



Alex Iskold | 2048.vc

@alexiskold

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In 10 years I've been in venture, I continue to observe that a lot of founders are
SCARED TO ASK INVESTORS QUESTIONS.

That's not right.

EVERY SINGLE MEETING Founders should ask investors questions.

Here are the questions to ask and when to ask them.

Let's go! ☑️ ↴

1. HAVE QUESTIONS PREPARED

Do not improvise.

Have a list of questions ready before every single meeting with a prospective investor --
whether it is an angel or a VC.

Depending on where you are in the process and depending on who they are your questions
should vary.

2. SET THE STAGE AND WATCH THE CLOCK

Either

In the beginning of a meeting, ask if you can ask a few questions OR

In the beginning of a meeting tell the investor you'll have questions in the end.

Best to ask in the beginning because investors run over!

Watch the clock!



3. ARE YOU INTERESTED?

Ask the most obvious question in the end the first meeting -- are you interested in investing?

Most investors will give you an indication:

YES - means they want to dig in

NO - not a fit

MAYBE - likely not a fit



4. WHAT ARE THE NEXT STEPS?

Here is the key - ask this question EVERY SINGLE MEETING.

Investment process is a funnel, where you don't know the stages, but investors do.

Your job is to figure out this funnel for every Angel and VC -- and it is different!



5. WHAT ARE THE NEXT STEPS - Part 2

By asking again and again you get a better picture of where you are really are - this is critical with larger VC firms.

Typical steps - initial meeting, deep dive, partner meeting, diligence and all hands partner meeting.

But it varies!



6. WHAT IS YOUR INVESTMENT PROCESS?

Similarly to next steps, this question during the first meeting, helps you triangulate and set the expectations.

Always ask, ideally, in the beginning of the first meeting.

Also ask how long do you typically take - 2 meetings? 3 weeks?



7. ARE YOU MAKING NEW INVESTMENTS?

This may sound crazy. Why would they meet if they aren't investing? You would be surprised.

Angels do it to get smart.

VCs do it while in between funds.

Ask to be sure you aren't waisting your time!



8. HOW MANY NEW INVESTMENTS WILL YOU MAKE THIS YEAR?

Similarly very important questions because most VCs have whats called pacing - specific # of investments per year / fund.

Towards the end of the year they may not have capital!!



9. WHAT IS YOUR CHECK SIZE?

Very important to ask this question as most VCs and angels don't disclose it online.

Some angels only do \$1K - \$5K. Some flex up to \$100K.

Micro VCs vary from \$100K to \$1.5M -- big range.

Ask and listen for AVERAGE check not MAX check.



10. WHAT IS YOUR CHECK SIZE - Part 2

Another thing you'll learn if this fund is TOO BIG / TOO LATER STAGE for you.

\$500M fund will RARELY write \$500K check. It makes no sense. They only do it for repeat founders in their network.

Avoid funds with mismatch in check size.



11. WHO ELSE IS INVOLVED IN A DECISION?

Very important if you are speaking to a junior person in the firm OR if the firm has an Investment Committee (Voting System).

TL;DR you need to know ALL decision makers, not just 1 person -- junior or partner, as it may not be enough!



12. WHAT IS THE LAST COMPANY YOU BACKED?

This achieves two goals - first - tells you when was the last time they wrote a check - tells you what their pacing is!

Also tells you kind of company they backed, they space they invested in.



13. WHAT IS YOUR INVESTMENT FOCUS?

This is a great question because you will learn about:

- Stage at which investor is investing
- If they are a generalist or a specialist
- If they are interested in YOUR kind of businesses.



14. WHY ARE YOU INTERESTED IN THE SPACE WE ARE IN?

This is another strong question -- is this investor opportunistic or do they have a prepared mind?

Have they been researching this space, talking to your competitors or bumped into you randomly?



15. HAVE YOU BACKED OR CONSIDERING BACKING A COMPETITOR?

Very important question, especially for Series A and later!

It will be especially telling if VC is researching the space. They maybe just be talking to you to get smart on the market or doing investment diligence.



16. WHAT ARE YOUR CONCERNS ABOUT OUR BUSINESS?

This is a GREAT question to ask in the end of the first meeting. You will likely receive a candid feedback which will both -- help you learn what investor is worried about and if they are interested.



17. HOW DO YOU HELP THE COMPANIES YOU BACK?

Be genuinely interested in this. You aren't just looking for \$. Every great investor should have super powers -- how will they help you if they invest?



18. CAN I TALKED TO FOUNDERS YOU BACKED?

This makes sense towards the end of the process, not in the beginning. Investors should offer references and you ALWAYS. By that I mean - ALWAYS - should speak with a few founders and backchannel the investor!



19. DO YOU FOLLOW ON?

I am not a fan of this question as it doesn't reveal much anyway.

Small angels and micro vc may not have the ability, larger VCs - they only follow on in "winners". If you are one of them -- gladly. If not -- oh well.

No one automatically follows on!



20. DO YOU HAVE BANDWIDTH?

This is really tricky. In a larger firms, senior partners maybe at capacity. They will still meet and dig in but the bar to invest is VERY high.

Ask, specifically if you are raising Series A or later!



21. QUESTIONS NOT TO ASK

- Why are you a VC?
- Whats your favorite company
- Personal questions
- Other questions that don't reveal substantive info.

You SHOULD get to know VC towards the end of the investment, but avoid contrived questions, ask substantive ones instead!



22. RESOURCES:

11 Questions Founders Need to Ask Investors During the First Meeting

11 Questions Founders Need to Ask Investors During the First Meeting

— Startup Hacks by Alex Iskold

Last week we wrote about questions that investors ask founders during investor meetings. This w...

<https://www.startuphacks.vc/blog/2016/09/21/11-questions-founders-need-to-ask-investors-during-the-first-meeting>

23. SUMMARY

- Founders should ALWAYS have questions prepared for investors
- Manage time and make sure you get questions in
- Ask about process / next steps every single time

For more founder resources read and follow @2048vc

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Startup Hacks by Alex Iskold

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