
Scale or Sale

Optimizing Your Exit Opportunities



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TRIBAL

BUY

SELL

INNOVATE

SCALE



WHAT WE DO



TODAY'S CONVERSATION

Context setting

How to think like a startup

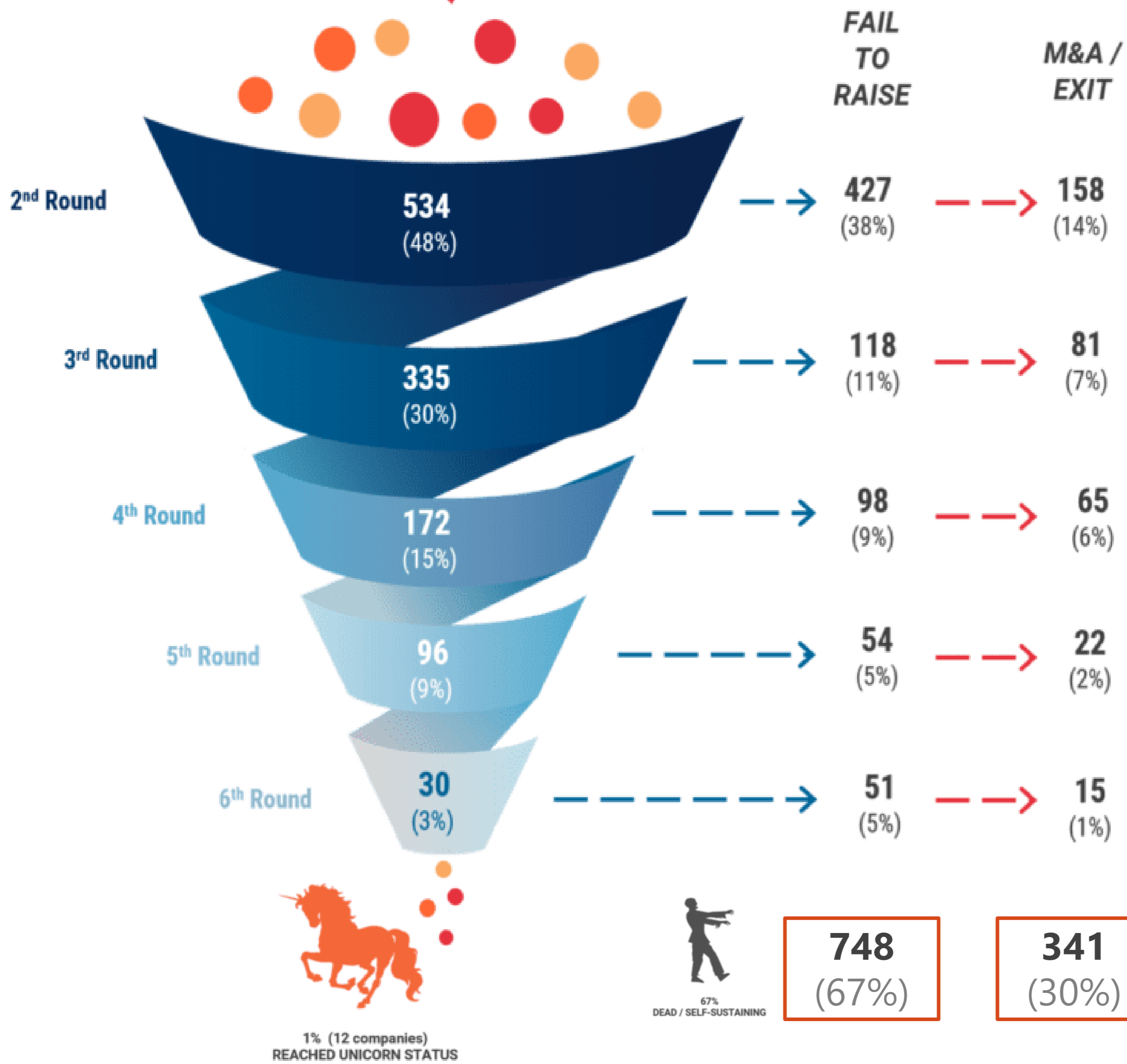
Valuation, Dilution and Timing



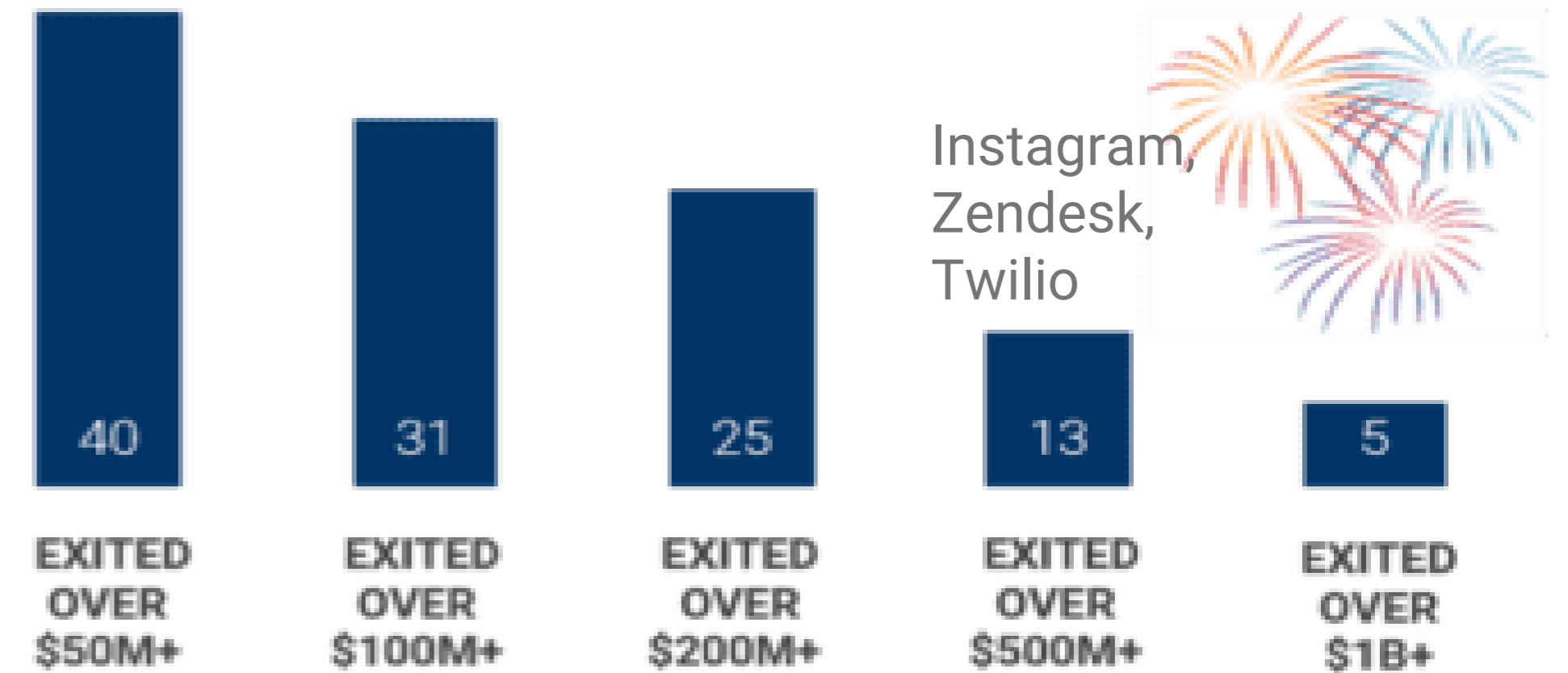
context



September 6, 2018



Out of the 341 companies that did exit...



33% (114) companies exited for > \$50M

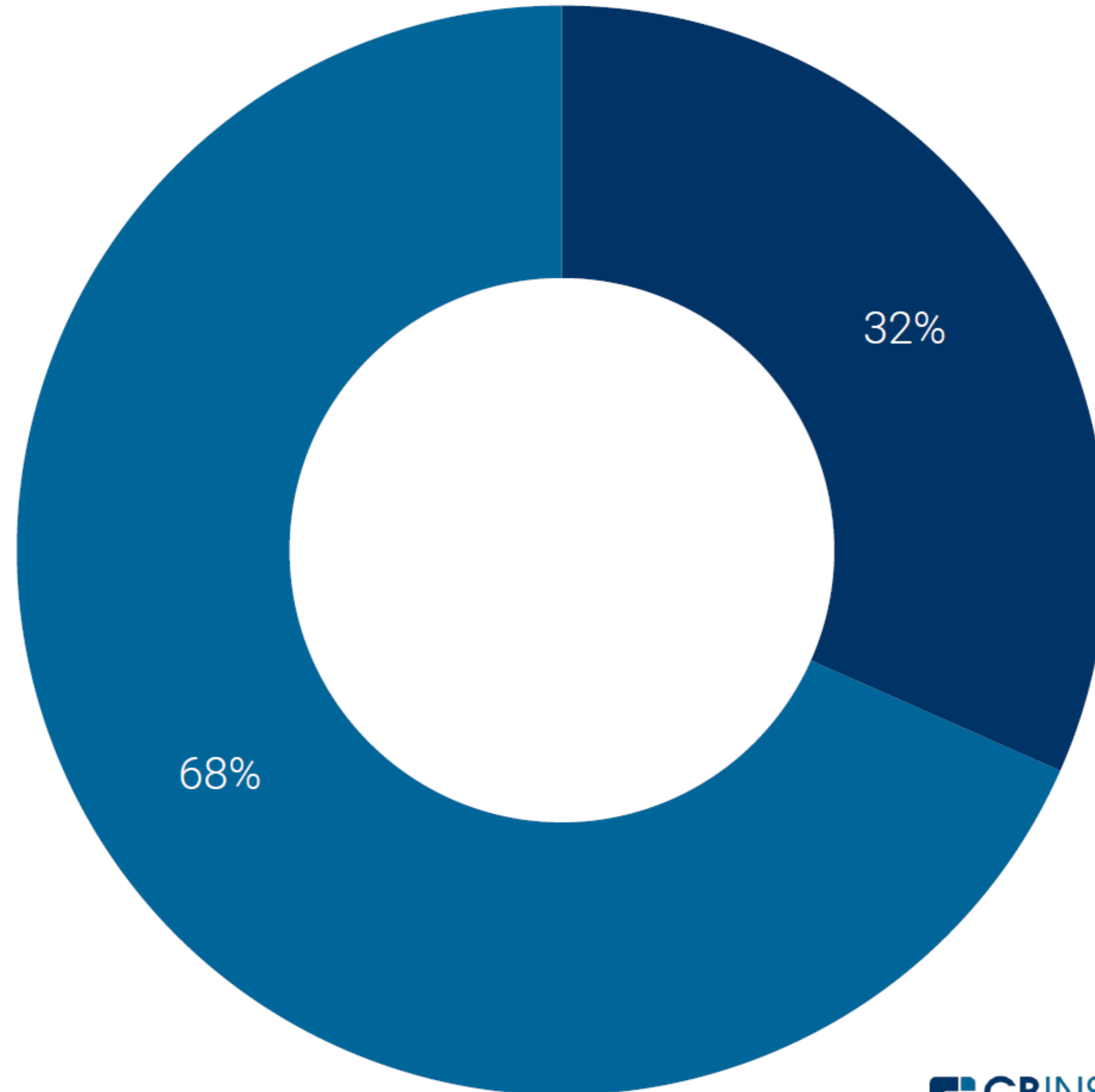
which means that **67%** of tech companies that secure **at least seed funding** and then **get acquired** end up **exiting for < \$50M**

including most who have raised Series C financing



FUNDING STATUS OF TECH COMPANIES AT TIME OF EXIT

2016



■ Raised Prior Funding

■ No Funding

CBINSIGHTS

MOST EXITED TECH COMPANIES DON'T RAISE VC, PE, OR GROWTH EQUITY

68% of companies didn't raise VC, PE, or growth equity financing prior to exit in 2016. This number has decreased over 2015 where 75% of exited tech companies did not raise VC, PE, or growth equity.

what is “success”



“ The business world's obsession with tales of tech startups and entrepreneurship is typically focused on very specific kind of success story: The kind where startup founders raise giant piles of venture capital to fuel hypergrowth, and then ride said hypergrowth to an IPO or sale. **But there are plenty of other paths to success.** Not all of them involve venture capital, and some end up earning more money for their founders in the end. ”

- Erin Griffith
(Fortune, NYT)



**Success =
different things
to different people**



financial return

leading a team on an exciting journey

bringing product to the world

the challenge of scaling



VC's think about startup success one way.

Acquirers think about startup success other ways.

**You are a founder.
What's your end goal?**

HOW A VC THINKS

LP's \$1M

20% CAGR

10 years

\$6M or
6x return

$$CAGR = \left(\frac{\text{Ending Value}}{\text{Beginning Value}} \right)^{\left(\frac{1}{\# \text{ of years}} \right)} - 1$$

VC Firm

10 years

20% are "VC
successes"

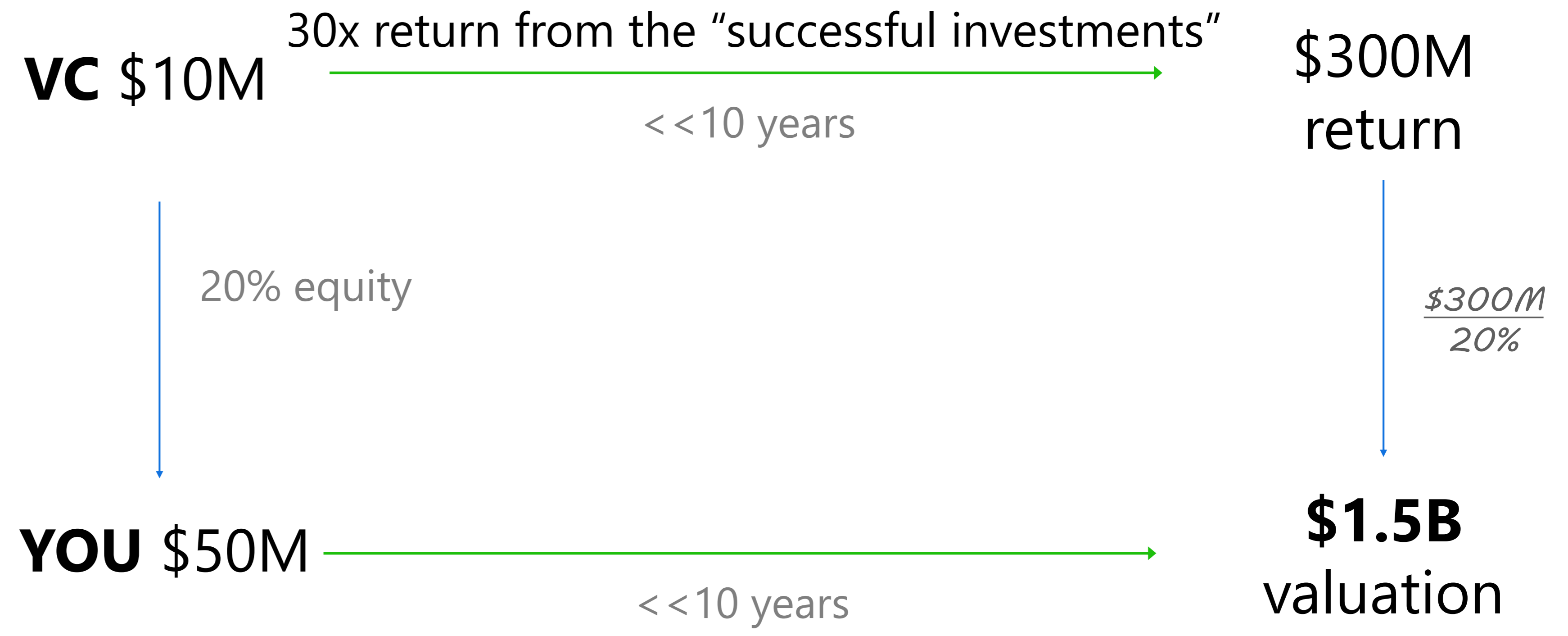


30x return from the "successful investments" =

6x return
/ 20%

Venture capita

HOW A VC THINKS



Venture capita



1% of Seed Stage tech companies are valued at > \$1B

think like a startup



how to think like a startup

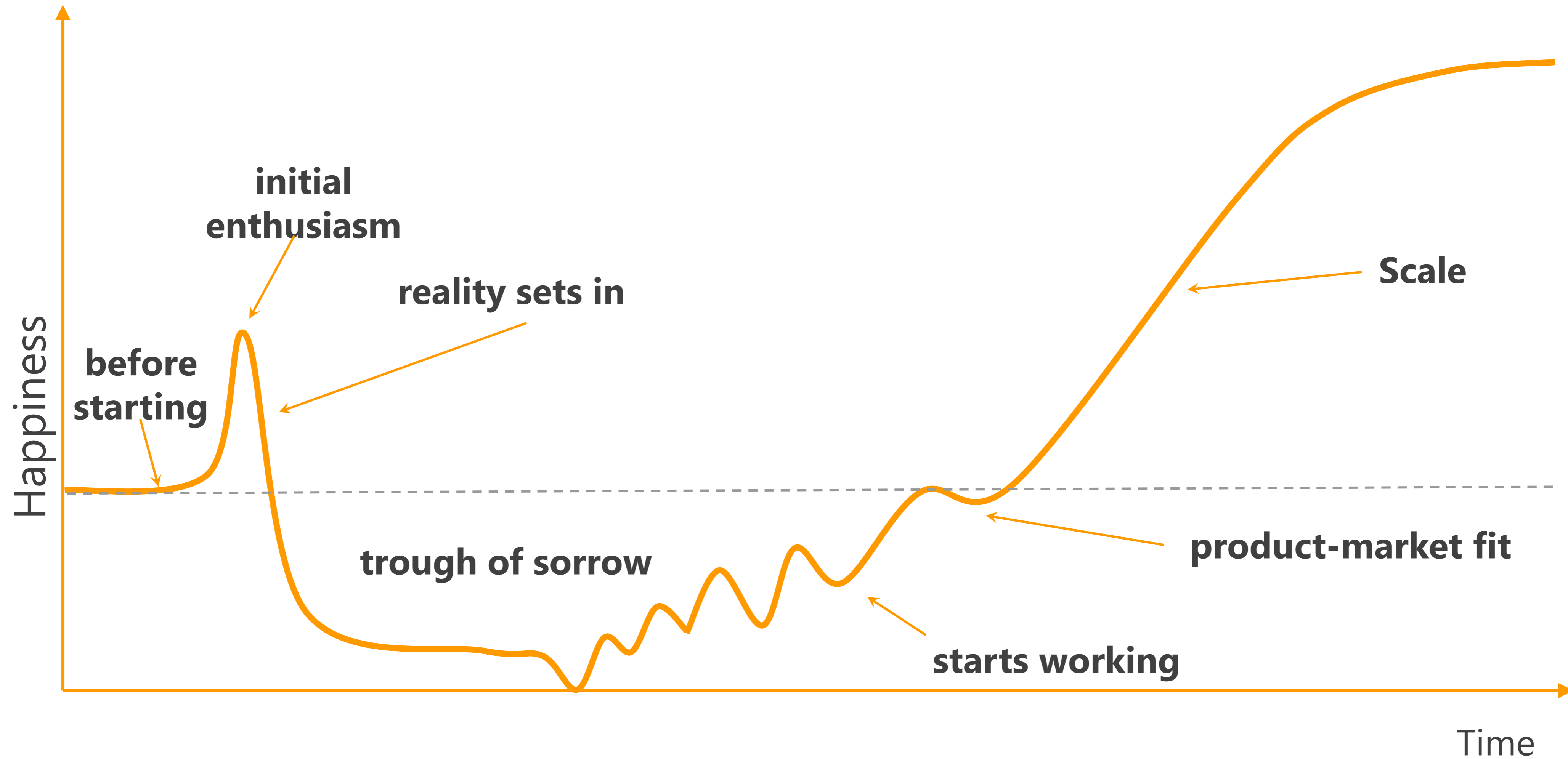
the startup valuation story

the valuation generation story

the dilution story



Paul Graham's Startup Curve



Credits: Paul Graham

TRIBAL'S STARTUP VALUATION CURVE



based on at least a dozen debriefs over many pints of beer

take aways

raise enough to cross each chasm



raised F&F / Angels / Seed

For B2B, what will it take to get to half dozen customers that are paying something for your product

raised Seed / Series A

What will it take to generate enough unit metrics to show you know how to sell at scale profitably?

raised Series A / B +

For B2B, what will it take to generate "meaningful" revenue from "meaningful" customers





raise enough to cross each chasm

If you have less than
a 12 month runway,
you are living in the
danger zone!



THE VALUE GENERATION STORY



take aways

raise enough to cross each chasm

real valuation curves aren't usually
straight up-and-to-the-right



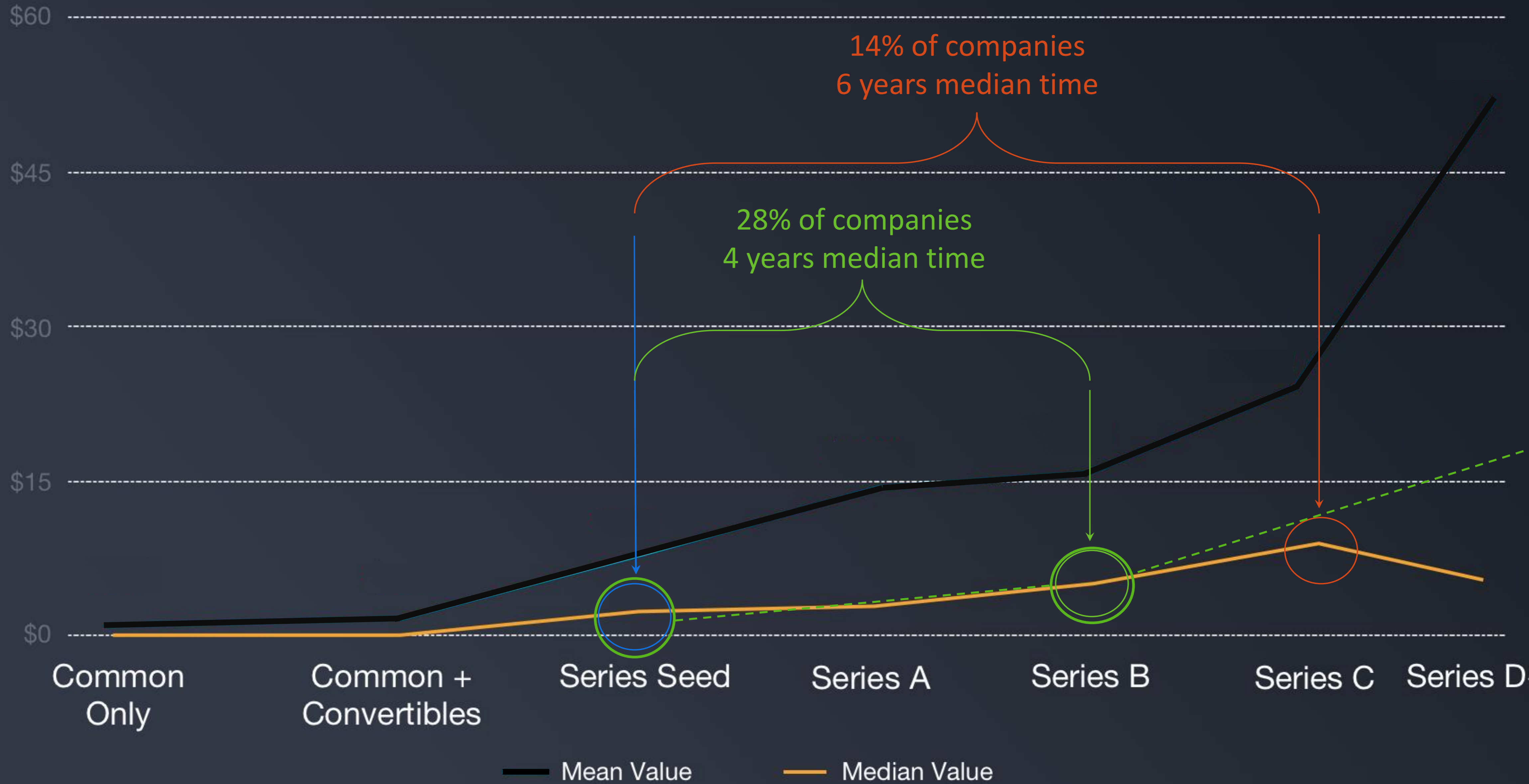
the dilution story



THE DILUTION STORY



AGGREGATE FOUNDER WATERFALL VALUES BY STAGE (\$M)





Bryce Roberts

@bryce

Following



Replying to [@asanwal](#) [@eringriffith](#)

I had dinner with a founder last night who sold for \$180M and made just over \$1M. It's like founders don't like math



take aways

raise enough to cross each chasm

real valuation curves aren't usually straight up-and-to-the-right

even if you make it across the next chasm, check your ROI



regardless of what “success”
looks like for you...

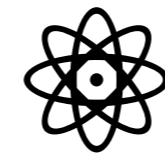


WHY DO I NEED TO THINK ABOUT ACQUISITION NOW?



RELATIONSHIPS MATTER

The most successful exits are companies that build relationships with acquirers from the very beginning.



HOW YOU GROW AFFECTS WHO MIGHT BUY YOU

Founders often mistakenly believe acquirers will adopt their strategy. Usually, the startup must fit within the acquirer's strategy.



TIMING ISN'T OFTEN IN YOUR CONTROL

The optimal time for you to sell, for your investors to exit, and for your acquirers to buy are often different.

TAKE AWAYS FOR YOUR STARTUPS

You don't have to be VC funded to grow your baby unicorn

If you're not a VC, you don't have to think like one

Raise enough money to cross each chasm

Even if you make it across the next chasm, check your ROI

