



## RAM MORTGAGE PRESENTS

### THE VENTURE CAPITAL INDUSTRY

- THIS PRESENTATION WILL ANSWER SUCH QUESTIONS AS:
  - 1. WHAT IS VENTURE CAPITAL?
  - 2. WHERE DO VENTURE CAPITALIST GET THEIR MONEY?
  - 3. WHAT ARE THE KEY ELEMENTS OF VENTURE CAPITAL?
  - 4. DO VENTURE CAPITALIST DIFFER AMONG DIFFERENT COUNTRIES?
  - 5. A VENTURE CAPITAL COMPANY MUST MANAGE THE BALANCE BETWEEN WHAT THREE FACTORS?
  - 6. WHAT ARE THE MARKET SEGMENTS/PRODUCT GROUPS FOR VENTURE CAPITAL?
  - 7. WHO ARE THE PLAYERS IN THE VENTURE CAPITAL MARKETS?
  - 8. SUMMARY

# VENTURE CAPITAL DEFINITION

- VENTURE CAPITAL IS A SUBSET OF PRIVATE EQUITY, MADE FOR THE LAUNCH, EARLY DEVELOPMENT OR EXPANSION OF A BUSINESS.
- PRIVATE EQUITY IN THE SENSE OF VENTURE CAPITAL PROVIDES EQUITY CAPITAL TO ENTERPRISES NOT QUOTED AT THE STOCK MARKET. THE MONEY CAN BE USED TO DEVELOP NEW PRODUCTS AND TECHNOLOGIES, TO EXPAND WORKING CAPITAL, TO MAKE ACQUISITIONS, OR TO IMPROVE A COMPANIES GEARING-UP. IT IS ALSO USED TO RESOLVE OWNERSHIP AND MANAGEMENT ISSUES AS THE SUCCESSION IN FAMILY-OWNED COMPANIES OR THE BUY-OUT OR BUY-IN BY EXPERIENCED MANAGERS.

# KEY ELEMENTS OF VENTURE CAPITAL

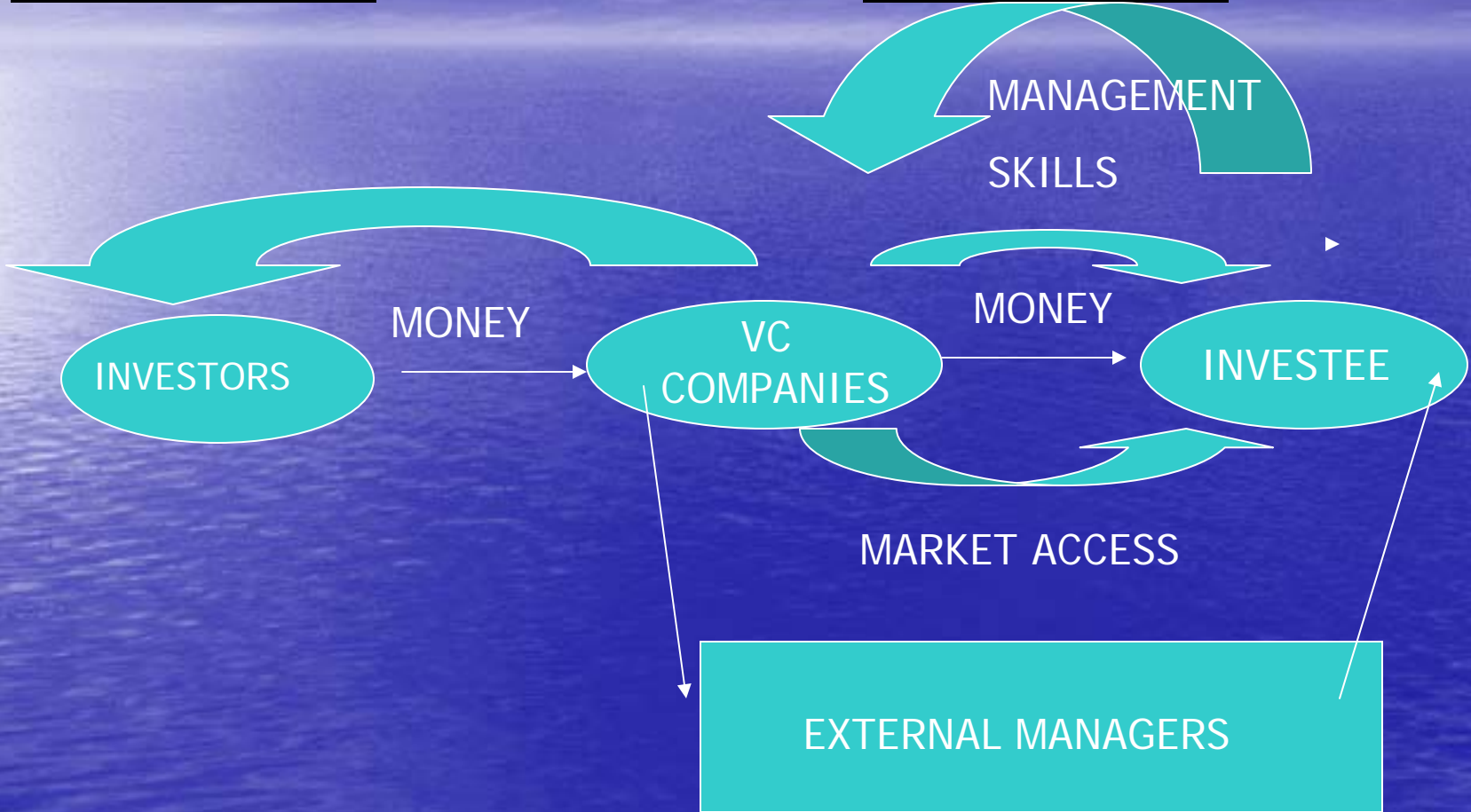
- THE KEY ELEMENTS ARE:
  - 1. INVESTMENTS IN UNQUOTED COMPANIES
  - 2. IS EQUITY CAPITAL BY NATURE
  - 3. IS MEDIUM TO LONG-TERMS TARGETED AT COMPANIES WITH GROWTH POTENTIAL
  - 4. IS COMBINED WITH AN ACTIVE SHAREHOLDER INFLUENCE BY THE INVESTOR

AMONG DIFFERENT COUNTRIES, THERE ARE VARIATIONS IN WHAT IS MEANT BY VENTURE CAPITAL AND PRIVATE EQUITY. IN EUROPE, THESE TERMS ARE GENERALLY USED INTERCHANGEABLY AND VENTURE CAPITAL THUS INCLUDES THE FINANCING OF MANAGEMENT BUY-OUTS AND BUY-INS (MBO/MBI'S). THIS IS IN CONTRAST TO THE U.S. WHERE MBO/MBI'S ARE NOT CLASSIFIED AS VENTURE CAPITAL.

# INVOLVED PARTIES

## RETURNS

## RETURNS

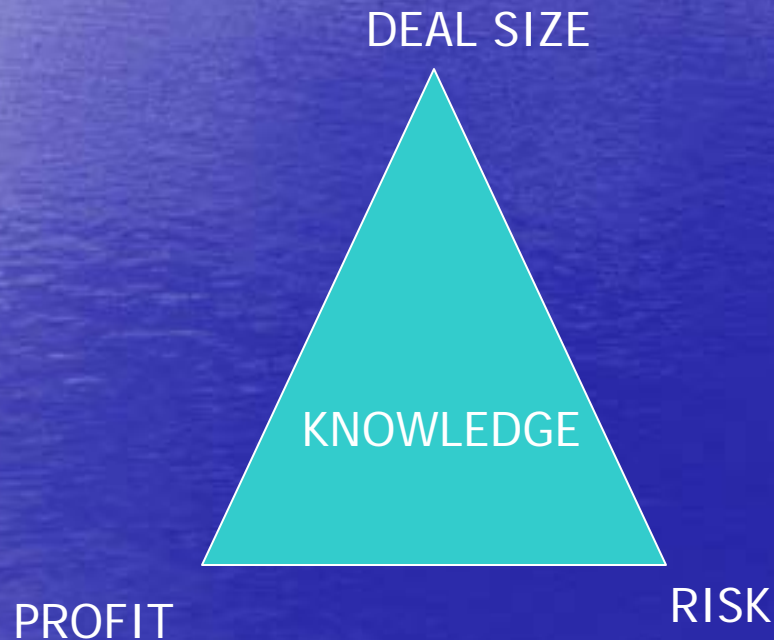


# INVOLVED PARTIES

- THE VENTURE CAPITAL COMPANIES OBTAIN THEIR FUNDS FROM INVESTORS. THESE ARE INSTITUTIONAL INVESTORS, THE PARENT COMPANIES OF THE VENTURE CAPITAL COMPANIES, PRIVATE INDIVIDUALS AND OTHER PARTIES. THEIR MONEY IS COMPRISED IN A FUND, WHICH IS MANAGED BY THE VENTURE CAPITAL COMPANY. THE MANAGEMENT DECIDES TO INVEST THIS MONEY INTO INVESTEE-COMPANIES. IN ADDITION, THE VENTURE CAPITAL COMPANIES CAN PROVIDE THEIR INVESTEES MANAGEMENT SKILLS, CONTACTS AND MARKET ACCESS. IF APPROPRIATE THEY FIND THEM EXTERNAL MANAGERS. VC COMPANIES ARE AN ACTIVE PARTNER TO THE INVESTEE COMPANY e.g. BY PROVIDING KNOW-HOW AND OBTAINING A NETWORK, IN ORDER TO PROMOTE THE COMPANIES GROWTH AND GENERAL BUSINESS STABILITY. THIS IS REFLECTED BY REPRESENTATION IN THE BOARD, ACT AS MANAGEMENT CONSULTANTS AND AS FINANCIAL ADVISORS IN CERTAIN PROJECTS. THE INVESTEES ARE OFTEN HIGHLY INNOVATIVE COMPANIES IN THEIR GROWTH PHASE THAT LACK SUFFICIENT SENIOR MANAGEMENT SKILLS. THE VENTURE CAPITAL FIRMS GET THEIR RETURNS MAINLY WHEN THEY SELL OUT THEIR STAKES IN THE INVESTEE COMPANIES. OFTEN THIS IS DONE IN THE COURSE OF AN IPO (INITIAL PUBLIC OFFERING).

# KEY SUCCESS FACTORS

- EVERY DEAL HAS AN ELEMENT OF POTENTIAL PROFIT AND AN ELEMENT OF RISK, DEPENDING ON THE DEAL SIZE. TO BE SUCCESSFUL, A VENTURE CAPITAL COMPANY MUST MANAGE THE BALANCE BETWEEN THESE THREE FACTORS.



# KEY SUCCESS FACTORS

- **KNOWLEDGE IS KEY, TO GET THE BALANCE IN THIS “MAGIC TRIANGLE”. WITH KNOWLEDGE WE MEAN KNOWLEDGE ABOUT THE FINANCIAL MARKETS AND THE INDUSTRIES TO INVEST IN, RISK MANAGEMENT SKILLS AND CONTACTS TO INVESTORS, POSSIBLE INVESTEES AND EXTERNAL EXPERTISE.**
- **HIGH PROFITS, ACHIEVABLE BY LARGER DEALS, ARE NOT ONLY IMPORTANT FOR THE FINANCIAL PERFORMANCE OF THE VENTURE CAPITAL COMPANY. AS A GOOD TRACK RECORD THEY ARE ALSO A VITAL ARGUMENT TO ATTRACT FUNDS WHICH ARE THE BASIS FOR LARGER DEALS. HOWEVER, LARGER DEALS IMPLY HIGHER RISKS OF LOSSES. MANY VENTURE CAPITAL COMPANIES TRY TO SHARE AND LIMIT THEIR RISKS. SOLUTIONS COULD BE ALLIANCES AND CAREFUL PORTFOLIO MANAGEMENT.**

# MARKET SEGMENTS

- THE FOLLOWING ARE MARKET SEGMENTS/PRODUCT GROUPS:
  - SEED CAPITAL
  - START-UP CAPITAL
  - EXPANSION CAPITAL
  - MBO/MBI AND M&A CAPITAL
  - BRIDGE FINANCING CAPITAL
  - RESCUE CAPITAL

FIRST ONE MUST UNDERSTAND THE MAJOR PHASES OR STAGES OF A BUSINESS CYCLE: EMBRYONIC, GROWING, MATURING AND AGEING.

SEED CAPITAL AND START-UP CAPITAL ARE PROVIDED TO FINANCE THE EMBRYONIC AND EARLY GROWTH PHASES OF A COMPANY. SEED CAPITAL IS USED TO DETERMINE WHETHER AN IDEA IS WORTH FURTHER CONSIDERATION AND TO TRANSFORM THE IDEA INTO A WORKING BUSINESS CONCEPT. START-UP CAPITAL FINANCES THE FOUNDATION OF THE COMPANY AND ABOUT THE FIRST YEAR OF ITS OPERATION. TYPICAL ACTIVITIES FINANCED BY START-UP CAPITAL ARE PROTOTYPE DEVELOPMENT AND TESTING AND TEST MARKETING.

# MARKET SEGMENTS

- **EXPANSION CAPITAL SUPPORTS COMPANIES IN THE GROWTH PHASE WHICH HAVE ALREADY BROUGHT THEIR PRODUCTS TO MARKET. MBO/MBI AND M & A CAPITAL IS NORMALLY PROVIDED TO MORE MATURE COMPANIES. IT FINANCES CHANGES IN THE OWNERSHIP OF THE INVESTEE, NECESSARY TO SET THE BASIS FOR FURTHER SUCCESSFUL DEVELOPMENT.**
- **BRIDGE FINANCING CAPITAL IS DETERMINED TO FINANCE THE EXPENSES IN THE PERIOD BEFORE THE IPO. COMPANIES CAN ALSO OBTAIN VENTURE CAPITAL TO OVERCOME ECONOMIC PROBLEMS. MEASURES TO RETURN TO PROFITABILITY AND COMPETITIVENESS ARE FINANCED BY RESCUE CAPITAL.**

# THE PLAYERS

- THE FOLLOWING ARE VARIOUS GROUPS OF PLAYERS:
  - ANGELS AND ANGEL CLUBS
  - VENTURE CAPITAL FUNDS
    - SMALL
    - MEDIUM
    - LARGE
  - \_ CORPORATE VENTURE FUNDS
  - \_ FINANCIAL SERVICE VENTURE GROUPS

ANGELS AND ANGEL CLUBS ARE USUALLY WEALTHY INDIVIDUALS WHO INVEST DIRECTLY INTO COMPANIES. THEY CAN FORM ANGEL CLUBS TO COORDINATE AND BUNDLE THEIR ACTIVITIES. BESIDES THE MONEY, ANGELS OFTEN PROVIDE THEIR PERSONAL KNOWLEDGE, EXPERIENCE AND CONTACTS TO SUPPORT THEIR INVESTEEES.

# THE PLAYERS

- **SMALL AND UPSTART VENTURE CAPITAL FUNDS—ARE SMALLER VENTURE CAPITAL COMPANIES THAT MOSTLY PROVIDE SEED AND START-UP CAPITAL. THE SO CALLED “BOUTIQUE” FIRMS ARE OFTEN SPECIALISED IN CERTAIN INDUSTRIES OR MARKET SEGMENTS.**
- **MEDIUM VENTURE FUNDS—FINANCE ALL STAGES AFTER SEED STAGE AND OPERATE IN ALL BUSINESS SEGMENTS.**
- **LARGE VENTURE FUNDS—OPERATE IN ALL BUSINESS SECTORS AND PROVIDE ALL TYPES OF CAPITAL FOR COMPANIES AFTER SEED STAGE. THEY OFTEN OPERATE INTERNATIONALLY AND FINANCE DEALS UP TO \$500 MILLION.**

# THE PLAYERS

- **CORPORATE VENTURE FUNDS—ARE SET UP AND OWNED BY TECHNOLOGY COMPANIES. THEIR AIM IS TO WIDEN THE PARENT COMPANY'S TECHNOLOGY BASE IN A WIN-WIN-SITUATION FOR BOTH, THE INVESTOR AND THE INVESTEE. IN GENERAL, CORPORATE FUNDS INVEST IN GROWING OR MATURING COMPANIES, OFTEN WHEN THE INVESTEE WISHES TO MAKE ADDITIONAL INVESTMENTS IN TECHNOLOGY OR PRODUCT DEVELOPMENT.**
- **FINANCIAL SERVICES VENTURE FUNDS—ARE VENTURE CAPITAL FUNDS SET UP BY FINANCIAL INSTITUTIONS. THUS THEY HAVE ACCESS TO RESOURCES FROM PENSIONS FUND AND FROM THEIR PARENT COMPANIES.**

# FOUR MAJOR GROUPS OF STAKEHOLDERS

- **FOUR MAJOR GROUPS OF STAKEHOLDERS WITH SIMILAR INTERESTS AND INFLUENCE:**
  - **MANAGEMENT/SHAREHOLDERS**
  - **INVESTORS**
  - **EMPLOYEES/INVESTEES/EXTERNAL MANAGERS**
  - **EXTERNALS**

**MANAGEMENT/SHAREHOLDERS—ARE INTERESTED IN STABLE AND POSITIVE FUTURE DEVELOPMENT OF THEIR VC COMPANIES. THEREFORE THEY WILL CAREFULLY MONITOR ALL DRIVERS AND DEVELOPMENTS. WE CAN ASSUME THAT MANAGEMENT AND SHAREHOLDERS ARE WILLING AND ABLE TO TAKE IMMEDIATE ACTION AND TO DEVELOP NEW AND CREATIVE STRATEGIES, e.g. ALIANCES, MERGERS, NEW PRODUCTS.**

# FOUR MAJOR GROUPS OF STAKEHOLDERS

- INVESTORS-ARE INTERESTED IN HIGH RETURNS. BESIDES THAT GROUPS OF INVESTORS CAN HAVE OTHER PREFERENCES AS WELL, LIKE THE SUPPORT FOR CERTAIN INDUSTRIES OR TECHNOLOGIES. WITH THE EXPECTED GLOBALISATION AND DEVELOPMENT OF CAPITAL MARKETS INVESTORS HAVE A WIDER CHOICE OF INVESTMENTS. IN ADDITION, IT PROVIDES BETTER ACCESS TO INFORMATION AND BETTER TOOLS FOR ANALYSING INFORMATION. THAT'S WHY WE EXPECT INVESTORS TO BECOME MORE CRITICAL AND MORE INTERESTED IN WHERE THEIR MONEY IS INVESTED.
- A GOOD TRACK RECORD AND GOOD INVESTOR RELATIONSHIPS WILL BECOME EVEN MORE IMPORTANT. PERSONAL CONTACTS ARE ESSENTIAL..

## EMPLOYEES/INVESTEES/EXTERNAL MANAGERS

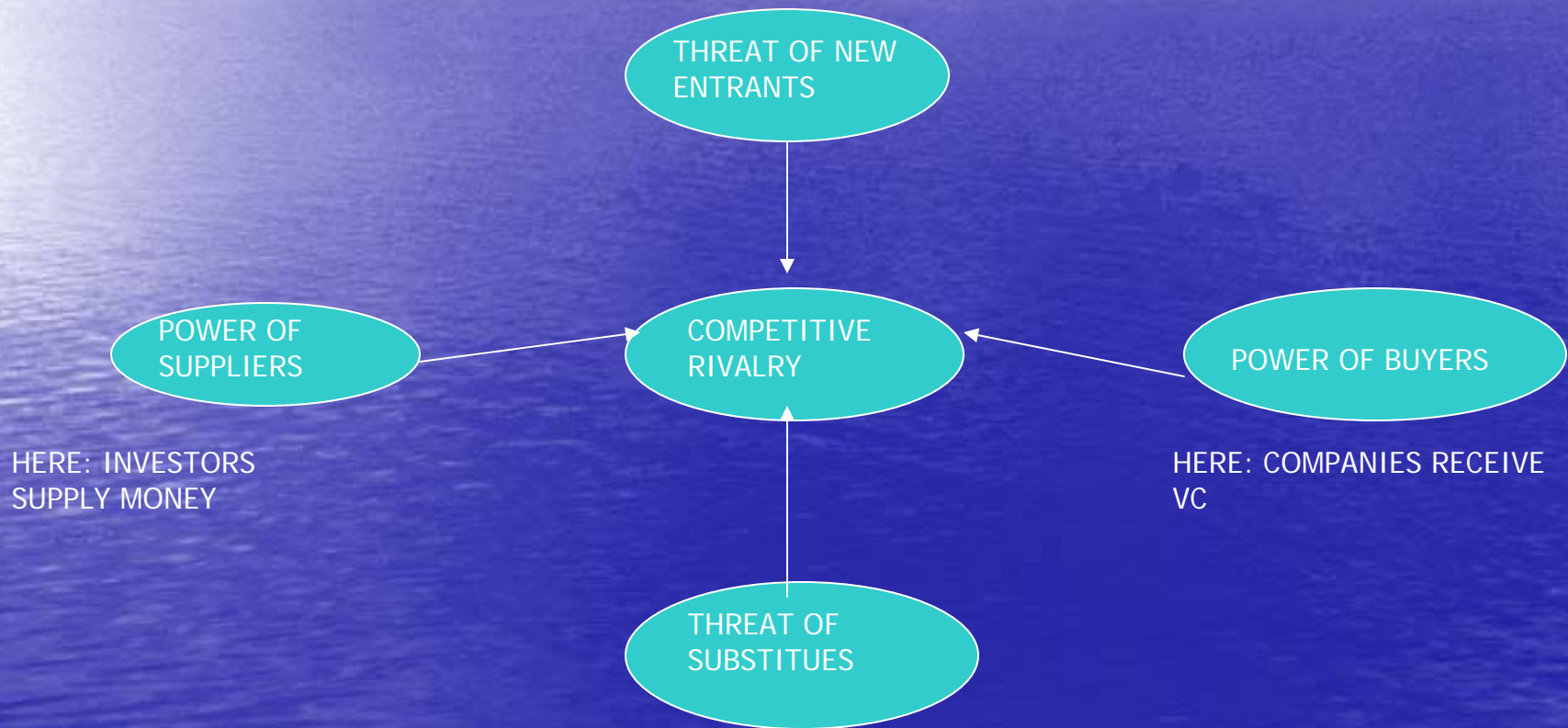
- THESE GROUPS INTEREST FOCUSES ON THE VC INDUSTRY AS AN EMPLOYER OR BUSINESS PARTNER. AS LONG AS PREFERENCES ARE FULFILLED, THIS GROUP WON'T HAVE MUCH INTEREST IN DETAILED STRATEGIES. WITH AN EXPECTED OVERALL POSITIVE DEVELOPMENT OF THE VC INDUSTRY WE EXPECT IT TO REMAIN AN ATTRACTIVE PARTNER FOR EMPLOYEES AND EXTERNAL PROFESSIONALS. THE VC FIRMS CAN/COULD PROVIDE MORE: EXPERIENCED MANAGEMENT, CONTACTS WITHIN THE INDUSTRY, ACCESS TO MARKETS, TO KNOWLEDGE AND TO PEOPLE. THE BETTER THE VC CAN PROVIDE THESE VALUES THE BETTER HE CAN ATTRACT INVESTEES.

# SUMMARY

- **“STAKEHOLDER MANAGEMENT” WILL BECOME MORE IMPORTANT FOR THE VC FIRMS. IN ORDER TO ATTRACT QUALIFIED PEOPLE AND BUSINESS PARTNERS AND TO DEVELOP A POSITIVE PUBLIC ATTITUDE THE VC INDUSTRY WILL GET MORE ACTIVE IN PR ACTIVITIES. THEY WILL DEVELOP NEW ALLIANCES, SERVICES AND STRATEGIES AND COMMUNICATE THEM MORE ACTIVE. TO FULFILL THE STAKEHOLDERS EXPECTATIONS SOME VC FIRMS WILL EXTEND THEIR PRODUCT AND SERVICE RANGE, OTHER WILL SPECIALISE TO BECOME LEADERS IN CERTAIN MARKET SEGMENTS.**

# FIVE EXTERNAL FORCES AND DRIVERS THAT IMPACT ON THE VC INDUSTRY

## FIVE EXTERNAL FORCES



## FIVE EXTERNAL FORCES AND DRIVERS THAT IMPACT ON THE VC INDUSTRY

- **COMPETITIVE RIVALRY WITHIN THE INDUSTRY: THERE ARE SEVERAL MARKET SEGMENTS. A VENTURE CAPITAL COMPANY INVESTING IN EARLY SEED STAGE DOES NOT DIRECTLY COMPETE WITH AN OTHER ONE, INVESTING IN MBOS AND MBIS. SO BETWEEN THE SEGMENTS THE COMPETITION IS MODERATE. IT IS MORE WITHIN THE SEGMENTS, BETWEEN LIKE AND LIKE. OF COURSE, ALL TOGETHER COMPETE FOR MONEY FROM INVESTORS AND FOR EXPERIENCED PEOPLE. AT PRESENT WITH THE INDUSTRY STILL IN ITS GROWTH PHASE WE ASSESS THE COMPETITION BETWEEN THE PLAYERS IN GENERAL AS MODERATE. HIGHLY LIQUID CAPITAL MARKETS AND A GROWING NUMBER OF START-UP'S PROVIDE SUFFICIENT BUSINESS OPPORTUNITY FOR THE WHOLE INDUSTRY.**

# FIVE EXTERNAL FORCES AND DRIVERS THAT IMPACT ON THE VC INDUSTRY

- **THE INDUSTRY'S HIGH PROFITS ATTRACT NEW ENTRANTS. DESPITE THE MONEY NEEDED, THIS IS NOT TOO DIFFICULT. IF YOU HAVE INDUSTRY CONTACTS AND A GOOD NETWORK, YOU CAN SET UP A NEW VC COMPANY. WITH TODAY LIQUID FINANCIAL MARKETS IT IS NOT THE PROBLEM TO OBTAIN FUNDS. THUS ESPECIALLY PEOPLE WORKING IN THE INDUSTRY FOR SEVERAL YEARS HAVE THE PREREQUISITES TO SET UP NEW COMPANIES. BESIDES THAT, OTHER LARGE FINANCIAL AND NON-FINANCIAL FIRMS CAN TAKE SOME MONEY AND SET UP A NEW VC FIRM AS A MEANS OF DIVERSIFICATION OR FOR SOME OTHER REASONS.**

# FIVE EXTERNAL FORCES AND DRIVERS THAT IMPACT ON THE VC INDUSTRY

- THE POWER OF SUPPLIERS OF MONEY IS NOT OVERLY HIGH BECAUSE OF THE HIGH LIQUIDITY OF TODAY'S FINANCIAL MARKETS. ON THE OTHER HAND, IT IS VERY IMPORTANT FOR THE VENTURE CAPITAL COMPANIES TO DEMONSTRATE A GOOD TRACK RECORD OF HIGH RETURNS TO ATTRACT FUNDS. THE INVESTMENT PREFERENCES OF THE INVESTORS INFLUENCE WHERE THEY PUT THEIR MONEY IN. AND EQUALLY IMPORTANT, ALL VENTURE CAPITAL FIRMS COMPETE TO ATTRACT EXPERTISE.
- THE 'BUYERS' ARE THE INVESTEE COMPANIES. THE VENTURE CAPITAL FUNDS SELECT THEM CAREFULLY AND ACCORDING TO THEIR OWN PREFERENCES TO LIMIT POTENTIAL LOSSES. DEPENDING ON THE PROPORTION OF SUPPLY AND DEMAND FOR VENTURE CAPITAL WE ASSESS THE POWER OF BUYERS AS MODERATE TO HIGH.

# FIVE EXTERNAL FORCES AND DRIVERS THAT IMPACT ON THE VC INDUSTRY

- THERE ARE HARDLY ANY REAL SUBSTITUTES FOR THE VENTURE CAPITAL INDUSTRY'S PRODUCT, CONSISTING OF EQUITY COMBINED WITH MANAGEMENT HELP, CONTACTS, AND GUIDANCE. THERE ARE A FEW STATE PROGRAMS. EVERYTHING ELSE LACKS SOME OF THE UNIQUE FEATURES OF VENTURE CAPITAL.
- ALL IN ALL WE SEE THE COMPETITION IN TODAY'S VENTURE CAPITAL INDUSTRY AS MODERATE. HOWEVER, THIS IS MAINLY DUE TO THE GROWING INDUSTRY. IT COULD RAPIDLY CHANGE AS THE INDUSTRY MATURES AND THE GROWTH SLOWS DOWN.

# SOLUTIONS FOR THE PLAYER GROUPS

WITH THE INCREASING DEMAND FOR VENTURE CAPITAL AND THE GROWING VOLUME OF MONEY AVAILABLE THE SEGMENT THERE WILL BE AN INCREASING NUMBER OF ANGELS. WITH INCREASING DEMAND WE MEAN NOT ONLY MORE COMPANIES REQUIRING VENTURE CAPITAL, COMPANIES ASKING FOR EVER HIGHER AMOUNTS OF MONEY EVEN IN START-UP PHASE. TO BE ABLE TO MAKE LARGER AND MORE PROFITABLE DEALS THE ANGELS AND ANGEL GROUPS WILL FORM NEW LARGER COOPERATINS AND ALLIANCES, SUPER ANGELS. THES SUPER ANGELS COULD EVEN COME TOGETHER TO OVERSIZED SUPER ANGELS.

AS AN ALTERNATIVE FOR ANGEL CLUBS OR SUPER ANGELS THEY CAN GO TOGETHER WITH SMALL VENTURE FUNDS AND LIMITED PARTNERS TO ESTABLISH A NEW HYBRID FORM OF VENTURE CAPITAL FUND. LIMITED PARTNERS CAN BE OTHER ANGELS AND COMPANIES OUTSIDE THE HIGH-TECH WHICH WISH TO INVEST THEIR MONEY WITHOUT SETTING UP THEIR OWN CORPORATE FUND.

MANY OF THE OTHER FUNDS WILL GO GLOBAL AS THE MONEY AND THEIR INVESTEES DO. THIS MEANS THAT THEY WILL RAISE AND INVEST MONEY ON A WORLD-WIDE SCALE. THEIR STRATEGY WILL BE TO CO-OPERATE IN GLOBAL VENTURE CAPITAL NETWORKS. THIS ENABLES THEM TO OPERATE IN JOINT VENTURE ACTIVITIES AND TO EXCHANGE INFORMATION. THE RESULT OF THIS SHARED KNOWLEDGE WILL BE HIGHER RETURNS.

# DRIVERS FOR CHANGE

## DRIVER DEVELOPMENT OF TECHNOLOGY, ESP. IT AND COMMUNICATION

### EXPECTED FUTURE DEVELOPMENT & IMPACT ON VENTURE CAPITAL INDUSTRY

- WILL GO ON AT A HIGH PACE
- BROAD VARIETY OF NEW DEVELOPMENTS; IT IS UNCERTAIN, WHICH OF THESE WILL BECOME INDUSTRY STANDARDS & WHICH NOT
- RISK OF FAILURE FOR INVESTEE GETS HIGHER
- HARDER TO DETERMINE SUCCESSFUL INVESTMENTS
- VENTURE CAPITAL FIRMS NEED MORE EXPERT KNOWLEDGE IN VARIOUS FIELDS
- SHORTER LIFECYCLES FOR IT-SYSTEMS LEAD TO HIGHER CAPITAL REQUIREMENTS
- IT PROVIDES MUCH EASIER ACCESS TO INFORMATION FOR EVERYONE
- INVESTORS SEEKING FOR HIGHER RETURNS ARE BETTER INFORMED AND MAKE SMARTER DECISIONS-MONEY WILL CONCENTRATE AT INVESTMENTS WITH THE BEST TRACK RECORDS
- KNOWLEDGE, NOT MONEY, BECOMES THE KEY FACTOR FOR A COMPETITIVE ADVANTAGE

# DRIVERS FOR CHANGE

## DEVELOPMENT OF FINANCIAL MARKETS

- RISING LIQUIDITY LEADS TO
- MORE MONEY AVAILABLE TO INVEST
- HIGHER PROSPECTS FOR IPO'S
- RISE OF NEW/ALTERNATIVE FORMS OF INVESTMENTS THAT COMPETE FOR FUNDS
- IF THE FIRST WAVE OF E-START-UPS STARTS TO BREAK DOWN, THE ATTRACTIVENESS OF THE WHOLE INDUSTRY FOR FUNDS MIGHT DECLINE, SPECIALIZED AND SMALL VENTURE CAPITAL FIRMS WILL HAVE PROBLEMS
- RISING INTEGRATION, LIBERALISATION ON A GLOBAL SCALE WILL IMPROVE THE ATTRACTIVENESS AND PERFORMANCE OF FINANCIAL MARKETS IN GENERAL, THUS ALSO BOOSTING THE VENTURE CAPITAL INDUSTRY

# DRIVERS FOR CHANGE

## STATE OF THE ECONOMY

- BUSINESS CYCLES, ECONOMIC UP & DOWNTURNS INFLUENCE THE VENTURE CAPITAL COMPANIES AND ALL INDUSTRIES IN WHICH THEY INVEST
- ECONOMIC UPTURN
- FUELS GROWTH AND THE NUMBER OF START-UPS NEEDED FOR VENTURE CAPITAL
- HIGH RETURNS SEEK FOR RE-INVESTMENT—WILLINGNESS TO INVEST IN VENTURE CAPITAL-FUNDS WILL RISE
- ECONOMIC DOWNTURN:
- INVESTORS PREFERENCES WILL SLIDE FROM HIGH RETURNS TO STABLE RETURNS-INVESTMENTS IN VENTURE CAPITAL FUNDS LOSE ATTRACTIVENESS
- COMPANIES NEED MONEY FOR RESTRUCTURING / RECOVERING

# DRIVERS FOR CHANGE

## DEVELOPMENT OF POLITICAL CLIMATE FOR THE ECONOMY, GLOBALIZATION

- GLOBAL DEREGULATION OF CAPITAL MARKETS PROVIDES NEW OPPORTUNITIES
- NATIONAL PROTECTIONISM AND NATIONAL SUBSIDIES PROGRAMS IN SOME COUNTRIES WOULD MAKE THESE ECONOMIES LESS ATTRACTIVE FOR INVESTMENTS
- POSITIVE CLIMATE FOR EDUCATION, R&D FUELS NEW BUSINESS OPPORTUNITIES AND START-UPS
- TAX POLICY CAN HAVE A HUGE INFLUENCE ON INVESTMENT PREFERENCES AND CAN CHANGE THE ATTRACTIVENESS OF VENTURE CAPITAL-FUNDS FOR INVESTORS IN BOTH DIRECTIONS
- GLOBALIZATION DRIVES SCALE
- REQUIRES HUGE INVESTMENTS IN ACQUISITIONS AND MARKET DEVELOPMENT
- NEED FOR EXTERNAL EXPERTISE
- ONGOING GLOBALIZATION AND LIBERALIZATION PROVIDE TWO-FOLD OPPORTUNITIES FOR VENTURE CAPITAL FIRMS
- DIRECT VENTURE CAPITAL ACTIVITIES IN NEW MARKETS, E.G. EASTERN EUROPEAN ENTRANTS INTO THE EU
- COMPANIES GO GLOBAL AND NEED FUNING FOR THEIR INTERNATIONAL ACTIVITIES