CHALLENGES OF STARTUP INVESTING

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TOPICS

- Why invest in startups?
- Informed decision-making?
- Building a diversified startup portfolio: why and how.
- Getting access to the best startup investment opportunities.

AUTHOR

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Eugen Stamm
Startup Journalist

WHY INVEST IN STARTUPS?

The high expected returns are an important reason why people invest in startups, but that's not the only motivation.

There are several reasons why people are attracted to investing in startups. First, there's the allure of financial returns, which means how many times investors get their investment back. Unlike the returns in the public markets, which are measured in meager percentage points, business angels talk about multiples – 10x or even more. Then, there lies satisfaction in learning about emerging technologies and new business models way before mainstream investors hear about a "trend" packaged into thematic funds. Furthermore, investors like helping young entrepreneurs realize their ambitions, especially if their startups tackle society's biggest problems.

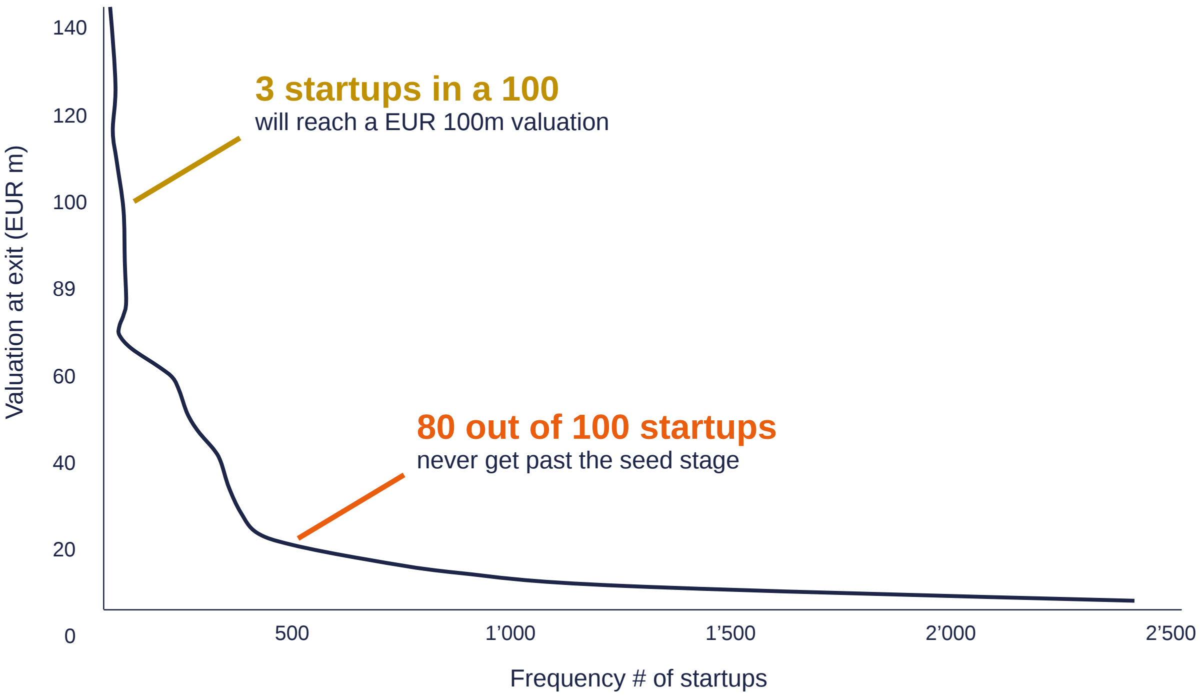
ATTRACTIVE FINANCIAL RETURNS

The average financial returns from startup investing are higher than those from public equity markets. Over 20 years, venture capital returned 11% annually (net of fees and carried interest) versus 7.5% for listed equities, according to Cambridge Associates.

These figures are past returns, and they're taking only the US into consideration. But a general outperformance of private markets, compared to public ones, intuitively makes sense since venture capital is a more illiquid (meaning that investors can't sell their investments whenever they want) and riskier asset class than equities. For this reason, investors are expecting higher returns from venture capital. Otherwise, they wouldn't bother.
What the average return figure hides is a big difference between the best and the worst funds in the sample. Looking at the funds that started in 1997, for example, the best 25% of them returned an astonishing 64% annually on average, while the worst 25% were a failure – they lost 1% every year. The reason for this discrepancy is that a large part of the returns in venture capital stems from backing the rare companies that produce outsized returns. The returns from venture capital follow a power-law curve, which means that the bulk of returns are produced by just a few companies. According to venture capital (VC) firm Andreessen Horowitz, 6% of the investments made between 1985 and 2014 account for 60% of the returns. If a fund doesn't pick a star startup, its performance will be lackluster at best.

Most private investors don't have access to venture capital funds because they lack the large investment sums (usually a million or more) to get into these funds. But there are opportunities for private investors to make direct investments in startups, be it through business angel networks, microfunds with smaller entry tickets, or investment platforms like Verve Ventures.

THE POWER LAW CURVE OF VC



Source: Alex Paterson-Pochet, j12 Ventures

One lesson that the return distribution in VC teaches is to build a diversified portfolio – the chance of backing a startup that will be a highflier is lower with just one or two investments than with 10 or more. However, it's also important to have some quality standards and invest in high-potential candidates only. Just adding more investments of doubtful quality isn't diversification; it's "diworsification." Some investors see startups as a way to diversify because the returns from startups aren't closely correlated to those from the public markets.

Others might find the valuations of the public markets becoming increasingly hard to justify, and they turn to startups to find high-growth companies at more attractive valuations.

Startup investing also offers the rare opportunity to achieve outsized returns that are less common in public markets and measured by multiples instead of meager percentage points. Furthermore, with companies staying private for longer and the number of listed companies in decline, investing in private companies before they go public is a logical next step from an investor's point of view.

But it's safe to assume (and this assumption rests on hundreds of investor onboarding calls Verve Ventures did) that many people are driven to investing in startups because they expect not only a return premium over listed companies but also non-financial benefits, even if the possible financial returns remain their main driver. What are these benefits?

EDUCATION INCLUDED

Whenever Verve Ventures organizes an investor meeting, an hour is usually not enough to answer all the questions. Investors want to know more about the product, the competition, the business model, and numerous other points. People who invest in startups are curious to learn more about new things, and startup investing is a rewarding learning setup.

It can be argued that this curiosity is rewarded even more when investing in high-tech startups, since these are pushing the limits of what's technologically possible. Just to understand the basics of the problem a high-tech startup is solving and the solution it's proposing requires a mental effort. While poring over some technical presentation might sound like an awful use of free time for some people, for the naturally curious investors, it's a reward in itself to stay on top of technological developments.

The process of startup investing does not only offer a technological education but also includes knowledge about business and law. While interacting with startups, the investor will time and again be confronted with questions of building and expanding an organization, sales processes, regulatory hurdles, competition, and other aspects of business life.
Investors learn from analyzing listed equities as well, in all of the aspects mentioned above. But startup investing arguably creates an environment that's more rewarding for curious people.

People who invest in startups are curious to learn more about new things, and startup investing is a rewarding learning setup.

First, startups lack the organizational complexity that defines and burdens many multinational companies. This means that it's easier to gauge what's going on in a startup and where it's heading toward. Second, startups are working on technologies that are usually years ahead of becoming mainstream and known to the wider public when these technologies are packaged into "investment trend" products. And third, it's possible to have direct access to a startup's founders, who will, within reasonable limits, be happy and proud to explain what they do. Talking to the CEO of a listed company isn't that easy: The investors are usually talking to a relationship manager at a bank, who, in turn, might speak to a fund manager or analyst who has regular contact with the management of said company. In the case of passive investment products such as exchange traded funds, many investors will not even know what the underlying companies are or what they do.

While this passive form of investing has its merits, it strips away all the excitement and the struggle of the business world. In terms of "investainment," (entertainment value of investments) startup investing offers more raw emotion and ambition and more direct exposure to the ups and downs of capitalism than any other investment. "I prefer attending a startup pitch to going to the cinema," one investor once confided in me.

WHAT PROBLEM?

Investment decisions are silent statements of individual investors about what they think will have a prosperous future. These decisions can be broad and encompass entire countries or be specific and include handpicked companies only; they can also be negative in the sense of not investing in specific areas out of moral reasons.
However, the impact of a single investor's decision to invest in one particular listed company or not is negligible, and even larger institutional investors struggle to change the direction of companies they're invested in.
With startups, the picture is different. At an early stage, every single decision to invest or not makes a big difference; it can even tip the scale between a project continuing or grinding to a halt. These decisions have an impact on which technological avenues will get explored with priority. It's each and everyone's prerequisite to express through their investment which problems they deem worthy of solving.

From an investor's perspective, making technological progress possible, and seeing one's own contribution to the next step in the development of a company, gives a sense of importance that buying shares of a big company can rarely convey. At the same time, the bond is stronger than the one with big companies. To put money in a young company, the investors need a much higher conviction than to put it into a multinational company with a stable and profitable business.

So, it's not just a problem that investors deem worthy of solving with an elegant solution, but it's also specific people whom investors are willing to back because they see potential and drive. Observing founders pitch their ideas teaches humility because many of them are incredibly gifted, and some are good salespeople who put in a tremendous amount of hard work to pursue their vision. Dedication and persistence are necessary to succeed. And every once in a while, a person enters the room who can be described only as "a natural-born entrepreneur."
For some, giving other people the means to become entrepreneurs is a valuable goal in itself. Unsurprisingly, such investors tend to be or have been entrepreneurs themselves and now want to support the next generation of ventures.

HELPFUL INVESTORS

So far, the emphasis has been on what startups provide as value to the investor. But one of the most interesting aspects of being invested in startups is that the investor can actively contribute to the success of these ventures. This is a unique trait of this asset class.

Helping a startup succeed can take many forms, and which ones investors choose depends primarily on their knowledge and relationships. The most effective way to help is to introduce a startup to potential customers. These potential connections make investors with a background in the same industry highly relevant for startups because they may be able to open many doors. Startups are also constantly hiring, and people who know a bright potential candidate can play matchmakers in such a situation. Then there's a myriad of organizational questions where investors can help just by lending their expertise or opinion on a certain topic.

The most effective way to help is to introduce a startup to potential customers.

Finally, "every investor should be a cheerleader," as one investor once told me, and in the age of social media, it doesn't take much to help share the startup's message with the world.

MANY REWARDS AWAIT

Having a diversified stock portfolio makes sense from a financial perspective. Building a diversified startup portfolio is financially even more promising, but it is also more rewarding in many other aspects: It will bring investors in contact with bright minds and interesting startup co-investors; it's a direct and emotional form of investing that sharpens the understanding of technological advances people won't read about in the newspaper soon. Our investors have probably learned more about the advances in agricultural robotics, single-cell technology, and the different application of drones from interactions with startups than from some of the trend reports the big asset managers churn out.

Startup investing also allows making the best use of one's own professional skills and connections to foster the development of a startup and increase its chances of success. Committing capital to solve important problems can be an end in itself, as can be fostering entrepreneurship. It's, however, also an incredibly slow form of investing: It takes a lot of time to identify promising startups and see them mature. It also takes a big leap of faith to make one's first investment. For those who've never invested in startups before, as well as for those who want to broaden their deal flow, Verve Ventures offers a platform that provides investment-ready deals (minimum investment size of EUR 10,000) that include all the necessary documentation – a good place to start and learn about startup investments.

Building a diversified startup portfolio it's a direct and emotional form of investing that sharpens the understanding of technological advances.

INFORMED DECISION- MAKING WHEN INVESTING IN STARTUPS

When it comes to startup invest-ments, are people just betting or taking an informed decision? Getting good information in private markets is hard work but essential for success.

At any moment in time, there are thousands of new companies in Europe looking for fresh capital. Some of them will turn out to be fantastic investments, others not so much. Because the returns in venture capital are quite dispersed (this means that investors might lose it all on one investment and make ten times their money on another), it makes sense to build a portfolio and look at as many investment opportunities as possible. There's a marked difference between screening a lot of startups in order to identify the rare gems and just investing in what crosses ones path.

Investing in startups means making informed choices about what sort of uncertainty and risk one is ready to embrace.

A common error of many investors who start looking at private companies is to get excited too easily: They hear about a deal, maybe from a colleague or friend who is an investor in that company and, without evaluating alternatives, jump right into it. If that investment turns out to be a dud, they might get discouraged and decide that this space is not for them. If they continue their journey, they automatically get more selective and, hopefully, more successful over time. Talking to many of entrepreneurs and delving into many more business models sharpens the capacity to discern between the excellent and the mediocre. It's sound advice not to rush the first startup investment. But then again, at some point, investors need to write their first check in order to get started. Investing in startups, as opposed to just betting on them, means making informed choices about what sort of uncertainty and risk one is ready to embrace.

THE COST OF INFORMATION

One of the main differences between public and private markets is the availability and cost of information. A big listed company publishes annual and quarterly reports. The press covers it regularly, and several financial analysts write in-depth research reports about it. There's a stock price to watch, which tells people about the expectations of the financial markets. The most important point is that people are well aware of this company. Investors still need to expend time and have the knowledge to digest this information and interpret it. But once they've made up their minds and the valuation looks attractive, they can invest in a blink of an eye.

The situation of a startup in its early stage is different. The founders might be ready to change the world, but in terms of visibility, they start from nothing. Investors must somehow become aware of this opportunity. Having a network of sources that provides this access is commonly referred to as "deal flow." The more connected a startup investor becomes, the more deals they'll find out about. But deal flow is proprietary, and it's earned over time. For investors who just started and are not plugged into the startup ecosystem yet, this deal flow will be a trickle at best.

The more connected a startup investor becomes, the more deals they'll find out about.

DIGGING DEEPER

Even if an opportunity presents itself, the only ready information an investor usually receives in the first place is a pitch deck, which consists of PowerPoint slides summarizing what the startup does. That's it, and the quality of presentations varies. The work of researching information about the company, the market, the product, the founders, and other aspects of the business needs to be done independently, without the possibility of accessing secondary sources. This means a lot of work and, in the case of tech startups, specific knowledge to interpret statements. It also necessitates spending time identifying people to talk to (such as potential customers, technological experts, and maybe even competitors) and then actually talking to them. The upfront investment in terms of time and energy is a lot higher if this due diligence is taken seriously. And because it pays to invest only in the startups with the highest potential, one needs to often say no even after having done some work already because a case might not be as attractive as it first appeared. This means that it takes a lot of work to make one informed investment. Investing early in startups is a full-time job.

Private markets are much more discriminatory than public equity markets. No matter if someone is a billionaire or a teenager with modest savings, if they want to buy publicly listed stocks today, they can. The hurdles for startup investments are higher and not just because the financial risk is higher.

First of all, a startup can decline an offer to invest, and there will be nothing an investor can do about it. And what counts in this market is not only the size of the investment but also the amount of one's social capital: The well-connected, helpful, and successful investors, those who have built a name and a reputation, will always be the ones startups want to and do talk to first. If investors have "only" the capital they will definitely find startups that need money. But they might not necessarily be the startups worth investing in.

There are, of course, ways to mitigate the aforementioned problems. People who invest in startups are generally a helpful bunch and eager to share their knowledge with those who are just starting out. Then, there are usually ways to share the work associated with putting a financing round together, which means that the lead investor (who usually also invests the largest amount and, hence, bears most of the risk) will shoulder most of the work, and other investors can tag along. And, in any case, most people tend to invest locally and in domains where they have sufficient expertise, which significantly reduces the investment universe, i.e., the number of startups that they even consider looking at.

Despite the significant challenges, people who have the right connections and master the intricacies of assessing a startup and negotiating investment terms will enjoy this work a lot, exactly because it's challenging and because they can use their skills to the fullest. Having a constant stream of high-quality investment opportunities in one's inbox is an unbeatable value proposition. It leaves investors in charge of decision-making but with a drastically reduced burden of finding the right information.

But what about people who would like to access this asset class without the hassle and hurdles involved? They can rely on Verve Ventures to do the heavy lifting of screening more than 5,000 startups in order to come up with about 30-40 of the best investment opportunities per year. The Verve Ventures investment team consists of more than a dozen people with diverse backgrounds and has invested in over 100 startups. Over a decade, they've gained invaluable experience. They'll digest and share the information needed to assess a case and prepare it for the investor's use on a digital platform.

Working with Verve Ventures will also allow investors to build a startup portfolio much more rapidly than they would be able to do otherwise, and if they want to diversify across different industries and geographies, something that might otherwise be unwise to try, they can confidently do that. And because Verve Ventures invests in companies at different stages, it also gives investors the option to invest earlier or later in the lifecycle of a startup, according to their risk appetite.

BUILDING A DIVERSIFIED STARTUP PORTFOLIO: WHY AND HOW

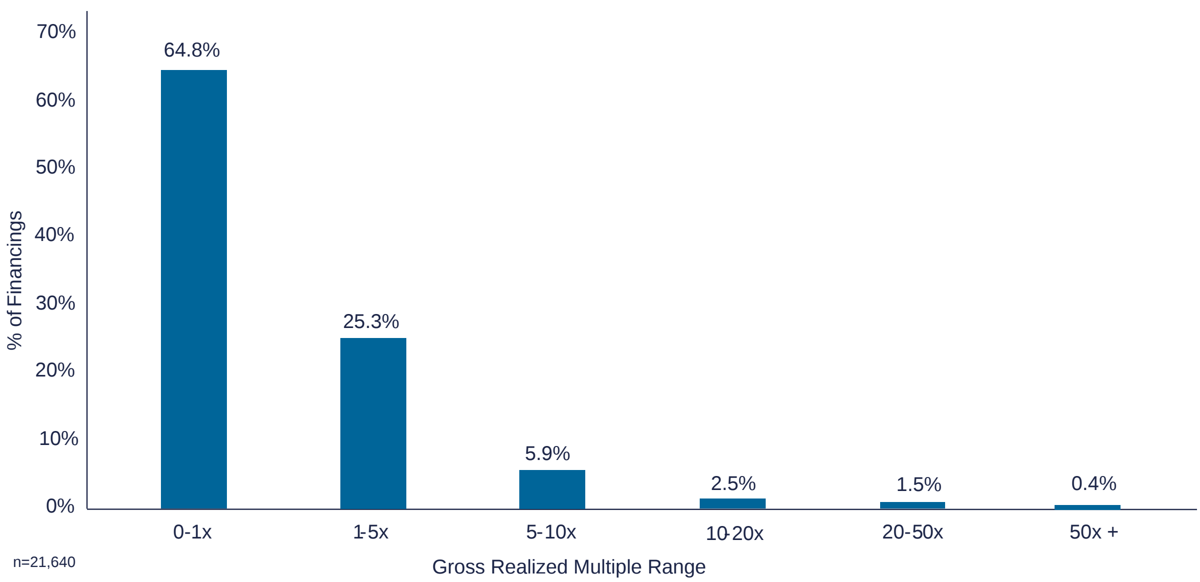
Venture capital is a risky asset class because, unlike in other asset classes, the major part of the expected returns come from a handful of investments. But there's a way to mitigate this hit-or-miss problem: Instead of trying to foresee the future and bet big on winners, investors should build a broad portfolio of investments.

No seasoned investor buys just one or two stocks and hopes for the best. If there's one generally accepted investment principle in the financial world, it's diversification, which means to spread one's investment over a lot of different stocks (and asset classes). This tried-and-tested method reduces the risk of individual investments and is bound to increase long-term returns. It applies to startup investments even more so.

The reason why diversification is essential in the startup world has to do with the return distribution of venture investments, which follows a power-law curve. It's skewed to one side.

Right-skewed distribution of U.S. Venture returns

By companies going out of business, acquired or IPO 2004-2013



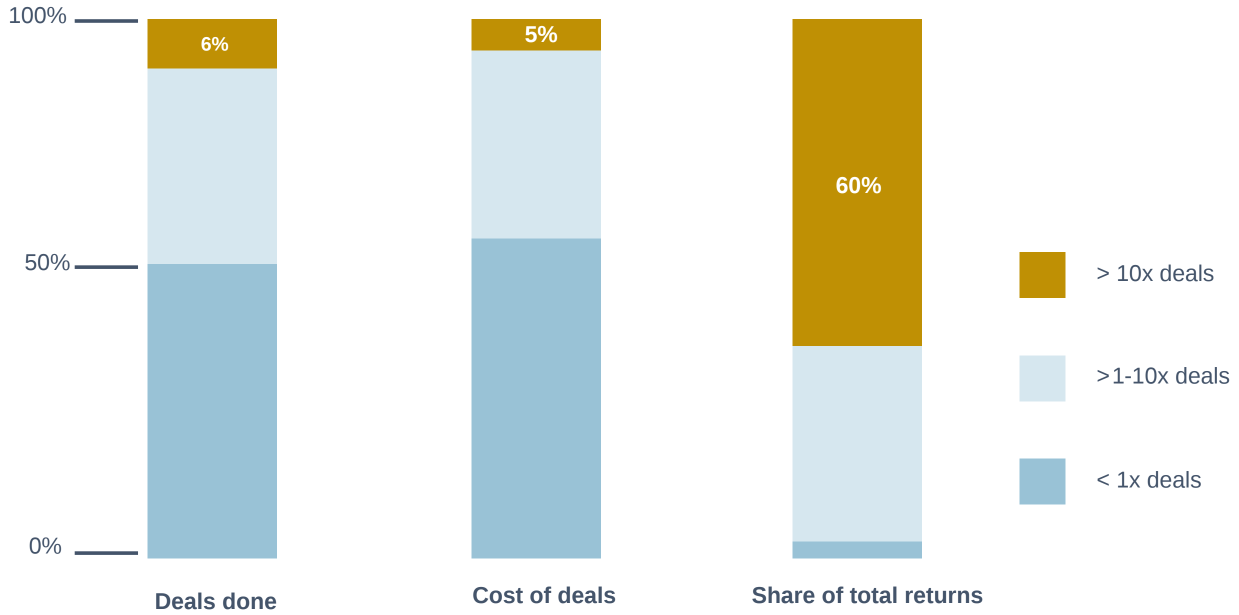
According to a study of more than 20,000 venture returns in the US (see above), almost two-thirds of the investments failed to pay back even the initial investment (which means a complete loss in most cases). A quarter made a return of 1x to 5x and around 6% brought back 5x–10x the invested capital. Very few investments (only 4%) have achieved spectacular returns of much more than 10x. This clearly shows how seldom such exciting outcomes are. But still, 0.4% of the observed investments achieved a multiple of above 50x, a massive return on investment. With such a wide discrepancy between multiples, what can be said about the total distribution of returns?

This power-law distribution was also confirmed by another study that covered more than 7,000 investments made by funds between 1985 and 2014 (see below).

Around half of all investments returned less than the original investment, while only 6% of deals produced a 10x return or more. One finding is especially salient: This 6% of deals were responsible for 60% of the total returns. In other words: The best 420 investments returned more money than the remaining 6,580.

The best deals are worth more than the rest combined

US venture investments (1985-2014)



RETURNS: MORE SKEWED THAN MEETS THE EYE

It's important to mention that both these studies included only startups that actually managed to obtain funding from venture capital funds. This means these are companies that passed the diligent vetting process of professional investors that look at hundreds of startups to make a handful of investments each year. Furthermore, these are usually companies that have passed the seed stage and have sufficient traction (sales or product development) in order to convince professional venture capital investors of their potential. Countless more companies attracted money from business angels but eventually fail to raise more money in later financing rounds from VC funds. Taking the survivorship bias (the fact that they exclude startups that didn't raise money from VCs and failed) of these studies into account, the final picture becomes even more skewed.

Now, these are historical figures for just one geography, but the substance of it is universally applicable: A few fortunate investments make up the bulk of the returns this asset class delivers. This distribution is skewed because venture capital consists of early investments in companies that push the boundaries of technology and try to establish new ideas and business models.

Public companies are not supposed to go bankrupt, whereas accepting failures in a startup portfolio is necessary to begin with.

Many of the startups will fail because there are many roadblocks to success – the technology might not work as expected, the market might be slow to adopt it, or the startups get overrun by competitors.

But sometimes, the companies that succeed do so in a spectacular way because they invented a huge market that wasn't there before and came to dominate it.

In contrast to the startup world, established listed companies are much more mature and generate more or less predictable revenue streams. Public companies are not supposed to go bankrupt, whereas accepting failures in a startup portfolio is necessary to begin with. In order to have the potential to generate returns of 10x or more, the uncertainty of a company's success needs to be sufficiently large.

Return dispersion: 15 vs. 500 deal VC Funds

Average annual manager return, IRR

Source: Monte Carlo Simulation by the magazine "Insitutional Investor" with 2'000 funds created by randomly picking deals using the deal-by-deal returns distribution probability of Correlation Ventures. Gross IRR shown, without fees, as of June 30 2019

With startups, everyone is trying to pick the rare deals on the right side of the return distribution (those with high multiples in the chart above) and avoid the ones on the far left, and still, two-thirds of ventures fail (even the ones that are backed by VCs). It's also evident that the more investments one makes, the higher the probability that one's startup portfolio will include some of the great successes. How many investments represent a meaningful diversification in the startup world? A simulation run by the magazine "Institutional Investor" shows an interesting result with 500 investments versus "only" 15 investments.

APPROACHES TO DIVERSIFICATION

As the picture shows, broad diversification significantly reduces the breadth of the return distribution, eliminating the money-losing strategies and positively affecting the median return. Diversification also makes achieving an impressive result impossible, though. But this strategy still compares well to returns from global equities and to many other asset classes, for that matter.

But there are some lessons to be learned from these observations. The first one is generally applicable: As with listed equities, diversification is your friend. One should do several smaller investments (say, a dozen) instead of just a few larger ones (just one or two). This principle can guide investors even when making the first investment because, in reality, most people will have a finite amount of money that they can invest in startups over their lifetime. Consequently, it seems prudent to start investing with small amounts. What this means in terms of numbers varies according to one's total assets and an investor's risk appetite, which in turn determines the percentage of wealth earmarked for startup investments.

If an investor with a net worth of EUR 2 million is comfortable with investing 10% of that sum in startups, this person could do four tickets of EUR 50,000 each or back 20 different startups with EUR 10,000. From a diversification perspective, the second approach makes more sense than the first one. There's also a third strategy that could prove to be successful, which consists of a staggered approach.

Only half of the money is invested at first (say, in 10 startups with a EUR 10,000 ticket each), while the other half is kept in reserve. The investor then waits and sees how the startups develop. It will become clearer over time which companies are on an impressive growth trajectory and merit follow-on investments in later financing rounds. This approach leads to a lower diversification than spreading investments across 20 startups, but it increases the amount invested in those that turn out to be successful over time.

DIVERSIFY ACROSS INDUSTRIES, STAGES AND GEOGRAPHIES

A cognitive bias that leads to suboptimal results while investing is the tendency to invest only in what is close to what one knows (geographically or from a topical perspective), termed familiarity bias. Now, in the context of startup investments, this bias is a more tricky one, because especially for active investors, it makes sense to invest close to what one knows best. If investors are industry experts, they can help startups from this industry with their network and advice. With such specific knowledge, one also should have the necessary insight to judge if a startup has a good chance to do well. If some industries or topics don't interest a person at all, forcing oneself to look at them isn't fun. And investing close to where investors live and where their network is based seems like a good start.

This being said, there are arguments why broadening one's topical and geographical investment horizon could be beneficial. Europe has several startup hotspots, and it might simply be that a startup in an industry one is interested in comes from another country. As a pan-European investment network, Verve Ventures can give this access. If someone doesn't have a strong preference for a specific startup industry or their professional skills don't readily translate into one of them, these investors might enjoy looking at as many investment opportunities as possible and learning about different topics.

Sometimes, investors say that they don’t invest in X or Y because they don’t understand it, and this is perfectly fine. If investors still would like to add a few investments outside of their comfort zone to avoid a strict industry focus, they can rely on Verve Ventures to present them with such cases.

Diversification can also be applied in a temporal dimension and in regards to the phases that startups are in. Take someone who likes to invest early in startups: By making a few investments year after year, the portfolio consisting of several vintages will start to pay back capital from exits so that this money can be reinvested. Since Verve Ventures offers investment opportunities from different stages, it allows investors to also choose startups that have found their recipe for success and already make several millions of sales. These startups are far less risky to invest in than those that are earlier in their development, but also offer less residual upside potential. In this regard, the risk-return profile of later-stage growth startups is similar to that of listed small-cap equities.

The dynamics of venture capital as an asset class make diversification a necessity, not an option.

In conclusion, the dynamics of venture capital as an asset class make diversification a necessity, not an option. The more different startups an investor is able to back, the better. Diversification should be taken into account when thinking about how much to invest in a single startup.

GETTING ACCESS TO THE BEST STARTUP INVESTMENT OPPORTUNITIES

As the returns of startup investments are predominantly determined by a few rare successes, getting access to the best opportunities is essential. This is more difficult than it sounds.

Compared to public equity markets, venture capital is a nontransparent asset class, and many attractive deals are competitive and hard to access. For private investors, Verve Ventures offers access to such financing rounds that are usually available only to institutional investors.

Getting exposure to listed companies isn't complicated. Retail investors can invest in the same stocks that the most sophisticated financial institutions own (perhaps with the exception of a few expensive stocks such as Berkshire Hathaway, which trades at around a hefty USD 350,000). There's a problem of choice, with several hundred thousand stocks available worldwide, but in general, investors do not face a problem of access, unless they want to invest small amounts in more exotic stocks.

Investors who would like to diversify by investing in startups often encounter the problem of access. Because returns in venture capital are distributed according to the power-law, investors want to make sure that they get access to the most promising startups. But this isn't easy.

Business angels are usually the first outsiders who invest in a company. In this first financing round (Seed round), which usually isn't much bigger than, say, EUR 1 or 2 million, business angels might put in investment amounts of roughly EUR 20,000 to 200,000 each. An entrepreneur doesn't want (and shouldn't have) to deal with hundreds of investors, which means that investors need a certain sum to put on the table.

But even if some people have this kind of money, there's no guarantee that they are aware of the Seed round of a given high-potential startup. And if they are, that doesn't automatically mean that the startup has enough investable space in the round to accommodate them. High-potential startups can choose their future shareholders.

Some of the startups that get financed by business angels are successful enough to raise later financing rounds (called Series A, Series B, Series C, etc.) that amount to several million, or tens of millions, and this money comes mainly from venture capital firms. Seed investors get a chance to invest again in these financing rounds. However, for those who missed the early entry point, there's usually no way to get into such a financing round. The reason is that entrepreneurs want to get financing rounds done in an efficient way, which means talking to a few venture capital firms that are eager to contribute millions and also play a significant role in follow-on rounds. This is why business angels seldomly play a role in these transactions. There are notable exceptions, such as people who are strategically relevant for the startup, e.g., a new board member with industry expertise or someone who can write large checks. If someone can chip in EUR 5 million, people will usually hear them out.

For investors who might want to participate with EUR 10,000 or more but missed the Seed round of a startup, Verve Ventures offers access to later and bigger financing rounds. The reason why Verve Ventures has access to these investment opportunities and can, hence, offer them to private investors are:

As the most active Swiss investor and one of the most active in Europe, Verve Ventures has a strong visibility in the market.
With an investment team of more than a dozen people in different countries, Verve Ventures identifies promising startups early and builds a relationship with them.
Verve Ventures combines the financial firepower of our private and institutional investors and is able to invest from EUR 0.5 million up to several million in a single financing round.
Verve Ventures has partnered with several leading venture capital firms in Europe to share deal-flow, which ensures that Verve Ventures hears about upcoming financing rounds.
Verve Ventures have proven that it systematically creates value for its portfolio companies, which makes it an investor startups want to work with.
Verve Ventures has become the investment platform of choice for many successful entrepreneurs who refer investment opportunities to it.

CONCLUSION

Investing in startups poses several challenges that we have described in detail in this report.

Verve Ventures addresses many of these challenges by providing a constant stream of opportunities that have passed extensive due diligence by investment professionals.
This solves several problems that investors face when venturing out on their own:

Lack of a complete picture: Verve Ventures has a systematic screening process based on our custom-built IT infrastructure that allows its dedicated investment team to screen thousands of startups every year, more than any individual could possibly do on their own.
Lack of experience in assessing startups: A structured investment process by professionals who have screened thousands of startups ensures that only high-quality startups will be presented to investors.

Lack of information: Verve Ventures' specialists will prepare comprehensive and comprehensible documentation about these startups, the investment process and answer any questions investors might have.
Lack of time: Verve Ventures setup ensures that investors can reach an informed decision about an investment in a short time. Some people have busy professional lives and cannot or do not want to put in the necessary number of hours to be a business angel. For others, it's about a reasonable relationship between the share of mind and share of wallet. They want exposure to venture capital but spend their time mostly on other things.
Lack of access: Because Verve Ventures is an active and helpful investor and can contribute millions per financing round, Verve Ventures get access to later financing rounds that are typically closed to private investors.
Lack of proximity: With a digital platform and the remote investor meetings with the founders Verve Ventures enables people to invest in European startups no matter where they live.

ABOUT US

Verve Ventures is the leading European startup investment firm for qualified and institutional investors. A team of investment professionals screens thousands of companies and selects the best investment opportunities after a rigorous due diligence process. We focus on European technology and science driven startups. Our investors are qualified private investors, family offices and pension funds. Since inception in 2010, Verve Ventures has invested over EUR 220 million in over 140 startups with a team of 45 employees based in Switzerland, France and Germany.

Steffen Wagner & Lukas Weber
Founders

140
Portfolio **Startups**

220m
Total invested

45
Employees

APPLY TO JOIN

We grant value adding investors an exclusive access to top-tier science and technology startups.

www.verve.vc/join