

# Transcript of HTRF 20

**Hall T. Martin:** [00:00:00] Hi Marie, thanks for joining today.

**Guest 01:** Hey, good. How are you? Doing good. Doing good. Looking forward to catching up,

**Hall T. Martin:** learning more about Wiggle.

**Guest 01:** Thanks. Wiggle's an interesting company. So, ~~um,~~ we, ~~um,~~ started out doing transmitters and receivers for wireless power, and we've kind of turned and went a different way. And, ~~um,~~ We're actually split in the company to [00:00:20] do wiggle energy. And that's the group I need some help with. ~~Um,~~ we're actually making a saltwater generated power batteries three different sizes, and I think one of them actually has potential to actually see something come out of it.

And, ~~um,~~ and we [00:00:40] should hit the market late third quarter, fourth quarter. ~~Um,~~ but. We need some direction here. ~~Um,~~ we've raised over 11 million dollars and have in over the last almost four years And we have not produced a product and you know coming out of the silicon valley that to me that's almost unheard of You know, you have to produce something, you [00:01:00] know Right, and i'm like, okay, let's let's focus and finish.

~~Um,~~ so we are working on this product. ~~Um,~~ I'll actually show you the picture of it. These guys are ex military guys this You can do and they think, oh, the military is the way to go. I'm like, no, your biggest potential is the consumer market. So [00:01:20] take what you could do with this and put it into the consumer market.

And that product actually would be great for camping or, you know, I'm in Houston. So, you know, and we're close to Louisiana, all the hurricanes and everything else. Would be great, you know for this product when the power goes out and or FEMA And like i'm actually talking to the bird foundation in [00:01:40] israel would be great for the people in gaza right now

**Hall T. Martin:** So

**Guest 01:** let's get this thing done and let's get it distributed out and or have somebody pick it up And take it and run with it, but let's get something out there

**Hall T. Martin:** what's been the challenge?

How do we spend 11 years last four years and not get a product? What's been the problem?

**Guest 01:** ~~um~~, so most of my guys [00:02:00] are ex military air force. They think the department of defense is the way to go raising money through servers and or crowdfunding ~~um~~. The CEO is a former, ~~um~~, ~~uh~~, supply chain guy and he, you know, he's in love with the Department of Defense and he doesn't want to take on VC funding.

But, you know, I came out of the Silicon Valley and I've seen what VC funding does.

**Hall T. Martin:** Yeah.

**Guest 01:** You know [00:02:20] what it does for companies. I'm like. And you also need that kind of direction focus. And so he's so busy. ~~Um~~, I think he's fallen in love with, you know, he blogs and he puts out all these updates, but that doesn't mean anything if you don't actually make an a product, we don't have an engineering group.

We have, we've actually, what we did was I actually reached out to [00:02:40] one of my former customers. I said, Hey, we need to design guys. Who can we use? So we use this company up in Austin called Gwinn Partners. I don't know if you're familiar with them. Okay. So they do a lot of stuff where they do first round design and then they flip it over to the company and they take it from there, we've kept them as our engineers, we didn't, so, you know, you can outsource [00:03:00] HR, you can outsource accounting, you could outsource a lot of things you can outsource engineering.

And you could even outsource marketing. ~~Um~~, so as a result, we have not been able to focus on being, you know, getting their full attention to get a product on. And so I look at it and say, we need to bring engineering in. Let's get this [00:03:20] product done. Let's get it out there.

**Hall T. Martin:** So, so if it's not the military to go after, who do you want to go after?

Who would be the first 10 customers that, so to speak?

**Guest 01:** So with that product, I mean, I would look at, you know, ~~um~~, trying to get it into the Ace Hardware's, the, you know, Cabela's, those type of things, ~~um~~, Bass Pro [00:03:40] Shop, ~~um~~, REI, that type of, ~~um~~, ~~uh~~, West Marine would be a great customer and then see if a brand would pick it up.

**Hall T. Martin:** Okay. And how much would that cost to put it on the shelf at Cabela's?

**Guest 01:** That is a good question. ~~Um~~, I don't know that.

**Hall T. Martin:** Okay. ~~Um~~, so, you know, direct to consumer, you know, this is, it is the biggest [00:04:00] market. It's probably one of the more expensive ones to go after from a sales point of view, because you have to go and knock on all those doors and get it into all those groups and so forth.

~~Uh~~, I like that better than the idea of going after the, ~~uh~~, FEMA market, so to speak, or the know, the nonprofit market where we're helping people that are in distressed areas [00:04:20] with hurricanes and so forth, because the, the challenge with that is nobody has any money and, ~~uh~~, it's all government grants.

And you're, you're back to the, ~~uh~~, the, uh, DOD thing where we either get one grant and it's all great, or we don't, it's all bad. And so I like the idea of the in between. And one thing you might think about is. Find an anchor client [00:04:40] and build a custom version for that one client. Not, not government, but you know, they, somebody wants to build, ~~uh~~, want to, what's the battery for what you're doing?

~~Uh~~, and they're willing to come and pay you on a contractor basis to go build it. Cause you had the technology, you had the designer, you had the team, you have all this great stuff and they'll do monthly, they'll do. [00:05:00] Or, you know, break, break the system down into payments, milestone payments, give me some money up front, not a lot, and we'll kick it off.

And then we make progress. You pay us on milestones that we achieve and we'll build you the product. And then you own that product and go forward. And, but you, you don't really. They just get a license of your [00:05:20] technology. They don't get the full copy. And if you do three of those, I find that often is enough to actually build your system, design, process, manufacturing, so that you, what you have at the end of it is the ability to pump out standardized products at standardized prices.

These custom things are usually expensive. You know, because they want [00:05:40] special things and we're, we're building on our core platform, but we'll do special things for them, but they're paying more for that. And we got into this with software where people come and they wanted a certain solution. We couldn't find one.

We went and found and said, okay, well, we'll build you one, but it's going to cost three X the standard price of a SAS system. But you don't have to pay recurring revenue. You just pay [00:06:00] once, but instead of paying me, ~~uh~~, 25K a year, you're going to pay me a 500, 000 to a million dollars for the software solution, but it's a one time fee.

Break it down into four steps. We'll build it. You, you sign off, that's yours. And what we now have is code for building standard products afterwards is what it is. So one approach is to find an anchor [00:06:20] client that will. Help guide you because now that there's somebody there, you can't just sit there and say, we don't know what to do.

The customer is telling you what they want you to do. You have a roadmap. You have to do this every day. And if it can focus the team, unlike anything else, you know, you and I can sit there and say, you should do something, but there's nothing like the customer saying, well, the next payment is going to [00:06:40] come up in 30 days, but you have to do these 20 things.

And now the team has to rally around that. Oh, by the way, they can't rally around that. They may not be the right people for the team.

**Guest 01:** No, I. I actually did that with a Japanese company called Toso. They were making, well, this is a long time ago, they were making magneto optical discs. They wanted to be the next 3M.

I'm like, you're not going to be the next 3M. [00:07:00] But we made, we wound up making for 3M. We made a fortune with them by doing that, by private labeling. That's a great idea.

**Hall T. Martin:** Any idea who you'd sell it to?

**Guest 01:** Well, we could look at Yeti, right? Yeti wants, you know, you could look at Yeti's of the world.

**Hall T. Martin:** You could look

**Guest 01:** at the Igloos of the world. You could look at Duracell for batteries. You could, so look at the battery round. You could look at the outdoor [00:07:20] round of the REIs or the Yetis or things like that and say, okay, because Yeti, ~~um~~, Igloo is getting into the outdoor market with things like that. So, and Igloo is right up here in Katy.

So yeah, it's just getting to the right guy and getting it out there. So

**Hall T. Martin:** any idea how much it would cost to make one?

**Guest 01:** ~~um~~, We think it's about, ~~um~~, ~~uh~~, 50, 50, 50 [00:07:40] to make one. So

**Hall T. Martin:** you want a 50 percent gross margin on that? You would have to sell it for, you know, a hundred bucks, something like that.

Is that still a market rate for it?

**Guest 01:** Yeah, that's a little high. That's why we're looking to, ~~um~~, that's right now where it's at, but we're looking towards Malaysia to manufacture and to get [00:08:00] the cost down because you have to injection mold it because, you know, when you're heating the water It, you know, it gets really hot, so you have to have injection molding.

So that's why we're looking to Malaysia to get the cost down because you really need to have it in the marketplace at around 75 to make it feasible for someone to want to buy. You need to be sub 100.

**Hall T. Martin:** ~~Uh~~, okay. [00:08:20] I mean, that that's not great margins, but for a custom version, that's probably not bad, but you also want to keep an eye on what would it take to make a, ~~uh~~, decent margin on the don't 40 percent is, is probably the number we always look for, for a category growth rate, well, for a margin number on it to say that this is going to be a reasonably, [00:08:40] reasonably successful product.

If you go below 40, it's just hard to grow the business on that, that thin of a margin. And scale, it does get better. So if you start at 40 and go to 45, 50, 55, that's, that's what investors want to see. And then you have to, and to the extent you can actually get the money from Yeti, that's great. To the extent you have to, you [00:09:00] have a contract from Yeti, you can leverage that to go raise money.

And then we have to figure out, well, how much that would that cost to do? And then you start looking at the different manufacturing and design options to go into that. Any idea what that might be?

**Guest 01:** Um, I don't know right now. Um, so out of that Gwen partnership, there is one good thing. They took a product [00:09:20] called gel blaster.

I don't know if you're familiar if you've seen it. So, so they actually, they took it from, you know, nothing to 20 million in sales this Christmas. And that's the one reason I do want to stay closer to them because I do want to see their manufacturing that they did do out of Malaysia. And so I'm trying to have a meeting with them tomorrow to say, okay, take our [00:09:40] product and show me what it would cost to do out of Malaysia to scale with it.

And what would it be? So I don't have those numbers for you right now, but I will in a week or so. So,

**Hall T. Martin:** okay, cool. Well, so how much do you know about 10 capital and what we do?

**Guest 01:** I don't know. I just saw you on Facebook and I mean, excuse me, LinkedIn. [00:10:00] And that's why I wanted to see what you could do with us. um,

**Hall T. Martin:** so we're based here in Austin and, you know, my background is I started three angel networks in Texas.

I started C10 in 2006 and the Baylor Angel Network in 2007 and Wilco in 2008. It's Williamson County, just north of Austin. And so I had a lot of fun, retired from my day job. I used to work for National Instruments. So very familiar with [00:10:20] the engineering world and, you know, commercializing engineering technology, even today, I teach class at Los Alamos labs on how to commercialize technology.

And we're all the time looking for anchor clients and building MVPs to test it out. And so when you go out to Cabela's or whatever, or Yeti, what you want to do is, you know, you want Create a data sheet that looks like a standard [00:10:40] sellable product. You know, think about look at the battery makers that are out there selling similar things.

Look at the formats style content that they're putting in and create one for the one you want to build or you think would be a fit for them. The idea is to put it

in their hands and have them tell you, well, you need to change this back and you need to change that. And the prices [00:11:00] needs to be this. And the more you give them, the more feedback you will get back.

And the data sheet is what I always use to find and experiment with new products. I have this idea for a product. I put a picture of it in there. It'd be a picture of something else, but it'd be, I would say it's that I had the features, had the benefits, had the. you know, 30, 50 word description of what it does have the standard [00:11:20] specifications that came out of the back of my list, temperature ranges and all that stuff.

So, so it looks like a real product and when it starts to look like a real product, they start to treat it like a real product and they start to tell you what their decision process is by just going and I just say, I'm going to make a battery. Well, that's not a real product. And so they're not going to give me real product feedback.

We're trying to get [00:11:40] much more. In fact, we used to. Create, you know, take empty boxes, you know, for the modular pieces. And we laid on the table in the, in the pitch and say, this is our prototype. We're, we're getting very far along with it. It was empty, but we would say that anyway. And that again, would give them the idea, well, this is coming out soon.

We better start dealing with this and you, you get a lot more [00:12:00] engagement with it. And so anyway, that's my background on what I did. And so Texas Entrepreneurs Network was basically helping startups raise funding. And we were oftentimes going out having a. Trying to help them sell their product or sell more of their product to get enough traction that it would attract angel investment.

And that's, I think, where we are with it. We're at the angel [00:12:20] investment level. Uh, so at our company, we run these campaigns where we mail out your deck to our network. It's now 23, 000 investors because we went national in 19, uh, You know, about 16, uh, no, 2016, we went national and started, uh, working around the country instead of just around Texas.

So today, Texas is maybe 10 percent of our deal flow and investors. The [00:12:40] rest are everywhere else. We have a pretty broad network, pretty good deep tech network as well. But here we're really looking for a consumer group to work with that would want that product and would, Pay us something for it up front.

If not all of it, you know, a good chunk of it net that commits them to the project itself. But on our campaigns, we're finding these invest, we're building a list of [00:13:00] initially interested investors. We're inviting them to hear you pitch in one of our five online events a month. We're having our first hybrid event starting in February 7th in Austin.

If you can come up for the half day, we can meet and talk more about it. And it's in the afternoon at Capital Factory downtown. It's a half day pitch session. We used to do 31 of these around [00:13:20] the country. The pandemic put us all online. We were 100 percent in Zoom and now the world is completely online.

Shifting a little bit back into in person is what we found is if you pitch to people in person and have in person, it's easier to close. Zoom is easy to open the dialogue. You get out to a lot of people very fast, but it can be hard to close. And to that extent, we actually [00:13:40] came up with the in person dinner event.

After you get 10, 15 investors expressing interest, we invite them to come out for a dinner and they're usually clustered in Austin, Dallas, Bay Area, Chicago, or New York. That's where the majority, a lot of our network is, but had a lot of dinners in those places. We do a two, three hour dinner and we go through and answer every question and, ~~uh~~, you know, look at [00:14:00] every, every slide in the deck and basically to help them with their diligence.

And at the end, we were getting a 20, 25 percent close rate. We just did one in Dallas and had, ~~uh~~, 12 investors come out and had a. from it so far. So it's a great way to close. And so we offer that as well. We also know all the angel groups. And so we go out and we fill out the application form and go through it.

I [00:14:20] probably wouldn't go through the Houston angel network just yet because they really want to see a product going into market. So angel groups are probably going to build a little bit too soon for us, but they might be helpful on the next round when we get. Couple of anger clients done and now we want to really scale up manufacturing.

That's that's when they will be more relevant to what we're doing. We're a monthly retainer 3k per month for a three [00:14:40] month commitment. After that, it goes month to month. What we do with your case is we go out and we help you find the anchor clients and try to help close them, help you come up with a specification sheet.



And so, and of course, work on the pitch deck, because at this point you want to go out with a pitch deck to your network and individual angels and pick up 25, 50k [00:15:00] checks. Uh, we start with a convertible note. We don't have a price round yet, unless you've already priced it in some other way. But you want to put a, uh, market rate valuation cap on it.

We're just at the early stages of this. and then just, you know, they sign the, the check, you sign the convertible note, the money goes into the business the next day. And we don't have to make anybody figure out what the valuation is or [00:15:20] whatever. Uh, so that's our mode of operation at this point is picking up from individual angels checks to go with this, but at the same time coming up with a compelling case.

And my rule is you never talk to an investor unless you have some new piece of information about. The customer, what the customer is saying. We talked to Yeti. They're interested. They want us to do a pilot. They're negotiating a [00:15:40] price. Well, they came up with a contract and now we're going to build a sample for them.

This is the kind of story investors want to hear because the customer's at the focus or the center of it versus the technology being the focus, which is interesting, but not really compelling to the investor because they'll ultimately, they want to know. Someone in the market with money is tracking along with what we're [00:16:00] doing.

So that's kind of how we work and what we do. We're not a broker. There's no backend fee or success fee. I looked at that model, but found I was going to lose half my network of angel group and VC funds because they don't let brokers in the deal. So I just do the retainer thing. Uh, what questions did you have for me?

**Guest 01:** Okay, so, um, so you basically, um, from what you do, um, you take [00:16:20] a monthly retainer and that, um, does, do you also take an equity position in the company?

**Hall T. Martin:** At this point, no, people offer that to us, but like I say, that's often typically success based. And if you do anything on success fees, well, then you have to have a FINRA license or be a broker dealer.

And we're not, because I want to, I just can't go into that [00:16:40] space because I lose angel groups. I lose VC funds and I lose a lot of my network

because they don't want brokers in the deal because ostensibly that's what they're doing.

**Guest 01:** No, that's fine. Okay. And then, ~~um, um~~, Do you also, so when you also work with us on, you know, from an angel sample, and you also, can you also help us from an engineering standpoint in guiding us and consulting as to what we're [00:17:00] doing with that product, do you, you give some opinions on that?

**Hall T. Martin:** Yes, we do. And what we do is look at what is on available in the market today. And start drawing from that. And what we're looking for is what, what is not being done? What is an open space there? And then see if we can slot into that. We do draw from [00:17:20] the format and the content of their data sheets to say, well, this is what the standard is for this industry.

That really helps to kind of look like standard, come up with our logo, make a nice version of it. We can help with that if you need help, because we have marketing people and graphic design people to make the deck look good and make the data sheet look good, we can help with that as well.

**Guest 01:** Good. Okay. [00:17:40] I think that's really good because, ~~um~~, the 1 thing is, is, you know, I mean, I, I came out of the semiconductor industry, both equipment and materials.

And, you know, I'm much more conservative from the standpoint of let's be realistic in what we're saying. Let's be conservative. What we're saying. Let's not say the valuation is this when it really isn't because you really don't know what this market right now. But, ~~um~~, I think, you [00:18:00] know, I believe there is a market there, but let's, I don't believe you should make a valuation way off of what it is like for our wireless market.

We we used a company called journey. The guys, you know, we gave us one valuation, our CEO said, Oh no, we're worth 150, you know, million dollars. And you know, the guy's like, no, no [00:18:20] way. And I was like, no way, you know, that was worth what Tesla was at the time. And so I'm much more conservative in the standpoint of how to approach it.

I'd rather be lower than where we are because that's how you bring in people that are like minded. And, you know, it's better to be. ~~Um~~, come in conservative and win actually and come in, you know, with a [00:18:40] higher amount at the end. ~~um~~, and, you know, this takes a while. This isn't done in a day.

Right however, I'd also like to see us make some progress by the end of 2024 that we actually have a product in the market. And I think our investors on, you know, we're on start engine and we're also doing something on front funder. I think all of them, I would like [00:19:00] to see us do something. I think we have a fiduciary responsibility to produce a product after taking money over almost four years.

**Hall T. Martin:** So what valuation was the last money on?

**Guest 01:** Well, here's the problem. So that money that we raised, it's on start engine and those ~~uh~~, investors, I don't think they know what they're investing in. So I think [00:19:20] they thought it was based on 150 million and we're not even producing those products that they invested into.

**Hall T. Martin:** Right. is do not look at valuation. That's okay. They don't mind. But when we go to our angels, they do look at valuation. So we're back at the five, seven, 8 million range. Cause that's, that's kind of where we [00:19:40] really are. And so, and we do that all the time because what you'll find is you really want to spend your time working with 50 K angel check writers, not 500.

Crowdfunding credit card people, because it's the same amount of work. And I've had many people go after the crowdfunding and then say at the end, I really should have spent time with [00:20:00] angels. Cause I was spending as much time on these 500 things when I should have been spending my time on 50, 000 things as far as checks go.

so we can run a campaign separate from that and make that look okay.

**Guest 01:** I agree a hundred percent with you. I, I, I think that's exactly, ~~um~~, exactly where we should be. And I, you know, I think, you know, you can put out all these Facebook [00:20:20] ads and you can do all this Instagram stuff, but at the end of the day that just what you said, 25 to 50, 000 investors were in, which make you hold you to the line to do what you're supposed to do is in the end, the better way to go.

**Hall T. Martin:** Right. Okay. Absolutely. So we can help with that. Like I say, we have lots of angels. We would go out and pitch it to angels and [00:20:40] we'd make that work in that way. So that's where I think it would go. ~~Um~~, so what I can do is send you a document of how we work and then a campaign proposal. It's more geared toward the fundraising side of it, but at the same time, I would We're going to spend some time working on your data sheet and finding a client.

We can help you with that because we [00:21:00] know a lot of people in the space. We're here in Austin. We know where Yeti is. So we would, ~~uh~~, be able to help you with that. I don't know if that's of interest to you or not.

**Guest 01:** No, absolutely. I was just going to ask you to do that. So that would be great if you could send that over to me and let's see what we can do to get going.

I'll pass it on to, ~~um~~, the guy, Craig Baker and, ~~uh~~, our CEO and let's see what we can do. Let's get this out. [00:21:20]

**Hall T. Martin:** Okay. Okay. Great. Sounds good. I'll turn it over. Do you have any other questions for me?

**Guest 01:** Nope. I think that's a great start.

**Hall T. Martin:** All right. Thanks so much. Have a good one.

**Guest 01:** Okay. Bye.