Eric Thome of VentureSouth

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 learning more about investing in startups, launching a new startup need to raise funding, the startup funding espresso is a daily podcast and a short, concise format delivered to your inbox every day Monday through Friday. Time it takes to drink an espresso. You can learn about startup funding to subscribe, go to Investor Connect dot org and put your email into the Pop-Up Box. Hello, this is Hall Martin with Investor Connect. They were here with Eric Thome , director at Venture South. Venture South is an early stage venture firm that provides capital and expertise to southeastern startups. Through the Angel Investment Network in funds. Eric, thank you for joining us.

Speaker2: [00:00:58] Thank you very much. Glad to be here.

Speaker1: [00:01:00] So what was your background before investing in early stage companies? What did you do before this?

Speaker2: [00:01:05] I had a winding road of career and entrepreneurship. So as engineering and operations to business school and consulting then to entrepreneurship in 2012 started and bought the company. And so it really got me into the entrepreneurship field and doing my own thing. The company I bought was a turnaround situation that was a success every way except financially. So it did not quite get it turned around. But it was an amazing experience. And being forthright with that seems to have been a great way to connect with entrepreneurs and let them know, you know, how I also feel the stress and the burdens that they carry as founders of companies. And then got involved with venture south in twenty sixteen, as that is our angel investing network has continued to expand, looking to grow in the Charleston, South Carolina market. And so that's where I am now, is growing our network, finding investors to join us as members and starting and talking to startups to enter into our pipeline.

Speaker1: [00:02:17] Great. So what excites you right now?

Speaker2: [00:02:20] For me, it's the next deal. I love seeing the new the new thing come through, the new ideas and new companies, the new leaders, as much as I love digging in and learning and diligence or staying in touch with portfolio companies. I'm excited about the next one and just learning from what that could bring to us.

Speaker1: [00:02:43] Well, 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: [00:02:52] Three PS is what I talk about, this having their own process, how they find source deals and do their diligence and have the criteria. So the peace process, the other's portfolio. You know, there's still a lot of risk in investing in early stage startups. And so you need to balance that with a portfolio of investments and then patience. Know, these are not quick turn. Companies are investments. They need to have, you know, a few years to maybe a decade of patients to be ready to stay with the company.

Speaker1: [00:03:22] And then on the other side of the table, what's your advice for people running startups where you tell them to do before they go out to raise that round of capital?

Speaker2: [00:03:29] A few things. Typically, the companies that are doing so well that they can't keep up with their own growth. They have the best time raising money. Right. And so if they focus on that customer solving the customer issue and how that turns into revenue and driving their sales, they'll have a much easier time. They still need to run a rate process. And so I think they need to get out there and stay networked, build their advisor network. You know, the adage that you need to ask to get money, ask for advice and get advice, that's for money. So start going out and building that advisor network early so that when you do need to raise money to keep up with this growing demand, you hopefully have in your hand some of your first angels and through their connections, additional capital sources.

Speaker1: [00:04:22] Right. Well, that's good advice. So let's talk about the state of startup investing. How do you see the industry evolving here? Post Covid.

Speaker2: [00:04:31] Post Covid, it seems like there's still a lot of this is a lot. There's more of everything. Seems like there's more startups at every stage and it's every investible, you know, stage. And in the longer spectrum of easy, easy returns, kind of profiles to fly by night. Now, risks shot the dogs in a lot more attention from your average person, you know, sort of a shark tank effect. This is getting into the papers. People want to know what's happening in tech and how do they get invested. And then some of the opening up of the FCC regulations so that more non accredited public crowd funding sort of stasis. So it's out there. And so I think there's some confusion with it of people wanting to know where do they play and where do they stand and how do they get involved this right for them, because it's new for a lot of people. And then I think there's a lot of opportunity around it, too, whether you're raising money or wanting to get involved as an investor. But it's just a matter of, I think, doing the right homework to find out what's what's right for you.

Speaker1: [00:05:44] That's great. And so what is the biggest change you think we'll see in, say, the next 12 months?

Speaker2: [00:05:50] So I think with more out there and more money, I think we see money moving upstream to the earlier stage, more of the. Old school venture capital firms raising seed funds of huge dollar amounts, some interest into what that what is that going to do to the market into valuations? It's probably a great time if you're raising money, if you have an idea. But for investors, I think it gets down to their homework and their diligence to know where they need to buy.

Speaker1: [00:06:25] Right. So tell us more about your investment thesis and your criteria for looking at deals, what exactly are you looking for?

Speaker2: [00:06:32] We're looking for go to market companies based in the southeast. They have a proof of concept, which, you know, if your customers are paying you, that's pretty good proof of concept that you were solving the problem for them and provide value that they have an amazing, vibrant team. It's not just one person that somebody has the self-awareness to know who they are and what they need. And they're driving that together towards a great exit opportunity and a something realistic. And they know they know what that might look at. Right. They have the data on who's making acquisitions of what sort of multiples in their market.

Speaker1: [00:07:10] You talk about one or two steps that fit that thesis.

Speaker2: [00:07:14] Yeah, we've got portfolio company with Adventure South that's based here in Charleston. And they are raising again right now as they are continuing to grow, hiring some more senior leadership from different industries to really make a scalable solution. And so whereas before they might have been looking to add people to provide services. Their new CEO is really sees this as a software and algorithm and a data company that can truly scale and have large scale applications with some major partnerships across the country. And has the eyes on the prize of getting in there and growing for that opportunity. Just exit.

Speaker1: [00:08:05] Great. So what do you think is the main challenge startups face today that you deal with?

Speaker2: [00:08:11] Well, I think about this a lot on the personal level, know I've been running a company before myself and it's the balance. How do you balance the demands of a startup and the demands that you've created with your customers, demands of investors, that once you've taken money from someone beholden to that, along with their personal life and maintaining. Yeah. Hopefully family and personal interests. I think it's a lot. And I think that too often we're expecting we see and glorify the story of the people that work themselves too hard to get the results. I think that's something in the short run. But in the long run, I like to see founders that truly have a great balance in what they do and can take that off to their team as well.

Speaker1: [00:08:58] Then on the other side of that table was the challenge you see investors faced in these times,

Speaker2: [00:09:04] You know, too often I see investors, they get involved in our network and they don't invest. And I think they don't put the effort into understanding how much of their portfolio would go towards A, B, C or early stage investments. And so they don't think like a VC that needs to deploy capital. So I help tell people the story of, you know, what percentage of your investable capital will go towards this? What size of a portfolio do you want to build over certain period of time? And divide it out. That's how many checks you need to write of a certain size and go find your opportunities. And so if you're not part of an angel network or some sort of resource to Fiji, deal flow and you have to go find it yourself, go go do that work so you can deploy capital. Otherwise, you know, if you're paying for deal flow and you haven't, you're just waiting for inspiration to hit before you write a check, you're probably going to sit on your hands for a while and not be happy with your experience.

Speaker1: [00:09:58] Right. Well, you see a lot of different applications and sectors in the market today, if you had to put one or two at the top of the list for being really good opportunities for investors to pursue. What would you call out?

Speaker2: [00:10:11] So in some sectors and applications, you speaking of like certain industries.

Speaker1: [00:10:14] Yeah. In tech and in health care by chain, et cetera.

Speaker2: [00:10:19] I'm certainly interested in block chain. I don't see enough right now coming through with sort of low code and no code applications. I see still some traditional you know, we've got to pay a large developer or development team and do some traditional coding to create a product. Really curious to see what's going to happen is low code and no code to go. And really, I think it'll be more customer responsive. If you have to build a big product to then fit in with different customers, I don't think it allows you to be as flexible. And so I haven't seen enough of this, but I'm very curious to see what what order will come out of it.

Speaker1: [00:11:00] Right. And so in the last year that we have here, what should we cover that we haven't?

Speaker2: [00:11:06] Kind of like to talk about some of the pros and cons of angel investing groups, because within yourself we try to be very aware of some of the downsides and the dangers of groups sometimes take too long. They're not transparence. They want to write checks, will burden founders with too many requests and too much data. And we really try to work to be different, have a very solid process. It's professionally driven, have very transparent periods where we'll have communications and feedback and portfolio reviews so that investors know what's coming up and can be prepared for their diligence and their questions. And especially for the founders of these companies, they can reach out for help. We know that there's a Built-In communication periods. So all the challenges we know that they're going to have, they can have five times to reach out to us and we can help.

Speaker1: [00:12:00] Well, Greg, can you tell us more about Vient yourself? How big is the group today?

Speaker2: [00:12:05] Venture south, the whole network is more than four hundred members today across the Carolinas and Virginia, along with the remote post Covid world. We are everywhere now, and so we've got 16 different groups and affinity groups and four different sidecar funds deploying probably around 10 million dollars of capital and about 20 companies every year on average over the last few years and continuing to grow. And so we're excited to have new investors join us, because I think the more perspective the table provides for additional value.

Speaker1: [00:12:40] So here post Covid, are you going to a hybrid model or are you going back to physical meetings? What do you see the future like there?

Speaker2: [00:12:46] I think we see a hybrid model where we got a lot of value out of the virtual meetings where it wasn't just one group in one city getting together. You got to have the insights of members from all over. And so a lot of value out of that, a lot of flexibility. So we could record that and people could watch it at their own leisure. However, I think there's a great social value and connectivity value of building relationships face to face. And so we'll offer that on small scales as well here in Charleston. We'll get the members together to do due diligence reviews, talk about the open investment opportunities, share some of the education events along with the pitch meetings. So we'll continue to do that in-person and then have our online operations as well.

Speaker1: [00:13:33] That's great. Well, how best for listeners to get back in touch with you?

Speaker2: [00:13:37] For me, email the best, Eric at Venture South VCI. I get that all the time.

Speaker1: [00:13:43] Great. We'll include those in the show notes. Want to thank you for joining us today. Ok, have you back for a follow up soon.

Speaker2: [00:13:49] Thanks. Appreciate it. Water.

Speaker1: [00:13:55] Vestre 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. Alti Martin is the director of investor Canek, 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 Connect. This podcast is for informational purposes only and should not be relied upon as a basis for investment decisions.