

SUGGESTIONS & 3 YEARS OF WINNING PITCHES

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Nothing may have more impact on your chances of getting funded by Angels or VCs than a great “elevator pitch” – the ability to capture an investor’s interest in less than a minute. Investors fund fewer than 1% of ventures that approach them. If you fail to ignite their interest immediately, investors will often tune out the rest of your presentation or relegate your plan to the ‘later’ pile, which never gets read. Consider the following when crafting your elevator pitch.

Grab them or lose them. You may have a dynamite team, unassailable market niche, revolutionary product, disruptive technology. But investors may never hear of them. You must lead with the 4-6 points that differentiate your venture and that make it an attractive investment. The elevator pitch should be the first content slide in your PowerPoint, and the lead paragraph in your exec summary.

Authors of best-selling novels understand. Of the year or more that authors of best-sellers take to write one, about 10% of that is spent on the first sentence, and another 10% on the balance of the first paragraph. Why? Because people go to the best-seller rack, take down a book, read the first sentence, and if that grabs them, read the rest of the paragraph, and if that grabs them they usually buy; but if either fails to engage them, they turn to the next book. Investors are like that.

Say it in English for laypeople. Unless your audience can explain your venture to someone else, you have lost them. Do you think investors ever tell their associates or spouses: “I saw this great venture today, but can’t explain what they do” – they don’t.

Exclude fluff and hype. Replace all superlatives (‘unique’, ‘revolutionary’, ‘best’, ‘fastest’, etc) with specifics; eg “priced 40% below market leader” is informative, whereas “lowest cost” says little.

Relevance. Avoid the unimportant; eg founded in May, offices in Los Angeles, Delaware C-Corporation. Make sure it’s not only unique, but also relevant – that the names of all six founders start with “J” may be unique, but hardly germane.

There is no pat answer. Often I am asked, “What should be included in my elevator pitch?” – as if there were a standard set of points. Focus on what differentiates your venture and on what makes it an attractive investment. Below is a list of just a few of the items to consider:

RESULTS (actual) <ul style="list-style-type: none">• Cash flow• Profits• Revenues• Sales• Bookings• Key contracts• Customers• Beta site(s)• Proven concept	TEAM <ul style="list-style-type: none">• Spin-out from leader• Track record• Domain expertise• Tech wizard• Marketing guru• Sales star• Board• Advisors• Degrees	BARRIERS TO ENTRY & NICHE TO DOMINATE <ul style="list-style-type: none">• Blocking patent• Picket fence patents• Exclusive agreements• Key customer(s)• Vanity 800 number• Lead time• Regulatory permits• Trade secrets
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Winner of 2001 Tech Coast Angels Fast Pitch Competition (50-seconds)

“My name is Jack Syage and I am the founder and CEO of Syagen Technology.

Syagen has developed under an FAA contract the fastest and most sensitive bomb detector for airport security. However, our best commercial opportunity involves applying this high-speed analysis technology to red hot markets in pharmaceuticals and proteomics.

Our detection system is 10 times faster than the competition and won a major industry award. We have also signed a deal with Agilent to provide one of our core technologies for their top selling instrument and are in negotiations with two other industrial leaders for a similar agreement.

We have raised over \$5M from investments and government funding to develop the technology and are now seeking capital to ramp up commercial development.

Syagen is a profitable 4-year old company with strong patents and a first rate management and technical team.”

By Jack Syage, founder/CEO of Syagen Technology

At the competition, with 300+ attendees, the audience gave Jack a standing ovation, the only time in the 30 fast pitches in the competition – Jack’s passion and high energy, together with a super polished delivery, won the day.

I might drop his personal introduction to be the second paragraph, after he has already caught the audience’s attention – most often, we do not pay attention to the name when given first and before we are interested; then when our interest has been triggered, we struggle to remember the name of the company and presenter.

Jack’s opening sentence tells you: (1) Syagen has a contract with FAA (impressive); (2) they have developed the “fastest and most sensitive” instrument (exception where “fastest” is better than giving a number); and hot market niche “airport security.” Makes a very effective reversal, putting lesser opportunity, but hot one, first (if you think this is hot, let me tell you about our other technology). Note how much better this is than reversing and saying “our technology applies to red hot markets in pharmaceuticals and proteomics, and also to airport security”.

He quantifies their advantage as “10 times faster” and reinforces the advantage with mention of winning “major industry award.” Note that he omits the specifics of the award (ie what industry, what entity, what award), since his audience would not likely recognize the specifics.

He identifies “Agilent” as a “signed deal,” and mentions “two other industrial leaders” (to which prior mention of Agilent gives credibility), without having to name them.

He does not identify how much he is seeking to raise nor at what valuation. In many cases this is a mistake, as the prospective investor needs some parameters to begin to engage. For example, if I tell you eBay has a 1959 Porsche 356 for sale, you might get very interested if I tell you the price is \$4,000 or have no interest at all if I tell you its

\$450,000; if no price is mentioned, you usually infer that the price is high or they would have mentioned it. (The same is true for funding; if the valuation is not mentioned, the prospective investor usually assumes it is too high.) However, Jack does provide some basis to estimate funding need and valuation; ie that they have already taken in “\$5 million from investments and government funding”. Note that he doesn’t distinguish between the two (eg \$2M from investments and \$3M from government funding); the combined number looks bigger and takes fewer words (prospective investors can later ask for the details).

Finally, he closes with his strongest statement: they are profitable, have strong patent position, and great team; while he is vague about patents and team, Jack has already provided enough compelling specifics to make the vague statement credible. He could have led with this statement; however, he marshaled such a compelling set of facts that it fits well as the close.

By the way, Jack delivered the 142-word pitch in just 50 seconds. That is exceptional; most people would need 60 or 75 seconds to deliver that length of pitch effectively.

Winner of 2002 Tech Coast Angels Fast Pitch Competition (50-seconds)

“Molecular Medicine BioServices makes viruses for companies working on vaccines, gene and cell therapies. Our clients account for more than one-third of all drugs, approved or in clinical trials.

Molecular Medicine is one of the leading providers of contract manufacturing and development services for these life saving therapies.

My name is Mark Logomasini. I built and sold one of the largest biosupply companies in the Western U.S. Last Fall I helped take this company private from Hoffman La Roche and the University of California. We completed a Series A round for working capital. We’re now trying to raise \$7.5MM for a facility expansion.

We have contracts in place from NIH, the Department of Defense, Biopharm companies, and Universities. We’ve booked \$4MM so far this year and we will be profitable by the end of this quarter.”

*By Mark Logomasini, VP Business Development & Co-Owner
Molecular Medicine BioServices, Inc.*

At the competition, with 400 attendees, the audience spontaneously broke into applause – Mark’s passionate but calm delivery, together with an extensively coached and practiced pitch got the prize. (There were ten judges in each of the competitions.)

I would be tempted to reverse the order of the first two sentences. Hearing that their “clients account for more than one-third of all drugs, approved or in clinical trials” gets my attention; then I’m more interested in hearing what they do.

The second paragraph is straightforward and expands on what they do.

The third paragraph wakes you up again – he has been successful before; which is key hallmark for investors (ie domain expertise and proven operating track record). He establishes credibility both with Hoffman La Roche as the source of their technology and having already received Series A funding. If the Series A was modest (less than \$1 million) then better to leave the amount unstated; if it had been \$2M or more, he would have wanted to indicate the amount.

The last sentence of the paragraph is mixed: “trying” is weak – should say “we are raising \$7.5M” (no question about it). That the capital needed is for expansion is a plus, since it implies they have contracts, if not revenues.

The closing paragraph is very strong: identifies two specific big-name customers (NIH and DoD), and two market segments (biopharm and universities). The final sentence is a great close: very significant bookings (\$4M in only 4 months – the competition was in early May) and even better is that they will be profitable shortly.

Mark delivered his 132-word pitch in 50 seconds; which was only possible because he had practiced extensively.

Winner of 2003 Tech Coast Angels Fast Pitch Competition (60-seconds)

Hi, my name is Phil Hilmes. I’m founder and CEO of Audyssey Laboratories.

We have developed a patent-pending technology, MultEQ, that creates the same difference HDTV has over standard TV but for audio. MultEQ automatically corrects acoustics, dramatically increasing the emotional impact of the audio. It is the first software of its kind to market.

With a market size of over 100 million units per year, Audyssey expects to capture at least 27% of the market in five years yielding over 33 million dollars in revenue.

Texas Instruments has exclusively partnered with Audyssey to sell MultEQ software on its DSP chips to prospects such as Sony for home theater and car audio receivers.

With already more than 1 million dollars raised for MultEQ’s development from US government grants, Audyssey is looking to raise another 1.5 million dollars to commercialize and sell the product.

Our team includes the world-renowned creator of THX, Tom Holman, and other talented engineers and managers.

By Phil Hilmes. CEO of Audyssey Laboratories

This pitch received tremendous applause, especially after the judges held up their score cards. While introducing himself and his company first didn’t hurt, it would be better at or near the end – when people are fully interested and more receptive to retaining the information.

In the second paragraph, notice the great use of analogy (to HDTV) that provides a wonderful positioning for their product (eg potential market impact and importance); which is then followed by layperson explanation (“acoustics” and “emotional impact” – not ‘15 dBs better’ or ‘spectral fidelity range’). The audience connects and is more ready to accept the unsupported claim that their software is “first of its kind.”

The market numbers are specific, which is about as good as you can do when you have yet to have any measurable market share.

Very explicit tie-in to Texas Instruments, and not just some vague ‘strategic relationship’ but an exclusive partnership to incorporate Audyssey software in TI’s DSP chips; with further tie-in to how Sony is expected to use the embedded product.

Uses million-dollar grants as credibility builder and follows with the capital sought – concise and strong.

Having a world-class expert on the team is either a wonderful close, as here – if you have kept the audience interested (and he had) – or could have been equally strong as a lead statement.

Get Coaching and Practice, Practice, Practice. The importance of getting coaching and practicing your delivery cannot be emphasized enough; the winners typically receive professional coaching and all winners had practiced extensively – Tech Coast Angels hold free coaching sessions for entrants in the competition. The pitch Mark gave, at the first coaching session, failed to mention their \$4m bookings, their contracts with DoD and NIH, and the Hoffman La Roche connection – all the key points that make his pitch compelling. Moreover, the description of their technology was convoluted and incomprehensible to someone not expert in that field. Mark sent an email after the coaching session: “This evening was one of the most valuable experiences I've had since we bought Molecular Medicine 8 months ago. Thank you very much for your help.” The TCA member who headed our coaching, said that the 2003 winner would not have made it to the final 15 with his starting pitch – progress made during coaching does not influence the selection of winners, as TCA coaches are barred from judging the finals of the competition.

Closing Thoughts. Not all ventures will have revenues, or contracts, are profitable or expect to be profitable shortly; as was the case in the 2001 and 2002 winning pitches; the inference is that the 2003 winner did not have revenues. The point is to bring out your venture’s key strengths and explain what you do in a compelling way that leads the prospective investor to want to hear more. In crafting an effective pitch: identify your venture’s key points and organize them into an effective story, edit to eliminate fluff make each word serve a purpose, and then practice your delivery.