

— *Afema*

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

Tallin, Estonia

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Eric Martin

Get the pictures at www.afema.se

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

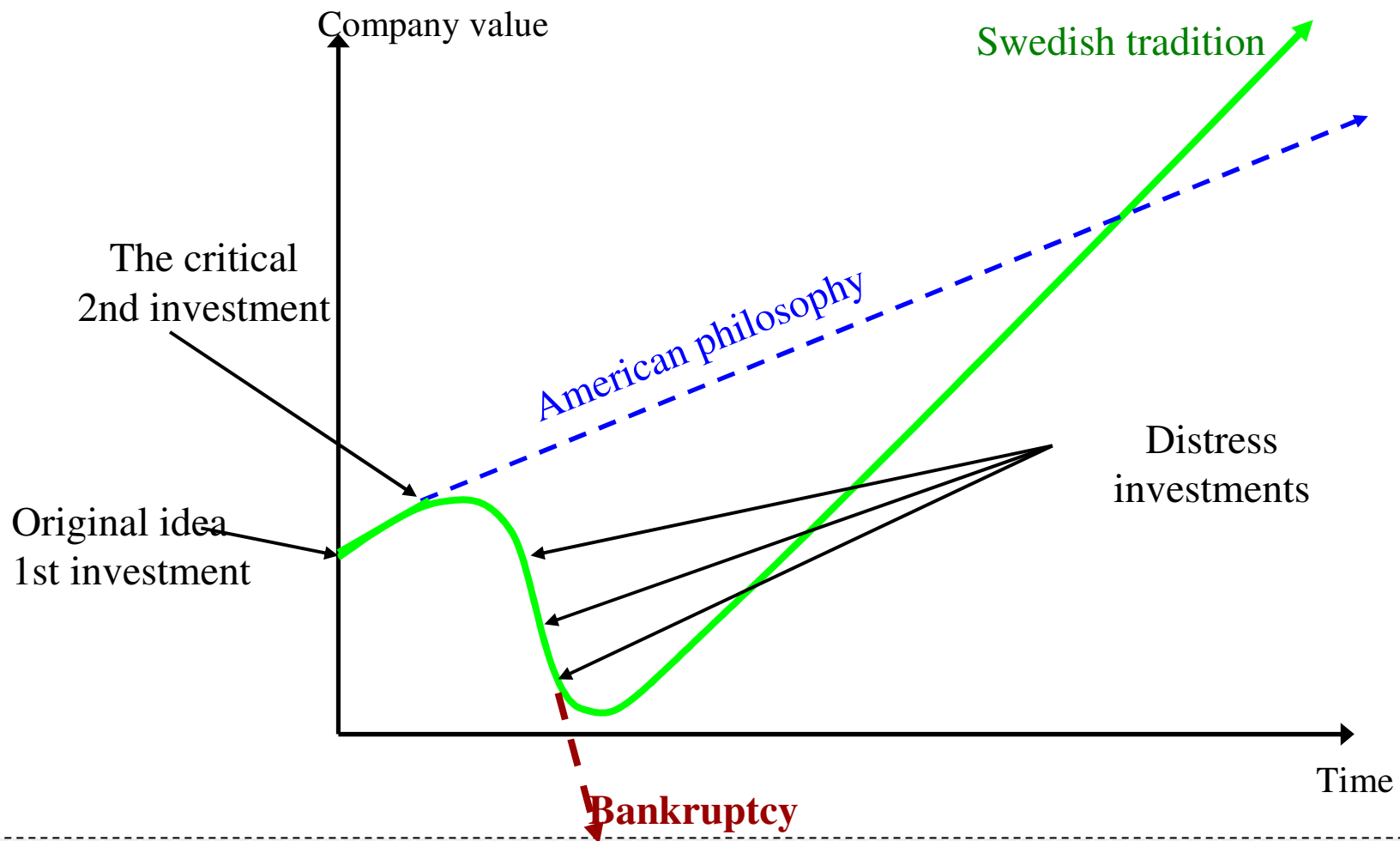
□ Contacts

- Often for the most part in finance and law

□ Competence

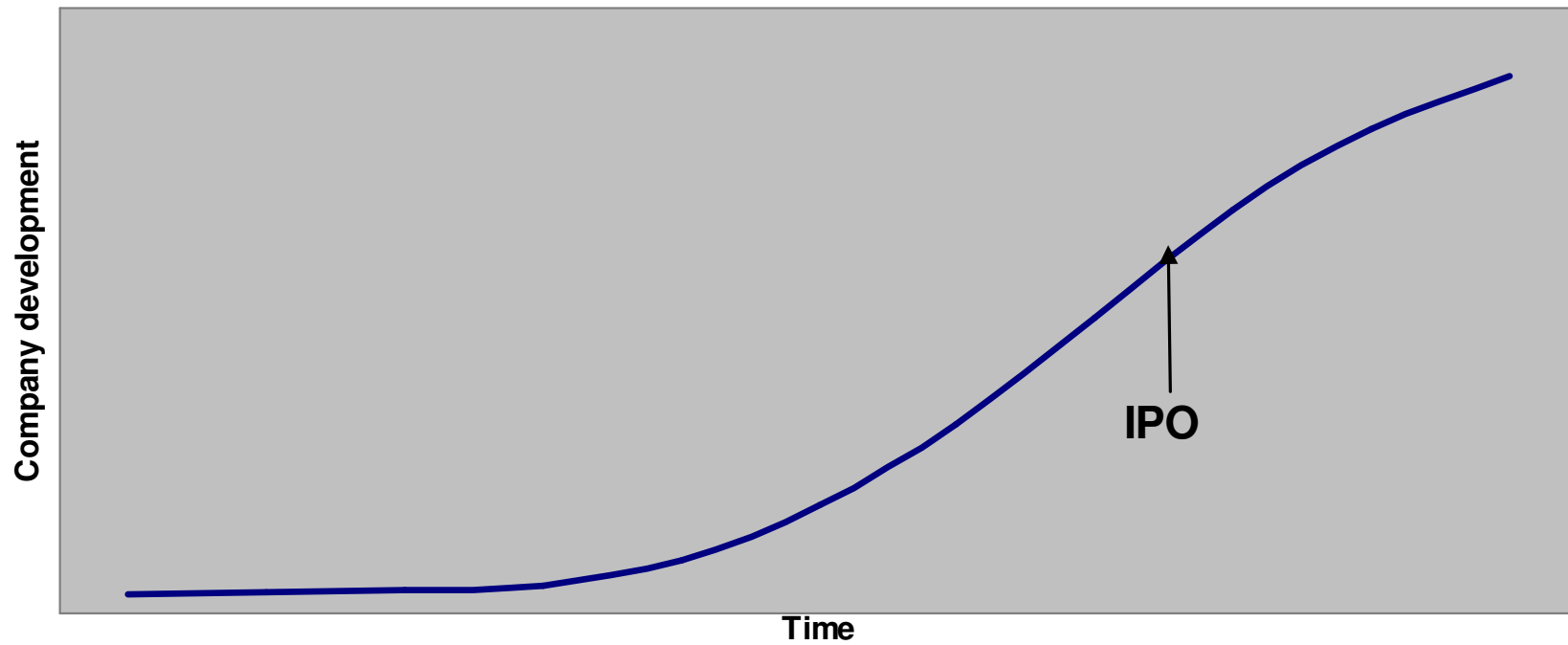
- Specialists on rapid growth

The curve of Akbar

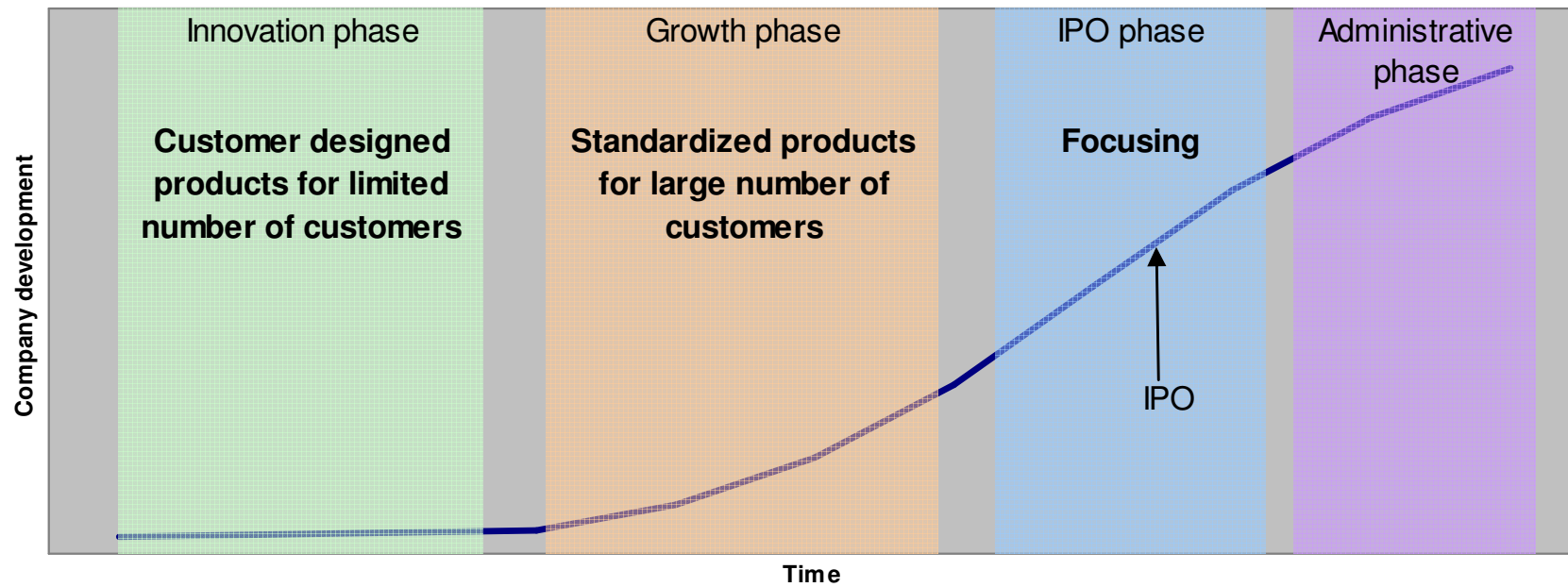




The development curve of a company

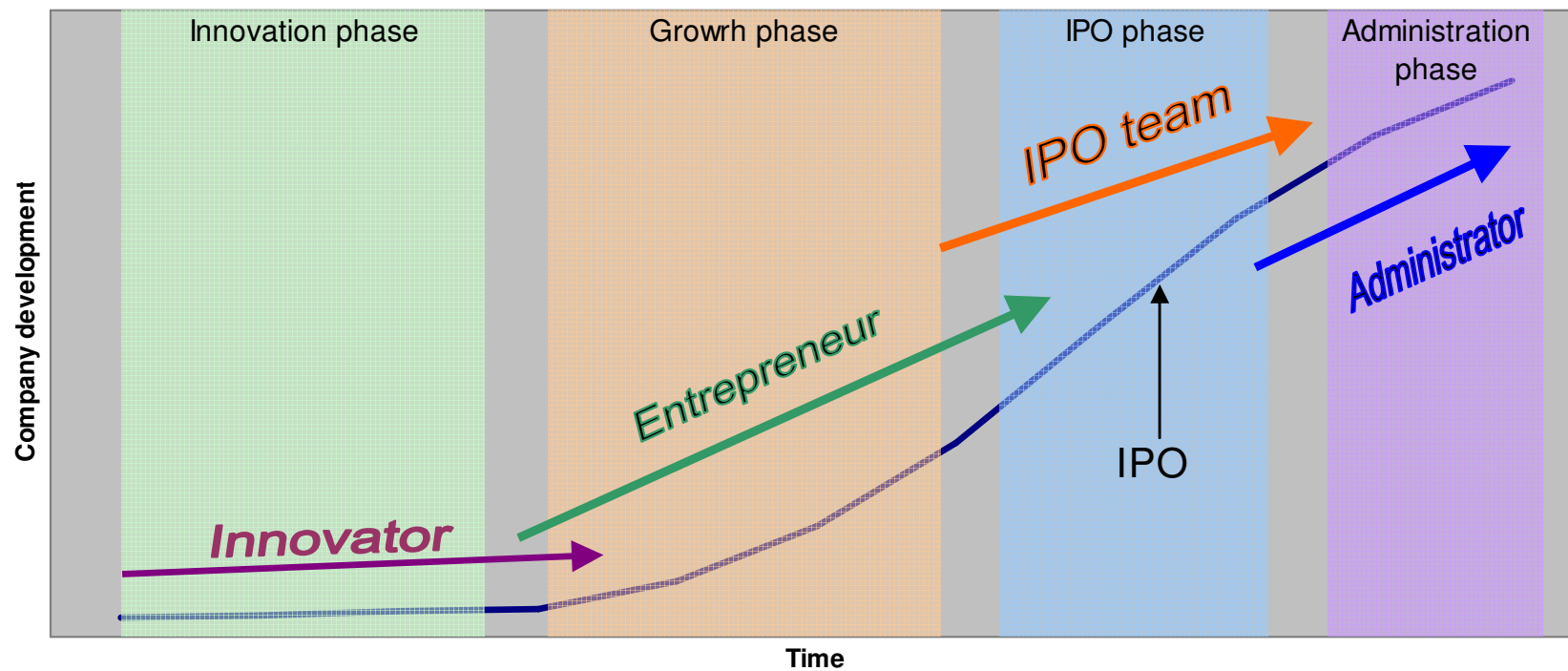


Development phases and company strategies





The American management model



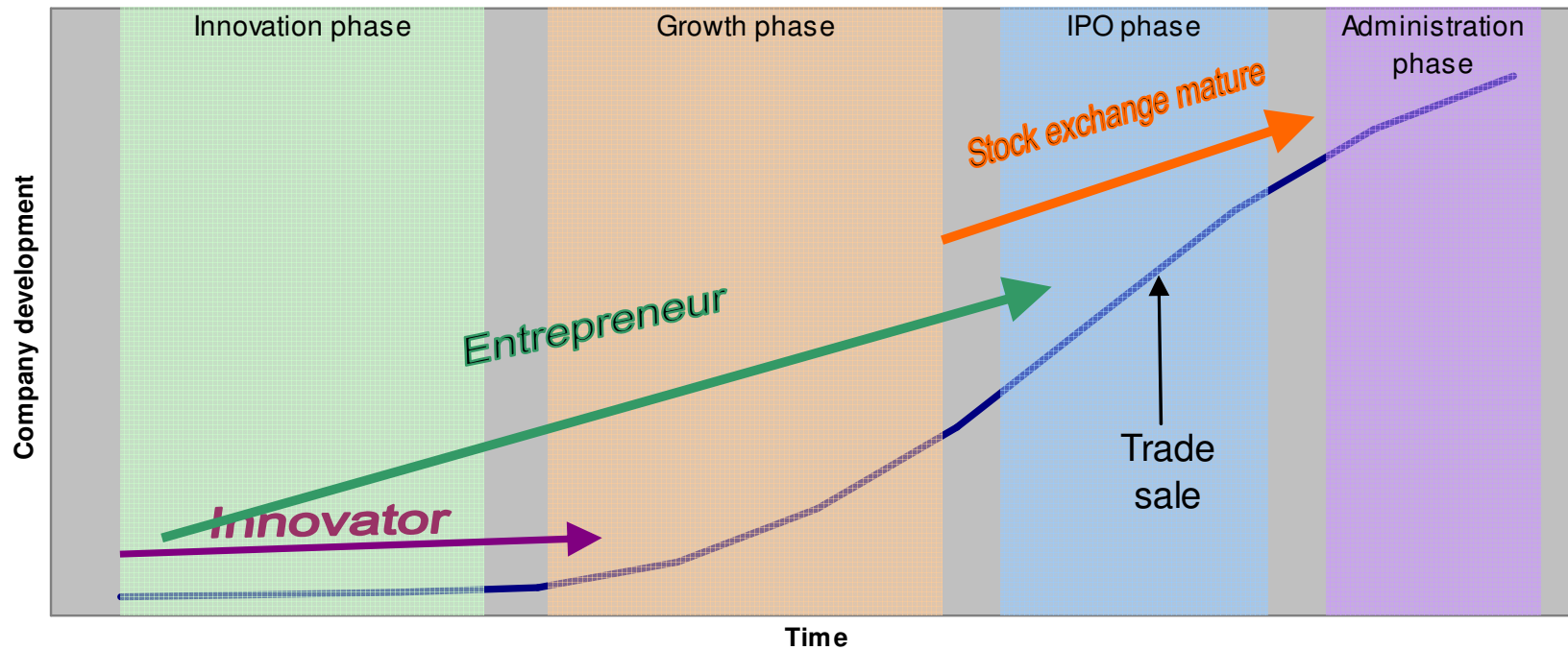


Characteristics for Sweden

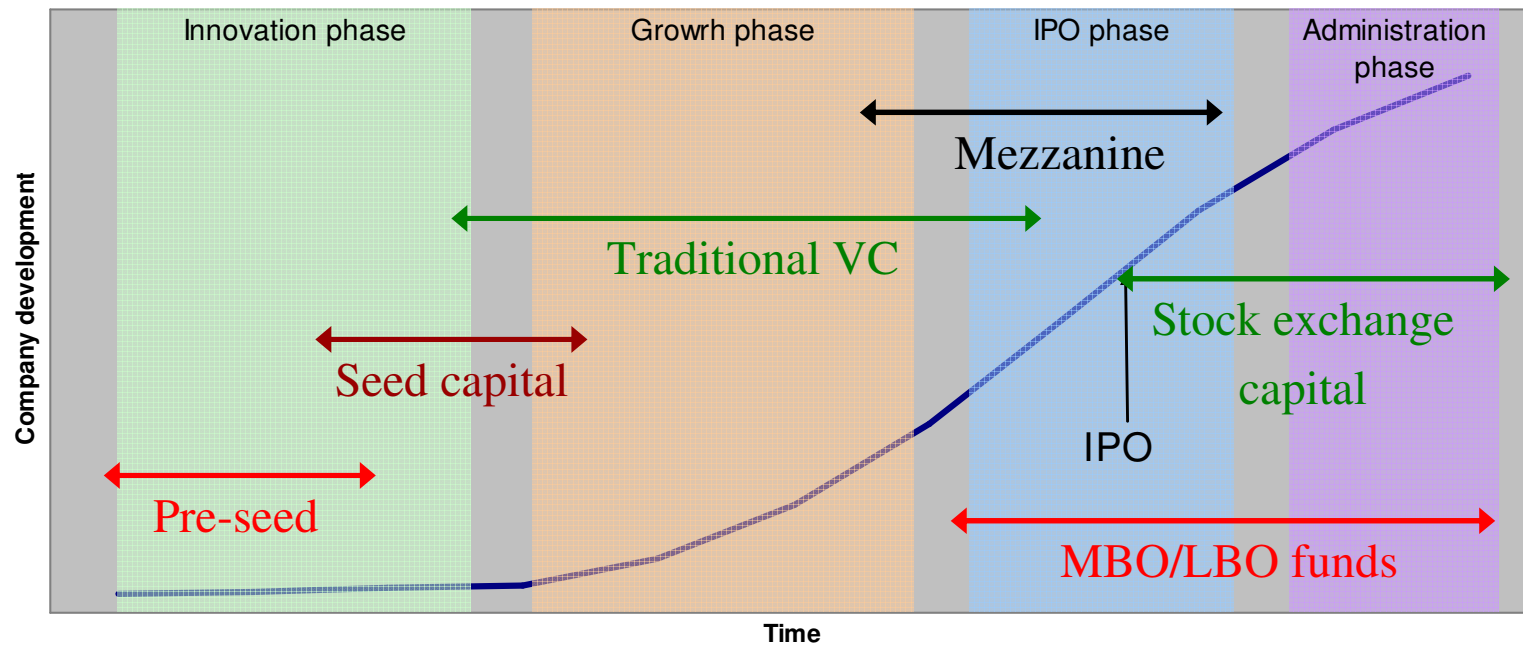
- ❑ Salesmanship does not come natural
- ❑ Small home market
- ❑ Few business angels and early phase VCs – limited financing in early phases
- ❑ Only a few companies reach IPO characteristics



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

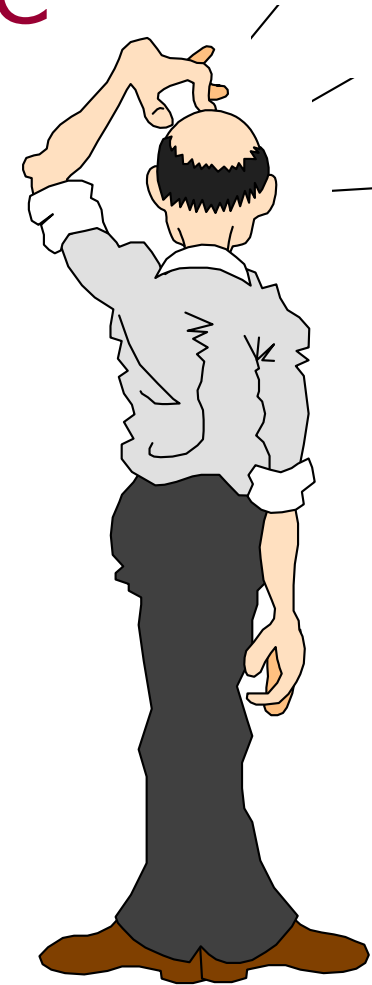
The time aspect

- ❑ 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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