

PHILOSOPHY

What we work on

At KV, we fundamentally like large problems that are amenable to technology solutions. We seek out unfair advantages: proprietary and protected technological advances, business model innovations, unique partnerships and top-notch teams.

Broadly, a venture we back offers one or more of the factors below.

Significant technology or business model innovation

Unusual technology approaches, ventures into new markets or contrarian approaches to existing markets.

“Black Swan” ideas with significant upside or a significantly better mousetrap

Black swans are high-impact innovations beyond the realm of normal expectations. As Nassim Nicholas Taleb put it, black swans are characterized by rarity, extreme impact and retrospective predictability. High-impact investments can change the dynamics of large markets. Can we alter the design of an engine to substantially change its efficiency and make it more economic than hybrid drivetrains? Can we make cleaner building materials? Going beyond normal expectations means we take on the challenge of rethinking the familiar. Can we store energy in elements other than lithium? Or can we make lithium-ion batteries better?

Large markets, either existing or newly enabled by the innovation at hand

Will you disrupt a large existing market? We love breaking monopolies. Or can you find a billion dollar market (versus a million dollar market) with a credible path to grow?

Short innovation cycles

Startups by nature take on more risk than larger, established competitors. However, the nature of startups also adds significant difficulty to getting large, capital-intensive projects up and running. Instead, we look for rapid innovation cycles so proof points and results are available quickly (whether good or bad). That said, we also break our own rules; we have invested in a nuclear reactor with long innovation cycles because other factors were compelling.

Upfront risk

Every plan has risks, and we both understand and cherish risk. But we prefer technology risk to market risk, and we prefer to remove technology and business risks up front. Clearly identified and understood risks, along with a cogent plan for removing those risks for the least amount of money, is an important criteria for evaluating ventures. It is more advantageous to all parties to fail in six months and on \$75,000 than in six years and \$75 million — we want to focus on the key risks early.

If you have a compelling technology-based story or are exceptionally accomplished or credentialed, we are willing to listen. We are not looking for good ROI; we are looking to build companies. In our view, the ROI follows the company building. We will help you redefine your plan to meet these criteria if the technology breakthroughs are significant.

