
Re-Examining Venture Capital

**What Are The Most Critical Issues VCs Are Facing
And**

**How Have They Re-Adjusted Strategically &
Operationally To The Post-Bubble Environment?**

SUPER RETURN 2004

Panel discussion

25 February 2004

Panel Participants

Panellists:

David Ward

MTI

Friedrich Bornikoel

TVM

Yossi Sela

Gemini Israel Funds

Bernd Geiger

Triangle Venture
Capital Group

Moderator:

Armando D'Amico

Acanthus Advisers

Panel Participants



- Founded in 1983: €220m ~ 4 funds
- Early stage in ITC, materials and life science
- Focus: UK



- Founded in 1983: €918m ~ 6 funds
- IT and Life Sciences
- Focus: Central Europe and US (offices in Munich and Boston)



Gemini

- Founded 1993: €340m ~ 3 funds
- Seed and early stage IT
- Focus: Israel with global development



- Founded 1999: €24m ~ 3 funds
- Seed and early stage IT and medical devices; University spin-outs
- Focus: Germany

Panel discussion

What are the most critical issues facing VCs & How have they re-adjusted strategically & operationally to the post-bubble environment?

1. Are the effects of the bubble finally over?
2. Have VCs re-adjusted strategically and operationally to the post-bubble environment?
3. Looking ahead: Exit environment
4. Making venture investing work in Europe: what models for European VC?
5. Fundraising outlook

1. Are the effects of the bubble finally over?

- How strong are the portfolios? Are we through with the portfolio “triage” and refinancing the 2000 and 2001 deals or is there still a long way to go before all viable companies are financed to breakeven?
- How strong is management?
- Have we seen the bottom in terms of valuations?
- Has the deal flow changed, quantitatively and/or qualitatively?

2. Have VCs re-adjusted strategically and operationally to the post-bubble environment?

- Looking back, what are the main lessons VCs have learned from the bubble times?
- Have VCs changed their investment focus, strategy, operations or organisation to readjust to the post-bubble environment?
- Is there a trend of European VCs moving to later stage investing and to a broader investment focus?

3. Looking ahead: exit environment

- Can European VCs survive without a local IPO market?
- Are large corporations back in acquisition mode?
- Will we see a healthy Tech IPO market in 2004?

4. Making venture investing work in Europe: what model for European VC?

- Israeli model? US model? Local model? What should and should not be applied from the US and Israel? Should the European VC stop trying to imitate the US?
- Implications for investment focus?
 - Pure global technology play or focus on local markets and service industries?
 - Broad or narrow specialisation (geography, sector, stage..)? Small or large funds?
- Will we see a two-stage VC industry develop in Europe: “global VC” and “local VC”?

5. Fundraising outlook

- Has the LP-VC relationship changed after the bubble?
- What are LPs' criteria for backing European VCs?
 - How do they view the US-Europe gap?
 - How will LPs evaluate the follow-on funds to the 1999/2000 vintages?
- What is the best portfolio strategy for VCs preparing to raise a new fund:
 - Focus on the potential home runs or
 - Work through the whole portfolio to minimise underperformance?
- Go to the market now or to wait?
- What portion of the current European and Israeli VC population will succeed in raising their next fund?

Acanthus Advisers

Firm profile

- Independent fund placement and corporate advisory firm founded in 1998
- Fund focus: €100-500m any stage; Europe; fundraising, investor relations and strategic advice
- Corporate advisory focus: private transactions; €10-150m EV; healthcare, financial services & technology; Europe

Armando D'Amico – Managing Partner and founder

- Six years in Early Stage Equity group of EBRD
- Special adviser to Euro Private Equity Partners (FOF)
- Ten years strategy consulting Europe/US (Bain & Co., Alliance, Telesis)
- M.Sc. Hydraulic Engineering, INSEAD MBA

Panel Participants

David Ward, *Partner*, MTI PARTNERS

David has specialised in materials science, wireless communications and software security, since joining MTI in 1999. Previously, he was Sales Director in an operating company of the Cookson Group. He had VC experience as a director of a BIMBO and was also CEO of a technology startup in the metals industry as part of an MBO funded by Granville Baird.

Friedrich Bornikoel, *Managing Partner*, TECHNO VENTURE MANAGEMENT

Friedrich has more than 15 years of experience in venture capital and has been a Managing Partner of TVM since 1997. In May 2003 Friedrich was elected to the Board of the German venture capital organization BVK. Prior to joining TVM in 1987, he managed a large program administered by the Federal Minister of Science and Technology (BMFT) of public R&D grants.

Mr Yossi Sela, *Managing Partner*, GEMINI ISRAEL FUNDS

Yossi joined Gemini upon its formation in 1993. Gemini's investment focus is on early stage Israeli technologies in the IT area. During 1995 he served as CEO of Ornet Data Communication Technologies Ltd, a Gemini portfolio company, until the company was acquired by Siemens AG. He has also invested in companies such as Precise Software, Commtouch and Butterfly. Prior to joining Gemini, Mr. Sela served as Vice President, Marketing at DSP Group (NASDAQ: DSPG) and Director for CAD development and PCB Marketing Manager Europe at Daisy System Inc.

Dr Bernd Geiger, *Managing Partner*, TRIANGLE VENTURE CAPITAL GROUP

Bernd has been involved in high-tech industry and research for 18 years. Prior becoming a founding partner of university spin-off investor Triangle, Bernd was head of the microscopy OEM product business at Carl Zeiss . Before joining Zeiss, beginning in 1992, Bernd headed the laser scanning device R&D group at Leica Lasertechnik, now Leica Microsystems (and wholly owned by Permira since 1998).