

Innovate UK

**Funding competition:
investment accelerator pilot**

**Investor partners in the investment accelerator pilot
2017 and their interests**

Firm name

IP Group

**Who are you?**

IP Group was set up with a mission to evolve great ideas, mainly (but not exclusively) from our partner universities, into world-changing businesses. We achieve this by systematically helping to create, build and support outstanding science and technology based companies. The group pioneered the concept of the long-term partnership model with UK universities and has spent many years honing a unique approach to building businesses and providing support along the journey from 'cradle to maturity'. More recently, we have sought to adopt this approach with a select group of US research institutions. In the UK, we invest in opportunities across 4 sectors – biotech, healthcare, technology and cleantech with an existing portfolio of over 90 companies of which 16 are listed on London's AIM.

Why are you involved in the investment accelerator?

IP Group's vision is to source world-leading innovation no matter where in the UK it originates – whether that be from a university, lone inventor, consultant or SME - as long as it is underpinned by intellectual property at the forefront of current knowledge and understanding. As we evaluate ideas sitting at the very earliest stages of technology development there is inherently more risk involved and this can make an opportunity more difficult to assess. However, with the matched funding provided by Innovate UK as part of this call we will be better placed to make investment decisions where the risks are proportionately higher.

What are you looking for in a portfolio company?

Our portfolio companies encompass a diverse range of technologies, markets and business models. What they all have in common, however, is an accessible and addressable worldwide market in excess of £100 million, a technology advantage over the competition which is strongly evidenced and protected, and a tried and tested business model for exploiting the opportunity. In addition, a team with a strong track record and relevant sector background is essential, as is the consideration of an exit route (for example a trade sale or IPO) with relevant, comparable examples available. Evidence is key to our evaluation of an opportunity and validated, verifiable data will increase the likelihood of a decision to move forward.

What is your expected approach to investment terms?

IP Group works to evolve great ideas into world-changing businesses by systematically helping to create, build and support outstanding intellectual property-based companies across both the life and physical sciences. We work very closely with our portfolio companies providing business building support through board representation alongside any capital which we commit, either in the form of direct equity or as a convertible loan both where we favour simplified share structures. As with all of our investments, the business should have a strong IP position and be pursuing a compelling, high value opportunity.

Firm name

Longwall Venture Partners

Who are you?

Based on the Harwell Campus, near Oxford, the Longwall team has been making and managing investments in UK based, start-up and early-stage science, engineering, and healthcare companies for over 15 years. Leveraging the outstanding academic, industrial and government research base of the UK, we look for innovative technologies with the potential to disrupt incumbents, or create new markets.

Why are you involved in the investment accelerator?

Innovate UK has played a significant role in helping get many of our best investee companies off the ground. The investment accelerator: grant and invest scheme presents a great opportunity to increase the efficiency by which public funds are put to work solving some of the pressing problems of the next decade and creating the UK's next technology giants.

What are you looking for in a portfolio company?

We are comfortable looking at start-up and very early stage companies. We are willing to take significant technology risk where the upside involves disrupting an established business sector, or creating new opportunities for expansion. We are looking for innovative and creative teams, rather than polished business plans. We focus on science, engineering and healthcare, and have a strong preference for B2B businesses over consumer technologies.

What is your expected approach to investment terms?

Longwall Venture Partners manages a series of Enterprise Capital Funds, investing in UK-based start-up and early stage science, engineering and healthcare businesses. We almost always invest for equity, but we can contemplate convertible loans in appropriate circumstances. We have a strong preference for simple share structures where interests are more aligned. We will ask for a board seat and will expect to be closely involved with management in strategic decisions.

Firm name

Mercia Technologies

**Who are you?**

We are a national investment business, with a particular regional focus on the Midlands, North and Scotland. We manage a number of funds that support early stage technology businesses and crucially provide complete capital via our balance sheet to invest between £1 and £7 million follow on funding for future rounds and support a company to realise their ambitions.

Why are you involved in the investment accelerator?

We believe Innovate UK provide first class support to drive innovation and technology development. By developing a partnership with Innovate UK we believe we can mutually support new technology developments faster and more successfully leading to bigger and better UK companies.

What are you looking for in a portfolio company?

We back the combination of innovative technology and ambitious management teams looking to develop a scale-able international business. We typically invest at the seed stage with complete capital to support a company through its journey.

What is your expected approach to investment terms?

MERCIA are a national technology investment company with a regional focus, having a number of funds under management to support growth in companies based in the Midlands and Northern regions. As part of this Innovate UK competition, we are looking to provide a convertible loan for companies that have a defensible technology and high growth opportunity. We are particularly interested in companies who plan to raise further equity funding in the near term.

Firm name

Oxford Sciences Innovation (OSI)

**Who are you?**

OSI is a £580 million investment company that can invest in University of Oxford spin outs and any company based on the Harwell/Culham science campuses. We invest across all scientific areas from seed stage through to later stages.

Why are you involved in the investment accelerator?

We are involved in the accelerator programme as we think this is a great way to find and fund innovative projects. In addition, if there are Oxfordshire based companies looking for funding this is a very good way to make sure they are on our radar.

What are you looking for in a portfolio company?

We aim to invest in science based companies which have the ability to change the world. We are long term patient investors so are prepared to wait for the right investment and then support it through financial and bringing our partners network to bear.

What is your expected approach to investment terms?

Our investment terms vary depending on the needs of each company. We work with the company founders to negotiate these terms. We favour ordinary shares, not preferences when we make investments in companies and align ourselves for the long-term. Our capital-base is deliberately large and in a company structure rather than a fund structure. This permanent capital base facilitates the patience we need to let our investments mature. This also means that, assuming corporate development is proceeding well, we can provide spinouts access to future capital. We hope that this knowledge will both empower entrepreneurs to aim for truly world-changing impact but also allow their day-to-day focus to be on building their business instead of fundraising.

Firm name

Rainbow Seed Fund

**Who are you?**

Rainbow is an early-stage fund that builds companies derived from world-class science including that developed at our partner laboratories at STFC, BBSRC, NERC, Dstl and in specific fields. We invest at the earliest and riskiest stages to help the UK's most innovative companies become market leaders. Rainbow Seed Fund is independently managed by venture capital specialist Midven.

Why are you involved in the investment accelerator?

Rainbow has successfully co-invested in a number of Innovate UK grant-funded companies - Cobalt Light Systems and Cytos are just 2 examples in our portfolio - and this investment accelerator further extends prospects to discover and commercialise great science in the UK. Joining both private investment and grant-funding opportunities from the onset helps emerging start-ups at their most critical stage, allowing management teams to focus on the business rather than continually chasing investment and leveraging the separate connections and profile of the investors and Innovate UK.

What are you looking for in a portfolio company?

We look for companies with hard-to-replicate technologies that help solve real-world problems. We provide 'patient' capital through our evergreen structure and work closely with our companies to successfully build the team and to finance development. Specifically, Rainbow seeks to invest in 3 focus areas: firstly companies based on research at our partner laboratories, secondly companies based at our partners' national science and innovation campuses (in Harwell Oxford, Babraham Cambridge, Daresbury Warrington and the Norwich Research Park) and finally those companies working on engineering biology.

What is your expected approach to investment terms?

The investment accelerator is designed primarily for very early stage technology companies. It is therefore clearly sensible to avoid complex investment structures and lengthy legal agreements so that the investment cash and the time of all concerned is focused on getting the most out of the technology as effectively and quickly as possible. During investment negotiation we would expect to focus on a few key points on which we need to agree: valuation, form of investment, minority protections, pre-conditions, board and information rights, warranties.

Firm name

Syncona

**Who are you?**

Syncona is a leading life science investor seeking to deliver transformational treatments to patients in innovative areas of healthcare. Listed on the London Stock Exchange with a capital base of about £850 million, we are a FTSE250 company aligned with 2 of the premium charitable funders in UK science: the Wellcome Trust and Cancer Research UK, both of which are significant shareholders in our business. Syncona was founded by the Wellcome Trust with the specific aim of building successful, sustainable, standalone life sciences businesses. We focus on technologies with the potential to deliver dramatic results in areas of high unmet medical need. Our deep pool of capital enables us to take a long term approach to investing in the best life science opportunities, as we support our portfolio companies to grow and succeed. We make a donation of 0.3% of Net Asset Value to a range of charities each year.

Why are you involved in the investment accelerator?

We are looking forward to being involved in this exciting initiative. It is our strong belief that the UK has a world leading scientific research base, and we are keen to speak to any applicants which have the potential to become highly successful healthcare companies. We seek to partner with the best, brightest and most ambitious minds in science, providing them with the capabilities and investment they need to transform their ideas into commercial businesses and treatments for patients.

What are you looking for in a portfolio company?

We seek to work with ambitious companies, entrepreneurs and academics aiming to develop transformational products to commercialisation in areas of significant unmet medical need. We will invest at any stage of development and are on board for the long term. We are interested in technology from the life sciences with the potential to be translated into significant commercial products.

What is your expected approach to investment terms?

Syncona is a unique investment company seeking to deliver transformational treatments to patients. We do this by creating ambitious companies capable of taking their product to market. We typically invest in simple equity structures in these companies, taking substantial ownership positions at the outset. In the context of the investment accelerator, Syncona would invest via a convertible loan. The loan would carry an interest rate and discount to the next equity round which it would convert into, subject to some minimum parameters. It would be Syncona's intent to participate in the next equity round for successful companies in the scheme.

Firm name

Touchstone Innovations

**Who are you?**

We specialise in supporting and investing in early stage UK technology companies from start up to growth and we invest typically <£500,000 - £20 million. After the initial phase, we can lead syndication with other strategically helpful investors, including institutional and corporate VCs, and in smaller companies we have experience of investing alongside angels. We originated as investors in Imperial College spin-outs and still run the technology transfer office there so we have a lot of experience with IP and early commercialisation strategies. Our approach is proactive and pragmatic, whether we are helping to attract talent (for management, scientific, or advisors/NED roles), advising on company support (legal, finance, IP etc.), or adding our networks with industry for partnering discussions and strategic input. We have a mixed portfolio and benefit from our evergreen structure which means the amount and timings of our investments are varied. In the healthcare portfolio we have around 25 companies, including a wide range of therapeutic modalities (small molecules, biologics, virus and cell therapy) across clinical specialities (including oncology, respiratory, inflammation, CNS), as well as diagnostic companies and digital health.

Why are you involved in the investment accelerator?

We believe alignment with management teams is critical, and that companies should think carefully about choosing the right investor to support their growth from the early stage. Many of our portfolio companies have grant funding alongside our investment so we have had a very positive experience from working together with groups like Innovate UK. The combination of the Grant & Invest scheme will be a great way for companies and investors to interact at an early stage to help start the fundraising journey from a strong position. The funds available will be ideal for early proof of concept studies to inform the business plan for further investments.

What are you looking for in a portfolio company?

We look for highly differentiated novel technologies and businesses with the potential to have a large impact on human health. In the early stages, we are keen to see initial data supporting the hypothesis that will be tested by the company (e.g. lab-based mechanism data that will be translated to a clinical study, or early commercial traction that will be translated to a larger expansion). We aim to be the partner of choice for the commercialisation of outstanding science and to become a magnet for scientists and entrepreneurs seeking to realise the value of their technology. We achieve this aim by building substantial, high-quality, well-funded and well-managed businesses.

What is your expected approach to investment terms?

Touchstone Innovations expects to fund approved projects from the investment accelerator using convertible loans. The loans would be interest bearing (10%) with

a 2 year term. The loan can be converted at the discretion of Touchstone Innovations into the most advanced share class of the company applying a 20% discount to the share price of the next fundraising event. As part of the investment, Touchstone would request a board observer position. Our goal for successful companies arising out of the investment accelerator would be to lead syndication of the next fundraising of the company and to convert our debt to equity.