

Brexit's Impact on Startups

The world economy is again being tested by an unexpected shock following Britain's vote to exit the European Union. The pound sterling and stock markets globally have had a tumultuous few weeks. Many see this as an issue for Europe, but this could have a significant impact in the United States as well, including on technology startups and venture capital.

According to Christopher Mims of the *Wall Street Journal*, "The Brexit vote means companies large and small are in for a period of even greater uncertainty. And such times are bad for the kinds of speculative investments that are the lifeblood of startups."

It is still early to tell exactly the impact Brexit will have, but this kind of uncertainty could be detrimental to the tech industry as it could lead to slower economies worldwide (including the US), more conservative approaches to finances by institutional investors, and even more difficulty in securing funding. The impact could be far reaching within the tech industry as well, most likely hitting late stage investing which has seen a significant amount of global investment of late.

However, it's not all doom and gloom for startups. Many economists are predicting that there will be no major changes to projected economic growth over the next year. In addition, the flight of capital to safety has led to some benefits, such as lower interest rates.

Many startups have thrived in times of economic turmoil, including Facebook who launched shortly after the tech bubble burst. Because startups are small, it often allows them to better survive a downturn as they can operate on leaner budgets and can typically cut out expenses that a larger company cannot.

While Brexit has caused short-term volatility in the US, it is unclear what the longer-term impact will be. As always, good founding teams with good ideas will continue to get funded. However, with an already softening venture market, startups should certainly focus on being smart with how they use their funds and strategic with their long-term plan.

David Goldenberg's practice covers a range of clients, many of which are growth oriented technology companies. He generally counsels companies throughout their lifecycle and helps them with a variety of contractual and corporate matters. He also counsels executives on employment matters. David also works with company founders, investors and related parties on preferred stock, common stock, convertible debt, secured loan, up-round, down-round, bridge, warrants and other types of financing (over 80 financings completed), and has worked on multiple mergers at all size levels, from \$6 million to \$1.9 billion, as well as licensing, strategic partner and IPO transactions. He has also advised publicly traded companies in mergers and acquisitions, financing, corporate governance, stock option and executive compensation.