



Balderton.

BALANCING GROWTH & BURN IN 2023 FROM SERIES B TO \$100M

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MARKET BACKDROP

THE TWO THINGS PEOPLE ARE WORRIED ABOUT

THE FIVE CORE QUESTIONS:

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2. How to extend the cash runway through financing?
3. How to extend the cash runway through operations?
4. How to think about growth vs. burn trade-offs?
5. What kind of support to expect from your investors?

INTRODUCTIONS



DAVID THÉVENON

GENERAL PARTNER AT BALDERTON

- Growth investor for 7 years, ex SoftBank
- Former operator, 10 years at Google



DAVE KELLOGG

EIR AT BALDERTON

- Former CEO & CMO for 20+ years
- Independent Director at 7 companies
- Author of [Kellblog](#)
- Startup Advisor

MARKET BACKDROP

WE ARE FACING AN UNCERTAIN AND CHALLENGING MACRO ENVIRONMENT

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HIGH INFLATION

**RISING
INTEREST
RATES**

**SUPPLY
CHAIN
CONSTRAINTS**

**THE WAR
IN UKRAINE**

**ENERGY
CRISIS IN
EUROPE**

**RECESSIONARY
INDICATORS**

INSIGHTS FROM PUBLIC MARKET

- Valuations down, still a work in progress
- Public exits are delayed
- Tech giants & logistic companies' Q3 numbers pointing to an impending slowdown

IMPACT ON GROWTH COMPANIES

- Focus on cash runway and efficiency
- Lots of companies not hitting '22 plans
- Fewer growth companies raising

WE HAVE SEEN THIS MOVIE BEFORE, AND THERE ARE TWO KEY RISKS

#1

BEING IN DENIAL WHEN THE
WORLD IS INDEED MELTING
AROUND YOU

#2

TAKING GENERIC ADVICE
THAT DOESN'T APPLY TO YOU

TAKEAWAY

IT IS VERY IMPORTANT TO FOCUS ON YOUR
OWN HISTORICAL / LEADING INDICATORS

THE TWO THINGS PEOPLE ARE WORRIED ABOUT

THE TWO THINGS PEOPLE ARE WORRIED ABOUT

HOW TO MAKE THE CASH LAST...

#1

UNTIL WHEN?

#2

AT WHAT COST?

HOW TO MAKE THE CASH LAST... **UNTIL WHEN?**



FOREVER
(GET TO BREAK EVEN)



TO AN EXIT
(WITHIN SOME TIMEFRAME)



UNTIL NEXT ROUND
(WHICH IS HOPEFULLY UP)

HOW TO MAKE THE CASH LAST... **AT WHAT COST?**

Losing the market?

Becoming 2nd or
3rd in expansion
markets?

Company morale
and culture?

Losing product
leadership?

Delaying product
roadmap (and
customer impact)?

Outgrowing your
infrastructure?

Becoming a zombie?
(sub-scale, low-
growth business)

**CONCLUSION: THIS IS A
REALLY HARD PROBLEM**

NEW FRAMING: “DEFAULT INVESTABLE” PARTICULARLY IF YOUR STRATEGY IS TO GET TO YOUR NEXT ROUND

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Source: Twitter

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THE FIVE CORE QUESTIONS

01

What assumptions should we make about the future financing environment?

02

How to extend the cash runway through financing?

03

How to extend the cash runway through operations?

04

How to think about growth vs. burn trade-offs?

05

What kind of support to expect from your investors?

QUESTION 01

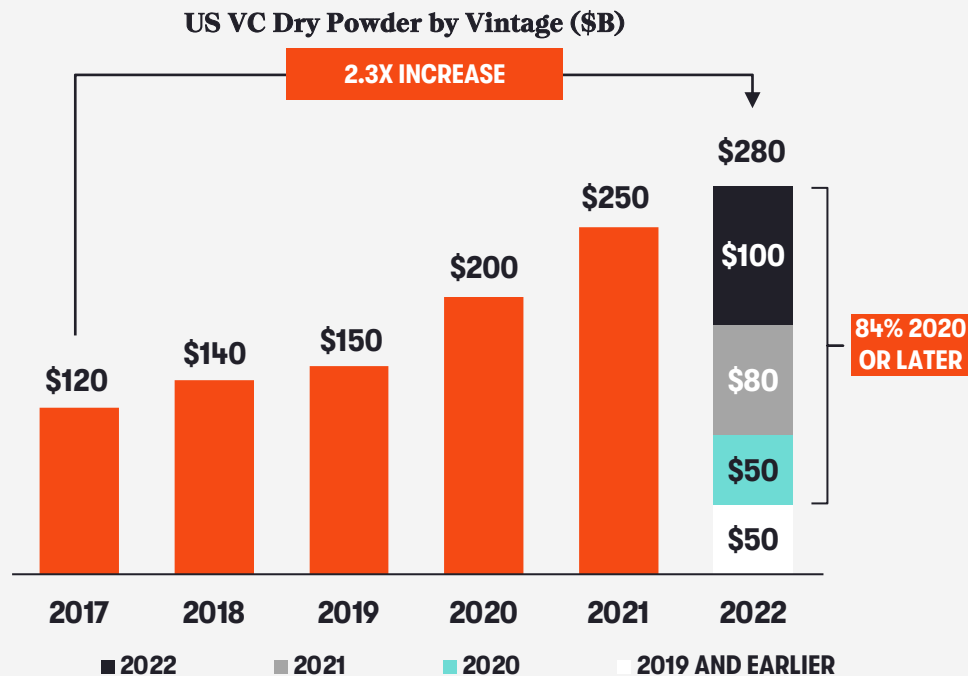
**WHAT ASSUMPTIONS SHOULD
WE MAKE ABOUT THE FUTURE
FINANCING ENVIRONMENT?**

THOUGHTS ON FUTURE FINANCING:

FUNDING HAS SLOWED, BUT RECORD DRY POWDER

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- Clear gap in supply vs. demand now
- Big dry powder from VCs
- Lower & volatile multiples + less IPOs
= investors have longer time frame in mind
- More focus on macro / sectors



INVESTORS ARE FOCUSED ON TOP QUARTILE GROWTH & EFFICIENCY

2021

- Focus on growth (+ FOMO)
- Ok with average efficiency

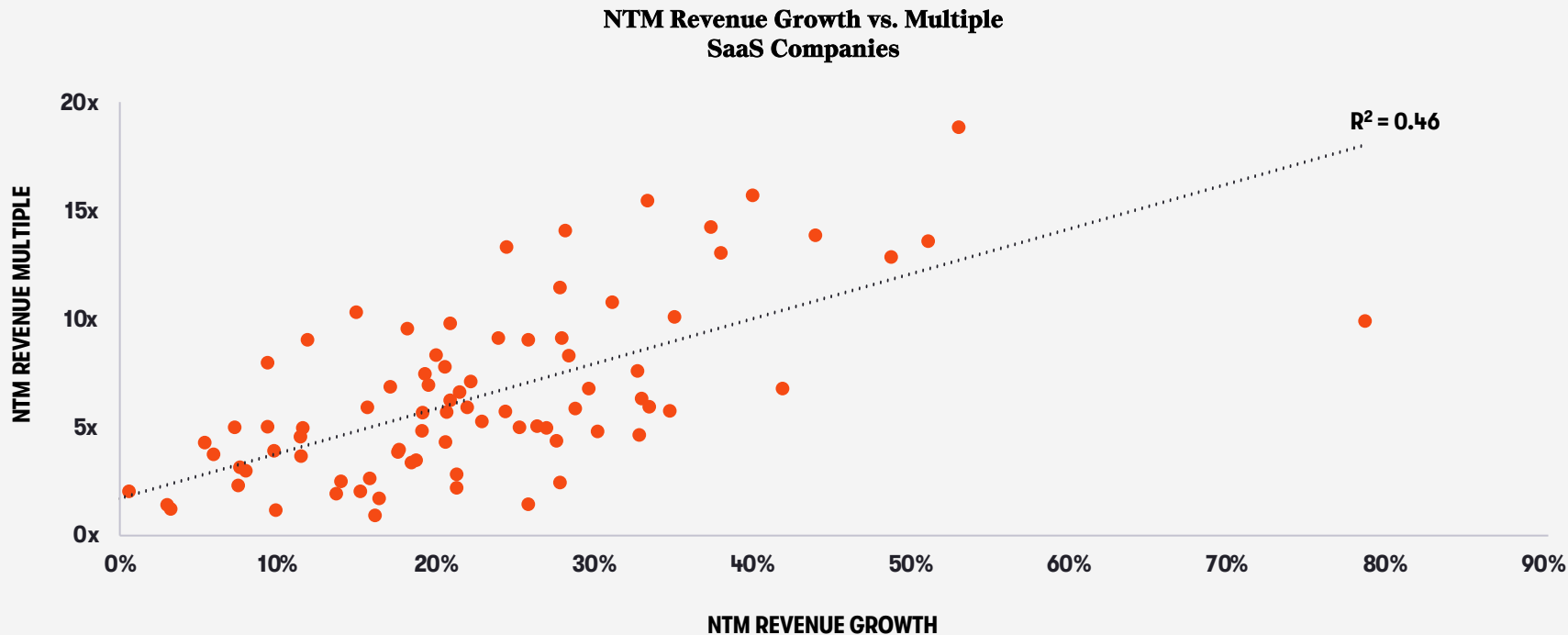
2023

- Strong conviction
- Top quartile on growth AND efficiency

SAAS BENCHMARK TOP QUARTILE BY ARR RANGE

	YOY GROWTH	NRR (ENT / SMB)	MAGIC NUMBER	CAC PAYBACK
\$10-20M	138%	125% / 115%	0.95x	10mo
\$20-50M	114%	125% / 115%	1.1x	11mo
\$50-100M	79%	125% / 115%	1.1x	14mo

DO INVESTORS STILL VALUE GROWTH?



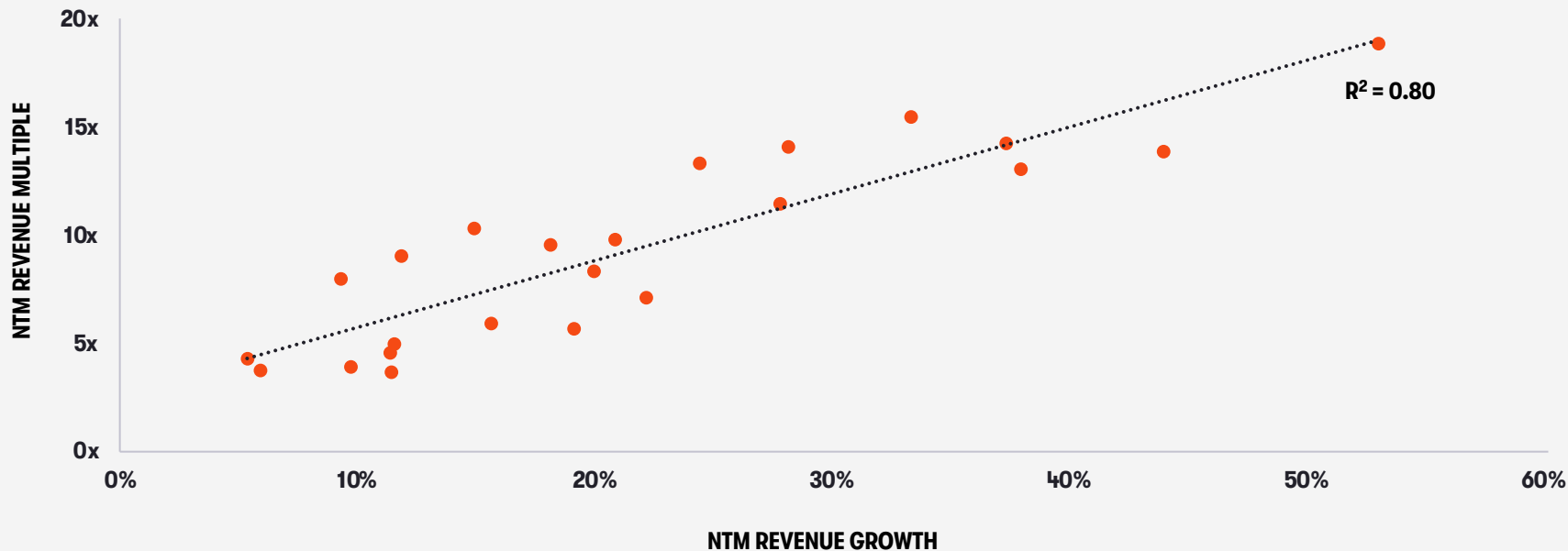
Source: Clouded Judgement Blog

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INVESTORS PAY A PREMIUM FOR GROWTH WHEN THE COMPANY IS CASH FLOW POSITIVE

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NTM Revenue Growth vs. Multiple
SaaS Companies with >15% LTM FCF Margins



Source: Clouded Judgement Blog

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QUESTION 02

**HOW TO EXTEND THE CASH
RUNWAY THROUGH FINANCING?**

CASH RUNWAY THROUGH FINANCING

**HIGH COST OF
CAPITAL & MOST
FLEXIBILITY**



**LOW COST OF
CAPITAL & LEAST
FLEXIBILITY**

STANDARD PREFERRED EQUITY	1x non participating liquidation preference	Clean Cap Table
STRUCTURED PREFERRED EQUITY	Includes additional terms, such as guaranteed return, >1x liquidation	Less Clean Cap Table
CONVERTIBLE DEBT	Debt that can convert to equity at set valuation or valuation cap	Less Clean Cap Table
NON-CONVERTIBLE DEBT (VENTURE DEBT)	Lender receives interest: cash, instalments, or PIK	Clean Cap Table, More Complicated Balance Sheet

QUESTION 03

**HOW TO EXTEND THE CASH
RUNWAY THROUGH OPERATIONS?**

CASH RUNWAY EXTENSION VIA OPERATIONS

THE USUAL IDEAS

- RIF / restructuring
- Roadmap delays
- General expense scale-back
- Reduce free services
- Cut growth rate
- More activity
- Scrutinize incremental budget
- Reduce branding spend
- Cut fledging geos
- Focus on New ARR
- Cut because everyone else is

MORE CREATIVE IDEAS

- Forward deployment
- Roadmap reprioritization
- Increase focus on topical use-cases
- Increase paid services
- Increase win rate
- More focus on high-value targets
- Scrutinize all budget (zero-based)
- Increase alliances spend
- Redouble established geos
- Focus on Ending ARR
- Cut if your leading indicators say to

QUESTION 04

HOW TO THINK ABOUT GROWTH VS. BURN TRADE-OFFS?

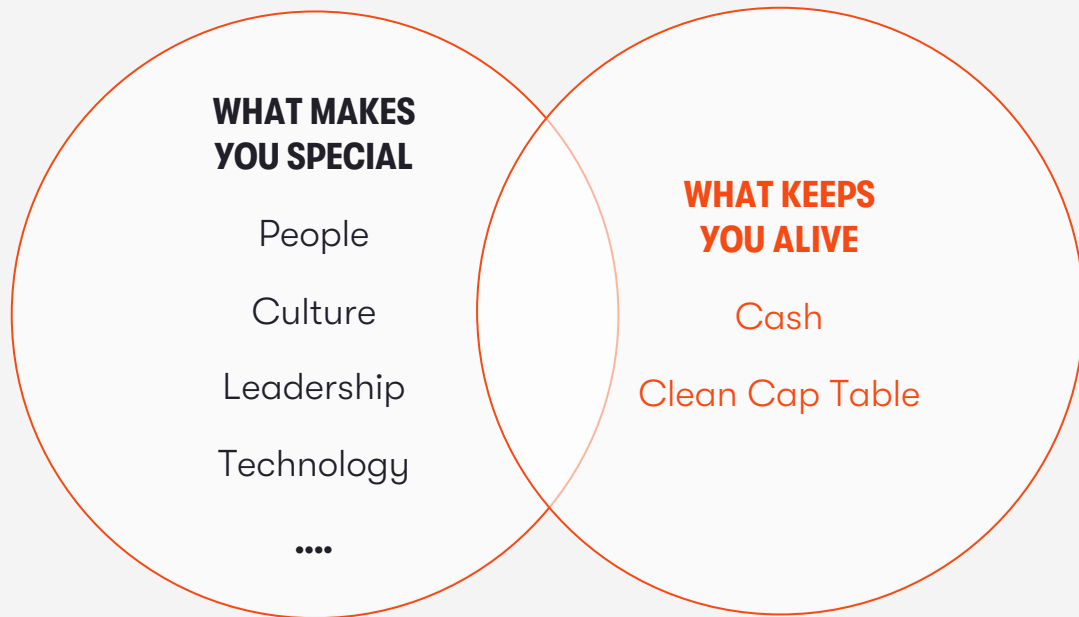
GROWTH VS. BURN TRADE-OFFS

- Keep the Golden Goose alive
- Sacrifice context, not core
- Delay, not cancel
- Reprioritize
- Sequencing
- We're still going to the same place but we now expect it to take a little longer

SANITY CHECK:

**WILL OUR PACE CHANGES AFFECT THE OUTCOME
IN THE MARKET**

**SLOWING IN CONTESTED GREENFIELDS CAN BE
DANGEROUS**



QUESTION 05

**WHAT KIND OF SUPPORT TO
EXPECT FROM YOUR INVESTORS?**

BE DEMANDING OF YOUR EXISTING INVESTORS

ADVICE

- Tactical and strategic
- Board, EIRs, playbooks

DATA

- KPIs
- Benchmarking
- Industry data points

COMMUNITY

- CEO peers
- CXO groups
- Care

FINANCING

- Primary capital, extension round, debt providers
- Reserves ?

SUMMARY

WHERE ARE YOU?

UNIT ECONOMICS
(WEAK TO STRONG)

FUEL TOP UP

Extend cash runway, prioritize on efficient growth, new investors, extension round, venture debt

STEP ON THE GAS

Market share, building moats, M&A, poaching talent

HUNKER DOWN / MOVE UP

Cut burn, improve unit economics

IMPROVE UNIT ECONOMICS

Rule of 40, LTV/CAC, magic number

CASH RUNWAY
(LOW TO HIGH)

SUMMARY

RELY ON YOUR OWN LEADING INDICATORS

- Not only what's happening in the external environment

EXTEND YOUR CASH RUNWAY (ALMOST EVERYONE NEEDS TO)

- Combination of finance and operations
- Be realistic about time needed to grow into last round post-money valuation

BUILD AND EXECUTE YOUR OWN STRATEGY

- From “step on the gas” to “hunker down, move up,” strategy is a function of cash runway length and unit economics

ASK A LOT FROM YOUR INVESTORS

- Not just money, but strategy, advice, introductions, peer networks

Balderton.

THANK YOU

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