Raising Equity Finance

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Basic Requirements
- Clean ownership rights to technology
- Shared ambition to grow business
- Addressing a real market need
- Justification for "going it alone"
- Clear idea of how to penetrate market
- Listen and act on advice
- True to yourself (know own limits)

Dispelling Myths
- Venture capital is "too expensive"
  - entitlement mentality (grants)
  - value-added proposition
  - risks of not pursuing growth aggressively
- Venture capital = loss of control
  - equity versus managerial control
  - investor's expertise is not running businesses
  - providing incentives to create value for all

Finland: Investor Criteria
- An "A" management team
  - Committed, balanced and focused
- Clean rights to intellectual property
- Technology "works" (TEKES)
- Market exists or can be created
- Reasonable plan to exploit opportunity
  - within Finland & Scandinavia
  - "going global"

Finland: Investor Criteria
- Business plan makes "financial" sense
- Means of exit/value realization clear
  - trade sale
  - initial public offering
  - licensing / joint project development work
- Degree of "portfolio fit"
  - size, stage and sector
  - value-added competency

Chemistry Is All Important
- Does this team want more than my money?
- Are they serious about pursuing growth?
- Do they want and will they act on my advice?
- Will they treat me as a partner?
- How will they deal with setbacks and failure?
- Are they prepared to change direction quickly and maybe radically if circumstances dictate?
The Marriage Analogy

- Who to "spend your life with"
- Promises you make to each other ...
  "I (the entrepreneur) take you (the investor) to be my partner in good times and in bad, in sickness and in health, until we part ways (hopefully at a high profit)"
- Pre-nuptial agreements

Finding Your Partner

- "Approach those attracted to you"
- "Gauge interest through other people"
- "First love" is not necessarily "true love"
- "Discover attractive features in other"
- "Take the time before committing"

Your Partner’s Expectations

- Want total commitment from you
- Want to share in your success (equity)
- Want a say in how relationship evolves over time (input and involvement)
- Want to set out terms of the future divorce now (shareholder’s agreement)

More than Money

- Lend aura of credibility to venture - opens up other finance sources (bank)
- Provide leads/contacts to suppliers, distributors, key customers, or investors
- Sounding board for management
- Signal that firm is growth orientated
- Value realization strategists

Early on, Finnish firms often...

- Have homogeneous management teams
  - skills and experience
  - nationality
  - gender & age
- Focus on product and technology development
- Are not market driven
- Have ineffective Boards of Directors

Challenges of "Going Global"

- Moving from small market to large market mentality
- Critically assessing development options (does independent route make sense?)
- Creating a suitable platform to manage growth (manage complexity)
- Finding the resources (management)
Is Overseas VC the Answer?

- Investors can only manage passively from a distance...
  - dependent on local venture capitalist’s skill and competency building growth platforms
  - want to invest in ‘simple’ stories in ventures that have clearly defined development needs that can be addressed locally by them
  - want to invest in much larger amounts than is the case here in Finland
  - back experienced operators

How Do Finnish Firms Measure Up?

- Stories have too many complications
  - Do we have the right person in place to lead the charge?
  - Do we have the right blend of skills in the management team to manage growth?
  - Does the firm have an effective board of directors? (development options)
  - How well do local venture capitalists nurture development? Are they up to the task?
  - Are all the relevant documents and reports available in English

Silicon Valley: Criteria

- Deal size and fit
- Based locally (hands on involvement)
- Competent and experienced team
  - diversity and depth of experience
  - driver who has been near the top of firm that has returned at least 10x to investors before
- Market driven not technology focussed
- Growth not profitability as imperative