

Substack opts out of Series C as investor interest slows down

Article

The news: Newsletter and digital publishing startup **Substack** has abandoned plans to raise a Series C funding round due to the souring market, [per](#) The New York Times—a sign that hype around the company that skyrocketed during the pandemic may be cooling.

How we got here: Substack was heralded during the pandemic as a new model for digital publishing, but current economic uncertainty and the recent interest rate increase has

dampened investor enthusiasm.

- Rising interest rates have made many companies hesitant to spend aggressively. Several tech companies have announced [hiring freezes](#) or waves of layoffs, and major venture capital firms like Sequoia Capital have [urged](#) startups to cut back on spending.
- Substack's last funding round was announced in March 2021 and valued the company at **\$650 million**. The canceled series C would have valued the company as high as **\$1 billion**, according to the Times' report.

Which Social Channels Do Content Creators Worldwide Use to Reach Their Audience?

% of respondents, May 2021

Facebook	76%
Instagram	66%
LinkedIn	60%
Twitter	51%
YouTube	47%
Google	46%
Amazon	17%
Clubhouse	8%
Reddit	7%
TikTok	6%
Slack	4%
Discord	3%
Substack	2%
Twitch	2%
Revue	1%
Snapchat	1%
Twitter Spaces	1%

Note: ages 18+

Source: The Tilt, "The Unconventionals" in partnership with Ann Handley and Unemployable, July 30, 2021

269043

eMarketer | InsiderIntelligence.com

A not-so-new model: Substack is feeling some of that economic squeeze, but it also hasn't turned out to be the savior of digital publishing that some thought—or hoped—it might be.

- Initially launched as a way for writers to monetize email newsletters, Substack quickly attracted major writers like **Matthew Yglesias** and **Bari Weiss** away from prominent publications to start their own newsletters.
- Last year, Substack told Axios the top 10 writers on the platform make a collective **\$20 million**—great for writers, but not so great for a company with a valuation several times that amount. The fact that money is so concentrated at the top of Substack also drew

comparisons to crowdfunding companies like **Patreon**, which themselves were once heralded as the solution to digital publishing's woes.

- Substack has also launched its own podcasting arm, further muddying the distinction between itself and other legacy media companies, as well as social media platforms launching their own podcasting efforts.

The big takeaway: Substack's choice to skip out on a new funding round reflects both the current uncertain state of the economy, as well as the fact that digital publishing's struggles have not been solved.

- Instead, Substack has simply emerged as another competitor and viable option for writers wishing to go off on their own and flex their pre-existing audiences.