

# Building a Roadmap for Early Stage SaaS Growth



# Welcome today's guests



Tim McCormick



Brian Parks



Ari Newman



# What we're covering

- Introduction to seed capital and Series A funding
- How seed and Series A investment criteria differ
- What early stage capital providers are looking for
- How to deploy seed capital into your business to maximize runway
- Q&A

# How do I, as a Founder, know when to raise seed capital?



"The other time not to raise money is when you won't be able to. If you try to raise money before you can convince investors, you'll not only waste your time, but also burn your reputation with those investors."

- Start Here: "Can I?"
- The market tells you when you can
- So, have targeted conversations, ask questions and do your own research
- Then, take the signal and make a decision (go or wait)

|                        | „PRE-SEED“  | SEED  |
|------------------------|---|---|
| AMOUNT                 | \$200-500K  | \$500k - \$2.5M   |
| VALUATION              | \$1-3M  | \$2-6M  |
| INVESTORS              | Friends & Family, Angels  | Angels, Micro VCs   |
| TEAM                   | Smart, committed guys/<br>girls with relevant<br>expertise/skills | Founder/Market Fit, e.g. enterprise<br>sales DNA for elephant hunters;<br>product/design DNA for rabbit<br>hunters; strong tech for API<br>companies.               |
| PRODUCT/<br>MARKET FIT | Market research indicates<br>strong need for the product          | Strong indications of<br>Product/Market Fit from early<br>customers or pilot users  |
| TECH                   | Strong tech co-founders with<br>relevant experience               | Proven ability to move fast &<br>break things ... with emphasis<br>on moving fast :)<br><br>Starting to think about<br>scalability and to put in place<br>processes |
| MRR *                  | —   | ~ \$0-50K   |
| TRACTION               | Potentially: Growing waiting<br>list or first pilot customers     | If pre-monetization: Growing<br>number of engaged free users<br>or trials.<br><br>Otherwise: adding a few \$K in<br>MRR p.m.  |
| SALES &<br>MARKETING   | Understanding of best<br>practices; good ideas                    | Strong indications of demand<br>(e.g. organic trial signups)  |
| DEFENSIBILITY          | —   | Tech, product dev velocity  |
| MARKET /<br>POTENTIAL  | Belief in \$10M+ ARR<br>potential                                 | Conviction that there's<br>\$100-300M+ ARR potential  |

Source: Christoph Janz SaaS Funding Napkin 2017

# Raising seed capital



You might be not ready for seed capital, if...

- You have no product (or customers)
- You have no prior founding experience/success
- You haven't exhausted other means
- You lack compelling insights or indicators

# Raising seed capital

“Just because you can doesn’t mean you should”

- Go Here: “Should I?”
- “Why am I considering this?”
  - “Because someone told me I should?” What are their motivations?
  - “Because I’m limited without it?” How so exactly?
- “What does it help me accomplish that I can’t achieve without it?”
  - Building product?
  - Attacking market?
- “Am I ready for this/what are the implications?”
  - Eyes wide open
  - Have conversations

# Product-market fit

Phases of a start-up's lifecycle and finding your product-market fit

Phase 1

Product/Market fit

Phase 2

Repeatable, scalable & profitable

Phase 3

Scaling the business



# Metrics that matter

SaaS Key Performance Indicators you should start tracking

Annual Recurring Revenue (ARR)

Annual Contract Value (ACV)

Customer Lifetime Value (CLV)

Customer Acquisition Cost (CAC)

Churn

Expansion Revenue

Cohort Analysis



# Early stage growth perspectives

## Understanding SaaS KPIs from an investor's perspective

It's about the process more than the data

Its OK to measure the wrong things!

Context and consistency are important

Develop the “lines not dots” cadence

It's about understanding your business

Measure the same things consistently

Focus on **a** metric, not **all** metrics

It's OK that things are “half-baked”

# Finding the right investor



Ari Newman

- Do your homework & know your audience
- Develop a relationship / long view
- Embrace hearing NO
- Look for alignment on strategy
- Be awesome at communication and follow up

# Finding the right investor



Brian Parks

- Understand we're all similar, but different
- Seek out "Who can help me now?"
- Determine "Are we aligned?"
- Ask "What do you need to see from me?"



# Build your Roadmap

1. First things first, focus on building your business!
2. Build your operating plan and capital strategy
3. Can I/Should I exercise
4. Go or No Go time

# Execute the Roadmap

1. Where are we going? (Vision / at scale win)
2. What milestones validate / show progress?
3. What data backs it up?
4. What have we learned?

Milestones = dots on the map

Road = general direction

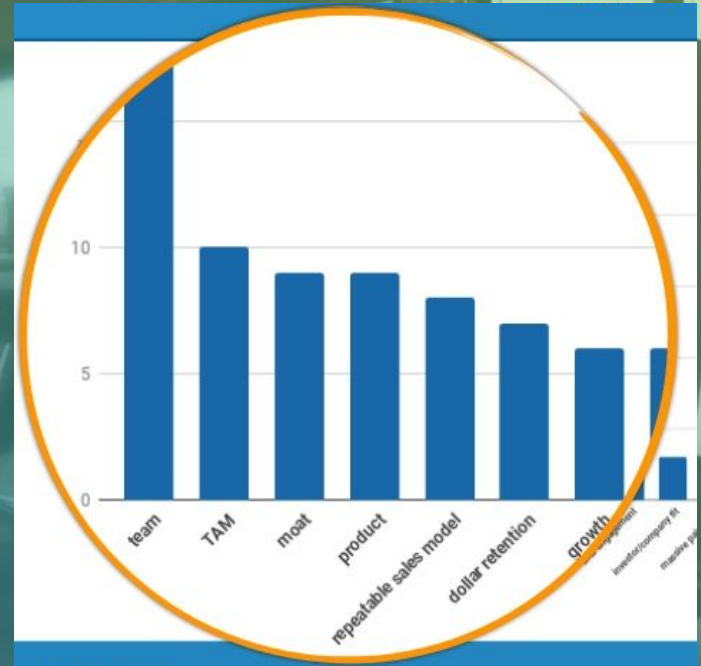
Map = market you are in

# Getting to the Series A round

Overarching expectations at Series A is that the investment is to fuel repeatable growth (reach initial scale)

## Series A VC Expectations at close (guideposts)

- ARR
  - \$1.4M
- Growth
  - ~3x year-over-year at Series A
- Other
  - Used seed capital efficiently
  - Communicate learnings
  - Plan to next financing (3x over next 18 months to get to B round)



Request a product overview after the webinar!





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Q&A

# Thank you for joining us



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