

Pre-Seed and Seed Investment Pitch Guide



INNOVATION

Table of Contents

Preface the Ebico Innovation's Investment Pitch Guide	3
Before you start writing your pitch deck	4
Understanding Your Audience	4
Investor Types	4
Investor Expectations	4
Preparation	4
Research	4
Financial Projections	4
Business Plan	4
Investment Types	5
Equity Investments	6
Advanced Subscription Agreements (ASAs)	6
Convertible Loan Notes (CLNs)	7
Valuation of your company (for equity investments)	7
Who is your customer	8
Format of the presentation	8
Delivery	8
Pitch Deck Components	9
Introduction	9
Problem Statement .	9
Solution	9
Market Size & Opportunity	9
Business Model.	9
Go-to-Market Strategy	9
Marketing Channels	9
Sales Strategy	9
Competitive Analysis	9
Financials	9
Traction	9
Valuation (only required for equity investments) & Investment Request.	9
Skill gaps	9
Closing	9
Structuring Your Pitch	10
Elevator Pitch	10
Follow-Up	10
Go-to-Market Strategy	10
Practical Tips	10

Preface the Ebico Innovation's Investment Pitch Guide

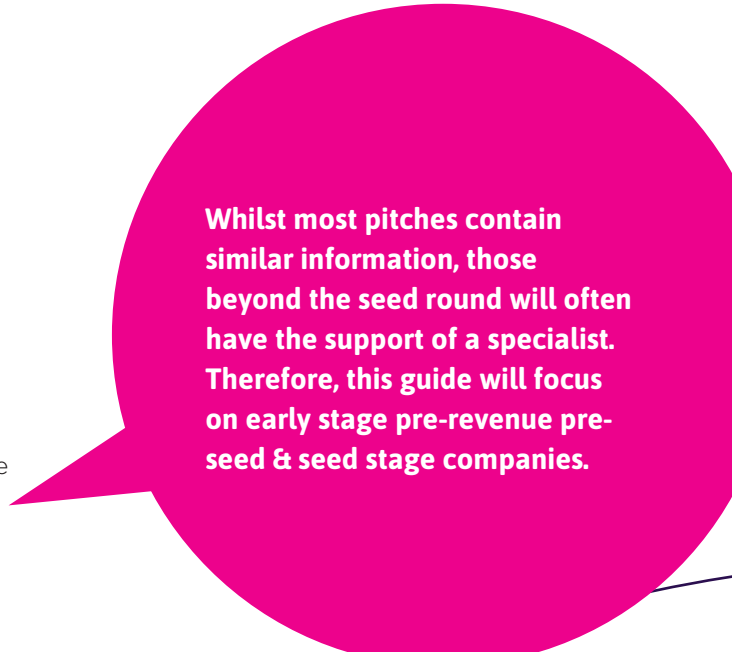
Over their decades long careers and experience in management, building ventures from the ground up and investing in start-ups, the Ebico Team have acquired a wealth of experience.

To date we have seen many investment pitches, and companies going from pre-seed/seed investment rounds all the way to Series A, B and beyond.

We understand that startups face many challenges early on, with fast paced learning and lessons often gained from mistakes. We also know that in order to attract investment, companies need to produce a compelling investment pitch.

Although some investors like to see specific information (e.g. amount of carbon saved with the innovation) in pitch decks, all must contain certain key information. We have produced a general guide for the preparation of a good pitch deck including preparation for the pitch itself.

Whilst most pitches contain similar information, those beyond the seed round will often have the support of a specialist. Therefore, this guide will focus on early stage pre-revenue pre-seed & seed stage companies.



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Before you start writing your pitch deck

Understanding Your Audience

Investor Types

Differentiate between investment funds, angel investors, and other funding sources.

Investor Expectations

Most investors and groups invest in specific areas. For example, it is clear from its website (innovation.ebico.org.uk) that Ebico Innovation primarily invests into household Net Zero solutions. This means that Ebico Innovation is unlikely to be interested in innovations aimed at commercial sustainable waste management. In this case, it would be wise to consider whether your innovation could be applied to the residential market.

Preparation

1 Research

Importance of understanding your market, competitors, and target investors.

2 Financial Projections

Whilst it is good to see optimistic and highly motivated founders aspiring to fast growth, the financial projections should be realistic. While some investors are generalists, others specialise in specific sectors and will have insights into potential market trends for the next 3-5 years.

3 Business Plan

You would need to have a written business plan before you start writing your pitch. This is because you will use key information from the business plan in your pitch. The plan will also mean that you will be prepared to answer questions about your business for the matters that may not be in your pitch deck.

Investment Types

When raising funds at the pre-seed or seed stage, startups often face the challenge of choosing the right fundraising type to secure capital while balancing your long-term goals.

Three popular methods are:

**Equity
Investment**

**Advanced Subscription
Agreements (ASAs)**

**Convertible Loan
Notes (CLNs)**

Each option offers a different way of bringing investors on board. Every option should be considered with a long term funding strategy in mind as they come with different structure, advantages, and trade-offs. Your choice will determine how investors invest and what they'll receive in return, whether it's direct equity (ownership in the company), a convertible loan that turns into equity later, or a promise of future shares in the next funding round. In order to avoid complications in future fundings it is a good idea to create a long term funding strategy.

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Equity Investments

This is a direct sale of shares in your company to investors in exchange for capital.

How it Works:

Investors provide funds in return for equity (ownership) in your business. This means that you would have to set a company valuation to determine how much equity is exchanged for the investment.



Pros:

- **No Repayment Obligation:** There is no need to repay the funds or incur debt.
- **Long-Term Partnership:** Investors often bring experience, networks, and mentorship.
- **Transparency:** A formalised process with clear shareholder agreements.
- **Tax Relief:** Generally, enable private investors to obtain tax relief (SEIS, EIS) on their investment, which can make it more attractive for them to invest. Note that other investors, such as corporate or company funds cannot obtain SEIS & EIS tax relief schemes.



Cons:

- **Dilution:** Founders' ownership stake decreases, which may become significant with future rounds.
- **Time-Consuming:** Negotiating valuation, due diligence, and legal agreements can be lengthy.
- **Loss of Control:** Investors may require voting rights, board seats, or veto power.

Advanced Subscription Agreements (ASAs)

An ASA is an agreement where an investor pays funds upfront in exchange for equity at a future funding round, but without the loan structure of a CLN.

How it Works:

Investors provide funds with the agreement that they will receive shares in the next funding round. While ASAs are similar to CLNs, the main difference is that there are no interest or repayment obligations, since ASAs are not structured as debt (which is the case with CLNs). Shares are issued at a discount or capped valuation in the next funding round.



Pros:

- **No Immediate Dilution:** Shares are not issued until a later round.
- **Simpler Than Equity:** Fewer legal and valuation complexities compared to equity fundraising.
- **No Debt:** Unlike CLNs, ASAs don't add liabilities to the balance sheet.
- **Investor Incentives:** Discounts or valuation caps can attract early-stage investors.
- **Tax Relief:** Private investors are generally able to obtain tax relief (SEIS/EIS) on their investment, providing the ASA is carefully structured.



Cons:

- **Dependence on Future Funding:** Investors must wait for a funding round to receive shares.
- **Limited Control for Investors:** Some investors may prefer equity or CLNs for more immediate influence.
- **Risk of Misalignment:** If the next round doesn't happen as expected, this can lead to delays or renegotiations.

Convertible Loan Notes (CLNs)

A CLN is a hybrid investment type where the investor lends money to the startup with the loan converting into equity at a future funding round.

How it Works:

Funds are provided as a loan with an agreed interest rate. Instead of repayment, the loan converts into equity at a future funding round, typically at a discounted valuation or with a valuation cap.



Pros:

- **Simplifies Early Valuation:** Avoids the need to set a valuation early on.
- **Speed:** Less negotiation than equity investments; quicker to implement.
- **Flexibility:** Can be tailored to include discounts, caps, and interest rates.
- **Investor Incentives:** Discounts or caps reward early risk-taking.



Cons:

- **Debt Until Conversion:** Adds a liability to your balance sheet until conversion.
- **Potential for Conflict:** Ambiguity around conversion terms can lead to disputes later.
- **Uncapped Risk:** If no valuation cap is agreed, founders may face significant dilution in a high-valuation round.
- **Legal Complexity:** Requires careful drafting to avoid ambiguities.
- **Tax Relief:** Private investors are generally unable to obtain tax relief (SEIS, EIS) on their investment, which can make it unattractive for them to invest.

Valuation of your company (for equity investments)

How much do you think your company is worth?

You will need to determine the value of your company as to determine the price of the shares that you're offering for the investment you seek. Whilst it is always challenging to value a company in its early stages, especially pre-revenue, there are some techniques that can be used such as:

- Berkus Method
- Scorecard Method
- Ebico VC Method
- Produce blended valuation based on the three methods.

Finally, calculate how much investment you need and what is the investor's stake. Please refer to our Valuation Guide for more details on how to apply this method.

See our separate guide to Valuing Your Start-Up, available from our website.



Who is your customer

Be very clear who are your customers and who are the consumers of your product. They are often two very different audiences.

For example, a consumer of a toy car could be a child between 3 and 10 years old. However, the customer is the parent who will ultimately pay for that toy car. The customer is essentially the person/organisation that will part with money in return for your product/service, whereas the consumer will be the one enjoying the benefits of it. They both play an important role in purchasing decision. How will you appeal to both?

Format of the presentation

Find out what will be the format required on the day you will be presenting and how much time you have. Sometimes you will have 30min-1h.

This is usually if you have already grabbed attention of an investor(s) and are presenting stand alone. Virtual calls could also last longer.

Face to face pitches can be as short as 10 minutes. This is usually if you're pitching alongside multiple other companies.

If your pitch is too long you might not have enough time to present. On the other hand if it doesn't have enough information, it may seem superficial.

Delivery

Think about who in your team has best presentation skills and knowledge for each sector.

Knowing your own and your partner's strengths and weaknesses could improve the flow.

Think about engaging storytelling, your body language and speed of delivery.

Ensure that you know how the pitch slides will be advanced and by who and make sure that you have a timed practice of your pitch, ideally to a critical friend, well before the pitch itself.

Pitch Deck Components

The following is a list of those elements necessary for the full pitch deck. If time is limited (e.g. if it is for a 'speed dating' type event) the contents will need to be reduced to the key essentials.

Introduction

Introduce the founders and the team with their roles.

Solution

Describe your product/service and its USP(s). Explain if you have any patents pending, if not how are you going to ensure that you increase barriers of entry for your competitors.

Business Model

How you plan to make money.

Marketing Channels

Online, offline, partnerships, PR.

Competitive Analysis

Identify who are your competitors and what is your competitive edge. SWOT Analysis (Strengths, weaknesses, opportunities, threats). Market Positioning, where would you place your products against the competitors? How do you position your product in the market?

Financials

Revenue model, revenue to date, expenses, profit margins, cash flow projections, and funding requirements.

Traction

Current progress, milestones achieved, and key metrics. Showcase 2-3 ideal customers that you already served. What makes them your ideal customer.

Problem Statement

Clearly define the problem your product/service addresses.

Market Size & Opportunity

Market size (TAM, SAM, SOM), target market and potential growth.

Go-to-Market Strategy

Show how you are going to market yourself and what is your sales strategy.

Sales Strategy

Sales funnel, how will you reach your customers?

Valuation (only required for equity investments) & Investment Request

What is the valuation of your company and how did you get to that number, have you used any specific methods. Please refer to our Valuation Guide for more details on how to value your business. Specific funding request and how you will use the funds.

Skill gaps

Do you have any skill gaps? How will you overcome them?

Closing

Summary and contact details.

Structuring Your Pitch

Elevator Pitch

Craft and practice a concise and engaging summary. Most inventors know their innovation in great detail. However, they struggle to summarise what they or their product does. This often leaves investors guessing what is it that they are asked to invest in. The elevator pitch should have the following information in no more than 500 words:

- **Introduction:** names and background.
- Problem you're solving.
- **Your solution:** explain how your product or service solves the problem uniquely or effectively. Highlight your unique selling proposition (USP). Investors listen to many of these pitches. If you feel you cannot share your product details and explain how it differs from the competition, investors will struggle to find a compelling reason to invest.
- **Target Audience:** Here be concise and specific, who is your customer and who is the product consumer. It could be the same, but sometimes it is not. Make sure you understand the difference and identify consumers and customers.
- **Market size and opportunity:** top line of market size and opportunity, this could be a summary of TAM, SAM & SOM.
- **Company Valuation:** how much is your company worth.
- **Raise amount:** How much you want to raise.
- How will you use the funds.

Follow-Up

- Post-Pitch Strategies
- Following up with investors and maintaining communication. Provide any additional material that you have promised to provide.

Go-to-Market Strategy

- **Marketing Channels:** Online, offline, partnerships.
- **Sales Strategy:** Sales funnel, Customer Acquisition Cost (CAC), Lifetime Value (LTV).

Practical Tips

- **Pitch Deck Design:** Importance of visual appeal and coherence.
- **Storytelling:** Using narratives to make your pitch memorable.
- **Time Management:** Keeping your pitch within the allocated time.

The information in this guide is here to help you get started with navigating the often tricky process of raising funds as a start-up. It's designed to be a useful starting point, but it's not intended to replace professional financial, legal, or investment advice. While we've done our best to make this guide clear and helpful, Ebico Limited, operating as Ebico Innovation, cannot guarantee that everything in it is complete, accurate, or up-to-date.

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