

Managing regional investment funds

- Learning from our experience
- Your Knowledge Needs – the META-EURADA Survey

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AGORADA 2016
Financial Instruments to fuel Regional Development
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@Scotland Europa, Brussels

Who is META?

Our track record

META Zernike Ventures: investing in companies

- Unique expertise in implementing public/private financial instruments
- 200+ companies, € 100+m invested, 1,3x FMV

- **META Advisory:** 700+ projects
- on innovation and entrepreneurship
- delivered worldwide to EU, national, regional clients

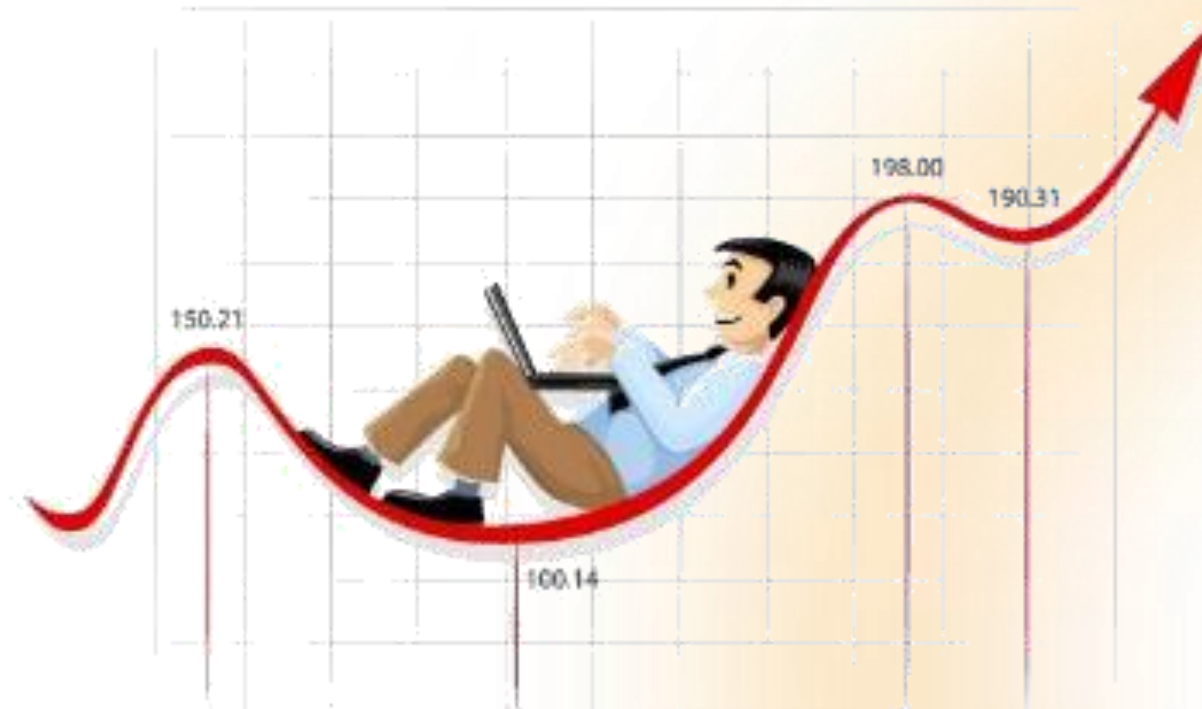
META Academy: 3000+ entrepreneurs & scientists trained

- unique, proprietary formats
- investor readiness, creativity camp, research helicopter

Knowledge Intensive Companies

Nice to Have
or
Need to Have?

Knowledge Intensive Entrepreneurship & Job Creation



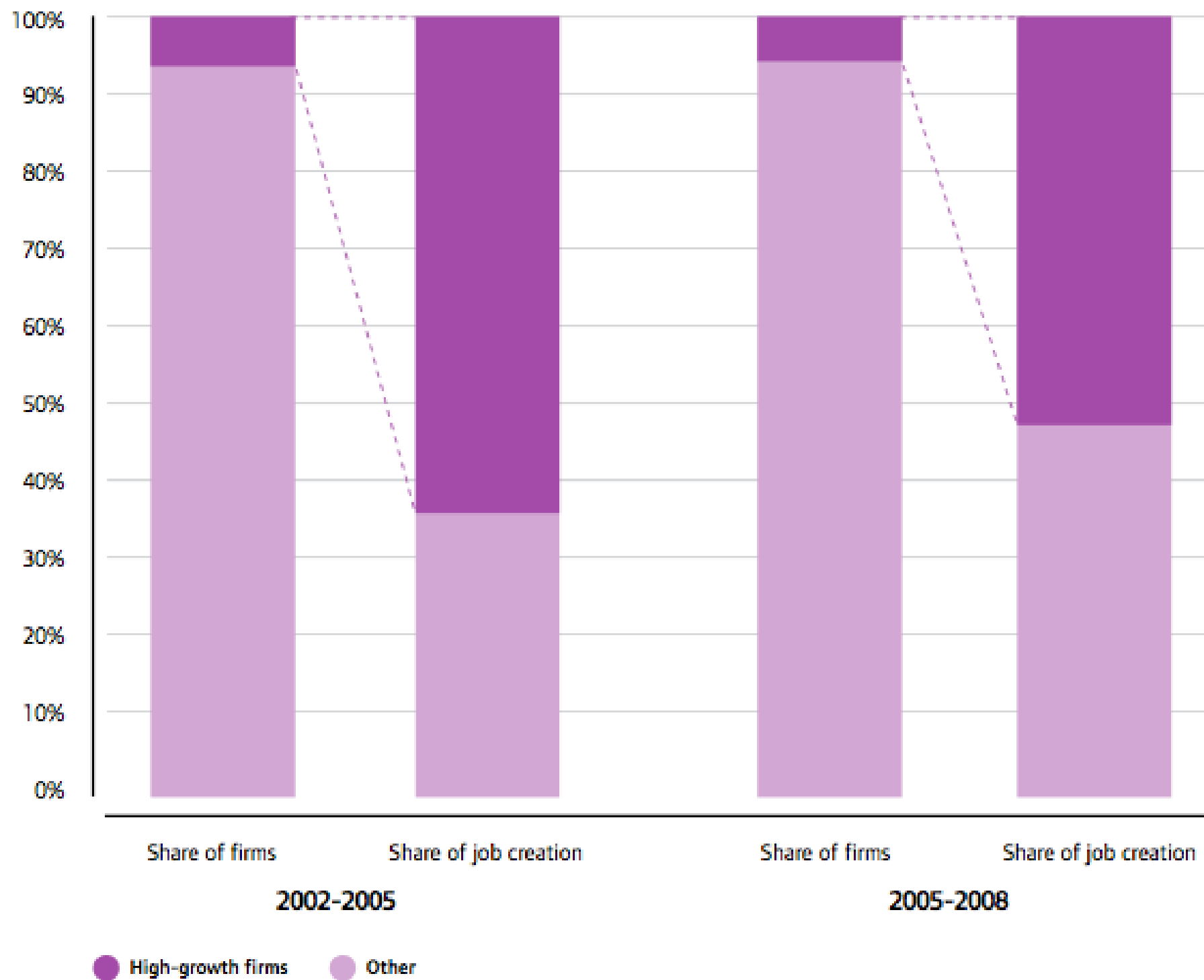
Top 1% of new companies = **10% of all new jobs direct, 40% indirect***

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

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

The Vital 6%

Evidences from U.K. market



Source: ONS Business Structure Database.

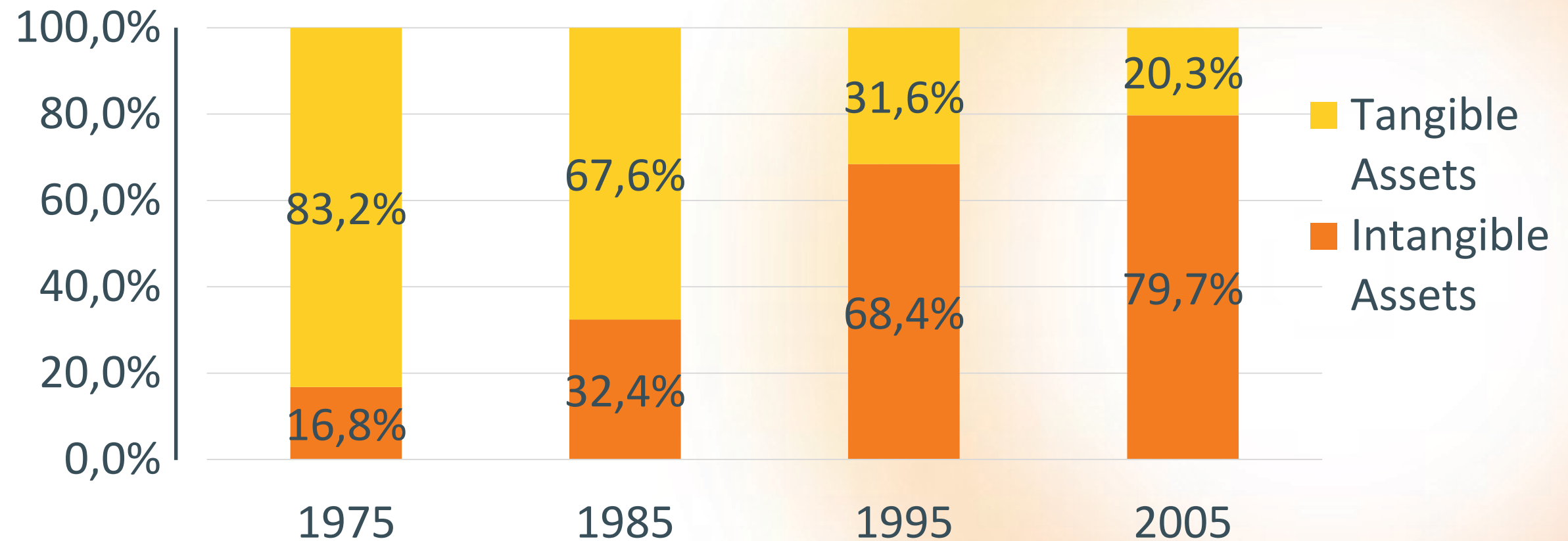
Regional Funds and Angel Investing

Principal early stage
source of finance
for high growth
companies

Why?

Key Trend: Tangible vs Intangible

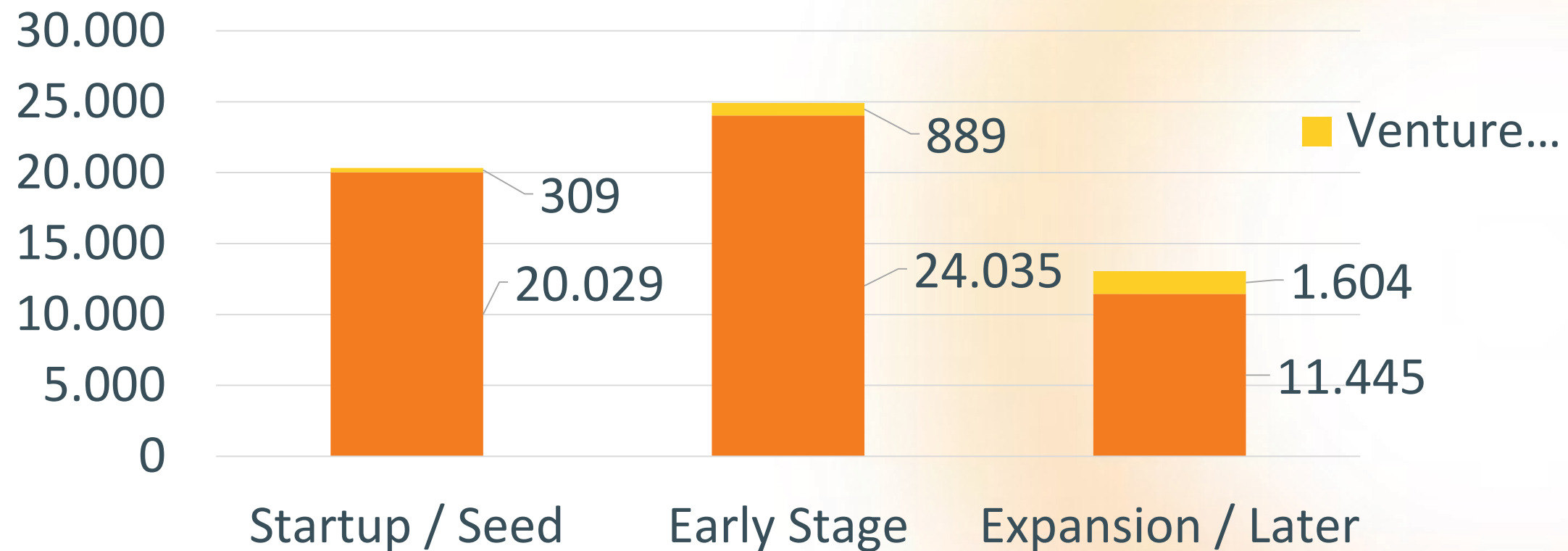
Intangible Assets in companies over 30 years



Source: META on Ocean Tomo Data

Who finances high growth companies?

Angel Investment and Venture Capital
number of deals (2009)



Source: META on Jeffrey E. Sohl,
Center for Venture Research" and
2010 NVCA

The Key Question

How can the Regions tap
the power of equity to
create growth?

Example: Ingenium Emilia Romagna II

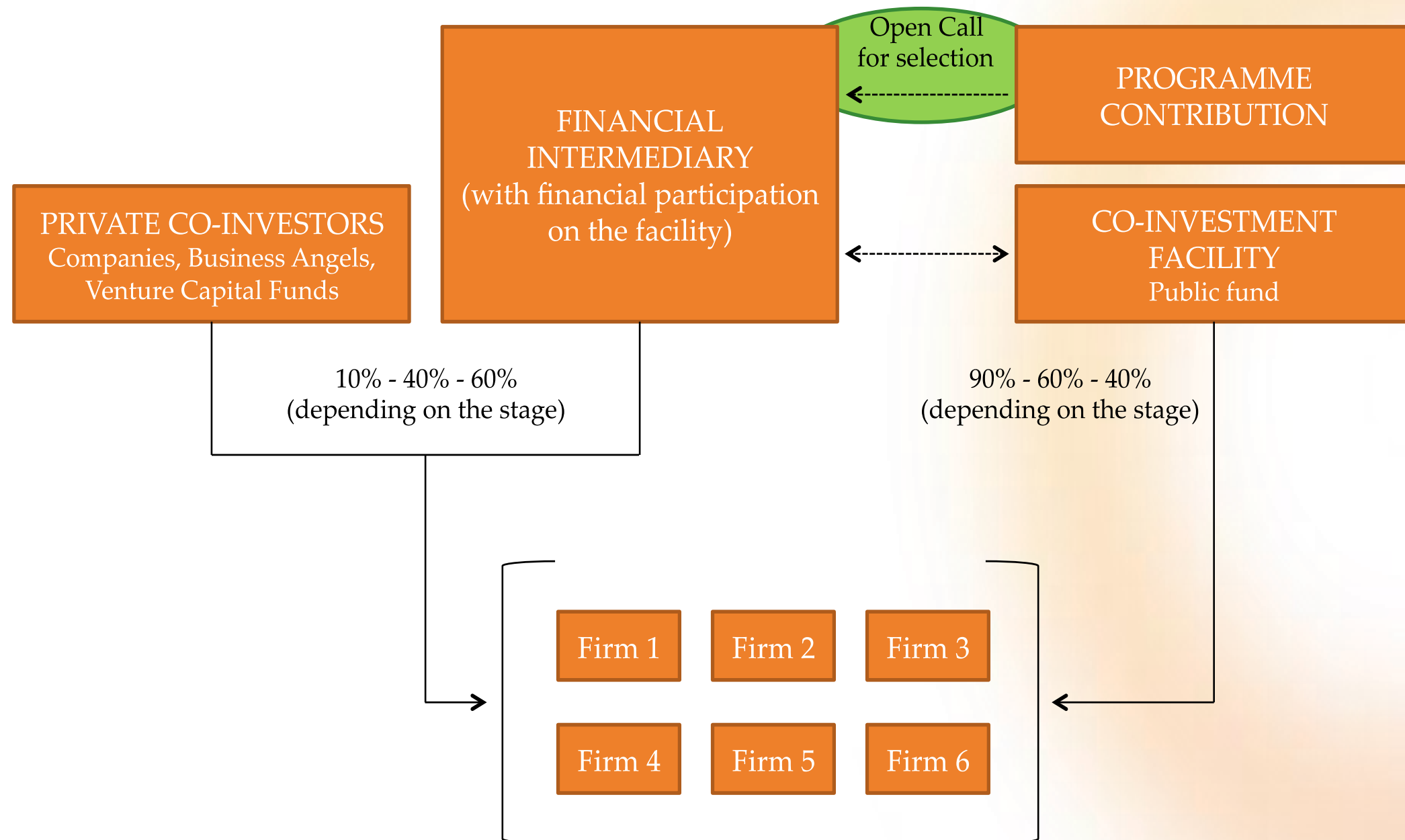
An “Off the Shelf” Co-investment Fund

- 1st public-private early stage co-investment fund in Italy
- €14 million, 50/50 private/public
- Focus: seed, start-up and expansion stage high-tech companies in **Emilia Romagna**
- Co-invested with Italian Angels for Growth, other selected business angels & early stage investors

Name of the company	Industry / Sector	Resources invested ('000 EUR)	NAV ('000 EUR)	Number of angels / co-investors	Investment date
Angiodroid	Biomed	1 900	4 849	43	2013
Biogenera Srl	Biotech	1 160	5 370	40	2013
Cellply	Biomed	1 720	1 720	3	2015
Condomani	ICT	200	200	8	2013
Eugea	Consumer goods & retail	200	liquidation	10	2013
Fazland	ICT	800	800	13	2014
Greenbone Horto	Biotech	1 990	1 973	4	2013
Mperience	ICT	800	800	6	2014
Pharmeste	Biotech	470	36	6	2012
S5Tech	Electronics	2 800	liquidation	4	2013
S-Labs (Spreaker)	ICT	770	3 680	4	2013
Taste italy	Food manufacturing	384	385	4	2013
Wellness & Wireless (Yukendu)	ICT	1 400	1 400	8	2013

Equity Co-Investment FI (Fund)

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



Creating a successful equity fund

Successful early stage Equity Funds focused on High Growth firms:

- a portfolio of 10+ companies – most will fail
- Fund manager rewarded with “carried interest” i.e. 20% of capital gains at the end of the fund
- Private investors need alignment of interest, so fund managers usually commit their own money

Open, transparent non-discriminatory selection procedures essential

Main takeaways

Lessons learnt 1

- **Knowledge Intensive companies**
 - Engine for prosperity and job creation
 - Equity is most suitable financial instrument
- **Co-investment equity facilities**
 - suitable Financial Instruments for high growth companies and R&D exploitation
 - deal by deal approach essential to leverage private sector contributions
 - fund + services: improve impact by including grants and advice (investment readiness etc.)
- **Commercially driven fund manager** needed to align interests, take necessary risk and build portfolio

A Good Fund Recipe

Lessons learnt 2

Match Fund's Size to its Investment Focus:

Financial needs of early stage companies generally lower smaller than expansion deal

- minimal size, seed fund: €15-20 million;
- good size, early stage fund: €30-50 million;

“Scouting” costs could be relevant

- Small early stage funds cannot reimburse costs to Management Companies.
- MAs can provide grants to cover this costs;

A Good Fund Recipe

Lessons learnt 2 (cont)

Sector-Agnostic

- deal by deal approach best attracts experienced private sector co-investors
- unless strong, proven demand for specific sector

Co-investment instruments attract more private investors (Bas, VCs)

- Added bonus: professionalise local business angels community and other investors

EURADA-META 2016 Survey



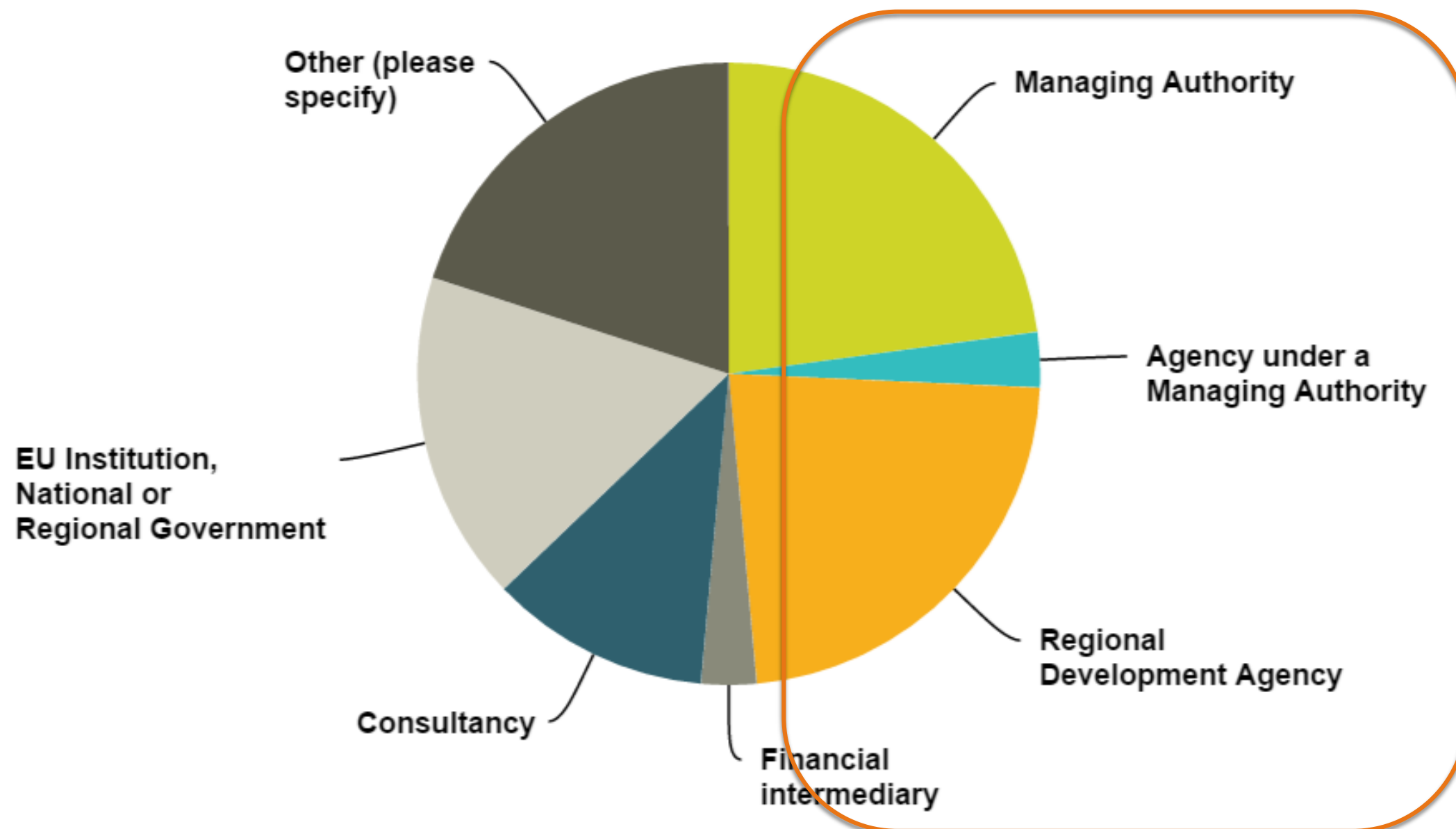
- What Questions should we be asking?
- In what areas do you need more information?

Spring 2016:

early results – 34 respondents*

I am working in...

Answered: 35 Skipped: 0

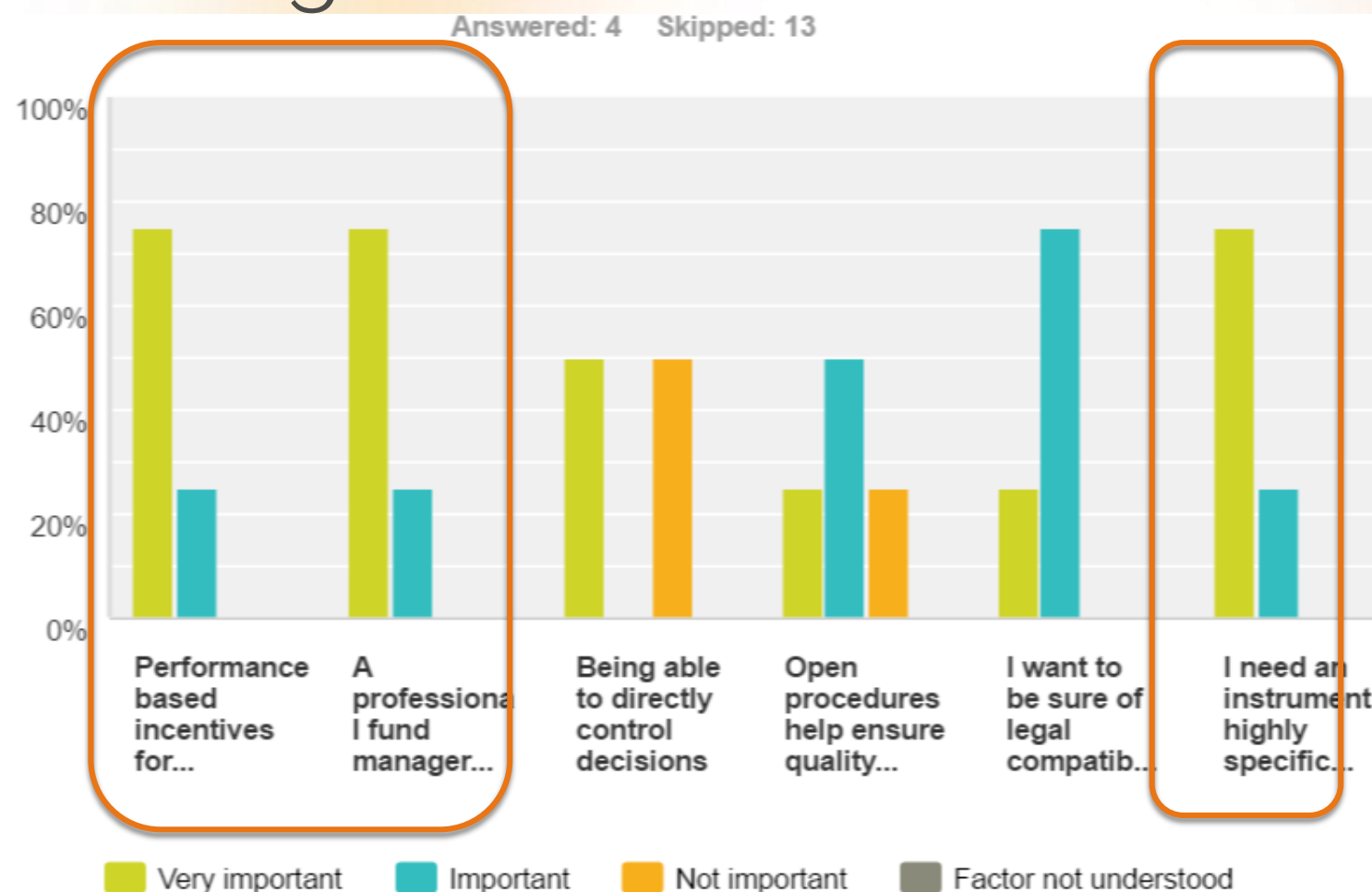


Spring 2016:

early results – 34 respondents

3 in 4 respondents launched ‘tailor made instruments’.
Three most important factors:

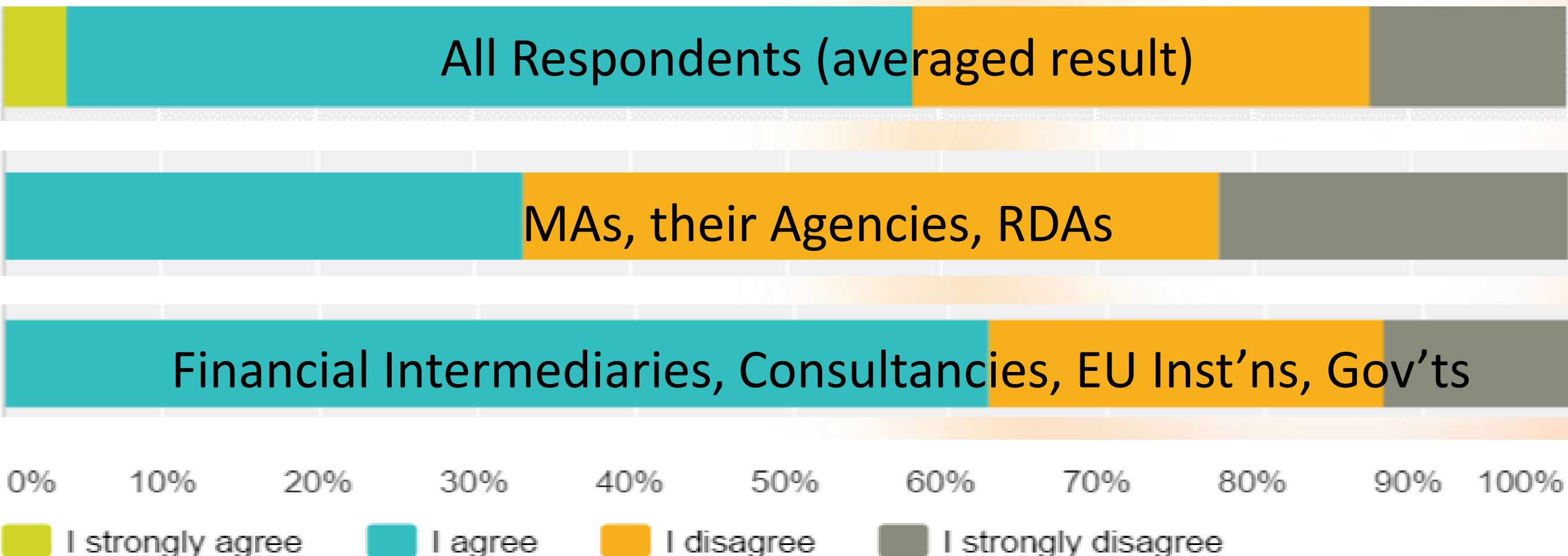
- “Performance based incentives for managers (e.g., carried interest) help reach targets”
- “A professional fund manager with direct experience in business helps reach targets”
- “I need an instrument highly specific to my region’s needs”



Spring 2016:

early results – 34 respondents

Today I can easily find the information I need

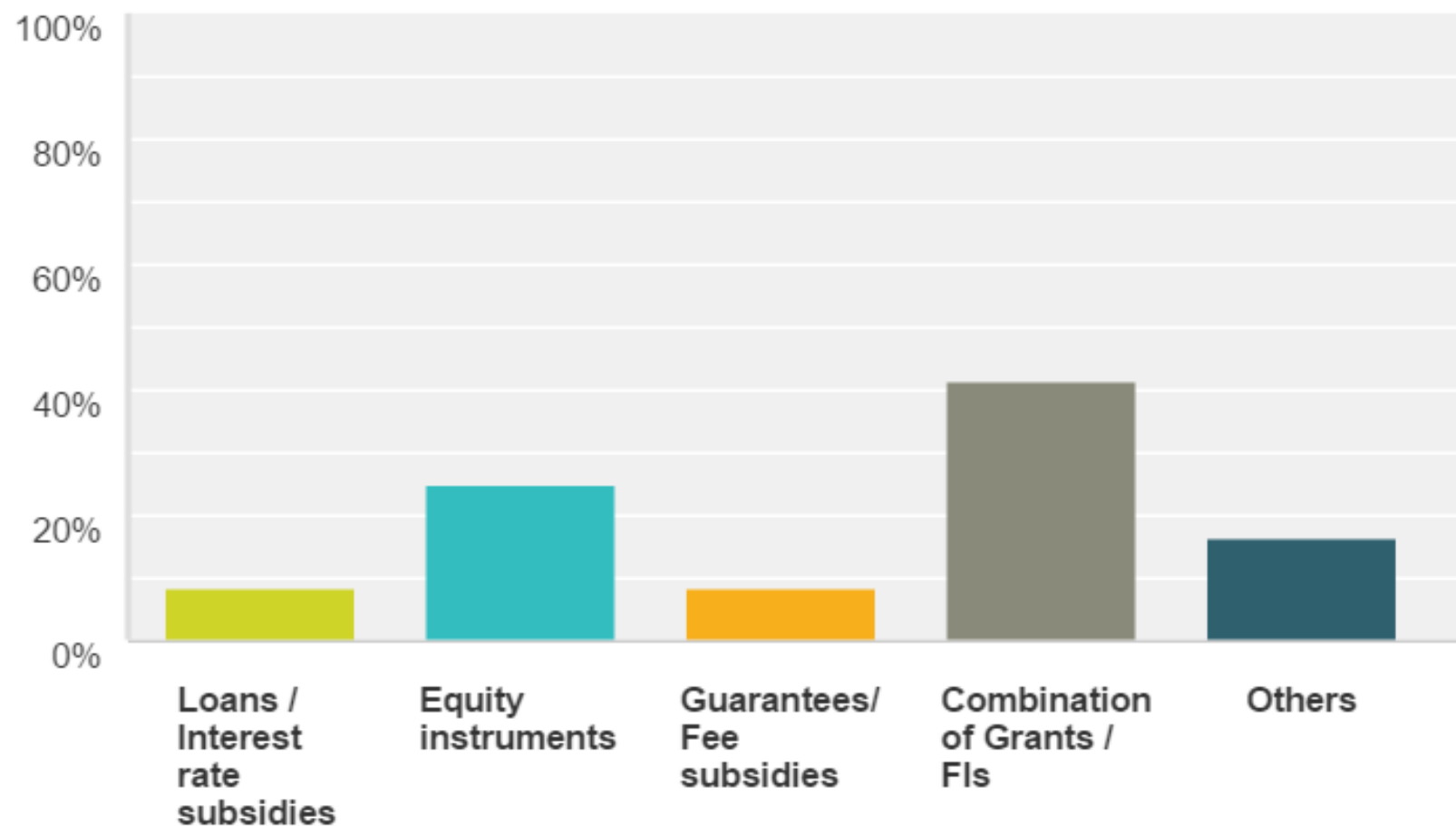


Spring 2016:

early results – 34 respondents

What Financial Products would you like more support or information about? Which financial product are you most interested in learning more about? We will use this information to design a workshop at the EWRC in October.

Answered: 12 Skipped: 23



Summer – October 2016: Discussion

- What Questions should we be asking?
- In what areas do you need more information?

Summer – October 2016: Next

Please Answer the Survey:

<http://bit.ly/euradameta16>

- and/or Send it to your networks

Watch for our June email:

- More & better data => Better EWRC workshop

Thank you!

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