



Setting up and managing ESIF Equity financial instruments - benefits and challenges of setting up and running them

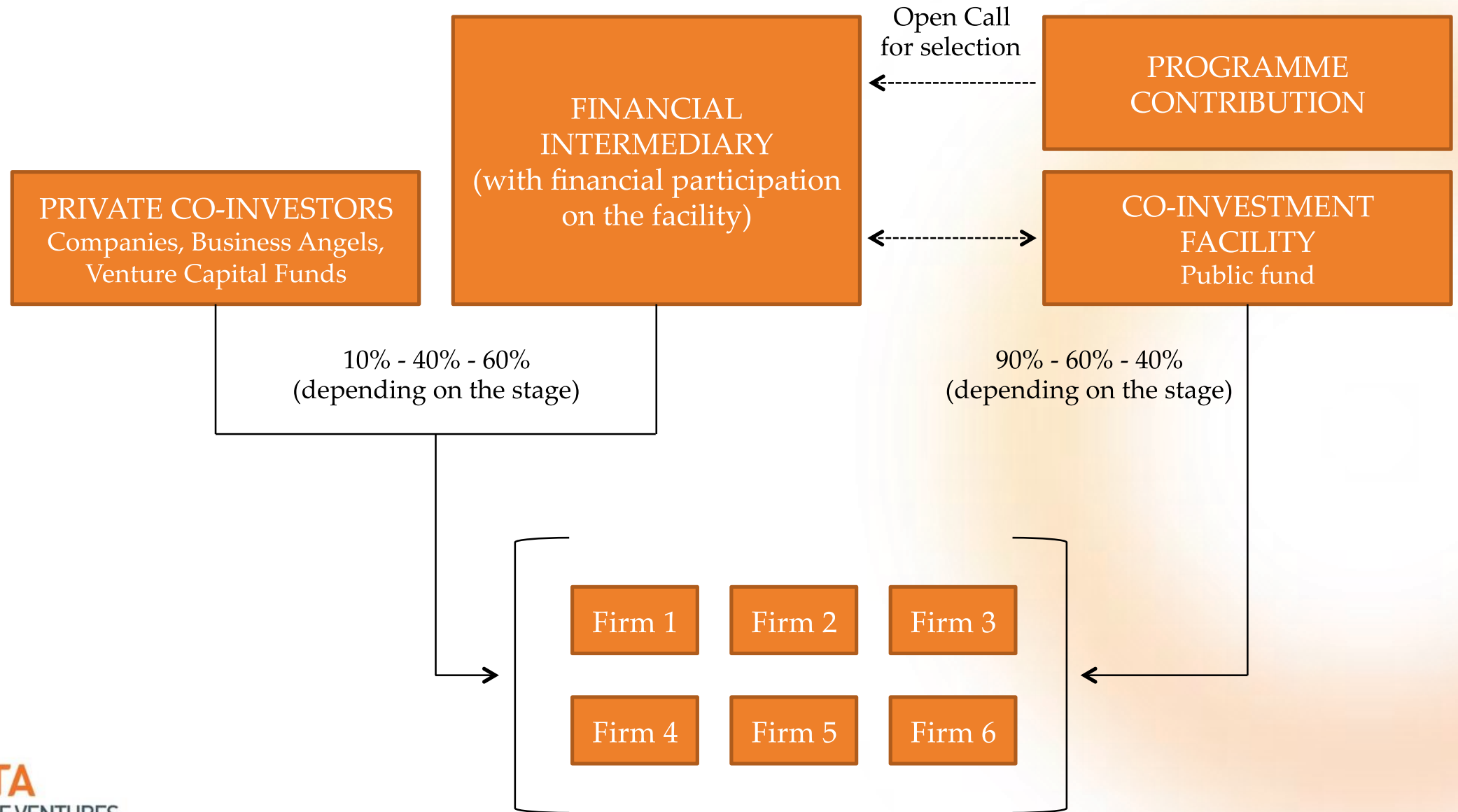
META Zernike Ventures experience

3rd meeting of the High Level Expert Group on Monitoring Simplification for Beneficiaries of ESI Funds

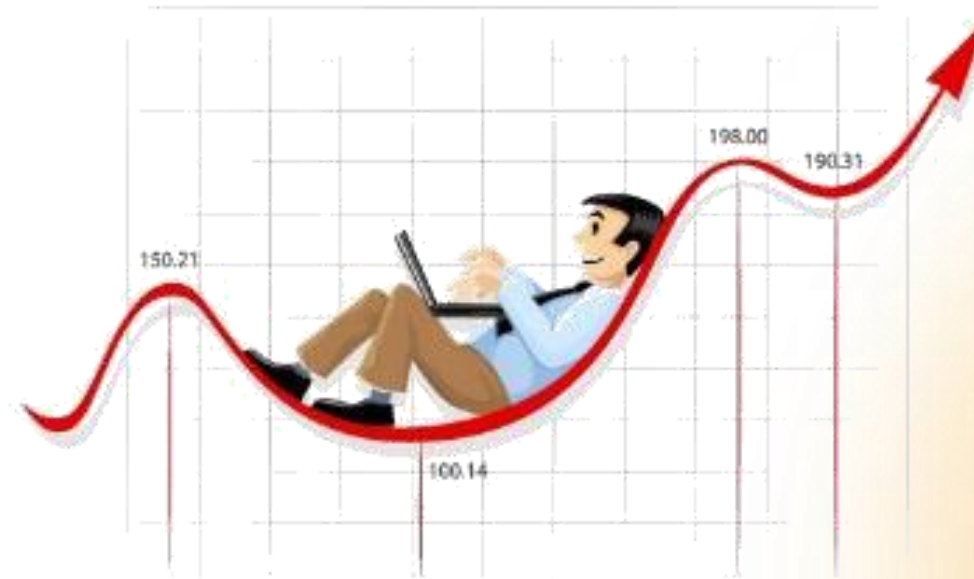
Evidence session on Financial Instruments - 02/02/2016

LUIGI AMATI, CEO META and Vice-president Business Angels Europe (BAE)

Equity Co-Investment FI (Fund) for SMEs and start-up companies



Equity FIs fosters Knowledge Intensive Companies (KICs) & 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

ACHIEVEMENTS

Portfolio META Zernike Ventures + Zernike Group

Time Period	1993 – present
# of Companies invested	220
# of Exits	Over 100 and approx 60 write offs
Notable companies	Biogenera, Angiodroid, Spreaker, Function Control, GreenBone
Gross multiple	1,43
Average range of investment	€ 300.000 - €1.000.000
Average holding period	5-7 years



The Voice of Angel Investing in Europe

BAE is the confederation of National level Association and Federations which each represent the key angel groupings in their own countries.

BAE National Members: France Angels (France); UK Business Angels Association (UK) ; BAND (Germany); IBAN (Italy); AEBAN (Spain); BeBAN (Belgium); BAN Nederland (the Netherlands); LINC Scotland; APBA (Portugal); ABAN-AWS (Austria) ...

KEY FEATURES

- MZV funds are a **unique example of a public-private partnership** involving Business Angels clubs, Business Incubators and Accelerators, Corporate ventures, etc.
- Are **compliant**, as much as possible, with the EC “off the shelf” funds
- Investments are made **on a deal by deal base**
- Co-investors and MZV funds are **independent** in their investment decision: they are free to choose to co-invest together
- **due-diligence** can (not mandatory) be performed **jointly**
- Investments are made under a **pari-passu base** (a certain level of preference may be given to private investors)

Fund Size and Investment Strategy - ONE SIZE DOES NOT FIT ALL

Indicator	Emilia Romagna	Sardinia	Slovenia	Poland
Population	4.357.700	1.671.700	2.000.092	38.200.037
GDP/capita	24.396,00	15.895,00	17.500,00	9.300,00
Inhabitants/Km²	195,8	69,4	100,0	121,9
Youth unemployment rate	18,3%	44,7%	12,4%	23,7%
Public exp in education (% GDP)	2,9	5,3	5,2	5,38
Number of Universities	4	2	4	24
Productivity Level	44.500,00	38.600,00	29.323,30	16.914,40
EU Patents applications per million inhabitants	118,64	7,16	118,85	3,5

INGENIUM SARDINIA

Ingenium Sardinia is an expansion fund investing in more traditional SMEs launched in 2009.

- It can finance **start-ups** and **expansion stage** companies based in Sardinia region;
- **34 million EURO** under management;
- resources **50% public – 50% private**;
- to be invested **min 100k€ to max 1.500k€** (per year, max total 3mil €);
- focus on **ICT, biotech and innovative industries**.

MZV, as **private management company** is responsible for all the activities: deal sourcing, due diligence, investment, monitoring and divestment.



META INGENIUM D.O.O. (SLOVENIA)

META Ingenium doo is a public-private early stage fund focused on financing the most promising companies in Slovenia

- It can finance companies seed, start ups and expansion phase stage in Slovenia and for the 30% of the total commitments abroad;
- 10,2 million EURO under management;
- resources 50% public – 50% private;
- to be invested min 100k€ to max 1.500k€ per company;
- focus on ICT, Biomed and most promising industries in Slovenia.

MZV, as private management company is responsible for all the activities: deal sourcing, due diligence, investment, monitoring and divestment.



INGENIUM POLAND

Ingenium Poland is a public-private fund in Poland investing in seed, start up and expansion stage companies based in Poland. It has been launched in 2013.

- It can finance start-ups and expansion stage companies based in Poland;
- 20 million EURO under management;
- resources 50% public – 50% private;
- to be invested min 100k€ to max 1.500k€ (per year, max total 3mil €);
- focus on innovative companies coming mostly from the ICT, Healthcare, Energy and Cleantech Sector.

MZV, as private management company is responsible for all the activities: deal sourcing, due diligence, investment, monitoring and divestment.

XPLORER FUND (POLAND)

Xplorer Fund is the first proof of concept type of fund based in Poland. It has been launched in early 2015. The fund has been operational since the 3Q of 2015.

- 5 million EURO under management;
- resources 80% public – 20% private;
- to be invested min 50k€ to max 200k€;
- focus mostly on science based start ups;

INGENIUM EMILIA ROMAGNA II

Ingenium Emilia Romagna II Fund has been the first public-private early stage fund in Italy, focusing on high-tech companies.

- It can finance companies in seed and start-ups and expansion stage companies in Emilia Romagna;
- 14 million EURO under management;
- resources 50% public – 50% private;
- to be invested min 100k€ to max 1.500k€ per company per year;
- focus on ICT, biotech and innovative industries.

MZV as private management company is responsible for all the activities: deal sourcing, due diligence, investment, monitoring and divestment.



Examples of Investments

Business Case

Biogenera

Headquarters: Bologna (Italy)

Industry: Biotech

Investment: € 2,700,000

Stage: Seed

ZMV ownership: 42%

Investment date: 2009

Valuation: € 50mln

To be noticed: The company collected the interest of more than 40 business angels and MZV.



www.linkedin.com/company/biogenera-spa

Short description: Biogenera is a biotech company engaged in research and development of treatment for pediatric cancer. The company was founded in 2009 by two professors from Bologna University.

The molecule got recognition of Orphan Drug from EMA – the European Medicine Agency and it is now in this Phase I research.

Use of proceeds: The investment allowed the company to go through the pre-clinical and Phase I research.

Business Case

Angiodroid

Headquarters: Bologna (Italy)

Industry: Medical Devices

Investment: € 1,900,000

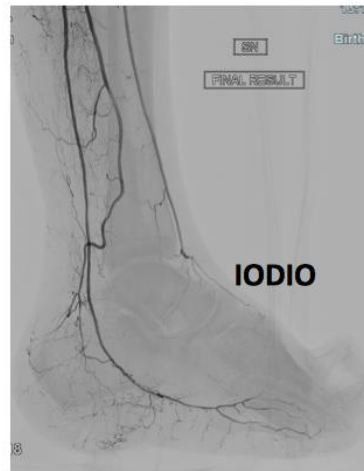
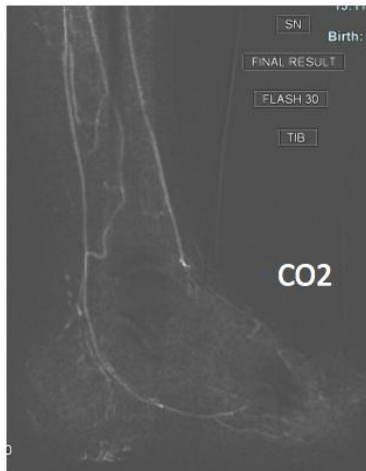
Stage: Start-up

ZMV ownership: 31%

Investment date: 2013

Valuation: not disclosed

To be noticed: patented technology for the use of carbon dioxide



www.angiodroid.com

Short description: Angiodroid developed and patented an innovative medical device for peripheral interventional angiography based on carbon dioxide controlled injection. The company is the first one substituting traditional iodinated contrast media in angiography procedures eliminating all related side effects associated with renal or diabetic vascular disease.

Use of proceeds: The company recently secured a first round of financing or around 1 mln Euro and will be looking for additional 2 mln in the following 12 months to push the commercialization of its devices in US, China and Brazil.

Business Case

B-Shiver

Headquarters: Olbia (Italy)

Industry: Manufacturing

Investment: € 3,000,000

Stage: Expansion

ZMV ownership: 43%

Investment date: 2012

Valuation: not disclosed

To be noticed: innovative design



Short description: SNO Yachts is a company operating in the marine industry offering all kind of services for yachts ranging from 12 to 70 meters. Through the company B-Shiver, where the Ingenium Fund invested in 2012 to sustain the expansion stage, the group is producing and selling luxury yachts, under the brand Novamarine and Black-Shiver.

Use of proceeds: Thanks to Ingenium investment, the company has been able to reach high worth customers mainly in the Arabic Peninsula and to expand his producing facilities in Sardinia.

Business Case

Folx TV

Headquarters: Ljubljana (Slovenia)

Industry: TV, entertainment

Investment: € 600,000

Stage: Start-up

ZMV ownership: 49%

Investment date: 2014

Valuation: not disclosed

To be noticed: proprietary formats of TV Shows particularly appealing for German speaking audience



www.folx.tv

Short description: Folx TV is a folks music entertainment TV channel, with the entire production and post-production performed in Slovenia, while broadcasting on foreign, mainly German speaking markets (22 million households in Germany, Austria, Switzerland and German-speaking part of Italy).

Use of proceeds: Fund investment was used for entering satellite broadcasting and implementation of new TV formats.

TRESOR D.O.O.

Tresor d.o.o. is a Slovene company developing "Bollicine di Stile" website and "My Sparkling Diary" App, an integrated platform to deliver to the general public a set of information related to new fashion trends and life-style, together with buying opportunities through an e-commerce.

Platform integrates web-portals, e-commerce, fashion events, training days on fashion and a specialized platform, where users can share their styles, comment, create communities and organize events.



Location: Ljubljana
Industry: Fashion/ICT
Investment Stage: Seed
Investment date: 2014
ZMV investment: 1.03 Mln €
Status: unrealized

Lessons learnt and recommendations

Main Takeaways

Lessons learnt 1

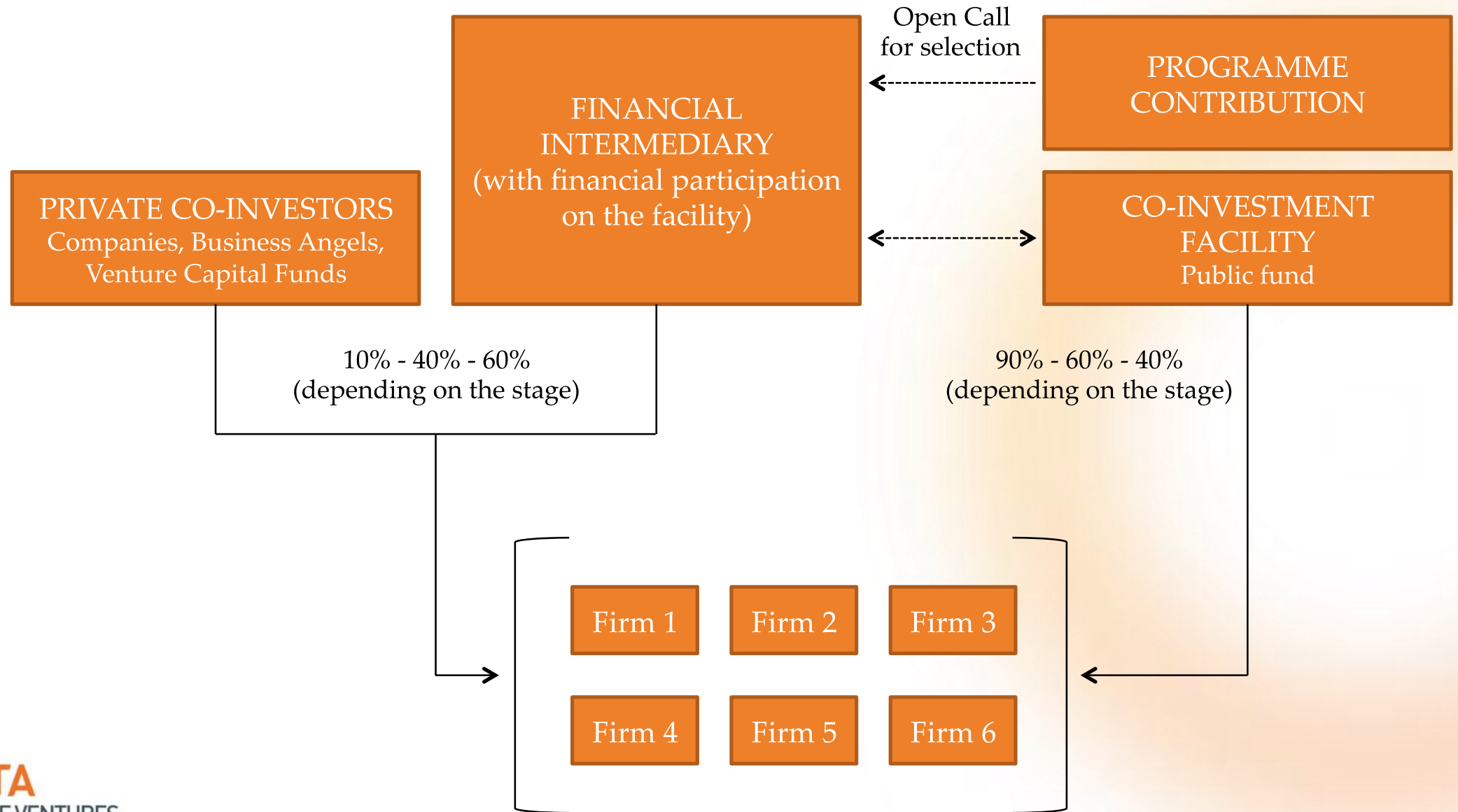
- > Every region has presented us with a totally different tender often quite far from market logic
- > A number of tender we participated to were far from being “open, transparent and non-discriminatory”
- > A lot of Managing Authorities are not aware of the off the shelf possibility, for equity it has not been officially published yet
- > A lot of managing authorities do not perceive the need for a truly commercially driven fund manager for Equity Financial Instruments
- > Assigning management to “in house” or similar organization ends up in investing either blindly after private investors or de facto transforming equity in low risk loan types of instrument
- > In some countries reporting for ESIF and reporting for AIFMD is quite different and very expensive and in general reporting is quite heavy

Main Takeaways

Lessons learnt 1

- > **Off the shelf Equity Financial instrument implementing act** should be in place asap and need for different solution should need strong justification from Managing Authorities
- > **Co-investment** facilities are suitable FIs for managing authorities willing to support **KICs** and R&D results **exploitation** and looking for Public Private Partnerships (**PPPs**)
- > A **deal by deal** approach is what is missing so far and is key to leverage at its best the contribution of the **private sector**
- > Co-investment **facility** (not only funding but also services) including grants and advice to improve impact (investment readiness etc.)
- > **Commercially driven fund manager** is necessary to align interests, **take the necessary risk** and build the adequate portfolio

Equity Co-Investment FI (Fund) for SMEs and start-up companies



Main Takeaways

Lessons learnt

- **The size of the fund must be consistent with the investment focus** of the fund: the financial need of an early stage company generally is smaller than an expansion deal
 - A minimal size for an early stage fund is around €15/20 million;
 - A good size for an early stage fund is around €30/40 million;
- **“Scouting” costs could be relevant** for smaller funds: such as early stage funds cannot be able to reimburse the costs to the Management Companies. MAs can provide grants to cover this costs;
- **The co-investment instrument attracts more private investors** (Bas, VCs) and contributes to **professionalization** of the local community of business angels.

Why a commercially driven fund manager?

The Importance of a General Partner committed to take high risks

- Successful Early stage Equity Funds focused on High Growth Innovative firm work with a portfolio of 10+ companies out of which majority will fail
- Reward for a fund manager is carried interest at the end of the fund life
- Private investors would like to see alignment of interest
- In “normal” funds individual General partner - fund manager commit their own money into the fund to ensure alignment of interest with Investors - Limited Partners

Thank you for your kind attention

LUIGI AMATI, CEO META GROUP

For further information contact:

Ms Emma FAU

Avenue des Arts 12 Bte 7
B-1210 Brussels

+32 4769 3959 2

e.fau@meta-group.com