want to have to discuss when Aunt Bertha the progress of your latest financing round? Unfortunately, outside investors expect that those who know you best will provide you with that first tier of financial support.

ANTE UP: Investors in the next round frequently expect that early investors will re-invest in the company at each successive round to demonstrate their commitment to the company. Do not neglect your investors after the check clears. Periodic progress updates will help garner the continuing financial support of your investor base and may help you address unexpected challenges.



## Valuation & Investors

Seed Round: \$ 1.0m @ \$3.0m pre

Interim Round: \$ 2.5m @ \$5.0m pre (pending)

Institutional: \$20.0m @ \$8.0m pre (pending)

### Current Investors

- East River Partners
- David Schwartz
- Jonathan Costello
- Big Apple Ventures
- Tom and Tim Equities
- Strategic Advisory Associates
- Telecom Ventures



## Review Slide Commentary

A quick review of the key points in the presentation allows the entrepreneur to reinforce their message. The review should be done in the same order as the overview and the presentation itself. This synthesis of the one most important aspect of each slide can be a powerful tool and can be an effective elevator pitch to quickly describe the business to investors, press, suppliers and customers.

If the entrepreneur has stuck to the script and the time allotted, there is a significant payoff of “telling them what you told them.” It reinforces the idea that this is a person who keeps their word. They said they were going to speak for 15 minutes covering all these topics and they did. They told me they are going to provide a significant return on my investment and their pledge is much more credible than it would be if they rambled.



## Review

Management Team	Game, platform & seasoned management
Financial Overview	\$263.1m revs in '04, \$94.0m net income
Products	Scalable, stable platform, Multiplayer games
Markets	½ b web phones '02, 200 mins/mon, MTV
Customer Strategy	Verizon, Sprint, Motorola, major carriers
Revenue Streams	Platform, airtime, sponsors, subscriptions
Competition	US, pogo.com; Digital Bridges & other EU
Barriers to Entry	Team, Platform patents, distrib., multiplayer
Use of Proceeds	Development, distribution, operations
Milestones	Signed contracts, first games delivered
Investment	\$2.5m interim, knowledgeable investors



## Next Steps Slide Commentary

The final slide should describe how you expect interested investors to proceed and provide them with the opportunity to go to the next step. An office tour, due diligence meeting, product demo are all good next steps.

THE CHECKBOOK PLEASE: You should not be afraid to ask for money but don't expect them to write a check while sitting in front of you. (This presentation template is good but it's not that good.)

DON'T ASK QUESTIONS - SOLICIT FEEDBACK: After you present try to help guide the conversation. Gather intelligence about their investment procedures, their thought process and competitors they may have seen. Make notes on their questions for you as they will frequently repeat these questions in future meetings and you will want to have a consistent answer each time with additional supporting detail at subsequent sessions if possible.

\* STYLE POINT: always include complete contact information for the company to facilitate future communications.





## Next Steps

### Due diligence session

December 6, 2000

12 - 2pm

222 Broadway @ 23<sup>rd</sup>, 4<sup>th</sup> Floor

### Contact Info:

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### Questions / Feedback?



## About the Co - Authors Ben Goodman & McAdory Lipscomb Jr.

### Ben Goodman



Ben Goodman is Managing Director of FastForwards ([www.fastforwards.com](http://www.fastforwards.com)). Over the last seven years, he has worked with more than 75 entrepreneurs assisting them with the fundraising process.

As Director of NYNMA Ventures, Ben structured the New York New Media Association's Angel Investors Program ([www.nynma.org/angels](http://www.nynma.org/angels)). The program was ranked top ten nationwide and #1 in New York in 2001 by *Angel Advisor* magazine. At NYNMA, Ben also worked with a committee of 30 venture capitalists to coordinate selection of companies for Venture Downtown 2001 ([www.venturedowntown.org](http://www.venturedowntown.org)), New York's largest venture conference..

Ben has spoken about the fundraising process at a number of industry events including ITAC's FastTrack, iBreakfast's iINNOVATOR Evening, the Harvard Business School African American Association Private Equity Conference, and the Columbia Organization for Rising Entrepreneurs .

Ben began his career developing online strategy and has worked in interactive advertising with clients implementing effective online solutions. He graduated Phi Beta Kappa from Brown University with a degree in International Commerce and holds an MBA from the Haas School of Business at U.C. Berkeley with a concentration in Management of Technology.

### McAdory Lipscomb Jr.



McAdory Management Strategies was founded by McAdory Lipscomb Jr. who has worked on communications challenges for politicians, entertainers, networks and entrepreneurs for more than 30 years. In addition to an MBA, MA in Speech and deep love for communications he has worked with diverse individuals from President Jimmy Carter to Don King. His work with more than 300 companies that have raised more than \$1.0b including road show coaching established him as the go to coach for many entrepreneurs. He crafted a simple approach of understanding the outcome of communications before you plan and deliver the input.

