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The Ultimate Guide to Raise Capital for a Startup

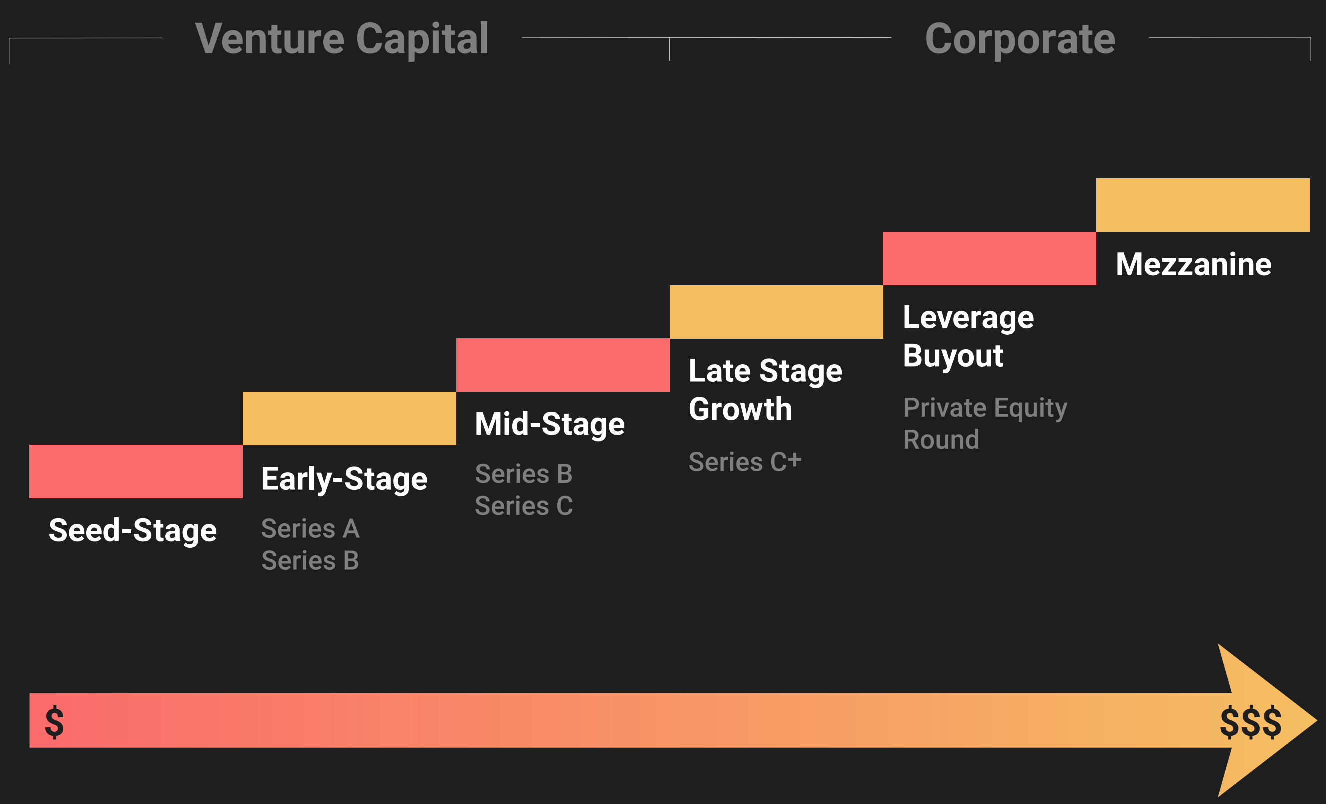
At a Glance

How to Raise Startup Capital: An Overview

If you don't want to raise capital, don't become a CEO. Raising capital is a CEO's most important and time-consuming job. Delivering a compelling and organic pitch needs not only practice, but finesse. We understand that pitching can place entrepreneurs in a vulnerable position – after all, what is more personal than your passion?

We break down the basics based on the pros' advice. Here's a rundown on how to find, cultivate, and build the most important partnerships in your business.

The Basics:
The Different Startup Funding Rounds



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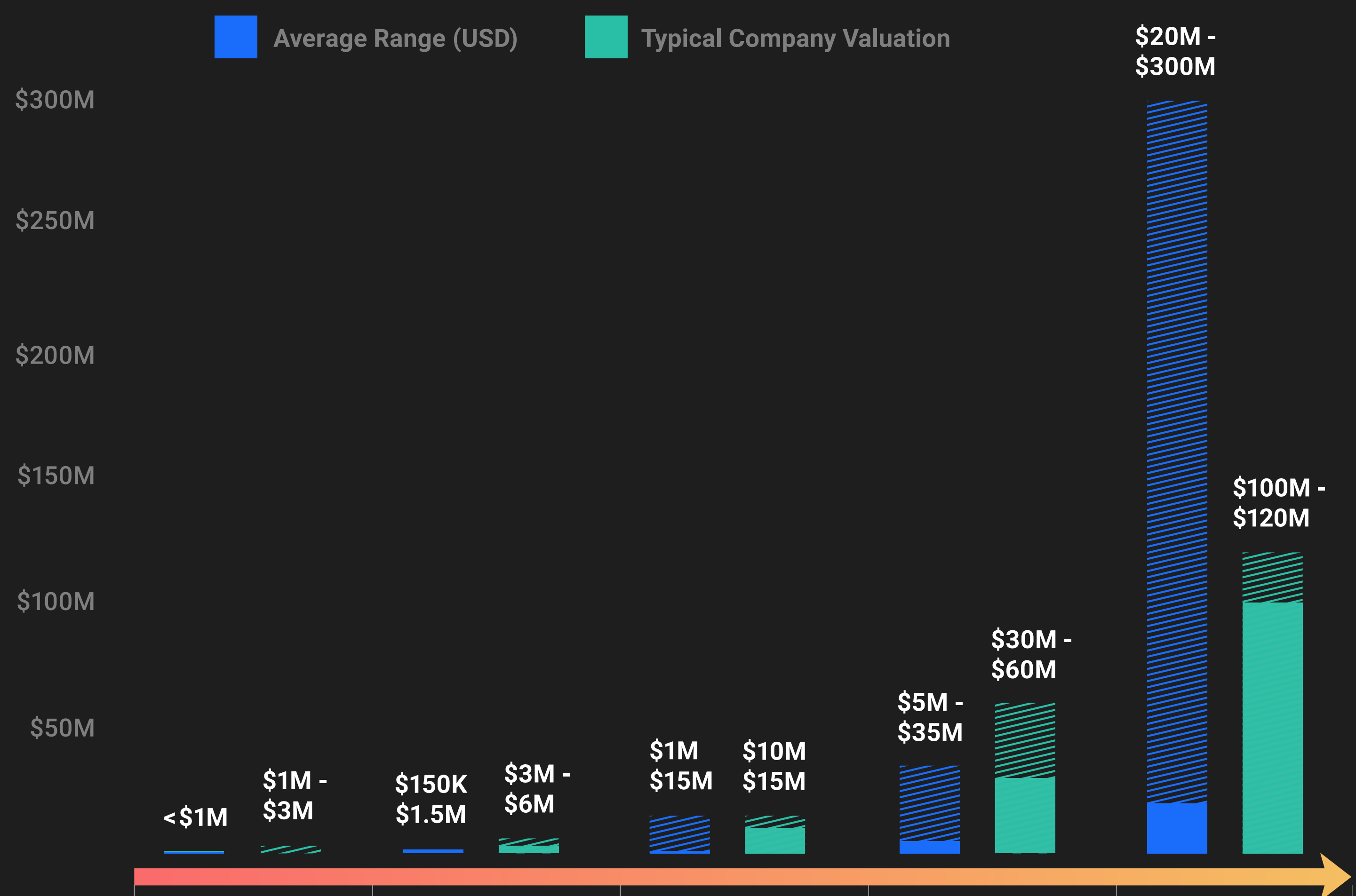
How Venture Capital Funding Rounds Differ: The Breakdown



Type	Pre-seed	Seed	Series A	Series B	Series C+
Investor type	• Same as seed investors • Friends and family • Early-stage angels • Startup accelerators	• Angels • Early-stage VCs • Accelerators	• VCs • Super angels	• VCs • Late-stage VCs	• Late-stage VCs • Private equity firms • Hedge funds • Banks
Typical Company Stage	Pre-product	• Signs of product-market fit • Some traction	• Revenue growth • Marketing becomes increasingly important	• Ability to scale	• Large-scale operations
Raise Typically Spent on	• Hiring critical team members • Developing prototype products	• Fuels growing beyond funding • Funds product development	• New sales and marketing processes • Understanding ideal customer	• Expensive hires • Expands into different market segments • Experiment with different revenue streams	• Moving into new markets • Fuel acquisitions

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Source: From Pre-Seed to Series C: Startup Funding Rounds Explained (Ryan Law)

How to Choose the Right Investor for Your Startup

Based on **Fadl Al Tarzi's piece, published with permission in Mission.org.**

Entrepreneurs have a variety of options when it comes to securing funding for a new project.

In many ways, this is a good thing. The catch, though, is that each funding option is drastically different from the next, bearing its own cadre of advantages and disadvantages. Moreover, deciding which funding route makes the most sense for you and your startup will vary depending on your circumstances—what your short-term and long-term goals are, how much money you need, etc. And if you choose the wrong route, it can condemn your venture before it really even has a chance to get off the ground.

That's why it pays to differentiate between these disparate strategies and their various components with scientific care.

That process starts with educating yourself around the characteristics of each lane. What follows is a primer to get you headed in the right direction based on the three most common options.

3 Most Common Types of Investors for Startups

Angel Investors

Typically a high net worth individual that invests in a new or small business, providing capital in exchange for equity in the company.

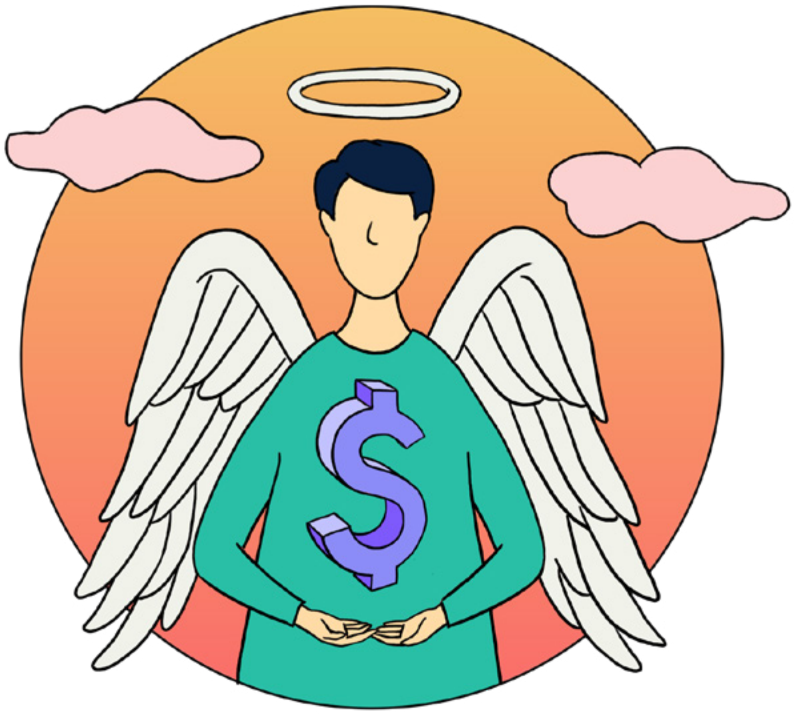
Venture Capital Investors

Firms that are part of the private sector and have a pool of money to draw from corporations, foundations, pension funds, and organizations.

Family Offices

Private wealth management advisory firms that serve ultra-high-net-worth investors usually exceeding $100 million to manage their investable assets.

Anatomy of an Angel Investor



Advantages

- Shorter closing time
- More simple due diligence
- Don’t usually interfere with day-to-day
- Less aggressive in the terms they demand

Disadvantages

- Their investment amount is smaller than institutional investors
- Dependent on personal network
- Won’t prepare you for raising money institutionally

Who Should Choose This Route?

- Those trying to raise small amount of capital quickly and with few strings attached
- People with a large personal network
- Those that don’t want to bring in board members
- Those that don’t need help setting up governance structures

Anatomy of a VC

Advantages

- Can provide significant resources for you in experience and wisdom
- Will help identify and reach targeted exit
- Can help correct mistakes which may preclude you from positioning yourself for an exit

Disadvantages

- Aggressive in terms they set
- Sometimes supposed value-add may not be transferable to your industry or company

Who Should Choose This Route?

- Near-term exit is primary goal
- Want to leverage industry knowledge - good VCs usually possess hard-won wisdom and business acumen
- Need bigger investments than angel investors

Anatomy of a Family Office

Advantages

- Hybrid between VC and angel investor
- Offer more cash than angel investors but not as much as institutional firms
- More mission-driven and focused on specific industries

Disadvantages

- Won't prepare you for large institutional round
- Don't offer much value beyond cash and industry-specific networking
- Relatively unstructured in their process and approach
- Fidelity you can expect can differ widely

Who Should Choose This Route?

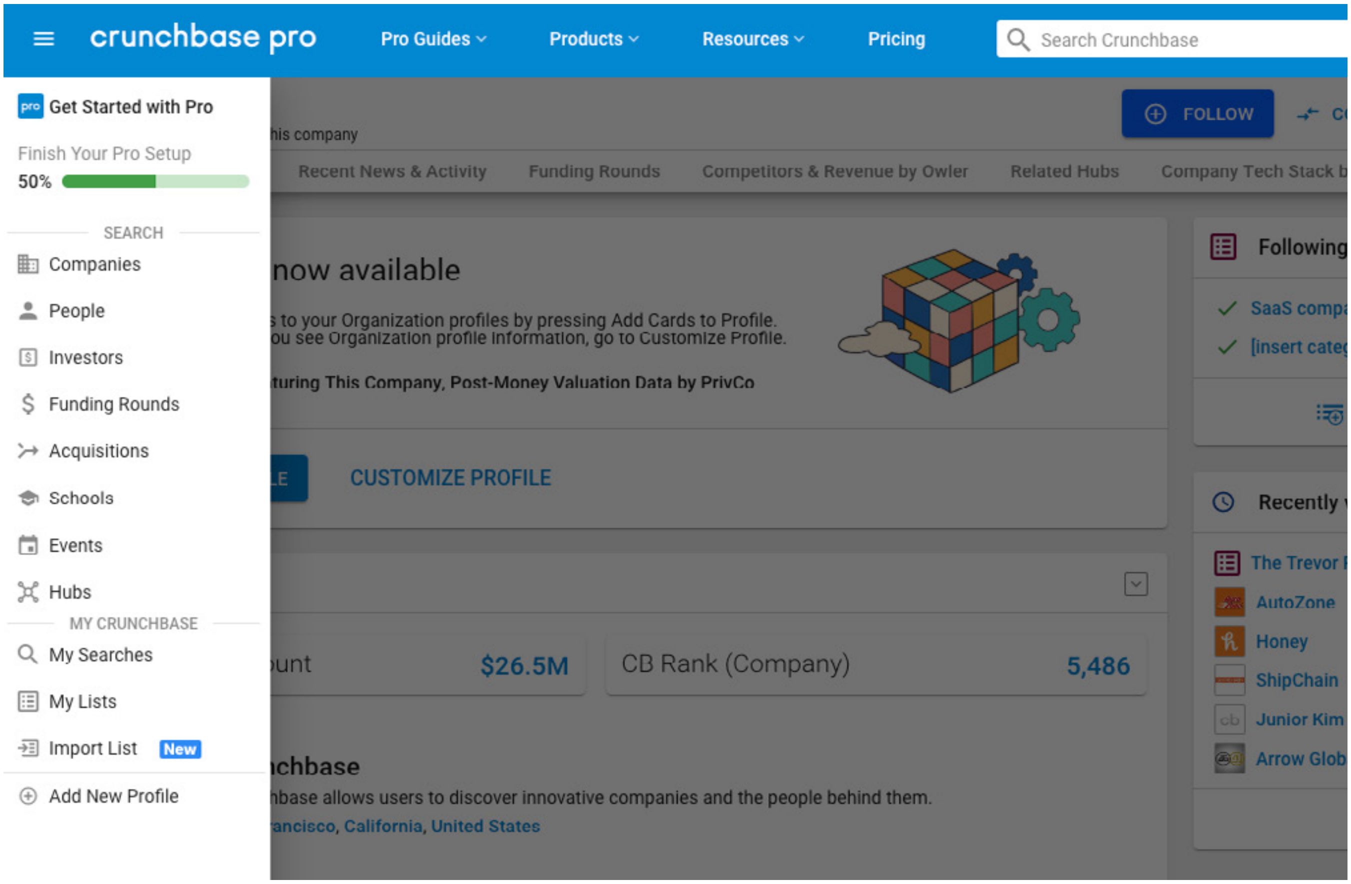
- Those looking for the flexibility and casualness of angel investors but want a bigger sum of cash

How to Find Investors

You probably don't have the option to pitch your startup to a panel of investors on a national stage. After all, that's an approach only open to a relatively small number of entrepreneurs. Fortunately, there's another resource to find investors at your disposal — technology.

Here are six technologies to help you find investors who are ready to support your startup.

1. Gust
2. Crunchbase Pro
3. LinkedIn
4. Pitch Investors Live App
5. Microventures
6. WeFunder



How Crunchbase Can Help You Find Investors

With Crunchbase Pro you can find investors who invest in companies like yours.

Add filters to further narrow down your search. Filter by investor type (angel investor, early stage, late stage VCs etc.) who have invested in a certain sector and round size.

Registered users can add up to two filters for free, while Crunchbase Pro subscribers can add as many as they'd like! Here are some example searches:

European Investors Who Invest In Seed Rounds
Nordic Investors Who Invest in US & Asia Companies
European Investors That Have 5+ Exits and Investments in Gaming
Financial Services Startups with 1-5 Investors and Angel or Series A

Insider Tips When Preparing to Talk to Investors

1. Plan to contact **a lot** of investors
2. Build relationships starting yesterday
3. Don't burn bridges
4. Build passion into your pitch
5. Follow up three times
6. Decide between metrics focus or big-vision
7. Pre-qualify your investor
8. Don't run your business like raising money is your MO
9. Practice your pitches with "junk" investors
10. Draft a pitch deck right after raising a round

"

The venture capital business is 100% a game of outliers — it's extreme competition.

Marc Andreessen

1

Plan to Contact at Least 100 Investors

You'll end up only having serious conversations with five, if that. Also, make sure this list is targeted and they invest in your sector. If you're a biotech company, maybe a SaaS-focused investor isn't the best bet.

2

Relationship Building Is Crucial – Start Early

If you're looking to build a company with venture funding, you will be a fundraiser for at least the next five years of your life. **A natural introvert?** A great way to keep investors engaged is to add them to a newsletter of quarterly updates. Shooting over a thoughtful and quick news mention or a cool new feature release is an excellent way to remind investors you exist.

It's crucial to keep relationships going, even when you aren't looking to raise money quite yet, or are too nascent for the investor's target stage.

3

The Venture Community Is Small, Don’t Burn Bridges

This one is pretty self-explanatory. The venture community is shockingly small. Any burned bridges may eventually come back to bite you, particularly when you are looking to raise funds. Our best advice? Don’t burn bridges – you never know when a past relationship will come back to haunt you.

4

Build Passion Into Your Pitch Everyday

The hardest job you will have as a CEO is keeping the passion alive, and as hard as it may be, **it is your responsibility to bring that passion every time you pitch.** This is more than just for investor meetings, but for when you pitch candidates and employees.

Passion keeps engagement and retention high and keeps employees from checking out. Similarly, investors want to know that building your company is your passion, and exactly what you want to do for the rest of your life.

5

Follow Up Three Times

Absolutely follow up three times with an investor. No, you will not be scaring them away. Now, don't do it over a two-day span, but over a two- to three-week period. Follow up quickly and consistently.

With fundraising as your highest priority, **ensure you have a couple of partners to help you manage the communication.** Fundraising is a big and vital project and should be treated as such. Enlist your EA or COO to help send out collateral. 15% of your dedicated partner's time is spent managing how many times you've followed up, who has your deck, and the like.

6

Decide Between Selling Metrics Vs. Selling a Big Vision

Your goal when pitching is not to have people join your religion, but to convince them that your business is one worth investing in, and will make your investors money.

Depending on your business and the stage of your business **you may need to decide whether it's better to pitch the hype or your strong metrics.** Strong metrics that are eating the competition mean that you may not need to sell the dream because real metrics say the business is working.

However, putting yourself against competition can be tricky, particularly if they are large companies. Investors will be disengaged if you pose yourself as a scrappy team of 5 or 6 taking on a company of 300.

7

Prequalify Your Investor

Pitching to investors shouldn't feel like a monologue of 20 facts listed by order of importance. Be sure to make pitching a dialogue, which entails prequalifying an investor.

> It's shocking how few people ask what is my investment criteria.
>
> Courtney Broadus,
> Spider Capital Partners, Broadway Angels

Prequalify investors to maximize everyone's time.

Quickly establish the investor's investment criteria. Before going into your full pitch, find out if an investor can provide the minimum capital you're looking for and if they invest in your sector.

8

Don't Run Your Business Like Raising Money Is the Main Objective

While your main goal as CEO is to fundraise, you need to be careful not to run your business as such. That means not telling your employees that you need this particular story to be told when raising capital, whether it be a Series A or B or otherwise. No employee wants to be working at a company that's always running to raise the next round.

9

Practice Your Pitches

Lastly, identify your top 10 to 20 investors who invest in companies like you, are top-tier, or are competitors of competitor investors. Then put this list *aside*.

When raising capital you want to practice your pitch with "junk investors," and wait until your pitch feels organic. Junk investors aren't necessarily bad investors, but they are the investors you're okay not getting your pitch perfect with or not winning. Strategically select when and who to talk to, because you won't get a second chance to pitch right.

10

Draft a Pitch Deck Right After Raising a Round

Run your business like your story is your main objective. Crunchbase CEO Jager McConnell explains how right after he raises a round of funding, he will draft a pitch deck for the next round. Referring back to the pitch deck is a great way to see when you are gravitating away from your story, and to ensure you are always revising and adjusting your story accordingly.

Now...
Nail Your Pitch.

Now that we've reviewed how to talk to investors, we will walk through what to include (and not include) in your startup pitch deck. Follow the 30-20-10 rule.

30 seconds to state your objective.

20 minutes to finish your presentation.

10 slides to tell your story.

What Should Be On Your Pitch Deck?

According to VCs and Successful Startups

	500 Startups	Guy Kawasaki	Sequoia Capital	NextView Ventures	Crowd funder	Airbnb Pitch Deck
Slides	11	10	11	15+	12	13
Executive Summary				•		
Problem	●	●	●	●	●	●
Solution / Value Proposition	●	●	●	●	●	●
Market Validation / Why Now?			•	•	•	•
Product	•		•			•
Market Size	•		•	•		•
Business Model	●	●	●	●	●	●
Underlying Magic	•	•		•		
Competition	●	●	●	●	●	●
Competitive Advantage	•					•
Marketing Plan / Go-to Market	•			•	•	•
Founding Team	●	●	●	●	●	●
Board / Advisors			•	•		
Traction / Milestones	•	•		•	•	
Press / User Testimonials				•		•
Fundraising	●	●	●	●	●	●
Financial / Use of Funds		•	•	•	•	

Source: Slidebean

What To Definitely Include When Building Your Pitch Deck

Beyond making sure your slide count is less than 15, make sure you include the following slides in your investor pitch deck:

- **Problem**
- **Solution/Value Proposition**
- **Business Model**
- **Competition**
- **Founding Team**
- **Fundraising**

Dive further into the dos and don'ts of your pitch deck here.

Raise Startup Capital Faster With Crunchbase Pro

Research investors and competitors in one place with Crunchbase Pro.

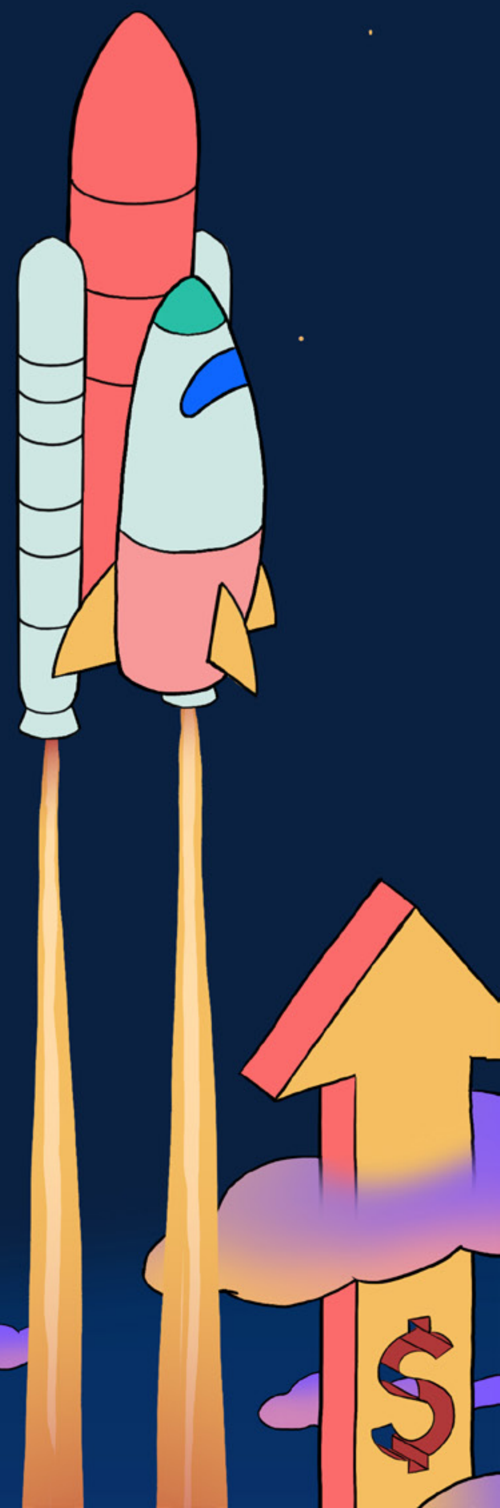
Crunchbase Pro is a research tool that makes it easy to discover investors and monitor industry trends. From uncovering impressive investors to tracking targeted acquisitions, stay connected while getting back to the things that matter.

Jump into and edit our sample searches to start finding your next investor:

Find investors: U.S.-based angel investors who invest in late-stage rounds

Benchmark your raise: Average e-commerce Series A startup funding round size in the last six months

Identify acquirers: Mobile companies that were acquired by artificial intelligence companies



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