
WORKING WITH INTERNATIONAL VENTURE CAPITAL FUNDS

2024



CorpFinCE

Corporate Finance Central Europe

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Background



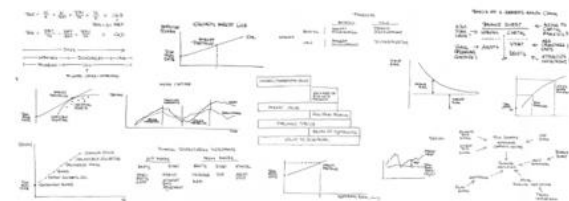
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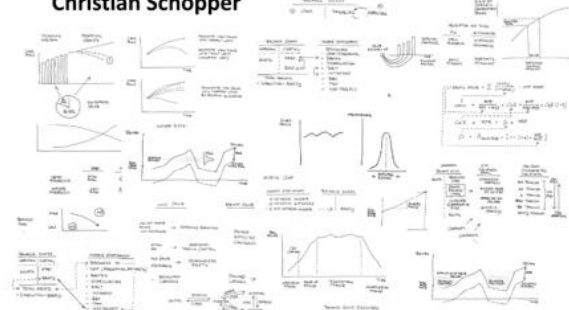
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Session 1: Preparation & Investor Pitch



Following is a Good Start...

- Make cold calls
 - ... this is the hottest thing on earth!
- Don't prepare anything
 - ... nobody is cooler out there
- Always insist on NDAs
 - ... all top secret, man!
- Valuation is value
 - ... \$\$\$ is all what counts
- Term sheet? What term sheet?
 - ... this is just dry lawyers' stuff
- Here are my terms
 - ... you want me to negotiate?
- Reject a rejection
 - ... and ideally shout at them!



Why Start-Ups Fail



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What Makes Your Proposition a „Hot One“ ...

- Proven team with a great **track record**
- Outstanding **metrics**
- **Unique** technology or distribution advantage
- **Other VC** firms are ready to invest
- A warm **intro**
- You are in a **VC-hyped category**
- Your company **fits** the VC's investment thesis perfectly

Before Working with VCs

- The mechanics of the VC model
 - Most VCs are **intermediaries**
 - Some platforms invest their own money
- The most relevant **values** to expect from VCs
 - Money
 - Expertise / knowledge
 - Network / mentorship
 - Operational support
 - Branding

Is the VC model aligned with your aspirations as an entrepreneur, or rather not?

Preparing for Fundraising

- **Shortlist** of relevant VCs
 - Investment stage
 - Seed, series A, B, C...
 - Investment scope
 - Investment thesis
 - Blogs, latest deals
 - “Value added” / operational support

 - Expertise in your area?
 - Any successes?
 - Fund size?
 - Stage in their life cycle?
- First “light” **reference** checks
 - Other founders
 - Business angels
 - Incubators and accelerators
- Create fundraising **material**

- Contact

The Relationship with a VC

- Your company is the product ...
- ... and you're **selling an equity ownership** in your company ...
- ... **but** actually you are selling trust & confidence that you are going to **build something enormously valuable** ...
- ... and that you're going to be enjoyable to work **hand-in-hand** with **over the coming decade** of each other's lives

This actually sounds more scary than entering a marriage ...

The VC Machine

- Partnership
 - **Number** of partners
 - Active and less **active** partners
 - Who has “**pull**” to get deals done
 - Which partners work well with which other partners
 - Who are the more **optimistic** partners ...
 - ... and who are the most generally skeptical ones
 - How does the partnership typically make its final **investment decisions**
- Non-Partner Investment Staff
 - Sourcing deals for partners
 - Initial deal screening with a partner
 - Assisting with due diligence
 - Building models to evaluate the deal
 - Completing due diligence post partner meeting for questions raised there

The Pitch

- Know your **audience**
 - Who are you meeting with?
- Briefly warm up, then straight to the point ...
 - The succinct tagline
- The **numbers**
 - If you have strong metrics, then bring this up early and be specific
 - If your metrics are weak, focus on how massive the problem is...
- The story of the **growth** potential
 - ... supported by market metrics
- The product **story**
- The product **value**
 - Its benefits and features
- **How** do you intend **to make money**
 - What makes you better than your competition
 - How are you monetizing
 - Are you already profitable
- Your **team**
 - ... in times of trouble ...

Preparing a good pitch takes time!

The Pitch Book

- From a long-form to the elevator pitch ...
- Of Power Point presentations which are too long ...
 - ... and full of spelling and grammar errors...
 - ... packaged in an inconsistent format...
 - ... ignoring investor concerns to be anticipated
- Excellent Executive Summary
 - The **problem** the startup will be **solving**
 - The **size of the market** the startup will be addressing
 - The sustainable **competitive advantage**
 - The expected **revenues and costs** of the startup
 - ... supported by realistic and detailed assumptions and projections
 - Description of the startup's management **team**
 - **Exit** for the investors



Business Plan vs Pitch Book – Proposal for an Indicative Structure

- A **pitch book** is a concise presentation **aimed at investors**
- A **business plan** is a **strategic document** that outlines a company's goals, strategies for achieving them, and the time frame for their achievement.

Pitch Book

- Executive Summary
- Problem, Solution & Innovation
- Core Team
- Product Description
- Market Description, Growth & Competition
- Target Customers & Marketing Plan
- Logistics and Operations
- Financials, Schedule & Milestones
- Investment Proposition & Exit

Business Plan

- Executive Summary
 - Industry, company, products
- Market Research & Analysis
 - Customers, size, trends, competition...
- Product Description & Development
 - Status, difficulties & risks, product improvements, pipeline, costs...
- Marketing Plan
 - Strategy, pricing, sales, service, advertisement & promotion
- Operations, Logistics, Distribution
- Research & Development
- Management and Organization
- Financial Plan & Schedule

The Investor Presentation Goes Live

Dos

- Be yourself
- Speak clearly and concisely
- Be polite and truthful, build trust
- Convey passion for your subject
- Listen to the investor
- Answer the question directly
- Keep up momentum to avoid audience boredom
- Try to spin “negative” topics into “lessons learned” / “opportunities”
- Project long term commitment to the business and to investors



Don'ts

- Be late
- Dress sloppily
- Interrupt, contradict, argue with the investor
- Interrupt, contradict/disagree with a colleague
- Appear disengaged, bored, tired or too relaxed
 - Control body language. Sit upright.
- Play with your phone or take a call (turn it off!), eat, look out of window, fold arms, scratch head etc
- Raise your voice, get over excited
- Try to overly please the investor, oversell or try to be too cute
- Don't over promise



How VCs Assess Opportunities

- An analyst / associate / principal check whether proposal in line with VC's **investment scope & thesis**
- If promising
 - **Internal discussion**
 - Partners
 - Investors
 - Experts
 - ...
 - Deal Memo
- **Iterative, ongoing decision making**
 - Unanimity from all the partners
 - Certain percentage
 - “Super user” partner / veto
 - Sponsoring partner ownership
 - ...
- Observations
 - VCs are **conviction** driven
 - Almost certainly no deal, if even one partner has deep conviction “against” a decision
 - Frequently, partner have **equal say**
 - Input from board partners and non-partner investment staff
 - Policy of “**no retribution**” and “**no reciprocity**”
 - Decision making can be draining

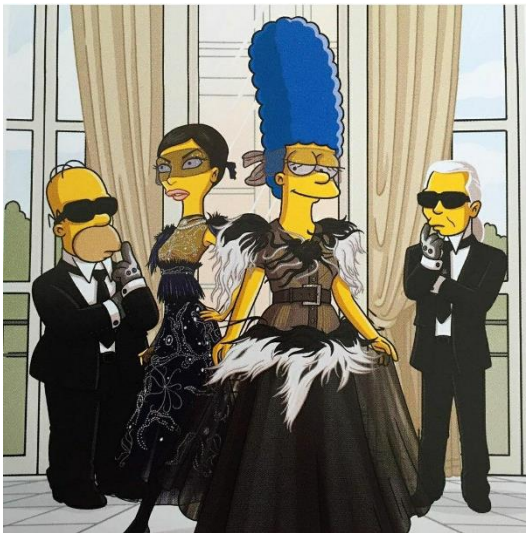
Feedback Alternatives

- **No, not interested ...**
 - Should I be mad?
 - Should I ask why?
 - I really want this investor with me: Should I insist?
- **We're looking at you / into it ...**
 - If your company is “hot”, you'll probably meet a Partner quickly
 - If not, you'll probably interact multiple times with associates or principals first
 - If the investors need to build conviction, they'll ask you for more material
- **You don't receive any answer**
 - Not convinced enough to explore the opportunity in more depth
 - Currently under water and having other priorities
 - Forgot about you
 - It's a bad VC ...



A Final Thought

Quotes



“The minute you think that the past was better, your present is second hand, and yourself becomes vintage. It’s OK for clothes, not that great for people.”

Karl Lagerfeld

Contact



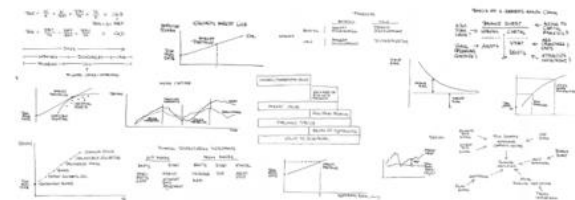
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