



ZGI Capital – Growth fund strategy supported by ALTUM

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Being among Latvia's VC pioneers 12 years ago we have come to be **one of the leading industry players in the Baltics today.**

10+ years of experience in the VC & PE industry

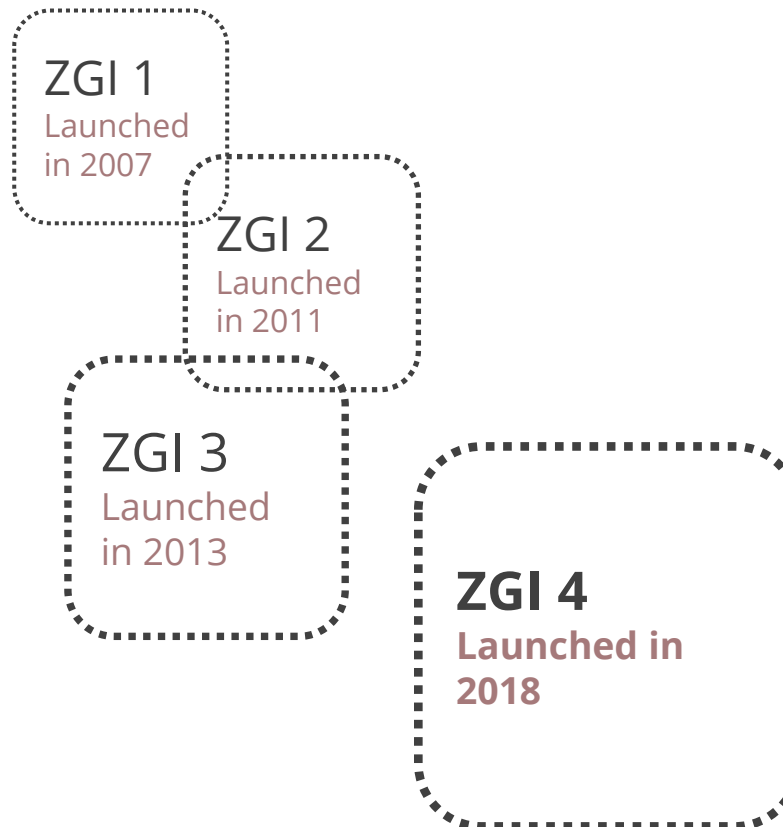
4 established funds

Strong deal-flow and tailor-made investment structures

Hands-on approach to investment management

Broad network of connections to support investee performance

Experienced and dedicated team supported by conversant advisors





Key Facts (1st generation)

Fund period 2007 – 2017

Fund size EUR 7 M
65% public funding granted by the EU structural funds

Investments 9 investments

Case study (1st generation)

Investee: Stream Networks, an IT company catering to the corporate sector

Investment amount: ca EUR 700 thousand for an equity stake of 49%

Strategy: Stream Networks was used as a platform company to execute buy & build strategy; as a result the company acquired two competitors doubling its turnover and extracting synergies. This acquisition of Latnet was later named the Investment of the year 2014

Exit: Investment was successfully exited via MBO



Case study (2nd generation)

Investee: A nano-tech company Naco Technologies, that has developed PVD (Physical vapour deposition) nano-coating technology

Investment structure: Co-investment with another venture capital fund Imprimatur Capital

Strategy: Successful commercialisation of patented technology developed originally in Russia complementing it with western-style management and marketing

Exit: In 2015, the company was sold to one of the world's largest bearing manufacturers, Schaeffler Group. The deal was later awarded as **Best Exit of 2015**



3rd generation – ESIF/Altum programme



Key Facts

Fund period	2013 - currently
Fund horizon	2020 + 2 year extension option
Fund size	EUR 12 M
Key investor	Latvian development institution ALTUM
Investment structure	<u>Due to a short investment period</u> we had to adapt our investment strategy by employing various instruments (i.e. pure equity, quasi-equity and mezzanine loans).
No. of investments made	Out of 907 companies contacted, 24 investments were executed



13% weighted average IRR of 12 exited investments

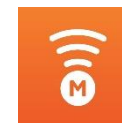
Case study

Investee: Mobilly, a high-growth FinTech company with positive cash flow (undisputed leader in payment for parking in Riga) specialised in mastering mobile payment systems

Investment structure: Equity investment (EUR 700k, 10.49% stake)

Strategy: Investment is aimed to support management's plans to expand into new markets and to further develop new products.

Exit: Company's ambition is to expand current platform into mobile digital payment solution for private customers, businesses and municipalities and to reach EUR 30m gross revenue in 2020.



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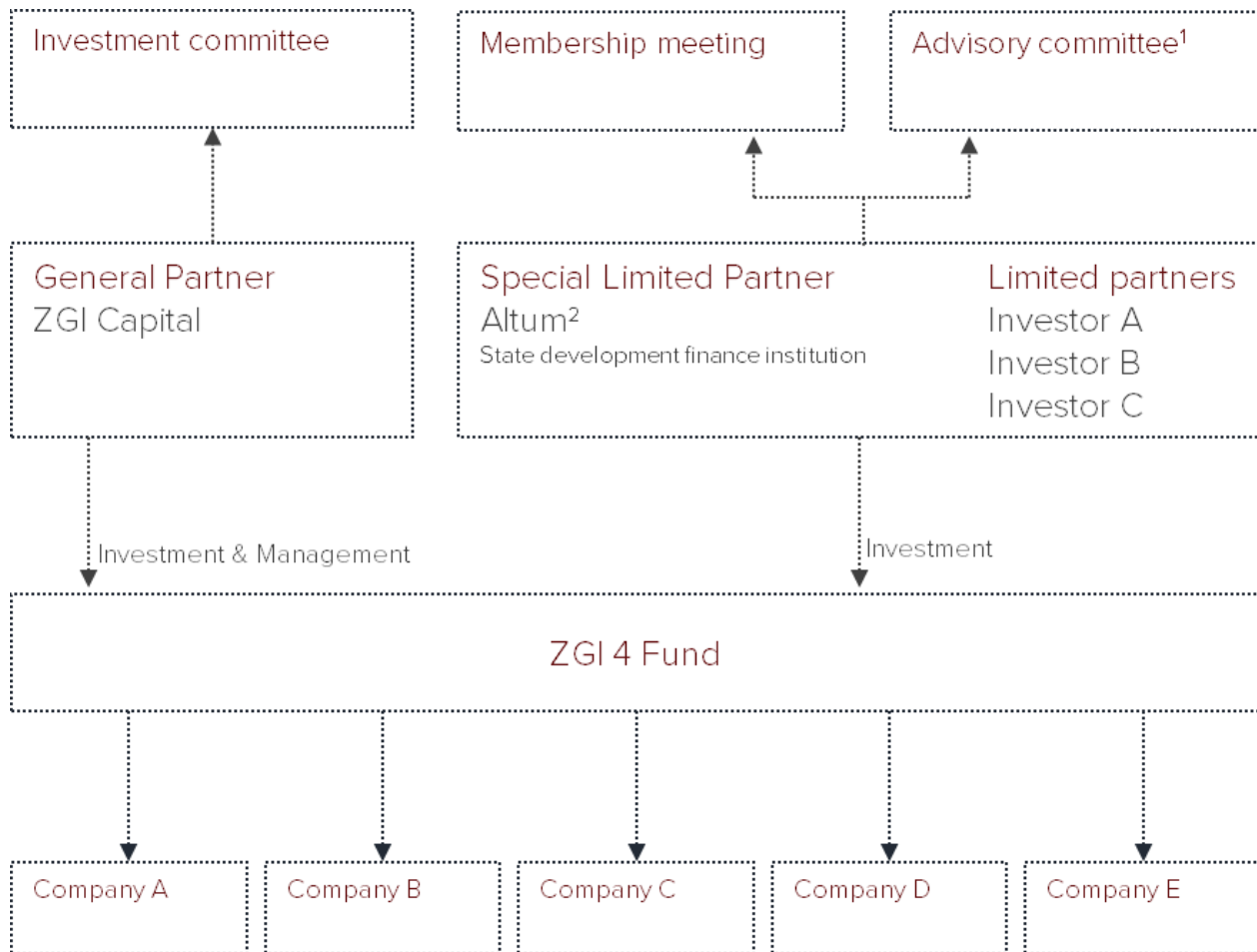


4th generation - ESIF/Altum programme



- **Current size: € 25 M**
15M EUR from Altum,
10M EUR private funding
- **2 investments made already**
- Investment approach: Midsize growth companies, generalist across sectors
- Focus region: 75% Latvia, up to 25% Baltics
- Combinations of equity & quasi-equity and mezzanine
- Tangible pipeline: negotiating 8 deals worth 17mEUR

Fundraising outside Baltics due to small sizes of Baltic VC funds (20-30 M Eur) is very difficult.



1. ADVISORY COMMITTEE

Key facts

- Fund’s supervisory body.

Key tasks and rules

- Review of investment projects, presented by the GP
- Supervision of the Fund’s operations and strategy implementation
- Monitoring of the Fund’s compliance with the rules of conflicts of interest

2. ALTUM

Being the largest investor, Altum has a status of special limited partner. Altum ensures enhanced supervision of the Fund in the interest of all investors. It has the rights to execute operational monitoring and perform audit and has access to fund’s bank account reports etc.



Start-up

Buyout

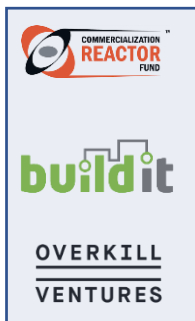


€5m public-funded acc. funds

~ €20m public funded start-up funds

~ €25m public funded expansion funds

10
LV-based AIFM
teams



LIVONIA
PARTNERS

BALTCAP

BALTCAP

Other active regional investors

karmavc

CHANGE
VENTURES
BACKING AMBITIOUS BALTIC FOUNDERS



INVALDA



iTechCapital

NordicNinja
by JB Nordic Ventures

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Challenges and lessons learned so far



- Complex regulatory framework;
- Multi level approval process;

To reduce negative impact of the above mentioned factors it is important for any supervising institution to have a good mix of qualities:

- Open mindedness and broad intelligence, strong understanding of principles of free economy, knowledge of VC and PE industry, sound understanding of correct interpretation of the directives;
- Experience in VC and PE industry would be very beneficial;
- Courage to make decisions.



- In the current fundraising environment in Baltics ESIF / ERDF provide a good solution for fund managers and for the market in general;
- More ESIF / ERDF will improve lack of liquidity:
 - Exits;
 - Helping local entrepreneurs to fund their companies;
- Can help to overcome possible slowdown of economy or even recession;
- Potential to strengthen expertise of Baltic fund managers to grow in other geographies.

