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Kevin Ryan: [00:00:00] there's actually a lot of money. tons of cash sitting on the sidelines. That money is not gonna be given back. That money's going to be spent. Here's the thing that I don't think about, which is our ownership. sometimes we're paying a big price, uh, and we're paying a big price 'cause it's an incredible team and an incredible opportunity. if someone makes you an offer you can't refuse, don't refuse it.

take it.

Scarlett 2i2 USB: This is 20 VC with me, Harry Stebbings and I'm so excited for the show.

Stay with Kevin Ryan, the godfather of New York tech. The man is the co-founder of Mongo DB, a $26 billion public company today. Business insider, also Zola guilt group, Kevin even sold DoubleClick back in the day for $3 billion to Google. And just yesterday, he announced that he's taken his first outside money with Annie court's. The new $250 million fund to innovate in incubating revolutionary generational defining companies.

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You have now arrived at your destination.

Harry Stebbings: Kevin? I'm so excited for this. Listen, I've heard so many good things from so many people, so thank you so much for joining me. First off.

Kevin Ryan: No, very excited to be here.

Harry Stebbings: Now I know it's a weird question, but I just think we're so shaped by our early years in a lot of cases.

When you think back to growing up, how would your parents and teachers have described the young Kevin Ryan?

Kevin Ryan: You know, in some ways I haven't actually either progressed or changed that much from high school. I was running student organizations, I was head of the student council. Uh, I did a lot of sports. I was very interested in public policy. And frankly, today, those are still a lot of my interests.

You know, I have always been a CEO from a very early age. I was president of my fifth grade class and my sixth grade class. people wanted thought, I, I should be elected to do these things and I love doing them. I love [00:04:00] managing people. I love working with people. Uh, I've still very interested in, in sports, in athletics, and in very interest in public policy.

So, yeah, I haven't changed at all.

Harry Stebbings: Okay, so we both are in the people selection business. I have this weird thesis that the best people always show early signs of exceptionalism. No one comes outta McKinsey at 28 and suddenly becomes exceptional. They show it in their early years. Do you agree with that? And do you think that the best do show early signs of exceptionalism?

Always.

Kevin Ryan: So we have to define exceptionalism and we have to think about also not just the job. I think people make a mistake in. Only looking at the extreme, oh, mark Zuckerberg, age 19, you know, dropped outta Harvard was entrepreneurial. the vast majority of successful CEOs are people who, went to good colleges.

May have done two years at McKinsey, but were truly interesting. They weren't necessarily crazy entrepreneurial. I'll give you an example. I was the first investor in Voila, which is a mobile bank in Argentina, and there was a guy named Pure Paulo Barbary.

A [00:05:00] bank in Argentina is an insane idea. This is six, seven years ago. It's currently worth about $2 billion. I've been on the board since many. He is, was Phi Beta Kappa at Harvard? Did work at McKinsey, was truly exceptional and then now is managing 1,500 people. I wouldn't use the McKinsey example that you used.

I would say that. No one just, you know, is a surfer for five years and then at 26, all of a sudden launches a billion dollar company. That doesn't happen as much. They, they show drive and focus and success before.

Harry Stebbings: How do you think about the difference between luck versus skill? People often talk about it on the show, and I'm never quite sure where to weigh it. How do you think about that?

Kevin Ryan: it, look, it definitely plays a role, you know, because there are things that are out of your control. And the reason, you know, that's true is that, you know, if you have people like me who've started 20 companies, no one has 20 successes, they may have more successes than your average person, but, there's some things out of your control,

If you remember a long time ago, I started a company called Guilt. Guilt after four years was doing [00:06:00] $500 million in revenue. crazy success. We did $175 million in revenue in our second year, which I don't think anyone in New York City's ever done.

So you'd say, oh God, you're killing it. What happened then? Everyone in the industry started discounting their merchandise online. And so Mark Jacobs started selling discounted merchandise on their site. Macy's did. Farfetched did. Everyone did. It became very difficult out of our control to make money, and so it ended up being less successful than you would've thought, and I didn't like the industry dynamics, and so sold the company.

Harry Stebbings: Did that hurt?

Kevin Ryan: Yeah. Yeah, because after four years we were worth a billion dollars. And at the time, you know, everyone invested in a billion because they thought it was gonna be worth two to 3 billion, and we ended up selling it for $250 million. Despite having an incredible product, fantastic people.

I'm, I've funded many people who came out of there. Zola is all ex Guil people. Security Scorecard is my ex, uh, head of security, so many good things came out of it, but it, it definitely hurt. I put a lot of work into that and got less than I thought.

Harry Stebbings: bit of a weird [00:07:00] one, but when I get across your career, there's so many incredible companies. What do you consider your biggest success?

Kevin Ryan: unfortunately there's a couple different dimensions. The, the monetary exam, uh, answer is Mongo by far. Mongo's worth $25 billion. There's only two companies started in the last 30 years in New York that are worth $25 billion. So that is a, big, big success and still growing and I think will be a $50 billion company someday.

double think was the most impactful for me. I was 32. I had never managed more than 40 people. four years after the beginning, I was managing 2000 people in 25 countries. We went public 24 months after we started. We did 10 acquisitions. During that time I learned a tremendous amount So that was the most impactful in setting up my entire career. Actually, business Insider was probably the product I enjoyed the most. 'cause I just love business news. I love media and I love that challenge of, if I said to you, I'll give you a million dollars. You have two people. I want you to start a media company.

You can never [00:08:00] advertise. You can never spend $1 on advertising but ideally you'll end up with 300 million uniques. go. I think you'd say that's awfully hard. And that's exactly what we did. that was very fulfilling. And then the final answer is guilt was the most fun I didn't know anything about fashion, and all of a sudden my wife can't believe that three years later I'm in the front row of the fashion shows in Milan, seeming like a super cool person when I'm really not.

Harry Stebbings:

double click. Incredibly impactful.

Kevin Ryan: On the business side, what was one or two of the biggest business lessons?

So this doesn't apply to every company, but we moved faster than everyone else. And so we started at the same time as some other people, but we were able to raise more money. People believed in what we were doing. We spent the money, we took the chance. But to open offices in 25 countries before your first country is profitable, in retrospect, is a bold move.

Now, what was the result of that? If you were, uh, Procter and Gamble or Microsoft and you have operations in 50 countries? We had at least had offices in Europe, [00:09:00] 25 biggest countries. And my competitor was only in six. Who are you gonna work with? You're gonna work with us. The reason today, which is literally more than 25 years later, that double click, which is part of Google, dominates the world in ad technology, is 'cause we won the battle of the first five years by moving faster, more aggressively, took chances, made some mistakes, and have never given up that position ever since.

Harry Stebbings: How do you think about the importance of first to market? Everyone often talks about it, but then some alternatively suggest you learn from the first to market and can out execute them being second. How do you think about that today? Being an investor?

Kevin Ryan: It is true that sometimes the, uh, the early bird gets the worm, but the second mouse gets the cheese, that can happen. Unfortunately, you never know. there are many, many examples where the first player who moves very quickly and gets critical mass, uh, is the winner. Now you have to see, is that a business where it matters?

So in things like Uber, I. Being five times bigger than Lyft ultimately does make the difference. And so it was worth it for [00:10:00] them to just go, we're gonna be number one or we're gonna die. in other businesses though, that's not true. you don't have to be, scale isn't quite as important.

Quality's important, and also you have to adjust all of this to the capital available. It's all fine and good when people will give you a billion dollars. You know, Mongo, we lost a billion dollars before we had a profitable quarter over 10 years. that's, you know, a scary number,

Harry Stebbings: could, could Monga have existed in a down period? Because I guess it really lived in that bull period from two.

Kevin Ryan: Um, it would've existed and we would not have been able to invest as much and not been able to grow as much today. I don't know that many companies outside of AI uh, where people will give you a billion dollars to lose. But today, That exists in ai, it doesn't exist in a lot of other areas.

Harry Stebbings: I, so many different areas. I wanna go to this. You mentioned like financing availabilities. You went through the.com with double click, and I look old Kevin, but I'm rather useful, I must admit, I, I don't remember this as a [00:11:00] professional. How was that? I'm, what was some business lessons for you from that, that you took with you?

Kevin Ryan: when, when two years ago people were, complaining about it's hard to get money and things like that. I really felt like your, your grandfather talking about the depression, where like, you just don't understand. We had no food in the depression because in 2001, 2002, there was just no money.

And when I mean no money, no money. there were companies that went under that shouldn't have, everyone pulled back, two years ago or last year. You know, things were tighter, but the vast majority of our companies raised rounds. It was okay. Uh, so yeah, it was brutal. We did, by the way, we did seven rounds of layoffs.

We went from 2000 people back down to a thousand, doing layoff after layoff. 70% of our clients went bankrupt. If anyone's taking notes, don't do that. it's not helpful for your business.

Harry Stebbings: The seven layoffs

Kevin Ryan: No. The 70% of your clients going under

Harry Stebbings: or the seven layoffs? No, like

Kevin Ryan: that also that's, you have to do that when 70% of your clients go away and they don't even pay the last bill as well.

So you [00:12:00] eat, tens and tens of millions of dollars of revenue you thought you had and then have to write off.

Harry Stebbings: do you not think we're gonna get worse from here?

Kevin Ryan: I do. I mean, right now the economy is very good. if we look over 30 years, on average, if the stock market's at an old time high and unemployment is at an old time low, if you said are the odds that things are gonna get better or worse, by definition there's a reversion to the mean at some point.

I don't plan for that. Things right now, look, pretty good, pretty stable. There's another characteristic in our business is there's actually a lot of VC money. tons of cash sitting on the sidelines. That money is not gonna be given back. That money's going to be spent. We're only debating whether people are gonna spend it over two and a half years, which they were doing four years ago, or over five years, which they're probably gonna do now, but there's a lot of money out there that is gonna keep this industry going.

And the second thing that independent of any macro factors you're talking about or thinking about, most things happen at a micro level. So, you know, we started a company in assisted fertility. Assisted fertility is gonna [00:13:00] grow. I can guarantee you that 10 years from now, more women will have egg freezing.

More women will be doing IVF than they do it today. That's just going to grow regardless of the economy. And so there's a lot of things like that that are going to happen and are gonna be fine.

Harry Stebbings: I listen, I'm so glad you said that. One thing that I'm always nervous at take as an investor is market timing risk. I don't think that I'm smart enough to predict markets. in terms of the timing in consumer adoption, how do you think about market timing risk?

Kevin Ryan: I don't, I'll tell you why I don't, first of all, we're doing very early stage work. So, the bet we are making is that, and when we have a, an offsite, we think about, we put up the, the number 20, 34, 10 years from now. So all of the conversations we're having are about trends that we believe are tenure trends.

And the reason is I know that unfortunately. You have to assume it takes 10 years to build a really successful company.

Harry Stebbings: Sure.

Kevin Ryan: And I can almost guarantee you that there's gonna be recession during that time, and I have no idea when it's gonna be, I don't worry about that. What I worry about is, you know, we're big investors, for [00:14:00] example, in the psychedelic industry.

Is the psychedelic industry gonna be 20 times larger, 10 years from now than today? Absolutely. We have to create the right products, navigate our way and get there. but if I get that assumption right, you have a much, much better chance of having success.

Harry Stebbings: Are you a market led investor or a people led investor? It's just interesting when you said there about that. I do the complete opposite because I'm like, I have no freaking idea which markets are gonna be big in 2034. It's the job of the founder to show me the future, and my job is to select great people.

Are you a market led investor, a people led investor?

Kevin Ryan: They're both really important. And if I said to you, if someone comes to you tomorrow and says they're gonna start a new department store selling clothes online, I don't care how good that person is, it's not gonna work. not a single one of those has worked in 10 years. so the market is, is a factor.

Harry Stebbings: Question for you. Do you not often get it though, where amazing people choose not great ideas and the thesis is that they will pivot to something adjacent that works?

Kevin Ryan: No. [00:15:00] Because yeah, there are examples where that happens and you assume a good founder will do that. But if you are going into an industry that ends up just not happening, you know, you can't pivot and you won't be able to get the money to do that. If you're gonna pivot into something that's slightly different, that's okay, but you're not gonna start a lab grown meat company and then decide to go to Solar Energy.

that's just not gonna happen. So you've just got the industry right or wrong, and that will happen. E-commerce, there's been no value created in five years. Same with media, you know, with the exception of actually podcasts, hardly anything has worked in the last five years in media.

Harry Stebbings: so that's why it's not as simple to say, just back good people.

Kevin Ryan: You're looking for a combination of a very good person and a thesis that you believe in, ideally a sector growing or an opportunity to create a better product.

Harry Stebbings: How do you prevent past mistakes or challenging markets? How do you prevent them from impacting future decision making? So like for instance, I hate EdTech. It's a fricking hard market. Respectfully. I hate media. It's so fricking hard to make [00:16:00] money in media, but I could be wrong, Kevin. There could be something great.

How do you prevent past impacting future?

Kevin Ryan: I'm not sure that we do or I do or anyone does, and I see it all the time when we have a company going out and we approach 10 dcs and three of them will say, I invested in this sector eight years ago and I lost all my money. I'm out.

And they haven't even read the deck yet. but I'm not saying I don't do that as well.

I mean, when I've had a bad experience, I think it sometimes does influence my thinking. I try intellectually to not let it happen, and I think I let it happen sometimes.

Harry Stebbings: Do you know which companies will get funded fast and well when they go out? I'm just intrigued. Is it the ones you think or is it actually a wide dispersion?

Kevin Ryan: you have a sense of. Two things ahead of time. One, you know, whatever fundamental numbers, how they're doing, which that helps. I mean, you know, I don't have any companies going out that have quadrupled the revenues in the last year that don't get funded. The second thing you know, is you can have a sense of how your CEO does in fundraising.

' you know, I've had examples of CEOs who are incredible [00:17:00] CEOs, great managers, visionary, but just don't present that well, aren't as confident and, you know, are worse at fundraising than they are at running the business. And they'll, they get penalized often in the market for that, especially in the beginning when it's less about numbers and more about the vision.

Kevin Ryan: So those two things, you know, and then sometimes you're, you're surprised, I mean, I have one example of a company that just couldn't raise money and I thought it was gonna be, easier for them than, than it turned out to be.

Harry Stebbings: Do you think the best CEOs are the best fundraisers?

Kevin Ryan: generally yes. Because if you. If you can raise a lot of money, it increases your odds of doing well dramatically and allows you to make some mistakes. in the long run, every round that goes along. It's more about the business and a little bit less about the CEO because obviously one guy shows up right now with a PowerPoint.

There's just a person in a PowerPoint. you know, that's it. If we're in the around b you, the investors looking at, unit economics, turnover, churn, there's a lot of things that are gonna help that, fund raise.

Harry Stebbings: When we think about that [00:18:00] early founder analysis, do you prefer a founder who's an insider to a business, someone who's worked in that industry for years, and is approaching it with relatively large levels of domain expertise? Or do you prefer the naive outsider who's approaching with a fresh perspective?

Kevin Ryan: it's gonna be a little in the middle there. So, uh, I would say that a lot of the people we back are first time founders. almost never back someone who comes from Procter and Gamble, a large company and seems like a smart person, but they don't know startups. I once looked through the top a hundred, consumer internet companies and the one pattern was that most of the people who were very successful had actually not come from that vertical, but they had come from another startup.

in the same way that, uh, Henry and I had not been in media, thought we could do media different. When I went out to ask people the Wall Street Journal about my idea, they all said it was a terrible idea ' cause they were too close to it. And so, you know, the guys from Airbnb, do they come from the hotel industry?

No. They didn't, they came from outside and as a consumer thought, Hey, why can't we do it [00:19:00] better? I will tell you that in the B2B space, there aren't that many people that come into enterprise software and weren't in enterprise software.

So it's a little bit harder there. And actually, when we started Mongo, the reason we had trouble, uh, raising money, even though we had already had a very successful company, was because people said, you've never done a database before. three of you have ad tech backgrounds. It's not the same thing.

You've never done true enterprise software that you, sold to a bank. We're not gonna back you.

Harry Stebbings: I loved having Dev on the show, by the way. He's a fantastic person. I, I remember he said something to me that really stuck with me. He said that good news travels incredibly fast and bad news travels incredibly slow. And as a leader you must always remember that he thought it was very insightful.

Kevin Ryan: Dave's done a great job at Mongo. when he took over, uh, we had 50 to a hundred million dollars in revenue, and today there's 2 billion in revenue. just enormous. It's scale and he has really scaled

Harry Stebbings: You mentioned the difference between consumer and enterprise there. Sorry, my mind jumps around, but it's a [00:20:00] Friday, so just roll with it, Kevin, you know, uh.

Kevin Ryan: I mean, like, I'm not focused.

Harry Stebbings: Oh great. Uh, so I always say now, um, you know, I was in uh, quite a few of the consumer breakouts and they led to precisely fuck all returns, but, you know, good brands at the time.

And I laugh and I say to my LPs, now I learned something, which is, consumer is fun, but Enterprise makes money.

Kevin Ryan: Yeah,

Harry Stebbings: We haven't seen anything really great in consumer in the last five years. You think that will change in the next five years or do you think Incumbent advantage is so embedded now that enterprise is just where we make money.

Kevin Ryan: I think it's less about incumbent advantage than it is that it's just an extraordinarily mature business. So unless there is a step function, you know, where consumer businesses came in was an all sudden mobile came and Uber made sense, you know, when the internet came, that made sense. we're gonna have some consumer businesses in ai.

we don't know five years from now if Google's gonna be the number one search engine, I just think that media and, e-commerce are both sexy and accessible industries. [00:21:00] So 50,000 entrepreneurs have gone after them.

the next guy right now just. Probably isn't gonna come up with a good idea. Whereas in the B2B that you're talking about, there are some things that have changed fundamentally, either because they're science driven, there are breakthroughs in regulation or in science allowing, I don't know, gene editing or psychedelics or something else.

And so that's different than just another consumer application.

Harry Stebbings: The thing that worries me with ai, honestly, Kevin, is I just think that so much of the advantages accrue to the distribution that incumbents have and a better product does not lead to a winning product. And I think Google will bake in so many features that existing application layer startups are building that they just slowly get eroded over time.

Kevin Ryan: So I completely agree and I, but I'd use the example, A better example for me is that's at the consumer level is more like Salesforce. So we've seen 20 companies saying, we're gonna build a new product that uses ai, that allows you to contact potential contacts. But the, the truth is that Salesforce is gonna incorporate that in.

And, you know, a large company with a [00:22:00] thousand person Salesforce is not gonna easily switch off to a startup company. And so I have confidence that Salesforce will incorporate AI into their product. Maybe it's six months late, maybe it's a year late, but they're gonna do it. And the switching costs are so high.

And that's true of the pharma industry. That's true of the banking industry. That's true of ethics. So I, I agree with that.

Harry Stebbings: it actually goes to one thing that I actually always like, I love huge markets with no competition. I love it. How many founders go after Stripe or Shopify, and I'm always like, really? You chose Toby Luka and the Coons as the weak founders? That's an interesting assessment.

Do you agree with me or do you go, I like competition. It shows a big market.

Kevin Ryan: you want a big market. You'd like to have as little competition as possible. it's very hard to find that.

You know, you know, pure Paolo starting a mobile bank in Argentina. Guess what? We didn't have as much competition, but there was geopolitical risk, you know, all kinds of risk. And he's been remarkably successful, but that's why it's gonna be a $10 billion company. ' cause he went after a big market and there wasn't a lot of competition.

Harry Stebbings: Has your [00:23:00] investing style changed over the years? Kevin?

Kevin Ryan: I am not sure it's changed dramatically. The one thing I've changed, you know, when I was had a small team, we weren't industry focused. So now that we have a 24 person team, I am a big believer in having more industry focus. So for example, we have, you know, five or six full-time people in healthcare, and so we're really seeing everything.

We have relationships with payers, we have relationships with hospitals. There's a whole bunch of things that make us a more valuable investor. in 2021, we did not focus on robotics we saw probably 20 robotics deals just randomly. Then I brought on now a two person full-time team on robotics.

They have visited Stanford and MIT and Georgia Tech and Carnegie Mellon Bend Robotics conferences. We saw a thousand robotics deals last year. That makes you a better investor. if I show you the fifth company that is making salads that's just makes you a better investor than seeing one and having to figure out how it works, what is the salad industry [00:24:00] like?

So seeing everything is helpful.

Harry Stebbings: Do you think investors add value? You mentioned there about being a more valuable investor. I just had Trey on from Founders Fund who was

like,

investors don't add value.

Kevin Ryan: easily 90% of the value of a company comes from the CEO and, the team. having said that, making sure you have the right CEO, which is the board slash investor's responsibility, is the single biggest decision. I mean, if you said, why is Mongo a very successful company?

You could say, well, because Dave's been running it for the last seven years. I let the previous CEO go and hire Dave because we're getting to a new phase and the, and the, and the board as well. And I think that single decision, you know, was extremely important and well executed, even though Dave has done obviously 99% of the work.

the other thing I would say is in that the early stages of, uh, a company, the investors play a much bigger role. You know, we start so many companies we're early stage. Often you have A-A-C-E-O that has literally never raised money before. So when we get them in front [00:25:00] of 50, venture capital firms that is adding value when they are hiring A CFO, for the first time because they were head of business development, they've never actually managed A CFO before.

Having a perspective on that is important. The other thing I would say, I had incredible investors at double click, When you are CEO, you are too close to the business. That is your job. And so some distance is often helpful because they would come to a board meeting and you know, they've worked with 20 CFOs or seen 20 sales plans and so they just had a slightly better perspective.

And once in a while I'll be like, you know, that's a good point. I had not factored that in. I was too close to it. but my point remains, 90% of it is having the right CEO and the right team.

Harry Stebbings: I love serial entrepreneurs for the reason that you don't need to teach 'em how to fundraise. You don't need to teach 'em how to hire a head of sales. They've done most of it before and they've fucked up before as well, which means they should have learned the lessons last time. Now, they'll make new mistakes of course, but they won't make some pretty obvious ones. How [00:26:00] do you feel about the, you said earlier we like to back first time founders. Am I wrong in terms of my thesis on serial entrepreneurs and that heavy preference there, and how do you think about that?

Kevin Ryan: again, if we look back at consumer businesses, out of the top 25 companies, how many were serial entrepreneurs? Almost zero.

By the way, you'll see an enterprise software, more of a pattern of repeat entrepreneurs also on average, slightly older. 24 year olds have trouble starting a database company and building up an enterprise sales force meeting with the CEO of of, or the CTO of Goldman Sachs to close that deal, really doesn't happen that often.

So industries are different. It depends whether the industry knowledge, experience, and credibility is extremely important to success. And in consumer it isn't because I just go look at your app and I like it.

I don't really care whether you're 10 years old or 50 years old.

Harry Stebbings: What do you think is the biggest determination of whether a company gets product market fit from zero to one? Everyone always says speed is the [00:27:00] single biggest determinator or determining factor. Do you agree with that?

Kevin Ryan: no. I don't think that speed is the most important thing. You do need to get out your product, you know, pretty quickly. But it has to be pretty good. So for example, we had no revenues after three years at Mongo, which is not great ' cause we had to go slower.

It had to work, it had to scale, it had to be secure. Whereas for consumer apps, it can be, you can, you can make mistakes.

Harry Stebbings: Did you question whether it would work three years in no revenues? I, I can't remember how many years you said earlier, but nine or 10 years in no profits.

Kevin Ryan: So nine years in, yeah, I knew it was working and there was no problem. Three years in we were nervous we couldn't charge for it yet. It was getting better and better. We knew the industry was very big. We knew there was an opportunity. We knew Oracle was too expensive, and we knew that a non-relational database was a good idea, but you know, you can also just run outta money at some point.

we didn't have incredibly successful fundraisers during that time. but what you could see is that if I showed you one chart, which is how many people are [00:28:00] downloading the Mongo database, that was just a straight line going up to the right all over the world. And as long as that kept happening, we thought we were onto something.

Harry Stebbings: Do you agree that companies die more often of indigestion and starvation? I hear it often Kevin, and I think it's bullshit. I'm like, do you know how many companies die? 'cause they run outta cash a lot. Like

Kevin Ryan: by definition, companies only die 'cause they run outta cash. The question is, why do they run outta cash? They run outta cash Because they don't have product market fit. Uh, because investors are looking at the numbers, looking at the team and saying, I'm not gonna put money in here.

Harry Stebbings: I do wanna discuss the new fund. Speaking of investors and putting money in. So can you share the news with us that I think came out yesterday,

Kevin Ryan: Sure. you know, we've been investing, really my money in a, in a different structure for the last decade. we have 120 companies in the portfolio, have made many investments, started over 20 companies. but we just announced that we, it's the first outside fund with outside investors.

So we've raised a $250 million fund [00:29:00] to continue doing what we're doing, and continue to both start companies and invest in companies largely on the east coast of New York, but not only heavily healthcare, heavily tech, robotics, and social impact. So, super excited it's a great time.

Harry Stebbings: Okay. How do you do resource allocation between incubations versus investments?

Kevin Ryan: Yeah, so what I like is being industry focused. So the team in healthcare is doing both I'll give you a good example. We decided to look at a vertical, 'cause we're doing deep research all the time. We're much more research driven than other firms. A person in our team started being interested in the shipping industry.

So shipping industry is an enormous industry that needs a lot more technology. So she spends two months interviews, 50 people in that industry. What does she come away with? One, a new idea because realizes that there's a, a lack of a procurement marketplace. And so we started a company in that space, called Pork Chop.

And because she was at multiple shipping conferences, which most of us have not been at, she ran across a company that people were saying great things about called Box [00:30:00] Hub, which is a marketplace for containers based in Toronto, which we never would've known about, and we invested in that as well. So it stems from, if you know the industry and know the players and know the opportunities and know the holes, you both can start companies and invest in companies.

Harry Stebbings: My worry with Incubations and tell me I'm wrong, the best founders won't want to be like a hired gun, CEO, to an idea that they're brought in on. How do you respond to my concern there?

Kevin Ryan: Well, let, let's not forget the data, which is that, Insider was one of the most successful media companies ever started. MongoDB, one of the most successful databases companies ever started. Exactly. Another formula you just said can't work. where we started it and brought in a CEO, the question is, are you bringing in a great quality CEO?

And the answer is yes. and then are you, uh, incenting them correctly and making sure that it works? we've never had a CEO resign. my psychedelic company, I think is one of the most valuable psychedelic companies started in the last four years in the United States. Transcend so many. I mean, Gil was a big success.

[00:31:00] These are all examples where we have done that very, very successfully.

Harry Stebbings: Kevin, why do so many incubators fail where you've succeeded?

Kevin Ryan: So one, in some cases they've tried to do too many companies and just tried to crank it out. Second is a level of execution. You know, you've got to have money and expertise and credibility. You know, that CEO comes in is gonna be sitting there thinking, yeah, I could maybe start my own company. One, I have to love this idea.

Two, I have to feel like you've done a lot of research on our way up to speed. Three, I've gotta feel like you're gonna add value. And so hopefully some of these people are like, you know what? Kevin and the team have a lot of experience, have had a lot of success, can help me and increase the odds of, of my, company working.

The vast majority of companies that people start don't work. Our hit ratio is much higher than your average entrepreneurs. and we give people plenty of equity so that they are incented. but it's still not easy. I mean, we don't have a hundred percent success rate,

Harry Stebbings: on the too many, how many do you like to do them? What's the right amount for you?

Kevin Ryan: so it's bottoms up. But we historically, last couple years, we're doing somewhere [00:32:00] between six and eight companies a year. But we have multiple industry groups and multiple people. So at any one time people here, one person can be working on one idea or one research project.

Harry Stebbings: How do you do resource allocation between new projects and you have to be efficient with financing, cut it, inject more when there's milestones hit. How do you think about efficient resource allocation between those projects?

Kevin Ryan: look, that's just a judgment call because you're, you know, looking at very different ideas. sometimes we do, we just did two or three months on a FinTech idea and just didn't get conviction. And so, you know, we're not gonna do it.

But that's a judgment call at the end of the day. You just get to the point where you're like, I know this is gonna work and I want to devote the next five years of my life to doing this.

And sometimes you get it right and sometimes you don't.

Harry Stebbings: Do you think you pull the rip chord soon enough on the ones you do quit?

Kevin Ryan: when we start a company, we don't bail out on the company, but we put a million million and a half dollars in, we hire a CEO. If we've made the decision to go forward now, then the market [00:33:00] decides because nine months later they're gonna go out to raise money. And I would say four out of five times they go out and successfully raise a round and someone has an outside lead investor.

And once in a while the market's like, no, we hate your company. So that's what determines it.

Harry Stebbings: Has that ever happened and you've gone, I disagree with the market. I'm gonna keep putting money in.

Kevin Ryan: I can think of one time where what we'll do sometimes is do a bridge round and we'll say, you know, we just need six more months. 'cause we'll have a launch. We'll have customers, things like that. we have more confidence in the market. And then sometimes there we were, right? And then sometimes there we were wrong.

Harry Stebbings: How much have you invested before this structure of your own

to This is a lot of.

Kevin Ryan: yeah. 250 million.

Harry Stebbings: Have you told your wife?

Don't worry. Guilt group. Got you. A lot of bonus points, dude. You're fine.

Kevin Ryan: No, look, I, you know, I've devoted my career to this sector and so, our returns have been, been extraordinary. things have worked. There's nothing more fun in life than going after a new area. Psychedelics being an example. [00:34:00] Super interesting ahead of the curve, starting companies, investing in companies and then, and seeing it work.

And, I've done that for a long time and really, really enjoy it.

Harry Stebbings: how do the deal structures that you mentioned a million and a half there, is there a standard deal structure or does it depend on per company basis?

Kevin Ryan: roughly the team and CEO are probably gonna get around 40, 45% of the company. we will have the rest because we came up with the idea, put in the money, did all the work, and everyone gets paid from day one. So we, order of magnitude is gonna be that

Harry Stebbings: Why do you invest as well? And what I mean by that is like your ownership when you invest like on a good day is like 50. I'm, I'm guessing here, like for any investors, 15 would be good. When you have 50 or 60 in the incubations. Is it an efficient use of capital to be an investor?

Kevin Ryan: It is because one, as I said earlier, the. The time you spend learning an industry gives you an advantage in investing. Secondly, you actually can't invest that much money in incubations. If you and I start a company [00:35:00] tomorrow and we build a seven person team to build this, I mean that, that's a million and a half dollars.

and I don't have enough ideas, I wouldn't be able to come up with 30 ideas a year. So you've already done the work in a sector, you find out about incredible opportunities. You're seeing deal flow. I mean,

Harry Stebbings: is a, is a year long enough? I'm sorry, I didn't mean to interrupt you, but if you think about bringing a team together, maybe take three months to hire people, three months to ramp them, gosh, that's six months of execution. That's not very much.

Kevin Ryan: yeah. And then at that point, depending on the company, often we're able to raise money outside, but often we put in another million and buy ourselves another six months or nine months. ideally the product is out. I. Some companies are using it, you can sense that it works. You've got a sense for pricing.

Now we're just gonna debate how big a opportunity is it?

Harry Stebbings: tell me, how do you think about price? I'm intrigued. You've invested in like so many businesses now. Peter Phantom once said to me, price is a mental trap. How do you think about price in your own price sensitivity?

Kevin Ryan: Here's the thing that I don't think about, which is our [00:36:00] ownership. Meaning, if you were gonna buy a piece of an apartment and you said, I really wanna own 10% of this apartment, does that mean, and you have a certain amount of money, that means you're just never gonna buy a really good apartment because the price is higher.

So if I see three startups that just started six months ago, one of 'em has an incredible team going after an incredible market. That company is worth more than the other ones. And if I put a million dollars in, I'm gonna get less of that company. But that doesn't mean it's a worse investment at the end of the day, you're just trying to figure out is this gonna work or not?

you know, sometimes we're paying a big price, uh, and we're paying a big price 'cause it's an incredible team and an incredible opportunity.

Harry Stebbings: I also worry about dilution. I've had quite a few investments, which ended up being amazing, but because of the capital that went in, you got like a three or a four x and you're like, p.

Kevin Ryan: no, but that's just another factor you should factor in. How much dilution you're gonna take. What are the gross margins gonna be? super capital intensive businesses are gonna be worse investments than ones that take very little capital.

on the other hand, if you do present a a, to continue my example, a great founder in a big [00:37:00] business, in a very capital efficient industry, yes, that's actually worth more.

Than the opposite.

Harry Stebbings: I, I agree. That's why I love like, low competition markets, like you said there about shipping. I, I love shipping too. 'cause not many great entrepreneurs out of Stanford or Harvard or you name your great university go, oh, I'm gonna innovate in shipping. They all go, I'm gonna innovate in payments or in B2B,

Kevin Ryan: so the non-sexy areas, we just invested in a company that is creating software to manage the food, the meals in a hospital. So there's a thousand different people in the hospital staying overnight. One has a peanut allergy, one is kosher, It's super complicated. You have to have a piece of software to manage them. There are very, very old systems. This is the sort of thing you and I would never think about. These entrepreneurs came in. They'd created a much better product. Starting to close hospital deals, it's a huge sector. Hospitals pay $150,000 for this software, and we're like, that's a great good team, good market.

Harry Stebbings: That's really

interesting. And in the US you obviously have a lot more private hospitals ' because you [00:38:00] need customers who have budget in the uk, you'd sell to the NHS, which is the

national

Kevin Ryan: you know, we don't do any healthcare outside of the United States because the US healthcare market is both enormous and terrible, which is what you want when you're an entrepreneur.

Harry Stebbings: Totally,

Kevin, what's been your biggest miss and what did you learn?

Kevin Ryan: The biggest miss is in. If I knew now what I knew then I would've been much more aggressive early on in starting more companies, building up more of a team, sometimes it takes five to seven years to know that things are going really well. If we had sat here, you know, six years ago, I'm an investor in this crazy company, uh, you know, in Argentina and this company called Zola, which I started, but who knows what's gonna work?

Turns out a lot of these worked and I would've actually doubled down that that was a golden age for the last decade.

Harry Stebbings: How do you think about reserves financing? You mentioned, hey, we put the million and a half in, they go out, they get venture. do you double down? Do you say, Hey, no, no. Reserves, signaling is dangerous. How do you think about [00:39:00] concentration of capital?

Kevin Ryan: we, aren't that concentrated. So we continue to invest in our companies until. Probably a hundred or $200 million valuation. We generally don't put more than 10 million, might go to 15 million in any one company. And sometimes we'll leave some money on the table and, and other people will, will take it,

We want the highest return investments. And that's why we've had, you know, very good results. 'cause you know, when our companies are worth a billion, we're just not investing in them at that point. And sometimes that would've been a good idea, but, you know, sometimes it's not.

Harry Stebbings: The other challenge that I find is selling and when to sell.

Kevin Ryan: Yep.

Harry Stebbings: What have been some big lessons for you in actually liquidity management and when to sell?

Kevin Ryan: Look, the biggest challenge in the last three years is that there is no liquidity. There are very few sales, but when you have an opportunity, you should take it. but again, that, that's company specific. Like, we're never open to selling Mongo. I. No matter what, because we really thought we were building a 10 or $20 billion company.

we had confidence, we had conviction. I sold Business Insider not because I wanted to, because we were doing 40 million [00:40:00] in revenue, and someone offered me $450 million for a media company. And so I said, yes.

Harry Stebbings: that an easy, that an easy decision?

Kevin Ryan: it, it was, I say to the, to my CEOs, if someone makes you an offer you can't refuse, don't refuse it.

take it. three years ago, I bought the company Meetup, for 10 million because WeWork was getting rid of it and had panicked, and Covid had just started. And, I just sold it. It was announced in January. sold it for seven or eight times that amount.

because there was a buyer who wanted to buy it, and the company's making now a lot of money where it had lost $20 million the year before. I.

Harry Stebbings: What did you, sorry, I'm just fascinated on that one. So it made up you buy for like 10, it was like a distress sale from like a distressed seller at the time who just wants to get rid. Did you do much to the asset or was it just a unique buying opportunity?

Kevin Ryan: So both, it was a unique buying opportunity. No one would touch the company because Covid had just started and you couldn't meet the CEO, Who buys a company when you can't meet the management team? No one except that the CEO, David Siegel, who's [00:41:00] incredible worked for me at DoubleClick 20 years before.

So I knew him and he had been reaching out to me asking about the business in the six months before, just as a mentor. And finally he said, God, they're panicking. I don't know. I think they're gonna shut it down or give it away. And

I said, wait a second. why don't, why don't I buy it? So I got one or two other investors bought it.

but we also went from 130 people the day I bought it to 90 people a week later. which is the right amount today it has probably 80. When we sold it had 82 people and it went from a $20 million loss on 32 million in revenue. when WeWork owned it the year before to now we're making five or $6 million in profits.

It's a great business. So David did a great job. team was good. We ran it well that's not the normal thing we do. It was just a one-off situation. It was a brand I knew based in New York and I knew David, so it made sense.

Harry Stebbings: Can I ask you, we had some of those amazing successes. What's been your biggest loss? Which one's the one that was the most expansive and cost you where you lost the most money?

Kevin Ryan: it's not about [00:42:00] losing so much money, is that, you know, in, in 2000 I had probably a hundred million dollars worth of double kick stock paper. Which ended up being 10 million. we were a year away from going public at Gilt, where Goldman Sachs said, Kevin, you've got about $165 million.

We're feeling really good about this. And that ended up being, uh, 10 million. so things evaporated along the way, even if they were paper gains, but you think that they're gonna exist. And so that happens.

Harry Stebbings: could you have sold them?

Kevin Ryan: uh, no, uh, the guilt I couldn't have. And I did sell all the shares I could, at DoubleClick in 2000.

so I couldn't have, but still, it's disappointing when you see 90% of the company, you're focused on the va, the value evaporate. but you know, at my week, every day we have 130 companies. Something's going wrong somewhere the portfolio. I can think of another company that I thought I had a $50 million position, and right now my guess is I'm gonna, you know, end up getting very little or getting my money back.

[00:43:00] but on the other hand, there, there are big gains. That's the game we play.

Harry Stebbings: Do you care about loss ratio?

Kevin Ryan: I mean, the long term you do, but it is what it is.

Harry Stebbings: But the truth is, honestly, Kevin, like if you only ever had Mongo,

the outliers are so disproportionately large, if they really are, nothing else matters.

Kevin Ryan: Nothing else matters. so, you know, you should be doing this business because you love doing it. And you find it exciting. you like helping entrepreneurs. You like coming up with new ideas, creating new categories. That's what's fun about it. And then if you do it well, you're probably financially in, in our business, gonna do very well.

But I don't think about that day to day, and we don't talk about that in internally. We talk about we are building companies. If we build good companies, everything will work out fine financially.

Harry Stebbings: Doug Leone said recently to me that we have turned from a high boutique, high margin industry to a low margin commoditized industry. Do you agree with that transition statement?

Kevin Ryan: No. what is true is that when you are a [00:44:00] late stage investor, writing $50 million checks, that you are what we used to call private equity. you're competing on price. There's already an established board. You're not adding that much value. It's just a different world, you know, it is changed so much.

When Apple went public, when they went public, they raised $9 million in the IPO. uh, so it's very different today in the early stage business that Union Square Ventures does that we do you know, the first check in. that's not a commodity business. You have huge wins. You have some, you know, a bunch of losses.

And by the way, I was on the board of Yale and on the board of the Yale Endowment. So we were the lead investor in many of the best firms. And as you know, in vc there's a huge difference between returns that, let's say a benchmark and a Greylock have and a 90% of the rest of the, uh, industry,

Harry Stebbings: 100%. My fear is that we, we've just seen multi-stage firms commoditize seed so efficiently that everyone has a seed strategy. I'm always asked by LPs like, which funds on the West [00:45:00] Coast should we do? Because you meet everyone, Harry, and I'm like, honestly, Sequoia Andreesen just come in and bid up every great round at seed.

You might as well just be in Seko and Andreessen.

Kevin Ryan: Now we don't see in, uh, the last, you know, 20 seed deals. Uh, they're not in there very often. they don't have the coverage of the two, you know, $2 million checks. And also a lot of entrepreneurs are very nervous about taking their money. On the West Coast. People just take their money regardless.

But here's the risk. If a huge fund puts a million dollars into your initial round, and if they don't lead the next round, your company's dead. Whereas if a seed investor invests in your first round, it's understood that you're gonna go out to someone else. But the negative signaling that occurs, and it's happened to me, I had a big, big, big firm, join in.

Everyone was very excited. And then they lost faith. Partly because the guy who invested in our company left the firm and they're like, ah, we don't really, we're not really into it. We're gonna pass. And then the company was dead.

Harry Stebbings: Dude, getting orphaned is the worst thing in a portfolio. I completely agree. [00:46:00] But the, the, the cha, so I'm with you 1000%, but I always get multi-stage investors pushed back on me. Obviously everyone has to defend their corner, but they say, oh, rubbish, Harry. Every round gets preempted today. And of course, index does not call up Sequoia who've done the pre-seed or the seed and say, oh, are you gonna do the a?

And so the signaling doesn't exist because of the prominence of preemption rounds.

Kevin Ryan: I, I think you're being misled by the 10 supposed hottest deals who get preempted. That's not where the industry is. The vast majority of things are not being preempted. They're going out, they're raising good rounds. they take a couple years to be really, really big. That's the meat of the industry.

Harry Stebbings: Do you think venture's more competitive than it is ever been?

Kevin Ryan: Yes, Look, the, the reason one should be concerned about venture today is that, there's probably four times as much money in funds today as there was in 2017. And the question is, are there four times as many opportunities? And I don't think there are. I think [00:47:00] it's shifted. There's more opportunities in ai, but frankly, far fewer opportunities in e-commerce and media as we discussed.

I think there's actually even fewer opportunities in straight enterprise software. You know, does Bank of America need new software products this year that they didn't buy last year? they've already purchased a lot. I think there's just a bubble of money. There's more money than the industry needs as we've discussed later.

They'll spread it out. and unlike in the hedge fund industry, our money doesn't leave very easily. It takes a long time. It's sticky now. You'll see Tiger, which had a fund that was whatever, a hundred and now is, is now 50. so you'll see new funds being smaller, but that takes time to work through the system.

Harry Stebbings: Are you worried about the illiquidity? You know, I'm looking at m and a markets thinking, fuck, don't think IPO market is gonna open in 24. I know we've just seen Rubrik grow out, but I think it's one of few for sure. are you worried about the illiquidity and how do you think about that? I.

Kevin Ryan: yeah. I do worry about it and there's nothing any of us can do about it. It makes no sense to me that, you just can't take a company public, [00:48:00] even though your numbers are 70, better than 70% of all publicly traded companies that are already public. And yet the banks and everyone will be like, yeah, yeah, you can't go public.

There's no opening for that. It's just closed. It would be as if you were selling your apartment in New York City and everyone's like, no, no, no, sorry. No apartments are gonna be sold for the next two years.

Harry Stebbings: Also, I have so many VCs on the show who say like, oh, it's complete rubbish. How you can always take a company public. You just might have to change your perspective on.

Kevin Ryan: That is wrong. if your company's growing at 60% and profitable, yes, you can always go public, but at the margin it is not easy to take companies public. There's not a lot of appetite. many, many companies that'd be very happy to be public And they're not because they either can't do it somehow we just have not opened that up for 15 years.

I've wanted to solve this problem that we need a way for companies that are, you know, a hundred million dollars and growing at 20% to be able to go public, and that doesn't exist.

Harry Stebbings: What are the main reasons why companies plateau? 'cause you see quite a lot of companies that kind of 40 to 60 million in revenue [00:49:00] they're sitting on a billion, a billion and a half valuations, and you're looking at them going, it's probably 500. What, why does that happen? And what do you think will happen to 'em?

Kevin Ryan: so one, if they've plateaued their growth, they're not worth 500. 10 times revenue for a company that's not growing that much is, is not gonna fly in today's market. That company's worth, 200 if they're starting to be quite profitable. but that's normal.

You should expect that out of every a hundred companies that start 20 go out of business, after two years, a certain percentage get to 10, 20, 30 million, a smaller percentage get to 50, a smaller percentage get to a hundred. Uh, it just keeps funneling down. That's normal. Not every market is a trillion dollar market, and not every product is gonna get, 30% of its market.

Harry Stebbings: You've mentioned, you know, some incredible wins and accumulated personal wealth. I have a lot of founders on the show who talk about challenges with their relationship to money. How has your relationship to money changed over time?

Kevin Ryan: So actually, you know, surprisingly little, I don't focus it on that much. five years ago, the only car I owned was a used minivan. I'm not that [00:50:00] into stuff. am into experiences. So great travel, things like that I'm absolutely willing to spend money on. but, no, I mean, it's been a long time for me that I haven't had to worry about money, but I also just don't spend money to spend money.

And so I don't have any problem with, at all. I have no concern about the relationship with money. some people are so focused on money, that once they made money, they didn't know what to do. for me, that changed nothing. I enjoy what I'm doing. When people ask me sometimes, you know, I'm at a college, a business school, they'll say, why are you still doing this?

And my answer is, does anyone ask a really good NBA player who's 32 and who's made a ton of money? Why are you still playing basketball? Why don't you retire? Like no one would ask that question, right? Because he would say, yes, they do pay me a lot of money, but I love what I'm doing and I can't think of anything else I'd rather do.

So I'm gonna do it as long as I can, and then eventually it'll end and I'll do something else. And that's exactly how I feel.

Harry Stebbings: Final, final one before the quick fire. Has New York lived up to the [00:51:00] hype and what like Europe has, has not, if we're blunt, and people say New York hasn't either.

Kevin Ryan: So Europe, so New York City has so outperformed the expectations. People have already forgotten it. So in 1996, the number one question I got running double click was, why aren't you in Boston? Boston is the tech center. You're giving me me a perplex look. 'cause you can't even remember

Harry Stebbings: I was born in 96, Kevin.

Kevin Ryan: Yeah. That, you know, deck and Wang had been in Boston and so it was known as the tech city.

And when we went public, we couldn't even find a lawyer in New York City that had ever taken a company public. and I said this at the time, but if you had said, wait a second Kevin, what do you think that if 25 years from now, is there a chance that there'll be more tech jobs in New York than in San Francisco?

And that, we are now some quarters competing for the amount of money. You would've said so I'm sorry. That's impossible to imagine. And so New York has grown faster than any other city. it still doesn't have as many big wins as San Francisco. But don't forget the big wins are from 15 years ago.

we [00:52:00] talk about Mongo and Datadog, they started in 2007. So what we're trying to decide is right now are more and more smart people starting companies in New York. Absolutely. Are there five times as many venture capital firms. We hardly had any VC money. when I went out to raise money in Silicon Valley in 97, they said, we will not invest in you unless you move to San Francisco, which we weren't willing to do today.

Every one of those firms that turned me down for that reason has an office in New York City. So that's the trend line. So yeah, New York is killing it and will be the number one, company clearly, 15 years

Harry Stebbings: What other $10 billion companies are there that Datadog and Mongo?

Kevin Ryan: Uh, so Etsy is in the same category. give you some context. Five years ago, there was not one publicly traded company in New York City startup that was worth more than 3 billion. Now we have two at 25 or 31 at 10 more on the way. Uh, so these things take time. But yeah, I I, I was just in the Google office, they have 15,000 people in New York City, and I [00:53:00] remember 20 years ago people saying, oh, but there, there's no tech talent in New York.

You can't, you can't start an enterprise software company here. But somehow they found 15,000 people.

Harry Stebbings: Do you worry about the centralization of AI talent in San Francisco?

Kevin Ryan: No, I think, uh, San Francisco absolutely has an advantage in ai. It stems from the fact that, you know, I, I, I just started a company in material science, ai, and, the university that dominates that space is be, and so Berkeley and Stanford, uh, are stronger than New York, than Columbia and NYU and they've had companies and deep town, so absolutely San Francisco has an advantage in that area.

But we're seeing, you know, 10 companies a week starting in New York. They're starting all over this country. Many of the smartest people are doing ai and it will distribute more.

Harry Stebbings: what I always tell people when I'm traveling internationally, and they used to ask me, which cities are gonna dominate in your country. it has nothing to do with tax policy, has nothing to do with anything. I say people who went to the top 20 universities in your country, [00:54:00] where do they want to live?

Kevin Ryan: Where are they gonna move? That's gonna be your tech center. And guess what, that number one place, those places people wanna move is New York City. San Francisco is still a great place and, has history and, many things going for it. So it's an amazing, incredible place. But I'm not seeing the tech talent in Miami and I don't think it's gonna get there.

Uh, I'm not seeing it in Chicago. You know, don't forget, 15 years ago the number one, uh, internet company on the, on the east coast was a OL based in dc. Is DC the tech hub that New York City is not at all. The super smart people from Harvard, Yale, Princeton, MIT, they wanna live in New York City.

Harry Stebbings: I could talk to you all day, Kevin. Uh, I am mindful. I'm mindful of time. so I wanna move into a quick fire round. So I say a short statement. You gimme your immediate thoughts. Does that sound. Okay.

Kevin Ryan: sure.

Harry Stebbings: slightly weird and out there. One, what's the secret to a very happy marriage?

Kevin Ryan: first of all, it's putting the time in and the commitment. I've been married for 32 years. you know, it's friendship at the core and a common purpose of, you know, hopefully if you're doing it, raising kids. Uh, and we've been very [00:55:00] lucky. Uh, I have three kids in our twenties. It's a big part of our lives.

It's been amazing.

Harry Stebbings: How do you bring children up with such financial success? To be humble and also hardworking and ambitious.

Kevin Ryan: Yeah. You know, you have to install that from day one and understand and treat them that way too. I was. You know, with friends of mine and they said, maybe I shouldn't have given my 18-year-old a $75,000 Porsche. And I'm like, yeah, of course you shouldn't. my kids don't have any of that.

They graduate from college. They, they have to make it on their own. they hopefully go to good schools. they, you're installing that from day one.

Harry Stebbings: tell me what have you changed your mind on most in the last 12 months?

Kevin Ryan: You know, I thought there was gonna be much more of a recession. other than that, you know, my, my opinions don't change dramatically 'cause I really have to have this 10 year perspective, as I was saying earlier. So it doesn't change day to day my industry focus, things like that.

Harry Stebbings: Why do you think there will not be such a big recession that you thought would happen?

Kevin Ryan: the combination of the stimulus, the [00:56:00] fiscal stimulus, what the Biden administration has done, which doesn't get credit for, combined with the Federal Reserve has been remarkable. Management. You know, I read the French press and they talk about omics and how do we compete with it, compete with it, 'cause it's so effective and our French companies are setting up factories in the United States and creating jobs.

I think it's been remarkable management between those two. there's not a single economist that thought this was gonna happen.

Harry Stebbings: Will Trump win?

Kevin Ryan: either way, it's gonna be 50 50. I think Biden's gonna win, but, it's actually gonna end up being out of our hands. either one of them has a huge health issue that could do it. if there is a, uh, something happening from geopolitical point of view that goes horribly wrong.

That could change it. I think that the substance and the success of the economy at the end of the day, combined with the fact that the Democrats are winning every single election that is occurring across this country and outperforming since the Roe VV Wade, uh, decisions means that at the margin the Democrats are gonna win.

Harry Stebbings: What's the biggest [00:57:00] piece of startup advice that you think is most bs, like the most commonly said that you're like, Ugh, I can't believe this is still a trope.

Kevin Ryan: You know, move fast. Yes. But if your product sucks, that's not good. So, startups and business are a series of decisions and compromises that are situations specific. that's where judgment is important. And that's where I do think investors and good CEOs play the role.

Harry Stebbings: What's the luckiest thing that's ever happened to you?

Kevin Ryan: Oh, by far financially it was working with two other co-founders and starting Mongo

Harry Stebbings: is that luck though?

Kevin Ryan: well, look, I had, it was my CTOI was the CEO of, of DoubleClick. And the CTO and I, wanted to start, we had started companies together. We had started one or two that didn't work, and then we started Mongo.

But the intellectual and execution of Mongo came more from them than from me. they built the product. I benefited even more than I deserve to, you know, making the decision to get involved with the internet in 96, which, you know, I thought was gonna do well. But, you know, I, I've [00:58:00] had other thoughts over time that I thought were gonna do well and they didn't.

And that changed my life and my career.

Harry Stebbings: What do you know now that you wish you'd known the day you started investing?

Kevin Ryan: the judgment of seeing many things work and not work, is helping. It makes you more decisive on just feeling like, you know, I'm just not feeling it and trusting probably my gut feel a little bit more. If it just doesn't feel right. It doesn't feel right.

Harry Stebbings: penultimate one. What are you most concerned about in the world today?

Kevin Ryan: Trump. For me, the single thing I'm worried about, I'm actually, the world from a safety and security point of view is, is actually okay. I'm obviously very biased on this, the single thing that I'm concerned about is Trump winning on multiple dimensions, giving away, uh, Ukraine, Supreme Court justices.

Very, very, very poor execution of every aspect of government, a level of corruption that I think would follow. that's the single thing that worries me the most.

Harry Stebbings: I think the thing that worries me the most is we've seen the normalization of corruption across so much of government. While we're almost not surprised anymore,

Kevin Ryan: So I don't agree, I don't think there's a single [00:59:00] example in the cabinet of Biden after four years that you can point to where we could point and say, I think that's actual corruption.

Harry Stebbings: I suggest you look at the UK government.

Kevin Ryan: okay. That's, I, I, I'm sorry. I'm not commenting on the

Harry Stebbings: No, no, no. You're absolutely right. With the Biden administration in the uk, we've had some very interesting decisions made on a

Kevin Ryan: that, oh, that's a whole nother conversation, uh, that we should talk about. But, you know, from a corruption point of view, with the benefit of hindsight, I, you know, the Obama administration was extremely clean, and the Biden administration has been extremely clean. I'm not saying that they all did everything right in their policies, but from a corruption point of view, I don't, argue that either White House had a problem.

Harry Stebbings: what was the most corrupt of the Trump administration?

Kevin Ryan: Well, I mean, there's 15 people that have been convicted of crimes that work there. The, national Security Advisor, uh, was, was convicted. so many people have been convicted in that administration. Uh, and our serving [01:00:00] time, there's many people in jail,

Harry Stebbings: final one for you, Kevin. when you think about the 10 to 20 year time horizon for you and for the funds now, what does that look like?

Kevin Ryan: the, the business we're in does not scale infinitely. We're not trying to accumulate assets. So I don't want to be a $2 billion fund. I wanna continue doing what we're doing. We may, go bigger in some areas, like we have a deep tech practice. I would like that to get bigger over the next couple years.

So next time we raise a fund, if we could, I might increase the size a little bit just to increase verticals, but we're gonna continue doing what we're doing. And look, I, I lead my life because I want to be enjoying it. Having fun, you know, doing athletic pursuits, going to Burning Man, making great investments, helping entrepreneurs, spending a lot of time with my kids, you know, out there having fun.

Harry Stebbings: Kevin, I've loved this. Thank you so much for, for doing it. Thank you so much for sharing. So many of the lessons learned and you've been fantastic.

Kevin Ryan: It was great to do this. It was a great conversation.

Scarlett 2i2 USB-3: I have to say for me, the joy of doing the show is discussions like that ones where you can really [01:01:00] learn from many, many years of incredible wisdom and experience. So I want to say thank you, Kevin, for being such a fantastic guest there, you can check out the full video on YouTube. By searching for 20 VC.

We would love to hear your thoughts that, but before we leave each day,

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Scarlett 2i2 USB-2: As always, I so appreciate the incredible support and we have an incredible show on Friday, a 20 sales episode with the one and only Sam blond. One of the OGs of sales.