

# Commercial consultancy without ego, a profile of ACF Investors

*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 Tim Mills, Managing Partner at ACF Investors.*

Temps de lecture : minute

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The origins of the ACF Investors, in the early days The Angel CoFund, go back more than 10 years and formed around a realisation that individual investors with deep sector knowledge are often best placed to identify and support high growth businesses, which come from all over the UK, but that they also usually lack the investment capacity to properly fund teams.

The concept behind ACF was therefore to create a fund that aligned itself with angel investors and to work collaboratively to support early-stage teams. It turns out this approach resonated with a lot of people and the fund has seen some great growth, with the past decade seeing us deploy more than £50M in direct investment into a portfolio of 100 companies alongside more than £300M from other angels and investors. Funding that has delivered a broad diversity of success from around the UK with companies such as Gousto, Ebury, Living Lens, Creo Medical and Tevva.

ACF Investors has, of course, grown and matured since those early days, and while our original investment model continues to prove incredibly

successful, making sure we keep up with market needs and trends is important if we want to ensure we can continue to help great UK companies. Because of that, late last year we launched the £30M Delta Fund – a fast track investment model which targets investing alongside leading entrepreneurs.

## Which industries are you working in?

The UK has a wealth of talent across many sectors and business success is always about matching capability with opportunity. It's a shifting landscape of creative change and disruption and if we want to stay ahead of the trends and back emerging talent, we need to be sector agnostic. Hence, we have made investments across a broad range of industries all across the UK - including in healthtech, like neurostimulation innovators Neurovalens; AI, with companies like robot fruit pickers DogTooth; Fintech disruptors like BMLL; clean technology; consumer businesses; software; and many others.

## What do you look for in a founder?

There are a range of traits that are common in most successful founders, but one that is always essential is being able to identify and attract teams around you that will help you succeed.

What's different about the ACF approach is we look for founder teams that have been able to attract the support of sector-smart angels, who can validate concepts and strategies early and provide specialist knowledge that is critical to scaling effectively. Time and time again the successful investments of our fund have proven that this core foundation leads to fuller returns.

An example of this is our recent investment in HRDataHub - we invested alongside an angel syndicate made up of Chris Bruce and Michael

Whitfield, founders of the hugely successful Thomsons Online Benefits and Oliver and Ben Black, founders of My Family Care and Tinies businesses. Their extensive industry expertise has been an enormous help to the company and is without doubt a major factor in their success to date.

## Can you talk about your current portfolio?

We had a bold ambition when we launched the fund to build a big portfolio, to invest widely and be a broad, but engaged investor. The model has worked but it does mean our portfolio is more diverse on almost every metric than your typical VC. We are industry agnostic, and secondly because we actively look to back companies right across the UK. For example, our portfolio includes Wayland Additive in Yorkshire and the Humber, LivingLens in the North West, Neurovalens in Northern Ireland, Dogtooth in the East of England, Biosignatures in the North East, Autologyx in the South East, Creo Medical in Wales, Cipher Surgical in the West Midlands, to name but a few.

The power of our investment strategy - and the talent of the teams we work with - has meant that some of our portfolio companies have already had stratospheric growth journeys, and we have had notable exits like Living Lens to Medallia, Ebury to Santander, LimeJump to Shell and City Pantry to JustEat.

## How has COVID-19 changed the way you operate?

Just like everyone else, the last year changed the 'normal order of business', and in particular, how we shaped the model of the Delta Fund. By understanding what early-stage companies want and need - such as offering convertible loans reflective of the demand we have seen - these

businesses can get access to capital between equity rounds. Launching the Delta Fund and being able to offer this to startups was of course made easier by the model being more adopted in the UK over the past year, despite having already been widely used in the US for some time.

Obviously, due to remote working, we have been onboarding portfolio companies without meeting in person. It's taken some time to adapt, but we have found that across the venture capital industry this has democratised access to funding for founders, as the location of businesses is less relevant. We've found this made it easier to stay close to a national spread portfolio and even though we might all be feeling Zoom-fatigue and are ready to get back to in-person meetings, the pandemic has given business across the country a fairer chance in getting in front of VCs when location is no longer a factor.

We have for the most part avoided the rush to invest in companies responding to the pandemic, due to our focus on deploying patient capital. Understanding that companies have variable growth patterns, we show our commitment to long term goals rather than short term returns.

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

If there has been any benefit from the pandemic, it's the demonstration that there is no distance too great when it comes to connecting. This shift to a 'zoom' world, and the removal of physical travel costs means that more regional investment will continue. There is still a lot of untapped potential across this country. Countless industry reports have shown that geography is one of the main barriers to receiving investment and I'd suggest this will become less of an issue in a remote - or even hybrid - working world.

*Unsurprisingly, fintech and healthcare have been among the leading sectors for recent investment by the industry and I'd expect this trend to continue.*

I am personally interested in the potential of hardware, which after 40 years of exceptional growth in software is often overlooked by UK-based VCs. There is some incredible innovation in this area which can easily go unnoticed, companies like Wayland Additive, a metal 3D printing startup that is pioneering the use exotic alloys to create ultra-efficient mechanical components, and the UK has all the right conditions to be a major hardware hub if it draws on the strength of its historic regional manufacturing industries and a strong foundation of national science and engineering.

## What makes ACF Investors different?

We believe that entrepreneurial success is best achieved with a leg up from the knowledge and experience of others and hence we are focussing on finding the combination of highly talented core teams working alongside experienced and value adding investors.

Unlike traditional VCs, we don't suggest we know all the answers and the fund does not take an intrusive approach to the management of portfolio companies. We offer advice when required, and get involved when we can add value, but because we focus on working with syndicates with sector depth we can rely on them to give focused, industry specific support to the business.

In the end we want to see every team wrapped around by the most capable support for the specific challenges they face at a given time.

Humility keeps everyone honest, and we aim to provide commercial consultancy without ego.

## What one piece of advice would you give founders?

Build a strong team around you of people who know the sector and who can make the connections you need. Most founders are focused on the business idea, and of course that is critical, but the idea alone won't get the business off the ground. That is why investors typically buy into teams. We ask ourselves, do these people have the capability to make this business work? The thing founders have to remember is that their early-stage investors are also part of their team. So choose angel investors that bring something to the business other than cash - be it experience, insight, or connections.

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