

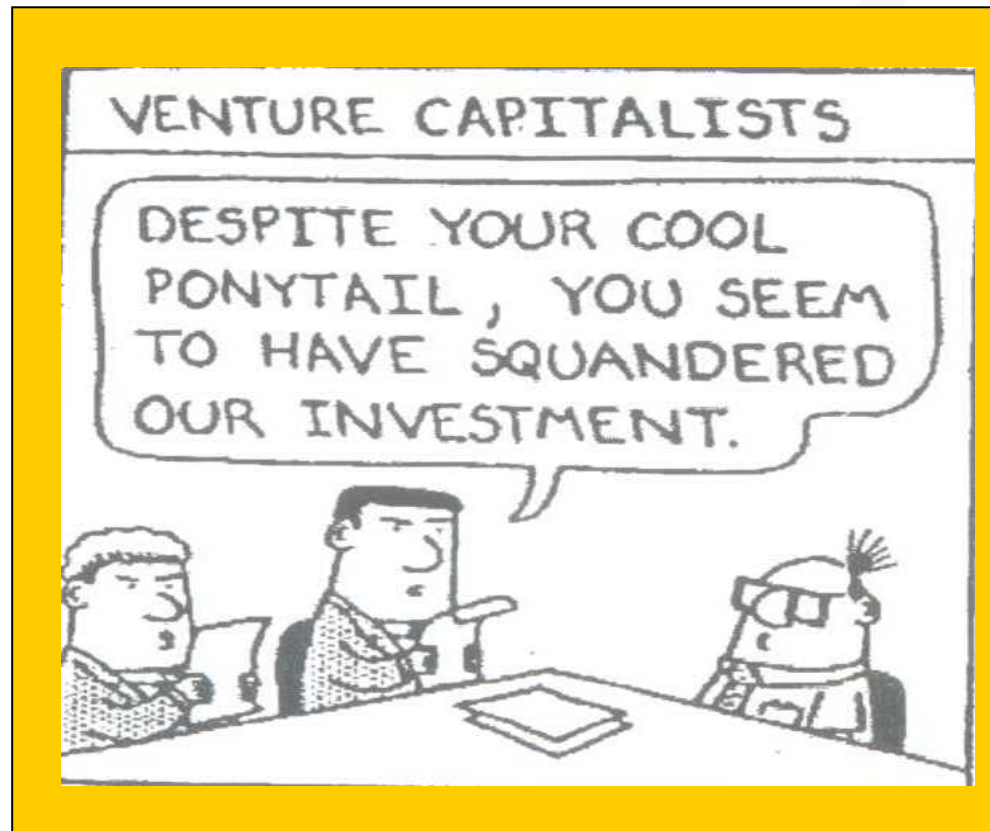
**SO - WHAT is Venture Capital all about
and**

WHAT are VCs looking for ?



Alan Barrell – March 6th 2010 – CUTEC International Networking Event

Stay Cool!



Dilbert - Scott Adams

Stay Cool!



Dilbert - Scott Adams

Stay Cool!



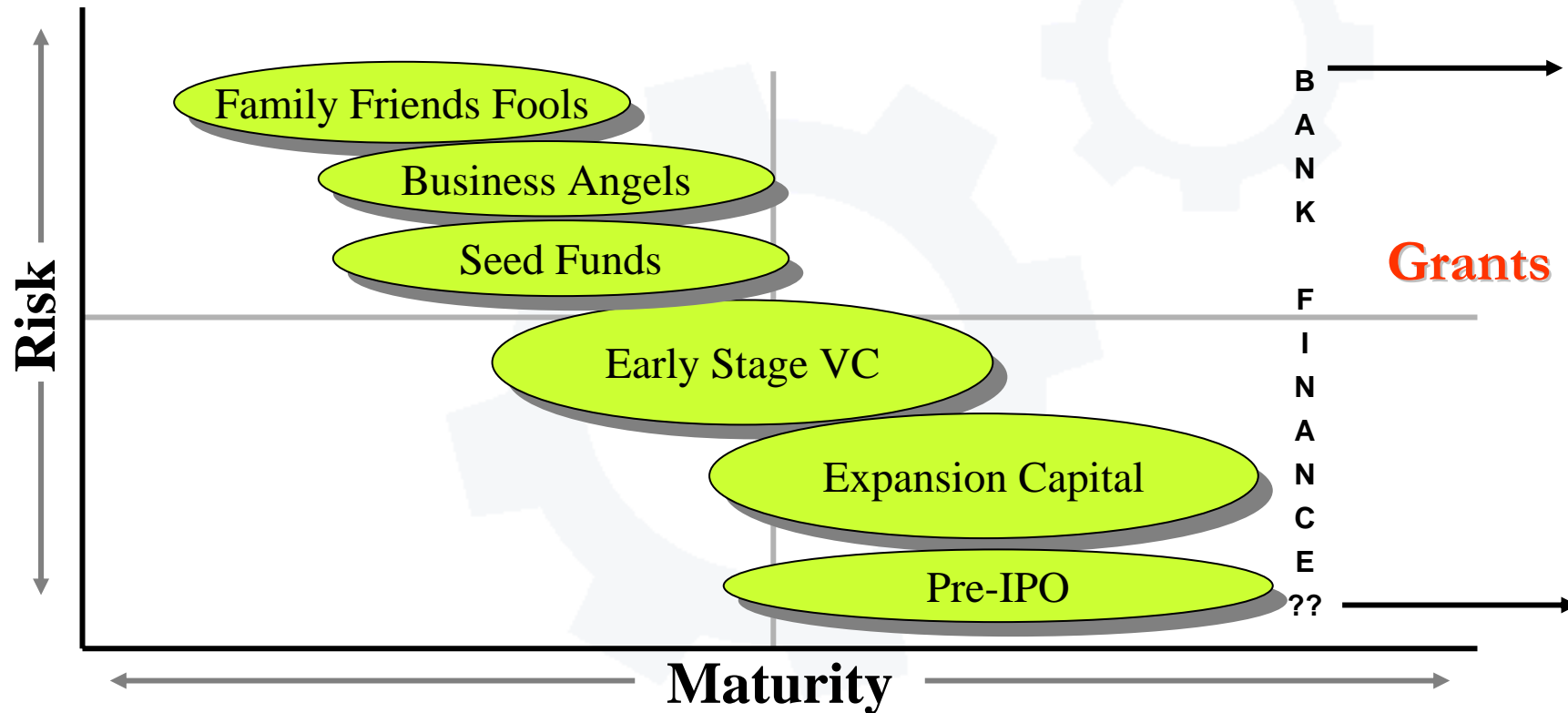
Dilbert - Scott Adams



The
Cambridge Gateway Fund



Sources Of Business Finance



What IS a Venture Fund ?

- Various Forms – most common is Limited Partnership
- Is it different then Angel Investment ?
- How do VCs get formed ?
- Objectives, positioning and *Returns*
- FOCUS – knowing the individual VC
- Where VC fits into the “Private Equity Asset Class”
- All Venture Funds will have specific and clear *Investment Criteria*



One Fund's Investment Criteria – Remember - All Funds Have Criteria – Important to Know what they are

- Innovative core technology
- Protected/protectable I.P.
- Sectors - I.T., Telecoms, Life Sciences
- Management team, Business Model and Plan in place
- Potential to exploit global markets
- Ready for “roll out”
- Potential for X 10 return within seven years
- Overall IRR promised to investors – 40% - to be taken into account when looking at individual investments
- £35m Fund – and plan to do no more than 15 Deals

Example of a VC: Cambridge Gateway How it presented itself

- Established March, 2000
- £32 million under management
- Global investor base
- Diverse, experienced management team
- Involved *Technopreneurs* – Advisory Board
- Part of a larger Financial Services and Businesss Angel Group

Cambridge Gateway Partners – 2000 – A Balanced Team



Alan Barrell



Steve Gray



Catherine
Beech



William Sporborg



Nigel Brown

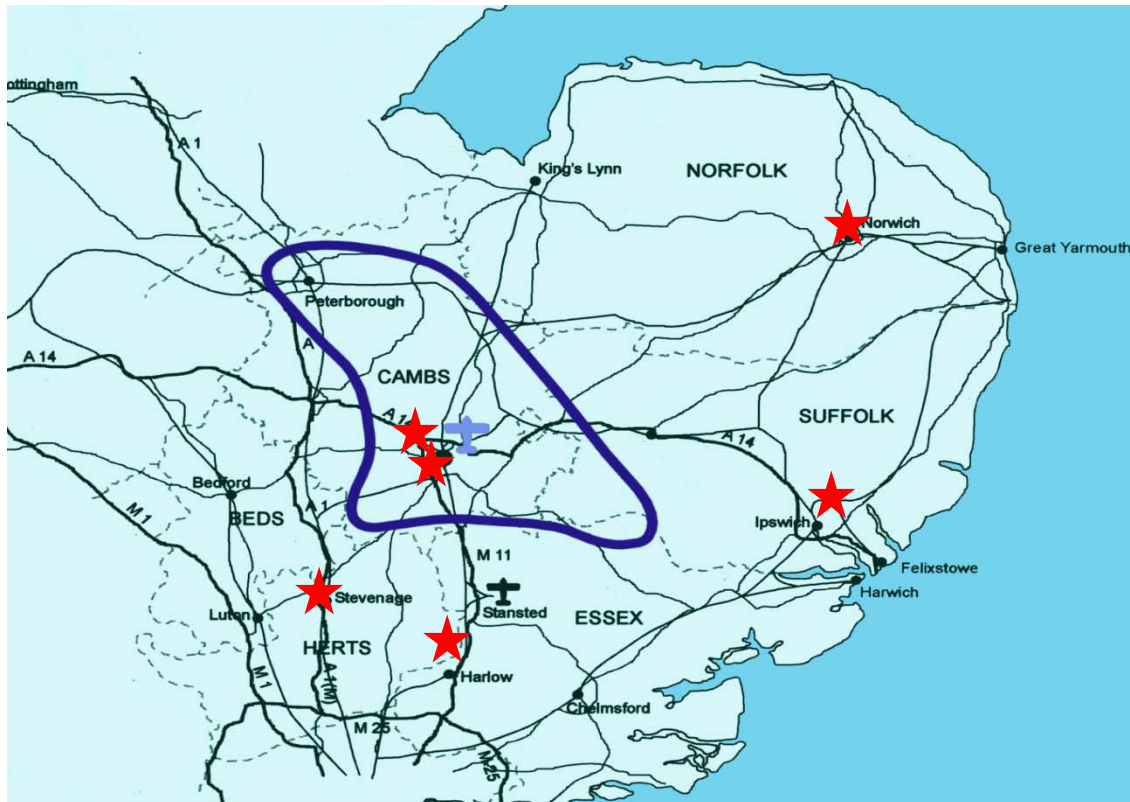
Cambridge Gateway – Operating Philosophy Active Involvement

- Mentoring
- Headhunting
- International connections
- Customer and Collaborator introductions
- Fund raising
- Will *lead* deals and *syndicate*

Example of VC: Cambridge Gateway **How was it “different / special” ?**

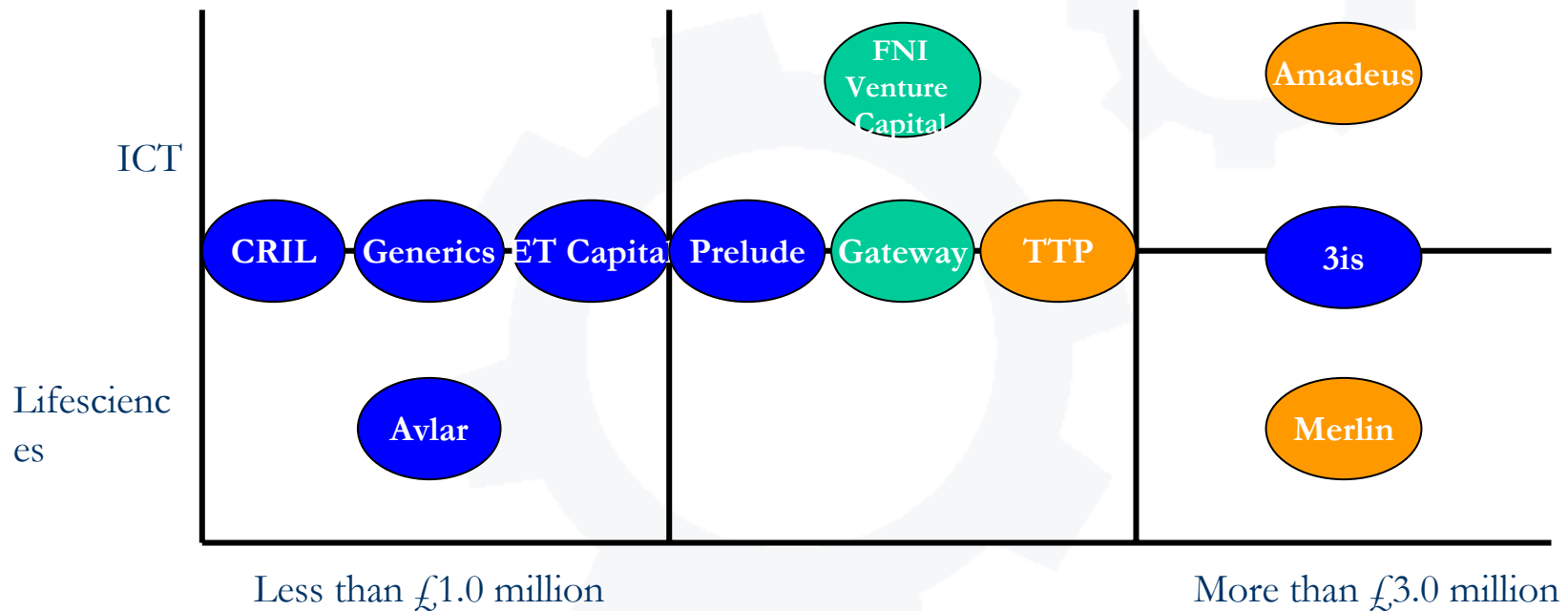
- Early Stage Technology Investing
- Info-Tech, Communications, Life Sciences Sectors only
- Cambridge-centric “The Cambridge Technology Fund”
- Positive Impact through the Relevance of:
 - Partners
 - Networks
 - Investors – very International – Global Reach

Based in Europe's top Technology Region and Superior Deal Flow



- Research and academic excellence
- Global technologies
- Successful entrepreneurs
- Business angels and established seed funds
- Core of large companies

Venture Capital in 1998-2000 Positioning of Gateway

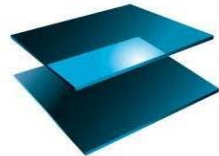


- - Cambridge only
- - UK only
- - UK and Europe

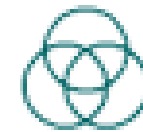
Typical Cambridge Gateway Investment Targets

- Info-tech, Communications and Life Sciences
- First institutional round
- Core technology
- Global potential
- Cambridge Location
- “Bite Size” - £1 million initially – follow on when appropriate - £3m max in any one company. No desire for majority equity share

Cambridge Gateway – Portfolio at time of further fund raising



cyan technology



Intercytex

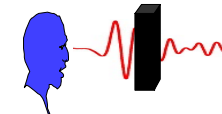


activeRF

antennova



TeraView



Some words on Due Diligence. It is *two way*

- **Investors due diligence agenda:**
 - Technology and I.P.
 - Market - is it really there?
 - People - can they do it?
 - Exit options and drive
- **Due Diligence *on* Investors:**
 - Investment criteria
 - Track record
 - People, relationships, references
 - Clarity of expectations
 - Available finance - including “follow on”
 - Willingness to syndicate and to participate

A Search for Fair Value & Dilemma of Valuation

-see any science here?-

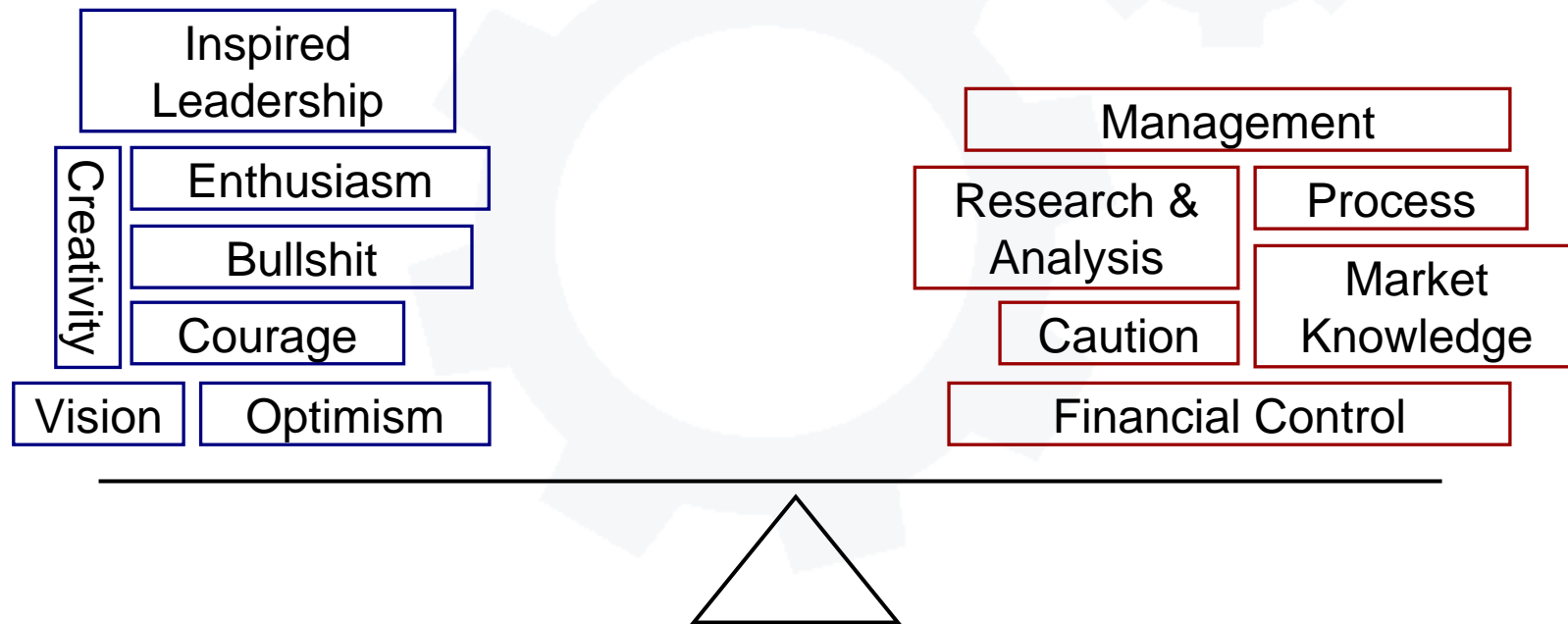
	<u>Issue date</u>	<u>Value at issue</u>	<u>1 Year On</u>
Bookham	April 2000	£1.2 billion	£231 million
Lastminute. Com.	March 2000	£571 million	£54 million
Orchestream	June 2000	£212 million	£52 million
Just2clicks	Feb 2000	£130 million	£ - - - -

The Importance of EXITS

- VCs enjoy great Exits! – *Profitable Exits* !
- Exits can be by IPO (Initial Public Offering) – these days – more likely a Trade Sale. Licensing – sometimes
- Does the company have an *EXIT STRATEGY* ?
- Should the *EXIT STRATEGY* be there from Day One ?
- Valuation at EXIT is the most interesting valuation.....

The Early Stage Business Balance

- What do investors look for and see?
- When “Valuing”?.... and deciding to invest ?



Are the experienced Non-Executives and Advisors?