

Startup Tales

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Today

- Intro
- Splashpower - A Cautionary Tale
- Lessons learned
- Q&A

Intro

- Computer Engineer
- In tech innovation startups since age 17
- Started starting companies myself in 1998
- 4 startups, raised £50m+, various outcomes
- So I've played a few rounds of the "game"

15 years starting companies...

98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13

Dotcom Bubble

Dotcom Crash

Credit Crunch



Seed Angel £1.5m CEO

activeRF

spun-out

CEO1 \$9.4m "A" \$5m "B" \$12m "C" \$10m \$6.5m Profitable >100,000,000 antennas shipped
Angel EXIT CEO2 gigAnt acq.

antenna

Angel/MiniVC £750k CEO1 \$5.4m "A" \$7m "B" \$4m SVB loan CEO2

Splashpower

Seed £5m "Angel" £8m "A" CEO £20m BG deal £15m "B" WattBox acq.

alertme

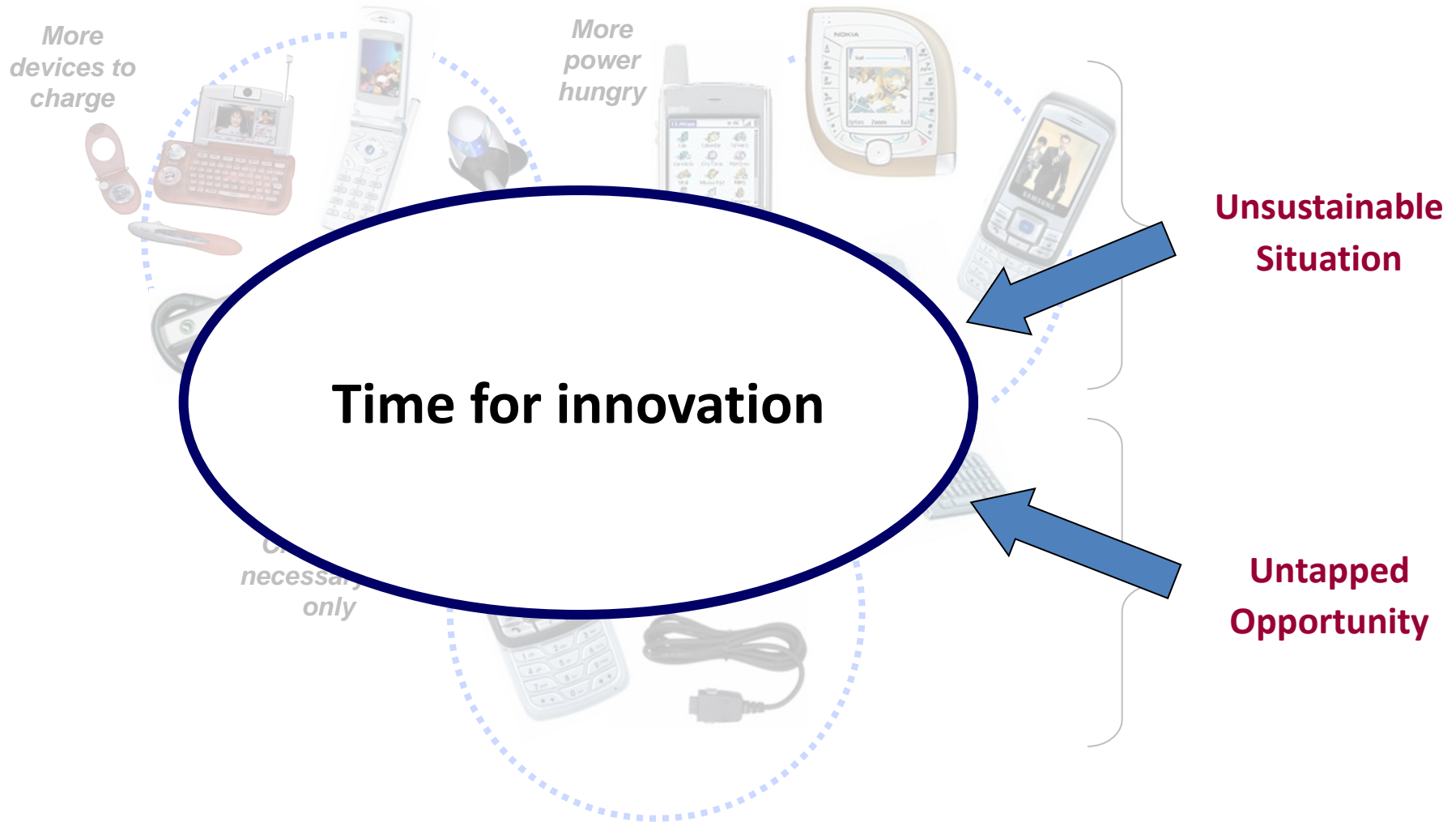
A Cautionary Tale



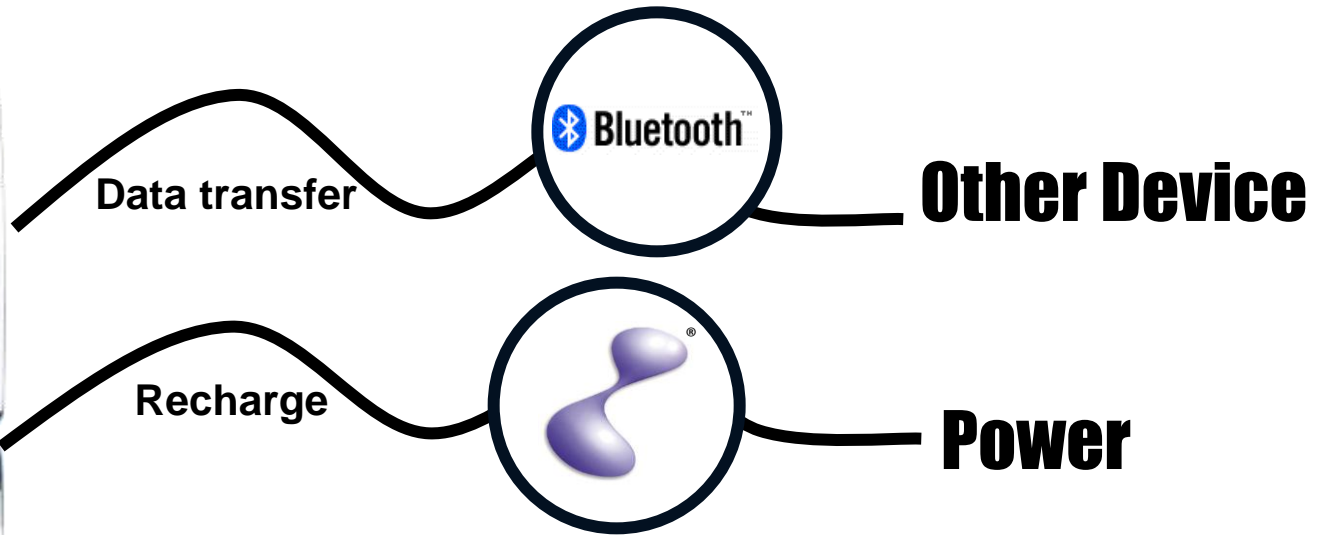
2 Cambridge grads with a great idea



Trends in the mobile market



cut loose™



A completely wireless solution

2003



How hard can it be?

- Magnetics
- Power Electronics
- Materials

How hard can it be? (2)

- Size
- Cost
- Thermal budget
- Safety

...in a consumer device

Significant interest shown

- Nokia, Motorola, Sony
 - “It’s magic”
- New Scientist, Popular Science etc.
- Even the sincerest form of flattery...
 - MIT’s “Witricity”
- But we failed to get a license signed



...So we decided we'd launch our own product

Outcome

- Benchmark was our VC
 - Totally supportive for the first few years
- We failed to deliver functional product on-time
- So plans cut back still further
 - One-device, one-orientation pad
- In 2008 company was sold for \$4.5m (firesale)

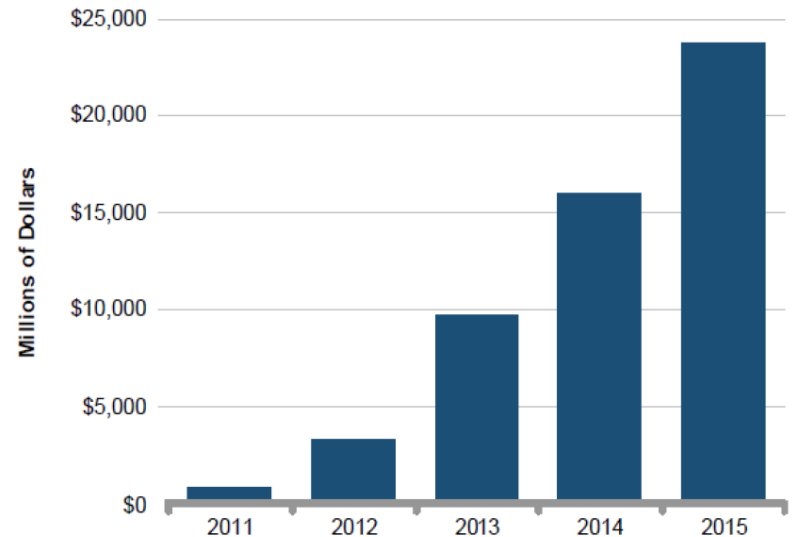


Spawned an industry...

Qi consortium
130 members



Total Addressable Market of Wireless Charging in Revenue



Source: IHS iSuppli | May 2011

...but didn't survive to benefit

- Could Cambridge have had the “ARM” of wireless charging?
- Now all the IP is owned by US company
- No return for founders, investors, employees

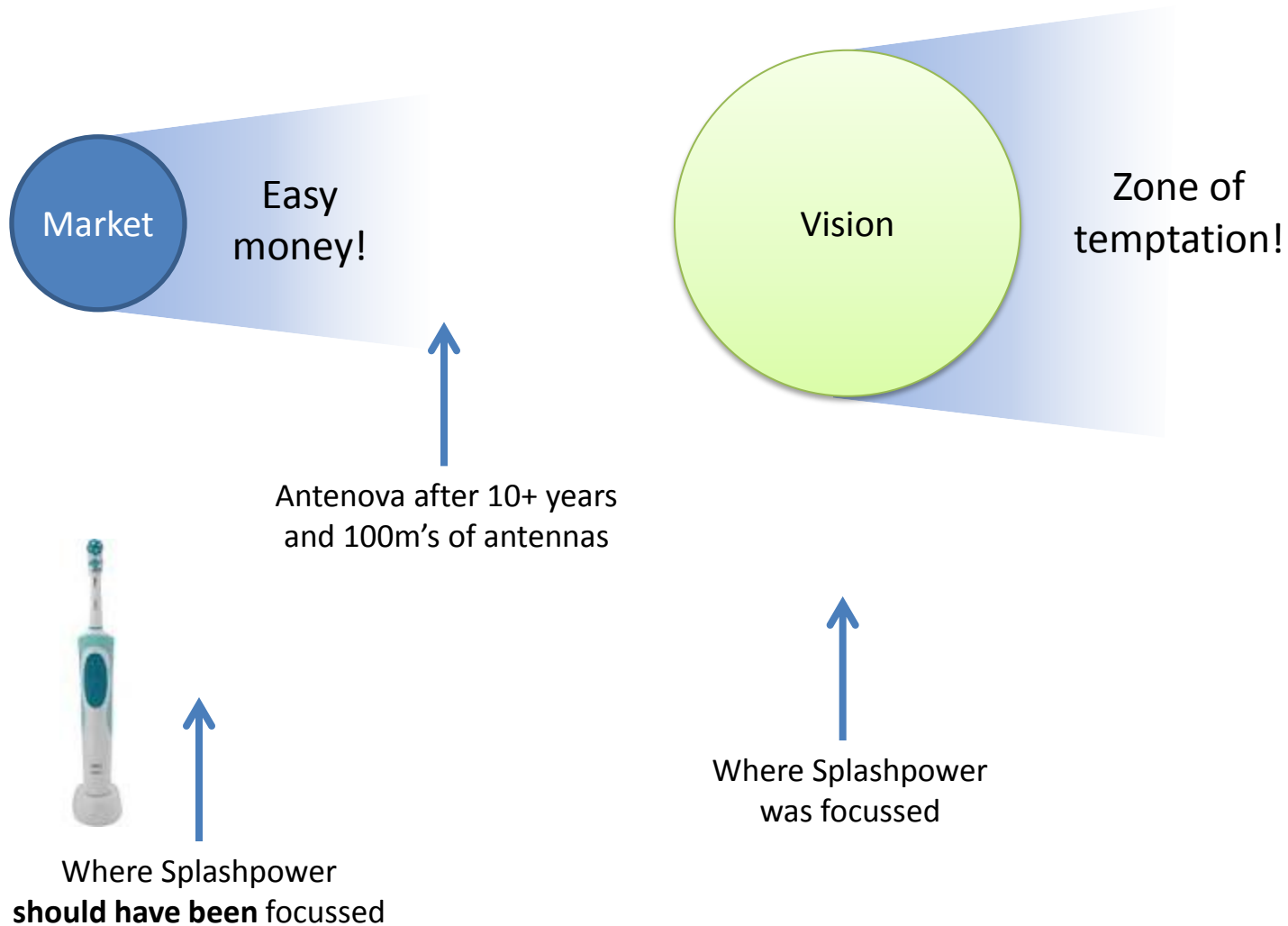
Lessons learned

Causes of failure

- Proximate cause: Credit crunch, SVB
- “Technology took too long”
 - We’d thought tech was the challenge
 - Multiple devices, different powers, any orientation
 - We did achieve all these, eventually
- Failure to sign licensees (“too early”)
- Strategy, timing, execution
 - By the time we’d worked-out what to do... it was too late

As an innovator, you will be too early

So fit your vision back to today's market



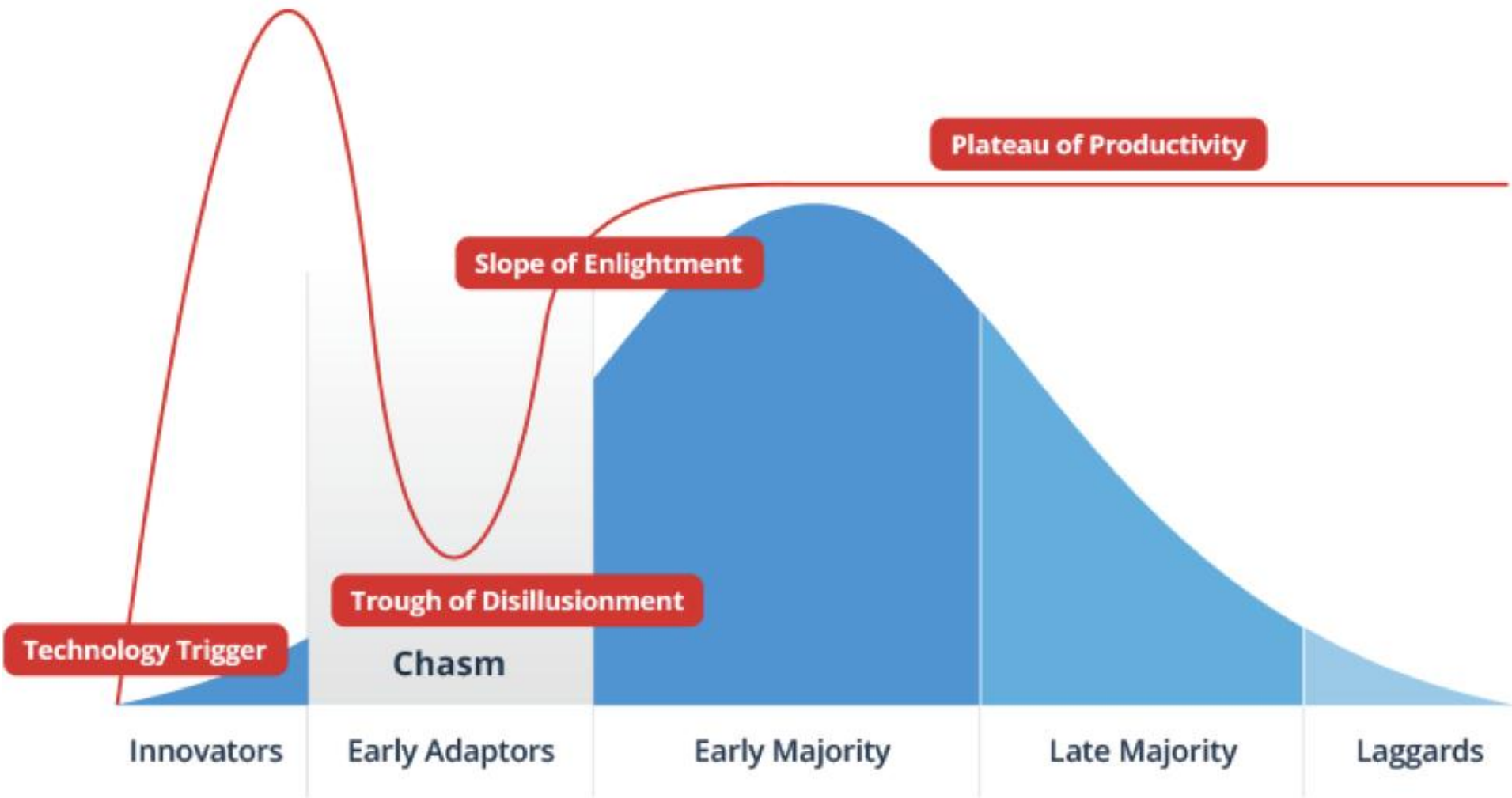
From innovative concept to successful exit

("overnight success" can take 10+ years)



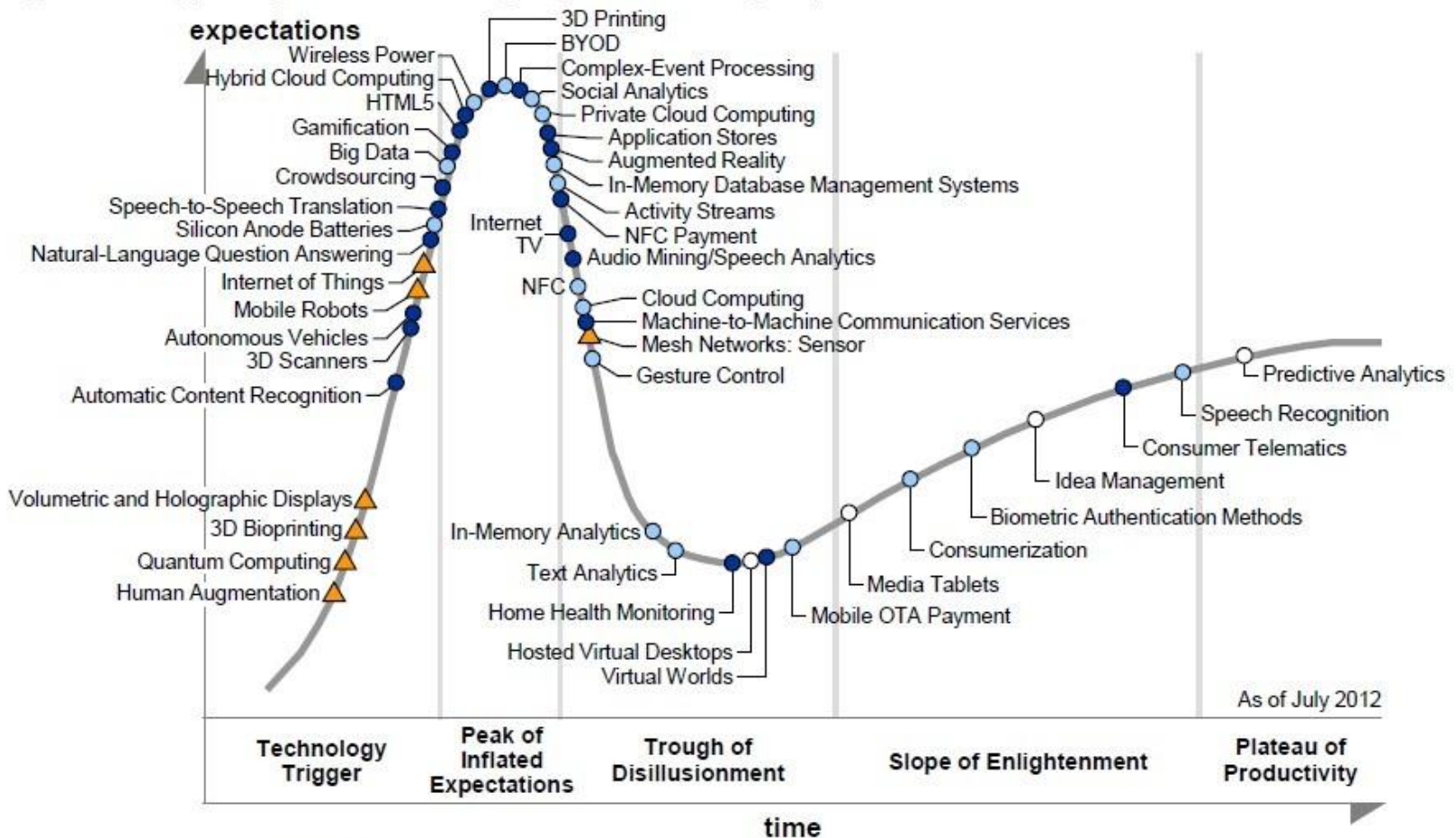
Crossing the Chasm

The Innovator's Dilemma



The Hype Cycle

Figure 1. Hype Cycle for Emerging Technologies, 2012

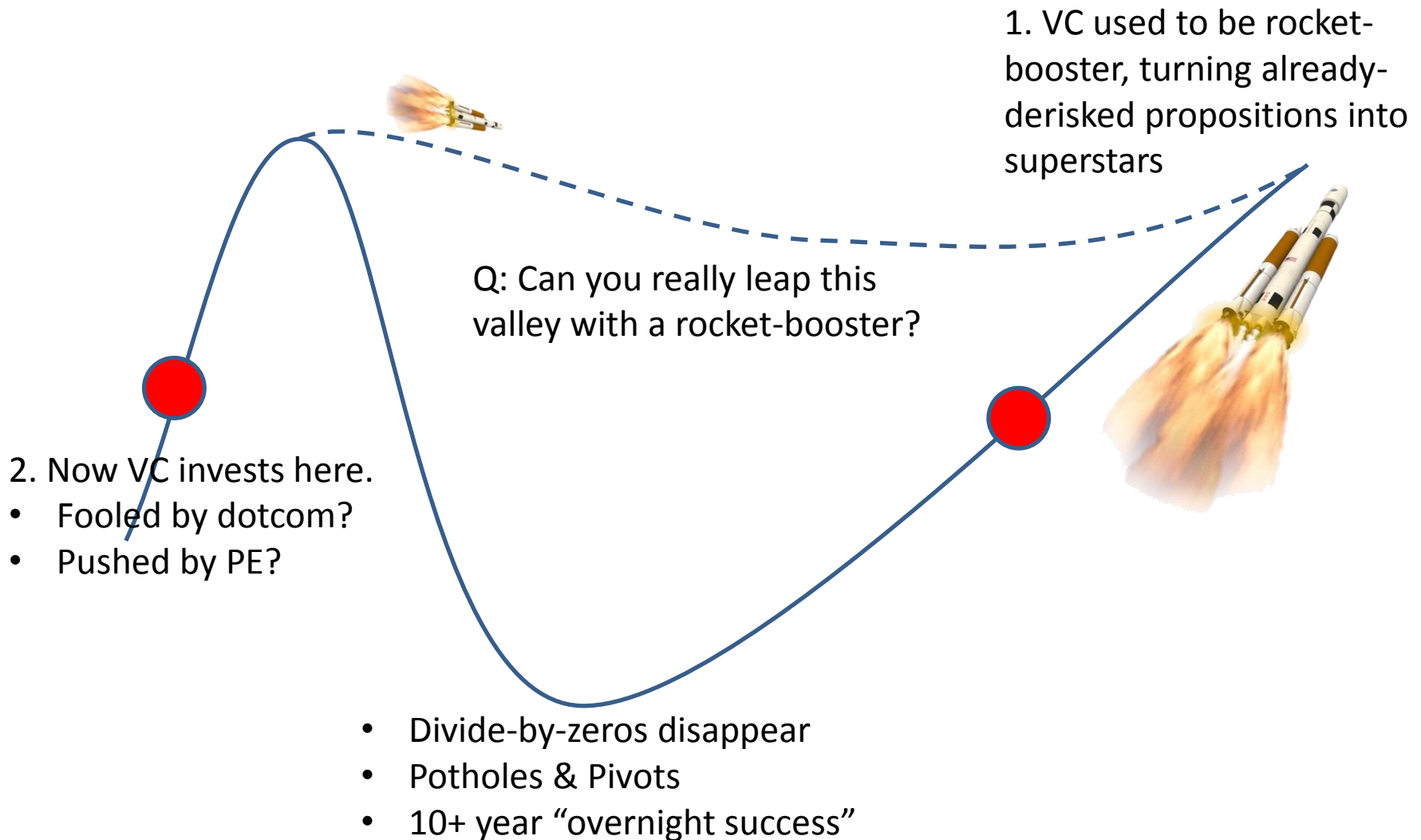


Plateau will be reached in:

○ less than 2 years ● 2 to 5 years ● 5 to 10 years ▲ more than 10 years ⊗ obsolete before plateau

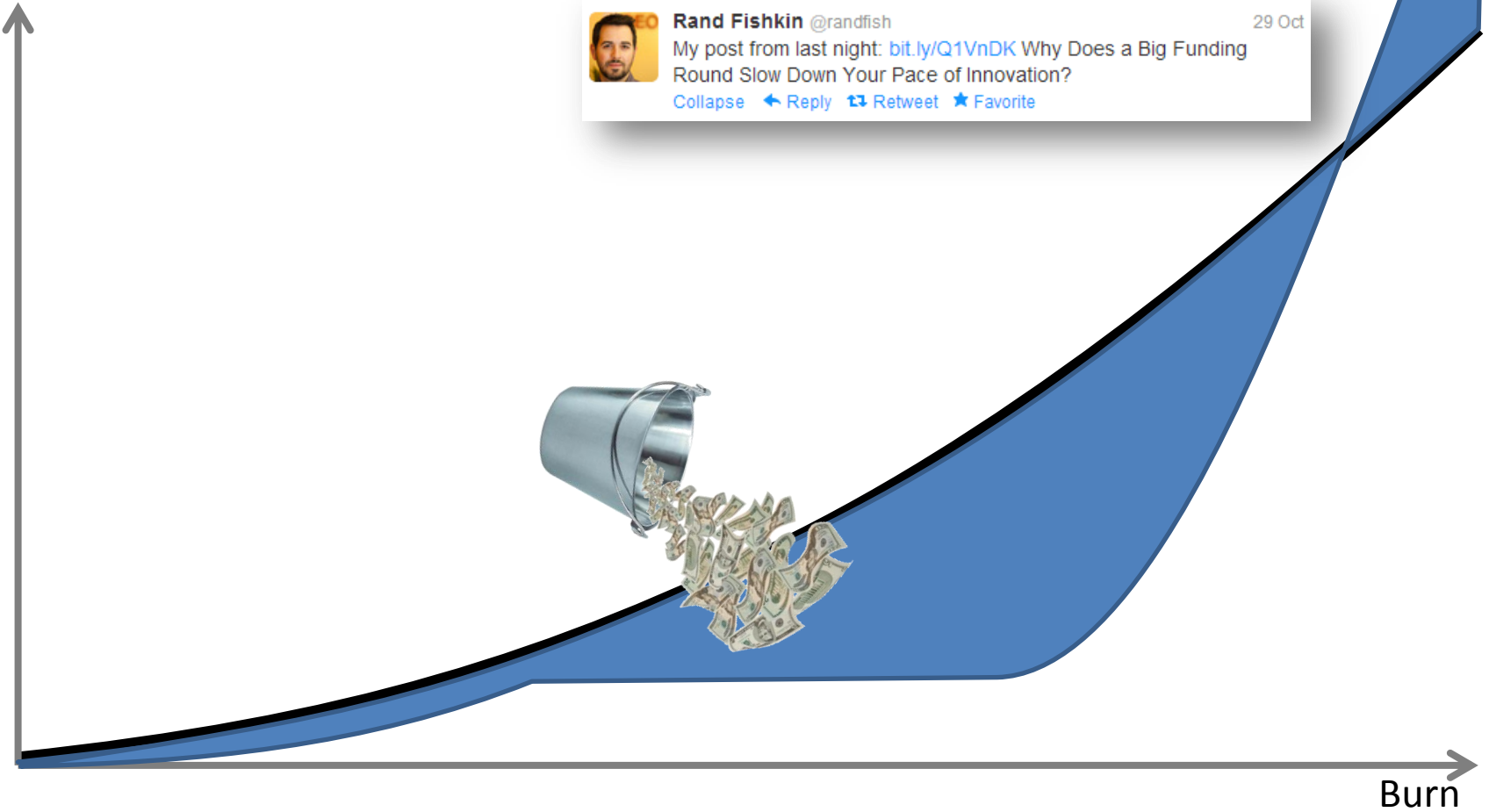
Source: Gartner (August 2012)

Crossing the valley



Burn rate

Success



Rand Fishkin @randfish

29 Oct

My post from last night: bit.ly/Q1VnDK Why Does a Big Funding Round Slow Down Your Pace of Innovation?

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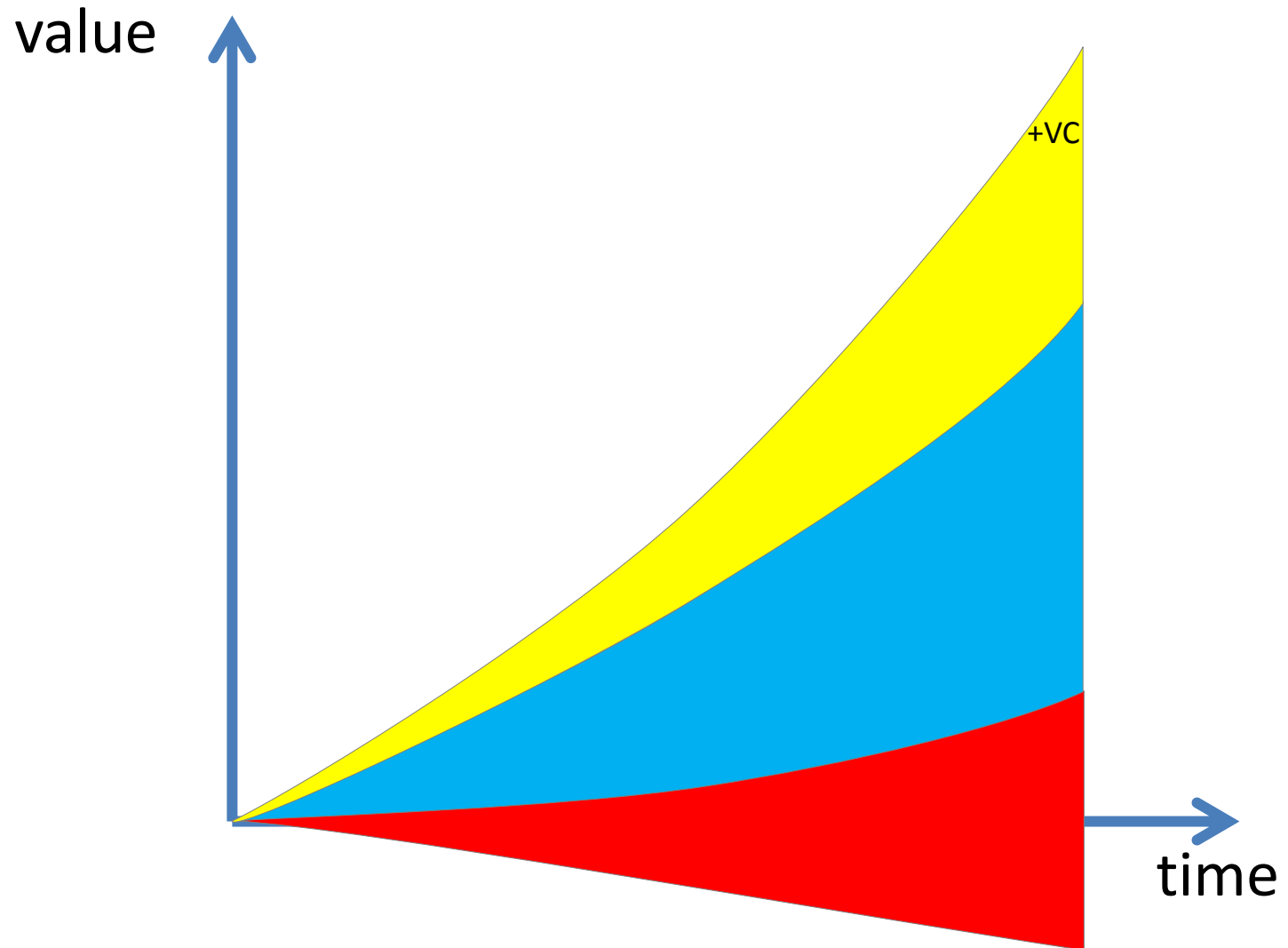
VCS often add to your risk

- Not about Valuation, about Terms
 - VC's have absolute power
 - Unilaterally renegotiate deal on every round
- You inherit your investors' risks:
 - Failure (or success) of other portfolio companies
- VC fashion swings
 - One year Consumer is hot, the next not
 - One year Cleantech is hot, the next not
 - One year "software is scalable", the next "hardware is real"
- VC is a self-fulfilling prophecy, it's all down to belief
- If any investors fail to follow-on they'll get crushed-down (and so will you)
 - Founder+Angels usually unable to follow-on, once reach VC scale
- As a Founder your startup is your life
 - Do you want someone to own that?

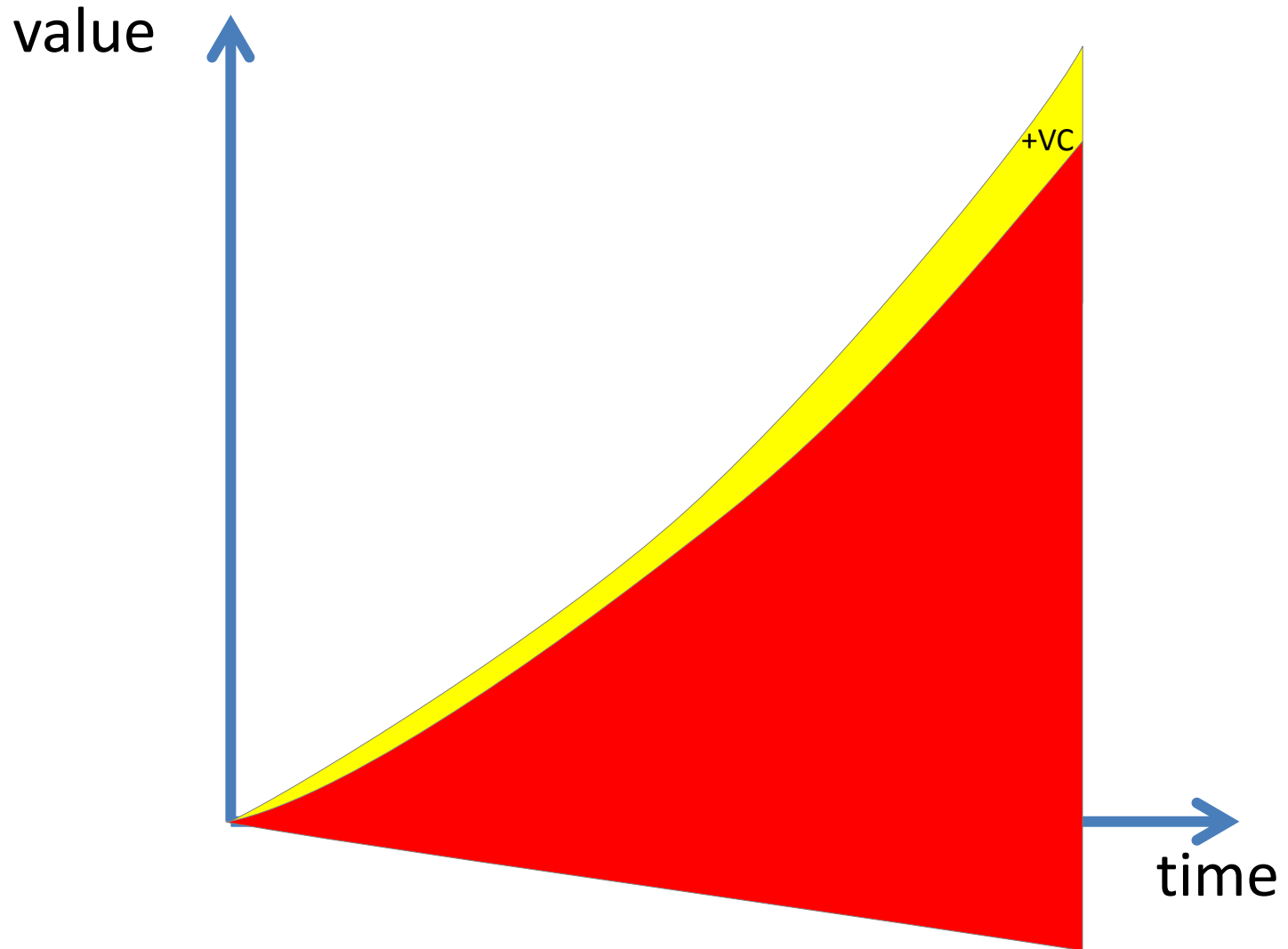
VC hit rate is 1:100000

- “We see 1 in 100 people who approach us”
- “We invest in 1 in 100 of those.”
- 1 in 10 of those make it to a successful exit

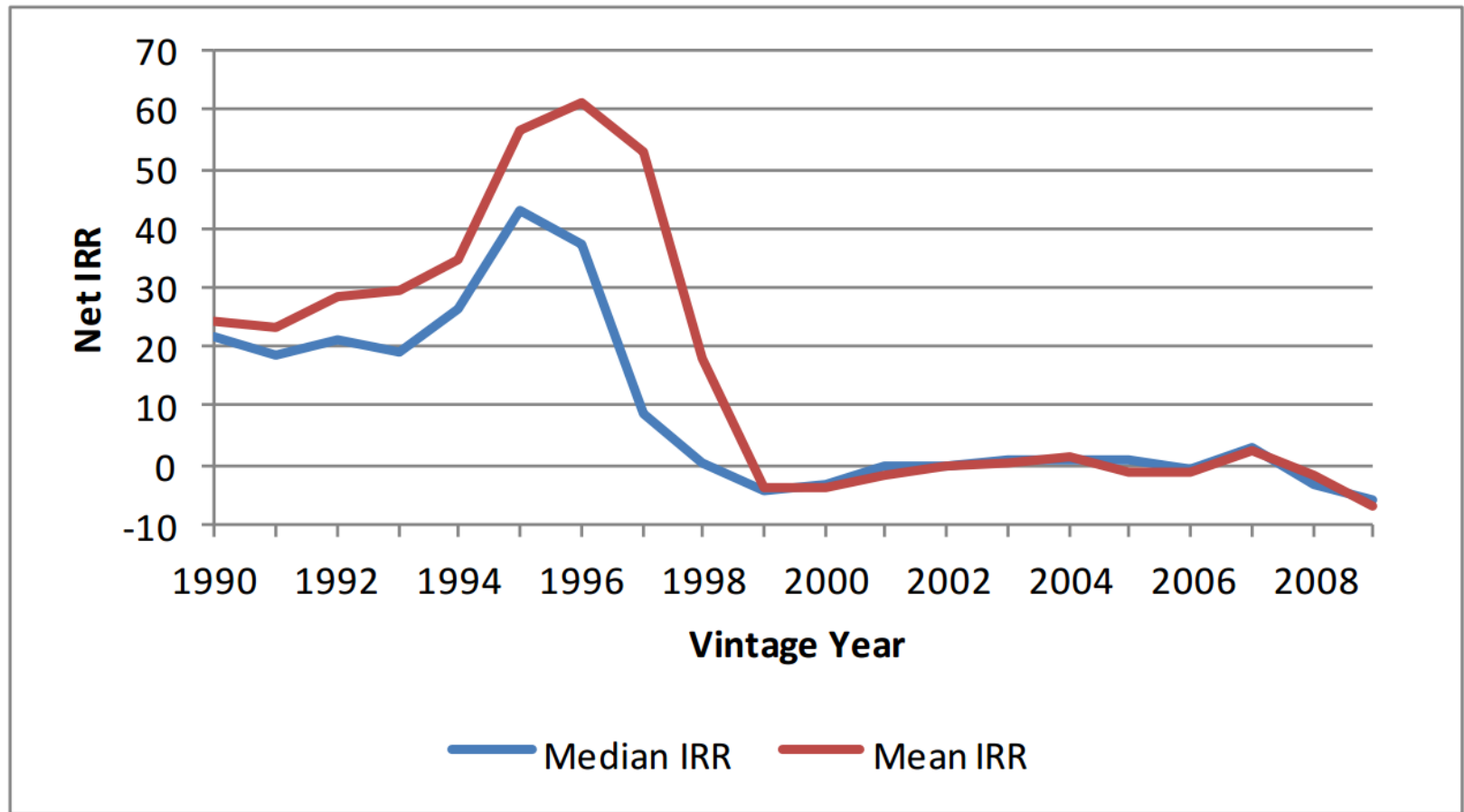
Company Outcomes



Founder Outcomes



“The average VC fund barely manages to return investor capital after all fees are paid.”



Source: Cambridge Associates, 2010 Benchmark Report, vintage year 1990–2009 funds (http://www.nvca.org/index.php?option=com_content&view=article&id=78&Itemid=102).

If I could go back in time...

- Incubate (academia/industry) before spinning-out
 - Golden Share formula
- Bring experts in early
 - “Black magic” technology
 - Licensing
- Pursue an MVP approach from day 1
 - Early revenue – accept no substitute!
 - Find a market niche and get profitable in it
 - e.g. who needs your USP?
 - Military or watersports (waterproof)
 - Keep burn low meanwhile
- I like the “own-product plus licensing” approach
- Delay VC until profitability (or ideally forever)

Thanks for listening

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