



# 300+ QUESTIONS VCS ASKED FOUNDERS

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# INTRODUCTION

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The document titled "300+ Questions VCs asked Founders," authored by Pawel Maj, serves as a comprehensive resource for venture capitalists (VCs) and startup founders preparing for the critical stage of fundraising. Venture capital plays a pivotal role in the development and scaling of startups, providing them with the necessary capital to grow, innovate, and expand into new markets. As part of this process, VCs typically conduct extensive due diligence to assess the viability, scalability, and profitability of potential investments.

This document provides an exhaustive list of over 300 questions VCs actually asked founders, categorized into various areas crucial for evaluating a startup. These include topics such as fundraising, company history, team structure, market competition, financial metrics, product development, and exit strategies. The list aims to equip both investors and founders with a better understanding of what information is critical to securing venture funding, as well as preparing founders for the rigorous questioning they may face.

For VCs, the questions act as a framework to systematically assess startups and make informed decisions. For founders, the document is a valuable tool to anticipate the depth of scrutiny they will undergo and ensure that they are adequately prepared for discussions with potential investors.

## Purpose and Structure of the Document:

The questions in the document are organized into key categories that mirror the stages of startup development and areas of investor concern. This organization not only provides a logical flow but also highlights the different aspects of a business that need to be explored.

Some of the main sections include:

- **Fundraising:** Questions focus on the details of the current funding round, allocation of funds, valuation, investor expectations, and capital requirements.

## INTRODUCTION

- **History and Formalities:** This section delves into the company's background, including its formation, revenue generation, and legal structure.
- **Team:** VCs place a strong emphasis on the capabilities and cohesion of the founding team and employees. Questions here focus on team size, key hires, and the division of responsibilities.
- **Market and Competition:** VCs assess market opportunities and competitive positioning. This section covers market sizing, competition analysis, entry barriers, and growth potential.
- **Finance and Metrics:** Financial health and projections are critical in determining the viability of an investment. Questions here range from revenue forecasts and customer acquisition costs (CAC) to burn rates and unit economics.
- **Product:** Understanding the product's uniqueness, development roadmap, and its competitive edge are essential. This section evaluates the product's technical aspects, user engagement, and development plans.
- **Sales and Marketing:** Questions about sales strategy, channels, and customer acquisition are vital for assessing a startup's go-to-market approach.
- **Exit Strategies:** VCs are always interested in potential exit opportunities. This section explores the founders' plans for a future exit, including potential buyers and projected valuations.

# CHAPTER I

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## QUESTIONS RELATED TO FUNDRAISING

When venture capital firms evaluate a startup's fundraising efforts, they delve into various aspects of the round to understand the company's financial needs, strategy, and future trajectory. Key questions often revolve around the size of the round, allocation of funds, and pre-money valuation, all of which help investors assess how the startup plans to use the capital and whether it aligns with their return expectations. Venture capitalists also inquire about key performance indicators (KPIs) tied to the round, aiming to understand what success will look like and how the company plans to achieve its growth targets. Understanding the rationale behind the fundraising round is essential, especially if the company already has positive EBITDA, which may prompt questions about why additional capital is needed.

In addition to the financial specifics, investors are interested in the broader fundraising landscape and the company's plans for future rounds. They ask about the progress of discussions with other investors, whether term sheets are already in place, and how the company expects to navigate valuation expectations. Venture capitalists also focus on the type of investor the startup is seeking and whether the company aims to close the round with a single investor or multiple backers. These questions help clarify the startup's fundraising strategy, its plans for expansion—especially internationally—and the kind of support or value-added services they expect from investors. By addressing these concerns, venture capitalists gain a clearer picture of the company's financial goals and the likelihood of a successful, scalable exit.

### Questions related to fundraising:

1. What's the size of the round?
2. What's the allocation of the funds?

## CHAPTER I

3. What are KPIs for this round?
4. What's pre-money valuation?
5. How did you determine size of the round?
6. What is the progress of talks with other investors?
7. Why do you need a round if you already have positive EBITDA?
8. Do you already have term sheets from other funds?
9. What are your expectations regarding the valuation?
10. Who wants to invest?
11. We expect a x10 return on invested capital and we do not know if it will be possible to take into account your expected valuation?
12. Why do you need a round?
13. What is the expected runway from this round?
14. What kind of investor are you looking for?
15. What is the plan for the next round?
16. Is it possible to tranche the round?
17. Whether the next round at home or abroad?
18. At what stage are you with fundraising?
19. Tell me more about how are you planning to spend this money to expand internationally?
20. What kind of value added do you expect from an investor?
21. Do you want to close the round with one or investor or more than one?
22. What kind of investors are you looking for in this round?

# CHAPTER II

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## QUESTIONS RELATED TO HISTORY

Venture capital firms often begin their evaluation of a startup by understanding its history, as this provides valuable context about its origins and early growth. They typically ask when the company was incorporated and when it achieved its first commercial revenue, as these milestones reflect the startup's journey from inception to market entry. These questions help investors gauge the timeline of development and whether the startup has demonstrated market traction. Additionally, understanding how much capital has been raised to date and how the company was financed provides insight into its financial strategy and sustainability during its early stages.

Beyond financial history, venture capitalists are also interested in the founding story of the startup. They inquire about where the idea for the company originated, seeking to understand the motivations and vision that drove the founders to start the business. This background helps investors determine the passion and expertise behind the startup, as well as its potential to disrupt or innovate within its market. Together, these historical questions allow investors to build a comprehensive picture of the company's development, from its founding vision to its initial market successes.

### Questions related to history:

23. When the company was incorporated?
24. When was the first commercial invoice/revenue?
25. How much cash has been fundraised up to date?
26. How did you finance the company until now?
27. Where did the idea come from?



## CHAPTER III

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# QUESTIONS RELATED TO COMPANY STRUCTURE

Venture capital firms place significant importance on the company structure of a startup, as these details impact both legal and financial aspects of an investment. One of the first questions they ask is about the legal entity of the company, which determines how the business is structured in terms of liability, taxation, and governance. Understanding whether the company is a corporation, limited liability company (LLC), or another entity type helps investors assess its legal protections and compliance with regulatory requirements. This also influences how equity is distributed and what obligations come with the investment.

Additionally, where the company is incorporated plays a crucial role in shaping the startup's legal and business environment. Different jurisdictions offer varying tax advantages, regulatory frameworks, and investor protections, all of which can significantly impact the startup's operations and growth potential. For example, many startups incorporate in business-friendly regions like Delaware in the U.S. due to favorable laws for investors. By asking about these formalities, venture capitalists ensure that the startup's legal and operational structure aligns with their expectations and investment strategy.

### Questions related to company structure:

- 28. What is the legal entity of the company?
- 29. Where is your company incorporated?

# CHAPTER IV

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## QUESTIONS RELATED TO TEAM

When venture capital firms assess a potential investment, the composition and structure of the company's team are critical factors. Questions about team size, the presence of key roles such as a Chief Technology Officer (CTO), and recruitment plans help investors gauge the operational capacity and strategic direction of the company. Investors are keen to know if the current team has the skills and experience needed to scale the business, and whether there is a plan in place to fill essential roles in the near future. A company's ability to attract and retain talent, particularly in a competitive market, speaks volumes about its leadership and long-term sustainability.

Venture capitalists also delve into specifics regarding employment terms, such as salary structures, division of responsibilities, and the status of full-time versus part-time team members. These details help investors understand how well the team is aligned with the company's goals and whether compensation packages are sufficient to motivate employees. Additionally, knowing the main competencies of key team members and the role of support staff offers insight into the company's internal dynamics and readiness to execute its business plan. By exploring these aspects, venture capital firms can assess the strength and cohesion of the team, a crucial determinant of the company's future success.

### Questions related to team:

30. What is the size of the team?
31. Do you have CTO?
32. Who are you planning to recruit in the near future?
33. Aren't salaries for your employees too low?
34. How do you attract employees to the company?
35. Please provide more information current employment
36. Do you have support staff?
37. What are the key hires?

## CHAPTER IV

- 38. What is the division of responsibilities in the team?
- 39. Who is full time and who is part time?
- 40. What are the main competencies of key team members?

# CHAPTER V

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## QUESTIONS RELATED TO EXIT

When venture capital firms evaluate a startup, one of the most important areas of focus is the potential exit strategy. Investors seek clarity on when the company plans to exit and who the potential buyers might be, as this provides insight into the viability and profitability of their investment. Understanding the competitive landscape is crucial, especially if there are similar solutions on the market. Venture capitalists want to know why a buyer would choose this company over others, and what differentiates it in terms of technology, market share, or strategic value. A clearly defined exit plan reassures investors that the company has a roadmap for growth and profitability.

Additionally, venture capitalists are interested in the scalability of the business and the potential for exponential growth, often targeting a 30x return on their investment. They assess the factors that could drive the company's valuation to such heights and seek confidence that the business model can support this growth trajectory. Venture capitalists also want to understand whether the company plans to raise additional funding rounds before an exit and what key elements would appeal to a potential buyer. Addressing these concerns demonstrates the company's preparedness for a successful exit and helps align investor expectations with the company's long-term vision.

### Questions related to exit:

41. When do you plan to exit?
42. Who could be a potential buyer?
43. There are many similar solutions on the market, so why would anyone take your company?
44. We do not see what could drive the growth of the business so that we would have 30x increase in the valuation on the exit?
45. What is the potential exit for investors?
46. When are you ready for the exit and are you planning any more rounds?

## CHAPTER V

- 47. What is important for a potential buyer?
- 48. How to make an exit if so far nobody has succeeded in this segment?
- 49. How do you plan to grow your company to reach xyz valuation (usually x30 from current round)?

# CHAPTER VI

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## QUESTIONS RELATED TO FOUNDERS

When venture capital firms evaluate a startup, understanding the founders' background, motivations, and leadership style is crucial. They ask questions related to the founders' time commitment, salary, and experience to ensure that the leadership is fully invested in the success of the business. Venture capitalists want to know the founders' long-term goals, whether they intend to sell the company, and their vision for its future. These questions help investors assess the alignment between the founders' ambitions and the potential return on investment, ensuring that the leadership is committed to seeing the company through to a successful exit.

Additionally, venture capitalists delve into the dynamics between founders, including how long they have worked together and how they divide responsibilities. Questions about how they manage people, motivate their team, and build the company culture provide insight into their leadership approach. Investors are particularly interested in whether the founders are willing to make personal sacrifices, such as lowering their salaries, to ensure the company's growth. By exploring these aspects, venture capital firms gain a deeper understanding of the founders' ability to lead the company toward its goals and the overall strength of the team's cohesion and vision.

### Questions related to founders:

50. What is time commitment of each of the founders?
51. What is the founders' salary (including benefits, cars, etc.)?
52. What is your background?
53. What is your end-game?
54. Do you want to sell the company, and if so, when?
55. When and how did you meet?

## CHAPTER VI

56. How long have you been working together?
57. Are you willing to lower your salary at least until the next round or correlate it to the MRR?
58. How long do you want to be in the company?
59. What do you want to do with the company?
60. How do you want to manage people?
61. How do you motivate people in your team?
62. List the top 3 features of the organizational culture you want to build
63. List the top 3 characteristics of people who achieve success in business
64. List the top 3 ways to build authority
65. List the top 3 components of a good manager
66. What is the result of the manager's work?
67. How do you share tasks with each other?

# CHAPTER VII

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## QUESTIONS RELATED TO CAP TABLE

When venture capital firms evaluate a startup, a critical aspect of their due diligence is analyzing the capitalization table (cap table). They inquire about the ownership structure to understand how equity is divided among the founders, early investors, and other stakeholders. Venture capitalists also want to know if the company has an Employee Stock Ownership Plan (ESOP), as this can indicate how the company incentivizes key employees and aligns their interests with the long-term success of the business. Understanding the distribution of ownership helps investors assess both the company's past funding decisions and its future potential for growth.

In addition to the current ownership breakdown, venture capitalists are interested in the background and involvement of existing investors. Questions about how much capital has been raised, when it was raised, and how active these investors are in supporting the company provide insight into the company's financial history and investor relationships. Venture capital firms also want to know what the ownership structure will look like at the time of the transaction, ensuring that there is clarity and alignment among all stakeholders. This helps investors evaluate potential dilution, governance, and the overall health of the company's cap table moving forward.

### Questions related to cap table:

- 68. What is the ownership structure?
- 69. Is there an ESOP?
- 70. Who are the investors, when and how much have they invested?
- 71. How did you acquire current investors?
- 72. To what extent are current investors active?
- 73. What will be the ownership structure as at the transaction date?



# CHAPTER VIII

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## QUESTIONS RELATED TO MARKET AND COMPETITION

When venture capital firms assess a startup, understanding the market landscape and competition is a critical part of their evaluation process. They often ask detailed questions about local, regional, and global competitors, seeking to understand where the startup stands in relation to others in the market. This includes not only identifying competitors but also conducting a thorough comparison to highlight why the startup's solution is superior. Venture capitalists want to know the unique advantages of the company's product or service, especially when there are many similar solutions available, and how the business plans to sustain a competitive edge over time. Analyzing the competitive environment helps investors assess the potential challenges and opportunities the startup might face in scaling.

In addition to understanding the competition, investors explore market size and growth potential. Questions about market share, growth rates, and the Total Addressable Market (TAM), Serviceable Available Market (SAM), and Serviceable Obtainable Market (SOM) provide insights into the scalability of the business. Venture capitalists want to know how the company calculated these figures and whether the market is ready for the proposed solution. They also inquire about barriers to entry, both for the startup and for foreign competitors, as well as how the pandemic has impacted the market and the competitive landscape. These inquiries help investors evaluate the startup's market position and its strategy for long-term success in a dynamic competitive environment.

### Questions related to market and competition:

- 74. Who is a local, regional and global competitor?
- 75. Please provide detailed comparison to your competitors
- 76. Who is your competition in Europe and who in the world?

## CHAPTER VIII

77. Do you have a detailed analysis of the competition in the US?
78. Why your solution is better than xyz?
79. Why did you omit x, y, z companies in the competition analysis?
80. What are the entry barriers?
81. How the pandemic affected your market and what will happen after the pandemic?
82. There are many similar solutions on the market, so what's the difference?
83. It will be difficult for you to build an advantage over the long term, so how do you want to approach it?
84. What is the value of the system for a customer who already uses a similar tool?
85. What is the competitive environment?
86. Who of your competitors has recently fundraised, in what amount, from whom and at what valuation?
87. Large corporations use legacy systems, so why do they need your system?
88. How did you define the size of the market?
89. What is your TAM, SAM and SOM and how did you calculate it?
90. What are your advantages?
91. What are the entry barriers for foreign competition?
92. Is the market ready for this type of solution?
93. Which market is the most promising?
94. What about traditional competition?
95. How fast the market grows?
96. What share do you have in key markets?
97. To what extent are Microsoft, Google or Amazon your competitors?
98. Who prepared the comparison to the competition?
99. What competition are you comparing yourself to?
100. How do we compare ourselves in terms of prices?
101. Do you know the valuations at which other companies in the industry were acquired (multipliers)?
102. Do you see any opportunity for yourself from the analysis of competitors' business models?
103. Who is the most significant competitor?
104. Will companies x, y or z enter this business?

# CHAPTER IX

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## QUESTIONS RELATED TO FINANCE AND METRICS

When venture capital firms examine a startup, they place significant importance on its financial performance and key metrics to assess its viability and growth potential. They inquire about past and projected revenues, wanting to understand the financial health and stability of the business. Questions about recurring metrics such as Monthly Recurring Revenue (MRR) and churn rates provide insights into the predictability and retention of the customer base. Venture capitalists also examine how the company tracks and measures financial indicators like Customer Acquisition Cost (CAC) and Lifetime Value (LTV), which are essential for evaluating profitability and scalability. These metrics help investors gauge whether the startup can sustain growth, improve profitability, and navigate challenges like volatility in revenue streams.

In addition to revenue and customer metrics, venture capitalists explore the company's cost structure and cash flow management. Questions about costs associated with entering new markets, monthly expenses, and burn rate give investors a clear picture of how efficiently the company is managing its resources. They also focus on system usage metrics, such as user engagement and active users, to assess the product's stickiness and overall market traction. These financial inquiries help venture capitalists evaluate the sustainability of the business model and whether the company can achieve profitability and long-term success, making these metrics key factors in investment decisions.

### Questions related to finance and metrics:

- 105. What is the amount of revenues for the last year?
- 106. What is the revenue forecast for the current year?
- 107. What's explanation for high volatility of revenues?
- 108. How do you count the MRR?

## CHAPTER IX

109. How do you count churn?
110. How many customers extend their contracts?
111. How do you count CAC?
112. Do you have any overdue receivables?
113. How VAT settlements affect cash flow?
114. How do you calculate the costs of entering a new market?
115. Do you have any cars as the company?
116. How you track system usage?
117. How frequently users log in?
118. What are your monthly costs?
119. How do you plan to increase LTV and ARPA?
120. What are the main reasons for churn?
121. What is your ACV?
122. What is the average contract duration?
123. How much did you spend on creating the system?
124. What are the system usage metrics by users (i.e. how often, how much time, which modules)?
125. How many clients do you have and to how many prospects are you currently talking to?
126. How much of revenue is generated by SaaS and how many from services / implementations?
127. What are your revenue streams?
128. What is the cost structure?
129. How do you define an active user?
130. Why MAU is 50% of registered users?
131. What is the average number of logins per user?
132. When will you reach BEP?
133. Is LTV calculated after deducting distributors' margin?
134. On what assumptions have you prepared the forecasts?
135. Why is your MRR changing this way?
136. What cash your cash burn?
137. Aren't your marketing expenses too low?
138. What MRR do you expect at the end of this year?
139. Which customers pay the most?
140. What is the average ticket per client?
141. What is the geographic distribution of revenues?

# CHAPTER X

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## QUESTIONS RELATED TO PRODUCT

When venture capital firms assess a startup, the product is a central focus of their evaluation. They often request access to a demo version and schedule meetings to review the system in detail. Venture capitalists are interested in understanding the unique selling proposition (USP) of the product and which features are most valued by customers. They also inquire about the product development roadmap, seeking clarity on the future trajectory of the product, including plans for enhancing user experience (UX), adding new functionalities, and integrating emerging technologies like machine learning or artificial intelligence. These questions help investors determine whether the product has a strong market fit and whether it can evolve to meet future demands.

In addition to product features, investors examine the technical aspects of the system. Questions about system languages, integration capabilities, and intellectual property ownership are critical for understanding the scalability and defensibility of the product. Venture capitalists also explore the company's plans for dealing with technological debt and potential security issues, ensuring the product is robust enough to handle growth. By examining the product's current status, development plans, and technical capabilities, investors can evaluate its long-term viability, market differentiation, and potential to attract and retain customers in a competitive landscape.

### Questions related to product:

- 142. Can you please provide access to demo version?
- 143. Can we schedule a separate meeting to go through the demo / product?
- 144. What languages is the system available in?
- 145. What is your USP?
- 146. Which functionalities are most important to customers?
- 147. What is the product development roadmap?
- 148. Is there a technological debt, and if so, what kind?

## CHAPTER X

149. How do you plan to develop further the product?
150. How do you rate current UX?
151. Do you plan to change UX in the near future?
152. Are you planning to create a native application?
153. Is the entire IP in the company?
154. Which elements of the system you wrote yourself and which you took from the shelf?
155. Do you have a need to develop ML / AI in the near future?
156. Why do you need ML / AI — we don't see the need for it besides PR for this / next round
157. Who creates content?
158. Why your website does not fully reflect the system and its features?
159. Does the client have to integrate with your software?
160. Do you have a plan to create a marketplace?
161. In what technology is the system written?
162. Have you written the system yourself?
163. What kind of integrations do you plan in the near future?
164. Do you integrate with other systems, and if so then how?
165. Where do you get your content from?
166. What is your product strategy?
167. Do you develop the system internally or through a software house?
168. What is your main value proposition?
169. What are system security and data protection issues?
170. To what extent should the system be adapted to the needs of a given market?
171. What is the point of combining two products?
172. Are there elements of gamification?
173. How we collect feedback from clients?
174. Who acquires the rights to content?
175. Where do you buy parts / components?
176. How many parts are from xyz country?
177. What is the availability of components (including processors and electronics)?
178. Where do you produce your devices?
179. Do you use neural networks, and if so, how?
180. Do you manufacture the hardware yourself?
181. What is your hardware production time?
182. What is the use case of your system?
183. What are the examples of ML / AI in your system?
184. Do you integrate with legacy systems?

## CHAPTER X

185. How do you train your ML / AI models?
186. What is the responsiveness of your database?
187. Does customer information or data pass through your system?
188. How advanced is your system/product?
189. To what extent the current version meets the needs of your customers?
190. To what extent are you just an integrator?
191. Are you subject to any regulations?
192. Do you have an AI and, if so, how many algorithms are in the system?
193. How much does the system actually learn and what it learns from?
194. What is your defensibility?
195. Do customers have a problem that the system is in the cloud?
196. Do you have an API and what does it look like?
197. To what extent can customers onboard themselves?
198. What needs to be changed in the system to enter xyz market?
199. Where do you see your product in the future?
200. How long does it take to implement the solution?
201. What is unique about your product?
202. Which features are currently available and what are still working on?

# CHAPTER XI

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## QUESTIONS RELATED TO SALES & MARKETING

When venture capital firms assess a startup's sales and marketing strategies, they focus on how effectively the company acquires customers, scales revenue, and develops international markets. Questions related to lead acquisition, pricing strategies, and the size of the sales team provide insight into the company's ability to drive growth and generate consistent revenue streams. Venture capitalists also want to understand the sales funnel, the business model, and how the company monetizes its offerings. These details are crucial for determining the scalability of the business and its potential to capture new market share, both locally and internationally.

Moreover, investors are keen to explore the company's strategy for expanding beyond its home market. They ask about the company's approach to selling abroad, its pre-selection of partners, and plans for market entry in foreign regions. Questions regarding indirect sales channels, customer onboarding, and sales cycles help investors evaluate how well the company has prepared for international scaling and long-term revenue growth. By understanding the company's sales processes, partnerships, and customer dynamics, venture capitalists can assess the effectiveness of its go-to-market strategy and whether it is positioned to capitalize on future growth opportunities.

### Questions related to sales & marketing:

- 203. How do you acquire leads?
- 204. What is the pricing?
- 205. Who is the contact person on the client side?
- 206. Can you provide several reference contacts to your clients?
- 207. What is the size of the sales team?
- 208. Why clients do not extend their contracts?



## CHAPTER XI

209. How do you want to sell outside of Poland?
210. How much sales come from Poland and how much from abroad?
211. Why do customers buy your solution?
212. How do you plan to further develop sales in Poland and abroad?
213. Do you have a pre-selection of partners abroad?
214. Are you planning to change the pricing in the near future?
215. Why do you want to sell abroad?
216. Are there any other verticals on which you want to focus on?
217. What causes customers to extend their subscription?
218. Do customers pay monthly or annually?
219. How much of sales had been generated through founders' network?
220. What does the sales funnel look like?
221. What is your business model?
222. How do you monetize?
223. Have the clients used a different solution before?
224. What is your idea for international sales?
225. How to go abroad and increase scale x10?
226. What does the sales process look like?
227. How does the implementation look like?
228. How much % do you sell online and how much offline?
229. Who is your customer's decision maker?
230. What has already been done in terms of scaling abroad?
231. Do you have any indirect sales channels?
232. Who are the customers / what are their characteristics?
233. Does your pricing depend on the number of users?
234. How do you want to sell to the long tail?
235. Do you also want to enter B2C market?
236. What is your sales strategy?
237. How do you reach your customers?
238. Who are your partners?
239. Is the sale and implementation process completely online?
240. Does the customer pay for the implementation separately?
241. How long is the selling process?
242. What does onboarding look like?
243. Who generates leads?
244. Is your solution applicable for smaller companies?
245. What does pricing depend on?
246. Who is your persona?

## CHAPTER XI

247. How troublesome is onboarding?
248. What are the obstacles to international scaling?
249. How do you deal with selling to corporations that use solutions imposed by the headquarters?
250. How the sales funnel has changed since our first meeting?
251. Do you sell mainly to corporations or SMEs?
252. How did you make the decision to select markets for expansion?
253. On what markets are you focusing on?
254. Why the focus on the xyz market / region?
255. How quickly do you want to increase your sales?
256. Why don't you sell in country xyz?
257. To what extent are the partners crucial to enter the next market / country?
258. Are contracts with partners exclusive?
259. Do the partners offer other products to customers in addition to your solution?
260. What is the sales cycle?
261. How many leads and sales per month generates one salesman?
262. What will be the driver of the growth in the near future?
263. To what extent sales are seasonal?
264. Where do you get the leads to foreign clients?
265. What is the motivation of customers to use your the system?
266. How scalable is the company?
267. What is the implementation time from signing the contract to going live?
268. Is the system dedicated to sector xyz only?
269. What is your plan for sale and distribution?
270. Why client xyz chose you?
271. What sector are you focusing on?
272. In two years you plan to increase your sales x3 — why so slow?
273. Who is your best customer and why?
274. To what extent is your pricing fixed?
275. How do you want to sell abroad?
276. How do you predict your sales by sectors in a few years?
277. What are your customers' greatest concerns about your system?
278. How do you measure your customers' success?
279. What are the key customer metrics that you track?
280. What is your model of settling accounts with partners?

## CHAPTER XII

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# QUESTIONS RELATED TO HARDWARE STARTUPS

When venture capital firms evaluate hardware startups, understanding the intricacies of production and supply chain management is crucial. They often ask detailed questions about the cost of production, first margin, and the number of suppliers, particularly from regions like China, which are known for hardware manufacturing. Investors want to grasp the startup's ability to maintain competitive pricing while ensuring high-quality output. Questions about custom-made parts, purchase prices, and selling prices help venture capitalists assess the financial viability of the hardware product, its profitability, and the company's ability to scale production efficiently.

In addition to production costs, venture capitalists are keen to understand the business model and long-term financial outlook for both the company and its customers. They inquire about leasing or subscription models for the device, which can impact cash flow and customer acquisition strategies. Questions regarding return on investment (ROI) for clients, the availability of critical components, and supply chain dependencies, particularly for parts imported from Asia, provide insight into potential risks and challenges in maintaining steady production. By exploring these factors, investors can evaluate the startup's operational resilience, scalability, and the likelihood of sustained profitability in the competitive hardware market.

### Questions related to hardware startups:

- 281. What is the cost of production?
- 282. What is the first margin?
- 283. How many suppliers do you have (including from China)?
- 284. Do you plan to offer leasing / subscription for the device?
- 285. What % of parts are custom made?

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286. What is the purchase price and selling price?

287. What is the return on investment for the client?

288. How many components of the device are there and what is their availability?

289. How many parts are imported from Asia and what's their availability and delivery time?

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## OTHER QUESTIONS

Venture capital firms often ask a variety of questions that fall outside traditional categories, focusing on broader strategic and operational issues that impact a startup's long-term viability. These questions are designed to gauge the founder's awareness of potential risks and challenges, such as the threats to the business and how the company adapted during disruptive events like COVID-19. By understanding how the company navigates external challenges and mitigates risks, investors can assess its resilience and ability to evolve in a rapidly changing business environment. Additionally, venture capitalists want to know where the company sees itself in three years, aiming to align the founder's vision with the potential for future growth.

Another key focus for investors is intellectual property (IP) protection, which can be critical for defending the company's competitive advantage. Questions about the ownership and location of IP offer insights into how well the company safeguards its innovations and whether it has structured its assets in a way that maximizes value. Updates since the previous meeting also help investors track the company's progress and whether it has effectively executed its business plan. These inquiries help investors gain a deeper understanding of the company's strategic thinking, risk management, and overall preparedness for future growth.

### Other questions:

- 290. What threats to your business do you see?
- 291. Where do you see yourself in three years?
- 292. What did you change during Covid?
- 293. Where is the IP?
- 294. What has changed since the previous meeting?

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## REQUESTS REGARDING ADDITIONAL DOCUMENTS

When venture capital firms are considering an investment, they typically request a range of additional documents to gain a more in-depth understanding of the startup's business operations, financial health, and growth potential. A comprehensive financial model is often one of the most critical documents, providing insights into revenue projections, costs, cash flow, and long-term profitability. Investors also request the capitalization table (cap table) to understand the ownership structure and potential dilution from future funding rounds. Market analysis, including size, growth rates, and key trends, helps them assess the startup's competitive position and potential for scalability.

In addition to financial and market data, venture capitalists ask for documents that provide deeper insights into the product and team. A detailed product roadmap shows how the startup plans to evolve its offering, while the CVs of founders and key employees highlight the team's experience and capabilities. Metrics such as user statistics, sales funnels, and customer engagement data give a clearer picture of the company's traction and ability to convert leads into paying customers. These documents collectively offer a complete view of the startup's current position and future potential, allowing investors to make informed decisions about the investment opportunity.

### Requests regarding additional documents:

295. Financial model

296. Cap table

297. Market analysis (size, growth rate, key trends)

298. Detailed competition analysis

299. Product road map

300. CV/description of founders and key employees

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- 301. Key metrics
- 302. Access to the system/demo
- 303. Sales funnel/pipeline
- 304. Sales presentation
- 305. Pricing
- 306. User statistics (number of logins, time per session, etc)

# CONCLUSION

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IN SUMMARY, "300+ QUESTIONS VCS ASKED FOUNDERS" IS A HIGHLY USEFUL RESOURCE THAT FOSTERS TRANSPARENT AND THOROUGH COMMUNICATION BETWEEN STARTUP FOUNDERS AND VENTURE CAPITALISTS

By using this document, founders can ensure they are well-prepared for investor discussions, while VCs can use it as a checklist to explore all critical aspects of a potential investment. This mutual preparation helps to reduce uncertainty, build trust, and potentially lead to successful partnerships.



# ABOUT THE AUTHOR



## **Pawel Maj**

Pawel co-managed three VC & PE funds (most recently, he was a partner at Warsaw Equity Group). To date, Pawel has completed 60+ investments, over 20 exits, and served on the supervisory and management boards of 30+ companies. Between 2021 and 2022, he also supported startups with pre-seed and seed rounds, closing on average one round per month.

Currently, Pawel fundraises for profitable tech scaleups from the CEE (Central and Eastern Europe) region. Successfully (100% success rate).

Pawel is also actively involved in the development of the startup ecosystem in Poland and the CEE region as a mentor, speaker, lecturer, jury member and author of numerous publications. He's also a mentor in the Social Business Accelerator program, part of the Polish Private Equity and Venture Capital Association.

Pawel graduated from the University of Wisconsin-Whitewater (USA) with a degree in Management.