

David Hornik of Lobby 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. Hello, this is Hall Martin with Investor Connect today, we're here with David Hornik, a partner at Lobby Capital. Lobby Capital is a venture capital firm headquartered in San Francisco, California. David, thank you for joining us.

Speaker2: [00:00:34.17] Yeah, thanks for having me, Greg.

Speaker1: [00:00:36.12] So what was your background before investing in early stage companies? What did you do before this?

Speaker2: [00:00:40.92] Yeah, I had a kind of eclectic background. I, I have a degree in computer music. That's my undergraduate degree. I have a master's in criminology. Both of those were not really qualified me to do much of anything and sing in prison. I don't know. And then I went to law school and then of course, that caused me to be a lawyer. I spent a little bit of time meandering through the law world. I clerked for a judge. I was a litigator for a period of time. And then I got lucky and I found my way back to Silicon Valley. I had been an undergrad here at Stanford. And then I came back to the Bay Area from New York City to start representing startups. Almost by happenstance, it turned out that one of the founders of Yahoo! Was a friend of mine from my freshman dorm, and my law school roommate had come back to the Bay Area to work with Jerry and represent Yahoo! And he said, you know, startups are kind of fun. You should check it out. So I moved out to the Bay Area. I started representing startups, and I realized at that moment that startups were miraculous like these. There were these little companies of amazingly excited and engaged people that were trying to trying to solve really hard problems.

Speaker2: [00:01:56.73] And so I became addicted to this idea that I could help them be successful. I stopped sleeping. I really did for many, many years working on some really incredibly great companies. And in 2000, after a board meeting where I was the lawyer of this company, Evite, the investors. And if I'd said, hey, David, have you ever thought about the

venture business? And I thought to myself, yes, I would love to be part of the venture business, but I pretended to be calm and said, well, it's very interesting. I would love to discuss it more. And and after four months of being interviewed and discussed and poked and prodded, they said this was at August capital. They said, hey, David, you know what? Lawyers don't have a great history of being successful in this business, but we like you. And so if you're interested, we'd be happy to have you join us. And I said, that sounds great to me. And so in June of 2000, I became a venture capitalist and have been I've been a voice for the last almost twenty one years.

Speaker1: [00:03:00.60] Well, that's great. So what excites you right now?

Speaker2: [00:03:03.21] I mean, technology is unendingly exciting. I have to say. I think of the venture capital business as technology futures. They're really this opportunity to say, hey, what is coming? What is the how how is the world changing and how can we in particular use software to make the world better and and more efficient and more effective. And so, you know, I've invested in lots of stuff. I've invested in technology that fixes the infrastructure of the Internet. I'm I'm on the board of a great company called Fastly, which makes it better to deliver content. I've worked with companies that if I make SMB more successful, so I sit on the board of a company called Bill Dotcom that allows you to do accounts payable and receivable more efficiently for small and medium businesses. And I've had the pleasure of working with with consumer businesses, starting with Evite, where I went on the board eBay. It's where I was an investor for many years. And now great companies like Dot Com, which has some of the most interesting headphones on the planet to top patter, which is bringing gaming and kind of a fun experience to shopping online.

Speaker1: [00:04:10.50] Well, that's great. A lot to be excited about for sure. So you deal with a lot of investors and a lot of startups. What's your advice for people investing in startups in the venture world? What do you tell them to do before they write that check?

Speaker2: [00:04:22.47] My advice for people who want to be investors. I mean, I think in the end, this is a people business. It's all about finding amazing people who are engaged and and obsessed with solving a really hard problem. And so it it's tempting to fall in love with with a technology or a solution. But in the end, it's really about funding amazing teams of people who

are going to solve those problems. They're the ones who build really big and interesting businesses. So stick to the team, stick to the fundamentals, make sure that they're not only are they people you're excited to work with, but that are excited to work with you because it's going to be a long relationship

Speaker1: [00:05:01.68] From your point on the other side of the table. What's your advice for startups raising funding? What do you tell them to do before they go out to pick up that check?

Speaker2: [00:05:09.42] Yeah, I mean, similarly, remember that investors are going to be partners of yours. For a long time. I talked about this company Build Dotcom Rinella, who's the CEO of Build Dotcom, was the very first entrepreneur I backed now. 20 plus years ago and Renee and I have been working together in two companies over two decades, and that's been an incredible relationship. But you can imagine if he didn't actually like spending time with me, how horrible that would be. So you're an entrepreneur. Do the work to make sure that this person you're taking money from is someone you want to spend time with, you want to take advice from, you want to consult and be engaged with it because it really is a long term relationship.

Speaker1: [00:05:50.28] I'm great. We've been in the VC investing world for twenty one years. How do you think the industry is evolving today and where do you see it going?

Speaker2: [00:05:58.64] I mean, there are a lot more people involved in the business. When I started and venture it was still a pretty small business, there were no seed funds. Now there over a thousand seed funds of a hundred million dollars unless the number of investors in the late stage were investing in successful businesses was dramatically smaller. So it's just a much bigger universe. The other thing is, no one had ever heard of a venture capitalist. You I had this where people say, oh, David, what what do you do for a living? Oh, I'm a VC. And they'd say, What is a VC? You know, which is in many ways hard to imagine these days. It's part of the popular culture, this idea of venture capital and how it plays and for for good or bad into the creation of companies and technology. But, you know, that's been an evolution. And as a result, I think that it's been you know, it's had an unfortunate effect on somewhere. They think that the venture capitalist is the star of the show, when in reality it's always the entrepreneur, that that is the driver of great business, that is the creator of great value. So I hope that over time we get

back to this is where the supporting cast, we're here to help you be successful and we're here to, you know, look at in the end, the whole point of venture capital is to say, if I had more capital, I could do these sorts of things that would accelerate my business. Who has that capital to help me grow that business? Give me advice. Help me to think about the business. You know, that's the role we play. And and I think that I think that we've gotten away from that a bit and I hope we get back to it.

Speaker1: [00:07:37.13] Great. Well, in the next five years, what is the biggest change we'll see in the venture capital world?

Speaker2: [00:07:41.51] In the v.C world? I mean, I don't anticipate a lot of change. To tell you the truth, I think that we've had very robust public markets. I mean, I would anticipate that we'll see the public markets slow down. I can't imagine they continue at this incredible pace. And when that happens, there's a contraction that public markets are slower, the later stage investments lower, the early stage investments lower. Fewer entrepreneurs want to get started. It's harder. And so I think we'll see this global transaction sort of shrink for some period of time until the markets start picking up again. And I think that cycle is good for innovation. It's good for the it's good for the industry.

Speaker1: [00:08:23.97] Well, create well, let's talk about your investment thesis. What is it and what exactly is your criteria for looking at startups?

Speaker2: [00:08:30.59] I don't know that I have a thesis. I mean, to the extent that I have a thesis, I used to describe it as people, people, people, which is a pretty simple thesis. It's fun, great people. As I said before, my partner, Trip Jones has modified that thesis and I think he's done so appropriately. Now it's team team TAM and team where TAM is total addressable market. I guess it doesn't help if you back amazing people solving small problems, but if you back amazing people solving really big problems, you have the opportunity to have a really great and outsized outcome. And so. So I guess that's it. Team, team, team and team.

Speaker1: [00:09:06.92] Great. Looking forward to it. My goodness. So can you mention one or two startups that fit that thesis? You got quite a range in your portfolio. It should be hard to pick one out.

Speaker2: [00:09:16.88] I mean, the reality is that hopefully every single company I back meets that thesis. Right? I hope that every time I back a company, it's because I'm a huge fan of the people who are building it. And then I'm also excited about the opportunity they're chasing. I will tell you this, I I'm I occasionally make the mistake about the TAM. And so, you know, Travis Kalanick, who I had backed in his company, read Swoosh, was getting started with Uber and came to pitch the series of Uber to me. And we sat around discussing it as a partnership. And he only had Uber black at the time and we just didn't think it was a very big tam. We thought that it was addressing a relatively small opportunity. And so and so we didn't pursue the opportunity and we were wrong. That turned out to be wrong.

Speaker1: [00:10:05.30] You know, these things do change over time. But but you see a lot of startups and investors. And of course, it's not all fun and easy. There are challenges. What are the challenges you see your startups facing these days?

Speaker2: [00:10:16.88] Oh, entrepreneurship is unimaginably hard, actually. I think the. Veterans are the heroes of this story without a question, it's amazing in many ways that they that they ever succeed because they're faced with so many obstacles. The biggest obstacle at the end of the day is, is just to beat to maintain the ability to move forward. And that means you have to have the capital to do so. So fundraising is really I've just seen it over the years. Fundraising is just a constant bane of the entrepreneur's existence. And I acknowledge that I'm part of that process. So I apologize. But entrepreneurs have to have to be sure that they are making progress, building great products, but able to raise the capital. They need to keep growing those businesses. And that's hard.

Speaker1: [00:11:03.11] Well, then on the other side of that table, what do you think is the challenge for investors face when they go to work with startups?

Speaker2: [00:11:09.05] Well, I mean, some of it is an information challenge, right? You only have the information that you gather in a relatively short period of time. And so so you need to know a lot about markets and technology and DMS and psychology and economics. It's a lot of moving pieces and then it's a lot of luck. I have to tell you. I mean, you can do all the work and you can back amazing people, but you have to get to the right markets at the right time. You

have to be sure. You have to hope that you've thought on the right sets of things. So I think there are lots and lots of challenges for investors, although they pale in comparison to the challenges that entrepreneurs face.

Speaker1: [00:11:44.86] You see a lot of different sectors and applications on the market today. Post covid. If you had to put one or two that are good opportunities to pursue, what would you put at the top of the list?

Speaker2: [00:11:54.54] I do think that digital health, as you know, has accelerated by probably a decade over this time frame. And that includes, you know, human health. It includes veterinary health. That includes a lot of practices. I think that someone needs to solve the mental health challenges that we that that where the business is working on that. I think this ability to bring medical care into your home without having to make an office visit is going to be a valuable thing. So so I think that's a I think that's an incredibly ripe area for for opportunity.

Speaker1: [00:12:31.58] Great one. The last few minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:12:35.12] Oh, my goodness. I don't know. I mean, look at the realities of your businesses. Just for someone like me who has is sort of unendingly intellectually curious and a little bit and and a little bit hyper. It's the it's just a dream job because I on a day to day basis, I get to meet new people who are solving interesting and challenging problems, and they're always different. Right. I was just talking with someone about a big and interesting data challenge and before that, about the digital delivery of a video. And before that, it was about something in the consumer business. So it's a lucky position to be in that I get to get to hear these stories. And, you know, entrepreneurs should should know that we feel grateful that they that they come to us and pitch our business, even if the vast majority of the time we have to say no. So I thank them for that.

Speaker1: [00:13:26.68] Well, that's great. I understand you run a lobby capitol which came from the lobby conference. Can you tell me more about the lobby conference?

Speaker2: [00:13:33.62] Yeah, no, I started the lobby conference now 13 plus years ago conferences. And they really, you know, they they weren't focused on the things that I thought were exciting and important in the conference. I wanted to meet incredible people. And the conference had you sitting in a dark room, would whisper to them and then I'd get shushed. People like enough already. And so so I stopped going in the conference room and I just spent all my time in the lobby talking with these amazing people. And eventually I realized that the world would be a better world, would be a better place. The conference world would be a better conference world if I could create an event that was only about those conversations. And so I now have to lobby conferences. I have a consumer event in the fall and I have an enterprise event in the spring. It's two hundred and fifty people each invite only, and it's to bring together the, you know, the thinkers and leaders and folks who are emerging building amazing technology and funding amazing technology to have a discussion. And it's in Hawaii and we sit on bean bags under tents and we talk about the future of everything, the future, not just the future of tech, but the future of leadership, the future of raising families. It's it's just an incredibly fun, engaging event. And there have been more than two thousand people have been part of that lobby community over time. So when when I finished finished investing August seven, our most recent August Capital Fund, I said, well, what would be more interesting isn't to raise August eight, the 8th August Capital Fund, or to raise under its new moniker of lobby capital. And so my partner, Eric Carlebach and I came together and said, let's let's let's build lobby capital. So I'm back at the beginning with lobby Capital One. And I look forward to rejoining you when I finish investing lobby capital seven. It'll be an interesting path.

Speaker1: [00:15:30.16] Well, that's great. Well, in closing, how best listeners to get back in touch with you.

Speaker2: [00:15:34.60] Yeah, I mean, I'm always happy to have people email me. I'm Hornik at Lobby Veazey. So feel free to shoot me an email and tell me what exciting stuff you're working on.

Speaker1: [00:15:43.66] Right. We'll include those in the show notes. Well, thank you for joining us today and hope to have you back for a follow up soon.

Speaker2: [00:15:48.91] All right. Thanks so much for having me.

Speaker3: [00:15:50.32] Appreciate it. Investor Canek helps investors interested in startup funding. In this podcast series Experience, 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.