



Sequoia Leads \$20 Million Round for Evernote—Q&A with CEO Phil Libin

Wade Roush 10/19/10

[Evernote](#), the Mountain View, CA, startup building a multiplatform service that helps consumers organize and retrieve all the digital bric-a-brac in their lives, has just taken a big step forward, raising \$20 million in a Series C investment round led by top-tier venture firm [Sequoia Capital](#).

Some 4.7 million people use Evernote's freemium service, which offers cloud-based storage of Web clips, documents, images, audio files, and other data and lets people access their "notebooks" via the Web as well as Windows, Macintosh, iPhone, iPad, and Android client software. When I [last spoke with CEO Phil Libin in June](#), the company had just 3.2 million users, meaning that the service is adding 300,000 to 400,000 users each month.

In an announcement today, the startup says that the new cash, which comes on the heels of an \$11 million Series B investment from Morgenthaler Ventures last fall, will be used for "rapid product development and expansion into new markets." Besides placing a higher value on [Evernote](#), which is good for its previous investors, this means Evernote is in a position to grow. Users will see a greater selection of options in the Evernote Trunk, a showcase of products and services that integrate with Evernote. This has already started to happen: just last week, for example, Evernote announced that [users of the LiveScribe digital pen](#) can now import their notes directly to their Evernote notebooks.

Sequoia's [Roelof Botha](#) will join Evernote's board as an observer as a result of the firm's growth-stage investment, which was supplemented by funds from existing investors Morgenthaler, DoCoMo Capital, and Troika Dialog. "Evernote's success shows that there is a major market demand for products that help us make sense of our over-saturated lives," Botha said in a statement. "In a very short time, Evernote has changed the way users interact with all of their devices, and the way they keep what's important to them close at hand. With nearly 5 million users, they have also proven the viability of a freemium business model. We're excited to be a partner in the company's continued ascent."

For more on the company's product expansion plans, see my Q&A below with Libin, whom I reached by phone this morning in Japan. Here's an edited transcript:

Xconomy: This is a big up round for you, congratulations. Why did you need to raise \$20 million?

Phil Libin: We always had pretty ambitious plans, it just wasn't really feasible to get the resources to do them before. In our last round, we raised \$11 million from Morgenthaler, and that put us in a really good path of organic growth. We are self-sustaining and still had the vast majority of that cash left. We're growing pretty quickly. Sequoia saw the possibility of really accelerating what was already a good, organized plan to make us into more of a platform for memories rather than just a solution. That is what

we've been wanting to do. It seemed like a ludicrous goal three years ago. It was a little bit less crazy a year ago. And now it seems like a pretty ambitious goal that will take a lot of hard work but it seems plausible.

X: When consumer-facing companies raise big growth rounds they usually say they're going to spend it on sales and marketing—is that the idea here?

PL: We're not really ramping up marketing at all. We haven't really spent a whole lot on marketing. More than 95 percent of all of our users have come through word of mouth and just organic growth, so we have no intention of doing any conventional marketing. We're not going to be buying ads or anything like that. We'll do what we've always done, which is to invest everything in engineering, in the product, and let people use it for free for as much time as they need to fall in love with it. So of this \$30 million that we have, or close to it, all of it is going back into the product.

X: You just spoke about being a platform rather than a solution. What form is that taking and where will we see more of it in the future? Are you talking about fundamentally reinventing or overhauling the product or just extending it?

PL: The [Trunk launch](#) was sort of our first step toward that, and it's gone really well. We've got hundreds of things in there and lots of new stuff being added all the time, some written by us, some by partners, that add capabilities to Evernote. The voice transcription things are a good example. We always had voice notes in Evernote, and if you want to search them for specific text strings, you can now sign up for one of a couple of different options in the Trunk to that. There are also things in there to help you keep track of to-do lists and annotate PDFs and a lot of stuff like that. We are making a big investment in the capabilities of the API [application programming interface, the tools outside developers use to access Evernote] and the capabilities of our server infrastructure to let tons more ambitious types of products to be created that use Evernote as the platform for your memories. And we'll be working on a bunch of those things ourselves.

We've gotten a ton of requests from people who want to use Evernote in their schools at their place of work, and from doctors who want to use it for medical research or clinical work. Artists, screenwriters. Each of these are vertical functionalities that don't change the core product but make it play nice with all of the other systems that are important systems in your life if you happen to be a doctor or a lawyer or a schoolteacher. Now we have the resources to actually pursue that stuff.

I wouldn't characterize any of that as a reinvention. This isn't a pivot for us. The product is really working well, the model is working well, the revenues are working well. It would be foolish to reinvent it. It's going great. We're just [turning it up to 11](#).

X: I think you've got something like a million and a half more members now than when I last talked to you.

LP: We've got an office pool about when we'll hit 5 million. Everyone is submitting their guesses. It will be sometime in the next few weeks.

X: Why Sequoia? Why did you want to work with them, and what do they bring to the table for Evernote?

LP: It's great to have this kind of validation—it puts us beautifully in the top tier. But Roelof [Botha] is just a really impressive guy. When you look at the list of companies he's been involved with—PayPal and **YouTube** and **Meebo**, all of these are great examples of things that have become very important platform plays, that underlie a lot of the important stuff that happens on the Internet. We couldn't pick a better person to work with to make this ambition a reality. It's great to have the Sequoia name and stamp of approval, and we're also just very happy to have their expertise.

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