MENDOZA VENTURES: FUELING HIGH-TECH INNOVATION WITH SMART CAPITAL

By the National Association of Investment Companies

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Husband-and-wife team Adrian and Senofer Mendoza are not your typical couple. In addition to splitting the never-ending responsibilities that come with raising their two children, the Co-Founders and General Partners of Mendoza Ventures recently closed on a $20 million early-stage fund and plan to raise another in the $100 million range to focus on later-stage Series B and Series C investments.

Founded in 2016, Boston-based Mendoza Ventures is the first and only Hispanic-owned venture capital firm on the East Coast. The firm provides early-stage startup capital in the artificial intelligence, fintech, and cybersecurity sectors with a clear path to customers and/or revenue. With a strong background in tech, the firm provides not just capital but also lends its expertise and guidance to these young companies.

Mendoza Ventures currently has seven companies in its portfolio with more anticipated by the end of the year. Among these companies is Alyce, a digital gift concierge in which users can create a personalized gift or experience using the recipient's name and email address. The platform uses AI to search the social media of thousands of individuals at a time to determine the most relevant gifts, each delivered personally. Mendoza Ventures acquired an interest in the firm at a $5 million valuation – a stake that's now worth more than $45 million.

Another, Wallit, is an app that serves as a next-generation digital wallet that enables families to earn, budget, spend, save, and give together. The app is integrated with the user's bank or credit union and serves as an all-in-one way for families to complete everyday money needs. London-based fintech RISE Financial Technology is another company that attracted Mendoza capital. This company uses private blockchains to modernize post-trade settlement to substantially reduce the time and cost for trades issuers and investors globally.

SMART CAPITAL

The strategy is to provide seed capital to these potentially high-growth opportunities and use the firm’s expertise to guide these young companies towards improved operations, greater revenues and profitability – essentially providing the business savvy many of these tech-oriented entrepreneurs lack. “Our whole business model is to bring in helpful capital. We don't just write a check and wish the company good luck or do some check-ins in only a formal board meeting setting,” says Senofer Mendoza. “We have a phone call with them once a week where we check in with them and we’re really hands-on with the business.”

The second stage in the strategy with the next fund will be to provide later-stage financing to Mendoza’s existing portfolio companies. This will help offset future dilution and provide further investment opportunities with familiar companies and management. “We spend three to six months vetting these companies before we make an investment, and they’re going to need A and B rounds,” says Senofer. “It just seems silly to let ourselves get diluted for no reason, so it kind of hits two birds with one stone where we can address the market that’s interested in investing with us and we can make sure that we’re responsibly growing the startups that we have.”

Adrian, who has a Master of Architecture from Harvard University, is the deal-maker who also specializes in business structures, while Senofer is the sales marketing guru who once sold $3 million in tiles in her first three months while rehabbing the sales pipeline for a major Boston-area tile distributor. Pong Choa, the firm’s General Partner, has a strong engineering background, having overseen teams at Paydiant, a financial services company, at the time it was acquired by PayPal. Adam Kerr, Venture Partner, has an MBA in finance and marketing from Boston College as well as a Fintech Certificate from Massachusetts Institute of Technology.
HIGH TECH HOTBED
Though now based in Boston, Adrian Mendoza is a native Southern Californian who is of Mexican-American descent. After finishing up at Harvard, he had the opportunity to get in on the dot-com boom that was prevalent in 1990s Boston, landing a gig at IBM’s Innovation Lab. During that time, he also met and later married Senofer, a native New Englander. “The tech economy was booming here in Boston, so we decided to stay,” he recalls. He ended up starting and raising two VC-backed companies in the technology space.

And in mid-2015, the board of one of those companies decided to pursue an exit, leaving the Mendozas with a payday, but in search of the next chapter in their professional lives. They decided to give venture capital a try. “We know technology companies and we know early-stage companies,” says Adrian. In 2016, Mendoza Ventures was launched to invest in startups. “We weren’t going to go to market with a blind pool. We were going to use my money, Senofer’s money, Pong Choa’s money, to build a pipeline, test the market, test how we do due diligence, test how we work with entrepreneurs before we opened it up to external investors.

While Senofer was just about to give birth to their first child, Adrian was out raising additional capital from those external investors. “He raised his first million dollars the day that I had my son,” recalls Senofer, one of the recipients of the 2019 NAIC Rising Star Award. “We went to the hospital and he got major street cred for being the startup guy that was pitching while his wife was in labor.”

Though Mendoza Ventures plans to take on additional capital in the near future, the intent is to remain small enough to keep close to the ground where the innovation is happening rather than taking the traditional VC route by growing large and seeking a series of exits. “I don’t want to lose track of our really intimate connection with startups,” Senofer says. “I think that that is one of our strongest assets – we make better quality startups.”