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5 Essential Elements of a Private Equity Investor Pitch

By Frank Williamson

Successfully drawing equity investors to your business requires more than being a good salesperson. An investor pitch requires certain elements centered around answering investors' big question: Why should I believe that you're going to make me money?

Many entrepreneurs are salespeople at heart, with an innate understanding of how to make a product or service appealing for customers. Yet, some of those very same people struggle with a similar task that one might assume would be second nature to them: attracting investment capital for their business using an investor pitch. The explanation might be partly psychological — they find it easier to sell a product than to sell their business itself as a product.

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But there's sometimes another reason. These business owners might be so in love with their business idea that they're not fully considering the mindset of private equity investors, who are first and foremost concerned about getting their money back, with a return, after it has been used by the business owner. Some seem to view investors as people willing to give them money in a general bet on the future, which can be understandably frustrating for the investors themselves. This disconnect between entrepreneurs and investors is more common than one might think.

In my work as an investment banker, I assist entrepreneurs in creating successful proposals for loans or equity investments that include crisp arguments about the economics of a business opportunity, actionable plans to displace existing solutions to customers' problems and detailed financial projections. While every pitch is unique, I've found that there are certain elements that always need to be present, all centered around answering the big question on investors' minds: Why should I believe that you're going to give me my money back, plus some?

Here are five elements to include in your investor pitch:

1. **Give a clear statement of your vision.** It's important to paint a simple picture of your business plan at the outset of your investor pitch. Explain what problems your business solves for whom, how it stands apart from competitors and how it makes money. Then, tell them as specifically as possible what changes or improvements you'd be using their money for and how you expect to generate profits as a result.

2. **Translate your vision into solid numbers.** A vision is a good starting point, but in order for investors to take your proposal seriously, you need to provide specifics. Using concrete action plans and financial projections with clearly stated assumptions to illustrate how you'll be taking money in, where it will go once you have it and the path by which you'll be returning that money.

3. **Quantify what failure looks like.** It's important to set expectations about what happens if your business plan doesn't work out. Doing that requires answering a question: What does it mean for things to not work out? Describe as concretely as possible what your threshold for success is, and what is the most likely

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outcome for investors if that threshold is not met. Can they expect to receive a portion of their investment back, or none at all?

4. **Give a realistic timeline.** Investors understand that building a company is not a specific science, takes time and can be unpredictable. But it helps your relationship to be realistic with them about what when they should get their money back.

5. **If you're planning to eventually sell your company, discuss what larger companies might be the most likely buyers and what steps are involved in that timeline.** Is there a specific event or sale that would create profit? Is your plan to be publicly traded, and if so, when do you plan for that to happen? Will investors be receiving cash payments based on distributions of profit, or shares in a company that the business owner claims have a certain value? The more details you can provide to answer these questions, the better.

6. **Address the big question on investors' minds.** In any new relationship with an investor, everything you tell them in an investor pitch boils down to answering the aforementioned question on their minds: Why should I believe you? When getting a bank loan, you can easily demonstrate a record of success through the repayment of previous loans, or provide valuable collateral to make the loan profitable to the bank no matter what. For a growing company seeking equity investments, the process is a little different. However, you can show credibility through the biographies of your business's principals, as well as any historical financial results that demonstrate consistent profitability over time. You can also ease the doubts of investors by presenting solid numbers — if your financial analysis makes sense, it can go a long way toward establishing trust.

Just as customers weigh the benefits of your product or service versus those of your competitors, investors are likely choosing among your business and several others based on who they think is most likely to deliver profits. But by demonstrating that you understand investors' concerns and have thought deeply about how to address them, you can make them comfortable and generate excitement about your new partnership.

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Frank Williamson is the founder of Oaklyn Consulting, a consulting firm that helps investor groups and private businesses, from startup to middle market, with mergers, acquisitions, capital-raising, investor relations, succession and other strategic corporate finance decisions. Oaklyn Consulting does not work as a broker but as an extension of clients' boards and management teams, charging time-based fees for investment banking advice.