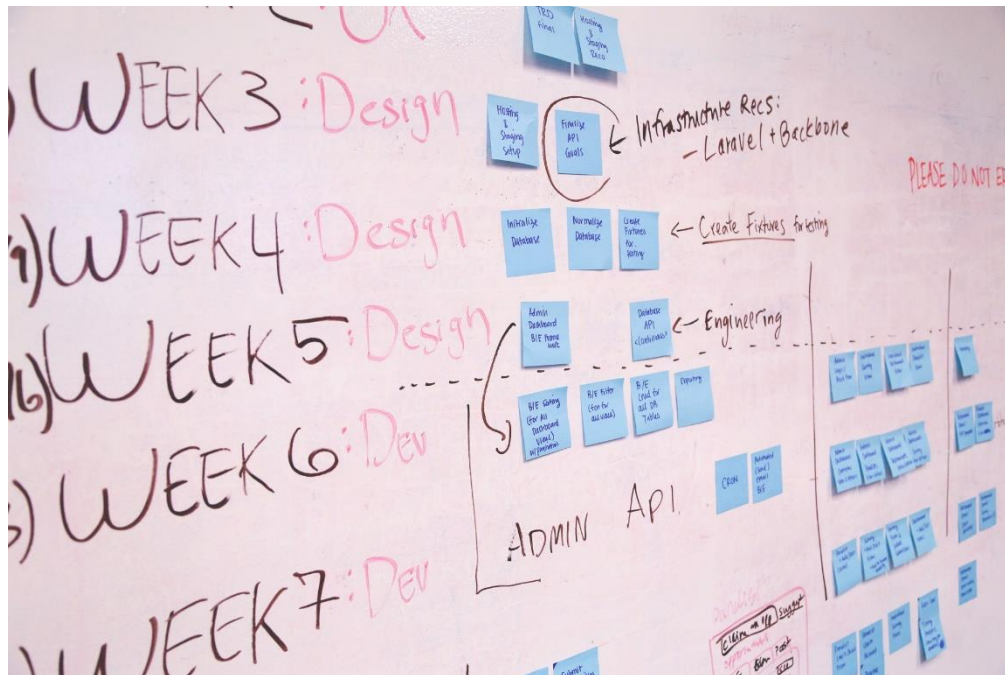


How To Prepare Your Startup To Raise Investments

Just at the start of April 2020, EU-Startups have been worrying about the slowing down of funding due to the coronavirus pandemic. Thankfully, things have started picking up again. This time medtech and healthtech startups are seeing the first closed funding, followed by responsive services such as online groceries. Within just a month, startups have seen an influx of funding opportunities which shows just how promising it is for companies raising seed investments.

With all the changes going on, it is important to review where your startup is at. This will ensure that you are prepared for any possibilities – even raising investments post COVID19.



The surveys are in for seed startup investments

A report by [CBinsights](#) shares, “most investors are seeing riskier markets during the pandemic so understandably there is a drop in investment deals.” Still, another report published by [500startups](#) that there is still a considerable number of VCs who plan to continue investing even after the COVID19 health crisis.

Seed investing is a completely different field

Even before the coronavirus, seed investments have always been a unique field of its own. Even some of the biggest firms like Founder Collective moved to specialized in working with early stages of venture capital funding.

According to David Hornik, general partner at August Capital, a fund company, “Seed investing is very different from series A investing as they take completely dissimilar disciplines.”

An important step is to understand where you are exactly in the seed stages of your startup. This will help you know which VC to reach out to (supposing you will need one).

The seed gradient

Stage	Pre-Seed	Seed	Seed Plus	Series A
Traction	Pre-product or pre-launch up to early customers (2-10 who can serve as references)	Early evidence of Product-Market fit	Scaling, have hit an inflection point, but not yet at Series A	Team growing to support scaling
Monthly revenue	\$0 - \$25K	\$25K - \$150K	\$150 - 200K	> \$200K
Round size	\$0 - \$750K	\$500K - \$2M	\$1.25M - \$2.5M	\$2M - \$7M
Funding sources	Dedicated pre-seed funds Angels Friends, Family & Founders Accelerators	Seed funds Accelerators Angels	Seed funds	Series A funds

Founder Collective / @parulia

Takeaway: If you are in the seed stages of your startup, that means harder days may be ahead but there is still a lot of hope even within the possible economic difficulties after COVID-19.

Are you raising money the right way?

As a startup company, you need to understand the art of raising money. Initially, you should consider if you need to raise money – and if you need to raise it from venture capitals. So one of the first questions that you need to consider bootstrapping or venture capital fundraising?

It depends on your goals, the industry you are in, the amount capital is needed to get started, and your relationship with money. You should feel comfortable with your choice since you will be the person responsible for the success or failure of the investment.

Are you a venture scale? - Remember many startups don't necessarily require venture financing, as they are more of "lifestyle businesses". However, if you really need to raise money consider these criteria:

- **10x (or more) return** - According to David Frankel, a managing partner at Founder Collective, "If you cannot turn \$1 into \$10, your investors will not trust that you can turn \$1M into \$10M. To create a business that venture capitals will want to fund, you need to build to build a "venture fundable business", consider creating a value of this scale.
- **How fast can you grow?** – Velocity is important because your investors will consider your future growth rate from past performances. Also when you are using venture money, you'd need to consider ownership and the funder's returns.

- **Are you building a business?** Venture capitals will always want to work with startups that has high velocity and high return of investments. This means startups with a concise long-term assets are more valuable. Therefore, you need to make sure that you are building a business not a product.

Takeaway: If your startup is not venture scale, but you are raising money in venture scale level, you will have problems sooner or later. Bootstrapping is a great option to consider too.

How to become VC ready?

When you've decided to fundraise, you will need to talk to a lot of venture capitals and investors. VCs usually get thousands of pitches every year. They will consider looking into less than 5% of the offers and invest in less than 1%.

Expect to meet a lot of investors, participate in hundreds of meetings before you will be able to close your seed funding.

1. List down target investors

No venture capital is ever the same, so you need to consider the right ones to pitch to. Make sure to do your research in which VCs will fit right into your business model. Start searching databases from AngelList, Cruchbase, or CBinsights. Review social media accounts and blog posts to get to know every potential VC better.

2. Use your network

Use your network to your advantage ask your angels and investors to help you with warm introductions. Try to find the best person with your network to refer you, this is the best way to get to the right investors.

3. Create a FOMO

Pack your meetings in a few weeks and create a FOMO (Fear Of Missing Out) experience for your VC prospects. Make them feel that you are closing in on an investment very soon and that they may want to consider.

4. Build a Pitch Deck

When building a pitch deck you should consider answering these questions:

- What creating or building?
- How are you going to build/create?
- Why you and why now?
- Who are your competitors?
- How big is the market and who is your target market?
- How will you sell?
- How much do you need and why do you need this much?
- Demos (if you are offering consumer tech)

Takeaway: When you feel that you are VC ready, make sure you are VC ready. There is a way to still secure that seed investment. You need to make sure you do all the research and preparation needed for every introduction, meeting, and pitch.

Meta title: Raising seed startup investments during the COVID-19 Pandemic

Meta Description: Read here to learn more about raising seed startup investments. What are the difficulties that startup companies are now facing with the pandemic?

KW: seed startup investments

Startup investments

COVID-19 pandemic

COVID-19