

Brad Aelicks of Pyfera Growth Capital Corp

Speaker1: [00:00:04] This is the Investor Connect podcast program. I'm Hall Martin, I'm 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. Need help in finding investors for your startup fund or Angel Group, 10 Capital provides funding as a service, helping you find credit investors contacting capital gain access to investors for angel and venture capital funds, family office rounds and syndication raises. To learn more, go to 10 Capital Group. Hello, this is Hall Martin with the Investor Connect. They were here with Brad Aelicks, president at Pyfera Growth Capital Corporation, Pyfera growth capital is an investment corp specializing in investing in private technology companies with the near term objective of accessing the public markets. Brad, thank you for joining us.

Speaker2: [00:01:02] Well, thanks for the invitation, Hal, I appreciate being here.

Speaker1: [00:01:05] Right, so what was your background before investing in early stage companies?

Speaker2: [00:01:10] Well, it's a bit of a varied background. I started out as a young geologist actually and graduate from Princeton University and spent the first number of years in the industry. Working in community had a fairly deep background in the sciences and management, which was an incredible eye opener for an education as sort of far in spectrum from a geological side of things landed me into the middle of the financial community. That was a twist that I didn't see if it gave me such opportunities to and raising capital for the various different ventures participated in the technology side of investing and corporate opportunity. And I spent a number of years founding a startup called Napier Environmental Technologies that was a world leading technology in chemical alternatives, mostly used in the chemical strippers and coatings industry, which was a great success. And because of that success, I was sort of bombarded with all kinds of different technologies that people came to me with to try to assist them in raising capital and launched me into an opportunity to really review a number of varying technologies across a wide industry range. So I eventually exited.

Speaker2: [00:02:47] Napier founded a merchant bank small merchant banking organization called BMD Capital Partners with a partner, Don Mosher. And we spent seven years together raising capital for various different public companies, everything from the junior mining industry to oil and gas to technologies. And I had some great successes there. We raised probably in excess of seven hundred million six hundred and fifty to seven hundred million dollars for our clients during those years and really developed a fantastic international network of investors and institutions that followed our deals. And then where I've landed now in the last stage year of my career is as founder of High Growth Capital, which is a very interesting new approach to investing in the capital markets. We tend to focus on early stage Series A or Series B companies with a slant to go public in the near term. And we try to put together a complete package for those companies to review their decks, upgrade their presentations, beef up their management if required, and assist in their their funding. Ultimately, with a goal to assisting them to go public. And that's been very, very interesting last five years.

Speaker1: [00:04:19] Right. So what excites you right now?

Speaker2: [00:04:22] I think, you know, the thing that really has me excited in the investing community right now. I just absolutely love researching and investing in the most exciting new and innovative technologies and what is has to be at the forefront. I think for anybody that is out there looking for the new waves of momentum is the wave that we see building in sustainable and impact investing now lately coined ESG investing and environmental social governance, all falling under these broad categories of investing in the new economy. All these things we see tied together, and that is what I believe is a massive new wave of opportunity that we're spending considerable amount of time on.

Speaker1: [00:05:13] Great, so you see a lot of startups and investors out there. What's your advice for people investing in startups? What do you tell them to do before they write that check?

Speaker2: [00:05:23] The first thing that I think people really need to do is to commit themselves to some diligence time. I know from the years that I've spent in the industry that a lot of people just really want to be told what to buy and when to buy it. And the reality is that there are so many tout sheets out there and things that are landing in your inbox that are

promoting the next greatest thing. And I just highly recommend people to find something that interests them. Be comfortable with your category and to spend some time understanding who are the leaders in the category. What is the the shift or change in in the marketplace that's going to create a new opportunity for this early stage investment that you may be looking at and then complete your due diligence on those companies of choice, looking for strong boards of directors, good management team and ensure that your your company is well capitalized because the best ideas out there really don't go very far without the use of capital.

Speaker1: [00:06:44] Great. And on the other side of that table, what's your advice for people running start ups? What do you tell them to do before they go out to raise funding?

Speaker2: [00:06:53] Well, Hall, we see a lot of them. When I founded by Farah in the first year, we looked at over three hundred and sixty companies. And believe me, we saw everything from soup to nuts and companies at all stages of preparedness. And I think the one piece of advice, you know, if I could share with companies ahead of time is. To make sure that you're properly prepared for the capital markets when you go out to look for money, and that preparedness includes ensuring that you have a properly structured board of directors. The stronger that you can make your team even it's just from an advisory perspective, is very, very beneficial. It's it adds weight to your credibility. Make sure that you have a good, solid deck that is concise with the opportunity that you're creating for investment capital to come in with a slant to describing your business and the overall target market that you're approaching. And ultimately, you know, I think the key thing for me in conveying a message to startups is that you really need to respect the capital. You know, people that are investing in startups have hundreds of opportunities to invest in all kinds of different things. But what's important is really being aligned with the company, and that alignment can only come with management that is understands and appreciate the value of other people's money that is coming to help them make their dreams come true. And so properly structuring your vehicle, having an appropriate valuation at the time that you're asking for money is, I think, a critical thing to the success of continuing to attract company or sorry capital to your company.

Speaker2: [00:09:07] And so let's talk about the state of investing. How do you see the industry evolving from here?

Well. If we go to spend some time on my favorite ESG and sustainable impact side of things and look at the industry from that perspective. It is just an absolute tidal wave of change that we're seeing in the last, let's say, two years. I found it by Farah five years ago and we started looking at impact and sustainable investing, and those were the buzzwords of the day. And nowadays everything is kind of lumped into this ESG category, environmental and social governance. And I think it's important for investors to really get a grasp on how important this thesis is. We're in an environment right now where the change to environmental investing is sweeping through not only the investment community, the institutional, the brokerage community and the retail investors are all starting to on board, you know, participation in these new opportunities. And the reason that it's, you know, really catching fire is because it the industry is also being pushed by the other side of things, by government mandated changes in legislation. And those changes are forcing the old guard industries like the oil industry, the coal industry. You can look in the chemical industry, the plastics packaging industry, clean water battery technology.

Speaker2: [00:11:06] This new economy investing is a sweeping change of opportunity from literally trillions of dollars of established old guard industries which are being mandated to change. And that change is can come from those old guard players. And many of them are doing what they can to shift modestly in their businesses. But there is complete disruption coming in some of these sectors. And, you know, just to pick one in particular, if you look at single use plastics, there is a phase out ban on single use plastics coming across the North America and Europe and all over the world and in North America alone. You're looking at a nine hundred and eighty billion a year industry just in single use plastics, which is on a phase out schedule. So if you look in some of these sectors, you know, whatever grabs the investors attention, whether it's identifying, you know, these massive markets in a switch out of plastics or packaging, or whether you're interested in new battery technology, the EV market for the electric vehicles, solar industry, you know, all of these things, these opportunities are disrupting the old guard. And, you know, we're literally talking about trillions of dollars of opportunity in. Some of these new companies that are coming with new technologies, and that's what I see as a massive evolution right now and what really has me excited about our investing thesis.

Speaker1: [00:13:01] Right. And so what do you think is the biggest change we'll see in the next, say, 12 to twenty four months around ESG?

Speaker2: [00:13:08] What's going to happen first? Well, you know, I think what's happening is the biggest change is that companies as classified as start ups, which is what we're supposed to be focusing on here today, you know, have really had a limited access to capital. Up until, you know, the last two years, really, you know, when I founded by Farah five years ago, we founded it on the basis that a lot of these new technology companies had access to only a friends and family around. And then beyond that, if they were successful, they were really coaxed into going public because there was no other interim capital available. And that was kind of a recipe for disaster because a bunch of these companies were encouraged to go public a little bit too early. And so their business plans were and operations were not at a stage to sustain their share prices and became a challenge in the marketplace. The biggest change that we see now is that there is capital available for these good ideas at all levels. And it ranges right from the seed level with new venture capital funds all the way through to your early stage cash flow and production opportunities. We're seeing institutions all over the place starting to spin off these ESG based funds, and we're not talking about small dollars here. These are two hundred million to two billion dollar funds that are now looking to find opportunities in the leaders of this new world economy. And that is really encouraging from a perspective of even the smallest investor, because it just gives you the comfort level that if the story that you've chosen to invest in is successful, the management is going to have a live audience to hear their story that's willing to invest in the next higher level and the next higher level. Whereas, you know, two to three years ago, there was a lot of really good stories out there, but there wasn't critical enough mass in the investment community to support a decent bid in the marketplace. So that's really the biggest change that I'm seeing.

Speaker1: [00:15:48] Right, so what's your criteria for investing in a startup? What exactly do you look for?

Speaker2: [00:15:54] I'm definitely looking for two things we need to see an opportunity for advancing the company's business model, whatever it happens to be, if it's a production of a gadget or if it's implementation of a technology, it needs to have some near-term commercialization. So that's very important to us. We have invested in the past in earlier stage things, but those earlier stage things just take a long time in your capital is tied up for too long in many instances, you know, sponsoring these things for five, six, seven years before they get around to cash flow is not a good use of my capital. So we're looking for near-term

commercialization. Seasoned management teams with that are really looking to disrupt established market places with new, advantageous technology or new things that are going to fit into some sectors that are being disrupted, possibly by government legislation. Or just a new movement into battery technologies and these type of things that are all catching big waves of momentum right now.

Speaker1: [00:17:20] Great, so what do you think is the main challenge that is facing today's marketplace?

Speaker2: [00:17:27] The challenge is standing out from the crowd. The more money that's available in the marketplace, the more companies that are coming to market and they're coming quickly. That's one of my challenges as an investor is to not just see a good story, but to try and understand who else is playing in that field. And I really think that companies with new ideas, one of the very first things that they need to do to protect their own capital, that they're putting into their company and driving down the road is to try and understand as much as they can. What else is going on within their industry, who are the players? What is there, the other players angles to market, who's being successful and who isn't being successful and try to create a unique positioning for yourself and your company on your way to success? Then what's the challenge that investors face in today's market? I think it's very similar. My biggest fear is not knowing what I don't know. I see so many stories. I see a lot of opportunities out there. And but the one challenge that I'm always faced with is I'm just an independent individual who's trying to learn, just like everybody else, is in the investment community on a lot of new technologies and where these opportunities fit in the marketplace.

Speaker2: [00:19:09] And it really is limiting to try and understand you find a company in your backyard, but who's doing what on the other side of the province or the other side of the country or in the, you know, for us, what's going on in the U.S., such a massive country and in so many hotbeds of technology, what's happening in Europe? And that's the biggest challenge. And so I think it's important when you're talking to companies, and I definitely encourage investors to speak to management, no matter what the size of your investment is, take the opportunity to speak with the seasoned professionals at the company you're about to invest in and ask them the tough questions about their competition and just try and get a lay of the land

for yourself and make sure that that management team understands who they're competing against and how they're going to stack up against the competition.

Speaker1: [00:20:12] Great, well, you talked about the ESG segment. If you had to pick one or two sectors or applications in the ESG world that you think are good opportunities to pursue today, what would you put at the top of the list?

Speaker2: [00:20:24] Well, the number one opportunity that I've really rolled up my sleeves on recently is a company called Evans Packaging Solutions and. Eva Ness is a company that is in the alternative packaging category. And once I started to learn about these opportunities, I was just flabbergasted really at the size and magnitude of the industry. Nine hundred and eighty billion dollars a year in single use plastics and packaging. And to understand that there are very few players of size or magnitude that have viable solutions in that industry. And the reason that there are so few is that the alternatives are. Quite costly in comparison to the incumbent, which is plastics, plastics is such a massive industry and the oil industry is so proficient to producing the raw materials and breaking, you know, cracking the natural gas and cracking these oil fragments down to be able to produce the chemicals that are needed in all of the different phases of plastics and nylons that are in the market today, that it's a tough challenge for some new technology to come to market to beat up on the incumbent from a price perspective.

Speaker2: [00:22:02] And so when I found evidence, I was really quite enthralled with the opportunity because they have two different technologies. One is a complete alternative to plastics, which looks and feels just like plastic, but is one hundred percent compostable. Fully certified compounds and products and has the opportunity to launch into this market in a very significant way. Through individual channel and that being, you know, replacing plastic straws. And that leads its way into some of the most significant clients and opportunities in the packaging industry that will lead to the replacement of plastic cups, clear cold cups lids for those things, cutlery, the alternatives with compostable bags and compostable food wraps. It's really a massive phase shift change in materials that is coming into this industry, and so Evans is one that I particularly love. We've participated in three different rounds of financing right now. We're just closing off a \$8 million funding round with them, and we will be taking them on a go public path here over the next several months. So really excited about that opportunity.

Speaker1: [00:23:46] Is fantastic. So in the last few minutes that we have here, what else should we cover that we have in?

Speaker2: [00:23:52] I think from an investor perspective, there's so many categories, I think, really looking at something that captivates your interest, that you have some knowledge or interest in. And you know, these things include everything from the solar industry to CO2 abatement production of hydrogen. We're seeing a massive move into new energy materials. So that's going to include hydrogen and battery technologies. And we're really focused on trying to pick leaders one or two of those in in each of those categories. So we have a couple of opportunities that we already have public, you know, graphene manufacturers of Australia. Gmg is the trading symbol. We brought that public in February. Just a fantastic story on graphene, a new way to create graphene and then using that graphene to create end products, one of which is a brand new aluminum ion graphene battery that uses none of the traditional metals led or the new age. Lithium nickel cobalt doesn't use any of those so very exciting from that perspective. We're also have invested in Pund Technologies, which is a corporation that has a CO2 abatement and can take carbon dioxide right out of the waste stream from manufacturing facilities and turn it into high value nutrients into either clean diesel or even food grade additives for the animal industry.

Speaker2: [00:25:44] So there's just so many neat opportunities in the marketplace. Even a recycling side of things, you know, we're I invested just a week or so ago in a company. The symbol is roof, and these guys have a technology now that's just focused on producing or rather treating asphalt shingles that come off the roof and are one of the largest contributors to landfills in North America. And yet there is no real solution out there, and these guys have come up with a paralysis technique that literally it just kind of melts away the asphalt shingles and allows you to recoup your fiber and your aggregate material and the carbon black from the tar compounds and recyclable directly back into the same industry. So they have countless end users for the same material. So just so many opportunities out there for investors these days, some of which now are already public and look to have very bright futures.

Speaker1: [00:27:00] All right, so how best listeners get back in touch with you?

Speaker2: [00:27:04] Well, we have a website that I think will be showing in the show notes by Farah Capital. And there's a section there that you can send an email to or, if preferred, to use a direct email. It's just my name, Brad at Alicea, and I get a lot of spam emails, so please identify yourself as investor questions or investor interest in the title of your email, and I'll endeavour to read any of the above and provide either advice or people are looking for opportunities in specific sectors if I see something come along. We definitely are trying to build a network of co-investors as an example. You know, our fund is a relatively small fund in the five to 10 million range. But just with our code participants, people that co-invest alongside of us, we've raised in excess of 70 million in the last couple of years for the various different ventures that we get involved in. So we are open to spread the word out there to others that are interested in the same themes and beats as ourselves, right?

Speaker1: [00:28:25] We'll include in the show notes your contact details. I want to thank you for joining us today and hope to have you back for a

Speaker2: [00:28:30] Follow up soon. Thanks very much, Paul. I appreciate being here.

Speaker1: [00:28:36] 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 Connect Talk.

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