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CANAAN PARTNERS

Entrepreneur Pitch Workbook

We are Venture Catalysts.

Why We Created This Pitch Workbook

- » To provide entrepreneurs with just the actionable, tactical guidance you need to clearly communicate your business idea
- » To encourage you to think through the aspects of your business the same way VC's will be assessing it
- » To help you sell effectively to everyone:
 - Investors
 - Employees
 - Customers
 - Other key resources
- » To help you avoid becoming a professional fundraiser, so you can use your time to build your business





Our Promises to Entrepreneurs

Access

Need an introduction? Just ask.

Value

We are active board members. We are here to give you the actionable tools and resources you need to make your business a success.

Operational Guidance

Need help? You have our entire team to draw on, not only the Canaan partner on your board.

Partnership

We invest in one company per category and back that company.

Intellectual Honesty and Fairness

That's the only way we do business.

BEFORE WE START...

Pitch DNA



NOTES

The essence of a good pitch is encapsulated at-a-glance on this page.

- » Have a hook – keep our attention.
- » Position your company as a perfect fit with other investments the firm is chartered to make – but not competitive. Check the VC's website to determine their focus areas. Visit Canaan at: www.canaan.com

Big problem, big market.

Focus!

Start strong - have a hook!

Make sure you tell a good,
clear, repeatable, exciting story.



Showing is better than telling!

BEFORE WE START...

Get Your Bearings



Practice: Nail down the flow, timing and coherence of your pitch. Also, we have partners from various offices sit in on pitches via video conference – don't let it throw you to have to pitch to multiple locations.



Time: The typical time slot for an introductory meeting is about 1 hour (including Q&A), so make sure to keep your presentation concise and focused.



Number of Slides: 12-20 slides is ideal – most of the pitches we see can be boiled down to this number of slides.



Arrival: Try to arrive 10 minutes early. We'll usually try to set up your computer before the meeting starts.



Bring: Bring hard copies of the pitch because hardware failures are not uncommon.



Attire: Business casual is fine. No need to wear a suit unless that's what you are comfortable wearing.

NOTES

- » Submit your pitch in PowerPoint.
- » Drop names early and often.
- » Be prepared to discuss key assumptions.



Be prepared
to discuss key
assumptions.



Mind the time!

FOCUS!

No more than 20 slides.

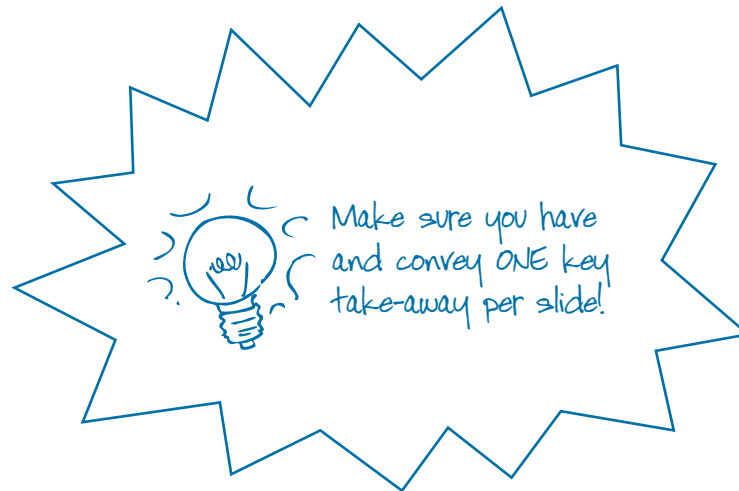
Structure of the Pitch (12-20 pages total)



- » **Intro:** Define the company, business, service or product in a single sentence.
- » **Team:** Identify a core group of talent that can execute on the next set of milestones.
- » **Opportunity:** Establish the need for your company's solution and the size of the market.
- » **Solution:** Demonstrate how you will solve the problem and validate your differentiation.
- » **Competition:** Identify your competitors, validate your differentiator.
- » **Business Model:** Explain how you will generate revenue, show us what you've accomplished to date, and make future forecasts.
- » **The Ask:** Ask for the order and outline what you need from us to make your business a success.

NOTES

- » If real estate is about "location, location, location" then pitching is about "focus, focus, focus."
- » The success of your pitch depends on the clear & defensible presentation of an opportunity (big problem + big market), your plan for addressing it (your solution) and identifying the team that is uniquely positioned to do so.



Introduction (1 page)



Tell Us:

- » Give a brief history of the company, when it was started, how it's been funded.
- » Define the company, business or product in a single sentence.
- » Concisely state your core value proposition, including the target market.
- » What unique benefit will you provide to what customers to address what need?



Key Objective:

Everyone should know the basic idea and value proposition of the company.

NOTES

- » Clearly introduce your company so that everyone in the room knows what your company does and the market you are targeting. The only questions that should remain are the details of how you are going to do it.
- » Before you go on to the next slide, you should make certain that everyone in the room knows what your company does and for whom.

State what you do
in ONE sentence.



Make sure your statement clarifies
why you are unique and necessary.

Team (1 page)



Tell Us:

- » Management - crisp & relevant experience on key players
 - Prior companies/startups
 - Educational backgrounds
 - Prior exits & IPOs
- » Board of Directors
- » Board of Advisors (if applicable)
- » Key future hires



Key Objective:

Make us confident that there is a core group that believes in the company and can execute the next set of milestones.

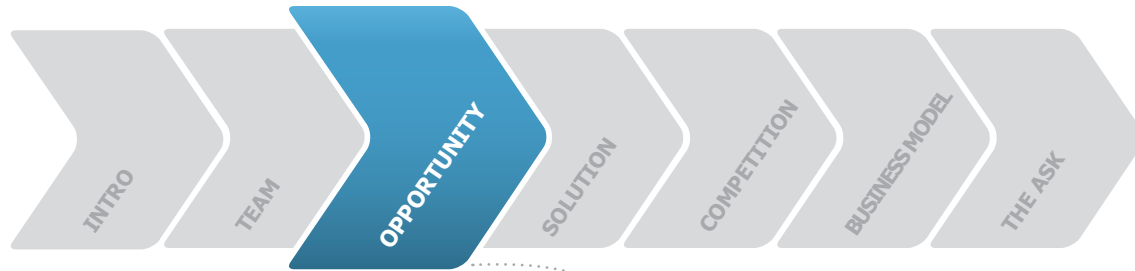
NOTES

- » Why you?
- » Describe team and advisors – their role relative to the plan, their relevant experience achieving similar results.
- » Focus on significant, relevant accomplishments for each person.
- » Who's missing in the team? Discuss hiring plans. We understand that few companies have the perfect team from the start.

Tell us who's missing in the team and discuss hiring plans.



Opportunity (2-5 pages)



Tell Us:

- » State the problem; describe the pain.
- » Why does the problem persist?
 - Define recent trends that make your solution possible.
 - How is it currently addressed?
 - Why are we at an inflection point now?
- » Identify the market size.
- » How does this market change and grow over time?

$$\begin{array}{r} \text{(Clear) Problem} \\ + \quad \text{(Large) Market} \\ \hline = \text{(Great) Opportunity} \end{array}$$



Key Objective:

Establish the need for your company's solution and convince us that solving the problem is worth the effort.

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Problem:

- » What is the compelling problem to be solved – describe the pain of the customer.
- » How is it solved today - outline how the customer addresses the issue today.
- » Identify/profile the customer you cater to.
- » Set-up the historical evolution of your category – explain why we are at an inflection point now.



Describe the problem,
convey the pain.

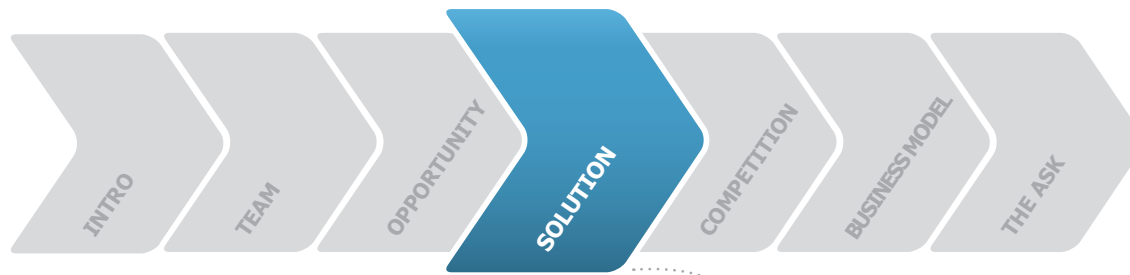
Market:

- » Emerging/fast growing market - including global markets
- » How much is being spent on the problem today:
 - Start with the economics of 1 customer ($\#$ of customers) \times ($\%$ who buy each year) \times (avg amount spent annually) = market size
 - Calculate the TAM (top down), SAM (bottom up)
 - Define addressable market share



Show how there is a big
market for your solution.

Solution (2-6 pages)



Tell Us:

- » Demonstrate your solution.
- » Validate your differentiation.
- » Explain your technology / IP.
- » How is the new solution better?



Key Objective:

Help us understand how you will solve the problem.



NOTES

- » The Offering - What specifically are you offering to whom? Software, hardware, services, a combination?
- » What's your differentiator or unique competitive advantage? Team, relationships, IP, new insight, domain expertise?
- » Clearly quantify three or four key benefits you provide, and who specifically realizes these benefits.
- » Highlight the elements of your technology that give you potential for leverage and scale as you grow.
- » Explain how your solution is a company, not just a feature.
- » Patent approval status or status of key regulatory approvals (FDA, NSA, industry standards).

- What is your differentiator?
- What is your competitive advantage?

Explain how your solution is a company not just a feature.



What is your Unique Selling Proposition (USP)?

Competition (1-2 pages)



Tell Us:

- » Competitive matrix with:
 - Strengths & weaknesses
 - Metrics
 - Investors of competitors
- » Where do you play in the environment outlined above?
- » How does this market change over time?



Key Objective:

Help us understand who you compete with, why you have a better product or solution and how you can win.

NOTES

- » Use a competitive quadrant matrix to reflect the market's requirements, and where you are positioned compared to your competitors.
- » Where does your solution fit in the value chain or ecosystem of your target market? Do you complement or displace commonly used technologies? Do you change business processes or do them the same but better, faster and cheaper? Do you disrupt the current value chain or fit into established channels?
- » Summarize the three or four key reasons why customers prefer your solution to other solutions.

Show how you are better than current solutions and explain why people will switch.



	feature A	feature B	feature C
your company	yes	yes	yes
competitor 1	no	no	yes
competitor 2	no	yes	yes
competitor 3	yes	no	no

Remember, your biggest competitor is status quo!

Business Model (2-4 pages)



Tell Us:

- » How will you make money?
 - Revenue model & metrics
 - Pricing, average account size, lifetime value, churn, views, uniques, registered users, sub base, etc.
 - Sales & distribution model, customer pipeline, wins and metrics
- » What milestones are you going to realistically hit with the new capital?



Key Objective:

Tell us how you will generate revenue; show us what you will accomplish in a given period of time.

NOTES

- » Make sure you understand the key assumptions underlying your plan and be prepared to defend them.
- » The most important thing to convey is that you understand the economics and evolution of a growing, dynamic company, and that your vision is grounded in an understanding of practical reality. Caveat: Seed and Series A deals will have less financial model data; later stage companies will be expected to have more details.

Financials:

- » How do you make money?
- » P&L
- » Balance sheet - focus spending only on what's critical.
- » Cash flow, burn rate
- » Cap table
- » Revenue model
- » Pricing + average account size and/or lifetime value
- » Who are the key customers? How and what do they buy?
- » Explain your pricing, your costs, and how you will achieve profitability.
- » Key metrics that drive revenues, expenses and growth (such as customers, unit sales, new products, expansion sales, new markets, user stats, page views, global reach, uniques, registered users, subscription base).
- » Marketing, sales & distribution model
- » Pipeline of customers and strategic/channel partners that have expressed interest in your solution and/or are referenceable.



Tell us how you will make money.

Be prepared to discuss key assumptions.

Show us what you've accomplished to date.

The Ask (1 page)



Tell Us:

- » Financials, including prior backers, date(s) and amount of investments
- » Valuation expectations
- » Amount you are looking to raise
- » Milestones you will hit with the new capital
- » Your burn rate
- » How much runway will the new money buy (pro forma burn)
- » Post-money of the last round



Key Objective:

Outline what you need from us to make your business a success and what you are looking for in a venture capital partner.

NOTES

The amount you're raising shouldn't be arbitrary - tell your story in numbers. Investors want to see that you're hitting milestones and that you are asking for the right amount of money to get the company to a meaningful next step.

- » How much are you raising?
- » What milestone will it get you to? Why is this milestone the right milestone?
- » Why is this the right amount?
- » Post-money of last round.
- » Amount of cash in the bank.
- » How much runway the new money will buy (pro forma burn).



The amount you're raising shouldn't be arbitrary - tell your story in numbers.



What milestone will it get you to?
Why is this milestone the right milestone?

What Happens Next



The Black Box Explained

Introductory Meeting

After the pitch, we discuss the merits and potential challenges in the business and determine whether to pursue a second meeting.

Due Diligence + 2nd Meeting

Conduct our own assessment of the marketplace, the effectiveness of your solution and the merits of your team.

Present to Global Partnership

Once the evaluation process is complete, your team will be invited to make a final presentation to the global partnership.

Term Sheet Negotiation

Typically, the entire investment process takes anywhere from 2-6 weeks, but can vary depending on the circumstances.

NOTES

- » 2-6 week process
- » First meeting introductory meeting
- » 2nd meeting – deep dive + due diligence
- » Conduct our own assessment of the marketplace, the effectiveness of the solution and the merits of the team
- » Diligence – references (personal and customer)
- » Global partnership presentation
- » Term sheet negotiation
- » Close – Welcome to the Canaan family of companies!

Due diligence phase!

Workbook








STRUCTURE



KEY OBJECTIVE



YOUR ANSWER

STRUCTURE	KEY OBJECTIVE	YOUR ANSWER
 Intro	Define the company, business, service or product in a single sentence.	
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 The Ask	Ask for the order and outline what you need from us to make your business a success.	

WORKBOOK

Good Luck!



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Find us and our portfolio at: www.canaan.com

We are Venture Catalysts.

UNITED STATES | INDIA | ISRAEL