

## Jim Stallings of PS27 Ventures

**Speaker1:** [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. 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 big and put your email into the pop up box. Hello. This is Hall Martin with the very connect. Today we're here with Jim Stallings, CEO of P.S. Twenty Seven Ventures based in Jacksonville, Florida. Twenty Seven Ventures is a veteran owned venture capital firm that invests in early stage companies that are driving dramatic changes in high growth markets. Their investments focused on health tech, e-commerce, fintech sass and sustainability companies. Jim, thank you for joining us.

**Speaker2:** [00:01:03] Oh, thank you so much for having me. I really appreciate the opportunity.

**Speaker1:** [00:01:06] All right. So tell us more about your background. What did you do before you started investing in early stage companies?

**Speaker2:** [00:01:12] Well, you know, I spent some time in the Marines and and after that, it's my entire career was with technology companies. I was in Silicon Valley in Santa Clara. I was with a company called Roehm Corp. A lot of listeners may not remember this, but there was a company called Roehm Corporation that invented voice mail. And and, you know, we wouldn't have what we have we know as voicemail mail without them. They they were competitive to AT&T and they created this little box that would attach in people's offices and it would capture recordings and you could transform around and save them. And it was great. And they wouldn't obviously a lot of different directions. IBM bought that company and that's how I got into IBM. And I spent about 30 years doing all kinds of technical roles in IBM, the hardware side software. I helped launch the Linux business inside of IBM and it was a fantastic career, but I've always been fascinated with technology. I started shortly after I got in the Marines. I was a satellite engineer working for General Electric Company. So I've just been fascinated with making things go faster and better and cheaper ever since I can remember.

**Speaker1:** [00:02:20] Well, that's great. So what excites you right now?

**Speaker2:** [00:02:23] Well, you know, I think the pandemic sort of revealed to us a whole new wave of opportunities. And I'm excited about it. I'm not excited about a pandemic, but I'm excited about what it exposed. It created what I think is a new wave of innovation. So if you think about our life today, I think this will continue. You know, we we work remotely. We use Zoom or some other virtual forum almost as a second nature. Right now. We find it. It's way more efficient. So I think that'll continue. So we're trying to now figure out how to enhance experiences, given that we're going to be remote. I think we think contactless. So how do you do any interaction with the customer without having to touch and transfer any biometric material or contact? So it's just causing people to think about how do you build a restaurant, how do you build a retail store, how do you, you know, handle passengers in a vehicle? So I'm excited about these seams of opportunities that are coming about. One of them is voice. I think the way we think of facial recognition, we're going to be thinking about voice recognition. I think voice is going to unlock everything in our lives, is going to unlock our wallets, our credit cards, our doors, our cars. It'll also lock them up if we if we want. But why? Because it's contactless. It's got a unique ID for each one of us. But I think I think it's a big area. I think augmented reality is another one. People are not going to go to stores like we used to at some point. And when you're buying a house or building a room out in a house, I think you're going to be able to recreate that entire setup with all augmented reality. So things like that excite me. And again, most of this has been accelerated because our lives have changed. Our business process has changed because of the pandemic.

**Speaker1:** [00:04:19] Well, great. Well, you see lots of investors and startups out there. What's your advice for people investing in startups? What do you tell them to do before they write that first check?

**Speaker2:** [00:04:27] Yeah, that's a great question. You know, I tell them I do a lot of homework. I mean, there's a boom in investment and startups right now. We all see it. There's more pipeline and deal flow coming our way than ever. But the basics still apply. You still need to get to know the founder. I know sometimes you're limited to not being in the same room, but you got to spend hours and hours getting to understand who that leader is, what the team is, what's

their background, what have they built before? What's a success rate? What's their purpose for even doing this? What do they want to take it? So we got to spend time to do that. The other is what could this possibly be, even when it's at its best? And sometimes it's not enough, it's a nice lifestyle business is a successful invention, but it's not big enough for an investor because investors think I want multiples of my investment five times, six times, three times, and to get to get beyond the initial valuation. These companies have to get really large. So you got to go do the homework. You got to do the homework on the technology. And I advise investors, go get a kadry of very smart people that you talk to on a regular basis that can help you look at some of these ideas, in some cases, products that are changing the world and you can't do it alone. I mean, there's a you can't use your gut or a hunch or, you know, a recommendation from your rich uncle. These things these things take a lot of time and a lot of help and a lot of money. And you've got to go wallow in it for hours and sometimes days, months before before you go write a check. So just just do your homework. Don't be in a rush

**Speaker1:** [00:06:20] Right now 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 funding?

**Speaker2:** [00:06:27] Yeah, yeah. I tell them all, go build something. A lot of teams show up and they build nothing. They have an idea. They're nice people. They're energetic, they're passionate. They've got, you know, great smiles on. Zoomer then built anything and they want a lot of money for an idea. And ideas are worth nothing. I mean, they're there because they're just that their concepts. So I encourage them, go use your own money, friends and family, money, maybe some outside investment. I don't know, but as minimal as possible and go build something piece of software, get it to work for someone, drop it into a problem, set in a use case and prove that use case and then use that as a way to merchandise the value of the company or to set a value for the company. So I know a lot of a lot of startups say, well, yeah, but I need a lot of money, but you can go build something. You can build a concept, a proof of concept or an MVP, what have you want to call it. But you got to get something coded, built a framework ready to now take a transaction from in the end and prove it. Or if it's going to disrupt an entire industry, you've got to disrupt a small segment of it first. So don't shoot for the moon. You know, our motto at twenty seven is think big but start small. And if you can prove it on the smallest level. Investors can see it, they like to touch, feel able to analyze at some output and and I think that's what a lot of startup leaders miss, is they want to shoot for the moon on a

first rocket. And, you know, the first three or four rockets might blow up on the launch pad. That doesn't mean it's a bad idea, just means three or four rockets blew up on a launch pad. So, you know, I live near Cape Canaveral, so I see that occasionally.

**Speaker1:** [00:08:33] That's good advice. So let's talk about the state of startup investing. How do you see the industry evolving from here?

**Speaker2:** [00:08:39] Yeah, one of the things that we see is there more angel investors and venture capital investors than ever. I mean, you know, you see the inflows of capital. The numbers are extraordinary. I mean, it's 150 billion dollars last year. It'll be it'll be bigger than that this year. And the number of entrepreneurs, it's more than ever. So one of the things I see that's happening and it's a good thing is we're finding a lot of people that have been successful. Business owners are now becoming investors. People are retiring at an earlier ages because their net worth is at a place where they feel like they are turning into investors, but they're not quite educated on the game. So there there are resources accelerators, incubators, there's mentoring program. It's a proliferation of that. And I think that's that's a change for the good. I think the other big thing that's happening is, you know, a lot of startups are realizing it's not about the money. It's about money, but what's going to make me successful isn't just capital, I've got to have a set of mentors, not one. I've got to have a set of mentors, people that understand sales, marketing, building out large technical infrastructures offshore. People got experience in international situations. People understand tax laws. You've got an e-commerce company and you're collecting taxes all across somebody else's platform.

**Speaker2:** [00:10:11] In another market, you've got to have someone that understands that so that you don't end up getting trapped with very high cost of of goods. So you've got to surround yourself from the beginning with the kadry of talent. And it's not just your employees and your team. I'm talking about people who have been down the road before and big companies have been successful. You've got to reach out and get them. And some of them are new angel investors. So I encourage angel investors. Get on the boards of these companies, become an adviser, but stay involved, don't write a check and run to the golf course. And I advise startups, recruit a team, people that have some risk, some skin in the game. They've written a check. But also people are going to put in a lot of time, people you can talk to right after you screwed up something. And they're not going to be, you know, mad because they've lost money. They're

going to be the ones that are going to help guide you back to the beach. And, you know, there's this old saying, you know, it takes a village, it takes a village, sometimes a whole city to build one of these one of these startups. So start early, be humble and be open to advice.

**Speaker1:** [00:11:29] That's great advice. And so what's the biggest change you think we'll see in the next five years and start up investing?

**Speaker2:** [00:11:35] Well, I think crowd is going to be a big accelerant. Just think about what's happened to investing in the retail markets. A lot of platforms are. Now, you've heard of Robin Hood and a lot of others. It's allowing the new millennial generation, you know, earlier than some of us started doing retail investing. So so a younger generation, in some cases, a much larger pool of investors are now coming in and want to invest. They understand entrepreneurship. They understand social media. They understand they get information from from social media solutions around the around the Internet. So that's what's informs them. That's what also guides them. They follow for good or bad celebrity investors. And I think that's the new big change. So we've thought of traditional venture capital. I think social media is going to disrupt traditional venture capital and you're going to find crowd information and crowd investing through social media is going to drive a whole new in some cases, it could be more investors than typically invest on the traditional VC side.

**Speaker1:** [00:12:49] Well, great. Let's talk about your investment thesis. What exactly do you look for in a startup before your investor support them

**Speaker2:** [00:12:56] Was a couple of things. We look for founders that have done it before, you know, and by the way, they don't have to be successful, but this shouldn't be the first time they've ever tried to build something. So, you know, if they've got some success, that's fantastic. If they tried and failed in some cases, that's even better. So we want people that have learned from the experience, because when you when you go the second, third or fourth time, you know a lot. So we look for that. The other thing we look for in the product is, is it a product looking for a platform or is it a platform looking for products? And we like we like both. In most cases. Most of the things we see, though, are products or features that will snap into a large platform. And our investment thesis is, is this viable for that platform? Can we get it to where it's attractive to that platform and then vice versa if it's a platform that's now going to have a lot

of customers and a lot of products. So what are the next ten products? So we tend to, you know, bifurcate on one of those. In many cases, the startup founder believes that this product is going to turn into a company. And the way the Internet drives it probably is not I mean, they do occasionally, and those are big, big outcomes that you read about. But for the most part, they snap into a platform somewhere. And by the way, they get great value for that because they can innovate faster typically than the platform themselves. I mean, you look at a lot of the acquisitions Facebook has made. It's a platform and it's an acquisitive company is buying in capability. And someone else came up with the idea or, you know, built it much faster than they could. They could pay attention to it. So we look for

**Speaker1:** [00:14:50] We look for those. Can you mention one or two startups that fit that program?

**Speaker2:** [00:14:54] Yeah, we've got a company called Hazelnut that, you know, I started out basically being a rating agency for restaurants and they learn a lot about how restaurants operate. And they became a solutions provider for a lot of the operational side of a restaurant. The pandemic comes along and all restaurants, many restaurants realize I'm going to be out of business if I don't have takeout. You know, if I can't if you can't order either the iPhone or an app and they just exploded with all the all of the services around take out and grew, they probably grew 400 percent during that period of time. So it put them on a whole nother level. They're now offering a whole nother set of features. This is a case where it's a platform. So a restaurant now looks to them as my platform of services for my restaurant. And they're now doing some really unique things with that's going to help the restaurant. Do you think ask a restaurant. What's my biggest challenge? A lot of times it's its staff. So a lot of what they do is automation of a lot of the human element in a restaurant and they just continue to grow and fascinate me.

**Speaker1:** [00:16:04] Great. So what are the challenges you find your startups face the most these days?

**Speaker2:** [00:16:10] Well, as you know, unfortunately, they're growing so fast. The biggest challenge we talked about this in our meeting on Tuesday. They can't find people. They can't they can't find enough talent to to be salespeople, to be customer service people. I mean,

they're experiencing the same thing that they're mid-sized companies are experiencing and they want to grow fast. And a lot of what they do requires people at this stage because they're doubling every year and some cases are doubling every six months. That's that's the number one challenge. It's not capital. It's not invention. Honestly, it's people I hate to say it, but it's the market is tight right now. People are opting out of the market. They're choosing to take a year off, travel, you know, stay away because they, you know, can't because of the pandemic. And they honestly, you know, every one of our companies are challenged by this.

**Speaker1:** [00:17:09] So what's the biggest challenge to find investors face today?

**Speaker2:** [00:17:12] Well, I think and I was on an investor call earlier today, the biggest issue they have is they see five of the same thing. Sometimes, you know, it's it's very similar, but it's the same thing. It's a it's a feature or an app or solution that does sort of the same thing. And the issue is which one? And, you know, my philosophy is invest in several of them. Right now, but but bet on the one where the founder, if you're going to do one, if the capital constrained bet on the founder, the leader. Their track record makes it that's the tiebreaker.

**Speaker1:** [00:17:52] Great. Well, you see a lot of different applications and sectors out there. If you had to pick one or two that you think a really good immediate opportunities to pursue, what would you put at the top of the list?

**Speaker2:** [00:18:04] Yeah, I'm not sure they're all excite me. But, you know, green technology is probably the new the new big area. It's undervalued right now. It's understated. And I think this this isn't about growing trees on the mall. This is really about every business in America. Becoming carbon net zero. And how do they do that? And many cases they don't know how they've got people scattered all over the country. They've got 20, 30 locations, and they are making a commitment to their shareholders. They're going to be carbon neutral in some period of time. Which means they've got to generate an enormous amount of new energy and get to zero in some cases, some companies declaring. You know, there are net generator there going to be, you know, negative and put energy back into the grid. I think it's a big area. Small businesses are going to look to this as well. So micro grids and, you know, micro capabilities, I think batteries we're going to find batteries are not just cars. Batteries are going to run buildings and homes and that technology is just advancing. So I think green tech and sustainability, you

know, on farms, you know, we're talking to a company that that can image plants and crops and get down to the ounce of water that's required. I mean, it's really managing, you know, resources, so I think greentech is a big, understated new frontier.

**Speaker1:** [00:19:38] That's great. So in the last few months that we have here, what else should we cover that we have it?

**Speaker2:** [00:19:42] Well, I don't know. I just I'm excited about this stage. You know, I'm so excited. We're actually launching a new fund. We'll hear more about it in the next few weeks. We've already got investments lined up and for the new fund. And it's in all these areas I've been I've been talking about. So I'm really pleased to be in this business and working with founders and and helping them realize their their life's dream. It's it's a lot of fun. I work with a lot of young people, so it keeps me young.

**Speaker1:** [00:20:13] Well, that's great. So how best for listeners to get back in touch with you?

**Speaker2:** [00:20:16] Well, the best way is just go to our website, Pitts'. Twenty seven ventures, dotcom. We've got a little info portal there. We look at it every day, all day. There's somebody monitoring it and just shoot us your idea or, you know, if you got a question, shoot it to us. And if you just want to get involved, just let us know that portal.

**Speaker1:** [00:20:34] That's great. I want to thank you for joining us today and hope to have you back for a follow up soon.

**Speaker2:** [00:20:39] Ok, thanks a.

**Speaker3:** [00:20:43] Investor Connect 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.

