

## Nikita Demidov of Houston Angel Network

**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 and many other investors for early stage and growth companies. I hope you enjoy this episode. The. Need help in finding investors for your startup fund or Angel Group, 10 Capital provides funding as a service, helping you find it credit investors contacting capital gain access to investors for angel and venture capital funds, family office rounds and syndication races. To learn more, go to Tinn Capital Group. Hello, this is Hall Martin with Investor Connect. Today, we're here with Nikita Demidov, venture associate at the Houston Angel Network. Houston Angel Network is a non-profit organization dedicated to developing the innovation ecosystem in Houston, Texas, by supporting founders and startups with financial resources and mentorship. Nikita, thank you for joining us.

**Speaker2:** [00:01:02] Great to see you. Help!

**Speaker1:** [00:01:04] Great. So what was your background before investing in early stage companies? What did you do before this?

**Speaker2:** [00:01:09] Yeah, absolutely. So my story is a little bit long, but you know, I originally started, you know, in finance and back in Russia and doing kind of financial advisory for, you know, big government corporations and, you know, kind of working with corporate clients there. But in between, I really, you know, always wanted to get education in the United States. And, you know, fast forward five years, I, you know, get get a degree in finance in Texas and as a result, get exposed to kind of, you know, endowment management and, you know, more of a public market, public kind of securities. And after graduating from my kind of first bachelor's degree, I got into corporate finance, working on capital projects for the kind of energy company. And it put me into this whole renewable energy industry, which I think is super fascinating. And you know, now I'm more in the ecosystem of startups in Houston. But you know, most of this previous background really kind of corporate projects and more of a public equity stuff.

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

**Speaker2:** [00:02:20] I think, you know, the first thing that really excites and maybe even surprises me is this whole like Houston ecosystem of, you know, start ups and, you know, innovation that's happening. I think, you know, coming from Russia, I would never think about Houston as a hub for startups. And like, I think it's kind of, you know, perceived as a big energy capital of the world. But, you know, after being plugged in into this ecosystem for about a year now, I've just been so impressed with the talent that we have here. And, you know, both like the city, you know, push towards innovation and I think a lot of local support from investors to really evolve it. So I think Houston is just an amazing ecosystem now, and I'm very happy to be in it. And outside of just geographical, the industry focus on renewables is definitely, you know, it's surprising to me to see how everyone now is in it.

**Speaker1:** [00:03:17] That's great. That's great. So you see a lot of startups and a lot of investors in your role there with the Houston Angel Network. What's your advice for people investing in startups? What do you tell them to do before they write that check?

**Speaker2:** [00:03:28] I think you now do the due diligence, where would be an easy one, right? But I think it's always good to develop kind of the thesis or kind of have some industry insights about the companies or the sectors that you invest in in. You know, as one example, maybe, you know, the energy storage in batteries is a big topic, right? And everyone is understanding that it's going to play an important role. But I personally don't think I'm capable of making good big on the technology itself. I'm good and like understanding the trend and maybe seeing some SAS applications, but I would never want to take the technology. And I think when you have this kind of predetermined thesis, maybe it's easier for you to see the startups and then someone comes in and like, it looks like an amazing team and it looks like a very promising startup. But you have that blockage, right, that stops you from, you know, investing in it that, you know, long term might be a good fit.

**Speaker1:** [00:04:23] Great and then on the other side of that table. What's your advice for startups? What do you tell them to do before they go out to raise funding?

**Speaker2:** [00:04:30] Yeah, I think well before you raised funding, you really should understand. Like, first of all, if you really need the funding for and like, what do you need it for? I think in a renewable energy space specifically, there are a lot of grand opportunities and just, you know,

innovation, you know, support from the local and federal government that people can raise their money for, you know, several companies I'm working with right now. You know, they raised a bunch of their funding from know federal government or municipalities. And it's, you know, impressive how none of those who find funding really can help those R&D projects and different parts of renewable stuff. So thinking of preparing yourself for the fundraiser and having those grants applied and a lot of those grants are going to be contingent on, you know, also raising the investor owned. And when you go into raising this investor around and you have additional few million sitting on the side, you know, ready to invest as soon as you, you know, get get the investors on board, I think it's very appealing for, you know, anyone who who are going to come into the round to see that there is additional Mendoza findings that are going to support. And you know, when you go and pitch to investor, I think it's always important to really understand who you're pitching to and the kind of industry expertise and background to be mindful of how technical you should be or maybe how focused you should be in your presentation. Don't ever go all over the place. Different experiences that that you have.

**Speaker1:** [00:06:00] That's good advice. So let's talk about the state of startup investing. As you mentioned in Houston, it's taking off quite a bit there. How do you see the industry evolving from here for funding startups?

**Speaker2:** [00:06:13] I'm hoping that it's only going to continue to grow. I think last quarter was like the biggest quarter in, you know, Houston ecosystem history, GHB published some good, you know, interesting research around it. And I think we raised like 1.2 billion in the last four quarters, which is in a way more than anything that happened before. And I think it's interesting the perspective of, you know, being in pandemic, right? And like, you would think that people get more cautious and it seems like everyone has just keep piling money into startups, maybe just the printed budget, but also, I think, you know, just generally, it's great to see the Houston ecosystem evolving. And in general, the trend for renewables continue. And you know, we we have the green, the lab that came to Houston, and that's exciting and that's exciting to see a lot of young talent that comes into this industry. You know, being in Houston again, it's always common to see oil and gas, you know, people and engineers. And now seeing more innovation, like I have been talking to people who are in Europe and they excited to come into the United States and to work on renewables now just because a lot of support here. So in general, I don't see this long, slow, you know, growth slowing down anytime soon. Hopefully, you know, the

noise and greenwashing will die out a little bit. But generally, I think it just one of the biggest kind of exponential trends that you know, you'll see over our lifetime.

**Speaker1:** [00:07:46] Right, and so let's talk about your thesis or if you like the Houston Angel network, what's your investment thesis and what's your specific criteria for pursuing a deal?

**Speaker2:** [00:07:55] Yeah, I think for Houston Angel Network, you know, we have hungry three members who are all accredited investors, and the way how Kahn works is, you know, we a group of investors who are interested in a variety of different topics, variety of different industries and have their own thesis. We don't have a fund that we invest in a deal. So as a result, you know, to pinpoint a specific thesis would be quite difficult because there are so many members and a lot of different industries. I think some parts that real help is coming into Hahn and being successful in raising the capital from our network is being more established and have market traction. I think, you know, having a good team is always helpful and also some validation from from the market to make sure that, you know, this is a startup that have some success. Personally, you know, on my side, you know, and maybe in a renewable energy space or maybe any space in general, it's great to see startups with, you know, amazing, you know, a team that has a lot of drive. I'm much more about the, you know, the job rather than the horse here. And I think team teams can do a lot of innovation. And I always, you know, very happy whenever we see someone who is really ready to drive the startup anywhere and there is a lot of driving force behind it from a perspective of business. It's good whenever you know you're not linked to one specific kind of market application or traction that you can diversify your opportunities to make in the revenue. I think, you know, going back to that better example, you know, you can make a bet on the cessful for batteries. And if any of the technology is, you know, going to grow, then you're going to be successful as a result of it. But those multiple approach to the revenue is to me. I think it's it's an important kind of point that I'm looking at the startups.

**Speaker1:** [00:10:04] Right, and so you see a lot of challenges out there in the investor, in the startup world. What are the challenges you find that startups face most today?

**Speaker2:** [00:10:15] I think, you know, it definitely depends on what industry we're talking about and what level of the startup we're talking about. If you stick to those renewable topics, I think there are a lot of renewable startups, right, that coming in and well, maybe pinpoints one

industry specific as like hydrogen is becoming a huge topic, right? Everyone loves to talk about it. And I spent, you know, a lot of time thinking about it and doing additional research for different companies around it. And I've met a few startups only that really understand. I think the main problem that matches my perception is, you know, hydrogen, for example, and around the delivery of it. And so whenever you come in and you pitch in the new production of hydrogen without, you know, having any market traction or anything like this, it's really hard, I think, to get the investor on board because there's so many similar companies. And so understanding how can you stand out from this crowd is sometimes, you know, a little difficult, especially, you know, in a vertical world where I think all of us live in these days.

**Speaker1:** [00:11:25] Right, and then on the other side, what do you think is the biggest challenge? Investors face in today's startup world?

**Speaker2:** [00:11:35] I think, you know, on the same topic, right? You're leaving in the virtual world and the clues that used to get from kind of in-person interactions less through the videos, et cetera, and like finding those hidden gems, you know, in a crowded market becomes much more difficult. I think we're still successful in it. But in general, there is a lot of capital chasing few great opportunities. And as a result, I think they're there in terms or investment vehicles that sometimes, you know, we would find inappropriate, but they kind of may have to run with it if you really want to put your money to work. And so understanding, you know, kind of be more flexible, maybe on the valuation side and also don't get too particular on, you know, sales, per said, that, you know, there might be exponential growth down the road that if you can help the startup to really, you know, get those first initial introductions or something like this that would really help, you know, to continue, you know, to grow this company, Pedro.

**Speaker1:** [00:12:46] Right? Well, you see a lot of different applications and sectors out there in the market today. You've talked about some here already, but if you had to pick one or two that you think are good immediate opportunities for investors to pursue, what would you put at the top of the list?

**Speaker2:** [00:13:02] That's a great question. I think, you know, carbon capture and storage is one of the most interesting aspects of it, and again, I think it's something that's becoming better and better discussed topic on the federal government. I think the proposal from the

administration right now has some money that get put into it. And, you know, a very interesting application to me is, you know, after you capture all this carbon, what do you do with this afterwards, right? How do you put this carbon to work either on a hard material science or, you know, the fields and, you know, using it as a vehicle fuel, for example? Those type of things are very interesting to me. And I think it's going to continue to grow as one of the major trends as we see Europe really evolving in this space. And, you know, U.S. right now is, you know, has a few opportunities in that as well. It's super niche to be a new and very expensive, but again puts in those exponential opportunities on the side looks pretty interesting. And then another one?

**Speaker1:** [00:14:10] Yeah. What else do you have?

**Speaker2:** [00:14:13] I just, you know, I think SAS in general is pretty good for, you know, anyone who wants to get into space and early and angel investing, right? It's it's really hard to build a hardware company, and that tends to be a little easier to scale. So I think you know who, anyone who is new to it, to the venture world, you know, SAS is the easiest one to start with.

**Speaker1:** [00:14:37] Great. That makes sense for sure. Well, in the last few minutes that we have here, what else should we cover that we haven't?

**Speaker2:** [00:14:43] You know, I would love to hear honestly, your perspective, you know, you're in an Austin ecosystem and it's, I think, a little different from Houston. The way how we look at the markets. Do you see a lot of kind of renewable companies popping up around your area? So how is the kind of landscape change there?

**Speaker1:** [00:15:00] So Austin's more of a tech town, not an energy town, but we do see a fair number of applications coming up. Many of them have to go with software related tools or tech tools for energy efficiency, energy monitoring, energy capture, that type of thing. So it's coming at it from more of the software or the tech angle than it is the actual production or use of it in this case. I do think it's going to be big. I think there's going to be a lot that will come up in the way of funding, especially from the government, for carbon capture, alternative energies and even more beyond solar and thermal. I think we'll see a lot of new technologies coming in that will make it more easy to use for people as well. So in general, I think after coming out of the COVID pandemic, it's the best time to have a startup because the stock market is at an all time

high. Interest rates are near zero and there's a whole new set of care about's coming out and people are getting very serious about climate change. And so there will be money available to fund and grow startups for that reason. So I think we're going to see a lot of change because the the market is now moved into the position to really go after it.

**Speaker2:** [00:16:12] Interesting. And do you think it's easier or harder to find good investment opportunities now around Austin as everyone seems to come to the town now?

**Speaker1:** [00:16:23] Well, I think that's the challenge investors face in Austin is what I call the signal to noise ratio. It's there are so many startups. In fact, the nationwide, I think they're looking at six million startups in the next 12 months coming online. And so finding good ones in all of that requires just a lot more work, a lot more deal flow management. And so we're going to have to figure out and some investors solve that by just raising the bar instead of just having a good idea. You have to have a good idea and a team or now you have to have a good idea, team and traction. You have to have customers. For some sectors, that's my thesis is you absolutely have to have revenue in cannabis, blockchain in some sectors, there's so much going on. You absolutely have to have revenue. You don't have revenue. We just don't. You just can't get there because there's there's so many companies out there at this stage. So that's I think the challenge investors face is how do you work with all of those startups that are now out there? There's more startups, so there's more good ones. So you have to look at it from that point of view. But then now you have to manage or update your deal flow process to work with it. And one change I see is that everything is going online. I mean, everything. All angel groups are going online, coming out of COVID, and many are going into hybrid models. You can either zoom in or you can actually come physically there. And the upside of that is you can now recruit members from outside your geographic territory. It used to be you can only look for members that would be in a certain radius of the meeting room. Now, anywhere in the U.S. or even in the world is fair game for it. And so there's there's pluses and minuses that come with that. But I think it's the next stage is how do you manage angel networking in an online world and what does that mean?

**Speaker2:** [00:18:05] Yeah, that's definitely like an icon. Both of those things, I think I've been impressed to see such good investment opportunities given, you know, the company has an amazing product and also have, you know, great revenue. And then I have to compare it against

the just good product with other revenue. And I understand that, you know, the one that has traction always got a win, even if it's a little higher on the valuation. But on your comment on the virtual world, that's, you know, facing the same thing here in Houston. You know, I think one of the main reasons why people like to join Houston Angel Network is for network in itself, right? And how do we keep that communal feeling and don't get the Zoom burnout from all of the investors, right? You know, I think you had a few in-person events over the course of last months or two, and it's been very successful. People want to see each other in person. But now, you know, when they call it stuff kind of coming back, I'll bet there's still, you know, increasing concerns regarding meeting in person. But I do hope that we can have a hybrid model where, you know, I think for us as finding new opportunities, this perspective, it's been great because we're not only focused on Houston now, we can be focused on everywhere in the country and really find those best deals. And startups are not limited, but from a perspective of meeting in person, it's there's something about in-person communication that's really hard to replicate.

**Speaker1:** [00:19:35] Absolutely. Well, I appreciate your taking time with us today. How best for listeners. Get back in touch with you.

**Speaker2:** [00:19:42] Yeah, I think LinkedIn honestly, is the best way for for me. I try to stay on top of it, and if you showed me a note on LinkedIn, I always reply. Maybe not the same day, but you know, in, of course, a few days, that would be the best way to keep in touch.

**Speaker1:** [00:19:59] Right? We'll include those in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

**Speaker2:** [00:20:05] Yeah, thank you so much. It's been a pleasure. And congrats on everything you guys doing. See, Dan, it's been very impressive. Great.

**Speaker1:** [00:20:13] We'll appreciate that. Thanks so

**Speaker2:** [00:20:14] Much. Thank you.

**Speaker1:** [00:20:18] Investor Connect helps investors interested in startup funding. In this podcast series, experienced investors share their experience and advice. You can learn more at

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