

Challenging what great looks like, a profile of Kindred 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 Kindred Capital.

Kindred launched its first fund in 2015 with a mission to create the venture firm we would have wanted to work with when we were running startups ourselves. It was founded by four ex-operators who had been investing together, either in funds or as angels, for a couple of years. We make high conviction investments in early stage mission-driven founders, primarily based in the UK. We backed 29 companies from our first fund and we recently closed our second fund, another £80M fund and we're sticking to the same strategy. The team has just welcomed a new General Partner, so we have a partnership of five and a total team of 10.

Which industries are you working in?

We're a sector agnostic fund so we look at all kinds of companies. What really catches our attention is an impressive team tackling a problem that they're passionate about working to solve over the next 10+ years. If I had to pick a few areas of interest, we have recently been looking at companies in the mobility and transportation space, the future of work, fintech, health and biotech, security and privacy, and infrastructure and dev tools. But our portfolio companies range from a B2C company changing the way the world deals with death (Farewill) to industrial water purification technology (Puraffinity), so it's quite diverse and fuelled by mission-driven founders.

What do you look for in a founder?

Early Stage venture is all about exceptional people. Our investment thesis is very much founder-led versus sector led. We always invest at the pre-seed or seed stage, and look for mission-driven founders who have an almost irrational hubris to them, and ambition levels that underpin their belief that they can genuinely change the way the world works with their technology. Most of the founders we back have struggled personally with the problem that they're setting out to solve, and there is a very deep-rooted belief that their solution *must* exist in the world. They want to build game-changing outcomes.

Can you talk about your current portfolio?

We have a diverse portfolio of over 70 founders across Fund I and Fund II, including both founders who left school to start their first profitable business at 16, and world-leading expert PhDs building deep tech companies - the people really are exceptional. Our portfolio covers sectors from biotech to construction tech to fintech. The majority of our companies are still at the Seed and Series A stage, with a handful of exciting companies moving fast through the later growth stages. You might be most familiar with the likes of Paddle, Farewill, FiveAI.

How has COVID-19 changed the way you operate?

Initially we did what everyone else did, which was to shift everything to video calls overnight. We then took a first principles approach to the way in which we

do business, making some changes that we think will last even when the nexus shifts back to the office (which for us, it will).

We didn't stop investing throughout the Spring lockdown, and we comfortably made 3 investments without meeting the founders in person. Though we tend to have more meetings to get to know founders and we have revamped the working session, which is the final stage of our investment process. It's hard to understand team dynamics and really collaborate to solve a problem on a 2D screen. But we're confident that the bar is set as high as ever.

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

The short version is that we're bullish on tech in Europe. The market proved itself robust throughout 2020 and perhaps surprisingly, grew on many levels. Seed stage investment in Europe is coming of age, with early stage capital deployment in Europe exceeding the US and Asia. We feel we're really in the right place, with the UK remaining the capital of Europe's startup activity. However, we're increasingly aware of the need for speed in investing in startups. The combination of the increase in funds available to invest, increased competition, a maturing ecosystem and more sophisticated founders means that deals are going to continue closing in a matter of days, rather than weeks.

In terms of technologies, the pandemic has accelerated existing trends in many ways, increasing digitisation across both consumers and enterprises (e.g. e-commerce penetration, SaaS company valuations). But we're early stage investors so we try to look 10 years ahead and try not to get too distracted by trends.

What makes Kindred Capital different?

As we invest in tech companies that are transforming and building markets, it's our job to constantly challenge what great looks like. In founding Kindred, the team took the opportunity to create a value-system that we believed in, work with people who inspire and challenge us, and set an example that we are truly proud of. A couple of things that stand out:

We continue to be the only VC in Europe to have adopted an 'equitable venture' model, where each founding team we invest in receives a share of carry in the fund. Each founder becomes a partner in Kindred and therefore an

investor in each other's companies, and from this we have built a large community of partners who are not just connected, but rewarded for supporting one another.

Our team. We're diverse, ex-operators, and we have a somewhat unique structure that enables us to make fast, high-conviction decisions. We're a partner-only investment team and an equal partnership. We're a small team by design, leaning on our impressive network of ecosystem leaders as advisors who support our companies with their network and experience.

We put funds behind developing our founders as leaders. We are underwriting external coaching for new CEOs, run ongoing Founder Forums (founder circles) and connect our founders, who may well be leading companies for the first time, with mentors.

What one piece of advice would you give founders?

Make a plan to look after your own health, deal with stress, and manage relationships outside of work. Find people you feel comfortable sharing challenges with, find investors who accept that your mental health is important, and build a network of founders around you. It's especially important right now with the added pressures of Covid. A founder's drive and urgency is impressive, but founders need to lead their companies in a sustainable way.