



Venture Capital

Fundamentals of Technology Transfer & Building and Financing Spinouts

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GCP gamma capital partners

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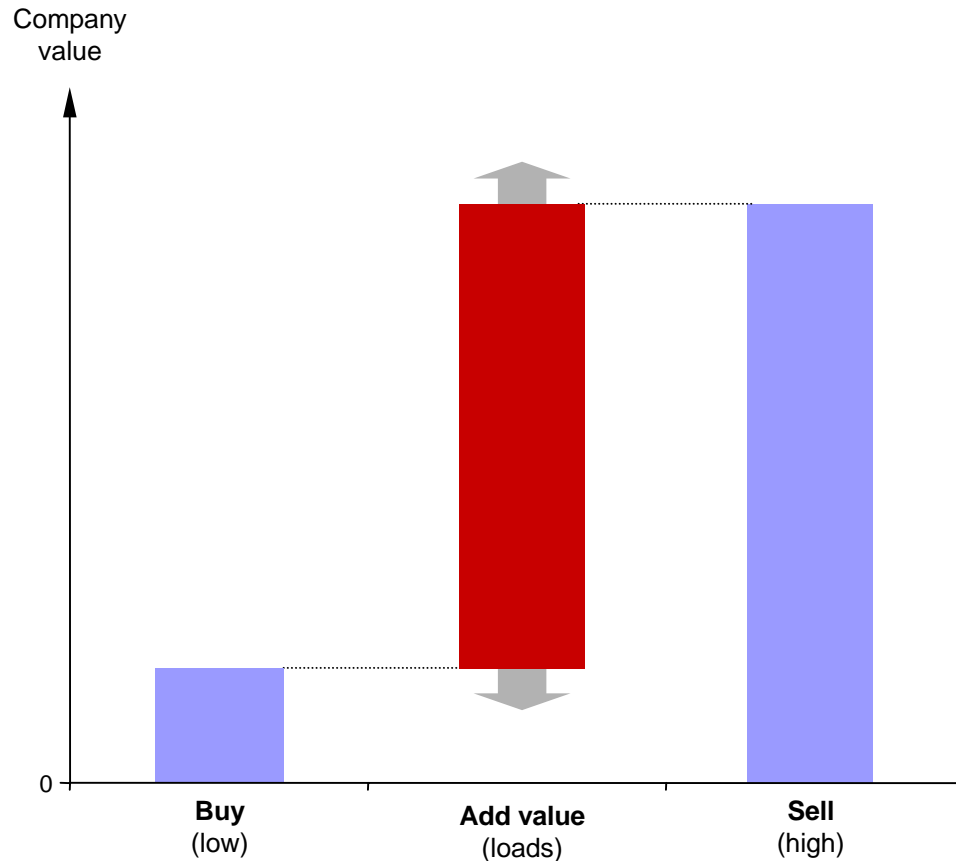
Venture Capital - Overview

- **Venture Capital is an Investment Business**
 - » Who is the VC's customer?
- **Goal: Generate risk-adjusted returns**
- **Success factors**
 - » The right asset, in the right hands, at the right time
 - » Create an environment where everybody has the **right incentives** and **adequate resources** to succeed
 - » Focus on upside is the best downside protection
 - » Put your money where your mouth is
 - » Exit is as important as investment, maybe even more so
- **Tools to maximise value and manage risk**
 - » Portfolio Approach
 - » Equity Investment in stages
 - » Money is the lever, with which change is achieved
 - » Value-Added support (Know-how, industry expertise, network etc.)
 - » Do whatever is needed...

- **Process: Invest in potential – create & enhance value – realise value**

VC model: VALUE - create & realise it

Impact of Equity Investor on Company Value (Illustrative)



Internal sources of value

- Earnings & revenue growth (organic and through acquisitions)
- Multiple expansion (e.g. management & profitability improvement)
- De-leveraging
- Company positioning & strategy
- Etc.

External sources of value

- Market dynamics
- Market appreciation in exit situation
- Etc.



(hands-on) financial investors directly and indirectly influence all of these

Some useful concepts

- It's all about **Value**
 - » Overall value
 - » Value capture
 - » Value measurement, quantification, performance indicators...
- Risk-Return Dichotomy
- Competitive vs. collaborative (zero-sum vs. positive-sum games)

In a VC's head

- When assessing opportunities, VCs focus on three main issues:
 - » How big is the opportunity?
 - » The right people & structure to succeed?
 - » What tangible evidence of the above?

Most other issues & details can be derived logically...

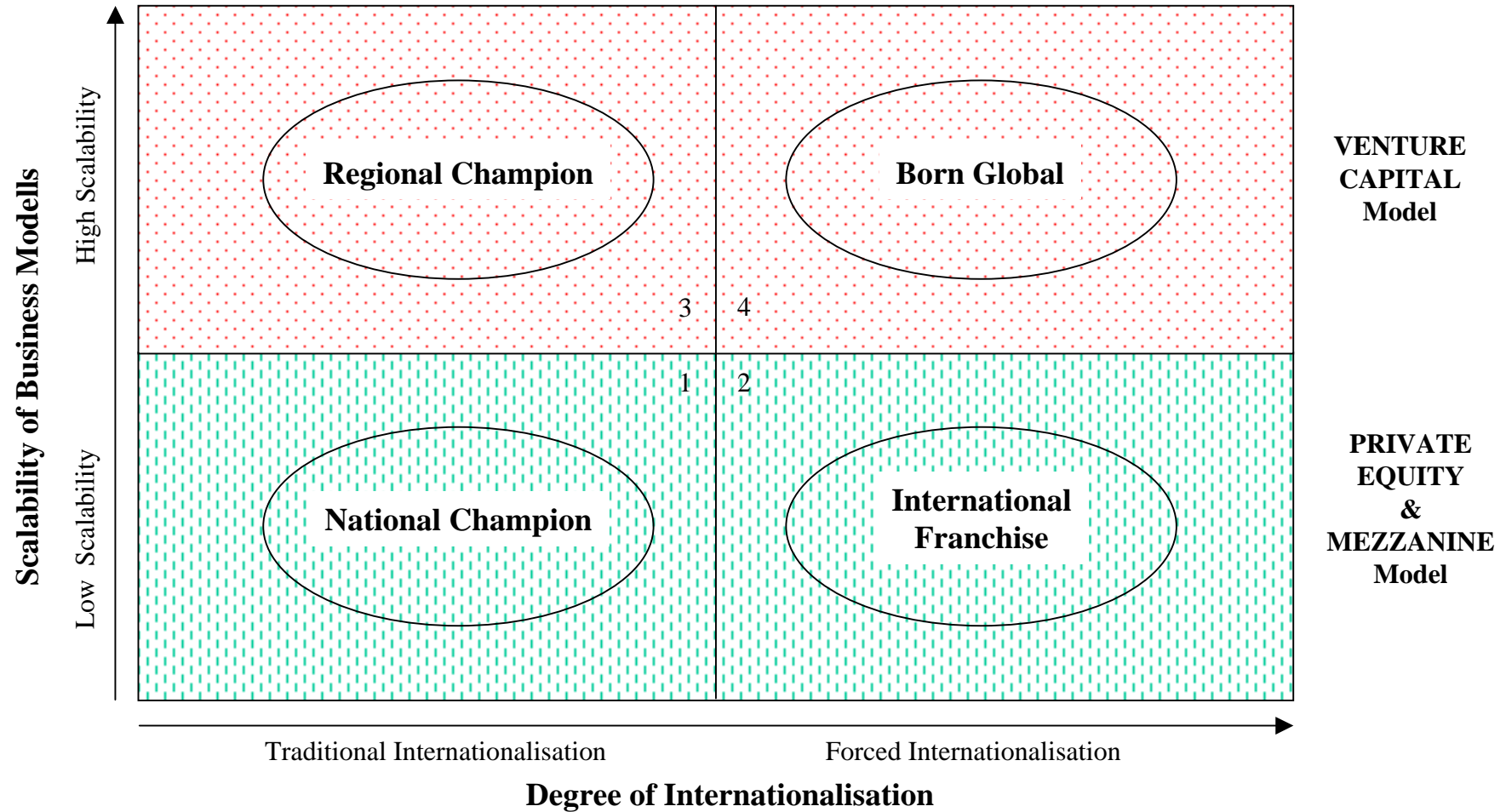
- But!
 - » Not every good research project/invention becomes a good business idea,
 - » Not every good business idea becomes a good company,
 - » Not every good company becomes a good VC deal

Usual attrition rate: **95-98%!!!**

- Mind the Portfolio Approach and opportunity cost

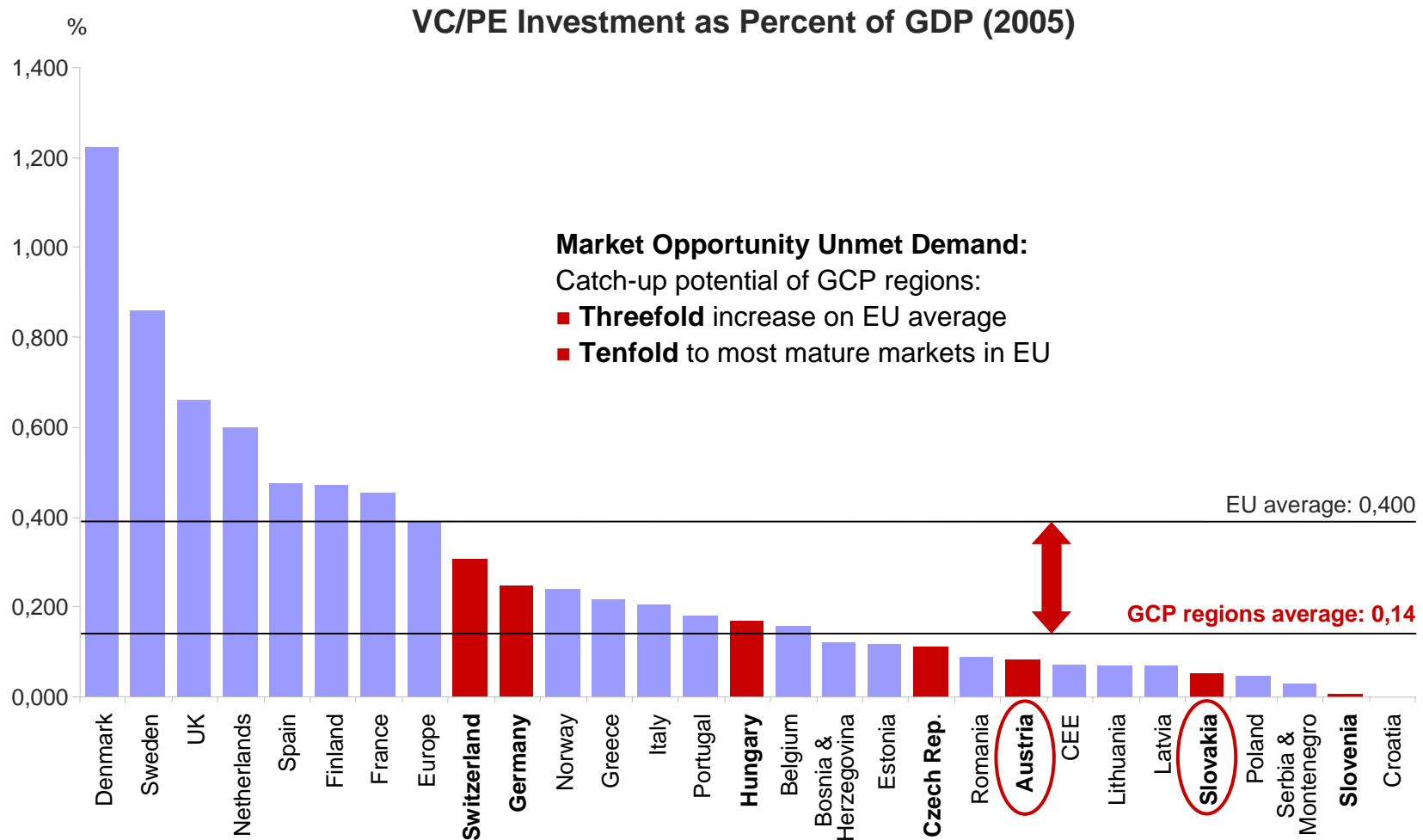
- Hypotheses for VC/PE financed companies (compared to non-VC/PE financed)
 - » More capital for Innovation and R&D
 - » More patents and property rights
 - » Faster and strong Internationalisation
 - » More capital for acquisitions
 - » Broader product basis
 - » Better marketing
 - » More aggressive sales

Internationalisation – Born Global and Traditionals



Source: Dr. Oliver Grabherr, In: Wachstumsmanagement für Mittel- und Kleinbetriebe, Kailer/Pernsteiner (Hrsg.)

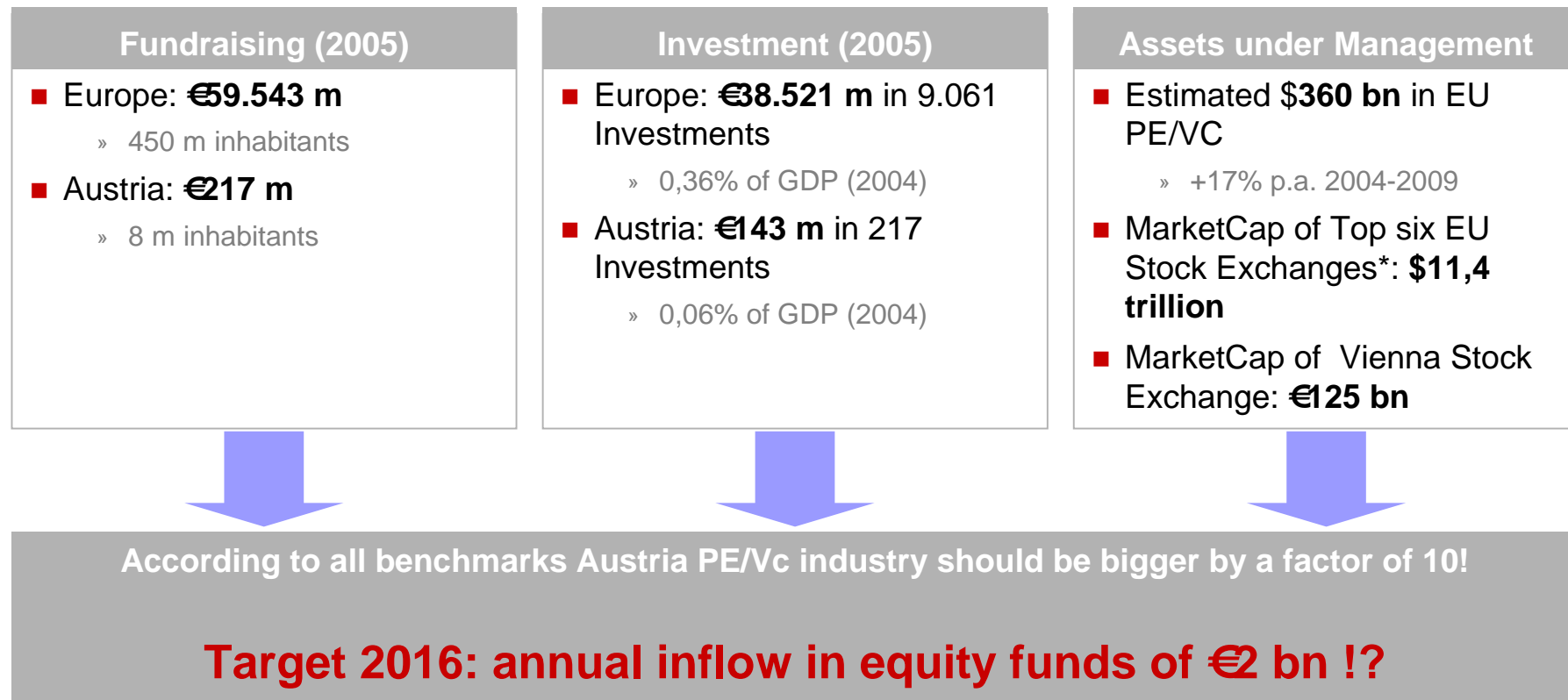
European Comparison



Underserved markets: Enormous catch-up potential

Source: CEE Statistics 2005 – An EVCA Special paper – Nov 2006

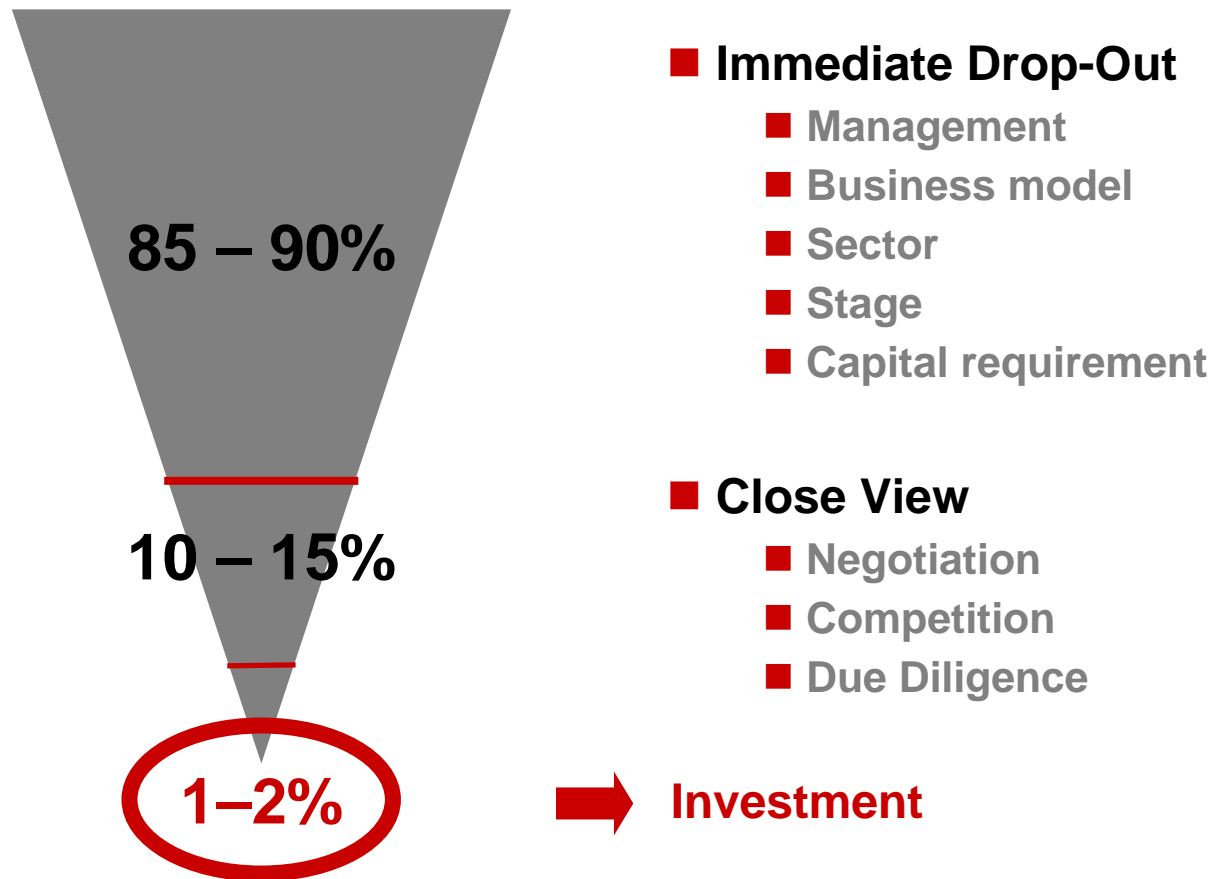
Austrian VC/PE - Formula 10 x 10 = 2



* Top six exchanges by trading volume: LSE, Euronext, Deutsche Börse, BME (Spain), SWX, Borsa Italiana – figures end of April 2006

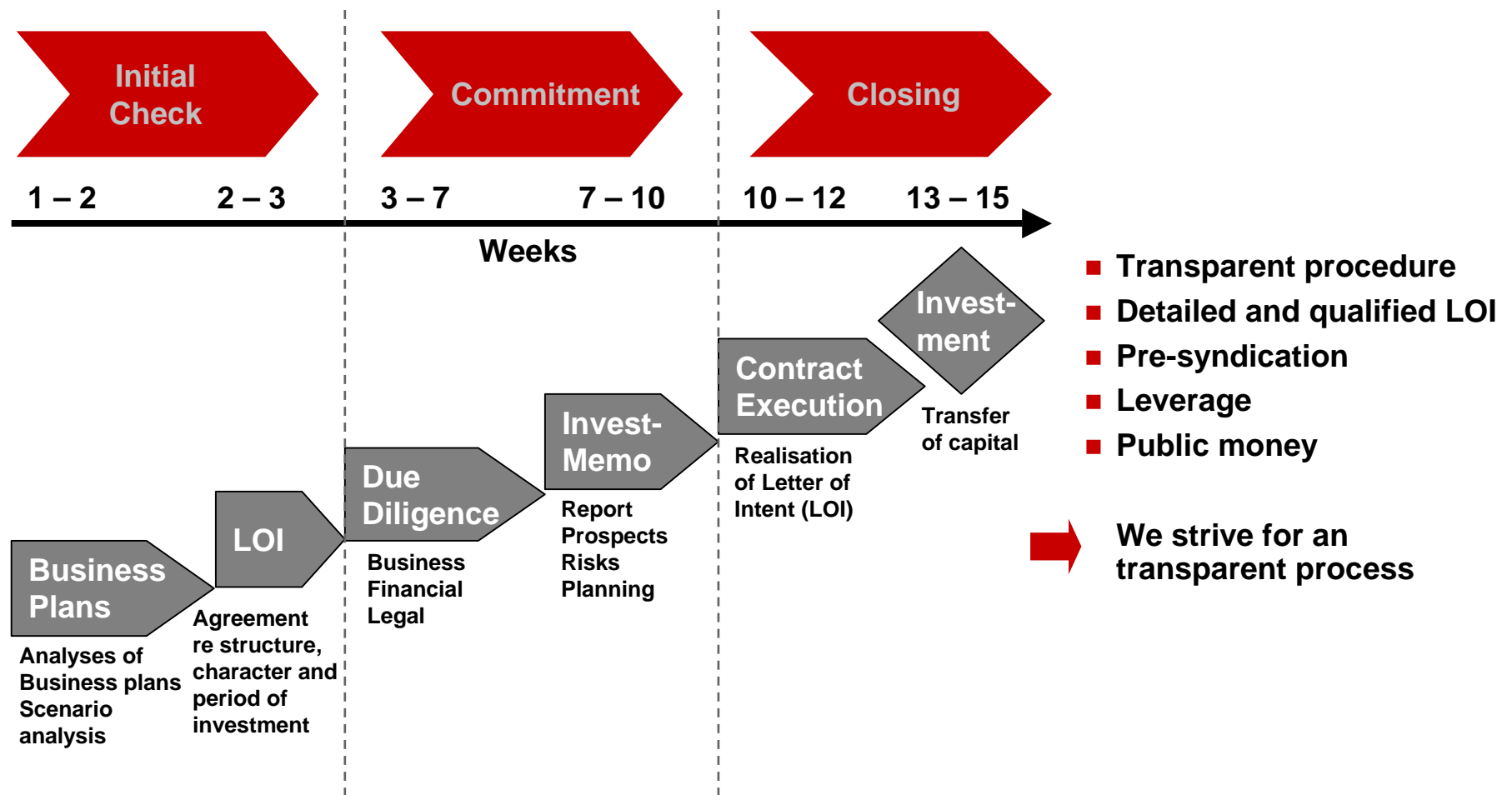
Selection Process

Three strikes and you are out !



Investment Process

GCP's procedure – how do we advance?



Anatomy of a good pitch

Some General Tips

- As often in life, it's useful to put yourself in the other's position...
- *Nobody* reads business plans (the plan is nothing, planning is everything)
- K.I.S.S.: What's well understood can be communicated clearly
- Make information relevant, put it into context, answer the SFW...
 - » E.g. technology is worthless, unless commercially relevant, i.e. shown to generate cash at some time...

The Ten Slides

- **Problem**
- **Your solution**
- **Business model**
- **Underlying magic/technology**
- **Marketing and sales**
- **Competition**
- **Team**
- **Projections and milestones**
- **Status and timeline**
- **Summary and call to action**

Questions to be addressed

- What is the need that you address, how big, significant, urgent?
- How do you address this need? What value has this for the user?
- How do you make money from this value?
- What's the great secret behind it, why is it unique?
- How are you going to let people know about it, how will you sell it?
- Who else is in the game? Substitutes? Industry food chain?
- Who will implement the plan? Advisors?
- Where do you want to go, how is progress measured?
- Where are you now and what's next?
- Next steps...

Thank you for your attention!!!

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