

How to start a VC-backed startup

Golang Warsaw #59
Jacek Migdal, July 10, 2024

Jacek @ QUESMA

CEO and co-founder of Quesma. Database gateway. Seed startup with \$2.5Mln funding.

Previous, 10 years at Sumo Logic. Joined early (~20) in SF Bay Area, opened Poland office in 2015. Reached \$300M ARR, \$1.7Bln private takeout. Also worked at at NVIDIA CUDA and Facebook.

Thank AI for the images!

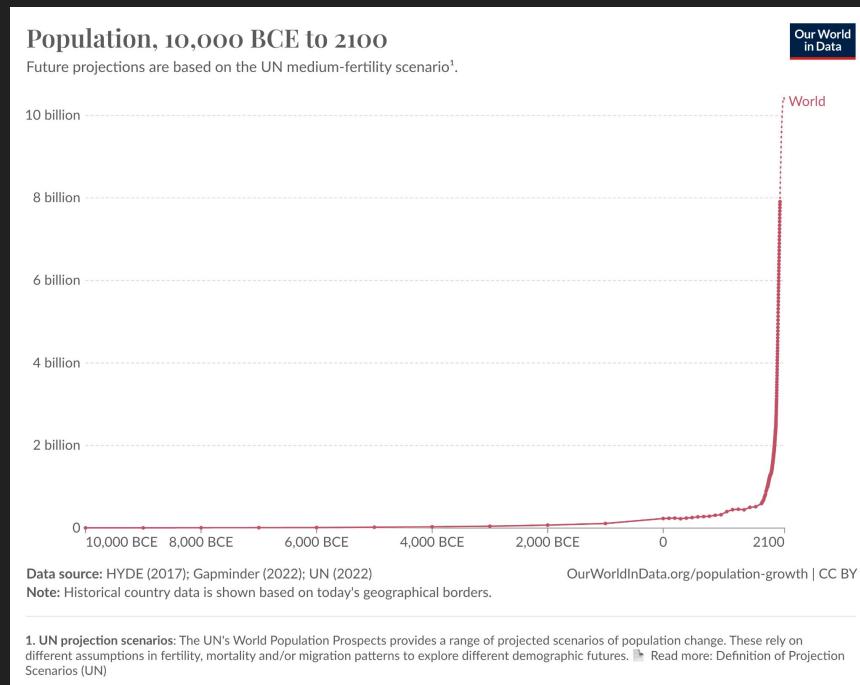


Theory

Each slide is a book

Abundance: The Future Is Better Than You Think

- Progress:
 - Technology: understood
 - System: misunderstood
- Long-term technology progress relies on finding new frontiers



Why Nations Fail: The Origins of Power, Prosperity, and Poverty

- Commenda, two partners:
 - Sedentary: mostly capital
 - Travelling: ambitious
- First startup ecosystem
- 1330: Venice was three times bigger than London, today a museum



Dutch East India Company (VOC): The Rise And Fall Of The Largest Corporation In History

- “The six chambers raised the start-up capital”
 - 6mln guilders, 2mln+ / year profit for century
- Spice trade
- Multinational corporation
- Made nation rich



OXFORD

VIETNAM, POLAND,
AND THE
ORIGINS OF PROSPERITY

How Nations Escape Poverty

RAINER ZITELMANN

FOREWORD BY GEORGE GILDER

Poland

How Nations
Escape Poverty:
Vietnam, Poland,
and the Origins of
Prosperity

Europe's Growth
Champion: Insights
from the Economic
Rise of Poland

EUROPE'S GROWTH CHAMPION

INSIGHTS FROM THE ECONOMIC
RISE OF POLAND

MARCIN
PIATKOWSKI

Zero to One: Notes on Startups, or How to Build the Future

- The great secret of our time is that there are still uncharted frontiers to explore
- Profit:
 - Create value
 - Capture with moat

#1 NEW YORK TIMES BESTSELLER

ZERO TO ONE

NOTES ON STARTUPS, OR

HOW TO BUILD THE FUTURE

Peter Thiel
with BLAKE MASTERS

How VC works?

1. Raise money from rich (called Limited Partners)
2. Invest in promising young companies:
 - a. Most will fail.
 - b. Few will produce 10+ times return.
3. Sell them, return profit to LPs.



VC track record

1. Almost all new big companies were VC-funded.
2. The biggest driver of innovation.
3. A major source of wealth for founders and employees.
4. Go big or go home.



Goal is to build wealth,
not make quick profit

1. Investors seek \$1Bln+ valuation:
 - a. For enterprise SaaS, it is
\$100mln+ high-quality ARR
 - b. Have patience
2. Consistent high growth



Before you start

The best time to start was 10 years ago

Why are you doing startup?

Three major motivation types:

- King
- Merchant
- Missionary



"Ounce for ounce, there's no better way to learn what customers want and will buy than this wonderful little book. If you want your new product or new business to succeed, start here."

– John Mullins
Author of *The New Business Road Test*



Rob Fitzpatrick

THE MOM TEST

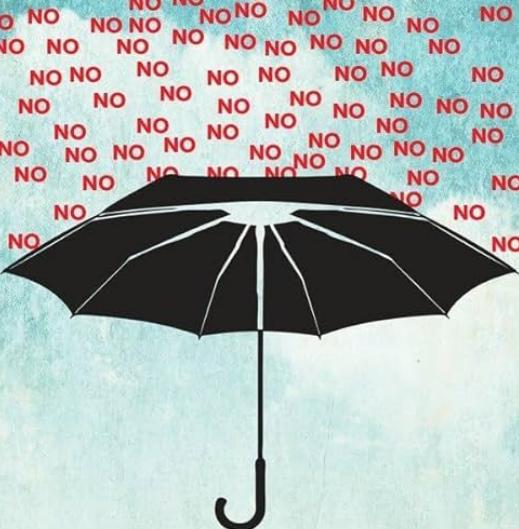
How to talk to customers and learn if your business is a good idea when everyone *is lying to you*

Mindset

Rejection

Proof

The Mom Test



REJECTION PROOF

HOW I BEAT FEAR

AND BECAME INVINCIBLE

THROUGH 100 DAYS OF REJECTION

JIA JIANG

Founder of Fearbuster.com

It's hard to survive in the jungle if you were trained in a zoo

- Build something impressive:
 - Community: e.g. Golang Warsaw
 - Technology: e.g. side project
- Excellent execution in high ambiguity
- Be versatile; look around
- An early employee of a successful startup



Find co-founder

- Builder
 - Capability to execute the project
- Seller
 - Sells or builds audience
- Delusinary optimist and fact checker
- Like a marriage, but without romance.
 - Ideally, they worked before.



50 Questions to Explore with a Potential Co-Founder

- Fill out together, even if you know each other.
- If you have not worked together, consider doing a trial project:
 - Non-trivial with uncertainty and stress
 - E.g. organize speed dating



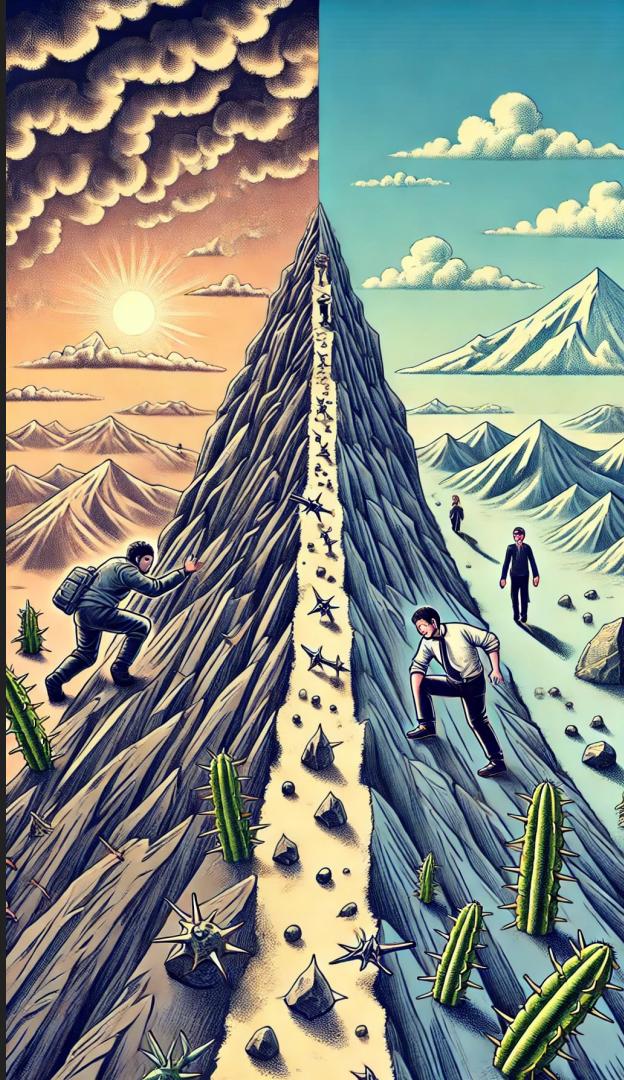
Find founder-market fit

- Usually: B2B or B2C
- Build expertise, audience, connections, insights
- Seek inefficiencies, bullshit, pains... why the audience is not sleeping well
- Play with toys. Curiosity, hobbies, futuristic things that are dismissed.



What is your unfair advantage?

- Take advantage of the system:
 - Poor execution of incumbent.
 - Innovator's dilemma.
 - Cause dilemma, not problems
- Make to top 1%:
 - What weakness can be an asset?
 - External validation.
 - Organic traction to side thing.



Time to jump

You will never be fully prepared

Be serious about starting it

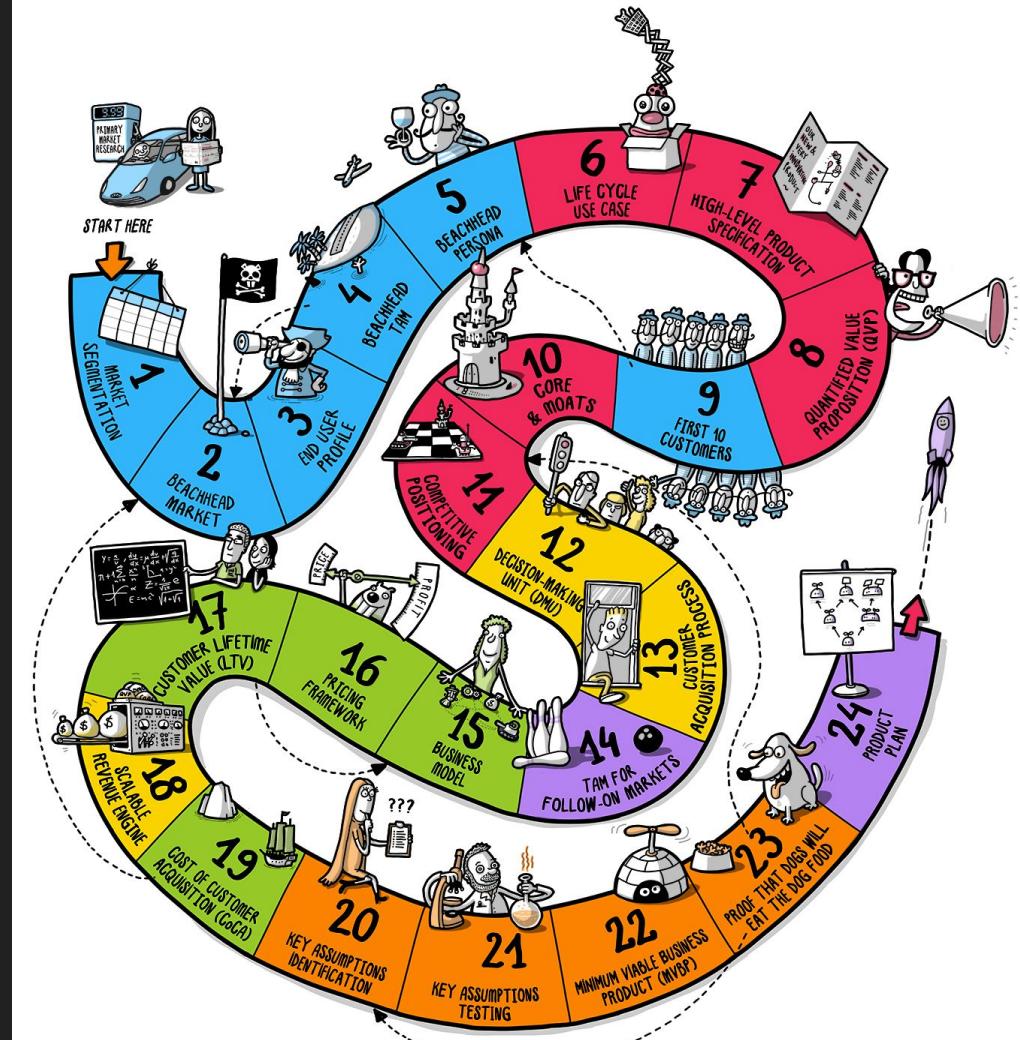
- Full-time sole focus, together.
 - It will take some time. Mark on LinkedIn.
- Talk to your users and build:
 - **The biggest sin is not talking to users! You should do that 50%+ of the time during the initial months.**
 - Not building is fine.
- At least several months of savings:
 - If you are low, join an accelerator.
 - If high, keep going and build traction.



Disciplined Entrepreneurship:

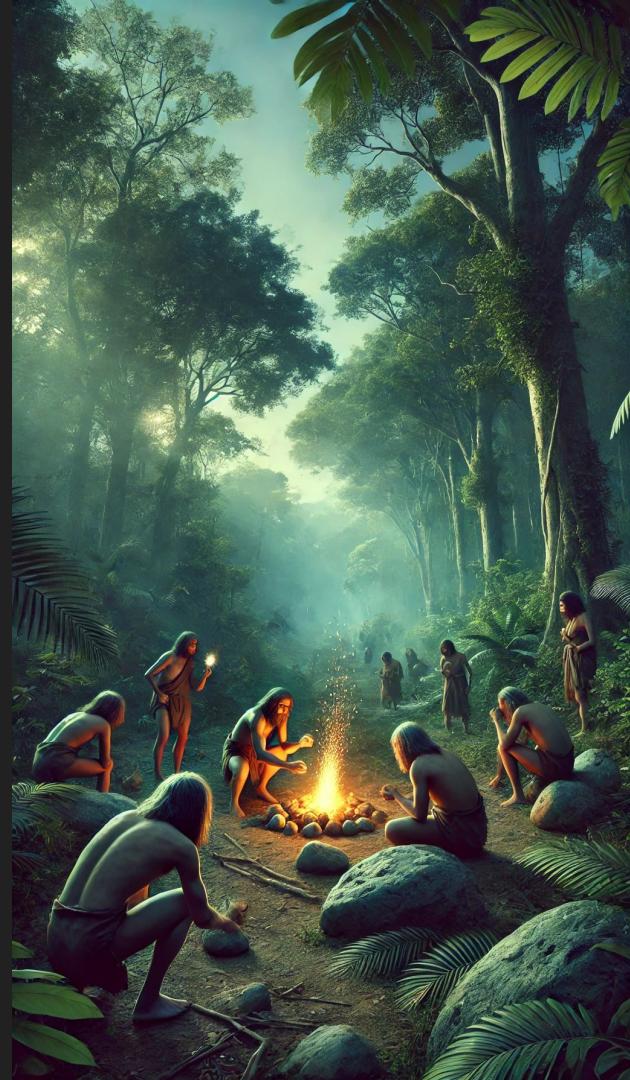
24 Steps to a Successful Startup

- Framework from MIT
- You can learn it
- Explore and validate
 - Not 100%, but accurate



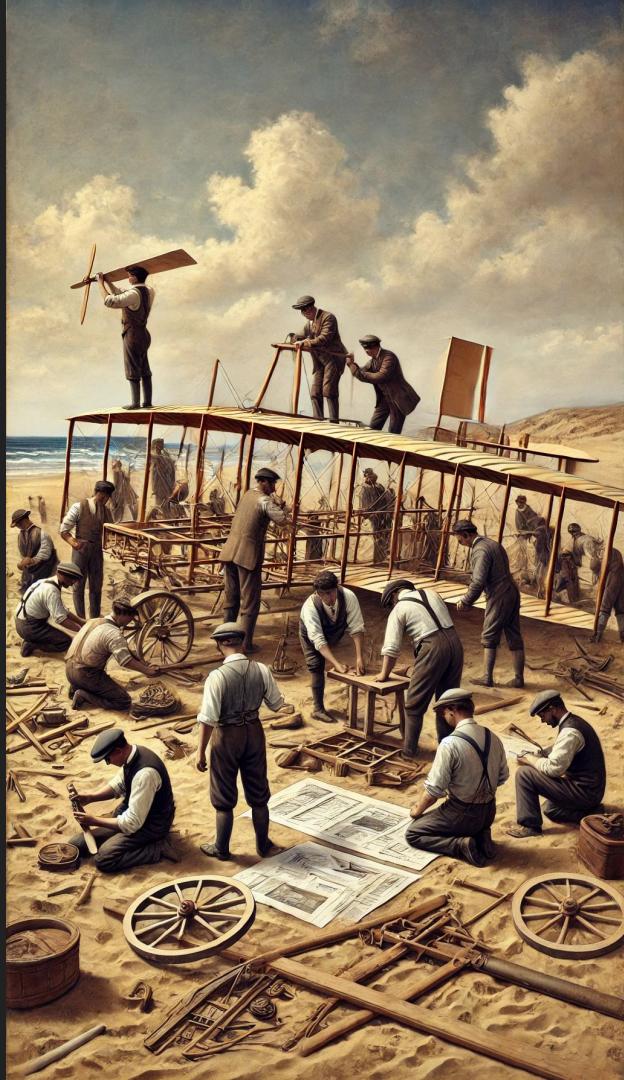
Have you found a spark?

- In B2B 100+ conversations with the target audience:
 - Notes showing a trend.
 - Commitments? E.g. 5.
- I don't understand B2C, so I have no clue, but an organic audience and MVP might be nice.
- Do you enjoy it?



What it would take to fly?

- Simple, no need for capital: bootstrapping is a way to go. E.g. [@levelsio](#) style.
- Hard, but with potential: You need money to build this.
 - Time to fundraise.



Prepare fundraise

- Prepare memo and deck
- I recommend pitching to ~50 VCs.
 - Have a list of them in a spreadsheet. Get noticed.
 - Europe-based, did a round similar to what you are looking for.
- Shoot for ultra-intense 2-3 weeks.
 - Schedule in advance.
 - Ideally, get offers and sign.



Fundraising

- Typical stages
 - Associate screening
 - Partners interview
 - ... (magic)
 - Investment Committee
- Term sheets or verbal commitments
 - Once the term sheet is signed, it takes time to finalize



Logistics

- DocSend for deck, attach a memo
 - Prioritize ruthlessly
- Create Delaware C
 - Founder reverse vesting
 - E.g. Stripe Atlas
- Keep simple, but don't mess up
 - Find another founder and follow good practices

You are 0.1% done

Now the fun begins

How to draw an owl

1.



2.



1. Draw some circles

2. Draw the rest of the fucking owl

FAQ

- Q: If I fail, would I go to jail or bankrupt?
A: No.
- Q: Will I get a salary?
A: Yes, enough for living. Smaller than the current one.
- Q: Will investors help me?
A: Yes, but just a little. Do not count on them finding clients or building products. You need to do that yourself.

Q&A

Time for questions

Thank you!

Star on github.com/QuesmaOrg/Quesma
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