**How Much Can Founders Realistically Raise in Their First Round?**
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Antler has shared a cheat sheet to help founders assess their ability to raise capital in the initial funding round -
When it comes to fundraising, **two factors can make all the difference**: founder pedigree and traction.

ANTLER — Founder Pedigree

Traction

| in EUR | | Some Pedigree | Senior Pedigree | Experienced Founder | Successful Founder |
|---|---|---|---|---|---|
| | *Everyone else* | *WHU, CDTM, TUM, Ivy League McK, BCG,Goldman; Key track at scaleup* | *Key Role or Key early employee at scaleup (strong references)* | *Eg.:Raised from VCs or built startup to decent size. No meaningful exit.* | *Eg.: Built company to >100m valuation, successful exit* |
| Idea on Paper | 0-100k | 0-300k | 1m | 2m | >5m |
| First product live<br>No validation | 0-300k | 300-800k | 1m | 2m | >5m |
| Product live<br>Medium indications of demand | 300-800k | 500k-1.5m | 1-3m | 2-5m | >5m |
| Product live<br>Strong indications of demand | 1-3m | 2.5-5m | 2.5-5m | 2-5m | >5m |

*Image Source: Antler (*Alan Poensgen)

1. **Founder Pedigree:** The less traction you have, the more your background matters. Investors look at your past to assess whether you can deliver in the future. It's about limiting execution risk.
   This isn't necessarily rational. Great founders get overlooked because they don't fit the typical pattern. But with thousands of similar opportunities, it's a real filter for investors.
2. **Traction**: Traction beats pedigree. When you present more than just an idea on paper and your product has gained some traction, your ability to raise increases. Lower-profile founders can raise funds when their idea becomes more than just an idea.

Some factors can change the game -

| | Levelling-up-cheats<br>*Move one field to the right* | Handicaps<br>*Move one field to the left* |
|---|---|---|
| Trends | **Follow the hype:**<br>If you are building within the currently hottest topic in investor-land you will have an easier time fundraising.<br><br>*Example:* If in 2023 you are raising for a generative AI company in climate-tech, then move one field to the right.<br>*Danger:* This advantage can quickly turn into a handicap as lots of startups flood into these fields and investors sour on these topics. | **Going against the trend:**<br>If you are pitching within a an anti-hype segment, you will have an uphill struggle.<br><br>*Example:* A web3 NFT launcher in 2023. |
| Signalling | **Use signalling powers:**<br>Some individuals have a lot of credibility and can through endorsement seriously enhance a founder's pedigree.<br><br>*Examples:* A unicorn founder agrees to be your first angel investor. Bill Gates or Angela Merkel agree to be your advisors. Your former boss, who is a successful entrepreneur, and has worked closely with you, invests into your company. | **Burned reputation:**<br>The VC ecosystem is a small world and everyone knows everyone. Investors do backchannel references through founder's former employers, co-founders or investors before investing. A negative reputation whether deserved or undeserved extremely quickly kills a fundraise. |

*Image Source: Antler (*Alan Poensgen)

1. **"Levelling up cheats"** moves you to one field to the right in the fundraising matrix, potentially increasing your chances. These might include factors like having a strong co-founder, industry expertise, or unique insights.
2. **"Handicaps"** move you to one field left, possibly making fundraising more challenging. These could be factors like a lack of relevant experience or a difficult-to-explain product.

There are **two must-haves** without which you won't be able to raise, regardless of pedigree or traction:

- Fundraising-ability: You need reasonable fundraising skills. Networking, sales skills, storytelling, and running a tight process are crucial.
- Market attractiveness: Your market must be significant and attractive. In the early stages, it's binary — either investors get excited about the opportunity, or they don't.

**Remember**

- **Valuations are a function of capital raised.** Assume 15–25% dilution irrespective of the amount raised. For example, if a team raises 800k, the valuation will likely be between 3.2m — 5.3m.
- LinkedIn profile beats pitch deck in very early stages. Many investors will check your LinkedIn before deciding on a first meeting or looking at your pitch deck.

**When is this wrong?**

- Numbers are purely directional. They've been validated with experienced investors, but they're not exact.
- This model is primarily for software startups. Biotech & Hardware companies play by different rules.

- Copycat models are very binary. Experienced teams can attract large funding, while others struggle to raise anything.
- Raising from a rich uncle or family/friends who aren't experienced venture investors follows different rules.

Remember, great founders come from all backgrounds. If you don't fit the "classic" profile, you might need to prove more in the beginning, but there are countless examples of founders without traditional backgrounds building awesome companies.

Follow Sahil S for more insights.

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