

March 21, 2007

What VCs Don't Want

Business plans go into the "no" pile for many reasons. Here are three "ratio pitfalls" to avoid when seeking funding from venture capitalists.

2:3:1

Two to three minutes per slide? At that rate, a 60-minute introductory pitch translates to 20 to 30 slides. Ouch. Venture capital meetings rarely start on time. VCs frequently interrupt and tend to have short attention spans. So plan to deliver 10 to 12 slides that succinctly articulate why we should invest—and then handle details after you get an initial confirmation of interest. Use hyperlinks if you have to present additional slides to elaborate (only if asked) and do not violate the "32 font pitch" rule to cram more words onto the slide.

0:1:5:25

Your revenue is zero in year one and grows to \$25 million in year four. This is not "news," so spend your five to six minutes on your profit and loss statement convincing VCs you know where the critical risks are and how they relate to dials you have developed to control your burn.

1:3:9

One-billion-dollar market ideas rarely get invented in a vacuum. Being "alone" in a market sounds great, but odds are you are not alone. If you already know of three companies pursuing the same gig, it usually means there are really six more companies out there to worry about. Figure out another hill to take or split an existing hill into multiple markets, one of which you can dominate.

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06:30 PM