

## 3DFACTO

CASES/f. course 42435 and 42705: **Knowledgebased Entrepreneurship**

Monday, February 28, 2011

### Background:

3Dfacto is a leading provider of consultancy and software for quotation process management (QPM) systems with product configuration.

The solutions support the full life cycle of product configuration, pricing and quoting processes with the ability to combine calculations, logic based configuration and geometry. The user interface makes it very easy for sales representatives and customers to directly specify their customized proposal, quotation and order with real-time visual feedback on the validity of the selections.

The sales force of companies like ABB, Danfoss, Aalborg Industries, and Cimbria, use the software platform to eliminate order errors and rework, and this way, they have significantly reduced costs of sales and production

### Problem:

In 2001, the 2 founders of 3Dfacto, Dr. Anda Binzer and Dr. Thomas Randrup, app. 3 years after founding their Company, were approached by a Danish venture capital investor, offering them to invest 10.0 mio dkr. in their company.

In 1998, 3Dfacto received pre-seed funding (750.000 dkr.) from a public pre-seed investor (innovation environment), based on its first business plan, which enabled them to develop a prototype and on initiating marketing activities. In 2000 the company acquired a bank loan (5.0 mio in total where the 3.0 mio came from the Danish Vækstfonden as a Vækstkaution - a loan where 50% of the collateral needed is granted by the Danish government). This way, additional equity funding at this early stage was avoided. The investment allowed 3Dfacto to bring the first product to the market, build the initial organization, gain the first customers and to secure patents.

At the time they received the offer of 10 mio dkr., the two founders knew that they would need additional future funding to internationalize and grow the company, however, they just started using the capital from the bank loan. So what should they do?

### Company Description/Background:

3Dfacto was established in 1998 with its groundbreaking research and products in the field of component-based product modeling and visual configuration. VirtuBUILD is the brand name of the mature product platform based on the patented research of 3Dfacto.

The company founders, Dr. Anda Binzer and Dr. Thomas Randrup, met each other at the Department of Mathematics at the Technical University of Denmark (DTU). Their main motivation

being to create a unique product with global potential and in depth IPR which could *revolutionize the sales channel of products in the manufacturing industry through 3d technology and complex configuration*. The core idea behind the company was established during their Ph.D. studies.

3Dfacto is headquartered in Copenhagen, Denmark.

### **The Challenge, the process and the conclusion:**

The question of accepting 10.0 mio dkr. in venture capital was discussed thoroughly by the two founders and their board.

The concerns were:

- The Company at that point in time was still an early-stage company with a high-risk low-valuation profile. How much would venture funding dilute the shareholders?
- 3Dfacto had not yet proved their business development strategy. Would that mean that the venture capital investor would require significant influence on company management and strategy?
- Having professional investors on the board is time consuming. With a very small organization, this could take time away from business development.
- The board was not sure that 3Dfacto was ready to grow fast. With the first release of the VirtuBUILD product, each customer required a significant amount of tailor made solutions and thus, the scalability of the company could be questioned.
- If the offer was declined, knowing that in the future, 3Dfacto would need further funding, what would the future market situation for venture capital be? Would it change to the better or the worse? Would the chance to acquire 10 mio dkr. ever happen again?