

The most active pre-seed investor in Europe, a profile of SFC Capital

In the ever-growing investment landscape, funds are multiplying and diversifying, and for startups there is more to raising investment than the money and the media moment. With #QVCS Maddyness profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today we hear from Stephen Page, CEO at SFC Capital.

Having been a serial exited entrepreneur in the software industry for 30 years I wanted to pass on my experience into startups and so created Startup Funding Club as an angel club.

It started out as a group of business angels that would meet up and invest in incredible companies. We ran pitch events at Home House and started to find exciting companies including Onfido which was an investment I made in 2013. Helping them through advice as a director and services through our incubation process.

In 2013 we decided to launch our own SEIS fund and were only the second SEIS fund to be launched at the time. Since then, SFC Capital has become the most active pre-seed investor in Europe and provided some incredible companies

with their first funding outside friends and family. Most notably, we were the first investors into Onfido, the fintech giant that was recently ranked 32 in The Sunday Times' Tech Track list of the 100 fastest-growing UK private tech companies over the past three years.

At a time when 71 per cent of SEIS investment goes to startups in London and the South East, we pride ourselves on our track record of investing all across the UK, which earlier this year led to us becoming one of the first investors to receive a commitment from British Business Investment (part of the British Business Bank) as part of its Regional Angels Programme – £10M to invest in early-stage companies in the region. We have been able to continue investing in promising UK companies throughout the COVID-19 crisis, making more than 30 investments in the first half of 2020 alone, and on track to make another 30 throughout the rest of the year.

Which industries are you working in?

SFC Capital is sector-agnostic, investing in everything from AI to beauty startups – fundamentally, if a founder has a great idea, and can prove both that there is sufficient demand for their product and that they have a viable plan for capitalising on that demand, we're interested in hearing from them. This approach has meant we've built a diverse portfolio, which in turn helps mitigate risk for investors – particularly during periods of economic uncertainty. That said, at the moment we are very interested in tech companies, especially those looking at AI, healthtech, fintech, AR/VR, IoT and B2B SaaS businesses.

What do you look for in a founder?

At the stage that we come across companies, they are often pretty much just the founder. They very rarely have a market-ready product – we're looking at an idea. As such, it's vital that we have faith in the founder's ability to deliver on their vision, and confidence that they will build a good team and listen to them and their advisors, and that they are aware of their weaknesses. A founder always needs to be looking for people whose skills complement their own. I also look to see if they understand the scale of the challenge they are about to embark on. Being a founder is not an easy job, and requires you to give up the comforts of today with the hope that you'll be paid back in the future.

If they display this resilience, I will always be more

interested in investing in them.

Can you talk about your current portfolio?

We have well over 200 companies in our portfolio, so unfortunately I can't talk about them all! Our most recent investments however, have included biomedical company Novai, which has developed an AI system that can detect degenerative eye diseases much earlier than current methods; GitLive, a collaboration tool for developers; and Condense Reality, an AR/VR company that has developed a new way of capturing and streaming 3D video to transform the at-home viewing experience of live sport.

A number of companies in our portfolio have flourished in spite of the economic impact of the pandemic. Northern Irish flower delivery company Bloom Magic is one such example – when Ireland went into lockdown, it became the number one florist in Ireland almost overnight. The likes of Mayku – the company behind tabletop forming machine FormBox – Superfood Bakery, Swytch Bikes and Nimble Babies have all seen exceptional sales growth through the crisis.

Overall, we have seen that there are still great companies starting up across many different industries, despite the setbacks many people have faced this year.

With the right founders at the helm there is no reason this has to change.

How has COVID-19 changed the way you operate?

There have been some obvious and unavoidable changes – transitioning to virtual meetings with founders, for example, and carrying out due diligence entirely online – but our sector-agnosticism and focus on companies at the SEIS and EIS levels have meant we haven't had to make any significant strategic

shifts, and our dealflow has been largely unaffected.

What does the future look like? New trends/technologies, changes in the global/local economic landscape?

Changes to the way we live and work that were set to be slow-burning trends over the next 10 years or more have clearly been accelerated by the pandemic, with a significant impact on the direction of investment and innovation. Clearly any startups using technology to make remote working and collaboration among distributed co-workers more productive is going to be of interest. As well as this, changes in the way healthcare is delivered – from automating repetitive tasks to enabling remote access to treatment for patients – are going to be very interesting. This will help reduce the burden on front line staff, helping them be more efficient, and improve patient outcomes.

On top of this, I think we can all see that environmental, social, and governance (ESG) responsibilities are becoming more and more of an everyday issue. This means that companies will begin to put ESG more front and centre in their proposals, which in turn will lead to more innovation in this space.

Whether this is creating more sustainable materials, food substitutes, or improving energy efficiency, technology will be at the forefront as we recognise the importance of ESG values across all walks of life.

What makes SFC Capital different?

As the most experienced and active investors at the SEIS level, we really know and understand the risks that angel investors take when they invest in a company. By creating a strong angel network – which was recognised as Syndicate of the Year at the UKBAA Awards and Growth Investor Awards in 2016 and 2017 – and combining this with our own funds, we have been able to create a very strong and diverse portfolio that benefits everybody. This has also come with our focus on regional businesses as well as diverse founders.

Our track record of success has cemented our status as a market leader when it comes to pre-seed and seed investment, with more than £50M committed to more than 200 companies over the past eight years, and 80 per cent of those companies still trading. Within that, there are also the standout investments such as Onfido, Cognism and Humanising Autonomy.

Finally, our unique partnerships with key industry players gives us an incredible ability to help early-stage companies. For example, our partnership with the BBI and its Regional Angels Programme means we have been able to invest £30M into regional startups across all sectors.

What one piece of advice would you give founders?

I believe the most important point to remind founders of is that they can take their time and build the best team they can. There is nothing worse than making a quick decision that turns out to be wrong. Take your time in picking the right investors that will provide value to you and your company, and take your time in building your team, identifying people with complementary skills that won't just be "yes people" to you the whole time. The key to success is having a great team.

Article by STEPHEN PAGE