

Investment with impact in climatetech, foodtech and edtech, a profile of Nesta Impact Investments

With #QVCS, Maddy Ness profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today we interview Lisa Barclay, Executive Director of Investment at Nesta Impact Investments.

Nesta has been investing in innovation for over 20 years. We started as investors in deep tech to address the equity gap in early stage investment. Since 2012, we have been an impact investor, supporting the development of the market and proving that it is possible to deliver profit with purpose. We have just launched a new £50M strategy to back Seed and Series A ventures, and expand our venture builder Mission Studio, partnering with Founders Factory to create brand new ventures from scratch. Both investment programmes align with Nesta's three impact goals.

Which industries are you working in?

We invest primarily in climate tech, food tech and edtech. We look to both support high growth businesses to succeed commercially and deliver social/environmental impact around three goals:

Decarbonising UK households

Tackling health inequalities, starting with obesity which we want to see halved in the UK by 2030

Giving every child a fairer start: closing the education disadvantage gap

We also look to back businesses that can raise productivity for SMEs while helping progress towards net zero.

What do you look for in a founder?

We look for driven, resilient founders who have credibility in the sectors in which they operate. Given our perspective as an impact investor, we want to work with founders who have the commitment and determination to both succeed commercially and deliver social or environmental impact at scale. We seek out authenticity around mission and impact.

Can you talk about your current portfolio?

We have made over 45 impact investments in the past decade. We still hold a number of our early deeptech investments so overall our portfolio includes around 60 investments in total. Over the past decade Nesta was one of the most active edtech investors, backing for example, *Arbor*, the fastest growing cloud-based management information systems in 4,000 schools, and *BibliU* a platform that provides digital textbooks to universities and their students, providing equal access to quality content. This year, we have made our third follow-on investment in *Skin Analytics*, which is developing AI diagnostic tools to detect skin cancer, plus three new investments which reflect our focused impact goals: *Koru Kids* a tech-backed childcare platform; *Habitual Health*, the first digital-only programme which reverses Type 2 diabetes; and *Oxford Medical Products*, a biomedical business developing a “gastric balloon in a pill”.

What does the future look like?

The tech investment bubble has burst but that means now is a good time to invest. Technical progress is moving at the fastest pace for many years – AI and biotech being two areas where we see weekly breakthroughs. It’s an exciting moment.

“Impact Markets” can often be relatively insulated from the economic cycle so we think impact investment has a strong role to play in continuing to back innovation to some of our most pressing problems.

Impact investing is a vital part of the institutional investing mix and more funds should be doing it. Long term problems need long term solutions funded by patient capital that holds steady through the economic cycle. So we think it's a great moment to be an impact investor.

In terms of specifics, on climate, the solutions to deliver net zero households exist, the innovation that is needed is to make these affordable, alongside increasing supply chain capacity and expanding the workforce capable of installing such measures at scale. So, we are looking for energy as a service, heat as a service model. In health, the power of AI and data analytics can radically improve prevention and more cost effective triage, so acute care can be targeted where it is most needed.

What makes Nesta different?

Nesta brings much more than a cheque to ventures we back. We draw on the suite of skills and domain expertise that resides in teams across the Nesta organisation, to accelerate the success of our portfolio companies. We have data scientists, behavioural scientists, service designers and applied researchers who are all focused on the three 2030 impact goals we have set ourselves as an organisation: decarbonising UK households, halving obesity and narrowing the education disadvantage gap. We can also offer our portfolio companies a platform to raise their profile with key stakeholders in their sectors.

Our fund is backed by Nesta's endowment so we aren't under the same timeline pressures that other venture firms with more traditional fund structures have. We aren't rushing portfolio companies to exit. We partner with startups for the long-term and that means, despite the market conditions, we can look to the horizon that bit more and back the businesses we think will be creating the solutions we'll need in the years and decades to come.

What one piece of advice would you give founders?

You don't need to be an expert on everything. Build the best team around you to cover your bases. Inspire and motivate that team to work well together and deliver outsized returns.

Lisa Barclay, Executive Director of Investment, *Nesta Impact Investments*.

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