Venture Capital

Tips and traps and more…

Expert knowledge means success

Contents

Note: This publication has not been updated since it was last published. Some of the hyperlinks may have changed and may need updating. In addition, some of the information in this publication may be out of date.

Introduction

Many historians identify the Spanish Inquisition as synonymous with physical torture to achieve spiritual conversion. The modern day version could be the venture capital (VC) interview (or even Dragon's Den on TV). Even though you don't die, they often put you through the mental grinder, and you'd do almost anything to convince them you're on the same ideological page. But you can get prepared for your VC inquest by learning what types of questions Venture Capitalists are likely to ask, what intrigues them, their motives for asking specific questions, and what they want to hear.

What is Venture Capital?[1]

Venture Capital is the process by which investors fund early stage, more risk-oriented business endeavours. A venture capital funding arrangement will typically entail relinquishing some level of ownership and control of your business. The investment is usually in the form of stock (shares) or an instrument that can be converted into stock at some future date. Venture capitalists typically expect a 20% to 50% annual return on their investment at the time they are bought out. Some will invest as little as £50,000 and as much as £20 million in any one company, but typical investments range from between £500,000 and £5 million. Management experience is a major consideration in evaluating financing prospects.

Venture Capital is financial capital provided to early-stage, high-potential, high risk, growth start-up companies. The venture capital fund makes money by owning equity in the companies it invests in, which and usually have a novel technology or business model in high technology industries, such as biotechnology, IT, software, etc. The typical venture capital investment occurs after the seed funding round as growth funding round (also referred to as Series A round) in the interest of generating a return through an eventual realization event, such as an Initial Public Offering (IPO) or trade sale of the company. Venture capital is a subset of private equity. Therefore, all venture capital is private equity, but not all private equity is venture capital.

In addition to angel investing and other seed funding options, venture capital is attractive for new companies with limited operating history that are too small to raise capital in the public markets and have not reached the point where they are able to secure a bank loan or complete a debt offering. In exchange for the high risk that venture capitalists assume by investing in smaller and less mature companies, venture capitalists usually get significant control over company decisions, in addition to a significant portion of the company's ownership (and consequently value).

There are typically six stages of venture round financing offered in Venture Capital which roughly correspond to these stages of a company's development[2]:

- Seed Money: Low level financing needed to prove a new idea, often provided by angel investors. Crowd funding is also emerging as an option for seed funding.
- Start-up: Early stage firms that need funding for expenses associated with marketing and product development
- First-Round (Series A round): Early sales and manufacturing funds
- Second-Round: Working capital for early stage companies that are selling product, but not yet turning a profit
- Third-Round: Also called Mezzanine financing, this is expansion money for a newly profitable company
- Fourth-Round: Also called bridge financing, 4th round is intended to finance the "going public" process

How to Approach a Venture Capitalist

Venture Capitalists are not untouchable but they're very busy people. Telephone conversations should be friendly, but succinct and to the point. Often, the venture capitalist will require a review of your business plan before talking with you. You should be willing to send your plan in advance of any conversation and follow up on the stated date and time mentioned in your cover letter.

There are many sources for venture capital and you, as the entrepreneur, should be willing to solicit several firms. The initial response time is usually several weeks, with the entire deal taking several months.

Remember that this is a long-term relationship you're developing.

Required Documentation

Be sure to have all of the following documents on-hand and ready for review before soliciting venture capitalist for funding (they will judge you by your preparedness and knowledge of how to work with them):

- Business summary - a succinct document that outlines: management, historical profits, strategic position and potentials for exit.
- Business Plan - a detailed document about the company including: business strategy, marketing plan, financial document (including future profit projections), competitive analysis etc.
- Due Diligence - a study about the background and financial reliability of: company, management team and industry.
- Marketing Material - any document that directly or indirectly relates to the sales of your product/service.

How to Talk to Venture Capitalists

The process of venture funding will take several meetings. During most of the meetings, you and the venture capitalist will be dealing from the business proposal you previously sent him. It is necessary for the venture capitalist to understand your product or service. Bringing along a prototype or the actual product will go a long way in this process. Stay focused on your business plan. Meetings can sometimes last several hours and you may become talkative. Avoid mentioning any grandiose plans you may have for the future. Also, do not mention any products that were not covered in the business plan. Such conversation could present you as a dreamer, or someone who is trying to run before learning how to walk.

VC Do's and Don'ts

There are some general guidelines that can help you significantly in your search for venture capital. You may want to cut out these do's and don'ts and paste them somewhere you can study them before embarking on your meeting with a VC.

- **Don'ts** - Do not avoid answering questions. Do not give vague answers. Do not hide significant problems. Do not expect or press for immediate decisions (this works both ways). Do not fixate on pricing. Do not bring your lawyer.
- **Do's** - Be positive and enthusiastic about your company and product/service. Know your minimum deal and walk away if necessary. Remember this is a long-term relationship. Negotiate a deal you can live with. Do your homework on the Venture Capitalist. Know the previous deals he has funded and the current structure of his portfolio.

Typical Questions Venture Capitalists Ask

If you really want to impress a venture capitalist, you have to be quick with smooth answers to the gruelling business questions they ask. Being prepared is your best defence, so study the following 74 questions and be prepared to answer all of them next time you visit a venture capitalist – if you're prepared, you're bound to get a better response.

1. What type of business experience does the management team have?
2. Are the members achievers?
3. What motivates each team member?
4. Can the team accomplish the job outlined in the business plan?
5. How does your company and product fit into the industry?
6. What are the current market trends?
7. What are the keys to success in your industry?
8. How did you determine total sales of the industry and its growth rate?
9. What industry changes most affect your company's profits?
10. What are the seasonal affects in your industry?
11. What makes your business different?
12. Why does this business have high growth potential?
13. What makes this business situation special?
14. Why will this business succeed?
15. Why is this product or service useful?
16. What will the product do for the user?
17. What is the expected life cycle of the product?
18. How do advances in technology affect your product and business?
19. What is the product liability?
20. What makes this business and product unique?
21. Why will your business succeed when it must compete with larger companies?
22. Does the product meet a specific need or perceived need of the customer?
23. Does the product have brand name recognition?
24. Are there repeat uses for the product?
25. Is this a high-quality or low quality product?
26. Is the consumer the end user of the product?
27. Does this product have mass appeal or single large buyers?
28. Who is your competition?
29. What advantages does your competition have over you?
30. What advantages do you have over your competition?
31. Compared to your competition how do you compete in terms of price, performance, service and warranties?
32. Are there any substitutes for your product?
33. How do you expect the competition to react to your company?
34. If you plan to take market share, how will you do it?
35. What are the critical elements of your marketing plan?
36. Is this primarily a retail or industrial marketing strategy?
37. How important is advertising in your marketing plan?
38. How sensitive are sales to your advertising plan?

Continued on the next page

Continued from the previous page

39. How will your marketing strategy change as the product/or industry matures?
40. Is direct selling necessary?
41. How large is the customer base?
42. What is the typical demographic of your customer base?
43. What is the lag time between initial buyer contact and the actual sale?
44. What is the capacity of your facility?
45. Where do you see bottlenecks developing?
46. How important is quality control?
47. What is the current backlog?
48. Is the product assembly line based or individually customised?
49. What are the health and safety concerns in producing this product?
50. Who are your suppliers and how long have they been in business?
51. How many sources of suppliers are there?
52. Currently, are there any shortages in components?
53. How many employees do you have?
54. What is the anticipated need in the immediate future?
55. Where does the labour supply come from?
56. What is the employee split, i.e. full time, part time, managerial staff, support staff, production/service?
57. What is the cost of training?
58. Is the labour force primarily skilled or unskilled workers?
59. Is there a union and what is the company's relationship?
60. How old is your company's equipment?
61. What is the yearly maintenance cost?
62. What are your capital requirements over the next five years?
63. Do your competitors have an advantage due to equipment?
64. Do you lease or own the property/facilities?
65. What are the terms of your lease?
66. How much do you owe on the mortgage?
67. Are the facilities adequate for future expansion based on your business plan?
68. Will the expansion require relocation?
69. Who owns the patent?
70. What licensing arrangements have been made between you and the patent holder?
71. Does anyone else have licensing arrangement? If so how does this impact your company?
72. What is the current research and development?
73. What is the annual expenditure on R&D?
74. How does R&D impact future sales?

Glossary – the Language of Venture Capitalists

- **Balloon repayment -** when the majority of the repayment of a loan is made at or near the maturity date, with the final payment substantially larger than the earlier payments. Used in the funding of fixed assets in a growing business.
- **Bill of exchange -** a trade finance tool consisting of a written order that binds one party to pay a fixed sum of money to another party at a predetermined future date. However, the most common form bill of exchange is a cheque being a bill drawn on a bank and payable on demand.
- **Board of Directors -** groups of individuals who are elected by the shareholders of a company and empowered to carry out certain tasks for the benefit of their shareholders.
- **Bullet -** a single repayment on a loan paid at maturity.
- **Capital repayment moratorium -** a period of time in which the interest accruing on the loan is covered, but no capital is repaid. Also, sometimes referred to as a capital repayment holiday.
- **Cap -** example of a derivative (see below). A contract which effectively imposes a maximum on the interest rate payable where the rate is variable. It protects against increases in the bank's cost of funds and is not concerned with the margin charged above this. A premium is charged, much as in an insurance policy.
- **Cash flow -** in general terms, money flowing in from sales minus money flowing out for expenses. A positive cash flow is essential for a business to survive.
- **Collar -** example of a derivative where the maximum and minimum effective rates payable are determined for a specified period.
- **Collateral -** asset pledged to a lender until a loan is repaid. If the borrower defaults, the lender has the legal right to seize the collateral and sell it to pay off the loan.
- **Confidential invoice discounting -** a tool whereby invoices can be turned into cash. Invoices are sent to the lender, who will normally agree a cash injection of up to 85% of the outstanding invoices. The responsibility for collection remains with the client. This facility tends to be used when there is a growing demand for working capital.

- **Convertible -** in this context, a form of preference share, which can be converted into ordinary shares at a set future date. The expression can also be used in connection with a debt instrument that can be 'converted'.
- **Covenant -** a promise made in a formal legal agreement, that certain activities will or will not be carried out. Financial covenants agree the minimum financial performance ratios the borrower will achieve. Breach of covenants will constitute an event of default. Covenants are an integral part of all term commitments.
- **Debenture -** general debt obligation backed only by the integrity of the borrower and documented by an agreement called an indenture. An unsecured bond is a debenture.
- **Debt Service -** cash required in a given period, usually one year, for payments of interest and current maturities of principal on outstanding debt.
- **Derivative -** a 'stand-alone' contract to 'hedge' or protect a borrower's exposure to movements in financial markets, including interest rates, exchange rates, commodity prices etc.
- **Discounted -** using a bill of exchange, a lender may discount the bill by paying the borrower the amount of the bill, less the costs of funding and a percentage to reflect the interest charged.
- **Due Diligence -** the process of investigating a business venture to determine its risk and feasibility.
- **Event of default -** within a facility letter (see below), there will be a list of the lender's rights if the borrower fails to meet its obligations, or if a specified event occurs. The rights will typically include the cancellation of any further drawdowns under the facility, the liability becoming repayable on demand, and other conditions.
- **Facility letter -** the formal document setting out the mutual rights and obligations of lender and borrower.
- **Factoring –** this is similar to invoice discounting, but the lender will take responsibility for the collection. Used to fund a growing business.
- **Fixed rate -** an interest rate management tool, where the rate on a loan is agreed at drawdown for the life of the loan. Early repayment will involve meeting the bank's costs in 'breaking the fixture'.
- **Forward rate agreement -** a hedging tool which allows both the lender and the borrower to agree a rate of interest at a future date.
- **Gearing -** a fundamental analysis ratio of a company's level of long-term debt to its equity capital expressed in percentage form. Also referred to as leverage.
- **Hedge -** the term for protecting oneself from market movements. When raising finance, it is advisable to hedge against adverse interest rate movements.
- **Hire purchase -** a form of asset finance whereby the asset is acquired in the name of the borrower but is generally charged as security to the lender. Effectively, a loan against the asset. The asset and the borrowing appear on the balance sheet, and tax treatment will reflect this. Every hire purchase contract has a peppercorn option payment at the end by which the borrower acquires unfettered legal title to the asset.
- **IPO (Initial public offering) -** the first sale of privately owned equity (stock or shares) in a company via the issue of shares to the public and other investing institutions. In other words an IPO is the first sale of stock by a private company to the public. IPOs typically involve small, young companies raising capital to finance growth. For investors IPO's can be risky as it is difficult to predict the value of the stock (shares) when they open for trading. An IPO is effectively 'going public' or 'taking a company public'**.**
- **Leasing -** An alternative means of asset finance, with the user (lessee) paying the lessor a rental for the use of the asset for a defined period. The two principal types of lease are Finance Leases and Operating Leases, and there are differences in accounting and tax treatment between the two. Unlike hire purchase financing, leasing contracts do not have a peppercorn option payment at the end by which the borrower acquires unfettered legal title to the asset.
- **Mezzanine debt** - a class of debt that ranks behind the senior debt. The pricing and/or terms reflect the higher risk to the lender.
- **Overdraft** - the simplest and most flexible method of borrowing money. An agreed line of finance, repayable on demand by the lender, but usually reviewable at least annually. A 'committed' overdraft is not repayable on demand, but is available for a period up to 364 days, usually subject to conditions and/or covenants.
- **Overtrading** - term used when a business is growing its sales faster than it can finance them, leading to insufficient cash being available to meet outgoings.
- **Participating preferred stock** - a type of preference share that, under certain conditions, gives holders the right to receive earnings payouts over and above the specified dividend rate.

- **Preference shares** - a type of share that has preference to ordinary shares by a fixed dividend (provided the company has distributable reserves), and over assets in the event of liquidation.
- **Price / Earnings Ratio (PE)** - price of a stock divided by its earnings per share. The price/earnings ratio, also known as multiple, gives the investors an idea of how much they are paying for a company's earnings power.
- **Private placement** - a way of raising capital by issuing shares to known clients of the advisers.
- **Prospectus** - a formal legal document describing details of a corporation, generally created for a public fund-raising offering.
- **Redeemable** - a type of preference share which can be bought back by the company, usually at their option, at or over a specified period.
- **Revolving credit facility** - a line of credit similar to an overdraft but committed for longer than a year. Subject to meeting covenants, the line may be drawn and repaid at will.
- **Rights issue** - any share issue that will dilute the ownership of a given class of shareholder must be offered to that class in proportion to their existing shareholdings. This is known as a 'rights' issue.
- **Senior debt** - debt whose terms require it to be repaid before subordinated debt receives any payment.
- **Side letter** - as situations change, the terms of a loan may need to be altered. These changes will be explained in a side letter.
- **Syndication** - the process whereby a group of venture capitalists will each invest a portion of the amount of money required to finance a business.
- **Term loan** - a loan from a bank for a specific amount repayable over a specified period. The loan remains available to the borrower provided the conditions and covenants are met.
- **Trade finance** - a term generally used to cover the multitude of means of financing international trade, using the instruments of that style of trade.

Key Features of Venture Capital

- The investment is in unquoted companies
- It is equity capital
- It is medium to long term
- It is targeted at companies with growth potential

How to get your Business Plan to the Top of the Pile:

Key attributes Venture Capitalists look for when evaluating your company's potential

One of the key aspects that Venture Capitalists look for is how well your company's product, technology or service solves a real-life problem – nobody will buy a solution to a problem that doesn't exist. As one industry veteran pointed out - when someone goes to a hardware store to buy a drill, he's not buying a drill. He's buying a hole.

When you're dealing with Venture Capitalists, clearly define and emphasise the customer's problem and why you can solve it better than the competition. And make certain you truly understand the markets. Prepare by asking yourself what differentiates your company? Why people will buy your product or service over others? Why they will buy in quantities? And why will they buy at a price that will produce a substantial profit?

You will almost always secure funding if you make your customer's business more efficient, saving them time and/or money.

A Dream but No Team:

How seed stage companies (start-ups) can attract venture capital.

If you've spent only five minutes seeking venture capital, you've heard the phrase - probably more than once: "Management, management, management." It's the most important element Venture Capitalists consider when investing. But what if your seed-stage company has no management team, except for a golden retriever that plays comptroller? It's a Catch-22 situation – "If I had a management team, I could raise the money. And if I had the money, I could raise a management team".

Here are tips on securing the venture capital that will help you build that team:

- **Make sure your technology is robust** - If a company doesn't have a jockey, Venture Capitalists bet on the horse. If the product and market look like an exciting opportunity, Venture Capitalists will often help seed capital companies to overcome their management shortcomings.

- **If you're developing a next-generation product, make sure the technology doesn't leapfrog your customers' current perception, pattern of operation or activity** - Don't try to create a new paradigm, unless the users are dying for that paradigm. The time it takes to educate a user on your product is longer than you anticipate. And that may take longer than the firm can wait.
- **Address a large market** - Market size is particularly important in biopharmaceuticals, where time-to-market is 10 years and development costs hundreds of millions of £s.
- **Assess the market size for a second-generation product by finding other companies that are in the same space** - Determine who the customers would be for this product and identify their need. If you've got a first-generation product, find "comparables" outside the industry niche. In these cases, it's critical that you emphasise to the Venture Capitalists what your product does and what value it brings to the customer in the marketplace. Above all, make sure you've identified a problem that actually exists in the marketplace.
- **Talk to the experts** - Experts can help you get a jump on the competition, and they also save you from looking foolish in front of Venture Capitalists. You won't even get the Venture Capitalists to roll up their sleeves if you can't tell them something about the market that they don't know in the first place. Research tools, such as talking with industry pundits and users groups, can bolster your credibility. If you can afford them, market researchers can provide independent validation.
- **Focus on Hiring Key Individuals** - In the absence of a full management team, first look for key individuals who have either unique functional skills (technical, marketing, sales) and/or general management expertise. Ideally, these key individuals will have gained that managerial experience at a successful start-up company - as soon as you have one or two people with real-world experience, that's who gets the funding. Hopefully, one of those individuals, perhaps the technologist, is capable of acting as CEO, at least for a period of time.
- **Identify managerial deficits** – many Venture Capitalists look for entrepreneurs whose first priority is to hire a serious upper-level team. The founders should be willing to put their egos aside and hire people who are better than them at a particular function. Make sure your business plan indicates the founders' strengths, as well as profiles of managers who would complement the founders' weaknesses. Explain how the combination will create the company's vision.
- **Communicate and cultivate a culture** – Usually, entrepreneurs have enough savvy to build one culture out of many. It's not just about hiring smart good people who come from 15 different cultures, but creating whatever culture makes them all work together. Your role as the entrepreneur is to circulate the company's mission statement and request employees' input, not only to foster communication but also to create a unified corporate culture. At the end of it, you'll have the end-product of everyone, instead of just the CEO and founders telling how it's going to go.
- **Show a willingness to take advice** - Venture Capitalists want to be assured that companies they invest in will be open to their suggestions.

Why the Founder isn't always the best leader

So your company's founder may be a whiz at technology. But is he/she an expert in human resources? How about marketing? Sales? Operational responsibility?

If he/she is like 99% of entrepreneurs, the answer is no. Most successful companies eventually outgrow their founder's skills, unless the founder is someone like Bill Gates at Microsoft.

It's a rare entrepreneur who can master paradigm-shifting technology, finance, human resources, marketing, production and customer service all at the same time. But Venture Capitalists know this well - if they waited until they found an entrepreneur who had all those skills, they'd never make an investment.

The trick is to hire a management team that knows everything the founder doesn't. Remember that 75% of venture capital is growth equity, invested in living, breathing companies with experienced management teams.

Building a good management team is crucial for entrepreneurs, particularly in the current market. The unemployment rate is low, technology is a hot area, many well-established big-name companies are scrambling to grow and hire bright people, and so the young start-up entrepreneur has a very competitive environment.

Here are some key tips to follow:

- **The first step: know what you don't know** - Identify the founders' limitations. While acknowledging weaknesses may be one of the hardest parts of growing a company, Venture Capitalists say it is imperative. While it may seem self-defeating to admit to potential investors that you know little about crucial aspects of the business, they're more likely to respect your honesty and analytical skills than if you try to fake it.
- **Draft a business plan that identifies skills the company will require for the next 18 months** – A Venture Capitalist can recognise a mature business plan if it tells him not only what you have, but what you don't have.
- **Ideally, you will hire people who have previously worked at a start-up company** - Venture Capitalists have more confidence in management who have experienced the roller-coaster ride of exponential growth before and they don't want to pay for anybody's education. Other good candidates for the management team include former sales managers, technology developers, and leaders of subsidiaries at large corporations. If you can only hire one manager, make it a chief accountant or financial director. Small companies often fail to give investors the detail they want when it comes to financials. That slows down the due diligence process, and gives the firm the impression that the entrepreneur doesn't take financials seriously. At the very least, hire a quality firm of accountants to help you through the financial maze.
- **Can the CEO step aside?** - In the process, make sure your CEO is willing to take on a different role. The founder may resist if he's used to ruling the roost. Most often this situation emerges with a bootstrapped, i.e. non-venture capital backed, company. As one Venture Capitalist put it - "It's kind of like turning a baby over to a nanny. It's not a head thing, it's a heart thing." Granted, entrepreneurs have enormous financial and psychological stakes in their companies and they should, quite rightly, be careful about who is joining the team. But funding may not be forthcoming if the founder dictates. Unsuccessful founders see this transition as a threat to their control. Successful founders look at it as liberation from annoying tasks, as a chance to concentrate on their core competency.
- **Holes are better than bad hirings** - Although each venture capital firm is different, most are willing to help start-ups recruit personnel. Many draw on their vast networks of entrepreneurs and industry experts. If holes remain, draft a profile of the ideal candidate for each spot. This demonstrates that you're on top of the issue. But don't hire someone simply to warm an empty chair. Foolish hirings will cause potential investors to question your ability to construct a team. Wait until you've found the person who will catalyse your company.
- **Employee Support** - Prior to making an investment, Venture Capitalists will often ask employees if they like their jobs. There's more than altruism involved. Without happy, productive employees, your company won't grow, and Venture Capitalists know it. The most important thing is that your management team demonstrates problem-solving abilities.

Beyond Management:

Three factors that bring in Venture Capital

You're bound to have heard the Venture Capital mantra - management, management, management. No question - management always takes centre stage in Venture Capitalists' investment decisions. But other factors do come into play: a company's geographic location, industry and stage.

The key to getting financing is knowing how each Venture Capital firm's outlook and investment analysis will vary, knowing from the moment you enter the boardroom what they want to hear and how they make decisions:

- **Geographic Location** - In the high-tech world of e-commerce and genetic engineering, it's surprising that a factor as mundane as a company's geographic location could impact a venture capitalist's investment decision. But it can do and when it does, the closer a company is located to the venture firm, the better the chance of securing funding.
- **Industry** - Knowing a firm's propensities towards a particular industry - and how much money it has reserved for each segment - allows you to anticipate that firm's future investment in each market. For example, a firm investing in information technology may invest 30% of its fund in client/server software alone. Having this knowledge would allow you to determine how your deal fits into the firm's overall investment strategy - and what chances you have of securing their funds.

- **Stages** - Just as children are dramatically different from the age of seven months to seven years, so it is with companies. That's why most venture firms specialise in one stage or another. Alternatively, some firms prefer to hedge their bets by investing in companies at a variety of stages, which can also stand you in good stead, if you can find out the stages in which they're "top-heavy," and which they need to balance their portfolio. One of the most important lessons to be learned in Venture Capital may be that one firm's definition of a start-up may differ from another firm's definition. Often, each firm alters traditional definitions to suit their own fund size, investment horizon and industry.

Presenting Your Business Proposal to Prospective Investors

If you want to raise money for your business, you'll find that you will be sitting in front of prospective investors. Knowing the best way of presenting to them will significantly enhance your prospects of success. Here are some tips that you might like to follow:

Overview

- Your format should be an 8 to 10 minute presentation using either an overhead projector or better still an LCD projector and wireless microphone.
- Make sure that the room in which you are to make your presentation has the necessary power points etc for you to fire up your PC and projector.
- Make sure that there is a white screen to project your story onto.
- Know your audience – don't talk about large sums per investor if most of the audience are angel investors. Conversely, if your audience is made up of financial and strategic investors and Venture Capitalists, you should talk about larger ticket investments.

Presentation Guidelines

- The objective is to make an effective first and last impression.
- Don't overuse props but do bring plenty of business cards with you or any marketing literature that you can hand out for people to take away.
- Make sure that there are other senior managers or directors in the audience from your company – this will enable them to gauge the audience reaction and afterwards network with the people attending. In addition it will also provide a substitute should you be unable to make your presentation at the last minute.

PowerPoint Presentation Guidelines

- Don't put too much on each slide - slides should contain powerful bullet points or statements and should provide the background to your oral presentation.
- Each slide should begin with a bold statement.
- Have no more than 15 to 20 slides in your presentation and allow a maximum of 2 minutes per slide and a minimum perhaps of 30 to 45 seconds.
- Be ready for technical difficulties – have printed versions available in case the technology breaks down.
- Have ancillary slides available to cover questions from the audience if time allows you to do so.
- The final slide should contain your company name, contact information and web address and e-mail details.

Business Content Guidelines

- Basic elements to cover (usually one per slide):
  - Define a market need or inefficiency.
  - Explain your solution and its differentiation or uniqueness.
  - Quantify the opportunity through market size or potential.
  - Identify competitors and promote your advantages.
  - Assess your progress to date and visually display future milestones.
  - Identify key strategic alliance partners or advisory board members.
  - Describe your financing need and the use of proceeds.
  - Introduce your senior managers and why they are the right team.
  - Remark on possible exit strategies.
- Use sensible numbers in market size estimates and financial projections. Remember, these numbers will be a benchmark for performance.
- Be honest about competition, but don't sell your competitor.
- Give details about your management team including relevant advanced degrees, prior management experience, and any high-level relationships.
- Briefly discuss how your partners or advisors are advancing your business.
- The amount of capital you require should fund 18-24 months of operations and you should discuss your projected time to break even.

Venture Capital Trusts

The Venture Capital Trust scheme is designed to encourage individuals to invest indirectly in a range of small higher-risk trading companies whose shares and securities are not listed on a recognised stock exchange, by investing through Venture Capital Trusts (VCTs). VCTs are companies listed on the London Stock Exchange and are similar to investment trusts. VCTs are run by fund managers who are usually members of larger investment groups.

Investors subscribe for, or otherwise acquire, shares in a VCT, which invests in trading companies, providing them with funds to help them develop and grow. VCTs realise their investments and make new ones from time to time.

There are tax advantages for investors who put their money into a VCT. The tax advantages are both on entry (tax relief, within certain parameters, against other income) as well as capital gains relief on exit (when the investment is realised).

VCTs primarily invest in new shares issued by "unquoted" UK companies (including those quoted on AIM or traded on PLUS). Most private investors do not have access to these types of investments, which are often the preserve of institutional investors, or the expertise to assess the opportunities. VCT investors can benefit from the opportunity to "get in on the ground floor" and reap the rewards if the VCT's investments increase in value.

Therefore, a VCT provides access to a portfolio of high growth companies, in addition to the very generous tax reliefs which are given.

Further Information

Other publications which may be helpful to you are:

420-Guide to Lending Sources
105-Business Grants and Financing Sources for SMES

This guide is for general interest - it is always essential to take advice on specific issues. We believe that the facts are correct as at the date of publication, but there may be certain errors and omissions for which we cannot be responsible.

Important Notice

Publication issued or updated on:
23 February 2012

Ref: 22

References and Acknowledgement

[1] Most of this section is attributed to the following source: http://en.wikipedia.org/wiki/Venture_capital

[2] Source: http://en.wikipedia.org/wiki/Venture_capital