

# Albion News

Q1 2023





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# ALBION NEWS

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# ALBION UPDATE



# 2022 IN NUMBERS

## Q1 Update

**Will Fraser-Allen**  
Managing Partner



**15**

new investments

**£50m**

invested

**6**

exits

**£39m**

follow-ons



# JOINERS IN 2022



**Bryony Butler**

Business Development Manager



**Daniel Galvin**

Finance Manager



**Kibriya Rahman**

Investment Associate



**Roberta Astrauskaite**

Receptionist



**Valerie Aelbrecht**

Investment Associate



**Sajni Shah**

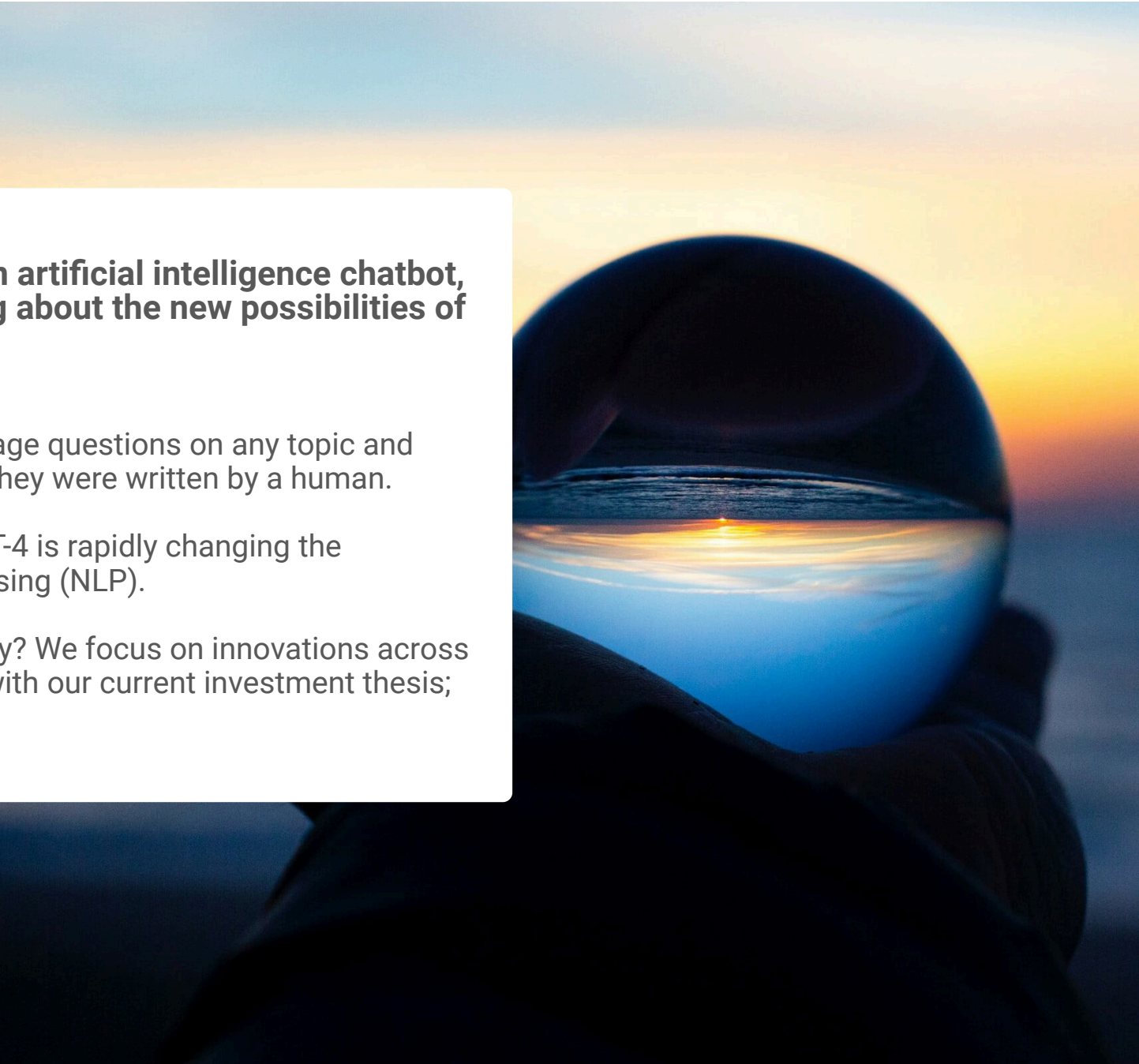
Finance Manager





# **2023 TRENDS TO WATCH**



A hand holding a crystal ball that reflects a sunset over the ocean. The scene is captured in a close-up, with the hand's fingers visible at the bottom and sides of the crystal ball. The reflection inside the ball shows a bright orange and yellow sun setting over a calm sea, with a blue sky above. The background of the slide is a blurred version of this same scene.

**The launch of ChatGPT (GPT-3), an artificial intelligence chatbot, late last year got the world buzzing about the new possibilities of AI.**

The chatbot responds to natural language questions on any topic and gives in-depth answers that read as if they were written by a human.

The recently released and updated GPT-4 is rapidly changing the landscape for natural language processing (NLP).

What other sectors are changing rapidly? We focus on innovations across the three key themes that are aligned with our current investment thesis; AI, healthcare and fintech.



# 1. Generative AI for enterprises

GPT-3 created one of the greatest buzzes we've ever seen in consumer technology and with the latest version, GPT-4, already adopted by companies like Microsoft and Amazon, we believe this trend is far from being short lived and will rapidly transition to the enterprise.

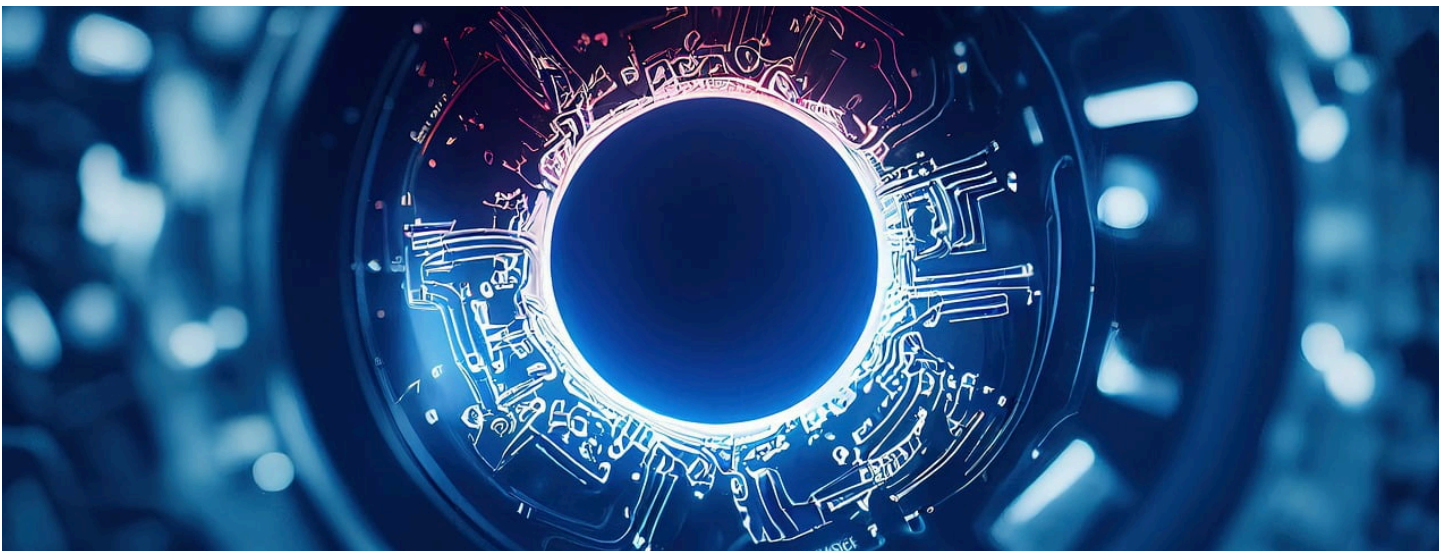
The days of building bespoke models from the ground up may be over.

Every company with NLP as part of their solution will now be considering if building on top of large language models (LLM) will achieve better results. The astonishing progress of LLMs like GPT is going to allow companies to build NLP powered applications that unlock incredible and valuable use cases.

After all, considering what generative

AI enables, like the lowering of technical barriers for creation and personalisation, we can see how it could generate long term value, drive efficiencies, boost engagement and create sustainable long-term moat within organisations. Naturally, we can expect more widespread adoption of generative AI from companies.

In addition, we are also excited about the next generation of applications and tooling that this technology will power; writing code, product design, character development, lead generation, investing, drug discovery, to name a few. With that there will be an even greater focus on explainable AI to address the trust and safety considerations that will inevitably arise.





## 2. Blurring of the lines in healthtech

Albion has previously bucketed our digital health thesis into digital care and digital pharma and, at a high level, described them as two siloed domains. Digital care was focused around the provision of care, and digital pharma was focused towards the generation of evidence informing care.

We have started noticing the blurring of lines, where many companies have products starting on the care side but the collected datasets could be used to speed up evidence generation, thus leading to their presence on the digital pharma side.

This year and beyond, we expect the digital pharma and digital care spaces to continue to grow closer together.

The distinction has previously been between evidence generation in pharma, and the use of that evidence in care, but the model is trending towards an integration of these functions as we usher in the digital revolution for health.



### 3. FinTech as an orchestration layer

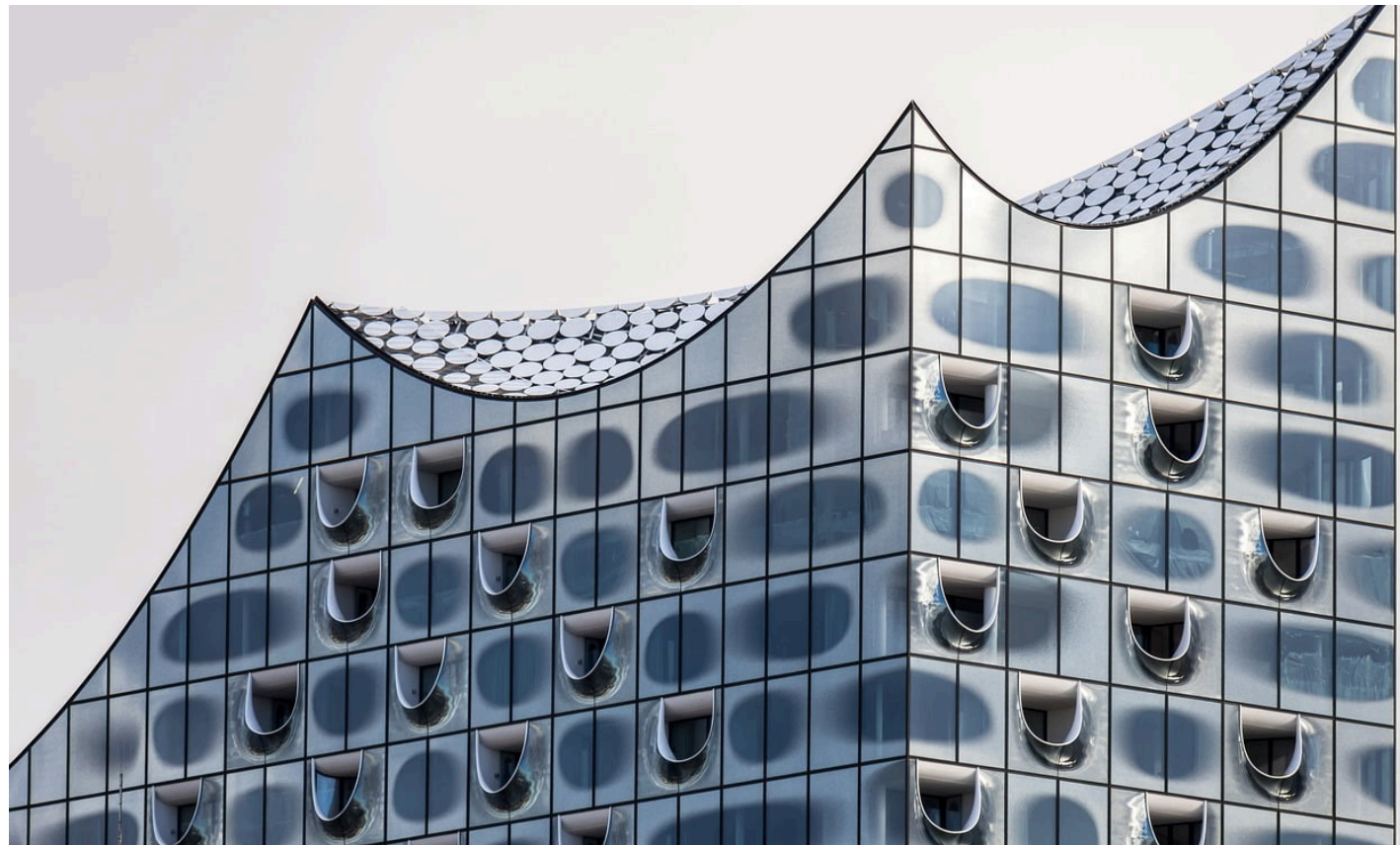
It's no secret that we are big believers in the application programming interface (API) economy. Over 80% of the internet traffic goes through APIs today. APIs have become best of breed and nowhere has this been more true than in financial services.

Today, there are over 4,000 financial services APIs available globally, offering an increasing rich array of features and functionality. However, this choice has led to an infrastructure jumble.

At the consumption end, the demand for personalised, feature rich financial products with seamless user journeys, combined with the supply of a complex web of individual financial services, is creating a

whirlwind of problems for businesses looking to push the innovation envelope.

We believe the answer, and where we will see massive growth this year, is in the financial services specific



orchestration layer. This refers to those businesses that enable the process of combining different technologies (e.g. APIs, cloud services, and software-as-a-service (SaaS) applications) to create a unified platform.



This reduces the overhead of managing multiple services, providing customers with a more secure, efficient, and cost-effective experience - the lego board for the lego if you will.

Our investment in Toqio exemplifies this belief. Toqio provides a SaaS-based global financial orchestration platform that enables any business to launch financial solutions, without building and managing complex software.

Without it, a customer looking to launch a financial product would (in-house) need to integrate and productise a user interface, a customer operations layer, multiple product components (e.g. different payment solutions) and adhere to the appropriate regulatory licenses. While the underlying APIs are the fuel, this new layer will become the operating and delivery systems for them.

**Which trends do you find most interesting?**

- ☐ AI and machine learning
- ☐ Technology in healthcare
- ☐ New software in FinTech

POST ANSWER



# INVESTMENTS



£8m out of £37m series B

Peppy is a health app that connects employees to dedicated experts in underserved areas of health. The service is entirely free to the user via their employer.

# Why We Invested in Peppy

**Molly Gilmartin**  
Investment Manager



## A huge opportunity for impact

We know that women and their families have been long underserved by existing healthcare systems. Clear care pathways simply do not exist for areas like menopause, early parenthood and men's health – symptoms can be non-specific and complex, and people are not always comfortable talking about these challenges particularly in the workplace.

These challenging times can lead to people leaving their jobs, taking time off and being less productive and engaged - 1 in 10 women actually

give up work because of menopause symptoms.

Peppy provides access to personalised support for all genders, age and background, addressing the widespread but unmet need that remains underserved by the traditional healthcare systems.

Peppy started out focused on menopause and now also support endometriosis and polycystic ovary syndrome (PCOS). This is a huge financial opportunity (the menopause market alone was valued at \$15.4bn in 2021) but also a huge opportunity for social impact for women globally.



## **B2Employer will thrive as the health and wellness delivery channel**

Albion's recent research has shown the huge increase in the workplace wellness segment. We found that health and wellness benefits are the most protected in a recession and allow companies to remain competitive and improve retention rates where broader salary increases are not possible.

As healthcare systems become increasingly capacity constrained, greater expectation will be on employers to provide these benefits as part of their compensation package.

## **Over 1.5m people currently love Peppy's service**

It was very clear to us that Peppy has achieved product market fit both with the customers (the employer) and the

users (the employees). This is the key secret sauce. So many companies build amazing products that can't get that flywheel turning.

Peppy has achieved 10x growth since its Series A and is now trusted by over 250 enterprise businesses including Adobe and Disney. HR directors at these businesses have become huge Peppy advocates due to outstanding engagement levels and positive feedback within their organisations, supporting excellent retention.



More importantly, the net promoter score from end users is extraordinarily high and users clearly remain engaged over long time periods. The icing on the cake is that Peppy has a positive effect on patient outcomes.

## **The team are the heart of Peppy**

Entrepreneurs, technology, market opportunities, and capital are in abundance - great teams are in short supply. It takes incredible teams to build great businesses. Peppy is led by such a founding team with backgrounds in healthcare and clinical operations. We have known the team since the beginning and it's truly inspiring to watch them revolutionise the delivery of a basic human requirement – healthcare. They are fastidious about hiring great teammates and attack the market with a laser focus. We can't wait to see where this team goes next.



**£3m out of £6.7m series A**

Diffblue is the leading pioneer of software creation through the power of AI. Its flagship product 'Diffblue Cover' solves the problem of effective unit testing to help software teams improve code quality, expand test coverage and increase productivity.

## Why We Invested in DiffBlue

**Kibriya Rahman**  
Investment Associate



### **The Problem: Code testing and code health**

Software was predicted to eat the world and, suffice to say, it has. We've seen software become critical to company operations, products and services in every industry. We are still seeing new developments and further complexity. This has led to huge volumes of code being written and it will only continue to grow.

All this code needs regular testing to help find and fix problems early to deliver better-quality software more quickly. Testing is required for code maintenance, and is important with

the shift to agile development where development and testing happen concurrently.

The problem is the lack of software developers (the global shortage will reach 4m by 2025), and testing is time-consuming and manual. Currently, businesses are forced to trade off between building and testing. And where code quality is prioritised, developers can end up spending nearly 50% of their time on testing. Not the best use of this scarce, highly valuable resource but necessary where code is safety or business-critical.



## Diffblue's solution: Autonomous AI-for-Code Software

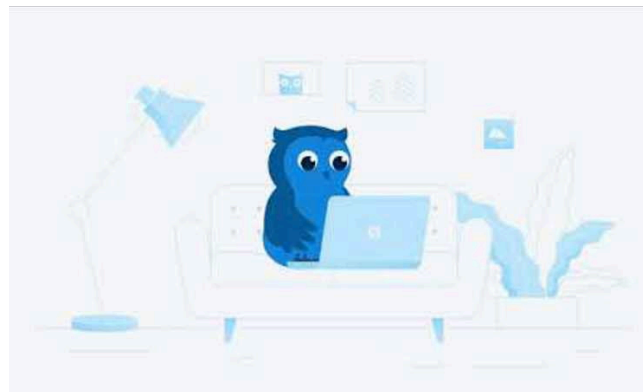
Founded by researchers from the University of Oxford, its flagship product 'Diffblue Cover' can write tests 250x faster than a human developer. It helps improve code quality, expand test coverage and increase productivity.

Diffblue Cover analyses Java, one of the most popular coding languages, and can write a unit test in under three seconds, allowing developers to focus on writing the key unit tests that verify the intent of their code, while leadership can see the overall picture and address risks and gaps.

Their customer base already includes leading names across different sectors who have seen their testing processes fully automated and reduced from months to hours, with accuracy rates of up to 100%.

## What We Are Excited About

The software testing market is currently worth £33bn and forecasted to reach £49bn by 2027. Growth is being driven by underlying secular trends in software development, such as digital transformation, cloud computing, cybersecurity, automation and AI.



The technology is unique and differentiated. Its unsupervised learning model requires no pre-training; it requires low memory requirements; and is fully automated

and autonomous.

Diffblue is able to automate some of the most manual work for developers, writing a year's worth of unit tests in 8 hours, at the click of a button.

Diffblue's CEO, Mathew Lodge, has over 25 years of cross-functional experience building and growing software companies across the U.S. and Europe. The team have unrivalled domain expertise, product knowledge and customer centricity.

Our investment in Diffblue reflects Albion's focus on building category-leading software companies that are leveraging new innovations to disrupt sectors crying out for change. It follows our other investments into AI/ML companies such as Black Swan Data, Elliptic, Seldon and Speechmatics.



**£1.5m out of £3.5m Seed**

A forecasting analytics start-up, Ramp's technology enables finance teams to run scenarios and forecasts in minutes instead of weeks or months.

## Why We Invested in Ramp

**Paul Lehair**

Investment Director



### **An industry ripe for disruption**

Cohort-based analysis is powerful, but I remember the pain of building it myself in my previous role as finance director of startup Citymapper. I had to aggregate data from various tools into excel, then build a model, which would have dozens of rows for a basic monthly analysis. If I wanted more granularity like segmentation by platform or demographic data, the model would reach hundreds of rows, and this was before introducing weekly or daily cohorts.

You get it, doing such analysis in excel is manual, complex, hard to

build/maintain and very time-consuming. As a result, this type of analysis is still not used enough by finance teams for historical analysis, let alone for planning and forecasting.

Generally, producing accurate revenue forecasts is hard and business critical, especially in a recessionary environment. While already complex to do for B2B companies with recurring and predictable revenue streams, it is even more so for B2C companies with non-subscription and fluctuating revenue. B2C revenue forecasting is done through manual and static



spreadsheets, which leads to missed targets and opportunities, incorrect resource allocation and millions wasted.

Finance is typically not top of the priority list of valuable data science resources and CFOs therefore lack the tools to forecast quickly and accurately, a pain I experienced first-hand.

Enters Ramp Growth. They provide very granular cohort-based forecasts that is impossible to replicate in spreadsheets.

### **A differentiated model**

Most of the competition is actually still excel spreadsheets. Others typically focus on B2B companies and are more generalist solutions.

Finally, we are very excited by the company's vision of building the

"source of truth" for the future, evolving from predictive towards prescriptive and proactive analytics.

**"Ramp differentiates by being more B2C focused, more accurate and more scalable - a new customer can launch in days and get forecasts in minutes."**

Ramp's advantage also comes from the domain expertise. The company's model and approach is based on the previous work of Angus Lovitt, Co-Founder and ex-VP Marketing at King, where he helped drive an increase in revenue from \$50m to \$2bn. Angus cofounded Ramp with Dan Marcus (CEO) and Jan Pickard (COO). Dan and Jan are long-time friends who previously founded and exited a SaaS company. Dan and Jan complement Angus and each other well through their background in sales/go-to-

market and product/engineering respectively.

### **Huge growth potential**

We were impressed by Ramp's growth and traction while being bootstrapped and very capital efficient. Due to the team's background, Ramp is currently mainly focused on the gaming sector. It has been exciting to witness how Ramp was described as a must-have tool for company forecasting and strategic planning.



# TEAM SPOTLIGHT



# TEAM SPOTLIGHT

**In this edition of Team Spotlight, we get close and personal with Emil, an Albion partner focusing on B2B Software investing and the Albion spokesperson for Crown Place VCT PLC.**

Following his early career at KPMG in London, Emil has spent 23 years in venture capital, through the dotcom cycle and the financial crisis. He has garnered decades of expertise working at board level with more than 40 companies, and is adept at advising startups on strategy, leadership, organisational structure, finance, and fundraising.

Emil holds a BA (Hons) degree in European Business Administration and is a Fellow of the ICAEW (FCA).



**Emil Gigov**  
Partner





### **Tell us about yourself**

Hello, I'm Emil, a partner in the investment team at Albion. I focus on B2B software companies raising their Series A round of investment, when they have proven products in the market and are looking to scale up commercially.

### **Explain your role at Albion**

My role is to find start-ups that have real potential to scale rapidly and drive value for our investors. I specialise in working with earlier stage, fast-growing companies and support them to achieve their objectives. I have a particular focus on B2B software, including infrastructure software,

data management software and fintech.

### **What do you think is most important when building a relationship between Albion and a company founder?**

It sounds like a cliché, but the key thing is trust and openness. We see our role as partners to the founding team and we are here to help in any way we can, but we can only do so if we can have open and honest conversations around the challenges the founders face, whatever they are, and if we are given an unvarnished version of the truth. This starts from the very first interactions, during the fundraising process.



**Are there new areas/sectors Albion is keen on/looking to invest in?**

Despite the turbulence in the technology markets in the past 18 months, software remains one of the most exciting sectors to invest in. In addition, new software based services and new business models are being created to disrupt existing industries and create new ones. Some specific areas we are excited about include the data observability, governance and management space, environmental risk management and embedded finance.

**What have been your biggest learnings whilst being a board member with some of the portfolio companies in the VCTs?**

It is the nature of early stage investment that almost every successful company goes through a period when things don't go to plan. This makes the clarity and alignment of objectives absolutely paramount.

Firstly, the executive team and investors should spend



time agreeing what the key strategic objectives are, what the short and medium term targets are to achieve

these objectives, how to measure progress and assign clear responsibilities. We do this

**"There is still tremendous scope to digitise traditional industries, and those that provide the right tools to enable it will continue to prosper. "**



every time we back a new company, in a systematic way.

Another key lesson is that founders should not waste time in building a high calibre C level team as soon as they take on investment. It takes time to find the right people, bring them on board and allow them time to make a material contribution.

Lastly, we operate in fast moving markets and those who win embrace agility and speed of execution, so we focus on founders with these qualities.

**Best piece of advice you have given or received?**

**“Every long journey is easier with the right people on board.”**







# **VCT EVENTS CALENDAR**



# Annual general meetings and Albion annual Shareholder Seminar dates for 2023



Thank you for reading  
**Albion News**