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As a first-time founder, how do you know:

- When to raise?
- How much to raise?

Milestones are a good tool to plan, size, and time your raise to investors and to sound smarter talking to investors.

Here's how: ■

The general idea is this:

- Think of your startup's journey as a timeline with a series of "signposts"
- When you’re operating in between two signposts, focus on driving progress to the next one
- Raise capital at signposts
- Communicate your plans to investors using signposts

First, what are startup milestones?

-- Milestones are specific, quantifiable, time-bound achievements that mark future targets on your startup's planned growth journey ("timeline").

Not a list of strategically-neutral, unrelated events happening in a vague future.

Milestones are critical for startups because they're important valuation "inflection points".

As you hit them, your startup's valuation floor goes up.

Early-stage investors are heavily influenced by patterns, and thinking in milestones is a great way to use that in your favour.

Investors care about 4 broad types of milestones:

1. Hiring (or attracting) key people
2. Product launches/upgrades (driving an increase in the rate of customer acquisition)
3. Market validation (customer/revenue thresholds)
4. Fundraising momentum (commitments during a round)

An experienced founder, with a good grasp of milestones, does three things instinctively:

- Times their raise using milestones
- Speaks about their with milestones
- Includes a timeline (with carefully chosen milestones) in their deck

#1: Time your raise by milestones.

Raise around milestones -- just before/after you hit them -- it puts you on a stronger footing.

Executed well, you'll use previous milestones to gain credibility while either creating FOMO or building comfort that the deal is more derisked.

#2: Speak in milestones.

"We're raising $1M to hit 100K users." When talking to investors, say how much you're raising AND how far it will take you (i.e. the next milestone).

You'll come across as thoughtful & data-driven. Investors will visualise your journey and benchmark it.

#3: Include a milestone slide on a 3-year timeline in your deck.

It helps investors visualise the opportunity and shows you can get stuff done.

If your startup is still early, show milestones 3-6 mths apart for the first ~12-18 mths then 1 year apart after.

So how do you build out a good set of milestones?

- Decide on a quantifiable, big-picture goal
- Pick 1-2 metrics that directly measure (or influence) it (your "north star")
- Break your progress towards the big goal into specific achievements and incremental targets

The secret to getting to a robust set of milestones is keeping it simple!

- Have 1 big-picture goal
- Use 1 (max 2-3) "north star" metric(s)
- Track the same metrics consistently over time
- Pick metrics that are within your control

Here's an illustration:

Say your goal is to build a B2B SaaS startup to a $1B valuation in 3 yrs. At 10x revs & ~$1K/user, you'd need $100M revs.

Your milestones might be:

Mth 1: Launch MVP
Mth 4: Beta test (100 users)
Mth 9: Full launch
Y1: 1K users
Y2: $10M ARR (10K users)
Y3: $100M ARR (100K users)

Choose milestones that tell a story investors care about.

The right milestones will change as your startup matures.

Look at different potential milestones on your startup's timeline and think tactically about which will be most useful as you move from one stage to the next.

Particularly for market-based milestones:

- Study startups/talk to founders ahead of you in the same industry
- Talk to PMs/growth leads that built similar products
- Talk to investors (outside of your process)

to figure out which milestones your target investors care about.

In your deck, show the full timeline but focus on the most appropriate milestone.

For example, if the previous B2B startup hasn't launched an MVP, then its alpha/beta launches are important milestones.

Post-launch, market milestones will be more effective than product updates.

To size your round, use milestones to create a boundary condition for each raise so you are raising "just enough".

Raise as much as you can *and* just enough to hit the next milestone, plus a buffer to take you through the next raise (~3-6 mths) so you don't get desperate.

A bonus reason to think in milestones:

If you've sized your raise correctly, and stay focused on achieving the next milestone, you're less likely to be in "perpetual fundraising mode", which is a typical mistake first-time founders make and costly distraction from growth.

In summary, I'm a fan of founders using milestone-based planning to size, time & talk about their fundraising plans.

It helps you:

■ Speak in a data-driven way
■ Stay focused & disciplined
■ Frame how investors think about your valuation/ROI

Hope that helps!

Good luck! ✌■