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Truebridge Capital Fireside Chat On VC in 2020 with Keith Rabois

4-5 minutes

Everyone in the tech ecosystem knows of Keith Rabois, or online just as @rabois on Twitter. Like many others, I've had the fortune to spend a lot of time learning from (and debating) Keith. You can search some of the old tech chats we did back on YouTube. I feel as if I know most of what he thinks about the VC industry by now — yet, last night, he was in a fireside chat with Truebridge's Mel Williams, and their discussion teased out new angles on VC that felt entirely new. I wanted to *briefly* share with you all the few tidbits that have stuck with me the day after. Note, these are listed in no particular order along with a bit of my commentary:

1/ The early stage is when a startup is a "liquid form of concrete" – Keith gently warned professional VCs of getting involved too late in a company reduces the ability to course-correct. Eventually, the company hardens, or becomes "concrete." But for an active investor who wants to take an early-lead role, seed is the place to play. Note, Keith defined "seed" as the first meaningful capital a company raises — not the pre-seed, per se, but the first time a few million are aggregated from people who are not your friends or bosses.

2/ There are challenges to doing seed within a larger platform VC fund — Keith breaks down these challenges as (1) opportunity cost of time; and (2) the signal risk for both the company and the fund. On the fund side, he guides larger funds who do seed rounds to be mindful of the conversion rate to larger checks because one $50M check in a scaling company that's doing well can cover a lot of seeds.

3/ What's changed in seed market over last 15 years? Keith answered this one quickly: (1) valuations off the charts at seed, sees no immediate change there; (2) explosion of seed funds, says he gets one deck a week for a new seed fund (he's only invested about 15 personally over last decade); and (3) Series A and platform funds are investing in talent earlier. All this said, many seeds are not competitive despite what you see or hear in the market.

4/ Osmosis is most critical for learning VC — he said for junior folks in the room, those who are developing into check-writing VCs over time — there are two critical things to keep in mind: (1) You need to be in partner debates to learn, and it takes time. Osmosis is how knowledge is transferred. (2) A vital skill for junior VCs to master is knowing what to flag for a senior GP. Those who don't learn how to sort and flag key issues with judgment will never have a chance. [Aside, on point #1, I feel very fortunate that for my entire investing career to date, I've been able to sit inside weekly partner meetings at Bullpen, then GGV, and now at Lightspeed for the past two years.]

5/ Seed investing is like the Major League Baseball draft — In the NBA, the top picks are known to be the best talent usually. In MLB, most are drafted out of high school and quite often the evaluators miss talent. This is like seed investing. It's ok to have mistakes, part of the game. Now comes the great insight from Keith — biggest mistakes looking back were choosing not to take a first meeting. In a world of thousands of startups and finite time, this is a very hard problem to solve — who to pick to meet in real life.

6/ A huge benefit of Founders Fund not having partner meetings — they can meet more companies. Founders Fund partners meet once a month for an hour. So, Keith says on a monthly basis on Mondays, he has 8 more hours per Monday than his competition, or 40 hours more per month, not even counting all the other meetings VCs at most funds are dragged into.

7/ And finally, Y Combinator — this was very interesting. Keith has seeded or invested in many YC companies. Yet, as a founder-driven investor, as YC has scaled in size and demo day is more of a production, he can't get to know the founders, so in those cases, at a big fund like Founders Fund which can write a $100M check later, he prefers to wait. This is absolutely what many other funds say privately about YC, and thanks to Keith for putting it out there.