James Pringle of Goldsmith Ventures

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 that 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: [00:00:43] Well, this is Hall Martin with Investor Connect today, we're here with James Pringle, managing partner at Goldsmith Ventures. The Goldsmith Ventures Fund one is targeted exclusively at investors who understand the risks of investing in early stage businesses that can make their own investment decisions. James, thank you for joining us.

Speaker3: [00:01:00] Thanks. It's my pleasure.

Speaker2: [00:01:02] Great. So tell us about your background before investing in early stage companies. What did you do before this?

Speaker3: [00:01:08] Yeah, sure. So I quite I was quite fortunate, really, in the fact that when I was quite young, sort of 19 20, I realized that I wanted to be involved in the tech space. But I'm not a software developer, although I've done a few Udemy courses and things like that, I'm not cut out for that. So I had to sort of look at the sector in a slightly different way and think, how am I going to be involved? And that was really through sort of sales and product and growth roles. So the first thing I did was actually start my first company, which was an app where you could book events and that got me hooked. I just bootstrapped. It didn't raise any money. But yeah, it was a good kind of cutting. The teeth made loads of mistakes, and I did that alongside my studies. Once I graduated, I decided to go and work for someone who had raised VC money. So go and see what it's like to be a few steps further along than I had got with my company. And we went through seed camp in Europe, which is one of the top accelerators here. So it's it's kind of like why C, but not maybe as well known, but it's it's pretty big in Europe. And that was a great experience to be in the same building as lots of founders, angels, VCs, developers, designers, etc. Just to be in that environment was amazing. So I stayed there for a few years and then I founded my own company again, and it was a SAS business focused on media companies.

So our clients included people like the New York Post, Mail Online, The Telegraph, Bloomberg, LADbible and lots of other media companies. Again, we raised angel money. We then raised VC money, and then we were acquired in 2019 by one of our video advertising partners. It wasn't a life changing exit, but it was a good outcome and that was a great journey. That sort of five and a half years I learned so much. It wasn't necessarily the best business, but as a result, I had to really work hard to make it work. And so I just learned so much about marketing, sales, hiring, fundraising, etc. Once I finish that, I knew that I wanted to go onto the investment side. I'd raise money and being part of companies that raised money. And I love being around founders that were doing extraordinary things and were probably better than me actually executing. So I wanted to be on the kind of stock picking side of the industry. So I started to apply for some VC roles, and I realized I wasn't going to be doing much in those roles. I wasn't going to be making investment decisions. I wasn't going to be on investment committees. I wasn't going to meet limited partners in the fund. I wasn't going to be doing the operational side. So I wasn't sure what those roles would actually do to help me progress. So I set up an angel network, and that's that was my first move into being on the venture side of things.

Speaker2: [00:04:19] Great, so what excites you right now?

Speaker3: [00:04:22] Well, in the UK, we have a few sectors that we think we've got some maybe marginal advantages in over some of the other markets. So fintech and inshore tech are particularly strong in the UK. We've seen fintech be quite, you know, dominant. Lots of amazing companies have come out in the UK and that sector and ensure tech well. The insurance is always been kind of centred out of Lloyd's of London. And so we see the fintech expertise and the insurance expertise kind of creating a lot of unicorns in the UK, which is really exciting. So we're kind of focused on those sectors. They are quite institutional, but they're super scalable, really exciting, and often they impacts everyone. So when you invest in the company and then you see your company's TV advert six months later, it's pretty exciting.

Speaker2: [00:05:18] Cool. Well, 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 first cheque?

Speaker3: [00:05:29] Yeah. So actually, by running an angel network, we're often sort of the first sort of partner with people who are doing their first angel investments. So we've made a real conscious effort to reach out to employees at unicorns and who have maybe made some money from stock options and things like that. So we are often working with people who are doing their first angel investments. And what we say is, you know, if you're going to do a hundred thousand pounds or dollars in a year, then maybe that should be across eight or 10 deals. You know, don't don't put too much in one basket to begin with. And then over time, refine with your own pattern matching and knowledge. Then you can start to maybe do 20 K in five deals the year after and then maybe 30 K and four deals the year after. So it's kind of a process of building that portfolio. I think also there's the kind of rise of the solo GP, which is general partner at a VC, funds and rolling funds and things like that. It's all kind of a trend at the moment. And so a lot of people who are angel investing are doing it with a view of the future of them actually maybe becoming a fund manager. And so again, the recommendation would be to put a few eggs in different baskets so that you can develop that track record.
You have stuff to talk about when it comes to your returns or track records. No one's really going to mind if you put in five or 10 or £20000 into that company. The fact that you put your money into that company and put your own skin in the game when at a point in your life, where maybe you weren't super super wealthy, but you took that risk and back to that company and it had a good return, that's always going to look good on your track record. So our advice is make sure you diversify a little bit. And we'd also say, you know, we're probably slightly biased. We work with angel networks. We put a huge amount of effort into filtering and curating the deal flow. We see thousands of decks a year basically, and we do one deal a month. So it's a very selective model. And by being part of Angel Networks, you get to see some of the best deals in the market, which you might not otherwise otherwise see on crowdfunding websites, or because your mate sent it to you. So that would be another piece of advice, for sure, right?

Speaker2: [00:08:00] And then on the other side of that table, what's your advice for people running startups? What do you tell that CEO to do before they go out to raise funding?

Speaker3: [00:08:09] Well, nothing beats traction. I would say so. Even if you're prelaunch, you can have a wait list. If you'll B to C, you can have letters of intent. If your B to B, there's always something you can do to show validation of your idea. So an idea and a pitch deck, OK? An idea in a pitch deck with traction and have really good traction. Slide showing a graph going to the top right on your kind of North Star metric. That's much more exciting. But for your first round, for your pre-seed round something around traction, we have to see a growth mindset from founders from day one to really get excited. Beyond that, if you're raising a second round seed round, there are lots of things, you know, making sure you have a really clean data room, making sure your pitch deck is optimized for converting to meetings, not for trying to sell the whole vision in one go. Those are all things that are useful for founders to think about. So it's yeah. Traction Deck that converts to meeting good pitch on meeting practice, lots of pitching and then a data, a good data room as a follow up. And you know, the top angel investors that generally high net worth, you know, they don't have time to do much more than that. You know, you might have two, two or three meetings maximum, but they're not going to drag it out much further than that. If they like you, they like the vision, the data rooms clean and they've booked a meeting. They've heard the pitch. They're usually ready, ready to commit. So it's it's not rocket science, but it's just a process that people need to learn. And and again, working with angel networks and capital introduces and things like that can often help because we do it day to day, so we kind of know what works.

Speaker2: [00:10:01] Well, that's good advice, so let's talk about the state of startup investing. How do you see the industry evolving from here?

Speaker3: [00:10:10] Yes, a really good question, I mean, there's so many things changing at the moment, as I said earlier, that's the kind of solo GP trend, which is really interesting. We've seen massive funds raised in the US and in Europe from individuals. We're also seeing the rise of the the operator V-C, which again, I think is really interesting. I was just listening to a recent episode of yours and the GP was, you know, operated by background sort of had to be teased into being a VC. So we're seeing that, and I think that's a really positive sign. There's also that kind of marrying of operator with sort of finance person, which is important. And then, you know, impact is obviously a widely used term. There's a lot of. Greenwashing to some extent, but there is also a lot of amazing stuff happening with entrepreneurs genuinely trying to fix world problems that are going to improve people's lives, improve the health of the planet, improve creativity. There's so much happening, it's really exciting. And then there's Web 3.0, which is a whole another bracket of stuff that's going on, which is which is crazy and exciting and requires a little bit of, you know, vision to really get on board and get excited about whilst also still holding onto a little bit of cynicism. Healthy bit of cynicism, I would say. So yeah, there's so much happening. It's super, super exciting time to be involved in tech.

Speaker2: [00:11:47] And what do you think is the biggest change we'll see and say the next 12 to twenty four months?

Speaker3: [00:11:52] 12 to 24 months, I think. Well, one thing we started to see a lot more of which I think will continue is secondary is being really popular. So this is when early stage investors and founders and early employees actually get bought out, maybe before an IPO. So the traditional route to liquidity for early investors or founders would be taking the company public. But I think we all know that that doesn't always happen or it takes a very long time. And we've started to see secondaries, which is people buying shares to return that capital to the individuals, not the company. So we start to see a lot more secondaries. It started in the US, so it might not necessarily be new to to some of your audience, but in Europe it is quite new and it and it's happening a lot more often. And I guess that's another really exciting thing for early stage investors because you might not want to stay on the bus all the way through to IPO and beyond. Obviously, your returns will naturally, you would expect to be pretty good if you did. But recycling capital and having that opportunity for liquidity and to make things real is is very important. Not everyone can afford to have a 10 or 15 year time horizon, so secondaries is a really interesting trend and I think we'll see a lot more of that. And it's I'd say it's probably one of the biggest trends in the sort of early stage venture space at the moment.

Speaker2: [00:13:31] So secondary is really blow up big and become a robust market. Do you think that's going to enhance early stage investing because investors know they can get out earlier if they need to?

Speaker3: [00:13:43] I think so, I think it's a really healthy move for founders and early stage investors. So yeah, why not? I think we're going to see people specializing at different stages within the company lifecycle. So again, this is probably not that rare in the US, but it's starting. It was rare in the UK and Europe, and it starts to become more common, which is specialist

technology or software. Private equity companies that specialise in secondaries. We didn't have many of those in UK and Europe until quite recently. And those that did that have been incredibly successful, buying up companies around the sort of three to five hundred million market cap placed and then preparing them for exit or IPO at the sort of one to five billion market cap space. You know, they've had huge returns on that, but also those people that were bought out have now had the opportunity to reinvest into other things that have maybe 10 or 20 or 30 or 40 XT in that period. So it's not necessarily a bad trade for those people that came off and and received some liquidity. So I do think it's a really, really positive move.
One of the biggest. Investor restrictions on early stage private market investing is liquidity, and it's always a question you're asked as a general partner or as a deal manager is what's the timeline on this deal? And I think we all kind of have a generic answer, which is its long term investing. It's illiquid. Expect seven to 10 years, and that's a generic answer. That's not particularly helpful. Now, I'm not saying that answer him will change, but what may happen is you may start to develop, you know, a particular deal managers or funds, which will say we can almost guarantee this will be a five to six year time horizon because we have a really strong relationship with the SECONDARIES Fund and they specialise in the same sector as us. So they often will come in once our companies have matured to the right level. And that becomes really interesting because as I said earlier, you get a recycling of capital into early stage with people who want to take the risk but can get out and then redeploy quite quickly. And that creates a flywheel.

Speaker2: [00:16:05] Great, well, let's talk about your investment thesis for your fund. What exactly is the investment thesis and what are your criteria for making an investment?

Speaker3: [00:16:13] Yeah, so obviously, I started with the Angel Network, the investor network, which is now one of the UK's largest, so we have over 500 members, which is great and it's very active. From there, I co-founded my first VC fund. Loup Ventures did fund one deployed into eight companies, personally sourced the majority of them, but then I decided to leave and go solo GP. And so I'm in the process of launching Goldsmith, which launches in April 2022. So we invest in fintech, proptech and inshore tech. As I said earlier, they are sectors we believe the UK is very strong in and there's lots of access to capital talent and knowledge in those spaces. This side of the pond, our thesis is really that it's very competitive at Series A in those sectors. It's less competitive at seed and late seed. So those are the spaces we the stages we focus on. Um,

there aren't that many specialist early stage funds, and if they are there B to B or B to C, they're less kind of sector specific. So we see an advantage in being much more sector specific and we look for things like founder market fit, so it fits finance. Someone who's building a trading platform has worked in the city and trading someone who's building an inshore tech. We'd like to see one of the founding team with some experience and insurance proptech, one of the team we've experienced in property, so that's pretty self-explanatory criteria.
We also look for a minimum revenue thresholds, and that has to be over the previous three months and growing, which sometimes is one of the hardest ones. But it's really good to have that line in the sand and just say We don't look pre-seed. We draw the line here. You have to have a revenue threshold and then we like a CTO or senior engineer as part of the leadership team who's actually coding and building the products. We like clear moves if possible, so we have to define that as a team, and this is probably one that maybe is less common in the U.S. but we like a path to profitability. We are we don't necessarily have the big successes of companies that haven't generated a profit for a very long time in the UK to to start to really focus on companies that have a such a long time horizon in the US. Obviously, there's been lots of successful companies that didn't make a profit for many years, but just dominated a market. I think that's due to market sizes in the US. You can afford to just go large, and the market is so large that if you win that market, you'll be able to make some money. Whereas in the UK you have to be a bit more tactile and a bit more assured that what you're building can generate revenue. So we do look at that as well.

Speaker2: [00:19:20] Great. Can you talk about one or two startups that have fit that thesis, perhaps a portfolio?

Speaker3: [00:19:26] Yeah, so in the lead up to us actually launching our fund, we've been doing deals that fit our thesis via SPVs, which are special purpose vehicles. So that's when we do a single deal and we can charge a management fee and a performance fee. But pool capital from various limited partners into a single pot invest and then we sit on the cap table as the nominee. We've done a deal in September, which is a good example of those criteria. It's an insurer tech called Supercede, and they are reinventing the way that reinsurance is managed and brokered. There's a few things that we really like about the company. One is they we co invested alongside other great investors. That's always quite useful, although not part of our criteria, it's always helpful. The founders both worked at a on insurance prior to launching.

Supersedes, so they have great founder market fit. They were the people that would be using that product. Now they've also got a full time CTO who's been with them since day one, and they've just hired one of the biggest reinsurance companies in the world, Willis Rees, chief technology officer, as their chief product officer.
And he's left because he was so impressed with the pitch. That's a really positive sign. So they've got the tech team, they've got the founder market fit. They've got great revenue. They're growing. They're about to open up the marketplace, part of their products that they're SAS and marketplace, which again, we quite like. You kind of get the recurring revenue and then the high transaction opportunities. They've got a very clear path to profitability, and they're the only ones in London doing what they're doing. And so they have a really clear moat and. We know a few people that have actually left their jobs and insurance and gone to work for them, and we kind of got, you know, just, you know, inside scoop on what you know, why? Why are you doing? Why do you love this company so much? And the repeated answer that we got back was the industry needs it and they're doing it, and no one else is doing it. So that was the clear moat piece as part of our criteria. So that's a company we're super excited about.

Speaker2: [00:21:51] Great. So let's talk about the challenges in startup investing. What do you see as the main challenger startups face these days?

Speaker3: [00:22:00] There's some of the obvious ones like underrepresentation and lack of funding for female founders. It's still pretty bad. So we are trying to change some of our processes to make it better. So one is we're a completely accessible organization. Our email addresses are open. You can contact us and we will always reply. So we have a hundred percent no ghosting policy at Pringle Capital and Goldsmith Ventures. The second is that we've noticed that female founders are slightly more reluctant to share a pitch deck straight away. We are not going to try and assume why that is, but we've noticed it. So now we do take meetings with female founders without demanding a pitch deck. And we found some great companies through that. I think they're more comfortable just walking you through it rather than just sending it over and then probably historically never hearing back. So we've changed our process for that to try and create a fair playing field, and we think that's really positive. I'd say that there are other challenges around just emerging managers in Europe. There are less fund of funds than they are in the US, and a lot of the U.S. Fund of Funds have U.S. only mandates. So we need to see more institutional capital put into channels, which will enable emerging managers to create new theses, back new types of founders and really create more diversity, inclusion opportunity, growth opportunity within the sector. So there's a lot to be done. That said, you know, it's probably getting better and it's probably better than it's ever been. So, you know, it's a work in progress, but there's still a lot to be done.

Speaker2: [00:23:49] Great. So what are the challenges that you find today on the investor side?

Speaker3: [00:23:55] The biggest challenge is probably time being being realistic. We'd love to speak to everyone, but we don't have time, so we do have to say no, a lot. The other option, the other sort of restriction really is just on amount of capital. You know, we we we see some amazing deals. We can't always deploy into every deal that we see. And so I'm only 20 months into my kind of VC journey from being a founder. And that's still early. So I've got quite a lot of my track record still needs to play out. You know, there's a lots of memes on Twitter and stuff about you don't know if you're good at VC until you've been doing it for 10 years because the the feedback loop is so long. So, you know, I've still got some of that to play out. We think we've got some really great companies, but we need a few more of them to develop as they will naturally in time. And then that should, you know, give us more opportunity to raise more capital and deploy into new and exciting businesses. So yeah, it's a it's a challenge for a young person trying to make it in VC.

Speaker2: [00:25:13] All right. Well, you talked about how you invest in insurtech, prop tech and fintech. If you had to pick one or two subsectors in that group that you think are good opportunities for investors to pursue today, what would you call out?

Speaker3: [00:25:29] That's a great question. I would say there's still lots of opportunity around credit, so lending essentially, I think open banking in the in the UK and Europe has has led to lots of different types of lending opportunities. That being said, a lot of those credit scoring systems are completely new, proprietary and we don't have enough data to really determine if they're accurate, good, more intelligent, better. So there's still a lot to play out there. We need more data, although we have backed a couple of companies that are doing amazingly well. I'm also really interested in mortgages, so as I'm sure you can imagine, we sit at the intersection of fintech and prop tech, so we like mortgages. We like the idea of managing your mortgage, having more control, more flexibility, paying it off earlier remortgaging to create your new liquidity opportunities. There's so much going on and we are interested in seeing way more stuff in that space where we're actually doing a deal at the moment with a company that's really, really clever that uses open banking data to basically work out what have you spent in the last 30 days? Here's your fixed mortgage payment. You actually spent less than you thought you were going to. So why don't you pay slightly more this month? And then it calculates if you keep doing that, you'll pay off your mortgage eight years earlier on a 30 year mortgage or you're set to save yourself £35000 in interest and things like that. But that is is tied into the way mortgages are even built in the first place. So there's still loads of innovation to happen. But we love things that put control flexibility options in the hands of normal people and consumers. And I think a lot of tech to date has been designed to make things more convenient for the top 10 20 percent of society will actually, wouldn't it be much more exciting if you made the bottom 80 percent lives much better and give them more financial power and control? That would be really cool. So something like that is really interesting for us.

Speaker2: [00:27:46] It sounds great. Well, in the last few minutes that we have here, what else should we cover that we have in?

Speaker3: [00:27:52] Well, there's something that I did want to talk about, which is that, you know, Europe is going through what I would say is a sort of Silicon Valley moment. So when I was on Seedcamp in 2013, there were less than five unicorns in the UK. You could count them on one hand and two of them don't exist anymore. So they weren't even necessarily the best unicorns, whereas now we have over a hundred in the UK alone. And you have other amazing unicorns across Europe like UI Path, Klarna, Globo and lots of others. Go go student. You know, there's a whole list of them now. And so we have learned how to build large tech companies in Europe. That being said, often the U.S. is the primary market after the national market. It's the big opportunity. If you can prove that you can scale your company into the U.S. and do it well, you're going to be 10, 20, 30, 100 times bigger than if you just stay focused on your local market. So there's a really interesting arbitrage opportunity at the moment for U.S. investors, which is that we have great companies validating themselves in smaller U.K. European markets with great business models with enough capital that they can actually turn themselves into serious Series A Series B companies and then go to the US.

Speaker3: [00:29:22] Now what I think would be really interesting is to have more U.S. angels who are maybe concerned about some of the valuations in the US looking at European deal flow and saying, OK, well, I can get fintech for a third of the price, but with just as good kind of unit economics and everything, and I can potentially help bring them to this massive market in the US. So you kind of arbitrage your own position as a US angel by saying, I'm going to work with a UK angel network or UK VC as a limited partner and have the opportunity to co-invest and things like that. And then I'm going to help those companies come to the US and raise their series or their Series B or that Series C here through my own network and scale them out and do what I can. It might not be much, but it's just having that presence, having someone who's kind of helping pull them into the market. I think that's a really, really exciting opportunity. I saw Matt Clifford, who's the founder of Entrepreneur First, which is an amazing talent accelerator in Europe. Talk about that on Twitter. And I completely agree with him that it's a really interesting opportunity.

Speaker2: [00:30:33] Oh, great. How best listeners get back in touch with you?

Speaker3: [00:30:38] Yeah, so I'm James Pringle on LinkedIn. I'm very easy to find, I create quite a lot of content. I have my own podcast writing unicorns. But anyone can email me James at Goldsmith Ventures and I'll always reply. As I said, we have no ghosting policy will always reply, and if it's of interest, we'll say yes. If it's not quite of interest, we'll say no and hopefully give a reason why. So anyone can get in touch with super accessible and we'd love to hear from people. Any ideas on deals or ways to put more money in both of our pockets? We're always interested to do that.

Speaker2: [00:31:16] Great. Well, put your contact details in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker3: [00:31:23] Thank you so much, although I've really enjoyed it.

Speaker1: [00:31:27] 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 DaUg. 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.