

Kareem Elsirafy of Modus Capital

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. You said raising funding for your startup for your next fund raise considered 10 Capital Syndicate Platform, an online portal using a special purpose vehicle for the syndicate platform allows for online investment and access to over 12000 accredited investors. Log in to the King Capital Syndicate platform to find your next investment. To learn more, go to TTING Capital Group SPV.

Speaker2: [00:00:49] Well, hello, this Hall Martin with Investor Connect the day we're here with Elsirafy, managing partner at Modus Capital. Modus Capital is the entrepreneurial ecosystem development platform with a holistic operations methodology providing a platform to support the development of sustainable markets in frontier economies via three supporting entities Motus Venture Builder, Venture Capital and Corporate Innovation. Kareem , thank you for joining us.

Thanks for having me. A pleasure. All right.

Let's start off with your background. What were you doing before you started doing investment in early stage companies?

So I was actually building companies prior, entrepreneur, I see this as predominantly my most recent entrepreneurial endeavor. I had built a couple of startups before last of which was United WSJ.com network care coordination software that helped initially veterans who were transitioning out of the military in the U.S. get connected to the resources that they needed and that expanded to the entire health and human service industry and at the hands of my fellow co-founders after I transitioned. It's now a uniform.

That's great, so what excites you right now?

I think continuing to, you know, what I'm doing with the Motus platform is continuing to support to have a positive social impact, right? That was what really drove me when founding

United WSJ.com and having a positive impact on people's lives. And and now the way I see it is really exciting for me is I get to do it twofold. One is supporting entrepreneurs and then achieving their dreams and their goals and the startups that they're actually building and then through the startups that they're building, continuing to have a positive social impact. Right. So you see a lot of startups and a lot of investors out there.

What's your advice for people investing in startups? What do you tell them to do before they write the check?

Now, I think the most important thing is to make sure that the team has good synergy and where there are maybe expertise gaps, make sure the team has a plan for it.

Speaker2: [00:02:45] The other thing is the culture. I think the culture is critical, right? The way that we look at start ups as an investor is we look at the founding team, right? They may be great subject matter experts, but do they have the ability to attract and retain talent by building a very strong corporate culture? Because for us, a company is a group of people working together towards the same goal. People being the main value creators there. So that's really critical.

Well, that's great. Then on the other side of that table, what's your advice for startups raising funding? What do you tell them to do before they launch that campaign?

You know, understand the role that capital plays. Right? I use this analogy if you think of start up like an F1 team where the capital is the fuel right, you need the gas to be able to race. The product is the vehicle and then the team and the founders and the team are essentially the driver and the pit crew, right? So understanding the role that capital plays and with that, make sure that you're actually taking capital that can be a strategic value added if all you're looking for is just the capital because all you need is the capital, right? I think that makes it a lot easier and you're able to cast a broader net. But if you're at that very early stage, you know you want to have investors that can really contribute in a meaningful way.

Speaker1: [00:04:02] Very good.

Speaker2: [00:04:03] Well, let's talk about the state of the startup investing. How do you see the industry evolving from here?

Yeah, so, you know, we're predominantly in the Middle East right now, MENA standing for Middle East and North Africa, and we see there it's a very nascent ecosystem, right? And the great thing is is that there's a lot of government support in developing that ecosystem, right? Smes are the backbone of any economy. How do you get companies to an SME level? You've got to really invest in startups, right? And then you've got to kind of company to country profiles. You've got the countries that are predominantly making their sustainability off of oil rents, right? And they need to diversify off of that. They need to develop local sustainable private sector markets. And then you've got others that aren't like Egypt, for example, over one hundred and twenty million population and great opportunity there. So what we see is that there's a big push going in there and we're seeing that it's slowly maturing, right? And one of the things that we think is a critical gap. There is experience, right? In a nascent entrepreneurial ecosystem. You don't have enough people who have gone from idea to exit. So there's critical skills gaps, and this is essentially how we're looking to solve that problem. For the venture building, we leverage the very, very skilled talent that's there, and then we plug in the gaps by supporting with more experienced talent from Europe and the US. Right. So what do you think is the biggest change we'll see in the next 12 to twenty four months in the MENA region? I think there's a lot of capital going in right now, it's kind of hot from an investment standpoint.

Speaker2: [00:05:36] What I see is countries or the investors focusing more on businesses that don't follow much more more mature markets, right? And what that means is investing for a company to be able to get to a liquidity of that, such as an IPO that's happened in the MENA region, but the MENA region doesn't. It still hasn't matured enough to be able to sustain that type of those types of liquidity events. So I think what we'll see is investors focusing more on companies that have very strong unit economics. It's a region that is ripe with multigenerational family owned businesses and traditional businesses, brick and mortar. And these businesses are now looking which as COVID has been a significant accelerant to the digitizing right, taking their core infrastructure and leveraging it in a digital way to be able to create additional opportunities and essentially get ahead of the curve.

Great. So let's talk about the investment thesis you're using in your work there. What exactly is your criteria and what are you looking for?

So what we're looking for are subject matter experts that have been in an industry for quite some time. It could be somebody who worked at a bank for 15 20 years understands a problem very well in an industry that has an idea for a solution, but again doesn't have the experience of building a startup and again back to the ecosystem being very nascent.

Speaker2: [00:06:59] You know, they need something that's very secure to kind of help them develop, you know, develop their concept into an MVP. Take it to market and getting traction. And that's our thesis, right? Is we're looking for those individuals, and that's why we have. It's not just the traditional venture fund that just deploys capital, but we've got the venture builder at the idea stage. Good, can you mention these startups that you funded that you think are good examples of what you're looking for? Yeah, absolutely. One is called simple, it's very similar to care credit in the U.S. it's essentially buy now, pay later for elective procedures. This is something that we think it's pretty hot and there's a pretty notable demand for it. Clinics are losing around 30 percent of their leads due to the ability, the financial ability of people to be able to pay. So this helps those businesses unlock that lost revenue and also gives people the ability to be able to get some elective procedures that are necessary, such as dental. We all know throughout the world it's extremely expensive and not predominantly covered by insurance, so it helps individuals at that level to.

Right. So let's talk about the challenges in the MENA region for starting and growing a company. What do you find is the main challenge startups face in the area today?

You know, I think it goes back to what I mentioned earlier is really finding the right type of expertise to help them build and grow their company well.

Speaker2: [00:08:23] There's a ton of technical talent, there's some great creative talent there. But when you're talking about principles such as data driven product iteration, data driven digital growth, these frameworks are still they're not really adopted and they're very, you know, they're not even really very understood in the region. So what we see is we see entrepreneurs taking maybe two to three years to achieve what they really could have been in about maybe 10

to 12 months. And this is because of that, that skills gap, right? They're essentially learning on the fly. And then even on the investor side, if you're investing, you know, you're investing and you're paying for the learning curve of this entrepreneur and that is always expected to some extent, right? But there's a more efficient way to do it.

Oh, and then what's the challenge investors face in the MENA region at this time? I think it's finding those really stable companies, right, you've got some individuals who have had successful exits and they have no problem getting funding, but the challenge for the investors is there's an overabundance of funding for them, right? And the deal flow is not as not as mature and still maturing. So for investors, it's really finding the right platform to invest in, whether it's an organization like us that essentially risks by helping the entrepreneurs avoid first timer mistakes and mature a lot quicker or just finding the right types of deals.

Speaker2: [00:09:42] All right, well, you see a lot of different applications and sectors in the MENA region. If you had to pick one or two that you think are really good opportunities for investors to pursue today, what would you call out?

So the first one would be fintech, you know, financial inclusion in the Middle East. There's a lot a big part of the population that's underbanked or unbanked. There's also a big expat community of which send a lot of remittances back home to Pakistan, India, Egypt, et cetera. So being able to do that in a more economical way, I think, is a very, very big opportunity. The other that I would say is regulatory technology on the other side of the fintech. And this is because regulators are still trying to create the right constructs that are a not restricting companies from being able to function very well or function well, but at the same time being able to create the right type of regulatory environment that protects consumers, right? Well, in the last few minutes that we have here, what else should we cover that we haven't? I think what's really interesting about the MENA region is that there's a lot of government capital that's really going into developing ecosystems, and if you're talking about a good investment opportunity, you know, here in the U.S., for example, obviously there's tons of good deals still out there, but the space is very mature and it's very hard to kind of get in some of the really, really good deals in the MENA region.

Speaker2: [00:11:05] There are so many very basic problems to be solved, and those can result in being very, very successful businesses, start ups, right? So one, I think there's a lot more

opportunity just inherent in the ecosystem being very nascent. And as an investor, if you would consider investing in that region, you're effectively going to ride the wave of big government spending going into developing this right. So it's actually giving you a level of securitization, right, that that startups are, that the ecosystem is going to have the right foundation and support for startups and that the government is really pushing it again to develop these ecosystems. And so how much funding are they planning to put in and for how long do you think they will continue this current initiative? You know, I think it'll probably continue for the next 15 to 20 years. And you know, the numbers are pretty astronomical. If you look at government fund of funds which actually invest in D.C. so that VCs can begin trickling down into startups, there's multiple within a single country, one that's at a billion dollars, another that's at seven hundred and eighty million. And this is predominantly sovereign wealth fund money. They've done very, very well and they have pretty deep pockets. And again, they're trying to create a better private sector market that's sustainable to enhance the quality of life for both local residents and ex-pats that live there. So it's it's pretty notable. And are there any particular technologies that are further developed in MENA that are not as developed in other parts of the world, for example, in some parts of Africa, mobile fintech is very far advanced because they've been using it since the beginning and have a tremendous amount of effort going into it.

Speaker2: [00:12:42] What would you say is the competitive advantage of the MENA region? It's a really good point, so, you know, mobile penetration is extremely high, and because the traditional infrastructure isn't there for, let's say, like challenger banks, right? That's something you find in a developed market very easily, right? Like a pure digital bank in the MENA region, you don't find it so much so. Fintech piggybacking on piggybacking on telecom, you find a lot of big, major telecom operators focusing on that. In addition to health tech, that's something that they're actually using the telecom infrastructure as a distribution channel to be able to push companies and products out there. So I think that that's something that's very advantageous. Where do you stand on blockchain and crypto? How is that progressing in the MENA region? It's actually developing very well, you know, in Bahrain, the regulator there, they've got, you know, they've got a sandbox. They've been issuing licences to a couple of companies that have done extremely well. Crypto exchange. There's a crypto exchange that's going there. Blockchain also one of the benefits of being late in the game in the MENA ecosystem is if you think about the government infrastructure, right? The government infrastructure, because it's only it's been

developing, let's say, for the past 30 years, whereas in Europe and the U.S., it's been, you know, hundreds of years in development, they actually have the opportunity.

Speaker2: [00:14:03] There's a lower barrier to entry to implement infrastructure that's on blockchain, right? So when you're talking about things like smart contracts for real estate, when you're talking about even governmental things, like managing the passing of a family member, right? All of that, all of those governmental transactions are actually being built on blockchain and leveraging the protocol in a very utilitarian way. Right. How advanced is or how friendly is the regulatory toward blockchain? And crypto is a very friendly like Switzerland? Or is it a very restrictive? I think it's an extremely friendly similar to Switzerland, right again because they see the value added of it and for them, if they're thinking about building something right the first time and actually leveraging again the utility of a blockchain infrastructure. They clearly see that. So there are specific accelerators that focus on it. There is government funding specifically specifically that goes into supporting blockchain infrastructure companies. So I think it's very, very open. Right, well. I've had many blockchain companies come to me, and there was an interest in doing work in the MENA region because of the value add that blockchain brought to the table and transparency and all the other things with smart contracts and so forth. And it seemed like the regulatory was still trying to play catch up to it. How effective do you think regulatory is going to be and making decisions about putting stablecoins together for the currency, et cetera, versus not being able to do that? You know, so it seems like they are being cautious about it, but they're being cautious for a couple of reasons.

Speaker2: [00:15:38] One, there's just a broader, broader consideration where you're talking about fiat currency versus digital, right? And what is the impact that that's going to have on a local economy? But one thing that they're that they're very cognizant of is making sure they don't put in the restrictive put in regulatory measures that are going to be restricted to that ecosystem developing in the way it is right, the best way for something to actually flourish that goes out into the market. It does extremely well. Regulators understand the way that it works very well and then build in the protective mechanisms around it, working well right versus building the regulatory infrastructure. And then from there, you know, having to continually adjust or things that may be problematic to hinder its development growth.

Great. Well, appreciate your coming on today and sharing this with us, how best for listeners, get back in touch with you.

Yeah, absolutely. They can check out our website to stop DC, or they can follow us on LinkedIn or on Twitter to underscore al-Sharif available on all platforms, right? We'll include those in the show notes.

We want to thank you for joining us today and hope to have you back for a follow up soon.

Thanks, Oliver. Appreciate it.

Speaker3: [00:16:49] 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. 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 host 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.