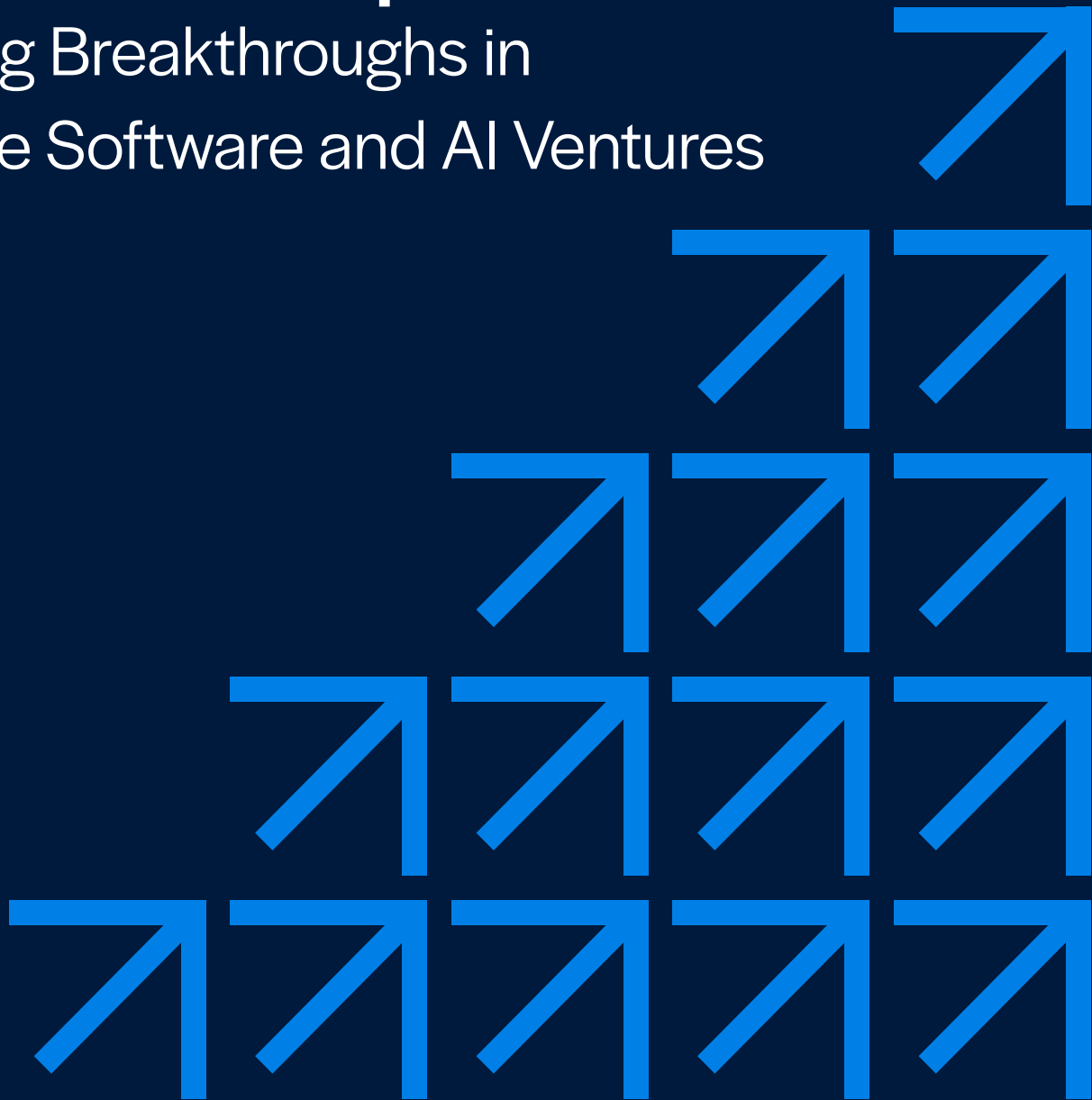




Member Profile

Tola Capital

Catalyzing Breakthroughs in
Enterprise Software and AI Ventures



Sheila Gulati has been immersed in the software business for most of her life. When she was eight, her parents launched an enterprise software company out of their Long Island home. Before she was an adult, Gulati had worked in virtually every facet of that business—writing and testing software, creating manuals, marketing, and shipping, among other functions.

“My dad is from India, and his perspective was, ‘If you’re going to live here, you’re going to work here.’ So when I was eight, I didn’t have anywhere else to live, so I worked at the company,” Gulati recalls. Over the years, she would see the industry evolve and become captivated by the software business model, emerging technologies and their applications. So, before completing her undergraduate studies at Georgetown, Gulati knew she wanted a career in the software business.

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Co-Founder & Managing Director
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For the second-generation software entrepreneur, that determination manifested itself in a storied career in the industry, which included a leadership position at Microsoft. While at the software giant, she spearheaded the launch of Azure, Microsoft’s cloud computing platform and largest business. Ultimately, she would follow in her father’s footsteps in entrepreneurship, launching Tola Capital, a Seattle-based venture capital firm focusing on enterprise software

opportunities.

The Tola team takes a Swiss Army Knife approach to add value to portfolio companies by providing founders access to its network of advisors specializing in engineering, finance, design, marketing, sales, information security, and data sciences. To date, Tola Capital has invested in 40+ companies, raised \$688 million, and successfully completed exits to Microsoft, SAP, Oracle, SoftBank, Verizon, Mastercard, and Cisco, among other global concerns.

Tola Capital grew out of Gulati's experiences throughout her career and childhood. "I have so much energy and empathy for founders, having seen my parents struggle to raise venture capital," she recalls. "I think of it as such a sacred relationship and a sacred promise when you are working with companies to say, 'Hey, let's get really deep and specific about who you are, what you want to build and what that looks like.'"

The Algorithm For Success

After working as a software developer during college and studying abroad in Ghana and Spain, Gulati became a software-focused investment banker and moved to the tech-centric San Francisco Bay Area, where she gained valuable experience in deal-making. She then proceeded to Microsoft to be part of the internal investment bank and consulting team and look at potential investment deals. This is where Gulati learned strategies for leveraging a company's balance sheet to acquire, invest, form joint ventures, and structure the occasional divestiture. "It was a really useful place to enter that company, and I worked on some of the most technical deals for Microsoft, given my developer and software background," she remembers.

During her tenure at the software giant – which included a stint at Microsoft India in Bangalore – Gulati took note of the renaissance that was happening in software development in the country with top-tier developers and an ecosystem that included a robust education in software engineering in public schools and the increased career paths and the entrepreneurship that flourished as a result. She also became fascinated with the proliferation of mobile platforms and the ensuing shift in application development.

Gulati had a strong desire to support that shift in an entrepreneurial manner. “I thought that was an incredible business opportunity, as well, for companies to say, ‘Wow, I’m going to go program to these new scenarios and change the game.’” With that in mind, she decided to leave Microsoft and venture out on her own. One of her first moves was to recruit Stacey Giard, a marketing leader for Microsoft’s Server and Tools business. “I basically stalked her, waiting outside her house since we had complementary skill sets.” Giard, who co-founded the firm, serves as a Partner specializing in scaling software businesses.

Future-Forward

Gulati describes Tola Capital’s sweet spot as enterprise software that is ‘future-forward.’ Today, this means leveraging AI in meaningful ways. “That might be a security software company leveraging and using AI against attacks,” she explains. “There could be a lot of other things going on that are AI adjacent. Databases are a valuable space that I’m spending time on now.”

One portfolio company, Klarity, uses artificial intelligence to automate document-centric workflows for Accounting and Compliance teams. Its products read documents, extract pertinent data and automate the entire workflow, exponentially reducing the need for time-consuming and laborious

manual review. The company's suite of products includes solutions for revenue accounting to adhere to ASC 606 guidelines, order management with increased accuracy and volume, accounts receivable and billing, lease accounting, and other applications for chief financial officers, chief accounting officers, and controllers.

The Tola team helped Klarity's founders focus their vision. "They met at MIT. They are phenomenally bright people. Their initial start was a platform around AI documents, maybe the legal sector," Gulati explains. "This is before we met them. They're now thinking and looking at different markets and building this platform." Klarity now boasts clients that include communications technology company Zoom, online food delivery platform DoorDash, cloud-based communication and collaboration products and services provider RingCentral, and Coupa, an AI-driven cloud-based spend management platform.

Gulati is very bullish on the opportunities with AI and the technology's potential to change how the world works using natural language and normal human interface. "What's exciting for us at Tola is where AI can, in a totally transparent and auditable, double-clickable way, take on full workflows on their own and do those workflows in a way that completely changes the game," she says. "That is the opportunity right now to invest in AI for business applications, and that's what we're so excited to bring as a technologist and as a return opportunity for our case."

Deep Learning

Gulati took the name Tola from a traditional Ancient Indian and South Asian unit of mass that's equal to roughly 11.66 grams. "It's an homage to my Indian roots and measuring success how we measure outcomes," she explains. "It's

also short and pronounceable in most languages for global investors.” Before raising institutional capital, Gulati and Giard took on a few consulting projects to generate income, which they, in turn, invested. The first check Gulati cut—admittedly nervously—was a \$5,000 investment. The duo completed a few other deals that Gulati describes as a slow, steady step in the right direction, identifying investments, setting meetings, and explaining how the firm adds value and its processes for bolstering a business.

More team members joined the firm along the way, including partners Aaron Fleishman and Akshay Bhushan. They brought with them deep enterprise software and data product and market understanding that aligns well with the firm’s investment philosophy of developing investment hypotheses and identifying companies globally aligned with those opportunities.

But while the Tola team knew the ins and outs of the software industry, Gulati discloses she was initially woefully unaware of the fundraising process when it came to engaging with limited partners. “There are more resources now to see that and to understand that, but I had no sense of it,” she admits. “I sort of barked up the wrong trees for a very long time. Fortunately, our paths crossed with some deeply thoughtful LPs, some of the best in the business, and they wanted to back us. They have been incredible mentors and investors. That was truly a game-changer for us.”

Now investing out of Fund III, which closed at \$230 million in 2023, Gulati is looking for the next opportunity and paradigm-shifting technology. “How AI is changing the game for enterprise gives us such an incredible opportunity. Being able to stay focused on funding generational companies and finding outside returns for our LPs is incredibly important,” she says.

Gulati remains as passionate about the enterprise software industry as she was while working at her parents’ company as a child. “This is it, man. This is what I love to do. I love investing; I love working with businesses; I love the learning that

comes with it; I love the macro trends, and I love being able to grow companies,” she exclaims. “It’s always changing. For people who love learning, it’s a certain kind of magical elixir.”