

Krishna Srinivasan of LiveOak Venture Partners

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 to start funding espresso as 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 and to learn about startup funding, to subscribe to a dog and put your email into the Pop-Up Box.

Speaker2: [00:00:44] Hello, this is Hall Martin with Investor Connect, they were here with Krishna Srinivasan, founding partner at Live Oak Venture Partners. Live Oak Venture Partners is a venture capital fund based in Austin, Texas. With 20 years of successful venture investing in Texas, the founders of Live Oak have helped create nearly two billion dollars of enterprise value. Krishna, thank you for joining us. All right, so what was your background before you started investing in early stage companies?

Speaker3: [00:01:09] Well, I've been doing this a long time. It's been 20 years and counting of me investing in early stage. I had a lot more hair on this getting so, so well before this. I went to graduate school at UTI in the school and went to work at Motorola in the 90s and then for small business school and then joined the venture capital industry fresh out of business school. So this is what I've been doing for a long time.

Speaker2: [00:01:42] That's great. So what excites you right now?

Speaker3: [00:01:45] There are so many amazing areas to invest in to back up our strategies to back entrepreneurs who are on a mission to build World-Class companies that come out of Texas, and that's my focus, has been on investing in Texas this whole twenty one years. So what excites me right now is absolutely seeing Austin and Texas in real critical mass, critical mass of talent, critical mass of incredible companies giving back critical mass of large companies out of more talent can come out and success stories, critical mass of capital available at an early stage and certainly at a later stage. So it's an incredibly exciting, fruitful, productive time to be doing what we do, which is to build back early stage companies and work with them to get them to be

world class leaders in five to seven years. It's just never been better with respect to quality entrepreneurs, quality of companies. Given this market, that's great.

Speaker2: [00:03:05] There's certainly a lot to be excited about now for sure. So you see a lot of startups and you see a lot of investors. What's your advice for people investing in startups? What do you tell them to do before they write that first check?

Speaker3: [00:03:17] You know, I think we are as a firm and me person as an investor, I massively over the index of the person. And so that's what I tell people to do, is people so easily say it's all about people, people, people. But then they go back companies just because they get excited about an idea, they get excited about the market and not sufficiently diligent of the person who is driving it. Maybe it is semi investor hubris that I'm a smart investor. I can fix all these problems, or they believe that the industry so well that they can overlook the entrepreneur or they have somebody in mind who they can bring it to be a CEO here, etc.. You know, our humbling experience would say that it's really important to back that I people people who have who are ambitious, who've got a great insight on the problem of solving and most importantly, can be really collaborative with us. And together we can work with them on helping and be a partner with them in building great companies. So it really over some people, but not simply around back a super, super successful entrepreneur or the next time around you had a lot of success backing first time entrepreneurs. But what are the commonalities? These first time entrepreneurs end up being around those elements of tremendous collaboration they bring to the table. They've got unbridled ambition, energy to really disrupt and challenge status quo and build a big company. And they bring a special insight to the problem. And the combination of that package, well, has led to some amazing success stories.

Speaker2: [00:05:11] Great. And then 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 first round of capital?

Speaker3: [00:05:19] Can I really ask people to think deeper about when they tell the story, what their life's journey gets them to, that idea, gets them to the inside is a really important one that I really focus on. Again, there might be a first time entrepreneur, but they're onto a certain problem for some reason. And they must have come across a problem as a as a customer or as

they might have been in the industry before. They must have experienced that pain point for them to back that life and solving the problem. So I really ask people to channel their journey to the point, to ask themselves what does that lifestyle, what does their personal journey that's got to be the problem and the great profit that is with the person's personal journey that would get them in tackling. And I think it's a phenomenal demonstration that a case in point, one of the most exciting stories says at least one company, which we are honored to have been part of the whole journey, just a public exchange going to see us. Desco ticker symbol law. We backed this company as a first time entrepreneur in December of 2013 called email that came to us by the founder. Here was a young lawyer who was working on a software for four law firms and corporations, but that was the output of his own personal needs. He had experienced as a part of practicing the business as a litigator and hired a couple of smart computer scientists to go build a product for its meetings needs.

Speaker3: [00:07:00] So he had an incredible amount of insight into the pain point for it. What does someone like him require to solve their problems and just whose domain knowledge and insight as a part of this journey? So he could talk. It could be super articulate. You could talk with conviction as to what was the tipping point here and that he was looking to solve. And then, of course, we could work with him through the whole journey, even, as I said, supremely collaborative. He was obviously very gritty, lots and lots of challenge along the way, managed to persevere of that along the way. And, you know, and went on to list the company on NYC two and a half billion dollar enterprise value business. And of course, there was no denying the fact that there is some good luck and serendipity along the way. You have to get there. But I think you go leverage your personal strengths, personal journeys, be it for the long haul, be gravity for the long haul, find good partners, advisors with whom you can have honest, intellectual, collaborative discussions. You have to build a business. And as they say, fortune favors the brave and they'll you'll catch a few breaks and of course, some bad breaks along the way as an exciting business gets built, which will hopefully deliver both the business success and financial success to everybody involved.

Speaker2: [00:08:49] Great. So let's talk about the state of startup investing. How do you see the industry evolving from here? Where do you see it going?

Speaker3: [00:08:57] You know, that is immense. What's different today? Twenty one yards, just how there is, of course, immense amount of capital available pretty much across all stages of investing across all stages, some stage to stage stage growth stage that has so much capital available, which is good news, bad news. The good news, of course, is that four companies can really invest well on product and sales and marketing and look to really be ambitious and great companies. Of course, bad news is some companies tend to get funded. And as a result, the things that all funded, they lack the the good of the discipline, perhaps to be more systematic, methodical about about being disciplined, about where to make investments in the sun, in different cities, the business. And so it's definitely an exciting time to be an entrepreneur in venture capital. And startups have never been loved as much as today by CapitalSource on a global basis. There is technology that permeates and spreads across every single industry. Software and tech is relevant in boring industries to cutting edge industries. It's absolutely a great time to be a tech entrepreneur who is looking to disrupt everything from tech industries to mainstream industries, all of which can be massively transformed by oil. So it's definitely a great time to do this and to be an entrepreneur. And we are seeing incredible amount of company success, wealth creation, all under way as a result of these trends.

Speaker2: [00:10:55] Great. So let's talk about your investment thesis. What exactly is your investment thesis and what is your criteria for investing in startups?

Speaker3: [00:11:04] Four dimensions to it is we are forced to use the money, which means seed and seeds. A point of entry to companies, no to all companies. You back have founders or based in Texas, at least the principle founders based in Texas, which means there could be a critical mass of activity here in Texas. And that's because we like to work closely with our companies. We like to be helpful in company building. We like to bring leverage to the company and help it actually grow faster. Our networks are second to none here in this market. And so we can do a better job of company building here than anyplace else in the world. As a result, we are very disciplined about investing in companies only in companies that are based out of Texas. Number three, we are active investors. We look, we always take board seats and pretty much in all companies we play the role of a lead investor from the whole lifecycle of a business. In fact, even post an IPO at disco. And I became chairman of the board as a part of going public so we can to be a lead investor, early director, well past IPO, stage of a business life cycle and overall model models to be a full lifecycle investor. The first check to somewhere between one and a

half to four million dollars. And first check. We invest across the lifecycle the business through the subsequent rounds of investment financing as well, Fred. So those are the four elements of a investing model.

Speaker2: [00:12:47] We very talked about disco Deskovic, can you talk about one or two other portfolio companies?

Speaker3: [00:12:53] A lot of companies that fit the profile homeward is a great example. Maybe back to a single entrepreneur who is, again, wickedly smart about real estate and the future of real estate and how better financial products can significantly make the home by experience much more frictionless because it's a kind of an intersection of both fintech and protect. That business must be back then, about three months ago, it's exploded in growth. We just raised the company just raised a hundred and thirty seven billion dollars equity down at almost approaching a billion dollars, both money valuation and led by investment. Blackstone, each one with the same model. We've helped the first time entrepreneur helped him build company, build team, build organizational design and all of that for the sake of the business. Audience laughs The one again, repeat this time, as I repeat, our previously founder of Yotel. Then subsequent to that he started develop the first investors in the company and played a pretty active collaborative role with John Berkowitz and David Rubin through the life cycle business. And it's onto some doing some amazing things as we speak.

Speaker2: [00:14:21] Great. Well, you see a lot of startups and investors out there. What do you see as the main challenge your startups face when they raise the funding and go forward with the company? What are they mostly struggle with?

Speaker3: [00:14:33] You know, it's it's stage, it's very specific, the stage and companies to get started. We think about are you establishing good product market fit, which means are your customers are you able to find customers for this product? Customers are really getting value for their are they getting the are they renewing their licenses and are charging here? All would symbolize having a good product market fit, finding the right segments and and building products to meet the needs of the segments. The next phase is to pass product market fit phase. Then the next time you're trying to figure out is what is the go to market model? Are you trying to do a product like broad kind of a model? What what makes sense here? Are you a big,

big ticket enterprise sales? Are you trying to build an inside outside sales model view? What is your total market look like and how do you acquire customers, maybe your customers from are you you have an SDR team to call? Are you doing marketing to get them? So you've got to go to market challenges and once you go up next and the next step is you've got to scale it all, including the next generation part of it. And that's how the the goalpost keeps evolving the as the business scales and grows and develops. So that is not one big challenge for the two companies to solve. It's an evolving one as you scale and mature the business. And it's all about entrepreneurs and their investors, board members together helping think through what truly is the space, the businesses that are investing in the right kind of resources that are appropriate for the stage sitting of the right kind of goal. Post milestones for the business at that stage, of course, before capital runs out. And that's very much of the art of the game.

Speaker2: [00:16:35] And given the current frothy times, what do you think is the challenge the investor faces in today's property market?

Speaker3: [00:16:42] That used to be a lot more fiction for late stage capital these days with as much capital chasing companies, etc., you know, these things have definitely taken off. Companies get very heavily funded before they've really, really established product market first. And suddenly companies are investing in sales and marketing a lot more aggressively. Well, before that, faith has been established and results in bad business practices, results in unprofitable business practices and those kinds of habits. That said, it's done and there's more capital than that gets thrown in because there revenue growth and that is even more bad practices get cemented and the cycle goes on. While capital is absolutely the lifeblood of the business, to be able to hire, to build, to sell more. And it can also result in some level of bad practices unless one is careful and deliberate about making the right investments that sequence these businesses

Speaker2: [00:17:52] Great, where you see a lot of different applications in sectors out there. 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 today?

Speaker3: [00:18:03] It's hard for me to say how I am not a proponent of the magic bullet that we're creating segments out there, that there are thousands of stars that are billions of

opportunities, that a large number of interesting segments, a large number of opportunities in what seemingly looks like neighborhood or something looked like great companies, neighborhoods, just plenty of options out there. And so it's not I'm not going to be out there preaching. That's a great segment to be nice. Again, we many people believe in good entrepreneurs come to us with great insights into exciting niches, exciting opportunities, exciting ways to disrupt the status quo and equity markets. And we are there to help them make that happen. But I think definitely an area of strength for Texas very much is looking at a tremendous number of traditional industries in this in this in the state and many of the industries we can cross pollinated with technology talent. It's leading to some very exciting companies, for example, that you have tech in real estate and finance this fintech that can ensure that you're back at all exciting. A lot of tech that's available quicker than a lot of amazing businesses and these traditional industries that people with real domain real insights come out of these companies. They paired up with the technologists and that's leading to some exciting new company formation, the creation that's happening. And that's what's creating a lot of scale out there. So I'm not here to be one particular segment, but this cross product intersection of these different technology mix made it with one of these strategic industries, leads to some really exciting opportunities all over the place.

Speaker2: [00:20:13] Absolutely. Well, in the last minute that we have here, what else should we cover that we haven't?

Speaker3: [00:20:18] No, I think that's you covered it all at an exciting time, and for it to be an entrepreneur, to be an investor and but people should make sure the capital and opportunities are processed carefully, viciously to and and hopefully people always look to build long term sustainable businesses as opposed to building businesses that are for the short term and use the plentiful capital available to build the building blocks, to put up the set of the building blocks for the long term exciting businesses.

Speaker2: [00:20:56] Right. So how best for listeners to get back in touch with you?

Speaker3: [00:21:00] We are very much an open door. You know, ideas too early. You can reach any of us at liveblog, at first name at liveblog Betacam. So, for example, for me it's cushiony. You

can also to ask the firm that way and obviously open to early exciting companies, especially in Texas.

Speaker2: [00:21:25] Right. We'll put those in the show notes. Want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker3: [00:21:32] Thanks for joining us on this.

Speaker1: [00:21:39] Investor panic 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 Alti Martin is the director of investor Canek, which is a 5.1 C3 nonprofit dedicated to the education of investors for early stage funding. All the 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.