Lending a Helping Hand

Simon Squibb has never worked for a bank and left school at 15, but he holds the key to innovation in Hong Kong with his venture capital firm Nest. **CATHY ADAMS** meets the man with his eyes on the prize

THE WELL-WORN NARRATIVE usually goes: the west innovates, and then the east copies. The stock market is well established, while venture capital is not. But the tide is turning – or at least it is according to Simon Squibb, the forward-thinking founder of venture capital firm Nest.

Launched six years ago in Hong Kong but with offices worldwide (including One Canada Square and recently opened Singapore) Nest is, in Squibb's words, a venture capital 'ecosystem' that came about because Asian entrepreneurs couldn't access the kind of early-stage funding so readily available across the Pacific.

"A lot of models here are finance-based solutions, not 'entrepreneurs helping entrepreneurs'," Squibb tells me in the mega reflective Infiniti Lab in Hong Kong's Wan Chai district. This phrase will reappear frequently over the next hour. We're sitting at the makeshift bar, and Squibb has just cracked open a bottle of French red to drink out of plastic cups.

Asia hasn't traditionally been the home of the startup economy. That mantle has long belonged to the west coast of the US, where Silicon Valley has munched most of the column inches surrounding the innovation conversation over the past decade. Facebook, Twitter and last year's IPO of payment tech firm Square – launched by Twitter founder Jack Dorsey – are all great adverts for the creative synapses snapping across the ocean, but Asia has yet to make a land grab for entrepreneurship. That's changing in Hong Kong, which has got one huge benefit on its side: the hands-off government and the market, the most economically free in the world according to the latest report from Canadian think tank the Fraser Institute.

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"There is far more entrepreneurial wealth creation coming out of China and India," Squibb reminds me. "There are more billionaires in Asia than anywhere else in the world. This is Asia's time."

Of all the Asian cities in which to launch, Hong Kong makes a great test market. It welcomed more than 60 million visitors to its shores in 2014 and is on the doorstep of the world's greatest, if volcanic, economy.

Squibb is passionate about what he does. The venture capitalist left school at 15, and admits freely that he's never been employed by anyone – choosing to set up his own business instead. He's been doing that ever since – of which Nest, in his adopted home of Hong Kong, is the latest. "I am investing in people that are building their own companies. I have no financial background and no financial training. It's not my skill," he adds. It's a refreshing phrase to hear in a town where pretty much everybody is overqualified and overworked.

"In the early stages of a business, investors want to see hard financial facts like profit. But when it's three people with an idea called Twitter and they haven't got the prototype live yet, how do you value it? How do you recognise a good idea from a bad idea without anything to demonstrate the history of the business? The only way you can do it is gut instinct, frankly."

What Squibb and his team at Nest do have is time, myriad resources, and a cash pile ready to invest – at first just from Squibb's own pocket, then from a group of angel investors. It's with this that it can 'incubate' young firms and start to nurture them to become fully-fledged.

For a company in its portfolio, Nest will typically invest between $100,000 and $200,000, taking between 2% and 8% in equity, for a period between six months and 15 years. "Within the incubation cycle we have helped over 50 companies and within that process we have put capital in and taken equity out, and then we've helped them scale out," says Squibb.

Each month, Nest holds *Dragons' Den*-esque 'pitch days', where typically more than 300 companies apply to pitch their ideas to Nest's panel of experts. Ten will be seen, and usually Nest will invest in only one or two – there's plenty of competition here. Companies in its portfolio so far include gaming company Playtoo and Simple Wearables, which produces home health monitor systems.

It's not all about incubation, though. Nest also helps startups through its accelerators. These are 12-week programmes run by Nest, backed by a corporate partner (car dealer Infiniti, insurer AIA and bank DBS, which recently ended) to furnish startups with knowledge, potential clients and business opportunities. Companies that Nest has sent on the accelerator conveyor belt number around 200, Squibb tells me.

This is Nest's second revenue stream (the primary one being creaming off a huge profit if one of its start-ups goes on to become the next Facebook, of course). Alongside its primary accelerator partners, Nest connects startups with sponsors – including Microsoft, KPMG and Samsung Business – to provide products, services and crucially, advice to the startups to allow them to mature. "The end aim is to give the startups an unfair competitive advantage. I say that every day," Squibb quips.

I press him on the point of money. Have you made any from these companies yet? "The short answer is no," he admits. ▸

PHOTOGRAPH by Mike Pickles

◂ MAN WITH A PLAN: Simon Squibb is passionate about investing in startups, and through his Hong Kong-based company Nest he is helping them grow and prosper

> **“As an investor, you can have an influence on how a startup is run. You can introduce them to people and have an effect on that investment quite quickly”**

▸ How do you plan on making any, then? “The long-term core part of the business is investing in startups that turn into successful companies,” he says. “It’s a long process from investment to IPO. It’s a long road and a tricky road.

“No company has made money yet. We’re only five years old. The cycle of startups is a ten- to 15-year process. We are pioneering venture capital in Asia. If I look clinically at the amount of money put in at the start and the paper value of the portfolio today, we’re up 400%.” I point out that a paper gain is not a true gain. The Nest founder is undeterred: “But the journey isn’t over. Once you have the deal flow we have, it’s an exciting business. A good thing about startups is unlimited upside.”

Squibb spends most of his day giving face-to-face guidance to his startups (affectionately referred to as his children), but is equally preoccupied with reframing the notion of what a startup actually is. Over the past few years with the advent of the likes of Airbnb and Uber, it’s proven itself to be an elastic term. It doesn’t just mean a couple of guys working out of a loft conversion with a MacBook Pro.

“Startup is an interesting word,” comments Squibb. “People think ‘oh tiny little company’ but it doesn’t mean that at all.” Industry definitions swing, but a startup is often loosely used to describe a company in search of reoccurring revenue. Uber is still considered a startup, despite its $40bn valuation being larger than the economies of many African countries.

Startups are gathering pace even among traditionalists, too. “High-net-worth individuals bought stocks and shares or property and now what they want is exposure to startups,” Squibb says. “What’s interesting is that if you look at startups they’re actually quite transparent. They’re not complicated businesses.

“As an investor, you can have an influence on how a startup is run. You can introduce them to people and effect that investment quite quickly. In that respect it’s less risky than the stock market in many ways as you can be involved quite closely and help that company do well.”

“Quite closely” should be taken literally. Squibb often takes his entrepreneurs on hikes up Hong Kong’s hills with his dogs, and spends much of his personal time engaging with them, too. Overworked and overqualified indeed, and it’s certainly doing a good job disrupting Hong Kong’s weighty banking contingent.

“I bring understanding that financial people can’t – I understand who will make it and who won’t, because I understand the fire that’s in their eyes.” H