# Mark Suster @ Upfront Ventures

**Mark Suster:** [00:00:00] 19 98, 99, 2000 are nothing compared to the OVERVALUATIONS of 2021.

So we're two years into a correction. I think it's gonna take another

five. Of the 1260% were marked by four firms. SoftBank, tiger Chu. Insight people invest the most amount of money when the market is just about to hit the peak. When markets fall, that's when everyone sells and they sell because you start looking and I'm taking losses.

I can't absorb these losses.

**Harry Stebbings:** Welcome back, this is 20VC with me, Harry Stebbings, and I'm so excited for the show today. So I first met this guest seven years ago when we did our first show. It was such a special one to do then, and so this was even more cool to do in person in the studio in London last week. So joining me in the hot seat is Mark Sooster, general partner at Upfront Ventures, one of LA's leading early stage venture firms.

And before leading Upfront, Mark was a serial entrepreneur, having founded two software companies, selling both with the last selling to salesforce. com. And fun fact, I really learned a lot of [00:01:00] what I know in venture through Mark's blog. It's really one of the best both sides of the table, so do check that out.

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You have now arrived at your destination.

**Harry Stebbings:** Mark, this is so exciting. You know, I first interviewed like seven or eight years ago. I think it was on like a Skype call.

I was probably about, you know, 21 or whatever it was. But thank you so much for joining me in person today.

**Mark Suster:** I'm thrilled to do it. Thank you for offering. I did I have gray hair back then?

**Harry Stebbings:** you looked actually about 20 years. Young Adventure's. Really taken it out of Ed.

**Mark Suster:** it has. It's a grueling industry,

**Harry Stebbings:** it's so lovely to do this in person.

before we dive in, is there anything that you wanna start with?

**Mark Suster:** Yeah, I would. If it's okay with you, um, today is actually Passover, and Passover is a holy day for Jewish people. So you might ask why I'm here. this is maybe the first year I haven't been home with my family having a Seder.

I actually came to London to pick up my son who did a study abroad. but for any non-Jewish listener, I just wanna acknowledge what Passover is. It was the struggle of the Jews to flee from slavery from the Egyptian people. And it's a story from the Bible about the [00:05:00] goal of the Jews to return to their homeland and the homeland of the Jewish people.

Many people don't know. was actually Israel. And so we originated from, uh, Judea and Samaria, which is modern day Israel. And we over time were enslaved and, oppressed throughout thousands of years. We were founded about 4,000 years ago, and the idea of Passover is that eventually you will return to your ancestral land.

So we say every Passover next year in Jerusalem, and we've been saying this for thousands of years, I. and so I just want to acknowledge that there's still 130 people being held hostage in Gaza, the 130 people. For a lot of people who want peace, But the starting point is to acknowledge that there's 130 people taken hostage held by terrorists, of which it's estimated 20 to 40 of them are already dead and not released.

So at least on this Passover, I want to acknowledge the people who don't have the freedom that I have today.

**Harry Stebbings:** I mean, first, thank you so much for doing [00:06:00] it today. Um, and I didn't actually know that in terms of the historical context of Passover, so I really appreciate you sharing that. It's a tough one to also pivot from to venture, I have to admit.

But you know what? I've done so many of these shows, I can just do it seamlessly anyway, for those that dunno. Mark, how did you make your way into venture? Just first setting the scene.

**Mark Suster:** Yeah, so I first got into Venture in 2007. And in 2007 I had started two software companies.

My second company I sold to salesforce.com actually love Salesforce. It's a great company. But after you've been an entrepreneur for 10 years, at least for me, the idea of working at a larger company and a not running the company was not something I wanted to do.

I contacted my VC firm and I said, I think I might start a third company. And they said, have you ever thought about being a gp? Have you ever thought about being an investor? And of course I had thought about it. I think a lot of people kind of think about, would I make a good investor? The problem is, in 2007, people didn't really want operators.

A lot of VCs were not [00:07:00] operators. And so I said to my then mentor, my still mentor Eve sister, uh, who's the founder of Upfront, I said, I'll do it as long as I'm a gp, as long as I'm actually writing checks and being an investor. So in 2007 I started,

**Harry Stebbings:** if we just start on that. I actually sat down with one of the leading founders of one of the best firms the other day and he said, we get operator investors, wrong.

Founders who turn, investors are brilliant. Yeah. Operators are generally not okay. They've run divisions at large companies. It does not mean you understand the zero to one, the granular, and it's such a different element between founder turn invest and operator turn investor. And we should delineate between the two.

Have you found that as a difference, and how do you think about

**Mark Suster:** that?

I do think one thing that was unique about being a founder two times is I think I uniquely understood the journey, Just how hard it is. you know, we were talking just before we started about the kicks in the shins that you really take, as a founder even of a venture fund. I remember raising capital, [00:08:00] my mom, assuming I was gonna, IPO sometime soon. I'm thinking I have six months cash left in the bank.

My employees coming to me and asking if they should take out a loan to buy a house. And I'm thinking, God no. Like, why would you do that? I have no idea if we're gonna be in business in seven months. And you've gotta suppress all of that. You gotta turn up at the office every day with enthusiasm and, and telling people all the positive things that are gonna happen.

you sort of learn what that psychological thing is for founders. So that's something I try to bring to the table.

**Harry Stebbings:** How do you do that today, mark? Like, there's always hard times and you will continuously get punched in the face. Yeah. How do you continuously show up to the team and be like, no, no, it's great, it's all good.

And go home to your, your family and say, ah, it's good. it's sometimes not good, not

**Mark Suster:** It is true. It's sometimes not good. I think in order to be an effective entrepreneur and in order to be an effective venture investor, you have to be able to compartmentalize. You've gotta be able to put problems into a box and say, I know I'm gonna have to deal with [00:09:00] that problem.

I'm gonna deal with it at some point in time. But if that, encompasses everything I do, then nobody else can operate. What I learned was that there's a lot of people who can't deal with that. They can't. I, I'd say the majority of people can't deal with the stresses. So like in our worst days at my first startup company, which was based in London, a lot of the people who came from bigger companies quit 'cause they wanted to go back to bigger companies.

It proved too stressful.

**Harry Stebbings:** Can I ask you? Yeah. what was your worst days?

**Mark Suster:** Look, the things that people don't tell you about mentor losing money's hard.

For anybody and nobody wants to lose money. And taking write-offs is really painful. But there's worse than

that.

there's worse than that because we sort of, as an industry, we lionize founders and we say they're amazing. And VCs are of course terrible and evil. But there's the same proportion of good and bad people who are entrepreneurs, who are investors, who are big company people, operators, whatever, like the human population's, the human population.

So if you're gonna fund 120 or 150 [00:10:00] people, you're gonna find some entrepreneurs that are not good. you know, I found myself in a situation of people that I had backed four years, um, that suddenly. Turned bad they threaten you. They threaten lawsuits. You've gotta deal with the legal side of it.

I know many gps dealing with this now, and they call me and they can't talk about it publicly.

**Harry Stebbings:** do you think we'll see many more frauds come out from the

**Mark Suster:** lawsuit? You're already seeing it, you know, we're reading about it like almost monthly in the press. Yes. You're gonna see a lot more of it.

**Harry Stebbings:** it. Do

you think they will be exposed though?

**Mark Suster:** It's one step worse than that, which is, I know of a company in which the founder embezzled money, Literally stole millions of dollars in order to not end up in a big legal battle. Their VCs ended up settling they got all the stock back, but none of the money back. What he did was illegal. It's the same as going down to a, a bank and stealing millions of dollars. Like if you could imagine someone like that not being prosecuted, so they got back all the stock, he got to keep the cash, and they signed [00:11:00] legal agreements that they're never able to talk about it, and that stuff happens.

he will go on to raise money from other people.

**Harry Stebbings:** So when these hard moments happen, what do you do today?

With all the years of experience that you have? How do you manage that conflict in your own mind today?

**Mark Suster:** Well, I view the job of a CEO and the job of a managing partner at a venture fund.

So I run our venture fund is really to shield people from that. That's literally part of your job as a leader, is to shield other people from the stresses and pressures that you face. talk about you know, fundraising, like fundraising is not easy for bcs. Like maybe it's easy if you're Sequoia or Andreessen Horowitz, but for all the rest of us, fundraising's hard. I know through 30 years of doing startups and venture that persistence pays off

and your ability to work through problems pays off. So if I look at venture capital going and raising money, I used to tell people about fundraising, which is lemons ripe early. And what do I mean by that? So if you [00:12:00] go ask 30 people for money.

Five or 10 of 'em are gonna tell you no quickly. ' cause nos come quickly and the yeses take months. So the problem is psychologically you get in your head, oh my God, everybody's telling me no. And you could easily give up. And people do give up. And my mindset is, I know our returns are good. I know our team's good.

I know the opportunity in the market's good. I'm just gonna keep moving ahead and I know we'll get to the finish line, but it's my job to not let everyone on my team feel that way. So I have to suppress it.

**Harry Stebbings:** Okay, so I love so much of your writing, by the way. We haven't talked about this. I mean, one of my favorites is lines, not dos, but I do just wanna finish touch on the, um, lemons ripe and early. I find a lot, want to keep optionality. Well let Mark really interesting. Let's, let's stay in touch over the next few months.

And then when you come back and say, Yale and you name your great institution, and they go, oh, we'd love to be in. Yeah. And so actually, do lemons really ripen early with LPs actually being scared to get off the fence?

**Mark Suster:** Yeah, I think they do. there's no doubt about it that, [00:13:00] and we know that entrepreneurs get this behavior too from VCs where they say, you know, we really like you. We just wanna see a little bit more traction. And I tell all founders that we wanna see a little more traction. Is the same thing as saying, no,

**Harry Stebbings:** Well I think it's saying actually we don't believe in you enough right now. 'cause if we did, you just get over the data stuff. We've all done prey.

We've all done no

**Mark Suster:** course. So it just means no. if they actually tell you no, they're worried, you're not gonna come back to them. So they don't actually tell you no, they grin, fuck you. They smile at you and they say, as soon as you have more traction, please come back and see me.

Of course LPs do that too, right? It's human behavior. Um, but I would say two things. One is some actually do tell you no. and they tell you no in the nicest way they'll say. I'll give you an example. The equivalent of we need more traction is hey, we have a full stable of managers right now we're gonna do mostly re-ups.

It's one in and one out. So in order to take you, I would have to drop somebody else. That just means no, right? Like you have to learn the signs that mean [00:14:00] no. Or they tell you we're, you know, looking to be 17% in venture and right now we're 21% in venture, so we have to scale back. That just means no.

**Harry Stebbings:** I find that more agreeable though.

I'm like, I get that. That makes sense. The ones where I get very angry as a GP is when they do 60 references, 10 meetings with you and your team and then come back and say, actually we're still developing our emerging manager program and we don't feel ready for it.

**Mark Suster:** Yeah, and you should have known that before you did the

**Harry Stebbings:** Absolutely.

Like that's appalling In terms of the lines not dots, do you still agree with that? Like you fundraise con, like we all do kind of continuously. I'm shocked by how few LPs do invest without existing relationships. How do you think about that lines not dots and whether it really holds true today? So

**Mark Suster:** the analogy just for anyone who hasn't seen it, is, uh, on an x axis is time. And in a y axis is performance. And I always said to entrepreneurs when I meet you, you're a dot. You might be high on the y axis, you might be low on the Y axis, but however you performed, you [00:15:00] performed. And I formed an opinion of you.

If I meet you a second time, a third time, a fourth time, it starts to form a pattern. And that's the line. And sometimes the pattern is up and into the right. I can't believe you launched your product, you hired great people, your revenue's going great, and then your co-founder quits or sues you, or you got bad press or Google announces they're gonna crush you and then it's down.

But over time, you start to see a trend of who you're dealing with and the resilience they have. I think the same is true for LPs making commitments to VCs like, You have colleagues that left or you took a write off And what did you make of that? What did you learn of that?

How did you respond? How resilient are you? What did you do when everyone was writing huge checks at enormous prices in 2021? Were you doing the same thing or were you selling, were you taking money off the table so they get to see a pattern over time? Some of my best LP relationships said no to two funds before they finally came in.

I just viewed it the same way I am. Like, you just haven't yet seen enough of me to make a decision, but because I'm persistent, I keep going back. I always tell [00:16:00] this story about Morgan Stanley. So Morgan Stanley, I had gone to see Jamie Spars six times and six times. He politely said, not yet. And this is a true story as I was camping with my family, in Los Angeles, in tents and in case you don't know, I mean, another thing about Jews is, um, Jews don't camp.

Like, we don't do DIY and we don't camp. So this was like a big deal for me, and I'm in the middle of a tent with my family and I get a message from Jamie who says, can you be in West Contra? Uh, west Conshohocken? on Monday I left my family in a tent. I got in my car, I raced to the airport and I caught a red eye to Philadelphia to go see him.

And it was the seventh visit. I had no idea if I was gonna get him, but I already told you I'm persistent. We were raising $195 million fund and I was stuck at 110 and I hadn't got a breakthrough. And the reason we were stuck is I had just become managing partner and people said. Your first fund is managing partner.

I don't know how that's gonna go.

So I showed up for this seventh [00:17:00] meeting and two weeks later he called and he said, we're in. And I couldn't believe it. he said, you didn't even ask me the most important question.

And I said, what is the most important question? He said, how much? And I said, well, I'll take anything. 22 and a half million dollars from that 22 and a half million dollar commit, the whole fund came together and all the people who knew Jamie were willing to commit. And then my next fund, that took me 13 months to raise, okay.

2011, 2012. My next fund, took five months to raise because all the people who passed on that fund came into the next fund. That 2012 fund for us, I think is gonna be a, a phenomenal success. it should return north of five x capital, cash on cash. I'm just

thrilled that Morgan Stanley's getting

paid back.

I,

**Harry Stebbings:** if we think about lessons from the fundraisings, how do you advise founders on when to do a first close? I get so many founders that say like, say 30%, 60%. How do you advise them in lessons that

**Mark Suster:** So I have unconventional views on most things.

They always, I mean, the industry people [00:18:00] you meet will tell you you want to be one and done. 'cause it's a sign of strength, right? To show that you could close all your money at

once.

I always tell people, raise the minimum amount you can to get closed. So let's say you're raising a hundred million dollars, okay? If you can close on 20, if someone's willing to write that check and close on 20 close. And then you need to create a narrative on why you closed on 20. the nice thing about closing on 20, let's say you're on fund two.

If for whatever reason the rest of the money doesn't come, you're still in business. And all you need to do is get through the next two to three years. When you're raising your next fund, now you've got three more years experience. When you have the 20, you'll start deploying checks. Now you have 3, 4, 5 deals for future people to evaluate.

Usually in a fund you have up to one year. To raise the additional amount of money. So I always say to people, no matter what, just be in business. So my current fundraising, and I can't really talk about fundraising, but let's imagine I was fundraising. you go out to raise $300 million, let's say.

if you can get 200 in the bag and just put it away and be done, even though you're [00:19:00] not writing check, why wouldn't you? But you've gotta explain to people why are you committing before other people? Because no one wants to commit first. People always want to be the last

**Harry Stebbings:** in. What, what's a good narrative for closing on say, 20

of a hundred?

Because that's not even a minimum viable fund size.

**Mark Suster:** I think it is. If you can do a $20 million fund, sure.

**Harry Stebbings:** But if you were raising a hundred and say, doing a We Lead

**Mark Suster:** well, the pro, the problem with closing only 20 out of a hundred is it looks like failure. So the first advice I give to people is put the smallest number on the front of your pitch deck that you're possibly raising.

So if you want a hundred, you're raising 50 to 60 and then end up oversubscribed. If you close 20 of 50, that's still failure, but that's not as bad as 20 on a hundred. And you've just gotta have a positive errors. When you close to 20, you say to people, I think we will get to 50, I think we will get to 60.

And you have to believe

that,

**Harry Stebbings:** Sure.

**Mark Suster:** Sure. But, but you might not get there.

If they really negotiate hard, give them something like, I don't know, can you give them a little extra economic incentive for being the first [00:20:00] 20 to commit?

**Harry Stebbings:** Would you do that?

**Mark Suster:** I haven't done it, but would I do it? Of course I would if I had to.

Sure.

**Harry Stebbings:** So what would that be? That would be extra carry. That would

**Mark Suster:** maybe you get a discount on your fees. Maybe you have a slight discount on carry. Maybe there's some other incentive you can give to someone to committing the first 20 million.

**Harry Stebbings:** We know funder funds, I'm not singling them out, but they are the ones who normally have a problem with this. Mark, you said 50. Doing a hundred is a different fund size. there's a challenge where if you say too small of number and it turns out being double, you've got a problem.

How do you think about that? And is that not really the case?

**Mark Suster:** Would my strategy fundamentally change if I had a $50 million fund

or a hundred million dollars

fund?

Of course it wouldn't. What it means is I probably will, instead of having 25 investments, I'll probably have 35, 36 investments. Instead of writing $1.2 million checks, I might write $1.5 million checks. Instead of investing over a two year horizon or a two and a half year horizon, maybe I'll invest over a three and a half year horizon.

But it's not the same as going [00:21:00] from 50 to 550 to 500 fundamentally changes your strategy. 50 to a hundred, you're still playing in the same ballpark.

**Harry Stebbings:** Should you go after the institutions or the big names first, or should you go after your friends and your family get the local corralled around you?

Which one's the better one?

**Mark Suster:** first of all, money's money.

you could have Harvard, Yale, Princeton, Stanford, but their money doesn't come with anything additional, right? So money's money. Then the hard job is yours. Like you have to deploy it, you have to get founders to want to work with you, and then you have to make returns, right?

So it helps a little bit to have the brand than to raise other LP money. But money is money. do I think people should go for institutional money? Absolutely. Yes. Why? Institutional money is way more likely to be in fund two and fund three and fund four, whereas friends and family money's not as likely to repeat.

just like with CEOs who I might say, look, if you can't raise institutional money, raise friends and family money, it's the [00:22:00] backup. Probably not your leading plan. Same is true for funds like the funds. If you can raise from institutional investors, you should. And the thing is, there are institutional investors that wanna write $3 million checks.

So if you're raising a $50 million fund, like that's a good size for them.

**Harry Stebbings:** Our LPs sheep around brand names. Do you notice that big brand names your Harvards, your MITs as the world do convert people who could be on the sidelines?

**Mark Suster:** All investors are sheep. End of story. Like, I don't want to pick on LPs.

Like LPs are no different than VCs. They're no different than retail investors. I took my first investment course in 1997, and one of the things I learned from my professor at University of Chicago is that people invest the most amount of money when the market is just about to hit the peak. I. Why?

Because if you've been seeing three solid years of every time you write a check next quarter and the quarter after and the quarter after, it's worth more, then at some point the whole market comes in and wants to write checks.

So you sell. And of course, psychologically, that's the opposite of what you should be [00:23:00] doing. Like when markets see a runup, you should be selling. When markets are falling, uh, you should be buying. Now, I'll give you a real world example. 2008, fourth quarter of 2008, I had sold my company.

I had a bit of cash. I said to my wife,

I think

the stock market's a little bit beat up post Lehman Brothers. I'm gonna put money into the market. And I said to her, please don't log into Charles Schwab, because by definition the checks that I write are gonna be worth less. Two weeks later, two weeks later, two weeks later.

It's really hard to do and so I put a little bit of money and I dollar average down between about November of 2008 until about March of 2009, and for anyone who doesn't know, March of oh nine was like the nadir of the global financial crisis. I'm logging on every day saying, what have I done?

Psychologically, it was really stressful and

**Harry Stebbings:** and you keep doing it if you're a dollar averaging

**Mark Suster:** And that's what I did. And I kept writing checks and I kept taking losses. And I said to her, fundamentally, I believe in these company,

**Harry Stebbings:** that you got goosebumps.

**Mark Suster:** listen, I'll tell you the names. I bought [00:24:00] Verizon, I bought Altria, I bought DuPont. So I bought some safe names.

I bought Microsoft, I bought Google. I bought Amazon, I bought Morgan Stanley, I bought, Goldman Sachs, like I bought Citigroup. And then all of a sudden people are saying, Citigroup's gonna go bankrupt. I'm like, what have I done? Right? And then the market, of course, hit a huge rebound starting in April, and it, it was unabated until 2021.

But I sold, as soon as I

made a profit, I just, like,

I couldn't handle the stresses of it. But let me tell you now, in my professional career, Harry, I, in 2018, we had seen this booming market, right? I started

selling.

So we sold in 2018, 1920, and 21, and I've been public about this. We sold $1.2 billion worth of positions in 2021 when everyone was writing crazy checks.

I sold $600 million that year. Why Public stock markets in November of 2021? software was trading at 24.6 times NTM. Next 12 month revenue, 24.6. If you look at the 10 year average, the 10 year average public [00:25:00] market, 9.6, the 20 year average, 6.2. So I call that football field, one side of the pitch.

Like the low watermark 6.2. The other side, the high pitch, high watermark is 9.6 and we're trading at 24.6 in the public markets. In the private market, it was 50 times NTM to a hundred times NTM. It just made no sense, right? So we became a seller part of that was, you know, some companies just exited, but part of it was a conscious effort to do secondaries.

Okay. So I learned psychologically people are buying, I'm selling now in 2023, everyone was shitting themselves because they had so many losses from 2021. We did not. we did not just because we dialed back our pace of investments. I don't wanna say like, I'm perfectly smart and I timed the market perfectly, but we just had a sense, valuation said, gotten crazy.

So in 23. I started buying secondaries at discounts. We deployed almost $50 million into secondaries in 23 at deep discounts at a time where other [00:26:00] people were like scared about the market. And I'm like, I'm an investor.

**Harry Stebbings:** Do you sell all of your positions? Do you sell part of your position? I know it's dependent, but

how do you advise? Usually

**Mark Suster:** in a runup, I'll usually sell 33 to 40% maximum maximum.

**Harry Stebbings:** at a time or just generally?

**Mark Suster:** generally because I'm a venture capitalist, I believe in long positions. So if I have a company that went from, in one case, zero to 600 million in net revenue, Like it's hard to get to scale. So you don't wanna have your gem sold when you get to 600 million net revenue.

But at the same point in time, it was about three x overvalued for the public market comps. So I took 150 million off the table. I kept 200 long. I had some LPs say, why would you do that? And I'm like, I don't know. If I was a public investor, I would imagine I would do that. Why wouldn't a private investor do that?

70% of my LPs were gracious and appreciative and thoughtful and kind, but a couple were very vocal and it was hard.

**Harry Stebbings:** One thing that I really worry about today, mark, is like you mentioned, kind of liquidity and, you know, getting cash back. IPO markets are not [00:27:00] open and the spigot is turned off and Lena Khan is crushing m and a. Yeah. I'm like, shit, venture doesn't work when we don't have the other end of the spectrum open.

**Mark Suster:** It's funny you say this, when I first got into technology, there was one goal of every founder. There was one goal of every VC IPO. The problem with IPO, even if you can, IPO, there's no liquidity. So it's like a dirty secret.

Like you take a company public, it's worth a billion dollars. You hold 180 million of that billion dollars, but there's no float. There's no one trading the stock until you become enormous. So you're sitting on $180 million, congratulations. You can't get out. So that market is shut. But even if it was open, it's not Nirvana, right?

that's one channel, the second channel strategic acquisition. So we all aspire to exit to Google and Facebook and Amazon and whatever, and Microsoft, but that market is, you've already noted, is largely shut. So where, where are returns gonna come from? They're gonna come from private equity. So private equity firms [00:28:00] are gonna step in and buy assets from venture capital funds.

They will either buy a company or they will buy secondary. So secondary is the fastest growing part of the market right now. but here's the thing. They're gonna pay rational prices. 'cause there are professional investors who have to make money. They have to make a return. If you're selling at rational prices, how can you pay irrational entry prices?

So I've always said like entry price matters. You have to have discipline. Right? So our median, uh, valuation on entries between 11 to 12 pre at a time where people are paying 25, 30, 40 pre. It got crazy. Like in 2021, people were paying 60, 70, 80 pre for pre-revenue companies.

**Harry Stebbings:** Sorry, mark. They still are. Yeah.

In Europe we had three twenties on a hundred in a week.

**Mark Suster:** Really?

**Harry Stebbings:** For nothing. No revenue, no product, no nothing. So

**Mark Suster:** in 2021 and 2022, there were 1200 companies valued for the first time ever. At a billion dollars or more in the private markets? 1200. Okay. But let's give [00:29:00] you some historical context. But did the term unicorn come from, I assume you know, right?

I mean, they, yeah. So she wrote an article in 2013. If you look at 2012, guess how many unicorns there were? 0 why she called it a unicorn. In 2013, there were three. By 2015 there had been like 25 or 30. By 2018, these are net new per year. There was something like 50 or 60, and then fast forward to 2021, it was more than 700.

It was like 749 in that one year. Okay.

**Harry Stebbings:** so

**Mark Suster:** why the explosion? They were valued at a billion dollars. They weren't worth a billion dollars. How many public market companies do you think are worth a billion dollars in the us?

**Harry Stebbings:** I would have no idea.

**Mark Suster:** So if I take all of software and all internet companies, there are 343. That's it. That's the whole universe. That includes Facebook, Google, that includes Amazon, all of them, 343, [00:30:00] and yet there's 15 or 1600 in the private markets. How could that be?

**Harry Stebbings:** So how many, if you were to make an assessment, how many do you think are legitimate unicorns?

**Mark Suster:** Of the 1200 in 21 and 22 that were funded, my guess is a thousand of 'em will never achieve an exit value of a billion dollars or more. Of the 1260% were marked by four firms. SoftBank, tiger Chu. Insight, and I'm not saying they're not smart investors. They are. But there was this euphoria of people just paying prices, but the average SoftBank deal and SoftBank, the whole team is gone now, right?

Like I, I don't know if anyone's left, like all their investors,

and I'm not saying they're bad people either. Like, I mean, he made money on arm. He's, you know, he is certainly a smart guy, but.

They wrote a typical $300 million check into a company at a $4 billion valuation. Of course I'm making these up, but that's roughly about where they were. Founder took 20 to 50 million off the table and they know they're never gonna be worth $4 billion so that it's a zombie company. [00:31:00] So then the employees eventually are gonna figure that out and they're gonna leave.

So it becomes even more of a zombie company. There's no even cleaning it up, and so they've just walked away from those investments. So how many seed funds are there that are held at seven x nine x 12 X-T-V-P-I zero DPI on the basis of these irrational fake markups?

**Harry Stebbings:** Okay, so the question for you is, are they bad for our ecosystem? As you said, they will help a load of seed managers raise new funds. they will give confidence to LPs, rightly or wrongly. Are they good or bad?

**Mark Suster:** I don't ever ascribe good or bad. Like markets, will be markets and there's not good actors and bad markets. There's markets. if you look at the over recapitalization, for example, of the telecommunication industry in the 1990s in the US a lot of people lost money.

There were a few winners, but a lot of people lost money. But out of that, out of the ashes, rose the broadband industry because all that money fueled laying down broadband fiber to the home. So there's gonna be some good, there's gonna be some [00:32:00] bad. But here's the thing you should know, 1998, If you look at venture capital, it took two years for the top quartile to go from one x to 3.3 x.

Okay? Two years. Think about what that means. I have to deploy my whole fund. And my whole fund has to be marked up 3.3 x in two years. The only thing that could deliver that kind of returns for an early stage fund is momentum. It's like not based on fundamentals. You can barely even finish your code in two

years,

And it fell from 3.3 down to 1.4. But, it took five years to be marked down from 3.3 to 1.4. And this is top quartile. This is not the whole industry. And by the time TVPI turned a DPI at the end, it was 1.7. It never, there was no dead cat balance. It was flat. So five years, 19 98, 99, 2000 are nothing compared to the OVERVALUATIONS of 2021.

So we're two years into a correction. I think it's gonna take another five.

**Harry Stebbings:** our managers [00:33:00] accurately reflecting their books today.

Do you think I'm in LP and lots of funds. I'm sure you are too, because the numbers still look pretty high.

**Mark Suster:** Sequoia cel, people like that who don't ever have to think about fundraising, they immediately take

**Harry Stebbings:** market. Yep.

**Mark Suster:** so we had zero SoftBank deals, we had zero tiger deals.

We had one CO two deal, one inside deal. I'm not saying good or bad of any of those deals, but like we didn't have irrational markups in our portfolio. So you either are. A fund that never has to think about fundraising. You just take the markdown or you're a fund that never subscribed to all the hype in the first place.

You don't have as far to fall. But for a lot of people, I think they're not taking the markdowns they need to take. I mean, look at, um, what is it called? Lacework or whatever. It was valued at eight and a half billion dollars and it's reported in the press getting sold for 300 million. That's just one of 1200 companies that's gonna go through that.

Or at least a thousand.

**Harry Stebbings:** think about funds who said I'm only gonna hold it at 6 billion instead of eight and a half billion? I'm only gonna hold it at 5 billion instead of eight and a half

billion. [00:34:00] Okay, but Mark, have we actually learned anything?

I am seeing the most astoundingly ridiculous pricing deal activity on AI companies customer support tools for ai.

**Mark Suster:** the answer is no. We don't learn anything. We're doomed to repeat history. So let's also go to

**Harry Stebbings:** data, but will we even have a correction? Because it seems like here venture was about to, and then it's like, boom, ai.

Of course,

**Mark Suster:** of course you will have a correction.

So let's look at

ai.

If you take generative AI companies at the seed stage, I mean, you know, any seed deal is overvalued. Any, any startup is overvalued because you're talking about a company that has no customers, no revenue, no nothing. But if you want to do generative AI in 20 23, 20 24, you're paying 44% premium to do a generative AI deal.

Remember, entry price matters, exit price matters. at the B round, it's like 200% premium to an enterprise software company. So let me say this to you, Harry, and this is the hard thing about investing.

**Harry Stebbings:** To make

**Mark Suster:** money as any investor, you have to believe something that other people don't believe, [00:35:00] and you have to be right.

So if you're betting on generative AI for the first time in 23, 24, 25, good luck making returns. ' cause even if you get into reasonable companies, and chances are you won't. But even if you get into reasonable companies, you're paying a premium because the market has already moved there. The arbitrage is gone.

If you were in crypto in 2013, 2015, 2017, you made a lot of money, right? You pushed all your chips in 2021. Gotta help your returns. So this is the weird thing. You go to see LPs. LPs wanna talk about the trend of the day because they're hearing about generative AI in the press. They're hearing about it from every vc.

Right now, upfront is not doing a lot of generative ai. What are we doing? I'm doing things that LPs are not hearing from other people. I may turn out to be right. I may turn out to be wrong, but lemme give you some examples. If it's okay. We're putting way more dollars into space right now.

Why? If you look at 2005, 2005 was a seminal moment in our industry. That's when AWS was launched, By 2009, the [00:36:00] cost of launching a startup went from $5 million for infrastructure, for sun servers, for Unix, for Oracle databases, for web hosting. It went from $5 million down to 500,000. So you had a Cambrian explosion of startups starting around 2009.

It wasn't like VCs suddenly woke up one day and said, you know what? Instead of giving $5 million to founders, let's give $1 million and let's create a. Category and we'll call it a seed fund. All of it was driven by Amazon, all driven by AWS, and it changed the way our whole industry works. 'cause you could launch things for 500,000. The same thing is happening in space today. Falcon Nine, the SpaceX Rockets, which are now re relatable. So you don't need new materials, you just need to refurbish. It has decreased the cost per kilogram, to launch into space by more than 90%. So what's happening? You have an increased cadence of things going into space, and you have an increase in startups trying to take advantage of that.

So there's been more than a hundred spin outs now from SpaceX, more than a [00:37:00] hundred. They've raised more than $10 billion and the vast majority of 'em are in Los Angeles. So that's why we're super active there. We both believe in the market and we have a bit of a home field advantage.

**Harry Stebbings:** you not think everyone though, sees that, like, given the cadence of Spinouts from SpaceX and the amount of funding that's gone in, it's not really a contrarian thesis, is it?

**Mark Suster:** I should say of all the companies, that are spinning outta SpaceX, something like 30% of 'em are going into space. There's people going into energy, there's people going into clean tech. other types of infrastructure.

But what it's doing is it's leading to a moment in Los Angeles where there's a lot of hard tech founders working on things that wouldn't have been funded five or 10 years ago. of course there are other VCs, there's great VCs focused on it. You have founders fund focused on it. You have Lux focused on it.

You have Andreessen Horowitz focused on it, but the overwhelming majority of the industry's not focused on it.

**Harry Stebbings:** Do you not worry that we have a generation of formerly software investors now moving into hard tech, infrastructure, energy? These are fundamentally [00:38:00] different games.

I do not play this game 'cause I don't get it. Like I don't do biotech. I think we're gonna see a huge amount of people like we did in oh five with clean tech, lose a lot of money 'cause they don't get it.

**Mark Suster:** Of course you have to have skills. So as I look at my practice, we don't, have generalist investors. We have specialist investors.

I actually don't believe that much in a concentrated fund around one theme. we are, what I've started calling multi thematic fund. We have themes, but we have five or six themes, and so we have partners who just stay in their swim lane of their themes. So I have a team just looking at space and national defense.

I have a separate team just looking at healthcare. When we started doing healthcare investments in like 20 14, 20 15, 20 16, most people in venture capital were saying, don't invest in healthcare. It's a regulated industry. It's hard to make money. Some of our best returns are now coming from that sector.

We try to stay focused on what we know.

**Harry Stebbings:** Do you also worry about accident environments for those companies?

They are not traditional, there's not like 20 space companies in the public markets, like there is consumer [00:39:00] enterprise

**Mark Suster:** Well, first of all, if I define space as rocket launching, yes, there's not a lot of exits, but what is actually happening in space, the vast majority of what's happening in space is satellites and it's communication.

So it's either earth observation or media or telecoms. New use cases are emerging and they will emerge, like, uh, extracting minerals or zero gravity manufacturing. There are new use cases that will be created. But do I worry about X environment? I worry about X exit environment for all of venture.

You're a software company. If you become big, who's gonna buy you? Like who's gonna buy all these $13 billion

**Harry Stebbings:** companies? Mark what happens to the m and a environments? Like, you know, we have the CMA in London that blocked

**Mark Suster:** Figma,

**Harry Stebbings:** London blocked Figma.

**Mark Suster:** the biggest buyers will struggle to buy the biggest companies.

that's why I think a lot of those may end up well, either you get big enough to IPL and there will be plenty of those. or you end up getting bought out by private equity who ultimately probably combine you with other businesses until you're big enough for an IPO. but it's [00:40:00] probably easier to get exits at the $250 million to a billion dollar level 'cause the universe of buyers is much greater.

Back to this idea of capital efficiency, back to this idea of entry price mattering.

**Harry Stebbings:** do you think founders have realized that message? So

**Mark Suster:** I think it matters. What teams are you backing?

There will always be founders who are going to be the biggest players in the industry, and those companies, if they're successful, will drive great returns. So, and oral, but amazing company like God bless everyone who backed that company. It's really important for national defense, for, for the United States and for the western world.

And they have really big ambitions and I think it's gonna be a public company

one

**Harry Stebbings:** that do, do you agree with the thesis of like, uh, founders Fund who kind of go instead of trying to be in the category around it? Regardless of stage, just be in the company. Which is why they're like plowing into open ai, which is why they plow into

**Mark Suster:** Android

**Harry Stebbings:** just being the number one at whatever price.

Or are you like, ah, there's ancillaries around the

**Mark Suster:** I don't know is the [00:41:00] answer. I know it's not my strategy. I know that I don't have the skills to do it, but look at their history, like they've been incredibly successful with that strategy. It's kind of hard to bet against Founders Fund. Their returns have been phenomenal.

Their team's been phenomenal.

**Harry Stebbings:** do you outcome scenario plan when you invest?

**Mark Suster:** Not really, but we do generally think about what we think the exit environment's like. And we care a lot about valuation and discipline because for us, I can't plan that Founder's fund world.

I'm not. Brian Singerman or Peter Thiel or you know, any of these guys who have been able to plow 150, $200 million into a single company and be right consistently so it matters to

**Harry Stebbings:** us. You said 1112 for entry price. And I love your honesty around price discipline. 'cause everyone normally says, well, it just matters that you're in the best companies.

Question on 1112, anyone who comes out of a great company now raises five on 25 from Andreesen.

**Mark Suster:** How

**Harry Stebbings:** you do 11 or 12? And does that mean that you're getting

different founders?

**Mark Suster:** I,

your question actually is, is there selection bias? Are you picking companies that [00:42:00] are not gonna be as good? I don't agree with the premise.

I don't believe that everyone raises five on 25 from Andreessen. I think Andreessen's great for some people, not good for other people. our median, investment pre-money is 11 or 12, but we pay 20, we pay 25. It depends on the founder. It depends on how much progress they've made. It depends on what we see as the opportunity and how competitive it is.

do I think that there's selection bias? No. There are great people who leave companies. You have to make an earlier bet. I might have been able to wait six months, nine months, 12 months to make a bet. We have to know the founder before they created the company.

**Harry Stebbings:** How often when you break the rules, are you right or are you wrong?

**Mark Suster:** I don't think I can really put a number on that. I think, post hoc, we rationalize everything. we just want to back the most talented founders working in the industries that we're focused on. we want to stay disciplined since 2009, if you take every one of our funds, they've been median between 3.2 to $3.5 [00:43:00] million, first check in, and they've been median between 18 to 21% ownership.

That's what we do, that's our strategy, and we're disciplined about that strategy. We haven't diverted from that.

**Harry Stebbings:** How do you think about reserves?

**Mark Suster:** we invest 40% of our fund, usually 42% of our fund, and we reserve 58%

**Harry Stebbings:** in the next subsequent round or in the subsequent two, three rounds. How do you think about that

**Mark Suster:** distribution?

The 58% is reserved for all subsequent rounds. Okay. And, and you know, the job of every VC is like, let's create three buckets after we write the check bucket. One the companies that just clearly aren't gonna work. And then you try to minimize the amount of capital you put into those. Bucket two are the ones that are clearly working and you really want to back up the truck as much as you can.

But bucket three also matters. These are companies that you really believe have a prospect of building something big, and the market just hasn't accepted that yet. And getting them over the hurdle matters. Well,

**Harry Stebbings:** bucket three is also, ah, I don't know, it's kind of just a bit in the messy middle, it's slower, it's harder, whatever. [00:44:00] But my question to you is like, I don't think the rocket ships are sustainable value generators, and I think we overestimate our ability to pick our winners early, especially between seed and a. With that in mind, I question the effectiveness of reserves. especially if you get ownership like you do,

**Mark Suster:** just disagree.

first of all, I disagree with the premise about the third bucket, which you kind of say, oh, those companies, I don't know how you characterize it, but aren't likely to work. Some of our best returns have come from companies nobody else wanted to fund, but they were doing something fundamental it just took longer on average, of our companies that take longer and that we had reserves for, on average, it took six years to raise a growth round.

But those companies by definition are more capital efficient because they didn't have access to it. I have six deals. That fit this category that returned $1.4 billion of returns in companies that other people didn't want to fund.

**Harry Stebbings:** agreeing, I'm saying that I don't like putting money into the rocket ships because they've got huge, huge traction early.

I [00:45:00] don't think

**Mark Suster:** so, so, so, yeah, I got it. So look, we have three things we look at for your next round. Do I still believe in the market? Sometimes you write a check and a year and a half later you're like, uh, I was wrong about that market. Right? The second thing is, do I still believe in the team? So sometimes you're like, God, I got the right market, but I got the wrong founder.

And you can tell the founder's not gonna get to the next level or the founding team. Sometimes you have the right market, the right team, but you don't believe in the valuation. And we have been disciplined about that. Like one of our best performing companies, they went from 15 million valuation to $90 million valuation.

To $500 million valuation and it's gonna be worth billions. I'm very confident of that. But when it hit 500, it didn't have the traction to support it at the time, and we just didn't write a check.

**Harry Stebbings:** There comes a time when it's not effective use of reserves. Dollar averaging in at that price. Exactly. There's an opportunity cost of your dollars.

**Mark Suster:** it didn't make sense for us given the attraction of the business, but I still really [00:46:00] believe in the team and the market and it's just the price. I didn't,

**Harry Stebbings:** People always say with this business, ah, founders, founders, founders, founders first. When you mention they're kind of the three criteria for reinvesting, for investing, how do you think about market product people

**Mark Suster:** Look, you can have great people, like amazing people, but if they're focused on the wrong market, the returns aren't gonna be there. So it's a combination of the right people on the right market. And I know that's kind of a hedge, but it really is that we're kind of 70% founder driven because I think great founders, if they're pointing at the wrong opportunity, we'll start to pivot towards a better opportunity.

So we're probably 70% founder driven.

**Harry Stebbings:** When you've got it wrong on founders, what have you not seen that you wish you had seen?

**Mark Suster:** Well, if you get it wrong on founders, it can be someone who wants to take a quick exit and they want make a little bit of money, and none of the investors are really gonna achieve what we wanted to achieve.

It's the short-termism that, you know, we're really trying to bet on people who want to do this for 12 to 15 years. Like that's [00:47:00] extraordinary for someone to want to do it for that long. Um, so that's something that we get wrong sometimes.

**Harry Stebbings:** Mark, what's been your biggest investing mistake? I think we learn a lot from mistakes.

**Mark Suster:** Early on in my career, it's exactly what you said. When I had winners, I wanted to pile money into winners and it worked for me for the first two times I did it. And so I just thought, that's the thing you do. And then I had one big company that was incredibly fast growing. It was the fastest growing company I had ever seen.

And so I piled money into it and it ended up being a zero. We, we had an offer to sell the company for $350 million. Founder didn't want to sell. Market changed and it eventually sold for zero. Yeah, it was hard.

**Harry Stebbings:** How did you change as a result of that?

**Mark Suster:** So we started getting more disciplined about reserves, and I started doing better planning and realizing that what drove me to make the mistake in the first place was ego. I was driven by like. I'm not gonna have a new investor come in and own more than I own because I've done all the hard work for the last three or four years, or this is my winner. Like, okay, I know I [00:48:00] have $6 million into this, but why wouldn't I have $15 million into this? I think really ego got in the way and I made that mistake really early in my career and then I started advising the rest of my partners.

I'm like, don't let ego get in the way. Like we can love the founder, we can love the market and just not love the

valuation.

**Harry Stebbings:** I think it's quite dangerous for younger investors deploying capital if they've never raised money. It's so easy to come into venture and be like, oh, amazing.

Founder of 5 million, 5 million, 5 million me. And you know, it's fucking hard to raise money if you don't have the perspective of how difficult it is. I think it changes how you think about deployment,

**Mark Suster:** not just raising money is hard. Driving returns is hard, right? It's easy to write checks, writing checks is the easy part.

Making returns is the hard part, and so I always tell people like when you're new in venture, if you look at seven deals and you have great networks, and you look at seven deals, you're gonna find three that look good, and you're gonna want to write those three checks. If you look at 70 deals, you're still gonna find probably three, maybe four that you really like to do.

If you look at 700 deals, [00:49:00] okay, it's not gonna be a three or four. You might want to do seven to 10 deals, but the chances that those first three gonna be the deals that you do is almost zero. It really is a numbers game. You really need to see lots of deals, and over time you start to realize this is something special.

So I tell people, just be patient when you first join venture. Don't deploy capital too quickly.

**Harry Stebbings:** Do you think richer investors make better investors? They're not scared of downside. They don't kind of worry so incessantly. It's like, ah, you know what I believe? they have that upside maximization mindset.

**Mark Suster:** I dunno, but I think like deeply analytical people who are self-confident enough to believe something that other people don't believe. When everybody tells you you're wrong and you're still making the investment, that's what matters.

You know, and believe me, I've done, for the last 12 or 13 years, I've been doing hardware investments. You know, we did an investment in Ring. We were the seed investor in Ring. Everybody on Shark Tank passed on it. We wrote

a check.

I wrote a check into Nana at a baby camera company. It produces hardware.

To this day, people still [00:50:00] tell me like, why would you invest in a hardware company? But. Apple's a hardware company. SpaceX is a hardware company. Tesla's a hardware company. Hardware plus software is incredibly valuable. So the hardware actually provides you with a differentiated return if you also have a services business.

So for me it's hardware plus software. And believe me, a lot of people don't agree with

**Harry Stebbings:** that.

Does that not just show you how hard venture is? If you think about Ring, it's like a billion exit. You have 12, 15% on the exit. You're like 120 million back on a 300 million fund. It's like 40% of the fund.

**Mark Suster:** I wish he didn't sell. I understand why he sold. I think it was right for him and maybe it was right for the market, but I mean, Amazon sells. Billions of rings now. Billions of dollars worth of rings. Like I look at what could this

have been?

**Harry Stebbings:** Yeah. On our door. Yeah.

**Mark Suster:** yeah, yeah. They're everywhere. Now Jamie would argue, and he's probably not wrong, that Amazon wanted to own this market anyway, and Google really wanted to be in this market anyway and it was gonna get too competitive.

**Harry Stebbings:** is there [00:51:00] anything that you are not asked that you wish you were asked before we do A quick fire mark

**Mark Suster:** that I'm not asked.

Um,

**Harry Stebbings:** are you worried about Trump?

**Mark Suster:** yes, I am is the honest truth. I fundamentally don't believe that he cares about democracy and so that worries me. And I know that a lot of people that I'm friends with don't share that view. Um,

**Harry Stebbings:** would you prefer Biden in this state?

**Mark Suster:** Look, I'm like everybody else. I'd prefer third. You know, I'd prefer somebody else. but these are the choices that we have and it's, it's a not a great choice. You know what worries me? of course the extreme right worries me. It always has. But the extreme left worries me too. And they've become so radicalized and they really become radicalized against my people.

They become radicalized against Jews. If I could say it to you this way, there's, I don't know, about 2 billion, Christian people

in the world. There's about 1.3 billion Muslims in the world. There's a little over a billion Chinese people in the world. There's a little over 1000000001.3, 1.4 Indian people in the world, right?

[00:52:00] Like this is the world's populations. There are 15 million Jewish people in the world, 15 million. That's 0.15% of world population. We have historically, for thousands of years, been amongst the most persecuted people there are. We were forced out of North Africa.

We were forced out of Iran and Iraq. We were forced out of these places. We returned to our ancestral homeland. The land that we acquired, we acquired. By purchasing it. We purchased it in the late 18 hundreds. up until 1947, it was all purchased. Zionism was a movement to aggregate money and convince people to return to their ancestral homeland.

It was not a state. There was, it was a British mandate. It was occupied by the Ottoman Empire for hundreds of years, and then by the Brits. The Brits took the land, and they said in 1917, the Belfer Declaration said, we're gonna give a land to the Jews. The Jews are gonna have an ancestral homeland and there were roughly the same [00:53:00] size population of Muslims as there were Jews at the time, and they were granted a homeland.

And to see the far left now villainize the most oppressed people in history, that we somehow are, the oppressors is beyond absurd, but it happened in the uk. Jeremy Corbin allowed antisemitism to rise in the far left in the uk and it's happening in the US and we need to put a stop to it.

**Harry Stebbings:** I ask, when you look at the rise of antisemitism, we mentioned, you know, what we're seeing at Columbia right now do you think that's always been there, deep-seated antisemitism within these people who we haven't seen before? Or

**Mark Suster:** it just deep seated antisemitism has existed for thousands of years, right? It's,

**Harry Stebbings:** but it's not the topic du jore of middle class white

people who just want

**Mark Suster:** something, but let give you historical context. Let's look at Russia.

So Russia, there was something called pilgrims, which are, the Russians have been killing Jews for hundreds of

years.

In 1917, you had the Bolshevik Revolution and they said out with the leadership, who's the autocracy? Like the common man. The common people are gonna take control of the company.

[00:54:00] Socialist movement, right? The Jews were incredibly supportive of that. Why were they supportive of that? Because they'd been oppressed for a hundred years. They're like, wait, we all get to be equal? And you know what the Bolsheviks did? They turned around and said, yes, we're all equal except for the Jews. Right, so the Jews don't have a seat at the table. So they started to oppress the Jews. The Russians have been some of the most oppressive people killing Jews for hundreds of years. So do I think it's new, like, I would tell you that antisemitism,

**Harry Stebbings:** you believe all these like white middle class students who are suddenly anti-Semites have suddenly have always been anti-Semites.

I'm almost just like, I think it's topic du jore. I'm gonna join that brigade for today,

**Mark Suster:** for you to be willing to deny that more than 1200 people were killed on October 7th. For you to say that people weren't really raped, that babies weren't really killed.

For you to believe that Jewish people who, I mean something like, uh, 20%. Of the [00:55:00] population of Israel is Muslim today. They have elected officials in the Israeli government, on Israeli courts and senior positions. And for you to call something like that, genocide is beyond absurd. And is it a perfect democracy?

Of course not

and do I believe in every one of their policies? Of course not. But it's a democracy, It's a democracy that welcomes minorities, that welcomes women in leadership roles, and now suddenly for the far left to try and villainize that, it's like a, crazy ideology.

**Harry Stebbings:** What do you do if you're a university?

We've seen universities struggle to manage it in any effective

**Mark Suster:** Well, thank goodness you have activists, especially the donor base and the parent base that are starting to revolt against

Harvard,

against Penn soon against Columbia. And they're forcing change. And I hope that forced change continues where, education should be a place where all ideas can be explored, but where no single group is targeted, like the way that [00:56:00] Jews are being targeted now at Columbia.

Can you imagine any other oppressed group, black people or Latino people or Chinese people or LGBT people being marginalized the way Jews are right now. It's beyond absurd.

**Mark Suster:** it's been lovely to see you. I really appreciate you

**Harry Stebbings:** it.

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[00:59:00]