

Context365 Global LiveStream

Guy Adami (CNBC): So I want to welcome Naftali Harris, I met through a mutual friend. He's got an amazing company that Deirdre and Rick Heitzmann are going to talk about.

Deirdre Bosa (CNBC): Tell us how you started SentiLink and how you got from Affirm to leaving and then getting the founder of Affirm to invest in your new venture.

Naftali Harris (SentiLink): Yeah, absolutely Deirdre. Before anything, I have to just give a shoutout to Max (Levchin) for not even just Affirm He has backed my entire career from literally my very first internship. So I really appreciate that.

Deirdre Bosa: Your first internship?

Naftali Harris: Yeah, my first internship. This honestly started my whole career. Max was the chairman of the board of startup in California called Kaggle, which does machine learning contests and I was deciding what internship I wanted and Max convinced me to join Qapital. Three years later when he was looking for the first data scientist at Affirm, he reached out to me and I dropped out of my Ph.D. at Stanford to do it

Naftali Harris: I was his employee number 20 and the mandate that they gave me was to build out the decisioning systems. So anytime someone would apply for a loan at Affirm, it was my responsibility, and later the responsibility of the team that I built and managed to figure out if we're going to actually approve that person for a loan or not. So, picture me at 22 years old, with this massive responsibility on my shoulders. This is the kind of thing that I'm so appreciative of Max for giving me the opportunity. But the origin story for SentiLink starts when we discovered a new kind of risk issue that was impacting Affirm that I'd never heard of before. My team was responsible for all the approvals of the applications. We looked at identity theft; we looked at credit risk issues. But one day we got hit with this new kind of fraud, where instead of someone stealing an identity, the fraudster actually made up a completely fake person, and used this fake person to apply for credit. This was a real surprise because I sort of assumed that someone somewhere must be checking for this, you can't just create a person that doesn't exist, and trick the credit bureaus into getting a credit report for them and trick financial institutions into giving them tons of money. But that's exactly what happened. We found these provably fake people with 700 credit scores that every major bank had given a \$20,000 credit card. We saw this and we were shocked and realized this was a really big issue that nobody in the financial services industry was talking about. I realized it was an issue that was impacting just about everybody and so this is where I had a pretty scary meeting where I went into Max's office and said, "Hey Max, it has been great at Affirm, but there's a really big opportunity that we want to leave Affirm to go and pursue." Bless Max's heart, instead of being mad at us for wanting to do that, he said, that sounds awesome, you can do it but just let me invest. So that's how we started the company. This was back in 2017.

Deirdre Bosa: That's incredible, and he didn't want you to stay within Affirm to build this out, because I can imagine that would be pretty powerful within his own company.

Naftali Harris: No. Max has a tremendous amount of vision and I think he realized correctly that the proper place for identity verification solutions like SentiLink offers, is not within a single financial institution. You know, even today, fast-forwarding three and a half years, we've processed over 100 million identity verifications, far more than we saw at Affirm, but that allows us to provide value to every organization that uses our platform because we have that broader vision of what's happening in the space.

Deirdre Bosa: It's pretty incredible that before you started looking into this, these entirely fake identities were allowed to proliferate.

Deirdre Bosa: Naftali, are you committed to San Francisco or the Bay Area?

Naftali Harris: Yeah, as a matter of fact, I just closed on a house last week.



Deirdre Bosa: I noticed as well that at least according to PitchBook, you guys haven't raised money in the last year. The last time you guys raised money was in 2019. Is that correct?

Naftali Harris: That's right. We've run a really frugal team. The biggest thing that's changed for us in the last year certainly has been, I've become a lot more open to remote working and that was a big change for me. I'm probably a little bit more traditional in some respects. Before the pandemic I would have self-described myself as an "ass and seats" kind of guy. I still think that is probably the better model but as a natural experiment, we've had to obviously work remotely and different people on the team have taken advantage of the fact that it doesn't matter where you are, and, in fact, people are working from Hawaii, and from Denver and Miami and all sorts of different places and, it's worked out pretty well. I expect even post-pandemic we will be a lot more open to hiring people remotely. We've onboarded some people remotely as well. It's been pretty incredible how we've managed to continue to really execute and continue to communicate well.

Deirdre Bosa: What about your relationship with your investors? I mentioned Max Levchin, but you also had Andreessen Horowitz invest. Zach Perret, I'm interested in this one. How did you get involved with him and Plaid?

Naftali Harris: Oh, really funny story. When we started SentiLink, we put up a blog post about synthetic fraud explaining what it was, and we went into really good detail, especially given that no one was talking about it. It was the only thing on our blog. Rick might sympathize with this as a first-time founder, when there's only one thing on your blog. It's too lonely. We said you know what, better not to have anything on the blog, so we took it down. A couple of days later, Zach emailed us and said, "Hey, one of my friends forwarded me this and it's not available anymore."

Deirdre Bosa: Cold email.

Naftali Harris: Cold email. He asked, "Can I see it?" We said, "Sure" and so we got to meet Zach and got to know him a little bit and he was really interested in what we were doing and saw our vision for identity.

Deirdre Bosa: Naftali, Do you travel much? I guess as you say, there's a reason that you're in San Francisco and if you look at your list of investors a lot of it is out in the Bay Area.

Naftali Harris: Before the pandemic, we used to travel all the time. For us, it was for sales, we would go and meet our customers in person and explain to them why they should trust us. But, last year was really amazing for us. Our revenue grew 10X and we grew in all facets of the business. We were able to do that with Zoom meetings. I still expect that we'll be traveling again once the pandemic is over but I think we'll probably not have to do that quite as much as we previously did. I think Rick's estimate of about 50% seems reasonable to me.

Deirdre Bosa: Naftali let me ask you, I don't know if you're thinking about an IPO anywhere in the near future. I guess also, what I wanted to ask before is, why haven't you raised any money in 2020 at a time when we are seeing tons of companies, particularly in your space, security, enterprise cloud software, raise money at much larger valuations?

Deirdre Bosa: Naftali, why have you not raised more money?

Naftali Harris: We haven't needed to, frankly. We've been fortunate to be exceedingly well capitalized, exceedingly so, at every stage of our business, and it just hasn't made sense to take on the dilution for capital that we just don't need. We are a really small team right now. There's only 25 of us, considering what we've achieved and the names of the companies that we work with, and just the sheer amount that we process. I think one of the amazing things about technology is that you can do a lot with a little. The most proud moments I've ever had leading this company is when people say, "Oh, you guys are 25 people, I thought you were 200." We've been able to do a lot with little, we've been able to be frugal with capital both in terms of headcount expense, as well as the other parts of our business. When we have a better need for a boatload of cash, we'll go raise up a load of cash and go spend it wisely.

Deirdre Bosa: Right. All the more interesting because you mentioned a few minutes ago how your business has grown so much amid the pandemic. If and when you are looking to raise capital, let me ask you, what are you looking for? Do you want someone who is going to be involved?

Naftali Harris: Yeah, I'll tell you, we have actually thought through this really carefully and we've been fortunate to select some incredible investors and get them involved in the business. We have four in terms of deciding who's a great fit for us. One of those criteria is how tactically helpful can they be. We're at the stage in a business, where we want people that can really move the needle for us in terms of customer introductions, or helping us close candidates or things of that sort. The second thing is, I'm a first time



founder, I'm very willing to mentor, there's things that I don't know and blind spots that I have and so looking for people that can give us advice that we can trust, respect and be really useful. So that's the second thing. A third thing is we want investors that are very supportive. As Rick knows, and as I'm sure you know from talking to too many founders, it's very tough to do the things that we do and go from zero to one and want investors that can support us on that journey, even when they disagree with us, which is fine, ultimately, to support the decisions that we make. So that's the third thing. Then lastly, of course, is just the actual terms of the deal itself and valuation. That's really the way that we think about this problem.

Deirdre Bosa: I can't believe that we're out of time. Guy, that went by way too quickly. It was a pleasure to chat with both of you and pick your brains.