

Resource

January 2, 2024

This article is Part 1 of 7 in Venture Financing Process. Already up-to-speed on this topic? Skip to [Part 2. Term Sheet Stage](#) or check out the full [New GC & In-House Counsel Resources](#) collection.

Overview

In most cases, a preferred stock financing process begins with a company deciding to seek to raise capital from investors. The company will approach various VC firms to “pitch” their company in order to find a fit with an investor. This can be a long process for even companies that have successfully raised capital in the past, with many pitches given over the course of months.

It’s during this time where a company will tell its story to potential investors, using both its hard numbers (in its business plan and some key metrics) and often more importantly through actual storytelling, with the founders or executives providing a narrative around the company’s team, vision, opportunity and economics.

The Pitch Deck

A core part of this process is the “pitch deck”—the term used for the presentation that founders and executives will use to show off their business in order to try to attract VCs to invest in their company. The pitch deck is a key element of the pitch process, as it’s very often sent in advance of any pitch meetings or discussions, and investors

may evaluate the strength of a potential target company on the content of the deck itself.

Format

The actual presentation is usually prepared in a visual medium like PowerPoint or Keynote and works to describe the business in the most interesting and exciting manner, given that the underlying goal of the pitch deck is to pique interest and support from the VCs and other investors who might receive it. Therefore, it should be precise and error-free, and to the extent possible, visually stimulating and appealing and able to capture the intended audience's attention.

Content

Generally it will cover (among other things) the business model, the value proposition, product-market fit and competitive advantages of the company. It will usually also include some selected financial data and other key metrics that the company believes will be compelling. Some specifics of a pitch deck might include a discussion of the team and how their experience matches the business model, a description of the marketing and sales strategies, financial and growth projections, industry/competitor analysis, and of course, a description of the “ask”: meaning, the story for how much investment is sought and how it will be used, and what the investors might expect in return for their investment.

On the legal side, the pitch deck may (and should) include various disclosure statements as well. While these can vary by industry and business sector, at a high level a pitch deck should include disclosures similar to any other solicitation or investment materials. These disclaimers may cover forward looking statements (i.e. regarding statement that are projections or expectations); risk factors (i.e. uncertainties in the marketplace or industry the company faces); regulatory disclosures (i.e. if the company is regulated, how that regulation might change or impact the company's ability to operate); financial disclosures (like those regarding financial assumptions made underlying certain projections); or other legal disclaimers (for example, that the deck doesn't constitute legal or tax advice, and highlighting the prospective nature of the investment and directing the audience to their own legal, tax and financial advisors). Your Gunderson team can discuss the disclosures that may be required in any pitch deck or other investment materials you prepare in the context of fundraising, so reach out to us as soon as you start to develop a pitch.

Process

Companies fundraising for the first time may find they need to pitch dozens (if not more) VCs before finding a fit. Companies that have already raised VC funding might

find themselves with better footing, as their current VCs are often in a good position to either continue to provide capital themselves or to help guide the company toward new VC investors that might take the lead in the next round of financing.

In any event, the pitch process can be stressful! Talk to your Gunderson team about the pitch process as we have extensive connections in the VC industry and can provide both introductions to many VC firms, as well as help review any pitch materials you are creating or provide insight as to whether a certain VC firm might be a good fit.

A Note on NDAs

During the pitch process, a company is going to find itself sharing massive amounts of information with potential investors, including things like financial data, key metrics, product and development information, as well as information on the team and growth strategies. It may seem reasonable to ask the recipients of such information to sign a non-disclosure agreement. However, this is not customary in the VC industry.

Generally, VCs won't sign an NDA with most early stage companies and may even pass on your investment rather than negotiate an NDA with you. Signing an NDA with every company a VC firm evaluates would cause a huge administrative burden for the VC firm, as well as potentially limit their ability to evaluate other target companies. The VC firm could inadvertently designate an overly-broad scope of information as confidential, thereby limiting its ability to make potential investments in a certain sector, or subject itself to potential frivolous litigation from a target company.

Like all other things, this is not a defined rule and may be less applicable in certain cases. For example, later stage companies might be successful in getting VC firms to sign NDAs in regards to specific information like detailed trade secrets. Always feel free to reach out to your Gunderson team to discuss if asking for an NDA makes sense for your company and if so, how best to craft your ask.

[Next section: Part 2. Term Sheet Stage](#)

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