Ultimate Guide to Raising Capital

Transforming your company from unknown to known

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Raising money is hard. We get it.

Although the process of starting your own business is reasonably simple, maintaining that business, keeping it afloat and ensuring there is enough capital to grow is where we border the impossible.

There's a saying that strangers can be more supportive of your business than your closest circle. This is why we created this guide to help you plough through the capital raising process from ground zero.

Introduction to Capital Raising

Capital raising is simply pitching your business idea to potential investors, oftentimes through proofs-of-concept or prototypes, in the hopes of receiving support via funding in exchange for a stake in the company.

Types of Investors

Most founders start with bootstrapping if they want to build a company. Bootstrapping simply means that the funding will come right out of your pockets. Although this is a noble method to begin with, it obviously isn't sustainable in the long-run.

This is why founders, as their demands grow with their growing ventures, turn to alternative methods of funding. The catch is; finding investors with enough capital and risk appetite to back them.

In a typical raise, you're going to encounter these types of investors more often and these are the categories they usually fit under:

- Angel Investors
- Venture Capitalists
- Private Equity

See below a table useful in identifying which stage each of these investors are likely to invest as well as other crucial information to help you understand their interests, process and intentions:

	Seed/Angel	**Venture Capital**	**Private Equity**
Stage of Business	Founding, startup, pre-revenue	Early stage, pre-profitability	Mid to later stage, profitable, cash flow
Size of Investment ($)	$10,000's to a few million	A few million to tens of millions	Wide range: a few million to billions
Type of Investment	Equity, SAFE	Equity, convertible debt	Equity with leverage
Investment Team	Entrepreneurs/past founders	Mix of entrepreneurs and bankers/finance	Mostly bankers/ finance professionals
Level of Risk	Extreme risk, high chance of losing all money	High risk, moderate chance of losing all money	Moderate risk, low chance of losing all money
Return Profile	>100x return targets	>10x return targets	>15% IRR
Industry Focus	Varies firm to firm	Varies firm to firm	Varies firm to firm
Investment Screening	Founders, TAM, market share potential, virality, number of users, etc.	Founders, market share potential, revenue, margins, growth rate	EBITDA, cash flow, IRR, financial engineering
Examples	Paul Buchheit / Y Combinator, AngelList, Techstars, Jeff Clavier	Andreessen Horowitz, Sequoia Capital, VantagePoint, Highland	KKR, Carlyle Group, Blackstone, Apollo

Source: Corporate Finance Institute

Initial Public Offering (IPO) vs Mergers & Acquisitions (M&A)

Upon starting your journey as a founder, you may be curious as to what the ultimate goal is. Well, that is ultimately up to you. However, a quick scan across the present and historical entrepreneurship journeys will reveal that most successful founders work toward an exit. Exits are a contingency plan executed by a founder to liquidate their equity in an effort to realise an ROI.

There are multiple options, we will touch on the two most common; IPO or M&A.

IPO – An initial public offering (IPO) is a public offering whereby shares of a company are sold to institutional or retail investors.

This option usually becomes viable when a company **reaches a plateau in what can be achieved via private capital.** Perhaps there are ambitions for large-scale expansions and growth that local VCs and angels just can't fund.

Something to note is that the prospect of a future IPO is an extremely attractive milestone to investors as it shows a plan that will **eventuate in their investment being liquidated** at a most-likely, **higher valuation.**

Last year, Roblox was able to meet investors' expectations when they went public in which their market value reached over $39B.

Some founders may also take the **acquisition route** if they think a bigger company can take on the startups' challenges from a macro perspective. An example of an acquisition is Twitch being sold to Amazon for almost $1B. If you look at the former Twitch founder today, you could see that he is now an active YouTube content creator and launched his own podcasts.

We've collated a list of existing Wholesale Investor clients who have successfully pursued their capital raising journey's so that you can learn from their mistakes and achievements - Watch it here.

Funding Stages

Now, how are you going to get to that IPO or M&A goal? We'll take a look at the different funding stages that you should know when running a startup.

Pre-Seed

Pre-seed is the earliest stage of equity funding when you're still working independently or with a small team, and are yet to develop a prototype or proof-of-concept. The funding often comes from your family and friends, occasionally from an incubator or accelerator program, or an angel investor.

Seed

As your startup works through the problem-solving phase and identifies potential market fit for their proposed product, seed capital might be sought to fund further development. Seed funding can come from angel investors or VC funds focused on early-stage investments.

While determined by the team, traction, value proposition and commercial model, a seed round should raise roughly 12 to 18 months of operating runway. Seed funding is a key milestone for startups, but also the last stage for many, as those that don't gain traction before their seed money runs out will most likely fold or pivot.

Series A

Series A funding rounds are undertaken after a startup has obtained some product traction and user base, and has demonstrated potential for exponential growth through revenue, KPIs, or other metrics.

The money raised in this round often comes from angel investors or VC funds and can be used to scale internationally, improve and optimise products, add to operational capability, and increase customer acquisition.

Series B

Series B funding rounds focus on scaling the startup. Capital is used to increase market share, grow the team and continue expansion. Series B funding often comes from VC funds and often from the same investors who led the previous round. It may also attract investments from later-stage VC funds.

Beyond B (IPO)

Further funding rounds are designed to continue scaling the company, whether by developing new products, making acquisitions, increasing market share, expanding internationally, or preparing the company for an exit. Funding rounds Beyond B generally come from large VC funds, private equity firms, hedge funds and investment funds.

In our CRIISP AI matchmaking platform, you can see that we have companies mostly from the funding stages of Pre-Seed to Series A. You can take a look at these opportunities here.

Starting Your First Pitch

A company needs to show its potential in gaining customers and achieving growth – this is where your pitch comes in. For an investor to take an interest, you have to be able to present a clear vision of where you are heading in an effective and engaging way so that they understand the severity of the problem you are solving, the effectiveness of your solution, and the competency of your team.

Define your investment highlights and incorporate the important capital brand raising elements so you can seamlessly follow the AIDA process: **A**ttention, **I**nterest, **D**esire, and **A**ction from your content. You only have seconds to capture an investor's attention, and the elements below will assist in helping more investors discover you. **We suggest you create them as bullet points.**

Access the FULL pitch deck template here.

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Here is a short video providing guidance on the information below: Capital Raising Brand Elements

- **Sector** – highlight the sector which you are in and the market growth opportunity.
- **Business Model** – SaaS, Vertical SaaS, Platform or Marketplace, B2B or B2C, or whatever is relevant to you.
- **Board and Management Track record** – note any business exits, brand name company experience, growth rates achieved, and key accolades or distinction points.
- **Clients** – note any brand name or blue-chip clients. This highlights that a company has run a procurement process on your business and decided to utilise your product/service. It demonstrates product/market fit.
- **Shareholders** – note any well known private or professional investors. This highlights that other investors have done their DD and invested into you.
- **Traction Metrics** – provide any notable revenue growth metrics which appeal to investors e.g. ARR or MRR growth, MoM, QoQ, or YoY growth, and CAC/LTV.
- **Awards Won** – particularly helpful for more technical businesses.

Listen how journalists communicate successful capital raises and utilise all the points listed above by checking out our "Capital Raising Breakdown" playlist – **click here**.

Watch this live webinar and get tips for building your network and achieving success with your capital raise.

Deal Room Essentials

Having a platform or a deal room where you can highlight your company's strengths is important. CRIISP™ is an end-to-end solution that simplifies and streamlines current and future capital raising through powerful tools, analytics, and an access to ASEAN's ecosystem with over 30,000 subscribers.

This powerful feature allows CRIISP account holders to have a personalized deal flow that is tailored to their interests. Investors can seamlessly browse through opportunities they prefer by simply engaging in the platform.

One of the superpowers of having a deal is the sheer amount of time it will save you in 1) Answering the same questions repeatedly 2) Time spent with investors in meetings vs time spent with investors with your content. ESTABLISHING AND BUILDING YOUR FAQs WILL PLAY A KEY ROLE.

Here is a short video explaining the benefits and providing examples.

Equip your deal room with these essentials:

What are the top frequently asked questions investors want to understand?

1) What is your business model?
2) What is (or do you expect to be) your MOAT. Alternatively, what is unique about your IP?
3) What are the references or model you used to justify your valuation?
4) What are the key growth drivers for your business?
5) What are the potential exit paths (for later stage businesses)?

Your strategy going forward

To assist in improving the efficiency of your future capital raises, every time you get asked a question more than twice, add an FAQ to answer it in advance, or add a slide to your pitch deck.

The outcome is to demonstrate you are taking a professional approach to your raise, whilst spending 1/5th to 1/3rd of the time you used to in investor meetings.

Part of your journey will be to communicate frequently to your potential investors and existing shareholders. We recommend monthly communications and at the minimum once per quarter.

10 Examples of Investor Communication Topics

1) Capital raising
2) Senior board and management appointments
3) Business milestones achieved (which were previously highlighted as key milestones
4) Financial progress of the business
5) Awards won
6) Significant strategic partnerships or blue-chip clients acquired
7) Significant product milestones achieved
8) Challenges experienced / disappointments or help required from shareholders
9) Dedicated shareholder sessions
10) Indications for future capital raisings

These suggestions are designed to help you build consistent visibility and following amongst your shareholders and potential investors.

Timeless Advice For A Successful Capital Raise

We know that raising capital is not an easy job. This is why we've compiled a list of tips that you can live by while doing your raise, backed by 13 years of experience working with investors and founders.

1. **One conversation can change the course of your business trajectory.** You just don't know which one it will be; Approach discussions with an open mind.

2. **Investors might not invest in your current round.** Still, they may participate in the future. Always maintain your investor network. An investor that doesn't invest during that current round may still consider your startup in future rounds. Look to communicate with investors at least four times per year.

3. **You never know the relevant connections of who you are presenting to.** This space is driven by referrals. Simply put, if people like you, they will do their best to refer you to someone who they believe is relevant and can help.

4. **$100K invested in this round could be $500K+ in future rounds.** Often, investors will invest $100K as a starting investment. They want to observe how you perform as a CEO and see the results. If they are happy, they will look to invest in the next round at a more significant level.

5. **Communicating consistently allows investors to track your progress.** Investors want to see milestones being achieved. They will use that information to help them decide on whether they will invest in future rounds. So the more you communicate and share information, the more interest you may receive for your business.

6. **There are always more investors following your progress than those that are speaking to you.** Investors will do their due diligence before jumping in. Some investors may choose to follow your progress and invest later down the track.

7. **The more visible you are, the more opportunities are created.** For example, LifeArt (an Australian startup) presented at a WI event in London. From this event, the CEO was approached by a consortium who were impressed by their technology. They now have a UK Joint Venture, which is experiencing high growth and are creating plans to expand throughout Europe.

8. **Investors have different triggers for what interests them in your business.** It could be revenue milestones, other significant investors, blue-chip contracts, etc.

9. **Investors have long memories.** They will remember individual components from conversations you have had with them over the years.

10. **Investors are patient and diligent.** While their risk tolerance is high, their natural instinct is to look for the most obvious reasons to not make an investment. It could be the valuation is too high, lacking or unclear growth, the management team, the path to revenue, etc. Once they are past this, they often look to what your action plans are and see if you can deliver on what you say.

These principles are incorporated into everything we do here at Wholesale Investor. If you're currently raising, or planning to in the near future, reach out to our dedicated team for a chat. Let's discuss your capital raising ambitions and get you set up for success!

Feel free to reach out to Wholesale Investor and we'll help you turn your company from unknown to known.