

## HTGF – Adding value through a public private partnership



Aurelia Private Equity Stammtisch  
Frankfurt, December 7, 2011

High-Tech Gründerfonds Management GmbH  
Dr. Alex v. Frankenberg

# Agenda

- High-Tech Gründerfonds and its focus
- Value add as key differentiator
- Value add through scale, investors, partners and network
- Biggest mistakes
- Outlook



## When we started in August 2005

- “Venture capital is dead”
- “VC business model is broken”
- “Another government initiative that is wasting money”
- “The companies they put on the assembly line will drop dead at the end”
- “Do not take the job”
- “BONN???”
- “Son, don’t leave Siemens”



# High-Tech Gründerfonds : Key facts

- Fonds I (2005): 272 Mio. €
- Fonds II (2011): 288,5 Mio. € (first closing)

- Investors (Fund II):



- Duration: 5 year investment; 7 year disinvestment period
- Focus: High-tech start-ups in the seed stage
- Investment: 2 mil. per company; initially 500K
- Value Add: Operational support through coaches  
Hands-on & strategischer support through investment manager



# Venture capitalist or public support program?

## „Venture capital“

- Venture Capital model:  
HTGF-business model is based on appreciation of shares, exit
- Duration limited to 12 years, investors expect return
- Focus on high-tech and growth companies
- Long-term incentive based on cash back to investors

## „Public support program“

- High number of investments (~250)
- Standardized, attractive conditions:  
1. round: 500 k€ for 15% of the shares plus convertible loan as anti-dilution
- Acceptance of higher risks
- Focus: German high-tech companies younger than 1 year

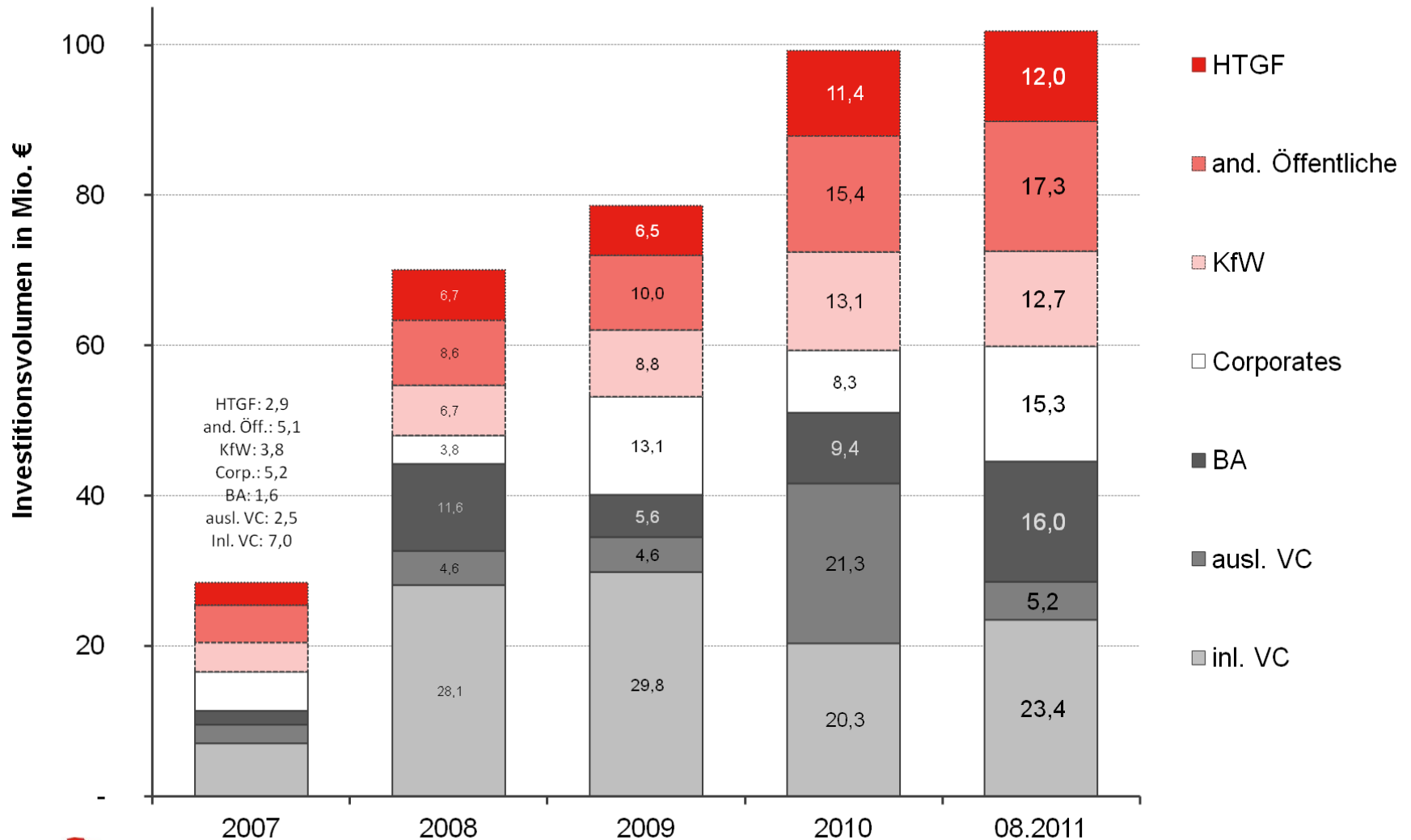


## 6+ years High-Tech Gründerfonds: Key achievements

- 255 investments in high-tech start-ups completed (14 in closing)
- 280 follow-on financing rounds with a contribution through third parties totaling 350 mil. €, thereof:
  - ~72% private capital (64% VC, 17% BA, 19% Corporate Investors)
- 19 exits (thereof 13 profitable); 4+ more exits under negotiation
- 38 failed investments
- > 85 management additions/replacements within portfolio companies
- Multiple partnerships
- >53 „paper millionaires“
- 3 real millionaires
- Highly motivated and qualified team



# Follow on investments by investor type



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We realized at some point investors are waiting in line to be able to make an investment



So, what is needed is everything that gets companies in great shape

# Money is a commodity – value makes the difference

## Money

- Amount invested
- Valuation
- Other terms
- Capability to make further investments

## Value add

- Team support, completion, exchange
- Finding the right direction
- Adequate cost base
- High-level business development
- Access to relevant networks
- Acquisition of further financing
- Managing the exit process
- Letting the entrepreneurs do their job
- Honesty, ...



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## Value add through scale

- Huge experience from a very high number of transactions
- Active handling of “situations” in portfolio – we have seen it
- Large team of investment professionals with very diverse competencies
- “Family day” with 750 participants one of the largest VC events in Germany
- Leading industry network at High-Tech Partnering Conference
- Very large network of high net worth individuals
- Central point of contact for access to German high-tech start-ups
- Maintenance of very large networks
- Cost advantages regarding partner relationships
- Large portfolio



## Value add through investors

- **BMWi:** Close cooperation with EXIST programs, integration in BMWi start-up activities, good connections to other governmental departments
- **KfW:** Close cooperation with ERP-Startfonds
- **Industry:**
  - Quick access to relevant departments / business units
  - Several cooperations (e.g. research)
  - Business development / significant orders from HTGF investors
  - Significant investments in portfolio companies
  - No exit yet



## Value add through partners and network (some examples)

- **Coaches**
- **Technology experts**
- **Headhunters**
- **Talent pool**
- **General industry**
- **Domestic and foreign Investors**
- **Business Angel Networks**
- **Pitching events**
- **Public support programs (“Förderprogramme”)**



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## Biggest Mistakes

- Yelling
- Continuing to finance a mobile messaging company that uses a blackberry
- Getting emotionally attached to a company
- Getting carried away by a success
- Incompatible investors / shareholders
- Unrealistic („un-honest“) views





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## What's next

- Exits
- Keeping up the investment pace
- Very systematic access and contact to deal flow sources
- Partnering
- Limited growth of investment team
- Keeping up the good mood



From The Truman Show: “We tend to accept the world the way it is presented to us”

1950



\*)

2010



0,82 €  
1€ = 1,2 l

8,60 €  
1€ = 0,11l



90 Mass

113 Mass

\*) 1 Mass Bier at the Münchener Oktoberfest  
Source: International Equity Gold Report, Erste Sparkasse Österreich, Juli 2011

# ... looking forward to cooperate with you



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## Happy risk taking

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