# 2020-09-23 Why I Invested KiwiTech

**Hall T Martin:** [00:14:39] Thank you guys for joining us today. We're TEN  Capital and we're hosting the "Why I Invested" webinar today to focus on KiwiTech. We have with us the Chairman and CEO, Rakesh Gupta, and the co-founder and CIO Neal Gupta. And our investor today is Dr. Peter Bleyleben who will talk as well here in a moment. We also have a chat box, so if you have questions, go ahead and ...  but if you're not talking today, please go ahead put your Zoom on mute so we don't have background noise and that'll make it easier for us as well. So, with that, let me pass that over to Rakesh to give the investors a quick update on the KiwiTech opportunity here.

**Rakesh Gupta:** [00:15:30] All right, thank you Hall. I'm going to share my screen here, share some slides, I hope everybody is able to see that. OK, so  [00:15:43]KiwiTech is a unique model for making what we call "cashless investing", and [00:15:50] I'll start off with some background on what we do in terms of, you know, the model that we have is that we do technology development for startups and we take half of our fee in equity. So, say there's a $500K technology development, you know, SOW, we would do that, maybe it'd be over two or three years, but what we would do is the startup would give us $250K in the form of equity - in-kind equity - and then would charge them $250,000 in cash over the period of the development, over two or three years. So [00:16:25] we get this equity upfront, we're aligned with the startup in terms of creating value, helping them get new investors on board, and helping them with any advice and this provides an interesting partnership. It [00:16:37] also allows us to make a series of early-stage and late-stage investments without having to write checks. So, it's set up as an operating company, you know, about 450 people total, a lot of them are based in New Delhi where the programming is done, and then we have a business-development team and management over in the U.S. And we have a whole ecosystem of events and this has actually benefited from the lockdown. We had these demo day events that we were doing. Before the lockdown, we were doing about 6-8 of these per quarter, and these demo day events are where our portfolio companies, say 6-8 of our startups will present and there were usually about 15-25 investors in the room. We did these in Texas, in Austin, Dallas, Houston, most have been around the country, Chicago, New York, Boston, D.C., San Francisco, L.A. So, East Coast, Midwest, West Coast. And then we also had a workshop series in late 2019, and then in February, we started experimenting with online demo days. We were thinking it might be interesting to see if we could take some of our events and move them online so everybody didn't have to fly all over the place for an event and we started using Zoom, and we thought maybe over a period of 12-18 months we would move maybe half of our events online. Of course, then lo and behold, in mid-March, we had to lockdown, and within two weeks we moved 100% of our events online. And it actually led to some experimentation in terms of having a broader set of events, and we went from doing 6-8 events, to we're doing 20-30 events now per quarter. It includes demo days, VC panels, family-office panels, venture fair. So, a variety of events all done through Zoom, you  know, no travel cost, it's easy for investors and startups to participate, and rather than getting the 15-25 investors we did at a typical demo day, now we get 40-50 investors in a Zoom environment. And, our larger events, our VC panel and family-office panel, we get 300-500 attendees. So, here's an example of some of the events that we do. We have a venture capital panel where we've had top VCs participate. We launched this in May and we're doing it fairly frequently every month, month and a half. And we have funds like NEA, it's a $24-billion fund, or Edison Ventures, which is a New Jersey-based fund that have presented, and then we also have a family-office panel that we launched in August where we had the Forbes Family Office, the Koch Family Office, and the Dupont Family Office as panelists, and we had four of our strong, kind of later-stage startups presenting. And, at these events where we have 300-500 people, we can actually match up to startups and investors, and the way that we do that is that, you know, we send a list of about 100 VCs after the event that have attended our events in the past, we send it to startups, they can select up to 25 startups and then we send the list to the VCs and they can opt-in for those introductions, and out of each event, we make about 50-100 introductions. So, just to give you an idea of some of the event ecosystem that has developed over the last six months, we have a female-founder demo day, we have a lot of female founders in the mix, we've been doing this for a while. It used to be primarily in San Francisco, but now we're online so people can participate from anywhere. We also launched Black Entrepreneurs Matter Demo Day in July, and we have an online workshop where startups get education on different topics. We have a large tech-a-thon event which is going on right now this week, and also industry panels. So, these are a variety of ways in which we help the startups that we work with and we also have a unique deal funnel for finding the startups. [00:20:30] In 2019, we reached out to 40,000 startups across the U.S. That led to about 60% of them responding positively, 6,000 phone calls, 2,000 meetings -this is all on Zoom now - and led to 109 new portfolio companies last year. [00:20:44] So, as of the end of last year, we had 250 portfolio companies, 165 of those over the last two years, '18 and '19. And, that has led to some significant growth in our model. These are some of the startups that we've invested in, but I'll show you some of the numbers and we'll come back to that. And, in terms of numbers, we have scaled 37% from 2019 to 2020. We're gonna do ________ this year, $25 million in net income. The net income is primarily in the form of in-kind equity today, and what we're doing now is we're growing our cash EBIDA as well. So, over the next few years, we expect to get to $100 million in EBIDA, of which $25 million would be cash EBIDA and $75 million will in-kind EBIDA. And then I'll cover a couple of the things before I switch over. Founder background, my brother, sister, and I had founded a company earlier called Aptara. It was a content services company that we scaled to 5,000 people and sold in 2012, that's what we did prior to this. And, in our current company, in KiwiTech, we have two large investors, family-office investors, Tom Wells and Dan Rizzo, who are both on our board. They collectively invested $6 million in the business. And then, in terms of what we're doing today, we have a convertible note, the company's raised about $25 million in capital so far, mainly from individuals and family offices. We're doing a convertible note of $10 million with an 8% current pay paid out quarterly and a 1X liquidation preference, and it converts at $8 per share. It's got a 5-year term with two 1-year extensions. So, that's quickly about KiwiTech. And, I want to just share a little bit about some of the companies that we have in the mix. We have about a dozen companies that we think are looking as potential exits over the next couple of years. We did get a couple offers this year to get bought out of our positions in Series-B rounds, but we declined because those are some of our stars and we don't want to let go of them. But, Urban FT, this is a company that we started with pre-revenue pre-product at a $10-million valuation. They now are up to $100-million valuation, they're raising a $60-million round, a $20-million run rate this year, and upon exit, we think our value could be about $9-$11 million over the next couple of years. Then HUNGRY, this is a catering platform, a technology platform for catering. We got $150K equity at an $8-million valuation in 2017. They raised $20 million at a $100 million valuation earlier this year, and our equity is worth about $1 million now. We think they're on path to becoming a unicorn. The CEO did a great job of pivoting during the lockdown, added three new services, and so, we think this has good potential. And, we have a software platform, kind of an Uber for buses that we invested $1 million in last year. They're now raising money at a $60-million valuation, so we think this has potential to scale and deliver some meaningful value to KiwiTech. So, just to give you some examples of some of the types of companies that we have in our portfolio. So, that kind of wraps up the KiwiTech presentation.

**Hall T Martin:** [00:24:19] Thank you for the recap of the KiwiTech deal. Now we'd like to turn to Peter Bleyleben, and Peter, can you tell us a little bit about your background as an investor?

**Peter Bleyleben:** [00:24:29] Sure. I want to go a little bit further just very quickly. I'm on my third life. My first life was Senior Partner at Boston Consulting Group, and then I co-founded a specialized finance company that I bought public at the New York Stock Exchange and absolutely hated, hated, hated being CEO of a public company, and we had a little hiccup in 2002, I think, yes, and so, I stepped aside as CEO, remained chairman of the board, and since then, I've basically been a reasonably active angel investor in the metropolitan, Boston, northeast corner of the United States. And I serve as investor, as a mentor, as an adviser, as a board member. So that is very quickly my record. In terms of specifically with Kiwi - Rakesh, correct me, but I think it was around 2015 or so that I met you guys and [00:25:41] - I was intrigued at the early phases by two things, actually, and I never realized how much more potential there actually was in this thing than what I originally thought. [00:25:53] I was intrigued by, I always wanted to be kind of a general partner in those investment funds and not necessarily a limited partner, because I really think if you're successful, the real money's on the GP side, and this was the first opportunity for me to basically participate in the success of the GP. And I loved this, I would call it risk, but you will think model, that they got paid in cash for their costs that they provided the services for the companies and the other half of whatever percent was in equity, like a real investment fund. No cash involved from the investors, there's no LP, so, I as an investor will make money if the GP makes money, which I'm sure hopefully we will make. The second issue, the second area, which was very intriguing for me, as an angel investor, you tend to focus on companies in your geographic area, which for me meant Boston, which is not necessarily a bad place to be an angel investor, but everybody else is here and the valuations tend to get really crazy in those centers, like being in those days, Silicon Valley and Boston, basically, and [00:27:27]Kiwi from day one was intriguing to me because many of their companies came outside those prime spots and [00:27:37] whenever you go outside of the prime spots, you tend to get better valuations as an investor than if you sit around in Silicon Valley and in Boston and so on. So, those were the things that intrigued me the most, which made me invest basically as one of the quite early outside investors in Kiwi.

**Hall T Martin:** [00:28:00] Well, great. So, what do you normally invest in? Aside from KiwiTech, what type of companies do you look for?

**Peter Bleyleben:** [00:28:06] Well, I'm in Boston, right? So, it tends to be software, right? I did some life-science investments and quite honestly, I think, did I make money on one of them? Yeah, I made actually, yeah, that was kind of the real deal that I made a lot of money on one of them, which wasn't really necessarily life-science, more software. But [00:28:29] generally speaking, I lost money in life sciences, so I don't touch them anymore. Exits take forever and you can go to whatever, phase II or phase III even and then suddenly, the whole thing that was valued at $1 billion a day ago, suddenly is worth essentially nothing. [00:28:52]So, I have shied away from life sciences, but I do like software and I don't see much of it in Boston, but I do like things where I can actually touch it, I can see it, it's kind of a product that is tangible. So, that's basically my investment philosophy. I'm a big fan on the entrepreneur itself [00:29:25]. A good entrepreneur can make a bad idea successful, and the bad entrepreneur can make a great idea totally fail on you. [00:29:33]So, [00:29:35] getting to know the entrepreneur is one of the key aspects of how I invest and I mean, I met the Guptas and I kind of was extremely comfortable on day one. [00:29:47]

**Hall T Martin:** [00:29:48] What did you like specifically about the team? What made you comfortable with them?

**Peter Bleyleben:** [00:29:55] Clearly experience. I mean, they have seen it. It's always difficult to invest in a kid coming out of college that decided, I have the greatest idea, let's just go and do it. And Rakesh and his siblings clearly have the experience and they have seen it, right? I mean, [00:30:17]with a company of 5,000 people, they clearly have software skills, they clearly know how to do it, and I was extremely comforted by that background. [00:30:29]

**Hall T Martin:** [00:30:30] And so, why did you think this company would be successful and today, looking back, is it still the same reasons, or is it different reasons why they're successful?

**Peter Bleyleben:** [00:30:40] I think,  [00:30:41]what I did not recognize in the early days, as much as I recognize now, is the amount of value that Kiwi provides to their portfolio companies.  [00:30:56]Rakesh pulled up a few of those seminars, workshops, getting together with investors regularly, so I describe them as the, well, all VCs say they are value-added and they provide value to their portfolio companies, everybody says that. Normally I don't see, besides them sitting on the board and maybe making one or two introductions in their lives. With Kiwi, I see it every day. [00:31:33] They take that idea of value-added investor really seriously, to heart, and, I think I like that a lot because it improves the reputation out there, right [00:31:53]? So, investors in the companies know that those companies had a lot of support and [00:32:00] the entrepreneurs know that if they go to Kiwi, they get good stuff out of them. [00:32:06] And it's very, very difficult for VCs to get a good pipeline of prospects, and if your reputation is good, is really being helpful to the entrepreneurs, I think that's very helpful to get the high-quality deal flow.

**Hall T Martin:** [00:32:25] What challenges did you see the company overcome? Or, what was the biggest challenge you saw them overcome over the time you were with them?

**Peter Bleyleben:** [00:32:35] Well, I don't know, [00:32:36] I quite honestly have not seen many problems. [00:32:37] I mean, maybe they didn't tell me about them, but I mean, [00:32:43] they are definitely here, they are growing, so they must be doing something right. [00:32:49] I think on the pure operational point of view, the speed at which they converted their basically personal touch to remote. The remote world since March was, for me, astonishing. I mean, I have seen a lot of companies that took way, way longer to get used to the Zoom world than what Gupta and his company did. So, that is definitely good.

**Hall T Martin:** [00:33:26] Great. And, so you mentioned several reasons why you invested, but what excites you most about this opportunity? What's the one thing that gets you the most excited about KiwiTech?

**Peter Bleyleben:** [00:33:37] I think [00:33:37] the ability to expand their product offering, to provide first, top-notch services to the entrepreneurs, and the basic business model [00:33:50]. I mean, some people, more than some people have tried to get paid in equity for the services that they provide. It tended to sound better in theory than in practice, because it never is really clear the VC, or the service provider, or whatever. KiwiTech I think, has figured out how to do it well. Over the years, I think - Rakesh, correct me if I'm wrong - but I think you increased the cash proportion of the software services that you provide over the years.

**Rakesh Gupta:** [00:34:31] Yes.

**Peter Bleyleben:** [00:34:32] So, that allowed, basically, the company to become cash-neutral or even slightly cash-positive, while still growing without coming back to the Peter Bleyleben's of the world for a lot of additional financing. Now, we really want to do some cold financing, and that's now a different story, but this financing, I think will be a real kickstarter for a very successful additional expansion.

**Hall T Martin:** [00:35:06] And how are you helping the team at this point?

**Peter Bleyleben:** [00:35:10] I am a friend. I mean, being here for instance. I participate on many of the panels and be helpful in wherever I can, but I don't have any specific role in Kiwi.

**Hall T Martin:** [00:35:29] Great. And my final question is, what else do you think the other investors should know about the company that we haven't mentioned so far?

**Peter Bleyleben:** [00:35:44] Rakesh, you're going to hate me, but [00:35:46] they are approachable. When I need something, when I want something, I send an email, and I actually do get an answer back within a reasonable period of time. I [00:35:57] am an investor in many other institutions or other places where I get an email - if I'm lucky - I get an answer back in a week or so. So, it's a very comfortable feeling for an investor that you have a management team that is responsive to reasonable questions. [00:36:20] They don't hide anything, they are open. So, after now five years, I will definitely do my investment again [00:36:32] as I did five years ago and there was another follow-up round a couple of years later that I also did.

**Hall T Martin:** [00:36:38] Great. Well, I appreciate your comments, I want to thank you for those. For other investors that are on the call today, if you have any questions, go ahead and put them in the chat box. And at this point, I'd like to go back to Rakesh, and have him give a quick update on the current status of KiwiTech and the offering. Peter, thank you so much.

**Rakesh Gupta:** [00:36:58] Yeah, thank you, Peter. Appreciate it. So, yeah, so in terms of an update, we are you know, [00:37:06] this is a $10-million facility, we've raised $2.5 million against it, and we're continuing with that and we also plan to add some additional services into the mix;  [00:37:21]Peter had referred to that in his comments. Besides technology development, [00:37:26] we want to be able to offer accounting services and marketing services to startups. [00:37:31] So, we think that's an interesting expansion because you take the same startups and we're already offering technology development to them. Accounting arguably, has a much broader application, and which investor doesn't want to get good accounting statements out of their startup? That's always a challenge, right? So, that's one thing we plan to add. And we also plan to add marketing services to expand the services offering into startups. So, these are some of the things that we plan to do going forward.

**Hall T Martin:** [00:38:01] Can you talk about the specific terms of the investment, valuation, et cetera?

**Rakesh Gupta:** [00:38:07] Yes, so, the convertible note is set up with an 8% coupon and again, that gets paid out on a quarterly basis, so, it's a convertible note that actually pays. It's set up for - someone's asked to show the slides. I'll just put that up here. Let's see here - and it is a 5-year term with two 1-year extensions, so I'll just put that slide up for you to see.

**Hall T Martin:** [00:38:48] Great.

**Rakesh Gupta:** [00:38:50] And it has a 1X liquidation preference, you know, naturally being a convertible note. It sits ahead of the common equity and preferred equity and the conversion is, the $8 per share is based on about four times this year's net income, plus the value of the in-kind portfolio as of the end of 2019. So, that's about $150 million because [00:39:14] we have $25 million in net income this year - I'll go back to that slide - and, on the balance sheet, we have about $47 million in assets at book value, as of the end of 2019. [00:39:30] So coming back to this, it's a 5-year term with two 1-year extensions, we're planning over the next two or three years to be able to do an M&A or IPO-type exit. We would expect that exit based on the numbers and how we're tracking, to be at $40-$55 per share, which is basically the value of the portfolio at book value plus 8-12 times net income. And, over time, you know, cash-net income will be increasing.

**Hall T Martin:** [00:40:01] Great. And we have the next question there. How do you evaluate the businesses to whom you provide services for cash and equity?

**Rakesh Gupta:** [00:40:09] So usually the way that we value a business, a startup, is, you know, it's in line with the way angels are investing in it. So in other words, if it's a $5-million valuation for the angel round and people are writing checks of $5 million, that's a valuation that we'll go with. [00:40:26] So, we tend to just benchmark off of the valuation that an angel investor or a fund is investing in. [00:40:33]

**Hall T Martin:** [00:40:35] So, do you provide services to everyone, and if so, how do you choose which businesses to provide services for and which not to provide services for?

**Rakesh Gupta:** [00:40:44] Well, we're open to providing services for any startup, but whether we do the in-kind model or not depends upon whether we agree with the valuation, we agree with the potential of the team. As Peter says, he looks at the management team. We look at the management team first, and we tend to have a lot of experienced entrepreneurs in the mix. And then, of course, [00:41:06] if things look good from an investment perspective, then we'll do an in-kind deal. If not, we'll do an all-cash deal. We'll [00:41:13] say, well, let's just start out as an all-cash model and then we'll see later on whether or not we do in-kind.

**Hall T Martin:** [00:41:19] Do you have a rigorous due diligence process? Can you describe it a little bit?

**Rakesh Gupta:** [00:41:23] Yeah, we have a diligence process where we look at some of these things that a VC would look at. I wouldn't say that we're venture, we don't necessarily look at investing in venture ________companies, we're investing more like an angel investor or a seed-stage investor. We do have later-stage companies that would be more like venture _______. But, we have a diligence checklist, which I'm happy to share with anyone as a follow-up to this.

**Hall T Martin:** [00:41:50] So, how many companies do you evaluate to get one company in your portfolio? What's the initial screen versus what finally ends up as one company? If you have a ratio there, that would be helpful.

**Rakesh Gupta:** [00:42:04] Yeah. [00:42:04] So out of 24,000 companies that have responded positively, you could look at it as 6,000 phone calls go to 109 companies, so, it's kind of about 1:60 from the initial phone calls. [00:42:15] There were about 600 companies that were reviewed, so in other words, they made it through these two stages. So, [00:42:21] about one out of six of those we invested in. [00:42:22]

**Hall T Martin:** [00:42:24] Very good. And, is KiwiTech open for new startups only, or does it conduct current and existing business with new business lines?

**Rakesh Gupta:** [00:42:34] New startups meaning like startups that are just starting, pre-product, pre-revenue?

**Hall T Martin:** [00:42:39] Do you only work with new startups, or do you work with existing businesses that just want to start a new product line and just need new services?

**Rakesh Gupta:** [00:42:47] Oh, usually it's new startups, [00:42:50] because if it's an existing business that's starting a new product, then we'll just do that on an all-cash basis, we wouldn't do that in an in-kind model. [00:42:59]

**Hall T Martin:** [00:42:59] Ok. Is the deal to the startups always 50% cash, 50% warrants, or are there other combinations?

**Rakesh Gupta:** [00:43:06] Yes, it is Hall, because initially, we started out with, you know, 20% in-kind, 50% in-kind, 100% in-kind, and we found it was complicated because a startup would feel like, well, you don't believe in if you get 20% and it wasn't as compelling an offer. If we did 100%, we're taking too much risk. So, we decided to do 50% and work with companies that meet the threshold.

**Hall T Martin:** [00:43:31] What are the biggest challenges the company is facing right now, and can you talk about how COVID has impacted the valuation of your companies?

**Rakesh Gupta:** [00:43:40] Well, I think in terms of, [00:43:42] we're seeing both positive and negative impacts of COVID on our portfolio [00:43:47]. Clearly, companies in the travel and hospitality space that had to take a pause, we're seeing kind of post lockdown. Some of those companies are coming back, you know that Airbnb for billionaires company we have called LBH, they're actually having a record quarter this quarter, but they had basically no revenue in April and May. And, then [00:44:11] we see healthcare companies and fintech companies, they seem to be doing quite well. [00:44:16] So, I think [00:44:18] it depends upon which space the company is, whether they've been doing a successful job of pivoting, you know, in adapting to the new environment, so, a lot of it depends on that. [00:44:28] We have an events company called Eventcombo. They were focused on in-person events, they pivoted to online events and I think they're going to be back to this pre-lockdown run rate in the next month or two and they have the potential to grow a lot more than they could with in-person events.

**Hall T Martin:** [00:44:46] So, what's the biggest challenge you face today?

**Rakesh Gupta:** [00:44:49] I mean, [00:44:50] the challenge is just managing the growth, you know, scaling, making sure we do good events. It's all about execution. [00:44:58]

**Hall T Martin:** [00:45:00] What percentage of the portfolio companies have gone under due to COVID?

**Rakesh Gupta:** [00:45:05] Right now, we haven't seen - I mean, I'm expecting that there would be fallout and we did make a provision for more write-offs starting in 2020, partially because the portfolio has grown, but also because we're thinking that there will be write-offs. But, [00:45:24] we don't have that many companies that have actually thrown in the towel yet, but I'm sure there will be cases of that. People [00:45:31] that are connected with the hospitality space or travel space.

**Hall T Martin:** [00:45:35] So, the next question is, what is the minimum investment level for KiwiTech?

**Rakesh Gupta:** [00:45:42] For the convertible note, $250K is kind of what we prefer. I mean, we can be flexible about that, but we kind of prefer $250K or more.

**Hall T Martin:** [00:45:53] So, for the new services, what competitive advantage do you have that would make the existing customers get additional sticky services like accounting and marketing? What makes that sticky for you guys?

**Rakesh Gupta:** [00:46:07] Well, I think, one is in our portfolio, [00:46:10] we have over 250 companies, so we can go out to them for these additional services and [00:46:14] we already have a pre-existing relationship with them and a contractual relationship with them as well, so, it's easy for us to add those services on. And then also because of our event ecosystem, you know, our workshops, and other events, it gives us a very good forum in which to promote these additional services. So, it's more just kind of being in that space, being connected to the startup's existing portfolio companies and new startups that were connected.

**Hall T Martin:** [00:46:41] Cool. So, the next question is, are most founders very stingy about giving away equity, especially in an environment where there's a lot of money-chasing deals? Why would a startup choose to give away equity versus pay for development in cash?

**Rakesh Gupta:** [00:46:56] Well, I think in general, especially at the seed stage, raising money is a challenge because startups are having to raise money at $25K, $50k, $100K at a time. So, if we can say, all right, you're going to raise $500,000 dollars and you need to develop your product, instead, you only have to raise $250K, it reduces the amount of time they have to put in fundraising and it gives them a vested partner because now we're very strategically aligned with them. [00:47:24] We're aligned with their success and want to help them make introductions or do whatever we can to help them. [00:47:28] So, [00:47:29] it brings a value-add partner alongside them. [00:47:33]

**Hall T Martin:** [00:47:34] Can you give a breakdown of the companies in your portfolio by sectors: fintech, healthcare, et cetera?

**Rakesh Gupta:** [00:47:43]  [00:47:43]We have a fair amount of healthcare and fintech, those are probably our two largest categories, [00:47:47] I don't have the numbers offhand, but, those are big areas for us, healthcare and fintech.

**Hall T Martin:** [00:47:54] Great. If there are any other questions, go ahead and put them in now. I know we answered many things, but there may be new questions coming up and just wanted to see if there were any last-minute questions here at this point. Rakesh, what are your final closing words that you'd like to give to the investors that are online today?

**Rakesh Gupta:** [00:48:14] Well, thank you for attending and participating [00:48:17]. I think we're building a pretty unique model at scale [00:48:23]. They're clearly companies that have done, you know, taken equity in exchange for services, marketing services, or technology-development services, but I think we have a pretty unique model in terms of how we've scaled that and how we've created a virtual startup ecosystem, and we'd love to chat with you if you're interested in taking a look at this.

**Hall T Martin:** [00:48:44] Great. Want to thank you for taking time today to share this information. I want to thank you Peter Bleyleben as well.

[00:48:49] There are a couple of questions. Can we answer them, please?

**Hall T Martin:** [00:48:52] Oh, we do have a few more questions. Let's go ahead. A few more have come in. Before we jump off, let's go back up. What is the lead time for a company from first phone call in the funnel to participation? How long does it take for them to go through your process?

**Rakesh Gupta:** [00:49:12] The lead time from call to an in-kind deal, it's probably about 6-8 weeks is the timeframe.

**Hall T Martin:** [00:49:23] OK. 6-8 weeks, that sounds good. And, who's your biggest competition and how do you compare with them?

**Rakesh Gupta:** [00:49:30] Well, our competition are other technology development shops that will just do this for all cash, as opposed to having an in-kind component, that's our primary competition. And I guess the other area would be for technology development would be their in-house capabilities because we're more like a shared service.

**Hall T Martin:** [00:49:48] And, how do you say you're better than doing it yourself? What would you say is the big advantage you have over those who are just rowing their own?

**Rakesh Gupta:** [00:49:56] Well, one is cost because we're doing it, their out-of-pocket cost is much lower for a development hour. But the second is that, you know, as they're building a product, they're ups and they're kind of increases and decreases in the amount of time being spent, right? So, [00:50:12] with our model, they can basically staff up for development of a new version, and then they can staff down as they're going to market [00:50:21] and trying to promote that version just doing enhancements. So, their staffing can be variable depending on what's needed. So [00:50:27] they don't have to have a lot of fixed cost to support that development. [00:50:31]

**Hall T Martin:** [00:50:32] Next question is, how much funding have you helped portfolio companies raise? Do you have a total figure there?

**Rakesh Gupta:** [00:50:40] The companies that have revenue, I mean, I can tell you kind of on a, I mean, it's a fair amount of capital, but in terms of percentage of startups that present at our demo days, about 40% of the startups that have revenue raise money, and the pre-revenue startups, it's more of a challenge for them, I would say it's more like 8% of them raise money. So, [00:51:04] having revenue versus not having revenue has a significant impact on how many of them raise money through our demo days. [00:51:08]

**Hall T Martin:** [00:51:08] For those who have revenue, is there a standard amount, like $50K, $100K, $300K?

**Rakesh Gupta:** [00:51:15] So it varies. It varies anywhere from $100K to $1.5 million per company. [00:51:22] The companies that have done well, have raised about $1.5 million out of the demo-day series,  [00:51:27]but usually, if they raise money, they raise at least $100K.

**Hall T Martin:** [00:51:32] Ok, and how stable is your developer workforce? Has there been any turnover in the team and is retaining talent a challenge?

**Rakesh Gupta:** [00:51:41] It's generally been pretty stable. You know, it's Indian-based development and Indian-based companies tend to have a higher turnover. But, we manage that with good company events and morale, a lot of employee events, and that's worked fairly well. So, [00:52:01] we do better than the industry average in terms of turnover. [00:52:03]

**Hall T Martin:** [00:52:04] Ok. Well, the next one is, the biggest challenge with technical development is that the requirements change all the time. How do you manage the change of scope from the tech when it's always moving?

**Rakesh Gupta:** [00:52:14] That's a very good question actually, it's very true, especially with startups. They talk to an investor and the investor says that you need this feature and they want to add this feature. So what we do is we have an agile development process so that they can make changes and kind of adjust course on a weekly basis. And, we prefer startups to have a team-based approach where they have a development team, so if they're changing course and there's some additional work to be done, that gets figured into just additional development hours.

**Hall T Martin:** [00:52:45] Great. And so for investors, do they get access to an online dashboard to track the performance in real time?

**Rakesh Gupta:** [00:52:52] We do quarterly reports and the quarterly reports have a kind of a report of how things are tracking in our investments.

**Hall T Martin:** [00:53:03] Got some people really appreciating the answers and the presentation you guys made today.