How to Start and Grow Your Company

A Guide to Funding Rounds

ORACLE NETSUITE

Idea

The Idea Stage is all about conceptualising your business and defining the market need. It's generally pre-funding; the founder is typically bootstrapping the business by using personal investments.

Stakeholders

Founder and Co-Founder

Steps

- Invest in your own idea and build a strong prototype of the product/service.
- Find the right partner or potential co-founder.

Goal

Develop a proof of concept and a business/production plan. The biggest challenges are: managing risk, assembling the right team and validating the product.

Angel Round (or Pre-Seed Funding)

The Angel and Pre-Seed funding rounds, which can typically range from €10,000-€500,000, go to founders for investment in exchange for equity in their companies—usually 5%-10%—right at the early stages. Angel stage companies have a clearly thought out business plan, with a market opportunity.

Stakeholders

Founder and Co-Founder

Friends and Family

Angel Investors/ Pre-Seed Funding

Steps

- Build initial customer base, develop early stages of revenue.
- Hire core team.

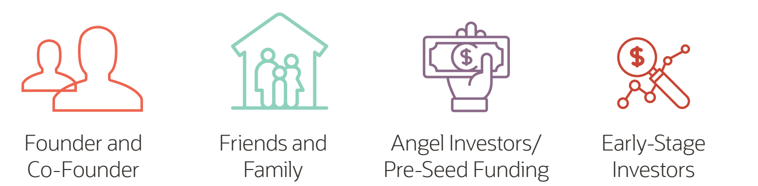
Goal

Gain capital to execute the business plan and set up the company for future investment(s). The proof of market fit/proof of concept is built out for pitches along with relevant financial reports and compliance with accounting policies.

Seed Round

The Seed round typically involves more key players than prior rounds, who may provide both monetary capital and industry expertise. Companies are receiving these investments to launch business operations and demonstrate revenue potential for securing additional investment rounds.

Stakeholders



Steps

- Demonstrate a positive track record and a detailed business plan.
- Appeal to industry experts.

Goal

Acquire funding. Gain access to industry influencers and their networks.

Series A

Series A is typically raised when the company has started generating revenue from its business model, but it may not be generating net profits. This stage is usually when the first Venture Capital (VC) firms become involved; VC firms will usually get between 10%-50% ownership equity for their funding which typically falls between €2-15 million.

Stakeholders

Steps

- Exhibit a positive outlook to VC firms.
- Gain traction in the market.

Goal

Establish a strong valuation by creating a detailed action plan that investors will buy into. At the Series A stage, the funding will often be used to optimise the product and consumer base.

Series B

Series B is where a startup may receive funding from both VCs and Private Equity (PE) firms; the funding is typically much more significant than prior rounds. The estimated company capital raised during this round is roughly €7-10 million+.

Stakeholders

- Founder and Co-Founder
- Friends and Family
- Angel Investors/ Pre-Seed Funding
- Early-Stage Investors
- VC Firms
- PE Firms
- Any other institutional investors

Steps

- Solidify a model that investors are trying to get behind.
- Fund the sales, marketing and advertising departments, etc.

Goal

Expand market reach and move past the development stage. The business may now be subject to extremely critical analysis; having a solid business model is necessary.

Series C+

Series C+ has contributions from a variety of investors—PE, VC, investment banks, hedge funds, etc.—who are investing anywhere from €100 million+ into the business to see a potential of doubling their money.

Stakeholders

Steps

- Plan for the next phase of expansion—into new geographic or vertical markets.
- Implement an infrastructure built to scale with the growth of the business.

Goal

Grow market share. Oftentimes, investors identify exactly what current market share the company will absorb with the right amount of funding. Many investors will try to get involved at this point because it's likely going to show a large ROI.

IPO

There are many different directions a company can take once the company has reached this stage. One of them is an IPO—an initial public offering. This is when a private company raises investment capital by offering its stock to the public for the first time.

Stakeholders

- Founder and Co-Founder
- Friends and Family
- Angel Investors/ Pre-Seed Funding
- Early-Stage Investors
- VC Firms
- Hedge Funds
- Any other institutional investors
- PE Firms
- Investment Bank
- Board of Directors
- Executive Leadership
- Potential Shareholders

Steps

- Close the books consistently each month. Have systemic processes.
- Align executive team to support business objectives.

Goal

Raise money for the company and create a market for the shares owned by management.

Exit

There are many different 'exit strategies' a company can take once the company has reached this stage; going public is the most recognisable exit strategy, but others include an acquisition, merger or divestiture/liquidation. A team needs to define the exit strategy that best suits the business, it's not always an IPO, and there are many other options to consider.

Stakeholders

- Founder and Co-Founder
- Friends and Family
- Angel Investors/ Pre-Seed Funding
- Early-Stage Investors
- VC Firms
- Hedge Funds
- Any other institutional investors
- PE Firms
- Investment Bank
- Board of Directors
- Executive Leadership
- Potential Shareholders

Steps

- Close the books consistently each month—systemic processes.
- Align executive team to support exit objectives.

Goal

A successful exit—whether it's going public, divesting, merging with another company or selling outright. It's critical to have everything buttoned up during this stage in preparation.

Sources

- Forbes: https://www.forbes.com/sites/matthunckler/2017/03/22/12-challenges-startup-culture-must-overcome-in-order-to-thrive-in-2017/#3bfe26067592
- Business Insider: https://www.businessinsider.com/pre-seed-investors-look-to-fund-smart-people-with-startup-ideas-2015-4
- DLA Piper: https://www.dlapiperaccelerate.com/knowledge/2018/friends-and-family-round-vs-angel-round.html
- inDinero: https://blog.indinero.com/friends-family-funding-round
- Business Insider: https://www.businessinsider.com/pre-seed-investors-look-to-fund-smart-people-with-startup-ideas-2015-4
- NYSE: https://www.nyse.com/article/right-time-to-ipo
- Investopedia: https://www.investopedia.com/articles/personal-finance/102015/series-b-c-funding-what-it-all-means-and-how-it-works.asp
- TechCrunch: https://techcrunch.com/2015/10/24/raise-your-seed-round-by-treating-investors-as-team-members/
- Crunch base: https://support.crunchbase.com/hc/en-us/articles/115010458467-Glossary-of-Funding-Types
- Law Trades: https://www.lawtrades.com/blog/answers/difference-between-angel-series-funding/

ORACLE
NETSUITE

www.netsuite.co.uk

info@netsuite.com
+44-0-1628-77440