



Venture Capital

(Almost) everything you wanted to know
but were afraid to ask

Alex Osadzinski
+1 (650) 854-9500
alex@trinityventures.com

T R I N I T Y



Agenda

- ▲ Who I am
- ▲ How (California) venture capital works
- ▲ What VCs look for
- ▲ What VCs bring to the table
- ▲ Why startups are fun
- ▲ US/Europe differences



Me

- ▲ 6 venture funded startups
 - ▲ \$234B total outcomes
- ▲ 1 large company
- ▲ 1 turnaround
- ▲ CEO, COO, GM, VP Eng/Sales/Mktg
- ▲ 7 years at Trinity

T R I N I T Y



Trinity Ventures

- ▲ Founded 1986
- ▲ \$1.3B under management
- ▲ Investing \$300M Trinity IX fund
- ▲ 11 investment professionals
- ▲ Early stage IT technology investing

....and....

T R I N I T Y





Crescendo Communications



net:)effect



T R I N I T Y



WALL DATA



FORTÉ

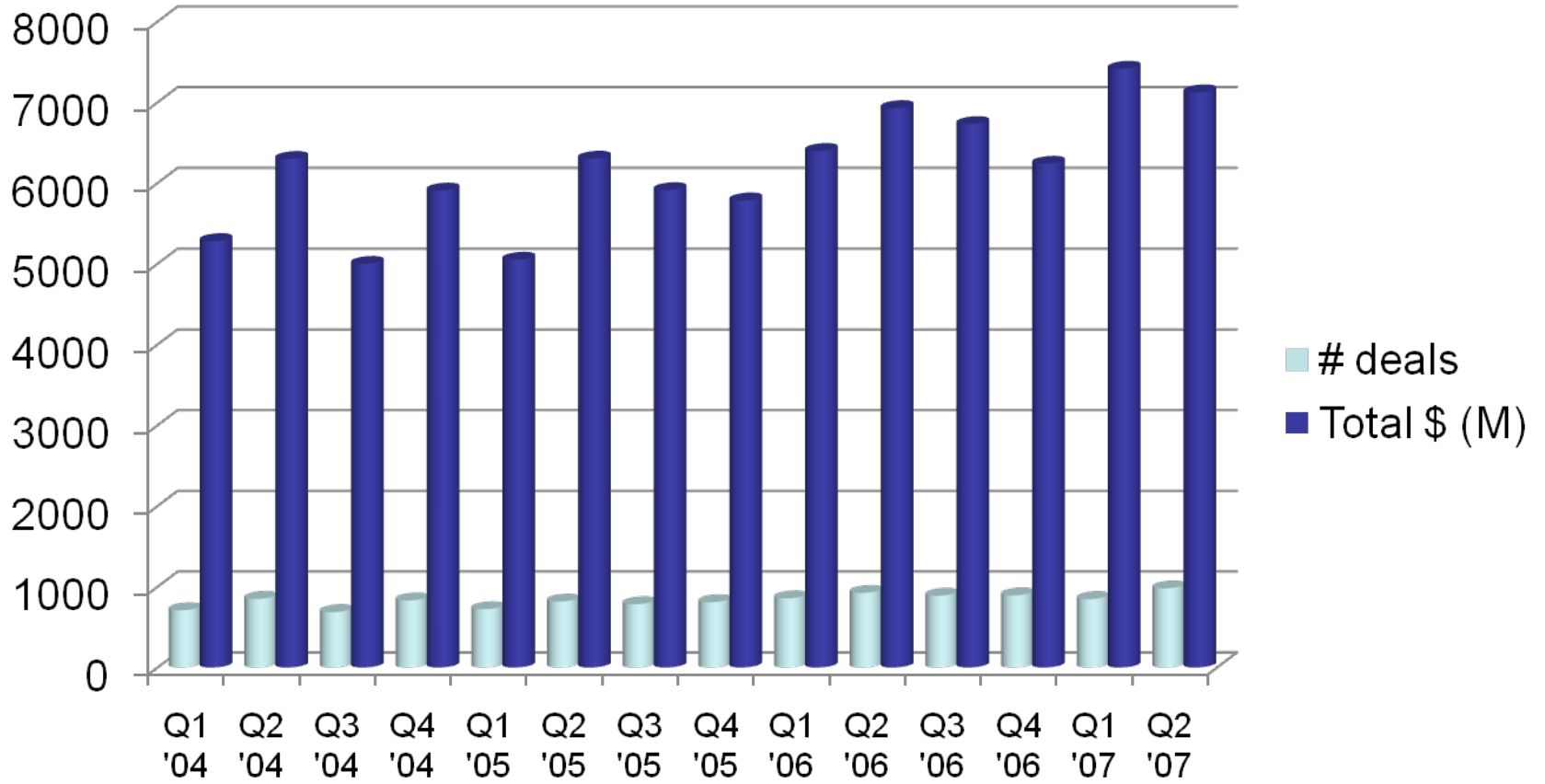


20 YEARS



T R I N I T Y

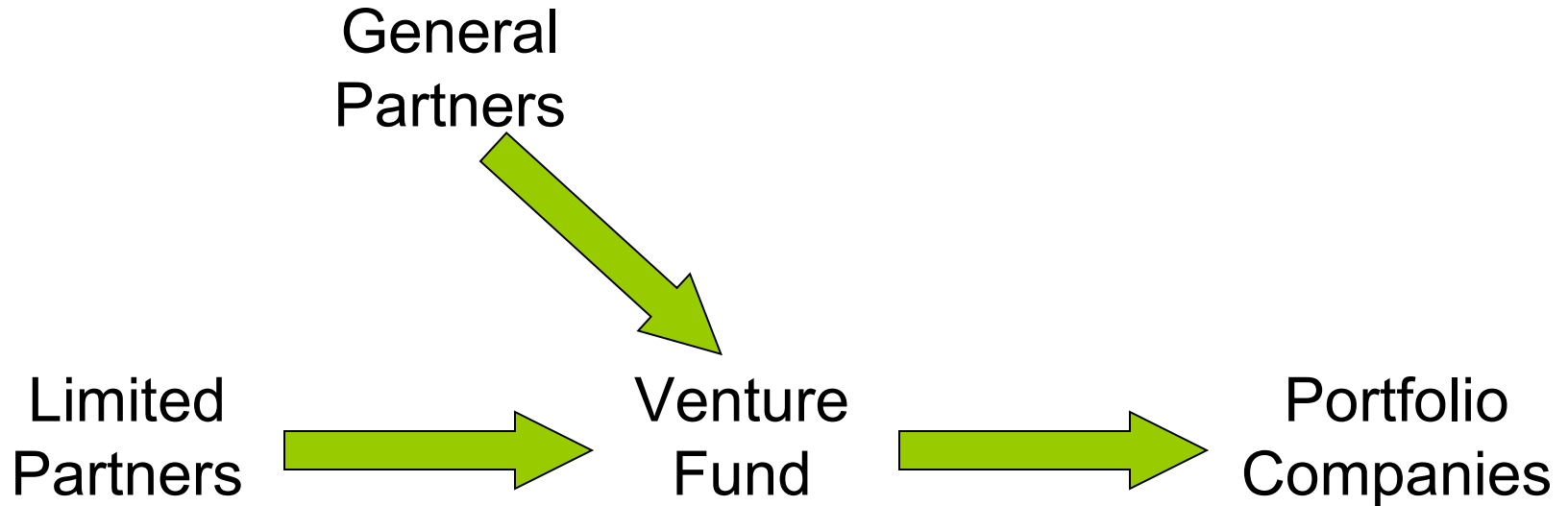
Size



T R I N I T Y



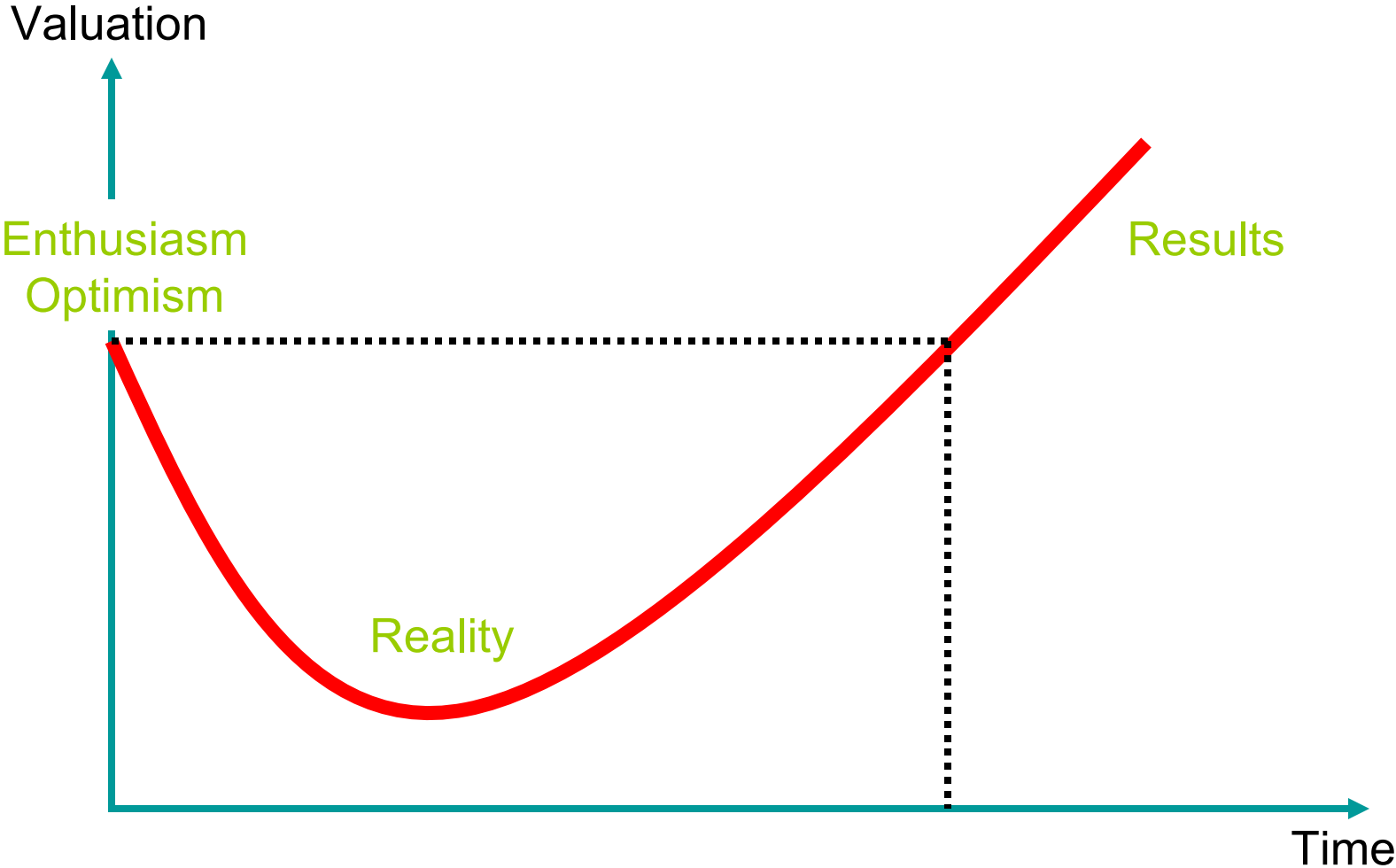
How venture capital works



T R I N I T Y



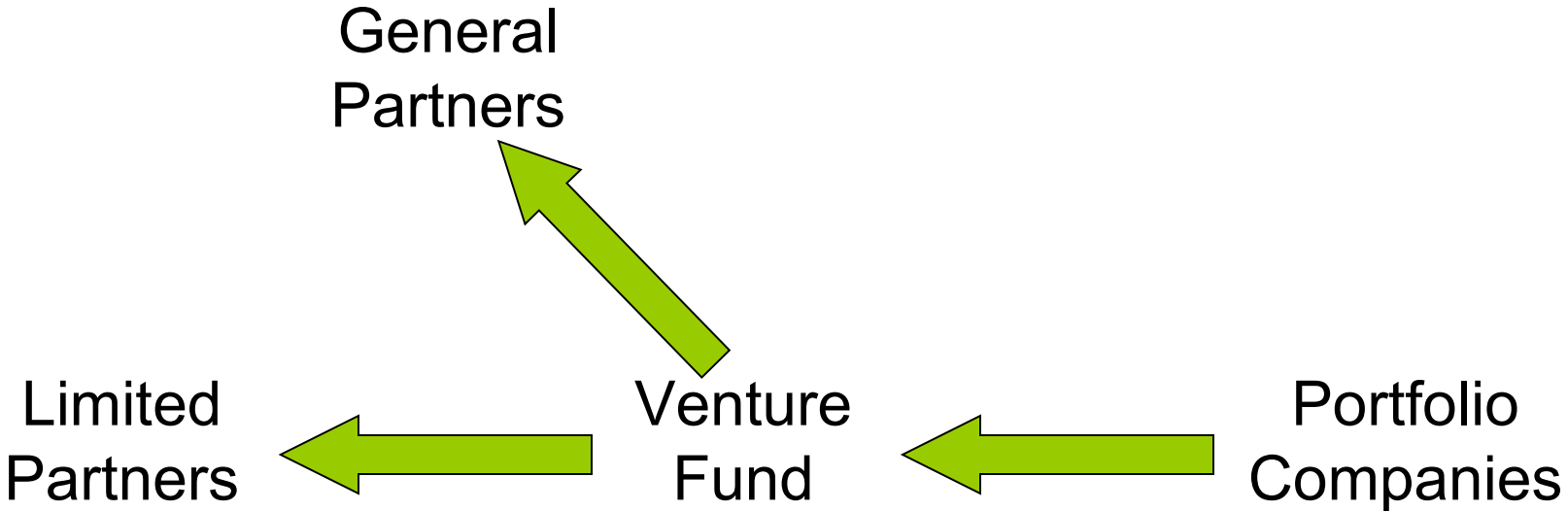
Valley of death



T R I N I T Y



Outcome



T R I N I T Y



Measurements

▲ IRR

- ▲ 2x return in 1 year is 100%
- ▲ But only a 2x

▲ Absolute return

- ▲ 3-5x in 3-5 years
- ▲ 5x in 4 years is 50% IRR
- ▲ Need to have a thesis for the 10x

▲ LPs want absolute return and IRR

T R I N I T Y



What VCs look for

- ▲ Disruptive technology
- ▲ Disruptive business models
- ▲ Fast execution
- ▲ Capital efficient execution
- ▲ Explosive growth
- ▲ Awesome entrepreneurs and team builders



What VCs look for in a company

- ▲ Team
- ▲ Technology
- ▲ Traction

T R I N I T Y



Compare

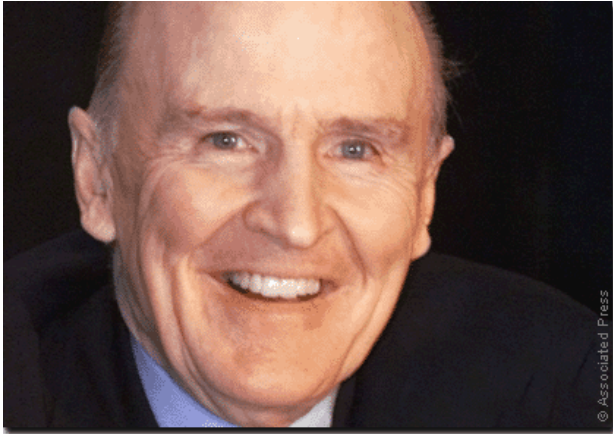
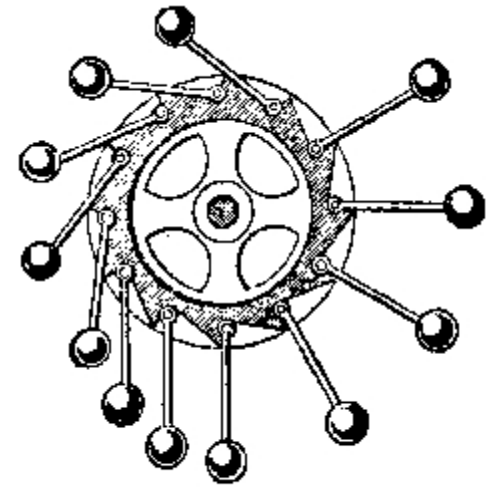


Photo / Greg Paschman



T R I N I T Y



Entrepreneurs – what I look for

- ▲ Trust and respect
- ▲ Track record
- ▲ Confidence, skill, poise
- ▲ Collaborative nature
- ▲ Realism (especially in financials)
- ▲ Desire to take on venture capital
- ▲ Wheelbarrow test

T R I N I T Y



Technology

- ▲ Trade secret or patented IP
- ▲ Secret sauce – must be hard to replicate
- ▲ Not a one-trick pony
- ▲ Roadmap
- ▲ Leverages the past
- ▲ Often times evolutionary



Traction

- ▲ Big markets
 - ▲ All markets seem to be \$1B
- ▲ Large addressable market – the real TAM
- ▲ Bowling pin analogy is true
- ▲ Crossing the chasm is true

T R I N I T Y



Deal flow

▲ At Trinity

▲ 3000 plans/referrals -> 500 1st meetings -> 50 actively “worked” -> 10 investments

▲ Deals come from

▲ VCs

▲ Portfolio

▲ Personal/firm networks

▲ Trusted sources

T R I N I T Y



Bay Area stats

- ▲ 400,000 people in technology
- ▲ 20,000 entrepreneurs
 - ▲ India, China, France, UK, ...
- ▲ 6,000 business plans
- ▲ 3,000 startups
- ▲ 200 funded
- ▲ 120 first-time CEOs



After the investment

- ▲ **Active board participation**
- ▲ Follow-on rounds
- ▲ Team building
- ▲ M&A
- ▲ IPO

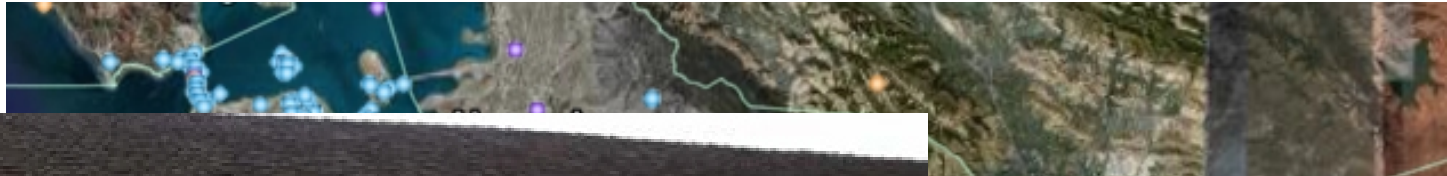


What do I do all day?

- ▲ Leave home 7:30am, get to office 7:42am!
- ▲ 300-400 emails
- ▲ 5-8 company meetings, 1 hour each
- ▲ Board work
- ▲ Conferences, beauty contests, panels
- ▲ Leave work 7pm, get home 7:12pm, or...
- ▲ ...dinner, usually with a candidate



Where do I do all this?



Silicon Valley vs London

- ▲ Better weather ☺
- ▲ Lower taxes
- ▲ Everything is (much) cheaper...
- ▲except insane house pricing
- ▲ Vibrant tech business environment
- ▲ Very focused, driven, intense, frenetic
- ▲ Somewhat isolated from reality



Europe vs US (VC) business

Europe

- ▲ Large fragmented market
- ▲ Sophistication
- ▲ Introspection and doubt
- ▲ Diffuse infrastructure
- ▲ Cultural biases
- ▲ Government regulation
- ▲ No virtuous circle yet

US

- ▲ Huge market
- ▲ Naivete
- ▲ Supreme confidence
- ▲ Tight infrastructure
- ▲ Cultural biases
- ▲ Government regulation
- ▲ Virtuous circle



Why startups are fun

- ▲ Speed
- ▲ Focus
- ▲ Agility
- ▲ Size
- ▲ Growth
- ▲ **Personal responsibility**

T R I N I T Y



Venture capital is...

- ▲ Simple in concept
- ▲ Complex in execution
- ▲ Getting tougher all the time
- ▲ Plays a unique role in business
- ▲ Is unique in Silicon Valley
.....and.....
- ▲ Is the best job in the world



Alex Osadzinski
alex@trinityventures.com
+1 (650) 854-9500

T R I N I T Y

