



FINANZA E INNOVAZIONE: UN CONNUBIO POSSIBILE

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Early Stage Investing - UK Perspective

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ACCELERATORE D'IMPRESA



THAMES VALLEY CAPITAL

- Raised first fund in 2008
 - €10M start up/early stage investment fund
 - Currently have 15 portfolio companies
 - Across Life science, ICT, Cleantech & Engineering



HEADLINES FROM THE UK

- Market failings are more complex than just supply of funds
- Supply side learnings
 - Funding escalator linked across investment stages
 - Angels can become an important source of early stage finance
 - Interventions moving towards less restrictive funding schemes
- Demand side learnings
 - Sufficient levels of high quality investment opportunities are needed
 - Existence of serial entrepreneurs, entrepreneurial hubs, Investment readiness schemes drive high quality demand for VC
 - Hands-on angels have the potential to impact investor readiness

PUBLIC SECTOR INITIATIVES: UNIVERSITY CHALLENGE FUNDS

- Launched 1999
- Transformation of good research into good business
- Very early stage
- £60M public funds across 19 funds/50+ institutions
- Restrictions:
 - Spin-out/association with relevant institution
 - Maximim investment level of £250,000
 - No follow on

GOVERNMENT INITIATIVES: REGIONAL VENTURE CAPITAL FUNDS

- Launched 2002-2003
- Nine funds – one for each regions
- Typically 50% govt, 30% private, 20% EIF
- Private investor protections
- 2006 RVCFs managed £250M (£74M from government)
- Fund Restrictions
 - maximum investment levels
 - follow-on finance
 - regional focus

‘Restrictions will [...] depress overall returns. It was a massive design flaw and [the government] has learnt from that.’ - David Hall, MD YFM, Feb 2010

GOVERNMENT INITIATIVES: SCOTTISH CO-INVESTMENT FUND

- First fund launched 2003
- Approx 300 deals/£45M alongside £95M private
- Fund invests alongside ‘approved partners’
- Mainly angel groups
- Restrictions:
 - Up to total of £1M matching funds per business
 - Business meets schemes eligibility rules

GOVERNMENT INITIATIVES: ENTERPRISE CAPITAL FUNDS (ECFs)

- First fund launched 2006
- 11 funds (so far), circa. £180M public money
- Funds 66% public (max), 34% private.
- No private protection
- Run by private/commercial fund managers
- Restrictions
 - Up to £2M investment per business

GOVERNMENT INITIATIVES: INNOVATION INVESTMENT FUND

- Launched: June 2009
- Fund of fund
- Aiming to attract up to £1Bn investment
- No restrictions on stage, size, sector
- First closes (2010):
 - £125M Hermes PE managed fund (£50M public)
 - £200M EIF managed fund (£100M public)

LEARNINGS FROM THE UK

- It takes time
 - Experience based industry, long business cycles (fund and start up)
 - It took the US 50 years
 - Government initiatives need to be reviewed in this context
- ‘Criticising the performance of the funds at this stage is like saying that a perfectly good bridge is not fit for purpose when it’s only half-built’ - David McMeekin, former Chairman of The Capital Fund (largest RVCF) in response to NAO review of RVCFs Feb 2010
- UK government has demonstrated ability to adapt policy based upon market learnings and this leads to a positive outlook for future government interventions.

Thank you

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UK EARLY STAGE VENTURE MARKET

- The UK offer a positive environment for new business creation
- However early stage investing in the UK has to-date failed to attract a critical mass of investors
- Leading to a perceived gap in the ‘funding escalator’
- Which the recent global downturn has excasperated

Financing Stage	Amount invested (£M)		
	2008	2007	2006
Seed	12	16	74
Start-up	160	174	458
Other early stage	187	244	415
Total Early Stage	359	434	947

Source: BVCA Report on Investment Activity 2008