Exuding social capital, a profile of Mantis Venture Capital

With #QVCS, Maddyness profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today, we speak to Jeffrey Evans, General Partner at Mantis Venture Capital.

Operator/Entrepreneur Jeffrey Evans and Venture Capitalist Milan Koch were looking to build a venture fund in partnership with a magnetic personality who brought serious social capital to the equation. At the same time Alex Pall & Drew Taggart, better known as The Chainsmokers, were looking to institutionalise their access by building a Venture Capital fund to invest deeper into technology startups. The four spent over a year getting to know each other and defining the thesis and plan for *Mantis*.

Upon launching Mantis in 2020, we set out to prove to the world that we were going to be much more than just another celebrity fund. Our focus was on building an immediately recognised and respected generational fund. We knew that our path to success would be paved by unsurpassed hustle and exceptional results. As a team of curious, life-long learners who range from founders to finance professionals, we are all in relentless pursuit of epic outcomes. Core to our success is a set of broad, deep and enduring relationships. The extended Mantis family includes Tier-1 venture firms with whom we hold symbiotic relationships and our cadre of partners who are leaders and influencers in their respective industries inclusive of tech, media, entertainment and finance.

We fully commit ourselves to every founder. We are not just founder-friendly; we are founder-obsessed. The transaction itself signals the beginning, not the end of our relationship. That is when the real work starts, and we welcome the opportunity to prove our value, share our experiences and perspectives and learn from our founders.

While we are finishing up the fundraise on Mantis Fund III in the first half of 2024, in mid 2023 we began making our first investments from this fund. We believe that access is the most important aspect of venture capital, and Mantis has created a flywheel of opportunities by becoming a preferred partner to both founders and Tier 1 venture capital firms.

Our unique access coupled with our preferred partnerships with founders and tier 1 VC firms translates to outsized return opportunities.

Fund III will target strictly Seed and Series A rounds, aiming to be the second largest check after the lead. With the progression of Funds I and II, we have proven our ability to take more concentrated positions. We believe this is a testament to our value-add to companies. Fund III will be the natural extension of just that — fully leveraging our current strength and depth, as our network, brand, and associated funnel of exceptional opportunities have grown considerably.

The proof of this thesis can be seen from the first 8 deals we have invested in our of Fund III which are all in thesis with ownership and valuation levels meeting our new criteria.

You were selected as a finalist for Focal Deploy – how do you think this will change the VC/LP landscape?

At Mantis, we are advancing beyond the traditional boundaries of what is expected from a venture capitalist. Being selected as a finalist for *Focal Deploy* is an honour; the platform is ultimately championing a shift in the ecosystem as emerging VCs demonstrate the expanding influence of network effects. We are challenging the conventional perception of celebrity funds, advocating for a nuanced perspective beyond the standard VC model. Focal's endorsement reflects a belief in a more inclusive, dynamic venture landscape.

Which industries are you working in?

We invest in a variety of industries but have chosen to focus on key, emerging industries that establish the infrastructure for the next generation of technology. We allocate our Fund III specifically toward AI applications, cloud & data infrastructure, cybersecurity, gaming, and healthtech. Each member of our investment team has an industry major that they are responsible for knowing the landscape and owning relevant relationships.

What do you look for in a founder?

We look for passionate founders with key domain expertise, a clear vision, and the ability to execute. Founders building in large markets with defensible and profitable business models. We're a big fan of the underdog mentality here at Mantis and will always choose the founder who is scrappy and can hustle to the end, the one who has a chip on their shoulder.

Can you talk about your current portfolio?

Our portfolio consists of 130 companies. Our founders are building within AI/ML, cybersecurity, fintech, gaming, and more. We partner with founders at the earliest stages (Seed, Series A) as we believe our platform and network have the greatest impact upon inception. We leverage our social capital to redefine how to support GTM, from branding and storytelling to warm introductions to closing customers and candidates. As creators of culture ourselves, we know how to build a product and create a community and narrative around it. Given our broad LP base, we can confidently say we are one degree of connection from most high-profile individuals and take pride in being the most helpful investors on the cap table. While not exhaustive, notable portfolio companies include Underdog Fantasy, Checkmate, Certa, Chainguard, and Fellow Health.

What does the future look like?

Over the past few years, the venture market has experienced notable shifts, from the abundance of capital in 2020 and 2021 to the recalibration in 2022, and some challenges in 2023. As we enter 2024, our outlook remains optimistic. We anticipate funding nearing its low point, and a resurgence in exit markets is expected in the latter part of 2024 and into 2025. We do expect that there will be further adjustments for venture backed company valuations, particularly in recalibrating burn rates and emphasising sustainable business models. Notably, we foresee several significant trends unfolding in 2024.

On the positive side, we anticipate a more favorable landscape in 2024 as the industry aligns itself. Seed and early-stage rounds are unlikely to decline significantly further, except for select cases such as hype rounds in AI, which we remain cautious about. Mantis will exercise prudence in valuations and abstain from participating in overly optimistic funding rounds. We believe mid-stage growth rounds will correlate with the public equity market, with larger growth rounds expected to pick up alongside the return of IPOs, a pivotal variable for venture success this year.

While funding numbers often capture attention, it is the exits that truly drive the market. The slowdown in IPOs and M&A activity in 2023 has been a notable trend. However, we anticipate a reversal in 2024 as larger entities become more assertive, leveraging their substantial cash reserves. This, coupled with the eagerness of public and large private tech companies to enhance their market positions through acquisitions, paints a positive picture for tech mergers and acquisitions this year.

Additionally, the most obvious transformation of technology, is the application of AI. It is revolutionising the way that we use technology today, in almost every facet of our lives. While it has become a buzzword to attract investors, we are not looking to invest in any company that leverages AI. We do believe that every company will be forced to incorporate AI into their tech stack in the coming decade, and as such we are seeking out investments that are attempting to advance the AI infrastructure itself, these companies will transform the space and become the DNA that advances industries to capabilities that we can only dream of today. We are actively making picks and shovel bets across adjacent industries such as cybersecurity, cloud, and data infrastructure.

What makes Mantis different?

Founders have access to more avenues to capital than ever before. Monetary capital is foundational, yet plentiful. The more elusive and powerful capital is social capital. Social capital is what actually creates market demand, rapidly expands a brand, and draws others in. Mantis exudes social capital. This, combined with our focus on experience, perspective, relationships and tenacity, is the core of Mantis. Through our 100+ investments, we’ve listened to and worked with many unique and diverse founders. Companies launched in today’s environment need the Avengers on their cap table – people with different backgrounds, experiences, skills and perspectives, to help build the companies that define the next generation. Our unique skills are filling an increasingly important space in the VC-founder world that we expect will continue to become more and more essential.

Mantis will continue to be best-in-class in terms of supporting success for our founders, delivering returns for our partners and building a sustainable, virtuous network that in turn helps build leading companies.

What one piece of advice would you give founders?

Hire right: Invest as much time in who you have around you as in your company. Companies are not built with one person and their true vision does not come overnight, it is usually a long process. Having people around you that care about your vision, who have differing perspectives than you, who have differing expertises, allows for your idea to flourish in the best way possible.

Proliferate that vision: Each founder awakens with excitement, fueled by the conviction that they’re effecting substantial change. It’s imperative for them not only to pinpoint this purpose, the overarching vision, but also to leverage it to energise and motivate others. This clarity serves as the catalyst for recruiting talent, garnering investor support, and aligning everyone towards a common objective, guiding them along the same path. Without a concise and compelling expression of your vision, none of these aspirations can be realised.

Be Capital Efficient: Crafting a robust cash management strategy is crucial. It might be tempting to revel in the excitement right after a successful round of funding. However, it’s essential to resist the urge and prioritise outlining how to allocate those funds over the next 18-24 months. The prospect of initiating another fundraising round may not be appealing at that moment, but it’s a necessity that cannot be ignored.

Jeffrey Evans is a General Partner at *Mantis Venture Capital.*

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