

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”

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]
To: Deals
Cc: [REDACTED]
Subject: executive summary [REDACTED]
Attachments: [REDACTED].pdf (152 KB)

From: [REDACTED] Sen
To: Guy Horowitz
Cc: [REDACTED]
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].

Hello.

We are a couple of young entrepreneurs located at Tel-Aviv, Israel in a field of embedded/real time systems.

We have an idea in early stages of development (we already have a prototype) for the embedded development tools market.

Please see attached executive summary for details.

For further information, please contact us

[REDACTED]
[REDACTED]
phone : +[REDACTED]
email : [REDACTED].com

From: [REDACTED]
To: Deals
Cc: [REDACTED]
Subject: Attached
Attachments: [REDACTED].doc (487 KB)

Dear [REDACTED]
Please find attached an executive summary.
Please set up a meeting with us.

Dr. [REDACTED]
[REDACTED]
and
Gen (R) [REDACTED] is at [REDACTED]
Best Regards
Dr. [REDACTED]

From: [REDACTED]
To: Deals
Cc: [REDACTED]
Subject: ?????? Fw: E.S.
Attachments: [REDACTED] executive summary.doc (115 KB); [REDACTED].pps (2 MB)

דובכל
ימלג - חוכיס זהה רק
תינוי מע תיספלט ונתחישל קשמחב
חביד יורח סזימ לש סלהנמ ריעקת תאזוב פחוצמ
תחילש לש היצקילפא חתיפ רשא
SMS
תומייק היעלונסנל, חדלקתב רחוצ אלל
קושב וקלחו תוננוגש תובר תיעקילפא
יעידומרו נוחטבה ימוחתב בחרתבו קלוחה
אשוב תגצמ תפחוצמ חסוב

תופסונ תורהבה קרוצל סכמיע שגפחל חמצ

בר דובכל

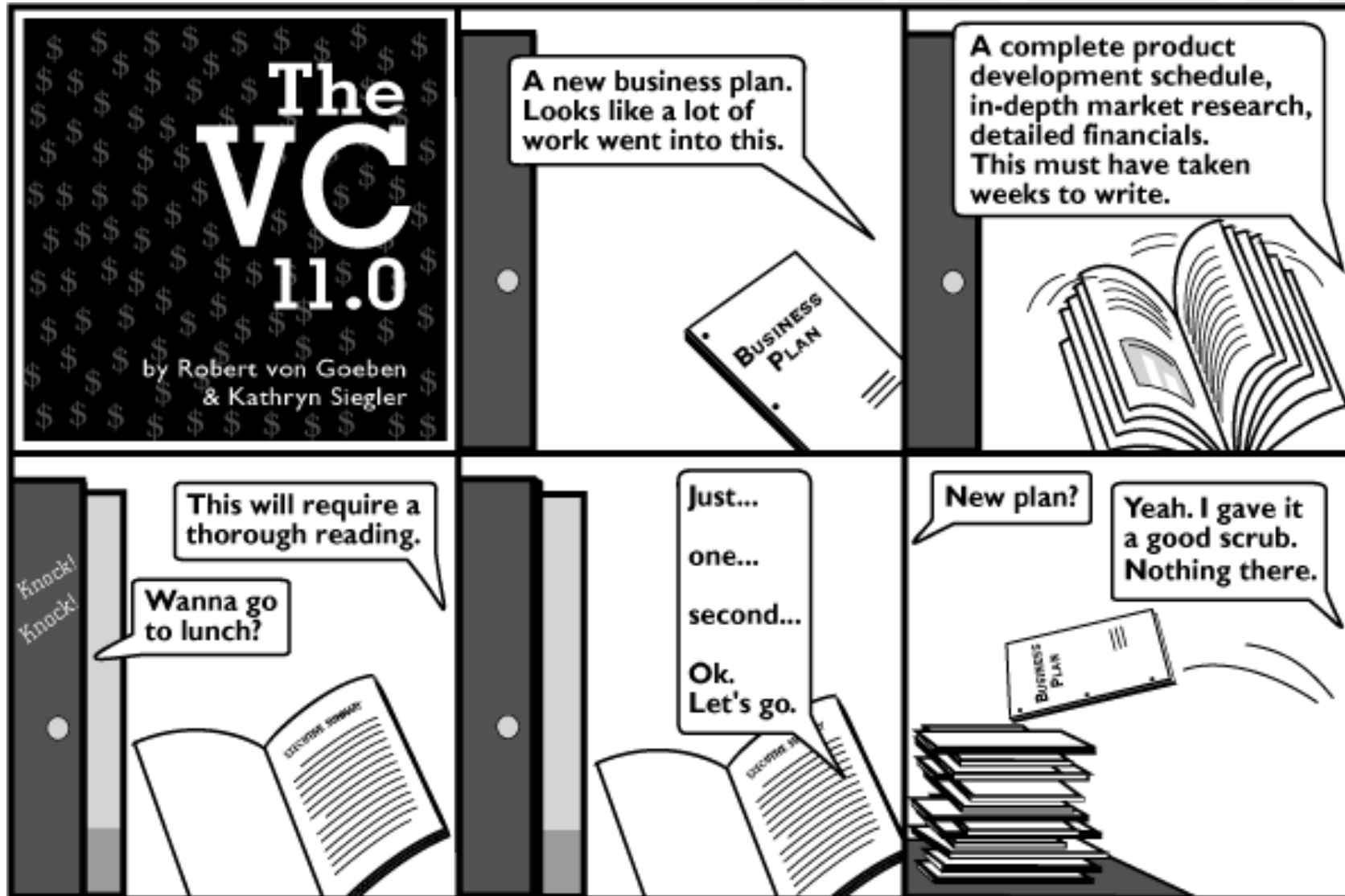
From an Email to a meeting

- 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

First meeting

- Time planning
 - Send the material a few days before
 - 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
- Who should attend
 - Alone is better than having a mute partner
 - Nevertheless, if you can have two relevant people - do it
- Accessories
 - A Disk-on-key is recommended **as a backup**
 - 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...?
 - Trial / Beta
 - Commercial Release
 - Paying customer
 - How much will it cost to get there?
 - How much money do you need?

First meeting (cont.)

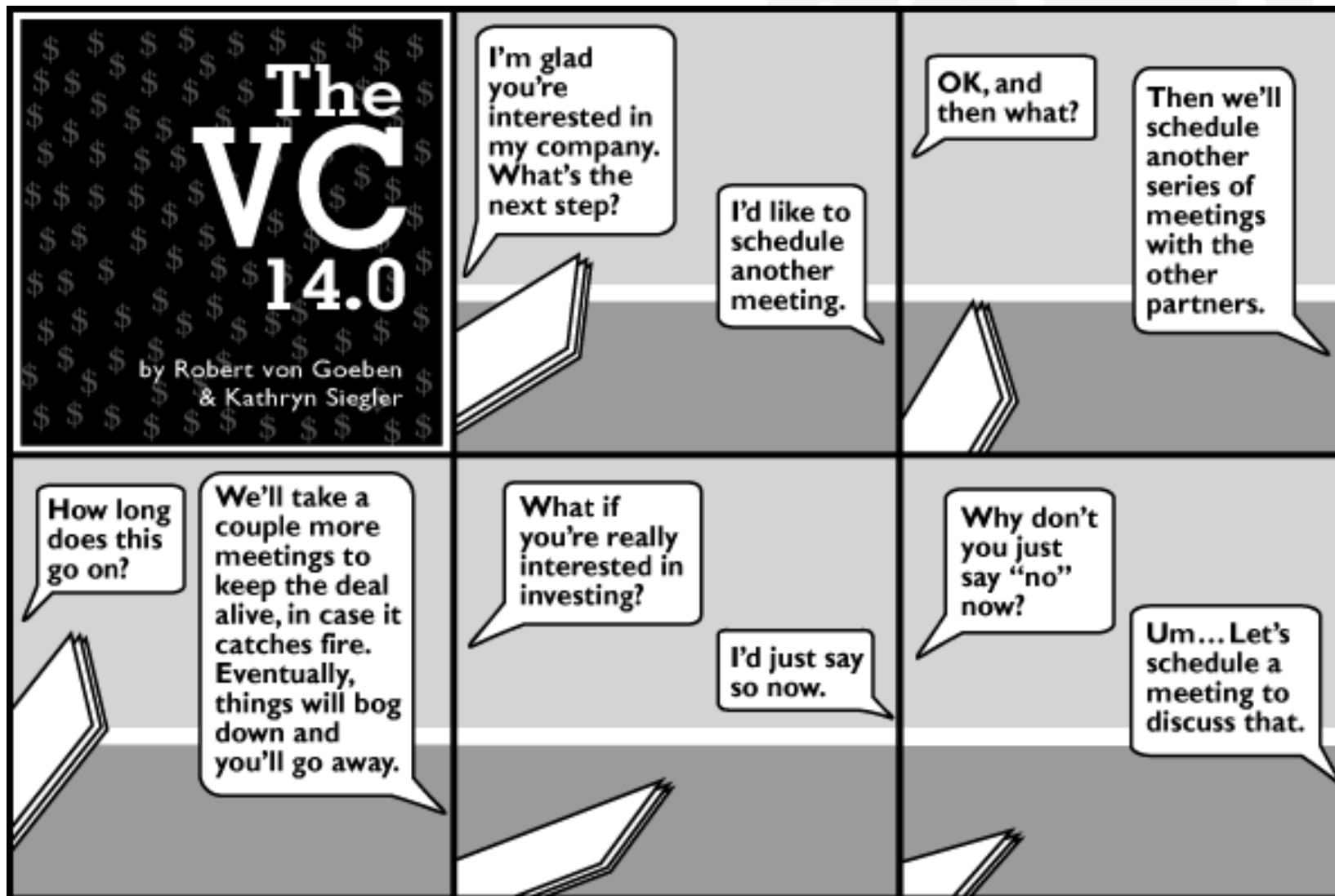
- Famous last words

- “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 1st 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”

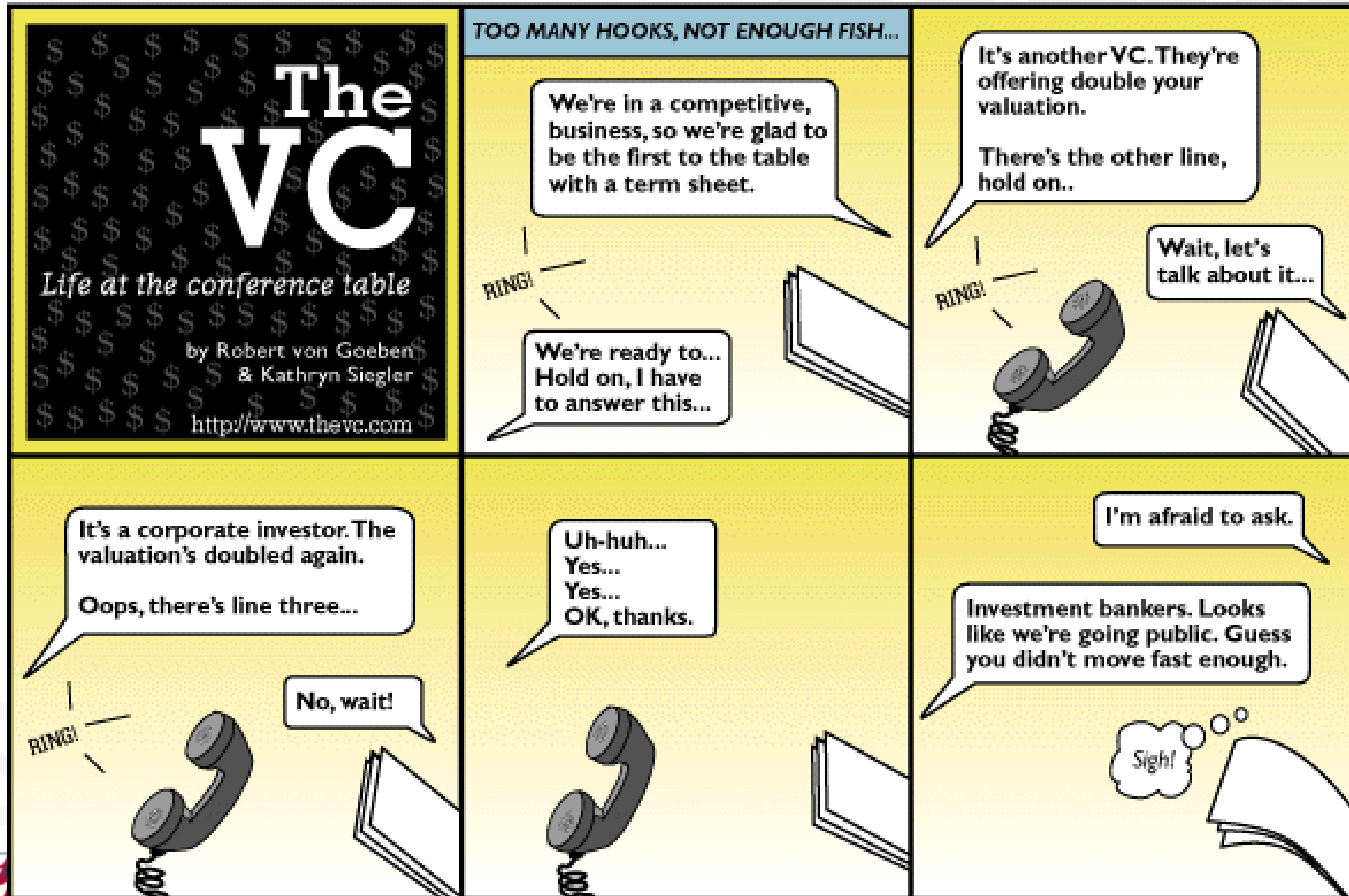
Top 5 things VCs love to see

- Domain expertise / relevant background
- A 2nd timer on board
- Good people on the sidelines
- A unique approach
- Traction with potential customers

Top 5 things that turn VCs off

- People who 'know it all'
- 8 founders with equal holdings
- "We have a termsheet from another VC"
- Paranoia

Top 5 things that turn VCs off



Questions?

