



corebridge[®]

The Insiders Guide to writing a Business Plan and pitching to Investors

Neil Orvay

Managing Director, Corebridge

August 2007

- **Introduce the different types of potential investor**
- **Outline the 'Stages of Development' which may apply to a business and discuss which types of investor will typically be interested at each stage.**
- **Introduce the basics of writing a business plan**
- **Understand what investors are looking for and how to prepare for meetings with them**

Different types of Investors



“Friends & Family” – typically small amounts of cash required to get an idea going. Amounts can be from as little as USD 20k up to several USD 100k. Little due diligence or formal documentation required.

Angel Investors – High Net Worth persons who invest in early stage companies. Amounts typically from USD 100-500k per Angel. A degree of due diligence and documentation required.

Venture Capital (“VC’s”) – Professional investors managing investment capital. Typically invests from USD 1m-10m. High level of due diligence and documentation required.

Private Equity – Professional investors specialising in buying into existing businesses with high growth potential. USD10m minimum but often start at USD 20m. High level of due diligence and documentation required.

What Stage is your Business and Who will consider investing in it?



Pure Start-Up: Little more than a good idea with smart people behind it. **Friends & Family, Angel Investors [10+ multiple]**

Pre-Revenue: Core product/service is (partly) developed but not yet generating revenues. **Angel Investors, Venture Capital [10X multiple]**

Revenue Generating, Cash Flow Negative: Company is generating revenues but not yet profitable. **Venture Capital, possibly Private Equity [5-10X multiple]**

Cash Flow Positive: Revenues cover Operational Expenses, company is profitable. Expansion capital is required. Debt may be a better option. **Venture Capital, Private Equity [3-4X multiple]**

Business Plan - Format



Can be anything from 1 page to 30 pages depending on the maturity of the proposal.

At a minimum should include the following information:

- **Executive Summary**
- **Description of Product/Services proposed**
- **Projected Financials**
- **Go to Market Strategy**
- **Competitive Analysis**
- **Details of the Management Team**
- **Exit Strategy**

There is no such thing as a 'perfect' business plan – different investors will look for slightly different information. However if you include the above, you can be comfortable that you have covered the most pertinent items.

Business Plan - Components



Current Status – Industry Sector, Incorporation Details, Funding Requirement, Corporate Structure/No. of Employees

Executive Summary – One/Two paragraphs capturing the essence of the proposal. This should introduce the product/service, the market opportunity and the current state of readiness.

Product/Services Description – A detailed description of the key products and/or services offered. An introduction to the sector and it's prospects with independent references will add value.

Projected Financials – At a minimum should cover Costs, Revenues, Break Even Analysis and Profit Projections. Must be compelling enough to invest in, but realistic enough to be believable..

Business Plan - Components



Marketing Strategy – How will you achieve the revenue projections? A well structured go to market strategy will be required, showing understanding of both your sector and the customer base.

Competitive Analysis – It's difficult to have a solid marketing strategy without understanding the competitive environment in which your company will operate.

Management Team – In early stage companies the investor is investing in the management team as much as the product. They will expect commitment, focus, sacrifice and lock-ins.

Exit Strategy – How does the investor get his money back and when? Annual Dividends? Trade Sale? IPO? What is the projected multiple and how is this calculated? When will it happen?

Expanded Business Plan Components



**Financial Scenario Planning – Base & Stretch Scenarios for both
Costs and Revenues**

Valuation Models – DCF, NPV, Multiples based

**SWOT Analysis – Reinforces Marketing Strategy & understanding
of Competitive Environment**

**Term Sheet – Ordinary, Preference or Convertible Shares?,
Management Lock-ins**

Supporting 3rd Party Research

And finally, some tips...



Your presentation flow should have a logical structure

How many rounds of funding will you require?

- **Most businesses require more than one round of funding and investors know it.**

The 35% Rule – Investors are often looking for about 35% of the company.

Keep the management team incentivised – don't let their share of the company (and hence their upside) fall below 20-30% after dilution.

Don't give a start up a terminal value!

Always have a Plan B. Even if you don't have one!



corebridge®

Question Time..