All right.
Quick break to tell you about another podcast that we're interested in right now.
HubSpot just launched a Shark Tank rewatch podcast called Another Bite.
Every week, the hosts relive the latest and greatest pitches from Shark Tank, from Squatty Potty to the Mench on a Bench to Ring Doorbell.
And they break down why these pitches were winners or losers.
And each company's go-to-market strategy, branding, pricing, valuation, everything.
Basically all the things you want to know about how to survive the tank and scale your company on your own.
If you want to give it a listen, you can find another bite on whatever podcast app you listen to, like Apple or Spotify or whatever you're using right now.
All right.
Back to the show.
You said, I didn't know anything about investing and blah, blah, blah at that time.
I think today people look at you as somebody who knows a lot about investing and they want to be like you when it comes to investing or buying businesses.
Is that 10 years?
Is that 12?
Yeah, it was eight years ago, 2014.
If you were willing to put in a decade, you can go from literally the bottom to the top.
And that's pretty cool.
All right, Andrew Wilkerson, you're back.
What's going on?
Not too much.
Good to be here.
We had Sahel Bloom on the other day.
Two things were interesting to me.
One, people thought when we were making fun of him that we disliked him.
They thought I disliked him, which is not true.
And two, it was shockingly popular.
Did you see that?
Well, that part's not that surprising.
The first part's surprising.
I mean, we were all making fun of each other.
I thought I thought it was a fairly even give and take, but maybe not.
It was a bit of a roast battle, but no, you only do that with people you like.
Yeah, exactly.
If you actually don't like somebody, you don't just come out and start busting their balls.
That's not really like to be fair.
The guy is like stupidly handsome.
I met him when I was in New York, very, very handsome guy.
So we got a shit on him.
Yeah.

He's perfect.
I can take down the handsome guys.
The worst part is you want to hate those guys, but if they're nice, it's almost worse.
He was very nice.
You know, the one thing that was really good is he's pretty prone to like taking a pretty like a cookie cutter response to things because he's like, he's got like a good image.
He wants people to generally like him like he's, you know, he's on TV sometimes.
He's got his like book deals.
So he's like doing things where, you know, public perception kind of matters, whereas if you're just an entrepreneur who owns some business like you don't need everybody to like you.
You know, for his things, you know, it's good when people like him.
It's good for business.
But he came on and he was like super honest, super open about everything and was not giving us politician answers, even though I do think he's a future president.
He wasn't doing that though.
So I thought, you know, mad props to him for, for just being normal, like if we were normally hanging out, that's how he was on the pot.
It was perfect.
Do you want to, where do you want to go with this?
Andrew, Andrew always sends us the best topics in advance where we could just, we could just pick a choose like what's this word mean and we could riff off that.
Andrew, I bet you have a sense of what you think the most interesting topic is.
So let's not bury the lead.
What do you think is the most interesting topic that you have?
Well, when I started my business, I was like, Mr. Business Builder, like I'd say yes to absolutely everything.
I'd be in the shower and have the idea of like, Oh, you know, why doesn't this exist?
And then that day I would start it and I would just constantly be starting new businesses like every single month.
And I think it was really good because it was like throwing spaghetti against the wall.
Right.
And then seeing what a good business model is via pain.
So it was just constant pain.
And then also running an agency, you get to see all of these startups make mistakes and learn from them.
And I had this really painful experience of starting an agency, getting really, really lucky that my first business was actually profitable because I think one of the things that happens is people start their first business and fail.
And then they just say, I don't like this entrepreneurship thing, I'm out.
And so I was able to keep going and started another five to 10 other businesses and almost all of them failed.
Like it was incredibly, incredibly painful.

And after that, I kind of swore off starting businesses and I've only just come back to it over the last three years.
So I can talk a little bit about my experience and some of those businesses.
Sam was texting me before and he's like, will you start all these businesses?
You've like tweeted out all these businesses.
What actually happens to them?
So I was going to go through a couple of those.
And by the way, for the listener, this is Andrew Wilkinson.
He's on the pod all the time, owns this thing called Tiny.
Although are you guys, do you want to go by Tiny Capital now or just Tiny?
Just Tiny.
I hate Tiny Capital.
Yeah.
I know you, I know you hated it, but everyone was like using it, but owns Tiny, which is I think one person called you online, the Warren Buffett or Berkshire Hathaway of internet companies.
So you basically buy and hold a bunch of internet companies that collectively are now doing a hundred north or hundreds of millions of dollars in revenue, whatever the number is that you say publicly.
How much did you pay your friend to say that about you?
I actually, it's really funny because there's been all these like on the cover of Newsweek or whatever, it'll be like the next Warren Buffett and Sam Bankman Fried was one of those people.
And so everyone's sharing all these covers from all these things.
So being called the next Warren Buffett is not good.
And I'm different from Warren Buffett, but I've copied a lot of his ideas.
Well, the next Steve Jobs.
That was Elizabeth Holmes from Theranos.
That was another one you didn't want to get tagged with.
I think Chimoth was calling himself the new Warren Buffett or like the brown Warren Buffett or something like that.
He called himself that.
He called himself, I don't know if he called, I don't know, I don't want to put like the quote on it, but he definitely insinuated it and he definitely said, we're trying to build, you know, the next Berkshire Hathaway, blah, blah, blah.
And so, you know, he was given that or he named himself that way.
My favorite thing about Chimoth was that in his annual shareholder letters, he would, he would compare himself to Berkshire Hathaway.
So he would track social capitals, results versus Berkshire.
And then one year he just stopped and I think it was the one year that he didn't actually beat them.
I think I don't recall that might be unfair characterization, but that's my recollection.
So where are you going with this?

You want to do the post mortem thing?
Yeah, let's do it.
We can go through a couple of those.
I think it's kind of interesting.
Can you start with Pixel Union?
I think that's incredibly interesting.
Yeah.
So was running MetaLab and I was like an early Tumblr user and I met David Karp just via Tumblr.
Like he was, he was the CEO of Tumblr and he kind of knew all the early users and stuff.
And I ended up making a Tumblr theme that I wanted to use myself and he was like, hey, this is really, really cool.
I would love it if you could create some more of these and we're going to make a premium marketplace where other people can pay to buy Tumblr themes.
And so I'm kind of thinking like, oh, this is a favor for a friend and this is a really small platform.
I'm not thinking of it as a business, but I ended up going to a bunch of my designers and saying, hey, look, over the weekend, would you be able to whip up some themes?
And so I go to one of my interns, like literally a guy who is like my brother's friend who had just finished doing, I think, a philosophy degree and I was like, hey, turn this into whatever you want.
And so we ended up calling it Pixel Union and it started doing like $10,000 a month of revenue and it was my first taste of automatic revenue.
Like I would go to sleep and I'd wake up in the morning and we would have sold, you know, 500 bucks worth of these Tumblr themes and Shopify noticed what we were doing for Tumblr and they said, and at the time they were a tiny company, they're about 15 people and they said, hey, can you guys also do the same thing for us?
And so we got into the theme world for Shopify and Tumblr, Tumblr obviously died post Yahoo acquisition and the business still exists today.
It's a really interesting story actually.
So we, so I started incubated the business, didn't raise any outside capital, spun it out of MetaLab, became its own independent company.
We ended up selling it in 2014 and then I stayed on the board, I kept 20% of it and then a couple of years ago, I bought it back and then we ended up taking it public and that became WeCommerce.
What did you sell it for?
Like $10 or $15 million?
I think I read about it publicly.
I sold it for $7 million.
$7 million.
Why would you sell that?
Well, at the time it was doing, I think, $500K of net profit and I didn't, to be honest, it was one of those things where I didn't know how good the business was and I hadn't

read anything about investing yet and so I didn't know how to value a business.
And so it was a double-edged sword because I sold this incredible business for a good amount of money.
It allowed me to kind of have a sense of comfort and retirement and all that kind of stuff.
But doing so, I suddenly had this pile of cash and I had to learn how to invest it.
And so I started reading about Warren Buffett and reading all the investing books and going, oh my God, I can't believe I just sold that incredible business.
It was growing at 50% a year and I thought it was great to get a 14X multiple, but not when it's growing that fast.
So I regretted it.
And then what did you guys pay for it when you bought it back?
So we bought it back for $26 million and then we did a bunch of acquisitions and then we took a public...
How big was it when you bought it back?
I think it was doing about $4 million of annual profits, so it had grown a lot.
And we paid $26 and then we bought $460 and a couple other businesses.
And then we took it public at a $260 million valuation.
And you said, I didn't know anything about investing and blah, blah, blah at that time.
I think today people look at you as somebody who knows a lot about investing and they want to be like you when it comes to investing or buying businesses.
What year was that when you said that state, when you felt that way?
Because I'm guessing it wasn't like that long ago.
Is that 10 years?
Is that 12?
Yeah, it was eight years ago, 2014.
So that's basically eight years, less than a decade going from, I feel like I know nothing about any of this to, I don't know, you're like in the top percentile in our industry and have had phenomenal success.
I think that's just sort of a nice thing.
It's like, if you're willing to put in a decade, you can go from literally the bottom to the top and that's pretty cool.
Yeah, I think it was getting obsessed.
I think that when you, there's no better feeling than picking up a book about something and just desperately reading it, like you can't stop going through it.
And I spent probably two full years just reading every single book I could get on, I could get about value investing.
So yeah, I think was intensive time, you can do it.
And the nice thing is there's that great Buffett quote where he says, I'm a better businessman because I'm an investor and I'm a better investor because I'm a businessman.
And Chris and I, we were natural investors within our own business.
We knew how to allocate capital within the business to drive growth and profits and margins and all that kind of stuff.
So when we became investors, we were much better at it, I think, because we had the operational

lens.
We could look at a business and say, oh, that's really hard.
Or hey, they're not doing these three easy things that we did at our company.
And I think one of the big problems with investors these days is they're often what I call spreadsheet investors.
They look at a business like a spreadsheet and they go, oh, it's easy.
We'll just increase margin by 20%, not realizing that in order to do that, you have to convince a hundred people to change.
Can I piggyback off that real quick?
So did we talk about this Warren Buffett sees candy letter?
I know I had it on our list.
I don't know if we ever did it on the pod.
Did we talk about this?
It's been on your list.
You've never, you've never just brought it up.
So Andrew, you're like a Warren Buffett PhD.
So you probably know this, but maybe not.
I had never seen this before.
So there was a letter in 1972 that Warren Buffett wrote to the CEO of Seize Candy after they had bought Seize Candies.
And have you read this before?
If not, I just put it in the chat because it's kind of amazing and I want to talk about it.
This was very surprising to me.
So I put it in the chat here on Riverside, but okay.
So I think of Warren Buffett as this like kind of like what I see today.
He's this guy who's super smart, really likable storyteller, he's an investor, he doesn't look like an operator.
He's like a geezer.
Right.
He's just sitting there at his table and he reads all day and he makes investment decisions.
He's a capital allocator.
But when you read this letter, you realize like how detailed and in the weeds he was and how business savvy he was.
So I actually want to read out parts of this real quick so that people who aren't reading it can do it.
This is, this is terribly, I mean, sorry, this is incredibly well written.
He's got, he's, he's got such a good voice.
He goes, dear Chuck, I was at Brandy's a couple of days ago and have a few strong impressions to pass along.
So he visited the store and here's his, here's his impressions.
He goes, people are going to be affected not only by how our candy tastes, but obviously what they hear about it from others as well as the retailing environment in which it appears.

This means like the class of the store, the method of packaging, the condition it appears, the surrounding merchandise, just like the New Yorker creates a different editorial environment for Lord and Taylor ad than it does for Village Voice.
So do the surroundings of our candy affect the way that our potential customers, mental and gastronomical impression of our quality.
You know, of course, you know, of course, you of course know this better than I, right?
So that, that was the first piece, which he's basically talking about like, you know, the store environment, you know, like the way that Apple, you know, sort of recreated the, the retail store.
He's already thinking about this and sending this like more like an operational and almost like it's like a design note, right?
He's not talking about margin.
He's not talking about like, you know, debt.
He's talking about the, the, the merchandising of the store and how it feels and how that's going to affect how people taste, taste and stuff.
Then he goes and he talks about, let's see, what's the next good bit?
So he's like, number three.
Yeah.
He goes at Brandy's, our product suffers in comparative way against Stover's.
He goes, they have extremely well organized, well displayed, attractive area, featuring nothing but their candy.
We've taken a number of our boxes, put them on the counter with 25 other offerings operating cheap, bulk candy and other run of the mill products and they, you know, and so he's talking, he's basically comparing this, the store design.
And then if you go down, he goes, so he's talking about the merchandising for a while and then he goes, he's like, we may well want to have a, have descriptive material, maybe our own little booklet called the most famous kitchen in the world or something of that sort.
Coors gets a lot of mileage out of the fact that all their beer comes from one brewery and I do think there's certain, there's a certain mystique attached to products with a geographical uniqueness.
Many grapes from a little part of Italy or France are really the best in the world, but I've always had a suspicion that 99% of it is just in the telling about it and 1% is in the drinking.
Right.
So he's talking about like, you know, like sort of this marketing psychology about the, you know, giving them like ideas for catchphrases and slogans.
This is way more active and sort of like the brain switched on in terms of operating than I had thought.
What is this?
Was this a surprise for you too, Andrew?
Or is this something you knew about?
That's one of the things I found really inspiring about Buffett is everybody, like to be honest,

my impression was always like, okay, entrepreneurs are the people that do the work.
The investors are people that shuffle paper around on Wall Street.
And what I realized with Buffett is that he actually was someone who, yes, he owned the businesses, but he influenced the businesses massively and he made them grow and, you know, brought them together and did acquisitions.
There's so many ways where he built value, right?
Which you can't say about a lot of people like BlackRock doesn't build value.
They just index.
They own a bunch of pieces of paper or in Buffett actually grow stuff.
What's fascinating though, and I'd be curious to know whether he would still write a letter like this is Chris and I had dinner with Charlie Munger a couple of years ago and we asked him how involved do you get with the CEOs?
And he really said, I'll never forget this.
He goes, I've never been able to change someone's mind.
If someone has an idea about something they want to do, I've never been able to talk them out of it.
So, you know, he said there's always opportunities within their businesses to tweak them and make changes and all that kind of stuff, but it's just very hard to actually get CEOs to do stuff.
CEOs are not puppets.
They have their own brains and they want to do their own things and, you know, to man with a hammer, everything looks like a nail.
All right.
A quick message from our sponsor.
You know, I was thinking about the shortest day of the year earlier and while we technically had the same amount of time as every other day of the year, the lack of daylight makes it feel so much shorter, which is exactly the same kind of feeling as working with disconnected tools.
Our work day is the same length as always, but before you know it, we spent three hours just fixing something that was supposed to be automated.
Thankfully, HubSpot's all-in-one CRM platform can serve as a single source of truth for managing your customer relationships across marketing, sales, service operations with multiple hubs and over a thousand integrations and an easy-to-use interface, HubSpot lets you spend less time managing your software and more time connecting with your customers.
Learn how HubSpot can help you grow your business at HubSpot.com.
Do you ever get bored just being an investor?
Yeah.
Very.
That's why he starts all those businesses.
Yeah, exactly.
Dude, it's so boring.
That's why I don't like doing it.
It's so boring.

I told it.
It's like, yeah, it's like, imagine if, you know, someone came along and was like, hey, look, you don't have to work and you can have all this free time and just read all day and it sounds like a luxury when you're a stressed out entrepreneur, but actually doing it in practice, you have to find new things to fill your time with and you don't get your hands on the tools.
Right?
So you don't get the sense.
So like, for example, you know, we bought Aeropress and when we first bought it, I helped drive the redesign of the website, which, you know, I was proud of, but I very quickly had to let go of it.
I knew I couldn't keep, you know, holding on to the business.
And so, you know, we hired a CEO and I had to pass him the baton and let go.
And yes, I got a sense of like pride of ownership, but as the business progresses, I don't feel the lifts.
I don't feel the gains.
Can we talk about that acquisition?
Sure.
So the background here is Aeropress for like, it's almost like a coffee snob product.
I owned it.
I loved it.
It was basically like a more convenient French press that you could travel with.
I loved it.
Sorry, I owned?
Owned or owned?
I still own.
I own two of them.
One that I have one that I travel with and I have one that just stays in the cabin.
I use it every morning.
I love it.
But it was only sold.
I'm almost positive.
I would only see them in mom and pop coffee shops and maybe Amazon.
I don't even know if they were on Amazon, but like, so the retail wasn't that great, but like, it was clearly like a good product for those products that like consumers can buy for 20 bucks, but even the coffee snobs are like, this is the best way to do it.
And you guys purchased it recently, which it's not exactly an internet business, but you're trying to make it a little bit more internet related.
Are you happy with this deal?
I know you guys paid.
It seemed like a lot of money.
You paid a premium for it.
Absolutely.

I mean, I think when I look across all the businesses that we own and I think about what business could exist in 50 years, there's a very, very small number.
I mean, most businesses die.
And I think that Aeropress is something that has potential lasting impact and can be around for decades.
And it was just an incredibly unique business.
I mean, when do you get the opportunity to buy a way of making coffee?
It's like, how do you value buying Kleenex, right?
The word for the way of making coffee that's written on grinders and is a verb almost.
No, I think it's sick, man.
Sean, did you see he bought this?
Yeah.
I'm not a coffee guy.
Like I literally don't drink coffee.
So even though I had heard of the brand, I didn't know enough about it or didn't sort of didn't have too much of a, you know, opinion on it because it's not my thing.
But it does remind me of like, I was looking at SodaStream and I was like, I really love this type of this category of product.
I think it's a fantastic category where it's a thing that another device that gets in that can get into every kitchen and has like this sort of consumable, you know, refillable component to it.
So that's great.
And then if you become the de facto device, like you said, I think you just said like the verb basically, like if you could become a verb, I just read this recently with someone who was like, you know, I learned 25 years ago, if something becomes a verb, just invest.
And you know, it's pretty true, right?
Google it.
We'll Uber there.
You know, like you realize that these verbs tend to become like de facto winners of their category.
And so I've definitely, definitely think it's a good idea.
I just don't drink coffee myself.
So it's not.
It's the only business that I own that people, like when I tell people and you know, you know, if I'm in tech and you say, oh yeah, we own Dribble and they're a designer, like they know what that is.
They think it's cool.
They might like give me a little nod or something like that.
But if you tell like, I'll talk to, you know, the carpenter working in my house and say, oh yeah, I own Aeropress.
And if they know what it is, they are passionate about it and they're excited about it.
And that is very rare.
So it's a really amazing business.

I remember reading about this in Priceonomics, the guy who created it.
He was like this, you know, now, now he's quite, quite old, I think.
I think he's in his 80s and he was like an inventor.
He was like a wacky scientist, inventor, like stereotype guy where he also created like the Frisbee or like, what was the Frisbee there?
Roby.
Roby.
Do you remember those commercials where it was like, we could throw this Frisbee over a football field or something like that.
And he created all this amazing stuff and he just had owned Aeropress that he created.
But it, he wasn't like a business guy, wasn't he just, wasn't this kind of just sitting kind of just like on autopilot?
I wouldn't say it was on autopilot.
He had a really great president who was running the business side, but they were both older guys and they were really focused on the retail channel, which you can see there's a reason why if you walk into 95% of gourmet coffee shops anywhere in the world, they sell Aeropress.
But when we looked at it, just a very, very small percentage of sales were online.
It just wasn't a focus for them.
So we came in and there's just a ton of best practices.
And Sean, it's funny you mentioned SodaStream.
We actually hired the president of SodaStream US who grew the business to 200 million in the United States.
That's the new CEO of Aeropress.
So yeah, I read about that person because I was researching SodaStream and I was like, oh, damn, this person was like, they were, I don't know, the driver or the trigger of a lot of growth that happened for SodaStream because didn't SodaStream sell a couple of times?
Like it's owned by who?
Pepsi now?
Something like that?
I think it's an Israeli company.
I don't know if they've sold, they might have sold to JAB Holdings or someone like that.
Yeah, I think they have.
So yeah.
No, no, SodaStream was acquired for three billion in 2018 by Pepsi, but maybe now it's owned by somebody else.
I don't know.
There was some story like that where it had kind of like flipped hands, I thought.
And I was thinking that there should be like more competition for this.
Like there's so many D2C brands and I feel like the D2C SodaStream competitor should win.
I know there's a few of them out there, but I'm surprised I don't hear about these more.

I'm surprised there's not a D2C SodaStream competitor that's doing north of a hundred million in sales.
I feel like that should be a thing because SodaStream is very not D2C.
Totally.
Should we talk about some of the terrible businesses?
Yes.
Those are more fun.
So, and then I want to talk about a new business I'm starting actually because I've got yet another one because I'm a glutton for punishment.
Okay, so some of the early stuff that I did.
So I had the idea that I had cats and I was like, okay, all cat furniture is hideous.
Like it just ruins your house.
It looks horrible.
And so I went out and I found a couple like kind of mom and pop brands that were doing this and I said, hey, I'm going to start an online store for cat furniture called HJMuse.
I spent a whole bunch of money designing an e-commerce website and I, you know, poured probably 300 grand into it, which at the time was a lot of money for me.
You know, my whole business was maybe making 800 grand of profit a year.
And I just learned how brutal a business e-commerce was that, you know, I was basically eking out these razor thin margins, whereas in my agency or in pixel union, I was making 30 to 50% EBITDA margins.
I was making like two or 3% and the amount of work required to move physical goods around by inventory.
I realized that while on paper I was profitable, I was constantly taking my profits and putting them into buying more inventory.
And so I ended up shutting that business down and losing, I think I lost all the money I put into it, but it was a great lesson in just hard businesses.
I didn't realize that different businesses were harder than others, right?
Like you kind of just, when you, when you're inexperienced in business, you stumble into these things and I always go like, God, I'm so lucky I didn't start a restaurant as my primary first business, right?
Because it's so brutal, right?
It teaches you so much, but it would be so easy to tap out and just think you don't like entrepreneurship.
A restaurant was my first business.
And then he went into Ecom.
And then now I have Ecom, you know, the road less traveled baby.
So, so what, what are easy businesses that you've, you started where you're like?
Because for me, Milk Road was a way easier business than any business I had ever started.
What's been an easy business for you?
And where does, does that, where does, where does agencies rank on the easy to hard scale?
I'd say it's medium.
I mean, the hardest, let's just say the hardest possible businesses are brick and mortar or

where you have to move physical goods and you have a lot of employees.
So one of the hardest businesses I own is I own a bakery in Delhi in Victoria, BC, where I live.
And I bought it because I, my, my brother had grown up working there.
It was a neighborhood place the owner wanted to sell.
And I've owned it for about five or six years.
And I mean, they have to have about 40 or 50 employees.
Someone has to wake up at two in the morning and go into the basement of the bakery and bake croissants.
And the amount of coordination that has to go right, where if a couple people are sick, how messed up the business can be is just night and day compared to any internet business.
Dude, if the, if the, if the manager of that bakery bails, are you going, who's going to go out and find a new manager?
I have, I have a restaurant group, like a food and hospitality group.
So I have a guy who runs that now.
Before I was me, I mean, they would text me and say, Andrew, the deep fryer's broken.
I need an approval to buy a new one or whatever it is.
So I've put people in place between there in the medium camp of challenge.
I would say agencies.
So agencies are beautiful in that they are asset light.
So really you, you don't even need an office these days, but you really just need an office and internet connection and a keyboard.
And you can hire generally the people as you need them.
And so you don't really need any investment.
They're, they're scalable, but they're hard in that you're constantly balancing supply and demand.
So metal lab, for example, if metal lab was to do all the work that came to it at any given time, it could probably be five times bigger.
But in order for us to get five times bigger, we would have to grow the company too fast and we would ruin the culture.
And so I would say that agencies are a little bit like a law firm or an accounting firm or a consulting firm where you've got this kind of flat linear growth that happens over time.
So I think they're great businesses, but they're feast or famine, right?
And you really have to be prepared for a downturn and you need to be unfortunately ready to make radical changes in the business at the drop of a hat if your pipeline's not looking good and that kind of stuff.
So it's just very, very difficult in that way.
Of course, every agency owner I know wants to own a SaaS software company and every SaaS software company owner I want or that I know wants to own like a consulting business or something that grows really fast.
So Grass-Soyce Greener, the easiest business that I own is a company called WeWorker-Mole.
This is a job board that we bought from Jason Freed and David Heinemeyer Hansen at Basecamp.

They had started it and it was like the remote job board.
They had written a book about remote and they had great SEO.
They ended up ranking number one for remote jobs.
And as you know, remote work has taken off over the last five years and so we bought that business from them and it really was just kind of sitting idle.
And so with some very simple best practices and a very, very small team, we were able to build it into a very large business.
And what about SaaS?
Where would you put SaaS businesses that you've run?
Well, I've lost a lot of money doing SaaS.
I mean, I think a lot of people know the story of Flow, the project management software that I built where I basically poured $10 million into it because I was competing with Asana and didn't understand the dynamic of when you're competing against, you know, you're fighting an army that has unlimited budget.
It's like Fiji fighting the United States, right?
And I'm going like, I'm going to win this.
It's ridiculous.
And so I lost $10 million doing that and that was a great lesson, but incredibly painful.
And I wish someone like me had tweeted and I could have read it instead of losing all that money.
So how many agencies do you own right now?
Or partially owned?
I think we probably own 10, 10 or 12.
There was a, what's the guy's name?
Who's the richest black guy in America?
Robert Smith, I think the same.
Is it Vista equity?
Vista equity.
Vista equity.
So basically Vista equity is a PE firm that owns, they're mainly SaaS.
And I think if I remember correctly, the article said that they own 200 million, sorry.
Was it a hundred billion?
Whatever it was, it was north of a hundred billion of SaaS revenue.
I think it was second only to Salesforce in terms of their reach.
And he had this thing where he was saying, look, on our companies, we're actually only seeing a 20% decrease from where we thought we would be this year, meaning like only a 20%.
He's like, we're growing at 20% a year.
We thought we were going to grow at 25%.
So we're seeing a small decrease in the growth that we expected.
Therefore, we actually are pretty bullish on the economy.
With your agency, since you mostly sell to big companies like Slack and whoever else you sell to, are you seeing a slowdown from American companies buying services?

Yeah, absolutely.
I think we're seeing softness over the next six months and things are definitely slowing down or if they're not slowing down, people want to achieve the same things but for less money.
And so there's these pressures.
Like I said, it's the supplier demand problem and you've got the labor market where people are demanding more and more pay and then you've got your clients crunching you down.
So right now, I think that it's unclear.
So the other problem is it's really hazy.
And so you get into these situations like when COVID hit, we had a brutal three-month period where the pipeline dried up and then everything was fine.
It really depends on what the market sentiment is.
Whereas if you own a SaaS business, what are the odds that someone's going to take, especially a sticky one, what are the odds they're going to rip it out of their company and retrain everyone on that?
And plus they're only being reminded they pay for it once a year.
I always think it's better to have 10,000 people paying you a small amount of money than 100 people paying you a lot of money.
And what's famous original?
So I would say that the theme for me is that I will often do the wrong business before I find the right business.
So for example, I started a, I always, I'm a designer and I always fetishized the idea of having brick and mortar businesses.
I was so sick of doing all these internet things.
I wanted to do something in my own city.
And so I came up with this restaurant concept of like a bar in Pizzeria called Famous Original.
And me and some friends did it together.
And we basically learned the hard way that restaurants are brutal.
We were like super egotistical, we're like, oh, we're great entrepreneurs.
We're going to be able to nail it in restaurants.
And Sean, as I've definitely heard you talk about your experiences here and nodded along, we just learned it was the most brutal business in the entire world.
And we were shocked by how much money we could lose.
And so we, you know, hired the wrong management.
We got the incentives wrong.
We overspent on the build out to the point where we could never get our money back, you know, labor shortages.
We had slippage.
There was, there was tons of issues.
But what I learned from that was what is a badly run garbage restaurant look like?
And then when the deli and bakery came up, I was like, oh, oh, this is a good one.
Like this has been around for 25 years, stable earnings, great general manager.
What type of food are you selling?

I can just let it run.
Pizza.
You could screw up a pizza place.
I would have thought that'd been one of the easier places to easier of the hard.
Yeah.
You don't need, it's like pretty simple ingredients.
I wouldn't have thought you were going to ruin that one.
No, we managed to do it.
And you have a couple on this list you got things you did in the past, you have things new businesses you're doing now, but I'm curious, do you have, I guess, like we haven't talked to you in a while.
Have you, have you had any ideas for businesses that you're not starting currently, but you're like, someone could do that or someone should do that.
Or I wish someone is, you know, you're going to capitalize on this opportunity or trend.
Is there anything that, that comes to mind for ideas that you're not currently acting on?
So I might have talked about this idea in the past, but I've had this idea for a long time.
I like the idea of a service that allows you to get on one person's radar, right?
So I choose, let's say that I, let's say I want to sell my company in the next two years.
And I think the right buyer is this, you know, this ex, let's say HubSpot, right?
I want to target Darmash.
So everywhere Darmash goes on the internet.
I want him to see stuff about my company and I want him to think we're huge.
There's, I forget where the quote comes from, but there's this idea that if someone sees you five times, they think you're everywhere.
So if you're on five podcasts they listen to, they deem you a huge celebrity and a success or whatever it is, right?
So I think I want that, but hyper-targeted and I think it's worth a lot of money.
So I would pay $10,000 a month to be on Darmash's radar everywhere he goes.
And so I don't know how it gets done.
It's like a advertising sniper rifle essentially, but I really like the idea of something like that.
So I have a story about this.
So my best friend, his name is Jack Smith.
He sold his company called Vungal for $800 million right before the pandemic when he was like 29 years old.
The way that he started it was he was in England, living in England as a college student and he had this idea and he wanted to go to a accelerator called, what was it called Sean?
Do you remember?
I don't remember the name.
Angel pad?
Yeah, Angel pad.

And the guy who ran it was his name Thomas and Jack missed the deadline to join the incubator.
And so what he noticed on LinkedIn, he goes, let's advertise just to Thomas and he said, on LinkedIn, the way it worked is you could advertise to like, it said like, only show this to people like a hundred people a day and he's like, wow, you can go to a hundred people a day.
What if I just moved it to like 10 people a day and they allowed him to and it says, all right, only shows to 10 people a day, but make it so they have to work in San Francisco and they have to work at Angel pad.
And the ad said, hi, we're trying to reach Thomas, please tell us to contact us.
And he did that and it worked and they let him into the incubator and six or seven years later, the company sold for $800 million and we at the hustle wrote an article about this.
It went viral and LinkedIn changed how they did it.
You can't actually advertise.
They won't tell you how many people you're going to reach per day or something like that.
Totally.
Something like that would be amazing.
Or even just figuring out like, okay, what, let's, let's just do this.
So, so I get to our mesh's email and I run it through some sort of database and I go, what email newsletters does he subscribe to?
Or what podcasts?
Like how do you, I don't know if it's possible, but what is his information diet?
And then how do I appear in all those things?
That's crazy.
Yes.
I think that would work wonderfully.
Yeah.
I would love it.
If someone wants to start that business, please email me because I think it's a great idea.
But yeah, there's, I mean, again, like I come up with tons of ideas, but that one has stuck with me for three years.
So I feel like it's something good.
Yeah.
What could go wrong?
Just targeting somebody wherever they go, everywhere they look, what can go wrong here?
Okay.
He's buying a billboard by his house.
So that's one.
What about some other ones?
I know you got more.
Hmm.
What's the new thing?
You just started.
A specific idea.

Let me, let me, let me talk about the new thing that we're doing.
So, and this has been something that's been driving me crazy forever.
So you guys know what investment bankers are?
Yeah.
I know a lot of people who call themselves that.
Yeah.
Right.
But a lot of people kind of go like, oh, that's like a stockbroker or, you know, they work at a bank.
It's confusing.
It's unclear.
Investment bankers are realtors for businesses.
They go and they represent you and they sell your business for you or they raise capital for you.
And I didn't really understand that world at all.
So like I said earlier, I have only understood finance for eight years.
And I would say really only over the last two or three years have I actually tapped the world of finance, like gotten proper banking credit, learned how to sell businesses, learned how to use the investment bankers.
But I think that stuff is not really accessible to founders and frankly, they don't speak the language of investment bankers.
The investment bankers are the spreadsheet business people, right?
They look at your business as a spreadsheet and they want something that's simple and easy to understand.
And frankly, like I was kind of allergic to them because I didn't speak their language.
They would come and talk to me and they would use terms like EBITDA and, you know, gross margin and all these things I didn't really think about as a founder.
And so I have been looking for a firm for years that I can use to either sell small businesses.
And when I say small, I mean like kind of one to $5 million of EBITDA or help founders do secondaries or all these sorts of things or even just finance M&A and I'm yet to find someone.
Everyone seems to specialize in larger businesses or they're too small.
And so last year, Chris and I met this young investment banker and he was just a normal person.
Like we had him out for lunch and he was not wearing a suit and he was saying how miserable he was and how much he hated, you know, his old job doing it.
And we kept saying like, look, like you should quit your job and come work with us and we'll start a modern investment bank for founders, really focused on bootstrap founders because they don't know how to access capital.
And so we were starting this business called Tenzing.
We started like a month ago and the idea is Tenzing Norge is the most famous Sherpa of all time.

So he helped Edmund Hillary climb Mount Everest.
And so basically the idea is you can go to him and say, look, what are all my options?
Right?
I, you know, can I get credit from the bank?
Can I raise debt to do M&A?
Can I do a secondary?
Can I sell my business?
And they can basically walk you through all of that stuff in a way that's aligned and not fee driven and more long-term focus.
So we're basically starting our own little investment bank.
Is that going to work?
Dude, because if you are, if you're, if you're a startup and you're in the, if you use the word bank right now, I hate you.
No, it's not, I mean, it's not, I mean, I could just call it business.
We're starting a business realtor firm, but the term is investment bank.
There's no banking.
We're not holding anyone's money.
There's no tokens.
I'm not going to Argentina.
I mean, yeah, it seems pretty lucrative.
Yeah.
Yeah.
It turns out.
Yeah.
Do you like billions of dollars or not?
I think like, I don't know if you guys have experienced this, but like even here in Canada, so for like five years, I wasn't aware of this, but the government will actually pay 30% of your R&D when you're a small company.
And I just didn't know about that.
And so I literally lit a million dollars on fire.
I could have gotten a million dollars of these tax credits and I didn't, right?
I could have used a credit line to buy ads for my SaaS business, but I didn't know how to do that.
I could have sold businesses that were working, but I didn't really want that just kind of died.
Like I let them die.
Right?
So I think it's about like, how do you get the most out of what you have and giving people tools to do that?
And it's just, I wish this had existed when I was starting out.
Yeah.
I totally agree, you know, most investment bankers don't work with startups because they're too small or the deals are too small or whatever.

So how are you going to get it to, how do you get, how are you going to get the numbers to work?
Cause I don't think they're doing it cause they discriminate.
I think they're doing it cause the money's not there for them.
So how do you make that work?
Well it's not small businesses, right?
I mean, like we're really focused on bootstrap businesses cause that's where we come from.
And these are companies that are doing, you know, two, $3 million, maybe 500K of profit.
Some of them are actually bigger.
So we've talked to founders that are like, Hey, I've got like a, you know, 10 million ARR business.
I'm doing $3 million a profit.
I was thinking I want to sell 30% of my business.
And we kind of go, okay, well we have the network.
We've gone and, you know, raised all these funds and met all the people in finance.
Let's connect the dots between these people and be the financial translators.
What's been the biggest, oh dude, I thought you said you hated these graphics.
You have the graphics of like the people with like the funny arms and funny fingers.
If I remember correctly, you tweeted out, if you see another page like this, you're going to kill yourself or something like that.
No, no, no.
It was the, the like weird Russian looking ones that Dropbox was using for a while.
They were like so weird and depressing.
What, oh dude, I know you.
I know these folks.
I've met Rob before.
Rob is in our world.
That's funny.
It's such a circle jerk world that we live in.
Do you just like, you just collect people on Twitter is what you do.
Rob actually lives in Victoria.
So I've known him for a long time.
He runs, uh, outweigh the sock business.
That's right.
And they just launched a custom, they just launched a custom sock business.
You guys should get some MFM socks made.
We did where I've gotten them for this other thing, but what's been the biggest business that you've sold so far?
Was it the fitness thing or the meal plan thing?
Yeah.
Yeah.
We bought a business called Me Lime and we sold it to Albert Sins.
Did you, did you buy that or that was, I thought you started it?

No, we bought it.
So there's a guy up in Nanaimo who's a developer and, um, he started this business with two co-founders and his two co-founders after the first year didn't want to be in the business anymore.
And so we, they own 70% we came in, we bought them out and Mitch, the founder was basically like, look guys, like I'm already growing this business.
I know exactly what I want to do.
Just leave me alone.
Like we tried to write the Warren Buffett letter and say like, Oh, you should do this on growth or whatever.
And he basically just said, leave me alone.
And so he said, okay, fine, we'll leave you completely alone.
And a couple of years later, Albert Sins came and they bought it for tens of millions of dollars and it was a great deal for everyone.
And yeah, it worked out really well.
Do you think that in the future you're going to sell anything or are you just going to keep on buying and keep on holding?
I mean, do you, because you don't want to sell, do you?
No, I don't like selling and I think that, um, it's really hard to predict what's going to end up being large and how large it can be, and then also if you think about it, like if you have a business and it's dying, it's hard to predict how quickly it will die and how much profit will come out of it.
And usually when a business is dying, you can't sell it for much, right?
Let's say the business is on a major downslope, you might get like one times profit.
And so you're basically making a bet that it's going to die before a year, which very few businesses die that quickly.
And so usually it's better off just to hold forever.
I've found, you know, you will see like Warren Buffett sold off his newspapers.
I think that was partly because the writing was on the wall, but also because it's like unions and a lot of complexity and they wanted to get out of that.
But no, I mean, I, I don't ever want to sell businesses.
And the only reason we sold me lime was because Mitch wanted to sell the business.
He came to us and said, I want this exit and we weren't going to hold him back because he was the founder.
We just did this thing on the FTX saga and I know that you like have historically been, I don't know if you call yourself anti crypto, but you're definitely not pro crypto and you're for sure not pro NFTs and all that other bullshit of which I agree with you.
What's been your take so far on watching all this drama?
I think it's really, really bad for crypto.
I think that, you know, Sam Bankman Fried is somebody who I certainly had thought, oh, maybe this is one of the good guys and I'd seen him do with the podcast circuit and he seemed like a smart guy and I think that when the number two, you know, if you think about these like banks, it's like, that's the equivalent of like JP Morgan going out

of business just suddenly and everyone losing their money.
So I think it probably has a lasting negative effect on crypto and trust and it's been fascinating watching the price of crypto not react the way you would think where, you know, inflation you'd think would drive the price of Bitcoin up.
It doesn't appear to have done that.
To be honest, I'm not, I was saying this to a friend of mine, I think I've probably said it on the show before, but if you came to me and you said, hey, I think British pound sterling, I'm super bullish on them because XYZ macro event was happening.
I would just say, why are you currency trading?
You're a tech entrepreneur and I think that Bitcoin is currency trading, right?
Like just buy great businesses, do the thing you know.
And I think everyone is just speculating on this stuff and there's a ton of fascinating arguments for it and I follow it, but I have just fully steered clear and I'm sure that we'll invest in a crypto business at some point, but for now I'm just waiting for it to play out more.
One important reminder is if you, if you missed Amazon, you had until 2010 to invest in it.
There's a lot of time to wait and sit and watch to find these great businesses.
Two things, one, that thing you just said reminds me of something Kevin Van Trump told us once.
He goes, you know, you've been trading for 20 plus years, you know, what are the biggest lessons or something like that?
And I asked him some, some stupid question like that and he goes, well, you know, there's no lessons, blah, blah, blah, then he goes, one thing, there's always a second chance on the train.
He goes, even when it's a winner, even when it's a good thing, you'll always get a second chance on the train.
You know, so that sort of takes away a lot of the FOMO when you realize that that, you know, you do get these second opportunities.
You know, it happened with Amazon, it happened with Facebook, it happened with many, many businesses where even if you weren't early and correct, these things go up and down.
Now the hard part is it's when they go down that you have the least conviction.
So it could be that, that right now is the right time, you know, now might be the second time to get on that train because prices are down, but now is when people are the most scared and the most hesitant to act on it.
If you were hesitant before, you're probably triple hesitant now.
And so I think that's the hard part to try to get back on the train when there is a dip.
The second thing is we talked about red flags and fraud.
I think on the last time you were on here, we talked about people who were lying or our partners who had screwed you with the FTX thing.
Did you hear of anything or was there anything red flaggy that you had heard either along the way or once it started to come out that you're like, oh, that sounds pretty bad actually.
That was a bit of a tell now, either in hindsight.
No, I mean, I like you guys, I guess I hadn't followed it super closely and I hadn't really

spent a lot of time on that particular business.
I was quite shocked that he was known for risk management and he had been talking, you know, was very assertive about talking about the security of the balance sheet.
And it seems like there's a lot of loans going on between related party businesses where he's bailing out his own business and stuff.
So very sketchy.
What I find fascinating is, is this a bad actor?
Is he a psychopath who's building a Ponzi scheme or is he just somebody who got in over his head and used too much leverage and messed up?
And I don't really have an assessment of that yet.
And to be honest, I'm not following it super closely.
I'm kind of waiting to read the book.
I find like waiting for this stuff to all blow up and wait four months for like, you know, The Atlantic or New Yorker or someone to write like an amazing piece on it is always more interesting than following the day to day.
My favorite Twitter feed, Autism Capital, who's been covering this whole story has said that Michael Lewis, the guy who wrote The Big Short, has been like embedded with him for the past six months, writing a book and that he's still involved.
And so I have a feeling we're going to, we're going to have something good.
It was meant to be like the blind side.
It was meant to be this like, you know, this like, you know, sort of like this is, you know, like the blind side style story.
What's that?
You said it's supposed to be like the blind side.
Yeah.
Like a positive story.
Like here's, you know, this thing that was, you know, destined to fail.
I think he was following him, not thinking FTX is destined to fail, but thinking, you know, these are the challengers, you know, and look at, look at the craziness that's going on.
But like not, I don't think he was following him and I don't think SPF let him in because Michael Lewis was thinking, it's just a matter of time until this blows up and this will be the big fraud and the big scandal, like just like The Big Short part two, you know, so, so I think that that's the interesting part.
It's like, well, here's your, here's your surprise twist ending that you got here.
I will say there's this one guy, Jason Choi, that wrote a Twitter thread that is the best Andrew, if you want to read the equivalent of the book or the New Yorker piece, like I wouldn't wait for them because A, the New York Times put out a piece on, on SPF that was supposed to be, you know, the sort of like the recap and it was like incredibly soft on him.
It was sort of just made him out to seem like a good guy and, you know, some, oh, some bad things happen to happen.
And this guy, Jason Choi wrote out this Twitter thread that's very clear and it has all of

the evidence in a timeline that we know so far.
And it is, it's pretty compelling.
You should check that one out.
Have you guys ever had contact with someone who's now famous fraud?
I've never, I've like never met someone who like was a blatant liar about things that like kind of became well known.
I've told the story about the guy who worked with the king of coal in Indonesia who ended up in jail and, and passed away in jail.
But he wasn't a fraud.
Was he?
He was just a criminal.
I mean, he did bet.
Like he, he, like, like, well, no, no, no, it's way different.
It's like someone, you know, who's like, like, what do you do for a living?
Well, I've fucking robbed people versus like Bernie Madoff who's like, well, I run a bank.
People who steal tend to lie.
And, and, you know, so I think that, yeah, this guy was bribing people, but it wasn't just, let's say bribery, you know, there was obviously going to be other things in an organism, in an organization like that where you're, if your primary agenda is to make as much money as possible, as quickly as possible, and you have great success doing it, but you're not doing a ton of the value creation yourself.
You know, there's, there's often a, you know, both, there's often both going on.
And you know, I was able to see a little bit of it.
What I, what I saw mostly was just the sort of like the, the fact that, okay, I guess that's the way you do business in these countries.
You kind of got to grease the, the, the guy in the middle and that's how you get the thing.
You know, the, the sort of bribery corruption is very common in India and Indonesia and a bunch of different places.
And so that part was known.
I, it was an open secret, but I'm, you know, it's not like if you had asked me at that point in time, is there anything else going on?
I wouldn't have been able to tell you anything specific, but I would have bet a lot of money that there was something else going on.
And it's part of the reason why I wanted to leave eventually.
So most of the frauds that I've met have always been small time.
So it'll be like, I meet someone and I ask around about them and someone's like, Hey, like, you know, they've gone through the city and got like $10,000 from all these investors and like defrauded them, but it's a small time enough that they get away with it.
Charlie Munger calls them the rats in the granary.
You can't really do anything about them because they're too small.
They're always going to be there.
And if you, you know, you hammer them once, they're just going to come back in some other form.

I met a guy, this is a bigger one.
So in the Canadian stock market, there's tons of fraud and there's very little enforcement.
And often what you'll see is something will get hot.
So like, you know, oh, a vertical farming is hot.
So they'll find some, you know, guy with like five employees who has a vertical farming business and some investment banker in the public market will say, Hey, let's dress this up as the next great thing.
And then what they do is they dump it to retail investors.
So they go to mom and pop and the investment banker calls them and says, Hey, I've got this amazing deal.
We're going to IPO it.
It's going to pop whatever and they hand the candy out.
And often what ends up happening is, you know, as the trend goes, so, you know, as marijuana stocks or fake meat or cubic farming or whatever it is, it pops and then it drops.
And what happens is the investment bankers often make a killing because they get paid in warrants and they get paid a percentage of the money they raise.
So if they raise a hundred million dollars, they might get paid $5 million plus warrants.
And if it pops, maybe those warrants end up being worth $10 million.
And this is all legal.
This is totally legal.
And so it's basically legal stealing, right?
So they go out, they raise all the money from a bunch of, you know, grandmas and doctors and normal people stockpops, they sell, and then it goes to zero and all the employees get laid off and the company goes bankrupt or it's kind of a shell of its former self.
And I met a guy at a party, you know, last summer and he was bragging to me about this IPO that he had done and how much money he made.
And I started digging into it.
And it was literally a, the equivalent of taking a corner store public.
This was like a two location business and he'd dressed it up to match a trend.
How much did they make from it?
He probably made, I don't know, I could probably do the math, but it's, I would argue probably five to $20 million doing this.
And you know, he's bragging about it and the stock is down, I think to like 10 cents or something, right?
It just, it turned into nothing.
And so it's crazy because it's literally legal, it's legal stealing, right?
Like everything he did is technically legal.
They do all the right documents.
When they take it public, they disclose all the details.
They just write it in the right way.
And it doesn't hurt his reputation because he's behind the scenes and like, you know, no one knows.
And lots of people flip the stock too, right?

So many of his early investors probably just sold when it peaked out to, oh, you know,
what are called bag holders in the industry.
And then those people lost all their money.
And so it's, they hurt, let's say 10,000 people in a very small way.
And so it's just not the sort of thing that gets a lot of attention from regulators.
So I find that kind of gross and crazy.
And there's a ton of that up here in Canada.
So I tweeted this out, let's see, when was this?
This was basically last year, February, 2021.
And I said, eSport investments are a joke.
There's so much dumb money in the space.
Look at this billion dollar publicly traded company in Canada.
And eSports is another one of those like kind of hot industries that you're talking about.
And the ticker is EGLX.
So I showed this graph and I was basically like, look at this thing.
It's trading at $8.59.
So I said, you know, it's basically, it's a whole code of random assets.
It's got like a website for the Sims.
They own a minority stake in the Overwatch team of Vancouver.
It's not necessarily a bad company, but it's definitely not a billion dollar company.
And so it's like, here's some of the things that they bought.
They bought Luminosity, the eSports team.
They bought it for 1.5 million in cash, 7 million in stock.
What's the company called again?
I want to look it up.
I'll tell you in a second because the prediction came true.
Here's the spoiler.
So EGLX is the ticker.
So it was $8.59.
So when I wrote this, it is now trading at what?
83 cents.
0.84.
Oh my gosh.
So yeah.
It's a market cap.
So it's down 90% since I wrote this thing.
126 million.
How does it even have 126 million?
It's not worth a hundred spoilers.
It's going to go down another 90% from here, it's my guess.
Not to pick on these guys, but just like, there's a lot of this happening.
I met other people, you know, who are doing the same thing.
And it seems to happen on these small exchanges in Canada and stuff like that.

So they bought Luminosity for a million, a million and a half in cash, seven and a half million in stock.
They bought some agencies for 13 million in cash, some more stock.
And they started trading on the TSX and then they were up four X in a year.
And it's basically an ad agency.
And then they own, you know, a couple niche websites.
And like, you know, if you add in all of the things that they bought, you know, they did 30 million in revenue with 50 million expensive, you know, they lost $20 million this year and they call themselves a, you know, billion dollar company.
And so, you know, like I said, people want to invest in a rocket ship and this is a sparkler.
They have eight million of cash left in the bank.
It looks like they're going to need to raise more money if they want to keep this going.
And so, you know, I didn't even remember that till you just said this thing.
You said, I was like, I think I saw some bullshit eSport thing in Canada and sure enough, this was it.
Yeah.
There's endless numbers of these.
I mean, it happens in the States too.
You guys saw Nikola where, you know, even the name, you're like, okay, Tesla, Nikola Tesla, like you're just trying to grab on to this trend and they, you know, basically faked that they had this, what is it?
I forget, hydrogen powered electric semi truck and it turned out they were just rolling it down the hill and turning the camera.
So it looked like it was driving on a flat surface fraud, complete fraud.
Like is that really what they did for the commercial?
Yes.
I'll link you guys to, so there's this amazing guy named Nate Anderson.
He has a short selling hedge fund called Hindenburg research and he writes these amazing research reports where he takes down these companies and it's just facts, right?
It's like, all he does is just basic diligence and he'll find like, oh, like it turns out Trevor Milton, the guy who is the CEO of Nikola was accused of all these crimes.
And if you just do basic research on this guy, obviously this guy is a fraud and he'll write these amazing research reports and I'll send you guys one.
No, this guy, his stuff was good.
He's, he, I mean, he's a short seller, so obviously he's going to be a hater, but his stuff is usually well researched and fun to read.
Yeah.
I mean, I think there's, there's crappy short sellers who are going to, you know, make stuff up or, you know, hint at stuff.
And then there's short sellers that are basically journalists that just share what's going on.
Do you guys, do you guys remember Bird, Sean, do you remember Bird in San Francisco?
Yeah, of course.

Scooter company.
Okay.
So Scooter company that I don't remember how much they raised, but I believe it was a $2.5 billion valuation and I bet they've raised north of four or 500.
I think they've raised over a billion dollars.
Let me see.
They've raised over a billion dollars.
Yeah.
They've raised more than it's currently worth and I think it's currently.
So listen to this, listen to this, Google what it's worth right now.
So they took it public at a three billion dollar valuation, I think it's currently trading right now at $70 million.
70.
Okay.
They raised $883 million.
Is that crazy?
This company is, is, is the market cap is 73, I think million bucks.
Which?
Which company?
Bird.
Bird scooters.
Do you guys think they have to have at least 70 billion of scooters on how much secondary, how much secondary did the founders take it to, which I can't blame them to be honest.
I don't blame them.
Because it was so hot, but still.
But I don't know how much you took, but I always like stick with like the best way to figure out, you know, how wealthy someone is by looking at how expensive their home is because it's kind of hard to like get a fake mortgage that way and Travis, the guy who founded it, if you Google his name and like house, you'll see like, you know, a tech entrepreneur selling $10 million home in Santa Monica or tech entrepreneur buying $20 million home in Miami.
So he's, he bought, he's, I think he's bought two houses that are worth tens of millions of dollars.
So he's definitely.
There's, there's something, I've got a really quick thing.
If we have time.
Yeah.
So do you guys remember I did this thing called a non binary term sheet a couple of years ago?
Yeah.
You're, you're on that non binary train before everyone else was exactly.
Exactly.
So, so I've always found, I've always found venture really tricky, right?

Because someone will come to you and they'll say, you know, I am going to revolutionize XYZ industry and I'm going to create a billion dollar business.
And I always say, okay, well, if you don't create the billion dollar business, then I lose all my money, right?
And to me that a, it sucks for the founder because if they, you know, get a bunch of money at a valuation that's too high, they can never make their investors happy.
And it sucks for the investor because it's binary.
Either they lose all their money or, or it goes.
And so when I was raising money for Supercast a couple of years ago, I wanted to get what the market rate was for valuation, but I also wanted it to be fair.
Because for me, I didn't want to feel like shit if the business didn't pan out.
I knew that if the business didn't pan out to be a huge business, it could actually be a good smaller business.
And so we raised it at a $10 million valuation, which at the time was kind of a good, you know, angel, angel round valuation, but it was structured so that within two years, if the business doesn't do a million dollars of revenue, that turns into a $5 million valuation.
And so it ended up, we, we did close to a million dollars, but we didn't hit it.
And so I crammed myself down by 50% to make it fair.
Now I know a lot of founders wouldn't want to do this because why would you do this, you know, other than to be a Boy Scout and, you know, have a sense of fairness if no one else is doing it and if VCs expect this.
But I think it's a really interesting structure.
And we've been offering it to more and more founders as the environment changes where we say, look, we'll invest, but it has to be structured so that if you don't deliver on what you say you're going to do, we can still get our money back.
What do you guys think about that?
I don't love it for two reasons.
One is what you just said, which is like, why would a founder do it?
Like, if I think about it from the founder's perspective, if I don't have to do that, I'm not going to, I'm not going to do that, right?
Like traditional venture would just be a better deal for me as a, as a founder in that case.
And the other thing is I think it creates weird incentives.
Like, I like the concept behind it.
Like I like the spirit of it, but then I'm like, okay, who's going to set these benchmarks?
And then what happens when the thousand different things can happen in business?
And like you, you said it yourself, like we got close, but we didn't get there.
And then there's like this crazy urge to like do something to nudge it over the top.
And now you're doing something that may not be longterm, you know, right for the business.
And so you create some weird dynamics.
I wouldn't say it's worse dynamics than the currently exist.
It's just more like, if I'm the founder, I would rather, and I also think I'd rather take the venture path where I'm getting a higher valuation and selling less of my business.
I would also say there is a sort of like, we're going for it or we're not like you would,

if you're running a product, like my e-commerce business, we run to maximize EBITDA.
Like yes, we want to grow it, but it's like, this thing needs to make profits every year.
Whereas one of you did venture things, it was like, we don't think about that.
We think about, you know, how are we going to grow users, let alone revenue, let forget about profits altogether.
And so there is like sort of like a, there is a benefit in knowing which path, which blueprint of business you're trying to build, and then being able to go all in on a strategy that's aligned with that versus a strategy where you're hedging, but you're like, maybe we should try to have profits, but I'm just trying to give you a thing.
Sorry, go ahead.
But Andrew, that my whole, like I see all these, I think there's this like, I've seen this like this thing called like hustle fun and all a few other funds and they're like, we're trying to do things differently.
And my opinion on that is why?
Like the game isn't broken.
The game works as it should.
The thing that's broken is people who are joining and playing the game and they maybe shouldn't be playing the game, but it works perfectly fine.
Like we are getting our desired outcome of where that's not true necessarily.
There are certain businesses that are good businesses, but they're not good venture businesses and then they have, they have a lack of access to capital.
So I forgot the guy's name.
I feel bad now.
He's kind of like, it's kind of like an MDVC thing they're doing.
They created Tyler.
Is it Tyler that, what's it called the SEAL agreement or this something like that?
They have like some new type of doc that's like the nine, not non-binary term sheet.
But that's not, but that's not VC, right?
I mean, you would consider that's almost like PE.
That's a different category.
Yeah.
But I guess what I'm saying is it's a funding, it's a funding option.
It's an alternative funding option for a technology business, right?
You could, right.
That's what I'm saying.
It's alternative to VC.
What I'm saying is venture capital as we know it, I think it works perfectly fine.
Like it's the way it's supposed to work is some get it, most don't and the some that do get it, most fail and very few become huge life changing things.
But don't you think like, okay, so Sean, let's say that you got really bullish about your e-commerce concept and you'd raise $10 million, like let's say like in the age of Casper, when e-commerce is super hot and DTC is crazy and the valuations are high and you go out and you raise $10 million and now you're stuck where you're going, what I really want is

to pivot this into a lifestyle business because that's what's logical for what you want.
And imagine if there's a structure where you didn't have to feel like a piece of shit because you can never get your investor's money back, right?
And what I've seen is the incentive creates this situation where the founder is sitting on a business that could make them happy and give them a great lifestyle, but they have a gun to their head and so they continue down the venture path, even when it's actually futile and won't work and they drive the business into the ground.
So it's worse for the employees, it's worse for the founders, it's worse for the investors as well because the investors just go to zero instead of at least making a reasonable return.
So and it is kind of like private equity, but you got to remember private equity doesn't take risk on what could be, right?
Private equity invests in what is, they will say your business does $10 million, but I'm going to assume it's going to be 11, 12, 13, 14, not venture, which is your business does 200K revenue.
You're assuming you're going to get to two and then 20 over the next three years, right?
So it's a different form of capital in my opinion.
But isn't the problem like, let's say I take that 10 million and I take it where I sell, let's just say 10% of the company in that round.
And what you're saying is that in the event that things don't grow as fast two years now from now, that 10% becomes 30% for the same $10 million becomes whatever, just numbers like that.
Totally.
But isn't the problem that they probably burned the 10 million along the way, trying to get the thing to grow, hiring people, marketing, whatever else they're going to do.
And now they still need money and now they have all these people.
So you're going to have basically like a combination of things.
It's like, we're going to have to lay off a bunch of people probably as we shift strategies to more of the lifestyle type of business to be more profitable.
We're going to ratchet up those investors who go from 10% to 30%.
The 10 million is gone.
So I still need money to run the thing.
Most likely I need to maybe raise additional capital.
So I'm going to raise more money.
But on those lower terms, dilute everybody.
It just becomes kind of like, it's like, it's a sad rainy day.
Now, or am I thinking about it only in the bad scenario?
I think I just fundamentally have a problem with founders who raise money at a very, very high valuation with the knowledge, especially from people who are not VCs, right?
So you know, you've seen a lot of this.
There's lots of people in our world who have raised very like on businesses that we've looked at and would value at like maybe five or $10 million and they've gone on crowdfunding platforms or something.
Can you give an example of one?

I've raised tons of money.
You want to put someone on blast?
No, I won't say any names.
No.
But there's lots of people and there's, I'm not singling anyone out, literally there's like 10 or 20 examples I can think of.
And frankly, it's like, it's opportunistic.
I get it.
You know, you want to raise on great terms, but I have a fundamental problem with taking money from someone when I know I can't give them a return or there's like a 5% chance and positioning it as, you know, you're investing in this super solid, awesome thing that's going to be huge or as cash flowing or whatever.
And you're basically just taking someone from, it's like going to someone in real estate and selling them on your tech startup that we would all know as a bag of garbage.
But because they're in real estate, they go, oh, this looks great.
Yeah.
I actually, I agree with you 100% and I really, really disliked that.
I tweeted something out that I want to get you guys a reaction to.
So I tweeted something that kind of, I don't know, ruffled some feathers, I guess.
So I go, I don't understand how this ruffled feathers, but go ahead.
I go, this year I learned there is no quote smart money.
Andres, and Sequoia, Chamath, Tiger, Tribe, Co2, SoftBank, Paradigm, Alameda, FTX.
They all made terrible financial decisions at huge size and yet most will get richer.
They play a rigged game.
Chamath made money off of a bunch of his shitty specs cause he's the promoter and these funds manage billions of dollars and they'll make hundreds of millions and fees along the way.
As a reward, even if they lose their investors money, these aren't just companies that they invest in that start to underperform.
These are huge bets on fundamentally flawed assets.
It's crazy.
But the lesson for me, remember to think for myself, don't use the justification that the big name is investing as any sort of signal and remember that the smart money is just as dumb as me.
So I tweeted this out.
I did it really fast.
I probably should have worded it differently, but a bunch of people from these firms didn't really like what I was saying.
I think-
Did they DM you or comment?
DM.
Oh, come on.
The courage to comment and get into a tiff about this, no way.
There's no way they're going to take that chance.

I think part of it is I worded it poorly.
I think they thought I was saying, these people who are supposed to be smart are dumb and evil.
I think it's because I said they play a rigged game.
I stole that from Chris Saka who was a VC.
He goes, venture capital is a rigged game.
You make money on the fees regardless of whether you get returns or not.
And then you get the carry on the returns too, down the road, seven to 10 years later before anyone figures out if you're any good at this or not.
But I think people thought I was calling them dumb and evil.
And actually, no, I think they're very smart.
My point was actually that even the very smart people are doing some really dumb things because it's a really hard game.
And I got to remember to not use their conviction in something to override my own either cluelessness
or lack of conviction in something and be like, yeah, this is a good, I guess it's a good idea.
These guys are doing it.
I guess I should put money and these guys are doing like the FOMO investing style.
I got burned on it.
I think this is one of the dirtiest things in our industry.
So if you're in private equity or you run a hedge fund, you know if you're an idiot or a genius in months or years, right?
When you're playing venture, you can take 10 to 15 years to see what a fund really does.
And yeah, there's markups and all this other stuff.
But at the end of the day, to see realized gains takes a very, very long time.
And so what you'll see is, you know, someone raises 100 million and then 500 million and then a billion.
And on a billion, they're getting a 2% management fee.
So they're getting $20 million a year.
And let's think about what are the costs to run a venture capital firm?
You've got someone as a custodian managing your fund.
You could, if you wanted, probably have three or four employees and a benchmark manages 3 billion plus with like 12 or 15 people.
So these are not expensive businesses to operate.
And I think that they make money guaranteed every year.
And by the time that investors realize that over a 10-year period they've underperformed, they've already made hundreds of millions of dollars.
It's just absurd for taking very limited risk themselves and they win no matter what.
And so I think this is something that will go away in the longterm.
And I'm frankly shocked that when you raise a venture fund, you don't have to say, this is my budget.
I'm going to hire three associates and my salary is this.

That's all I'm charging you in fees.
Instead, they get this thing where it's like, you get $20 million of fees.
And if you spend $2 million a year on the office, you make $18 million a year.
It's total hustle.
And this is why like our rolling fund and our private fund, we don't do any management fees whatsoever because I am allergic to this.
I find it really gross.
Yeah.
That is crazy to me.
The first two years of my fund, I took zero management fees.
And then as I hired people, then I added the fund.
But also my fund is so small that 2% management fee of my fund is $200,000 a year.
It's less than what I'm paying people to doing it.
I am taking a loss on the salaries with that management fee.
But 2% of a billion dollars every single year is $200 million over the life of that fund that you got as risk-free reward, which is insane.
And then the other point I was trying to make was that there are times when you bet on something that's a business that's doing really well, a really healthy business that, hey, it didn't achieve the, maybe it didn't get as far as we thought it would.
So it was a 2X instead of a 20X.
Or something in the market dynamics changed, a competitor or a regulation or the economy slowed down and then they slowed down and they didn't end up achieving the dream that they had versus the investors are invested in FTX.
If you're putting like Paradigm, Paradigm is the number one crypto VC, crypto focused VC, and they put $290 million into FTX, $300 million bet.
And they came out the other day, they go, we are writing our investment down to zero.
We want to assure you that this was a small portion of our overall funds and we had no idea what was going on.
We didn't know about this.
And you think about it, you're like, first of all, the fact that a $300 million bet is a small portion of your overall thing, like that's true.
I'm not saying that that's not true because you have a $3 billion or whatever fund.
But man, when an outsider reads that Paradigm puts $300 million into FTX, they assume a couple of things.
FTX is probably a good business.
And that Paradigm, the smartest guys in the room, are probably doing diligence to say, hey, is this guy literally funneling customer money into his own trade hedge fund and like going and gambling with that money or not?
Like you would hope that somebody's doing the diligence.
And so I think that that's, and not to pick on Paradigm, I still think these guys are really smart.
It just sort of shows in general that the amount of diligence you would assume happens on large bet sizes like that is actually nowhere near what it could or probably should

be.
And secondly, like you have people like Chimoth, when he was doing his SPAC for Metromile.
We've named basically a couple of businesses that all in pod.
I think these guys are super awesome.
I love the podcast.
They're super smart and successful.
There's no doubt about that.
But you talked about Bird.
David Sacks was the lead investor, I think, at Bird for multiple rounds, if I'm not mistaken.
And Bird now is a $70 million company.
But these guys cashed out at the IPO probably over a billion dollars.
And there you go, you're done.
These guys were months ago laughing about Solana and how they just received all the Solana at the super low price.
They can't wait to dump it.
And now they're finger pointing at other people in crypto for doing the same thing but not acknowledging it.
Or Chimoth took Friedberg's company Metromile Public through SPAC and said, Buffett had Geico.
I have Metromile, a better business in all these ways.
And less than a year later, Metromile sells for a third of what it went public for to eliminate.
And so you see this stuff and you think, are these people lying?
No.
What you're lying is just that investing in business is a really, really hard game.
And even the smartest people in the room are making really dumb things, really making really dumb decisions or dumb bets.
And in some cases, they have unfair advantages that you don't have.
So it was a reminder to myself and to many other people out there who don't have those unfair advantages that you cannot take their backing or their involvement in a project as a signal that this is a winner or a good thing.
That's my rant.
When you just think about how much more powerful it would be if Chimoth, like, I would have a lot of respect if he had said, look, you know, we took Metromile public.
I thought it was my Geico.
I put $200 million, 20% of my net worth into this business and I lost it alongside of you.
Or I invested my warrants into equity and I locked it up and I held it for three years or something like that.
But no, there's nothing like that.
There's no alignment.
And I think so often this comes down to alignment of incentives, you know, they're incentivized to do the bad thing.
How was the general sentiment of the DM, Sean, like you or like, you're right, like semantics

will stuff first.
Like we wait, we weren't an FTX like, dude, I'm not talking about FTX.
I'm talking about these other three shitty bets.
If you need me to name the names, I'll I'll do it that, you know, this thing you invested that made zero sense, you know, blah, blah.
So it's like some was we didn't make this mistake.
And then the other one is, look, this is just the nature of the game.
It's venture.
You should know this, but you have a venture fund like, you know, you're going to have a bunch of zeros.
And I said, I totally agree.
You know, I invest in seed, you know, startup ideas that are, you know, summer routine, a pitch deck, a prototype or, you know, early stage product.
I know a lot of these aren't going to work out.
It's very different than I put 50 or 100 or $300 million into a business that was fundamentally like, you know, fraudulent or was like doing something that was, you know, sort of self-dealing.
That's very, very different than, you know, we bet on this technology and it turned out the cost weren't and it cost didn't work out or that traction wasn't, it didn't grow as fast as we had hoped or whatever.
There's different ways to lose in the same way I always say in our business, like, there's errors of action and errors of inaction.
If you're trying really hard and you make mistakes, totally acceptable.
If your error is that you didn't think about it or you didn't do anything, you forgot, you just dropped the ball on it.
That's where I have trouble.
And the same thing in investing when you can, you can misjudge a business and think it was going to grow faster or, you know, it got sideswiped by something else versus you put something into, you put money into something that you should have diligence and you did.
To me, this is like, yeah, if A16Z on average delivers value, right?
So as a portfolio, they've created all this innovation, they've invested all these great companies.
And yes, there's going to be some colossal mess ups where they're going to lose a ton of money.
I think that's great.
What makes me sad is when you take the holistic result of an entire firm and you go, wow, over a 10-year period, they made tons of money and all their investors lost a bunch of money or all these businesses were zeros.
That I think is the hard part.
And again, this is a decades game, right?
Chimoth, we won't know if Chimoth has actually built value for another 10 or 20 years.
And frankly, like it's all very secret because I think a lot of his stuff is private.
So we really have no clue how much money he has, how much money he made, what's been successful,

what hasn't.
There's a bit of a smoke screen there.
And I've talked to Chimoth before.
I think he's like a super nice, charming, smart guy.
And I like you.
I listen to all in and I like those guys.
And at the same time, I go, wow, there's some games.
Yeah.
And again, I'm not saying that they do a bad job or that they did anything bad.
I'm just saying the reminder to myself was just because this really smart person who you respect and is generally successful and has made money and probably will continue to make money is in something, like you can't outsource your conviction.
Like you can outsource a lot of shit.
You can't outsource your conviction.
So that was really what I was trying to say.
I think I got a little too heated up and made it sound like they were dumb or evil.
But that really wasn't what I was trying to say.
It was actually they are smart, but even that, even though they're smart, they're going to make some colossal mistakes along the way.
They will probably end up fine, but you got to make sure that you know that you go in the eyes wide open that smart person can do dumb things.
And it sounds so simple, but it's like a reality is we all do this.
We all take mental shortcuts.
Oh, if these guys are in, we're in.
If this, if they say it's good, it probably is good, right?
And you have to do that to some extent or you can't function.
I can't sit here and diligence every business on earth.
But you know, you have to be, you have to, at the end of the day, you have to, the reminder was to myself, make sure if I bet on anything, and I wasn't an investor in FTX, for example, but like, let's say I, let's say I was or investor in crypto or, you know, promoted Sam as a smart guy, like you have to try to not lean on other big names as your source of conviction.
Totally.
I remember I read, um, powered Mark's book.
So he's like a famous billionaire investor, value investor, and specializes in distress debt.
And I read his book and I went, wow, this guy's amazing.
What a great investor.
And I realized there is ways to see what they were buying so you can find out what all your favorite investors buy in the stock market.
And so I went, well, I totally trust this guy.
I read his book.
It's incredible.

I'm going to buy into this weird Greek shipping company that he just bought, you know, $50 dollars of equity in.
And so I put like a hundred grand into it and it goes out of business.
And what I didn't understand was two things.
One, he has thousands of positions, right, or hundreds at least.
And for him, it's just a tiny little roulette chip that he's put down.
And two, he's a distressed debt investor.
So he might buy the equity, but he's buying all mostly focused on the debt and expecting it to go out of business.
So I actually screwed myself by not understanding it and just blindly going along with it.
And I've made that same mistake, you know, hundreds of times.