August 27, 2020

On June 18, 2020, the Autonomous Vehicle Innovation Network (AVIN) and Borden Ladner Gervais LLP co-hosted the first of a series of webinars presenting the views of leading experts in financing technology and innovation companies and their advice on how best to navigate the path to financing during the COVID-19 pandemic.

This webinar featured an impressive panel consisting of:

- Ray Sharma, Founder & CEO, Extreme Venture Partners
- Sanjiv Samant, Founder & Managing Partner, Round13
- Shiva Bhardwaj, CEO, Pitstop Connect
- Eva Lau, Founding and General Partner, Two Small Fish Ventures
- Manoj Pundit, Partner, Borden Ladner Gervais LLP

An insightful discussion ensued and below are some key takeaways gleaned from the panelists' responses to two areas:

1. measuring the current pulse of the venture market in the post-pandemic paradigm, and
2. practical advice for founders.

What is happening in the current venture market for funding in the age of COVID-19? What are attitudes of investors?

- The reactions from the investment community to the current pandemic have been varied. Certain groups of investors are ultra conservative and are largely dedicated to focusing on their well performing portfolio companies. Meanwhile, others are very bullish on identifying next generation technology start-ups emerging out of the pandemic.
- When it comes to valuation, unless you are presenting a very enticing deal with great traction, chances of your next round of financing being a down round is high. Be prepared for those conversations. Many investors believe that the best companies emerge from a recessionary environment. Investors are looking at COVID-19 resistant businesses or those that perhaps benefit from the pandemic and whose valuations likely have not changed.
- Since the public market has not experienced the same downtown in valuations as the private market, a trend has emerged where private investments are being made in public companies rather than private companies, further impacting private market valuations.
- Investors are looking for the beneficiaries of the new economy including the automotive tech, online learning, direct to consumer and telemedicine sectors.

What words of advice can you give to founders?
Is it realistic to get a term sheet or letter of intent without in-person meetings?

- Lean on the relationships you have been building over time in order to facilitate financing. Tap your existing investors and your advisors to help with introductions to new investors.
- Position yourself as an answer to the future and the new economy.
- Do not raise money unless needed and, if you need to, try your best to get non-dilutive financing as some investors are bargain hunting and may not offer terms that are acceptable to you. However, don't stop your fundraising efforts and keep the conversations with prospective investors going.
- Be transparent. Investors are more collaborative than ever because of the limited opportunities to engage in person. The amount of back channel conversations has also increased, so demonstrate that you are fearless and have nothing to hide.
- Strategic investment can be great but there is a concern that certain strategic investment may impact your independence. Consider raising strategic investment only after Series A or B rounds.
- Virtual road shows have permanently changed how financings are done, however, the personal meet and greet is still important and it is definitely more challenging to raise money in this funding environment.
- If you are early stage, line up the sales side first instead of the development side. Anything you can imagine can be developed.
- A CEO's full time job is fundraising. Spend the time and make it a priority if funding is necessary to take the next step.

The next webinar in this series, which focused on the roadmap to accessing public market investors, took place on August 13, 2020. You may view a recording of the session here. Feel free to contact us at AVs@blg.com for further information on this event.

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Services: Transportation, Automotive, Autonomous Vehicles, Renewable Energy

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