

Luis Rivera of Hexa 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 nonprofit dedicated to the education of investors and startups for fund raising. 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 is Hall Martin with Investor Connect. Today we're here with Luis Rivera, managing director at Hexa Ventures. Hexa Global Ventures is a seed capital investor that brings more than just capital. They have created an ecosystem consisting of resources, experience, talent and specific service companies to help visionary entrepreneurs shape the best ideas into great companies. We thank you for joining us.

Speaker3: [00:01:06] How. Thank you for having me. Pleasure. Great.

Speaker2: [00:01:09] So let's start with your background before investing in early stage companies. What did you do before this?

Speaker3: [00:01:15] Yeah, absolutely. So for starters, I'm originally from Caracas, Venezuela, so I guess the first thing that I did was I went to high school in the United States and then I was in the middle of New Hampshire. So it was very cool for somebody coming out of 80 degree constant weather. So I moved off to California where I went to Clara McKenna College, and after getting my degree from there, I proceeded to get into the technology industry, mostly doing what the only thing I really knew how to do then, which is basically sell. And I started a big conglomerate called Matte Steel, which basically had me go selling software and hardware into Latin America and slowly progressed. Then as you as I graduated from that, I basically went into other companies opening international offices, which was great experience from an operational point of view, just because you have to set up everything and then you have to actually figure out how to sell, how to market, etc., etc.. And then from there I graduated I guess, and started selling in the domestic market. So us and eventually in one of those jobs I became the CEO, taking it from 4 million to roughly 60. And so I guess to answer your question, my background is

mostly operational. I have been the hired chief revenue officer for a lot of different companies and which is the VC that brings me in for private equity just because they're trying to figure out what to do with that portfolio company. So that's really my background from there. Obviously, I've done this a bunch of times and also been the presidency of several different companies and therefore from an operational point of view, it fits very well.

Speaker2: [00:02:53] Right. So what excites you right now?

Speaker3: [00:02:55] To be honest, everything that's taking place in the tech space is huge. And the reason why it's huge is because whether you look at it because of COVID or because of the great resignation and or even the Black Lives Matter movement, a lot has changed. And more importantly now, with companies working remote from home, you've got to start figuring out how to make how to get even better productivity, which people have seen increases. But the question is how do you make that continue to be the case? And so that I think it's pretty exciting. Any company that's either trying to improve productivity and or even there's a huge talent shortage, which means that we've got to find more people in other places, which means a lot of upskilling. So those are the things that excite me right now. Well, great.

Speaker2: [00:03:42] 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 check?

Speaker3: [00:03:50] Yeah, I think that depends on the size that they're investing in. I mean, look at the smallest level. So at the angel level, what I would look for is entrepreneurs that are that are going to go the distance, but also entrepreneurs that you like to work with. Because I think at the early age stage, a lot of investors can help those companies in not only navigating what they do, but also in opening doors. And so for me, that means that I have to like the people and working great.

Speaker2: [00:04:19] And then on the other side of that table, what's your advice for people running startups? What do you tell the founders to do before they go out to raise funding?

Speaker3: [00:04:26] I think the biggest thing is know that this is not an easy journey, so be resilient. The second thing is be ready to pivot because there are plenty of companies where you start off with one idea that doesn't pan out. So pivot, pivot, pivot. And then be willing to communicate that to the potential investor, but also have a good story, have your story ready to be told. Unless you're dealing really with with seed people or it's seed, we're going to be more flexible if we think we can help you. We're going to provide that expertise that you may not have. So I guess the last part of that is make sure you're working with the people you want to work with.

Speaker2: [00:05:04] Great. Well, let's talk about the state of startup investing. How do you see the industry evolving from here?

Speaker3: [00:05:09] So, look, I think there is just a phenomenal amount of money being poured in. I think that's going to change, whether it's because of interest rates, whether it's because of the economy slowing or whatever it may be, that there are still going to be plenty of money out there. The question is, who's going to get and I think what we're going to start seeing more is there's been a lot of companies that have just been able to raise money and they may not have their product fully fledged. And I think you're going to start seeing investors asking for products being built better and valuations not being as high. So, sure, you know, companies are doing very well and are killing it. They're going to continue to get huge valuations. However, I think investors are going to be more selective as to where they put their money.

Speaker2: [00:05:50] So what you think is the biggest change we'll see in, say, the next 12 to 24 months?

Speaker3: [00:05:54] I think it's that is how selective are investors going to start getting is valuations are going to come down. They can continue to go up. Of course, for the for the guys who have huge billion dollars opportunities, they're still going to be great valuations. But again, I think it's going to be some companies are going to have more issues as far as they're going to have to go through more due diligence and work a little bit harder.

Speaker2: [00:06:18] Right. Well, let's talk about your investment thesis. What is it and what's your criteria for making it a startup investment?

Speaker3: [00:06:25] So for starters, we really believe that what we have created is unique. So what we have is an ecosystem. We've built six different companies to help the particular investments that we make succeed. And so today we can say nine out of ten of the investments that we make succeed. That means that they have either exited from our portfolio because they did a race and we decided to exit and or because they actually ended up getting bought out. So what we believe is that by adding those extra incentives, we can make most companies succeed. And what we really are trying to do is focus on particular area. So we're big into HR tech. We really look at anything that's B2B and has possibility of yielding high returns. But as well as we look for the team that's going to make it happen. So we believe with the addition of our six different portfolio companies that we've created specifically to help companies such as be able to hire engineers such as coworking space marketing sales. So we have specific things that we can bring to the table to make it successful.

Speaker2: [00:07:32] Great. Can you talk about one or two startups you funded that the stand down.

Speaker3: [00:07:36] So there's been several in our portfolio that have actually been recently acquired, but I'm not going to mention those. So I'll mention two different ones actually. One is a company by name which has been doing great, and the reason why I like them is because what they're doing is precisely that they're helping upskill people. I think one of the biggest challenges that we have in the United States is, is that there is a labor shortage and you cannot find just in the United States the people that you're looking for. So instead, you have to tap into whether it's community colleges or whether it's other areas. You can actually start training. Those people to be able to deliver the skills are going to be need in the future. So with people work, with companies are doing precisely that. They're thinking ahead and they're saying, okay, what kind of employees am I going to need six months down the road? And they're tapping into colleges or tapping into anywhere where they can find people with some kind of skills and upskilling and more to be meet the needs of the market tomorrow. Another one which is similar. The reason why I like it as a company by name. First it's get perks that I owe. And first of all, they've been getting a lot of traction. But second, the reason why it's a great investment for

us is because what they're really doing is helping you retain your employees is about engagement. And I think those areas are going to continue to be very big. Right.

Speaker2: [00:08:56] Well, you know, there are a lot of challenges in the start of space. What do you think is the main challenge your starters face in today's market?

Speaker3: [00:09:04] I think the biggest challenge the companies face and that's why we built the ecosystem, is that people tend to be good at one or two things. So what we see is the companies that are good at sales and marketing, they're great. However, what if those same companies may not be good at engineering? So the kind of stuff that we bring is we're able to bring sort of all the components that we think are needed today to deal with a shortage of labor. I think the biggest challenge that startups are having is where do you find good talent? And so that's one of the elements that we bring.

Speaker2: [00:09:38] Then what you think is the main challenge investors face in today's market?

Speaker3: [00:09:42] It's a little bit of everything. There's a lot of investments out there. Right. And it's a question of are you really doing your due diligence to understand what it is that these companies bring and do not bring? I think the biggest challenge is because most private investors don't have the ability to provide all those services. You really have to be very selective as to what you pick. I mean, and I think that's only going to get tougher. So I think that's why I would rely on either A, B, C or some kind of off party. That sort of helps with that investment because it's not just about providing funds, it's also about insurance. Critical at the seed stage is about making sure that those companies have the introductions or have the connections or have the board members that they need in order to really succeed. All right.

Speaker2: [00:10:29] Well, you mentioned an interest in air check earlier. There's a lot of opportunities in that space. What subsectors and applications do you think are really good ones for investors to look at?

Speaker3: [00:10:39] Yeah. There's been a huge space created again because of it and because of remote working. And I think it's just about well, it's all encompassing. How do you retain

employees but also how do you make it productive in the external world and how do you even know what they're up to? It's not about knowing what they're up to. It's about understanding the challenges that they face. And for some people, it's very easy to pick up the phone, but there is plenty of tools out there that will help you really systematically do that rather than just having to pick up the phone. Also, there's plenty of employees out there that don't really want to be talking to you on the phone. They would prefer that you have at least some kind of system that tracks what your problems are. And I think that's what we're seeing is a lot more systems, whether it's with AI or not, a lot more technology being used to drive better results. And that and that's all encompassing in nature, text based. And the reason why I find that personally interesting is because not only can you drive productivity, but engagement is also a huge factor when you're having labor shortages that we're having in the United States. It's key to retain your employees, right?

Speaker2: [00:11:49] When the last few minutes that we have here, what else should we cover that we haven't?

Speaker3: [00:11:54] I don't know. What else are you seeing that is interesting? Where do you find that you would put your money in today?

Speaker2: [00:11:59] I see a lot of applications coming up through blockchain. We saw a lot of activity in 2017 and 18 and then kind of died down a little bit after the crash. And here today, we see a lot of substantial applications being stood up, networks that are robust and moving forward. So we see a lot of things coming up with the Web 3.0 world decentralized finance and nfts and others where blockchain is now becoming a very real technology. And so we're seeing that as interesting.

Speaker3: [00:12:30] Yeah. One area that I think would be interesting for more investors to venture into is education, because although there is a lot of great technology going into education and one of the things that I heard recently was, is that during the pandemic, there was a huge loss that took place in education because the kids weren't in school and because remote learning is challenging. And so there is great tools that are coming out. But one of the things that I find and I get pitched a lot by education companies is investors shy away from education. The reason is because historically there hasn't been a lot of money, also because

schools are slow to act, etc. But at the end of the day, something that's needed or we're going to continue to have a challenge as far as labor shortages in the future. And so I find that a very interesting place and there is great innovation taking place. Right.

Speaker2: [00:13:23] So how best for listeners to get back in touch with you?

Speaker3: [00:13:27] I'm very active on LinkedIn, so that would probably be the easiest way. Also, it's good to see people's profile. So yeah, they can reach me on LinkedIn. Great.

Speaker2: [00:13:37] We'll include those details on the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

Speaker3: [00:13:43] I'll thank you very much.

Speaker1: [00:13:46] Investor Connect helps investors interested in startup funding. In this podcast series Experience, investors share their experience and advice. You can learn more at investorconnect.org/multi. Martin is the director of Investor Connect, which is a 500 1c3 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.