

## John McEvoy of Tribeca Early Stage Partners

**Speaker1:** [00:00:04] This is the Investor Connect podcast program. I'm Hall T. 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. 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.

**Speaker2:** [00:00:44] Hello, this is Hall Martin with Investor Connect. Today, we're here with John McEvoy, managing partner at Tribeca Early-Stage Partners Tribeca. Esp is an early stage venture group primarily focused on Preah and a stage companies in fintech with over 60 partners in their group. They have an expansive network, which they use to help their portfolio companies in every way possible. John, thank you for joining us.

Great. How? Thanks to be here. Great.

So what was your background before investing in early stage companies?

Sure. So you already mentioned I'm a Texas Longhorn, so I grew up in Texas, but grew up on the institutional side of finance here in New York and at Bankers Trust Deutsche Bank. Primarily and on the derivative institutional side of the business. And then in nineteen ninety nine, I left Deutsche Bank to start my first company. So since ninety nine, I've been involved as founder or co-founder of three companies, mostly in kind of the finance and technology space. And that's been a great ride. And then I started Tribeca ESP in 2014.

All right, so what excites you right now? Well, you know, the whole the whole fintech space is super exciting, just the amount of innovation that's going on is incredible, the speed at which things are happening, the rate at which technology can be built these days versus, you know, when I started my first company in 1999, you know, it was Oracle servers and things like that. And you know, the clouds were just things that hit the Sun.

So the innovation that's happening in finance is remarkable in the institutional space. You have tons of legacy technology that really needs to be replaced. You have balance sheet issues where the large financial institutions are trying to reduce their balance sheet in a variety of ways. You have a whole host of upstarts in the fintech space that are in some cases challenging outright business models of traditional financial institutions and in other ways, looking to partner with those institutions. So there's just a lot going on. It's a super exciting time to be in fintech.

Great, so you see a lot of startups and a lot of investors in the fintech space. What's your advice for people investing in startups in the fintech sector? What do you tell them to do before they write that cheque?

Yeah. So we are on the institutional side of fintech primarily, which means we tend not to do consumer facing businesses. We are generally looking at companies that are selling into large financial institutions, so certainly in our world. Having that domain expertise as an investor is highly important because these are intricate markets with great nuance and you probably only understand it if you've been there. So one of the great things about our network with about 60 people, average amount of experience in finance is probably 30 years, and a lot of people, you know, ran major businesses and a lot of large institutions.

We have a whole bunch of entrepreneurs as well, so we understand what it's like to sit in those seats of being an entrepreneur. But it's really important as an investor to have the background in this space. Otherwise you just simply won't understand it. You might think you do, but you just won't understand what these companies are actually doing. And the nuance will you'll miss it and it will cost you.

Great. On the other side of that table, what do you tell startups in this sector to do before they go out to raise funding?

Yeah, it's kind of the same advice. Know your market. So you know, a lot of the companies that we see are not young people right out of business school, for example, or even undergrad, because the space is one where you have to really understand the problem to be able to attack the problem. So for people who are potentially being entrepreneurs again and primarily the social side of the business, I would say make sure you understand your market spent work in a bank for a while, work in a large financial institution while working in a fintech startup. Even

that will give you a great perspective on these financial markets, so it's really background and domain knowledge would be my main points.

All right. And then so let's talk about the state of investing in fintech. How do you see the industry evolving from here?

Well, deals are getting done more quickly, that's for sure. And the size of these early stage rounds is growing, the speed, as I said, is challenging sometimes because we have to make decisions in a shorter time frame than we had to make one or two years ago. And also and that has to do with the amount of money chase in the space. So when I think about what's evolving, you've seen certainly some very large funds, early stage funds get printed even in the last several months of 400 \$400 million to 500 million on know the stage that these people are investing. So let's say you have a \$500 million fund. The round size might be only a couple million in seed, so you've got to do a lot of deals, and that just means there's a lot more money chasing maybe the same amount or maybe a growing number of deals. But I see it evolving because there's just a lot more money chasing deals and we have to be faster and everybody else does too. It's a great time to be an entrepreneur.

Right. So what do you think is the biggest change we'll see and save the next 12 to twenty four months in this space?

Next, twelve to twenty four months. That one I don't really have an answer for. It's tough. It's tough to predict, but my gut tells me that valuations will continue to be pushed. That's certainly the environment that we're seeing now multiples on. If companies have revenue multiples, if they don't have revenue, then just higher valuations early on.

Where do you see DeFi decentralized finance coming in at this point? Or when do you think that's going to come in and be a big player?

Yeah, I mean, I think it already is. We've looked at a lot of things in the space. You know, there's within institutional finance, well within, let's call it fintech. And really what our world is, we would put crypto and blockchain and DeFi all in that. There are already a lot of deals coming our way, and we have the expertise in our group to evaluate those types of opportunities. So I think

it's going to become increasingly important, you know, people are calling it Web 3.0. We will continue to look at deals in the space and we hope we find something that isn't too expensive because we've seen a large number and the ones that we were most interested in. We just couldn't get comfortable with the valuations, right?

And so tell us more about your investment thesis for your fund. What exactly is your criteria?

Yes, we are looking for, let's call it late seed to series A investments. And you know, there's six or seven key spaces that matter to us in fintech, which would be payments, wealth management, capital markets, infrastructure and technology within capital markets and lending would probably be the biggest. And then crypto blockchain is something we wanted. Like said, we we'd love to see more and do something there. So those are the biggest pieces of the pie. So we're looking at things throughout that space and we have the team to evaluate those things. I think from a looking at the more granular evaluation of a company, we're really looking for entrepreneurs, as I mentioned before, that have the right domain knowledge and understand the problem, understand the ecosystem because they're going to run into problems and they're going to run into roadblocks. And if they don't understand their ecosystem, they're not going to find their way out. So every good entrepreneur I've ever seen or known knows their market really well, and when they face those problems, they know how to address it because they really understand the ecosystem.

Great. You mentioned one or two startups that maybe fit that thesis.

Sure. So we're in a company called Genesis. Genesis is a low code, no code platform selling into the capital market space. They did their Series B earlier this year, led by Accel and Google Ventures. So that's a super topical company because they're they're dramatically accelerating the build within large financial institutions like Citibank, who's a known client of theirs and a strong handful of others. The reducing the build time to put new applications in place for traders and bankers and back office by 4x to 10x in terms of time. So that's a super neat company. There's a company in the tech space called Blueprint Title that we love what they're doing because they're completely disrupting the way title insurance is written today at a dramatically lower price and a different business model while still participating in the traditional title insurance market. So those are two really exciting examples in our portfolio. One more I'll

just add is a company called Alloy, which is in the KYC AML space. They had a press release yesterday and they just raised at a one point thirty five billion valuation. So it's unicorn, which of course we'd love to see in our portfolio and a great company with great leadership that's been able to really take advantage of this huge quick shift to everything digital accelerated by the pandemic, of course.

Right. Well, you've talked about the need to know the market and the challenge of regulatory. But aside from those, what is the challenge fintech startups face in today's market?

I think the biggest thing that many of them still don't appreciate at this early stage is the length of the sales cycle. So the sales cycle, when you're selling into JPMorgan and Goldman, Citibank is really long and you might have a multi-year sales cycle depending on what your product is. We have plenty of companies who will say, Yeah, we've been talking to them for two and a half years, and they finally signed the contract. And it's not because these institutions are necessarily slow moving. It's just that it's very intricate. The technology stack is very intricate and there is a lot of constituents within the institutions that need to be heard from before they make a major move in technology. So I'd say the sales cycle is probably the biggest barrier in our space for early stage companies. And also part of that is that there's a credibility aspect that these companies need to have before somebody will take them on as a vendor. So, you know, a large bank might say, Hey, we love what you're doing, but are you going to be around two years from now? What's your funding? Who are your who or your investors? So those are constant issues that we hear constantly from our startups, and we certainly try to help in a wide variety of ways. All right, then, what's the challenge investors face in the fintech startups space these days? You know, it goes back to the things I was saying before, valuations are really dramatically different than they were a year and two years ago. So that's a big challenge. Of course, you're always looking for good talent and people that understand the market, as I've said, and people who can be evangelistic without being dogmatic. And I make that distinction because, you know, I think the founder needs to be really evangelistic about their product and who they are and what they can do to help their clients. But at the same time, if they're dogmatic to the point where they're inflexible and not willing to adapt to their market, it's a fine line.

You can't be too stuck in your ways and you've got to believe in what you're doing. You can't be too stuck in your ways. Right, well, you've mentioned several areas that you're focused on payments, capital markets, lending and so forth.

If you had to pick one or two sectors out there or subsectors in the fintech space that are really good opportunities today to pursue, what would you call out?

I would call it capital markets, and I would put kind of data right there as well because it influences so much of what's happening in that space. The capital markets space is something that for us is a great opportunity because we're we've all been operators, our group of 60 odd people, most have been operators in that space. So we understand it really well as investors and we have the network to be able to help companies who are trying to sell into that space. So for us, if there's a subsector focus within fintech, I would probably say capital markets. We have expertise in other areas as well, for sure. But capital markets is interesting because not that many venture firms truly understand it.

Right. Well, in the last few minutes that we have here, what else should we cover that we haven't?

I guess I would mention the business model of Tribeca early stage partners were a little unique in that we have a syndicate model. We are not a fund. But we have a very highly engaged syndicate. So it's not like a venture firm with a bunch of a bunch of LPs. Sorry. It's really a network of a cultural connection between the group people who want to work together, people that want to help companies that we invest in. People who are happy to engage either the investment in the investment process as we're evaluating opportunities or once we've made an investment. People who are really willing to help these early stage companies. So we are entrepreneurs, we are operators, we have domain expertise and we really are here to be whatever, whatever to be fulfilled, whatever is needed from our companies and we're not intrusive about it at all. We love to be invited into the into the equation and we help in a wide variety of ways. I think a really unique model in the venture space, it is.

Yes, and thanks for sharing that with us today. So how best for listeners to get back in touch with you?

Yeah, the easiest way is to go to our website, Rebecca ESPN.com, and just add or send emails on the website as well. But info at Tribeca ESPN.com.

Great. 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.

That was great. I really appreciate the time. Thank you.

**Speaker3:** [00:15:03] 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 to 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.