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How to Present to Investors

15-19 minutes

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In a few days it will be Demo Day, when the startups we funded this summer present to investors. Y Combinator funds startups twice a year, in January and June. Ten weeks later we invite all the investors we know to hear them present what they've built so far.

Ten weeks is not much time. The average startup probably doesn't have much to show for itself after ten weeks. But the average startup fails. When you look at the ones that went on to do great things, you find a lot that began with someone pounding out a prototype in a week or two of nonstop work. Startups are a counterexample to the rule that haste makes waste.

(Too much money seems to be as bad for startups as too much time, so we don't give them much money either.)

A week before Demo Day, we have a dress rehearsal called Rehearsal Day. At other Y Combinator events we allow outside guests, but not at Rehearsal Day. No one except the other founders gets to see the rehearsals.

The presentations on Rehearsal Day are often pretty rough. But this is to be expected. We try to pick founders who are good at building things, not ones who are slick presenters. Some of the founders are just out of college, or even still in it, and have never spoken to a group of people they didn't already know.

So we concentrate on the basics. On Demo Day each startup will only get ten minutes, so we encourage them to focus on just two goals: (a) explain what you're doing, and (b) explain why users will want it.

That might sound easy, but it's not when the speakers have no experience presenting, and they're explaining technical matters to an audience that's mostly non-technical.

This situation is constantly repeated when startups present to investors: people who are bad at explaining, talking to people who are bad at understanding. Practically every successful startup, including stars like Google, presented at some point to investors who didn't get it and turned them down. Was it because the founders were bad at presenting, or because the investors were obtuse? It's probably always some of both.

At the most recent Rehearsal Day, we four Y Combinator partners found ourselves saying a lot of the same things we said at the last two. So at dinner afterward we collected all our tips about presenting to investors. Most startups face similar challenges, so we hope these will be useful to a wider audience.

1. Explain what you're doing.

Investors' main question when judging a very early startup is whether you've made a compelling product. Before they can judge whether you've built a good x, they have to understand what kind of x you've built. They will get very frustrated if instead of telling them what you do, you make them sit through some kind of preamble.

Say what you're doing as soon as possible, preferably in the first sentence. "We're Jeff and Bob and we've built an easy to use web-based database. Now we'll show it to you and explain why people need this."

If you're a great public speaker you may be able to violate this rule. Last year one founder spent the whole first half of his talk on a fascinating analysis of the limits of the conventional desktop metaphor. He got away with it, but unless you're a captivating speaker, which most hackers aren't, it's better to play it safe.

2. Get rapidly to demo.

This section is now obsolete for YC founders presenting at Demo Day, because Demo Day presentations are now so short that they rarely include much if any demo. They seem to work just as well without, however, which makes me think I was wrong to emphasize demos so much before.

A demo explains what you've made more effectively than any verbal description. The only thing worth talking about first is the problem you're trying to solve and why it's important. But don't spend more than a tenth of your time on that. Then demo.

When you demo, don't run through a catalog of features. Instead start with the problem you're solving, and then show how your product solves it. Show features in an order driven by some kind of purpose, rather than the order in which they happen to appear on the screen.

If you're demoing something web-based, assume that the network connection will mysteriously die 30 seconds into your presentation, and come prepared with a copy of the server software running on your laptop.

3. Better a narrow description than a vague one.

One reason founders resist describing their projects concisely is that, at this early stage, there are all kinds of possibilities. The most concise descriptions seem misleadingly narrow. So for example a group that has built an easy web-based database might resist calling their applicaton that, because it could be so much more. In fact, it could be anything...

The problem is, as you approach (in the calculus sense) a description of something that could be anything, the content of your description approaches zero. If you describe your web-based database as "a system to allow people to collaboratively leverage the value of information," it will go in one investor ear and out the other. They'll just discard that sentence as meaningless boilerplate, and hope, with increasing impatience, that in the next sentence you'll actually explain what you've made.

Your primary goal is not to describe everything your system might one day become, but simply to convince investors you're worth talking to further. So approach this like an algorithm that gets the right answer by successive approximations. Begin with a description that's gripping but perhaps overly narrow, then flesh it out to the extent you can. It's the same principle as incremental development: start with a simple prototype, then add features, but at every point have working code. In this case, "working code" means a working description in the investor's head.

4. Don't talk and drive.

Have one person talk while another uses the computer. If the same person does both, they'll inevitably mumble downwards at the computer screen instead of talking clearly at the audience.

As long as you're standing near the audience and looking at them, politeness (and habit) compel them to pay attention to you. Once you stop looking at them to fuss with something on your computer, their minds drift off to the errands they have to run later.

5. Don't talk about secondary matters at length.

If you only have a few minutes, spend them explaining what your product does and why it's great. Second order issues like competitors or resumes should be single slides you go through quickly at the end. If you have impressive resumes, just flash them on the screen for 15 seconds and say a few words. For competitors, list the top 3 and explain in one sentence each what they lack that you have. And put this kind of thing at the end, after you've made it clear what you've built.

6. Don't get too deeply into business models.

It's good to talk about how you plan to make money, but mainly because it shows you care about that and have thought about it. Don't go into detail about your business model, because (a) that's not what smart investors care about in a brief presentation, and (b) any business model you have at this point is probably wrong anyway.

Recently a VC who came to speak at Y Combinator talked about a company he just invested in. He said their business model was wrong and would probably change three times before they got it right. The founders were experienced guys who'd done startups before and who'd just succeeded in getting millions from one of the top VC firms, and even their business model was crap. (And yet he invested anyway, because he expected it to be crap at this stage.)

If you're solving an important problem, you're going to sound a lot smarter talking about that than the business model. The business model is just a bunch of guesses, and guesses about stuff that's probably not your area of expertise. So don't spend your precious few minutes talking about crap when you could be talking about solid, interesting things you know a lot about: the problem you're solving and what you've built so far.

As well as being a bad use of time, if your business model seems spectacularly wrong, that will push the stuff you want investors to remember out of their heads. They'll just remember you as the company with the boneheaded plan for making money, rather than the company that solved that important problem.

7. Talk slowly and clearly at the audience.

Everyone at Rehearsal Day could see the difference between the people who'd been out in the world for a while and had presented to groups, and those who hadn't.

You need to use a completely different voice and manner talking to a roomful of people than you would in conversation. Everyday life gives you no practice in this. If you can't already do it, the best solution is to treat it as a consciously artificial trick, like juggling.

However, that doesn't mean you should talk like some kind of announcer. Audiences tune that out. What you need to do is talk in this artificial way, and yet make it seem conversational. (Writing is the same. Good writing is an elaborate effort to seem spontaneous.)

If you want to write out your whole presentation beforehand and memorize it, that's ok. That has worked for some groups in the past. But make sure to write something that sounds like spontaneous, informal speech, and deliver it that way too.

Err on the side of speaking slowly. At Rehearsal Day, one of the founders mentioned a rule actors use: if you feel you're speaking too slowly, you're speaking at about the right speed.

8. Have one person talk.

Startups often want to show that all the founders are equal partners. This is a good instinct; investors dislike unbalanced teams. But trying to show it by partitioning the presentation is going too far. It's distracting. You can demonstrate your respect for one another in more subtle ways. For example, when one of the groups presented at Demo Day, the more extroverted of the two founders did most of the talking, but he described his co-founder as the best hacker he'd ever met, and you could tell he meant it.

Pick the one or at most two best speakers, and have them do most of the talking.

Exception: If one of the founders is an expert in some specific technical field, it can be good for them to talk about that for a minute or so. This kind of "expert witness" can add credibility, even if the audience doesn't understand all the details. If Jobs and Wozniak had 10 minutes to present the Apple II, it might be a good plan to have Jobs speak for 9 minutes and have Woz speak for a minute in the middle about some of the technical feats he'd pulled off in the design. (Though of course if it were actually those two, Jobs would speak for the entire 10 minutes.)

9. Seem confident.

Between the brief time available and their lack of technical background, many in the audience will have a hard time evaluating what you're doing. Probably the single biggest piece of evidence, initially, will be your own confidence in it. You have to show you're impressed with what you've made.

And I mean show, not tell. Never say "we're passionate" or "our product is great." People just ignore that—or worse, write you off as bullshitters. Such messages must be implicit.

What you must not do is seem nervous and apologetic. If you've truly made something good, you're doing investors a *favor* by telling them about it. If you don't genuinely believe that, perhaps you ought to change what your company is doing. If you don't believe your startup has such promise that you'd be doing them a favor by letting them invest, why are you investing your time in it?

10. Don't try to seem more than you are.

Don't worry if your company is just a few months old and doesn't have an office yet, or your founders are technical people with no business experience. Google was like that once, and they turned out ok. Smart investors can see past such superficial flaws. They're not looking for finished, smooth presentations. They're looking for raw talent. All you need to convince them of is that you're smart and that you're onto something good. If you try too hard to conceal your rawness—by trying to seem corporate, or pretending to know about stuff you don't—you may just conceal your talent.

You can afford to be candid about what you haven't figured out yet. Don't go out of your way to bring it up (e.g. by having a slide about what might go wrong), but don't try to pretend either that you're further along than you are. If you're a hacker and you're presenting to experienced investors, they're probably better at detecting bullshit than you are at producing it.

11. Don't put too many words on slides.

When there are a lot of words on a slide, people just skip reading it. So look at your slides and ask of each word "could I cross this out?" This includes gratuitous clip art. Try to get your slides under 20 words if you can.

Don't read your slides. They should be something in the background as you face the audience and talk to them, not something you face and read to an audience sitting behind you.

Cluttered sites don't do well in demos, especially when they're projected onto a screen. At the very least, crank up the font size big enough to make all the text legible. But cluttered sites are bad anyway, so perhaps you should use this opportunity to make your design simpler.

12. Specific numbers are good.

If you have any kind of data, however preliminary, tell the audience. Numbers stick in people's heads. If you can claim that the median visitor generates 12 page views, that's great.

But don't give them more than four or five numbers, and only give them numbers specific to you. You don't need to tell them the size of the market you're in. Who cares, really, if it's 500 million or 5 billion a year? Talking about that is like an actor at the beginning of his career telling his parents how much Tom Hanks makes. Yeah, sure, but first you have to become Tom Hanks. The important part is not whether he makes ten million a year or a hundred, but how you get there.

13. Tell stories about users.

The biggest fear of investors looking at early stage startups is that you've built something based on your own a priori theories of what the world needs, but that no one will actually want. So it's good if you can talk about problems specific users have and how you solve them.

Greg Mcadoo said one thing Sequoia looks for is the "proxy for demand." What are people doing now, using inadequate tools, that shows they need what you're making?

Another sign of user need is when people pay a lot for something. It's easy to convince investors there will be demand for a cheaper alternative to something popular, if you preserve the qualities that made it popular.

The best stories about user needs are about your own. A remarkable number of famous startups grew out of some need the founders had: Apple, Microsoft, Yahoo, Google. Experienced investors know that, so stories of this type will get their attention. The next best thing is to talk about the needs of people you know personally, like your friends or siblings.

14. Make a soundbite stick in their heads.

Professional investors hear a lot of pitches. After a while they all blur together. The first cut is simply to be one of those they remember. And the way to ensure that is to create a descriptive phrase about yourself that sticks in their heads.

In Hollywood, these phrases seem to be of the form "x meets y."

In the startup world, they're usually "the x of y" or "the x y." Viaweb's was "the Microsoft Word of ecommerce."

Find one and launch it clearly (but apparently casually) in your talk, preferably near the beginning.

It's a good exercise for you, too, to sit down and try to figure out how to describe your startup in one compelling phrase. If you can't, your plans may not be sufficiently focused.