

Mike Lynch, CEO and founder of Invoke Capital, is a leading representative of the new breed of scientists who became very successful entrepreneurs, commercialising ground-breaking technologies and proving that Britain's talent is on a par with that coming from Silicon Valley. He is also, as regular readers will know, a frequent contributor to this magazine. Anna Rylands talked to him recently when he spoke to Numitas' FD Club

Thinking **BIG**



Mike Lynch

A SCIENCE and technology adviser to the UK government and a recipient of numerous accolades and business titles, Mike Lynch shared with Numitas, a specialist financial services provider, some insights into the technologies Invoke Capital is currently helping to develop and his views on the nature of successful entrepreneurship.

Invoke Capital is not an ordinary venture capital firm providing development funding to technology start-ups. Launched by Mike in September 2013, it has already raised \$1 billion.

He explained: "Invoke Capital has a team of specialists in each area of the business. We have people who are very experienced in taking product to the market, experts in M&A transactions etc. Many of the entrepreneurs we deal with have a wonderful idea but no experience of running a business. We use our contacts and expertise to develop their

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product further and get it to the market, also ensuring that it is sold at the right price. We have people with financial expertise in European markets to help introduce these products on the Continent.”

The company has a dedicated in-house R&D division, based in Cambridge, which is a unique asset in the VC marketplace.

Invoke Capital has a close relationship with its portfolio companies from day one. “We mentor the entrepreneurs and help them solve various business problems so that they don’t waste time on them. However, we only get involved in fundamental technologies that are likely to become ‘big’. We make sure that we can help entrepreneurs grow their ambitions, which is particularly important considering that in the European technology market companies get sold very quickly.”

When considering future investments, Mike and his colleagues at Invoke Capital “look for businesses with fundamental technologies because we like having ‘an unfair advantage’. We want to invest in a company which is likely to make a big impact in the world. The most important factor is the entrepreneur who can combine both self-belief and ability to listen to advice. We want to make sure that they will be making as few mistakes as possible.

“About 90 per cent of the proposals which we receive don’t have any ‘clever’ technology behind them. Half of the remaining 10 per cent are outstanding pieces of technology but are of no use to anyone. Only about 5 per cent of what we get is both clever and useful and we tend to concentrate on it. Me-too technologies are already too late to the market, so we are not interested in them.”

Technologies and companies to watch

Among the most interesting companies in the Invoke Capital portfolio are Darktrace and Sophia Genetics.

Mike explains: “Darktrace is probably the fastest-growing cyber defence technology company in the world, growing 50 per cent month on month at present. It’s a reflection of a growing understanding of global cyber security. You can no longer build a wall around your company and keep threats out while every day the systems allow in new entrants.

“What companies need now is technology which will act like an immune system. It assumes that viruses can get in but is able to fight them. Such software gives organisations the ability to detect emerging cyber-threats, allowing them to defend themselves against cyber attacks which are already in progress.”

Mike warned that 80 per cent of FTSE 100 companies are already infiltrated by standard

security threats. “Therefore, it’s no longer a question of being able to defend yourself against these threats. The issue is now about being able to handle them. The most significant come not from the theft of credit card details but from international terrorism or so-called kill-switch, similar to those recently experienced by Sony.

“The irony is that these terrorists don’t use existing codes so security systems cannot recognise them. That’s why we need technology that acts like an immune system and is able to disable the threat in progress.”

Darktrace technology has been developed by Cambridge mathematicians working on cyber defence systems for the UK government. “None of these experts had the experience of managing such fast growth, so we were able to help, although even for us managing such a fast growth rate is a challenge.”

Darktrace is already used to protect some of the UK’s key transport systems, such as Virgin Trains and electricity supplier Drax.

Another fast-growing technology in which Invoke Capital is involved is the analysis of genetic tests.

Mike says: “We noticed that the science of genetic testing was going to have a big impact on things such as cancer treatment. We met an ambitious young man who decided to develop a clinically useful product which means that the quality of results would be much higher than usual.

“In the early days, he didn’t employ any sales people but we were able to explain to him the importance of being able to communicate with doctors and of automating some elements of the development process.”

Since then, the company has grown exponentially and is now known as Sophia Genetics, and is recognised as a leading provider of genetic sequencing material for routine genetic testing by laboratories and hospitals across Europe which, while providing the best medical outcome, keeps patients’ personal genome data secure.

Among Mike’s more recent investments is Luminance, a system that applies machine learning to the process of deal making. It automatically reads thousands of contracts and identifies anomalous entities, thus greatly reducing the amount of manpower needed in the due diligence process while simultaneously increasing accuracy.

Mike obviously gets a lot of satisfaction from “facilitating the ideas that will change the world.”

Entrepreneurship: Success factors

Mike is regarded as Britain’s most successful technology entrepreneur and has won numerous awards, including *Computer Weekly*’s ‘Most

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Influential Person of the Year' and the Chartered Institute for IT's award for Outstanding Contribution to IT in 2011.

He was named Entrepreneur of the Year by the CBI in 1999 and by *Management Today* in 2009. *The Sunday Times* suggested that Mike Lynch is the nearest thing Britain has to Bill Gates.

Asked what it takes to become a successful entrepreneur, Mike said: "Entrepreneurs wishing to succeed must strongly believe in what they are doing. However, they also have to be able to listen and learn. It is crucial to realise that your success depends on the people around you. The biggest mistake entrepreneurs make is when they surround themselves with people who are just like them. The real skill of building a team is choosing people who are very different and bring diverse skills and attitudes to the table.

"For example, Steve Wozniak and Steve Jobs couldn't be more different. Once I found the people I wanted to work with, I took them with me from Autonomy to Invoke Capital. Our team often has very different views – this results in lively debates but this helps us make the right decisions."

Advising the Government

Mike Lynch is a member of the Council for Science and Technology, which advises the UK Government. "When the Prime Minister wants to understand the science behind a particular issue, we at the CST find the best experts in the country and together prepare a report so that the PM can make decisions based on this.

"It's a fascinating role as the subject matter varies widely, especially since the current PM is very forward looking and wishes to know how a particular issue will look in 10-15 years. An interesting area that we have looked at recently is the world of machine learning, which will lead to the replacement of some jobs and the creation of others."

Appetite for change

Meeting people who were passionate about science, technology and business is what Mike considers to be the turning points of his life. Among them were his teachers and his PhD mentor, Peter Rayner, in the signal processing laboratory of the engineering department at Cambridge University, as well as a senior colleague and successful businessman.

"He taught me the boring financial fundamentals, like cash flows and spreadsheets, but he also infected me with an enthusiasm for business and its possibilities. I am 50 this year and I grew up in a world without even a mobile phone. The world has changed so much since then, which makes me sad to think that the transition is going to be



David Cameron



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even greater moving forward."

The man who has just sued Hewlett-Packard for \$160 million over an allegation of fraud levelled at him said that if he were to start his career again, he "would be more confident. If I had a launch now, I would know that the people around me who are saying they know what's going on all exaggerate. This knowledge is very freeing. Once you realise that nobody knows anything for certain, it creates opportunities." ●●●●



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