

Avetis Antaplyan of Hireclout

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. Interested in raising money for your startup? Where you been raised, consider TINC Capital Syndicate Platform, an online portal using a special purpose vehicle. The syndicate platform allows for online investment and access to over 12000 accredited investors. Log into the King Capital Syndicate platform to find your next investment. To learn more, go to TINC Capital DOT Group Slash SPV.

Speaker2: [00:00:44] Hello, this is Hall T. Martin with Investor Connect the debris here with a Avetis Antaplyan founder and CEO of Hireclout. Hireclout is a technology recruiting and consulting firm focused on building relationships that deliver results. Avetis, thank you for joining us.

Speaker3: [00:00:58] Thank you for having me here.

Speaker2: [00:01:00] So what was your background before investing in early stage companies? What did you do before this

Speaker3: [00:01:05] Whole before I did this, before being an entrepreneur. I was a senior director of operations at Kaplin. So I did the corporate route for many years, decided to to to do more, make a bigger impact. So I left that world and joined the crazy, entrepreneurial, chaotic, chaotic world.

Speaker2: [00:01:23] Well, great. So what excites you right now?

Speaker3: [00:01:26] What excites me? I like I like startups with a game plan and maturity. And companies who are making an actual impact on the world, less less fluffy nonsense, more real impactful products and services. So what I'm really excited about.

Speaker2: [00:01:43] Right. Well, you see a lot of startups and 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 check?

Speaker3: [00:01:52] Clearly due diligence, right, do your due diligence, although there are a lot of great startups out there, valuations and confidence is through the roof. And so I'm always wary of investing in such peak markets, although it's exciting. We all want to take part. Definitely be careful. Do your homework, do multiple calls. Most entrepreneurs that are confident in their business are more than willing to have multiple meetings and show you a little bit more about, you know, what's under the hood.

Speaker2: [00:02:20] Right, instead on the other side of that table. What's your advice for people running startups? What do you tell them to do before they go out to raise funding,

Speaker3: [00:02:27] Before they raise funding? I think one thing from previous conversations you and I have had, I think it's good for them to get a product out and actually sell the product. Folks like you and I typically we want to see as we want to see some revenue, even if it's 100000 or 200000, it shows that the product is sellable, that there's some interest, there's reorders. So that's extremely important. So I would say try to get a product out and actually make money before you go raising money, because you'll get real valuations and real investors who are going to be bought in long term who will double and triple down on their investments, you know. So I think that's huge. And more importantly, higher grade people. Right. Lead them in the right direction and focus on the most important things and stay focused.

Speaker2: [00:03:13] Great. Well, let's talk about the state of startup investing. How do you see the industry evolving from here?

Speaker3: [00:03:20] I see a lot of good automation, A.I., robotics and data companies, and I think that's that's where we're all headed, obviously. And so the industry's evolving towards investing in that that sector from what I'm seeing. And also, there's a lot of interest in health care. I think people, again, are tired of just dealing with the same old, same old want to make an impact even with their checks. And so I think companies that are doing something impactful for people's lives tend to have a better mission and more exciting longer term products, I think.

Speaker2: [00:03:57] Great. And so we think is the biggest change we'll see in, say, the next 12 to 24 months.

Speaker3: [00:04:03] Tech overall is evolving very quickly, as as always. But I think the key change over the last two years, it's become a global market where you can hire anyone anywhere in the world. You could start a company anywhere in the world and sell it to your desired market. And investors can also invest in anything, anywhere with some ZOOM costs. So before we were all regional focused, I invest in companies in the U.S., hopefully there in L.A. I want to be able to meet them, shake their hands. And and if you're in Europe, there's a lot of good startups that say in Armenia, and they typically would have to start selling to the to that market and then open it up to the Eastern European market and so on and so forth. Now, they're going straight to the U.S. or Europe, wherever their main market is. They don't have to sell locally.

Speaker2: [00:04:51] Right, so what is your investment thesis, what do you look for in a startup?

Speaker3: [00:04:56] Nothing so unique or so exciting. I mean, I look for companies that are that that, you know, that are in the right market and are poised to do something good and are aligned with the trends. Right. And not short term trends long term. You know, I look for companies that are long term and enduring that these guys are going to they're going to survive the next ups and downs. It's not going to be flavour of the month or something that could be deleted. And also, I kind of look for specific reasons why this company is worth their current price. That's another valuations are always wary, right, because they all put a 10, 20 million dollar price tag on something that has no revenue. So I look for all of those things. And more importantly, I just look at the person. You know, I look for great founders who are focused, take feedback well and are excited and and are bought in full, full time. This isn't something they're going to try. And then, you know, six months later, they're going to pivot to another another company. You know, I want them to stay stay on course.

Speaker2: [00:06:01] Very specific startups. What do you look for that fit your thesis then?

Speaker3: [00:06:08] Like I said, I like I like the robotics and A.I. space, right? I like companies that have a platform, that kid, to give birth to many products. I mean, it's got to be an amazing product if it's just one companies with a real mission. You know, all of that stuff.

Speaker2: [00:06:28] I got you. Ok, so, you know, you see a lot of startups and investors out there. What do you think is the main challenge startup space today that you work with?

Speaker3: [00:06:37] Hiring, I think hiring is is a hot mess right now, it's going to be very, very difficult to hire, especially if they raise enough money to hire a lot of people. They're going to have a tough time paying the kind of salaries that that people are expecting and the benefits they're expecting. And this, you know, the rescue packages they're expecting and the flexibility they're expecting. So I think hiring is a major issue. Even before you would just hire, you know, a small team or pass it off to a small team overseas. But those prices have tripled. So now, no matter what you're doing, you're going to you really there's a massive competition for talent. And so it's going to be challenging. Hire good people and keep them in their seats for a long time.

Speaker2: [00:07:19] Right. And then on the side of the investor, what's the challenge they face today?

Speaker3: [00:07:25] Valuations. Right. Again, there's it's funny. I've never talked to a startup that doesn't think they're worth at least 10 million dollars. And I think the minimum check sizes are a bit insane as well. Right. So a lot of us are more than willing to do 10, 20 thousand dollar investments just to spark. And it's a fun gamble, right? It's a little bit of investments, a little bit of a gamble. But I'm hearing 50 hundred thousand dollar check sizes, minimums, and then you really have to be prepared to double down on that. Right. And so you want to think, do I really want to invest a hundred thousand dollars in a startup who is probably poised to fail? Right. I don't know what the exact numbers are. Maybe you can tell us, but I'm guessing 95 percent of startups are failing or they just end up being lifestyle businesses that have very minimum exits.

Speaker2: [00:08:17] Yeah, I think that's it, my my assessment is, you know, the top 10 percent of startups, you know, go into a big exit next 15 percent go to something of an exit. The bottom seventy five percent have no exit and a big part of that of the lifestyle businesses. So only

twenty five percent are going to make it overall nest. Just a rough, rough, rough metric on all aspects of the startup world, including venture funds, angel funds, group funds, startups. So it stays remarkably consistent throughout for some reason.

Speaker3: [00:08:46] How did the 25 percent was? An interesting stat is that the overall 100 from 100 companies, only 25 will survive, period.

Speaker2: [00:08:56] No, they will have an exit in the sense that you'll get a return. So the idea is, based on a report a while back that says out of 100 investments of 60 percent of them will not have a follow on fund raise. They do a first raise, but they don't do a second one. So right there, 60 percent are off the venture track, so to speak. They're now going sideways like you're talking about, turning into a lifestyle business. And ultimately, only 16 percent will have a exit. Although I've found that investors do at twenty five percent will get some something back out of it through various redemption rides or what have you. They don't have a formal exit. You can get out of it. But so twenty five percent are giving you an exit, 75 percent or not. And same thing with venture capital funds. Top twenty five percent return something the bottom. Seventy five percent don't return anything to the investor, especially if you take out the fees and the carry and all the things that go with that great data.

Speaker3: [00:09:54] Thank you.

Speaker2: [00:09:55] Oh, sure. So you talked about the different applications that you think are hot these days. You had to pick one or two that are at the top of the list to invest in today. What would you put up there for?

Speaker3: [00:10:07] The scariest, but I think something that we should all expect is, is automation and A.I.. Right, replacing so much of work that humans are doing long term, 30, 40 years out, this could replace 80 percent of the work that humans are doing, which is obviously something we all worry about. But but I think for for now, I think it's replacing a lot of redundant things that we don't want to do. Some very, very passionate about that are like robotics, where it fills in a need for people in need. Right. So if it's if it's nursing or folks that that actually I met a startup company that they're they're robot actually, you know, would move things around for folks that are disabled. So some people can can take stuff out of a laundry, but

they can't carry it to the room so they can take it and give it to this robot and they walk it to their room, you know, things like that, or where in the nursing space, nurses, there's not enough nurses out there. So now there's a robot. Pretty cool. And that's that's that's talking to patients is making them smile, potentially checking their temperature, being there for them, especially kids. So anything in that world that's helping people, especially kids or people that is so disabled. I'm personally bought into great.

Speaker2: [00:11:25] Well, in the last few minutes that we have here, what else should we cover that we haven't?

Speaker3: [00:11:29] You tell me, I mean, I'm excited about the startup space, I'm hoping this continues. All right. We'll see what comes in the next couple of years. But overall, great market and a lot of exciting products and services, and it's no longer constrained to the U.S., right. We have startups all over the world that are exciting and we can invest in now.

Speaker2: [00:11:47] Well, that's brings up a good point. I'm getting increasingly a lot of calls from outside the US, Europe, Middle East, Africa, Asia, Oceania and so forth. What is what's your take on the internationalization aspect? You mentioned a moment ago we were probably no longer just going to focus on our local region. Zoom opens it up to anyone in the world. How do we handle internationalization where now we get calls? I was in a pitch session yesterday with Romania and how they had the deals look just like they were here. You know, they were absolutely retail deals with A.I. technology and they had nice back in and so forth. And we all voted on which ones we liked and so forth and is all in English because, you know, many of the people were from other other parts of the world, but they were in that accelerator for various reasons. And so then I was in a clubhouse room earlier this week with a group of investors, and I had the Houston Angel Network team on. And they were talking about the the need for how do we manage international startups, because angel groups who at least when we started, you know, Central Texas, Angel Network, Houston Angel Network, you had to have your headquarters in Texas. Oh, wow. That and then Baylor Angel and some of these others said, well, you don't have to be in Texas. You can be anywhere because they're there. Their group was everywhere across the world, mostly the U.S.. And so now so we're moving away from that. And so I guess we're trying to figure out how do you vet and manage deals that are now coming from Europe and Asia? And how do you deal with that?

Speaker3: [00:13:20] You know, six months ago, I would have told you I don't write. A year ago I would have told you I had no interest in it. But what I'm finding is that the pitch sessions happen. Sometimes the quality isn't great because half the people are there, half the people are on zoom. So I don't love that component of it. But then, you know, when you request the meeting directly with the founder, it's phenomenal. You could you could talk to them. Like you said, most people speak English now as a second language. I've been doing a lot of work with startups in Armenia. There's a big tech hub there. And everyone speaks English. Everyone understands business. There's really no difference. A lot of them are, you know, have connections to L.A. So they've flown here. I've met many of them in person. If I need to go there and fly, I'd be happy to fly. It's a great little place. So I think, you know, logistically, I would I would want to go through some kind of fund. Right. Just so I don't have to deal with paperwork. And most, by the way. Most of these companies are Delaware corporations anyway. So even though their headquarters might be in Europe, most of them are U.S. base, technically yours for U.S. space companies. So I don't see much of a difference, to be honest with you.

Speaker2: [00:14:27] I don't either. You know, from the legal requirements, I started coming across more solutions, mostly out of Europe, where they do a special purpose vehicle, but they can take any international entity and a Delaware city and they can combine that into one. And so I thought that was kind of interesting is that you can start to find special purpose vehicles that would cut across the different legal entities that are out there and start to be relevant to the U.S. because in the U.S., if you're not Delaware, see it. It's just very hard, because to be honest, most most people have their documents set up for Delaware. See, the case law is the best there and is they're not going to move off of that. So if I can invest in a Delaware, see, I'm going to be interested in that. But then if you can get other people to come in at the same time, but be in the special purpose vehicle with different entities and different structures, it seemed like there was some movement there to normalize that or combine those into an interesting way. So somebody international raising funding could get money from Europe and the US and other places without having to go file, you know, five different entities.

Speaker3: [00:15:37] Absolutely. And most of these startups anywhere in in these countries are mostly U.S. is their main market anyway. Right. So it's either either Western Europe that

thereafter or as the U.S. usually it's the U.S. So their products and services are designed mostly for U.S. need anyway.

Speaker2: [00:15:54] Well, a lot of them are coming to the US, and we've dealt with many from primarily the U.K. and Israel that we've done so far where they have a vision of starting a U.S. company and flipping it at some point to be U.S. centric because of the tax laws and other reasons, even though the R&D team will probably stay back in the home country for the duration because of social and economic reasons. And so so but upfront, you know, they're coming this way and they don't quite have a presence here. I did find somewhere a little bit challenged to participate in the activities, events and so forth if you weren't on the U.S. time zone. I've had many clubhouse meetings late in the day and asked us your central time. And, you know, in Israel, that's 2:00 in the morning. And so it was just a bit difficult for them to participate in some of those things. Once you got past the legal entities stuff that

Speaker3: [00:16:48] I had true, I found that some of those countries in Eastern Europe, at least culturally, they're used to being up at 12:00, 1:00 or 2:00 o'clock. So believe it or not, most of my Zoom calls are at my nine, 10, 10, 30. So they're talking to me at 10, 11, 12 o'clock at night, like it's nothing. You know, as long as you're comfortable being in their living room, doesn't matter anymore.

Speaker2: [00:17:08] Yeah, well, that's a good point. Well, we were having a follow up session here in a few weeks with the game to talk about internationalization, because the investors brought that up to me. How do we handle this? How do we engage with this? And I think people are looking for some assurance that what's on the other side is a trusted source if we're not going to be able to drive across town and meet them. What will what will take that place? What would you think that is?

Speaker3: [00:17:32] Oh, it's a great question. I would say further vetting. I think most of these folks first of all, if they're serious, they would come come to meet you here. Right. So if you have four or five, six investors ready to go with checks, I don't think it would be much for them to fly across to meet you in Houston or Austin or wherever you are. Second of all, obviously, if there's enough interest, you can fly or honestly, you just do more vetting. So there's a startup that I'm interested in. You know, one of my friends had a really good idea. Why don't you get out there?

One of their. What did you say? One of their resellers and see how passionate, you know, how passionate they are about the product and how are sales going? I thought that was really interesting, something I wouldn't think of usually meeting their co-founders, meeting advisors, people put all kinds of advisors on their their list, you know, and a lot of times it's just friends or buddies that are willing to be on the pitch deck. But if they're real advisors, I want to meet them. I want to, you know, or the investors prior to us.

Speaker3: [00:18:33] Right. Usually these companies have had some kind of investment, whether it's friends or family or an angel with a lot a lot of money. I'd like to talk to those folks and see if they would invest again. You know, are they doubling down? Why or why not? Sometimes they're not because they don't believe in the product or service. Sometimes it's because they're all in on round one and they don't want to do it. You don't want to go all in. So I would just say an extra an extra vetting step or two. Same goes for hiring. Right. It was always a phone interview and then an onsite and possibly a second on site. Well, on sites don't exist anymore. I don't do on sites anymore. And my clients don't do on sites anymore. So how would you hire? It's a risk. So you do enough ZOM calls and enough vetting that you actually could understand them culturally. I never thought this would be possible to actually know how someone is over a zoom call. You're definitely missing things. So you have to take some additional steps, a vetting. But other than that, I think it's very possible.

Speaker2: [00:19:33] Well, that's good advice. We're going to have some meetings here pretty soon, and I think angel groups are going to have to start taking a perspective that's more than just local in what they do, and it'll be interesting to see next steps that come from it. So appreciate you sharing that with us today. How best for listeners get back in touch with you?

Speaker3: [00:19:52] LinkedIn is great. A virus and Tomberlin. I'm probably the only one in the world, so you find me pretty easily. Or info at higher club dot com will find its way to me as well.

Speaker2: [00:20:02] Right. We'll put those in the show notes. Want to thank you for joining us today, and I hope to have you back for a

Speaker3: [00:20:06] Follow up so much. Appreciate it. This is wonderful. Great. Thanks.

Speaker1: [00:20:15] 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 Canaccord. Alti 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 host 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.