Surviving and growing in the post-COVID world

Thoughts for private technology & technology-enabled service companies

Introduction

These thoughts pertain particularly to private North American technology and technology-enabled service companies, from early stage to roughly $25 million in annual sales, or $10 million ARR for SaaS companies.

Survival

To begin, and to get right to the point, if you have less than 6 months cash runway left, you are very, very unlikely to raise third party capital from a fresh new investor who is not already an investor in your company.

And I mean VERY unlikely.

In this scenario, you must slash your monthly cash burn to even hope to survive past the COVID-19 epidemic, never mind beyond that.

No time to be elegant or overly analytical —take your available cash and divide by 6, and that is the maximum amount of money you can spend on anything and everything each month.

Time to slash and cut deals on salary, rent, software subscriptions . . . everything.

Forget about capex. Get creative. Innovation and efficiency be damned, for now.

And forget about early new product developmental efforts, no matter how sexy or world-changing they might be in the medium- to long-term.

Especially if they are not absolutely critical and directly applicable to your existing core business and customer base.

. . . if they are THAT sexy and world-changing, spin them off into a completely independent startup Newco and raise seed money for Newco, not your existing company. Seed stage is one of the few areas of the venture capital market that is still functioning, sort of.

In this scenario, strip it down to bare bones, and try to get early stage money with a long investment horizon that looks WELL beyond the COVID-19 nuclear winter.

But back to your 'main' company.

Look at all current government funding alternatives. There are a few, and can be pretty generous if you fit the criteria. If.

But frankly, this is not a solve-all-your-problems source of funding for mid-sized growth companies with reasonably sizable operations and complexity.

The Low-Hanging Fruit

You need to go to your existing investors and your board—and push them hard for help.

Don't forget that the squeaky wheel does often get the grease.

Proactively, specifically and aggressively make your case to your board and investors as to your company's fundamental value in the post-COVID world.

Don't presume your existing corporate slide deck applies any more. Rip that up, and go back to absolute basics.

Convene your board, with all your key investors, and explain how much new cash you will need to survive the next six months.

Presume that EVERY company in your investors' portfolios is doing the same thing.

So don't wait. This should be your top priority as an entrepreneur and business owner.

The Harder-to-Reach Fruit

As for raising new, third party capital, you may have SOME chance in certain verticals, which are driven unsurprisingly by global pandemic themes in the days of COVID-19.

These may include:

- Web-based solutions that enable business or consumer users to avoid physical contact with others;
- Manufacture of Personal Protective Equipment (PPE) and related sanitary or health-focused products, services and technologies;
- Pandemic-related therapeutics and vaccine research & development;
- New easy-to-prepare-at home, shelf-stable, nutritious foods and snacks; and
- perhaps a few other areas relating to social distancing; home entertainment and care; general fitness and wellness, and home education and childcare.

As well, some of the pre-COVID investment focus areas may still apply post-COVID, such as AI/ML-enhanced enterprise data management and analytics, and SaaS operating platforms, especially for very tangible, hard-cost-reducing purposes.

But for every entrepreneur and company looking ahead to the future, be forewarned that current and prospective customers, from SMBs to large enterprise clients, will be looking to slash cash expenditures as soon as possible.

They will be less romanced by highfalutin concepts of organizational efficiency and effectiveness, and new vistas of creative functionality and customer service.

They will likely be very, very aggressive when their SaaS subscription is up for renewal and they are negotiating renewal terms. . .

Being able to show that you are able to maintain some form of momentum, particularly pertaining to your sales, during this downturn will be absolutely critical to proving or supporting your fundamental value-add in today's brutal environment with cash-strapped and therefore very stressed and picky customers!

This will be the determining factor as to whether you survive the nuclear winter—or end up a frozen victim like Jack Nicholson in the Shining.

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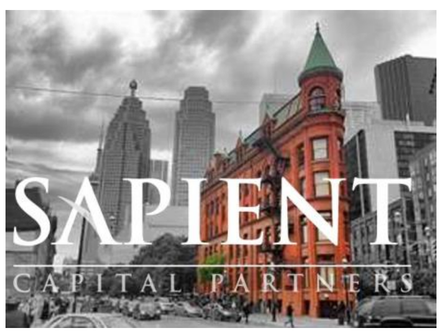
We hope this paper is helpful, but stress that it is for your general information only. We urge you to obtain proper professional advice, be it legal, tax or corporate finance, before making any decisions regarding your business.



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