Masters of the universe

How machines are taking over Wall Street
A Banker’s Life?
• General Partner at Flybridge Capital Partners, early-stage VC firm based in Boston and NYC
  ➢ $700m raised across 5 funds and 4 pre-seed funds over 17 years
  ➢ 120+ portfolio companies (e.g., MongoDB, Codecademy, Splice)
• Senior Lecturer at HBS – Launching Tech Ventures, RVP
• Former entrepreneur
  ➢ Cofounder Upromise (acq’d by SallieMae), Exec team at Open Market (IPO ‘96)
• Author: Mastering the VC Game
• Author: Entering StartUpLand
• Blog: SeeingBothSides.com
Software Is Eating The World

Retail → Amazon
Advertising → Google
Telecom → Apple
Media → Facebook, Netflix
Banking → ?
Healthcare → ?

$3.5T
Why Now? Contextual Forces

- Cloud Computing
- Lean Start-Ups
- Moore’s Law
- Big Data
- Mobile
- World Is Flat
- Social Media

Reduced Cost To Experiment

Frictionless Distribution

Opportunity for Entrepreneurs
Data Volume Growth Continues @ Rapid Clip...% Structured / Tagged (~10%) Rising Fast...

Information Created Worldwide =
Expected to Continue Accelerating

Source: IDC DataAge 2025 Study, sponsored by Seagate (3/17)
Note: 1 petabyte = 1MM gigabytes, 1 zetta byte = 1MM petabytes
The Rising Power of Computing

Hypothesis of number of brain cells and computing elements

- 300 yrs later: $10^{60}$ times
- 200 yrs later: $10^{40}$ times
- 100 yrs later: $10^{20}$ times
- 1 time (30bn brain cells)

Source: Softbank Vision Fund
Entrepreneur’s Playbook

Strategy  Biz Model  Risk

Disruptor  B2C  CAC, scale

Enabler  B2B2C  Gatekeeper
Disruptor Examples

- wealthfront
- robinhood
- libra
- BREX
- FUNDBOX
Chime: US-based “Challenger Bank”

Banking made awesome

Get paid up to 2 days early with direct deposit.¹ Say goodbye to hidden bank fees. Grow your savings, automatically.

Enter your email Get Started
Good ideas get copied...quickly
Best DeFi Products
ZestFinance: Machine Learning Applied to Underwriting

Personal Loans

Results:

$1.5 billion in additional credit

↑ 51% increase in approval rate

Mortgage

Results:

$6 billion in additional credit

↑ 30% increase in approval rate

Auto

Results:

$50 million saved annually

↓ 22% decrease in defaults

Credit Card

Results:

$109 million saved annually

↓ 18% decrease in default rate
Freddie Mac Tests Underwriting Software That Could Boost Mortgage Approvals

Regulator recently met with housing-finance giant and the fintech firm behind the software
Examples of EXPENSES buyers pay with Plastiq

Inventory
Digital Media/Advertising
Insurance
Telecom

Commercial Rent
Shipping
Equipment
Utilities

Examples of vendors buyers are paying with Plastiq

UNDER ARMOUR
facebook
State Farm
IRS

IN\RAN
CAT
Google
MCKESSON

LG Electronics
United Rentals
Sysco
Pfizer

NIKE
ULINE
adidas
BLACK+DECKER
How Businesses Use Plastiq

Payer selects Vendors to pay, provides payment details and Card

Plastiq processes the card transactions as the merchant of record

Plastiq pays the Vendors and sends payment reconciliation details

- $ Purchase Posted to Client’s Card
- $ Interchange flows to Issuer
- Payer fee can be included in Purchase $ or billed to Issuer
An Invoice Payments Network for the financial services industry, delivering a new structured financial solution capable of eliminating small business B2B trade credit in the way the card payments network virtually eliminated B2C trade credit.

Unleash small business SELLING POWER the way credit cards unlocked consumer spending power.

Parallel to the credit card payments model, seamlessly connecting the financial service industry and the small businesses it serves.

Expanding small business lending profitably and safely into the much larger, untapped B2B trade credit market.
“If I use a baseball analogy, we’re probably no more than in the second inning as it relates to the B2B opportunity around the world.”

– Visa CEO Al Kelly

### A New Platform For B2B Trade Credit

<table>
<thead>
<tr>
<th>Seller Value Proposition</th>
<th>Card Transactions</th>
<th>Trade Credit</th>
<th>BATON®</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flow</td>
<td>✔</td>
<td>✗</td>
<td>✔</td>
</tr>
<tr>
<td>Settlement within 3 days</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convenience</td>
<td>✗</td>
<td>✗</td>
<td>✔</td>
</tr>
<tr>
<td>Buyer adoption / AR administration</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Confidence</td>
<td>✔</td>
<td>✗</td>
<td>✔</td>
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<tr>
<td>Remove late and non-payment risk</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Buyer Value Proposition</th>
<th>Card Transactions</th>
<th>Trade Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>✗</td>
<td>✔</td>
</tr>
<tr>
<td>Free</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td>✗</td>
<td>✔</td>
</tr>
<tr>
<td>AP important part of capital stack</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Control</td>
<td>✗</td>
<td>✔</td>
</tr>
<tr>
<td>Maintain control (level of AP, internal approvals)</td>
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</tbody>
</table>
Big Banks Approach To “Keeping Up”

- Innovation Labs
- Startup Liaison
- Venture Capital investments
  - Both in VC funds and direct investments
- Culture of experimentation (and failure)
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Conclusion

• Unique and special time for entrepreneurship and technology innovation
• Banking industry is under attack from disruptors
• Banking industry can be helped by enablers
• The key is human capital management, creating a culture of innovation, and instrumenting your organization to allow for experimentation
THANK YOU!

Jeff Bussgang
General Partner, Flybridge Capital Partners
Senior Lecturer, Harvard Business School
October 2019