

Actively investing in emerging technology startups, a profile of Sony Venture Corporation

With #QVCS Maddyne profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today we interview Antonio Avitabile, Managing Director Europe at Sony Venture Corporation.

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Sony Group Corporation established Sony Innovation Fund (SIF), its corporate venture fund, in July 2016 to support Sony's "next business" development through investment in transformational technology companies across the globe. The firm now has offices in Japan, North America, Europe, and India. The startups in our portfolio range across industries, including entertainment, mobility, healthcare, finance, deep technology, and climate.

In 2019, SIF established Innovation Growth Fund (IGF), a fund operated by Innovation Growth Ventures Corporation (a joint venture with Daiwa Capital Holdings Co., Ltd.), that raised money from external LPs. We recently closed Sony Innovation Fund 3 (SIF3), a fund operated by Sony Ventures Corporation that also raised money from external LPs.

Finally, we have an early-stage impact fund Sony Innovation Fund: Environment (SIF: E) dedicated to climate investing, and we work to ensure our companies are meeting ESG standards. We recognise the importance of considering ESG issues and have adopted them in our investment process.

Today, we manage over \$500M, invest through four funds, and have around 150 portfolio companies worldwide. Of those, 20 are in Europe and Israel.

What makes Sony Ventures different from other funds?

Sony Group Corporation is well known for its TVs, cameras, and of course, the Walkman and PlayStation. We continue to make consumer-focused products, and today we are an entertainment company with a solid foundation in technology. Sony has interests and expertise in a lot of different business domains and we aim to bring this expertise to our portfolio companies to help them grow and scale.

Sony Group Corporation is engaged in some way with approximately 40% of our portfolio companies. The engagements range from selling our startups Sony products to supporting the companies with AI, UX, and design to org management and going expansion - using Sony Group Corporation's resources. We often invest in companies who look to collaborate with Sony a few years down the road, but there is no immediate need to transact on either side. Joining the Sony family shortens the time to form partnerships and figure out how to work best together, which has created the collaborative work environment we have today.

Which industries are you investing in today in the world and in the EU?

The main areas of investment are healthtech, fintech, and entertainment, but we also focus on fields such as deep tech and mobility, where Sony Group's knowledge can be utilised. We invest mainly in B2B companies, software more than hardware.

What does Sony Ventures look for in the founders and startups in the EU that you back?

We are a technology investor, so we look for strong defensibility from a technology point of view, but we care a lot about team experience and the problems the startups are trying to solve. Depending on the stage they are in, we need to see good traction and a proven product-market fit.

Can you talk about your current portfolio in the EU? Who are they and what drew you to investing in them?

Currently, 20 of our portfolio companies are in Europe and Israel. We're investing in various emerging technologies across several segments across the EU. Some examples are:

- *Eigen Technologies*: an intelligent document processing platform to enable organisations to extract and organise data
- *Scandit*: SaaS business that enables users to interact with physical items by capturing data from barcodes, text, IDs and objects to automate end-to-end processes and provide actionable insights
- *Peppy*: SaaS in digital health for online consultations in underserved segments, including men's health, menopause, etc.
- *Emperia*: Virtual reality for commerce, including art and fashion.

In all cases, we found the founding team exceptional and clear experts in their respective fields. They had already proven that there was a market for their solutions, and we could believe in their growth strategy.

What future technologies are you most interested in backing in 2023 and beyond?

We're interested in backing climatetech focused on including new ways to store energy or new material. Eventually, quantum computing will reach commercial scale and we believe things like fully homomorphic encryption and quantum-proof cryptography have the potential to transform a big part of the current privacy ecosystem. We see big potential also in the generative AI technologies applied to gaming and entertainment industries. Finally, even in the current "crypto winter" we think that we should not discount the sector as a whole and web3 will become a reality.

How have the changes in the global/local economic environment over the last year changed your investment thesis? Are you still investing?

We actively invest in emerging technology startups, but we take the long view. Economies are dynamic, so we are not too concerned - we are looking much more at the long-term potential of technologies as well as valuation multiples, cash flow management, and teams' ability to raise financing. We believe this is an excellent time for corporates to invest because we look at investing through a longer-term strategic lens and can wait longer than traditional VCs. There is a lot of talent out there, so if we can get in at lower valuations and be patient, that works well for us.

Given today's macroeconomic what's the one

piece of advice you would give founders?

We are successful because we work closely with our founders to properly manage cash, and experiment with different growth strategies. In this environment, founders should quickly recognise what works and what doesn't.

Antonio Avitabile is Managing Director Europe at *Sony Venture Corporation*.

Article by Antonio Avitabile