

“Knowledge to Market,,



The Relevance of Intellectual Property (IP) for Acquiring/Guaranteeing Funding:
Sources of Funding for Innovative SMEs: Funds from the
Public Sector, Banks, Risk and Seed Capital, Angel
Investors

wipo – agency – mincyt sub-regional conference on the availability of intellectual capital: the role of intangibles as a tool for obtaining funding

Buenos Aires, July 17th, 2008

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Ciencia, Tecnología
e Innovación Productiva
Presidencia de la Nación



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Equity providers	Eligibility Criteria
Family, Friends and Fools	<ul style="list-style-type: none">• Personal relationship based on trust
Business angels or informal investors and Spin-off corporate venturing	<ul style="list-style-type: none">• Meeting or matching of individual entrepreneurs with business angels• Atmosphere of trust between individuals• Credible business plan in the eyes of the Business Angel• Good management• Fiscal incentives• Market knowledge of the entrepreneur• Availability of exit route• Return on investment (capital gain)
Banks 	<ul style="list-style-type: none">• Availability of guarantees• Perceived ability to repay the loan• Company track record• Rating



Repayable short-term loans	<ul style="list-style-type: none"> • Innovative nature of business projects • Business plan quality • Management team
Venture capital and Financial corporate venturing	<ul style="list-style-type: none"> • Business plan credibility • Business plan with patent technology • Track record (over previous years) • Ability to grow fast and deliver quick ROI • Management team quality
Public funding	<ul style="list-style-type: none"> • New jobs • Investment in productive tools
Guarantees	<ul style="list-style-type: none"> • Stamina as well as technical and financial skills/abilities

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Loans on trust	<ul style="list-style-type: none">• Business plan credibility• Readiness to cooperate with a tutor
Seed capital funds	<ul style="list-style-type: none">• Business plan quality• Perception of the innovative nature of the project• Intellectual property• High growth potential
Corporate venturing	<ul style="list-style-type: none">• Innovative nature of the project in relation to the company's core business• Industry-specific usefulness of the project, in particular from a technological standpoint• Business plan quality• Good management• Tax incentives



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Institutional investors

- Business plan
- Proprietary technology (IP)
- High growth
- Good management
- Tax incentives from government

Proof of concept

- Innovativeness
- Entrepreneurial spirit
- Team
- IPR - Valorisation of research results



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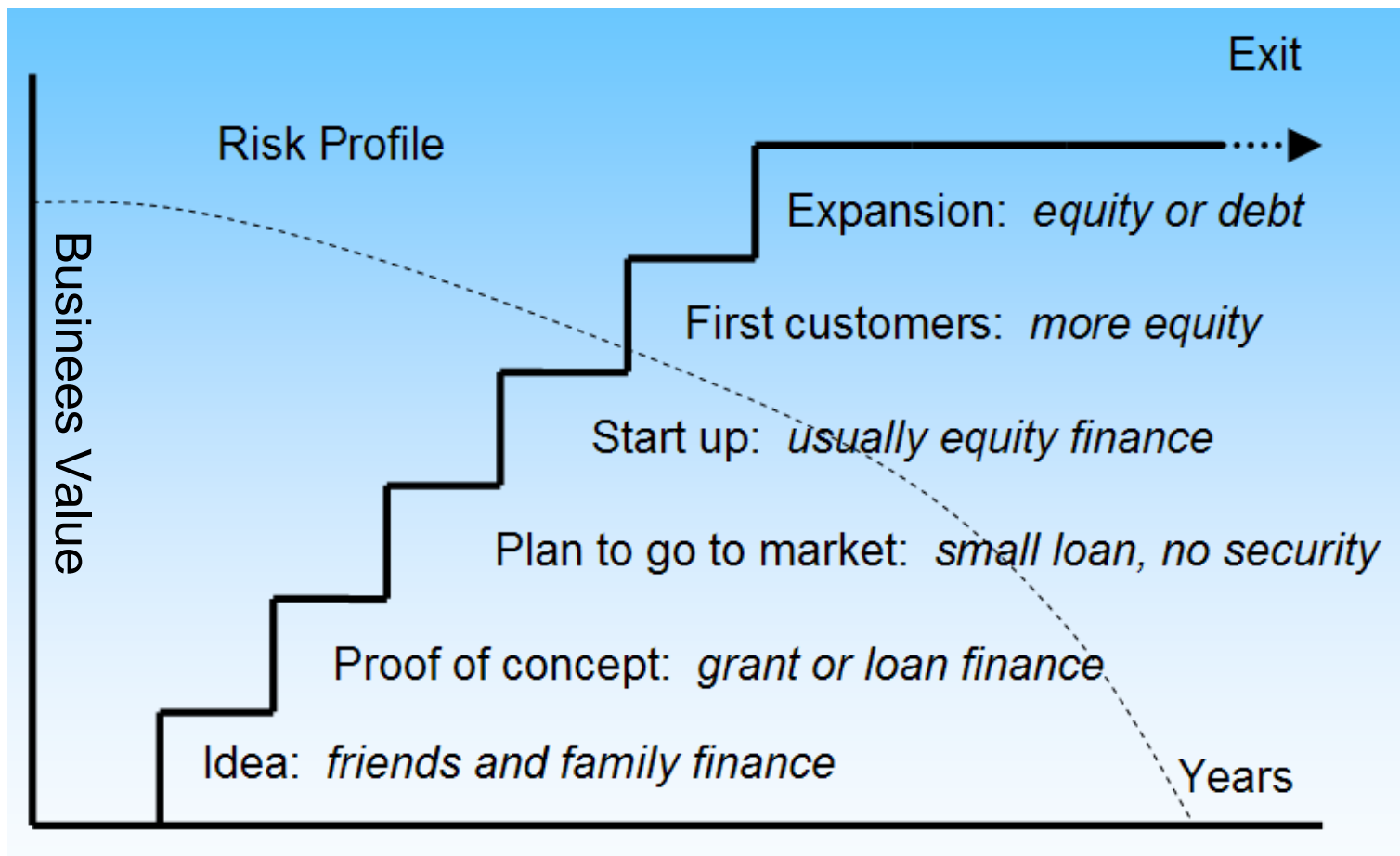
New capital markets

- Viability and consolidation
- At least three years in existence
- Positive results at least once within twelve months prior to application
- More than €1.5 million in shareholder's equity
- Ability to publish quarterly results
- Public recommendation by analyst
- Positive media attention
- Government tax policies
- Capable and experienced management team
- Prominent Board
- Experienced team of financial, legal and underwriter advisers
- New business concept
- Large market share
- Record of high growth or high growth potential





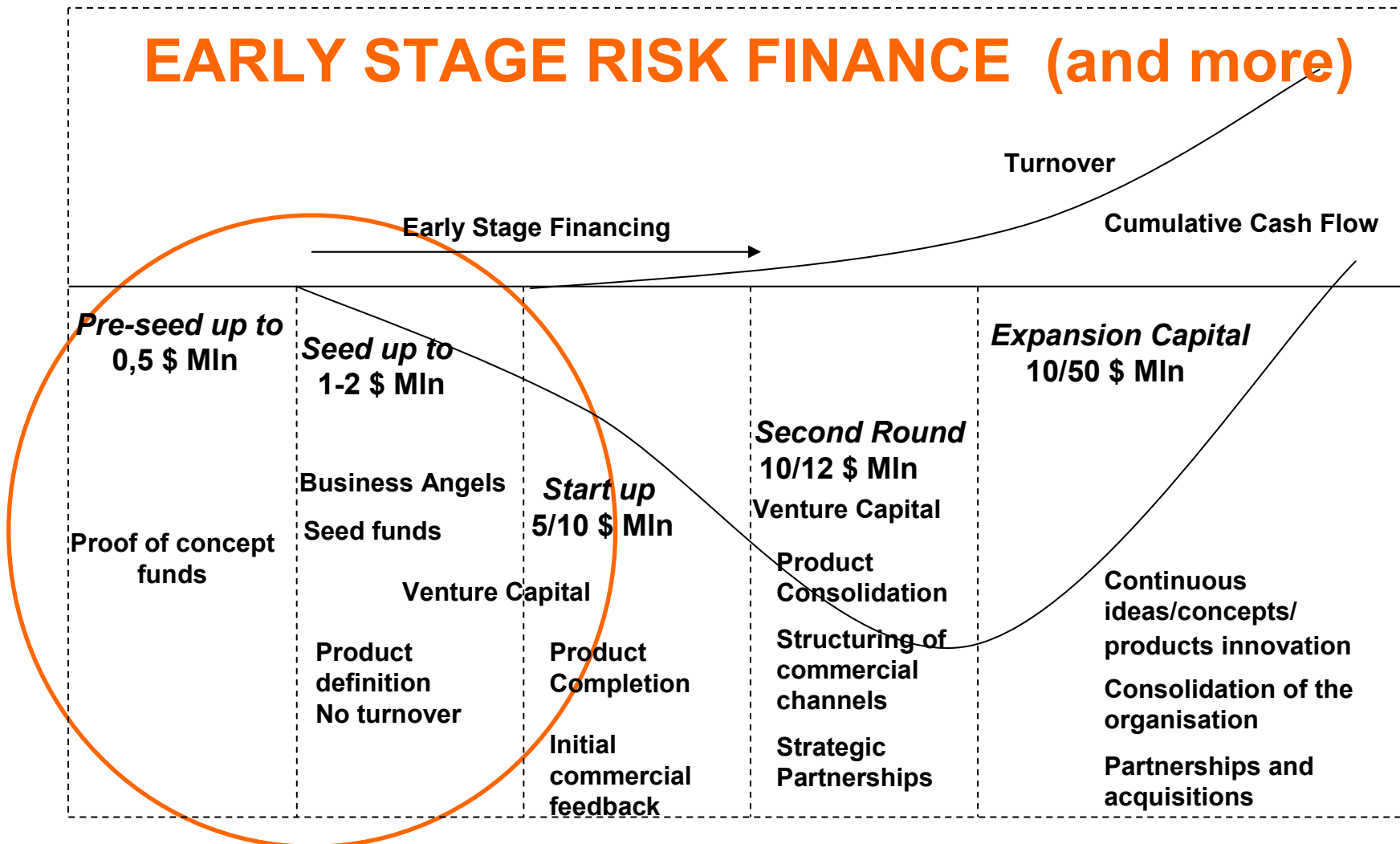
Business FUNDING ESCALATOR



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EARLY STAGE RISK FINANCE (and more)





Investments in knowledge intensive companies are considered as risky due to:

- the intangible nature inherent their activities
- the small sizes of transactions
- perceived high default rates
- lack of an established income stream

Seed capitalists and Business Angels are the most likely to invest in knowledge based enterprises providing **equity finance** for **medium/long-term investments** and **managerial/technical experience** integrating the management Team



ISSUES OF CONCERN FOR A SEED CAPITALIST

Limited managerial experience affecting:

- Intangible assets and IP management
- Establishment and exploitation of international partnerships
- Effective participation to **Global Markets and Value Chains**

Lack of **knowledge** on the **legal available instruments** and on their proper use in protecting the **IP product**

Difficulties in accessing the **necessary financial resources** for the development and constant upgrade of **IP products**

Insufficient level of **Investor Readiness**



...what are we looking for in practice?

- Balanced & committed Management Team
- High growth potentials
- Sustainable Business Model
- Suitable strategies: with deliverable goals
- A clear way out strategy ...





**...But we will not invest
unless we see ...**

**...
defendable
products!**





The Equity Gap: an incurable disease?

The chances for a good start up to access adequate risk capital are scarce



Can PPP help?

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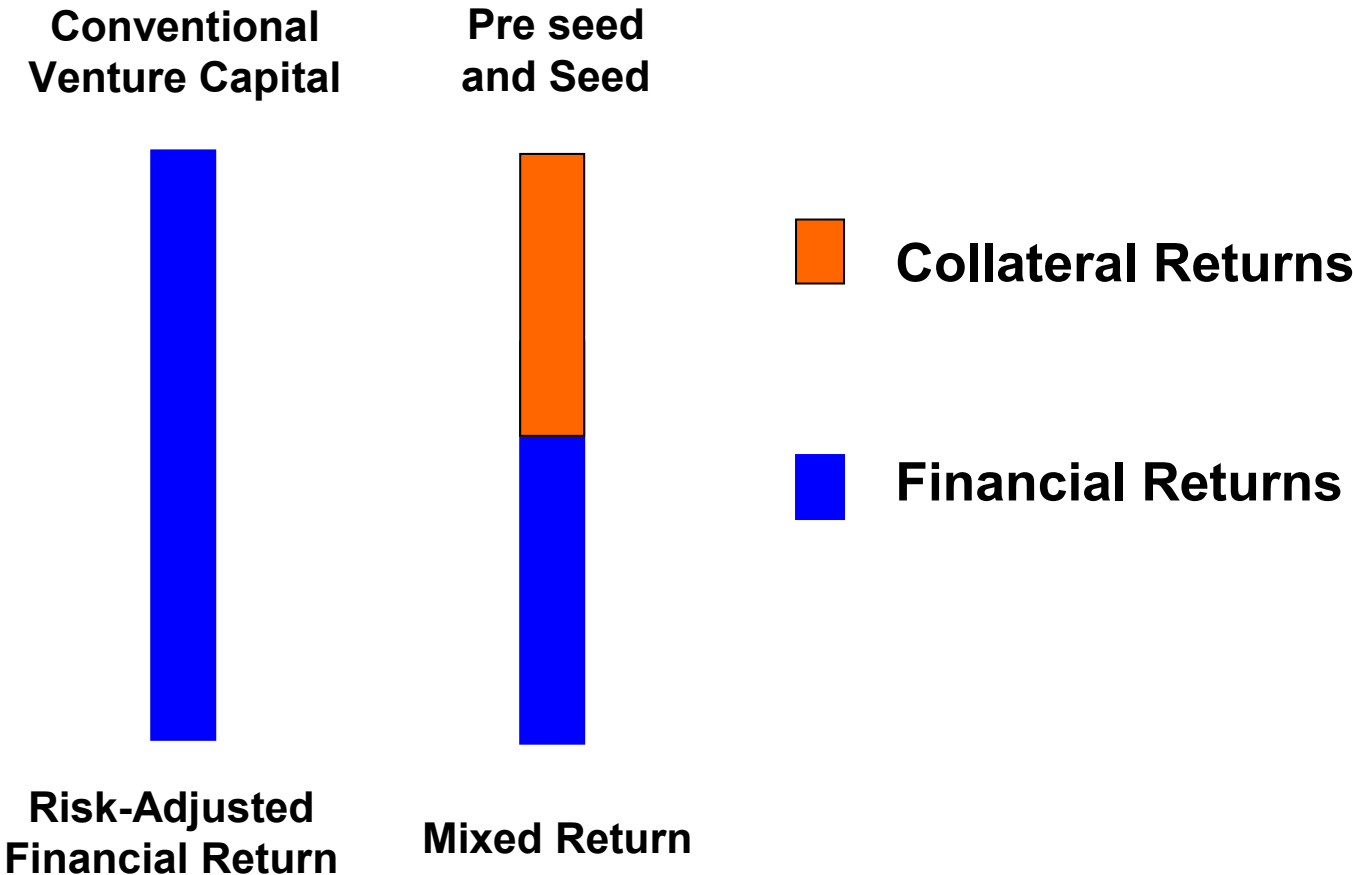
What is a Public - Private Partnership?

*“A Public-Private Partnership is a co-operative venture, built on the expertise of each partner that best meets clearly defined public needs, through the most appropriate allocation of resources, risks, and rewards. In a public private partnership, the **public sector maintains an oversight and quality assessment role** while the **private sector is more closely involved in actually delivery of the service**”*





Investor Expectations in PPP – Common areas





Private investors also care about:

Collateral returns, i.e.

- market information
- fishing pool
- tax incentives (when available)
- public relations
- local development (especially BA)



Something is moving

... key theme the Commission will take on-board is the need for experienced business people to be involved in assessing ideas and considering their prospects in the market.

“This cannot be done by professors or bureaucrats. You need experienced practitioners, and there seems to be a lack of this kind of experience ... even if the actual funding is provided by public authorities, the decisions on investment should be made by private investors with business experience.”

Financing SMEs, Entrepreneurs and Innovators Unit in the Enterprise and Industry DG – March 2007
<http://cordis.europa.eu/aoi/article.cfm?article=1866&lang=EN>



PPP: Tender vs “in house”

EIF - now

**1 bn € only as fund of funds (no direct investment) +
Jeremie Initiative**

YOZMA - 15 yrs ago

100 ml US\$ start up money then ...

SBIC – 30 yrs ago

3 bn US\$ write off but >500 bn US\$



Example:

Ingenium
Il Seed Capital in Emilia-Romagna

- ✓ **Public and private investors**
- ✓ **Sensible hurdle rate**
- ✓ **Important carried interest**
- ✓ **Independent managers**
- ✓ **Possibility of co-investment with BAs and other local players on specific projects**



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Business Angels

- True angels
- Deal Flow
- Good angel management

Italian Angels for Growth :: Home - Windows Internet Explorer

http://www.italianangels.net/

Chi Siamo Come operiamo I Soci Contattaci

newsflash

Angels reach the skies 14th January 2008 Sky Signal, Presiden...

Commission proposes measures for more cross-border investment by venture capital funds Brussels, 7th January 2008 In order to ...

Comunità su ItalianAngels.net

Sei un imprenditore? inviaci la tua idea di business!

ITALIANANGELS.NET

La nostra è un'associazione senza scopo di lucro il cui compito è di promuovere l'imprenditorialità come motore di crescita economica e strumento di democrazia nel nostro paese. Con questo fine, un gruppo di imprenditori, manager e professionisti si è riunito per dare vita a **ItalianAngels**. Essi sono definiti Angel Investors, cioè coloro che investono nel capitale di un'azienda nella fase iniziale della sua vita (early stage financing) e ne sostengono la crescita. Così facendo, vogliono creare valore per se stessi, divertirsi, ed aiutare nuovi progetti imprenditoriali ad avere successo. La nostra associazione, nell'ambito dell'Angel Investing, ha il compito di selezionare progetti e giovani aziende promettenti da sottoporre all'attenzione dei propri soci. Se siete imprenditori del Centro/Nord alla ricerca di early stage financing siete sul sito giusto!

MENU

- Home
- Investment focus
- NEWS
- eventi
- links

IMPRENDITORI

- invia la tua idea

ULTIMI EVENTI

- EASY Investment Forum, Italy, 25th-26th February 2008

http://www.italianangels.net/index.php



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Think global

- Hundreds million people market
- Breaking down barriers
- Easy Initiative

The screenshot shows the Easy Early Stage Investors website. The main content area includes a welcome message and a list of opportunities:

- A rolling programme of **Cross-border events** between 2007-8 are taking place in different countries of Europe. Locations include: Paris (4 April 2007); Helsinki (5-7 June 2007); Lisbon (11-12 October); Milan (20th -20th February 2008); Barcelona (21st - 22nd April 2008); London (July 2008)
- A new toolkit and common procedures to support international investment and deal structuring including investment readiness, valuation and due diligence
- A new **EASY web-platform** for deal tracking post events
- A new quality standards framework for investors working cross border and in syndication
- Promoting best practice among member states concerning taxation and policies to stimulate the early stage investment market

The right sidebar contains sections for **Upcoming Events** (EASY Investment Forum, Barcelona, 21st-22nd April 2008), **Easy Events** (EASY Investment Forum, Italy, 25th-26th February 2008; EASY Investment Forum - Estoril Portugal; Helsinki EASY - INTRO Investment Forum), and **Newsflashes** (to more cross-border investment by venture capitalist Andy Brussels, 7th January 2008 in order to... Read more...).



PHARMAESTE

- Funding: initial funding 0,2 million €
- Second round funding the company has received €3.2 million
- Financial resources raised for the different development phases:
 1. Phase 1 (toxicity verification) €6 million
 2. Phase 2 (efficacy verification) €12 million
 3. Phase 3 (clinical experimentation) €20 million



RAYSOLAR

- Initial funding 0,25 m€
- Second round 0,75 m€
- Third round 5-10 m€



TECHGENIA

- Initial funding 0,1 m€
- Second round 1,2 m€
- Third round 20 m€



Suggestions

- ✓ Value entrepreneurs, the wealth creators
- ✓ Sound Public Private Partnership (policy objectives vs operations and investment decision making)



Thank you for the attention

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