

Bayern *Kapital*

Venture Capital für Bayern



Financing of Innovations

Seedfonds Bayern

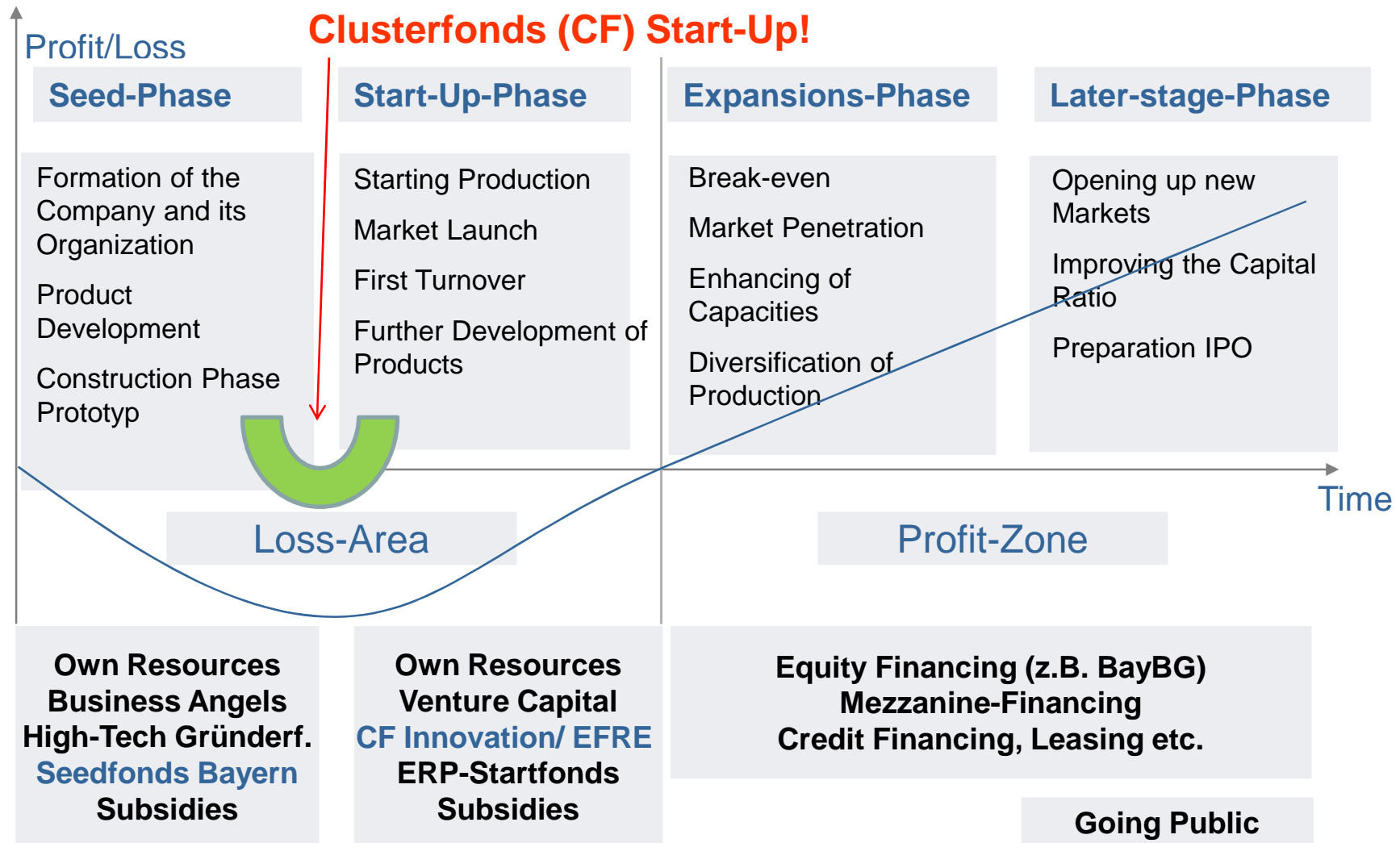
Clusterfonds Start- Up!

Clusterfonds Innovation

Clusterfonds EFRE Bayern

- Founded as part of the "Bavarian Future Initiative" as a wholly-owned subsidiary of the LfA Foerderbank Bayern (Bavaria's development bank) at the end of 1995
- **Investing in young, innovative high-technology-companies in Bavaria:** Objective is to finance research and development as well as the market launch of **new products**
- Bayern Kapital and its funds have invested 152 Mio. € in more than **180 companies**; Bayern Kapital currently manages funds to the value of **200 Mio.€**
- Four investing funds: **Seedfonds Bayern**, **Clusterfonds Start-Up!**, **Clusterfonds Innovation** and **Clusterfonds EFRE Bayern** with total investment of almost 94 Mio. €.

Types of Financing during the Company Lifecycle



- **Financing of technology companies** (max. age 12 month) during the seed-phase
- **Industries:** software& IT, medical technology sector, new materials etc.
- **Amount of overall Investment:** 250 k€ or 500 k€ in combination with High-Tech Gründerfonds
- silent partnership, equity shares, shareholder's loan
- **Duration:** at the latest 31.12.2020
- **Coach necessary,** giving technical and economic advice, should invest in the company

Requirements for Investment

In combination with **High-Tech Gründerfonds (I)**:

- **Maximum amount 600 k€**, as follows
max. 400 k€ from High-Tech Gründerfonds (HTGF)
and max. 200 k€ from Seedfonds Bayern
- Combination of **equity share** and **subordinated loan**:
 - 18% shares of the company (nominal quotation)
therefore 12% HTGF and 6% Seedfonds Bayern
plus
 - Shareholder's loan with option for conversion into
shareholders equity
duration: seven years
interest: 10% pa (respite for four years)

Seedfonds Bayern

Requirements for Investment

In combination with **High-Tech Gründerfonds (II)**:

- **Personal contribution amounting to max. 80 k€** by the founders. The coach or a seed-investor can pay half of this contribution.
- After first financing **chance of follow-up financing** (amounting to max. 300 k€ Seedfonds Bayern).

Key Conditions

Responsibilities of the Business Coach:

- Check and document **conditions governing the participation** and prepare the documents covering the application for Seedfonds participation
- Provide **technical and operational advice**
- Provide **comprehensive support in early phase** of the project
- Monitor and confirm **spending of seed money**
- Take an active role in transition to **subsequent financing**

A list of coaches can be found at:
ww.bayernkapital.de/Seedfonds/Coaches

Investment Requirements

Formal Requirements for Investments(I)

- ✓ The company has to have its headquarters in **Bavaria**
- ✓ The technical company has to operate under the legal form of a **limited liability company**
- ✓ The know-how providers must be **an integral part** of its management
- ✓ The know-how providers must own **more than 50 %** of the company
- ✓ The company's operations may **not have commenced more than one year** prior to application

Investment Requirements

Formal Requirements for Investments(II)

- ✓ No private venture capital involvement to date
- ✓ Overall financing of the project must be assured
- ✓ Company must fulfill the EU criteria for small and medium-sized firms:
 - employ no more than 250 people
 - annual sales not exceeding 50 Mio. EUR or total assets amount of balance sheet not exceeding 43 Mio. EUR
 - Other companies owning less than 25% of the company's capital or these criteria will be met in full by the participant companies respectively
- ✓ Normally in combination with the High-Tech Gründerfonds (www.high-tech-gruenderfonds.de)

Founding Concepts to be supportive

Requirements with regards to content:

- ✓ Motivated, experienced founder
- ✓ Project must have a competitive advantage and strong market potential
- ✓ The results of the innovative project should lead to a considerable impulse to sustainable development and profitability
- ✓ Growth market with significant market volume
- ✓ Sustainable, scalable businessmodell (product related business)
- ✓ Fullfilling the requirements regarding the acquisition of further equity capital after the Seedphase
- ✓ Existing exit-scenario

Example

Founding in the Medical Technology sector (Seedphase)
Supporting the **phase of conception**: EXIST-Seed

Seedphase:

Demand for Capital:

Origin of Capital:

Investments	150 k€	HTGF	400 k€
Personnel Exp.	350 k€	Seedfonds	200 k€
R&D Exp.	120 k€	Founder	60 k€
Exp.for Patents	100 k€	Coach	20 k€
Sales..	30 k€	BayTOU	200 k€
Further Exp.	130 k€		
Total	880 k€	Total	880 k€

Start-up-Phase: Follow-up Financing approx. 18 months later by Venture Capital Company, Clusterfonds EFRE/ Innovation and KfW/ERP-Startfonds

The way to Investment Capital (I)

- **Contact**
Submission of the existing business plan and business concept with approval from the coach.

- **Check up of the business concept** based on the following investment criteria:
 - Founders personality
 - Degree of innovations and strategic competitive advantage
 - Unique selling point
 - Customer value
 - Market potential and growth potential
 - Planning: applicability to reality and plausibility

- **First Feedback** ten working days later

The way to Investment Capital (II)

- **Fill in application form:** to be signed by founder and coach. Application forms can be found at www.bayernkapital.de.
- **Due diligence** including a structured check up of the project and obtaining expert advice on evaluating the technological base, the grade of innovation and the market opportunities.
- Preparation of the investment-advice and **permission**
- Conclusion of the **participation agreement**
- **Continuous monitoring** and ongoing support

Clusterfonds Start-Up!

- **Financing of young technology companies** (age 12 to 24 months), bridge from seed phase to start-up phase
- **Industries:** software & IT, medical technology sector, new materials, etc.
- **Maximum amount of investment: 500 k€**
- **Model of investment:**
 - 10% shares of the company (nominal plus quotation) Shareholders loan with option for conversion into shareholders equity, duration: seven years, interest: 10% p.a. (respite for 2 years)
 - Alternative:
investment in equity + agio (evaluation of further investors in equity)
 - Silent partnership (subordinated) possible in individual cases; conditions specific to the project
- **Coach necessary**, giving economic and technical advice

Clusterfonds Start-Up!

Financing what?

- Start-up of the company and its structures
- Expenses for process- und product development including essential patent applications
- Expenses associated with the introduction of the developed products and processes to the marketplace
- Expenses incurred by the business coach up to pre-determined amount

Clusterfonds Start-Up!

Investment Requirements

Formal Requirements for Investments(I)

- ✓ The company has to have its headquarters in **Bavaria**
- ✓ The technical company has to operate under the legal form of **a limited liability company**
- ✓ The know-how providers must be an **integral part** of its management
- ✓ The know-how providers must **own more than 50 %** of the company
- ✓ The companys operations may have **commenced more than one year before** application, but the companies operations may not have started more than two years prior to application

Investment Requirements

Formal Requirements for Investments(II)

- ✓ Overall financing of the project must be assured
- ✓ Founders **personal contribution** in the seed phase and / or sideinvestment in the actual project to the total amount of **100 k€**
- ✓ Company must fulfill the **EU criteria for micro and small-sized firms**:
 - Employ no more than 250 people
 - Annual sales not exceeding 10 Mio. € or total assets amount of balance sheet not exceeding 10 Mio. €
 - Other companies owning less than 25% of the company's capital respectively or those criteria will be met in full by the participating companies restrictively

Clusterfonds Start-Up!

Founding Concepts
to be supportive

Requirements with regards to content:

- ✓ Motivated, experienced founder
- ✓ Proof of technics achieved
- ✓ Project must have a competitive advantage and strong market potential
- ✓ The results of the innovative project should lead to a considerable impulse to sustainable development and profitability
- ✓ Growth market with significant market volume
- ✓ Fulfilling the requirements regarding the acquisition of further equity capital after the Seedphase respectively a sufficient own financial power is feasible
- ✓ Existing exit-scenario

Clusterfonds Innovation

Financing what?

- **Parallel financing** of capital investment and working capital for innovation projects of **young, technology - oriented companies**; especially during the research and development, constitution and expansion phases
- **Industries:** life science, micro-system technology, communication technology, software etc.
- Maximum investment amount: **2.000.000 €**
- **Silent partnership or equity share**
- Duration of the silent partnership: at latest 31.12.2018
- **Leadinvestor necessary**, equal participation with Clusterfonds Innovation

Requirements of Investment

Co-operation with a leadinvestor (I)

- Co-operating investor (investment company, company or private person) investing in the project as „leadinvestor“
- Co-operating investor has to prove his excellence in technical and management know-how
- Capital investment from additional investor must be simultaneous with Clusterfonds Innovation investment
- **Using seperate treatments (EU law) until 12/2010:**
 - Min. 30 % (before 50%) private part of financing
 - Investment of leadinvestor and Clusterfonds Innovation max. 2,5 Mio. EUR (before 1,5 Mio. EUR) per 12 months

Requirements of Investment

Co-operation with a leadinvestor (II)

- Co-operating investor supports technological company comprehensively for example in questions of strategy and its realisation. Investor uses his/her network contacts particularly with regard to potential customers and partners.
- Constant reporting to Clusterfonds Innovation about the economic situation and project progress
- Common exit

Clusterfonds Innovation

Conditions for Investment

Investment conditions regarding **equity share**:

- Conditions for equity share are **identical** to Clusterfonds Innovation and leadinvestor

Investment conditions for **silent partnership**:

- **Fixed basic fee** not contingent on earnings
- **Profit related** investment fee
- Appropriate **exit-Fee**
- **Once-off fee** amounting to 2% of the investment
- **Flexible adjustment** of the investment conditions depending on situation of the company (age, revenue etc.)

Clusterfonds EFRE

Analogue to Clusterfonds Innovation:

- Investment criteria and requirements
- Investment conditions

But.....

- Special geographic investment focus- young innovative high-technology companies especially in **certain rural areas of Bavaria**

- Map and list can be found on our homepage <http://bayernkapital.de/informationen/download>

- Special conditions for silent partnerships

- **Using separate treatments (EU law) until 12/2014 for so-called „C-Foerdergebiete“ in Bavaria:**

- Min. 30 % (before 50%) private part of financing

„Investition in Ihre Zukunft“



Der „Clusterfond EFRE Bayern“ wird von der Europäischen Union aus dem Europäischen Fond für Regionale Entwicklung und vom Freistaat Bayern kofinanziert.



Bayern *Kapital*



Venture Capital für Bayern

Roman Huber

Managing Director

Rudolf Mayr

Managing Director

Address:

Bayern Kapital GmbH
Ländgasse 135 a
D-84028 Landshut

Phone:

0871 92325 - 0

Fax:

0871 92325 - 55

Homepage:

www.bayernkapital.de

E-Mail:

info@bayernkapital.de

