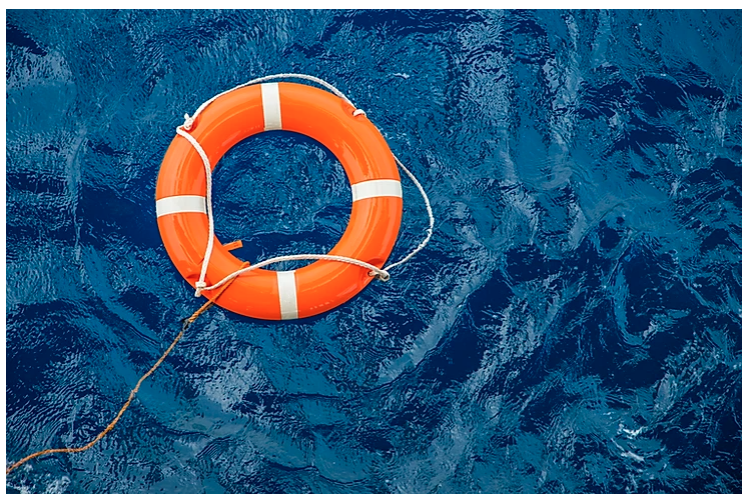


How do I Raise Capital During COVID-19?



An Online Guide to Making Fundraising Easier


by Cathy Clark, May 25, 2020


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As part of our rapid response effort to support entrepreneurs during the COVID-19 pandemic, CASE at Duke has been producing and updating multiple online resources to help entrepreneurs drive their own response to the pandemic (<https://www.covidcap.com/help>).


For any entrepreneur, everywhere. If you're an entrepreneur raising capital during the pandemic, this guide is for you. It details our 3-Step Triage Process for COVID-19 Fundraising.

Step-by-step, with annotations. This guide will take you through strategic and tactical actions you can take, one at a time, with key online links and resources annotated along the way.

 CASE's Smart Impact Capital (SIC) (<http://www.casesmartimpact.com/>) is the world's most dynamic, robust, and practical online impact investment toolkit. Leading users step by step with short videos, curated PDFs, pitch guides, CFO templates, investor databases, and more, SIC helps entrepreneurs strategize, target, and close their next deal. If you're looking for investment capital now, or think you might be in the future, SIC is for you.

 Covidcap.com (<http://www.covidcap.com/>) is our free searchable database of cash relief resources available for entrepreneurs anywhere. It has over \$1 trillion of resources that entrepreneurs can apply for. Over 75% of them are grants that do not need to be paid back and there are more investments listed every day. Yes, you should take a look! The database is being produced in partnership with the World Economic Forum COVID Response Alliance for Social Entrepreneurs (<https://www.weforum.org/agenda/2020/05/schwab-foundation-covid-response-alliance-social-entrepreneurs-coronavirus-recovery-response>).

 Scaling Through Mass Disruption (<https://centers.fuqua.duke.edu/case/knowledge-center/scaling-pathways/scaling-through-mass-disruption/>) is a new video interview series that captures directly from social entrepreneurs how they are adapting, pivoting, managing finances, engaging teams, and so much more in times of crisis. The interviewees share advice and insights that are not only relevant for the present situation, but also help identify trends and lessons learned that can prepare organizations for inevitable future crises and disruptions.

Note: If you have signed up for our online toolkit CASE Smart Impact Capital you can follow each  link to the exact resource we recommend. If you do **not** have a license to the toolkit, you can review the steps, but the link to the resource will be locked. We invite you to sign up for the toolkit here (<https://casesmartimpact.com/capital/individual-signup/>). **We have significantly lowered our subscription rates to make our tools more accessible to entrepreneurs during this crisis. Individual licenses are now \$99 for users in developed markets and \$29 for those in developing markets. And that's for 6 months of access! Group licenses for 4 or more users (<https://casesmartimpact.com/capital/group-signup/>) cost even less.**

The 3-Step Triage Process

In April 2020, we held a free webinar (<https://youtu.be/ZsyVCbPFWLQ>) on managing capital raising during the crisis. In what participants called a “pragmatic, straight-talking discussion,” we outlined three steps that entrepreneurs should take to get from “can I survive?” to “we’ve got this”:

1. **Understand Your Cash**
2. **Get a Cushion**
3. **Build for Growth**

Each of these steps has substeps, summarized here:

Where Do I Start?
Fundraising is always a challenge. With COVID19 it is impossible?

1 Understand Your Cash

- Don't run out of cash
- Run scenarios: 3/6/9/12/18 months
- Run the worst first: Social distancing for 18 months
- Revenue: Talk to existing funders, restricted, credit lines
- Costs: What can be cut or slowed?

CASE Smart Impact Capital: Modules 3 and 6

2 Get a Cushion

- Figure out what immediate cash relief is available to you. By geography, by impact area/SDG, by population, by relationships
- Don't waste time on narratives, get your docs ready and apply quickly

Use Covidcap.com

COVIDCAP.COM

3 Build for Growth

- Acknowledge new reality
- Grab the narrative. Defend how fresh capital will keep business primed for growth in immediate environment
- Revisit and rearticulate unit economics (from step 1)
- Look for aligned capital

CASE Smart Impact Capital: Modules 1-9

CASE Smart Impact Capital

Simple, right? Here's the detailed version:

1. Understand Your Cash

Stay afloat.

- **Don't run out of cash.** If you don't have a business or organization, you won't have any impact. The name of the game right now, as outlined in Mulago Foundation's excellent resource: Lessons from those who've been here before (<https://mulagofoundation.org/blog/lessons-from-those-whove-been-here-before>), is simple: to stay in business as long as you can. You need to know EXACTLY what your cash runway is, or how many months of cash you have on hand or can generate to survive. Listen to the Scaling Through Mass Disruption 9 Money Tips in 10 Minutes (<https://vimeo.com/415367392>).
- **Get friendly with Excel.** Open Excel and start running scenarios to define your cash runway. **Module 3 provides templates** (<https://casesmartimpact.com/capital/module/calculating-your-funding-gap/>) for cash projections and step-by-step guides on how to enter data and understand outputs. Get ready for some long Zoom calls with your CFO. No CFO? No worries, you can do this yourself. You need to run projections for revenues and expenses under various scenarios. What if the economic shutdown lasts for 3 more months? 6? 12? 18? Most experts we talked to say: start with the worst case. Model out what can happen to you if this continues for 18 months. Then backtrack and see what are the biggest costs that need to be cut in each scenario.
- **Probe each input.** What are revenues likely to look like during each of these periods? What growth or loss rates are likely for different products or segments of the business? Which customers will be affected and might cut contracts or stop purchasing from you? What costs can you cut or slow down? Ultimately, how much cash runway do you currently have? How far can you stretch it just based on internal actions? Try for a minimum cash runway of three months and your goal is to make decisions now every week or month about how to make it longer.
- **Now is not the time for optimism.** Consider removing all non-confirmed funding and revenue streams from your projections, even deals that were almost signed. Deal with what you have in hand.
- **Prioritize.** As you think about various revenue lines, prioritize the initiatives, products, or services that will deliver the most value. Define different kinds of value and use those as a guideposts. Learn how entrepreneurs interviewed in Scaling Through Mass Disruption are thinking about prioritization and achieving mission balance: Ella Gudwin of VisionSpring (<https://vimeo.com/421358514>), Daniel Yu of Sokowatch (<https://vimeo.com/421355730>), and Gregory Rockson of mPharma (<https://vimeo.com/421364922>).

Explore your options

- **Consider staffing carefully.** Think about how to handle staff costs. Could you do an across the board pay cut to save all jobs for a while? Which jobs could be changed into something that others value more during this period? For example, during the webinar, Anushka Ratnayake of MyAgro who is based in Senegal, explained she had made tough decisions about staff, reducing their global team (US-based) slightly to preserve local jobs. They also turned half of their 200 sales reps with great telephonic skills into “call center agents.” Hear how other social enterprises are managing their talent during this time of crisis with Talent Management Roundup: 7 Tips in 10 Minutes (<https://vimeo.com/420132203>)

- ## 2. Get a Cushion

Consider cash flow interventions:

- Consider emergency sources of cash:**

- ## Finding Emergency Relief



Use CASE's covidcap.com (<http://www.covidcap.com/>) free site to look for immediate cash relief for enterprises during COVID19 that might be available to you. as of 5/20/20 there were over 800 resources totaling \$1.1 trillion available in 6 continents for small business and nonprofit entrepreneurs.

Search by:

- Location: All, Continent, Country, Region, State, or City
- Population Served: e.g., refugees, children, formerly incarcerated, etc.
- Entrepreneur Characteristics: minority or women-founded companies
- Type of Capital needed: grants, loans, etc.
- Purpose of the cash: is your business able to pivot to help with the health aspects of the epidemic? There are more and more emergency funds available for that. Search for providing ventilators, distributing masks, etc.

3. Build for Growth

This is the trickiest step of the three. This is your longer-term fundraising, and while it may not happen in the first three months, you need to start building relationships now to secure new growth capital anytime in 2020 or early 2021.

Remember that the risk appetite in investing is low right now. Most impact investors are not taking on new investments. Many who are responding are COVID-focused. But there are ways to stand out. Here is our 5-step how-to for closing an investment deal that helps you build for growth.



Revise your strategies and projections.

- **Identify your most important next steps for growth.** Watch our video on **Articulating Strategy to Investors: Critical Growth Elements** (<https://casesmartimpact.com/capital/component/assess-your-business-growth/>) to understand how investors will be evaluating your business and growth plans. Then use our **Business Growth Diagnostic** (<https://casesmartimpact.com/capital/component/assess-your-business-growth/>) to determine what your next growth steps are.
- **Go through your business model assumptions with a fine-tooth comb.** You did it for cash for your existing model before, now look at unit models and margins going forward. **Revisit your financial model using our template.** (<https://casesmartimpact.com/capital/module/calculating-your-funding-gap/>) What assumptions about your business must change as a result of this new reality? What business model changes do you need to make? Which customers will come back and when? Which lines of products or services can predictably grow over time? Which will require innovation around supply chains, face-to-face interaction, border issues, health concerns, or other realities due to the economic shut-down or ongoing slow-down?
- **Align growth and impact.** If you are targeting impact investors, they need to understand both your growth strategy and your impact strategy. Amie Patel of Elevar Equity has written about (<https://www.linkedin.com/feed/update/urn:li:activity:6654340090518650880/>) the importance of “grabbing the narrative.” In the crisis and post-crisis world, she said, you will need to defend how fresh capital will keep the business – and its impact thesis – primed for growth in the current environment.
- **Make your growth reasonable.** Caroline Bressan of Open Road Alliance shared during our webinar that, out of this crisis, many investors will not be looking for “unicorns” or “zebras,” but for “camels” – organizations that can make it through tough times, that are built to be profitable from day one, and don't grow too fast. Growing slower – taking five to eight years to get to sustainable profitability – increases both gross margins and resilience. Listen to mPharma's Gregory Rockson speak about being “long-term greedy” (<https://vimeo.com/421364922>) and how they are operationalizing that.










Decide what capital vehicle is right for you.

- **Consider all 13 types of impact investment capital.** Explore leveraging philanthropic investment types, like recoverable grants or soft loans through PRIs. Convertible bond structures are attractive as they avoid the need for a business valuation today, but make sure they do not hamper your future ability to raise equity. Variable repayment loans can give you flexibility in payback terms. In this environment, you want to look more broadly than before. Use **CASE Smart Impact Capital Module 4** (<https://casesmartimpact.com/capital/module/types-of-capital/>) to evaluate which types of capital are right for you among our 13 types based on pros/cons and examples.

Decide which types of investors you should pursue, then triage individual investors by your fit criteria.



- **Actively triage investors by type to save DAYS of wasted time.** Investors are not all alike. Some are investing with goals of getting a return on their capital, some want concessionary returns, others want market-rate returns. Some are focused on specific impacts like climate change or education. In the new COVID-19 era, more are focusing on specific impacts like health, community development, and job protection. Watch our  **video on 4 steps to whittle down to your top investor targets** (<https://casesmartimpact.com/capital/component/4stepsinvestortriage/>), then download the  **Investor Type Profiles guide** (<https://casesmartimpact.com/capital/component/4stepsinvestortriage/>) to understand the priorities and constraints of each of 11 types.
- **Know what to ask to ascertain fit.** You should set your fit criteria BEFORE you talk to investors and then use your time with them to see if they meet your needs. Get a free download of our **Investor Alignment Tool** (<https://casesmartimpact.com/capital/free-download-investor-alignment-tool/>) to define your knockout and fit criteria and see which investors are the best fit with your needs.



Cultivate relationships with investors.

- **Build trust.** Now that you have some investors targeted, it's time to build trust. Realize that organizations that are making a good impression on investors are focused on doing what they already do well, but in the new context. Don't try and pivot to being a healthcare provider if you're an agtech organization.
- **Decide on the narrative of your growth strategy.** Impact businesses can basically choose from 4 narratives –  **watch our video** (<https://casesmartimpact.com/capital/component/investment-story/>) and  **read our guide about the 4 narratives** (<https://casesmartimpact.com/capital/component/investment-story/>) to choose the one that is right for your growth plan. But be wary of using the high growth narrative in this environment. Investors will scrutinize it much more thoroughly now.
- **Get your docs in order for quick response.** Once you have a story selected, make sure you are prepared to tell that story consistently through the documents you'll share with investors – from email to executive summary to pitch deck. Download the  **5 Investor Outreach Documents Guide** (<https://casesmartimpact.com/capital/component/prepare/>) to find templates and good and bad examples. Remember, you need to include your COVID-19 pivots as part of the deck now. One investor has recommended the following outline:
 - What you've accomplished so far
 - old strategy (pre-COVID)
 - new strategy (during/post-COVID)
 - highlight opportunities COVID created for your co
- **Go in warm.** Aligning with a fund's mandate (and current priorities) and arranging a "warm introduction" (via your other funders or other organizations in their portfolio) are more important than ever, as funds are inundated with requests. Our  **Pro-Outreach Email Templates** (<https://casesmartimpact.com/capital/component/prepare/>) show you how.
- **Be coachable and prepared.** Once you have scheduled a call or Zoom meeting with an investor, you need to make the most of that session. Without the visual cues and body language of in-person meetings, everything you say and do must convey competence, openness, and trustworthiness. Consult our  **Pitch Guide** (<https://casesmartimpact.com/capital/component/nail-the-pitch/>) and  **Managing Investor Q&A Guide** (<https://casesmartimpact.com/capital/component/nail-the-pitch/>) to be sure you're walking into the meeting prepared and you have in your back pocket the answers to the most common questions asked.
- **Help them learn with you.** What happens after the pitch is even more important than what happens before. Usually, investors will want to watch you for a period of several months (see this great piece, Invest in Lines, Not Dots (<https://bothsidesofthetable.com/invest-in-lines-not-dots-611f36491d73>)) and see what kind of traction you achieve and how clear and strong your communication is. Ask for permission to send them email updates, use our  **Keeping Investors Engaged Guide** (<https://casesmartimpact.com/capital/component/after-the-pitch/>) to put your dashboard together, then send regularly, with the info they most want to see.
- **Get ready for the due diligence ride.** If you've made it to due diligence, congratulations! You are in the home stretch. Many entrepreneurs underestimate the kinds of documents and processes that investors will go through to pressure test your model and company. They find it frustrating. The bad news: we can only imagine that due diligence with social distancing still in place, the process will be longer and possibly even more frustrating. The good news: you can use our  **Due Diligence resources** (<https://casesmartimpact.com/capital/module/due-diligence/>) to get in the right mindset, understand what is and isn't in your control, understand the flow of the process, and consult our checklist of materials to have on hand. Also see this piece on due diligence during the pandemic from the investor point of view (<https://impactalpha.com/redesigning-due-diligence-for-a-deal-pipeline-in-lockdown/>), and this tweet series on entrepreneur experience (<https://twitter.com/drogier/status/1265670662862983170?s=20>).
- **Get legal counsel engaged.** Use our  **Working with Lawyers During Due Diligence Guide** (<https://casesmartimpact.com/capital/component/due-diligence-better/>) to learn how to find the right lawyer, make sure your engagement letter covers all bases, negotiate on cost, and work effectively with your counsel.

Negotiate the terms that matter.

- **Decide what is really important in this new marriage.** Deal terms set the terms of your relationship with your investors for the next 5-10 years. You want to determine what is important to you, and know when to give in, and when to walk. If you are getting a grant or a loan, terms are often pretty straightforward. Equity term sheets can appear simple but have really important implications for your ownership and future fundraising options.

There are many other vehicles in the impact space that are more complicated: revenue shares, variable repayment debt, SAFE notes, etc. Take some time to understand terms with our  **Term Sheet Buckets Guide** (<https://casesmartimpact.com/capital/download/1553/>). Find example term sheets across all types of investments in our  **Term Sheet Library** (<https://casesmartimpact.com/capital/component/dealing-deal-terms/>)

- **Be a great investee and leverage your investors.** By now, we hope you feel ready to close a deal! If you have signed on the dotted line and watched your bank account expand, please do one last thing as you get ready to celebrate: put in place expectations for how you will communicate with your new investors. The one truth we all know, now more than ever, is that things don't always go according to plan. Great entrepreneurs find the best ways to get help from their investors when they need it. Download the  **Managing Investors Through Good Times and Bad Guide** (<https://casesmartimpact.com/capital/download/1643/>) to put good investor management practices into place. Listen to how social enterprise  Sokowatch communicates with investors during times of uncertainty (<https://vimeo.com/409923122>). Learn how and when investors want to be asked for help, how to convey setbacks, and what info to have on hand for different kinds of news.

We hope that this guide to financing during COVID-19 was valuable to you. Please share comments or questions, using the form below. And good luck!

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