

LendIt Fintech



Welcome to the Fintech One-on-One Podcast, Episode No. 350. This is your host, Peter Renton, Chairman and Co-Founder of LendIt Fintech.

(music)

Before we get started, I want to talk about the 10th Annual LendIt Fintech USA event. We are so excited to be back in the financial capital of the world, New York City, in person on May 25th and 26th. It feels like fintech is on fire right now with so much change happening and we'll be distilling all that for you at New York's biggest fintech event of the year. We have our best line-up of keynote speakers ever with leaders from many of the most successful fintechs and incumbent banks. This is shaping up to be our biggest event ever as sponsorship support is off the charts. You know, you need to be there so find out more and register at lendit.com

Peter Renton: Today on the show, I'm delighted to welcome Wayne Chang, he is the Co-Founder and Co-CEO of Digits. Now, Digits is one of the most interesting companies I've seen in a long time and they're hard to describe as well. They've got an engineering focus and if you go to their website, digits.com, you'll see that pretty much right away, they're kind of in the small business accounting space, you would say, but it doesn't really do it justice, it's almost like saying a Ferrari is in the automotive space.

They have an approach...these are not people that's come from an accounting background, they came from like a user experience background saying what should user experience be for someone who is looking at an accounting report, for example. They've completely re-imagined it, they've done something that I've never seen before and I'm really impressed with what they're doing. So, it was a fascinating conversation, I hope you enjoy the show.

Welcome to the podcast, Wayne!

Wayne Chang: Thank you, happy to be here.

Peter: Okay. So, let's get started by giving the listeners a little bit of background. You've done a lot in your career to date, you have a Wikipedia page which I'll link to in the show notes, many of the things you've done are listed there, but I'd love to get your perspective. Give us some of the highlights of your background.

Wayne: We're an orphan and got into technology as a way to escape and so it turns out that that technology changed the world. I was able to co-found a whole bunch of companies, I used to be part of Web 1.0 with Napster, I used to be part of the Facebook story as social media got off the ground, be a part of cloud storage at Dropbox, mobile with Cashlytics and Twitter and now, I'm doing a new company called Digits. Besides the company, I'm also an angel investor in I think 90 or a hundred plus companies.

LendIt Fintech



Peter: Right, right, you've been busy. Can we just go back and talk about Crashlytics, just tell us a little bit about the backstory there, how you sold to Twitter. You then worked, I believe for Twitter, but tell us a little bit about that.

Wayne: So, I met my Co-Founder, Jeff, who I co-founded Digits with 2011, about ten years ago, a little bit ten years ago, and he was working on this small, little side project, he was able to just show that crashes back is Apple was causing and I saw it, it wasn't anything like it is today, it was very rudimentary, very developer-esque, kind of ugly and I knew right away that that I'm like oh, it's interesting, are you sure that Apple and Google aren't fixing this problem.

It seems like fixing crashes that apps on their platform are causing may be like a big priority and so I started calling people, the Head of Mobile Development where the channel is one of the largest apps at that time and I'm like, how do you solve this problem today. Wayne, don't worry, we have this handled, we pay this guy \$120,000 and he reads the AppStore reviews and he tries to figure out from the AppStore review how it crashes.

Peter: Oh, geez.

Wayne: I'm like, this is the state-of-the art in mobile development so I'm like, this can't be, this can't be, maybe this is web to channel isolated thing. So then, I go to a development shop and it turns out 60 to 70% of all development shops create these apps. So, I go to the development shops and I'm like, what do you do and they said, oh, if we can't figure it out internally, we find the exact phone and we send it to the customer, have them put their phone in a Ziplock bag and we bring it back to our lab.

Peter: (laughs)

Wayne: Exactly. And so, at that moment I knew, I'm like, this may be a problem that's perfectly horizontal across the entire app ecosystem and it turns out we were right. Thirteen/fourteen months after we launched Crashlytics, Twitter acquired the company, Jeff and I went on to spend four years at Twitter. Jeff became Head of Consumer Mobile there with the Twitter apps and Web Developer Relations and the whole development ecosystem there as long as the crashes continued as well and then Google took a look at the company. They said hmmm, we only want the Crashlytics team and so they took the Crashlytics team from Twitter and the entire software and other stuff that will be built on top of it and brought all of it to Google so now, today, it's a standard in Google's mobile platform and I think deployment is at 6 billion monthly active devices. I believe 99.2% of all smart phones that exist have Crashlytics running on it.

Peter: Wow, that's amazing. Well, let's move on to Digits then so tell us a little bit about the founding story there. Why did you decide to start it and what problem are you trying to solve?

LendIt Fintech



Wayne: After Jeff and I left Twitter, because we've done the whole big hole thing for a while, we wanted to get back to our roots, solve a problem with a company like Digits, we looked around and we're like, what are the big problems here? Well, with Crashlytics we sort of hit top of market, the developer tools and we got massive deployment, our next thing has to be even bigger than that. And so, we started thinking, what could be bigger than that, what's in it that we can solve, we gathered around and we started asking ourselves these deep-rooted questions, it turns out finances in the company.

Through all our previous companies, it continues to not be innovated upon at the same speed as everything else so Crashlytics came and you have this like these crash reporting things, you have like mobile analytics, you had all these kinds of stuff and you have the tools, but the financing industry and the accounting industry, they were very underserved. It's not that they don't want the tools, there just wasn't enough focus, enough toolmakers building tools for them and we thought, is that a problem for us to solve? We came up with the question, well, for us to win in this market, we have to learn accounting faster than accountants can learn product development and so far, we're proven that right and we continued to build our knowledge of accounting as we build out tools for the space.

Peter: Tell us a little bit about the tools you have. The first tool was Digit Search, right, just tell us a little bit about your offering.

Wayne: So, this whole space blows my mind. It is the most fundamental tools you think would be there just simply don't exist so one of them is Search. It sounds so obvious, people have made it such a normal thing, the home page, you start with browser, there's Google Search. When it comes to your business finances or your client's business finances, if you just want to search hey, what did this person spend last week, hey, are we over budget, what travel has happened, all of these types of simplistic questions require a human or a team of humans on the other end to synthesize, compile it, get back to you. Now, a roundtrip is measured not in minutes, not in hours, in days and weeks and so it's not very actionable, there's no such thing as proactivity in the space. And so, we built Digit Search to give you that in the moment, real-time look at your finances. It sounds really simple, it was one of the hardest things that we had to go create because we had to solve a lot of things that the industry hadn't solved yet.

Peter: So, how does it work, I mean, what kind of data are you able to search on?

Wayne: So, you can search pretty much anything your finances touches. So, let's say that you want to find out hey, did the pandemic affect my company's spend on travel and that very simple question right there hard to do, with Digits you just type it in, travel or Uber or whatever and it instantly just shows up and you can also search hey, what did the employee spend or how much do I spend over there and even the blank slate problem, I don't know what to search for.

LendIt Fintech



We've created this thing called Suggested Searches which we constantly re-compile and will surface it up for you right under the Search bar, you can just click hey, you need to pay attention to your employees' salaries or you need to pay attention to your marketing cost because it spiked unexpectedly, it will give you the suggestions as well so you actually know in the moment what you should pay attention to, naturally have the opportunity to shift course rather than not knowing about it for weeks on end.

Peter: So, to do this obviously you must be hooking into the accounting system whether it's Quickbooks or Netsuite or what have you, what about bank data? I mean, are you hooking into both those things or what exactly are you hooking into?

Wayne: We're hooking into the ledger, right now, Quickbooks, support for other ledgers coming soon and we're also hooking to institutions through Plaid and also direct relationships that we formed with some of the larger financial institutions out there. The magic sauce isn't just the hooking into it, that's the easy part, right, it's like hey, we got access to this, the hard part is what you do with it and it turns out, all these data, all these pipelines, all these things, they're incredibly dirty data, it's not well labeled.

Some institutions will say something's this, another institution will say it's this, they might not match and so we had to create a software that would dedupe, that would reconcile, that would match things up just so that we can make sure that when we show them the report along their time scale there's no double counting and there's no data missing, it's exactly as they would expect it if they went to Quickbooks themselves.

Peter: Right. So, is the target then like the internal like bookkeeper who's working on Quickbooks, is it the accounting firm, is it the small business owner, who's the target?

Wayne: The target here is both the business owner and the accountant or the bookkeeper that's using Quickbooks and the reason why it's both is when you first start out, that person, that owner probably occupies those multiple roles. As the company gets bigger, it gets outsourced or you bring in someone new, things like that. So, we built it to be very intuitive, very simple, the target first and foremost the accountant that's servicing the business owner and we made it for the business owner when they see it, that it's not the same type of eye-glazing, I don't understand this financial statement, but it's a very visceral...oh wow, this is what it really means, I want all my stuff this way.

Peter: Interesting. So, obviously you can go find out how much you spent on travel last year, there's a Quickbooks report that will show you broken down by month, what is the advantage of doing it through Digits and doing it just through an accounting report on Quickbooks?

Wayne: That, right there, is one of the fallacies that we've discovered as we ventured into the space. A lot of employees and a lot of people, they use systems like Expensify, they get billed

LendIt Fintech



as an Expensify charge, the system Quickbooks, other systems, they don't see that as travel, for instance or they might pay for things through PayPal or Stripe. Again, those things aren't classified, those are transactions to use for Other or Uncategorized. This manual reconciliation, this manual deciphering of like hey, what is this really, that's the stuff that we solve automatically, we break through Expensify, we break through Stripe, we break through PayPal so that we can give you more accurate information than what Quickbooks would generally show you/

Peter: So, I presume this is Read Only, right, you're taking the data and you're just reading it because I could imagine there could be a thing where you would want to write the data. If Expensify is, you know, it's just coming in as an Expensify bucket and there's all kinds of things under it, what you're doing is Read Only.

Wayne: Exactly and our hypothesis was, you know, we want the industry to trust us so we don't want to write anything back, we just read it for a minute and then we'll give you insights and all that kind of stuff. What we've learned was it turns out our technology is so good, I'm not saying that in an egotistical way, (Peter laughs) I'm saying that in a way where we've done so many requests that like hey, we actually do want to write it back. You know what, I trust the stuff that Digits is showing, I want to push this back to Quickbooks, I don't want to have to do this myself. Now, you're showing me all the stuff on a page, you want me to manually put it back on Quickbooks, no, no, no. I want to click so we're working on some innovations coming later this year, around that.

Peter: Interesting, interesting. Well, speaking about innovations coming, you know, when you go to your website....we're recording this in late February, going to your website, I'm on it right now, it says the next breakthrough period Digits Countdown, you've got a countdown timer many days away from something, I can go and join the waitlist if I want, but can you sort of reveal what you're doing. I know we talked about this earlier, you said you're going to do an actual reveal formally, I have no idea what this is, by the way, I have no idea. Recording this on Zoom, I'm going to share your screen, I'm going to find out in real-time what this breakthrough is.

Wayne: Alright, Peter, do you want to get first look at Digits?

Peter: I do. (laughs)

Wayne: I'm going to go ahead and share my screen. I know and I love that this podcast....because I'm very visual, we're design-oriented and so I love keeping a surprise a surprise. (Peter laughs) So, let me go ahead and share Digits, but before I share Digits you're probably thinking hey, this is going to be a normal finance app, a nice big graph at the top, maybe some tables below, high chart, maybe a list of things, right, something like that.

Peter: Right.

LendIt Fintech



Wayne: That is not what we built.(Peter laughs)

Peter: Okay.

Wayne: Here we go. So, this is Digits, we logged in as a user of a real company and this is Digits Search and I'll just show you really quickly. So, Digits Search, we announced that last year.

Peter: This looks like a Google search box.

Wayne: Exactly. So then, you type in Uber, for instance, and you can see oh okay, you know, we even separated between Uber and Uber Eats, you can even log into okay, all the different spends, let's say you want to look, did the pandemic affect it, oh, it did, not great for Uber, right, and then you can even look into let's see how they booked it, their accountant booked it this way as Uber, inside travel, we reconciled it and Chase, we know that it's Uber Company, we know who actually spent it which in Quickbooks doesn't give you at all.

And then not only that, we can even show you like fees so like usual fees that you're paying, you see how it spikes up a little bit and then here are the suggested searches that I was telling you. This changes per company, per day so like whatever changes will surface up here so you can take a quick look at it. So, we announced this already, this has been a hit, people loved it because they simply do not have access to any type of search like that in their company or for their clients.

Peter: So, I should just point out too for the listeners, you can't see this, like you see beautiful charts, it's all visual, it's not just a list of things, it's really easy to metabolize I guess or analyze.

Wayne: So, it's supposed to be almost like rather than have an analyst translate for you, we've done that, we even made to plain English and so the thing that we're announcing soon, which probably will be announced by the time this podcast airs, is this thing called Digits Reports. So, Digits Reports, it's basically our way of re-imagining financial statements, financial reporting so every month your accountant/your bookkeeper is supposed to give you your profit & loss statement, your balance sheet, your cash flow and maybe some information like what are the biggest changes in that month.

Peter: Right.

Wayne: The problem is there's no context so let me show you our version of this. So, I'll show you let's say in January, so this is Digits Reports and it's beautiful, animated at the top, we give you an executive summary and then here you have a simple profit & loss statement and so you don't really know the context of like are things good, are things bad, however, we made it so that the feature we call Hover to Discover, you can simply just hover over it and you can see what's

LendIt Fintech



going on there, you can see their top customers, top transactions. When you're done, you just let go and this works with every single line in the report so you can see like did the advertising market go up, did it not and one of the toughest things is like if you have a question about this, keep in mind, this is being sent today in a raw PDF form, there's no way to ask a question.....

Peter: A number of times that I have looked at that so I wonder what's going on there and you have to go back and you have to run another report or go and do some more analysis just so for the listeners, you can see he's hovering over advertising & marketing right now, hovering over and you get a bar chart out of the whole of the last 12 months, you can see who the vendors are, the main transactions, it's all kind of there where you've got a thing you can dive deeper into it, it's actually really cool.

Wayne: And then we also do Insight Analysis, So, we even looked at every single one of these and if there's some trend of something we even show you the bottom spend on advertising & marketing, stayed flat for fourth and seventh month at \$210, you could add it to the executive summary at the top. And so, accountants who are preparing this for their clients, for instance, they just need to go here, click, click, click, hey, you know what, I really do want that insight for advertising & marketing, I'm going to go ahead and I'm going to add that to the top.

The best part about all these, there are a few, one is I can just comment anywhere and say hey, who is this on Target, you know, I can do all kinds of commenting, I can share these and then all of these, all of these tools, search, reports, up to the other ones we're working on, all of it is enabled when you simply connect your ledger, let's say Quickbooks, and if your finances, you say Chase, and you see that we recognize bank accounts, credit cards and then that's all you do, no configuration, no other set up, it just works.

Peter: Wow!

Wayne: And so, that is Digits.

Peter: (laughs) That really is pretty impressive. You know, the former Head of the Small Business Administration under President Obama was a lady called Karen Mills, we had her speak many times, we've had her on the podcast a couple of times, she wrote a book called "Fintech, Small Business & the American Dream" and she talked about small business utopia where the business owner is going to have all the information they need at their fingertips at any time.

As you were showing that I was really thinking about what she described in that book, she was describing something that didn't exist yet, but we knew it was coming, she wrote this in 2019. What you've just shown me is the closest I've seen, the vision that the former Head of the Small Business Administration had and really it's something else. So then, the next question that

LendIt Fintech



comes up is I mean, how are you getting the word out? I mean, this is something that I could see every small business owner who uses Quickbooks should just have.

Wayne: It's actually been the opposite, we've been pulled into this. So, Digital CPA from the AICPA and BKX which is like the Digital Bookkeepers Associations Conference, they've all reached out, there's a contingent of practitioners out there that want these tools, they're starving for it, they want it, they're seeing innovation happen, photo filtering, they're seen innovation in social networking, in crypto, but where's the innovation for them. And so, they've been hoping for it, we're building it and so people that are interested who have a small business or if you're in accounting, your clients who use Quickbooks, digits.com, that should be very, very simple.

We made it, we focused incredibly hard on the onboarding experience in the business sector, in the finance business sector that we're in. Onboarding is such a pain, it's a cottage industry where sometimes you have to send a sales integrator or on-prem integrator, takes somewhere from six weeks to 18 months, sometimes businesses go out of business integrating this software in and ours works in 30 seconds.

Peter: That's really cool. You have goldmine of information here, there's a lot of ways you could take this. I could see how small business lenders would love to, you know, have access to some of this stuff, but what are your plans?

Wayne: We don't talk too much about our future plans, all I can say is that we are at the core a software company and so we love building incredible software tools for a market that needs it. And so, with Digits Reports we will organize all of this information from all of these different clients, make it really simple. So, our goal is can we continue to build strong innovation in that way, can we continue to build these tools to help these millions of financial professionals that don't have cutting edge tools so our goal is to continue down that path.

Peter: Right, right, that makes sense, that makes sense. So, I want to talk a little bit about....you've got a pretty impressive list of investors, I believe that you've just closed Series C which by the time this publishes will be public knowledge so tell us a little bit about your fundraising journey.

Wayne: We're very fortunate. Series A was led by Benchmark and the person on our board is Peter Fenton and we raised about \$10.5 Million-ish at Benchmark and 72 Angels. We raised a Series B from GV and Benchmark, participation from Benchmark and Jessica Verrilli from GV joined our board then and by the time this podcast airs, people acknowledge that we have raised a Series C. Series C is from SoftBank and so SoftBank and Harry Stebbings' 20VC, it was Harry' Stebbings first role to find investment, we want to really make sure that this was his very first one and a few others had joined so we raised a total of about \$97.5 Million to push us on this journey. We couldn't be happier to do this with such a great group of investors.

LendIt Fintech



Peter: Right. And so, how big is your team now?

Wayne: The team, right now, is about 33 people.

Peter: Okay.

Wayne: This new money from the Series C, is it building engineering, I mean, what are you going to use it for?

Wayne: Each raise that we do, we typically raise on a time that we don't need to raise, that's a no. Capital raising 101 raise when you don't need it and so when we raised the Series C, we already had quite a bit of runway and so the Series C just adds to our runway. We don't have any immediate plans to deploy that capital more than it is to just build that war chest making sure that our team is well equipped to go on this journey. This industry is incredibly, incredibly broken from like a technology perspective.

Peter: Right.

Wayne: And so, it requires a lot of pressure, time, attention and focus so we want to make sure we have the wherewithal to apply that kind of focus.

Peter: Right. Are you planning like a SaaS revenue model, I mean, I go to your website and I see the pricing tab, there's a free and then everything else is join the waitlist. So, have you started making revenue or what's the model going to be?

Wayne: One of the things that I think we believe in when it comes to building product is you can only focus on one thing at a time so you either build a great product and get distribution or you try to get revenue. It's so much more fun building a great product first and getting a revenue later, right. There's that saying like the hunter that chases two rabbits catches none and so for us, we've been maniacally focused on building the product that a customer needs and customer wants so we've been doing endless customer calls, endless pairing and just directly working with our demographic to build this. That includes the pricing which will unveil later this year.

Peter: Okay, okay, got you, got you. You said you've invested in like 90 to a hundred companies, can you tell us some of the companies you have invested in? What's your approach to angel investing?

Wayne: It's one of those vanity things that I have (Peter laughs). On my site, chain.com, which I got really lucky I was able to get that domain, it says 80 plus startups, 31 exits. For some of those companies, Opendoor, Faze Clan, actually acquired by Twitter, Dropbox, there's Draftkings, GIPHY, Desktop Medals, SoFi, Next Caller, Drift, there's a whole bunch of different companies that I've invested proportionately a part of.

LendIt Fintech



The angel investment part of it for me, at the stage I invest in, it's not really the idea more than it is the person, yes, the idea is accentuated, but there has to be a really hungry, really go-getter type of entrepreneur who's really on a mission and those are the ones that are hard to find. There are a lot of people out there that they think they want to start a company, when it gets really tough then you really know who's the real founder and who's not and so we try to look for the ones that are really in it for the mission.

Peter: Last question, we'll end with something a little bit more lighter. You're also in the movie business, I hear, I was reading about this so tell us a little bit about what you're doing there.

Wayne: Oh, the movie business, ah, that's more of a hobby.

Peter: Right.

Wayne: That is me scratching the itch of my inner child (Peter laughs) that wants to, you know, be in the glitz and the glamor and being with childhood stars and so I'm very fortunate to be part of different film projects with like Samuel L. Jackson and it's just fun to be part of, it's not really a fulltime passion. Well then, I just like being in the Red Carpet, just love being part of the whole storytelling thing. I was very fortunate that some of them won Emmys and so I guess I am Emmy award-winning dropout (Peter laughs).

Peter: Okay. Well, that's a great place to end it. Wayne, it was really fascinating talking to you today, thanks for the demo and let's keep in touch.

Wayne: Same, thank you.

Peter: You know, I have said before on the show here, I love small business, I've been a small business owner for pretty much my entire career. My father was a small business owner and I've always felt like the tools for small business keep getting better, but this feels like to me like a leap forward and I feel like we finally have as what Karen Mills talked about, the small business utopia. You can see where the information that small business owners need. It's been available, buried in accounting software forever, but it hasn't been intuitive, it hasn't been actionable, it hasn't really been all that easy to sort of get a glimpse of what your financial situation is like as a small business owner and that's what Digits provides. I'm very bullish, as you can tell, you know, I went in not really knowing about Digits and I came away super impressed.

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

(music)