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When we started @CourtsideVC in 2016, the biggest question we faced was "Can you really generate venture returns investing in sports?". 5 years later, we have enough data to share. This is the story of how we turned our passion for sports into a business.



First, some context. When I started my sports analytics software company in 2009, I was unable to raise a single dollar in venture capital. I ended up having to cobble together \$10K, \$25K and \$100K checks from individuals to get things going.

At the time, there were no venture funds focused on this space and generalist VCs simply did not believe in the market size of sports companies. As a result, almost all of them ran to the hills when they heard the word "sports".

Even when we got to ~\$10M in recurring revenue, there was nobody knocking on our door to try and give us growth capital to see if we could build something big. Ultimately, this forced us to sell short to private equity guys who destroyed the business.

Fast forward to 2016 and we felt the sports, fitness and gaming markets were on the verge of exploding - these were three places where the next generation was spending its money & yet there were no early stage funds setup to fund these entrepreneurs and strategically open doors.

We were lucky enough to raise a \$35M fund from only 2 strategic LPs who gave us a chance to prove that it was indeed possible to generate outsized returns in this space. We made 40 investments out of this fund in seed and Series A companies. Avg initial check size was \$450K.

As of today, the value of the \$35M Fund I is ~\$80M which give us an MOIC (multiple on invested capital) of ~2.61. In true venture fashion, 92% of those gains come from just 3 companies.

We've also had 3 exits, but all 3 were early, resulting in small returns to the fund, which we were able to recycle. One was sold to Microsoft and another to Salesforce. We do still have about 15 companies that are relatively early and could have big outcomes.

We've also had 5 companies completely fail and return no capital. There will no doubt be more of those over the next 5 years, that's just the nature of early stage venture.

To give you a look into our 2 most successful deals to date:

\$300K check --> currently worth \$15M

\$5.5M check --> currently worth \$35M

To do these 40 deals, we looked at no less than 8000 companies over the course of 4 years. We saw almost every single deal in our space, which gave us great perspective. We don't lose sleep over passing on a winner, but we are distraught if we never saw it.

So how did we prove the sports haters wrong?

We had to challenge the traditional definition of some of these terms.

Sports isn't just selling products to teams and athletes. It's about media, collectibles, content that people consume and the culture that transcends the game.

Fitness isn't just about gyms and equipment, it's about personalization, data, nutrition, recovery, mental health and smart connected devices.

Gaming isn't just about selling \$60 console games, it's about the shift to cloud, mobile games, cash games played around the world, tools for developers to build better games, and networks to connect gamers.

To generate these returns

1. We had to make sure we were the first call entrepreneurs made when starting a company in our verticals
2. We had to stay incredibly disciplined about not chasing hot deals that were being overpriced
3. We had to double and triple down in our winners

Of course we made a bunch of mistakes too:

1. We did too many deals in Fund I. We should have stopped at 25-30 deals instead of doing 40
2. We should have written larger initial checks and focused on ownership percentage.
3. We shouldn't have done any deals that were outside of our core focus.
4. We should have challenged ourselves more to see what was possible instead of assuming that certain business models wouldn't work because of the status quo.

Ultimately, it's really hard to consistently return 3X+ funds in venture. Doing it as a new generalist fund these days seems crazy. We think we can do it because we have the benefit of getting to pick the best companies only in our verticals.

On the back of having proven our thesis in Fund I, we are now investing out of a bigger Fund II. Hopefully we'll be able to beat those Fund I returns while doing far fewer deals..... but still doing what we love every day!