

Thesis: “thin companies” — capital-efficient, workflow-native startups built to scale with lean teams — offer funds a systematic way to compound DPI and deliver earlier liquidity without relying exclusively on outliers.

- **Definition:** Thin companies are designed to scale with minimal operational mass, typically reaching ~\$1M ARR with under 10 FTEs, scaling to ~\$5M with fewer than 20, and often exiting with <30. They rely on modular infrastructure, founder-led GTM, and early monetisation rather than large raises or blitzscaling.
- **Why now:** (i) AI, APIs, and modular SaaS make building cheap and fast, shifting the constraint from product to distribution; (ii) Capital now rewards efficiency, early revenue, and disciplined burn, resetting valuation and dilution expectations at seed/Series A; (iii) Saturated channels increase the premium on founder-led sales and workflow depth; the winners show a clear wedge and monetise early, not “grow then figure it out.”
- **Investor edge:** Seed valuations are lower (\$15–25M vs. \$20–40M+), and exits arrive faster (5–7 years vs. 8–10), enabling funds to achieve strong ownership and earlier liquidity. Sourcing advantages (operator networks, vertical communities) matter disproportionately because these companies often avoid broad processes.
- **Modeled outcomes:** A hybrid portfolio of traditional and thin companies can target the same DPI with ~3% IRR uplift relative to traditional portfolios

Success factors

- **Early commercial traction:** Paid pilots or initial revenue. The product doesn’t need to be mature; the existence of paying customers signals product-market appetite.
- **Founder-led sales:** The founder has personally driven early sales and can articulate a clear GTM motion that is validated by customer references or pipeline details and drives a zero/low CAC wedge.
- **Workflow depth:** The product addresses a critical part of the customer’s workflow, not just a tool used occasionally. Look for clear customer feedback that the product is essential, not optional.
- **Stack modularity:** The product is built on existing infrastructure rather than proprietary tech unless differentiation demands it.
- **Headcount leverage:** Teams remain small (typically under five FTEs to \$1M+ ARR) with a clear operating model to scale revenue without linearly scaling headcount.
- **Capital efficiency:** Companies with <\$1M raised, or a clear path to profitability without further funding. Cash burn relative to revenue is a key signal.
- **Proprietary data access:** A strategy for securing data pipelines or partnerships that create defensibility over time, even if early efforts are manual or scrappy

Risks and what to avoid

Thin companies may be more susceptible to shallow moats inviting fast-follower pressure, founder-dependent sales that don’t scale, or plateauing around \$1–3M ARR without a repeatable GTM and partnerships. To underwrite these risks, there are several signals for companies to avoid backing:

- Products that lack workflow depth, such as lightweight tools that are not embedded in a critical part of the customer’s process.
- Companies that have no credible distribution strategy beyond paid acquisition or vague plans for sales hiring.
- Teams that rely solely on model APIs or off-the-shelf infrastructure without adding proprietary data, differentiated UX, or domain-specific adaptation.
- Companies chasing broad, horizontal use cases without a clear initial wedge where they can dominate.
- Founders who have not yet sold directly to customers or who lack a detailed understanding of the customer journey.
- Founders with a clear preference for bootstrapping who lack ambition or plans to scale beyond profitability.

For investors, this thesis is not about chasing unicorns, but about **systematically compounding DPI**, with optionality for upside when thin companies choose to scale thick. The below table outlines an investment scorecard to operationalize the thesis:

Criterion	Key Question	Signals of Strength	Signals of Weakness
Founder-led Traction	Has the founder directly acquired paying customers?	Closed deals, customer references, clear pipeline. Ex: >5 direct customers closed by founder pre-Seed	No direct sales, vague customer claims, traction deferred.
Customer Depth	Does the founder deeply understand customer workflow and budget dynamics?	Detailed workflow understanding, budget ownership insight.	High-level personas only, unclear buying process.
GTM Strategy	Is there a clear, repeatable GTM motion beyond founder sales?	Defined wedge, repeatable motion, and early channel validation. Ex: Defined repeatable motion validated by >3 paid pilots	Hand-wavy plans to ‘figure out sales’ later.
Workflow Depth	Is the product embedded in a critical customer workflow?	Daily/weekly use, revenue-critical workflow. Ex: Primary user workflow >3 times/week, budget-critical	Optional or occasional use, not core to the workflow.
Product Modularity & Stack	Has the product been built pragmatically on existing infrastructure?	APIs, AI models, and no-code tools with selective proprietary build.	Overbuilt stack, reinvents infrastructure unnecessarily.
Data Advantage	Is there a path to proprietary data or feedback loops?	Unique data, compounding feedback loops improve the product.	No data moat, shallow feedback, fully model-dependent.
Product Velocity	Is the team shipping and iterating rapidly?	Weekly shipping cadence, visible improvements between meetings. Ex: Shipping weekly, with >2 product iterations/month	Slow iteration, long build cycles, delayed customer feedback.
Cost Discipline	Does the company demonstrate capital and headcount efficiency?	<5 FTEs to \$1M+ ARR, automation prioritized over hiring. Ex: <5 FTEs to \$1M+ ARR within 12 months of launch	Premature hiring, high burn, no path to lean revenue.
Domain Fluency	Does the founder have deep expertise or access in the target market?	Direct experience or advisor/customer network access.	Superficial market knowledge, no proximity to users.
Defensibility	Is there defensibility beyond first-mover advantage?	Workflow lock-in, data moats, UX superiority, regulatory barriers.	Easily replicable, no clear advantage beyond early launch.