

# The 60-Second Due Diligence

## How AI is Transforming Investment Decisions for Entrepreneurs and Investors

**READY.  
SET.  
INVEST.**



**Troy Knauss**  
Exited Entrepreneur  
Angel Investor  
Board of Trustees, ARI  
Professor, College of Charleston



# 5 critical factors to consider as an early-stage angel investor:

1. Do I understand the risks of angel investing?
2. Do I know how diversification impacts my returns?
3. What is my risk tolerance? What is my spouse's tolerance?
4. How much should I allocate to this investment class?
5. What are my main investment objectives?

Marianne Hudson, Executive Director, Angel Capital Association wrote an article in Forbes, "What Every Angel Should Know Before Writing The First Check." Interesting read on this subject.

## Investor Factors

1. Risk
2. Diversification
3. Tolerance
4. Allocation
5. Objective

# 5 critical factors to consider as an early-stage entrepreneur:

1. Is raising money just as important as the idea?
2. Is my company of interest to local investors?
3. Am I willing to personally fund the deal (bootstrap)?
4. How do I return money to investors?
5. Am I looking for personal income or wealth?

Troy Knauss and Michael Cain co-wrote the book, "Get In. Get Out. 100 Rules for Successful Startup Deals." The book looks at 100 guidelines most critical to the success of every deal from the perspective of investors and entrepreneurs.

## Founder Factors

1. Valuation
2. Interest
3. Bootstrapping
4. Returns
5. Income/Wealth

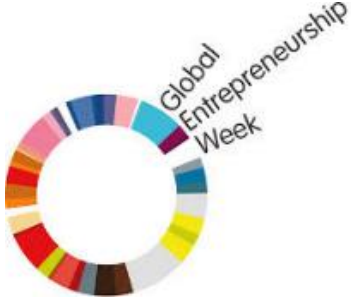
**“Entrepreneurship is living a few years of your life like most people won’t so you can spend the rest of your life like most people can’t.”**

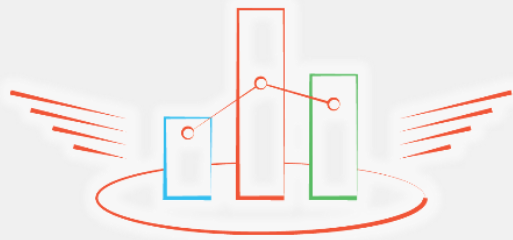
- Anonymous



Launched by the  
Kauffman Foundation

## Trustee with the **Angel Resource Institute**





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Ewing Marion  
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ANGEL RESOURCE INSTITUTE

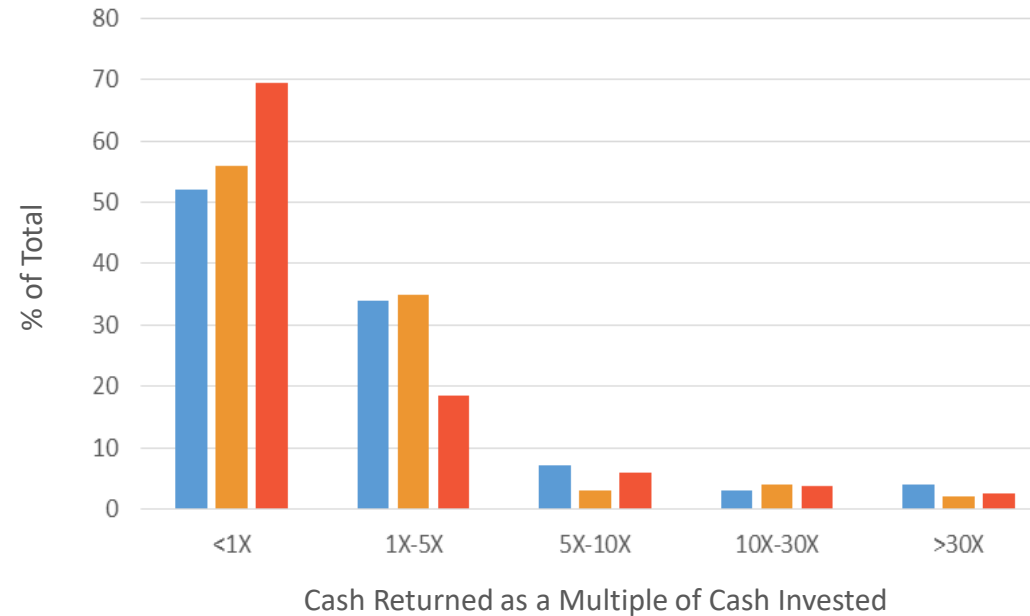
# Tracking Angel Returns

## 2016 Report with 2017 Update

Planning stages for next update.

**70%**

# DISTRIBUTION OF OUTCOMES



2016 Tracking Angels	70%	18%	6%	4%	2%
2009 UK Angel Returns	56%	35%	3%	4%	2%
2007 Returns to Angels	52%	33%	8%	3%	4%
Mean Years Held	3.5-4.6y	4.0-5.6y	3.0-8.0y	8.0-9.8y	11.0-12.2y

# RETURNS PERSPECTIVE

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Returns Study	Multiple	Hold	IRR	<1X	10% of Exits to \$
2016 Tracking Angels Updated in 2017	2.3X	6.5y	19.3%		
■ 2016 Tracking Angels	2.5X	4.5y	22%	70%	85%
■ 2007 Returns to Angels	2.6X	3.5y	27%	52%	90%
■ 2009 UK Angel Returns	2.2X	3.6y	22%	56%	80%

# OVERVIEW OF RETURN STUDY

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In 2017, the Angel Resource Institute released a follow-up study on angel group returns highlighting the performance of startup investments. This comprehensive study dates back to 2007 and was relaunched in 2015 with the help of the Kauffman Foundation and NASDAQ Foundation. In general, the study found that the most dominant factor in determining a successful angel portfolio is the occurrence of unusually large homerun liquidity events. Angel group returns are being driven by these very large events and, without a homerun, the angel group will lose money.

To download a full copy of the report, visit [www.angelresource.org](http://www.angelresource.org).

**“Without a homerun, the angel investing asset class is unattractive, particularly when adjusted for risk. Angel investors that systematically invest in ventures that aren’t plausibly scalable to large wins are unlikely to reach a positive return and will lose money.”**

- Robert Wiltbank, Angel Resource Institute

*“Until we enjoy an exit, we angel investors are just donors!”*

– John Huston, OTAF



## Ryan Keating

Partner – Outsourced Services  
EisnerAmper (California)  
Angel Investor



## Alan Wink

Managing Director – Capital Markets  
EisnerAmper (New Jersey)  
Angel Investor

# Perspective on Current State of the Venture Capital Market

- Challenging time for investors, founders and limited partners.
- Q1 2025 saw \$91.5 billion invested across 4,000 deals, however over 54% was attributable to the 5 largest deals.
- Only 12 VC-backed company IPOs in Q1 2025.
- 75% of the M&A activity in Q1 involved companies that had not even raised a Series B round.
- Pre-money valuations up across all rounds.
- AI/ML, defense technology and digital infrastructure companies continue to raise the most VC dollars.
- VCs continue to struggle to find exits through IPOs and M&A for their portfolio companies.
- Fundraising for VC funds is on pace for its lowest year since 2015.
- Global tariff situation has created much uncertainty through the US financial markets including the VC market.



# Market Update – Q1 2025

## Investors Continue to Seek Clarity and Stability

- **Full Year 2024**

- VC Deal Value -- \$213.5B
- VC Deal Count -- 14,927
- VC-Backed Exit Values -- \$158.3B
- Fundraising -- \$78.1B

- **Observations for Q1 2025**

- Larger deals dominate – 61% attributable to 10 deals.
- M&A focused on earlier companies – 75% never even raised a Series B round
- 40% of Q1 exit value was one IPO – CoreWeave
- Only 12 completed IPOs in Q1
- VC-backed unicorns represent over \$3 trillion in value

- **Q1 2025**

- VC Deal Value -- \$91.5B
- VC Deal Count – 3,990
- VC-Baked Exit Values \$56.2B
- Fundraising -- \$10B
  
- AI/ML deals represent 33% of the deal counts and 71% of deal value
- Experience matters – only 4% of capital deployed went to first time founders
- Pre- money valuations up across all stages
- Lack of exits impacting fundraising




# How do Angels Build Portfolios?

# Adjusted Portfolio Strategy

- **Invest in 10 deals** (lifetime objective)
  - Optimistically, nine return all capital invested in portfolio
  - The tenth deal provides the upside
- **Investing in more than ten deals is good**
  - Conversely, a small number of angel investments inappropriately increases risk

**All deals must have potential for 10X**

A photograph of a man with a grey beard and mustache, wearing a yellow polo shirt and a blue and white checkered apron, smiling as he grills food on a black charcoal grill. In the background, several people are sitting at tables outdoors, suggesting a park or picnic setting. The scene is brightly lit with natural sunlight.

***CREATE A GOAL:  
INVEST NO MORE THAN  
10% OF NET WORTH IN  
EARLY-STAGE DEALS  
OVER NEXT TEN YEARS***

John has a net worth of \$3.5 million

Year	Zisch	DaDataz	ImporBio
1	\$ (25,000)	\$ (25,000)	\$ (25,000)
2			
3			
4			
5			
6			
7			
8			
9			
10			

**MADE THREE (3) INVESTMENTS IN YEAR 1**

**TOTAL INVESTED**  
\$75,000

**TOTAL RETURN**  
\$0

Year	Zisch	DaDataz	ImporBio	Xycam
1	\$ (25,000)	\$ (25,000)	\$ (25,000)	
2			\$ (25,000)	\$ (10,000)
3	<p><b>MADE TWO (2) INVESTMENTS IN YEAR 2 INCLUDING A “DRY POWDER” INVESTMENT</b></p>			
4				
5				
6				
7				
8				
9				
10				

**TOTAL INVESTED**  
\$110,000

**TOTAL RETURN**  
\$0

PORTFOLIO COMPANIES

Year	Zisch	DaDataz	ImporBio	Xycam	Sofultion	GoWare	BioD'Vice
1	\$ (25,000)	\$ (25,000)	\$ (25,000)				
2			\$ (25,000)	\$ (10,000)			
3	\$ (25,000)	\$ 50,000	\$ (25,000)		\$ (12,500)	\$ (25,000)	\$ (25,000)
4	<p><b>MADE FIVE (5) INVESTMENTS IN YEAR 3</b>  <b>ONE PORTFOLIO COMPANY EXIT</b></p>						
5							
6							
7							
8							
9							
10							

**TOTAL INVESTED**  
\$222,500

**TOTAL RETURN**  
\$50,000

PORTFOLIO COMPANIES

Year	Zisch	DaDataz	ImporBio	Xycam	Sofultion	GoWare	BioD'Vice	CrewCo	Function
1	\$ (25,000)	\$ (25,000)	\$ (25,000)						
2			\$ (25,000)	\$ (10,000)					
3	\$ (25,000)	\$ 50,000	\$ (25,000)		\$ (12,500)	\$ (25,000)	\$ (25,000)		
4	\$ (10,000)				\$ (12,500)		\$ (25,000)	\$ (25,000)	

5  
6  
7  
8  
9  
10

**MADE FOUR (4) INVESTMENTS IN YEAR 4**

**TOTAL INVESTED**  
\$295,000

**TOTAL RETURN**  
\$50,000

PORTFOLIO COMPANIES

Year	Zisch	DaDataz	ImporBio	Xycam	Sofultion	GoWare	BioD'Vice	CrewCo	Function
1	\$ (25,000)	\$ (25,000)	\$ (25,000)						
2			\$ (25,000)	\$ (10,000)					
3	\$ (25,000)	\$ 50,000	\$ (25,000)		\$ (12,500)	\$ (25,000)	\$ (25,000)		
4	\$ (10,000)				\$ (12,500)			\$ (25,000)	\$ (25,000)
5			Failed			\$ (10,000)		Failed	
6	<p><b>MADE ONE INVESTMENT IN YEAR 5</b>  <b>TWO PORTFOLIO COMPANIES FAILED</b></p>								
7									
8									
9									
10									

**TOTAL INVESTED**  
\$305,000

**TOTAL RETURN**  
\$50,000

PORTFOLIO COMPANIES

Year	Zisch	DaDataz	ImporBio	Xycam	Sofultion	GoWare	BioD'Vice	CrewCo	Function	Jammith
1	\$ (25,000)	\$ (25,000)	\$ (25,000)							
2			\$ (25,000)	\$ (10,000)						
3	\$ (25,000)	\$ 50,000	\$ (25,000)		\$ (12,500)	\$ (25,000)	\$ (25,000)			
4	\$ (10,000)				\$ (12,500)			\$ (25,000)	\$ (25,000)	
5			Failed			\$ (10,000)		Failed		
6					\$ 15,000					\$ (25,000)

**MADE ONE INVESTMENT IN YEAR 6  
ONE PORTFOLIO COMPANY EXIT**

**TOTAL INVESTED  
\$330,000**

**TOTAL RETURN  
\$65,000**

PORTFOLIO COMPANIES

Year	Zisch	DaDataz	ImporBio	Xycam	Sofultion	GoWare	BioD'Vice	CrewCo	Function	Jammith
1	\$ (25,000)	\$ (25,000)	\$ (25,000)							
2			\$ (25,000)	\$ (10,000)						
3	\$ (25,000)	\$ 50,000	\$ (25,000)		\$ (12,500)	\$ (25,000)	\$ (25,000)			
4	\$ (10,000)				\$ (12,500)			\$ (25,000)	\$ (25,000)	
5			Failed			\$ (10,000)		Failed		
6					\$ 15,000					\$ (25,000)
7				\$ 350,000			\$ 125,000			

**NO NEW INVESTMENTS IN YEAR 7  
TWO (2) PORTFOLIO COMPANY EXITS**

**TOTAL INVESTED**  
\$330,000

**TOTAL RETURN**  
\$540,000

PORTFOLIO COMPANIES

Year	Zisch	DaDataz	ImporBio	Xycam	Sofultion	GoWare	BioD'Vice	CrewCo	Function	Jammith
1	\$ (25,000)	\$ (25,000)	\$ (25,000)							
2			\$ (25,000)	\$ (10,000)						
3	\$ (25,000)	\$ 50,000	\$ (25,000)		\$ (12,500)	\$ (25,000)	\$ (25,000)			
4	\$ (10,000)				\$ (12,500)			\$ (25,000)	\$ (25,000)	
5			Failed			\$ (10,000)		Failed		
6					\$ 15,000					\$ (25,000)
7				\$ 350,000			\$ 125,000			
8				\$ 250,000					\$ (15,000)	
9	<p><b>ONE NEW INVESTMENT IN YEAR 8</b>  <b>ADDITIONAL EXIT FROM XYCAM</b></p>									
10										

**TOTAL INVESTED**  
\$345,000

**TOTAL RETURN**  
\$790,000

PORTFOLIO COMPANIES

Year	Zisch	DaDataz	ImporBio	Xycam	Sofultion	GoWare	BioD'Vice	CrewCo	Function	Jammith
1	\$ (25,000)	\$ (25,000)	\$ (25,000)							
2			\$ (25,000)	\$ (10,000)						
3	\$ (25,000)	\$ 50,000	\$ (25,000)		\$ (12,500)	\$ (25,000)	\$ (25,000)			
4	\$ (10,000)				\$ (12,500)			\$ (25,000)	\$ (25,000)	
5			Failed			\$ (10,000)		Failed		
6					\$ 15,000					\$ (25,000)
7				\$ 350,000			\$ 125,000			
8				\$ 250,000					\$ (15,000)	
9	\$ 75,000									
10	<h2 style="margin: 0;">ONE POSITIVE EXIT IN YEAR 9</h2>									

**TOTAL INVESTED**  
\$345,000

**TOTAL RETURN**  
\$865,000

PORTFOLIO COMPANIES

Year	Zisch	DaDataz	ImporBio	Xycam	Sofultion	GoWare	BioD'Vice	CrewCo	Function	Jammith
1	\$ (25,000)	\$ (25,000)	\$ (25,000)							
2			\$ (25,000)	\$ (10,000)						
3	\$ (25,000)	\$ 50,000	\$ (25,000)		\$ (12,500)	\$ (25,000)	\$ (25,000)			
4	\$ (10,000)				\$ (12,500)			\$ (25,000)	\$ (25,000)	
5			Failed			\$ (10,000)		Failed		
6					\$ 15,000					\$ (25,000)
7				\$ 350,000			\$ 125,000			
8				\$ 250,000					\$ (15,000)	
9	\$ 75,000									
10						\$ 25,000			Failed	Failed

**ONE POSITIVE EXIT  
TWO FAILURES**

**TOTAL INVESTED  
\$345,000**

**TOTAL RETURN  
\$890,000**

PORTFOLIO COMPANIES

Year	Zisch	DaDataz	ImporBio	Xycam	Sofultion	GoWare	BioD'Vice	CrewCo	Function	Jammith
1	\$ (25,000)	\$ (25,000)	\$ (25,000)							
2			\$ (25,000)	\$ (10,000)						
3	\$ (25,000)	\$ 50,000	\$ (25,000)		\$ (12,500)	\$ (25,000)	\$ (25,000)			
4	\$ (10,000)				\$ (12,500)			\$ (25,000)	\$ (25,000)	
5			Failed			\$ (10,000)		Failed		
6					\$ 15,000					\$ (25,000)
7				\$ 350,000			\$ 125,000			
8				\$ 250,000					\$ (15,000)	
9	\$ 75,000									
10						\$ 25,000			Failed	Failed
<b>Total Invested</b>	\$ (60,000)	\$ (25,000)	\$ (75,000)	\$ (10,000)	\$ (25,000)	\$ (35,000)	\$ (25,000)	\$ (25,000)	\$ (40,000)	\$ (25,000)
<b>Total Return</b>	\$ 75,000	\$ 50,000	\$ -	\$ 600,000	\$ 15,000	\$ 25,000	\$ 125,000	\$ -	\$ -	\$ -
<b>ROI</b>	<b>1.3</b>	<b>2.0</b>	<b>-</b>	<b>60.0</b>	<b>0.6</b>	<b>0.7</b>	<b>5.0</b>	<b>-</b>	<b>-</b>	<b>-</b>

**NINE (9) INVESTMENTS ONLY RETURNED 84.1% OF CAPITAL BACK  
TENTH INVESTMENT (XYCAM) PROVIDED 2.5X ROI ON ALL CAPITAL INVESTED**

“

There's an intangibility to it, there's a taste aspect, the human relationship aspect, the psychology [...] and when the AIs are doing everything else, [early-stage VC] may be one of the last remaining fields that people are still doing.

**Marc Andreessen**  
Andreessen Horowitz

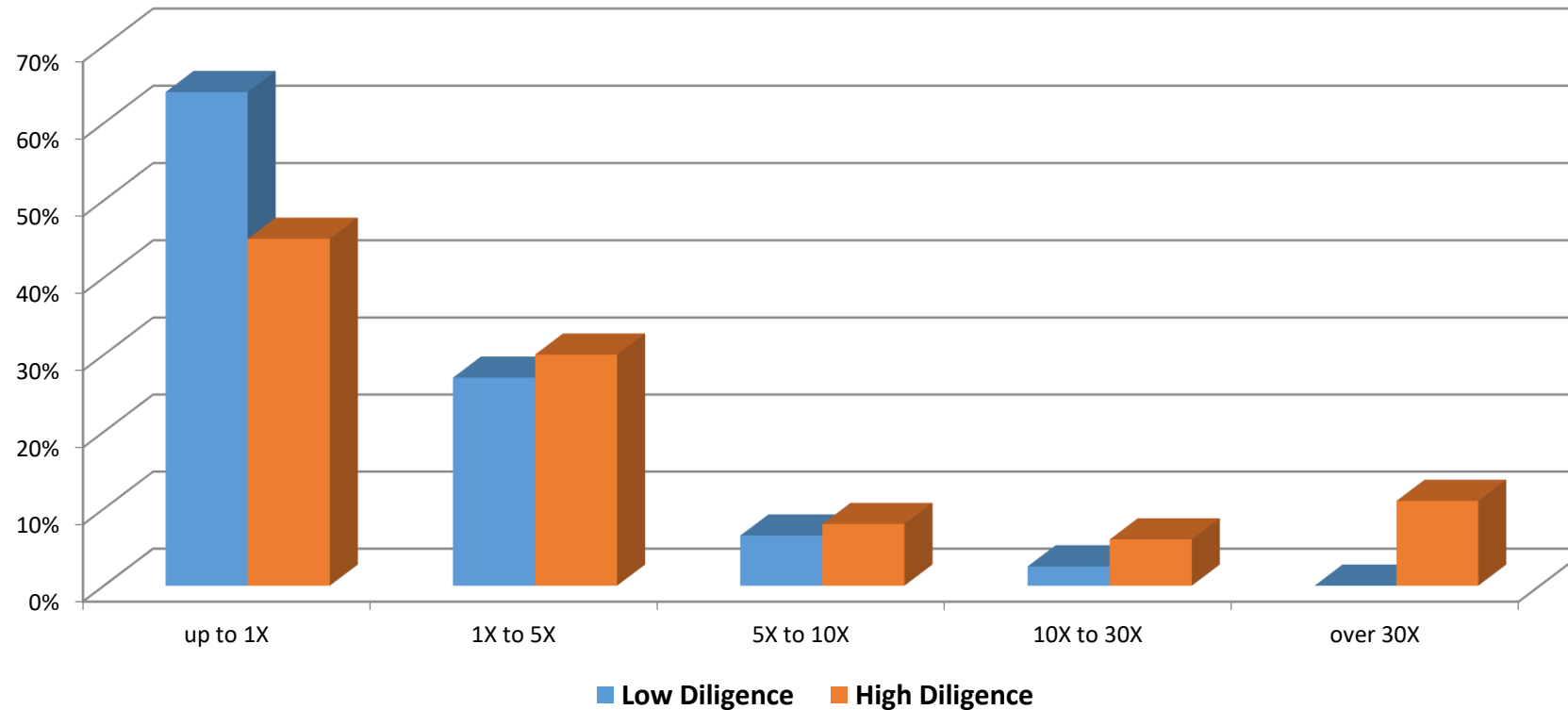


**Q: How should Angels select companies to invest in?**

**Q: How can Entrepreneurs get in front  
of the right Angel Investor?**

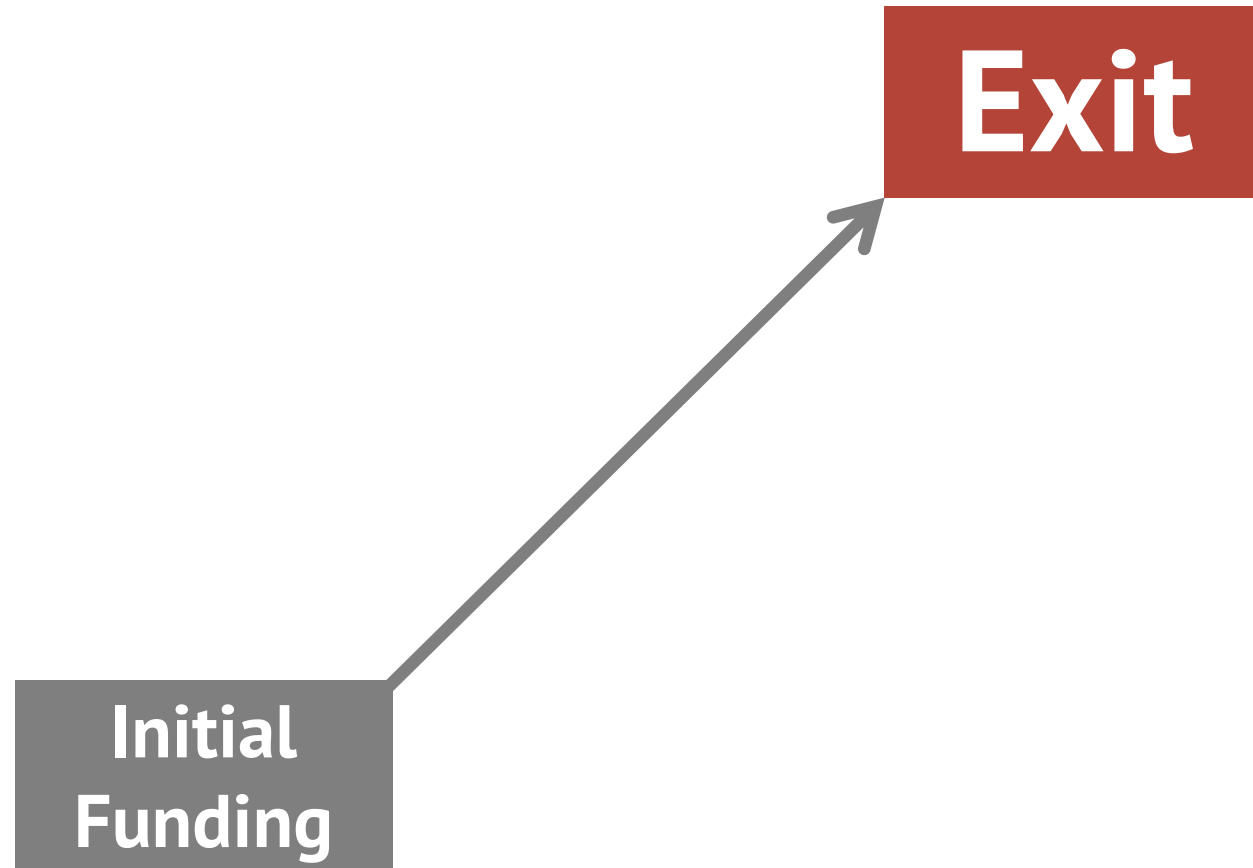
**Is due diligence necessary before  
pulling the trigger on a deal?**

# Why do Angels conduct due diligence?

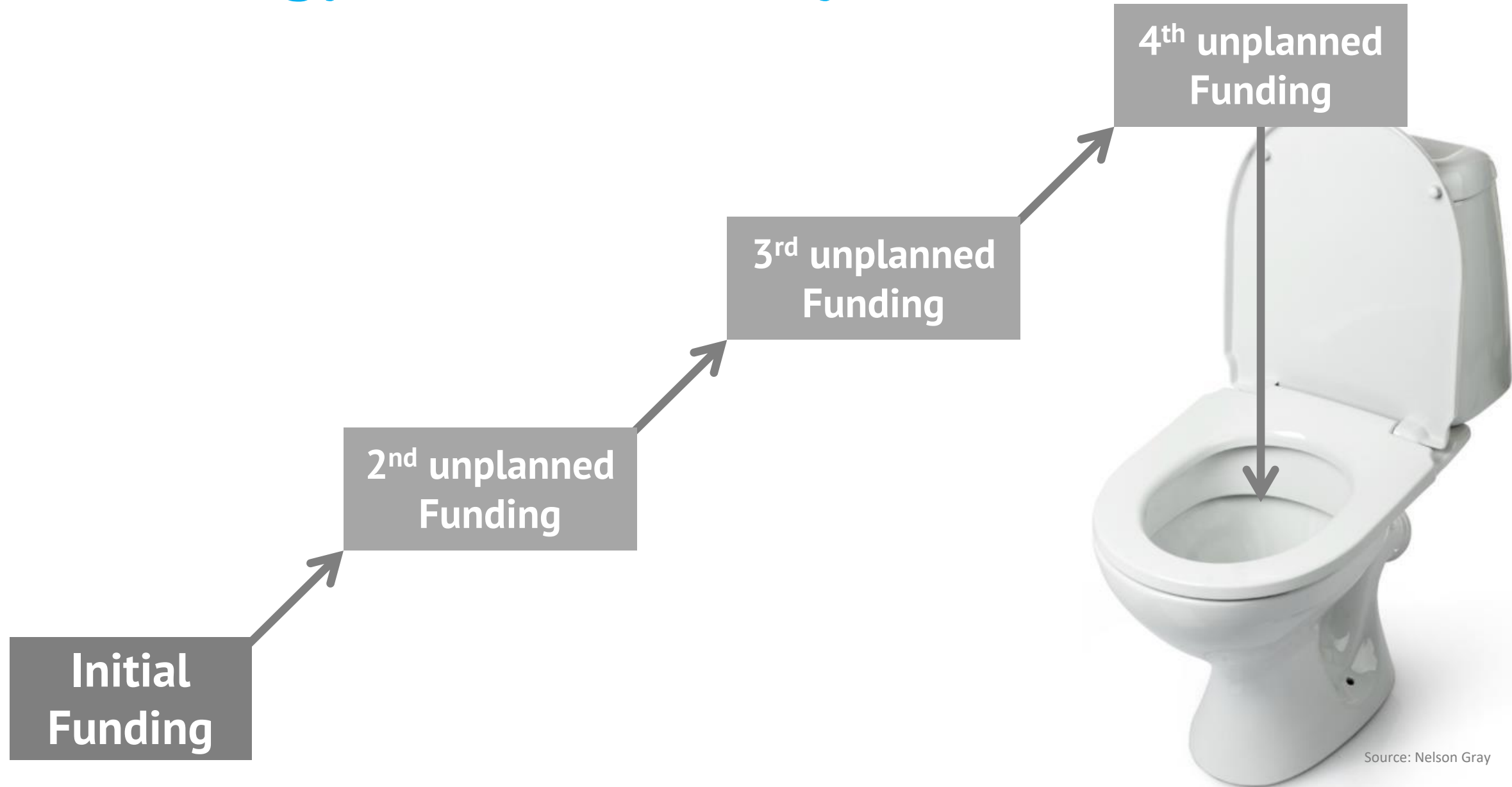


- Median: 20 hours
- **High Diligence: 5.9X (4.1 years)**
- **Low Diligence: 1.1X (3.4 years)**

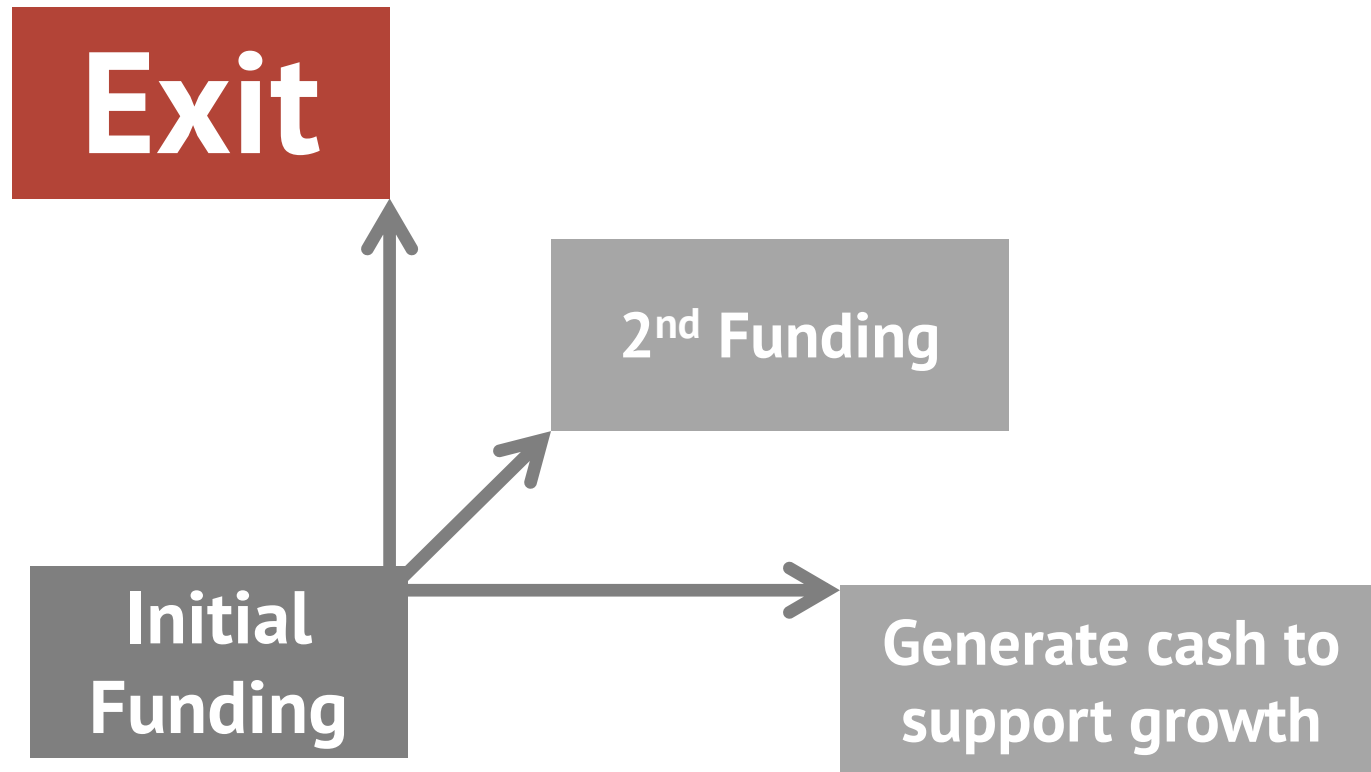
# Exit strategy: **typical**



# Exit strategy: **the sad reality**



# Exit strategy: **best approach**

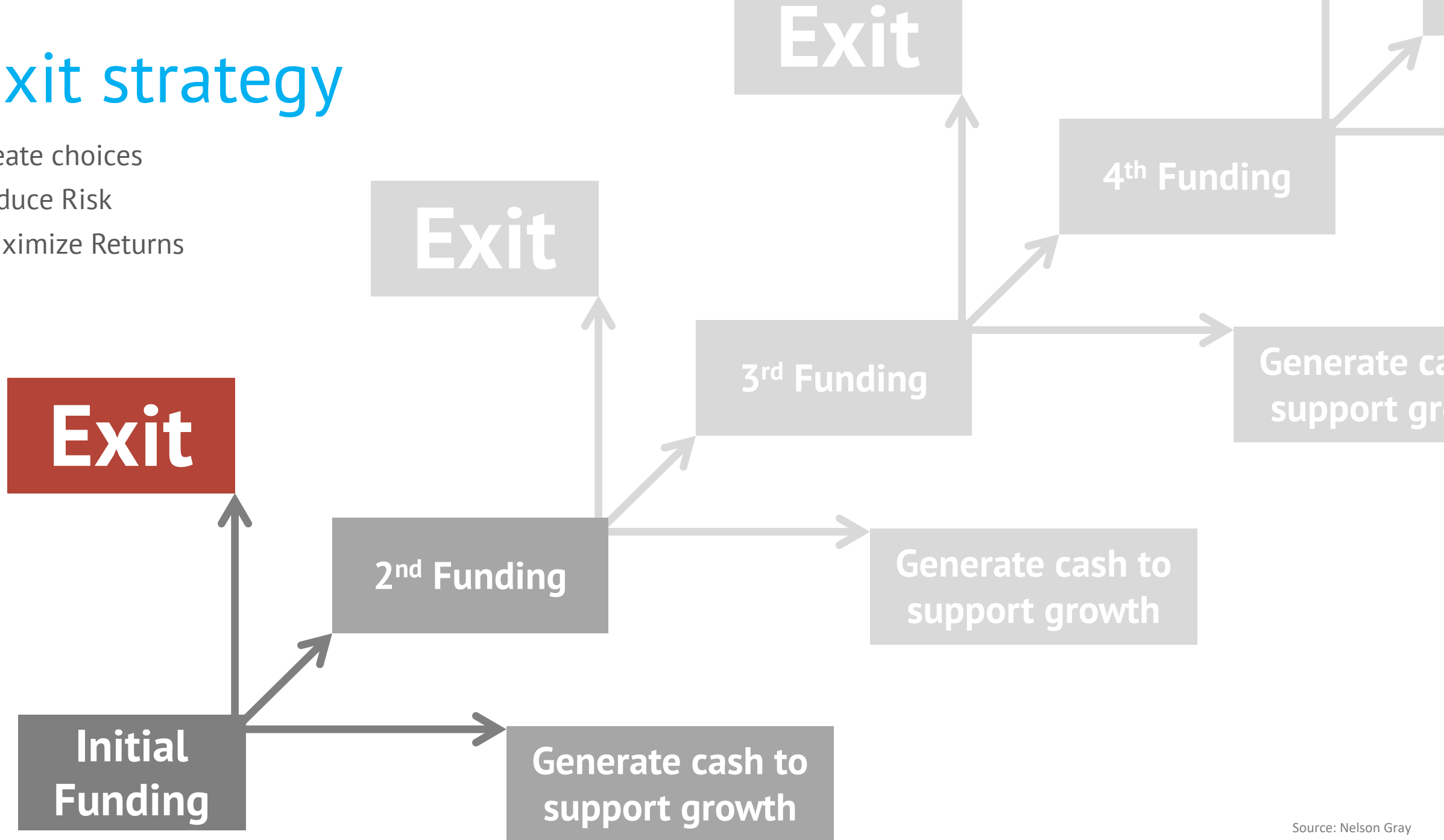


# Exit strategy

Create choices

Reduce Risk

Maximize Returns



# What entrepreneurs own of own companies

# Approx. 8%

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At the time of an exit, first-time entrepreneurs (founders) own approximately 8% of outstanding shares. Second-time entrepreneurs will exit with approximately 22%.

# Blossom Street Ventures Founder Paydays (IPO)

Company	Founder	Shares Owned	Shares Outstanding	Percent Year	IPO Price	Payday
Fastly	Artur Bergman	24,942,428	157,865,413	16% 2019	\$16.00	\$399,078,848
Slack	Cal Henderson	16,604,503	504,144,027	3% 2019	\$38.50	\$639,273,366
Crowdstrike	George Kurtz	19,049,344	182,108,291	10% 2019	\$34.00	\$647,677,696
Livongo	Glen Tullman	9,893,453	94,482,000	10% 2019	\$28.00	\$277,016,684
Health Catalyst	Steven Barlow	2,852,961	56,362,798	5% 2019	\$26.00	\$74,176,986
Health Catalyst	Thomas Burton	2,998,720	56,362,798	5% 2019	\$26.00	\$77,966,720
Ping Identity	Andre Durand	1,301,871	65,069,635	2% 2019	\$15.00	\$19,528,065
DataDog	Olivier Pomel	39,642,354	266,327,196	15% 2019	\$27.00	\$1,070,343,558
DataDog	Alexis Le-Quoc	25,081,164	266,327,196	9% 2019	\$27.00	\$677,191,428
Cloudflare	Matthew Prince	37,716,999	258,343,687	15% 2019	\$15.00	\$565,754,985
Cloudflare	Michelle Zatlyn	14,574,974	258,343,687	6% 2019	\$15.00	\$218,624,610
Sprout Social	Justyn Howard	4,920,657	39,065,870	13% 2019	\$17.00	\$83,651,169
Sprout Social	Aaron Rankin	4,065,678	39,065,870	10% 2019	\$17.00	\$69,116,526
Casper	Phillip Krim	2,392,973	31,280,010	8% 2019	\$12.00	\$28,715,676
Casper	Neil Parikh	1,960,255	31,280,010	6% 2019	\$12.00	\$23,523,060
Bill.com	René Lacerte	3,784,687	60,730,863	6% 2019	\$22.00	\$83,263,114
Fiverr	Shai Wininger	1,759,246	25,871,265	7% 2019	\$21.00	\$36,944,166
Fiverr	Micha Kaufman	2,399,778	25,871,265	9% 2019	\$21.00	\$50,395,338
Real Real	Julie Wainwright	6,102,093	67,882,529	9% 2019	\$20.00	\$122,041,860
Revolve	Mike Karanikolas, MI	39,857,706	65,488,053	61% 2019	\$18.00	\$717,438,708
Peloton	John Foley	15,169,568	236,129,142	6% 2019	\$29.00	\$439,917,472
PagerDuty	Alex Solomon	4,556,689	64,463,266	7% 2019	\$24.00	\$109,360,536
Zoom Video	Eric Yuan	47,265,849	249,364,915	19% 2019	\$36.00	\$1,701,570,564
SurveyMonkey	Ryan Finley	8,984,746	104,023,677	9% 2019	\$12.00	\$107,816,952
Uber	Travis Kalanick	117,505,000	1,362,500,000	9% 2019	\$45.00	\$5,287,725,000
Lyft	Logan Green	8,373,773	253,377,300	3% 2019	\$72.00	\$602,911,656
Lyft	John Zimmer	5,775,118	253,377,300	2% 2019	\$72.00	\$415,808,496
Pinterest	Benjamin Silberman	51,631,716	454,416,781	11% 2019	\$19.00	\$981,002,604
Pinterest	Paul Sciarra	42,407,697	454,416,781	9% 2019	\$19.00	\$805,746,243
Pinterest	Evan Sharp	9,500,724	454,416,781	2% 2019	\$19.00	\$180,513,756
EventBrite	Julia Hartz	11,677,776	65,564,076	18% 2019	\$23.00	\$268,588,848
EventBrite	Kevin Hartz	11,677,776	65,564,076	18% 2019	\$23.00	\$268,588,848
Sonos	John MacFarlane	9,246,650	92,750,636	10% 2019	\$15.00	\$138,699,750
Zscaler	Jay Chaudry	26,848,704	105,331,507	25% 2018	\$16.00	\$429,579,264
Spotify	Daniel Elk	49,594,360	178,112,840	28% 2018	\$132.00	\$6,546,455,520
Spotify	Martin Lorentzon	23,612,720	178,112,840	13% 2018	\$132.00	\$3,116,879,040
DocuSign	Thomas Gonser	2,169,229	156,808,569	1% 2018	\$29.00	\$62,907,641
SmartSheet	Brent Frei	7,919,560	89,490,264	9% 2018	\$18.40	\$145,719,904
Zuora	Tien Tzuo	9,643,636	92,508,222	10% 2018	\$14.00	\$135,010,904
Slack	Stewart Butterfield	53,583,527	504,144,027	11% 2019	\$38.50	\$2,062,965,790
Slack	Cal Henderson	21,180,504	504,144,027	4% 2019	\$38.50	\$815,449,404
Slack	George Kurtz	19,049,344	182,108,291	10% 2019	\$34.00	\$647,677,696
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Livongo	Glen Tullman	9,893,453	94,482,000	10% 2019	\$28.00	\$277,016,684
Livongo	John Van Scien	2,124,231	280,869,863	1% 2019	\$16.00	\$33,987,696
Livongo	John Van Scien	2,124,231	280,869,863	5% 2019	\$26.00	\$38,983,334

IPO paydays are massive. The median and average paydays were \$399mm and \$918mm, respectively. Median and average ownership were 9% and 12%, respectively. **A big exit is one way to have a great payday, but preserving as much equity as possible by staying cash efficient or raising at lofty valuations certainly helps.**

Ping Identity was the smallest founder payday. Andre Duand owned 2% of the business but was still worth \$20mm upon IPO. That's a big departure from some of the billion-dollar paydays, but still quite good.

- Sammy Abdullah, Managing Partner

# Blossom Street Ventures Founder Paydays

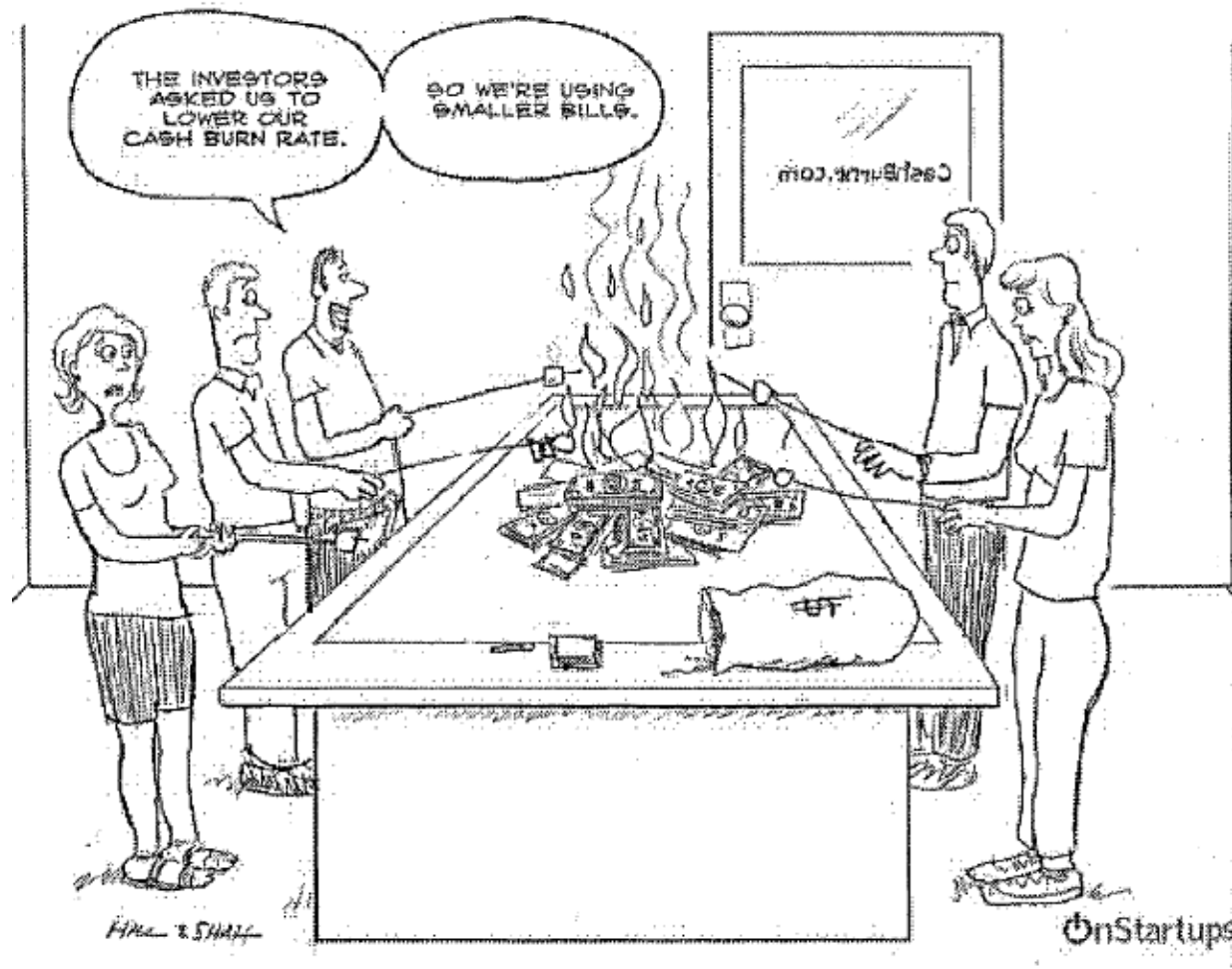
PubMatic	Rajeev Goel	5,216,980	45,184,913	12% 2020	\$20.00	\$104,339,600
PubMatic	Amar Goel	5,798,662	45,184,913	13% 2020	\$20.00	\$115,973,240
PubMatic	Ashish Gupta	8,502,661	45,184,913	19% 2020	\$20.00	\$170,053,220
PubMatic	Narendra Gupta	11,624,843	45,184,913	26% 2020	\$20.00	\$232,496,860
C3	Thomas Seibel	38,262,377	76,776,574	50% 2020	\$42.00	\$1,607,019,834
UIPath	Daniel Dines	110,893,498	492,130,487	23% 2021	\$56.00	\$6,210,035,888
SquareSpace	Anthony Casalena	49,086,410	136,077,294	36% 2021	\$48.00	\$2,356,147,680
Zeta Global	David Steinberg	41,617,698	190,670,505	22% 2021	\$10.00	\$416,176,980
Blend Labs	Nima Ghamarsi	18,067,424	205,967,938	9% 2021	\$18.00	\$325,213,632
Blend Labs	Erin Collard	1,591,354	205,967,938	1% 2021	\$18.00	\$28,644,372
Hashicorp	Mitchell Hashimoto	15,127,104	163,587,670	9% 2021	\$80.00	\$1,210,168,320
Hashicorp	Armon Dadgar	18,854,770	163,587,670	12% 2021	\$80.00	\$1,508,381,600
Duolingo	Luis Von Anh	3,937,207	32,345,082	12% 2021	\$102.00	\$401,595,114
Duolingo	Severin Hacker	3,937,207	32,345,082	12% 2021	\$102.00	\$401,595,114
Robinhood	Vladimir Tenev	55,607,547	790,029,025	7% 2021	\$38.00	\$2,113,086,786
Robinhood	Bhaiju Bhatt	81,462,723	790,029,025	10% 2021	\$38.00	\$3,095,583,474
Coinbase	Brian Armstrong	39,605,757	196,760,122	20% 2021	\$381.00	\$15,089,793,417
Doximity	Jeff Tagney	51,244,032	159,908,656	32% 2021	\$26.00	\$1,332,344,832
Warby Parker	Neil Blumenthal	10,211,425	111,337,215	9% 2021	\$54.00	\$551,416,950
Warby Parker	David Gilboa	9,846,350	111,337,215	9% 2021	\$54.00	\$531,702,900
Allbirds	Joe Zwillinger	12,977,610	127,735,199	10% 2021	\$15.00	\$194,664,150
Allbirds	Tim Brown	15,284,585	127,735,199	12% 2021	\$15.00	\$229,268,775
NerdWallet	Tim Chen	31,685,652	57,497,341	55% 2021	\$18.00	\$570,341,736
Rent The Runway	Jennifer Hyman	3,127,989	45,984,093	7% 2021	\$23.00	\$71,943,747



# How Much Capital Should I Raise?



**Ryan Keating**  
Partner  
Eisner Advisory Group LLC



# Key Issues Before You Begin Fundraising

- How much should I raise – NOT “as much as you can”
- Trade-off of 3 variables – progress money will allow, credibility with investors and dilution
- More is not necessarily better
- Understand how much capital is necessary to grow to the next fundable milestone, usually 12- 18 months later.
- Do not underestimate the cost of good talent; human capital is the most critical capital to raise
- Financial Plan should provide chronologically organized milestones
- Ensure that you have long enough cycles of action to actually build a business – before having to fund raise again
- Understand monthly cash burn to achieve the chronologically organized milestones.
- FOMO – Fear of Missing Out – Investors hate to lose out on a hot deal

# Dilution is Not Necessarily Bad

- If you are continuing to hire key people and you are deploying capital for growth, dilution is inevitable.
- Dilution is usually good since the company is growing and needs capital and people.
- Be careful about giving up too much, too early.
- Leave enough equity for future rounds, but be able to attract the strongest investors with an appealing value proposition.
- Rough rule – expect to give up a 15% -25% of equity in each round.

# Importance of a Financial Plan

- Demonstrates your understanding of your company's cash needs, at least for the next 18-24 months.
- Properly understanding your cash needs certainly implies that you understand milestone achievements.
- Should be a series of chronologically organized milestones, including the capital requirement and time necessary to achieve each.
- Broadly speaking, your financial forecast should outline projected income, estimated expenses and expected growth.
- Some investors recommend a 50% buffer on top of your required funding to account for unexpected obstacles.
- Financial plan should cover 3-5 years, so investor can see key business drivers over a period of time.

**Remember – milestone achievement begins to de-risk the investment for the investor**

# Raising Too Much Capital Could Be Risky

- Usually more onerous investment terms and higher levels of due diligence.
- High implied post-money valuation which leads to problems if milestones are not achieved and additional capital needs to be raised – **Downrounds**.
- Investors may own a majority far too early in the process.
- Loss of incentive for the entrepreneur.
- Perpetuates financial laxity, loss of creativity or focus and overspending by the management team.
- Causes friction among founders.

“ We need to achieve *milestone X*. To get there, we need *Y people*, and we need *Z capital*. We believe it will take us *W months* to get there”

- Techstars NY

# Decreasing Risk and Increasing Value

---

## Funding Round

- Friends and family
- Angel/seed
- Series A
- Series B
- Series C
- Series D
- Exit/IPO

## Success Factor

- Ideation
- Confirmation of product need
- Creation/customer fit
- Validation of market acceptance
- Respect for company/bus. Model
- Scalability
- Profitability/predictability



# Final Thoughts on Right Amount of Money to Raise

- Demonstrate an understanding of your monthly cash burn and plan important timelines and the cash realistically needed to achieve them.
- Raise enough money so that you have enough time to fund raise after achieving your next key milestone.
- Add about 50% buffer to your capital raise to include unexpected obstacles.
- Trade-off of 3 key variables – progress capital will allow, credibility with investors and dilution.
- Equity has a cost. Far more expensive than debt.

# Greater Risk Comes with an Expectation of Greater Returns

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## IRR

- Seed 60%
- Start-up 50%
- Early Stage 40%
- Second Stage 30%
- Near Exit 25%

## ROI

- Seed 10x
- Start-up 8x
- Early Stage 5x
- Second Stage 4x
- Near Exit 3x

**Set the scenario...**

A man in a dark suit and tie is seated at a dinner table in a restaurant, speaking to a group of people. The table is set with various glasses, including a cognac snifter, and a lit candle. The background is softly lit with ornate chandeliers.

*The Networker*

“I have a friend  
who is starting a  
new company...”

If you say it's good, I'm in for 50k.  
Have your friend send me the docs.

WTF! This guy is drunk. I need to just  
walk away.

This sounds like a deal for Ryan. Did  
you talk to him yet?

I'm not investing right now, keep me  
posted and I may do the next round.

Sounds good. Have your friend send  
me his deck.

*The Investor*



# Conducting Due Diligence

**What does a due diligence report look like?**

**[INSERT STARTUP LOGO HERE]**

NAME OF STARTUP SEEKING FUNDING HERE

**Due Diligence Team Report**

Charleston, South Carolina

[DATE]

The logo for Cougar Venture Fund is located in the bottom right corner. It consists of a dark gray square containing a red stylized 'C' shape. The text 'COUGAR VENTURE FUND' is written in white, uppercase letters inside the 'C' shape.

**COUGAR  
VENTURE  
FUND**

[INSERT PHOTO OF PRODUCT OR SERVICE  
BEING MARKETED BY COMPANY &  
INSERT COMPANY LOGO]

**SUMMARY:**

One-sentence overview of company in due diligence.

**FUND RAISE:**

Amount of funds company is looking to raise

**DUE DILIGENCE TEAM:**

DD Team Member #1  
DD Team Member #2  
DD Team Member #3  
DD Team Member #4  
Etc.



# COMPANY OVERVIEW

## Problem

Detailed paragraph on the problem the company is solving. This should be 4-5 sentences. Do not include opinions.

## Solution

Clearly explain what the Company's solution is and how it solves the problem statement above. A detailed overview of the product or service is expected. Do not include opinions.

## Business Model

How will the Company monetize the solution? Be specific with pricing models and options that are under consideration. Do not add any opinions in this section.

# DUE DILIGENCE SUMMARY & RATINGS

## Key Strengths

- Bullet points on areas that are strengths for the company. Use 4-5 points.

## Key Risks

- Bullet points on key risks associated with the deal. Use 4-5 points.

## Deal Summary

- Bullet points on deal summary. Funding round size (with other investors listed, if any);
- Valuation (if provided by Company... this does not mean that you will accept the valuation);
- Amount of funding you anticipate is needed to get a deal to a successful exit.

### Team Member Recommendation

Yes  No  Maybe

### Index Rating

###.##



# CAPITALIZATION TABLE

[INSERT DETAILED CAPITALIZATION TABLE WITH CURRENT ROUND.]



# KEY EXECUTIVES

[INSERT DETAILED INFORMATION ON TEAM WITH PHOTOS &  
WHAT POSITIONS MAY BE MISSING?]



# FINANCIAL PROJECTIONS (3 – 5 YEARS)

[SHOW OVERVIEW OF MODIFIED FINANCIAL PROJECTIONS INCLUDING SALES REVENUE, GROSS PROFIT MARGIN, NET INCOME BY YEAR FOR 3-5 YEARS.]



# DUE DILIGENCE TEAM SCORECARD

Score (Weight)	Category	Assessment
<b>X.X</b> (X%)	Team	Use full sentences detailing the category. Approximately 4-6 sentences with specific data.
<b>X.X</b> (X%)	TBD	Use full sentences detailing the category. Approximately 4-6 sentences with specific data.
<b>X.X</b> (X%)	TBD	Use full sentences detailing the category. Approximately 4-6 sentences with specific data.
<b>X.X</b> (X%)	TBD	Use full sentences detailing the category. Approximately 4-6 sentences with specific data.



# DUE DILIGENCE TEAM SCORECARD

Score (Weight)	Category	Assessment
<b>X.X</b> (X%)	Team	
<b>X.X</b> (X%)	TBD	
<b>X.X</b> (X%)	TBD	
<b>X.X</b> (X%)	TBD	

[REPEAT SLIDE WITH NEW CATEGORIES.  
A MINIMUM OF EIGHT CATEGORIES IN TOTAL.]



# INVESTMENT RECOMMENDATION

[RECOMMENDATION]



# DUE DILIGENCE INDEX RATING (EARLY-STAGE COMPANIES)

Category	Score (Weight)	Food & Beverage	SaaS	Drug Discovery	Other Industry
Team	X.X (%)	20%	20%	20%	XX%
Product / Service	X.X (%)	10%	10%	10%	XX%
Market Opportunity	X.X (%)	15%	15%	15%	XX%
Business Model / Traction	X.X (%)	15%	15%	5%	XX%
Competitive Landscape	X.X (%)	10%	10%	10%	XX%
IP / Legal / Regulations	X.X (%)	5%	5%	15%	XX%
Financials / Funding	X.X (%)	10%	10%	15%	XX%
Exit Potential	X.X (%)	15%	15%	10%	XX%

# DUE DILIGENCE INDEX RATING (EARLY-STAGE COMPANIES)

Category	Score (Weight)	Target Company
Team	<b>X.X</b> (20%)	<b>+</b> (20%)
Product / Service	<b>X.X</b> (10%)	<b>+</b> (10%)
Market Opportunity	<b>X.X</b> (15%)	<b>0</b> (15%)
Business Model / Traction	<b>X.X</b> (15%)	<b>/</b> (15%)
Competitive Landscape	<b>X.X</b> (10%)	<b>0</b> (10%)
IP / Legal / Regulations	<b>X.X</b> (5%)	<b>-</b> (5%)
Financials / Funding	<b>X.X</b> (10%)	<b>0</b> (10%)
Exit Potential	<b>X.X</b> (15%)	<b>+</b> (15%)

Rating	Weight	Categories
+	20%	Team
+	10%	Product / Service
0	15%	Market Opportunity
/	15%	Business Model / Traction
0	10%	Competitive Landscape
-	5%	IP / Legal / Regulatory
0	10%	Financials / Funding
+	15%	Exit Strategy

	1 Troy	2 Kimberly	3 Pat	
	+	++	+	
	+	-	++	
	+	-	0	
	/	/	/	
	0	+	0	
	-	0	-	
	+	-	-	
	++	+	+	
Overall Index	<b>550.00</b>			



*The Founder*




I am starting to use AI to help conduct due diligence on early-stage companies that I am interested in investing in. I have been investing for more than 20 years and completed more than 100 due diligence reports. Some things I look for in a company includes: (1) the problem it is solving; (2) the solution it is using to solve the problem; (3) the business model on how it generates revenue; (4) the team members and what is missing; (5) the size of the opportunity; (6) are there other investors in the deal that can help with the next round of funding if needed; (7) the exit scenario that makes the most sense for investors and entrepreneurs; (8) the key strengths of the business as it stands right now; (9) the key risks with the company today and in the future; (10) the deal terms, is the valuation appropriate? do I like the terms? Is it equity or a convertible note?; (11) a full analysis on the competition and substitute items; (12) market size data; (13) recent investments in the space; (14) recent exits in the space; (15) legal structure and analysis of the companies legal documents; (16) intellectual property review, if needed. Can you help me with due diligence? I am trying to streamline the process to same time. What would you need from me to help me



How can Grok help?



 DeepSearch | v

 Think

Grok 3 v



Train AI on the type of due diligence information you need.

This is terrific. But to start and test this, a friend of mine introduced me to an entrepreneur who is launching a zero-proof, non-alcohol gin tincture that you add a drop of to tonic water for the taste of a gin and tonic but without the alcohol. The founder's website is [drinkverita.com](https://drinkverita.com). I don't quite understand the market or market size, competition, pricing models, problem the tincture is solving, or if intellectual property is required. How much money would be required to brand and market this solution? Can you develop a due diligence report based on our earlier conversation on this product?



Provide AI with the known information and files available so it can conduct due diligence.

# Preferred Documents to Upload to AI

## COMPANY OVERVIEW DOCUMENTS

**Pitch Deck and/or Executive Summary**  
**Resumes / LinkedIn of Team Members**  
**Org Chart**

## FINANCIAL AND INVESTMENT DOCUMENTS

**Existing Deal Terms**  
**Cap Table**  
**Financial Statements or Projections**

## LEGAL AND IP DOCUMENTS

**Articles of Incorporation, Bylaws,**  
**Shareholder Agreements**  
**Patents or other filings**

## MARKET AND COMPETITIVE ANALYSIS

**Any Marketing Reports provided by the founder**  
**Competitor Analysis provided by the founder**

## EXIT STRATEGY

**Preferred exit scenario from the founder**  
**Known exits in space that may be private**

Thank you for sharing details about the zero-proof, non-alcoholic gin tincture from DrinkVerita. I'll leverage the information from our prior conversation and the provided website (drinkverita.com) to create a due diligence report addressing your 16-point checklist, focusing on the market, competition, pricing models, problem solved, intellectual property, and estimated branding/marketing costs. Since you've noted that some information (e.g., deal terms, legal documents) isn't available, I'll use publicly available data from web searches and industry insights to fill gaps, ensuring the report is comprehensive yet concise. The goal is to streamline your due diligence process, respecting your 20+ years of experience and 100+ reports, while targeting a 60-second generation time with the data provided.

### Due Diligence Report for DrinkVerita




Due Diligence Report for DrinkVerita  
markdown

Show inline



How can Grok help?



 DeepSearch | v



Think

Grok 3 v



AI will create a due diligence report based on your preferences.

“

There's an intangibility to it, there's a taste aspect, the human relationship aspect, the psychology [...] and when the AIs are doing everything else, [early-stage VC] may be one of the last remaining fields that people are still doing.

**Marc Andreessen**  
Andreessen Horowitz



# 5 critical factors to consider as an early-stage angel investor:

1. Do I understand the risks of angel investing?
2. Do I know how diversification impacts my returns?
3. What is my risk tolerance? What is my spouse's tolerance?
4. How much should I allocate to this investment class?
5. What are my main investment objectives?

Marianne Hudson, Executive Director, Angel Capital Association wrote an article in Forbes, "What Every Angel Should Know Before Writing The First Check." Interesting read on this subject.

## Investor Factors

1. Risk
2. Diversification
3. Tolerance
4. Allocation
5. Objective

# 5 critical factors to consider as an early-stage entrepreneur:

1. Is raising money just as important as the idea?
2. Is my company of interest to local investors?
3. Am I willing to personally fund the deal (bootstrap)?
4. How do I return money to investors?
5. Am I looking for personal income or wealth?

Troy Knauss and Michael Cain co-wrote the book, "Get In. Get Out. 100 Rules for Successful Startup Deals." The book looks at 100 guidelines most critical to the success of every deal from the perspective of investors and entrepreneurs.

## Founder Factors

1. Valuation
2. Interest
3. Bootstrapping
4. Returns
5. Income/Wealth

## How Can EisnerAmper's Outsourced Services Group Help Your Fund or Portfolio Company

### EisnerAmper's Outsourced Services Group Provides Fractional CFO Services

1. Coach founders on how to plan and run a good board meeting.
2. Collaborate with founder to establish financial model/cash flow forecast.
3. Educate founders about cap table and future waterfall implications.
4. Help founders use/collect proper documentation and navigate HR matters.
5. Assist founders in selecting an integrated back office tech stack and implement processes to ensure accurate data.

# Q&A



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