

NOTWICS: The magic of investor relations, launching startups and post-pandemic predictions with founder Chris Lowe

Maddyness UK gets to know Chris Lowe, CEO and founder of investor relations consultancy NOTWICS, discussing his fascinating career to date, his views on the venture capital world and the industries he's excited to see boom.

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The first 18 years of my working career were in the big investment banks including UBS, JP Morgan and Morgan Stanley. I was a technology specialist, meaning a stockbroker focused on tech.

When I first became strictly focused on technology at Morgan Stanley in 2002, it was obviously a very interesting time to be involved and get that sectoral focus. But, at the same time, it was almost as if the internet bubble was bursting and everything was going wrong. There was a lot of focus on the traditional core industries and technology was almost viewed as the wooden spoon.

Colleagues were falling over themselves to cover autos, telecoms, metals and mining, utilities, media and anything but technology. I was a bit slow putting my hand up and I got given the European tech sector, which proved to be very interesting and why I'm here today.

In fact, my whole career in investment banking really stimulated my interest in technology, working with huge businesses like Nokia, Ericsson,

Google and Apple to name but a few, and the investors investing in them. These companies weren't the massive Goliaths that they are now, but I saw them in phase one of their growth segment from going private into becoming public companies, and it was fascinating.

Launching the first business

In late 2011, I launched my first startup called ICA to try and disrupt the stockbroking world. The business tried to enable CEOs, CFOs and heads of investor relations (IR) to use data to select the right public investors for their company.

I launched the business with a fund manager friend and we had some early success. However, we quickly realised we couldn't get the compliance write-off from big funds to get the level of data that we needed, so along came Bloomberg in London, who expressed an interest in what we were doing, leading to a joint venture (JV) and quick functional exit. A few of the people in the business stayed, I became a Bloomberg employee, and my cofounder went back into the world of fund management.

I was a bit of an acquihire for Bloomberg and had an enjoyable role still servicing some of the largest technology companies and investors in the world, but also growing Bloomberg's outreach into mid, early and late stage technology companies with both investors and founders.

Several of the companies we worked with at this time from 2012-2017 were really early stage but have gone on to be national or global winners and leaders, such as Lendinvest, Darktrace, Taskrabbit, [Hello Fresh](#) and Revolut, to name but a few. A lot of those founders were just like the founders of scaleups we're dealing with now, and it just goes to show how

if you are successful, they then become household names.

While I was at Bloomberg, I noticed very few founders were getting good advice and guidance on investor relations at a pre-Seed to Series A level, so we decided to set up NOTWICS.

Introducing NOTWICS

NOTWICS is an investor relations consultancy. We are very focused on the founders we work with: we have to really have chemistry with them and they have to be building something really special. We have a very big network of CEOs, CFOs, angels, VCs and family offices, and that's important because we really rely on that network to help businesses.

We're probably approached by over 200 companies a year, but work closely with 25-30 in an advisory capacity. Most of these founders are massively stretched for time, dislike fundraising and have no real understanding of the process, and need help on redesigning their deck and their message, especially on targeting. We set them up to go on that journey and 90% achieve successful results.

The events side of the business has naturally suffered during COVID-19, but looks likely to bounce back with in-person events in Q4 of 2021. Before Covid, we were running a large number of events, with a number of fun, supportive sponsors like Tilney Smith and Williamson, Lawyers DAC Beachcroft, Gowling WLG, CMS and SMAB, plus leading consulting firm Fieldhouse Associates. Here, we'd focus on connecting our community and helping a further 20-30 companies a year keen to meet and network with our extensive private technology community.

It was 2017 when I started the NOTWICS and, I wouldn't call myself a visionary, but we all work from home and were early adopters of Zoom

and freelancing.

Founders were, on the whole, fine with this pre-pandemic, but the great shift is that investors are too now. I really hope, as we emerge from the pandemic, that this adoption of virtual remains and people only choose to meet face-to-face when it offers the greatest value commercially. I suppose that stands up well for the high quality events we execute as a team.

Standout businesses

We've worked with over 100 companies in the last four years. We've had some huge success stories, with many of these founders growing and scaling to further success. We aim to provide a 'halo' type effect for founders to navigate the key challenges they face and to reach their next level. Over 90% of the businesses we work with have achieved this and are still going strong. We work fast and smart, in a hybrid-type approach that some founders really like, being very results driven in the early stages of their businesses.

When we look at the founders that approach us, it's all about chemistry and star quality. Very few founders have this, but some have three of four elements of success and the best ones realise their areas of weakness and ask for help.

We try and work with these founders. They need to have charisma and personality, technological knowledge, financial understanding and commercial drive. Sometimes you get a superstar with all four. We like to work with founders that realise and understand they need help on navigating the challenges they don't understand. If there is no chemistry, we don't feel it, or find them arrogant or just realise they can't see our

value, then we just walk away. Call it a hunch, but the advantage of the team's experience is that we almost know very early on those that can be winners and often spot it in the first Zoom.

I mentioned earlier some the businesses that honed this talent spotting ability back in my days at Bloomberg, but looking more towards the NOTWICS, during the pandemic, we've had some great successes with businesses like SaaS player Hinterview, mobility leader Hiyacar, end of life tech startup Once I've Gone, payments business Onvi and, more recently, AI platform Smarter.ai and ESG player NanoSUN.

Current trends

The trends of the pandemic that we are seeing through our regular conversations with founders and investors, showcased in our vodcast/podcast *FUNDstars and FOUNDstars* are:

1. It's really hard to still navigate the pre-Seed to Series A landscape for founders. The failure rate is still around 80% and it's not getting easier. Don't believe the press that focus on showing all the record VC investment, which is great in isolation but is majorly focused on Series B+ megarounds. The drawbridge to get to Series A has been raised even higher in the pandemic and remains so. The magical £1M annual recurring revenue (ARR) is key and most VC's won't raise an eyelid until a company is accelerating towards this key number.
2. Cartels appear to form at the micro VC level, where the fund bulks out their investment by bringing in their angel club into the round. This is good and bad.

The good part is that this approach - where a fund looks to take the

majority of the SEIS round and then advertise this to a selected syndicate of angels – means that this particular founder has a very high chance of succeeding and getting to Series A.

The bad is that these types of experiences are riddled with pretty high fees for both founders and the angels in the syndicate. They are also reducing the opportunity of success for other founders by drying up the supply chain of individual angels in the UK looking to meet founders themselves. This is making the Seed stage even more perilous for some founders with good businesses, ideas and technologies, but have failed to impress a small number of cartels that are starting to dominate the pre-Seed and Seed investment space in the UK.

3. There are fewer high quality founders in the UK now than anytime in the last 10 years. Why? Brexit made many leave the UK and set up shop in their home nation in the last few years. Now, COVID has reduced the need for them to return to the UK, as logistically it catalysed the advent of virtual investing over zoom.

These founders in the EU that have greater access to local development talent and are now expressing doubts that they ever need to move to (or back to) the UK to support their capital ambitions up to Series A. This shift is certainly fuelling the growth of many new EU super clusters, to the disadvantage of the UK now and in years to come.

Another interesting nugget supporting this trend is that the majority of founders we've advised in the last 12 months are of UK descent, where previously, the majority were EU residents living in the UK.

4. The International VC community – mainly US – is looking likely to start invading Seed and pre-Series A rounds in the next 12-18 months. There has been much chatter and evidence on our vod/podcast *FUNDstars* & *FOUNDstars*, which I do with my colleague, Anthony, of US funds moving

into the Series A space and competing here, accelerated by Zoom. It's widely expected that these names are looking to move into even earlier stages and compete with incumbents.

5. On verticals, there is now a swingback towards more demand for futuristic deeptech businesses at pre-Seed to Series A, which is good and stalled a bit in the dark days of the pandemic. We're working quite closely with a really interesting VR business at the moment called Eyeora, which enables creators and innovators to build everything in VR without the huge costs associated with doing so. It's all about inclusivity, accessibility and democratisation of the marketplace.

The changing world of venture capitalism

The VC world has grown massively over the last 18 months. If I look at our ecosystem and the VCs who want to look at what we're doing, read what we're writing or join the podcast, I would never have come across them if the pandemic did not happen. We've grown strong relationships with VCs from Israel, France, Russia and Mexico, to give just some examples.

If you are a founder, Zoom is opening doors to like minded investors across the globe. This is great as the UK VC industry has always been tinged with a hint of arrogance amongst the leading members of the VC establishment - rightly so in some cases - with some leading VCs earning that position by being backers of huge businesses over the last decade or two. But now, these names are being challenged in rounds by a number of fast growing new players from within the UK or across the world.

There is now a need for more VCs to have differentiated, innovative strategies and we predict the asset class will continue to explode in the next couple of years. Hopefully this will also lead to a greater pool of

capital at the pre-Seed to Series A level, potentially enabling more innovative businesses to flourish too.

Now more than ever, new VCs know they need to have an angle or differentiator to make them more attractive to LPs and different founders. A friend of ours, Johnny Lawton, recently set up a VC called Volution Capital after he spotted a gap in the bridge funding space. For instance, Volution will focus on Series A+, B+ and C+ rounds to help founders continue to grow when they need that. They don't need to do a big monster round and they don't want to because of dilution, but they need something a bit bigger.

Another interesting trend in VC reminds me of when hedge funds suddenly burst onto the scene in the mid to late 90s out of nowhere with loads of dry powder. All the investment banks were running around chasing their tail trying to service them. Back then, hedge funds were sexy and everyone wanted to be part of it. Now, VC is the new hedge fund.

Alternatively, there appears to be growth in founders becoming VCs as they have battle scars that make them astute judges of what founders are destined to succeed. Some VCs we know prioritise this over candidates with financial experience only.

The world of VC is also poised to diversify tremendously in the next 10 years, with the range of investments becoming more expansive, innovative and supportive. Potentially, the whole D2C space, cryptocurrency and ESG are destined to be the winners here as these technologies become central and take over everyday human life and consumption in the future.

Where have all the angels gone?

The angels just disappeared in the pandemic. NOTWICS still has a community of people who have been very supportive even in the dark days of last year, and would listen to founders, meet with founders and advise founders, but this number has rapidly declined.

Of all angels, you have your 'hardcore' angels who do it as a career and make up 10% of all angels. Another 40% are ultra high net worth who like to allocate some of that wealth to mainly technology investment. Then, you have 50% of angels who just think it's fun to invest a bit of money if they had some spare cash in the tax base and know what they were doing, even if that means getting involved with crowdfunding.

A lot of people flocked to crowdfunding because it was a safe way of doing this. I think that 50% retail or novice angels are still probably putting more into crowdfunding platforms if they are investing. However, July has seen more interest from angels in what is going on in the early stage space, with ultra high net worth individuals asking around tech again. We've had incoming emails saying, 'what's going on? What trends are you seeing? What are you hearing, Chris? What founders are doing well?', and that's encouraging for September onwards.

What's driving that is, perhaps, people haven't been hit as badly as they thought they were going to be during a pandemic in terms of their overall wealth. Some have actually seen their wealth accumulate over the pandemic. If you look at the amazing UK IPO space that we've had so far this year, we are potentially on the cusp of a refresh cycle where all these newly made, cash-rich founders start to reinvest in early stage founders in the verticals they know best. This hasn't really happened in scale before in the UK, so this could trigger a new millionaire, founder-led wave of angel investing next year.

As we potentially see the blue skies emerging out of the pandemic, the angels are the key ingredient in the recipe that could return to get the early stage back on track. With the wider press focused on the glory headlines of the megarounds currently, it would be great to see a bit of practical reporting on the earliest and critical stage in future, where hopefully the messages around UK and EU angels will become a more positive one in the next six months and the government help by changing their less than expansive approach to SEIS investing.

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