Accel and Sequoia seed Middesk with $4M to background check businesses

Kate Clark
6:00 AM PDT · September 12, 2019

For those of you that diligently follow the hot startups to graduate from Y Combinator's accelerator program, you might recall Middesk.

The company was amongst an exclusive subset of startups in YC's winter 2019 batch to walk into demo day term sheet in hand. Top VCs, like Accel and Sequoia Capital, couldn't wait until the team's public pitch was complete to seed the company.

Middesk performs background checks, but not of people; rather, the startup helps companies identify business and regulatory risk in their customer base. Today, it's announcing its first round of capital, a $4 million financing led by Accel's Rich Wong, with participation from Sequoia. Founded by two early employees of another YC graduate, Checkr, which automates the pre-employment background check process for companies, Middesk chief executive officer Kyle Mack and chief technology officer Kurt Ruppel wanted to apply their learnings to a business identity product.

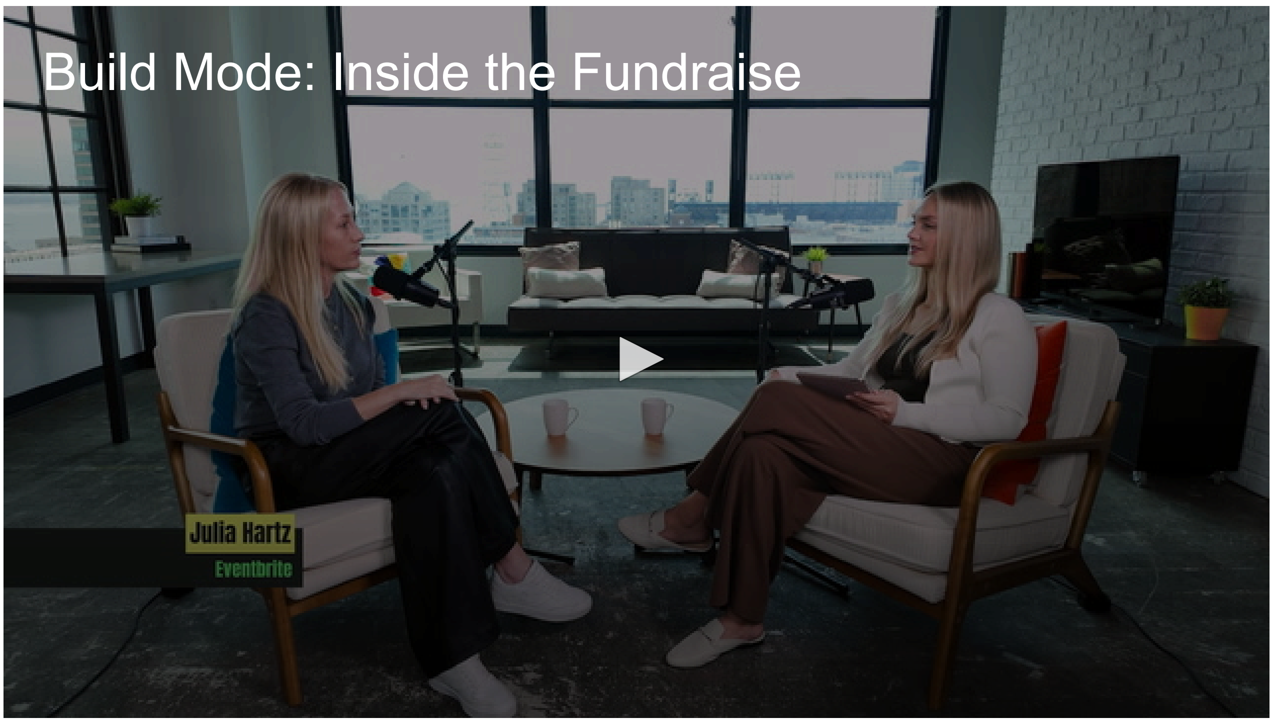
"What we've built from the ground up is a product to help companies understand who their customers are and what those customers do for their business," Mack explains.

Selling a product in a traditional and heavily regulated industry, Mack says having top-tier, established venture funds Accel and Sequoia on board has made a big difference for the company. This is particularly interesting, given the round comes at a time in which competition for early-stage deals is greater than ever. More and more billion-dollar funds are moving downstream to purchase stakes in promising companies as early as possible, beating out seed funds by providing better terms and brand recognition.

The fight for seed

Seed funds beware, today's fight for equity in Bay Area startups requires muscle and a whole lot of cash.

TechCrunch



Accel was also an early investor in Checkr, which most recently raised a $100 million Series C at a $900 million valuation, and was familiar with the Middesk team prior to the company's formation: "One of the nice things about this job is if you have a chance to do it right, you can build relationships with people and work with them across multiple companies," Accel's Wong tells TechCrunch.

San Francisco-based Middesk is working with customers, including Checkr and Plaid, a well-financed leader in fintech, as well as smaller particularly focused on payments, lending, payroll, expenses and credit businesses, or those with regulatory risk requirements.

“Effectively anyone that’s touching money that’s a B2B business has regulatory requirements to do what we do,” Mack said. “There is a whole new wave of companies applying consumer-style experiences to business products, but the risks they deal with, they aren’t designed to manage those risks at scale.”

With the infusion of capital, Middesk has grown its team from two to seven, creating engineering and operations teams in the process. In the long term, Mack cites Plaid and its proven ability to rapidly become the go-to tool for connecting applications to consumer bank accounts, as inspiration.

“We talk about this idea of becoming a single source for all the external signals you might want to have about a business,” he said. “Plaid has built a single place to get a host of transaction data of people and businesses. We think about Middesk as a single place to find high-quality and trusted information for a single business.”

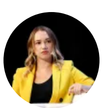
To fund Y Combinator's top startups, VCs scoop them before Demo Day

Meet the startups that raised venture capital, or got acquired, before Demo Day.

TechCrunch

Topics: Accel Checkr economy entrepreneurship finance Middesk money Plaid Private Equity San Francisco Sequoia Capital Startups Venture venture capital vouch Y Combinator

When you purchase through links in our articles, we may earn a small commission. This doesn't affect our editorial independence.



Kate Clark

Writer

Kate Clark was a reporter at TechCrunch covering venture capital and startups.

View Bio

Most Popular

- OpenAI caught its models leaving notes to successors to hide bad behavior
- Clean tech startup Fluxnium found a way to tap 50,000 years' worth of nuclear fuel
- Salesforce and Nvidia's new reasoning model is everything the AI labs should fear
- Jensen Huang took a call from Trump, and showed off something else, too
- The 9 buzziest startups from Y Combinator's latest Demo Day, according to VCs

- Tesla says it will finally unveil the second-generation Roadster on October 1
- Revolut confirms customer data breach through fake government requests

Loading the next article

ChatGPT