Investor Pitching

ENTREPRENEURSHIP SEMINAR SERIES
The University of Hong Kong

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HK Science & Technology Parks Corporation

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## Fund Raising Life Cycle

<table>
<thead>
<tr>
<th>Stage</th>
<th>Seed</th>
<th>Angel</th>
<th>Series A</th>
<th>Series B</th>
<th>Series C</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Company progress</strong></td>
<td>Idea / PPT</td>
<td>✓ 1st Prototype</td>
<td>✓ Beta Product ✓ Test Customers ✓ (1st paying) ✓ “Something that works” ✓ Defined Business Model</td>
<td>✓ Paying customers ✓ Shipping products ✓ Gaining good traction</td>
<td>✓ Growing customers ✓ Iterating products ✓ Adding Features</td>
</tr>
<tr>
<td><strong>What should founders worry about</strong></td>
<td>How do I get resources to design/prototype?</td>
<td>Does my Prototype work?</td>
<td>How do I turn a prototype demo into a real product? What do I do about competitions?</td>
<td>How do I tune my product so more people use it?</td>
<td>How do I grow faster?</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>Nil</td>
<td>Nil - &lt;$100K</td>
<td>$500K - $3M</td>
<td>$3M - $8M</td>
<td>$8M - $20M</td>
</tr>
<tr>
<td><strong>Typical raise amount</strong></td>
<td>$50K - $150K</td>
<td>$100K - $1M/ $1.5M</td>
<td>$2M - $5M/ $6M</td>
<td>$5M - $15M</td>
<td>$10M - $30M</td>
</tr>
</tbody>
</table>

Source: Richard Hsu, Hg 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
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Investment Opportunity

The Market

The Company

a teaser
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.

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.

2. 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
Sales Pitch

1. Selling your product to customers.

2. Product - features, benefits, price, onboarding, training, post-sales.


### 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.


4. **Graphic-based** (think product catalogue).
Purpose of Investment Pitching

Attention

Interest  Action  Understand

Educate
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

- Business Model
- Competition
- TECH
- TEAM
- CONCEPT
- MARKET
- IP & Strategy
- Future R&D
- Execution Plan
- Profitability
- Status
- Etc. Etc..
What are investors looking FOR

Logic

Clarity Quality Passion

Detail
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?

- Allows eye contact & group communication
- Content is the key to success
- “Next to reality” interactive simulation increases participation, attention & memory
- Dizzy free equipment allows assistance from others

Example: Solutions – Address the Pain Points

- Allows eye contact & group communication
- Content is the key to success
- “Next to reality” interactive simulation increases participation, attention & memory
- Dizzy free equipment allows assistance from others
Market Size

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

**Worldwide**
- 5bn ha Forest + other wooded land
- 500m ha High risk addressable market

**Target Addressable Market**

**China**
- 310m ha Forest + other wooded land
- 30m ha High risk addressable market

**SE Asia**
- 260m ha Forest + other wooded land
- 26m ha High risk 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

- **Our Wildfire Detection System**
- **Smoke detection only CCTV**
- **Manned watchtower**
- **Satellite**
- **Small UAVs**
- **Foot survey**

**COST**

- >$1 Billion damage costs in a large fire 2016 Fort McMurray, Canada Est. 9B loss
- $5 million damage costs of a medium-sized fire

**TIME**

- Losses of $4,500-25,000/ha burned by fire
- Losses of $4,000/ha in Oil Palm plantations in pests and diseases infestation

**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

ABC ROBOTICS

CLIENT

SERVICES PROVIDER

FD: Services per ha (annual subscription)
AS: Services per ha (per project)
Example: Revenue Model

**REVENUE POTENTIAL MODEL**

- **FD (Software) Global ex. CN 689m ha**
  - Captured by ABC: US$0.5/ha

- **FD (Hardware) Global ex. CN 689m ha**
  - Captured by ABC: US$1/ha

**AS SEA** 120m ha
- **AS China** 195m ha

**AS SEA** 120m ha
- **AS China** 195m ha

Flight services: US$1.5-3/ha

Data analytics: US$0.5-2/ha

Data processing: US$0.5-1/ha

Notes:
- FD area = Private forest
- AS area = Private forest + Permanent crops + Cereal crops land
Example: Financial Position

Financial Forecast as of December 31

USD'm

Revenue  Net Profit  Net Cash Flow
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.
  - Is 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 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
Thank You

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