

Donatas Keras of Practica Capital

Speaker1: [00:00:04.77] 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. Well, hello, this is Hall Martin with Investor Connect today. We're here with Donatas Keras, founder and partner at Practica Capital, founded in 2011. Practical Capital is a dedicated Baltic VC focusing on investments in the Baltic, Lithuania, Latvia, Estonia and Baltic Origin Ventures in Europe. Selectively, they also invest in neighboring Europe, Nordics, Germany, Poland, and they invest two hundred thousand to two million euro and seed early stage ventures as across industrial investor focused on backing great teams behind the tech driven businesses from the region. Not just thank you for joining us.

Speaker2: [00:00:54.56] Thanks for having. It's been a pleasure.

Speaker1: [00:00:56.75] So what was your background before investing in early stage companies?

Speaker2: [00:01:00.56] Actually, before I wasn't there myself, I have couple of successful stories, small scale exits and also have a couple of bankruptcies behind my back. So I know what it means to start a company. I know what is successful and I also know what is how hard it is that. So I've been doing all different kinds of businesses, owning from restaurant to foreign business, some some some tech companies. So that's a lot. And some interesting stuff is great.

Speaker1: [00:01:28.85] So what excites you right now?

Speaker2: [00:01:30.46] Because, you know, it's being in the Baltics where we have six million people and seven unicorns and having the most unicorns per capita. I'm exciting to chase and love a unicorn in the region. Right. So this is my daily job, what I do. But being more serious, of course. So our stage is picking up in the Baltics. And this is this is exactly exactly what excites me every morning because I see the development of a system. We see more and more interesting companies coming up and more experience intrapreneurs starting new stuff. So this is this is exactly a great thing for me.

Speaker1: [00:02:05.72] Oh, great. So you see a lot of startups. You see a lot of the investors in the early stage. What's your advice for people investing in startups in the early stage? What do you tell them to do before they write that first check?

Speaker2: [00:02:16.73] Maybe I'm going to joke again here, but go out with the founder. I have at least a cup of coffee, but that's all. You could do it before open, right? Right now we have just talking to people. So I spent talking I spent time talking with people and I just let you know this is important not only documents, not only, you know, background checks, not only with the diligence of legal stuff and everything, but just sincere dialogue. We can try. That's usually helps a lot to answer a lot of questions.

Speaker1: [00:02:43.70] All right. And then on the other side of that equation, what's your advice for people running startups? What do you tell them to do before they go raise funding?

Speaker2: [00:02:50.81] Be sincere, be prepared, and don't be afraid to say I don't know. I haven't thought about that. Right. That's also good. You know, I hate when people start to, you know, just to pretend and invent answers at the table when you clearly know that we don't know. Right. So this is this is very noticeable, actually.

Speaker1: [00:03:07.97] Right. So let's talk about investing in early stage. How do you see the industry evolving? You know, there's now crowdfunding and there's different fund models and so forth. But where do you think the venture capital industry is going?

Speaker2: [00:03:20.60] You know, it's a golden age for entrepreneurs to wanting to raise money, right. So, so much capital. I see a lot of evolutions. Right. Starting with the fund who are making bets purely on data and, you know, I based algorithms and things like that. Yeah. Will see the crowd funding and crowd investing in the startups, which is very active in Europe right now. And, you know, we see companies being funded by Crout, which I would probably never invest. Right. But you never know. You never know who is right. So it's evolving, is evolving in different directions. And you know that from the power, from selected risks are shifting to much, much wider audience. And, you know, even bigger family offices are small time offices have usually been just investing in kind of stable assets, suddenly turn into this tech industry

into more risky stuff and shuffle what are a little bit, if we can say like that. So it is becoming more democratized widely. And it's good stuff for entrepreneurs. It's good stuff for long term. We see sort of guys who want to do that longer term and then they become professional and especially specialized in some verticals and geographies. But it's best for entrepreneurs because you know so much more capital. Of course, as always, it depends. You have to choose carefully whose money you're taking because of different reasons. But but still, it's good democratization of this is good, in my opinion. And that's exactly what I see happening in this industry.

Speaker1: [00:04:48.71] And what do you think is the biggest change you'll see in, say, the next five years? Where do you think it might end up there?

Speaker2: [00:04:53.63] I still believe that we are going to see the growth of crowdfunding platforms and different different approaches to that. And we might even see, you know, Robin Hood type of platforms investing not only in the industry with the stocks or the listed companies, but maybe doing something, something similar to startups so secondary markets of startups might pick up. It's clear. I also think that, you know, the technology is going to going to change. The way we see work, and especially in the bigger companies, bigger firms, not boutique companies like us, but it's going to be kind of more part of the job. And I think we're going to lose Excel at the end of the day for many, many things. What we do right now and just going to rely on technology, which is the thing, feel great.

Speaker1: [00:05:42.51] Well, let's talk about your investment thesis. What is it and what is your criteria

Speaker2: [00:05:46.86] For selecting an investment to make? All right. So first of all, we are limited in geography. We chose quite small, small, small region. You know, no more than 30 million people live there. And our home market is just six million people, Baltic's. So we have no luxury to be specific or vertical. So we kind of look into tech related, all tech related early stage companies and offices is quite simple. We believe that, you know, team and of people behind behind the business is most important. And we look into it and we hope to find the world class intrapreneurs and just back with bold ideas so it can be anything from sometimes even, you know, computational biology to consumer B2C brand for dog food, for example. Right. Or ending of the space technology. So we believe that, you know, next unicorn can be born in any

any angle of our globe and are not involved. It's right there. And we have good examples of that. So this is Vaidya. And, of course, then comes execution. And we believe that the proven execution is very important for entrepreneurs. And it can be not only, you know, just good exit because it's quite scarce in the Baltics, but all other things, whether it gets done in the past, don't go with passion, dedication. You know, it's it's good enough as a proof for us to partner with venture and help him to succeed.

Speaker1: [00:07:15.78] Greg, can you talk about one or two startups that fit that thesis, perhaps a portfolio company?

Speaker2: [00:07:20.19] Yeah, you know, probably again, it's a question I don't know which one to choose, but probably I'm going to choose the latest ones. Right, just to be not a picky ones, not pick one to one company that's actually Finnish Finnish company, which which is what new space technology. And the guys are working on propulsion for nano satellites. And I believe they fezzes or they their vision to become the go to provider of maneuvering in space or the orbiting in space for all things move in space is great and spec. And I think they picking up that, you know, the growing market, the new huge growing market, and they have all that knowhow you need to build a product and all the ambition you need to become the leaders in this. So I'm very happy we can afford it, the guys and and let me see around. So that's one. And the second one, probably company in the Baltics, which is exactly in between of computation, computational biology and biology. And these guys are creating proteins in a lab, which is which is a huge market. And yet young guys, young crowd, spinoff of university. However, you know, the ability what we've done, what we prove this and how we continue to build the company into products, it's just amazing, actually. Just approved today, the Science magazine journal Nature published the article about them. So that's I feel very, very great about the company and about the young guys from the edge of Europe just doing this amazing stuff and frontier, the computational biology.

Speaker1: [00:09:02.04] Great. So let's talk about the challenges in the startup space today. What do you see as the major challenge the startups face when they launch their business?

Speaker2: [00:09:11.07] So it's you know, it can be many things that many starting business, but probably ninety five percent of failures. It's startups themselves. Right. We cannot overcome

some issues with the company team or a product or we do being too early to. It's something, you know, specifically. Sometimes I see it now that companies just raised two big rounds because of the money in abundance. You can you can raise that right. You have you have this competing of investors. So sometimes they are attracted to this too much and, you know, getting to the grounds and spending too much money and not thinking about, you know, the real value and efficiency. Right. So so this is probably in some geographies, let's say in Silicon Valley, it should be this way. But, you know, other geographies across the globe, sometimes you just need to be more careful in this. This is not a problem. It's a good problem to have. Too much money is good for them, but probably as very, very global problem is talent, of course, and the matching rate talent and retaining the talent in the companies because, you know, good companies and the start to start engineers are jumping ship sometimes very fast every year a new company. And this is an issue. It's an issue. And when you have, you know. I defy the ingenuity team of engineers, and you have to rely on the product and certainly have the team is leaving for new start in the region next year. It's not that it's not good, but, you know, it's probably part of the job right now. Younger people are more mobile. They want to move and not to stay too long. But again, this is not specific to startups, is just specific to business in general. And we have to adapt to.

Speaker1: [00:10:50.04] And then what are the challenges the investor faces these days?

Speaker2: [00:10:54.09] Well, you cannot meet a company, right. That said, I've done these last two deals without meeting real person just over the top, as I think it's a challenge. But this opportunity, actually, I believe I made more work in the last year, sitting at home locked down than ever before. But of course, it was quite, quite hard. So so I believe it's temporary, right? I believe we see adopted and investors adopted quite well devastation. And, you know, starting last year, I was already scared. How are we going to do the job? How is it going to continue? But, you know, just months passed and awards are gone. I know what you're going to continue on. Probably last year was a record globally for new investments, in my opinion, in many senses. So so these challenges are gone, but not gone. But we found a way to overcome that. And let's see, you know, let's see what's going on with the public markets and how it's going to influence the VIX markets and protect my it's interesting to know, is it a bubble or not? It's a question I have my opinion we're probably not going to share. You hear about that. But it might be some some effect. Whatever is going to go right up or down are going to stay stable. But generally, I

think it's for businesses is also very accurate. More entrepreneurs coming from different angles of the world. And, you know, the story or dream of becoming a successful entrepreneur is really picking up in different regions. And that gives you a variety of companies and variety of business models to choose from and to put your money work great.

Speaker1: [00:12:31.34] Well, you see a lot of different sectors and applications out there. If you had to pick one or two to put at the top of the list is good opportunities today for investors. What would you select?

Speaker2: [00:12:40.79] So probably I would say that Buyology 2.0 and traditional intelligence and between these two between two disciplines, everything in between is a new new frontier in a way, because because personalized medicine and everything is connected to that longevity and many things. It's something where we're breaking frontiers right now, in my opinion, and I believe many new, greatly valued and very successful companies are going to be coming from this. I also believe that, you know, sustainability, new ways of mobility also is bringing some new stuff into the life. And I like the space a lot and probably the last, which might not be new. But, you know, the new wave of e-commerce, different type of e-commerce, including, you know, some containment type of element, including the ten minutes delivery at your door, the new concept of e-commerce and delivery or combination of that that's creating right now. This is the hottest right now and it's creating a lot of a lot of new interesting companies and concepts right now. We'll see how how how long it's going to take or how sustainable this company is going to be. But but currently, it looks like there is a shift in e-commerce, not just adopting e-commerce, but new models with e-commerce coming into the play. So that's the first thing.

Speaker1: [00:14:09.23] Ok, right. Well, in the last few minutes that we have here, what else should we care that we haven't?

Speaker2: [00:14:13.82] Just the one thing I want to say that, you know, Baltic's is the region I'm in. And of course, I tend to like it more than all the other regions. But in reality, we still need more investors in the region, especially in a bit later stage A, B, C around. So all those investors will listen, listening. You know, if you would like to come and take a look and, you know, maybe to use that, still a bit lower valuations than in states or in Israel or in London sometimes. But the

great quality of of companies, products and very passionate people, I encourage you to, you know, just give a shout out or take a look into see things happening in the Baltics.

Speaker1: [00:14:57.71] Great. Well, how best for listeners to get back in touch with you.

Speaker2: [00:15:00.98] E-mail, of course, is the best and simple as that. LinkedIn also works

Speaker1: [00:15:06.32] Great. We'll put that in the show notes. I want to thank you for joining us today and I'll get you back for a follow up soon.

Speaker2: [00:15:12.03] You very much.

Speaker3: [00:15:13.76] 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. Paul Martin is the director of investor Canek, which is a five Wannsee three non-profit dedicated to the education of investors for early stage funding. All opinions expressed by Hall and podcast guests are solely their own opinions and do not reflect the opinion of Investor Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.