Vickers Venture focuses on finding 'home runs' in its investments

| BY TRINITY CHUA |

Finian Tan, chairman of Vickers Venture Partners and an early backer of internet giant **Baidu**, likes big ideas. Sitting in his Sentosa Cove penthouse, he rattles off a list of start-ups he and his partners have screened recently, though they have yet to make a commitment to invest in any of them. The ones that stand out are an ambitious company that is developing a cure for Hepatitis B, another that is experimenting with cold fusion technology and a drug delivery company that uses nanotechnology.

Not long after speaking to *Enterprise*, Vickers announced that it was leading a Series A round of funding for $4.8 million in a company called SiSaf. The biotech firm claims that its silicon-based nanoparticle platform can package and deliver medicine that was previously highly challenging to formulate.

To Tan, big ideas alone are not enough. He looks at their potential to become high-growth companies. SiSaf, for instance, is trying to solve a multibillion-dollar problem within the drug industry, and the market for nanotechnology in medical application is expected to grow to US$528 billion ($723.6 billion) by 2019, says BCC Research.

Vickers, which invests in early-stage and growth start-ups, is not structured like other venture firms, according to Tan. It does not take annual fees, but only earns a profit if its portfolio companies perform, which is why it is focused on high-growth firms.

"It is like a baseball game," Tan says. "If you hit the ball out of the park, you get a home run. Most of the time, people miss. Supposing you only pay the baseball players if they hit out of the park, they will whack as hard as they can even if they miss."

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Co-founded in 2005 by Tan, Vickers' existing funds are worth more than US$754 million in gross value, which is 3.3 times net multiples over capital. Its current fund (Fund IV) has a gross return of eight times and a net return of 5.1 times. Its four existing funds raised a total of US$185.3 million.

A third of Vickers' investments are in China. A third is in Southeast Asia and India. The company had previously invested in TWG Tea, MatchMove Pay and **Cambridge Industrial Trust** in Singapore. The rest of its investments comprise global life sciences companies, mainly based in the US.

Nearly three-quarters of Vickers' investments have been successful, Tan says, and half of them are "home runs". Home runs are high-growth companies with more than five times multiples. There are also some unicorns (companies valued above US$1 billion) in its portfolio, including a clean tech firm in China on its way to an IPO. Its IPO price could be above US$2 billion, according to previous media reports. Another is a stem-cell regenerative therapy firm called Samumed, which is valued at US$12 billion.

No fixed formula

Tan says he tries not to have a fixed formula for how Vickers invests. "If you have a blanket policy about investment, you will reduce the failure rate, but chances are you will also reduce the success rate. We are all about home runs." It does help that top venture capital firms are usually the first to get a preview of any new deal, he adds. "It's a virtuous circle; if you are good, the best deals come to you."

Vickers is currently raising Fund V, which is likely to close next year. The firm is reportedly on track to beat its target of US$250 million, which will mark one of the largest rounds ever raised in Singapore. Fund V has a hard cap, or maximum size, of US$400 million.

Fund V will invest in 25 to 30 companies, with no more than 20% in a single start-up. In addition, part of Fund V may be used for follow-up investments in its current portfolio companies. It has closed three deals for Fund V and will likely close another six deals this year.

Tan declares that he will go the distance for his portfolio companies and so will his partners. "My partner cooks dinner for the entire team at one of our start-ups — every day. If need be, my fiancée will babysit their kids. When we raise money for a company, we fly all around the world on our time and spend millions just to sell their story."

One of these companies is M-Daq — a multi-currency trading platform that wants to make cross-border transactions more transparent and less costly. In 2012, co-founder Wong Joo Seng was on the verge of striking a partnership with a major stock exchange and CitiVentures. The latter two could not reach an agreement and while waiting, M-Daq ran out of money. Wong did not even have enough cash to pay his employees when Tan approached him to invest in M-Daq. In 2013, M-Daq raised $21.8 million in a Series B round with Tan's help.

"We were out of money and Vickers could have low-balled us and given us a lower valuation," Wong says. "But they gave us the valuation we were asking for — US$100 million." He left M-Daq in 2015 after the firm raised a Series C round of US$82 million from Ant Financial — an affiliate company of **Alibaba Group Holding** — and other investors. Wong joined Vickers that same year.

Tan says he picks entrepreneurs who have a long-term view of their business. "Do they want to create a billion-dollar company? Do they want to change the world? Is he or she egotistical?"

He pays particular attention to the goals of entrepreneurs before making a deal. For instance, he does not think money should be the sole target. "Because at the sight of the first few millions, the person is likely to exit and sell the company. The goal we are looking for is a lot more complete," Tan says.

He finds a likely candidate in MatchMove Pay's Shailesh Naik. The e-payment financial start-up started out by offering virtual cards for online purchases. It expanded into physical stored-value cards recently. Naik believes Southeast Asia is still an untapped market for future e-payment offerings because most of the populace still depend on cash. According to Tan, Vickers has invested US$11.5 million in the firm.

Sustainable business model

Tan says it is also important to find out whether a company has a sustainable business model right from the beginning. "If you sell your products below cost, there is a chance people will stop buying them when you stop subsidising," he explains.

On the flipside, if a company is not making money because it is investing in future infrastructure needs, it may still have a sustainable business model. **Amazon.com**, he says, is barely making a profit because it is investing in warehouses and technologies for a bigger operation in the future. "If you take out the future cost, you might get a different picture," he points out.

Vickers pumps about 30% of its money into Southeast Asia and India. Most of these companies are headquartered in Singapore. Tan believes Singapore is "punching way above its weight" in growing its start-up ecosystem, but says it is still trailing far behind Silicon Valley in innovation. "We don't have enough risk-takers in this country. I believe the alignment of interest is not there."

A large part of Singapore businesses is intertwined with the government and the best talents go to these companies. "As a result, the number of entrepreneurs is not high," Tan says. "These employees make a lot of money, but not as much as an entrepreneur. If you make a mistake and you get sacked, then the tendency is not to take risks." He points out that the risk appetite in Singapore needs to change to spur innovation. ■