



Behind the scenes of a VC fund

Steve Collins

Partner, Frontline Ventures

stevec@frontline.vc

@stevec64





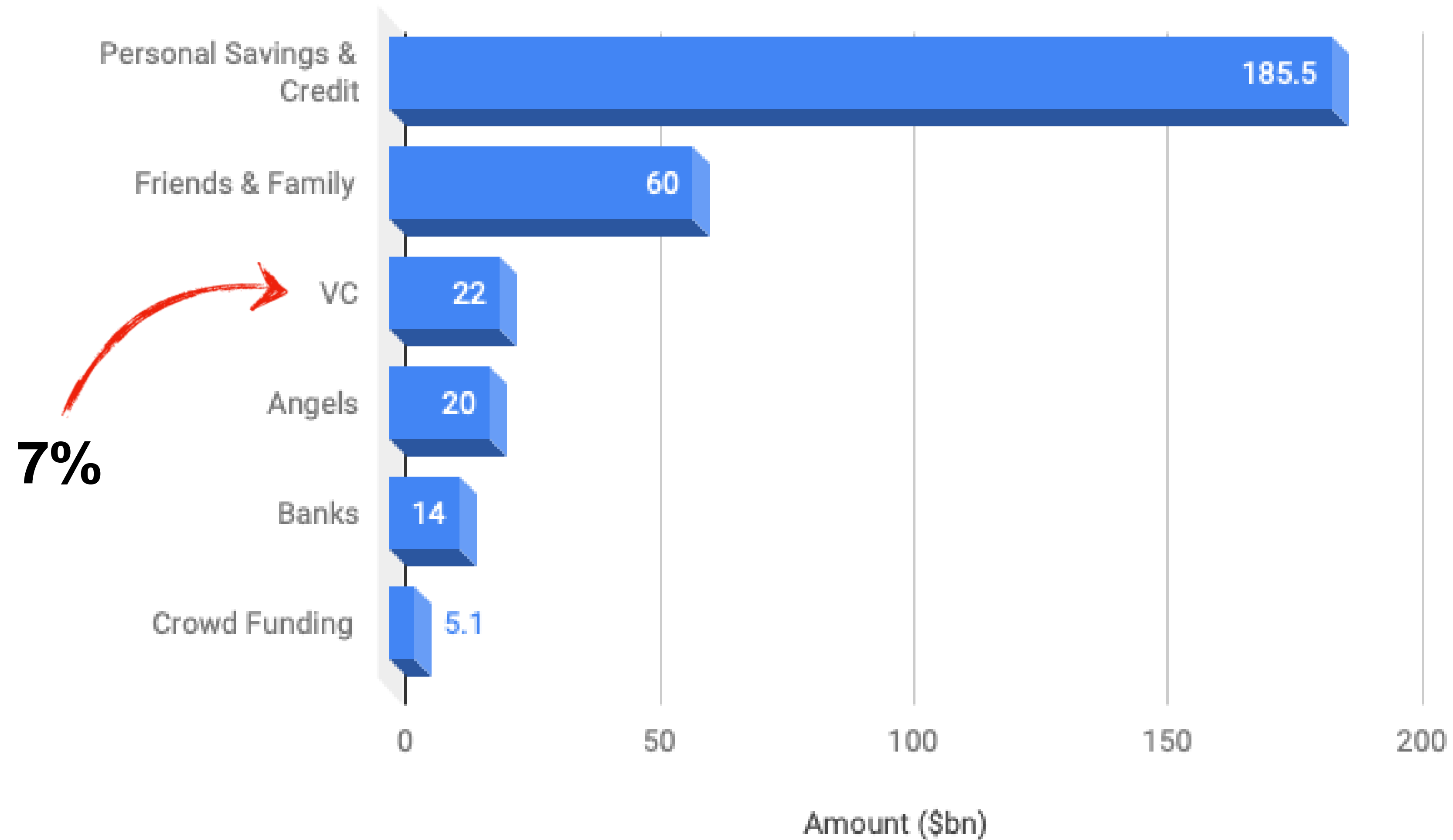
Frontline^x

Pre-seed & Seed stage Fund
B2B Software, SaaS, Enterprise
IRL, UK & EU

- 1.Sources of funding
- 2.Fund economics
- 3.Getting funded

Sources of funding

Top Funding Sources



Top Funding Sources

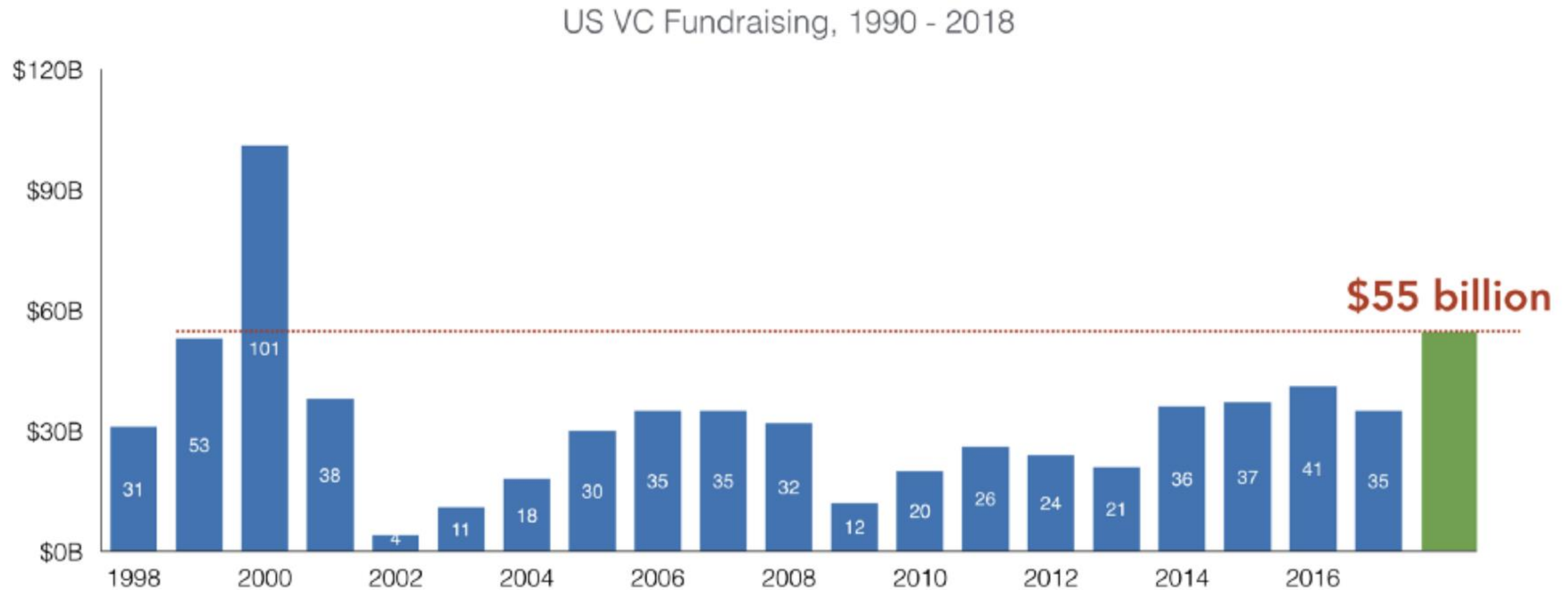
	%age of Total <i>(by volume)</i>	Avg Amount	Number
Personal Investment	57%	\$48,000	3,865,000
Friends & Family	38%	\$23,000	2,608,000
Bank Loans	1.43%	\$144,000	97,000
Angel Investors	0.91%	\$95,000	61,900
Venture Capital	0.05%	\$5,940,000	3,700



1 in 2000

75% of technology acquisitions
in 2013 & 2014 were of
non-VC funded companies

2018: a big year for VC



Why raise venture capital?

- 1 Deep pockets
- 2 Leverage VC network
- 3 To position for future rounds.

Velocity

	„PRE-SEED“	SEED	SERIES A	SERIES B	
AMOUNT	\$200-500K	\$500k - \$2.5M	\$5-12M	\$10-40M	
VALUATION	\$1-3M	\$2-6M	\$10-40M	\$30-200M	
INVESTORS	Friends & Family, Angels	Angels, Micro VCs	VCs	VCs	
TEAM	Smart, committed guys/ girls with relevant expertise/skills	Founder/Market Fit, e.g. enterprise sales DNA for elephant hunters; product/design DNA for rabbit hunters; strong tech for API companies.	No „star“ VPs yet Often good director-level hires Proven ability to attract & manage great people	Experienced leaders in most functions Proven ability to recruit senior people	Core man
PRODUCT/ MARKET FIT	Market research indicates strong need for the product	Strong indications of Product/Market Fit from early customers or pilot users	Clear PMF and increasing evidence of PMF in large		
TECH	Strong tech co-founder with relevant experience	Proven ability to move fast & break things ... with emphasis on moving fast :) Starting to think about scalability and to put in place processes	Proven ability to attract and manage great engineers Product scales, but still breaks once in a while Continued high product development velocity	Excellent tech leadership. Product doesn't break and meets SLA availability Product meets security, compliance requirements of enterprise tech buyers	
MRR *	—	~ \$0-50K	~ \$100-250K	~ \$400k - \$1.2M	

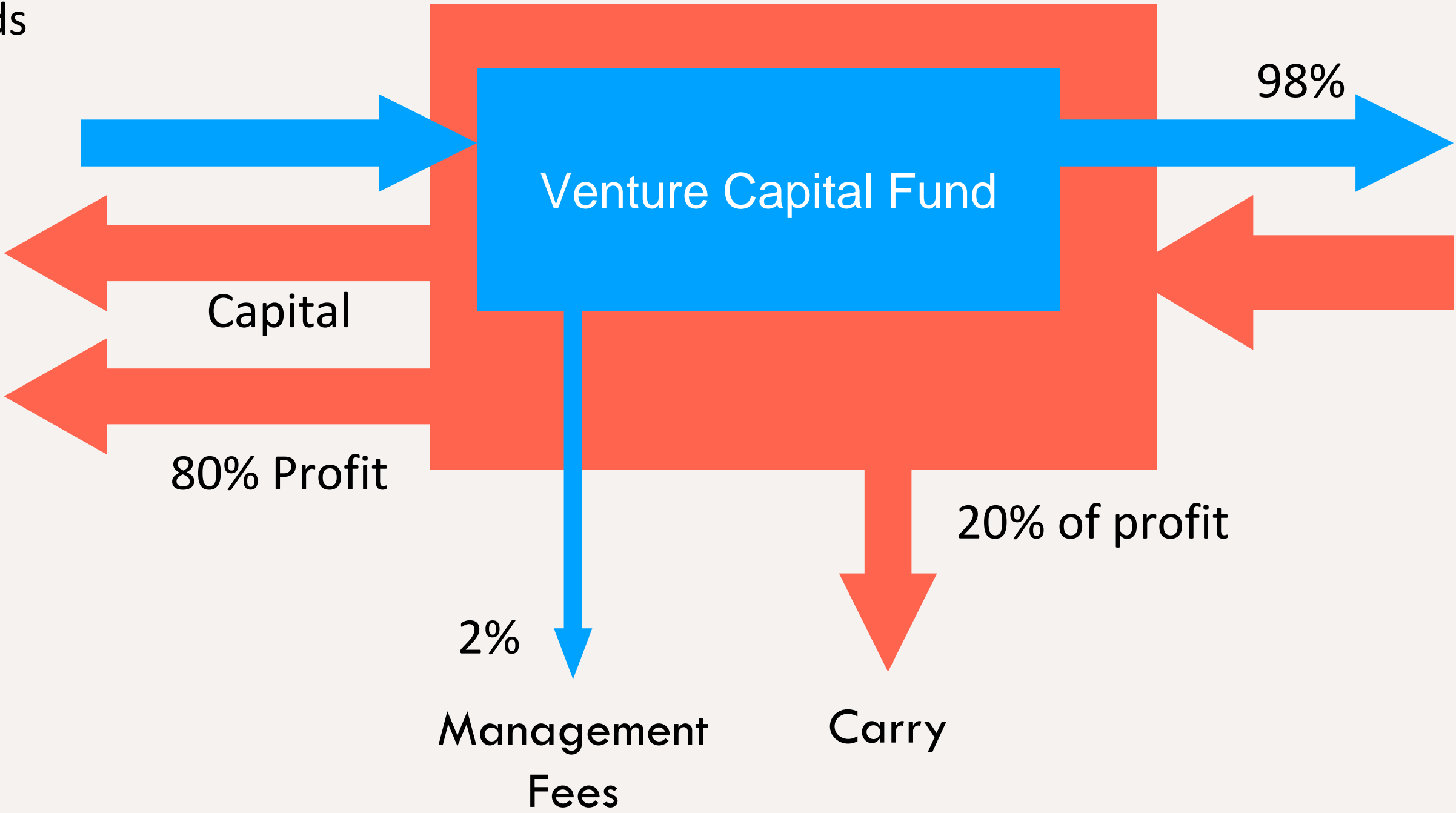
Fund economics



Sources of Funds

- Pension Funds
- Sovereign Wealth Funds
- Governments
- Family Offices
- Banks
- Fund of Funds
- Insurance Funds
- Endowments
- High Net Worths
- Corporates

LPs

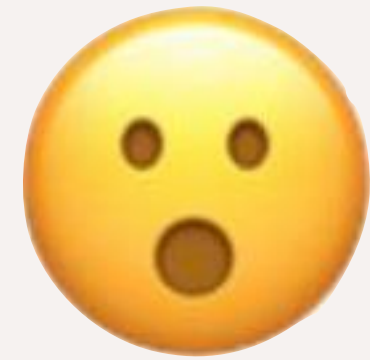


GPs



Startup Portfolio

Traditional View of Investing



33%

Lose all investment



33%

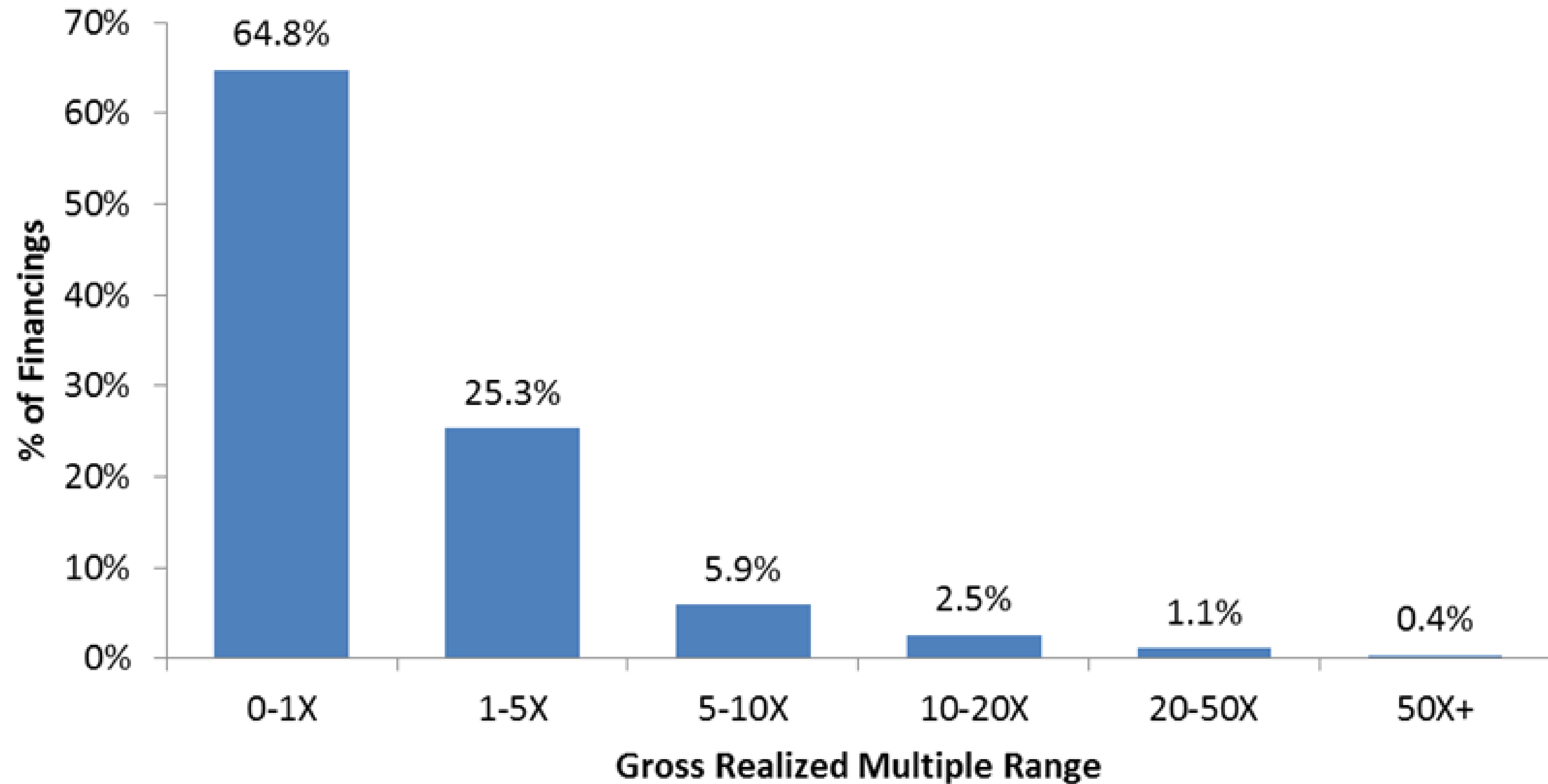
Break even, return the investment



33%

Generate all the returns

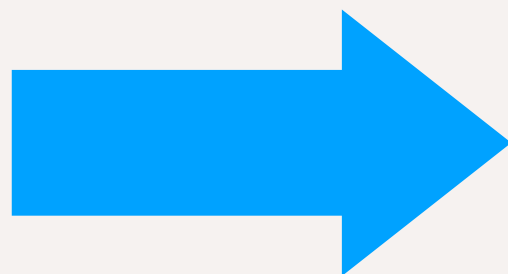
US venture returns



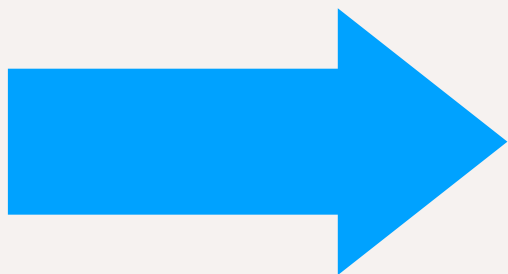
LPs expect a 3x return

Why?

Rate = 13%



Year	Capital
	\$1,000,000
2	\$1,130,000
	\$1,276,900
4	\$1,442,897
	\$1,630,474
6	\$1,842,435
	\$2,081,952
8	\$2,352,605
	\$2,658,444
10	\$3,004,042

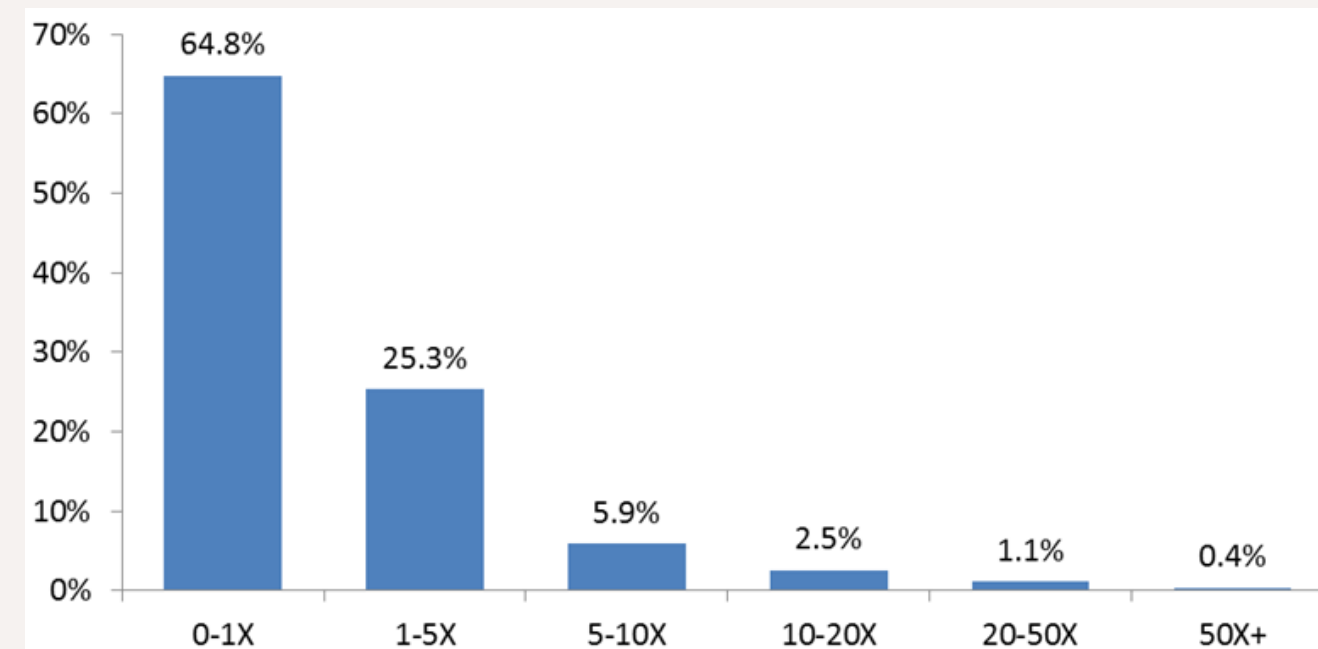


Multiple = 3

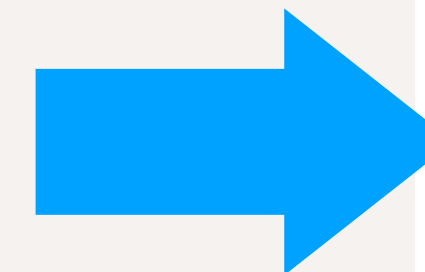
Hypothetical Early Stage Fund

Fund Size	\$50,000,000
Position per company	20%
Investment per company	\$1,000,000
Number companies	50

Fund Maths 101



Return (multiple)	Distribution	#companies	Fund returned	Avg Valuation (m)
0.5	64.80%	32	\$16,000,000	\$3
2.5	25.30%	13	\$32,500,000	\$13
7.5	5.90%	3	\$22,500,000	\$38
15	2.50%	1	\$15,000,000	\$75
35	1.10%	1	\$35,000,000	\$175
50	0.40%	0		\$250

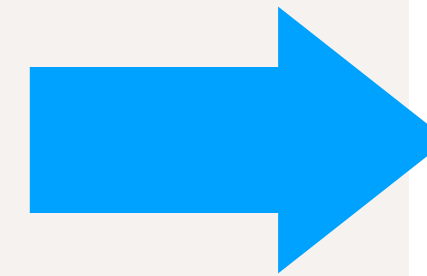


Fund Size	\$50,000,000
Position per company	20%
Investment per company	\$1,000,000
Number companies	50
Fund Performance	\$121,000,000
Multiple	2.42

Note: this ignores carry and management fees

Fund Maths 101

Return (multiple)	Distribution	#companies	Fund returned	Avg Valuation (m)
0.5	64.80%	32	\$16,000,000	\$3
2.5	25.30%	13	\$32,500,000	\$13
7.5	5.90%	3	\$22,500,000	\$38
15	2.50%	1	\$15,000,000	\$75
35	1.10%	1	\$35,000,000	\$175
50	0.40%	1	\$50,000,000	\$250

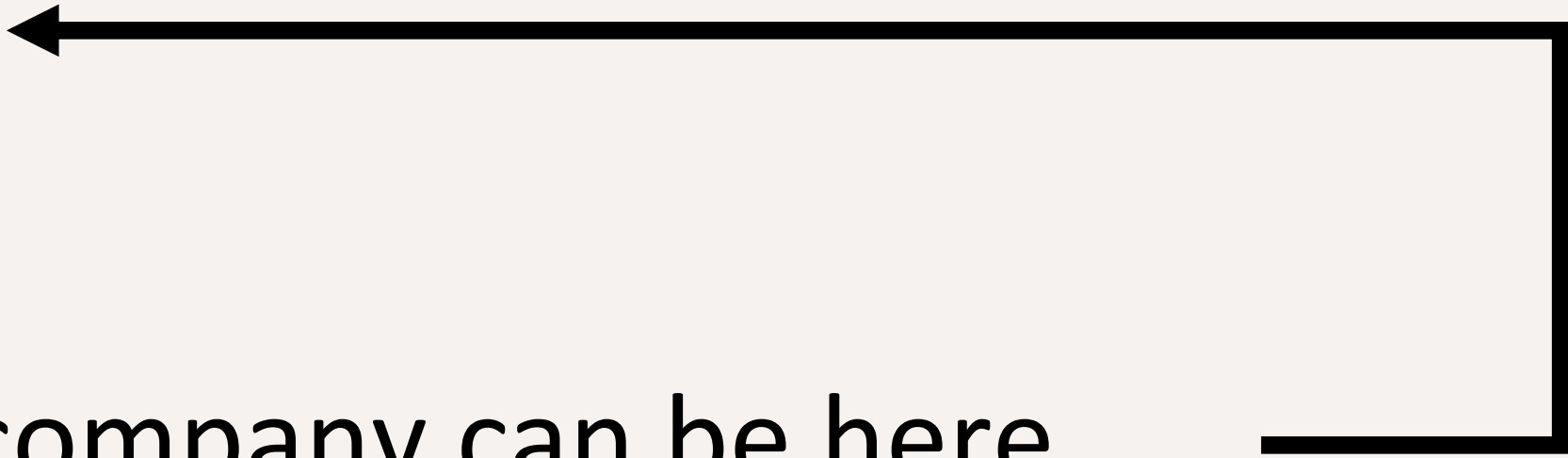


Fund Size	\$50,000,000
Position per company	20%
Investment per company	\$1,000,000
Number companies	50
Fund Performance	\$171,000,000
Multiple	3.42

1 big exit “returns” the fund

Fund Maths 101

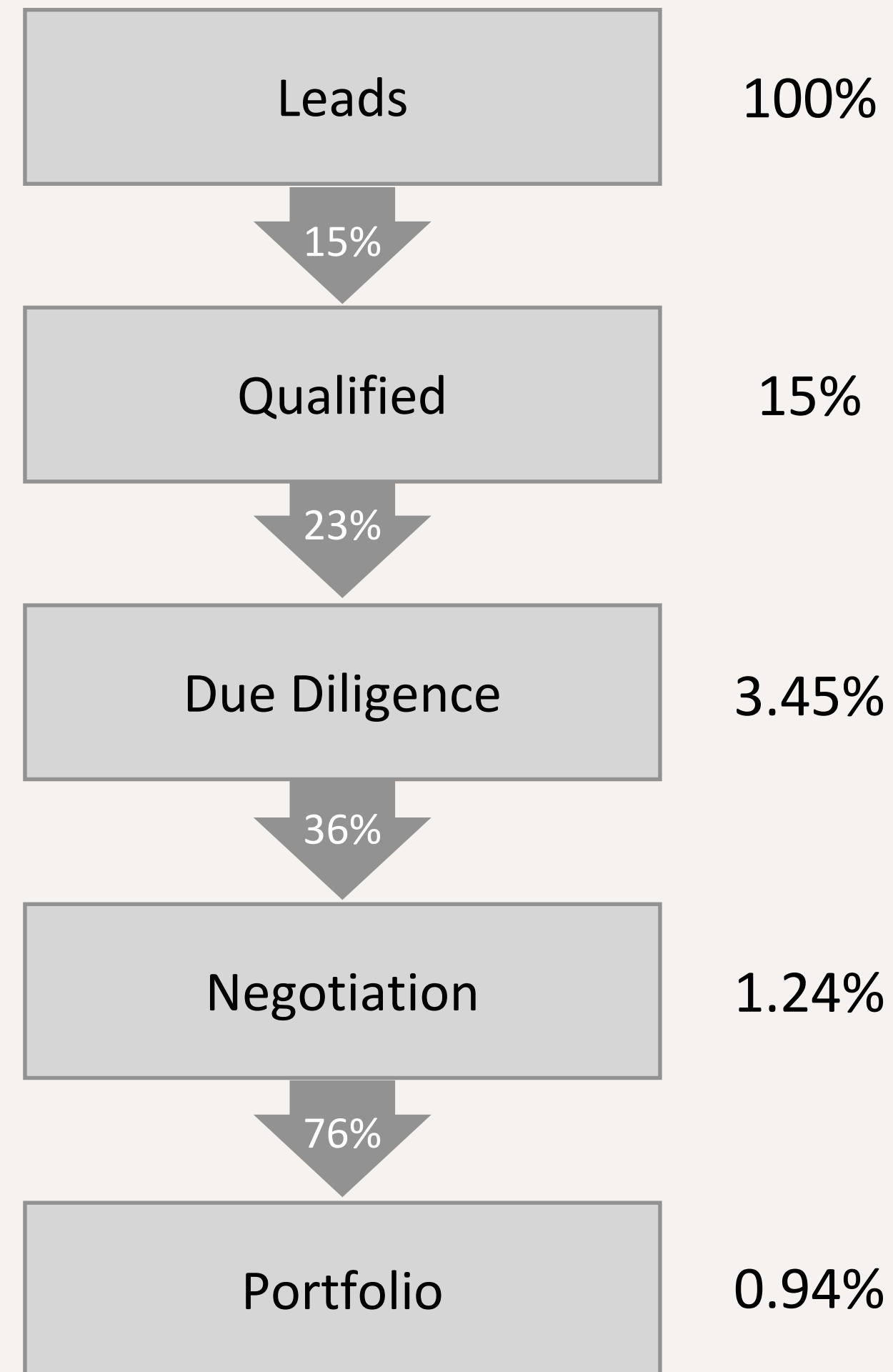
Return (multiple)	Distribution	#companies	Fund returned	Avg Valuation (m)
0.5	64.80%	32	\$16,000,000	\$3
2.5	25.30%	13	\$32,500,000	\$13
7.5	5.90%	3	\$22,500,000	\$38
15	2.50%	1	\$15,000,000	\$75
35	1.10%	1	\$35,000,000	\$175
50	0.40%	0		\$250



need to believe your company can be here

Getting funded

Frontline Funnel



1% of deals get funded

SOURCETYPE		PERCENT OF TOTAL	COUNT	
Cold - Website		26.8%	1053	<div></div>
Referred - Personal Other	60%	20.1%	791	<div></div>
Outbound - Incubator	16%	13.0%	513	<div></div>
Referred - VC	18%	10.0%	395	<div></div>
Professional Services	4.00	7.9%	309	<div></div>
Cold - Email		5.8%	227	<div></div>
Outbound - Conference		5.4%	213	<div></div>
Referred - Entrepreneur		3.0%	118	<div></div>
Referred - Angel	2%	2.3%	89	<div></div>
Referred - LPs	2%	2.2%	88	<div></div>
Cold - LinkedIn		1.1%	44	<div></div>
Other		0.9%	34	<div></div>
Outbound - News		0.5%	21	<div></div>
Outbound - Content Driven		0.2%	8	<div></div>
Referred - Portfolio	2%	0.2%	8	<div></div>
Referred - Corporate		0.2%	8	<div></div>
Referred - Sandbox		0.2%	6	<div></div>
Cold - Other		0.1%	3	<div></div>

Frontline

Source of Deals





Typical Process

What are we looking for...

A very big market

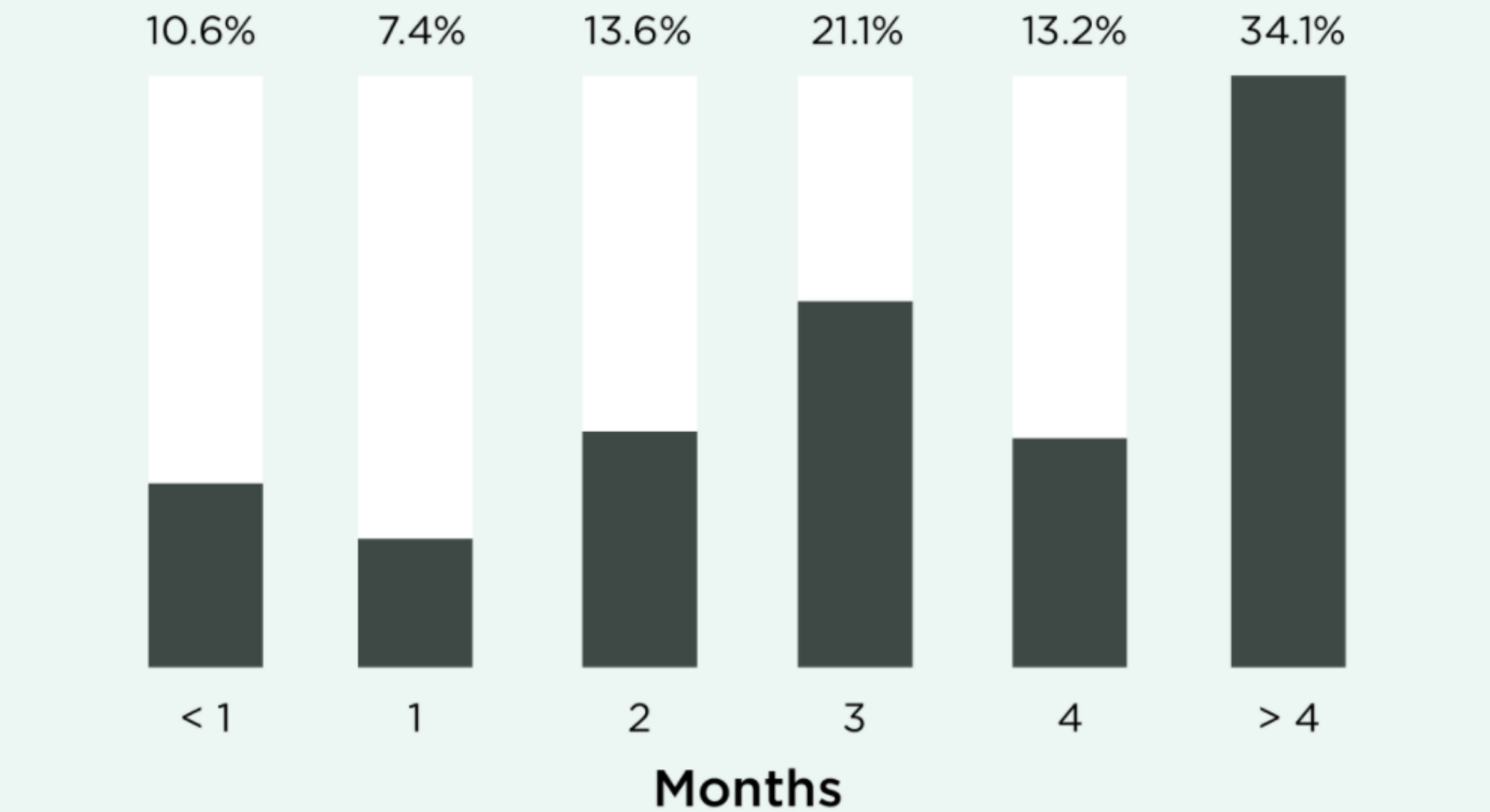
Founder(s) with a thesis

Reason for “why now?”

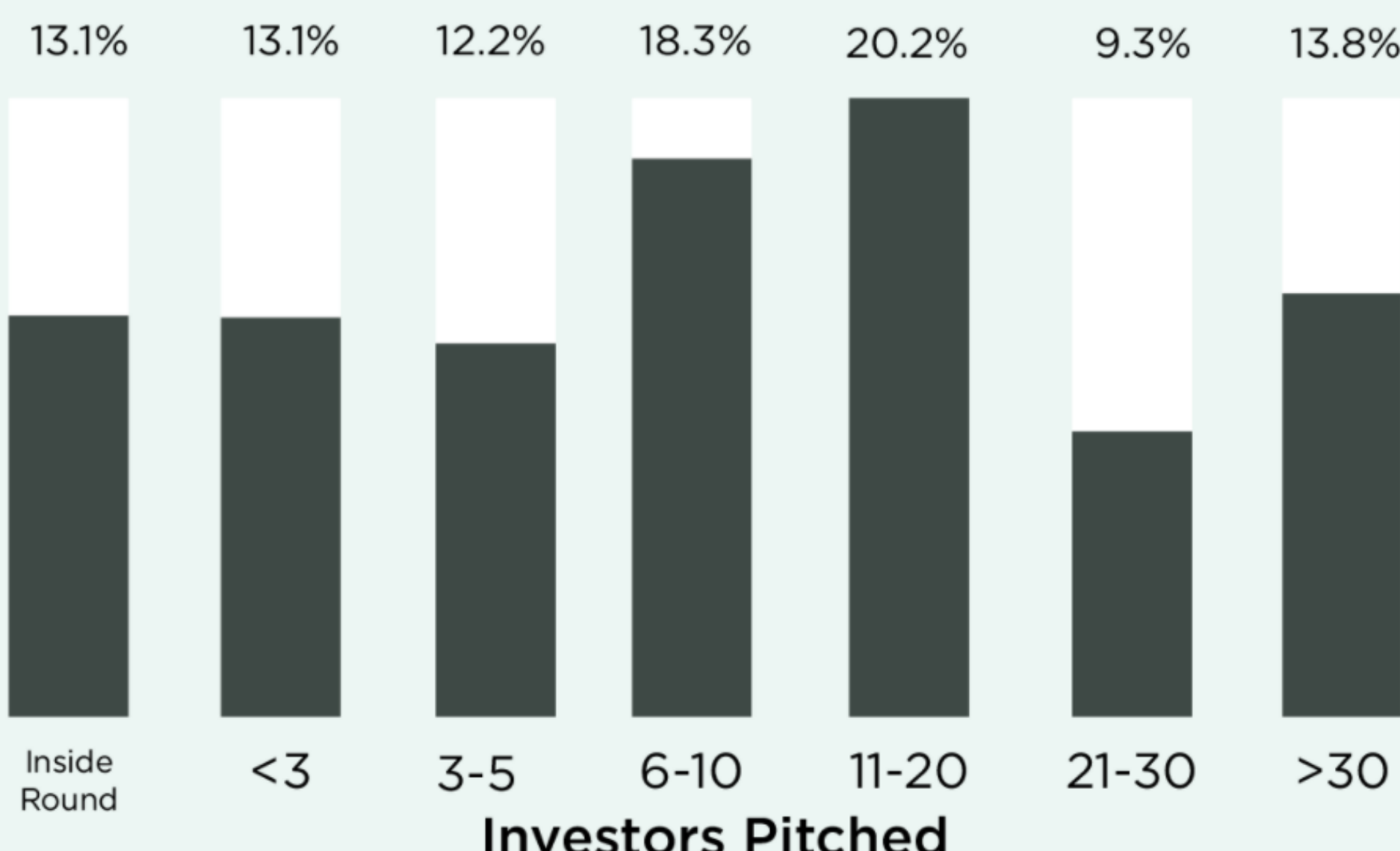
A team that can move quickly

An unfair advantage

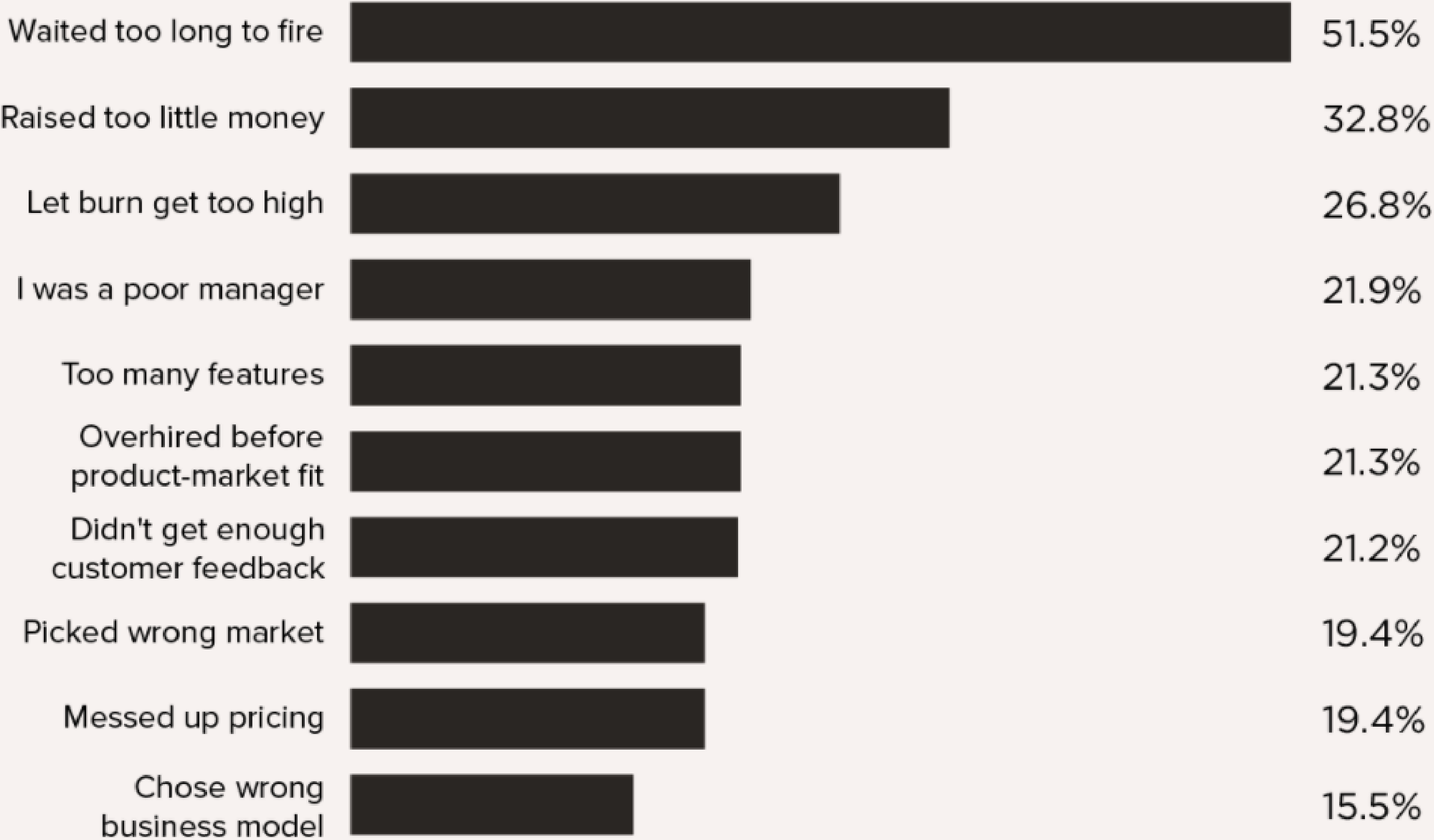
How long was your entire fundraising process for your most recent round?



How many firms did you pitch when raising your last round?



Which of the following mistakes have you made in growing your business? (Check all that apply)



💡 Raise more if you can!

Frontline

Thanks

stevec@frontline.vc
@stevec64