



NVC Final 2014 Student Packet

NVC Final Introduction

The NVC Final is the culminating competition of the Miller NVC competition series. Undergraduate and graduate students from across campus are invited to participate in the Final NVC. Participation in previous competitions within the series (i.e., the Big Idea Pitch and the Business Model Competition) is not required to compete in the NVC Final competition. The NVC Final judges will evaluate submissions based on their propensity to invest. Submissions should include the information investors want to see.

Important Dates

Winning submissions will require significant preparation. Student teams who advance through the NVC Final competition need to be aware of the following key dates:

- NVC Financials Workshop – Tuesday, February 18 – 5:00-6:00pm
- Individual Meetings with NVC Team – February 19-March 7 – By appointment
- **Submissions Due – March 8 – 11:59pm**
- Round 1 Judging (Top 20 Selected)
- Round 2 Judging – Live Pitches (Top 8 Selected) – Monday, March 17
- Top 8 Pitches to MBA VC/PE Class – Tuesday, March 25 and Thursday, March 27
- Round 3 Judging – Live Pitches to Founders and Investors (Founder’s Choice, Investor’s Choice, and Global Choice Selected Among Top 8) – Thursday, April 3
- Round 4 Judging and Final NVC Event – Live Pitches (Crowd Favorite Selected, All Awards Presented) – Friday, April 4 – 2:00 – 3:30pm – JSB Auditorium

Application Details

The NVC Final submission consists of the following two parts: Executive Summary, Video Pitch.

PART 1 of 2: Executive Summary (Required)

Submit a (2-4) page* Executive Summary containing the information requested in the 7-step instructions below and any other information you choose to include. Please demonstrate specific validation of the market opportunity (pain), your solution and your business model.

- 1. OVERVIEW – Provide a short (2 sentence) description of your company.**
- 2. MARKET OPPORTUNITY – Include answers to the following questions:**
 - a. What is the market pain (problem or job-to-be done) that your company addresses?
 - b. What is the market size and your potential market share? (You could break this out into total addressable market (TAM), segmented addressable market (SAM), and potential share of the market (SOM) categories.)
- 3. COMPETITORS and SOLUTION – Include answers to the following questions:**
 - a. Who are your primary competitors and how are their value propositions lacking? (Think “Who is trying to solve the market pain?”)
 - b. What solution to the market pain does your company provide and how is it an improvement to existing solutions?
 - c. How is your company defensible against competitors? (Discuss patents, licenses, exclusive channels, etc., if applicable.)
- 4. COMPANY and BUSINESS MODEL – Answer the following questions:**
 - a. How do you/will you acquire your customers and what is that acquisition cost?
 - b. How do you/will you deliver your solution to customers (channels)?
 - c. What is your pricing strategy and how do you/will you generate revenues?
- 5. TRACTION, GROWTH and ASK – Answer the following questions:**
 - a. What is your company’s current state of development?
 - b. What market traction has your company gained? (Demonstrate the evidence, such as sales, contracts, etc., that customers will buy your product or service.)
 - c. What are your timeframes to achieve important milestones such as significant revenue generation, cash flow positive, break-even, etc.?
 - d. If applicable, what is the amount of funding you are seeking and what is your expected use of investor funds?

6. **TEAM** – Provide brief bios of managers and advisors, including relevant experience.

7. **APPENDIX** – Include financial data such as the following listed items: (The appendix should not exceed (3) pages.)

- a. Income Statement
- b. List of assumptions and description of each income statement data input
- c. Capitalization (Cap) Table

IMPORTANT: Demonstrate your understanding of the input variables driving your financial projections – a.k.a., list and validate your financial assumptions. (See example below.)

Document formatting

The document should be formatted with one-inch margins, single through one-and-a-half line spacing, and no smaller than 12-pt font size. (Headings, titles, etc. can be larger.) Please add page numbers to your document. Coversheets are not necessary but are permitted.

*Executive Summary text cannot exceed (4) pages. You may add appendices as needed. Do not exceed (7) pages in the overall submission document.

PART 2 of 2: Video Pitch (Recommended but optional)

We encourage all teams to include a 1-2 minute company overview video. This can be any form of video such as a narrated Slide Deck Presentation, one or more team members on camera, a “white-board” video, etc. This video must be uploaded as a video to YouTube**. The YouTube video link will be requested in the submission.

Please include information in your video that you would include in a typical elevator pitch. The video’s purpose is to pique the interest of judges/investors so they want to learn more.

Note: Please stick to the video time limit. Judges may not watch your video if it’s too long.

YouTube Instructions

Upload your video to YouTube as a non-private video. You can designate the video as “Unlisted” if you wish, but be sure the video is not “Private”. In your submission, you will be prompted to provide simply the URL of your YouTube video.

(BEWARE: Uploading videos to YouTube may not be immediate. Depending on your connection speed, video size, etc., this could take hours, so please plan ahead.)

Judging Criteria

Judging Criteria for Round 1: (Executive Summary and Video Pitch)

Judges will evaluate and advance (20) teams (Top 20) to Round 2, based on the following weighted categories:

- 33% – Demonstration of a deep understanding of the market opportunity (pain and solution), market dynamics (size and potential), customers, and competitors; as validated by primary and secondary research.
- 33% – Proof that customers will buy the company’s products or services offered; as evidenced by traction in the market, i.e., sales revenues, letters of intent (LOIs) to purchase, primary customers otherwise demonstrating their intent to purchase, etc.
- 33% – Demonstration of a qualified team, execution plan, next steps (milestones), and strong understanding of the company’s financials, financial inputs and sensitivity.

Judging Criteria for Round 2 (Live Pitch):

Early-stage VC and Angel investors will evaluate the (Top 20) teams and narrow them to the (Top 8) teams. They will base judging on the following criterion.

- 100% – Each investor’s propensity to invest in the company either immediately or following the company’s participation in the Rollins’ Center’s (CET) Founders Launchpad summer program. This “propensity to invest” measure includes the categories reviewed in Round 1, but also includes subjective measures, such as, the investors’ investment preferences, investment portfolio, industry knowledge, perceived company scalability, etc.

Note: Each (Top 8) team will receive \$15,000 at the Final NVC event in April.

Judging Criteria for Round 3 (Live Pitch):

The (Top 8) teams will present to the BYU Entrepreneur Founders group, several local early-stage investors, and the directors of BYU’s Global Management Center. The Founders, investors, and Global Business Directors will each select a team to receive an award. These groups will generally follow the judging criteria below.

Founders’ Choice Award

- 100% – Favorite team, based on subjective measures, such as, the likability of the team, the importance of the product or service offering, the company’s likelihood to succeed, etc.

Investors' Choice Award

- 100% – Favorite team, based on subjective measures, such as, the potential scalability of the company, the likeability of the team, the importance of the product or service offering, the company's likelihood to succeed, etc.

Global Business Award

- 100% – Company's likelihood of reaching global markets.

Note: Each award will provide an additional \$5,000 to the receiving team. These awards will be announced at the Final NVC event in April.

Judging Criteria for Round 4 (Live Pitch):

The (Top 8) teams will present to an audience of students, faculty, family, friends, investors, Founders, and others at the Final NVC event in April. The audience will vote for their favorite team to receive the Crowd's Favorite Award. The audience will make their selection based on the following criterion.

- 100% – Favorite team (company), whether favorite idea or family member competing, etc.

Note: The Crowd's Choice Award will provide an additional \$5000 to the receiving team.

Financials Overview

When running your business, you will need to use integrated financial statements to include the income statement, balance sheet, and statement of cash flows. A good excel resource for building your integrated statements (called SCORE Financial Projections Template) can be found at: <http://www.score.org/resources/business-planning-financial-statements-template-gallery>

As early-stage businesses, however, you should focus on creating a simple income statement and UNDERSTAND its inputs (assumptions). (You can omit the other statements at this stage.)

Strong applications should either describe financial inputs assumptions within the text of their executive summaries, or add notes to the income statement, or both. You could include a month-by-month income statement to demonstrate your projections through 2014, and a 3-5 year annual income statement to more broadly demonstrate your potential growth. Please see the following monthly and yearly statements as examples. Recognize that the examples below represent a fictional business and that the inputs will vary depending on your business model.

You may also provide a list of several financial ratios important to your business.

Example Company Financials

Example Company Pro-Forma Income Statement 2014													
	2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$ -	38,500	57,750	86,625	129,938	194,906	292,359	438,539	657,809	986,713	1,480,069	2,220,104	3,330,156
Cost of Sales	-	23,100	34,130	50,427	74,507	110,083	162,648	240,313	355,062	524,604	775,103	1,145,215	1,692,055
Gross Profit	-	15,400	23,620	36,198	55,431	84,823	129,711	198,226	302,746	462,109	704,966	1,074,889	1,638,101
SG&A	-	13,850	15,775	18,663	27,994	34,491	44,236	58,854	85,781	118,671	168,007	242,010	353,016
Other op. exp.	-	3,080	4,620	6,930	10,395	15,593	23,389	35,083	52,625	78,937	118,406	177,608	266,412
EBITDA	\$ -	\$ (1,530)	\$ 3,225	\$ 10,605	\$ 17,042	\$ 34,740	\$ 62,086	\$ 104,289	\$ 164,341	\$ 264,500	\$ 418,554	\$ 655,271	\$ 1,018,673

Explanation of Financial Inputs	
Sales	January and February sales figures are the result of 70 and 105 units sold respectively at an average unit price of \$550. Future sales projections assume this 50% growth rate month by month.
Cost of Sales	The units cost 60% of our sales price, resulting in an initial 40% gross margin. With our projected volume, our suppliers indicate that our unit cost will decrease by 1.5% each month for at least the next 10 months. By December, our gross margin is projected to be 49%.
SG&A	Per our online marketing agreements and our first two months of operations, our advertising and promotion costs are nearly 10% of sales. We applied this percentage to projected sales to determine our growing advertising costs. Our payroll is already established based on our founders' salary needs. Payroll has started at \$10,000/month, will jump to \$15,000/month in April, and will jump again to \$20,000/month in August. This projection will also enable us to hire two part-time (20 hours/week) employees at a company cost of \$18/hour as early as April.
Other Operating Expenses	Our fulfillment center will charge us 5% of sales per our agreement valid through February 2015. Additionally, shipping is projected as 2% of sales and miscellaneous items are factored to cost 1% of sales. These percentages have been applied for each month of the remainder of the year.

Example Company Financials Continued

Example Company Pro-Forma Income Statement					
	2014	2015	2016	2017	2018
Sales	9,913,468	24,783,670	43,371,423	63,972,848	79,166,400
Cost of Sales	5,187,247	12,143,998	21,251,997	31,346,696	38,791,536
Gross Profit	4,726,221	12,639,672	22,119,425	32,626,153	40,374,864
SG&A	1,181,347	2,149,616	5,374,040	9,404,571	13,871,742
Other op. exp.	793,077	1,982,694	3,469,714	5,117,828	6,333,312
EBITDA	\$ 2,751,797	\$ 8,507,362	\$ 13,275,671	\$ 18,103,754	\$ 20,169,810

Explanation of Financial Inputs	
Sales	Assuming growth rates will sharply decrease as the market stabilizes, the 5 year projections cut the growth rate by half each year, starting with 300% growth for year 2015 and ending with a more stabilized 24% growth in 2018.
Cost of Sales	Then gross margin for the end of the year 2014 was 49%. Considering this as the high-volume norm, we apply a 49% gross margin each year.
SG&A	We increase our advertising and marketing costs to 12% of sales each year, assuming more competition in the online advertising space. We grew our payroll by 50% year over year. This results in a 2018 payroll estimate of 6.9 million dollars.
Other Operating Expenses	We assumed no change with our fulfillment center contract, shipping charges, or other miscellaneous expenses. For a combined total of 8% of sales as other operating expenses.

Common Financial and Market Questions

Investors and judges are most concerned that founders have thought through the financial viability of their startups. Being prepared to discuss the inputs (assumptions) of your income statement is a great foundation to that understanding. Judges may want answers to questions such as those listed below. Seek to answer these and other questions as you prepare to compete. Many of the following items are asked in the Executive Summary instructions. You may not have all the information asked in these questions, so just focus on what you know find out what you can. Remember, the better you know your business, the more likely your company will succeed.

Financial Questions

- What are the details behind your 5 year revenue growth forecast (# of customers)?
- When will you break-even and what happens if it takes you 2x longer than you expected?
- How did you arrive at the price of your product or service?
- What is your expected burn rate per month and for the first year?
- How did you come to your total variable and fixed costs (research/due diligence/bids)?
- How much capital do you need?
- What is your break-down of "Use of Funds"...how do you plan to grow your business?
- What does your Capital Table (ownership %) look like?

Market Questions

- How big is the total addressable market (details), where will you start and what is your closing ratio (historical or industry norms)?
- What actions or steps will you take to acquire new customers (details) and what is the average cost of acquisition per customer (are costs variable or fixed)?
- How fast (in % terms) have comparable companies in your industry grown revenue and what is your estimated growth?
- What is the expected growth (CAGR) of your industry in the next 5 years?
- Who do you have on your Advisory Board to help you navigate the competitive market you are entering?
- What are your company's 2-3 biggest competitive weaknesses/obstacles and your plan to overcome them?
- What are the 3 succinct main reasons why customers will buy your product or service (value proposition)?

Conclusion

The NVC Team and Center for Entrepreneurship and Technology (CET) mentors are prepared to spend time with each team individually. Please take advantage of these resources to strengthen your submissions.

If you are interested in meeting with a NVC student mentor before you submit, fill out the form at the following link. – bit.ly/nvcmentoring

You can also watch some basic entrepreneurship videos on the CET's website at <http://marriottschool.byu.edu/cet/resources/gettingstartedvideos>

The SCORE financial templates can be found at the following website: <http://www.score.org/resources/business-planning-financial-statements-template-gallery>

Also found at bit.ly/nvcfinances

Contact Information

NVC Team Student Liaison – Nick Perry – millernvc@byu.edu

CET Venture Mentoring Leader – Jeff Howlett – venturementoring@byu.edu – (801) 422-7437