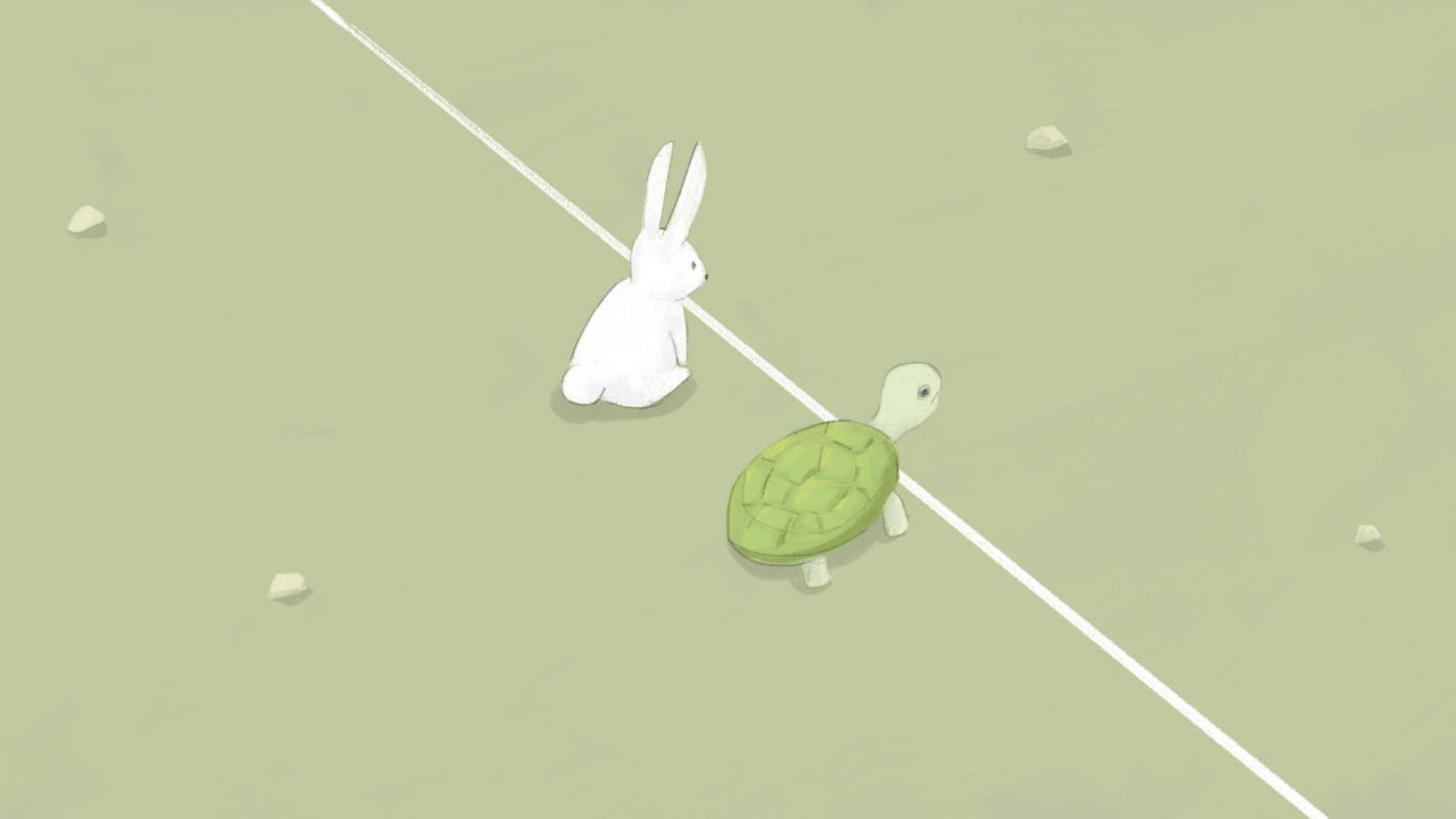


VC Funding + Bootstrapping

Diseño de productos e innovación en TI

Arturo Henao



Bootstrapping





An entrepreneur starts a company with little or no capital, relying on money other than outside investments

- GoPro was a bootstrapped company that eventually went public with a \$3 billion valuation
- Mailchimp (\$10B), Bunnystudio (\$40M), Shopify (\$166B), GitHub (\$100M), Atlassian, Minecraft (\$2.5B) are some other examples of bootstrapped companies.
- Sweat Equity
- Ability to maintain control over all decisions

VC Funding

Fundraising rounds allows investors to invest money into a growing company in exchange for equity/ownership, therefore startups can grow faster.

- Initial valuation is derived from factors such as management, proven track record, market size and risk.

 Funding Round	Pre-Seed	Series A	Series B	Series C
 Stage Focus	Proof of concept/ prototype	Revenue growth	Growth	Large scale expansions
 Common Elements of Growth	Hiring	Development, Operations, Branding & marketing	Hiring, Market expansion, Buying businesses	Acquiring businesses, International markets
 Amount of Investment	\$10K - \$1MM	\$10MM	\$15 - 25MM	~\$50MM

Bootstrapping vs VC Funding

It should not be just a matter of personal preference

1. **XYZ Ventures** raises **\$400 million** fund from a set of **limited partners (LPs)**
2. **LPs** would expect at least a **3-4x return over a decade** to beat the market (**8-10% anual growth** into public stocks, bonds, etc.)
3. **XYP Ventures** has to return about **\$1.2B**.
4. **XYZ Ventures** invests **\$15 million** in **ABC Corporation** at **\$45 million** valuation (**33%**)
5. **ABC Corporation** grows a lot and in **5 years 123 Inc** offers **\$450 million** for the company.
6. **XYZ Ventures** could make **\$150 million** with this offer, but they are still far from **\$1.2B** and they have veto rights, so they order ABC to **refuse the offer**.
7. **ABC corporation** founders want to get out, but can't.

Bootstrapping vs VC Funding

Market: Size, competition, and maturity:

- **Total addressable market:** tens of millions in revenue or \$1-2 million in revenue
- **Competition:** how many competitors? Are they venture-backed funding?
- **Maturity:** it is a new market?

Bootstrapping vs VC Funding

Resources: Current capacity, resellers and partners

- **Current team resources:** cofounder team has skills and experience in both product and go-to-market (marketing, sales and customer success)?
- **Availability of resellers/partners:** for missing skills or experience, are there partners or resellers that you could lean on to bring them to the table?

Bootstrapping vs VC Funding

Go-to-market model: Channels & conversions

- **Channels:** SEO and virality is an option or you need events, paid marketing, sponsorships?
- **Availability of resellers/partners:** for missing skills or experience, are there partners or resellers that you could lean on to bring them to the table?
- **Conversion model:** you need a big sales team or can you build a self-service business.

Bootstrapping vs VC Funding

Product: Adoption cycle & roadmap

- **Adoption cycle:** onboarding is simple or complex?
- **Roadmap:** no product is ever complete, but some are likely a lot closer to their visions than others.