

University spin-outs and the best of UK R&D, a profile of Parkwalk Advisors

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 interview Moray Wright, cofounder and CEO of Parkwalk Advisors.

Prior to starting Parkwalk Advisors in 2009, my career from the 1980s to the late 2000s featured stops at corporate broker Hoare Govett, investment bank JPMorgan, broker Lazard Capital Markets, and financial services group Mirabaud & Cie. Alastair Kilgour, our CIO, and I then established Parkwalk in the aftermath of the last financial crisis, to invest in university spin-out companies.

We believed the technology that was emanating from universities, which was often undervalued, would help solve the many challenges we see in key areas around the globe. Additionally, our view was that the value in deep-tech was somewhat misunderstood – and that that, in parallel to the government

supporting a re-balancing of the UK economy, would lead to a thriving asset class. We now have £320M of assets under management, and have invested in 131 companies over the last decade or so. We've also achieved 35 exits to date, which have generated an IRR above 20 per cent for our investors.

Which industries are you working in?

We invest in the fruits of UK R&D, so we tend to be in areas that have been funded for many years by the HEFCE (Higher Education Funding Council for England) and now UKRI (UK Research and Innovation). This means we are investing in areas such as artificial intelligence, quantum computing and communication, genomics, personalised medicine, food and water security, mobility, old age, and cleantech. All of these sectors appear to be becoming more and more relevant to investors globally as we deal with the issues of the current pandemic and climate change. Advances in AI and genomics are especially relevant today, as they're seemingly leading towards better decision-making and rapid progress towards Covid treatments and vaccines that are highly effective.

What do you look for in a founder?

We look for a founder who is passionate but also considers: they need to know their strengths and weaknesses and utilise that knowledge. They also need to understand the value-add other stakeholders are able to bring, and listen to advice from all quarters. We like to be able to understand their motivation. Patience can also play a role here; high-tech innovation can take many years to develop, so the ability to hold a long-term view on a market is key.

Can you talk about your current portfolio?

We have companies across the curve of maturities, from seed through to market-listed. We are also sector-agnostic, as highlighted above. We are looking for commercial success across any tech sub-sector. Maybe 15 of them are in the "scaleup" category now, where their tech is largely ready and they are beginning to commercialise internationally. These all have valuations above £100M now, and are looking to expand nationally or internationally, go into mass production, or perhaps make acquisitions.

Some of our portfolio companies include:

Congenica, a spin-out from the Sanger Institute that has created software to

analyse, interpret, and report genetic and clinical data that can help diagnose diseases and develop prognoses and treatment options. This has been especially useful as it's led to designing a COVID-19 Clinical Decision Support module for its data platform.

Mind Foundry, an Oxford University spin-out that has built an AI and Machine Learning platform designed to digitally transform businesses by learning about and understanding them to help teams ultimately make better decisions.

Symetrica, a University of Southampton spin-out that specialises in the detection and identification of radioisotopes for security applications. They've worked with government agencies and contractors to design, develop, and deploy detection equipment for law enforcement personnel, customs and border protection officers, emergency responders, and more.

How has COVID-19 changed the way you operate?

The WFH aspect has worked just fine for Parkwalk as a team. We hold regular investment committee meetings, and in fact seem more productive in our home working environments. Meeting companies has been harder, though, with video conferencing being satisfactory but not always ideal – I think you miss some subtle nuances when not meeting in person. It has also made some aspects of DD more complex or time consuming.

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

I think we've seen some pre-existing trends accelerate markedly. Obvious among those are the moves to online and changes in behaviour, but some of the trends we have seen are increases in the use of AI to predict behaviour across various industries, the increased importance of genetics and personalised medicine, and a genuine understanding that 'net-zero' is no longer a "nice to have" but a necessity. Because of this, we are seeing increased government support and larger investment groups looking at smaller investments that may become the industry champions of tomorrow.

Why is supporting the UK's R&D businesses crucial to the country becoming a science superpower?

As we've seen in the past, technology developed in the UK would sometimes find its way to other countries with deeper pockets. Thus, preventing this from happening is crucial to the UK becoming a global leader in this area. It's now great to hear that the Government is increasing its spend on R&D to £22B per annum from 2024, which is more than double the amount spent a few years ago. That will lead to more novel discoveries and inventions that will be patentable with freedom to operate that should offer investors the opportunity to create new global champions in the industries of the future.

Are there any industries or companies that you see as being fundamental in enabling the UK government's future vision of the economy?

With four of the world's top ten universities based here, we have some global "centres of excellence" in R&D. This leads to some of the best talent in the world conducting their research here, and our universities provide the tools for that research to commercialise. For the UK to recover and prosper after the pandemic and Brexit, we must re-balance the economy away from a majority service-based economy. To that end, I believe some of our companies have the chance to be world leaders in fields such as genomics, quantum, advanced materials, therapeutics, AI/ML, and cleantech.

What makes Parkwalk Advisors different?

We are one of the few funds that specialise in UK university spin-outs, and we manage a series of early-stage seed funds with the universities of Cambridge, Oxford, Bristol, and Imperial College that offer our investors access to the commercial output of some of the highest-ranked research in the world. We've had some great successes over the years, and our portfolio really speaks for itself.

