

# Transcript of Ivan Maltsev

**Hall T. Martin:** [00:00:00] Well, hello, this is Hall Martin with investor connect today. We're here with Ivan Maltsev, general partner at three X capital three X capital VC fund.

They're an ecosystem that supports founders and building blockchain products. Ivan, thank you for joining us.

**Ivan Maltsev:** Thank you all for inviting me.

**Hall T. Martin:** And so where are you calling from today?[00:00:20]

**Ivan Maltsev:** right now I'm in Kiev, uh, at home, uh, in Ukraine.

**Hall T. Martin:** Great. So tell us more about your background for joining 3x Capital.

**Ivan Maltsev:** Before joining 3x, I was a lawyer. I started my career in the court here in Kiev. Uh, then I was working as a legal counsel in a leading [00:00:40] international pharmaceutical companies. Um, I found my work quite boring after a couple of years being a lawyer. Uh, so I decided to start investing in crypto, uh, slowly as a retail investor in 2016.

And then in 2017, uh, I quit my job applies for a PhD degree in the [00:01:00] European university, to study international economy, because frankly, I had no clue how the market works. Uh, and then, uh, I started there for five years. At the same time, I was, uh, actively, uh, researching and participating in different, uh, things in the market, like, uh, ICOs, um, different testing [00:01:20] activities, uh, investing, managing portfolios, launching, uh, quant, uh, trading strategies.

And then, uh, in 2018, I joined a family office, uh, that was based in Thailand as an investment analyst and portfolio manager. So I was lucky to work there, to have this experience and to understand how the institutional [00:01:40] investors think and behave. So after that, in 2020, I was able to participate in the exchange program that was organized by U.

S. government. Called, uh, Ukrainian business leaders promoting innovation and entrepreneurship. And, uh, lucky me, I met, uh, [00:02:00] my partners, uh, Dima and Taras, with whom we actually became, uh, friends, uh, during this,

uh, insightful program in the U. S. Uh, we started in Washington, D. C., then Austin, San Diego, L. A., San Francisco.

And, uh, after that, uh, as I mentioned, we became friends and decided to start, uh, 3x. So [00:02:20] 3x is more about our synergy, about our culture, not about the returns.

**Hall T. Martin:** Great. So what excites you right now?

**Ivan Maltsev:** Um, a lot of things. First of all, people who keep building during this hard circumstances from [00:02:40] different parts of the world keep building innovations and new products that are solving some particular problems.

This is something huge, I think. I respect people a lot. For, for being this, uh, professional and hardworking, uh, second, uh, I can [00:03:00] say that, um, new technologies that we have right now, uh, like, um, scaling solutions for Ethereum that, uh, have already a lot of traction, uh, from the user, uh, circumstances, just to understand, um, the layer two solutions have, [00:03:20] uh, three times more transactions.

Uh, right now, then, uh, Ethereum, uh, as a main layer one network, uh, of course, uh, liquid staking derivatives, uh, something that is, uh, uh, very popular, especially this year, uh, products like Lido, uh, where you can stake your, uh, ETH. [00:03:40] And after that receive a derivative of this asset, and you can work with this, uh, second asset.

Um, but at the same time, you receive a returns from staking your ETH, so usually it's up to 5 percent of yield per year, but this liquid staking derivative, you can also [00:04:00] provide as a liquidity or borrow additional capital to, to invest. by providing, uh, your derivative as the collateral. So there are so many opportunities in DeFi at the same time.

I'm very excited about the future because, uh, there are some areas that, uh, still are underdeveloped, [00:04:20] uh, for me as a portfolio manager, as a investor, it's important to have proper tools for managing, uh, my own clients portfolio. Uh, so portfolio management for DeFi for this market is something that excites me a lot, uh, as well as insurance for DeFi because only in 2022, we had so many hacks that, [00:04:40] uh, we almost achieved 4 billion in, uh, in, uh, hacks.

So I think, uh, insurance for, for this market would be something that, uh, we, we need and we expect it, uh, a lot when the institutional money will come. Uh, so soon, uh, soon we will see a lot of developments and to, to sum [00:05:00] up, I'm very excited to work with, uh, hardworking people in the market who are creating, uh, new innovations.

I'm excited about the technologies, about layer two solutions, liquid staking derivatives, portfolio management, and certified insurance.

**Hall T. Martin:** You work in the blockchain world and you see a lot of investors and a lot of [00:05:20] startups. What's your advice for people investing in startups in the blockchain sector? What do you tell them to do before they write that check?

**Ivan Maltsev:** all, I think that they should have at least, um, a background on the investment side.

So this market is quite unique, uh, but [00:05:40] the basic, uh, education in terms of the early stage investments, like. Uh, angel investor or a venture fund education. You can check different, uh, programs by the founders Institute, uh, in California, or you can also apply to our programs that we do at three X education.

So I think whole, we'll provide some links [00:06:00] about us after this meeting. So the, the basic is education. The second is, uh, do not, waste a lot of time Um, the, deal sourcing, but spend more time on the actual research. So when you find the startup and you want to invest there, uh, do your own research.

So use [00:06:20] the instruments that you know, to identify the valuation of the startup based on several criteria. So you can have different metrics, uh, from, uh, from scoring, uh, to some other metrics that might be used for, uh, for early stage investments. So that's the second term. The last one, have a [00:06:40] clear plan in mind regarding your exit strategy.

So if you are investing without understanding of the final, kind of, uh, uh, results without understanding how you would like to exit and how you will help the startup to, uh, to grow, um, you will not succeed. [00:07:00] Uh, so to sum up the education, the research and the exit strategy, those three things that I would suggest to everyone before, before investing.

**Hall T. Martin:** Great. You know, on the other side of that table, what's your advice for founders who are starting blockchain companies? What do you tell them to do before they go out to raise funding? [00:07:20]

**Ivan Maltsev:** Good question. And, um, I think, um, the first one would be the same. So the education is important if you are the first time founder definitely apply to some leading acceleration programs That's the first, so spend some time to understand how, [00:07:40] uh, things, uh, works in, in the world of, uh, Web3.

So there are some cool programs, uh, like, uh, for instance, uh, uh, Ali, uh, Aliens, uh, XYZ. Uh, a 16 Z crypto school and some others, uh, programs that you definitely should apply and, uh, just, [00:08:00] uh, uh, spend some time on, uh, exploring, uh, your idea and building kit, uh, second, uh, focused on, uh, user experience, uh, on the quality, uh, instead of quantity.

So spend more time on building product, especially during this market cycle. So when, you do not need [00:08:20] to hurry up, but you need to build, so focus right now on education and on the product, uh, later on when we will have the better, uh, market conditions, it would be nice to focus on the marketing of other activities of the community on the fundraising.

But right now, I think it's not a good market to [00:08:40] raise capital, but it's a good market to learn and to build.

**Hall T. Martin:** Great. Well, you know, the state of blockchain investing has changed over the last few years. Where do you see it going from here? What do you think we'll see next in the blockchain space?

**Ivan Maltsev:** Um, it's a fun right now.

We are more interested to Um, [00:09:00] invest in equity of the startups, but at the same time to help the startup to issue their, uh, token, uh, that will serve the community with, uh, some, um, useful utilities. Um, so, uh, in our case, we are focusing on the companies that are [00:09:20] already generating revenue instead of the, uh, Products that do not understand how they will become profitable.

So the, the first trend is that, uh, web three companies, uh, uh, started to earn money. actually, during the past, uh, two years, we, we see a lot of, uh, cool, uh, cool [00:09:40] products. Uh, for instance, a year ago we had, uh, a launch of,

uh, Stepan, uh, a moving app, uh, that, uh, uh, had, uh, more than \$112 million in revenue. Uh, just in second quarter.

Uh, so just imagine, uh, what amount of money some. [00:10:00] Simple mobile application can generate from sport activities from commissions, uh, inside of it. Also, uh, there are many many other products that are successful like open sea for instance a marketplace for nfts world known Of course, the trends in the market sentiment is changing, uh, but in [00:10:20] general, uh, from our, uh, perspective, uh, we are focusing on companies that are, uh, generating revenue, uh, right now, uh, that, uh, maybe they are not, cash positive, but, uh, they, uh, at least, uh, understand how they can scale, you know?

so in general, the market [00:10:40] changed, uh, with the Uh, huge impact of these, uh, kind of cream to winter. So the valuations of the Web3 startups, if we are speaking about equity, went down like 60, 70, 80%. And right now we see this as a huge opportunity for the next 5, 10 years. [00:11:00] So, uh, we are welcome to onboard new LPs who might be interested to, to explore this market.

Being this market pretty early because we see a big opportunity right now. Uh, for instance, uh, this month we will invest in engrave and grave is, uh, Uh, is, uh, producing [00:11:20] a hardware wallets similar to ledger and treasure, uh, in Belgium, uh, and selling them worldwide. So right now they are generating, 4 million in revenue this year already, and they have 30 million, uh, valuation.

Uh, they are offering equity investment with, uh, token warrant. So [00:11:40] all people who will invest right now with their equity will receive, uh, one to one, uh, token for the same amount. The same valuation with in the future. Uh, so this is a huge opportunity, uh, I, I think, and, uh, we, we are keen to support this kind of startups with, with the revenue, with the [00:12:00] potential for growth with a reasonable valuation at the same time.

And the token warrant deal structure. So when you invest in, um, in equity plus token warrant, actually you are mitigating the risks of equity because you will receive a token, uh, that can be listed on the exchange. And in this case, [00:12:20] uh, Binance Labs has joined the round with as a lead investor and probably Binance will list their token in the past.

So, investors like we, like Binance will be able to exit, uh, much earlier from, from the tokens that they will receive in the future and the equity and the

revenue from equity will be a good [00:12:40] bonus for, for investors in the future.

**Hall T. Martin:** And so what are the primary challenges in the blockchain space today for startups?

What investors should investors be looking for?

**Ivan Maltsev:** There are so many challenges. Um, I can say there is a huge lack of talents, uh, professionals in the market. Um, in terms of, uh, software [00:13:00] engineers, uh, who are experts in the blockchains. There are so many new languages, new, uh, new blockchains that were born just recently during the past two years.

And we need more talents who will join and start, earn money and create innovation there. Uh, many people [00:13:20] because of this volatility, you know, because of high risks, they, uh, cannot, uh, trust this market, unfortunately. So I think this is a big challenge to find great talents for your team to build first of all, a cool product.

The second part is a business development. So, [00:13:40] uh, we need more people from the, uh, kind of experience founders who will start building their products together with engineers in this market, but they have some experience of building successful businesses, generating revenue, doing exits. So, um, I think the, the major [00:14:00] challenge.

Uh, is marketing general, uh, but, uh, also talents in the markets are so important, uh, because right now we are building the products, uh, of the future. So something that will be probably exciting for, uh, for people in 2, 3, 5 years, uh, something that, retail users. [00:14:20] are not, uh, using right now. So they, uh, they will have this opportunity in the couple of years.

Uh, for instance, uh, right now we are building the world's first on chain mobile app. Uh, so it is built on, uh, internet computer protocol, uh, that is one of the, uh, leading blockchains. People [00:14:40] will be able, uh, to, uh, rent a property, uh, using their, uh, crypto. Uh, so that's, uh, very easy and, uh, this is some type of product that, uh, can lead more, more adoption for, uh, for daily users in this market.

Great.

**Hall T. Martin:** Well, [00:15:00] if you could start a blockchain business tomorrow, what would that be?

**Ivan Maltsev:** Uh, as I mentioned, we are building this, uh, exciting, uh, crypto friendly property rental mobile app, uh, that is built on the, uh, blockchain. So I'm a part of the, uh, core team and I'm very excited about [00:15:20] this product. It's called, uh, Ranspace.

It brings some additional values, not only the, uh, crypto friendly, but when you search for the property in the app, you see a short form videos. Uh, like in TikTok instead of, uh, pictures and descriptions. So the first thing that you see when you search for the [00:15:40] property, you see a video instead of pictures.

So this is a kind of revenue, revolutionarily marketing strategy that we have there. At the same time, a new generation of crypto users will be able to pay using their crypto instead of converting crypto, paying someone some fees for [00:16:00] conversion and then paying 20 or 18 percent more fees to Airbnb or booking.

You can do it like with your crypto with much lower fees and the fees in our app will be from 5 to 10 percent instead of 20. So this is something that I'm very excited about. There are some other cool startups that we are [00:16:20] accelerating right now. Uh, for instance, uh, a launch pod that will help, uh, production companies of movies to create, uh, to, to raise funding for, uh, for their next movie or series, uh, using the blockchain technology and using the.

So we will [00:16:40] bring more adoptions through the movies, through series, through, um, other, uh, products to, to the space.

**Hall T. Martin:** Great. Well, in the last few minutes that we have here today, what else should we cover that we haven't?

**Ivan Maltsev:** Um, no, thank you. Thank you for all you are doing for the startup [00:17:00] ecosystem. We receive a lot of value from your emails, from, from the podcasts that you are creating.

I'm just grateful for, for your, uh, work on that and looking forward for the future podcast. Always a pleasure to be a guest of yours. Thank you.

**Hall T. Martin:** Well, great. Well, how best for [00:17:20] listeners to get back in touch with you?

**Ivan Maltsev:** I will provide the, uh, my LinkedIn profile and also I will provide the, uh, uh, websites of our products.

So you will be able to, uh, check, uh, everything and, uh, reach out to me. I'm, I'm very open and ready to, [00:17:40] uh, to work and, uh, collaborate with, uh, talented people in this space.

**Hall T. Martin:** Well, we'll include that in the show notes. I want to thank you for joining us today and hope to have you back for a follow up soon.

**Ivan Maltsev:** Sure. Thank you, Paul. I will send to you the links, uh, today.