Twitter Thread by Elizabeth Yin



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Today's thread is a continuation on *how* you generate momentum in fundraising.

Here's a rough conversation I had with a founder (called 'C') over the course of days a few months back.

Read on >>

1) C: I'm having trouble raising. VC A and VC B are taking so long to get back to me.

Me: Oh, when did you meet w/ them?

C: 3 weeks ago.

2) Me: Oh, are you mtg w/ anyone else?

C: No, I got busy working. I had all these sales calls to make.

Me: That's the problem - there isn't a reason for them to move quickly. There's no investor at the table.

3) C: But I have all these sales calls to make!

Me: I really don't have a great answer for you here. This is probably the hardest part about fundraising - juggling your actual job w/ your fundraising job, which is full-time too.

4) Me: You need to hand off your sales calls to your co-founder. And then you can do mtgs back to back.

C: Ok...

[some time passes]

C: Ok - I'm ready.

Me: How much do you want to raise and what are you using the money for?

5) C: $700k (+ some explanation of why that is irrelevant here)

Me: Ok. I'd suggest you tranche it. Start w/ your current valuation $3.5m & tell anyone interested you're wrapping up a small tranche of say $200k on this and if they know they want to commit, the cap will go up.

6) C: Ok, but can I really increase the valuation? What do you think it can go up to? I don't want to raise the whole thing at this valuation.

Me: Depends on how you pack in your mtgs & get ppl excited. Maybe it can get up to $6-7m post?

C: Really? I really don't see it.

7) [goes and does a bunch of mtgs back to back]

Me: Ok now make sure to follow up with everyone that you're moving into second mtgs with a handful of ppl to keep the pressure on.

8) [A bunch of small checks commit at the $3.5m cap]

Me: Ok now tell everyone that you've filled the $3.5m tranche and you're actively talking w some larger potential funders about a higher valuation and ask if it makes sense to take the next step.

9) [One fund comes back with a $500k proposal at $4m post]

[Another fund wants to do this but has no proposal]

Me: Tell the first fund that the $4m is probably not going to work, because there's another fund that wants to take the whole thing at a higher valuation.

10) Me: Tell the 2nd fund that the first fund has put terms on the table, but you're trying to find the best fit. Would they be open to doing this at $6m post?

And you can sign today.

11) [The second fund hems and haws and takes a while.]

[The first fund keeps calling the founder pressuring the founder to take the $4m cap offer.]

12) Me: Tell the 2nd fund that you have to make a decision asap on the 1st fund.

[2nd fund puts a $6m cap offer out there.]

C to the 1st fund: I can't take your offer, because the 2nd fund's offer is just a lot better.

13) C to the 1st fund: But if you bump up to $7m post, we've got a deal today.

Done.

And that is how you generate momentum on your round in < 1 week. (and double your valuation)

It's all about momentum and urgency.