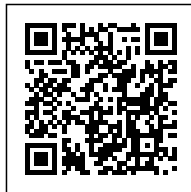


UPWARD INVESTMENTS

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Clara Gutiérrez, managing partner of Gennaker Fund, points out that the number of investors targeting the Iberian market in search of startups continues to grow and assures that 2020 will be the year of Machine Learning



Gennaker Fund was born from the union of Clara Gutiérrez and several important partners in the sector. As she describes it, it is the most remarkable project of her career. We are talking about a Venture Capital fund of €50m in management, which invests in innovation startups in 9 growing industrial sectors which in turn present developments in Machine Learning. The investment strategy, explains Gutiérrez, is exclusively designed to amplify diversification, result in higher returns and reduce the risk levels intrinsic to the sector. The fund, she says, participates in the potential of the megatrends that influence global markets where corporations are investing for their transformation. That is why she defends that

Gennaker acts as the most appropriate vehicle for both private and corporate investors to invest in startups that are necessary in the race to innovate.

What kind of operations are investors currently looking for in the Iberian market?

Based on my experience in the sector and from the point of view that I can now have in Gennaker Fund, the Spanish market is experiencing a greater positioning and attraction of funds in general. The sector data shows historical records in Spain in the number of startups invested (459) and investment volumes, reaching €505m last year, an increase of 160% compared to five years ago. Particularly important in these increases are those led by corporate-led funds, which reached more than €124m in 2017, and especially by international funds, which set another historic record last year with €241m invested. If we look specifically at these investors, they seem to have a common pattern, which is to invest in more mature stages, what we call CSeries, that is, in companies already established with a track record in the market and ready for expansion. The sectors that attract most capital continue to be, as they have been for some years now, ICT, Digital and Consumer Goods.

What are the most attractive assets?

The most attractive vertical investments are themes that change over time, and we are currently in a period with different peculiarities. Assuming technology as the basis for Venture Capital investments, our value at Gennaker as a fund is that we invest directly in the real economy, identifying the most relevant industrial verticals. This nuance is important, as we understand technology as a facilitator and not as an objective itself. Therefore, our strategy is based on investing in Machine Learning as the technology that supports many sectors to improve their productivity exponentially and create new value chains and opportunities at the same time. Now more than ever, with a possible looming period of recession, is when we need to invest the most in those solutions that improve resource management, process optimization and of course increase sales volumes. Worldwide aggregated data proves us right and among the top 5 sectors with the highest growth are Machine Learning and its related areas such as Artificial Intelligence and Big Data.

What are currently the major obstacles to investment in the Iberian market?

We are still a country that, although it has achieved very relevant cases in recent years, still lacks more references and examples of startups with important successes that position us at an international level. This results in a lack of positioning when it comes to attracting more foreign entrepreneurial and investment talent.

Another important issue is the average time of 10 years for Venture Capital funds to become established. We managers must work to reduce it. We in Gennaker Fund have understood this need as a fundamental point in our strategy, reducing considerably the years of the fund, with which we obtain improvements in the invested portfolio IRR and a greater liquidity for our investors. Finally, I would like to point out something that I believe there is unanimity among all the actors in the Venture Capital ecosystem in Spain, which is to create a more attractive fiscal framework. At least we should have similar conditions to some of our European peers and thus not be at a disadvantage when it comes to attracting activity to the sector.

Do you think more investors will start targeting the Iberian market?

Yes, I am convinced of it, and in fact as I pointed out at the beginning, it is already a reality with historical records in volumes invested by both national and international funds. We at Gennaker Fund have carefully analyzed the geographical focus of our operations, and although we are a team with international investment experience in San Francisco, New York or Helsinki among many others, we have decided to pay special attention to the potential of the Spanish market. We see Spain today as an environment with a stellar combination, for having high technological developments, already having experienced entrepreneurs and in an ecosystem of still contained valuations.

What kind of help do investors need from legal advisors to invest in the Iberian market?

It is paramount to surround yourself with specialized and experienced managers, not only in the Iberian market but also globally. Throughout these 15 years that I have been in the sector and in different countries, I have only noticed the importance of having good legal advice throughout the whole investment cycle, from the beginning of the negotiations, during the due diligence process, to structure the closing of the operation and of course in the disinvestment of the portfolio. From the creation of the Fund, it is vital to structure the most appropriate investment vehicle and avoid setbacks with the regulator. I can't think of any area of the investment cycle in which we don't depend on good legal advice.

What will be the investment trend in the Iberian market next year?

As I pointed out earlier, it is indisputable that the current investment megatrend is Machine Learning. It is an investment vertical that shows exponential growth in the creation of startups, volumes invested and exit value obtained (more than 393% in the last 5 years). In addition, verticals such as Agrotech & New Food and Advance Manufacturing & Robotics are other subsectors with tremendous potential.

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