



The
VC
Field Guide

Fundamentals of Venture Capital

William Lin

WILEY

Additional praise for *The VC Field Guide*

“Venture capital investors aggregate a number of data points as they deploy capital in high-risk startups: Management teams, market problems, market timing, and more. In this book, VC William Lin has simplified the investor’s diligence process by sharing his succinct and crisp framework, thereby simplifying a complex and opaque part of the VC business.”

—Mahendra Ramsinghani, founder of Secure Octane Investments and author of *The Business of Venture Capital*

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Foreword

I've known Will for half of his life. We first met as mere freshmen at UC Berkeley—both of us were undeniably nerdy, incredibly ambitious and wanted to truly make an impact on the world after graduation. Most of the students I met were studious, hard-working, and remarkable at consuming vast amounts of knowledge in a quick time frame. However, I knew right away that Will was different. Perhaps it was his unconventionally independent childhood or the fact that he had to chart his own path from a very young age without much familial influence, but the way he viewed the world was just different.

He was a natural problem-solver, very inquisitive, and intellectually curious about how the world works, and had the uncanny ability to see things that others didn't—he did that by transforming the data in front of him to create abstract ideas and frameworks that were scalable and applicable to a broad set of use cases. Once he solved a problem in front of him, he instantly began to codify the framework behind how to solve 100 versions of those problems in the future. He enjoyed building things that could transcend beyond him and naturally helping as many people that came in his path.

So when I heard that he was writing a book about a framework for how to evaluate investment opportunities, I laughed. Of course. As a fellow venture capitalist myself,

I often get asked the question: why did some VCs invest in the Zooms and Squares of the world and others didn't? How did the VCs have the foresight that these companies would be so successful? And why did so many VCs pass on the initial investments in these companies? As much as we can codify exactly why these amazing VCs were able to pick Zoom and Square at the early stage and realize their immense potential before anything was obvious, the reality is that a large chunk of it was due to luck. And the other chunk of it was due to that "gut feeling."

But what exactly informs that gut feeling? Is it possible for that gut feeling to evolve over time, learning from pattern recognition across other investment opportunities and the osmosis of being in the industry? This is Will's primary thesis—while this book won't give you the answers of yes or no on a particular investment opportunity, it'll help provide you with the fundamentals on how to develop that "gut feeling" with an insightful framework on what to evaluate and focus on when looking at a new investment opportunity.

Venture capital has always been an exclusive industry—for every company that a VC funds, they'll likely end up passing on 1,000+ companies. But how do they arrive at these decisions? How are they able to adjust their risk tolerance for some companies and not others? This framework will serve as a good starting point to help illustrate how to evaluate an investment opportunity and develop a better "gut feeling" over time. It'll finally democratize the decision-making behind an industry with so much mystique and allure.

Priya Saiprasad,
Partner @ Softbank,
Life Partner to Will Lin

Preface

Growing up, I remember feeling a conflicting mixture of emotions every day for my parents—grateful for them shipping me off to the United States when I was 5 so that I could have an American education, but resentful of them not being there for me as a role model. As an adult now, however, I've become only grateful as that experience shaped me into who I am today. It forced me to figure out how to navigate life and American culture first-hand and, if I was lucky, find role models: people that I admire, respect, and could learn from. It turned me into someone who loves to see the world from another perspective.

In the early days, I wondered what it was like to have easy access to role models at home. People who could help me with my homework, deal with bullies, and talk about classic schoolyard dramas. I continue to believe that I'm lucky to have a career at all. I still look back on my life and see all the ways I was likely to fail. Honestly, if so many lucky breakthroughs hadn't perfectly lined up, who knows what I would be doing today? So whenever someone genuinely helped me, it left a deep impression and I still remember them to this day. This includes the many mentors I've had since then, in college and so far in my career.

I wrote this book because of my mentors and the help I've received over time. While my career is far from being

over and this may sound like I am about to retire, I wanted to take a moment to share what I've learned with others interested in the often misunderstood and opaque world of venture capital. My goal is to "demystify" and explain venture in simple terms (hence the title), using a framework I've found valuable when working with founders and their companies. This book is not meant to be the ultimate compendium on how to succeed in venture, fund the next dozen decacorns, or land on the Midas List tomorrow, but a straightforward and personal perspective on this profession from someone who has been in it for over a decade.

I hope it helps underscore why I spent years, at nights and weekends, working to get this book over the line. It's to help that person who is determined to make their next breakthrough but unclear on the how. No matter how much mentoring and coaching I try to do, none of that scales compared to getting information onto pages, into a book, and in people's hands.

So I do feel privileged to have the opportunity to write this book and share my candid thoughts about the venture capital ecosystem. While I know this book will not answer every question or answer everything definitively, I hope you will find it useful. This book is filled with perspectives that I already regularly share in my communities and with more content that I could ever deliver over hours of in-person coaching.

Thank you for reading this book. Stay in touch. Ping me or ask me questions on LinkedIn: www.linkedin.com/in/linwilliam. Tell me when this book helps and even when it doesn't. Life is a rollercoaster.

William Lin

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Part I

Introduction

