

Activist venture investors, a portrait of Concentric

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. We spoke to Denis Shafranik and Kjartan Rist, Founding Partners at Concentric.

Concentric invests into companies that are using software to solve real problems in traditional sectors, by automating these sectors and making them more efficient. Our focus currently spans financial services, insurance, logistics, real estate, mobility and industrials, however we're continuously learning and will broaden our investment thesis to new sectors where tech innovation is happening, when we feel that we can make a positive difference.

What do you look for in a founder?

Resilience is probably number one, particularly post-Covid, with all the challenges and unpredictability that startups are facing at the moment. Founders must be able to handle setbacks, think clearly under pressure and remain positive even under the most difficult circumstances.

Boundless energy and motivation are also vital, as is an unflinching vision of what they want to achieve, and the ability to bring others along with them, be that investors, employees, or partners. However, we also want to see humility and a willingness to learn and take advice. Honesty is also key, so that we can have frank conversations and issues can be addressed in the most effective way possible.

It is impossible to find the 'perfect founder', which is why we tend to prefer investing in co-founders or founding teams, over individual entrepreneurs. Having said that, there are of course exceptions, where a single founder can be successful if surrounded by the right team and partners.

Finally, we need to know that we can build a long-term relationship with a founder or founding team, so personal chemistry, mutual respect and shared vision have to be there. Venture requires patience, so we need to know that we can work together for the next five or more years until we exit the business.

Can you talk about your current portfolio?

Early-stage businesses have historically been underserved by the VC market in Europe and we're on a mission to change that. Concentric invests in early-stage tech businesses – seed+ through to Series B – across Europe. We currently have 21 investments, spanning insurtech, fintech, proptech, marketplaces and beyond. Around 80% of our portfolio has reached break-even or raised follow-on capital.

Superscript – formerly Digital Risks – the business insurance provider, which has seen considerable growth over the last 18 months and has just raised a further £8.5M, bringing its total raised to over £20M.

Home Hero, which is creating a new category called 'Home as a Service', helping people to manage every aspect of their homes, using world-class technology. The business has also seen rapid growth since we participated in its Seed round in 2018.

Co-working space, Huckletree, which now has eight offices across London, Dublin, Manchester and Oslo. By focusing on adding value to its members, rather than expanding its square footage, it has managed to grow sustainably, unlike some of its competitors.

Luxury ride-hailing app, Wheely, which is now operating in London, Paris, St Petersburg and Moscow, raised a \$15M Series B round in 2019, and has

seen impressive growth, despite the pandemic.

What makes Concentric different?

We are 'activist venture investors' because we are not afraid to get our hands dirty and get involved wherever we can be useful. Typically, we invest at a very delicate stage of a company's life cycle, when they are just beginning to commercialise and are looking to scale up aggressively. There is no room for error and consequently our companies require a lot of support - from general strategic input, to hiring, business development and assistance with legal and financial matters. We find helping to put together the equity story and ensuring it is delivered on to be the most useful guidance we can provide. However, we have been integral in placing senior hires for a number of our companies too. It isn't unusual for us to spend time working in our portfolio companies' offices and, when we aren't there, we are always at the end of the phone, to brainstorm issues with them. We are also always looking for ways to bring our portfolio companies together, like we did with Huckletree and Public in order to launch the world's first govtech dedicated accelerator and co-working space, right in the heart of Westminster.

How has COVID-19 changed the way you operate?

COVID-19 has impacted the majority of our portfolio companies, so it has been all hands to the pump to support them through the crisis. It's at times like this when our activist approach comes into its own, ensuring we're on the end of the phone to offer advice, contacts and practical help in any way we can. The current climate has led to very focused, fast decision-making, which has been refreshing. It has also reinforced our belief in the importance of focusing on business fundamentals, profitability and resilience, rather than rapid growth and high valuations, which often become unsustainable, particularly at times like this.

Under normal circumstances, we spend a lot of time travelling around the world for meetings, so without this we've had more time to focus on our core business. It has helped us to see where we normally waste time, and we've found more efficient ways of working as a result; we held our annual investor meeting (AIM) via Zoom, for example. However, on the downside, being more deskbound has also reduces the likelihood of chance encounters that can bring opportunities and growth, so we're looking forward to getting out and about again.

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

There is a tendency to believe that we live in an innovative society, but tech entrepreneurship is the last bastion of innovation in what is otherwise a stale economy. Software's fast iteration cycles and presence in cyberspace mean that governments struggle to regulate it, and it is the best way for hyper-talented individuals to build something of value, in some cases worth billions of dollars. Therefore, those who have ambition and want to build will continue to gravitate toward this sector above all others, and they will be helped along by an acceleration of tech adoption as a result of the pandemic, particularly in corporates, traditional SMEs, and old school sectors like payments, insurance, healthcare, real estate and logistics. That's exactly what's happening with businesses like Opendoor and Chime, which have both had an amazing time during Covid.

Meanwhile, increasing amounts of capital will continue to flow into venture, providing the funds, the skills and the network that these young businesses need to grow. However, the amounts of capital available mean there is also a long running trend of 'commoditisation' of the sector, and a narrowing of the gap with private equity. This will lead to more focus on market opportunity, rather than pure tech, as well as profitability over a cycle and valuations. Softbank's Vision Fund was the bellwether in this regard, with their approach to valuing companies on future cashflow.

What one piece of advice would you give founders?

A lot of founders put up a façade and pretend they know everything, or keep potential issues or weaknesses under wraps, particularly post-investment. However, you'll get more value from your investors and other board members if you're open about your concerns, weaknesses and aren't afraid to say you 'don't know', particularly as the business grows. The best thing for the business is to know where the gaps are, so we can help plug them.