

Alpesh Patel of Department for International Trade

[00:00:04] This is the Investor Connect podcast program. I'm Hall Martin and the host of the show in which we interview Angel Investors, venture capital, family offices, private equity, many other investors for early stage and growth companies. I hope you enjoy this episode.

[00:00:24] Hello, this is Hall Martin with Investor Connect. today we're here at the topic Patel, deal maker, UK Government Department for International Trade, UK Government's Department for International Trade has under it the Global Entrepreneur Program. And IT dealmakers are business people who make deals with overseas outstanding tech up companies to manage global HQ in the UK. They help companies with VCs, angels, potential customers and more. APUSH, thank you for joining us. Thank you. Thanks for having me on. Great. So what was your background before investing in early stage companies?

[00:00:54] Well, a very long time ago I trained as an attorney, a barrister, as we call them, over here in the UK and are the ones who wear the wigs. And I used to work in the US Congress when I was a student. And then I left all of that to start investing in public companies, principally American listed companies. And the very first column that I wrote in the Financial Times, they asked me to write a weekly column about my trading, stated how I'm investing in a whole bunch of US listed companies. There's been a lot of connections with the United States. And then eventually I set up a hedge fund and added a private equity arm to that. And then the UK government said, well, look, you're doing this yourself or you're picking companies and picking stocks and how to profile Bloomberg TV. Another great American, don't they? They'd asked me to do my own show, which I did for five years on there, about investing. So as a result of all of these sort of high profile Bloomberg books I'd written, the government said, would you like to do this for us? And so I look now for outstanding technologies with a view to landing the entrepreneur and the technology and that global headquarters in the United Kingdom always keeping the base, wherever that might be, whichever country they might be in. And in actual fact, again, another coincidence, you're based out in Austin, Texas. The person who heads up this program for the UK government was the former consul general of former consul general for the UK government and based out of Austin in Texas. There's a lot of connections there.

[00:02:25] That's great. A lot of good history there as well. So. So what excites you right now?

[00:02:30] Would you know, the funny thing is, I guess as an entrepreneur, you're always excited about what's coming along. And even during this pandemic time, there's always new sectors. There's an acceleration more so than ever to technology. And we see that with what's happening in the listed

sector, Nasdaq companies, the big giants, that if anything, this acceleration is a more of a focus with the startups and the scale ups which are setting up. And I think more so than ever, entrepreneurs are excited about the future, despite what we're seeing in the global economy and worries about the virus and Brexit and all of these other things you might think people are worried about. In actual fact, when I speak to entrepreneurs, then they just see what other people might see as a hurdle or challenge. They see it as an opportunity. And I find it exciting. And then if you were to ask me which sectors? Well, you know, at the moment, cybersecurity, artificial intelligence, big data, and there's always new sectors coming along.

[00:03:28] And five years ago, we might have said a whole bunch of different ones. In ten years ago, we said different things. So there's always new things coming along. So in a way, I guess like most entrepreneurs, I'm just excited about everything.

[00:03:40] It's exciting times. We have a whole new set of care about the rising stock market. Many things are happening now that that's where the startups really thrive is when you have a new set of care about said and money to go and pursue them. So. So what's your advice for people investing in startups? What do you tell them to do before they write that first check?

[00:03:58] Well, is obviously I look at things from both sides. I've got to speak to the investors, like you rightly point out, the angels, or it might be the VCs. Obviously, the VC studied my advice on what to do, that by that stage they professionalized it. But let's talk about the angels. And also I've got to speak to the companies and tell them what they should be getting right. So if we start off with the angels, first of all, I'm most of the angels, and particularly in the UK, where now this crowdfunding platforms in the UK is Europe's largest crowdfunding market. The great thing for the angels, a lot of that hard work is being done for them. In the past, I'd have to say to them, make sure you look at the financials, you understand the payouts going forward, you can do a discount cash flow valuation that you can look at the balance sheet, you can understand it, look at the numbers properly. Look at the pitch that look at the interview, the individuals, because after all, it's always the entrepreneurs who are investing in that. All the usual stuff. Which people now. Now what, too? Well, actually, the great thing is the crowdfunding platforms just make that so much easier because they do that and they make sure that information is uniform across all companies. So you can easily compare investments. And that way no longer is that I'll invest in X, Y, Z, because they're the only ones who came up to me now. It's like, well, actually I compared several companies. I could see this one had better growth than that one. This had a better valuation. This one, the entrepreneurs just came across better and so on. So I guess it's always our but in one sense, I guess it's the Warren Buffett statement. You want to. You'd rather invest in great individuals with a mediocre product than a great product with mediocre people behind it. So it's always the person, the

entrepreneur that you're really putting the capital into and your backing, obviously, when it's an angel investment, you want the great product and the great individual.

[00:05:41] Great. And then on the other side of the table, what do you tell that startup to do before they go out and raise funding?

[00:05:47] And that this is what 90 percent of my time in my government role is spent on doing because I cover for the UK government markets like India, South Asia and Malaysia, Singapore. If it wasn't for the lockdown, I'd be out there right now, Hong Kong, because I'm looking right across fintech over the last 15 years since I had the deal, a role. And don't forget, I'm running the private equity fund alongside this. So alongside us for the last 15 years when I've had this government role, the same things kept coming up. People asking, well, how should we how do we get the warm introduction to the relevant VC? How do we know they're looking to raise how do we know they're in our sector and all of this? And in the end, I just got tired of telling them the same things over and over again. And so I created a free resource base where they had all the best resources to every single UK VC, every single UK angel group, every single crowdfunding group, every incubator accelerator on there. Plus the best advice and very often I have to say, comes from Americans because they are very good at this. The best advice on how to pick out the templates for the pitch deck that they should have, what the financial model should look like and a template for that. And I got all these free resources which entrepreneurs are too busy to find and look for, put it all into one free based. So it made my job easier.

[00:07:06] And that platform, by the way, it's called Tech two, great dot com, as in tech technology, the number two great dot com because we're trying to solve the world's biggest problems, the greatest problems that the world faces through this. And so, yeah, what I tell them is how the first place I now tell them to look is have a look at all of those results, have a look at the best pitching advice on there from people like Guy Kawasaki. OK, it doesn't get better. Have a look at the template picture decks that are on there. Have a look at the people you want introductions to. And then I even explain to them how to get those warm introductions, don't just blanket email them and so on. So there's a process to all of this, which was a bit of research. And you know what? The best entrepreneurs, they'll do that research and then they'll come back to me. I'll say right now, it's this fund or this angel group. This is what I want from them. This is how you showed me I should draft the email. This is how the picture should be. I validated the idea using the resources you gave. I'm good to go so they can do ninety nine percent of what they'll be best placed to do. And then I can just add in the sort of the door opening bit and the the extra bespoke information which there might not they might not have got otherwise. And that's a win win for everyone.

[00:08:17] Let's get advice. So you see the investing world for some time. How do you see the industry evolving today for startups?

[00:08:26] You know, I think this is just going to be more and more capital going towards well, let's talk supply and demand. I think there's going to be increased supply in capital just as the world gets wealthier. And if you want to know if the world's getting wealthier, just look at your own stock market. It's clearly getting wealthier. The global economy is set to grow, according to the IMF, next year and grow at levels we've not seen since the Second World War.

[00:08:46] Obviously, this year took a hit, but to grow. So if there's more wealth, that means there's more supply of capital. So the supply of capital, which is essential to growth entrepreneurs, that's going to be there. The efficiency with which the entrepreneur can match make with the capital is improving all the time because there's platforms, there's angel list out of the US, for instance, as well as all these crowdfunding platforms in the United Kingdom as well. That makes it so much more frictionless to marry investor and opportunity. So that trend is going to increase because the way towards all liberal markets is towards greater efficiency and the two greatest inefficiencies in the markets, which cause failure, which cause difficulty, a lack of information. Well, that's going because of these platforms. And friction cost the cost of meeting someone, getting the information, getting the data, as well as these platforms, commodities, the presentations, the way it should be exhibited. That means that upskilling the entrepreneurs and they make it easier to get that information. So that's the huge change.

[00:09:49] I'm saying that then when it comes to demand, this can be a massive demand amongst entrepreneurs because the entrepreneurs are getting ever more ambitious.

[00:09:56] They look at Tesla, let's give American examples. They look at the likes of Elon Musk and Jeff Bezos and they say, well, wait a minute, I want to be global. I don't just want to serve my domestic or local market. And so we're getting more and more entrepreneurs, not least because the jobs market is changing. There's no more jobs for life. And those kind of dislocations mean that more people are being more entrepreneurial. And America is, of course, the most entrepreneurial country in the world. But that. Friend is going to continue to the rest of the world, the rest of is going to become more American, if I can put it that way. And that means there's going to be a constant supply of entrepreneurs demanding this capital and they're going to need upskilling. And that's what platforms like yours does. It gives them that information and trends them up because it requires an education which we don't get in school. And so a good thing is there's going to be an ever increasing demand for this and we're in the right place at the right time.

[00:10:48] What's the biggest change you see coming up in the next five years?

[00:10:51] In one sense, because I invest in companies, you could argue I'm in the forecasting business. Let me tell you the one lesson that I've learned. It's the unknown unknowns, as Dick Cheney put it. It's the it's the blasted unknown unknowns. I can't I'm going to look foolish in five years. And you play this back and I tell you, it's X, Y, Z, because I didn't see covid. I didn't see the financial crisis in 2000. I wasn't looking at the US housing data to find it in 2008. And I certainly wasn't looking at while Bill Gates is videos where he said, well, viruses are probably the thing we need to worry about is probably as much as likely to be something I tell you as it is to be an alien invasion. So my point is, I don't know what the biggest change will be, but what I do know is we absolutely need resilience. Our companies need resilience and we need resilience. Personally, that means mental resilience. It means strong balance sheet. That means cash in the bank. It means strong cash flows. It's become more important than ever to make sure our business plans are that much more robust, that we can hit those figures and that should there be unknown unknowns, we can withstand the pushback. Were necessarily going to get business plans which rely on the finest of details working out. They're not the ones I'd ever want to invest in because in the next five years, another massive global shock is going to happen. I don't know what it is, but I guarantee I know it's going to happen. And I knew this one in one sense what's going to happen. I didn't know I was going to be covered, but I knew something was due because it had been about ten years since the last financial crisis. And so I'd made sure I've had a lot of cash into the technology companies that survived the last financial crisis. And guess what? That's what worked. I didn't know it's going to be covered, but I knew I needed resilient companies to invest in.

[00:12:39] The UK has a rich set of crowdfunding platforms. They got in early, have been going strong ever since. And do you think the crowd funding model is going to outstrip the Angel and BK model any time soon?

[00:12:50] I'll give you an example. I used to be an angel investor, you know, used to be I now will only ever go through a crowdfunding platform. I get people sending me business plans and pictures and all the rest of it. And I say to them, Look, guys, I need you to put it through the crowdfunding platform so that I can compare apples with apples. Because if you don't put it through that, then, you know, I'm looking at your documents. I'm going to compare it with those. It becomes a lot more difficult. And I'd rather my life was made easier and not and people might say, wow, you're missing opportunities. You're missing some really great opportunities. Well, they might be right. You know, there's great opportunities. If I really wanted the greatest opportunities, I'll go to my alma mater University and I'll go to their son's department and say, hey, guys, what are you guys producing? But that'll be a bit early stage. So I think it's I think more angels are going to move towards the the platforms. And I see that

happening already. We've got organisations in the UK like investors, which is investors, but with an E with the Latorre at the front end investors, they used to be just pure angel. Now what they do is they take all their angels. They put them into the platform so they can see everything. And that's the way it's going to go. It's going to go that way.

[00:13:58] And so what's your investment thesis for making investment decisions, either personally or through your your job there? What do you look for in startups?

[00:14:07] Yeah, so let me say let's talk about startups is one and I'll put that to one side. Then there's public listed companies, publicly listed companies as well. I started off so on the hedge fund side, it was the corporate companies. That's where I started off. And I still do that. And that's what I love the most because it's easy. If I want to get out of Apple, I click a button, I'm out of there. I don't need to negotiate with somebody. I don't need to find a seller. It's the most efficient market in the world. Now, they're in a perverse sense, it's the same thing. They're looking up for startups. I'm looking for cash flow, growth, consistency of performance volatility, increasing revenues, increasing growth in sales and in profits and good valuations. Because it's public markets. I can get information, technical information like the Sophina ratio, the alpha for a company that's the public side. That's actually incredibly easy because all that data is available. It's an efficient market with startups. I'm looking at the individual. I'm looking to see if on a crowdfunding platform they're overfunded what the momentum is. I want to see some traction. I don't mind so much if we see if they're not growing revenues, but I want to see growth. I want to see growth in whatever metrics they've got. And if you think about it, those are the things which got Peter Thiel excited about Facebook. When it wasn't profitable, it was ridiculously good metrics, whatever those metrics were, and we'll worry about the profits a little bit down the line, but it's really the individual and the traction. How have they really managed to get some energy behind it as opposed to just a blank sheet of paper where somebody goes, hey, we've got an early cancer detection process? Well, may work. May not. I don't know what great thing if it did, but show me some traction. Show me some momentum. So I'm very much what you might call a momentum investor.

[00:15:55] That's great. We always ask for the growth story ourselves. Something has to be moving in the deal to get investors going. So I think that's a good point.

[00:16:02] Can you mention one or two startups that fit your thesis?

[00:16:06] Yeah, absolutely. Well, and just to make sure my memory wouldn't go blank, I even have front of me. I'll tell you, I'm going to give you one with a US connection, a sort of with another US connection as well, just because I know you've got a global audience. So we had one company called Air

for Life. Now, what it does is it took technology out of NASA's space shuttle program. It was air purification technology. And actually, there's a Texas link to this because the technology was developed in one of the universities out of Texas. And what this company did is they realized that the air purification technology on the shuttle was far better superior, as you'd expect, than anything else out there. So they've modified it, added it, and they now use it in everything from hospitals to ambulances during covid that sales have gone through the roof. So we brought them to the United Kingdom, turned them into a British global headquartered company. Is the guys exporting like crazy around the world? He's got everything from in-car air purifiers, which if I told you this 12 months ago, you would have said, well, nice little gimmick. Now we're all thinking Hecuba. Yeah, I want to make sure there's those air purifiers in the car. So if somebody sneezes, it can take it can take the contaminated out a lot quicker and a lot better.

[00:17:22] So that was one. It's called Air for Life. Phenomenal technology. There's there's another worldwide generation now. They used block chain to solve a major problem governments and NGOs around the world have, which is how can you make sure the money is getting to the people it's supposed to get to work. So when governments give aid or NGOs do and the NGOs might be a spin out from a major conglomerate, could be Microsoft's foundation or it could be the Bill and Melinda Gates Foundation, or it could be whatever UN, for instance. And as you all know, the UN social development goals mandate that we want to, but we want to eradicate diseases, poverty and a whole bunch of other things. Well, all of this requires money. So how can we make sure the money is getting to where it's supposed to? They use block chain technology to make sure that the money has got to the person it's supposed to. And it's it's with it. They purchased what they're supposed to purchase and so on and block trains. Very clever at being able to because it's a ledger, a ledger in the good old way of how we used to write it down in the old days, because it's a ledger, you can tell every step of the way so that companies called worldwide generation, they gave a talk at the UN.

[00:18:32] I think one of the offshoot events that the General Assembly about two or three years ago, and they were introduced to Unilever at that meeting. And lots of great things have happened since then. And they're working with the UN now. So that company has been growing phenomenally. And actually, I got an email from the founder. That's one of the companies, again, globally headquartered in the UK. The founder is from Sri Lanka, originally married to an Australian globally headquartered in the UK. And now that technology is gradually being used by governments and being used by the private sector. So those are just a couple of the examples which I'm very excited about. And we want technologies which are going to change the world and solve the world's biggest problems. So clean air for life is one. And how do we solve how do we ensure we fulfil the UN social development goals? Another major one? Well, that's one of the technologies which helps do that.

[00:19:26] Well, those are quite compelling. So you deal with a lot of startups. What do you think is the main challenge Dabis face today in launching their business?

[00:19:34] I still think the stocks will still tell you it's access to capital. Now, there's a two way street on that. Some people might say, well, it's difficult to access capital if the product's not great, but let's say you've got a great product. Very often you might just not have great networks. And as you and I know, a warm introduction is worth its weight in gold. Even if you've got a great if you don't have the right network, you didn't get the right skills. You didn't all of those things, they make a difference. So part of what the global entrepreneur program does is we use our networks as deal makers to help those companies, which we think are outstanding to open doors to capital or to customers, because that's obviously capital doesn't necessarily mean equity or debt. It could just be that you've got a great sales order and you open doors to those. Could be loans. Could be grants. We helped them through our networks piggy back on us, because very often great entrepreneurs that sitting there and they're great. What they're doing, but why should they necessarily have the best network? So I guess that's I guess it's access to capital, but really it's access to networks. It's the old saying. It's who you know, not what you know. I mean, these friends are great on what they know. They might not necessarily have the who, you know. And our job is to try and fill that gap.

[00:20:49] Right. And on the other side of the table, what's the challenge you see investors struggling with today?

[00:20:54] It's a good question. I think there's a lot of people who've suddenly decided they want to invest. OK, so let's put to one side the experienced investor, the the expert investor.

[00:21:06] Let's talk about the brand new ones, the ones who might be watching this thinking, you know what? There's a lot of exciting stuff going on. I'm sitting here in the States.

[00:21:13] I yeah, I want to invest. And and it's the first time investor and they don't necessarily know what to look for because human nature loves stories. They find an entrepreneur who tells them a great story. But hey, where's the hard numbers, numbers, numbers, numbers. So what I'd say to people is, please look at the data. And once you've looked at the data to back it up, what's the verification? What's the source of that data? Do not ever just fall for the story. Stories, you know, stories smores the best technology companies in the world have had absolutely rubbish stories. I mean, if I described a company which rates the looks of women, you'd say, what the heck? Kind of an investment? Well, that was Facebook. You know, forget the stories. Look at the hard numbers behind it. How many people are

signing on? Why? What's the credentials of the individual? So I'd say the hardest thing new investors are finding is knowing what they're supposed to do. And they're they're seduced by stories as opposed to boring, hard Excel spreadsheets.

[00:22:14] Well, that's a good point. Well, you see a wide range of stars coming through. Are there any particular sectors or applications you think are good and the opportunities for investors to pursue today?

[00:22:24] I used to I used to always say block chain because everyone's getting excited our blocked. So I was getting excited about blocks and try and find the right stuff and it's there. But you still got to do your due diligence. I'm from a fintech background. So what excites me the most is fintech. I've got to say, you know, somebody somebody talks to me about other sectors. I go, yeah, I know they're important, but I love fintech, particularly just more efficient movement of capital, anything which makes your life easier. So if I can just pay somebody by clicking a button, guess what? That's going to be huge. Anything that removes those frictions. But outside of my own sector, what really excites me, agriculture, technology. Now, I don't know anything about it, but the more I read, there's more and more issues about providing food efficiently, effectively clean without destroying the planet, ensuring that farmers have a livelihood as well. So I guess that this whole sector of Agritech, which we didn't hear too much about, but if you think about it, you think about the innovations in in wheat in the nineteen sixties, again, came out of the US and how the yield just jumped our household. Agritech Bifold, it was Agritech and the number of the millions of lives, hundreds of millions of lives that innovation saved because the genetic modification of the wheat. So I'd say Agritech at the moment, pretty exciting stuff. But like I said when I started this interview, I just get excited by all of it, even if I'm not a specialist in that area. And whilst I did science at school, I did mathematics, physics and chemistry at school. You know, this area, this is all way beyond me, but I just get excited by all of it. Whenever they're solving a major problem which has a higher purpose, like saving lives, feeding people, that that's got an extra level of excitement.

[00:24:05] Well, that's great. For the last few minutes that we have here, what else should we cover that we haven't?

[00:24:09] We've covered pretty much everything. The last thing I'd say is, look, you'll have a large US audience out there. Please come and have a look at the United Kingdom as a place to invest in and to establish a company and a corporate headquarters. If you're looking at the future, not least because we have this special relationship with the world's largest market, the United States, and we continue having this geographic proximity and special relationship with the world's second largest market, which is the European Union. So we're nestled and as well as being in our own right, the fifth largest economy in the

world. So we've got the best of all worlds. So we do have a look at the United Kingdom for investment and also for establishing business as well. I think it's often overlooked. We're not as good as the Americans are sort of beating the drum, as it were. I think people will often find great value and great companies and great science out of the United Kingdom, which is often overlooked.

[00:25:03] That's a great point. So how best for listeners to get back in touch with you?

[00:25:07] Well, I think you're going to provide them with my LinkedIn link. And as the messenger on that, there's also the website, Tector. Great dot com. And that's got contact details as well. Tech two, great dot com. But yeah, LinkedIn is probably the easiest and quickest way rather than giving you a. Email address. But what I normally do is when they get a message on their they linked up with me, I then give my email address and we can communicate sort of a bit easier than the moment and we'll put those in the show notes.

[00:25:33] Want to thank you for joining us today. Hope you have back for a follow up soon.

[00:25:37] Thank you very much. Thanks.

[00:25:40] Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at Investor Connect, Doug.

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