

Evolution or Revolution? Has Venture Investing Really Changed?

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The Goal

- Making Money
- Diversifying Your Investments
- Contributing to Change
- Being a Part of Something Bigger
- Subject Matter for Cocktail Hour

The Obstacles

- Not Enough Capital
- Not Enough Information
- No Trust
- Peer Pressure
- Unrealistic Time Horizon

Capital

- Whose Capital is It?
- Undercapitalization is Always a Problem
- Start-ups are Notorious for Overestimating Revenue and Profitability Growth and Underestimating Capital Needs
- Your Biggest Enemy is Dilution
- Focus on the Credentials of the CFO, not the CEO

Information

- Who is the Source?
- If the Prospectus is full of Information Sourced from Board Members or Insiders, you Should Worry
- Focus on Communication – Does the Company have a Solid Plan to Communicate Progress?
- Can the Information be Verified. If it's Too Good to Be True...
- Is the NDA Your Worst Enemy?

Trust...But Verify

- When Money is Involved...People Will do or Say Any and Everything!
- Projections are...Projections. Ask for the Assumptions and Sources– Insist.
- Check Backgrounds – Once a Cheater...If You Are Going to Make a Big Investment, do MORE than LESS.
- If Your Relative Introduced You to the Deal...Skip It!

Be Realistic!

- Facebook Took More Than 8 Years to Monetize and It Had Monstrous Amounts of Capital.
- If You Invest Today – Be Ready to Wait for the Pay-off.
- Numbers Are Always Optimistic.
- Look for Skin In the Game.
- Think About Obsolescence – MySpace is a Good Example.
- The Numbers are Still the Same – 20-30% Success is Great!

The Good News

- Overall, non venture-backed companies fail more often than venture-backed companies in the first four years of existence, typically because they don't have the capital to keep going if the business model doesn't work.
- Venture Capitalists are very Good at Burying their Dead.

More Good News

- Unparalleled Access to Information Today
- A Bigger Investment Base Means More Sources for Opinions and Research.
- Check Social Media for Leads
- Engage in Forums or Set One Up for Your Investment – Encourage the Company to Allow Discussion Among Shareholders

Unlimited Opportunity at Low Cost

- Diversify
- Low Minimums Are a Good Thing To a Point. If the Minimum is Set Too Low, it Could Be an Indicator that the Idea Just Isn't Salable.

Finally...

- Have Someone With Substantial Resources and Experience on Your Side!
- Start Up Investor is that Type of “Someone”!