

## Carlos Gutierrez of Simma 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. 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. They were here with Carlos Gutierrez, managing partner at Simma Capital, SimmaCapital. Invest in early and growth stage companies that are co-founded by outstanding teens or scalable, have solid unit economics and are connected with Colombia and the rest of Latin America. Carlos, thank you for joining us.

**Speaker2:** [00:01:03] I have thank you for the invitation, and thank you to all your listeners for your time.

**Speaker1:** [00:01:07] Great. So tell us more about your background before investing in early stage companies.

**Speaker2:** [00:01:13] Well, because I was young, I was entrepreneur, I was the guy that sells pretty much everything in this cool so bubble gum brownies sandwich, whatever I could, I try to sell it in as cool. And then in the university I I tried with a few business. I made a distribution business. I made a bar. Of course, I broke both of those business. And then I found I find some like minded people to whom I made my first investments. So I started investing in in venture capital around nine years ago. First of all, with a private group that is called EMPICS, that is my cell phone for other partners. And with that group, we we start investing in this in this sector.

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

**Speaker2:** [00:02:06] Well, right now, I'm very excited about fintech, edtech and. I'm a little bit excited about pet tech. I think that sector is very interesting to go a little bit deeper in that sector. If three out of the five countries that have most pets versus people in the country are in Latin America, it's Colombia, Mexico and Brazil. So our proportion with pet is huge. So pretty

much everybody here has a cat or a dog or something like that. And I think that's a huge market that is underdeveloped right now. And I think that the market is going to move a little bit. Kind of like the Japanese market, in the pet, in the pet sense. So people is having less kids. If people is caring about their pets a lot, a lot more. So they are investing a lot more in their pets. And I think there's going to be a very big opportunity in that market. But aside from that, of course, fintech, well, there's a huge, huge opportunity. Even now, the market is huge, but there is a lot of people still that that doesn't have access to the financial services here in LATAM. So let's say for an example, in LATAM, around eighty one percent of the economy is still moving cash. But in the states, it's twenty four. And in China is 18. So of course, there is a huge gap there. There's a huge opportunity there. So there are a lot of things to do there. And I think I just think that a copy just shows us that the traditional education works but is not the best that we can do. And we can help that education with some e-learning and with some hybrid models, so we can help a lot of more people to have access and have quality education.

**Speaker1:** [00:03:59] Great. We see a lot of startups and investors in the Latin sector. What's your advice for people investing in startups? What do you tell them to do before they write that check?

**Speaker2:** [00:04:09] Well, I think that first of all, I think they need to think about their taxes, their investment taxes, even if you are going to invest as an angel investor is only your money. I think it's important to know that being diversified. This is a very risky, very risky sector. So normally you need to invest in around 20 companies, at least 20 companies, to have a diversified portfolio. So if you're going to invest in 20 companies, well, you need to make 20 checks or you need to be sure that you have the money enough to do those checks. You have to do it in some time frame. So it's not like in 10 years, it's more like three to four years, something like that. So it's more like a portfolio. Maybe some sectors, maybe there's some diversification that comes with each person. So of course, if you are a person that works in the transportation sector, will you have more knowledge in this sectors or probably you're going to invest more in that sector? And that's totally fine. But of course, it's good to have some diversification and go to another sectors, maybe in some occasions, to countries. But I think that if you're going to invest in the states, well, you have a huge market, so there is no need for that. But I think the first part is definitely to see a little bit about your investment thesis, what you want to invest and to look to your portfolio that you think will be the best one so you can bring the thought to

now and execute on them. And besides that, well, you need to, of course, look to certain characteristics like theme like network, the size of the market, the industry and, well, all of that.

**Speaker1:** [00:05:50] Great. And then on the other side of that table, what's your advice for people running startups in the Latin sector? What do you tell them to do before they go out to raise funding?

**Speaker2:** [00:05:59] Well, in the LATAM sector, I would think that, first of all, they need to think big. Most of our countries are small countries and even in some cases they can have some big industries. The reality is that probably you need to work in many countries at the same time to have a good market. And if you want to compete against the states, against Europe, against China, India, well, you need to have pretty much all of Latin America as your market. So first of all, think big. Second of all, most of the investors are financial people. If not, they have financial advisers. So I think that's a topic that most of the entrepreneurs are a little bit bad on the topic, but most of the investors are very good on the topic. So I think there is a big gap there. And you don't want to have problems in what the other person is very good at it. So a little bit of work in your unit economics and your financial models in your projections. And I think that that will help a lot.

**Speaker1:** [00:07:03] Right. So let's talk about the state of investing in Latin America. How do you see the industry evolving from here?

**Speaker2:** [00:07:11] Well, I think it's a very exciting moment right now. The industry is pretty much booming in Latin America. The ABC invested in the region is breaking all records in the last four years in succession. And I think that in the next few years, we're going to see a lot of exits and maybe some IPOs. That is not that normal for Latin America. Especially in the tech ecosystem and with those exits, I think we're going to see a lot of new angel investors, a lot of new entrepreneurs, because executives of those companies are going to go out, are going to cash out, and I'm going to try to go to new companies to fund new companies. And we're going to see a lot of returns to the early investors in these companies. And I think the ecosystem is going to have a very big, big jump. So I think it's a great, great moment to be in Latin America. Our population is twice the size of America. Our per capita is twice the size of India. So I think

we have a good mixture in terms of sector. And yeah, I think the opportunity here is very, very big at the moment.

**Speaker1:** [00:08:18] Rain, so what do you think is the biggest change you'll see and say the next twelve to twenty four months?

**Speaker2:** [00:08:24] I think the biggest change is probably going to be liquidity. I should mention I think they're going to be some some exits in the near future. I think rapidly the Colombian unicorn that we are investors in probably is going to make an IPO in the next 12 to 24 months. And we are seeing that also in some companies in Mexico and Brazil. And that is going to move a lot faster the ecosystem and that's going to bring a lot of air and it's going to bring a like a sense that it can be done like. That is the first unicorn of Colombia. If they go to our next, they make the IPO. It's going to be a very huge thing because it will show everybody that there is an opportunity in this market that you can do it. That even though if you are in Colombia, there is not that big of a market, you can create a great company and that there is a big opportunity there that is not only crazy risk and crazy things, that there is a real market there.

**Speaker1:** [00:09:26] Great, well, let's talk about your investment thesis for your fund. What exactly is it and what is your criteria for investing?

**Speaker2:** [00:09:33] Ok, so A. There is the font that I'm running right now, we are going to invest in twenty five to 30 companies in early stage, so in seed to serious A.. Normally we invest around 100 to 150 K per company. So in those rounds, we are co-investors. We are not leading investors. Normally we are. We're looking for companies with traction at companies that have already proved their market. They have a product market fit that they have a service that is fixing a real problem in the community or in the world. And we're looking a lot into a team, so we hope for a team of two or three people and we hope that there is a woman in the team that they have knowledge in the sector and if they are a serial entrepreneur, is pretty much the the best quality that we can find in the moment. We are also looking for ambitious people and all of that we are looking at in in very big sectors. So even if we are agnostic, we see all all the sectors and all the opportunities we prefer the sectors that we know that there is a big opportunity because there is a big market. So we prefer a fintech, SaaS, proptech and health.

**Speaker1:** [00:10:54] Greg, can you talk about one or two startups you funded that fit that thesis?

**Speaker2:** [00:10:59] Yeah, sure. One of those companies that I'm very proud of it, and I think it's going to be a huge company. I'm a little bit scared to say it, but I will bet that it will be a unicorn called bold. It's a financial service company. It's a platform for payments for small and medium enterprises. So they start like square started like around, I don't know, eight to seven years, something like that. So they are starting with the impos system. They also have links for payments and all of that services right now. They are going to expand to open bank accounts for these companies and to give credits to them also. This company has been in the market, I think, for only. And they lived longer than a year, but they have already well. More than 30000 small companies already as clients. The GMB is incredible. The entrepreneurs is all that I mentioned and more. They are super analytic. A great person. Even now that they are raising a very big round and they have, well, very big investors, they listen to us, they are open minded. So I think that bold is going to be one of those home runs, probably.

**Speaker1:** [00:12:18] Right, so you see a lot of stripes and a lot of investors, what are the challenges you see the Latin stars face to launch their business today?

**Speaker2:** [00:12:27] Yeah. In Latin America and especially, there is a few problems. First of all, there's a bureaucracy here. And so that can affect some markets. And also, there is a problem with legal structures. So let's say, for example, in Colombia, it's very easy to open a company. It only takes around three days to open a company and you can already have the the bank account and everything settle in those days. But. To raise money is very difficult in Colombia. There is a lot of law for laundering money. There is a lot of love for the number of associates or partners that you can have for the number of investments that people can make you for the number of loans that you can have. So there is a lot of laws that are a little bit restrictive, and the legal structure in Colombia is a little bit harsh to raise money for these kind of models. So just to give you an example, I have invested in around twenty five startups by now with the index with Tema and some angel investors. Well, we are in rapid that is the unicorn of Colombia. But of those twenty five investments, only one is a legal structure in Colombia. Twenty three are legal structures in Delaware and two others are in Europe. So that shows that there is really a

problem here for for this kind of business, for the legal structure that right now, the solution is well to to do it in Delaware or in our region. But. It is a problem, anyway for some, for some entrepreneurs that maybe don't have access to to lawyers in Delaware or don't have good English, or they have the money to create a company here and a company there. So it is a restriction right now

**Speaker1:** [00:14:19] Right then where the challenge is for the investor in the Latin America startup start up seeing.

**Speaker2:** [00:14:26] Well, right now that I think is going to be the biggest change are the exits. They are not done many exits at the moment, but I hope and I think that there's going to change like a manager in the next 12 to twenty four months. Also, our corporations here are a little bit behind the time if you see the corporations in in the state, the amount of money that they invest in R&D and in acquisition or mergers. Oh, it's proportionally it's huge compared to the to the money that a corporation invests in Latin America. So the big corporations here are still very slow in acquiring new technology in maybe acquiring some of these startups that I think could make a huge change for them. And, of course, a huge change again for the ecosystem. So it's still I see that there is a little bit of a gap there that we hope it will close in the next few years. And I think that the challenge probably is is the network and the investors. Sadly, in Latin America, the normal investor is very conservative, so they think, well, this business is risky, is a risky business, but they see it pretty much like, like a crazy thing. Let's put it in that world. So they see it like like if it's a pyramid or a scam or something like that or so. We need to teach people we need to teach the investors that there is an opportunity here to show the market because at the moment, I think that. More than 90 percent of the venture capital money that is in Colombia is from the states, and that's good for the for the state's investors. But of course, many of the entrepreneurs that doesn't have the network with the states, well, they are in a very big, big disadvantage and sackable of all the investors in Colombia. And LATAM are losing great opportunities to invest in their own countries and in their own ecosystems.

**Speaker1:** [00:16:31] Right. So earlier, you talked about several sectors that you focus on, if you had to pick one that is the best subsector or application in the Latin American market to pursue, what would you call out?

**Speaker2:** [00:16:43] Well, the best subsector, I will say that at the moment, it really excites me a lot. I think that in the big sectors like health, edtech and fintech, as I mentioned, there are great opportunities, but there are some two sectors that are being left behind and maybe are not that big like the other sectors. But you can grow some huge companies in there anyway. So, yeah, are definitely is one of those. And well, I think probably e-sports is one of those also that is going to be booming in the next years. And there is pretty much anything right now in Latin America, in esports,

**Speaker1:** [00:17:27] In the last few minutes that we have here. What else should we cover that we haven't?

**Speaker2:** [00:17:31] I just want to remind our listeners that there is really big opportunities in LATAM and right now if you see the numbers because there is a huge gap in the investment money that is being invested right now in LATAM and in the quality of the companies and entrepreneurs right now. So let's say we are a small fund. We only raise four million in this first fund. And but we are seeing the top companies in Colombia and in LATAM just because they are not that many investors here. So right now, there is a huge gap that it means that there is a huge opportunity for investors. I think that there is probably space for eight to 10 x, the amount of money that is being invested right now in Latin America. So if you see the state's market for an example, there is a lot of competition. There's a lot of B.S., a lot of angel investors. And of course, the opportunities are still huge. Nobody does that. But you need to compete a lot to get into those opportunities and well, you are seeing that very famous entrepreneurs. They don't even have to do a pitch. They just raise rounds like crazy. That doesn't happen in Latin America. So there is a big chance here that you have some connections or if you can come here and see the ecosystem or something like that, probably you will be able to invest in the top five percent of the entrepreneurs or something like that very easily. And you don't need to compete with that many investors.

**Speaker1:** [00:19:03] Great. So how best listeners get back in touch with you?

**Speaker2:** [00:19:07] Well, I think the best way is LinkedIn, you can search for my name. Carlos Felipe Gutierrez or also you can search for for my company and see my capital.

**Speaker1:** [00:19:17] 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:** [00:19:23] Thank you, Hall, and thank you to all the listeners.

**Speaker1:** [00:19:27] 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. 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.