

# SC Moatti of Mighty Capital

**Speaker1:** [00:00:04] This is the Investor Connect podcast program.

**Speaker2:** [00:00:06] 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 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.

**Speaker1:** [00:00:38] Hello, this is Hall Martin with Investor Connect. They were here with SC Moatti managing partner at Mighty Capital. Mighty Capital is an early growth Silicon Valley venture capital firm. They deliver exceptional returns by investing in great products that are also great businesses like Airbnb, Mission, Bio and Amplitude. Sc Thank you for joining us.

**Speaker3:** [00:00:57] Thank you so much for having me. I'm looking forward to our conversation.

**Speaker1:** [00:01:00] Me too. So let's kick off with your background. What were you doing before investing in early stage companies?

**Speaker3:** [00:01:07] Yes, I spent a dozen years building products and companies prior to becoming an investor, so I worked for firms like Facebook and Nokia and Siebel Systems. Even for those of you who remember that company have an electrical engineering background. Stanford MBA and then I grew up in in Paris, France.

**Speaker1:** [00:01:28] Right. So what excites you right now?

**Speaker3:** [00:01:31] So lots of things are really exciting right now, especially as we sort of emerge from this pandemic in whatever shape and form we're going to do this. What I'm primarily excited about is seeing what we call the emergence of the age of product. And what I mean by that is that with the pandemic and the inability for people to get together in person,

digital has become the primary way for companies and customers and people to interact with one another. And what that has done to Fortune five thousand companies is create a whole rapid growth of a function called the product management function, which is in charge of releasing and managing and optimizing these digital products. And so what might be capital offers that's unique to us is access to about 300000 of these product managers. That's about 20 percent of all product managers. And now they are across all verticals, all industries, and they are very, very influential in Fortune five thousand companies because they basically make a lot of technology buying decisions.

**Speaker1:** [00:02:49] Great, and 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?

**Speaker3:** [00:02:58] Oh, you mean investors or entrepreneurs?

**Speaker1:** [00:03:02] What investor, what you would tell an investor to do before they invest in a startup?

**Speaker3:** [00:03:08] Yes, absolutely. So I actually I teach a course at Stanford Executive Extension Course Extension School on that topic. And so one of the things that I found is happening with early stage investors is they often feel powerless and feel like investing is a bit of a game of luck, like playing the lottery, which is completely different from the way most of them manage their other investments, like their retirement or their real estate. And what I tell them is early stage investing is absolutely not a lottery. And just like you do some research you budget, you diversify. You do the same thing in early stage investing.

**Speaker1:** [00:03:54] Right. And then on the other side of that table, what do you tell start ups to do before they go out to raise funding?

**Speaker3:** [00:04:00] Yeah. So I tell them that what investors are looking for in buying a piece of their equity is very similar to what customers are looking for when they buy their products. And then I draw a parallel between how they build great products that meets customer needs with how they build great companies that meet investor needs. And so as investors were, you know, I

want to say, fairly traditional, we would like to see fair multiples. We like to see long term relationships. We like to see productive collaborative partnerships. And so I tell them to look for investors that are going to help them build great companies.

**Speaker1:** [00:04:43] Great. And so let's talk about the state of startup investing. How do you see the industry evolving from here?

**Speaker3:** [00:04:50] The startup ecosystem, the Silicon Valley ecosystem.

**Speaker1:** [00:04:54] Yes, let's talk about that aspect of it.

**Speaker3:** [00:04:57] Yes. Yes. So I think there's a lot of disruption that's happening in this ecosystem, disruption that's coming from the fact that funds keep getting bigger and bigger and it skews a lot of the economics and a lot of the dynamics of the early stage ecosystem. When you're a very early company and you get 10, 50 or 100 million dollars and you don't know how necessarily to spend it, it's very hard for you to then generate a return and a profit for your investors. And it's even harder for you as an entrepreneur to become wealthy and change the course of your life. And so that's that's one trend which I saw very similar when I was at Nokia 10 years ago and people were saying, Well, all I need is to get to build a phone that has like a bigger camera resolution. And that's actually not how it works. And Apple knows that because they said, well, it's not about a higher camera resolution. It's about internet, music and app store. And so really like the rules of innovation haven't changed. It's about changing the rules of the game. And I think that what's happening with early stage investing is the rules of the games the game are changing. It's no longer about a massive check to kind of like a kilo company. It's about a small shake with a lot of value at.

**Speaker1:** [00:06:25] So what do you think is the biggest change we'll see in the next 12 to twenty four months?

**Speaker3:** [00:06:31] And so a couple of things I think are really exciting right now. One is on the sort of the tail end of the mobile revolution, mobile revolution 10 years old. So in Silicon Valley years, that's like dinosaur time. But when you look at sectors like energy and transportation and supply chain, they're just at the dawn of the mobile revolution. And so there are still a ton of

incredible companies to be built with, like leveraging mobile data. Just that simple, which to a lot of folks in Silicon Valley is sort of the the old stuff. That's the first kind of key trend. The second big trend is genomics and healthy AI. And yes, we've had a few scandals. And yes, you know, you cannot mess with with people's health and and at the same time, there are tremendous ways to completely change the way we look at our health. And after this pandemic, I think it's really important because people are realizing that taking care of their health is actually number one priority. And then the third thing that I'm really excited about is is also blockchain, which a year ago was very unpopular to say today's really equal to say, and I'm sure two months down the road will be very unpopular again because of the volatility in that market. But I do think that the revolution that blockchain represents to completely like, you know, democratize and open transactions between people and entities has a lot of ripple effect in the economy that we're just starting to see.

**Speaker1:** [00:08:06] Right. Let's talk about your investment thesis. What is your investment thesis and in particular, what your criteria for funding a startup?

**Speaker3:** [00:08:13] Yeah, so we look for entrepreneurs that are building businesses that have the potential to be awesome businesses and typically we invest at Series A. So you have to generate a little bit of revenue. Typically, we invest in the US and typically we invest in technology. If you're too early, we like to build a relationship with you. Same if you're not in the US. Same here outside of technology. And the way we build a relationship with you is by giving you access to our network of 300000 product managers. We are very selective when we invest. We see maybe 4000 different opportunities every year. We'll invest in maybe 10. And the reason for that is once we invest, we're all in. So we'll support will often be on the board to make sure that we give you maximum attention. Maximum dedication will introduce you to a lot of folks will help you hire. We'll help you sell, we'll help you exit. And and so we don't invest in a ton of companies because we want to be able to have the time for dedicating that effort to our portfolio companies.

**Speaker1:** [00:09:29] Renee, can you talk about one or two startups, perhaps portfolio companies that fit that thesis?

**Speaker3:** [00:09:34] Yes, absolutely. So I'll tell you about a very recent IPO. We invested in amplitude, went public a few months ago, is now valued close to eight or 10 billion dollars. We invested really early on and I got to know the founding CEO, Spencer, when he was raising his seed round. He attended a few of our. We ran about 100 events a year for product managers, and so he attended. A few of them, started sponsoring a few conferences here and there. And we got to know one another, and then he invited me into the round. It was very competitive benchmark and IVP and battery where we're cool investors with us. And he just has kept on executing successfully very quickly. So what I really love about Spencer and the amplitude team is they are at the dawn of this age of product that I've been telling you about. They are also very they have a lot of grit and resilience. The company is about 10 years old. And so for a lot of entrepreneurs, you're doing something for 10 years feels like a very long time, but that's also how you generate amazing successes. And then they have something that is core to our company as well, which is a growth mindset. And that I think is key to innovation growth mindset being you're not succeeding or failing, you're just learning and keep keep on improving. And so I think that's really important.

**Speaker1:** [00:11:05] Right, well, there's a lot of challenges in the start of space. What do you think is the main challenge startups face in today's marketplace from your point of view?

**Speaker3:** [00:11:15] I think today a lot like we first of all, today, there's a lot of innovation activity more than I've seen in the past five years. And it's very exciting and why that is, I think, is the consequence of the great resignation. People have been thinking about why they do what they do. And many of them say, I'm tired of working for the man. I want to go build my own thing and I'm going to do it in a way that's going to be very cost efficient, very cost effective because I'm building a distributed team because after all, we're in the pandemic forever era. I'm going to do it in a way that's going to also be very scalable. I'm going to use things like product led growth. I'm going to like, try to really use digital and products to to drive my go to market or at least accelerate my go to market. And then I'm also going to do it in a very cost efficient way. I'm going to use all these low code, no code tools which are going to allow me to hire less engineers and for the engineers that I hire to put them on really exciting problems. And so they're not going to quit after six months because I get them to do bug fixes all day. And I think that's going to really change the course of business and innovation because people are really

trying to do things with a little bit more meaning and going a little bit back to the fundamentals, which is awesome.

**Speaker1:** [00:12:45] Right. Then what's the main challenge investors face in today's market?

**Speaker3:** [00:12:50] Well, investors need to really think hard about how they stand out and differentiate themselves, because obviously you hear that everywhere, right, money is a commodity. And so what we see is for investors who do not have any value add. So for people who aren't what we call smart money, it's very hard to get into rounds. It's very hard to be able to deploy that money. But then for investors who are value add, there's plenty of great opportunities to build meaningful partnerships. So it's sort of like polarizing. If you want the quality of investors that you work with, quality investors are going to want to work with quality entrepreneurs, and that's not going to change. There's going to be kind of long term partnerships. And then other folks who don't have as much to offer are not going to have as many opportunities to make money.

**Speaker1:** [00:13:45] Well, great when you see a lot of different applications and sectors in the market today, if he had to pick one or two that you think are really good opportunities for investors to pursue, what would you put at the top of the list?

**Speaker3:** [00:13:56] Yes, so I mentioned, you know, product led growth, I mentioned low code and no code. These are sort of technology trends that are completely changing the way Fortune five thousand operates across all industries. So I would say that if you're an investor and you have a particular expertise in an industry, look for the product like growth solutions in your segment. Look for the low code, no code solutions in your segment because that's what's going to enable faster innovation, faster go to market and really market leadership compared to folks who are kind of stuck trying to get back to the way things were before COVID. Look at people who are behaving like market leaders and trying to invent a new reality as opposed to go back to the previous reality.

**Speaker1:** [00:14:44] Great. Well, in the last few minutes that we have here, what else should we cover that we haven't?

**Speaker3:** [00:14:50] Hi, thank you. You've grilled me, I I've told you everything I know now.

**Speaker1:** [00:14:56] No, well, great. Well, how best listeners get back in touch with you.

**Speaker3:** [00:15:00] You can reach me by email. See, at my capital, there is no cup. It's just my that capital.

**Speaker1:** [00:15:08] Very good. We'll include 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.

**Speaker3:** [00:15:14] Thank you. Hal, thanks for having me.

**Speaker2:** [00:15:21] Investor Connect helps investors interested in startup funding in this podcast series, experienced 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 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.