

Bill Reichert of Pegasus Tech 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. 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 Bill Reichert, general partner at Pegasus Tech Ventures. Pegasus Tech Ventures is a global venture capital firm based in Silicon Valley, with over one point five billion in assets under management. Pegasus offers intellectual and financial capital to emerging technology companies around the world. Bill, thank you for joining us.

Speaker2: [00:01:00] Thank you, Paul. My pleasure. I really appreciate it.

Speaker1: [00:01:03] Great. So tell us about your background before investing in early stage companies.

Speaker2: [00:01:09] Well, so I actually wound up here in Silicon Valley as a grad student at Stanford. And this is long before it was fashionable for Stanford grad to start software companies. I wound up starting a software company and spinning it out of Stanford, and and that's how I got into this whole sort of innovation ecosystem thing. As it turned out, my first company was spectacularly successful out of the chute until one day it crashed and burned. And so that was kind of a problem. But the you know, the great thing about Silicon Valley is that in Silicon Valley, when you crash and burn, you pick yourself up, dust yourself off and then you spin the story a little bit and then you go, do it again. So. So fortunately, I got the opportunity to do it again, and I was actually asked by a couple of VCs if I could help save a company that was struggling. And I guess, you know, they figured because I had crashed and burned that I knew a little bit about maybe avoiding crashing. That was, I don't know, maybe part of the thesis there. So I went in with a buddy of mine and we turned around a company called the Learning Company and we took it public. And so kaboom, I thought I knew everything at that point. And

so I dived into another company, you know, out of SwRI, this unbelievably cool technology company, and we proceeded to drive that into a brick wall at about five hundred miles an hour. So. So then also, I got a little bit of humility at that point and, you know, learn some other lessons on that one. I was able to do one more company, take it public before I got a call from a friend who said, Hey, how'd you like to start a venture capital company with Guy Kawasaki and a few other people? And so we got together and we started Garage Technology Ventures as one of the earliest dedicated seed venture capital firms that was focused on what at the time we called. We called it venture capital, and our big goal was to fill the gap between angels and VCs. So that was our clever idea among very among other clever ideas that we had around garage. But so that's how I got into the investing side of the world. And then a few years later, I ran into the founder of Pegasus Tech Ventures, and we saw a brilliant complementarity between what we were doing. And so we merged the firms and so Pegasus acquired garage technology. That truth. And so now I'm a general partner at Pegasus, so that's what got me here today.

Speaker1: [00:04:22] Great. So what excites you right now?

Speaker2: [00:04:26] Boy, everything exciting. I got to tell you, I mean, it's an incredible world and you know, in the olden days, in the olden days, we would talk about the quote unquote the next big thing, right? So we were always trying to find sort of, what's the next big thing? What's the next wave? You know, what's the next curve, right? And and and so now what's amazing about sort of the world of early stage investing is pretty much. Everything is trending. So I'm not talking about the the bubble that we're in now. What I'm talking about is that venture capital and sort of private company venture investing now penetrates pretty much every corner of our world of the, you know, the business world, the entertainment world, the leisure world, our personal world. You know, there are innovators and startup companies that are doing things pretty much everywhere. So that is, you know, that's a sea change from the olden days when venture capital was divided into two lumps. There was it and there was life science, and pretty much everything fell into one of those two buckets, right? And then material science came along and then that turned into clean tech and into some other things. And then, you know, and then the world just exploded in terms of every sector now being open to venture, we got, you know, clean tech. We've got ed tech, we've got AG tech, we've got food tech, we got Gulf Tech, we got red tech, we got prop tech.

You know what? What don't we have, right? We have smart cars, we've got smart cities, we've got smart buildings, we got smart factories. I mean, every part of the world has this technology opportunity for innovation and disruption. So you know, what I'm excited about today is sort of the last three entrepreneurs I talked to that have pretty, pretty amazing things going. So I got to admit. So the last time somebody said, what's the future bill? I said, the future is RPA. That was the last time I made a commitment to a single sector. Very few people know what RPA is. Rpa is robotic process automation, and it has nothing to do with robots other than quote unquote software robots. But the point of it is that the intersection between digitization software and A.I.. Is enabling us to automate. All of these processes, you know, everywhere in the world, so you think mainly about enterprise banks and insurance companies and hospitals and health care companies and all that have a lot of processes that need automating. But but everywhere you look, there are there are processes that are currently done, you know, sort of painstakingly by labor that can be automated and simplified by using digital technology. And I.

Speaker1: [00:07:57] Great. So you see a lot of startups and 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: [00:08:07] You know, we have we have a scorecard of sorts that we use to to try to make sure that we're being systematic and deliberate whenever we look at a company to make sure we don't get carried away by sort of one thing. One of the challenges as an investor is frequently, you fall in love with the company, right? I mean, that's that's a that's that's a that's actually a problem. It's actually important advice to entrepreneurs. So when we talk to entrepreneurs, we tell entrepreneurs to figure out what it is about you. That's lovable. That's going to get an investor to fall in love. And so sometimes, you know, sometimes you fall in love with the team, you know, you fall. You know, these this team, it's, you know, a group of people and they're smart and they're articulate and they are energetic and they clearly work well together. And so you just think, Wow, this this team, it just seems like a great team. Sometimes we fall in love with technology. So sometimes you know, it might be the might be the geekiest team you've ever seen, right? They come into our office, but but they can make. They can make bids. Do things that kids have never done before, you know, are they can make they these are they can make atoms do things, but atoms are they can make molecules or cells do things right.

So we sometimes we fall in love with the technology. And that's dangerous too, right? We know that's dangerous, you know? And then sometimes we fall in love with the vision. You know that somehow this company and we've done this right. We funded this company. They had this vision. They were going to change the world. They're going to change the world and it just gets so exciting. You get so wrapped up in it that you know, you just can't. You can hardly keep yourself from writing that check, right? So, you know, we have a checklist. We have, you know, this discipline that says, great, you're excited. We're very, you know, we think this is unbelievably cool. But before we write the check, let's just kind of go through them the steps to make sure we're not missing something here. And you know, one of the things that is I can't go through the whole thing, but the thing the single most important thing that we've discovered over the years, the single most important factor that you really need to tease out is does this company have a compelling value proposition? So, you know, mostly if you talk to investors, they'll say, yeah, it's team, it's team or it's market or it's traction or whatever it is, right? But no, it's the single most important thing is, does this company have a compelling value proposition because, you know, it seems obvious, right? But if you don't have a compelling value proposition, who's going to listen to you? Who's going to buy from you, right? So that's something that, you know, you may be excited about the team.

You may think the technology is cool. You may love the vision, but down where the rubber meets the road, there's got to be a compelling value proposition that's going to cause the customers the prospects to say, Wow, that's amazing. You can do that. I got to have it right. So, you know, it sounds obvious it was, but it's so interesting to me how rarely entrepreneurs make it clear what they're compelling value proposition is and how often, you know, investors get carried away by these other factors without really drilling down and understanding, you know, right there at the point of intersection between the message and the prospect. Is there a file that is going to cause that's going to make it relatively easy and economic to convert prospects into customers and then scale the business? But that's our that's, you know, a long answer to your question. How would it be? What advice can I give an investor?

Speaker1: [00:12:34] Great. And then on the other side of that table, what's your advice for startups raising funding? What do you tell that founder to do before they go out to raise funding?

Speaker2: [00:12:43] Well, I touched on it. What we tell entrepreneurs is the high level, the high level bit on this one is something that I've learned over the years is that contrary to popular belief, investors do not invest with their brains. And, you know, this is the kind of the point I was making before, but entrepreneurs need to realize that the way to separate themselves from that herd of entrepreneurs that are pounding on investors for money, right? You've got to separate yourself. And so being sort of good enough that explaining what you're doing is not good enough. You've got to get them to fall in love. Investors don't invest with their brains, they invest with their hearts. And what that means is you've got to get an emotional enthusiasm out of the investor somehow to get them to be willing to spend the time to do the follow up and do the diligence and write the check. So you got to get them excited. You got to get you got to get our hearts beating faster, right? You got to get our pulse racing. You got to get us to say, Wow, that's amazing. And wow, wow is not an intellectual response, right? Well, how is it emotional responses? You know, it reflects a, you know, an emotional reaction, not just an intellectual analysis. So, so the advice to entrepreneurs is figure out what it is that you've got that is going to make you lovable. Right? That's going to make an investor say, Wow, that's going to make someone fall in love.

Right? So what is that? What is that ask so frequently? You know, it's you know, back to my earlier point, it is you've got an unbelievably compelling value proposition. So my favorite, I got a bunch of these examples, but my one of my favorite ones. It's an entrepreneur who approached me at a conference, came up to me and said, Bill, what if I told you that we could do big data analytics one hundred times faster than the current state of the art without changing your hardware? I was like. Boom. Wow, that's amazing. And in fact, in fact, what I did, actually, I blurted out, I blurted out right in front of the whole group. I said, You know, I would guess that somehow you are lying to me, somehow you're misread. And the entrepreneur, she did not miss a beat. She did not flinch. She said, Well, what if I told you we proved it with Major League Baseball last summer, and I and I, it was the fastest trip to our partners meeting that we've ever done. Was she spent no deck whatsoever? She spent 30 seconds and convinced me to invite her to invite her company into our partners meeting. You know, that's that is brilliant, right? That is brilliant if you can pull that off. That's what you want to be able to do. So. That's sort of compelling value proposition is what you got to have now. Another very different example is another company.

I was a judge at, I was a judge at an elevator pitch competition. And this woman gets up and says, Hi, my name is Claudia, and we do special effects software for the entertainment industry. Last year, we won the Academy Award. Wow. Oh oh yeah. Exactly. Woo. That's good stuff. Yeah. So then, you know, she was, you know, she had four minutes of pitch, so she goes on for another three minutes and forty five seconds, right? And at the end of it, I said, Claudia, you had me at Academy Award. So I mean, so yeah, what is it? So the advice to entrepreneurs is, you got, you know, I don't know, you got 60 seconds, you got four minutes, you got 20 minutes. I don't care how much you've got, you've got to get our heart beating faster in the first 20 seconds. You know, you got to get us excited about listening to you. And that means, you know, you've got to figure out what you've got this lovable what you've got. That's going to make us say, wow, because if you don't have something that's compelling, that's going to make us say, Wow, you know, we're going to forget about you, you know, in 30 minutes, right? That's the unfortunate reality of the business that we're, you know, we are just constantly being bombarded by pitches. And so you got to figure out how to stand out. So that's my advice to entrepreneurs.

Speaker1: [00:17:59] All right, well, let's talk about the state of startup investing. How do you see the industry evolving from here?

Speaker2: [00:18:06] So I've been around for a long time in terms of watching the industry evolve, you know, over the decades, both as an entrepreneur and now as an investor. So what is clearly happened? What is clearly happening is it's like it's like an ecosystem, you know, when you learned in your biology class and in high school, right, how ecosystems evolve and they start out simple and then they involve to increasing complexity and increasing differentiation. And then ideally, they also evolve sort of geographically in mass and they expand. Right. That's that's the sort of ecosystem model. And that's what we're seeing in entrepreneurship and venture capital. We're seeing this evolution, this ecosystem expansion, where you're getting increasing differentiation, increasing specialization, dramatic expansion, more and more startup companies, more and more venture capital firms, more and more angel groups and then specialization within that. You've got, you know, accelerators that are doing fintech and accelerators that are doing hardware and accelerators that are doing A.I. and, you know, et cetera, et cetera, et cetera. So I see that continuing and happening just across sectors and stages and then also across geographies. So the big disappointment about venture capital in

entrepreneurship is, you know, for the last 20 years or so has been that it has remained relatively geographically isolated. That, you know, there are few islands of venture capital in the United States and around the world, similarly, I mean, Europe is doing much, much, much better as a, you know, broad innovation ecosystem in terms of venture capital and entrepreneurship. But it's still, you know, Europe is still like amazingly slow in terms of its development, you know, up until recently. So now. Interestingly, with COVID. One of the things that has happened is that, you know, well, actually, there are multiple important things that have happened with COVID, but one of the things that has happened is it's flat in the world for entrepreneurs and investors. And so we made our first investment in India last year investing in a company that we've never met face to face. And we, you know, we had never before invested in a company that we had not met face to face. You know, and we had never before invested in India. But, you know, with Zoom and this whole experience of connecting with the world digitally now that has happened increasingly that entrepreneurs anywhere in the planet can get a meeting with VCs in Silicon Valley. And so that's, you know, that's an extraordinary change. The other big evolution has been partially because of COVID, but for, you know, a variety of other reasons. There's been a huge influx of cash into the venture capital asset class.

And you know, I hate saying this because entrepreneurs, you know, it's still really hard for entrepreneurs to raise money. And you know, when entrepreneurs hear people like me say that, you know, they just say, Well, where's mine? Where's mine? I know I'm sorry. It's hard, it's hard. But but so what's happened is, you know, kind of, unfortunately. But most all of that huge influx of cash has gone to the leader stage, and it's gone to relatively few companies that have become unicorns because not because they necessarily deserve to be unicorns, but because you've got so much cash on the around the planet that's looking for returns and there's no other interesting asset class out there. Right? I mean, who you know, do you want to invest in commercial real estate, right? No. I mean, do you want to put money into bonds? I mean, no, you're not going to put money into debt, you know, bonds. So where are you going to put your money? You know, the choices are equities. And then in terms of, yes, you can get good returns in public equities, but you can get great returns in private equity. And the only other interesting asset class, I'm afraid to say this one out loud, but the only other interesting asset class is crypto, right? So that's um, which is, you know, that's a whole nother conversation.

So all this money has flowed into venture and that has created, you know, a an explosion in funds and participants as angels and angel groups and the creation of innovation labs and accelerator programs. And, you know, governments have jumped into because every

government wants a piece of this innovation action. And so there's just been a flood of money into the sector. And and so, you know, as a dramatic expansion, I've been through a couple of cycles, right? So I went through the bubble. I went through the global financial crisis. I don't know how this one is going to evolve, but you know, it will evolve. It won't go back to where we were, but it will. Certainly there will be some adjustment that will happen. And you just want to be in a position that you're investing in assets that you are highly confident are going to sort of earn their way to their valuation if they haven't, you know, in a normal time, even if the valuation seems inflated now. So that's that's been our focus is to make sure we're looking for category creators and category leaders that that it doesn't matter kind of what the stock market is doing. They're still creating steadily growing and creating value as they expand their businesses.

Speaker1: [00:24:50] Great. Well, in the last minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:24:55] So maybe we should cover is my new book that I I co-authored with, UM, with a woman professor, PhD, named Angelica Lindstrom. We got together to write a book to try to help global entrepreneurs be more successful and effective at reaching investors and raising money. And you're not going to believe what the name of the book is. The name of the book is getting to wow. So that's my emphasis on wow. So we wrote a book called Getting to Wow. The subtitle is Silicon Valley Pitch Secrets for Entrepreneurs. And so we talk about all of the common wisdom around pitching and venture capital and entrepreneurship that is simply wrong, that they're just a lot of pitch coaches out there that are doing damage to entrepreneurs because the reality is that pitch coaches are almost always presentation coaches. That's their skill set. And what people don't fully appreciate is that a pitch is not a presentation. So a presentation is you got a fixed amount of time and they're going to sit there and they're going to listen and they're not going to interrupt, right? That's the presentation. So if you've got a presentation, you can, you know, you can create this arc of a story that you tell, like a TED talk, right? You know, and that's what pitch coaches are teaching people. And that's that's fine in some cases. But a pitch is a highly interactive back and forth between an entrepreneur and investor. And when you are pitching, you don't really know that you've got more than 20 seconds, right? So you better grab them, you better grab them in 20 seconds. And so, you know, one of the points we make is that 95 plus percent of all the pitches you make as

an entrepreneur are going to be less than 30 seconds long. And entrepreneurs go, no, no, no, no, no, right, the elevator pitch, you know? No, no, no, no, you're wrong. And I say, No, you don't get it. Most every time you open your mouth, you're pitching, right? Almost every time an entrepreneur opens his or her mouth, they're pitching. You know, you meet someone at a conference, you're introduced at an event, you know you got 20 seconds, right? That's that's your pitch window. You don't have slides and you know you have a chance to make an impression on a group of people. Those are pitches, too. Those are pitches to so you better be able to do a 20 second pitch.

Yeah. Then you need a 60 second and a four minute and a 20 minute pitch. But understand a pitch is not a presentation. It is a back and forth. The metaphor. The metaphor we use is it's much more like tennis than it is like an opera. Okay, so you know, yeah, you know, or a TED talk, right? So, so that's the point of the book. And so I, you know, if you are thinking at all about pitching anything, it's designed primarily for high tech entrepreneurs, but it applies to anybody who's trying to pitch anything in any situation. If you're a nonprofit, if you're inside a company, if you're, you know, if you're working for a government trying to get a project done. You got to learn how to pitch. And so it's called getting to wow Silicon Valley pitch secrets for entrepreneurs. It's available at an Amazon.com near you. So it's, you know, we priced it at only nine point ninety five because we wanted every entrepreneur on the planet to have access to thinking about how to be effective doing your pitch. So thank you very much for giving me the opportunity to plug the book.

Speaker1: [00:29:08] That's great. So how best for listeners to get back in touch with you?

Speaker2: [00:29:12] So you can find me at Pegasus. I'm I'm Bill Reichardt's on Twitter. I'm Bill Reichert on LinkedIn, and I'm pretty easy to track down and I'm pretty. I'm pretty open to anyone out there. So feel free to reach out to me now. I'm not going to guarantee you that I'm going to respond quickly. So that is one of my problems in this world is is, you know, getting through, getting through all my email. But I will respond if you reach out and mention the name of this program and say, Hey, Bill, I heard you on Paul's podcast, I wanted to follow up. I disagree with you violently about this, or I couldn't agree with you more about that. Or I've got a brilliant idea. You want a deck, whatever. Feel free to reach out.

Speaker1: [00:30:13] Okay, great. Well, 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: [00:30:21] Thanks a lot. I really appreciate it.

Speaker3: [00:30:27] 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](#). 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 host 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.