Hernan Haro of MrPink VC

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 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. Well, hello, this is Hall Martin with Investor Connect Day with Hernan Haro, founder and general partner at Mr. Pink V.C. Mr. Pink is an early stage VC fund that invests in founders located in Colombia, Peru, Chile, Argentina and Uruguay. B.c. investment in Latin America will exceed $10 billion this year, more than two extra levels of 20, 19 and more than 20 x 20 16. Mexico and Brazil take three quarters of the total pie. Mr. Pink is focused on caput where there is a huge need for seed capital. Hernan, thank you for joining us.

Speaker2: [00:01:10] Thank you for having me.

Speaker1: [00:01:12] All right, so tell us more about your background before investing in early stage companies.

Speaker2: [00:01:17] Yeah. My background is really engineering as an entrepreneur. I started my career here in Argentina, working in several startups, first in computer engineering like like like positions like coding, like coding, backend and frontend. All those things then move over to product. And at some point I decided I really wanted to get into the entrepreneurial scene. And back then in 2008, there were no venture capital funds in Latin America, which is hard to believe, but it's the reality. So I got my way into the Silicon Valley. I was just chatting with you about how, like being the Silicon Valley doesn't make sense now, but it did back then. So I moved to California. I got my MBA at UC Berkeley. I started my my first startup there between my first and my second year. That didn't work, but it was fun and experience. And after graduation and I joined the late co-founder to another California based startup called Pulpo Media. I was zero and we grew substantially. We got acquired a few years later in 2014 by a public company called Intervention. And I stay on board for a few more years and I stepped down and I ended up joining in another U.S.startup called Consumer Affairs, where I had the privilege of being the the only member of the leadership team that was not American. So I was working from Argentina to this. My second U.S. startup and I run growth data analytics and finance at different times and eventually decided that I wanted to try something different and I didn't know exactly what I step down. I took some time to to process and the lockdown hit right. So it was this put us in early 2020, and I went my plan was to take like a sabbatical of some sort, right? And the lockdown hit really hard here. And I thought, this is very convenient because no one is ever going to ask, Well, what what are you doing in 2020? And so I took some time and did some deep thinking and realized that I really wanted to do a venture capital fund because I could have a much bigger impact by doing that and going back to raising capital myself to run my own company, right?

Speaker1: [00:03:46] Great. So what excites you right now?

Speaker2: [00:03:49] As I said in the intro, the there are like billions of dollars flow into the region, that's fantastic. But the reality is that when you look at the at the supposition which I'm focusing coupled with Chile, Argentina, Colombia, Uruguay. The reality is that it it the access to capital is still a big struggle for a founder that do not have like big names in the in their in their résumés, right? If you are not a graduate from Berkeley or Stanford, they may t or you're not from the last class from Y Combinator. Raising capital is still a big struggle. And that created lots of opportunities, right for people like myself that that understand how to to really look for the traits that make a great entrepreneurship, right? Just before signing, I was having negative in an online discussion with someone on LinkedIn. The thing the reason why a lot of people go for these like pedigrees or signal strong signals of quality is because there is correlation. There's absolutely no correlation between graduates from M.I.T. and good or great co-founders. But that's not causality. If you are brave enough and you can really get to know the entrepreneurs and realize what are the traits that are going to make them successful, then you can avoid going after the the and the proven or the safer bets. And you can capture much more value for your investors as as a general partner in any form. Like myself, I can return much better value for my piece, right? And at the same time, I'm expanding the pie. I am bringing new entrepreneurs and giving them the opportunity to really show themselves. So that's what makes me exciting right now. That's what keeps me up at night, how I can keep doing this at scale, right?

Speaker1: [00:05:46] Great. So you see a lot of startups and investors in Latin America. What's your advice for people investing in startups there? What do you tell them to do before they write that check?

Speaker2: [00:05:56] It's still challenging to raise capital here, right, so I would say that fund raising abilities is even more important in that than what it is in the US, right? And some people can be called into becoming like successful fundraisers. Others will have a much harder time, right? My point is a proof of concept for an only like 10 million dollars. So I definitely need bigger funds like investing downstream. So you need to make sure that that the team, the founder, the CEO in particular, has what it takes so he can keep fundraising like long after the city say right. Then keep in mind, most of the countries in in in in South America are very almost in some way like we are much more almost than if you look at Western Europe, for instance, like moving from Spain to Italy, it's a completely different game. If you move from Colombia to Peru or Argentina, it's not that different, but there are still some nuances. So in highly regulated industries like like health tech, for instance, just to name one, you need to be careful and make sure that that the solution that they started founders are pushing to market can really be implemented in these ecosystems.

Speaker1: [00:07:15] Great. Then what's your advice for people running startups? What do you tell them to do before they go out to raise funding?

Speaker2: [00:07:21] They need to get the story straight, right, and I'm a big fan, big fan of of building credibility. Right. And I actually use the oil from French fry, and he talks about what the ways in which companies an individual can create communities for themselves. Right. It's a very basic, simple model in which she talks about authenticity and she talks about logic and about empathy. So some where I found that some entrepreneurs, they approach the venture capitalist as if they were just like, I know, like a machine, like it's just listening and they walk into the meeting. They start pitching like 20 seconds after and you need to create some rapport. You need to create some connection because at the end of the day, this is all about like people trusting people and investing. There are people like Kelpies investing in in fund managers and fund managers investing in startups. So do not overestimate the importance of having like a solid story and being a good storyteller. Right? I think some people probably the first time founders may just assume that the work is everything and they actually, for instance, I don't use a deck for my own fundraising and I don't like entrepreneurs using it there when they try to fundraise for my fund.

Speaker1: [00:08:46] Well, let's talk about the state of investing in Latin America. How do you see the industry evolving from here?

Speaker2: [00:08:52] The closer collaboration between Latin American phones and US font is needed, right, I we still have to see like more fun of phones deploying capital in the early days of American funds and a later stage working more like hip to hip with the same way that you know that that venture capital fund early in later stage work in the US, that that needs to be more predominant right now here. I'm doing that with some of the some of my my piece are U.S. VCs, and I do have like monthly stats where it's called them. But that's not the norm. I would say the international investors are getting in a little late to the party and they are leaving it off like money on the table, right? They need to start getting inside early and they are not going to do that themselves without, like a local partner that they can trust. I think that's what we will start to see in the next like, let's say, two to five years. Like Sequoia is getting very early on much sooner than what we're seeing right now by co-investing with funds like mine, hopefully, right?

Speaker1: [00:10:07] Great. What you think is the biggest change we'll see and say the next twelve to twenty four months.

Speaker2: [00:10:13] In the next 12 to 24 months in this region, what so it's it's interesting what happened right now. It's we're following the same trend that what was in the U.S. in the sense that we are living through the longest bull market in history by public equities are at all time highs. I think the Nasdaq tripled in the last like five years. Right? That's like a three act return. Used to be like a decent return for a busy fund and investors have been the one that hold it through the last through the pandemic were able to to get that return just by holding an ETF. Right. So there is going to be much more pressure for venture capital now with with with a war, an inflationary economy across the globe. Right. So the returns need to be higher in public equities, in private equity and obviously in venture capital. So there is more pressure to do that. And what we are seeing right now, it's it's it's an ever increasing valuation situation, which I think it's very detrimental for the industry and the founders in the in the long run. And it's likely that there's going to be some form of correction in the next year or two.

Not only in Latin America, I think in the US as well. Valuations need to adjust down because when when you are seeing like like pre-seed valuations in the order of like 20 million dollars, right, like like this, it's like pre-seed valuations. That's that means that most of the Alps are going to not get their money back, right? Because you if you do the math you need like a large, like large percent of the portfolio company to end up being like unicorns. And that's just not going to happen when you look at the percent of companies that made it through a unicorn status. We are talking about like point one percent, right? So these keep working as long as a new venture capital funds keep pulling money at that high valuations, but that's just not sustainable, in my opinion. So I think VCs and founders should be really careful and look to raise money and invest in companies at valuations that that makes sense to the actual economics of the of the companies or why they put themselves at high risk.

Speaker1: [00:12:51] Great. Well, let's talk about your investment thesis. What exactly is it and what are your criteria for making an investment?

Speaker2: [00:12:59] My main thesis is a South American thesis, right? It's more broadly in a sector from a sector standpoint, but highly focused on on the region in which I invest. I think the embrace the evaluations in Mexico and Brazil are much more inflated than what you see in these other countries in which I am focusing on. If you take these, these five countries Chile, Colombia, Argentina, Uruguay and Peru all together, you find that you have like a market size, which is similar to Mexico or Brazil. I'm a CTP, which is pretty much the same, right? It just takes a little bit more of more of more work. It's less obvious. But but this market can be as a mosaic as going is like if only Mexico or Brazil. Right? So my my bed is really going in these markets. Look for these startups that with with some strong founders, by founding teams valuations that actually makes it sustainable so they can survive through the the pullback that I think it's going to happen the next couple of years. Right. Became strong at the seed stage in this region, then expand to Mexico or Brazil, or just leapfrog to to the states or or Europe or somewhere else.
It may not be very common knowledge for for most like American and peas, but there has been a lot of high level exits from a company from Argentina and Chile, South America and China in the last couple of months. And it's not only about like Arctic or food tech, which kind of makes sense when you think about Latin America. There have been, for instance, the acquisition of outsider and Argentinean information security company acquired for six billion dollars. Right. Or

we have narco food company creating like plant based foods out of Chile using artificial intelligence, and they are selling in everywhere in the US and Canada. So these are like really global plays that were born here in South America. And these guys that I know like firsthand, they struggle at the time to raise pre-seed and seed rounds, and that's just absurd. So that's where I'm trying. That's the gap that I'm trying to feel like. They're being like smart enough to walk this region, getting early and then help them expand and connect with these like bigger, bigger phones that can provide the the capital needed to really take this global right.

Speaker1: [00:15:43] And then if we talk about the challenges for the investor in the Latin American market, what would you say is the main challenge they face there?

Speaker2: [00:15:51] I would say everyone is looking at at the same, it's using the same heuristics, right, so they are all they all end up like chasing the same company. They are not looking broad enough. I think that because a lot of these investors or let's talk about the ancient first, most of the angels are such like people that made their wealth in in in other industries. They are not entrepreneurs. In many cases, and they don't really know how to understand the early days betting many times what happened with the answers is that they think. They can make the the founders bear, right, that they can change them and realities, the founders, the founders are running the show. The founders are the ones that need to have the skills and the passion to really put in the hours and make this happen. And when you're in bed thinking that with a little piece of advice, you can really change the trajectory of the company, you're going to end up like, like disappointed. And I know if you like answers that deploy the millions of dollars and end up with like no return, pretty much losing losing everything. Those people should be much better off by deploying the capital funding, which you can get a much better diversification, right? And then family offices where they take the same situation from the angel about to an extreme because they want to have a control family office.

Speaker2: [00:17:22] A Latin American family office will want a system best, you know, like half a million and get like a fifth or a quarter of the company and one board seat, right? And be calling the shots. And that's doesn't work. That eventually dries out all the passion and the energy from the founders, and they end up with a big, big mistake in an empty shelter. It doesn't make sense. So knowing how to make educated bets on people that have these traits, even if they have improved themselves because we don't have like the industry, is very young.

Comparatively speaking, if you think about the US, even the Texas, the seem like we are like lagging in that regard. So you can't use those those like shortcuts or risk or correlation data point that this guy used to work with that guy or went to that school. You need to be able to look beyond that and get it on everything. I hope that makes sense.

Speaker1: [00:18:30] Yes, it's a challenge for many investors in these spaces. So you talk about several applications and sectors. If you had to pick one or two in Latin America that you think are good opportunities for investors to pursue, what would you call out?

Speaker2: [00:18:46] That is a fantastic opportunity right now. Right. And we are seeing a lot of success and scalability because the education system in Latin America is keeping of people outside. Right. Sometimes it's like getting like a good like college education can be prohibited and and we are in a moment in which in which knowledge worker can really like work for a company based anywhere like remoteness is no longer an issue. I mean, doing this, I mean, working remotely for the last I know, like almost like 15 years, and that was a little odd or unusual back then, but not anymore. And and the shortage of like I.T. workers and data scientists and UX experts, it's just becoming becoming worse. Right. This is this started thinking in the early 2000s, right, when an India was the first world region that really saw this coming and started investing a lot of money to to educate their population. And with that, they were able to capture their jobs from from the US and fulfill and help like feel that that that educational gap. But then Latin America, the governments are not doing nearly enough attention. And that's the opportunity for for venture capitalists and the lure of companies providing training and getting these people like up to speed, like in in six months to a year or to at least be able to take like entry-level positions for U.S. companies, European companies. And that has a very profound transformational effect in the region. And at the same time, it's solving a war, a war or global shortage of skilled resources. So it's a win win situation. That's my favorite sector right now.

Speaker1: [00:20:54] Sounds like a good one. So in the last few minutes that we have here, what else should we cover that we haven't?

Speaker2: [00:21:01] I think this is more. I know your your audience is heavily leaned toward like Americans. Right? So this may not be as much as a surprise or as relevant, but I still believe that this is my my biggest mission right now, which is to educate the investors here in Latin America about the profound effect that investing in innovation and venture capital will have on the evolution of a region. Right? If you look, take a look for a moment at the American public equities, and I think it's like 60 percent of the wealth right out of the market cap of company come from VC backed like companies. If you take a look at Latin America is like, like two percent, right? So there is going to be like a huge transfer of wealth from traditional companies, from the family offices and incorporate to new entrepreneurs. And hopefully that wealth will remain, at least in part in the hands of local investors that are willing to take and take educated risks and deploy capital in the new generation of companies in Latin America. Because, as we are now, after these two years and counting of of pandemic, many things have changed. Many sectors are being reinvented from the ground up. And that's an opportunity for innovation. I think. This is the best time for for being in venture capital. Like if you look at the statistics of the funds that were launched in the year 2001, right or 2008, those are the ones that have those are the best dishes, right? The ones with the best returns. I think the ones launched in 2020 and 2021 2022 are going to probably exceed the returns from from from the from those from those years. So very exciting times.

Speaker1: [00:23:10] Great. So how best for listeners to get back in touch with you?

Speaker2: [00:23:15] So you can just reach reach out to me over your website. It's Mr Todd busy. We get back to every single inquiry unless you want to sell me like a Xerox machine. We really get back to all of them, in particular to the entrepreneurs and to entrepreneurs. We get back in less than 48 hours. That's over. You have the reward that will get back to every single one, and we'll try to help wherever we can either be seized or invested or when I get in chance, then it may take a little longer, but we do get back to reasonable limits that will receive great.

Speaker1: [00:23:55] That's quite responsive. So thank you for joining us today. We'll include those in the show, notes your contact details and hope to have you back for a follow up soon.

Speaker2: [00:24:04] Absolutely. Thanks for having me today.

Speaker1: [00:24:09] Investor Connect helps investors interested in startup funding in this podcast series, experienced investors share their experience and advice. You can learn more at

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