

Transcript of Jonathan Stidd of DealMaker

Hall T. Martin: [00:00:00] Well, hello, this is Hall Martin with Investor Connect. Today I'm here with John Stidd, president of Dealmaker Reach. Dealmaker is on a mission to create the most sophisticated capital markets tools on the planet, powering capital to flow faster. It offers a suite of primary issuance, shareholder management, and capital raising solutions to support all capital raises, types, and all securities.

John, thank you for joining us. Oh, hall. Thank you for having me. So where are you calling from today?

Jonathan Stidd: I am in Austin, Texas, which is, uh, it's great. Been here about two years now, so I've seen some of the, your brands from sku, uh, which is so cool. You know, it's like, uh, uh, that and the, uh, the Jerky brand as well.

I've, I've seen 'em all around. So as, uh, yeah, as an Austinite. Now I've, I, uh, it was cool to see the, on the, uh, the skew website there.

Hall T. Martin: Well, great. Well, tell us more about your background.

Jonathan Stidd: Yeah, so I am currently the president of Dealmaker Reach. How I ended up there was a little bit of a meandering, but I was in management consultant.

[00:01:00] I thought that was a great way to help businesses grow. And then, you know, after a while of doing that, you're in there with a big bank who you know, Uh, it doesn't seem to care about the nitty gritty of, of growth. So, you know, effectively I was not effective. I was not helping companies grow. Um, I spent some time starting a, a faucet product actually that was like, uh, um, something that you could retrofit your sink with to make it motion sense in so you could have.

You know, you could save water in 10 minutes versus, you know, having to install a motion sensing sync and all that. There's a number of reasons why that didn't work, but somebody who was interested in investing, um, actually said, you know, Hey, you'd be great for this role. And, uh, it was added a digital agency doing strategy for them.

And I said, oh, you know, here's how you can. Help companies grow. And this was in 2016, right? So, you know, leveraging digital tactics to really, you know, provide the strategy and growth roadmap for these companies to grow online digitally. So, um, you know, was [00:02:00] doing that for a while and then, you know, A couple of us said, Hey, we can go do this ourselves and be more hands on with all of these companies.

Um, as a testament to that, you know, the first client who, who signed with us is actually still a client all these years and transitions later through, you know, different name changes, um, that we've had. So we started to digital agency and then. Actually found ourselves through a favor to a friend in equity crowdfunding because somebody said, you know, Hey, can you help us, uh, raise capital online?

And, you know, at the time we were working out of, uh, the back of an Ethiopian jazz cafe, uh, which was quite interesting. Um, really great espresso and um, We said, you know, sure, here's, here's how we would do that, right? Because we were familiar with how do you do performance marketing for e-commerce brands right through their Shopify store.

So acquired investors is online, is kind of like, you know, a high price good. So instead of a, you know, a \$60 hoodie, it's a \$600 investment opportunity, but the same digital [00:03:00] tactics apply to that. So that's the, uh, the brief background of, of how we all got here.

Hall T. Martin: Well, great. Well, you mentioned equity crowdfunding.

Tell us more about raising funding for a business, using equity crowdfunding.

Jonathan Stidd: Yeah. So I would say that, um, you know, starting with like the why companies should, should use that, right? Or, um, you know, or even backing up further, right? Like fundamentally, um, you know, talking about. Equity crowdfunding, it does allow companies to raise capital online.

There's a couple different vehicles for that. The most popular or what's called a Reg cf. In a reggae, the main distinction there is just the amount of capital that you can raise, which the underpins of that are. Then, you know, how do you file to raise that capital? A Reg CF is a smaller amount of capital you can raise up to 5 million, right?

And then a Reggae plus is, is up to 75 million. So, um, [00:04:00] You know, for companies interested in this, you know, somewhat of a, of a modern

company movement, I call it, right? Cuz it allows people to, you know, take down the traditional distribution networks of how capital is raised, right? And go direct to their audience or use it to build an audience, right?

You can do this through digital, right? Which, you know, so as this all got started, Um, it was actually part of the, the Small Jobs Act, right? Where some of the accreditation rules change where you could now mass solicit an offering, which for anybody in digital was sort of a, a euphemism for digital marketing, right?

So now companies can raise capital online and we think of it like, Deal maker as Shopify. Right. So you know, a lot more people will be familiar with Shopify and e-commerce, right? Dealmaker is the backend technology that is like Shopify that allows you to raise capital with a couple clicks of a button.

Hall T. Martin: Well, great. And why should companies use equity crowdfunding versus some other means? [00:05:00]

Jonathan Stidd: Yeah. You know, oftentimes what we've seen is, uh, it's great for a brand, right? So if a brand has an existing audience, and you know, any brand at any point should be thinking about lifetime value, right? And how do you, you know, take a customer and make them a brand advocate?

What we've seen more recently is big companies willing to make that leap and raise capital through their community that they already have access to, right? So, you know, in fairly short order, you could raise 5 million from your community by tapping into this audience that you already have access to.

Right? That, you know, when you make a customer a shareholder, they're like the supercharged advocate for the company. And once you do that, right, um, so you know, that's one reason why, you know, other reasons would be that it's, um, You know, traditionally a little bit more flexible for founders, right. As opposed to raising venture capital.

Right. You know, [00:06:00] you can keep more ownership. Right. Uh, preferred versus common share. So, you know, there's, um, there's ways to do it that are, that are more founder friendly as well.

Hall T. Martin: Well, great. Well there's more than just one type of crowdfunding out there. Can you touch on the different types of, uh, equity crowdfunding?

Jonathan Stidd: Yeah, certainly. So that's goes back to the reggae versus the Reg cf. Right. And just the allotments of capital that, that you can raise. Um, you know, dealmaker security is the, the group that, you know, um, works with companies to do all the filings for that. But, you know, for. Raising capital through the reggae, right, which is up to 75 million.

It does require, uh, s e c review and approval, right? Um, there are different requirements for a Reg CF at that lower amount of capital. Um, which is up to \$5 million. But for anybody getting into the space initially, right. Um, we suggest the Reg cf, it's a little faster to launch. It's less capital, so you can typically [00:07:00] raise it more quickly.

Right. And what we've seen recently is, you know, companies doing this as a bridge round. You know, we have a, a client of ours who back in November. Um, you know, raised 5 million very quickly in a, in about a month, right? From their audience. They had done some reggaes before, so they already had this audience of community and investors who could then, you know, reinvest.

Right? But if you look at, you know, thinking back to November and what sort of a wacky time period it was with the markets going sideways around a lot of uncertainty for our company to be able to say, you know, Hey, we're raising 5 million and do it in 30 days. Right. Goes back to, you know, why explore equity crowdfunding is, you know, if you have the audience to do it, you can raise capital very quickly on your own terms.

All right. Well, you

Hall T. Martin: mentioned a digital capital raise. Are there any digital trends that are playing into this?

Jonathan Stidd: Yeah, certainly. I think, um, the way that we think about [00:08:00] distribution now, right, is very different and distribution, just meaning access to eyeballs and, and who owns the eyeballs, right? If you look at somebody like, Ryan Reynolds, right?

And what he's done with Reim or Mint Mobile, right? He steps in and he has access to these eyeballs and he can come acquire customers and build brand equity for a company just by being the face, right? Or if you look at somebody like Reese Witherspoon, And her book club, right? She's got this book club and she'll launch books into there, right?

And if they do well, she'll buy the rights to the book and then work with the studios to, to build out, you know, that's how Big Little Lies became a, became a, a hit on hbo. Right? So trends in digital right are around distribution where. You know, these people who own this audience now, whether that's through a following or an email list or their company where they have a big customer base or community following, can now raise capital.

So trends that play into this are changing distribution and, you know, people being able to [00:09:00] go more direct to their audience. Whether that means, you know, launching a movie through their audience, right? Or raising 50 million through their audience. I think distribution is a, is a big part of that.

Hall T. Martin: Great. So what does it mean to tap into your community?

I hear that a lot around equity crowdfunding.

Jonathan Stidd: Certainly, and that's the community aspect is typically where it starts. You know, for a company, um, you know, it can be easier if you have a following, right? That could be an email list, it could be your Instagram following, right? Um, to reach out to and say, Hey, we're doing this, this capital raising round.

Right? And. Um, that can be a real moat for somebody, right? Where you have this community and turn that into an asset class because you can tap into them to raise capital, right? I mentioned the client of ours who back in the fall raised 5 million, right? Very quickly. We actually had another client around the same time period raised.

12 million in 30 days. Right. [00:10:00] And they were able to do that because they had done some raises prior. Right. So they've built up this community, which is followers who are thinking about investing or just wanted to watch the company, right. And investors. And then they say, You know, hey, we've executed on that roadmap.

We're raising, you know, 12 million, here's what we're gonna do with that. So to be able to tap into that community is a real competitive advantage. So by tapping in, it just means leveraging them to, uh, market your raise. Right? And when you own that audience directly, it allows you to raise capital very quickly from them.

Well,

Hall T. Martin: great. And so what type of communities have you seen, uh, achieve the better success?

Jonathan Stidd: Yeah, I think there's probably a lot of parallels to this, to the work that, you know, you do in angel investing, right? Where you know, you're thinking about a company solving a real problem, right? And is that market opportunity large enough where if they solve that problem effectively, what is the upside of [00:11:00] this company and you know, who are the people executing it, right?

So at a very high level, I think those tenants of investing. Are the same on digital. I will say though, with digital, right? You know, we, we run TikTok ads, right? And Facebook ads. So you're battling people's attention spans. So a potential difference there as we think about digital offerings is, Um, being able to quickly grasp a problem and solution and talk to somebody about that, right?

So, you know, a med tech company with a heart valve right, may be harder than, you know, a med tech company that does something with a robot, right? Um, So I just think being able to quickly articulate, you know, problem, solution, market size and the team of executors behind that and what traction you have and do that succinctly and quickly is certainly a challenge on digital.

But the companies that we see perform best, um, Uh, can do that very succinctly, right? It's a relatable problem solution that people [00:12:00] understand. They can see how that would be a, a big market, and it's something that they're, uh, excited to, to get behind. Whether that means, you know, following the company or actually participating in the current investment realm.

Well,

Hall T. Martin: great. Well, you see a lot of new technologies and, uh, emerging business models out there. Uh, if you could start a business tomorrow with one of those, what would that business

Jonathan Stidd: be? Yeah. So I think, um, yeah, this is where the imagination runs a little while cuz I, I have the fortunate experience to, you know, be on the front lines with a lot of different companies and founders and see what they're building out.

I do think the opportunity, uh, around clean energy, particularly the grid, right, whether that's battery storage or the raw materials behind that, um, I think are really compelling opportunities that, you know, as the. Transition to energy and

clean energy shift happens, right? It's gonna be a, a tide that lifts a lot of boats, right?

Whether that's for storage or raw material [00:13:00] suppliers right? Or other services providers in that stack. Right? Um, if I was thinking more industry specific, I'm actually, I'm a huge fan of what you're doing in the community that you're building and the education around that, right? I would, I personally would with.

My knowledge of the space of equity crowdfunding go even more niche and say, Hey, you know, there are private offerings that not a lot of people know about, and that's crazy because you can't nowadays get into a stripe early enough, right? Like if Stripe had gone public, a lot of their market value. Has already been realized during their private growth stage.

Right. Whereas if you compare that to Microsoft back when they went public right. And their initial market cap, right? I think there's a real need for, uh, retail investors to be able to tap into the private markets, um, in this way to get exposure to this asset class that is growing more in the private stage rather than the [00:14:00] public stage.

Right? So having a really tight thesis around that. Of like, you know, hey, these are private offerings, here's why they're great. Right? It gives you exposure to this asset class before they go public and here's the sector that we wanna focus on. So actually, I would likely do that in like a, like a clean energy space and have a really crisp, clear focus around that and work on building audience there and, you know, uh, syndicating deals through that

Hall T. Martin: Well.

Great. Well, as you help starters raise funding in your business, what is one thing that happened that you didn't expect?

Jonathan Stidd: Oh yeah, I would say. So what about some of the interesting conversations that I get to have with these folks and seeing founders in some of the day-to-day? Right. Um, you know, I didn't expect to be on that kind of front lines and build these relationships with, um, some really interesting, thoughtful, you know, smart people, um, and how they go about building their businesses.

So it gave me a, a much more clear view into, you know, what they do on a day-to-day than I thought it [00:15:00] would, as we're just, you know, helping them raise capital, which. Initially on the surface seemed like, you know, you're

on the sidelines, but you're very entrenched in what they're doing. Right. Because it's, you know, when they have a traction update or they sign a new partner.

Right. You're familiar with the nuance of how that deal came to be. So, uh, yeah. I would say getting to work alongside some of these founders and hearing about their businesses and their strateg strategies is a really exciting part of it that I wouldn't have necessarily expected.

Hall T. Martin: That's great. Well, in the last minutes that we have here today, what else should we cover that we haven't.

Jonathan Stidd: Oh. Um, you know, I think just going back to the distribution note that I talked about before, when we talk about. Changes in a market and inflection points. Right. I do think we'll continue to see, uh, this be a change in the marketplace. And, you know, I mentioned Reese Witherspoon and Ryan Reynolds before, but you even look at somebody like Kim Kardashian and private equity, right?

It's like she has this person with this audience that, you know, can [00:16:00] work with a private equity firm and sort of, you know, bestow the power of her audience on that group. Or, you know, somebody like Serena Williams going to work in VC after. I just think that distribution changes. Um, will continue to, uh, be a benefit to the audience of companies going more direct.

And I hope that has a cascadian effect to, uh, the followers and communities of these companies that then get a chance to, you know, take part in this upside of this company that, you know, they're already helping with the growth of by being, you know, a brand advocate. I think it's a really cool opportunity for them to, uh, potentially also invest in those companies, um, and be along for that ride.

So, yeah, I, you know, Covered that a little bit before, but um, it's something that I'm excited about for the future of this.

Hall T. Martin: Well, great. So how best listeners to get back in touch with you.

Jonathan Stidd: Oh, you can find me a lot of places. There are not a lot of Jonathan STDs out there. You can find me on, on LinkedIn, shoot, be note there.

I'm, I'm [00:17:00] active, um, more so on LinkedIn than, than anywhere else. So that would be great. Well great.

Hall T. Martin: We'll put those contact details in the show notes. I wanna thank you for joining us today and hope you have you back for our follow

Jonathan Stidd: up soon. Oh, Hal, thanks so much for having me on. Appreciate what you do, uh, in the space for education as well as the companies themselves and, uh, with the accelerator there.

So it was, uh, great opportunity to talk to you and I appreciate you having me on.