



Top 10 Tips for Talking to Investors

1. Be prepared – Learn as much about your audience as possible. Understand what they are looking for and what you are willing to sacrifice.
2. Do as much as you can before talking to investors and begin fund-raising early. You don't want to say, "I only need \$10,000 within the next three weeks to file patent." Why not? First, while it may seem like a lot of money to many of us, ten thousand dollars is really not that much money to an ambitious entrepreneur. You should be able to raise that yourself or through friends and family. And, the more you accomplish yourself, the more milestones you achieve, the more valuable and attractive your company is. Second, if you have a looming deadline, you will be desperate very soon and have no negotiating strength. What if someone asks you for 50 percent of the company the day before you have to file? If you say no, then you have 100 percent of nothing. But half your company is too high a price to pay for such a little amount.
3. Know your story – you shouldn't even need notes or PowerPoint. Do you need notes to talk about your family? You probably spend more time with your company than your family. Know your market, your partners and your competitors like you know your spouse, children and siblings (not necessarily respectively). PowerPoint is a tool to help the audience grasp key concepts and provide a second method (visual) of learning in addition to your audio narration.
4. Remember your objective – To raise money, not sell your product. In many settings, such as presentations to angel groups or at investment forums, your goal isn't really to close the deal. Instead, it is to pique investors' interest for a future meeting.
5. Be clear – would your mother understand? Don't use too much jargon or make too many assumptions. Sacrifice precision for clarity. For example, take the question about a car's fuel economy. Clear: "The EPA estimates this car gets 27 MPG on the highway; 22 MPG in the city." Ask an engineer, and they'd give you a more precise answer: it depends on a number of driving conditions, such as how fast you drive, traffic, if there are hills, altitude, temperature, wind conditions, and others. You also have to consider the condition of the car, including tire pressure, air and oil filters, and how much weight is inside the car. In absolute perfect conditions, it is calculated that the car could achieve 29.8 MPG." Sure the engineer is more accurate, but how valuable is all this extra information? All cars use the standard EPA estimate, so if you are trying to compare two models' fuel economy, that's the easiest figure. All cars have the same performance gains or losses based on the numerous conditions the engineer listed.

6. Be honest – Don't overstate anything such as status of customers or your technology. Investors will learn the facts. In the example above, it would be misleading to simply say the car could get 29.8 MPG. Also, don't understate anything. Modesty is an honorable quality, but you need to put your best face forward. Do talk about your team's successes and impressive backgrounds. Do talk about major customers you've won – and include quotes from them about why they chose you over your competitors.
7. Be proactive about "skeletons in your closet." A smart investor will find them in due diligence, so take the opportunity to put your spin on challenges, obstacles, law suits, or other issues that keep you up at night. Fear the question not asked.
8. Give just the right amount of information to be interesting, without giving away your secrets. Focus on benefits, not necessarily features. What will users get from using your product or service that they won't get from others?
9. "Make the Asks:"
 - a. Money – Tell them how much money you need to raise and under what generic terms (convertible debt at 10% interest with 20% warrant coverage or equity at a pre-money valuation between \$2M and \$3M). Then actually ask them to invest!
 - b. Referrals – Whether they invest or not, also ask them if they know anyone else you should talk to that may either invest or help you with advice, customers, partners, manufacturing, etc.
 - c. Feedback – Ask them if your presentation and business made sense. Do you have any questions? What is exciting about this opportunity to you? What are your concerns? What do you think I could do better when I talk to the next investor?
10. Learn from each meeting, presentation and investor
 - a. If you keep hearing the same feedback (other than "yes!"), consider the fact that you may need to change something.
 - b. If you get similar questions each time, either find a better way to explain it the first time, or include the answer in your initial presentation.
11. Have fun and show your personality and passion for your company. Raising money has been compared to getting married. These people will be your partners and best allies. If you don't get along, you won't be as successful. Probably more than numbers or technology, your passion will generate interest in your company and the opportunity to work with you will entice investors to invest in you.
12. Under-promise and over-deliver. I promised 10 tips, but gave you 12. Don't say "these numbers are conservative". Instead, say things like "The industry average is about 10% margin, but we used 6% margins in our projections because ..." or "We are projecting a total of 100 customers by year five, but already have 20 under contract and 60 more in our pipeline."