

Pitching and Evaluating a Venture: The Case of TeamGenius

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How can entrepreneurs build a case for external investment, and how do investors evaluate the ventures pitched to them? This case offers some answers to these questions. It's likely to be of interest to entrepreneurs, students, and instructors alike.

Case Purpose and Overview

This case was designed for an undergraduate entrepreneurial finance or entrepreneurship capstone course. It is built around the investment slide deck for TeamGenius, an early-stage company that is raising a \$1 million round of financing. The case can be used to help students better understand: 1) The elements of an investable pitch, and how data and other evidence are used to build a case for an investment; 2) How an investor identifies and evaluates assumptions and their associated risks, and the type of due diligence an investor might perform to better understand these; and 3) The economics of the investment decision relative to an investor's overall portfolio.

A PDF, available above for download, includes a comprehensive background of Team Genius's history and the full pitch deck intended for the investors. The teaching notes are also available for teachers to download.

The case begins with an introduction to Team Genius CEO Chris Knutson as he prepares to pitch his early-stage company to a Chicago venture capital firm for investment. Chris graduated from the University of St. Thomas entrepreneurship program in 2009 and worked in a corporate role for his first five years post-graduation. Knowing that he wanted to be in a start-up, but without his own idea, he began searching for an engineer or software developer who had a product and needed business expertise. Through a website called "Co-Founders' Lab," he connected with his now-partner, Todd, who had just developed the first version of the app and had two customers.

TeamGenius originated as an evaluation app for youth

sports tryouts and had expanded into player training and development. In four years, the company had grown to over 500 customers and \$1 million in annual recurring revenue, and Chris was now raising a \$1 million round of capital to facilitate further growth. Chris believed he had a roadmap for getting to \$50 million in annual recurring revenue, which he thought was essential for making the company an attractive investment for venture capital.

In the case, Chris is reviewing his slide deck for a pitch to a venture capital firm the following morning. The case then presents each of the fourteen slides in the deck and how they contribute to the larger story that is being told. The overall purpose of each slide is provided, along with a detailed description of the key messages Chris intends to convey while discussing the slide. In this format, students not only see an actual pitch deck, but also the thought process behind each slide and behind the general flow of the presentation.

Case Questions

Put yourself in the position of a partner at the venture capital firm Chris is pitching, and imagine that Chris has just finished walking through his slide deck with you.

- If you had to make an investment decision right now based on the information given in the presentation, would you offer Chris a term sheet (move forward with an investment)? What are the three key reasons for your decision?
- In addition to what you responded in Question #1, what else do you find attractive/unattractive about TeamGenius as an investment opportunity?
- Put together a market due diligence plan. What do you need to know about the market in order to move forward with an investment? Where would you get this information?
- Do some basic market research on TeamGenius around your due diligence plan. Who are the



main competitors and what do they offer? What are the largest 4-5 youth sports segments and where are these located? How much do parents spend on these sports? What does your research tell you about the opportunity?

- What exit value does TeamGenius need to achieve to make it a worthwhile investment? Do you believe that TeamGenius can get there?

Classroom Approach

An effective approach for classroom discussion is to separate the class into groups and begin by teasing out the two main questions at hand: 1) Whether TeamGenius is an attractive business, and 2) Whether TeamGenius is an investable opportunity for this VC firm.

A fun, active method for this is to assign half of the groups to play the role of the venture capitalist and give them the job of identifying questions they want to ask Chris to better understand the opportunity. The other groups are assigned the role of Chris: their job is to pitch TeamGenius in their own words and respond to the questions the VC groups ask. You can then choose a few students from each side to do a role play with the pitch and Q&A. In this role play, many of the assumptions that are being made will be exposed, and on the flip side, the main pillars for believing in TeamGenius will be identified. Together, these can be used as the basis for a discussion around opportunity and risk.