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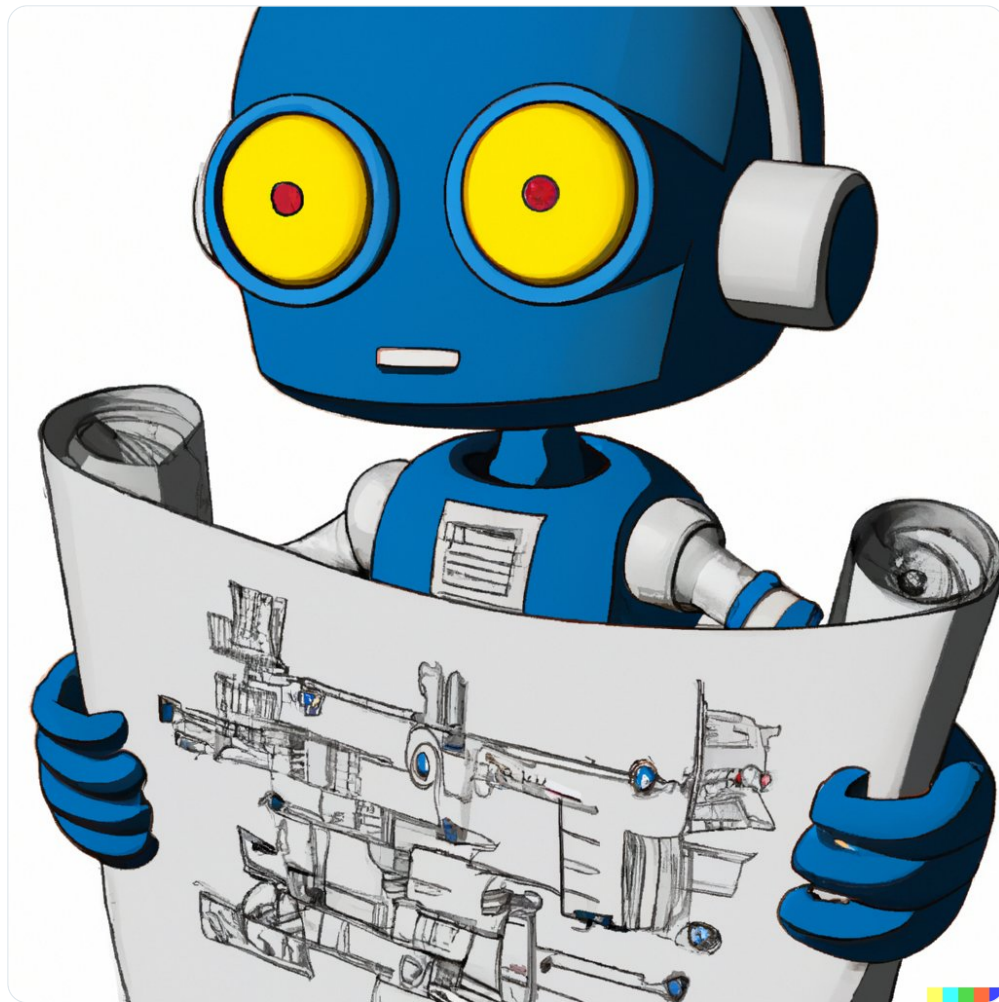
Sep 26 · 14 tweets · [fintechjunkie/status/1706654864216895665](https://twitter.com/fintechjunkie/status/1706654864216895665)

The startup ecosystem is finally seeing good companies come to market again.

But after a year of focusing on costs and runway, some startups aren't exciting anymore.

Many startups that try to raise will hear: "We want more proof!"

Here's what you need to know about proof: 🧵 📌



Investors aren't always good at sharing honest feedback with Founders. It's easier to pass with generic decline reasons than to outline "what would need to be true" for a "no" to become a "yes".

And the #1 decline reason Founders hear is "we want more proof".

What Founders want is a metrics driven definition of “proof” but it’s not what they get. Instead, they hear “more proof please” and have to figure it out themselves.

But what Founders need to internalize is that “proof” is contextual and multi-dimensional.

Types of Proof Include: Tangible Proof, Forecasted Proof and Proof Relative To Price.

And for each Type of Proof, there are many individual Proof Points that define what you’ve learned, what you can do in a repeatable fashion and what the ultimate outcome will be.

TANGIBLE PROOF

Building a startup is about de-risking an idea in stages. It’s about generating real-world proof that suggests you’re overwhelmingly on the right track.

Tangible Proof is the “proof of accomplishment” that earns you the right to turn over the next set of cards.

Tangible Proof is backwards looking proof that answers the questions:

✔ What’s been learned for how much money and how quickly (learning efficiency)?

✔ Is the market proving the core assumptions right (proof) or wrong (anti-proof)?

✔ Is value creation accelerating (momentum)?

Samples of Tangible Proof include:

🎯 Proof that customers want your product

🎯 Proof that you can scale

🎯 Proof that each customer is profitable

🎯 Proof that business level profitability is possible

🎯 Proof that you can attract talent

🎯 Proof of operational discipline

FORECASTED PROOF

Scaling a startup requires stacking years of results on top of each other. As a result, Investors have to look forwards as well as backwards.

Forecasted Proof connects the dots between recent results and a future state that describes a more mature business.

COM6 stands for “Cash Out Minus 6 Months” and it’s critical to understand what a startup is likely to look like then because it’s when their next fundraising process will need to kick-off.

Most startups require an attractive COM6 profile to pass the “Forecasted Proof” standard.
PROOF RELATIVE TO PRICE

Investing is about buying ownership in a distribution of outcomes. Each outcome has a probability of materializing and a value if it materializes.

Proof Relative To Price analyzes whether a startup has de-risked more or less than the valuation implies.

Disciplined Investors seek out distributions with positive expected values (EV+) and avoid distributions with negative expected values (EV-).

Losing your money when you’re wrong is part of being an Investor. But being right and not getting paid enough is how to really lose.

And Venture Investors expect one of two outcomes for their successful investments: IPOs and Strategic Sales.

Proof Relative To Price takes into consideration the current results and trajectory of the company to determine the likelihood and magnitude of these outcomes.

So, if you’re fundraising and hear “We want more proof”, it’s worth asking questions to find out which kind of proof is missing. Some VCs won’t be able to give you tangible answers because their reasoning isn’t well grounded, but you might get insightful answers that make sense.

And if you enjoyed reading this, it would be helpful to like, comment and/or share the first post. The X/Twitter algorithm has been unpredictable recently but engagement seems to help!

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