

2020-10-23 Why I Invested in Lend-Grow

Hall T Martin: [00:13:37] Well hello, this is Hall Martin with TEN Capital. Thank you guys for joining us. As you know, TEN Capital is a company that helps startups and entrepreneurs connect for funding. And today we have the co-founder at Lend-Grow, Nish Krishna joining us for his company and his investor is the co-head of VC at 10X Capital, David Weisburd. I want to thank you guys for joining us, Nish and David.

Nish Krishna: [00:14:02] Absolutely. Glad to be here.

David Weisburd: [00:14:04] Thank you Hall.

Hall T Martin: [00:14:04] So Nish, can you give us a short overview of Lend-Grow?

Nish Krishna: [00:14:09] So, Lend-Grow platform connects about 1,000 or so local lenders in that \$1 billion-\$100 billion in size, and we have different components to the marketplace and the platform. But the idea is to connect consumers with about these 1,000 or so local lenders that are harder to find online and usually have a better deal on loans. So that's what we do at Lend-Grow.

Hall T Martin: [00:16:04] So, David, what was your background as an investor?

David Weisburd: [00:16:08] Thanks, Hall, for putting this together. It's always great to talk about our portfolio companies. I'm one of those venture capitalists that started out as an entrepreneur. So, I started out back in undergrad in college, and I ended up growing the largest B2B ticket brokerage in North America. We were actually _____, largest supplier of inventory up until they were acquired by eBay in 2007. And after I graduated, I joined a classmate as well as another co-founder in a rival school, and we moved to Silicon Valley in 2009. Of course, we were very naive and didn't understand the interconnect between the private and the public markets, and due to our naive-ness, we went around and ended up getting funded by some of the top investors at that point in Silicon Valley, including Peter Thiel, who at that point already had a good reputation due to PayPal and G.F.J., and Jeff Clavier, and David Bloomberg from Bloomberg Capital, and Arjun Sethi, who back then was an angel and now is with Tribe, another

venture capitalist, and Gokul Rajaram who back then was an angel and now is a board member of Coinbase as well as a prolific investor. And, kind of got to see that and got to see how Silicon Valley works. And then I went to business school and meanwhile, the company replaced management with what they call "professional management" - this was before the days of Andreessen Horowitz - and I moved back and started a consumer internet company after my MBA called RoomHunt. Ended up bringing that to 72 markets, raised less than \$1 million, had learned my lesson. With iSocket, the company raised \$18 million and sold itself to Rubicon Project, which was a good outcome. But, you know, in this case, we raised less than \$1 million and kind of concurrently to our Series A raise, decided to get acquired and sell. And then I became a venture capitalist in 2015. My very first investment has been actually in the news recently, Compass Therapeutics. I invested at a \$15 million valuation, and they just announced that they're going public in an IPO led by or _____ run by Citigroup and Credit Suisse, so we're very excited about that. On top of that, I got to invest in a lot of great companies like 23andMe, DraftKings, which just came off _____ So, we returned a nice nine-figure sum to LPs which is very exciting. Headspace, which has been in the news just because it's on fire in terms of, you know, a lot of subscribers. Tonal which is an indoor fitness company that's growing quite significantly during COVID. Palantir, which was also in the news recently due to the IPO. And then Wish and Robinhood, we invested in the Series F - as in Frank - with Sequoia, and then other companies which we think will be the next generation of that. And, that was a single GP fund, which means, you know, I was the manager, and investor, and everything, and I decided it was time to join the team. So, I was recruited and joined to lead 10X Capital's venture arm and build up the venture practice and since then, we've been quite active this year in a lot of different investments, a lot of great companies which you'll soon hear of. And, we also just announced that we were launching a SPAC as well, which I don't want to talk too much about, but it's out there if you Google it. And that's how we got here. And then with Lend-Grow, the CEO of 10X had followed the PenFed story very considerably, and you knew Nish's role there, and we understood the space, and there was just fundamental, we could go into the company, but there's fundamental economic reasons for why we thought this investment was very interesting.

Hall T Martin: [00:20:20] %. So, can you give us more details about what you liked about this deal, in particular, the team and other aspects?

David Weisburd: [00:20:27] Yeah, so you'll see even venture-backed companies, a lot of them are, for lack of a better word, kind of "me too" or "copycats", or just like really great design or really great user experience, and that's, of course, great, but that's table stakes, and of course, Lend-Grow has that as well, but fundamentally, what we were excited about is the economic disruption of instead of, as somebody seeking a loan, you had access to three or four options in your traditional kind of online search, you now could go to thousands of lenders or hundreds of lenders at this point, hopefully thousands at some point. And then we also understood the community bank structure and how community banks really had issues with being able to deploy capital to kind of top-tier lenders. So, we got it from a supply and demand from the economic macro perspective. And then, of course, we had to basically take a look at the team and take a look at their track record, and most importantly, we were very excited to see that the team had worked together previously. Founders splitting, especially for an early-stage company, is the number one source of issues, and that's officially. Unofficially, it's probably even more pronounced in terms of why companies don't work. So, we were very excited about the team, the economic rationale, the traction, they've signed seven banks, including Citizens, which is quite unheard of for a company that's this early, they've done over \$30 million monthly in loan applications, and in terms of just early on at this stage, we thought it was a very good bet.

Hall T Martin: [00:22:06] Why do you think this company is going to be successful?

David Weisburd: [00:22:14] Yes, so, obviously team at the early stage, it's all team and market. The team is huge, the market is huge, there's over a thousand mid-sized lenders that cover 30% of the lending market. It's really been overlooked, the space, by competition like Lending Tree, Credit Karma. They work with larger lenders. Why's that? Because, again, it's a consumer play, it's not very sophisticated, it's not really fintech - although I'm sure they would disagree with me - and with Lend-Grow it's very differentiated. You get the payback reward, you have lower rates, it solves a very fundamental problem. If you look at every kind of \$1 billion and \$10 billion company, at this point, everybody has a unicorn in their portfolio, we're very proud that we have multiple _____ unicorns in our portfolio and that's kind of the new standard. If you look at each one, none of them are just putting lipstick on a pig or some kind of new user experience, they're all fundamental economic shifts and economic benefits.

Hall T Martin: [00:23:18] Well, you've seen the team in action over the past period of time, what challenges did you see them overcome?

David Weisburd: [00:23:25] The teams that you always want to fund are the ones that do the most with the least, because when you give them a lot of money, they do an enormous amount of traction for minimal funding. They've been able to develop loan-hop capabilities and getting ready to launch there. They've been able to gather rates on over 300 lenders, again, not to harp on it, but it's an economic disruption. The fact that you could get a lower rate is really what consumers care about, especially in this kind of market where people are struggling. And they did this with part-time engineers, which is quite shocking, and without a marketing budget. And despite all that, they're seeing \$20 million loan applications every month and they've done it largely through partnerships and through organic search.

Hall T Martin: [00:24:24] So, based on all of that, what excites you most about this opportunity?

David Weisburd: [00:24:28] The market and the upside potential is massive, there's \$6 trillion assets in the space. You know, I always kind of make fun of the situation, but \$6 trillion is \$6 billion times 1,000, right? You'll see sometimes in these pitch decks, they'll say, "Massive \$4 billion, massive \$6-billion market". Well, you take 1,000 of those companies - 1,000 is such a large number, it's kind of actually hard to conceptualize - we take 1,000 of those and that's one Lend-Grow. So, they're growing and they're really kind of, again, bringing lenders online that haven't before had access. If you think about Community Bank or Lender, they're not able to compete head to head with a Bank of America, or a Chase in terms of user experience. So, again, that's kind of like, those banks are great, they have a good user experience, but they're not really fundamentally helping the consumer as much as it would be good for them to, and it's a huge market that's overlooked. Why is it overlooked, to kind of ask myself a question? And the answer is because, you know, Nish and the team at PenFed and through their experience have been able to understand this market from the inside. Typically, a lot of the great companies are started by insiders that have what's called "earned secrets", Andreessen Horowitz is very famous for this concept, which is, basically you have to be within the industry to even see this problem. So, they've been in the industry, they've paid their dues, they've seen everything, they've built it already. It's very rare that you

get to bet on a team to do something that they've already done. So, usually somebody who gets good at basketball, they, for whatever reason, want to play baseball in the space. So, that's pretty exciting.

Hall T Martin: [00:26:18] So, how are you helping the team? What role are you playing here?

David Weisburd: [00:26:21] We're guiding them in business strategy. So, 10x, we're a fintech, fundamental fintech investor, I did mention some non-fintech names, that's actually been my doing. I'm the only non-fintech investor in the entire team or generalist investor, so, I brought my portfolio with me. But, in terms of 10x, it has a legacy of several decades of investing in fintech, which is not only relationships, which is really important, but technology. Our sister company, The Number, you know, pretty much services every large institution out there like the Angelo Gordon's of the world, so they have the data and the pipes to really help a company; you know, we've been instrumental. Another one of our portfolio companies, which I think Nish knows, AlphaFlow, you know, we came in after they had raised their seed round, before they had raised a Series A and helped them go out and raise a \$500-million facility, which is kind of unheard of before a Series A. And of course, you know, we're helping on the board, helping on advisors, and we're spreading the word about Lend-Grow with other institutional investors. Believe it or not, it's not a meritocracy. If you're not, you know, the large players - which I won't mention, because this is going out to a handful of people - you know, the large players, if they don't know about you, you don't exist. And you could take this actually to an extreme, you know, Sequoia might back to you, but if you don't make it out to New York, you don't take the time, you don't kiss the ring, you don't have those relationships, you're not going to get the looks until you're maybe a Robinhood, right? Which, of course, is one of our investments. But at some point, they have to meet with you and take a _____, but if you're talking about kind of 10 _____ to billion-dollar companies, you need those relationships and that's what we bring.

Hall T Martin: [00:28:17] Great. Well, in the last few minutes that we have here, what else should the investors know about the company that we haven't covered so far?

David Weisburd: [00:28:25] Yes, so first of all, again, like, I hate to kind of repeat things, but startups are all team and market and traction, right? So, they've just signed

up, for example, an advisor and board member, a company that just had an IPO. They've been able to leverage and 10X has taken a substantial stake in the company. They've been able to leverage our team and our technology, and they have the who's who in terms of advisors and people around the company, people from, the Lending Tree CMO, to executives from McKinsey, the guy at Capital One TD Bank. Again, these are not only amazing brands, but for this stage of the company we're not talking about, hopefully we'll be talking about Lend-Grow being a unicorn in three years and that's what we're betting on, but today, for a seed company at this valuation, you know, it's pretty phenomenal to even get one of these people, let alone five or six of these kinds of advisors, investors.

Hall T Martin: [00:29:26] Well, we want to thank you for that. Nish, can you give us some recent updates about the company and recap the offering here?

Nish Krishna: [00:29:34] We were doing a crowdfunding round that we wanted to just kind of more help spread the word with the consumers. So, we had a very strong finish with that, we are still kind of just in the last few days of closing it, the round has closed, we are just kind of wrapping it all up. But I think we probably raised over \$700K using that round. We are looking to raise about \$2 million at this stage, which I would call the seed stage, and I think there's room for about 25 or so more investors to come into the Reg B channel. We want to leave a little bit of room in there for some institutional investors that we're talking to. But yeah. So, I think another month, two months is how far I see the round being open. So, that's on the capital side. And on the general sort of business side of the house, we are, of course, the team is very excited with this loan-hop capability that we have developed over the past three months, we're getting ready to launch it. And, you know, I would welcome anybody with an interest in investing in us or otherwise to come and check it out. In this environment.... So, we are launching with mortgage refinance and personal loans, so, it's very timely. All of us are looking to refinance our mortgage, and, in fact, I did that and I wish I had a tool like that. And it allows you to search for 300 or so lenders, smaller lenders out there, and, from our own personal experience, we know that some of the best deals come from your broker or some of your friends who has mentioned about who has these best rates. So, that capability is going to be online in a month or so and the team is very excited and sort of like that's where all of the attention is beyond sort of operating the marketplace, which we launched earlier this year.

Hall T Martin: [00:33:01] Well, thank you Nish for the update. David, thank you for your contribution and input, it's been very helpful. I want to thank you guys for joining us today.

David Weisburd: [00:33:22] Thank you very much Hall.

Nish Krishna: [00:33:22] Good talking to you.

David Weisburd: [00:33:22] Thank you Nish.