

Michael Nogen of Overton Venture 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 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 the day we're here with Michael Nogen, managing partner at Overton Venture Capital. Overton Venture Capital is an early stage venture capital firm investing in transformative brands and services. They partner with ambitious entrepreneurs who are meeting the challenges and opportunities of today's rapidly evolving consumer landscape. Michael, thank you for joining us.

Speaker2: [00:00:59] Paul, I'm very excited to be here. Thank you.

Speaker1: [00:01:02] Great. So tell us more about your background. What did you do before you started investing in early stage companies?

Speaker2: [00:01:08] Sure. Well, I've definitely taken a more secure this path to early stage investing. I started my well. First of all, I grew up in Texas, but I've been in New York for almost 20 years now. I started my career at a large bank, GE Capital, so that brought me to New York. But I've always been very entrepreneurial minded and similar to probably a lot of people, I especially males. I saw an opportunity to launch a maternity brand and that actually running that company launched that business in two thousand four. And that was the first time I was really introduced to business planning, marketing, hiring and learning the ins and outs. But most importantly, you know the importance of giving the customer what the customer wants. After exiting the business, I completed my MBA at NYU and then I went to work for a boutique management consulting firm called Kurt Salmon, which is really focused on retail and consumer and when in-house to one of my clients, the Gap brand, I was head of global strategy at the Gap and then followed by head of finance and strategy at 100 Flowers.

So I've had this my background for investing. It's really been a former entrepreneur I've been in. But during the time that I was at Gap and then one 800 flowers, I started giving back getting involved in the early stage startup world in New York, volunteering and being a mentor at a few different tech accelerators. And by mentoring, I really thought, do I want to start another venture or do I want to invest? And during that time? Uh, coincidentally, I caught up with a friend of mine who became my general partner, Carrie Miller, and we were getting together, getting together and thinking about, oh, we both were thinking about approaching angel investing. But what would happen if we created a fund or more of an institutional fund that was around operational investing, being active investors at a very early stage because both of us loved building companies? And how can we actually be able to help mission aligned founders? So that was my that was my entry point into early stage investing, and this was back in 2019 now.

Speaker1: [00:03:52] Right, so what excites you right now?

Speaker2: [00:03:55] That's that's that's a trick question, because there's so much happening over time, we focus on this intersection of physical and digital world. All these ways to leverage technology to reduce friction. So if we think about better ways for E! Commerce, last mile delivery, smarter, automated workflows in business. Another area that is particularly interesting is this importance of community. So a lot of people talk about Gen Z or under-served markets like Latin X, Baby Boomers. And then obviously with technology is this opportunity to hyper personalize. So we are particularly interested in curated marketplaces, but pretty much innovation is happening everywhere very, very quickly. Some sectors are a lot slower to adopt, and that's kind of where we see particular opportunities. In terms of excitement, it's a great time to be an entrepreneur, but it's an equally exciting time to be an investor.

Speaker1: [00:05:06] Great, 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 that check?

Speaker2: [00:05:15] I would say that the number one piece of advice I would give any person thinking about investing in a startup is really to get to know the team. We spend a lot of time getting to know the startup team. You hear this mantra that it's all about the people. It's people,

people, people. Sometimes the best ideas are worthless, right? If this team isn't able to execute. So we need to know who we're investing in. Why are they the right people? Will they attract best in class talent, VC and best scenes along? It's it's a long game, and it's all about relationships and relationships are very important. Wirtanen, you know, for an investor, particularly in an early stage, it's really important to founders how you can be helpful. So whether or not it's in addition to your check sales, intros, functional expertise, et cetera. So that's one piece of advice. Getting to know the team. The second piece of advice I would give to anyone thinking about investing in startups is to do homework, really know the terrain. I don't recommend anyone invest in a sector just because it's hot. Knowing how startups compare to the competition, you know, are they early or are they late to the market? Are they so early that they'll need to do a lot of market education so really don't necessarily follow the herd mentality just because it's hot? Really get to know the terrain? And then, yeah, I would say that those are probably the two most important piece of advice I would give.

Speaker1: [00:07:05] Great. And then on the other side of that table, what's your advice for people running? What do you tell that CEO to do before they go out to raise funding?

Speaker2: [00:07:13] Number one, I would tell any any person that running a startup that fundraising is actually a core competency for early stage founders. And so it's super important to really know your story and know your story impact when it comes to messaging what the vision, what your startup company does. You, as a founder, really need to be able to explain the problem that your startup is solving, so simply that even your mother could understand it, that I mean, it's it's, you know, treat any sort of fundraise the same level of care, thought and attention as you would any other aspect of your business. So, you know, fundraising is super cord also. You know, those that are looking for funding, you know, today there are so many more options for funding beyond what would traditionally have been in venture capital. If you think about debt, convertible notes or equity. Today we have safes. There's obviously alternative financing vehicles. So technology, there's a lot of revenue based financing. So if I think about the clear banks of the world, so again, thinking about the changes in the landscape, every sector is being disrupted. And now that there are a lot more options for founders to finance their business versus just doing convertible note or equity.

Speaker1: [00:08:47] Right, well, let's talk about the state of startup investing. How do you see the industry evolving from here?

Speaker2: [00:08:53] I think your previous guests have also acknowledged, but there's so much capital across all stages. Again, I think it's an exciting time to be an entrepreneur. You know, in terms of the industry evolving a lot of the trends that when when I launched over 10 back in twenty nineteen, a lot of these megatrends that we were focused on to this quote unquote evolving consumer we had been looking at at the macro landscape. And now COVID pretty much accelerated a lot of these key trends that we were focused on. So when we were doing our original fundraise for our own funds know when we talked about the gig economy and this hybrid work in office. Elsewhere, remote work, it didn't seem to resonate as much as it would today, so the industry ended up itself state of investing. There's a lot of capital, there's just so much stuff going on and I think it's it's a great it's a great time to be an investor as well as an entrepreneur.

Speaker1: [00:10:02] And what do you think is the biggest change we'll see in the next 12 to twenty four months?

Speaker2: [00:10:06] There's certainly a lot of interest in diversity and inclusion. So the DNI, there's a lot of chatter for us as a fund, as an early hedge fund. We will all, we believe, the importance of diverse teams. I've seen it both in the corporate world and I just think it's part of leads to success. We're not an impact fund, but there is a lot of just interest in diversity and inclusion for funding and funding, emerging managers, et cetera. I think I mean, it's still it's probably more chatter than actual right. So I think less than two percent of funding goes to startup founders of color, for example. I think that there's going to be a lot more opportunity there. So it's not so much a white person's game anymore, and I think you're going to start seeing a lot more impact type investing.

Speaker1: [00:11:08] Great. I agree, I think we'll see a lot of more investing into the impact space the world is going to become a must do, not a nice to have in the near future. So we'll see how that plays out. Let's talk about your investment thesis for your fund. What exactly is it and what's your criteria for investing in startups?

Speaker2: [00:11:29] So as you mentioned in the intro, we focus on early stage, primarily seed. I would say that we pretty much have a consistent four part approach to investing. The first is, you know, we're a generalist fund and we look for sectors with massive market opportunities. And those kind of key buckets are next gen commerce, ed tech. So education, tech, the consumerization of health and future of work. And that's the first part, so massive market opportunity. The second approach or the second piece is really about finding the best people with the highest passion for their business and you know, we look for for founders that demonstrate deep commitment to the problem. So would this founder keep going even if funding never appeared? So with this funder break down walls like those are the best founders that we look for. For us, we go as early as possible. So as I mentioned, we focus on the seed round. We like to be the first institutional check. We typically co-invest with another institution for us, going as early as possible. A lot of these companies may or may not have revenue. So for us, we like to see some traction. Even the ones without revenue.

And what does that mean?

Fundamentally, do users love the product and the product could be a product or service so much that they will tell other people about it? That's how much they love it, that this will provide a 10x value to them. So we've actually invested in and of our 15 portfolio companies to date.

Speaker2: [00:13:23] Two were pre-revenue startups, but in both cases they had customers that demonstrated without revenue, they'd pilots. But there was demonstrable paths to monetization. So we gained the confidence in their business models that they would have strong customer traction reducing our investment risk. And then the fourth piece of our approach is really which is special to Overton is we play an active hands on role. So, you know, how can we potentially amplify growth and success? So one of the things that is unique to our fund, so I talked about my code general partner, Carrie, but we have a bench of now twenty two operating partners and these are functional experts. And for every investment that we make, every diligence, we ask a lot of questions, a lot of how questions we really get to know the business. We go deep, we look for those opportunities where we can maximize their success and we will only invest if we can add a creative value. So for example, if a if a company is in their supply chain, we have an operating partner who is an operational supply chain guru or if it's

growth hacking or if it's data science, how to be more predictive. So we really look for ways that we can provide that check. Plus, because it's so important for seed stage, you know, these are early companies and our job is really to get them to those a series, a funding milestone. Those are the four kind of our approach to investing.

Speaker1: [00:15:12] And can you talk about one or two startups, perhaps portfolios that fit that thesis?

Speaker2: [00:15:17] Sure. You know, as I mentioned, for us to make an investment, it really needs to be at the intersection of having both a great product, as well as a called a management team that can scale the business. So I talked about next gen commerce. So what does that mean? More specifically, we're very interested in live and social commerce. So there's this evolution of commerce becoming how people shop and socialize online. One of our portfolio companies is called Paloma, and what Paloma does is they help e-commerce businesses sell directly to consumers using Facebook or Instagram Messenger. So they have this this automated, chat based personal shopping conversation. And what ends up happening is that you see a much higher interaction between brands and consumers. So in terms of a propensity to purchase, so it's the social commerce aspect. Another I mentioned consumerisation of health. You know, one of the big trends that we look at, we look at aging population. We know that boomers make up over 20 percent of the U.S. population. You know, older adults are going to outnumber younger adults. One of our portfolio companies is called Joy Lux, and what joy Lux is doing is they're disrupting this enormous yet underserved intimate health market for menopausal women. And so what they do is they offer high tech devices, digital tools, consumables to address menopausal related health concerns. So we're we're looking for niche but large market opportunities that might be unserved or untapped.

Speaker1: [00:17:17] Great. Well, there's a lot of challenges out there for both startup and investor. Where are the main challenges you see your startup facing in today's market?

Speaker2: [00:17:25] I think I started off our our discussion around the importance of team, and it's about the people. Well, I would say that the hiring strategy and really rightsizing the team early on. So I'm hearing from we're very active with our 15 portfolio companies and finding the right talent is a challenge. And knowing when to move from a contractor to ninety nine to a full

time also is not always clear. So being able to source finding those product engineers, especially when they're so in demand and can always pay for the best talent and, you know, go to market challenges. I mean, I think at early stage they're still trying to figure out their channel distribution or marketing strategies. What's the most effective way to communicate? Are they buying customers or is it organic? And I would say that probably the third kind of key challenge that I'm seeing and just across the board is how these startups stay focused and just continue with that North Star being able to actually track the milestones, having KPIs and at the end of the day, really listening to their customer.

Speaker1: [00:18:51] And on the other side of that table, what's the challenge investors face in today's market?

Speaker2: [00:18:56] When you're looking to invest in a company, you know, does the company have a game plan? Does the founding team have a game plan? Do the unit economics make sense or are you paying? Are you basically investing in growth? But at the expense of the bottom line is there, is there a short term path to profitability? I mean, that's one thing that we look for for any of our businesses. Unit economics really have to make sense. And again, as an early stage investor, it's our job is to get our portfolio companies to the next round of financing. So it's really important to be clear of what are those milestones and how can you as an investor in addition to your capital check? But what can you do to be helpful? So intros to other funds or other investors or sales introductions? And then actually one one last challenge that I think and I'm seeing a lot now and I'm sure you are as well, Hall is this valuation frothiness because there's so much capital and there's no longer any lane clarity between who's a AVC, whether or not it's a venture capital or private equity, or the fact that Tiger Global is one of the this hedge fund is now the most active investor in early stage fund like early stage funding is crazy. So with this frothiness and companies almost raising too much money as an investor, be on the lookout for potential down rounds. So those were probably the three challenges that I would be on the lookout as an investor.

Speaker1: [00:20:44] Right? Well, you've mentioned several sectors that you play in, but if you had to pick one or two out of everything in the market today, what would you think are really good opportunities for investors to pursue at this moment?

Speaker2: [00:20:57] Number one, I mentioned just the aging population, so very interested in aging in place, really look for platforms around advanced care, end of life planning. I think there's a huge opportunity there. Also, digital collectibles, not necessarily the NFTs, and we're thinking about nonfungible tokens, but. Combining this social shopping platforms along with marketplaces, one start up that we're not in invested in, but I think it's a great business model is called loop tech. And what that is. It's a shopping platform, livestream shopping platform and marketplace for sports card collectors to basically come together with shared interests. So it's a curated marketplace. You're able to exchange digital cards and so forth and really think that there's a huge opportunity in digital collectibles. So those are kind of two subsectors. I'm particularly interested in.

Speaker1: [00:22:03] Cool. Well, in the last minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:22:09] You asked some pretty good questions. I think at the end of the day, my advice is at least one of the things that I love about early stage investing is it's about giving back, and it's very a lot of good camaraderie. So being able to not only give back and being, you know, sharing resources and deal flow of, I found that it's a very collaborative space. So.

Speaker1: [00:22:37] So how best for listeners, get back in touch with you?

Speaker2: [00:22:41] So I'm definitely open to interest. The best way is probably to go to our website over 10 weeks, or they can shoot me an email at Michael at over 10 BC.

Speaker1: [00:22:57] Right, well, include those in the show notes, want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker2: [00:23:02] Paul, thank you so much for having me. Had a good time chatting with you.

Speaker1: [00:23:12] 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 DAUG. Paul T. Martin is the director

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