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Blenheim Chalcot

"We build digital businesses that transform industries"

— -Manoj Badale and Charles Mindenhall, founders of Blenheim Chalcot

Introduction

In April 2019, Manoj Badale and Charles Mindenhall, co-founders of Blenheim Chalcot, were contemplating how they might go about developing their portfolio. Since founding the company as an internet consultancy called netdecisions in 1998, Badale and Mindenhall had transformed Blenheim Chalcot into the United Kingdom's "leading digital venture builder," having successfully built, and, in 15 instances, exited, 42 businesses across a number of sectors, including technology, financial services, sport, media, property, and education. In 2018, Blenheim Chalcot had portfolio sales of over £350 million and employed over 3,000 people.[1]

Unlike a traditional venture capital firm, Blenheim Chalcot was a "venture builder," often developing its own ideas then bringing in and supporting entrepreneurs with a range of services and support, and funding them in return for a majority equity stake (typically 80-90%). The idea was to increase the probability of success by allowing the entrepreneurs and their teams to spend less time fundraising and dealing with time consuming tasks, such as property, recruitment, legal set up, and gaining access to a client network. This enabled the entrepreneur to focus more on product and customers. The downside of this approach was that the growth of the group was somewhat constrained by the founders' own capital and their access to co-investment funds.

As Badale and Mindenhall contemplated the future, they were asking themselves how they could best develop their ecosystem for building innovative businesses. In October 2018, they had opened an office in New York. They were also partnering with Imperial College London to open a 200,000 square-foot tech and innovation campus in early 2020. Should they continue on their current track? Or, should they be bolder, perhaps going public, adding new sectors, more businesses, bigger opportunities, and expanding into new geographic markets? How could they achieve these growth goals while maintaining sufficient control over the businesses? How could they achieve growth and maintain the quality of the businesses – and not spread themselves too thinly?

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Business Incubators

Blenheim Chalcot considered itself a "venture builder," rather than a venture capital or private equity fund. In practice, they were a business incubator with a differential level of partner support, which nurtured the development of companies by providing a range of professional services, including funding, consulting, technical and administrative support, and office space. The incubator concept was first pioneered in 1959 in Batavia, New York, when Joe Mancuso, unable to lease an aging factory to a large manufacturer, instead found several smaller tenants looking to start or grow their own businesses. Since then, business incubators had emerged as a powerful driver of innovation and disruption.[2]

There was a wide range of business incubators in 2019 (see **Exhibit 1**). At one far end of the spectrum, there were incubators like WeWork, which simply leased flexible office space with services such as internet access and refreshments included. Start-ups could rent anything from a single desk to a room, or an entire floor, and could expand as needed.[3]

Then there were incubators such as Y Combinator, which provided seed funding to a group of start-ups in return for small equity stakes – roughly 7%. Participants typically moved to Y Combinator's facilities near San Francisco, California, and spent three months preparing to approach later-round investors and acquirers.[4] Y Combinator's model was frequently called an "accelerator" and had launched major players such as Airbnb, Stripe, Dropbox, and Cruise Automation.[5]

Boston-based Search Fund Accelerator followed a similar model to Y Combinator but supported classes of entrepreneurs (called "interns") looking to purchase a business.[6]

Traditional venture capital firms also shared some of the characteristics of business incubators, though the range of services they supplied was typically limited to funding, access to a network, and advice.[7]

Finally, at the opposite side of the spectrum from WeWork, there were venture builders such as Blenheim Chalcot in the UK and Rocket Internet in Germany. In addition to providing access to capital at all stages of a company's lifecycle, venture builders were extremely hands-on, often building internal teams to generate business ideas and providing comprehensive operational and administrative expertise. However, venture builders differed substantially in the number of ventures they took on, the degree of equity they acquired and held, and whether they generated new business ideas or simply copied successful models from elsewhere (see **Exhibit 2**).[8]

Just as the scope of services provided by incubators varied significantly, so did their ownership structure. Some were private companies like Blenheim Chalcot; some were public like Rocket Internet; some were owned by large corporates on the lookout for new business ideas; and others were government-funded or supported by a non-government organization. Blenheim Chalcot's venture builder model was comparatively hands-on. In most cases, Badale and Mindenhall developed businesses internally with an entrepreneur, and one of them was always listed as a co-founder and sat on the board.

Another major difference between venture builders was their capital structure. While Rocket Internet's main investment vehicle consisted of large growth funds that were raised with the help of outside investors, 80% of the money Blenheim Chalcot invested in its businesses was its own. At the incubation stage of a business, Badale and Mindenhall invested alongside domain experts, who typically received a 2-5% stake. During the seed and venture stages, they invested with the Venture Builder Club (VBC), which consisted of 20-30 friends and family. To accelerate high-growth businesses, they turned to the Venture Co-Invest Club (VCC), a small network of high net worth individuals. In April 2019, they were debating whether to grow their funding circle to include the Venture Family Office Club (VFOC), which would provide expansion capital for their later-stage, profitable businesses (see **Exhibit 3**). In any event, Badale and Mindenhall insisted on maintaining a controlling stake of the business, with the entrepreneur typically retaining 5-15%. However, this had not always been the case. Indeed, Blenheim Chalcot's model had evolved significantly since 1998.

History: 1998 - 2002: Internet Boom and Bust

Manoj Badale and Charles Mindenhall first met working for the consultancy Monitor Company. Badale had studied economics at the University of Cambridge, graduating in 1990, while Mindenhall studied philosophy and psychology at the University of Oxford, graduating in 1993. In 1994, while working with Monitor in Hong Kong, Badale and Mindenhall set up their first business, Asiapac Ventures, exporting custom-branded watches and sportswear to colleges and universities in the UK.[9] The venture was ultimately unsuccessful but it convinced Badale and Mindenhall that they could build businesses together. They were also convinced of the potential to ride the tide of the dotcom boom. They decided to quit Monitor and began thinking of ways to offer internet and consulting services to potential clients.[10]

Badale and Mindenhall set out to identify a business idea, mapping out "five circles of opportunity:" mail order; internet services; intranet services; launching successful US business models in the UK; and selling specialist products to an increasing number of old people. Inspired by the Internet boom, the two decided to leverage their consulting skills to offer Internet services. They capitalized on client relationships that they had developed at Monitor, landing a contract with Coca-Cola to track competitors, and with the BBC to provide an online database of employee training programs.[11] With those contracts, netdecisions was born. Mindenhall recalled, "We had relatively little technology background, but we hired great people, promised what felt at times to be impossible, and made it happen." Badale added, "We didn't really want to compete in the long term in bespoke services for large clients because this is too hard to scale. We wanted to offer products with mass appeal. But we thought services was the way to get into the business and to build a base of capital and expertise."

In the midst of dotcom fever, netdecisions expanded rapidly, working with large firms to build online platforms, or serving as an incubator to help them develop an Internet presence. For instance, in 1999, they partnered with Thomson Travel Group PLC (Thomson), the UK's largest package tour operator and travel agent, to build thefirstresort.com, the UK's first online seller of packaged holidays. Badale recalled, "We built a working site within three months, offering tens of thousands of package holidays from dozens of suppliers. The biggest challenge was loading content. At one point, we had 500 people in India scanning hundreds of brochures. It was crazy." Thomson subsequently bought the venture out in 2001 and rebranded it.

In 1999, Badale and Mindenhall started madaboutwine.com, the UK's first online wine retailer, as a joint venture with Fine and Rare Wines. It was sold to Fosters in 2001. Badale and Mindenhall also built the dating site WooWho in 1999, in partnership with Carphone Warehouse, selling the site to Match.com in 2001. In 2000, they built produxion.com, a media production exchange, with publisher EMAP (eventually sold to EMAP in 2002). Badale recalled, "We worked with a lot of our large clients on new ventures, getting an equity stake in the process. We also built websites for start-ups such as Clickmango and eToys." Mindenhall added, "The market just wanted what we had to offer! And while there were other players, we had a strong position and the competition in London was fragmented."

In 1999, after almost two years of bootstrapping in makeshift offices, netdecisions moved to a 10,000 square-foot office in Hammersmith, London. By then, Badale and Mindenhall had expanded their client base considerably, opened a research center in Cambridge, England, and added offices in Madrid, Paris, Munich, Hong Kong, Singapore, Mumbai, Vizag (Visakhapatnam, India), San Francisco, and Washington. In the process, the company had grown to over 1,500 employees.[12] Leveraging on their experience in developing software rapidly, in 2000, they launched Steeltrace, a tool for capturing business requirements prior to development.

In late 2000, Badale and Mindenhall sold a 15% stake in netdecisions to a client, telecommunications equipment provider Marconi PLC, at a valuation of £516 million. Soon thereafter, Marconi (and the rest of the industry) faced financial troubles, and Badale and Mindenhall purchased back the equity for a fraction of the selling price. Meanwhile, in 2001, they began working on Fluency, a voice recognition system to help automate call centers, based on technology developed at the Cambridge research center.

In 2000, the bursting of the dotcom bubble had already started in the US and eventually reached netdecisions. In 2001, the company was forced to restructure, shrinking from 1,500 employees to 300.[13] Badale recalled, "It was a very painful experience. We thought that cutting back by 35% would be enough, but things got worse and we had to cut back more. In the end, we went through three massive restructurings in a year. It was a miserable experience. We had to let go a lot of good friends. If we hadn't completed the fundraising with Marconi, we probably wouldn't have survived."

History: 2002 - 2007: Rebirth

The restructuring of netdecisions prompted serious reflection. Badale and Mindenhall rethought their strategy. Badale explained, "Most of our revenue had been coming from bespoke software projects. And just like consulting, when the project is over you have to sell another one. We wanted something more sustainable with recurring revenue streams." Mindenhall replied, "And other consulting firms – Andersen Consulting (Accenture) and McKinsey – had by now built more credible Internet services capabilities. Meanwhile, the market for those services was cooling."

At the time, the UK government was pushing to get various citizen services online and to encourage outsourcing. In a significant pivot, Badale and Mindenhall seized this opportunity, entering into a joint venture with the support services giant Jarvis, with whom they had previously worked in the private sector. Jarvis contributed its back-office finance and IT activities, while netdecisions provided its managed services business. The JV, which would provide local councils with outsourced IT services, was called Agilisys. Penetrating this market involved extensive investment to prove capability and financial backing to provide performance guarantees, significant hurdles for a small firm. Reflecting on the JV, Badale commented, "Without Jarvis, we wouldn't have gotten started. Working with them really proved the importance of strategic partnerships. This is something we'd realize later, but every business that ever worked for us had two or three partnerships at their core. The ability to partner has been a key reason for Blenheim Chalcot's success."

Agilisys managed to secure its first contract with the London Borough of Hammersmith and Fulham. Mindenhall recalled, "While the business was tough to get into, this stopped smaller firms and offered reasonable long-term profits. And we didn't see the competition offering good service, so we felt we had a way to distinguish ourselves. And once we secured a contract and delivered good service, we typically managed to sell more business to our clients." From 2002 to 2004, Agilisys added several more contracts including North Yorkshire County Council and Cumbria County Council.[14]

As Agilisys built its public sector business, netdecisions expanded into private sector outsourcing and began offering additional consulting and front- and back-office services. To support this, and add to its portfolio of services, Agilisys acquired a number of bankrupt call centers.[15] Badale recalled, "They came cheap, but for a reason! They proved hard to turn around, ate up a lot of senior management time, and generated wafer thin margins. And we couldn't shut them down because we didn't have the cash to cover the cost of closure – all our cash was tied up in guarantees for local authority contracts. Lots of lessons here. We don't like narrow-margin services that don't scale – there's too little margin for error!"

In 2003, one of netdecisions' clients, the British Tourist Authority, contracted with the company to build a platform to help small hotels and bed-and-breakfasts to market their products through multiple Internet channels and their own websites; thus, Eviivo was born. It was spun off as a separate entity in 2005 as a majority owned subsidiary of Blenheim Chalcot.

Being a passionate cricket fan, in 2003, Badale founded Investors in Cricket to acquire cricket rights in the UK and sell them in India where cricket was very popular, and where the middle class had increasing spending power. Badale commented, "It was a hobby that paid for itself and really helped build a network in the rights management space. It also taught me that the only people who made money out of sports were the rights owners – and a few great athletes."

During the Christmas break of 2002/2003, Badale and Mindenhall were on holiday in Portugal with their families and decided to brainstorm new venture opportunities. They concluded that retail financial services were ripe for disruption. They contacted an old Monitor colleague, Mark Onyett, who had expertise in the area and was working at Capital One, to discuss their ideas with him. Onyett joined them to enter the unsecured consumer debt management space. A year later, in 2004, The Debt Exchange (TDX) was born, helping clients to collect and manage debt.[16] TDX turned out to be a major success, growing rapidly to become the UK's leading debt management and analytics platform (ultimately acquired by Equifax in 2012).

On March 4, 2004, the founders incorporated Blenheim Chalcot as a holding company for business ventures, to be run by Badale, and netdecisions, after acquiring Jarvis' stake of the JV, was merged into Agilisys, under the direction of Mindenhall.[17]

The lessons from Investors in Cricket encouraged Badale and Mindenhall to seek out other rights management businesses. The Rights Company, started in 2004, developed into a DVD producer for growth markets such as fitness, using inexpensive "B-list" celebrities from soap operas and cricket personalities. Badale commented, "We sold it in 2006 for $10 million to Warner Music Vision – just before the collapse of DVD sales. We had a bit of luck with that decision!"

In 2004, Blenheim Chalcot sold its business requirements tool Steeltrace to Compuware in the US for $20 million. Badale explained, "They had the customer base to roll it out much faster than us, and we got a good deal – 10 times revenues."

In 2005, the success of TDX led to the launch of ClearStart, a consumer debt restructuring business. This business faced rising competition and was eventually exchanged in 2008 for stock with the AIM-listed company Debt Free Direct, which renamed the business Fairpoint in 2006. Badale and Mindenhall kept their minority stake and remained on the board until they sold out in 2009.

Meanwhile, Fluency, originally started in 2001, faced challenges. Badale recalled, "We had built some leading positions in the UK in voice recognition, but we were burning through capital. To fund it, in 2005, we brought in venture capital, who took a controlling stake and brought in their own CEO.

We didn't like the CEO's new strategy, or the fact that he kept coming back for more money. We decided not to participate and were heavily diluted. Eventually, the company was wound up. It taught us a lot about the importance of control – and picking the right CEO."[18]

At the end of 2007, Badale and Mindenhall reflected on Blenheim Chalcot's strategy and calculated that their more active investments, where they owned a controlling interest, had yielded higher returns than their passive investments. This analysis, combined with lessons learned from the Fluency venture, convinced them of the importance of control. Consequently, moving forward, Blenheim Chalcot chose not to take minority stakes in companies. Instead, they would seek out entrepreneurs looking to reduce their risk to run their investments. In many ways this change of strategy marked the beginning of its "venture builder" model.[19]

History: 2008 - 2019: Venture Building

Between 2008 and 2019, Blenheim Chalcot launched over 30 businesses across a variety of sectors (see **Exhibit 4**). The new venture builder model provided the CEO of a new start-up with a small equity stake, typically 5-15%. For their majority stake, Blenheim Chalcot funded the business, gave advice and access to their network, and provided infrastructure, including office space, accounting, and recruiting support.

Blenheim Chalcot's third partner Mark Onyett, explained the logic of the venture builder model: "The risks of starting a business are high. Less than one in ten business ideas get funded, and less than one tenth of those succeed – the odds are not good. The problem with start-ups is also the time you have to spend on funding and admin. This takes up around two thirds of your time that would be better spent on developing a better business model." He went on, "Blenheim Chalcot's success in start-ups is high – more than 80% - but this is partly because we are very disciplined. We pick opportunities well – ones we know about – fund against clear targets, and fail early. It's a lot for the founder to give up, but the probabilistic returns are better" (see **Exhibit 5**).

The majority of Blenheim Chalcot's ventures in the past decade were in the FinTech, EdTech, and Media sectors. Mindenhall explained, "Our history has been to tackle a bunch of different areas, but we've been more successful in some than others. That's encouraged us to look at spaces we know about with bigger opportunities for disruption, especially in financial services and education. That focus allows us to create an ecosystem of innovation, where our businesses can help one another out. And they all benefit from association with the BC name."

FinTech

As the UK's leading debt-management company, TDX continued to do well. In 2008, Investcorp bought a 40% stake, valuing the company at £70 million. After the financial crisis, TDX continued evolving "from services to products" and expanded internationally.[20] Ultimately, Blenheim Chalcot sold TDX to credit-reporting giant Equifax for £200 million in 2014. This was Blenheim Chalcot's biggest exit to date by a considerable margin.[21] When TDX was sold, co-founder Mark Onyett was made a partner at Blenheim Chalcot, bringing expertise on lending platforms and asset management.

In 2008, Blenheim Chalcot expanded its interests in the FinTech space with Corporate Pay, a prepaid card platform. It eventually found profitable niches in corporate expenses and travel bookings. In 2012, Corporate Pay was sold to payments-solutions provider WEX Inc. in the US for £20 million. That year, Blenheim Chalcot launched the "nearprime" consumer lending platform Oakbrook Finance.

After 2011, with the financial crisis over, Blenheim Chalcot's investments in FinTech picked up, with another 9 new FinTech start-ups added from 2012 to 2018 (see **Exhibit 4**). This was partly driven by the arrival of Dan Cobley in 2014. Cobley had been a colleague of Badale and Mindenhall at Monitor, and had gone on to work with PepsiCo, Capital One, and Google, before deciding to start a business in the FinTech space. After talking to the founders about the opportunities, in 2014, Cobley agreed to help start ClearScore and look for a number of other FinTech opportunities. ClearScore was a credit score reporting business based on the successful US start-up Credit Karma. ClearScore proved successful, and Cobley started up a number of other FinTech businesses. He was made a partner of Blenheim Chalcot, responsible for FinTech, with a focus on marketplaces.

In 2015, Cobley launched Salary Finance with Asesh Sarkar and Daniel Shakhani. Salary Finance was a lending platform that provided customers with salary-deductible loans and offered a number of financial tools to support employee financial wellbeing. Also that year, Blenheim Chalcot launched Modulr, a business payments platform that aimed to simplify complex payment flows.

In 2017, Blenheim Chalcot founded OpenWrks, an Open Banking platform that enabled companies to access real-time customer financial data through a single API. They also launched Tully in 2017, a tool to help consumers achieve financial wellbeing.

As Blenheim Chalcot's FinTech portfolio grew, more synergies were realized. Cobley explained, "We're getting better at BC at stitching together the capabilities of the companies in the group to support each other. For instance, you can take the customer flow from Oakbrook to generate loans from Salary Finance, which are paid almost instantly through the payment processing capabilities of Modulr, using the plumbing of OpenWrks, and then recommend that the customer uses Tully."

Meanwhile, since becoming a partner in 2014, Mark Onyett had co-founded or served as a board member for several of Blenheim Chalcot's FinTech businesses, including OpenWrks, Salary Finance, Modulr, BCI Finance, Tully, Liberis, and Oakbrook Finance.[22]

In September 2016, Onyett played a key role in opening Accelerate Nottingham, a new hub for Blenheim Chalcot's businesses in the city. He explained, "Nottingham is a great place to build a business. You have two great universities in the city and lots of top-level talent, particularly in tech and financial services. That talent is also cheaper and doesn't tend to move around as much as it does in London. At Accelerate Nottingham, we've created something special – a place where people want to come and exchange great ideas, a place where people want to come and work on something that really matters. It's all about creating an environment that attracts the best talent."

EdTech

Having built online training products in the late 1990s, Blenheim Chalcot re-entered the space with the acquisition of Home Learning College in 2011. The business offered online vocational training, such as accounting, but was losing money, largely because of a large field sales force. Mindenhall explained, "We thought we'd bought an online education service, but the reality was we'd picked up a 90-person field sales force driving around in cars selling a broad range of training in people's homes. The first step was to digitize it, delivering and selling all content digitally. That evolved into the Floream Group in 2013, which became relatively successful, delivering 70-80% of customers their qualifications in online courses like accounting and digital marketing. Competitors were only getting 2-4%. But margins were thin, so we reinvented it as AVADO in 2016, pivoting to B2B." AVADO offered professional qualifications and apprenticeships to a wide array of public- and private-sector clients. One notable project was Google Squared, a digital marketing course launched with AVADO.

Meanwhile, back in 2012, Badale and Mindenhall launched Arch, which focused on government funding for apprentice training in high-skill demand fields like IT and digital marketing. AVADO acquired Arch in 2017. The combined business worked with a number of high-profile companies, including Facebook, Barclays, The Guardian, and Estee Lauder, and its members achieved a 96% pass rate on professional qualifications and apprenticeships.[23]

Another instance of pivoting to B2B came after the 2012 acquisition of Athleon, a coaching platform started in the US. In partnership with the famed English rugby player Sir Clive Woodward, Badale and Mindenhall combined Athleon with a sports gaming platform called PlayScripter to form Captured, which helped individuals to learn and develop skills across a range of sports. Expanding the business' scope to the corporate learning market, Captured was relaunched as Hive Learning in 2016 to sell team capabilities to companies, focusing on aligning organizational behavior for growth. Hive's clients included Sky, Barclays, Jaguar Land Rover, and Deloitte.[24]

In 2017, Blenheim Chalcot's EdTech portfolio expanded in scope with the launch of Researcher, a search engine and discovery platform aimed at academics keeping up with field-specific literature. The origins of the business went back to 2009, when Blenheim Chalcot bought an online trading platform called Copperdime. When the company got into trouble, they relaunched it as InPlayMaker (later named Fuse), using the platform for mobile gaming. Then, in 2017, using Fuse's technology platform, they created Researcher to increase the efficiency in the research process. In the first instance, Researcher focused on the Life Sciences knowledge domain, offering an Instagram-style discovery feed for researchers. In June 2019, Researcher reached over 1 million users.

Media

Since founding Investors in Cricket in 2003, which started by acquiring the rights to run Leicestershire County Cricket, Badale had learned the importance of media rights ownership in sport. Badale explained, "We learnt the reality of 'club ownership economics.' That is, without a share of valuable media rights, owning a club is a pretty unattractive proposition – other than to massage the ego. We learnt much about the management of sports professionals, and the complexity that entails. This was all excellent preparation for the next, much bigger investment."[25]

That investment came in 2008, when Investors in Cricket, alongside two other major investors, purchased a cricket franchise for $67 million at the auction for the newly-established eight-team, T20 India Premier League (IPL).[26] Badale explained the logic behind the acquisition: "[our decision] was driven almost completely by the fact that each club owned approximately 8% of the economic value (media rights) generated by the league. It was not really a club investment but an ownership stake in a unique sports right."[27] The team, which would be based in Jaipur, were called the Rajasthan Royals. When it came time to choose players for the team, Badale used analysis, examining player performance in intricate detail to make his selections. He commented, "Analysis and research had to be a key element of the Rajasthan Royals, as we were always going to be at a spend disadvantage, given our focus on building a profitable franchise."[28]

At the beginning of the inaugural games, the Rajasthan Royals were expected by the bookmakers to come last, but they won the competition. Badale recalled, "Motivation is key at all levels…Many of our coaching leaders were outside the mainstream system and brought new thinking, something that we have tried to perpetuate. The use of pretty basic data had given us a small edge and this was an area we would continue to invest in."[29]

Badale and Mindenhall had invested elsewhere in the media sector. In 2012, they launched Contentive, a B2B media and information platform that offered smart ways to create and curate content.

It offered content marketing solutions to suppliers in the FinTech, digital marketing, HR, and finance communities, reaching over 500 customers.

In 2013, Blenheim Chalcot launched Popshack, a pop talent, internet TV channel, and social network portal music rights business. It was rebranded in 2015 as Instrumental, a scouting platform that focused on connecting the music industry with emerging artists by tracking artist momentum on streaming platforms like Spotify.

In 2014, Blenheim Chalcot launched Fospha, an online analytics engine that enabled businesses to better understand their data. Their mission was "to close the knowledge gap, to make data science services and scientists accessible to all."[30]

GovTech

In 2008, Mindenhall stepped down as CEO of Agilisys and Kay Andrews took over. Mindenhall continued in the role of Chairman. Andrews added a number of major local authority contracts to the portfolio, including North Somerset, Barking, and Dagenham, broadened the range of back-office services, and developed more software-as-service products in the drive to move "from services to products." In the process, she shut down the money-losing call centers.

In mid-2012, Steven Beard, the company CFO, took over as CEO and continued to expand the portfolio of major clients, while Andrews stepped up to the main board to focus on developing large client relationships.

Throughout the development of Blenheim Chalcot's ventures, Agilisys remained at the core of the portfolio. It served a wide range of private and public sector clients with outsourced services and continued to provide bespoke technology consulting. It had built a particularly strong position within local government, where, in 2019, it was working with many partners on their transition to the cloud.

The company's next focus was the healthcare sector, where the opportunity for technology-led transformation was immense.

Property

In 2011, Badale and Mindenhall acquired a large building in Hammersmith to house their enterprises. They added a building in Nottingham in 2015 and in Manchester in 2016. Over time, they intended to expand their portfolio and offer accelerator services to new start-ups as Accelerate Places. The business selected locations in up-and-coming tech hubs across the UK with the mission "to create the best places for start-up businesses to focus and grow."[31]

More recently, in 2018, Blenheim Chalcot announced its partnership with Imperial College London to create Scale Space, a 200,000 square-foot new business innovation space in White City, London, set to open in early 2020. Needing more office space to grow and develop its businesses, Blenheim Chalcot offered Imperial a partnership which would solve BC's property expansion and allow Imperial an environment to commercialize what their academics were researching. Blenheim Chalcot benefitted from the partnership by gaining access to Imperial's large talent pool focused on rapidly-growing sectors like healthcare technology, artificial intelligence, and machine learning. Mindenhall commented, "Forget everything else. If you want to build sustainable ecosystems, you have to build innovation hubs near the talent. There's this interplay between property, capital, network, and talent, and they're all important, but talent is our number one asset, and it remains the hardest part of the puzzle to solve. The logic behind Scale Space is that we'll get closer to that talent. To do so, you really have to make it a place where people want to come. That's what we are trying to do here, and, hopefully, what we'll soon be doing around university talent hubs in Nottingham, Edinburgh, Bristol, and Birmingham."

Funds

As it built its portfolio, Blenheim Chalcot added a number of businesses to help support its activities, including Grove Capital (2010), a credit fund manager, BCI Finance (2013), an investment management platform, and the Venture Builder Club (2015), a Blenheim Chalcot co-investment fund. Badale explained the logic behind the increased focus on asset management: "With Grove Capital we realized a bunch of synergies with TDX. Much of the debt purchased by Grove was managed by TDX, which gave us a knowledge advantage about the underlying value of an asset we were prepared to purchase. With this credit fund, we've been able to put money in that's returned 15-20% compound since inception." In April 2014, Blenheim Chalcot completed a sale of Grove Capital to the US-based Encore Capital.

Investment Principles

Asked to define Blenheim Chalcot's investments principles, Mindenhall explained, "There's no big secret here. We look for big, fast-growth sectors that we understand and where our other investments can bring something to the party. We like businesses that we can disrupt digitally. There has got to be a big pain point - the size of the prize has got to make it worth it. We've also needed to see how we can serve that niche in a unique and differentiated way. And we need to know who is going to pay for it – and how much. We want it to be hard for competitors to copy – scale, network effects – so delivery can be scaled without significant incremental costs. And we want to see a cost of customer acquisition that is less than a third of lifetime value. We are nervous of completely untested ideas – we like business models that have worked elsewhere – things we can learn from – but we don't want opportunities where there is already a lot of competition in the UK" (see **Exhibit 6**).

Badale went on, "I guess what makes us different is the way we invest. We pick great CEOs that can build a team of great people. I guess everyone does that, but we like smart, open CEOs we know and trust, with the guts to keep going until they find an answer. In starting a new business, nothing turns out the way you think it is going to, so you need to have the ability to adapt, persevere. This is why we stay close to the business, maintaining financial control, which allows for quick changes in direction. And we fund as milestones are reached, and as proof-of-concept tests are passed. No big, up-front cash. We maintain a high success rate by testing critical assumptions, making sure we fail early, and making sure that we are constantly able to re-evaluate and, if needed, change direction."

Badale described the analytical approach, "We are pretty rigorous – we apply a whole bunch of frameworks. That comes from our consulting backgrounds. And we expect honest discussion that supports learning. Everyone is expected to declare their point of view and back it up with data and reasoning. But they need to be open to questioning, encourage others to test their logic. We try not to make it about the power of position around here. This makes decision-making much easier and faster."

When looking for ways of solving problems, Mindenhall commented, "It's not just a matter of analysis. You've got to keep your mind open to a lot of ideas. Talk to as many people as you can in the problem space. Look for solutions in other problem spaces. Read as much as you can. The mind is a powerful processor. Load it up with data and it will see the patterns. It helps if you have other sensible and knowledgeable people to discuss those problems with and kick around what the answers might be."

Company Structure and People

For operating purposes, Blenheim Chalcot was structured with a leadership team of seven people: Mindenhall, Badale, Onyett, and Cobley were responsible for identifying and nurturing ventures. Kate Newhouse, who was brought in to run the core Blenheim Chalcot operations as chief executive, supported the ventures and took a special interest in health tech. Nick Gregg, another of the founders' Monitor colleagues, took responsibility for investments, along with Melanie Szalkiewicz (see **Exhibit 7**). A team of 12 executives reported to Newhouse.

Each of the ventures was run by a CEO with their own management team. In total, Blenheim Chalcot employed over 3,000 people and generated revenues of over £350 million in 2018. In April 2019, its portfolio consisted of 19 companies in five categories: FinTech, EdTech, Media, GovTech, and Property (see **Exhibit 8**).

Badale commented, "Is it easy working at Blenheim Chalcot? No, definitely not. I don't think it is easy working in any start-up environment where you are dealing with the challenges that you have thrown at you."

Mindenhall responded, "Which is why having very resilient people is so important. It's easy to say, but when you are working in a chaotic, messy, uncertain environment, which early stage businesses are, by definition, being able to put up with that level of ambiguity is hard."

Cobley reflected, "Where you are constantly evolving and reinventing your business – that can only be done by having the best people thinking about it and working on it. If you are in a big, established business where your role is to replicate what was done last year, then the people side is less important; it's about systems and processes. For us, in the fluidity of the environment we are in, people are critical."

Onyett argued the benefits of stretching people: "We have put a lot of people in jobs that they were well underqualified to do, but they've got there, thrived, and done really well."

Badale added, "When you think about where our people have come from over the years – every geography, every sector. Some of our stars have come straight out of university. Different views and perspectives, but a common set of values."

Mindenhall reflected, "We are always searching for a better way of doing something. Our businesses are continuously looking for a way to improve what they do, or do something very differently from the competition, so the mindset we look for is curiosity."

Looking Forward

In 2019, Badale and Mindenhall were reflecting on their next steps. For the last ten years, they had had been very selective in their investments, working with carefully selected CEOs to generate ideas and funding only a handful of businesses per year, mainly from internally generated funds and a few investment partners. Most of their investments were in the UK.

Blenheim Chalcot's approach stood in marked contrast to that of Berlin-based venture builder Rocket Internet, founded in 2007. Rocket's companies generated over €3.8 billion in revenues in 2018 and employed over 33,000 people.[32] Rocket's basic strategy had been to copy successful Internet start-ups in the US, first in Germany and then in other international markets. In 2014, Rocket raised €1.4 billion in an initial public offering valuing the business at €6.7 billion.[33] Rocket had built a much broader portfolio than Blenheim Chalcot and had a more international reach. They had also achieved some much bigger wins with the companies they had backed. Moreover, with public funding, they now had the resources to expand into more developing markets and make larger bets.

Badale and Mindenhall contemplated their choices. They were heavily invested in FinTech and EdTech. Should they add other sectors to their portfolio? If so, where would they get the expertise? Should they take some of their successful business models international? Given Badale's contacts in India, they had often considered doing so, but the financials had never really made sense. In October 2018, they had opened a small office in New York in the hopes of duplicating their successes in FinTech in London. Should they consider taking other opportunities to the US? Historically, they had also focused on relatively small markets. Should they tackle bigger opportunities? And if so, how should they fund them, considering that they insisted on maintaining control?

Then there was Scale Space, which was set to open in early 2020. The partnership with Imperial College London was set to create an ecosystem of ideas and innovation, but most research at Imperial was focused on health care and AI. Should Badale and Mindenhall add those sectors to their portfolio? If so, how would they identify which businesses to invest in? Or, should they focus on creating and reinforcing the synergies within the sectors that they had succeeded in and knew well, like FinTech?

Badale and Mindenhall considered these questions and more as they planned their next steps.

Exhibit 1 Types of Business Incubator

Incubator Model	Description	Examples
Shared Workspace	These incubators typically offered leases for flexible office space, often including amenities like internet, snacks and refreshments, cleaning services, mail handling, front desk support, and networking events. Companies could choose the amount of space needed, ranging from a single hot desk in a shared working area to large, private headquarters. Some offered desks by the hour.	-WeWork -Regus -Industrious -Workbar
Accelerator	Accelerators typically offered start-ups short-term funding and access to a network of mentors and industry insiders while they ironed out a business model and/or developed a prototype to demonstrate to investors. In exchange, many accelerators took small equity stakes in the businesses, usually less than 10%.	-Y Combinator -Techstars -500 Startups -Startupbootcamp
Venture Capital	Venture capital firms provided large amounts of funding to a select group of early-stage start-ups that lacked access to other capital markets. In exchange, they typically took 15-45% of the business, a position on the board, and charged management fees. Their time horizon was typically shorter than venture builders, as they usually focused on early-stage, high-growth start-ups. However, many stood for multiple funding rounds.	-Sequoia Capital -Andreessen Horowitz -Index Ventures -Founders Fund
Venture Builder	Unlike venture capital firms, venture builders funded start-ups and took majority control, typically 80-90% of the business. In turn, they tended to be more hands-on, providing a range of professional services, often including office space and administrative, financial, and IT support. It was more common for venture builders to provide lifecycle funding for the business. There was considerable variation in the source of funds and number of opportunities selected between venture builders.	-Blenheim Chalcot -Rocket Internet

Source: Casewriter.

Exhibit 2 Comparison of Blenheim Chalcot and Rocket Internet

Metric	Blenheim Chalcot	Rocket Internet
Country	United Kingdom	Germany
Year founded	1998	2007
Ownership	Private	Public
Companies in portfolio	19	66
Portfolio sales	£350 million	> €3.82 billion
Businesses funded per year	2 - 4	Dozens
Source of capital	Mostly own capital	Mostly outside investors
Shareholding of businesses	Lifecycle control	Initial control then dilution
Countries	< 10 countries	> 100 countries

Source: Company data and Rocket Internet Annual Reports.

Exhibit 3 Blenheim Chalcot Funding Model by Stage

	Incubation	Seed	Venture	Growth 1	Growth 2
Description	·Size of the prize ·BC advantage	·Product/market fit	·Attractive unit economics ·Potential to scale	·Revenue growth ·Established market position	·Earnings growth ·Earnings positive
Product and Team	·Idea generation & market research ·Pretotyping ·Support from internal team	·Release v1.0 of product ·Market test initial clients ·Initial team in place	·Refined product/service based on market needs ·Distribution roadmap ·Broaden senior team	·New scalable product release ·Optimize sales channels (e.g. direct, partnerships)	·Entire new product stream ·Bolt-on acquisitions ·New senior hires to grow internationally
Governance	·1 BC partner sponsor ·2 incubation committees ·1 final investment committee	·2 BC partners on the board ·Quarterly board meetings	·2 BC partners and an external investor on the board ·Quarterly board meetings ·Shareholder agreement	·2 BC partners and 1-2 external investors on the board ·Quarterly board meetings ·Shareholder agreement	·2 BC partners, multiple external investors and NEDs on the board ·Quarterly board meetings ·Shareholder agreement
Funding	·£250k per idea ·BC 100% of funding	·£300k per quarter ·BC 90% of funding	·£1.5-3.0m per year ·BC 80% of funding	·£5-10m per year ·BC 60% of funding	·£10m+ per year ·BC 30% of funding
Business Model Risk/Certainty	Very Low Certainty	Low Certainty	Initial Certainty	Moderate Certainty	High Certainty
Managed Funds	N/A	VBC	VBC/VCC	VCC/VFOC	VFOC

Source: Company data.

Note: VBC is the "Venture Builder Club;" VCC is the "Venture Co-Invest Club;" and VFOC is the "Venture Family Office Club"

Exhibit 4 Blenheim Chalcot Ventures

Company	Description	Sector	Started	Exited	Fate
netdecisions	Internet consultancy	Tech & Services	1998	2003	Merged into Agilisys
Produxion	B2B media production	Tech & Services	2000	2002	Sold to EMAP
SteelTrace	Business requirements	Tech & Services	2000	2004	Sold to Compuware
Fluency	Voice recognition	Tech & Services	2001	2005	Sold to Syntellect
Eviivo	Online hotels exchange	Tech & Services	2003	2011	Sold to Investcorp
Agilisys	IT business outsourcing	Tech & Services	2002	-	Portfolio company
Copperdime	Online trading platform	Tech & Services	2009	-	Became InPlayMaker in 2012
InPlayMaker	Mobile venture builder	Tech & Services	2012	-	Became Fuse in 2016
Fuse	Mobile venture builder	Tech & Services	2016	-	Focused on Researcher
Editor Eye	Intelligence platform	Tech & Services	2014	2017	Merged with Hive
Fospha	Customer analytics	Tech & Services	2014	-	Portfolio company
TheFirstResort	Online package holidays	eCommerce	1999	2001	Sold to TUI
MadAboutWine	Online wine retailer	eCommerce	1999	2001	Sold to Fosters
WooWho	Internet dating	eCommerce	1999	2001	Sold to Match.com
Bijou Commerce	Commerce platform	eCommerce	2014	2018	Shut down
Training Decisions	Online training products	EdTech	1998	1999	Shut down
Home Learning College	Online skills education	EdTech	2011	-	Became Floream in 2013
Floream	Online education platform	EdTech	2013	-	Became AVADO in 2016
AVADO	Online education platform	EdTech	2016	-	Merged with Arch in 2017
Arch	Digital skills training	EdTech	2012	-	Merged with AVADO in 2017
AVADO/Arch	Digital learning	EdTech	2017	-	Portfolio company
Athleon/PlayScripter	Digital coaching tool	EdTech	2012	-	Became Captured in 2013
Captured	Digital coaching tool	EdTech	2013	-	Renamed Hive in 2016
Hive Learning	Collaborative learning	EdTech	2013	-	Portfolio company
Code Kingdoms	Teaching children to code	EdTech	2015	-	Portfolio company
Grove Capital	Credit fund manager	Asset Mgmt	2010	2017	Sold to Encore Capital
Credit Opportunities Fund	Investment mgmt platform	Asset Mgmt	2013	-	Portfolio Company
Venture Builder Club	BC co-invest fund	Asset Mgmt	2015	-	Co-Investment Club
TDX Group	Debt management services	FinTech	2004	2014	Sold to Equifax
ClearStart	Personal debt restructuring	FinTech	2005	2006	Sold to DFD, renamed Fairpoint
Fairpoint	Consumer financial services	FinTech	2006	2009	Position sold
CorporatePay	Prepay card platform	FinTech	2008	2012	Sold to WEX
Oakbrook Finance	Consumer finance platform	FinTech	2012	-	Portfolio company

Company	Description	Sector	Started	Exited	Fate
Liberis Group	SME finance platform	FinTech	2013	-	Portfolio company
Bizfitech	SME finance platform	FinTech	2014	2017	Became OpenWrks in 2017
OpenWrks	Open banking platform	FinTech	2017	-	Portfolio company
ClearScore	Credit reporting	FinTech	2014	-	Portfolio company
Salary Finance	Consumer lending platform	FinTech	2015	-	Portfolio company
Modulr	Payments platform	FinTech	2015	-	Portfolio company
Dynamo Mortgages	Digital mortgage platform	FinTech	2017	-	Sold back to Countrywide
Koodoo	Digital mortgage platform	FinTech	2017	-	Portfolio company
Tully	Money advice service	FinTech	2017	-	Portfolio company
Investors in Cricket	Cricket media and rights	Media	2003	2008	Became Rajasthan Royals
The Rights Company	DVD rights management	Media	2004	2007	Sold to Warner Music
Cricket Rights Management	Cricket media and rights	Media	2007	-	Became Rajasthan Royals in 2008
Rajasthan Royals	IPL cricket team	Media	2008	-	Portfolio company
Contentive	B2B intelligence and media	Media	2012	-	Portfolio company
Popshack	Music rights, social network	Media	2013	-	Became Instrumental in 2015
Instrumental	Music platform	Media	2015	-	Portfolio company
Stack	Content discovery platform	Media	2016	-	Became Researcher in 2017
Researcher	Academic discovery platform	Media	2017	-	Portfolio company
BC Property	Property management	Property	2012	-	Became Accelerate Places in 2014
Accelerate Places	Office space for start-ups	Property	2014	-	Portfolio company
Scale Space	Talent and innovation hub	Property	2017	-	Portfolio company

Source: Company data.

Exhibit 5 Expected Returns for Entrepreneur, VC vs. VB

	Share	Size	Chance of Success	Time	Expected Returns	Returns per year
VC Case	20%	£25m	8%	5 years	£0.4m	£80k
VB Case	15%	£25m	80%	3 years	£3.0m	£1.0m

Source: Company data.

Note: Based on assumption that 5-10% of VC-backed companies succeed, compared to 80% for VBs.

Exhibit 6 Blenheim Chalcot Investment Principles

Criteria	Original Thesis
Proposition	Concise proposition definition; clear commercial business model
Problem Addressed	Solves real customer pain point; customer recognizes need for solution
Large Market	The size of the price is significant and growing
Competitive Advantage	Proposition is significantly differentiated from competition; unique approach that is sustainably different
BC Advantage	BC network can add significant differentiation
Customer Proof	Evidence customer is prepared to pay for product or service
Distribution	Ability to easily reach customers through partner or other distribution channels
Unit Economics	Positive unit economics with favorable LTV versus CAC
Scalability/Tech	Customer acquisition can be scaled without adding significant marginal cost
Management/Execution	Execution plan in place; right management team, driven with urgency and cost consciousness

Source: Company data.

Exhibit 7 Blenheim Chalcot Founders and Partners

Founders


Manoj Badale
Founder


Charles Mindenhall
Founder

Executive Leadership


Melanie Szalkiewicz
Portfolio Director


Kate Newhouse
Chief Executive Officer


Nick Gregg
Head of Investments

Advisory Partners


Dan Cobley
Partner


Mark Onyett
Partner


Richard Broyd
BC Advisor


Rob Devey
Advisory Partner


David Weaver
BC Advisor

Source: Company sources.

Exhibit 8 Blenheim Chalcot Portfolio, April 2019

Company	**Sector**	**Founded**	**Headquarters**	**Description**
ClearScore	FinTech	2014	London	Your credit score and report. For free, forever.
Liberis	FinTech	2007	London	Finance designed specifically for small business owners.
Oakbrook Finance	FinTech	2011	Nottingham	Leading innovator in non-prime personal lending.
Modulr	FinTech	2015	London	Next generation solutions for faster, more efficient payments.
Salary Finance	FinTech	2015	London	One of the UK's fastest-growing employee benefits providers.
Koodoo	FinTech	2017	London	B2B mortgage technology platform working with major online partners.
OpenWrks	FinTech	2015	Nottingham	Unlocking the power of Open Banking to launch new applications.
Tully	FinTech	2018	Nottingham	Tully helps people understand their finances and create a forward plan.
AVADO	EdTech	2012	London	Leading player in the global professional and digital training market.
Hive Learning	EdTech	2013	London	Collaborative learning app for executive teams.
Code Kingdoms	EdTech	2015	London	Online platform which teaches children how to code.
Researcher	EdTech	2017	London	Academic research app for discovering and sharing journal insights.
Rajasthan Royals	Media	2008	Jaipur	One of the 8 founding franchises of the India Premier League, the world's most valuable cricket tournament.
Contentive	Media	2012	London	B2B information and marketing solutions for key business communities.
Instrumental	Media	2015	London	Using tech and AI to discover and evaluate the potential of music talents.
Fospha	Media	2012	London	Marketing analytics platform addressing multi-channel attribution challenge.
Agilisys	GovTech	1998	Nottingham	One of the UK's largest local government software and IT services providers.
Accelerate Places	Property	2011	London	Co-working office spaces for young, high growth companies.
Scale Space	Property	2019	London	Where digital and technology businesses innovate and grow.

Source: Company data.

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