

International Benchmarking of UVFs

Gregg:

- university venturing started with Arch in 1986 at Chicago
- Google founded in 1998
- University challenge fund in 1999
- Dotcom crash in 2000 and IP Group launched
- Imperial Innovations in 2006 (pivotal point for the UK, TTO launches its own fund)
- 187 funds operating at POC, UVF, VC and patient capital levels (\$14.9bn worldwide)
- Worth noting: creation of student led funds, increasingly also focused on spinouts
- Fund value by country UK ahead of US (not including VCs) for patient capital
- POC, seed, wholly-owned UVF and partly-owned UVF (largest wholly owned is Texas Horizons at \$50m but that's an exception not the rule)
- Multi-university funds (this should be the model most unis will be interested in because smaller unis have to find critical mass to find deal flow)
- Traditional venture capital funds, patient capital (like Neil Woodford's without uni involvement)

Anne:

- Cambridge had a venturing fund from 1995 (sold shares in Alia Water), received one of the early challenge fund and Discovery Fund in 2008
- All wholly owned, so not purely financially driven but by societal impact
- At the early stage you don't know who the big hitters will be anyway
- Raised first university EIS fund in 2012 managed by Parkwalk, funded on a yearly basis by HNWI
- Invested £4.5m in companies last year, activity has been increasing
- Cambridge Innovation Capital
- Cambridge is also incredibly lucky in ecosystem 0 they have more than 150 co-investors including 2 active angel groups, links to London angels, at least 7 VC firms in Cambridge, multiple family offices, corporate investors, 40 venture partner members, over £1.5bn in follow on funding
- As a university don't just think about funds you might set up yourself but also look at your area

Brijesh

- Mercia has patient capital, university money, HNWIs, university challenge fund
- invest in spinouts very early and potentially stay there for 5, 10, 20 years
- Mercia was founded in 2000
- It is one of the few firms that is not based in the golden triangle, operates out of the midlands
- Expanded network to about 18 uni partners
- We look at everything they want to show us, we have good relationships
- Mercia has gone from a relatively small fund to one that has some £330m of investment funds
- We have offices pretty much everywhere apart from the golden triangle
- We don't do POC, but we will fund development of business models

- you need both technology and management to make a successful spinout
- We invest small amounts upfront, £150k to £300k, it's very risky initially but as risk goes down we invest up to £5m follow on
- Our relationships are non-exclusive, any one investor is never going to be providing everything you need

Gregg:

- We will see a growing number of UVFs
- Collaborative funds crossing uni boundaries
- Nationwide/continent-wide POC funds
- More investors attracted to UVFs – a new asset class
- Increased corporate involvement
- Important to bring incubators into the equation
- Tax incentives for UVFs (perhaps like Cuomo's NY Startup program)
- UVFs growing in importance to overall

Mike Bath handling Q&As

Question – can you invest in student startups

Anne:

- we can invest in students, we are not limited to IP, but anything Cambridge related
- we try to catch those opportunities but there are quite a few we missed that went to an angel

Brijesh:

- we don't think of student startups as something particularly university
- We invest in startups, I'll see both TTOs and incubators, co-working spaces (Birmingham does BizzInn which is an interesting model)
- There is overlap between generally building a business

Gregg:

- the support for TTOs mirrors the support for student entrepreneurship, ever since stuff like Facebook
- It used to be “we want to headline Glastonbury” notw it's “we want to headline TechCrunch”
- SetSquared has been so successful because it supports the student entrepreneurs
- The success will hinge on whether we have an incubator that is just for Oxford or for Oxfordshire, and I hope it's the latter

Brijesh:

- some unis don't have a lot of research so most activity is around student entrepreneurship

Gregg:

- a building block of entrepreneurship is collaboration, students with academics, etc
- It would be strange to see cash coming in from real estate and endowments

- Stanford invests through endowment because StartX is a top notch incubator
- Oxford has injected endowment money into OSI

Question – success of patient capital

Rijesh:

- For Mercia it's still early days to call yourself a patient capital investor, you really want a track record of 15, 20 years

Anne:

- Pitchbook did a story on patient capital and we ran it against our numbers, and we came out on top – we returned 2.5x our cash

Gregg:

- the next highest fund was attached to SetSquared – Wiven
- Having OSI coming along has been largely beneficial and the impact it has is significant – all numbers are up and OSI isn't even involved in all of them
- “some spinouts are riskier, a bit maverick by my own standards” but there are some that I can easily see becoming unicorns
- Oxford is taking off because of OSI

Question – investments / exits

Anne:

- Parkwalk publishes all figures – some companies take 7 years but others do have a quick exit – XO1 was acquired by Janssen after only a year and a half

Brijesh:

- the vast amount is concentrated won in the southeast
- There aren't actually that many investors – there may be a lot of cash, but not many investors
- You need to have confidence
- Fundraising from Oxford is relatively easy – it is still really difficult, but compared to others you have the brand recognition
- Sometimes a couple of 100k can really help you move onto the next stage
- Some of OSI's biggest deals were done on the back of the smallest business plans
- OSI can make businesses work that would not have taken off otherwise because they have a lot of cash and need to focus on the one university

Gregg:

- when it comes to a more substantial fund, you really need to focus on your ecosystem

Anne:

- it's worth noting that we had to broaden the scope for CIC (now also on cluster)

Gregg:

- OSI feels really handicapped by spinouts only so if Foundry takes off for student startups there will be a bigger pipeline

Comment – important to consider SITR for social enterprises

Question – how important is brand recognition

Gregg:

- Oxford, Cambridge, Imperial, UCL have a lot of brand recognition
- SetSquared has made a name for itself by partnering unis and now they have the same sort of brand recognition that a single uni within the network would have struggled with

Anne:

- when we were setting up CIC, we had to raise \$50m to get a decent management team and then we had to look at deal flow

Brijesh:

- \$50m seems to be the magic number

Question – IP Group / Touchstone / Parkwalk: it's a small ecosystem is that a good thing

Question – is there a good place for crowdfunding

Brijesh:

- IP Group and Touchstone stimulated spinouts
- IP Group was very instrumental in getting the whole thing going
- Does the merger make sense? There investors overlap

Anne:

- there is a risk to have only one big firm

Brijesh:

- you want firms that can do small, early stage
- What you need is more people at the early stage

Gregg:

- you have to look at IP Group's legacy
- I think a merger is a fundamentally bad thing, you need the regional focus and having one huge firm destroys that
- If IP Group bursts (because it massively relies on a couple of companies), so does it take everything with it?
- I'd be really keen on a big CVC fund focused on spinouts
- On the crowdfunding point: that was a nightmare
- We've shown that you can put crowdfunding together with institutional funding
- Crowdfunding is much better suited to social enterprises
- There appear to be inherent problems with pairing the two

Brijesh:

- I think it's great democratising finance
- You want as many people out there as possible and at the smaller end of the scale, friends/family/fools are really important
- People used to think that doing business with a university is a nightmare
- The only thing about crowdfunding is valuation – the less sophisticated an investor, the more inclined they are to overvalue a company

Anne:

- some models are interesting, like angel-led syndicates

Comment: crowdfunding can also be used to raise your profile with end-users

Question: seen a lot of increase in foreign investors interested in UVFs particularly from China and across Asia and from Canada, especially since Brexit

Anne:

- we have so many come through the door and often we don't manage to connect
- There is a limit to how many investors I can keep in my head

Brijesh:

- there are a lot of Chinese investors and representatives when I was at Oxford
- At Mercia we have people approach us to invest in later-stage spinouts
- There are a lot of orgs *claiming* to introduce you to Chinese money
- Oxentia has expanded into China to connect with Chinese investors

Gregg:

- investment has been tanking since Brexit, life sciences seems to be the exception
- The Tories' manifesto makes no sense: you can't claim to support innovation but cut down on immigration and place a cost on immigrants working for a UK company – “that will gut us”