STARTUP FUNDRAISING & PITCHING TO INVESTORS

ANTLER | LAUNCH ACADEMY

Bede Moore

Managing Partner
Antler ANZ

ANTLER | LAUNCH ACADEMY

PLAN FOR THIS SESSION.

OPENING THOUGHTS

FINANCING OPTIONS & TYPES OF INVESTORS

WHEN, HOW MUCH AND WHAT VALUATION

TACTICAL PREPARATION & PROCESS

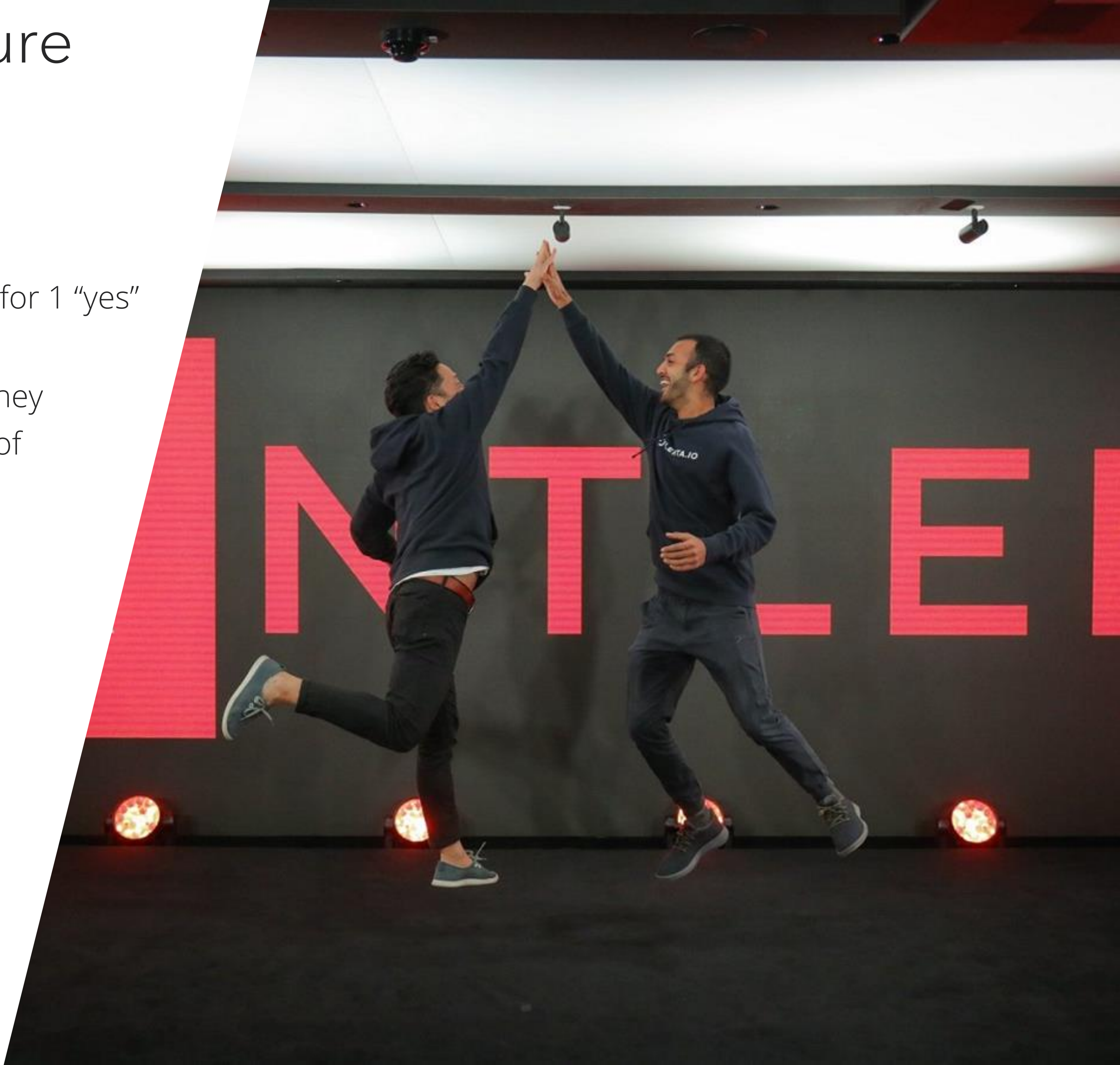
To set the scene: Why raise money

- The amount of money needed to take a startup to profitability is usually well **beyond the ability of founders** to finance
- A startup is built to grow fast. High growth companies almost always need to **burn capital to sustain their growth prior to achieving profitability**
- A war chest is also almost always a **competitive advantage**: hiring key staff, public relations, marketing, and sales

Saying that, raising venture capital financing is hard

1. **Prepare for rejection.**
   A promising startup may receive 20 “no’s” for 1 “yes”

2. You will have to **brush these “no’s” off** as they likely have more to do the circumstances of an individual investor than your startup



PLAN FOR THIS SESSION.

OPENING THOUGHTS

FINANCING OPTIONS & TYPES OF INVESTORS

WHEN, HOW MUCH AND WHAT VALUATION

TACTICAL PREPARATION & PROCESS

Venture capital rounds

- **Venture financing usually takes place in “rounds**,” which have traditionally had names and a specific order.
- After a pre-seed round (with friends & family or by an institutional pre-seed investor like Antler) comes a seed round, then a Series A, then a Series B, then a Series C, and so on to acquisition or IPO.
- None of these rounds are required, and sometimes **companies will start at different points of the journey**
- Sometimes there are “**bridge rounds”** in between the priced seed/A/B/C rounds.

Startup financing options

Equity

An equity round means setting a valuation for your company and thus a per-share price, and then issuing and selling new shares of the company to investors.

SAFE

SAFEs have become mainstream in the US for early stage funding rounds but are not as widespread elsewhere although this is changing.

The terms of a safe will almost always be simply the amount, the cap, and the discount, if any.

Convertible Notes

Similar to a SAFE, but is a loan which has a debt (interest) component and maturity date (with repayment requirement if not converted).

Startup financing options (continued)

Grants and subsidies

Business grants are funded by national, local and governments to support deprived areas, to stimulate technological advance through research and development and to make the economy more competitive in a specific sector.

Many grants are match funded, meaning that to be eligible for a grant award the applying business must be able to raise finance to provide 10-70% of the overall project cost (the grant providing the rest).

Crowd Funding

Crowdfunding has become an increasingly popular way for startups to raise capital to finance product development. While it might look easy to launch a crowdfunding campaign, there are strong pros and cons to consider:

Pros:

- it can mean not giving up equity
- it can be a great way to test the market

Cons:

- crowdfunding doesn't "find investors" for you.
- false positives - a desirable product is not the same as a investable business

See: Kickstarter, Indiegogo

Types of investors

"Institutional money" (VC funds / family offices, Corporate VC)

	Friends & Family	Angels	VC funds / family offices	Corporate VC	Crowdfunding
Key considerations	• Lack of external validation • Can put a strain on close relationships	• Will account for a big chunk of your seed round • ESIC will be key (tax benefits for investors) • Will rarely lead a round • Angel from your sector = validation • Ticket sizes vary \$10-\$100k • Can often be through syndicates	• Usually first point of institutional validation • Often follow-on	• Long term view • Need to define expectations • Can be a bit slower to react • Could conflict with other customers	• Great tool for B2C products • Need 30-40% committed before you launch • For B2B less suitable • You will have to deal with a large number of investors
Value add	• Can help you get idea off the ground • Few strings attached	• Strategic intros • Usually quite hands on • Can often follow-on • External validation	• Introduction of governance • Operational help • Introductions	• Potential customer • Unrivalled industry network	• Great marketing / community building tool

PLAN FOR THIS SESSION.

OPENING THOUGHTS

FINANCING OPTIONS & TYPES OF INVESTORS

WHEN, HOW MUCH AND WHAT VALUATION

TACTICAL PREPARATION & PROCESS

When to raise your first money

1. There's **no fixed time** – varies for everyone

2. Fundraising requires near constant attention for 3 – 6 months. It is more gruelling that you might imagine

3. Investors write cheques when **the idea they hear is compelling**, and when they are persuaded that:
   - The team of founders can realize its vision
   - The opportunity described is real and sufficiently large

4. When founders are ready **to tell this story, they can raise money.** And usually when you can raise money, you should.

How much money to raise

1 **Founders raise money in order to hit specific milestones.**
Founders need to raise enough money to actually hit those milestones, with some buffer to account for mistakes or delays.

2 In choosing how much to raise you are trading off **several variables**, including how much **progress** that amount of money will purchase, **credibility** with investors, and **dilution**

3 Your goal should be to **raise as much money as needed to get to your next "fundable" milestone**, which in the pre-seed stage will usually be minimum 12 months runway (18 months for subsequent rounds).

4 Look at the optimal amount to raise in your first round is to decide **how many months of operation you want to fund.** Understanding your monthly cash burn and map out your company's important timelines and the cash you will realistically require to achieve them (plus buffer)

Valuation

1. It is very **hard to value your venture** in the first round of financing based on normal business metrics and traditional valuation techniques on current revenue/profitability

2. It is best to let the **market set your price and to find an investor to set the price or cap**. The more investor interest your company generates, the higher your value will trend.

3. Still, it can be difficult in some circumstances to find an investor to tell you what you are worth. In this case you can choose a valuation, usually by looking **at comparable companies who have valuations**.

4. Remember that the important thing in choosing your valuation is **not to over-optimize.**
   - The objective is to find a valuation with which you are comfortable
   - Allow you to raise the amount you need to achieve your goals with acceptable dilution
   - Investors will find reasonable and attractive enough to write you a cheque

5. Raising at valuations which are too high or too low can cause adverse effects to the companies and investors
   - Too high may result in down rounds
   - Too low causes too much dilution

PLAN FOR THIS SESSION.

OPENING THOUGHTS

FINANCING OPTIONS & TYPES OF INVESTORS

WHEN, HOW MUCH AND WHAT VALUATION

TACTICAL PREPARATION & PROCESS

Typical pre-seed to seed fundraising process

1. Define fund raise target and timing
2. Map target investors & Raise Materials
3. Have first intros and coffee meetings
4. Pitch to multiple investors
5. Negotiate and sign

Supporting artefacts	2	3	4
	• **Shortlist of Friends & Family, Angels and Seed investors** • Determine acceptable terms	• Email templates for (i) cold outreach and (ii) request for introduction • 2- and 5-min pitch deck • 1-2 page executive summary • Be conversant in relevant metrics • Set up Monthly Newsletters • Create video of team	• 15-minute and 30-minute pitch decks

Conducting background research

- Map the **investor landscape of relevance to your vertical sector / business model / geography**. Build a spreadsheet early on from research and by following the news.
  - Don't pitch your business to the wrong VC (e.g consumer hardware to enterprise software investors)
- Complete the **same exercise for acquisitions** in your space so that you know who the acquirers are (and in what geography they are based). Investors like to see that there is M&A activity within a space.

Preparing slide decks & executive summaries

- Prepare slide decks of a variety of lengths to be ready for different kind of pitches:

2-minute elevator pitch	5-minute pitch	15-minute pitch	30-minute pitch

- Prepare a summary paragraph about your company that can be included in e-mails.
- Prepare a 1-2 page executive summary.
- Prepare the Demo Day Presentation for large audience (i.e. more like TED Talk)

Setting up meetings with investors

- Investors are often **swamped with irrelevant and / or low quality pitches**.
  - Don't spam everyone you come across
  - Understand what a particular investor is looking for and include a couple of "hooks" in your e-mail

- **Personal investor introductions** help to rise above the noise factor – but only when the links are strong.

- **Leverage homophily** – "birds of a feather flock together" nationality/region/city, university alumni, company alumni… to connect

- Go for **"soft" pitches early in your journey** (e.g. working on so and so and would appreciate your feedback)

We covered the core components of a startup pitch deck throughout this course:

Opening	Problem
	Solution
Opportunity	Demand / traction
	Why Now
	Business Model
	Financials / unit economics
	Market Size
	Competition
Execution	Go-to-market / execution plan
	Vision
Team	Team

PITCH DECK CONTENT

A long list of don'ts

- Be dishonest in any way
- Be arrogant or unfriendly
- Be aggressive
- Seem indecisive – although it is okay to say you don't know yet
- Talk so much that investors cannot get a word in
- Be slow to follow-up or close a deal
- Break an agreement, verbal or written
- Create detailed financial projections (but do work on your unit economics and growth plan)
- Use ridiculous / silly market size numbers without clear justification
- Claim you know something that you don't or be afraid to say you don't know
- Get caught up in unimportant minutiae – don't let the meeting get away from you
- Ask for an NDA
- Try to play investors off each other when you are not a fundraising ninja
- Over-optimize your valuation or worry too much about dilution
- Take a "No" personally

Parting thoughts

- Prepare your strategy & docs
- Prepare yourself (for lots of rejection)
- Do soft pitches to get practice from anyone you know who has raised institutional funding
- Be professional, fast and ask for feedback
- Turn rejections in to relationships resulting in future advice and leads

ANTLER | LAUNCH ACADEMY