Neetu Puranikmath

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall T. 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. Hope you enjoy this episode. Need help in finding investors for your startup fund range of group think capital provides funding as a service, helping you find investors contacting capital gain access to investors for angel and venture capital funds, family office rounds and syndication raises. To learn more, go to Tin Capital Group. Hello, this is Hall T. Martin with investor conect. They were here with Neetu Puranikmath investor at Chisos. Chisos provides alternative financing for founders at the earliest stages in those massive funding gap by connecting underserved founders to capital sources. Neetu thank you for joining us.

Speaker2: [00:01:00] Thanks so much. It's a pleasure to be on this podcast.

Speaker1: [00:01:03] Great. So tell us more about your background. What were you doing before you started investing in early stage companies?

Speaker2: [00:01:09] Yeah, so before I started investing in early stage companies, I worked as an operator. I was part of the YouTube operations team, Google operations, as well as Facebook media operations team. Then I went abroad to England to complete my MBA, did an MBA in corporate finance at Oxford. And there I got really interested in emerging technologies specifically and block chain research. And this was in 2017. 2018, I did a really cool research project on how I was disrupting the fintech industry and influencing algorithmic trading. And that led to my continued interest in fintech post graduation. I interned at a few like VC funds, was exploring the accelerator space. But my research led to me being chief of staff for a fintech startup that used to have an American office, had a London office as well. They run their process of shutting down the U.S. offices, moving everything to Europe. And they needed someone to kind of come in cross-functional work on various projects and help them through, you know, the Post series, a scale up period where they were having a few growing pains.

Speaker1: [00:02:19] Great. So what excites you right now?

Speaker2: [00:02:22] I think, you know, continuing off the research I did during my MBA and my past experiences, I continue to be interested in emerging tech trends, especially fintech innovation, in machine learning, how to intersect there as well. I've always also been interested in the real estate sector. I wrote a paper about how block chain was at the time and thought I would have a huge impact in real estate time. It's not been the case, but you know, who knows? Maybe my thesis will end up being correct in five or 10 years. And I think more recently and specific to venture capital, I've been really interested in alternative investment asset classes. And I think, you know, with COVID 19 and with a lot of Americans being remote workers, everyone's kind of having a bit of spare time looking for ways to diversify their portfolio. And I've really seen an uptick in alternative investment assets. You know, friends who don't know anything about venture startups are interested in an office and are buying adoptee's. And I think that this proliferation within the market is leading to a whole new class of potential software platforms as well that will help with these investments and the distribution of these asset classes, as well as diversification within the venture industry as a whole. And, you know, the diversification of the venture industry, I would say that's kind of what she says also comes into play. So she says invests in founders at the earliest stage, you know, often through revenue, often even protraction, pre MVP. So it's often the first check in for these first time founders and functions as an alternative to a friends and family round. And I think, you know, a platform like Cheesus is relatively new. And there weren't really these sorts of platforms are these options that existed for entrepreneurs four or five years ago. And I think part of this is just the trend of, you know, venture changing.

Speaker1: [00:04:14] Great, so you see a lot of startups and a lot of investors in what you do. What's your advice for people investing in startups? What do you tell them to do before they write that check?

Speaker2: [00:04:22] So I'm good. I'll speak to early stage startups because that's where I have the most experience in. And I think one thing to remember about early stage startups is you're investing in the team, you're investing in the co-founders. And this is something that my operator experience and my experience. The founder also points to this. You know, there will be many pivots and iterations of products. Products can shift and change and, you know, can even be tweaked. And the focus of a company can grow and evolve. Look at Google now and look at what product Google came out with, for example. But I think what's really important, especially for smaller, smaller teams, is to make sure that all the founders are aligned on their vision, that there is as little co founder friction as possible, and that there is trust within the founding team. Co-Founder breakups can be really, really harmful. And there are really strong risks. So I think, you know, one thing I do is to evaluate how long founders know each other. Who the early employees are, what sort of experience they have. And if they have experience building and developing, even first time founders can have experience building or iterating in a particular space. And what we're really looking for is that founder market fit, that strong competitive edge that shows this team is a winning team. And here are two or three reasons why there are better than most of their peers for this particular project and this particular market.

Speaker1: [00:05:48] Then on the other side, that table. What's your advice for people running startups where you tell them to do before they go out to raise that first round of funding?

Speaker2: [00:05:57] So fundraising is, you know, it's a marathon, not a sprint is one thing I would say. I would also say that if you think you need a you know, you need a runway of six months, make sure you fundraised for 12 months. It's always good to have more rather than less. I mean, you can't predict certain market conditions, for example. Covid was really hard to predict and impacted a lot of small and medium businesses pretty, pretty negatively. And I think also there is a phenomenon which is the post seed or, you know, post precede funding gap and the death that occurs there for a lot of startups. So a lot of startups, you know, they get their first chop and then they're unable to kind of clear the hurdles that they need to reach series A.. So my thing would be, you know, don't be afraid to shift your pride, to shift your product focus if necessary. Do a lot of pilots do a lot of testing, testing? Iterate on your hypothesis. Have a team that you can trust and work with, especially your other co-founders. Try to make sure you're all aligned and that you're aligned on your goals and vision as well. If you don't have that much experience in a certain area, if there's two non-technical founders or if there's a non-technical founder. Make sure you surround yourself with people who have that expertise. Hire, you know, really experienced daps, have advisors that have experience in the sector.

Speaker1: [00:07:20] Right, so let's talk about the state of startup investing. How do you see the industry evolving from here?

Speaker2: [00:07:27] Yeah, so I think especially if you look at 10 years ago and now I think. The series evaluations from 2010 are kind of where the seed valuations are now. And the series, like be valuations, are kind of where the series evaluations are now. And that kind of goes to show that, again, we're seeing 25 mil, 30 mil valuations for seed companies. And I think, you know, I do think that this is a this is a bit of a bubble and that this overvaluation is a trend for better and for worse. I also think that the industry and venture is something that a lot of different people are trying to get into. And what I mean by that is we see that in the creator economy space and with a lot of consumer voices and consumer angel investors, especially in places like L.A., there's a lot of celebrities and a lot of ultra high net worth individuals who might be from the entertainment industry, the sports industry, etc., who are now seeing the value of venture as an asset class and returns. And, you know, either are looking into firms or are trying to like, you know, start funds, become angels and invest in the space.

Speaker2: [00:08:38] And I think we didn't really see that as much before. And I recently attended a really cool conference where there were a lot of former athletes that were looking to basically put a lot of their money into venture versus the stock market. So I think that's pretty interesting. And I think that's pretty cool. I also think that there's more emerging fund managers. There's a lot of micro funds and sub 20 million dollar funds as well. And I think there's greater interest in U.S. firms investing in emerging markets, whether that's Latin America, Africa, especially for fintech. That's something that I notice. You know, in my past semester, like I sourced a lot to the African fintech deals. I was working on a lot of Latin American fintech deals. And I think now that risk can kind of be quantified in certain ways or the risk reward is seen as being, you know, the reward is worth it. American firms are looking to invest globally, more globally than they were before.

Speaker1: [00:09:37] Right. Well, let's talk about your investment thesis. What exactly is it and what's your criteria for investing in the startup?

Speaker2: [00:09:43] Yes, so I mean, I'll talk about like Cheetos and then I'll talk about mine as well. So to begin with, with Cheetos, I think she says in bass at the earliest stages, sector agnostic, often first in allowing to safely invest in impact. And I think something that's super cool about she says his model is that, you know, early stage startup founders don't have that much funding options. No bank will extend credit in these early stages. The majority of

Americans have less than 1000 dollars in savings and many are unable to self fund. Institutional investors, even at the precedent seed stage, want to see customer traction, a developed MVP and a realistic business model. And I think what CHEESUS really allows to happen is it provides a platform that connects capital sources of municipalities, universities, foundations to local founders. And the key differentiator is it has a proprietary sysop or convertible income share agreement. And the SISA is a hybrid financing vehicle. It essentially combines a personal income share agreement with the founder and a small percentage of equity in the business. She says this model gives, you know, the client the full control over the structure of the unique investment vehicle. And it provides flexibility and non dilutive terms to the founder and downside protection for the investor. So ultimately, what this all means is this model enables us to invest in startups that are too early for other investors or startups that don't fit the hypergrowth model required by most VCs.

Speaker2: [00:11:23] In addition to most to more familiar startup models. And I think it's really interesting, especially with my background in institutional investing, because, you know, when I was working at Institutional VC Fund, we cared a lot more about like IRR, like month over month growth. And there was like very strict metrics that you have to like hit even if you're looking at the preceding seed stage, because otherwise it was too risky to make these bets. Right. And I think with Chesses model, you know, early stage ventures are seen as high risk and high reward, but we're still able to safely invest in them. So that's something that's a little bit different. But she sells and kind of about them. And I think for me personally, as an angel investor or just as an investor, like separate, you know, pretending that say I had a 100 million dollar fund or something like that, I think my investment thesis would probably be centered around fintech and SAS, General Soss and fintech, because that's where I have the most experience in and the most knowledge, both in operations as a founder and as an investor, probably to start off with 80-20 split, 80 percent focus, or maybe I should say like 80 percent focus on the U.S.

Speaker2: [00:12:33] and 20 percent split. Canada and other emerging markets. And I think my investment thesis is to kind of find those underserved, gritty founders in areas like I mentioned, like Kansas, North Carolina, the South, the Midwest. And to really find these hidden gems, you know, for a couple of the deals I've sourced from these regions. I was helping them fill out their cap table and sharing with my institutional venture friends. And they weren't that interested. They were like, oh, well, you know, this company is in. It's small state, you know, I'm like, how are they going to be able to find tech talent? And I think, again, with the pandemic and with a lot of the tech and developer jobs going remote, that's no longer really a concern. Even if a founding team is based in Kentucky or, you know, Montana or wherever, they don't need to have a dev team that is from that region. Right. Like, you know, that can be based wherever else and can be working for them. So, yeah, I'd say my investment focus is helping these underserved founders and founders from these emerging markets within the domestic us, connecting them to capital sources, helping them up still and helping them plug in the gaps that they might have in their network to help them get the series out.

Speaker1: [00:13:49] Great. Well, you see a lot of startups and investors out there. What do you think is the main challenge started space today when they launch their business?

Speaker2: [00:13:57] I think differentiation, I think a lot of sectors are supersaturated. And I think that there's a lot of different startups trying to do the same thing, like there's a joke that if you go to a bar in San Francisco and, you know, like you toss a coin, you will hit someone who has either a founder or who is an investor. And I think like, you know. There's a lot of founders that don't get the initial capital they need to grow. Some founders are blessed enough that they can have friends and family around or that they have a really strong alumni network from where they went to university. Other founders, such as the founders and I think she and I really like to target might not have the benefits of, you know, that strong network of like, you know, a Berkely or, you know, a Vanderbilt or like an East Coast school. And, you know, getting them to be able to find that initial capital can be more difficult because it's kind of like which comes first, the chicken or the egg like attraction and the pilots and the amra or like the capital that allows a founder to develop the MVP so he can have a he or she can have a pilot. Right. So I think I think that's a major issue people face. And I think the second issue that I've noticed is, again, with companies that are overvalued or the valuations are too high when they're raising their next round, like you have a seed company who has a 25, 30 mill valuation, and now they're raising their age, the A venture capital funds want to see a really high Amran IRR because their seed valuation was so high. And oftentimes the founder can't really make that with the runway that he that he or she has left. And I think in that situation, that's when you see seed two rounds or like breg rounds or things like that, or, you know, sometimes companies not making it to the end because they're not able to clear those hurdles.

Speaker1: [00:15:50] Right. And then on the other side of that table, what do you think is the main challenger investors face in today's market?

Speaker2: [00:15:57] So I think, you know, especially with the context of emerging fund managers and smaller funds, I think there's a lot of new VCs out there. And I think branding and differentiation. Right. Like, why is this smaller VC fund or mid-sized VC fund different from all the other ones are out there? And how can this particular VC provide value? A lot of people say, you know, like we have really great networks, you know, we have past experiences that, you know, provide that we're an expert in this particular niche sector or across sectors. And that's all well and good. But there's. I don't know, like 50, 60, like a ton of people who say the same thing in the valley. So I think having an investment thesis that is unique is critical and key, and also being able to show that you can provide value to founders and being very founder friendly. And I think, you know, my past experience as a founder as well as like, you know, the CHEESUS team is all like ex operators who have also have experience, like, you know, being in the founders space. And I think that makes us very founder friendly as well, because we understand the struggle. You know, we've been as an operator working in a startup context, and we know how to provide value immediately when we're working with founders. And I think that's important for investors to do.

Speaker1: [00:17:16] Right. Well, you talked about a lot of different sectors and applications and see a lot of them out there in the marketplace. If you had to pick one or two that you think are really good opportunities for investors to pursue. What do you put at the top of the list today?

Speaker2: [00:17:29] Yeah, so I think I think I would say I would say if you're if you're able to go out to emerging market fintech, either domestically or internationally, I would say fintech is a sector that is always, always doing always doing relatively well and always has a consumer base of some sort. You know, B2B, fintech, especially, you know, banks, other sectors will always need innovation. And that's something that is continuing to grow. Hasn't really seen too much of a downturn in the U.K. I noticed a trend for Neal Banks, but it hasn't. When I was living there, but it hasn't really passed on for the US, so I would say. I would say I would say fintech in general, I would say finding fintech valuations that are below 10 mil. If you're able to at the seed and finding those earliest fintech deals, like when you're able to get in before Sequoia, before a top VC fund, when you're able to get in early for a valuation that's, you know, below five, six mil. I think that's when you can see the biggest upside. And the way to do that, I would say, is to like expand your network like a 10 attend panels, attend like event starter for a certain fintech sector that you care a lot about. For example, if you're interested in AML, anti money laundering, know your customer, attend those. If you're interested in B2B, fintech staff, there are events for that. But I think it's important to immerse yourself in the industry. No other investors and no other founders, but don't rely on VCs to pass on deal flow necessarily, because, you know, often those aren't the super early, very competitive deals. And I think like deals also get very competitive. The more funding they get and as they pass along the pipeline. So I think if you're trying to break into the space, become an angel investor, try to find those hidden bets in regions that people aren't focusing on and try to find a way you can add value.

Speaker1: [00:19:24] Great. Well, the last few minutes here, let's talk about alternative financing options in the early stage ecosystem. What do you see out there today?

Speaker2: [00:19:33] You know, there is a lot of next generation capital funding platforms. So Cheesus is a SISA convertible income share agreement, and based on platform, based on the whole icey model, which again, I'd like to touch on briefly, is are about investing in an individual's future success. Right. And AISES income share agreements have historically seen significant returns in the education sector. So we are using this instrument to risk early stage investing and get capital in the hands of very early stage entrepreneurs. So that's a key to investing platform. There's also investment platforms in general, like Angel List, Venture Micro Ventures, Altria. There's crowdfunding platforms. And you see that with Republik. We Pfunder start Amgen. Revenue based financing like Kuriko, formerly Cryobank now is about like two billion dollar valuation and has seen a lot of success with that pipe as well. And, you know, targeted like targeted debt portal options as well with like upstart in Zent. And I think, you know, looking at crowdfunding, I think crowdfunding is a way to kind of bring investing to the masses, especially with like Republic and WEAF under the stage in focus, I would say, is like revenue and product. So it's a bit further along than than Cheesus would be. And funding size is typically, you know, 250 K to one million. So it's a bit bigger as well. And the business model is percent of the raise. So I would say that's something that, you know, is pretty interesting. And if someone's looking to learn more about next generation capital funding platforms, alternative funding, you know, like vehicles, I would recommend like not only check out she sounds like, you know, she thought she saw stock owe, but also look at, you know, crowdfunding platforms and look at investment platforms like Angels, Montreaux and Altria as well. I think there's a lot to there's a lot that's changing, especially in the past, like you're into

Speaker1: [00:21:32] What's great when estimates that we have here. Well, should we cover that? We have.

Speaker2: [00:21:37] Yeah, I mean, I'm curious to know about like what sector you find most compelling, I guess, for 2022. Like if you were giving advice to me or, you know, other angels on the area to focus on

Speaker1: [00:21:51] My thesis is that everything is moving online. I mean, everything is moving online. And so you want to look at what's transitioning now into an online model in Lefty's or, you know, an institution of that where you're putting online a piece of art or music or something else. You're seeing a lot of interest in that coming up. And it's at the very beginning stages. But Shane, we looked at back in twenty seventeen, it was, you know, the world of ICOs and white papers and a lot of insanity going on with it as well. But today, here we are four years later, and it's you're seeing some substantial networks being stood up and meaningful applications coming through and new ecosystems around decentralized finance called DFI are coming into focus. And so we'll see a lot going on in that space as well. And then you're also looking at fintech. It's I think you're right. I think one of the hottest places out there now is alternative funding and financings in alternative fintech. And if you look at regulated industries like financial and health care there, because of regulatory and inertia and other reasons, they're the last to move to the next generation of technologies.

Speaker1: [00:22:59] And that that usually means there's going to be built up or pent up demand and there's going to be great opportunities to profit from the transition when it happens, as Ernest Hemingway says, it goes gradually and then suddenly. Well, so it will be the switch over to new things like crypto and in Lefty's and block chain and other applications out there. And we're seeing a lot of interest in demand coming in those areas. And I find this round relative to the last round with block chain of twenty seventeen. I found that many of my investors businesses didn't want to engage with it. The Senate noise ratio was just too, too out of whack. It was just too hard to find a good deal and all the all the insanity that was going on. But today, everybody's starting to engage with it. They're starting to be a part of it, and they're going to do something with it. So I think we'll see meaningful funding come in on this next round with the alternative financing, especially around the crypto side of it and the block chain side of it. So that's what I'm seeing out there.

Speaker2: [00:23:59] No, it's amazing. I really I really agree with you, I do think, you know, we're having a wave of everything moving online for both is of convenience is as well as, you know, the distributed workplace as well, and especially with remote work, like everything is possible to do from an Internet connection. So. Yeah, I completely agree with you. And I think that's a pretty cool thesis.

Speaker1: [00:24:21] Right. So how best for listeners to get back in touch with you?

Speaker2: [00:24:25] Yes, so I think if you're interested in contacting me, need at she says statiO is a great way to get in contact with me. I check my email all the time and yeah, like looking forward to hearing from hopefully some of you.

Speaker1: [00:24:42] Great. I want to thank you for joining us today. We'll put those in the show notes and I'll get you back for a follow up soon.

Speaker2: [00:24:48] Thanks so much.

Speaker1: [00:24:52] Investor Canek helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at Investor Canaccord. Malti Martin is the director of Investor Kinect, which is a 501 C three nonprofit 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 Kinect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.