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Introduction to Fundraising

Startups raise money to prove a hypothesis or scale their business.

FOR THE STARTUP

Sell equity or take on debt that converts to equity.

Get money to test hypotheses, hire employees, grow business.

Possibly give up some control.

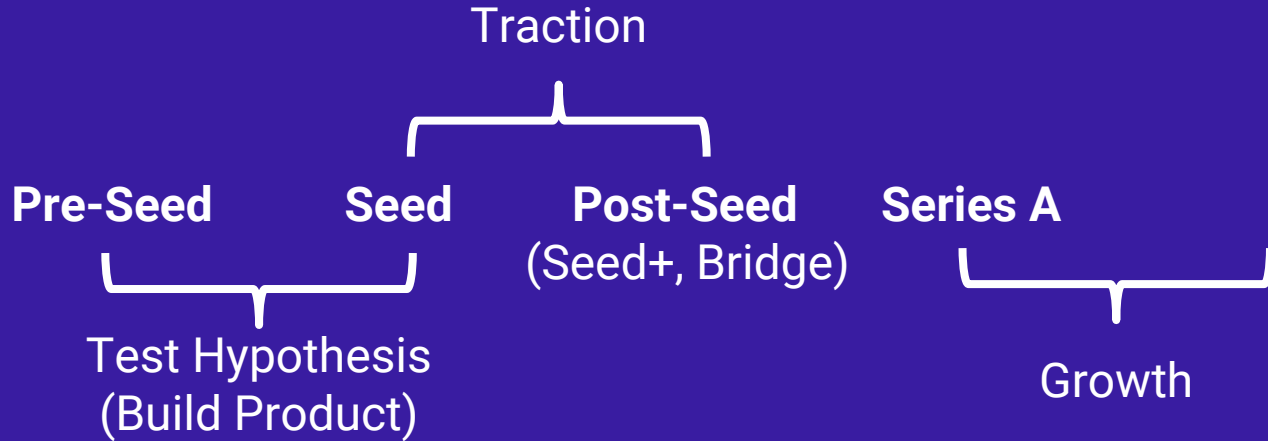
FOR INVESTORS

Purchase equity in the company.

Hope to 10x, 100x, or 1000x the investment.

Possibly provide governance.

FUNDING ROUNDS AND GOALS



INVESTOR TYPES

1. **Friends & Family (\$)**
2. Angels (\$\$)
3. Venture Capitalists (\$\$\$)
4. Strategics (\$\$\$)

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WHY ANGELS INVEST

- To learn
- To stay in the game
- To have fun
- To make money

INVESTOR TYPES

1. Friends & Family (\$)
2. Angels (\$\$)
3. **Venture Capitalists (\$\$\$)**
4. Strategics (\$\$\$)

WHY VCS INVEST

- To make money for their LPs
- To make money for themselves
- To learn
- To build relationships with other investors

INVESTOR TYPES

1. Friends & Family (\$)
2. Angels (\$\$)
3. Venture Capitalists (\$\$\$)
4. **Strategics (\$\$\$)**

WHY STRATEGICS INVEST

- To see deal flow
- To support company goals
- To make money
- To block startups from becoming or being acquired by competitors

A NOTE ON INVESTORS

**All money is not
created equal**

Neither are investors.

- GOOD MONEY helps you succeed
- DUMB MONEY leaves you alone
- BAD MONEY meddles or hurts your company

KNOW THEIR THESIS

Pitch people who can invest in you

Don't waste your time, or theirs.

- Do they invest at your stage?
- Do they invest in your sector?
- Do you fit their thesis?

Look for these details on their website, in interviews, and on Crunchbase (from past deals).

THE PROCESS

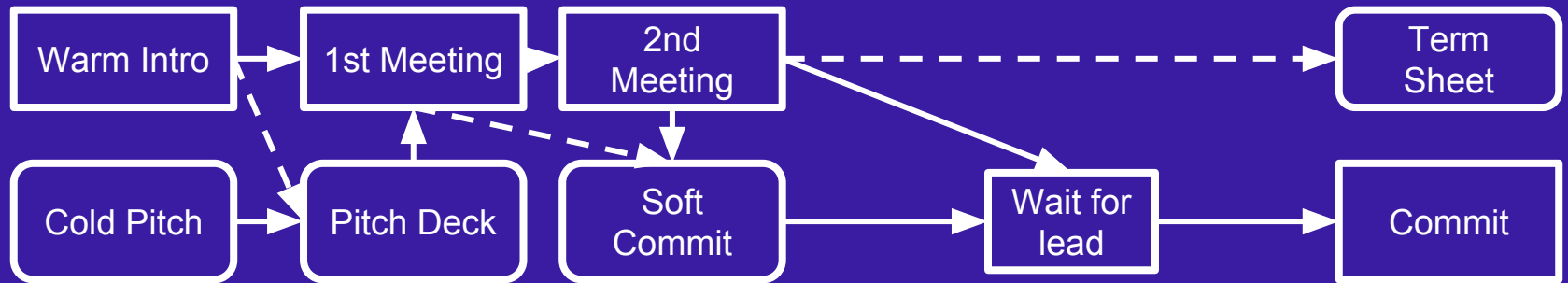
- Make a list of all the investors you want to pitch
- Get introductions to multiple investors (in parallel)
- Prepare to hear “No”
 - Don’t get disheartened.
 - Use feedback to make your pitch better.
- Get soft commits
- Get a lead investor to set the price
- Get a term sheet (then send it to your lawyers)
- Draw up docs (lawyers), coordinate signatures, close, get wired money

WHAT'S A TERM SHEET?

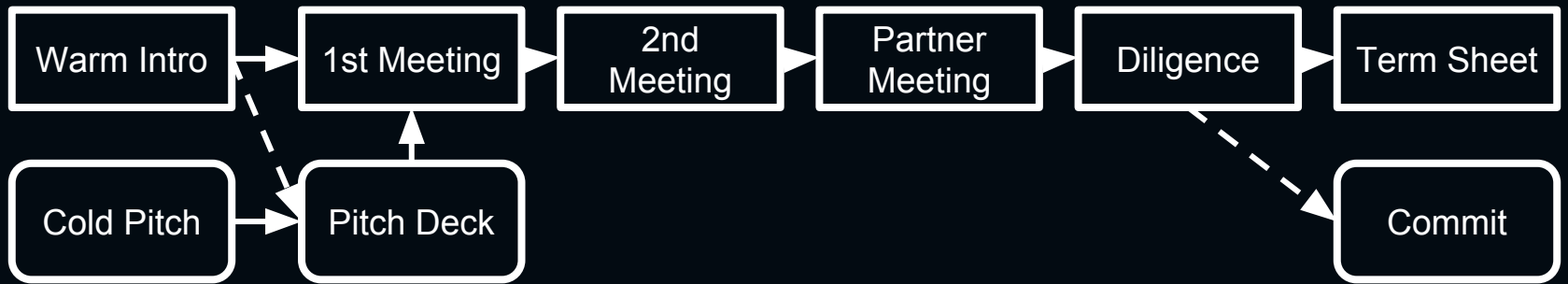
One or two pages highlighting the key “terms” of the investment. Share price or valuation cap, for example.

Look this up on Venture Hacks and/or read Brad Feld’s book *Venture Deals*.

TYPICAL ANGEL PROCESS



TYPICAL VC PROCESS



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