Navigating the scale-up journey, a profile of ScaleUp Capital

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 Simon Philips CEO of ScaleUp Capital.

Temps de lecture : minute

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Founded in 2002 as Root Capital, we spent the early years cutting our teeth investing in and scaling small businesses. Over time, we have developed our Scaler Programme, a platform and reliable scaling methodology that can be applied to any B2B digital business. In 2021, we rebranded to ScaleUp Capital to better reflect what we actually do.

ScaleUp Capital is now a team of 10 growing to 15 over the next 12 months. The team is largely designed around delivering our Scaler Programme, with specialist teams across strategy, talent management, change management, investment & finance who all work closely with our portfolio to help the businesses successfully navigate the scale-up journey.

Our goal is to be the best scale-up specialist in the digital sector, and to pioneer a new hybrid model that fuses an operational scale-up platform with private equity investment. We have a track record of consistently scaling up companies at an accelerated rate, with improved quality and more robust performance. We want to build great businesses and deliver world-class returns to founders, managers, co-investors and our own fund investors.

Which industries are you working in?

We specialise in the B2B digital sector, covering technology, software, content and services. Many of our businesses are built on SaaS, subscription, managed service or outsourcing revenue streams. Within that, the businesses in our portfolio operate in a broad range of sectors such as education, healthcare and the arts.

What do you look for in a founder?

It starts with looking at the business, and we want to see quality, potential and scalability. These can often be rough diamonds and so we don’t expect everything to be perfect at the start by any means.

When it comes to founders, we look for passion and a deep knowledge of their market. Many are technicians or subject matter experts who know their product inside out but have much less experience at scaling a business. Research shows that founders who have done it 3 or 4 times before are 2-4x more likely to succeed. At ScaleUp Capital, we often work with first time founders and we plug that gap by bringing in the experience and expertise. We help businesses to make that transition from one or two founders being stretched from pillar to post to being run by a well-rounded management team.

Can you talk about your current portfolio?

We are investing in some really exciting, high-growth areas. More importantly, the businesses in our portfolio have a positive impact on education, healthcare, the arts and other areas. By scaling these businesses to become well-managed, profitable companies with sustainable growth, we’re not only contributing to the economy by creating jobs, but we’re also funding innovation that will make a real difference to communities.

Kooth, a digital mental health platform, is a great example of this. We recognised that Kooth was a special company with the potential to change the face of mental health. We provided the methodology and experience to scale the business from £1M revenues to over £12M. It has since gone from strength to strength, growing consistently at more than 40% per year resulting in an IPO last year. It is now the biggest mental health provider to the NHS for children and young people.

Another exciting business in our portfolio is *Digital Theatre*. It started at as a streaming service for theatre. We invested in 2015 and repositioned the business as a platform providing educational content to schools and universities and helping to bring Shakespeare and other texts to life. Since 2015, it has had an average annual growth rate of about 50% and today has 3,000 subscribers in 98 countries.

How has COVID-19 changed the way you operate?

COVID-19 has increased the value we place on robust and recurring revenue streams. It has also forced us to scrutinise a business’s sales function even more. Without trade shows, face-to-face selling and virtual negotiations, we need more reliance on remote models for customer acquisition.

What does the future look like?

We believe that small businesses at the start of their scale-up phase need a new breed of investor - scale-up specialists like us. Businesses at this stage need more than just funding. They need hands-on support, expertise and a proven methodology to scale their business to critical mass and profitability, and to secure long-term success.

What makes ScaleUp Capital different?

I am an entrepreneur myself and have built up years of experience in scaling digital businesses. I spent 11 years building and then selling two high growth digital businesses with combined revenues of >£50M and employing several hundreds of people, before exiting both to larger trade buyers. I set up ScaleUp Capital in 2003 and since then have successfully scaled 15 businesses. I know what it’s like to start, run and grow a company – the challenges, the worries and questions you face. I’m able to provide support to business leaders based on this first-hand experience.

At ScaleUp Capital, we have built this expertise into our Scaler Programme – a proven methodology for scaling digital B2B businesses. Our goal is to be the best scale-up specialist in the digital sector, and to pioneer a new hybrid model that combines private equity investment with an operational scale-up platform.

What one piece of advice would you give founders?

Before you really kick off the scale-up phase and crank up the handle, you get one chance to get the big stuff right: the vision, the strategy, the product-market fit, the customer acquisition model. This is benchmarking exactly where you are now, envisioning where you want to get to, and mapping out the initiatives from one to the other. If you set off on the wrong course, you lose time, money, momentum and self-confidence when you self-correct and pivot later on. This is the one time when patience is valued over urgency.

Article by Simon Philips