



## **PODCAST TRANSCRIPTION SESSION NO. 197/EMMALYN SHAW**

Welcome to the Lend Academy Podcast, Episode No. 197. This is your host, Peter Renton, Founder of Lend Academy and Co-Founder of the LendIt Fintech Conference.

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Today's show is sponsored by LendIt Fintech Europe 2019, Europe's leading event for innovation in financial services. It's coming up on the 26th and 27th of September in London at the Business Design Centre. We've recently opened registration as well as speaker applications. You can find out more by going to [lendit.com/europe](http://lendit.com/europe)

**Peter Renton:** Today on the show, I'm delighted to welcome Emmalyn Shaw, she is the Managing Partner at Flourish. Now Flourish is a new brand, but it is an existing organization that has quite some history. It is being spun out of the Omidyar Network and it already has, even though it's a new brand, it has already 40 portfolio companies, all of which received investments from the Omidyar Network.

Anyway, I wanted to get Emmalyn on the show to talk about Flourish and why they decided to make this move at this time and start a new brand and what are some of the things that they're looking for and adding to their portfolio, how Emmalyn views the state of fintech today and where are the valuations frothy and where is there still value and what does it take to get on her radar.

We also talk about sort of the research that they continue to fund and I also ask her about working with Pierre Omidyar. It was a fascinating interview, I hope you enjoy the show.

Welcome to the podcast, Emmalyn!

**Emmalyn Shaw:** Thank you so much for having me.

**Peter:** Okay, so I like to get these things started by giving the listeners a little bit of background about yourself and what you've done in your career to date.

**Emmalyn:** Wonderful, well thank you so much. My name is Emmalyn Shaw, I co-manage Flourish and I lead the US investments, specifically focused on promoting financial health and economic opportunity. I have about 20 years of investing experience in technology, both early stage and growth, across a number of different sectors and really pride myself in working very closely with entrepreneurs and helping them scale businesses.

Prior to that, I was in investment banking and also worked at a fintech so had quite a long arc of exposure around technology and really had a passion for wanting to marry real financial business models with impact.

I attended Wharton Business School, MBA from Berkeley, summa cum laude, Phi Beta Kappa, my academic experience, but really wanted to take both the academic training, but more



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importantly, the investment and technology exposure to apply towards what we really think about as, you know, an innovative way of investing in fintech companies.

**Peter:** Sure, so I want to talk about the thinking behind sort of this rebrand or spin-off. You know, most of the listeners will have heard of the Omidyar Network, particularly those in the impact investing space, but what was the decision...why decide to spin-off into a new entity with a new name? What was the thinking behind that?

**Emmalyn:** As you're familiar with, you know, Omidyar has been around in impact investing broadly and over the past ten years had spent quite a bit of time focused specifically on at that time what was called financial inclusion and the effort there and we built an incredible portfolio.

It was really an opportunity to then operate in this more entrepreneurial setting, in a skunkworks setting, to focus and double down on not just financial inclusion, but financial health broadly and providing a separate name and a fund gave us that opportunity to be very clear in our narrative, to be able to be very responsive and skunkworks-like in a dedicated \$500 million fund, \$200 million of which comes from our existing portfolio of 40 portfolio companies and ten ecosystem investments and \$300 million which was new capital to be deployed against this mission of achieving financial health on a global basis.

**Peter:** Okay, so then how is that different to the mission...Omidyar Network's overall mission, I mean, just maybe tease that out a little bit for us.

**Emmalyn:** Yes, I think historically, Omidyar is known and they proved this model of impact investing and was really focused on a dual checkbook of providing for-profit businesses with equity dollars as well as nonprofit through grants. I think the distinction that we were trying to provide for Flourish is to still use a portion of both equity as well as grants towards this mission, but much more specific to financial services.

So in this case, where 85% of our equity dollars go towards for-profit companies and 15% go towards really ecosystem investing around supporting everything from entities like CFSI who provide real rich research against the health of the financial consumer today as well as partnering with folks in creating regulatory sandbox technology in order for us to really understand how technology can change and actually improve regulatory decisions. So I think this breakdown of 85/15 is different than I would characterize the traditional Omidyar Network use of for-profit/non-profit capital.

**Peter:** Okay, okay, that makes sense. So let's then talk about the portfolio. I'm on your website right now and you've got, which I will obviously link to in the show notes, but you have an interesting mix. There's certainly a lot of pretty big names in here now, well known names, anyway, I should say, so maybe you could just...I don't want you to run through every single one, but just maybe takes us through some of the highlights of the portfolio companies you have right now.



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**Emmalyn:** Yes, thank you, I appreciate you recognizing our portfolio. We're very excited about the importance of the impact that they've made broadly on the sector. You know, given my focus specifically on the US and given your focus as well in terms of kind of the areas that you specialize in, I would say if you look specifically at that market, we focus again on the 70% of US Americans who live paycheck to paycheck, majority of whom where a \$500 emergency would put them in a very dangerous position as it relates to their own financial position and economic health.

As a result, we've really thought about how do we invest in technology that either allows folks to earn more income in order to change that dynamic to either spend differently, manage expenses, access credit differently and improve savings and I think along those lines there have been a number of companies that embody that mission.

The first of which would be Chime, you know, as a challenger bank, one of the most successful to date and certainly the largest in the US. They've really provided what we characterize as a win-win for consumers in that they are leveraging the rails, they are a digital only bank, there are no fees for the consumer, they're aligned in terms of as a consumer spends and engages with their direct deposit account Chime also is able to generate revenue so they're very aligned in terms of the fees and how they make money and I believe that that has been instrumental in terms of the trust that they have engendered and the growth rate that they have experienced. They've also as a result of their offering, been able to realize and motivate some actual savings and be able to measure that savings and to us that's a real embodiment of a very commercial business from a financial services perspective that also creates massive impact and is able to address a market that honestly typically does not have very rich financial services, right the [inaudible] market.

Many of whom don't have a high enough income stream to justify being part of a large bank and if they did, they're often...the fees are so difficult for them, principally around overdraft fees and the like. They're not able to really take advantage of a full financial banking solution so this has really been transformative on a number of fronts.

**Peter:** Right.

**Emmalyn:** Steady is another one that we're very excited about. They really are providing what we characterize as the income generation side of the house. They are providing a marketplace for the hourly worker, whether it be gig or otherwise, and to provide a portfolio of work. I think in a world of 1099 where that market is only growing substantially, it's a real opportunity for folks to choose among the best type of job opportunity for this consumer, and ultimately over time provides necessary upscaling to allow them to actually generate more hourly work at a higher pay than they would otherwise have. So there's been a real obvious ROI in a short period of time that they've been able to identify some true savings.

Again, we're very in the early stages of managing the closed loop of incremental earnings, but in this very early stage have already been able to see folks earn upwards of a \$167 and then



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some within a month of joining Steady and getting on that platform and we're still in the very early stages of really increasing that revenue opportunity over time so very excited about what we're seeing there.

**Peter:** Right.

**Emmalyn:** And then I would say the last which is also an interesting example of a very commercial opportunity, but really impactful is really around on the technology innovation with a company called Propel that's actually providing technology services and ultimately, financial services for the food stamp recipient.

In that case, again, really meeting a consumer where their greatest need is, it's providing a very easy way for them to check their food stamp levels and then ultimately to be able to find ways to save, manage how they're using that food stamp distribution and then ultimately provide very rich financial services on the backend, very similar to kind of Green Dot-esque that we're familiar with in other markets.

I think what we're seeing there is, again, across all three of these companies, because the need is so important, the customer acquisition costs are actually quite impressive and really afford for powerful unit economics and ultimately scale for the business.

**Peter:** Right.

**Emmalyn:** So those are just three that I'd highlight that I'm particularly excited about, of which there are many.

**Peter:** Sure, sure, there are many others that I know are also fantastic companies in your portfolio. So what about for new opportunities? I'm sure you're getting a lot that come across your desk, but how does someone, they're listening to this and they think, well, I fit in the wheelhouse for Flourish, what's the best way for them to get on your radar?

**Emmalyn:** As you know, we look for transformative ideas and we look for ideas that are principally focused on improving financial health. We try to be everywhere that consumers, specifically if there's any conferences that are around financial health, we try to be front and center to make sure folks are aware of our mandate and what we care about.

We've also leveraged our rich, very rich and deep source of leads through our own investments and CEOs and management teams and that has been a really powerful way to both find new mission-based entrepreneurs that share our objectives.

We also believe that at the end of the day, we may not actually always be the right fit as an investor for some of these entrepreneurs, but we want to serve and leverage our broad ecosystem, both within our own fund, but in Omidyar at large to make sure we help continue to foster the advancement.



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I think what we're finding is more broadly across financial services, people are coming to us, 80% of which are very much in our sweet spot, 20% that may not be...but we're really going out of our way to continue to support in order to continue to prime the pump and make sure that they are aware of how we can provide value over time. Those tenets have been particularly effective, but we will continue to be very vocal in terms of this mandate and I think that has drawn a number of interesting companies our way.

**Peter:** Right, so your focus really is on early stage rounds or what sort of stage do you invest in?

**Emmalyn:** Yes, our principal focus is seed and Series A and we will entertain opportunistic B's, but again, I think the most important...we are fortunate that we have a single LP in Pierre and Pam Omidyar, they are very patient capital. We don't, unlike other funds, having been part of other funds in my career, we don't have ownership restrictions and so it's really, our focus is making sure we're going to back the right types of investments that satisfy both our impact mission and our financial return expectations and because of that, we're able to play across a continuum.

**Peter:** Got it, got it. So I know that...you said your particular geographic focus is the US, but obviously, you look at your portfolio of companies and they're from many different geographies. At Flourish, what are the geographies you're operating in?

**Emmalyn:** Yes, thank you for asking, so our fund, I would say, our emerging markets are India, Africa, Latin America and other parts of Southeast Asia and then the other half of our fund is really focused on the US.

**Peter:** Okay, got it. So one thing that I'd like to ask you about is it seems to me like...for example, we just came off LendIt a couple of weeks ago and I know you spoke there, I look at the interest in financial inclusion...we've had a financial inclusion track now for three years at LendIt and every year it gets more crowded and it's more popular and it feels like when you're just reading the press there's much more talk now about financial health and financial inclusion, in general. I'd be curious to get your take on it. Why do you think it's becoming a more important part of the conversation in fintech these days?

**Emmalyn:** You know, I would say that...as I mentioned earlier, our focus originally was on financial inclusion and it was really....with a focus in emerging markets, in particular, and I would say that while it still remains a focus, there has been some success in terms of including on an emerging market basis, more. I think that progress has been applauded by many.

Is it over? By no means, is there still very much a need and effort to continue to include the financial consumer, absolutely, but I think what we're finding, and this is a global phenomenon, is they may be included, they need to be provided rich services, but within that construct they're actually failing, meaning, they're barely able to sustain.



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In the US, in particular again as I mentioned before, there's still...70% of US Americans are living paycheck to paycheck so this is very much a middle class problem as well. And so then the question becomes, is it really an inclusion issue or is it a health issue and what do we need to do differently from the financial services perspective to make sure people are thriving, right, that folks aren't over extended and that they can actually take advantage of these financial services in a meaningful way?

So I think that's what's driving so much innovation from maybe what we'd characterize as commercial entrepreneurs because I think they recognize that, you know, in the absence, innovating in financial services at the expense of and not ultimately driving financial health doesn't end up being a win-win for anyone, let alone being able to scale a viable commercial business.

**Peter:** Right.

**Emmalyn:** And so we're finding there a huge shift towards understanding that base and really providing them the means to become more financially healthy while being able to engage in rich financial services and transactions and I think that's what's driving a lot of that, the focus more broadly and not just in the US, but globally.

**Peter:** Right, I completely agree and I feel like we're at this...it's an interesting time right now, there's becoming more awareness, I think, in the general population about...there's a call for more transparency, the popularity of companies like Chime and Stash and many others that are getting really serious, serious traction...people don't want to pay fees, they want something that's simple, that is a win for them and not just a win for the financial institution, it's a really interesting inflection point. I think the younger generation are driving this and I think there's so much entrepreneurial activity happening that it's quite an exciting time.

But I want to move on and actually ask a related question to this. You know, we've been tracking all the major funding rounds in fintech globally, since the beginning of the year, we've been tracking it very closely and obviously, one of your portfolio companies, Chime, had a huge round. There are many others that have had massive rounds at unicorn status, as far as the valuations go, how do you feel about that as far as...do you think the valuations in fintech are getting a little bit ahead of themselves or do you feel like there's still good value if you know where to look?

**Emmalyn:** Yeah, I think we're still having, again, I've been in venture for 20 years now, I think we're in the very front end of parts of segments being somewhat more frothy than others. I think, broadly across fintech there's still a lot of opportunities, particularly around financial health where they're very much in line and you're seeing kind of more traditional metrics being applied.

There are frothy areas, for sure, you're seeing that in the bitcoin, the crypto currency world is certainly seeing that to some extent, one would argue the challenger banks. I think what we're noticing and what is symptomatic at least of the challenger banks in my mind is a couple of things.



You mentioned earlier about where we're seeing millennials go and this need for kind of alignment. There's a massive distrust among traditional financial institutions, in particular among incumbents, especially among the millennial generation, but I think more broadly and this is a result of some of the hidden fees, some of the uncertainty around a lack of transparency, shall we say, for current financial services.

I think as a result it's such massive market and the idea of really disrupting a market like that, I think, is incredibly compelling and part of what you're seeing is a frothiness built into what could that really look like if there's true disruption in that market. Now you could say, well, yeah, but you look at the numbers and the penetration is pretty low so does that really warrant these unicorn levels?

I think there's some validity there. I will say though, like anything, once you're getting scale and once you have real data, especially with the digital whales, the upside is quite high and the ability to then to kind of scale and provide really meaningful rich services and de minimis churn, I think, ends up becoming a very compelling value proposition, the valuations of which become highly justified.

So I think we're kind of in that precipice where it's certainly frothy, but I'm not losing sleep at this point. I feel like in an industry that needs to be disrupted there's some celebration among the very few who have been able to show some real penetration thus far.

**Peter:** Right, right, for sure. So, you know, one of the things that...I had Jennifer Tescher on a few months ago and I asked her this same question and I'd be curious to get your take. There's a lot of companies that are out there doing great things and I think there's...I mean, a lot are still sub-scale, but some are getting some serious scale, but it feels like all of these advances in fintech have not really impacted the overall financial well-being of the population in this country.

It feels like we're still about where we were five or ten years ago. How are we going to change that? I mean, are you optimistic about the potential impact that some of these companies can really have where suddenly, it's not 70% of the population that can't handle a medical emergency, it's 30% of the population. Are we ever going to get there, or how do you think we are going to actually really see the impact of all these advances?

**Emmalyn:** I think you're asking such an important question. I mean, I think the whole reason we've constructed this fund and our focus is exactly on that in really helping to see and expecting that these investments we're making as well as our partnerships that we're doing globally will really help bring down that number.

You know, one thing that's worthy of pointing out is in the financial industry where it's regulated, innovation is one key tenet to improving that number, but as importantly and I'm glad you brought up Jen Tescher, particularly with CFSI, the ecosystem is just as important, right. The ecosystem like CFSI who's managing, who's capturing financial diaries, who's really monitoring what the financial health pulse is and folks like Melissa Koide and others who are driving the FinRegLab and this idea of how do we create innovation with a sandbox so that regulators can



determine, should we be using alternative data as a means of issuing credit and what kind of signals do we learn when we start using some of these alternative data sources.

I think in the absence of if you're only doing technology and innovation and investing in that, that will move the needle only so far. We need to have both efforts, we need to be able to shift policy and influence regulation in order to really make sufficient change and I think only then those two working in tandem will really afford for the type of change that I think we all want to see and I am hopeful. For sure, we do this every day with the hope that our investments and our strategy and the impact that we're seeing on an individual consumer level will ultimately influence that number overall.

We're in the beginnings of really trying to define and measure the type of impact to savings rates, in particular, as an example, and the financial snapshot of the consumer and using technology like AI and others to provide much richer, decisions among the LMI [lower middle income] base to make the right financial decision and to help them think about the trade-offs that they make across their expenditures, across how they save, across how they generate new income streams.

To me, with that innovation will yield, it's in our hope, a very different snapshot 10/15 years from now and that is certainly our long term goal and that's why we invest the way we do, both for profit as well as non-profits.

**Peter:** I hope you're right, I hope you're right. Speaking of which, I want to touch on...I mean you guys funded this research for the US Financial Diaries, you mentioned it just a couple of minutes ago, is that the sort of thing with your 15% of your money going sort of more to grant type things, is that the kind of work you're going to continue to be supporting?

**Emmalyn:** Absolutely, as I mentioned before, I think it's so instrumental to creating the type of change we need to see. We will not be in a position...so much of this needs to be...the consumer has to acknowledge and see the value in living a more financially healthy life and so there needs to be ways to measure what that looks like, there needs to be ways to influence the outcome of how they view their own financial situation and as I said before, we need to have policy shifts in order to maybe change some of the systems that are in place that prohibit them from being financially stable.

All of those really come in the form of our 15% of grant dollars that we're very specifically focused on, again, not just in the US, but globally and that will continue to be very much an important part of our mandate going forward.

**Peter:** Right, right, okay. So then I've got an unusual question, it's something that I've always been curious about. I mean we've had connections with the Omidyar Network for many years, we've had several people speak at our events over the years and obviously, I never see Pierre Omidyar out in public speaking at events, he keeps a very low profile, but I'm just wondering, how involved is he in the business, in your business and what is he like to work with?



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**Emmalyn:** I feel so fortunate to work with such a visionary, he has such a true passion for creating impact and such a maniacal technology sense about him. He is quite shy, actually, so he's not going to be the kind of person to be out there in front of folks and actively beating his chest and I find that actually quite refreshing.

As an individual, he serves on our board, he's got such a great sense of technology and innovation and always one to push and ask and question kind of the strategy, but in a way that really is collaborative. I find him to be one...we joke that when we're talking about some of the technology innovation that we've seen thus far, in particular around blockchain and others and he said, well, you know, I've built a cryptocurrency and I broke it a couple of times and I decided...and I found that to be...I could see the holes and I was a bit concerned by the technology and the potential risk there, by virtue of my own, having built and hacked into a system.

It occurred to me that he's not sitting idle, he's still very much coding, (Peter laughs) he's still very much playing with technology in a pretty meaningful way and it's a testament to the kind of a man he is, he's just so curious. He's also very involved on the technical side, but I would say overall, just a wonderful executive with such a true passion for impact, but he's also so present in the business discussions and trade-offs and I can't imagine a more astute and thoughtful board member, to be honest.

**Peter:** Okay, that's interesting. So we're almost out of time. I want to finish with...you've just established Flourish, Flourish Ventures is a brand new brand, what is your vision, what are your plans? Just take us maybe through the next 12 months. We all saw the news about the \$300 million you've got over the next five years to invest, but let's just, you know, how do you intend to kind of grow and evolve over the next 12 months?

**Emmalyn:** You know, I see this as an opportunity for us truly, as mentioned earlier, to really double down. You know, in our mind we have 18 global team members and as I mentioned before, over 40 portfolio companies and ten ecosystem investments, those we will continue to see grow, impact, create some real change.

I think in addition, we're planning on actively leveraging again our focus, 50% of which will be in the US, but the other 50% will be in the emerging markets that I listed before all around active financial health investments.

One thing that we didn't touch upon, but I'd love to maybe expand a bit further is kind of in addition to our investment folks within our team of 18, 6 of whom are really focused on really providing a rich portfolio support so marketing, HR, finance, impact and legal. We've been really fortunate to be able to bring that level of support, some of which internally, but most of it is to our portfolio companies in a really meaningful way.

So what I'd love to see is be able to watch some of our existing portfolio really be able prove out and be able to report out some of these more meaningful metrics that we were talking about earlier, not just in terms of financial success which we're seeing quite a bit of, but also the



impact success that really couples why we believe that these are the right types of vehicles to be investing in long term.

I'd like to see more of that come through our new portfolio companies as well as our existing and be able to really propagate that more broadly to the marketplace and that's another way of impacting influence that we were discussing earlier, but those are some of the objectives that I'd like to see us achieve over the next year.

**Peter:** Okay, well on that note, we'll have to leave it there. I really appreciate you coming on the show today, Emmalyn.

**Emmalyn:** Thank you so much for having me, it's really been a pleasure.

**Peter:** Okay, see you.

**Emmalyn:** Take care.

**Peter:** I really appreciate that Flourish is focused more broadly on financial health. It really is, I think, an urgent need in this country and around the world. For all of the money in developed countries like the US, we still are not very financially healthy, we should be, and it is through the efforts of companies like Flourish that fund an ecosystem of companies that really can make a difference and some of her portfolio companies are already reaching significant scale. It's when some of these companies get to massive scale, get to the scales of tens of millions of customers, that's when we're going to see, I think, a real impact, a real change in everyday people's lives.

Anyway on that note, I will sign off. I very much appreciate your listening and I'll catch you next time. Bye.

Today's show was sponsored by LendIt Fintech Europe 2019, Europe's leading event for innovation and financial services. It's happening September 26th and 27th at the Business Design Centre in London. Registration is now open as well as speaker applications. Find out more by going to [lendit.com/europe](http://lendit.com/europe)

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