



iSelect Fund Updates

December 4th 2025

Flywheel is completing a new financing round—the Series F—that is being executed at a lower valuation than prior rounds, making this a classic down round. The company has undergone a significant strategic repositioning in the last 12–18 months, shifting from an academic-research tool to a full enterprise imaging-data platform, and it has demonstrated strong growth momentum (ARR growing from \$9M in 2023 to a projected \$18M in 2025, +49% YOY ARR growth through Q3 '25). However, despite improving unit economics and rising enterprise adoption, the company requires additional capital to reach cash-flow breakeven in 2027. The Series F is a \$25M insider-led raise at a \$35M pre-money valuation, co-led by Novalis and 8VC, structured in two tranches.

To complete the recapitalization, all existing preferred stock converts into common, followed by a 10:1 reverse split, which significantly reduces share counts. Investors who do not participate in the raise lose preferred-stock rights and suffer an additional 10:1 punitive reverse split, resulting in a 99% reduction in their post-recap ownership, before further dilution from the new Series F shares. Because this is a down round, non-participants not only lose ownership percentage but also lose economic value due to the lowered valuation applied to the entire cap table.

A down round is a financing in which new shares are issued at a price below the valuation of prior rounds. This resets the company's implied worth and has two effects: (1) it reduces the value of all existing ownership stakes, and (2) it typically triggers stronger dilution than standard financing because the new investor group receives a larger share of the company for the same dollars. In Flywheel's case, collapsing ~\$140M of prior invested capital to ~\$80M of liquidation-preference value further accelerates this economic compression.

Flywheel's recapitalization includes a pay-to-play provision, meaning investors must contribute additional capital (their pro rata) to maintain preferred-stock rights. Those who do fully participate receive two benefits:

The ability to exchange their old preferred shares into Series F-Prime preferred, which restores their liquidation preference up to their original invested dollars (subject to an \$80M cap across all participants).

Conversion of this restored value into Series F-Prime shares at the new pricing, and the right to purchase new Series F shares.

Participating investors still take a ~43% haircut relative to their original investment value, but they retain meaningful economics and avoid catastrophic dilution. By contrast, non-participants are nearly wiped out, receiving only ~1% of their post-recap shares before further dilution from the new financing, effectively rendering their prior investment almost worthless.

The good news is that almost all of the clients who hold Flywheel positions have enough cash in escrow to fund their required pro-rata contributions, meaning no additional wires are required. Given the punitive nature of the pay-to-play, participating preserves significantly more economic value than opting out. While this financing still results in a meaningful reduction in the implied value of their original investment, participating in the round protects them from a near-total loss and maintains their ability to benefit from any future exit.