



# Investing in early-stage HVM gems

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[www.cir-strategy.com/events/](http://www.cir-strategy.com/events/)

# Challenges in early-stage HVM investment

## Challenges

- Capital intensity
- Lack of technical understanding required to perform due diligence
- Cost of evaluation & monitoring relative to deal size
- Manufacturing unfashionable / misunderstood

## Opportunities

- VCs and angel markets are heading in different directions
- This creates an opportunity for larger, syndicated angel investments
- Co-investment funds and tax breaks support angel investors

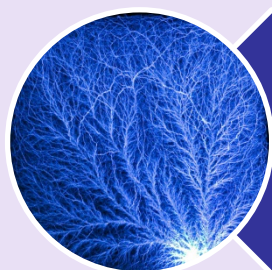


# Qi3 Accelerator staged evaluation process



## Does the business make sense?

- Credible team
- Evidence of market
- Potential to disrupt the market
- IP and other barriers
- Business Model



## Does it fit the investor's profile?

- Sector
- Skills that we can offer
- Stage of business



## What's the investment rationale?

- Amount and stages of finance
- Investment case and exit model
- Other opportunities

## Stage 1 - Qualify Lead

- Immediate fit to sectors, mode, scale of support
- Quality of lead source and team
- Outcomes: Champion assigned, pass to stage 2

## Stage 2 - Qualify Prospect

- First stage evaluation: read plan / information provided, assess gaps, ask questions
- Quality of lead, sector, development stage, finance required, potential value added, competition
- Outcomes: investment potential, support potential, identify team members for Stage 3

## Stage 3 - Technology & Market Due Diligence

- Resulting questions, our own analysis – our own or shared due diligence
- Further interaction / meetings, quality of response from potential investee
- Prepare or scrutinise / improve business plan, risk register
- Issue term sheet

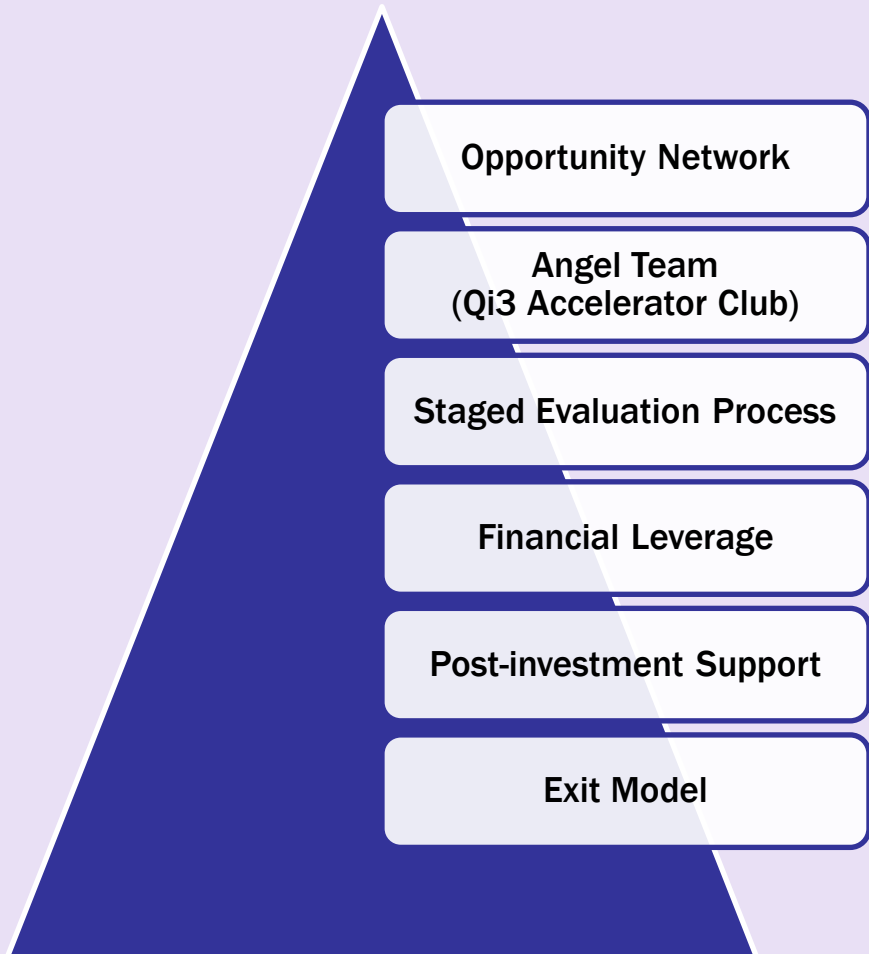
## Stage 4 - Pre-investment

- Partners, financial structure & support, heads of terms
- Formalise team and post-investment support plan & resource

## Stage 5 - Investment

## Stage 6 - Support Post-Investment

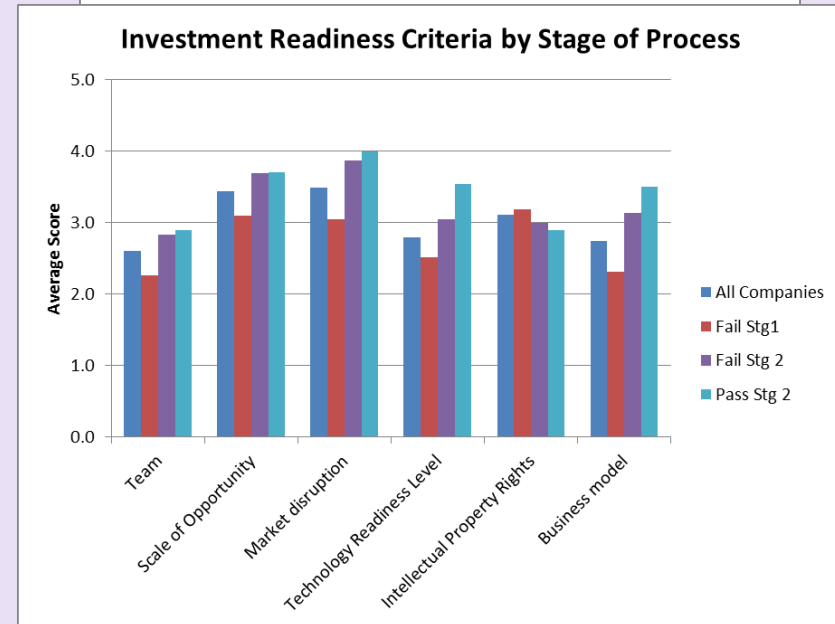
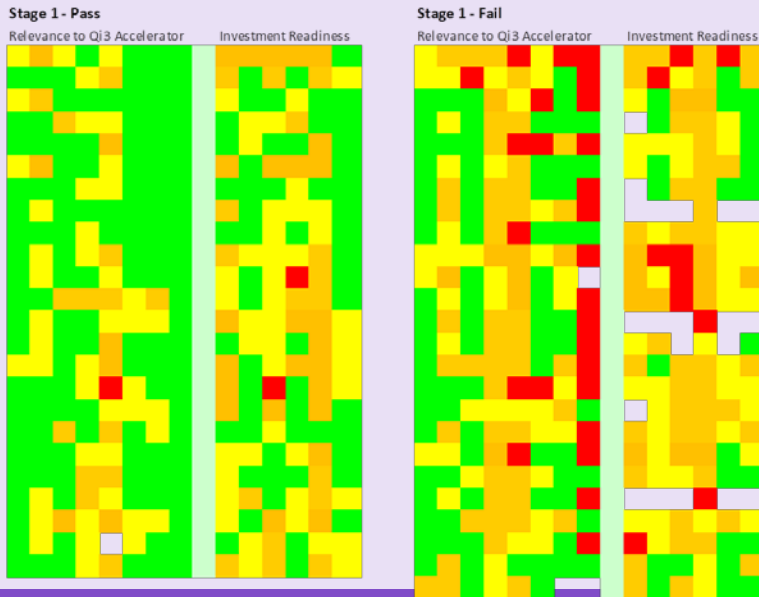
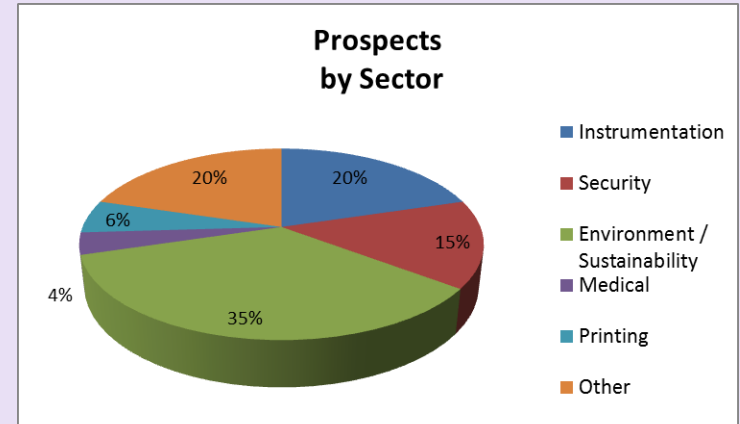
# Qi3 Accelerator – addressing the challenge



- Experienced team
- Balance of operational technology, market, investment and entrepreneurial backgrounds
- Focus on manufacturing & engineering
- Personal investors, not a fund
- Strong deal-flow
- Defined process
- Shared due diligence
- Ability to syndicate
- Ability to follow our money
- Propensity to support investee companies, not passive investors

# Lessons learned from analysis of cohort

- Over 400 leads so far, 54 analysed as a cohort
- Higher Scores
  - Scale of opportunity
  - Market disruption potential
  - Intellectual property rights
- Lower Scores
  - Team (credibility to deliver business plan)
  - Technology readiness level (be realistic)
  - Business model (learn 'lean')



# Results so far (work in progress)

- 5 early stage investments in HVM sector
  - Three being well over £1m apiece
  - Plus our >20 earlier investments prior to this model
- First UK HVM Bootcamp
- Early Stage Team of the Year 2012



# Contact Us



Read my blog at [www.qi3.co.uk/accelerator-insight](http://www.qi3.co.uk/accelerator-insight) including the series “Advice for Entrepreneurs”

Read about Qi3 Accelerator at [www.qi3accelerator.com](http://www.qi3accelerator.com)

Apply for up to £150k seed funding through our SEIS syndicate at [www.qi3.co.uk/accelerator/seis](http://www.qi3.co.uk/accelerator/seis), or up to ~£1.5m by contacting Tim, Paul or me directly.

Thanks for your attention

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