Origin Capital—Now we are twenty(-ish!)

When I first met angel investor Tim de Vere Green a year ago (IndustryViews – Q3 2013), he hoped to increase the number of portfolio companies backed by his early-stage investment firm, **Origin Capital,** from fourteen to twenty. Well, he got there although with a recent exit he's back down to nineteen.

In fact there's been a lot of activity at Origin this year: six new investments, and strong growth from several existing businesses, but also two failures. "Unfortunately there are always going to be companies that don't succeed—that's inevitable in any early-stage portfolio," de Vere Green comments. A common reason some start-ups fail, he says, is that the expected market for their products and services simply doesn't materialise as founders and indeed financial backers predict. "By their very nature, entrepreneurs are optimists: they often over-estimate the opportunity and underestimate the challenges. We hope to identify this in due diligence, but sometimes data is scarce and we get it wrong too."

Rose-tinted vision (fortunately not always)

This tendency to rose-tinted vision can be particularly acute in businesses originating in academia, de Vere Green says, because the principals are not always close enough to their commercial marketplace. "If we've learned anything from our failures year it's that we have to work even harder to find independent verification of the demand assumptions entrepreneurs use in their business cases."

Fortunately Origin has had successes in 2014, too. de Vere Green believes that there are three companies he has backed where investment returns now look likely to exceed 5x funds invested, with returns approaching 10x in one case. He estimates Origin's overall portfolio IRR is currently tracking at c. 15-20% per annum before any EIS-related benefits, and 20 – 25% if you include them.

Software as well as hardware

There's been some diversification in Origin's portfolio, which now includes software start-ups and internet and mobile-related plays, where historically the main focus has been on hardware. "We tend to see hardware as slightly lower risk, but it typically takes longer to develop and can be less scalable than software, but it's the area we understand best. And there seem to be fewer investors chasing the hardware sector so there is less investment competition. Another attraction is that protecting hardware IP is often easier," de Vere Green comments.

Seeing more 'Things'

Not surprisingly, Origin is seeing more investment opportunities themed around the 'Internet of Things' (IoT). These address different aspects of this market including machine-to-machine connectivity, low energy circuits, and location-aware devices. One success story, at least so far, is Origin's investment in Bristol-based **Blu Wireless Technology**, which designs and licenses silicon IP for 60GHz and other mm wave applications. Blu Wireless recently won the *Elektra New Company of the Year* award, which recognizes the achievements of companies across the European electronics industry.

2014 has also seen Origin's first investment into a publicly quoted company. **Software Radio Technology** (SRT), headquartered outside Bath, develops identification systems for maritime navigation and security. The business appeals to Origin because "the market opportunity is global and in period of rapid expansion, and because SRT itself has a dominant market position". de Vere Green expects the company to experience strong growth in sales and profits over 2015 and 2016.

And looking forward? "We are hopeful of at least one further exit in 2015, and we are looking a number of new investments that we hope will close in Q1. We're wary of current valuations in the pure-play internet sector, but fortunately our main focus is more on tangible propositions".