What I Wish I Knew Before Pitching LinkedIn to VCs

Status is offline

9-11 minutes

At Greylock, my partners and I are driven by one guiding mission: always help entrepreneurs. It doesn't matter whether an entrepreneur is in our portfolio, whether we're considering an investment, or whether we're casually meeting for the first time.

Entrepreneurs often ask me for help with their financing decks. Because we value integrity and confidentiality at Greylock, we never share an entrepreneur's pitch deck with others. What I've honorably been able to do, however, is share the deck I used to pitch LinkedIn to Greylock for a Series B investment back in 2004.

This past May was the 10th anniversary of LinkedIn, and while reflecting on my entrepreneurial journey, I realized that no one gets to see the presentation decks for successful companies. This gave me an idea: I could help many more entrepreneurs by making the deck available not just to the Greylock network of entrepreneurs, but to everyone.

And so today I've published LinkedIn's Series B deck on my personal website. There are three thematic emphases:

- how entrepreneurs should approach the pitching process
- the evolution of LinkedIn as a company
- the consumer internet landscape in 2004 vs. today

To help you figure out what aspects of the pitching process you'd like to understand better, I've summarized seven prevalent myths below, which I address more deeply in the full presentation.

1.
MYTH: The startup financing process is about one thing — money.
TRUTH: A successful financing process results in a partnership that delivers benefits beyond just money.

A successful financing process obviously results in you raising capital for your company. But there are other critical outcomes you should shoot for as well. For example, great investors can significantly boost the strength of your network, which helps in recruiting employees and acquiring customers. Great investors can also be a source of network intelligence, so you can better prepare for likely challenges and opportunities ahead.

Put another way, the ideal financing partner is a financing cofounder. This is why already-wealthy entrepreneurs raise money from experienced investors for their next startup: they know partnering with angels and venture capitalists is about more than just the money.

Sadly, many investors actually add negative value, so an investor who adds no value ("dumb money") but who doesn't interfere with the operational process can sometimes be a decent outcome. But ideally you find an investor who can proactively add value ("smart money").

How do you know if an investor will add value? Pay attention to whether they are being constructive during the pitch and financing process. Do they understand your market? Are their questions the same questions that keep you up at night? Are you learning from their feedback? Are they passionate about the problem you're trying to solve?

2.
MYTH: If your team is strong, show the team slide early in your pitch.
TRUTH: Open your pitch with the investment thesis.

You have the most attention from investors in the first 60 seconds of your pitch, so how you begin is incredibly important. Most entrepreneurs start with a slide on the team. The team behind your idea is critical, but don't open with that. Instead, open with what the investors have to believe in order to want to want to be shareholders in your company -- the investment thesis.

Your first slide should articulate the investment thesis in generally 3 to 8 bullet points. Then, spend the rest of the pitch backing up those claims and increasing investors' confidence in your investment thesis -- which includes background on the team. Clearly articulate your investment thesis so investors can offer feedback that helps you refine it, eventually getting to a place where you both agree on it.

This advice applies to seed funding rounds, too. Yes, seed investors understand that early stage companies have many unknowns and the idea will change a lot, so they look carefully at the people to see whether the team will be able to adapt. But even at this stage, lead with your overall investment thesis. Persuade investors your investment thesis is intriguing, then show who can make it happen.

3.
MYTH: All investment pitches have the same structure.
TRUTH: Decide whether your pitch is a data pitch or a concept pitch.

Your investment thesis is either concept-driven or data-driven. Which kind you are pitching?

In a data pitch, you lead with the data because you are emphasizing how good the data already is. Investors therefore evaluate your company based on the data. When LinkedIn went public, it was a data pitch to public market investors. We showed investors a multi-year track record of data.

If it's a concept pitch, on the other hand, there may be data, but the data supports a yet undeveloped concept. A concept pitch shows your vision for how the future will be and how you will get to that future, so investors will want to buy a piece of it. Thus, concept pitches depend more on promised future data rather than present data.

4.
MYTH: Avoid bringing up anything that might paint your business as risky and decrease investors' confidence.
TRUTH: Identify and steer into your risk factors.

Experienced investors know there are always risks. If they ask you about your risk factors and you can't answer, you lose credibility because they assume you are either dishonest or dumb. Dishonest because if you've thought about the risk factors, but choose not to share them, you're implying you're not committed to a partnership. Dumb because you aren't smart enough to understand that all projects have risk factors — including yours. Explicitly identify the one to three risks that could thwart your success and how you will mitigate them.

5.
MYTH: Arguing that you have no prospective competitors is a strength.
TRUTH: Acknowledge all types of competition and express your competitive advantage.

Entrepreneurs often say they have no competition, assuming that's an impressive claim. But if you claim that you don't have competition, you either believe the market is completely inefficient or no one else thinks your space is valuable. Both are folly.

The market is efficient, eventually -- if a valuable opportunity emerges, others will discover it. To build credibility with investors, you want to show that you understand the competitive risks and show why you're going to win.

Express your competitive advantage this way: Why are you going to break out of the pack? What is your advantage? If you aren't clear and decisive, investors won't believe you have an edge that can lead to success.

6.
MYTH: Don't compare yourself to other companies because you think you're unique.
TRUTH: Pitch by analogy.

Every great consumer internet company grows up to be a unique organization. But in the early days, you want to use analogies to successful outcomes to describe what your company is and what its potential could be. Time is short -- it helps to refer to what those investors already understand.

The best pitch I heard of was in Hollywood for a film called Man's Best Friend. The pitch was "Jaws with Paws." Investors were told that if the movie Jaws was a huge success, a similar plot but on land with a dog could also be a huge success. The movie turned out to be terrible, but the pitch was excellent.

To be sure, pitch by analogy but don't necessarily reason by analogy. Reasoning by analogy, when you're developing your business strategy, is dangerous. In startup land, you're running across a minefield, so the details matter and you have to be careful with your analogies as you conceive strategy. But for high level pitches, analogies work great.

7.
MYTH: Focus on today's pitch. The future will take care of itself.
TRUTH: Think also about the round after the one you're currently raising.

Every time you raise a round, you should be thinking about the subsequent round of financing. Assuming you successfully close the current round, how will you raise money later? Who will be the next investors you pitch? What will their concerns be? What will you need to solve next?

Expect that Series B investors will want to see some slides from your Series A deck. Series C investors will be similarly interested in your Series B deck. Etc. When I created our Series A deck, I presented a growth curve that would be good enough to get an investment, but I also had confidence that I could beat it. I wanted to be able to go into my Series B presentation and say, "Here's what I said before, and here's how I did." Because we beat our Series A expectations for network growth, investors could comfortably trust our promise to build revenue with our Series B financing.

Want to dive deeper and better understand how to pitch your startup? Read the full presentation at my personal website.

(Photo: Digital Vision via Getty Images.)