

People

Boss of VC firm believes in not following the pack

Vickers Venture Partners sniffs out good ideas by doing many things differently from its rivals, says its chairman

Marissa Lee

Unlike many other venture capitalists who like to hunt in a pack, the chairman of Vickers Venture Partners, Dr Finian Tan, prefers to bank on his own judgment.

His next big bet is on a privately held drug maker making the startling claims that it can reverse hair loss and ageing.

Some argue that the promise of stem cell research has so far not paid off, but the way Dr Tan, 54, sees it, it is his job to go to frontiers.

"Everything that we do is in a new area, and that's the key. If we're not in a new area, it's not venture capital."

Vickers raised \$86 million in the first close of its fifth Vickers Venture Fund in July, putting it on track to be the largest Singapore venture capital fund at the final close in July next year. Of the \$86 million raised so far, 70 per cent has already been committed.

"We have a lot of deal-flow from existing Vickers deals, and we have done nine deals already," he told The Straits Times last month, noting that Vickers is the only Singaporean firm in industry database Preqin's list of consistent top-performing venture capital fund managers.

It got there by doing a lot of things differently from its rivals.

Dr Tan said: "There are a lot of investors that invest as a syndicate. They like to let their friends see, let other people see, and they gain confidence when more and more want to invest together."

"We don't necessarily do that. We rely on our judgment, and if we like, we invest. And sometimes if we like, we take all."

A case in point: Back when Dr Tan was the Asia-Pacific head of Draper Fisher Jurvetson Eplanet in 2000, he pumped US\$7.5 million into a fledgling Chinese search engine operator when no one else would.

"When I invested in Baidu, no one else wanted to. They were in the market for nine months and no one wanted to invest, everyone was waiting for each other to go in. I came, I saw, I liked, and I took all," he said, which was a 25 per cent stake in the company. Baidu listed

on the Nasdaq in 2005.

Another aspect where Vickers takes a different approach from most rivals is in its decision-making process.

Where many investment committees require unanimous approval before they put their money in a venture, Vickers chooses its deals based on a forced ranking system.

And once in the 10-year life of each fund, each member of the Vickers investment committee gets a "silver bullet" to invest \$1 million in a company that falls out of the rankings and that everyone else hates.

Dr Tan said: "If you look back, all those deals everybody liked were the worst. The best deals were the ones only one person liked, because it needs to be out there, it needs to be weird, it needs to be unique and nobody's heard of it before."

A million dollars may not be a large sum, but in the digital age, it is enough to prove a business. As Dr Tan puts it: "You can sing a song and put it on YouTube and tomorrow you can know whether people like your voice."

There are four members in Vickers' investment committee, including Dr Tan. One quirk of the voting system is that no one can vote unless they have spent time with every single entrepreneur whose company is under consideration.

The wisdom behind this?

The entrepreneur and the team behind any business is the biggest determinant of its success. In fact, if you get the sector wrong and the competitive advantage wrong but you get the team right, they will pivot and rise from the ashes, Dr Tan said.

One Vickers portfolio company that has pulled that off is Singapore's MatchMove, which struggled as a gamification platform but has since pivoted into an e-payment solutions provider, and is growing so fast in India that it is "already the biggest and fastest issuer of MasterCard in the history of MasterCard", according to Dr Tan.

In order to get a good reading of entrepreneurs before he makes million-dollar investments in them, Dr Tan makes it a point to travel with them, and watch how they interact with clients and other potential investors.



To get a good reading of entrepreneurs before he makes million-dollar investments in them, Dr Finian Tan (left) makes it a point to travel with them, and watch how they interact with clients and other potential investors. PHOTO: VICKERS VENTURES

DOING BUSINESS IN THE DIGITAL AGE

You can sing a song and put it on YouTube and tomorrow you can know whether people like your voice.



DR FINIAN TAN

"For example, if they need to go to Shanghai to meet your partners, you fly there as well. Sometimes they stay in our houses, and then you get to see them under many different situations, not just one hour in front of you acting for an interview."

It is not a hassle for Dr Tan, who has many guestrooms and three cooks, loves to entertain, and embraces venture capital as a lifestyle.

"We entertain quite a lot to allow our companies to network and we network ourselves. So our spouses have to be in it too, they have to be hosts or hostesses in order for us to do what we do well. It's a family event, even my dogs are involved."

The other part of the game is knowing when to pull the plug on an investment that repeatedly fails to meet its targets. It is a tough decision to make, especially for anchor investors, since most companies will die when they run out of cash.

To make these decisions, the Vickers investment committee meets and votes, and 28 per cent of the time, they decide to let a firm fail.

In other words, Vickers has a 72 per cent success rate – not bad at all for an early-stage venture capital firm.

Dr Tan attributes the success to his team's expertise in mitigating risks: "We go for areas that are perceived to be risky, but because we do what we do, we can bring down

the risk so that it's no longer risky and the reward is very high."

One trick is to have enough platform plays in the Vickers portfolio to bring down their risk exposure, and that is the strategy they took with San Diego-based regenerative medicine firm Samumed, which has a US\$12 billion (S\$16.7 billion) valuation that landed it on the cover of Forbes magazine earlier this year.

Dr Tan admits that investing in life sciences has a more unusual risk reward – if you are investing in a drug discovery company, you would be counting on one particular molecule making it to the market – an all-or-nothing kind of bet.

But Samumed is different, he said, because the discovery here is not the drug, but the biological pathway that regulates stem cell differentiation and how it can be manipulated to spur the regeneration of hair for a bald person, or retina for a blind person, or cartilage for someone with osteoarthritis.

"Is this a platform play? Signaling is the cause of all cellular growth and death. You can't patent the pathway, but you can patent the drugs that work on the pathway, and there's no one entering the clinic that's doing what we do."

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