Raising Venture Capital? Here's a Primer on Process, People, and Deck
Business Insider
Mark Suster, Both Sides of the Table

If you want a very quick primer on all the stuff nobody ever tells you about raising venture capital check out this video where Mark Jeffrey & I break it down on This Week in VC. A summary of what we discussed is below:

Not 100% in order of the video, but close. All of this is covered in more detail on the TWiVC video above (and much of it is covered in text on this blog on the "Raising VC" tab)

1. Will a VC sign an NDA (non-disclosure agreement)?

No. If they did they would be in constant violation because VCs often see 3-4+ companies in every market that they operation. NDAs would make it impossible to do business. Asking for one to be signed shows naïveté.

2. What is the VC process?

- Meet with one person from the firm – partner or associate. If you can meet a partner up front it's always best but sometimes it's not possible. The first meeting will often by with an analyst, associate or principal. Often principals are allowed to do their own deals whereas associates are not. Associates are good an important people – I discuss this in the video. Still, "call high" if you can.
- Potentially several other qualifying meetings before you get to meet the other partners if the person you have met is not yet convince / wants to do more work.
- If you make it past this stage you will go to a "full partners meeting" which is exactly what it sounds like. In the video I describe how to best play this meeting and why, without a champion going into the meeting, you're unlikely to get an investment.
- After the partners' meeting you should usually get a pretty good steer on where you're at in the process. If you don't, make sure you follow up and ask for feedback
- If they say yes you get a term sheet and once this is signed it is usually 3-6 weeks until your legal docs get signed and you're funded.

3. Who should attend the meeting?

- 1 or more can attend first meeting depending on strength of your team. It can be a good strategy to bring just the CEO because 1-on-1 rapport is easier to build but if you have equally strong co-founders bring them.
- Critically at the partners meeting you should have 2-3 people. Most investors are looking for a team rather than backing a single individual. Whether or not they are co-founders or not – they want to know you can build a team.
- One big mistake is to bring a team and then not have them speak. At worst they look like stooges. Equally likely you show your inability to listen to your team and your over dominance of conversations. This is a common problem I see – the CEO who talks over his / her people. Give everybody pages of the deck they're to cover or parts of the demo for which they

are to talk. When you get questions act like a quarterback farming some of them out to your team. This isn't weakness – it's leadership.

4. What is a VC looking for?

Above all – the quality & potential of the team. They are also looking for a well-defined market opportunity, evidence of your success to date and ultimately most are looking for a large addressable market as this is the only way a VC drives returns.

5. Do you really still need a Powerpoint deck in 2011?

Can't you just demo & talk? You might be able to do this with some investors but not most so at a minimum you need a deck ready to walk through in case you're asked. Remember that most people are visual thinkers and Powerpoint slides simply help frame the conversations. The best ones are visual, high-level, have a narrative, move swiftly, are designed to prompt questions as much as "pitch" your company and importantly have a narrative.

6. What should be in the deck?

Some variation of the following (this is a suggested order)

- Bio of top 3 people in the company. Short sentences, bullet points, easy to read.
- Problem definition (with the market … it's why you exist)
- How you solve that problem conceptually at the highest level
- Details on the solution
- [Demo could go here]
- Why you believe there is economic value in what you do / how you think you can monetize one day
- Competition
- Progress to date of your company (when started, key milestones, what shape is the product in, any pilot / beta customers, financing)
- Market sizing
- Potential future exit possibilities
- How much are you raising, how long will it last, key milestones you plan to hit before the next round

You can vary from this but these are the key themes are the ones you need to cover. And you should have a narrative, which ties your whole story together. You should have 10-12 slides and anything else that is detailed should be in your appendix. I think it's good to have a 10-20 page appendix that shows the details of the market, your product / roadmap & progress-to-date.

The "exit" slide is controversial but as I discuss in the video – necessary no matter what anybody else tells you. Here's the deal: ultimately you're likely to sell your company, not IPO. Don't talk about wanting to sell any time soon. But you need to talk about who might "some day" be interesting in what you're building and why. Ultimately VCs are in the busy of making returns and whether they acknowledge it or not for most investors it will form some part of their decision on whether to invest or not. And if you don't plant the seeds they will fill it with their own ideas. Better that you expand their thinking. Trust me.

The video covered a lot more including viewer questions on whether a business plan is still necessary, whether VC decisions are "gut level" or rational strictly based on numbers, when should you accept a "no as a no" from the VC vs. showing persistence, etc. If you need to raise VC money in the next 12 months it's probably worth the hour to watch it. Hope you enjoy.

http://www.youtube.com/watch?v=qWHm5cfUBPs