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Transitioning from an Angel to a VC

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Part of the responsibility of the angel is to help secure the VC round. Experienced entrepreneurs Ron Conway and Mike Maples lay out the blueprint for how they signal VC's about the emergence of new opportunities, and how a young operation with slow burn and trackable accomplishments is going to fetch the best investment firms.

Transcript

So let's talk about the transition from angel investing to VC. Right, that's going to be an interesting transition point. I have a couple of questions related to this. One having to do with, do you have a situation where you get to the end and you think it's a go but you have difficult time getting that follow-on investing from VCs? Or does it feel like once you're ready to push this off a cliff that there's definitely a parachute there to take it off or a rocket ship? Well we have an email that we send to an exclusive list of all of our VC friends. So it's not a blanket mailing. It's VCs that I've had relationships with for 20 years. And we send them an email every six weeks. One is going out tonight. And we show them the companies in our portfolio that are entering a funding cycle in the next 30 days. So all the VC's scan that list and they send us an email saying, "Hey, introduce me to these three companies." There's probably 15 companies in the 30-day bucket in this email.

It's the longest list we've ever had. And then we also tell the VCs, here's the companies that are going to be looking for funding in 60 to 90 days. If you want to look out to next quarter, here's the companies that we know are going to be in funding cycle. Our CEOs give us all these data. So we start telegraphing before the companies are going to go out for funding to all of our VC friends which is at least 50 VC firms. You know multiple partners per firm. And we telegraph that. We also go visit the mall once a quarter and physically walk through and describe every company. Part of the responsibility of the angel especially if they want to get any ROI, is to get that VC round or the next round done. So in some cases now, it's the minority.

In some cases, the angels all get together and say, "Let us put in some more money." But most of the time after a year and you've got $400,000 in the bank, you want to start visiting VCs because it's going to take four months to get a term sheet. Almost six months before you get the check from the VC. What I'm about to say may be misinterpreted, be somewhat controversial but here it goes. Fundamentally I think great companies or great entrepreneurs who've delivered on milestones have no trouble raising money. And so there are the occasional situations where you have the speed bump and the angels need to come in. But fundamentally we try really hard to help entrepreneurs get the discipline of prove something dramatic when you still have less six months left of cash. Because if you've accomplished something really impressive and you still have six months left of cash, you're setting a very strong signal to the VCs that you're company and an entrepreneur of strength. And the best VCs want to work with those companies. The ones who go after the distressed companies, they are at best in the muddy middle of the bell curve. And they almost never really make any money.

And so to me that's the way to signal the very best VCs. I've been very lucky with the companies and the follow-on rounds that they've had. And they've worked with some of the very best venture firms. But I don't give myself any credit for that. I know the VCs but I know that in the end they're evaluating the companies. If the company can't stand on it's own, there's not much I can do to save them. In the end that's what they're buying