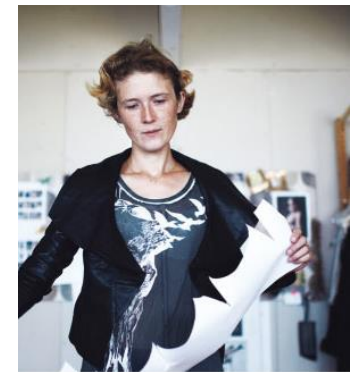
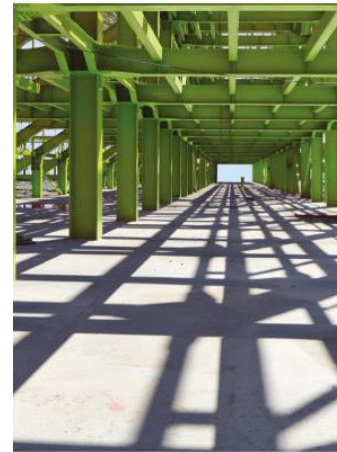
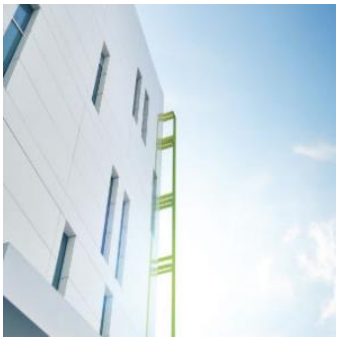


Financing your startup business!?

DTU presentation

Søren Jessen Nielsen – Partner at VF Ventures

24 march, 2014



We are a government owned sovereign investment fund – The Danish Growth Fund (DGF)

“... to help create new Danish growth companies by providing capital and expertise.”

... a sovereign investment fund owned by the Danish government

... established in 1992

... with a base capital of USD 0,5 billion

... the largest Danish investor in technology-based companies

... both equity and loan instruments

Agenda

- 1 Sources of funding for companies
- 2 Vækstfonden's positioning
- 3 Venture capital – what is it and what do investors look for?
- 4 Vækstfonden's loan products
- 5 Two examples

Sources of finance – traditional industries (lower risk – lower return)

Start-up
(pre revenue)

Own
money

FFF

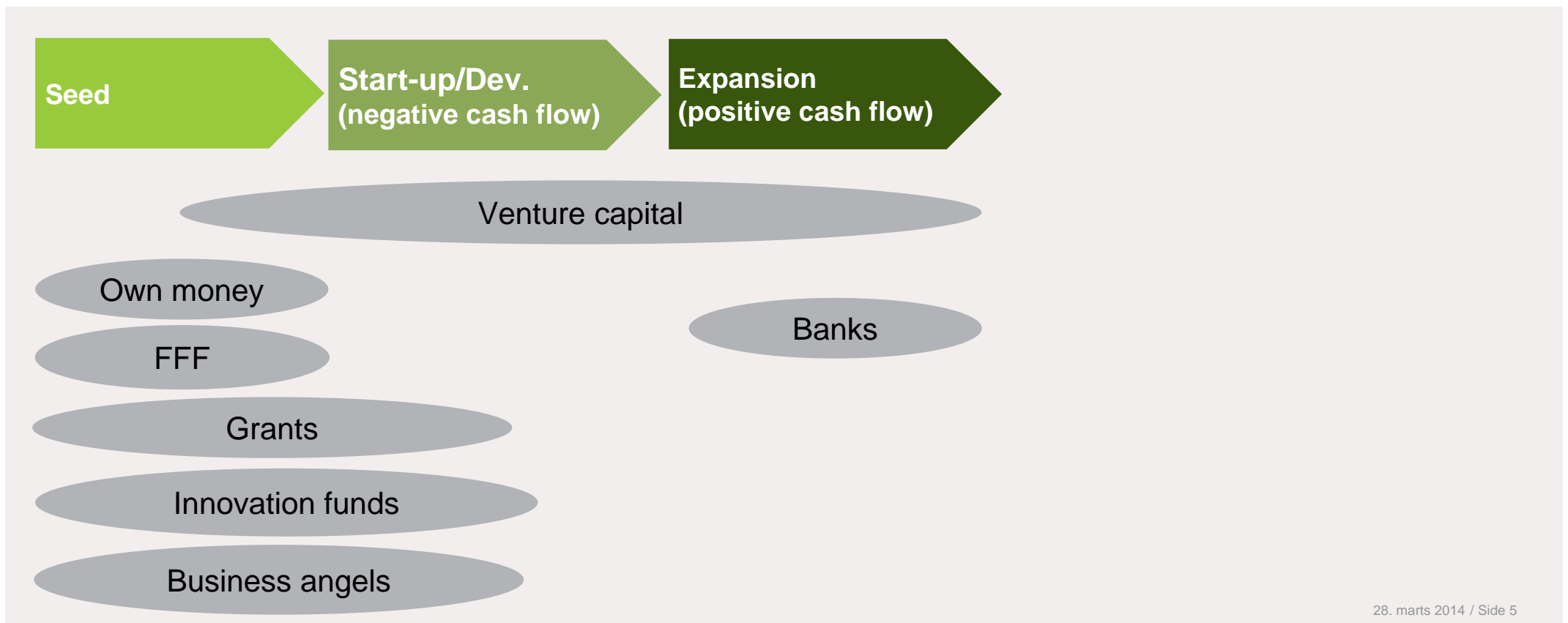
Banks

Business
angels

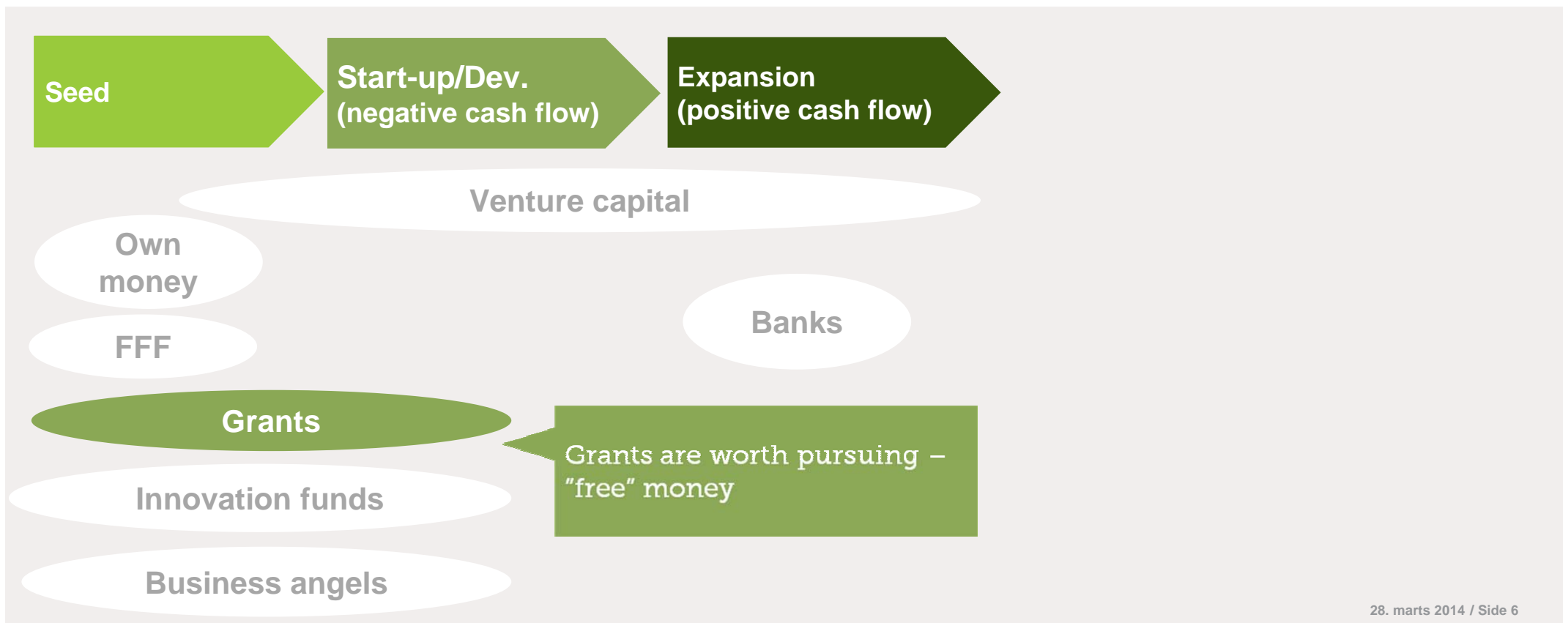
Expansion
(positive cash flow)

Banks

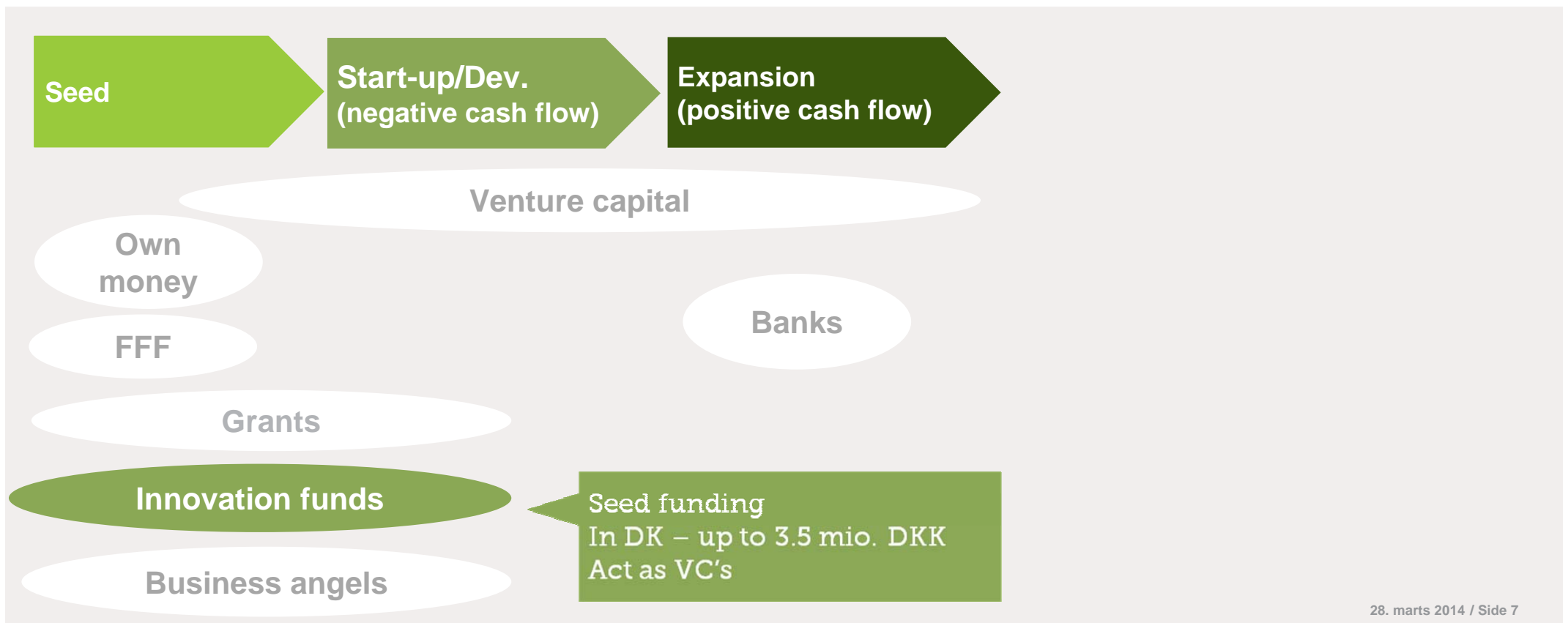
Sources of finance – Ventures (higher risk – higher return)



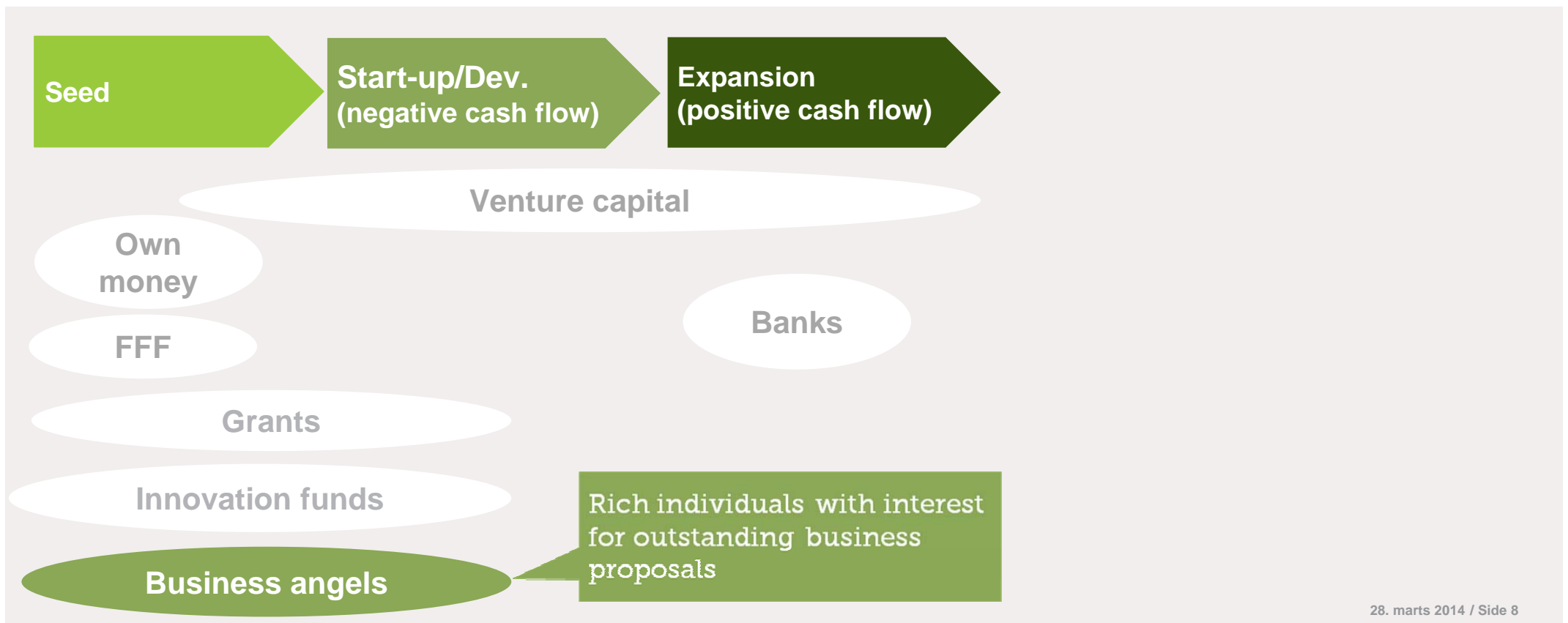
Sources of finance – Ventures (higher risk – higher return)



Sources of finance – Ventures (higher risk – higher return)



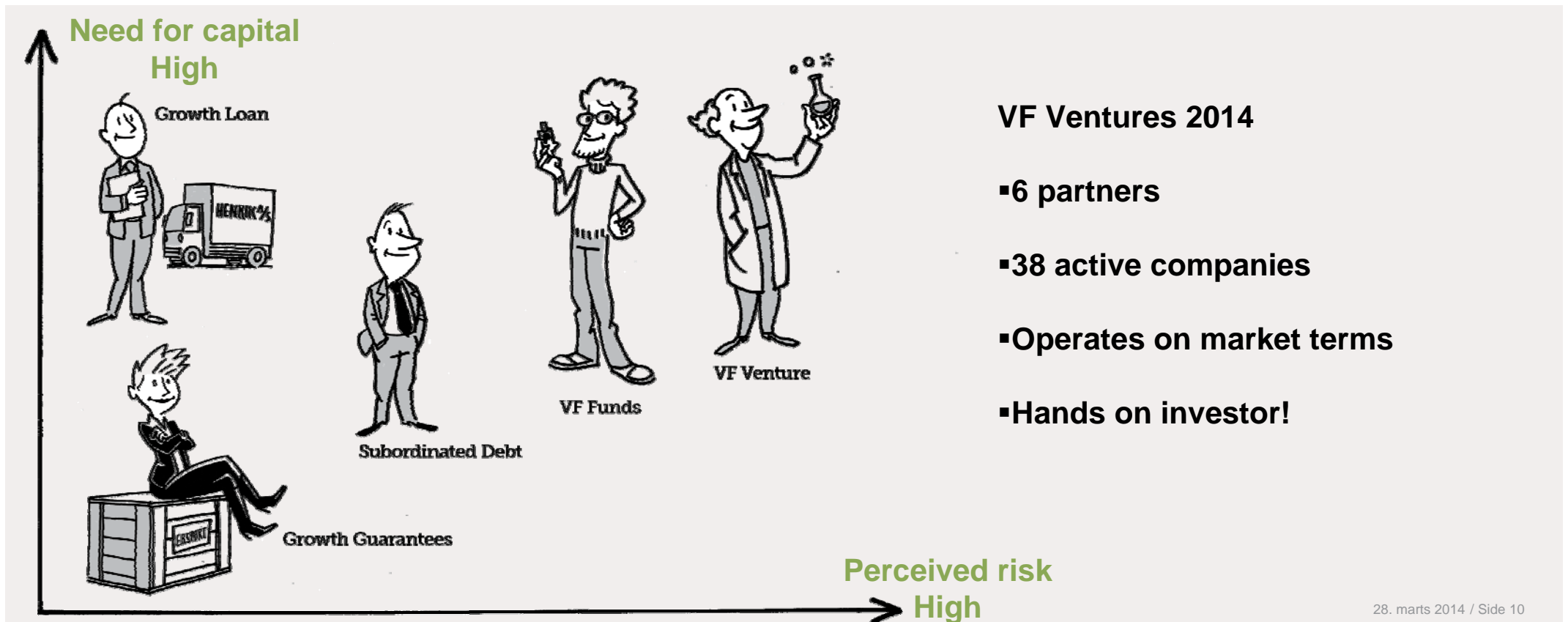
Sources of finance – Ventures (higher risk – higher return)



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Different products for different companies



VF Ventures 2014

- 6 partners
- 38 active companies
- Operates on market terms
- Hands on investor!

The direct effect of DGF's activity

Companies

5.000

Since 1992, DGF has co-financed 5.000 small and medium-sized companies.

Turnover

EUR 7 billion

In 2013, all DGF-backed companies had a turnover of EUR 7 billion (3 percent of GDP).

Jobs

33.000

In 2013, all DGF-backed companies had 33.00 employees.

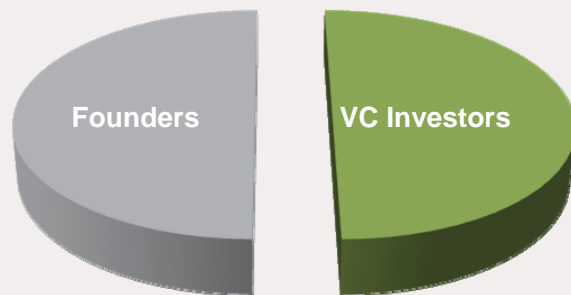
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Venture capital – the absolut core investor consideration

Venture Funds buy equity by investing growth capital and sell the companies (exit)

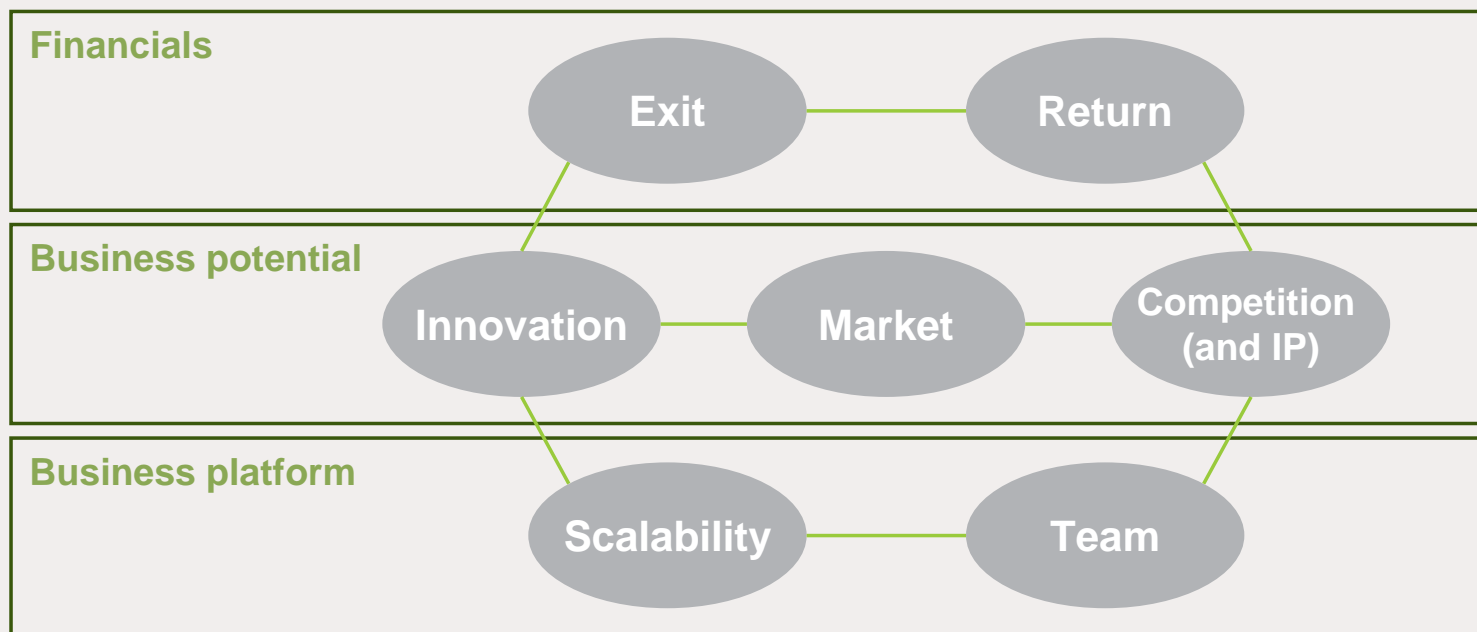
Share capital = 1 x



Share capital = 5-10 x



Investors look for quality opportunities – assess companies on different parameters



The elevator pitch – can you explain your company in 50 seconds?

- **For** (fill in the ideal customer)
- **Who** (has the following business issue/pain)
- **Our product** is a solution (fill in the product category)
- **That** (fill in the key benefit)
- **We will succeed because** (fill in your “un fair advantage”)



But remember the statistics for a typical technology venture fund

- **Out of 10 investments....**
 - **1 of the investments will possibly make over 8 times the money back for investor**
 - **2 of the investments will make between 3 – 5 times the money back**
 - **2 of the investments will barely give a positive return..**
 - **And 5 of the investments will go bust....**

These are the odds any normal VC knows about and deal with.....

.... Warren Buffet – 2007 annual letter to his shareholders in Berkshire Hathaway quote from famous USA country singer Bobby Bare:

“I've never gone to bed with an ugly woman, but I've sure woke up with a few.”

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Vækstkaution (loan guarantees)

- Amount: Max 2 mill. DKK
- VF guarantees 75% to bank
- Fees: 1.5% of total sum up-front + 1.5% of remaining loan per year
- Could be used for start-up
- Collateral still required
- Money is borrowed from a bank and Vækstfonden guarantees part of the sum to the bank – i.e. the bank may be willing to issue loans they would otherwise refuse



Growth loans

- Business development requiring new funding (not old debt etc.)
- Requires generally positive cash flow already
- Loans above 2 mill. DKK
- Requires additional funding from e.g. the bank
- The loan is subordinated the bank loans (i.e. lower risk for the bank)
- The price is 0.5% of loan amount up-front + About + 2% on the interest rate
- Collaterals required



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VF Venture investment: Universal Robots

- Has marketed a new generation of smart robots for industrial use
- Precise. Collaborative. Easy to use.
- Off-spring from Odense University (Robot technology group)
- Vækstfonden became investor in 2008 (a year with no real sales) for establishing sales, production and international expansion
- From 0 to DKK 130 mill. in revenue (2009 to 2013) and highly profitable

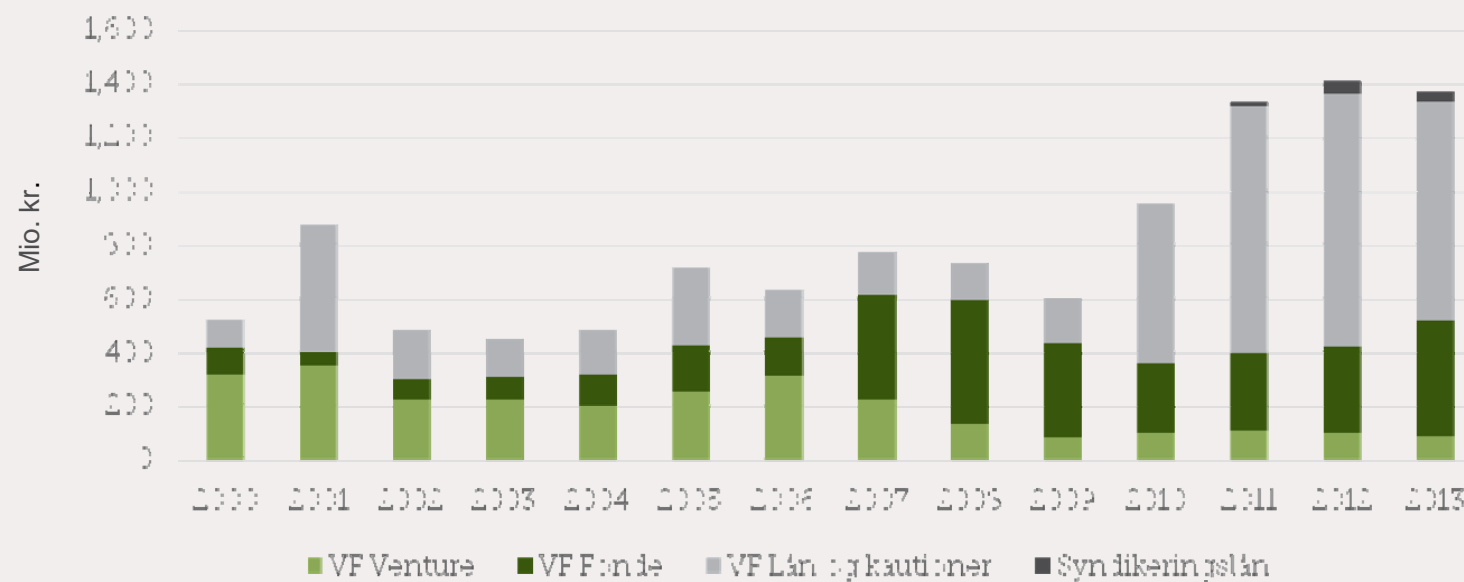


Loan guarantee: Lindcom

- Established in 2005 of co-owner and CEO
- Remote measurement of liquid content in tanks and silos
- Patented technology
- Product fully developed
- Family funded product development
- Sales established
- International market development financed by Nordea with a VF loan guarantee

Appendix

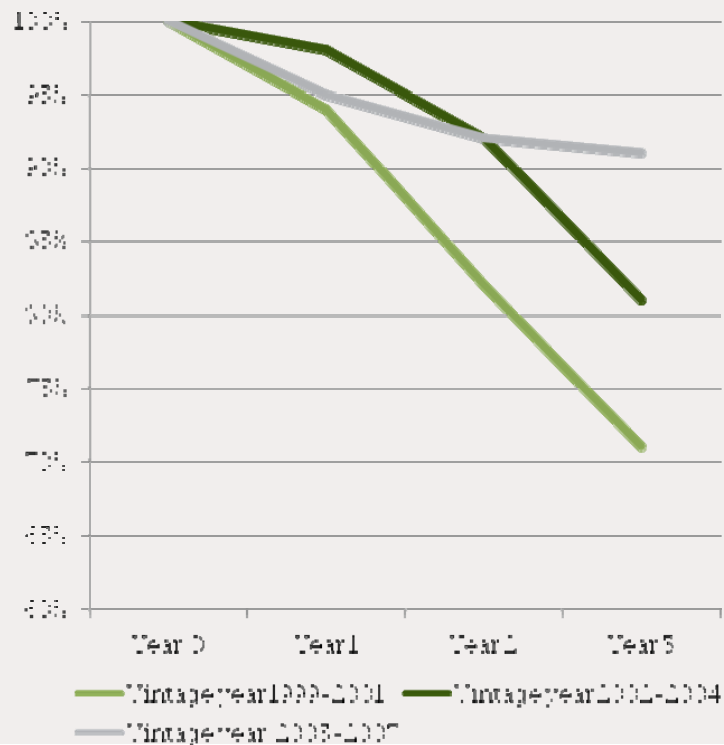
DGF's activity



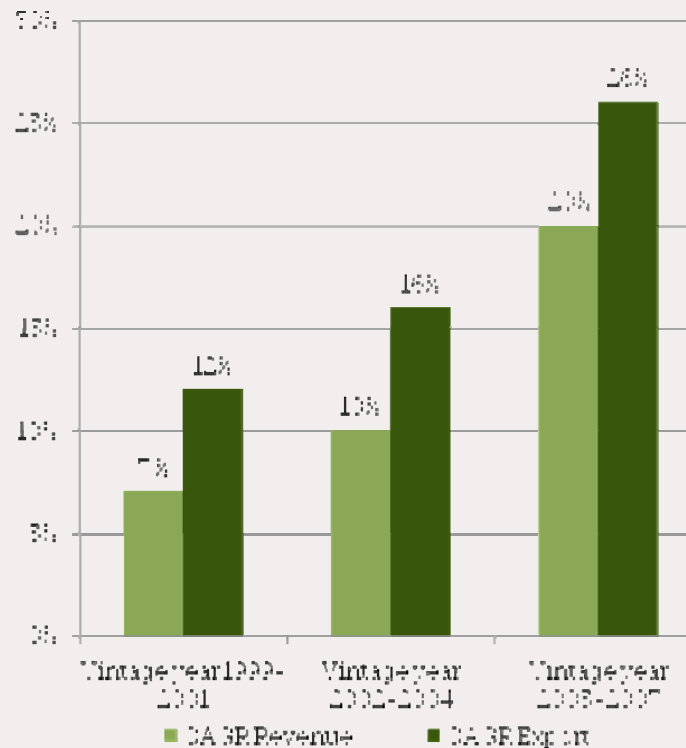
Note: Activity for VF Fonde in 2013 only includes 1-3. quarter.

Performance by venture-backed companies financed from 1999 to 2007

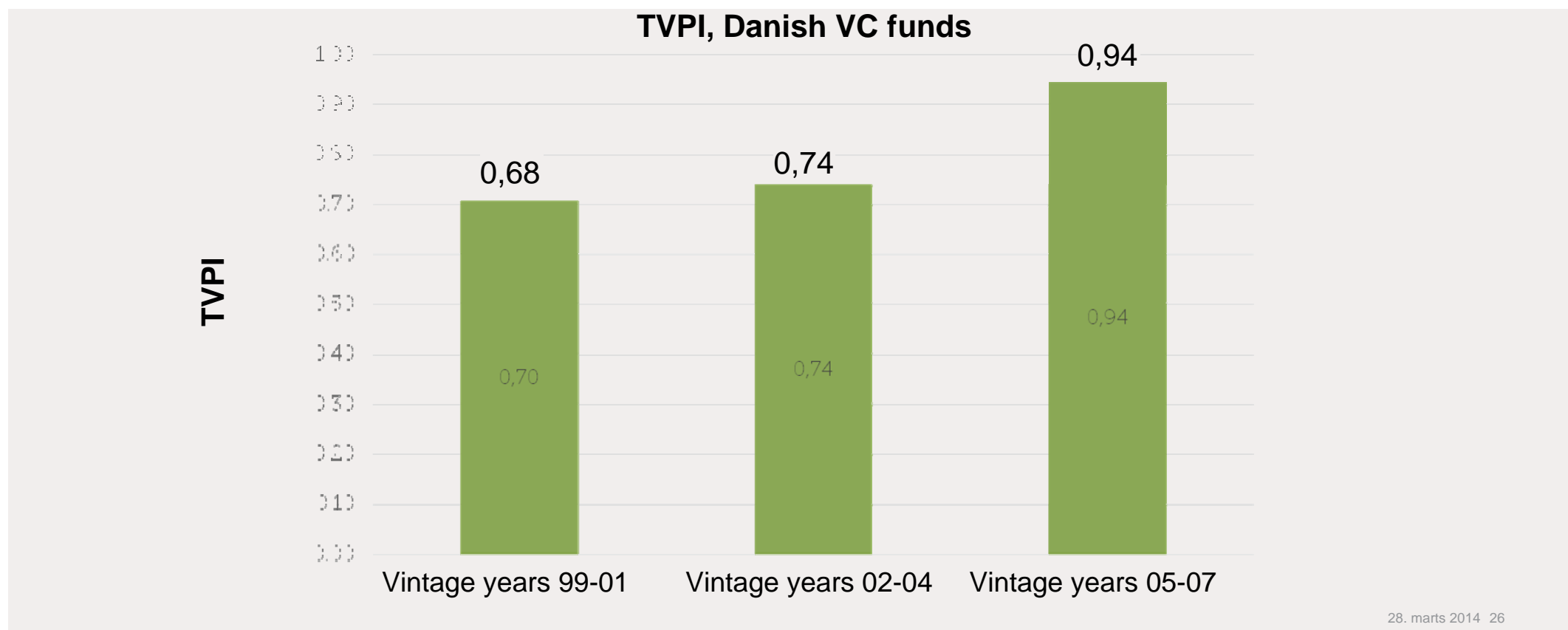
Survival rates
Danish venture-backed firms



3 Year CAGR, revenue and export
Danish venture backed-firms

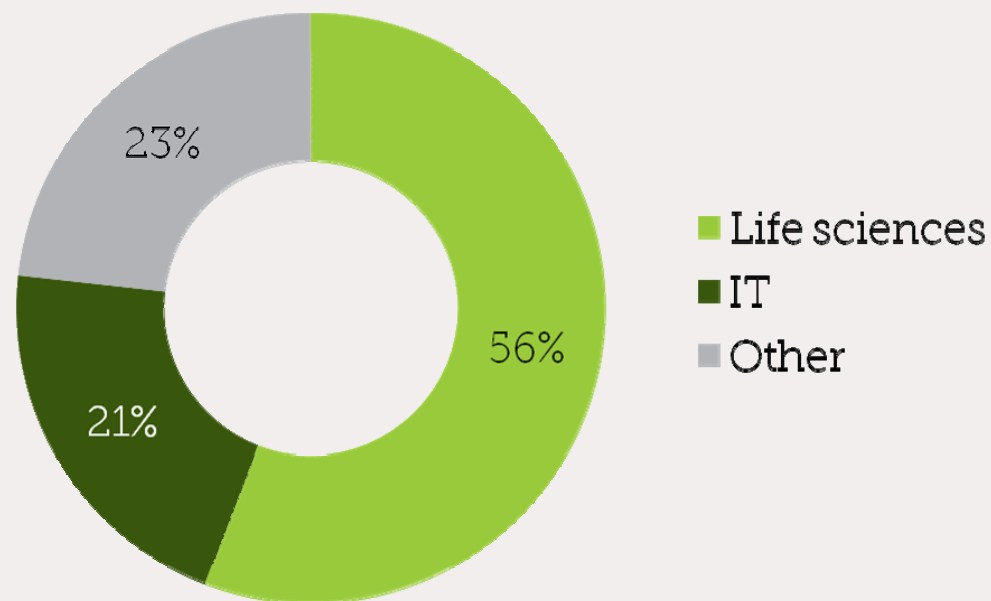


Performance by venture-backed companies financed from 1999 to 2007



New venture investments – Industry split 2012 (number of companies)

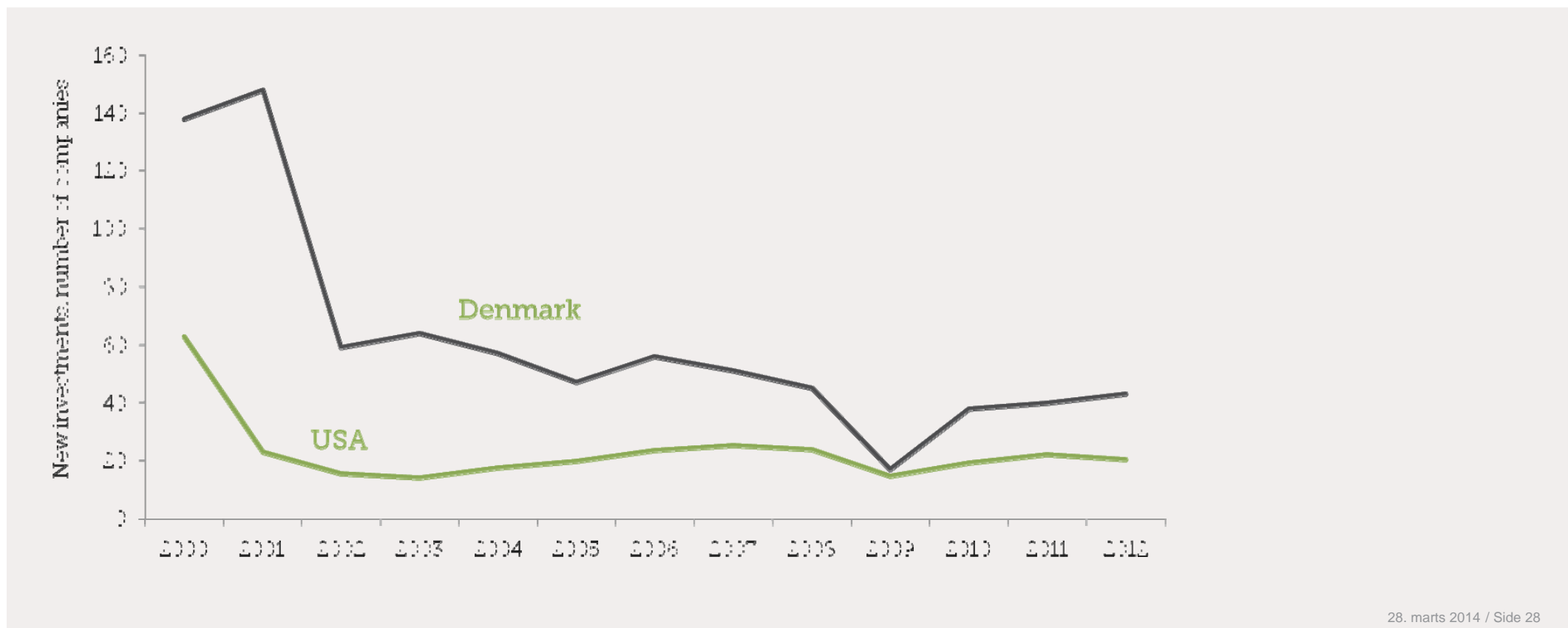
Life sciences and IT are currently the major industries for venture financing – venture funds are specialized



Note: Exclusive of Innovation funding and funding from Accelerace

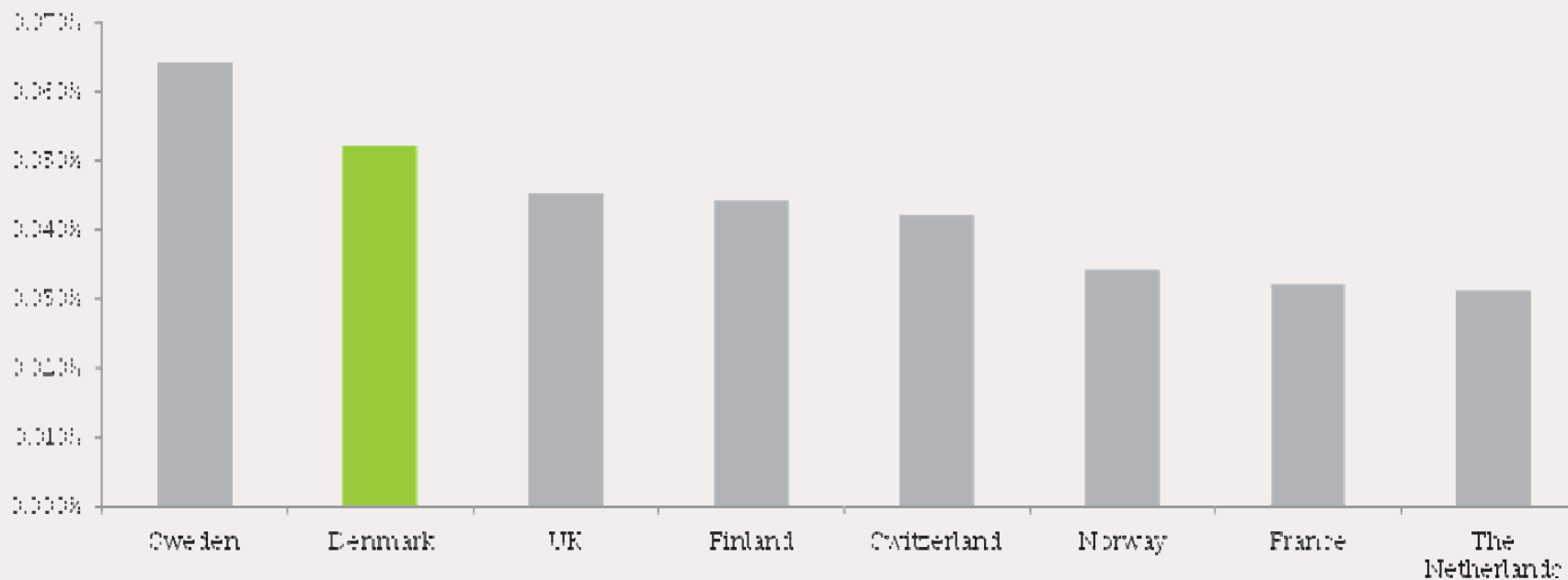
Rightsizing the market

Number of new VC investments, Denmark vs. USA (relative to population size)



European venture investments 2011

Percent of GDP invested in total from domestic and international investors



Source:
EVCA Yearbook 2012