VCIC - Tips for Preparing

VCIC participants have frequently requested advice from previous winners about how to prepare for the competition. This feedback has been consolidated into the following 10 tips:

- **Don't rush to a decision.** Read business plans with the goal of creating a list of questions, not of deciding. It's ok to identify a front runner, but counting a plan out will hurt you in Q&A.
- **Identify the three most critical Q&A questions.** As a team, build a "three critical questions" list. Think about what makes or breaks a particular deal. Assign two people to lead the Q&A on each deal, and rehearse.
- **Ask the entrepreneur what he thinks his company is worth.** If the company is really early stage, the valuation is: How much money do you need, and how much are you willing to give up?
- **Determine the specific value a VC could add.** Besides money, what does the entrepreneur need - hire managers, intros to customers, etc.? Be sure to uncover this information in the Q&A so that you can use it to your advantage in the negotiation.
- **Be efficient.** Be able to net out why you didn't invest in the ones you are passing on, but focus your efforts on building the case for your choice. Have your templates and models prepared in advance.
- **Use your tools.** Provide both a financial analysis and a comparables analysis, and, above all, focus on returns.
- **When in doubt, use "vanilla terms."** Consider using the quarterly terms summary published by www.fenwick.com, which lists the types of terms for different stage deals.
- **Consider these three funding tips:** First, always syndicate; second, specify uses of funds; third, identify which milestones need to be achieved to pave the way for the next round of funding in 18-24 months.
- **Don't overvalue the company.** It's much better to state, "we would start with this valuation, knowing it is conservative but not offensive, and would negotiate from there" than to overpay out of the gate.
- **Identify your team's negotiators early.** Select the negotiator(s) for the final stage, and then role-play the negotiation as much as possible.

Enjoy the competition!