



HIRSHBERG
ENTREPRENEURSHIP
INSTITUTE

How to Successfully Pitch for \$\$

Andy Whitman

Founder/Managing Partner



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Paul Richardson

Co-Founder/Managing Partner



paul@renewalfunds.com

About Andy Whitman



ANDY WHITMAN

Founder/Managing Partner & Investment Committee Member

- **Investing in emerging CPG brands for 20 years**
- Combined 25+ years as consumer products business leader and industry partner/investor to emerging branded consumer products companies
- Broad general management experience plus functional background in marketing, sales, operations planning and corporate development
- Successful career with General Foods and Kraft Foods on large high profile brands plus focus on nurturing smaller businesses to achieve rapid growth
- MBA – Northwestern’s Kellogg School
BBA – University of Wisconsin



CONSUMER PRODUCTS GROWTH
PARTNERS

A Team of Operators and
Entrepreneurs Investing in
The Next Generation of Great Brands

2x Consumer Products Growth Partners joins with founders and management in building the consumer brands of the future. Our firm was founded by industry veterans and former operators, not financial engineers or consultants. We focus exclusively on emerging consumer brands, not any other industry or stage of business. We leverage our 400+ years of collective experience to provide real operational expertise, valuable contacts and connections, in addition to capital to fuel growth.

GROWTH CHARACTERISTICS:

- Natural/Organic
- Functional/Performance
- Ethnic
- Specialty/Premium

SIZE/REVENUE:

- Generally with revenue between \$2 million and \$25 million
- Growing rapidly
- No pre-revenue businesses

FLEXIBLE STRUCTURE:

- Minority ownership stake as part of a partnership most common
- Majority interest or complete buyout possible

INVESTMENT CRITERIA:

- ✓ Founders or management seeking a partner, not just an investor
- ✓ Powerful consumer positioning and product fulfillment
 - Sustainable point of difference built on trends, not fads
 - Unparalleled product efficacy and/or taste
- ✓ Strong sense of in-market “proven-ness” based on consumer takeaway
- ✓ Exponential growth history and future potential
- ✓ Categories that immediately leverage our expertise
- ✓ Attractive go-to-market approach and financial proposition

OUR FOCUS



Food



Beverage



Personal Care



Home Care



Pet Care



Other

Paul Richardson

Managing Partner and Co-Founder



- Focused on impact venture investing for almost 20 years including serving as CEO/Managing Partner of Renewal Funds for the past 13
- Not-for-profit involvement includes co-negotiation of the conservation finance deal for the Great Bear Rainforest – the world’s largest protected coastal temperate rainforest; Past President of Ecojustice Canada; Past Vice Chair of the Coastal Opportunities Fund
- Current Board Director involvement includes Lotek, Mama Earth Organics, Prana Biovegan and Uncle Matt’s Organic

Investing for Change

A pioneer impact fund with over 50 years of collective experience
in mission investing

We find and support inspired entrepreneurs catalyzing positive
social and environmental change by building profitable and
sustainable businesses

renewal
Funds

- Founding Canadian B Corp
- Five-time “Best for the World” Company
- 50% women Partners



Agenda


1. Basics of Pitching (*Led by Andy*)
2. Considerations for a Funding Partner & Structure vs. Valuation (*Paul*)
3. 10 Reason Investors Pass (*Andy*)
4. Discussion (*Gary & Friends*)
5. Q&A

The Basics of Pitching

- Be upfront about your fundraising goals and your wishes in a partnership
- Tell your story
 - Description of your secret sauce / differentiation
 - Explanation of the “story behind the numbers”
 - Why you and your team can uniquely succeed
 - Callout risks and describe mitigating factors
- Use a concise PowerPoint to support your pitch
 - Simple slides (not a sea of words)
 - Don’t read the slides to your audience
 - Note Guy Kawasaki’s principles (next page)
 - Visual media (e.g., photos, charts) is helpful
- Have industry standard materials ready for next steps
 - One-page executive summary (easy to share)
 - Excel model with projections built “bottoms up”

Executive Summary Example

Big Roller
One Line Pitch: A new experience in moving.
Business Summary: We have invented a revolutionary piece of technology that allows things to be moved quickly and over long distances. We plan to use this technology to create products that we will sell to people who need to move anything larger than things that they can carry.
Management: My business partner and CTO Grok has a secret where he uses a hard sharp rock to shape other rocks. We have already used this technique to manufacture arrowheads. We spend our time making things for other people in exchange for food. We also made a large stone club for our CFO Buba to make sure we get paid.
Customer Problem: Zok in the next cave over tried to move a rock so his family could sit around it, but it was too heavy to drag and didn't roll well.



Company Profile
 URL: www.big-roller.com
 Industry: Industrial/Energy
 Employees: 3
 Founded: 4500 BC

Contact
 cell: 606
 wk@big-roller.com
 Work: 212-555-1234
 Fax:

Financial Information (USD)
 Company Stage: Product In

Executive Summary Example available at 2xPartners.com site

Competitors: We don't know of any other competitors. We saw someone dragging rocks on big sticks once, but our solution is better.
Competitive Advantage: We have been working with stones and know where the best ones are for making our disks. If anyone finds the place with good stones, we will make more clubs for Buba and his friends to keep people away.

Big Roller	Financials* (USD)						
	2009	2010	2011P	2012P	2013P	2014P	
100 E. 23rd Street New York, NY 10010	Revenue	\$1.3	\$2.5	\$5.5	\$9.9	\$18.0	\$26.0
United States	% Change	140.0%	92.3%	120.0%	80.0%	81.6%	56.3%
	Gross Margin %	38.2%	41.0%	41.3%	41.4%	41.4%	41.5%
	EBITDA	(\$1.0)	(\$0.8)	(\$0.2)	\$0.2	\$1.5	\$3.0
	Cash Flow**	(\$1.4)	(\$1.3)	(\$0.8)	(\$0.9)	\$0.5	\$1.4

* In Millions (200,000) **Not including financing

Provided courtesy of Angelsoft.net

What to Share

- Your goal in initial dialogue is to get the 1-hour deep dive meeting next, not to tell them everything
- Guy Kawasaki's rule of 10/20/30: 10 Slides, 20 Minutes and 30+ Point font
- Consider Guy's 10 slide outline customized for your business
 1. *Problem*
 2. *Your solution*
 3. *Business model*
 4. *Underlying magic/technology*
 5. *Marketing and sales*
 6. *Competition*
 7. *Team*
 8. *Projections and milestones*
 9. *Status and timeline*
 10. *Summary and call to action*

Optimize Your Pitch in the “Next Normal”

- COVID-19 has been hard, but hopefully you’ll emerge as a better and more focused business
- Make sure your business model and growth plan reflect that the world has changed – *getting distribution with retailers, acquiring consumers, etc.*
- Emphasize the actions you’ve already taken in response to the pandemic and their results so far – *investors want to know how well you’ve adapted*
- Include key metrics for your business overall and for its different channels
 - Overall: Net Revenue, Gross Margin, Contribution Margin, etc.
 - Brick & Mortar: ARP, ACV, AIC, \$/TDP, etc.
 - E-Commerce: CAC, AOV, LTV, repeat rates, etc.
 - Digital engagement: Email (# emails on file, open rate, clickthrough rate), Social Media (# followers, engagement rate¹), etc.
- Demonstrate your ability to succeed if the pandemic persists or subsides
- Manage cash prudently

Considerations for a Funding Partner

Investor Fit

- Values alignment & value add
- What kind of advisor are they going to be?
(Board mtg/Dive in/Hands off)
- Value add – do they bring skills you need?
- Stage/Time horizon alignment
- Capacity – amount/able to follow on?

Considerations for a Funding Partner

Deal Terms

- Amount
 - Milestones to next raise
 - Needed runway
- Valuation
 - Realistic
 - Gross margins/sector growth are important
 - Comps from companies similar to yours
- Structure
 - Preferred vs. participating + dividend
- Other Considerations (control, ROFR, drag)

Structure vs. Valuation

Sometimes a lower valuation with straight preferred structure is BETTER than a higher valuation with a participating preferred + dividend

Non-Participating Preferred + 1x liq pref

Valuation	\$10,000,000
Investment from VC	\$2,500,000
VC Ownership	20.0%

Sale in 5 Years

\$10,000,000 \$30,000,000 \$50,000,000

Preferred Return

VC Return	\$2,500,000	\$6,000,000	\$10,000,000
Founder Return	\$7,500,000	\$24,000,000	\$40,000,000

Participating Preferred with 8% dividend

Valuation	\$12,500,000
Investment from VC	\$2,500,000
VC Ownership	16.7%

Sale in 5 Years

\$10,000,000 \$30,000,000 \$50,000,000

1x Participating + 8% dividend

VC Return	\$4,585,500	\$7,925,500	\$11,265,500
Founder Return	\$5,414,500	\$22,074,500	\$38,734,500



CONSUMER PRODUCTS GROWTH
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10 Reasons Investors Pass ... And, Ways To Enhance The Odds Of Raising Capital

Andy Whitman
awhitman@2xPartners.com

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So, Why Did They Say No?



10 Reasons Investors Pass

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1. Dazed and Confused

- Too Hard To Follow
 - ✓ Tell Story Concisely
 - ✓ Be Compelling with Passion & Facts
 - ✓ 1-3 Page Exec Summary
 - ✓ 10-20 Slides
 - ✓ Bottoms Up Excel Model

IMPORTANT NOTE:
ONE PAGE EXEC SUMMARY
EXAMPLE AVAILABLE. SEE
RESOURCES SECTION OF
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- 3. All Sizzle, No Steak** A pure marketing pitch doesn't work. Remember, you're pitching an investment in your Company not selling your product to a retailer or consumer. Make sure to buy the SPINS (Nielsen/IRI data). you'd need to know how to apply to financial balance sheet & cash flow statement, and show the proceeds and show the growth. For investors like 2x Partners, you need to show velocity (also known as same store sales or sales per point of distribution) growth. See more below.

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10 Reasons Investors Pass

And, Ways To Enhance The Odds of Raising Capital

1. Dazed and Confused
2. Wrong Way
 - Seeking Capital From Wrong Sources
 - ✓ Recognize That Courtesy Visit Does Not Mean Likelihood To Invest
 - ✓ Match Your Prospecting With Their Investment Criteria
 - ✓ Talk To Angels And Angel Groups Where Appropriate

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1. Dazed and Confused
2. Wrong Way
3. All Sizzle, No Steak
 - Pure Marketing Pitch Doesn't Work
 - ✓ You're Pitching Your Business Not Selling A Customer
 - ✓ Have The Data (e.g. SPINS or IRI/Nielsen if CPG business)
 - ✓ Detailed Financial Model And Use of Proceeds
 - ✓ Be Specific Regarding Important Metrics (e.g. sell-through velocity and gross margins in CPG)

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1. Dazed and Confused
2. Wrong Way
3. All Sizzle, No Steak
4. Leaky Bucket
 - E.g., Distribution is Growing but Velocity (Sales/Door) is Declining
 - ✓ Buy The Data (e.g. SPINS or IRI/ Nielsen if CPG business) – Not As Expensive As You Think!

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1. Dazed and Confused
2. Wrong Way
3. All Sizzle, No Steak
4. Leaky Bucket
5. No Margin for Error
 - Even Sub-Scale, Margins Are Weak
 - ✓ Get Margins Right Early
 - ✓ Don't Assume Scale Is Cure All

IMPORTANT NOTE:
GET GM% RIGHT –
RESOURCES SECTION OF
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3. All Sizzle, No Steak
4. Leaky Bucket
5. No Margin for Error
6. Know Not Thy Business
 - Founders Don't Know Their Financials (Or Other Metrics)
 - ✓ Know Your Business Even If Not The CFO Type
 - ✓ Get Help Where You Need It

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5. No Margin for Error
6. Know Not Thy Business
7. Betting on the Come
 - Most Of The Growth Comes From Products/Channels/Etc. That Aren't Here Yet
 - ✓ Have Mix of “Step on the Gas” Existing Business And “New Stuff”

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7. Betting on the Come
8. Mismatched Returns
 - Returns From Investment In Your Company Are Too Low For Investor
 - ✓ Align Potential Investors With Your Company Return Potential
 - ✓ Know That Investors Will Discount Projections and Returns

10 Reasons Investors Pass ... And, Ways To Enhance The Odds of Raising Capital

By Andrew S. Whitman, Managing Partner – 2x Consumer Products Growth Partners
as presented at *Financing Your Natural/Specialty Products Company Workshop*
(www.npcinstitute.com/Financing%20seminar.htm) and *BevNet Live* (www.BevNetLive.com)

Entrepreneurs often ask why investors, and more specifically institutional investors like 2x Consumer Products Growth Partners, might choose not to invest in a given Company. While the answer is often "it depends", the following are 10 common reasons investors pass and ways to enhance the odds of securing the investment you seek:

1. Dazed and Confused
A business plan consisting of 60 pages of repetitive and hard-to-follow narrative, a weak executive summary and confusing spreadsheets are unfortunately all too common. Try to tell your story in a concise and compelling way. A few pages of text (exec summary with summary financials included), 10-20 slides and an easy to follow bottoms-up excel model is often much more compelling than a 60 page Private Placement Memorandum. It takes a lot more work to be concise but it's worth it.
2. Wrong Way
Seeking growth capital from the wrong sources will prove to be a frustrating endeavor. While many investors will visit with a Company that sounds interesting, don't confuse a courtesy visit with a likely investor. In general, an institutional Private Equity investor with a \$200 million to a \$1 billion Fund, for example, will not invest \$5 million or even \$10 million in a Company, regardless of excitement for the business. These Funds generally invest much larger amounts per Company. It's dangerous to believe that your Company will be the one exception to their investment profile. Do your homework. Make sure you're spending time with investors who say their "sweet spot" investment (amount of capital deployed per Company) and industry focus are exactly what you're looking for. Also, if you're seeking capital below \$1 million or maybe \$2 million, you're almost certainly looking for friends/family, individual angels or possibly angel groups (see list of angel groups interested in consumer products archived at www.2xPartners.com).
3. All Sizzle, No Steak
A pure marketing pitch doesn't work. Remember, you're pitching an investment in your Company not selling your product to a retailer or consumer. Make sure to buy the SPINS data (Nielsen/IRI data). you'd need to know how to apply to financial balance sheet & cash flow projections and show velocity (also known as same store sales or sales per point of distribution) growth. See more below.

Available at
2xPartners.com site

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And, Ways To Enhance The Odds of Raising Capital

1. Dazed and Confused
2. Wrong Way
3. All Sizzle, No Steak
4. Leaky Bucket
5. No Margin for Error
6. Know Not Thy Business
7. Betting on the Come
8. Mismatched Returns
9. Failure of Confidence
 - Investor Doesn't Have Absolute Confidence In Founder/Management
 - ✓ Ensure You're Not Creating Doubt
 - ✓ Do What You Say and When You Say You'll Do It
 - ✓ PLEASE Don't Say Projections Are Conservative!

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9. Failure of Confidence
10. Too Messy
 - Deal (or Company) Not Worth The Effort
 - ✓ Clean Up “Odd” Structures/Terms
 - ✓ Proactively Avoid Unrealistically High Valuations and Therefore Subsequent Down Rounds

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Additional Resources Available Online

See *2xPartners.com*

The screenshot shows a web browser at the URL <https://www.2xpartners.com/resources/>. The page features the 2xPartners logo (2X CONSUMER PRODUCTS GROWTH PARTNERS) and a navigation menu with links for HOME, ABOUT US, PARTNERSHIPS, TEAM, NEWS, RESOURCES, and CONTACT US. An INVESTOR LOGIN button is also present. The main heading is "RESOURCES". Below this, a message reads: "Here are some resources we've compiled to help founders and management. Please feel free to share them!". A list of nine resources follows, each with a PDF icon and a title:

- Video = How to Optimize your Investment Pitch in the New Normal
- Video = 10 Reasons Investors Pass ... And, Ways To Enhance Odds of Raising Capital
- COVID-19 Potential Recommendations
- 2x Consumer Products Growth Partners Overview
- A CPG Entrepreneur's Guide To Gross Margins
- Anatomy of an Investor Term Sheet
- Angel Groups and Funding Resources
- 10 Reasons Investors Pass ... And, Ways To Enhance Odds of Raising Capital
- Executive Summary Example

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