Real innovation, strong execution and the launch of Fund III, a profile of Claret 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 interview David Bateman, Managing Partner at Claret Capital.

The idea of lending to fast growing technology companies was born in Silicon Valley in the 1990s. My cofounder, Johan Kampe, and I both came out of different US based tech lenders and have been working together since 2005, lending to European tech and life sciences companies. We set up what is now Claret Capital in partnership with Harbert Management Corporation in 2013. After two successful funds with Harbert, we bought Harbert out in the midst of COVID in October 2020 and launched Claret Capital Fund III then. We have just closed on €297M for *Claret III*.

Which industries are you working in?

We lend to innovative companies in a range of sectors, with the main ones being software, electronics, Internet based business models, e-commerce, clean tech, as well as life sciences (principally diagnostics and medical devices).

What do you look for in a founder?

Capital discipline, resilience and adaptability.

Can you talk about your current portfolio?

Certainly, where would you like to start? We have over 100 portfolio companies, including several unicorns (Job & Talent, Wefox) and also Series A businesses (Altratech). We do a wide range of deal sizes, and often what we like most is following companies as they grow through several rounds of investment. We can discuss numerous stories from the portfolio, including organic growth deals, acquisition finance deals and public companies that we financed.

How has COVID-19 changed the way you operate?

We figured out how to invest over Zoom, which as we invest at later stage was easier for us than others. We are back travelling again now, although not as much as before. Like many firms, we are strengthening our channels and raising our profile again post-pandemic. But we were generally fortunate in COVID, for which we are thankful.

What does the future look like?

The immediate future for many entrepreneurs involves almost certainly a lot of restructuring, cost cutting and adjustment to new valuation expectations. We have seen these cycles before in 2002 and 2009 and this looks similar, but also different. Technology is a much larger part of the landscape now than it was in prior cycles, which brings additional opportunities. Large tech corporates will shrink their workforces; this liberates talent that otherwise might not take risks. Companies with innovative products and services can still launch them at lower overall cost; market entry barriers in many industries remain low. Consolidation will eventually restore pricing power to entrepreneurial companies, just as it did in 2006 and 2013. Real innovation and strong execution will still bring a reward, although a bit more patience might be required.

What makes Claret Capital different?

We provide term debt facilities with modest equity kickers as opposed to straight equity financing. As a result we dilute founders and early investors a lot less than equity, especially in a tough financing market. We are not right for every business and situation, but in the right situation we can help companies traverse this next 12-18 months and come out stronger.

What one piece of advice would you give founders?

People invest in innovation because it can provide a stream of profits in future. Focus on pricing power and proving your business has it. If you can demonstrate that over a good length of time, you will find both investors and an exit.

David Bateman, Managing Partner at *Claret Capital*.

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