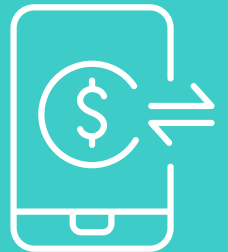




From Idea to Investment: A Founder's Guide to Fundraising

A Complete Guide to Preparing Your Business for Investment





About Us

PitchHub is an investment readiness organisation, working with founders to build investable businesses and with investors to source the right businesses to invest in. We have supported thousands of entrepreneurs through our digital tools, consultancy services, and training programs.

Our mission is to catalyse growth in entrepreneurs, businesses, and ecosystems. In furtherance of that mission, we trust this guide will equip you with the knowledge you need to raise capital

01 Understanding Investment Readiness



Learn what investment readiness is, why it matters, and how to assess if you're ready to raise capital.

02 Core Investor Considerations



Master some essential elements investors evaluate: business model, team, market traction, financials, and legal structure.

03 Understanding Different Types of Investment



Explore equity, debt, grants, and alternative funding options to choose what's right for your business stage.

04 Creating Your Investment Materials



Build effective pitch decks, one-pagers, financial models, and data rooms that impress investors.

05 Valuing Your Business

Learn proven valuation methods, avoid common mistakes, and understand how to negotiate a fair price for your equity.



About Us

Website:

pitchhub.co.uk/

Fundraising Readiness Index: Discover your funding readiness level
fundraisingindex.scoreapp.com

Vanelo: A Self-help Investment Readiness tool. Start for free
vanelo.io/

06 Finding and Approaching Investors



Identify the right investors, craft compelling outreach messages, and build relationships that lead to funding.

07 The Pitch Meeting



Prepare for, deliver, and follow up on investor meetings that move you closer to closing the deal.

08 Due Diligence and Closing



Navigate the investor's verification process, negotiate term sheets, and successfully close your funding round.

09 After the Investment



Work effectively with investors, deploy capital wisely, and set your business up for continued success.

10 Conclusion

Review key principles, complete your investment readiness checklist, and take confident next steps toward raising capital.

Chapter 1: Understanding Investment Readiness

WHAT IS INVESTMENT READINESS?

Investment readiness is the state of being fully prepared to attract, negotiate with, and secure investment from external funders.

It means having your business, finances, team, and growth plans in order so that investors can see the value and potential in your company.

Think of it like preparing your house before putting it on the market. You would not just open your doors to potential buyers without cleaning, making repairs, and staging the property.

Similarly, you should not approach investors without proper preparation.

WHY INVESTMENT READINESS MATTERS

Many founders make the mistake of approaching investors too early, before their business is truly ready. This can lead to:

- Rejection from investors who might have been interested
- Poor valuation because you could not demonstrate the true value of the business
- Loss of credibility within the investor community
- Wasted time and resources on unsuccessful fundraising efforts

Example: James approached investors with a strong idea but no clear financial model, inconsistent metrics, and an incomplete pitch deck. Despite initial interest, investors declined due to lack of clarity and confidence. After refining his financials, strengthening his traction data, and preparing a structured pitch, he re-engaged six months later and secured funding on stronger terms

Chapter 2: The Core Investor Considerations

For investors to take you seriously, there are key areas you must have developed. Each area must be strong, relative to your stage. Let us explore each area.

AREA 01

A Viable Business Model

Your business model explains how your company creates, delivers, and captures value. Investors need to see that you have a clear and proven way to make money.

WHAT INVESTORS LOOK FOR:

- **Clear revenue streams:** How exactly does your business make money?
- **Scalability:** Can your business grow without costs increasing proportionally?
- **Unit economics:** Do you make more from each customer than it costs to acquire them?
- **Market validation:** Have paying customers proven that your model works?

Example:

James created a software tool for restaurants to manage inventory. His revenue model includes a monthly subscription fee of £99 per restaurant, plus a one-time setup fee of £299. His unit economics show that the average customer acquisition cost is £400, with customers staying for an average of 24 months, generating £2,675 in total revenue. This demonstrates a viable business model because he recovers his acquisition cost in the first two months and generates profit afterwards.

AREA 02

A Strong Management Team

Investors often say they invest in people, not just ideas. They want to see a capable team that can execute the business plan and adapt when challenges arise.

WHAT MAKES A STRONG TEAM:

- **Relevant experience:** Team members with prior industry experience, relevant education, or held similar positions before
- **Complementary skills:** The team as a whole can deliver all the technical and commercial functions of the business
- **Commitment:** Key team members are working full-time on the business
- **Track record:** Evidence of past achievements and ability to deliver results

Example: Maria is launching a health tech startup. Her co-founder has 10 years of experience as a doctor, bringing medical expertise. Maria herself has a background in software development and previously built an app that reached 100,000 users. They brought on a third co-founder with marketing experience from a major pharmaceutical company. Together, they cover the key skills needed: medical knowledge, technical development, and market reach.

COMMON TEAM GAPS AND SOLUTIONS:

Gap: No financial expertise

Solution: Hire a part-time CFO or financial advisor, or bring on an advisor with finance background

Gap: Founder is solo with no team

Solution: Recruit a co-founder or build an advisory board of experienced individuals who can guide you

Gap: Team lacks industry experience

Solution: Bring on industry veterans as advisors or board members

BUILDING AN ADVISORY BOARD:

If you have gaps in your team's expertise, consider creating an advisory board. Some Advisors will do it for free. However, Advisors typically receive 0.25% to 1% equity in exchange for:

- Monthly or quarterly guidance sessions
- Introductions to potential customers or investors
- Industry insights and strategic advice
- Credibility through association with their name and reputation

KEY TEAM ROLES INVESTORS LOOK FOR:

- **CEO/Founder:** Vision, strategy, and fundraising
- **CTO/Technical Lead:** Product development and technical execution
- **CFO/Finance Lead:** Financial management and reporting
- **CMO/Marketing Lead:** Customer acquisition and brand building
- **COO/Operations Lead:** Day-to-day operations and scaling

Note: In early-stage companies, one person may wear multiple hats, but investors want to see a clear plan for how these roles will be filled as the company grows.

DEMONSTRATING TEAM STRENGTH:

When presenting your team to investors, highlight:

- Specific, relevant achievements (not just job titles)
- Years of experience in the industry or problem space
- Previous exits or successful ventures
- Educational credentials (if relevant to the business)
- Awards, recognition, or thought leadership
- Complementary skill sets that cover all critical functions

RED FLAGS INVESTORS WATCH FOR:

- Solo founders with no plan to build a team
- Teams with identical skill sets and no diversity of expertise
- Part-time founders who are not fully committed
- Unresolved conflicts or tension between co-founders
- Missing critical roles with no plan to fill them
- Lack of industry knowledge or relevant experience

AREA 03

Market Opportunity and Traction

Investors want to see that you are targeting a large enough market and that customers actually want what you are offering. Traction proves your concept works.

DEMONSTRATING MARKET OPPORTUNITY:

- **Total Addressable Market (TAM):** The total market demand for your product or service
- **Serviceable Addressable Market (SAM):** The portion of TAM you can realistically reach
- **Serviceable Obtainable Market (SOM):** The portion you can capture in the near term

Example: David runs a business selling organic pet food online in the UK. His market analysis shows: TAM - The UK pet food market is worth £3 billion annually. SAM - The organic segment represents 15% of this market, or £450 million. SOM - Based on this current round of funding and the marketing budget, David has a solid plan to acquire 70,000 customers within three years, resulting in £3.4 million in annual revenue.

TYPES OF TRACTION INVESTORS VALUE:

- **Revenue growth:** Month-over-month increase in sales
- **Customer growth:** Increasing number of paying customers
- **User engagement:** Active users, retention rates, or usage metrics
- **Partnerships:** Strategic agreements with established companies
- **Awards or recognition:** Industry awards or media coverage

Real Traction Example: Emma launched a mobile app for freelance workers to find short-term gigs. Her traction includes: 50,000 downloads in the first year, 12,000 active monthly users, £180,000 in revenue with 25% month-over-month growth for the last six months, and partnerships with three major recruitment agencies. This level of traction shows strong validation and momentum.

AREA 04

Financial Clarity and Projections

Investors need to understand your current financial position and your future financial prospects. You must have clean, accurate financial records and realistic projections.

ESSENTIAL FINANCIAL DOCUMENTS:

- **Historical Financials:** Profit and loss statements, balance sheets, and cash flow statements for the past 2-3 years (or since inception)
- **Financial Projections:** 3-5 year forecast showing expected revenue, costs, and profitability
- **Cash Flow Forecast:** Monthly breakdown showing when money comes in and goes out
- **Key Metrics Dashboard:** Important numbers like customer acquisition cost, lifetime value, gross margin, and burn rate

BUILDING REALISTIC PROJECTIONS:

Your financial projections should be ambitious but believable. Base them on evidence and clear assumptions.

Example - Good vs Bad Projections:

- **Bad Projection:** "We project £10 million in revenue by Year 3 because that is a nice round number and shows good growth."
 - **Good Projection:** "We project £1.9 million in revenue by Year 3 based on the following: We currently have 500 customers paying an average of £200 per year (£100,000 annual revenue). Based on our current 15% monthly growth rate and assuming this slows to 10% monthly growth as we scale, we will have approximately 12,000 customers by Year 3. Factoring in a 20% churn leaves us at 9,600 customers. Multiplied by our average revenue per customer of £200, this gives us £1.9 million."
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COMMON FINANCIAL RED FLAGS TO AVOID:

- Unrealistic growth projections (like 200% year-over-year growth with no justification)
- Missing or incomplete historical data
- Projections that ignore seasonality or market conditions
- No clear plan for how investment funds will be used
- Underestimating costs or overestimating revenue

AREA 05

Legal and Corporate Structure

Your business must have the right legal structure and all necessary documentation in place. Investors need to see that the business is properly set up and there are no legal issues that could derail the investment.

ESSENTIAL LEGAL ELEMENTS:

- **Appropriate business structure:** Usually a limited company (Ltd) for UK businesses seeking investment
- **Clear ownership structure:** Who owns what percentage of the company
- **Shareholders agreement:** Document that outlines the rights and obligations of shareholders
- **Intellectual property protection:** Trademarks, patents, or copyrights where applicable
- **Employment contracts:** Clear agreements with all employees and contractors
- **Compliance:** Meeting all regulatory requirements for your industry

Example: Tom runs a fintech startup. Before seeking investment, he ensured that his company was properly registered as a limited company, all four co-founders had signed a shareholders agreement detailing their equity splits and vesting schedules, the company had applied for a patent on its unique payment processing technology, all employees had proper contracts with clear IP assignment clauses, and the business was registered with the Financial Conduct Authority as required for financial services.

COMMON LEGAL ISSUES TO ADDRESS:

- **Unclear ownership:** Make sure everyone knows who owns what and this is properly documented
- **Founder disputes:** Resolve any disagreements between founders before approaching investors
- **IP ownership questions:** Ensure the company owns all its technology and creative assets
- **Regulatory compliance gaps:** Identify and address any areas where you are not meeting legal requirements

Chapter 3: Understanding Different Types of Investment

Not all investment is the same. Different types of funding suit different businesses at different stages. Understanding your options helps you target the right investors and structure the right deal.

EQUITY INVESTMENT

Equity investment means selling a portion of your company in exchange for capital. The investor becomes a part-owner and typically gets a say in major business decisions.

TYPES OF EQUITY INVESTORS

ANGEL INVESTORS

- Wealthy individuals investing their own money
- Typical investment: £25,000 to £250,000
- Best for: Early-stage businesses with a proven concept
- Often provide mentorship and industry connections alongside capital

Example: Lisa raised £75,000 from two angel investors when her product had initial traction but limited revenue. Beyond capital, the angels provided hands-on guidance and introduced her to key retail partners, helping her refine her go-to-market strategy.

VENTURE CAPITAL (VC)

- Professional investment firms managing pools of money from institutional investors
- Typical investment: £500,000 to £10 million+
- Best for: High-growth businesses with significant traction and scalability
- Usually require board seats and regular reporting
- Expect high returns (10x or more) and plan for exit within 5-7 years

Example: Mohammed's software company raised £2 million from a VC firm after reaching £500,000 in annual recurring revenue and demonstrating rapid growth. The VC took a board seat and worked closely with the team to scale operations and prepare for international expansion

EQUITY CROWDFUNDING

- Many small investors contributing via online platforms (e.g., Crowdcube, Republic)
- Typical investment: £50,000 to £2 million
- Best for: Consumer-facing businesses with an engaging story
- Good for raising capital while building brand awareness
- Can create a community of brand ambassadors

Example: A sustainable fashion brand raised £400,000 from 800 investors through a crowdfunding platform, leveraging their strong social media following.

CORPORATE INVESTORS / STRATEGIC INVESTORS

- Established companies investing in startups aligned with their business or sector
 - Typical investment: £250,000 to £5 million+
 - Best for: Businesses that complement the corporate investor's operations
 - May provide distribution channels, customers, or technology partnerships
 - Tends to be used as new growth channels for the corporate investor's core business
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FAMILY OFFICES

- Investment arms of wealthy families
- Typical investment: £500,000 to £10 million+
- Best for: Established businesses with proven models
- Often more patient capital than VCs
- May have specific sector preferences

DEBT FINANCING

Debt financing means borrowing money that must be repaid with interest. You retain full ownership but take on repayment obligations.

TYPES OF DEBT FINANCING

BANK LOANS

- Traditional loans from banks or credit unions
- Best for: Established businesses with assets and steady cash flow
- Pros: Keep full ownership, lower cost of capital, interest is tax-deductible
- Cons: Requires collateral, personal guarantees often required, strict repayment schedules

REVENUE-BASED FINANCING

- Repayment is a percentage of monthly revenue until a cap is reached
- Best for: Businesses with predictable recurring revenue
- Pros: No equity dilution, flexible repayments based on revenue
- Cons: Can be expensive (1.3x to 2x multiple), may limit cash flow for growth

Example: A SaaS company receives £200,000 and repays 8% of monthly revenue until they have repaid £280,000 (1.4x multiple).

CONVERTIBLE LOANS/NOTES

- Debt that converts to equity at a future fundraising round
- Best for: Early-stage startups raising a bridge round
- Pros: Delays valuation discussion, typically lower interest rates
- Cons: Eventually dilutes ownership, may have unfavorable conversion terms

ASSET-BASED LENDING

- Loans secured against specific assets (inventory, equipment, invoices)
- Best for: Businesses with valuable physical assets
- Pros: Easier to obtain than unsecured loans, can access working capital quickly
- Cons: Risk losing assets if unable to repay

INVOICE FINANCING/FACTORING

- Advance cash against unpaid invoices
- Best for: B2B businesses with long payment terms
- Pros: Immediate cash flow, doesn't require giving up equity
- Cons: Fees can be high, may damage customer relationships

GRANT FUNDING

Grants are non-repayable funds provided by government agencies, foundations, or corporations, typically for specific purposes or to businesses that meet certain criteria.

TYPES OF GRANTS

INNOVATION GRANTS

- Innovate UK, Horizon Europe, research councils
- Support R&D, product development, and innovation projects
- Typical amounts: £50,000 to £500,000+

REGIONAL/LOCAL GRANT

- Grants from the local council, combined authority, or local business support organisations
- Support R&D, product development, and innovation projects
- Typical amounts: £50,000 to £500,000+

SECTOR-SPECIFIC GRANTS

- Available for specific industries (agriculture, clean tech, creative industries, etc.)
- Often have strict eligibility criteria
- Typical amounts: £25,000 to £250,000

SOCIAL ENTERPRISE GRANTS

- Big Society Capital, National Lottery Community Fund, foundations
- Support businesses with social or environmental missions
- Typical amounts: £10,000 to £500,000

GRANT FUNDING CONSIDERATIONS

PROS

- No repayment required
- No equity given up
- Validation and credibility from grant provider
- Can leverage for additional funding

CONS

- Very competitive application process
- Lengthy approval timelines (3-12 months)
- Often restricted in how funds can be used
- Extensive reporting requirements
- May require match funding

Example: Aisha's clean energy startup received a £150,000 Innovate UK grant to develop their prototype. The grant covered research costs and did not require any equity or repayment, but she had to provide detailed reports on how the money was spent and match 30% of the funding from other sources.

ALTERNATIVE FUNDING OPTIONS

BOOTSTRAPPING

- Self-funding through personal savings, revenue, or friends and family
- Best for: Early-stage businesses or those wanting to maintain full control
- Pros: No dilution, full control, forces financial discipline
- Cons: Slower growth, personal financial risk, limited resources

BUSINESS COMPETITIONS AND ACCELERATORS

- Win investment through pitch competitions or accelerator programs
- Typical amounts: £10,000 to £100,000 (plus mentorship and resources)
- Best for: Early-stage startups with innovative ideas
- Pros: Non-dilutive or low-dilution, valuable mentorship and network
- Cons: Highly competitive, time-intensive application process

CUSTOMER PRE-SALES/ADVANCE ORDERS

- Customers pay upfront for products or services to be delivered later
 - Best for: Product-based businesses or SaaS with annual contracts
 - Pros: No dilution, validates market demand, immediate revenue
 - Cons: Pressure to deliver, may not raise significant amounts
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CHOOSING THE RIGHT TYPE OF INVESTMENT

The right type of funding depends on your business stage, growth plans, and personal preferences.

CONSIDER EQUITY INVESTMENT IF:

- You are pursuing rapid growth and need patient capital
- You want strategic support and connections from investors
- Your business is not yet profitable and cannot service debt
- You are comfortable sharing ownership and control
- You are building a high-growth, scalable business

CONSIDER DEBT FINANCING IF:

- You want to maintain full ownership
- You have steady cash flow to make repayments
- You have assets to use as collateral
- You need capital for a specific, revenue-generating purpose
- Your business is already profitable or near profitability

CONSIDER GRANTS IF:

- Your business qualifies for specific grant programs (innovation, social impact, regional)
- You have time to invest in detailed applications
- You can meet reporting requirements
- You need non-dilutive funding for R&D or specific projects
- You can provide match funding if required

CONSIDER ALTERNATIVE FUNDING IF:

- You are in the very early stages
- You want to validate your concept before raising institutional capital
- You have a strong customer base willing to pre-pay
- You want to maintain maximum control
- You can grow more slowly without external pressure

HYBRID APPROACHES

Many successful businesses use a combination of funding types. For example:

- Grants + Equity: Use grant funding for R&D, then raise equity for scaling
- Debt + Equity: Take a small loan for immediate needs while raising equity for growth
- Bootstrapping + Equity: Build initial traction with your own funds, then raise equity at a better valuation
- Customer Pre-Sales + Debt: Use customer deposits to secure a bank loan

Example: Rachel's EdTech startup started by bootstrapping to build an MVP. She then won a £50,000 grant to develop the product further. After achieving £200,000 in revenue, she raised £500,000 in equity from angel investors to scale marketing and sales. Two years later, she took a £300,000 revenue-based loan to expand internationally while preserving equity for a future Series A round.

MATCHING FUNDING TYPE TO BUSINESS STAGE

Pre-Seed/Idea Stage:

- Bootstrapping, friends and family, grants, business competitions

Seed Stage:

- Angel investors, equity crowdfunding, seed VCs, accelerators

Early Growth:

- Venture capital (Series A), revenue-based financing, bank loans

Scale-Up:

- Venture capital (Series B+), corporate investors, venture debt

Mature/Profitable:

- Private equity, bank loans, asset-based lending

KEY PRINCIPLES FOR CHOOSING FUNDING

1. Match the funding to your growth trajectory: Fast-growth tech companies typically need equity; steady, profitable businesses may prefer debt
2. Understand the true cost: Equity may seem "free" but giving up 20% ownership could cost millions when your business succeeds
3. Consider more than just money: The best investors bring expertise, connections, and credibility
4. Don't raise too early: Raising capital before you have traction often means giving up too much equity at a low valuation
5. Diversify your funding sources: Don't rely on a single type of funding; blend different sources strategically
6. Think long-term: Consider how today's funding decisions will affect future fundraising rounds

Remember: The best funding option is the one that aligns with your business goals, growth plans, and values while minimizing dilution and maintaining flexibility for the future.

Chapter 4: Creating Your Investment Materials

Once your business fundamentals are solid, you need to create compelling materials that communicate your opportunity to investors. These documents are your first impression and can make or break your chances of securing a meeting.

THE PITCH DECK

Your pitch deck is a visual presentation, typically 10-15 slides, that tells your business story. It should be clear, concise, and compelling.

ESSENTIAL PITCH DECK SLIDES

1. TITLE SLIDE

- Company name and logo
- Tagline (one sentence describing what you do)
- Your name and title
- Contact details
- Date

2. PROBLEM

- What pain point are you addressing?
- Make it relatable and quantifiable
- Use statistics or customer quotes to illustrate the problem
- Show why this problem matters and who experiences it

Example: "Small restaurants waste £15,000 annually on spoiled inventory due to poor tracking systems. Over 60% of independent restaurants lack proper inventory management tools."

3. SOLUTION

- How does your product or service solve this problem?
- Show your product in action (screenshots, demo, or prototype)
- Explain the key benefits, not just features
- Make it clear why your solution is better than current alternatives

4. MARKET OPPORTUNITY

- Total Addressable Market (TAM)
- Serviceable Addressable Market (SAM)
- Serviceable Obtainable Market (SOM)
- Market growth trends
- Target customer segments
- Data sources/references

Example slide content:

- TAM: UK restaurant management software market - £2.5 billion
- SAM: Independent gourmet restaurants (our niche) - £750 million
- SOM: Year 3 target - £15 million (2% of SAM)

5. PRODUCT/SERVICE

- Key features and how it works
- Screenshots or product demo
- User interface highlights
- Technology or methodology overview
- What makes it unique or proprietary

6. BUSINESS MODEL

- How you make money
- Pricing structure
- Revenue streams (subscription, transaction fees, licensing, etc.)
- Customer acquisition approach
- Unit economics (cost to acquire vs. lifetime value)

Example: "£99/month subscription per restaurant + £299 one-time setup fee. Average customer lifetime: 24 months = £2,675 revenue. Customer acquisition cost: £400. Payback period: 2 months."

7. TRACTION

- Key metrics and growth
- Revenue
- Number of customers or users
- Growth rates (month-over-month, year-over-year)
- Customer testimonials or case studies
- Partnerships or pilot programs
- Media coverage or awards

WHAT TO INCLUDE

- Actual numbers with context (e.g., "Grew from 500 to 5,000 users in 6 months")
- Charts showing growth trajectory
- Logos of notable customers or partners
- Quotes from satisfied customers

8. COMPETITION

- Who else is in this space?
- Competitive matrix or positioning chart
- Your unique advantages
- Barriers to entry you've created

Important: Never claim you have no competition. This suggests either you haven't done research or the market doesn't exist. Instead, show how you're different and better positioned.

EXAMPLE COMPETITIVE POSITIONING:

- Competitor A: Feature-rich but expensive and complex
- Competitor B: Affordable but lacks key features
- Your Company: Simple, affordable, with AI-powered insights

9. TEAM

- Founders and key team members
- Headshots and brief bios
- Relevant experience and achievements
- Advisory board (if applicable)
- Why this team can execute on this opportunity

WHAT TO HIGHLIGHT:

- Industry experience
- Previous exits or successful ventures
- Technical expertise
- Complementary skills

10. FINANCIALS

- Historical revenue (if applicable)
- 3-5 year financial projections
- Key assumptions behind projections
- Path to profitability
- Key metrics (burn rate, runway, gross margin)

PRESENT AS:

- Simple charts (revenue, costs, profit over time)
- Key numbers in large, easy-to-read format
- Avoid overwhelming with too much detail

11. THE ASK

- How much you are raising
- What the funding will be used for (specific breakdown)
- Expected milestones you will achieve
- Timeline for deployment
- Future funding plans (if relevant)

EXAMPLE: "RAISING £2 MILLION TO:

- Product development: £600,000
- Sales and marketing: £800,000
- Team expansion: £400,000
- Operations: £200,000

THIS WILL ENABLE US TO:

- Example: "Raising £2 million to:
- Product development: £600,000
- Sales and marketing: £800,000
- Team expansion: £400,000
- Operations: £200,000

12. OPTIONAL SLIDES (INCLUDE IF RELEVANT)

GO-TO-MARKET STRATEGY

- How you will acquire customers
- Marketing channels and tactics
- Sales process
- Customer acquisition cost and payback period

TECHNOLOGY/IP

- Proprietary technology or processes
- Patents or patent applications
- Technical architecture or competitive advantages

REGULATORY/COMPLIANCE

- Relevant regulations (especially for healthcare, finance, food)
- Licenses or certifications obtained
- Compliance strategy

PITCH DECK BEST PRACTICES

DESIGN AND FORMAT

- Keep it visual: Use images, charts, and minimal text. Each slide should convey one key point
- Use high-quality design: Professional design shows attention to detail. Consider hiring a designer
- Maintain brand consistency: Use your brand colors, fonts, and style throughout
- One idea per slide: Don't cram multiple concepts onto one slide
- Large, readable fonts: Minimum 24pt for body text, 36pt+ for headings
- Limit text: Aim for 6 lines or fewer per slide
- Use data visualization: Charts and graphs are better than tables of numbers

CONTENT AND STORYTELLING

- Tell a story: Create a narrative flow that builds excitement and momentum
- Lead with the problem: Make investors care about the problem before presenting your solution
- Use real data: Back up claims with numbers and evidence
- Be specific: Avoid vague statements like "huge market opportunity" without supporting data
- Show, don't just tell: Use customer testimonials, product screenshots, or demo videos
- Be honest and realistic: Avoid hype and over-promising
- Tailor to your audience: Research the investor and customize relevant slides

COMMON PITCH DECK MISTAKES

- Too many slides (keep to 15 maximum)
- Text-heavy slides that look like documents
- No clear problem or solution
- Vague market size claims without credible sources
- Ignoring competition or claiming there is none
- Unrealistic financial projections with no supporting logic
- No clear ask or use of funds
- Poor design or inconsistent formatting
- Typos or grammatical errors
- Reading slides verbatim during presentation

THE ONE-PAGER

A one-pager is a single-page document that summarizes your business. It is often the first thing you send to potential investors to gauge interest before sharing your full pitch deck.

WHAT TO INCLUDE

COMPANY OVERVIEW (1-2 SENTENCES)

- What you do and who you serve
- Your unique value proposition

MARKET OPPORTUNITY

- TAM/SAM/SOM with sources
- Key market trends

TRACTION

- Your most impressive metrics
- Growth rates
- Key achievements or milestones

INVESTMENT ASK

- Amount raising
- Key use of funds (3-4 bullet points)
- Expected milestones

PROBLEM AND SOLUTION

- Brief description of the problem (1-2 sentences)
- Your solution (1-2 sentences)

BUSINESS MODEL

- How you make money
- Pricing and revenue streams

TEAM

- Founders and key team members
- Relevant experience (1 sentence per person)

COMPETITIVE ADVANTAGE

- What makes you different
- Key differentiators

CONTACT INFORMATION

- Name, email, phone
- Website and social media

ONE-PAGER BEST PRACTICES

- Keep to exactly one page
- Use clear headings and sections
- Include your logo and branding
- Use bullet points, not long paragraphs
- Make key numbers stand out (bold, larger font, color)
- Ensure it's readable when printed in black and white
- Save as PDF to preserve formatting
- Proofread multiple times
- Make it visually appealing

EXAMPLE ONE-PAGER STRUCTURE

RESTAURANTIQ - INTELLIGENT INVENTORY MANAGEMENT

Company Overview RestaurantIQ provides AI-powered inventory management software for independent restaurants, reducing food waste by 40% and cutting costs by £15,000 annually per location.

The Problem Independent restaurants waste 10-15% of purchased food due to poor inventory tracking, costing the average establishment £15,000+ annually. Current solutions are either too expensive (£500+/month) or too basic to provide actionable insights.

Our Solution RestaurantIQ uses AI to predict optimal inventory levels, automate ordering, and prevent waste. Our platform integrates with POS systems and provides real-time alerts and actionable recommendations at just £99/month.

MARKET OPPORTUNITY

- **TAM:** UK restaurant management software - £2.5B
- **SAM:** 45,000 independent restaurants - £750M
- **SOM:** Year 3 target of 500 customers - £600K ARR

Business Model £99/month SaaS subscription + £299 setup fee. Average customer lifetime: 24 months. LTV: £2,675. CAC: £400. LTV:CAC ratio: 6.7:1.

TRACTION

- 50 paying customers (launched 6 months ago)
- £4,950 MRR, growing 25% month-over-month
- 95% customer retention rate
- Partnership with UK Hospitality Association

COMPETITIVE ADVANTAGE

- AI-powered predictions (competitors use basic tracking)
- Lowest price point in market (50% cheaper than alternatives)
- POS integration (seamless data flow)
- Purpose-built for independent restaurants

INVESTMENT ASK RAISING £500,000 TO:

- Expand engineering team (£200K)
- Scale sales and marketing (£200K)
- Enhance AI capabilities (£100K)

This will enable us to reach 500 customers and £600K ARR by end of Year 2.

Contact: sarah@restaurantiq.com | 07700 900123 | www.restaurantiq.com

THE FINANCIAL MODEL

Your financial model is a detailed spreadsheet showing how your business will perform financially over the next 3-5 years. This is a working document that should be based on realistic assumptions.

COMPONENTS OF A STRONG FINANCIAL MODEL

1. REVENUE FORECAST

Break down revenue by:

- Product line or service type
- Customer segment
- Geography (if relevant)
- Revenue stream (subscription, one-time, transaction fees, etc.)

Show both:

- Monthly projections for Years 1-2
- Quarterly or annual for Years 3-5

KEY ELEMENTS:

- Number of customers
- Average revenue per customer
- Growth rate assumptions
- Churn rate (for subscription businesses)
- Seasonal variations

3. OPERATING EXPENSES BREAKDOWN

Categorize by:

- Research & Development: Product development, engineering
- Sales & Marketing: Customer acquisition, advertising, events, salaries
- General & Administrative: Management, legal, accounting, office

2. COST STRUCTURE

Fixed Costs:

- Salaries and benefits
- Rent and utilities
- Software licenses and subscriptions
- Insurance
- Professional services (legal, accounting)

Variable Costs:

- Cost of goods sold (COGS)
- Direct labor
- Transaction fees
- Shipping and fulfillment
- Marketing and advertising (if performance-based)

Important: Separate fixed and variable costs clearly. Show how costs scale with revenue.

4. CASH FLOW STATEMENT

Shows where money actually comes from and goes to:

- Beginning cash balance
- Cash from operations (revenue minus expenses)
- Cash from investments (funding rounds)
- Cash from financing (loans)
- Ending cash balance

Critical for understanding:

- When you will run out of money (runway)
- How much capital you need to raise
- When you will achieve cash flow positive

5. KEY ASSUMPTIONS

Document all assumptions clearly:

- Customer acquisition cost (CAC) and how it changes over time
- Conversion rates (visitors to leads to customers)
- Pricing and any planned price changes
- Churn/retention rates
- Growth rates and what drives them
- Hiring plans and salary assumptions
- Marketing spend efficiency

EXAMPLE ASSUMPTIONS SECTION

- Month 1-6: Acquire 5 customers/month at £600 CAC
- Month 7-12: Acquire 10 customers/month at £500 CAC (improving efficiency)
- Month 13-24: Acquire 20 customers/month at £400 CAC
- Annual churn: 15%
- Average customer lifetime: 24 months
- Price: £99/month (increasing to £119 in Year 3)

6. SCENARIO ANALYSIS

Create three scenarios:

- Best Case: Aggressive but achievable growth
- Base Case: Realistic, most likely scenario
- Worst Case: Conservative, what if things go wrong

This shows investors you've thought through different outcomes and have contingency plans.

7. KEY METRICS DASHBOARD

Include a summary sheet with critical metrics:

Financial Metrics:

- Revenue (monthly, annual)
- Gross margin %
- EBITDA/Operating margin
- Burn rate (monthly cash spent)
- Runway (months until cash runs out)
- Break-even point

UNIT ECONOMICS:

- Customer Acquisition Cost (CAC)
- Lifetime Value (LTV)
- LTV:CAC ratio (should be 3:1 or better)
- Payback period (months to recover CAC)
- Average Revenue Per User (ARPU)

GROWTH METRICS:

- Month-over-month growth %
- Customer count
- Churn rate
- Net revenue retention

FINANCIAL MODEL BEST PRACTICES

STRUCTURE AND FORMAT

- Use separate tabs for assumptions, revenue, costs, cash flow, and dashboard
- Color-code: E.g. blue for inputs/assumptions, black for formulas, green for outputs
- Lock formula cells to prevent accidental changes
- Include a "how to use" tab with instructions
- Version control: save dated versions (e.g., "FinancialModel_2026-01-19.xlsx")

ASSUMPTIONS AND LOGIC

- Make assumptions clearly visible and editable in one place
- Show your work: formulas should be transparent and logical
- Link everything: changes to assumptions should flow through entire model
- Avoid hard-coding numbers in formulas
- Document where data comes from (market research, industry benchmarks, historical data)

REALISM AND CREDIBILITY

- Use industry benchmarks where available
- Don't assume hockey stick growth without justification
- Include reasonable churn/attrition rates
- Factor in hiring time (new employees aren't productive from day 1)
- Account for payment terms (customers may pay 30-60 days after invoice)
- Include a buffer for unexpected costs (5-10%)

COMMON FINANCIAL MODEL MISTAKES

- Revenue projections that ignore market size constraints
- Assuming zero churn or 100% retention
- Underestimating time to hire and ramp new employees
- Forgetting to account for taxes, benefits, and overhead
- Not showing when funding will run out
- Overly complex models that are hard to follow
- No clear link between assumptions and outputs
- Projecting profitability too quickly
- Not stress-testing with different scenarios

THE DATA ROOM

A data room is a secure online folder containing all the documents an investor might request during due diligence. Having this ready before you start fundraising shows you are organized and prepared.

ESSENTIAL DATA ROOM DOCUMENTS

1. CORPORATE DOCUMENTS

- Certificate of incorporation
- Articles of association / Memorandum
- Shareholder register and cap table
- Shareholders agreement
- Board minutes (last 12 months)
- Organizational chart

3. LEGAL DOCUMENTS

- Material customer contracts
- Material supplier agreements
- Partnership agreements
- Lease agreements
- Loan agreements or existing investment documents
- Employment contracts (key employees)
- Consultant/contractor agreements
- Non-disclosure agreements (template)
- Terms of service / Terms and conditions

5. COMMERCIAL/MARKET

- Customer list (anonymized if necessary)
- Customer testimonials or case studies
- Pricing structure
- Sales pipeline report
- Marketing materials
- Market research or analysis
- Competitor analysis

7. LITIGATION/DISPUTES

- List of any current or past litigation
- Settlement agreements
- Disputes with customers, suppliers, or employees
- Regulatory investigations or notices

2. FINANCIAL DOCUMENTS

- Management accounts (last 12-24 months)
- Annual financial statements (last 2-3 years)
- Tax returns (last 2-3 years)
- Bank statements (last 6 months)
- Financial projections with assumptions
- Budget vs. actual reports
- Accounts payable/receivable aging reports

4. INTELLECTUAL PROPERTY

- Patent applications or grants
- Trademark registrations
- Copyright registrations
- Domain name registrations
- IP assignment agreements (ensuring company owns all IP)
- Licenses (in and out)

6. PRODUCT/TECHNOLOGY

- Product roadmap
- Technical architecture documentation
- Security and data protection policies
- Privacy policy
- Product demo or screenshots
- User documentation

8. HR/PEOPLE

- Employee headcount and organizational chart
- Employee handbook
- Stock option plan and option grants
- Equity vesting schedules
- List of advisors and their agreements

9. COMPLIANCE/REGULATORY

- Industry licenses or permits
- Insurance policies
- Regulatory approvals
- Compliance certifications
- Data protection / GDPR compliance documentation
- Health and safety policies

10. PITCH MATERIALS

- Latest pitch deck
- One-pager/executive summary
- Video pitch (if available)
- Press coverage or media mentions

DATA ROOM BEST PRACTICES

ORGANIZATION

- Create clear folder structure with logical categories
- Use consistent file naming conventions (e.g., "2025_Financial_Statements.pdf")
- Include an index document listing all files
- Date stamp documents where relevant
- Remove any outdated or irrelevant documents

ACCESS AND SECURITY

- Use a secure platform (e.g., Google Drive with permissions, Dropbox, DocSend, or specialized data room software)
- Set up view-only access
- Track who accesses what documents
- Consider watermarking sensitive documents
- Have an NDA in place before sharing

PREPARATION

- Prepare data room BEFORE you start fundraising
- Review and update quarterly
- Flag any potential issues or gaps
- Prepare explanations for any red flags
- Ensure all documents are current and accurate

WHAT TO EXCLUDE

- Personal information of employees (beyond key team)
- Commercially sensitive information that isn't necessary
- Incomplete or draft documents
- Irrelevant historical materials

TIMING

- Share after initial positive meetings, not before first contact
- Provide access only to seriously engaged investors
- Update regularly as new documents are created
- Archive old versions but keep them accessible

TAILORING MATERIALS FOR DIFFERENT INVESTORS

ANGEL INVESTORS

- Emphasize team and early traction
- Show passion and vision
- Simpler financial models acceptable
- Focus on near-term milestones

VENTURE CAPITALISTS

- Emphasize market size and scalability
- Show strong unit economics and growth metrics
- Detailed financial models required
- Clear path to \$100M+ revenue

CORPORATE INVESTORS

- Highlight strategic fit with their business
- Show how partnership could benefit both parties
- Emphasize complementary capabilities
- Potential integration or acquisition path

GRANTS

- Focus on innovation and impact
- Detailed technical or research plans
- Social or economic benefits
- Alignment with grant criteria

FINAL CHECKLIST BEFORE APPROACHING INVESTORS

1. Pitch deck is polished, under 15 slides, and tells a compelling story
2. One-pager is on-brand, concise, and highlights key metrics
3. Financial model is realistic, well-structured, and based on clear assumptions
4. Data room is organized with all essential documents
5. All materials are proofread and free of errors
6. Materials are tailored to target investor type
7. Team has practiced pitch and can answer likely questions
8. You have customer references ready if needed
9. Product demo is ready (if applicable)
10. All claims in materials can be backed up with evidence

Remember: Your investment materials are not just about providing information—they're about telling a compelling story that makes investors excited to be part of your journey. Every slide, every sentence, every number should reinforce why your business is a great opportunity.

Chapter 5: Valuing Your Business

One of the most challenging aspects of fundraising is determining how much your business is worth. Setting the right valuation is crucial because it determines how much equity you will give away for the investment you receive.

UNDERSTANDING VALUATION BASICS

When investors talk about valuation, they are referring to two types:

- Pre-money valuation: What your company is worth before the investment
- Post-money valuation: What your company is worth after the investment (pre-money valuation plus investment amount)

Example: Your company has a pre-money valuation of £4 million. An investor puts in £1 million. The post-money valuation is £5 million. The investor now owns 20% of the company (£1 million divided by £5 million).

The Math:

- Formula: $\text{Investor ownership \%} = \text{Investment amount} \div \text{Post-money valuation}$
- Higher valuation = less equity given away
- The valuation you accept now affects future fundraising rounds

COMMON VALUATION METHODS

1. COMPARABLE COMPANY ANALYSIS

Look at what similar companies have been valued at, either through fundraising rounds or acquisitions. Adjust for differences in size, growth rate, and market position.

Example: Three similar SaaS companies in your sector recently raised funds at valuations of 8-10 times their annual recurring revenue. Your company has £500,000 in ARR, suggesting a valuation range of £4-5 million.

Common multiples:

- SaaS companies: 5-15x ARR
- E-commerce: 2-4x revenue
- Marketplaces: 3-8x GMV

2. SCORECARD METHOD

Start with the average valuation for companies at your stage in your region, then adjust based on factors like team strength, product development, market size, and competition.

How it works:

1. Start with base valuation (e.g., £2M for seed stage)
2. Adjust for: team (0-30%), market size (0-25%), product (0-15%), competition (0-10%), other factors (0-20%)
3. Apply adjustments to base

3. BERKUS METHOD

Assign value to five key elements, up to £500,000 each for a maximum of £2.5 million:

- Sound idea (basic value)
- Prototype (reducing technology risk)
- Quality management team
- Strategic relationships
- Product sales or rollout

4. VENTURE CAPITAL METHOD

Works backwards from expected exit value:

- Formula: Post-money valuation = Exit value ÷ Expected return multiple
- VCs typically want 10-30x return for early stage

FACTORS THAT INCREASE VALUATION

- **Strong traction:** Rapid customer or revenue growth (20%+ monthly)
- **Large market opportunity:** Addressing a billion-pound market
- **Proprietary technology:** Patents or unique technical advantages
- **Strong team:** Experienced founders with relevant expertise
- **Competitive advantage:** Clear differentiation or moats
- **Multiple interested investors:** Competition drives up valuation
- **High gross margins:** 70%+ margins (especially for software)
- **Strong unit economics:** LTV:CAC ratio of 3:1 or better

COMMON VALUATION MISTAKES

1. **Overvaluing too early:** Setting an unrealistically high valuation makes it hard to raise future rounds at higher valuations. This creates a "down round" which sends negative signals and can include punitive terms.
2. **Undervaluing:** Giving away too much equity means less ownership for you and less ability to raise future rounds. Try to give away no more than 15-25% per round.
3. **Ignoring market conditions:** Valuations fluctuate based on overall market sentiment, economic conditions, and sector trends.
4. **Forgetting about option pools:** Investors often require a 10-20% option pool for future employees, which dilutes founders BEFORE the investment.

UNDERSTANDING DILUTION

Dilution is the reduction in your ownership percentage when new shares are issued to investors.

EXAMPLE PROGRESSION

- Start: You own 100%
- Seed (£500K at £2M pre): You own 80%
- Series A (£3M at £9M pre): You own 60%
- Series B (£8M at £32M pre): You own 48%

Key principle: A smaller percentage of something big is better than a large percentage of something small.

VALUATION BY STAGE

- Pre-seed: £250K - £1M (idea/team stage)
- Seed: £1M - £5M (some traction required)
- Series A: £5M - £20M (product-market fit)
- Series B+: £20M - £100M+ (proven growth)

Remember: Rather than fixating on a specific valuation, focus on raising the right amount of capital at a fair price. Consider using tools like PitchHub's Vanelo valuation calculator to get an evidence-based estimate.

Chapter 6: Finding and Approaching Investors

Having great investment materials means nothing if you cannot get in front of the right investors. This chapter covers how to identify, research, and approach potential investors effectively.

IDENTIFYING THE RIGHT INVESTORS

Not all investors are right for your business. Find investors who:

- Invest in your industry or sector
- Invest at your stage (seed, Series A, etc.)
- Write checks in your fundraising range
- Operate in your geographic region
- Share your values and vision

WHERE TO FIND INVESTORS

ONLINE DATABASES

- [Vanelo](#): Filter by industry, location, stage
- [AngelList](#): Platform for startups and angels
- [Beauhurst](#): UK-focused database

ANGEL NETWORKS

- UK Business Angels Association
- London Business Angels
- Regional angel groups

NETWORKING EVENTS

- Pitch events and demo days
- Industry conferences
- Startup community meetups

WARM INTRODUCTIONS (MOST EFFECTIVE)

- Success rate: 40-50% (vs. 1-5% for cold emails)
- Ask portfolio founders, advisors, lawyers for intros
- Use LinkedIn to find mutual connections

RESEARCHING INVESTORS

Before you approach any investor, do your homework:

- **Review their portfolio:** What companies have they invested in? At what stage?
- **Read their content:** Blog posts, social media, interviews
- **Check recent news:** Recent investments, fund raises
- **Talk to portfolio companies:** How helpful is the investor? Do they honor commitments?
- **Understand their thesis:** What criteria do they use?

CRAFTING YOUR OUTREACH

Your initial outreach needs to be concise and compelling.

Email Structure (Under 150 words):

Subject Line: "Introduction: [Company] - [One-line description]"

Opening (2-3 sentences): Mention connection or why reaching out: "I noticed your investment in [Portfolio Company] and your interest in [sector]."

The Hook (1-2 sentences): Compelling statement: "We have developed the first fully carbon-neutral last-mile delivery service, saving retailers 30% on delivery costs."

Key Traction (1-2 sentences): Most impressive metric: "We have grown from 5,000 to 250,000 deliveries per month in the past year, with 95% customer retention."

The Ask (1-2 sentences): "We are raising £2 million to expand to three new cities. Would you be open to a brief call?"

Attachment: Your one-pager

EMAIL BEST PRACTICES

DO:

- Keep under 150 words
- Personalize each message
- Use clear, simple language
- Proofread carefully
- Include clear call to action
- Follow up once after 1 week

DON'T:

- Send mass emails
- Use excessive hype
- Include NDAs
- Be pushy or demanding
- Attach all your documents

BUILDING INVESTOR RELATIONSHIPS

The Investment Timeline:

1. **Initial Meeting (30-45 min):** Present pitch, gauge interest
2. **Follow-up Meeting (1-2 hours):** Deep dive into business
3. **Due Diligence (2-6 weeks):** Investor reviews everything
4. **Term Sheet (1-2 weeks):** Negotiate valuation and terms
5. **Legal Documentation (2-4 weeks):** Finalize agreements
6. **Closing (1 week):** Sign and receive funds

Most of the delay in fundraising is experienced at the stage where you are looking for and pitching to investors. Finding the right investor is key and this step could take up to 12 months. But once the right investor is found and Step 3 (Due Diligence) begins, the time to completion is usually within 8 to 12 weeks

Maintaining Momentum:

- Send quarterly updates to interested investors
- Share major milestones (new customers, partnerships, revenue)
- Ask for advice and feedback
- Keep communication brief and valuable

MANAGING MULTIPLE INVESTORS

Create a tracking system: Track investor name, contact info, stage, last contact, next steps

Run a competitive process:

- Reach out to 20-30 investors simultaneously
- Aim for 5-10 meetings
- Try to get 2-3 term sheets
- Set a timeline for closing

Typical conversion:

- 100 investors researched
- 30 contacted
- 10 meetings
- 5 second meetings
- 2-3 term sheets
- 1 closed deal

Chapter 7: The Pitch Meeting

You have secured a meeting with an investor. This is your opportunity to make a strong impression and move the conversation forward.

BEFORE THE MEETING

- Research the investor thoroughly
- Practice your pitch multiple times
- Prepare materials (deck, one-pager, financial model)
- Anticipate questions and prepare data-backed answers
- Test technology for virtual meetings
- Arrive early or log in early

DURING THE MEETING

MEETING STRUCTURE

Opening (2-3 minutes)

- Thank them for their time
- Brief rapport building
- Set agenda: "I'll walk through our business in 15 minutes, leaving time for questions"

THE PITCH (12-15 MINUTES)

1. Problem (2 min)
2. Solution (2 min)
3. Market opportunity (2 min)
4. Traction (3 min)
5. Business model and financials (2 min)
6. Team (1 min)
7. The ask (2 min)

PRESENTATION TIPS

- Speak naturally, don't read slides
- Make eye contact and show enthusiasm
- Tell stories and use examples
- Welcome questions (they show interest)
- Pause for clarification if needed

Q&A (15-25 MINUTES)

Answer questions:

- Directly and honestly
- Concisely with data
- If you don't know, offer to follow up

Closing (3-5 minutes)

- Summarize key points
- Restate the ask
- Ask about next steps: "What would be helpful next steps?"
- Clarify timeline and additional information needed

COMMON QUESTIONS INVESTORS ASK

ABOUT THE MARKET:

- "How big is the market and how do you know?"
- "Who exactly are your customers?"
- "Why now?"

ABOUT THE COMPETITION:

- "Who are your competitors and how are you different?"
- "What stops a big company from doing this?"
- "What's your sustainable competitive advantage?"

ABOUT THE BUSINESS:

- "What are your unit economics?" (Know CAC, LTV, LTV:CAC ratio, payback period)
- "How do you acquire customers?"
- "What are your biggest risks?"
- "What milestones will you achieve with this funding?"

ABOUT THE TEAM:

- "Why are you the right team to build this?"
- "How do you handle disagreements with your co-founder?"

ABOUT FUNDING:

- "Why this amount?"
- "Who else is investing?"
- "What's your valuation?" (Have a range, be ready to justify)

AFTER THE MEETING

Within 24 hours:

- Send thank you email
- Provide requested information
- Over-deliver if possible

Follow up appropriately:

- If interested: Schedule next meeting promptly
- If unsure: Ask what would be helpful, share updates
- If they pass: Ask for feedback, keep door open

Chapter 8: Due Diligence and Closing

Once an investor expresses serious interest, they will conduct due diligence to verify your claims and assess risks. This typically takes 2-6 weeks.

WHAT INVESTORS REVIEW DURING DUE DILIGENCE

FINANCIAL DOCUMENTS:

- Financial statements (2-3 years)
- Management accounts
- Bank statements
- Revenue breakdown
- Tax returns

What they're checking: Revenue is real, margins match claims, no hidden liabilities

LEGAL DOCUMENTS:

- Corporate documents
- Shareholder agreements
- Material contracts
- IP assignments
- Employment agreements

What they're checking: Clean cap table, company owns IP, no legal issues

CUSTOMER REFERENCES:

- Reference calls with customers
- Usage data verification
- Churn analysis
- Contract terms

What they're checking: Customers are real and happy, revenue is sustainable

PRODUCT/TECHNICAL:

- Product demonstration
- Technical architecture
- Code review (for software)
- Security measures

What they're checking: Product works, technology is sound, can scale

MARKET RESEARCH:

- Competitor analysis
- Market size validation
- Industry expert consultations

What they're checking: Market claims are accurate

HOW TO PREPARE

BEFORE FUNDRAISING

- Organize data room with all documents
- Clean up cap table and legal issues
- Get proper contracts in place
- Fix any accounting errors

DURING DUE DILIGENCE

- Be responsive (24-hour turnaround)
- Be organized (track all requests)
- Be honest (disclose issues proactively)
- Keep momentum going

COMMON RED FLAGS

- Declining revenue or metrics
- High customer churn
- IP not owned by company
- Inflated claims

Pro Tip: Use Vanelo's due diligence checklist to manage prepare

THE TERM SHEET

A term sheet is a non-binding document outlining key investment terms.

KEY TERMS

1. INVESTMENT AMOUNT AND VALUATION

- Amount invested
- Pre-money and post-money valuation
- Your resulting ownership percentage

3. BOARD COMPOSITION

- Number of seats
- Who gets to appoint directors
- Voting rights

5. OTHER TERMS

- Pro-rata rights (investors can invest in future rounds)
- Information rights (regular updates)
- Drag-along rights (force other shareholders to sell)

2. TYPE OF SECURITY

- Common stock vs. preferred stock
- Liquidation preference (investor gets paid first in exit)
- Anti-dilution protection

4. VESTING

- Founder shares vest over time (typically 4 years)
- Ensures founders stay committed

NEGOTIATING THE TERM SHEET

FOCUS ON:

- Valuation (but not only this)
- Liquidation preference
- Board control
- Vesting terms

GET LEGAL HELP:

- Always have a lawyer review
 - Understand implications of each term
 - Some terms are more important than valuation
-

CLOSING THE DEAL

AFTER TERM SHEET AGREEMENT:

Legal Documentation (2-4 weeks):

- Lawyers draft final agreements
- Share Purchase Agreement
- Shareholders Agreement
- Articles of Association amendments

Final steps:

- Review all documents carefully
- Get board approval
- Sign documents
- Receive funds (usually within days of signing)

Post-closing:

- Update Companies House
- Issue share certificates
- Update cap table
- Communicate to team and stakeholders

Chapter 9: After the Investment

Securing investment is just the beginning. How you manage the relationship with your investors and deploy the capital determines long-term success.

WORKING WITH YOUR INVESTORS

COMMUNICATION:

Provide regular updates:

- Monthly or quarterly investor updates
- Include: key metrics, progress on milestones, challenges, asks

UPDATE STRUCTURE:

- Highlights and wins
- Key metrics
- Challenges or concerns
- How investors can help
- Next month's priorities

BE TRANSPARENT:

- Share bad news quickly
- Don't hide problems
- Investors can only help if they know what's happening

LEVERAGE THEIR EXPERTISE:

- Ask for introductions to customers, partners, hires
- Seek advice on strategic decisions
- Use their network and experience
- Invite them to team meetings or events

BOARD MEETINGS:

TYPICAL SCHEDULE: QUARTERLY (OR MONTHLY FOR EARLY STAGE)

Structure:

- Financials and metrics review
- Strategic discussions
- Key decisions or approvals needed
- Closed session (board without management)

Preparation:

- Send board pack 48 hours in advance
- Include: financials, metrics, updates, decisions needed
- Be concise but comprehensive

USING YOUR INVESTMENT WISELY

FOLLOW THE PLAN:

- Deploy capital according to what you told investors
- If plans change, communicate why
- Track spending against budget

KEY PRINCIPLES

Hire strategically:

- Fill critical gaps first
- Take time to hire right people
- Don't hire too fast

Extend runway:

- Aim to reach next milestone before running out of cash
- Build 3-6 month buffer if possible
- Watch burn rate monthly

Focus on milestones:

- The metrics you committed to achieving
- Revenue targets, customer numbers, product launches
- Hitting milestones makes next fundraise easier

Maintain discipline:

- Just because you have money doesn't mean spend it all
- Evaluate ROI on every expense
- Keep costs variable where possible

PLANNING FOR NEXT ROUND:

Start early:

- Begin conversations 6-9 months before you run out
- Fundraising takes 3-6 months minimum

Build relationships:

- Meet investors even when not raising
- Share progress updates
- Ask for advice

Know your metrics:

- What numbers need to look like for Series A
- Typical benchmarks for your sector
- Gap between where you are and where you need to be

RED FLAGS IN INVESTOR RELATIONSHIPS

WATCH FOR:

- Investor becomes unresponsive or disengaged
- Excessive micromanagement or interference
- Sharing confidential information without permission
- Pressuring for quick exit when you want to build long-term
- Not providing promised support or introductions

ADDRESS ISSUES EARLY:

- Have honest conversations
- Set clear expectations
- Document agreements
- Escalate if needed

WHEN THINGS GO WRONG

Missing milestones:

- Communicate early
- Explain what happened and why
- Present revised plan
- Show what you're doing differently

Running out of money:

- Alert investors immediately
- Options: bridge round, extension, down round, pivot
- Be transparent about situation
- Focus on preserving value

Founder conflicts:

- Address issues directly
- Bring in mediator if needed
- Investors can help but may lose confidence
- Protect the business first

Remember: Investors have seen problems before. How you handle challenges matters more than avoiding them entirely.

Chapter 10: Conclusion

Investment readiness is a journey that requires preparation, patience, and persistence. By following the guidance in this ebook, you will be well-positioned to attract the right investors and secure the capital your business needs to grow.

KEY PRINCIPLES TO REMEMBER

1. **START PREPARING WELL BEFORE YOU NEED MONEY**

- Investment readiness takes 6-12 months
- Build relationships before you need funding
- Fix issues before they become dealbreakers

2. **FOCUS ON BUILDING A STRONG BUSINESS, NOT JUST RAISING CAPITAL**

- Traction solves most problems
- Great metrics attract investors
- The best fundraising position is not needing to raise

3. **BE REALISTIC ABOUT VALUATIONS AND PROJECTIONS**

- Use data to support your valuation
- Base projections on clear assumptions
- Better to under-promise and over-deliver

4. **TARGET THE RIGHT INVESTORS FOR YOUR STAGE AND SECTOR**

- Do your research
- Personalize your approach
- Quality over quantity

5. **BE TRANSPARENT AND BUILD TRUST**

- Honesty builds long-term relationships
- Disclose issues proactively
- Communication is key

YOUR INVESTMENT READINESS CHECKLIST

BUSINESS FUNDAMENTALS:

- Proven business model with paying customers
- Clear revenue streams and unit economics
- Strong management team with relevant experience
- Demonstrable traction and growth
- Large addressable market

FINANCIAL READINESS:

- Clean, accurate financial records
- Realistic 3-5 year projections
- Clear understanding of key metrics (CAC, LTV, burn rate)
- Detailed financial model with assumptions

LEGAL STRUCTURE:

- Appropriate corporate structure (Ltd for UK)
- Clean cap table with no disputes
- Shareholders agreement in place
- IP properly assigned to company
- All contracts and compliance in order

INVESTMENT MATERIALS:

- Professional pitch deck (10-15 slides)
- Compelling one-pager
- Comprehensive financial model
- Organized data room
- Customer testimonials/references

INVESTOR STRATEGY:

- List of target investors researched
- Warm introduction paths identified
- Personalized outreach prepared
- Pitch practiced and refined
- Questions and objections anticipated

NEXT STEPS

IF YOU'RE NOT READY YET:

1. Identify your biggest gaps using this guide
2. Create a timeline to address each gap
3. Focus on traction - it solves most problems
4. Build relationships with potential investors
5. Revisit this guide as you progress

IF YOU'RE READY TO RAISE:

1. Finalize all your materials
2. Create your target investor list
3. Reach out for warm introductions
4. Start conversations
5. Run a competitive process
6. Choose investors who add value beyond money

HOW PITCHHUB CAN HELP

At PitchHub, we are here to support you on your investment readiness journey:

OUR SERVICES:

Digital Tools:

- [Funding Fit Assessment](#): (Find the right type of capital for you)
- [Fundraising Readiness Index](#) (Find our your investment readiness level)
- [Vanelo](#) (Self-help Investment Readiness platform)

Consultancy:

- Pitch deck creation
- Financial modeling
- One-pager development
- Fundraising strategy
- Investor introductions

Training:

- Investment readiness workshops
- Masterclasses
- One-on-one coaching

FINAL THOUGHTS

Raising investment is challenging, but with proper preparation, the right approach, and persistence, you can secure the capital your business needs.

REMEMBER:

- Rejection is normal - even successful companies heard "no" many times
 - Every conversation is a learning opportunity
 - The right investor is worth waiting for
 - Your business is more than its valuation
 - Focus on building something valuable
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The fact that you've read this guide shows you're serious about doing this right. That commitment to preparation will serve you well throughout your fundraising journey.

FOR MORE INFORMATION AND SUPPORT:

Visit: www.pitchhub.co.uk

Email: hello@pitchhub.co.uk

Location: Alpha Works, 21st Floor, Alpha Tower, Birmingham B1 1TT

GOOD LUCK ON YOUR FUNDRAISING JOURNEY!

We believe in your vision and are here to help you succeed.