They painted this as if Greycroft is like struggling or some kind of train wreck.
I can assure you this is like a sign of actual strength.
What they should be saying is Greycroft has the Hutzpah, despite having
$25 million a year in fees on their billion dollars.
They have the Hutzpah to let go of a couple of people and refocus and add
some people and, you know, make some trades for their team.
This is like trading, you know, a starter, you know, on your team and like
two of your bench players, rotation players to get slightly better,
you know, slightly better starter and a couple of better rotation players.
This is far from a sign of weakness.
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Hey, everybody, welcome to this week in startups.
It's your boy, Jake Al, and I am here in the kingdom of Saudi Arabia.
I am reporting live from the FII conference.
You may have heard about my first trip, actually, to Saudi Arabia and have learned a ton.
I'll share some of those thoughts on the all in podcast episode 151.
If you're wondering what it's been like over here, and I'm sure producer Nick,
who's going to come here and read the news with me today, will have some questions.
But let's get started while I've been here on my trip to UAE and to Saudi.
There's been a lot of news breaking on Nick.
There has, yeah.
Can I ask you a quick question about your trip, first of all?
Of course, anything.
So when you went, did you take Emirates?
Did you fly Emirates?
I did. I did.
Now, you're aware of Emirates.
Yes, I've heard that Emirates first class, the like highest level you can get a first class,
is actually better and more comfortable and more luxurious than like chartering your own small jet in the US.
I've heard that. That's a rumor.
Yes, that is true.

I flew business class.
The first class tickets because there were two conferences going on.
There's the Saudi conference, FII, and then there was essentially what's the CES of the region going on in Dubai the week before.
So all the tickets have been sold out.
And so I looked at a first class ticket.
There were so few left, it was $25,000 roundtrip.
And so that's a no for me.
Yeah, the business class ticket wasn't cheap either.
It was $9,000 roundtrip.
Usually, I think it's more like six, but there's a direct flight from San Francisco to Dubai.
And it takes, I think, 15 hours.
So but luckily, my jet lag was great.
I've gotten used to this flight.
And, you know, I'm just learning a ton here in the region.
It's interesting time to be here, obviously, with all the tragedy going on in this war.
And I've been speaking with many people who are Palestinian.
I've been speaking with many people who are from both sides.
And it's been enlightening.
But the changes that have occurred over here in the region have had me, have caused me to really underwrite everything I know about Saudi Arabia.
Now, I know UAE and Dubai have been incredibly progressive and changed a ton.
But that's a 20 year story.
What's happened here in Saudi is like a four year story.
And what's happened here is nothing short of amazing.
The amount of freedoms, the what's happened in terms of the economy and people starting companies and the social change, they told me if I see it three or four years ago, there wouldn't have been music, dancing, women in meetings and, you know, just the whole society is really changed dramatically in a very short period of time.
So it was very encouraging.
And the people here are some of the most hospitable, warmest people ever.
They are almost universally listened to all in and all the founders and VCs listen to this week in startups, obviously.
So I got an incredible welcome here.
The food's been amazing and I've learned a ton.
We don't have any business interests here at the moment, but I'm I'll make an announcement here and this is you're going to hear it for the first time.
I am going to build a partnership to bring this week in startups to the region.
I'm so excited about the startups here and there have been a number of unicorns.
You may have heard of Kareem that Uber bought for a couple of billion dollars.
And the ecosystem is very strong between Egypt, Jordan, Saudi, UAE, Kuwait.
So it's really exciting for me.
It reminds me a lot of the ecosystem I saw emerge in Stockholm and Australia over the

last, say, 15, 20 years with Atlassian.
We had Scott on recently, you remember.
And then, of course, you know, Sweden with Daniel, who's been on the program
from Spotify and part of it.
Yeah, we've been back and forth and great guests.
OK, so anyway, any other questions about the trip or the region or your way for all in?
No, nothing. I'm good.
It sounds great. That's interesting.
The big thing I've learned, Nick, is that their commitment to venture capital
is going to make them number two.
I'm going to make the prediction right now here on the.
What the hell is going on with your screen?
I put up the number two.
I said, I'm going to make the prediction here.
I wonder what that was.
Come on. I did something with the AI.
And it made balloons go by.
I'm going to make a prediction right now and I put up the number two in two.
I think the region when and when you say the region, you mean Middle East region,
Mina, I think this is going to be the number two player in venture capital
within 10 years.
And that's a big statement.
But now, when you say number two player,
do you mean in terms of LP commitments or do you mean in terms of actual firms
investing in startups?
Yeah, I think it's going to be both.
And that's a really astute point.
You kind of got right to the heart of this.
I've been meeting with a lot of the family offices here.
So in Saudi and UAE, what you'll have is family offices.
And these families would have built some incredible business
56 years ago, and it's not just an oil and gas.
It might be a money exchange.
It might be, you know, in being the Pepsi bottleer in the region, etc.
And so you meet these family offices and they were in these like grind it out
absurdly operational businesses, then they made money.
And then these families will there really are family businesses
where generation after generation participate in the operating of these businesses.
Then they make a little bit of money and they maybe will open up Toyota dealerships.
That's but one example, McDonald's, Starbucks, whatever.
They become the local partners of those
then they might do real estate.
And then the private equity people have been coming to the region

to raise large amounts of capital to go buy other businesses around the world.
So they learned about private equity.
And then at some point, you know, if you go down the private equity rabbit hole,
you eventually like wonder where these private equity come,
but where are the companies coming from that private equity buys?
Oh, sometimes they're public companies.
Sometimes they're venture capital based companies.
Then you watch the venture capital companies.
Then they eventually will work with a partner like Stepstone,
which is a consultancy that will help them get access to venture firms.
It's traditionally been hard to get access to venture firms.
So they invest in venture firms through a fund of funds.
Right. So they'll give money to a fund of funds.
That fund of funds would give money to somebody like me or another venture firm.
Like Sendana is a fund of funds.
Yes, correct.
A venture firm that invests in other venture firms.
Exactly.
And so then they might directly invest in a manager like myself.
And then they might do co-invest.
So they would look at something coming out of launchers portfolio or, you know,
I don't know, Chamath or Saxes portfolio.
And they might say, oh, we'll co-invest in that.
So you invest it in the A and the B, we'll invest in the C, right?
So they get to make like a direct investment, get on the cap table.
If not you're on the board, not pick the company, the GP,
an venture firm that they're in would give them that guidance.
And then eventually they start their own firms.
And so Sanabelle, which is a venture capital firm here in the kingdom,
or a fund of funds in the kingdom that invest in venture capital,
and Mubadela have both opened offices in San Francisco.
So then you kind of see the end game coming,
which is they're going to be investing directly in startups alongside us.
And, you know, we'll be in board meetings in the US, in Europe,
and people in the region will be represented on those boards.
And overall company building is hope, right?
And I think when people build companies together,
there's always that McDonald's rule.
People who, you know, if you have a McDonald's in your country,
they don't go to war, was I think something Thomas Friedman came up with.
And there's something to, you know, companies and countries that work together,
you know, being able to collaborate on a lot of different things.
And that's what I'm really excited about is I think, you know,

especially at a time like this time, if people are building companies together,
it's pretty fantastic.
And I think that kind of collaboration, investing in companies, building companies.
And so that's why I want to do like a 12 episode series of this week
in startups in 2024 from the region, interview the VCs here,
interview the top companies and just educate people in the US
as to what's going on here and share information directly over podcasts, right?
As opposed to through CNN or Al Jazeera or New York Times or Times of London.
Like maybe just get people direct to the founders,
direct to the venture capitalists and just create that bridge of understanding
because it's no different than in the United States, if I'm being totally honest.
Can I ask you one more question about the region?
Sure.
So what is the founder ecosystem like?
Great question.
Because I read, and this is specifically just the other day I was reading,
there's a thread on Twitter, on X, about how
it is so hard to build and scale a startup with all of the EU regulations right now.
And somebody basically took through the process.
I think they were referencing like, OK, here's what it's like being a normal
German founder, you get your advanced degree, then you get a grant from your
school, non-dilutive, and you're like, this is amazing.
And then it takes you three years of building the product to get through all
of the EU licenses and everything that you have to apply for to even be able to
sell a product to people.
And then by the time you're done with that, you're like, OK, we can raise money.
But then since you've had so little progress during that time, you raise
like a really dilutive round, like a seed round.
And then all of a sudden you're like six years in, you're 34 years old.
And you're like, yeah, it's brutal.
Oh my God, this is terrible.
So do you think that there's going to be a pipeline of founders from sort
of the Europe region that are like, wow, it's way easier to build a start
up in maybe the early half thing.
So once again, you've made a great observation.
And then to fill you in, in Dubai and the UAE, they have something called
a golden visa.
They will give you a visa for 10 years.
Like if you're coming here and there's no tax.
So people from Hong Kong, Singapore, Indonesia, Australia and Europe are
coming here and they're headquartering their companies here.
So just think about how amazing that is.
No tax.

Then to add to it, Saudis and Dubai and Abu Dhabi are creating programs where they'll give a founder who moves their company here a grant.
It might be a hundred K or it might be a free office space.
And I'm actually in an office space here in Riyadh called the garage.
And this house is 150 startups.
This is like, take the three or four largest we work she've ever seen and put them together, that's the garage.
It's unbelievable.
I mean, when I say there's 150 startups here, it's nuts.
And so they will give you a free office space.
They'll give you a grant, perhaps, and they'll pay for your apartment in some cases.
So if you're a founder, imagine basically having, you know, whatever, a quarter million dollars worth of expense and then everybody gets a golden visa and you don't have to pay tax.
So for startups, it would be like having Y Combinator and launch accelerator, investing your company and giving you an apartment, you know, like it's quite a luring for startups.
And so it may not, maybe not for US startups coming here.
You know, that's a big trip to make.
But for Europeans, for people in India and for people in Asia, it's a very easy trip, you know, Dubai's two hours away from India and Saudi's me and Saudi's two hours from Dubai.
So everything is right.
There's four billion people within, you know, a couple of hours flight of Dubai and Riyadh.
So these are very, very close to a large number of people.
The customer bases here are pretty variable.
UAE is a tiny country, Saudi's 35 million, Egypt's 100 million.
Egypt has a lower amount of revenue and income per person, but they do adapt technologies quite quickly.
And then Saudi is like unbelievable revenue per customer.
UAE is unbelievable revenue customers.
So the most profitable places in ride sharing and food delivery, UAE and Saudi, these businesses are profitable.
I'm going to buy now, pay later company profitable out of the gate here.
So the company's here can get profitable very quickly because the customers are so well-heeled and then they, and they do have big average revenue per user, RP.
One last question about Saudi.
Sure.
Since you've been there, have you heard any on the ground whispers of the line?

There is Neom, which is essentially a new city they're building from scratch.
They just opened the first hotel there and they invited me to go.
Obviously, I have to get back to my family and I've been here for quite a quite a trip, almost two weeks.
So the line is like second decade of Neom.
Neom is going to be a new city that they're building on the water.
And this is like beautiful ocean.
So it's essentially going to be, you know, Saudi's Dubai or just a new city from scratch.
And then they build special zones within these that are culturally more like the West.
So as an example, in Dubai, they have a news zone, a media zone, where media can go and operate freely.
And then in Dubai, they obviously have alcohol.
You know, in Saudi, they don't have alcohol yet, but there's rumors, and there's been a lot of talking read about in the press that maybe in Neom, because that's going to be a tourist destination and tourism.
So maybe that would have alcohol or wine.
Even in UAE, they're going to have a wind casino outside of Dubai, like two hours outside of it.
So, you know, it's becoming in terms of personal freedoms and culture.
You know, this is more change in the last three or four years than in a hundred.
It's pretty extraordinary what's happening here.
And so I'm really excited to see the massive positive change.
And again, you know, not to be said in court, but I'm excited to see not to be cynical or anything.
I have no business interests over here.
I just had an interest in learning, right?
And I think the next step for me is to maybe do a 12 episode run here of podcasts and then, you know, share with you what's going on here.
And so, and everybody's over here.
Jared Kushner Sierra saw him, you know, every fund manager, tons of startups are here.
I ran into everybody while I was in Dubai and Riyadh.
And it's pretty amazing that the business deals that are going down and how active everybody is.
That's great.
Well, while you were doing that, I grew a mustache to annoy my wife.
Oh, yeah.
Well, and also your boss.
So well accomplished.
I don't know who looks more ridiculous.

Me with these bono glasses or you with that mustache put us together.
I was going for, I was going for Brad Pitt and then glorious bastards.
But I think I'm more like for Pedro.
So, you know, I got the Brad Pitt one.
I think you're pulling off.
Yeah, I think so.
You're definitely not Brad Pitt on the roof and once upon a time in Hollywood fixing the antenna, but a few of us can be much more chiseled, much more blonde hair, pretty gratuitous scene, huh?
He's like, you know what?
I'm up there on the roof.
I might as well take my shirt off and have a beer.
Yeah.
I think Tarantino was just kind of letting him fly on that one.
He's like, let's just go be a movie star and he did a good job.
Oh, do it.
Yeah.
All right.
Listen, we work with super early stage companies at my investment firm.
It's called Launch.
I'm talking pre-series A, right?
We're talking seed stage, friends and family.
And you know what?
At that stage, maybe they don't have insurance yet.
In fact, just recently, we had an amazing startup.
They didn't have D and O insurance.
If you don't know what D and O means that basically protect your directors and officers, directors, board of directors, officers, the people who run the company, your management team.
So what do we do?
We send them right over to Imbroker.
Imbroker is business insurance built specifically for startups.
Imbroker single application helps startups get four quotes for four lines of coverage in 15 minutes.
They connect you with one of their expert brokers for unmatched service.
And that goes beyond your policy.
Okay.
We use this at all of our companies.
It's easy, peasy, lemon squeezy.
And if you're not getting insurance, you know, at some point, you're going to have to get it.
So let's make that point today.
Right now, this weekend, tonight, just go to Imbroker today with the code twist

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That shows them that you're listening to this week in startups.
So we love Imbroker.
They've been amazing in terms of supporting our founders for years.
And of course, this very podcast.
Great job, Imbroker.
Anyway, back to some tech stuff.
Shout out QT.
We had, yeah, we had Google, Microsoft and Snap report earnings yesterday.
Yesterday being a Tuesday for Microsoft and Google both had strong overall performances, but Google's actually down 8% on the day.
And basically it was a tale of two different cloud businesses.
So let's do Google first.
Okay, Google beat on overall analysts estimates for both its top line and its bottom line.
It had its first double digit year over year revenue increase in over a year.
They were up 11% to $76.7 billion, but they missed on cloud revenue expectations.
So the stock is right now down more than 8%.
Market cap is still 1.6 trillion.
And if you just want to go through quickly, I'll list them off.
QT revenue, $76.7 billion, up 11% year over year, up 3% quarter over quarter, net income, 19.7 billion, up 41% year over year, up 7% quarter over quarter.
And specifically that, yeah, go ahead.
It's going to be based on lowering the staff size, the layoffs, cutting costs, right?
Yeah, they're down about 10,000 employees from the peak.
Sure.
Um, YouTube, you know, this is, this is the important one, too, is the YouTube ad revenue, because YouTube kind of seems to have hit a bump for a little bit there, right?
It wasn't growing as fast as it's been floating right around 7.5 to 8 billion for the last like six quarters, it feels like or so.
Yeah.
Um, ad revenue, again, $8 billion, up 12.5% year over year, up 4% quarter over quarter and came in above expectations.
Mm hmm.
Yeah, they turned it around.

Great.
Um, and then again, cloud revenue, 8.4 billion, up 22.5% year over year, but actually came in slightly below expectations.
I just want to point out, yeah, that this revenue is up 11% year over year, but the number of employees is down like 4% or something, 5%.
So they're, they're at 182,000 employees from a peak of 190.
And so this is part of the overall story of getting fit in Silicon Valley, doing more with less.
The number of employees goes down year over year, by four or 5%, the revenue goes up 11%.
So this is efficiency.
And, and, and this is what the, the street has wanted from them.
So I'm surprised the stock reacted negatively.
Is this because Microsoft's cloud is doing better than Google's?
Is that the story here?
It's basically a proxy for how they're doing in AI and their AI services.
So I think that's really what it's all about.
But there's one chart that I, I saw that I thought was interesting to bring up.
So the chart on the top is Google's total quarterly revenue by quarter.
And the chart on the bottom is its year over year quarterly revenue growth.
So you can see in the beginning of COVID, for obviously, for one of the, I think, I guess the second time ever, Google had a actual negative, it had negative growth in a quarter.
And I think that was Q2 of 2020 when COVID first hit and advertising pause and everything, the whole world felt like it stopped.
And then after that, you could see the insane revenue scale up to at one point, Google had over 60% revenue growth year over year.
And obviously that was because that was the quarter of the year before where revenue crashed down.
But if you just look on it on a cumulative basis, their revenue quarter over quarter, it's pretty amazing to think that you're, you're, they're scaling $70 billion of revenue, even growing that 10% is, is amazing.
These are big numbers.
And I think that's a really good point.
But you do see when a company gets to the scout, it's hard to move the needle.
There's no acquisition they can make.
That's going to change this, right?
There's, what company's making $10 billion a quarter that could grow them 20%, right?
You would have to get into something like Tesla, Uber, Airbnb.
They would have to be able to buy one of those companies in order to like really jump this revenue up.
So this is, you know, these are turning into value stocks in a way, if you think about it that way, as opposed to high growth stocks.

And what they could be doing, though, is they could pull out of Apple's playbook
buying back shares.
So with all this cash, if they want to see that stock go up, buying back shares or
issuing dividends, which is essentially the same thing when you think about it,
buying back shares just gives you a cash-free dividend for the moment.
If you get the dividend, it's going to be double taxed.
The company's going to pay tax on it.
I think you're going to pay tax on it.
I think that's how it goes.
So it's really going to be, all this is going to be about, I think, at the end of
the day, this is, you know, they're not high growth businesses.
They might have moments of high growth, but you're absolutely correct.
When you start making $70 billion, it's kind of hard to grow that significantly.
Yeah.
And then transitioning to Microsoft, Jason, you just mentioned buybacks.
Microsoft announced that it bought back $9.1 billion worth of shares this quarter,
which is technically it's Q1.
They have an offset fiscal year.
Microsoft beat on top line and bottom line.
The stock's up almost 4% or it was as of, you know, noon or some time.
2.55 trillion dollar market cap, Q1 revenue, 56.5 billion, up 13% year of a year,
up 1% quarter of a quarter, net income, 22.3 billion dollars, up 27% year of a year,
up 11% quarter of a quarter.
Azure was the big winner, up 20, still growing, almost 30% year of a year, up 29%.
Intelligent cloud revenue as a whole was up 19% to 24.3 billion.
Or are they put the intelligent cloud in front of that?
Yeah, they group Azure in with the intelligent crowd.
So they don't actually tell you their exact revenue.
They just tell you the amount Azure grew on a percentage basis year over year.
And Satya, in his comments, mentioned AI almost 30 times in his opening statement.
Here's a quote with co-pilots.
We are making the age of AI real for people and businesses everywhere.
We are rapidly infusing AI across every layer of the tech stack for every role
and business process to drive productivity gains for our customers.
So they know, yeah, they know where they're going.
They know what's up.
Yeah.
I mean, co-pilot is the obvious proof point here.
Anybody who knows a developer hears from them that they're 10, 30, 50% faster.
It depends on the task and how unique your code base is.
So if that can happen with developers, that can happen with accountants.
It can happen with lawyers.
It can happen with designers.

It can happen with strategy people, people who make PowerPoints.
Every executive, human resources are going to be using some sort of co-pilot to make themselves really fast.
And, you know, you and I, remember we tried to do this this week in startups, archivist and hire somebody to go through and transcribe everything and organize everything.
Well, if you go to thisweekinstartupsnow.com, we are using podcast AI.
They transcribe every episode of the show.
They know who the guests are.
They tagged it.
And now you have a full index search.
We were going to spend $100, $200 per episode to do this with 2000 episode.
That would have been about a $500,000 project.
Now I was thinking about investing in it for the legacy of the show and what?
Three years later, AI is doing the whole thing and it's just done.
Yeah.
And so this is a really important point.
You and I were trying to figure this out.
I think it was two years ago.
Yeah.
We had a lot of what do they call that technical debt with the old website?
Because the old website had every single episode.
It had it numbered.
It had a small description of it.
But it was built on this old WordPress infrastructure that was so, I mean, you know, and for the time, it was probably in 2009, when you started it, it was probably like the best.
Shout out Matt Muller then.
Yeah.
But my God, it was just impossible to move to figure the site out.
So we had to totally scrap it.
And now a company we've invested in podcast AI, I just did the whole thing.
And you guys shared a clip last week from, you know, there's about 100 companies making, you know, make an automated clip from the podcast.
And you yourself said, not bad, like you gave it a B or something.
A podcast clip recently from this.
And I was talking to the founder about it.
And I was like, you know, there's, there's a bit, this is a whole other side discussion, but there is a really, um, in terms of like podcast, TikTok, clip creator tools, there are like two ways that you can go, right?
You can go the route of we want to build a browser based editor that's like really, really basic and we're going after the sort of, I'd call it creator class, right?
The individual, the indie podcaster, the solo person that wants to make a clip, it doesn't want to spend money on an editor.

Or you can go after more of like the enterprise class.
And what that means is, you know, no real editor, I don't think is ever going to use a browser based like sort of mishmash together solution.
But when I was talking to the founder about, I'm like, if you want to go after like real editors, what you need to do, this tool is amazing.
And it's amazing how you could basically do a cutout of the video, overlay it on stuff, all automatically that used to take a lot of time and after effects.
Now you could just do it like this, right?
Which is great.
But if you really want to capture like the enterprise editor market where the real money is, I think you have to make it exportable to Premiere and exportable to other editing software, right?
And that's what this founder did.
And I was like, this is, there's something here now, I think if it's easily exportable, they would make a TikTok video with, you know, moving animations, putting the captions on top of it in an interesting way.
But if you export it, then you get all the layers and the, that you can then edit and refine and make it perfect.
So you could polish.
So say they get you 70% there.
That last 30% is really the part that you need a human to do, right?
At least that's, that's what I think.
Maybe someone will figure out a solution soon.
But that I think is where the money is right now.
And that's what this founder is doing.
So that's why I thought that was really interesting.
I mean, it, it takes us two hours or four hours to make a good quality clip.
What does it take now?
Probably two.
Yeah, probably.
So if an editor, you know, full-time editor, or even if you were to use somebody offshore, let's call it 30 bucks an hour, I don't know, for like a decent editor who could do it, a freelancer might be 30 or 40, you think.
So it winds up being 60, 80.
Let's round it up to $100 a clip.
You know, if you take out 70% of classes, basically taking out 70 of the $100 a clip in cost.
So you could either make three times as many clips or you can move on to the next thing on your to-do list.
All right, everybody.
Stephen Estes is a principal at CLA, Clifton Larson Allen.
He's a professional service provider that specializes in CPA, tax consulting and wealth advisory.

Welcome to the program, Stephen.
Thank you for having me.
What are the big mistakes people make when they're architecting their accounting, their cash management?
But what are the company killers that you see most often?
Since we're talking about startups and things that break companies, I mean, a lot of the things that I've seen out there can be around equity-based comp.
You know, one of the mistakes we'll see, and I've seen some pretty wacky stuff over the years, is founders, CEOs promising to, you know, some of the key people that they're going to get equity at a certain rate or like of their last 409A, but they've just raised a series A or series B.
And now the value of those shares is up 10X.
And now there's a $200,000 tax problem.
And we need to now go back to the board and try and get a bonus to this person to cover the tax.
So I think that that's something that gets overlooked by a lot of startups and a lot of founders.
And I think that it's important that all founders have a basic understanding of equity-based comp.
I mean, they don't need to be a CPA, but they should understand the difference between a nonqual and an ISO and an early exercise or a restricted stock awards would be the right thing.
And if an 83B election would help out and what that is and what the implications are.
Get started right now at claconnect.com slash tech.
Let him know your boy, Jake, how I sent you.
CLAconnect.com slash tech to get started right now.
Okay, you know, the thing I'm really excited about with Snap.
I saw Mark Pincus tweeting about Snap.
He's got a big position.
I was thinking about putting a J-Trade on for Snap.
At the end of this year, I'm going to clear out all my losers in my J-Trade portfolio so that I have all those losses to take against some wins I have in the portfolio.
So there's going to be a bunch of cash.
A little TLH.
Tax loss housing.
Yeah.
Hey, a little TLH coming in.
And so we're going to just annihilate the losers from this portfolio.
Shout out Disney.
Shout out Warner Brothers.
Who has cost me money this year?
Cishfix.

They're all about to get cleared out and then we're going to have to put some money into something.
I'm looking at Snap.
Okay.
So take me through it.
Yeah, I just, I might have to talk you off the ledge here a little bit because Snap, Snap stock was up slightly after initially jumping.
It initially jumped almost like 20% in after hours.
I saw that.
Beat bottom line, beat bottom line, user metrics, beat expectations as well.
Their market cap is relative to their revenue, pretty low.
It's a pretty cheap stock.
It's $15.8 billion market cap.
Q3 revenue was $1.2 billion, basically up 5% year of a year, up 11% quarter of a quarter.
Their Snap's year over year quarterly revenue growth had been declining for two consecutive quarters, but now they just increased it.
So they're sort of back to growth.
If you go with Snap's trailing 12 months revenue, they're trading at a three and a half times price of sales.
Wow.
Yeah.
Deliactive users, $406 million up 12%.
That's the thing that got me.
That's a lot of people.
Yeah.
Yeah.
I'm, I'm a little dubious about that number.
I'll be totally honest with you.
Um, Snapchat plus, which is their, um, paid subscription.
It's two bucks a month.
Yeah.
How's that doing?
Uh, it has 5 million paying subscribers they announced or they announced they surpassed 5 million paying subscribers.
So at least $10 million a month in revenue from that, um, 200 million users have sent over 20 billion messages using Snaps, my AI tool.
Uh, net loss was $368 million, which was basically flat year over year and slightly lower, slightly less of a loss.
Why are they losing money?
I thought they were trying to become a profitable company.
I don't understand what Evan's doing.
So this is the big thing with Snap.

They've lost money in every single quarter that they've been a public
company, except one at the end of 2021 where they were profitable.
They were on a net basis.
They were profitable like $22 million or something.
It was basically they were breakeven.
What is his, what is Evan's thinking here?
If the entire world would give him huge credit, like they did Uber and Airbnb for
being a profitable company, why is he still living in 2020 in the Zerp environment?
He's got to leave Zerp.
He's the only person who hasn't gone post Zerp.
Yeah.
So, you know, I don't know that answer to your question, but what I do know
is that I think Evan and his CTO, uh, who put the two co-founders due to
their super voting shares, they control 99% of, uh, the outstanding stock.
Right.
They don't care voting shares in Snap.
So they can basically do whatever they want.
Here's the thing, shout out to Evan, his partner for having a Hootspah.
If you're going to have super voting shares, you might as well use them.
And so obviously they have some thesis here that losing a billion dollars a year
or a billion to make sense.
I don't know what they're thinking, but they, I think they're content having
a $15 billion company.
If it was profitable, this might be a $20 billion company or $25 billion, but I
guess they don't care.
Maybe more, but maybe they don't care about that.
Maybe they got some grand vision here and they want to keep growing the user base.
Yeah.
And they've been, they've done a ton of work on their, like, you know, AR
lenses, um, developer platform, which I think is, is that's great.
But I really don't know how many people are using that.
Like, it's a side quest.
Yeah.
And I have some of my own thoughts on Snapchat as someone who's used it forever.
But, um, just let me grow it.
You get married and you have a kid that said it's over.
I mean, I probably was Snapchat's first, like real demographic.
I think it, it came out when I was like a sophomore in high school.
So I was really the first like group of users that were on Snapchat all the time.
It was like my, all of my friends and I, and by the time I think we like left college,
most people were basically off Snapchat.
I still have like one group chat on there that I will open it for.
Um, but for the most part, yeah, everybody's kind of cycled off of it.

But they all went to Instagram.
Yeah.
Basically, everybody wants and like I message, like I, I just got so good that there's who wants to get canceled or whatever.
Yeah.
I miss is quite up.
Um, so they're snaps cash position.
They have $3.6 billion of cash, cash equivalents and marketable securities.
They just announced they're going to repurchase $500 million up to $500 million worth of shares using their cash and equivalents.
And as of June 2023, they had about $3.75 billion worth of debt.
Now, you can assume that that debt was mostly taken on during a very, very low interest rate environment.
So they, if it's not variable, they might be paying 3% on it, 2% on it or something.
I don't know.
Yeah.
And it's in which case, corporate debt always gets like a lower interest rate.
Right.
No, I think it's opposite.
I think it's higher.
Yeah.
Like then a mortgage because you have the house against it, but who knows what they struck, you know, there were some weird things going on during that period.
So anyway, let's put it at 5%.
If it's 5% and they think that they're going to grow more than 5% in revenue or whatever, then it's a good trade to make, I guess, but using debt to buy your stock back seems to be a little risky to me.
That's like paying your mortgage with your credit card.
So yeah, I'm off the ledge.
I'm back inside.
I should actually, I'm shutting the window on this one.
I just shut the window.
I didn't lock the window.
I shut the window though.
I don't need to be on a ledge with these guys, especially not with the money losing, I'm off, I'm out.
I think it's clearly it's, it, the stock is cheap.
If you compare it to its other counterparts and it has a lot of users, but I think just cause something is on sale, doesn't necessarily mean that you should buy it.
And everybody that I see saying that snap is such a goodbye are like guys in their forties and fifties.
Are those users?

Do no, is anybody banging the drum about how amazing Snapchat is?
Everybody says teens are using it like crazy.
Okay.
As someone who's used it since its first came out, I actually don't think it's that good of a product.
I think it's a bit of a mess, right?
It's a, it's a, it's a hodgepodge of you don't really know what you're supposed to do with it.
Like, is it, is it for group chats?
It can be it, the snap map is interesting, but it doesn't feel like that's been fully fleshed out.
It seems like they're pouring all their resources into this, like AR lenses platform.
I'm not sure they start to de-deprecate that and cut some of the spending on that side.
So they did, but they just mentioned on the last earnings call that they were like so proud of the work that they were doing in their AR development platform.
You know, Evan's like a very cerebral product guy who doesn't talk all that much and I don't think that this company does a great job communicating with the rest of the world what their vision is.
And the product is, you know, he's a product genius, clearly.
Yeah.
Um, and you know, there are 400 million people is unbelievable.
I mean, this is like 5% of the planet or whatever use this product.
Daily active too.
That's not monthly active users.
That's daily.
No, it's a sick amount of daily active and that those street things, they really understand the gamification of all this.
What I wonder is the governance issue here where they don't have a board that controls it.
I would think the governance should be such that they would say, let's be profitable.
Let's buy, if we're going to buy back shares, let's buy a hundred million from profits and a hundred million from the debt or something, you know, and make it feel more like what Uber's doing.
There was a report that came out about Uber might buy something to the effect of like 20% of their outstanding shares.
Wow.
That's crazy.
I miss that.
You know, like the next five years, it was a crazy report.
Um, and so they just up their price target to $59.

I think it was Goldman or somebody.
And so they, I think they're reporting on November 8th.
So I'm really excited about that.
Obviously in long-term shareholder and, uh, yeah, uh, they've just done a great job.
There's like five or six million Uber drivers now.
I think there's two million people who work at McDonald's and like a million that work out is either two million at Walmart and a million at McDonald's or the, or the reverse.
In other words, you put McDonald's and Walmart together or, you know, uh, Starbucks and Walmart together.
I think Uber is like twice as many people making money from their, their platform.
So it's shout out to this human Uber.
Okay.
Everybody, there are a ton of best practices out there for scaling your startup.
Need more compute?
Well, you go find one of the dozens of cloud providers.
If you need a more scalable sales system, there are hundreds of CRMs for you to choose from, but one thing that is really hard to scale customer support.
Of course.
Yes.
Why?
Well, because as your customers grow, your support tickets, they grow and lock step.
This can create a huge problem.
You have to hire and train customer support staff, which can lead to longer resolution times, which then increases your churn and high churn.
Well, that kills a startup.
So here's your solution, everybody.
Intouch CX provides end to end customer experience tools that are powered by AI.
Intouch CX can even manage forecasting and staffing for your customer support agents.
This will deliver personalized responses quickly.
And that's going to help drive that customer satisfaction.
Listen, automation is changing everything and customer experience and customer support is at the forefront of the AI revolution.
And you need to be there too.
Don't wait.
Don't fall behind your competition.
You're going to save money.
You're going to provide better service to your customers.
And you want to start scaling now and you want to start scaling smarter with Intouch CX, visit intouchcx.com slash twist for your free consultation with an automation expert.

Okay.
That's intouchcx.com slash twist for free consultation.
I have one more question for you slash observation about Snapchat.
Okay.
So they define a daily active user as someone who opens the app.
You don't have to send a snap.
You don't have to open a story.
You just have to open the app.
Now, over the past like notification, not a notification, just clicked on the notification, open the app.
Okay.
That's it.
Open the app.
I yeah, not, not, not opening an email.
Actually, you have to, you have to open the app.
Um, I have been, but I will say I've been getting a lot of notifications over the past month-ish, maybe a little bit more from snaps new, um, my AI tool.
So they send you, they'll like populate notifications on your phone, but you can't really tell that it's the my AI when you're scrolling through your phone.
So you'll just see that you have like, you know, five notifications on Snapchat.
And you're like, that's weird.
I are one of my friends for my group chats.
So you open it, but then it's just like, oh, look at our new feature set for my AI.
But then I count as a user.
You think they're boosting the notifications to get the users up?
I don't know.
I kind of just looking into it, I, cause I noticed this.
I'm like, why do I have all these Snapchat notifications?
Nobody's using it.
I think that would be standard operating procedure.
You could see, I could see people in a war room somewhere saying, Hey, we want to show whatever percent growth.
And then somebody saying, you know, how do we get more people to open the app?
And they say, okay, let's do birthday reminders.
You know, like, you know, standard game of the week.
Yeah.
And like, oh, you were doing this day eight years ago, which is fine.
I think.
I mean, this is just classic ways to get engagement and to get people to re-engage with the product.
So, you know, here's your Spotify rewind and that, oh, you want to share your Spotify refund.
Other people get it.

Oh, here's Nick's Spotify.
Here's JCal's Spotify rewind.
You know, it just kind of gets you into the whole, uh, you know, or like, Hey, you like this podcast, might you like this one kind of situation or this artist you follow on Spotify is now on tour.
So yeah, there's a whole group of people who are working at these companies to shape that kind of stuff.
And there could be an edict from on high.
Hey, we want this number for the earnings fall.
You know, you can spam people a little extra, which, you know, I guess it's fair game.
Um, I guess, I don't know if it's fair game.
If the feature doesn't make the person turn off notifications.
So the punishment for overplaying your hand here is the old unsubscribed turn off notification, which I just did, by the way, I just turned off notifications.
Cause I'm like, okay, so there you go.
So somebody clip this and send it to Evan, the team over there and let him know, like, don't overplay your hand because I've been turning off notifications like crazy.
I think notifications are evil.
I'm now like team focus mode and team sleep mode.
And I'm turning off notifications for almost every app.
I literally even turned it off for messages.
I'm like, you know what, I hope with my phone enough turn off notifications.
And for kids, I'm turning off notification.
All three daughters, no more notifications.
I think on their iPads notifications are evil.
They create anxiety and stress in humans.
Totally.
If you're at work and you're using Slack, just open Slack and look at your notifications so you don't need to get pinged about them.
It's just anxiety producing.
And these fricking watches with the ding, ding, ding, ding.
That goes, doot, doot, doot, doot.
Yeah, yeah.
I turned that off a long time ago.
It was the best decision ever.
Yeah.
You know, it's anxiety producing.
What if it's me DMing you?
Well, some crazy idea for a new project.
I have a framework, I think, for investing in consumer internet companies.

I think.
Okay, here we go.
Just by you, if a company has the governance and the capital situation that Snapchat has with a lot of outstanding debt, not a ton of cash in the bank, unprofitable, and the founders control everything.
Then you need to be, to invest in that company, you have to be absolutely blown away by the product.
You have to be, like, like early Instagram, like, wow, or the growth.
Or the growth.
You're not something.
Something has to blow you away in order to ignore the governance issues.
It's a great observation.
And I think if you want to have the God King, yeah, if you want to have the God King privilege, you better perform.
That's it.
It's a great rubric.
If you want those shares, if you want the super voting shares, you better be bringing it like Google has historically.
And yeah, listen, you know, it's just every time you want to fall in love with that stock, you look at the governance and you look at the debt.
And you look at the fact that they are kind of saying, we don't care about profitability.
And you say, like, does this feel like Amazon and Uber and Airbnb?
And honestly, it doesn't.
I would like them to show me four quarters in a row of profits.
And then I buy the shares, maybe two even show me two quarters.
You know, 25 million in profits and 100 million in profits.
And I can, you know, I bought the stock then.
Yeah, it's $9 a share, right?
I could see it being a good trade.
I could see you'd maybe doubling your money.
If something goes right, I like to double.
But I, if you can also lose half to hold companies for 10 years, I just, I don't know.
Yeah. All right.
Anything else going on?
Let's do the Greycroft, who laid off a couple of people, the VC firm.
This is an interesting one because I saw the story.
Basically, Greycroft, I know the folks over there.
It's a very large VC.
They had over five billion.
And then there was a story that they laid off five people.
And the question was, you know, is this like some big, you know, thing that's, you know, indicative of a pullback in the industry and people are missing their targets and

fundraising.
And this came in from the information, which, you know, listen, they're amongst the smartest of the journalists out there.
But again, they only have 20, as I always say, like they have about 10, 20, 30% of the information. So they're going to make a lot of, you know, they make a lot of jumps to figure out what this actually means.
And so, yeah, tell me, tell me what's happened since because I know Axios did a report.
I think the folks from Greycroft responded and then there might have been a follow up.
So I only know the first half of the story here.
I think I set it up correct. Yeah.
Yeah, yeah, perfectly.
And in fact, the Axios story that came out a couple of days after the information story sort of felt like as I was reading it, I was like, it feels like the Greycroft people wrote this for Axios. It was very like, oh, it's just a restructuring.
The Axios team knows, you know, they're very, they're certainly not in the pocket or anything, but Dan over there at Axios knows everybody in the industry and is well respected in the industry. So if you were going to correct something, you would go to Axios.
That would be, you know, and Axios is a really, you know, smart, savvy journalist, you know, I put both of these in the top 10% of actual real journals.
Totally agree. But at the bottom of the Axios article, there was a footnote that was like, Greycroft was an early investor in Axios, but it no longer owns any shares.
So yeah. So yeah, they got the back channel.
Fine. So anyway, that basically they cut Greycroft as reported by the information, cut five people on its investment team.
Two of them were partners and I think three of them were principals.
One was a partner who was in charge of their health tech investing team.
Yeah. Another one was in charge of their FinTech investment team.
And basically the information article said they're really scaling back their health tech and their FinTech investments.
So this is sort of, you know, I don't know if it was, hey, we're restructuring.
Yeah, you can leave or this or that.
But the Axios article came out later was basically like they were allowed to leave.
Yeah, of course, this is how it goes.
Like you're just not invited to come back.
Listen, I was pretty public about this.
We got rid of our climate practice.
I tried it for 14 months.
It didn't work.
And the person who is running the climate practice is no longer here.
It's not anybody's fault.
Sometimes, you know, as a fund, you just have to make strategic decisions.
Yeah.
And it seemed like it was slightly due to some fundraising underperformance as well.

So last year, according to the information, Greycroft set out to raise about $1.6 billion between two funds, a growth fund and an early stage fund.
It wound up raising about $980 million, about 40% below its target.
And they announced that going forward, they're not actively seeking investments in health care and fintech anymore, as I said.
And now it's shifting most of its focus into AI.
And that was sort of what the Axios article was about, is like this was really a restructuring.
Now we're pushing the chips on, all in on AI.
Of course, it makes sense.
I mean, you got to, you got to skate to where the puck's going.
Health cars hard.
AI is infecting everything.
We just talked about it.
You know, and so many different ways.
It's every story is somehow connected to it.
It's like cloud or mobile or high-speed internet.
It just affects every aspect of business.
So, you know, there's nothing journalists like more than like, oh, somebody didn't hit their target story or somebody laid people off.
But the truth is, this is a sign of strength from Greycroft to, you know, you know, I don't want to say cut underperformers.
They could have been underperformers, but you would never say that in venture.
What you'd say in venture is, hey, listen, they're going on to their next adventure.
It didn't work out.
Yeah, there's no website and saying like, these people weren't good at their jobs.
Right.
You just give them a graceful exit.
It's a gentleman's restructure.
That's it.
It's a gentleman's restructure.
Nobody was fired.
Nobody's laid off.
We restructured.
And, you know, there just was an alignment on that.
The end, everybody moves on.
But, you know, these journalists love to, you know, give themselves a bunch of high fives.
I remember when the story came out, like every information journalist was retweeting it and giving high fives to the journalists.
Oh, they found out five people were being laid off.
You know, it's like kind of pathetic, I'll be honest.
No offense to the information.
I respect some of the folks over there.

But, you know, like when they, I don't like this thing where they are like, oh, my God, amazing reporting.
And it's like, oh, amazing reporting you found out.
Like a couple of people are no longer at the firm.
It's not amazing reporting.
Let's be honest, because you're not getting a Pulitzer for that.
It's like the lowest form of reporting.
You know, like, oh, somebody dropped a dime.
Somebody told you, like, we'll get LinkedIn.
Like, that's really, that's not really like going to get your Pulitzer.
Sorry, just a lesson.
You know, I respect obviously the information.
Great job.
But, you know, everybody.
Pump the brakes, like.
Sixteen retweets.
The entire team is retweeting this thing.
So this is why you wanted to talk about this story.
I thought you wanted to talk about how maybe there's like a pullback going on at V.C.
I'm putting my media hat on.
I'm putting my media hat on for this one.
But I will tell you putting on my venture hat on here.
One thing they got wrong in the story or they don't understand.
Very well.
And so you can clip this and send it to the information folks.
When you raise these funds in the SEC, your lawyer says, how much you're raising?
So for example, for fund four, where I said, you know, I've been telling people the public target's 100 million.
I came out and I was like, well, we did 44 million in the last fund.
I think this fund will be like 50 to 100.
And so then when you talk to your lawyer, they're like, okay, 50 to 100.
Okay, we'll put on the paperwork like 100, you want to put 200, 150.
I'm like, well, I don't know.
And like, well, you know, just make it like double because that's just like, if something happened crazy, you change your strategy, you know, you just don't have to refile the paperwork.
And then a lot of the journalists know where to get this paperwork.
So Greycroft may have put that, like the upper target, which is kind of like, it's not even a stretch goal.
It's like the absurdity to one.
So I think I set it at 150 for launch fund four.
Just in case, like, I don't know, some strategic incredible investor, Masayoshi

San comes in and go, oh, Jake, I love what you're doing.
You know, I want to be partners with you.
Here's a 50 million, you know, and I already raised a hundred.
I'm like, okay, well, you know, now it's a party.
Let's go.
So there's kind of like that going on here.
Um, and so then they're like, huh, huh.
You know, like the kid on the Simpsons.
Oh, you didn't hit your target.
It's like, just so you know, they literally tell you, the VCs will tell you to double that target when you file it.
So, and they've raised it.
This is unbelievable that they raised a billion dollars, which is two funds in this environment.
Yeah, it's absurd.
So they painted this as a Greycroft is like struggling or some kind of train wreck.
I can assure you this is like a sign of actual strength.
What they should be saying is Greycroft has the Hutzpah, despite having 25 million dollars a year in fees on their billion dollars.
They have the Hutzpah to let go of a couple of people and refocus and add some people and, you know, make some trades for their team.
This is like trading, you know, a starter, you know, on your team and like two of your bench players, rotation players to get slightly better, you know, a slightly better starter and a couple of better rotation players.
This is far from a sign of weakness.
So shout out to the Greycroft team.
Shout out Axia.
Shout out Jessica as an information.
Yeah, I got you from all sides here on this week and startups.
I can give you both sides of the table here and everything in between.
That was good.
That was a good breakdown.
All right.
Last thing before we go and you tweeted about your three D's, the three days of how you I'm playing three dimensional checker.
Yes.
Of how you have to get in there with a reply.
I know.
I don't even want to don't even reply guys.
You're not even at that.
Yeah.
Can you just go through?

So this is about how you evaluate.
Okay.
So I'm helping investment.
This is how you evaluate.
Yes, I am in 20 venture funds plus four of my own.
So 24 told the way I like to manage my personal wealth is, you know, live in a nice house, buy a nice ski house, real estate I can use the equities that get kicked off from, you know, being an investor in private companies that go public.
So I have new bank.
I got square, you know, I have Uber, obviously, you know, DoorDash, I like to hold those if I love the companies and you can see me publicly do a little like $2 million in trading on J trading.
That was just for fun.
But then I like to put my money into venture funds because I understand that business really well and, you know, it's a 10, 20 year, but it should outperform the indexes.
And so venture is really, as I mentioned in here, three D's.
And you know, this happened because I've been meeting with a bunch of potential LPs over here when I'm in the region, family offices, people want to meet with the Sarva wealth funds and the three D's that I look at is deal flow.
Okay.
So proprietary deal flow.
How do you meet companies?
You know, if you're Sequoia, well, you're legendary.
Everybody wants you on the cap table.
Oh, if you're a Y company, you got a great reputation.
If you're a launch, I have two pockets.
They get 100 million listens combined.
And, you know, that creates our deal flow.
So deal flow is super important.
If you're, you know, a Stanford graduate and you might be on the Stanford network, if you're an AI PhD, you have some knowledge and you're respected.
You wrote some seminal paper and AI, you know, maybe people are drawn to you.
So that would be like proprietary deal flow.
So that's what I look for.
Then the second thing is your decision making process.
You've seen the database and our decision making process.
I have 13 reasons why we invest in a company.
I've got 25 red flags.
So that decision making process is really important.
And so when you're talking to a fund manager, hey, how do you decide what you invest in?

Take, walk me through the process.
You look at a company.
How do you figure it out?
And, you know, some people might be doing like super deep diligence, you know, on like the technology, you know, whatever.
And then doubling down, you know, in order to, your fund construction is the fancy term for it, it's pretty simple.
If you've got a great hand, you want to double down, you know, there's some hands in blackjack that you split because your odds are in your favor, depending on what the deal are showing.
I don't play blackjack, but, you know, if you flopped a set of aces and there's no flush on the board or whatever, you want to get as much money into that hand as possible.
So doubling down is critically important.
I didn't double down in the early part of my career.
I was like one and done investor.
Now you see me, if I like a company, they're having success.
They went to the accelerator.
We're going to investigate in their seed round and investigate in their series.
Those are my three.
Uh, competing for deals is another thing.
So you could have a see there, which would be, can they compete for deals?
I don't have to worry about competing for deals, you know, in the seed stage, there's usually 10 investors in your company.
So that was it.
I thought I would share that.
And I, I add one fund manager a year.
I added my fund manager for 2023.
I'll add another one in Q4 of 2024.
Do you get the same like startup tingle, you know, when you, when you meet a team of founders and you say, you get like the, whoa, kind of tingle.
Do you get the same thing with a venture?
Not yet.
With a GP or no?
No.
So this is way more about strategy, follow on strategy.
How do you get your deal flow?
Okay, cool.
And also like, you know, it's also like, does this person really need to win?
Like, is this important to them or are they, uh, have they quiet quit?
You know, there's a lot of like GPs.
I know who have basically quiet quit.
They're just collecting the fees.

They got people working for them doing the deals and they're just, it's such an incredible, um, position to have in the world.
You make so much money that fuck it.
I'm just going to, you know, uh, I'm just not going to quit the job, but I'm going to keep raising money and still be a GP.
So I got to like, um, you know, filter against that, right?
I need people who really want to win, who have a competitive edge because it's a very competitive business.
If you're doing it right, uh, you know, fighting for deals, fighting for deal flow, trying to make good decisions, trying to fight for more allocations to double down.
You really need to be a fighter.
Uh, you need to want it.
You need to have a really hard work to win.
I saw that clip of you on the, was it the LP?
I did a, the shout out to the LP podcast.
Yeah.
You talked about Doug Leone.
You're like, I thought that guy's retired.
I thought he's retired.
He's still there every time I go into the office.
It's like Carmelo Anthony.
He's sitting on the side watching a Knicks game.
The ball inadvertently hits him and he immediately gets out of a seat and he hits the three point corner three.
He's like, I'm in the game.
Put me in, you know, some, some, some folks just don't, can't quit.
So the only fan of the show.
All right, let's wrap it up.
Everybody, it's been a great show.
Thank you, producer Nick.
And we'll see you all next time on this week in startups.
Go check out the new website this week.
Startup.com.
Shout out.
I guess they are.