

Kim Banham of Connetic 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 in short, concise format delivered to your inbox every day Monday through Friday, the time it takes to drink an espresso and learn about startup funding. To subscribe, go to invest. Connect again through email to the paperbarks.

Speaker2: [00:00:43] Well, this is Hall Martin of Investor Connect. Today, we're here with Kim Benim, principal of Kinetic Ventures Connect Ventures, as an early stage VC that uses proprietary data machine learning to remove bias, increase efficiency and create transparency. Thank you for joining us.

Speaker3: [00:00:58] Happy to be here and discuss some things in detail today, Hall on the podcast.

Speaker2: [00:01:05] So tell us more about your background. What did you do before you started investing in early stage companies?

Speaker3: [00:01:10] Actually, my background is a bit different. I feel like everyone in the venture capital space ends up here in different avenues. Some have financial backgrounds or may have been a founder of a company that raised capital that went on to exit and maybe started their own fund. Prior to Kinetic, I was doing sales and working for Delta Airlines, but spent eight years living in Europe, mostly Eastern European countries. So I was in Croatia, Slovenia, Switzerland and Hungary. And when I moved back to the States, I reached out to the founder of Kinetic, which is Brads up, and he was my financial adviser prior to that. Somehow I knew him and started a kinetic, knew very little about the venture space and started in a role where I was just responsible for relationships with our portfolio companies and investors and quickly learned a lot about the space read and did a lot of research. And when we went on to raise the second fund, I quickly learned over about a year and a half and I was offered the

position as a principal at kinetics. So taking some of my international experience of living abroad and noticing how we can hopefully bridge the barrier to investments here in the US as well as the European market joined the team. And I'm responsible for the Midwest and Southeast states in the United States as well as the European market.

Speaker2: [00:02:55] So what excites you right now?

Speaker3: [00:02:57] Obviously, I think everything seems to be very hot right now. Our focus is especially female and minority founders, but through our process, it kinetic, which I'm sure I'll probably get into a little bit more. As you said, it's a machine learning based platform. And what is interesting about our platform is it eliminates any bias that exists in investing, especially at the early stage. So when a company applies for funding with Kinetic, we don't know if you're male or female, African-American, Asian, 20 years old or 70 years old. And we take a very data driven approach. And through taking this data driven approach with companies that are fit for what we're looking for. Fifty four percent of our portfolio companies are actually female and minority founders. We're not setting out to particularly invest in more females or minorities. This is strictly through a data driven approach. So our process gives everyone an equal opportunity. We're asking every founder the same set of questions and based on the machine in the eye, it helps us to determine which company would be the best fit for us currently foreign investment. Some companies may be too early. Some companies may have raised a large amount of capital or may be further along for where we like to come in. But this just allows myself as an investor to spend more time with companies that we're most likely to write a check to and given the way things are. We're interested in all industries with the exception of pharmaceuticals, and that's just given the time that it takes in the money and being an early stage. But really like the fintech space right now, I think there's a lot going on in that space that we. Like to focus on fintech software, KPG products, so very open to investment, so most important probably is the team, the founder of the company. And if we believe, I believe that this is something that can be a very disruptive company in the sector industry that needs some disruption.

Speaker2: [00:05:27] Great. So you see a lot of start ups and you see a lot of investors out there. What's your advice for people investing in startups? What do you tell them to do before they write that first?

Speaker3: [00:05:36] I think it's really important to understand that founder who they are. One of the parts of our assessment is we do a personality assessment on the founder just to see how us this founder, wired not their background as far as where they went to school, where they've worked prior, if they've been and other startups. But really understanding, can they move at the speed? We all know that running and being the CEO of a startup company, you have to be able to wear every hat from sales, marketing, finance, leadership. And it's a very challenging role to take on as a CEO of a company. So I think it's really important to understand if you believe that founder has the stamina to take that company to the place that he or she envisions the company in the future. And another thing that I feel is very important before somebody writes a check is the investors that are already involved to understand and make sure that you are aligned in what you want as an investor in the future of the company. For example, being a VC firm, we are in this for the long haul. We want these companies to grow to at least a five X we expect on an investment, whereas some angel investors, they would be they may be happy with two X on their investment. And there's just a difference when we have a company that would exit quickly for a small return. As a VC firm, you have to return that capital to your investors and we can't reinvest that. So we think that it's important that as investors that you're aligned with what you both want and or multiple investors for the future outcome of a company that you're going to be giving capital to.

Speaker2: [00:07:36] Great. 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 funding?

Speaker3: [00:07:43] I think one of the most valuable things every startup should do is have a very strong board of directors and board of advisors, as I said earlier, is a founder. You have to wear so many hats and you need people with experience and expertise that have gone through this before or have experience in different fields that are going to benefit you as a founder. So I think it's really important. Before you go to raise any capital, to surround yourself with a board that is going to help you throughout this whole journey as an entrepreneur.

Speaker2: [00:08:23] Right. So let's talk about the state of startup investing. How do you see the industry evolving from here perspective?

Speaker3: [00:08:30] It was obviously interesting to see how the pandemic affected different companies in different ways and from genetics thesis when using the machine and approach. It was very different to some companies and startups. Prior to covid, they were used to the traditional way of pitching investors and having the data driven machine learning approach. Once covid hit, these companies weren't able to get in front of investors to pitch. So we had a record number of companies applying for funding with Kinetic and throughout the pandemic we have been investing this entire time. We didn't slow down. We actually had to speed up during this process. So with our platform in the machine learning, we are able to have companies as we're doing this podcast right now that can apply for funding without having to set time for me to have a one hour meeting while they pitch. And it gives everyone an equal playing field. Regardless of where your location is, you don't have to worry about the time change. And I think the future, you'll see more investors probably using a little more data driven approach, because if you look at the industry, we're all investing in groundbreaking and different ideas that we believe are extremely disruptive. But the venture capitalists, for the most part, it's been the same process someone a group of companies are pitching you and you're deciding which pitch you like the best. But that doesn't necessarily correlate to how well a founder can run the startup and how successful he or she can be. So I think you'll see a little more data driven approach, hopefully in the future. And I think there's a. So a lot of capital that is out there because several when the pandemic hit, investors sort of put the brakes on and now it seems like they they need to deploy the capital to move forward. So I think it's a great time if you're a startup or a company that's looking for funding to have access to capital throughout the US and all different markets.

Speaker2: [00:10:53] So in the next 12 months, what do you think is the biggest change we're going to see in the market?

Speaker3: [00:10:58] You don't you can never predict the public markets, but obviously the private market, with the public markets being at all time highs, this is a diversification to everyone's portfolio. And I think it's a great way for the private markets to really scale and see more capital being deployed. And hopefully it continues to grow and you see more innovation. We always want to see our companies throughout the United States growing, creating jobs. It's really important. And I think now's the time with with the capital that's available to multiple investors out there to be funding companies with new ideas and hopefully making an impact on

the way we do business through software or whether it's clean energy. Every sector and industry, you want to see more capital going to these founders that are passionate and want to make a difference.

Speaker2: [00:12:06] Great. Well, let's talk about your investment thesis. You brought it up earlier, being data driven, et cetera. So tell us more about that and how that works, maybe from a more investment thesis point of view. Are there certain sectors you're actually looking for or do you look just broadly across all sectors with that tool?

Speaker3: [00:12:24] So we look broadly across all sectors with our tool, our tool, our application tools that we use. Our machine is called Windle. And when a company goes through the window platform, as I said, we are using the backend to analyze what companies are most suited for an investment from Kinetic. Our process is always the same. Our initial check is one hundred thousand. So we are coming in at the pre preceding seed stage companies and then we follow on with up to five hundred thousand in future funding rounds. So it is the same process. We are going to make the investments from our current fund and not all companies will receive the follow on. This is once they're in our portfolio, we may have several companies that are raising funding rounds and we have to deploy a certain amount of capital throughout each year of the fund. So some companies that are in our portfolio, we may pass on their next funding round, but the following funding round, we may do the five hundred thousand dollar check. So the whole reason and the thesis of our of kinetic ventures is to get into these companies early, get these founders the capital they need, especially at early stage founders. Sometimes it's very difficult to find funding. And one of the things that I'm most proud of is a female investor is, as I said earlier, over half of our portfolio companies are female and minority founders. And I think it's just important to give access to capital and get in, give these companies the money they need to get into the market to show how scalable they are and to really ramp up and be able to bring on the team that they feel is going to take this company to the next level.

Speaker3: [00:14:28] And one of the things that is very important to us is the team, as I said. So we are one of our tools that we use when we do the personality assessment, obviously, of the CEO. But it's really important to have a diversified team and by that I mean different personality types. So if you have four technical people on a team, which we see a lot in venture capital, you're building technology platforms and these technical people, they gravitate towards each

other. They like to build things. They like to be innovative and create ground groundbreaking technology. But what we've come across is when you have a team with several technical people, there's technical people don't want to go in front of a client sell. They don't want to do the follow through. They don't they want to continue to build out the best technology platform. So what we we. It's really important to make sure that every team has a distinct leader on the team, someone that would be the technical person that's handling all the building and the infrastructure and the coding and the background of this platform. You also need client facing individuals, someone that can sell the product and also an organizational member, someone that can follow through, complete all the tasks and all of us have a different personality type. And when you put these individuals in a role that suits our natural personality, you're going to be more fulfilled at your job.

Speaker3: [00:16:06] So if you are not a technical person and you're asked to build on the tech platform or do something that is very technical, you would feel drained at the end of your workday versus technical people. When they build something and add on a new feature, they leave the office feeling energized. So if you're putting employees in roles and there's not a right or wrong, it's finding the right fit for your employees and in early stage companies. This is extremely important because if you're hiring someone for sales and they are actually an organizational person that wants to be following through with processes and not in front making cold calls, going to see clients, they're not going to be as effective as someone that is naturally more client facing. So this is something that I think is very important when we're looking to invest and just to see with the data driven approach that we take. We had a particular company in our portfolio. They had four people on their sales team. And we they used our team tool, which is the personality assessment. And we said you need to bring a person that is a client facing individual and they hired someone that fit in that the personality types this one individual did four times the amount of sales is all four of the other sales people on the team. And it's and as I said, it's finding the right hire that fits the right role. And that's something that I think is very important for founders and investors was great.

Speaker2: [00:17:54] So you see a lot of startups and investors out there. What do you think is the main challenge startups face today in launching their business?

Speaker3: [00:18:01] Obviously, there's a lot of challenges with starting any business, and I think for anyone that's looking to start their business, it's about speed and you have to realize when you're going to market, it may be a completely different market fit than what you were thinking once you're there. And the quicker you can make these changes and realize this isn't working, but this path will lead to more success. I feel that will alleviate some of the challenges that these investors face and be open to advice from people that have been there. And that's where I said the advisory board or board of directors really comes into play, because what we may envision or founders may envision in their head where the company's going, it may not end up at that exact spot where you think it's going to be and to be able to pivot, whether it's your business strategy or plan to what is what the clients need. At the end of the day, it's all about your customer and growing your revenue for your company. And as I talked about team, it's important if you have a team member that is not the right fit. It's crucial to be able to be a leader and either move this person into a role that's more suited or let them go and hire somebody, someone that can actually perform and move the company forward. So I believe it's all about speed. And that's what every founder it's a race who the other people have the same idea. If you think you're the only founder that has this idea, this is a very large world we live in. So it's important to be the quickest to market, the quickest to close deals. And speed is the number one determining factor, I feel like, for founders.

Speaker2: [00:20:02] Then what do you think is the main challenge investors face today? For example, yourself, what do you think is the biggest challenge you have in doing your job?

Speaker3: [00:20:11] There's several challenges is I say there's a bias there. You have certain founders that you connect to and you like their product or whatever they are bringing into market. And you have this connection. But you have to also look at the bigger picture, the competition out there, how fast this can how fast you actually believe this company can scale the team that they have on board and how coachable they are. So I think, you know, to put everything aside, you have a lot of investment opportunities that come across your desk and it's a difficult one. And I always have investors say, what's the secret to passing our windel application? And there's a secret. It's it's a data driven approach. If Connecticut had just made three fintech investments, we are going to pass on a fintech investment, even if it's the greatest company, an idea that we've ever seen because we have to diversify our portfolio for our investors. So we have a very diverse portfolio across the board in all industries.

Speaker2: [00:21:21] Great. Well, you see a lot of different applications in sectors with your data driven approach. If you had to pick one or two that you think are really good immediate opportunities to pursue by investors, what do you put at the top of the list?

Speaker3: [00:21:34] When you're looking like I said, it's obviously the terms were very firm, based in Kentucky, middle of America, we avoid investments in Silicon Valley, obviously, because there's a lot of access to capital. So we clearly want reasonable terms with something that is. Appealing to an investor, so that's not anything groundbreaking, but part of the process of what we do is we wanted to give access to capital, to these underserved markets. So if a company has the right team in place and the terms are great, it's let's invest in this company after due diligence and see where they can go. And we invest from companies that are revenue to in market. But most importantly, I think, is the team that they have around them and how well we believe that they can scale.

Speaker2: [00:22:35] Right in the last year that we have here, what else should we cover that we haven't?

Speaker3: [00:22:39] Well, obviously they have talked about a lot about our process. I know you can connect with me through via email, which is Tammet Connecticut ventures. But most importantly, I hope that any companies that are looking for funding that are on listening to this podcast, you can go to our company website, which is Connecticut Ventures, and apply for funding, or you can go directly to Windle W, E and D a L dot IoE. And you can apply for funding because we are always looking for great founders, great companies that are located throughout the United States, Canada and the European market. So we hope to hopefully get some of you that are listening through our system and making investments right.

Speaker2: [00:23:33] We'll put those contact details in the show notes. Want to thank you for joining us today. OK, have you back for a follow up soon.

Speaker3: [00:23:39] Yes, this is great. And please, all you entrepreneurs keep innovating. That's what we need in our country to move forward and continue making this country a better place

and more innovative and hopefully lots of success from entrepreneurs that are out there with great ideas that we're always looking to fund.

Speaker1: [00:24:04] Investor Cadec 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 Martin is the director of Investor Connect, which is a five one C three nonprofit dedicated to the education of investors for early stage funding. All opinions expressed by host and podcast guests or solely their own opinions 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.