



**EVLI  
GROWTH  
PARTNERS**

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26.8.2020

# Marketplace metrics for early- stage fundraising

Latitude59 mentoring, fall 2020

# Venture capital for the most beautiful Northern European companies

We love to invest our time, energy, contacts, and knowledge (and ca. 5 million euros) in your fast-growing company.

## Evli Growth Partners in a nutshell:

- 200 M€ funding program in partnership with Evli Bank
- 5 Growth Partners
- +150 companies founded or invested in



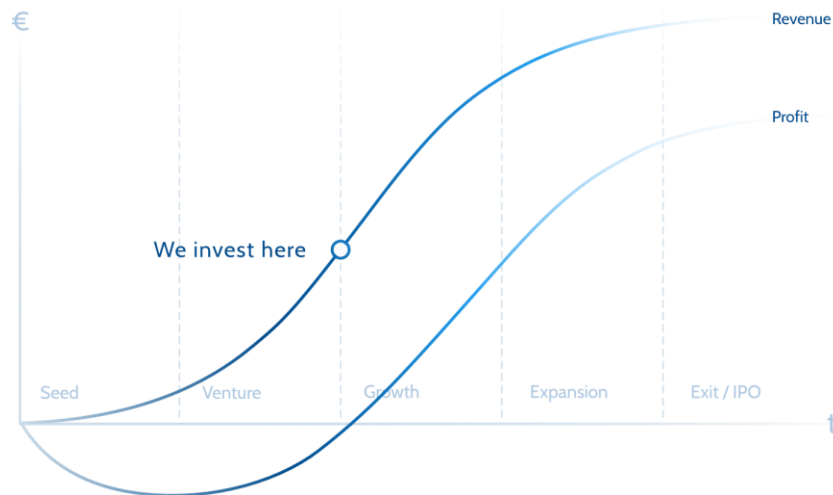
# Our approach

We believe companies with exceptional founders can conquer the world.

We focus on Series A and Series B with initial investment of 3-5 M€, investing across Europe sector-agnostically.

We are looking for companies with:

- Proven unit economics and scalability
- Over 5 M€ revenue and rapid growth
- Founders with exceptional capabilities for execution



# Alexi Löytynoja



## Currently:

- Evli Growth Partners, Investment Manager
  - Investments, covering especially consumer products/ services and marketplaces
  - Portfolio work
- Refurbed GmbH, Board Observer
- Klevu Oy, Board Observer

## Previous experience:

- Kiuas, Director of Kiuas Start
  - Best startup accelerator in Finland
  - Launched a pre-accelerator program
- Aaltoes, Vice Chairperson
  - Europe's largest student entrepreneurship community



# Marketplace metrics

1. Growth & Profitability
  2. Product: Supply & Demand
  3. Unit Economics
- + Most importantly: Network Effects

# Growth & Profitability

Growth is paramount in every phase of your company. Yet, there is always a trade-off between growth and profitability.

The earlier you are, the more important growth is; the significance of profitability increases when you grow.

In early-stage, you can raise funding with Sales (GMV) growth or any early traction; the larger you grow, the more important Gross Margin (Net Revenue) and profitability metrics become.

## Examples of metrics:

- YoY & MoM Growth
- Take rate / Gross Margin
- Contribution Margin
- EBITDA (Net Burn)
- Rule of 40
  - Revenue Growth % + EBITDA %
- Growth Magic Number (Battery Ventures)
  - YoY Revenue Growth % - S&M Expenses %

# Product: Supply & Demand

Appropriate supply and demand metrics are always case-specific and depend on your market and product.

It's important to understand and measure the dynamics of your marketplace from early on, considering all relevant stakeholders.

Note that your marketplace can have multiple sides and various relevant parties, complicating your analysis and value creation.

## Examples of metrics (supply):

- Number of suppliers and their capacity
- Share of wallet
- Multi-tenanting
- Satisfaction (e.g. NPS)

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## Examples of metrics (demand):

- Customer journey / Traffic
- Conversions (visit-to-order, cart-to-purchase...)
- Satisfaction (e.g. NPS)
- Ratings (Trustpilot, App Store, reviews...)
- Referral rate

# Unit Economics

Unit economics depict the profitability of your individual customers – i.e. your underlying business – even though high investments would generate losses in the company-level.

Cohort analysis is the most important tool to help you understand the development of your unit economics and product-market fit.

Recommended to start following immediately, essential for fundraising latest from Series A.

## Examples of metrics:

- AOV
- LTV / CAC
  - Always on Gross Margin basis and with fully-loaded CAC!
- Retention
- CAC Payback
- Understand by markets, channels, monthly cohorts



# Network Effects

Network effects = Every new user makes the product more valuable to all the other users.

There are many different types of network effects with varying scale and scope. All of them enable significant value creation and defensibility. Measuring is always case-specific.

Strong VC-fundable startups can always showcase their network effects: with a compelling investment story (Pre-Seed/Seed) and/or with metrics (Series A and onwards).

## Examples of metrics:

- Organic growth %
- Referral-based/direct traffic %
- Retention (cohorts)
- Time to match (inventory turnover)
- Concentration of supply/demand
  - The more fragmented of either side, the more valuable network



**Q&A**



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## Let's be in touch

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