

Early Stage Fundraising:

Terminology, Milestones, Expectations



The all-important question:

Are you fundable?

Is There a Market?

HOW LARGE IS YOUR MARKET?

Key Questions VCs Ask

- How many more customers are out there?
- How much money is currently being spent each year?
- Is this market growing? By how much?
- Who are your competitors?
- What is the path to \$1B valuation?

PRODUCT MARKET FIT (PMF)

Is there
demand?

Desirability

- “Must Have”
- “Nice to Have”

Unit
Economics

Costs

- Can you sell at a price for more than your cost?
- How much more?

Are you
Differentiated?

Uniqueness

- Unique IP?
- Stellar team?
- Unique business model?

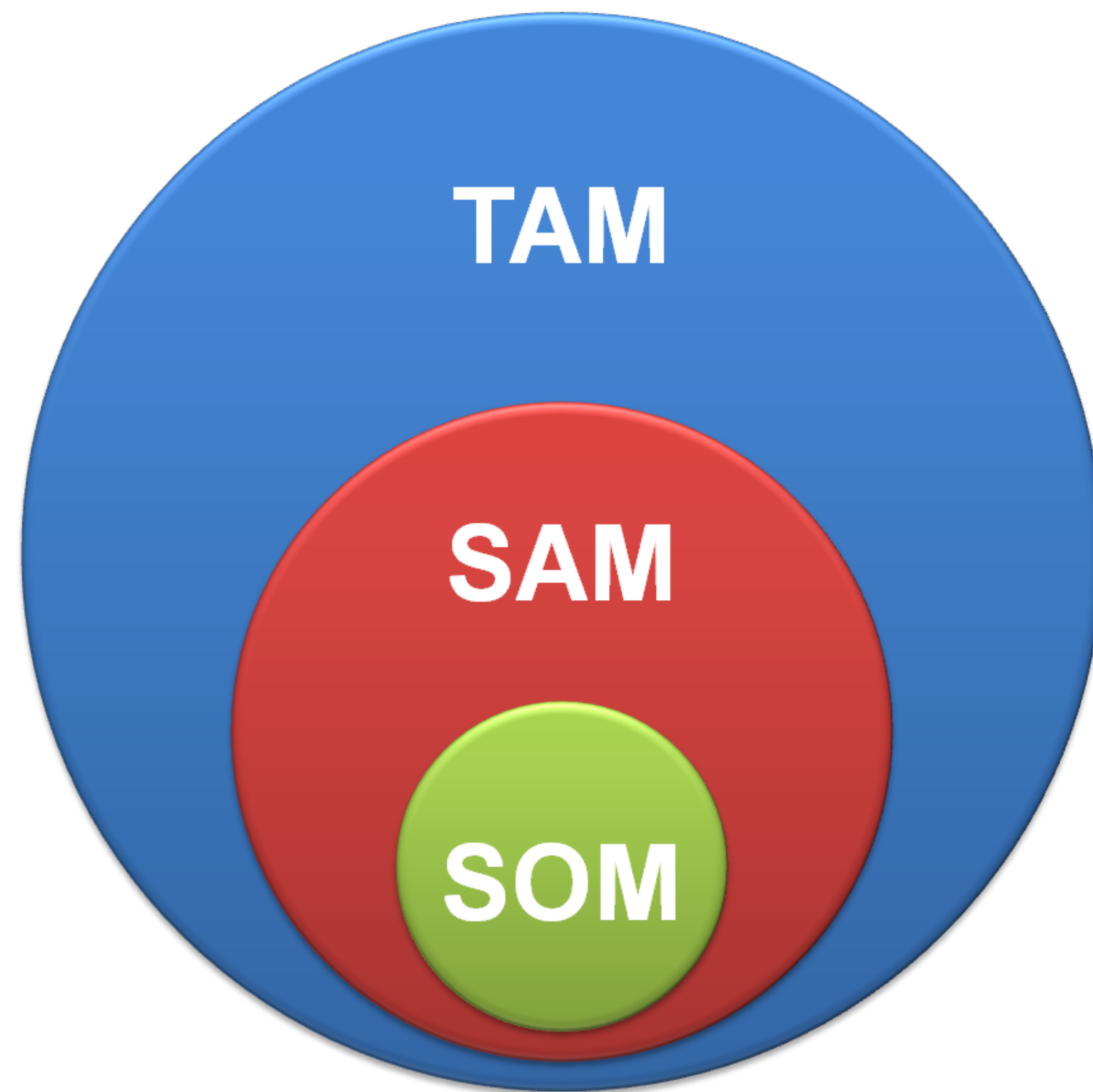
Can you
scale?

Growth

- Are your sales repeatable?
- What is the sales cycle?

ASSESSING THE MARKET

TAM vs SAM vs SOM



Total
Addressable
Market

The total market demand for a product or a service, calculated in annual revenue or unit sales.

Serviceable
Available Market

Portion of TAM served by a company's products or services.

Serviceable
Obtainable
Market

Also called "Share of Market." SOM represents the percentage of SAM that is realistically achievable.

COMPETITION

If you don't have any, is there really a market?



- The Temptation of Visionary Entrepreneurs
- Creating and growing brand new markets is really hard
- Entering crowded markets can also be challenging

REGULATED INDUSTRIES

**Are you operating in a
regulated industry?**



Factor in increased time to market and related costs

Expect longer sales cycles

Even very early stage start-ups need these answers for
funding in regulated markets

TIME TO MARKET

What does it take to get to market?

Raising Capital

- Raising capital is a full-time job
- Don't underestimate the time it will take to close a deal

Setting up Operations

- Incorporating (where? Which type?)
- Finding an attorney
- Payroll, HR, financials, benefits, office space

Hiring a Team

- Hiring plan
- Sourcing
- Vetting
- Closing

Getting to MVP

- SW and/or HW?
- Sourcing
- Financing
- Logistics

The Sales Cycle

- 18-24 months from first meeting to executed agreement
- Longer in certain industries, particularly regulated ones (healthcare, government, banking)

Do *you* have traction?

When starting a company today:
GTM Traction is King

So, what are the two key components to GTM (go-to-market)?

**Customer
Traction**

(Paid Pilot)

**MVP/
Beta**

(Working Prototype)

Pilot Program

Finding Your Pilot

Finding Contacts

Customer Validation
Process

Finding Your Pilot

Negotiating Your Pilot

Finding Contacts

Identifying Metrics

Customer Validation
Process

Securing Automatic
Rollover Contract

Finding Your Pilot

Finding Contacts

Customer Validation
Process

Negotiating Your Pilot

Identifying Metrics

Securing Automatic
Rollover Contract

Achieving Revenue

Metric Tracking
Methods

Internal Tracking

Beta Program

Goal:

Testing for COMMERCIALIZATION

ALIGN METRICS WITH PILOT

STEP BY STEP METRIC-FOCUSED
METHODOLOGY

USE CASE BASED - MULTIPLE
METRICS AT ONCE

The Components of a Testing Program

Gates

EVT

DVT

PVT

Use Case	First Gate	Second Gate	GTM GATE
	Metric 1 - 1st Goal	Metric 1 - 2nd Goal	Metric 1 - 3rd Goal
	Metric 2 - 1stGoal	Metric 2 - 2nd Goal	Metric 2 - 3rd Goal
	Metric 3 - 1st Goal	Metric 3 - 2nd Goal	Metric 3 - 3rd Goal

Example: A robot meant to “shadow” a human

Gates

EVT		DVT		PVT	
Use Case	First Gate	Second Gate	GTM GATE		
Robot follows walking human	Robot follows human with maximum 30 feet gap	Robot follows human with maximum 20 feet gap	Robot follows human with maximum 9 foot gap		
Robot keeps pace with running human	Robot can move at 1 foot per second	Robot can move at 5 feet per second	Robot can move at 10 feet per second		
Robot stops when human stops	Robot stops within 5 seconds of human stop	Robot stops within 3 seconds of human stop	Robot stops within 1 second of human stop		

Goals of Pilot/Beta Program Before Fundraising

Matrix of Products

	Hardware	Software
B2B		
B2C		

MVP

Hardware

Software

PMF
Collaborative/
Customer
Validation/
Contract metrics

B2B

Initial quality must be within expected parameters of customer pilot/Iteration expected

Initial quality must be within expected parameters of customer pilot/Iteration expected

PMF based on
digital
landscape,
CAC testing,
etc.

B2C

Initial quality must generate great NPS/
Almost zero ability to iterate after initial sales

Initial quality must be intoxicating/
Continued and constant iteration after initial sales

Beta

	Hardware	Software
B2B	Initial quality must be within expected parameters of customer pilot/Iteration expected	Initial quality must be within expected parameters of customer pilot/Iteration expected
B2C	Initial quality must generate great NPS/ Almost zero ability to iterate after initial sales	Initial quality must be intoxicating/ Continued and constant iteration after initial sales

Extraordinarily
rigorous Beta
testing

Gmail is still in
“Beta”

Customer Traction

	Hardware	Software
B2B	Paid pilots have begun/Pilot contract includes automatic rollover into official customer once certain metrics met	Paid pilots have begun/Often these contracts simply rollover to a higher MRR once a certain time barrier occurs
B2C	CAC assessment/Digital landscape review/Beta customer testimony	CAC (actual)/User data/DAU/etc.
	Longer ramp based on HW iteration cycles - test customers early traction data	Shorter ramp assumed - early traction data based on customer willingness to pay or engagement

Customer Traction

		Hardware	Software
Signed contracts/ARR	B2B	Paid pilots have begun/Pilot contract includes automatic rollover into official customer once certain metrics met	Paid pilots have begun/Often these contracts simply rollover to a higher MRR once a certain time barrier occurs
Actual paid or pre-paid users/MRR/CAC	B2C	CAC assessment/Digital landscape review/Beta customer testimony	CAC (actual)/User data/DAU/etc.

**So you've got the market and
the traction:**

Time to Get Funding

OPTIONS

BOOTSTRAPPING

DEBT

EQUITY

EQUITY INVESTMENT

IS YOUR COMPANY VC-
BACKABLE?

WHY VCS DO IT

- How VC works/
Portfolio
Structure

WHY START-UPS DO IT

- Advising
- Continued
funding access

Types of Equity Investment

FUNDRAISING TERMINOLOGY

Venture Capital/Corporate



FUNDRAISING TERMINOLOGY

Angels,
Incubators,
Grants

Concept

- Round Size: \$250-750k
- Valuation: Under \$5M
- Some customer validation
- Tech plan

Pre-Seed

Product Market Fit

- Round Size: \$1-2M
- Valuation: Under \$10M
- Prototype
- Secured/securing Pilot

Seed

Go-To- Market

- Round Size: \$3-5M
- Valuation: Under \$20M
- Multiple pilots
- \$500k-\$1M in BOOKED ARR
- Converted to revenue for at least one contract

Series A

Scale

- Round Size: \$8-20M
- Valuation: ???
- \$2M+ in ACTUAL ARR
- Significant revenue from multiple clients

EQUITY INVESTING

Investor Priorities

Fundamentals

Stage

Dilution

Traction

Series of Bridge
Rounds

TIPS FOR ENTREPRENEURS

Identifying Investors

“Smart” vs
“Dumb” Money

Lead vs. Follow
Investor

Types of Rounds

SAFE

Convertible Notes

Priced Rounds

Deal Terms

Term Sheet

Rights

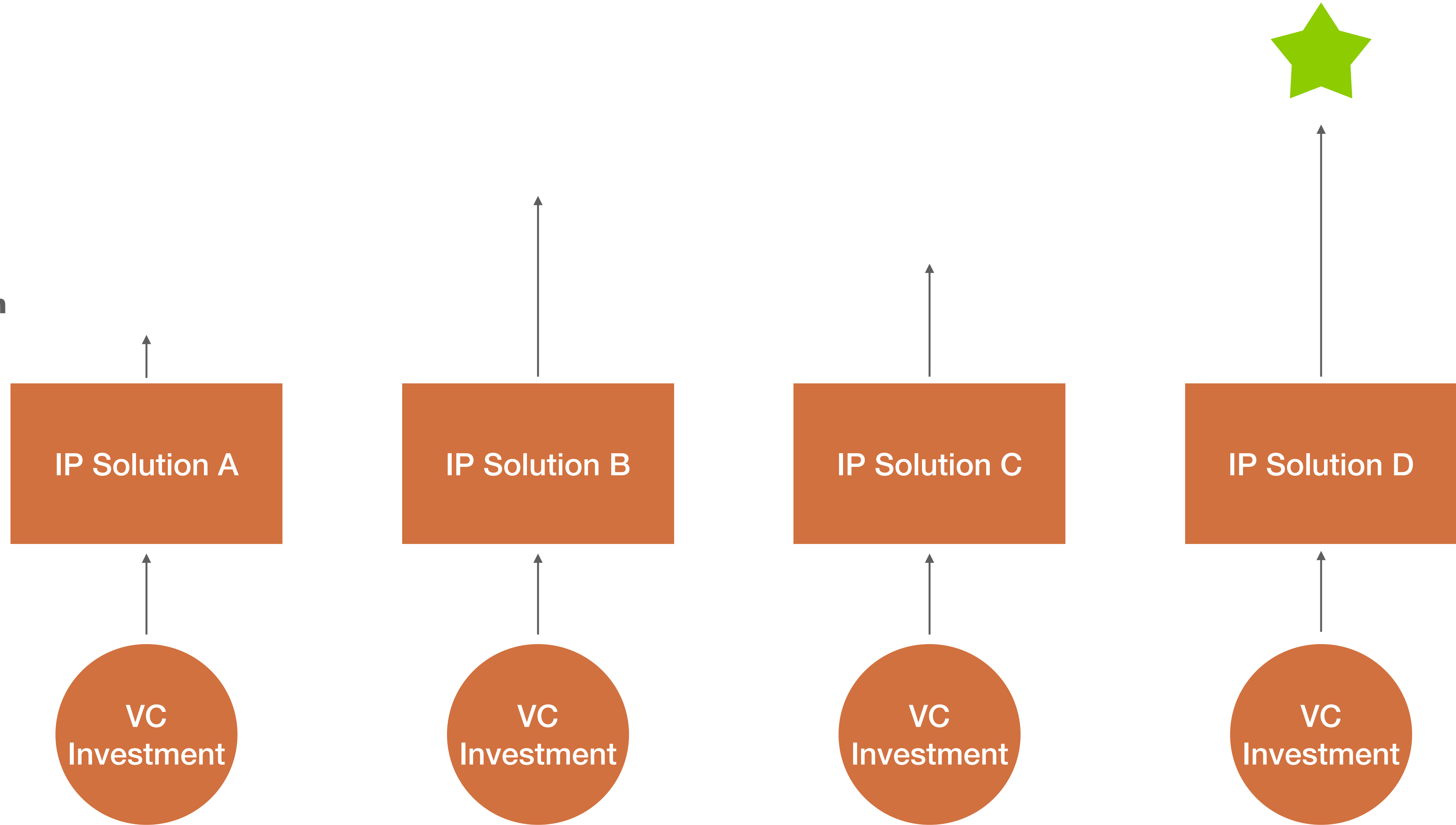
Boards

What questions to ask an investor

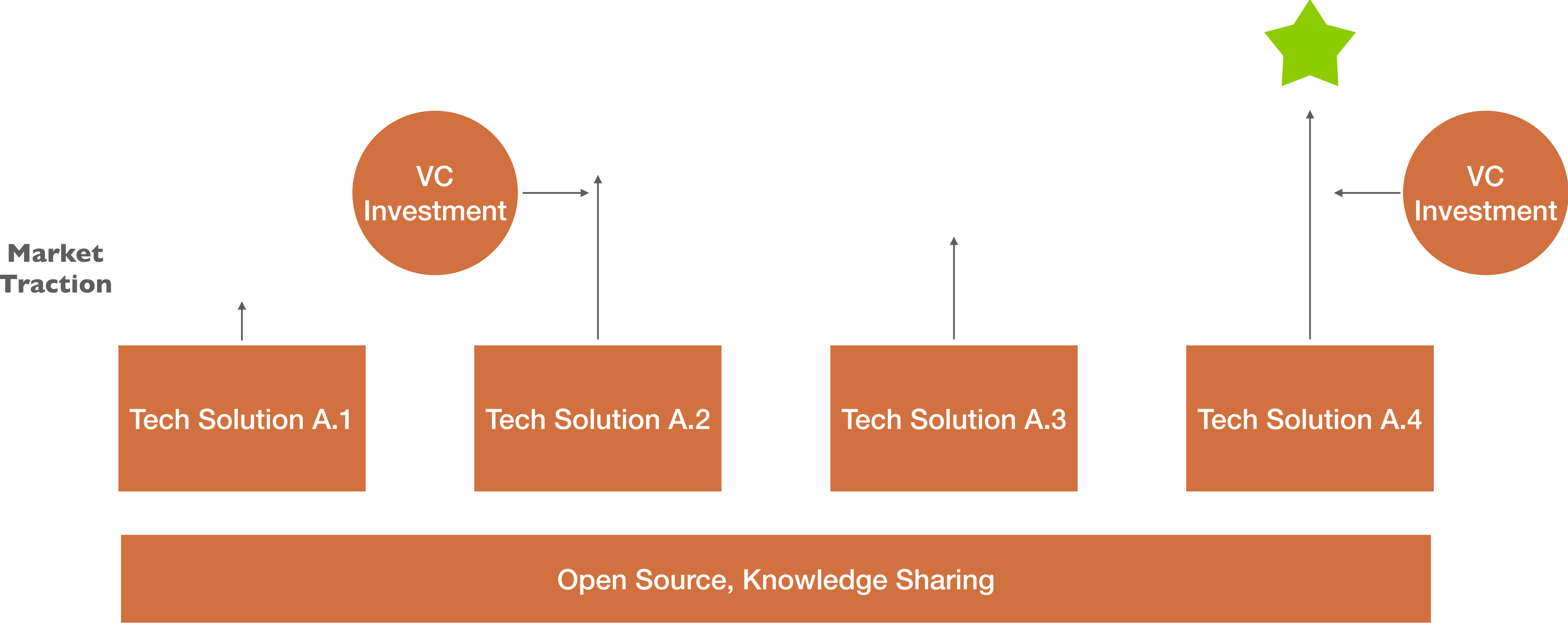
How Investors Look at Traction

Previous Series A Investment Strategy

**Market
Traction**



Current World of Investment - Market Traction Drives Series A Funding



**What do you need before a
\$15M valuation?**

Pre-Seed Stage

Idea + Prototype + Pilot

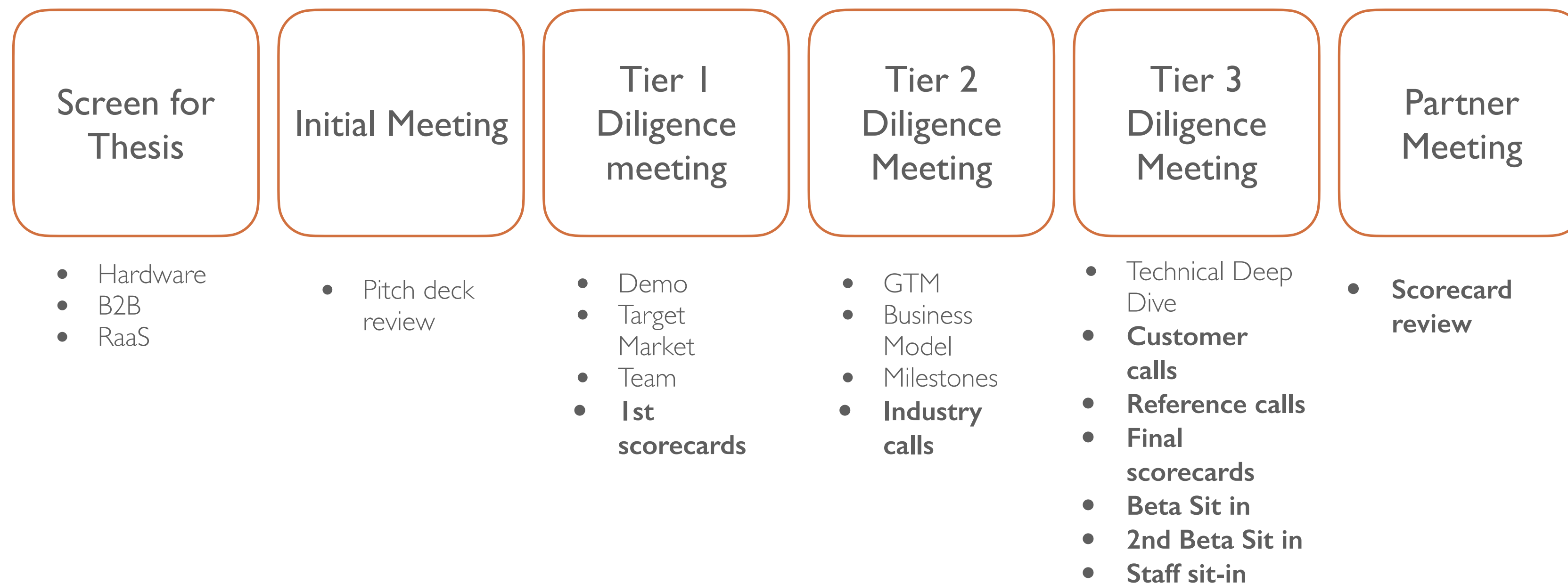
- Beta
- Pilot
- Financial Forecasting
- Business Model Creation
- GTM Strategy
- Reliable CAC/CA Strategy
- Customers Signed - \$1M ARR



Product Market Fit + GTM Plan + Launch Plan + Messaging + Partnerships + Channel Strategy

Seed

What is “doing diligence” in early stage?



Your Role In the Company: One Key Question

What do you want to do all day?