

Questions With VCs : introducing LeadBlock Partners

In the ever-growing investment landscape, funds are multiplying and diversifying, and for startups there is more to raising investment than the money and the media moment. With #QVCS Maddyness profiles different funds to give founders and entrepreneurs the information they need to choose the right investor. Today we interview David Chreng-Messembourg of LeadBlock Partners.

Temps de lecture : minute

11 March 2020

LeadBlock Partners was founded in early 2019 by a team of three seasoned industry and investment professionals, Jean-Marc Puel, David Chreng-Messembourg and Baptiste Cota. The management team has over 40 years of advisory, strategic and investing experience, together with deep understanding and wide networks across multiple industries.

Can you tell our readers where and how it all began?

To understand why and when it all started, we need to go back a couple of years to when our senior partner Jean-Marc invested in a startup developing sensors for the food industry. This is when we started discussing blockchain and distributed ledger technology (DLT) as a means to secure data. Shortly after, we initiated discussions with corporate executives from our network across multiple industries and quickly realised that with Big Data, collecting, securing and creating value from data is becoming paramount. Corporates are actively looking at ways to

digitalise, to leverage data and to automate their processes.

At Leadblock we believe that blockchain is a key building block of the digital economy alongside other technologies such as AI, Machine Learning and IoT. These tools have the very real potential to change business, making things more equitable and transparent.

"Today there is a significant corporate interest for blockchain as part of their data management toolkit, a growing start-up ecosystem for enterprise blockchain but no funds to capitalise on this trend."

Knowing that this disruptive technology will reshape how businesses operate, seeing first-hand the strong corporate interest for DLT & blockchain solutions and identifying a clear funding gap in the space for non-crypto related blockchain startups meant that we had to launch an enterprise blockchain fund, and where better to do that than in London and Paris?

Which industries are you finding to be the most receptive to these changes and opportunities?

The industries that we focus on are those within which we have developed a strong network and deep expertise, these include Healthcare, Consumer Goods (including Food), Energy, Aerospace & Defense, Real Estate and Financial Services.

Today, the Food industry is a real focus for us, partly because of Jean-

Marc's previous investments in the sector but also because the industry is particularly low-tech, meaning it is "ripe" for digitalisation with many opportunities in the value-chain to leverage data and automate processes. Furthermore, the food industry needs a commitment to sustainability and we have identified a number of challenges where we believe blockchain can help.

Healthcare is another industry we monitor closely given my prior experience in biophysics research, and Jean-Marc's advisory role on strategic and fundraising topics for 'Institut Imagine' Necker Hospital's centre for genetic diseases research. During the drug discovery and clinical development phase we have seen that access to critical data is often limited. We can therefore envisage the potential for new technology to accelerate and improve drug discovery and development leading to more rapid progress in medical research

And your current portfolio?

We announced recently our €2.1M pre-series A round with Connecting Foods and are delighted to have joined their Board. Connecting Food builds consumer trust in food by not only tracking but more importantly digitally auditing products in real-time using blockchain technology. It allows producers, brands & manufacturers, and retailers to prove to their clients that each product really does respect the promises, commitment, specifications and methods listed on the label. It also protects brand equity, reduces food waste and rewards sustainable practices. Last but not least, because food quality is highly related to farm produce, Connecting Food is donating 5% of its turnover to farmers and growers to incentivise and reward them.



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What does the future look like?

We can split the evolution of the blockchain ecosystem into three technology layers: the base layer or Protocol layer on which all the other elements run (i.e. Bitcoin, Ethereum, Hyperledger, Corda, etc), the Infrastructure layer which facilitates interactions (i.e. wallet providers, chain explorers, etc), and the Application layer where applications including enterprise solutions are developed and where we operate.

The period 2009-2015 was mainly focused on the first two layers. This was natural as this was needed to increase adoption and to build applications. Similarly to the Internet in the early 80s, the protocol layer (TCP/IP, the Internet protocol suite) was the base layer, on which other elements run. Soon after, applications across sectors emerged, setting up the internet ecosystem as we know it today.

Since 2015, we are seeing a growing number of startups in Europe developing blockchain applications. About 2/3 of European blockchain & distributed ledger technology startups founded in the last two years are enterprise solutions vs 1/3 in the US and Asia, where the focus remains on protocols and infrastructure.

We expect this trend to continue with a growing number of startups using DLT for enterprise applications. We expect the annual amounts raised to increase and soon reach more than €1B/year. Today the sector is dominated by seed rounds of €1-2M as startups mature and grow. In the next couple of years, we will see more Series A & B rounds with raises upwards of €10M.

On our side we are going to be making more investments in this space and finalising our fundraising over 2020. Of course, we will also continue to actively support startups in our portfolio through a combination of strategic advice and introductions to decision makers.

What makes LeadBlock different?

We are the first enterprise blockchain fund. From the perspective of an investor we offer exposure to global blockchain adoption without crypto risk. Other VC funds have either very limited exposure (generalists and fintech funds) or have returns which are highly correlated to cryptocurrency democratisation and price appreciation (crypto VC funds). From the perspective of a founder we bring to the table a combination of sector and DLT knowledge which allows us to go straight to the point in the due diligence process and accompany them post-deal. A number of founders have told us that they had appreciated not having to spend time on generic sector or blockchain debates and that the challenging discussions that entailed had been hugely useful for them.

Strategically, we work alongside industry corporations from different sectors; Healthcare, Energy, Real Estate, Food, etc to materially de-risk our investments and exit strategy. We therefore operate as the bridge between innovative startups and established corporations who are looking to innovate and leverage technology to improve operational processes.

Our collaborative approach with industry corporates substantially de-risk its investments in innovative start-ups and offer corporates an exclusive in-depth visibility onto the blockchain & distributed ledger technology ecosystem. The collaborative approach with industry corporates enables us to:

We identify promising start-ups, we validate their technology and business proposal, we help them grow by leveraging our extensive

industry expertise and network and we shape them into attractive acquisition targets, materializing our exit strategy.

With this approach we expect to fill the funding gap, create significant value for our portfolio companies, and to help our European industry partners be at the forefront of blockchain innovations and of course to realise attractive return for our investors.

David Chreng, Partner LeadBlock Partners worked as an equity analyst at Goldman Sachs in London, covering the Energy sector, and providing investment insights and ideas to global fund managers on equity securities. His prior experience include working in R&D on biophysics projects, in finance and strategy in various industries including in Healthcare (Novartis), Retail/Luxury Goods (L'Oréal/McKinsey) and Financial Services (Goldman Sachs, Barclays, Deloitte, ADN'Co).