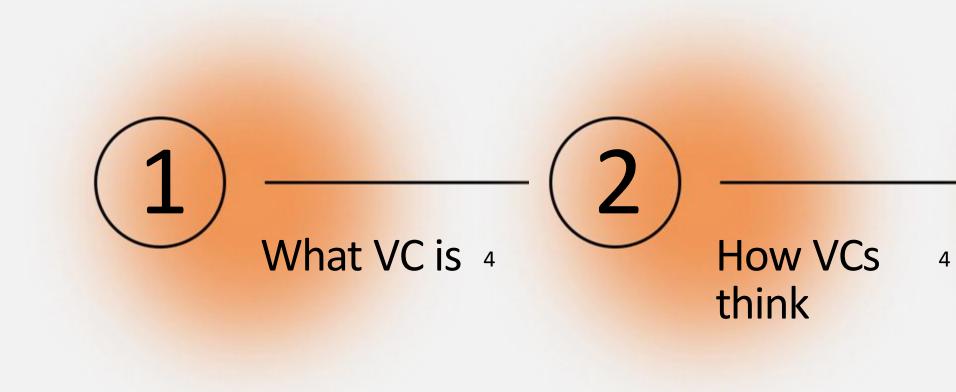
What VCs want to hear: how to raise (or not) in any market

Jonatan Luther-Bergquist

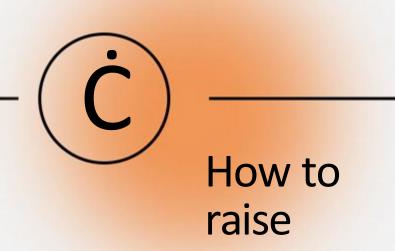


ĠŎVŨŎŅPŎŇVŘÈ IŎRÑŹŎŌŅŎŹÖMRÒŎŌMEŘÖÖÑPŹŘ



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Venture capital funds invest, advise and ₁ raise money



HOQNEP ŃV ŰCRVÕ

ĠÒQÑ ÖŎŌÑŘÒŌ ÑŔŃOMŌŊÑŅŎŹŇŹÞÒPŘ ŎRŌŇŹŒĐŎŐ MŌŇ ŃŎŌPŹŎÕŎŌ private ŃŎÖŐMŌÒŇŒ

ÆĞŎØÖ M POÑCEDEĂROMP ŇŎ RÑ ÒŌQÑCEPÒŌÅ

ÆĬŎÞØŃŇŎŐŐŎØ₽ÞŌOPÔŇŒ

ÆĜQMÕPMPÑĂŇPÑŇÔÔŊÑŌŃÑÅ

ÆĜŔÑŃÞPŇĂŒŇPPŇŹŎŒĄMŇÖÒŌÅ



ĖŇQQENŅŎÞŌŇÑÆ

ĢÑÕŐŅŎÞŌŇŇŹŒĂVŌŇÒŌQĨŒPÖÑŌPÅNÑŒÞŃŃĨŒEŖŀĨŎNŘ ŒVŹŴŌŊĨŇŔŐŇŹŴĨŌŃĨŇBĖŹĨŇVŒIJFŒŃVŌNĨOOŇĨŐŅĿĨŎVŹĨŇÈ

ÁĽI PÓVPŇŊŘĂĠIJ ÆĨ ĽĞÆÖMÓÔÑP ŎÞPÕŎŎÔÆ ŃŎÖŐŇPÒRÒŌÆŐŎŒŨRÒĎŌŪŌŊÅ

- <u>ÁĹŇPRŎØÔĂØŇŃŹ₽Ò₽ÒŪŊŦ</u>₽Ņ₽ŌŇŹŴŎDĚŪŊŦE ŐŴŹ₽ŌŇŹŒĊŎŒÅ
- <u>ÆĨŎŎÕŇŇ ØŇŒŎÞØŃŇŒÒŌ</u>ŐŎØŖŅŎŨŨŎĂŇ**B**yBÆĿEŇØĊŨŃŇ ŐØŎĊŨŇŇØŒÅ



Raise funds

Funds aren't permanent and need to raise capital themselves in order to stay in business. Last 10 years pushed funds to:

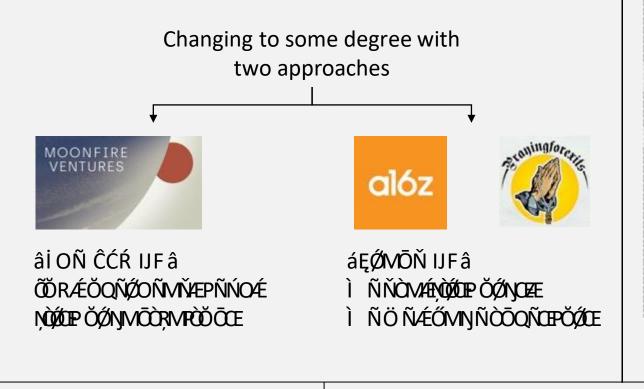
- Get bigger and bigger, vintage to vintage
- Run more funds in parallel
- Get more specialized

Venture is a network-driven, service business, traditionally

Only rarely does VC scale as a product

The core activities of VCs all compound with network, but the

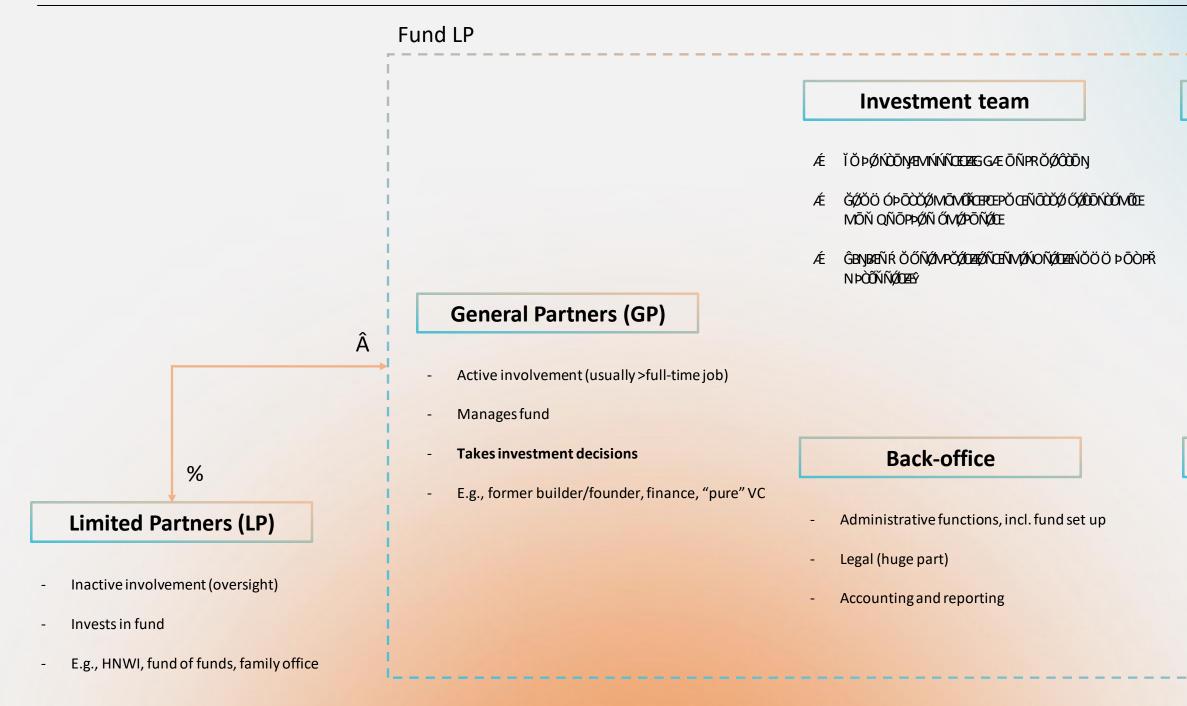
main limiting factor is still time of investors





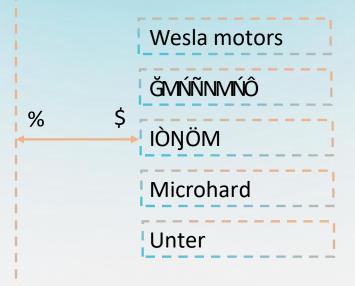
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Funds are structured as partnerships



Talent/Ops

- Help recruit and manage talent for portfolios
- Maintain talent networks
- E.g., former Head of People



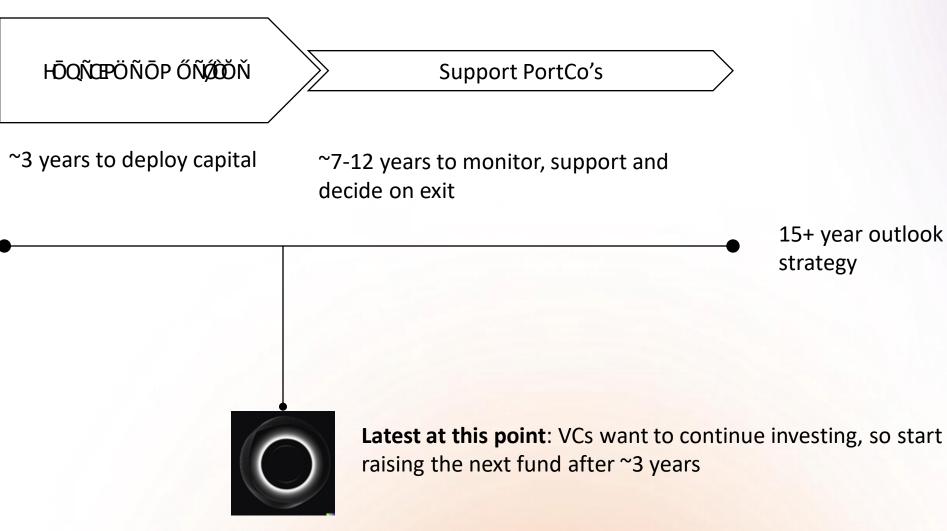
...

- Build out internal tooling
- Sometimes tech DD on investments

Tech

- Sometimes support portfolio companies on tech

Venture funds live 15y+, but front-load much of the heavy lifting



4

15+ year outlook on investment

Í ŎR RÑÔŌŎR ROVPIJFÒŒB ĢŎR ŇŎPOÑŘPOÒŌÔĒ



VCs are incentivized to increase AUM and make ₆ returns

ĞÞŌŇŒVŹÑŃŎÖŐÑŌŒVPÑŇ POŹŎÞŊO PRŎÖÑŃOVŌOĐÖŒ

→ÌMŌMŊÑÖÑŌPŅÑÑĂŠČÃ ŐBVBÅ

Necessary to run a fund Salaries, legal expenses, etc. Scales with fund *size*

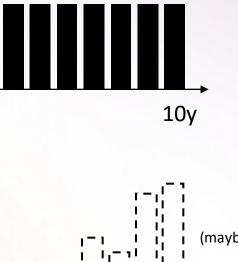
1y

ĈŘ

200%

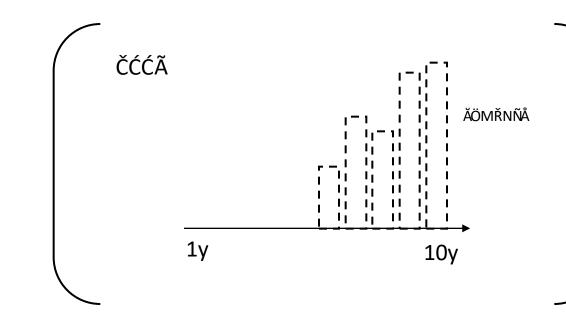
→Carried interest (~20%)

Necessary for aligning interest GP does well if fund and LPs do well Scales with fund *returns* and *size*



ĈĆŘ

How do we get the dotted maybe returns??



7

Let's look at the venture machine

Without exits, no returns. Without returns, no fun(d)

HŌŐÞP ŐVØVÖ ÑPÑØE

- Æ ĖQŇŹWŊÑ ŃOÑŃÔCEÌŖŇ
- Æ ĞÞŌŇŒÒŖÑ
- Á ŎŅÒŌQÑŒPÖÑŌPŒÒŌ ŐŎØŖŅŎŨĎ
- Æ Ĭ PMŊÑŅŎŃÞŒ
- $\not \text{ \widehat{A}} \quad \hat{I} \quad R \; \bar{O} \; \tilde{N} \not \text{ \widehat{O}} \; \tilde{O} \; D \\ \vec{O} \quad \vec{O} \quad$

The venture machine



Output parameters

- Wind-downs (fatalities)
- Exits through:
 - Acquisitions
 - Initial Public Offering
 - Tokens
 - Secondaries

Can be turned into an optimization problem btw: e.g., objective function is multiple on invested capital. Find optimal input parameters given risk profile, picking skills, etc. 8

The Power Law drives venture

- Venture means big risk, massive returns
- A few portfolio companies drive returns of the entire fund, ergo:
 - Fatalities don't matter
 - Each investment needs to be able to *at least* return the fund
 - Not every business fits the venture profile

Decision making is the real skill that matters in venture

Fund influences

ij

- 1. Capital available
- 2. Stage in fund cycle
- 3. Attention split (vacation?)
- **Burned topic** 4.
- 5. Competitive investments in portfolio



Í ÖP ÑÍRONDCERÍDNÍA **Startup factors VCs consider**

- 1. Exceptional team
- 2. Market
- 3. Product/Tech
- 4. Deal terms
- 5. Legal setup and cap table

Not exhaustive!

9



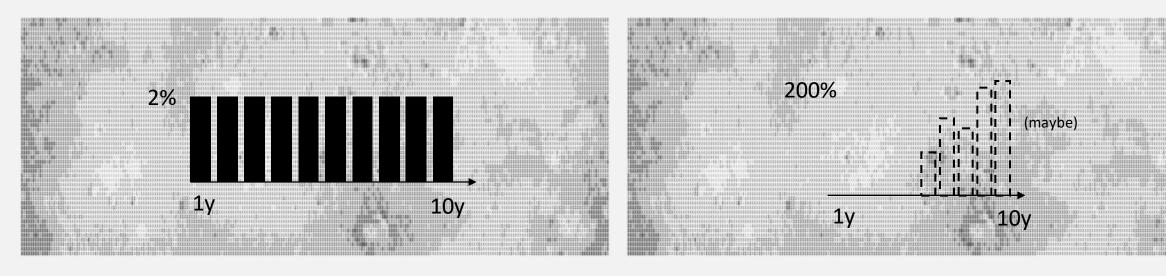
trying to fundraise for some time, dunno

"We're not fundraising yet... but I'd be happy to chat"

Stuff VCs LOVE

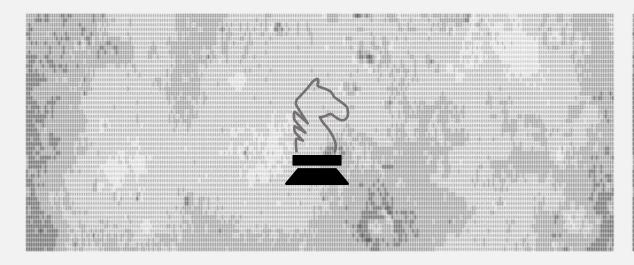
- 1. Prior exits ("serial entrepreneurs")
- 2. Traction
- 3. Momentum in the round
- 4. Great narrative
- 5. Being early

HŌŒÞÖÖMŹŘÈ Î ÞRÔŇZEHVZŇĊÖŐČZRVŌPENÞPŒŎÒŒĖĮÌ

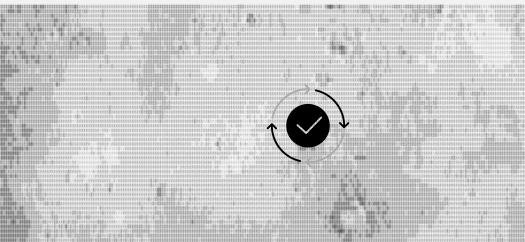


AUM can be main motivator! \$1B fund = \$200M in mgmt. fees over 10y

Massive uncertainty requires each investment to have huge potential reward



Fund size determines strategy

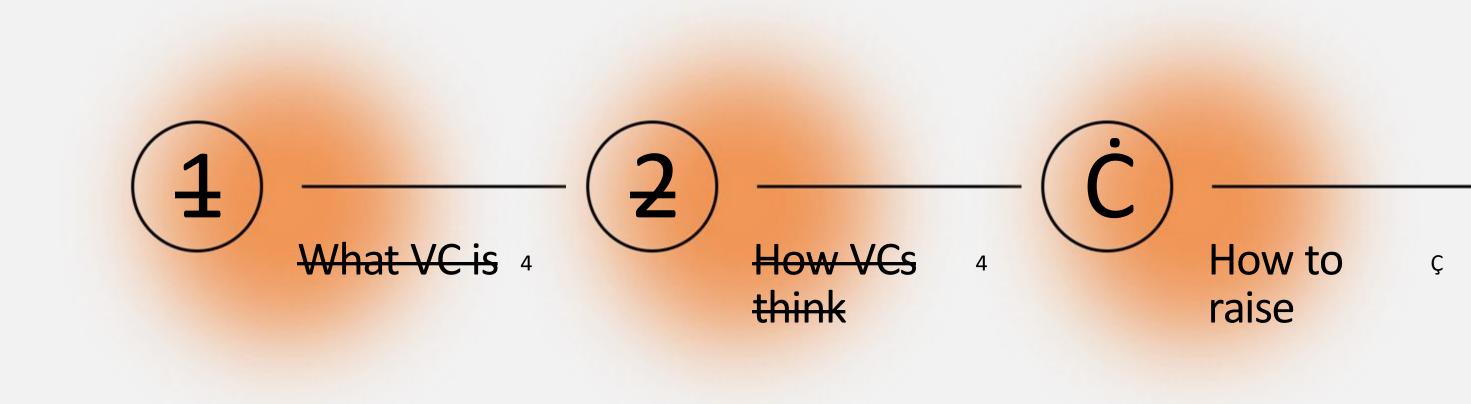


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Í ŎR RÑÔŌŎR ÔDŇĂŅOŎR POÑŘPÔDÔB J MP ŇŎĒ ĢŎR ŹŴŨĒŇĒ



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RAISE VC MONEY

l'm sorry sir, can't let you do that.

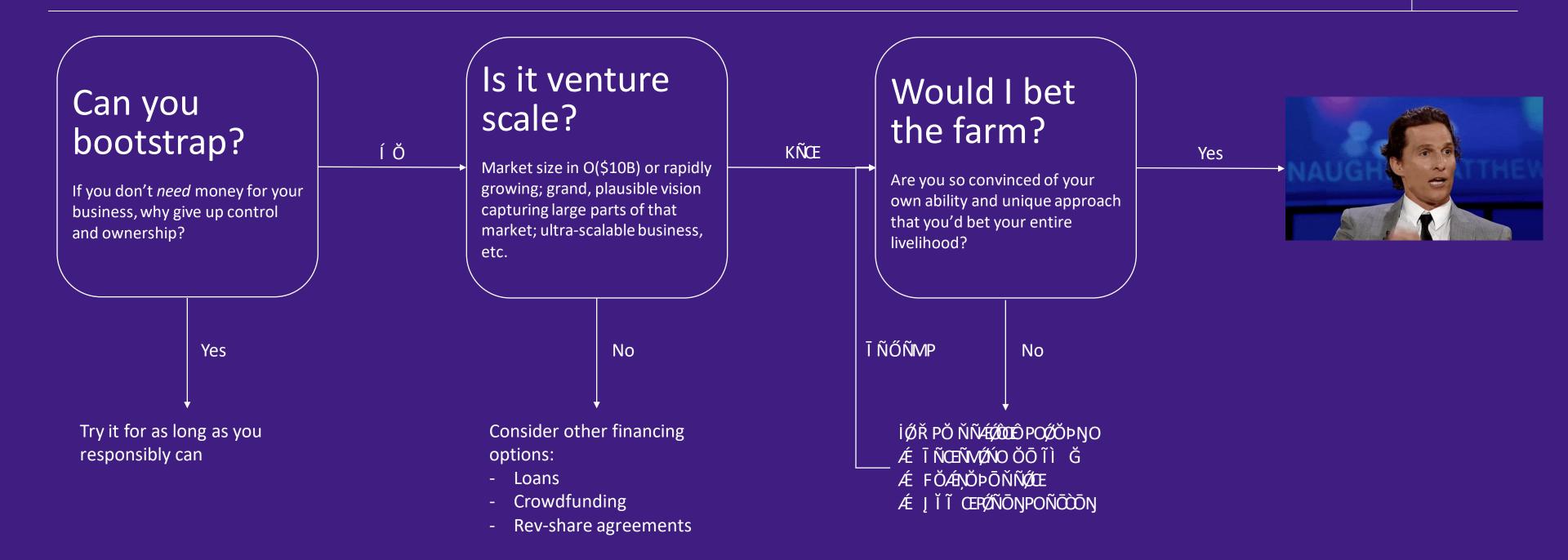
Not to worry. I have a permit.



imgflip.com



Three questions to ask yourself before starting to raise venture capital



13

You decided to raise venture capital, wat do?



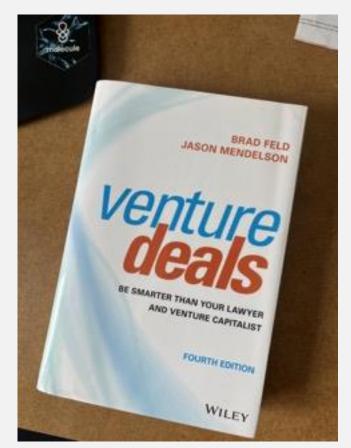
14

Which VCs to target

- Stage + Check size
- Geography
- Intro-line

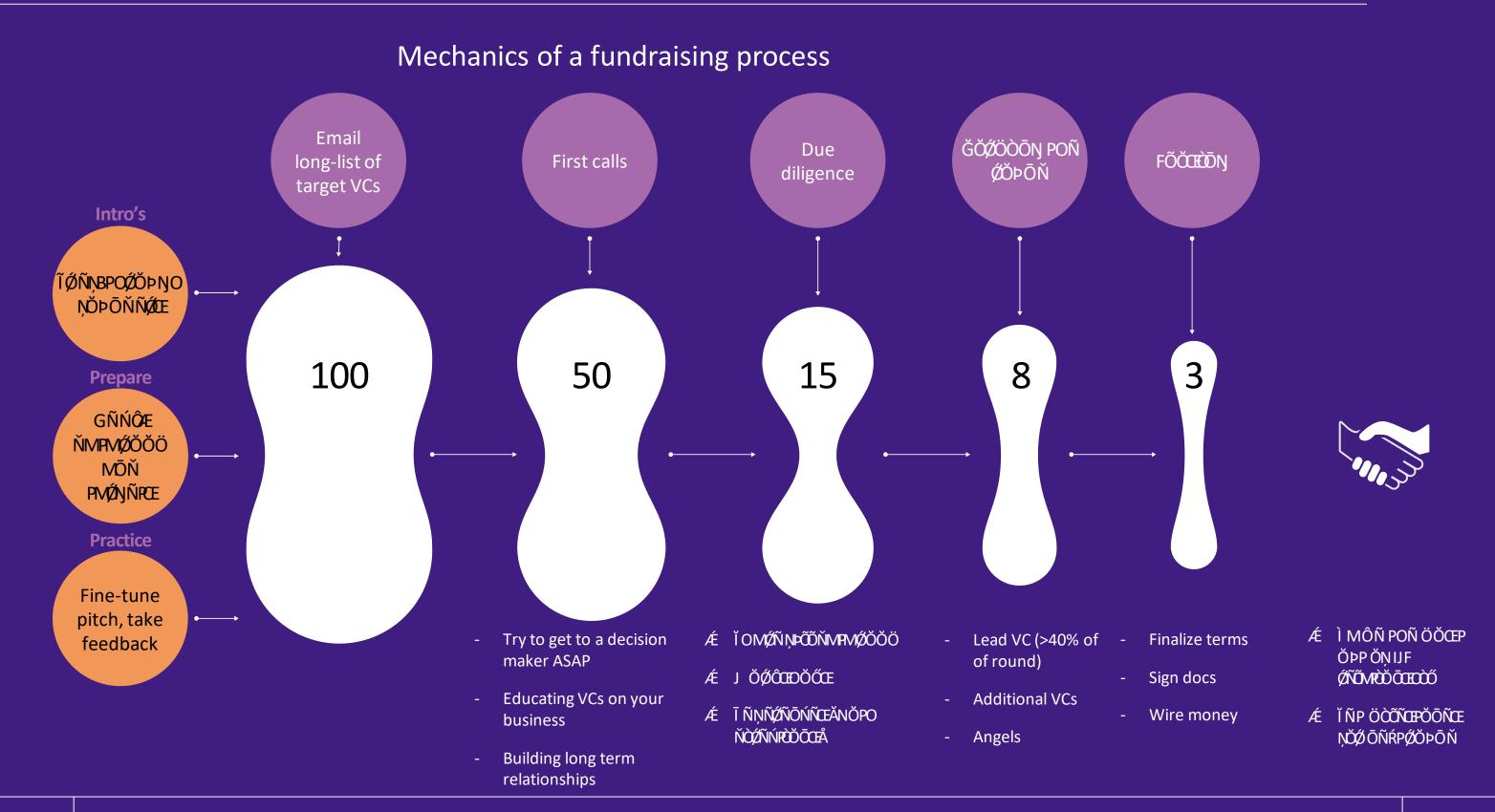
Do or do not, there is no try

- Be deliberate
- Build momentum
- Only "go out" when you're sure you can close



Best guide for more info

Don't be scared, fundraising doesn't have to be horrible. It will be work though



TUM Blockchain Salon 11052023

ĬÒÖ ŰĨŃŹŧĨĨŒPŎ ÔĨNĨŐÒŌ ÖÒŌŇ



Three tenets of VC psychology:

- 1. VCs are looking for a reason to pass on you
- 2. (Many) VCs are herd animals, following the flock
- 3. VCs can smell desperation



How to use this in your favor:

- 1. Avoid early passes for bad reasons reasons
- 2. Tweak the pitch according to thesis of thesis of fund and trends
- 3. Act as if you're (and you are!) in the the driver seat

DO

Target funds for whom yo

Tell a grand story, connecting your vision to larger supporting trends

Set tight deadlines and be prepared to stick to them





DON'T

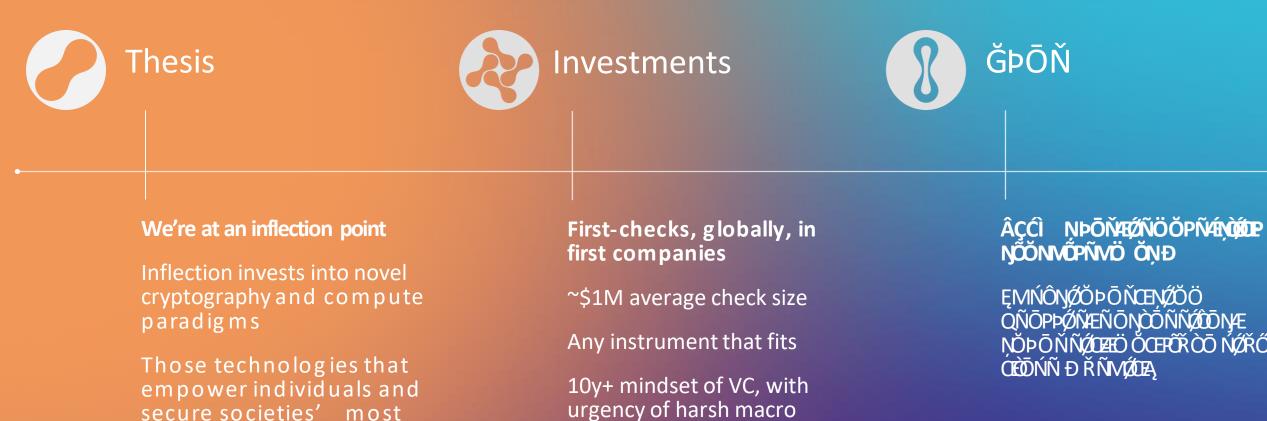
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Act mysterious and refuse to share information

Lie (obv.) or say you'll do different things to different people

Impose artificial constraints that don't allow for proper DD

ĜŔVÖ ĆŐŇIJF ĆŹŎŅŎŇĚ J OVPRÑ ŇŎNPHONNKOOEŔŔŖ



conditions

critical structures



ŎŇŌPÞŹŇÆŇŌŊÒŎŇŇŹŨŌŊÆ ŅŎÞŌŇŇŹŒEÖŎŒPÕŘÒŌŃŹŘŐPŎ

See ours dives as partners to foundersin the earliest stage

Ĭ ÞŐŐŎØPÒŌ POØÑÑ ÖMÒŌ MÓÑMCÈ

- Æ Ĭ PØVPÑŊŘ
- Æ Í MÕÑŌP
- Æ FŎÖÖÞŌÒPŘ

My hope after this

Ė PÕŇVCEP ŎŌŇ ŐŇŹŒĐŌÒŌ POŇ ŃŹŎRŇ CERVŹÆEV I QŇŌPÞŹŇÆ NVIŃÔŇŇ ŃŎÖ ŐVIŌŘ

Still on the fence?



JLB@inflection.xyz

@JonatanLB on tg

Red flags



19

Í ÖP ÑRONDERÍÐNIA

"If you agree to my terms, I'll buy you a