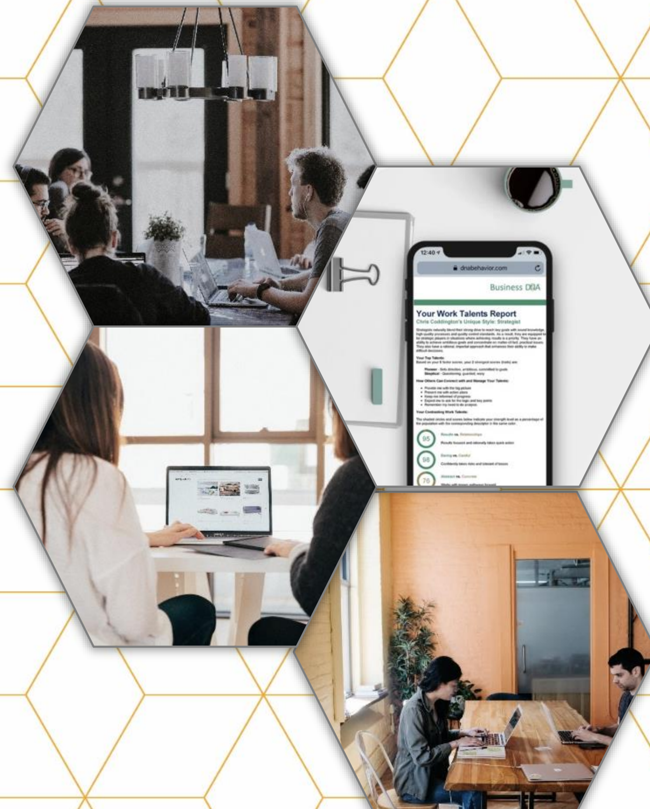

Business Tips - Fund Raising

DNA Behavior®

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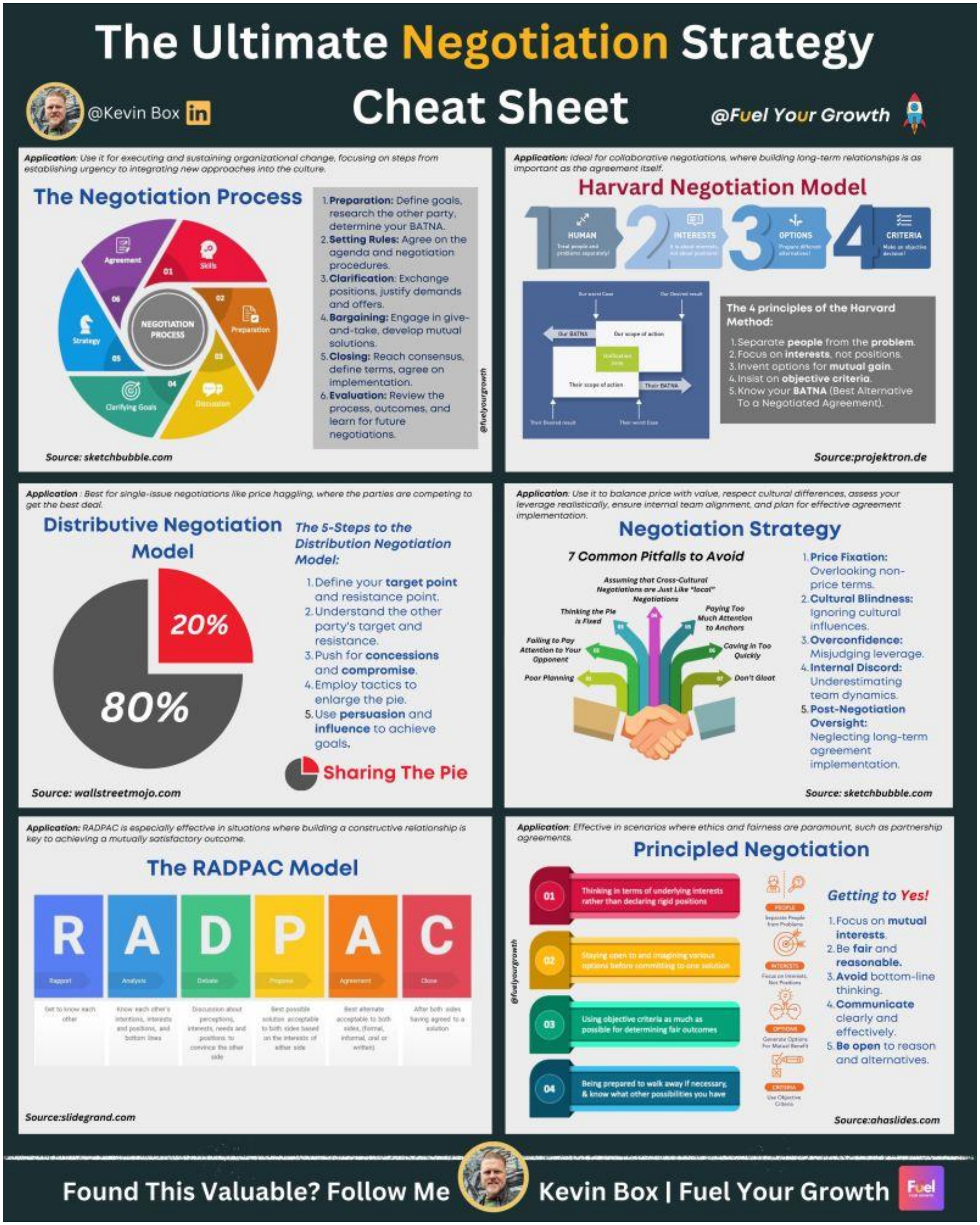
Fund Raising

Valuation Cheat Sheet

The Ultimate Negotiation Strategy Cheat Sheet



Breaking Down an Early Stage Startup Pitch Deck

Breaking Down an Early Stage Startup Pitch Deck

1. Mission/Vision/Purpose	Clear Message + Emotional Engagement
2. Problem Identification	Human Element + Insightful Problem Definition
3. Expanding on the Problem	Scale + Impact
4. Solution Presentation	Concept Introduction + Value Proposition
5. Market Timing	Market Trends + Exclusive Insights
6. Go-to-Market Strategy	Strategic Channels + Growth Forecasting
7. Competition Analysis	Competitor Knowledge + Differentiation
8. Potential Partnerships	Competitive Landscape Understanding + Partnership Opportunities
9. Next Steps and Plans	Immediate Objectives + Strategic Planning + Guided Progression

Credit: Ben Yoskovitz - Image created by Nathan Beckord

Due Diligence Types

40 Questions From Y Combinator to Crash-Test a Startup

40 Questions From Y Combinator to Crash-Test a Startup

1. Problem

- What problem are you solving?
- What problem will be solved at the end of what you are doing?
- What do we expect the result to be?
- Can you state the problem clearly in two sentences?
- Have you experienced the problem yourself?
- Can you define this problem narrowly?
- Who can you help first?
- What can we address immediately?
- How do we get the first indication this thing is working?
- Is the problem solveable?

2. Customer

- Who is your customer?
- Who is the ideal first customer?
- How will they know if your product has solved the problem?
- How often(frequency)does your user have the problem?
- Who is getting the most value out of your product?
- How intense is the problem?
- Are they willing to pay?
- How easy is it for your customer to find your product?
- Which customers should you run away from?

3. Product

- Does your product actually solve the problem? Be truthful. How and why not?
- Which customers should you go after first?
- How do you find people who are willing to use your"bad"first versions of your product?
- Who are the most desperate customers as how do you talk to them first?
- Whose business is going to go out of business without using you?
- Are you discounting or starting with a super low price? Are you consider this approach? If so, why?

4. Performance

- What are you using to measure how users are interacting with your product?
- What 5-10 metrics are you measuring to understand how your product functions? Why those metrics?
- When you build a new product or feature, what is the metric that will improve because of that feature/product?
- What number do you track to show how well your company is doing?
- What is your top level KPI(revenue,usage)?
- What are the underlying metrics that contribute to achieving your top level KPI(newusers, retention of users, content created => DAUs at Social Cam)?
- Which of these metrics are you trying to move this development cycle?

5. Product Development

- How long is your product dev cycle? What is causing it to be that long?
- Who is writing down notes at your product dev meeting?
- Which category does each of your brainstormed ideas fit: New features/interactions on existing ones; bug fixes/other maintenance; A/B tests?
- How easy/medium/hard are they to do?
- How can you restate the hard ideas (disaggregate idea into smaller ideas)?
- What parts of hard ideas are useless or hard? Are there other options?
- Which hard idea will improve act the KPI the most? Which medium? Which easy?
- What is the spec for the product/feature we want to build?

Source:

Y Combinator

Go-To-Marketing Strategy Cheat Sheet

Sources: Asana & Hubspot

Go-To-Market Strategy Cheat Sheet

When Do You Need a GTM Strategy?

- When launching a new product or service.
- Entering a new market.
- Targeting a new customer segment.
- Responding to a shift in the market or competition.
- Expanding or adjusting your business model.

Critical Parts of a GTM Strategy

- **Product-Market Fit**: Identifying the problem(s) your product solves.
- **Target Audience**: Understanding who experiences the problem and their willingness to pay for a solution.
- **Competition and Demand**: Assessing existing market offerings and demand levels.
- **Distribution**: Deciding the mediums for selling your product or service (e.g., website, app, third-party distributor).

How to Build a Go-to-Market Strategy

- **Use GTM Strategy Templates**: For organization and alignment.
- **Identify the Buying Center and Personas**: Understanding the decision-makers and users.
- **Craft a Value Matrix**: To identify messaging based on persona pain points.

Persona Name	Pain Points	Product Value	Message
Example Eddy	A process he uses costs too much time and money.	The service costs less time and money.	This service does ___ which saves companies time and money.

- **Test Your Messaging**: Using different channels and audience segments.
- **Optimize Ads**: Based on test results before wide-scale implementation.
- **Understand Your Buyer's Journey**: Mapping the customer's path to purchase.

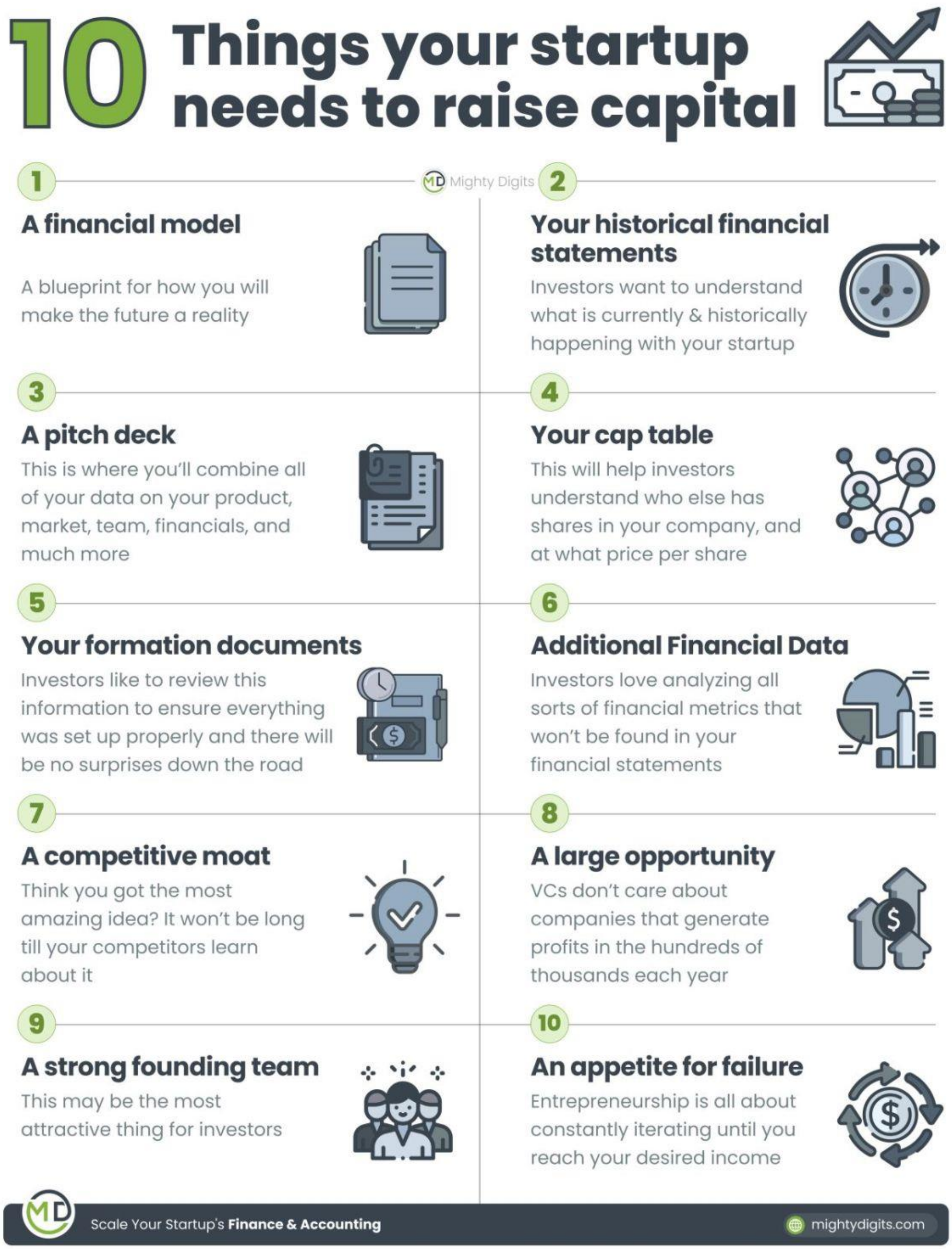
- **Choose a Sales Strategy**: Selecting from self-service, inside sales, field sales, or channel models.
- **Build Brand Awareness**: Using inbound and/or outbound methods.
- **Create Content for Inbound Leads**: Targeting relevant keywords and creating engaging content.

Go-to-Market Strategy Tips

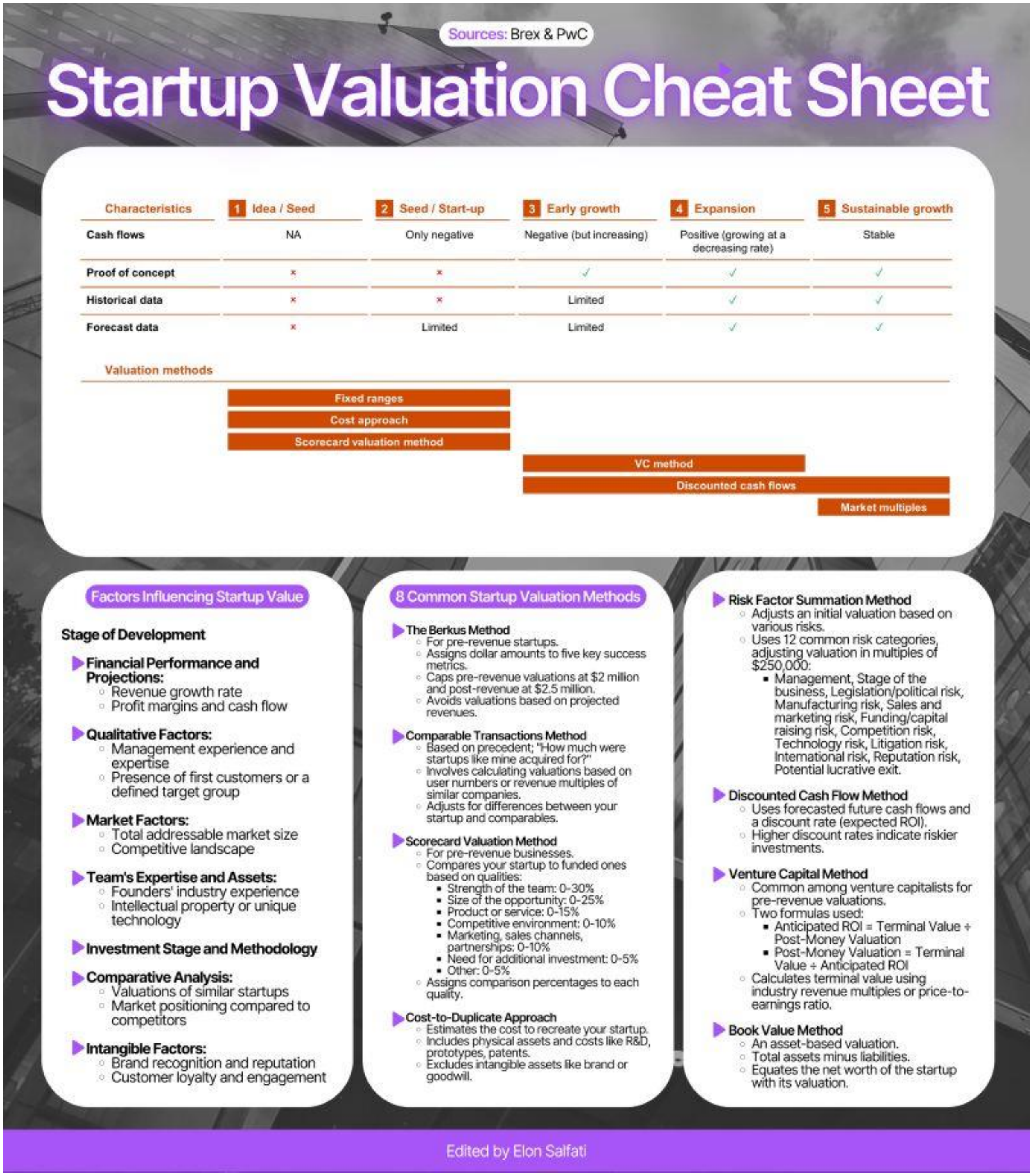
Tip #1	Tip #2	Tip #3	Tip #4	Tip #5	Tip #6	Tip #7
Align your team around a shared vision	Understand your customer deeply	Focus on building strong relationships	Be adaptable and ready to pivot	Measure and analyze performance continuously	Leverage customer feedback for improvement	Stay informed about market trends

Edited by Elon Salfati

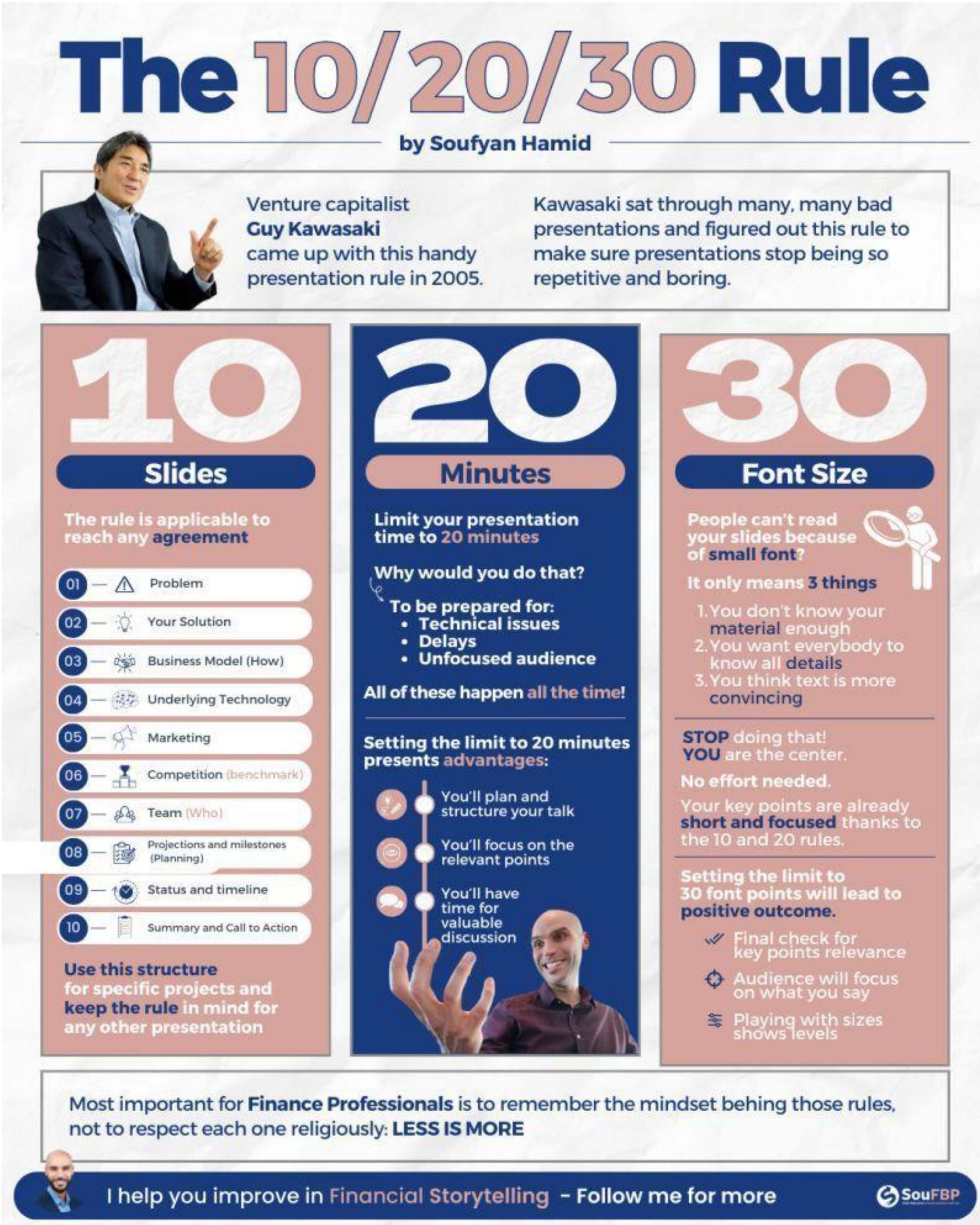
10 Things your startup needs to raise a capital



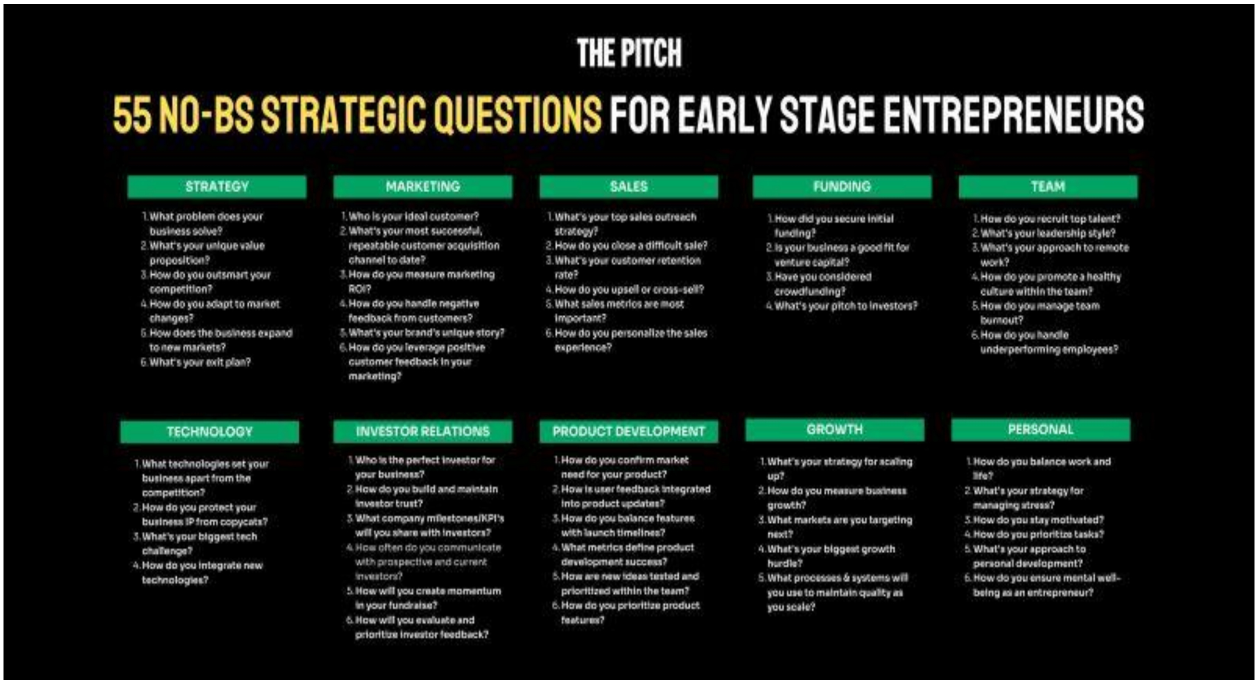
Startup Valuation Cheat Sheet



The 10/20/30 Rule



55 No-BS Questions for Early-Stage Entrepreneurs



10 Investors KPIs

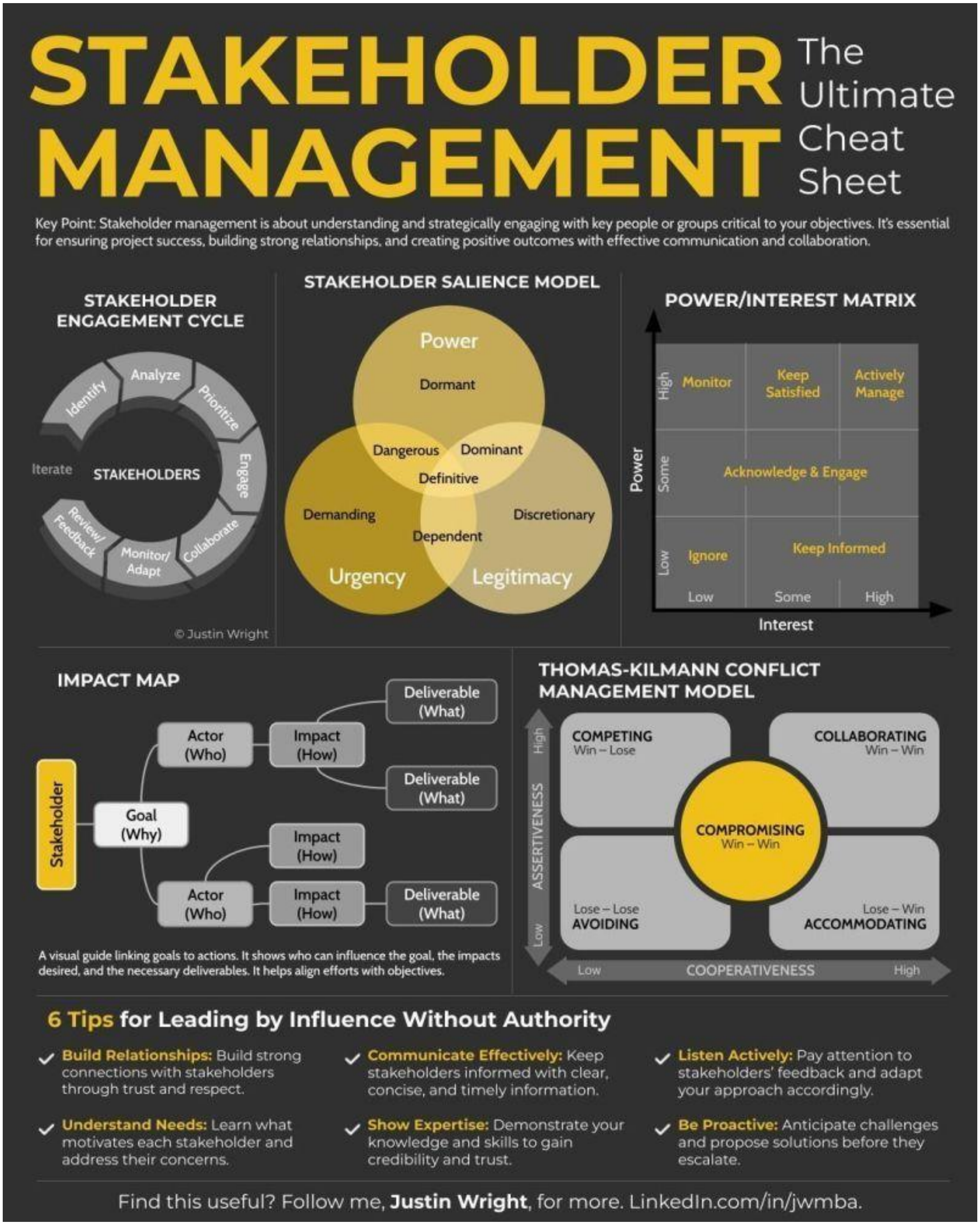
10 Investors KPIs

By Nicolas Boucher

Name	Description	Formula
Return on Investment (ROI)	How much money you made compared to your investment	Income from asset / Asset invested
Return on Equity (ROE)	Measures the return on shareholders' equity	Net Income / Shareholders' Equity
Earnings per Share (EPS)	Company's profitability on a per-share basis	Net Income / Average number of outstanding shares
Price-to-Earnings Ratio (P/E)	Price of a company's shares relative to its earnings	Market Price per Share / Earnings per Share
Dividend Yield	Return on investment from dividends	Annual Dividend per Share / Market Price per Share
Debt-to-Equity Ratio	Measures the company's financial leverage	Total Liabilities / Shareholders' Equity
Current Ratio	Company's ability to pay its current liabilities with current assets	Current Assets / Current Liabilities
Quick Ratio	Company's ability to pay its current liabilities with quick assets	(Current Assets - Inventories) / Current Liabilities
Gross Margin Ratio	Measures the profitability of a company's products or services	(Revenue - Cost of Goods Sold) / Revenue
Net Promoter Score (NPS)	Measures customer satisfaction and loyalty	% of Promoters - % of Detractors

What Investors Should See in a Data Room

Stakeholder Management



Sequoia Capital Pitch Deck

Flow

FYI Only – NOT a slide for your deck

Company Purpose
Problem
Solution
Why Now
Market Size
Competition
Product
Business Model
Team
Financials

Company Purpose

Define the company/business in a single declarative sentence

Problem

Describe the pain of the customer (or the customer's customer)

Outline how the customer addresses the issue today

Solution

Demonstrate your company's value proposition to make the customer's life better

Show where your product physically sits

Provide use cases

Why Now

Set-up the historical evolution of your category

Define recent trends that make your solution possible

Market Size

Identify/profile the customer you cater to

Calculate the TAM (top down), SAM (bottoms up) and SOM

Sequoia Capital Pitch Deck Part 2

Competition

List competitors

List competitive advantages

Product

Product line-up (form factor, functionality, features, architecture, intellectual property)

Development roadmap

Business Model

Revenue model

Pricing

Average account size and/or lifetime value

Sales & distribution model

Customer/pipeline list

Team

Founders & Management

Board of Directors/Board of Advisors

Financials

P&L

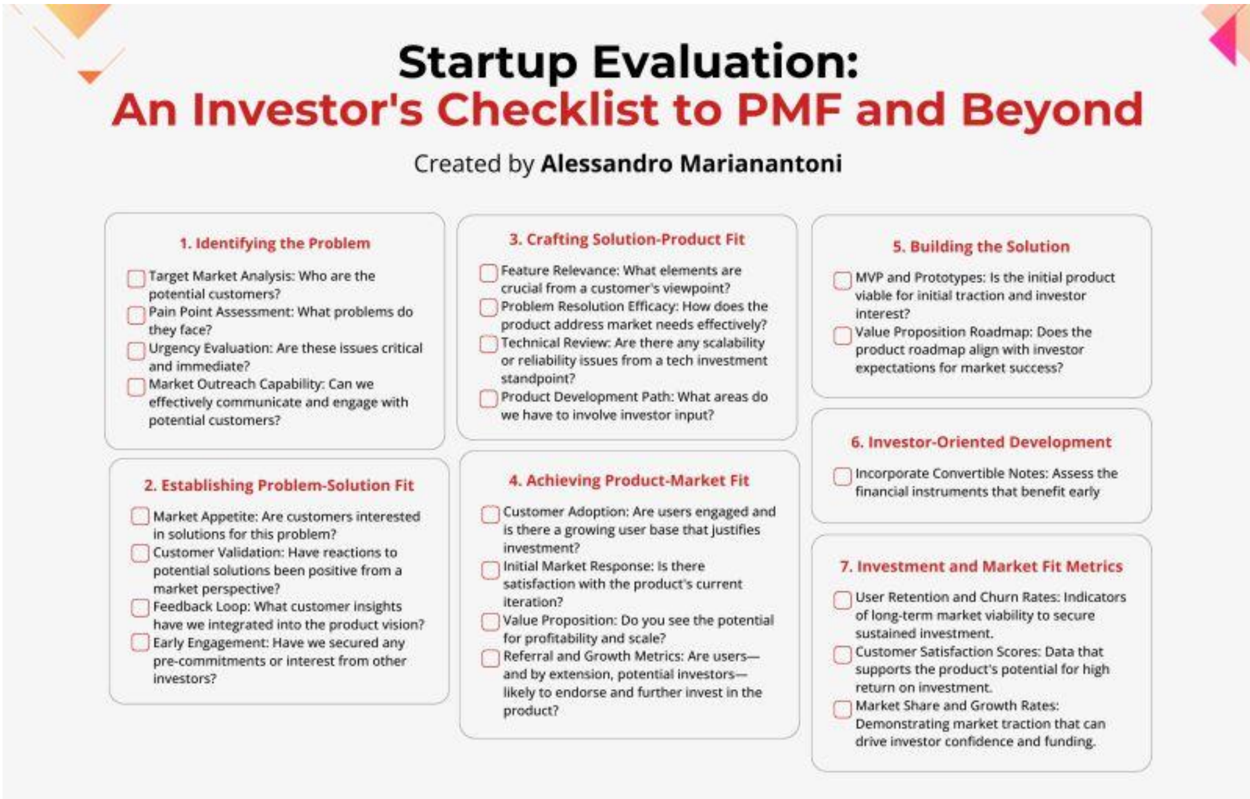
Balance sheet

Cash flow

Cap table

The deal

Startup Evaluation: An Investor’s Checklist to PMF and Beyond



Guide to Liquidation Preferences

Guide to Liquidation Preferences
A Cheat Sheet for Investors

WHAT IT IS

Liquidation Preference is a protective mechanism that ensures you recoup your investment before the common shareholders (typically founders and employees) receive any proceeds from a liquidation event. It's essentially a clause that gives preferred stockholders priority over common stockholders when the company's assets are distributed.

TYPES

1. Non-Participating - investors get their initial investment back before any of the remaining assets are distributed to common shareholders. If any assets remain after paying the preferred shareholders, those assets are then distributed to the common shareholders.

2. Participating - investors are entitled to get their initial investment back and then also participate in the distribution of the remaining assets alongside the common shareholders. This can result in a significantly higher payout for the preferred shareholders.

3. Capped Participating - investors can participate in the proceeds until a certain multiple of their investment is reached. After reaching this cap, they no longer participate in the remaining distribution.

EXAMPLE

Scenario: XYZ Tech raised $1 million in a Series A round from Investor A in exchange for preferred shares. Later, XYZ Tech was sold for $3 million.

Non-Participating Liquidation Preference:

Investor A (with preferred shares) gets their initial investment of $1 million back first. The remaining $2 million goes to the common shareholders.

Distribution:

Participating Liquidation Preference:

Investor A first gets their initial $1 million back. After this, Investor A also participates in the distribution of the remaining $2 million along with the common shareholders, based on their ownership percentage. Let's assume Investor A owns 25% of the company due to their investment. So, of the remaining $2 million, Investor A gets an additional $500,000 (25% of $2 million).

Distribution:

Capped Participating Liquidation Preference:

Let's say the cap is set at 2x the initial investment for Investor A. **Investor A** first gets their initial $1 million back. They then participate in the distribution of the remaining funds until they have received a total of $2 million (2x their initial investment). This means they'll take an additional $1 million from the remaining $2 million, reaching their cap.

Distribution:

INVESTOR TIPS

Understand the Implications:

- Fully understand the different types of liquidation preferences and how each can impact returns. Participating preferences can provide higher returns in successful exits but might be seen as less founder-friendly.

Assess the Multiple:

- Negotiate a reasonable multiple of the initial investment to be returned before the remaining proceeds are distributed. While a 1x multiple is standard, some investors push for higher multiples in riskier ventures.

Consider the Seniority:

- Determine the order of payout among different classes of preferred stock. If you're coming in during a later round, be aware that earlier investors might have senior liquidation preferences, which could affect your payout in a liquidation event.

Conversion Rights:

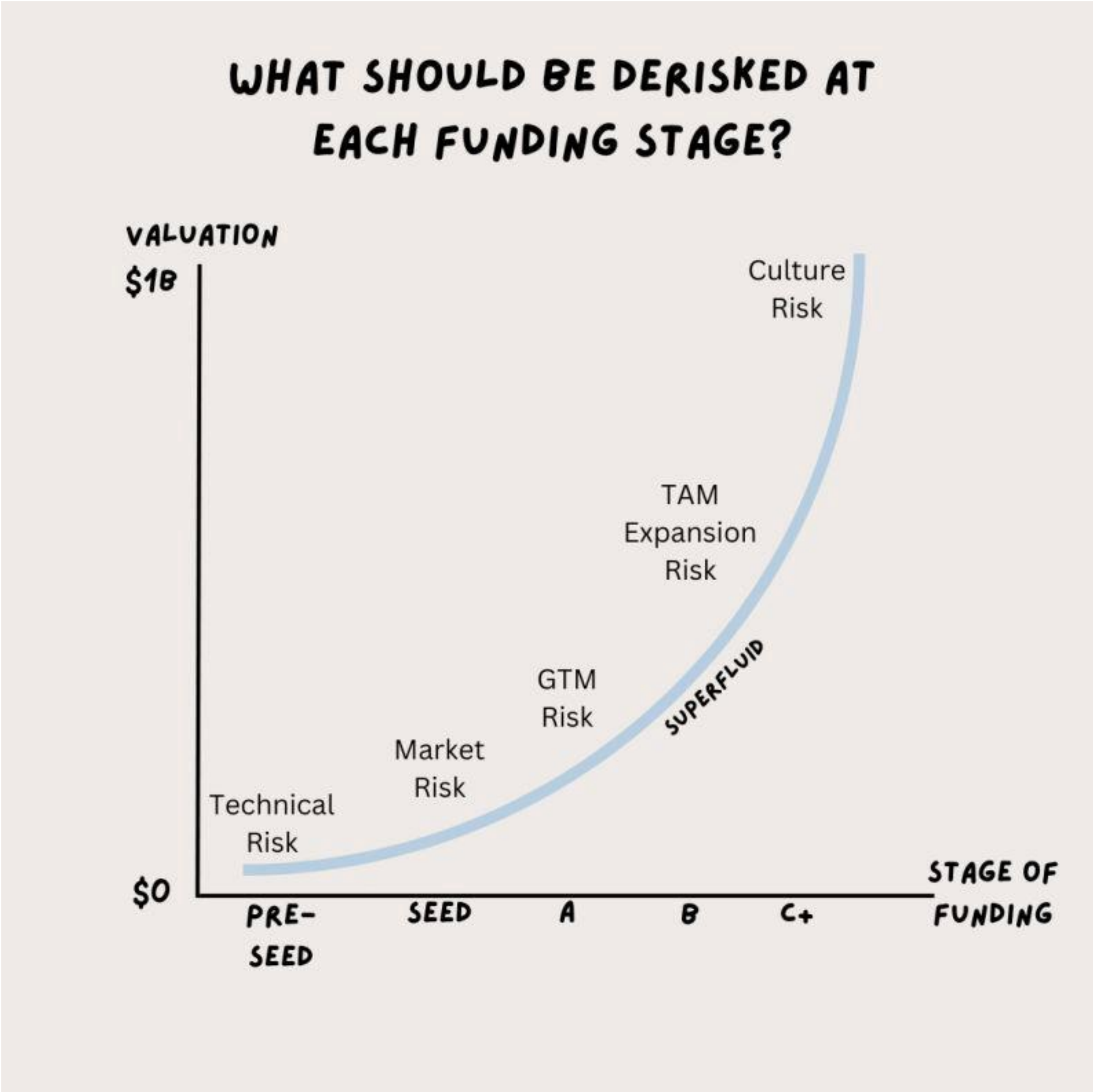
- Ensure that the terms include the option to convert preferred shares to common shares. This gives flexibility, as there may be scenarios where waiving liquidation preferences and converting to common can result in a higher payout.

Cap for Participation:

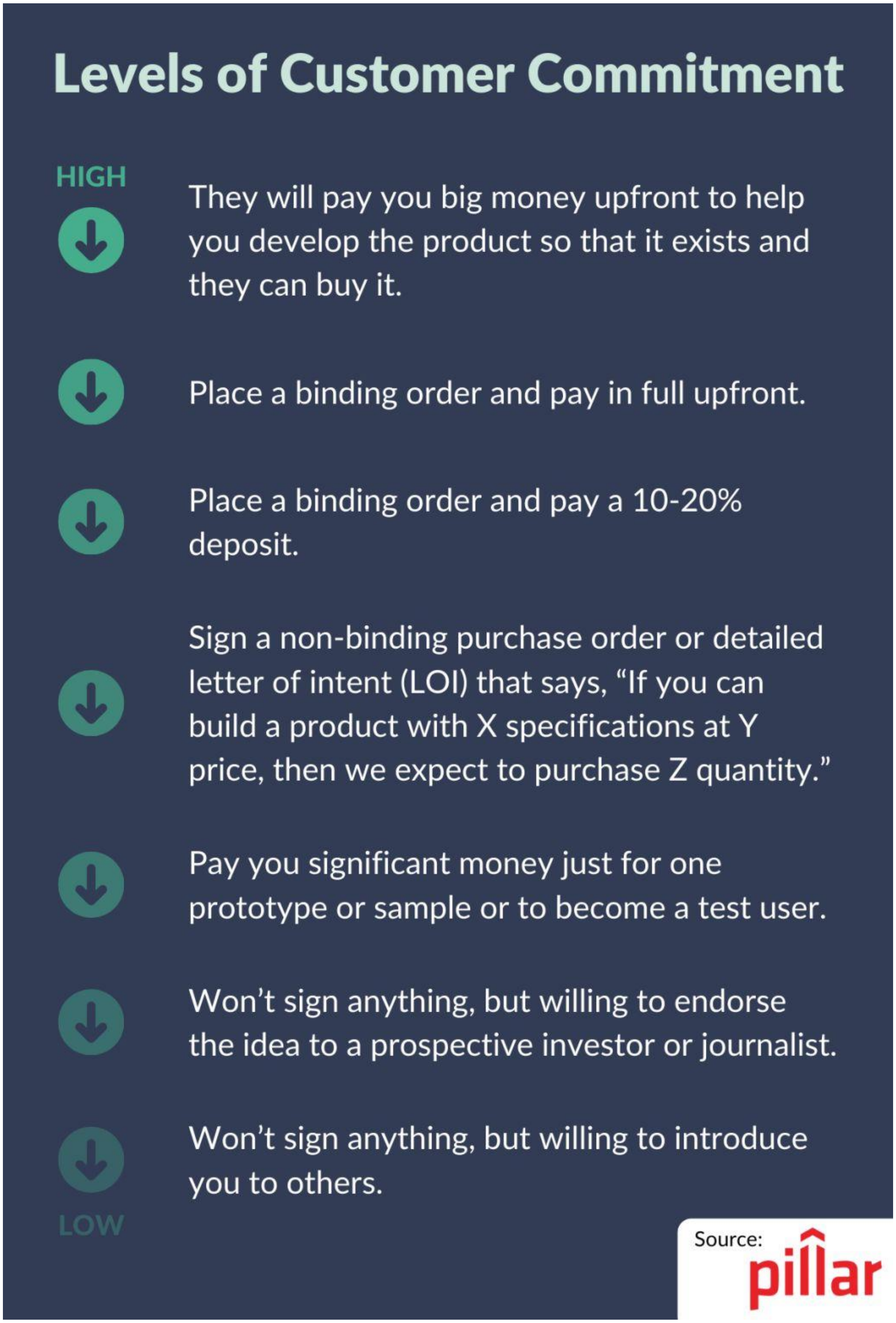
- If opting for a participating liquidation preference, consider negotiating a cap. This can align interests by ensuring that after a certain point, all shareholders participate pro-rata, sharing the upside more equitably.

Created by
Alessandro Marianantoni

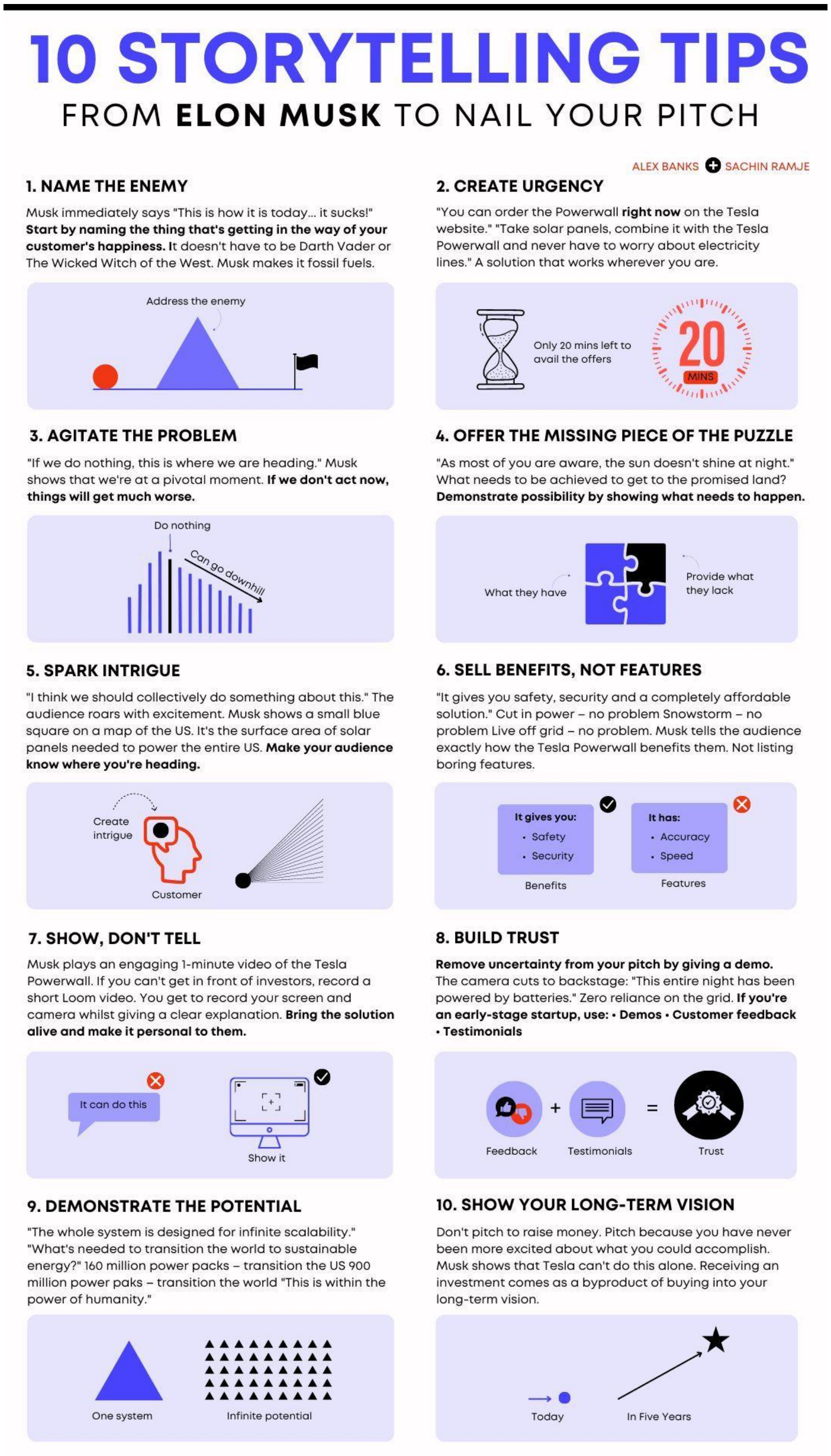
What should be derisked at each funding stage?



Levels of Customer Commitment



10 Storytelling Tips



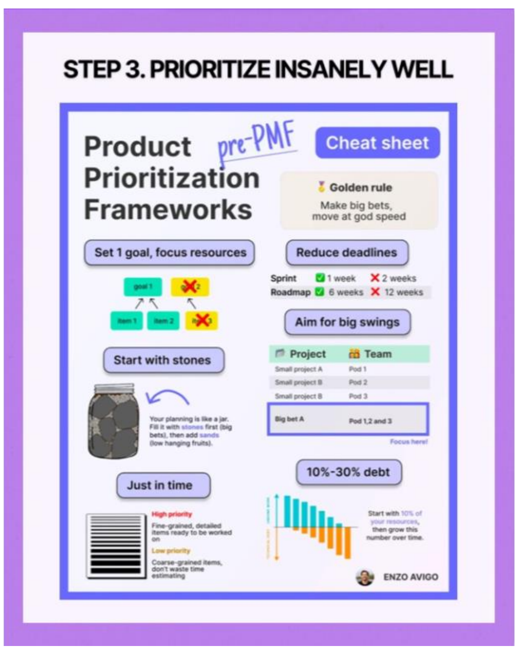
100 Largest Family Offices Ranked by Total Assets

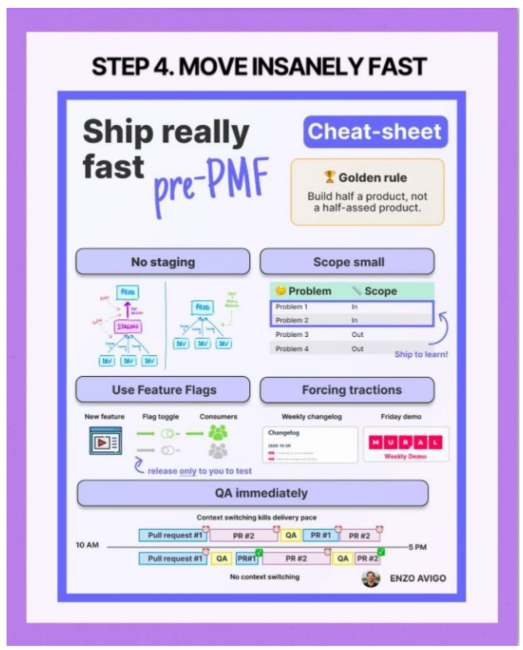
Source: SWFI

Rank	Name	Total Assets	Region	Link
1	Walton Enterprises LLC	$224,500,000,000	North America	https://www.swfinstitute.org/profile/5bc00680dda4002126c6c5f8
2	Cascade Investment	$170,000,000,000	North America	https://www.swfinstitute.org/profile/598cdaa50124e9fd2d05ab95
3	Bezos Expeditions	$107,800,000,000	North America	https://www.swfinstitute.org/profile/5e41091201529745d22213f9
4	Mousse Partners	$89,000,000,000	North America	https://www.swfinstitute.org/profile/5d54a1ced571c53987a532df
5	Ballmer Group	$85,000,000,000	North America	https://www.swfinstitute.org/profile/5e39a279fcbe7e8ca7128a67
6	Waycrosse	$65,200,000,000	North America	https://www.swfinstitute.org/profile/5e39a2d5fcbe7e8ca714879a
7	Fedesa	$55,000,000,000	Europe	https://www.swfinstitute.org/profile/6287c8202505ab6abf67a293
8	The Woodbridge Company	$53,900,000,000	North America	https://www.swfinstitute.org/profile/635f6a0961257f4f100d92d4
9	Pontegadea Inversiones	$53,800,000,000	Europe	https://www.swfinstitute.org/profile/5c252fe3384efe5daba76b80
10	Dubai Holding	$35,290,000,000	Middle East	https://www.swfinstitute.org/profile/598cdaa50124e9fd2d05af42
11	MSD Capital	$31,000,000,000	North America	https://www.swfinstitute.org/profile/598cdaa60124e9fd2d05b87c
12	Athos KG	$30,700,000,000	Europe	https://www.swfinstitute.org/profile/5e39a56efcbe7e8ca72269ba
13	Bayshore Global Management	$30,100,000,000	North America	https://www.swfinstitute.org/profile/5e408a418b88c345da0f920f
14	Soros Family Office	$30,000,000,000	North America	https://www.swfinstitute.org/profile/598cdaa60124e9fd2d05bed3
15	Emerson Collective	$26,000,000,000	North America	https://www.swfinstitute.org/profile/5d9cf54a5ccafc10e3e428ab
16	The Grosvenor Estate	$25,134,800,000	Europe	https://www.swfinstitute.org/profile/598cdaa60124e9fd2d05c0a1
17	KIRKBI A/S	$23,776,440,422	Europe	https://www.swfinstitute.org/profile/598cdaa50124e9fd2d05b5a6
18	Euclidean Capital	$21,600,000,000	North America	https://www.swfinstitute.org/profile/5e46f91001529745d222223b
19	Hartono Family Office	$21,100,000,000	Asia	https://www.swfinstitute.org/profile/5b1de5c7444cf619fe7368c4
20	Fingerboard Family Office	$18,500,000,000	North America	https://www.swfinstitute.org/profile/5e39a642fcbe7e8ca72986e7
21	Crosby Advisors	$17,200,000,000	North America	https://www.swfinstitute.org/profile/61e9be7fc7a246872951efb7
22	Carl Bennet AB	$16,231,055,607	Europe	https://www.swfinstitute.org/profile/5e39a604fcbe7e8ca72760f8
23	Vulcan Inc	$16,000,000,000	North America	https://www.swfinstitute.org/profile/5d64c8b84d5a81736a2eb08c
24	Selfinvest Family Office	$13,676,765,000	Europe	https://www.swfinstitute.org/profile/61f87e311f693c751a4b113a
25	Yoovidhya Family Office	$13,100,000,000	Asia	https://www.swfinstitute.org/profile/5e39a638fcbe7e8ca7291e1a
26	Platanus	$12,700,000,000	Asia	https://www.swfinstitute.org/profile/60860bd732b4e13af14a6259
27	Robert Wood Johnson Foundation	$11,911,586,000	North America	https://www.swfinstitute.org/profile/598cdaa60124e9fd2d05bd41
28	Point72 Asset Management	$11,000,000,000	North America	https://www.swfinstitute.org/profile/598cdaa60124e9fd2d05bb82
29	Stetson Family Office	$11,000,000,000	North America	https://www.swfinstitute.org/profile/5ce5b23b5825d8032ed7a98b
30	Cercano Management	$10,000,000,000	North America	https://www.swfinstitute.org/profile/61f256520641fb91d66f7479
31	Hillspire	$10,000,000,000	North America	https://www.swfinstitute.org/profile/5e409a888b88c345da0f92be
32	Elysium Management	$9,000,000,000	North America	https://www.swfinstitute.org/profile/606b722b983417383f10804a
33	Weybourne Group Ltd	$7,909,730,000	Europe	https://www.swfinstitute.org/profile/60bf936fa5ca7445e9b7a695
34	Willett Advisors	$7,850,216,969	North America	https://www.swfinstitute.org/profile/5f752d0b15d5da174fb8f2ad
35	Sunrise Capital Management	$7,700,000,000	Asia	https://www.swfinstitute.org/profile/5e60c0e3f40f6e4a5da6c25b

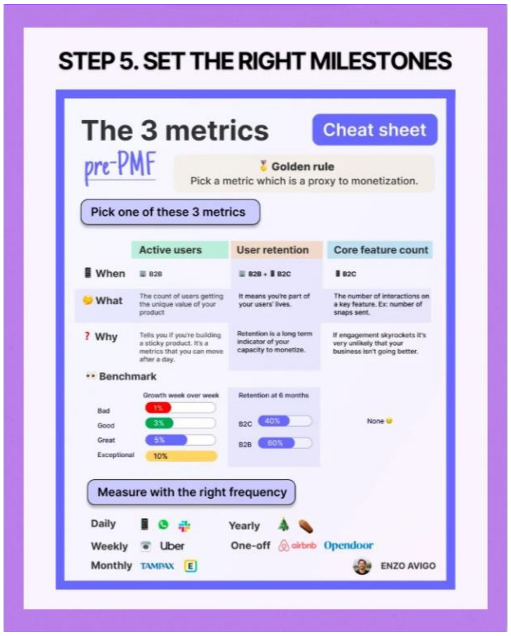
100 Largest Family Offices Ranked by Total Assets

The Pre-PMF Guide for Startup Founders





The Pre-PMF Guide for Startup Founders 2



Top 5 Resources for Founders and Investors

Business Finance

What Should Be In A Shareholders’ Agreement

$27 billion up in smoke – that's how much cash the 3,200 startups that failed this year had raised, says PitchBook

Just over $27 billion in venture funding was raised by startups that failed this year, per NY Times.
That figure is close to the amount raised by startups in the third quarter of 2023, according to EY.
The cash burn figure excludes public companies and acquisitions.
Startups are having a pretty grim year.

Just over $27 billion in venture funding was raised by the 3,200 startups that failed in 2023, The New York Times reported, citing figures from startup tracker PitchBook.

That's close to the amount raised by startups from venture capital in the third quarter of 2023 ($29.8 billion), according to accounting firm EY.

However, the $27.2 billion figure likely underrepresents the true scale of the cash burn, as many companies will have failed without any fanfare. And notably, the tally doesn't include major losses from public companies or those that were acquired.
For instance, coworking company WeWork raised more than $11 billion before its IPO, and filed for bankruptcy in November. And college financial aid startup Frank was acquired by JPMorgan in 2021 for $175 million, before being shuttered in January over fraudulent customer figures.

This year's seen a string of high-profile startup failures. Pizza startup Zume, which raised nearly $500 million, shut down in June after struggling to make its pizza automation technology work.

Convoy, the freight startup that was once hailed as the "Uber for trucking" and raised more than $1 billion, shut down in November.

This year's startup troubles led Tom Loverro, a general partner at investment firm IVP, to call it a "mass extinction event" for startups.

These troubles stem partly from the decline in funding. There's been a drought in VC funding compared with 2022, with $104.5 billion raised in the first nine months of the year versus $183.9 billion in the same period last year, per EY.

The Minimum Viable Team

11 Reasons Why Investors Don’t Invest in Your Company

M&A Checklist for Startups

M&A Checklist for Startups

Pre-M&A Preparation

- [ ] **Strategic Alignment**
  Ensure the M&A aligns with the startup's strategic goals.
- [ ] **Financial Analysis**
  Assess the startup's financial health and valuation.
- [ ] **Legal Preparation**
  Review all legal documents, including contracts, intellectual property rights, and past litigations.
- [ ] **Market Analysis**
  Understand the market dynamics, competition, and potential synergies.
- [ ] **Advisor Engagement**
  Hire experienced M&A advisors, including financial, legal, and industry-specific consultants.

Target Identification and Initial Contact

- [ ] **Target Criteria**
  Define clear criteria for potential acquisition targets.
- [ ] **Search and Identification**
  Identify potential targets that meet these criteria.
- [ ] **Initial Assessment**
  Perform a preliminary assessment of the targets.
- [ ] **First Contact**
  Establish initial communication with potential targets.

Due Diligence

- [ ] **Financial Due Diligence**
  Review financial statements, tax compliance, and revenue projections.
- [ ] **Legal Due Diligence**
  Examine legal liabilities, ongoing litigations, and compliance with laws.
- [ ] **Operational Due Diligence**
  Assess the operational efficiency, employee structure, and company culture.
- [ ] **Technology/IP Due Diligence**
  Evaluate intellectual property, patents, and technology assets.
- [ ] **Cultural Assessment**
  Understand the target's corporate culture and how it aligns with the startup.

Deal Structuring and Negotiations

- [ ] **Valuation Models**
  Develop and agree on valuation models and metrics.
- [ ] **Negotiation Strategy**
  Formulate a negotiation strategy, including key terms and conditions.
- [ ] **Term Sheet Development**
  Draft and negotiate the term sheet, outlining the key deal terms.
- [ ] **Deal Structuring**
  Decide on the structure of the deal (cash, stock, earn-outs, etc.).

Finalizing the Deal

- [ ] **Definitive Agreements**
  Draft and finalize the purchase agreement and other related legal documents.
- [ ] **Regulatory Approvals**
  Obtain necessary approvals from regulatory bodies, if required.
- [ ] **Financing Arrangements**
  Secure financing for the acquisition, if needed.
- [ ] **Internal Approvals**
  Get the green light from the board of directors or shareholders.

Post-M&A Integration

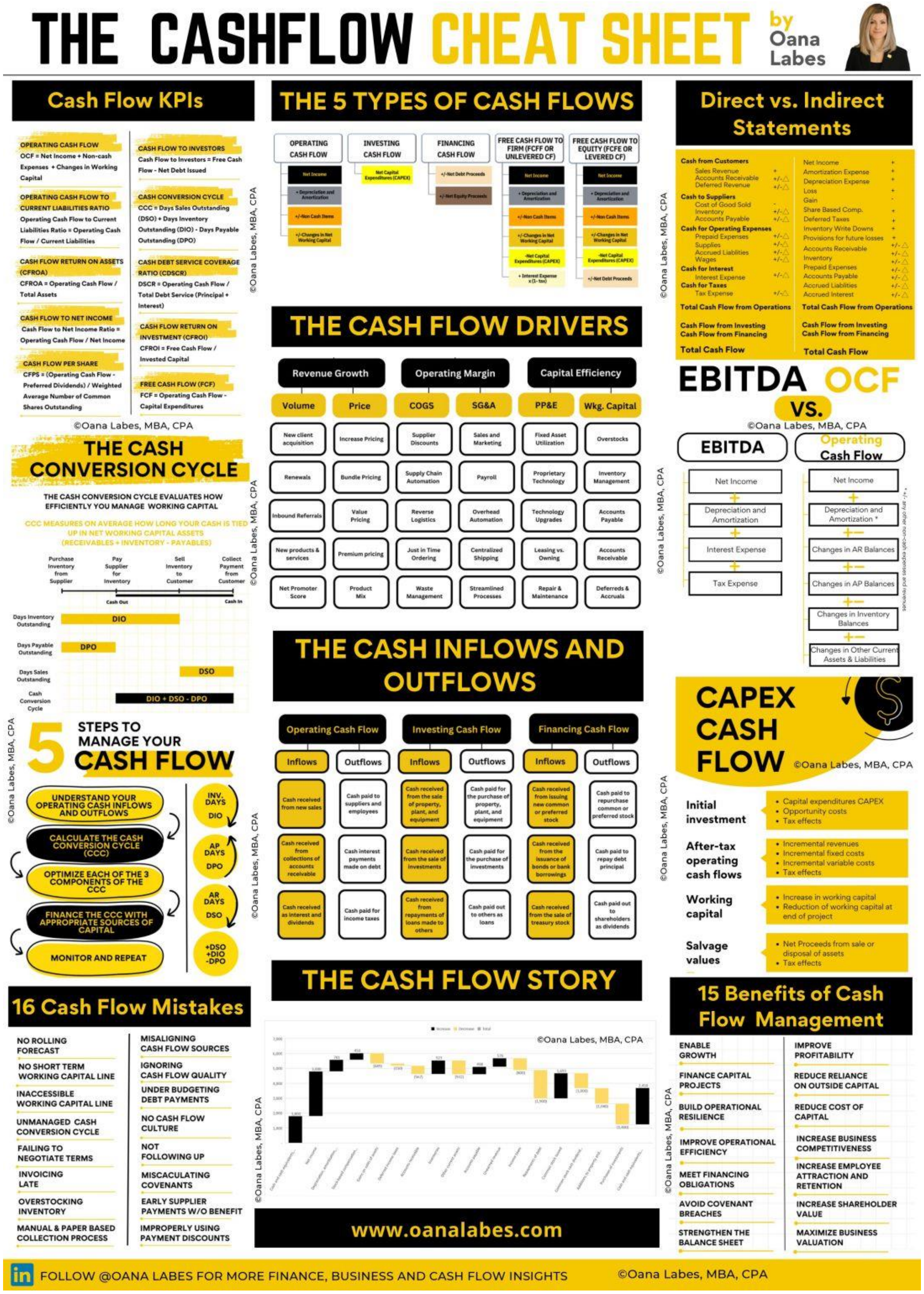
- [ ] **Integration Planning**
  Develop a detailed integration plan, including timelines and responsibilities.
- [ ] **Communication Strategy**
  Communicate effectively with employees, customers, and stakeholders.
- [ ] **Cultural Integration**
  Work on aligning the cultures and values of the combined entities.
- [ ] **Operational Integration**
  Merge operations, systems, and processes.
- [ ] **Performance Monitoring**
  Track the performance of the combined entity against set goals and metrics.

Ongoing Review and Optimization

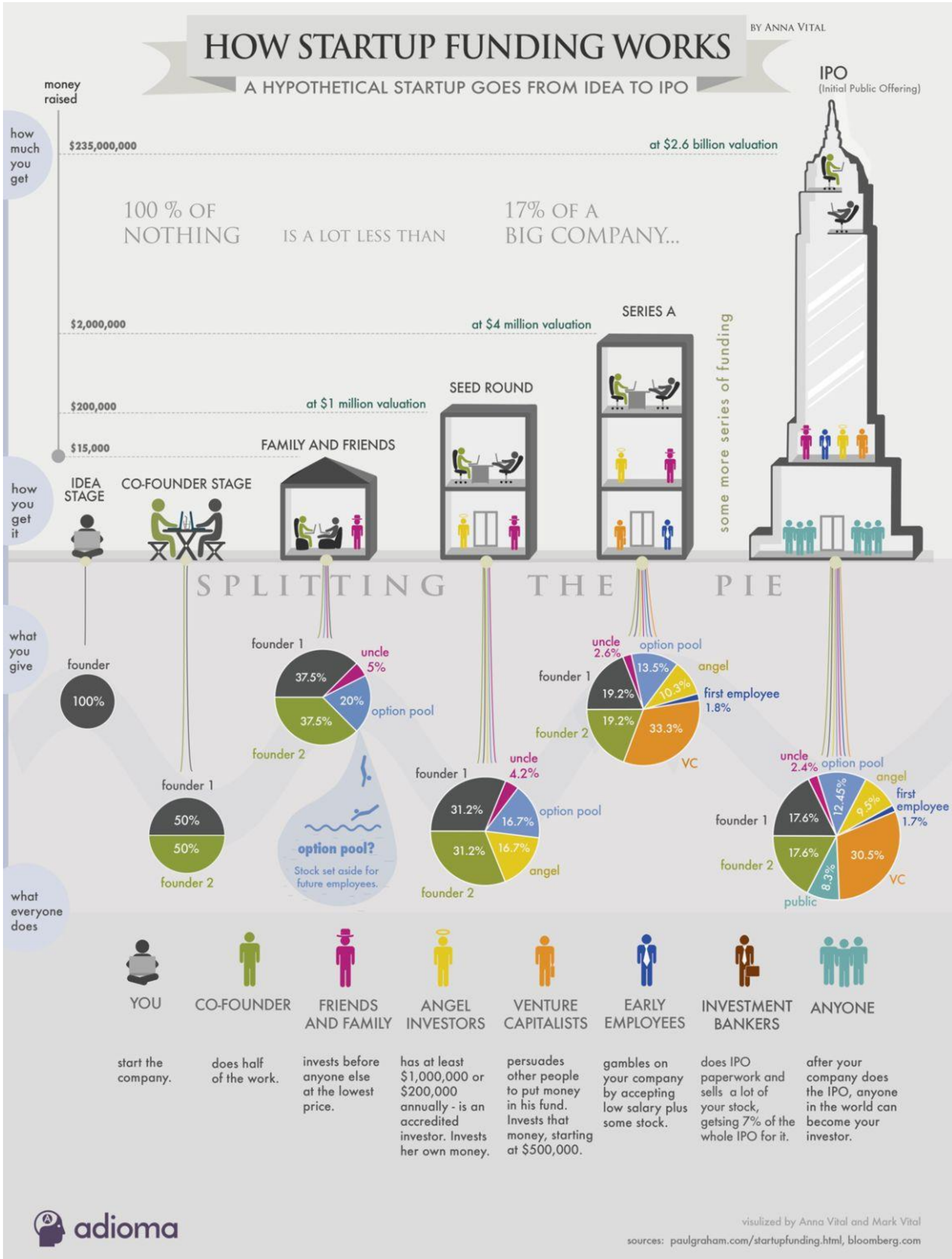
- [ ] **Review Mechanisms**
  Establish regular review processes to assess the success of the M&A.
- [ ] **Feedback Loops**
  Implement feedback mechanisms to learn and adapt.
- [ ] **Continuous Improvement**
  Identify areas for continuous improvement in operations and strategy.

Created by **Alessandro Marianantoni**

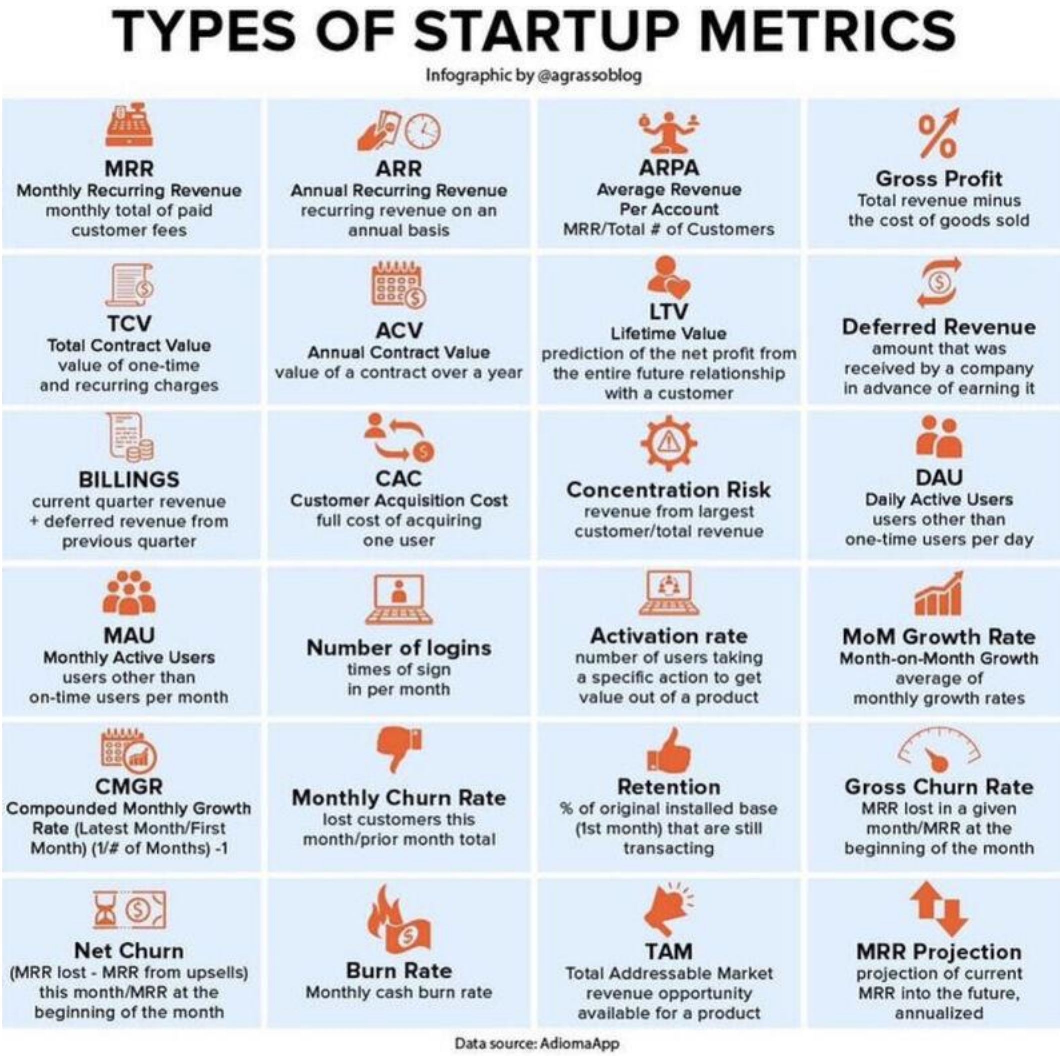
Cash Flow Cheat Sheet



How Startup Funding Works



Types Of Startup Metrics



What Should Be On Your **Pitch Deck**?

WHAT SHOULD BE ON YOUR PITCH DECK?

Must-Have | Nice-To-Have

According to VCs or Successful Startups

	500 Startups	Guy Kawasaki	Sequoia Capital	NextView Ventures	Crowdfunder	Airbnb Pitch Deck
Slides	11	10	11	15+	12	13
Executive Summary				Nice-To-Have		
Problem	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have
Solution/Value Proposition	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have
Market Validation/Why Now?			Nice-To-Have	Nice-To-Have	Nice-To-Have	Nice-To-Have
Product	Nice-To-Have		Nice-To-Have			Nice-To-Have
Market Size	Nice-To-Have		Nice-To-Have	Nice-To-Have		Nice-To-Have
Business Model	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have
Underlying Magic	Nice-To-Have	Nice-To-Have		Nice-To-Have		
Competition	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have
Competitive Advantage	Nice-To-Have					Nice-To-Have
Marketing Plan/GTM	Nice-To-Have			Nice-To-Have	Nice-To-Have	Nice-To-Have
Founding Team	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have
Board/Advisors			Nice-To-Have	Nice-To-Have		
Traction/Milestones	Nice-To-Have	Nice-To-Have		Nice-To-Have	Nice-To-Have	
Press/User Testimonials				Nice-To-Have		Nice-To-Have
Fundraising	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have	Must-Have
Financials/Use of Funds		Nice-To-Have	Nice-To-Have	Nice-To-Have	Nice-To-Have	

Founder's Cheat Sheet for Getting Acquired

Founder's Cheat Sheet for Getting Acquired

Startup M&A Glossary

Accretion
The growth of assets and earnings that occurs due to business expansion. This term usually applies to the buyer in M&As.

Acquiree
The person whose company is being acquired, also referred to as the Seller or the Target.

Acquirer
The person or organization doing the buying, also known as the Buyer or the Offeror.

Acquisition
The purchase of a controlling interest (at least 50%) in another company.

Adjusted Earnings
A way of assessing a company's financial performance by compensating for profits and expenses, including capital gains, investments, loss revenues and tax liabilities, to arrive at a more accurate picture of the organization's financial health.

Amalgamation
When two or more companies join together to form a larger organization with greater resources and impact than either individual entity had on its own.

Asset Deal
A type of acquisition that involves only the assets of the Acquiree, not its shares.

Backward Integration
When a company acquires a target that produces necessary raw materials or performs ancillary services for the Acquirer, with the goal of protecting the supply chain.

Base Year
The base year is the earliest year used to calculate a financial trend or set of trends.

Black Knight
Any company that makes an unwanted purchase offer (in other words, a hostile takeover) to a potential target.

Blue Sky
An excessively optimistic purchase price that exceeds the value of the company's assets and good will.

Book Value
The calculated value of a company after subtracting its intangible assets and liabilities from its total assets.

Capital Asset Pricing Model
A model used by Acquirers to calculate the rate of return that makes acquiring a target worthwhile.

Cash Flow
A company's net cash income less its net cash expenses.

Circular Merger
A merger in which a company buys another company in the same industry with the intention of diversifying its product offerings.

Compensation Manipulation
When an officer in a company seeks out mergers and acquisitions with the intention of using the company's growth to increase their compensation.

Confidential Business Profile
A confidential marketing document distributed by the seller to potential buyers, usually after the buyers sign a non-disclosure agreement. Its intention is to provide an overview of the finances of the target company.

Covenant not to Compete
Also known as a non-compete clause, this is an agreement signed by the seller agreeing not to compete directly with the buyer of their company.

Crown Jewels
The most highly valued assets of a business and a common driver of acquisitions.

Deal Structure
A combination of assets to finance a deal which may include cash, consulting agreements, notes and stocks.

Due Diligence
The process of investigating a target's assets prior to signing the acquisition agreement.

Earnout
A provision in the acquisition agreement requiring the Acquirer to make future payments based on the performance of the target.

Enterprise Value
The market capitalization of a target, plus the long-term debt minus any short-term investments and cash on hand, it represents the total an Acquirer must pay to take over a business.

Fair Market Value
The basis for an acquisition when the Acquirer and the Acquiree approach a sale from a position of knowledge and without pressure.

Godfather Offer
An offer too good to refuse.

Horizontal Merger
A merger between two entities in the same sector or industry.

Intrinsic Value
The value of a target as calculated by its financial assets rather than the market value.

Leveraged Buyout
An acquisition by the management team that uses an organization's future revenue as collateral for a loan.

Merchant Banker
A financial institution that brokerages an acquisition.

Offer Price
The price per share offered by an Acquirer to an Acquiree.

Stock Consideration
The percentage of the purchase price given to the Acquiree as shares of the Acquirer's stock.

Subsidiary
When an acquisition maintains a target company's name to preserve their brand recognition, market share and other intangibles.

Transaction Close Date
The date when an acquisition is expected to be complete.

Vertical Integration
The acquisition of targets in a company's supply chain.

White Knight
The opposite of a Black Knight — a buyer who swoops in to prevent a hostile takeover.

Two Types of Leverage

1. **Negotiating Leverage**: Determines who wins on deal-breaker points.
1. **Knowledge Leverage**: Based on knowing what issues you can win on without jeopardizing the deal.

Sources: Julien Meyer & David Jegen

KYA: Know Your Acquirer

Incumbent vs. Startup: The size and age of the acquirer can determine the cognitive and cultural dissonance experienced post-acquisition.

Handling Post-acquisition Integrations: Some acquirers are experienced in handling acquisitions, while others are not. Knowing what happens "the day after" is crucial.

Acquirer's Culture: Ensuring that the culture of the acquiring company is a fit for you and your team is vital, as it will impact the post-acquisition experience.

5 Types of Acquisitions

New Product and New Customer Base: Fight for business unit independence.

New Product or Service, but Same Customer Base: Integration should be faster and smoother.

New Customer Base, but Same Product Category: Maintain a higher degree of independence in the short term.

Same Product and Same Customer Base: Expect full and quick integration into the acquirer by function.

Acqui-hires: The team is so good that another company is willing to buy the company to hire them en masse.

The 6 Non-deal Points to Consider

Employee Compensation: Adjust it ahead of the acquisition.

Employee Titles: Map your employees onto the acquirer's titles and compensation bands.

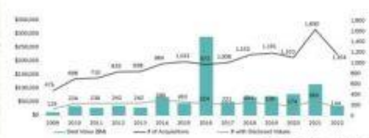
Retention: Decide who is in the retention bucket and strive to keep the period under two years.

Pre-agreed Budgets and Hiring Plans: Negotiate both for the first year.

Governance: Determine who you will report to and possibly negotiate for a Board of senior leaders from the acquirer.

Earnouts: Try to avoid them, but if unavoidable, strive for more upfront instead of relying on future performance.

US VC-Backed M&A Activity



$100M Valuation and No More Funding

Last week, I spoke with an entrepreneur who had just secured funding at a post-money valuation of $100 million. When I inquired about his thoughts on the funding round and investor mix, he explained that his aim was to de-risk personally, strengthen the balance sheet, and position the business for an attractive exit in 3 to 5 years. I brought up the possibility of an IPO or pursuing a unicorn valuation in the future, and he expressed no interest. After evaluating startups broadly and crunching the numbers, he felt that a $100 million valuation, though significant, would still pave the way for a favorable exit, potentially to a strategic or private equity firm. He believed that targeting an IPO or a unicorn valuation in the future might jeopardize the value they'd already created and would raise expectations he wasn't prepared to meet. However, if the business landscape changed or a new related opportunity arose, he would consider revisiting things. Based on his experience and the years spent building his business, he deemed it wise not to raise money past a $100M valuation.

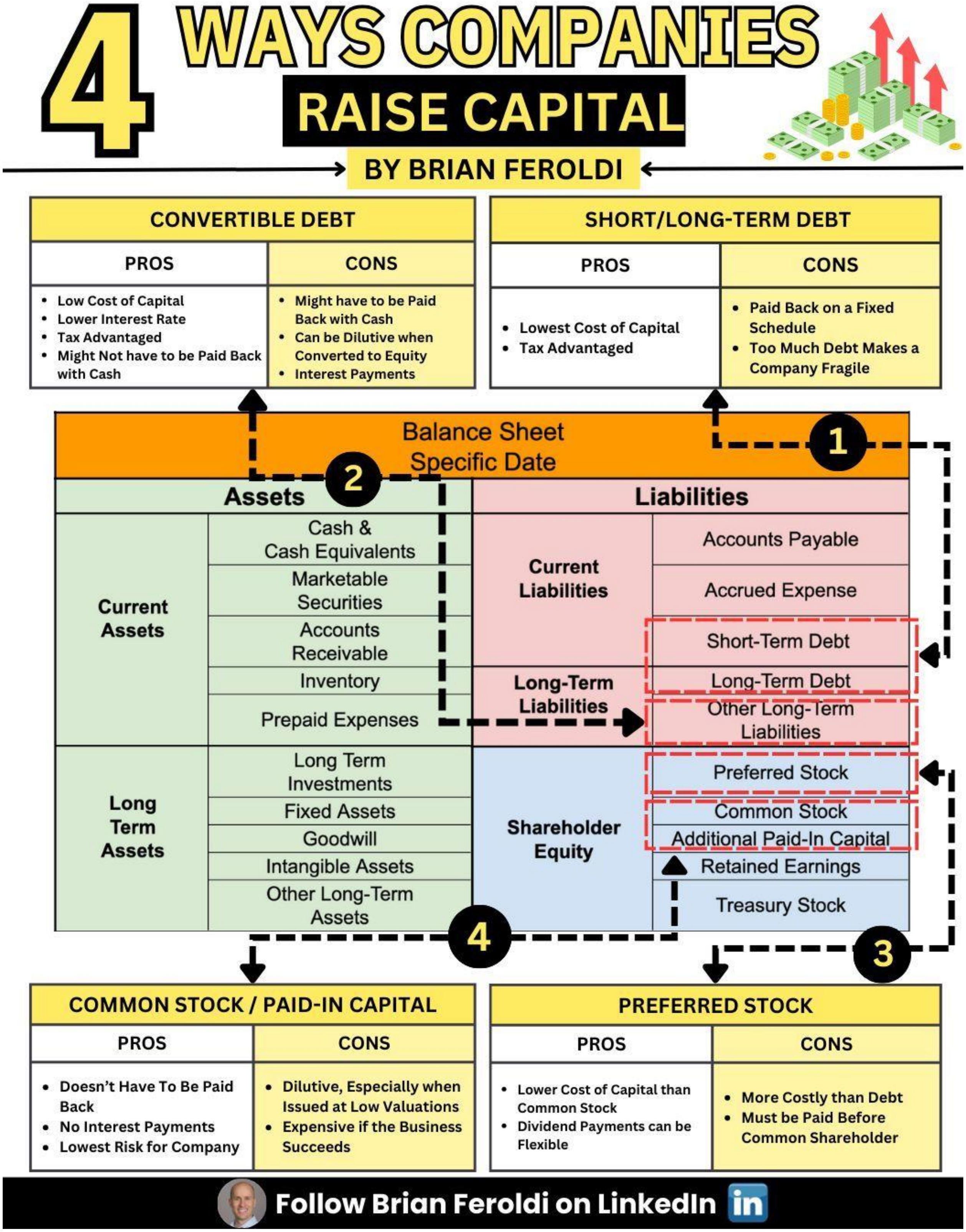
Even raising at a $100M valuation signs the founders and team up for an exit goal of 3-5x that. How many $300M+ exits occur per year? Not many. Now, play it out even further, and think about raising money at a $300M+ valuation to continue aggressively investing in the business. From there, the goal has to be an IPO or unicorn round.

From an entrepreneur's standpoint, it's easy to become engrossed in the thrill of securing funding, expanding the team, and growing the business. Yet, more growth doesn't always equal a better business. Some markets just aren't that big. Some markets take longer to develop. Furthermore, personal priorities evolve, and one's perspective on opportunities can shift over time. And, every round of funding shifts the goal posts further out.

Recent market downturns have indicated that IPOs now face higher scrutiny. Take Klaviyo's public offering, for instance. Despite its immense value, the standards for them were exacting, given they reported over $600 million in annual recurring revenue and a 50% growth rate. Companies positioned to achieve such scale should consider it, but those that don't meet the threshold (e.g. $200 million ARR with 30% yearly top-line growth) would benefit more from focusing on the private equity path, or simply growing organically without more fundraising. An IPO is increasingly unlikely.

Entrepreneurs shouldn't keep raising money just because they can, especially after a $100M valuation. Instead, entrepreneurs should continually evaluate what they're signing up for and what outcomes are required to be successful.

4 Ways Companies Raise Capital



STARTUP TERMS YOU NEED TO KNOW

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TAM/SAM/SOM
Total addressable market / serviceable addressable market / serviceable obtainable market. How much of the available market can realistically be captured.

MVP
Minimum viable product. The simplest version of your product that at least partly solves the problem you identified.

Burn rate
Gross burn is the company's total expenses in a given period. Net burn is how much cash is actually being spent (i.e. gross burn minus income).

Runway
How many months your business can keep operating before it runs out of money.

MRR
Monthly recurring revenue. The company's total monthly subscription revenue.

TTM
Trailing twelve months revenue. How much revenue your startup produced in the previous twelve months.

ARPU
Average revenue per user. Important because it costs money to add users, so how much is each one worth?

ARR
Annual recurring revenue. The company's total annual subscription revenue.

CAC
Customer acquisition cost. How much does it cost your company to gain a paying user?

LTV
Lifetime value. In total, how much revenue does each user bring you before ceasing to be a customer?

TCV
Total contract value. The combined value of a customer, including up-front and recurring fees.

ACV
Annual contract value. How much a customer us worth to you over the course of a year.

Deferred Revenue
Money received for goods or services that have not yet been produced/delivered.

Total Billings
Actual revenue plus deferred revenue in a given period.

MAU/WAU/DAU
Monthly / weekly / daily active users. The number of people engaging with your product in a specified period.

Conversion Rate
Often used in SaaS to reflect the percentage of users that upgrade from the free tier to the paid tier.

CMGR
Compound monthly growth rate. Often just called MoM/month-on-month growth rate, this is usually a key metric for investors.

CAGR
Compound annual growth rate. As CMGR, annualised. CAGR (%) = (Ending Value ÷ Beginning Value) ^ (1 ÷ Number of Periods) − 1.

Retention
The percentage of users or customers which return to your service or use your product within a defined time period.

Gross Churn
Literally "*gross monthly recurring revenue churn rate*" is the percentage of revenue lost due to cancellation or downgrades.

Net Churn
The percentage of revenue lost from existing customers during a given period minus "*expansion revenue*" from upgrades or add-ons.

Negative Churn
When expansion revenue is greater than revenue lost through gross churn.

Zero Marginal Cost
Where an additional unit can be produced and sold without any increase in the total cost of production, as with software and media.

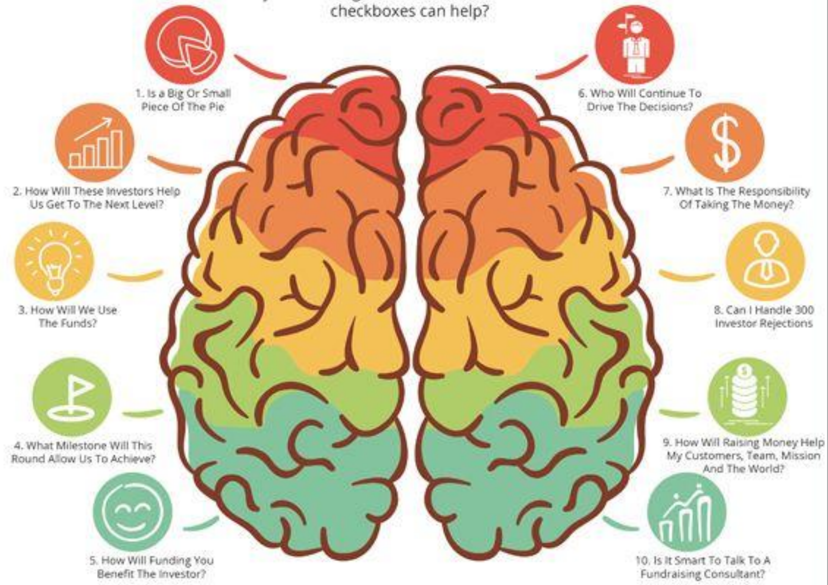
R + K > 1
An important metric for tracking whether growth is powered by retention (R) and virality (K) and not just by paid marketing.

DQventures.com
How Experienced Professionals Launch Startups Without Leaving Their Job

The Psychology Behind Fundraising

THE PSYCHOLOGY BEHIND FUNDRAISING

Should you raise money for your startup or bootstrap?
If you're raising, what mindset, answers and checkboxes can help?



Here are 10 important questions to ask and answer before prepping that pitch deck and getting ready for investor meetings.

1. Is a Big Or Small Piece Of The Pie Better?

If you need or want to be a giant on the map, or need speed, then raising is probably a necessity. After all, owning 100% of a $100M company, is the same in dollars as owning 10% of a $1B company, right?

2. How Will These Investors Help Us Get To The Next Level?

What introductions can these investors make to secure success in future funding rounds? Will their name being attached to your startup alone make it magnetic for more money?

3. How Will We Use The Funds?

Are they funding team development, for product creation, scaling, international expansion or to park in the bank for a rainy day? Is there an immediate need or use for the money, or are you raising just because the market is good for it right now?

4. What Milestone Will This Round Allow Us To Achieve?

At each round investors will be looking at different factors. In early rounds everything is riding on the founding team and the pitch deck. As you progress it will be about the milestones you've achieved, and whether you have product market fit, revenues or profits.

5. How Will Funding You Benefit The Investor?

What is this going to do for them. It's not just about the money either. There is no shortage of other startups and entrepreneurs begging for it. How will it make the partner you are dealing with look like a superstar in their organization?

6. Who Will Continue To Drive The Decisions?

Who will join your board? How will your voting rights change? Is your new round of investors comprised of operators who will want to take charge?

7. What Is The Responsibility Of Taking The Money?

Taking money for your startup is going to cost more than just the money and a rate of return. It is a responsibility. It will commit you (spoken or not), to certain future actions. Their fund may have deadlines for their investors. That can create pressure to speed things up, regardless of the long term costs.

8. Can I Handle 300 Investor Rejections Before Getting To "Yes"?

The difference in the founders who make it and make it big are those who refuse to quit. They accept feedback gracefully. They see every investor meeting and rejection as an opportunity to improve their pitch and plans. You can't take it personally and to heart.

9. How Will Raising Money Help My Customers, Team, Mission And The World?

Can fundraising and leveraging more capital and partners enable you to do more for your customers, team and in accomplishing your mission and having an impact than you could hope to do without it?

10. Is It Smart To Talk To A Fundraising Consultant?

Can a fundraising consultant make fundraising efforts more efficient and the terms better? Should you also be consulting a M&A advisor on the option of existing or a strategic merger instead of raising another round?

To learn more about DNA Behavior International and the solutions we offer, please visit:
www.dnabehavior.com

If you have any questions or would like to discuss with an executive on our team, please email us at:
inquiries@dnabehavior.com