

# Transcript - Jason Jacobson of Propellant 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 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 dot org website.

**Speaker2:** [00:00:44] Well, hello, this is Hall Martin with Investor Connect. Today. I'm here with Jason Jacobsohn, managing partner of Propellent Ventures. Propellent Ventures is a seed stage venture capital fund that invests in the growth of Chicago and the greater Midwest. Jason, thank you for joining us.

**Speaker3:** [00:00:57] Glad to be here. Hall Thank you for having me.

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

**Speaker3:** [00:01:02] The Chicago area.

**Speaker2:** [00:01:03] Great. And so tell us more about your background. What did you do before Propellent Ventures?

**Speaker3:** [00:01:09] Happy to. So over the last 20 years or so, I've been active on the front line supporting entrepreneurs and investors in the Chicago area. I spent a lot of time with some of the economic development organizations to support entrepreneurs, to grow through raising capital, through strategic introductions and just general advisory services. And immediately prior to Propelled Ventures, I was involved in a venture capital fund called Bascom Ventures, which is focused on investing in companies led by University of Wisconsin alumni. And at the same time, I also run the Chicago chapter of the Founder Institute, which is the world's largest pre-seed technology accelerator. I've been doing that for 11 years, so I've done many other things. But those are two of the more recent activities I've done before launching Propellent Ventures.

**Speaker2:** [00:02:00] Well, that's great. So one of the areas that has come up recently is the future of work. And as you come out of the pandemic and go back to business as usual, it's not business as usual. Work has changed quite a bit and just wanted to learn more about the startups that are in the future work category. Can you tell us more about starting a business in the area of future work?

**Speaker3:** [00:02:21] Look. Yeah. As we all know, with the pandemic, that caused a lot more remote work and really accelerated the adoption of flexible schedules and companies allowing employees to work in the office, work at home or work wherever they want to work. And so that tools like Zoom and other platforms really became more mainstream. And so. You know, we invested in a company that was in is in the future workspace and it's a avatar based environment. So we started doing events on their platform, monthly events before anyone is doing in-person events. So you control the environment, you customize your avatar and you walk around and you engage with people. We had a startup events on there where founders can meet investors, meet other founders, meet people in the community, and so platforms like that are here to stay. There's different variations of it, but that's one aspect of future work, is connecting with others in a virtual environment that you may not normally meet. And you can meet people from around the world. You don't have to be close by. It saves time, it saves money, and you can expand your network. So that's one aspect in that in this company now is really rebranded itself in the Metaverse, which avatar based environments, virtual worlds.

**Speaker3:** [00:03:40] And so that is one element of future work. But I would also say that future work is also just better connectivity between employees to employees, employers to employees. We also invested in a company also that aggregates business apps to help these smaller businesses be able to handle, understand what they're doing across the company. And so because of all the remote work, companies are adapting business apps to get a better understanding of where their business is heading and keeping track of it in a dashboard. So there's HR Tech is in there too. I mean, there's a lot of different things, but it's ultimately in my perspective, future work is allowing companies to engage better with employees, with customers in various environments, whether it's in person or virtual. Also, its employee satisfactions in there to allow making sure employees are engaged and happy. So a lot of different areas in there, but some of

it a lot of it has to do with the virtual nature of and the flexible nature of of the world. These days.

**Speaker2:** [00:04:47] So it seemed like the opportunity is more than just being the next generation of Zoom. It's actually increasing productivity and connectivity among the people that work together and the customers they serve. What do you see there?

**Speaker3:** [00:05:00] Yeah, I would agree with that. It's becoming more of a thing that companies are tracking more because employees are remote. They can't it's harder to understand what they're doing. Sometimes it's harder to sometimes get them engaged. And so absolutely productivity do work. Do workers do better at home, at the office? I mean, there's mixed surveys on that, but it's really it's allowing all that to work more seamlessly than previously. Employees employers have to pay on the size of the company have tracked these things for years. But there's now that there's more remote work, there's a lot more connectivity that needs to happen. And a lot of these, especially these larger companies that typically have not allowed much flexible work, they have to now because employees are demanding it and they're going to lose talent. I'd say the startups of the world have always most they've always had remote work because they can't always afford paying for an office. But these larger companies, it's a paradigm shift now that they have to adjust and adapt if they want to capture the best talent. And some people are more productive at home, some people are not. So it's it's a balance. You've got to figure out what works for everyone.

**Speaker2:** [00:06:12] Right? So you mentioned two examples of future work startups. What was the challenge in starting those businesses? What did you see them struggle with the most?

**Speaker3:** [00:06:21] Well, when it comes to the court, the metaverse or the avatar based environment. It's a learning curve. People aren't at the time. We're not used to doing that. They were one of the first I had seen that had done that, and this was 2019. They started to do it and then the pandemic hit and they launched right before their pandemic hit. And it was. I remember our very first event. We deal with them. It was a. I think it was March of 2020 or April, and they were new in the market. And we had so many people come on at the same time that they couldn't handle the low to crash the system. And so part of it was under estimating the demand for it at the time and

understand the product market fit. I mean, they've since figured that out. And coincidentally, a lot of the crypto market has gravitated towards what they're doing. And so some of it and that's not just this business, but any business in a called a newer or an area that's growing is figuring out the product market fit. That may take time and there's always adjustments that need to be made. But that's I think the demand is something that you never know if it's how good it's going to be until you start talking to people and start figuring out the right customer segment. And with a new technology people, you just don't know how people are going to adopt it. And so there is a learning curve as well. People may not understand how to engage in an environment like that, so you have to provide tutorials and plenty of not only tutorials online but offline to just to allow people to understand how to work, how to use it. And then the other one that I talked about, adoption sometimes, or channel partnerships take longer to try new software. While these businesses were also using new tools, using new apps, they also then this company we invest in also aggregated together. So there's another layer on top of that. So sometimes it's just doing things a different way and there's a learning curve for that as well.

**Speaker2:** [00:08:21] So what is the potential reward? Just how big can these markets get that these guys are working in right now?

**Speaker3:** [00:08:28] Well, when you talk about the metaverse, which that first company talked about, they're pretty much in the metaverse now. I mean, it's in the trillions. I mean, when you see the impact, it hits all industries. I still think we're early in the days of it. I mean, Facebook is spending billions on that space they're all in. That's where their future of their company is going. But I'd say we're probably years out from that to be fully there for everyone to engage with it. So if you're there early and you can sustain it, there's a lot of opportunities. So that's a massive market. Either way, in the future, your work or metaverse, there's there's other elements of future work as well. And I still think this is all still being figured out by companies with this new way of doing things or adjusting. So I think there's incredible amount of opportunities still, regardless of what area that you tackle in the space.

**Speaker2:** [00:09:23] It will. And how much are those companies selling for Any sense of what multiples we might be seeing? Is that five X revenue, ten X revenue, or is it more, you think?

**Speaker3:** [00:09:33] Yeah, it's really hard to say. I don't I'm not sure. I mean, we haven't you know, most of our businesses, we invest in our traditional SAS businesses. So if you look at the multiples of SAS business, I mean, it could, you know, our some of our companies projected like this sort of ten X of EBITDA or. Well, I think it depends or it's it's either I'm not sure which one, I think it's ten X of whatever the multiple they decide to to probably EBITDA most likely but I'd say it's probably some of them may be less than that. I don't know about the future work if it's going to be any different because I think it's just more based on the business model and their multiples. So I think but I would say most of our companies that are purely in the metaverse, it's hard to know at this point because I don't know if many acquisitions are happening yet because it's still fairly new.

**Speaker2:** [00:10:25] Well, it sounds like in your metaphor, as example, is that are there other competitors in the metaverse doing something similar? Or how would you say what was the difference between your company and the general companies in the metaverse at this point?

**Speaker3:** [00:10:38] Well, when we made the investment, they were before they were even considered themselves a metaverse company. They competed with companies like HOPPEN, even Zoom. To a certain extent. It was just online engagement. I mean, very different. I mean, Zoom not really, but it's either use their technology or use Zoom, right? So it's an alternative. But in was a2d environment that I don't think that's done anything lately. I think they they they skyrocketed in 2020 and then went down. I don't hear about them anymore. So the one thing about the company we invested in is three D avatar. So it's completely different than the other stuff that was out there at the time. Certainly other companies now that have three D Avatar environments, but it was the first one I had seen at the time. And so there's a number of competitors out there. I mean, it's still a fairly nascent space. They're still, I think, a lot of room for growth. Some people are using headsets now like virtual reality to to engage in the metaverse. So a lot more competition now than there was when they started. But it needs you need a lot of money to scale these businesses and to get the awareness out there.

**Speaker2:** [00:11:46] Okay. Well, that's my next question is what advice would you give to someone entering the metaverse space? Is it you need a lot of money or what would you tell them to think about before they join?

**Speaker3:** [00:11:57] Well to scale, you'll definitely need money regardless, I think, depending on whatever the business is. But understanding, I would say where you fit in the market. Are there any specific target markets that are being underrepresented in this space? Because people are people are tackling everything. I mean, it's \$1,000,000,000,000 industry. So figure out where is there a need that is being hasn't been addressed at this point? I mean, that's like any industry, I guess. But the metaverse is so large that I think everything is fair game at this point.

**Speaker2:** [00:12:31] Great. Well, what online information source do you find most helpful in your work, in what you do?

**Speaker3:** [00:12:37] So there's some local some in the Chicago area. There's some local news in terms of newsletters like Chicago in Oh, it's from American Now, does it? They send daily updates. It's more just around the innovation and funding news in the region. So there's one for Wisconsin. You know, I do the regional ones and so that's helpful. Tech Crunch is very helpful to I get weekly or daily tech crunch updates. National Venture Capital Association and BCA provides some updates as well. So I try to stay on top of what's happening regionally and then I get newsletters from investors and a few other people that keep track of things.

**Speaker2:** [00:13:19] We see a lot of new technologies and a lot of business models in what you do. If you could start a business tomorrow, what would that business be?

**Speaker3:** [00:13:27] It's a good question. There's a lot of so many industries that are growing. And that's why one reason why we focus some of the industries for our fund, like fintech, edtech, supply chain, future work slash metaverse. I would say that probably somewhere in the metaverse is something interesting to think about or maybe a few years out. But I think if you get in early, I think there's some a lot of great opportunity there. When you talk about tech, I mean, there's non tech businesses that are that are popular as well right now with some of the therapeutic drugs out there. I mean, that's a huge space right now, like not cannabis, but other ones like mushrooms

and LSD. I mean, that stuff is that's a huge market that's only going to grow, but we're not focused on that. So but that's something I would look in if someone is looking to start something in the health care space because there's a ton of growth for the therapy side of that.

**Speaker2:** [00:14:19] Do you think the psychedelics market is a good one to be a part of?

**Speaker3:** [00:14:22] Yes, yes, definitely. I agree with that. There are funds that have launched as you probably know, that are focused on that right now. So just like people that got into cannabis early, I think there's a lot of opportunity for that.

**Speaker2:** [00:14:33] I talked to one fund manager and one comment he made was he would only invest in startups that had a unique psychedelic or they had some molecule or chemical or component that no one else had. Otherwise, you're competing against everybody else who can get access to the same one. How do you solve that problem?

**Speaker3:** [00:14:53] Well, maybe there's a certain use case. I think some it starts starts with therapy. I think trying to. I know that once they can control certain elements, it will become consumer ready. I mean, if you can figure out a way to control the trip with the psychedelics, then the consumer market is going to be is huge. So I think that's what I read that some people are working on. It starts with therapy and then, you know. And then consumers can start getting access to it at some point. So if you can figure that stuff out or, you know, different delivery, different way to deliver it, but you don't know enough about the space to know all the nuances. But I've read about it and I've it's a growing area and all that.

**Speaker2:** [00:15:36] Great. Well, you've been running your fund for a while now. What is one thing about your fund that you didn't expect?

**Speaker3:** [00:15:43] Well did not expect the market was going to. I think a lot of us the last two and a half years, you got pandemic and then the market uncertainty this year. So wasn't expecting that. But the great thing is we adjusted, adopted and we've made investments along the way and some of the industries that we believe are continuing to grow in the Midwest. So everything takes longer. And then you expect and whether

you're a startup tech business or a fund, it all takes longer and you just have to keep on grinding it out. So but there's a lot of great opportunities out there, great investors out there. So I feel pretty good about where we're at and where we're headed.

**Speaker2:** [00:16:23] Great. Well, the last few minutes that we have here, what else should we cover that we haven't?

**Speaker3:** [00:16:27] I would say that innovation is always there, especially during times of uncertainty. So some of the best companies are built during down markets. So if we are truly headed into a big recession, some of the best times to start companies. So there's still plenty of opportunities for entrepreneurs and for investors regardless of. What's happening out there in the public markets. And as you probably know, venture does not mirror the public markets. So it's a longer term hold. So should not be a factor in investing or creating companies.

**Speaker2:** [00:17:03] Well, that's good advice. So how best for listeners to get back in touch with you?

**Speaker3:** [00:17:07] Happy to talk to anyone. You can email me at Jason at propellent.Vc That's p r o, p l a and t c t and t v c. Or you can connect with me on LinkedIn or look at our website as well. So.

**Speaker2:** [00:17:23] Great that 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.

**Speaker3:** [00:17:30] Thank you again. Hall This was very fun.

**Speaker1:** [00:17:34] 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 dot org. Paul 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 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.