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How To Write Investor Updates

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7-9 minutes

Investor updates are a thing you should be doing if you're a founder of a company. This article first details *why*, then *how* to write them.

Why?

Before we dig into *how* to write investor updates, I should highlight quickly *why* sending them is useful.

Reason #1: Free Ad. Think of the email as a free billboard ad you can plaster in front of people that have money. It's a reminder of your progress. Unlike Facebook or Instagram, the cost of this ad is \$0. (Just your time.)

The secret is that investors are the ultimate infocores. Like an audience watching a magic act, their attention will get directed to whatever you point at. Writing an investor update is your opportunity to remind people that you exist, to increase the odds they help you, and to direct their attention to the key issues at hand with your company.

The best topics for investor updates are:

1. Fundraising.
2. Revenue goals and other KPIs (more below).
3. Help closing candidates.
4. Help finding candidates of a unique type (not just yet-another-software engineer).
5. Internal HR and comms issues.
6. Benchmarking data. (Are we growing as fast as other SaaS companies in your portfolio?)

The worst topics for investor updates are:

1. Deep strategy questions that require context.
2. A transcript of your daily standups.
3. Software engineering questions.

[1]

Reason #2: A Macro Moment. I had one of Cue's best board meetings in Q2 2012. Nobody showed up. The meeting was cancelled. It didn't matter. Just doing the prep work had rejuvenated and refreshed my mind at a critical moment in our history. As a founder, you're an ostrich, head buried in the sand of minutiae. This is your strength. The ability to hold 10,000 details in your head at once and think about your business more than anyone else in the world. That strength can also kill you, leaving you stuck optimizing a local maxima that will never create a path to a truly tectonic outcome.

Writing an investor update is like having an offsite with yourself. You get a moment to climb to the 1,000th floor of the building and observe the city landscape unfold beneath you. You map out coordinates and return to the ground floor to fight with the infantry.

Reason #3: Accountability. You don't really have a boss as a founder. Investors don't really count. Finding a way to motivate yourself, work the midnight hour, or make a painful reprioritization to meet a deadline is key. The best way to start running is to declare to friends that you signed up for a marathon, and the best way to hit your company goals is to declare them to your investors.

The recipe for success is simple: list anything impressive you want to do. Include a date. Hit send. I find the psychology and software of my mind automatically start shifting towards achievement.

How?

Send investor updates monthly when you're small, and quarterly when you're big. If you're wondering if you're big, you're not big. Keep the emails as short as possible. Write the email. Then try and delete half of it. Investors get a lot of these. You need to rise to the top by being interesting and concise.

1. Opening. Open with a tweet-length summary of how the business is doing. Read Warren Buffet's shareholder letters. Imbibe that style. Write with the simplicity of a child. True erudition doesn't come from using words like erudition.

2. KPIs. The format is very simple:

- *Revenue.* Ideally in a graph image. (Do not use cumulative graphs, ever.)
- *Runway.* What is your current burn? How many months of runway do you have left?
- *Hero Metrics.* If you don't have revenue, include whatever is relevant: MAUs/DAUs, bookings, whatever.
- If you do have revenue but aren't including it, don't fool yourself: everyone will be thinking the same thing. Include revenue if you have it.

3. Progress Bullets. A longer status update goes here, ideally in bullet form. Write as if you were writing to a friend, like this:

- September
 - Overall a great month.
 - The boat is a little rocky at certain points, but overall positive.
- Team
 - We're currently at 39 people, and will likely close the year at 50.
 - We hired Bob as our VP of Engineering and Shelly as our VP of Ops. They took forever to find, but I'm happy with the results.
 - Morale seems good, albeit muted. People complain about the snacks, which must mean there's little else to complain about. (I hope.)
 - We're not going to meet engineering headcount targets.
 - Everyone we interview from San Francisco has had 3 jobs over 4 years, doesn't seem to value hard work and is very focused on their pet justice cause. I'm not sure what to do about this.
- Revenue
 - "It's working", but not "working on autopilot". Feels like every quarter is a last-minute emergency sprint.
 - We suffer concentration risk from a few key customers.
 - I'm trying to push the sales team to expand horizontally, not just vertically.
 - If we manage to close a giant deal with Amazon next week, we'll have met our goals for the end of the year. Fingers crossed, nails chewed.

4. Key Asks. A short list of concise, useful questions for your investors. For example:

- Fundraising
 - We're going to raise our Series B later this year.
 - My understanding is I need to start cooking these relationships *now*, like a sous-vide steak. Plenty of lead time.
 - Any introductions to VCs would be much appreciated.
- COO
 - I really, really need a COO.
 - Can you scan your portfolio and see if any companies are shutting down? Any ex-founders up for a "Take 2"?
- Marketing
 - Which is the best recruiting firm for VP of Marketing candidates? We're picking between XXX and YYY right now.

5. Shout-out. Investors are as competitive as founders, just playing a different game. Include a shout-out to your most useful investors so that they're motivated to win the leaderboard in the subsequent months. You are the DJ and this is your club, so control the audience.

Summary

The largest mistake companies make in their investor updates are:

- Not sending them consistently.
- Including the wrong topics. See above.
- Too long.
- Not including revenue.

Your next step is to kick off your investor update!

“But wait”, you say. “That seems like a really big, confusing task. Let’s do it later.”

A short investor update is better than no investor update. Sometimes the best companies are the ones sending something akin to a tweet, like:

“Hello! Things are both terrible and awesome. We doubled revenue, and are currently projecting \$6M ARR this year. On the other hand, our VP of Engineering decided to quit because “the work wasn’t technical enough”. I’m looking at alternatives now. Give me a call sometime. That’s all!”

FAQ

“I’m worried about leaks”

Like hormones, there’s an optimal dose-response curve for paranoia. Founders tend to overdose. If you’re really big you can always remove some key stats. If you’re still unsatisfied, consider sending the investor update via DocSend, to minimize email retention.

“I don’t have investors”

I’ve kept the best piece of advice for the bitter end of this post. Here’s a secret: you can send investor updates... to people that aren’t investors! You get all the benefits I’m describing (a billboard advertisement for your company, a sense of accountability, etc) before you even raise money. Think of it as a multiplayer diary. Give it a shot!

[1] Some of these only apply if your investors have a history of operating a business.