

Ellen Weber of Robin Hood Ventures

Hall T Martin: [00:00:04] This is the Investor Connect Podcast Program, I'm Hall T Martin. I'm the host of the show in which we interview angel investors, venture capital, family offices, private equity, and many other investors for early-stage and growth companies. I hope you enjoy this episode.

Hall T Martin: [00:00:23] Well hello, this is Hall Martin with Investor Connect. Today we're here with Ellen Weber, Executive Director at Robin Hood Ventures. Ellen, thank you for joining us.

Ellen Weber: [00:00:31] My pleasure. Thanks for having me.

Hall T Martin: [00:00:34] Great. So, tell us about your background before investing in early-stage companies. What did you do before?

Ellen Weber: [00:00:40] So, I started my career working at Accenture, and then I moved to a healthcare technology company where I developed an expertise in innovation, creativity, problem-solving, and group dynamics. And, at a certain point in my career, I was looking around and I really wanted to get involved and engaged with early-stage companies. So, I did that as a consultant to the early-stage companies, and also started a couple of companies along the way, but I also, pretty early, you know, it's been 20 years since I helped start Robin Hood Ventures, the group.

Hall T Martin: [00:01:20] Well, tell us more about Robin Hood Ventures, the angel network.

Ellen Weber: [00:01:24] Sure. So, we got started back in 1999, and in Philadelphia, if you looked around the city, there were a couple of very informal networks of investors, but there was no professional angel investing going on, there was no focus on making sure that deals got done. And so, two of my colleagues decided that there had to be a better way and we decided to try and create a different way of investing. So, we started with a small group and we said we were going - part of our model was we were going - to be very professional in the way we ran the group. We would invest as a partnership in every deal that we did, and we'd make sure that we invested in companies that we'd

have enough money to continue to invest in if they needed follow-ups. So, that's how we got started.

Hall T Martin: [00:02:09] Well, great. So, how did you come up with the name Robin Hood Ventures?

Ellen Weber: [00:02:12] So, you know, it's interesting, every few years we question the name. So, one of the founders' name was Rob and his full name was Robin and the other co-founder just, you know, we just liked to call him Robin and thought it would be really funny if we called the group Robin Hood. And we thought, well, that's kind of a weird name, and then, we actually tested it on entrepreneurs and the entrepreneurs loved it. The idea of getting money from the rich to give to the poor really kind of spoke to them, and they got our value proposition immediately when they heard the name, which sometimes it makes our members think, well, do we really want to be thought of as - because the rich people were very evil in the Robin Hood story, so, do we want to be thought of - that way? But, it has such resonance with entrepreneurs, we've kept the name.

Hall T Martin: [00:03:02] Well, great. So, let's talk about the state of angel investing. You've been seeing it over two decades now and seeing different cycles there, as I have, but let's talk about how do you think the industry is evolving today for angel groups? Where do you think it's going?

Ellen Weber: [00:03:17] Oh, I see a number of different things happening. There's a number of different models that are being created for angel groups. They're sidecars funds, they're syndicates, there are affinity groups, there's really small groups, there's really huge groups, there's national groups with chapters. So, I think one of the biggest things is that there's so many different models, you can't just say all angel groups fit a certain type, and so, that's probably the biggest change that we're seeing. I think the other thing from the company's perspective we're seeing is really their understanding going into the angel process, they seem to have a lot more awareness than they had when we started doing this 20 years ago. So, they understand that there's going to be a screening process, a due-diligence process, they understand that we're going to help them syndicate the deal across different groups and that you can't play one group off the other, that it's a cooperative process, they're coming in with better term sheets and

they're coming in with more documentation. They understand the need for deal _____. So, that's a really big change that we're seeing as well on the entrepreneur side.

Hall T Martin: [00:04:32] So from here, what do you think the biggest challenge is you face today?

Ellen Weber: [00:04:36] So, from our perspective, the biggest challenge is deal flow, ensuring that we have the ability to look at the right deals and that feeds into diversity, making sure that we are looking at a broader pool than we might have in the past, that we are expanding our networks, that we have diversity. We've always been very focused on, do we have diversity in terms of industry and stage and that sort of thing, but, we've really been focusing on gender and race diversity in our portfolio as well.

Hall T Martin: [00:05:10] Great. So, what's your investment thesis for the group? What exactly do you guys look for?

Ellen Weber: [00:05:16] So, you know, it's always funny to me when you ask an angel group or an angel network what their investment thesis is because some have them and many don't. They invest at the interest and pleasure and expertise of the members, but you can still drill it down to, there are some things that we're always looking for. But it is different than a venture fund which will say, "We're here to dis-intermediate how social media is going to happen", or, "We're going to completely upend financial tech", that's not what we are. But there are some strong commonalities of things that we're looking for. We want to make sure that our members have expertise in the deals that we do, we want to make sure that our early money in, is really going to make a difference, it's not just a drop in the bucket, but it's going to make a difference. We want to know that the company really values our expertise and that we have something to add to the company and its growth. If we don't think that we can really add much, we're probably not going to do that deal. And we're looking for highly-scalable companies, we look for good management teams, and, we're also looking for capital efficiency, that's played out because we do both tech and we do life science companies. And so, for an angel to invest in life science, it has to be a capital-efficient deal and that's played out with a number of the companies that we've invested in.

Hall T Martin: [00:06:45] Can you talk about one or two portfolio companies that fit that thesis?

Ellen Weber: [00:06:49] Sure. So, I think in terms of the criteria of early money in making a difference and being capital-efficient, Novira is a company that we invested in and we were early money in, we invested alongside a couple of the economic development groups in the Philadelphia region, as well as a number of other angel groups. And, the thing we liked about Novira, it was very capital-efficient, they had a great plan for how they were going to use their money, they had a track record of being capital-efficient, and we could see where the company could get to an exit without having to raise a huge amount of money. And so, that ended up being quite a success. In our current portfolio, I think one of the companies where our criteria really play out is a company called LIA Diagnostics. We started out very early, so that's a company that is going to change the way that we do pregnancy tests, and it's good from a biological standpoint, from an environmental standpoint, from a privacy standpoint, and from a cost standpoint. And so, we liked all those things, it's innovative, it has potential for being very highly scalable. Our early money in really made a difference, and we had expertise that could really help them, and we started very early on mentoring them. They came through a local schools' business plan competition, we got involved with them at that very early stage, and it's been a pleasure to work with them all along and see how they've developed and grown.

Hall T Martin: [00:08:18] Well, great. So, do you guys have a fund or are you just a network model where everybody writes their own check for what they want to write?

Ellen Weber: [00:08:25] So, we don't currently have a fund. What we do is everybody does decide if and how much they're going to invest, we put that into a limited partnership. So when we invest, it's Robin Hood Ventures 82, 83, 85, whatever. And so, as new members come in, if there are follow-on rounds, they can invest in the entity and the company doesn't have to worry about it, they only have to deal with one person in their communications, etc. So, they really like that model. We did use what we called the Bookmark Fund earlier on in our lifecycle, and interestingly enough, we're looking at it again. Bookmark Fund, the idea is we're putting a small bookmark in the company with the idea that \$25,000 can help them do something, get to test or to get to MVP, and then at that point, we would have the first option to invest a larger amount. So, we did

experiment with the Bookmark Fund. We're thinking about a sidecar, we're thinking about a few other things, but, we have not done that in the past.

Hall T Martin: [00:09:30] Ok, great. So, a quick side note. We see a lot of syndicates coming up these days where you can actually form a group and then you get the carry from those who follow-on behind you. Have you ever thought about moving into a syndicate mode with your group because you're not far away from that model anyway?

Ellen Weber: [00:09:50] That's definitely one of the things that we're thinking about. And, I think with the pandemic in place, everybody has to be innovating and thinking about what do we do differently and how do we change our current processes and things. So that's why there's been some thought, more thought around funds than there has been in the past. It's just part of the whole creative process that the pandemic has forced all organizations of all sizes to think about.

Hall T Martin: [00:10:20] Well, great. So, given all that's going on these days, what excites you right now?

Ellen Weber: [00:10:25] Again, I come back to the pandemic. I think it's the idea of how do we innovate through the pandemic, how do we stay relevant, and how do we keep the group together and engaged, and how do we provide the best support to our portfolio companies? And in some ways, the pandemic has resulted in some really positive changes in the group. We've spent even more time with our portfolio companies than we did before. We had people with expertise in PPP, so we were able to help them early on with that. We worked with each of the companies to come up with a plan, a pandemic plan. What are you going to do over the next 18-24 months? So, you know, that was a real positive and watching the companies innovate through that. For ourselves, the pandemic has meant, so much of our group was based on the, 'let's all be together in a room', 'let's go out for drinks after the meeting', all kinds of interesting projects and initiatives came out of the drinks after the meeting, but we don't have that now, so how do we do that? So, we've been really focusing on education of the members, creating affinity groups within the group. How to reach out to people? How do we really leverage the group at this time? It's been very exciting.

Hall T Martin: [00:11:46] So, did you move your meetings online and use Zoom, and if so, how was that experience?

Ellen Weber: [00:11:51] So, we moved our meetings online to Zoom. The entrepreneurs really have a good handle on how to do that. I've been teaching online for years, so, I didn't have the same learning curve that I think some people probably had with it. So, we probably had one of the last angel meetings on the East Coast because it was three days before everybody locked down. But, you know, we've continued through, we've made our meetings shorter and tighter, we've built in some networking time within the meetings where we put people into little groups and things like that, trying to be creative. But I think the entrepreneurs have actually you know, we used to say that it was so important to see the entrepreneur and meet them face to face, and that was the only way to really get to know them, and I've been really delighted that we've been able to surmount that and still do some new deals while putting in money into our current companies. There are a number of people in our region who've been really good at coaching the entrepreneurs on how to be really good on Zoom, and I think that's an important skill any entrepreneur needs right now.

Hall T Martin: [00:13:01] Are you guys planning to expand nationally or outside your current region to find more members and better deals?

Ellen Weber: [00:13:08] Probably not members, but definitely deals. We were already starting to do that a little bit - looking outside the mid-Atlantic region - and we were already starting to bring some in, but yeah, at our last meeting we had two companies that were, one was from the West Coast, one was from the Midwest. We still like to have some kind of connection to the companies, but yeah, we're definitely doing some deals. And we invest in a company from Israel, but we had an inside perspective on that company, so that that is happening. And I think the pandemic is causing everyone to do that and I think it is making it easier for entrepreneurs to get funding now from people outside the region, whereas before I think they were stuck locally, and so, we have to be cognizant of that and make sure we're reaching out to companies in our region and making sure they know that we're still investing.

Hall T Martin: [00:14:03] So, you've been doing this process for some time, what's your advice for people investing in startups? What do you tell them to do before they write that first check?

Ellen Weber: [00:14:11] Yeah, so, I think they really need to understand. So, take the individual angel, right, they need to decide what kind of group, what kind of person am I? Am I a person who likes to go it alone, go with a small group of people, or would I rather have the wisdom of the room? And so, that's one of the things I always tell people to think about. I actually have a checklist - that I created for a class at Temple on thinking about being an investor - of things that you want to think about before you start putting money into companies. So, do you want to stay narrow in your focus? Do you want to be really broad? How much money do you have? These are all the kinds of things that you should be thinking about. Are you the kind of investor who wants to do follow-on, or the kind who doesn't? Do you want to put a whole lot of money in a couple of companies, or are you more of a portfolio builder? So, I really advise people to go through this checklist and think really hard about who they are. With our group, before a person joins, they have to go to three meetings to get a feel of do they like us? Do they respect us? Do they like the way we do due diligence? You know, do we do too much? Do we do too little? Do they like the decision-making process? Do they like our deal flow? These are all questions I think a potential investor should ask themselves before they join a group as well. And so, the three meetings give them a chance to get to really know us and decide if this is something they want to commit to because once you join a group, it is a commitment.

Hall T Martin: [00:15:46] Sure. And so, on the other side of that table, what's your advice for startups who are going out to raise funding? What do you tell them to do before they start that first pitch?

Ellen Weber: [00:15:53] Right. So, I tell them to make sure that they've got a really clear value proposition, that they've got that down stone-cold, and why they're going to win. So, that's the first thing. I think it's really important, especially right now, to have clear milestones that are tied to funding. So, we need \$750,000 now, that's going to get us to this milestone. At that point, we're going to need \$2 million, it's going to get us to this milestone. And then we need X more dollars, and then that should take us to an exit. The clearer they are on the milestones, the more comfortable I think investors can

get in the company. And then, I think it's really important to understand cash flow. That's one thing that comes up time and time again is that the entrepreneurs don't always understand cash flow, and that is so critical. So, when we ask a financial question and I see them looking around, I get a little nervous and I've got a number of people that I can refer them to to help them, but it's really got to come from the team; you can't have someone else do your financials for you, you've got to do that.

Hall T Martin: [00:17:08] Well, that's good advice. Well, in the last few minutes that we have here, what else should we cover that we haven't?

Ellen Weber: [00:17:14] So, I think something that people don't think about when they're taking money from investors is, what's it going to be like the day after they invest? How am I going to engage with them? How am I going to leverage their expertise? What information am I going to send them, etc.? We find so many times that companies kind of, that the best CEOs keep in touch with us constantly. Here's what's going on, here are the issues we're coming up with, here's how you can help us, and I love entrepreneurs who end an update with, "Here's how you can help us". The entrepreneurs who aren't as strong, they will go radio silent until they need more money. And then by then, they've lost a little mojo with the group and it's really hard to get excited to put more money in when you haven't heard from a company for a long time. So, as an entrepreneur, I think something that we don't always tell them to do is think about how are you going to work with your investor, post-investment?

Hall T Martin: [00:18:13] Very good information for startups. So, how best for listeners to get back in touch with you?

Ellen Weber: [00:18:19] So, all my contact information is right on the website and I'm on LinkedIn. I would ask if you (use) LinkedIn, tell me why you're LinkedIn, it just helps me understand where you're coming from. But if you are looking for investment, I would tell you don't let it get clogged up in my email, apply directly on our website, which is robinhoodventures.com, and then that'll get it in front of our screening committee with people with expertise in your particular industry.

Hall T Martin: [00:18:46] Well, very good. Well, want to thank you for joining us today and hope to have you back for a follow-up soon.

Ellen Weber: [00:18:50] My pleasure. Thank you.

Hall T Martin: [00:18:54] Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investorconnect.org.

Hall T Martin: [00:19:09] Hall T Martin is the director of Investor Connect, which is a 501(c)(3) nonprofit dedicated to the education of investors for early-stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon for the basis of investment decisions.