

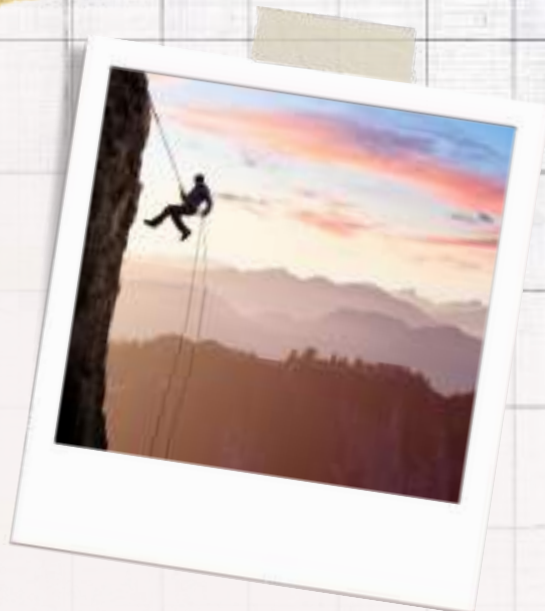
# THE STARTUP SURVIVAL GUIDE



HOW TO EXTEND  
RUNWAY FAST WITH  
LESS THAN 9  
MONTHS



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# TO THE FOUNDER

*"I never invested in a successful company that didn't almost go broke."*

-Burt McMurty

(Silicon Valley venture capital investor since 1969)

Let's face it: when you climb a mountain, you get into trouble. It's a place uncomfortably familiar to many startup founders. The runway is shrinking faster than you can extend it. Uncertainty, stress of dwindling resources, and relentless pressure to keep your vision afloat aren't just challenges; they're the harsh realities of entrepreneurship that many don't speak about openly. But it's not about a hail mary. It's about realizing what resources you have and changing your course so you still get to the summit.

Back to what Burt said... Here's the thing: you're not alone in this journey. Many have stood where you stand, including many famous founders, staring down similar challenges. When I began working for a Decacorn in 2008 as their fractional finance leader, they had just raised a \$30 million growth round. Sounds great, right? Well, the bad news (which I was the bearer of) was their real estate rent broke the bank, and we needed to find a way to cut costs fast. We navigated through using the techniques you'll find in this Survival Guide. Did they make it? We know them now as one of the biggest car companies, and we're here to tell you how.

Our goal here is straightforward:

We're here to offer you more than just platitudes.

As you turn these pages, remember every big name out there once faced what seemed like insurmountable odds. What made the difference wasn't just their idea or passion; it was their ability to adapt, learn quickly from others, and take decisive action when it mattered most. That's what this playbook aims to help you with. So take a deep breath, and let's dive in. There's work to do, and time, as you know, is essential.

Sincerely,

Dan Saccani

Founder of Ravix Group



**- DAN SACCANI,  
FOUNDER OF RAVIX GROUP**



# RUNWAY MANAGEMENT QUICK GUIDE

Healthy Ventures uses the following “Color Code” for their portfolio companies for a quick shot of their financial health:



Green, Yellow, Orange, or Red

Which zone are you in?







## Runway management quick guide

✓ 12+ Months of Runway: Healthy.

### ⚠ 9-12 Months of Cash Runway

**Strategic Review:** Conduct a thorough review of your business model, product-market fit, and value proposition. Identify areas for improvement or pivot if necessary.

**Financial Forecasting:** Develop detailed financial forecasts to understand your burn rate and identify key areas where you can reduce costs without compromising on growth.

**Funding Strategy:** Start planning for the next funding round if needed. Begin networking with potential investors and understanding what metrics you need to hit to make your company an attractive investment.

**Operational Efficiency:** Implement measures to improve operational efficiency. Streamline processes, adopt technology solutions that can reduce costs, and eliminate any non-essential expenses.

**Revenue Enhancement:** Focus on strategies to increase revenue. This could include optimizing your pricing strategy, exploring new markets, or introducing new product lines.

**Customer Retention and Acquisition:** Enhance efforts in marketing and sales to retain existing customers and acquire new ones. Customer feedback can provide insights into potential improvements or new opportunities.





## Runway management quick guide cont.

### ■ 6 Months of Cash Runway

**Cost Cutting:** Take a more aggressive approach to cost-cutting if you haven't already. Consider renegotiating contracts, reducing the workforce as a last resort, and cutting any discretionary spending.

**Automation:** Look for ways to automate as many processes as possible  
– **\*\*Partnerships and Collaborations:\*\*** Look for strategic partnerships or collaborations that can offer mutual benefits without significant upfront investment.

**Cash Flow Management:** Tighten cash flow management. Prioritize payments and collections, and explore options for quick wins to improve your cash position.

**Documentation:** Prioritizing documentation for either fundraising or an M&A transaction to raise the value.

### ■ 3 Months of Cash Runway

**Urgent Financial Planning:** Evaluate all financing options, including debt, equity, or alternative financing solutions. Be transparent with your stakeholders about the situation and seek advice.

**Pivot or Exit Strategy:** If sustainability is not feasible, consider a pivot that requires minimal investment but has the potential for high returns. Alternatively, explore exit strategies, including selling the business, merging, or winding down operations in a controlled manner.

**Engage Your Network:** Reach out to mentors, advisors, and peers in the startup ecosystem for advice, potential leads on investors, or opportunities for partnerships that could provide a lifeline. Focus on previous investors who were interested in investing if your metrics improved, and show them the improvement.





# FROM GROWTH TO SURVIVAL:



STRATEGICALLY CUTTING COSTS





## Step 1: Mindset Shift, Adapting to a New Reality

In the harsh world of entrepreneurship, founders are used to building, growing, and spending for expansion. But sometimes, things take a rough turn, and they need to switch gears. It's a different game – moving from growth to survival mode. This means cutting costs, trimming the fat, and focusing like a laser on ensuring your product fits the market perfectly.

Founders must shift their mindset and skills from big thinkers to sharp executors. It's about surgical precision now – getting rid of what's not working, streamlining operations, and obsessing over what customers want.

Suppose you start thinking differently and learn from the turnaround process. In that case, you'll tell investors a better story, enabling you to show them the why behind your value and convince them your growth will continue to a healthy return.

Start by acknowledging the reality of your situation. This isn't about failure; it's about adapting and overcoming.

### Further Reading:

[Evaluating Your Startups Financial Health](#) by Ravix Group

[How to Cut Costs More Strategically](#) by Harvard Business Review

**Connect Costs and Strategy:** Startups must view every cost-cutting opportunity as a chance to reallocate resources toward strengthening their value proposition, particularly in their beginning stages. This approach requires a budget that mirrors strategic priorities, ensuring that expenses directly contribute to the startup's long-term vision and execution strategy.

**Rethink Costs in Terms of Capabilities:** Unraveling functional budgets to identify investments in the capabilities hidden within can illuminate spending patterns' strategic implications. Startups should assess their expenses to ensure they're investing in capabilities to help them stand out in the market. Though challenging and potentially disruptive, this process is essential for identifying what the startup truly needs to succeed.







## Step 1: Mindset Shift, Adapting to a New Reality

[Tactics for how to apply the cost-cutting strategy]

### ZERO BASING:

Adopting a zero-based budgeting approach allows startups to evaluate all expenses anew, rather than adhering to the incremental budgeting of "last year plus X percent." This method involves listing all expenses, temporarily removing them, and then selectively reinstating those essential for developing distinctive capabilities, ensuring focused investment in areas that drive competitive advantage.

### BE PROACTIVE:

The best time to implement these cost-management strategies is before financial challenges become dire. A proactive approach to aligning costs with strategy and maintaining a continuous cost-management mindset ensures the organization remains agile and capable of making informed, strategic decisions even in times of financial pressure.

### OPEN COMMUNICATION:

Keep your team informed. Transparency about the company's status and the rationale behind cost-cutting measures can foster a collective spirit of resilience.

At the heart of every successful turnaround lies a critical, often painstaking process: Expense Management. This isn't merely about slashing budgets; it's about the strategic realigning your resources to ensure survival and set the stage for future growth.

### SUSTAINABLE COST-MANAGEMENT:

Building financial systems that differentiate between "good" costs associated with essential capabilities and "bad" costs that can be eliminated is vital. Integrating the budgeting process with strategic planning ensures ongoing investment in key areas while maintaining tight control over other expenses. Fostering a cost-conscious culture across the organization can turn cost management into a shared value and collective capability.

### SEEK EXPERT GUIDANCE:

A Chief Restructuring Officer can provide the objective insight and tough love necessary to make hard decisions. External advisors can offer a fresh perspective unclouded by emotional attachments to projects or personnel.

### EMBRACE ABILITY:

Be ready to pivot. The strategies that worked in a growth phase may not be viable now. Flexibility and adaptability are your allies.

 **Further Reading:** [Constraints Inspire Creativity](#) by Uncork Capital





- KOBIE FULLER,  
UPFRONT VENTURES

"I have a list of metrics that I look at, to get a sense of how businesses are doing because there's not like one silver bullet to actually help dictate how something's doing or not. My metric that I'm focusing on a lot more these days is **cash burn** and **cash balance**."

➡ [Hear more on the DWAVC podcast](#)

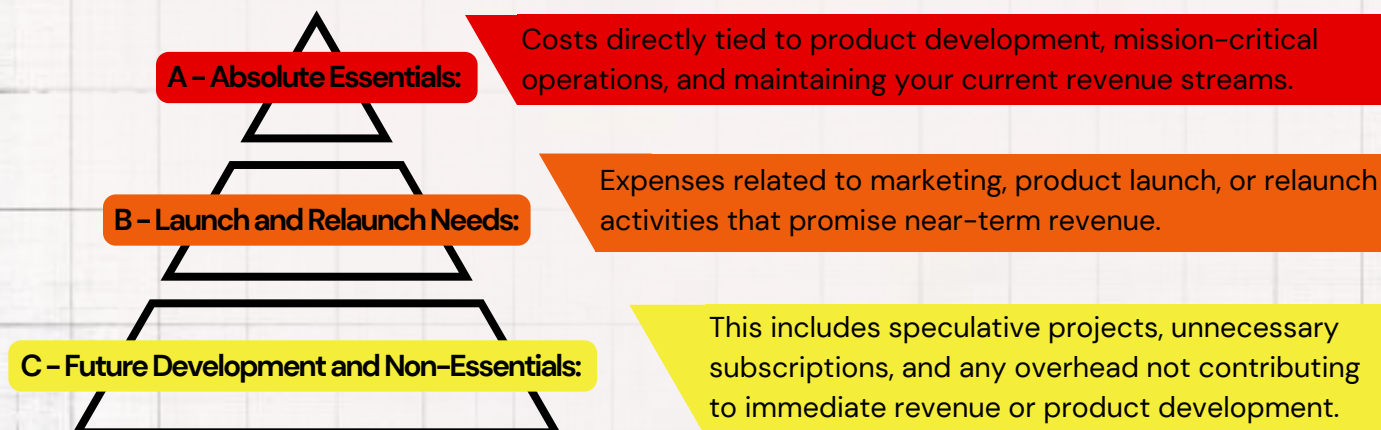


## Step 2: Comprehensive Expense Review

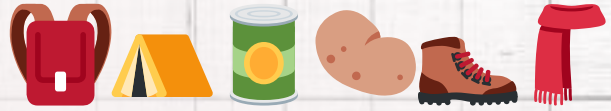
As a Chief Restructuring Officer at Ravix Group, I've guided numerous startups through this delicate phase. Here are my suggestions for navigating this process as smoothly as possible:

Understand What's at Stake

Begin by scrutinizing your expenses with a fine-tooth comb. This involves differentiating between what's crucial for immediate operations versus long-term aspirations. Categorize your expenses into three tiers:







## Step 2: Comprehensive Expense Review

The goal here is to focus on strategic reduction by implementing cost-cutting measures, not just eliminating expenses.

**1. Essential vs. Non-Essential:** This is your litmus test for every expense. If it doesn't contribute directly to keeping your startup alive and functioning, it's on the chopping block.

**2. Vendor Negotiations:** Leverage your relationships. No one likes churn, even your vendors. Vendors prefer retaining a paying client, even at reduced rates, to losing one entirely. Aim for reduced rates or extended payment terms.

**3. Operational Efficiency:** Every operation should be evaluated for cost-saving opportunities, from energy usage to supply chain optimizations. Are your people focused on the right activities? Now is the time to re-evaluate if teams are contributing to revenue-generating activities.

**4. Workforce Adjustments:** The most complex decisions often involve your team. Consider all options, from reduced hours to layoffs—focusing on preserving core functions and talents crucial for recovery.

Decide on everyone you're going to let go and do it once. Rolling layoffs lead to an unengaged workforce, which can actively work against your startup and send it into a wind-down rather than a successful M&A.

In these trying times, expense management is not just about survival; it's the foundation for your startup's future rebound. You can get through a short runway by strategically evaluating and adjusting your expenses, negotiating with empathy and foresight, and embracing a mindset shift with the support of seasoned advisors. Remember, the goal isn't just survival but to emerge leaner, more focused, and ready for the next phase of growth with a story to tell to your subsequent investors.





## Step 2: Comprehensive Expense Review

Investors believe that the best startups come out of recession; startups born of tough market headwinds are likelier to scale at their leanest, leading to better profitability.

As a partner to startups at every stage of their lifecycle, Ravix Group stands ready to guide you through this challenging process with our outsourced accounting, fractional CFO services, and deep turnaround expertise. We have experts on negotiating down expenses for a longer runway, and fundraising support to get you in front of the right investors with the right story to tell.

**CALL TO ACTION** – Need help in strategizing how to cut costs and implement? Reach out to one of our experts for a free one-hour consultation.

### Common Question: What about workforce adjustments?

#### ***SHOULD I REDUCE PAY TO MY WORKFORCE?***

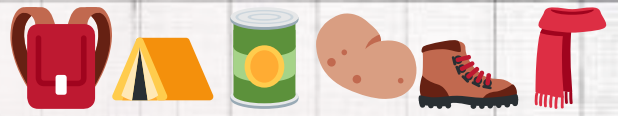
That is an option, but it's essential to approach it with care and consideration. I'd recommend consulting with a lawyer before making this kind of decision.

Here are some things to bear in mind before making any choices about salary changes:

1. Employees can't agree to postpone their wages or salaries to be "paid back" later, even if they're willing to do so for the company's benefit.
  - Consider whether offering equity might be an option for your circumstances.







## What about workforce adjustments? (cont.)

2. Always follow state advance notice requirements for both non-exempt and exempt employees. Schedule reductions and provide notice accordingly.
3. It's important to stay in compliance with wage and salary minimums. Non-exempt employees must receive at least minimum wage for all hours worked and appropriate overtime compensation.
  - Remember: Should exempt employees fall below the minimum salary level, they will transition to non-exempt status, granting them access to non-exempt benefits, including overtime pay and protections.
4. Be mindful of vesting acceleration provisions. Compensation reductions could accelerate vesting.
5. Consider whether the proposed reduction plan disproportionately impacts protected classes and ensure that legitimate business reasons support salary reduction decisions.

Implementing pay cuts is an option for a startup's turnaround playbook, but they require thoughtful planning and fair distribution. Pay cuts can strengthen teamwork and foster a positive company culture centered around the organization's mission, but there may be a backlash – especially if they're not handled with appropriate mindfulness.

### Further Reading:

[Keeping Employees Motivated When Things Get Tough](#) by Ravix Group  
[Laying Off Staff with Empathy](#) – Training Magazine  
[When Cutting Costs, Don't Lose Sight of Long-Term Organizational Health](#) – Harvard Business review



# SCENARIO PLANNING

## SURVIVE VS. THRIVE MODE







Scenario planning is critical for startups, especially when navigating the complex dynamics of revenue, burn rate, sales, and customer churn when you have less than 9 months of cash burn.

This strategic approach involves creating proactive plans—**best case, middle case, and worst case**—that a startup can quickly pivot toward as market conditions change or your startup fails to hit key numbers that will keep your startup alive. By carefully considering these scenarios, a startup can prepare for future possibilities and make more informed decisions.

Here, we'll delve into how founders can develop these scenario plans, focusing on financial health, specifically looking at burn rate versus revenue, with new sales and churn as critical variables.

## Understanding the Basics

For scenario planning, we want to consider at least four levers that will impact your runway:

🔥 **Burn Rate:** This is the rate at which a startup spends its cash reserves before it starts generating or increasing its current revenue. It's a metric of monthly net cash spent.

💰 **Revenue:** In this context, it refers to the total income generated from sales after subtracting returns and discounts.

💵 **New Sales:** This encompasses the influx of new customers or new contracts contributing to the total revenue.

👋 **Churn:** The rate customers discontinue their subscriptions or services with the company.







## Two Steps for Effective Scenario Planning

### Step 1: Establishing the Framework

Firstly, identify the key drivers that will form the basis of your scenarios:

- **Best Case Scenario:** Assume lower churn and higher new sales. This scenario predicts a surge in revenue, possibly due to successful marketing strategies, a favorable market response, or the introduction of a new product line.
- **Middle Case Scenario:** This reflects a balance where new sales and churn rates are stable, leading to steady revenue growth that matches projections without significant deviations.
- **Worst Case Scenario:** High churn and low new sales severely impact revenue, increasing the burn rate and reducing cash runway faster than expected.

### Step 2: Quantitative Modeling

Utilize financial modeling to quantify how these variables impact your revenue and burn rate in each scenario:

- Develop a model that includes inputs for churn rate, new sales growth, existing customer growth, and other costs.
- Use historical data to establish realistic assumptions for growth rates in each scenario.
- Project the future monthly cash flow, focusing on how long the current funds will last under each scenario.

## Benefits of Waterfall Analysis in Scenario Planning

**Clarity in Financial Impact:** Waterfall charts provide a clear visual representation of incremental changes. This is particularly useful for showing how subsequent expenses, churn, or additional revenue from new sales impact initial revenues.

**Identification of Key Drivers:** By visually isolating the effects of different variables, a waterfall analysis helps identify which factors drive changes in financial outcomes. This is crucial for understanding what levers the business can pull to improve performance under different scenarios.







## Benefits of Waterfall Analysis in Scenario Planning cont.

**Comparative Analysis:** It allows companies to compare the financial outcomes of different scenarios. This can be instrumental in strategic planning sessions where decisions need to be made about resource allocation under various potential market conditions.

**Enhanced Communication:** Waterfall charts simplify complex financial data into an understandable format, making it easier to communicate financial scenarios to stakeholders who may not have a deep financial background, including investors, board members, or non-financial team members.

## How to Use Waterfall Analysis in Scenario Planning

- 1. Start with a Baseline:** Begin your analysis with the current financial status as the starting point. This could be your current cash position or net revenue.
- 2. Layer Variables Sequentially:** Add or subtract the impact of each variable one at a time. For instance, start by adding revenues from existing customers, subtracting churn losses, and adding new sales revenue. Continue this process through all significant financial influences like operational costs or capital expenditures.
- 3. Adjust for Each Scenario:** For each scenario (best case, middle case, worst case), adjust the inputs for churn rates, new customer acquisition costs, and expected revenue changes based on the scenario's assumptions. This will visually demonstrate how different conditions affect financial outcomes.
- 4. Analyze Results:** Review the results of each scenario to understand where the company might stand financially at the end of the period analyzed. Look for significant drops or gains at any step to determine risk points or opportunities.
- 5. Integrate with Decision-Making:** Use the insights from the waterfall analysis to inform strategic decisions such as budget adjustments, strategic pivots, or investment needs. Ensure that these decisions align with the most likely scenario and contingency plans for less likely but possible scenarios.





## Tools for Conducting Waterfall Analysis



- Excel and Google Sheets: Both platforms can create waterfall charts, although they may require some setup or use of templates.
- Dedicated Financial Software: Tools like Tableau, Power BI, or financial planning software often have built-in, more dynamic capabilities for creating and manipulating waterfall charts.



+ a b l e a u

Incorporating waterfall analysis into your scenario planning provides a structured, visual way to prepare for various business conditions, enhancing the robustness of your strategic planning process. Doing so ensures that your startup is ready for what you expect to happen and equipped to handle what could happen.

**Want to learn more about waterfall analysis in the context of your business?**

**Reach out today to learn more from a  
Ravix Group CFO**

**LEARN MORE >**





**DO I HAVE PRODUCT  
MARKET FIT?**





## Do We Have Traction That Leads to an IPO (Venture Backable)?

Once you're done reassessing the financials and building scenario models, it's time to focus on fundraising and getting your metrics ready to prove you're ready for funding. This is a great place to be in because you've trimmed all fat, are lean and mean and ready to scale at the slimmest point. Imagine having to rock climb up the face of a mountain with 50 lbs vs. 25 lbs. Which would be easier and faster?

Getting your metrics into shape for investors will be hard work. Your first order of business is reevaluating the basics – ideal customer profile, total addressable market, and all the metrics you're utilizing in the waterfall analysis to track revenue.

### Using a Dashboard for Indicators: Tracking the Right Metrics

Metrics aren't just numbers; they're the story of your startup's relationship with the market. A well-set dashboard can be your reality check and guide.

**Starting Point – TAM and Market Penetration:** Your dashboard should begin with a clear view of your TAM data and market penetration. This is your starting line, the basis of your product-market fit assessment.

▶ Your TAM is under \$1 Billion (not a 🦄 unicorn)

### Further Reading:

*Market Analysis for Understanding Your Competition* by Ravix Group







## Do We Have Traction That Leads to an IPO (Venture Backable)?

**Beyond Launch – Evaluating Engagement:** The focus should be on customer engagement metrics for launched startups. How are users interacting with your product? Are there patterns or trends in the data that suggest a more robust fit with a particular market segment?

? Is your product part of your Ideal Customer Profile's workflow?


▶ Your Ideal Customer profile thinks it's a "nice-to-have" but can live without it.

▶ You have no idea if you have product-market fit.

▶ Customers? We don't have those yet...

### Further Reading:

*The Lost Art of Calling Your Customers* by Ravix Group

 **The ICP Connection:** Your Ideal Customer Profile (ICP) is your North Star. How well does your current customer base align with your ICP? Look at conversion rates, customer feedback, and usage patterns. This isn't about how many people you can reach; it's about how many right people are buying into your vision.

▶ Your customers have been opportunistic and not in your ICP.

▶ What's an ICP?

**Actionable Insights:** Use your dashboard to generate insights, not just reports. It should inform your strategy – whether that's a pivot, a marketing overhaul, or a doubling down on a particular segment.





# Fine Tuning Traction, GTM & Product-Market Fit For Fundraising

## Proving Your Product Really is What the Market Needs

It's time for some tough love. The first step in turning your startup around is brutally honest introspection about your product-market fit.

Is your product what the market needs, or are you chasing a mirage?

Your next fundraising will require convincing investors that your **ICP is in crisis**.

How can you prove that using your current metrics?



andrew chen   
@andrewchen

Magic metrics indicating a startup probably has product/market fit:

- 1) cohort retention curves that flatten (stickiness)
- 2) actives/reg > 25% (validates TAM)
- 3) power user curve showing a smile -- with a big concentration of engaged users (you grow out from this strong core)

2:12 PM · Oct 15, 2019



Bessemer   
@BessemerVP

There are many ways to ✨ product-market fit ✨

- ✓ Overdeliver in a narrow market
- ✓ Experiment with lowball pricing strategies
- ✓ Use smaller deals to prove scale ...



Jason Lemkin   
@jasonlk

Product-market fit, definition:

When you have more leads than you know why

10:31 AM · Apr 1, 2024 · 31.5K Views





# RAISING YOUR VALUATION





## Increasing the Value of Your Startup

When Spanish and Portuguese explorers circumnavigated the globe in search of fortune, and Lewis and Clark trekked America, their maps, documentation, and historical knowledge helped their kingdoms expand and grow, selling tales of their exploits and securing new funding for future exploration.

As a founder, you're in a delicate moment where you're looking at all paths ahead – forging past Death Valley and onto great IPO heights, finding a soft landing at a large corporation, or even selling what you can for parts in a worst-case scenario.

In all cases, you need the highest valuation possible, and your role as CEO and founder is to increase that value as much as possible.

How?

✍ Documentation.

The road ahead is rough – you have many different paths, but you need to document all your processes, staff, tech stack – everything. It may seem daunting, however, documentation will be the simplest way to prove the value of your company.

Other things to Consider:

**Values Fluctuate Over Time:** Value doesn't increase in a straight line, but fluctuates due to various factors, including operational successes and market perceptions.

**Recognizing Inflection Points is key:** Recognize and capitalize on inflection points where strategic actions can significantly impact value, whether through product development, market entry, or overcoming operational hurdles.







## Increasing the Value of Your Startup cont.

### Fundamental Areas for Value Building:

- **Team Composition:** A balanced, experienced, and committed team is foundational. Diverse skills among team members, including technical, operational, and strategic expertise, are crucial.
- **Product Development:** Methodical progression from concept to market-ready product demonstrates tangible growth and potential for scaling.
- **Market Understanding:** In-depth market analysis, customer engagement, and validation are essential to confirm the product's market fit and demand.
- **Financial Management:** Robust financial planning and management, understanding burn rate, and ensuring sufficient runway are pivotal. Transparent and regular communication with investors about financial status strengthens trust.

**Avoiding Pitfalls:** Common startup failures stem from misrepresentations, misunderstanding investor expectations, solitary leadership without a competent team, and financial mismanagement leading to cash flow crises.

**Driving Out Fear:** A key element of leadership roles involves eliminating fear and uncertainty within the organization and among investors—focusing on transparency and integrity.

**Documentation and Communication:** Essential documents—like a concise business plan, pitch decks, financial forecasts, and a clear valuation report—are crucial for engaging with investors and stakeholders effectively.

**Brad Peppard, Ravix Group CFO, shares his valuation-boosting advice in a recent webinar:**  
***A Tale of Two Startups: The Secret to Raising Valuation in Tough Times***



# PATH TO FUNDRAISING








## Fundraising with Limited Runway: Strategic Approaches for Startups

When a startup is running low on cash, time becomes a critical factor in fundraising efforts. With limited runway, the startup's approach to securing additional funds needs to be both strategic and aggressive.

 **GOAL: Convincing investors you've done everything to cut costs and improve your GTM to get the next round.**

**Steps to maximize your chances of successful fundraising under challenging circumstances:**

### 1. Reconnect with Past Potential Investors

- *"Next Round" Investors:* Reach out to investors who showed interest in previous funding rounds but deferred their investment to a later stage. Update them on your progress and current situation, emphasizing the potential for growth and return on investment.
- *Leverage Constructive Feedback:* If past investors provided specific feedback or set milestones for future investment, highlight how you've addressed or achieved these areas.

### 2. Tap Into Your Network Extensively

- *Engage Your Entire Professional Network:* Reach out to contacts who might invest—or connect you to potential investors. This includes past colleagues, mentors, industry contacts, and university alumni networks.
- *Service Provider Partners:* Pay attention to your service providers (legal, accounting, etc.) They often have broad networks and may be willing to make introductions to potential investors.

### 3. Explore Diverse Investor Pools

- *Family Offices:* Look beyond traditional VC firms to family offices. These entities manage the wealth of affluent families and may be interested in investing, especially if your startup aligns with the family's interests or values.
- *Angel Investors and Angel Groups:* Individual angel investors or angel investment groups can be more agile in their decision-making compared to larger VC firms.





# Fundraising with Limited Runway: Strategic Approaches for Startups

[Continued] Steps to maximize your chances of successful fundraising under challenging circumstances:

## 4. Consider Alternative Funding Options

- *Crowdfunding*: If your product is consumer-facing, especially in the CPG (Consumer Packaged Goods) sector, or if you have a strong customer base, crowdfunding can be a viable option. Platforms like Kickstarter or Indiegogo can raise funds, validate market interest, and build brand advocacy.
- *Strategic Partnerships*: Sometimes, a partnership with a larger company can provide the necessary funding and access to resources and markets.

## 5. Crafting the Right Pitch

- *Focus on Traction*: Emphasize traction you've gained, such as customer growth, partnerships, or product development milestones.
- *Clear Path to Revenue*: Show a clear plan for how additional funding will be used to generate revenue and growth.
- *Transparency*: Be honest about your financial situation and highlight your potential and turnaround plans.

## 6. Urgency and Momentum

- *Create a Sense of Urgency*: Make it clear that the opportunity to invest is time-sensitive due to limited runway, creating a sense of urgency.
- *Build and Leverage Momentum*: If you secure interest or commitment from one investor, use this to build momentum and leverage it when approaching other potential investors.

**Call to Action:** For fundraising, we recommend one of our highly skilled CFO experts to help craft your metrics story & reach out to our VC network.







# M+A OPTIONS: A REALISTIC ESCAPE ROUTE





## Mergers and Acquisitions (M&A): A compelling escape route

When a startup has only nine months of runway left, every decision made regarding its future becomes critical. Mergers and Acquisitions (M&A) can be a strategic option for startups looking to extend their lifeline or maximize their value under challenging circumstances. Understanding when to prioritize M&A, how to initiate processes, and whether to merge or be acquired.

### Prioritizing M&A with Limited Runway

For a startup with just nine months of runway remaining, the decision to explore M&A opportunities should be made urgently. Early preparation is key, as M&A processes can be time-consuming and complex. Prioritizing M&A involves several steps:

1. **Financial Assessment:** An M&A will always require a close look at your startup's finances, which is why the beginning of this guide is critical at understanding your leverage.
2. **Strategic Alignment:** Ensure that any potential M&A aligns with the company's long-term goals. It's not just about surviving; it's about creating a pathway that offers sustainable growth or a lucrative exit.
3. **Market Analysis:** Analyze the market to identify potential acquirers or partners who share synergistic goals and could benefit from a merger or acquisition.

**Initiating the Search for Acquirers:** Finding the right acquirer or merger partner is akin to matchmaking in the business world. Here's how startups can initiate the search:

1. **Network Activation:** Utilize existing networks, including investors, board members, and industry contacts, who can open doors to potential acquirers or partners.
2. **Investment Bankers and M&A Advisors:** Engaging professionals can help find suitable partners. These experts bring experience and an extensive network, improving the chances of finding the right match.
3. **Visibility:** Increase the company's visibility through industry events, conferences, and direct outreach. This can attract potential acquirers or partners by showcasing the startup's value and potential.







## Mergers and Acquisitions (M&A): A compelling escape route

### Choosing Between Merger and Acquisition

Deciding whether to merge with another startup or seek acquisition largely depends on the startup's objectives, the compatibility with potential partners, and market conditions.


### Merger Considerations:

Merging is often favorable when two companies can achieve more together than separately, such as combining complementary technologies, entering new markets, or achieving economies of scale. Mergers are about creating a new entity that is more competitive and viable.

### Acquisition Considerations:

Seeking an acquirer might be the better option when a startup is looking to exit, or when a larger, more established company can provide significant resources, including capital, market access, and operational infrastructure.

## Signs It's Time to Wind-Down (AKA "M&A Lite")

 If you have three months of runway that typically is what you'll need to cover the costs of a wind-down. If you find yourself in this situation financially with no warm leads for investors burned out on meetings or not a lot of M&A interest, start thinking about how much it will cost to wind down your business and have that on reserve.

Wind-downs are an unfortunate but sometimes necessary part of the startup journey. If you can get ahead of it, a wind-down isn't a failure – it's an excellent option to leave your investors in a better place than bankruptcy, allowing a soft landing that still is considered an "exit" in the eyes of your peers.



# WHAT IS A WIND-DOWN?







## Last Resort: a Mindful Wind-Down

A wind-down is the systematic process of closing a business, which involves settling debts, distributing assets, and dissolving legal entities. It's often considered an alternative to bankruptcy because it can be less disruptive and more cost-effective. Wind-downs are typically used when a company can no longer meet its financial obligations, but it still needs to be insolvent to the point where bankruptcy is necessary.

## Why Choose a Wind-Down?

Wind-downs offer several benefits over bankruptcy.

- Assists in finding a home for your startup in a quick asset sale, possibly bundling with similar purchases.
- It is less stressful for startup founders and stakeholders because they are typically more orderly and controlled.
- Minimizes impact on employees, creditors, customers, and shareholders.
- Preserve the company's reputation, making it easier for founders to move on to their next venture without the stigma of bankruptcy.

## How Ravix Group Can Help:

Ravix Group specializes in helping companies navigate wind-downs. Our team of experts can guide you through each step of the process, ensuring that it's handled professionally and efficiently. We understand the emotional and financial challenges of closing a business, and we're here to help you minimize the stress and impact.

Further Reading from Ravix Group

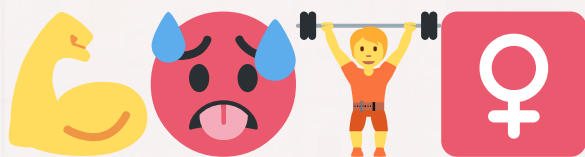
[How Much Does it Cost to Close My Startup?](#)

[The Timeline of Shutting Down Your Startup](#)

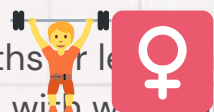
WIND DOWN PLAYBOOK CALL TO ACTION –



**NO SILVER BULLETS,  
JUST HARD WORK**







Even the biggest unicorns end up in a position of 6 months or less. Their survival depends on the team they surround themselves with who can find ways to survive. In the case of the \$30 million startup with six months left to live, expensive factories and warehouse rent were breaking the bank. We identified this cost as one of the biggest problems facing scale and runway.

Solving it wasn't easy, we found a much cheaper factory alternative from another manufacturer breaking their lease and were able to break ours and negotiate better terms in the new location, saving Tesla millions of dollars. Through experience, research, resourcefulness, and renegotiation tactics, which only a CFO can do, we were able to prolong the life of the company enough to reach a point where this founder, now mogul, could grow it only the way he can.

What's the difference between you and them?

## Founder Next Steps:

1. Identify Your Color Zone
2. Reach out to Ravix for a free Analysis
3. Start making strategic cuts using our guide
4. Reassess metrics for fundraising storytelling
5. Pursue potential buyers

Most importantly, don't hesitate.

The sooner you put this advice into action, the better chance you have at surviving another day, which, in the startup landscape, can be all it takes.

**GET STARTED** >



