GreenHills Ventures

FUNDING MILESTONES, NOT FALSE PROMISES.

A Data-Driven Investment Strategy for Scaling Startups with Capital Efficiency

Startups Don't Usually Fail Because They Lack Ideas, They Fail Because They Run Out Of Cash And Disciplined Execution

Startups don't usually fail because they lack ideas—they fail because they run out of disciplined execution. A milestone-based investment approach like the one used by GreenHills Ventures is designed to directly address that risk. Here's why it's particularly advantageous for early-stage companies:

Implements Capital Efficiency (Prevents "Burn Before Proof")

Instead of receiving a large lump sum upfront, founders unlock capital as they hit defined milestones (e.g., MVP completion, first revenue, regulatory approval). Why it matters:

- Reduces wasteful spending early on
- Encourages lean operations and prioritization
- Extends runway without immediate dilution pressure

Aligns Investor & Founder Incentives

Milestone investing ties funding to performance not projections. Why it matters and Impact:

- Founders stay focused on value-creating activities
- Investors remain engaged and supportive (not passive capital)
- Minimizes misalignment that often occurs post-close

De-Risks the Business in Stages

Each milestone acts as a validation checkpoint. Examples of staged de-risking:

- Technical feasibility → working prototype
- Market validation → paying customers
- Commercial traction → scalable revenue

Protects Valuation Integrity (Avoids Premature Down Rounds)

Raising too much too early can inflate valuation without substance. Milestone approach advantage.

- Valuation increases after proof points
- Reduces likelihood of painful down rounds
- Creates a stronger narrative for Series A investors

Improves Investor Readiness for Institutional Capital

Milestone-based funding essentially builds your data room in real time. By the time startups reach next round:

- KPIs are validated
- Metrics are clean and defensible
- Story is backed by execution, not just projections

Enhances Governance Without Overburdening Founders

Unlike traditional VC oversight that can become reactive, milestone frameworks create structured accountability by the following:

- Clear expectations from day one
- Less ambiguity around performance
- Fewer surprises in board discussions

Enables Strategic Capital Deployment (Not Just Financial Capital)

With milestone investing, firms like GreenHills Ventures can layer in strategic support at the right time, such as:

- Commercial partnerships
- Regulatory strategy (critical for healthcare startups)
- Distribution channels through close Corporate Strategic relationships

This staged involvement is far more effective than front-loading all support.

Reduces Founder Dilution Over Time

Because capital is deployed incrementally and valuations can step up:

- Founders give up less equity for the same (or more) capital
- Equity is priced closer to real value creation

Filters Out Weak Business Models Early

Not every startup should continue raising capital.

- Identifies execution gaps early
- Prevents overcapitalization of flawed models
- Saves founders from deeper structural failure later

Creates Stronger Exit Outcomes

Companies built through disciplined milestone execution tend to be:

- Operationally tighter
- Financially cleaner
- More attractive to acquirers and late-stage investors

Bottom Line

A milestone-based approach isn't just about controlling risk, it's about manufacturing credibility step-by-step. For early-stage companies, that credibility is the difference between:

- Raising capital vs. earning higher valuations
- Surviving vs. scaling efficiently

Here is credible, data-backed evidence that directly supports why a milestone-based (staged) investment approach like the one used by GreenHills Ventures—improves outcomes for early-stage companies and investors.

Venture outcomes are extremely skewed → staging reduces risk

- <1% of startups successfully raise venture capital at all
- Only ~11% of startups reach Series A after early funding
- The vast majority of startups fail or stall before meaningful scale
- Milestone-based investing acts as a filter, allocating capital only to companies that prove progress

VC success depends on staged validation (not upfront capital)

- Venture funding naturally occurs in multiple stages (pre-seed → seed → Series A/B/C)
- Each stage requires demonstrated milestones like product development, revenue, or adoption
- The entire VC ecosystem is already structured around milestones but not formalized
- Formalizing this into explicit milestone-based capital deployment increases discipline and clarity

Milestone investing improves capital efficiency and reduces waste

- Encourages lean operations and disciplined spending
- Prevents "premature scaling" seen in overcapitalized startups
- Funding only to specific milestones
- Requiring proof of unit economics before scaling
- Capital efficiency is now a top predictor of survival, especially post-2022 tightening markets
- Milestone models systematically enforce that discipline

Staged funding increases valuation step-ups (reduces dilution)

- Raise subsequent rounds at higher valuations
- Give up less equity for the same capital
- This is not theoretical—valuation increases are tied to de-risking events
- Milestone investing directly creates those value inflection points

Evidence from life sciences & deep tech: milestone triggers drive valuation jumps

- Achieving milestones (e.g., In Bio Pharma, Medical Device, Phase I clinical success) can dramatically increase valuation
- Series A funding is explicitly sized to reach next milestone (e.g., human data, prototype validation)
- In high-risk sectors (medtech, biopharma, medical device, core GreenHills exit areas), milestones are the primary driver of enterprise value

VC-backed companies dominate successful exits → structured capital matters

- VC-backed startups account for 30%–70% of IPOs historically and ~37% of IPOs over multi-decade periods (at least 8–10+ years)
- Structured venture processes (including staged capital) are strongly correlated with successful scaling and exits
- Milestone investing is an evolution of that structure—adding tighter control and validation
- VCs investors control the board
- VCs force the company to go public to create liquidity
- VCs bring in CEO with public company experience resulting in more dilution for founders
- Investors like GreenHills Ventures prefer an acquisition by a strategic partner
- Market shift: Growing number of investors are moving toward milestone-based models
- New VC strategies explicitly prioritize in:
- Capital tied to milestones
- Evidence-based scaling
- Sustainable unit economics before growth
- This is not just theory, it's a structural shift in venture capital strategy
- Especially relevant in tighter funding environments (2024–2026)

Empirical reality: most startups fail due to execution gaps, hard work and lack of financial experience and innovation

VC research consistently shows:

- High failure rates
- Difficulty predicting success upfront
- Milestone investing compensates for this by replacing prediction with continuous validation and Funding based on evidence, not forecasts to properly reward founders and management team.

Bottom-Line Synthesis (Investor-Grade Insight)

The statistical evidence converges on one core conclusion:

- Because startup success is rare, unpredictable, and stage-dependent, capital must be deployed incrementally based on successful proof (milestones) not false projections.
- That is precisely what a milestone-based approach accomplishes.

How Milestones investment approach directly supports GreenHills Ventures' Strategy

- Risk reduction: Only double down on validated companies
- Higher IRR potential: Capital concentrated into winners with often higher valuations post-proof
- Better portfolio construction: Natural filtering mechanism
- Stronger exit outcomes: Companies reach institutional-grade readiness

A Data-Driven Investment Strategy for Superior Venture Outcomes

- The Core Problem: Venture Capital is a Power Law Game
- <1% of startups raise venture capital
- Only ~10–15% reach Series A
- Majority fail due to execution, not idea quality
- Traditional upfront capital deployment overfunds uncertainty

Traditional VC Model Flaws

- Capital Before Proof = Inefficiency
- Large early checks based on projections
- Premature scaling → major failure driver
- Weak accountability post-investment
- Misaligned incentives (growth vs. validation)

Unintended / Foreseeable Consquences

High burn + inflated valuations + increased down rounds

Benefits of Milestone Investing

- Capital Tied to Verified Progress
- Capital is deployed only when milestones are achieved
- Product (MVP / prototype)
- Market (first revenue / traction)
- Scale (repeatable growth)

Proven Framework:

- Invest deployment → Validate → De-risk → Scale → Repeat

Why Milestone Investment Approach Works (Core Thesis)

Replace Prediction with Proof

- Startups are inherently unpredictable
- Milestones convert uncertainty → measurable progress
- Each milestone = valuation inflection point
- Demonstrable Outcome: Better decisions with real data not failed assumptions breeds higher valuations

Data Supports Staged Capital Deployment

- Only <11%of startups reach Series A
- VC success driven by staged validation rounds
- The market already validates milestone-driven funding formalizing it improves outcomes

Valuation Optimization

- Earn Higher Valuations Over Time
- Instead of: Raising $5M at inflated early valuation risking cram downs or down rounds

Traditional Venture Capital Market Shift: Venture Capital is Evolving: Post-2022 environment

- Less tolerance for burn
- Focus on profitability & efficiency
- Investors demanding proof before scale
- Milestone investing aligned with market reality

Milestone approach builds credibility, quantifiable increased valuations, and outcomes

- Raise $1M → hit milestone
- Raise next round at higher valuation
- Reduced dilution
- Stronger cap table integrity
- Investors deploy Capital concentrated in proven winners
- Founder Alignment
- Incentives Stay Locked on Value Creation
- Founders rewarded for execution
- Clear expectations from day one
- Reduced "capital complacency"
- Stronger operator discipline increases valuations

Institutional Capital Readiness: Builds Investor-Grade Companies and prepares the next round at higher valuations with

- Proven KPIs
- Clean metrics
- Validated business model
- Capital Investment Efficiency with future Return on Investment (ROI) value for shareholders

Model	Traditional VC	Milestone Investing
Capital Deployment	Upfront	Staged
Risk	High early	Reduced progressively
Efficiency	Low	High
Valuation	Inflated early	Earned over time
Alignment	Weakens post-close	Continuous

Milestone Investing Approach Wins Because

- It reduces risk
- It increases valuation integrity
- It improves capital efficiency
- It aligns incentives
- It concentrates capital into winners

In a market where most startups fail, the advantage goes to investors who fund proof not promises.

For more information contact:
GreenHills Ventures
EMAIL: contact@greenhillsventures.com
Telephone: (212) 794-4027
www.greenhillsventures.com