

Cohere Raises \$500M Fund And Lays Off 5% Staff

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In a recent fundraising round, Cohere, an AI startup founded by former Google AI researchers and backed by Nvidia, successfully raised \$500 million; however, the company also laid off about 20 employees, roughly 5% of its 400-person workforce.

TakeAway Points:

- Nvidia, AMD, Salesforce, Oracle, and other investors helped AI firm Cohere raise \$500 million, valuing the business at \$5.5 billion.
- In spite of its financial success, Cohere expects to increase staff in 2024 and lay off 20 employees, or 5% of its employment, in order to remain competitive.
- In the face of intense competition from OpenAI and Anthropic, Cohere concentrates on enterprise AI solutions and struggles to secure computing power for model training.

Cohere secures \$500 million for funding

This latest investment values the company at \$5.5 billion, more than doubling its valuation from the previous year. The funding round saw participation from notable investors, including AMD, Salesforce, Oracle, and Nvidia. Josh Gartner, a spokesperson for Cohere, stated that the capital would be directed towards new models, computing power, and headcount, continuing the momentum the company has built.

The company, which focuses on generative AI for enterprise applications rather than consumer chatbots, has been in fierce competition with larger rivals like OpenAI and Anthropic. Cohere's business model aims to provide accurate, secure, and private multilingual AI solutions to businesses. Current clients include Notion, Oracle, and Bamboo HR, with many customers in banking, financial services, and insurance sectors. Cohere's president and COO, Martin Kon, emphasized the company's efficiency and cost control, even amid challenges like chip shortages and rising GPU costs.

Layoffs Amid Growth

Despite the successful funding round, Cohere [announced](#) the layoff of about 20 employees, roughly 5% of its 400-person workforce. In a letter to employees, CEO Aidan Gomez described the layoffs as a "necessary step to ensure that we have the right people in place to remain highly competitive and at the forefront of the industry." Gomez acknowledged the mixed nature of the week, with the excitement of the new funding round tempered by the difficult decision to part ways with some employees.

Gomez also highlighted the company's plans to continue hiring aggressively, both to backfill open positions and to add capacity in strategic areas. Cohere anticipates doubling its overall headcount over the course of 2024, reflecting the growth of the business. The company is still hiring for roles in customer operations, partnerships, revenue, sales, product design, and modeling.

Competitive Market Challenges

Cohere operates in a highly competitive AI landscape, with significant investments pouring into the sector. In 2023, a record \$29.1 billion was invested across nearly 700 deals in the generative AI field, according to PitchBook. Cohere's competitors, such as OpenAI and Anthropic, offer products for both consumers and businesses, while Cohere has maintained a focus on enterprise customers. This strategy has allowed Cohere to run more efficiently and keep costs under control.

However, the company faces challenges in securing the computing power needed to train its models. Kon mentioned that Cohere has had a reserve of Google chips for over two years but is now moving towards using more of Nvidia's H100 GPUs. The high cost of training large language models necessitates a constant stream of new funding, and Cohere's recent \$500 million raise underscores the aggressive pace of development in the sector.

