

Drew Glover of FiatGrowth

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 Drew Glover, managing director at Fiat Growth. Fiat growth is a \$15 million venture capital fund specializing in early stage funding for fintech companies that are striving to provide a social good for their customers. Drew, thank you for joining us.

Speaker3: [00:01:00] Thanks for having me. All excited to be here.

Speaker2: [00:01:02] Great. So where are you calling from today?

Speaker4: [00:01:05] I am. Calling from Wright. And Moran right outside of San Francisco Bay Area.

Speaker2: [00:01:10] Cool. Must have nice weather there these days.

Speaker3: [00:01:13] It is it is sunny and flowers are blooming. So I'm liking it right now.

Speaker2: [00:01:18] That's great. Well, tell us more about your background before joining SCI Growth.

Speaker3: [00:01:23] Yeah. Yeah. So. Fairly unconventional background. Grew up in the Bay Area. I went to UC Berkeley. I actually played on the football team there during some good years. And and right out of college, I actually went to go get my graduate degree in education, thought I wanted to become an athletic director and.

Quickly realized of what that journey would look like and jumped right into sales and the technology sector. So worked in sales, worked in advertising, and then was lucky enough to find my way into a little startup. That was focused on the fintech world called Steady, which helps folks in the 1099 world improve their financial health. So that was my first foray into fintech, and I was able to reconnect with a close buddy of mine, who's now my co-founder. At Fiat Growth, Alex Harris. He was a head of Growth and Partnerships at Chime. The large Neobank from series A to Series DX. Me and him were probably seeing 5 to 20 companies a week that we're looking to partner with our companies. And we started having weekly calls together and those calls turned into us deciding to co advise a number of businesses together, businesses that we thought were going to be. The next wave of fintech. And when we started doing that, we started that number, grew from five to 10 to 15, got to an uncomfortable enough number where we quit our day jobs and founded VC. Growth, which is a growth consultancy focused almost exclusively on fintech businesses, where we have a fairly unique model, where we basically get a retainer, we get advisory shares, and a lot of times we get the right to invest with these companies, knowing at some point we wanted to actually become investors for the long term.

Speaker2: [00:02:59] Right. So what excites you right now?

Speaker3: [00:03:04] So much to be excited about. Also a lot of really interesting market dynamics going on. So I think it's a number of things in terms of what's exciting about business is. You know, we're growing. This incredible company and Fiat Growth, our growth consultancy and being able to bring in all of our best friends in the space that we wish we could have hired once upon a time. In House has been a really, really fun process. In terms of businesses, fintech has been just such a special place to be in for the last decade. There's this new new trends within FinTech, some of the interesting ones, obviously web3 crypto has been super interesting wave over the last couple of years. Embedded fintech where. Basically instead of you having to go create some type of banking license, you could go work with companies that can stand up investment marketplace or an entire bank within three months instead of it costing you three years and 40 or 50 developers all the way over to the freelancer space where the future of work is completely shifting. And it's no longer people working for 30 years at a company and happily retiring. But it's people looking for different part time jobs and bringing those, leaving those together to create a full time salary. All these different trends that we're seeing in all these

different ways to engage with these companies is really, really fun and really interesting right now.

Speaker2: [00:04:26] Very well. You see a lot of investors and a lot of startups, especially in the fintech sector. What's your advice for people investing in the fintech space? What do you tell them to do before they write that check?

Speaker3: [00:04:37] Hey. Well, you know, the market dynamics have been really interesting lately. You know, if you ask me that six months ago, it'd be probably a different answer. But now that we're seeing.] Especially the Nasdaq and the stock market get hit the way it has. Seeing a lot of really high flying stocks come back down to earth and also from the private investing sector, just seeing a lot of VCs that we're kind of betting on, like the growth opportunity of what a business could be. They're really taking a deeper look on like, what is that company doing today? Like. Like the question of like what does it take to get to profitability as a company is a question that's being asked a lot more than it was. 6 to 6 months to a year ago, where we're seeing just like crazy returns and just crazy growth. So from an investment standpoint, first and foremost, it's I think the people that are focused on a specific sector are going to be bigger winners than overall generalist generalists. They're kind of looking to, at least from my perspective, looking to like follow a lot of other really seasoned investors into deals where if you are a deep expert in a space and you know it like the back of your hand, you know, the] Right questions, you know the different challenges companies.] Are going to run into and be able to get in front of it. So I would just say go ten feet deep and a couple inches wide versus a couple inches deep and a mile wide. And you're going to be asking the right questions and taking the right steps to make really sound investments.

Speaker2: [00:06:01] Then on the other side of the table, what's your advice for people running fintech startups? What do you tell them to do before they go out to raise funding?

Speaker3: [00:06:08] I just think the internal conversation in business is a little bit different now. It's less of a, Hey, how can I raise in January. And then raise again in September? But it's more so like, how can this next round I have? Or How can I have the existing dollars that I have really last me the next 24 months? I'm not so bullish that we're going to be in something like 2008. 2009 crisis. But I do think we're going to be seeing a lot of purses tighten up a little bit. I think people

are going to be assessing and evaluating deals. Differently, and I just think there's going to be a much more in-depth question set that's going to happen when it's time for folks to raise. So I think it's making that runway a little bit longer and also.

Making sure that we're scaling and spending marketing dollars in a super smart and efficient way.

Speaker2: [00:06:56] Great. Well, let's talk about the state of fintech investing. How do you see the industry evolving from here with blockchain and all the new technologies coming on to on stream?

Speaker3: [00:07:05] Yeah. You know, I think it's really interesting that we're currently still seeing a lot of. Even the most seasoned investors investing in like the picks and shovels of Web three. When I say picks and shovels kind of like that, I say Web two infrastructure with web3 returns. A great example of that is called like an NFT platform like Opensea. NFT markets took a huge hit in the last couple of months, but again, like the marketplace model that we've known for many, many years and being able to drop an ecosystem on top of it. So I think we're like taking these like really interesting baby steps into just like complete web three where we're kind of taking Web two models and merging it with Web three. And what I'm excited about of what this kind of next level of investing looks like, where it's just pure Web three. Again, like me personally, from an investment standpoint, we don't invest in tokens like we don't invest in all the different currencies per se. But we do think it's really interesting of, again, what Coinbase kind of led the way with, which was creating a marketplace where you can actually buy and sell crypto.

Speaker2: [00:08:10] Right. Well, there's a lot of new things out there like defi decentralized finance, web3 tokens, as well as just new technologies around fintech payments and so forth. What do you think is going to have the biggest impact in the next five years?

Speaker3: [00:08:24] Great question. I think what we've been doing over the last 20 years here is we've been trying to way to separate all these different businesses. And like create these different products. That we could lean into on a 1 to 1 basis. What I'm seeing right now is bringing everything under one roof again. Where I think what's going to happen is a lot of really big super apps where again, instead of you having 18 different digital wallets, you're going to

have one company where you hold all of your wallets and you're going to have this holistic kind of dashboard view of what your financial, health and lifestyle look like in one space. So I actually think there's going to be right now it's. Been kind of crypto native and crypto curious and it's been everyone that has like a bank account. But I think we're going to see this merging together. Where we're going to be able to. Bridge the financial literacy gap in a meaningful way. And so everyone people are going to be looking at their. Retirement right alongside with their Bitcoin wallet, and that's going to be under one roof.

Speaker2: [00:09:28] Great. Let's talk about your financial thesis or your investment thesis for your fund. What exactly is it and what's your criteria for making an investment?

Speaker3: [00:09:37] Yeah. In terms of how we look at our mission, it really comes down to lowering the access barrier. Historically, a lot of fintech businesses were built for the. Top 20% of America or. The top 20% of the world. It was the people that already had money. How can we make it so we can help those individuals that have accumulated wealth better manage their money? And what we've seen, especially as of recent, is we see banks like Chime. We see banks like copper that's around. It's a bank for teens, but it's creating these different financial. Products for the folks that we typically have forgotten about. Or the folks that we didn't acknowledge as someone that actually had money. To manage. So for us, it's really lowering the access barrier for the folks that need financial, health and financial. Stability. The most building products for them. And I think that is a huge I think we're. Still in the next wave of opening up that opportunity for a lot of growth and a lot of engagement and. Giving the 80% of America that's typically forgotten a voice in the financial space. And I'm sorry, what was that second question?

Speaker2: [00:10:42] What's your criteria? Do they have to have revenue? Do they have to be at a certain stage? But what is the core criteria for you to really engage?

Speaker3: [00:10:51] Yes. So through our venture fund, which is a separate entity from. Our. Consultancy, we're typically investing from PRE-SEED to Series A. However, we have a really unique model within fiat, which is different than I say other traditional VC funds. We with growth. Are growth consultancy. We're working with. We have 25 full time employees we're working with. Anywhere between call it 25 and 35 clients in any given time. But we are super picky in terms of who we work with because we. Believe that everybody we work with should

not only be a company that we believe we can add value to, but also a company that we see as an investable business. So what we do is we work with a company on average for six months, and after working with them, working with their founders, working with their team, working with their product and getting a look at everything. We're not only helping to grow, but we're also evaluating them in real time as an investment. So when it's time for us to invest in most. In, I say 90% of our portfolio companies within Fiat Ventures, we have already spent the last six months doing our due diligence because it's naturally embedded in our business. So taking a step back, fiat growth. Is this incredible growth consultancy focused on fintech, but it also doubles as probably one of the best due diligence arms in the VC business, because once we decided we want to invest in someone, we have six months of hands on work with them that are able to help guide us towards if that's a sound investment or not.

Speaker2: [00:12:15] Great. Can you talk about a couple of portfolio companies that fit your thesis, perhaps?

Speaker4: [00:12:21] Yeah. I'll speak about one in particular because it's super topical, but our average. We're typically again investing in Pre-seed to series A company. So Pre-seed could be just an idea, call it a seed, being someone that you're shown a little bit of product market and we have a lot of access to. But company we started working with. Around two and a half years ago was Copper Bank. Copper Bank is a bank for teens. Again, the relationship with finance is changing and people. But the proliferation of companies like Greenlight, people are getting bank accounts that eight years old and then all of a sudden they're getting bank accounts in high school, like what copper is doing. But most. Recently we actually led Coppers Series A. And they raised \$29 million on that Series A, which was a really exciting kind of feat for growth because not only were we able to invest early in them, but we were also able to kind of lead this round, which is a great moniker for any kind of early stage VC and a VC on their first fund. But in terms of kind of what they're doing with that evaluation piece is. We're lowering the barrier. You know, no bank historically has ever thought of a high schooler as a potential client. I think we all had that moment where we became of age to get an account. Our parents took us to call it a Bank of America or a Wells Fargo. And we just blindly signed up for a debit card because our parents said, Do it, we want to start building your credit or whatever it is. But Wells Fargo and Bank of America aren't designing their banks for the specific demographic of a teenager. And what the opportunity is there is it's literacy. Like if you have a bank account, you should

understand finances, right? Like you're on Instagram and you're on TikTok all day and all they're doing. Is talking about crypto and all they're doing is talking about web three. Like as a high schooler, I should be learning about that. So what copper's done is they've not only created this bank for teens, but they've led it with this literacy first mindset where it's not only about, Hey, I'm a parent, I want to give my kid a 20 or \$20 allowance. I'll put it in their copper account so they can use a card at the movie theater versus cash. But it's also this moment where within that app you're able to understand finances and have a very systematic approach in terms of how I'm building a relationship with money at such an early age, which I think is a huge opportunity for the future of fintech. It is a great opportunity to start training people earlier on how the financial system works.

So it's great, great to hear about that startup. But let's talk about challenges today. You've talked about it a few times earlier, but what do you think is the main challenge the startup faces in today's market space in the fintech area?

Yeah. You know, I think first and foremost, it's growth. I mean, a big part of what we're building over at fiat growth is making sure that growth dollars are spent in a very responsible way. And I think even with some of the market dynamics changing, that's even more and more important. The big stat that I'm always using, right, is 30% of venture dollars go directly to growth efforts. And if you have the wrong person at the helm spending those marketing dollars, you're going to, for lack of a better term, set a lot of money on fire. Just testing and iterating and figuring out like what's the most efficient way to spend money. So for any startup, regardless of if you're working with fiat or you have someone internal or you're just looking to like take a dip your toe into like spending money online, you have to make sure that you are bringing someone in and you're thinking about it from the standpoint of your specific industry. Because if you don't understand how the call it CPA and calc numbers and what it looks like to stand up an affiliate partnership, if you don't understand the dollars and cents behind that, you can find yourself making some pretty expensive mistakes.

Right. Then what's the challenge the investor faces in today's market?

Speaker3: [00:16:12] Oh, man. One thing. Web3 crypto. Very exciting space, but the amount of white noise in that space is scary. When I talk about investing in the picks and shovels like this

kind of web two, Web. Three meld, or you talk about like the platforms that people are utilizing to kind of like spy and trade crypto. Like we almost have that. Approach because it's like this gov'nor of like not paying attention to the next person that comes to us and says, I just created. An altcoin. Can you get behind it with me? But they're just so much and it's a very predatory space. I think it's a super exciting space. I think in most cases, like everything about it is here to stay, but it's still very much figuring out what it is. And I think people get so enamored with the high returns that come from the space, it changes. Someone's risk portfolio and has them look at something very different than. They would anything else. And also so I mean, me taking a step back. To me, that's one of the biggest challenges is like these new worlds and these new industries that are popping up where because because of the ecosystem we've created from Shopify to Etsy, it's very easy to create businesses now and it's easy to do it without much thought. So there's so many more ideas floating around. There are. So many more conversations or so. Many more decks that I'm seeing from founders, and you really need to spend a lot of time at that. Malcolm Gladwell 10,000 hour rule of not only really learning how to say no first and understanding what your personal what your personal approach is to evaluating a deal. Because, again, the white noise, it's real.

Speaker2: [00:18:00] We see a lot of new businesses and business models out there. If you can start a business tomorrow, what would that business be?

Speaker3: [00:18:07] Oh, man, that's such a good question. I'm not sure if I have an answer for right now in this moment, but if you ask me three or four months ago, I thought it would be. Again, this is the Web two, web three. Connection buy now, pay. Later for the NFT. Space. I don't know if that's aged very well, but I think that's a really interesting one where we've seen what Buy Now, Pay Later can do for any. Type of e-commerce business and people are constantly looking to. Get some level of ownership of something. And I think it's also proven that people are willing to pay over time and it's a muscle that's already been created, but it's just for a different product.

Right. Well, it seems like the tools are there for that and the market is emerging such as Nfts. So it seems like that'd be a good fit to put the two together. Do you see anybody trying that yet?

Speaker3: [00:18:56] You know, it's funny, the second you buy a car is the second you see it all over the freeway. I've seen I've seen that. Not that. Specific. Not not as simple as I just explained it. But I've seen. Forms of that. Again, like there's also like an embedded play within Web three where again, embedded is, is, hey, like if you have a bank, I have a product where I can stand up an investment marketplace on your. inside of your bank over three months. And you can actually have people buying and selling stocks. You know, I've seen a couple of different embedded plays where someone. Says, hey, like, I'll give your platform the ability to just embed an API. That gives you the ability to kind of buy now, pay later and stuff like that. So I've seen it a little bit, but man, a lot of opportunity there to bring the 1.0 into the 2.0.

Great. Well, one of the questions I was going to ask you is how do you raise a \$15 million fund without any venture experience? What I've seen is whenever we're out helping build a fund and find limited partners experience, the track record is usually at the top of the list of questions. How do you manage that?

Speaker3: [00:20:04] Yeah. No thanks for asking that. I personally am so. Proud in terms of what we've been able to do because. We have a team that kind of found a back. Door into the VC world. And it's because, you know, some of the things that from a VC standpoint that you need to have in spades. is, one, access to deals, and two is the ability to properly evaluate deals where you can kind of have that. Like you're sitting. In a seat where you can see the future and you do a lot of research in terms of. Where your. Specific. Industry is headed. So I'll tell you this, going back to fiat growth early on, one thing we get in every single agreement that we have is the right to invest. We call it an RTI, where we say, listen, yes, you're working with us, but part of our agreement. Is we get the right to invest in your next funding round. Again, one of the hardest things for any VC to get is access to a deal and we get it under contract. So what that gave us the ability to do before we started to fund is really start tracking all these different businesses. We have the right to invest in that. We believe we're going to be outsized winners in the space. And we kind of track their success. So when we initially went out to start raising our fund, we didn't show them a venture fund that we. Got to invest millions of dollars. Into that 100 x. We showed them basically our anti portfolio, all the opportunities that we have the right to invest in that we never had cash to actually use and invest into them. And we showed them what the returns would have been if we had a venture fund from day one.

Speaker2: [00:21:36] Great. Well, in the last minutes that we have here. Well, should we cover that? We haven't.

Speaker3: [00:21:42] What I'm probably most excited about in terms of what we're building at Fiat is. It's a very different way of not only helping companies from a growth standpoint, but investing in businesses historically. Or I'll tell you this today, term sheets with different businesses that have become a commodity. The traditional investor is grabbing lunch with a founder, getting a well manicured deck and basically making a gut call if this is the right decision. I think what we've done is we spent a lot of time flipping the model on its side, and we have the ability early at these early stage companies, which is very rare, to be able to evaluate them on a deeper level than a deck. We get to work with the founder, we get to work with the company. We get to understand what their funnel looks like. We get to understand what the market is telling us about product prior to investment and when you're investing in early stage businesses, that is paramount when it comes to properly evaluating a business. It's going to be around for the long term. So again, I think just reiterating the fact that we have Fiat growth. This incredible growth consultancy that also doubles as the due diligence arm. And then we have Fiat Ventures where we get to take advantage of the companies that we believe are going to be outsized winners in the fintech space.

Speaker2: [00:22:59] Great. Well, so how about solicitors get back in touch with you?

Speaker3: [00:23:03] Yeah. Obviously. Feel free to follow me on Twitter at Drew Baylor. That's Baylor. Feel free to hit me up on LinkedIn. I grew up with LinkedIn. When you find me on LinkedIn. Just Drew Glover. I'm founder of Growth and general partner at Fiat Ventures. Find me there. Shoot me a line. I connect with everyone and I'm always looking to have great conversations.

Speaker2: [00:23:25] Great. We'll include those details 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: [00:23:31] Yeah, me too. Thanks so much for the time and for all the great questions.

Speaker1: [00:23:36] 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 dot org](http://InvestorConnect.org). Lockheed 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.