

How to attract

- investments in venture funds

&

- investments in technology projects

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The solution is very simple !

An investment in a VC –fund shall offer institutional investors a risk adjusted return which is more attractive than alternative investment opportunities !!

An investment in an entrepreneurial project shall offer a risk adjusted return to the VC-Fund which is more attractive than alternative investment opportunities !!

The trick is how to do it !



The complex problem is how to attract investors to early stage VC-Funds – given past performance!

EVCA statistics, Fund performance for VC Funds Formed 1980-2007

| Stage | Pooled IRR |
|--------------------|------------|
| Early Stage | 0.1 |
| Development | 7.8 |
| Balanced | 6.1 |
| All Venture | 4.5 |
| Buyouts | 16.1 |
| Generalist | 9.5 |
| All Private Equity | 11.7 |



The good early stage funds performs well !

EVCA statistics, Fund performance for VC Funds Formed 1980-2007

| Stage | Pooled IRR | Average Top Quarter IRR* |
|-------------|------------|--------------------------|
| Early Stage | 0.1 | 14.7 |
| Development | 7.8 | 17.3 |



Source: Thomson Financial on behalf of EVCA



Why the low performance in early stage ?

Among the major problems causing low performance of many early stage fund are:

- **Limited quality deal flow combined with a high risk profile and long time to market.**
- **High cost of due diligence**
- **Small fund size**
- **Quality challenge for due-diligence and management.**
 - **At portfolio level**
 - **At Fund level**
- **Relative high cost of portfolio company monitoring.**
- **Limited financial and management resources to follow the "stars".**
- **High dilution risk.**
- **Limited international network when:**
 - **Follow on-financing**
 - **Exit strategy**



How to achieve high performance in early stage ?

Succes is linked to a clear technology and market focus combined with:

- **Strong quality deal flow combined with a high growth potential and relatively short time to market.**
- **Low cost of due diligence**
- **Combined, efficient fund size**
- **High quality of due-diligence and management.**
 - **At portfolio level**
 - **At Fund level**
- **Efficient portfolio company monitoring.**
- **Strong financial and management resources to follow the "stars".**
- **Low dilution risk.**
- **Strong international network for:**
 - **Follow on-financing**
 - **Exit strategy**



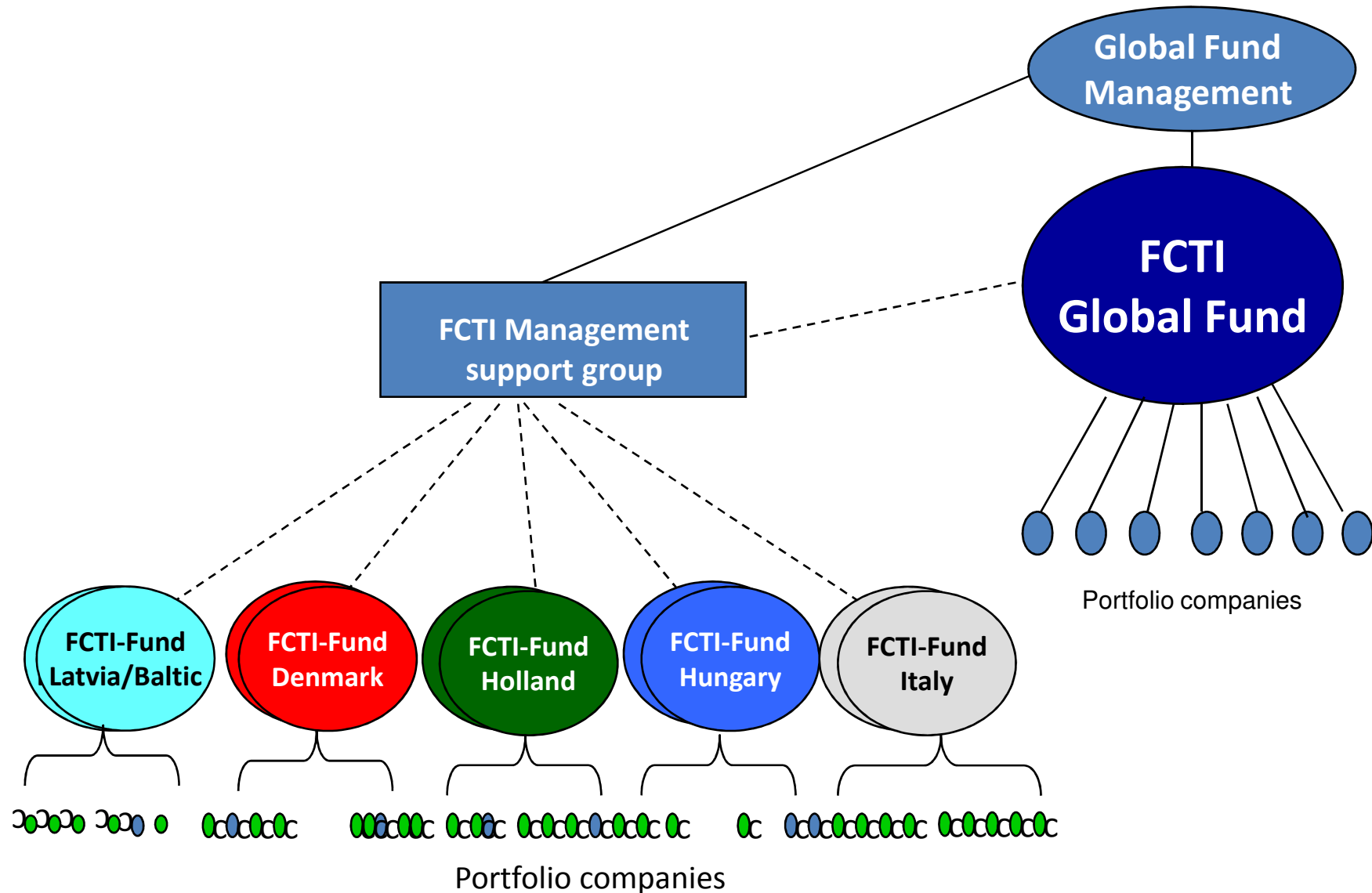
“a simple sector focused solution”

Food CleanTech Innovation Funds

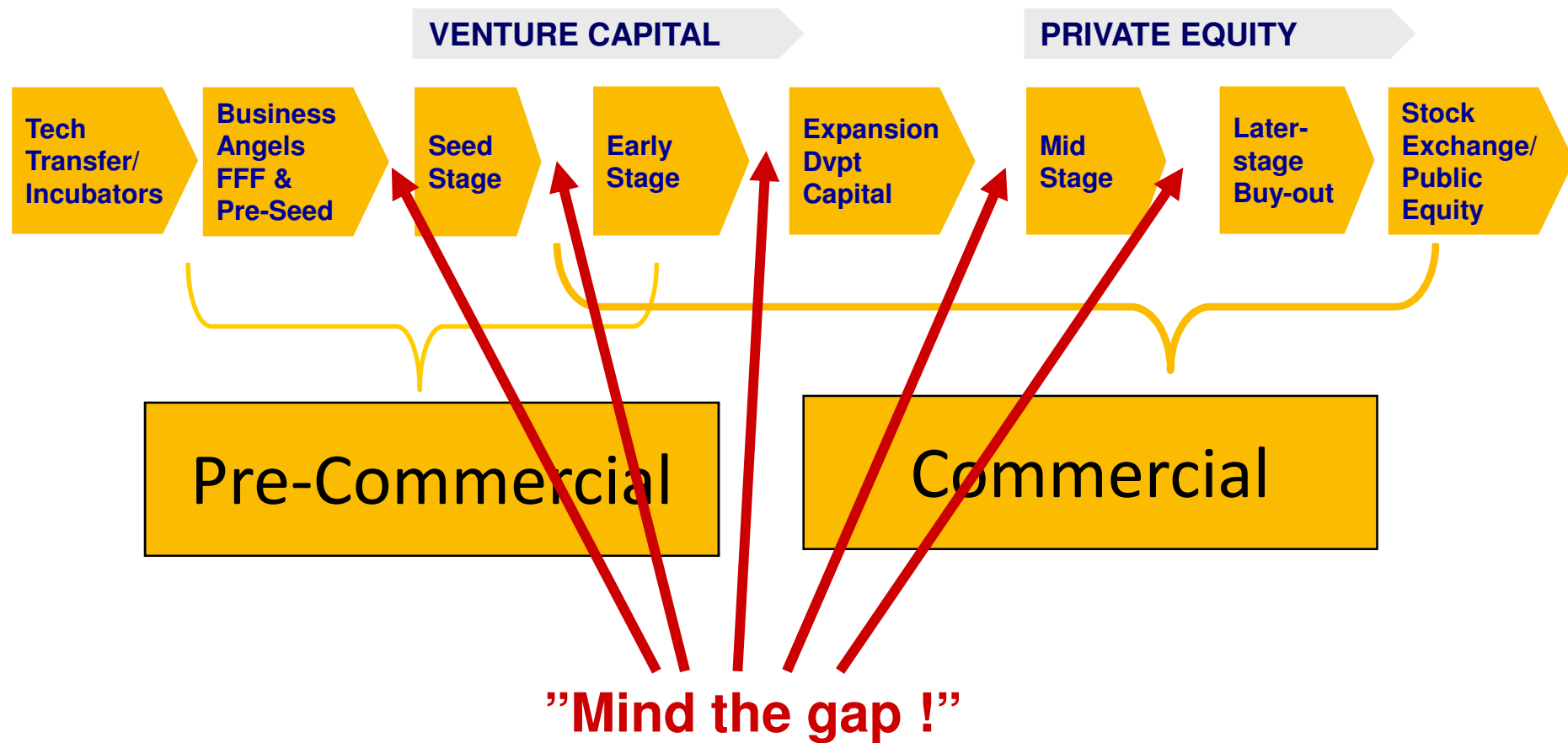
FCTI- Concept



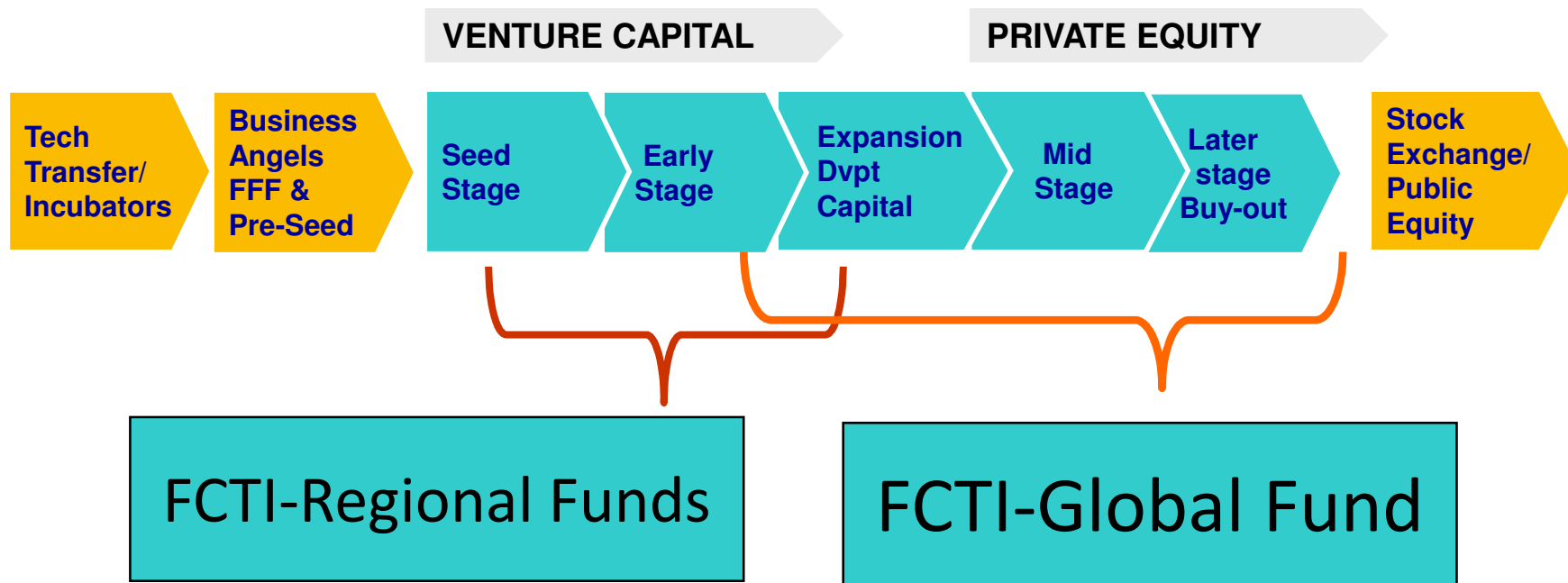
The FCTI- Fund structure



Obstacles which are removed by the FCTI concept



FCTI “one-stop shop” and Investment focus



Why Food, Food technology & Clean tech ?

Opportunities in Food, Food Technology and Clean Tech.

With the hike in food raw material prices, energy prices and the climate concerns, a restructuring of the industry with new winners will bring focus on supply side innovation and hence new opportunities.

The increased demand from e.g. China and India in added value food products will require urgent need for the food chain to invest in innovation related to most areas of food applications.

The Clean Tech sector is facing unprecedented growth opportunities driven by political will and resulting cost benefits.



Opportunities in Food, Food Technology and Clean Tech.

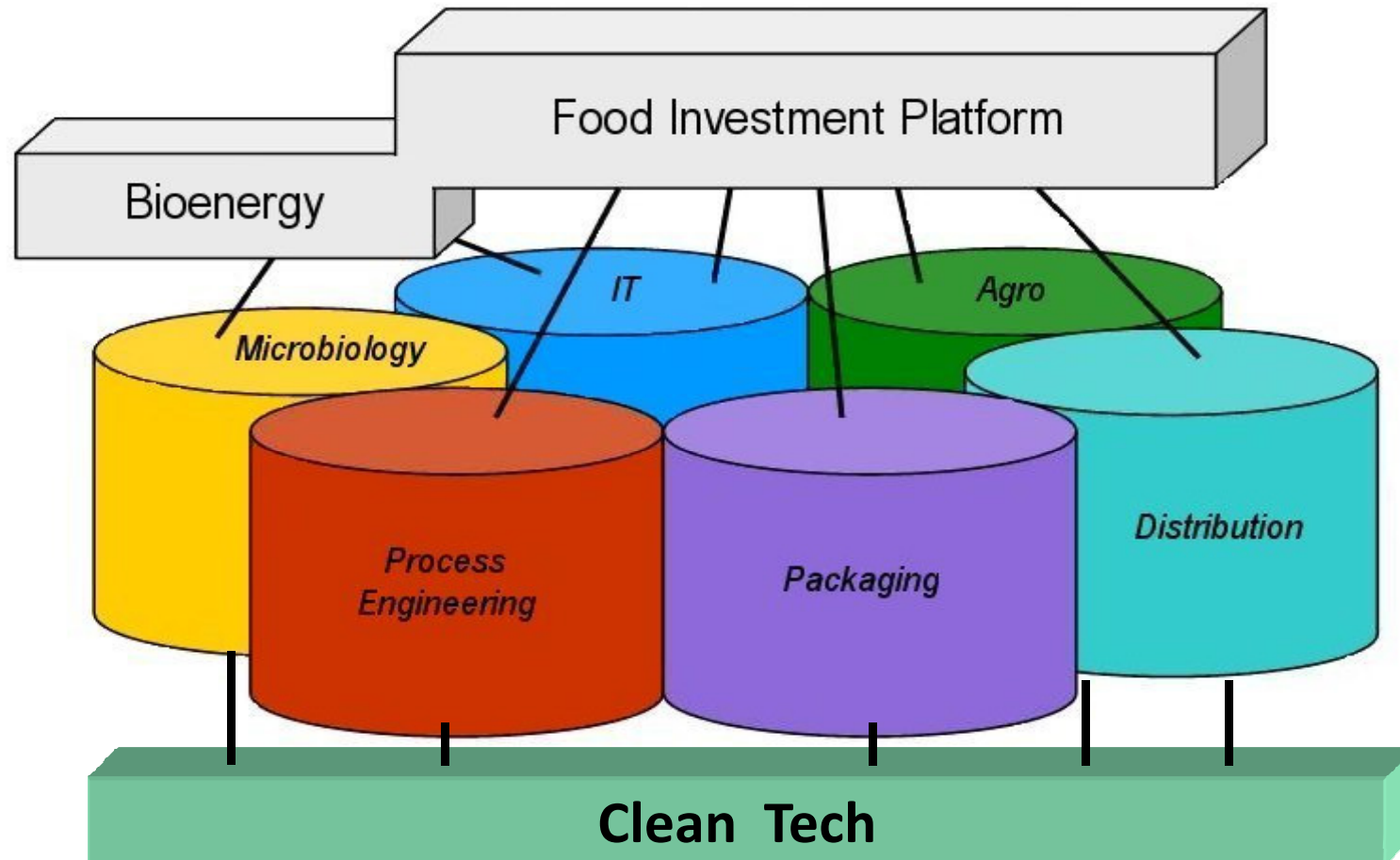
The FCTI investments takes place in areas of fundamental need, where the markets are far less susceptible to wider economic disruption or discontinuation than those in other sectors.

In Food and food technology sector the focus is distribution and logistics, health and safety, raw material optimization, including IT, process engineering, food ingredients.

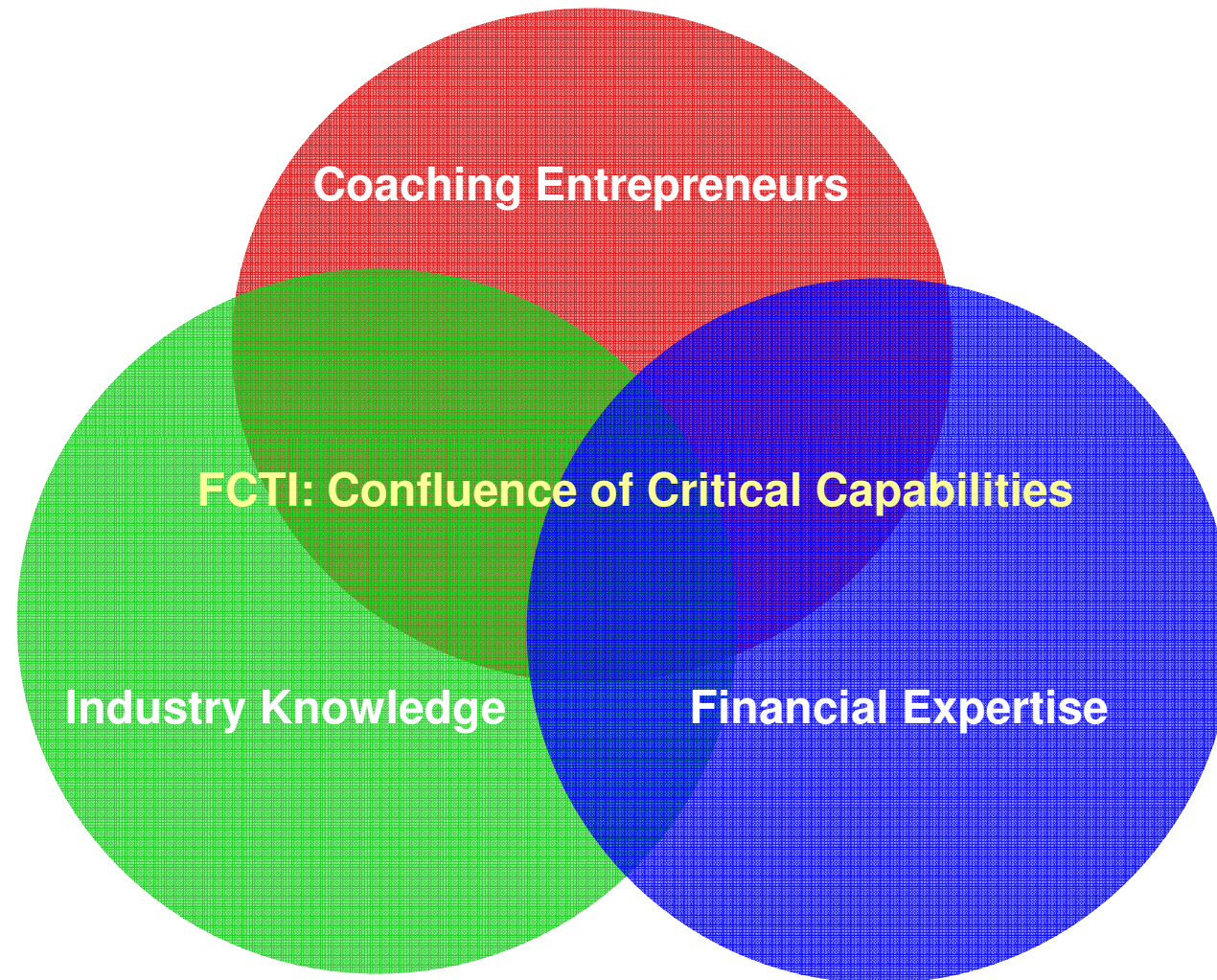
In the Clean Tech sector the focus is on projects connected to the food and food technology industry and projects driven by climate change requirements.



Food and Clean Tech sector overview



FCTI: CORE COMPETENCES



USP of the FCTI concept in a glance!

- **Strong deal sourcing capacity**
 - via extended international networks and active participation in cross border awareness creation.
- **Excellent management resources**
 - with extended experience from the VC- and private equity industry
- **Industry specialised management experience**
 - Food- and Food technology
 - Energy sector
 - Clean Tech sector
- **International scope through the five or more regional funds**
 - Creating a Pan-European network of business opportunities and business intelligence
- **One later stage Global Fund**
 - Facilitating investment opportunities in more mature companies within the same sector focus as that of the regional FCTI funds
- **One strong "back office" organization**
 - Access to sector specific expertise and analytical capacity similar to that available to large international corporations and large pan-European funds.



The planned FCTI Structure

5 – 10 Regional Funds

Total Size: €100 Million (Phase 1)

5-6 Regional Funds: Phase 1

€25-45 M: Neth, Italy, Hungary, Denmark

€10-20 M: Latvia / Baltic Countries

Fees: 2,5% Mgmt, 20% Performance

Target return to investors: 20% p.a.

Investment size: €1-5 million

Phase 2: € 100 – 150 Million

Turkey, Spain, France, Germany, Finland, Poland

Global Fund

Size: € 250 Million

Investment size: € 10-25 Million

Target Return to investors: 20 % p.a.

Investment Period: 0-4 yrs

Distribution Period: 4-12 yrs

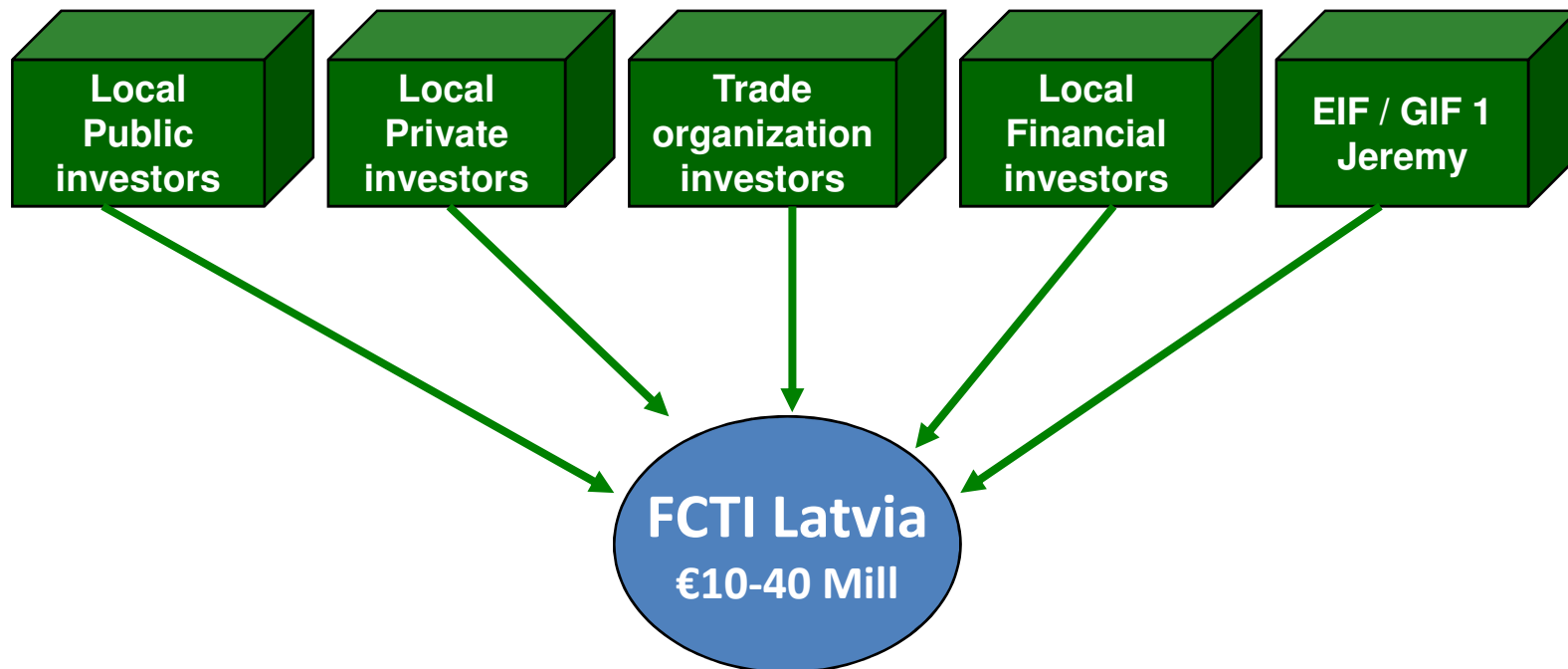
Fees: 2% Mgmt, 20% Performance

Support

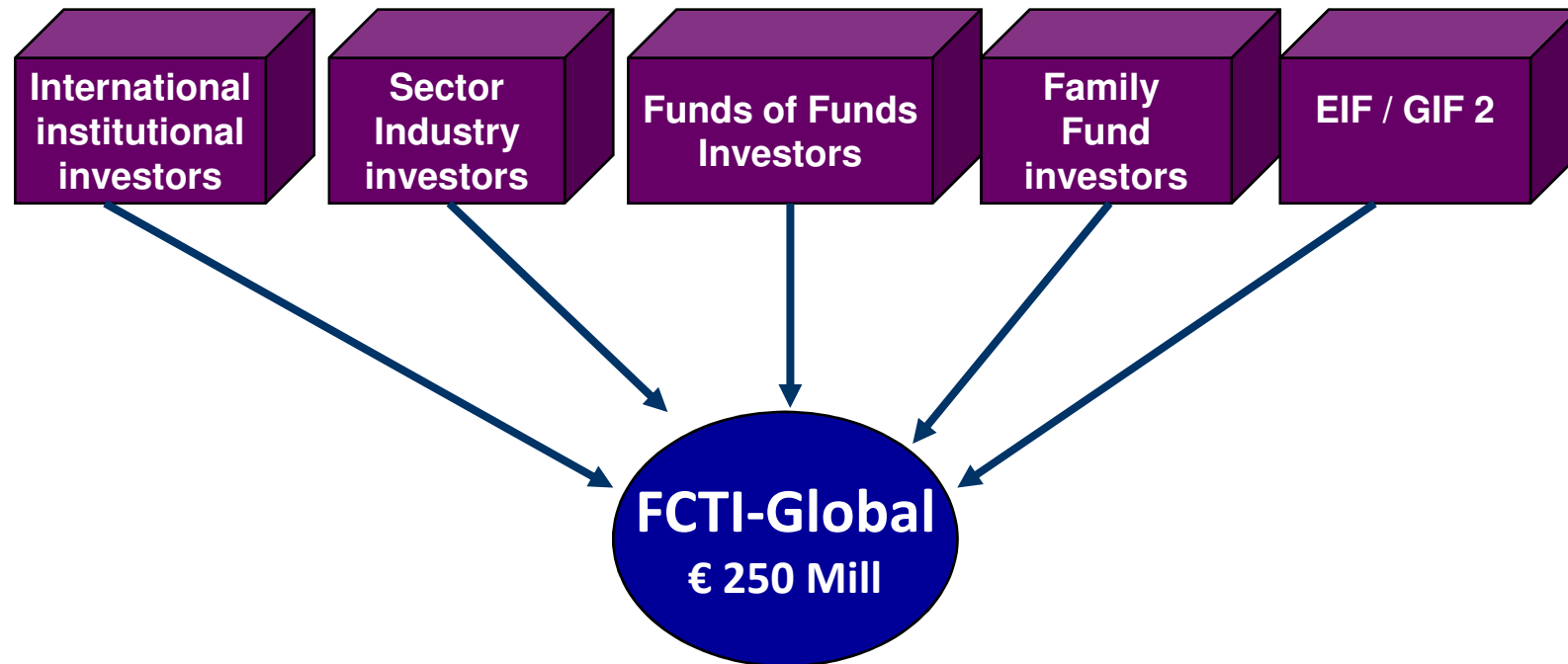
Management

FCTI Management Company

Proposed funding structure for a FCTI Latvia Fund



Funding structure of the FCTI-Global Fund



"Tool boxes" available

ENFFI Toolbox
Food sector specific tools to facilitate the access to financing process

Home About Help

ENFFI Toolbox
Food sector specific tools to facilitate the access to financing process

Welcome!
The ENFFI Toolbox is summarizing business tools assessed and validated during the ENFFI project

This toolbox offers tools for:

| | |
|---|---|
| First time entrepreneurs > | Serial entrepreneurs > |
| <ul style="list-style-type: none">Quick investor readiness assessmentBooklets and templates related to access to financeBasics of writing business plans, budgetting etc... | <ul style="list-style-type: none">In depth investor readiness assessment, including financialsMore in depth assessment toolsBooklets and templates related to access to finance |

ENFFI is supported by the European Commission under the Europe INNOVA initiative | © 2007 Brabo Ventures

"Online interactive tools" available

Gate2Growth.com
the Pan-European Gateway to Business & Innovation Financing

Select your Profile

Validate your Businessplan
Validate Now
learn more...

Entrepreneur

Investor

Access to Finance
Get Access
learn more...

REGIONAL CONTACTS | ABOUT

Stubborn to register again or homesick for the old gate2growth site?
click here

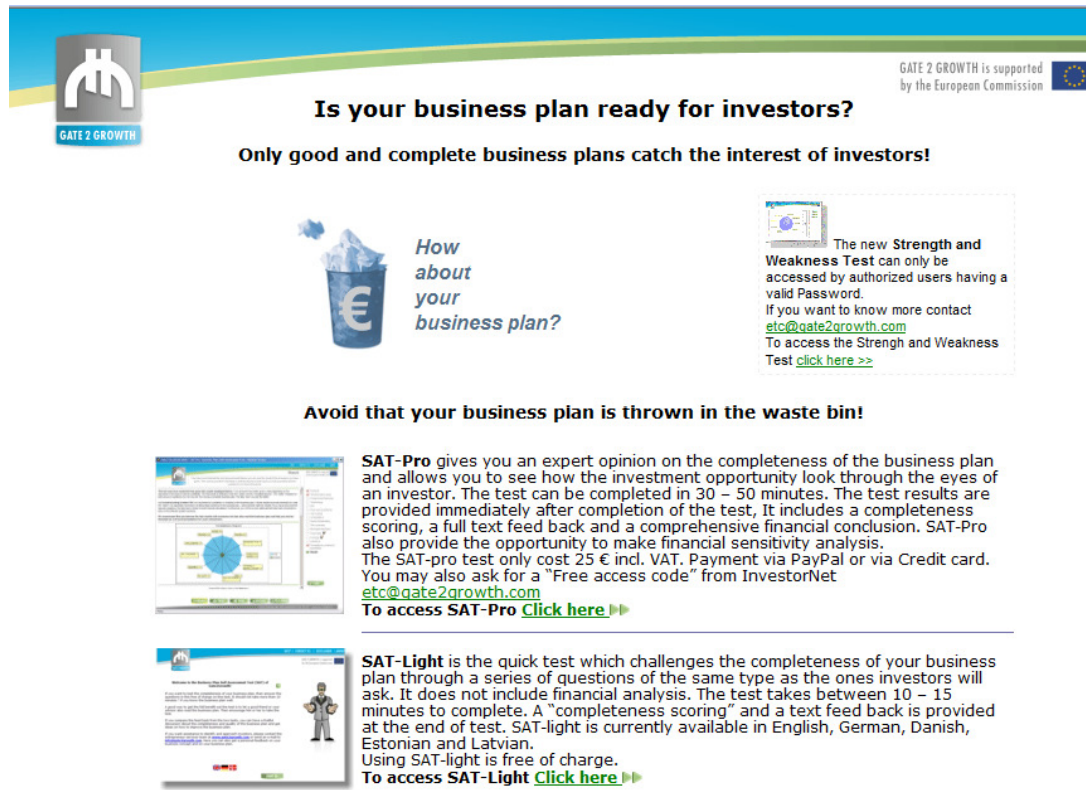
COMMUNITIES

- Food Innovation
- Incubator Forum
- ProTon Europe
- Academic Network

EUROPEAN PROJECTS

- Bridge2Growth
- ProRETT
- Europe INNOVA
- Gate2Growth manual

Gate2Growth SAT: The SAT Light & SAT Pro



The screenshot shows the Gate2Growth website with the following content:

- Logo:** Gate2Growth logo with a stylized 'M' icon.
- Support:** "GATE 2 GROWTH is supported by the European Commission" with the EU flag.
- Headline:** "Is your business plan ready for investors?"
- Sub-headline:** "Only good and complete business plans catch the interest of investors!"
- Image:** A blue trash bin with a Euro symbol (€) and a question mark, with the text "How about your business plan?" next to it.
- Text:** "The new Strength and Weakness Test can only be accessed by authorized users having a valid Password. If you want to know more contact etc@gate2growth.com. To access the Strength and Weakness Test [click here >>](#)"
- Warning:** "Avoid that your business plan is thrown in the waste bin!"
- SAT-Pro Description:** "SAT-Pro gives you an expert opinion on the completeness of the business plan and allows you to see how the investment opportunity look through the eyes of an investor. The test can be completed in 30 – 50 minutes. The test results are provided immediately after completion of the test, It includes a completeness scoring, a full text feed back and a comprehensive financial conclusion. SAT-Pro also provide the opportunity to make financial sensitivity analysis. The SAT-pro test only cost 25 € incl. VAT. Payment via PayPal or via Credit card. You may also ask for a "Free access code" from InvestorNet etc@gate2growth.com. To access SAT-Pro [Click here >>](#)"
- SAT-Light Description:** "SAT-Light is the quick test which challenges the completeness of your business plan through a series of questions of the same type as the ones investors will ask. It does not include financial analysis. The test takes between 10 – 15 minutes to complete. A "completeness scoring" and a text feed back is provided at the end of test. SAT-light is currently available in English, German, Danish, Estonian and Latvian. Using SAT-light is free of charge. To access SAT-Light [Click here >>](#)"

SAT Light:

- Checklist
- Focus on completeness of BP
- Can be completed in 10 to 15 minutes
- No financial analysis
- Different language versions

SAT Pro:

- Focus on investor readiness
- Can be completed in 30 – 50-minutes
- Financial analysis
- Financial sensitivity analysis

Gate2Growth SAT: The SAT feed back

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GATE 2 GROWTH

Resultat

Du har nu færdiggjort vurderingen af din forretningsplan! Nedenfor kan du se resultatet af de svar, du har givet. Din score og vores feedback er udelukkende baseret på de input, du har givet, og de spørgsmål, du har besvaret.

Vi anbefaler, at du diskuterer testresultatet med nogen, som også har læst forretningsplanen, og at du bruger vores feedback som et struktureret grundlag for denne diskussion.

GATE 2 GROWTH is supported by the European Commission

UK, France, Spain, Germany, Denmark, Sweden, Turkey

Færdighedsdiagram

Legend:
■ ideal (blue)
■ current (green)
■ acceptable level (red)

Forretningsplanens generelle færdighed

Din værdi: 50%

- Generelt
- Forretningsplanen
- Produkt og serviceydelser
- Teknologi
- IPR
- Pris og kunder
- Markedet
- Konkurrenter
- Salg & markedsføring
- Virksomheden
- Management team
- Økonomi
- Finansiering
- Investorer
- Opfattelse af tid & usikkerhed
- Resultat

FEEDBACK **PRINT** **SEND** **RESTART** **TELL A FRIEND**

CLOSE

Online Business plan Self-Assessment Test OB-SAT powered by ConfigWorks

The entrepreneur "1 % - nightmare"

The deal Funnel



Screening process

2 min/deal

Investor questions:

Do I like the business concept and - model ?



The entrepreneur "1 % - nightmare"

The deal Funnel



Screening process

2 min/deal

10 min/deal

Investor questions:

Do I like the business concept and - model ?

If I believe in the business plan and the budgets can I make money?



The entrepreneur "1 % - nightmare"

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Screening process

2 min/deal

10 min/deal

20 min/deal

Investor questions:

Do I like the business concept and - model ?

If I believe in the business plan and the budgets can I make money?

Do I believe in the business plan and the budgets?



The entrepreneur "1 % - nightmare"

The deal Funnel



Screening process

2 min/deal

10 min/deal

20 min/deal

4 Hours/deal

Investor questions:

Do I like the business concept and - model ?

If I believe in the business plan and the budgets can I make money?

Do I believe in the business plan and the budgets?

Is it realistic ? Can this management deliver the promised results ?



The entrepreneur "1 % - nightmare"

The deal Funnel



| Screening process | Investor questions: |
|-------------------|--|
| 2 min/deal | Do I like the business concept and - model ? |
| 10 min/deal | If I believe in the business plan and the budgets can I make money? |
| 20 min/deal | Do I believe in the business plan and the budgets? |
| 4 Hours/deal | Is it realistic ? Can this management deliver the promised results ? |
| 10 Days/deal | Ok, would you like to meet us and discuss? |



The entrepreneur "1 % - nightmare"

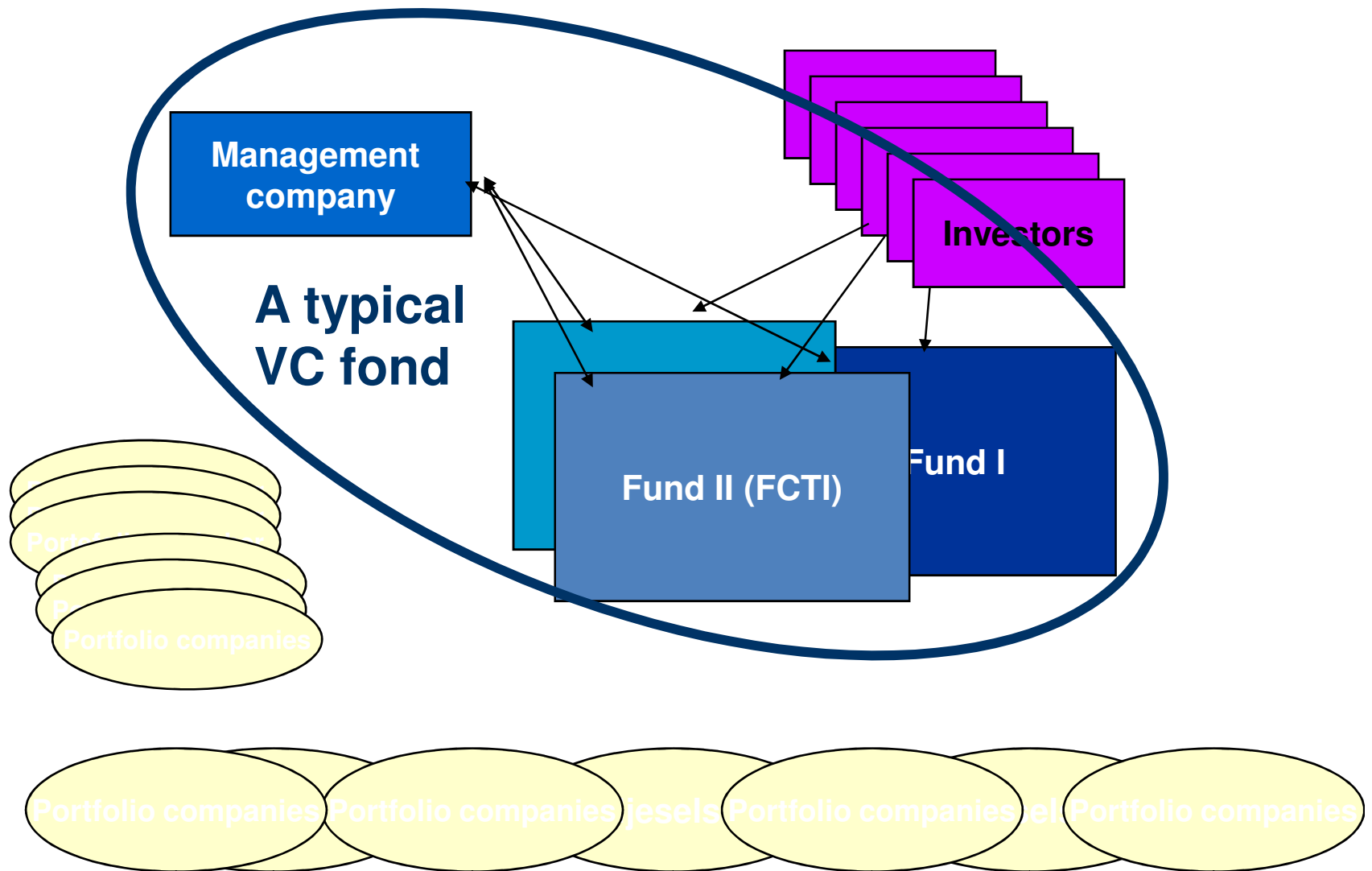
The deal Funnel



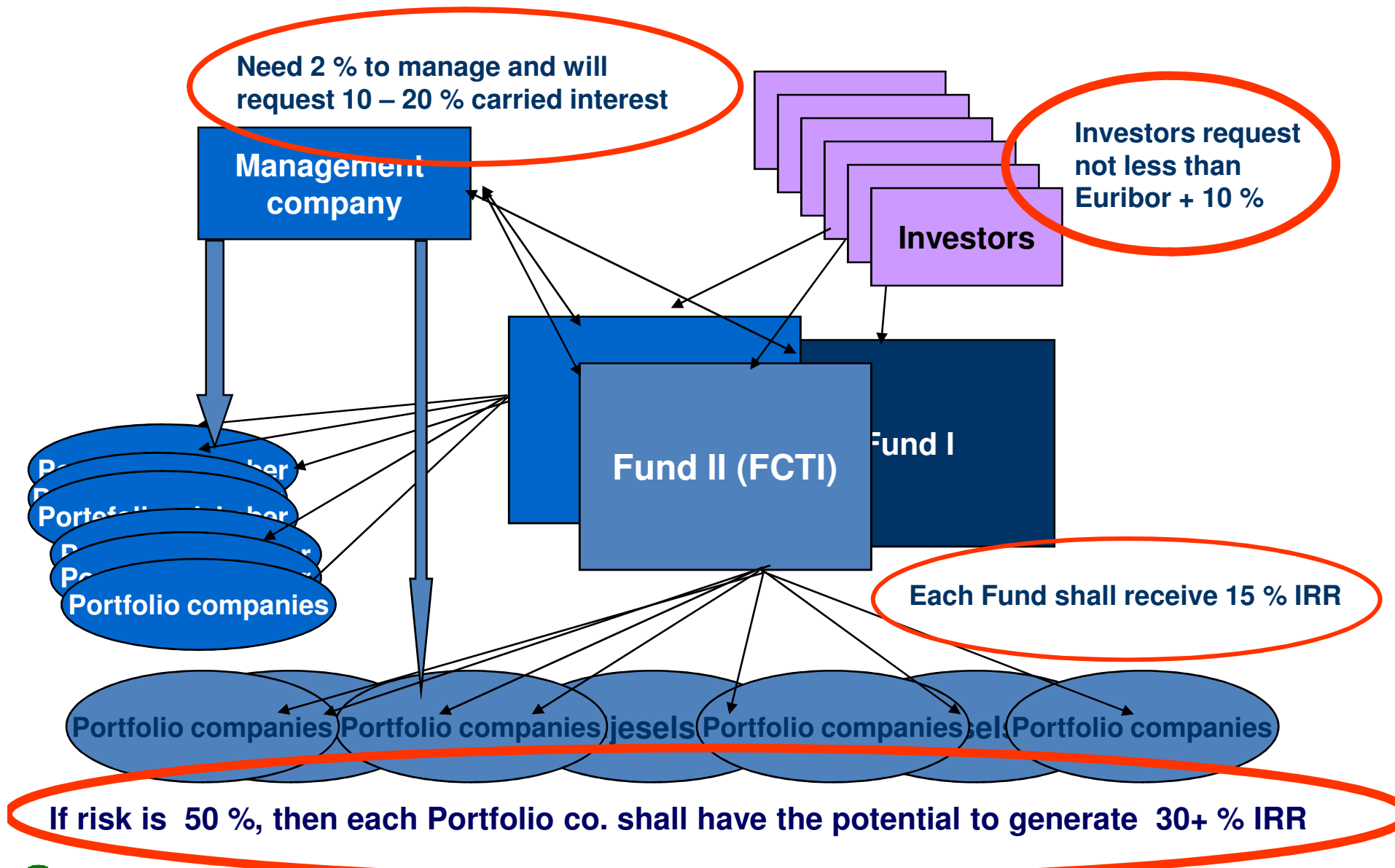
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| 20 min/deal | Do I believe in the business plan and the budgets? |
| 4 Hours/deal | Is it realistic ? Can this management deliver the promised results ? |
| 10 Days/deal | Ok, would you like to meet us and discuss? |
| 1-3 month/ investment | Are you ready to start serious negotiations. |



Understand a VC fund structure

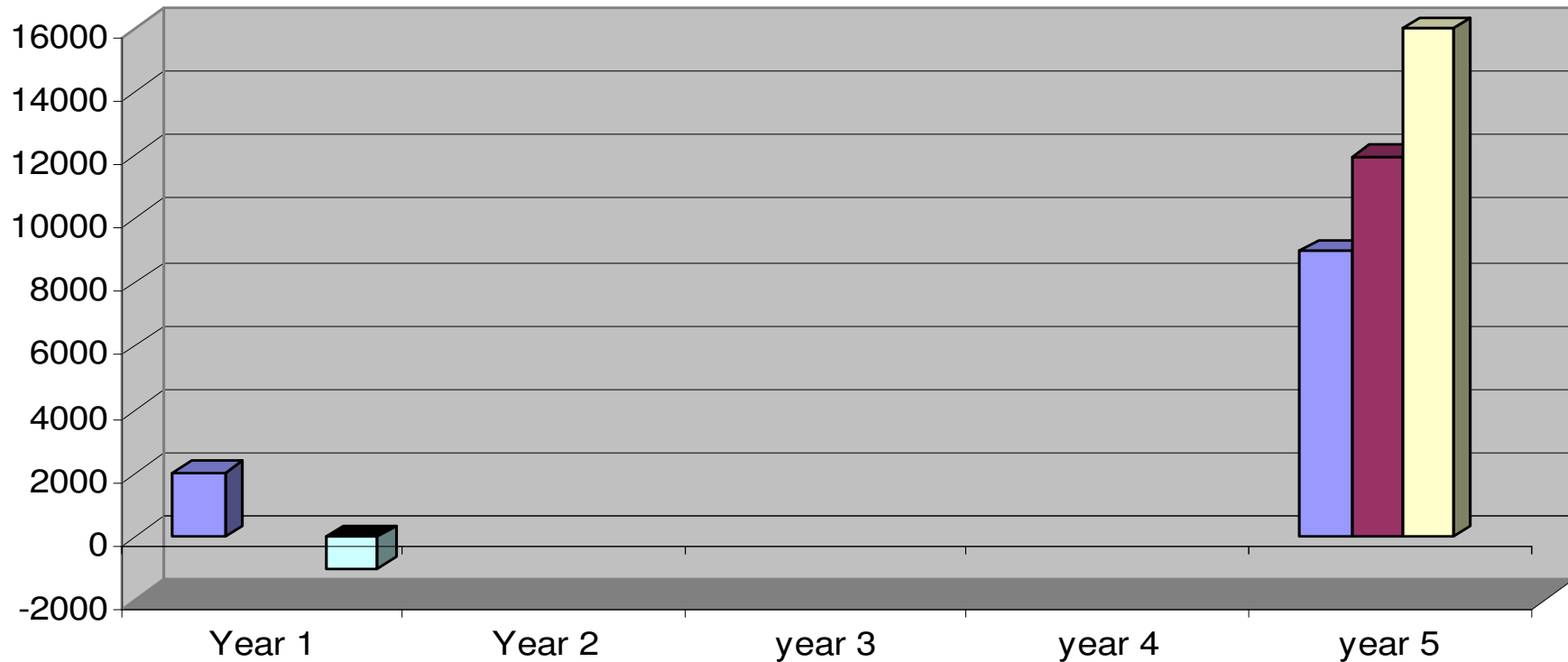


Understand VC fund return requirements



What does 30% or 50 % IRR mean?

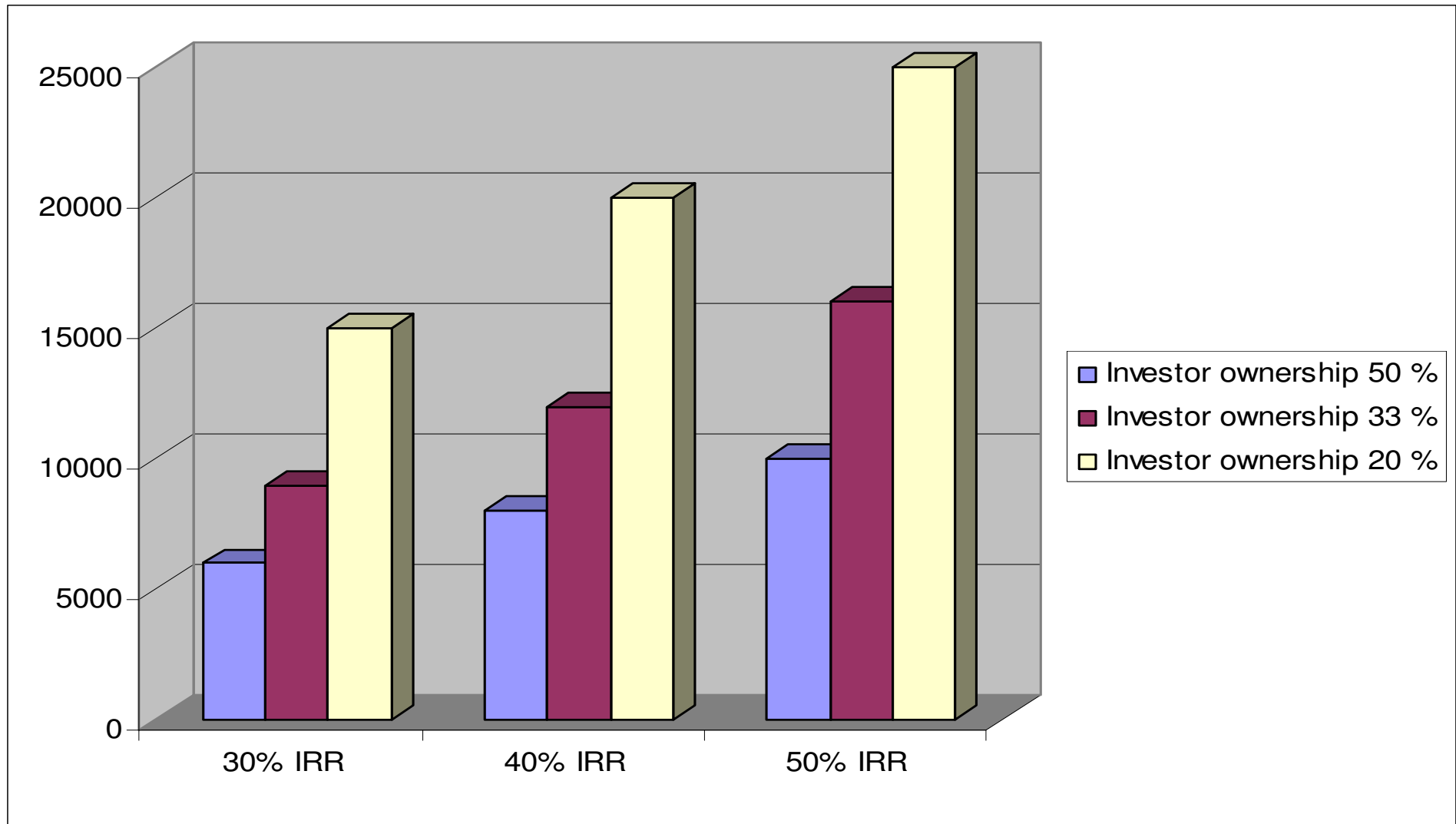
Required growth in company value



■ Company value (30 % IRR) or 3 times back ■ Company value (40 % IRR) or 4 times back
■ Company value (50 % IRR) or 5 times back ■ Investment (33% ownership)



Ownership % and 5 years growth requirement



FCTI - Investment focus

Growth projects and companies within the Food, Food technology and Clean tech sector with a realistic potential for "money back" 5 – 7 times.

| Clean Tech | Food & Food Technology |
|---|---|
| Biofuels and biomass conversion | Primary agro & food sector |
| Logistics | Aquaculture |
| New materials | New Food & Beverage products |
| Recycling of goods & materials | Fertilizer & Pest control |
| Energy efficiency | Convenience & Functional Food |
| Waste and water treatment | Ingredients |
| Biological energy conversion | Food service, retail and packaging |
| Transportation | Robotics |
| Process engineering | Logistics and ICT |
| Process management | Cooling & ventilation |



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