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OpenAI Is Growing Fast and Burning Through Piles of Money

As the company looks for more outside investors, documents reviewed by The New York Times show consumer fascination with ChatGPT and a serious need for more cash.

OpenAI, the San Francisco start-up behind ChatGPT, has been telling investors that it is making billions from its chatbot and that it expects to make a lot more in the coming years. But it has not been quite so clear about how much it is losing.

OpenAI's monthly revenue hit \$300 million in August, up 1,700 percent since the beginning of 2023, and the company expects about \$3.7 billion in annual sales this year, according to financial documents reviewed by The New York Times. OpenAI estimates that its revenue will balloon to \$11.6 billion next year.

But it expects to lose roughly \$5 billion this year after paying for costs related to running its services and other expenses like employee salaries and office rent, according to an analysis by a financial professional who has also reviewed the documents. Those numbers do not include paying out equity-based compensation to employees, among several large expenses not fully explained in the documents.

OpenAI has been circulating the documents with potential investors for an investment round that could bring in \$7 billion and value the company at \$150 billion, among the highest ever for a private tech company. The round, which could close as early as next week, comes at a crucial time for OpenAI, which is experiencing rapid growth but has lost a number of important executives and researchers in the past few months.

The documents offer the first detailed look into OpenAI's financial performance and how it is presenting itself to investors, but they do not neatly explain how much money it is losing. The fund-raising material also signaled that OpenAI would need to continue raising money over the next year because its expenses grew in tandem with the number of people using its products.

OpenAI declined to comment on the documents.

OpenAI's revenue in August more than tripled from a year ago, according to the documents, and about 350 million people — up from around 100 million in March — used its services each month as of June.

Most of that has come from the continuing popularity of ChatGPT, which was released in November 2022. The documents show a spike in growth after ChatGPT began allowing people to use the service without creating an account or logging in. The company expects ChatGPT to bring in \$2.7 billion in revenue this year, up from \$700 million in 2023, with \$1 billion coming from other businesses using its technology.

Roughly 10 million ChatGPT users pay the company a \$20 monthly fee, according to the documents. OpenAI expects to raise that price by \$2 by the end of the year, and will aggressively raise it to \$44 over the next five years, the documents said. More than one million third-party

46 developers use OpenAI's technology to power their own services.

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48 OpenAI predicts its revenue will hit \$100 billion in 2029, which would roughly match the current
49 annual sales of Nestlé or Target.

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51 Like other high-profile tech start-ups of the last few decades, OpenAI is struggling to get its costs
52 under control.

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54 Its biggest cost is the computing power it gets through a partnership with Microsoft, which is also
55 OpenAI's primary investor. Microsoft has pumped more than \$13 billion into the San Francisco
56 company. But OpenAI spends much of that money on Microsoft's cloud computing systems, which
57 host OpenAI's products.

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59 In addition to Thrive Capital, the lead investor in the new round, OpenAI is in talks with Microsoft,
60 Apple, Nvidia, Tiger Global and MGX, a technology investment firm controlled by the United Arab
61 Emirates, according to three people familiar with the discussions.

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63 OpenAI is offering unusual deal structures to investors. Thrive Capital has invested \$750 million into
64 OpenAI's latest round of funding, according to a person familiar with the deal. In addition to putting
65 in its own money, the firm plans to use a financial instrument called a special purpose vehicle to
66 gather an additional \$450 million from other investors, the person said.

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68 As the deal's lead investor, Thrive also has an unusual perk: the option to invest up to \$1 billion
69 more into OpenAI at the same \$150 billion valuation through 2025, according to the documents.
70 That could be lucrative to Thrive given how quickly OpenAI's valuation has escalated to \$150 billion,
71 up from just \$30 billion a year ago.

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73 None of OpenAI's other investors have been granted the same terms, and some of them were
74 frustrated by the special preference, according to two people familiar with those discussions.

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76 (The Times sued OpenAI and Microsoft in December for copyright infringement of news content
77 related to A.I. systems.)

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79 OpenAI's deal discussions could be affected by three high-profile departures from the company this
80 week. On Wednesday evening, its chief technology officer, Mira Murati, resigned, followed quickly
81 by Bob McGrew, the chief research officer, and Barret Zoph, a vice president of research.

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83 The funding discussions also come as OpenAI works to restructure itself into a for-profit company.
84 Sam Altman, now the company's chief executive, the tech kingpin Elon Musk and several other
85 technologists founded the A.I. research lab in late 2015 as a nonprofit, whose board still maintains
86 control over the company's operations.

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88 But in 2018, after Mr. Musk and his funding left, Mr. Altman transformed the operation into what is
89 called a capped-profit company so that he could raise the billions of dollars needed to build artificial
90 intelligence. This organization provided a return for investors, but these profits were capped. And it
91 has been governed by a nonprofit board of directors that does not answer to investors.

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93 As part of the investment round, OpenAI has two years to convert to a for-profit business, or its
94 funding will convert into debt, according to the deal documents.