Step-by-Step Fundraising Tactics from the NYC Legend Who Raised $750M

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In First Round's recent State of Startups Survey of 869 venture-backed founders, we noted that over half said it took them 3 or more months to raise their last round, over a third said they raised less than they set out to, and nearly a quarter pitched 20+ firms. Basically, it's a knock-down, drag-out process for nearly everyone. Now imagine doing that over two dozen times. That's the experience NYC startup legend Kevin Ryan brings to the table.

As founder or chairman of companies like **DoubleClick**, **Gilt**, **MongoDB**, **BusinessInsider**, and **Nomad Health**, he's raised $750M in venture capital. "I've spent a lot of time successfully closing good deals with almost every VC you know," he says. "But I've also been rejected over and over and over again."

He's also been on the other side of deals, making investments of his own and as an endowment trustee for Yale. He's seen what works for founders from every perspective — including the little-known foibles that turn VCs off. We were thrilled to feature him and his extremely tactical fundraising advice at **First Round's NYC Founder Summit** in November. What follows is a rundown of what he advised founders in the audience to do, on a truly step-by-step level.

As Ryan puts it, "70% of your success in fundraising is your business and your people, and VCs will look closely at both. **But there's 30% outside of that — things you can plan, do and say that'll make a difference.** That's what I want to share."

Step 1: Line up your meetings.

Before anything else can happen, you have to make sure you can get VCs to the table. If you start reaching out to them when it's time to raise, it's already too late. "When I plan to be raising in six months, I'm already out there, proactively connecting with VCs, having coffees, making as many of them aware of my company as possible," says Ryan. "The conversation is safer when I'm not raising money."

In this preliminary phase, the goal is to secure early expression of interest — an "I'd love to hear about it when you're ready" — from as many VCs as you can, **ideally six to eight.** "No one can say no to the meeting when you're ready to raise, because you can lead with, 'You told me five months ago you wanted to hear from me when I went out to raise. I'm out there now.'"

Step 2: Strategize pitch timing, and play into biases.

When you're scheduling pitches, always save the best firms for last. "I like to have one or two meetings with either VCs that might not be the ideal fit or angels or other people who can give me commentary on the idea and how I'm presenting it," says Ryan. "Every time you go through and do a presentation for the first time — or even several times — you find out it's not great."

Each meeting will also make you more familiar with your industry's special variety of groupthink. "You'll see the same questions come up over and over again," he says. "**By meeting three or four, you will have drilled yourself so you have tight answers to those questions.**"

Holding off on your top choices will also give you time to conquer a couple common VC biases. "Some biases firms have can't be overcome — you have no control — like I've seen significant bias toward degrees from top schools." **But there are two you *can* control: bias toward founders who know their numbers backwards and forwards, and bias toward founders who exude confidence in every interaction.** With practice, you can make sure you hit the mark on both. It requires a lot of arduous and uncomfortable rehearsal, memorization and rounds of feedback, but it's well worth it.

"I was once in a fundraising meeting, and the VC in question asked the CEO, 'How do you feel about next year's budget?' The CEO gave the answer I'd like to hear in a board meeting, but not the answer

I'd want to hear in a pitch," says Ryan. "She said, 'Look, it's not easy. It's hard. A couple things have to come together, but I think if they do, we'll be in a position to make the budget.' **That's a very honest answer. But it's not the answer to give in this situation.**"

When you're pitching, he says, the right answer is: "Absolutely. In fact, I actually think we're going to do a little bit better, but I don't like to over-promise. There are a couple things that are not in there that we think we can hit. We are absolutely going to make those numbers."

> Investors need to feel that you're going to build a big business and that you have no doubts about it. It's imperative to get that across.

This confidence needs to extend to every detail of your business, not just the big picture stuff. Exude mastery of every metric, every piece of data. "Here's a micro example," he says. "I was in a VC meeting, and someone asked, 'What do you think the commission structure will be next year?' the CEO I was working with said, 'I can't remember the exact number. Let me get back to you.' Once in awhile, you have to give this answer, but it's a terrible answer. I stepped in and said, 'Between 15 and 20%, but it'll get better over time.'"

Ryan and the CEO had the same data — they both vaguely remembered that the figure hovered around 17 or 18%, but they weren't sure. "My answer was accurate but projected confidence. I both responded and pointed to a positive trend. If just the CEO had spoken, the VC would have taken away that we had no idea whatsoever. Maybe it was 40%, maybe it was 5%."

At the outset, you might need to fake the confidence that you can and will deliver. But with every presentation, it'll become more natural. "**Don't lose sight of the fact that VCs are not here to do nonprofit work. They're looking for returns**," he says.

> You basically start to believe your own bullshit after a while, and that's a good thing.

Step 3: Keep them interested until the very end.

At every stage, you're managing a dynamic process of getting and keeping VCs engaged with your opportunity. The most effective way to do this is to convey that your fundraising round is competitive.

"**Never tell them who, but do say that there are other people at the table**," says Ryan. "It's simple really. A competitive round is better because that means more people are interested. People feel like they have schmuck insurance when they think other people like the company."

There are subtle ways to continually demonstrate that your company is in demand. "**At some point in your raise, you might remind firms you're speaking to that you're going to the other coast — San Francisco or New York, depending on where you are — on Monday, a way to signal that you're going to a partner meeting without being obnoxious and bringing it up directly**. **Everyone will understand what you're saying.**"

At the same time, make it clear that you're also running a selective round. If you drop hints about too many interested parties, you lose credibility. "If you say to me, 'Oh, I'm talking to 37 VCs,' I know you're lying, and that's way worse than saying nothing," he says.

Once VCs are interested, sustain that interest by developing a familiar, warm connection. "You want a VC to think, 'I know there are other people interested, but I have a great relationship with the CEO. I think she really likes me and the firm and I have a good chance of winning that deal.' You want all the VCs you're talking with to feel this level of comfort."

> How can you convince every VC — every one of them (that's essential) — that they're your favorite? That's what you need to think about.

Some ways to do this include personalizing your pitch and all subsequent communication for each VC and each person. What are the unique reasons you like them, specifically? **What do they purport to be good at or what do they believe differentiates them? Can you lean into that when you talk about what appeals to you?** What past deals have they worked on that you can highlight in conversation? Early in your process, you want to know this information about every VC in the mix and **treat them all the same**.

Perhaps counterintuitively, landing the best partners might require downplaying money as a decision-making factor. "You need to make it clear you value the services, tools, resources that they bring to the table, and that you've been hearing good things about them in the market," says Ryan. "VCs are just like everyone else in the world. They want to be wanted. They need to feel like they bring value and that very smart people (i.e. you) realize and appreciate that. **"When a VC feels this, they feel more invested in you."**

When you do bring up money, be strategic about how much you're asking for. **To keep firms interested, you want to start low.** "When I want to raise $5M or $6M, I go out and I say I want to raise $3-5M. I believe in the auction strategy," he says. "There's nothing that makes people feel better than when you go back to them in two weeks and say, 'Actually, I know I said $3-5M, but it's really going to be $5-6M.' That means other people are interested."

> No one wants to feel like they're getting a deal in venture capital. They want companies that everyone else wants. If you change what you're looking for, always go up, never down.

If you adjust your goal lower, investors are going to start bailing. That's always the case.

"You need to keep as many people at the table as possible until the very end," says Ryan. "**Don't get thrown off by who you think the best partner will be — that's irrelevant until the end anyway**. "Until you actually have a term sheet, don't spend any time on it. Your goal in this process is singular: get as many term sheets as you can — not 50, but two, three, four."

And remember, while you're perfecting your poker face, VCs are too. You can't read anything into the tone of meetings you take, just keep on wooing each firm consistently. "You'll have a great meeting with some VCs just because they're positive people," he says. "That doesn't mean they want to work with you. Then there are people who are kind of negative, but they might be very excited — you just can't tell based on their demeanor. They might be semi-confrontational as a person. Don't let any of this signal anything to you. Wait until the very end, when term sheets come in. That's how you actually read people."

4. Get it down on paper.

With your pitch done and all questions confidently answered, it's time to get terms on paper. You have to think carefully about the deadline you set for this. "**You need to give VCs enough time but not too much time**. Let's say I told you that you're back in college and there's a paper you can write to win $10,000 but it's due in six hours. You're not going to work on it. If I told you it's due in four months, you're not going to work on it. If I told you it's due in five days, you'd say, 'Yeah, I can do that.'"

In his experience, **the right time frame between final meeting and term sheet is typically three to four weeks**. That gives VCs the time they need to get their ducks in a row, but not more. **Be clear and specific about your deadline — give people the exact date when term sheets are due**.

When that deadline comes, you have a week to process your offers and go back and forth with interested firms. Some VCs may try to rush you as soon as their term sheet is in, but don't give in. "Instead say, 'There are other people I've been talking to for five months, and I can't make a decision until I let them come in. I told you the schedule, and the deadline for term sheets was always September 27 (or whatever you said upfront). We need to wait for that.'"

Make every effort to ensure that all investors in the running are on the same schedule with you. It's not fair to string along prospective partners for months. "There's nothing worse than getting a term sheet from a great firm, knowing that you're two or three weeks away from maybe getting another from someone else because you staggered conversations too much," says Ryan. "That's super awkward. You can't let people hang out for weeks knowing you're playing them off others."

Step 5: Weigh your options wisely.

When your deadline for receiving term sheets arrives, hopefully you have multiple offers. Imagine that you're considering term sheets at a $16M, $18M and $20M valuation. "At this juncture, you have to figure out who you want the most," says Ryan.

Money isn't the only variable that matters. **Personality is a very real consideration, and should be heavily factored into your decision.** "For most firms — with a few exceptions — you will seldom see anyone other than your point partner. So you're not getting a firm, you're getting a person. You need to feel good about that person," he says.

Relationships with VCs are indeed relationships — with all the complexity that implies. And they're long too. Sometimes they'll be fraught, and you can't end them. "Given this, if you have to choose between two people and one's slightly smarter but he or she is a real jerk, I'd go the other way."

A partner's location is something to think about, too. "**If you're raising your first round of funding, it's always more valuable to have VCs that are local**," says Ryan. "For your second and third rounds, you can go elsewhere. It's less important."

With these non-monetary factors in mind, turn your attention back to your term sheets. "If the $20M is from the person you like the most, you're probably done. If you want to work with the point person on the $16M or $18M term sheet, you have to go back for another bite of the apple," he says. "This is where you have to be 90% honest, and say, 'Look, I really do want to do this deal with you, but you came in lower than others. Valuation isn't everything to me — but it still does matter at the margin. I really, ideally need you to be somewhere around 20-ish.' See if you can get there."

If you're really sure that a certain partner is the one for you, you can go even bigger. "At some point — and I never say this unless it's true — you can say, 'If you get to $20M, I will do the deal with you.'"

If you can't get them there, though, you have a tough decision to make. How can you weigh the money against other intangible factors? "**Within 5% it doesn't matter. At 10%, I still want to choose the right person. At 30%, I'm not going to go with someone that I like more.** That's too much for me to give up," he says.

Step 6: Make a decision and get to work.

As the week you've budgeted for decision-making winds down, and you've had your back-and-forths with potential firms, you've hopefully arrived at a good place. Before you go any further, make sure your lawyer is involved and that the terms of your deal are on the up-and-up.

> Unless you're in trouble, there's no excuse for having anything but incredibly clean terms. Every VC knows what a clean term sheet is.

Then, once it's a done deal, put the fundraising process behind you completely. Don't let yourself be brought down by a difficult round — or overly inflated by a great one. Just put your head down and keep working on your idea — the idea that got you to this point. Fundraising results are not actually a harbinger of your company's ultimate trajectory, Ryan says.

After all, he's lived this particular lesson. He knows well that VCs aren't infallible. In 2007 and 2008, he founded Gilt Groupe, BusinessInsider and MongoDB within an eight month span. "A year and a half later, Gilt was raising money at a $135M valuation. Mongo? I couldn't even beg for money. I'd already sold DoubleClick for a billion dollars, so you'd think some people might say, 'Let's cut this guy some slack.' Not at all. Everyone passed. BusinessInsider grew really slowly those first two years because no one — and I mean no one — would put in money. It turns out that those two companies were ultimately far more valuable than Gilt. The market was wrong."

> The point is, you don't know. You just have to be confident that what you're doing makes sense. You have to stick with it and believe that absolutely.

After the emotional roller coaster of fundraising, it's worth reminding yourself of one other truth: you're not begging for money or accepting a favor from any VC. "What you're doing is giving them an opportunity — a chance to be a part of a company that's going to change an industry," says Ryan. "As you go into every investor conversation, just keep this mindset: 'I hope to work with you, VC I'm talking to, but if it doesn't work out or you pass, I'll be working with someone else — and together we're going to change the world and feel great about it.'"

Lining up meetings

- Start lining up even casual meetings with VCs 6 months prior to your raise.
- Try to get them to an expression of interest in learning more down the line.

Strategize your pitch order

- Always save the best or most desirable firms for last.
- Use earlier meetings to refine your presentation, rehearse, and gain confidence.

- Know all the numbers relevant to your company backwards and forwards.
- Always put a confident spin on your responses, and if possible provide more clarity, even if you don't know an exact answer.

Keep them engaged until the end

- Don't say who else is at the table, but do say that others are.
- Drop travel plans into conversation to convey when and how you're running your process.
- Work on creating warm, familiar connections with as many of these VCs as possible.
- Understand how to flatter VCs in a way that is both unique and sincere. Make it clear you understand their key value proposition as they see it themselves.
- Don't get thrown off thinking about who the best partner might be at this stage. Just get as many term sheets as you can.

Run a tight term sheet process

- Give VCs 3-4 weeks between your last meeting and your deadline for receiving term sheets.
- Give an exact date when term sheets are due and make it very clear.
- Use this deadline to push back when VCs try to rush you to a decision earlier in the process.
- Run a tight schedule where all terms sheets are coming it at right around the same time. Don't keep people waiting.

Weigh your options

- Make personality of point partner a real and serious consideration in how you decide who to work with.
- If this is your first round of funding, give more weight to local partners. They will be more helpful.
- Try to get the VCs you really want to work with to the highest number that you've been offered.
- If they can't get there, as long as it's withing 5% or 10%, optimize for working with the right person. If it's a difference greater than 30%, go with the best offer.

Moving on

- Make sure your term sheets are clean.
- As soon as the round is closed, put the process behind you completely and get back to working on your idea.
- Know that the market is not infallible. Have the conviction that you and the partners you do end up working with are going to build something amazing.

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