

Voiceover

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Nikoleta

Welcome, everyone.

I'm Nikoleta Piperidou from the Clean Energy and Infrastructure Team at KTN, primarily looking after our battery related activities.

Delighted to welcome you today to the first session of our Battery Caffè, brought to you by the Cross Sector Battery Systems Innovation Network community funded by KTN and the Faraday Battery Challenge, which aims to support battery innovation, help decarbonize a wide range of sectors and support the net zero agenda.

We've recently launched a new online platform. Please, do check it out, register and participate in our networking hub.

Today, we'll be chatting about investment in batteries. The topic was inspired by our work over the past few months on the Faraday Battery Challenge Investment Readiness Program. So, make yourself a coffee and join us. With us today, is Sheena Hindocha and Charlotte Thompson. Over to you Sheena.

Sheena

Morning everyone, afternoon, whenever you might be watching this. I'm Sheena Hindocha, working in the Chemistry and Industrial Biotechnology Team at KTN, and I have a background in battery materials, as well. So, I am really excited to find out a little bit more about the investment program that's been running, and how we can help SMEs access that part of their funding. So, Charlotte.

Charlotte

Yeah. Great, thanks Sheena.

So we have been working with about 14 companies and the electric vehicle battery sector on an investment program. And, what's quite exciting is that, actually, I think we have delivered this program, at just the right time. I think, you know, my background in raising, like, public innovation funding and private financing so I've delivered quite a lot of investment programs at KTN in everything from robotics and AI to geospatial to food. And, what's quite exciting about working in this space currently is the excitement around the space. It's not too early to invest. The timing is now for those early stage investors and it's actually really exciting as an emerging market. So the interest from investors has been incredible. And it's been great to be working with these 14 companies to hopefully present their propositions to an amazing group of investors on the 22nd of April.

Sheena

Sounds really interesting, and how, you mentioned you've been involved in loads of other programs, how does this one differ, or, are there similarities or, because the sector is quite young, so, is there a big difference between other programs that you've been involved in.

Charlotte

I think so. KTN generally works in an uncomfortable space with working in emerging markets anyway, so it's been quite a common theme. But, I think when we look at the wider context where we're looking at increasingly at sustainability, that actually working in the battery sector now is attracting not only our usual tech investors that we would normally work with, but this growing community of sustainable impact investors. So that's what's been particularly different about this

one. Equally, the long time frames to market. You know, most of them are hard tech companies, they're going to be, require huge amounts of assets, and they'll be looking at doing full scale plant demonstrators that will require multi million pounds. So, in that sense, there's an increased complexity and challenge associated with that. But, you must have felt that with the net zero chemistry and industrial biotechnology accelerator, that you've been working on.

Sheena

Yeah, actually we found the same. So, we have 17 companies in the Chemistry Industrial Biotechnology Program. There's been a longer program, we've done a lot of, kind of mentoring and coaching of the companies I think, compared to the Faraday one.

It was just been really interesting, but you're right, for companies within our sector and it sounds like the batteries one to, that is the capital investment to get to scale is just, so much, it's really significant and that's why people are struggling to get funding, even funding for the pilot plants, you know even that costs a significant amount of money. And, it's been really interesting to be involved in that program and see the different types of technology that are being developed but also the different investors that are now coming in and being engaged. I feel like that, this whole sustainability space is really exploding and we've had some really interesting conversations around life cycle analysis and CO2 impact and how to show the positive impact of innovations that have been developed, which has been super interesting. We actually have two battery materials companies in our cohort, as well, which is really nice because there is a significant crossover between sort of chemistry in particular and, and the battery space.

Charlotte

I think we might even poach one of them for our own program as well. Great company, why not.

Sheena

If it is who I think it is, they are brilliant. And, so what does the rest of the cohort look like Nikoleta. Because battery is a big space, what types of companies have been involved.

Nikoleta

So, yes, it's a very interesting and diverse mix, so as Charlotte mentioned it's 14 companies they're all UK based SMEs, and they are active across the supply chain so cells and materials modules and bags, thermal management, recycling both hardware and software. So, it's a really really nice mix so I'm really excited to be working with this cohort of companies.

Charlotte, you know the cohort very well, you've been working with them for a long time so what are the major challenges for companies seeking investment in this area?

Charlotte

So, I think it's fair to say that some if not all of the cohort have received some form of grant funding, and, or perhaps some seed investment. And we always think that's probably the hardest thing to achieve is that initial form of investment. But, actually for this sector, I think the hard bit's to come. Because I think when we look at the whole of the UK market there seems to be a gap that kind of series B larger, larger raise to, in an emerging market where perhaps it's been technically validated, and that's where it's a great use of public innovation funding to achieve that. But when you are looking at bigger forms of capital requirements needed to do those big pilot or plant scale demonstrators when there's no existing market comparables or wider business case that supports the market validation, then that's where the biggest challenge is going to lie. And, that will require yes investment, but also debt finance and using a blend of those different mechanisms in order to build those big commercial plants.

So yeah, I am wary of that, I think what we're looking to achieve in this program is a great showcase to the investment community, and then actually build momentum behind that. And we've already, we've seen that already in the electric vehicle sector, and being able to translate that same pattern into the battery sector. Then, hopefully, we can follow that market well, and I think we will achieve that. We have got a lots of lovely and exciting activities planned for later on in the year, and so hopefully this is just the start of that.

Nikoleta

Yeah, sure.

Sheena

So, can I ask: do you see a difference in the investors who invest in, like Nicoletta said there's hardware companies, materials companies, software companies in the cohort, are the investors different, or is this kind of a new investment community that's growing at the moment, that's trying to find its fit?

Charlotte

Yeah, so whenever we are working with a company, we try to get them to put themselves in the shoes of an investor, understand their different criteria. And so, some investors will invest in both hardware and software, some software only, some of them are b2b, some of them are looking at those lovely sticky Software as a Service models just for software with huge scalability.

And then, so, we have been very selective in the investors that we've gone out to that I think would be interested in this cohort. But we know in this cohort that we have both a blend of hardware and software. Then, we have been very targeted in our approach, that we've highlighted particular companies to an investor, where we think that one company rather than the whole cohort might be relevant. But equally, we have a regional spread with our cohort. And so we've been looking at regional investors as well, who might be sector agnostic, but interested to invest with companies in their region. And again, we're not going to be promoting that whole cohort or that whole space but those particular companies. And so, yeah, we've been, we've taken into consideration the company's individual requirements and match that with our understanding of the investment community.

The piece around sustainability, however, and this being very much aligned with the battery sector, is where we have been growing more our own networks for the companies.

Sheena

Interesting.

Nikoleta

Thank you. And are there any other sectors that companies can look to and learn from.

I believe that on a few occasions you've mentioned the agri sector during the programme is that the sector that companies can look to and learn from or are there perhaps other more relevant sectors?

Charlotte

Yeah, I think, when we look at the roadmap, and their growth. When we look at like the agri tech sector, particularly the hardware side, we've worked quite a lot with our cohort to understand, not just the investor's perspective but why do customers buy, what's the return on investment for them to buy perhaps a piece of capital equipment and when would they would realise the benefits of that. So they're developing these really strong value propositions, not just to the investor, but also to their customers and end users when they might be part of a complex value chain.

And so, those kinds of learnings that we've developed through working in agri tech, we can apply to the battery sector as well as things like electric vehicles and also given the chemistry and industrial biotechnology etc... has built on about three years' worth of chemistry and industrial biotechnology investment programs that KTN have run. And so, where we've done these kinds of repeat programs year on year, we can learn what worked well for certain companies to go into those spaces. So yes, there's definitely similarities that we have pulled through for working with this cohort.

Sheena

What I think is really exciting about the plans for, like, longer term programs and building year on year is kind of the alumni that come back and teach the new cohort.

And you had a couple of them, companies. Maybe they didn't go through our programs but we have worked with them since they were really young. They come and talk to our cohort about their journeys. And, it's just really nice to hear, you know, the journey that they've been on, the learnings they've had and the success that they're now kind of being rewarded with. I actually really enjoy that part of it.

Charlotte

Yes, you've really got my heart because I can stand there and I can talk to these companies but the whole point of why we were in cohort programmes rather than doing one to one support is because we get this lovely peer to peer learning and especially in the cohort we've got currently, there might be some really early stage businesses but actually some of the founders are really quite experienced. So, I want to hear from them, not just from me. And so, we've seen some collaborations that have already taken place within the cohort. And I'm really looking forward to actually reworking on this program again, some are in the early stage, perhaps going on the program again, but also those that have raised investment to come back and talk. So yes, I'm super excited about that.

Sheena

Yes, I really like the peer to peer learning pieces.

So, what are your top tips because the companies are seeking investment, what should they definitely do?

Charlotte

So, I mentioned about getting into an investor's shoes and doing your research. Because raising investment is not about accessing funding just in itself, it's about building relationships to go to market and those relationships can be for a long period of time. At a minimum, it's going to be three years and if anything it's going to probably be more like 7 to 9. So, finding someone you really get on with, and to understand both sides, that this is not just a transaction. So for me, doing your research about the right relevant investors for you. Because actually, if it is a really good fit the chances of raising the investment are going to be a lot higher. So yes, for me, this is a sales process about building relationships that'd be my big top tip.

How about, how about yourself, though, like with the SME accelerator. What have you seen, what will be yours?

Sheena

I think a lot of our companies, they're very tech focused, and they need to learn to sell their brilliant technology and innovation to people who don't understand it, who don't know what that enzyme is or who don't know what that chemical is and build the story up so that it's accessible to people that just don't know the science behind it. I think that's been a big learning that we've seen through our cohort.

Charlotte

And you Nikoleta?

Nikoleta

Yeah, I totally agree. You may recall Charlotte in our very first meeting with the group, one observation was that the language was quite technical so that has been flagged as, yes, one of the key issues is tried to create the sales pitch that people can understand because at the end of the day investors are people and they don't know about all the technologies, they can't understand them all. So, just try to make it simple and easy to understand for everyone, I would say.

Well, thank you all for this lovely, lovely chat and hope you enjoyed your coffee.

This battery Cafe is just the first session, and the aim is to keep having more and more sessions. At the next one will be looking at battery recycling, so look forward to all of you joining us for the next session.

Voiceover

KTN, connecting for positive change.

Notes: this transcript has been produced verbatim and includes all the quirks and idiosyncrasies of the speakers.