

Startup Stages



Series Funding



Mac AI
Ventures

Overview

- Pre-Seed Stage
- Seed Stage
- Series A Funding
- Series B Funding
- Series C Funding
- IPO/Mezzanine



Pre-Seed Stage

- ✘ **Overview:** The Pre-Seed Stage is the first and earliest round of funding for start-ups. It happens before the company has made revenue, before or at the very beginning of operations. Companies in the Pre-Seed stage are not well known
- ✘ **Types of Funding:** This stage is sometimes not seen as a funding stage; the company **does not seek equity** investments from accredited investors.
- ✘ **How Are The Funds Used:** The funds are used to **turn the idea into reality**. The earliest operations and setup are funded here. This tends to be where the least amount of money is raised
- ✘ **Types of Investors:** The only investors at this point in funding are the owners themselves. Angel Investors may come in at this stage but tend to invest during the Seed Stage.

Company Valuation

<\$2,000,000

Capital Raised

\$50,000 - \$250,000



Seed Stage

- ✘ **Overview:** The *Seed Stage* is after the company has shown their product is viable in the market. The business is no longer just an idea, and a team is being assembled by this point
- ✘ **Types of Funding:** This is the first round of funding where they may be seeking capital in exchange for an equity stake.
- ✘ **How Are The Funds Used:** The funds are used to **cover the costs** of starting the business. Purchasing initial equipment/office space, research and development, and any initial costs that may arise.
- ✘ **Types of Investors:** **Angel Investors** are the primary investors that start-ups in the *Seed Stage* are looking to attract. Institutional investors offer more capital than could have been raised in the *Pre-Seed Stage*.

Company Valuation

<\$10,000,000

Capital Raised

\$500,000 - \$2,000,000



Example: Collective Retreats



On March 21, 2017, Collective Retreats raised \$2.5M in its seed funding round. The funds were used to expand and to begin the process of adding new locations.

Collective Retreats is a hospitality company that created moveable luxury tents, to make pop-up style hotels in remote destinations. Their aim is to combine an authentic local experience with luxury service that you would expect from a 5-star hotel.

Notable Investors

- ✦ First Round Capital
- ✦ Slow Ventures
- ✦ BBG Ventures

Key Metrics

- ✦ \$2.5m raised in 2017
- ✦ Total Equity Investment increased to \$13M as of 2020
- ✦ \$9m in annual revenue as of 2020



Series A Funding

- ✘ **Overview:** *Series A* financing refers to the investment in a privately-held start-up company that has demonstrated a viable business model, strong growth potential and the ability to generate revenues.
- ✘ **How Are The Funds Used?** *Series A* funding enables start-ups to proceed with **expansion plans**. Some expansion activities may include **hiring, purchasing inventory and equipment**, and **other long-term goals**.
- ✘ **Type of Funding:** Investors will typically exchange finance capital for common / preferred stock of the company, deferred stock, deferred debt, or any combination of the two.
- ✘ **Types of Investors:** Financing comes from well-established Venture Capital and Private Equity firms. Most *Series A* investors are looking for significant returns on their investment (200 -300% over a multi-year period).

Company Valuation:

~\$23 Million

Capital Raised:

~\$15.6 Million



Example: CHAOSSEARCH

CHAOSSEARCH is a cloud-based Data Lake engine that delivers instant elasticity and unlimited scale, secure data access and disruptive pricing for LOG and BI analytics. On November 14, 2018 CHAOSSEARCH raised \$9M in Series A funding.

CHAOSSEARCH was founded in 2017 under the name Chaos Sumo with a mission to simplify data storage, management, and analytics for AWS S3. The Series A funding was used particularly to expand the company's charter to enable Development Operations teams to extend their log and event data retention and usage. Key investors from .406 Ventures and Glasswing Ventures also joined the company's Board of Directors.

Notable Investors

- ✦ Glasswing Ventures
- ✦ .406 Ventures
- ✦ Stage 1 Ventures (Existing Investor)

Key Metrics

- ✦ Estimated annual revenue ~\$10 mil USD
- ✦ Since 2016, company has grown from 3 employees to a total staff of 59
- ✦ Winner of two IT World Gold awards: Best SaaS Startup and Best Data Science Platform



Series B Funding

- ✘ **Overview:** *Series B* funding is appropriate for companies looking to scale up, face competitors and increase market share. At this stage, companies should be generating stable revenues and some profits.
- ✘ **How Are The Funds Used?** *Series B* funding **supports the company's growth**. The capital raised can be used in various ways, such as sales, marketing, talent acquisition, and developing new technologies.
- ✘ **Type of Funding:** Typically, investors will exchange capital for convertible preferred shares that include anti-dilution provisions.
- ✘ **Types of Investors:** Series B investors include investors from previous rounds, venture capitalists, private equity firms, crowdfunded equity, and credit investments.

Company Valuation:

~\$58 Million

Capital Raised:

~\$33 Million





Example: Freeletics

On September 23, 2020, Freeletics raised \$25M in its series B funding round. The funds will be used to develop new technologies, expand the company's global footprint and build new business verticals.

Freeletics is a provider of AI-based fitness and mindset coaching, with 48 million users in over 160 countries. The fitness app also offers AI technology that allows the app to learn from millions of users and their individual feedback, so it can develop ongoing smart Training Journeys uniquely designed to suit every single user, down to the last exercise.

Notable Investors

- ✦ JAZZ Venture Partners
- ✦ Causeway Media Partners
- ✦ KKCG

Key Metrics

- ✦ 600,000 paying subscribers
- ✦ Daily active users Increased 200% in past year
- ✦ Subscriber base increased 100% in past 18 months



Series C Funding

- ✘ **Overview:** Companies engaging in *Series C* funding should have established, strong customer bases, reliable revenue streams, and proven histories of growth.
- ✘ **How Are The Funds Used?** The proceeds from this financing round are commonly used for entering **new markets**, **research and development**, or **mergers and acquisitions**. Companies can also boost their valuation in anticipation of an IPO.
- ✘ **Type of Funding:** Like previous rounds, investors will exchange capital for convertible preferred shares that include anti-dilution provisions.
- ✘ **Types of Investors:** This round attracts late stage VC's, private equity firms, hedge funds, and investment banks.

Company Valuation:

~\$118 Million

Capital Raised:

~\$59 Million



Example: SpotOn Transact, Inc

On September 23, 2020, SpotOn Transact, Inc. announced \$60 million in series C funding. The funds will be used to expand their operations into new markets and to develop new products.

SpotOn powers small-and-medium-sized businesses with digital tools to run and grow their business. The software and payments platform, coupled with a hands-on service model, offers end-to-end solutions which include marketing, website development, appointment scheduling, digital loyalty, review management, and both retail and restaurant point-of-sale (POS) solutions.

Notable Investors

- ✦ DST Global
- ✦ Franklin Templeton Investments
- ✦ Dragoneer Investments



Key Metrics

- ✦ Revenue increased 150% in the past year.
- ✦ 30,000 clients in only 3 years
- ✦ \$190M in total funding



Mezzanine / IPO Funding

- ✘ **Overview:** An IPO is often seen as an exit opportunity for early investors. These investors have the option to sell some, or all, of their shares in addition to a specified amount of new shares to be offered to the public.
- ✘ **Types of Investors:** IPO investors include both institutional investors (i.e. investment banks, etc.) and retail (individual) investors.
- ✘ **Type of Underwriting:** Best Efforts is when the underwriter **tries** to sell as many shares at the agreed-upon price. Bought Deal is when the underwriter **purchases** a certain amount of the shares themselves then sells them to other investors, assuming liability.
- ✘ **Responsibilities:** A company going public via IPO (or any other method) is subject to intense scrutiny from the SEC (for US-based filings).

Company Valuation:

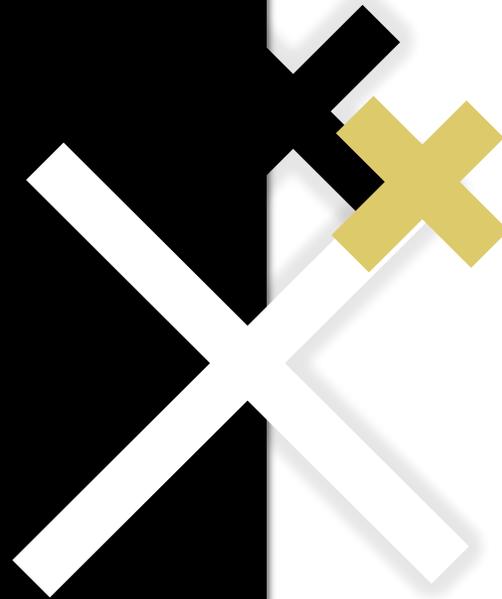
\$500 Million +

Capital Raised:

\$100 Million +



Can
anyone
think of a
recent
IPO?



What was the most
money ever raised in
an IPO?

How about the most
raised by an American
company?





Examples: Largest IPO's

Largest IPO Worldwide

**Alibaba Group
(2014)
\$25 Billion USD**

Largest American IPO

**American Insurance Group
(2006)
\$20.5 Billion USD**



Questions?



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