

Trusting sexy numbers, a profile of TMT Investments

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 Igor Shoifot, Investment Partner at TMT Investments.

Temps de lecture : minute

11 January 2021

TMT Investments started, like most venture funds, with a great passion for technology and entrepreneurship, but without the benefit of a powerful brand name, industry connections or an investment track record. Most of us are operators, founders of companies that grew to tens or hundreds of millions of users, but our investment experience before TMT was limited to angel and corporate investing. TMT founders created one of the first tech unicorns in Eastern Europe and took it to a highly successful IPO. However, 10 years ago, we had very little proper venture capital experience, and TMT was unknown in the industry.

Our first investments were the hardest – we had neither a great network of contacts in our target region (mostly, Silicon Valley), nor a persuasive answer to the question “what are your successful investments?” However, we worked diligently to create a strong network of entrepreneurs, thought leaders in different sectors and other investors at all levels: angels, accelerators and VCs. The hard work resulted in tremendous deal flow; as of today, we have reviewed over 10,000 deals and invested in fewer than

70.

Our numbers speak louder than words: we have made a 5.3x overall return, which is about double the average among top-quartile US funds of our vintage. We were the first VC investor in 3 unicorns and have enjoyed 14 profitable exits. By all measures, TMT Investments is one of the most successful VCs of its kind.

We believe that the main reasons why we have succeeded so far are:

1. Focus on the creation of a large deal flow.
2. Diligent development of a strong network of key entrepreneurs and investors.
3. Active participation in the entrepreneurial community (we offer free advice and help to promising startups, even before they fit our remit).
4. A good balance between, on the one hand, a focus on growth and sectors with active M&A, and on the other, some risk-taking with respect to visionary startups.
5. An unwavering focus on the real growth numbers (revenues, customer acquisition costs, conversion, etc) as opposed to infatuation with “great stories” or “cool tech”. This permits us to act quickly: we are able to close deals in as little as 3 weeks.

Which industries are you working in?

We are rather sector-agnostic as we believe that sophisticated investors should learn from and evolve with the tech and the market, instead of trying to predict aspects of the future that cannot realistically be predicted. From our perspective, a VC portfolio strategy should combine:

- knowledge in core investment areas (for us, these are SaaS, Cloud, Marketplaces, Big Data, and subscription-based E-commerce);
- constant evaluation of new market sectors and startups (growth prospects, competition, incumbent strength and M&A probability);
- a focus on companies entering the market at the right place and at the

right time, not too early, not too late, and only where there is substantial room for growth.

What do you look for in a founder?

- high energy and “drive”
- strong work ethic and team-building
- focus on selling, scaling and business development as opposed to adding features for their own sake

Can you talk about your current portfolio?

Our current portfolio includes a number of sector leaders. Here are just a few examples:

- Bolt is one of the largest taxi apps, available in dozens of countries, in several of which it's the market leader
- Backblaze is one of the largest cloud backup and content delivery companies with hundreds of thousands of paying clients
- Depositphotos is one of the world's top stock photo and video marketplaces
- Scentbird is one of the largest perfume and make-up subscription services, based on unique data analysis and algorithms
- PandaDoc is a leading document workflow automation solution, which has developed a new way to create, track and execute business documents

How has COVID-19 changed the way you operate?

Surprisingly, the quarantine made communications with companies much more efficient since one no longer needs to schedule in-person meetings.

While a couple of our companies (in the events and retail sectors) faced serious problems, a lot more (including Cloud, SaaS, online education, virtual reality and online product subscription companies) actually experienced a remarkable boost to their sales.

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

We think that online education, augmented reality, virtual reality, gamification, cloud computing, online marketplaces, SaaS and product subscription are the most promising areas. The world is becoming more interconnected, and mobile devices faster, more versatile and more powerful. The market demands ever more convenience, and with it services and products that are cheaper, faster or higher quality. The companies that are capable of satisfying these needs most efficiently will succeed. We are actively looking for such companies, funding them and helping them grow more quickly.

What makes TMT Investments different?

We love technology, but trust sexy numbers above all else. Our focus on hard data keeps us clear of some common investment pitfalls and allows us to move rapidly – in as little as 3 weeks. It prevents us following the herd on buzzword technologies, which rarely results in outstanding returns. Likewise, investing in “Dream Tech” (technologies that sound marvellous, but the market is not ready for them) results in write-offs more often than venture capitalists care to admit.

This data-driven approach also inoculates us against certain misapprehensions. It’s often believed that having money and a queue of very smart people from every sector waiting to pitch you means that you

must at some point have become an all-knowing rainmaker, able to predict the future of any industry. We stress that sectoral understanding is best left to the founders. A wise investor, however technologically astute, should be aware of their natural limitations and stick close to the unvarnished truth – financial data.

What one piece of advice would you give founders?

Focus first and foremost on the key growth components: development of a functional sales and marketing team, growth drivers, partnerships, distribution channels and viral mechanisms. Take every opportunity to collect data, collect it consistently, and make your business numbers-driven: test, measure, adapt, repeat.

Article by Igor Shoifot