

# MAI 622: AI Entrepreneurship



MAI 622: AI Entrepreneurship- Module 4

# Fundraising and Pitching



# Module 4 Contents



- ▶ Fundraising: Key Terminology and Concepts
- ▶ Pitching your idea

## Module 4: Fundraising and Pitching

# Section 1: Fundraising



# Some Terminology

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- **Unicorn:** A company often in the tech or software sector worth over US\$1 billion.

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- **Pitch deck:** a short version of a business plan which presents key figures to potential investors in hopes of winning them over.

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- **VC (Venture capital/Venture capitalist):** Venture capital is financing provided by firms to small, high-risk, startup companies with large growth potential in return for equity. Investors working for venture capital firms that choose to invest in specific companies are typically called VCs.

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- **Vesting:** A process that involves giving or earning a right to a present or future payment, benefit or asset.
- **Exit:** Founders sometimes develop an exit business strategy before or during their entrepreneurial journey. An exit is a way to transition the ownership of your company to another company and pay back your investors.

# The Role of Venture Capital

*“VC funding-early investments in high-risk, high-potential companies -barely existed before the 1970s.*

*Inventors and innovators during the first two Industrial Revolutions had to rely on a thin patchwork of financing mechanisms to get their products off the ground, usually via personal wealth, family members, rich patrons, or bank loans. None of these have incentive structures built for the high-risk, high-reward game of funding transformative innovation.*

*That dearth of innovation financing meant many good ideas likely never got off the ground, and successful implementation of the GPTs scaled far more slowly.”*

**Source: Kai-Fu Lee (2018) “AI Super-Powers”**

# The Role of Venture Capital

*“Today, VC funding is a well-oiled machine dedicated to the creation and commercialization of new technology.*

*In 2017, global venture funding set a new record with **\$148 billion invested**, egged on by the creation of Softbank’s \$100 billion “vision fund; which will be disbursed in the coming years.*

*That same year, global VC funding for A startups leaped to **\$15.2 billion**, a 141% increase over 2016. That money relentlessly seeks out ways to wring every dollar of productivity out of a General-Purpose Technology like AI, with a particular fondness for moonshot ideas that could disrupt and recreate an entire industry.*

*Over the coming decade, voracious VCs will drive the rapid application of the technology and the iteration of business models, leaving no stone unturned in exploring everything that AI can do.”*

**Source: Kai-Fu Lee (2018) “AI Super-Powers”**

# How to Raise Money?

- Fundraising is hard
- Don't raise money unless you want it and it wants you
- Be in fundraising mode or not
- Get introductions to investors
- Hear no till you hear yes.
- Do breadth-first search weighted by expected value
- Know where you stand
- Get the first commitment
- Close committed money
- Avoid investors who don't "lead"
- Have multiple plans
- Underestimate how much you want
- Be profitable if you can
- Don't optimize for valuation
- Yes/no before valuation
- Beware "valuation sensitive" investors
- Accept offers greedily
- Don't sell more than 25% in phase 2
- Have one person handle fundraising
- You'll need an executive summary and (maybe) a deck
- Stop fundraising when it stops working
- Don't get addicted to fundraising
- Don't raise too much
- Be nice
- The bar will be higher next time
- Don't make things complicated

# Reading Assignment



Read the following blog post and review the financing documents developed for the SAFE (simple agreement for future equity) financing approach documents  
Watch the following videos and discuss

- Fundraising Templates: Safe Financing Documents
  - ▶ <https://www.ycombinator.com/library/6z-fundraising-templates-safe-financing-documents>





# Reading Assignment



Read the blog post by Bill Aulet “The Basics of Finance” and review the key concepts analyzed therein:

- <https://www.d-eship.com/articles/featured/chapter-2-the-basics-of-finance/>

**DISCIPLINED  
ENTREPRENEURSHIP**

# Reading Assignment

## Read the following blog post on Financial Modeling by Bill Aulet

- Financial Modeling (Part 1)
  - ▶ <https://www.d-eship.com/articles/featured/chapter-3-financial-modeling-part-1>
- Financial Modeling (Part 2)
  - ▶ <https://www.d-eship.com/articles/featured/chapter-3-financial-modeling-part-2/>



**DISCIPLINED  
ENTREPRENEURSHIP**

Module 4: Fundraising and Pitching

# Section 2: Pitching



# Reading List



- Pitch Advice for Entrepreneurs by Reid Hoffman
  - ▶ <https://www.reidhoffman.org/linkedin-pitch-to-greylock/>
- The YC Seed Deck Template by Aaron Harris, Y Combinator (2018).
  - ▶ <https://blog.ycombinator.com/intro-to-the-yc-seed-deck/>
- How to Design a Better Pitch Deck by Kevin Hale, Y Combinator (2015).
  - ▶ <https://blog.ycombinator.com/how-to-design-a-better-pitch-deck/>
- How to Effectively Pitch Business Ideas to Investors by Sarath CP.
  - ▶ <https://medium.com/swlh/how-to-effectively-pitch-business-ideas-to-investors-dd76661b02f1>
- It's time to Rethink the Startup Pitch Deck (Here's a Start) by Rob Go (2015).
  - ▶ <https://nextviewventures.com/blog/startup-pitch-deck-founder-vc-interactions/>
- 10 Things to Include in Your Startup Pitch Presentation by Bill Clark, Mashable.
  - ▶ <https://mashable.com/2011/06/24/startup-pitch-presentation>
- 10 questions for a perfect pitch by Linda Plano, MITEF Greece.
  - ▶ <https://www.planoandsimple.com/10questions/>
- How to Create an Enchanting Pitch by Guy Kawasaki.
  - ▶ <https://guykawasaki.com/how-to-create-an-enchanting-pitch-officeandguyk/>



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- Be **Courageous**.
- The purpose of a successful pitch is to have investors willing to **invest** in your company.

# Pitching Importance

- Attacker vs. Defender
  - ▶ As an attacker, this is more important
- Gain needed resources
  - ▶ You need to get resources & this is the way
- Instantaneous view into your abilities
  - ▶ Employees, Advisors, Board Members, Investors, Customers, etc. will all get to see your skills in this exercise

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- Sets a mental model in person's mind so you can later succeed

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- **Smile!**

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- What I am asking of you and what you will gain



# Intangibles for Success

- **Passion** – enthusiasm
- **Empathy** – make them feel like the most important person in the world
- **Preparation** – do your homework & practice, practice, practice

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- Synergies with rest of portfolio

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- **Fishing expedition** – not clear on objectives

## Section 2: Pitching

# Taxi Cab Pitch: the MIT Approach

# Pitch types

- Elevator Pitch (1 minute)
- Escalator Pitch (3 minutes)
- Taxi Cab Pitch (10 minute)
- Commuter Train Pitch (30 minutes)
- Plane Pitch (45 minutes)
- Also: Don't forget the power of your company name, logo, 1st image & tag line

# First Question

- What does your audience want?
- And remember, the responsibility is not on them to “get it” but rather on you to explain it in such a way that they understand it and are excited about it.

# The Ten Minute Business Plan

- Seven slides
- Apply these suggestions with reason
- Feel free to remove or consolidate

# Slide #1: Introduction

- Name of Company – important to help frame things
- Compelling Tag Line
- Visual – the power of the first image
- Tell a compelling story demonstrating target customer, as is state, urgency, desired & possible state, your value proposition (usually the persona and use case)
- Tell them what you want them to remember – **three key points** – and **what you will be asking for** at the end

# Slide #2: Target Customer/Pain

- Who is the Target Customer? How many of them are there? (Who)
- What is their pain or opportunity? (Why)
- Speed of adoption? (Why Now)
- Who has the money? (Who Pays)
- Specific examples you have met...
- Your first ten customers
- This is too much but think of what you can effectively get into a minute or so and one slide – remember stories help



# Slide #3: Your Solution

- Explain your solution (“pencil sell”) (What)
- Quantified Value Proposition (How Much)
- Unique Selling Proposition (Why You)
- Be very visual here ... remember, 1 minute and 1 clear easy to understand slide

# Slide #4: Go To Market Strategy

- How will you get to the customer and drive demand? Fulfill demand?
- Who will be your first set of customers? (by name)
- What will be your Cost of Customer Acquisition (COCA)
  - Initially
  - Overtime
  - Market penetration
  - Investment required → ROI

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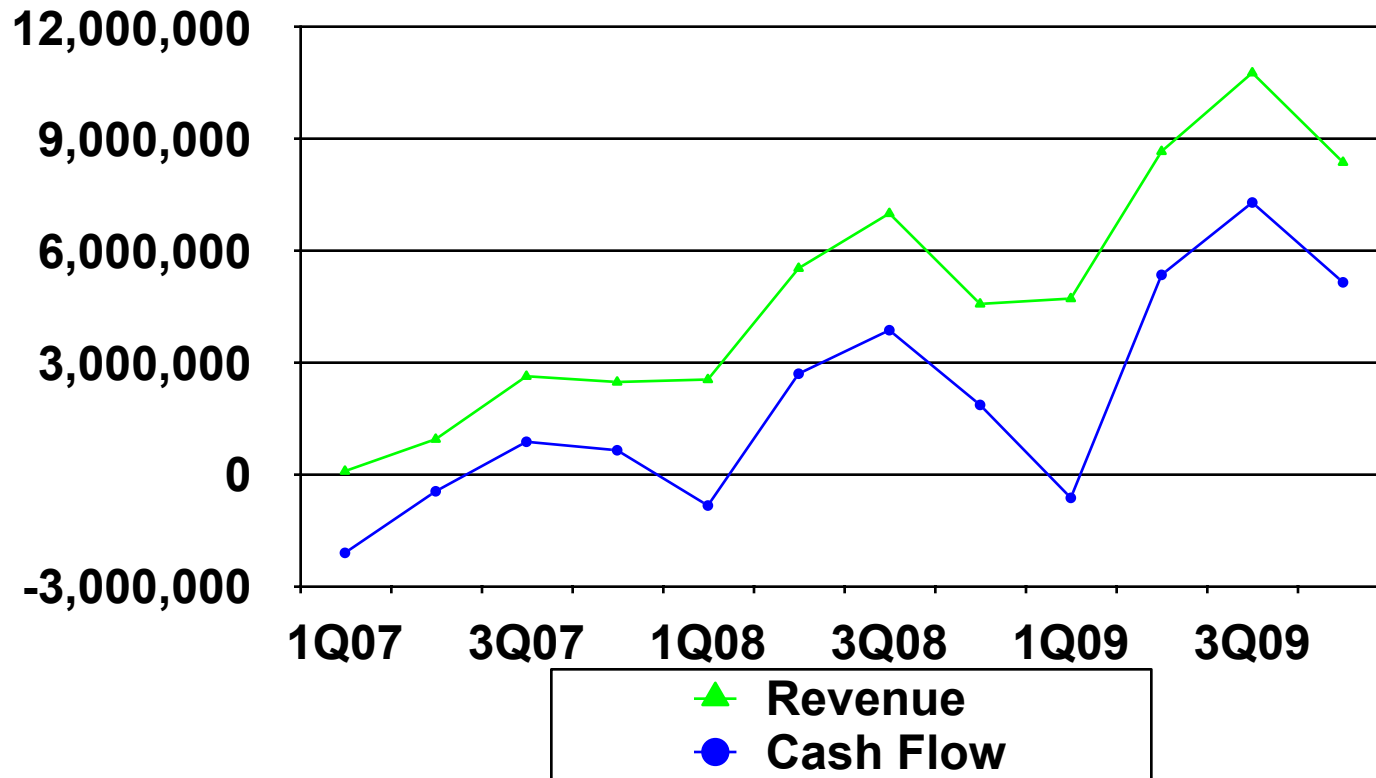
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  - ▶ Key Milestones driving financials
  - ▶ Value of company estimations & exit strategy

# Summary Quarterly Financials



# Slide #6: Team & Competition

- Team today (Why You II)
- Team future
- Competitors and Sustainable Competitive Advantage

# Slide #7: Summary and ASK!

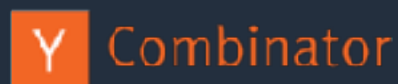
- Summary of three key points
- Call to Action
  - ▶ How much are you asking them for?
  - ▶ What are the possible exits?
  - ▶ What types of returns are possible and/or likely?
- Then have your “ASK”!

# Back Up Slides

- Have a good set of back up slides for frequently asked questions
- Especially for financials
  - ▶ Top line explanation
  - ▶ Expense explanation
- Primary Market Research Data in Structured and Statistically Valid Manner

## Section 2: Pitching

# The Y Combinator's Deck



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# Pitch Deck Structure I

- Cover Page
- Summary
- Team
- Problem
- Solution
- Marketing/Sales
- Projections or Milestones
- Competition
- Business Model
- Financing



# The YC Seed Deck Template



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  - ▶ Solution explanation, in as few words as possible, with concrete benefits you provide described



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  - ▶ Present future growth potential and convince the investor that they're going to make lots of money with you.



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  - ▶ Lay out your business model.
  - ▶ Present future growth potential and convince the investor that they're going to make lots of money with you.
  - ▶ Talk about what makes your team particularly well suited to the problem.
  - ▶ Tell the investor how much money you need, and what it gets you.



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## Read the following posts and discuss:

- “It’s Time to Rethink the Startup Pitch Deck (Here’s a Start)” by Rob Go (2015):
  - ▶ <https://nextview.vc/blog/startup-pitch-deck-founder-vc-interactions/>

# Suggested Readings



Check out the following resources on how to improve your communication skills:

- 9 Simple Things Great Speakers Always Do, Jrrf Heyden (2014)
  - ▶ <https://www.businessinsider.com/9-simple-things-great-speakers-always-do-2014-2>
- English Communication for Scientists
  - ▶ <https://www.nature.com/scitable/ebooks/english-communication-for-scientists-14053993/contents/>

