CHAPTER FIVE

Pitch to investors

Pitching to investors can feel intimidating, but it doesn't have to be such a scary thing. Hustle Fund GPs Eric, Elizabeth, and Shiyan have seen over 50,000 pitches from startup founders throughout their careers. So they know what makes a pitch great.

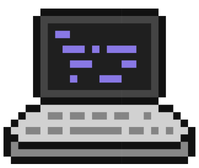
We'll walk you through how the whole process works and share some advice you might not expect.

How to run your first meeting with a VC

Meet on Zoom

It might seem weird to pitch over Zoom. But this is how Hustle Fund conducts all our pitch meetings. We love this medium because it allows both parties to see one another in their natural elements.

When founders meet with Eric on Zoom, they see him in his garage with his kids' bikes, BBQ, and trash cans in the background. Eric shows his real background because it shows what his life actually looks like. Vulnerability is often reciprocated and that's where you can both start to form a more personal connection.



Zoom tip: Set your camera to be at eye level to make the meeting feel more conversational.

Don't use a pitch deck

Yes, you read that correctly. It's totally ok to not use a slide deck during your first meeting. I know you spent weeks crafting your pitch deck, but hear us out.

When you use a slide deck, you automatically enter "presenter mode", which gives the meeting a clear power dynamic. Both parties become uncomfortably aware that one of you is the decision maker (hint: it's not you).

When you have a relaxed conversation with someone, the power dynamic feels more balanced. And when the dynamic is balanced, you can connect more deeply as humans. By the way, you can still pitch yourself and your company without using a pitch deck.

After the initial small talk, ask the investor to tell you a bit about themselves:

- How they got into venture
- What their role at their firm is
- A deal the fund recently completed

After they share their story, you can tailor your pitch to the VC's context.

Great storytelling is great listening

Having a normal conversation rather than a formal presentation gives you an opportunity to listen to what excites the investor. If they mentioned

- How they believe in startups who think slowly and long term, you can tailor your pitch to show how you're thinking long-term for your startup
- How they started their women-focused VC fund to even the playing field, you can emphasize the women and diversity on your team
- How they invested in a similar company, you can weave how that company has inspired your journey (if this is true) and how you have a similar vision as them

These are good ways to connect with the investor and find some common ground. As you share more about your similarities, notice their reactions on Zoom. If the other person is looking away or fading off, change the subject to what they care about. If they're nodding and smiling, those are cues to lean more into your story.

Questions that early-stage VCs may ask you

Elizabeth has a list of questions that she regularly asks early-stage founders to decide whether or not to invest. The **questions in bold** are what she personally cares most about. The other questions are common examples of what many early-stage software investors may ask.

Team

- **Tell me a bit about your background and your co-founder(s)'s background.**
- **How do you all know each other?**
    - **How long have you worked together and in what capacity?**
- Why is your team uniquely motivated to solve this problem?
- Why did you pick your co-founder?
- Who do you need to hire during the next 18 months to be successful?
- When was the last time you disagreed on a business issue? How did you resolve it?

- Do the founders have the knowledge to build the technology or would they need outside help?
- What does the cap table look like? (equity distribution across founders)

Problem You're Solving

- **What is the specific problem you are solving?**
- How big / serious of a problem is it?
- **Why is this a problem?**
- **Who has this problem?**

Solution / Product

- **How are people solving this problem today?**
- **Describe your solution to this problem.**
- What effort/timing is required to switch from a different solution to yours?
- (For deep tech) What is unique about the tech? (Do you have any patents / IP / trademarks?)
- What is your product roadmap for the next 6-12 months?

Market / Market timing

- **Why now?**
    - Why hasn't this worked/been done before?

- How big is this specific market?
  - How many people does it affect?
  - How much money are people spending to solve this?
- What is your unfair advantage?
- Who would you see as your key competitor at the moment? Why?

Customer Acquisition / Unit Economics / Go-To-Market

- **Who is your customer persona?**
  - **Who is the end user?**
  - **Who is the buyer?**
  - What does a day-in-a-life look like for these people?
- **How much are people paying today? (range?)**
  - How much do you think you can charge in the future?
- **How are you currently getting users/customers? (what customer acquisition channel(s)?)**
- **How do you think you will get users/customers in the future?**
- **How much does it cost you currently to get a user? And in which channel?**
- How have different customer acquisition channels performed? For example, what is the difference in conversion rate between Facebook ads versus LinkedIn ads?
  - Tip: understanding how to slice and dice your numbers over time and through different channels helps you understand two things: Are your numbers getting better

over time? And which channels are working or not working?
- **How much does your solution/product cost (COGs)?**
- **How much will it cost in the future?**
- **Why do people buy/use your solution?**
- **What is the sales cycle to-date?**
- **How does the product team interact with current and potential customers? If so, how and how often?**

Competition

- **What differentiates your solution from other alternatives?**
- Who are you more afraid of: Google or another startup?
- Who are you most afraid of?
- What happens if Google (or equivalent) does this?
- Who are the major players?
- What is your moat?

Traction

- When did you start the company?
- How many customers do you have to-date?
    - Or how many pilots / contracts are signed?
        - When are the start dates of those pilots / contracts?
        - What are the contingencies?
    - Or how many LOIs signed? What do those look like?
- How much revenue have you generated to date?

  - How much revenue did you earn this month? Last month? The month before?
  - As product revenue vs consulting / services revenue?
  - What are your margins?
    - Tip: margins are especially relevant for companies with a high cost of goods, like expensive items, or e-commerce companies with delivery expenses.
- Any notable customers?
  - Any enterprise customers paying big money?
- **What does retention or churn look like? (if you know)**
  - How many daily active users do you have? How many monthly?
  - What is your monthly churn?
    - Tip: churn is especially important for subscription-based companies
- What does engagement look like?
- What is your website conversion rate?
  - How have your conversion rates changed over time? Have they increased, decreased, or stayed the same?
- Any upsells?
- When will your company break even in terms of profitability and cash flow?

Fundraising/plans

- **How much have you raised to date?**
  - **What were the terms in your last round?**

  - Who are your current investors?
- **How much are you looking to raise?**
  - **What are you looking to achieve (milestones) with this round if everything goes well?**
  - **What milestones do you expect to hit with this raise?**
- **Where are you in your round?**
  - **Have the current terms been set? And if so, what are they?**
- **What is your burn rate?**
- **What is your top priority for the next 3-6 months?**
- What metrics do you care about when measuring the health of your business? Why?
- What are your capital costs? (if capital intensive, like hardware / e-commerce)
  - Minimum batch sizes / inventory / etc?
- Have you secured a lead investor for the round? If so, who and how much is the lead investing?

We recognize that these are tough questions. And sometimes tough questions put people on the defensive. A red flag for most investors is when founders get SUPER defensive, or even dismissive of the questions or ideas that investors bring to the table. This is because a defensive founder indicates that they are probably not coachable.

Now you should feel free to push back against an investor if you have a different opinion. Especially if you have data to back up that opinion. But there's a difference between being a jerk and holding your ground.

Our team at Hustle Fund looks for founders with growth mindsets. People who are open to receiving new information and hearing new perspectives, then changing their worldview based on that new information. It's a big red flag when it appears the founder lacks that mindset.

If you find that investors are grilling you on your business, that's actually a good sign. This means the investor is interested in the business and wants to dig in more.

One more thing: your numbers or answers might not be impressive, especially if you're an early-stage company. That's OK. The important thing is to know your metrics.

True story: once someone from our team was on a Zoom meeting with a founder looking for investment. During the call, one thing became painfully clear: this founder didn't have a basic understanding of his metrics.

He didn't know how much traffic he got each month, or at what rate his customers converted. He didn't know how many of his purchases were from returning customers, or what it cost to convert a visitor into a paying customer.

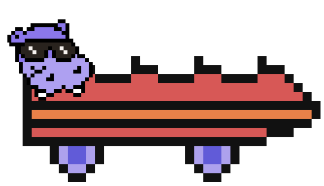
Spoiler alert: we didn't invest in this founder.

But the reason we didn't invest had nothing to do with what his actual numbers were. It came down to the fact that this founder didn't understand what was happening in his business. If the founder had a firm grip on his metrics – even if the numbers were low – it would have shown us two important things:

1. He has thought critically about his funnel
2. He knows what's happening in the business and can iterate quickly.

I'll say it again: **the actual numbers meant far less to us than the founder's understanding of those numbers**. Because without that knowledge, how can the founder know where to focus his time and resources? How will he know what's driving the business, and what changes should be made to improve it?

Prepare as much as you can to answer these questions. Respond gracefully and honestly. You'll be on the right path.



Questions that founders should ask VCs

Fundraising meetings are a two-way street. Entrepreneurs need to do a good job answering an investor's questions, but they should also ask questions to VCs. Skipping this is a serious mistake.

Entrepreneurs should learn everything they can about an investor before entering into an agreement. You don't want to take money from bad apples. If things get tough down the road, investors can:

- Call their convertible note
- Potentially replace you (depending on the equity and board situation)
- Threaten litigation (even if they have no case)
- And most importantly, be a big pain in the ass and call you all the time

You are looking for a relationship – not just money.

Before taking an investor meeting (or even reaching out), do your homework and research investors. Make sure to reach out to investors who are actually a good fit for your business (stage, sector, amount, what they look for, etc). Most websites will spell this all out – especially newer micro funds who are trying to differentiate themselves in the market by going after a specific niche.

In addition, here's a list of questions you should ask investors when you meet them:

- How big is your fund? (for VCs)
- Where are you in your fund? (for VCs)
- When will you need to fundraise again? (for VCs)
- Do you lead rounds? (for VCs)
- What is your typical check size?
- Do you reserve capital for follow-on?

This gives you a sense of how much money you can raise from a given firm or individual. This is key because there are a lot of investors out there who have no money but are still taking meetings.

It's OK to take a meeting with an investor who has no money to invest, but you should know that they won't be able to come into your round until they have raised money so your meeting might not lead to anything.

Understanding how much is allocated for follow-on investments also gives you a sense of how much money is left in a fund. If a fund is $10M and two-thirds is reserved for follow-on, then in practice, there's $3M for first checks. If the firm has already deployed $2M, you know that your chances of getting a first check are slim.

In general, it's slightly easier to raise from funds that have just raised a fund. They have a lot of money that needs to be deployed, and so they are more eager to invest. In contrast, when there are fewer dollars left to deploy, those last dollars will be extremely competitive.

You should find out an investor's cadence:

- How many seed deals have you done in the last 6 months?
- How many seed deals do you anticipate doing in the next 6 months?
- How long does your process typically take?

And how decisions are made:

- What is involved in your process?
- Who is the decision maker? (for VCs, although sometimes angels need to consult their families or friends)

By the end of the meeting, you should understand:

- Everything about an investor's decision-making process
- Whether you have a champion to take this to the decision makers (whether it be partners at a firm or their family)
- What the concerns are with your business in their eyes
- What the CONCRETE next steps are

If you do not have answers to ALL of these questions, do not be afraid to keep asking questions.

Follow up immediately after the call

After Eric pitches a prospective investor, he sends a follow-up note as quickly as possible. Sometimes within minutes of hanging up. You don't have to be *that* fast.

But it's good to set expectations before you hang up, saying something like "I'll follow up in the afternoon" or "I'll get back to you within 24 hours." And then *actually* follow up within the timeline you've set.

This signals that you're a person who does what they say. This may seem like a small thing but investors notice these details.

Craft the perfect follow-up email

Let's talk about the anatomy of a great follow-up email, then we'll show you an example template that you can use in your follow-up emails.

First, we recommend reiterating details that made the other person excited during the call. Here's an example.

Imagine you just pitched your fintech company to an investor, who mentioned that she's interested in Latin American fintech infrastructure. You can reference that note and frame your company (or yourself) as a thought leader in this space in your follow-up email.

Next, include anything you promised to share after the meeting. This could include your pitch deck, a link to an article you mentioned, info about your market, data from your pilot program, etc. Make sure the other person has everything they need to properly evaluate your startup.

Lastly, set expectations on what's next. This could be something like *"I'll follow up in a week after you've had a chance to process the info and organize your thoughts."* Most email clients allow you to "snooze" the email, so the message will automatically pop back into your inbox a week later (if you haven't received a response by then).

Example of a good follow-up email:

Hey {NAME},

Thanks so much for spending some time with me this morning! Really glad we can share intros and get to know one another. I love how excited you were about {Reference back to something that made the investor excited during the call}

Some additional context about {Your company}:

- {Mention notable progress}
- {Include link to pitch deck and other materials}
- {Link to notable press coverage}

Thanks for your time and hope we get a chance to collaborate!

Best,
Eric