

## FINTECH ONE-ON-ONE PODCAST #289-CLAIRE TOMKINS

Welcome to the Fintech One-on-One podcast, Episode 289. This is your host, Peter Renton. Chairman and Co-Founder of LendIt Fintech.

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**Peter Renton:** Today on the show, I am delighted to welcome Claire Tomkins, she is the CEO and Founder of Future Family. Now, as the name implies, Future Family is for those people who are looking to start a family via fertility treatment that obviously cost a lot of money these days and Future Family can provide financing help for that. They do that in some creative ways which we talk about in some depth, we talk about their underwriting and we also talk about how this is ....you know, they're creating a community that is more than about just lending and financing. They're really helping their clients through the entire process of fertility treatment and beyond and really it's interesting what some of the ideas that Claire has there. We talk about who's funding these loans and their business model and much more. It was a fascinating interview, hope you enjoy the show.

Welcome to the podcast, Claire!

**Claire Tomkins:** Thanks, Peter, great to be here.

**Peter:** Okay. So, I'd like to get this thing started by giving the listeners some background. You've had an interesting career, not super typical for a tech entrepreneur, but why don't you give us some of the highlights, what you did before Future Family.

**Claire:** Yeah, absolutely, thanks for bringing that up. I recently had to go back and speak at my alma mater and I remember the introduction and thinking, wow, it was sort of eclectic or perhaps unfocused background (Peter laughs). I guess, I always say for folks out there who may be in a similar shoe, I think I discovered a little bit later in life that entrepreneurship was my true calling, but I certainly always interested in being on the problem solving side.

An engineer by training and came to the Valley to pursue a PhD at Stanford, I got off the lot and would recommend that to people and I think the verdict is a little bit still out, but, generally, I do not necessarily...I'm a huge proponent and then I moved into the green energy/clean air space. I actually had the opportunity there, being in the product marketing team, during the hyper growth years at SolarCity so that was a thrill, that was a great experience and then made the logical leap from solar into fertility, of course.

**Peter:** Right, so does everybody. (laughs)

**Claire:** Exactly, as one does in the Valley.

**Peter:** Right. So then, maybe we could just talk a little bit about.....before we get to the details of your business, I mean, you already mentioned you're in the fertility space, so tell us a little bit about that space and what was missing, what's wrong with the space today.

**Claire:** Yeah. So, I got the first hand experience of what was missing or broken in the space by actually coming in as a patient so that sort of leap from solar to fertility was purely based on having gone through it myself and I think a couple of things, you know. It was an interesting experience for someone who'd never been in health care. I went to the doctor's office for an annual visit and it was more like a social event than a real health care thing.

My first foray into the medical system was going through fertility treatment, you know, it was eye-opening that here we were right, you know, just off of 280, just past the end of the road and it was all beeper charts and everything was being done manually, there was nothing digital and at the end of the day, you know, they send you about 23 bills with different line items. It was an extremely expensive process and it was just was a head scratcher for me on well, how is this ever going to be a mainstream or consumer experience.

**Peter:** Right, right. So then, maybe you could tell us like how big is this industry. I've got to admit, we've never had anyone on the show from the space so why don't you give us a little bit of the stats on the industry itself.

**Claire:** Yeah, exactly. Here's the interesting thing and this is where like the actual leap from solar to fertility makes a little more sense for folks. Getting into the solar industry in the early days, it was, you know, the early 2000's and there were about like 10,000 installations and it was all one profile. It was, you know, environmentalists who had cash and they were having people come out and build solar panels on their house and it was a really tiny market and then it grew out to be a multi trillion dollar market globally, multi-billion dollar market in the US and it all happened very quickly over the course of seven to nine years.

I think there's an analogy to fertility, today it's about a \$5 Billion/\$6 Billion market in the US, but it's just like solar in the early days. It's a cash market and it's hard to advertise in that, how markets change and change quickly when you move from a cash market to a finance market. And so, that was our innovation for SolarCity, it was this idea that if you wanted to make a solar mainstream, you want to consumerize the space, you need to offer people a package deal so full service, \$250 a month, put solar panels on your roof, lower your energy bill, all of those things.

And you look at the fertility space and it's like 2% of the population is getting IVF today, we'll talk about how many people actually need it, we think it's going to approach 20%.

**Peter:** Right.

**Claire:** The 2% are getting IVF today and it's cash paid so that \$5 to 6 Billion US market, that \$30 Billion global market is poised to expand rapidly with the advent of more consumer friendly products, in particular more financing solutions.

**Peter:** Yeah. I think I was reading something just the other day actually, it talked about male fertility. Male fertility is dropping dramatically and they say it's probably going to be a growth factor for you guys as well, I imagine.

**Claire:** It was already, you know, documented that in about one in eight couples face fertility challenges, exactly to your point, it's because there's male factor fertility issues as well as female factors, about one in eight already which is, you know, a large percentage of the population. And we think that with the age related, you know, rise in fertility challenges that could be as much as one in five.

**Peter:** Right.

**Claire:** So really, you know, 20% of the population need some support to help start and expand their family.

**Peter:** Right, right. So then, you said you came at this from a personal experience. Maybe you can just tell us a little bit about the founding story of Future Family.

**Claire:** Yeah. Well, as I mentioned, say like a gung-ho cleantech executive following kind of my passion in that area, but like so many women that I've met since starting Future Family, you know, in my early 30's starting to work on building my own family and starting IVF and just discovering that it was, you know, initially very exciting, there was this technology to start a family and wow, but it ended up being a difficult journey. It took about two and a half years, a price tag that my husband likes to compare to having actually purchased a Tesla. (Peter laughs) Yeah, I think now that he's a little older, he's glad of the choice, but, yeah, it was quite the ordeal and I would say, obviously, the part that impacted me the most like people who found companies was the personal and emotional side.

It's a deeply emotional and kind of isolating experience to go through round after round of failure, multiple miscarriages and obviously most of these was just kept under wraps, you know, while we were going through it and them coming up the other side. And really, over dinner one night, I still remember saying to my husband, God, I mean, someone needs to do something about this space like it cannot be so important, you know, to be able to start a family and yet be so challenging and now ended up being the beginning of the seed of the idea around Future Family.

**Peter:** Right. Because, I imagine, there's probably, I don't know how many, but probably millions of women out there that can't afford IVF and I don't feel like there's any option so they don't do it. I mean, maybe we can start with the.....explain the core product, what sort of financing do you offer, what are you offering to people coming to Future Family?

**Claire:** Yeah. There's a few different things here. So, you know, first of all a single round to educate the audience, a single round of IVF in the US today is costing about \$22,000 on average, it varies by clinic and by geography and by whatever procedure you choose, but if we're just talking averages, it's \$22,000. And that's what we call like a fully loaded cost meaning there's clinic fees, there's pharmacy fees and there might be other costs like genetic testing and surgical or other fees that are involved at about \$22,000 and as just discussed, you need more than one round of IVF.

So, what we're doing at Future Family is offering consumers a way to get started that doesn't involve having a financial barrier and frankly, that should be kind of the smart way, the smart financial way when you think about starting your family to move forward. So, we offer a packaged financial product with wraparound services, it's a totally vertical solution and it works around fertility patients and the fertility industry. And so, the package itself, as you would imagine, you can start IVF somewhere between \$350 and \$450 a month, depending on what your package includes and you'll have these wraparound services and that includes our custom fertility coaching platform.

So, we have a digital health layer at Future Family, we connect all of our clients or patients with registered nurses who have clinical training in fertility and they coach them through this experience of getting IVF or increasingly we have a lot of egg freezing patients that we can talk about, but through this experience of going through fertility treatment and it's a complex journey with a lot of questions along the way.

**Peter:** Can you maybe tell us, what's the demographic of the people coming to you today, particularly economically, it's more what I'm thinking about, like who are your typical borrowers?

**Claire:** Yeah. So, what I love about it is it is an absolutely broad cross section geographically in the US and in terms of all the demographic variables and I think we would expect that because look at how fintech is changing the landscape for retail or, you know, looking at services including, of course, health care elective, health care where we are as well as durable goods like the whole space is being changed. I think you need to look no farther than the recent IPO, you know, Affirm went out not too long ago and what is it, about one-third of their revenue is being driven through Peloton.....

**Peter:** Right.

**Claire:** ....is now being consumed as a monthly purchase. Almost all consumers are looking to even out their cash flows, trade, CAPEX and OPEX and this is I think something that will continue to beat the entire ecosystem. So, we see the same thing reflected, this is a product that's broadly designed we can access, but it's also designed for all consumers who I think are going through fertility. I mean, you have a choice with Future Family's very, very low rates starting at 5.99% and, you know, if you have a choice between doing that or using your savings or hire and transform your debt, etc., you're going to come to us. So, that's what we're seeing today in the market.

**Peter:** So then, tell us, what about the underwriting process because I imagine you can't accept everybody who comes through the door or your virtual door, you know, what are the criteria that you're using?

**Claire:** Yeah. So, on the underwriting side, we are today...and this is how we represent.... how early stage fintech companies, certainly anybody who have been financing on platforms as we are, we're starting at 680 and above and then we really are originating today really a prime portfolio. Our portfolio is benchmarking into the mid 700s in terms of the overall credit score. Now, we certainly can have an access....just to remind our own staff in the US today, about 65%, close to 70% of the US population is 680 and above. So, it's not a huge number restrictor, you're not getting everybody at 680 FICO, but you're getting a lot of folks, but now, let me add-in one more layer that's specific to fertility which is that .....you know, if you think about it, it's a unique category and families come together to support each other around fertility.

**Peter:** Right.

**Claire:** So, we have today a Friends and Family Plan that is now live, it was in beta last year and this product allows any family member, parent, grandparent to be, sibling, you know, other members of your family and even really close friends to sponsor your fertility treatment. And so, I personally love this because the idea came from existing clients of ours who asked if there was a way that family members could contribute so we came up with this plan. And now, what it really says is not if you have 680 FICO or above, but if you have someone in your family or network who wants to sponsor your treatment plan, you can do that and that's all possible today.

**Peter:** So, there are co-signers on the loan or do you do the loan just in the other person's name, how does it work?

**Claire:** Yeah. They're really a sponsor, they take out a loan on behalf of the patient and so it's really like I'm sponsoring you on your behalf and actually, you know, it just performs much better than a co-signer loan. So, we've moved away from any sort of co-signer loans or relationships into this product

where.....and infertility happens all the time. Moms who want to pay for egg freezing, dads who want to sponsor their daughter-in-law to go through treatment because, again, fertility challenges sometimes come out of nowhere, right. You're trying for six months, you find out you're going to need these and so it's often friends and family that's going to come to the rescue.

**Peter:** Right. You know, that's great. So, suddenly your total addressable market has gone up dramatically because you have, you know, 60-year old parents be paying for this who has a great credit score so that makes it really interesting. So then, what about the loan term themselves, like are these five-year loans, three-year, what are you offering?

**Claire:** Yeah. So, we're building a portfolio of five-year paper. I feel like that's a great fit for this market because you're trying to free large capital expenditure, right, \$25,000. In our case, we may be offering multiple plans, multiple loans so they're so affordable, they're so accessible. If someone needs the second cycle of IVF or treatment, they can get it with us and that's great. I'd say the question that I get the most, at least from the investors on the debt side, is really about do people not repay their loan when they're not successful.

**Peter:** Exactly.

**Claire:** Hit that one head-on. Now, we have data around it and the answer is very simple, it's no. There's no correlation with success and repayment on the platform. Now, from my perspective, that's also a little perplexing because it means there are people who will help start their family and they might even put down a loan, but the real insight here is it's all prime credit. What we see is exactly what we'd expect. The lower end of the credit spectrum is where you can see some softness and the rest of the portfolio performs great. Actually, people who might need another round of IVF are most interested in keeping a good relationship with their lender and also keeping their credit score high. So, we have not seen any of that on the platform to date.

**Peter:** Can you give us some sense of loan performance. I mean, is there like delinquencies or defaults? Firstly, maybe when did you write your first loan and then give us some sense of how the portfolio has performed.

**Claire:** Yeah. So, we wrote our first loan, you know, this is a typical bootstrap story of how we built the company. So, those first loans were guaranteed by you know who and we built that first portfolio back in 2017. I know it well, I actually know the customers and that portfolio is a demo portfolio of 50 loans, about \$1 Million, and we put that together, start proving out what this portfolio could do and we had a really simple insight that we stand behind which is, we're aiming to build the best performing portfolio in the industry. By which....I mean, that we will outperform, you name it.

Any unsecured lender out there, you know, some of them have heard a lot of buzz around to profile their customer, our goal is to be a higher performing portfolio than all of those. And it comes down to one simple insight, it's the customers that we're getting on to our platform, we are getting customers who are 680 and above, who are in a responsible time of their lives and who are dual income households.

**Peter:** Right.

**Claire:** So, our customers....oh, and they have a personal relationship with our brand. It takes only a moment to just hop over and meet some of the reviews, but this is a company built with nurses and others who've been through IVF so there's a lot of deep empathy on the team and that is leaning to

really stellar performance. We have benchmark losses below 4% on a portfolio that's not fully aged, but very close to.

**Peter:** Right, right, interesting, interesting. I also imagine that people....you know, you're not a nameless credit card company or even...you are mission-driven in many ways and the mission to help with fertility. I imagine that you've got people who feel very strongly about your brand, I'm guessing, versus probably a typical fintech company.

So, I imagine that because you've got all these other add-on services you're helping, I mean, let's face it, this is the biggest decision in someone's life, it's a bigger deal than buying a house, it's a bigger deal than buying a car. This is the biggest deal that people ever make and some people obviously really want to have children so maybe is that sort of your whole brand with all these other services. I presume it's built around really making people more wedded to your brand, right.

**Claire:** Yeah. I mean, today...that's right. I mean, you know, today 40% of the staff at Future Family have been through IVF. It would be interesting to see how that changes as we scale, but, of course, it goes almost without saying that 100% of the staff care about the mission and the thesis that we're working on, but there's that embedded into kind of a DNA of the company. We're also about 65% female. You know, our goal is to always be at least 50/50 because I think that if you look around that's pretty representative so that's, of course, both in seriousness and a little bit jokingly always say, at Future Family we hire women and enlightened men and we have a lot of those in our staff as well.

So, that's great, but that's right, I mean, we're aiming to build a really great brand into the space because it feels like that was what was missing in going through this. I mean, medical technology is advancing so rapidly, it's such an exciting area that you now.....you know, you might not have been able to have your own children, now you can go in and you can with our medical technology. But, the other side of the equation, right, the consumerization of the space is still a big opportunity out there.

**Peter:** Right, right, right, for sure. So then, let's just look back at the past year like we're recording this in early March and so we're coming up on the one-year anniversary of lockdowns and craziness that happened so two questions really. I mean, how did this impact your loan portfolio and then how did this impact demand for your product?

**Claire:** Yeah. So, it was an interesting year, to say the least, and actually put some thoughts together recently on this for a Forbes piece which is a couple of things. So, I think a lot of us in the lending space had an upside surprise in the sense that in 2020 we had lower losses than in 2019 and I think that's consistent with what we've seen across the industry, right. Consumers were savvy, they maybe had picked out some lessons from the GFC a few years back in savings and stimulus checks and other forms of cash paid on debt to make sure that they were in a good credit position. So, we also benefited from that, the portfolio did really well this year, but it wasn't without its challenges because the industry itself moved to Q2.

Elective health care in the US was closed, if you remember, a year ago in March, it didn't matter if you were doing orthodonture or fertility or some other form of elective health care, you were non-essential and you were closed down, but the industry reopened in Q3 and has been coming back in a strong way. So, in terms of what it's doing for demand, as my husband likes to say, at least you're in an industry where you can rely on consistent demand. (Peter laughs) so that's one thing. So, you know, some people definitely pushed/delayed their plans to start a family because of the COVID impact, because of the sensitivity around risks of being pregnant during the crisis, but that is really, if anything, represents pent-up demand.

There's been a lot written about consumers' sentiment to care more than ever about family, it's become like sort of center so I think what we're seeing is that certainly we've had a very hot start to 2021 and we're anticipating there's just a lot of pent-up demand through the system.

**Peter:** Right, right. And what about...I've read anecdotally about egg freezing and more women in their 30's taking that on and you have a product for that as well?

**Claire:** We do and so here's the interesting part about egg freezing. You know, in 2017/2018, it was about 10,000 we call cycles so 10,000 not necessarily the patient level, but measured cycles, we call it 10,000 women, and there are about 300,000 couples going through IVF. So, you know, a small market in 2017/2018, but 2020 was the year of the COVID pandemic and the year that moved more women than ever decide to freeze their eggs.

And the two are obviously coupled because if you take a moment you think gosh, all these women who were unfortunately not able to date and also at home in their Lululemon and decided like now is the moment so NYU reported about 40% CAGR on egg freezing in 2020. Some of our really good clinic partners at Future Family as mover with clinics across the US also saw a doubling or in some cases tripling of demand. So, maybe one of the things around the pandemic era is that it has started to accelerate egg freezing in a way that many of us have predicted would ultimately happen.

**Peter:** What sort of costs....how much does it cost to do an egg freezing?

**Claire:** Yeah. Egg freezing is not quite as expensive as IVF, but it's a very similar process. So, if an IVF cycle in the US is averaging \$22,000, an egg freezing cycle would be averaging around \$16,000 and really the difference is just a little bit less medication and that you're not going through a transfer. The front end of the process is identical, you're going to go in, you're going to have two weeks of stimulating medication hence working from home is really great because you get a little bloated and you're giving yourself shots every day. So, the work from home has been a boon for egg freezing but it's similar to the IVF process.

Two weeks of stimulating hormones, you're stimulating follicle growth so you're producing more eggs and then you'll go in for retrieval process. It'll take about 24 hours of rest or recovery from the egg retrieval that usually everybody feels pretty good afterwards and then you can put, you know, eggs on ice, so to speak. We've also seen a big pick-up in embryo freezing. So, egg freezing, you still don't know of those eggs how many you might be able to use in the future so I'd say it's early days, but embryo freezing has more predictability associated with it. So, we've seen also a lot of women doing embryo freezing.

**Peter:** Interesting, interesting. Anyway, from embryo freezing to capital markets, I am going to take that segue, there's still a lot to go on, but on the capital side of your business, I mean, how are you funding these loans? I mean, are you working with a bunch of different partners, what are you doing there?

**Claire:** Yeah. So, our capital structure, we have a great partners and always happy to acknowledge them based in New York, Atalaya Capital Management, who set-up our first credit facility. So, we work under a \$100 Million credit facility that we jointly operate and that's similar to a lot of early stage financing companies so we have a fully remote SPB, Bank of Sycamore, etc. and we pass the loans through that, in that way we don't have drive on our balance sheet. That's been a fantastic relationship

for us. So, that's how we're set up on the facility side, but then we take in, you know, a corporate line and that, again, covers like the equity share from the loans.

So, if you think about how a lot of these early portfolios are built, you still have an equity strip in your loans, right, an advance rate on your facility. And so, to cover that equity strip, we took the approach of putting in some corporate debt, you know, very attractive interest rates so that you actually can really get away from using equity on the financing arm of the business. So, that has been kind of our structure and, of course, like many companies, we're thinking already about how we're going to ultimately build into the securitization markets and fully move in to whole loan sales and so forth.

**Peter:** Right, right, right. So then, can you give us some sense of the scale you guys are at today?

**Claire:** Yeah. So, I think, you know, what's been exciting for us have been two things. It's been, one, that this space is just wide open so we can say that we're expanding and becoming the largest originator in this space. So, there have been some horizontal players that have been playing in the space before and I don't think that because they haven't had this vertical solution where they can really offer something differentiated for the consumer, they never really, what I would say, fully gone to scale. So, our view is that we want end 2021 as the largest originator in this new asset class and you know, we certainly will be eating through our \$100 Million credit facility in the next 12 months and then looking for what's next.

**Peter:** Right, right, okay. So then, I presume your primary source of revenue is in origination fees, is that correct or maybe you can just tell us a little bit about revenue model and other areas of revenue that you might want to expand into.

**Claire:** Yeah. So, on that side it's really about the vertical player, right, so, yes, there's obviously net interest margin that we make money on, but we actually are structured really around the idea of wraparound services for the consumer. So, our revenues are derived from membership fees, you know, from consumer fees that come up front, but for the wraparound services we're receiving for the fertility coaching that we're monetizing on our platform. We've been able to do so with great margin because it's all digital as well as the sort of payment management and other support services that consumers take on the platform. So, we're able to monetize that layer of wraparound services for the consumer and I think that's a great place for the business to expand because you're starting your family with us.

There's a lot of other products and services we can bring you as your trusted financial partner when you're starting your family. I mean, I say quite openly, like we know about the fact that you're pregnant before Google does and that is a feat in today's world (Peter laughs). I've better data than Google, we know exactly who is starting a family and who's egg freezing so we're right there. So, I think for us it's always been about building that relationship with the consumer, that five-year relationship about starting...building their family with them. It starts with the services we offer from day one, we're offering fertility coaching, we're offering payment management, we're doing a lot of education and support on platform and that evolves into additional products and services as you grow your family.

**Peter:** Right. That data is obviously very valuable, there's a lot of companies that would really love to have that, but, you obviously.....I mean, it's interesting to me. As we're talking I'm thinking, you know, you could easily have a business here where lending is a very minor part of the business and everything else is sort of wrapped around is core business. Let me just ask, what's your vision? Future Family, you don't have anything about finance in your name, you obviously have a pretty wide open....different ways you can take this so what's the vision for Future Family?

**Claire:** Yeah. So, we have obviously a lot of building to do, but we have this vision that we can be the place that everybody comes to start their family and then stays with us to really build their family, like I think we're in this pivotal moment where, you know, financial services and what happens in fintech can really determine a lot about which way we move as a society, right. It's a lot about access, it's a lot about financial resources and we're at a time where the wealth divide is expanding and if fintech is done right, it can pull all of us together, if it's done wrong, it can take us farther apart.

So, our big vision is we're going to help everybody out there who wants to start and build a family. I think that's what can bind us together in society and we're starting out to see what we think is the big challenge around infertility. It's going to affect 20% of the population over the next decade so it's a good place to start, but we're not going to stop there. We want every woman and couple who's thinking about starting a family to come to Future Family and we will be your financial partner in making that happen.

**Peter:** So, beyond fertility, it sounds like.

**Claire:** Yeah, in the long term.

**Peter:** Right, right, this is super interesting, it's a great mission. We have falling birth rates so we need to do everything we can to keep that going. It's a great idea, it's something that I think is definitely needed. So, thank you very much for coming on the show today, Claire.

**Claire:** Peter, great pleasure, thanks for having me.

**Peter:** Okay, see you.

**Claire:** Talk soon.

**Peter:** You know I was struck talking with Claire how it really speaks to the possibilities in the fintech space where you can take a real verticalization approach. We've seen others do this in digital banking and even in lending as well, but what Claire has done here is taking a community that really is...it's a really impactful process what these people are going through. It's not like trying to get a loan for debt consolidation or buying a car or something like that, there's a lot of emotion, there's a whole range of different things that people go through when they're doing this. So, what Future Family has done is really create like a support system around that. I just think that's super interesting and as I said, lending can just end up being just a small part of their business as they really develop this a lot further.

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

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