

Technology

Venture capital

Why Rokt and its biggest investor are pushing ahead with a 2023 IPO

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Rokt CEO Bruce Buchanan was already a member of the Guzman y Gomez board when TDM Growth Partners' Tom Cowan joined in mid-2018. The crossing of their paths, it turned out, was serendipitous.

The former Jetstar boss who had been building the marketing technology company since 2012, had already raised more than \$30 million for his fast-growing business, but he realised quickly that Cowan and his fund's approach was different to other investors.

Fast-forward almost four years and TDM is now Rokt's biggest shareholder and the pair are navigating the choppy waters of valuation volatility, [<https://www.afr.com/technology/aussie-start-up-investors-hold-firm-against-valuation-jitters-20220426-p5aga4>] at a time when the \$2.75 billion company has already flagged intentions to list in 2023. [<https://www.afr.com/street-talk/rokt-s-458m-raise-gets-it-ready-for-us-ipo-20211216-p59i5y>]



Rokt CEO Bruce Buchanan and TDM Growth Partners' Tom Cowan first met on the Guzman y Gomez board.

Bruce Buchanan

“Tom is the only investor or board member that I have a weekly call with. We have an hour together every week.

Part of that is his role as lead independent on the board, but part of it is just for us to check in and have a sounding board on all things going on in the business, what's keeping you up, and what we're thinking about doing on particular points.

TDM are not a spray and pray type of business where you invest in 50 different businesses. The typical VC model is not their model.

They spend a lot of time getting behind a business... a lot of my investors tell me how much they can do for me, but what surprised me is how much TDM actually do. You have a conversation with Tom, say you have a problem, and he says 'let me do some work on it.'

To have people with resourcing and capability to do heavy lifting for you on certain problems... it's a unique model.

When they invested, we didn't have a particularly strong or robust finance team, and TDM essentially took on the tasks that a traditional finance or CFO function would do.

“My perspective is it’s better to have lower expectations and to exceed those expectations ... I prefer to list in a market that’s really bad.”

— Bruce Buchanan, Rokr.

They thought about remuneration structures, board structures, investment stories and managed a bunch of things we didn’t have the capacity or bandwidth to do.

We hit the start of COVID-19 and most investors were panicking about cashflow and the end of the world. In the first six weeks our revenue declined 65 per cent. It was kind of scary.

Tom’s counsel at the time was that businesses that treat it the right way will get through much, much stronger.

He said they believed so much in where we’re going to get to, and understood the business so well that they would do a Series D and invest more money.

This would allow any of the shareholders that were suffering, or staff that want to sell, to sell, but make sure we had the capital to be able to invest through the cycle.

It was a particularly tumultuous time... but they came in behind us and backed it up.

Bruce Buchanan formerly ran Jetstar.

We hired about 150 people through the COVID-19 period, including a lot of senior talent in different roles. Towards the end of COVID-19 the market got very competitive. But, because we were able to move earlier, there was no one recruiting in Q2 and Q3 of 2020, and we got access to incredible talent.

That set us up for where we are today. We did a lot of strengthening in our go-to-market function... and our support areas. We had some new key executives, a new CTO, a new head of people - we took advantage of the fact everyone else was in turmoil and didn't have that certainty, and it made a lot of difference when we came out of COVID-19.

I take a contrarian view on managing investor expectations. Tom had a laugh when they invested in the Series C and he said we were the only investment they've ever made where the forecasts we gave them, we beat them.

My perspective is it's better to have lower expectations and to exceed those expectations. It creates longer-term trust and alignment with the people you want to work with to create something extraordinary.

I look at the public markets the same way. I prefer to list in a market that's really bad and investors will have lower expectations on forward outcomes than what would be at the frothy peak of the market at November last year.

A listing is not the stamp at the end, it's a step toward getting to where you want to get to [<https://www.afr.com/street-talk/rokt-s-458m-raise-gets-it-ready-for-us-ipo-20211216-p59i5y>] and if I get a bunch of people who invest in the business at that time, and they feel really good about what happens from there on in, they're going to continue to be strong advocates and support the business as we move forward.

We picked the investors in the Series E in the same way. If you look at Tiger, Wellington Management and Whale Rock Capital Management, we picked them for their similar alignment, values and thought processes as TDM. They won't sell out the minute we have an IPO."



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Tom Cowan

“I originally thought when we first met, the best thing for Rokt would be to list in Australia. We had that debate and I put forward our views and Bruce put forward his views and the view now is that the most likely outcome is they should list in the US.

There was a plan to IPO in November last year, but Bruce came to us and said ‘I know this was the original plan, and if that’s meaningful to you, I’m happy to commit, but these are the reasons why I think we’re going to grow and be more successful in a private setting. Now is not the right time, even though we’re ready’.

We obviously did the Series E in November with Tiger

[\[https://www.afr.com/street-talk/rokt-s-458m-raise-gets-it-ready-for-us-ipo-\]](https://www.afr.com/street-talk/rokt-s-458m-raise-gets-it-ready-for-us-ipo-)

20211216-p59i5y] and delayed the IPO because it was the right thing for the business.

When we set up TDM 17 years ago, we set it up to solve this problem. We have no constraints around timing, we have no fund life.

“The market is never shut for high quality, fast-growing businesses.”

— Tom Cowan, TDM Growth Partners.

We have an evergreen pool of capital that allows us to invest in private and public companies for as long as we want.

So, we are very flexible - it's what is the best for the business and what is the right timing on that. We are very aligned with Bruce on this - we want incoming investors, be it in a Series E or at IPO - to have a very successful investment.

The markets are irrelevant because we're always going to price the business for a successful outcome for incoming investors.

We think any business with the qualities of Rokr - growing fast, very profitable, strong balance sheet, with a big growth opportunity over the next 10 years - can be listed at any time.

The market is never shut for high quality, fast-growing businesses. It comes down to what is the right thing for the business and will those incoming investors have a successful investment, rather than any market conditions or macro consideration.

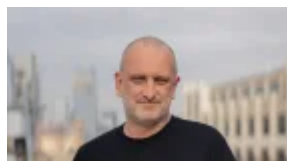
There are a couple of clear things we learnt over those years that were very attractive to us in terms of backing Bruce and the team. The first one is a very rare trait among founders - the ability to scale from small to large.

Bruce had built Jetstar from nothing to a very large business, and so had seen small and had seen large. To have that skill and understand the pieces you need to put into the business at the various stages is a unique skill and something we value very highly.

Bruce is a 'first principles' thinker (questioning your own assumptions about a problem).

He always goes back to what is the right way to solve this problem. 'Don't tell me it's because this is how other people do it, or this is market practice;' the reason he's been able to solve this very difficult problem and continue to do so is because he goes back to first principles.

Capital flexibility can be a core competitive advantage. Many businesses don't understand it, but being able to drive to the outcomes you want to drive to in difficult times, and being able to take advantages of other people's challenges for your benefit.



RELATED**Rokt's \$458m raise gets it ready for US IPO**

<https://www.afr.com/street-talk/rokt-s-458m-raise-gets-it-ready-for-us-ipo-20211216-p59i5y>

In 2020, fundamentally the Rokt business was growing very rapidly, you just couldn't see it necessarily because ticketing and travel was a large portion of the business and transactions went to zero, but we knew it would come back.

We wanted to ensure we could use that capital flexibility and take advantage of the opportunity to hire all the great people we could, knowing the business would come out far stronger and that's exactly what happened.

They're growing far faster than they were pre-COVID.

But, for us, the most important thing for long-term success of any business is people and culture.

For us to have the fortune of working up close with Bruce for a few years in a business setting on Guzman y Gomez, was a unique opportunity and something, as Bruce said, it made the whole investment decision much, much easier.

When you understand the problem that's trying to be solved, and also have alignment of values, when you hit speed bumps... you'll solve these problems and come out stronger.”

Yolanda Redrup

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