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BALDERTON CAPITAL: EMERGING STRONGER FROM THE DOWNTURN THAN YOU WENT IN

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TODAY'S SPEAKER

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TODAY'S FORMAT

INTRODUCTION (5')

PRESENTATION (30')

Q&A (25')

PREAMBLE ON TODAY'S TOPIC

How to emerge stronger from the downturn than you went in

- Note that this is not yet-another runway extension webinar
  - We did one of those already – see here for a summary
- The topic is kind of a mouthful
- Why did we pick it?

BECAUSE FRAMING MATTERS

How you frame issues has a major influence on how you think and communicate about them

"The medium is the message."

-- McLuhan

"The framing tees up the message."

-- Kellogg

FRAMING TODAY'S CHALLENGES

Bad – survive, wait, cut

- How do we survive this?
- What do we do until things return to normal?
- What can we cut?

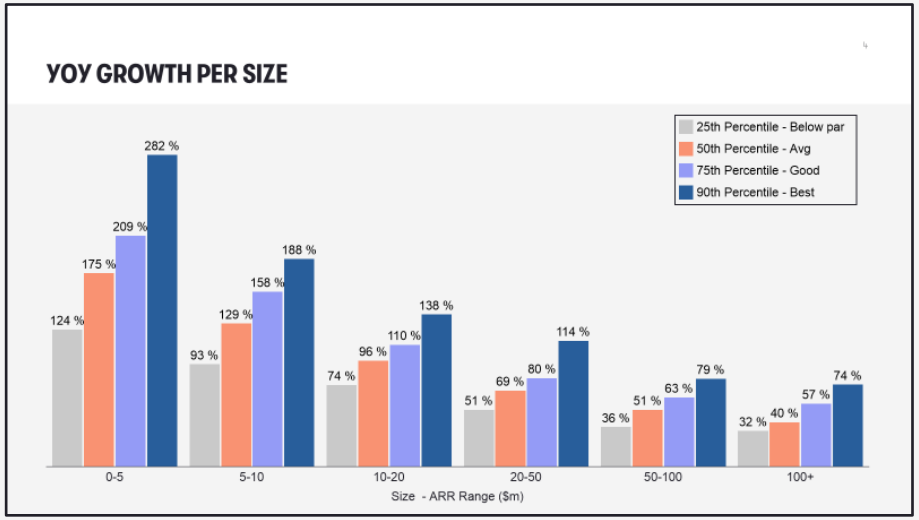
Good – strengthen, build, reprioritize

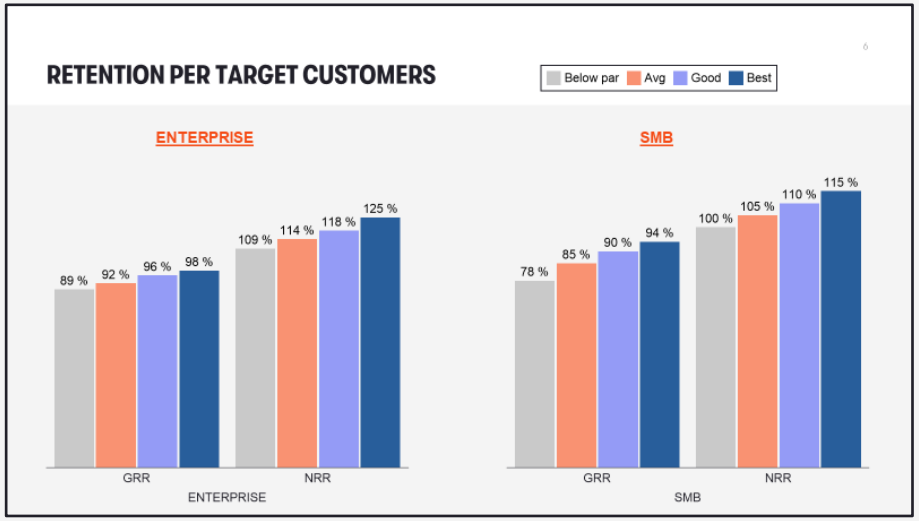
- How can we get stronger?
- How to build the company in this environment?
- What do we reprioritize?

In most cases, we're the same company you joined, pursuing the same vision, just taking a somewhat modified path to get there

WHAT DOES STRONGER MEAN?

- More focused – doing fewer things better
- More efficient – CAC, NRR, R40, ARR/FTE
  –See Balderton benchmarks
- Growing faster – higher ARR growth rate
- More of a platform – enveloping adjacent spaces
- More superior point solution – deeper moat around your space
- Better, more committed people





WHAT ARE THE FIVE WAYS TO EMERGE STRONGER?

1. Sharpen focus

2. M&A, on either the buy or sell side

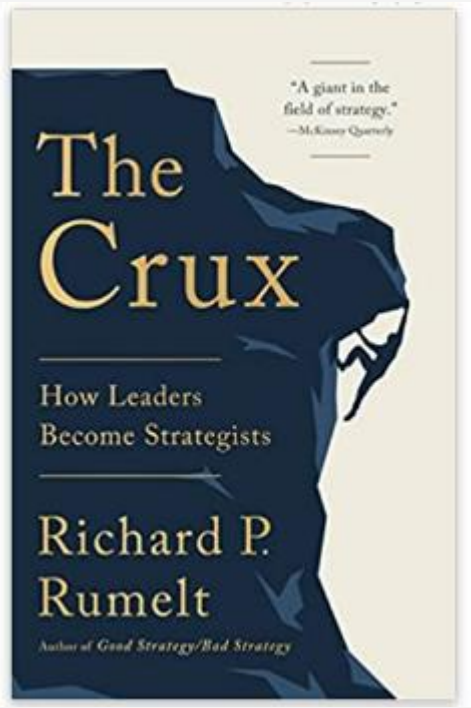
3. Re-orient your use-cases and messaging

4. Play into SaaS rationalization

5. Upgrade your talent

1 SHARPEN FOCUS: DO FEWER THINGS, BETTER

- Focus on one primary strategy
  - Drop pet CEO or board projects
  - Downgrade initiatives to experiments, campaigns, or nothing
  - Optimize a primary sales motion
- Struggle to find The Crux of your strategic challenge
  - The central gnarly problem; the paradox in the situation
  - SpaceX: cost of re-entry (burning up rockets)
  - Netflix: eroding ability to license other's content
  - BusinessObjects: transformation from tool to platform
  - Hint -- it's always easier to see in hindsight



2 MERGERS AND ACQUISITIONS (M&A)

Buy Side

- Expand into adjacent spaces
- Envelop competitors by becoming a platform
- Acqui-hires likely not needed
- Consolidate market share (though it rarely works)

Sell Side

- Always useful to be exploring strategic relationships
- Sale may create more value than down or structured round
  - See this post on dirty terms sheets
- Little downside talking to bankers to understand options

3 REORIENT USE CASES AND MESSAGING

- Buyer priorities have changed
  - Has your messaging changed with them?
  - Are you doing research to understand how?
- Use-case example: conversation intelligence
  - Old: seller onboarding
  - New: seller productivity
- Messaging example: data intelligence
  - Old: data culture
  - New: analyst productivity

Source: Jiminny.com

4 PLAY INTO SAAS RATIONALIZATION

Your SaaS spend is surging

Source: Vertice.com

- Whole category of vendors helping customers manage SaaS spending
- "Whether you know it or not, you're now selling to the CFO." @OnlyCFO

- Do you have an angle where you play *into* this trend?
  - Are you lower cost, basic function? ("don't buy / renew bloatware, buy cheap & cheerful")
  - Are you a platform? ("don't buy point solutions, get it all from us in one go.")
  - Market your category more than your product? ("here's why CI should still be on your list")

For some SaaS purchasing data, see the Vendr 2022 SaaS Buyers Report

5 UPGRADE TALENT

- Last 5 years characterized by heavy hiring in a hot labor market
- Companies are doing reductions in force for one of three reasons
  - To extend cash runaway
  - To reconfigure into the downturn
  - Because everyone else is ("contagious layoffs")
- The result is there is a lot of very good talent on the market
  - You can hire people today that you maybe couldn't hire 12 months ago
- Just beware the dance with who brung ya principle in so doing
  - A constant tension in scaling any company

B.

Q&A

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CONCLUSIONS

- Thank you for joining us today
- How you frame today's challenges will affect your response to them
- There are five good ways to emerge stronger than you went in
  - Sharpen focus
  - M&A
  - Reorient use-cases and messaging
  - Play into SaaS rationalization
  - Upgrade talent

THANK YOU