Caroline Lewis of Rogue Venture Partners

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. Interested in learning more about investing in startups, launching a new startup need to raise funding, the startup Funding Espresso is a daily podcast and a short, concise format delivered to your inbox every day Monday through Friday, the time it takes to drink an espresso. You can learn about startup funding to subscribe, go to invest, connect Doug and put your email into the Pop-Up Box. Hello. This is Hall Martin with Investor Connect. They were here with Caroline Lewis, partner at Rogue Venture Partners and managing partner of Rogue Women's Fund. Venture Partners is a venture capital firm specializing in seed stage technology startups across the US with a focus on undercapitalised regions. Caroline, thanks for joining us.

Speaker2: [00:00:58.35] Pleasure to be here. Thank you so much for having me.

Speaker1: [00:01:00.30] So what was your background before investing in early stage companies?

Speaker2: [00:01:03.15] Yeah, well, I think like many people, I actually got into venture through a circuitous route. I graduated undergrad in the liberal arts education out of Davidson College in North Carolina that I was going to be a lawyer, realized I didn't want to be a lawyer after working with a great law firm for a year and decided actually to move across the world over to South Korea to teach English, came back, ended up in all places, West Virginia. I always tell people that I was for love worked out. He's not my husband. But when I was there, I worked for my first time in a startup and it was kind of a startup. Really, really amazing. Woman had ran a company there. A couple of companies I jointer did everything from cold calling hospitals, doing accounting, sourcing products from China and just fell in love with that pace of life. But I also got to see firsthand how really building companies and creating jobs can do so much for a community. So I knew at that point I wanted to get my MBA start my own company, which I did. And then I also sat down and when I was getting my MBA, and then from there I really went into management consulting. I wanted to learn a lot more about technology and do a lot more technology and implantations. And as I was doing that, climbed up the ranks, worked for Nike astand. But I got to a place where I was interested in angel investing and joined a few different angel investing groups.

Speaker2: [00:02:27.33] And, you know, I would walk into a room. I was all dudes and people say, I'll just read the venture deals book and you'll figure it out. And, you know, I just thought there had to be a better way along my path. I had met Tom Sperry, who is the managing partner of Rove, and he's been absolutely instrumental person in my life, great mentor. And I decided I was going to take him out to breakfast and try to pick his brain on things I should be investing in and just try to see how he thinks about things. And in those conversations, I would share what I was looking at, how I was thinking. And when they were kicked off on three, we had established that relationship. I think he'd gotten to get to know me a little bit and also how I thought about investments. I met the rest of the team and they asked me to come on board and I just said, you have to even think about it. I even I don't know how the back end of the venture capital worked at that time. I just said, this is amazing dream come true. And it's been the best decision I made in my life. So I've been with Rove since before I fund three renowned fund for it's been a fantastic journey, but yeah, a little bit different than some other folks who get into the venture industry.

Speaker1: [00:03:32.46] Well, it's quite a journey there. So what excites you right now?

Speaker2: [00:03:37.80] Yeah, I mean, I have to say, you know, when we kicked off our thesis for a fund for we really wanted to, of course, focus on what we are knowledgeable and good at. There's some things that excite me that we invest and then there's some things that excite me that we don't particularly focus on. So I have to say some of my Kauffman fellow colleagues that are investing in space and deep tech, that is always exciting to me. Some of the areas that are a little bit more familiar and both exciting is really in the health space, which I know recently, especially with covid health and education has gotten a lot of attention. I would say we've been investing in the health space, but leaning even more into what they call aging tech or death tech or carrying tech. I just think that's going to be pretty explosive in the years to come in the next five years. And really fascinating to see the various technologies that are coming out both to connect people direct to consumer, but also B2B business. So that's a space that excites me. There's also H.R. Tech is you know, some people have an aversion to it. There's some pros and cons, but H.R.

Speaker2: [00:04:40.41] Tech is really starting to see a revitalisation, especially in DNA technology. Now that that's more of a topic of conversation in our country. It's a little lagging, in my opinion, but we have the advantage of being investors. So we're always investing years ahead of where the rest of the population invest coming to. So I've been seeing some really fantastic different technologies about equaling the playing field for employees at all different levels. So that's been pretty exciting. And then also B2B marketplaces, which I never thought I'd say I get too excited about. But there are some interesting industries that have still use fax machines still, you know, people. We'll go door to door with binders of information, and so those industries, when I look at it, are just ripe for disruption. And if anything, this past year, especially with covid people working remotely, working from home, has accelerated the need for those industries to adopt technology. So I'm seeing some very interesting businesses and what our sleepy industries or industries that are not sexy, but just ripe for disruption and plenty of capital flowing through them. So those are some areas that interest me right now.

Speaker1: [00:05:48.45] Great. Well, you see a lot of investors and a lot of startups. What's your advice for people investing in startups? What do you tell them to do before they write that first check?

Speaker2: [00:05:56.07] Well, as a person who had a little exposure to investing in that on the U.S. side, which are very different, I always encourage people to first and foremost understand why they are investing. Are you just trying to diversify your portfolio and get a return? Are you trying to invest because you want to learn about different technologies or different industries? So really understanding the purpose and the why of what you're investing in, the intention that you're trying to get out of it from there, it's much easier to navigate where you want to go for your deal flow or wait for companies that you want to look at. If you're really trying to get a great return. I highly recommend that people, unless they are extremely well connected on their own, not just go straight with angel investing, but actually go and invest in a fund that allows for some direct investments as well, or a fund that helps you educate you on what to look for, for investment. There's great businesses out there. There's great investments. You're looking for the combination of those two. And then, you know, for people that really just want to get back to their community or be involved or learn different technologies, I say the best is just locally with your connections, trying to have that impact with whether it's a school affiliation in your local community, but a place where you really want to put capital to make a difference and hopefully you strike it big and get some nice return. But if that's your primary goal is to really get back about new technologies that definitely go forward with angel investing and join an angel investing group, there's quite a few of them across the country. I'm not as familiar or in love with the crowd sourced angel groups of the world, but I know that a lot of people have had success in finding lots of different types of companies that way as well.

Speaker1: [00:07:36.30] And so on the other side of the table, what's your advice for people running startups? What do you tell them to do before they go out to raise that for you?

Speaker2: [00:07:43.62] Well, this is actually a topic that I have quite often with people. I would say I'm mostly the point person for all deal flow for a rogue and also do a fair amount of volunteering, speaking at different accelerators, incubators, universities. I think in the past 10 years, raising capital has gotten very romanticized. You know, you have Shark Tank out there. You constantly see in the press about how much people are raising or their companies are valued at a billion dollars. The reality of that is that many of those numbers mean it's less than two percent of all companies really. And venture capital doesn't make sense for a lot of companies. Miss the companies. And people can make really amazing businesses and have great lives and great outcomes by not raising venture capital. So if you do have your own startup, I would first ask, like, is venture capital really the right path for you? Generally is the right path. If you want to have crazy growth one hundred percent to 10 percent growth year over year, you want to bring people that are going to make decisions around the table. You want to give up that control. You want people around the table to help you get to a better, better place. And you're OK with giving up that control. I often tell people, I'm sure you've heard this before on the podcast, that when you find an investor is not obviously just the money, it's the value they provide.

Speaker2: [00:09:02.01] And you are in that partnership for a long time. Most venture partnerships last longer than marriages. So you got to keep that in mind when you're thinking about taking investment from people even in the early stages are probably the most difficult because you're in that chicken and egg scenario. You want a little bit of capital finish building what you're building, but you need to finish building what you're building to get that capital. That's oftentimes where I see people make some risk when they take capital and it's not really from a great place or they get diluted too much or they just don't find the right partner. So I would say really think about do you want to take venture? And if you do want to take venture, make sure you're finding good partners that you really want to be with for the long haul. And at the end of the day, if you achieve great metrics, like if you run a well run, operationally efficient business, you're going to find great people to bring to a table with you. So always focus on just running a great business and then bringing in the people that you can really see yourself in a partnership with ten, fifteen years down the line.

Speaker1: [00:10:03.30] Great. So let's talk about the state of venture capital investing. How is the industry evolving these days coming out of the pandemic?

Speaker2: [00:10:09.60] Well, I think it really depends where you where you sit and what you invest in. I would say if you're a tech investor, any. Aspect of that, for the most part, you're looking very good. I would say most species that I talk to and companies as well, you know, this about this time last year, everybody was kind of buckle down. How do you extend your runway 12 months, 18 months longer? Because we didn't know it was coming. And then what we saw was really this past year accelerated the adoption of technology, like I mentioned before, in certain industries or just the overall human behavior, both from a business perspective and a consumer perspective on really adopting new technologies and getting comfortable with it. So what that did was just open up the floodgates for any anybody who's been an investor, you know, investing in things like peloton. I'm sure everybody you've talked to some sort of peloton Balaton bike, and they're obsessed with it or some ADTECH or health tech. They're really accelerated those areas. So when I look at. You know, this past year and kind of opening things up, I was over on the venture community right now, I would say there's a lot of capital in the market, which I know can be frustrating for an entrepreneur to hear if they're not the ones receiving that. There's a lot of capital in the market, though. It's increasing valuations significantly. So I'm seeing a lot of deals be a lot more competitive, higher valuations, a little bit more challenging to get into.

Speaker2: [00:11:40.06] On the flip side of that, if you're like rogue, we really focus on undercapitalized regions. So we don't necessarily try to go after that one or two deal that everybody else is chasing. We recognize that people run amazing businesses and we kind of look for those businesses, go after them, really find great partners to go with. And so I think if you're disciplined and patient, you find amazing people and companies to invest in, which is so important when you think about the return portfolio. Unfortunately, I think there's a lot of heat in the market. Investors are making some mistakes and getting a little bit too hot handed, and entrepreneurs aren't necessarily thinking through keeping their optionality as they grow. I think they're getting enamored with the speed and the the kind of chaos and valuations and going with that without necessarily thinking through all the implications of what that means further down the line, especially if there happens to be any sort of pullback. So that was a long winded way of saying the market's very hot right now. It's a very exciting time to be in the private capital markets and venture lots of amazing different technologies coming out, lots of capital flowing. I think we're just going to see some really interesting businesses come out of this time period.

Speaker1: [00:12:55.39] And so what do you think is the biggest change we'll see in, say, the next five years in venture capital funding now?

Speaker2: [00:13:00.64] I think, you know, something that's starting to bubble up a little bit more. Voices are definitely using a lot more data to make decisions, which is interesting, especially the earlier that you go into the U.S. where so much of it is subjective. So a lot more data. There is also a lot more focus on diversity in all aspects of the companies that you're investing in, as well as bringing in more diversity into the firms. It's not nearly where it needs to be, but that is happening. And I have confidence that in five years we might see more diversity at the Decision-Making levels in D.C. partnerships, which I think will positively affect the types of businesses that we're investing in. In addition to that, I think in the next five years what we're going to see is a little bit more democratization of D.C.. I think we're starting to see some elements of that. I'm not completely sold on it right now, but I do think that in five years we'll see a little bit more kind of crowdsourced funding or crowd venture funds in some way. So I also think that there's a lot of seed funds and five years from now they're going to have to have proven out their fund to and we'll see who comes out of the ranks in five years to actually do a third fund. I think there's going to be a lot of kind of fleshing out of people who were able to raise capital pretty easily, but don't necessarily stay disciplined and thoughtful in their investing process or they just don't get lucky as well. You will see some of that drop out. I think that's kind of it for the VC industry in the next five years. But, you know, if I had the crystal ball, I probably wouldn't be doing the job that I

Speaker1: [00:14:35.50] Cool when you talked about funding underrepresented areas. But can you tell us more about your investment thesis and what exactly you look for?

Speaker2: [00:14:42.59] Yeah, so Rock has always invested in undercapitalised founders. We just previously really defined that and we still do. So think of essentially every area outside the Bay Area, even Texas, Seattle, New York areas where it's a little bit more challenging to get capital. We think this makes for great businesses because they have to get a lot further with what they have. They often have proven a little bit more market traction than most other businesses. There are reasonable valuations and ultimately we love the type of entrepreneurs that we find attached to these type of companies. Just the hustle, the get go rogue, not just grow to grow, not just get big, big or have a high valuation just to have it and say, oh, I'm a billion dollar company for really running a sound fundamental business and solid leaders. So we look for those type of businesses, those types of people. Now, focus focuses in B2B space enterprise. Like I mentioned before, consumer health, tech and then health tech focus on the aging, aging and care tech space. In addition to that, we started the Women's Fund. When I came on board, this was back right before twenty eighteen. We wanted to make sure as a firm that we started the fund for three main reasons. First and foremost, we believe that if you want to change, you have to be very intentional about it. So we want to create a separate fund to really say, hey, we believe so much that in backing women makes sense. It's a smart business decision. It's not just impactful. Second, we also wanted to have a fund that wasn't just about equality through equity on. Entrepreneurship side, equality for equity on the investor side. We want to encourage more women to invest in this asset class.

Speaker2: [00:16:19.96] Many of the women in my network at that time in positions to invest in this asset class really don't know much about it. And we want to have a much more reasonable minimum for a first time investor. So that was another reason we had a separate fund. And then third, we also when I was looking at where we typically invest, we can really go after companies that are generally making five hundred to a million in revenue, raising a one to three million dollar amount. You can call Presidio's depending what part of the country you're in. But for us, we looked at where is the most challenging place for all entrepreneurs to get capital, but especially women. And that place was that first institutional check. So we want to have the Women's Fund invest a little bit earlier than our main fund and really be that first institutional check, often going along lots, sometimes with other angel investors or one or two other institutions. But we're in a position where we feel really confident, comfortable to set the terms which oftentimes gets everybody else off the fence. And we just have the experience and exposure of over 10 years of investing that we can bring that to the table. So we really wanted to do that with the World Women's Fund. We kicked off the Royal Women's Fund in twenty nineteen. And I'm so excited because within 14 months we had our first exit, had a really great return our body to our investors, which is pretty fantastic in the venture community. And so far, not only is Broox thesis proving to work out for us with really good returns on funds one, two and three, but also on the Women's Fund.

Speaker1: [00:17:46.03] Can you talk about one or two startups that fit your thesis?

Speaker2: [00:17:49.12] Sure. So I'll talk about with Growth Fund for which we're currently raising right now. We're almost at the max, which is very exciting. But we again, we decided to go a little bit more into the carrying tech space. For even some people called top tech is another area as well. One of the starters that we invested in is one that we invest as a women's funnel. First highlight and then I'll talk about the main fund. So Women's Fund, really fantastic startup called Caregiving, actually just released very early Prizzi's Stage Company, all focused on walking an individual through the journey, a caregiver through every single aspect of what they need to address if they're taking care of a loved one who is on the last years of their life. So not just bills or documents, but how do you capture those key memories, whether you're a person that you're taking care of, has a good day or not. So good day. So really, every single step of the way walks that person through that journey, which is fantastic. Another one that we invested in, again, to precede pre revenue, which is a slight one of the first ones that we did was just pre revenue. But I'd known Candace for about three years or so. I've been watching it for a while.

Speaker2: [00:19:06.31] And then another one that we invested in all voices. This is one of the first investments out of our fund, fantastic company out of L.A. Clare Schmidt is the CEO inspired by the Metoo Movement. She actually left a very high profile job to start all voices, which allows for anonymous reporting of anything both positive and negative for any organization to use, but then also on the back end, really streamline it, streamlines it for her to be able to communicate back with employees and foster an environment where you can really get ahead of major issues that might be arising in your organization before they kind of hit the press. It's just it's really been fantastic to see her growth in that company. So those are a couple of examples of the Women's Fund with the main fund. An investment that we just made is actually into a second time founder. We would to him once he had soapbox, ended up selling it to JJ, Great fun fund returner for our fun, too. He actually started another company called Aperio, which is all about sitting at home, kind of health diagnosis inside your home. Super streamlined, beautiful application. We're so excited he's about to launch pretty soon. So that's the one that I got in that health tech space a little bit earlier than our typical revenue numbers.

Speaker2: [00:20:26.92] But we had known Travis for a while, decided to back again. And then another one that we came across is a company called Solice, and they do a wonderful job. It's direct to consumer cremation. So they recognize that this is if you look at the cremation services industry, it's really kind of an old school way of thinking, lacks technology, lacks beautiful interface, lacks really that true human touch. So they decided to do it, launch the ability for consumers in that tough moment to just organize very quickly and thoughtfully the ability for someone to come and take care of their loved ones, do a service and a very beautiful, thoughtful way and just. Take care of everything, it makes it so easy, which is what you need in that moment when you're one of the most difficult moments of your life, it's a Portland company, incredible revenue today, incredible growth in just over the past year. So that's one that we're really excited to, to lead. And we just made that investment. So, again, a little bit in the health, a little bit. And the care and tax base, you kind of get a little sample there.

Speaker1: [00:21:38.35] Great. So what are the challenges you find your startups face most of these days?

Speaker2: [00:21:43.91] I think, you know, we're mostly a generalist firm with some focus areas. But I think one of the challenges that we find is a lot of people are going to go back to kind of the hype of venture capital. I don't think necessarily realized when they get into the relationship with on the investor side, as well as the entrepreneurship side, just how much of a relationship it really is. And also, as an investor, the relationship you have with your peers and that it's for the long haul, it's not just the one or two year period that you're in this relationship. It's really for the long haul. And I think the biggest challenge is to make sure that you're always, at the end of the day, investing in the best people you can find and really staying disciplined about that. And then also the good businesses and then also being thoughtful about where you decide to raise money from or take money from on the entrepreneurship side. So and also on the U.S.

side with L.P, like making sure that we're really thoughtful about those people who are coming into our fund and going to be part of the journey with us. So I would say that it's not a challenge as much as it's just the thoughtfulness. I think another challenge right now is that, you know, there is a lot of capital in the market and so valuations are climbing up from the investor perspective.

Speaker2: [00:23:03.47] And I think it just takes some discipline and to not kind of get carried away by that and make sure you stick to your thesis like we Rock has done a very good job through all of our funds and sticking to our thesis, which sometimes mean that you say no to something that looks good and everybody else is doing, and you get a little bit of that foamer, but you just have to say no stay status plan and focus on where you're good at and where you have confidence, not necessarily get carried away. I would also advice to entrepreneurs like it's so easy to go on Twitter, see who's been doing what. It's just it's always a reminder that this business is not just deals and companies. It's humans, it's people. And so as much as you see all the glamour and glitter of other companies doing well or investors doing well, at the end of the day, everybody has their ups and downs. It's very challenging in all ways and it's really exciting. But just find and surround yourself with people that can support you in those down times, those times that are really, really frickin tough, because that's what's most important to know that everybody has them. It's just not necessarily what's talked about. And so always find find your tribe of people that really help you through those tough moments.

Speaker1: [00:24:21.92] So what are the challenges the investor faces today?

Speaker2: [00:24:24.62] Oh, yeah, sorry. I like I mentioned before, on the investor side, you know, I again, I think it's that discipline. I think it's about sticking to your thesis, sticking to what you've modeled out. Of course, there's always you know, of course, there's always the one or two times that you let yourself if you feel every instinct in your life and this is the best thing coming, I've got to take a chance, go for it. But I think the hardest thing is to stay disciplined and not get carried away and not just do what everybody else is doing and also just be a really dedicated partner. So when you make that commitment to a company, if you're a fund that does lean in and it's not necessarily a lot of investments, it's a few investments, very focused. If you make that commitment to an entrepreneur to really follow through and everything that you can, I think I see a little bit too much of where people don't necessarily do that follow through.

And I think that's so important because at the end of the day, we're in the business of people, not just businesses, but great people build businesses. So the investor really has to stay disciplined, focused on great people, and the entrepreneur has to pick great partners. Easier said than done.

Speaker1: [00:25:29.66] So you talked about several applications in sectors earlier in the interview. If you had to pick one or two that you think are really good, immediate opportunities for investors to pursue, what do you put at the top of the list?

Speaker2: [00:25:40.68] Oh, man, I don't know that I would have any one industry or space at the top of the list. I think in general trends that we see. So you'll find various companies within these general trends. I think one area or more on the consumer side is that people again feel more connected but disconnected than ever, especially in this past year. So that's where you're going to see the rise of different types of technology, different ways in which people are trying to bring people together, whether. It's focused in micro communities and growing micro communities, whether it's things like audio to really connect people instead of visual, as I think we're going to see some different technologies connecting people like that. I also think that we're really seeing a much stronger evolution when it comes to the application of AI and machine learning, which I'm excited about. I think that kind of the first ride of it was a little elementary and now we're getting into a way which much stronger adoption and much smarter and how it's being used and applied. I also believe that when it comes to overall health, education, some areas that, you know, some people view as fundamental rights, we're really having conversations about access and what access means, both an individual and a business level in all aspects along the supply chain of what enables access. So I believe that that's going to become and continue has become and will continue to be a strong focal point for people when it comes to building technology that allows access and connectivity. So, again, very much general themes and there's a lot of different ways to slice and dice it across industries or applications.

Speaker1: [00:27:29.99] Right. When the last is that we have here, what else should we cover that we haven't?

Speaker2: [00:27:33.95] You know, I would say the only thing that I would add that we have not covered is that, you know, whether you're an entrepreneur and you're starting out, do you think venture capital is the way to go? I would just say, you know, be willing to to risk everything for your business. And if you're an investor, you're willing to risk everything to make all of your investments work. I remind people that this is one of the riskiest areas. It's also the most exciting and most rewarding. And ultimately, if you love what you do, whether it's because you're building a business or you love what you do because you're an investor, you're not just in it to make money, you have to really be in it because you believe in it. I think that you have to always encourage your own personal life, your own personal purpose, and that's what drives so much of the positive results and outcomes that come with it.

Speaker1: [00:28:24.11] All right. Well, how best for listeners to get back in touch with you?

Speaker2: [00:28:28.16] Well, you can go to our website. And on there we have info at VPE dot com or info women, dot com men in the just goes, we're a small team, so it just goes directly to one of us. We do try to get back to people as soon as we can. I've even posted on Twitter before I I'm running a little bit behind and getting back to people. Sometimes things are a bit easier than not, but yeah, that's always a great way. I'm also on LinkedIn, so people are welcome to again, reach out to me on LinkedIn. We are full supporters of the cold outreach because we think you can find great companies no matter where you are.

Speaker1: [00:29:05.33] Right. We include those in the show notes. Want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker2: [00:29:10.70] Sounds good. Thank you so much.

Speaker1: [00:29:13.04] Investor Cadec 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 523 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.