The Anti-Pitch Playbook - 1517 Fund

33-42 minutes

We **hate** pitches.

The first rule of pitching for us is that pitching isn't important. We never want to make a high stakes decision after a single slick presentation. We learned this reviewing thousands of applications back at the Thiel Fellowship. (Surprise! We also hate applications.) Why? Because what looks good on paper can burn quickly in the heat of starting something new. Also, information is like fruit: starts fresh and turns rotten in a week. The most important things that matter at the pre-seed stage — character, execution, substance, emotional intelligence, creativity, cunning—none of them can be credibly communicated in a single meeting or on a transcript.

We prefer true, if sometimes speculative, stories to pitches.

We prefer conversations over time.

Instead of hearing a pitch, we want to know you and what you're capable of. Getting to know your personality doesn't take too long. But understanding who you are — now that requires hearing and then being a part of your story. And that takes time. The best situation is one in which we've helped you long before we consider investing, possibly for months, maybe even years. That way both sides have had a chance to learn what it's like to work together.

But we don't have as much time as we would like. No one does. We want to get to know you for our part and you need to communicate your ideas quickly, raise money, and get to work for yours, but these two demands sit in opposition. They're in tension. Somewhere, however, there is a synthesis beyond this dialectic. Our guidebook here aims towards that direction.

We're putting this guide out because we think that in order to be a successful founder, you need to be able to tell your story. A pitch deck is definitely part of that. It's a calling card and a way for us to begin. Say what we will about pitching, whatever its shortcomings, you will have pitch meetings and you will have to explain what you're working on. There's no getting around that. So we'll share the thinking behind our approach.

We hope our tips convey some standard expectations that are necessary, but not sufficient for a great pitch.

What is Sufficient for a Great Pitch?

What is sufficient for great? That would be you, your team, and what you've built alone, pitch deck be damned. Peter Thiel often recounts how Mark Zuckerberg's pitch for Facebook was pretty awful in terms of delivery. Recalling that meeting, Reid Hoffman says "Two features of that meeting were funny. One — Zuck has grown into his articulateness now — but back then there was a lot of staring at the desk, not saying anything. The second part was that he said if you don't like this one [Facebook], I have this other business, Wirehog."

To that idea, Thiel told Zuckerberg, "Not interested."

So why did they invest in Facebook even though the pitch was garbled and dropped halfway through? **Because Hoffman and Thiel focused on the traction.** Facebook was growing from college campus to college campus at a speed that was unprecedented. User engagement already intimated how addicting social media would become — students checked the site four times a day after signing up.

"That x-factor mattered more to us," Hoffman says, "than anything Mark said or didn't say about his business."

Thiel follows up Hoffman's memory: "You always have a Shark Tank image. What did they say? What were the right magic words used to get money? But the answer was much more that the two of us —

and maybe you more than me — had done our homework for a year, maybe a decade before that. And we were primed to invest."

Thiel is referring to the fact that Hoffman had been thinking about social networks for years, ever since he had read Neal Stephenson's *Snow Crash* in 1992. He had already launched his own social network, LinkedIn, more than a year before and had come to know Sean Parker, who was responsible for Zuckerberg even being in the room.

The moral of the story is that you, your team, and what you've built should do the heavy lifting on their own. **There is no simple "open sesame" by slick design, psy-ops tactics, and elegant turn of phrase.**

Nevertheless — nevertheless! — it wouldn't have hurt Zuckerberg to hone his ideas. Putting together a deck should help clarify your thinking, tighten your story, and provide practice for presentations no matter the venue.

Lessons from the Fundraising Road

As a scrappy fund ourselves, we had to pitch lots of investors. So these learnings we're sharing come from our own experience pitching investors and from working with startup companies over the last three years, plus the 80+ Thiel Fellows we worked with while running the program during its first five years.

Pitching is an art that blends elements of storytelling, design, persuasion, theater, strategy, and sales. It occurs in a variety of contexts from the stage on demo day to the proverbial elevator conversation with a big time angel investor. **Remember that context is always king**, so if circumstances dictate that you have sixty seconds or need an hour, adjust your story accordingly.

Know your audience. This is part of context. If you don't know them already, Google the names of the people you are meeting and read up to gauge their experience and interests. We once pitched Jerry Yang's office, but mistakenly thought we were pitching the Hot Pockets family office — big, big calendar mistake. Thank God we didn't sing the jingle from the Hot Pockets commercial to Jerry Yang's people. "*Hot pockets!*"

That would have been awkward.

Keep in mind the investment thesis of the VC firm or angel investor. 1517 has a very specific thesis. You might even say crazy. So it baffles us when forty year-old joint degree MD-PhDs email us cold asking for a meeting.Know what other companies a firm has invested in, especially in your category. And tailor your presentation to the room. If, for instance, you are talking to MBA associates at Sand Hill Road VC, you probably shouldn't overwhelm them with too many technical details about the underlying revolutionary quantum electrodynamics.

Your guiding aesthetic should be simplicity and eye-catching. Guy Kawasaki keeps a 10/20/30 rule: 10 slides, 20 minutes, and nothing smaller 30 point font for older eyes in the room.

(20 minutes is a good rule of thumb because even if your meeting is scheduled for an hour, it gives you lots of time for Q&A, which is where a lot of the convincing takes place.)

Develop a feel for making complex information accessible. If you have no eye for good design, find help from people who do. Stephen Balaban, founder of Lambda Labs, put this well to us: "You're spending your social capital and time getting a deck in front of investors, so you can spend $1,000 on a designer to make it look good." (SketchDeck or Unicorn Pitch Deck are startups that can help you build your deck.) Graphs and flow diagrams with illustrations should be simple and easy to read. Take a look at examples of good decks to get a sense of what is content-rich but also pleasing to the eye and memory.

The limits of short-term memory constrain the amount of information you can convey while talking to people. Remember that names and phone numbers — let alone ten acronyms with performance metrics — disappear down the human memory hole in seconds. There have also been some interesting studies of pitch decks and how short a typical VC's attention span is. They spend on average about four minutes reading any deck.

Ordering of slides can vary. Some people will put the team up near the front and others will place it later in the deck. But you should always begin with the problem and then your solution.

Revise, revise, revise. When we were raising our fund, we iterated on our deck after each meeting based on what we noticed in the meeting. This could come from non-verbal cues as well as direct feedback. Take notes!Sometimes our anecdotes bored the hell out of people. Other times, we became aware that a piece of information needed greater emphasis. We probably went through at least thirty major drafts. It takes weeks of consistent work to build and refine a deck and practice a pitch. That's because it takes weeks to properly form and clearly communicate a company vision. Put in lots of work and practice before showing up to meetings.

A word of caution. Because pitching involves emotion, many people reach for tricks to hack various biases that plague human judgment. Some people read books like *Influence* by Robert Cialdini and then distend the book's recommendations like a bad pick up artist. They feign social proof by name dropping ("I have a meeting at Kleiner next week."), or retail non-specific handwaving talk of partnerships ("We're in talks with Salesforce."), or maybe they try to press a decision by making time seem scarce with exploding offers ("Make the romantic leap. We need an answer by Friday.").

One particular annoying infomercial Shake-weight tactic in vogue at YCombinator of late is telling investors the price is going to increase after demo day ("So get in now early before phone lines get busy after next week.") We urge you to ignore these precious tricks and focus on product, plan, and fundamentals. We're not saying you have to be Jesus, but don't deceive, prevaricate, manipulate, scheme, trick, mislead, deny, omit, exaggerate…it will come back to haunt you. As one veteran VC said to us at a workshop, "The only cute thing in a pitch deck should be a verifiable hockey stick graph on traction or a live mind-blowing demo."

The old folktale of Stone Soup is about how a few hungry strangers persuade the residents of a town, one by one, to give them the ingredients they need to make soup. An initial stone in the pot convinces villagers the essential ingredient is there and it only requires a few additions like celery, carrots, and onions. In the Portuguese version of the story, the traveler is a monk. In the French version, the strangers are soldiers returning from the Napoleonic wars.

In the Silicon Valley version, the traveler is you.

General framework for Your Pitch Deck

We are offering some thoughts on the overall structure and necessary elements of a deck, but our suggestions should not be taken as plodding formula. They are not eternal verities. Think of it more like the underlying structure of a rock song, where you usually find a verse-chorus structure. That sounds very formulaic but consider the Beatles alone filled out that form in 237 different wonderful ways. Shakespeare wrote 154 14-line sonnets; one of them is so good we etched it onto a gold record, attached it to Voyager II, and sent it out of the solar system. There is space for novelty within the confines of patterned order.

The slides below are from companies in which we've invested. Some of them could be improved upon and we'll offer some reasons for why. We thought that might help show how it's not the pitch or deck alone that convinces.

Slide 1: Cover Slide

We like the simplicity of this slide from Nelumbo, a materials science startup out of UC Berkeley with whom we work. It has a letterbox cinematic quality that's appealing, their name and logo are clear, and the tag explaining what they do is simple. Unusual colors. Perhaps water drops on glass are too subtle, too artsy, but since we've known them for a couple years, we see it's actually a demo of their product. That'll probably go unnoticed by someone who has never heard of them when they see this for the first time. But maybe it's enough to strike the reader's curiosity.

Nelumbo doesn't list it here, but sometimes it's helpful to have a date on the cover slide and the purpose of the deck— "for 1517" — for example.

Key elements for cover slide: Name, tag, and date.

Slide 2: The Problem

Huxly has built a platform that lets content creators deliver online courses via Facebook messenger, WeChat, Slack, Amazon's Alexa and other on-the-go channels. It's strong to see the word "Problem" on the slide. Underneath it though, we find a statement that is so general it could serve as the problem of all marketing and all advertising. Nor does that statement align with the first sentence of this paragraph. Where the problem statement hits closest is "unable to personally connect at scale." Every teacher has a one-to-many problem. Content becomes more generic and less suited to any individual the more teachers have to cater to large numbers. But what if they could design a system that customized courses to an individual's time and needs? That's more in line with Huxly's current product.

Sometimes we see people identify enormous problems like loneliness or meaninglessness. Attempting to alleviate these problems is surely worth time and money. But don't fool yourself into thinking your solution is the solution to a problem that has haunted humanity since we got up from all fours.

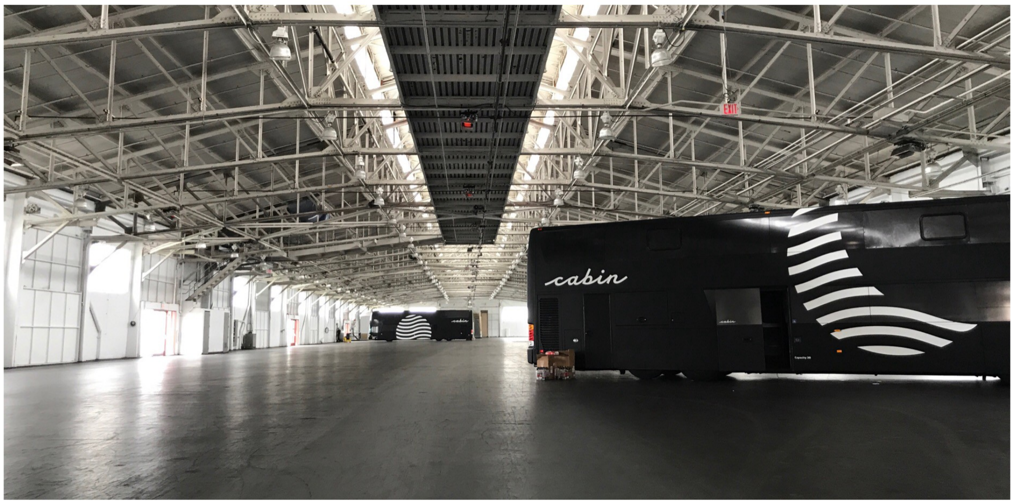
Quantify as much as possible how big a problem it is, how much pain it causes, how much money it wastes, how much time it takes.

And find congruence between your product and your problem statement by asking people who don't work for you or love you. Ask your users why they like your product or service. Does that align with the story you've been telling? Test your slide out by asking someone, "What do you think I'm trying to communicate with this slide?"

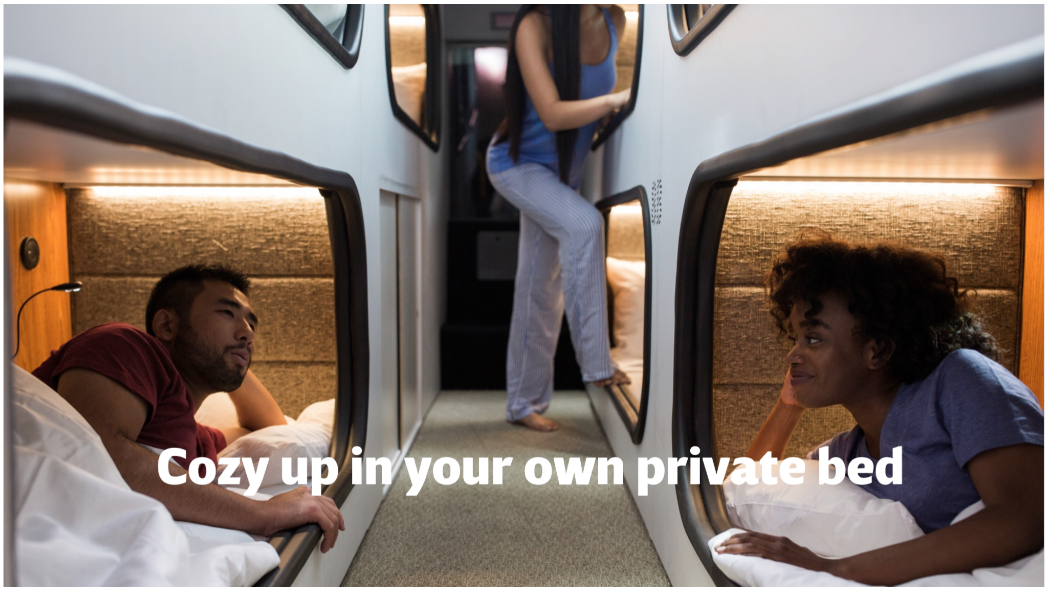
Key elements for problem slide: State and quantify in plain language the problem you are solving. What is your company doing? Is there a mission? Double check for congruence: do your users agree with you on your problem statement?

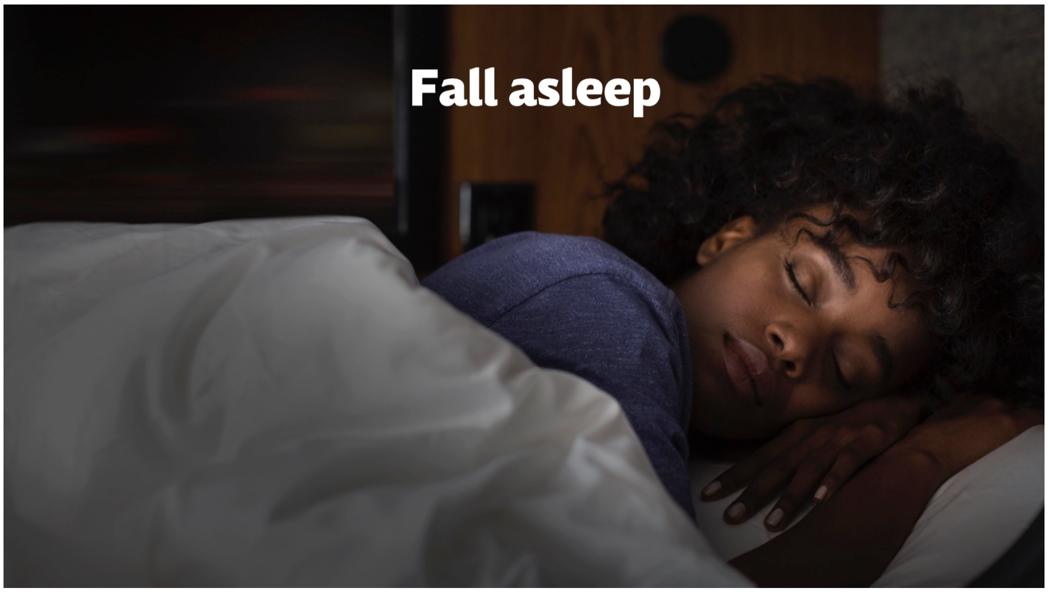
Slide 3: Solution — Your Product

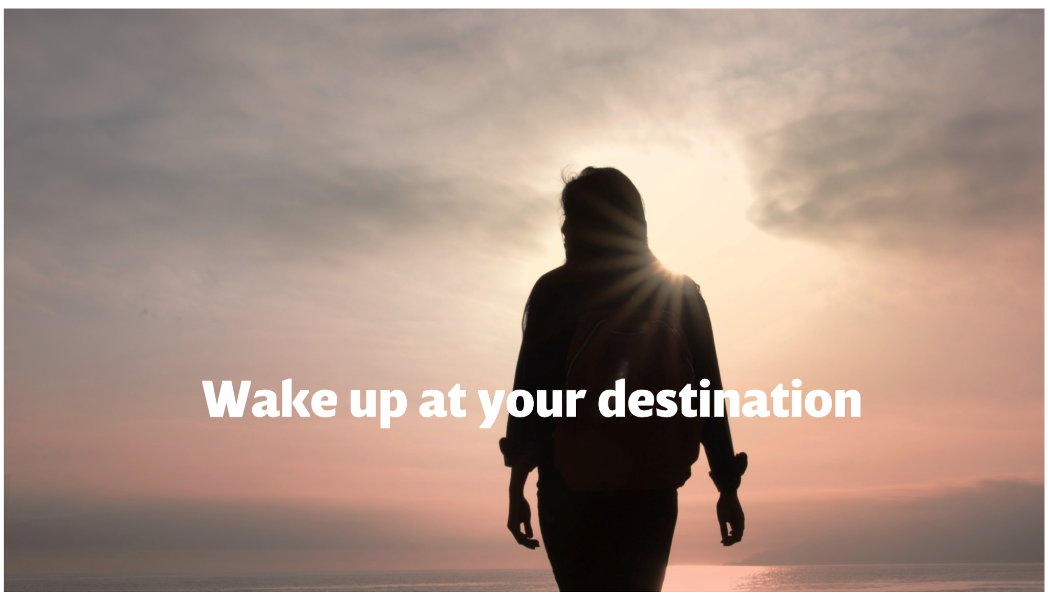
The best thing of all to have here isn't a slide. It's a live demo. Reading about Cabin in a deck was a pale shadow compared to experiencing the service for ourselves:



But in lieu of getting to experience a ride, this sequence of slides from Cabin's deck nicely convey the adventure of their unique service. Also, their models are way, way more attractive than we are:

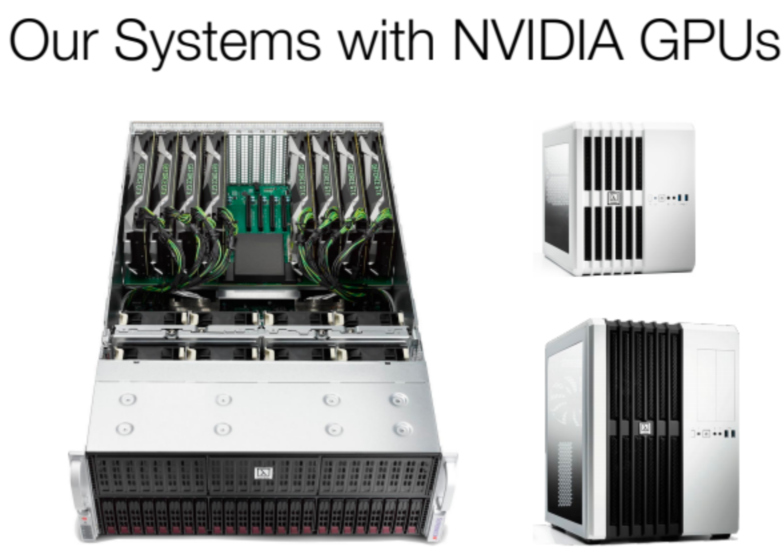






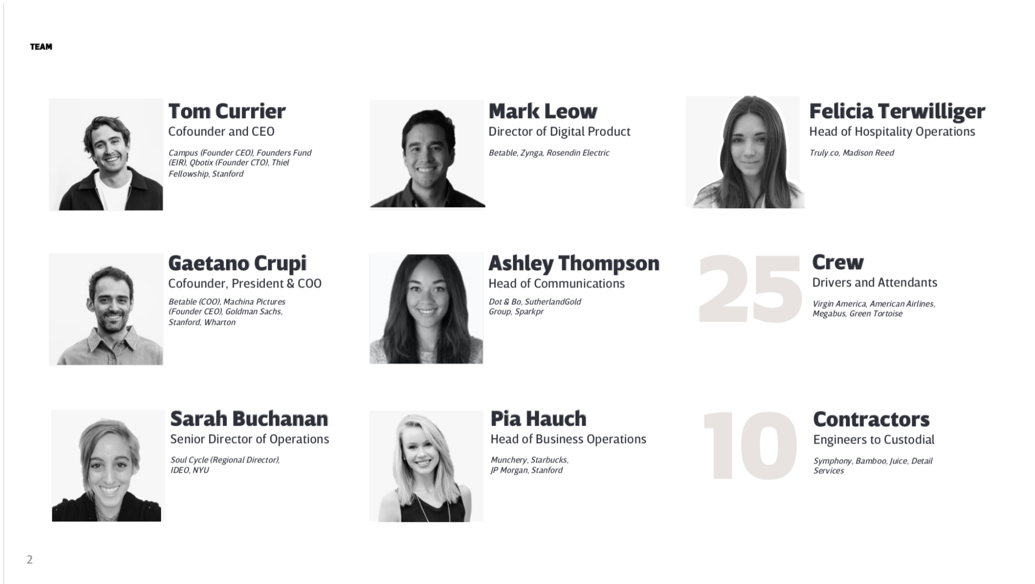
The more you can quantify things, the better. This slide from Lambda Labshits the mark:

But that's not the first product slide they sent us. In the first draft of their deck, they sent this:



In its stark white background and strong lighting, a lovely image, to be sure. But it doesn't say anything about what makes this great.

Slide 4: Team



This is a well designed team slide from the Cabin team. It looks great, it's clean, easy to read, tells you everyone's role, some of their accomplishments. But it tells you nothing about who Tom Currier or Gaetano Crupi really are. *Nor should it.* And yet, this is why we dislike pitching and decks — who are you? Certainly not a title.

Even more important: who are you together? What's your team's social dynamic? What's going to happen when the company crashes into problems and obstacles and you can't get around them and you have to go through them? That's not on the team slide.

Just about every seed stage investor focuses on three main elements when evaluating an opportunity:

1. Team
2. Potential Market Size
3. Product

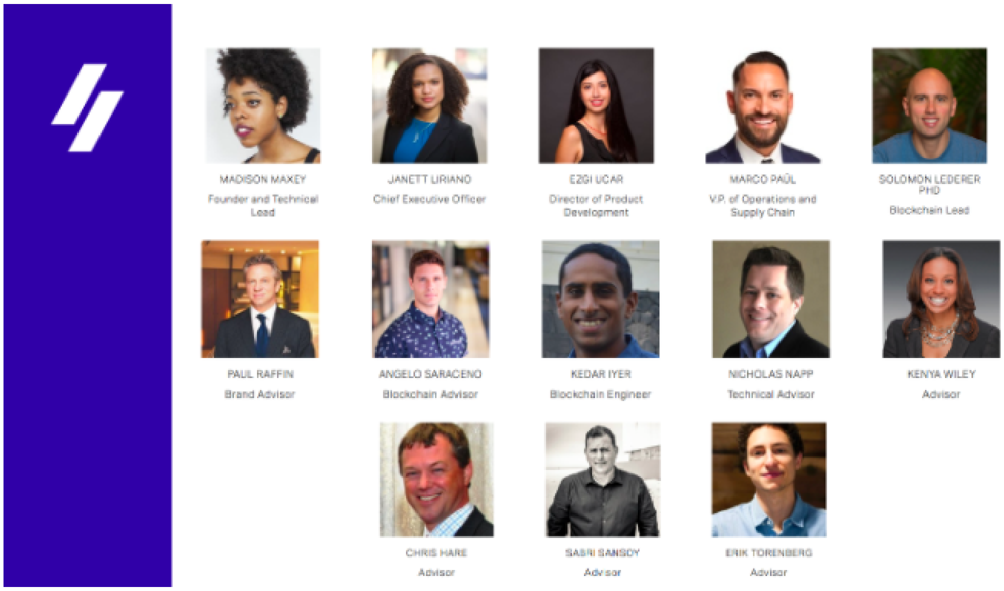
While all investors use these three facets to get a handle on a company, which factor they give priority to will define their style. "Venture capitalists all have a secret sauce formula for how they think about what they want to fund," Marc Andreessen says. "It turns out they all reduce to the same set of factors, except for Peter Thiel, who has six other factors in his head he hasn't told anybody about. But for everybody else it reduces down to some combination of market, product, team." Sequoia, and in particular Don Valentine for instance, was legendary for prioritizing market over team. Khosla Ventures leans towards that direction too in this post on pitch decks — "We've funded companies almost entirely because of the quality of their seed decks. Poor deck? We'll likely pass on the opportunity."

We give the most weight to team in our judgment, then product and market. If you care about the team as much as we do, there's no way you could fund a company based solely on the quality of the deck. In the Thiel-Hoffman anecdote above, you can tell they cared quite a bit about product. As great as Zuckerberg was, they didn't want him to work on Wirehog. He wasn't just a great engineer who could work on anything. Thiel funded him to work on Facebook. Since we invest at the earliest stage, order can quickly give way to chaos. It almost certainly will. And so we need to assess whether this team has the character to turn that chaos into an upward trajectory.

We have known Tom Currier since 2010, when we read his application to the first batch of Thiel Fellows. Danielle vividly remembers seeing his application for the first time (after reading through 150 applications) and saying to herself, "Wow, this is it! This is the type of person we are looking for! Bingo!" Eight years later, we can say with no exaggeration that Tom is a geyser of creativity. Someone like Tom is just not possible in countries like France or Japan. Their soil can't grow him, as we can't grow Champaign grapes or make the best sushi. His trickster mind generates five wild ideas an hour, four of which are Willy Wonka nutty and one of which just might change the way we live.

But you wouldn't know that unless you heard him talk about the house he once tried to grow out of bamboo…in Minnesota. Or the squatty potties he placed throughout WeWork to improve restroom wait times; or, Kudavi, the city he wanted to found two hours outside San Francisco.

Since we know Tom, it was assuring that Yin was teaming up with Yang. Tom introduced us to Gaetano, who is not only an incredible operator, he also understands brand and design deeply — as a producer he was nominated for a Grammy. In all the pieces of launching a company that are critical, Gaetano compliments Tom and vice versa. **The whole is more than the sum of its parts.** We surmise Cabin is creating a wholly new market, their buses are swank, but more than anything we backed this team because of information that could *never be known from a slide*.



Madison Maxey is indeed the founder and technical lead on Loomia. But, again, we've known her for five years and she is formidable and an inventor of the first rank. That's why we were the first to commit to her company. You would never know her character looking at this slide.

Key elements for the team slide: faces, names, titles, claims to fame.

Further note: Danielle can't stand it when founders, who have never managed teams before, call themselves CEO and CTO. That's like an army of two calling themselves generals. Her stance is that founders grow into those roles and earn those titles by growing teams. In her opinion, **it's better to call yourself a founder and put your main nitty gritty roles underneath** (lead on customer development and sales; technical lead).

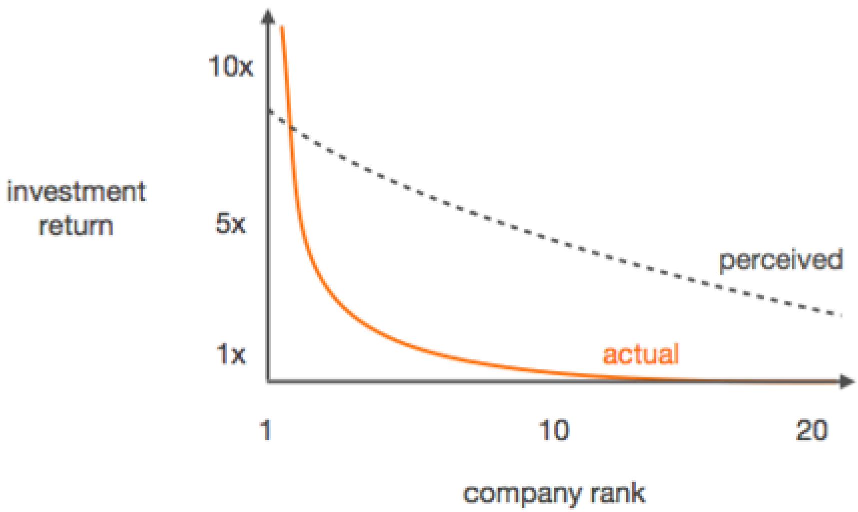
Slide 5: Opportunity — Market

Another short essay here, so forgive the digression, but it's important. The team is more important than the market, but the market still matters.

This is one of the toughest questions seed investors have to ask themselves during a pitch and while investigating an opportunity. Because we meet a lot of great people. And maybe they even have a nice product with a small, but strong bit of traction. However, we have to ask ourselves, is there any way this team and product can scale to something massive? (In the jargon of Silicon Valley, sometimes you'll hear someone say, "is this venture scalable?")

Now as VCs we have to ask that "is this massive?" question in ways angel investors don't. And that's because as a fund we need wild, exploding multiples on our investments, whereas angels are happier with less. Since most of our investments in our portfolio will fail or breakeven — even with great teams — we need the few winners to go interstellar like Shakespeare's sonnet. There is a strong power law at work in VC portfolio returns and poetry.

We can quantify "massive" for 1517: top tier funds return at least three times the initial capital raised within seven to ten years. If we own five percent of a company's stock — and assume it's the only company in the portfolio that rockets — then as a $20M fund, that explosive company needs to have a $1.2 billion market cap at IPO or at acquisition. That is to say, our total investment in the company has to now be worth $60M at IPO.



That's a huge company. It's rare, but we've seen it happen in our own experience. Though not a startup, Ethereum is around $70B market cap as of this writing and we met and recruited Vitalik Buterin into the Thiel Fellowship in 2013 when he was just another wirey engineer blinking at us under fluorescent lights in a cinderblock lecture hall on an industrial college campus.

So that's rough definition for "massive." Now we can say that "scaling" is just the method/road to get there. I think it's important to frame scaling as the means and not the end because then you can lose any fixation on the types of underlying technologies that might make a company massive.Hardware, software, reusable rockets, immunotherapies…yes, but how do you get to massive? Sometimes scaling takes on the connotation of acceleration — a quick rate of growth in a short period of time, which may even add an element of competitive advantage. In which case maybe Facebook scaled in a way McDonald's didn't, even though in the end they are both massive companies. ("Exponential growth" has become a parody of itself much like Mountain Dew's "Extreme!")

At any rate, all of this should be in the background of your mind as you tell your story to investors since it will fill out what "scale" and "massive" means to them.

To get a sense of how a company might accomplish this, we rely on two mental models while conducting diligence:

1. Good faith Fermi estimates of initial customers that the company will then move from by stepping stones over time to a global market.

1. The founders' plan to go from this initial seed capital to Series A in the next 18 months. What will this company have to do to get the next round of venture capital financing?

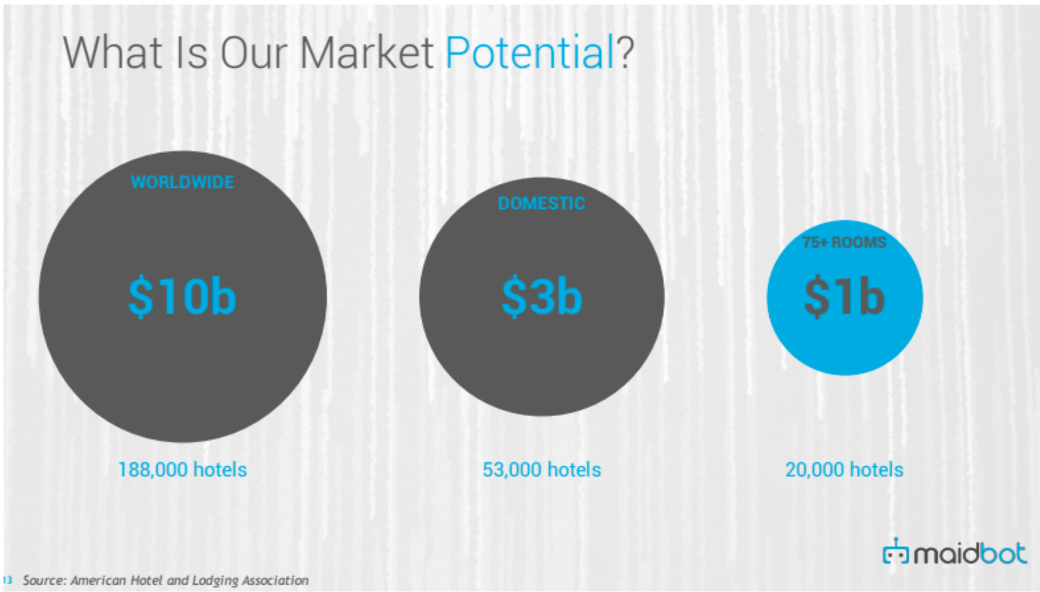
To (1) — How many piano tuners are there in Chicago? If someone were pitching a product for piano tuners as a company, a compelling story would detail that estimate with plausible assumptions and then show how the company would take what was learned in Chicago, turn it into a "playbook" to replicate in LA, SF, DC, Boston, etc. And then once the whole map was covered, the total market would be quite large.

Another set of stepping stones is demographics. Facebook started with elite Ivy League schools (18–22 year olds), opened futher to Top 20 schools, then all colleges and only then to high school. That seems geographic, but it was mainly aged-based. Opening it to the whole public and grandma was the last step, not the first.

To (2) — VCs looking at companies that reach Series A have a standard set of benchmarks they like to see. For example, for consumer products we've heard investors like to see net promotor scores of 50 or higher. And by Series A for enterprise, investors like to see companies making anywhere between $500k to $1M in annual recurring revenue. So now we come back to a Fermi estimate: how is this company going to go from $0 in revenue today to $1M annual recurring revenue over the next 18 months?

If we are satisfied with the founders' answers to (1) and (2), we'll assign probabilities to various possible outcomes. Then we'll make a judgment call about whether this is a "startup" or a "great small business." In case it needs to be said and emphasized, obviously we're not going to bat 1.000.

Here's a slide from Maidbot from 2016 when we stupidly passed the first time we met Micah Green, one of its founders. They make robots that vacuum hotel rooms, lobbies, hallways, and conference rooms.



This is a typical top down analysis, which can be useful to some extent, but it doesn't tell a story to how this potential relates to Maidbot's starting point. Where are the stepping stones from nothing to something? Talking to us, Micah explained how he had pilot tests with Marriott, Starwood, and Hilton. He then suggested that based on the success of those pilots, these customers might expand to x-number of hotels. That was the business. We should have listened more closely. We ended up investing, but not until six months later.

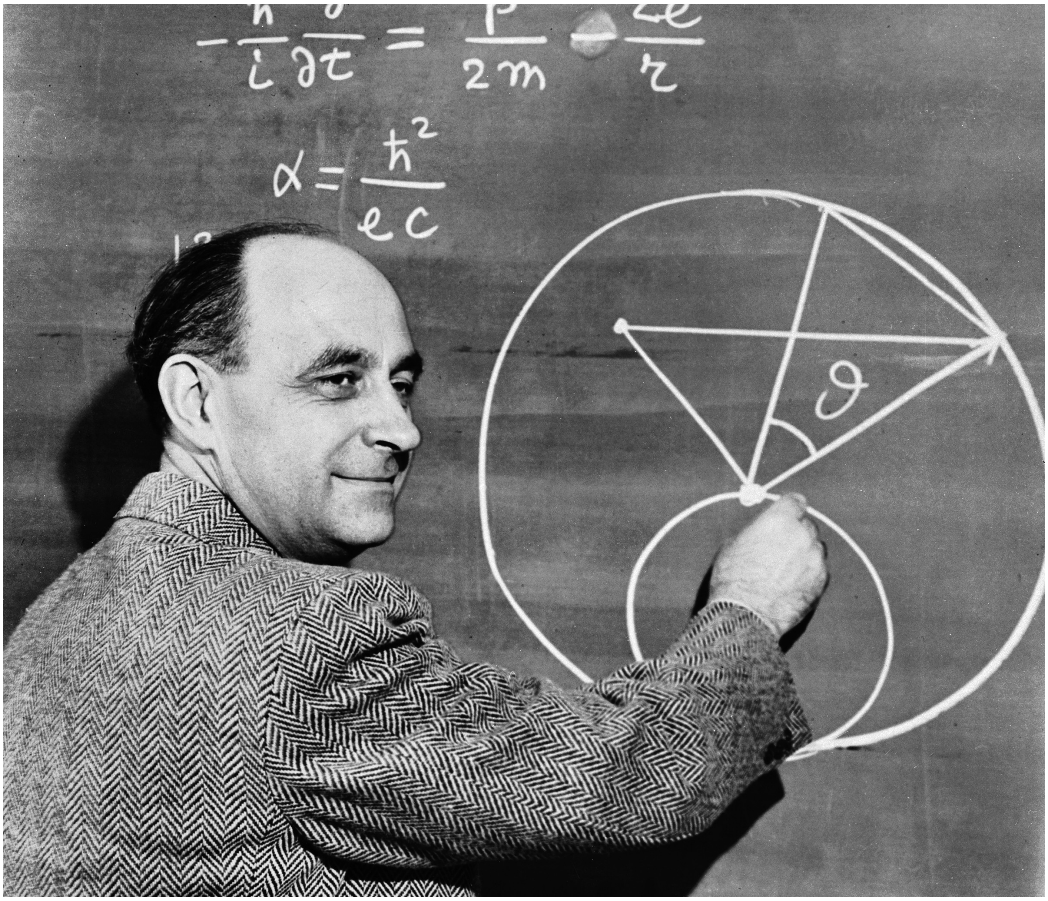
This one has a lot of words, but it nicely illustrates the stepping stone principle:

Did you know there were 15,200 metal fabrication manufacturers in the US with 20–250 employees? Neither did we!

Be realistic. Do not ever by any means say you are getting 1 percent of $1 trillion market. Top-down market analyses can lead you to crazy conclusions, like that you are the single actor in a blue ocean market. If something sets off your BS-meter, it will set off ours.

This is not realistic. (Taken from a pitch deck for a product that pitched line-sitters; itself an out-of-touch concept.)

Key elements on the opportunity slide: show your work on your Fermi estimate with graphs and flow diagrams. Tell a compelling story about how you'll move from the early adopters to the mainstream to the laggards.

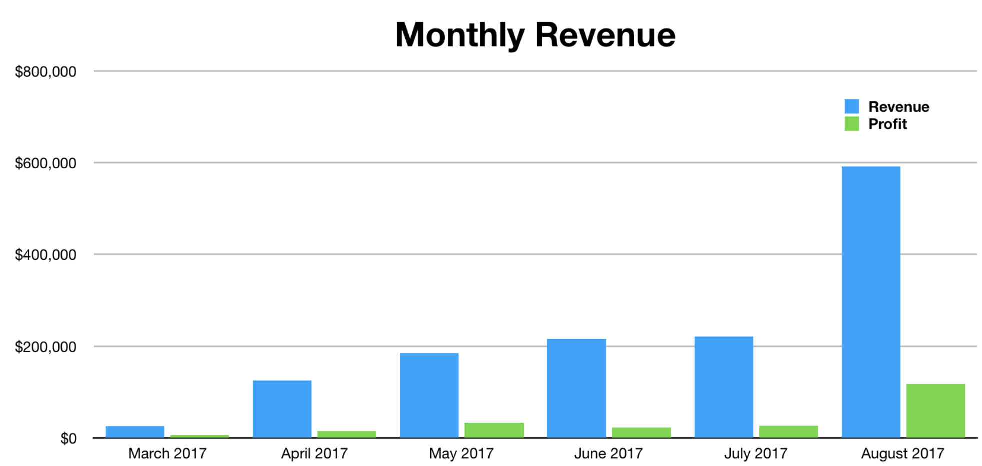


“Every now and again, our car would kill a rabbit on the trip. I remember Fermi on one trip calculating how many rabbits there must be per square mile based on the speed of the car and the number of rabbits killed. It gave him great pleasure to figure out approximate answers based on rough data and reasonable assumptions.” — John Archibald Wheeler in Geons, Black Holes, and Quantum FoamSlide 6: Traction & Business Model

Slide 6: Traction & Business Model

The legendary hockey stick….

The sizzle and the steak from one of our portfolio companies.



Just be honest here. Don’t cherry pick data. One common mistake is to talk about percentage growth without referencing the baseline. “We’ve grown fifty percent week over week!” Yeah, but if you went from ten to fifteen to twenty-two users, that’s not all that impressive.

If you have only have a handful of pilot customers — hell, if you only have one, put a picture of who they are and tell the story about how they're trying your prototype out. That's ok. **One compelling story from a customer is worth more than fifty unknown users.**

The Holy Grail for later stages that looms down the road is a gross-sounding phrase called the "CAC to LTV ratio." CAC, pronounced "cack," like a Grandma coughing up a fur ball, refers to the cost of customer acquisition. LTV is the lifetime value of a customer.

Roughly speaking, say you sign up for Netflix $10.99 per month. And Netflix has data to show the typical user keeps the subscription for three years. The LTV for you as a customer will be $10.99 times 36 months ($395.64). Now all this is for later down the road because in the pre-seed and seed stage the business model has not completely coalesced. It's too early. The cost of customer acquisition lies hidden in a fog of hustle because the CEO probably had to knock on a thousand doors to get one interested customer. Still, it makes sense to paint a realistic portrait of what this will look like down the road.

If you're building hardware, provide an analysis of the — yup, another ugly acronym — COGs, that is, the Cost Of Goods. What do the components of your widget cost?

Lastly, how do you make money?

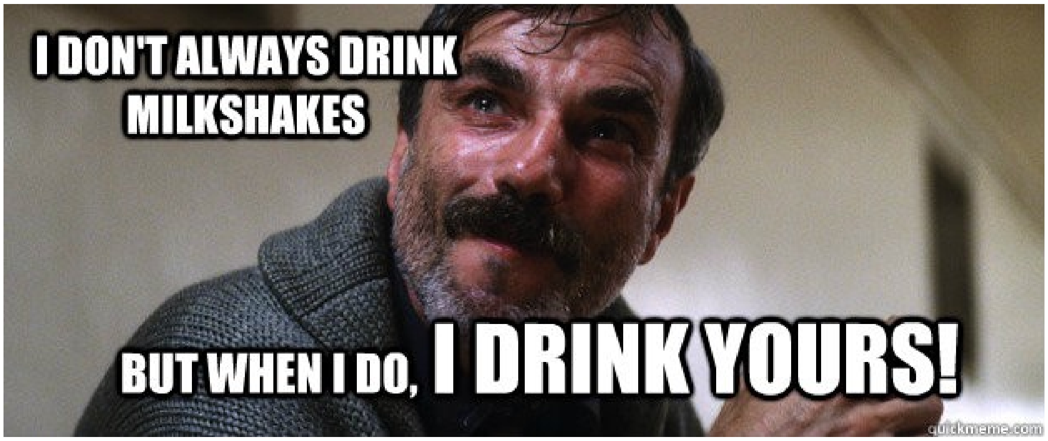
Key slide elements: revenue, cohort analysis of your customers, explanation for how you take dollars or bitcoin in exchange for your service.

Slide 7: Existing "Solutions" — the Problem Unsolved

Michael calls this the "It would take hours" slide. Invariably in every infomercial, the pitchman would show how inferior the status quo method was. "It would take you hours to cut all those veggies with a knife!"

Slap chop aside, what you're trying to convey in this slide is how big the pain points are for people trying to solve the problem now. Again, the more you can quantify that by dollars spent or even time lost, the better. Which leads us to…

Slide 8: Competitive Analysis



Apparently Sean Parker thinks Michael Moritz talks like Daniel Plainview in *There Will Be Blood*.

It is not enough to say how you are different from your competitors. You must also explain how you will maintain that difference once they catch on to your initial success and start imitating you.

Spell out the barriers to imitation, sometimes referred to as the "moat," or less picturesquely as "defensibility." It could be a magical technology no one can copy. It could be network effects. It could be proprietary data sets only your algos have trained on. It could be virality.

Patents are a nice mint chocolate on the hotel pillow but they are not sustenance. We don't find them convincing for maintaining a competitive advantage this early. Why? **Because you are not rich enough for justice.**As a startup with less than $1 million in cash, you cannot afford to waste resources on lawsuits against giants who have more money than God. Still, patents define property rights and that could be useful for licensing and acquisitions.

Show where you fit in the competitive landscape referencing key stats or capabilities with chart like this:

COMPETITIVE LANDSCAPE

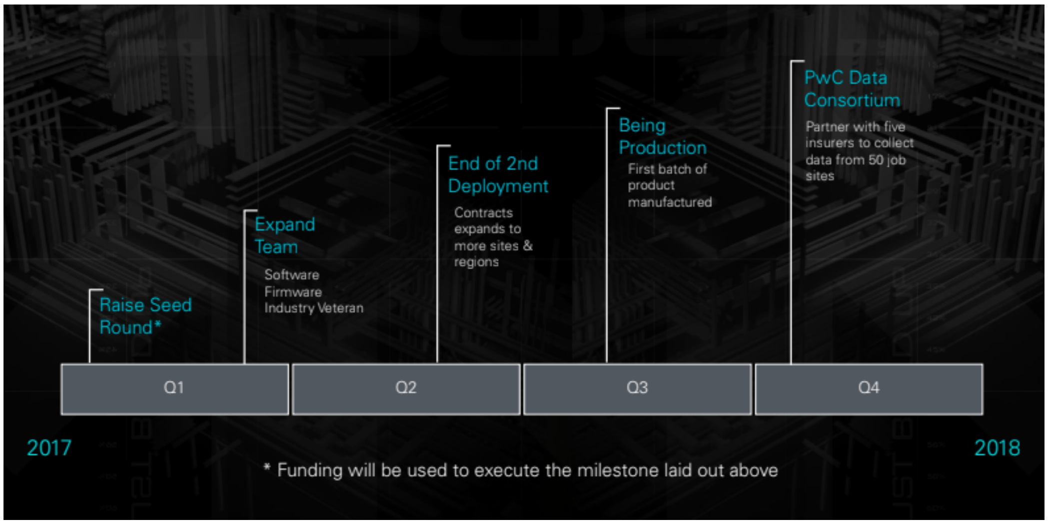
	PILLAR TECHNOLOGIES	SMARTSITE	converge	tattletale	concrete sensors
Catastrophic loss prevention/mitigation	✓				
Predictive analytics	✓				
Automated report generation	✓		✓		✓
Wireless network solution	✓	✓	✓	✓	
Worker safety monitoring	✓	✓			
Cloud accessible dashboard	✓	✓	✓		✓
Alert generation	✓	✓	✓	✓	

Pillar makes sensors to deploy at construction sites and a software analytics platform for monitoring and managing the data. This is a straightforward feature for feature comparison chart that is quite common. Quantitative comparisons are more convincing — if you can show you're ten times better, that's the dream — but absent that, demonstrating the weaknesses and incompleteness of other options is the next best.

Key elements of competition slide: a graph or chart explaining strong product differentiation. **What is your unfair advantage no one can copy?**

Slide 9: Financials

Tell us why you need money and how that relates to getting to the next round of fundraising. Startup Jackson said it well. Your story should have the following outline: “We see our Series A happening in X months, when we hit Y metrics. We believe we need Z dollars to hire A-C, grow with D strategy.” If the hires A-C have names and pictures, even better.



It’s always great to see a graphical representation of time and milestones. As in other slides, the more specific the better. In a meeting, you may be able to dive into greater depth as to how you’ll expand the team, but give some sense of how you’ll make your hires because finding and retaining talent is one of the hardest parts of the job.

The investment vehicle. At the earliest stages in the life of a company, setting a valuation is a very difficult art because the business models are unproven and the future is uncertain. What has emerged in Silicon Valley and elsewhere is a set of standard practices and legal agreements to lower the transaction costs for each side while providing safeguards. One of these is the convertible note, which is a legal agreement that establishes a loan to the company with interest; the loan then converts into equity at the next priced round of venture financing. Notes help address the difficult valuation question because they postpone setting a price per share until the company matures. On the other hand, investors need some assurances, so convertible notes also incorporate valuation caps and discounts. Caps set the upper limit on what investors will pay per share in the subsequent round of financing; discounts reduce the price paid per share by note holders, typically around twenty percent off. A SAFE is like a convertible note in that the investor does not buy stock itself, but the right to buy stock in an equity round when it occurs. A SAFE can have a valuation cap, or be uncapped, just like a note. What the investor buys, however, is not debt, rather something more like a warrant. Thus, there is no need to fix a term or decide on an interest rate. For more information, this TechCrunch post on convertible notes is comprehensive, and Y Combinator created the SAFE, which they explain here.

Setting the price. If you already have committed capital and have agreed on a valuation cap or other key terms, say what they are. But if you haven’t…

We love being the first check in. It’s exciting to know we are the first to back a team. One tricky part, though, is coming to an agreement on what the valuation cap should be. The best case you can make for yourself relies on comparable companies. What are other startups raising on? As opaque as it can be sometimes, there is a market for pre-seed and seed stage startups. Investors and startups seem to converge on a bandwidth that moves up and down depending how scarce capital is or how hot startups are. When we first started in 2015, it was not uncommon to meet teams who had a product and a few customers raising $1M on a note with a $10M cap. That was a hot market. It has since cooled off.

Our refrain: the more specific the comparables, the better. Maybe there’s a company in your industry that recently raised a seed round and you know the terms. And you’re further along than they are. Tell us about that.

Another source of information for comparison is accelerator programs. Do you look like a company that YCombinator or TechStars might accept? Then your terms should mirror the terms those programs offer — ok, ok, not exactly, since YCombinator offers a package of benefits in exchange for seven percent of your company. But it's a good baseline to keep in mind.

Sometimes we meet with a handful of companies coming out of a YCombinator batch and they all come into our office pitching the same valuation cap, irrespective of how they differ as companies. They all told us "the partners said this was a reasonable cap." Word to the wise: the Jedi master YC partners do not set your value cap. You do. Have some logic and reason behind it.

Key elements: itemized list of what you'll spend the money on, timeline for milestones, amount being raised.

Slide 10: Contact Info

Make sure people know how to find and follow you. Here's our sign off slide from our own deck:

Timirah James…you rock! (Timirah has the first 1517 shirt ever made. She was the first person to ever ask Michael about 1517 after he pitched the concept at an opening ceremonies talk at LAHacks in 2015.)

Do

Do tell a story. Storytelling is underrated as a skill. Humans are pattern-seeking, storytelling creatures. If you have compelling information that helps convey the seriousness of the problem or how much people love your solution, make sure investors hear that. Proctor and Gamble once spent millions of dollars on marketing Febreeze as a product that solved problems for people (instead of giving them the joy of cleanliness) because one human story in their research was so compelling. Your investors are humans, too. Pull at their heartstrings.

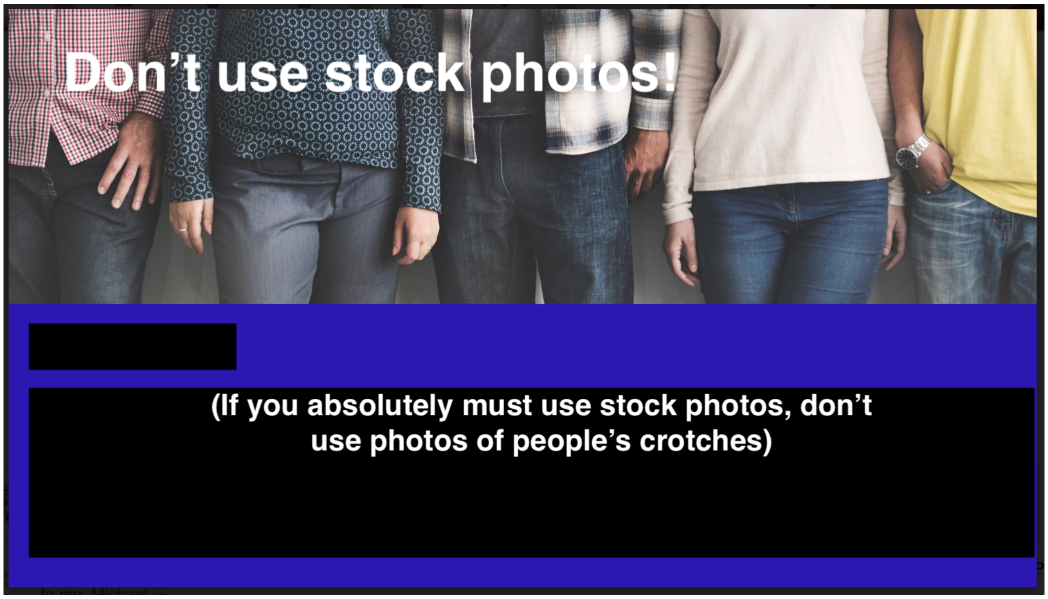
Be ambitious. We want to see people who are out to solve big problems and not just build a lifestyle business.

Don't

Don't flood people with bullet points. Try to avoid bullet points as much as possible. Illustrations or your narrative should convey such information. If statistics, try to illustrate them for readers.

Tell your story with images and graphs more than words. Talking geckos sell more car insurance than logic and reason.

Don't use stock photos. Get photos of people using your product. If you don't have them, get them of your team or actors.



This is from a deck sent our way. The product had nothing to do with the stock photo.

Resources

The 10/20/30 Rule of Powerpoint

Peter Thiel's Startup Class Pitch Notes

Adobe Color Wheel

Ogilvy on Advertising by David Olgivy. This book is hilarious. And brilliant. The original Don Draper. "When I write an advertisement, I don't want you to tell me you find it 'creative.' I want you to find it so interesting you *buy the product*. When Aeschines spoke, they said, 'How well he speaks.' But when Demosthenes spoke, they said, 'Let us march against Philip.'" You should strive for the same with your pitch materials!

Storytelling: Andrew Staton from Pixar (Toy Story) on the clues to a great story

Writing: Orwell's Politics and the English Language — great for cutting through bureaucratic & business jargon. See also, Steven Pinker's The Sense of Style.

Understanding Comics by Scott McCloud — grok the principles of visual storytelling and story boarding.

Some Examples of a Good Deck

SOMA Deck

http://www.pitchenvy.com/

http://bestpitchdecks.com/

Books

Get Backed by Evan Baehr and Evan Loomis

PresentationZen by Garr Reynolds

Pitch Anything by Oren Klaff

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