



Seed Funding Basics

Last year just 10 per cent of the world's venture capital dollars went to start-ups with at least one woman founder. For new ventures where women were the only founders, that number is closer to two per cent. In Australia, we fare a little better with women receiving around a quarter of venture capital funding but the pace of change is still glacial. Women are much more likely to "go it alone" when starting a business or launch without financial assistance or planning advice – making it inevitably tougher. A Boston Consulting Group study found female-founded start-ups raise less than half the venture capital funding of those founded by men, but generate more than twice the revenue. Why? Men were more likely than women to make bold projections in their pitches. These resonated better with venture capitalists, who tend to rely on a handful of big winners paying for dozens of losing deals in their portfolios. Our Seed Funding Studio Session on the 13th of August was created to arm an audience of budding entrepreneurs and start-up founders (FYI that's you), with insider knowledge on how to take their ideas from just an idea to pitch stage. Here are the top takeaways from the evening.

Panellists: Heidi Holmes and Lucy Lloyd (Mentorloop), Samantha Wong, (Blackbird Ventures), Alister Coleman, (Tempus Partners)

Here are the six key takeaways from the panel:

1

DON'T BE AFRAID TO BOOTSTRAP

"We didn't just jump, it was a gradual thing. We did it on the side for four years and went full time two years ago." Heidi Holmes

Heidi and her co-founder Lucy Lloyd paid developers to take the product to an MVP stage. They each invested \$30,000 of their own funds over a four-year period. "If you're not going to make an investment in your business it's hard to make someone else do it," said Lucy. Once they had three clients using Mentorloop, it proved there was a market and the product was worth taking into a seed round capital raise.

2

WHAT'S THE PROBLEM YOU'RE TRYING TO SOLVE?

Both Samantha and Alister agreed the people behind the idea ultimately win the pitch. "We spend a lot of time trying to understand what the founder sees about the business," said Alister. He reminded the audience there are no ideas that are unique so it's the impression you make that counts. "We don't necessarily want to see that you were at PwC, or Google, we want to see that you have a connection to the problem," said Sam. "Why is it that you have this deep insight into the problem that the customer is experiencing such that it gives you an unfair advantage above everybody else who has had your idea?"







BE STRATEGIC ABOUT WHO YOU APPROACH AND WHEN

Heidi and Lucy made a hitlist of VCs and angel investors to approach on a Trello board before approaching potential investors. They prioritised investors they believed would be interested in their idea at the seed stage, discounting certain investors for capital raise rounds down the track when the company was more established. Heidi and Lucy focused in on 200 people. "We positioned the meetings by saying, 'We're six months from a raise, what do we need to do over the coming months to have a serious conversation with you," said Lucy. Out of the 200 they ended up taking investment over two rounds from 18 parties.



IT'S NOT JUST A PITCH FOR MONEY, IT'S A PITCH FOR ADVICE TOO

Each time they pitched, Heidi and Lucy used it as an opportunity to ask VCs what they'd need to make Mentorloop attractive to these investors in six to 12 months' time. "You only get one opportunity to have the conversation around money," said Heidi. "If you frame the initial conversation around asking for advice potential investors are happy to take the time out of their day to provide help." Once Heidi and Lucy signed on with Blackbird and Tempus Partners, they leveraged their VCs' connections with other founders for advice and a support network.

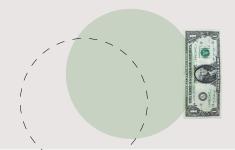
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NO COMPANY COMES IN 10/10

"The role of a partner in a firm is to champion the company they're considering for investment and to address the early stage issues. No company comes in 10/10 across multiple factors so it's your job as a VC to massage it down the route to yes." Samantha Wong

By the time Blackbird made an investment they'd been working with the Mentorloop founders for 9 or 10 months. "I knew how they performed under pressure to a deadline, in competitive environments," said Sam.











THE RULE OF THUMB IS 15 TO 25 PER CENT

When you ask for money, you'll have to decide whether to go in conservative or bullish with your evaluation and how much equity you're willing to part with. Alister suggested a good place to start was reading the work of Mark Suster. The rule of thumb agreed on by Samantha and Alister was 15 to 25 per cent equity from your series seed and above. You might sell less than that in the pre-seed stages. "Make sure whatever you raise can get you to the milestone that results in a big uplift in your evaluation," said Sam. "We'd expect that in the next round the company is raising three times what it raised in the round before." For example, if you're going to raise \$100K with a \$1 million evaluation, make sure that this amount is enough to get you to a stage where your company will be valued at \$3 million on the next capital raise.

Tips to consider when going after funding:

- Forget IP. Focus on your business plan and customer offering to start. If you run hard, have the best people, and chase your customers down, you'll have a strong business.

Alister Coleman

- Do your research before you say yes to an investor. VCs will do background checks on your business so make sure you do yours on them. Speak to founders they have backed.
- Create a pitch environment that works for you. Heidi and Lucy were more comfortable pitching over coffee so they met with VCs this way to start.
- There's always something to take away from a "no." Be willing to pivot your pitch based on uncomfortable feedback.
- Great companies are built by teams. VCs will look at how a founder can attract great people.
- Look at accelerator programs such as Startmate.

Lucy and Heidi followed up their meetings with potential investors by creating a two-page infographic on their company mission. Contact lucy@mentorloop.com if you'd like a copy.