



FRANCISCO HERNÁNDEZ

Francisco Hernández is the CEO and Founder of Menhir, an AI-powered financial technology company. IE University recently welcomed Francisco to give a talk entitled “Artificial Intelligence in Managing Real Estate Portfolios” as part of our IE NextGen event series. The inspiring young professional gave us an inside look into the fast-paced world of financial data, and explained what inspired him to found Menhir.

Menhir uses machine learning to help banks, funds and asset managers understand their loan portfolios, predict cash flows, and design management strategies that increase internal rate of return (IRR). When Menhir started out, its service was to determine how good or bad defaulted loans were. Now, it has a brand-new business model called “neo servicing,” which involves assigning each loan to the best asset manager using a machine-learning algorithm. In Francisco’s words, Menhir is “the Tinder of asset management.”

Far from a traditional finance guru, Francisco’s background is in aerospace engineering. But as he told us, he’s been passionate about entrepreneurship and problem-solving since he was a teenager, getting his feet wet with startup ideas like a fast-food coupon app or delivering amenities to Airbnbs. Like many entrepreneurs, he had to get it wrong before he got it right.

The idea for Menhir came when Francisco had a realization: equities markets were being managed by algorithms, while real-estate distressed debts were simply being managed by people’s intuition. There was a big opportunity there: real-estate portfolios needed a digital facelift.

So how does it work? “We show our algorithm about 80 million loans, and it identifies the features that make a loan work,” Francisco explains. “We also feed the algorithm variables, such as the age of the borrower, the type of collateral, etc., and then the algorithm predicts the probability of recovery for this loan.”

Of course, Francisco didn’t create his product overnight. The biggest lesson he learned is to make mistakes. First, create a pilot of your product—without any funding. Build it out, think and rethink, raise capital, validate and then do it all over again. Oh, and: “Don’t talk to venture capitalists. Talk to clients.”