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Private capital in Denmark

*Entrepreneurship Course
DTU PhD
John Heebøll*

*Henrik Brorsen
April 21, 2010*




Skaber den gode ide >>> videre

>>> CONNECT Denmark

Topics of the presentation

- CONNECT Denmark backgrounder
- How to raise capital for projects and new business
- What are the options and the challenges
- Recommendations



Skaber den gode ide >>> videre

CONNECT DENMARK in brief

Create and develop more growth companies

Sparring courses, meetings & events

Non-profit and independent network association

Financed through sponsorships and member fees

+330 companies, +820 resources

120 sparring and counselling courses a year

190 invitations a year

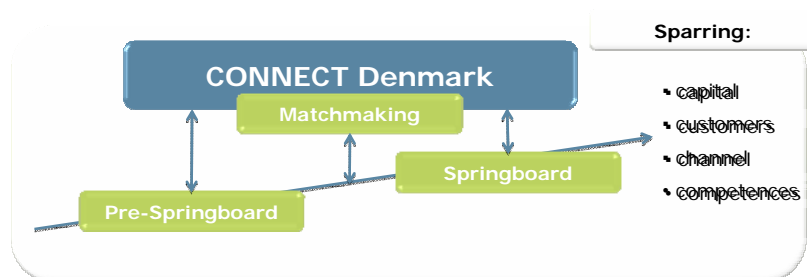
Proof-of-business initiative with the National Growth Fund

Local representation in all 5 regions

Member of GLOBAL CONNECT, President CONNECT Nordic



CONNECT Denmark Sparring



" AQUAporin established contact to several future board members with substantial industry experience through CONNECT Denmark Springboard and Board Member Network. It has been worth gold for developing and maturing AQUAporin to venture capital investments.

In my view a Pre-Springboard can never be too early! Be prepared for being beaten up – and then make your best at the Springboard!"

Peter Holme Jensen, CEO & Co-founder, AQUAporin



CONNECT Denmark is the Springboard to growth



The case: watAgame

- Springboard #94 – March 2003:
Mobile Multiplayer Games
4 people
Own funding, later Business Angels
- March 2009:
goSupermodel
35 people
Seed Capital, Vækstfonden, Accel Partners
- August 2009
Tech Tour Denmark | Southern Sweden

"The test of our business idea gave us the courage to start-up"
Henrik Riis, CEO & Founder

Raising capital – what financial crisis?

- Who gets invested in?
 - Rapid & sustainable growth
 - Significant size & scale
 - Disproportionately profitable
- Business stage dependant
 - A going concern focused on growth/expansion
 - Early revenue
 - Launched but little revenue
 - Plan, but not launched
 - Glimmer in the eye
- Start-up sources of funding – simple version
 - FFF
 - Grants
 - Customer projects



However:

- Valuations are down (50%)
- Cash per investment is down
- New investments are down
 - Concentration on portfolio (time to exit up)
 - Angels have lack of liquidity
- Revenue generating companies competing with start ups for funding
- New, inexperienced investors looking for deals
- Some consideration to income generating investments, not just capital gain driven exits



Characteristics of Investable Businesses

- Moderate cash needs (DKK1.5M - Business Angel target)
- Don't depend on 2nd round funding
- Don't depend on VC funding
- Revenue generation (soon)
- Must be market driven
- Need to stand out – great presentation
- Need to be able to do twice as much with half the cash

Financing Risk - up



But

- People Risk – down – better for less
- Competition Risk – down – can't react
- General Costs – down – office, space, hardware etc
- Manufacturing Costs – down – free capacity
- Sales Risks – down! – for compelling, pain relieving, productivity/cost cutting solutions

Execution Risk – down?!



I my experience...

- Entrepreneurship is a state of mind – play your strength: Innovator vs. Entrepreneur, outsource/team-up non-core
- Consider shortcuts - more than one way to get into business:
 - Founding
 - Join
 - Heritage
 - Take-over
- Engage customers early – commercialisation is key – could be source of funding
- Crossing Death Valley – cash (flow) is king – when in trouble, double or draw line in the sand?
- Network – ask for feedback then prioritize, rationalize and focus (CONNECT)



Raising capital is not the objective...

- ...it's the means to make the ambition come true!
- Entrepreneur to Present:
 - The Value proposition (and Pain Killer)
 - The Business model (show the money and how to pick it up)
 - The Team (and Board)
 - The Plan (ambition and first steps)
 - The Capital need (and what you put in)
- But first, please conduct a 30 minutes self test:
 - Use 10 minutes, two-three keywords searching for information and competitors on the internet
 - Use 20 minutes on two-three scenarios changing time, capital, resources, roadmap, markets



Wrap-up

- Q&A



Slutber den gode ide >>> videre

Thank you

Henrik Brorsen
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