

## Invest in companies with growth potential

My job: Denise Sidhu In conversation with John Daly, The Irish Examiner  
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**Name:** Denise Sidhu  
**Occupation:** Chair, Irish Venture Capital Association  
**Background:** Irelands innovative technology firms need to be scaled from local resources rather than by global investors.



**Caption:** Denise Sidhu says Ireland needs to further exploit its competitive advantage in terms of the level of FDI in the country.

Many of Ireland's best and most innovative technology firms are being cherry picked by global investors. Denise Sidhu believes such to be scaled from local resources rather than allowing international investors harvest them and create jobs overseas rather than here in Ireland. "We are an advanced economy, but we're heavily reliant on foreign direct investment (FDI). In order to allow Irish companies to scale, we need to enable private investment into the industry."

Having been recently announced as the incoming chairperson of the Irish Venture Capital Association, she says Ireland is trying to compete with one hand tied behind its back in producing globally-significant startups headquartered here. Failure to provide locally sourced scaling funding often ensures that Irish jobs move abroad at just the time when companies are reaching their maximum growth potential. Despite a fall of 35 % in venture capital funding across the globe last year, investment by international companies into Irish SMEs represented over 50% of the total in each of the last two years. Excluding larger rounds over €30m, international funding into Ireland in the first quarter was 210% up on the same period last year.

The director and partner of Cork headquartered Kernel Capital views this as a double-edged sword: "In a turbulent global environment, this level of international investment is a testament to the quality of

the Irish tech sector. Ireland is viewed as a safe home for international investors who see value and opportunity here due to the quality of Irish technology and management teams.”

Prior to joining Kernel in 2001, Denise was head of finance in Ulster Bank Commercial Finance Services, and before that worked as financial controller of the Bank of Nova Scotia, Channel Islands. She declares that her focus in her term of office at the IVCA will be to work with government and stakeholders to introduce financial structures which will provide locally sourced funding in order to scale our best tech firms. “If Ireland Inc is to benefit from its early investment through Enterprise Ireland and Isif, then we must be able to grow these companies here and not allow them to be picked off by international investors who will naturally move the focus and growth to other centres.”

Ireland is investing significant resources into startups and early stage ecosystems, but then allowing them to leave the country: “The R&D here isn’t getting the benefit of a full cycle. If scaling finance is coming from international sources, it’s not only inevitable that founders will go abroad, it’s guaranteed.”

Ireland needs to further exploit its competitive advantage in terms of the level of FDI in the country: “We have the world’s largest and best pharma and tech multinationals located here. A simple and effective move would be to treat investment by cash rich corporations into Irish tech firms in the same manner as research and development, so they would benefit from a tax credit. In effect they would be investing in Irish R&D as DCU Business School research shows that venture capital supported Irish companies are heavily R&D focused.”

She suggests that the proposed Sovereign Wealth Fund of a targeted €90bn should allocate a small percentage of its assets into innovative Irish companies with growth potential. In addition, she argues that under the proposed auto enrolment scheme, pension savers should have the opportunity to invest in the best young tech companies, with risk minimised by a pooled fund. “A fund approach allows trustees and individuals invest in an entire diversified investment portfolio at once, featuring broad exposure to many different asset classes with less risk involved.”

The UK government recently announced reforms that would see British pension funds invest 5% of their reserves into high-growth tech start-ups — garnering up to £50bn in new venture capital, twice what is currently invested in the UK. Irish tech firm investor appeal and potential for returns is reflected in the international appetite by investors. She points to Kernel’s own first two VC funds, now fully divested, having delivered gross IRRs in excess of 20% per annum.

As the third female chairperson of the Irish Venture Capital Association in four years, she believes Ireland compares favourably with its international counterparts in terms of VC gender balance. “While we still have a lot to do, I have seen a real transformation in female representation since I came into the sector over 20 years ago. 40% of the Irish Venture Capital Association Council is female, and 20% of member VC companies have female partners. 30% of member firms have senior investment executives, so this all works to minimise any unconscious gender bias.”

The growth in female entrepreneurs has also been significant — in 2009 just 4% of Kernel’s portfolio was in female founded and/or led enterprises, but which had grown to 26% by 2019. Kernel independently manages the Bank of Ireland Kernel Capital Venture Funds, investing in the Republic of Ireland and Northern Ireland. 50% of its investment is located outside Dublin. Portfolio investments include Corlytics, Code Institute, Altratech DisplayNote, FeedHenry, Oncomark, and Swift- Since joining the firm in 2001, Denise has played a key role in over 20 trades sales of Kernel’s venture capital funds’ portfolio companies.

With over 20 years’ experience in fast-growing technology companies and venture capital investing, she is a board member with portfolio investees Cirdan Imaging, B-Secur, Nova Leah, and Kianda Technologies, and previously held lead roles across the portfolios. A certified public accountant and a licentiate of the Compliance Institute in Ireland, she has completed a diploma in compliance at UCD and a diploma in corporate restructuring and insolvency at the Law Society of Ireland.

While the current global hotspots in terms of VC investment are cyber, AI, and biotech, Denise references the latest VC report from PitchBook indicating 36% of venture capitalists expect AI to generate the most growth of all technology sectors. While AI and machine learning has not yet

recorded a quarter as a top sector in the IVCAs quarterly VenturePulse analysis, it is still an active arena, with companies such as Deciphex, Aylie, and Evercam having raised over €15m, €9m, and 12m, respectively, in recent years.

“Most domestic tech firms are incorporating Artificial Intelligence into their development, and the University of Limerick recently launched the first Masters in AI.” However, the potential threat to jobs by this new technology cannot be underestimated:

“Many large corporations across the print industry and TV never saw digitisation coming and were all but wiped out. We need global regulation of AI to avoid unintended and negative consequences.”