

MCIL 2021

FS201: Behind the VC Curtain

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Early Stage VC
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William Crowder

Early Stage Investor

William has operated at the intersection of technology, venture capital, and diversity for the last decade. He began that pioneering work with **DreamIt Ventures**, a pre-seed accelerator. William launched and **led nation's first corporate-backed diversity VC fund** at **Comcast Ventures**, 2012-17. Most recently, he has served as Entrepreneur-in-Residence at **Morgan Stanley**, venture partner at **Connectivity Capital**, and founding general partner at **Aperture Venture Capital**. He is a graduate of **Duke University** (MBA) and **NC State University**.

Track Record

- 80% Black/LatinX founders
- 67% female founders
- >100 investments with diverse founders sourced for corporate investors

Highlights

- Partpic's first institutional investor (sold to Amazon)
- Early investor in Cuyana (raised record-setting \$30M Series B)
- Seed investor in Landit (raised record-setting \$13M Series A)

Notable Investments



Areas of Interest

- Enterprise solutions
- Multicultural consumer/commerce
- Next-gen fintech & digital health

Recognition

*Named in "Great People Spearheading Change in Tech Investment" by Silicon Republic
Recognized as an "Inclusive Entrepreneurship Champion" by the Case Foundation*



My Singular Focus...

Increase Your Likelihood of Having Fundraising Success

Fundraising Overview

- **FS101: Fundraising Strategy (W. Crowder)**
 - Understand early stage funding landscape (for multicultural founders)
 - Prepare for the fundraising experience
- **FS201: Behind the VC Curtain (W. Crowder)**
 - Learn how investors think and make decisions
 - Running an effective and efficient fundraising process
- **FS301: How to Structure a Compelling Story (C. Harris)**
 - Clarify your message
 - Telling your company's story

Today's Objectives

- Provide overview of the basics of VC funds
- Help you better understand how VCs make decisions
- Build the framework of a disciplined fundraising process

Introducing our favorite new fund - MVP



Firm overview: Two (2) partners investing in awesome diverse founders across the U.S. at the earliest stage.

Fund size	\$50M
Mgmt Fees (2% for 10 yrs)	<u>\$10M</u>
Investable Capital	\$40M
Portfolio Size	24 companies
First Check Size	\$1M (\$24M total)
Reserves	\$667K (\$16M total)

Fund Dynamics - Reading Between the Lines

Solid VC fund performance is achieved when a firm returns at least 3 times the capital invested in the fund. Since seed investments have a high failure rate (>50%), every investment made must have home run potential (e.g. gross proceeds of at least \$50M).

- \$1M goes in ==> \$50M must come out
- Target initial ownership = 10% (\$10M post-money deals)
- Ownership at exit (after dilution) = 3.5%
- Size of exit required for home run = **\$1.4B!!**

Strategic Impact

The fund can only back companies with multi-billion dollar outcome potential!!

MVP's Screening Approach

See a ton, say '**NO**' to most, only pick potential winners.

- For each of MVP's general partners:
 - Source 300 deals in a year
 - Select 1 in 100 (3 deals per year)
 - Only spend time with startups that have big outcome potential
 - Serious diligence proceeds when probability is high that a deal can get done

Getting to Yes: Investment Memo/Presentation

Formal mechanism for summarizing the rationale for investing in your company. Serves as key document used prior to formal vote being taken.

- *Company Overview*
- *Problem Overview & Market Analysis*
- *Team Evaluation*
- *Business Model & Strategy*
- *Product Status*
- *Competitive Analysis*
- *Financial Performance*
- *Diligence Summary*
- *Financing Plan*
- *Deal Positives & Concerns*
- *Exit Scenarios*
- *Home Run Potential*
- *Summary of Investment Terms*



What All This Means For You

Your Fundraise = Your Process, not the VC's

Prepare

- Set the calendar
- Gather your tools
- Build data room
- Practice the pitch

Screen

- Research investors
- Create your target investor lists
- Build data room
- Get warm intros
- Execute investor outreach

Pitch

- Group your first meetings
- Group your second meetings
- Group your final prospects (leader vs. followers)

Negotiate

- Set/accept terms
- Assemble investor syndicate

Close

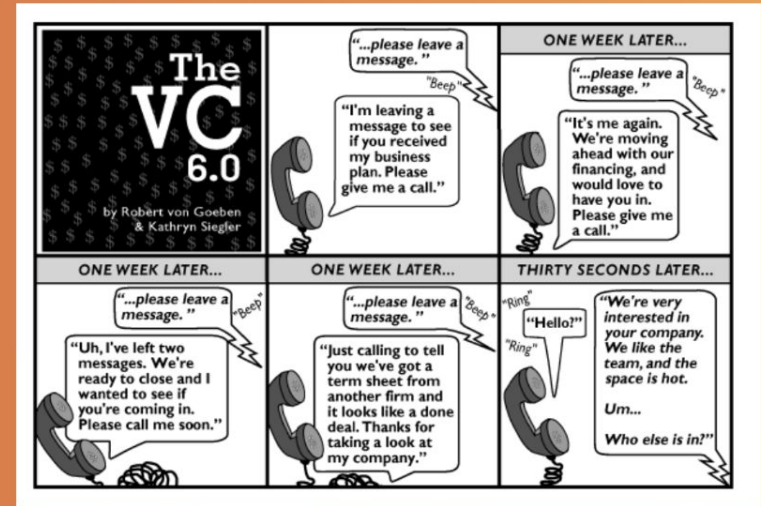
- Complete diligence
- Sign docs and get wires
- Craft the deck for raising next round
- Get some sleep!

Investor Targeting

- Determine which investors are active in your space/stage
- Ask founders that are a round or two ahead of you
- Check Pitchbook, Crunchbase, etc.
- Test your message with “friendlies”
- Group investors into A, B, and C categories
 - A = dream/ideal scenario
 - B = solid & would make us happy
 - C = long shots, likely no, great for practice
- Target Cs first, then Bs, and finally As

Understanding the Language of “No”

- Anticipate a ton of meetings (volume = time)
- VCs prefer to “Pass” rather than say “No”
- “No” doesn’t always mean “never”
- Build the relationship for later contact
- It is rarely personal, but it is always business



Why VCs meet but might not rush in

- Get to know you
- Get familiar with your business
- Compare you to another potential investment
- Want to “get comfortable”
- Answer questions other partners/decision makers may have

Managing the VC meeting rhythm...

- Make sure the meeting objective is clear
- Maintain clarity on their process
- Stay engaged and responsive
- Nudge with intent, do not pester
- Be clear and get confirmation at every step

Is this the right investor for you?

- Do we really want to work together?
- Who else have they invested in?
- Good times and bad times? How will they behave?
- How do they make decisions?
 - Initial investment
 - Follow ons
 - Lead or follow
 - How much capital do they have reserved for you and where are they in their funding cycle?
- What value do they add and how?

Negotiations and Closing the Deal

- Negotiate the terms (with understanding of “what’s market”)
- Get their unambiguous commitment
- Then, ask for help fundraising from their network

Ask Me Anything

