Fundraising the YC way

Experience of **Fluently**
YC W24, $2.5M Raised on Pre-Seed & Seed

Few words about the author

Founder at Fluently Y

Ex-CEO at Myna Labs (deep tech)

$4.5M totally raised

ML Research at

Y Combinator Guidance

The YC application process usually looks like this

1. Submit application
2. 10-minute interview, 5-7%
3. Congratulations call if you are accepted, < 1%

However sometimes…

- You might have a 2nd interview
- You might have a 1-hour interview
- You might be asked additional questions over email
- You might be asked to share your product, demo, recommendation letter, etc.

Top-3 application mistakes founders make

◆ Undersell their team and domain expertise

◆ Don't have concise answers **(too much fluff and buzz words)**

◆ Don't provide bottom up market size calculation

How far along are you?

❌ DON'T

I updated my doctor's knowledge by researching 832 recent fertility studies and selected 87 with the strongest scientific evidence to form the basis of our guidance system.

We built a founders team and completed the first four initial user interviews to refine our approach.

We have onboarded two skilled engineers. One is a principal mobile developer from my current company, and the other is a brilliant front-end engineer who previously collaborated with Victor. They were inspired by our mission and agreed to contribute part-time for free.

We have completed 70% of the MVP and will be ready to gather more insights about our target audience and the product's market value in a few weeks. Additionally, we started to work with an advisor, the former medical director of digital health at Yale.

✅ DO

- Founding team of 4 is assembled
- 70% of the MVP is done
- 10 onboarding calls are scheduled in 2 weeks

How many users? How much do they pay?

❌ DON'T

So far, four couples have tried our product and received personalized fertility guidance through primarily a manual process. This early stage was for validating our questionnaire and guidance value. In the last case, we provided a donation option, and the user sent $150. We also received positive feedback from friends of friends who helped test the product (we don't count positive feedback from our close friends and family).

✅ DO

- 4 couples
- The app is free, but we got $150 in donations

How much money could you make?

❌ DON'T

Globally, companies spend $10 billion annually solely on English corporate training. We want to sell our solution to companies with L&D departments that already invest in products such as Preply, Duolingo, and Grammarly.

Our app targets non-native speakers who work in an English-speaking environment, such as salespeople, developers, and customer support agents. That's more than 84 million people.

✅ DO

If we charge $25 per month we need 334k paid customers to generate $100 million annually, and that represents only 0.4% of all non-native professionals.

Interview guide

1. Be concise and clear in your answers
2. Know your product, users and metrics
3. Don't over-prepare or memorize answers

[YC Interview Guide](#)

Find out how others applied to Y Combinator

Check the list of over 50 Y Combinator applications

Learn from over 50 Y Combinator applications

Find out how others have previously applied to Y Combinator and create your own draft application to crowdsource feedback before submitting.

Search by | Company | Question |

Dropbox — S07 Successful

A cloud storage service that lets you save files online and sync them to your devices.

GitLab — W15 Successful

A complete and open DevOps platform, delivered as a single application.

Sort by Date added (Oldest)

Fundraising 101

Fundraising is a sales funnel

1. Build a CRM with as many leads as possible
    a. Ask if someone you know can make an intro
    b. But DON'T ASK them to introduce you now
2. Ask for intros to get even more leads
    a. DON'T ASK for intros, if they didn't invest
3. Apply for accelerators
    a. Social proof
    b. Money

Sell your team and domain expertise

Good seed investors:

- invest in you

- DO NOT ask for financial projection

- DO NOT expect you to have revenue

* Evaluated only on U.S. investors

Sad, but true (not always tho)

Klaas ✓
@forgebitz

European VC: We are looking for a billion-dollar idea, with no competition, 100k MRR, and 1M valuation.

1:30 PM · Feb 15, 2024 · **348.1K** Views

Fundraising materials

Build your essential pack

1. 2 sentences description of what you're building
2. Impressive things that your team have done before
3. Current progress
4. Bottom-up market size calculations
5. Unique insight? Why now?

and build on top of it

Pitch deck

to show to investors during the call and follow up afterward

Blurb (optional)

helpful if you're asking for intros

Example: 2 sentences description

Fluently is an app that helps non-native professionals improve their English with instant feedback after each Zoom call. Imagine having a personal coach, always listening and providing tips.

Example: team description

- Stan and I knew each other for 10 years
- Previously, we found a deep tech startup Myna Labs
- ML research at Nvidia, Google, Amazon and Lyft
- Stan is cited in 1,000+ papers (co-author of QuartzNet)

Example: traction

- Closed beta (2k on waiting list, 60 users)
- Got a verbal "yes" to do a pilot with the company that has 2,000 non-native employees

Example: market size (bottom-up)

a) If we charge **$25 per month** (similar products charge that)
b) we need **334k paid customers**
c) to generate **$100 million annually** (to be a unicorn)
d) and that represents **only 0.4%** of all non-native professionals (means that market is huge)

Example: why now?

1. High-quality audio transcription and sophisticated text analysis that is useful in real-world scenarios
2. Everything can be run on customers' devices to address privacy concerns (M1 chips)

Example: blurb (outdated)

Fluently is an app that helps non-native professionals improve their English with instant feedback after each Zoom call. Imagine having a personal coach, always listening and providing tips.

We are 2nd time engineering founders, ex nvidia/google/lyft alums. In 2 months, we launched a closed beta and made our first revenue.

Currently, we're raising a pre-seed round (over half has been raised)

Fluently Pre-Seed Experience

That was 1 month before YC

37

Funds / Angels
reached

5

Invested

$270K

Money raised
on the Pre-Seed

2

Months,
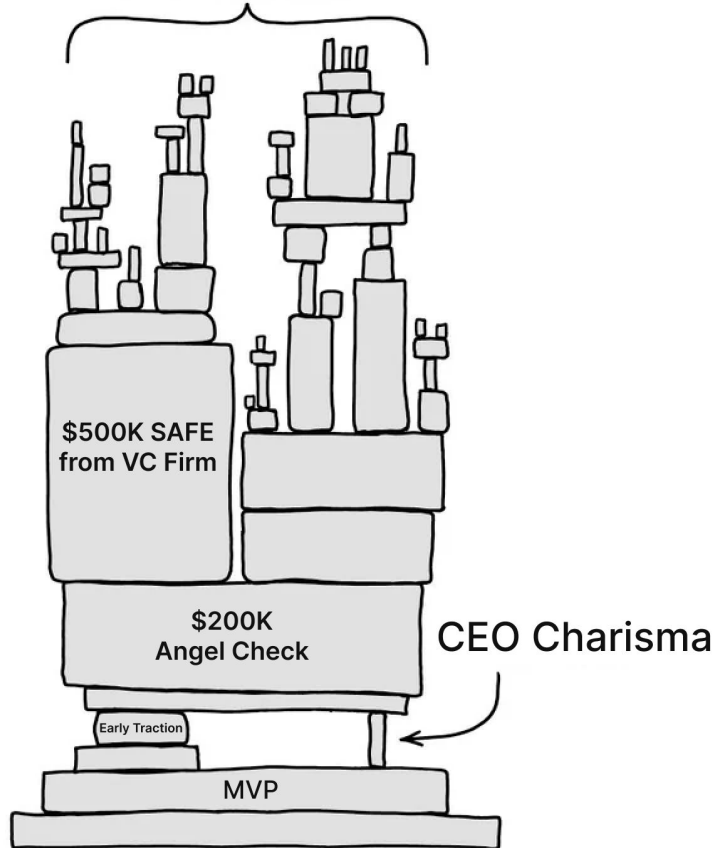Time taken

Things to do before you talk to investors

Fundraising is hard

- Can take a couple of months (4 on average in 2023)
- Emotionally exhausting to hear so many "no"
- You should always pitch well and be in a good mood

This year only 15% of YC companies closed their rounds before the demo day 🙀

Set right expectations

1. What are you going to do if you don't raise?
2. How much do you want to raise? (for 18 months of runway)
3. How much you will raise if everything goes well?

80% of your fundraising efforts

Build your CRM in advance, and find warm intros

Do not send a deck, get warm intro

Do you want
2 minutes or 30 minutes
for consideration?

Mistake #1

Overestimated
my connections

**I thought that
10 founder friends = 50 warm intros
but I got only 10**

Send short and concise emails

Find people you know
who can boost your round
by investing $5k+

At Fluently $70k raised with small checks (< $10k)

Fundraising calls

You talk to partners, not to your boss

- 20-30 min call
- Make sure that you have a dialogue, it is not a lecture
- Screenshare your deck to make it easier to follow
- **Ask if they want to invest**

Follow up right after the call

Handshake deal (if they want to invest)

We'd love to invest $27k in Fluently, if you'll have us!

Specifics for the handshake below. We don't have a fund because we're just three friends, so will need to write three cheques. Apologies for the extra admin.

- I'd like to invest $10k on a post-money SAFE with a ▓▓ million cap and no side-letter
- Pavel would like to invest $10k on a post-money SAFE with a ▓▓ million cap and no side-letter
- Harry would like to invest $7k on a post-money SAFE with a ▓▓ million cap and no side-letter

Follow up with some progress!

Me to ▓▓▓ ▓▓ ▓▓ ▓▓▓▓▓ ✓   MAR 16

Hey everyone,

We closed the original $1m on ▓▓ ▓▓ that we had planned and we're now pretty oversubscribed.

Since we've got this level of interest, we've decided to raise an additional $1m on a ▓▓ cap ($500k raised)

If you'd like to participate at this valuation, we'd love to have you onboard.   **Higher that it was before**

However, I understand completely if it's not for you.

...

Pro Tip

If someone invested in you, ask for a few intros

SAFE

Simple Agreement
for Future Equity

SAFE is used by almost all YC startups

- **Simple:** one item to negotiate (the valuation cap)
- **Flexible:** close investors one by one
- **Quick:** 5 mins to generate and sign

[More info here](#)

Inputs

Purchase Amount

how much investor wants to invest

Post-Money Valuation Cap

valuation, which will be used later when SAFE converts

Example

Purchase Amount: $500,000
Post-Money Valuation Cap: $5,000,000

Investor will get
$500,000 / $5,000,000 = 10% of the company

Do not give until you must

MFN (Most Favored Nation)

ensures that early investors in a startup receive terms equal to or better than any future investors

Pro rata rights

give investors the right to participate in future funding rounds in order to maintain their ownership percentage

Accelerators

Apply to accelerators

- Accept teams with early traction
- Provide some cash and expertise
- **You become much more trustworthy → easier to raise**

List of accelerators

1. **Y Combinator**

   Pre-Seed, $500k for ~10%

2. **Entrepreneur First**

   No idea, No team

3. **South Park Commons**

   Pre-Idea, $1M

4. **Antler Global**

   Pre-Seed, $250k for 9%

Good start

https://imurfavceo.com/accelerators

Our Case

We submitted 20 applications, and only 1 succeeded (and it was YC)

Remember, we play low-probability games

So don't give up, because every "no" gets you closer to that one "yes" 💪