Round Structure

Raising Capital

Tips & Tricks

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The Fundraising Process

A

Preparation

Financial projections

Marketing material (equity story)

Round structure

Valuation

B

Process marketing

Investor landscape

Active fundraising

Passive fundraising

Investor meetings

C

DD and negotiation

Due diligence

Negotiation

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Setting the scene

What is round structure?

- Round structure generally refers to **how ownership and rights are distributed in a fundraising round**
- It includes the amount of capital raised, the valuation of the company, the type of securities offered (e.g., equity, convertible notes), the ownership distribution and type of investors included (e.g., angel investors, venture capital firms), and any specific terms or conditions associated with the investment

What is the importance for fundraising?

- **Aligning the round structure with the growth stage and strategy** of your company is crucial for long-term success as it ensures a fair equity distribution, effective governance and facilities the fostering of long-term investor relationships
- **Be tactical** when deciding on fundraising structure and how to communicate the anticipated structure to investors. You want to **optimise your chances of a successful outcome** and don't want to scare investors away early in the process

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ROUND STRUCTURE
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Understand options and market standards

Educate yourself on suitable instruments | Educate yourself on available and suitable funding instruments (equity, convertible loan, SAFE, debt etc.) and decide on potential routes. It is alright to stay open and decide upon dialogue with investors

Form a picture of the market standards | Get an understanding of the market standards on typical terms (e.g. anti-dilution, liquidation preferences, protective provisions etc.) and decide what you are willing to accept

Round size indicates valuation | You are indirectly communicating a valuation when you decide on round size as investors typically have a range for entry tickets and required ownership. The desired round size should fit your anticipated dilution and the operational plan to provide you with enough run-rate

Be aware of cap table dynamics

Think long-term | The owners and terms you allow into your cap-table need to align with your long-term strategy. Avoid focusing on single aspects of investment proposal e.g. valuation, without considering the long-term implications for your business

Retain adequate equity to active founders | Do not get too diluted by investors too early – retain a significant ownership stake amongst active founders. Avoid having a dormant founder with significant ownership percentage

Avoid high fragmentation | Too many investors on the cap table is often not be beneficial from a governance workload perspective and small equity tickets often don't adequately incentivize investors to be active

Be careful with veto rights | Minority shareholders can wield considerable influence if they have been granted special rights. This often hinders decision-making processes and discourages new investors who want to avoid the complexities of navigating around such rights

Get in touch with us

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Important notice

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