

Approachability, investment and commitment, a profile of Playfair 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 Chris Smith, Managing Partner at Playfair Capital.

I started my career as a lawyer, a route I choose without too much thought because it seemed like a sensible thing to do and everybody told me it was a sensible thing to do! The trouble was, from almost the first day in that world, I realised it wasn't going to make me happy. During almost a decade of private equity and M&A deals, I was pretending to be someone else – the suit and game face went on when I left home in the morning and only came off when I got home (normally at 2am).

Of course, not *everything* was bad about being a lawyer and I learnt a huge amount about getting deals done and, during the financial crisis in 2008, how

to navigate through moments of acute company distress. It also allowed me to fund my entry into the angel investing world in 2007 following a secondment to Silicon Valley, which amounted to 15 investments with 5 exits so far.

Escaping law in 2013, I took a leap of faith and moved to the Isle of Man to join a family office. It ended up being transformational. The CEO gave me a huge amount of responsibility, building and running a sales team for two years and then taking charge of a 20 FTE tech team for the next three years. The company, plan.com, grew to 100 people and revenues of £60M in that time. Perhaps most importantly I stopped pretending to be somebody else and became myself at work as well as at home.

I joined [Playfair](http://playfair.com) in 2018. My girlfriend, now wife, was leaving the Isle of Man to study in London and after 5 years I was looking for a new challenge. VC seemed to combine everything I love doing – building (I founded a telecoms company at university), investing and being part of the journey with founders. It felt like an instant match with the Playfair team. Being Managing Partner is the best job I could ever imagine having and working with my team and founders an absolute privilege. I half joke they'll have to carry me out of here in a box!

Which industries are you working in?

We're a deliberately generalist fund so with a few exceptions we look at any tech companies so long as they are early enough (pre-seed/seed). Our overarching view is that founders are best placed to tell us what we should be looking at. That said, the investments I have made, and where my current interest lies, would be across a few areas.

First, verticalised SaaS, which captures those companies building SaaS solutions for specific industries. Examples would be Aerocloud for airport management and Nory in the hospitality space.

Second, health, which for me means digital health and not medical devices or biotech/wet lab stuff. More specifically, this is companies that solve big problems in health through the collation and management of large amounts of data. For example, uMed is solving the challenge of gathering patients and evidence for clinical trials.

Third, transportation and logistics. There is still so much to do here to figure out how we move people and goods more safely and efficiently. [Orca AI](http://orca.ai) is a pioneer making shipping safer and building the global standard for autonomous ships.

What do you look for in a founder?

Before answering, it's worth mentioning that every year we see 3,000+ decks and fund 6 – 8 companies. That's a 1 in 375 chance of getting funded. Or seen another way a 0.26% conversion rate from first meeting to a completed investment.

This is important context, because I am not looking for good founders, but those that are the best in the world at what they are doing. This is what is required to build a venture scale company. How we assess this is, of course, hard to explain in a few lines and people have written books about the topic.

But I'd start with high energy levels that convey a passion for what they are building and the drive to scale aggressively and carry them through the inevitable difficult times. The ability to very clearly explain what they are building and why this matters is important too – if you can't sell your vision to us as investors, it will be hard to sell it to prospective employees and customers. And then I would be looking at experience and expertise, which depending on the company might emphasise academic qualifications around specific technical skills or time spent working in the industry they are seeking to disrupt.

Can you talk about your current portfolio?

Sure! Actually, I got a bit carried away earlier and have already been talking about plenty of them! What I will say is that we are pleased to have over 30% of our companies having a woman cofounder in Fund II (compared to a market average of 10%). This is an increase from Fund I and an area we continue to work on. Our *Female Founder Office Hours* event will shortly be launching an eighth edition and we are proud members of the *Investing in Women Code*.

How has COVID-19 changed the way you operate?

We were very fortunate during the pandemic as we could keep working from home and continued investing at about the same pace. The main impact was relatively minor, but it felt like we were having less fun at work. We figured out it was because we were not spending enough time together and celebrating our small wins. As a result, we have a hybrid model now that works great – Tuesday and Wednesday are core days when everybody is in and each of us

picks a third day to be in the office. The other two can be remote from wherever you like. We also try to keep Wednesday free of external meetings – there is no point coming into the office just to sit on video calls.

Despite being back in the office three days a week, I'd say there are still less face-to-face meetings. It's slowly coming back, but I'm not sure the days of racing all over London to have coffees will ever be at quite the `same level. For founders, this is a quite a big shift as most pitches and subsequent calls until the later stages tend to be over video. That's a different skill to perfect compared to in person.

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

Bright! I'm as bullish as ever about the prospect for tech and the early stage investment market has continued to function well despite the recent macro economic turmoil and the challenging conditions facing growth funds. We've continued to write cheques this year and did not see any reason to panic.

In terms of trends, there are a bunch, some of which I talked about above with vSaaS, health and transportation. One big macro trend is that it's going to be impossible for companies to compete if they continue to rely on legacy tech stacks backed up by expensive maintenance contracts and multi-million dollar consulting bills. This is resulting in a shift to nimble, cloud native software across every industry sector imaginable and will see an increasing number of new partnerships and acquisitions by larger companies to stay competitive.

What makes Playfair Capital different?

I spend a lot of time reading what founders write about us in our own feedback surveys and on [Landscape](#). From that, it seems they value our approachability, they feel that we care about them, we try to and mostly do offer helpful advice and support, and we're decent human beings. I think that's a good summary.

From a practical point of view, we are one of only a few early stage funds that is intentionally low volume, doing 6 – 8 investments a year. We go deep on each company we look at, build conviction and then support the founders as much as they need to build a sustainable company and get to the next round. We're not trying to index the market and be a passive member of a startup cap table – to us that's actually pretty boring since we love working with our companies. It also helps that we have a sole LP and aren't distracted by

fundraising; our founders are our only focus and we are fully aligned with their timelines, able to hold investments as long as is needed to fulfil the potential of the business.

What one piece of advice would you give founders?

I'd ask a question first: do you love what you are doing? If the answer is yes, I'd encourage them to be relentless in their pursuit of success, noting that often the difference between success and failure is down to persistence. If the answer is no, or there is even slight hesitation, I'd ask them to consider if the founder journey with a business they aren't passionate about is really how they want to spend a good part of their life. We tend to glamourise being a founder, but it is incredibly tough and requires so much sacrifice that the cost can be too high unless it's driven by an overwhelming passion for the problem you are trying to solve.

Chris Smith is Managing Partner at *Playfair Capital*.

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