



Setting up and managing ESIF Equity financial instruments

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Warsaw, 8 March 2016



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Setting up and managing ESIF Equity financial instruments

META Zernike Ventures experience

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Financial Instruments delivering ESI Funds, Warsaw, 8 March 2016

LUIGI AMATI, CEO META and Vice-president Business Angels Europe (BAE)

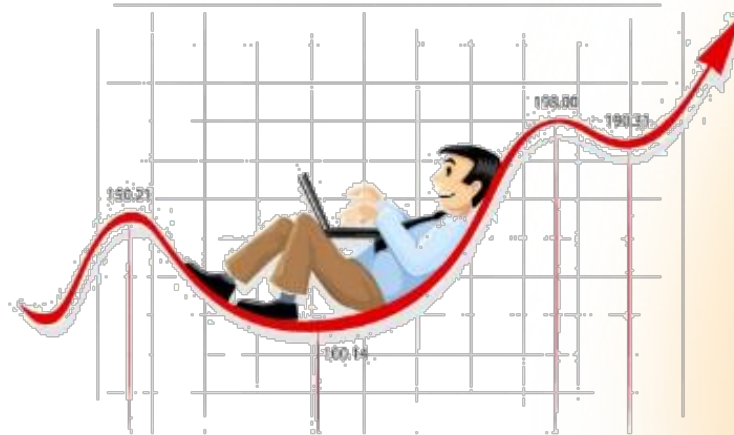


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Why Equity?

Why? Nice or Need?

Reasons for equity investing in high risk high growth companies



Top 1% of new companies = **10% of all new jobs direct, 40% indirect***

New companies = **100% new jobs***

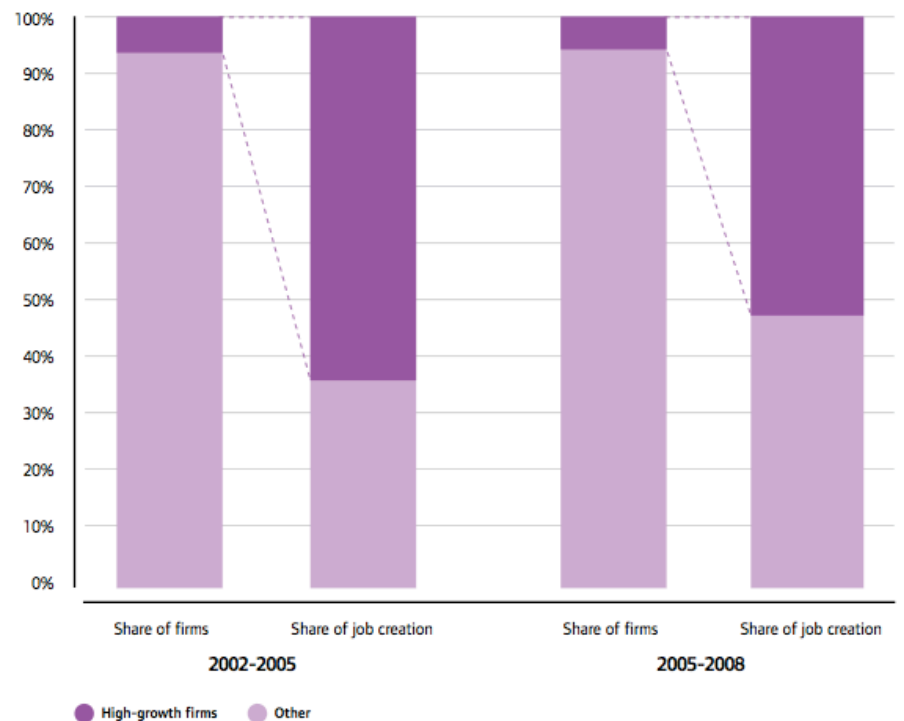
*High-Growth Firms and the Future of the American Economy
Kauffman Foundation - March 2010



Why? Nice or Need?

Why equity investing in high risk high growth companies

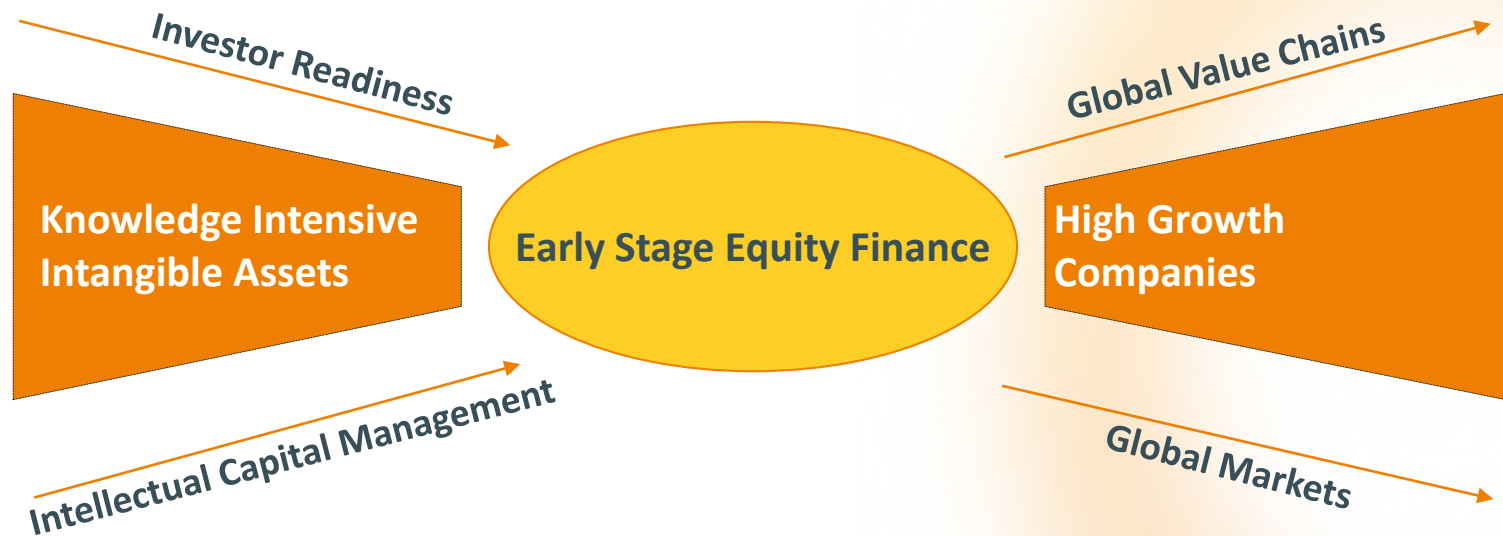
Evidences from U.K. market



Source: ONS Business Structure Database.

High Growth Companies need Equity

The Financial Butterfly (or bottleneck)

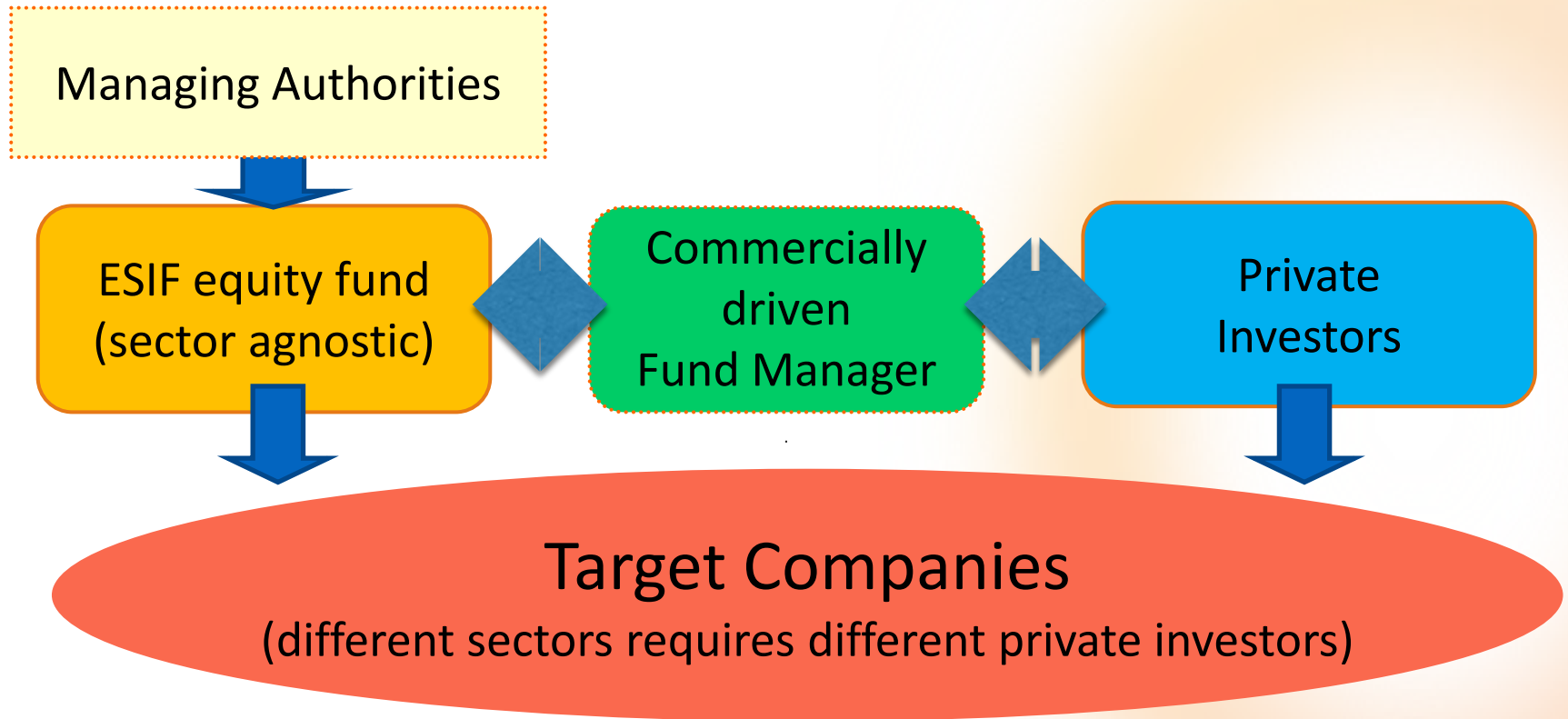




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How?

Solution: Equity Co-Investment fund for SMEs and start-ups





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Our experience so far



Introducing META ZERNIKE VENTURES

Portfolio	META Zernike Ventures + Zernike Group
Time Period	1993 – present
# of Companies invested	220 – over 100 private co-investors BAs and others
# of Exits	Over 100 exits and over 60 write offs, current portfolio of about 60 companies
Gross multiple	1,43
Investment range	€ 300.000 - €2.000.000
Average holding period	5-7 years

Fund Size and Investment Strategy - ONE SIZE DOES NOT FIT ALL

Indicator	Emilia Romagna	Sardinia	Slovenia	Poland
Population	4.357.700	1.671.700	2.000.092	38.200.037
GDP/capita	24.396,00	15.895,00	17.500,00	9.300,00
Inhabitants/Km ²	195,8	69,4	100,0	121,9
Youth unemployment rate	18,3%	44,7%	12,4%	23,7%
Public exp in education (% GDP)	2,9	5,3	5,2	5,38
Number of Universities	4	2	4	24
Productivity Level	44.500,00	38.600,00	29.323,30	16.914,40
EU Patents applications per million inhabitants	118,64	7,16	118,85	3,5

INGENIUM Funds

Emilia Romagna – Disruptive Innovation – 14 ml€

Poland – Co-Investment model – 20 ml€

Slovenia – Introducing Venture Capital – 10 ml€

Sardinia – Product&Process Innovation – 35 ml€



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Examples of Investments



Business Case

B-Shiver

Headquarters: Olbia (Italy)

Industry: Manufacturing

Investment: € 3,000,000

Stage: Expansion

ZMV ownership: 43%

Investment date: 2012

Valuation: not disclosed

To be noticed: innovative design



www.snoyachts.it/blackshiver/

Short description: SNO Yachts is a company operating in the marine industry offering all kind of services for yachts ranging from 12 to 70 meters. Through the company B-Shiver, where the Ingenium Fund invested in 2012 to sustain the expansion stage, the group is **producing and selling luxury yachts**, under the brand Novamarine and Black-Shiver.

Use of proceeds: Thanks to Ingenium investment, the company has been able to reach high worth customers mainly in the Arabic Peninsula and to expand his producing facilities in Sardinia.



Business Case

Folx TV

Headquarters: Ljubljana (Slovenia)

Industry: TV, entertainment

Investment: € 600,000

Stage: Start-up

ZMV ownership: 49%

Investment date: 2014

Valuation: not disclosed

To be noticed: proprietary formats of TV Shows particularly appealing for German speaking audience



www.folx.tv

Short description: Folx TV is a **folks music entertainment TV channel**, with the entire production and post-production performed in Slovenia, while broadcasting on foreign, mainly German speaking markets (22 million households in Germany, Austria, Switzerland and German-speaking part of Italy).

Use of proceeds: Fund investment was used for entering satellite broadcasting and implementation of new TV formats.



22 July, 2014



BIA Separations d.o.o.

BIA Separations is the leading developer and manufacturer of CIM® (Convective Interaction Media) monolithic chromatographic columns for production, purification, and analytics of large biomolecules.

BIA Separations has research, production and sales facility in Slovenia and sales offices in the US and China.



Location: Ljubljana/Ajdovščina
Industry: medtech
Investment Stage: Start up
Investment date: 2015
ZMV investment: 1.5 Mln €
Status: unrealized



INNOVAMED

Inovamed is a producer and distributor of orthopedic gear, including orthopedic shoes, prosthesis and corsets. It is using technologically advanced solutions in the production process, such as 3D scanning and 3D printing.

The company is collaborating with over 60 medical outlets in Poland. Inovamed was established in 2010 and it doubled its revenue in the last year.



Location: Cracow, Poland
Industry: Health Care
Investment Stage: Seed
Investment date: 2014
ZMV investment: 0,85 Mln €
Status: unrealized



FASHION3D

Fashion3D is a producer and developer of software dedicated to promoting clothes and accessories in online platforms.

Fashion3D uses a combination of photographic and IT technologies to allow an interactive presentation of clothes based on digital photos.

fashion3D



Location: Warsaw, Poland
Industry: Fashion
Investment Stage: Seed
Investment date: 2014
ZMV investment: 0,1 Mln €
Status: unrealized



Business Case

Biogenera

Headquarters: Bologna (Italy)

Industry: Biotech

Investment: € 2,700,000

Stage: Seed

ZMV ownership: 42%

Investment date: 2009

Valuation: € 50mln

To be noticed: The company collected the interest of more than 40 business angels and MZV.



www.linkedin.com/company/biogenera-spa

Short description: Biogenera is a biotech company engaged in **research and development of treatment for pediatric cancer**. The company was founded in 2009 by two professors from Bologna University.

The molecule got recognition of Orphan Drug from EMA – the European Medicine Agency and it is now in this Phase I research.

Use of proceeds: The investment allowed the company to go through the pre-clinical and Phase I research.



Business Case

Angiodroid

Headquarters: Bologna (Italy)

Industry: Medical Devices

Investment: € 1,900,000

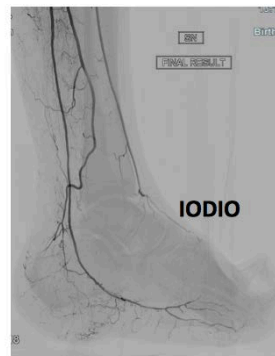
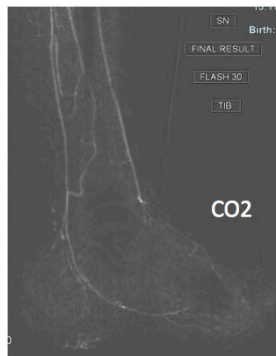
Stage: Start-up

ZMV ownership: 31%

Investment date: 2013

Valuation: not disclosed

To be noticed: patented technology for the use of carbon dioxide



www.angiodroid.com

Short description: Angiodroid developed and patented an innovative medical device for **peripheral interventional angiography based on carbon dioxide controlled injection**. The company is the first one substituting traditional iodinated contrast media in angiography procedures eliminating all related side effects associated with renal or diabetic vascular disease.

Use of proceeds: The company recently secured a first round of financing of around 1 mln Euro and will be looking for additional 2 mln in the following 12 months to push the commercialization of its devices in US, China and Brazil.

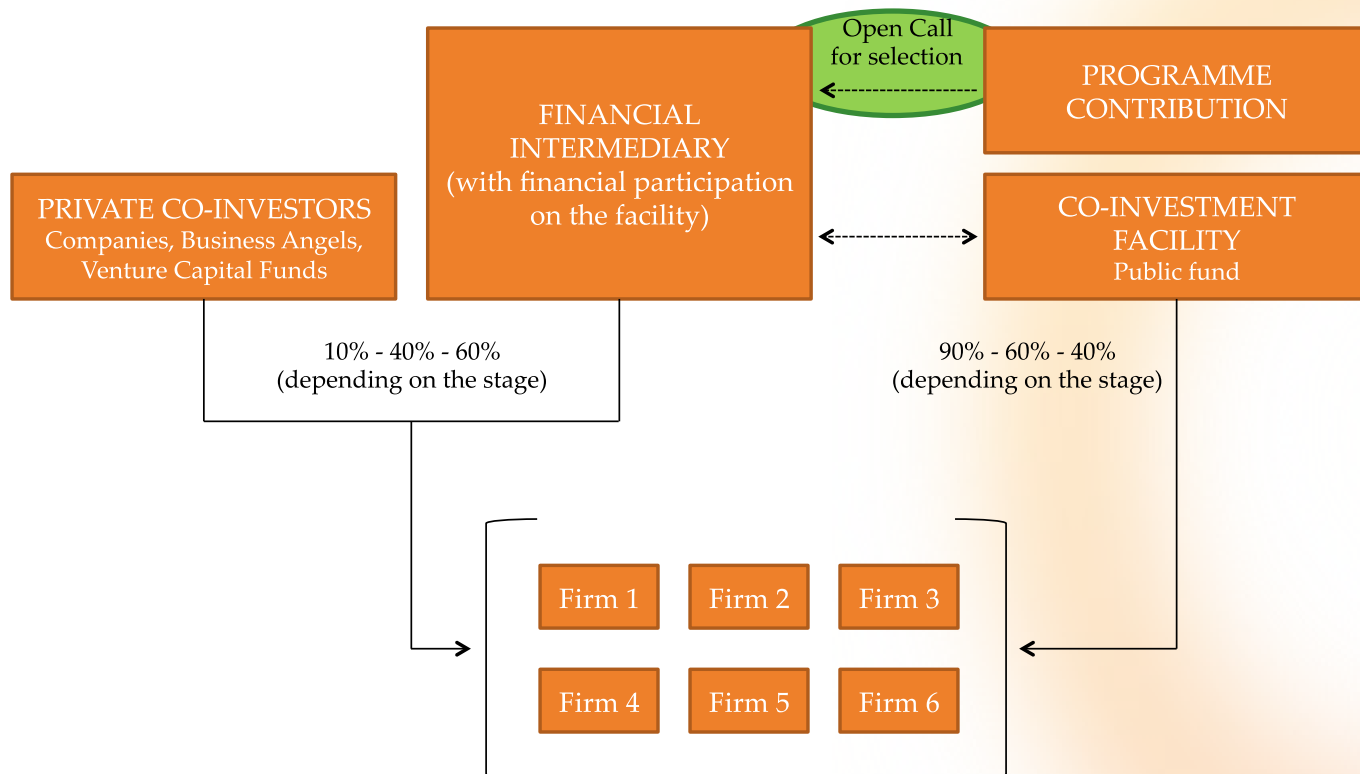


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Off the shelf and commercially driven manager

How? Equity Co-Investment FI (Fund) for SMEs and start-up companies

Off the shelf equity financial instrument (draft version) - PPP



Why a commercially driven fund manager?

How does an equity fund works in practice

- Successful Early stage Equity Funds focused on High Growth firm work with a portfolio of 10+ companies out of which **majority will fail**
- **Reward for a fund manager is “carried interest”** i.e. 20% of capital gains at the end of the fund life
- Private investors would like to see alignment of interest
- In “normal” funds, **fund managers commit their own money** into the fund to ensure alignment of interest with investors



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Lessons learnt and recommendations

Why equity main takeaways - Lessons learnt 1

- **Co-investment** equity facilities are suitable Financial Instruments for managing authorities willing to support **High Growth companies** and **R&D results exploitation**
- A **deal by deal** approach is what was missing so far and is key to leverage at its best the contribution of the **private sector**
- Co-investment **facility** (not only the fund but also services) including grants and advice to improve impact (investment readiness etc.)
- **Commercially driven fund manager** is necessary to align interests, **take the necessary risk** and build the adequate portfolio

A Good Fund Recipe - Lessons learnt 2

The size of the fund must be consistent with the investment focus of the fund: the financial need of an early stage company generally is smaller than an expansion deal

A minimal size for a seed fund is around €15/20 million;

A good size for an early stage fund is around €30/50 million;

“Scouting” costs could be relevant small early stage funds cannot be able to reimburse the costs to the Management Companies. MAs can provide grants to cover this costs;

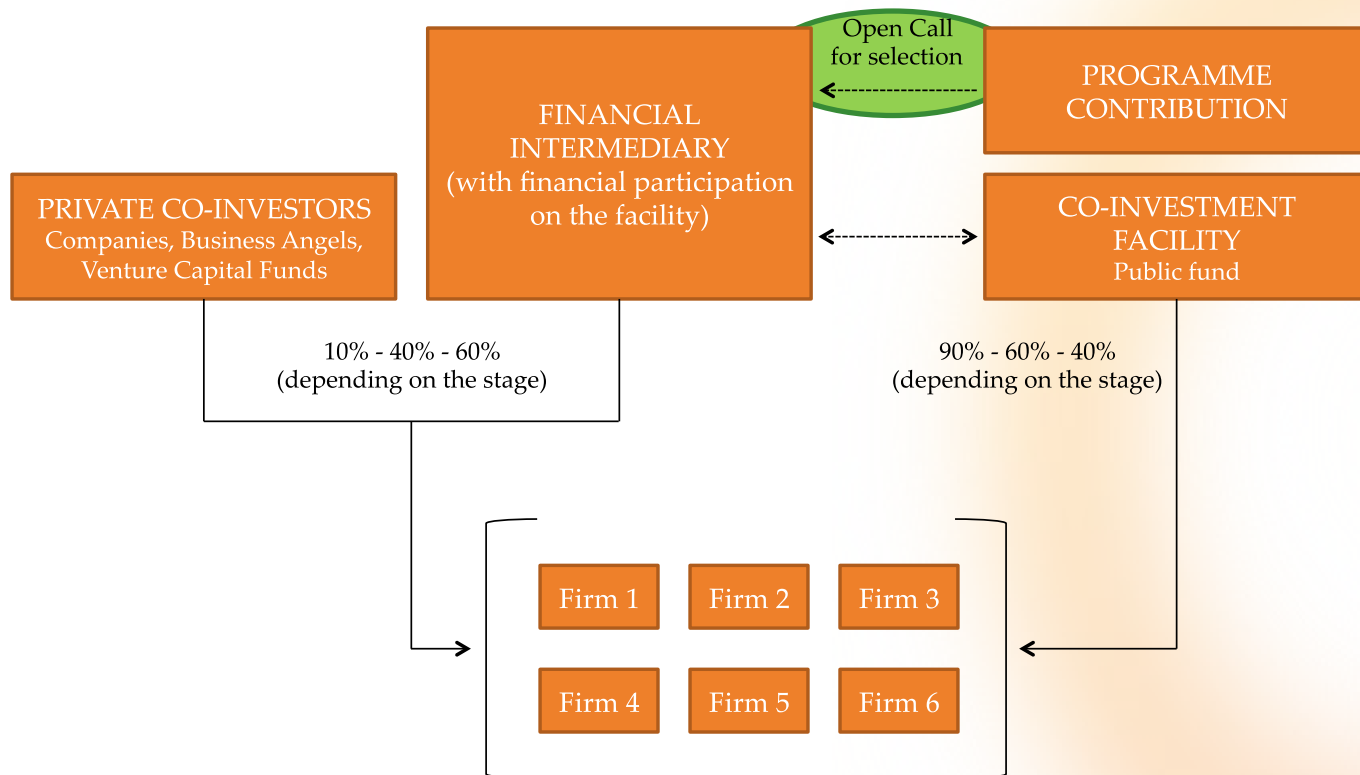
Unless there is a proven demand for a specific sector funds should be sector agnostic and a deal by deal approach is what is best to attract experienced private sector co-investors

The co-investment instrument attracts more private investors (Bas, VCs) and contributes to professionalization of the local community of business angels.

On tender and reporting - Lessons learnt 3

- A number of Managing Authorities has presented us with substantially different tender specifications often quite far from market logic
- A number of tender we participated to were far from being “open, transparent and non-discriminatory”
- A lot of Managing Authorities are not aware of the off the shelf possibility, for equity it has not been officially published yet
- A lot of managing authorities do not perceive the need for a truly commercially driven fund manager for Equity Financial Instruments as they believe is similar to loans and guarantees
- Assigning management to “in house” or similar organization ends up in investing either blindly after private investors or de facto transforming equity in low risk loan types of instrument
- In some countries reporting for ESIF and reporting for AIFMD is quite different and very expensive and in general reporting is quite heavy

It is not rocket science and there is already a lot of experience, let's use it!



Thank you for listening

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financial instruments
 revolving capacity building
 added value **ERDF** funding agreement
 governance **ESF** EU guidance
 technical support seminars **leverage** ex-ante assessment
 co-financing **ESIF** financial intermediaries **microfinance**
 case studies
investments **fi-compass** final recipients
 business plan **Thank you** thematic objectives
 advisory services **guarantees** banks **loans** **EaSI** equity
 life cycle combination of support
EAFRD private investors conferences factsheets
fund of funds **EMFF** investment strategy **CF**
 managing authorities manuals

