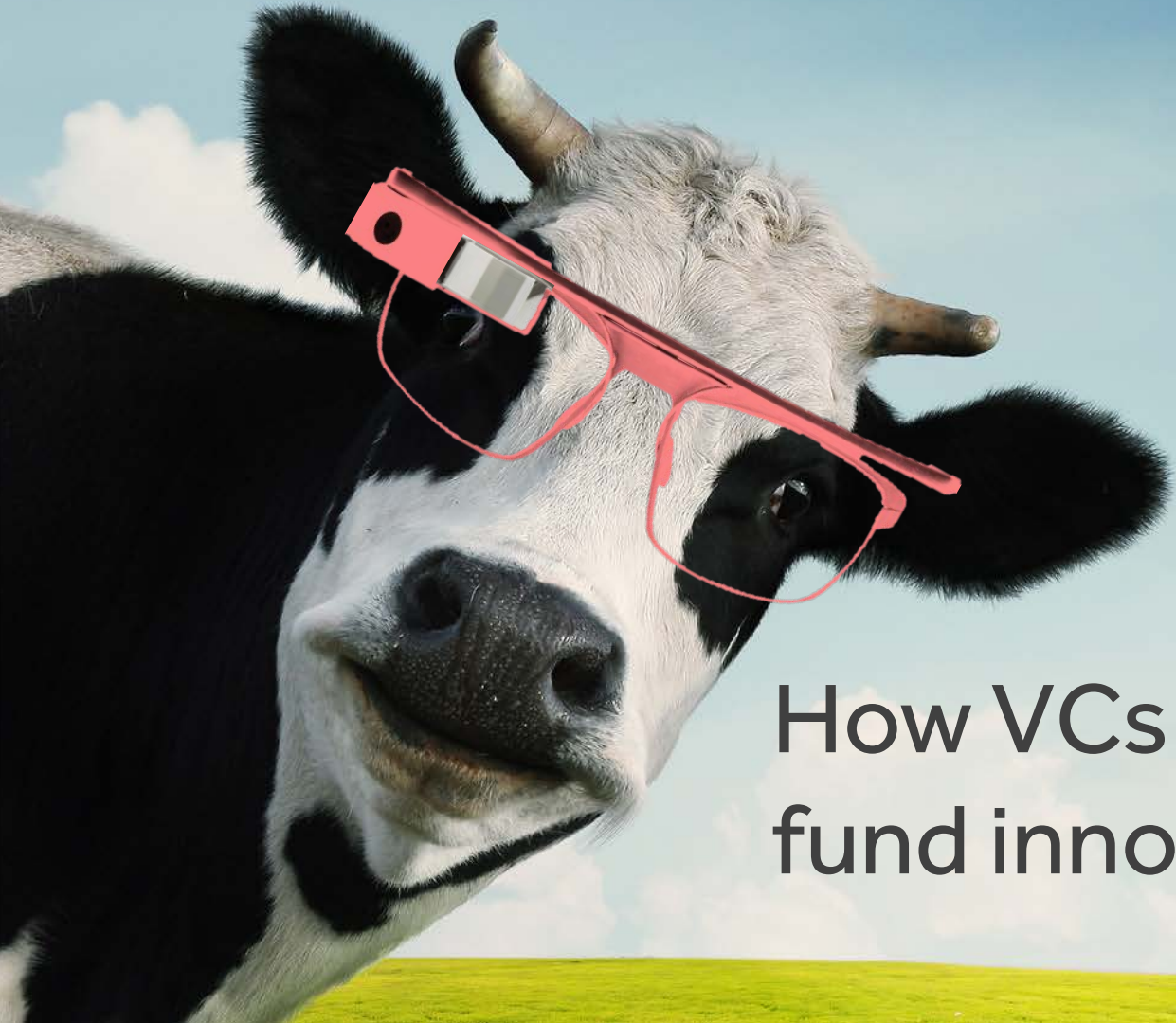




How VCs discover and
fund innovation

A man with dark hair, wearing a light blue dress shirt, a dark tie, and dark suspenders, is seated in a large, plush red leather chair. He is holding a cigar in his right hand and looking off to the side with a thoughtful expression. In the background, a vintage computer monitor is visible on a desk. The scene is set in an office environment with warm lighting.

Eight Rules of Venture Capital

Rule #1



“Deal flow is everything.”

Marc Andreessen,
Founder of Andreessen Horowitz



Rule #2
success
is rare

Rule #2: Success is rare

Journey of 1,000 companies

Seed



Seed Round

- Raise \$250k - \$7m
- Sell 15% - 40% of company

Assume

- 1,000 Companies Funded

Rule #2: Success is rare

Journey of 1,000 companies



Series A

- \$2m - \$15m
- Sell 20% - 40% of startup

Success Funnel

- ☐ 46% Raise Series A
- ☒ 14% Exit (1x- 3x)
- ☒ 40% Fail to raise

Rule #2: Success is rare

Journey of 1,000 companies



Series B

- \$5m - \$300m
- Sell 15% - 30% of startup

Success Funnel

- ☐ 28% Raise Series B
- ☒ 7% Exit (1x– 3x)
- ☒ 11% Fail to raise

Rule #2: Success is rare

Journey of 1,000 companies



Series C

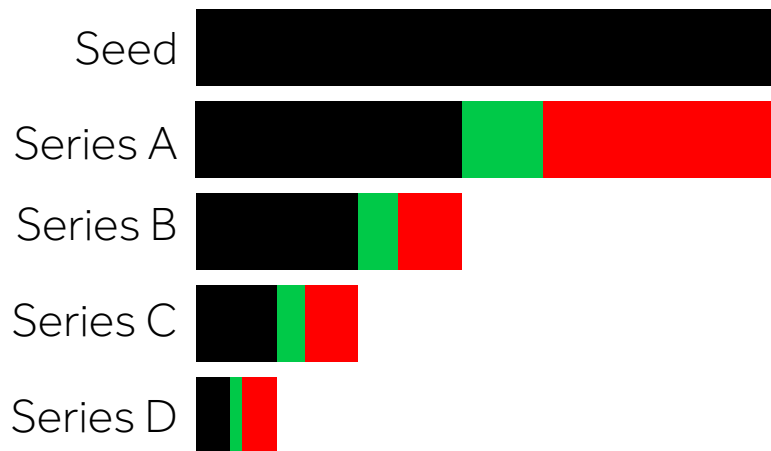
- \$10m - \$500m
- Sell 10% - 25% of startup

Success Funnel

- ☐ 14% Raise Series C
- ☒ 5% Exit
- ☒ 9% Fail to raise

Rule #2: Success is rare

Journey of 1,000 companies



Series D

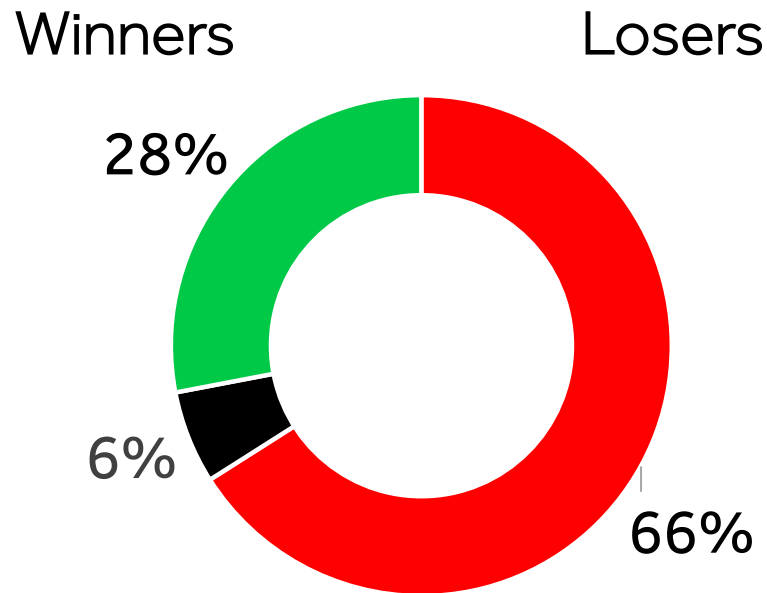
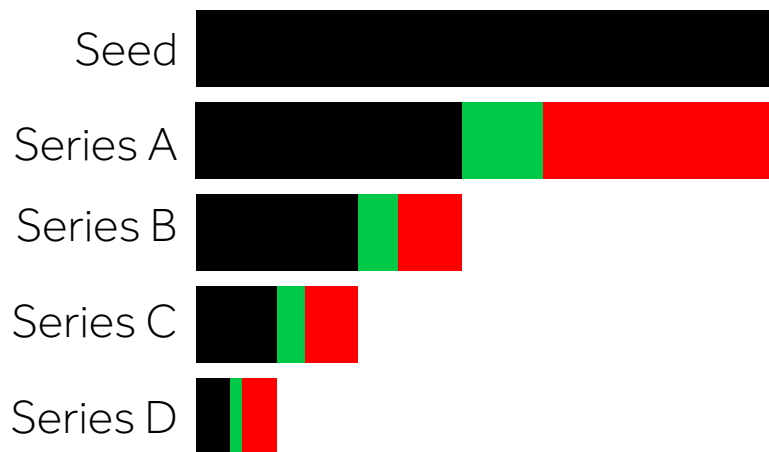
- \$10m - \$1 billion+
- Sell 5% - 20% of startup

Success Funnel

- ☐ 6% Raise Series D
- ☒ 2% Exit
- ☒ 7% Fail to raise

Rule #2: Success is rare

Journey of 1,000 companies

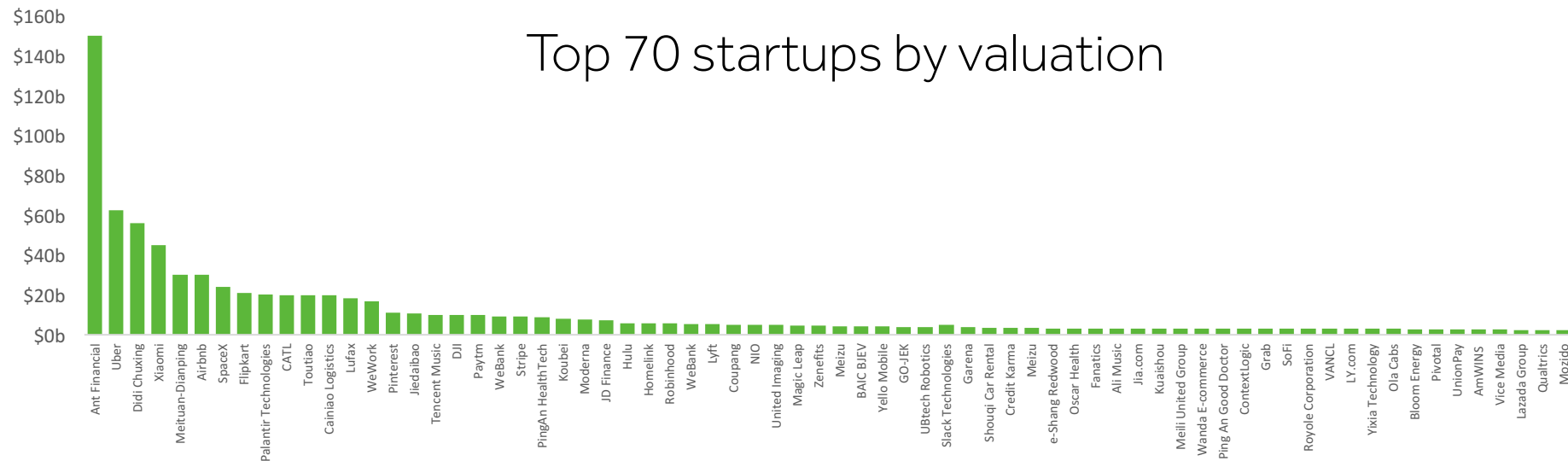




Rule #3

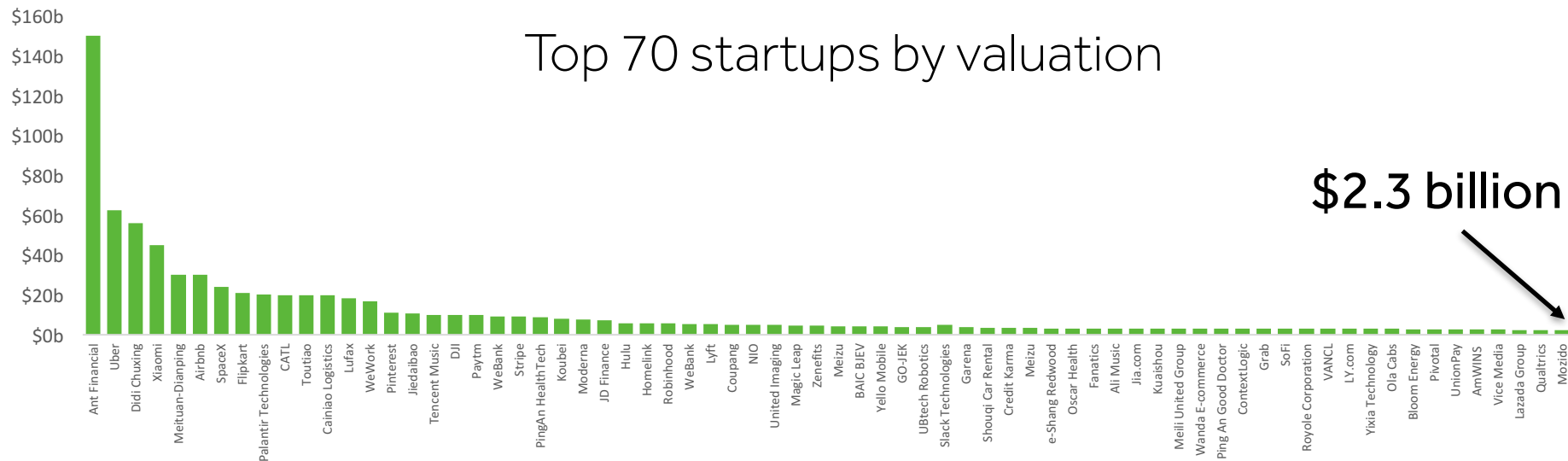
swing for
the fences

Rule #3: Swing for the fences



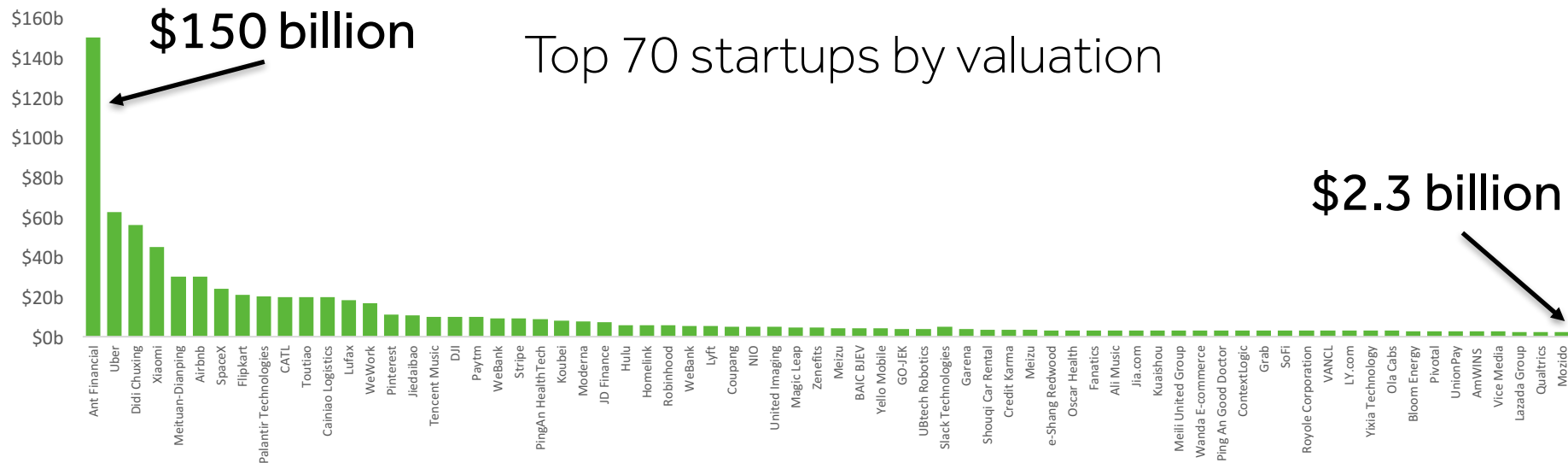
Wikipedia

Rule #3: Swing for the fences



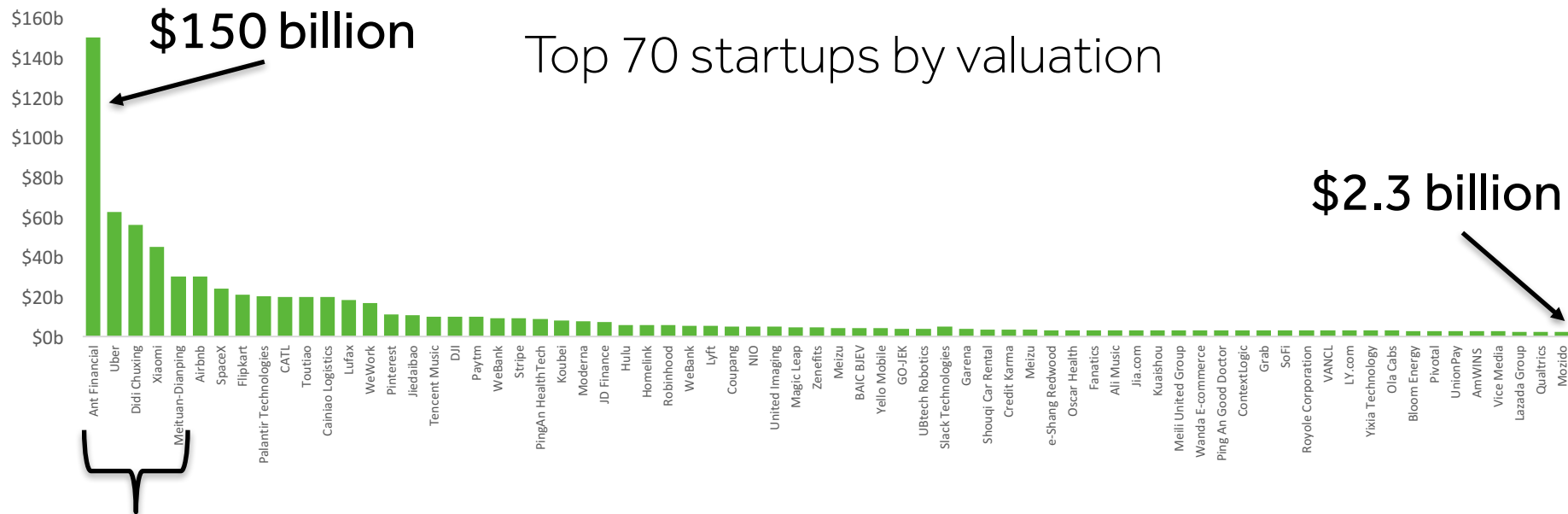
Wikipedia

Rule #3: Swing for the fences



Wikipedia

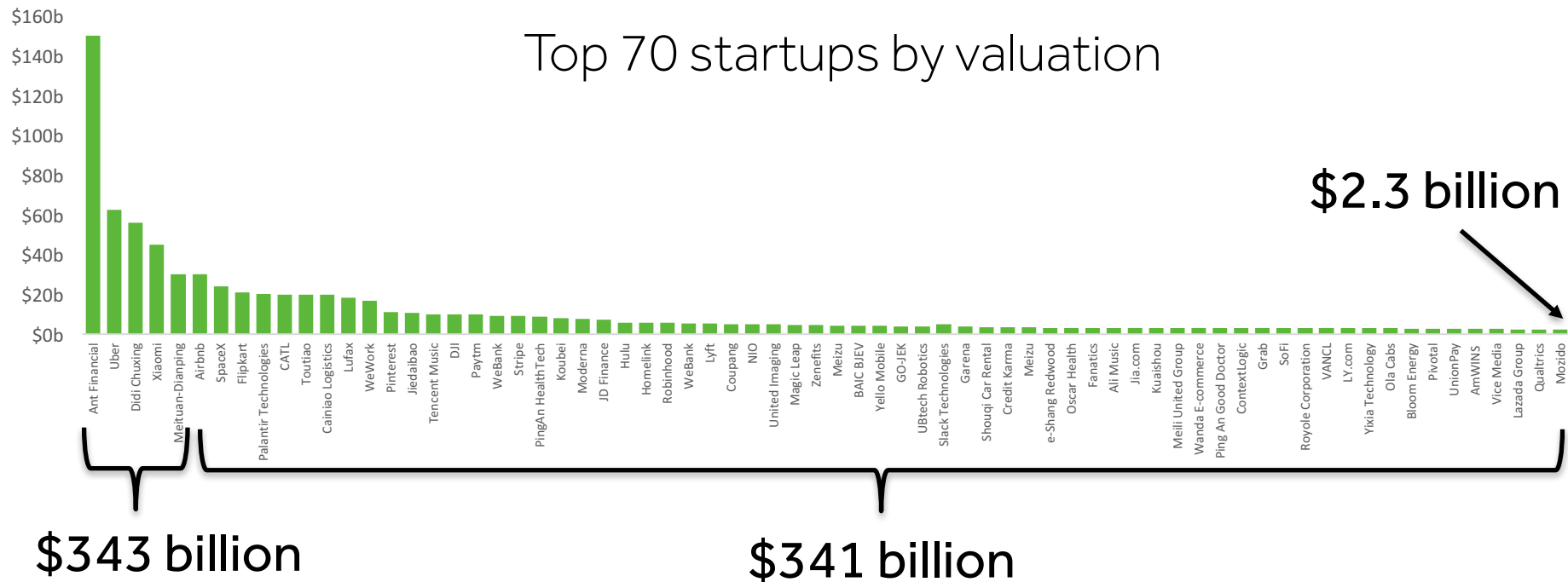
Rule #3: Swing for the fences



\$343 billion

Wikipedia

Rule #3: Swing for the fences

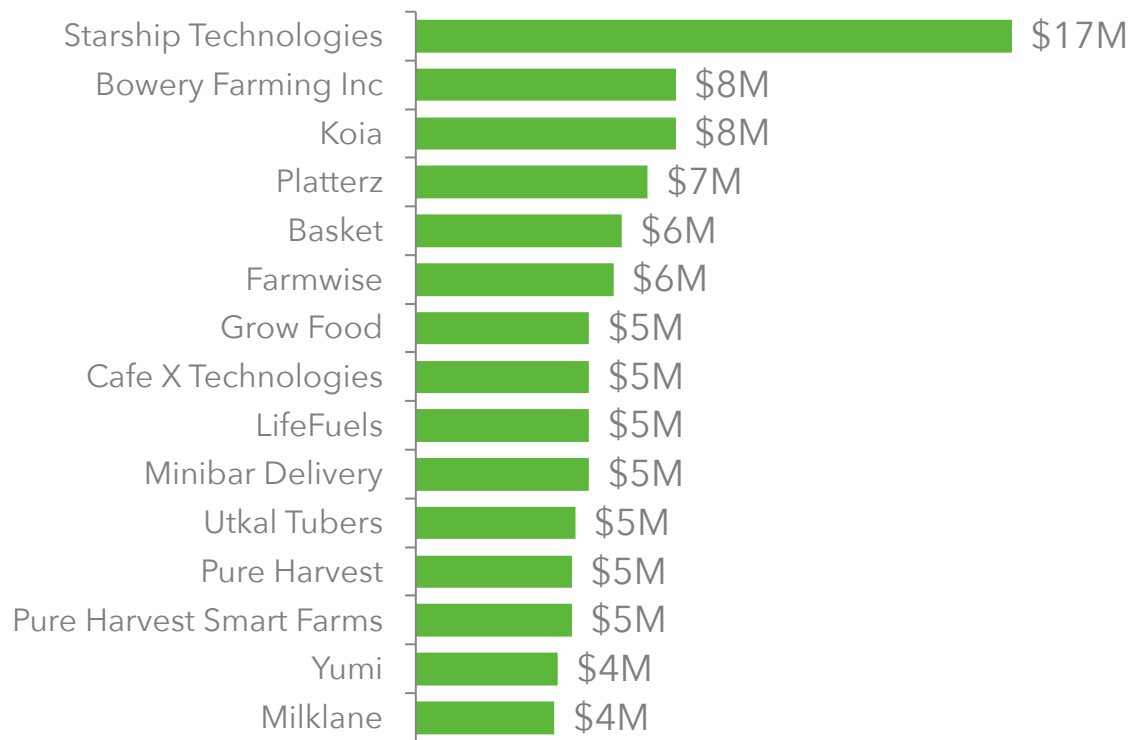


\$343 billion

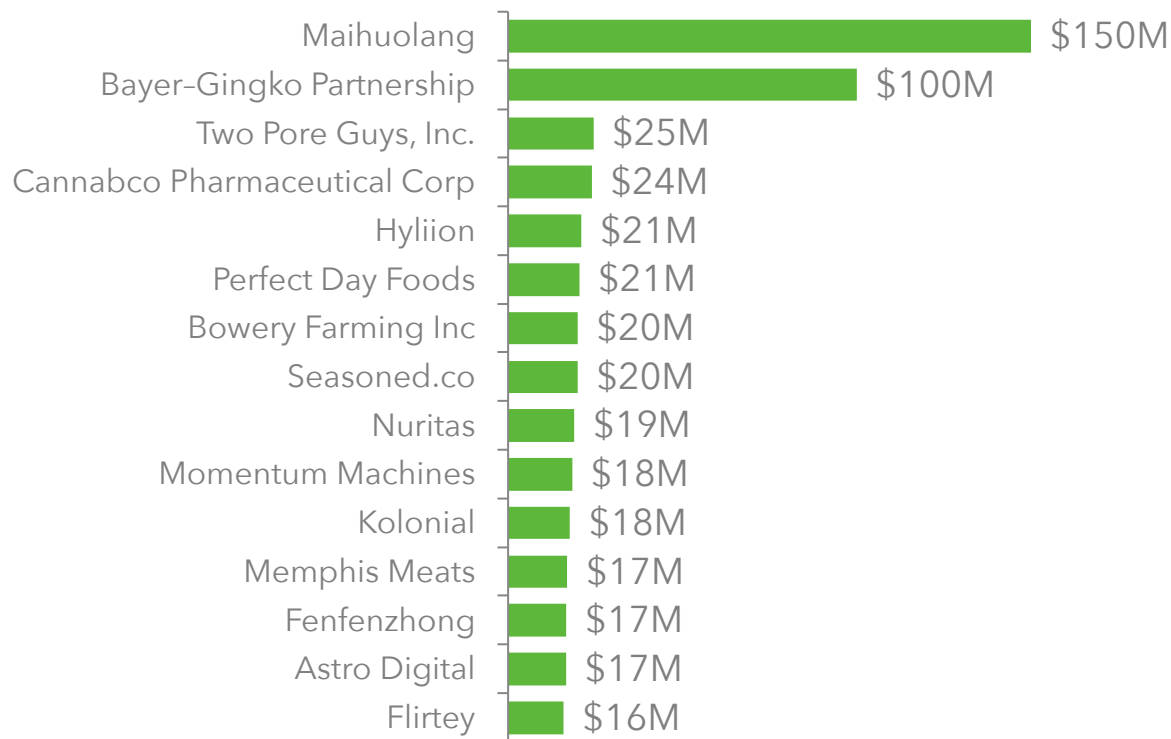
Wikipedia

\$341 billion

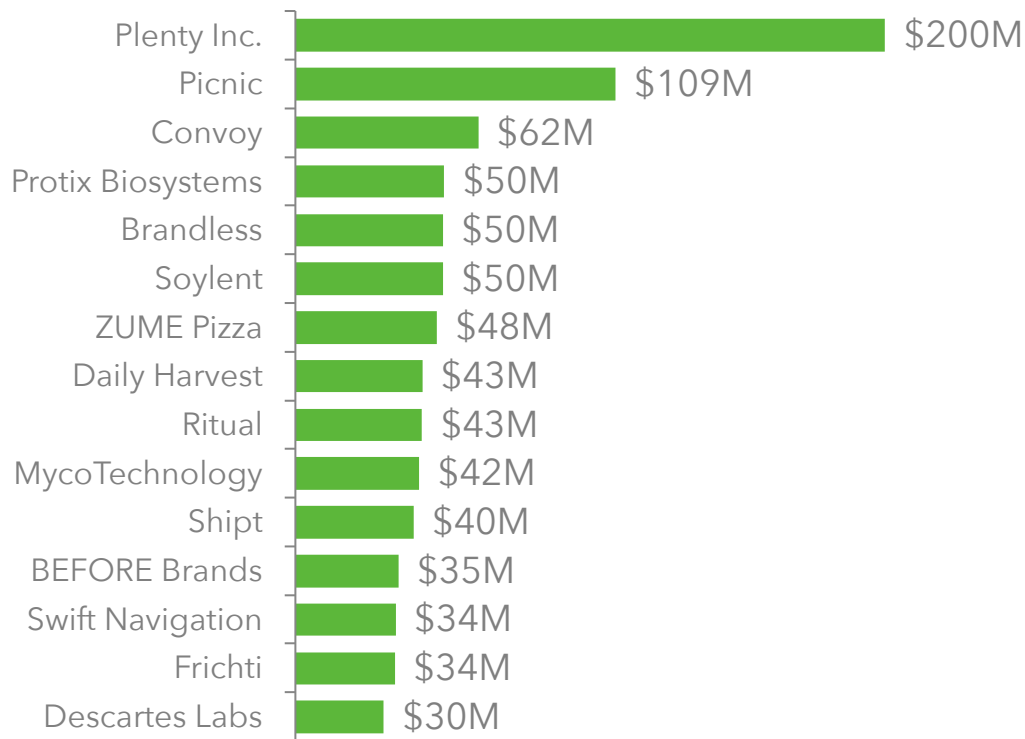
Top 15 Agrifood Tech Startups 2017 – Seed Stage



Top 15 Agrifood Tech Startups 2017 – Series A



Top 15 Agrifood Tech Startups 2017- Series B



Rule #3: Swing for the fences

10x

Returns

Rule #3: Swing for the fences

10x

Returns

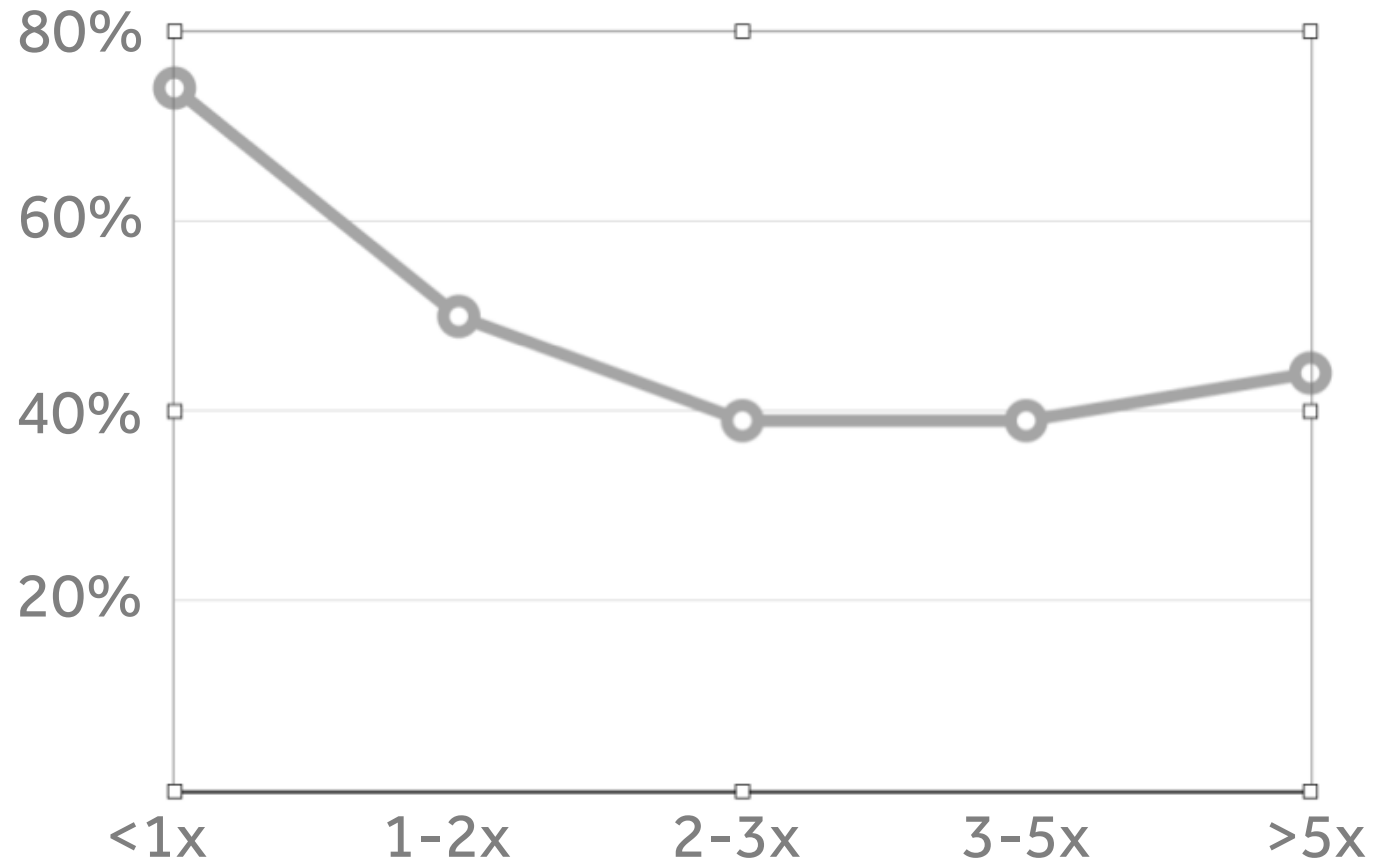
\$1B

Markets

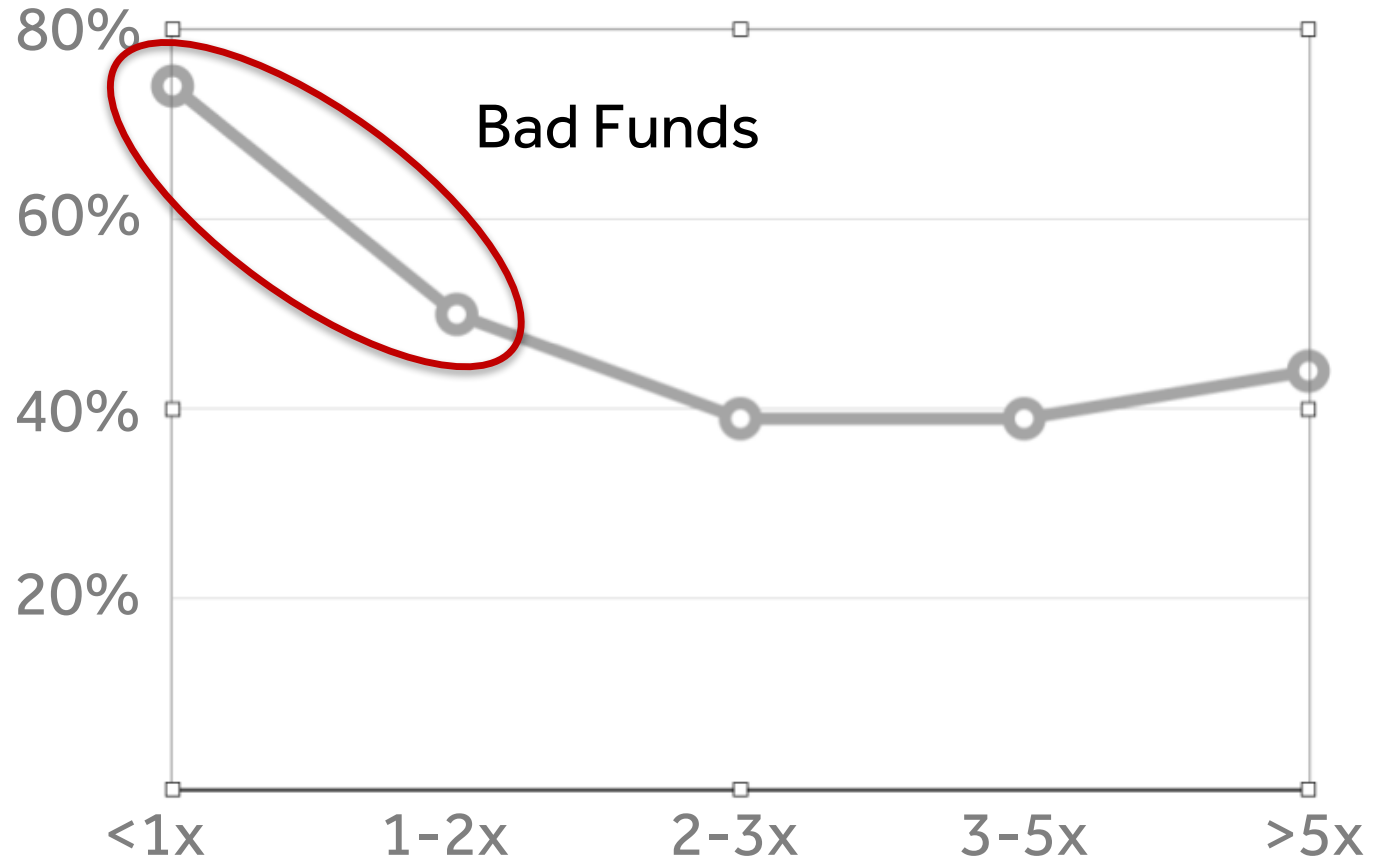


Rule #4
swing often

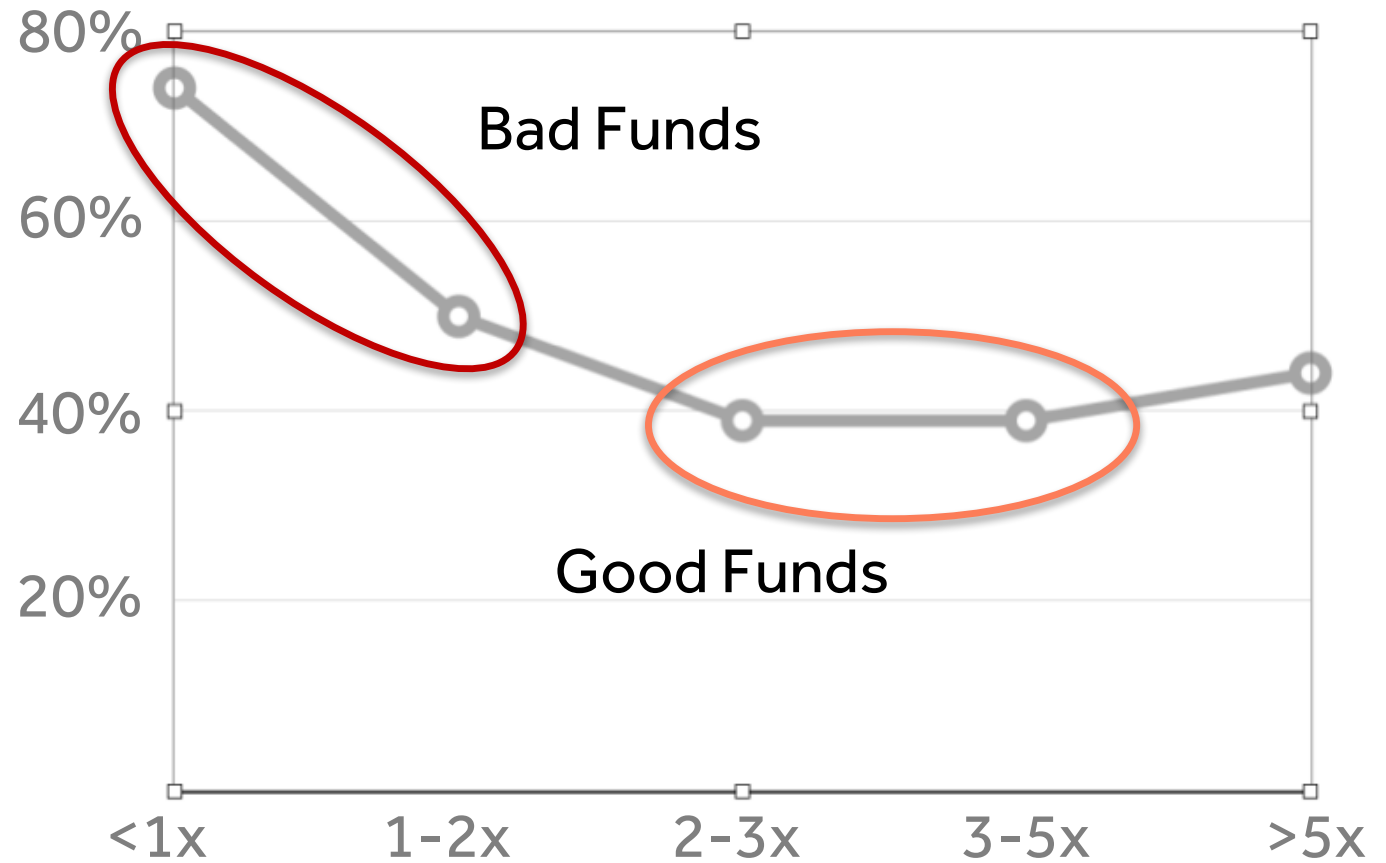
Money
Loosing
Investments



Money
Loosing
Investments

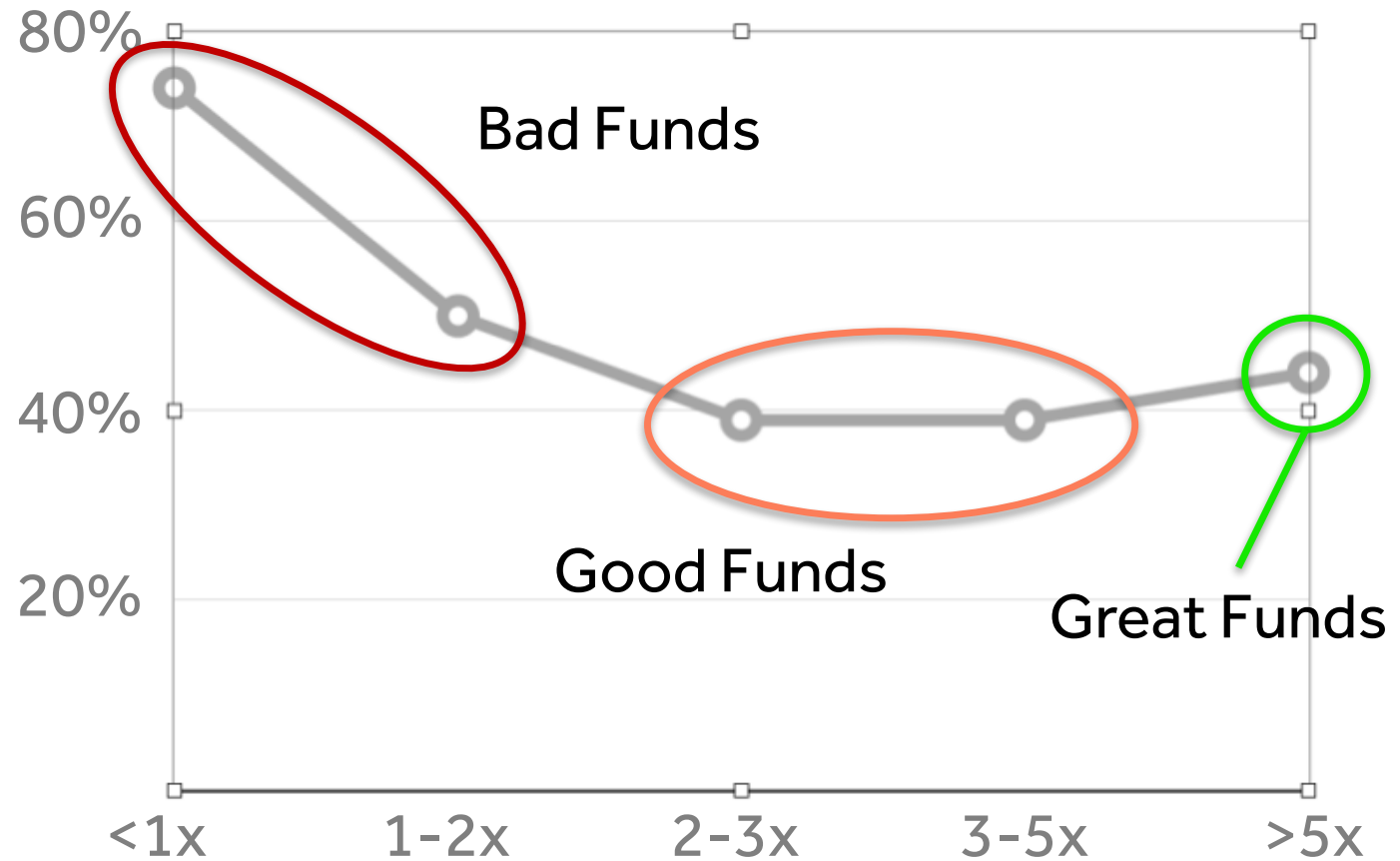


Money
Loosing
Investments

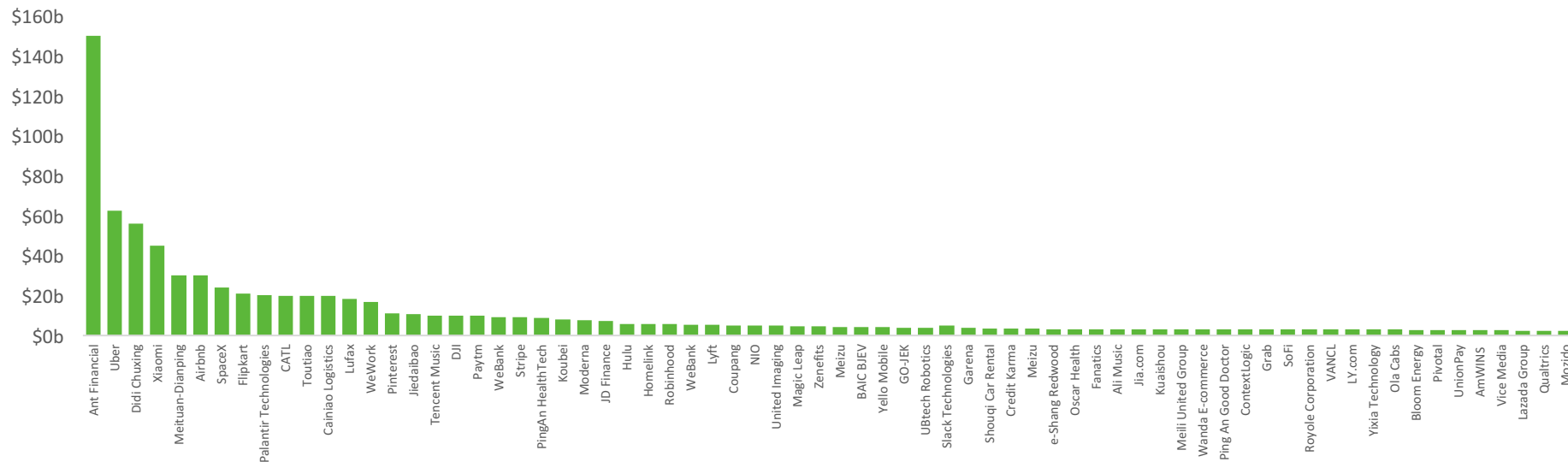


Return Multiple of the Fund

Money
Loosing
Investments

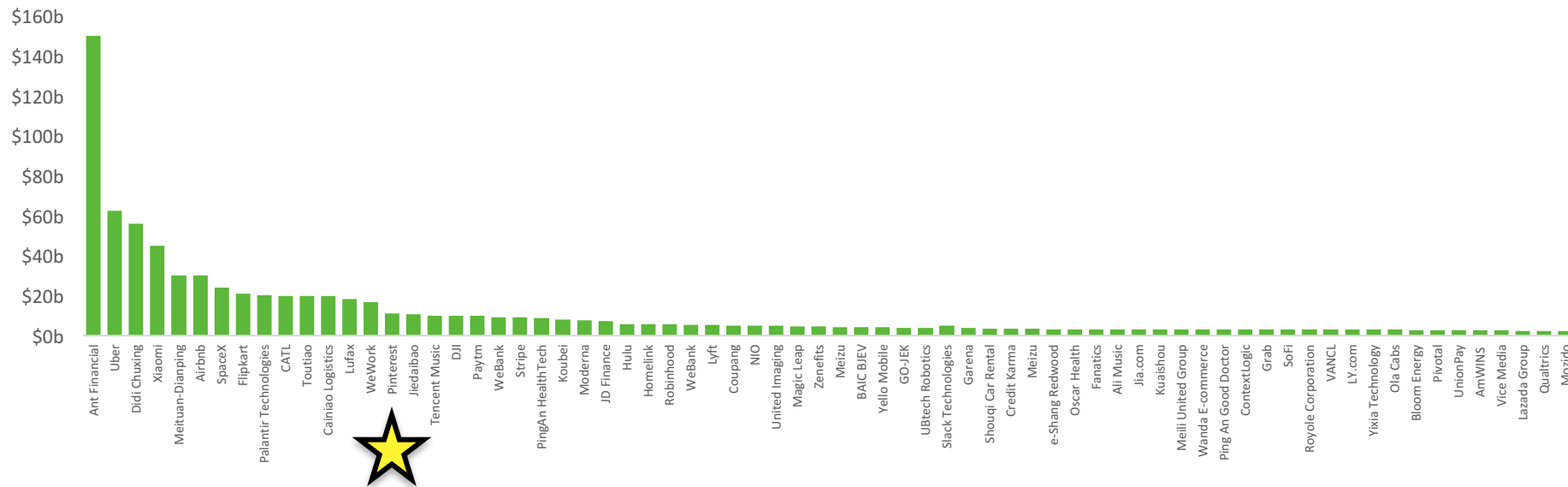


Rule #4: Swing often



Wikipedia

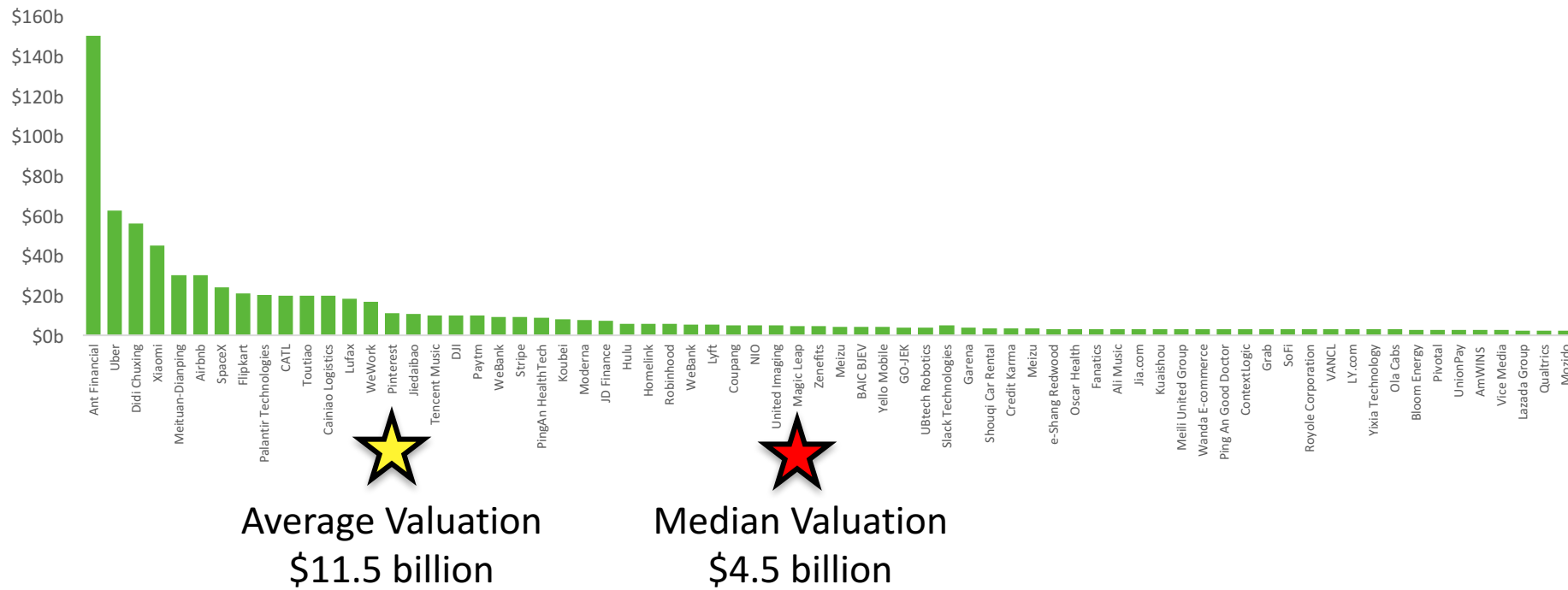
Rule #4: Swing often



Average Valuation
\$11.5 billion

Wikipedia

Rule #4: Swing often



Wikipedia



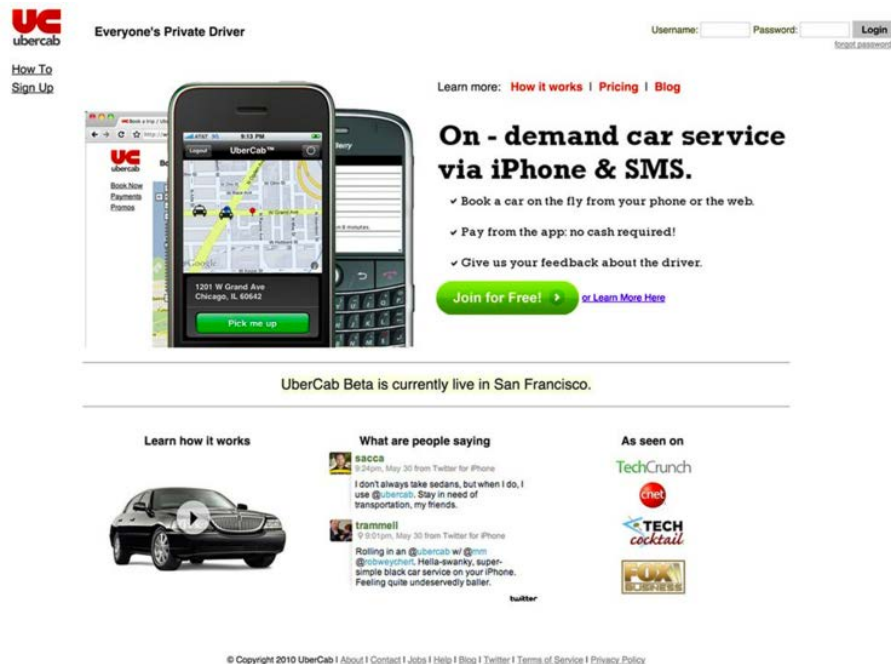
Rule #5

Understand
Expected Value
theory

Rule #5: Understand Expected Value theory

Uber

2010 - \$4M Valuation



The screenshot shows the UberCab website interface. At the top left is the 'UC uberCab' logo. Next to it is the tagline 'Everyone's Private Driver'. On the right, there are login fields for 'Username' and 'Password', and a 'Login' button. Below the login fields are links for 'How To Sign Up', 'Learn more: How it works | Pricing | Blog', and a 'Forgot password?' link. The main content area features a large image of a smartphone displaying the UberCab app interface, which shows a map and a 'Pick me up' button. To the right of the phone image, the text reads 'On - demand car service via iPhone & SMS.' followed by three bullet points: '✓ Book a car on the fly from your phone or the web.', '✓ Pay from the app: no cash required!', and '✓ Give us your feedback about the driver.' Below these points is a green 'Join for Free!' button and a link 'or Learn More Here'. A horizontal line separates this section from the bottom section. Below the line, the text 'UberCab Beta is currently live in San Francisco.' is centered. The bottom section is divided into three columns. The first column is titled 'Learn how it works' and features a car icon with a play button. The second column is titled 'What are people saying' and contains two tweets from users 'sacca' and 'trammell'. The third column is titled 'As seen on' and lists media outlets 'TechCrunch', 'Cnet', and 'TECH cocktail' with their respective logos. At the very bottom, a small copyright notice reads '© Copyright 2010 UberCab | About | Contact | Jobs | Help | Blog | Twitter | Terms of Service | Privacy Policy'.

Rule #5: Understand Expected Value theory

$$\text{EV} = \begin{array}{l} - (\text{Loosing\%} \times \text{Cost}) \\ + (\text{Winning\%} \times \text{Reward}) \end{array}$$

Rule #5: Understand Expected Value theory

$$\text{EV} = \begin{array}{l} - (99.9\% \times \$1\text{M}) \\ + (0.1\% \times 5\% \times \$100\text{B}) \end{array}$$

Rule #5: Understand Expected Value theory

$$\text{EV} = \quad + \quad \begin{matrix} - \$990\text{k} \\ \$5\text{M} \end{matrix}$$

Rule #5: Understand Expected Value theory

$$EV \approx \$4M$$



Rule #6

Great startups
often seemed like
stupid ideas

Rule #6: Great startups often seemed like stupid ideas



Rule #6: Great startups often seemed like stupid ideas



*"Stamps? Coins? Comic books? You've GOT to be kidding
...No-brainer pass."*

-David Cowan, Bessemer Venture Partners

Rule #6: Great startups often seemed like stupid ideas



"Rookie team, regulatory nightmare."
-David Cowan, Bessemer Venture Partners

Rule #6: Great startups often seemed like stupid ideas

AirBed & Breakfast
Forget hotels.

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san francisco

Check in: 08/18/2008 Check out: 08/20/2008 Guests: 1 Search

Sorting Options

1-10 out of 16 listings.

	"tikitastic"	\$10
	"Cute!"	\$25
	"Simple"	\$50
	"AwesomeRoom"	\$50
	"happy"	\$50
	"Victorian"	\$50
	"Get Fit!"	\$80
	"Sunny"	\$85
	"Cute"	\$90
	"Modern"	\$99



"We thought Airbnb was a bad idea. We funded it because we really liked the founders. They seemed so determined and so imaginative. Focusing on them saved us from our own stupidity."

-Paul Graham, Y-Combinator



Rule #7

Invest
in the
A-Team

Rule #8

Invest in pain killers, not vitamins



Recap

1. You need great deal flow
2. Success is rare (and so you will fail)
3. Swing for the fences
4. Swing often
5. Understand Expected Value theory
6. Look for stupid ideas
7. Invest in A-Teams
8. Invest in painkillers, not vitamins

