

— *Afema*

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Between investment and exit –  
elements to strengthen the value of VC investments

Tallin, Estonia

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Eric Martin

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# The essence of

## Love

- ♥ **In love**
- ♥ **Engagement**
- ♥ **Wedding**
- ♥ **Marriage settlement**
- ♥ **Matrimony**
- ♥ **Happy divorce**

## Venture Capital

- \$ **Deal flow**
- \$ **Due diligence**
- \$ **Investment**
- \$ **Shareholder agreement**
- \$ **Monitoring  
(Business development)**
- \$ **Exit**

# Eric Martin

- In the business of VC and entrepreneurs since 1982
  - Svetab, largest Swedish VC in early 80's
  - Företagskapital, first VC in Sweden, founded 1973
  - TUAB, specialized in university start ups
  - Aldano, VC with Industrifonden and 30 proven entrepreneurs as owners
- Own consultancy organization since 1984
  - Afema, business development of entrepreneurial companies
- Secret talent: Former water ski coach for Swedish national team
- Present assignments
  - AirNet Holding
  - Azpect Photonics
  - Sourcecom
  - COB Foundation
  - Thonab
  - VIAB
- Former chairman of Connect Eastern Sweden and Swedish Venture Capital Association as well as consultant in some 100 entrepreneurial companies
- BSc in Business Administration with a technical background

## How do VCs act

- ❑ Minority share holder (mostly)
- ❑ Active owner
- ❑ Always a board position
- ❑ 59% have at least one contact a week
- ❑ Basically no fees
- ❑ Active strategy towards exit

## VCs bring in 3C

### □ Capital

- As equity

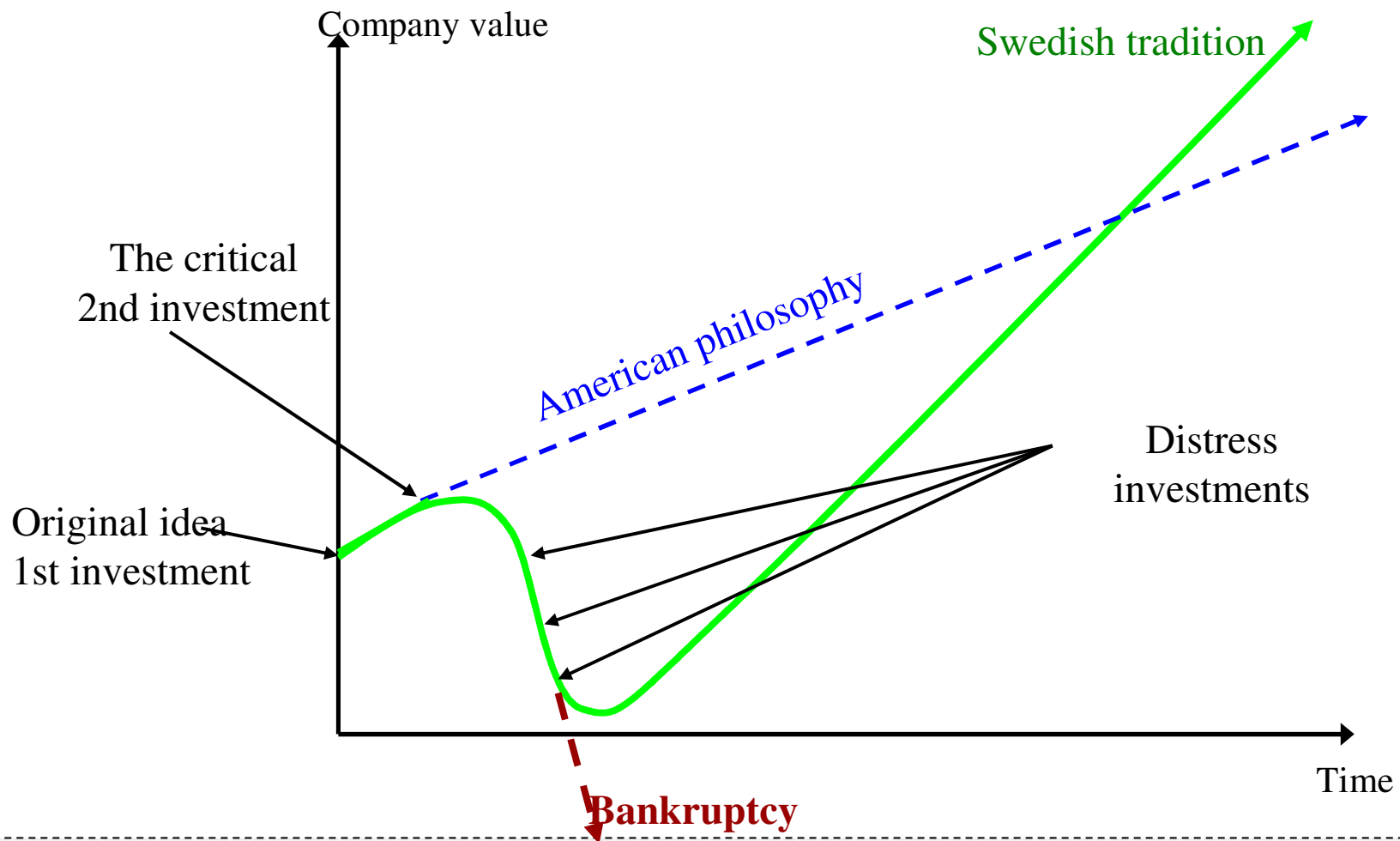
### □ Contacts

- Often for the most part in finance and law

### □ Competence

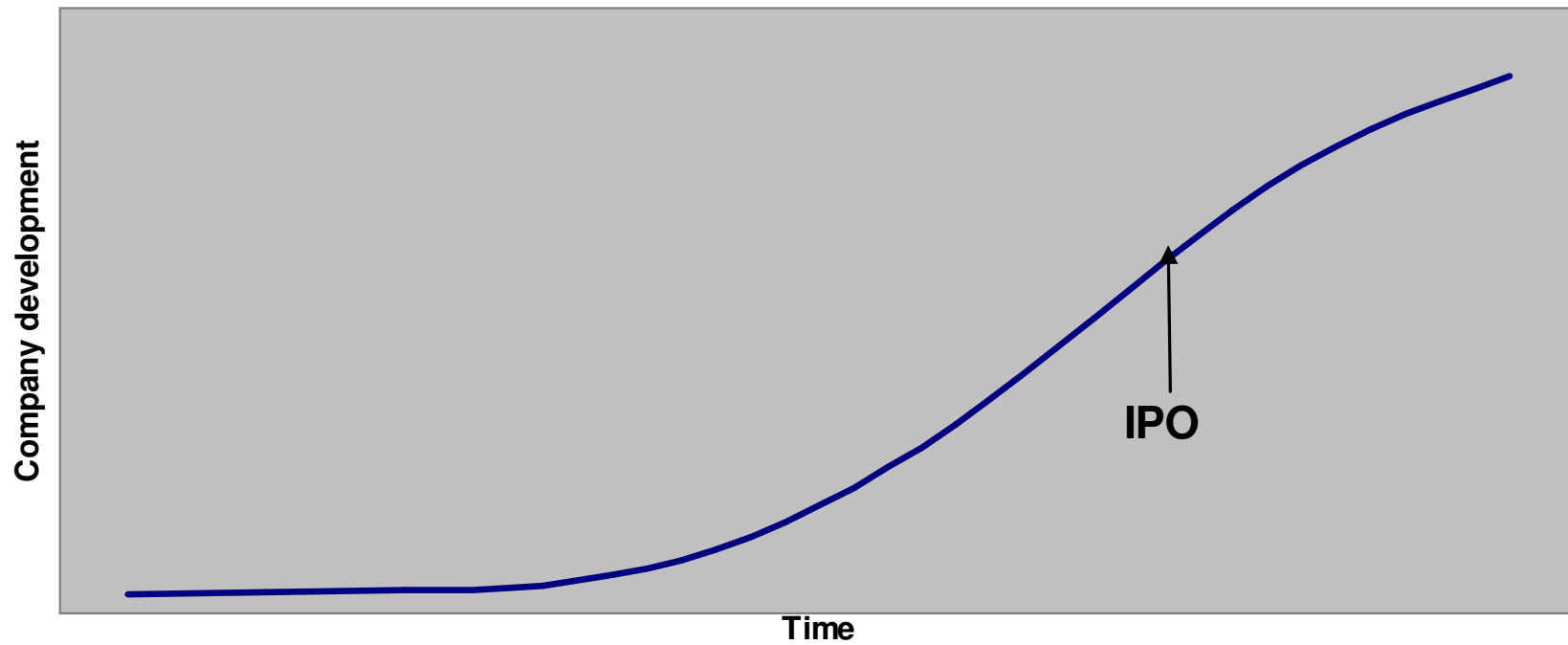
- Specialists on rapid growth

# The curve of Akbar

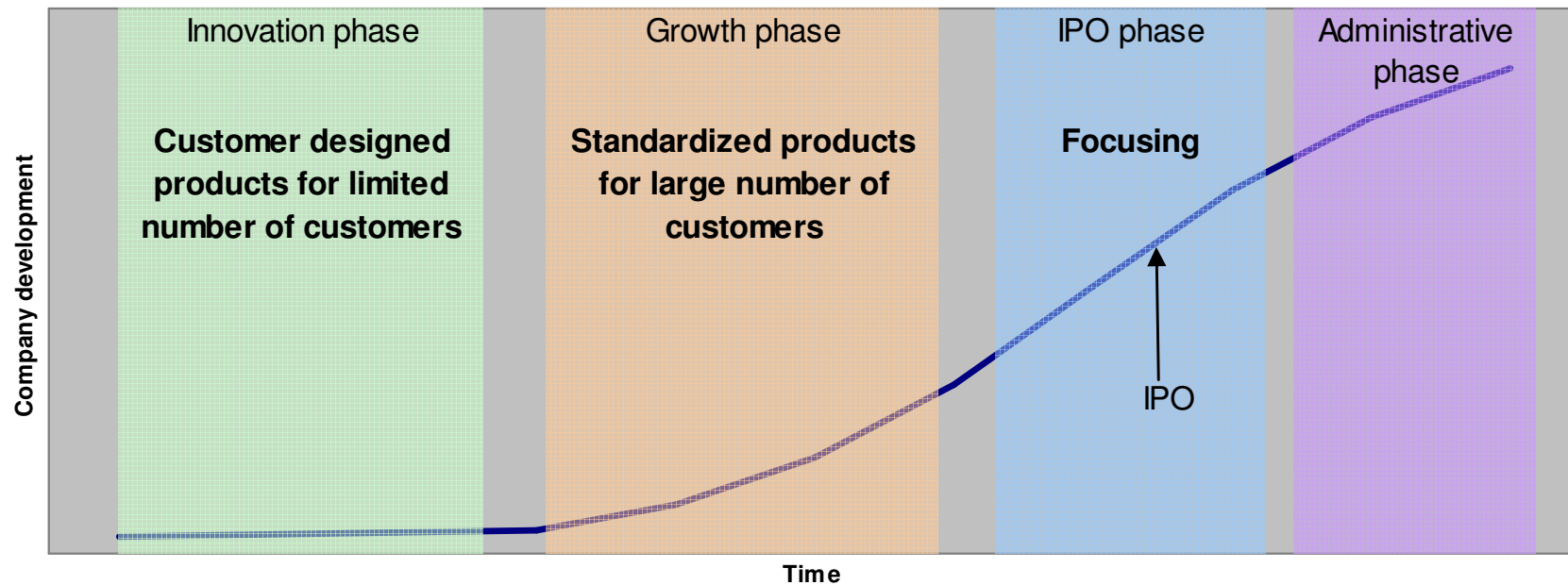




# The development curve of a company



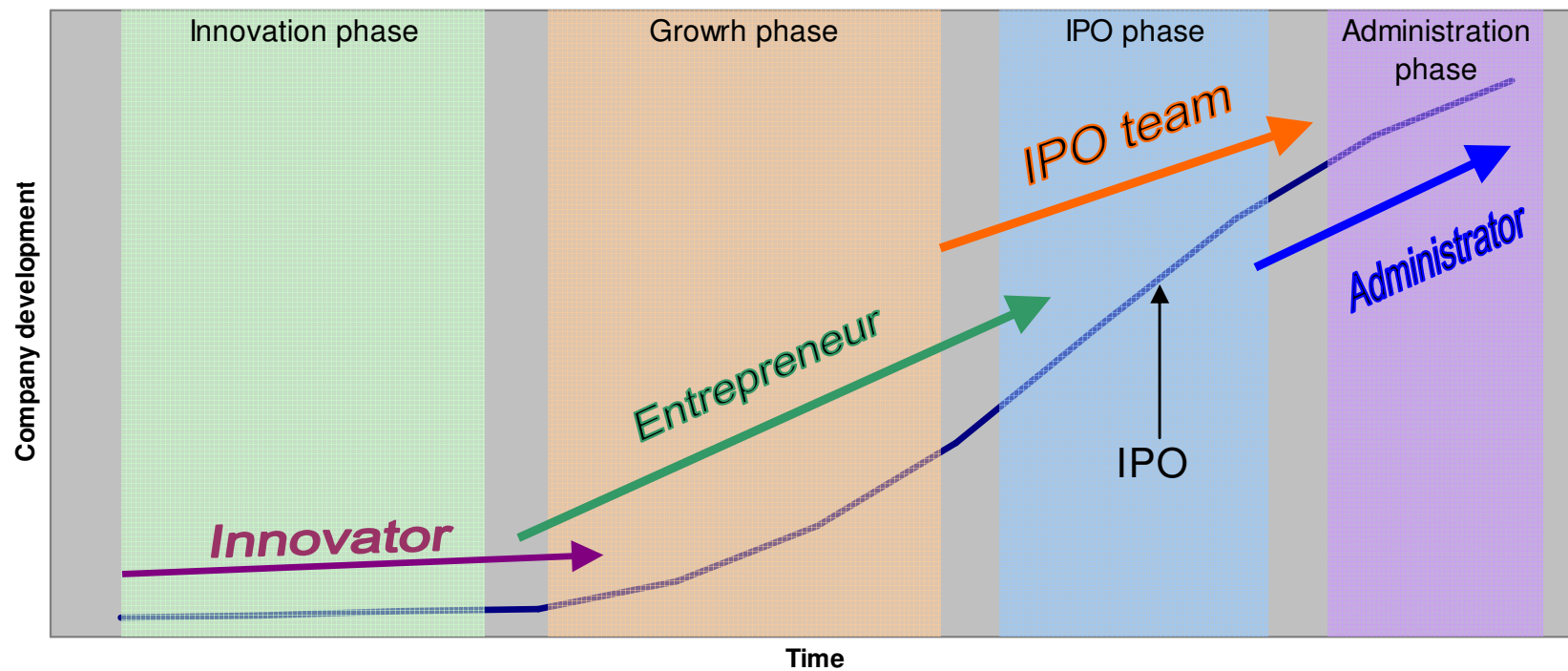
# Development phases and company strategies







# The American management model



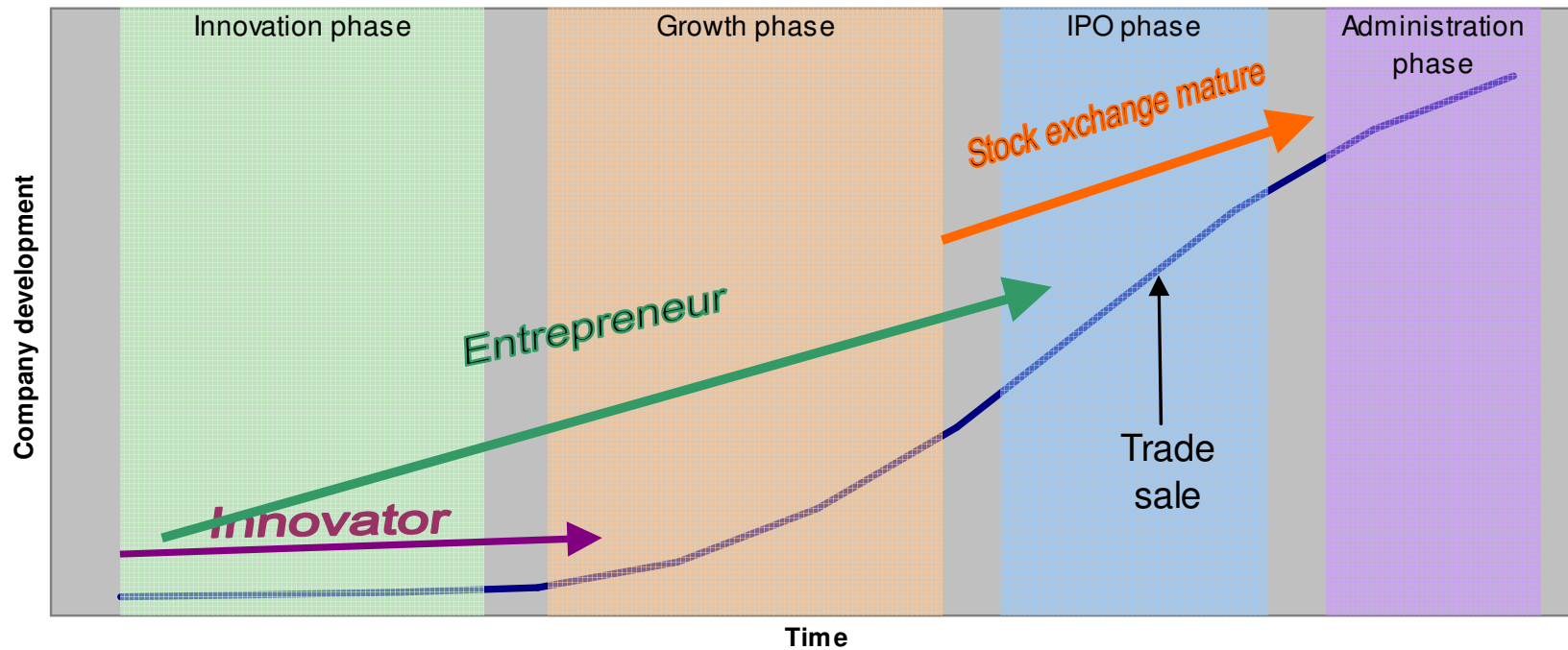


## Characteristics for Sweden

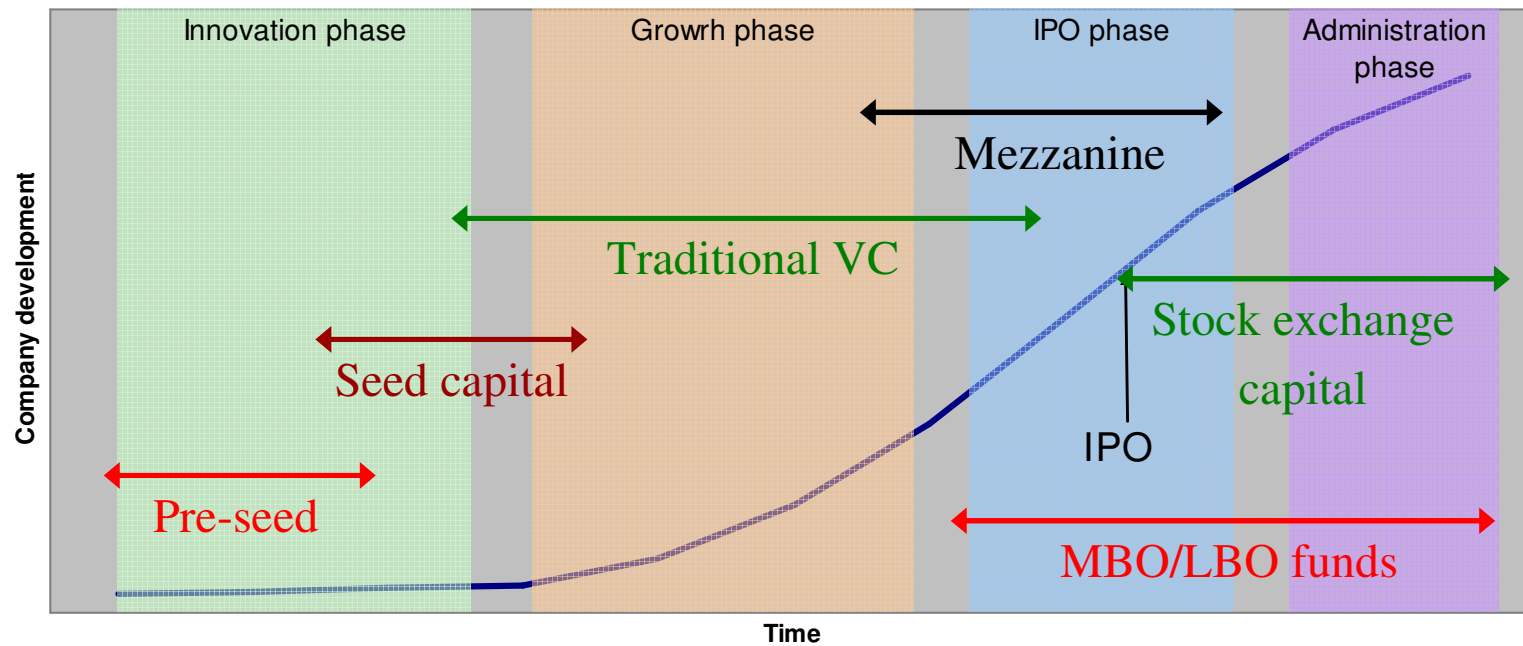
- ❑ Salesmanship does not come natural
- ❑ Small home market
- ❑ Few business angels and early phase VCs – limited financing in early phases
- ❑ Only a few companies reach IPO characteristics



# Adaptation to Sweden



# The equity possibilities



# Ownership strategies – two tracks

## Day-to-day operations

- ❑ Turn over and profit
- ❑ Outside relations
  - Customers
  - Colleagues – competitors
  - Environment issues
- ❑ Organization

## Ownership issues

- ❑ Number of partners
  - Single
  - Equal partners
  - Institutional partner
  - Large number of partners
  - Listed company
- ❑ Financing
  - Equity
  - Customers
  - Bank loans
  - Loans from owners
- ❑ Ownership goals
  - Bread-and-butter company
  - Trade sale
  - IPO

# Business development

## □ Management style in growth companies

- The goals sets the direction, not the cross bar
- Sales is the engine of growth
  - Invests in sales
  - Everyone is a sales man
- Organization
  - Task force, puts out fires, monday meetings
- Prepares for working capital
- Gives priority to time tables before cost savings

## □ Focus

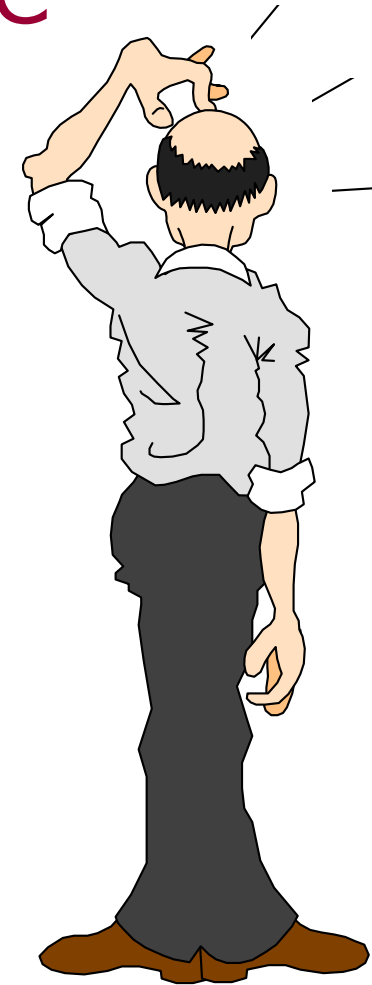
- Outsource
- Growth through buying functions
- Prevent narrow sectors

## The time aspect

- ❑ Rome was not built in one day
  - and neither was IKEA
- ❑ To build organization and company culture is time consuming
- ❑ To build a customer base is time consuming
- ❑ To build a trade mark is **very** energy and time consuming
  
- ❑ Immediately start selling and create cash flow
- ❑ No excess financing – live on the hump

## How do you choose your VC

- ❑ Motives
- ❑ Muscles
- ❑ Personal chemistry
- ❑ Track record - references
- ❑ Network
- ❑ Competence





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