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Inclusive Capital for Emerging Opportunities

SMART CITY EXPO WORLD CONGRESS 2019

aniyiawilliams.com/scewc19

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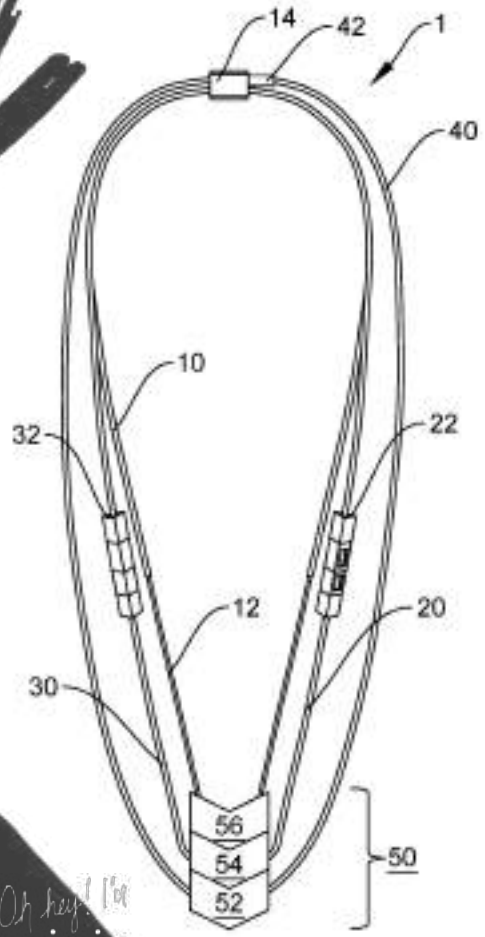

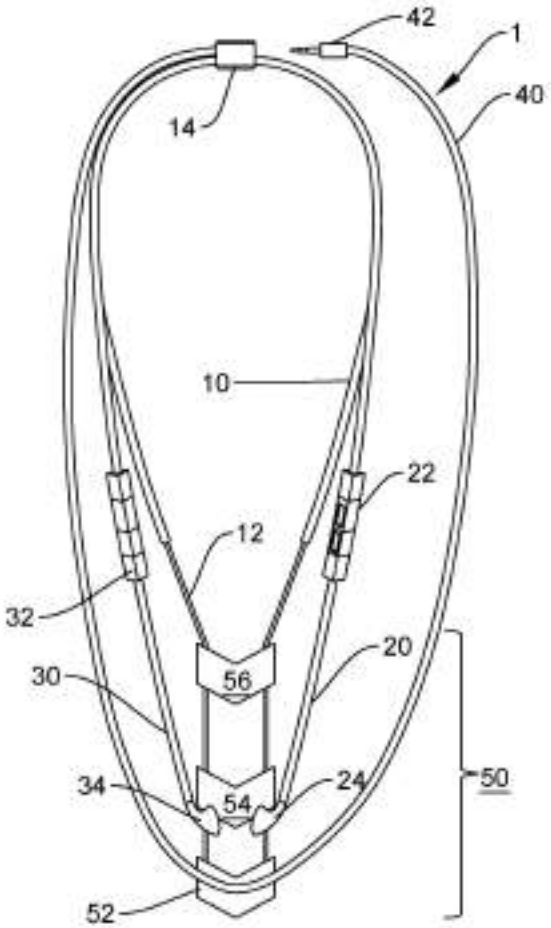

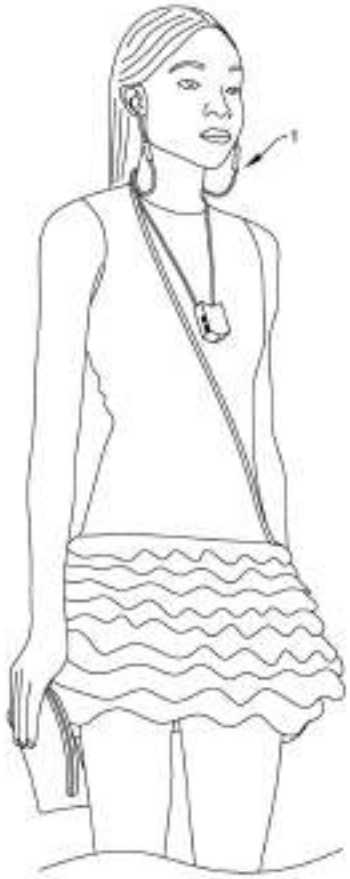

FIG. 1E

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TECHNOLOGY

The New York Times

More Start-Ups Have an Unfamiliar Message for Venture Capitalists: Get Lost

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LESSON #1

Purpose and profit *can* coexist.

BUT WE MUST BE THOUGHTFUL ABOUT WHAT WE ARE BUYING AND SELLING.

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🦄 UNICORN

- Exponential Growth
- Exits & Liquidity Events
- Zero Sum / Winners & Losers
- Competition
- Hoarding
- Always wants more
- Shareholders gain
- User pays with attention
- Hockey stick growth
- Quantity

🦓 ZEBRA

- Sustainable Growth
- Profits and Healthy Revenues
- Win-Win
- Collaboration
- Sharing
- Satisfied with “enough”
- Customers & Communities gain
- User pays for value
- Regenerative growth
- Quality

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“I don't think it's a conflict of interest to say that you can make money, and have a prosperous and successful business, and you can also do good in the world.”

ROSE MERCARIO

CEO of Patagonia

CASE STUDY

Levi's Investing in Hemp vs Cotton

BY RICHARD FELONI (Read it here)

- **Levi's Head of Innovation, Paul Dillinger, expects 100% cottonized-hemp products in about five years**
  - Hemp uses significantly less water and chemicals than cotton during cultivation
  - Levi's has found a way to soften hemp using far less water than was previously used
- **He said: "You don't have to sacrifice to buy sustainably."**

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"When you use this approach, you're investing in the long term success, integrity, and people working for the product… You shouldn't have to make choices that are intentionally designed for short term gain at a huge cost."
BRIANNA WETTLAUFER
Co-Founder & Former CEO of Stocksy
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MORE EXAMPLES

Basecamp

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MORE EXAMPLES

Basecamp

buffer

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MORE EXAMPLES

Basecamp

buffer

SparkToro

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LESSON #1

Purpose and profit *can* coexist.

BUT WE MUST BE THOUGHTFUL ABOUT WHAT IS APPROPRIATE TO COMMODITIZE.

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LESSON #2

Founder-aligned capital is *better*.

LET'S DESIGN WITH WITH HUMANS IN MIND.

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Capital Sources

IS THIS ENOUGH?

- Personal Savings & Credit Cards
- Business Loans *(from banks)*
- Family, Friends, Business Networks & Angel Investors
- Crowdfunding
- Grants
- Venture Capital / Private Equity

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A Quick Primer on Venture Capital

- **Why is this a thing?**
  - To make money! Venture Capitalists are investors who have investors (called “Limited Partners” or “LPs”). They are expected to return at least 3X what was given for their funds.
- **Where does the money come from?**
  - Mostly institutions -- in the US: pension funds, endowments, banks, insurance companies. Also, very wealthy people.
- **How does it work *(ideally)*?**
  - LPs invest into a fund ➡️ Fund is invested into startups ➡️ HUGE exits happen (IPO or acquisition) ➡️ People make $$$

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FOR REAL, FOR REAL

Venture capital is a hell of a drug.

And it has a dirty secret.

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FUN FACT

There's a .00006% chance of building a billion dollar company.

CASE STUDY

Uber's Path of Destruction

BY HUBERT HORAN (Read it here)

- **Uber raised $24.7B over 23 funding rounds**
- **It has IPOed, but will it EVER be profitable?**
  - It cannot produce sustainable profits
  - It has higher costs than the competitors it has displaced
  - Thus far, margin improvements came from reducing driver take-home pay
  - It has not increased taxi productivity or solved long-standing industry problems

"I think we should, as investors, take seriously our role in driving some of these destabilizing forces in society."

RUKAIYAH ADAMS

Meyer Memorial Trust & Oregon Investment Council

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ANOTHER FUN FACT

Most VC funds are **NOT** successful.

There are some winners. But a ***ton*** of losers, too.

(reference)

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LESSON #2

Founder-aligned capital is *better*.

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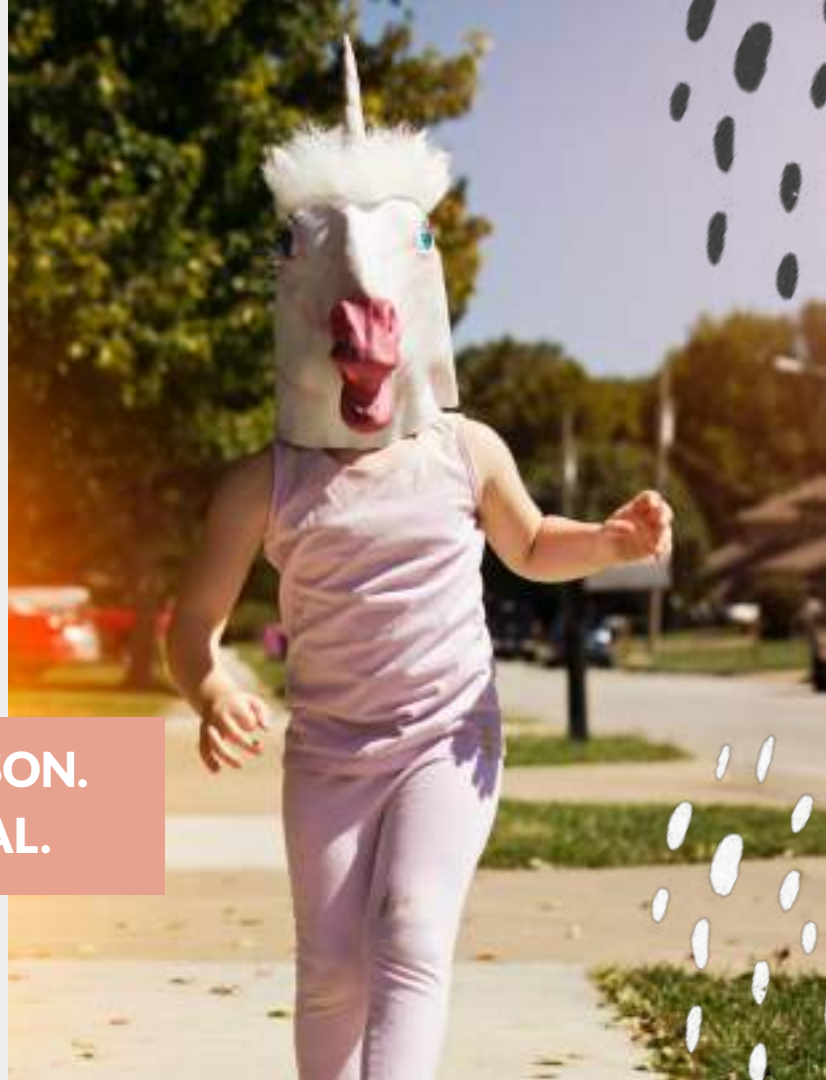
LESSON #3

We need *more* funding options.

THEY CALL THEM "UNICORNS" FOR A REASON. MOST COMPANIES CAN'T BE THAT MAGICAL.



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"We think there is going to be a tsunami of entrepreneurs who have experienced the one-size-fits-all venture model and want to cherry-pick the pieces of it that work for them."
BRYCE ROBERTS
Indie.vc
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CASE STUDY

Indie VC: Radical Terms Reinventing Venture Capital

BY BRYCE ROBERTS (Read it here)

- **Cultivate founders who have a focus on raising their revenue and profits, not their next round of funding**
- **For early-stage founders who want to keep equity and optionality for their businesses**
  - Checks ranging from $100k to $1M
  - Investor owns % if the company chooses to raise a round of funding or sell
  - Equity is bought back over time up to predetermined multiple

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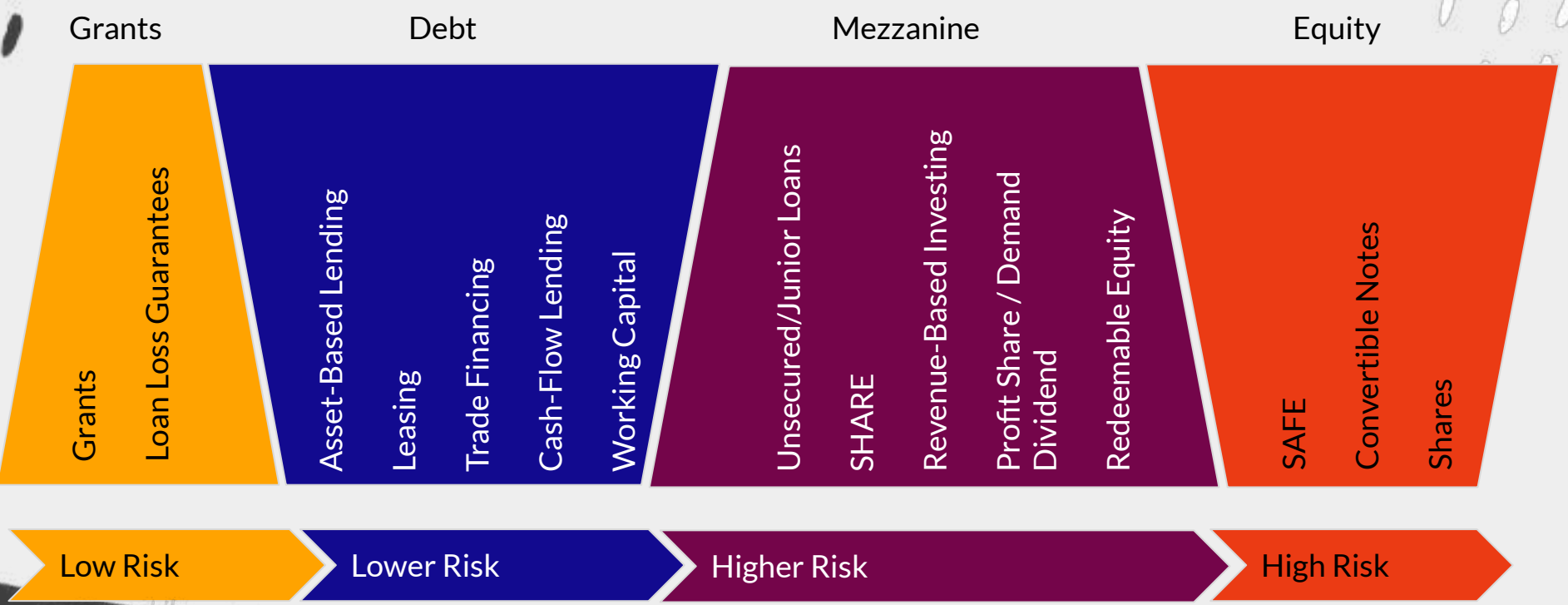
Startup Capital Options

VIA VILLAGE CAPITAL / ZEBRAS WORKSHOP AT SEED CONFERENCE



From the Collaborative for Frontier Finance, The Missing Middles: Segmenting Enterprises to Better Understand Their Financial Needs, 2018

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There is Still $$$ to Be Made

REVENUE-BASED

Capital which is repaid up to 3-5X from the revenue of a growing business, often an equity buy-back

FELLOWSHIPS

No-strings-attached (or very few strings attached) funds that give founders a living stipend

GEOGRAPHY-BASED

A vehicle focused on multiple asset classes across a specific geography (ex: opportunity funds)

LOANS w/ LOSS GUARANTEES

Take no equity and offer founder-friendly terms around payment schedule, forgiveness, and/or leniency

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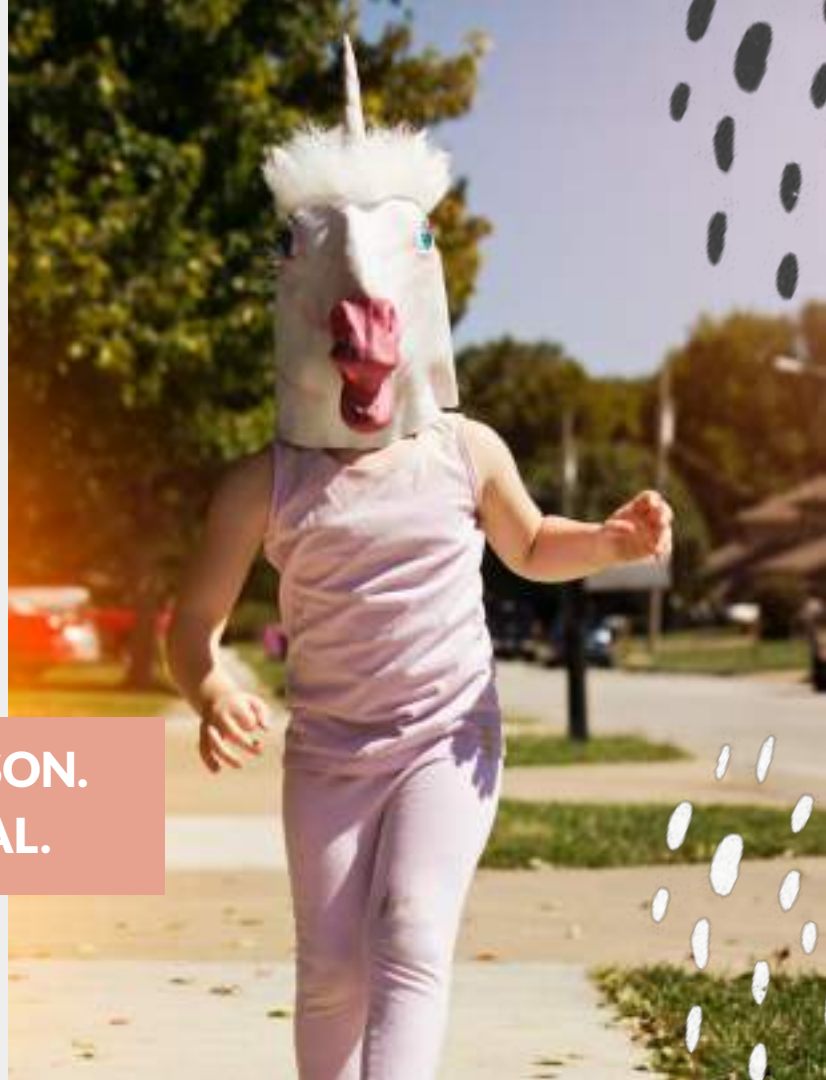

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What else can you do?

- **Study Up & Join the Dazzle @ zebrasunite.com**
  - Keep up with the conversation around capital and funding.
  - Align with initiatives trying to innovate in business financing in ways that redistributes power and wealth

- **Swim in Blue Oceans**
  - Once you decide how you will invest, look where others aren't
  - Underrepresented founders are a GREAT place to start when looking for new opportunities

- **Get Founder Aligned**
  - Terms can make all the difference in how a founder pursues their mission and the ultimate success of your investment

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