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HK-focused VC fund Beyond Ventures eyes two IPOs

Global coronavirus pandemic has posed an existential threat to some small and early-stages businesses.

But startups working on pivoting their business models to adapt to the new circumstances can survive, said Lap Man, a founder of Beyond Ventures, a venture capital (VC) fund to focus exclusively on Hong Kong.

There are in fact only 41 percent of startups in its portfolios which have experienced a decline in business, Man told EJ Insight in an interview, citing findings from a survey conducted by the VC fund.

Investing in early-stage technology startups in Hong Kong, the two-year-old venture capital fund, backed by China's Hony Capital, has invested in 22 companies, including artificial intelligence (AI) 'unicorn' SenseTime, DNA testing firm Prenetics, online marketplace Yoho, local taxi-hailing app HKTaxi, chip maker SmartSens Tech, among others.

Among the companies in its portfolios, there are 18 percent of them which claim to record a growth in business amid the coronavirus crisis, according to Man, such as Yoho and HKTaxi.

Man also told EJ Insight that he expects two or more startups in the fund's portfolios will go public in 2021 and 2022. "They are currently preparing for the initial public offering (IPO)," he said, adding that the listing plan can only materialize if their business grows as forecasted despite the pandemic hit.

SenseTime, one of the companies backed by Beyond Ventures, has deferred its plan for an up to HK$5.8 billion IPO in Hong Kong this year and instead aims to tap private markets, according to Nikkei Asian Review's report in March citing people briefed on the plan.

In the interview, Man declined to identify the two firms which have the listing plan down the track, just mentioning that they fall into the "core technology" field.

According to the estimates of Crunchbase, the six-year-old startup SenseTime has raised a total of US$2.6 billion in investment. Its backers also include Alibaba (09988.HK), Qualcomm, and Japan's SoftBank Group.

Focusing on computer vision and deep learning technologies, it was among the eight Chinese tech companies which have been blacklisted by the US, being accused of human-rights violations and imposing export restrictions.

"For many Chinese AI companies, the vast majority of their sales are in the mainland China market," said Man. "They may have to find another source of raw material supply… but the US trade blacklist will not have a direct hit on their financials or business."

According to a Reuters report, despite being targeted by Washington, SenseTime expected 2019 revenue to increase 200 percent to US$750 million.

From tariffs and Huawei ban to the trade blacklist, the global technology industry is at the center of an escalating cold war between the US and China.

However, Man believes the tension between the two countries creates new opportunities ahead for chip makers. “Under the trade war, many firms have no choice but to consider using chips made in China, which presents a unique opportunity for Chinese chipmakers.”

“The next year or two could be an ideal listing period for Chinese chipmakers, as they are likely to benefit from the trade war, as well as the preferential policies from the Chinese government,” said Man.

Launched in September 2017, Beyond Ventures has invested in 22 companies with an estimated total investment of HK$400 million.

The coronavirus crisis did not discourage the VC fund from investing, according to Man, as the fund has implemented 10 investment projects involving about HK$120 million in the past nine months.