

Pitching to angels: Essential Elements

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What I'll discuss today

- Who angels are
- How investors look at investment opportunities
- Do's & Don'ts
- How to 'pitch the deck'

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Angels, or angels?

Know your audience!



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Angel financing: background

- \$24B invested in 2006
- Range of capital invested per group \$50K-2MM
- More sophisticated than in the past
- More than 170 angel groups in the US today
- Large variety of structures
 - Umbrella LLCs with each angel as a member
 - Independent LLCs formed specifically for an investment
 - Non-profit organizations with individuals making independent investments
 - Some form of management company acting as a general partner
 - A hybrid.

Jeffery Sohl, UNH

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There are four types of angels

Broadly, these individuals fall into four categories as defined by a study on angel investors by MIT's Entrepreneurship Center:

Guardian Angels, who bring both entrepreneurial and industry expertise. Many have been successful entrepreneurs in the same sector as the new companies they back.

Entrepreneur Angels, who have experience starting companies but come from different industry sectors.

Operational Angels, who bring industry experience and expertise, but generally from large, established companies, and may lack first-hand experience with the travails of a startup.

Financial Angels, who typically invest purely for the financial return.

An opportunity should...

- The potential for a solid return by solving a real need- *10X in 5yr*
- Speak to their motivations- monetary and emotional
- A solid management team-*angel investor is investing in people*
- Solid business plan- *convincing and complete*
- Business structured for investment- *Delaware 'C' corp.; formal shareholder's agreement*
- A viable exit strategy- *ongoing concern, or M&A, IPO not usually an option*

Investors want to hear ...

- Team Brings Sector, Startup Skills
- Product Changes Market Dynamics
- Value Proposition to Customer
- Radical Design Changes Economics
- Sound Business Model
- Market Growing, Easy to Reach
- Regulatory Approval Likely Soon (if applicable)
- Competition Exists, Manageable
- Financial Projections that make sense for investors

Best practice investment pitch

Do's

- Do challenge yourself to deliver an 'easy-to-understand' story. Could I, your listener, replay to another person the very basics of your venture and how your target customers will benefit from using your product?
- Do infuse passion throughout your delivery. Engage me with your story
- Do focus on the benefits to customers of acquiring/using your product. Does it simplify? Make-money? Save money? Open new markets? Features are nice; benefits are what people will pay for
- Do differentiate your business in some way from the competition e.g. market segment, channel, service, technical features, IP, *etc.* Tell me the size and name of your INITIAL target market.

Best practice investment pitch

Do's (cont.)

- Discuss honestly both technical and market risks faced by your company and your response to these challenges. Emphasize why YOU are the ONE that will be successful NOW; while acknowledging the competition's strengths.
- You Can't do it all alone. Be prepared for costs of service providers (Drs. For clinical trials, accountants, Lawyers, consultants, *etc.*). Have this contingency addressed in the financials.
- Do listen Carefully to your potential investors and don't assume that you have heard everything that they have said to you. Some forms of communication are subtle. Identify a mentor/advisor that you trust to listen alongside you and translate the interactions in a debriefing session after these meetings.

Best practice *Don'ts*



"An admirable plan, Mr Gribbs,
but short on detail"

- Don't give me unclear, irrelevant, or unnecessary information.
- Don't try to impress me with a lot of jargon
- Don't wait until your cash on hand is low before starting fundraising activities. These should be planned at least 6 months in advance of your need for cash.
- Do not expect that investors will actually invest after the first meeting

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TCN

Your Slide Presentation: *short attention span theater!*

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Useful slide presentation order

- 1 - **Introductory Slide** (Company name, logo, presenter name, title and contact information)
- 2 - **Summary** (key take-away information on why I should pay attention)
- 3 - **Company Overview** (Company Description, Pain, Solution)
- 4 - **Market Definition** (Size, Niche Market Share)
- 5 - **Competition** (Presently large players with old technology, two new entrants, etc.)
- 6 - **Management Team** (You should include Advisors and Directors)
- 7,8 - **Financials** (History of financing and use of funds, How much you are looking for from investors, in what form, use of proceeds, projected ROI and exit strategy)
- 9 **Financial Projections** for the next 3-5 years (revenue streams, expenses, profit and gross/net margins)
- 10 - **Resources needed beyond capital**, *i.e.* access to key customers, introductions to distribution channels, KOL's, etc.

Example Summary Slide

- Team
 - 5—each with 10+ years designing advanced widgets
 - Mostly engineers; two with extensive sales experience
- Product
 - Radical new widget: ↓ costs 90%, ↑ revenues 50%
 - Strong IP protection
- Market
 - \$500M market today in 5 verticals, growing 20%/yr
- Regulatory (if applicable)
 - FDA 510k already in progress
- Competition
 - Current: large players with old technology; two small entrants
 - Future: large players will adapt, but will take 5 years to retool
- Financials
 - \$10M in revenue in 3 years
 - Seeking \$2M, will get to cash flow break even

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Always remember to tell these 7 stories well!

- ‘The fundamental business logic story’
- ‘The total available market (TAM) story’
- ‘This is at least a \$50M to \$100M business story’
- ‘The product can be differentiated story’
- ‘The product/service can be sold story’
- ‘This management team can do it’ story’
- ‘This is a good investment for the investor story’



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Q & A

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