

Juan Alonso-Villalobos of Startup Wiseguys

[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 with Juan Villalobos tech program director at Startup Wise Guys, started with these guys is a mentorship driven accelerator program for early stage B to be Sasfin Tech, Cyber and sustainability startups, providing seed capital, office space and most importantly, world class mentors. The intensive five month accelerator program is focused on validating developing and selling products to business customers or turning 50 international and local mentors with B2B startup experience. Help stores move through those stages much faster than they would on their own. Founders are also prepared to sell their vision to investors. The program culminates in a demo day where startups get to present to venture capitalists and angel investors.

[00:01:03] One, thank you for joining us.

[00:01:05] Thank you very much for having me here.

[00:01:08] So what was your background before investing in early stage companies? What did you do before this?

[00:01:13] I'm old enough to have been doing a lot of different things. I used to be a consultant working for banks and then I worked in a bank and then in different countries and insurance companies. And then I decided to move forward on my own and launched a couple of startups myself. So I started investing.

[00:01:30] Right. So what excites you right now?

[00:01:33] I love I love challenging the status quo. So I think that's that's my motto somehow.

[00:01:38] So everything we do actually challenges work things. How things have been done in the past is something that that excites me a lot. Help in doing that myself or or helping teams doing that is what excites me.

[00:01:50] I'm great. So you meet a lot of startups and a lot of investors. What's your advice for people investing in startups? What do you tell them to do before they write that first check?

[00:02:00] Well, it actually depends a lot on on what what moment you can do investment, right? I mean, startups is a big word.

[00:02:06] So you could have very, very seed capital in which you actually need to look at the team and see how the team evolves and what the team structure is and how the air pollution. Why? Actually, what I always ask is, why do you want to change the world with what is exactly the thing that you want to change and use the team then depending on if it's more later stage, I just look at traction and clearly the market like how the market is evolving in the last year and possible possible trends see the market. I guess the team is 80 percent certain.

[00:02:41] And then on the other side of that table, what's your advice for people running startups? What do you tell them to do before they go out to raise funding?

[00:02:48] Well, they have to prepare themselves. They really need to understand that investors money is precious. So you really need to understand and be able to explain what is every single euro. I'm based in Madrid, so I took euros. What is the user going to do for every single euro?

[00:03:02] And the reason why the more numbers they have, the better the more proof of the different teams they have been doing, the better.

[00:03:10] And as I always say, they have to really believe in all that they're saying if they don't believe it. So we'll see. They will never invest.

[00:03:17] Well, great. So let's talk about the state of investing. You have an accelerator there and you're investing also. How do you see the industry evolving? Where do you see it going?

[00:03:27] Well, particularly in the fintech arena, which is which is where I'm more I'm more focused on their our regional fintech startup, which is very broad. So we cover fintech, ensure tech, wreck tech, cybersecurity all together, workspaces. We are regulated or there is a certain amount of money moving house. The space is very hot. There's a lot of investors looking at it. There has been a certain number of exits which have put valuations pretty high. There's a lot of people thinking that they can do banking better than banks. There's a lot of people don't don't realize that actually. Banking insurance. Is it for a reason? So there's there's a logic behind that, which is normally a protection of the consumer, and there's a lot of players that actually think they can do better than the banks. And they are not just don't know the market so that someone on one hand. On the other hand, there's a lot of. Experienced people coming from banking industries, who knows exactly the particular point in the value change they want to push and that actually you can see that they deliver a lot of value.

[00:04:39] But I will say, if I talk about fintech in general, what happens is that everybody looks at that valuation are very high and it's complicated to compete on that.

[00:04:48] And so we think the biggest change we'll see in the next 12 months in the fintech wreck tech sector, we're not talking in these times about the covid endemics.

[00:04:58] These will be will be nonsense. I mean, what has happened now is that whoever was reticent to use online channels to talk to the banks or to execute transactions now has learned to do it. So I see more and more pushing of the consumer towards Internet apps, mobile, of course, in general, that's there to be there and to stay there, which means that there will be more and more an evolution towards the customer service provided in the. App on the phone, I would say, and that experience of the customer is what is going to make the difference. This is not only a question of interest rates, it's a question of easiness. It's a question of understanding the way the consumer thinks. So I see that I think that there's going to be a lot of movement, that there's a lot of banks who don't do it well. So there will be a lot of evolution there. I would I would argue, because the whole concept of self banking, self insurance in which you guys do what you want, when you want and how you want to consumer and I think that's probably the biggest trend that is we're going to see.

[00:06:12] Ok, great. And so let's talk about your investment thesis. What exactly is your criteria for startups that you pursue and work with?

[00:06:22] Ok. Again, as I was mentioning before, depends a lot on on the moment of investment.

[00:06:27] We start out with guys of accelerator. We do invest. In early stage companies, that means that the team is there, the idea is there this close to the amp. So there is a certain minimum viable product. They're not yet fully ready, but they're so we invest a lot in the team, a lot in the team, a lot in the founders. Which is what we call the team at the end, so that's very relevant when we invest on the knowledge of the team. So they have to know what they're talking about. It cannot be just somebody from outside the market just saying, I'm going to do it better.

[00:07:08] This is a this is a regulated business and there's a certain complexity.

[00:07:13] We like a lot of the.

[00:07:17] Startups where they actually don't want to change all the banking, they're going to become experts on a specific point in which they do international payments better than anybody, or they do allocation of assets better than anybody specific area in where their chances of success are better because they're mainly B2B and they are mainly collaborating with banks.

[00:07:43] We believe that even if fintech founders say, I want to challenge the banks, I'm going to close all the banks in the world, actually, what they want to do is become a bank in a certain moment in the future. So we kind of tell them, continue to look at the bank because they are going to be your partners. They are not your enemies. So so that's the kind of approach we will look for when investing very much in one or two startups that fit that thesis.

[00:08:10] Well, that's always complicated. Talking about names. There are startups which are very interesting in the digital identity arena in the world of your customer anti money laundering, which are areas where traditionally the physical presence, the face to face meeting

was very important. And now everything done, mobile or inducers. So there are several of them that I don't want to talk specifically about. None of them you have to check our portfolio have invested in the last couple of years. And a couple of those actually, because we have several new customer names in money laundering. Asset management robo advisors are very interesting to us and we like to allot those who are.

[00:08:56] And I think there's going to be a big success in those those who are trying to help under banked arenas to be able to do different things. We have just invested in a company that is actually helping Africa, small entrepreneurs to declare their VAT, which doesn't seem frenetic. But actually what happens is that thanks to that, they are able to grow their business and become regulated, better regulated and facilitates the movement of money. So these kind of companies are the ones that I think that are going to be successful. Great.

[00:09:31] So you work with startups and investors in today's world. What do you think is the main challenge your startups face? What's the one thing that makes more more challenge than others?

[00:09:43] For startups, the challenge from a startup is always the same one, which is traction on sales. So getting the appropriate product market fit is what is the key question? I mean, there's a lot of very good ideas that don't end into a real product market fit right challenge for startups. Everybody will say that is the money is true. I mean, they don't have money, but there's this many investors looking at them. So that's something that will be solvable. The real thing is, is really your product is something that the market wants. And it's not just something that you think is going to be better than the rest or listening to the consumer. I mean, the consumer is the key thing here, and that's the challenge. It's always been the challenge and it's probably always going to be the challenge.

[00:10:27] And then for the investor that are looking at those startups, what's the biggest challenge they face?

[00:10:33] Well, I think there's one very specific thing, the fintech arena, which is first, the valuations fintech is the case in which traditionally startups think that they're worth a lot when

they have nothing. Just because has been there has been a lot of investment in their particular countries, particularly in Europe.

[00:10:53] I think the US is that is the case to where valuations are two or three or four times bigger than any other software as a service company or any other tech company. So for investor, that's pretty much a challenge already because you really need to understand where to put the money. And if you want lower valuations, you actually have to go pretty early stage. So that's that's already complicated.

[00:11:17] On the other hand, is. The relationship with the team understanding that you cannot heal the team and you have to let them thrive and let them develop themselves and let them grow the way they are.

[00:11:32] I think that in my arena, those are the main key things, the team and the evaluation, which is tremendously high rate.

[00:11:40] Well, we talked about fintech and there are many subsectors and applications within fintech. He had to pick one or two subsectors that you think are a good opportunity for investors to pursue. What would you put at the top of the list?

[00:11:53] I think international money movement is one. There are not enough solutions in the banks of them. I mean that you have to ask them to have CPR. You have other models, but it's not as developed as it should be.

[00:12:11] So that's one digital identity. Your customer is already overcrowded, but still there's not a clear solution for that fraud management in general.

[00:12:22] Those are two, which I think are very interesting.

[00:12:25] And then banking has a lot of processes and they're very complicated.

[00:12:32] So anything to actually focuses only in one part of the value chain, as I was saying before, excel in that where they can sell that to a bank. Most of the companies sell the service

to the bank or another financial service provider. Those are the ones that I think are going to grow. I mean, the banks need to increase their profitability. They have an issue on the margins. Interest rates in Europe are negative. They need to reduce costs to become more efficient. That's the kind of things that are going to be very successful because banks have money to pay. So that could guarantee a higher rate of growth, I would say.

[00:13:10] Right. When the last few minutes that we have here, what else should we cover that we have in my advice here?

[00:13:15] I think for founders startup being is we have faced so many cases in which the startup just believes in something and they decided to go there. I think that is cool because there's a lot of success. Startups are tough. Right, and they are tough and they are family driven decision. I mean, you cannot just be assertive and leave your husband or your wife at home. I mean, this is a three thousand two hundred forty seven, I would say thirty seven work. And he's going to have a lot of ups and downs like a roller coaster. You will probably fail. But if you have a startup entrepreneur entrepreneurship approach, you will get up and launch a new one. So realize that startups is not easy and that it is like a real vital, vital question.

[00:14:03] You know, not everybody should be launching a startup.

[00:14:08] Yes. Yes. Good advice. So how best listeners to get back in touch with you?

[00:14:12] Well, I am the worst in phone, so it's probably an email. Are you to use the one sort wise guy. So one at startup wise guys, an acceptable centralizes is a simple way to get in touch with me. We always answer probably not immediately where we do ourselves. Great.

[00:14:30] We'll put that in the show notes. I want to thank you for joining today and hope to have you back for a follow up soon as many times as you think.

[00:14:37] Thank you very much.

[00:14:38] Called 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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