Coinbase Cuts AI Spend by 50% | Kalshi's $40B Valuation & Impending IPO | The Year for SaaS Roll-Ups

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SUMMARY

The podcast discusses the current state of tech companies, particularly focusing on the impact of AI on their financial performance and strategies. The hosts express frustration with CEOs who emphasize AI capabilities without demonstrating tangible revenue growth, especially in companies outside the AI sector. They analyze Coinbase's recent spending cuts and the implications for other tech firms, while also exploring the competitive landscape of AI and software companies.

- *Frustration with CEOs sharing AI performance data without financial results.*
- *Coinbase's spending cut by 50% amid increased usage of open-source tools.*
- *The importance of demonstrating revenue growth in the age of AI for tech companies.*
- *Concerns about the sustainability of AI spending and its impact on profitability.*
- *Discussion on the potential disruption of enterprise software by AI agents like Claude.*
- *The role of competition in driving innovation and pricing in the AI sector.*
- *Skepticism about the long-term viability of certain tech companies without significant growth.*
- *The need for transparency and honesty in venture capital regarding growth expectations.*

I am getting burned out on struggling CEOs on Twitter sharing performative AI data when they're not AI companies. Like, show me the money. If you can be the largest tech company on the planet and still not make money, you might have oversized your ambitions a little and it might pay to come back a bit. This is 20BC with me, Harry Stepping, and today it's my favorite show of the week. Rory O'Driscoll, Jason Lanin coming together to discuss the biggest news that's happened in the last 7 days. Software companies in the age of AI are either accelerating or irrelevant. AI is going to be like the oil situation in the Persian Gulf today. This is the only podcast that you need to listen to every week to stay uptodate on what matters in tech. Poor Warren Buffett is like, "It's time for me to die cuz you people have lost the plot." As we record this, greed will still trump fear, right? Ready to go, boys. It is the holiday edition, baby.

Coming to you from the British Riviera. Um, I'm looking forward I always say this is like, you know, the UK's San Trape and then people look up Franon and they're like, "Huh?" Um, Americans don't get the British sarcasm is my lesson from >> Yeah, I get too car. >> Uh, we have we have a lot of news today. I wanted to start on what I think is probably one of the biggest topics of the day, which is more a m macro topic or meta topic, but it was brought to light by Brian Armstrong and Coinbase, which is Coinbase spend down 50% this quarter, but usage up with regards to how they're utilizing open-source, and that's taking away from their frontier model usage. How did we read this? Is this the new normal? Is this a frontier company with a frontier founder doing frontier things in terms of switching so efficiently? How do you read this?

>> I have a lot of thoughts, but um I've and this got so much traction, right? And I think it's an important topic, but I I'm just getting burned out on performative social media from struggling CEOs that aren't an AI companies trying to act as if they're at the bleeding edge. I'm I I really don't care what a lot of these CEOs think about the performance of the latest LLM on their boring old AI% or or or crypto company but man I'm just enough of the crap from >> Brian Chesy and the AR I mean these are generative generational founders use Harry's words but I'm just it's just performative like put the numbers up boys sorry we're in a crypto winner sorry Airbnb is still below its IPO price go do something about it. Go [__] do something about it. I've had enough. I I'm in a totally different place. Right. So, um because I actually thought it was a really great piece and and in one sense, >> hang on, let me finish.

>> In one sense, let me agree in one sense. It's precisely because in the continuum from frontier amazing AI company to boring, stodgy corporate America, Coinbase is now plus or minus in the middle. This is your point. It's not a, you know, it's four or five year since been public. It's it's not a bright shining frontier AI company, which is what makes the piece so good to me. It was like a just a common garden tech CEO saying I was spending X a year ago. It exploded in the last five six months primarily because of the ability to do code generation and I got to grips with this thing and I reduced my spend by 50% in the last two months and here's how I did it. Right? It's precisely because it wasn't some frontier leading company that it makes it more relevant because I think every single company spending 50 million 10 million on Claude is going to look at this and say if we haven't done all these three things in the next month someone's head's going to roll. It's cost management 101. But what it said is in the space of two months by getting to grips with your spend you can continue to innovate continue to generate more tokens but cut your spend by half.

Right? So, I thought it was a really great piece. >> It It is. It's just Coinbase fell uh minus 30% was its last quarter. >> Yeah, but it's those things. >> No, I'm not disagreeing with you. I'm just >> And I think the graph and the chart were great. I'm just burn out. I want a leader doing this. I want a leader doing this. >> What about an even shittier company and you know, we got lots of shitty pick on if one of the man if one of the automotive manufacturing companies which are fundamental business challenges also did the same thing and said we were spending a h 100red million on AI now we're spending 50. it would be just as relevant. I don't think and in fact I would argue it's precisely those companies that are under cash pressure and earnings pressure that are going to get their [__] together on not spending too much money on AI which is why it's more and frankly that's most companies very few companies have the luxury of a venture-backed AI forward startup that can say you just get this done no matter what most companies have cost discipline. Is optimizing your LL spend really going to help if your if your revenue is shrinking minus 20 to 30%. I just don't see it's going to like reignite growth in in your in your crypto >> base. Again, you're just you're just being a grump guy. He didn't say it's going to >> I think it's a Harry asked what we thought. I think it's a sign. I think the data is valuable. Like let's move on, right? I think it's great, but I am getting burned out on struggling CEOs on Twitter sharing performative AI data when they're not AI companies. It's like, "Show me the money. Show me the revenue >> growth." I'm going to argue again. I think it was a fact. I actually really liked it because it was a factbased piece. And by the way, you know, it just showed here's our spend by month. Here's our tokens generated by month. Here's our peak and here's how we were able to clip 50% off it. Right? Let me put it this way. Rather than arguing with you, Jason, which is usually not productive for either of us, I'm willing to bet that every single CFO in the Fortune 500 sent some version of that article to their CIO and said, "Dude, look what this smart guy in the valley is doing.

Figure your [__] out." Right? So, I think actually, let's leave Coinbase out of it. Let's pretend we don't even know the name of the person who wrote that article, right? Let's ignore it. I think the really interesting question is what does this mean for, you know, revenue traction for, you know, the hot sexy foundation models, right? Because I was looking at the numbers in one sense, oh my god, you reduce your spend by 50%.

That's terrifying if you're the company getting that revenue. On the other hand, the positive spin, it only went back to the spend they were doing in I think November. In other words, if you look at it, basically all that happened here was all these companies were spending and growing pretty aggressively in terms of their spend with probably anthropic and open AI. And then in November, December with coding, it exploded. It took about 5 months for everyone to get their [__] together and say we can't be doing this.

Let's cut the burn. And then they figured out and kind of reduced it by 50% back to roughly the spend in November. Now the interesting question is does that imply and I'm not saying it does to be clear. Does that imply that you know Antropic which last year exploded from 1 billion run rate at the start to 9 billion at the end to 44 billion mid this year. You know the I'm not saying this but you could say oh you're saying that their revenue is going to go down by 50% that are going to be at a 22 billion run rate. I'm not but it's going to have some impact on the growth rate and that's the >> I think so.

>> Yeah. >> I think there's two two issues here. One is it it sharpens the question of does the rise of open source and others actually going to impact the growth of the frontier models more than we ever predicted? That's a big question and I'm going to say I don't know on June 30th. It's easy to say that we could point to a lot of data. I I think maybe that's the topic here. I think there's a second point in the that where Coinbase was really helpful. It's that like the less uh dramatic version of what I was saying. I do think there's a second point that the post made that people maybe missed which is that as we round into the second half of 26, folks are realizing they radically ramped up their AI spend on product. It it it seems to have worked subjectively, qualitatively, but the productivity isn't there to justify it. I think that's what Brian was really saying. He wasn't that the data didn't say it, but he's like, "Listen, if if we had shipped so many new products to Coinbase, if our product velocity had quintipled because our token spend quintipled, I'm all in."

Like, if that flipped him around from minus 30% growth to plus 30% growth, I don't think we'd be we he might have still done what he's doing, token routing a model, he wouldn't be making this point. I think if you look across even any of our port many of our portfolio companies that are doing well that are not purely reselling tokens, they're coming to the conclusion that I'm not quite sure what the hell I I know I want to do this. I can't put the genie back in the bottle. AI is great.

Uh but it's not lines of code. What the hell? And and so many folks are not seeing the the lift from net revenue, net productivity they thought from agentic coding. It it's almost a conflict, but it's something we're that we're all going to have to deal with in the second half. And it's not the same as cutting costs. It's saying, "Jesus, I spent an extra 10 million in the first half of the year, and we grew the same as we did the prior two quarters." Like, where's the lift, boy? Show me show me the lift, right? And and and there and CFOs are struggling with that, too. Even if the business, my point is even if the business is doing well, they're struggling with it now.

>> Yeah. depending on the company this AI spend on engineering if you're a software company it should credibly give you lift revenue lift because you're making more the thing you make is software you're making more software you should give more revenue lift or if you're a digital goods company so you're right Jason if you're Coinbase you're like I'd like to have seen revenue lift here right I think it's even applicable for companies the further you are from a digital good yeah silly example if you have a tech team and you're um a car manufacturer going back to it again you're not going to get a whole ton of lift from your extra software unless you're Tesla with FSD. But at a minimum, you should be seeing savings. You know, if you were spending 100 million on software and now you're spending 10 million on tokens, at a minimum, you should be seeing savings. And if you're not seeing either, you're going to be looking at this with a pretty jaundest eye. Yeah. And I think that's what's happening. Yeah. I have a portfolio company that that is every number software company, every number is green, right? Way overloaded with investors, way overloaded with everything. Hit the first half of the plan. Everything's great, right? You would love all all the numbers. Uh but at the last board meeting, they came in and wanted to double their token spend, which was massive in the first half of the year.

And it was enough to to move the burn from no big deal to >> big deal. Even even for a company in the top half percent even folks were like that's a lot of extra budget and and the feed for the first time the board was like okay but if you want our approval like tie it to ROI and this amazing team couldn't they they couldn't like the the velocity is everyone wants to invest but it didn't directly tilt the curve. So there is a point for even the highest flyers where you're going to say Jesus you got to I got to see the ROI and I think that's the big that's just time you know we went to token maxing where like everyone just try stuff that made sense right um and that led to the early folks that got whiplash like cursor having to go open source really early and that's an interesting niche issue on X but the real issue is just um we just can't show enough lift from this spend that it's going to stress even the best of us not just Coinbase. It's going to stress everybody and so be it. It's It's time for the next mature phase of token spending and software development. It's just time, boys, to to grow up, right?

>> If you're an anthropic shareholder, though, and you see Dario say, "Hey, we need a trillion dollars in revenue or close to for this business to be viable or we will be bankrupt." Maybe he says it kind of superiliously or glibly, but like he says it. And then you see the dominance of open source now pervading into a lot of usage. You have to be concerned that it will cannibalize that pathway to a trillion in revenue.

>> You at least some concerns which will say yes I mean which will segue to one is going to be in part our discussion next on distillation and entropics perspective on these open source companies stealing their IP as they would say. We will leave the irony for a later discussion. But yeah, I mean it is plausible that you have a world where the front remember even if the bulk of the tokens are generated using open source models, it is plausible that the bulk of the revenue will still obviously come from state-of-the-art frontier models, right? So, but the question and therefore there's clearly a very big business here, right? And it's and that's all great. It's to

your point, Harry, if you've constructed your world in such a way that only a trillion dollars is good enough and you end up with the consolation prize of half a trillion dollars, right? Which is still, you know, the largest company, I mean, I'm just trying to think here, either the second or third largest company by revenue on the planet, and it would be the largest digital company on the planet. If that's if you can be the largest tech company on the planet and still not make money, you might have oversized your ambitions a little and it might pay to come back a bit. And that's exactly right is that there's no nothing in this Coinbase memo or a 100 Coinbase memos says says implies anything like oh my god these are not going to be amazing companies with great products that have differentiation. It's just as you say correctly if you've built a cost structure and a capex spend that you need it all then the last thing you need are cheap open source alternatives at 1/5if the price. Before we move on to Anthropic's perspective on distillation, Jason, I I love you, my friend, but what do you want from these CEOs then? Like, candidly, he's being very factual and innovative in how he's presenting what the company is doing. Like, what do you want from him to just shut up and do the work?

>> I want to see how AI Listen, I value the data. Okay? I'm not I'm I'm I'm I'm not being facitious. I do feel this way. I value the data. So, I appreciate that. But I I want to see how AI I want to see how AI, if at all, can give Coinbase a revenue lift. That's what I'd like to see. Even if it's just them I mean, listen, Coinbase is subject to the whims of the crypto market, okay? And and investors should understand that. And when crypto roars back, Coinbase has grown at rates that uh are almost entropic levels for brief periods of time, right? So So it's part of being on a non-recurring revenue journey in a very volatile market. But I'd love to see how growth is 5% higher from from AI AI something in crypto. I'd love to see how it's driving up insurance premiums and insur I mean insurance margins. I just want to see how where this where this um magical boost is from from this utility. The LLMs are a utility, right?

They're tokens. They're they're they're not fungeible utility. Like we're kind of teasing at whether they're becoming fungeible utilities, right? Is one token replaceable for another is the meta issue. I just want to see a boost. I I'm tired of folks like Adobe saying we have 500 million of agentic revenue and missing the quarter. That's performative, too. And listen, what would I be doing if I was the CEO of a company not accelerating the age of AI?

Man, I might be doing the same, but I don't respect it. But I want to see the real boost. I Everyone's faking everyone's feeling like they have to be part of the AI age, but they're not delivering, Harry. They're they're not delivering. >> I want to applaud Jason for his consistency and disagree slightly. I think you first of all I give you credit you have been remarkably consistent on this and I'm going to paraphrase what you're saying software companies in the age of AI are either accelerating or irrelevant and you're exactly right. I would say in fairness I'm going to exa I don't think crypto gets an automatic lift from AI so I think you're being a bit harsh on that company but your Adobe example is exactly correct and it'll come actually it'll segue to the Microsoft discussion later on. I do agree and again I give you credit for this strong principle strongly held. Um if you're not accelerating in the age of AI and you're a software company, you've got a problem. That's your point and I think you're correct. So if you if if if that tweet let's put it this way, if that tweet had come from the CEO of Adobe, you would be totally correct in saying that's great, but dude, you need more. Exactly. So I I do agree with you.

I I would exempt Coinbase from that because I lump them more in the financial than the software space. But in the software space, you are correct. If you're not getting on board this train, you're getting left behind. Even sometimes, and I love them, we all three of us love them. Even sometimes for a while, I would get tired of Aaron Levy's constant AI stuff. But but but to answer your question, it has led to a boost at Box. It hasn't turned box into a 100% grower. It's gotten it back to double digit growths. Some of Aaron's stuff is a little bit too to me and I and I we all learn from it, right? Some of it's a little bit too AI reflective, but he ties it to his revenue and his plan.

He's like, "This is how it worked at Box. We're processing documents. We're processing content. Here's how it literally ties to our business model." So, it's okay if some of it is is a little bit um uh performative. I I give if but I I give Aaron a huge thumbs up on it, but the Brian one I just Anyhow, it's all good. It's great to have the data. I just have a little I I just become a skeptic when it's not tied to their business. That's all. I'm a skeptic of what what the um what the goal is here. That's all. You know, Rory Jason is not only consistent, but he's also precient in being ahead of the times because he's also cited his I don't know if I could say disliking, but his favoring now Sam and Open AAI over Anthropic and his kind of boredom of Dario saying that we're all going to lose our jobs. It seems the world doesn't like Dario right now. And Dario has uh continued to whine. Uh sorry, that's unfair. And Rory did not say that. Dario has criticized Chinese models for stealing, for brazen theft of their work through distillation of their models. How do we respond and think about anthropics commentary on whether or not Chinese models are stealing their work?

>> Sure. I mean, you have to power through the irony before you can have the discussion. And we all understand the irony which is all the foundation models including Entropic were trained on other people's IP to the point where Entropic recently settled litigation with a whole bunch of copyright holders on books because they had quote unquote unfairly to use Dario's word applied to Chinese leverage their intellectual property. So the I do admire the element of hypocrisy of being appalled when someone else does it to you or having done it to other people yourselves. Be that as it may, let's move on from that. just wallow in a second but then move on is it you know what's happening again stepping back for folks is the allegation which actually dar also which entropic let's not personalize it entropic the company said actually in a letter to the senate banking committee recently that basically the Chinese open source companies are bootstrapping their um development of of their state-of-the-art models by effectively breaching the terms of service of Antropic and sending literally millions of prompts to Entropic recording the answers and using that as training data to start training their models. It's basically taking and to some extent they would say it's taking yeah Anthropic's IP and using it to build open source models which then compete against them. So that's the kind of comment here, right? And it's and so yeah, so other than so what and how that's funny, right? What happens after that? Well, the first thing is the main thing is is it illegal, right? And the interesting thing here is it's clearly in breach of Entropic's terms of service and that's very clearly expressed, right? But that's not a legal that's a contractual problem between Entropic and the Chinese model companies, and they're more than welcome to sue each other in, you know, you knock yourself out in Beijing. Good luck with the lawsuit, dude. Right. I think the interesting thing and that's why the Senate Banking Committee thing is interesting is you could imagine a world where cuz as well as just being in breach of terms of service, it is also arguable that you have copyright issues and our trade secrets acts and they go above the level of contractual and then start to get into actual leg, you know, kind of legal issues that the government might take an interest in. Or maybe at its most extreme, I could see Entropic saying to the

government, hey, these are strategic US assets, um, you know, we're getting regulated separately on how we produce our products. You've got to stick up for us and say, you're not going to let this happen and put the full weight of the US government behind it. And that takes what was a contractual dispute between two parties and makes it the US government putting the thumb on the scales. And I clearly that's what they're angling for. Like going back to the Coinbase com, what happens if in return for mythos kind of complying with US government restrictions on overseas access, the quidd proquo in the next piece of legislation is no Chinese model that has been proven in a US court of law to distill using US foundation model technology can be used by a US company. It's not crazy. This is the kind of So I you can see where they want to go. I mean, they're not just kind of crying because it's unfair in my view. They're laying the pipe for a set of trades to push back on this open store stuff if they're in fact viewing distillation. So, that's I think the what's going on here. That's what I I I'm not claiming to be that that's what I I whether to to to Harry's point whether he's no longer become a successful communicator right at this point. Whether the uh whether the spite startup vibe of we're the safe guys has expired and led to conflict with Trump.

Putting that aside, I think he wants the models banned for use by US companies. The chi I think he wants Chinese models banned for use by US companies. And I think in an area in an era where SBF may get pardoned, the founder of Binance already got pardoned. This is pretty imaginable. I think it might be perfectly logical for them to get around the table, especially when we're when we're when we're jostling in on geopolitical level and say, "Listen, we're just going to we're going to ban it or we're going to say any or we're going to do some weird tariff on any US startup that uses a Chinese model. I have to pay 100% tariff tax. That's beyond my skill set. But clearly they just want US company. You can't stop China from doing what China's I just got back. You ain't going to stop China from doing it for for a million reasons. But just put an end to what Curser and Harvey are doing. No more. You guys can't do it anymore. You guys have to on grounds of national security. This is this is theft of our IP. This is theft of our data. We can't trust them. Um and hey, Kurser and Harvey, your models are just destroyed. Your business models.

Thank god you sold for 60 billion because Chinese open source is banned. I don't think it's implausible. I I I let's Is it on Khi? I It seems to be more than a 10% chance it's going to happen. >> Would you not say it's actually almost inevitable, not plausible when you know when you look at both Sam and Dario advocating for it and the people around the administration advocating for it too? You don't exactly have an opposing side.

>> Well, well, you should have because you know this is and Bill Gurley is great on this. This is regulatory capture in the extreme, right? The truth is there's two separate because there's two separate issues that they're brilliantly conflating. One is should they be b quote unquote banned because they they distilled our prompts and as such got a leg up on that. Naughty them if they did just like naughty entropic and naughty open AI for stealing your 1.5 million books, right, to leverage your property three years ago. So pay the naughty fine and move on, right? No one's banning Open AI and Anthropic because they were naughty. So logically the distillation thing shouldn't result in banning.

Separate thing is and conflating the two is are you really saying are you really trying to find a motivation from the government that says ban not because of the naughtiness but because Chinese open source running USI sounds scary right and I can imagine that there are you know products that the interest of national security like Huawei are banned in the US. So it's not crazy that if we believe Frontier models are equivalent that you could see that kind of thing.

Now the argument that every tech CEO will and should be making is these are open source models that are sourced and running in the US on US inference. There's literally nothing going. Yeah. The code is open toection inspection. There's no back door here. There's zero risk involved. Right. But to make that argument implies that you have on the other side of the table a government entity willing to listen and do nuance and that's hard. So I think that you could imagine um in the absence of a sensible regulatory function, you know, that you conflate the the naughty tax for stealing the intellectual property, the security risk because it's China, and then the deep dark secret is the foundation the frontier models are actually just trying to defend their their vast capex spend by eliminating a lowcost competitor. And it all comes together in a big kind of policy mismatch in um you know in in return for some of these restrictions on you know security and our usage right >> there's also a middle ground too or or a or a partial win for for for anthropic and open eye is just listen we can't stop cursor which they could we can't stop cursor and Harvey but you know what we can do we can make every single Fortune 500 company uncomfortable banning open source like they're not comfortable able from security. There's enough ambiguity out there that it's just not worth it. Right? Whether a startup can take a startups can cut corners that enterprises are not comfortable cutting, right? All you have to do is make it look dangerous to enterprises and they can just ban any open source use in their company. Right?

That's the fallback position. That's a good win. I'm going to distinguish something. They wouldn't say ban open source. they would say ban non US Chinese-based um companies distilled on US models cuz you know they're not a pool sauce poolside cuz look at some one of the interesting things here is clearly I mean all these US companies don't want Chinese open source they want open source and at some point there's going to be an interesting opportunity for a US open- source company like reflection like poolside to take some of this revenue but you're right Jason you know some version of banning these companies that have been found quotequote guilty of distillation that are based exus in China is plausible. I mean, stepping back, one thing I noticed here that entropic wrote to the Senate Banking Committee. Obviously, the minority um head of the Senate Banking Committee is Liz Warren. You really have to want to get something done. Whether it's a tech company, you say, "What I'm going to do is pull in Liz Warren on my side." Very few tech companies say, "That's what I really need here today, right?" And it just shows that you're trying to, you know, get something interesting done here.

>> Guys, personally, and you don't have to answer, but I'm just intrigued. Do you think we should ban them? >> No. Um because I think you have to be very pragmatic in terms of what you and again will be great there's two separate issues. If they've done the naughty then they should pay the naughty tax. They should pay exactly as much as entropic had to pay to the book guys and they should have paid to entropic. It's easily priced and we could use the argue I mean and that would make things quote unquote fair. So from a so from a distillation perspective no separate comment from a national security perspective. Again, as I understand it, if you are downloading the model, the code is open for inspection, the weights are available, and there's nothing running and no um telemetry back to China, then I don't think there's any danger. So, I think you probably shouldn't ban them, right? Um that would be my take. I think that AI is going to be like the oil situation in the Persian Gulf today. And what I mean is it's too the we are so as econom as an economy in the US we are so addicted to

this our 401ks our stock market everything we do every bet every re-election for every politician um we are so tied to the AI boom I'm not going whether we can debate whether it's a bubble right I mean at some level it has to be a bubble we are all so we're all on this journey together 40% of the S&P 500 is tied to this bubble I I I I think we have to protect it.

>> And you know, Sarah Frier or whatever a year ago saying that the US government should should should back all of our data centers. That was, you know, I think it was her that was flamed for saying that, right? She's she's probably it was true. And I and she probably shouldn't have said it the way she said it off. I think it was offhand in a in a in a comment. I mean, everything I think what I mean is everything's going to be circular because we it's like we can say we don't need that oil because we make plenty of it from from um from fracking, but but look at the impacts, right? Even if gas prices go up a dollar a gallon, people are freaking out. And if their 401ks go down 20%. If Nvidia stops selling chips, if if all of this moves to OP, I I don't know. I think we're going to end up doing everything we can as a society to prop up uh prop this up.

I I think we're all going to be um and I think it may even be more important than the other issues. We just don't we just don't want unemployment. We don't want these things to happen. And we're all we're all we're all we're all all in on this whether we realize it or not. I think we're all we're all tied to the economy. It's all about me. I care about unemployment. I care about But but my 401k, don't touch it, man. You think I'm kidding? I think we're all in in just like the price of gas. Like we Yeah, you know, I feel a little bad about but don't raise the price of my gas. Don't touch my 401k. These are Don't Don't touch it. Don't touch those high paying jobs. What you're saying might be true, Jason. I'm not sure it is, but it might be true. But if it is true, what is implicitly what's implicit in that statement is really very negative. In other words, because what you're saying is keep up the price of AI as an input to the rest of the economy by protecting protecting these foundation models pricing structure so that they can get a trillion dollars in revenue. And the loser as always is the case with trade restrictions is the rest of the economy who won't get cheap intelligence.

They'll get deer intelligence. So what it means is the the stocks in your 401k that are making AI will continue to make money and the stocks in your 401k that should be getting the lift from AI are going to lose money. It's it would be like as if in 1981 or 82 the government's um I give it IBM IBM licensed MS DOS and they should have protected it and instead everyone was able to clone it like compact. It would be like the US government coming in and says no compact, no Dell. You can't make clones of the IBM. We've got to keep IBM stock price up and therefore we're going to ban the clones and we're going to keep the PC industry a small tiny profitable industry for IBM.

>> It could happen in this case because the dynamic of overseas national security makes it happen, but it would be for the record so freaking dumb. So I hear you. >> Well, here's the counter-argument. I'm not saying you might be right. might be dumb, right? I think if you step back for a minute, >> to be clear, dumb things happen all the time, especially when governments are involved. I have high confidence in dumb. See Harry for details. I'm in the UK.

>> Sorry, Harry. >> I think just to tie all the meta issue, >> see Harry for details and I was really hurt there, Rory.

>> No, no, no. Sorry. >> If you look at the history of LLMs on this show since it started, right, what has really changed and Coinbase is just one example of this. We we are probably leaving the igopical age, right? And we had an oligopical when we started the show. Actually, you could argue they were two monopolies. Okay, anthropic owned coding. Elon Musk when we started this said those anthropic guys have something special. I can't compete in coding. Open AAI owned consumer, right?

They both had sort of weird pricing. They made up and were losing lots of money. But it was and and they had these sort of dominant. Now then we end then as as we began to begin this year, we entered an igopical era where we had two leaders. Okay. And for a while what happens in oligopoulies traditionally is you compete aggressively on features and not on price. You essentially soft collude on price and the models were somewhat similarly priced. OpenAI would be like oh we're half the price for codeex but not really we're as competitive right and then typically I mean Harry's the the the master here.

When you leave oligopical stages there's massive price erosion because you're no longer competing on features you're competing on price. And that's exactly what we're seeing. And governments do support igopolies all the time when it's when and they they and the cl the number one example in e is medical device companies and medicare right uh you fix pricing so you can get innovation and I just >> when you fix pricing because you you fix pricing because of regulatory capture I I agree with what you're saying is yes oligopies are great for the people involved because yeah you can have a >> sometimes for innovation >> if you look at the study when you have folks that are brutally like we're still competing But if we agree that that that basically listen we're 200 bucks each for our max program and we're going to charge this much per token. How do you win? You win because Anthropic comes in and builds this this disruptive coding model and takes all that revenue, right? That's how you win in an oligopical market when you when pricing doesn't matter and features do and it and it actually can be great for innovation in the short term but maybe not in the maybe not in the long term, right?

>> I mean include me out on that. Competition works. I mean, again, going back, yeah, I I I think any number of examples say you just got to let competition rip. You got to let the open source providers rip. You we're going to want I mean, again, it's the Coinbase example. You know, the the counter the counter what's it counterfactual is if those if those open source product didn't exist, the Brian Armstrong quote would tweet would have been we were paying $10 million six months ago for our AI intelligence. Now we're paying 60. What the freak do I do? It wouldn't have been as good a tweet, right? We need competition to make this [__] happen. So, I hear you, Jason. It might, by the way, it might happen. You might see some pressure, but I think it would be a bummer. Move on.

>> Hard to predict at least, right? Hard hard to predict as as of this date. I think hard to predict. >> We're going to jump around a little bit here, but few companies have had the competitive tussle when it comes to regulation uh and government intervention or trying to than Microsoft. Microsoft is in a pretty poor state. It's the worst month since 2000, I found. Uh, and I mean, they're down 16% 16.5% as of today. What is going on? I'm a holder of Microsoft and just when I think it can't go lower, it does. Guys, can you help me out here? Is this this a permanent cell? I don't have a theory of the case of why this month it suddenly kind of dawned on everyone that his strategic position was weak.

Ironically, just when they had one of their big announcements in Satia and made all this conversation about their direction on AI, maybe it suddenly opened people's eyes because we've been saying for the last year, look, they don't have the standalone model. Their AI story really is we spent a lot of money on capex, which we do to support open AI. We have a good investment in open AI which is looking pretty good though perhaps not as good as it was a year ago but our core software business doesn't have a compelling AI product and let's get real co-work and claude code are eating the two core parts of the Microsoft franchise back in the day which was you know offers for the individual knowledge worker which is what co-work is becoming and um developers developers as Steve Balmer used to say which is what claude code is becoming. So when you zoom out a million miles, Microsoft, which is in the software business unlike Apple, and therefore can't afford to stay apart from the great AI wars other than its equity ownership in Open AI doesn't have anything compelling to bring to the table. And I think the market's looking at that and going, you're not going to zero, Harry. Don't panic. You've had your hit. I mean, you don't get the lift that you get from the growth story. It's Jason's comment. Do you really have an I mean they'll say they have an AI growth story but if you break it out in the numbers which they don't do a lot of that is just hey we're selling inference to open AI so we have a growth story but what they don't have is a compelling end customer growth story here that they own themselves. So I think the market's finally caught up with the [__] Look, I I don't know the answer either, right there because it's a very complex business model, Microsoft, right? It just has it's it's it's a conglomerate with it's got Xbox, which I'm not a total expert on, and a whole bunch of pieces. I think for so I I I don't have any opinion. I think stepping back for a minute, I think what is troubling is Microsoft guiding that Azour growth is decelerating. And I think anytime you see deceleration at all, right? And and and Rory can say, "Jesus Christ, how can you keep growing 40% at this at this size, right? law of gargantuan numbers, right? Sort of massive. But I think I think just as a student, the only way you can your stock price is going to trade up is if you if is if you beat raise and grow. You have to accelerate in this market and and you can be an oldie like Octa and Twilio and just your stock can blow up or even Navon if you reacelerate but the market's expectations are so high that um you know guiding to 37% from 40% growth is a fail. It's a fail for Azur and it's just this is why maybe that regulation is coming for those Chinese open source models because we just can't afford the deceleration. we just can't afford you know uh so but it's not the only Azur is not the only factor right but it's so important and it's it's almost a canary in the coal mine that if there's any issue in Azur we should at least reflect on why it is right if there's any slowdown in this era where we're claiming we're all going to be running 20 agents 24/7 Azour should be shouldn't it be accelerating even at this scale >> well yes bec I mean again because as I mean I cited developers and end user a a and knowledge workers, but you're talking about the separate aspect of the business which is the cloud business and you're right and yeah the Azure cloud business de accelerates but I think more fundamentally a huge slug of the Azure cloud business is simply just inference for you know other providers like open AI so yes I I agree >> but it should accelerate right that that should accelerate >> yeah if you recollect and this is a harsh comment three years ago Satia did they were going to make you know Google dance comment and the truth is since then Google's massively outperformed and for all their faults and I still think they have significant issues and risks they at least have their standalone model and a product to sell. The truth is today Microsoft has a 30% ownership interest in open AI and doesn't have a state-of-the-art frontier model themselves. That's a big difference.

>> You know, it'll be interesting if if Anthropic really does IPO in the coming months, right? If it stays on track, I I have to imagine it's going to be one of the most volatile stocks out there, right? Even a hint of news will send it up and down. Ma ma I mean even service is massively volatile right but if Microsoft has this level of volatility

I you know we're going to be reading every every teleafly want anthropic entropic looks perfectly linear I guess it's I guess it's exp it all looks perfect and up to the right today while it's private right all these rounds but man I wonder how the volatility in that stock price a hint of bad news boom >> well the experts in volatility are Khi and Khi are apparently raising a new round at $40 billion. They raised their last round in May at $22 billion.

Is this just the ultimate sign of kind of the casinoization of society and risk on mentality from consumers? They recently announced being at 2 billion in revenue. How do we feel about this? >> People like to bet and you know they US had a prohibition and we talked about this last week. They had a prohibition on gambling and sports for the longest time. Poor Pete Rose never got into the Hall of Fame because he bet on himself. And now we have, you know, a couple hundred billion dollar a year industry doing exactly the same. So they're just riding that trend. And they, you know, they got other products.

It's not all sports betting, but it's about, I think, 70% plus sports betting. And, you know, it's it it's killing it in revenue. So it's it's makes it totally makes sense. Will Koshi be a hundred billion dollar company in 12 months time? >> I I doubt it. Uh I mean look, you get there one of two ways. Either sports betting continue to expand and they can take disproportionate market share. That's one option. Or the other at that is the whole crypto perpetuals business which I just really started to learn about which is effectively you know kind of futures on crypto which is g you know which is which is gambling to the end right? either that business turns out to be much bigger than we realize, which is not impossible, right? I mean, look, I ICE, not the ICE, but ICE as in the inter the owners of NASDAQ, the I think intercontinental exchange has a big ownership stake in poly market. Why that's relevant is that's a company that runs ICE that runs stock trading and you know real financial markets taking an significant I think around 20% ownership interest in the other big kind of online betting prediction market player poly market and they're clearly saying this is a huge thing that can have 50 or hundred billion dollar kind of valuation. So it's not crazy but it happens one of two ways. Either A sports betting gets ultra huge and they don't get tied up by regulation and the whole um issues around that or B the non-sports betting side of prediction markets in particular the financial products becomes huge. I don't think predicting who's the next who's going to win the general election or in the UK or who's going to be the next president in the US is a huge enormous ginormous business. I love it. I find it fun. It's actually the most interesting part of Poly Market and Calry, but that's not going to get you to 100 million bucks because the number of people who actually really want to bet on the next president is actually pretty low. It's either sports betting, which works because we all love sports. Um, good luck tomorrow, Harry. And uh, and then or it's financial betting, which we all love betting because we all love money.

And I'm sure if you, you know, you've got sports, you've got money. If you could bet on sex, you'd have the trifecta. It's the human desires. It's the big to get to make a big picture. To get a big ass company, you need to cater big markets and predictions on politicians is a small market. Betting is a big market on sports. People love sports. Betting on money is a big market. That's my point. >> Dude, I totally agree. I I did a a deal into FOMO, which just got their new round done by index and USV, and their new product is PES, which obviously allows you to do uh much simpler, you know, up or down on stock prices for consumers.

>> I was meant to actually try that product. That looks incredible. It's amazing. >> No, I mean, you know, poor

Warren Buffett is like, "It's time for me to die because you people have lost the plot." But if you want action, if you want action on the table, then Perks is your boy, you know, right? If you have a strong feeling on where the market's going the next hour, then go for it. Also, also like when you look at TAM expansion, Perks is a brilliant way to expand a TAM to a mega mega market.

Like, >> yeah, >> very exciting. Okay. Um, SpaceX, has SpaceX IPO frozen the AI IPO market for now? Given the size, magnitude, weight of it, does it put barriers up to subsequent IPOs? >> I mean, worth pointing out that the anti- AI IPO is about to happen today. Lily, we're recording this on Tuesday, I think June 30th. Bending Spoons is going to go public tomorrow, July 1st. And this will come out on July 2nd. And and literally Bending Spoons is the antiPO.

It's by company and they own AOL for God's sake, right? Which by the way, I remember has killed their AOL email product, but still is an ad network. They own Evernote. They own a bunch of stuff like that. So that's a company that it literally is 20-year-old software companies going public at $20 billion. So it's not like the IPO market is shut, right? Which is what I thought you were saying. What you're basically saying is, is the hidden question here, Harry, has the volatility around SpaceX made OpenAI and Antropic nervous about going out? Is that really your question?

>> Yeah, >> I thought this was more interesting when I added it to the list, but as I reflect on it, um I think as long as the IPO remains up, right, I think they'll be fine. Um it the volatility has been high and extreme. Um but I think um I I think as we record this uh greed will still trump fear, right? But but but it's it's it's it's uh the volatility has been sufficiently high enough you could imagine that changing right before now and the day anthropic IPOs. So I'm sure the bankers who have less to do are monitoring this every day. Um and I think the board and Daario will think about it weekly, right? Just making sure it is the right time. There it definitely shows there's risk. It isn't the right time. It shows there is some risk that Enthropic might delay its IPO. It's it the volatility says it's not a slam dunk, but up is up. Like everyone's except for the poor Korean bank that forgot to put in their orders.

Uh every everyone most folks that at least bought in the IPO are up. Rory Rory, you you brought up Bending Spoons. When we look at multiples attached to IPOs, you know, Bending Spoons going to go out at 20 billion, which will be a pretty hefty multiple. I think it's about a 12 to 14x given revenues of 1 and a half. Um >> yeah, one and a half in trailing but 600 million in Q1. Yeah. So probably yeah 8 9x forward revenue. Yeah. Healthy multiple >> for the antithesis of AI company.

Is that not an extremely juiced up multiple? >> It is funny because you're exactly right. It's like you have a whole bunch of single product crap, you know, B2B SAS companies that have slowed out to 10% growth and are trading at three times revenues and then you have this company which is an elomeration of a whole bunch of tired consumer products that were growing at 10% until these guys took them over. And when you read the S1, you realize they don't get organic growth, they don't get new users, they just raise prices, cut costs, and suddenly that's being valued at, you know, 8 n 10 times revenue. So it definitely feels kind of a little weird. It would be like as if all the SAS, it's not quite the same. It would be like all the SAS companies that were slow growth were trading at two times revenues and constellation software which is a roll up of SAS companies was trading at nine times. It definitely feels like wow that was a clever way to make money right and you do kind of you know it's a wellexecuted strategy maybe and it's worked clearly there's clearly value being created. You do wonder is it a little frothy but you know good luck to them. I mean, >> I think it's going to do well. I think over the medium term. Here's why. I mean, listen, God, don't take risk factors in a perspectus seriously, right? Or whatever Perspectus said. But, but there's a grain of truth. They said there's at least a thousand businesses they've already identified that that are material can move the needle. I think if they're this good at buying repackaging these companies and there's a thousand targets, they can maintain outlier growth rates for longer than we would be in the stock, right? So, can they rate I guess the meta question is going back to the Microsoft issue. I know Rory's gonna think it's an odd tie, but can they maintain this outlier growth for five plus years, right, to justify some sort of premium? We can debate whether the premium's too high, but outlier growth gets a a premium. I think for without question, if they can execute at the level they have, it's justified for 5 years because there's there's a thousand targets. Um, and I think there's also going to be another bending spoons in B2B that's going to nail this. They're going to buy these horrific products like Marquetto and others, put a few smart people in it, and just boost the NR. They're just going to boost the NR and a few other things. And so, I think there's there's a chance for several bending spoons to take the struggling uh software companies and do a revenue arbitrage because they can package them together into something high growth. I I think there's five good years here.

>> I think that's smart, Jason, because you're exactly right. Like cuz if you're one of those thousand privately held companies and let's assume they're all consuming. There's nowhere else to go. I mean that's the big attraction. These guys are the only way out. So they they they can lock at least until someone else comes along, they can lock in some kind of rev arbitrage. >> Yeah, that's interesting. And yeah, you should be looking at it for B2B.

>> I suspect I and I don't mean to be unfair. >> Jason, you you are the new CEO of Ben Goes B2B and you are able to choose three targets for your opening quarter. >> Yeah. Which three targets would you choose? >> I mean, Betting Smith has one trick, which is it uses a lot of folks in Italy that are lower cost for engineering, right? But I assume the other trick it has is it's able to incent GMs to do a decent job on these. Like find kids, and then these kids may be 60 and not 16, well, 26, but find kids to run these event brights and AOLs. And let's assume you have a steady enough flow of these kids they give a [__] Okay? Then I would start to buy up almost any B2B company with nine figures in revenue with a sticky customer base because I I mean literally our wor I know I talk about our worst and the worst product that we use today is our most expensive product. It's Marqueta. Rory will remember it. And they threaten us. They threaten us. The API doesn't work. It breaks every day. They just told us they're raising prices 20% next year like betting spoons but without any features or functionality. The site went down for a full day the other day. You put a kid in here that gives a crap, okay, and you say, "I just want you to take whatever Marquetto still has at Adobe, 300 million of revenue left, right? It's probably decaying. Take that 300 million and give a crap. Don't threaten your customers like actually launch some features like remove the rate limits on the API like do something so that to retain your base. It would work like we even our worst software, we would stay it's not that hard. So I would take all these ones that have a sticky base and buy and and listen you then you take 10 folks at 200 million.

You got a $2 billion business growing 30 40% and stack it. You got something pretty nice. >> So Jason, can you buy >> but the problem is they're just putting mediocre people in charge of these like the non-bending spoons are having PE firms put these recycled mediocre executives in charge of it that are going on learning tours for 90 days and coming up with no ideas. That's just not going to work. Can you buy Can you buy these assets for a reasonable price?

>> I think you can buy some. Yeah. >> Yeah. I mean, what's funny about this is the minute you ask this, you can tell Jason that I'm going to do it, too. You have this hot button of these are markets that's been bugging you and companies where you're like, for God's sake, will you do something? And yeah, I think the Marquetto marketing automation space is one we both know and there's something to be done there. You know, there's other I mean, I think I'll give you two examples. One of which has traded already. Um, I mean, I know Jason hates the first market, I said it before. Seamrush. Seamrush is the old SEO optimization. It's so obvious that every one of those customers is going to need GEO, you know, AI optimization. You should buy Seamrush, buy some other little tool and just bundle them together and sell them. You can't do that now because Adobe bought Samrush for under two times revenues. Great deal, right? You could have turned that thing into something. And then another example which you know the world continues to poke at is Pedro duty which is a company that's been out there. It has commanding market share and it's never added AI enabled incident resolution and those are just two markets.

>> Yeah. Put a kid on if you can buy pedag duty for what it's put a kit on it that really that's really motivated >> it could work. >> I totally agree. a businessoriented executive who maybe picks up a YC, you know, failed SWE kind of software incident automation software product and put it together and just, you know, as Jason says, if you're not reacelerating, you're dying. But drive, I mean, if you could get reaceleration to 20% by just upselling a slug of the installer base.

Yeah. At at 2x revenues, you could be Jason Lkins bend be bending spoons B2B BS B2B. I think what folks don't realize is um it's so many of these companies we're talking about, right? I can tell you because we interact with these people, they've given up. The entire team, their their their customer success team has become a a a force of evil, right? Uh they threaten you with lawsuits, they threaten you with every, you know, they've given you can smell that their their culture is we we it's not that we're not in terminal. Like I used to have a guy on my sales team whose last job was working for the yellow pages, okay? and his job he got a huge bonus if his patch shrunk less than 20% each year he was one of the top performers right his patch shrunk like 16% okay every year I mean at some point you got to move on from that job I feel like this is working with the Marquetto team and other teams we work with that the knives are out okay so it is my point is it is not hard to turn around a team that has completely given up right if they have a sticky customer base this is not but you got to find people that want it and the cultures are just broken it's not just Marquetto are broken everywhere, right? These cultures have given up and um so I like I like this model and I like the thousand I think there's a thousand targets for bending spoons and um you know I almost wonder if Constellation needs I listen they've been wildly successful. I wonder if their model needs to be rebooted so they can get enough. I don't know if these kids want to work for Constellation or not. Um in in the portfolio company that where I've watched PE take them over, right? They're not running the right model that I because I've sold a lot of companies to PE, right? And I'm not close to them, but I watch them. They're still bringing in 2021 managers. They're bringing in folks that that yeah, they're they're never a CEO before. They were never really a great success on their own, but they have a good set of logos on their account and they're a people person. Jason's really a people person. He's going on a speaking tour.

He's going around the world for 90 days to just meet with the team and then I want to meet back with the board in three or four months and come up with my ideas. Like that don't work today, boys. Okay, that was great when you bought when Tabo Bravo bought you in 2021, right? We need the bending I bet at bending spoons when you buy that thing, man, crap happens the first 30 days. People are moved out, people are moved in, products are shut down. We need that level of action, man. pushing on that.

It may be in part because and I could be wrong but what Betty Spoon is trying to do is similar to what constellation and PE was doing 5 10 years ago in B2B SAS in other words don't change the business all that much but just optimize it and you're right so that's an easier task I think what you're saying Jason I think it's true is if you buy a B2B software company today it's preAI it is highly unlikely that simply optimizing and pressing the buttons will be enough, right? In other words, you can play the Vista moves from 2021, you can cut the cost, you can move headcount overseas, etc., etc. But I think what you're saying is correct.

Unless you're kind of generating new revenue from AI and significantly re-engineering the company, which is a bigger ask than just, you know, optimize the existing thing, right? It won't be successful. So to that extent I think that Jason's B2B B2B dot sorry bending spoons B2B run by Jason will be actually a harder managerial task than bending spoons because I think all bendings all bending spoons had to do was take Evernote take AOL and just ruthlessly raise prices and optimize. It's it's a little there was a little less innovation required than I think would be required in B2B now just thinking aloud. I hadn't thought about that until now >> but yeah but I think the upside can be bigger. You also need a monster checkbook. I mean, page of duties market cap say 750. You buy it at 2x, you're a billion five on one asset. We we times that by >> No, you buy it at 760.

No one no one's buying pedy for 2x. >> The board would have to take that deal in six seconds from a fiduciary obligation. >> Sell at 760. >> I think any public company today, I mean, Rory's lived this more than I have. I think any public company in decline today that gets an offer a premium of even 15%. They have a fiduciary duty to take that very seriously. They have to come back and say we believe we genuinely believe this thing we got to go hire an investment bank and say it's underpriced at a 15% premium to market and then management with their earnout. They're going to take that deal in a heartbeat. I get to leave. I get to I get to bail out of this this sinking rat hole. I'm I'll take this. Like management is going to be so aligned to take any deal where I mean some of them they just get fired.

They're not going to be excited about that, right? They just had a good day and are up a few but yes I mean it's 78 $800 million. You're right. I mean but that's because Jason wanted to start at the hund00 million level. I mean you could do the bending spoons thing and start with smaller deals and roll up to it. >> Well that's what they did. I mean they very it's a very long journey. This company is you I think 15 years old.

>> The point is I think the meta point Jason may think is correct is that especially in a world where you know standalone IPOs you need 500 million and 30% growth. There are a whole lot of companies that aren't that right that are sub that scale that you know this is going to sound stupid when I say but aren't family businesses

you leave to your kids they're venturebacked things with a CEO and at some point everyone gets old everyone wants to do something else and all those businesses have to find a home right so yeah I I I don't think it's I think I'd love to see the bending spoons consumer list of a thousand names but I believe it would be there you know good digital assets that are just like eh not matters enough Jason I push you've got Marcato shadow one. What are the other two targets we're going for?

>> Patriot was a good one, right? I mean, you did need Rory's right. That's that's that's a very good one because um I mean, you've got the right customer base, right? Um Data Dog's extremely expensive. They have cheaper competitor. I mean, Pat Patri got crushed from all sides and across its whole suite, right? But it's it's uh it's customer count is flat, but it's real. Still got 15,000 customers or so paying for this product constantly. That that was a good one.

Um, >> a sauna. >> Boy, I have too much scar tissue attempting to use that product. I I I I I I I but probably. Yeah. I mean, listen, you have a company literally where the billionaire founder just up and quit a year and a half ago. Okay. I mean, that's one that that that that you got to be a got to be some way to turn this thing around in a uh in a space that listen that that has existential challenges, right? Do agents need a sauna? agents don't need a sauna, but I think you can make it more agent friendly. I think you can do better.

Probably do better. This is easy for me to I I don't want to be too much of an armchair quarterback from a product that feels terminal, but I it's probably a good one. I think it's a good candidate, right? It is. It is. It's a good candidate without all the pressure, too. Right. >> Okay. I feel like there's a a private company fundraising that we need to touch on before we do a rage paper reel. Uh, Chimath Palihapeter raises 135 million for his AI startup 8090 or 8090, whatever he calls it. Uh, but he also is now CEO. Um, uh, for people that don't know, what do they do? It's a software factory platform that lets teams collaborate with AI to handle the full software development cycle from new builds to code refactoring complete with governance. What did we think about this one team? I just love the fact that you had Chimatn in the ragebait category. I mean that in and of itself was progress, right? I I all credit to him. I mean at the risk of making the cliche, you know, he used that quote a long time ago, but give him credit. You know, he did he did the man in the arena quote and and he got slammed for it. Well, now he is the man in the arena and all credit to him for trying. Good luck, right? It's a great it's a super interesting market.

There's obviously a ton a ton of competition, but it as he said in his tweet, it's the most exciting space you've seen in decades. You know, how is all of software going to be remade? So, I just give him huge credit for going for it and and good luck. One of the things I'm trying to do, how it's like I don't have to be a snark all the time if you know cuz it's easy to be snarky at someone like Traumat who just lends himself so well to snarkiness given his stuff. But let's just kind of take the high ground and say well done, good luck. Um, you know, go team.

>> I don't mean to be snarky. I will say one thing just in general, right? This is abstracting away from Chimath. I and and there are counter examples. I can give a few counter examples, but I my scar tissue I don't believe he's working 100% on this. I I don't believe every waking hour is on this. I believe he's got a team, right? And um uh at this point in life, I just when wealthy folks, especially VCs, want to be a CEO, but they're not working at the

insane rate of a traditional founder CEO. I just find those run out of energy. And I'm not saying he's not the exception to the rule, right? I know the Spotify guy that Harry's close with uh runs the scanning company, too. That one we have a lot of CEOs running side companies that are very successful, right? Listen, anyone that started a startup, it's all fun and games in the early days. If you have any money, you pull together a team, there's a lot of whiteboard talking, you use your brand to get Accenture, whoever's backing you. It's all kind of fun until the S hits the fan. But do you want to be running this services AI business forever, 100 hours a week, or do you want to like be hosting $25 million fundraisers in your palatial home? I mean, I don't know that you can do both successfully. I know there are examples. I just wouldn't like I just wouldn't invest. There's certain things for me personally, I have scar tissue. I've written small checks into successful founders doing multiple things just for fun and they're all zeros, right? And I and I remember one of them I asked this successful founder, I'm like, I don't really need to know what I don't care about the valuation. I don't just are you are are you telling me this is the only thing you're going to be doing? He's like, yeah, this is the only thing I'm going to doing. And 30 days later, I see I'm working on another startup. Right. So I I'm I'm out. If Ch if literally Chimoth drops everything but 8090 everything and I see the sweat from his brow and I see all and I see and I see that because the dude's fit. He's looking good, right? He he uh he just had a massive the massive largest win of his career as an investor. I want to see the I want to see the ponchy middle, the hair loss, the his right-hand person quitting on him. Then then I'll invest.

>> Not until then. I have too much scar tissue here. It's too It's too easy to start up today. Whether you whether you launch into YC and raise at 30 pre when you started 3 weeks ago. It's not easy, but it's too easy. It's just too easy to start up today. So, I'm out. Seeds for suckers, boys. It's for suckers. >> It's for suckers. We're making the t-shirts. I really raged the internet again this week. Turned down a founder this week. Why? They were finishing the year at 1.5 million R, finishing next year at 5 million R. today. Brutal as it is, this isn't good enough to raise a good series. A opportunity cost of cash is real. Now, I deleted it because honestly, no one engaged. It got 30 likes after an hour, which is not very much for our tweets. And so, I took it down cuz no one cared and it looks bad on my timeline.

And then they took it back up and it became a thing. Do you think I was wrong? I think you okay I can answer yes I think that the state the factual statement you made is correct in the kind of growth rates you're seeing now the bar the opportunity cost of doing something with a lower it's not impossible we have done deals with those kind of growth rates which would have been very top quartile in the age of SAS but isn't in the age of AI I can imagine doing some of those deals but it's the exception and you'd need some other extenduating factor so as a matter of pure truth. You were it was a correct reflection of the current venture market. Were you correct to put it up? If you're not careful, I find as a VC when you're saying your 1 and a half to 5 million deal isn't quote good enough, you really have to phrase it carefully so you don't sound like an obnoxious prick and telling people their life's work is not good enough. And that's tricky, Harry.

>> Well, I'm I'm I'm really sorry if that's going to ruin your day. Don't be a [__] founder. Life's harder than a VC tweeting and it ruining your day. Yeah, I agree. Agreed. >> But but but I think life is but it's precisely because the rest of your life is so hard that a little bit of compassion from the capital wouldn't hurt. But your message is correct. >> And I had loads of found and VCs be like, "Oh, classic child." I was like, "Dude, Lora, lovable Mccor. Look, you could I'm just pushing. Look, yes, you >> you a lot of people say you're mean, but what you're saying

is correct, but again, you want to look, we we've discussed this before. Rage is still engagement. So, you're all happy. Okay, now I'm going to say my important I definitely don't think you should have taken it down cuz that looked like you were blinking and you know, yeah, that was a mistake. You blinked, dude. That That's the bad part.

>> Can I can I break it down just a little bit on the on the tweet? First of all, I think um listen, I'm supportive if I would have retweeted it and also be supportive here. I think the problem with the and I want to share a story. The problem with the tweet is there's two things going on, right? The first part of the tweet is the state of the series A market. The second part which is uh which is more triggering although people might not miss it is opportunity cost of cash is real because those are different points. Okay I I'll tell you something that I think is subtly toxic that all these nice VCs are doing. It's subtly toxic. I've watched two portfolio companies I have recently that were growing at great rates. Okay, are going to compound to huge winners. Okay, they're they're like that are capital efficient but they're not quite at Harry's level. Now not at the A at the B or the C. Okay, I've watched all the VCs say good luck guys. Go go go go go do your round. I do this thing where I built an AI pitch deck generator that uses all the benchmarks from iconic and benchmark. It tells you honestly your odds. It told all of them that that for a round they're a B. Okay, it will tell you. Go to Sasteri use pitch just upload your pitch deck. It will tell you not a single VC in either of these companies would be honest with the founders. I I've tried in the past I get my head cut off in both of these cases now. I said well why don't you back here's my new thing. I'm like, the high companies in your space are basically they're later stage, right? They're getting funded at like 30x AR. Okay, backsolve into what numbers you would need to get to raise at 30x AR, right? This is me trying to be to guide founders there. It's too subtle. They don't listen. And then two months later, they're like, hey, I'm growing, you know, at this still top 10% rate, but not enough. And no one's honest. So, the honesty of Harry's thing was very helpful. the opportunity of cash is a little it's it's a it's a it's a little it's a more for people in the process. Right.

>> For what it's worth, I do agree and maybe I don't know if I don't think I'm changing my mind, but I like what you said, Jason, because I'm playing the pattern back and I've seen the same thing where you look at these companies and you're like they're planning to raise. Everyone around the table knows that that's not a deal they do, but they say to the company, you know, have a go. And they're not being they're not, you know, they're looking at the growth rate and they're saying that's not compelling compared to the other things I'm seeing.

Just have a go when perhaps the better advice might be if you're only growing at 50%. You know, should you converge on profitability? Should you raise a lower amount? Right. But you're right. sending people out to get a harsh message, harsh message from the market just cuz you're too big or worse to give it in the boardroom is actually a pretty pathetic act. And I do agree with you, Jason. And so to some extent, and backing into Harry's, maybe people >> No, do you know what I told this I told this founder, which is why I actually tweeted, I told this founder exactly this, no [__] He said, you know, that's really helpful. I had no idea that wasn't good enough. And so he was super receptive. He was like, I honestly, dude, I didn't know that.

That's really helpful. and I'll change how I project future revenues. >> To dig deeper, maybe Harry doesn't want to go this deep. I do think there's a logic. Here's the what's wrong in Harry's tweet. Okay, Harry's tweet is turn down a founder 1.5 finishing finishing next year at five. That's not good enough to raise a series A. If if this was a long tweet, it might be or maybe it is, but you might have to meet 150 VCs. That's what I would kind of add. And so, I think if if you're if people are honest, I think they should be like, "Listen, you're at the edge.

you there's nothing wrong with one five to five like you did better than I did back in the day. There's nothing and and and the math put it on a spreadsheet. If your burn is low and you don't quit, you can build a generational company with those numbers. But but and and but what it means is the when I mean I mean literally faking, you know, Higsfield where I invested in Seed and Harry invested, you know, they're just crossing 500 million in revenue in less than 18 months. Okay. And when I when I thought about that this day is I I looked back at my email. I'm like, why didn't I invest even more? And so then I get another email from a portfolio company growing at decent rates. It's hard to even pay attention, right? It's hard to even pay attention. Um, and so you have to realize just getting the attention's hard in this crazy world.

And you've got to hunt Higsfield or better. That that's that's your job, right? And the fact that the fact that when I started talking about Higsfield on the show, nobody even heard of it. You know, you know why that's interesting? It means go find it. Go find and stop stop worrying about the 1.5 to five. If you talk to 150 investors, you're going to find someone that believes in you and says, because the 1.5 to 5 doesn't really matter, does it? It's where it's going to go over the next decade, right? And someone may take that bet, but don't run a process. Don't build a data room. Give people one week to look at it um and and ask for checks, right? Uh give it give it time.

>> No one run fast process. I I I think yes, some versions of why you're saying you're right. If you're the one and a half to five, it has to be the if you want to raise money, just understand the facts, which are the deals that people the deals that are getting swept off are going one and a half to 15, right? You're not that. So that has consequences. It has consequences in terms of number of people you'll have to talk to, the range of people you have to talk to, the amount of capital you can realistically raise, etc. I don't discount the fact, but I just want to say this because founders listening, I do agree with you, Jason. You can be one and a half to five and still end up with an amazing generational company because yeah we've seen that data I can't remember when but uh there is a correlation but it's modest between initial growth rate and overall outcomes and companies that have grown slowly at the start have been huge at the end.

Procore was a slow grower and then became a huge outcome. So I do agree you it's not what we're not what you don't want to be saying to a founder is your dream is impossible go away and die because that's just not productive especially when they're growing 1 million 1.5 to 5. What you do want to say is if this is your reality, you better think about how to cut your cloth accordingly and how you plan your race >> and maybe you're not a venture asset anymore in a new world of venture and that's totally fine too. But like that's okay. You might be. I still think listen I just think I think there's two different tweets in your tweet, right?

For to Rory's point, the reality is 90 95% of investors you're going to meet today are going to say the opportunity cost of cash is too high here, right? They're going to believe that. And even if they don't believe it, their job's on the line. They have to find a high fly. Like even if they even if they'd be happy to do this deal, they might get fired, right? If they don't run the place, right? So they've got to find everyone's got to have one of these light lighthouse investments in their portfolio or you just might not be part of the next fund, right? This is a reality issue, right? So there that's a different tweet than what are the odds if you're at 1.5 going to five that you're going to raise funding today.

They're just different tweets. And listen, I I I got your back. But you gave people two different reasons to get triggered and uh you saw the the reaction, right? Doesn't mean any of it was It was all correct, though. It's all correct. >> Yeah. You you should just run the Jack Nicholson, you can't handle the truth quote. You know, that little film of Jack, you doing the in the movie. That's what you're saying, Harry. They just can't handle the truth.

>> I I I agree. That's going to really >> You are You are a little bit punky. You are a little bit punky. >> It's going to work in my favor, isn't it? Really win them back with that one, Rory. >> Yeah, you're really going to win them back. You're really going to win them back. Yeah, one thing I would be curious to get people's thoughts on the whole and you mentioned here claude tag and claude tag in Slack. Jason, I'd love to get your thoughts on that.

>> Can we just provide some context? What is claude tag for those that don't know? Just context that here. It's basically the ability to have uh Claude as a fully present member of a Slack channel focused just on whatever that is be, you know, if you look at the announcement, be it your legal team, it's a it's a clawed agent that's legal that that's just focused on legal that just has access to that sort of information, but is a fully present member of your channel.

>> Yeah. And and and in theory, it's autonomous. >> Yes. Right. That's that's not just that it has >> Well, listen. First of all, I don't know because I tried to deploy tag, right? But you have I'm not I'm >> Well, you might have to. I I think we're just I'm just not on the right enterprise plan and claude is the biggest issue. So, I haven't used it, right? I tried to use it for the show, right? So, like a lot of things like cloud design before the internet and information says the world has ended. Let's give it let's actually see how important this product is to anthropic. If this product is existentially important to enthropic, this is could be the biggest deal for traditional software there ever is, right? It runs across, it runs crop platform, it runs on Salesforce, it runs on HubSpot, it runs on all these other things. If the agent can run 24/7 autonomously, take all your data in, build all the analytics, build all the dashboards, run autonomously out of it.

Um, then your data can flow between apps and you won't even care where it lives. And all the fears about headless become true because cloud is your head and and you don't need and they and Salesforce and HubSpot really do become dumb databases. Like there is a version of this where Enthropic puts its best people on and doesn't quit where it is existential to everything. Um let's give it a week, right? Or is this Zapier on steroids? Um or is it even very good? Because Slack has a Slackbot which is pretty good, right? So one of the things that pressed was like why is Salesforce supporting this when they launched their own version of this a couple months ago? Well, what choice do you have, right, at some level? But I wouldn't be surprised if this is not if if the if the this vector does not maintain so much energy that Slackbot isn't better, right? That'd be the most logical thing. But we could be wrong.

Like enterprise is the big battlefield. And uh TAG as as much as TAG created some anxiety at Salesforce, it might be the Trojan horse and in six months it's like it's a big effing deal. But we have no evidence of that, right? We have no evidence design is going to kill Figma in any way, shape, or form at this point. We have no evidence there's a long-term commitment to that. So, I'm I'm skeptical, but existentially, man, could disrupt everything in software.

>> Yeah. >> In business software. >> That's a good semi, Jason. I I agree. I I think, you know, someone did the why does Salesforce let it happen. They have no choice. They own Slack. they have the Slackbot, but you can't be the cross-platform comms um you know communications platform for your company and then not allow access to you know to an agent that's enabling you to do better work because that just pushes people away from you. So I I think the interesting thing here look is if you're if you're lurking on a Slack channel as an AI you really just do get a very good handle on how people do you know the the bit you know the context part of work that you know that lovely post from Ja and Foundation Capital talking about capturing context basically which is a a fancy word for capturing all the weird [__] people do on top of the actual apps which reflects how they actually do their work and how they configure their work to suit the SAS apps which is what happened in prior generation of software and capturing that context is really useful because it allows you it allows an AI to automate that work. And the truth is a lot of that context exists in Slack. So if you're watching people interact on Slack and if you watch it autonomously for weeks and months on end, you probably will get a pretty good handle on how people do work and you know how does Jason and Rory handle whatever exception we're dealing with and when we're talking about it on Slack. So I think it's an interesting entry point. You're right. It's only an entry point. It's not the end of the world, but I think Salesforce is right to say, "Okay, you're in there now and we're going to have a damn we're going to make sure that the Slackbot is better and remains better." So, yeah, I said I I agree your assessment. Super interesting. Watch this space, but definitely an interesting entry point into capturing what's going on at the context graph level.

>> I mean, by the end of this year, Enthropical have more revenue than every public software company combined, right? So, you have to wonder. >> Armstrong has his way and cuts it in half. It may be, but it's just it's just for predictive we you know we just have to wonder does is some of the stuff that we think is very in and the media and the X like it just may not be material to anthropic innov they they just may it may be like the early day when when I started in B2B as a founder and when I first met Rory most folks thought it was just too small it just wasn't worth anybody's time these markets were just too small now they're they got big but AI got so much bigger And they may not it just may not be worth Daario's time to worry about whether he's disrupting Salesforce. It's just it's not even the Salesforce's 42 billion. He may be looking at the net new bookings. What is Salesforce adding at 10% 8 billion? He's like because you know materiality has always been 10%.

Right? So if I can't make 10 20 bill 10 billion plus I don't know if Anthropic can get out of bed for something that's not doesn't generate 10 billion of revenue. It's not that's always been the definition of materiality in my experience. I think it was even the SEC's, right? 10% you got to disclose it in the old days, right? I don't know if Enthropic can get out of bed for less than 10 billion of revenue by the end of the year. It's just not enough. Now, it's one thing to just do an experiment or build or build something that makes Claude better, right? That's an integration. Like, we'll make Claude better. We'll integrate. They want to integrate more with every single app and take in the data, but but I don't think they they may not care about that revenue that the leaders are terrified of losing. That's probably why there was that crazy disconnect with the guy from leaving the Figma board, right? And like it was such drama to to Dylan to Enthropic. They're like, "Oh, we didn't know you'd care."

>> Gotcha. >> Like this isn't even important. Like, oh, >> we're sorry. >> Sorry. Genuinely sorry. We didn't even It wasn't even We don't even talk about this each week at the at the >> I It's the You know, when elephant stands, the little people get trampled. Exactly. >> Sorry. >> Yeah. Whoopsie. Next time we'll be more careful. >> I love that. I'm pretty sure of it actually. >> Boys, it's a wrap from the British beach. Uh, thank you so much for this, Roy. Always killer line at the end there. What is it? When elephants dance, the little people get trampled.

>> I think it's something about mice get trampled or something. Whatever. Yeah. Well, Harry, I've got a time. We by the time this comes out, we'll know how the US and England have done. And by the time I see you next week, hopefully you'll we'll both be progressing to let me see the round. >> Yeah. I'm going I'm going I'm going down.