

Vækstfonden and the Venture Capital Market



Ulrik Jørring
May 3rd, 2011

My background

- 1987 PhD (DTU)
- 1983 PPU Software / Maconomy (co-founder)
- 1993 MBA (IMD)
- 1994 Cray Communications
- 1996 Catalog International (co-founder)
- 1999 Bull / Steria Denmark
- 2003 Vækstfonden – investing in ICT
- 2006 Vækstfonden – head of direct investments
"VF Venture"

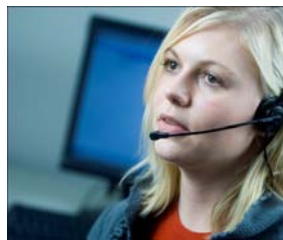


Agenda

1. Vækstfonden overview
2. Current venture market outlook
3. What investors look for
4. Some examples

We are government backed investment fund

Since 1992 we have financed growth in over 4,200 Danish companies for more than DKK 8.1 billions.

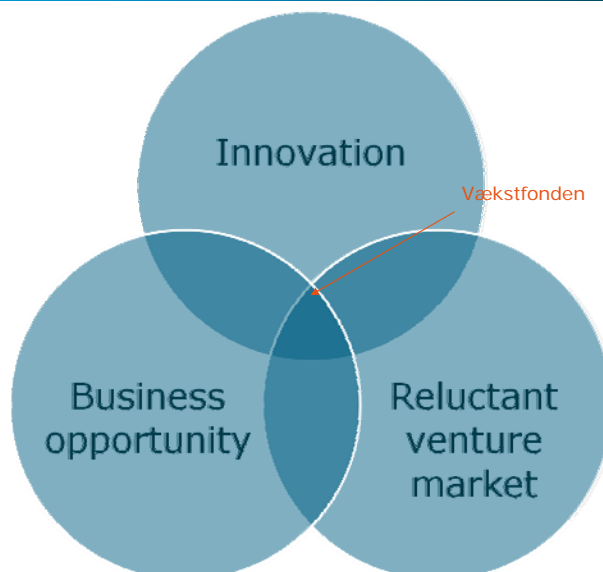


...with offerings tailored to different start-ups

- **VF Venture.** Equity in young companies with significant international growth potential. DKK 5-25m
- **Vækstkaution.** Loan Guarantee to cover 75 % of bank loan. Up to DKK 10m
- **Kom-i-gang-lån.** Loan Guarantee to cover 75 % of bank loan. New companies
- **Fondskapital.** Equity. Currently 21 funds

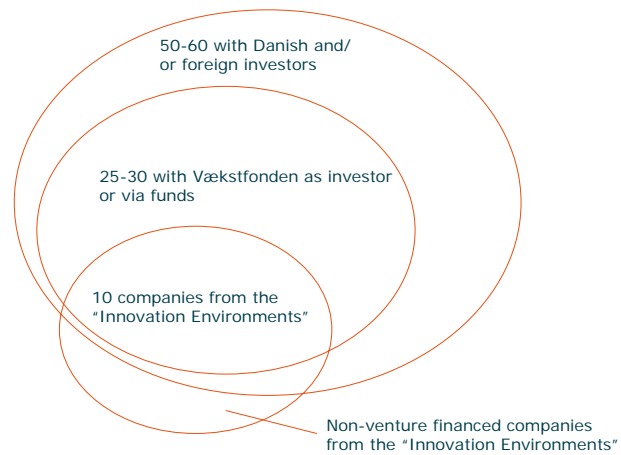


Vækstfonden's Investment Profile



Vækstfonden is a significant part of Danish venture capital funding

Annual venture capital investments in Danish start-ups



5. maj 2011

/ page 7

Agenda

1. Vækstfonden overview
2. **Current venture market outlook**
3. What investors look for
4. Some examples

5. maj 2011 / page 8

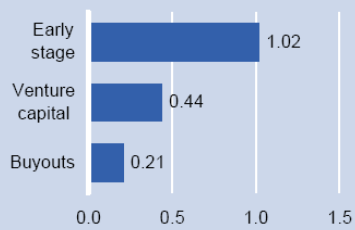
Why venture capital is important

Venture capital in US:

- ⇒ 40 % of all IPO's
- ⇒ 1/3 of market cap
- ⇒ 16 % of GDP
- ⇒ 10 million employed
- ⇒ 7 % of labor force
- ⇒ 2 x exports
- ⇒ 3 x R&D
- ⇒ 3 x tax payments

Private equity and growth

Change in the growth rate (pp) when investments increase by 0.1% of GDP



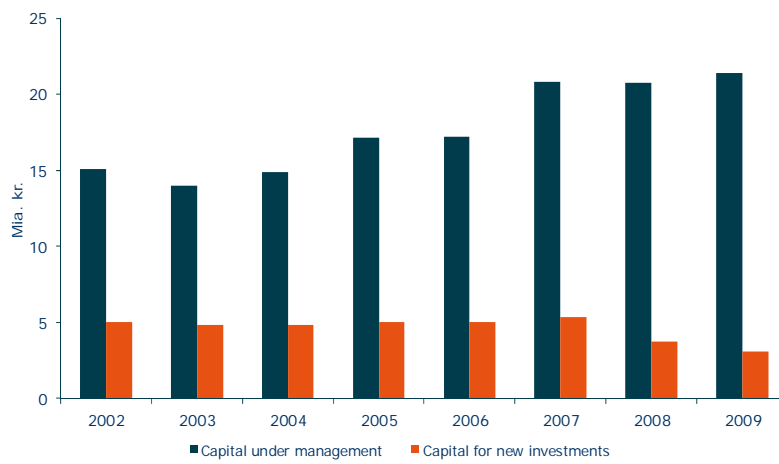
Source: DB Research 8



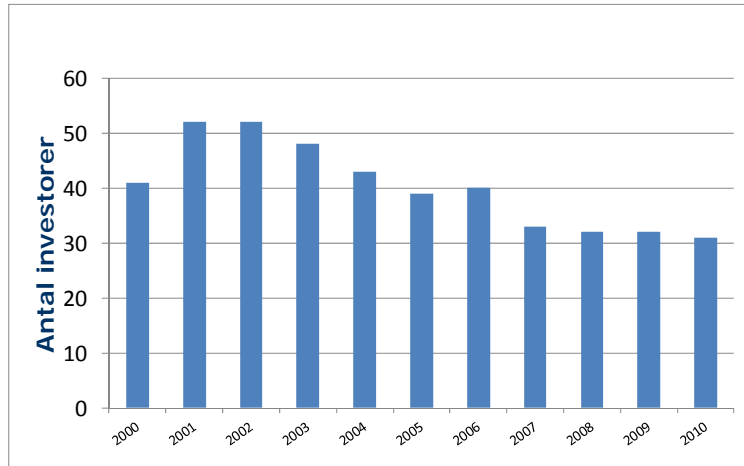
The bad news...



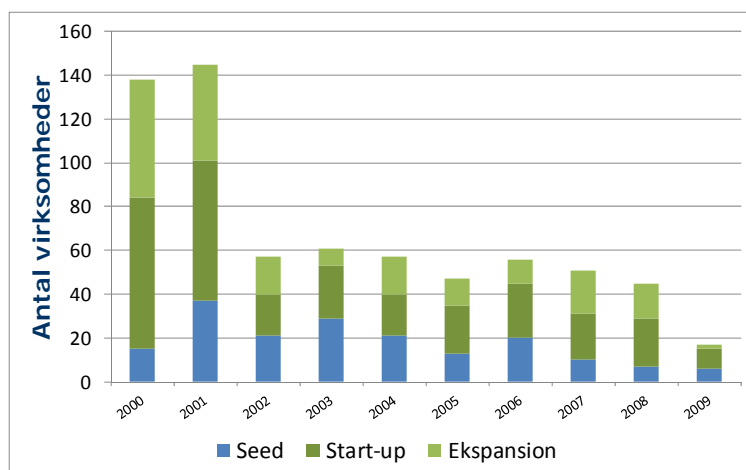
Less capital for new investments – Denmark



Number of investors decreasing..



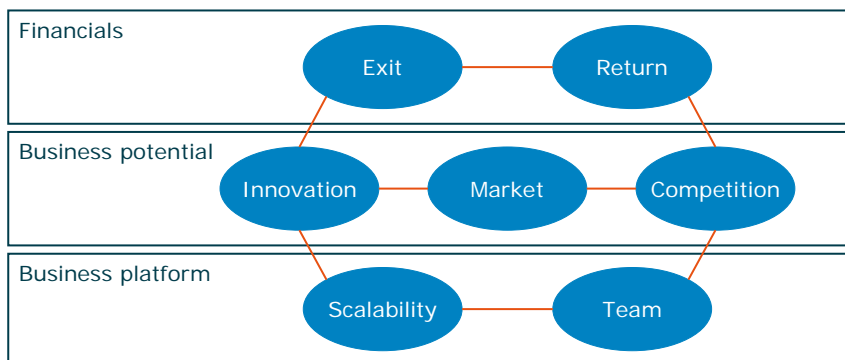
Low number of new investments ..



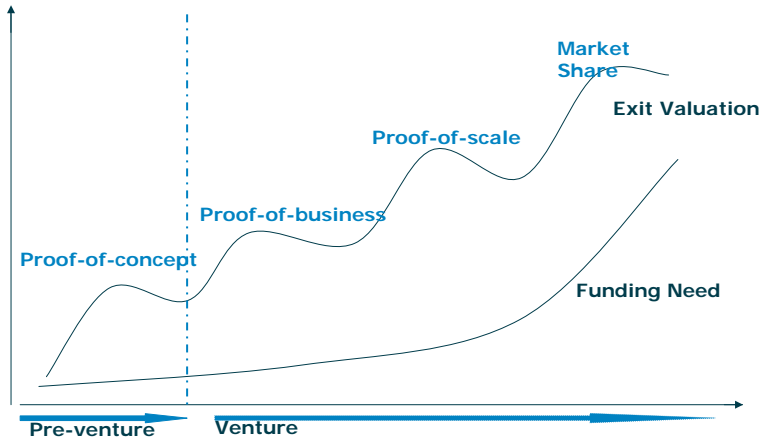
Agenda

1. Vækstfonden overview
2. Current venture market outlook
- 3. What investors look for**
4. Some examples

What investors look for...

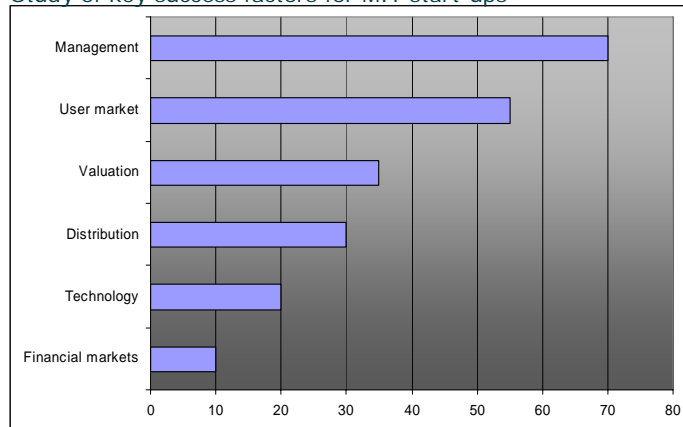


Value Peaks



Management is a key factor!

Study of key success factors for MIT start-ups



Percentage of cases when this factor was one of the top one or two most influential factors in the success

...and so is understanding your market

Why new products fail:

1. Wrong estimates of demand size – 45 %
2. Too high price – 18 %
3. Manufacturing problems – 12 %
4. Product defects – 9 %
5. Competitive response – 7 %
6. Poor marketing & promotion – 5 %
7. Poor market entry timing – 4 %

Source: American Product Development Association

The "Value Proposition" must be compelling

For (fill in the ideal customer)

Who (has the following business issue/pain)

Our product is a solution (fill in the product category)

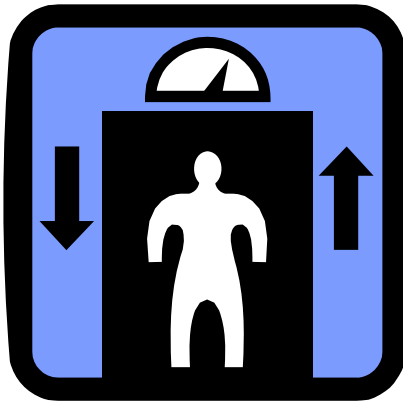
That (fill in the key benefit)

Unlike (fill in the competitor)

Our product (fill in the key differentiator)

Freely after Crossing the Chasm/Geoffrey Moore & MIT

The "Elevator Pitch"



For (fill in the ideal customer)

Who (has the following business issue/pain)

Our product is a solution (fill in the product category)

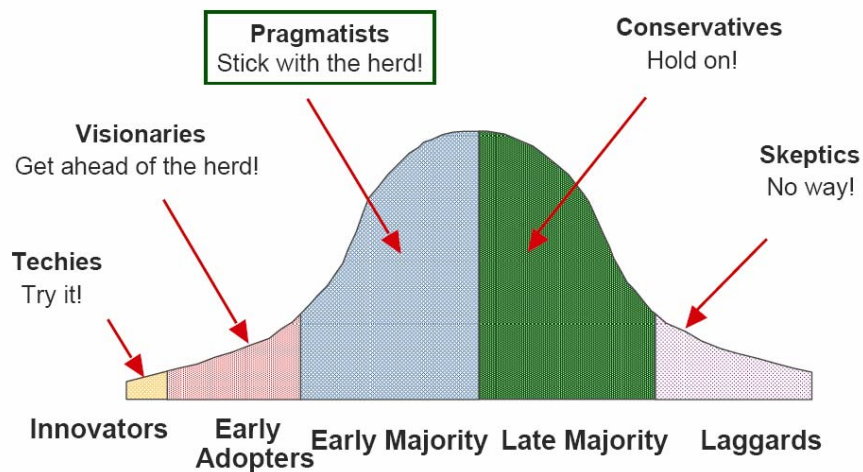
That (fill in the key benefit)

Unlike (fill in the competitor)

Our product (fill in the key differentiator)

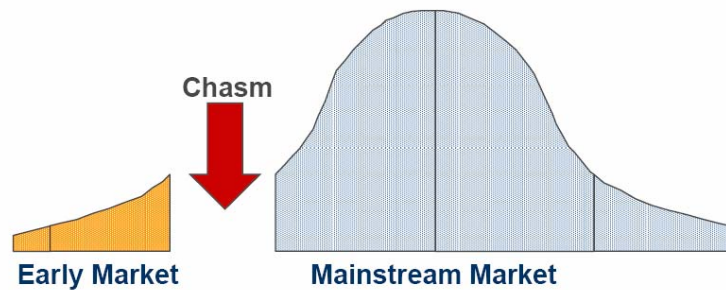
Can you explain your company in 50 seconds?

Technology Adoption Life Cycle



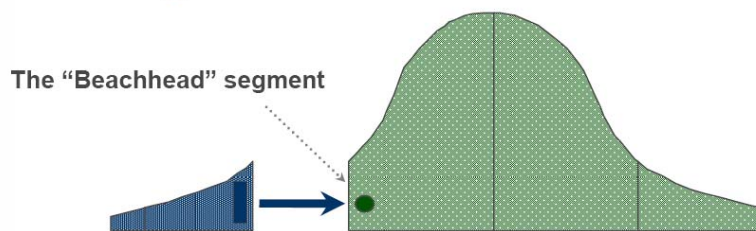
Pragmatists create the dynamics of high-tech market development.

Discovering the Chasm



- **Visionary market saturates; or Visionaries abandon category**
 - Too late to be the first one
 - Too easy for “fast-followers” to catch up
- **Pragmatists see no reason to start yet**
 - Too early for anything to be “in production”
 - No herd of references has yet formed

Crossing the Chasm

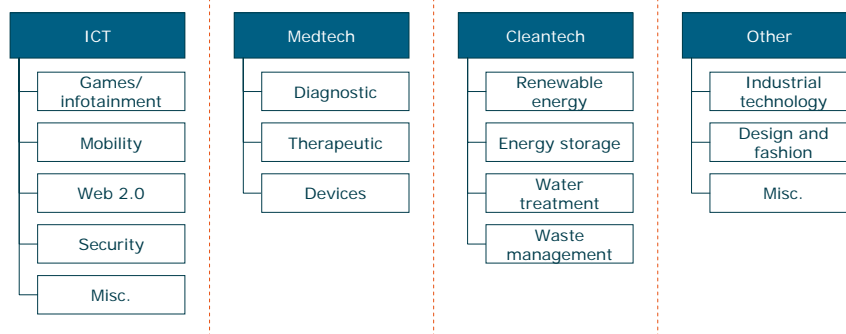


- **The Problem**
 - 80% of many solutions—100% of none
 - Pragmatists won't buy 80% solutions
- **Conventional solution (leading to failure)**
 - Committing to the most common enhancement requests
 - Never *finishing* any one customer's wish-list
- **The Correct solution (leading to success)**
 - Focus on a single customer segment and build whole product for that segment
 - Use experience and product to move to similar segments

Agenda

1. Vækstfonden overview
2. Current venture market outlook
3. What investors look for
4. **Some examples**

We invest across industries...



Tantaline – corrosion resistant components

- Developed the Tantaline process, with which metal subjects are coated with a micrometer thin layer of Tantal, which is known to be the most corrosion resistant metal.
- Holds same unsurpassed corrosion qualities as products of pure Tantal, but much more inexpensive.
- Focuses on chemical industry – primarily in USA – and offers both own and standard products as well as customer specific solutions.
- The present standard product program contains valves and fittings.
- Has a subsidiary company in Boston, Tantaline Inc.



5. maj 2011

/ side 27

Proxeon – research in proteins

- Develops and markets technology to the proteomics industry – research in proteins.
- Global supplier of instruments, software for analysis, and equipment to leading university laboratories and the pharmaceutical industry.
- OEM contracts with two large international players.
- Exit: Sold to US-based Thermo Fischer Scientific in April, 2010.



5. maj 2011

/ side 28

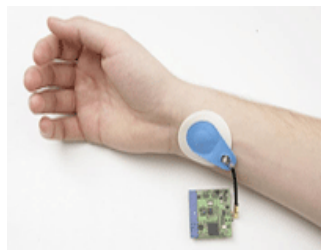
Tpack - Telecommunications

- Develops and sells components to be included in equipment for telecommunications networks
- TPACK's solutions permit large amount of data to be transmitted (e.g., IP telephony and IP TV) through the existing infra structure of the telecommunications company.
- Exit: The company was sold to Applied Micro Circuits Corporation, USA, in August 2010.



Sense– measuring blood pressure

- Advanced sensor technology for easy and precise blood pressure measurement.
- Continuously, non-interfering measurement: 24-hours measurement of blood pressure, which enables patients to be monitored in natural situations with negligible discomfort.
- Measurement of vascular compliance as well as arteriosclerosis.
- The sensor patch is disposable and made from environmentally friendly materials.



Shark Solutions– recycling of car glass

- Machines for separation of front windscreens – sales to car breakers and glass recycle companies as well as setup and operation of plant for cleaning PVB.
- Shark is able to reuse over a million tonnes of laminated glass from Europe and North America.
- The glass separation machine is able to handle 20 tonnes of glass per hour.
- Produces 300 kilo PVB per hour.



Contact

VEKSTFONDEN



Ulrik Jørring
Senior Vice President

STRANDVEJEN 104 A / DK-2900 HELLERUP
TEL +45 35 29 86 00 / FAX +45 35 29 86 35
ULJ@VF.DK / WWW.VF.DK