

Joy Schoffler of Ascendant Industries

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. Joining us today is Joy Schoffler, partner at Ascendant Industries, a New York-based investment management company that focuses on opportunities where they can support senior management to drive rapid growth and profit improvement through capital infusion, technology, innovation, and organizational expertise. They invest across a number of key verticals, including industrials, defense, cyber, digital enterprise, and special advisory. Joy, thank you for joining us.

Joy Schoffler : [00:00:51] Absolutely. It's an honor to be here.

Hall T Martin: [00:00:54] Great. Good to have you back. And, tell us more about Ascendant Industries. What are they all about and how do they work?

Joy Schoffler : [00:01:01] Absolutely. Ascendant is a holding company and the principles of the holding company came together because we really see an opportunity in the market in a few key sectors. So, defense, industrials, manufacturing, and some digital enterprise as well, which includes things like education, technology, professional services, and technology there as well. So, we're a little bit different. A number of the partners had their own allocations prior to coming together, so, one of the partners runs his family office, another managed several multi-family offices over in the Middle East for several families, and then we also have kind of a diverse background across government. Dan Donovan was a former congressman who sat on the Foreign Affairs Committee, who also sat on the National Defense Committee, including the Cybersecurity Committees and in overall, just defense. So, we have a bit of a mixture within our team of established financial services, veterans as well as government leaders as well. So, when we jump into a firm, what we're really looking for is strong companies where we can add a lot of value, not only from a capital perspective but also our relationships. Matt DeVoe who's one of the partners was executive at News Corp for

over a decade where he worked on special projects and managed M&A for Rupert Murdoch and his family there. So, just lots of deep connections across a number of industry verticals where we can go in, add a lot of value, bring our relationships in. Micheal's the president of the Harvard Alumni Association, who's another partner, and has just a really deep background in M&A as well. So, that's our team.

Hall T Martin: [00:03:09] Well, sounds like a great group and a great model there. And, now that we've gone through the COVID pandemic and having a little bit of time to look back, like to explore what you thought the impact of COVID was on the sectors that you work on, in particular the industrials, the cyber, and the defense and, maybe you can kick off and tell us what you think the overall impact on those groups were?

Joy Schoffler : [00:03:32] Absolutely. So, one of the things that we're seeing is a re-shoring of operations in manufacturing back to the U.S. While the trend was beginning within the last five years, the COVID crisis has really accelerated that, and that's across all manufacturing sectors. So, it's actually making industrials fairly strong right now, just because a lot of the industrial facilities that before were sitting vacant, or having a hard time getting orders, or having to compete with China, now, with all of the supply chain issues that people have been having with COVID, a lot of that manufacturing is moving back to the U.S. And so, we've just seen an onslaught of re-shoring that's been happening, which is not only great for American companies, but it's great for our country as a whole, especially with what's happening in the economy. So, re-shoring of operation is a huge theme within our company. We think defense is going to be strong for decades. We also think that there's a good chance we could see an economic decline here, but we think defense will be a fairly safe sector to be in that's going to be an industry that - we believe, especially defense, as it relates to biothreats or cybersecurity - we believe is going to continue to be strong. So, that's a sector that we're really bullish on and actively looking for acquisition targets in. And then, manufacturing industrials, I went through those. So, those are our real key verticals, we'll look at other areas. We're really looking for companies with \$5 million in revenue and above, where we don't really do a whole lot of venture, may look at venture from an M&A perspective and a rollup under one of our existing companies, if there's a good strategic fit, maybe they're a supplier or there's a way that we can bring them into existing industry verticals, but we're not really looking at a venture at this time.

Hall T Martin: [00:05:47] Great. Well, going back to the list of industrials, cyber, defense, so for industrials, is it all manufacturing from around the world coming back, or is it companies that were manufacturing in China or specific countries where the supply chain was long or could be broken or whatever, or is it just universal? Everybody's re-shoring to have it closer to home?

Joy Schoffler : [00:06:10] So, I think what we're seeing right now is, of course, medical is definitely coming back to the U.S. We've seen a lot of you know, a lot of the testing delays occurred in the beginning just because we didn't have the materials manufactured within the U.S. to be able to facilitate that. So, we saw a ton of supply chain disruption in the beginning with medical, for example. But across the board, we're seeing an uptick in different types of companies bringing their manufacturing back to the U.S. So, while there are sectors that are stronger from a manufacturing standpoint and have definitely seen a major increase, we're just seeing a number all across all the different spectrum.

Hall T Martin: [00:06:55] And, I hear a lot about supply-chain visibility systems. Are you seeing much activity there?

Joy Schoffler : [00:07:01] So, because we're not doing a whole lot right now in venture stage, we've been seeing some really good companies in that space, but we haven't really dug deep just because that's not kind of an area that we're focusing on. So, we're looking at a shipyard that does military repairs right now, we're looking at a robotics company that has existing relationships to help repair the infrastructure within the U.S., we're looking at a lot of different types of deals, but the common thread is typically they're more established companies with a strong base of revenue as well as a lot of growth capacity.

Hall T Martin: [00:07:43] I remember a month before the COVID pandemic lockdown hit, there were a lot of shows about how robotics were coming to take your job, be very afraid, and now that we've gone through the pandemic, do you see a shift in people's perceptions of robotics and investment there?

Joy Schoffler : [00:08:00] So here's the thing is, a lot of the re-shoring of operations, there was a great report that Merrill Lynch put out, and within that report, it highlighted

how most of the new manufacturing that's happening in the U.S. will be robotics-enabled. But the really interesting thing to me there is that pre-COVID, they were 400,000 employees short to be able to go and manage these facilities with the robotics technicians. These are not four-year engineering degrees that you need here, these are in a lot of cases, technical trade schools where you could be training people for really high-paying six-figure technical jobs that have a ton of job security because robotics is here to stay. So, while I think sometimes you can look at, gosh, this is going to take somebody's job away and maybe that person was making \$16 an hour, people who know how to work on robotics equipment can make six figures. So, I kind of look at it is as, hey, is the glass half full or half empty here? If you can go to a two-year technical school and get trained from a robotics perspective and make six figures, that's a heck of a lot better than a lot of college graduates are facing right now.

Hall T Martin: [00:09:31] And then on the subject of cyber, where are you guys focusing your efforts? Where do you think cyber is really going to come to the fore now that we're post-COVID or coming out of it at some level?

Joy Schoffler : [00:09:43] So, I really believe that the nature of warfare is going online, and what I mean by that is if you can attack your enemy by attacking their medical systems, attacking their infrastructure, attacking their power grid, all of those things, if you can attack - and I'm a former Army officer, so I guess I just think in this way as well - but if you can attack an enemy without ever having to leave your country and without ever having the bloodshed, there's an active war going on behind the scenes right now with cyber attacks. And so, that is really, I believe, the future of warfare, and that's why we have army commands here, in Austin as well, and that's why the Army is investing and the military, in general, is investing so much money into cyber defense is that's really where things are going. Hopefully, we never see another war, but we're definitely seeing things behind the scenes where there's foreign adversaries attacking.

Hall T Martin: [00:10:54] And what impact did COVID have on speeding that up or changing the characteristics of cyber and defense?

Joy Schoffler : [00:11:01] So, I really believe that it made us so much more reliant on the digital world, and so, that of course is creating a lot more vulnerability there. When you take down a company or their systems before and all your employees are working

from an office, you can still be productive to some nature, going in and having meetings together and switching things around. When you're all online, that can be much more difficult. So, it just creates a lot more vulnerabilities and is a lot more important to be protected these days.

Hall T Martin: [00:11:38] We hear a lot about people moving to a virtual workforce and working from home, working remotely, and that seems to have the impact of taking a company's data and dispersing it into every home and every laptop. What's the challenge with cyber there that you can think about?

Joy Schoffler : [00:11:55] So, I think it does disperse it to some extent, but a lot of companies are still having you, you know, they've got systems in place to make sure everything's still centralized or else it just wouldn't work from an employee. From a decentralized standpoint, if all your data was everywhere, it'd make it a lot more difficult. So, I just think it makes it even, I mean, it's similar, right? If you're in an office and your internal system gets hacked, or you're remote, a lot of times it's the same thing from a data-vulnerability standpoint.

Hall T Martin: [00:12:29] I remember when the vaccines were coming together and they still are, that a lot of cyberattacks were coming in from different countries trying to find out where everyone else was in the vaccine development and what their strategy was and so forth. Do you think we're going to see more of that as far as having attacks that are specific, related to certain technological achievements or certain positions?

Joy Schoffler : [00:12:55] Well, I think there's always corporate espionage going on, I think that's a part of doing business nowadays, and, in full transparency, I'm definitely not an expert on all of those subjects, but, you know, we see it in news headlines, we see it every day. That's the way that the world is kind of headed, and people really work very, very hard to protect their data, especially if it's trade secrets these days because it's a very, the threat is real.

Hall T Martin: [00:13:27] Well, great. And so, what new applications within the cyber and defense sector you think we'll see come up based on COVID, or just the progression of cyber and defense?

Joy Schoffler : [00:13:36] So, there is a lot of really interesting companies out there. One that we talk to had a, basically what their company did was they had the ability to monitor temperatures as people walked through a building, with their, basically you could walk through a particular area, just like in an airport where they have the sensors that can conduct heat, but it also can use facial recognition, so you can see, is that person a disgruntled former employee? Should that person be there? Is that person safe? So, it's almost like the AI is constantly monitoring everything going on from both a physical and a biological threat detection. There is a lot of really interesting stuff just about decontamination and that's coming out as part of the overall systems. So, there's a lot of people who are not only looking at the cyber element, but they're also looking at the in-person threat detection too. So, it's just a new time and I think people were going that way, but this virus has made - from a real-estate perspective - this virus has made it even more urgent for companies to be able to, buildings to be able to say that they're offering these things to keep their tenants. And, you know, at Ascendant, what we really do - we're not the experts in these particular verticals, our vertical leaders are - but what we do is we connect with our higher-level relationships, we help with organizational systems. I used to run a PR firm called Leverage PR, and the entire, all of Leverage was built on helping companies rapidly scale and grow, putting the systems in place, making sure that your messaging was correct. So, we do a lot of consulting work with our clients to make sure that - or our portfolio companies, rather - to really help position them in the strongest way and make sure that they're aligned for rapid growth, and then make a lot of introductions in addition to our capital. So, it's almost like a hybrid private equity where we're injecting a lot more value through the work that we're doing on our end.

Hall T Martin: [00:16:04] Well, great. Well, we talked about the re-shoring on the industrial side, but on the cyber side, what's your investment thesis there? What exactly are you guys looking for through your partners?

Joy Schoffler : [00:16:13] So, what we're looking for is companies that we believe that we can really help scale. So, whether that's companies that are proven leaders, so they're great teams, they have good executive teams, and they're really primed, they've done it, they've maybe done really well in a particular region and now they're looking to expand internationally. So for that, what we're looking for is to go in and really help them

with that expansion. We want solid teams, we want technologies, patents are always phenomenal, just a way to be able to help scale and grow that company.

Hall T Martin: [00:16:57] Well, great. And then for early-stage companies and even larger companies, what do they have to do to COVID-proof their business?

Joy Schoffler : [00:17:05] Oh, gosh, that is the magic question now, isn't it? I think it's different for every company. I think it's all about you've got to have diversified revenue streams, all the things that make you strong as a business before, being digital is even more important, figuring out how can you, maybe you've got an operation that right now you've been doing in-person. So, for example, there's a company that we're looking at which is called DaVinci and they're an online education company. Well, DaVinci has a phenomenal offering, which has been - or excuse me, they're an in-person education company delivering solutions for kids on the spectrum, so ADHD, autism, things of that nature. And what they're doing is going in and developing both the curriculum and training for teachers. Well, that regional solution today has a lot of components that can very easily be scaled to a national solution with the online component to it, being able to provide solutions and training for pod teachers, curriculum that could be downloaded for families who have special-needs kiddos who are looking for a really proven curriculum and system. And so, with a company like that, we're looking at making an allocation and bringing in some other investors alongside of us. But we really see that as an opportunity to help scale and grow that particular company pretty rapidly. It's a regional solution and they've done really well, and now let's help get them national.

Hall T Martin: [00:18:52] Well, great. Well, in the last few minutes that we have here, what else should we cover that we haven't?

Joy Schoffler : [00:18:56] Oh, gosh! You're such a good interviewer. It's hard to, I'm trying to think of what else. I think as a company in COVID, kind of like the DaVinci company that I referenced - the educational company - it's really looking at, you've got to be solid if you're out there raising capital right now, you've got to be a solid company, you've got to show that you're recession-proof. It's not good enough anymore to just show growth, you also have to show how the growth is going to happen through downturns. And so, really looking at like, OK, what if a black swan event happens? How is our company going to operate if we lose our biggest client? How are we going to be

strong? How are we going to diversify revenue streams? And so, the more as a company that you can start thinking through the worst-case scenario and putting plans in place, the more creative that you're going to be if the worst happens, and that's what investors want to see. They want to see that you're thinking outside the box, they want to see that you're not dependent upon one thing. And so, just really thinking through ways to diversify client base and diversify revenue is key.

Hall T Martin: [00:20:16] Well, that's good advice, and as we get into the Fall and we may get into another lockdown, hopefully, companies will be better positioned and more COVID-proof having the experience with it, because I agree. I hear a lot of investors ask, "If we go through another lockdown, will you be able to continue your growth in that scenario?", and that's a key question to ask any business at this point going forward.

Joy Schoffler : [00:20:39] Absolutely.

Hall T Martin: [00:20:41] Well, how best for listeners to get back in touch with you?

Joy Schoffler : [00:20:44] Absolutely. So, you can connect with me at Ascendant-Industries.com, or on LinkedIn, Joy Schoffler - it's my first and last name.

Hall T Martin: [00:20:55] Well, great. We'll put those in the show notes. We want to thank you for joining us today and hope to have you back for a follow-up soon.

Joy Schoffler : [00:21:01] I look forward to it.

Hall T Martin: [00:21:04] 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: [00:21:19] 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.