



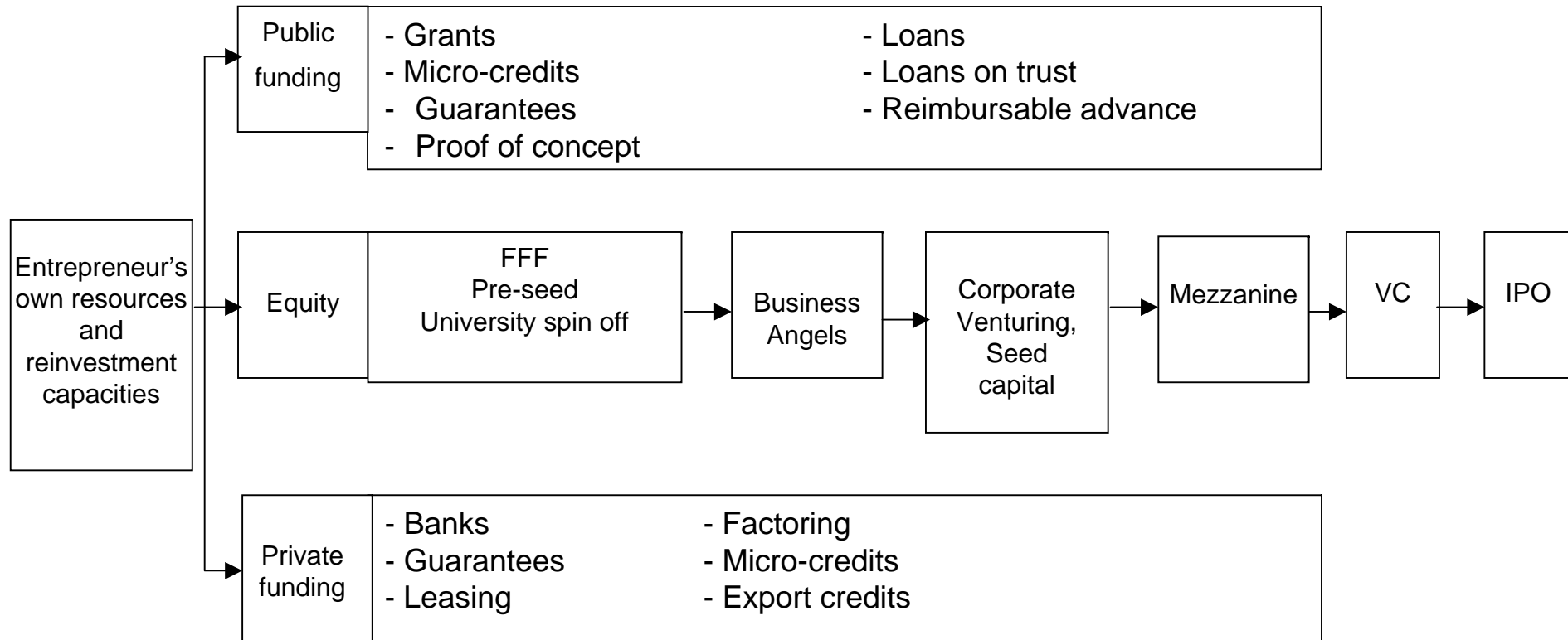
Innovation finance: all money is not the same

Christian Saublens

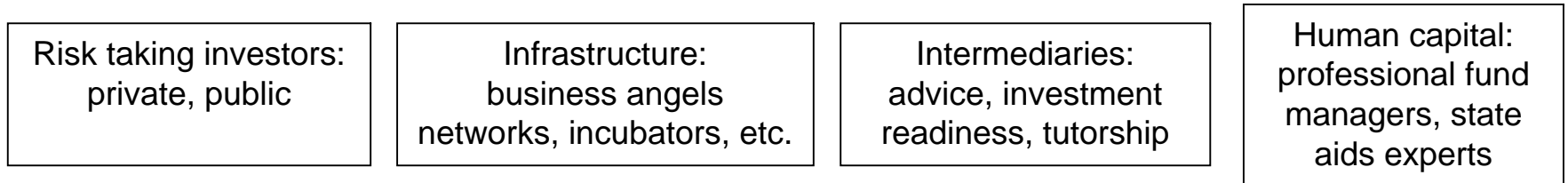
EURADA

ERIK Network Conference - Brussels, 10-11 May 2007
Knowledge for regional innovation

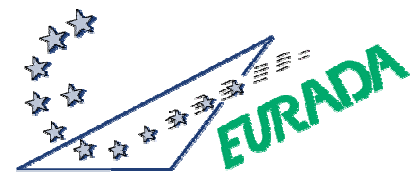
Regional Financial and Equity Value Chain



Prerequisites

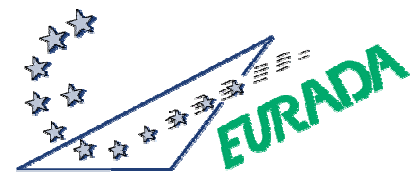


FFF : Family, Friends, Founders; BA : Business angels; VC : Venture capital; IPO : Initial Public Offering



Foreword

- All money is not the same;
- It's not only a question of access to money but also a question of life cycle of a company and about ... sales and market penetration;
- It's more and more difficult for start-ups to access finance;
- There is an asymmetry of information between entrepreneurs and investors;
- Investment readiness is needed;
- There's still a lot to be done in our regions.



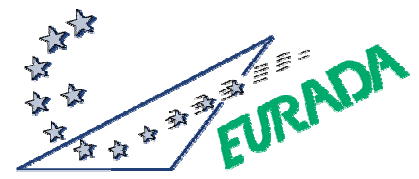
Trial to analyse the equity paradox

Supply:

Is there enough money available for seed and early equity?

Demand:

- Are entrepreneurs aware of investors aspirations/ expectations (asymmetric information; all money is not the same)?
- Are entrepreneurs ready to receive equity finance (Investment readiness)?
- Are entrepreneurs proposals/ideas really innovative for investors?



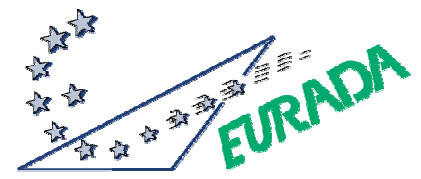
Segmentation of the market

- Start-up phase
- First financial round
- Subsequent financial round

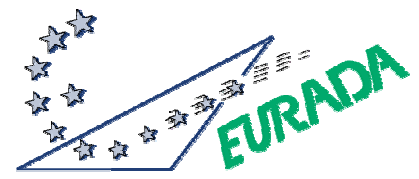
N.B:

- Indirect supports
- Integrated actions
- IPR valuation

First Financial Round

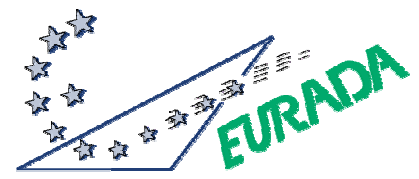


- Business Angels
- Seed capital fund
- Banks loans/Overdraft
- Guarantee funds
- Public or para-public investment funds
- Regional Public venture capital
- Public grants
- Corporate venturing



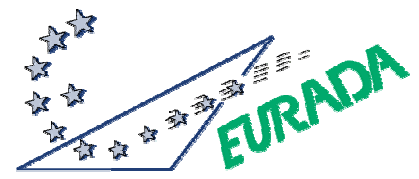
N.B.

- Indirect financial support
 - Pre-incubation, incubation
 - Nurseries and easy-in and easy-out workshops
 - Tutorate (coaching, mentoring, hands-on management)
- Integrated Actions
 - Financial value chain
 - Intermediation
- Understanding decision process



Demand driven schemes

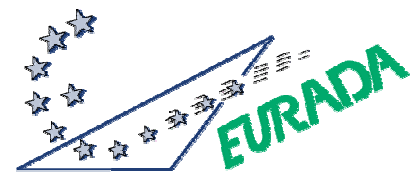
- Investment readiness
 - Business Plan evaluation
 - Business Plan improvements
 - Business Plan presentation
 - Investment readiness
- Integrated Finance
 - Entrepreneurs and all equity providers as advisors



Improving the « demand side »

⇒ Investment readiness scheme (UK, Australia,...) 5 main components:

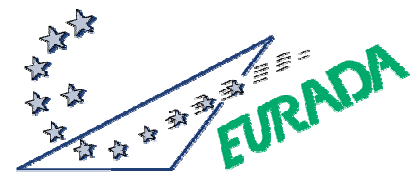
- a) Critical evaluation of business plan,
- b) Knowledge of funding sources,
- c) Understanding of timing and amounts to be expected from finding applications,
- d) Perceiving the needs and expectations of the different investors (banks, B.A., V.C.,...)
- e) Training in submitting business proposals ➔ demonstrate that the business proposal is a « good risk » for the investor.



⇒ B.A. academy (F, DK, D,...)

2 main components:

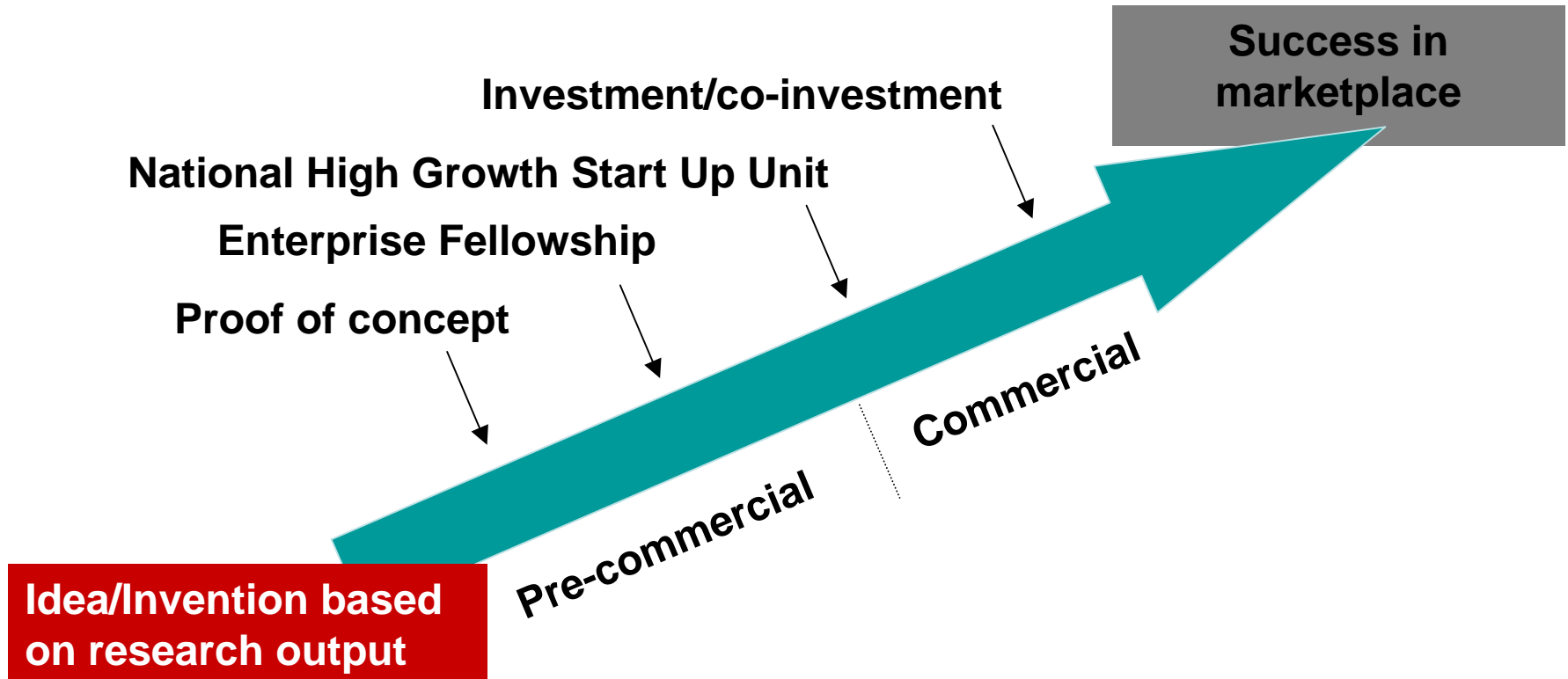
- a) Business angels: bringing potential to become serial angels (not training but capacity building);
- b) Business Angels Network management: improving the market place. BAN is a place where angels meet with entrepreneurs.

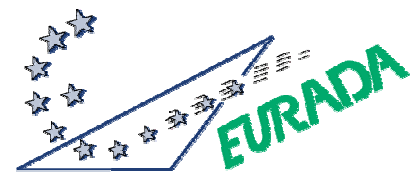


The role of public authorities at the regional level

- Support for the setting up and financing of the operational cost of a regional business angels network;
- Setting up of seed capital funds;
- Support for repayable short-term loan schemes;
- Setting up of investment capital funds;
- Deployment of guarantee schemes;
- Priority access for innovative SMEs to public procurement;
- Support to IPR valorisation.

Research to Revenue - Pipeline





Pre-commercial support to university

- To prove “market potential” for research idea/invention

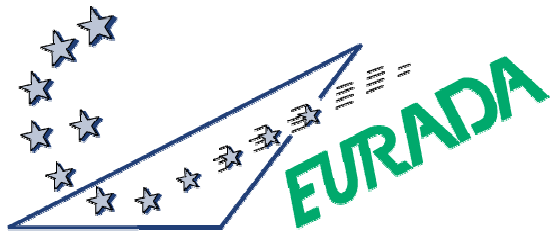
Delivery format

- Up to £200k per award (max 2 years)
- University team includes academics and commercialisation practitioners
- University owns IP generated
- Only pre-commercial activity permitted
- £28m spent to date

Programme performance to date

- 85 projects completed
- 400 jobs created to date
- 17 companies formed
- 22 licensing deals
- £22m investment into companies

Funded in part with ERDF support from the EU



For more information

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