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# Effective Business Plans for Submission to One Earth Capital and Other VCs

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*Please note that this document does not constitute legal, investment or professional advice but rather should serve as an informal introduction to the subject of venture funding.*

## **Effective Businesses**

Before you decide to attract investment, you need to assess accurately whether your company has what it takes to succeed in the VC world. Here's a brief checklist:

1. Passionate, effective leadership with adequate experience and knowledge of the field. If you don't have an experienced or "natural" CEO, be prepared to find one quickly. Too many brilliant inventors underestimate the importance of having a bona fide businessperson on the team who can lead the company and interface well with investors. The more reputable your executive team and board members, the more likely your company is to attract interest from investors. Your team should be as well rounded as possible, and should ideally have expertise in technology, marketing, sales, finance and leadership.
2. A powerful idea or technology that
  - a. meets a burning need in society or industry,
  - b. has significant, defensible advantages over the competition,
  - c. contributes positively to the environment in some significant way, and
  - d. makes solid economic sense and is capable of rapid scaling-up.
3. A large potential market (\$500M is probably the minimum), defined narrowly according to the revenue potential of your company's product or service.

## **Executive Summary**

The first document to prepare is the executive summary. This is a 1- or 2-page document that succinctly summarizes your product or service, the size and attributes of the market you are addressing, your executive team and board members, your financial status and projections, your contact information, and any other salient information that investors should know up front. Although many companies write "Confidential" on their executive summaries, we recommend that you not put anything on there that you can't have leaked to the competition.

## **Business Plan**

Formal business plans, generally 20-40 pages in length, can be helpful in explaining the details of your business; however, they tend to be difficult to keep updated in the constantly changing environment of fast-moving startup companies. Therefore most VCs prefer a



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powerfully presented PowerPoint slide deck since it tells the story more viscerally and is easier to keep updated. Your deck should be about 20 slides long and address the key aspects of your business plan: overview of your company's offering – what makes it unique, what problems it solves; market size and description; bios for executive team and board members; analysis of competition and your competitive advantages, including intellectual property or trade secrets; explanation of the economics of your business model; financial status and projections (generally showing a 5-year plan with revenue, margins and EBITDA); and “use of funds” – what you will you accomplish with the money you raise.

Your PowerPoint presentation is important and should be accurate and professionally presented. Someone on your team should be able to help you create something compelling; if no one on your team is capable of doing that, you might consider looking for someone with that skill to join the company.

### **Financial Model**

Last but certainly not least, you will need a working, realistic financial model that shows how you're going to use investors' capital and how you're going to make money. In general, a financial expert (often the company's CFO) will prepare this model as an Excel spreadsheet and be responsible for tweaking it as the company's strategy and situation change. However, we strongly recommend that all founders and executives get a good sense of the company's basic economics and be able to explain them clearly.

You should be willing to share your financial model with any seriously interested investor you want to engage. This is absolutely one of the most important pieces of the puzzle (whether or not you are raising capital) and you should not postpone getting it done and keeping it updated. Generating a realistic financial model will help you think about your business and guide you toward success.

### **Summary**

In summary, you've probably got some serious work to do. Try to use the preparation of these items as useful exercises in communicating clearly your business proposition, an essential art in fundraising or accomplishing just about anything. At the same time, you'll probably have a better grasp on your company's strengths and weaknesses by the time you're done. Put your best foot forward, but also be realistic and honest.

One more thing... watch out for typos!

Good luck!