

# Accessing Investors and Capital During COVID-19

The last several weeks have changed the startup and investing world drastically. One of the most prominent issues for founders who were either in the fundraising process or have fundraising on their roadmap for 2020 is how access to investors and capital – amount and type – will look in the next 12 months with a projected recession and at short-term shelter-in-place around the world.

We held an excellent discussion last week on how the fundraising environment has changed since pre-COVID-19 (especially for women founders), what the next 6-12 months look like if you're fundraising (and how can you prepare), and what other opportunities there might be for women founders.

Our panelists included **Leah Solivan** (General Partner at **Fuel Capital** & Founder of **TaskRabbit**), **Ed Zimmerman** (Partner at **Lowenstein Sandler** & Chair of The Tech Group), **Taryn Andersen** (CEO & Co-Founder at **Impulse4women** & Investor Relations Director THCAP Venture Capital), **Kate Brodock** (Our own CEO at **Women 2.0** & Founding Partner at **W Fund**) and **Anna Falth** (Manager **WE EMPOWER Programme** and Head of **WEPs Secretariat** at UN Women).

This event is was co-organized by **Women 2.0**, **WE EMPOWER G7 Programme** (of UN Women, EU and ILO), and GEIT (Gender Equitable Investment in Tech), a working group under **EQUALS**.

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## Changes in fundraising since Covid

*Firstly, we wanted to understand what shifts, large or small, have happened during the past two months.*

For one, valuations have changed (see more on this below)

**Ed Zimmerman:** Networking via Zoom is much harder and many of the deals closed since February (both M&A and VC) were deals that had begun before the pandemic

(or at least before quarantine) or were “in network” deals (meaning the investors knew the founders already).

For people whose networks do NOT extend to the venture capital world, that is a disadvantage. Given the lack of diversity in the venture capital industry, this further disadvantages underrepresented founders. We need to find ways to overcome that problem— while investors initially focused on shoring up their own existing portfolio companies, it’s time to get back to business. Investors are paid to deploy capital into new investors. While they are likely to bias toward existing network, there are opportunities to engage and get onto their radars. Unfortunately, that likely involves doing some research into who the right people are and what the thesis they pursue looks like. Engaging with them in genuine ways on social media and following up by email and zoom calls, for instance, may be a good way to jump above the noise and into their line of vision.

**Taryn Andersen:** The situation before Covid was very stable, and there was even quite a bit of joy in the investment sector. This has changed both positively and negatively.

Currently, we have startups that, due to the sector they’re in, have completely stopped and are unable to keep their company alive due to the paralysis of, for instance, the tourism, restaurant or retail industries. They literally can’t do anything until flights and travel resume, and restaurants and stores can reopen.

On the other hand, sectors such as Health Tech, EdTech, FinTech, Gaming, or Entertainment have become star players during this period, without forgetting applications where data collection is so important and has increased by 250% week.

Lastly, women are more present in sectors such as Health, Education, Food, Tourism, offering an opportunity to those them to gain market share and implement their project at a very receptive moment for those sectors.

## **Expectations as a founder in today’s climate**

**Leah Solivan:** *A lot is changing.*

Companies should be prepared to shift to realize success, whether it means looking at new product lines to launch, pivoting, restructuring, or cutting your team. These things could ultimately be what will save your company.

These are some of the hardest decisions you'll have to make as founders and leaders. Having resilience, trust in yourself and your mission and vision is going to be key.

Also, there's a potential that your customer base and their behaviors could shift rapidly during this time, which means your product-market fit is going to change. Do you have the right team on now to do that? Will they meet those customer needs?

If you can understand your customer needs and your cashflow, those two things will take you a long way to developing a strategy to weather the storm.

**Taryn Andersen:** *The realities of being early-stage.*

Taryn Andersen, CEO & Co-Founder at [Impulse4women](#), speaks about what VCs are looking at right now, and what it means for founders.

## **A discussion on shifting valuations**

*This is a particularly important question for women and underrepresented founders, as they traditionally have experienced downward pressure on their valuations. We wanted to learn whether this would be exasperated during this downturn.*

**Ed Zimmerman:** *Counterbalancing factors.*

It's going to be harder for small funds and newer funds, and even established funds to raise more funds because of jitters in the market, and because asset allocators are going to feel over-exposed to the VC and PE asset class. These are long-term holdings for them, as opposed to much more liquid investments like public company investments. That means we're in for a set of valuation constraints that may persist.

A counterbalance to that is that a lot of your costs will also decline, and, with the current unemployment rate, it's going to be less competitive to retain good talent. This means your dollars will stretch further.

All of these factors should inform what you're willing to close on and the speed and certainty of close is going to be really important. References to what market was in valuation six months ago become much less relevant.

**Leah Solivan:** *12-18 months of downward pressure.*

Leah Solivan, General Partner at Fuel Capital and Founder of TaskRabbit, talks about company valuations during a downturn.

## **Moving forward: Capital and investor landscape**

*Pre-Covid, in the US and elsewhere in the world, it was often communicated in the startup space that VC is one of the only routes available for founders to grow their companies. Women 2.0, EQUALS and UN Women have all consistently focused on educating around and identifying other means of capital and resources. This is even more important now. We wanted to understand what else there is available.*

**Leah Solivan:** *Bootstrap, bootstrap, bootstrap.*

I maxed out credit cards. You just have to do what you can do. What we're seeing now is that it's hard to get bank loans if you don't have the equity to back them up, and banks are so overwhelmed by PPP loans, they're not even looking at the debt side of things now. You just have to run lean and bootstrap.

**Ed Zimmerman:** *Be cautious about the government programs.*

They're technical, and they get enforced in interesting ways once they're launched. Be thoughtful and keep records. The PPP program has been a hot mess, and has just gotten a lot messier. The concept of bootstrapping is great if you can do it, but there are programs that also have less of a residual carrying cost than the PPP program.

## **Moving forward: Creating a position of strength**

**Ed Zimmerman:** *Reach outside your network.*

Doing research and spending time doing personalized outreach is going to be really helpful. It's going to be hard because people's investment criteria will be shifting, but looking at who they are and writing something that is immediately compelling or

engaging with them on social media is a way that you can start a conversation. Those actions are going to need more lead time in this period. You're now in a mode where you're always fundraising, whether it's explicit or not.

**Leah Solivan:** *Take care of yourself.*

This is a time to not burn yourself out. We're in a marathon, this isn't going to be a quick race. Take the time to make sure you're mentally and physically going to be able to sustain yourself for your company and for your teams.

**Ed Zimmerman:** *Create better content.*

Ed Zimmerman, Partner at Lowenstein Sandler, discusses the importance of getting ahead through the creation of valuable expert resources.

**Taryn Andersen:** *Consider stopping.*

One very difficult decision that founders in certain positions and industries may need to consider is whether they should quit. Sometimes this may actually be the best in the long-term.

**Ed Zimmerman:** *Supportive connections.*

Intersectionality is important. There are additional sets of issues we have to discuss when you keep adding on layers of intersectionality. Affinity groups can be really powerful, and if you find the right ones, they can be very expansive in terms of the types of resources and networks you're connected to.

## **Approaching VCs: Who's investing, how to tackle it, and more**

**Kate Brodock:** *A handful of quick tips and resources.*

Kate Brodock, CEO of Women 2.0 & Founding Partner of W Fund, gives a few of her final thoughts on the matter.

**Ed Zimmerman:** *Take advantage of pressured VCs.*

Going to family offices and angel investors is definitely a path you can pursue. But also, those of us who were in the downturn of 2000 or 2001 saw a cash overhang, where venture investors were being paid a management fee to deploy funds and they sat on their hands. When they did this, the people who backed those firms asked for their cash back. There's a really strong drive to not repeat that mistake, and so you'll likely see funds working to put their capital to work. That's why they're open for business.

It also makes sense to look at Seed funds and early-stage funds. We're also seeing some later-stage funds go a little earlier, so take those calls and intros. Professional investors just had their jobs get a lot harder, and you can exploit the hell out of that.

**Leah Solivan:** *Understanding VC's appetite for deal-making.*

You have to understand where you want to put your time and energy. When you're talking to investors, you're not working on your business. One question founders can tactfully ask their investors where they are in their fund cycle. Are they at the beginning or end? They'll do much less investing if they're at the end of their cycle, particularly in this environment, it's going to be a lot harder to get a deal done with them. This will help you vet who to spend time with.