

Investor Pitching

ENTREPRENEURSHIP SEMINAR SERIES
The University of Hong Kong



香港大學
THE UNIVERSITY OF HONG KONG

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Acceleration Programmes
HK Science & Technology Parks Corporation

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Fund Raising Life Cycle

Stage	Seed	Angel	Series A	Series B	Series C
Company progress	Idea / PPT	<ul style="list-style-type: none"> ✓ 1st Prototype ✓ "Something to show" 	<ul style="list-style-type: none"> ✓ Beta Product ✓ Test Customers (1st paying) ✓ "Something that works" ✓ Defined Business Model 	<ul style="list-style-type: none"> ✓ Paying customers ✓ Shipping products ✓ Gaining good traction 	<ul style="list-style-type: none"> ✓ Growing customers ✓ Iterating products ✓ Adding Features
What should founders worry about	How do I get resources to design/prototype?	Does my Prototype work?	<p>How do I turn a prototype demo into a real product?</p> <p>What do I do about competitions?</p>	How do I tune my product so more people use it?	How do I grow faster?
Revenues	Nil	Nil - <\$100K	\$500K - \$3M	\$3M - \$8M	\$8M - \$20M
Typical raise amount	\$50K - \$150K	\$100K - \$1M/ \$1.5M	\$2M - \$5M/ \$6M	\$5M - \$15M	\$10M - \$30M

Source: Richard Hsu, Hd of SE Asia Investment with SIG Ventures, ex-MD with Intel Capital China

Fundraising Path

Concept Sharing

Submit Teaser

Pitch Session 1

Took to IC

Passed IC, offer Term Sheet

Due Diligence

Close Deal

Fundraising Path - Funnel

	100.00%	Concept Sharing
1 in 5	20.00%	Submit Teaser
1 in 4	5.00%	Pitch Session 1
1 in 10	0.50%	Took to IC
1 in 5	0.10%	Passed IC, offer Term Sheet
1 in 5	0.02%	Due Diligence
1 in 2	0.05%	Close Deal

Trainable

Concept Sharing

Submit Teaser

Pitch Session 1

Took to IC

Passed IC, offer Term Sheet

Due Diligence

Close Deal

TEASER

Give them a wall of text.

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Legal entity in the form of "OOO" (Ltd.) Kemerovo, Russia

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Jul 23
2013



SK Chemicals

Business Status

- Proof of concept
- Product development
- Revenues, before breakeven
- Revenues, profitable

Skolkovo Status

Project Stage	Stage 1 (to do proof of concept) Stage 2 (to do early testing) Stage 3 (to do late testing)
Cluster	Energy
Forecasts (only by R&D directions)	<ul style="list-style-type: none"> Efficient technologies for coal processing and coal fuel chemistry. Effective hydrogen energy technologies, incl. fuel cells. Energy efficient technologies in chemical production
Grant Financing	\$0.08M grant received; \$1M application being developed

Market

Target Market size	\$1.8B (global) \$1B (Russia)
Target Market	Gas separation and purification equipment

Financials

\$M	2011	12	13*	14
Revenues	-	0.0	15	2
Net Income	-	-	.05	1.2
Free Cash Flow	-	-	.05	1.2
Tangible Assets	1	2	1	4

*forecast

Patents

Received	-
Pending	1 (Russia)
PCT	-

Funding background

Financing Round	Round A
Invested to-date	\$0.9M
Expected pre-money valuation	\$1.0M
Funding Needs, current round	\$2.1M
Equity needed, current round	\$1.0M
Expected share of the investor	< 40%

Contact details

Sorbents of Kuzbass	Alexander Barvov, CEO +7 (923) 485-9619 barvov@kuzb.ru
Shukhovo Investment Office	Petr Lukyanov +7 (495) 967-0148 (x2042) PLukyanov@sk.ru

Developing carbonic sorbents and molecular coal sieves for industrial gas separation (hydrogen, nitrogen), air cleaning and energy storage applications.

The Market

Global activated carbon market was \$1.88 in 2011 and is estimated to reach \$38 by 2016, 11.1% CAGR (Global Activated Carbon Market: Products & Applications, 2011–2016). Activated carbon is used mostly in low output short-cycle adsorption installations for gas separation (e.g., production of nitrogen produced in adsorption installation is 100–150 m³ per day). The Russian market for activated carbon is growing for gas separation and purification and production of power sources (ultracapacitors, batteries, fuel cells) reached 30–50M in 2011 and is growing. Main competitors are Air Liquide, Calgon Carbon Corp. (\$20m revenues), Praxair Technology Inc., Kuraray Chemical KK, Kanto Chemical Co. (activated carbon is high price from \$33/kg (China; only for nitrogen) to \$200/kg (Germany)).

The Company

Company/Business Concept

The business model is to produce and direct sales of molecular coal sieves and sorbents. The target customers are manufacturers of gas separation and air cleaning plants as well as supercapacitors and lithium-ion batteries producers. The potential customers are Air Products, Active Solar, Provita, Gelymash, Roskhimzashchita Corporation, Grass Inc., Novosibirsk Chemical Concentrates Plant, Koks, Elitech and others (arrangements reached, preorders for ~400 t/year). Negotiations with investors (Rusnano, VEB Innovations, Leader MC, etc.) are in progress.

Project/Technology

The key technology is based on the controlled formation of nanopores in carbon materials by vapor-gas activation. The developed original equipment allows carbon sorbents (activation coals) production, activated by low-temperature vapor. The technology solves environmental problems by cleaning the associated petroleum gas (CH₄, CO₂), air cleaning, reducing weight of gas separation plants and number of explosions in mines.

Proven advantages of the technology over main competitors

The cost of nanoporous carbon sorbents produced by Kuzbass sorbents (KS) is 2-4 times lower (\$10/kg) compared to international analogues (achieved by energy saving due to low temperature activation: existing technologies are more energy intensive). The technology allows using a coal type with low ash content produced in Kuzbass Region, that results in significant cost reduction (the technology does not need any catalysts).

Current R&D Status

Prototypes of sorbents are manufactured and tested. Letters of intent signed (incl. foreign customers). A pilot plant for sorbent production is being developed (10 t/year). Industrial premises rented.

Intellectual Property

One pending RF patent application. USA and Europe patent applications are under development.

Team


The team of 12 is led by **Alexander Berenov**, CEO, 9 years of experience. Graduate of Kemerovo State Univ. (Chemistry). – Moscow State Univ. MBA from Moscow Business School. Winner of the 2008 Russian Chemical Olympiad. Winner of the 2008 Russian Olympic Union-2008, Start, National Zvyorkin award for innovation, the grant recipient of Russian. **Victor Berenov**, Head of R&D, 40 yrs experience, a chemist and engineer - Kuzbass State Technical Univ. (KuzSTU), Ph.D. expert on carbon fibers and nanomaterials. **Yury Kuznetsov**, Head of R&D, 20 yrs experience, a chemist and engineer - Researcher and Head of Lab. at Inst of Solid State Chemistry & Mechanochemistry of Russian Acad. Sci. Siberian Branch (ICOM, **Bab'lova**, Director of International Relations, 10 yrs experience, a chemist and engineer - Kuzbass State Technical Univ. (KuzSTU), **Egor Kuchinskii**, Chief Engineer, 6 yrs of experience at KuzSTU, entrepreneur, Winner of the 2008 Russian Chemical Olympiad.

Investment Opportunity

The company is seeking \$1M in equity investment in addition to \$1M Skolkovo grant (application being prepared) to develop a pilot plant, to patent the equipment and to complete product testing in 2014. \$2.5M will be needed on the next round to expand in Russia, Europe and USA. The first revenues are planned for 2013 (orders for pilot testing received).

a teaser
~~a wall of text.~~

Teaser Layout

<div></div>		[Company Name]
		One Liner One Liner One Liner
		Address, Address, Address.
Company summary/ highlights	0/ INVESTMENT HIGHLIGHT	
	1/ Mission Statement	
	2/ Tech/ Solution (with <u>product photo</u>)	
	3/ Market Opportunity (with some <u>charts</u> / sometimes with competitors)	
	4/ Current Status (with current milestone/ anchor customers/ partner)	
	5/ <u>Financial bar chart</u> / use of proceed	
	6/ Team	
	0/ INVESTMENT HIGHLIGHT	

Teaser Layout 2



For **[Target]** - **[Attributes]**, **[Company]** provides
the **[Category]** - **[Differentiation]**,
(**[Milestone/ Support/ Proof]**,)
that **[Benefit/ Potential]**.

For [Target] - [Attributes], [Company] provides
the [Category] - [Differentiation],
([Milestone/ Support/ Proof],)
that [Benefit/ Potential].

Sample

For World Wide Web users who enjoy books, **Amazon.com** is the online bookseller that provides instant access to over 1.1 million books.

--

For SMBs looking to grow their business, **HubSpot** is the Inbound Marketing and Marketing Automation software that increases lead flow and improves lead conversion rates.

--

WhatsApp Messenger is a cross-platform mobile messaging app that allows you to exchange messages without having to pay for SMS usage.

--

For startups ready to scale their business, **LEAP** is the growth and expansion management system with rich resources and tailored guidance that accelerates your scaling-up and scaling-out.

One-liner: Which would you choose?

1 The best solar PV company in the world providing solution to the energy crisis.

2 Design and manufacture cylindrical panels of copper indium gallium selenide thin film solar cells systems composed of panels and mounting hardware for large, low-slope commercial rooftops.

What?

How?

3 Disruptive thin film solar technology with a proprietary material and system design to achieve 15% conversion efficiency.

So?

Advice about the Teaser

**Create an attractive
and sexy one-liner!**

- *What you do*
- *How you are special*
- *What's the outcome*

**Try to be special and
focus on uniqueness!**

- *Only brief information on
market and industry
environment*
- *Get rid of all un-important
details/descriptions*

**Be understandable
and
reader-friendly!**

- *Be Layman - Avoid
using jargon*
- *Choose your font and
size carefully*
- *Use images and
pictures as appropriate*

**Look
professional!**

- *Structure matters –
use of columns, blocks
and bullets*
- *Formatting matters –
be consistent, typo not
allowed*
- *Send out PDF (not .doc)*

Type of Pitches

Investment Pitch

Sales Pitch

Sales Pitch

1. Selling your **product** to customers.
2. **Product** - features, benefits, price, onboarding, training, post-sales.
3. Just solve my problem.
4. **Graphic-based** (think product catalogue).

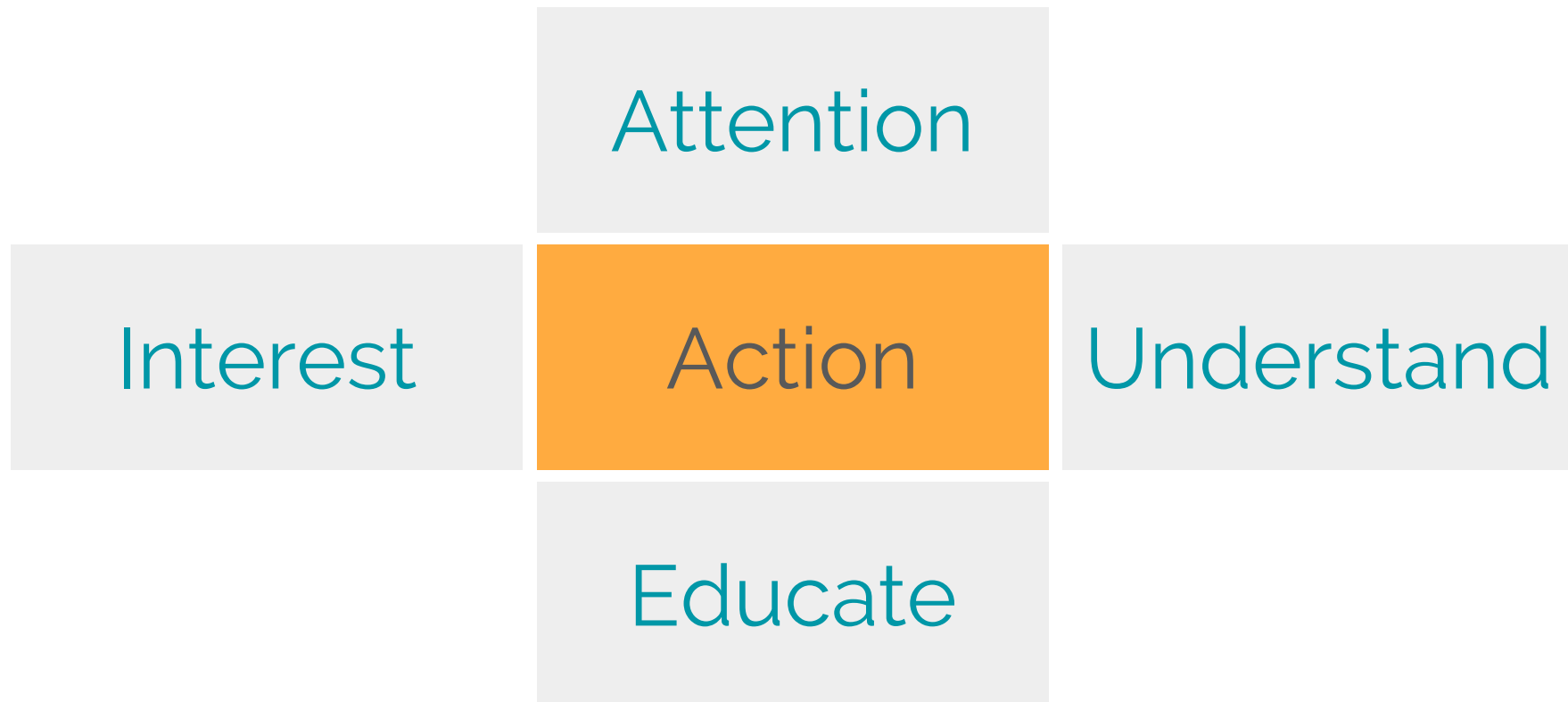
Investment Pitch

1. Selling your **company** to investors.
2. **Company key aspect** - vision, product, biz model, roadmap, patent, team, financials...
3. **Return** of investment.
4. Text and graphic (product photos, charts).

Sales Pitch

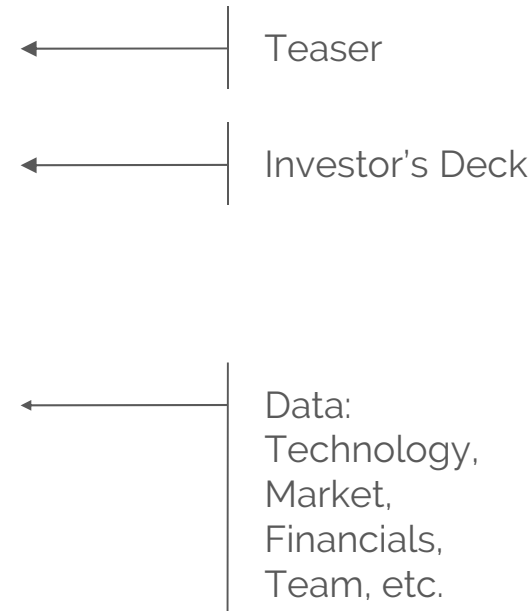
1. Selling your **product** to customers.
2. **Product** - features, benefits, price, onboarding, training, post-sales.
3. Just solve my problem.
4. **Graphic-based** (think product catalogue).

Purpose of Investment Pitching

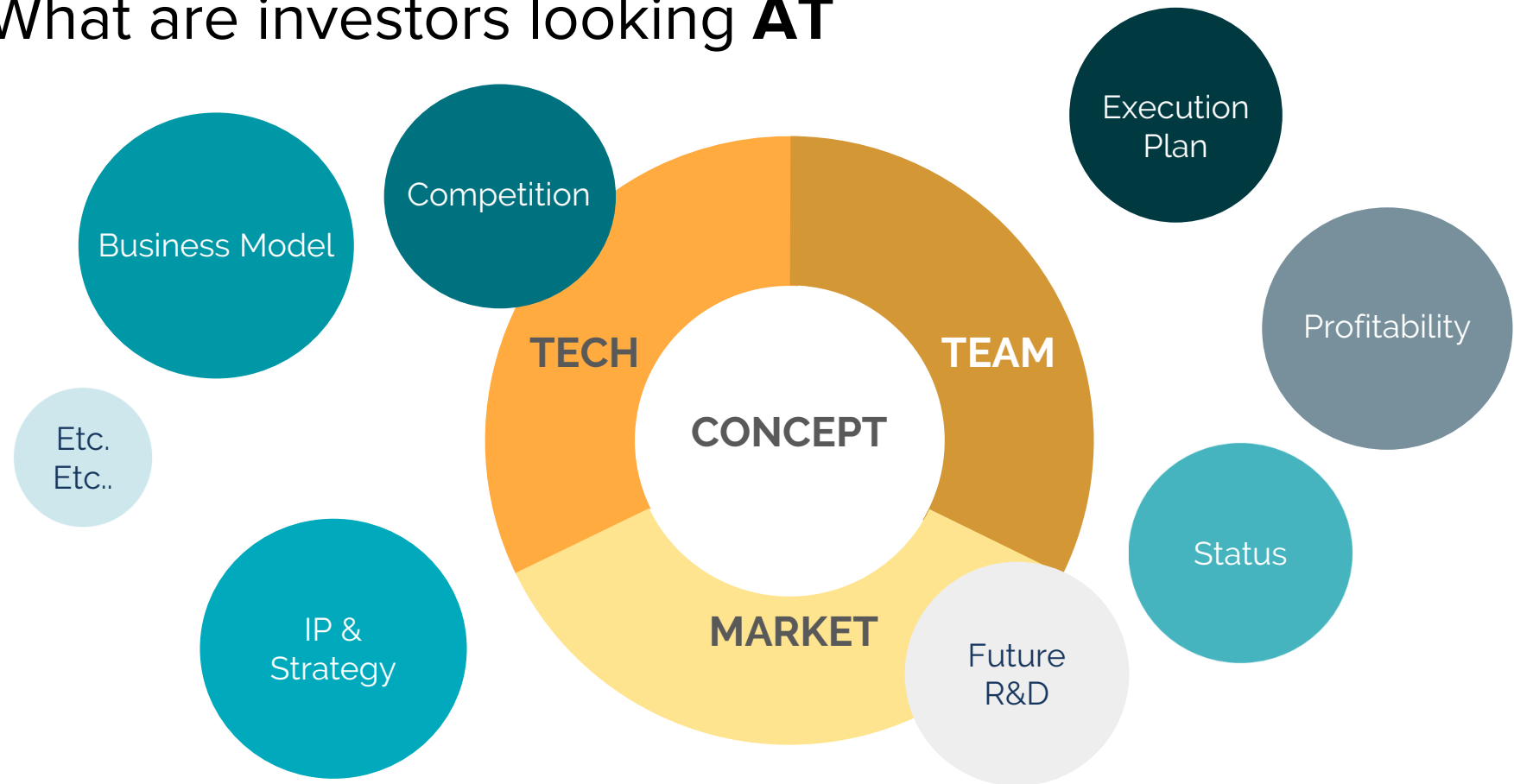


Fund Raising Process

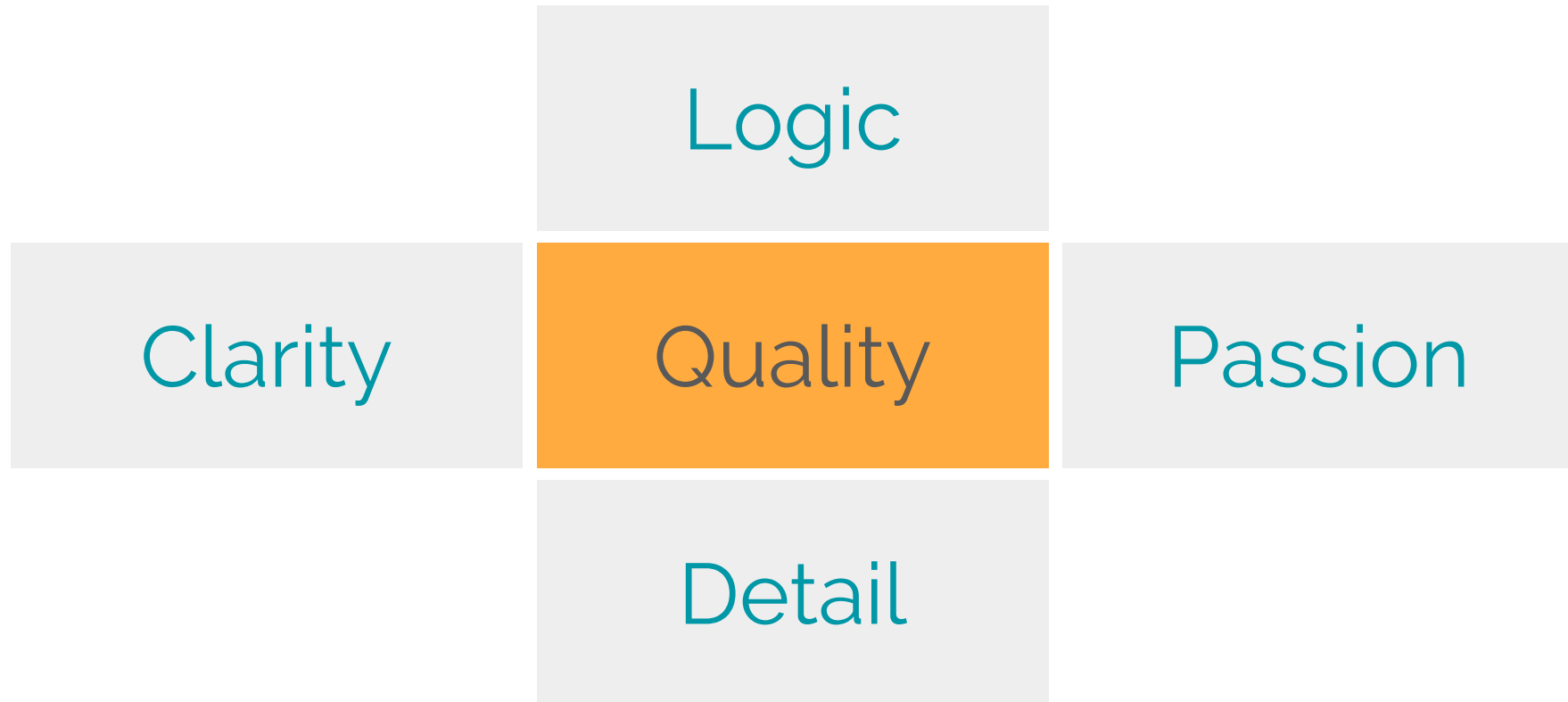
- Concept sharing
- Internal screening
- 1st contact – in-person / call / email
- Preliminary evaluation
- Pitch to team
- Detailed evaluation
- More pitch to team
- More detailed evaluation
- IC decision
- Term sheet
- Legal due diligence
- Close the deal



What are investors looking **AT**



What are investors looking **FOR**



PITCHING DECK

Common Structure of a Investor Pitching Deck

- Pain point / Problem to be solved
- Your solution and value proposition
- Your Market
- Revenue model (and Profit model)
- Competition
- Timeline and milestones (past vs. future)
- Traction
- Management team
- Financials / Deal

Pain Point & Your Solutions

- Pain point / Problem to be solved
- Pain Point > Big enough to be addressed?
- Value Propositions
 - Cost saving
 - Value creation
- New Solutions to Old Pain Point
 - Disruption / Innovation
 - E.g. Amazon in 1996
- Creating New Market
 - Why no one did it before?
 - E.g. Facebook / YouTube in early 2000s
- Use video to demonstrate

Example: Pain Point – Easy to Understand

Why VR is not popular in learning & working?



Lack of human communication & Interaction



Irrelevant content



Layman users' creation is impossible



Uncomfortable and dizzy

Example: Pain Point – Quantify It!

ECONOMIC IMPACT



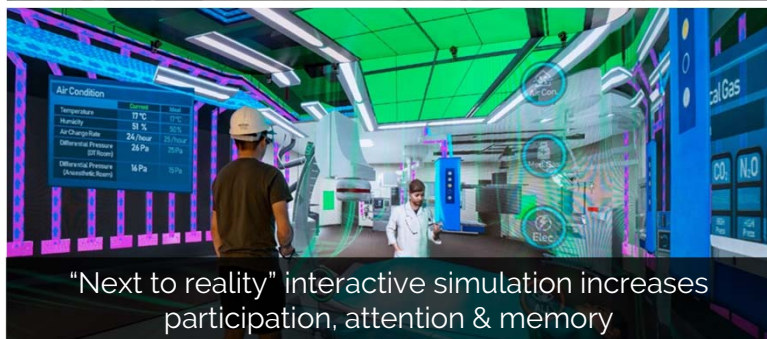
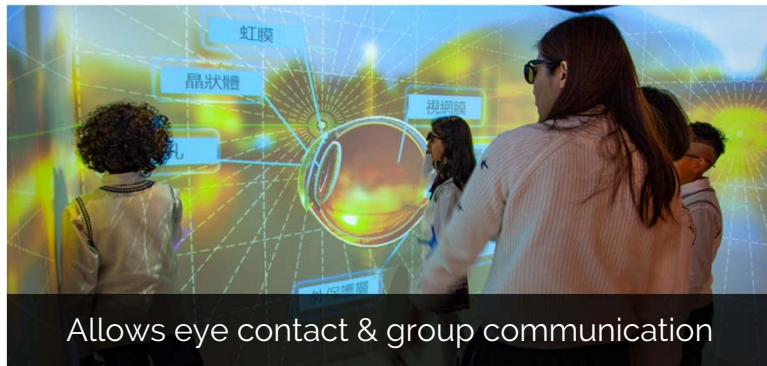
- **Land Loss:**
 - Average of **67 million ha** (1.7%) of forest land burned down annually worldwide
- **Fire Caused Economic Loss:**
 - China (2011): **RMB 200 billion**
 - The World Bank estimates that the 2015 fires cost Indonesia at least **USD 16.1 billion** - 1.9% of 2015 GDP



- **Pests Infested Economic Loss:**
 - **98 million ha** of forest area globally infested by insects and related diseases
 - Around **28 - 31% of crop loss** due to weeds, animal pests, and diseases in worldwide production of wheat, maize and cotton for the years 2001-2003.
 - In Brazil,
 - Annual production loss due to insect pests: **7.7%**
 - Annual economic loss: **USD 17.7 billion**

Example: Solutions – Address the Pain Points

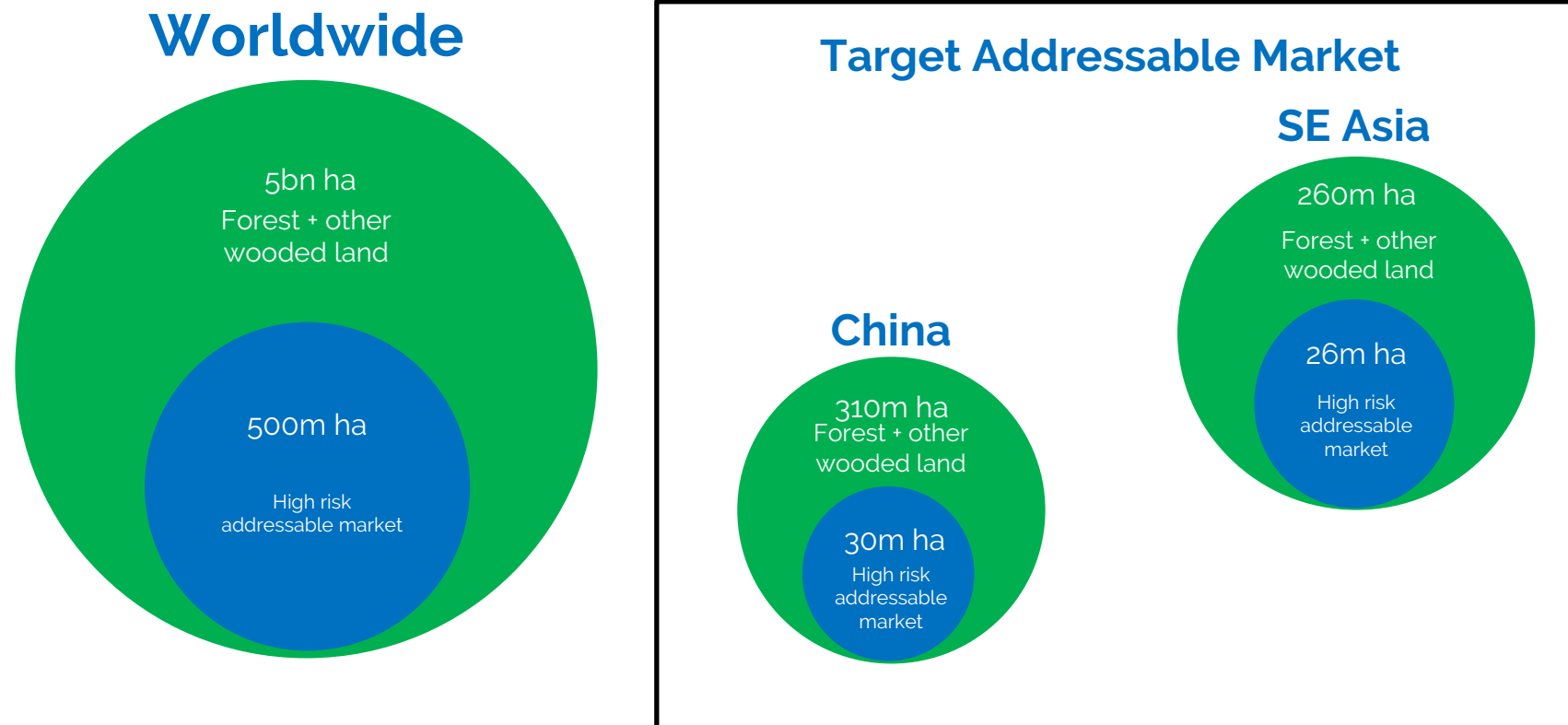
How VirCube can change VR world?



Market Size

- Market Size = Potential Return
- Oversimplifying
- Do your homework
- Think BIG!

Example: Addressable Market

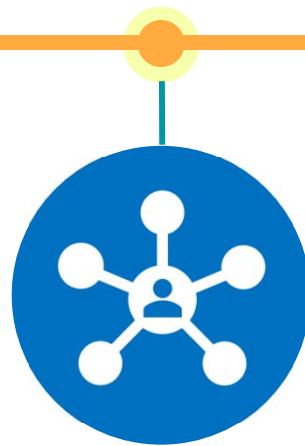


International Expansion Strategies

BEST MARKET ENTRY STRATEGIES TO ENTER INTERNATIONAL MARKETS



STRATEGY 1
DIRECT EXPORTING



STRATEGY 2
LICENSING



STRATEGY 3
FRANCHISING

Competition

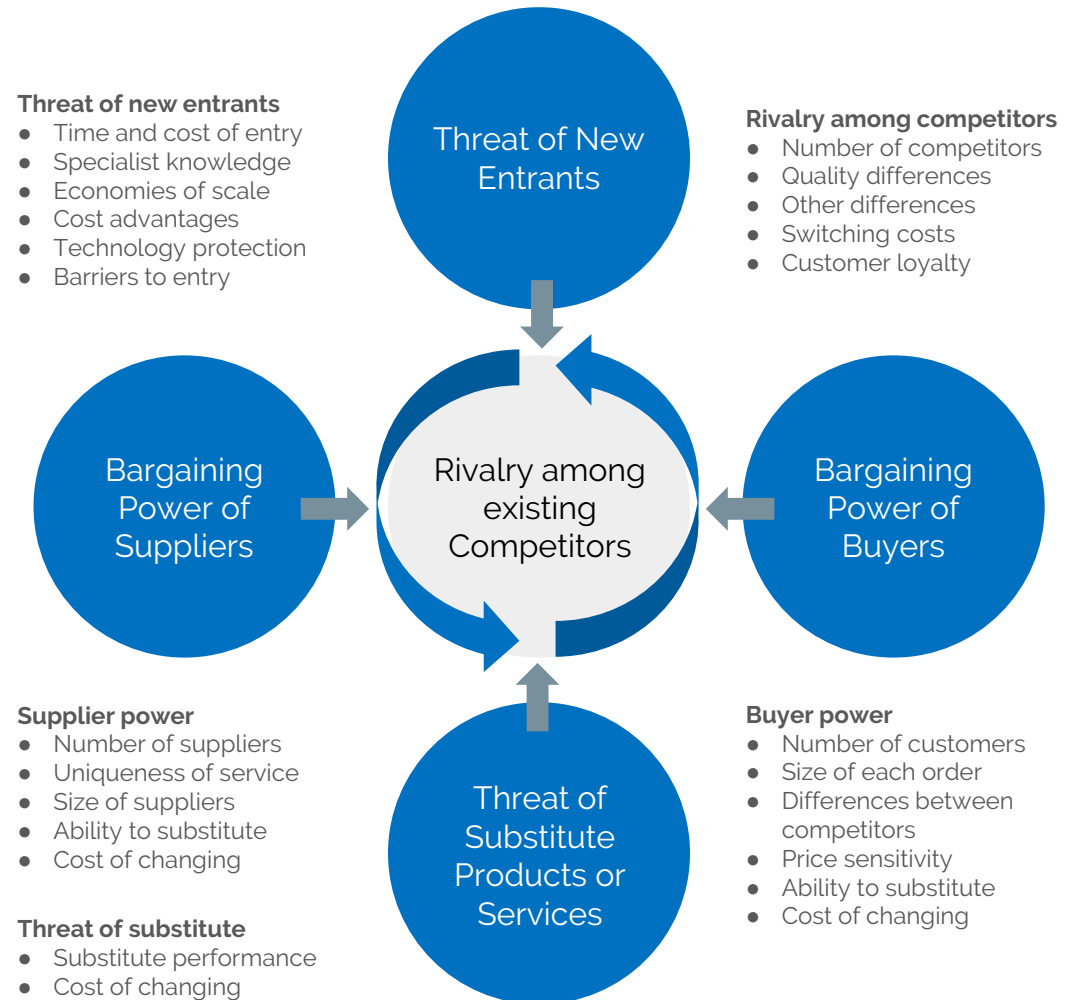
Things to include

- Market positions of competitors
- Differentiators
- Unique selling points
- **Key message: we have a unique position in the competition!**

Common Mistakes

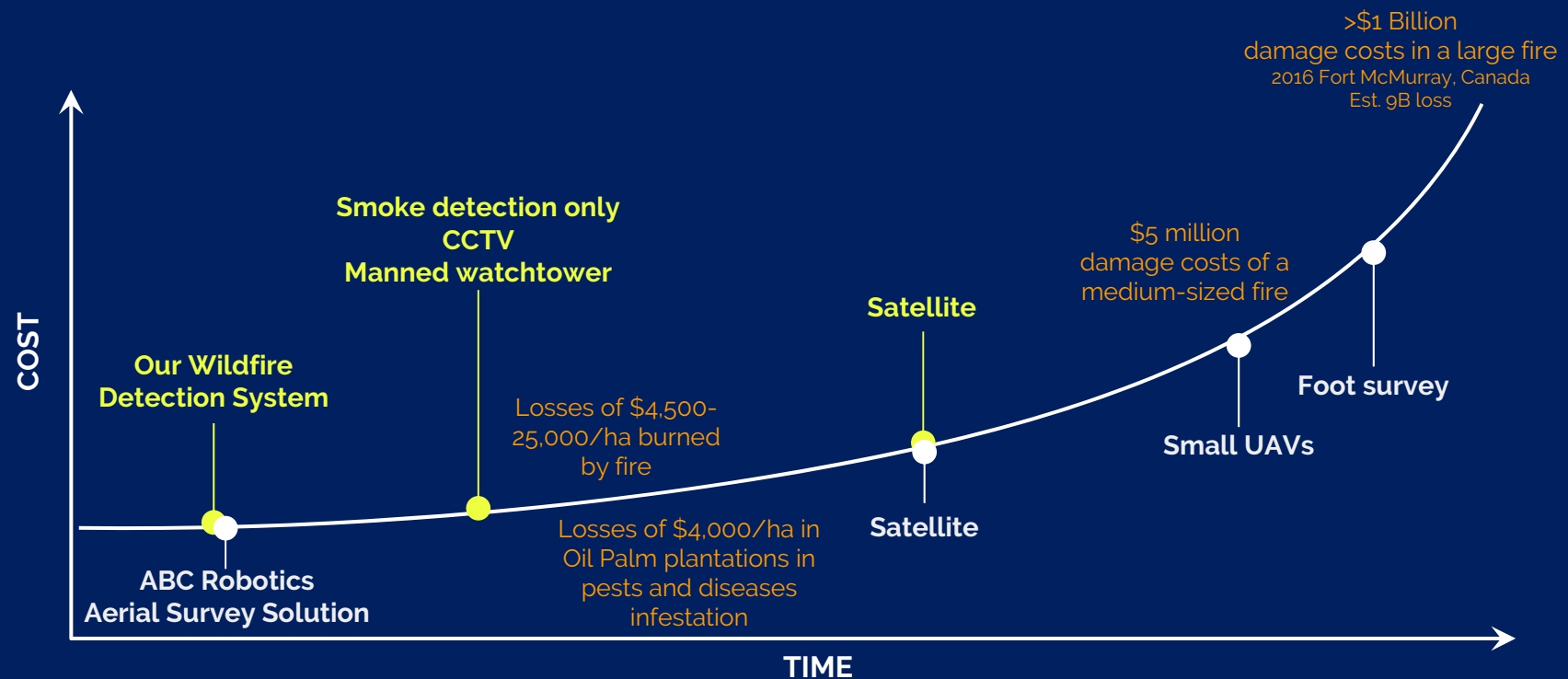
- Not mentioning competition
- No competition = No market
- Forget substitutes
- Oversimplifying competition or underestimate competitors
- Put yourself in a niche
- "1% is good enough"

Competitive Analysis: Porter Model



Source: Adapted from Porter, 1979

Example: Value Propositions / Competitive Advantages




Sources: ABC News, National Interagency Fire Center, Michael B. McElroy, Canadian Council of Forest Ministers

Example: Differentiators

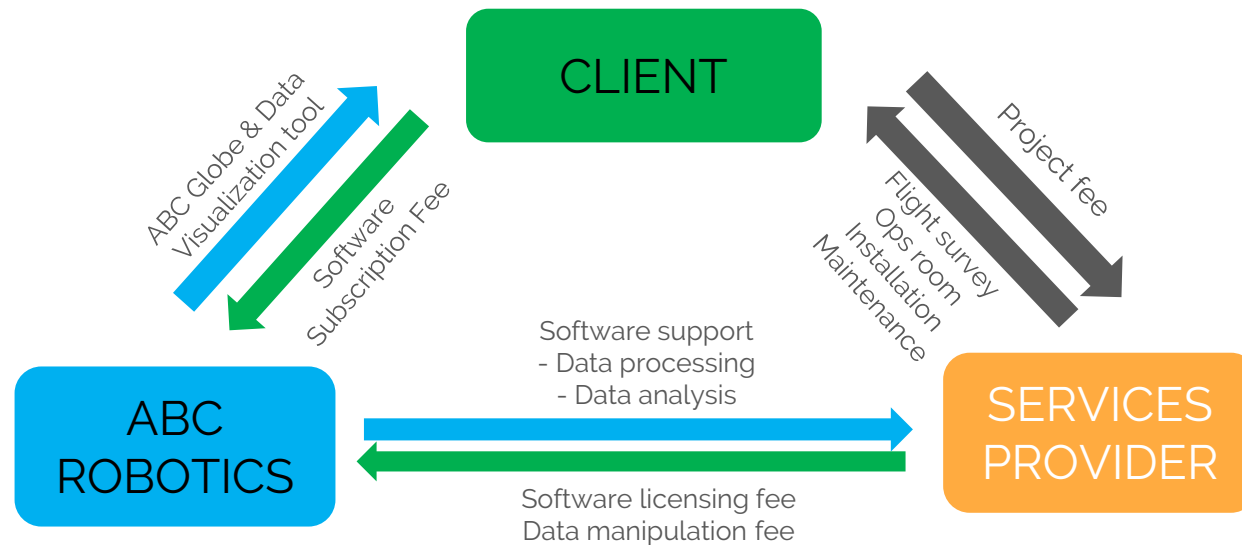
How we differentiate

- **global footprint**
 - 13 localization, 130 countries
- **SMB target market**
 - freedom to design for the user
 - unique small business use-cases
 - lower cost acquisition, viral & organic
- **salespeople USE it!**
 - first seat usually purchased by a salesperson
 - narrow use-cases around sales effectiveness
 - Less than 3 minutes to get started



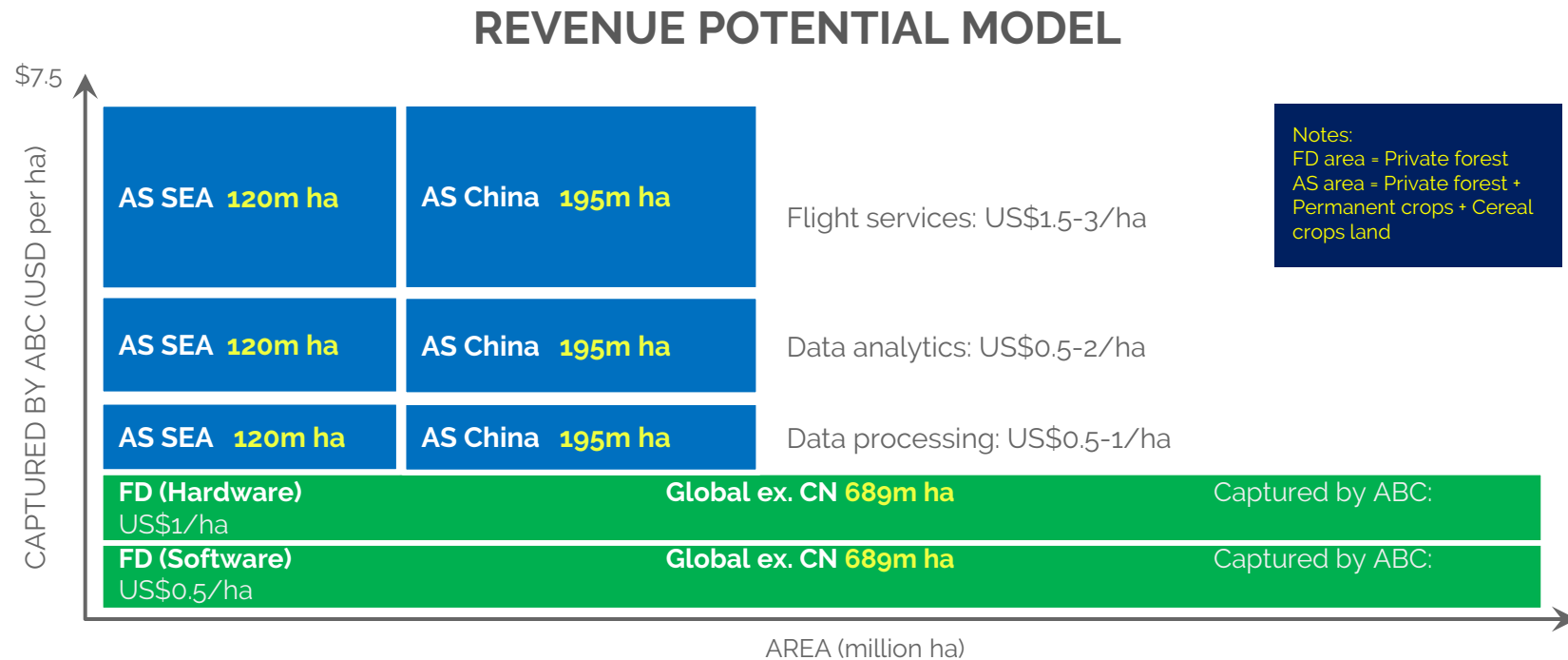
Example: Business Model

ROBOT AS A SERVICES (RaaS) BUSINESS MODEL

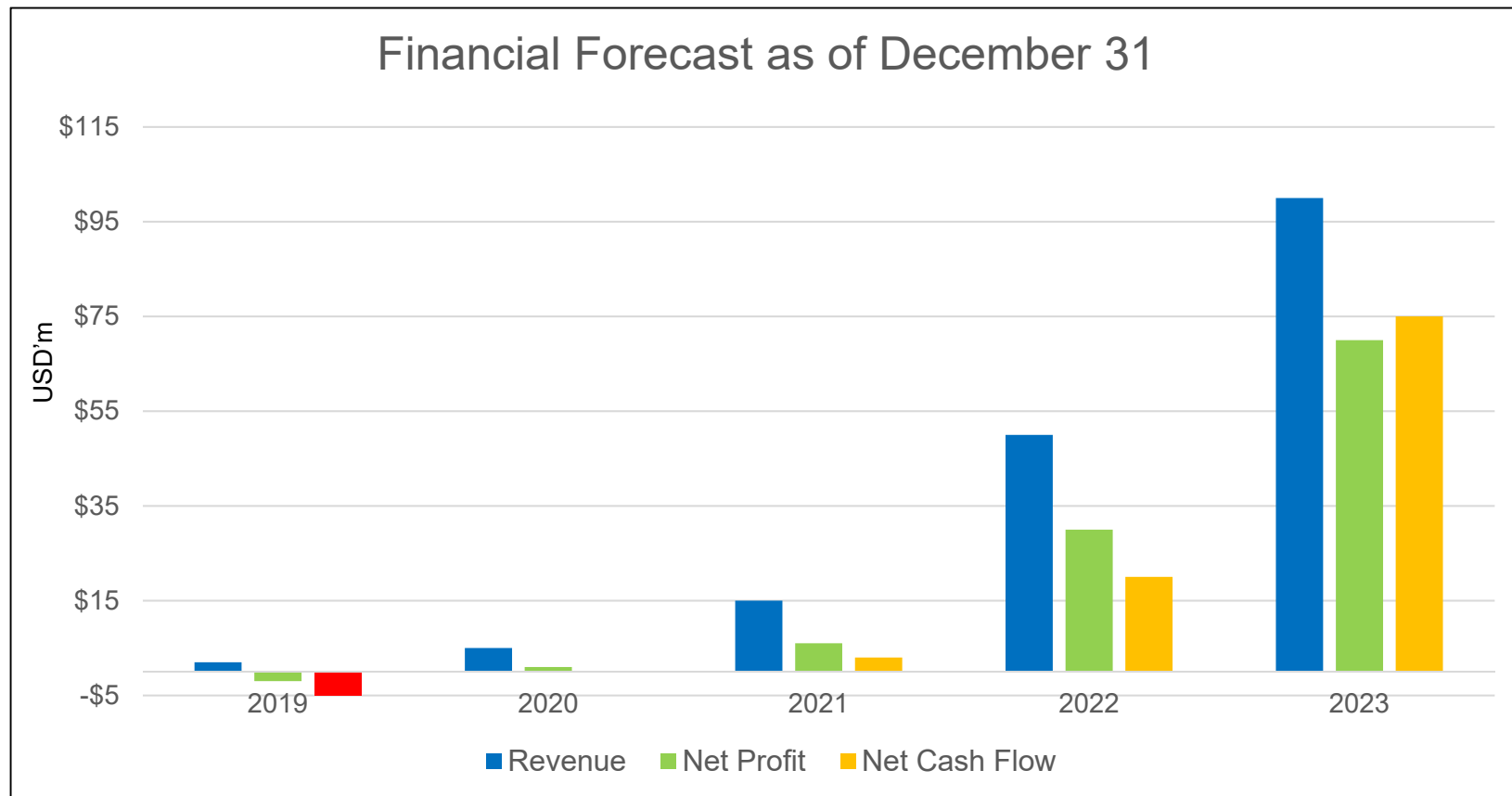


FD: Services per ha (annual subscription)
AS: Services per ha (per project)

Example: Revenue Model



Example: Financial Position



PRESENTATION

1. Strong Opening - what we do

- Purpose: get attention!!
- Example:
 - Hello / Thanks xxx for coming to the meeting. We are xxx company. **We do xxx xxx. (the elevator pitch / one-line pitch)**
- *"If you don't grab people within the first minute, they're going to start checking their email."*

2. What exactly we do and for what

- Purpose: tell a short story through the problem!
 - Is there a REAL PROBLEM?
 - Why is your solution good? (focus on benefits!)
- How to add flavor:
 - PROBLEM, then SOLUTION
 - If possible, give an **vivid example of how customers use your product** (images / demo / video) – WOW effect

Key Message:
It's a desired solution

3. How we do it and make money

- Purpose: show the concrete business plan and demonstrate how you're going to make money.
 - Address key factors to make your venture successful
 - Market, business model, revenue model, etc.
 - Cash flow cycle, logistics, marketing, sales management, etc.
- How to add flavor:
 - Be creative in presenting your market outlook
 - If possible, give an **real example on your business case**
 - Imaginary case study also helps!

Key Message:
It's a scalable business

4. How and why we do better (Why us)

- Purpose: show your competitive advantages and team profile to convince investor this is THE COMPANY to solve that problem
- How to add flavor:
 - Dramatic numbers (with substantiation of course)
 - Real comparisons / Customer testimonials will help!

Key Message:
We are the best team to do this

5. Strong ending - why invest in us

- Purpose: finish strongly and sum up why someone should invest in the company
- Example:
 - One-liner again
 - Investment highlights review

6. Addressing Investor Questions

- Be open
- Admit challenges
- Admit shortcomings
- Never argue with Investor
- Give information
- OK to come back later

DON'T s

- Using too much jargon
- Incorrect pitch
- Wordy slides
- Reading notes
- Over selling
- Low energy
- Reluctance to provide info

DO s

- Know your audience
- Images and short bullets / videos
- Making it understandable
- Telling stories
- Knowing your material
- Showing passion
- Being open and honest

**Don't assume investor knows technology!
Investor may be just an ordinary person.**

Finally

- Practice, Practice and Practice
- Integrity is most important:
 - Open and Honest > **DON'T LIE !**
 - Objectivity
 - Ethical
 - Legal
 - Duty of Care

Q&A



香港大學
THE UNIVERSITY OF HONG KONG



Thank You



香港大學
THE UNIVERSITY OF HONG KONG

Contact Info: mike.lam@hkstp.org

