



How to be an angel

# Naval Ravikant

- Serial entrepreneur (*Epinions, Vast...*)
- Investor (*Twitter, SocialMedia, Mimoso, ~30 others*)
- Advisor (*XFire, Mercantila...*)
- Venture Hacks

What do you need to be an Angel?

- Access to capital
- Proprietary dealflow
- Good judgement

# Dealflow

## Bad

- Social friends are usually the worst source
- Don't forward deals you wouldn't do
- Non-standard models lead to adverse selection; don't be an incubator, a chairman

## Good

- Other angels, quid pro quo
- Brand your advisory services

# Pitches

- No business plans, exec summaries, NDAs
- A high-concept pitch, elevator pitch, and demo is all you need
- Maybe a 10-slide deck
- 20 minute pitch; listen, don't talk

## Evaluating Startups: Team

- Invest in teams of 2-3 founders; five is unstable, one is too hard
- Best combination is one founder who can sell and one founder who can build
- No to teams with all business guys or lawyers, or outsourced development
- Team matters more in enterprise deals, traction matters more in consumer deals
- Intelligence, energy, and integrity

## Evaluating Startups: Customers *et al*

- Ignore all companies that have not made early and meaningful contact with their customer
- On the Web, this means the product has been released
- Look at 20 companies before you make your first investment; 100:1 is a good ratio
- Find a thought-partner and give him/her an effective veto

## Saying No

- Say no fast, over email before you meet
- Say no at the meeting; when in doubt, say no
- Don't use more than 2-3 hours of the entrepreneur's time or 2 weeks of yours
- Only invest in people you're excited about
- Swings you don't make don't count against you
- Try to add value at every meeting

## Saying Yes: Terms

- Biggest risk is downstream financing, try to invest with VCs
- Give them rights to invest in the next round so they don't drive up the valuation in this one
- Capped convertible debt or priced equity
- Investing with groups of angel leads to better decisions and keeps entrepreneurs honest
- No board seats
- Seed investors buy 5%-20% of the company

# Economics

- Don't do this to make money because you probably won't
- Even if you have a fund (goodbye carried-interest)
- You're a patron of innovation
- Assume your investments are lost on the day you make them
- Balance your portfolio with ultra-safe investments



[venturehacks.com](http://venturehacks.com)  
[twitter.com/venturehacks](https://twitter.com/venturehacks)