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Startups COVID-19 Survey

June 2020



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Introduction

C-19 STARTUP SURVEY

The purpose of this survey was to evaluate the impact of the Covid-19 pandemic on the Portuguese startup ecosystem.

The survey starts with the characterization of the participant startups, their companies, teams, products, business models and funding.

The following set of questions focuses on the direct impact of the pandemic, namely on business and funding runway, and on the reaction by startups and the government.

Finally, the survey ends with the startups' outlook for post Covid-19, the necessary measures, opportunities and plans going forward.

EXECUTIVE SUMMARY

The impact of the C-19 has hit the Portuguese startup ecosystem hard. 70,6% of all respondents report negative impact from C-19, but not all impacts are negative, as 7,8% of respondents acknowledge an actual increase in business.

Business Angels are the largest financing source (35,3%), followed by Venture Capital (19,6%), and Grant & Subsidy (19,6%), although more than 50% include also self-funding.

A significant percentage of startups consider Funding (56,9%) to be one the biggest challenge.

Sales (62,7%), Marketing (33,3%) and Strategy (27,5%), are also major challenges.

Reaction to C-19 was mostly focused on cost reductions (54,9%) but creative thinking led startups to bet on new business models (15,4%), new markets (17,6%) and new products (27,5%) to adapt to a new reality. Government support measures are not relevant for 21,6% of the respondents, and 39,2% of those considering help are not eligible for support.

Looking ahead, most startups expect economic recovery to start in the next 12 months and highlight the need for easier and faster access to funding and support not only direct investment but also daily operations and teams. Collaboration, networking, incubation and venture building are also some mentioned needs.

Going digital and online is not the future, it's urgent and it's the present for all companies.

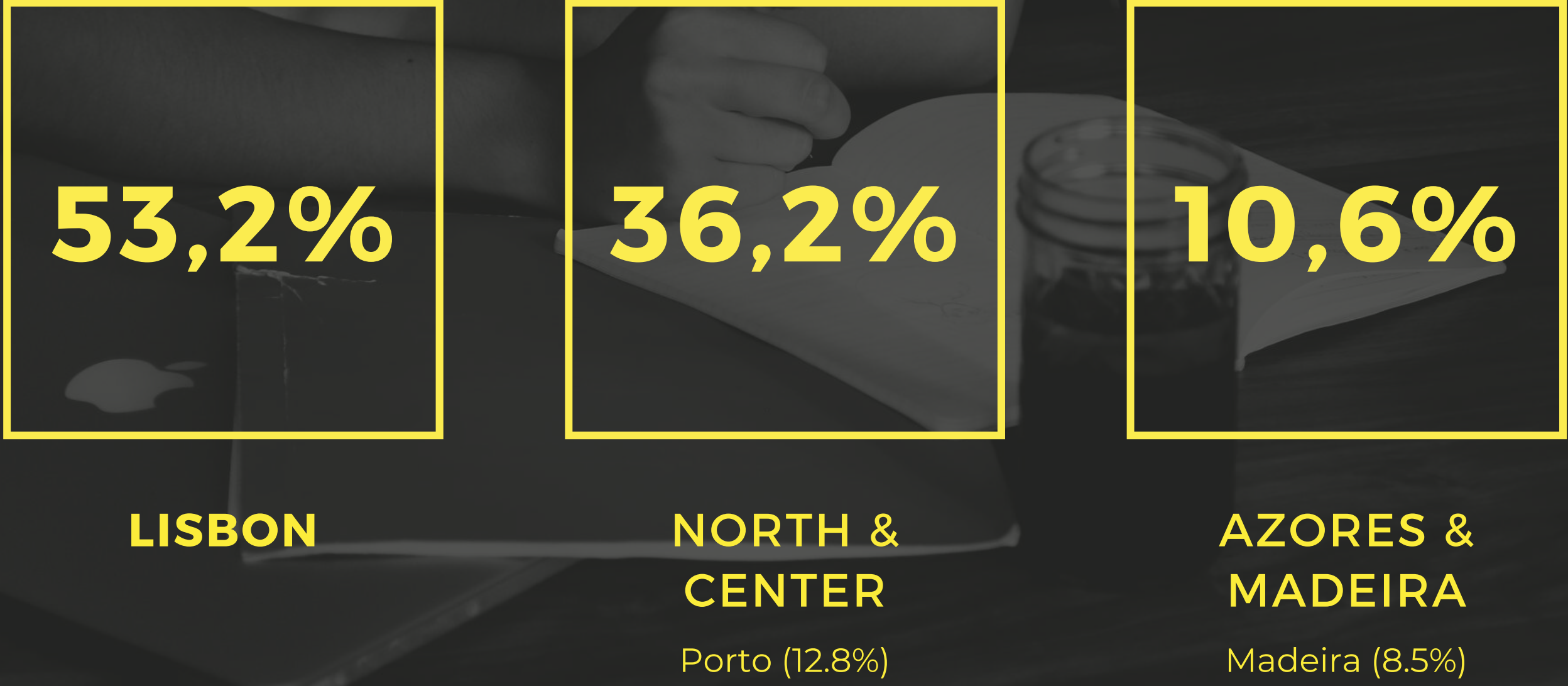


The Project

SECTION 1

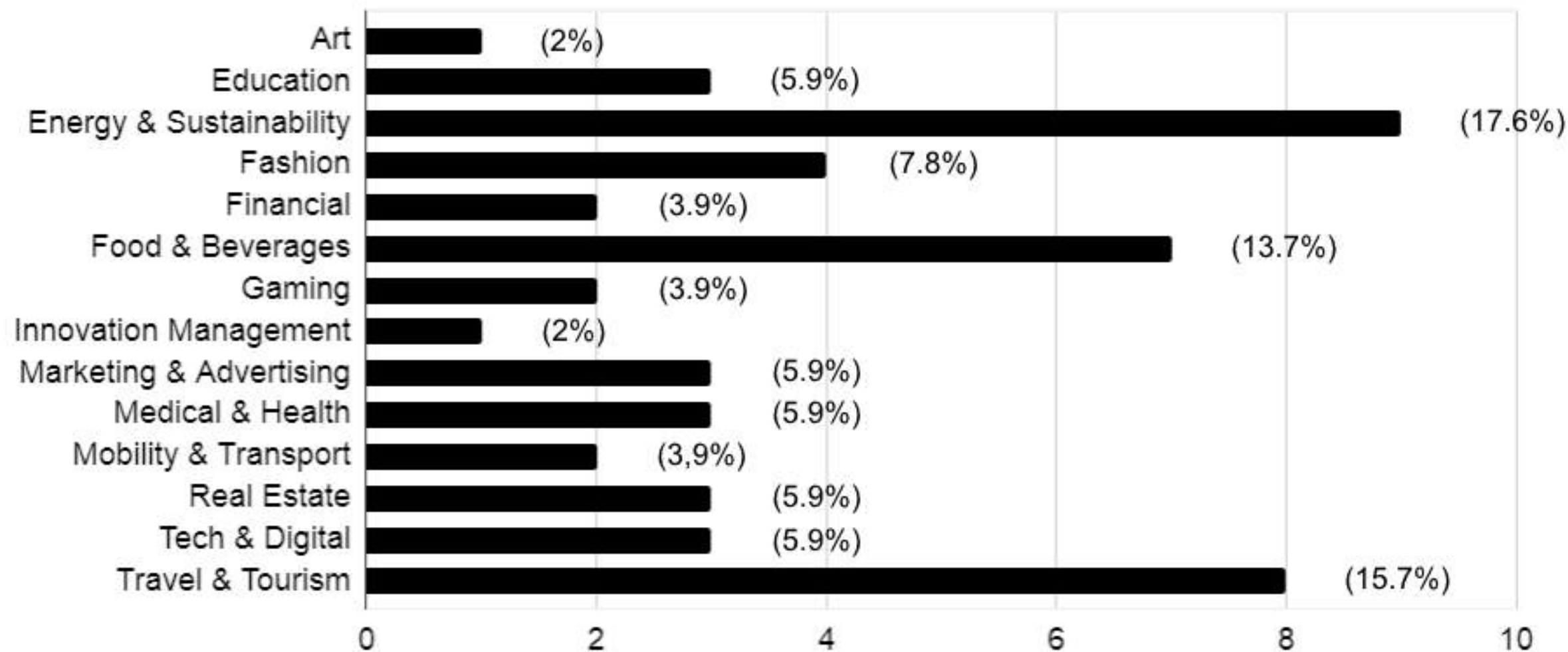
Tell us about your startup so far

Q1. PROJECT LOCATION



Q1 In which city is your startup located / based?

Q2. INDUSTRY - SECTOR



14 sectors are represented. The top 3 are **Energy & Sustainability, Travel & Tourism and Food & Beverages** accounting for 47% of the responders.

The remaining responders, 45,2%, are distributed through 10 other sectors.

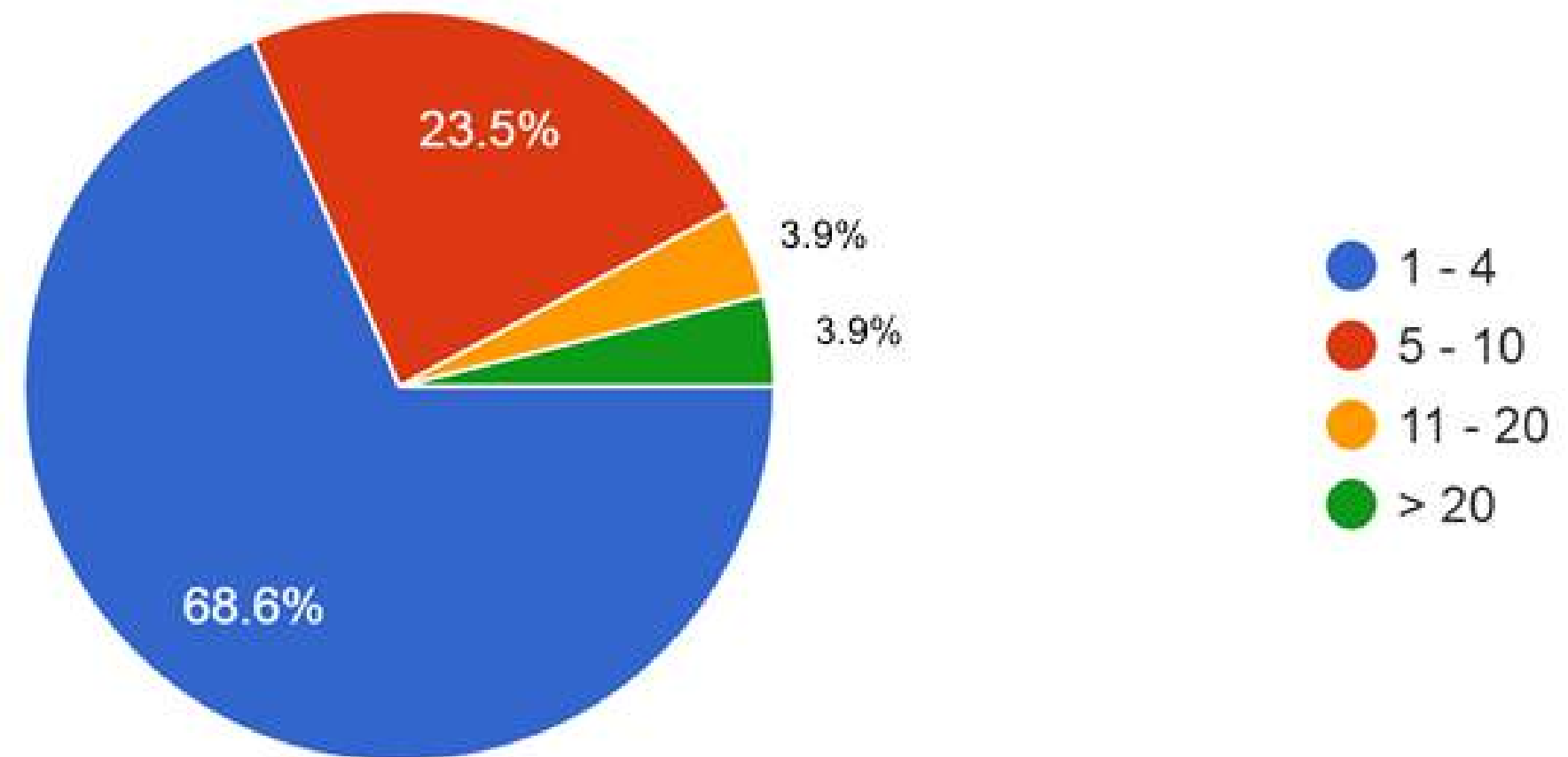
Education, Marketing & Advertising, Medical & Health, Real Estate and Tech & Digital, total almost 30%.

Q2 In which sector / industry does it operate?



As expected,
most startups
have small
teams.
68,6% have up
to 4 employees
and 23,5% have
up to 10
employees

Q3. SIZE OF TEAM



Q3 What is the size of the team?

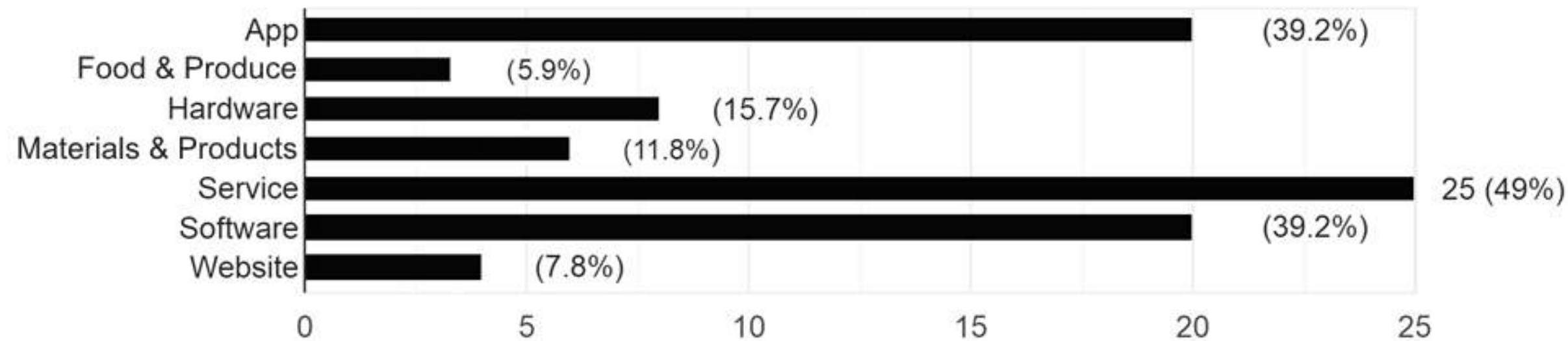
Q4. PRODUCT - SERVICE



Most responders are focused on offering **Services** supported by **Apps** and other **Software** development.

Largest product category startups include **Hardware** namely for Energy & Sustainability and Medical & Health projects.

Materials & Products startups, are mainly focused on the area of Fashion.



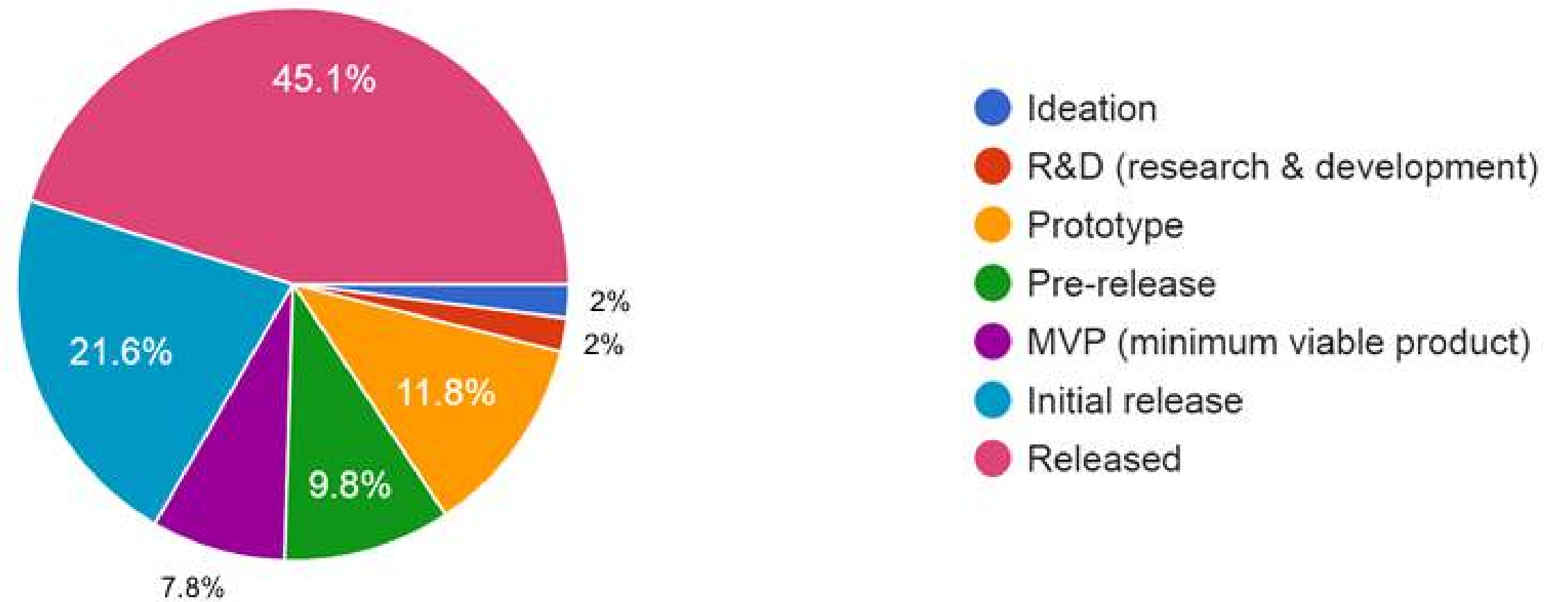
Q4 What type of product / service are you working on? Multiple Answers Allowed



2/3 of the projects are live, including 21,6% on their initial release.

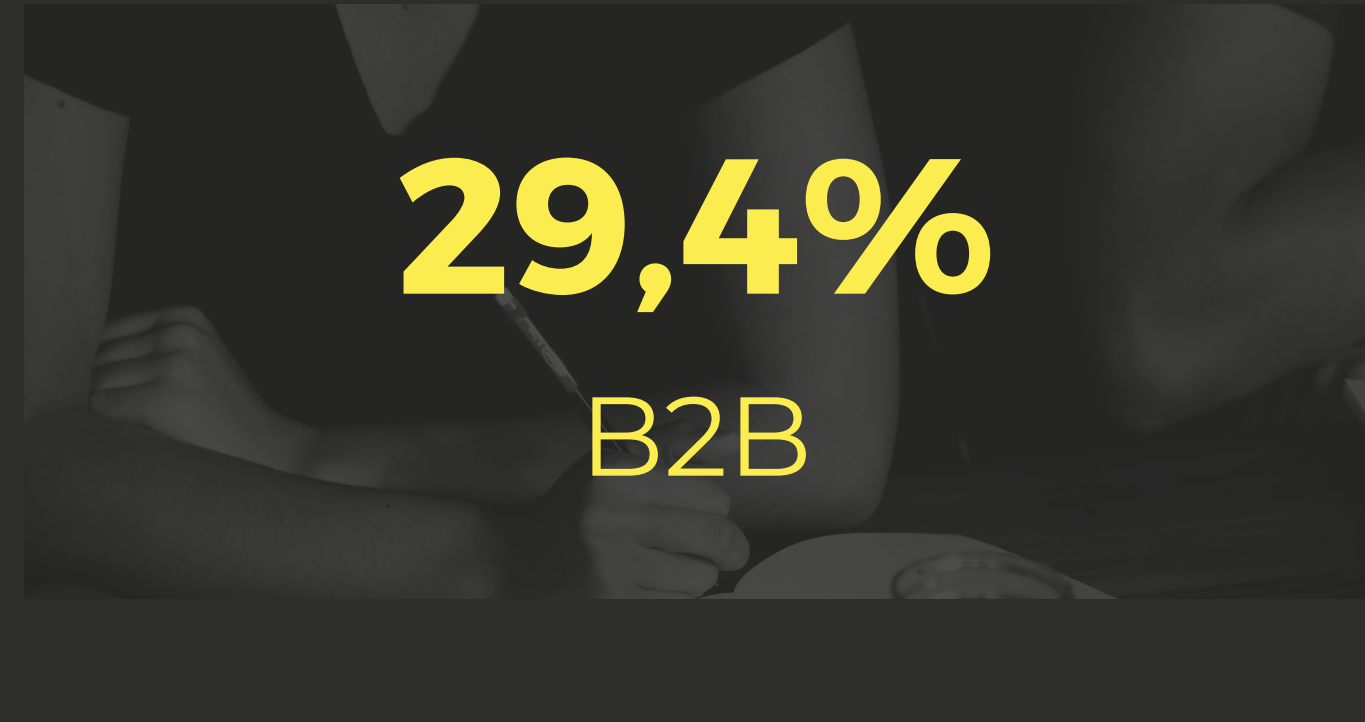
25,6% of all responders are in pre-MVP stage.

Q5. PROJECT STAGE

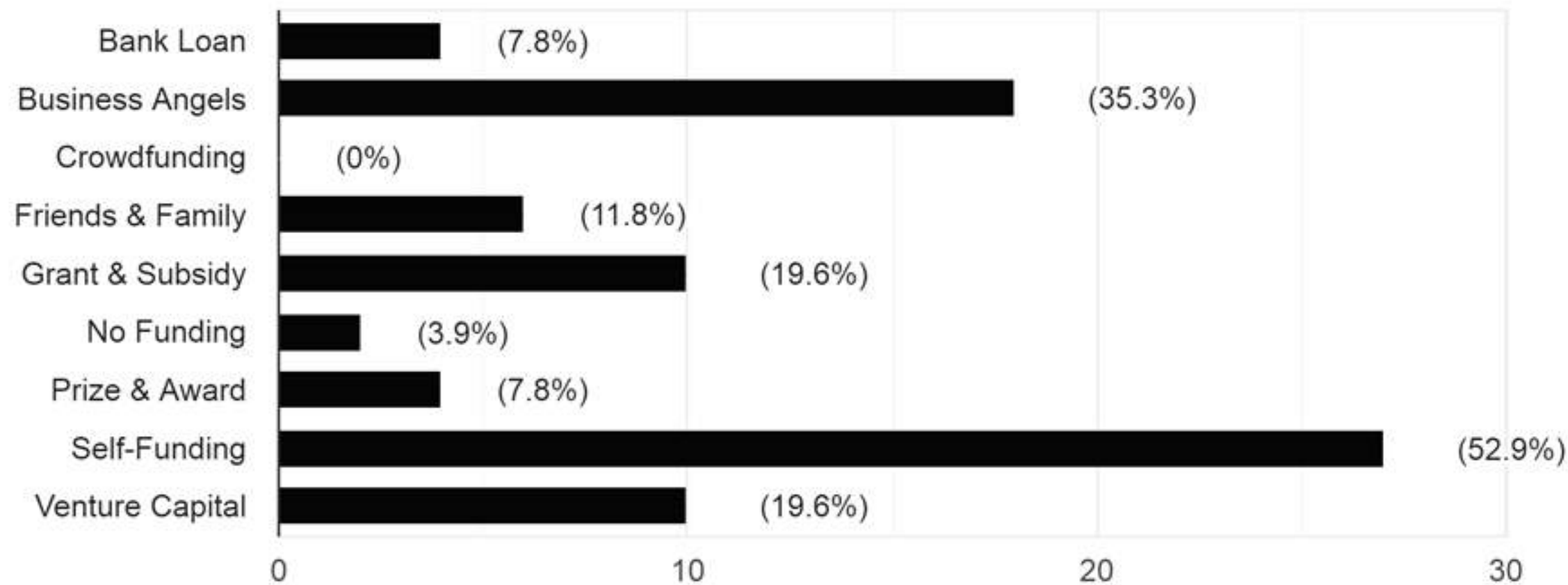


Q5 What is the stage of product development?

Q6. BUSINESS MODEL



Q7. FUNDING SOURCES



Most startups are expected to have several funding sources, and the majority (52,9%) include **Self-Funding**.

Business Angels are the next largest financing source (35,3%), followed by **Venture Capital** (19,6%).

Grant & Subsidy (19,6%) and **Friends & Family** (11,8%) are also relevant funding sources.

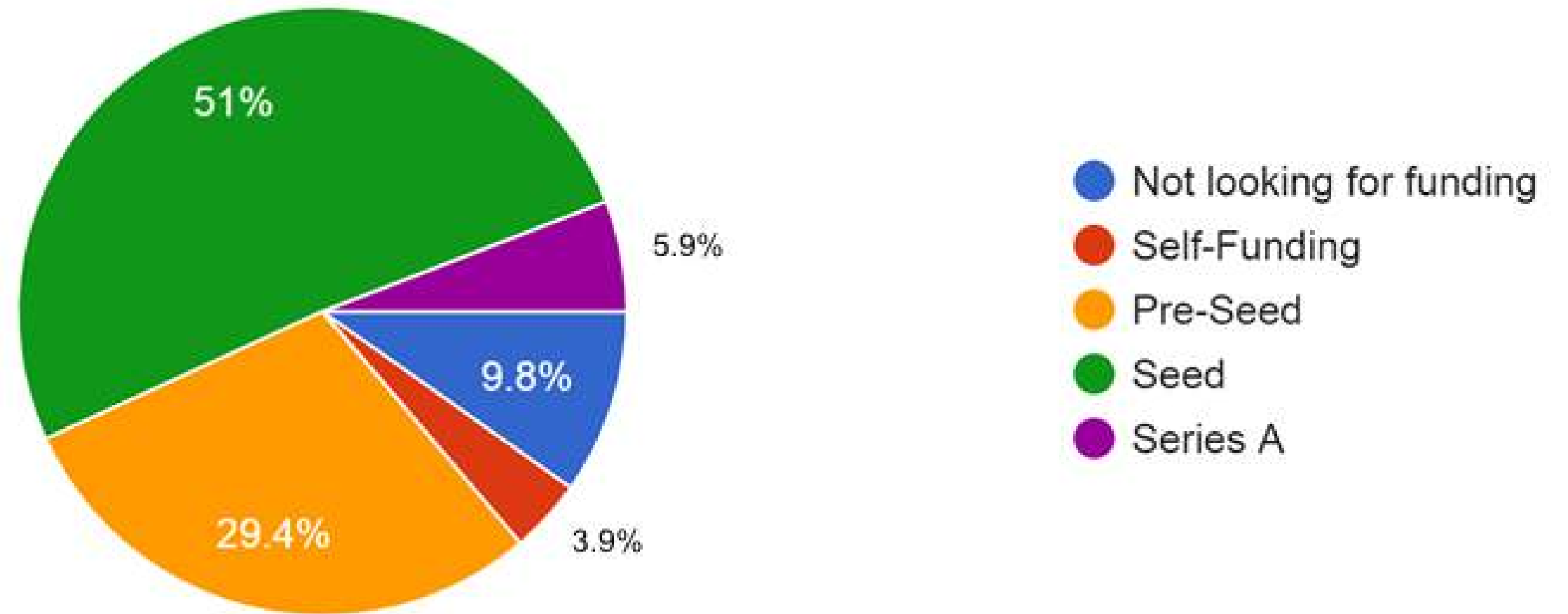


80,4% of the projects are early stage.

51% **Seed** and 29,4% **Pre-Seed**.

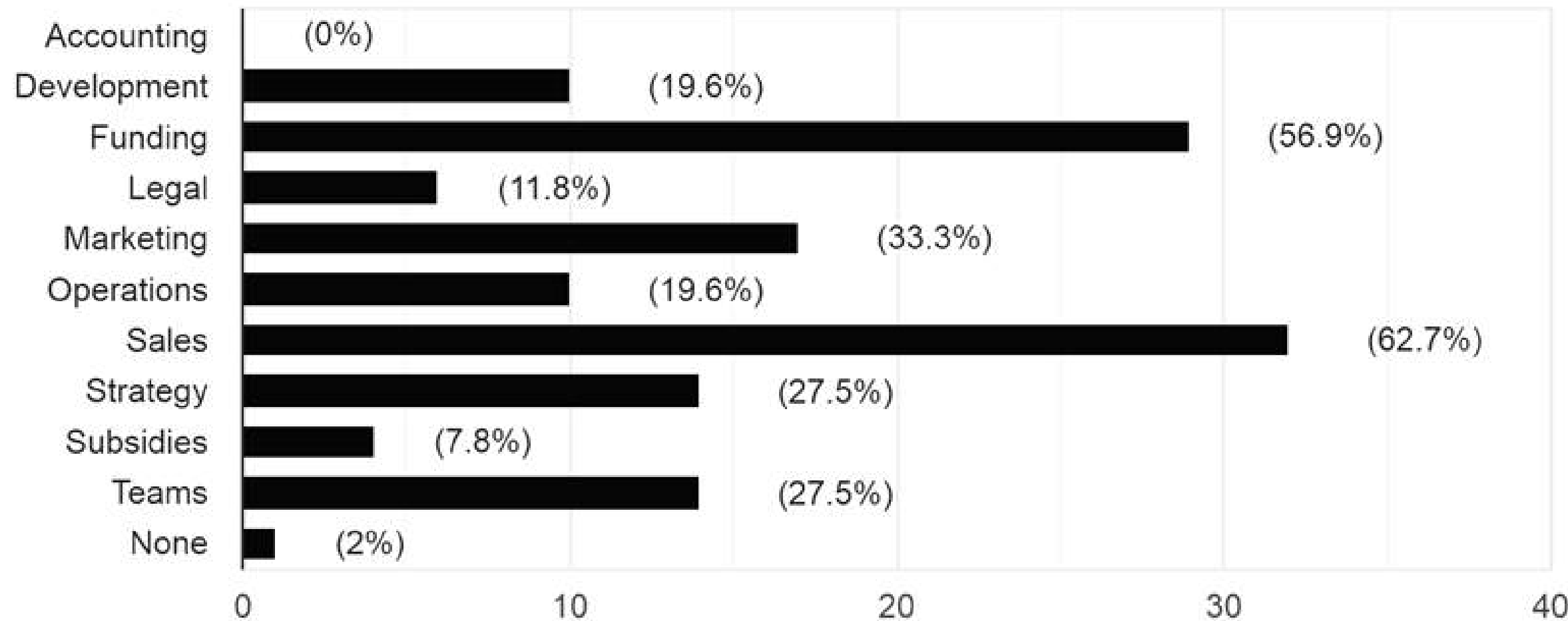
A small (5,9%) percentage have reached **Series A**.

Q8. FUNDING STAGE



Q8 What stage of funding is it at?

Q9. CHALLENGES



As expected, a significant (56,9%) percentage of the startups consider **Funding** to be one the biggest challenges faced.

Sales (62,7%) is actually the most challenging functional area, followed by **Marketing** (33,3%) and **Strategy** (27,5%).

Building Teams (27,5%), running daily **Operations** (19,6%) and **SW Development** (19,6%) are the next challenging areas.

Q9 Which business areas do you find most challenging? Multiple Answers Allowed



C-19 Impact

SECTION 2

Tell us about the C-19 impact on your startup

Q10. IMPACT

70,6% OF ALL RESPONDENTS ACKNOWLEDGE
NEGATIVE IMPACT FROM C-19.

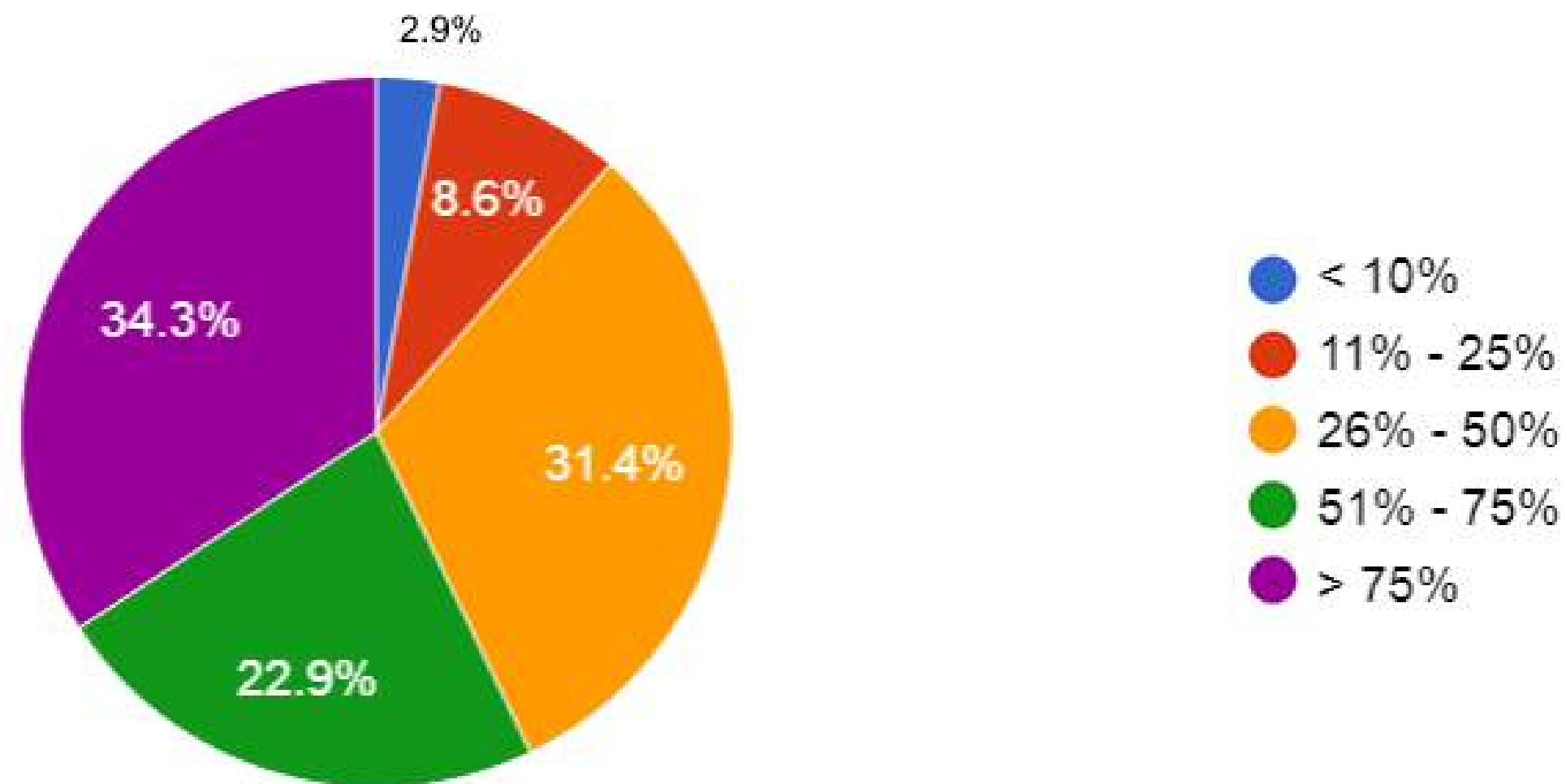
70,6%

64,7% credit the negative impact to a drop in business, 3,9% to delays in product launches, and 2% to delayed investment decisions.

Not all impacts are negative, as 7,8% of respondents acknowledge an actual increase in business.



Q11. NEGATIVE IMPACT



The negative impact of the pandemic can be overwhelming.

Almost 90% of the negative impacted projects report business drops of **over 26%**.

More than 57% report business drops **above 50%**.

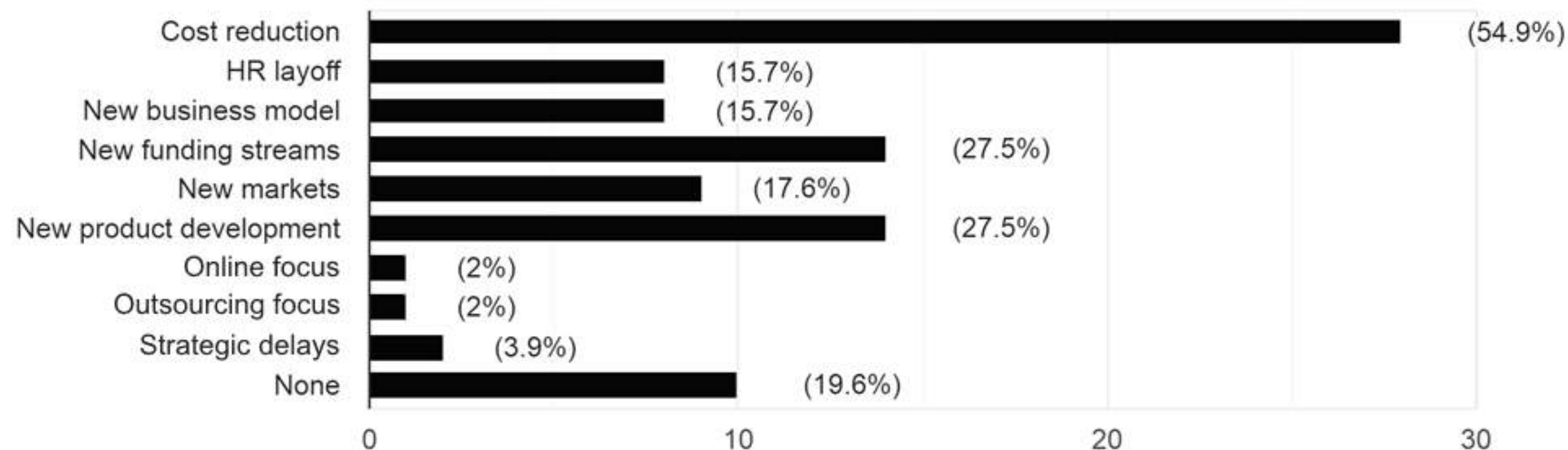
And still 34,3% report business drops of **over 75%**.

Q11 What is your estimate for the business drop percentage?



While 19,6% of respondents took no action, most startups reacted by cutting costs (54,9%), including HR layoff (15,7%).

Q12. REACTIVE MEASURES



On the revenue side, some startups are now focusing on going online, testing new business models (15.7%), venturing into new markets (17.6%) and developing new products (27,5%).

Q12 What measures have been or will be taken? Multiple Answers Allowed

Q13. NEW FUNDING



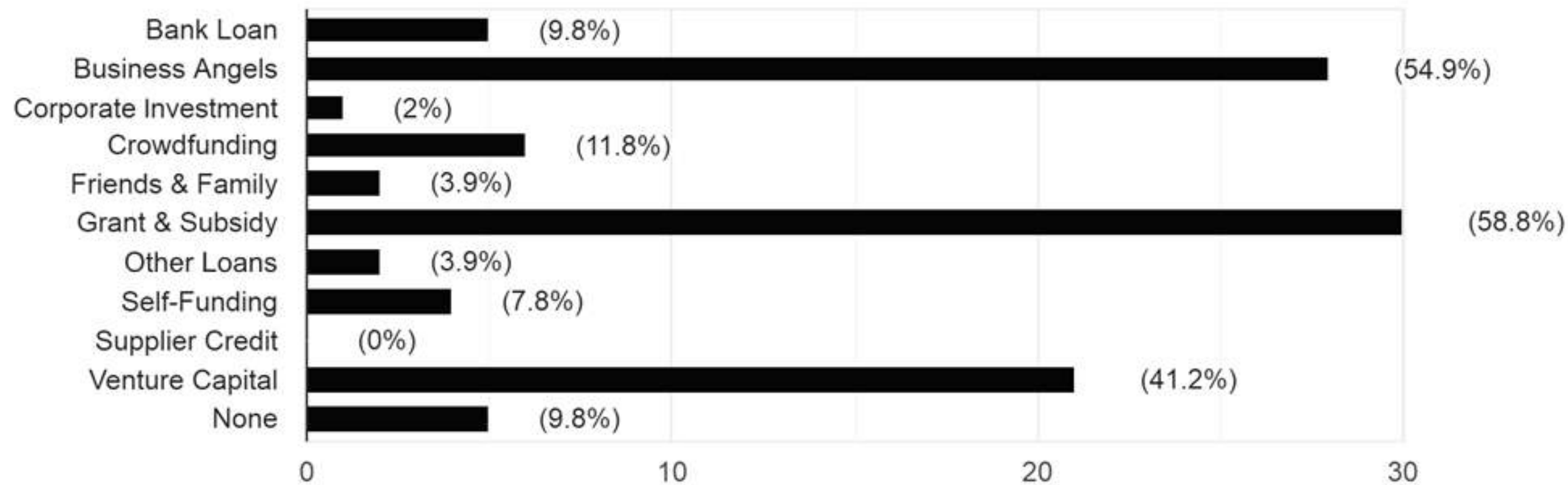
Reacting to C-19 startups are looking for new funding streams.

58,8% are considering **Grant & Subsidy.**

54,9% are considering **Business Angels.**

41,2% are considering **Venture Capital.**

Some respondents are also considering Crowdfunding, Loans and Friends & Family.

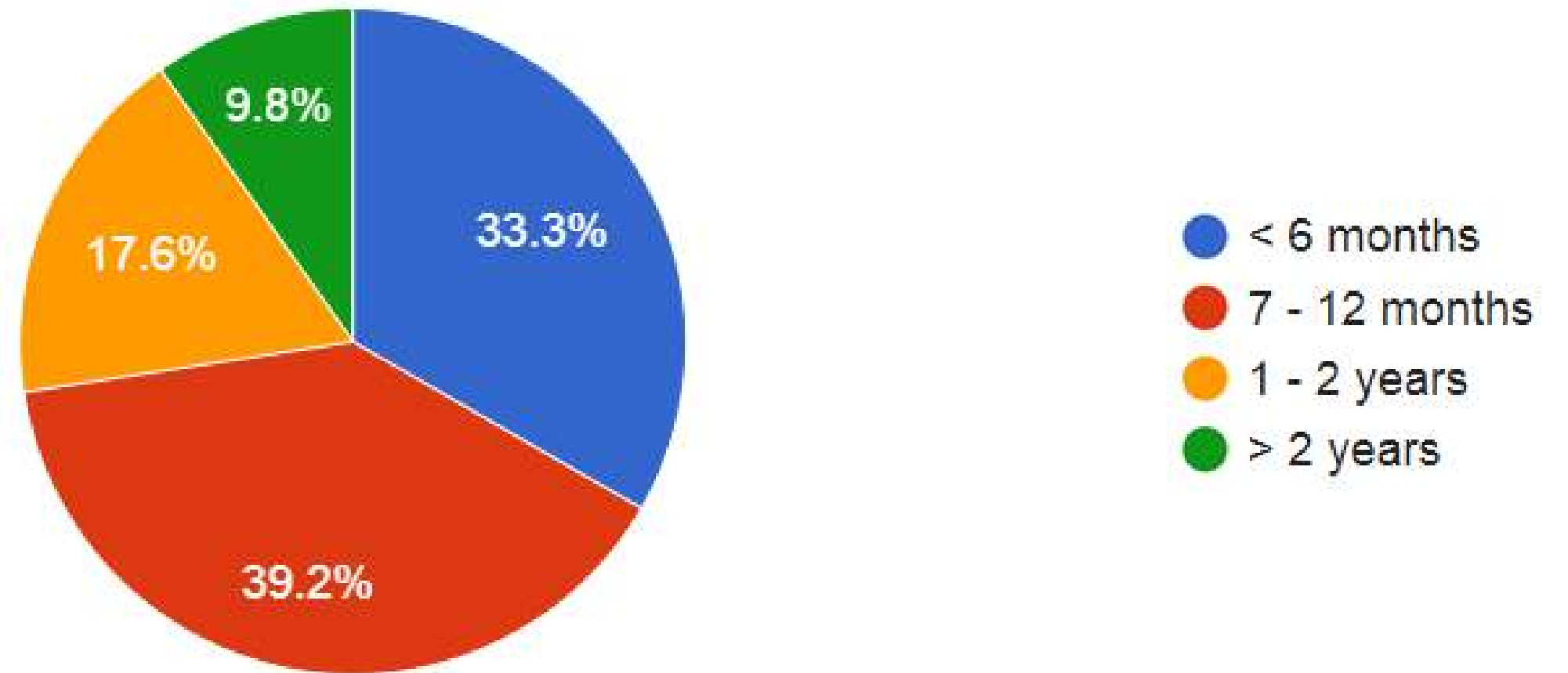


Q13 What new funding streams are you considering? Multiple Answers Allowed



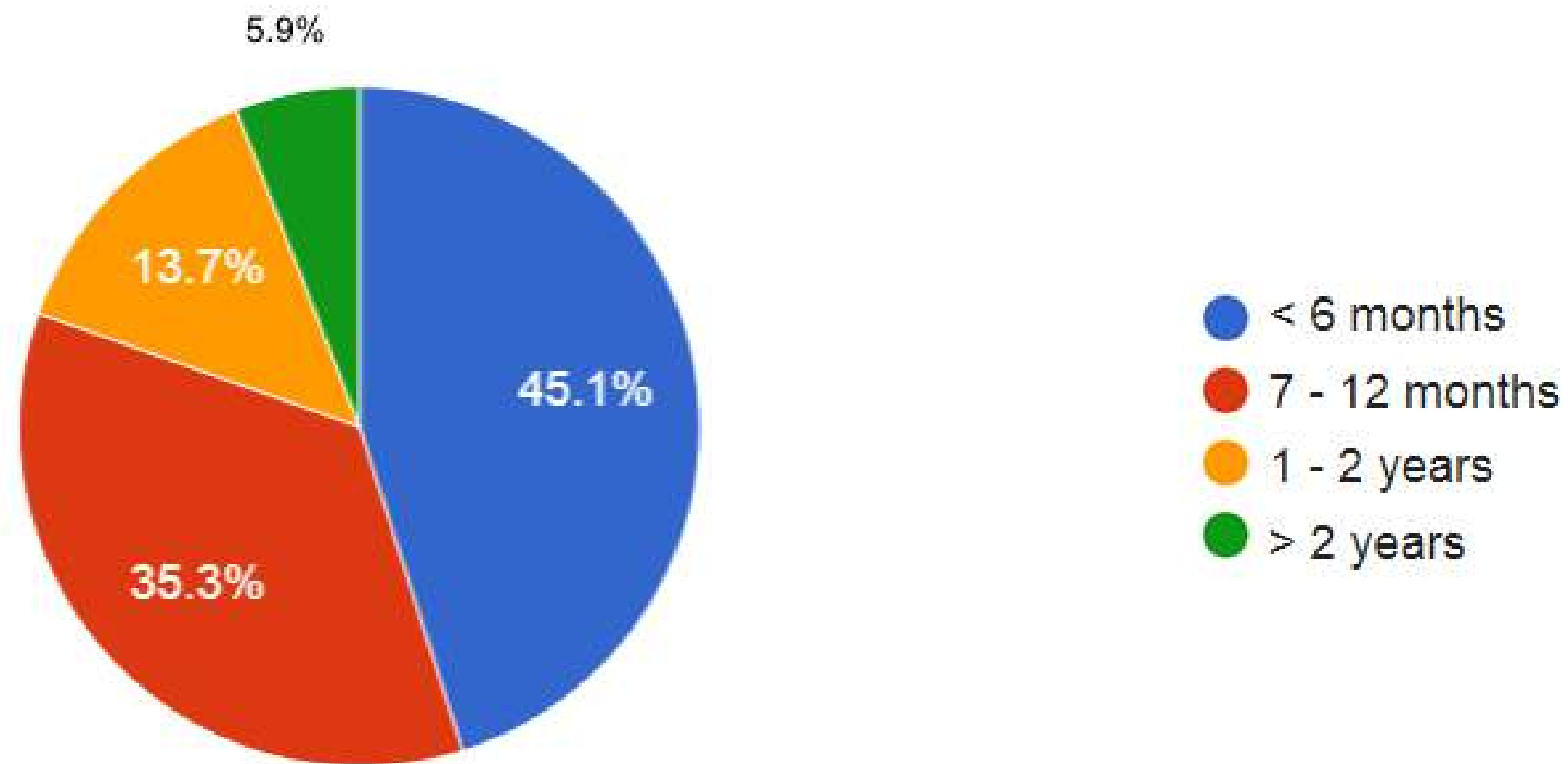
Even before C-19, only 27,4% of all startups had secured funding for more than 12 months. 33,3% had less than 6 months runway.

Q14. RUNWAY < C-19



Q14 What was your expected funding runway before C19?

Q15. RUNWAY > C-19



Assessing C-19 impact, startups have revisited their funding needs.

After the pandemic, the percentage of startups with **just 6 months runway increased to 45%.**

The percentage of startups **still funded for more than 12 months now drops to 19,7%.**

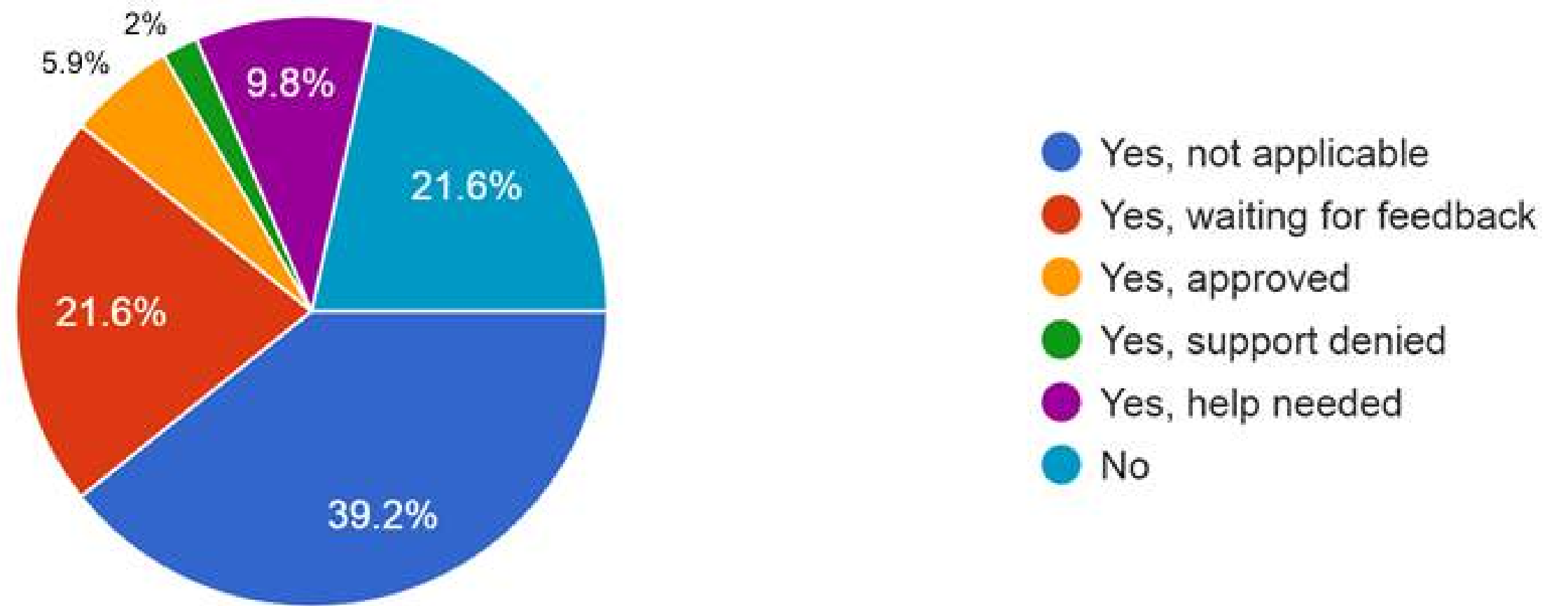
Q15 What is your expected funding runway now?



21,6% of all startups don't consider any government support.

39,2% that consider, are not eligible for support.

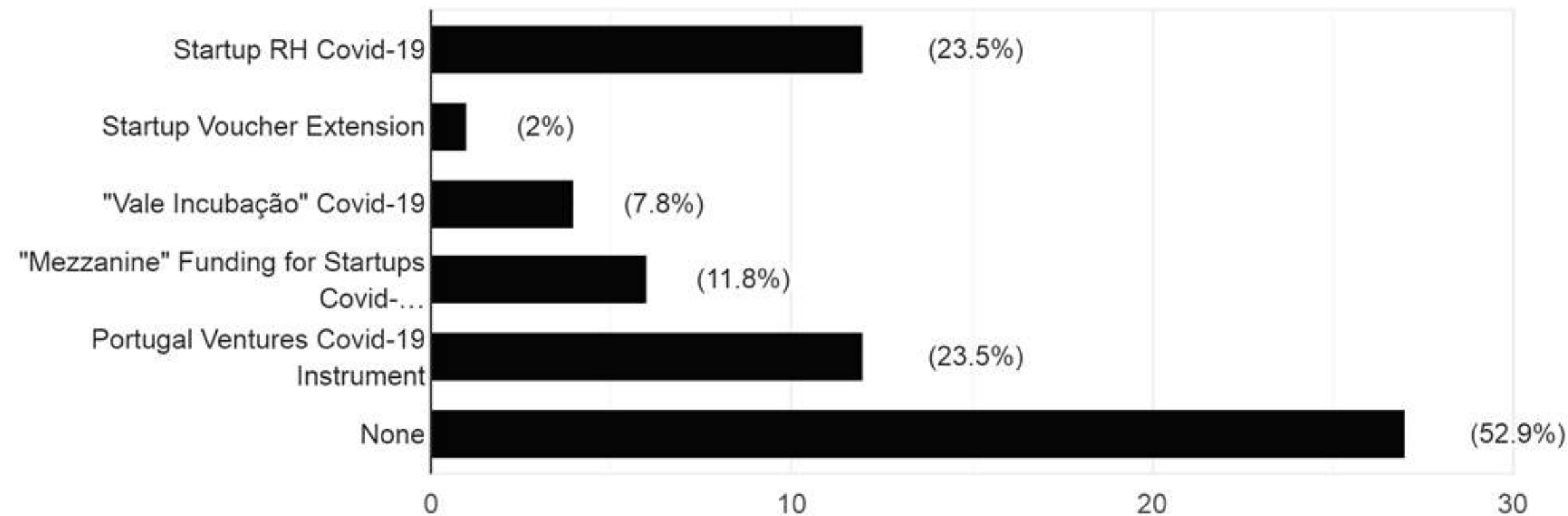
Q16. GOVERNMENT SUPPORT



At this moment, 21.6% are still waiting for feedback, 5.9% were approved and 2% did not succeed in getting the support.

Q16 EU and Local Governments have launched support measures for startups. Have you considered any?

Q17. SUPPORT RELEVANCE



In line with Q16, **52.9% of all startups consider that these 5 government support measures lack relevance.**

Startup RH Covid-10 and Portugal Ventures Covid-19 Instrument are considered relevant support measures to **23.5%** of respondents.

Other measures are mentioned by less than 12% of respondents.

Q17 Of the following measures implemented by the Government which do you consider relevant for your project? Multiple Answers Allowed



Life After C-19

SECTION 3

Tell us about your plans after C-19

Q18. ECONOMIC RECOVERY

45,1%

7-12 MOS

39,2%

1-2 YRS

11,8%

< 6 MOS

3,9%

> 2 YRS

Q18 When do you expect economic recovery to start?

Q20. POSITIVE OUTCOMES

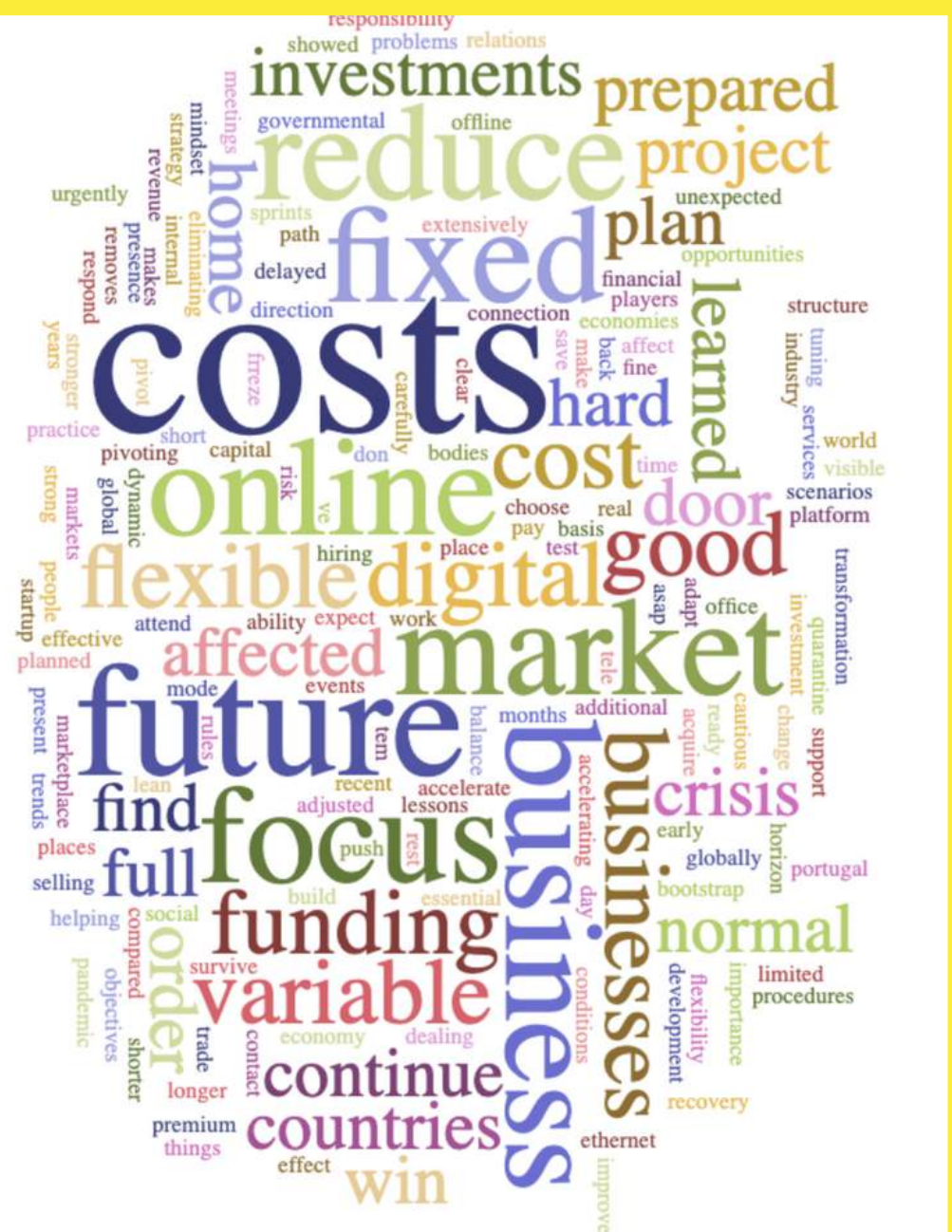


Responding on identified positive outcomes or opportunities post C-19 the most frequent keywords are: **Online, Business and Digital.**

Online "business accelerated" and also increased "demand for online employee training and development".
Business has "refocused on the business model" and "people are more engaged with digital".
Digital is core to "boost online business" and "adversity stimulates creativity".

Q21. LEARNINGS FROM C-19

WORD CLOUD



Responding on learnings from C-19 that will change the startup, most frequent keywords are: Costs, Future and Business.

Cost awareness is high with "more cautious investments" and "internal procedures to reduce costs".

Future of "digital is no longer future, it's the present", the "home office will be used extensively", and "things go back to normal".

Business must "go digital and go online urgently", and have a "more flexible cost structure".

Q21 What have you learned from C19 economic crisis and how will it change your startup going forward?

Sample

The document reports on the responses to the Startups C-19 Survey, conducted from May 18th to May 31st 2020 via anonymous online form.

The sample size was 51 startups.

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May 2020

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