

Creating Effective Investment Materials

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Agenda

- About Dave
- Enterprise Sales Process
- Capital Stack
- Tools and materials

About Dave

- 5X founder, Board Member, former SVP Programs at UP Global (Startup Weekend + Startup America)
 - Startup Next creator
 - Startup Week
- Senior Partner, Fearless.fund
- Author – "[Trajectory: Startup – Ideation to Product Market/Fit](#)"
- >15 transactions – 8 sell side, 2 buy side now with [NextPath Advisors](#)



Fundraising 101

- Stage appropriate capital = what's the right money at the right time?
 - Early – Angels, early-stage VCs,
 - Later – Large venture funds
- Control shifts – Board roles, deal terms
- Dilution: every round of funding you will sell 25-35% of new shares
- Bad boards = bad enterprise value

Fundraising Process

- Asking for advice vs cash
 - Who do you know that would like our type of deal
 - What other things would you like to see us complete before we talk again
- Deals that get closed are pulled by the investor, not pushed by you
- Find your lead investors – keep the others warm

Stage of Capital

- Friend & Family – idea stage
 - Pre-Seed – pre-product, pre-revenue
 - Seed 1, 2, + - early product, early revenue
 - Series A, B, C + - Shift to growth capital and scaling
- You set price
- They set price

Clear Terms or Lead Investor

- With early rounds you can set price/terms – but you need to set ALL of the terms for investors to act
 - The default position is NO
- Later rounds – price and terms will be set by the lead
 - Usually 50% of round = “Strong Lead”

Party Rounds and Term Sheets

- If the price of your deal is reasonable – you can create a party round w/o a lead investor.
- If you have a lead investor
 - 33-50% of the round, they set price and terms
- Term sheet sets the process
- You follow with definitive docs from your lawyer
- Legal cost are part of the round of investment

Bad

- Raising \$200K
- First product
- First revenue

Good

- Raising \$200k
- Convertible Debt
- Interest rate
- Cap
- Discount
- Wire Instructions

Raising for What – Use of Proceeds

Early Days

- 6-9 Months
- To hit milestones
 - Product
 - Customers

First Institutional

- 18 months of runway
 - Not too short
- To hit milestones
 - Product
 - Customers

Capital Stack

Angels

- Invest in you and your passion
- Like the market or idea
- Have made money in the sector before
- Something to talk about at a cocktail party!
- Deal type
 - Convertible note with a cap
 - Pro-rata participation (keep my % going forward)
 - Highest risk – least educated (F&F) should be best deal

Early Stage = Risk Capital

- Know your numbers, if you don't have your numbers know your hypothesis (have a position)
- Seed stage VC's are investing other people's money
 - Charter and Thesis
 - Stage, vertical market, size, geography
 - 10% (+/-) stakes plus syndicates
- VC perspective - Elusive deals need to be found
 - Revenue but Pre-product market fit
- "Return the Fund" deals that can produce >10X

Institutional Investors

Moving up the capital stack:

- Investing someone else's money
- Nano/Micro VC - <\$10M Funds
- VC
- Growth Equity
- Private Equity

Later Stage = Growth Capital

- Post product market fit
- \$10K in marketing spend = Internal rate of return (IRR) of how many days?
- MBA's calculate returns – cash on cash
- Strategics aren't valuation sensitive, but will be slow
- Bigger checks – bigger stakes

Fundraising Process

- Enterprise Sales Process – landing multiple planes at the same time
- Top of the Funnel
 - Research
 - [Crunchbase](#) (cheap) [Technation](#) UK
 - [Pitchbook](#) (expensive)
 - [AngelList](#)
 - Competitive deals (w/ Exits)

Target Investors

- Targets – build a list of targets, look for LinkedIn and/or email introductions
- They have invested in your market/stage in the past
- They have Board experience for your stage
- They can help with strategic introductions
 - Investors
 - Customers

Build the List

- Who has invested in similar markets
 - In region, outside of region
- Ask for referrals to other investors, angels and early stage funds
- Networking events
- Capture names, emails, notes, and profiles

Tools and Materials

First Impressions Matter

- Targets – build a list of targets, look for LinkedIn and/or email introductions
- They have invested in your market/stage in the past
- They have Board experience for your stage
- They can help with strategic introductions
 - Investors
 - Customers

Tools for Pitching

- Prompt:
 - Forwardable Email
 - Executive Summary
 - Presentation
 - 10-12 Slides
 - More is OK if you have data/traction
 - Monthly Update

Prompt Madlibs Pitch

Hi, I'm <your name here>, and my company <your Company name here> the problem I'm solving is <insert problem here>. Our product <insert product info here> is designed for our target customer of <insert target customer here>. We make money by <insert method here> and our team is the right team because

Forwardable Intro Email

- Great blog post from [Alex Iskold](#), Techstars NYC
- The associate needs to be able to repeat your message
- Make it easy to get the introduction
- Avoid buzzword bingo

Executive Summary – getting the meeting

- Two pages
 - "Don't Bury your Lead"
 - Your headlines and opening paragraph tell the story (see slide 10)
 - It's designed to get the next meeting, not to get a check
 - Stay at 10k feet and out of the weeds
 - Numbers should sync with deck and forecast!
You'll be tempted to get out of sync – be careful!

Deck – for the meeting

- Generally lead with problem/solution format
- However:
 - If you have traction lead with traction
 - If you're in a complex market, you may want to lead with your team
 - Have one customer story arch
- Include contact info

Telling a Story

- Don't be too rigid – “Problem” “Solution”
- Find your voice
- Tell a story
 - Beginning, middle, end
- Tick the boxes
- Your customers life before you product, their life after your product

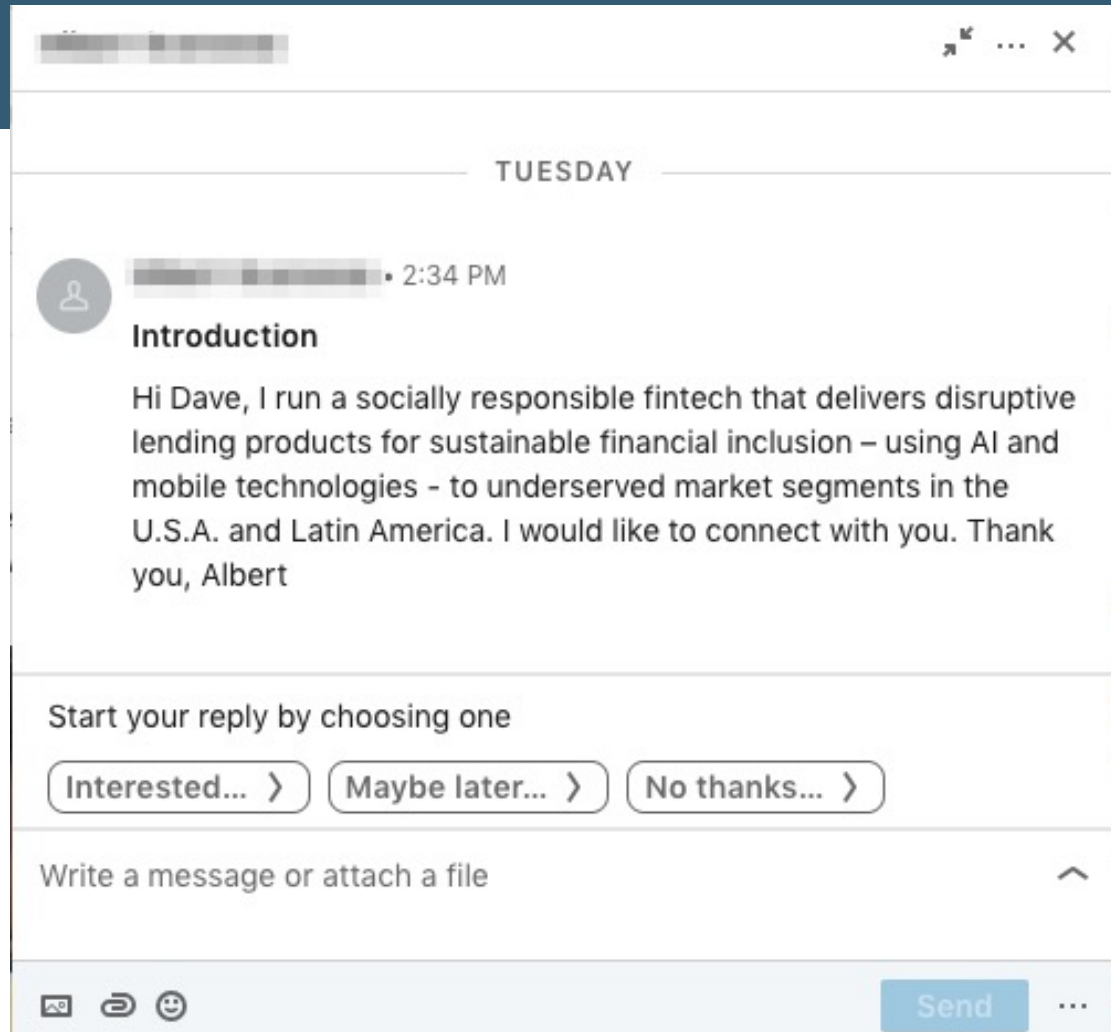
Monthly Updates

- Using MailChimp Free Account
 - Investors – Tagged vs prospects
- 30 day intervals
 - What we thought
 - What we learned
 - What we're doing about it
 - Where we need help
- Regularly

Cold Outreach

- Look for introductions where you can get them
- Cold outreach is fine, but:
 - Research the firm and investment thesis prior to email
 - Zero email/LinkedIn responses will work if there isn't something interesting or custom to the recipient

Not



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LinkedIn Outreach

- Short message – 2nd degree connection
- Long message – InMail
- Subject Line
- TextExpander scripting tools
 - Subject lines
 - Body copy
- Hubspot/Calendly – for calendar invites

Document Management

- If you're asking for feedback – Gdoc
- Forwardable – PDF Exec Summary with intro email
- DocSend, HubSpot - require email to view
 - Won't be forwarded

Data Room

- Contain corporate docs, contracts, employment documents, financial folder since beginning
 - Museum quality!
- Drive type
 - Google Drive
 - OneHub - watermarked, tracked who views what docs

Virtual Assistants and Fiverr

- Download contacts from LinkedIn
- Scrape email address
- Individual email – not MailChimp – sent from your gmail account
- Test subject lines and body copy

Calendar Blocking

- Block regular time on your calendar for outreach
- Keep that time like an in person appointment
- Always be building your list and network

Tools

- Google Sheets – simple tracking
- Hubspot – basic CRM setup
 - Email open tracking, calendar scheduling, document sharing
- Calendar tools – Calendly, FreeBusy.io
- Zoom Meeting – (not free, 45 minute limit)
- Use tools that show professionalism, drive the meeting schedule – don't wait on their assistant

Deal Structures

It's important the cash goes to
the company not the attorneys

Managing the Legal Process

- You need to manage the process
 - Communications
 - Drive process with Legal
 - Be careful of them negotiating on your behalf w/o approval
- Legal cost for both sides are paid by you!

Convertible Debt

- Is a loan to the company from investors
- Loan amount
- Term – three year term
- Interest rate - ~5%
- Cap
- Discount
- Series Seed Convertible Debt = \$3k legal cost
 - Cheapest and fastest way to get
 - Converts when you raise a priced round

Safe Note

- Ycombinator (YC) Docs
- A commitment to buy stock at a future price
- Cap
- Discount
- YC Safe Note = \$5k legal cost
 - [YC Docs](#) – Simple Agreement for Future Equity.
 - When you raise a priced round

Priced Round

- The company sell shares of the company at a price per share
- Price-per-share
- % of company purchased
- Pre-Money/Post-Money Value
- Priced Rounds – [Series Seed Doc Template](#)
 - \$15k with templates
\$40k+ w/o
 - “Redlines” = expensive

Pitching your Idea

- Clearly communicating your idea is critical for recruiting a co-founder and capital
- Starting strong
- What questions do you want the audience to ask when you're through?
 - Can I invest
 - Can I help
 - WTF?

What's happening with the VC?

- Most filter – sector, size, stage, growth, referral source
- Then Screen at Partner Meeting – looking for consensus
- Then invite in for presentation
- So! You need to make the presentation that the most Junior team member has confidence repeating! Have a lead within the firm
- No one's writing a check from an Exec Summary or PPT! Get the next meeting

Due Diligence Process

- Deal Memo – internal memo used to validate why they are leading the round – it will likely be shared with other investors or future investors
- Document review post
 - Data room
 - Corporate Hygiene
- Customer calls – you likely have a few customers, don't over burden them with random call.
- Meet with other investor

Your Due Diligence

- Ask to talk to their portfolio company CEOs – ask for a couple of companies they passed on investing as well
- Have a structured list of questions
 - Have they been a good investor
 - Give me an example of a time when they were helpful
 - Give me an example of a time they weren't helpful
 - Have they done the things they said they would do when they invested
- Not all money is good money

Tactics for dealing with VCs

- You want to create momentum or a sense of momentum
- Create a reason to close – not a reason to wait!
 - Good news next month is a reason to wait
 - New features shipping next month is a reason to wait
 - Booked revenue is a reason to close = increased valuation
- Not all VCs are arrogant assholes (but many are)
 - Pattern matching – break the mold!

Final Do's and Don'ts

Do

- Keep your eye on the ball – don't miss your numbers
- Manage the process
- Qualify your investor
- Create optionality
- If there's an ELEPHANT room, call it out

Don'ts

- Get < 6 Month of capital
- Hide the ball on any bad news
- Be too transparent
- Let the investor miss a deadline – escrow example

Conclusions

- Broad funnel gives you the most choices
- They will be talking to other investors
- How you interact in the process will indicate the future
- What do you need in addition to capital?
 - Go to market help
 - Product help
 - Know your blind spots
- Time kills ALL deals

Workshop/Deliverables

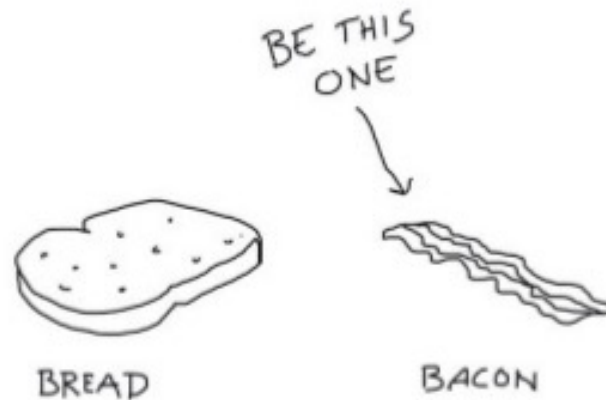
- Use Madlibs as prompt for intro/telemarketing script
- Write executive summary from that starting point
- Test messaging
- Write Script for LinkedIn
 - Short
 - Long
- Write script and subject line for Text Expander
- Build investor target list
- Write the forwardable email
- Block your calendar
- Get going!

Q&A

THANKS!

Pitching

MINIMUM VIABLE PERSONALITY



Most important step for build product is build product.

Second most important is build personality for product.

No have personality? Product boring, no one want.

[Fake Grimlock](#)