# OpenAI secures $6.6 billion funding, doubling valuation to $157 billion



OpenAI, a leader in the artificial intelligence industry, has successfully completed a groundbreaking $6.6 billion fundraising deal, a move that more than doubles its valuation to $157 billion compared to just nine months ago. The fundraising round was spearheaded by Thrive Capital, with other prominent investors such as Microsoft, Nvidia, SoftBank, and United Arab Emirates-based MGX also contributing.

This latest funding underscores the continuing momentum and interest in AI technology, which was significantly bolstered by OpenAI's release of the ChatGPT chatbot in 2022. This event initiated a surge of investments in AI startups aimed at developing similar technologies. Despite initial concerns regarding the efficacy and safety of AI, the enthusiasm within the tech industry remains robust.

Earlier in the year, investments in AI ventures saw a lull as many prominent tech firms, including Google, Microsoft, and Amazon, began developing technologies comparable to OpenAI’s. However, OpenAI's early introduction of ChatGPT has given it a substantial advantage. The company, which now employs approximately 1,700 staff after significant recruitment in recent months, anticipates generating around $3.7 billion in sales this year. Nonetheless, it also projects a substantial operational loss of about $5 billion, primarily due to the high costs associated with AI technology development and deployment.

Thrive Capital's investment, amounting to $1.3 billion, includes $750 million from its own reserves, with an additional $550 million sourced from external investors through a special purpose vehicle. Thrive retains the unique option to invest up to an additional $1 billion at the current valuation by 2025, a privilege not extended to other investors.

Sarah Friar, OpenAI's Chief Financial Officer, highlighted the everyday utility of ChatGPT, noting that it is relied upon by over 250 million users weekly for a broad spectrum of tasks, ranging from language translation to intricate research challenges.

This influx of funding comes amidst a transitional phase for the startup, which recently faced internal challenges. These included the unexpected dismissal and subsequent reinstatement of CEO Sam Altman in 2023, which led to a series of high-profile departures, including that of Chief Scientist Ilya Sutskever. More recently, Chief Technology Officer Mira Murati, Chief Research Officer Bob McGrew, and Vice President of Research Barret Zoph have all announced their exits.

The organisational turmoil coincided with OpenAI's efforts to secure new funding. Not all potential investors committed to the round, with reports indicating that Apple chose not to proceed with an investment.

Much of the unrest within OpenAI is attributed to its distinctive structure. Originally founded in 2015 as a nonprofit by Altman, Elon Musk, and others, the organisation shifted to a 'capped-profit' structure following Musk's departure. This shift allowed OpenAI to attract necessary capital while capping investor returns and maintaining governance by its original board of directors, independent of investor influence.

Discussions are ongoing regarding restructuring OpenAI into a for-profit entity, though this transformation is anticipated not to occur until next year. Current investment agreements stipulate that the company has a two-year window to complete this conversion, failing which, the new funding will transform into debt obligations.

This significant milestone for OpenAI highlights the sustained interest and investment in AI technologies amidst internal and external challenges. The company stands at a pivotal point of transformation and growth within the rapidly evolving AI landscape.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

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