European Entrepreneurship & Innovation Thought Leaders

(ME 421)

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STANFORD ENGINEERING

June 1, 2009

Session 8

European – US Angel Investing Mini-Summit

May 18 2009

Event Partners

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european business angel network

ACA
ANGEL CAPITAL ASSOCIATION
THE PROFESSIONAL ALLIANCE OF ANGEL GROUPS

NVCA
National Venture Capital Association

Center for Venture Education

European – US Angel Investing Mini-Summit

Mon May 18

- **Claire Munck**
  - Managing Director, European Business Angel Network
- **Marco Villa**
  - Managing Director, Italian Angels for Growth
- **Arne-G. Hostrup (Germany)**
  - CEO, netzwerk | nordbayern
- **Kit Hunter Gordon (UK)**
  - Chairman & Managing Partner, Seraphim Capital
- **Marianne Hudson**
  - Executive Director, Angel Capital Association (ACA)
- **Laurie Lumenti-Garty**
  - Managing Director, Silicon Valley Bank

EBAN Silicon Valley Delegation Members

• Arne Hostrup	Netzwerk| Nordbayern	DE
• Michaela Muller	Netzwerk|Nordbayern	DE
• John Tidmarsh	E-Synergy	UK
• Kit Hunter Gordon	Seraphim Capital	UK
• Mark Boggett	Seraphim Capital	UK
• George Krikelas	Mentoring	GR
• Marie Reinius	Swedish Venture Capital Assn	SE
• Reginald Vossen	BAN Vlaanderen	Belgium
• Marco Villa	Italian Angels for Growth (IAG)	Italy
• Laurenne Hemily-Figus	“”	Italy
• Ivana Marsic	CRANE Network	Croatia
• Claire Munck	EBAN	Belgium

Partners

- Government Partners
  - Platinum Partners

  - Gold Partners

  - Silver Partners

Online Communities

- Join our LinkedIn and Facebook Groups!!
  - LinkedIn members: **1090+**
  - Facebook members: **630+**
- Twitter: *europreneurs*
  - Intended to facilitate professional, student and faculty networking outside of class
  - Open to the Public in Europe and US at no charge
  - All students should join at least one of these (see website)

Final Session
Mon June 1

- **Innovation in European Technology Corporations**
  - **Lisa Waits**
    - Director, Business Validation, Nokia Research Center
- **Course Summary**
  - **Burton Lee**
    - Course Director, European Entrepreneurship & Innovation Thought Leaders
- Region Overview: **Lille - France**
  - **Raouti Chehih**
    - CEO, Euratechnologies

Conclusions and Challenges: European Entrepreneurship & Innovation

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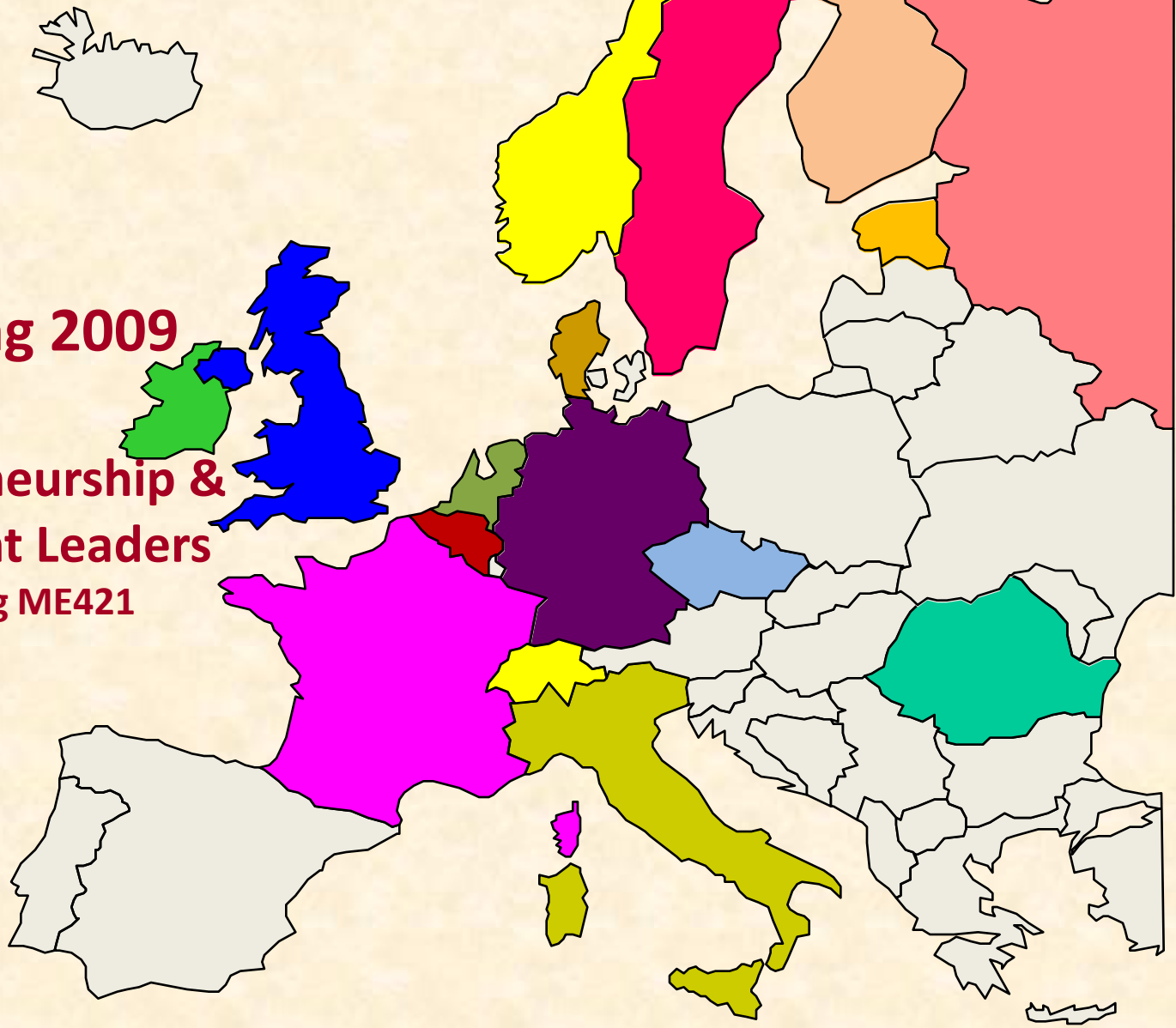
Speaker and Institutional Nationalities



Winter & Spring 2009

European Entrepreneurship & Innovation Thought Leaders

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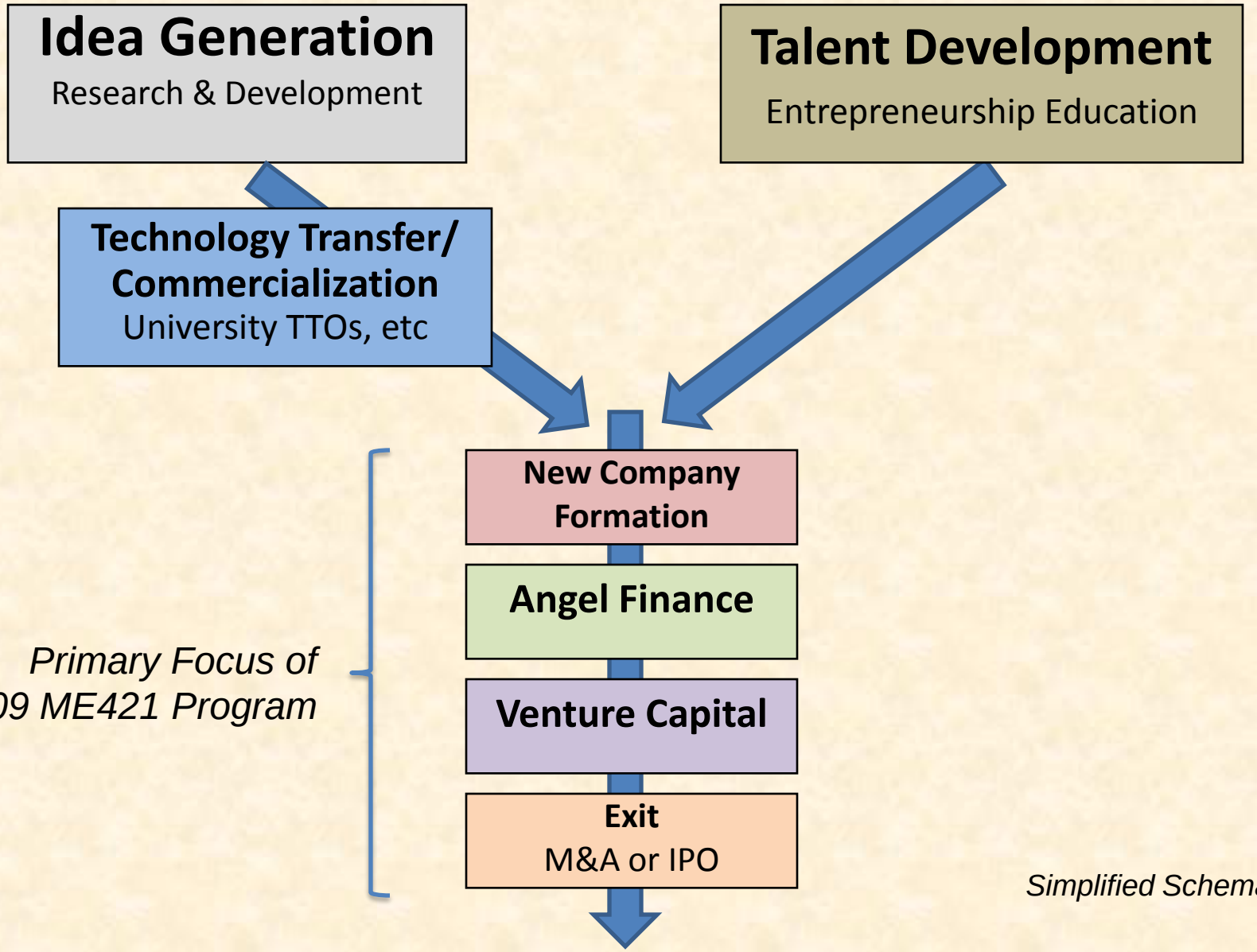
European Innovation Ecosystem



Entrepreneurs in Europe vs. USA

- Technology/engineering-Focused
- Raise smaller amounts of capital
- Approach smaller markets, incremental growth
- Do not receive support from a experienced ecosystem of early-stage partners and investors.
- Do not often work with leading companies to integrate and develop products.

- Marketing/Sales-Focused
- Raise large amounts of capital
- “Shoot for the Moon” mentality, rapid growth
- Rely on experienced ecosystem of early-stage investors and partners for support
- Work with leading companies to integrate and develop products.

Silicon Valley vs Europe

1. Silicon Valley is the top of the pyramid
2. Silicon is its own world
3. European creativity can't be under-estimated
4. **European markets can be over-estimated**
5. European markets require local Sales org.
6. 'Productivity' has different meaning in EU
7. Communication is very hard – but becoming easier
8. **Little compassion for Entrepreneurs in EU**
9. **'Failure' is not an asset in EU**
10. The combination is a winner!

Credits: Martin Frid Nielsen, Soonr

Entrepreneurial Climate in Russia

- Fantastic developers!!!
- Until recently, no start-ups, no products - only outsourcing
- Until recently, no venture capital
  - New Russians' logic: "Why give founders ownership stake? Just hire them"
  - Engineers' logic: "Options, shmoptions – give me cash"
- Things have changed over the last few years
  - Dozen VC funds, gov't support,
  - Early M&A activity but no IPO; shallow public market
  - To start own company is a dream of 20-somethings
- Easy path temptation: clone successful American products
  - Largely untapped local Internet and software market
- Hard to sell on global markets
- Corruption and over-regulation
- Global financial crisis ☹

Credits: Sergei Burkov, Google

Europe – The BAD

1. European Technology is being acquired

EUROPEAN TECH WIRE - Oct. 12, 2005
==========

- FNF Acquires Remaining 25% of Germany-Based Kordoba
- Nanoscience Inc., a U.S.-based nanotechnology company to Acquire Toumaz for £17.7 Million in Stock
- Oracle Buys Finland-Based Innobase for Undisclosed Sum
- Ebay – Skype
- **This is about the sixth acquisition of a Swiss computing firm by a big name US player** in the past year or so - only some of them were VC-backed

2. European Technology is not being commercialized

3. European Venture Capitalists are former Bankers (Too Conservative)

4. European Institutional Investors are putting money into US VCs

5. Global Synergies are not being utilized

6. European Scientists and Entrepreneurs not ambitious enough

7. European Start-ups need experienced business executives

8. Brain Drain – Scientists/Entrepreneur leaving/ being attracted

Why Do European Entrepreneurs Come to Silicon Valley?

- Difficult to scale startups quickly
  - Access to seed and early stage capital
  - Access to world class engineering and management talent
  - Improved market access
    - Consumers and enterprises
- More flexible workforce laws and regulations
- Highly supportive culture and ecosystem

Who have been successful in CEE?

☺ Local internet companies

☺ Software product companies

😐 Service companies

😐 Mobile content & software

☹ Global or regional internet companies

☹ Electronics & equipment

Credits: Allan Martinson, Martinson Trigon Venture Partners, Estonia

Angel Investing - Summary of industry statistics

2007	EU		US
Networks	↑	297	270
Estimate n of angels	↑	**75.000**	**250.000**
Investment per round	↑	165.000€	210.500€
Total estimate invested annually	↑	3-5 billion€	20 billion€
Total invested by VC annually in seed (EVCA data)	-	**4 billion €**	**20 billion €**

EU INVESTMENT ACTIVITY 25% of US LEVELS

Source: Compiled information from EBAN, ACA and Center for Venture Research

Status Quo - VC in Europe vs. US

- **$35+ billion of value created in 4.5 years by European VC-backed companies**

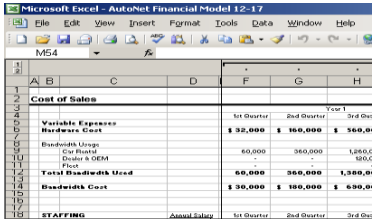
Source: EVCA

CEE success stories >$500m

Credits: Allan Martinson, Martinson Trigon Venture Partners, Estonia

Venture Capital Investors in Europe vs. U.S.A.

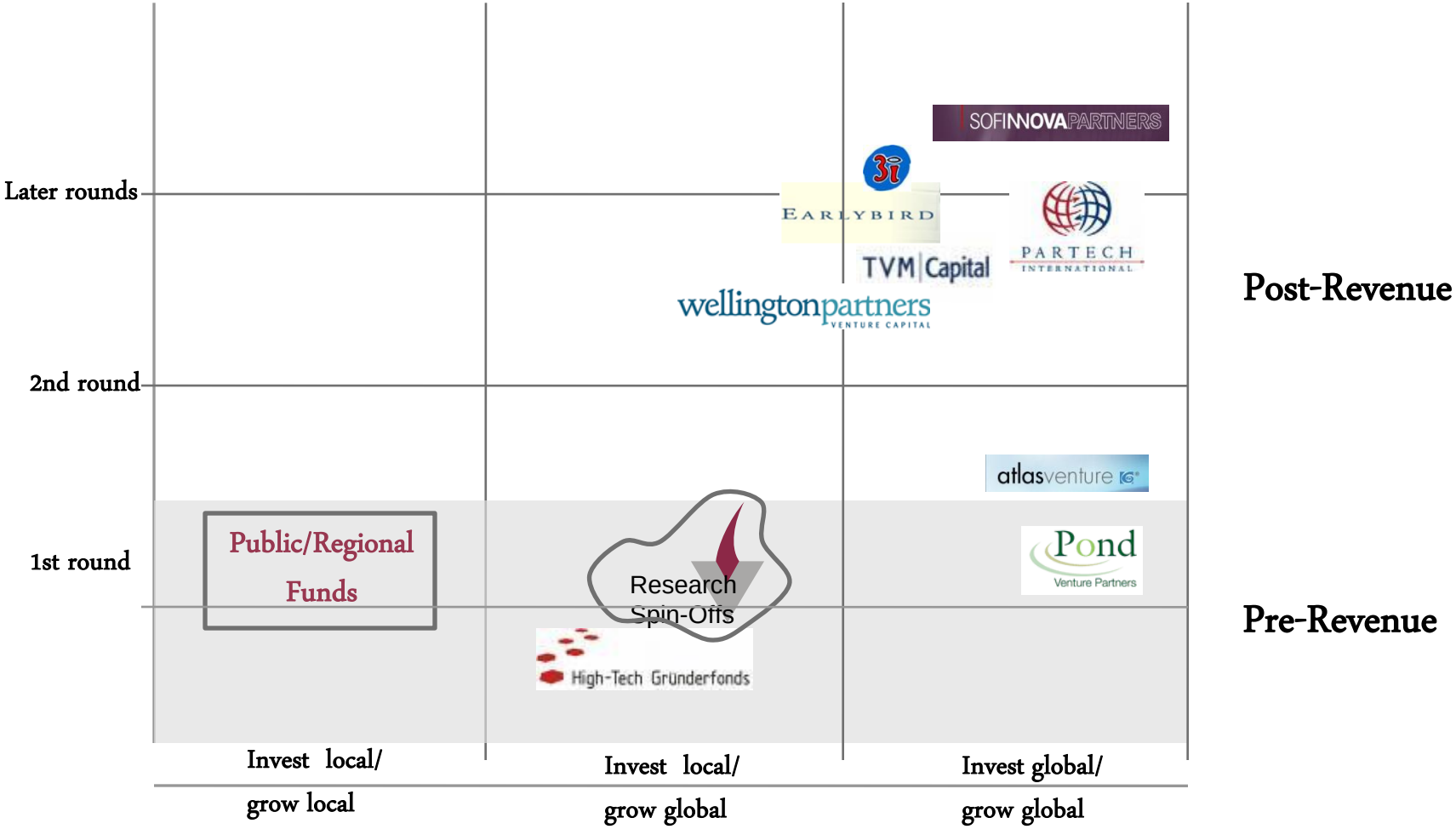
Investment Risk



Investment Evaluation Factor

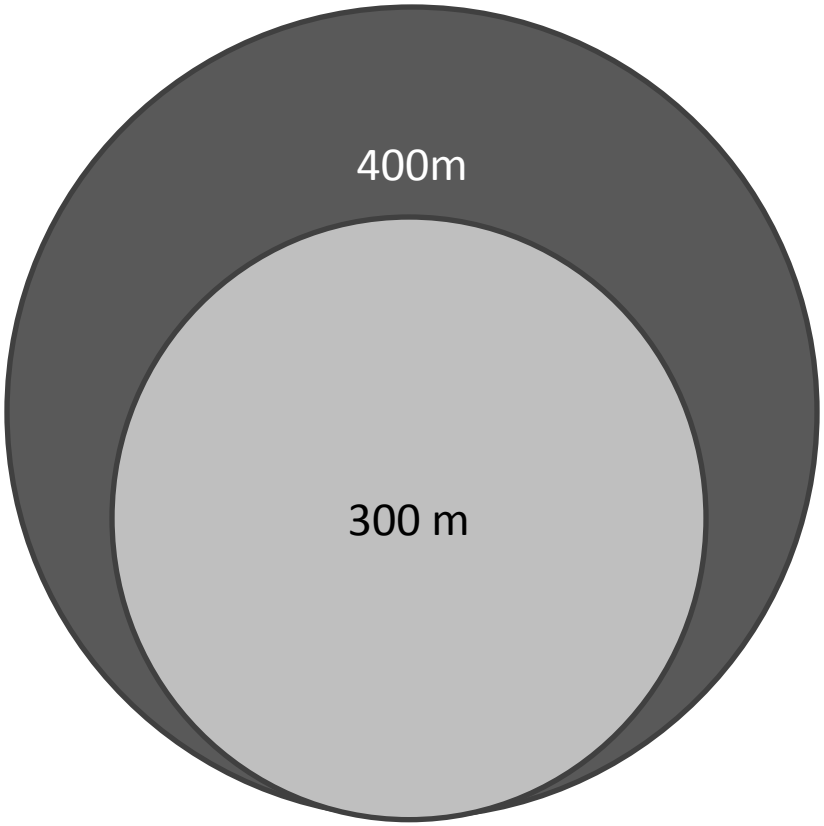
Size of Investment And Evaluation of Start-Up

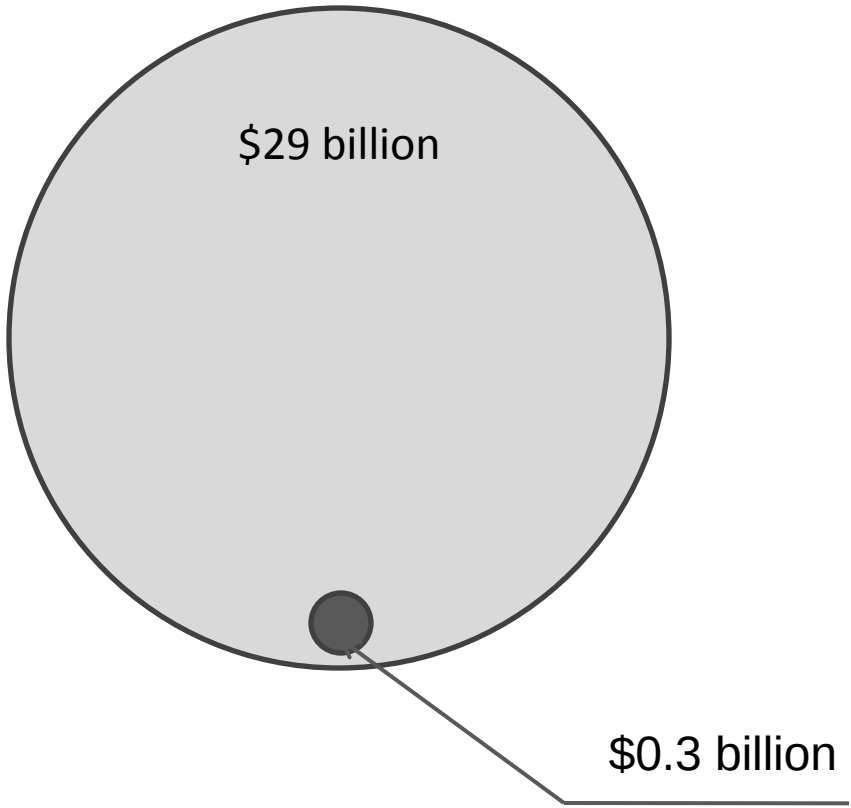
Triangle - An Introduction



Population

VC financing 2008



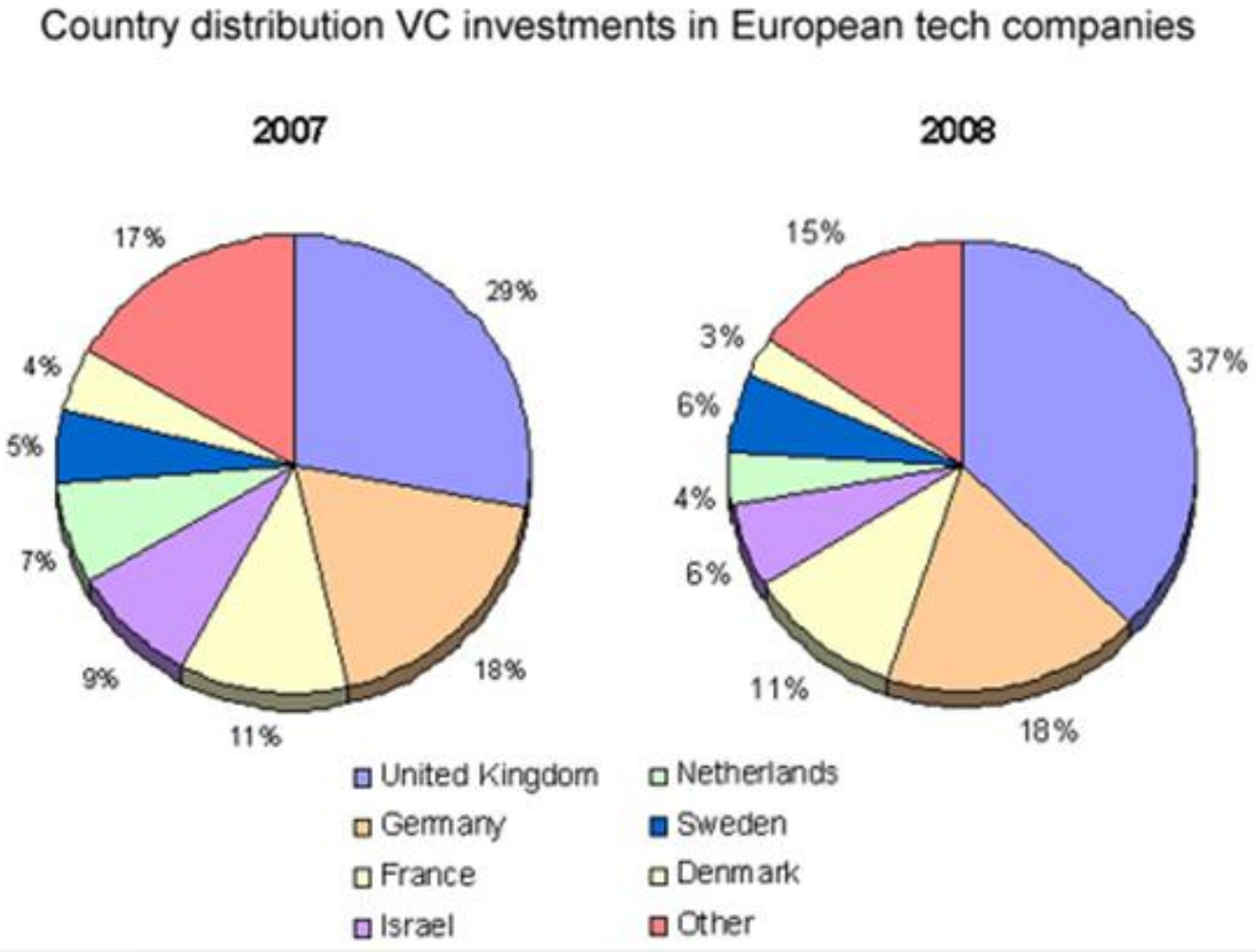


United States

Central & Eastern Europe

Credits: Allan Martinson, Martinson Trigon Venture Partners, Estonia

EU Investments



TRIANGLE
VENTURE CAPITAL GROUP

Future Perspectives of the European VC Market

- Strong Upside Potential in Future European Markets
- Commercialize the potential of dominant technology innovations in a number of high growth industries
  - UK: biopharmaceuticals, semi-conductors
  - Germany: medical devices and equipment, alternative / clean energy, semi-conductors
  - Scandinavia: wireless / telecom technologies, open source software
- High quality of deal reservoir due to innovative potential
  - 7 European countries in Top 10 re. R&D as of % of GDP
  - 6 European countries in Top 10 re. Researchers
  - 7 European countries in Top 10 re. Triadic Patent Families
- A number of European funds already make it to US top quarter performance

European Universities

- Wide disparities among regions in effectiveness of university technology transfer/ commercialization
  - Fragmented legal environment
  - Strong university traditions aimed at retaining “purity” of academic environment
- Regions that lead in university tech transfer include
  - UK, Ireland, Switzerland, Denmark, Finland
  - A very few German universities
- Most European universities are very new to TT
  - Limited experience, small licensing fees to date
  - Few spinouts from most universities
  - Faculty and leadership resistance to change can be strong

European Legal Environments

- Fragmented corporate laws
  - Corporate structures
  - Shareholder and debtor rights
  - Bankruptcy laws
- Fragmented liability laws
- Labor laws
- Intellectual property and tech transfer laws

Policy Challenges

- Excessive fragmentation of innovation clusters
- Inadequate sed and early stage capital formation
- Entrepreneurial Talent Development
  - Business and engineering schools
- Fragmented legal environment for SMEs
- University and national lab tech transfer
- Workforce policies

Policy Challenges

- Silicon Valley poses major challenges for European governments
  - Brain drain to Northern California?
  - How to engage with Silicon Valley in a manner which promotes job growth back home?
  - Inward investment (FDI) vs. incubating EU startups in the Valley
- Relations with overseas innovation clusters
  - Silicon Valley, Shanghai, etc
  - Uni-directional vs bi-directional investment?
- A broader cross-cluster view of job creation processes is needed

Stanford Program Overview and Goals

- Entrepreneurship and Europe???
- An emerging — but relatively neglected in Silicon Valley — innovation region and community
    - Educate Stanford students and faculty
    - Inform and introduce to Valley VCs, angels, entrepreneurs and corporations
    - Build out Stanford's profile and ties in the European Research sector
- A growing role in bringing new **energy**, **environmental**, water, information, medical device and life sciences technologies to the global market
- Substantial challenges in rapidly moving technical innovations developed in universities, national laboratories and corporations into the marketplace
- Increasingly looking to domestic entrepreneurship — and Silicon Valley — to accelerate economic growth and train a new generation of entrepreneurial leaders