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Seed Funding

The first official equity funding stage, Seed funding is the initial capital provided to a startup or a new business venture to help it get off the ground.

Seed funding is a critical stage in the development of a company, as it provides the initial resources necessary to get it up and running and on the path to growth and success. With seed funding, a company has assistance in determining what its final products will be and who its target demographic is.

The funding is typically used to:

- Cover the early costs of developing a business idea, such as product research.
- Prototype development.
- Conduct market analysis.
- Employ a Founding team to complete the above tasks.

A summary of companies at Seed Funding Stage

Growth stage	Take MVP to market & win some clients.
Key priority	Proof of concept & product market fit (the vision and the market opportunity).
Team	Founder-led sales & a small technical team.
Funding	Angels & early-stage micro-VCs (Seed Focused).
Valuation	\$3 to \$6 million
Average Funding	\$10,000 to \$4 million
Average Timeframe	12 months
Success Ratio	Non-VC Funded – less than 10% Seed VC Funded – 50%

Company Registration: 08497954

Series A Funding

Series A is the first round after the Seed stage, and a significant round of financing. It is typically used to help the company scale and expand its operations, and generally requires the company to have already demonstrated some traction in the market.

Funding is typically provided by Venture Capitalists such as Sequoia Capital, Hyde Park Venture Partners, HV Capital and Redpoint. These investors provide larger amounts of capital than at Seed stage, often in the range of several million dollars, and as a result, they are not just looking for great ideas, but rather companies with a strong strategy for turning that idea into a successful business.

To qualify for Series A Funding, a company must typically have a:

- Well-defined business model.
- Clear path to revenue growth.
- Strong team with a proven track record of success.

A general 'rule of thumb' is that a company needs to get to $1 million Annual Recurring Revenue (ARR) by the time they get the Series A Funding (over 90% of companies that raise Series A are generating revenue) – though there are always exceptions to this of course. The next stage for a company at this stage would be to start targeting circa $5 million ARR minimum (and potentially a lot more than this).

The funding is typically used to:

- Hire new staff.
- Expand into new markets.
- Develop new products and services.

A summary of companies at Series A Funding Stage

Growth stage	Build the flywheel: a repeatable scalable business model.
Key priority	Optimise product & go-to-market strategy, hit funding / growth milestones.
Team	High performing tech team built and now building out leadership function and Go-To-Market team.
Funding	VCs
Valuation	Up to $24 million
Average Funding	$14 million
Average Timeframe	15 months
Success Ratio	50%

Typical Go-To-Market Organisational Growth for a Series A Company:

Upon receiving the Series A Funding, a company will typically have 10 – 30 employees. At this stage, they will be looking to:

Target around 40 - 50 employees for their next stage of growth – from a headcount growth perspective, they will be looking to roughly double over the next 6 months.

As a rule of thumb as they scale (on a cost or headcount basis)

- 10% of organisation is General and Administration
- 40% is Research and Development
- 50% is in Sales and Marketing

At this headcount a company is likely to have a Head of Sales and around 12 people in sales roles, with around 3 - 8 of these being Account Executives.

Typically, now, a company would look to hire:

- VP of Sales
- Outbound SDRs to generate leads.
- Inbound SDRs to filter leads.
- A Sales Operations specialist to support the Head of Sales and VP of Sales
- Sales Engineers
- Customer Success specialist (typically once exceeded $1M ARR)
- Head of Marketing - with a Demand Generation Marketers supporting them.

Series B Funding

Series B Funding is focussed on taking the business past development stage and building on their now substantial customer base to take the company to the next level in terms of scalability. This round of funding supports a company to grow to meet the level of demand they are experiencing.

Like Series A, funding is typically provided by Venture Capitalists, but the amount of funding can be double that of Series A, depending on the company's needs. Companies undergoing a Series B funding round are typically well-established, with most Series B companies having valuations between around $30 million and $60 million.

To qualify for Series B Funding, a company must typically have:

- Evidence of significant growth and success in the market – with a clear path to continued growth and profitability.
- A solid, and proven, business model.
- Strong Management team.
- Large and growing market.
- Competitive advantage in the industry.

The 'rule of thumb' for Series B Funding, is that a company needs to have got to $10 million Annual Recurring Revenue (ARR) minimum. By Series B they will also have the core unit economics working which supports the health and scalability of the business. Main examples of this would be:

- Customer Acquisition Cost (CAC)
- Lifetime Value of a customer (LTV)
- Churn – how 'sticky' their product is.

The funding is typically used to:

- Further grow and scale the business.
- Expand into new markets.
- Invest in new technology or products.

A summary of companies at Series B Funding Stage

Growth stage	Turn the flywheel: Scale.
Key priority	Hit funding and / or growth milestones by scaling up, including expanding geographies.
Team	Key leadership hires in place and ramping up all functions.
Funding	VCs
Valuation	\$30 - \$60 million
Average Funding	\$40 million
Average Timeframe	19 months
Success Ratio	50%

Typical Go-To-Market Organisational Growth for a Series B Company:

Building on the structure and headcount from Series A, a Series B funded company will now typically be targeting circa 125 employees.

As a general rule of thumb (on a cost or headcount basis), 50% will now in Sales and Marketing – this function is really scaling now.

- Sales will include 6 - 12 Enterprise Account Executives as well as an SDR team and Team Manager.
- Sales Operations and Customer Success will now be independent teams with their own Team Managers.
- In Marketing there is likely to be a Chief Marketing Officer or VP of Marketing - with teams in Demand Generation, Product Marketing, Sales Enablement and Brand Marketing.

The company is likely to be building out the Executive and Management Teams.

- There will now be VPs for all departments including Sales and Marketing. Note that some might be C Level, such as CRO.
- There will be a Talent Acquisition team and a Director of HR.

Series C Funding

Series C Funding is a later stage of financing and typically investors who inject capital are looking to receive more than double that amount back. Series C funding continues to focus on scaling the company, as well as growing as quickly and as successfully as possible.

Series C will typically be funded by late-stage VCs, PE Firms, Hedge Funds and Banks. At this stage, the company will already have proven itself to have a successful business model and new investors will be expecting to invest significantly – average funding at this level is $59 million, but actual amounts will depend on the company's needs and potential.

Investors will be looking for a proven track record of success, a large and growing market, a strong competitive advantage, and a solid plan for continued growth and profitability.

To qualify for Series C Funding, a company must typically have:

- Evidence of significant growth and success in the market – with a clear path to continued growth and profitability.
- A solid, and proven, business model.
- Strong Management team.
- Large and growing market.
- Competitive advantage in the industry.
- Established, strong customer bases, revenue streams, and proven histories of growth.

A general 'rule of thumb' is that a company needs to get to $20 million Annual Recurring Revenue (ARR) by the time they get the Series C Funding – with a headcount of 400 and $60 – 65,000 ARR per employee. The next stage for a company at this stage would be to start targeting circa $100 million ARR (and $100,000 ARR per employee) with a target headcount of circa 1000 – in anticipation of an IPO.

The funding is typically used to:

- Develop new products.
- Expand into new markets.
- Acquire other companies.
- Prepare the company for an IPO.

A summary of companies at Series C Funding Stage

Growth stage	Building towards an event – IPO or sale.
Key priority	Hit the next series of funding and / or growth milestones.
Team	C suite team in place, all functions fully built out.
Funding	Late-stage VCs, PE Firms, Hedge Funds and Banks.
Average Funding	$59 million
Average Timeframe	19 months
Success Ratio	50%

Series C and Beyond

Very often, Series C will be the last external funding round - a lot of companies will use Series C Funding to help boost their company valuation in anticipation of an IPO.

It is not uncommon however, for companies to receive funding all the way up to Series E. Those that do continue on the funding path, do so because they have either not achieved all the goals, they set out to achieve during previous funding, or because they want one 'final push' before IPO.