00:08
Hi, everyone. You're listening to the Venwise Roundtable. I'm your host and facilitator of this roundtable, Laura Brittingham. Today, our session was around a hot topic in the Venwise community this year, fundraising in the current environment. We're joined by two veteran venwise founders, Daniel Simon, CEO and founder of coast, and Alex Shashou, CEO of Ten Beauty. In this round, Daniel and Alex share their most recent experiences with raising, as well as more general best practices and tips that span the current environment and more. Both of them have many experiences in raising funds. And so you'll hear all about this and more coming up. Let's get started.

01:01
Hey, guys. I'm Alex, the co founder of Ten Beauty. Previously I built a company called Alice, which was a hotel software business that we started and I want to say in 2013, and then ultimately took funding from and sold the business to Expedia. And so with Alice, I think we raised about 60 million. Started with friends and family, venture strategic, and then an exit in that regard. And to kind of store it all, we also acquired a company and then at the end of that journey, founded a company called Ten Beauty, which is we're trying to build the first machine that can give a human a full manicure.

01:33
It's taken a lot longer than we'd anticipated, so now we've had to raise about 40 million to build this business over the past four years, recently closing an 18 million series A, two, or series B, whatever you want to call it. Investors get more caught up in names than we do. So we've raised about 100 million from the different arenas, mostly now venture. And actually, I closed my round, most of it in December of last year. And so I think relative to a lot more pessimistic view of the market, and I think we'll be able to see how it's changed over the last few months.

02:09
Hey, everyone, I'm Daniel, like Laura said, I'm the founder and CEO of a company called coast, which is expense management software and a charge card. So kind of like what you would expect from Ramp or Brex or anybody like that, but very specifically designed for the needs of companies that operate fleets of vehicles. If you run a plumbing company, you give the plumber who works for you the company credit card when they take the van out to go do their job, you need pretty specialized control, security, visibility, reporting. You need specialized software. There's a couple of companies in the US that do this. They're huge, they're hugely profitable. They treat their customers like garbage. And they're built on 40 year old technology. And there's an opportunity now to do something better, which is what we think we've done.

02:43
Prior to this, I co founded and was not the CEO of, but was the CTO and CEO of a company called Bread, which was a consumer of what the kids call buy now, pay later. So if you know, companies like affirm or car now, like very much in that category. And that was also a venture backed business. In both companies, I've raised $100 million in each one of them. And the first company bred, we sold for around 500 million to alliance status systems in 2020. So a happy outcome after a number of years of hard work at that company, we had a few convertible notes, first from friends and family, and then from venture firms, then series ABC of 10 million, 25 million, and 60 million, respectively, before selling the company.

03:27
In the current company, we started off, or I started off on day one with a $3.5 million seed round, including from a bunch of folks who backed me in the last company, followed by safes, followed by $25 million venture round from Excel and insight before we launched the product. That was 2021. It was a crazy time. We ended up doing a $25 million insider series of safes last year. Most recently, we just closed a few weeks ago, a $40 million Series B from a new investor, as well as with some of the existing folks. So, in both cases, it's been like a pretty good sort of continuous momentum in terms of the subsequent rounds that we raised throughout the lifecycle of the company, and again, bringing us to 100 million that coast raised today.

04:18
And I'm happy to give my thoughts on how we did it and why we did it. But want to stop there for a second if. Alex, you want to start by speaking about your most recent round?

04:27
Yeah, I can actually. I can consider our team a pretty good fundraiser. We've always got it done. I consider Daniel a magical fundraiser. And so I imagine there'll be a lot of questions for Daniel on how to get the round done in today's environment. Before I explain ours, are there any questions that jump out and that we should take this track down rather than just speaking? I'm interested in the. Has everyone hid the fundraisers? So, like, when you guys are. For each of you guys, what's the milestone that you're raising to get to, or what's the reason for the fundraise? Yeah, running out of money. We. I think it's. I've had two different experiences. I've had the b two b SaaS and now the hardware. For the hardware, the most recent one and the b two B SaaS is more understandable.

05:15
Like hardware is very difficult because you have to raise enough money to kind of seed the idea and start building it and then you actually have to raise enough money to launch it, which usually is a lot more money because launching it takes a ton of resources and supply chain and all the actual trimmings around launching a product that traditionally exist. And so unfortunately for us, we raised 20 million in the hope that will get us to launch. We then came into last year and our product wasn't finished yet and so we had to raise another 20 million to get to that launch point. And truth be told, I think part of us believes were going to have to raise another, lets call it six to 10 million once its ready to go live just to pay for the actual launch of the product.

05:59
Even though were meant to have done that with the original 20 million, at the end of the day, all that matters for us is actually finishing this machine. And so it was a very difficult race were coming into. We were kicking off a raise in September of last year. September of last year was a brutal time to raise VC venture funds had kind of reeled and egos from the year before and so they were really retreating. I mean the data was kind of like if 100 deals were getting done, they were from 90 different firms versus, and like every firm was writing one check, no one was writing two. Every partner was involved in that decision. As a result, they were extremely afraid of what their investors were thinking of them.

06:45
From a valuation perspective, from a risk perspective, they were not acting like venture, kind of almost acting like private equity as whats the profit? How do I reduce the risk versus venture tradition? How do I invest in something that I see the future of? And so traditionally when wed raised all of our fundraisers, wed always done it the way I think Daniels about to explain, which is quietly inside baseball type fundraise where we're calling people we know would be a good fit, telling them to take a look at this before we go fundraise and getting it done, usually with one term sheet, maybe two. But it's kind of like at the end of the day, we know that if those first eight turn us down, there's another hundred to go to.

07:26
Going into our fundraiser in September, pre revenue, product, hardware, technical risk, we had an incredible book of business. We'd sold 13 million in ARR with no product. And that's kind of what was our saving grace, at the end of the day, you know, like, there was a huge amount of technical delivery risk on those contracts. And so we kind of skipped our traditional inside process. We kind of like, we tested the water with a few calls and realized where this was going to go, and out the gate. We went to something like 100 firms periodically, and not with them knowing were doing it that wide, but like really saying, like, how do we go wide knowing that this deal was going to get done by one person saying yes, not ten people saying yes.

08:12
And we eventually, after about, it only really took six weeks, but I'd say it was like what would traditionally be a six month process, because were just upfront around going to every single person, every single fund that made

sense out the gates. We ended up getting a term sheet from one fund and then worked really hard to make sure that fund didnt walk away and close the deal. And then once we closed that first chunk and it was about 16 million, we then had a few months, were given a few months by that investor who understood the state of the environment to raise another 4 million from the traditional longer tail strategics angels, like different partners in the space of which two of our customers actually invested in the round.

08:49
And so it was a brutal round, even though on paper it looked like it took six weeks term sheet, it was probably the hardest round weve ever had to do, just from a sheer going out to everyone getting a million rejections. And then the diligence process was much more lengthy than wed ever done in the past because of the risk off environment that were in in Q four of last year.

09:10
What I would say is, for me, the way ive always looked at equity fundraising is, look, weve chosen to be a venture backed business and both of my businesses have been b two b software, essentially, in terms of the distribution model. So doesnt have some of the big upfront R and D challenges that a hardware business like Alex's, you know, has to think about fundraising through the context of, So, you know, I've chosen to be a venture backed company with a model whereby I intend to grow very quickly, through investing upfront in product development and distribution, which is just going to require a certain amount of capital to get to the point where you escape velocity and profitability. And so, like, I've always known, like, look, I have a plan that's going to cost me like $100 million.

09:53
Like, you know, like that, are there ways I can cut it down, get to profitability at a lower level of growth, yes. But, like, the plan is this. And so to me, like, my biggest takeaway in terms of my experience from fundraising at both companies, and it's only like, my own experience. And, you know, sample size of n equals two. So, like, take it with a grain of salt. But, to me, fundraising is a process that is not discrete, but it's continuous.

10:17
It's, you know, again, and Alex has heard me say this before, like, you know, like, there's a sort of, like, yC advice of like, hey, you're either in fundraising mode or you're in company building mode, and you want to get the first one out of the way as quickly as you can so you can put your attention on the second one. And to me, that's utter horseshit. And, like, the way that you have to be thinking about fundraising is that you're always low key. Fundraising. I've raised $100 million for this company. I've actually gone out and fundraised for three and a half million of that.

10:41
The rest of them have been rounds that have happened not by me, but to me, because I've created the circumstances to enable investors to be excited and want to preempt any round that I would actively go and do. Like, the way that I've approached it has been that I always have materials, I always have a deck, I always have a data room. I'm always sort of showing that to insiders being, hey, this is the story that we're learning to tell. And most importantly, I'm spending like an hour or two every single week meeting with investors that can do the next round, or the round after that.

11:16
Keep them excited, help them understand the story, make sure that there's a momentum and a trajectory that I can point to that says, hey, I said when we met for or six months ago or whatever, that were going to do this, and here's what we've actually done, and here are the results, right? And it's just like, you're just showing that. You're always putting 1ft in front of the other. The story that you told is a story that can be backed up by circumstances and facts.

11:37
You know, the story of, like, our series a, which was done in 2021, and it was a story that would not have happened in the current environment, but sort of is the most extreme illustration of this is that I was getting

lunch here in New York with a venture investor partner at Excel, and I mentioned to him that I was going to be traveling to San Francisco in a few weeks, and he says, where are you staying, it's like, well, I don't know. Do you have any recommendations? And he's like, yeah, use my second apartment over there. Like, I'm not going to be there. Like the Hayes Valley. Nice place. And I was like, okay, thought, awesome, thank you. Like, I appreciate that. So I go take over the guy's place in San Francisco on a Sunday.

12:16
He realizes that day that if I'm going to be spending a week in SF, I'm going to be speaking with other VC's. Panics takes a plane from New York to go back to SF and he has to stay at his parents place because I'm an in his apartment so that I can meet with a partnership at Excel that Monday morning. And like when that happened, like I was ready, like I knew, like, okay, so like this round is happening whether I wanted to or not.

12:36
But I already had the people on speed dial that I could call up and like called up the partner at insight and I was just like, hey, you know, you remember one of the people I always wanted to talk to about this deal, like it's happening now, et cetera, turned it into a process where you get two term sheets, you run them against each other and you converge to a good price. The most recent round, you know, we got it done at like a multiple that was like 30 x gross, like 45 x net. And again, it was like one of those things where I was ready, I had the materials. I wasn't planning on fundraising until later.

13:06
I told everybody, hey, we are going to be fundraising in September, October when the company is going to look like this, having those conversations a couple of times a week with the people who could possibly lead it, but in a very passive way, saying, hey, it's going to be several months until I go out and fundraise, until one of them, which is an investor that were very excited by, was like, well, we don't want to wait around for four or five months and be bidders in an auction. Like, would you be open to doing something sooner? Like look for the right partner, clean terms, you know, here's what our price is going to be. Like, tell me if this is worth your time. And they said, okay, we can make it work.

13:32
So like, yeah, to me, like, the biggest lesson is just like, the way that at least I've approached it. And again, like, you can. So your miles may vary and like, you know, your circumstances could be different, but like, for me it's always been about just always having an on the back burner. So that, like, you don't actually have to actively go and fundraise, like, people who are excited by your company, assuming that you have a good company and you're executing well, like, get excited and can make something happen.

13:57
Other questions or topics that the group wants to go into?

14:01
Yeah, well, I have a very me specific one, if the group doesn't mind. So, Lee Teslik. I'm the founder of a company called Reverence. We provide tech enabled scheduling services for home based care organizations, so people who are deploying caregivers out to support elderly people in the home. We raised a very nice 2021 round. Back in 2021, that was a nine and a half million seed based on us. It was based on us acquiring a company that already existed, but nothing beyond that. And were acquiring no revenue. It was just acquiring a product that we then wanted to incorporate into a broader product vision.

14:52
We've made some modifications to that product rolled out about a little bit over a year ago or a little bit less than a year ago commercially, and have done pretty well from a revenue growth perspective during this time, we're actually going to be profitable early to mid next year. However, I am starting to feel kind of for the first time that I'm really materially constraining the business by not spending more at this point. And we're down. I mean, we have a lot less cash than we did previously.

15:34
So I'm kind of in this headspace where I'm kind of working through, like, do we hold on and kind of like, run this thing on a shoestring, get to profitability, where we just have total optionality in terms of partners we go with and we can do it on our timeframe and do it the way that we want? Or does it make sense to take on a little bit of additional money now just to make sure that we can service our existing clientele in the best possible way and make some kind of small incremental expenditures that just make us stronger over the next six to nine months?

16:11
My question.

16:12
Yeah.

16:15
One question on just the existing investors that you have, were they multistage firms or were they all seed focused firms?

16:25
Combination.

16:26
Okay.

16:28
And we. So there is one layer on which is that we, for a range of reasons that I won't go into all the detail of right now. We have a ratchet now on our last round, which makes me valuation sensitive in terms of what we do, anything going forward. So I'm really in a headspace of let's try to get to a place where I can maximize the valuation that we're raising against, which makes me want to do our next priced round, ideally in a place where we have maximal leverage to go do that. What I'm wondering is, I've never really done a friends and family before because we didn't have to and we kind of kicked off in a very charmed way. But I am considering in the coming couple months just doing something super scrappy, putting together a. A safe note.

17:34
That would be a friends and family safe note, and just cobbling together a pretty small amount of money, maybe $500,000 kind of thing. That just gives us a little bit more buffer and makes me feel like I can spend a little bit more confidently against existing contracts while still keeping existing game plan. In terms of when we actually go out and do our next priced round. I've never done that before, so I'm curious, like, for frankly, it's a question to anyone, in the group, but how to even think about, well, were I doing something? I welcome feedback more generally, on kind of as I'm thinking through this, but also, you know, structuring a friends and family type initiative.

18:21
Structuring like angel first type initiative where we wouldn't have a, you know, somebody pricing it and like how to run a process most effectively against that. I guess that's first question, but I also welcome feedback more generally.

18:39
Well, I've done friends and family, not as like a second round after priced round, like your circumstance, but certainly as sort of initial round. And like, it's fairly straightforward. I mean, like, to do a safe, you'll probably end up with a cap and a discount. And by the way, just like one thing as a digression is like sometimes like those sorts of structural terms, including your ratchet. If you have like an exciting company that you can get folks sort of to really want to get involved in for your next round. Ironically, it's kind of like a helpful negotiating point for you in terms of pricing for your next round because this is the experience that I just had.

19:28
Wherever we had a series of insider safes at the company, between the Series A and B, those safes had a 170 cap and a 22% discount. So when I was going out, not when I was going out, when the new investor came to me and said, hey, would you do something? Now I was able to say, look, hopefully we love you guys, but in order for us not to be more deluded from the safes that we already did, we're going to need a pre money of at least 225. And here's where we're at revenue. And it's the crazy multiplier. You show that this is worth the time. They said, yeah, we can make it work. So for me, it was actually like a good negotiating point to be able to say, look, like my hands are tied from, like, the past experience.

20:12
There's obviously negatives if you can't actually get somebody to agree with you on that. But it can perversely end up being somewhat in your favor. But the actual structure that you're talking about, presuming that you can get enough people excited about the company. A safe with a cap and a discount is like a two page document, which can certainly sort of give you, like, a little bit of a bridge to sort of having the confidence in that next price round. It is a pain in the ass to do because, like, having, like, you know, 30 conversations in order to, like, pull together that few hundred k is, like, annoying. But, you know, the best thing, by the way, that you could do is to get, like, a super angel.

20:56
Like, somebody who would sort of anchor it with, like, some kind of six figure check. Like just even just 100,000.

21:02
I mean, I actually might do it myself. Like, I might do a small six figure check myself as, like, the anchor of a thing and then go out, which I'm considering it.

21:13
That helps. But I'm actually talking more about the social proof that you get, like, everyone's like, sort of just, like, looking at each other. Nobody wants to be a first move, or everyone wants to be like, well, who else is in the round? Et cetera. So, like, answering the question with, well, I am helps, but it's not quite enough to be, like, the external validation that you're looking for. So somebody else to do that in addition to you ideally, would be awesome.

21:36
And then I guess part of my logic for wanting to do it this way would be that I would like to put a relatively high cap on the thing. I'm fine with a standard discount, but I want to put a relatively high cap on it such that if we go out then and, you know, blow it out, which I think we're pretty well positioned to do, you know, that the. That the impact of a safe note has as little of a bearing on the kind of ratchet dynamics as possible. I'm. Is that, Yeah, I'm. I'm. I'm working through mentally the sort of dynamics of, like, pulling this. I mean, I. Like, I'm assuming I am just pulling together basically, like, the terms and taking it out and kind of seeing who bites on that. But I guess just communicating that as well.

22:34
As part of the calculus here, I'm.

22:35
A little bit more cautious on your 500,000. I think raising any round takes a lot of time. You'll have less diligence. But a raise is a raise, and getting people to put 20,000 is just as hard as 20 million sometimes. And it's a proof point. Like if you go, and so you come to me, I mean, I'm now venture Fund X, and you come to me for your next round and you say, well, what did you do with the 500,000? Show me what you're going to do with my 25 million. If you can't do it with 500,000, like I think you need to know that you're going to actually produce the growth you're looking for with that money because you're giving me ammunition to know exactly what my dollars are going to do for a very small amount of money.

23:14
And so, you know, I think like a lot of people are playing catch up with their 2021 evaluations. That's just a fact. Most people were overvalued. So the ones that are going to get above their, the ones that are actually going to keep up with that are the ones that have performed. I think founders have gone completely out of whack with valuation. And when I started 13 years ago, were raising seeds of one to 3 million at sub ten every time. Now people are raising seeds at ten to 20 million plus valuations on nothing. And the venture community now theyre afraid of selling the wrong deal versus losing them. And people have to pay cats. Its been this dislodge of expectation between found and venture thats kind of catching up with us.

23:58
And so now im seeing deals getting done that have shown much higher traction. Is my Internet stable and unstable?

24:05
Its not great, but its workable.

24:08
So I was speaking to a few funds before school. What are the deals you're doing? The non AI deals? Because AI is not my world and they can do their crazy things and that will catch up with it like blockchain. But the non AI deals, right. Im looking at, okay, a guy I just spoke to, they just did a deal. Phenomenal management team, 7 million in revenue, 80% margin. Just launched not that long ago. Really excited by the deal. 100 plus million valuation. Whereas previously you didnt have to have those numbers. I think nowadays venture funds are much more looking at the quality of the management team and the quality of the traction and their understanding of that traction. They really want to understand how this business is going to get to it.

24:50
And then I think the secret sauce then is what Daniel has in abundance is undying confidence. There is no world. I'm not building a billion dollar business. I'm showing you that I've done this. We've spoken about it for years, and we actually were guilty of not having that confidence. We realized that really early on in raise because were so afraid that our prototype wasn't a great demo. And so were kind of like, not wanting venture funds to come to Boston to see it without, and then be. And then be disappointed. So were kind of lowering their expectations. And what we found is we just gave them a reason not to come to Boston. Right. And so we changed that strategy. Like, what we're building is incredible.

25:30
You should come to Boston so that we can convince you to invest and then well, deal with slightly disappointing them on the demo. And I think that changed. Previously were showing them some weakness, and that was a huge mistake. And so, I guess, in short, I think you kind of have to actually prove that traction if you're going to get above that revenue and really believe in it. And so I wouldn't raise the 500,000 unless you're going to know you can do that.

25:53
Yeah, I'll sort of dovetail on a couple of remarks that Alex made there to sort of make the specific points and general points. The specific points are like, if you do feel that you need to fundraise, then fundraise. But a general sort of absurdist truism about fundraising is to always raise more than you were planning on raising. So to the extent that Alex is right, that there's sort of work to do to make it happen, if there's an opportunity to actually bring in more, if you find that, to your question earlier about where do you set the cap? Yeah, investors, typically speaking at this stage, are price takers, not price setters.

26:34
And so, yeah, it is up to you to write it in, but you might not find enough demand at the cap that you set to be able to fill what you want to get. If you can sort of set a cap where you're confident that you can fill and then you can have it overfilled, well, then take a little bit more, because it may take you longer to get to those traction

points that Alex was talking about, to be able to sort of do that next round in a manner that you feel pretty sure that you'll get to the terms that you want, that aren't going to sort of have the ratchet flood you with extra dilution. The other thing, though, what Alex kindly called undying confidence, but to me is more about being able to in fundraising.

27:17
This is a general point, is just telling a story which says, here's what I'm doing now, and here's why. What I'm doing now is going to make a really big, strong business, and here's why. Phase two is we take over the goddamn world, right? Just having that second step and having a very clear story about how step one gets you to step two is the thing that gets somebody to say where, hey, the price you're asking for is pretty high, but it's still, on an absolute basis, low compared to sort of the multi billion dollar thing that this can be that I'm still getting in on the ground for. And it's irrational and it's weird, but this is sort of like what people convince themselves into doing.

28:01
So it's like, again, like being like, you know, here's what we're doing makes a ton of sense and it's working and here's the evidence of it. But here's like, sort of like what the master plan is to sound a little bit crazy, like we're going to replace visa or like something like that. Like, it's something that, like, sounds like completely absurd, but if the. The off chance that it actually works, it's transdez.

28:22
And just in terms of mechanically building out that, ive spent my last two plus years essentially keeping a network of series a type investors warm. Ive done very little on angel type folks. I have the small handful who participated in our first round, but it wasnt a major part of the round. How would you think about maximizing sort of top of funnel there plenty of people.

28:56
Your seed investors are a great first place to start. You should be very upfront with them to say, hey, this is something I'm thinking of doing. Let me know if you have folks in network that like to invest in these kinds of deals. And the answer is they do. That would be the very first place that I would go to look cool.

29:14
Thank you.

29:14
Thank you both in person. If you can get a lot more, a lot further, if you can get having a drink or a coffee with someone, then an email or a phone call, great.

29:24
I want to make sure others in the room are getting what they need as well. Keith, blue knesh. Lisa, any other directions you'd like to take this in?

29:33
I had a question around crowdfunding, see if anybody had any experience there. We've raised 2 million so far in a pre seed from angels. And my sense is we're in consumer AI. My sense is that it is a difficult road in terms of, with VC's especially, I think not least of which is just given my background, I've primarily been b two b focused for most of my career. And so this is so being consumer focused feels like it's a little bit outside of my typical startup that I've done in the past. And so just curious if anybody experience any stories or any good stories, that sort of thing about crowdfunding.

30:18
I'm out of my depth on this one. I kind of only know traditional VC, frankly.

30:23

What do you hear, Daniel?

30:25
I've also not seen people do it twice. Right, like you've done. I've not seen as many people keep doing crowdfunding. I've seen people do it for a round and then they use that funding to get to the more traditional round. And so it sounds like you've already done your crowdfunding round. Is your concern now, do you go out and crowdfund again or do you raise from traditional? And at point they'd ask, does the crowdfunding really matter? Does the dynamics of how you did your last round matter as much as what you raised and what you've done with it?

30:54
Yeah, we did a, our pre seed was as a safe or a series of safes. And then we're looking to do this as a price round and looking to do it on Republic. There's kind of three biggest big platforms. There's a lot of other platforms at this point in time, but. Yeah, I agree, Alex. I think a lot of people are doing this as an interim round to be able to get to a point where they can then go to institutions. And so we're kind of viewing it as a little bit of a stepping stone where it's like it's angels crowdfunding, then potentially institutions at that point.

31:29
It's also just a good way of validating interest in the product. Maybe slightly different for a physical product, but one of our pseudo competitors was struggling to raise. So they put together a Kickstarter, sold 5000 machines in a month, use that 2 million not to fund their sales, but to take to the venture community and raise ten on top of it. Yeah, because it looks like there's consumer interest, but otherwise, no real experience with actually crowdfunding myself.

31:56
Do you guys separate or kind of related? Question, but maybe everybody has an opinion on it. Do you guys feel like it's still viewed as a, as the redheaded stepchild of financing for startups. Does it have the stink on it still like it did probably five years ago?

32:16
In my world? Yeah. I think that, honestly, it's just like, okay, what is this weird cap table? And I think in all else being equal, like, I think I would much rather see somebody have done like a traditional seed followed by a traditional follow on, followed by traditional series a, et cetera, and not have to explain anything. Like, the thing is, people are looking for reasons to say no to stuff, right? And the more innovation that you put on your cap table, the more you're giving people reasons to say no. It's just like, it just looks funky. I know Alex has a different opinion, but I would say, again, all else equal, I'd much rather see traditional rounds on a cap table than not.

33:09
I agree. That being said, I think fundraising is a creative job and it's not always done by the terra firm. And I think if you've shown really good fraction with what you've done, that's an opportunity for a fund that might not traditionally get a look to really lead around. And so I think its always helpful. You have the best investor in the world, they introduce you to the next best investor. And thats really a nice story, but thats reserved for the few. And I think if you look over the history of the most successful companies, well, they dont all follow that path. At the end of the day, it matters much more you do with the money than who gave it to you.

33:43
Yeah, good. Thanks guys. Appreciate that.

33:46
One thing I would say about that, though, as a consideration, is that fundraising, in my opinion, to the extent that, once again, if you've decided that you're in the category of needing to be a venture backed business in order to execute on your growth plan, and you expect that there's going to be further equity fundraises in your future, fundraising is a momentum business. The thing that Alex is describing about your next investor introduces you

to next great investor, et cetera. It's a real dynamic where you see the FOMO dynamics, the group think, the herd mentality, whatever you want to call it, and you kind of like want to lean into it.

34:27
I feel like if you anticipate having serious equity capital needs from outside the company, and so like playing the game, so to speak, I think is worthwhile, and you want to capitalize on whatever momentum you have, you get the story out in the press and TechCrunch for sort of like such and such a fundraise, people read it, they're like, okay, this is like really exciting. And now that they want to talk to you, et cetera, like, it's a dynamic that, like, again, like, Alex is absolutely right. It's not the only way to build a cap table, but it is an effective one if you can.

35:07
Yep.

35:07
Yeah. But I like what you said earlier, being a story. Lee, I was thinking of you. We did a very weird round in Alice, our series B, where weren't quite where we wanted to be revenue wise. And it wasn't that we had a ratchet. We just like, it was. It's a hard business to grow hotel software. And so when were trying to raise 50 million, were kind of initially struggling with, like, who could write that check? This was back when 15 million was like an in betweener and no one wanted, no one writes. They write like five or 20 of 25, 30, 40. And so, like, there was no one who fit, fit that. And so instead, what we did is we decided, you know, it's gonna be a lot easier. Let's just go buy a competitor. And they book a business.

35:42
And because we're buying them now, we get, we can raise 30 million. And within days, we had a significant amount of interest in term sheets because the story was so much easier. Can we buy this business instantly become profitable? Its much more money, and people like deploying more money, not less, for some reason. And so if you cant get to your ratchet level on your own skis, youve already shown a path to raising on the base of acquisition. Maybe your easy way to get over that ratchet is to go out and buy the book of business. Now youve bought the product, go buy the book of business. Thats going to get you well over the valuation hurdle and actually probably be an easier story to digest for people because youve already done an integration of an acquisition before.

36:23
I love it. We actually have a freelance investment banker actively exploring exactly this for us right now.

36:30
Yeah, I think that's such a good, it's a better story. You have to kind of fit your story. And like, Daniel's story is pure and like, classy and like, he's going to do this with 100 million. It's going to take this investment. But if you don't have that, what is your story that, like, everyone can get behind?

36:44
Love it.

36:45
Thank you.

36:46
By the way, this is like a little bit of a digression, but I want to make sure that I mention it while we're in the session is one other thing that I've taken away from my experience as fundraising, particularly at this company, is the importance of sort of rounding out your cap table with smaller funds that really believe in you and your business. We have the blue chip names like Excel and Insight, who led the Series A, but along the way, sort of, we picked up funds like Avid Ventures. It's a solo GP. She's got a $75 million fund. She's put 10 million of that fund into this company over the course. Course of the four years that we've been working together with every round. And we've got Box group, which is kind of thought of as, like, pre seed kind of a fund.

37:31
They've put, I know, $15 million into the company at this point, so. And the reason why that was so powerful for us in this cycle was that in 2022 and 2023, like, the big funds who had paid crazy prices for big rounds in 2021, we're seeing, like, their portfolios just, like, exploding in a bad way. And, like, every ic meeting at excel was, like a shit show. And, like, so when I'm going to them being like, hey, you know, like, we are going to need to raise more capital. In our case, by the way, the catalyst for us is not exactly running out of money. It's that we have a credit business. We've got a warehouse facility. There's financial covenants. We always need to keep extra cash.

38:12
We have to go fundraise sooner than other companies might otherwise like to, you know, and, like, both Excel and insight were candidly, like, pretty skittish, because, like, these are people who, while they're partners, they're not the most senior partners. They don't, like, run the shop, right? And they have to, like, show up to their ics and make the case for, why should we put millions of dollars more into coast? And even if we're not the ones to worry about in their portfolio, the rest of the portfolio is blowing up. And the dynamics are just very difficult in every conversation. It's painful. So meantime, what happened with us is that avid box group, they were just like, well, we don't care. How can we put an extra $10 million and take your round off the table into the business?

38:54
And once that happens, then you kind of end up outmaneuvering the big folks because they just, like, look ridiculous if they don't end up supporting the company. If the smaller funds are weeding. Had we not had, sort of, like, the capital base from some of those smaller funds, like, I don't think we would have had such good outcomes from a fundraising perspective. I think that people sometimes end up getting, like, really tied to the, like sort of the blue chip, brand name, Silicon Valley storied firm. And if the partner isn't the partner who actually runs the whole show, you could end up with your back against the wall if you don't have like, a stable base of other folks that can provide you with leverage in those negotiations.

39:30
It wasnt something that was brought up in this conversation, but something I just want to point out is an important learning for me.

39:36
Yeah. Ill also add on that the blue chips are extremely fickle. And so I love our investors, and I sit with other founders who literally dont like the same group of investors. And what I realized is our investors love us and introduce us to the world, and theyre not doing it for that company because theyve maybe not taken this debt or theyve had to pivot. And thats a very natural business. And every business looks bad at one point. And, like, if you lose the buy in of the blue chip, but you have them on your cap table, suddenly, if you're doing your next round, that next company is wondering, why didn't they introduce you to you? Why aren't they talking about you? Why aren't they taking it?

40:08
And so, like, look, every business should be the best of the best, but business is hard and it's a roller coaster, and you hit speed bumps and you kind of want, I find the smaller funds are so much hunger for every company to succeed that theyre with you in the trenches in the bad times and the good, whereas maybe the blue chips are just more helpful in the good.

40:28
100% agree.

40:29
Weve also, as I said earlier, weve taken customers as investors, and thats been really helpful because they let us be startups and theyll see through the pains because theyre investors and so theyre double dipping. And so where possible, especially in the b two b world, weve gone to all of our base customers saying, hey, were doing

this round, do you want to invest whatever amount you want? And also sometimes to the individuals who run those companies where its not a conflict of interest because having them buys you a reference and buys you time where a traditional pure play coster might not, customer might not give it to you.

41:00
Lou and Lisa, have you gotten what you need out of this conversation? Any other questions from you? Page of no.

41:07
Yeah.

41:08
Love to see it.

41:10
Well, I mean, my closing thought I wrote down was fundraising takes a lot longer than everyone thinks. As you know, it never goes that easy, even when you get the first term sheet. And so try not to over promise and live at the beginning of a process so that you can over promise at the end of it. Intelligence. And so where possible, make sure you're just like, you know by the beginning. Remember, it's three months from first story to close. And so make sure in those three months you're exactly where you said you'd be in three months. And so try to, like, sell the story and the vision, not the immediate future.

41:41
Yeah, I would say, like, my closing thoughts would be one to repeat where I started, which is that fundraising is continuing and not discreet. Like, at least that's the way that I've approached it. And I think some people, like, don't like spending time with VC's, like I do because, like, I think I'm good at it and I'd rather be like, sort of like selling stock than fuel cars. Right. I'm not actually good at selling my company's product, but I'm pretty good at selling my company stock. So, like, it's a gratifying thing for me. Like, other people don't like it and they think it's icky and annoying and, like, it gets in the way of building the actual business and they're right to a great degree. But, like, if you, like, buckle down and do it like, the pays off.

42:20
And remember, by the way, 99% of those VC conversations that you have are not going to materialize into something, but you have to have those 99 to get the one. And the other thing thought that I'll say that is related is the best number of term sheets to have when you do fundraising is two or more. Because two is all it takes to create a competitive process that gives you leverage in negotiations. But, like, the only number that you really need is one. Right. In my last company, we always had good outcomes in our fundraising, but were always this many term sheets away from zero. And that was all that we actually really needed in order to get the business to where were able to have a successful exit. So just understand, again, most of these conversations go nowhere, but you just need one.

43:08
Yeah, I've done now eight rounds. I think only one of them had two timesheets. Yeah. And we know we guide a lot more than others, I think, as well, we don't play the whole valuation secrecy game. We're like, this is what we're looking to get out of this round. This much money, this valuation, this is why. And so we kind of qualify upfront, but not everyone does. That's a personal strategy choice.

43:32
Thank you.

43:32
Both.

43:33

Yeah. Good luck.

43:33
Thanks for putting this together, Laura.

43:35
Yeah, of course. Thank you both for your time. I appreciate you a lot. I hope everyone got a lot out of this, including blue with his full page of notes. And, yeah, if any other questions come up afterwards, please feel free to shoot them to me. We'll send the recording, put the recording up on the content library once it gets edited. And I appreciate all your time today.

44:00
Thank you all. Daniel thank you. Thank you, Laura.

44:03
Thank you. I hope you enjoyed this. Venwise roundtable if you want to be in touch with a speaker or if you have a request for a future roundtable topic, reach out to us at community@venwise.com I'm Laura Brittingham. Thanks for listening.