



Experience with early stage equity financial instruments within ESIF

Jacek BŁOŃSKI, META Group, 17 March 2016



 #ficompass



Setting up and managing ESIF Equity financial instruments – Meta Zernike Ventures experience

fi-compass seminar

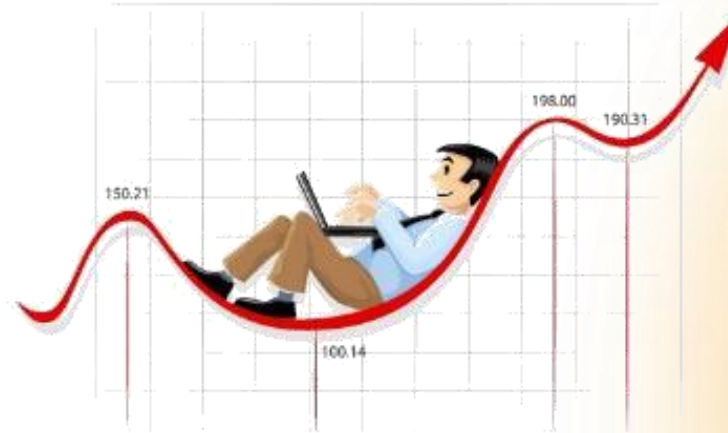
Financial Instruments delivering ESI Funds, Vilnius, March 17th 2016

*JACEK BŁOŃSKI, Managing Partner META Zernike Ventures Ingenium Poland
and Board Member at Business Angels Europe (BAE)*

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***

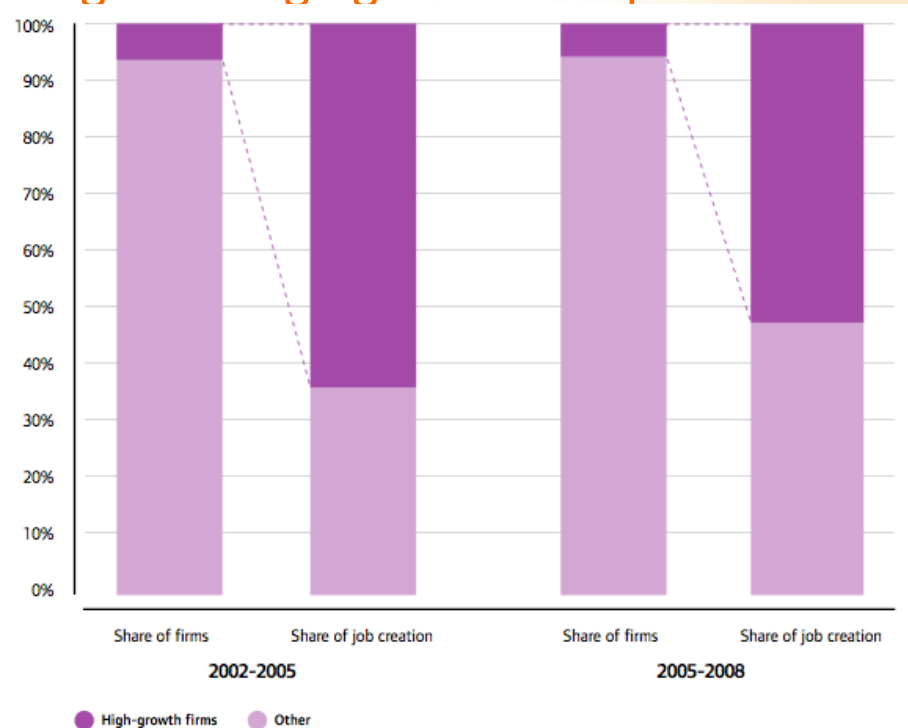
New companies = **100% new jobs***

*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

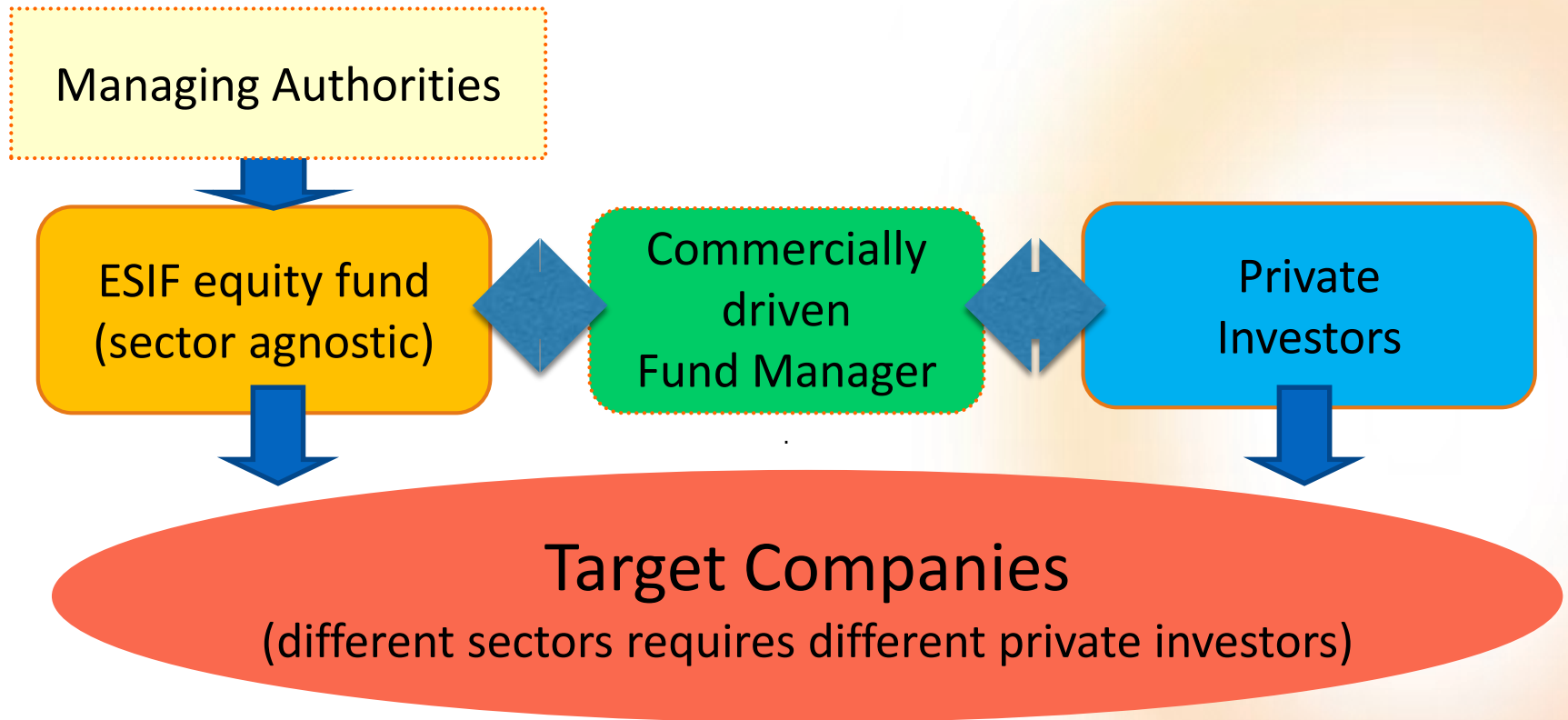
Evidences from U.K. market



Source: ONS Business Structure Database.

How?

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



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 - €3.000.000 |
| Average holding period | 5-7 years |

POLAND –XPLORER FUND

Xplorer Fund is the first proof of concept type of fund based in Poland. It has been launched in 2014. The fund has been operational since Q4 2014.

- It can finance **technology driven projects** or **start ups**;
- **5 million** EURO under management;
- resources **80% public – 20% private**;
- investments up to 250 k EUR;
- focus mostly on high tech project from ICT, IoT, Telemedicine, Medical Devices, New materials

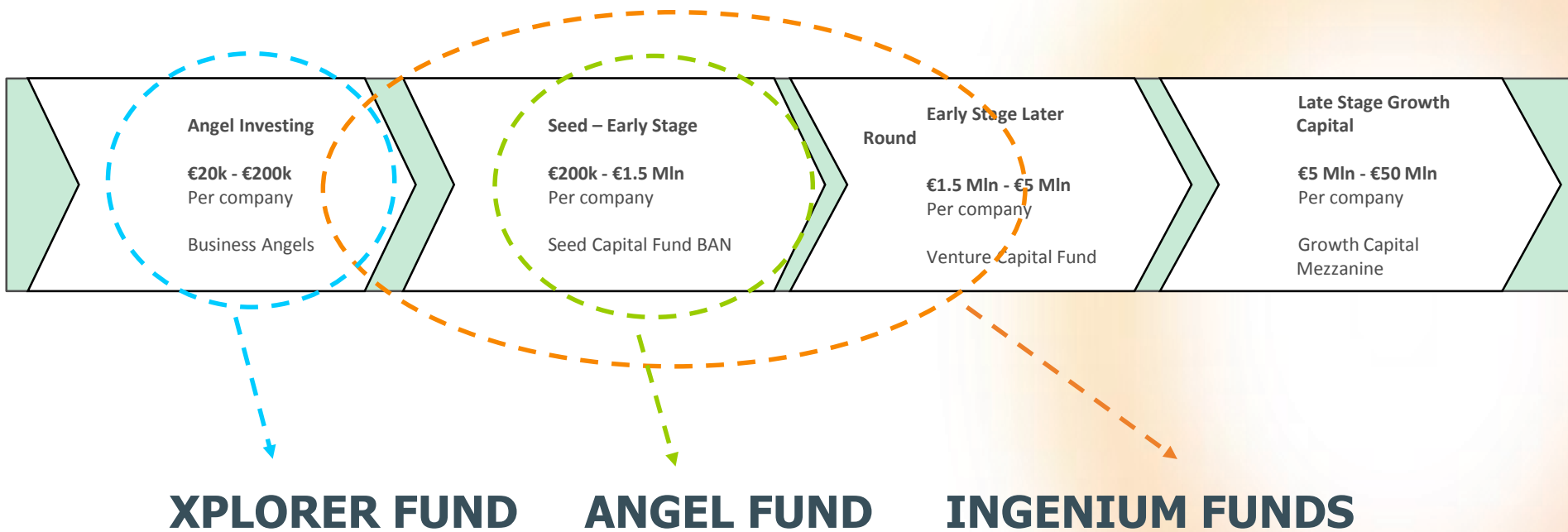
POLAND –INGENIUM POLAND

Ingenium Poland is a public-private fund in Poland investing in **seed, start up and expansion stage** companies based in Poland. It has been launched in 2013.

- It can finance **start-ups** and **expansion stage** companies based in Poland;
- **20 million EURO** under management;
- resources **50% public – 50% private**;
- to be invested **min 100k€ to max 3M €** (per year, max total 1,5M €);
- focus on innovative companies coming mostly from the **ICT, Healthcare, Energy and Cleantech Sector**.

ZMV, as **private management company** is responsible for all the activities: deal sourcing, due diligence, investment, monitoring and divestment.

MARKET POSITIONING



Examples of Investments

MNUMI

Mnumi offers a comprehensive IT solution for managing a digital printing house in the latest Web-to-Print technology. The solution is unique and provides significant competitive advantage as it covers all needs of a printing house in one system. It covers all aspects from taking orders online, through editing them in a web browser, managing them inside a printing house, managing money flow to making detailed reports.

In 2011 Mnumi was chosen by Xerox Polska as the most comprehensive and advanced software solution for printing houses.



| | MnumiBasic | MnumiBusiness | MnumiPro | MnumiPremium |
|---------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| |  |  |  |  |
| System MnumiShop: | ✓ | ✓ | ✓ | ✓ |
| System MnumiWizard: | ✗ | ✓ | ✗ | ✓ |
| System MnumiPanel: | lite version* | lite version* | ✓ | ✓ |
| Tutorial: | ✓ | ✓ | ✓ | ✓ |
| Technical support: | 12 months | 12 months | 12 months | 12 months |
| Updates: | 12 months | 12 months | 12 months | 12 months |

Location: Warsaw, Poland

Industry: ICT

Investment Stage: Seed

Investment date: 2012

ZMV investment: 0,4 Mln

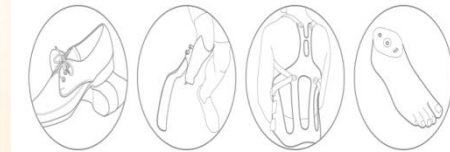
€

Status: unrealized

INOVAMED

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

QUICKICE

QUICKICE is a producer and distributor of ice vending machines.

Their machines are located in various holiday destinations and gas stations, e.g. in Poland and Spain. Thanks to their own production technology, Quickice's vending machines are reliable and significantly cheaper than competing products.

QUICKICE



Location: Warsaw, Poland
Industry: Hardware
Investment Stage: Seed
Investment date: 2014
ZMV investment: 0,25
Mln €
Status: unrealized

FASHION3D

Fashion3D is a producer and developer of Smart Link software.

Smart Link allows advertisers to target customers with their ads based on the photos they browse on the internet.



fashion3D



Location: Warsaw, Poland

Industry: Fashion

Investment Stage: Seed

Investment date: 2014

ZMV investment: 0,3
Mln €

Status: unrealized

RETIXA

RETIXA is an Analytics 3.0 class solution for Communications Service Providers (telcos).

The product collects and analyses information about a user from multitude of sources (internal resources — BI, CRM, OSS, EMM systems; telecommunications network and Internet; social media etc.), correlates and processes it — big data transformed into measurable business results.

RETIXA

SIMPLIFYING COMMUNICATIONS

Location: Warsaw, Poland

Industry: ICT

Investment Stage: Seed

Investment date: 2015

ZMV investment: 0.6

Mln €

Status: unrealized

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.

Thank you for listening

j.blonski@meta-group.com



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