

Value add to entrepreneurs and investors, a portrait of Isomer 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 speak to Isomer Capital.

Isomer Capital was founded in 2015 by a team of technology operators, entrepreneurs and investors, with a mission to help Europe's entrepreneurs build the next generation of digital businesses. Isomer is a private investment firm focused exclusively on European Venture Capital, backing technology-enabled entrepreneurs through primary and secondary investments, in both venture capital funds and company co-investments.

Today the firm operates a hybrid fund of funds, co-investment and single-investor mandate strategies. At the centre of the digital innovation universe is the entrepreneur – so everything Isomer does is focused on delivering the financial and business development support entrepreneurs need to build and scale great tech-enabled businesses.

Which industries are you working in?

Years ago most investors thought about 'technology' as a sector. However, today it is clear that digital technology is a core part of every sector. As such, we work across nearly every industry from traditional ICT and telecoms, to finance, health, manufacturing, education, FMCG, etc. Wherever there is inefficiency, fragmentation, or new possibilities opened by new technology innovation, we see entrepreneurs developing their ideas into products to reimagine old industries, and to invent new ones.

What do you look for in a founder?

We back a range of new ideas and businesses through our VC partners, who are usually the first professional investors into high-growth companies. Through them we learn about the businesses and founding teams that we may go on to invest in directly. So when speaking with founders we seek to understand their vision (what does the future you are trying to build look like?), their motivation (why are you doing this?), their target market (who wants this product/service you are offering?), and their traction to date (how is it going, and can we help in the next stage of growth?).

Can you talk about your current portfolio?

Our portfolio is very broad with more than 1,000 underlying companies across 34 countries. Companies range from the classic 'two people in a garage' startup, up to the 11 companies that have achieved 'unicorn' status. To date, our portfolio includes 6 IPOs, including Darktrace, Deliveroo and Acast, and more that will list soon.

We are invested in 40 European VC funds, diversified across Europe by geography, sector, vintage year, and investment thesis, and united by their common mission to invest the first professional capital into Europe's highest potential digital innovators. Some notable examples include Hoxton Ventures, Seedcamp, Kindred Capital, Future Positive Capital, Entrepreneur First, and Hardware Club.

The portfolio is predominantly B2B in nature, however it also includes well-known consumer focused businesses, a strong group of marketplace models, and some new innovations and big ideas enabled by advances in deep tech computer science and cryptography. One surprising fact about the portfolio is that the risk, as measured by capital loss ratio, is far lower than expected, or

than long-term statistical analysis would predict. It appears that today's entrepreneur is doing more with less, that companies can be built and survive longer on smaller amounts of capital, and that European tech has found a successful and routine methods of commercialising its innovative ideas.

How has COVID-19 changed the way you operate?

As a technology investment firm we were already well equipped to work remotely, so the only significant change we experienced came from not being able to spend in-person time with existing and prospective investment partners. In a relationship business, in-person time is critical. The lack of travel and ability to meet led to some adaptations in our research and investment processes, most notably declining some opportunities we believed could be great, but which COVID constraints meant we could not build a strong enough knowledge base to make a fully informed investment decision. All that said, COVID has been an accelerating effect in our markets generally so whilst we regret missing some great opportunities, our deal pipelines are broader than ever and accelerating.

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

This is too big a question to answer here! Our investment partners are inventing the future every day, too many ideas and technologies are coming to market to mention. One thing we are certain about is that no industry is untouched by digital innovation – which presents both a threat and an opportunity for businesses. Customers expect more, better, faster, and cheaper solutions every year, and profits will go to firms who can innovate and deliver. To take a concrete example, one area we have been working on recently is Crypto investing – not the currencies but the digital scarcity and smart contract

innovations that are driving a new open economy.

*Do you know your DeFi from your DAOs and NFTs?
We are investing into these now to access the next
disruption evolution early.*

What makes Isomer different?

As an independent, focused firm, Isomer is one of very few able to bring institutional capital and a rigorous approach to the front lines of digital entrepreneurship. Unlike asset managers, banks and other multi-asset groups we do not seek to index or dabble in the venture capital market, rather we seek to focus exclusively on the highest potential segment of early stage investing. This strategy has historically generated some of the highest performance of all major asset classes, however it is challenging, requiring local, insider, rapidly evolving and resource-intensive expertise. And just as Isomer seeks to help entrepreneurs, it is also a value-add partner to investors from around the world seeking the many benefits of exposure to European tech innovation.

What one piece of advice would you give founders?

Try to select your investment partners with the same care and attention you use to select key team members. Having the right group around the table can empower your speed and success, and it does not always mean the highest bidder is best!