



WARWICK
THE UNIVERSITY OF WARWICK

INNOVATIONS

Innovation @ The Junction

The what, why & how of creating spinouts

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Business Development Manager

Thursday 27 June 2024



What we do?



Warwick Innovations

[Commercialise your research](#) | [Become a partner](#) | [Case studies](#) | [About us](#) | [Contact us](#)

ENABLING IMPACT

Supporting the development,
translation & connection of
Warwick ideas to the world.

[Register your interest](#)



WE HELP DEVELOP
WORLD-LEADING IDEAS

WE HELP TRANSLATE
RESEARCH

WE HELP CONNECT IDEAS
TO THE WORLD

Deliver impact through commercialisation
Manage university research intellectual property



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Why we do it?

WE HELP DEVELOP WORLD-LEADING IDEAS

We provide expertise and resources to help Warwick academics to develop skills and world-leading disruptive ideas.

WE HELP TRANSLATE RESEARCH

We help Warwick academics to translate their ideas, protecting IP & making research commercially viable.

WE HELP CONNECT IDEAS TO THE WORLD

We identify end users for innovations and deliver real world impact through commercialisation.



WARWICK ACADEMICS & RESEARCHERS

Explore how we can support Warwick academics and researchers to achieve commercial success.

[Get started](#)



PARTNER OPPORTUNITIES

Make connections and discover a range of exciting and beneficial opportunities to work with us.

[Work with us](#)

Because it benefits the public (taxpayers)
who funded our research in the first place

Spinout companies

Spinout companies are start-up companies that are created based on intellectual property (IP) generated through a university's research

Over 100 Warwick spinouts in the last 20 years



Why spinout?

Commercialise IP from publicly-funded research - IMPACT	Support/incentivise your researchers	Attract research funding / staff
Boost innovation eco-system (socio-economic)	Positive institute reputation	Talent acquisition (staff & student)
Contribution to curricula	Incubator client	Potential “pay-day” (unlikely)

'Mind the gap'

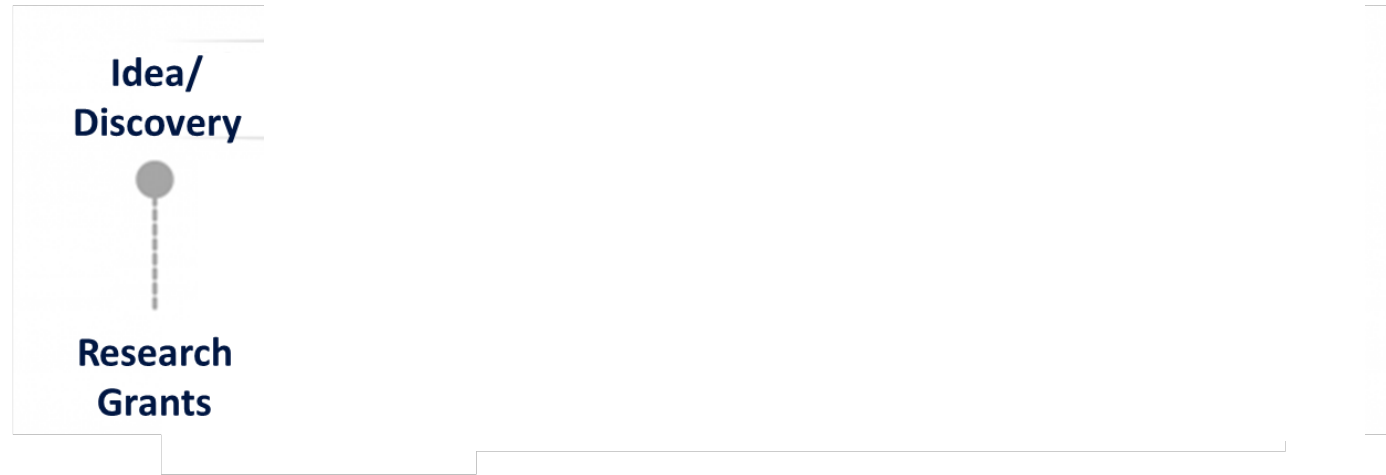
Public
Sector?

Private
Sector?

General unavailability of private investments
High transaction costs
High risk
Difficult to evaluate opportunity



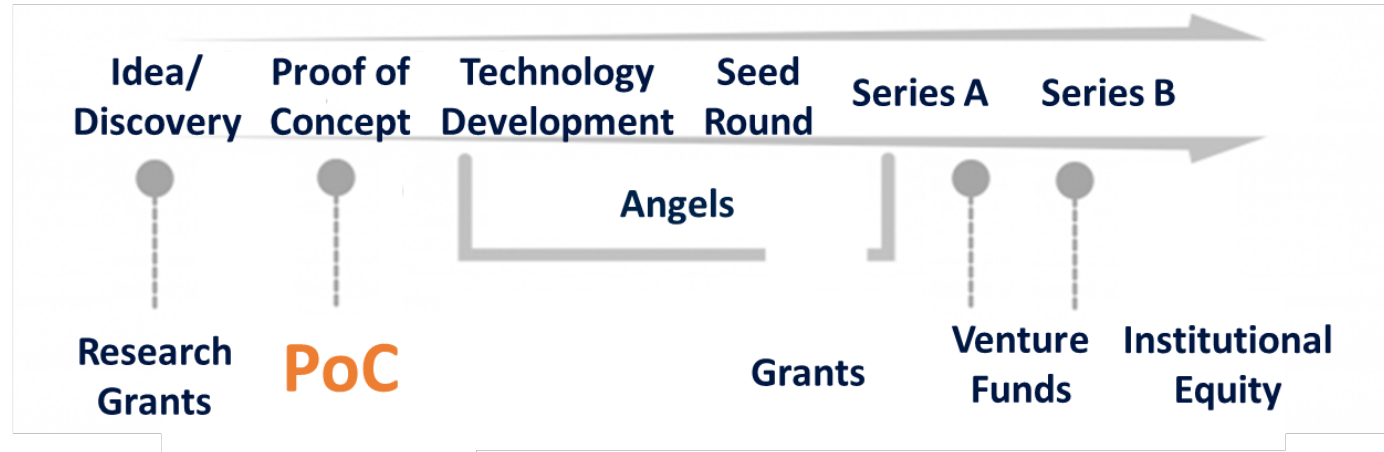
'Mind the gap'



'Mind the gap'



'Mind the gap'



Spinout considerations

Substantial body of work

Inherently risky

Significant investment of time & money

Require:

- Specialist management
- Facilities (labs / manufacturing)
- Funding (investors, grants, customers)

Key components of a spinout



TECHNOLOGY



MARKET



TEAM



FUNDING



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THE TECHNOLOGY



The Technology

- Universities are generally good at this
- But it is the least important!
- IP protection e.g. patents
- Stage of development – usually very early stage
- Platform or disruptive technology
- Scale up/manufacturing
- Licence of IP to spinout for upfront fee and royalty
- No assignment of IP
- Timing of when to spinout is crucial



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THE MARKET



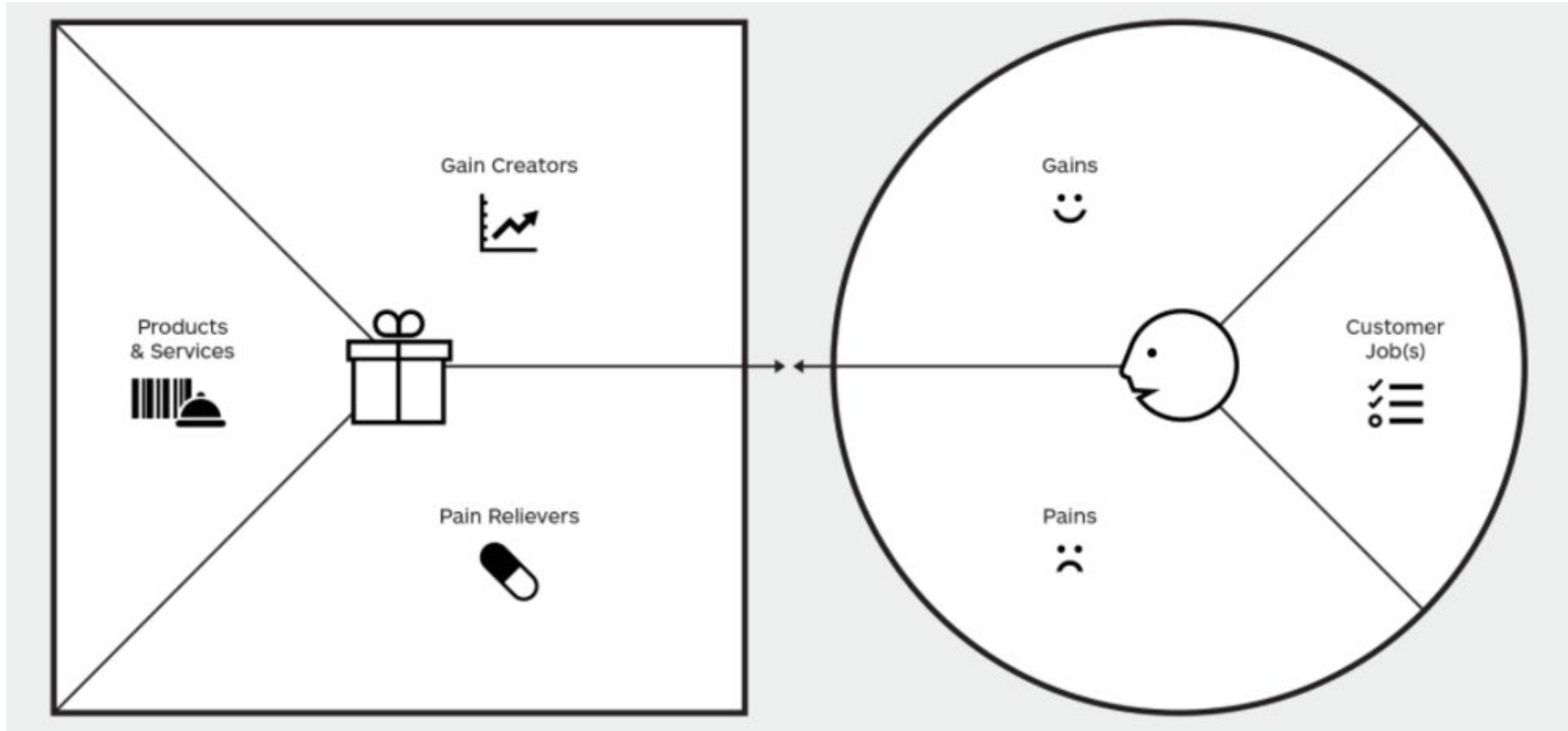
Value proposition

A concise statement of the benefits that a company is delivering to customers who buy its products or services

A concise statement of the benefits that a company is delivering to customers who buy its products or services

Benefits not features

Pains and gains



The biggest mistake that
startups make...?

TOP 10

STARTUP MISTAKES

#1 Mistake

“Building something nobody wants”



How to validate a market

Talk to people!

ICURe and other accelerators

Consultants

Also:

- Size of market
- Accessibility of market – eg. regulations
- Timing



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THE TEAM



The Team

This is why investors invest...

- Industry expert
- CEO – Does everything to start with! Leads the team. Academic?
- CTO/CSO – Academic? Coachability
- Chairman?

Who else?

- Scientific advisors
- Investor director
- Non-executive director (NED)
- University observer/director

Management



Relevant experience and track record is key



Must be able to think big



Needs to establish a rapport with the founders, TTO and investors



May transition as the company grows



May be rewarded with equity

Engaging service providers



Lawyers



Patent agents



Accountants



Marketing



Recruitment
agents



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THE FUNDING



Pre-spinout

INTERNAL FUNDS

IP Protection costs



Proof of Concept Funds



EPSRC IAA



MRC IAA



EXTERNAL FUNDS

Range of national & international, gov, charity & private sector funds



Post-spinout

Business grants eg. Innovate UK

Investment – business angels, venture capital. What do they want?

Loans

Can you manage without investment?

Don't spinout too early

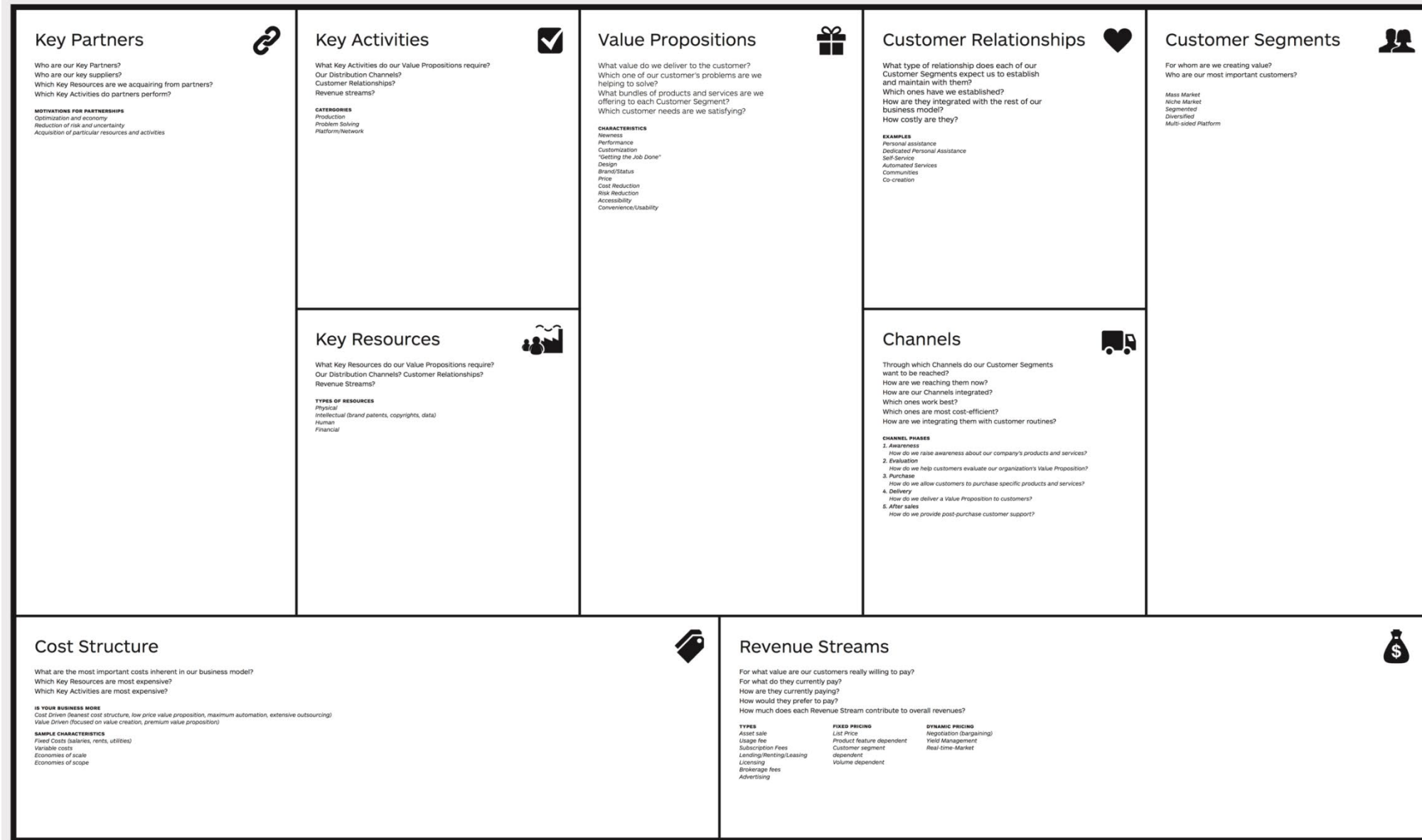
Business plan



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Business Model Canvas





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HOW – THE PRACTICALITIES

Limited liability company

Typically used for University spin-outs

Professional & investable

Shareholders are liable for only what they have invested into the company (face value of shares in the business)

There is no reach through to your private assets (Provided that the company has been run in accordance with applicable laws and regulations)

Equity

Meaning of **equity** in English



equity

noun

UK /'ek.wɪ.ti/ US /'ek.wə.ti/

equity *noun* (VALUE)

Add to word list

[C or U] • FINANCE & ECONOMICS • specialized

the value of a company, divided into many equal parts owned by the shareholders, or one of the equal parts into which the value of a company is divided:

- *He sold his equity in the company last year.*
- *The rights give holders the opportunity to purchase additional equity interests in the company at a big discount.*

Financial Rewards – share value in spin-outs

- Shares are normally monetised on exit (public or private sales), but could also be via dividends
- There may be a direct cash payment or transfer of shares into the buyer's business
- There are tax implications on capital gains which can be managed via EMI option schemes



Typical spinout shareholders

Inventor/Creator of the technology

Founder (may be a creator or not)

University

CEO

Chairman

Investor

Non-executive director

Employees

Why do universities get equity?

Legally the employer owns the IP

Recognition of support & contribution to original idea (marketing support, state research funding, staff salaries, lab/equipment, business model building..)

Recognition of support to the wider research eco-system (incubation, entrepreneur-in-residence, TTOs, research support services, investment, alumni, leveraging University brand....)

Staff motivation (departmental income, income re-invested)

Underpinning State support received

Maximise socio-economic benefits to region

Aligns University & spin-out interests (keen to provide on-going support)

Might be investor (through University investment fund) e.g. Midlands Mindforge

Why do creators get equity?

Reward and recognition

Motivation

Founder

Non-founding creator

Ongoing work for the company (share options)

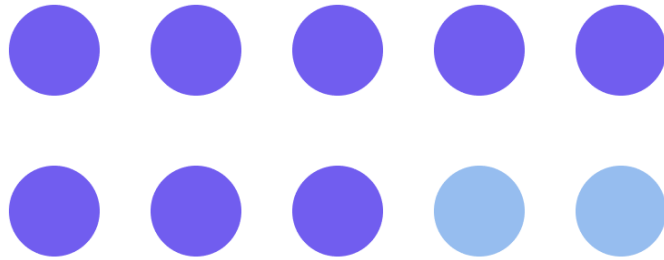
Independent Review of University Spin-out Companies

Final report and recommendations

November 2023

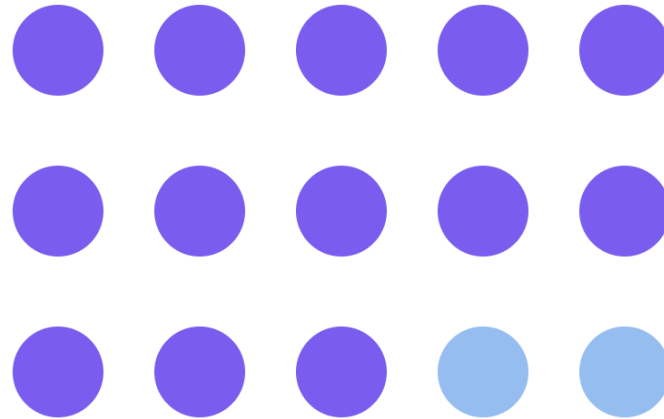
Investment and dilution

Pre-Dilution



Total Shares = $\frac{2}{10}$ or 20%

Post-Dilution



Total Shares = $\frac{2}{15}$ or 13.3%

 Your Shares

Investment and dilution

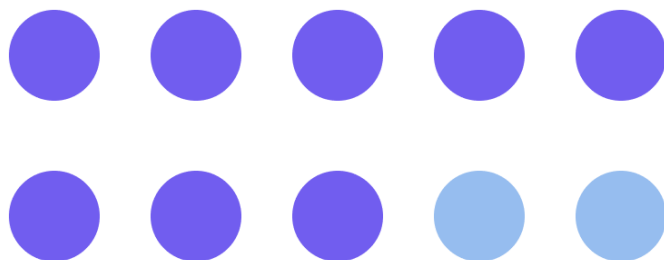
Valuation of £1 million

Valuation of £1.5 million



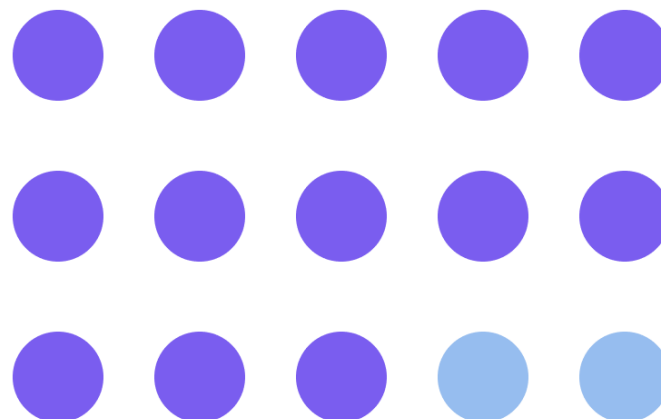
£500k investment

Pre-Dilution



Total Shares = $\frac{2}{10}$ or
20%

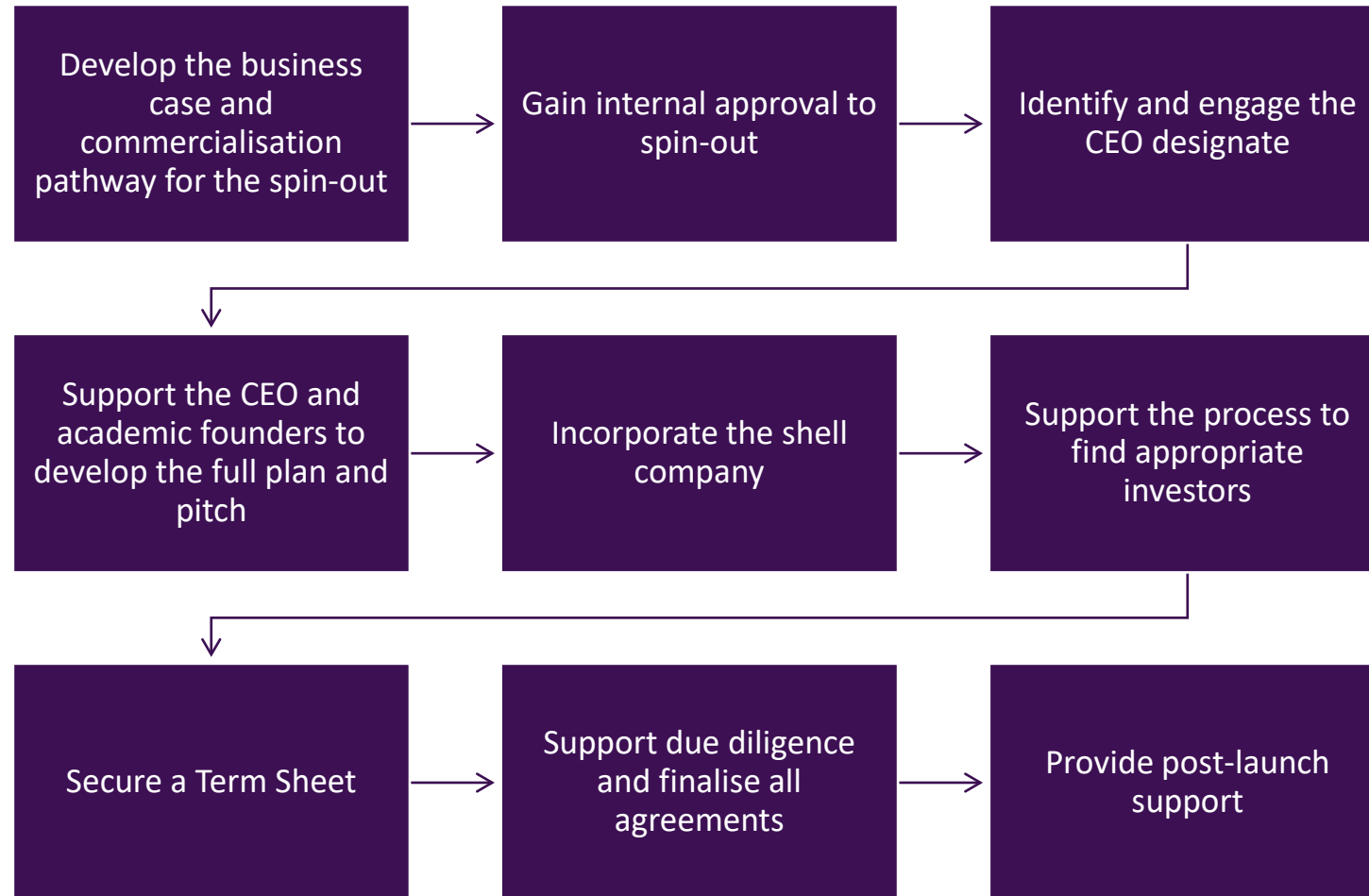
Post-Dilution



Total Shares = $\frac{2}{15}$ or
13.3%

 Your Shares

Spin-out Company Formation Process



SWOT analysis for academic founders

STRENGTHS	WEAKNESSES
OPPORTUNITIES	THREATS

SWOT analysis for academic founders

STRENGTHS

- Get to put your research into application
- Paid from consultancy work and royalties on IP
- Diversify your achievements

WEAKNESSES

OPPORTUNITIES

THREATS

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- It will take time
- Long process (and you are part of it)
- There are legal obligations

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OPPORTUNITIES

- May make some money
- Collaborative R&D funding opportunities for university lab
- Learn new skills and knowledge
- Opportunities for your students

THREATS

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THREATS

- Failure may affect your reputation
- May lose control of how your technology develops

Academic to Director

- Founder Director must ensure they understand their role as a Director
- A director must act in the interest of the company



*Personal
responsibility
for the actions
of the business*



The Warwick Innovation Ecosystem



Warwick Science Park

Junction Building

Life & Medical Sciences

Bringing resources & talent in & around the campus

The Exit



Trade sale



Initial public offering



Merger



coinbase

ebay



FedEx

Google



intuit.

KAYAK

okta

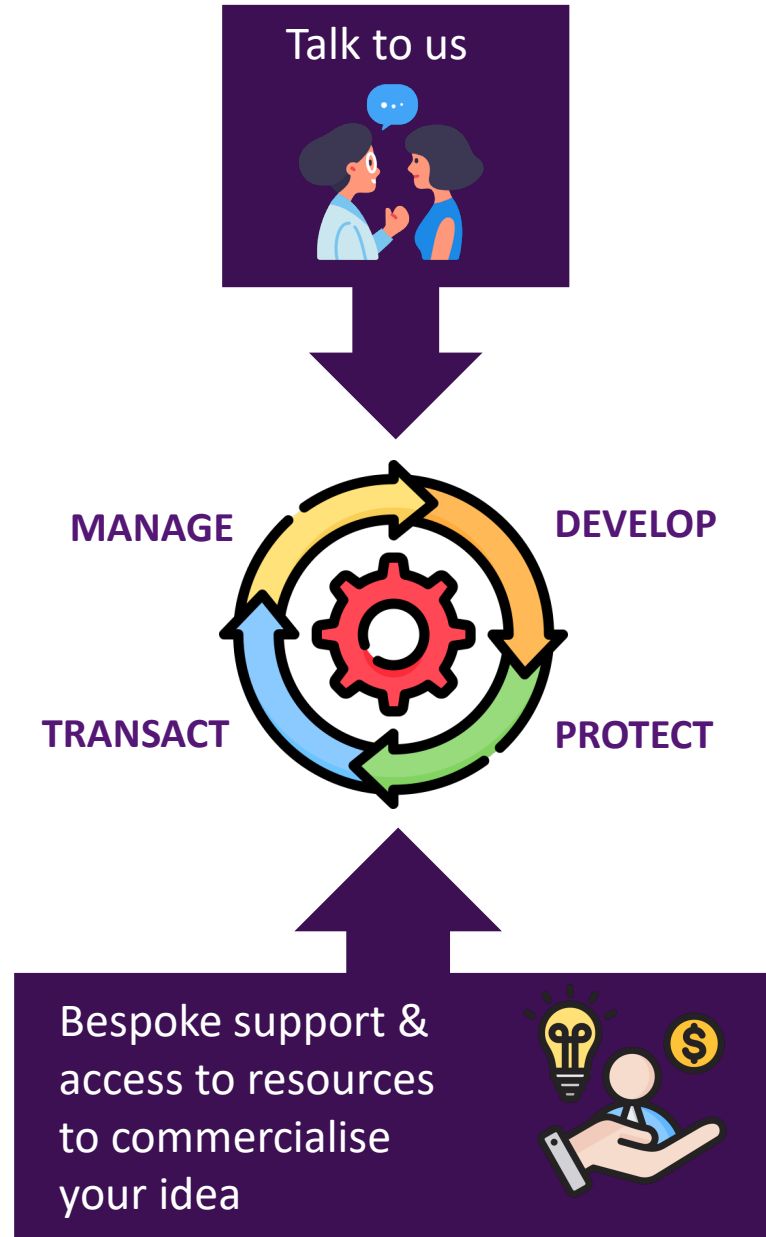
 PayPal



zoom

 instacart

So where do I start?!



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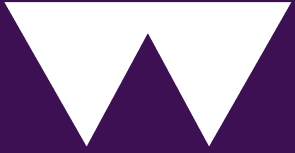
NEXT SESSION:

**Communicating Ideas &
Impact**

Thursday 11 July 1530 h

Dr Frances Pitt





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THANK YOU

NOW IT'S QUIZ TIME!