MAC VENTURE CAPITAL: STAYING AHEAD OF THE NEXT GREAT INNOVATION

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For Marlon Nichols, the road to venture capital was a circuitous one.

Providing seed capital for groundbreaking ventures is career number three for the founding managing partner at MaC Venture Capital. After completing undergraduate studies at Northeastern University, he helped an enterprise software startup expand into Europe before it was ultimately sold to software giant SAP. He later consulted for media and entertainment companies like Warner Music and McGraw-Hill, as the corporate giants navigated what was becoming the proliferation of the internet.

While attending business school at Cornell University, Nichols became CEO of the school's MBA-led pre-seed fund. The appointment allowed him to learn about venture capital through hands-on experiences, albeit on a small scale. It also allowed him to interface with the venture community and ultimately land a position at Intel Capital, one of the world's largest and most active venture capital firms.

These days, Nichols leads the firm he co-founded in 2019 along with fellow General Partners Michael Palank, an entrepreneur and investor, and former Washington, D.C. Mayor Adrian Fenty. A seed-stage venture capital firm, MaC Venture Capital invests in innovative technology and media startups leveraging shifts in cultural trends and behaviors. "Every now and again, we'll see an amazing pre-seed company that we feel like we need to invest in, or it could happen at the Series A as well," Nichols explains. "But the vast majority of what we do is at the seed stage. And for us, that means a company that has built a product and has either recently taken or is about to take it to market."

With two funds exceeding their respective hard caps, and a top five percentile performing Fund I, MaC Venture Capital invests in 50 businesses per fund, allocating up to $3 million for a 10% to 15% fully diluted ownership in each company. The firm also reserves about 50% of its capital under management to make follow-on investments in Fund I and Fund II portfolio companies.

EXPLOSIVE GROWTH

One of the innovative businesses MaC Venture Capital fueled is Pipe, which provides SAAS companies with a way to generate non-dilutive working capital – by enabling other businesses and investors to purchase a percentage of the annual value of those contracts. "Traditionally, you would raise equity or debt financing to bolster your working capital so that you can grow your company," Nichols explains. "What Pipe did was create a third option. So now, it's cheaper for companies to raise that capital and grow their business. And it also allows other companies, primarily large companies, to participate in the upside of those contracts."

MaC Venture Capital invested at a $13 million post-money valuation. Within a year and a half, that valuation grew to $2 billion, which helped the firm close out Fund I and raise Fund II. Pipe also expanded its platform to include any company with a recurring revenue stream and launched an alternative financing product for bitcoin mining hardware. The company is also expanding via M&A, creating a new media and entertainment division on its platform by acquiring London-based Purely Capital, a media and entertainment financing company.

A theme that underlies all MaC investments is the idea of cultural investing – focusing on the technology startups that leverage shifts in popular cultural trends and behaviors. "What we're trying to do is identify emerging behavioral trends as they are emerging and determine which of those trends have staying power or can become a part of popular culture," Nichols explains. "If I can look through a crystal ball today and determine where people are going to spend their time and money, and I can invest in companies that are building solutions that fit with that, then I'm essentially investing in tomorrow's next great companies. That's the idea."

JOINING FORCES

MaC Venture Capital was formed from the combination of M Ventures and Cross Culture Ventures, which Nichols co-founded in 2015. Both were sub-$15 million funds. The founders had been investing together for a while and had aspirations of building a much larger vehicle to lead most of their investments, take more board seats and start building a venture firm franchise. MaC (MaC stands for M Ventures and Cross Culture) was established as a result of those aspirations.

Hitting the ground running, the team raised its inaugural fund at an oversubscribed $110 million (the firm targeted $100 million). The follow-up Fund II was similarly oversubscribed at $203 million with a $200 million target despite the fund-raising occurring during the pandemic. The MaC team used the pandemic lockdown to begin deploying what capital they had amassed from Fund I's first close before resuming fund-raising. "Then folks started taking meetings again. And by then, we had evidence that our team was working well together," Nichols recalls. "And we had made some investments that seemed like they had the potential to do pretty well."

Capital allocators began taking notice of MaC's investments. "And the fact that most meetings were being done virtually helped us a bit because we were able to have first, second, third, fourth, fifth meetings with investors over a pretty short period, as opposed to having to fly around the country," Nichols says. "So, from that standpoint, it was helpful and sped up the process after having gone through a shutdown, where no one was entertaining anything."

Now focused on deploying capital to the next infectious idea, the MaC team recently led a $3 million seed round for sports stock market app PredictionStrike. The app allows users to buy and sell shares of athletes in major professional sports leagues. Users can currently purchase stakes in NFL, NBA and UFC athletes, with tennis, golf, soccer and the WNBA expected to follow. An athlete's "stock" price rises or falters based on their on-field performances and user buy/sell activity.

Nichols also has his sights on maintaining the firm's status as a high performer while grooming the younger professionals in the organization to become leaders. "Ultimately, we want to create a franchise that lives well beyond us, continues to invest in a truly meritocratic way and takes the racial, gender, and ethnic bias out of the decision making," he asserts. "One that rewards the top entrepreneurs and helps to build businesses we care about, performs well consistently and earns the respect of the ecosystem."