

Fred Walti of Network for Global Innovation

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 investor connect the day we're here with Fred Walti , CEO of Network for Global Innovation. The Network for Global Innovation is an international network of entrepreneurial support agents. Its mission is to accelerate the expansion of new sustainable technologies while simultaneously generating significant economic growth in both developed and emerging markets. Fred, thank you for joining us.

Speaker2: [00:01:07] Great to be here.

Speaker1: [00:01:08] All right, so tell us more about your background. What did you do before you got involved with the early stage companies?

Speaker2: [00:01:15] Well, I've really had three careers, the first one was as a professional motorcycle racer, believe it or not. And it taught me how to win and the difference between crossing the finish line first and second. Then I was a an ad man on Madison Avenue, working for large global advertising agencies. And I can tell you it was nothing like the Mad Men TV show. I wish it had been. And then finally, I've been pretty much an entrepreneur for the vast majority of my adult life. I've tried to create or have been part of a management team and created 11 different companies, some of which got off the ground, generating some revenue generated little traction. A couple of which made a lot of money in one made a fair amount of impact. So 11 years ago, the mayor of Los Angeles asked me to lead the city's effort to develop a innovation hub around sustainable technologies. We created the Los Angeles Clean Tech Incubator, which became the center of LA's sustainable technology. And I ran that for six years and evolved that into the network for global innovation.

Speaker1: [00:02:25] Right, so what excites you right now?

Speaker2: [00:02:28] Well, I think we're at a tipping point. I've spent the last 10 years in climate technology, sustainable technology, green, whatever you want to call it, and I think we're at a really key tipping point because I think that that sector, which has always been tough to get investment in for a lot of reasons, we'll talk about that in a minute is about to become economically viable and really, really grow. So I'm pretty excited about the entire sustainable and climate technology sector. And of course, it's been the fastest growing sector globally for quite a bit of time, but that's been led really primarily through solar and wind installations.

Speaker1: [00:03:07] Right? Well, you see a lot of startups and a lot of investors in the sustainability space. What's your advice for people investing in startups in this sector? What do you tell them to do before they write that check?

Speaker2: [00:03:18] Well, I probably worked with over 100 really early stage sustainable startups, and my rule is management team management team management team. It's hard sometimes to predict where the technology is going to go, but it's pretty easy to understand when you meet bright people and committed people. So I think the most important thing is really understanding and getting to know and having chemistry with the management team and in making sure that they're looking to have something more than money. That's what you my best. My advice.

Speaker1: [00:03:52] Hey, did on the other side of that table, what's your advice for people running startups in this sector? What should they do before they go out to raise funding?

Speaker2: [00:04:00] Well, I think being able to tell your story is the most important thing and be able to tell your story in less than 10 minutes and understanding the investment environment and what it's like from an investor's perspective is critically important. Obviously, I think the most important thing that startups can do is watch every penny they have, you know, treat it like it's never going to come again. And that's especially after they get investment. I've seen so many companies that get an investment and they kind of open up the floodgates in terms of cash flow. And that's that's a bad thing because cash flow is once again in the sustainability world, where it takes roughly 10 years to exit investment versus six or seven. In

the normal world, you're going to be going for a long time and you've got to really have that in mind.

Speaker1: [00:04:49] Great. Well, let's talk about the state of investing in the sustainability space. How do you see the industry evolving from here?

Speaker2: [00:04:56] Well, I think it's going to name a sector battery and energy storage, transportation, the built environment, all of those are really going. It's a very different sector from where I came from. I came from the world of internet software where, as you know, you can make an impact like that. You at least can tell if you're going to be successful within months. Know not so in the world's sustainability in this. That is where much of it is deep tech, hard tech, bend metal, make products and it takes a while to build those companies. And it also takes a while to get to work with governments and utilities and tie that in. So I think that that's the tough part of it. And for that reason, it's always had a hard time attracting VC investment. And I'm not sure that the VC investment traditional U.S. investment model is right for early stage clean tech companies. The two and 20 really focus and make large investments attractive for VCs, and much of the folks that I've worked with are small investments 10 five, 10 15 20 million dollars.

Speaker1: [00:06:05] Right? Well, the last time the VC industry put a great deal of money in sustainability, especially batteries in those things was about 10 years ago. And overall, it didn't go well at that time. It seemed like the technology did not deliver this. I heard that from many investors. What was your take on that?

Speaker2: [00:06:23] Well, I think that proves my case. I think that, you know, it was applying the rules of investing in the internet and software space to investing in the hardware space and the deep tech space and just takes much longer. And they weren't prepared for that. And it didn't. And you know, this is even though we've been involved in this for 10 years, it's still a very embryonic market. The technologies are changing all the time. Hydrogen is coming in now for a whole range of things, whereas a year ago nobody was talking about hydrogen. Now everybody is looking at hydrogen because we're starting to understand what it's going to take to get to net zero and getting a net zero carbon is what's driving this industry, and it's a huge opportunity.

Think of the entire world's economy transitioning out of carbon. And if you're in the business of helping that, that's a good part of the world, good part of the business world to be in.

Speaker1: [00:07:20] Right. So what do you think is the biggest change we'll see and say the next twelve to twenty four months in this space?

Speaker2: [00:07:26] Well, I think that the transportation business is going to really take off. I think that we're going to cross, you know, talking about that tipping point in electric vehicles, that tipping point is charging stations and getting over the fear of range. And I think that's going to, you know, some people are predicting that within less than 10 years, every car that's sold is going to be electric for lots of reasons. And I think that that's going to really accelerate. And everybody, I think, is pretty much behind that.

Speaker1: [00:07:57] Great. So tell us more about your investment thesis and what you do there. What exactly do you look for in startups that are coming into this space and ones that you coach and work with?

Speaker2: [00:08:08] Well, as you know, networks global innovation is not an investment organization, is an organization that helps clean tech entrepreneurs around the world, but we facilitated a lot of it in investment. And so I think that what I try to focus on is portfolio approach. I place lots of multiple small bets across the range of sustainable technologies. And I think that for me, well, it's not a novel approach. It's the one that balances risk in this kind of environment where there's so many interesting technologies, but ones that could emerge today and kill the one that we thought was really great. A year ago, so my my approach, my recommendation is to really develop a portfolio. Having said that, you know, I think it's hard to deny that the world of energy storage, whether it's batteries or or other types of storage, is really the key technology requirement to really change the game on a whole range of things. And we've seen the cost of batteries coming down by 10 or 15 percent every year. It's going to continue. They're all different kinds of of technologies beyond lithium ion batteries that are coming up now, so it's really pretty interesting.

Speaker1: [00:09:21] So you mentioned a little while ago about the, you know, some of the challenges the startup faces. You have to deal with physical things and real physical items,

hardware and so forth and like software, which is a little bit less complicated. But in general, what do you think are the challenges that started SpaceX in launching their business these days?

Speaker2: [00:09:40] The challenges really haven't faced haven't changed. It changes a little bit by sector, I think that the challenge for start up is to find a real problem to solve and to be able to find a management team that understands that problem. And that's been that's true on any sector. The difference between that and the sustainable world is there's this thing called infrastructure. Many, many products and technologies tie into utilities, government, so forth and so on. There's a great deal of technology coming out of university, so the ecosystem to support clean tech innovation is much more complex and it takes longer and it takes a degree of skill to and patients to maneuver through much larger organizations.

Speaker1: [00:10:23] Great. Then what's the challenge for investors in this space? What do you see them struggling with?

Speaker2: [00:10:27] Same thing is a long term play. People call it impact investing, and that's just another way of saying it's going to be a longer term play and it's going to change. But that's really the most important thing is to understand that it's a different ballgame. I think it's going to be a huge opportunity. I think it's going to be perhaps the biggest business on the face of the Earth, but it's going to take us a little bit of time to get there. And for those who really see and understand that, there's a lot of reward to be reaped and you know, Tesla is the perfect example. When the company started, nobody thought it vehicles were going to be anything.

Speaker1: [00:11:04] Right? So you mentioned several sectors in the sustainability, space, transportation, storage, et cetera. If you had to pick one or two that you think are really good opportunities for investors to pursue right now, what would you put at the top of the list?

Speaker2: [00:11:17] I would put energy storage at the top of the list. I'd look for companies that had really unique solutions to energy storage, either applicable to transportation or applicable to the utility business. That's what I would focus on, because that's the most important thing

Speaker1: [00:11:31] Is that because the technology is moving forward or that's just becoming the critical component that everybody must have.

Speaker2: [00:11:38] Yes, technology is moving forward and it is the most critical component. And when things are the most critical component, more people focus on that and it's the key to so many things. So I would look for innovative approaches to energy storage. Pick your field of play, transportation or utility scale utility storage. And that's where I would look great.

Speaker1: [00:12:03] Well, in the last two nights that we have here, what else should we cover that we have in?

Speaker2: [00:12:07] Well, I think that I'm very optimistic about the future, even though it scares the heck out of me. You know, I mean, I think the more we learn about climate change, the more we understand the fear and the destruction it can have. That's also an opportunity, isn't it? You know, and it's great to work on something that makes an impact. It makes a difference. And the whole sustainability world, you know, I think, is the place for young people to focus on because not only can you make money that's important, have fun and do good, those three things are capable of taking place. And that's kind of the mantra for my life, and I encourage it for other folks.

Speaker1: [00:12:46] Great. So how best for listeners to get back in touch with you?

Speaker2: [00:12:50] I think email is my favorite Fred at energy giant org. That's the best way

Speaker1: [00:12:57] I'll put that 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: [00:13:02] I look forward to. It's been great. It's been really interesting.

Speaker1: [00:13:05] Investor Connect helps investors interested in startup funding in this podcast series experience, investors

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