Ryan Falvey of Financial Venture Studio

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. You're raising money for your startup, for your next fund raiser, ten capital syndicate platform nunnelly, plural, using a special purpose vehicle syndicate platform, allows for online investment access to over 12000 accredited investors. Log into the King Capital Syndicate platform to find your next investment. To learn more, go to 10 Capital Group SPV for.

Speaker2: [00:00:48] Hello, this is Hall Martin with Investor Connect today, we're here with Ryan Falvey, co-founder and managing partner at Financial Venture Studio Financial Venture Studio, invest in the best early stage fintech companies and provides the access and insight founders need to build transformational companies. Thank you for joining us. Thanks for having me. Great. Can you tell us more about your background in before you started investing in early stage companies? I have always worked in financial services and technology. I worked on emerging markets earlier in my career and did a lot on mobile banking and more payments platforms and a lot of developing markets. And then I worked in a commercial bank for a while and then had had a really interesting opportunity where I and got my start investing, working with a nonprofit that received a grant from JPMorgan Chase to invest in and support early stage fintech companies. And so that's kind of how I got my start in that portfolio did really well and took some little learnings. We had we had through that and started this company in early. Twenty, eighteen. Great, so what excites you right now, Bentek, broadly? It's a great part of the market to be in. I mean, we seen unfortunately, fortunately, with the last year and a half, I mean, this incredible acceleration of trends that we've been watching for the last decade around new consumer adoption of digital financial tools of new and innovative way is for people to manage their money to to spend their money to send it.

Speaker2: [00:02:17] And we're now seeing the fruition really at every stage of the market. So we see a lot of really interesting stuff in consumer. There's a lot of new tools for small businesses coming along, are increasingly excited about some stuff for larger enterprises with atypical Inventure. And then there's a lot of infrastructure that's being developed now and built,

which I think is going to really just lead to a compounding wave of more and more innovation in the space. All right.

Well, let's talk about the industry. How do you see it evolving from here? Well, I think we're going to continue to see growth. I know we got a number of companies in the in the public markets now that have recently come to market. We've got a bunch in the pipeline. I think that those are actually addressing one of the I believe it or not, one of the criticism the people had of fintech a year and a half ago was that there is no exits in the space, that there's no one in order to do acquisitions. I think we've we've answered that that criticism pretty, pretty strongly here and over the last year. And so we really see a real flood of capital accumulate across every stage from from where where we set the stage and almost getting increasingly more pronounced as the companies get closer to going public.

Speaker2: [00:03:31] So that's leading a lot of our founders to start new businesses. It's a great time for us to be an early stage seed investor because we're seeing more companies than ever. The companies tend to be more sophisticated. They're tackling more complex parts of the market. They're growing faster earlier. And so it's it's just a really exciting time to be to be looking for early stage innovation. Well, great. And so what do you think we're going to see in the way of consolidation here? Yeah, I don't see as as much of an abnormal amount of consolidation. Recently we saw this acquisition of of after pay by by square. That was a really big deal. I mean, I think that that's arguably probably the biggest deal we've seen in FinTech. But Square is now a huge company. And people also forget the back of that company, probably about four times as big as it was a year and a half ago. And so you look at the numbers there, it's a billion dollar company acquiring a 30 billion dollar company. That's not too abnormal. So I think we're potentially seeing more of that really late stage activity. We've seen a lot of early stage, a lot of early stage activity for the last year. We had more acquisitions in the first half of this year than we we had the previous two years within our own portfolio. That consolidation is not is often driven by a larger firm really trying to add more product functionality to it, what they're what they're building and working on it within our own portfolio.

Speaker2: [00:05:01] But the example is harvested recently acquired by ACORN, which is which is in the process of going public back. And ACORN's has a solution that helps consumers save and harvest, had a solution, help consumers avoid and fight bank fees. And so that's a natural fit

for that company as they go and try and diversify their revenue stream and find more points of engaging with their consumers. And so and I think, frankly, that's a very similar story to to squarest acquisition of after they a new way that consumers are using or financing purchases at the point of sale. And Square's obviously very invested in the point of sale. And so that makes a lot of sense if they want to be in the transaction and build more relationships with consumers. So I think that those those trends of looking build the the, quote, super app of fintech are going to continue to transpire. So do you think is the biggest change we'll see in this space and say the becoming twelve, twenty four months is a good question and try to pick on a single thing? I'd say that I just expect to get bigger and bigger. We're seeing no slowdown in growth in these companies. Eight years ago, I was at a dinner at industry dinner and people that will happen in 10 years and as they put it, to 16 maybe.

Speaker2: [00:06:20] And I said, I think one of the big banks or the big four, four or five banks is going to no longer fall out of that get replaced by fintech company. I think I was probably being too conservative. I could see that happening sometime next year. We think is the impact of DFI on this base and when will that happen? I think DFI still pretty early in its in its evolution. There's a lot of promise there. We're seeing certainly seeing a lot of energy, entrepreneurial energy and a lot of attention focused on it. One of the challenges that is still relatively limited in the number of users who are people who are using these products, the lottery literally uncertainty as well, which I think is certainly to us is kind of hampering adoption more broadly, is an area we look very closely at. And it's, frankly, an area I'd like us to be smarter in and to give to to really try and understand what the potential is there. But I do think we're still looking looking at potential for the most part. We're looking for businesses that right now that create kind of on ramps for five versus your traditional fiat currency and finding more elegant ways to integrate, integrate some of the functionality into traditional financial enterprise. And people understand intuitively, and that's why we're seeing progress there.

Speaker2: [00:07:37] But I think we saw a ways to go. Right. Let's talk about specs. Are any of your early investments going public? Do us back this. The two companies are currently in the process of going back. One was a company we invested in very early. It was a super seed investor called Dave. And it's a product that helps consumers overdraft fees. And this is really grown to create a whole broader product suite around it. The company has grown really a remarkable growth story since that first investment. And it was announced it was going public

back at the end of May, early June of this year, and very excited about about that. The company has not actually raised a ton of capital in its life cycle. And so this will be a real opportunity for it to see what it can do. And I am excited to see that, to see the company go public. And I think I think this is a really good pool for a lot of firms to go public. The other one is accord's, which we were fortunate enough to get a good scholarship in via the acquisition of one of our portfolio companies, and that, again, similar growth story products that helps consumers save and put aside money and they really try to help them build their financial health in that company announced shortly in the late spring that they're going public back to.

Speaker2: [00:08:57] So what was the general logic for day believe? They came out with a four billion dollar valuation. Well, I think that the logic would be and it's a fact of way to raise to raise money, I think for a company that when you're growing really fast, you do always want to look for more capital to help you fuel growth. And this is an effective way to do that. And then once the transaction is completed, you have stock and the ability to more easily tap tap capital markets if necessary, both to fuel growth for acquisitions, obviously create some liquidity for early investors. So I don't know if the logic of going public versus back or the traditional route is a lot different for a company. And I would just say as a disclaimer, I was not closely involved was a part of management discussions or the board discussions behind this back. So I don't have any special insight there, but we're not public insight. But I think this rule is opening the doors for four more companies to tap the public markets then that existed before. And so I do think it's a good thing for the innovation economy in our in our country, where you see a lot of startups and a lot of investors in this space. What do you find is the primary challenge that started space in today's fintech space? Well, then, if and when I think about the opportunity, what's really changed here over the last couple of years, over the last decade or so, is it is this now possible for somebody to to have an idea, new way of thinking about financial services and launch that and really see if the market market takes hold? No, that wasn't possible 20 years ago.

Speaker2: [00:10:33] You would have to get a bank charter and do pretty well connected a lot of money to do that. There's less than something that, like an entrepreneur, by any definition, would be able to pull off. I mean, if you think about the stereotype of bankers are the opposite of entrepreneurs and the way what's happened with the rise of the consumer Internet is it's really allowed a whole host of new innovation in the market. The reality, though, is that it's still as difficult to connect to that financial services because it is still a heavily regulated industry. It

still requires a great deal of sophistication and how you engage with regulators, policymakers, other potential partners. Typically you need to look at other companies have pulled the funds for you or help you move the funds and those take relationships and networks. And so what we try to do with our companies we invest in is help connect them to those networks and help them to be successful. And I think for the founders we work with, we're really trying to save them time and get them stage.

Speaker2: [00:11:31] They need more quickly. Great, then for the investors, what's the main challenge they face in today's market and today's market? It's it's just the pace of the activity. And we never seen anything like this. I mean, it's just it's an incredible year with a lot of companies out there. They're raising money more quickly and efficiently than ever before. We really need to be very involved in the market, closely connected to to be able to to see the deals when they're when they're coming and then they make decisions much more quickly than before. Great. What's your advice for people, say, investing in specs where you tell them to do before they pursue that? I'm not a public market investor would be able to get really good advice, advice on that. I mean, I I've I've never invested in a spec I feel like I probably would be generic, see who the sponsor is and the track record or something. But this is not a space that I focus on. Then on the other side of that. What do you tell your founders about using a spark for their business, which they do before they consider actually pulling the trigger on that? Well, the key question is whether it's companies real public, you know, kind of like having a baby once to do it, do it. And so you go public, you're a public company, and there's a lot more scrutiny. There's a lot more focus.

Speaker2: [00:12:55] And that's very important. And not every company company's the average Kabam working and working with. It's just been formed amenorrhea a couple of people. And so there's not that much changes in a couple of years. You, the company, be a lot bigger, but there's still a lot, you know, usually when these are working or so focused on just keeping going, growing and kind of keeping the wheels on the bus, then focusing on a lot of process reporting and compliance, those types of things. There's a lot of that associated being a public company. And so it does still take it still takes a lot of preparation for company to be ready to be a public company where they go back for the IPO route. And so I think it's a very small number of companies that makes sense to to go with any of those routes in the market so far. I will say it does seem that both the aspects and view the IPO market, we're seeing very, very sophisticated,

very well developed companies going public. These are these are not the low quality firms who just came out of nowhere. They're generally have significant revenues. They've got proven management teams. They've got business models that are working. And so I think I think it's a pretty healthy, healthy market for for the companies that are ready to to take that plunge. I'm good so that we have here.

Speaker2: [00:14:12] What else should we cover that we haven't? Well, I will say one of the things we're trying to do right now is look for our next wave of companies to invest in. So one of the things we do is after we invest in the companies, we work really closely with them to try to connect to that broader financial services ecosystem, regulators and policymakers, potential partners, investors, media, digital influencers and other founders. And so we do that through this. You really structure this investment program and to make sure we cast the widest possible open application process. And so right now we're looking for company. So if you have an early stage that the company or it does reach out, go to our website and find venture studio Dotcom or Google us and there's a link. And if you take your ten minutes is something we do about twice a year just to make sure that we're really having as inclusive a process as possible. So I'd encourage anybody who's building in the space or is focused on it to try to apply. Right. So how best for listeners to get back in touch with you? So again, you go the website or reach out to be on Twitter, Arien underscore Valby there and tend to be pretty responsive. Great. And thank you for taking time to join us today and came back for a follow up soon. Absolutely. Thanks for having me.

Speaker3: [00:15:27] 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. Paul Martin is the director of Investor Connect, which is a five Wannsee three non-profit dedicated to the education of investors for early stage funding, all opinions expressed by hall and podcast guests, or solely their own opinions that 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.