

Avoiding the Pitfalls of Investor Presentations: A Primer for Executive Management

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Since its founding in 1995, the Trout Group has provided investor relations and strategic advisory services to more than 100 life sciences companies. Each day, our 15 professionals assist the senior management teams of our client companies in reaching out to and developing better relationships with the investment community. You only have to make the rounds on Wall Street once to appreciate that effective presentation skills are a “make or break” trait for senior executives. In fact, in a single day, the CEO of a company may give a presentation before 100 investors in the morning, host a lunch with an analyst and three of his investor clients, and conduct one-on-one meetings for the rest of the afternoon with institutional investors. There are weeks where I personally sit in more than two dozen presentations by management, mostly in small group settings with one to three “audience” members.

While most of the senior managers we work with have become seasoned presenters, many of them still exhibit shortcomings—particularly when presenting in the more intimate setting of a one-on-one meeting. Part of our role as investor relations advisors is to help management unlearn any bad habits picked up over years of presenting and to enhance the effectiveness of every encounter our clients have with current and prospective investors. On the following pages, we will describe common pitfalls when presenting to this audience and provide examples and advice for avoiding them.

One Bay Area private equity placement firm describes the “top three mistakes when presenting to investor partners” as follows:

- Paying more attention to what you are saying and how you are saying it than how the listener is *receiving* the message
- Providing too much or the wrong kind of information
- Relying too heavily on the presentation materials and not enough on the “value, credibility and confidence of the presenter”¹

Executive coach and speaker trainer, Melissa Mayers Lewis, lists in her top 10 presentation pitfalls:

- Language that causes “cerebral derailment”
- Complex, hard to read visuals
- Too much information²

The Harvard Management Communication Letter offered its own “Ten Commandments of Presentations, which include:

- Thou shalt respect thine audience
- Thou shalt keep thy slides to an absolute minimum
- Thou shalt have a positive message³

¹ “Top Three Mistakes when Presenting to Investor Partners,” Integrated Investments International, 24 April 2005 <http://www.in3inc.com/presentation_mistakes.html>.

² Melissa Mayers Lewis, “Presentation Pitfalls Series: Top 10 Content Management Mistakes,” Executive Coaching Studio, 24 April 2005 <<http://www.executivecoachingstudio.com/presentationpitfalls.htm>>.

While this last point may seem obvious, there are times when you must verbalize a *mea culpa* to investors on behalf of your organization. After meeting with a CEO whose product failed to gain approval from the FDA, one investor confessed, “I have to wonder...if he isn’t going to be more positive, why is he getting on the road? I found the story even more depressing than it was before.” Remember to emphasize what you and your team have learned from the experience and your plan for the future that increases opportunities for success.

More importantly, you can see in the lists above some commonalities. These issues are representative of those we have seen in our experience with clients (past and present) of the Trout Group. They also support a unifying theme for delivering winning presentations: envisioning the encounter from the *audience’s* perspective.⁴ To that end, Trout has compiled its own list of five common investor presentation pitfalls and will describe and attempt to remedy these below:

- **Information poorly tailored to the audience**
- **Presentation poorly adapted to the setting**
- **Failing to *connect* with the audience**
- **Lack of proof to support your points**
- **Ignoring “your people” or their input**

Information Poorly Tailored to the Audience

In the book, Knockout Presentations, author Diane DiResta characterizes “today’s audiences” as pressed for time, sophisticated, skeptical and on “information overload,” a description that fits investors to a T.⁵ As a result, it is important to “...think about what [the audience] wants to hear, not what you want to tell them.”⁶ In our experience, many senior managers simply go on autopilot when they sit down in front of an investor. They deliver the same presentation in the same way each time, more because it suits their comfort level than the investor’s. As a result, the “level” of the presentation often misses the mark because it is either too technical or not technical enough. Life sciences investors and analysts are often themselves MDs or PhDs and *want* to be able to cover a certain level of technical detail in presentations, so come prepared.

One CEO of a Trout client company (who does not have a scientific background) initially did investor meetings alone until we informed him that some investors were frustrated by his inability to answer questions about the company’s drugs in sufficient technical detail. The CEO immediately began bringing a member of his clinical team on each roadshow and the company has been well received ever since—particularly by those investors who had shared their frustrations.

³ “The Ten Commandments of Presentations,” Harvard Management Communication Letter July 1999, Reprint #C9907C.

⁴ “How to Construct a Winning Presentation,” Harvard Management Communication Newsletter April 2000, Reprint #C0004C.

⁵ Diane DiResta, Knockout Presentations (Massachusetts : Chandler House, 1998) 123-125.

⁶ “Company presentation,” Presentation Helper, 24 April 2005
<http://www.presentationhelper.co.uk/presentation_company.htm>.

The pendulum can just as easily swing the other direction, and well meaning “doctor CEOs” can lose their audience with technical jargon and the assumption that the investor can keep up. Typically, the Trout Group associate who arranged the meetings knows the investors and can give you background on them, their expectations and knowledge level.⁷ The most astute presenters, however, can sense these things at the outset and tailor their content accordingly. Another client CEO is a medical doctor and while he is thoroughly proficient in the science of his company, he is able to “downshift” almost imperceptibly if he senses he is beginning to leave his audience behind. He simply incorporates more explanations and lay language, while allowing his audience to “save face.” Remember, the technical aspects of your products are important, but only in as much as they reinforce your story and establish a competitive position in the market.⁸

Presentation Poorly Adapted to the Setting

Investor presentations are often poorly adapted to the setting in which they are used because companies are simply asking that presentation to do too much. Senior managers take comfort in having a single slide deck that is both familiar and thoroughly vetted by their communications and legal staff. As a result, most presentations are timed to last 30 minutes +/- 10, and have slides that have been drafted to serve as both a presentation tool and a “leave behind.” This is problematic in that slides and overheads are not meant to convey the story: “instead, they should punctuate the speaker’s remarks and give the listener a constant source of context for what is being said.”⁹ A slide deck that is sent to an investor to view on his/her own, however, should have additional detail in order for the ideas to be clear in context.

Attempting to pack too much information (verbal or visual) onto a slide is where most companies “go wrong” with visual aids for presentations.¹⁰ Dilbert refers to this as “PowerPoint Poisoning”¹¹, but it is also widely known as “death by PowerPoint.” A useful method for addressing this is to limit yourself ruthlessly to the 6-6-6 rule when drafting the slides: 6 words per bullet, 6 bullets per page and 6 text slides in a row (before a “visual” break).¹²

It has also been said that “if a slide’s meaning is not apparent after seven seconds, the slide need to be rethought.”¹³ One company we work with has a single slide of the product pipeline that describes 20 products, seven stages of development and six economic scenarios. The CEO

⁷ Eric Matson, “Now that we have your complete attention...,” Fast Company Feb/Mar 1997: 124, 24 April 2005 <<http://pf.fastcompany.com/magazine/07/124present.html>>.

⁸ David R. Evanson, “Perfect pitch – investor presentations,” Entrepreneur March 1998, 24 April 2005 <http://www.findarticles.com/p/articles/mi_m0DTI/is_n3_v26/ai_20484698/print>.

⁹ David R. Evanson, “Capital pitches that succeed – making presentations to investors,” Nation’s Business May 1997, 24 April 2005 <http://www.findarticles.com/p/articles/mi_m1154/is_n5_v85/ai_19352142/print>.

¹⁰ Evanson, “Capital pitches” <http://www.findarticles.com/p/articles/mi_m1154/is_n5_v85/ai_19352142/print>.

¹¹ “Investor presentation,” Presentation Helper, 24 April 2005 <http://www.presentationhelper.co.uk/presentation_investors.htm>.

¹² “Presentation Visual Design Guide,” Presenters University, 24 April 2005 <http://www.presentersuniversity.com/visuals_guide.php>.

¹³ Amanda Westland, “How to Prevent PowerPoint Panic,” Creative Keys, 24 April 2005 <<http://www.creativekeys.net/PowerfulPresentations/article1056.html>>.

explains the slide well but often begins presenting it by saying “I know this looks scary.” If a slide needs a warning and it can’t stand alone without explanation, it probably needs changing.

Additionally, think about how your slides can best be used given the presentation environment. Projected electronic slides are perfect for a conference presentation but not well suited to lunch or dinner meeting in a restaurant. Presenting with a projector is also less reliable for a series of back-to-back office-based meetings, as a 10-minute AV delay can easily break your stride and make you late for your next meeting. Presenting from the laptop screen works well for meetings with one or two investors in their office, but a high quality printout of the presentation can be an effective substitute or complement. We recommend printing slides two-up, in color, spiral/comb bound with a cover page. While this may cost \$10-15 per book, the books look professional and are appreciated by investors who typically take notes during the meeting.

Consider, too, the advice of Ronald Reagan, “the Great Communicator,” who once said that no speech should last more than twenty minutes. According to his speechwriter, Peggy Noonan, no one really wants to sit in “respectful silence” for longer than that and 20 minutes is “more than enough time to say the biggest, most important thing in the world.”¹⁴ When you consider that most meetings with investors last from 30-60 minutes, a twenty minute presentation is typically the ideal length, allocating 1/3-2/3 of the meeting for questions and discussion.

When executives at six large companies were asked how people could present to them more effectively, their response was nearly unanimous: make presentations shorter and more candid. Think of it as having “mini-conversations” with members of the audience.¹⁵ That interactivity is perhaps the most important aspect of each meeting (as you will see in the next section), so don’t short change it by trying to cover too much.

Failing to Connect with the Audience

According to the equity placement firm referenced in the introductory section, “Investors don’t invest in business plans, they invest in teams. Similarly investors aren’t as interested in your presentation materials as they are in you, your message, your story.”¹⁶ As a result, it is essential that you make a connection with your audience that is meaningful to them. This is impossible if you “drone on” or “hide behind” your presentation. According to an MIT study, communication happens on three levels: 55% visual (body language), 38% vocal (tone of voice) and 7% verbal (words).¹⁷ So in many ways, it’s more about you than what you are saying.

As mentioned earlier, interactivity in investor presentations is key. Far more damaging than letting a presentation run long is letting “information which might otherwise cause an investor to bite to get lost in the endless drone.”¹⁸ Two CEOs we work with are both very knowledgeable and articulate but have a tendency to present for 45 minutes straight without pausing. Investors have commented after the fact that management was “long winded” and that they rarely had

¹⁴ Peggy Noonan, *Simply Speaking* (New York: HarperCollins, 1998) 9.

¹⁵ Matson <<http://pf.fastcompany.com/magazine/07/124present.html>>.

¹⁶ Integrated Investments International <http://www.in3inc.com/presentation_mistakes.html>.

¹⁷ DiResta 10.

¹⁸ Evanson, “Capital pitches” <http://www.findarticles.com/p/articles/mi_m1154/is_n5_v85/ai_19352142/print>.

opportunities to interject their questions. When management goes on for too long like this, "...it puts investors to sleep, indicates the [presenter] is unsophisticated about the rules of engagement and is uncertain about what information is important" to this audience.¹⁹

While slides or handouts provide the basic outline for an investor presentation, presenters must be prepared to take a break from the "script."²⁰ Incorporating pauses in your presentation can be beneficial on several fronts. Not only do pauses allow the audience to ask a question or clarify a point, they are powerful tools for building interest and suspense and showing that you are in control. We encourage clients to be flexible and handle questions as they come up rather than wait until the end of the presentation.²¹ "The question and answer portion of the presentation can make or break the deal," but it also gives you some ability to shape the audience's response to your story.²²

DiResta recommends that speakers connect with their audience by being conversational, giving specifics over generalities (more on that later), and getting physical with movement and hand gestures.²³ Varying your pitch, pace, and expressions also helps to engage the listener.²⁴ However, in order to effectively engage your listeners, you need to be a good listener yourself. Listening hard for the root of a question is vitally important: "It's dissatisfying to an investor when he or she asks a question and the answer isn't even relevant...in fact, it's as close to the kiss of death as there is."²⁵ Try employing "active listening" in order to identify the underlying concern behind the question. If you can respond to the real reason that the questioner spoke up, you'll "get at the heart of the issue."²⁶

Finally, the goal of an investor presentation isn't just to inform, it's to *inspire*. An article in Fast Company pointed out that "even 'informational' presentations are more powerful if there is a persuasive end in mind... 'How do I persuade people to use the information I'm giving them?'"²⁷ Another article in Nation's Business noted that while substance ultimately prevails over style in investor presentations, in competitive markets for equity capital "a winning style is required to get and keep investors' attention."²⁸ Ultimately equity investors look at investments as a partnership with the company: "if you appear to know it all, or you take criticism poorly, or come off as arrogant, you'll quickly find that nobody wants to do business with you."²⁹ One CEO we work with is very competent but is often described by investors as being arrogant. Obviously this individual is failing to establish a connection with his audience and this causing some investors to shy away, undermining his own successes and efforts. Keep in mind, your company is as much about people as it is about products, and you are the public face.

¹⁹ Evanson, "Perfect pitch" <http://www.findarticles.com/p/articles/mi_m0DTI/is_n3_v26/ai_20484698/print>.

²⁰ Evanson, "Perfect pitch" <http://www.findarticles.com/p/articles/mi_m0DTI/is_n3_v26/ai_20484698/print>.

²¹ Integrated Investments International <http://www.in3inc.com/presentation_mistakes.html>

²² Evanson, "Capital pitches" <http://www.findarticles.com/p/articles/mi_m1154/is_n5_v85/ai_19352142/print>.

²³ DiResta 102-103.

²⁴ "Public Speaking According to the Experts," Harvard Management Communication Letter February 2000, Reprint #C0002E.

²⁵ Evanson, "Perfect pitch" <http://www.findarticles.com/p/articles/mi_m0DTI/is_n3_v26/ai_20484698/print>.

²⁶ "Handling Q&A: The Five Kinds of Listening," Harvard Management Communication Letter February 1999, Reprint #C9902C.

²⁷ Matson <<http://pf.fastcompany.com/magazine/07/124present.html>>.

²⁸ Evanson, "Capital pitches" <http://www.findarticles.com/p/articles/mi_m1154/is_n5_v85/ai_19352142/print>.

²⁹ Evanson, "Capital pitches" <http://www.findarticles.com/p/articles/mi_m1154/is_n5_v85/ai_19352142/print>.

Lack of Proof to Support Your Points

In an article from Entrepreneur magazine, Bay Area venture capitalists note that one of the “biggest blunders” they see made in presentations to investors is lack of solid proof to support the points being made: “You often hear people say, ‘We have a great management team.’ But don’t declare that! Just give me the facts and let me come to my own conclusion.”³⁰ DiResta corroborates this, citing “weak evidence... asking the audience to take things on faith” as one of the most common mistakes speakers make: “It’s not enough to present your points; you must build a case.”³¹

We see this phenomenon frequently with companies and it manifests itself in flowery language (“we have a top notch management team”) and generalizations (“we’re developing novel products for large markets”). Keep in mind that no company says “we have mediocre management” and “we are developing ‘me-too’ products for small markets.” Life science investors are savvy and typically well informed—don’t insult their intelligence. Present concrete evidence that supports your assertions and differentiates your company/products and then let your audience decide.

This is a particular challenge with pioneering technologies where the knowledge level is low and a frame of reference has not yet been built. One company we have worked with has a groundbreaking medical technology in development that attracts vast amounts of media interest. Investors, though fascinated, were originally skeptical because they had a difficult time envisioning the transition from science fiction to commercial reality. The CEO now draws parallels to similar markets (current and historical) to illustrate the product’s position early in an evolving category—one that could represent a substantial market opportunity.

Another client has a first in class product that spans the device and therapeutic categories—but for the oncology market. Drawing parallels to the growing drug-eluting stent market (and the company’s experience in this field) has been valuable in helping investors understand how drugs and devices can converge to form a significant market opportunity. Other useful techniques include referencing supporting (independent) research or market statistics or quoting key opinion leaders. In fact, enlisting the support of key opinion leaders in the field—either directly on a corporate advisory board or at arm’s-length—can create a “halo” around the company or product, giving investors another “reason to believe.”

³⁰ Sean M. Lyden, “7 Investor Presentation Pitfalls,” *Entrepreneur’s Start-Ups*, February 2001, 24 April 2005 <<http://www.entrepreneur.com/article/0,4621,285913,00.html>>.

³¹ DiResta 22.

Ignoring “Your People” or Their Input

Another of the “biggest blunders” reported in the Entrepreneur article referenced above is poor team dynamics. “You bring your *team* but you don’t let them say anything. What does that tell you... Is this entrepreneur a good leader? Can he really motivate people?” We have seen many instances where CEOs bring their CFO or a member of the clinical/scientific team along to help them with the “tough questions” but then don’t assign those people a role in the presentation and rarely offer them a chance to speak. Not only does this cast doubts on the effectiveness of the management team but it also misses the opportunity to show the depth and effectiveness of a *superb* management team. Managers that effectively “tag team” during presentations give investors insight into the positive dynamic at work in the organization and increase their confidence that the company will achieve the goals it has set.

A related issue involves listening to “your people”—whether internal staff who accompany you at investor meetings or advisors like the Trout Group who attend these meetings and speak to investors after the fact. What happens *after* an investor meeting is just as important as what happens during. Timely follow up on action items is essential and those who join you at these meetings will typically keep track of the required information. Poor follow up sends the wrong signals: “Many investors test the mettle of management by seeing how long it takes for him or her to follow up. If it’s not forthcoming, even for reasons of perceived courtesy, many investors get turned off.”³² Your Trout Group representative may also take note of questions you struggled to answer. The objective is not to criticize but to ensure that the required information is obtained, relayed and retained for the *next* time you meet with that investor.

One of our best CEO presenters opens meetings with investors he has met with before by referring to the last meeting and then offering to go through an updated presentation or simply to answer questions they may have (his joke: “It’s up to you, I’ve seen the presentation before...”). During the discussion he might make reference to discussion items from the *last* meeting and describe recent developments or new information on these topics. He has done his follow up and is reinforcing this in the investor’s eyes. His style is straightforward and candid. He is confident but doesn’t overstate his knowledge, offering to put the investor in touch with other members of his senior management team who can answer certain questions with greater accuracy or detail. After a recent round of investor meetings, one analyst shared with us his opinion of this CEO: “I think he has done a great job and he shows really well in front of US investors. Some other companies should take a page from his book.”

Our job at the Trout Group is to help our clients make the best possible impression upon the investors they meet with and part of this process is to help improve continuously upon those encounters. As mentioned at the beginning, our professionals often sit through dozens of investor presentations in a week. We have witnessed senior managers who have “droned on” for 60 minutes without taking a breath or have inflicted “death by PowerPoint,” but we have also marveled by those who effortlessly inform *and* inspire. We encourage you to remain open to recommendations from “your people” because they (we) can help you establish that essential connection with your audience—one that will build their confidence to invest in you, your team and your story.

³² Evanson, “Perfect pitch” <http://www.findarticles.com/p/articles/mi_m0DTI/is_n3_v26/ai_20484698/print>.

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