

MASTERING THE VC GAME

A Venture Capital Insider Reveals How to Get from Start Up to IPO on YOUR Terms

Jeffrey Bussgang

General Partner, Flybridge Capital Partners

Senior Lecturer, Harvard Business School

@bussgang

www.jeffbussgang.com

Entrepreneurship is about Passion



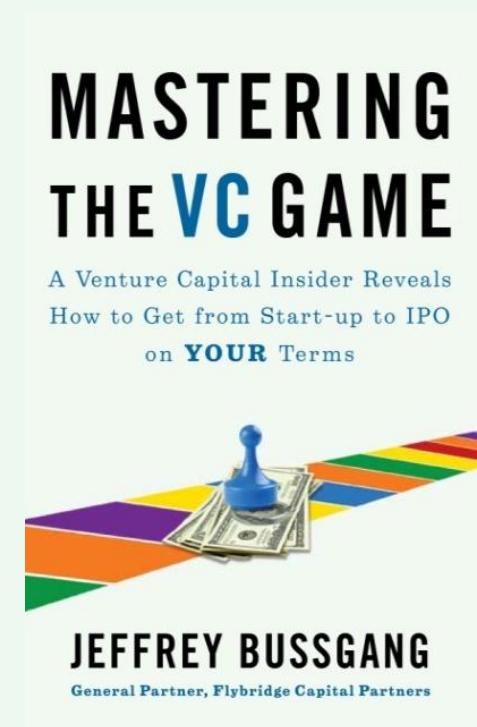
Why I Wrote The Book

- As an entrepreneur, I found venture capital to be a black box
- As a VC, having seen the other side, I wanted to help entrepreneurs understand how to finance and build great companies
- **My mission: to demystify the VC world for entrepreneurs and help them bring their dreams to fruition**



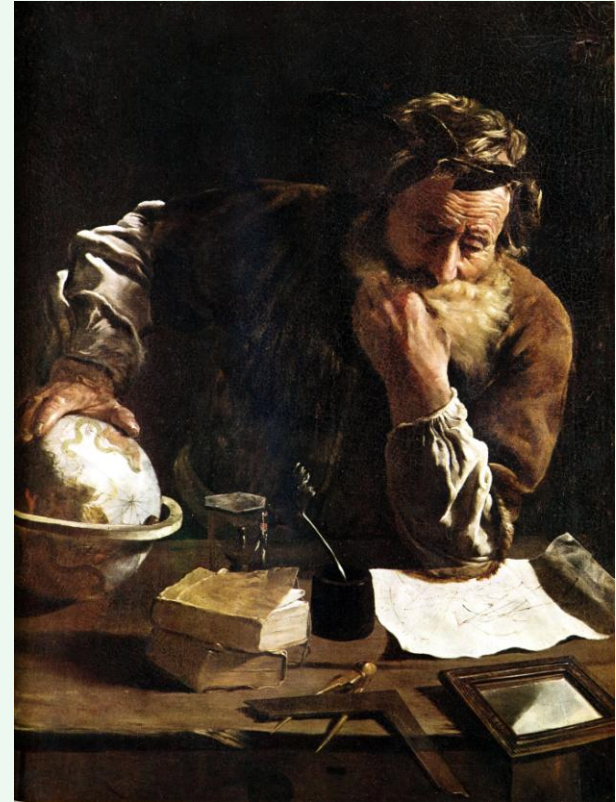
Context for My Perspective

- General Partner, Flybridge Capital Partners
 - Early-stage VC firm based in Boston and NYC
 - Portfolio companies include MongoDB, DataXu, Crashlytics
- Senior Lecturer at Harvard Business School
- Former entrepreneur
 - Cofounder/President Upromise (acq'd by SallieMae)
 - VP at Open Market (IPO '96)
- Blog: *Seeing Both Sides.com*
- Book: *Mastering the VC Game*



Impact of Venture Capital is Enormous...

- **\$2.9 trillion – venture-backed businesses combined sales (20% of total business revenues in US)**
- **12 million – jobs at venture-backed companies (12% of US work force)**

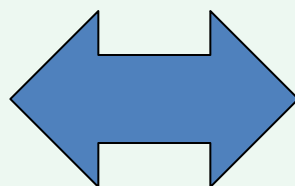


Give me a lever long enough, and I will move the Earth.

- Archimedes

...Yet A Cottage Industry

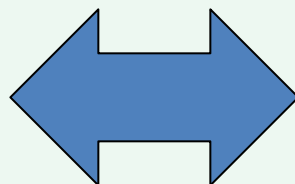
NYSE: \$16.6 trillion
NASDAQ: \$8.5 trillion
TOTAL: \$25.1 trillion



*10 basis
points*

VC Investments:
\$20-30 billion/yr

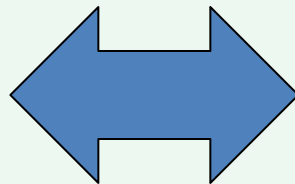
60,000-80,000
angel deals/yr



1-2%

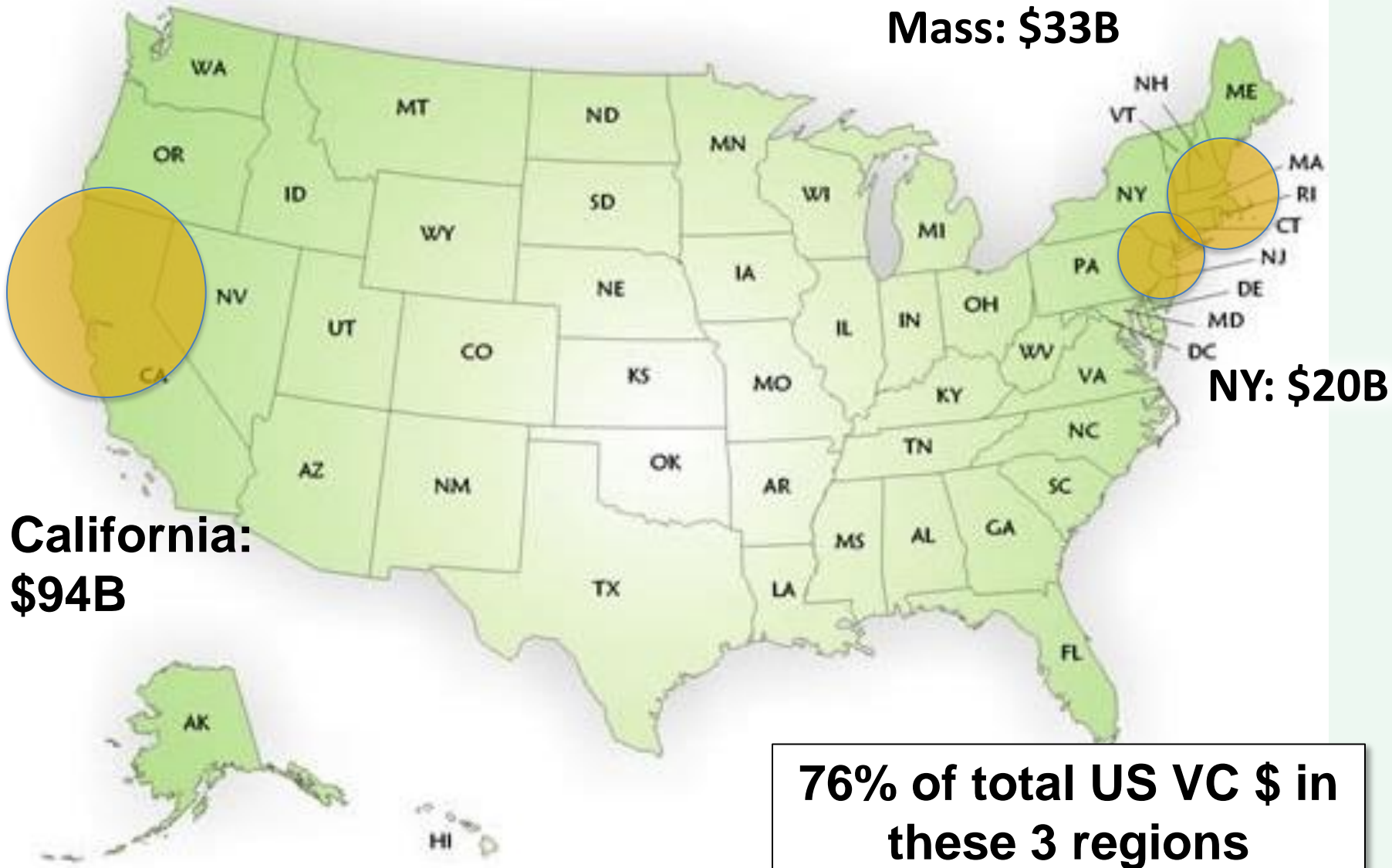
1000-1500
Initial VC deals/yr

1000
Investment firms



100-150
Active 1st round VCs

That Is Highly Concentrated



Why Raise Money from VC

Deep Pockets:

High risk tolerance and additional funding for follow-on rounds

Value-Add:

VCs provide domain experience, industry contacts, and strategic planning



Experience Matters:

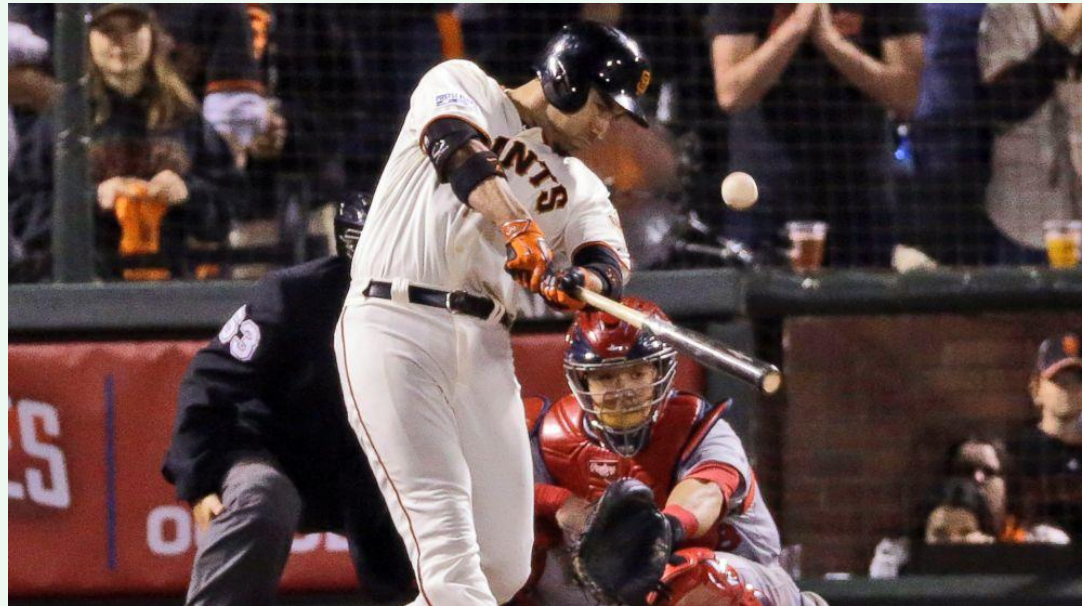
VCs have “seen the movie” over and over again and can help avoid pitfalls to find the path to success

Swing Big:

VCs don't invest in niches, they invest in transformative ideas that can build large companies

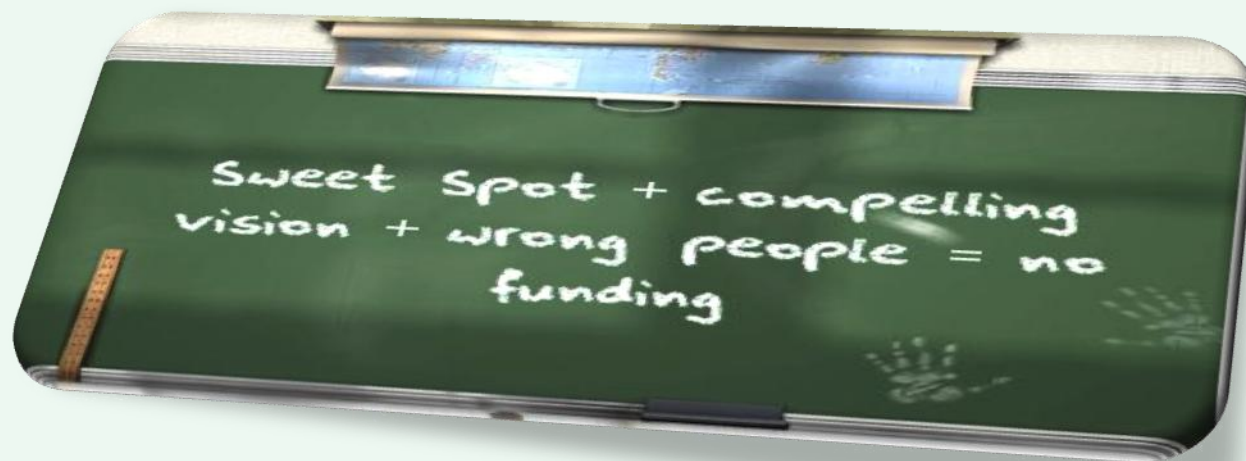
Raising \$ from VCs: Find the Sweet Spot

- Scope out the firm – size matters, as does the individual
- Arrange for a warm introduction
- Prepare, Be Brief (VCs Blink), Don't Downplay the Risk

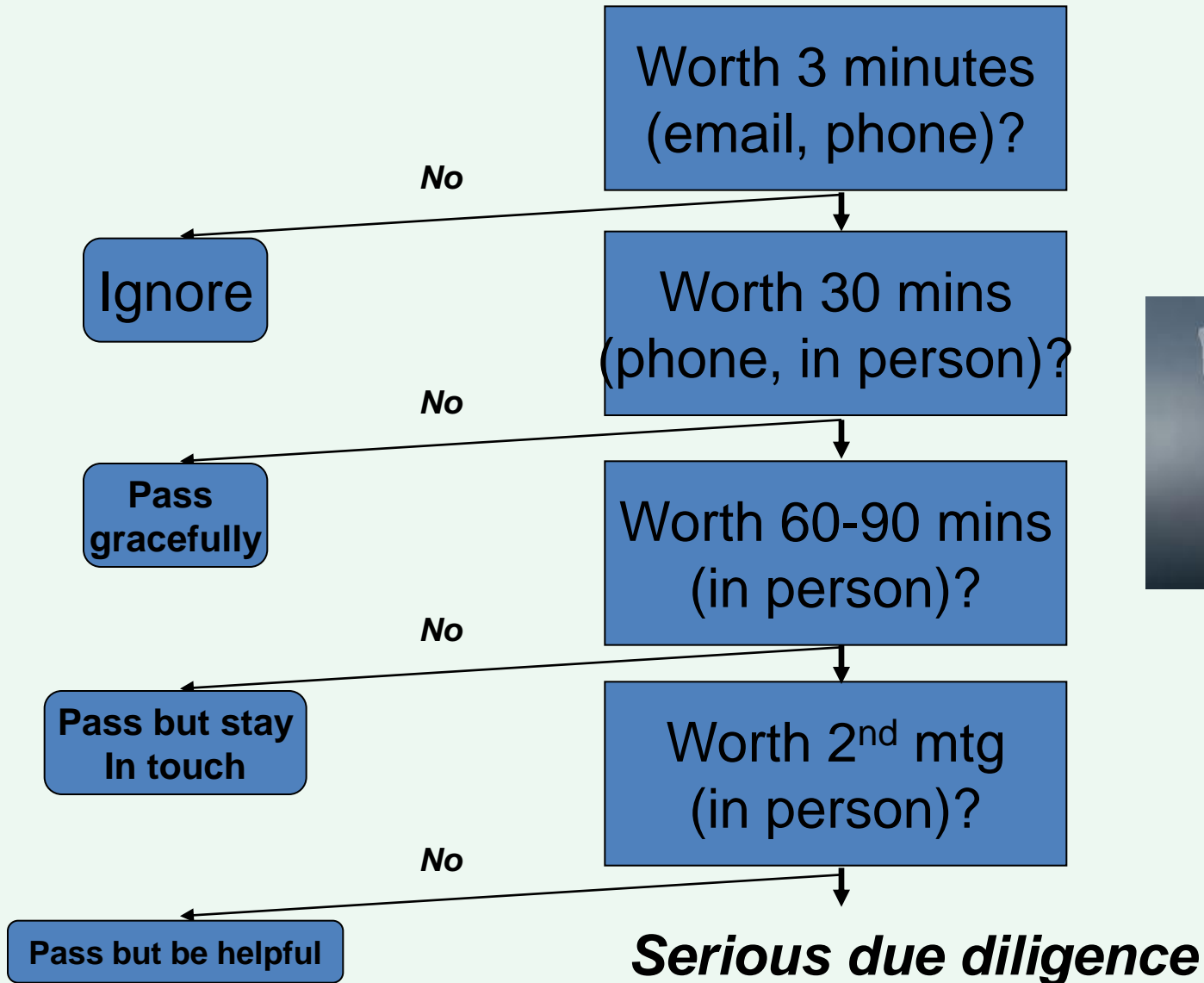


The Right People: an Unfair Advantage

- Ideas are a dime a dozen
- Having a world-class team is golden
- Laser focus of the young entrepreneur is very powerful
 - E.g., Bill Gates, Michael Dell, and Mark Zuckerberg
- Golden rule:



Investor's Decision Tree



Typical Investment Criteria

- Tangible things investors like to see:
 - Very big market (> \$500m)
 - Unfair advantage (why you? why now?)
 - Attractive business model (recurring, high gross margin)
 - Unique technology or business model approach
- Intangible things investors like to see:
 - “Pied Piper” – an ability to recruit and retain a great team, partners
 - Interpersonal chemistry
 - Movie, not a snapshot



Expectations and Milestones

- Have well-documented milestones that represent what you expect to achieve during the initial funding period
 - Team building
 - Technical progress/product development
 - Customers, revenue
 - Budget
- Talk to the investor about the next round before you close this round
 - Expectations, amount, price

Changes in VC Landscape

- Tale of Two Cities
- Lots of Liquidity...for now
- Transparency
- Angels, Super Angels and Seed Funds
- Competing to be “Entrepreneur Friendly”

Conclusion

- Unique and special time for entrepreneurship
- Unique and special time for technology and innovation, globally
- Role of VC is critical, valuable, but rare
- To secure financing, you need to be special, tenacious, compelling...and a little lucky

MASTERING THE VC GAME

A Venture Capital Insider Reveals How to Get from Start Up to IPO on YOUR Terms

Jeffrey Bussgang

General Partner, Flybridge Capital Partners

Senior Lecturer, Harvard Business School

@bussgang

www.jeffbussgang.com