Wesley King of Coherent 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.

Speaker2: [00:00:44] Hello, this Hall Martin with Investor Connect . They were here with Wesley King, founder of Coherent Capital. Coherent Capital is focused on supporting successful late seed and Series A fundraisers for to $20 million with a health and wellness technology focus. Wesley, thank you for joining us.

Thank you, Hall. Thanks for having me. Great to be here.

Great. So tell us more about your background before investing in early stage companies.

Yeah, I started my background studying finance at the University of Michigan and got recruited into tech innovation out of school. So instead of going into banking, which was kind of the path of everyone else at the university, I went into innovation at Cisco Systems, a big internet company. So working on software hardware innovation and basically how to make one hundred and twenty thousand or so employees productive, different ideas and also come up with new hardware and software for the external market as well. Cisco has a very big footprint in the bandwidth and the backbones of the internet. So I learned how to do internal innovation there and kind of cutting edge tech and coming out of that got into marketing and product launches for devices and physical products did that for a few years and then got recruited into investment banking kind of back full circle and really helped several boutique banks build their investor databases. So everything from family offices and private equity to early stage investors segmented down to health, deep tech and all the other burgeoning things in the last few years.

So I really got good at finding investors, and I got good at matching investors with deals.

Great. Well, so what excites you right now?

excited me right now is really taking the learnings of four years of fundraising and helping mostly series a late seed, as you mentioned kind of four to $20 million rounds taking what's fundable and investable right now and actually what gets through the full fundraise, taking what it means to make a full syndicate in an impactful syndicate of investors, from strategic investors to manufacturing partners to family offices to institutions and VCs taking that down and starting to do my own investing. So I'm just really excited about taking all that and investing in earlier stage companies at the preceding seed level, taking all those learnings.

Great. And so what's your advice for people investing in startups? What do you tell them to do before they write that cheque?

I think and of course, they have my own biases, but for what's most important to me is really understanding where the current interest for that startup's products are coming from. Do they have a repeatable process and a repeatable pipeline for finding what's important to the company? And that could be a specific channel, different partnerships that they've landed with either later stage companies or corporates, or really understanding who their customer is. So it's easy sometimes to get excited about the technology itself.
But that second piece of does the technology actually have a market for it is really where I focus.

Then on the other side of that table? What's your advice for people running startups? What do you tell them to do before they go out to raise funding?

Probably the thing that's helped us raise the most money is to communicate to founders that they don't need to have heartbreak over investors saying no to where they're currently at. And instead of thinking constantly and things in terms of discrete rounds like we're raising a $2 million seed round right now for this time only. Think about it in terms of what value is your company now and then what are the things on your roadmap that are going to increase value? So essentially, what are the inflection points for your company? So if it's a health company, sometimes that's an FDA approval or some kind of certification and think about it in terms of,

OK, you're worth 20 million now, but as soon as that happens, what are you worth? And then if you really think to that timeline for several years in advance, then you can communicate to any investor. It doesn't matter what stage they are. Here's where we have where we're at now. Here's where we came from, and here's where we're going in terms of a value and that actually helps them sort it into, well, talk to us exactly in four months and talk to us once you hit maybe these two benchmarks and then we can have a really solid conversation because you'd be a better fit for our fund.
And then instead of just doing your one pitch just once and then them saying, no, it's not a fit, that's really helped us set up for success in terms of investors for years in advance, because then you actually can form the relationship that's needed to land money.

Great. Let's talk about the state of investing. How do you see the industry evolving from here?

I think it's pretty fascinating the the focus on value add for investors, and again, this might be one thing, but basically thinking about your investment firm and company as this just value creation machine for the companies you invest in. So in terms of lining up kind of influential places to take them after like a network of podcasts, for example, or a bunch of potential channel partners, or maybe some specific markets that they haven't thought of yet, some ways to potentially license and make some money. But basically this evolution of a platform like a VC platform solution tool and how that's going to apply to all of the maybe smaller firms because you've got the huge firms and they have platform teams that focus on all these things, helping with recruiting and branding everything. Once they put money into the company, they're pulling the full force behind it.
What is the evolution of that platform and how our smaller VCs are going to be able to activate that? That's what I find fascinating is we might see some emergence of kind of platform services as a service for VC funds to accelerate companies. So it's really an add on accelerator model that's not a stand alone accelerator, but it's an accelerant for companies once you invest in them.

What do you think is the biggest change we'll see and save the next 12 to twenty four months?

That's a really good question, I think we'll we'll start to see how some of the initiatives from the last five years in terms of crowd funding play out. We're starting to see some different platforms

that have now raised like Republic really big rounds and have like all these SPV vehicles, they're doing accredited. They're doing unaccredited. They have some success stories. So I think we'll we'll start to see additional options for funding and actually see some success stories from that. And I think that will really change change, market dynamics and what happens with startups. It's really about just learning that only seven, eight, maybe 10 percent of of companies that even make it to late stage are actually VC backed. So what's happening with the rest of those 90 percent? David has kind of been on a bunch of podcasts. I've been listening to him about that where these companies are finding funding or they're funding their own way to make money to support operations and and basically helping that other 90 percent does not VC bankable land some investment or get capital somewhere.

Right. Well, tell us more about your investment thesis. What exactly is it and what are your criteria for funding a startup?

The way that we're viewing how to build success vector for our fund is to invest in the most simple, scalable stuff now and then continue to increase our investment into more complicated companies. And since we're kind of all focused on health and wellness because that's the part of the fund that I manage, we're focused on cutting edge health technologies that interface with the human biology and help you measure or input a modality that actually has a great outcome. So in terms of neurotechnology or central nervous system mediated technology, you'll be able to see what works and actually scale that. So our thesis is essentially take what works and pick to markets that don't know about it yet. So we find something that works to, for example, lower your stress level or increase your focus level. We'll look for the science and make sure that it works, and then we'll take it to channels that don't know about it yet. So the way that we're going to focus initially is through e-sports, professional sports and athletics and corporate wellness as well as retail. So corporate wellness will be large corporates for one hundred thousand or more employees, and retail will be places like Best Buy and Target.
So we think that we're taking some of these workable devices or services into channels that they had quite activated. Yet we'll create some major success stories and wins initially in the first two years, and then we'll have created a channel and pipeline that's repeatable and a process that that's repeatable to increase value for companies from pre-seed to Series eight by adding revenue, literally adding revenue to our portfolio companies. And then we'll go and repeat that for slightly more complicated things that maybe aren't as ready to scale.

Great. Can you talk about one or two companies that fit that thesis, perhaps your portfolio or two?

Sure, yeah, we'll be focused on one company that's a photo by and large, which is a fancy word for near infrared light. It delivers a near infrared light to the prefrontal cortex, and it helps increase blood flow to the area. Glucose glucose uptake and oxygen metabolism in the area and ultimately mitochondrial activity. What's really interesting about that is it helps people with treatment resistant depression. It just helps a neurochemical and biochemical way that's that's hard to recreate with with pharmaceuticals or at least as an alternative to them. But on the consumer side, we think it's very exciting for performance, for poor learning, for example, or for maybe mitigating concussion risk and or helping people that are in sports perform better and faster and have faster reaction times.
So we'll be focused on bringing this company to all those channels that I mentioned corporate wellness, big box retail and some sports teams and really seeing how that plays down into their consumer go to market.

Right. Well, you see a lot of challenges out there between the startup and the investor, what are the challenges in this space for the startup?

Man, I can talk about the challenges for days, but I'll focus on just what I see as the biggest point during fundraising, and I tend to work with a lot of devices and neurotechnology, so I've seen this play out over and over again. It's really trying to time when to do your raise in terms of how to mitigate risk for the investor. So a lot of companies will try to raise. They've done a lot of building they'll try to raise right before they go to manufacturing. All the investors want to talk to them after they've been manufacturing. A lot of companies will try to raise right before they do a consumer launch and a lot of the investors they want to know, have you actually generate some consumer interest already? So it's just a mismatch of timing. It's a very slight thing. But if you could just push your plan a few more months ahead of time and talk about different inflection points in KPIs other than just customers or other than just manufacturing, then I think you do a better job and it's much easier to fundraise.

Speaker2: [00:11:06] Great. And then what's the challenge that you see the investor faces in today's market?

Mostly, we try to mitigate this, but mostly kind of putting putting in money even in something that, you know, is very sound and then kind of crossing your fingers and hoping the market plays out like how you predicted or maybe how you research. What we're trying to do is mitigate that by reversing that, we're only investing in stuff that the market is ready for. So that's how we're mitigating that for right now. And I guess we're kind of in love with that strategy.

Right. Well, you see a lot of different applications and subsectors in your area. If you had to pick one or two that are really good opportunities to pursue, what would you put at the top of the list?

Personalized digital therapeutics So basically taking your baseline health, coming up with a specific algorithm or modality to deliver back to you and then delivering that to you through either electrical stimulation or neuro signaling light sound vibration, basically taking your nervous system as a blueprint and feeding that back to you in real time in a way that actually calms you down or makes you more excited, depending on what you're trying to do. I think both the measurements are starting to be there and then critically, the modalities to input that back into your biology are starting to come around.

Speaker2: [00:12:18] Right. When the last few minutes that we have here, what else should we cover that we have in?

Well, I'm really interested in what's the future of the human and how are some futuristic health technologies that are right around the corner almost here or already here? And I just think these deep technologies and ways to measure the human biology have kind of come about in the last few years. That includes continuous glucose monitors and biometric monitors, facial recognition, eye tracking, that kind of thing. And then I think we'll see the emergence in an age here for the next five to 10 years of things that truly work in a personalized way to augment your health outcomes and not in a way that we wouldn't envision back in the day of like cyborgs like the hacking stuff into your body, but actually in in a real time picture of what's happening

and you kind of guiding a system almost like your own digital data science, DR. That's able to see everything that's going on in your body and then actually helping you get better.

Cool. Best for listeners to get back in touch with you.

I think the easiest way, ultimately, is to just contact me on LinkedIn, for sure. Thank you all.

Great. We'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. Thank you.

Speaker1: [00:13:30] We'll do your best to 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.

Speaker3: [00:13:44] 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.