



LJUBLJANSKI UNIVERZITETNI
INKUBATOR

FUNDRAISING

Jakob Gajšek

cogsteps

Why is venture capital needed?

Most high-potential business models can work, but they require capital to be set up.

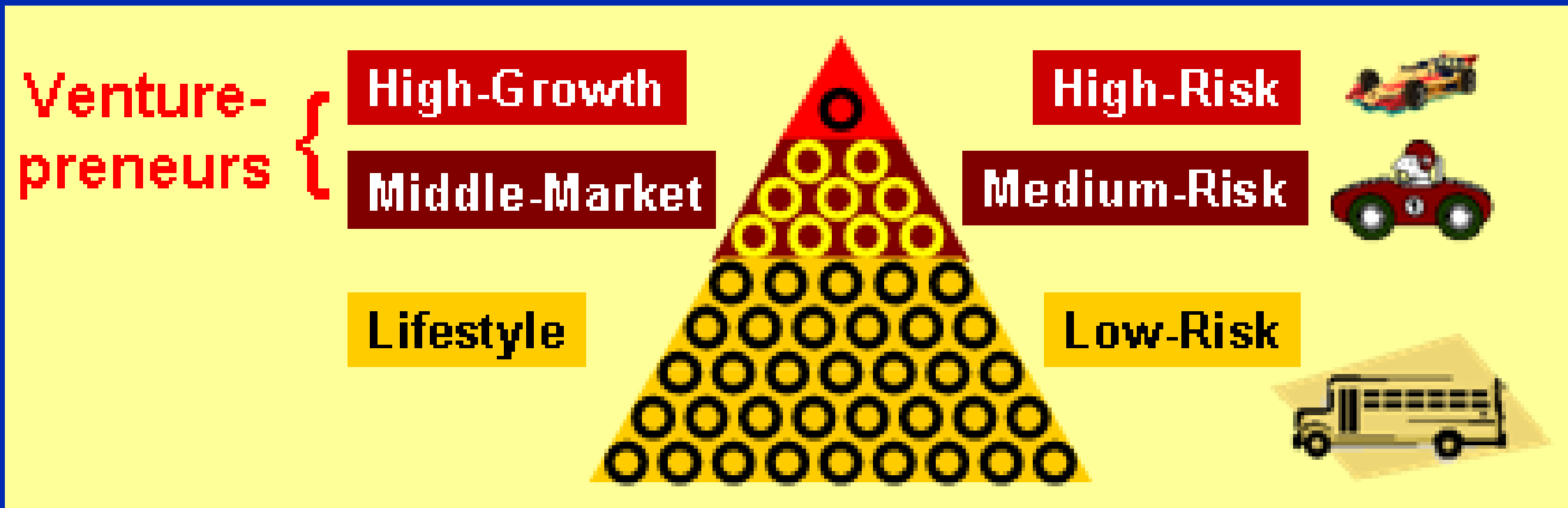
What kind of business models?

"Moonshots"



Types of Start-Up Firms

Venturepreneurs and Lifestyle Entrepreneurs



Type of Firms	Share of Total Firms	Growth Rate	Innovation	Funding Methods
High-Growth	1%	>50%	Breakthrough	Venture capital
Middle-Market	9%	>20%	Substantial	venture capital
Lifestyle	90%	<20%	Incremental	debt-based

Most companies that require capital
will raise more than once.

Funding provides survival, speed, space to make mistakes, competitive advantage, etc.

Fundraising is brutal

Fundraising is the 2nd hardest thing
in building a startup

Why? Because markets are brutal

Valiant effort \neq enough

Decision to invest is a big one

So why even fundraise?

Are there any other options?

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- Bootstrapping
- Grants
- "Side hustle startup"

So why even fundraise?

Are there any other options?

- Bootstrapping
- Grants
- "Side hustle startup"

They have their (big) downsides...

Golden rules of fundraising

1. Have low expectations

Hard(er) to get disappointed if you do...

Deals fall through

If you believe something will happen, you start to depend on it

Golden rules of fundraising

2. Keep working on your startup

Obvious, but has to be said

Have a clear role – who fundraises?

Don't stop development while fundraising.

Golden rules of fundraising

3. Be conservative

Approach fundraising as if it's likely to go badly and slowly

If you get a good offer, take it.

A better one is unlikely

Close prospects or forget about them

Golden rules of fundraising

4. Be flexible

Don't have a fixed amount you need

Know what are your possible routes

Know your absolute minimum

Don't get overexcited and overdiluted

Golden rules of fundraising

5. Be independent

Ramen profitability

It won't make you big, but it prolongs life

Be a startup that doesn't need investment

NOW.

Golden rules of fundraising

6. Don't take rejection personally

Don't ignore it. Don't take it literally.

Rejection is the default: ~1% funding rate

It's hard to judge startups

Use rejection as data – what reasons ring true? Can you improve your pitch?

Golden rules of fundraising

7. Be able to go down into consulting

Dangerous, but better than dying

Only works for some companies

Can you use your own product to consult?

Golden rules of fundraising

8. Avoid inexperienced investors

They are nervous

Do they get what you do?

10k€ from a rookie can require more management than a 1M€ lead

Novices mean you lead! Or they fill a round

Golden rules of fundraising

9. Be realistic

Investors are indecisive...

Long no

"Yes, if you bring a lead"

Realistically assess likelihood of investment

Golden rules of fundraising

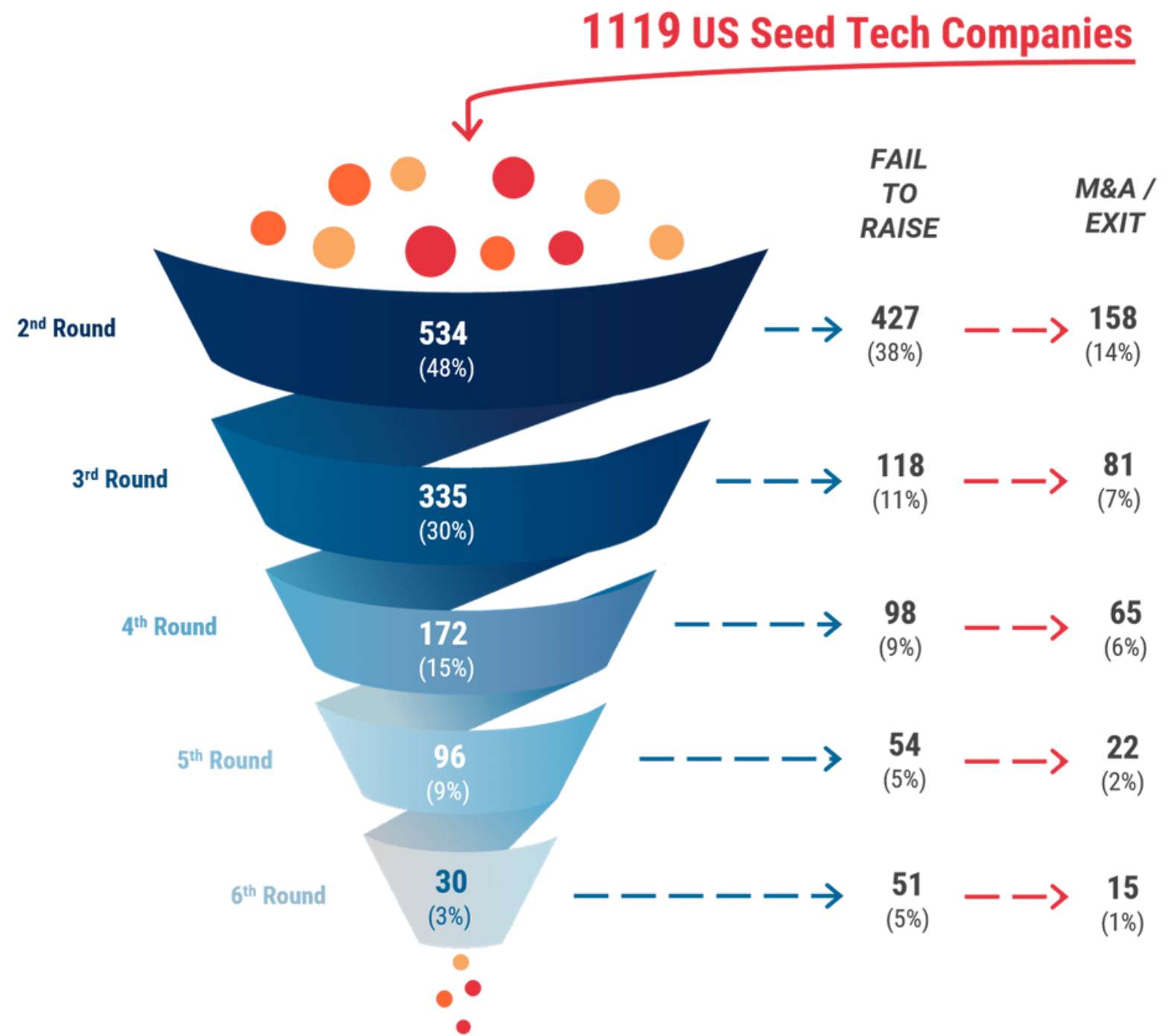
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2. Keep working on your startup
3. Be conservative
4. Be flexible
5. Be independent
6. Don't take rejection personally
7. Be able to go down into consulting
8. Avoid inexperienced investors

So, to summarise, what is venture?

**Investing in
super-fast-and-high-growth
companies.**

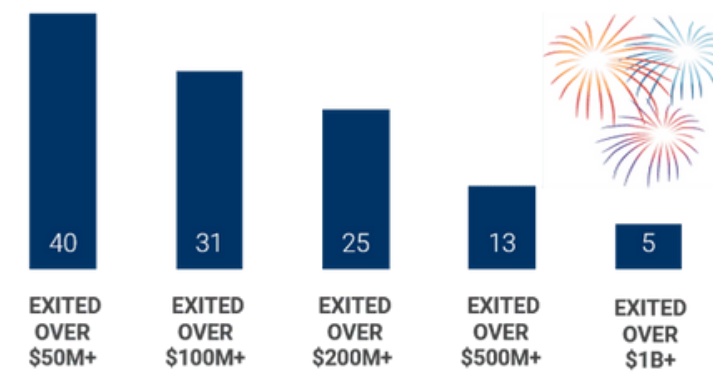
Why only super high potential?

FUND FINANCES




67%
DEAD / SELF-SUSTAINING

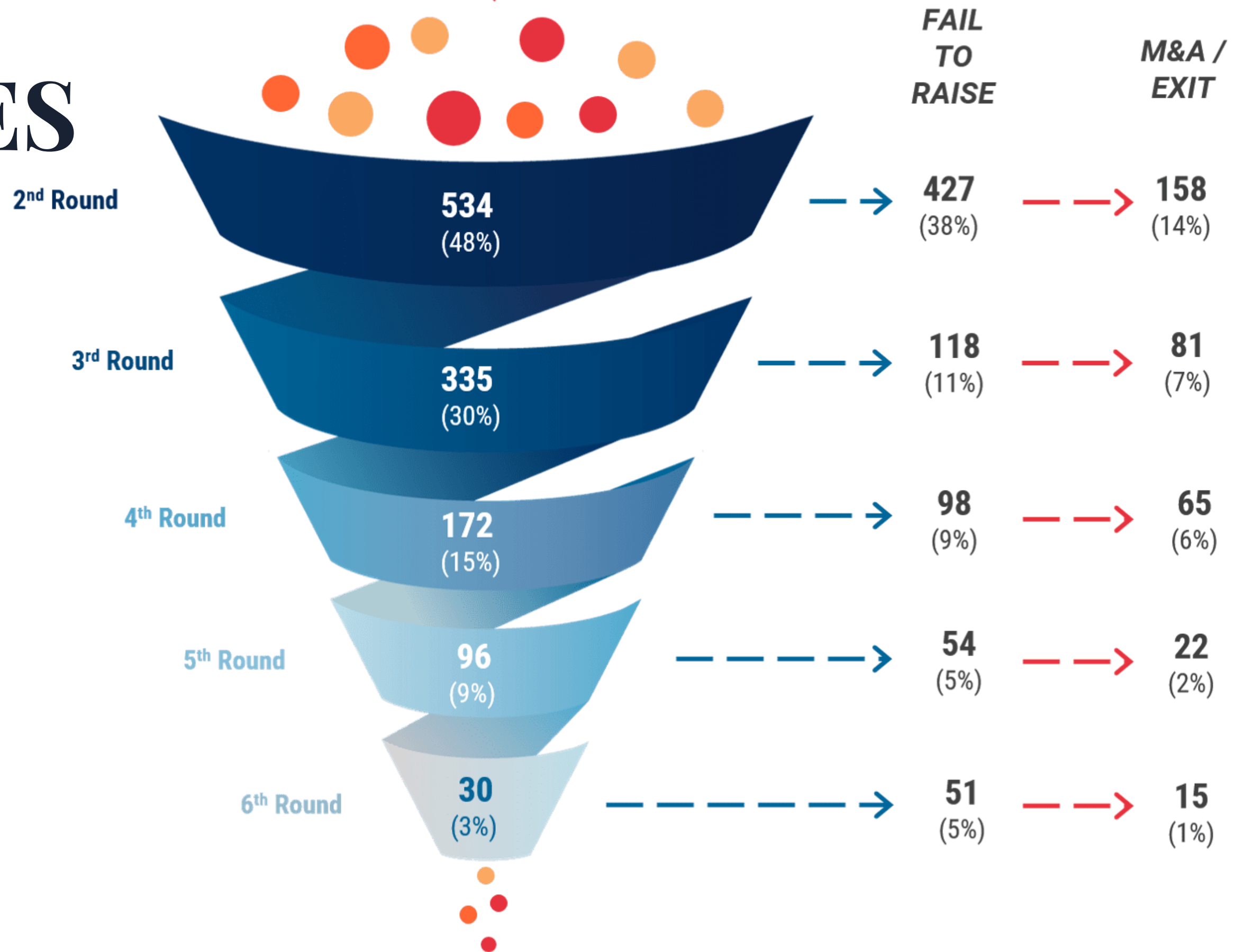

1% (12 companies)
REACHED UNICORN STATUS
INCLUDING...
 



Note: All numbers based on cohort of companies that raised Seed in 2008, 2009 or 2010 and disclosed valuations only.

FUND FINANCES

1119 US Seed Tech Companies



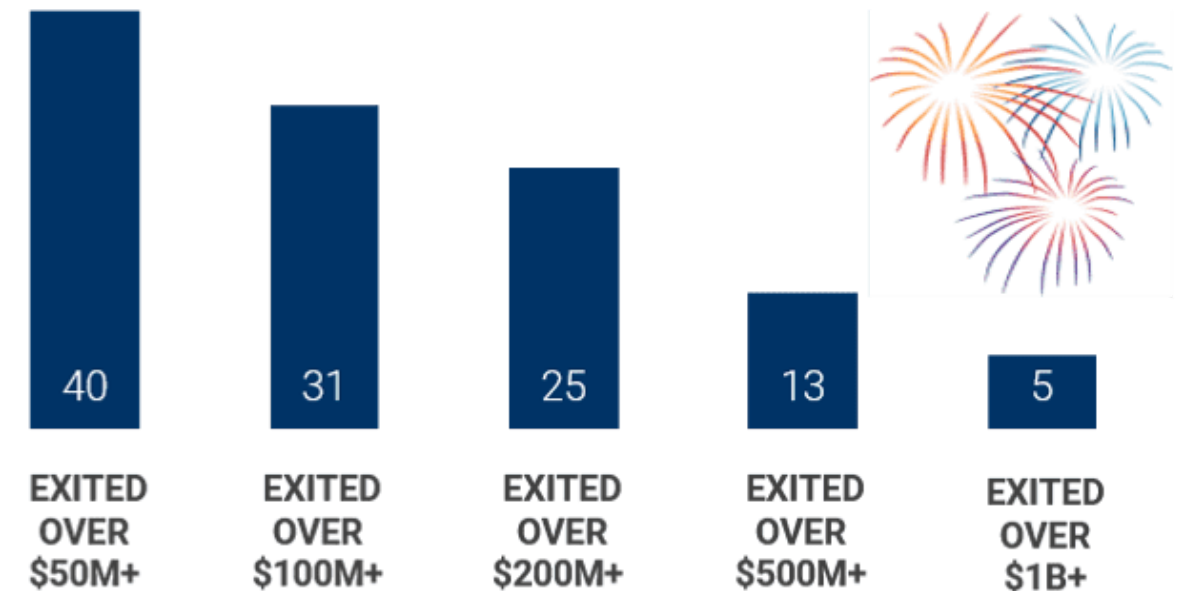
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UNDERSTANDING VC

Why is startup - investor fit so important?

Why Choosing A VC Is Like Choosing A Spouse



Adam Marchick Contributor

Entrepreneurs

I write about Voice-first, AI, mobile and their intersections.

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TWEET THIS



Committing to a relationship with a VC is committing to the long-term. In romantic terms, it's a marriage, not a casual drink



Committing to a relationship with a VC is committing to the long-term. In romantic terms, it's a marriage, not a casual drink



What to consider before you put a ring on it



Committing to a relationship with a VC is committing to the long-term. In romantic terms, it's a marriage, not a casual drink or weekend



getaway. In fact, venture capital/startup relationships last just as long as most marriages -- around 7 or 8 years -- and can be just as emotionally taxing.

FINDING THE RIGHT INVESTOR



STAGE



SECTOR



LOCATION

Investment stages

FUNDRAISING
MAJOR MILESTONES

VC IS LIKE A LADDER.

YOU GET MONEY ON ONE PEG
TO GET TO THE NEXT.

WHAT ARE YOUR PEGS?

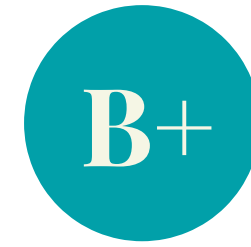
LADDER OF PROOF

$\frac{N}{fX}$



- Rapid Growth
- Other Defensibilities
- Network Effects
- Good Company Name
- Business (Not Product)
- Competitive Opening
- High LTV
- Low CAC
- Channel Partnerships
- Reputable Investors
- Team in One Place
- Scalable Aquisition
- Good Unit Economics
- Paying Customers
- Customer Retention
- Active Users
- Customer Waitlist
- Ability to Build Product
- Expert Advisors
- Fresh, Good Idea
- Great Team
- Big Market
- Customer Need

INVESTMENT STAGES



Series B and onward



Series A



Seed



Pre-seed

PRE-SEED STAGE

INVESTMENT SIZE

- Region: a few 10k€
- Global: 50-100k€

WHO IS INVESTING?

- F&F&F
- Accelerators
- Business Angels (individually)
- Public grants
- PoC

REQUIREMENTS

- Team (!)
- Idea and market potential
- MVP

- Goal: Develop product and test market

SEED STAGE

INVESTMENT SIZE

- Region: up to 500k€
- Global: up to \$1M

WHO IS INVESTING?

- VC Funds
- Angels (consortium)

REQUIREMENTS

- Team (!!)
- Idea and market potential
- Product
- First market response

- Goal: Properly enter the market

SERIES-A STAGE

INVESTMENT SIZE

- Region: 1-2M€
- Global: 5-10M€

WHO IS INVESTING?

- VC Funds
- Angels (consortium) - rare
- Corporations

REQUIREMENTS

- Team (!!)
- Repeatability
- Metrics
- Idea and market potential
- Product

- Goal: Segment dominance

SERIES-B+ STAGE

INVESTMENT SIZE

- Region: 5+ M€
- Global: 50+ M€

WHO IS INVESTING?

- VC Funds
- Corporations
- Family offices
- Private equity & hedge funds

REQUIREMENTS

- Repeatability
- Metrics
- Goal-driven

- Goal: very explicit

Types of investors

Types of investors

Financial vs. Strategic

Business Angels

Financial

Manage own money

Individuals, clubs

Patient

Smaller tickets

Invest in what they know

Venture Capital Funds

Financial

Mandate to invest LP money

Investment strategy

5y + 5y + 1y + 1y

Size varies

Family office

Huge variety!

Financial

Professionally-managed

large private wealth

Single / Multi

Patient

Corporate Venture Capital

Strategic (usually)

Fund vs off the balance-sheet

Usually later-stage

HOW DO INVESTORS REVIEW DEALS?

PITCH DECK REVIEW

THESIS FIT

CHEQUE SIZE

VIABLE SOLUTION TO REAL PROBLEM

MARKET SIZE

COMPETITION

1ST CALL/MEETING

UNDERSTAND STARTUP'S VISION

STARTUP'S EXECUTION

TEAM - SKILLS, DYNAMIC, CULTURE

PLANS FOR THE MONEY. BE SPECIFIC.

FOLLOW-ON MEETINGS

LEGITIMATE TECH, SECURE IP?

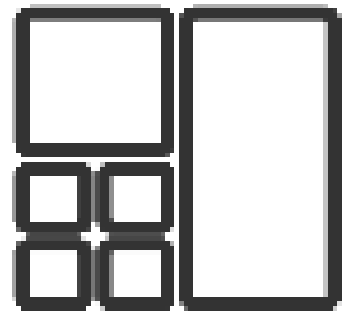
CAN YOU GROW FAST ENOUGH?

ARE YOU ASKING FOR ENOUGH MONEY

TO GET TO NEXT STEP?

CAN YOU WORK TOGETHER?

INTERNAL CONSIDERATIONS



Complement
or conflict
with portfolio



Capital to defend
or follow



Do we have
capacity to work
the deal?



Can we add
value?



FOMO

**DEAL STARTS
HAPPENING!**

WHERE SHOULD A FOUNDER SPEND
THEIR TIME IN THE DEAL?

VALUATION
TERMS

TERMS

VALUATION

LET'S START WITH VALUATIONS

**Pre Money
Valuation**

**+
Cash from
Series X**

**=
Post Money
Valuation**

POST-MONEY VALUATION IS
THE TOTAL, IF X% SHARE
IS WORTH Y.

VALUATION

HOW DO YOU VALUE
AN EARLY-STAGE BUSINESS?

VALUATION

HOW DO YOU VALUE
AN EARLY-STAGE BUSINESS?

NO! DON'T!

LOGIC:

GIVE THEM THE MONEY THEY NEED.

TAKE 10-20% OF EQUITY.

IT'S A NEGOTIATION. USE DATA!

TRANSPARENT PROCESS ON BOTH
SIDES!

DON'T PAY SOMEONE TO VALUE
THE COMPANY.

VALUATION GROWTH BETWEEN ROUNDS:

2,5-3X!

CAP TABLE - STANDARDS

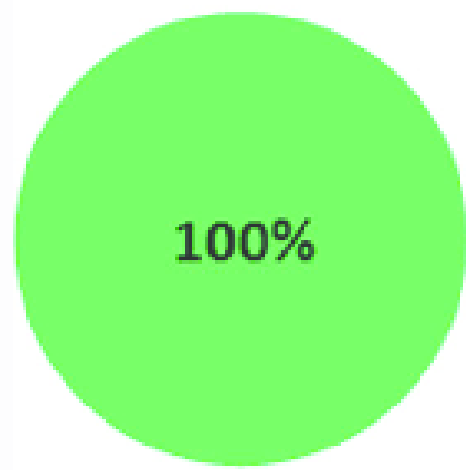
PRE-SEED: 10%-ISH

SEED - 10-20%

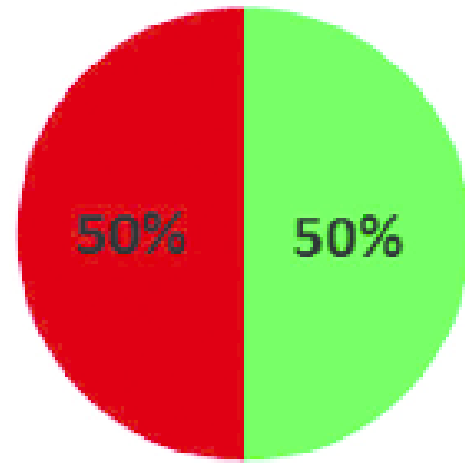
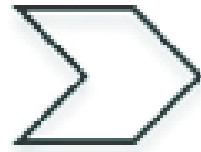
SERIES A - 20-25%

LATER... NO RULE.

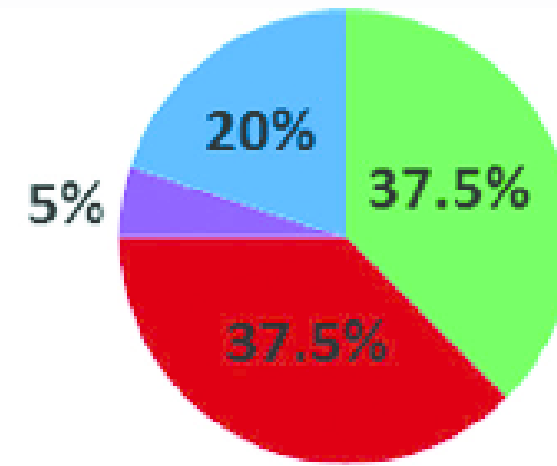
CALCULATING DILUTION



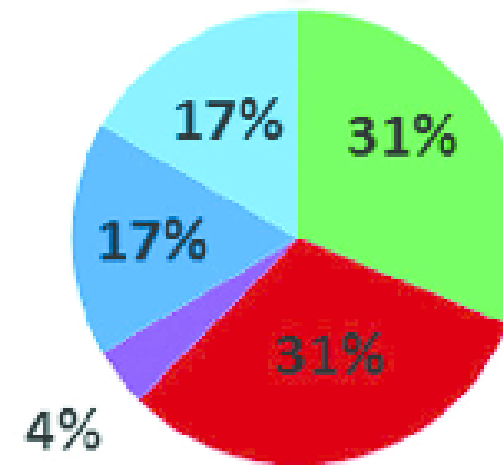
IDEA STAGE



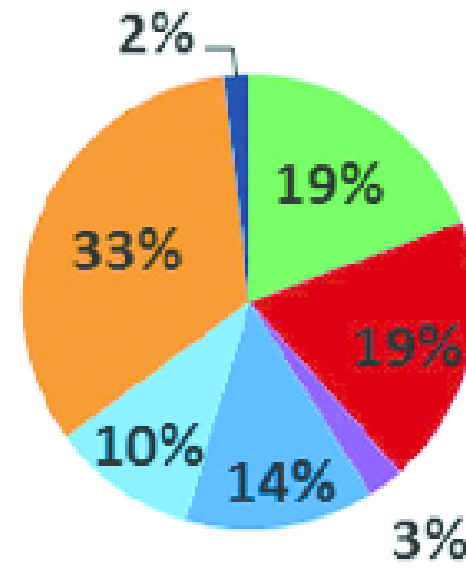
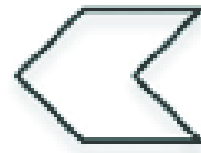
COFOUNDER STAGE



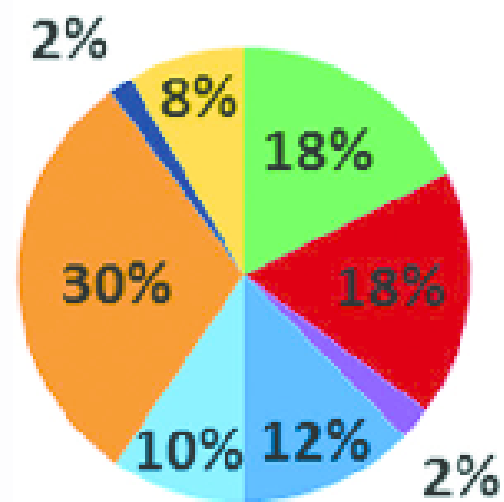
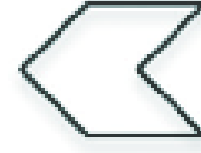
FAMILY & FRIENDS



SEED ROUND



VENTURE CAPITAL



IPO

■ Founder 1

■ Founder 2

■ Family & Friends

■ Option pool

■ Angel

■ VC

■ Employees

■ Public

INVESTMENT INSTRUMENTS

INVESTMENT INSTRUMENTS

EQUITY

Investors buy shares
Valuation is negotiated now
They get all shareholder rights
now
Notary?
Slightly more expensive

INVESTMENT INSTRUMENTS

CONVERTIBLE LOAN/NOTE

Debt secured by equity
Valuation determined later
Rights granted later
Conversion at next round
Cap / Discount
Cheaper, faster
Debt liquidates before equity

INVESTMENT INSTRUMENTS

S.A.F.E.

Simple Agreement for Future
Equity

Conversion at next round

Rights granted later

Valuation determined later

Cap / Discount

Cheapest

Very risky for the investor

TERMS

VALUATION

1. ECONOMIC TERMS

2. CONTROL TERMS

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AFTER THE INVESTMENT

**WHEN DO STARTUPS
GET THE MONEY?**

**HOW CAN STARTUPS
SPEND THE MONEY?**

THANK YOU!