

Investing in inspiring Black-run companies, a profile of Black Seed

With #QVCS, Maddyness profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today, we speak to Karl Lokko, Cyril Lutterodt and Yvonne Nagawa of Black Seed.

We started Black Seed as a response to the fact that Black founders in the UK are over-mentored and underfunded. Over the past decade, only 0.24% of VC funding in the UK has gone to Black founders, and only 0.02% has gone to Black female founders. We've seen that there's plenty of mentorship and goodwill by investors towards founders within our community, but a significant lack of conviction in backing them with capital.

Cyril, our co-founder, experienced these hardships first-hand. After some fundraising success in America, he struggled to get funding for his AI-based healthtech startup once he moved back to the UK, even after joining ten of the country's top accelerators and pitching to 150 VCs. After being introduced to Karl for some networking help, we joined together – spurred on by the murder of George Floyd – with the understanding that this was a systemic problem that we needed to tackle on a wider scale.

We're now at the exciting stage where we've raised £5M of our £10M fund for Black tech founders in the UK. This is a big vote of confidence from some of Europe's leading investors, including M&G, Atomico and Saul Klein. We're really excited to be in a position to start backing amazing Black-run companies and

bring more investors on board to join our mission.

Which industries are you working in?

We back tech and tech-enabled businesses and we are sector-agnostic. However, we're particularly excited about companies developing solutions in deep tech, healthtech, B2B SaaS and fintech due to Cyril's experience in these areas. We're also interested in e-commerce, as we know that this is a big area of focus for the Black founder community.

What do you look for in a founder?

We like to say at Black Seed that we back the founder, not the wave. By this we mean that sector trends come and go, so we're focused more on the ambition and drive of the founder themselves. It's also really about the resilience of the founder. We see our investment as being a long-term commitment rather than a flash in the pan, and so we're looking for individuals who are able to face the inevitable hurdles and rejections that come with growing a business.

Beyond this, we're looking to understand how well they're equipped to develop a product for the issue that they are working to solve. Although being a second-time founder is ideal, we've seen some incredible first-time founders and we know that great ideas can come from anywhere.

Can you talk about your current portfolio?

We've just reached the first close of our fund and are really excited about being able to start investing in inspiring Black-run companies. As we've been fundraising, we've been able to work with a number of really promising startups with ambitious founders, such as Gigbridge, an application that aims to transform construction work through its staffing platform. We have a long list of companies in the pipeline and we're looking to make our first few investments over the next few months. We hope to continue to build out our portfolio over the next year.

What does the future look like?

The future is looking bright for Black founders. We're seeing more and more Black and minority-focused funds like us setting up shop across the globe, which means more capital will be reaching underrepresented founders who would otherwise go overlooked.

With the rise of funding going towards Black founders and more success stories coming out of the woodwork, we expect to see a shift in mindset amongst investors, with more recognising this as an untapped commercial opportunity – not a charity case.

However, we still have a long way to go, and this is dependent on us not taking our feet off the gas and continuing to fight for funding. We've only just seen Marshmallow become the second Black-led company in the UK to reach unicorn status. We hope that with more support, we'll see more Black-run unicorns across the globe, and we hope to be at the forefront of that wave.

What makes Black Seed different?

We've seen several funds focused on Black founders, but what makes us different is that we're Black founders ourselves. We've had similar stories to other aspiring founders and have shared their struggles. It's these experiences that fuel our work in wanting to place conviction and support behind founders who would otherwise have to keep facing these challenges on their own. We also come with varied life experiences that allow us to identify and recognise talent and potential even if it is not wrapped in the usual package.

We're also a community. We want to act as a bridge between big investors and great Black founders who too often lack the resources or network to gain

capital. Imagine being a young Black woman from Brixton with a great idea looking for funding – where do you start? That’s why we exist, and it’s why, through our community events, we’ve been bringing key institutional players, including the likes of LocalGlobe and DeepMind, to Brixton to place them directly in reach with our community in ways that many city investors wouldn’t usually do.

What one piece of advice would you give founders?

Hone in on telling your story. Ultimately, people resonate with stories, and every business is a people business – whether it’s the people that you are marketing to or those that you are partnering with to help present your vision. Working on how to articulate your own story effectively will be a huge asset along the way.

Karl Lokko is Chairman, Cyril Lutterodt is President and Yvonne Nagawa is Chief of Staff at *Black Seed*.

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