

## Julien Coulon of Credit Mutuel Equity

[00:00:04] This is the Investor Connect podcast program. I'm Hall Martin. I'm 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.

[00:00:21] Hello, this is Hall Martin with Investor Connect. Today, we're here with Julien Coulon, director general of Credit Mutuel Equity.

[00:00:28] Mutual Innovation is the Evergreen Venture Capital entity of credit mutual equity. They invest one to 20 million euros in lifescience, digital and deep tech companies from sea to growth Seijas today to three and 50 companies in which they have invested generate a cumulative annual turnover of 50 billion euro and create more than 250 thousand jobs. Julian, thank you for joining us.

[00:00:49] Hello. Thank you for seeing me.

[00:00:51] Great. So I heard you were once an entrepreneur, but can you tell us more about your background before you started investing in early stage companies?

[00:00:59] Oh, well, I'm forty seven years old and had two kids. I started to work at 18 years old, so more of a self-taught person. And I jumped in the Internet industry in 1992. So maybe some of the people listening to this podcast that were not born at the time. And so I had the chance to create my first website in 1990 to then jump into the Internet industry and work for several American companies. Some of that you, I'm sure you know, called Akamai. And then after creating companies or launching subsidiaries for orders, I said, well, it's time for me to do my own. And I create with an American, the co-founder of a company called Psittacosis. It's also called The Ways of the Internet. So we were collecting billions of data about the quality of the Internet and to the data we were able to do Real-Time routing so actionable data. And the goal was to you know, when you listen to a video and looking at the video and it starts to buffer's, that's the type of problems that we were solving or even the hundred milliseconds before Amazon was one percent of sales lost. That was the main goal. And then we successfully sold it

to Citrix a little early to to be honest. And that came also from this alignment between the goal of the investors and the goal of the entrepreneurs.

[00:02:23] And I said, well, I need to change that. So that's why I moved to the dark side of the business and moved to the investor side. So what do you say to you right now? So now I'm a CEO of the director general of the Mutual Innovation. And as you said in your introduction, we invest one to 20 million in the I would not say early stage company because they need to make at least to gain in revenue. And we have kind of our strategy. I think the job of investor is changing a lot and it's disrupted. And it's not because you are close to startup that you are hype or model or using the latest technology. So I think the job is evolving a lot and we need to define the direction for us. And we decided that we need to help big groups or big companies to accelerate their digital transformation. I would say we should not say digital transformation. We should say transformation at the end, but at least it creates when you see so many startups, it creates a time, you know, like a selection of companies that fits already business needs for some big companies that we know. So that when you do a kind of lean evolution, so we ask those big groups for LVMH and all those groups say, what's your innovation goal?

[00:03:47] So what's your innovation needs for the six to six months to five years and things to that? We know that there is business and we and we select the right companies knowing that there is business and we get the feedback to ensure that we improve and make the circle and which makes three wins for the big groups, wins for us and wins for, of course, the startup who is making business today start to be complex. So how can we as a bank play our role and help them to make the right business great?

[00:04:20] We see a lot of investing in a lot of startups in the seed world. What's your advice for people investing in early stage companies? What do you tell them to do before they write that first check?

[00:04:31] Take care of the people because it's pretty obvious. But a good team was an OK idea can be successful where a good idea is not the right people.

[00:04:42] You're sure that you're going to fail. So that's that's one thing. The advice would be also before signing a check is more than the spirit of how to work. And I I'm a new investor

because I'm in this job for eighteen months now. And what I feel sometimes not all of them, but sometimes like, you know, the hand with giving is always above the hand I was receiving. And this is sometimes painful because at the end when I was an entrepreneur, I was sleeping what, four, five hours a night, traveling all the time. And now that I'm an investor, honestly, my job is pretty cool. I'm sleeping well. I can stay at home late at night if I stay stay at home with my family and the people who are really working are still the entrepreneurs, so.

[00:05:31] Just stay humble and then on the other side of that, what do you tell start ups to do before they go out to raise funding? What's your advice for them?

[00:05:39] Well, I'm sometimes refused to invest in some companies when they don't ask me that. That specific question and that specific question is, can you introduce me to entrepreneurs where you failed as a VC? Because meeting entrepreneurs, where everything is successful, of course everybody's happy, but when they fail, that's where you see the real nature and the real reaction of the people. And that would be one to one of my advice. And second is expect from the investor more than money. And of course, we are all talking about smart money. But there is a different type of the strategy that we are setting up in France, I think is really answering the needs of startup, because making business at the end is what will create that made the company successful. But when I was talking with the CDO chief digital officer and he was telling me that he gets about 70 meeting requests from startup to date, so his jobs is terrible because he says no to everyone. And at the end, maybe that one startup can really answer his needs. But it's like too many. I say no. And and that's an issue because they don't answer to email. They don't answer to LinkedIn.

[00:06:55] They don't answer to phone calls. So when you're a startup, it's got to be pretty challenging to make your business because you are not able to get in contact with the buyers. And that's where the role of the VC can be really helpful. So if they are not able to help you to create more business and more than just money, then I would look for someone else. And second or third advice would be more around. The problem I had as an entrepreneur is that the company was growing, you know, up and down, but still a pretty successful and and at some point when I was able finally after signing Facebook, Twitter, Pinterest, Microsoft, Airbnb in Europe, about all the luxury brands, but the big business for us was Asia. And cracking the Chinese market was a real challenge. And I went several times there. And when you start to say,

OK, I get it, now I know how to do channel in China. I know how to channel in Japan and South Asia. And when you say, OK, now we can sign Alibaba and we sign Alibaba, then send my do away. And when you it he says, well, I have Alby's.

[00:08:07] I need to give the money back. So we need to sell the company this alignment between the goals of the entrepreneur and the team and the goals of the VC. That's when I would if one day I create another company, I will more look for an evergreen PC than a standard short term.

[00:08:29] That's good advice. So let's talk about the state of venture investing. How do you see the industry evolving from here?

[00:08:36] Well, from Europe, of course, I look very closely at what the US is doing. But what I see in this industry, I say three types of investors. There is the I would say the kind of old school type of businesses who generate their duflo thanks to network and people and keynote and meet ups and etc. and that's, I think, start to be over because you need states and unscalable business also for VCs. Then you have the ones who are in this starting to use data. So, of course, CRM, that's usual. But even though some I know somebody is still working with Excel, so all of them, but some are some of those. And and so using more the data to to facilitate the work. And then there is one that I looked at, which much is what I call the advanced data driven type of VC. And I think that's where the data is giving you all the information to select based on your investment business, the companies you're looking for. And that's where you can we see, what, one thousand one thousand five hundred companies per year? And at the end, my transformation rate is that I have to say No. Ninety nine point five percent of the time, which is hard. It's hard for us because it's hard to say no to an entrepreneur and a lot because it's the product is not good. It's just that it's not the good timing. Maybe I don't have enough bandwidth because some maybe it's not our target. But if we had the right tool to select directly the right startups meeting our requests, even though before they even think about raising money, I think that's something where the company needs to go, which means that you will not have if I, if I if my kids ask me. So I would like to be an investor. Should I start to be an analyst? My answer would be no. I think analysts will be replaced by data scientist inside, see new generation type of provider of job.

[00:10:46] Right. And so in the next five years, what's the biggest change you think we'll see in the VC industry?

[00:10:51] Well, the data driven. I think that that has driven. And the biggest changes that you will see more of the same insights that we bought.

[00:10:59] And I think that also the market needs to change in a way that they need to be more evergreen because you don't build a unicorn in five years, you need more time, whatever. So, of course, you always have exceptions, but long term is key. And even though, you know, I'm in a small country in Europe called France and we have a really cool president saying we are a startup nation, but if you want to be a scalable nation, then you need the investor. Don't say, well, end of the game, you need to sell the company. And we all know that 85 percent of the company bought by big groups failed after one year does because of culture. So the mix of long term and also ensure that when they do their exits and there is so much work done by entrepreneurs to grow their own business, that you need to be really focusing also on the exit on the culture of both companies.

[00:11:59] Great. So tell us more about your investment thesis, where you are now. What what do you look for? What's your criteria?

[00:12:06] So the criteria. So say, well, about 200 in revenue so far. And because when it's too big and then I have my big guys who are able to put 50 million or 100 million plus, what I'm looking for is more all the companies who fits the targets, which is what I call a butterfly strategy. So like a butterfly, there is two ls there one is how do we work and how do we put ourselves in the on the on the road of entrepreneurs and on the single P&L is how do we maximize and helps the entrepreneurs to be successful, which is of course Playbook's Playbook's is important because it's transversal in any type of companies like when I need to launch my company in and I have to go abroad in other countries, which country should I start with? Or another question is a US stock option. How should I distribute my stock options? I need to have maybe I should have a CTO at the board. Well, it's. How do I. Get the best of it and all that can be transversal, and then there are also some cards playbook, like when I was under six. We have one guy on the team who died, an elderly man of the family and all that. And this

is what can happen in every entrepreneur's situation. And it's really hard. And I didn't it was a really painful situation.

[00:13:28] And at that stage, you need help. And if the victim can help you with some kind of information or help to manage those questions, that's cool. So the second is more around how can they help to do business? Third is all about hiring. And I think that, again, I would say even more in the US, when you are looking for a VP sales, you are looking for another big sales in another company where I think that syncs to data and things to the again, that driven way of looking at it. Maybe the best VP of sales is not a lot of retail sales. It's maybe someone who was a product who want to and his ambition or her ambition is to become a big deal of sales. So he will overachieve expectations just because that's the goal. That's his mission, his ambition. And if the ambition of the company fits the ambition of the people, that's where you get the best of it. So how do you use the data to to find the right people fitting their ambition? And the last is how the v.C will help in terms of communication today, in this noisy world, you need to help your startup to better communicate better pitch and build a media ecosystem to help your startup to to evolve in the right place, in the right way.

[00:14:48] Right. So in talking about European startups, what do you think is the main challenge they face today to launch their business?

[00:14:56] Well, I think it's a country challenge. When you launch a company in the US from Starz, you have one language. Fifty two states and you already have a big market. And my bet I don't remember how many American people in the US. But what your number three and fifty million now. I had 400. OK, well if you start your business in France, it's 50 million. So your market size is still much smaller. And even if Europe is doing better and better job, we need to be the United States of Europe and that way you can be successful. So that's the, I would say the biggest challenge in terms of markets.

[00:15:38] And on the other side of that, what's the biggest challenge you find European investors have today?

[00:15:44] That's a good question.

[00:15:46] You go maybe there, I think. But OK.

[00:15:53] And again, I would move back to data how to use the data to select the right companies to invest in. And I think the fact that they are close to sort of make them hide where in reality inside their own organization, they might to improve lots of stuff before being.

[00:16:14] A little hype.

[00:16:16] Ok, well, in Europe, there are many sectors and different applications that one can invest in, but if you had to pick one or two that you think are really good opportunities today in Europe to pursue, what would you put at the top of the list?

[00:16:30] I would say there were many. They did two, three areas first. What we see is that you see it also in the US. Well, I focus on SAS and software service and that type of industry.

[00:16:42] And if you take a CRM like Salesforce, it's you, me company able to do everything. And now this big markets start to be so big that small companies start to eat a piece of salesforce. And you have that's in many, many industries. And this niche based software that will take a piece of market share for for Salesforce or for others makes that big companies are using multiple solutions. And I would say that the challenge and the opportunity I see and again, very humble because I am in this industry for 18 months only, but I would say if you take one solution for each niche that you need to solve your problem with, then your every one of them is generating data. And how do you synchronize all that data to extract the best of it? So I would say that some kind of cloud orchestration is important. So that's would be one. And second, I think education is something that hasn't been changed for years, for 100 years. If you look at the class where you were a little boy or even your parents or your grandparents were little boys and girls, the look and feel was the same as today.

[00:17:51] And if we take some basic statistics, so in 10 to 20 years, 30 percent of the jobs that are done today will not exist anymore. So what do you do with those people and how do you help them to to be ready to evolve? And I think this is a good challenge. And based on that, we have invested in a company, a very small company, but I am sure it might be is one of the big beat. Of course, all of them are baby, but equal schools like Maria Montessori. And I think their

vision to help and mix the goal for the company's goals and the people's goals is something I would look at. And of course, the cyber security is a nightmare for everyone. Antivirus is becoming a, I would say, almost useless now. And so that means that the market is changing to Edir. And that's where I would look more around. But again, if I had the rights, there is a French expression saying that the people who gives the advice are not the one paying the bills.

[00:18:53] So don't take it because I'm a I'm not, of course, kind of person.

[00:18:59] But we are working on that direction for sure, actually. Innovation, right?

[00:19:03] Well, the last few days that we have here, what else should we cover that we haven't?

[00:19:07] We got a lot already. Thank you for. So I would more insist on the maybe the fact that people need to focus on Evergreen. This is key for investors and this is key for entrepreneurs. And I would say that we are in this industry because we love innovation and we need to share the good face to the entrepreneurs. And I'm always sad to see after a board meeting that we don't give the right energy to the entrepreneurs and they are working hard. Of course they do mistakes, but we do too. So whatever they so it's not the needs to be solved. But I like the fact to always find the right sentence at the end of each board to ensure that they keep their motivation, because that's sometimes tough. And the last advice would be more to entrepreneurs before they launch their company. First, before launching your company, ask your wife or your husband or your boyfriend or girlfriend to get agreement to do it, because if you don't get the agreements before launching your company, you might move to what's called in friends, the 3D effects, which is in France getting depressed, getting divorced and getting bankrupt. So it's a normal it's a data. And this is happening to many, many of my friends. So when you are in this trouble, be sure that your family is supportive because then it's a really great experience and focusing on your team. I've created this. I've created a family of seventy five people and we sold the company the 12th of February, twenty eighteen. And I have to say it every single day. I have a message from one of those and that's the best I could share with all the entrepreneurs who wants to launch a company.

[00:20:56] Well, so how best for listeners to get back in touch with you.

[00:21:00] Well, LinkedIn, Twitter is the best. I'm sorry if I'm not answering first. No, but I will do my best for sure.

[00:21:06] We'll put those in the show. Does want to thank you for joining us today and hope to have you back for a follow up soon.

[00:21:11] Thank you for receiving me and enjoy. Welcome to America.

[00:21:16] Thanks so much, 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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