Brian Parks of Bigfoot Capital (follow up)

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. Investor Connect is a 501 C three non-profit dedicated to the education of investors and startups for fundraising. Please consider donating $100 to the program to help others in their investor and entrepreneur journey. You can find the Donate button on the Investor Connect org website. Hello, this is Hall Martin with Investor Connect

Speaker2: [00:00:40] Today we're here with Brian Parks founder and CEO of Bigfoot Capital. Brian, thank you for joining us. Thanks for having me. We had a previous interview in which you talked about Big Foot Capital. Can you give us a short update about yourself and what you've been doing since our last interview?

Speaker3: [00:00:58] Yeah, sure thing, so I think it's been a couple of years since we last spoke. Bigfoots been doing more of the same, which is which is good. More of the same means for us being able to find good qualities in the B2B software space and put some growth capital into them. So we've we've continued to do that over the past couple of years and picked up our deployment pace a little bit and are pretty satisfied with the way things have been going and being able to to experience some really good outcomes for the companies we've been been fortunate to partner with. So more of the same with a little bit stepped up pace.

Speaker2: [00:01:34] So let's talk about your investing experience in the last couple of years. What company do you regret not investing in and why didn't you invest at that time?

Speaker3: [00:01:43] Yeah, so I'll preface this with the fact that we're a lender, so I think our concept of regret is a little bit less so than that for equity investors. So, you know, if we miss one from a lending standpoint and it goes off to be massive, it's less painful for us than someone who had five percent of that company. Right? That said, there there was one a few years back that we got somewhat close with and just weren't able to get over the line mutually as a company called Euro based out in the Bay Area. It's a digital collaboration platform, which I would think of as a basically whiteboarding on steroids that they sell into the enterprise. And so, you know, we weren't able to get there. And since that time, we've kind of stayed in touch, watch them. They've raised $200 million in venture that one, and we don't take warrants in our facilities. So it's not that we would have benefited directly from the from the equity coming in. And that's, you know, essentially the valuations from that standpoint. But it would have been cool if would have gotten paid back and you're making a good return on the capital we've provided them, but would have been cool to have been along the ride there for a company that's just kind of on that path.

Speaker2: [00:03:00] Right, so what sector are you passionate about and why?

Speaker3: [00:03:05] Yet for us, you may find me prefacing a lot of stuff with where a lender. But I would say, you know, for us, we carry a pretty broad mandate under the umbrella of B2B software, predominantly B2B staff, but also some marketplace business models and transactional business models and some tech enabled services. But we're not really all that focused on sectors. We, of course, like companies and teams that are solving hard problems and that have some some tailwinds behind them. Think think things like remote work and employee engagement in a remote work world. The death of the cookie and the need for first party data. And building relationships with prospects and customers beyond just, you know, having cookie data on them and software platforms and tooling suites that enable those types of things. I like themes of that nature. For us, what it really comes down to Hall is, is really alignment and being able to meet a company where it currently is and then hopefully being able to provide capital that that aligns with where they're trying to get to over the next few years. And ultimately, a lot of that comes down to how the founders, the exec team and any other stakeholders involved investors and the board, how they're building and managing the business. So that's where we really lean in, less so than necessarily the sector, even the product application, which is of course, important but maybe less than for a thematic equity investor.

Speaker2: [00:04:36] Right. Well, have you avoided investing in any particular type of companies and why?

Speaker3: [00:04:42] Types of companies, yes. Sector, not, not as much so, I mean, we see a lot of companies that just don't fit our mandate of B2B software, right? The pure B2B services could be a consumer products company to include e-commerce could be any company out there under the Sun that doesn't fit our mandate that comes across our radar. And that's fine in terms of kind of sectors. We we don't avoid it. Anything wholesale that. You know, fits within our scope. I think for us, we bring some skepticism to certain sectors that may carry a lot of complexity, be that at the regulatory level or the macro level or in terms of how they're addressed. But we'll still pursue opportunities in those in those sectors. I think for us, it's just extremely important in the scenarios that the founders and the stakeholders bring the expertise and experience that that we don't write. So that really matters in those types of sectors of its health care, government oriented oil and gas. Something like that.

Speaker2: [00:05:47] So what's your worst in, what's your best experience with the startup?

Speaker3: [00:05:51] So you want me to start with

Speaker2: [00:05:53] Let's start with your worst experience.

Speaker3: [00:05:57] I got to say it's not it's not related to Bigfoot, thankfully. You know, we've had, you know, a handful of challenging, I guess, experience with some of the companies that we've funded, but nothing that we haven't been able to mutually overcome. So that's great. So I think for me, I probably pre-date Bigfoot back to Brand Boulder, a company I started close to a decade ago, and that was just the founder, experience and CEO experience of fumbling in the dark, searching for product market fit. So I can distinctly remember those days a decade ago. So I think, you know, that's just really hard. A lot of founders experience that, and that is, you know, companies can dye their companies can kind of languish there. Companies can come out of out of that space, but it's a. It's hard, man, it's a hard one. You're kind of searching for answers and and and they're not necessarily there, so definitely been in that place as a founder best, you know, I can't necessarily point to one with a specific company. I think we've been fortunate over the past four or five years to to work with a lot of companies and help them get to their next level of growth with some capital and support from us. So, you know, recent you know what that generally manifests is and is some subsequent equity raise venture or private equity or some of the business we've seen.

Speaker3: [00:07:31] A lot of those happens well, which are really good outcomes for the founders we work with who have been able to preserve a lot of their equity, right? So they have to sell the thing for a billion dollars or even hundreds of millions of dollars, and they sell it for 30 to 50 and walk away very well, right? And being able to play a part in those types of outcomes is is great. Recently helped a founder who we've known for years and worked with for for a few years raised his first outside equity round after bootstrapping for six years. You know, it was his first time doing it. It's not necessarily. His M.O. is more of a product engineering centric founder. I think it was probably quite uncomfortable and daunting for him. So, of course, it took some time, took about six months, but he ended up really committing to it and getting it done right. So he's able to raise raise that equity round and now be able to have the additional resources to invest in some of the efforts he's been wanting to invest in, too for for the past year or so.

Speaker2: [00:08:33] So what are the challenges in the startup space today?

Speaker3: [00:08:38] Oh, man, I will take it, I guess, from a capital standpoint, if that's all right. I think, you know, start there, at least. I think from a capital standpoint, discipline is a big challenge. There's so much capital out there chasing opportunities in software where we focus, and a lot of that capital is kind of seemingly willing to do whatever to win, which oftentimes is stretching on terms. And if that's equity, we're talking about valuations that are through the roof. You know, maybe if it's lending in debt, it's very light covenant structures, maybe no warrants for types of lenders that traditionally have warrants attached to very light warrants stretching on on leverage. And I think we'll just kind of have to see how it all plays out for both returns and the risk that that folks are taking to get into to get into these companies for operators. I think it's also it's very competitive on the capital side. I think it's always quite competitive, you know, on the operator side, right? So there's no shortage of folks continuously standing up would be competitors to to legacy incumbents, to emerging incumbents. I'll throw up air quotes, emerging players and, you know, two other startups. So you've got to compete, you've got to be nimble. You got to I mean, all the things that have always kind of existed, but maybe it's just even hyper these days. There's no slowdown in company formation, certainly. I think hiring is super hard for people attracting talent. I don't know if the pandemic has made that worse, but it's just hyper competitive for for for human resources. And of course, the the big companies can throw out around a lot more resources than a lot of the emerging companies. I think raising capital as an operator is say, it's easy, it's never easy, but there's more options. There's a lot more supply out there than maybe there previously was from a whole host of players. So it's a decent time to be raising capital as a as an operator.

Speaker2: [00:10:50] In what sectors in applications do you think are good opportunities to pursue? It depends.

Speaker3: [00:10:57] So I think I'll tackle this, I guess, two ways. We're all about me to be what we know to where we've operated. It's really all we fund, as I kind of mentioned earlier. So we focus on B to B think would then be to B again, we're less sector and application specific, somewhat agnostic to a degree. But thematically, some things that I like are kind of the Trojan horse land and expand approach from the product place. Maybe you've got a point solution that quickly parlays itself into something broader within the organization, across teams and across use cases that always kind of excites me and gets me leaning in when I maybe think a company provides one thing and then they show me that they actually have a lot more going on that they can sell to customers and they've provided them with that one thing. I like vertical ice plays that have reasonable adjacent markets to expand into. So I think both of those have a core theme of expansion one product, one market. I think we're kind of focused on the problem space with a prevailing theme behind it and then working to understand the strategy and the tax tactics being deployed by the team that hopefully has the focus and experience to deploy them more so than the underlying architecture are getting way hung up in the IP, so to speak.

Speaker3: [00:12:14] Because the end of the day, a lot of the stuff from a technical standpoint can be built by a lot of folks and somewhat commoditized. Yes, there are product moats, but it really comes down to how you of course, execute it beyond just attack. From a capital standpoint, I mean, questions I would have immediate opportunities to pursue is if for anyone allocating capital, it's really. Where do you want to be right, do you want to invest in areas, you know, kind of akin to what we do? Do you want to be on the front tier doing kind of the crazy moonshot type stuff? That's great. Do you want to be active? Do you want to be passive lead follow? How are you constructing your portfolio? What does success look like for that? What's your time horizon or your return expectations? You know, all those types of things that I think folks can answer, those probably becomes a little bit more evident.

Speaker2: [00:13:05] Well, in the last few minutes that we have here, what else should we cover that we haven't?

Speaker3: [00:13:09] I think a couple of topics maybe to touch on quickly or kind of the evolution of what I'd call the SAS capital stack, as well as the expansion of the viable SAS capital market. So I think what's happened sort of big foot in twenty seventeen? What we've seen is, you know, a pretty big evolution and expansion of the SAS capital stack and market. So, you know, I can't I draw parallels to other industries. You know, M&A banker and capital stack is generally in the picture right across the stack in different players and different objectives for those players collaborating to capitalize the company. And I think that is starting to work its way into a B2B software in a pretty accelerated fashion over the past few years, right? It's no longer just, hey, it's a pure play venture debt format, and you've got to raise a bunch of equity to get some debt. You know, there's folks like us that say, Hey, that doesn't have to be the case, and we're just underwriting these businesses with equity being one facet of the company and the capitalization.

Speaker3: [00:14:16] But Belinda, you if you're bootstrapped right, and even if you never planned to raise equity, that's that's totally fine. So, you know, more debt offerings. There's stuff akin to factoring in merchant cash advance and started to come online within B2B software concept of selling contracts for cash revenue based financings, you know, picked up in terms of folks as interest in it and people offering it. And then, you know, the equity side, so many, so many venture funds have been stood up. Private equity funds have started to come down. Market really demand these B2B software assets earlier on than they use to search funds. Those people are going to go out and buy buy companies maybe even do roll up strategies. They're distressed buyers of these types of assets. There's just not much broader capital market than there used to be that I think it's hard. It is hard to navigate for founders and to to understand and to understand what makes sense, when and why. But basically, there's just a lot more options than there were, say, two, three, four or five years ago.

Speaker2: [00:15:32] The great so how best for listeners to get back in touch with you?

Speaker3: [00:15:35] Bigfoot Capcom is our website. There's button there that says, let's talk, that can pop on my calendar to buy me on LinkedIn. Brian Parks, I'm also at the park site Bigfoot. Capcom. Hopefully pretty easy to find.

Speaker2: [00:15:51] 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.

Speaker3: [00:15:56] Thanks a lot. Hall enjoyed a bit.

Speaker1: [00:16:04] Investor Connect 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 T. Martin is the director of Investor Connect, which is a 501c3 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.