



MORGENTHALER
VENTURES



How to Write a Business Plan VCs Will Fund

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- 40 years in venture capital
- \$400M fund, \$3B under management
- Focus: Early stage venture capital
- Recent exits:
 - Adrian \$800M (Medtronic)
 - Siri (Apple)
- Exciting recent company news:
 - Evernote crossed 5M users
 - Practice Fusion crossed 5M patients

- Video Advertising Platform for Brands
- Founded by Haas MBA's
- Winner 2007 Berkeley Business Plan Competition
- Raised \$16.7M, Trinity Ventures, Foundation Capital
- \$12M revenue run rate / Hiring



- A business plan is a 15-20 slide deck
- Written Business Plans are important for YOU
- They are not for VCs
 - They are a “yellow flag”
 - Once they are written, they are dated
 - VCs won’t read them
 - VCs want an executive summary and pitch

*“No business plan survives the product launch”
BUT “Failing to plan is planning to fail”*

- ONE SENTENCE – no joke
- If you need to walk through 5 slides to prep me, then there is a fundamental issue
- Examples
 - *“Lending Club disintermediates banks by connecting borrowers to lenders.”*
 - *“Practice Fusion is the largest cloud based electronic medical record – and it’s FREE.”*
- Lead with the good stuff
 - If you have traction (customers) or are revenue, tell me on slide 1

What Problem Are You Solving?

- What is the consumer pain? How big is it?
- What are people doing today to solve the pain or work around the issue?
- How much better is your solution?

- SHOW ME A DEMO
- How does it solve the problem? Does it address the consumer pain (without causing another one?)
- Is there a product market fit?
- What are customers saying about it?

- There are a lot of good ideas, but often the market is too small for a venture deal
- Size the market – top down and bottoms up
- What is the profile of the target consumer?
- How much will consumers pay for your product?
- Are you sharing in the upside?

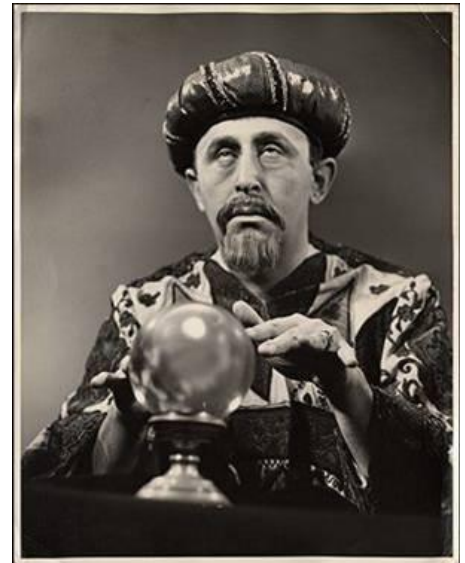
- Being too early (or too late) is not different than being wrong
- What market forces are at work making the timing right for your company?
- What is changing, what are the key external trends?

- What is the competitive landscape?
- List competitors and competitive advantages.
- Remember: you are always in the upper right quadrant
- If there are no competitors, this is likely an issue (you haven't thought of them or it isn't interesting)
- Why will you win?

- Spend time here. Few companies have survived without business models, though their success is spectacular.
- How will you acquire customers?
- What are the acquisition costs?
- What is the pricing strategy?
- What is the average customer value?
- What is the revenue model?
- How do you get BIG?

- A company is not one person
- Include the background of founders and senior management
 - Why are they relevant?
 - Who do you need to hire? When?
- Include advisors and board members

- Early stage VCs care primarily about headcount and burnrate
- Include simplified financial statements (P&L, balance sheet, cash flow)
- Forecast – 3 years at most. Show your assumptions and how they may change.



- DO a DEMO
- Use the pitch lab to refine the pitch
- Let your best presenter present
- Shorter is better
- DO a DEMO

- If you forget all this – DO A DEMO