



# FUNDING SECRETS

ROBERTO  
MAGNIFICO

@RMagnifico



# Hi! I'm Roberto Magnifico

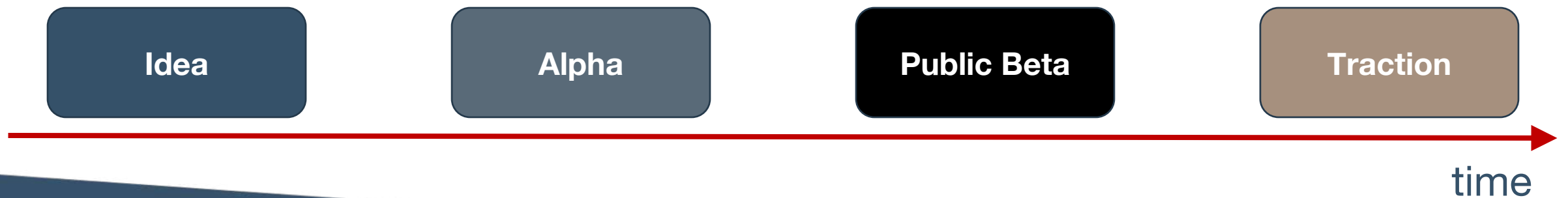
This is me looking at yet another pitch

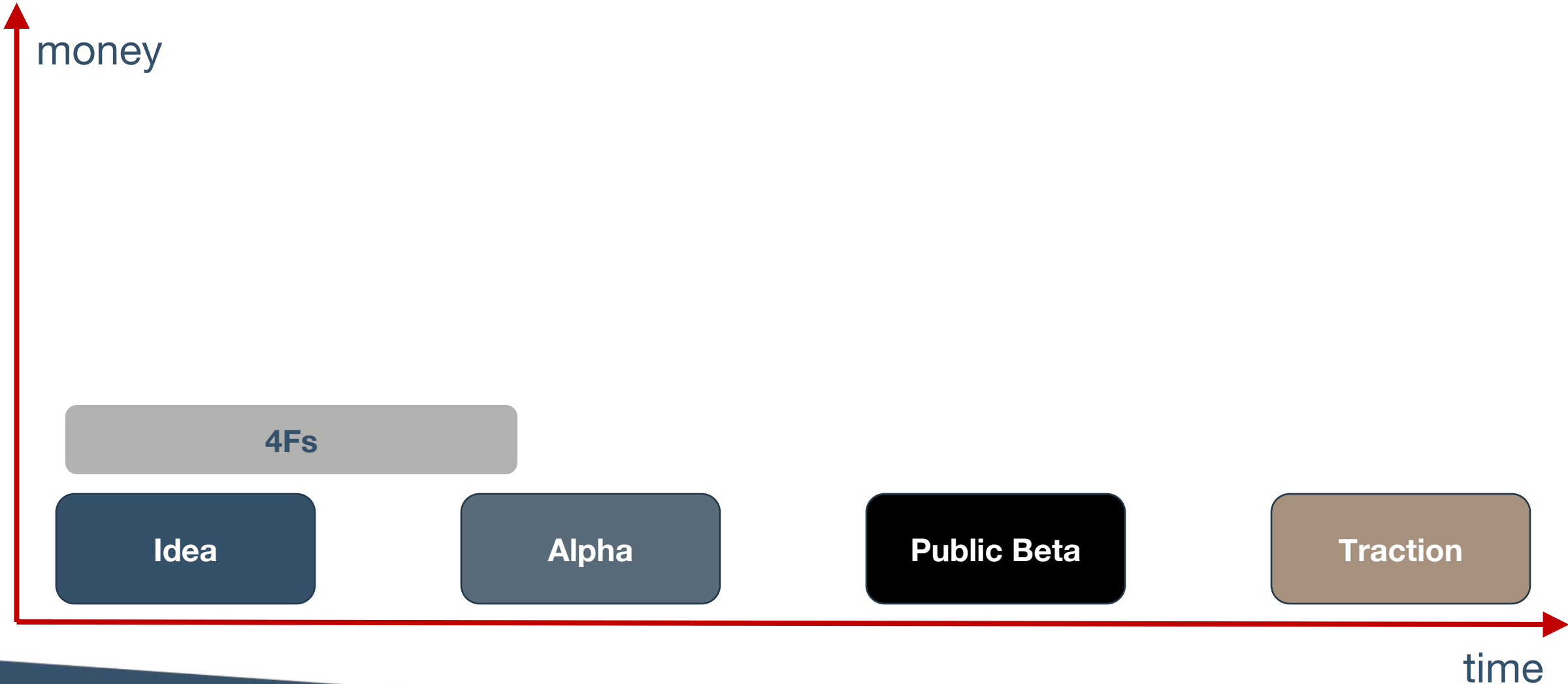
## LEHMAN BROTHERS

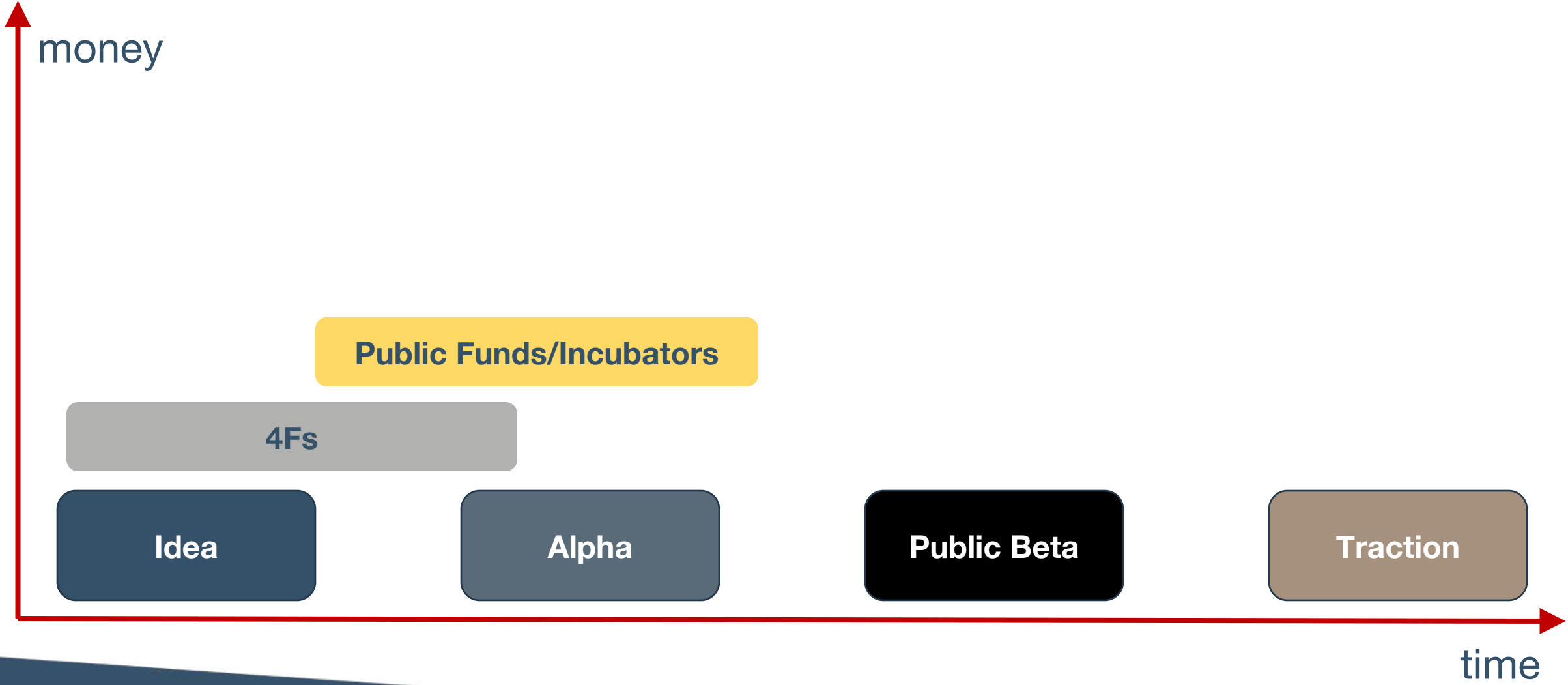


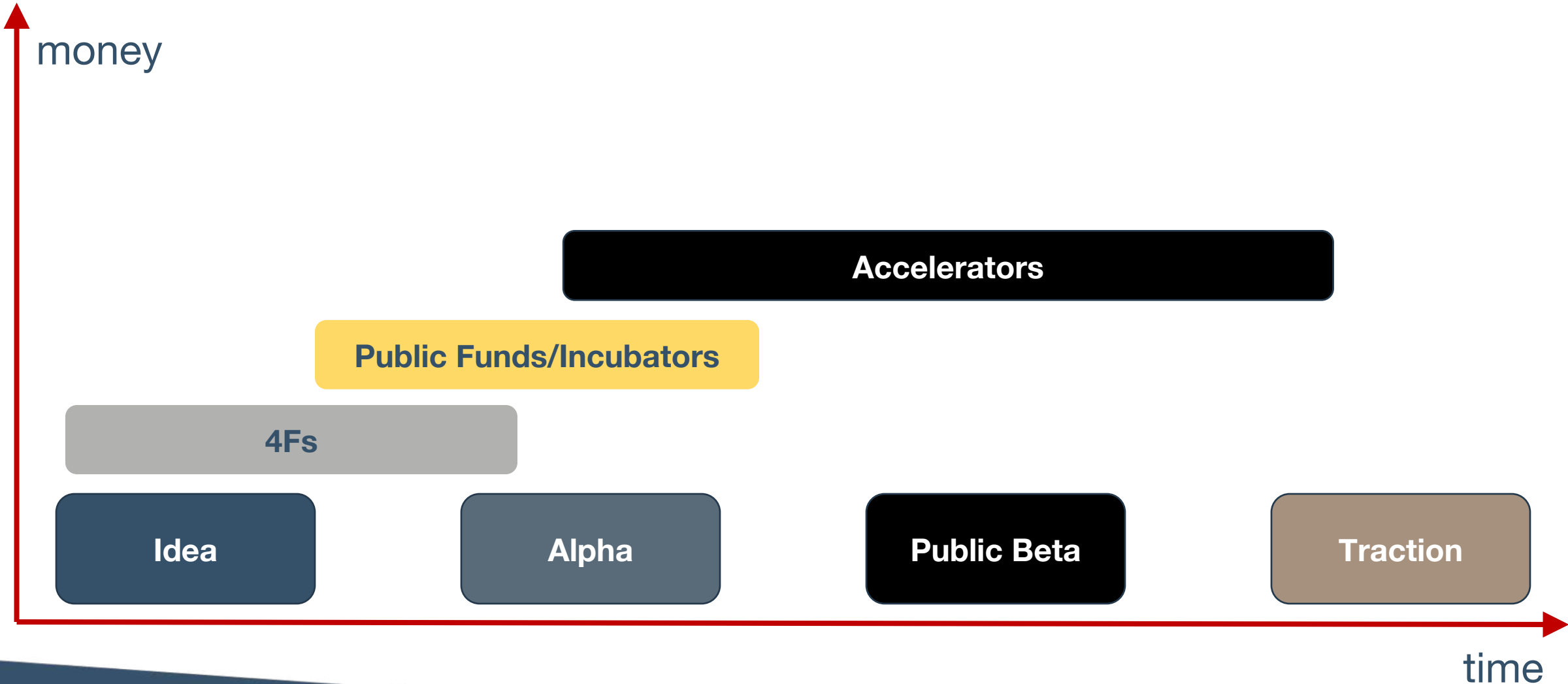


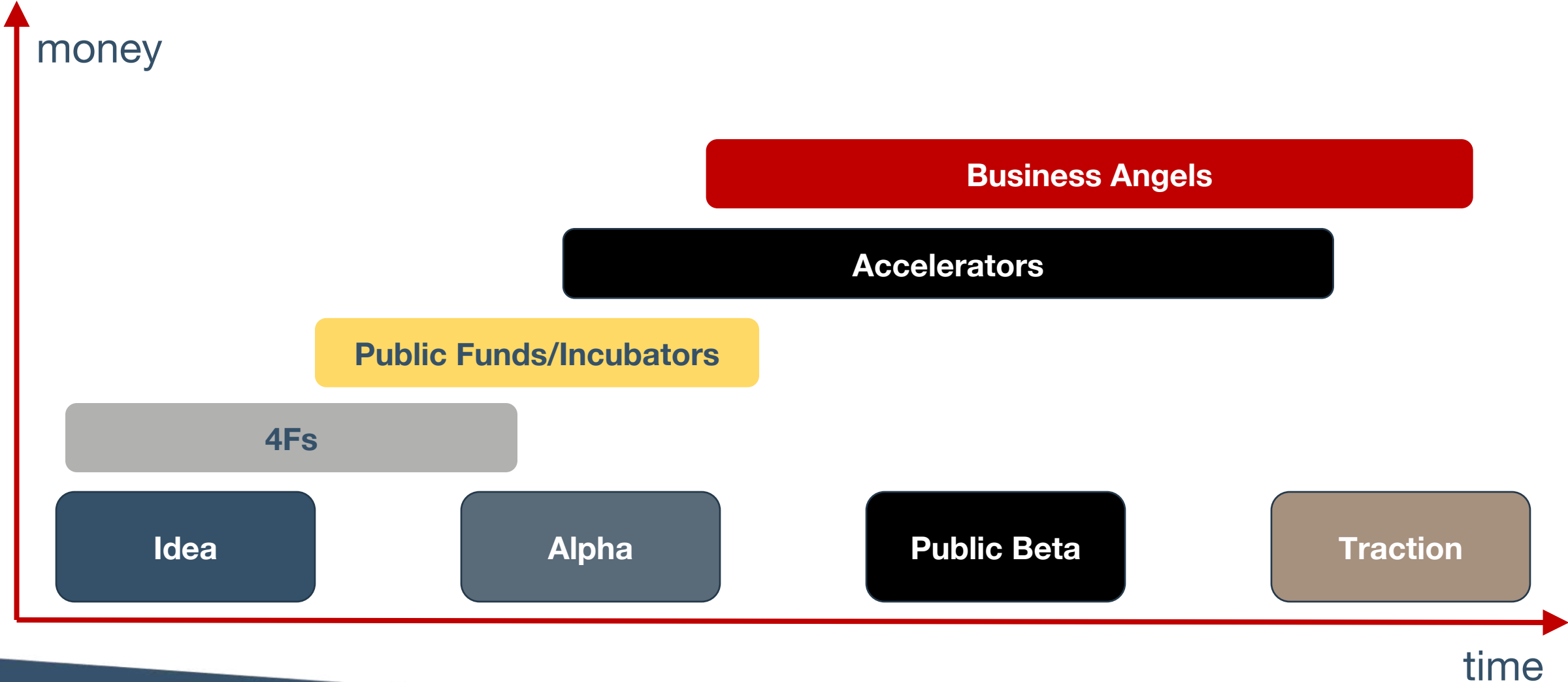
# Foundations



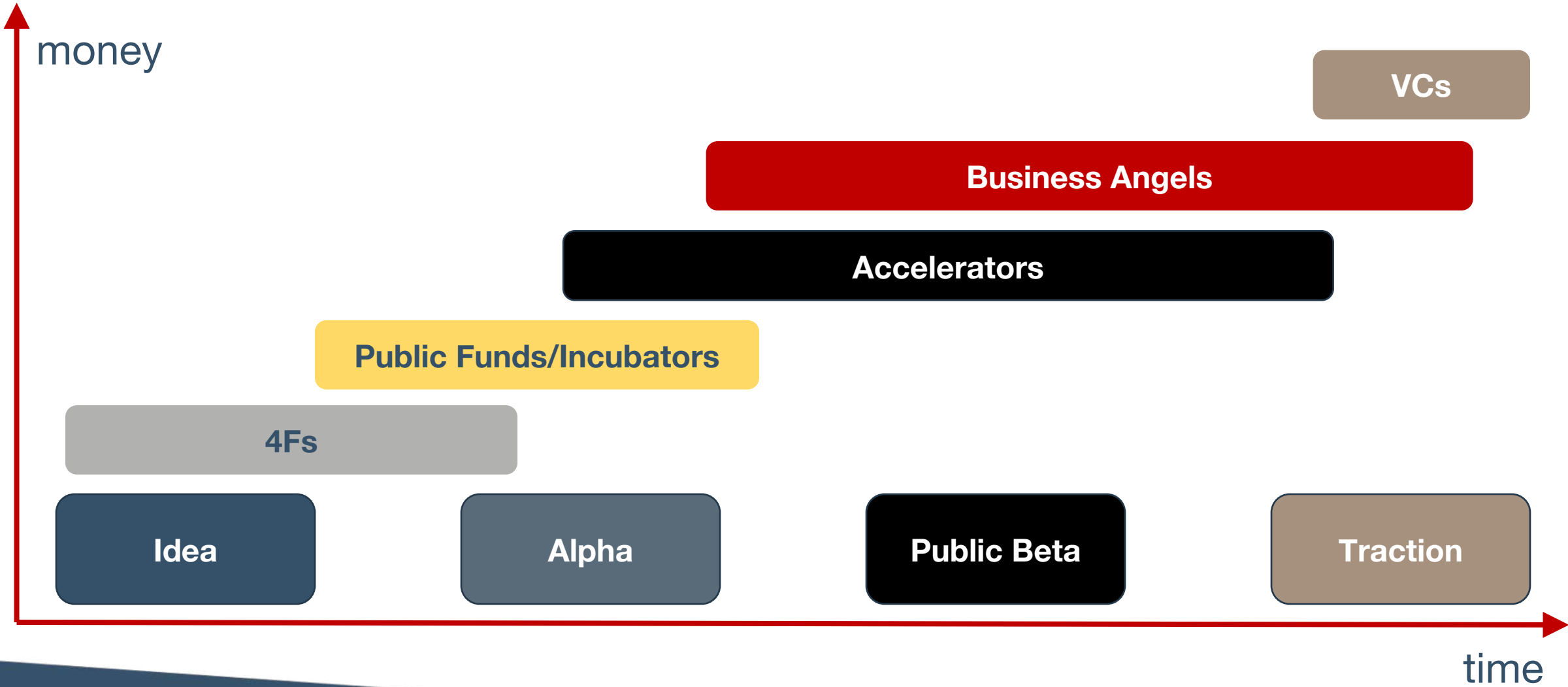


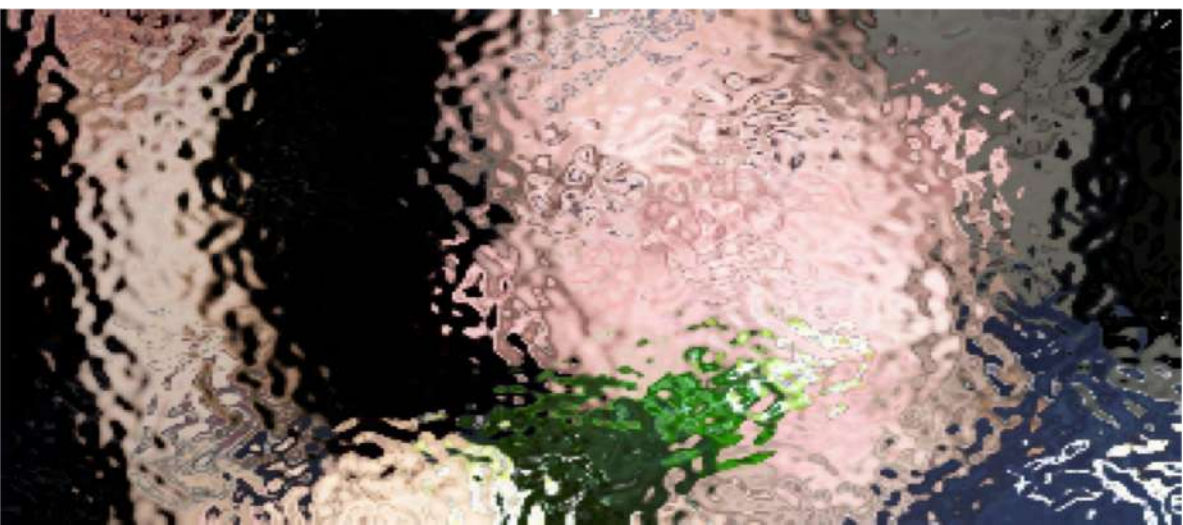
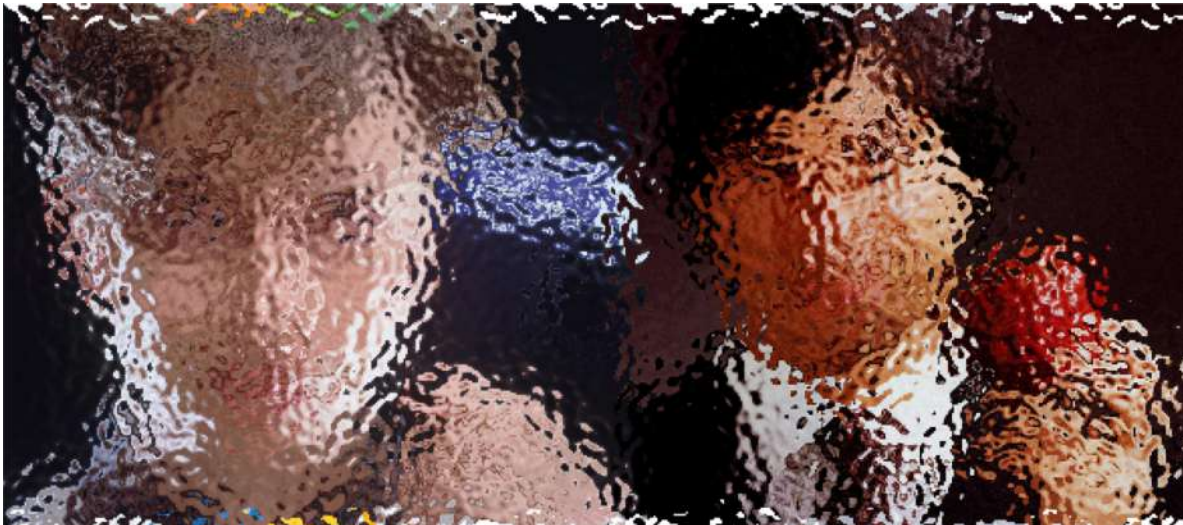




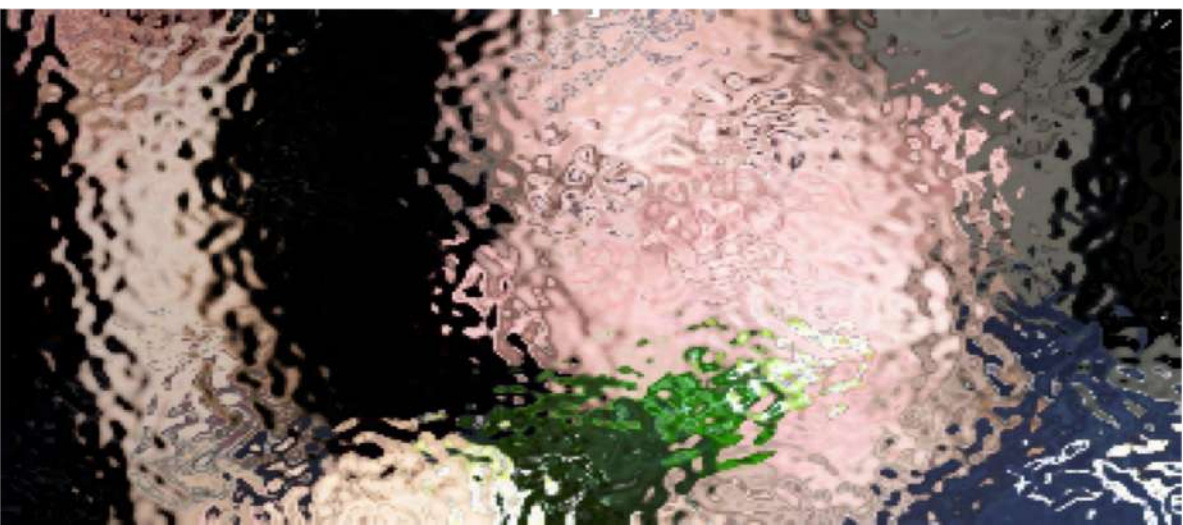


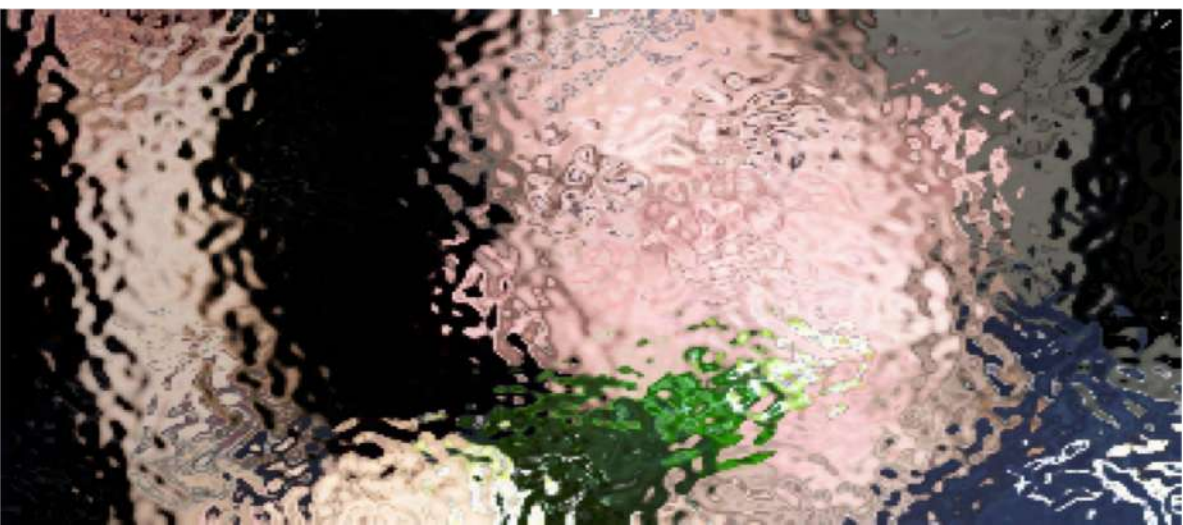










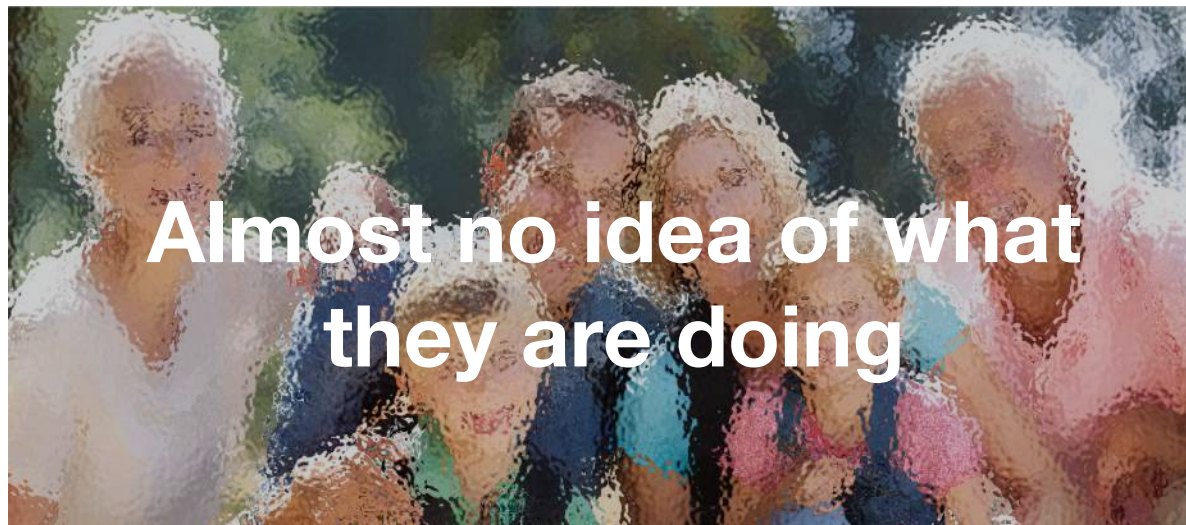


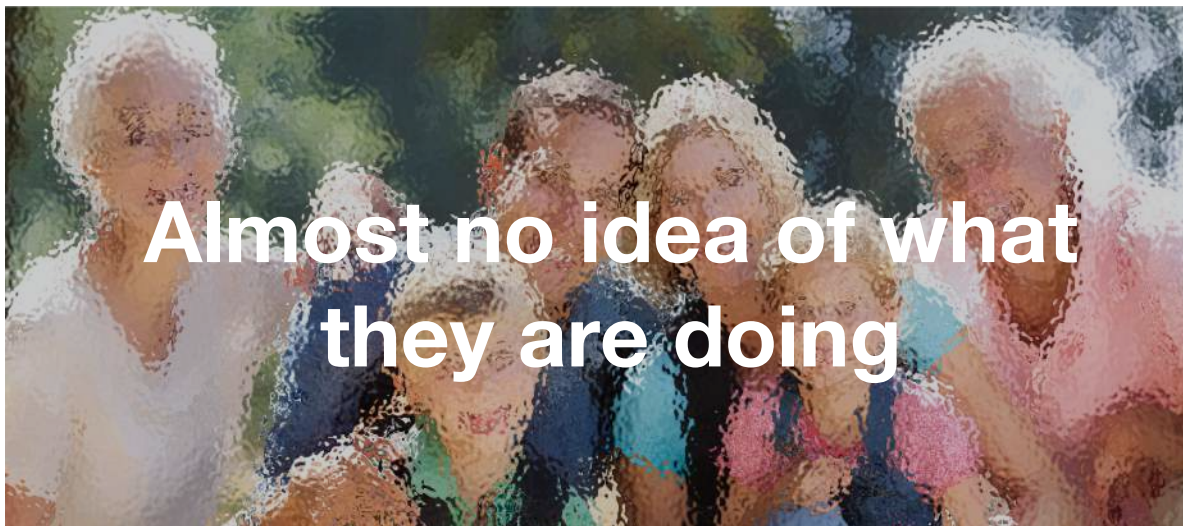








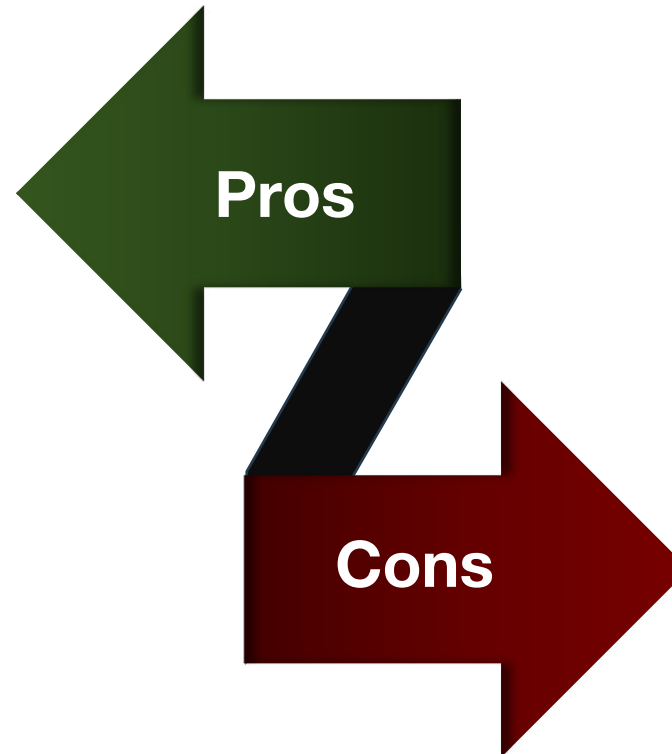




**Goal: Creating wealth in the territory**

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Easy money  
(but usually small deals)  
Incentive to start doing



Bureaucracy  
Potential plan distortion  
Might have territorial  
constraints

**Starting point:**

**Founders: 6,000**

**Grant: 25,000**

**Bank: 31,000**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Expenses	4,000	4,000	4,000	5,000	5,000	5,000	7,000	7,000	7,000	8,000	8,000	8,000
Revenue	0	2,000	2,000	2,000	2,000	2,000	2,000	2,000	4,000	7,000	10,000	10,000
Bank	27,000	25,000	23,000	20,000	17,000	14,000	9,000	4,000	1,000	0	2,000	4,000

**Starting point:**

**Founders: 6,000**  
**Grant: 25,000**  
**Bank: 6,000**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Expenses	4,000	4,000	4,000									
Revenue	0	2,000	2,000									
Bank	2,000	0	-2,000									

**Starting point:**

**Founders: 6,000**  
**Grant: 25,000**  
**Bank: 6,000**

Money given on pay-back basis will help your startup to have more runway but they won't speed up your growth!

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Expenses	4,000	4,000	4,000									
Revenue	0	2,000	2,000									
Bank	2,000	0	-2,000									

# NO



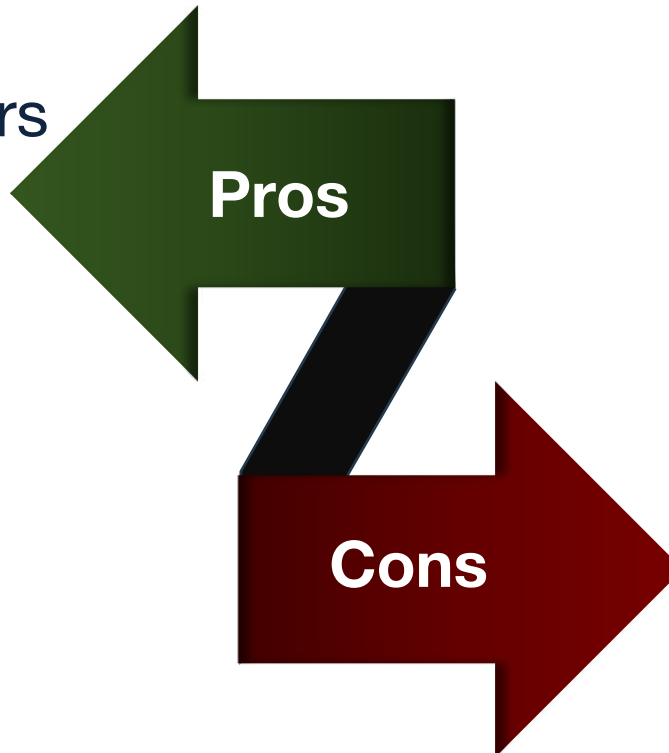
# Stage: Beta or MVP | Investors: Accelerators

Goal: Making big money by stats

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**Goal: Making big money by stats**

Understand startups and investors  
Rapidly add value



Small deals  
Rapidly lose interest



# Stage: Public Beta Investors: Business Angels

Individuals who invest their own money

## Investment criteria:

What they understand

Where they can add value

What touches them emotionally

# Business Angel Networks

Business angels who invest their own money as a syndicate



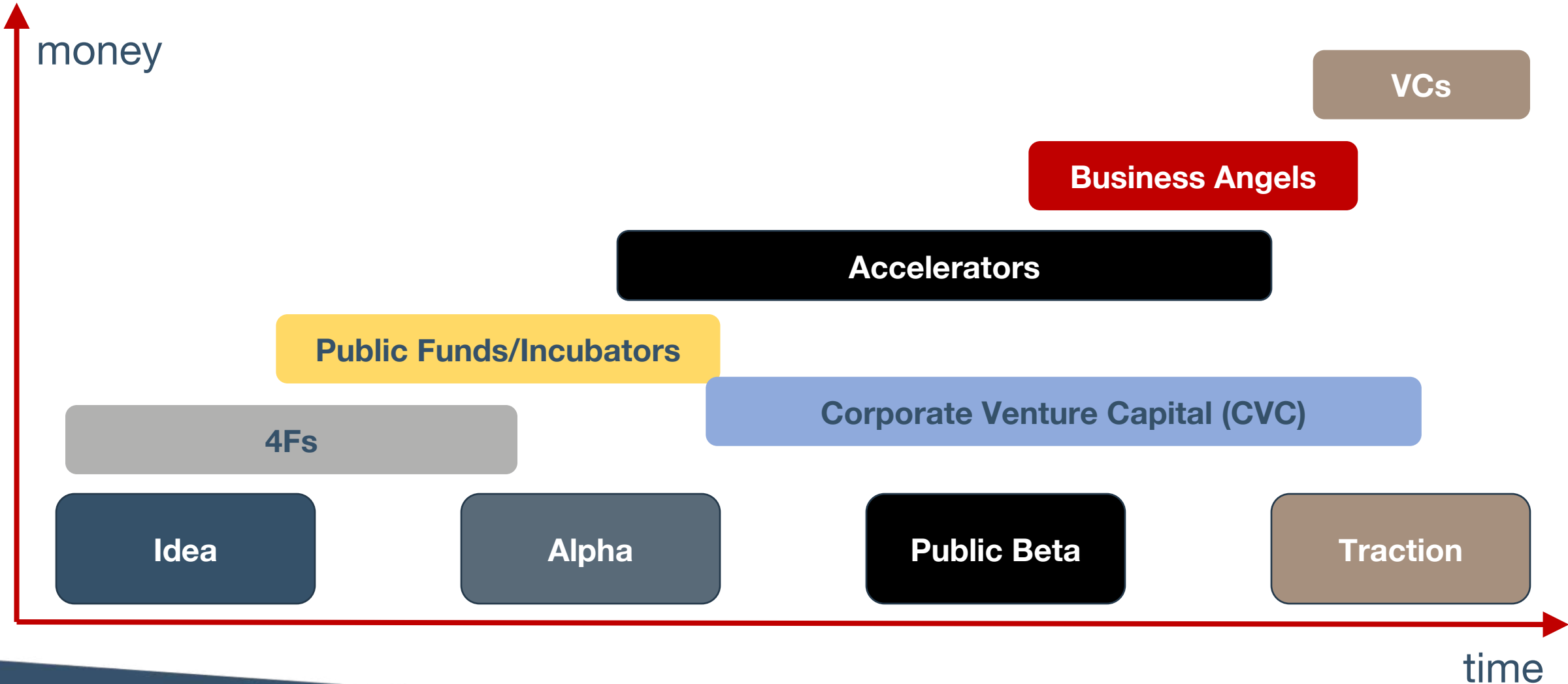
ABOUT US

We partner with exceptional founders with unique insights, from inception through all phases of growth.

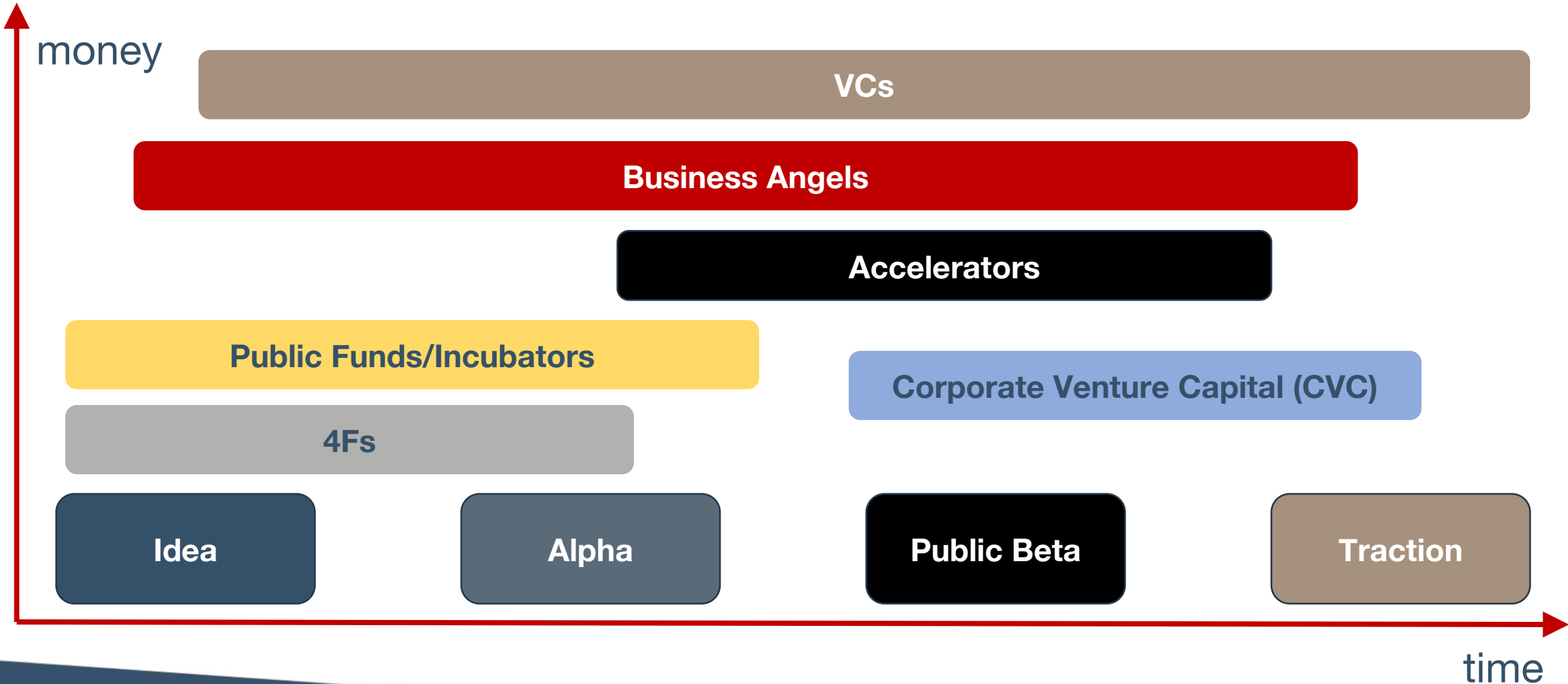
Managers in charge of investing other people's money

RoI based compensation

**Investors mindset is shaped by VC**



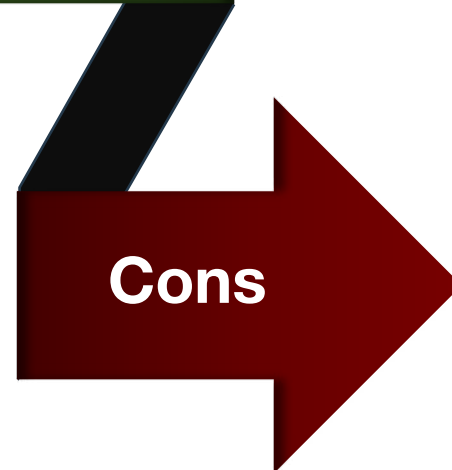
# Investors and startup stage (15-20yrs ago)





## Goal: Scouting R&D and creating synergies

Quite easy money  
They speak your language



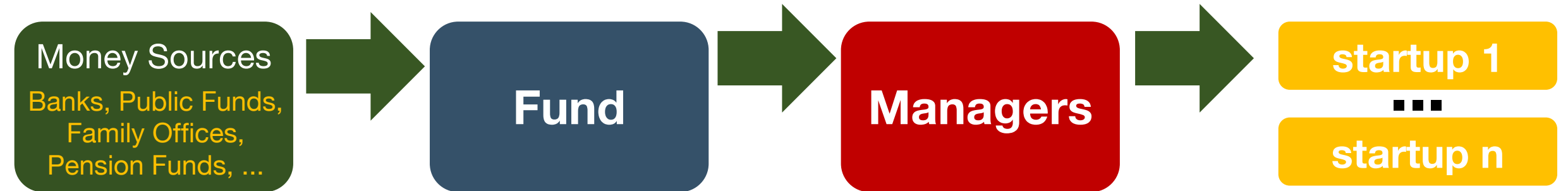
Bureaucratic (less than public)  
Not completely reliable  
Potential plan distortion  
Playing with fire

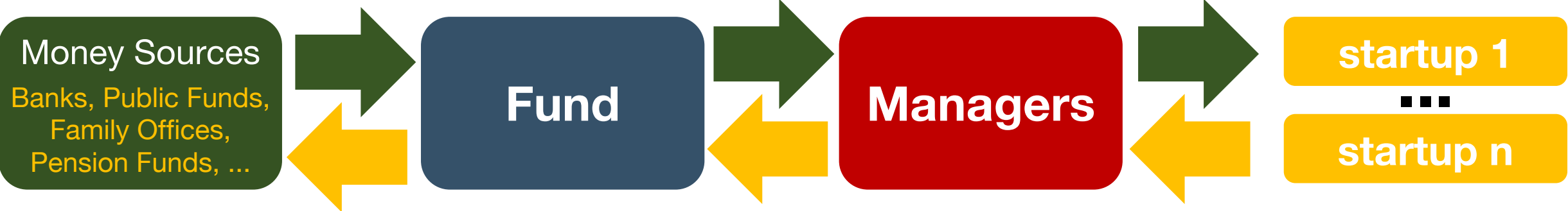


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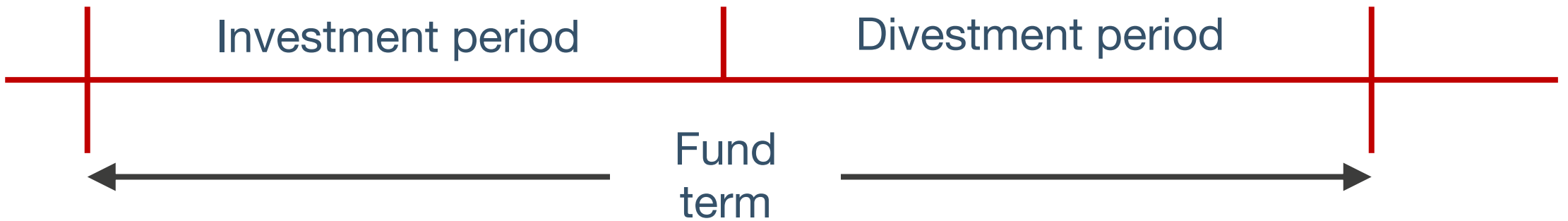
# Understanding VCs

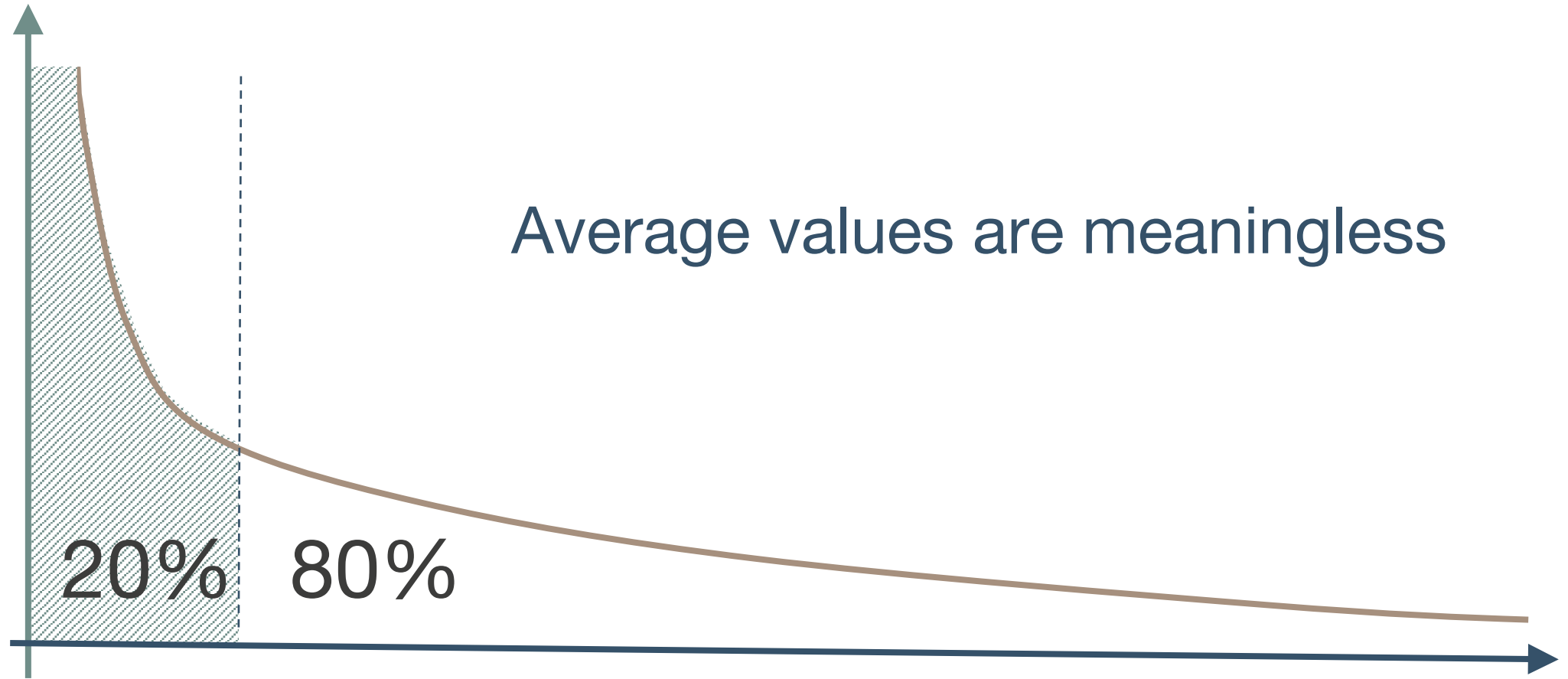
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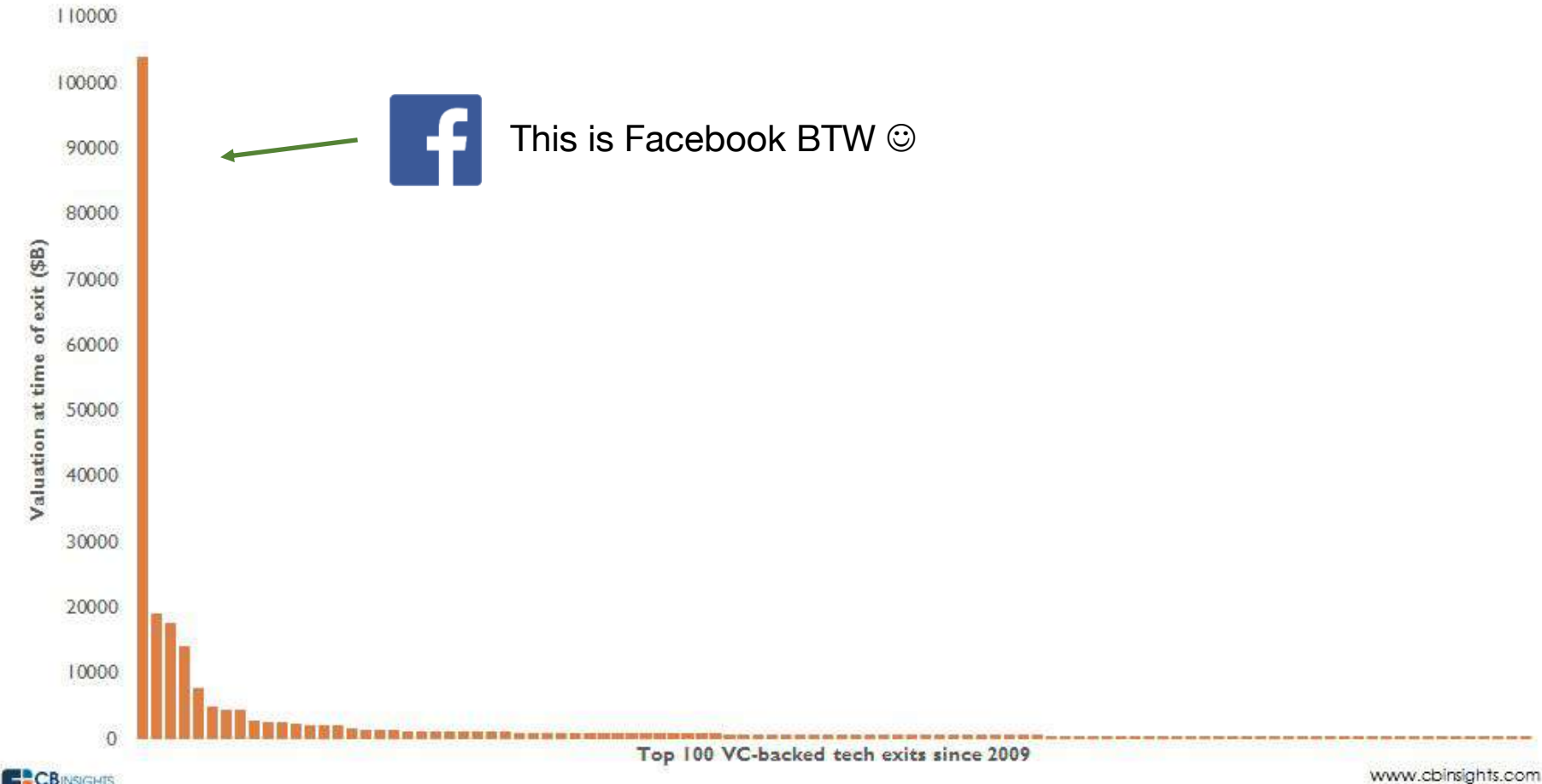






## Top 100 U.S. VC-Backed Tech Exits Since 2009

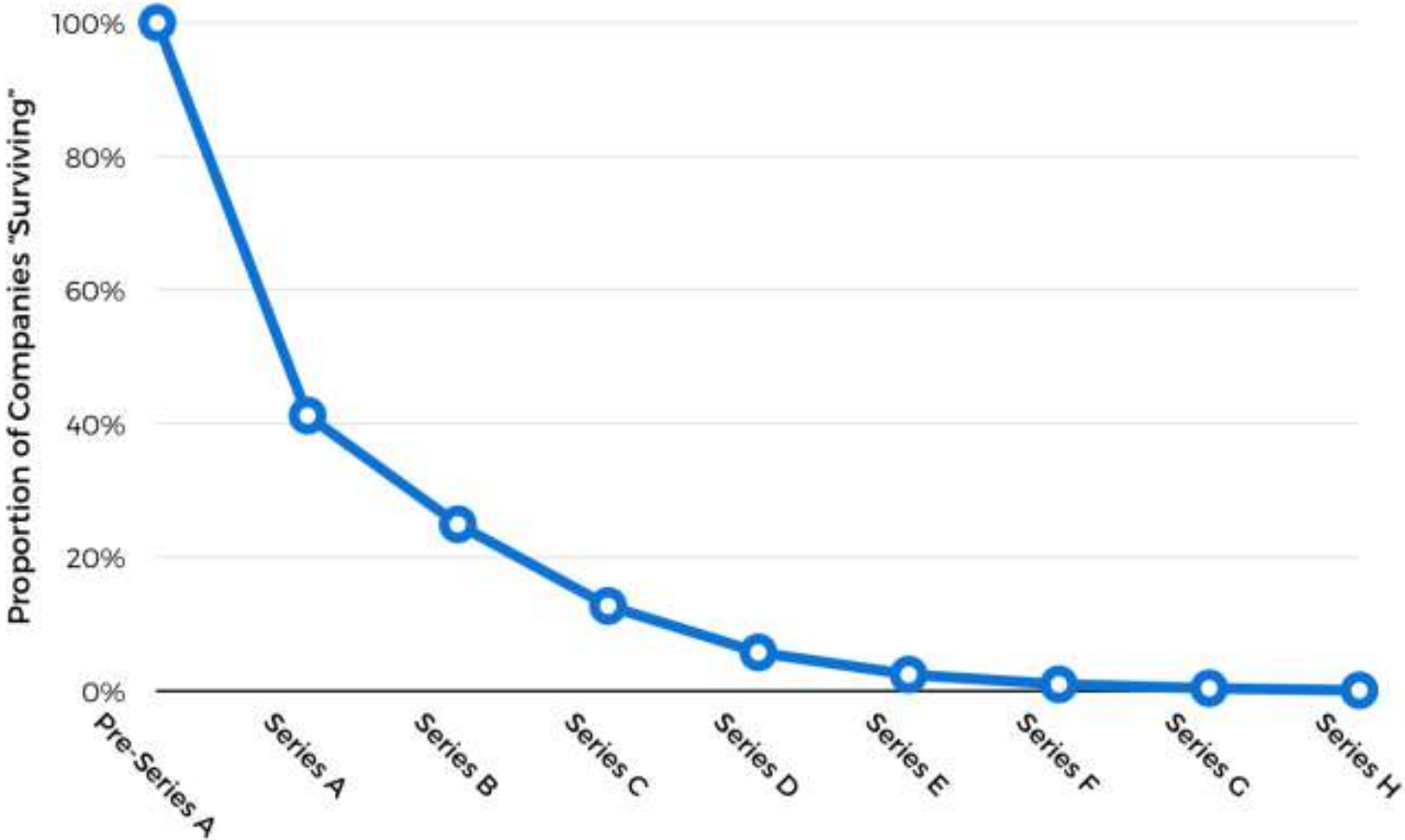
By Valuation at the Time of Exit, 1/1/2009 - 2/24/2014





## The US Startup Survival Curve

Based on Funding Data From US Tech Companies Founded Between 2003 and 2013



source: techcrunch

The best investment in a  
successful fund equals or  
outperforms the entire rest of  
the fund combined



## Example:

Fund: 10M

Number of investments: 10 deals, 1M each

Fund duration: 10 years

simplified view

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## J curve in action:

5 complete failures	in: 5M	out: 0M	tot: 0M
2 no return	in: 2M	out: 2M	tot: 2M
2 small x 4 return	in: 2M	out: 8M	tot: 10M
1 good x 15return	in: 1M	out: 15M	tot: 25M

simplified view

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1 good x 15return	in: 1M	out: 15M	tot: 25M

Fund return after 10 years:  $x 2.5 = \text{approx. } 9.6\%$

**Expected returns lower than 10x are  
meaningless**

## Example:

Company valuation: €6M (*pre-money valuation*)

Investment size: €2M

Dilution: 25% (*post-money valuation: €8M*)

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$$\text{Dilution} = \frac{\text{Investment}}{\text{Pre-money} + \text{Investment}} = \frac{\text{Investment}}{\text{Post-money}}$$



## Example:

Investment: €1M

Pre-money valuation: €2M

Startup revenue in 5 years according stats/your plan: €10M

Market value in the industry: 2x Revenues

simplified view

simplified view

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## Simplified process:

Value of your startup in 5 years:  $2 \times €10M = €20M$

Value of 33%: €6.6M

simplified view

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## Simplified process:

Value of your startup in 5 years:  $2 \times €10M = €20M$

Value of 33%: €6.6M

€6.6M < 10x

Deal not closed

**VCs seek for startups able to rapidly scale  
on valuation (usually revenue)**

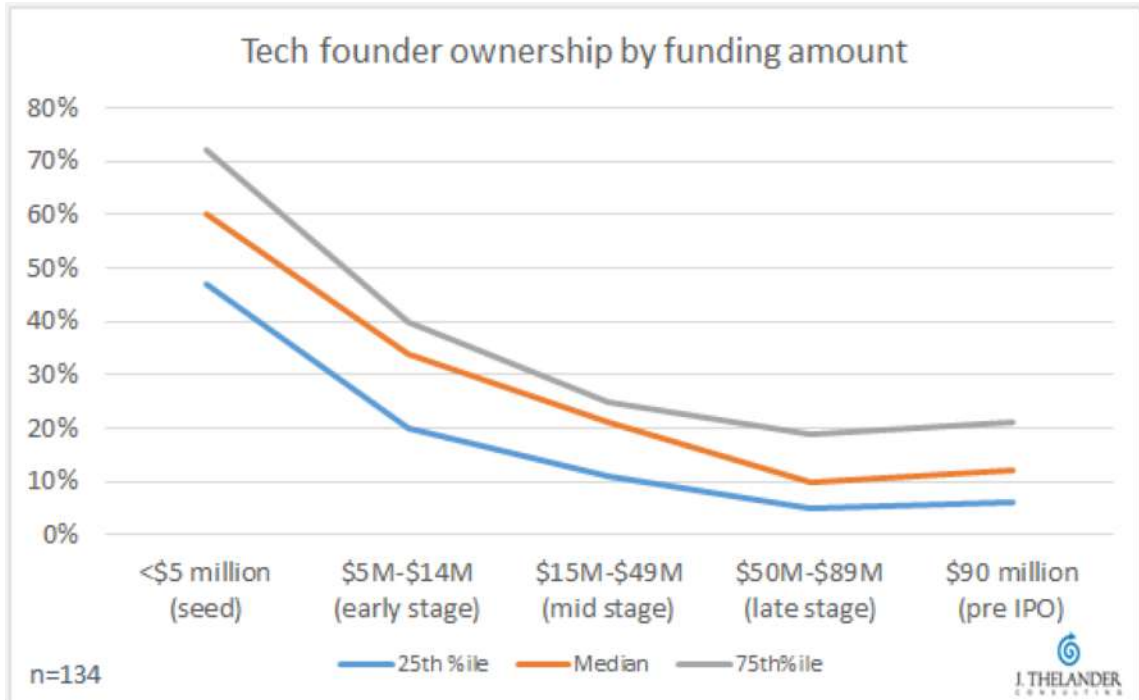
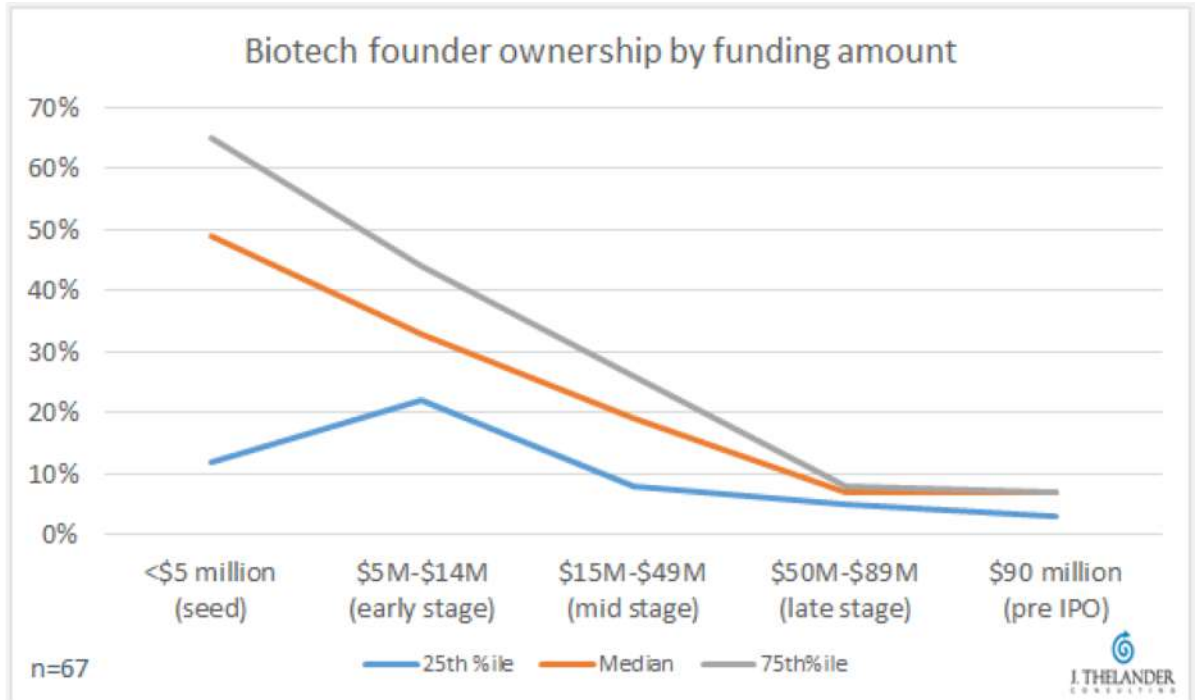
Mar 9, 2017	 Series F - Airbnb	5	\$447.8M
Oct 17, 2016	 Secondary Market - Airbnb	1	—
Sep 22, 2016	 Series F - Airbnb	6	\$555.5M
Jun 16, 2016	 Debt Financing - Airbnb	4	\$1B
Nov 20, 2015	 Series E - Airbnb	1	\$100M
Jun 28, 2015	 Series E - Airbnb	15	\$1.5B
Apr 16, 2014	 Series D - Airbnb	7	\$475M
Oct 28, 2013	 Series C - Airbnb	5	\$200M
Jul 25, 2011	 Series B - Airbnb	9	\$112M

*source: crunchbase*

# 20% RULE *(simplified)*

	Multiplied Valuation	N	
x 20 valuation	100	1	100
x 3 valuation	15	2	30
x 1 valuation	5	3	15
Total Portfolio Value			145
Real Portfolio Value			29

5% ownership can't have a material impact in most cases (Facebooks aside).



source: Pitchbook

# Startup killer

**New rounds with lower pre-money  
(downrounds)  
or  
an unjustified lower investment size**



## Example:

4 people based in Rome

Former ICT and CleanTech Executives in big companies

They raised €28M from Italian and French banks

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4 people based in Rome

Former ICT and CleanTech Executives in big companies

They raised €28M from Italian and French banks

## Most likely target:

ICT and CleanTech companies based in Italy and France

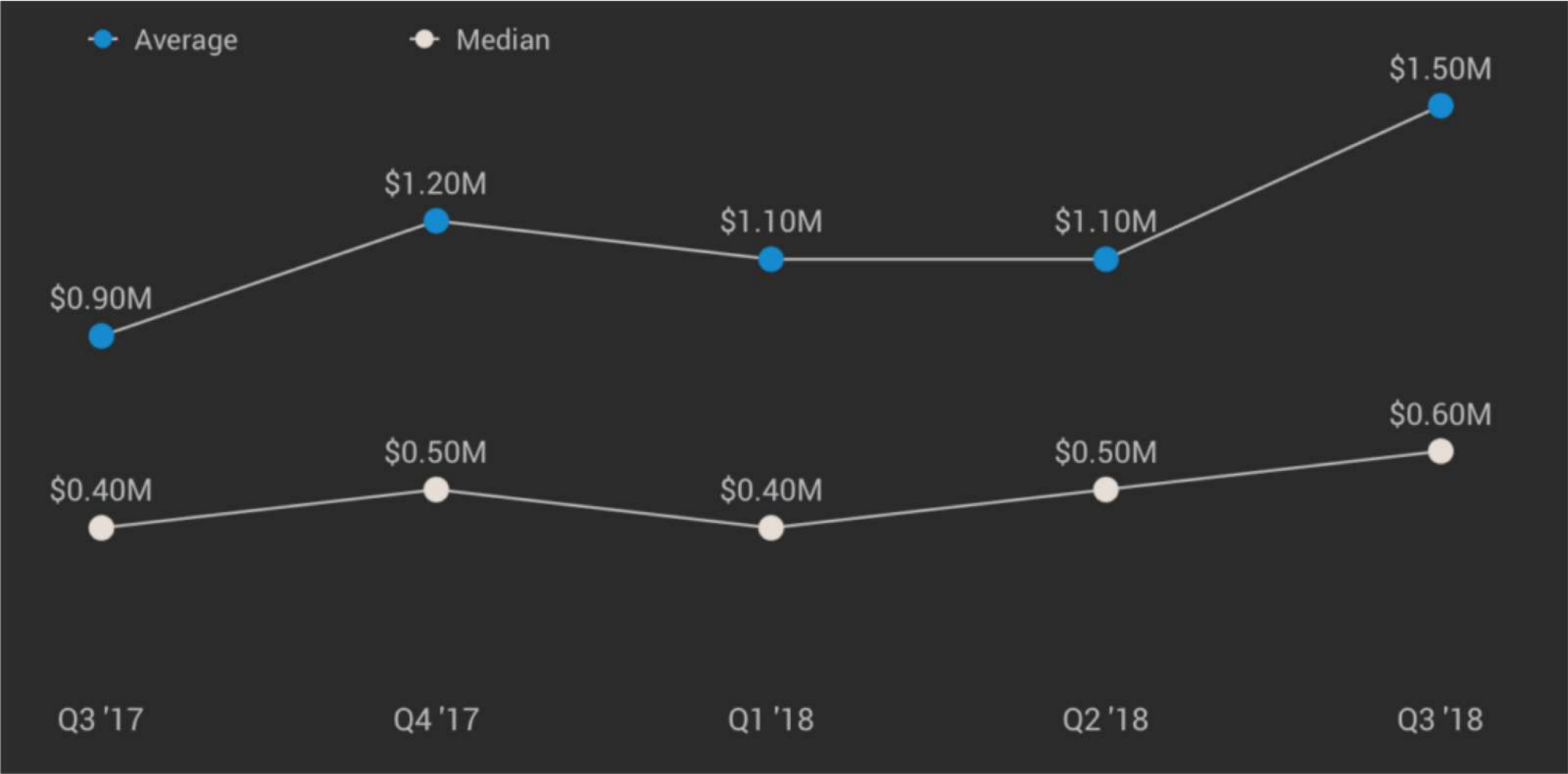
Not interested in early stage

No more than 12/16 deals

Average deal size: €2M

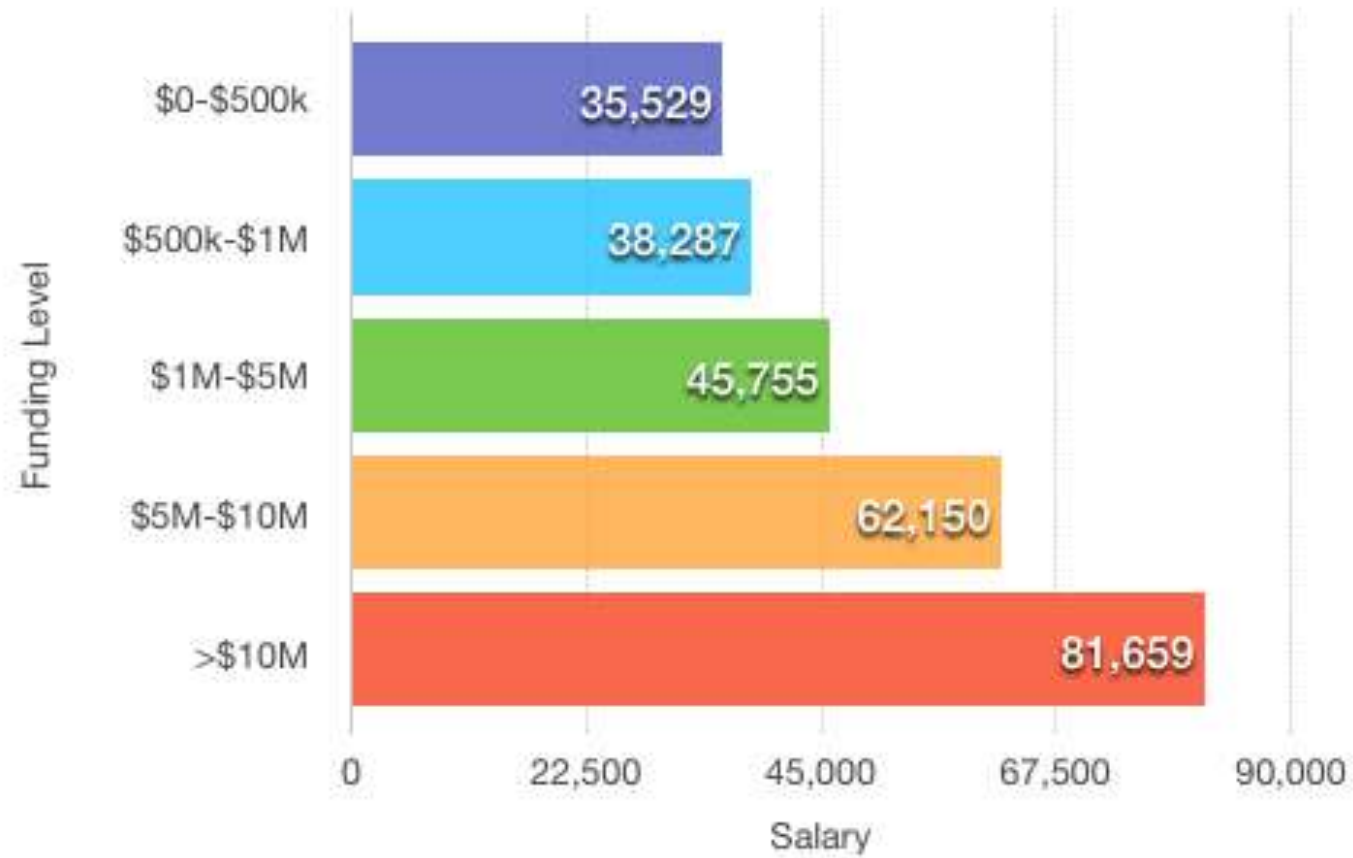
**Don't waste time with things that are not in target**

<i>Shareholder</i>	<i>Idea</i>	<i>Alpha</i>	<i>Beta</i>	<i>Traction (series A)</i>	<i>Growth (series B)</i>
Founders	90,00%	75,00%	56,25%	39,71%	32,19%
3Fs	10,00%	8,33%	6,25%	4,41%	3,58%
Accelerator		16,67%	12,50%	8,82%	7,15%
BA			25,00%	17,65%	14,31%
VC 1				29,41%	23,85%
VC 2					18,92%
Total	100,00%	100,00%	100,00%	100,00%	100,00%
Premoney		250.000	1.500.000	6.000.000	30.000.000
Investment		50.000	500.000	2.500.000	7.000.000
Dilution		16,67%	25,00%	29,41%	18,92%



source: crunchbase

# Founder salary by funding level



source: TheNextWeb

0 - 200k

**Idea**

200k - 500k

**Alpha**

500k - 2M

**Public Beta**

2M - 5M

**Traction**





## A New Kind of Venture Firm

We believe that the interests of investors and entrepreneurs can and should be aligned.

**Basic**

**Governing clauses**

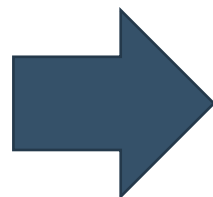
**Next round**

**Exit**

Pre-money	Structure of Cash Provision
Fund Raising Expenses	Exclusivity During Negotiation

## Structure of Cash Provision

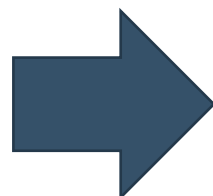
- All in
- Staggered



Equity



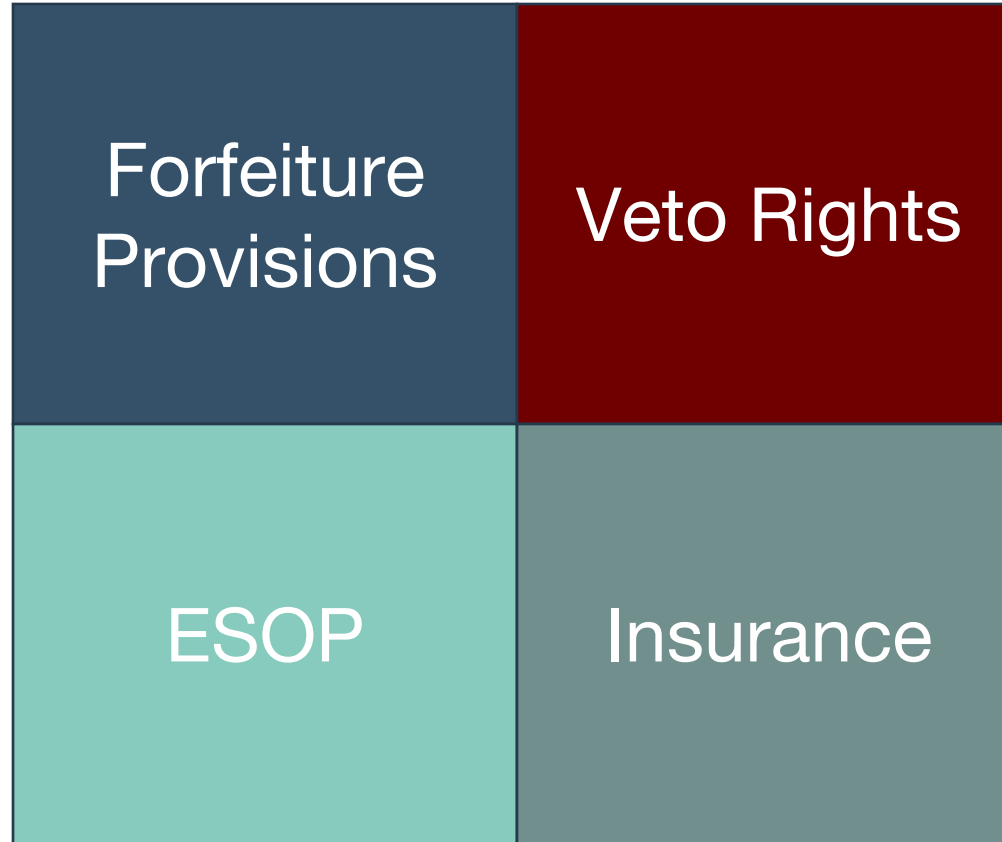
Option



Convertible Note

- Timeframe
- Value

- Loan**
- Timeframe
  - Cap
  - Discount
  - Interest



Pre-emptive  
Rights

Anti Dilution  
Protection

Fees

Liquidation  
Preference

Tag & Drag-  
Along

**DON'T  
FOLLOW  
ME I DO  
STUPID  
SHIT**





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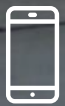
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