



(‘kat-^əl-ist)

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an agent that provokes and speeds significant change or action
for our clients.

PREPARING YOUR INVESTOR PRESENTATION

Introduction

These guidelines are to help you prepare your Investor Presentation.

Your Investor Presentation should always be reduced to writing (so that you have an outline to follow and so that it can be handed out) and, wherever possible, it should be prepared in an electronic format, such as Power Point, and be presented through that medium.

Objectives

The objective is to ensure that:

1. the Investor Presentation highlights the material elements of your business;
2. the Investor Presentation provides the right amount of detail, no more and no less (10 to 12 slides, 15 maximum), and it is the right length of time (about 20 minutes and no more than 30 minutes);
3. the Investor Presentation has a professional look and is well-presented (focus on the content and not the "bells and whistles" that come with slide show software programs); and
4. the Investor Presentation maximizes your chance of securing financing.

The essence of your presentation should be to answer the following questions in a clear and concise manner:

- What products/services does your company provide or propose to provide? Are they ready to sell now and if not, when? If they are being sold now, what are the company's revenues to date?
- Who comprises your management team? What is their relevant experience? Who will fill which roles?
- Who is going to buy your company's products/services and why will they buy them? Who are your competitors and why are you better than them? What are the barriers to entry?
- How will your company make money from selling its products/services? What evidence do you have that the market will pay your asking price for your products/services? How big is the market opportunity?

- How much money do you need and what are you going to do with it? More specifically, what milestones are you going to meet with these funds and by when? What comparables can you make to demonstrate an increase in value in your company when you hit those milestones?

Once you've prepared your presentation, come back to this guide and review it against these questions and make sure it answers each and every one of them clearly and concisely.

General Guidelines

The following general guidelines should be followed in preparing and making the Presentation:

Be Prepared. The Presentation should be reduced to writing (a hard copy of the Power Point Presentation is fine) and a copy should be handed out to each of the individuals being pitched, together with a copy of the Executive Summary. Try to find out in advance how many people you will be meeting with and who they are – have an extra copy or two of the hard copy materials available (including any additional handouts that have been prepared).

Be Prepared – Part 2. Rehearse the Presentation several times to make sure that it is smooth and that it fits within the required time period. If you have additional handouts, make sure that a sufficient number of copies are made and that they are organized and ready to hand out (so that you don't have to fumble around looking for them). Make sure that you indicate which handouts they can keep and which they cannot.

Form and Content. Except where noted in the "Specific Guidelines" below, try to keep all slides in point form and try to avoid lengthy narratives (they are too hard to read by the viewer while the viewer is also trying to listen to the presenter). The Presentation should highlight the main points and prompt the presenter to fill in the detail, rather than actually provide all of the detail. If it is too detailed, you will lose the listener as he tries to read the narrative. It should not be drafted as something that the presenter reads out loud.

Be Professional. The Presentation should be crisp (i.e. to the point), tight (i.e. follow a logical flow, no meandering or rambling) and should move quickly (keep it moving, move through the overview and introductory slides quickly to allow more time on the meaty slides). It should be no more than 20 – 30 minutes long. It needs to hit all of the material points without getting bogged down in detail. Remember, there will always be time to address questions at the end of the Presentation.

Be Factual. The Presentation should present facts that lead to obvious conclusions that reflect positively on your business, rather than state unsubstantiated claims. As an example, you should state the features that distinguish your products or services and compare them to your competitors without trashing your competitors. By doing so, the listener will come to her own conclusion that your business offers a good investment opportunity. If you provide facts which allow the listener to come to this realization on her own rather than by you aggressively driving (or worse, trying to drive) your point home, your point will stick with the listener better. It is human nature for someone to trust her own instincts more than relying on what others tell her. It is also human nature to recoil when people come on too strong.

Be Credible. Similar to the previous guideline, avoid setting off the listener's "bullshit" meter – avoid statements like "We **will** be bigger than Microsoft" or "We **will** do \$100,000,000 this year". Also avoid "absolute" statements like "We **have** the best product/solution etc", "We **will** sell 100,000 units this year" or "We **will** be the premier ...". Avoid trashing the competition – "Netscape's browser doesn't work worth a damn". These statements cause you to lose credibility. Instead, you can get the same message across and be credible by simply saying "We **believe** our solution is better than our competitors **because** of the following features ...", "We are **hoping** to sell 100,000 units by year end **by implementing** the following marketing plan ..." and "We **believe** that our product is better than Netscape's **because** ...". By doing so, you accomplish two things: first, you sound more reasonable and reasonable people are more likely

to be credible people; and second, you provide facts to make your points rather than unsubstantiated statements. Again, this allows the listener to draw his own conclusion.

Never Lie or Exaggerate. Everyone likes to name drop and describe his or her accomplishments. Make sure that what you say is absolutely true and not exaggerated. For instance, don't say, "I am a close personal friend of the President of Ballard" or "I built Pivotal" if it is not true. If the truth is that you have a drink with the President of Ballard from time to time at your fitness club, or you were a member of the development team that helped build Pivotal, then say that and that only. Understating real accomplishments or relationships is as powerful as overstating them is fatal. If the person you are pitching checks out your story and you have exaggerated or lied, you will have a big problem. Remember that Vancouver is a small town and the people you are pitching to will often know the people or companies that you refer to. The converse is that if the person you are pitching is checking out your story and you have understated it (i.e. the principals of Pivotal tells them that you have undersold yourself that you were actually integral to the building of Pivotal), you will have gone up dramatically in the eyes of the person you have pitched.

Make Their Due Diligence Easy. If you have articles, research, testimonials, supporting documentation, signed contracts etc. that you refer to, have copies ready. Wherever, research information is provided included references to comparable companies and competitors, provide full citations, web-sites, links and trade symbols wherever possible.

Specific Guidelines

The specific guidelines below should be followed in preparing the Presentation. The following list of slides includes a list of all of the possible slides that could be included in a presentation. To include all of them would typically make the presentation too long – especially given the fact that you might need to include several slides to cover your products/services. For this reason, we have marked the following slides as either "Key Slides" or "Optional Slides" for your further assistance.

Slide 1. Suggested Title: Introduction. Make sure the first slide introduces your Company and its business. Make sure that you provide a one to two-liner that clearly identifies what your Company does, produces (if product driven) or offers (if service driven). Too often Presentations are made and at the end the listener still does not know exactly what the Company does. If you have a Mission Statement, include it. Include the date (Month and year) of the presentation and identify the month and year in which the Company was founded. **(Key Slide)**

Slide 2. Suggested Title: Overview. Provide an overview of the rest of the Presentation. The standard old presentation technique of: tell them what you are going to tell them; then tell them what you want to tell them; and tell them what you told them; is sound. (You should be able to move quickly through the first two slides in order to give you more time on follow-up slides.) **(Optional Slide)**

Slide 3. Suggested Title: The Business and Market Opportunity. Provide an overview of the business and the business model. Clearly identify the market opportunity here or you may lose the listener before you get to the meat of the Presentation. Identify the comparables (who you would like to be like, if anyone) without exaggerating. Don't get too specific in this slide – instead, this is where you want to describe the "sizzle". Each of the points highlighted in this slide can be discussed in turn in the following slides and in the verbal part of the Presentation. If it is not obvious (such as with many dot-coms), clearly identify the revenue model. **(Key Slide)**

Slide 4. Suggested Title: The Products/Services. Provide an overview of the product or services and clearly identify if it is a product you sell, a service you provide or a combination. Explain clearly what the product/service does, how it does it, its stage of development (drawing board, prototype, beta, or in sales) and how it distinguishes itself from the competition. Don't assume that the listener has technical background and stay away from overly technical descriptions (a mistake made by many technology companies) and avoid buzzwords. Instead, explain in real world terms what solution the product or

service would provide and to whom (who are the customers). You may use more than one slide but keep to no more than three slides. **(Key Slide)**

Slide 5. Suggested Title: Management. Provide an overview of management and make sure to include specific resume information. This is one of the times where a narrative rather than point form should appear in the Presentation. Make sure that relevant past educational and work information is provided. Avoid curt generalizations like "15 years experience in the technology sector". This could mean nothing more than being a janitor at Nortel. Provide the name, age and title of each critical member of management. If you have outside members on your Board that add value, or an Advisory Committee that adds value, describe them. Don't talk about who you are going to approach to join your Board or Advisory Committee; instead, describe those who have signed on. **(Key Slide)**

Slide 6. Suggested Title: Financial Performance to Date. Summarize your financial performance to date. Identify the year-end of the Company. Provide the financial results for your past two fiscal years (indicate if it is audited information) and a projection for the next two years (don't exaggerate – be conservative on projections and include cautionary language – see examples) and identify the results for the most recent fiscal quarter (make sure to note that the quarterly information is not audited). If the Company is public, it will have financial information for these periods. If it is private, provide this information if it is available and if it is not available then something as close to this as possible. Provide the gross revenues, cost of sales, gross margin, EBITDA, expenses and profit. Identify the Company's working capital position (and the month end date) and its monthly burn rate. If the Company is private, identify if the financial information has been audited. **(Optional Slide)**

Slide 7. Suggested Title: The Market Opportunity. Provide an overview of the market. Where market size statistics (or for that matter any other statistics) are presented, make sure that the source (a citation – include links if possible) of those statistics is provided. Never use any statistics, whether in a Presentation, Executive Summary, Confidential Information Memorandum or Business Plan, which are not accompanied by the citation source. This drives the financier's due diligence guys crazy and the object is to make their job easier not more difficult. **(Key Slide)**

Slide 8. Suggested Title: The Marketing Plan. Provide an overview of your marketing plan. Try to identify the uniqueness of your plan. Many young companies do not have sufficient marketing expertise. If that is the case, say so and identify how you propose to deal with this deficiency. Similarly, marketing for many young companies can be a financial black hole. Address this issue before it is asked. **(Key Slide)**

Slide 9. Suggested Title: The R&D Plan. If the product or service is not ready to sell, clearly identify the research and development plan. If it is ready to sell, clearly identify how much ongoing R&D will be required. **(Optional Slide)**

Slide 10. Suggested Title: Strategic Relationships. Discuss any strategic relationships. Again, do not bullshit. If you have formed a strategic relationship, make sure that you are entitled to say so or don't. If you are in preliminary discussions, then say so and don't exaggerate. If you haven't approached anyone but you have identified who you would like to approach and why, then say so and again don't lead the listener to believe that you are further down the line than you are. **(Key Slide)**

Slide 11. Suggested Title: Competition. Discuss the competition. Do **not** trash the competition and do **not** dismiss the competition. As noted above, this reduces your credibility. Instead, let the discussion of the features of your products and services speak for themselves. **(Optional Slide)**

Slide 12. Suggested Title: Funding Requirements. Provide a clear explanation of the funding requirements and the use of the proceeds raised. Avoid generic categories like "R&D", "admin" and "marketing" unless you provide a further breakdown and present the generic category only as a convenient sub-total to refer to. Make sure you identify exactly what the funds will be used for. Present the use of proceeds in tabular form (see example). Make sure that each of these use of proceeds items was touched on in the prior discussion. As an example, if you need \$100,000 for marketing, \$200,000

for R&D and \$200,000 to add senior management, make sure these were touched on the slides that discussed Marketing, R&D and Management. If you are looking for more than \$500,000 to \$750,000, try real hard to break the use of proceeds down into separate smaller tranches and identify when each tranche will be needed. Try to make the first tranche no more than \$500,000, and less if possible. Obviously, the tranches should start small and increase, and more time should be allowed to raise the larger tranches. Try to ensure that the funding needs for the next year are identified even if this means three tranches. Finally, clearly identify what business objectives and milestones will be met with each tranche of the funding. **(Key Slide)**

Slide 13. Suggested Title: Capital Structure. Identify the jurisdiction of incorporation of the Company and the date of incorporation and, if the Company is public, identify the exchange on which it is listed, its classification on that exchange and its trade symbol. Present the current undiluted issued share capital and present the fully diluted share capital as well in tabular form (see examples). The undiluted table should separate escrow shares, non-escrow shares, shares held by the control block, public float (if the company is public) or seed capital (if the company is private). The fully-diluted chart should separate out stock options, warrants and other securities and agreements pursuant to which shares may be issued and the identify the exercise prices. If the Company is a private company, identify the number of shares issued in each round and at what prices and identify the total capital raised in each round. Identify the month and year in which those shares were issued. **Remember that it is illegal to make representations that the Company is going to go public or list on a stock exchange. (Optional Slide)**

Slide 14. Suggested Title: Summary. Summarize what you have presented. Reiterate what you do, what the market opportunity is and how much money you need. **(Optional Slide)**

Slide 15. Suggested Title: Contact Information. Provide all of your necessary contact information (full corporate name and full address, telephone number, fax number, email address, web-site etc.). Identify your legal counsel and auditors and, if you are public, your registrar and transfer agent. Provide all of the contact information for each of these advisors. **(Key Slide)**

Once you prepared your first set of slides, you will probably have too many (you may end up preparing two or three slides for some of the sections referred to above). You should then review them to try and cut some slides out altogether, or edit them down so that two or three slides can be turned into one or two. Remember that if the pitch is good, you will be invited by the listeners to provide more information.

Follow-Up

After making the Presentation, make sure you send a follow-up letter immediately (the same day or the next) to thank the financier for seeing you. If you are to provide follow-up materials, provide them with the letter. If you don't have them, confirm in that letter what follow-up materials will be provided and when.

Due Diligence Materials

Assuming the Company is able to attract investor interest, it is helpful to make things easier for investors to have a set of due diligence binders prepared. For assistance, refer to the guide entitled "Preparing Due Diligence" materials.

Caveat

As a client of Catalyst, you are entitled to freely avail yourselves of all the documents and materials that comprise our "Launchpad Program". These materials consist of a series of guides on business matters relevant to young technology companies. Please be advised that these materials do not constitute, and are not to be construed as, legal advice. If you choose to undertake the business activities, adopt the policies or create the documents referred to in these guides, you should consult with a lawyer at Catalyst to ensure that any legal matters relating to such have been considered and that you receive legal advice

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SAMPLE INSERTS FOR SLIDES
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Slide 6 – Financial Tables

Private Company

	Audited (Fiscal Year ended Dec. 31)		Unaudited (Quarter ended March) 2000)	Projected (Fiscal year ended Dec. 31)	
	1998 ⁽¹⁾	1999		2000	2001
Working capital (deficiency):	\$	\$	\$	n/a	n/a
Revenues:	\$	\$	\$	\$	\$
Gross profit (loss):	\$	\$	\$	\$	\$
EBITDA (loss):	\$	\$	\$	\$	\$
Net earnings (loss):	\$	\$	\$	\$	\$
Share capital:	\$	\$	\$	n/a	n/a
Number of shares:	●	●	●	n/a	n/a
Retained earnings (deficit):	\$	\$	\$	n/a	n/a

(1) The Company was incorporated in September 1998, so this period represents the first fiscal year which was less than four months long.

Readers are cautioned that projections are merely a *possible financial outcome* and should not be construed as a likely financial outcome. They are not audited. They are typically prepared for budgeting and planning purposes. They are not be construed as a representation as to the future financial performance of the Company as they are dependent upon a number of factors outside of the Company's control.

The foregoing projections assume that the Company signs on two new manufacturers per quarter over the eight fiscal quarters making up the two fiscal years in question.

Public Company

	Audited (Fiscal Year ended Dec. 31)		Unaudited (Quarter ended March) 2000)	Projected (Fiscal year ended Dec. 31)	
	1998	1999		2000	2001
Working capital (deficiency):	\$	\$	\$	n/a	n/a
Revenues:	\$	\$	\$	\$	\$
Gross profit (loss):	\$	\$	\$	\$	\$
EBITDA (loss):	\$	\$	\$	\$	\$
Net earnings (loss):	\$	\$	\$	\$	\$
Earnings (loss) per share:	\$	\$	\$	\$	\$
Share capital:	\$	\$	\$	n/a	n/a
Number of shares:	●	●	●	n/a	n/a
Retained earnings (deficit):	\$	\$	\$	n/a	n/a

Readers are cautioned that projections are merely a *possible financial outcome* and should not be construed as a likely financial outcome. They are not audited. They are typically prepared for budgeting and planning purposes. They are not be construed as a representation as to the future financial performance of the Company as they are dependent upon many factors outside of the control of the Company.

The foregoing projections assume that the Company signs on two new manufacturers per quarter over the eight fiscal quarters making up the two fiscal years in question.

Slide 12 – Funding Requirements

Funding Requirements

In order to proceed with its business plan, the Company requires a first tranche of \$400,000 by the end of the second quarter of this year, and a second tranche of \$1,000,000 by the end of the fiscal year. The principal purposes for which these funds will be used is as follows:

<u>Tranche 1⁽¹⁾</u>	<u>Tranche 2⁽¹⁾</u>
Marketing Program: \$100,000	Marketing Program: \$200,000
R&D: \$100,000	Starting-Up: \$400,000
General & Admin: \$100,000	R&D: \$200,000
Working Capital: <u>\$100,000</u>	Working Capital: <u>\$200,000</u>
\$400,000	\$1,000,000

(1) Detailed breakdown of each of these categories is available upon request.

Business Objectives and Milestones

With the funds, the Company hopes to meet the following milestones by the following dates:

To set up the website within 30 days.

To develop the prototype by day 90.

To secure five beta-test clients by day 120.

To secure a VP Sales and Marketing by day 120.

To have a Marketing Plan by day 150.

To have secured a distribution channel in the U.S. by day 180.

These dates assume that the Company secures its funding in the amounts and within the time periods noted under "Funding Requirements" above.

Slide 13 – Share Capital Table

Capital Structure – Private Company

The Company is a private company. Its current capital structure is as follows:

Type	Month & Year	Number	Price	Consideration
Founder's ⁽¹⁾	Sept. 1998	4,000,000	\$ 0.0001	\$ 400
Seed Round ⁽²⁾	Dec. 1998	400,000	\$ 0.25	\$ 100,000
Angel Round ⁽³⁾	June 1999	<u>600,000</u>	\$ 0.50	<u>\$ 300,000</u>
		5,000,000		\$ 400,400
Employee Stock Option Plan ⁽⁴⁾	n/a ⁽⁴⁾	<u>500,000</u>	n/a ⁽⁴⁾	n/a ⁽⁴⁾
Fully-Diluted:		5,500,000		

- (1) Split evenly amongst four principals.
- (2) Split amongst 12 close friends, relatives and business associates of the principals.
- (3) Three individuals, one of whom is now a director.
- (4) The options have not yet been granted. The shares have been reserved but not issued yet.

The control positions are:

	<u>Undiluted</u>	<u>Fully-Diluted</u>
Founder's:	80%	77% ⁽¹⁾
Float:	<u>20%</u>	<u>23%</u> ⁽¹⁾
	100%	100% ⁽¹⁾

- (1) Assumes Founders take 50% of the 500,000 options once allotted.

Capital Structure – Public Company

The Company is a public company. Its current un-diluted and fully-diluted capital structure is as follows:

Securities		Number	Share Capital
Issued & Outstanding	Control Group Escrow:	2,000,000	
	Control Group Free-Trading:	1,000,000	
	Public Float:	<u>1,200,000</u>	
		4,200,000	\$3,400,000
Stock Options:	200,000 @ \$1.00		
	<u>100,000 @ \$1.25</u>		
	300,000	300,000	\$ 325,000
Warrants:	300,000 @ \$1.50	300,000	\$ 450,000
Licence Agreement: (Royalty)	1,000,000 @ \$1.00	<u>1,000,000</u>	<u>\$1,000,000</u>
Fully Diluted:		5,800,000	\$5,175,000

The control positions are as follows:

	Control Group	Public (or non- Control Group)	Total
Escrow:	2,000,000	nil	2,000,000
Free-Trading:	<u>1,000,000</u>	<u>1,200,000</u>	<u>2,200,000</u>
Undiluted:	3,000,000	1,200,000	4,200,000
	71.5%	28.5%	100%
Options:	200,000	100,000	300,000
Warrants:	100,000	200,000	300,000
Licence:	nil	1,000,000	1,000,000
Fully-Diluted:	3,300,000	2,500,000	5,800,000
	56.9%	43.1%	100%

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