



DUALE, OVIA &
ALEX-ADEDIPE

Investor's Pitch: Balancing Transparency with Confidentiality



Introduction

When businesses seek to raise capital, presenting a compelling pitch to potential investors is essential. A successful pitch requires presenting sufficient business information to inspire confidence in the investment opportunity while maintaining confidentiality to protect sensitive business information. Striking this balance is crucial to safeguarding proprietary business secrets and ensuring compliance with relevant data protection laws in Nigeria.

In this edition of #PE Insights, we will briefly address how to balance transparency with confidentiality during investor pitches, while ensuring adherence to Nigerian data privacy laws.

Transparency as a Cornerstone for Successful Investment Pitches

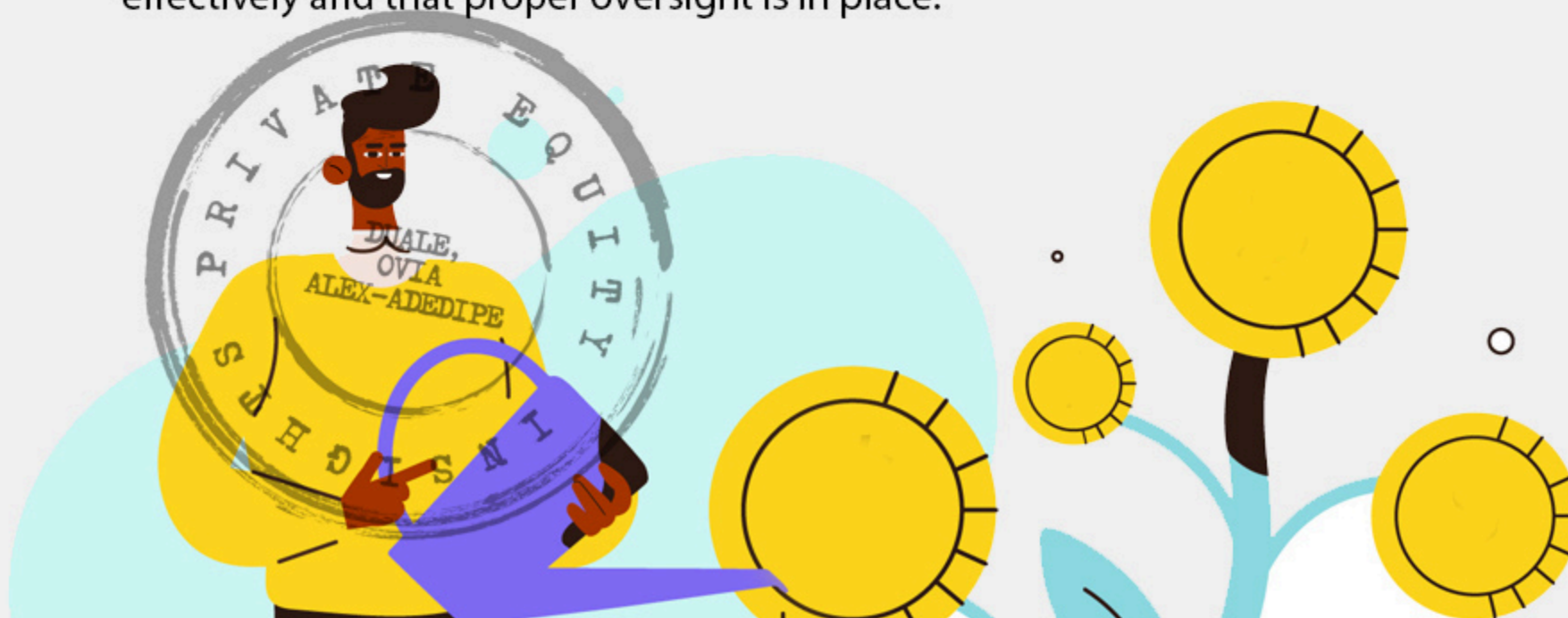
Transparency plays a crucial role in attracting investors and building trust during capital-raising efforts. Investors need to have a clear understanding of the business' overall potential to properly assess the associated risks, rewards, and likely returns. Effective transparency involves several key areas that must be communicated clearly.



Firstly, it is essential to provide detailed and accurate financial performance data. This includes presenting comprehensive financial statements that highlight revenue trends, profit margins, debt levels, and cash flow. Transparency in financial reporting demonstrates the company's financial health and growth prospects, providing investors with the assurance they need to evaluate the business' viability. Additionally, it is critical to explain the company's business model and strategic approach. Investors want to understand how the company generates revenue, its position in the market, and the strategies in place for growth. Disclosing key performance indicators and milestones can instill confidence in the management team's ability to deliver on their goals, while also giving investors a clear picture of the company's trajectory.

Another important area of transparency is risk disclosure. Investors appreciate an honest discussion of the risks involved, including regulatory challenges, market competition, and financial vulnerabilities. By openly addressing potential risks, companies demonstrate their foresight and readiness to navigate challenges, which enhances credibility and helps investors make informed decisions.

Furthermore, transparency in the governance and ownership structure of the company is vital. Investors need to understand who is in charge, the roles of key decision-makers, and how the company is being managed. A clear overview of the company's governance framework, leadership team, and ownership structure provides reassurance that the business is being run effectively and that proper oversight is in place.



Balancing Transparency and Confidentiality

While transparency is critical in investment pitches, certain elements of a business must be kept confidential to protect its competitive edge. Sensitive financial details, trade secrets, intellectual property, client data, and any information that could provide competitors with an advantage should be safeguarded.

To maintain this confidentiality, companies should implement several key measures. First and foremost, it is essential to have potential investors sign Non-Disclosure Agreements (NDAs) before sharing any proprietary or sensitive information. An NDA legally binds investors to uphold confidentiality and restricts the unauthorized sharing of critical business information.

Additionally, when outlining the business strategy, it is important to avoid disclosing highly specific future projections and plans. This includes details related to product development, market expansion, or innovations that have not yet been publicly launched. By limiting the scope of shared information, companies can protect their strategic interests and maintain a competitive advantage.

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Furthermore, safeguarding customer and supplier data is crucial in avoiding potential leaks that could undermine relationships or breach data privacy laws. Careful consideration must be given to the information shared about business partnerships, ensuring that sensitive details remain protected while still providing investors with the necessary insights to make informed decisions.

By prioritizing confidentiality alongside transparency, companies can effectively navigate the complexities of investor relations and safeguard their valuable business information.

Compliance with Relevant Data Protection Laws

In Nigeria, the Nigeria Data Protection Act, 2023 (NDPA) governs the protection of personal data and sensitive information. Companies pitching to investors must ensure that any personal data shared complies with these regulations. Below are some examples of how this relates to investor pitches:

1. **Consent for Sharing Data:** Under the NDPA, any personal data being shared with potential investors (e.g., customer information, employee data) must be done with explicit consent from the data subjects. Consent must be informed, and the purpose of sharing the data must be clearly stated.



2. **Data Minimization:** The NDPA emphasizes that only the personal data necessary for the purpose of the transaction should be shared. This means that companies should limit the amount of personal information disclosed during an investor pitch. For example, anonymized data on customer segments can be used instead of providing specific customer details.
3. **Data Protection Security Measures:** Companies must implement adequate security measures to protect the confidentiality of any personal data shared with investors. This could include encrypted data transfer, secure online data rooms, and restricted access to sensitive information.
4. **Third-Party Data Sharing:** If the pitch involves disclosing personal data to third-party investors, ensure that the investors are also bound by data privacy and protection obligations, either through the NDA or another agreement, to maintain compliance with the NDPA.

Best Practices for Balancing Transparency and Confidentiality

1. **Strategically Curate Information:** Tailor the pitch to include essential business information that demonstrates the company's strengths without disclosing highly sensitive or proprietary data. Use general overviews instead of specific operational details unless absolutely necessary.



2. **Use Secure Virtual Data Rooms (VDR) to Disclose Sensitive Documents:** Access-protected VDRs allow investors to access confidential documents in a controlled environment. Access can be granted or restricted based on an investor's level of interest or after signing an NDA, ensuring sensitive information is only shared when necessary.

Conclusion

Balancing transparency with confidentiality is crucial for a successful pitch, especially in the context of private equity and venture capital investments. Companies must be transparent enough to inspire confidence in their financial health and growth potential, while simultaneously protecting proprietary information and sensitive data. In Nigeria, this balance must be achieved in compliance with the NDPA to ensure that personal data is handled responsibly and legally.

