Panel Discussion: Is the UK Investable?

Moderator: Tim Smith, Sifted

Panelists:

- Mark Thompson, Co-founder of PsiQuantum
- Sheelpa Patel, Founder and CEO of Melbournes and Mavericks, Senior Advisory Board Member of King's Entrepreneurship Lab
- Andrew Williamson, Managing Partner, Cambridge Innovation Capital

TIM SMITH: Welcome to this panel on "Is the UK Investable?" We're going to get into some of that in a minute. We'll be asking what makes the UK an excellent place to invest in high-tech, high-growth businesses and the things that are still holding this country back when it comes to building impactful large companies.

Mark, you said on stage that you got a better reception from US investors when raising that initial $30 million round to get you going. Has that story changed today for the next quantum company, the person who's building the next really ambitious technology in the UK? What is your sense of, would that be the same today that you have to go to Silicon Valley?

MARK THOMPSON: When we looked at setting up the company, quantum computing at the time really was still very new. This was eight or going on ten years ago. Investments in quantum computing companies weren't a regular thing at the time. In terms of risk-reward appetite, that was the reception that we got from the US.

We went to this playground fund and it was specifically a hardware-focused initiative, which also at the time was quite controversial. They'd only gotten started in 2015. At the time, software was the big boom and lots of investment was going to software, but they kind of understood that time was turning and there hadn't been enough investment into hardware.

For us, you know, we went straight from the university straight into a Series A, and it had to be a big enough amount of money for us to basically leave our academic jobs behind and have enough capital that we could actually make real inroads and move quickly. And so for us, it was clear that we needed, of order ten plus million to make that happen.

Has things changed? I think quantum definitely, you know, quantum now is, people understand it more, people understand the risks more. There's a lot of investment now gone into, huge amount of investment that's going into quantum companies. So I think it's very different for the quantum landscape.

An equivalent technology, an equivalent stage of risk and development, I don't know, to be honest. I think in terms of Series A investment, I think things are bigger. I've seen it through the quantum entrepreneurship centre that we run. A lot of the Series A's are still in the few million range, but some of them are in the ten, some even bigger have happened. A lot of that is off the back of a pre-seed and a seed potentially, and the timeframes can be really drawn out. So some companies could be many years old before they get their Series A.

TIM SMITH: Andrew, you back in 2012 started investing in semiconductors from Malibu, California. Tell me how you see that it's changed. You've invested on both sides of the pond.

You've seen the different levels of risk appetite. You've seen how LPs perhaps in some different geographies react differently to riskier, earlier stage tech investments. What have you seen change?

ANDREW WILLIAMSON: I was born and raised in London and Cambridge, and when I graduated in the nineties, there was very little venture capital entrepreneurship, innovation, startups, particularly in these sort of STEM areas. So for 20 years I had a wonderful time, the European venture ecosystem really has been growing from a standing start basically around the turn of the century. So we're sort of 20-30 years behind Silicon Valley.

And what we saw was in those early years, most of the north was the investment went into the traditional sectors, so you know, enterprise SaaS and consumer and social media and fintech centred around London. So the science superpower stuff, the deep tech, the life sciences really got going about a decade ago and I think companies like PsiQuantum moving to the States was really a wake up call for everyone in the industry.

So certainly in Cambridge, if you read my book set up ten years ago, and at that point we were starting to see lots and lots of seed stage businesses, lots of academics spin out and really exciting times, technology ages. And there was a gap of investment, right, particularly at sort of this 10 million pounds type investment level, exactly what you were looking for. So I can say unequivocally we were set up to plug that gap and we have many peers who've been set up around the country with similar early stage science and tech investment models.

So my great butter is to write 10 million pounds Series A cheques into cutting edge science and technology businesses coming out of these clusters. So it is night and day, I think obviously what that's done is kicked the can down the road because the next cheque you needed, was it 500? I think in PsiQuantum quite quickly, didn't you? Right, so we're now working on that problem and the talent problem, all the other things we can come to, but certainly the early stage capital is much better than it was.

TIM SMITH: Sheelpa, some of your experience at Oxbotica. Self-driving technology is by nature a very difficult and slow technology to bring to market. How did you sense that investors over here were kind of patient enough for that when you were out there telling your story? Did people appreciate that getting a very impactful and revolutionary technology to market like that just takes time?

SHEELPA PATEL: Yeah, I think it was well understood. I think during my time at Oxbotica, while I was Chief Marketing Officer, I was with the company throughout its Series C investment grades. And at the time the majority of our investors were actually our customers. So with frontier tech such as self-driving technology, it was about proving the use cases with paying customers first. That was what was going to drive the credibility amongst investors.

So it was sort of a quite a different approach in terms of getting those anchor customers behind us, building that credibility. And that's what then led to us receiving international funds, further international funding at the time.

TIM SMITH: Mark, tell us about your experience going to the US, starting to build that team out. How did you think about who were the people you needed to keep the company going on the right track to raise that next round of investment? And what was the attitude like from those

execs, those commercial types who might have been at bigger companies for joining a riskier, earlier stage entity?

MARK THOMPSON: When people talk about the culture of Silicon Valley, people often talk about investors and their willingness to take big bets and big risks. But that culture really just pervades through everybody, through the engineers, through the executive team. And I think one of the things that we really benefited from is just the willingness of very seasoned senior executives to take a bet on a company like PsiQuantum.

Academics from the UK didn't know up from down from a business perspective, but we were able to attract some really talented top executives that taught us and led the company in the right directions. And so that willingness to take that risk at the individual contributor level, I think is also important. And yeah, obviously excellent talent from the engineering perspective, but that executive leadership really helped.

I think maybe the other contrast is the turnover of people in Silicon Valley is actually very high. I think it's only 18 months is the kind of average duration of someone's job in Silicon Valley. And maybe this goes hand in hand with people willing to take a risk. Because you could go try a company, and if it doesn't work out for you, there's another job just around the corner that's equally exciting and equally challenging. And so I think that lends people to sort of take more risk.

And there's just this culture of moving around and that moving around, it sounds horrendous that you can hire and fire people within a week's notice, but as a person, you can go and get a different job within a week's notice. And that knowledge that you gain in one company gets translated across to another company. It raises the entire tide. And I think this is one reason why that region is so successful. All the companies, whether they like it or not, are all benefiting from each other because there's constantly moving talent, both at the engineering level, but also at the executive level.

SHEELPA PATEL: Yeah, I fully agree. I think we heard earlier on the industrial strategy panel the importance of combining the right talent and skills to be able to sort of nurture the next generation of companies. And as we know, you learn more from your failures, don't you? I think there are so many challenges in the scale-up's journey, and as I said earlier, there's no formula for what's right or wrong, and we can learn from each other and just be really humble about where we've gone wrong and what we've done well.

You know, it's about imparting that knowledge and actually sort of my primary reason for joining the panel today was to sort of talk a little bit about the work that I'm also doing in Cambridge with the King's College Entrepreneurship Lab. So I've been a board member for the King's Entrepreneurship Lab for three years now. And what we've done is set out a series of initiatives at Cambridge, at King's College specifically, which is a series of initiatives designed to equip students at a very early stage, not just with the platforms and skills and mentoring, to be able to turn their ideas into investable business pitches and investment pitches, but actually teaching them these commercialization skills, teaching them these leadership skills, so above and beyond their academic curriculum, from a very early point, they're learning these challenges.

We run regular thought leadership events where successful alumni from the college and from Cambridge come and speak to the students. Anyone from Geoffrey Hinton the godfather of AI

to Hermann Hauser, for example, have all come to speak to our students to help them understand what it takes to run a successful business. And I think the earlier we can upskill the next generation of talent, the smarter they'll be going into running these businesses. And I think across Cambridge there are a number of other programmes we're seeing emerging through Cambridge Enterprise, for example, they're all dedicating to supporting this next generation of founders with very tangible skills.

TIM SMITH: Andrew, given the stellar value creation from Cambridge firms, what would you say are the key aspects of the Cambridge ecosystem that could be replicated?

ANDREW WILLIAMSON: To me it's about sort of getting to critical scale, and Mark was talking about this earlier. So Cambridge is one of the very few places in the world that I've seen - the others being Bay Area and Boston - where exactly the phenomena you described, where it's easier to take risks and you can go and you can take a risk on the job in the startup, knowing there's another one down the road. It's just about at that point, if I'm really honest about it. It's got a lot better in the last five years, obviously, AstraZeneca coming in with their global headquarters in Cambridge is really good. We're seeing Apple making a big bet, Microsoft making a big bet, BioNTech moving into Cambridge. We've got a lot of big corporations, big science parks.

So we're just about at that critical scale where it starts to be self-reinforcing. And so if I was to tie that with the previous question, if you look at sort of the golden triangle, that is a critical scale, and every investment we make, we syndicate. So I've co-invested with our peers in Oxford, our peers in Manchester, we just do that routinely now. I mean, we're all on the same team here. My biggest frustration with the Oxford Cambridge collaboration is it takes a bloody long time to get from one to the other. It's not a golden triangle, it's a golden V, because the top just doesn't work. And so if there's anyone who can do that east-west rail, please speak up.

TIM SMITH: Mark, in the context of the fact that you just invested heavily in the north of England and building a team there, are regions, tier two cities outside of the golden triangle investable? You clearly think they are. But why? And why should people be excited about what's going on outside of London and Oxford and Cambridge?

MARK THOMPSON: Yeah. So when we decided we wanted to set up an R&D activity in the UK, and we looked around the UK at various sites and various opportunities, the site in northwestern UK, we sort of stumbled across it and we didn't really know much about it as we sort of unpicked what was there. The site just really resonated with our needs at the time. And it's a Science and Technology Research Council facility. There's three of them in the UK. Its sister site is in Oxfordshire, where it sits, the national centre for computing. And for us, it was that. It was the infrastructure that really resonated with us and that we can see clearly accelerated our roadmap.

But that wasn't enough for us to be able to actually set up something significant within the UK. If we hadn't got the investment, that wouldn't have happened. And so it's that kind of combination of the right opportunity, the right skill sets, the right infrastructure, plus enough money from government to enable it, and that then allowed us to put significant more investment into that activity. So that was the combination that made it happen. If those things hadn't happened, the outcome could have been quite different.

TIM SMITH: We may have a change of government, we're certainly going to have a new parliament. Sheelpa, what would you say this next government in the UK can do to really encourage the likes of your Oxboticas to get to that next stage and go public or really become viable ongoing businesses?

SHEELPA PATEL: So I think on an earlier panel, we already discussed the introduction of the UK wealth fund, the National Wealth Fund. It being critical, but sort of investment aside, I think having the government take a lead on procuring the products and services of UK scale-ups is really critical, because that enables the UK government to be the customer of the companies that are born out of this country. And I don't think we see that enough. And I think there's a real opportunity to win on that front.

On the human side, and then coming back to our earlier points about sort of nurturing our own ecosystem, providing the right support. Yes there's grant funding, yes there's various organisations there, but sort of that tangible support from a leadership perspective and equipping founders with those commercialization skills, bringing the right international leaders here, not just to discuss AI strategy at an AI summit, but how about a leadership summit around the commercialization of science? I think this really helps.

ANDREW WILLIAMSON: I'm going to go for a slightly less tangible one. I think something that I learned from doing the spin-out review last year was I was bowled over by actually how much good stuff is going on around the country, how much innovation there is, how much entrepreneurial talent there is that I wasn't aware of. And I can't believe I wasn't aware of it, so I should have been. And I think we could do a much better job of celebrating the success that we already have. The glass is definitely half full, if not three quarters full. And I think there's a bit of a British disease of sort of navel gazing and dwelling on the negative.

So I wouldn't - I'm not looking for any subsidies, I'm not looking for a huge amount of funding. We have stability of policies to build, of regulation and just the celebration of success and the promotion of innovation and entrepreneurship, particularly science-based entrepreneurship, as something that's good for the country. I think that not many young people in this country can name the next Mark, pick out an entrepreneur who they want to emulate when they grow up. We need to be celebrating folks like yourself, putting them on a pedestal and really celebrating that. It's a sort of intangible thing, but I think that's something the government could do a lot more of.

MARK THOMPSON: I think with any sort of technical industry as it develops, it goes very broad initially, loads of startups, loads of path finding, and at some point the downside happens and out pops your Googles and your Microsofts and you open your eyes and you know that never to be down select, that happens. You get really great I think at that exploratory stage. As many people have said in lots of startups, you know, particularly I see in quantum, loads of startups all over the place. You know, we feel that now the down select is happening in quantum, Australia feels that's happening and hence the big bet that they put on us.

You know, what can the UK do to be able, what mechanisms can be put in place? Not necessarily the same thing that Australia did. But how can the UK ensure that when the down select happens that, you know, it can switch from the spray and pray approach to a focused growth of key factors and key companies to make sure that the UK economy really benefits from that?

TIM SMITH: So about directing energies sort of in a focused way.

MARK THOMPSON: Yeah, I feel that's missing.

TIM SMITH: Wonderful. Okay, we're going to end it there. Please give a big round of applause to our panel.