



Is your company fundable?
(Hard earned lessons for other women CEOs)

Gina Ashe, CEO ThirdChannel

11.3M

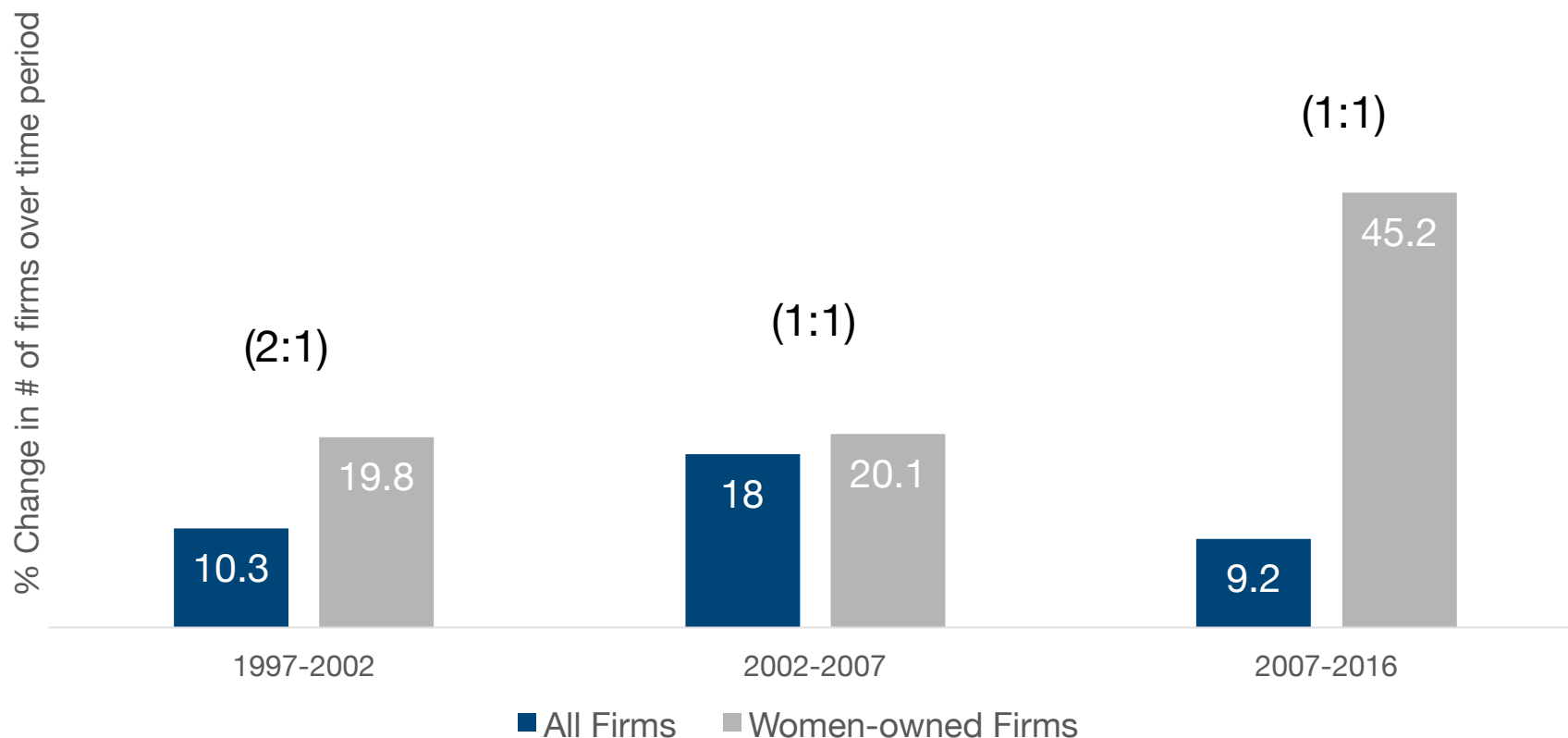
There are 11.3 million **women-owned businesses** in the United **States**, 36% of all businesses that employ nearly 9 million people

~ U.S. Census Data 2016, National Women's Business Council

Growth in Women-Owned Businesses 5X Faster than National Average

Surged in Aftermath of Recession

Though Overall Company Formation Still Hasn't Picked Up

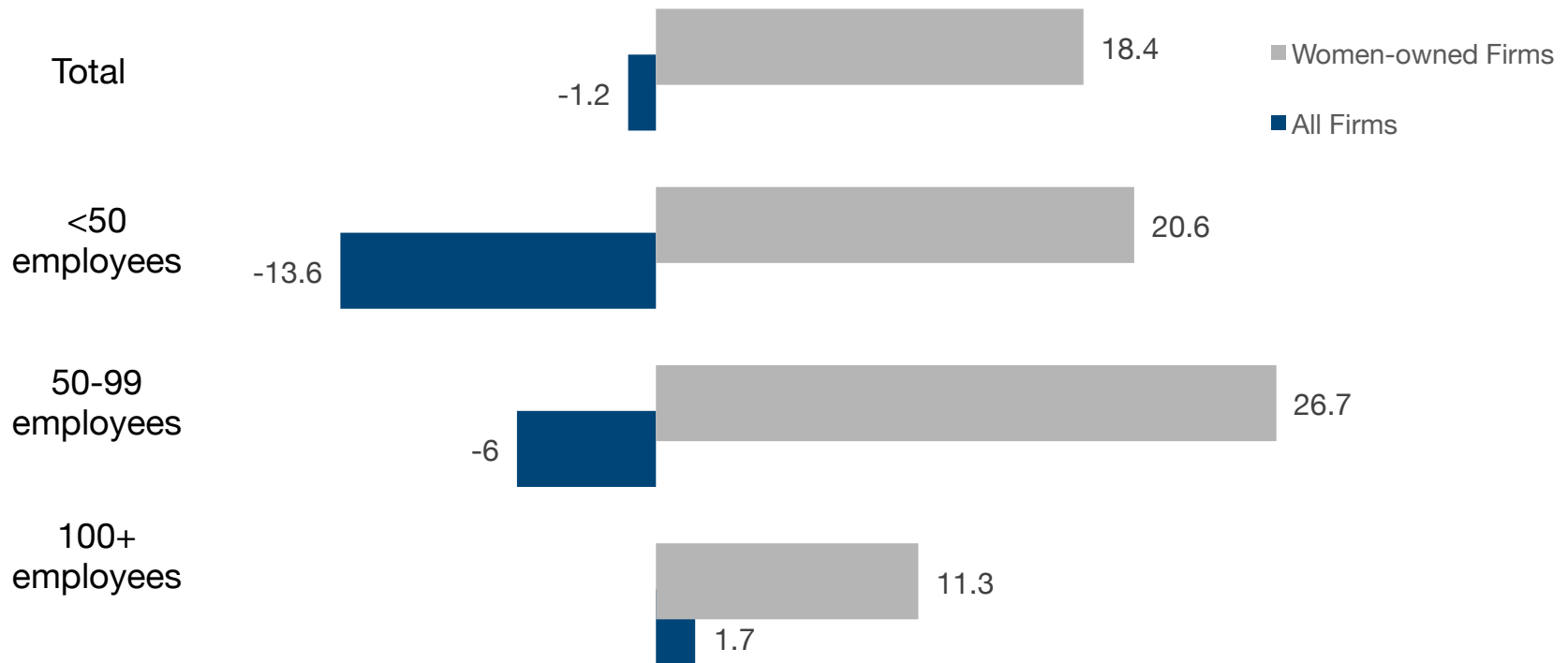


Source: 1997-2012, census bureau. 2016 estimates, American Express OPEN/Womenable.

Largest Growth in Women Owned Businesses | 50-99 Employees

Remarkable since lack of employment growth overall since 2007

Overall, Only Largest Firms are Adding Jobs



% Change in # Employees, 2007-2016

A grayscale background image of a woman with long hair, wearing a light-colored shirt, smiling and looking down at a laptop. She is in an office environment with shelves and papers visible in the background.

36%

Women own 36% of all businesses and female entrepreneurs start companies with 50% less capital than male entrepreneurs

~Geri Stengel, Forbes

Why the Force will be with Women Entrepreneurs in 2016, Jan 2016 Forbes

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A man with a beard and short hair, wearing a light-colored button-down shirt, is sitting at a desk. He is looking off to the side. In the background, there are stylized, high-contrast cutouts of people's heads and shoulders, some wearing headsets. The overall image has a muted, greyish tone.

1%

“Venture Capital is the exception, not the norm, for startups. Historically, less than 1% of U.S. companies have raised capital from VCs.”

~Diane Mulcahy, Kauffman Foundation

Why are you going to raise?

Revenue — expenses = < \$0

expenses = < \$0

Think Again | Why are you going to...

- ① Give away ownership in your company?
- ② Raise the stakes on getting to a successful exit?
- ③ Give up the flexibility to change course and pursue new opportunities? Give up the ability to control your own destiny?
- ④ Start the clock ticking on your business?
- ⑤ Take a hit on your quality of life...maybe indefinitely?

Is Now the Right Time?

- ① Getting inbound calls from venture capital teams?
- ② Have customers that want to buy something and you can't afford to add more engineers or staff to get it out the door?
- ③ Are you in a race to scoop up the market?
- ④ Sales are growing, and you need to invest in more sales people? PR/marketing?
- ⑤ Do you have the product/market fit right?

Think through how much you need and why (It becomes your 'use of capital')

Need more R&D?

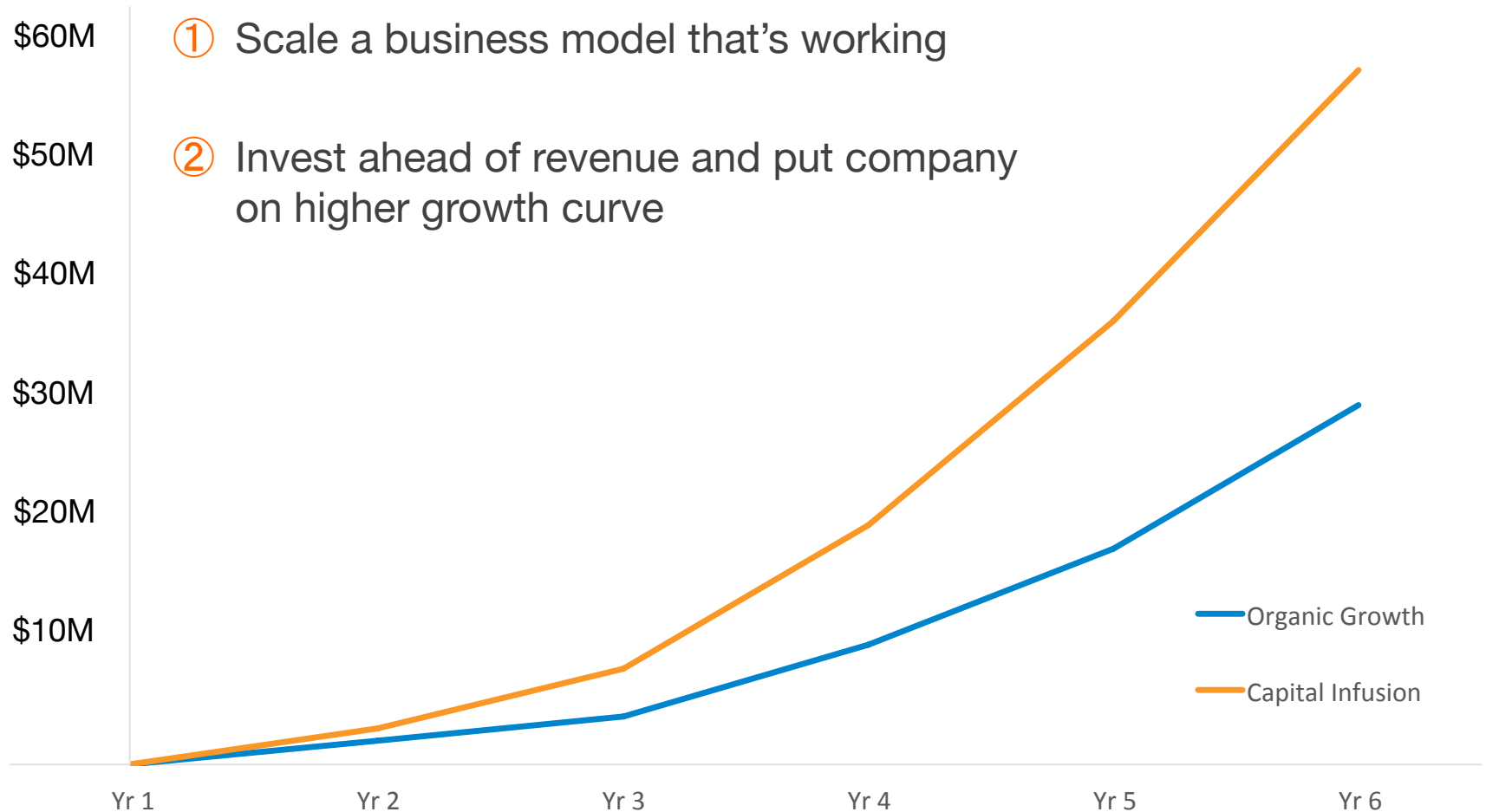
Build out a direct and/or indirect sales force?

SEM, online advertising, re-targeting budgets?

SEO technology?

Brand building and product marketing resources?

The #1 Reason companies raise outside capital is to Grow FASTER



Plan for your worst case scenario, not your best.

“Lacking sufficient capital in the beginning is akin to starting a long journey with empty pockets, a broken-down vehicle, and a half-tank of gas; the odds that you will reach your destination are slim to none.”

~Michael Lewis, CEO Pardot in Huffington Post

How much do you really need?

Example:

\$375,000

R&D

\$250,000

Online Marketing/PR

\$450,000

Direct Sales, Channel Sales team hires

\$350,000

General Working Capital/One Quarter Cash Cushion

\$1,500,000

Outside capital needed



So, is YOUR company fundable?

There are lots of ways to capitalize a company.



1. Venture Capital

Venture Capital | Don't try unless you can answer “Yes” to these 8 questions

- ① Can your company ever be big? Really big? Big enough to generate 10X the investment?
- ② Do you have key leadership roles filled? If so, do they have domain expertise?
- ③ Is your product live? If not, is it game changing?
- ④ Is your offering a “have-to-have” for customers?
- ⑤ Do you have customers? If yes, do they repeat purchase?
- ⑥ If not, when will you and how much will they pay? Do you have proof?
- ⑦ What's the Marketing Plan? (How will you get customers to meet your revenue targets?)
- ⑧ What's the exit strategy? Acquisition? If so, who?

For starters, it helps to be a man based in CA

Bloomberg study of 890 companies from 2009-2016:

- Funds invested by VCs dropped 25% in 2016
- 7% of the founders are women
- Companies founded by women get \$.77 to every \$1.00 received by men
- Women founders paid \$.79 for every \$1.00 earned by men
- 22% of the founders got their undergraduate education outside the U.S.

2009-2016 Startups and Their Locations

| | |
|---------------|-------|
| California | 1,135 |
| Massachusetts | 274 |
| New York | 213 |
| Washington | 66 |
| Texas | 63 |

Research VC Firms Carefully | Don't waste your time or theirs

Here's roadmap:

- ① Make a list of venture teams who invest in Seed – to – Series A
- ② Have invested in similar industry and know your target customer
- ③ If cross industry, have invested in similar business model
- ④ Identify the partner(s) who will care
- ⑤ GET INTRODUCED. They want to know you're smart enough to get to them via a credible channel



7%

7% percent of investing partners at the top 100 venture and micro-venture firms are women.

The first comprehensive study on women in venture capital and their impact on female founders
Posted to TechCrunch Apr 19, 2016 by [Gené Teare, Ned Desmond](#)

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-25%

With startups financed by all-male VCs, there is a 25% difference in the exits of female-led and male-led startups. Yet when startups are financed by VCs with female partners, that gap disappears.

Research: The Gender Gap in Startup Success Disappears When Women Fund Women
by Sahil Raina, HBR July 2016

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Size matters.

Venture funds want to know that your business can generate a return the size of their fund – research whether the funds you're targeting are \$100M or \$1B.

p.s. Don't show your deal to everyone.

2. Debt

57%

57% percent of startups are funded through loans and credit. The SBA alone backs 100,000 loans per year to small businesses, averaging \$144K

Source: US Small Business Association and Where Startup Funding Really Comes From, written by Laura Entic

Best time for a startup to raise debt

- ① Company is growing but not fast enough to get equity investors interested (not a 'swing for the fences play')
- ② Unit economics works but there's a valuation gap
- ③ Management does not want to get diluted
- ④ Company is close to profitability
- ⑤ Equity round will take too long to raise

When should startups use debt? Erin Griffith, Entrepreneur, Magazine Mar 28, 2017. Previously printed in Fortune's Newsletter about deals and deal-makers

Weighing Debt | The Benefits

Lots of Pros:

- Secured with company assets (signed contracts, ...)
- No dilution

But...

- The clock is ticking on payback
- Increasingly, banks want warrants to have some upside
- If the company defaults on the loan, the bank can reach into personal holdings



Debt in Combination with Equity

Often used to lessen dilution of the companies founders and existing investors

Convertible Debt

- Easy and quick to execute
- Does not involve monthly repayment
- At the end of the loan period, principal amount of the loan plus all accrued interest converts to equity
- Typically roll convertible debt into a larger equity round
- Set the “price” at the time of the conversion which buys you time to grow the business



Customer Funded

3. Sell More, Spend Less!

Alternative Capital | May be right under your nose

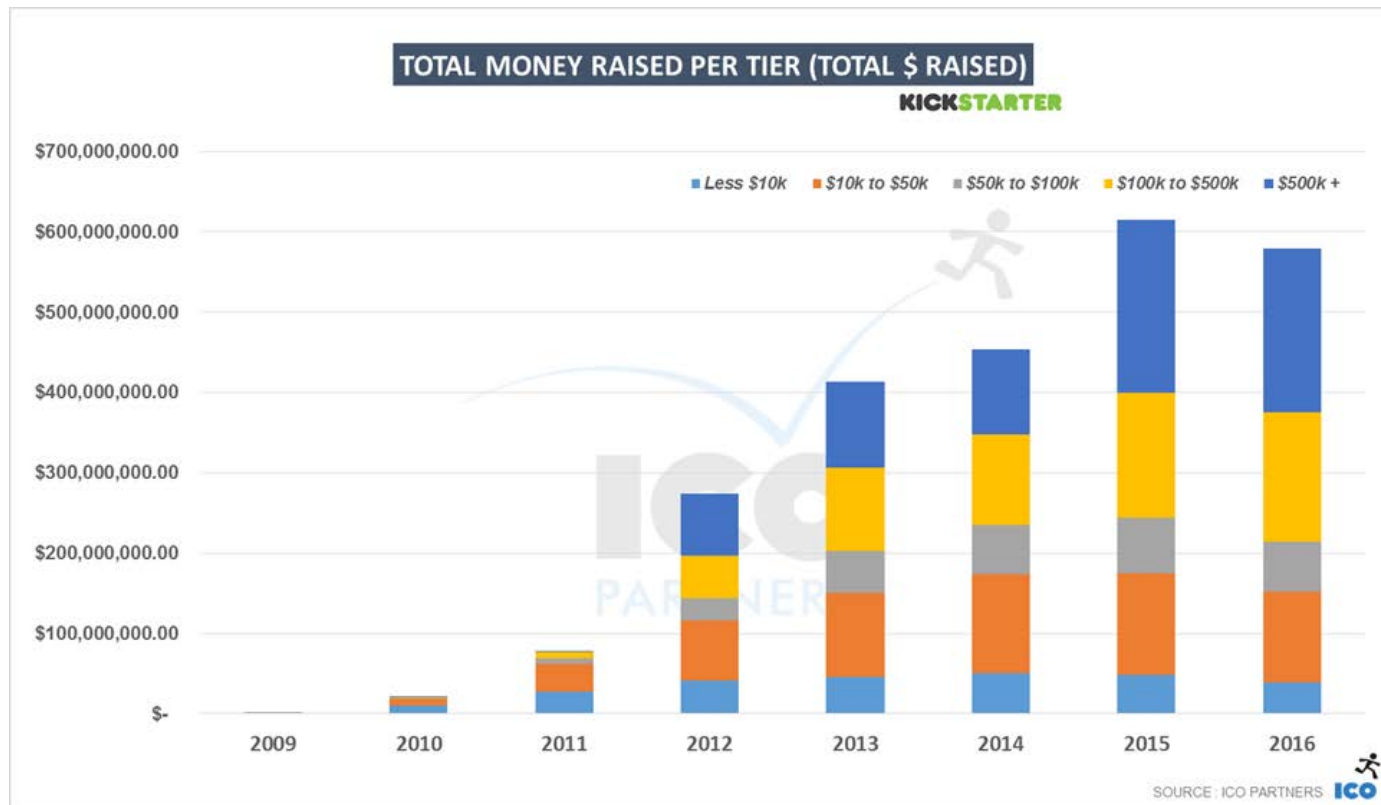
- ① Are there “interim” offerings you can sell to customers while your main offering is in development?
- ② Pre-bill as a general rule
- ③ Get referrals to new customers from current customers and give them a discount
- ④ Can a future customer be a current investor?

4. Crowdfunding

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Have an offering that people might want to purchase in advance?

Try Kickstarter, AngelList, Indiegogo, Circle Up, GoFundMe...lots more



Source: ICO Partners, Kickstarter 2016 Year in Review

Down downside to crowdfunding

- You don't build your own capital raise network
- it's a major marketing campaign that ends with jumping straight into producing your product
- Might be too much work for the amount of capital you raise
- Speed to deliver trumps product quality
- Corporate protections may not limit your risk

“Raising capital is about getting on the radar screens of the venture teams that matter for your business.”



Thanks!