

gemini



# The *Real* Do's and Don'ts of approaching a VC

srael funds

# Agenda

- First interaction
- From Email to a meeting
- First meetings – Do's and Don'ts
- Things entrepreneurs forget to do
- Things entrepreneurs often do
- “Top 5 things”
- Gemini in bullets

# First interaction

- **Introductory Email**
  - Unsolicited = low priority
  - Don't send an Email if you do not have material
  - Refrain from NATO distribution
  - No "Cut, paste and send"
  - Hebrew is a wonderful language, English is the VC language
  - Use spell-checkers (and a dictionary, to be on the safe side)
  - VCs do not sign NDAs - save the trouble
  
- **Attachments**
  - The smaller the better
  - A professional teaser vs. a professional turn-off
  - Passwords and other nuisances are not appreciated

# A few examples...

From: [REDACTED] Sen  
To: Guy Horowitz  
Cc:  
Subject: Gemini and [REDACTED] alert system

Shalom *Guy*

And I ask U to give me few seconds from your time because I see opportunity to work together.  
We are developing an [REDACTED] alert system. **Our products will be very sensitive and will give results with only walking stress.**

I can send U more information like EXECUTIVE SUMMARY.

Can I ask you kindly to update your people that [REDACTED] tested 69 [REDACTED], and 19 [REDACTED].

**[REDACTED] algorithm found all the 69 health one and all the 19 patients.**

The next step is to test the product on 300 [REDACTED], and 50 [REDACTED].

Yours truly,

Dr. [REDACTED]

קחשב וקלחו תנווגמו תובר תויצקלפא

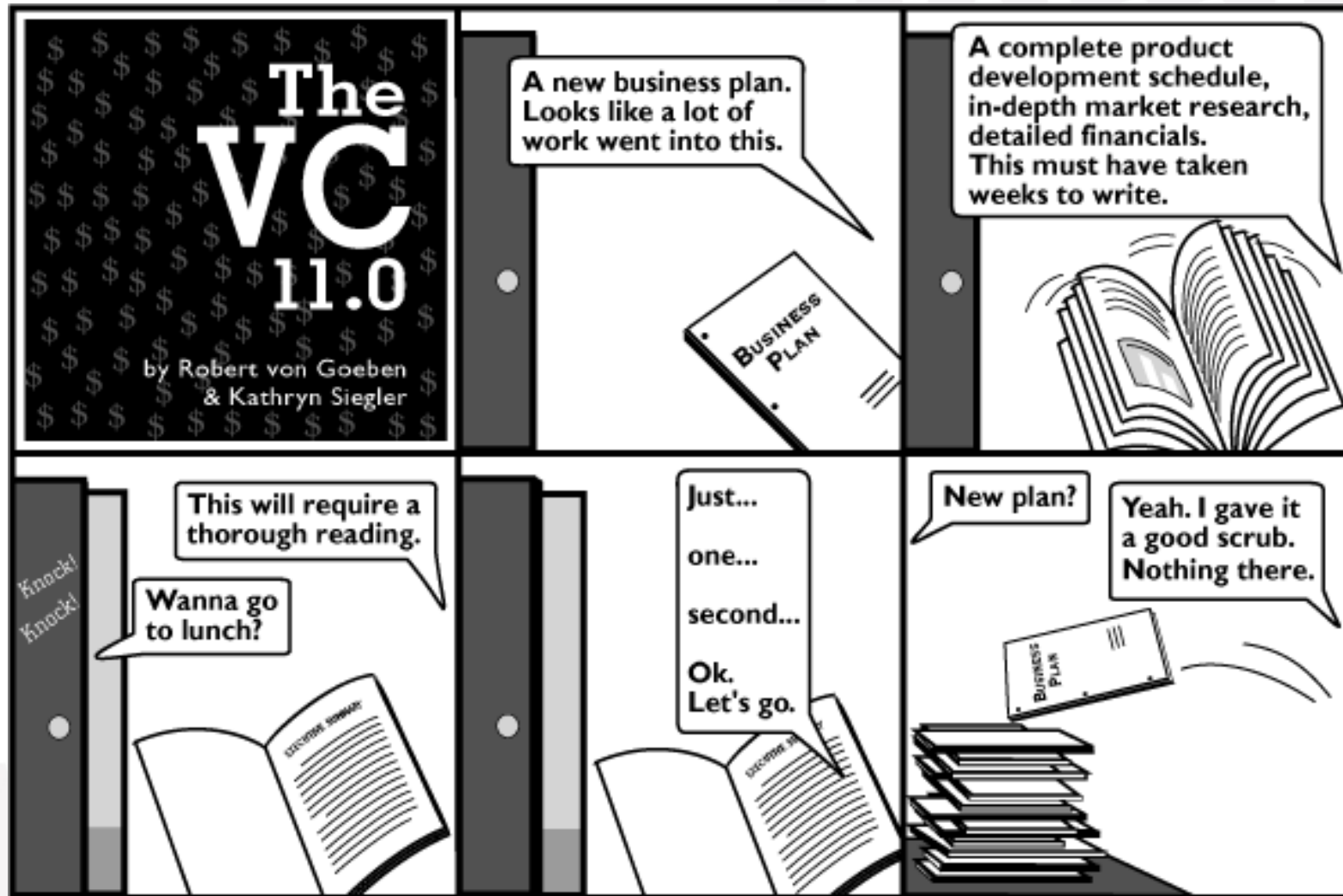
ייעידומחו ווחטבה ימוחתב בחרתמו קלוחה

אשונב תגצמ תפרוצמ קסונב

תופסונ תורהבה קרוצל מכמיע שגפהל חמשנ

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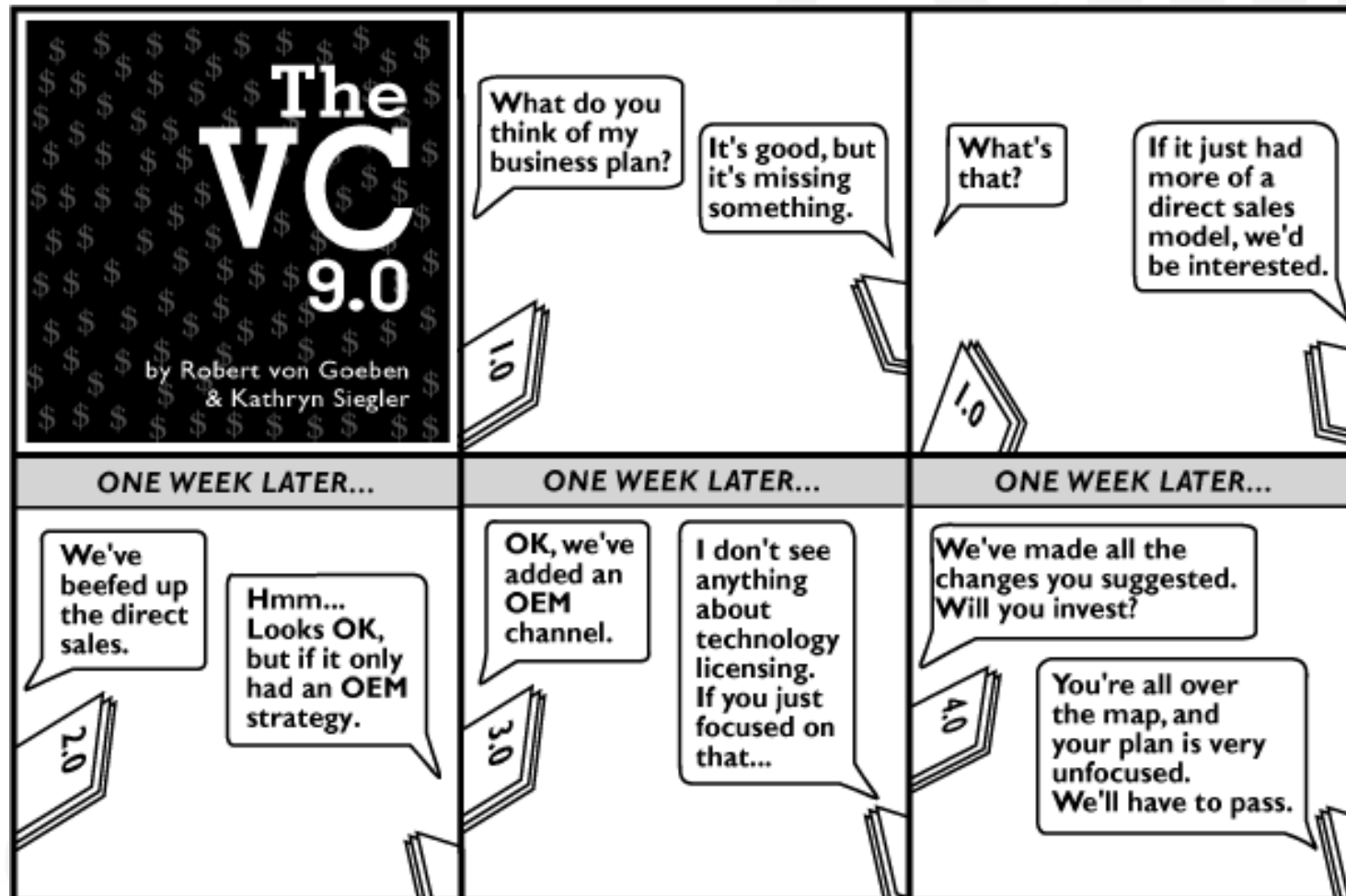
# Executive Summery



# From an Email to a meeting

- A phone call is a milestone, not a gate
  - Never refuse to discuss things on the phone first
  - If “it’s not interesting”, arguing won’t make it interesting
  - Ask for referral to a more relevant fund
  - “We are talking to other VCs” - make sure you use it properly
  - Be ready for key questions (“how much?”)
- Due diligence is not unidirectional
  - What were this fund’s recent investments?
  - Who is the relevant partner?
  - Read about companies that received investment from this fund
  - Talk to entrepreneurs who were funded or rejected by this fund

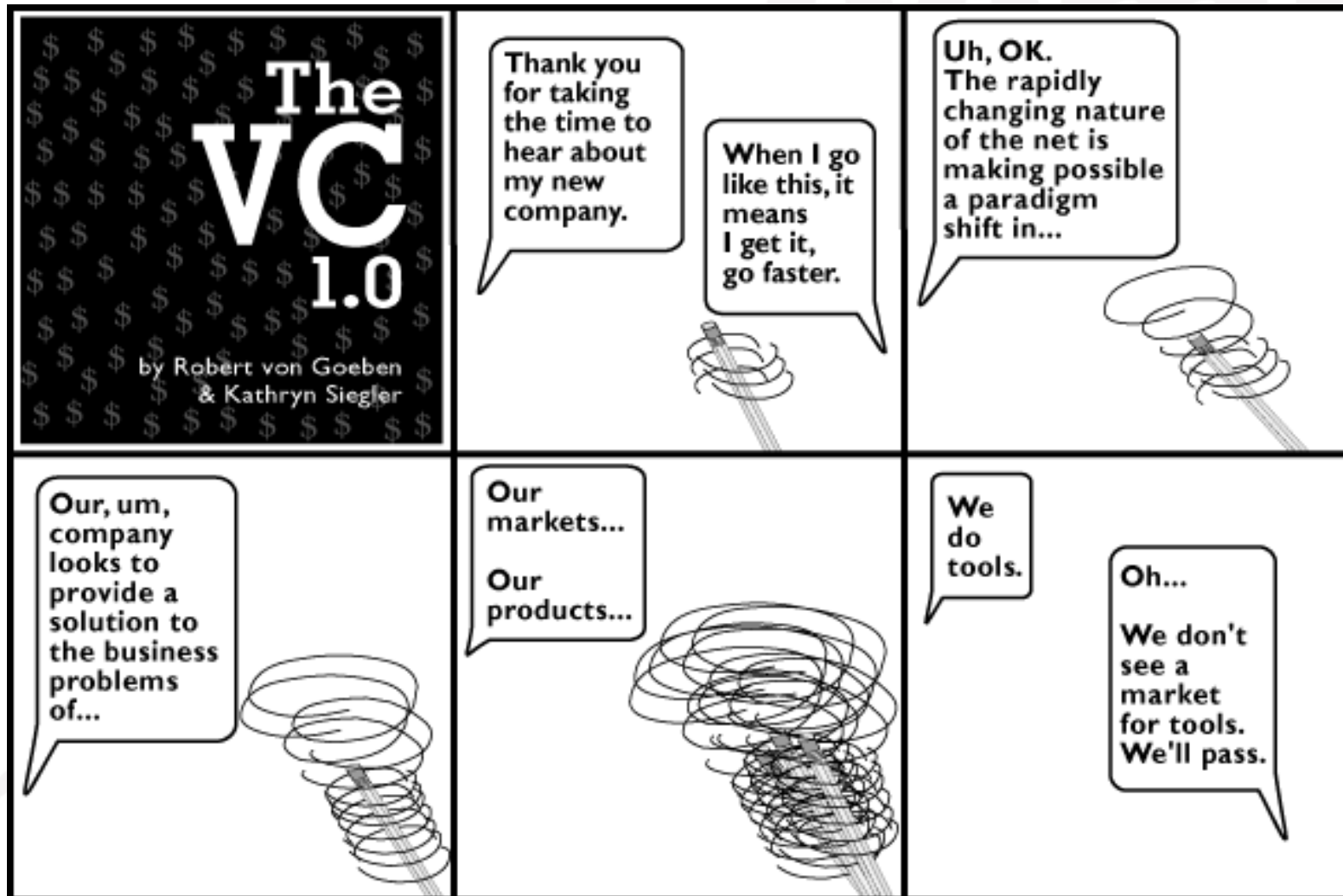
# From an Email to a meeting



# First meeting

- Time planning
  - Consider only HALF of the allotted time as 'yours'
  - Make sure you understand all attendees' time limitations
  - If time is running out, **ask** what to focus on
  - Send the material a few days before
- Who should attend
  - Alone is better than having a mute partner
  - Nevertheless, if you can have two relevant people - do it
- Accessories
  - Disk-on-key is recommended
  - Handouts are redundant

# First meeting



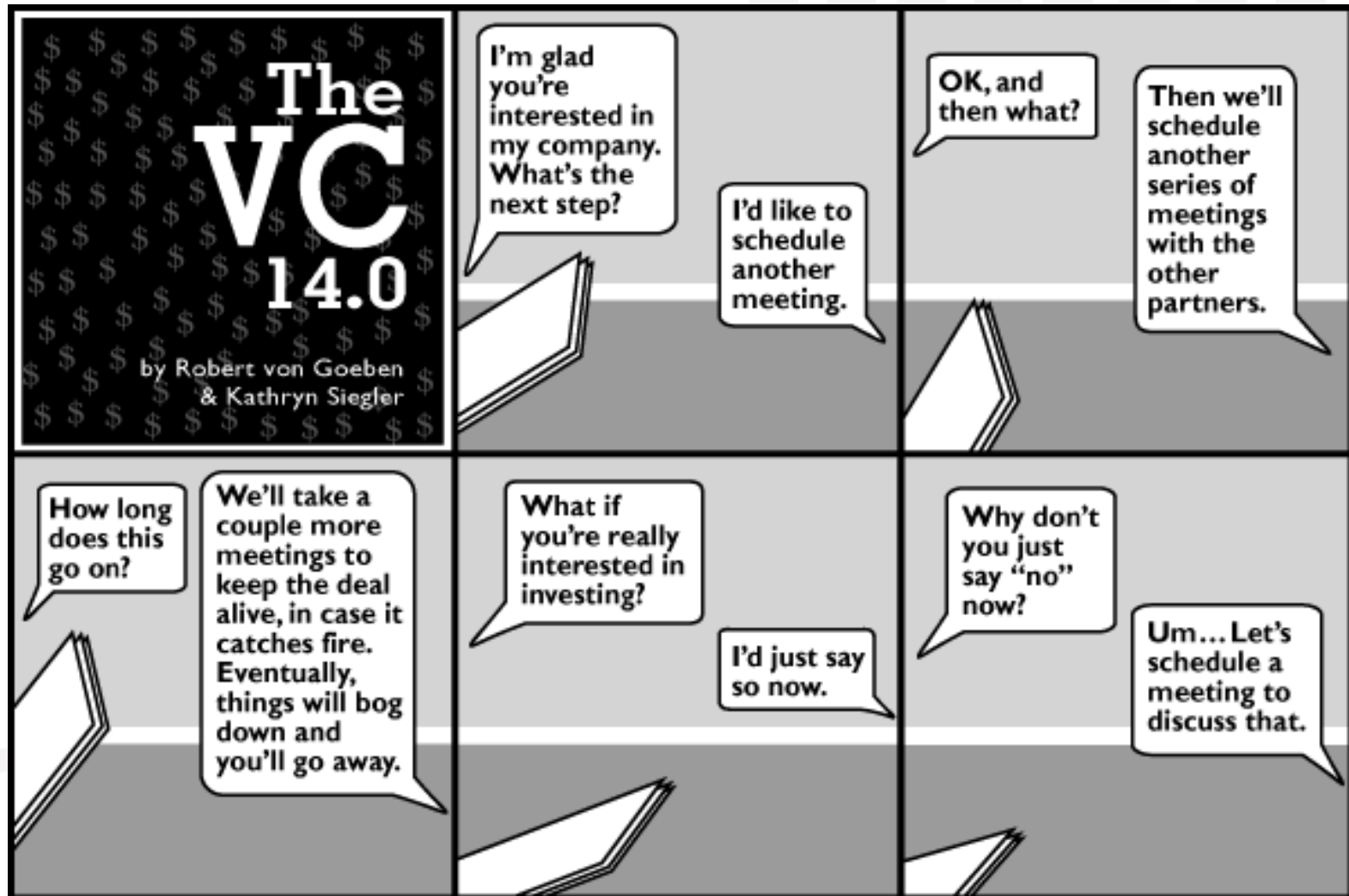
# First meeting (cont.)

- Presentation essentials
  - Who are you?
    - What makes you investible?
  - Why is what you are doing big?
    - Size of the opportunity
  - How are you going to do it?
    - Unique approach
    - Relevant knowledge and know-how
  - Who else is (or will be trying) to do it?
    - What makes you better?
  - When will you have the 1st beta?
    - 1st trial?
    - 1st customer?
    - 1st release?
  - How much will it cost to get there?
    - How much money do you need?

# First meeting (cont.)

- Famous last words
  - “We haven’t decided whom of us will be CEO”
  - “The first thing we’ll do is talk to potential customers”
  - “This problem is huge and all the analysts are talking about it”
  - “There are no competitors in sight”
  - “We need anywhere between 500K and 5 million”
- Take-aways
  - What’s the process in this fund?
  - Where are we on your priorities?
  - Main concerns / issues
  - Who would you recommend that we talk to?
  - ***The 1<sup>st</sup> meeting is about creating interest and learning - not selling***

# First meeting (cont.)



# Things entrepreneurs forget to do

- Talk to potential customers
  - Not “is it interesting”, rather “how much will you pay for it”
  - Get written statements and/or permission to use as references
  - Build a “bottom-up” strategy accordingly
- A real competitive analysis
  - Who may become a competitor?
  - Which technologies or trends compete with your paradigm?
- Comparables
  - Which examples can you find to companies resembling your –
    - Business model
    - Margins
    - Sales cycle
    - Exit path

# Things entrepreneurs often do (and shouldn't)

- Rely solely on analysts
  - VCs do not believe analysts
  - Analysts do not believe themselves
  - Analysts fail consistently in quantifying trends
- Calculate the TAM “top down”
  - Not even one figure is substantiated by fact
  - The bottom line can never look bad this way
- Massage the financials to death
  - “This figure is too low – no VC would invest”
  - “This figure is too high – the VC will not believe it”
  - “This date is too early - the VC will think we are amateurs
  - “This date is too late – no VC would dare enter such an adventure”

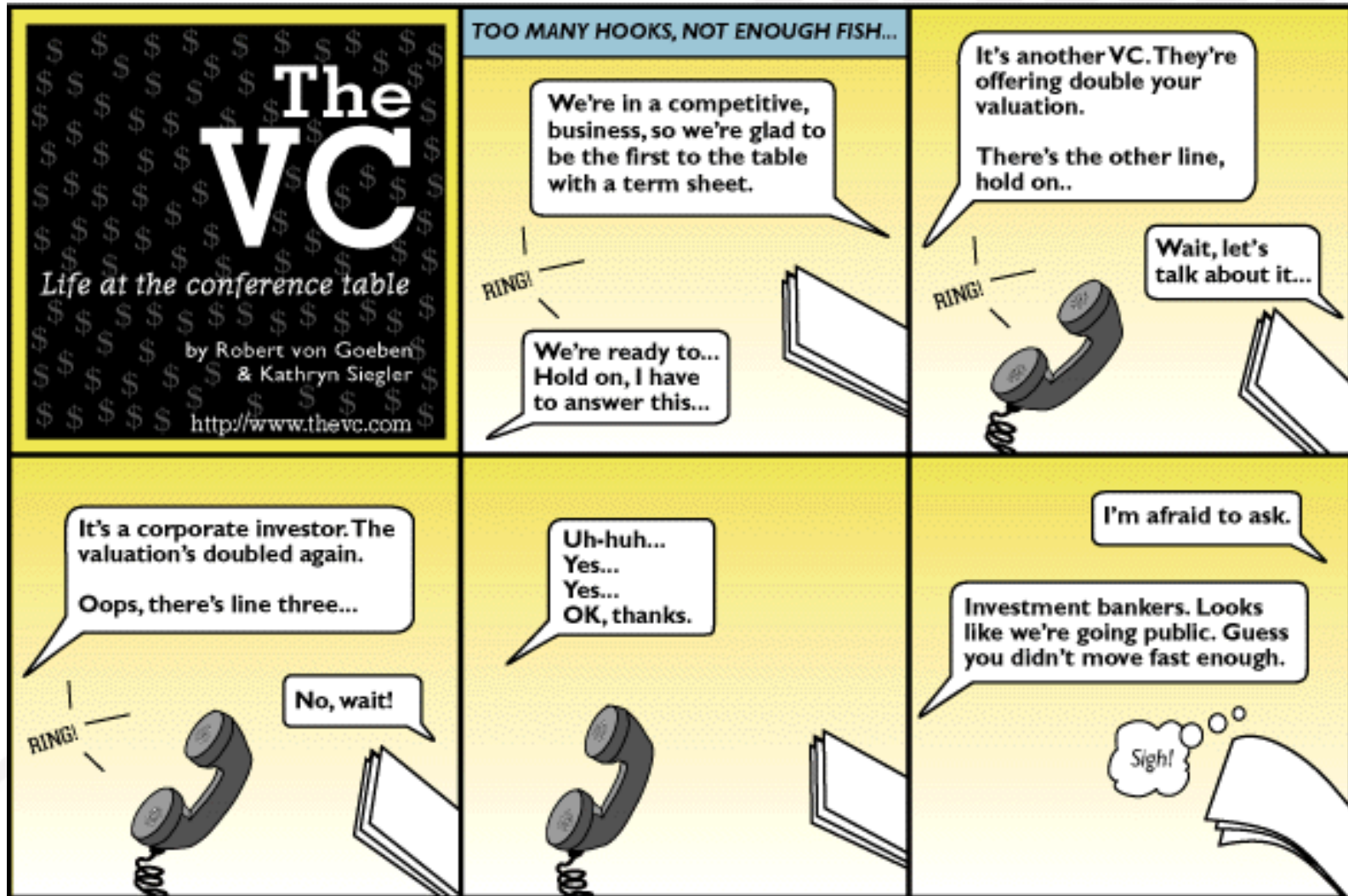
# 5 things VCs love to see

- Domain expertise
- A 2<sup>nd</sup> timer
- A 'good guy' on the board
- An industry expert as mentor / advisor etc.
- An identified relevant beta customer

# 5 things that turn VCs off

- People who 'know it all'
- 8 founders with equal holdings
- "We have a termsheet from another VC"
- Outrageous valuation
- People that will never step down as CEOs

# 5 things that turn VCs off



# Gemini in Bullets

## **First**

First Yozma Fund, now over \$550M under management  
We helped build the 3<sup>rd</sup> largest VC industry in the world

## **Focus**

Israel, IT, Seed and Early Stage

## **Success**

Exits include: Precise, Ceragon, Commtouch, Exactium, Jacada, Oridion, Ornet, Radnet, Riverhead, Verisity + Saifun (Nov 2005)

## **Repeat**

Our Entrepreneurs

Our investors

## **Team**

Domain expertise and “real world” start-up experience

# Some VC Blogs

## Danny Cohen

Partner is Gemini, handles Internet

<http://cohedat.typepad.com/>

## Kavim Lidmuto

A member of the Israeli VC community

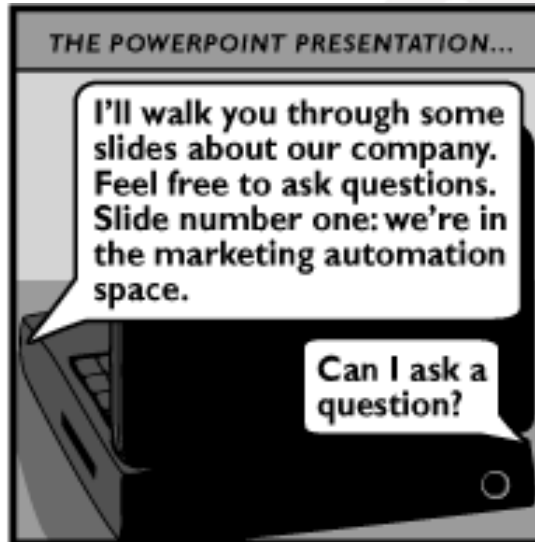
<http://israblog.nana.co.il/tblogread.asp?blog=24829>

## A VC

Fred Wilson (Union Square)

[http://avc.blogs.com/a\\_vc/2005/10/vc\\_cliche\\_of\\_th\\_2.html](http://avc.blogs.com/a_vc/2005/10/vc_cliche_of_th_2.html)

# Questions?



Thank you

gemin

**Assaf Frenkel**

Associate

Gemini Israel Funds

[assaf@gemini.co.il](mailto:assaf@gemini.co.il)

+972-9-971-9111

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