

A network driving international ambition, a portrait of Frontline Ventures

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. We spoke to William McQuillan, Partner at Frontline Ventures.

Temps de lecture : minute

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We started Frontline in 2012 because we didn't feel VCs in Europe were offering the value add, terms, and support that the top entrepreneurs in Europe wanted and needed. Our vision was to build a firm that was focused on supporting the most ambitious B2B entrepreneurs, able to leverage learnings across the portfolio via Platform support, and heavily invest in supporting our founders with international expansion to North America, and getting access to follow on capital from there.

We were the first VC in Europe to have a full-time Head of Platform, and we continue to lead the bar on the value the team creates for our portfolio. Eight years since we first started we have now invested in over 60 companies, exited 11, and helped 70% of them successfully expand into the US and/or raise capital from US investors within the first 2-3 years of us working with them.

Over the years, we realised that not only did European companies

struggle to expand into the US at an early stage, but US top tier, growth stage companies frequently made critical mistakes when expanding into Europe as well. In 2019 we launched Frontline X, a \$70M growth-stage fund focused entirely on investing, and supporting, the fastest growing US companies as they look to access the full potential Europe, the second largest B2B market in the globe, has to offer. (While my answers below will focus on our early-stage European B2B investing, if anyone who is reading wants to learn more about Frontline X, please check out our website.)

Which industries are you working in?

Our focus is broad on industry because we know that it's almost impossible for us to predict what will be the new innovations of the future, today. 50% of Frontline's investments are pre-product and 80% are pre-revenue. We focus on finding the entrepreneurs who we believe can predict the future - and we support them in making that belief a reality.

Frontline focuses on technology for businesses, or B2B software. B2B can be a product for anyone from a dentist, corner shop, retailer, or huge enterprise, or it can be application software, fintech, or deeper infrastructure and devtools technology. As long as it's B2B we're really open minded on the exact areas it is supporting.

What do you look for in a founder?

Many VCs talk about the importance of second time entrepreneurs. While there are advantages to second time founders, at Frontline we focus more on first principles (some of our most successful founders were first time founders in their early twenties). We make sure we find people who have potential and global ambition. Once they join the family, our Platform and value-add team kicks in to support the growth and development of our founders, whether that is from a direct skills or personal wellness

perspective.

When we meet a founding team we ask ourselves a few questions.

- We're specifically looking to invest in companies with enormous potential, we need our founders' ambitions to at least match ours so we ask; do these founders have the ambition to really scale something big?
- As an entrepreneur, you are learning everyday, and that doesn't slow down, it speeds up. We need to make sure the entrepreneur can mentally keep pace with that so we ask ourselves; do they have the ability to learn everything they will need to know to lead a large company?
- Poor self awareness leads to poor team building, and poor teams lead to failed companies. It really is as simple as that. As a result, we need to know if entrepreneurs have the self awareness to understand their weaknesses, and thereby build complementary skill sets in the team around them.
- We want people who are always acting and moving. Momentum and self motivation are crucial when building a company
- And it's not just about the CEO themselves. We also ask if entrepreneurs can motivate and inspire amazing people to join them. Founders are always hiring ahead of where they are but at the same time, they need to hire the best people. That is no small feat so the ability to inspire incredible people to join you on your journey is

crucial.

Can you talk about your current portfolio?

Our portfolio is a very diverse mix of companies. We have invested in over 60 companies across 10 different European countries including Pointy, Workvivo, and Signal AI. Our companies have offices in over 20 countries, some with over \$60M in revenue, and many that are still pre-product. We have founders who are as young as 19, to just under 60. Some that sign 8 figure contracts with customers and others that are freemium products. The two commonalities; they are all B2B SaaS, and they are all part of the wider Frontline portfolio community.

Because growing at the speed of your own experience is often not fast enough when you are in competitive B2B markets, an immeasurably valuable asset any new founder joining us has is access to the rest of our portfolio of almost 120 founders. Through our Platform team, we support our founders in growing faster by scaling learnings across our community using a variety of strategies including events, content, peer to peer learning, and external vendor and mentor support.

There is virtually no problem a new portfolio company will face that one of our other founders hasn't already gone through in their current, or past companies. For example, if you want to scale into the US, negotiate an exit, or expand a marketing team into Asia, several dozen of our companies have done that - and new founders can tap this network for that knowledge.

How has COVID-19 changed the way you

operate?

While a lot of VCs initially struggled with not being able to meet founders in person, Frontline has done investments in the past without face-to-face meetings, so that was not a new concept for us. If you want to be a pan-european or a global investor, you need to have structures and processes that allow you to review companies quickly - and not always in person. In those situations we make sure we spend extra time on due diligence, as well as calls with the founders themselves

Overall COVID-19 has not fundamentally impacted the way we look at our strategy and investments. We have however shifted resources to support portfolio companies on a day-day basis with the operational challenges they face during the pandemic. Since February, we have upped our frequency of tactical workshop events around critical pain points, to help CEOs and C-level executives continue to learn, and grow their business.

Truth is that, personally, most of what I do is less enjoyable if I'm only doing it digitally, but I'm luckily still very much able to do it.

On that note, I'm a network driven VC and I always try to have the people who can help my portfolio companies in my close community. A big part of my normal job pre-COVID-19 was both making and maintaining those relationships. The maintenance is still achievable (to a lesser extent during COVID), but I've struggled with making new relationships despite having tried lots of different tactics suggested by friends and peers.

What does the future look like? New trends/technologies, changes in the global/local economic landscape?

Different VCs may have alternative views to this, but I think to be a great early-stage tech investor is actually not about predicting future technology trends, but about being able to understand people. To spot talent, ambition, and motivation in founders when there is no other evidence at a pre-product, early stage, or the entrepreneurs who are working hard to predict and shape the future. Our job is to support the ones we believe most likely to to achieve it.

Europe is becoming a bigger and better ecosystem to build great companies. Positive socio and economic trends demonstrate that historical social stigma around being a founder and taking risks is lifting in most countries, and the advancement of both software infrastructure and communications means it is easier than ever to build and test an early product fast and from anywhere. There is also more capital invested into early-stage companies in Europe than ever before. So many of the barriers that were there for entrepreneurs in Europe when we started Frontline 8 years ago, are now dropping like flies.

If you have a great idea, now is a great time to go and build it.



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What makes Frontline Ventures different?

I believe that if you're an ambitious B2B entrepreneur in Europe, you should be thinking about international expansion from day one. If you want to build a global business you need to be building global into the fabric and DNA of the business from the start. Frontline specifically focuses on supporting our portfolio to do this through our Platform team.

I'd also say that we always strive to be direct and honest with our founders so they have the best information to make decisions. We say things like they are, we don't play politics and we don't shy away from candid feedback. The best businesses are adaptable to change, and we work hard to make sure that we communicate our thoughts clearly and

constructively to help founders achieve their best possible outcome. We strive to add value, even when we don't invest.

Finally, every investor I've met truly believes they add value of some sort to their founders, but my experience across several companies and many boards has shown me the exact opposite. Don't sign a term sheet with anyone until you have spoken to their founders. I'm always happy to let the founders we work with be our spokespeople in that regard.

What one piece of advice would you give founders?

Similar to the above, I'm always amazed at how many founders don't ask for introductions to other founders before they sign a term sheet.

When you sign legals to take investment from angels and VCs you are making a very long term commitment, which often comes with controls, information rights, board influence and restrictions.

Make sure you do your due diligence with your investors before you sign any term sheet. Make sure the investor supports the entrepreneurs the way they actually say they do, and has the right working style for the way you want to build your company.