

Raising Money

How to Know If You're
Ready (and What It Could
Cost You)

Why Pitches Fail

(Even When They Look Great)

You practiced. You rehearsed. The room nodded. But still ... the investors passed.

Why?

Most entrepreneurs think fundraising is about the pitch. But in reality, investors don't invest in slides or stories—they invest in clarity.

This guide is designed to help you gain that clarity—so you can raise capital with confidence, and without regrets.

1. Do You Really Need Outside Money?

Sometimes raising money is the right move. Other times, it's a distraction.

Ask yourself:

- Am I trying to grow something that's already working?
- Could I reach the same goal by focusing on profitability?
- Is this a short-term issue, or a long-term strategy?

Smart founders don't raise money to survive. They raise money to accelerate what already works.

Try this:

Write down exactly what you'd use outside capital for. If the answer isn't clear, or if the need feels temporary, pause. You may not need it yet.

2. What Type of Capital Fits Your Reality?

Not all money works the same way. And not all of it fits where you are.
Compare your options:

Type	What You Give Up	When It Works Best
Bootstrapping	Time	You're profitable and growing steadily.
Friends & Family	Personal relationship	You need a small, quick cash injection.
Angel Investors	Equity and influence	You've shown early traction.
Venture Capital	Control and equity	You're in a fast-scaling environment.
Bank Loans	Repayment Commitments	You have stable cash flow or assets.

Ask Yourself

Does the capital I'm considering fit my goals, stage, and business model?

3. How much would you trade to go faster?

Every time you raise capital, you're trading ownership for speed. That's not good or bad—it just depends on what you want.

Consider this example:

Path	Raise (US\$)	Company Value (3 Years) (US\$)	Your Share	Your Payout (US\$)
Grow Slowly	0	5M	100%	5M
Raise moderately	1M	7.5M	66%	4.95M
Raise Aggressively	10M	15M	33%	4.95M

Sometimes, a smaller piece of a bigger pie gets you the same result—or worse.

Ask yourself

Which version of success would I feel most proud of? Most comfortable living with?

4. What's Your Business Worth? (And Why It's a Judgment Call)

Valuation is not a fixed science. It's a judgment call based on facts, context, and risk. When in doubt, many Acton founders use a simple starting point:

$$\text{Estimated Value} = \text{Pretax Cash Flow} \times 5$$

Why 5x? It's not a rule. It's a reference point—often reasonable for a stable, profitable business.

Example:

- Monthly revenue: US\$100,000
- Variable costs: US\$50,000
- Fixed costs: US\$20,000
- Pretax cash flow: US\$30,000
- Annual cash flow = US\$360,000
- Estimated value = US\$1.8M

This doesn't work for every business. If you're scaling fast or still reinvesting, your value might be higher—or harder to define. But if you want a clear place to begin, this works.

Try this:

- Estimate your average monthly pretax cash flow.
- Multiply by 12.
- Multiply by 5.

You now have a conversation starter—not a promise, but a perspective.

5. What Are You Actually Offering?

Investors aren't buying your idea. They're buying what makes your business less risky and more valuable.

Common signals of value:

- a strong, repeatable profit margin
- a loyal customer base
- a team that can execute
- clear evidence of future cash flow

Try this:

List three things your business has that would make an investor feel confident. These should be the first things you highlight—not the product, the vision, or the buzz.

Self-Check:

Are You Ready to Talk to Investors?

Tick the boxes you can confidently say “yes” to:

- ☐ I know why I need capital and how I'll use it.
- ☐ I've thought through what I'm willing to trade.
- ☐ I understand the basic value of my business.
- ☐ I know what makes my business less risky.
- ☐ I've chosen the type of capital that fits my reality.

Four or more? *You're getting close.*

Less than three? *This is a good time to reflect before moving forward.*

Your Next Step

Experience our Online Business Program

Raising capital isn't about getting the slides right. It's about knowing what you need and how your business really works. When you understand those things, you don't have to 'sell', you just explain.

Do you want to think and act like the kind of founder investors chase?

Inside the experience, you step into real business dilemmas, test your assumptions, and see what it feels like to learn through action, dialogue, and entrepreneurial judgment.

*Do you want to know if Acton is the right arena for your next level?
Talk to our admissions team.*

Book a Call



Website

www.actonmba.ufm.edu