



Access to risk capital for spin-offs and start-ups

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Do spin-offs and startups have sufficient access to risk capital ?

How can banks contribute ?



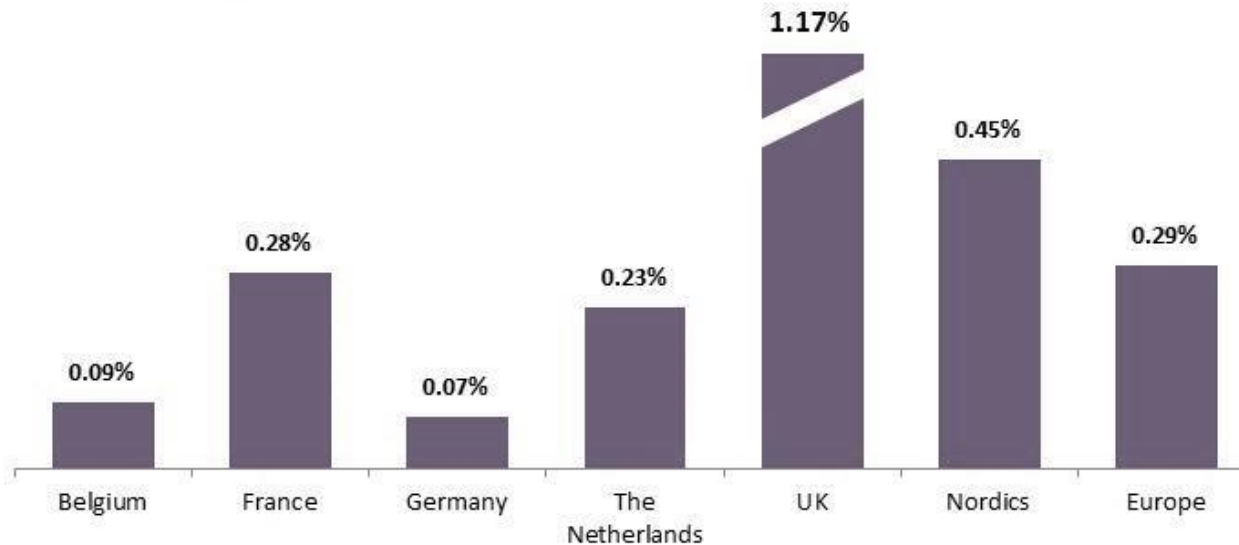
Great minds think alike

Research project Febelfin - study group on risk capital in Belgium

1. Investigate whether startup companies have **sufficient access** to risk financing in Belgium
2. Find out how **government, banks and investors** can create an attractive environment for startups

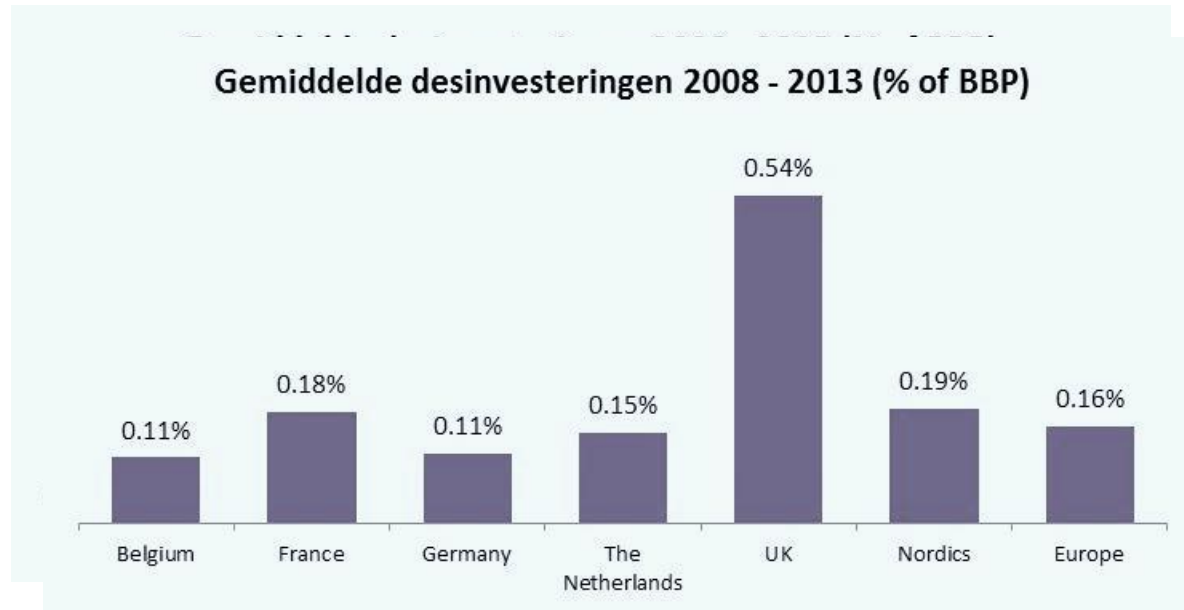
Fundraising: Belgian VCs lag behind in Europe

Gemiddelde fundraising 2008 - 2013 (% of BBP)



- Average fundraising for risk capital by Belgian equity investors is lower than the European average.
- Revival in 2013 in some countries, not yet in Belgium.

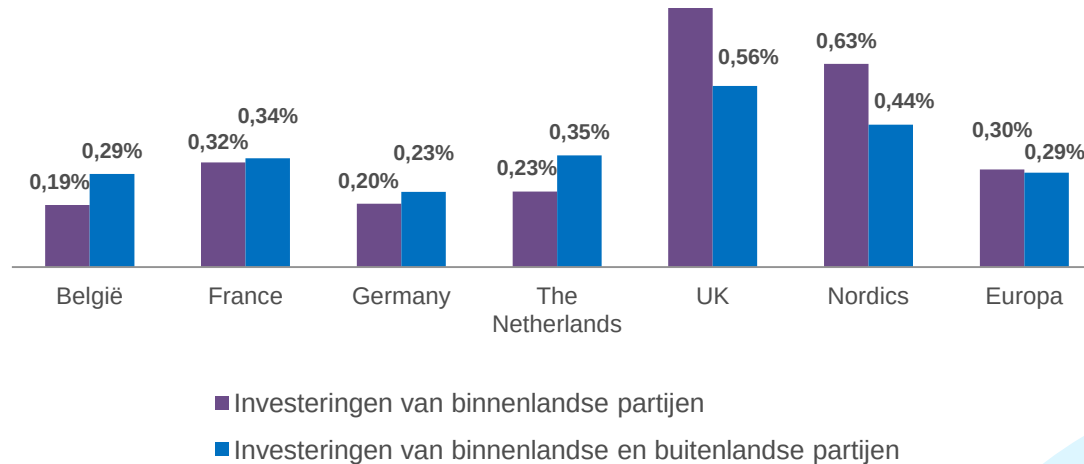
Similarly, divestments lag behind in Europe



- Lower divestments may signal inefficiencies in exit scenarios.
- May hinder the dynamic in risk capital.

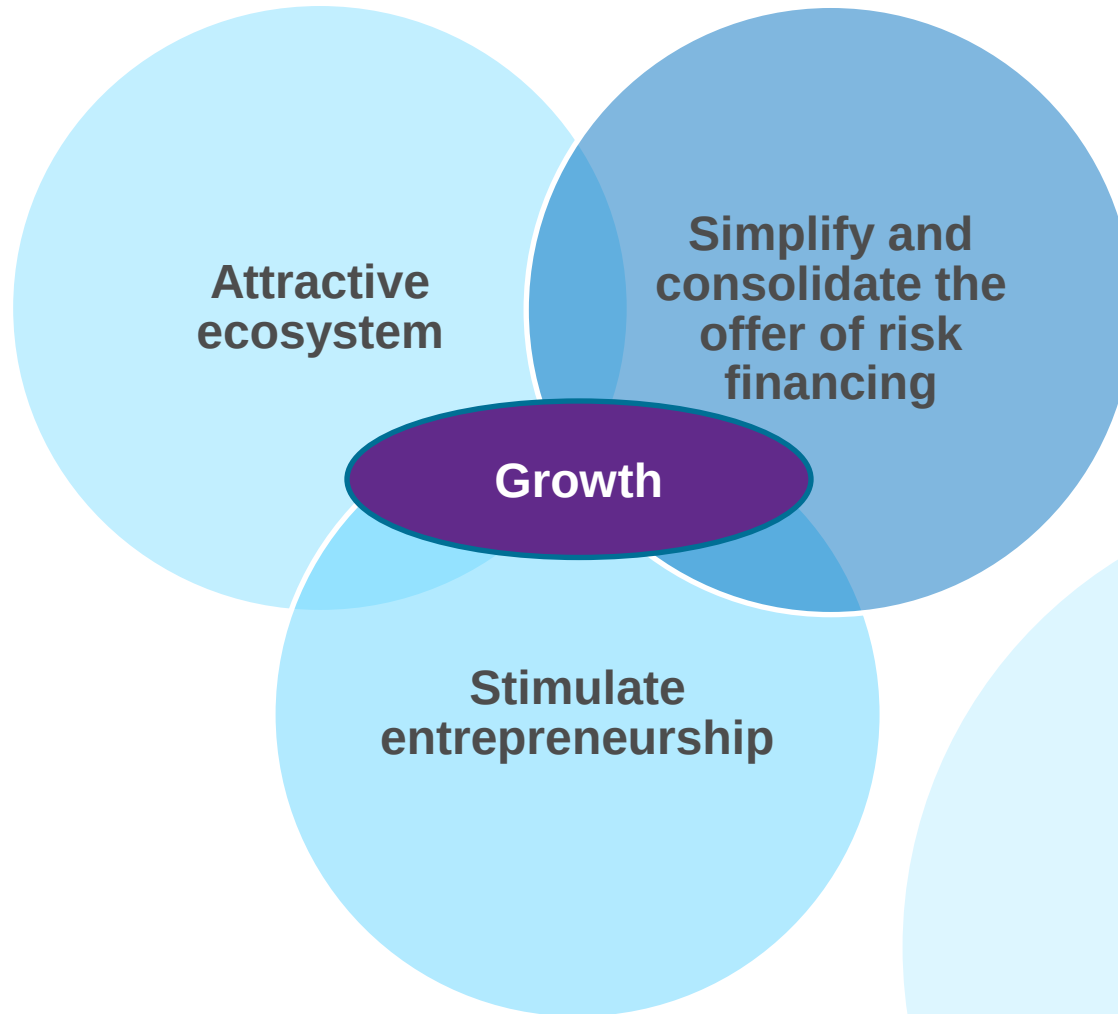
Capital rounds: International investors provide relief

Gemiddelde investeringen 2008 - 2013 (% of BBP)



For large rounds, risk capital in Belgium is depending on international investors.

How to stimulate startups?



Current offer of risk financing



- Capital and know how are present in multiple sectors: biotech, cleantech, medtech, ICT, food.
- Restrictive access to capital fosters a natural selection.



- Offer of risk capital and financial instruments is fragmented.
- Size of capital round: hard to attract amounts over €1mln.
- Startups with estimated IRR of 20% find limited access with private VCs.



**Simplify and
consolidate the
offer of risk
financing**

Recommendations to risk financing offer

- Need for bigger VC funds
- Managerial support by the VC funds
- Simplifying and consolidation the fragmented landscape of public investors VC
- Connect startups and investors
 - Improve legal framework on new financing technique, e.g. crowdfunding
 - Fiscal measures
 - Role for financial institutions



Simplify and
consolidate the
offer of risk
financing

Banks are constrained in their approach to risk financing

Bank financing



early stage = too much risk in view of transformation function of a bank

Private equity



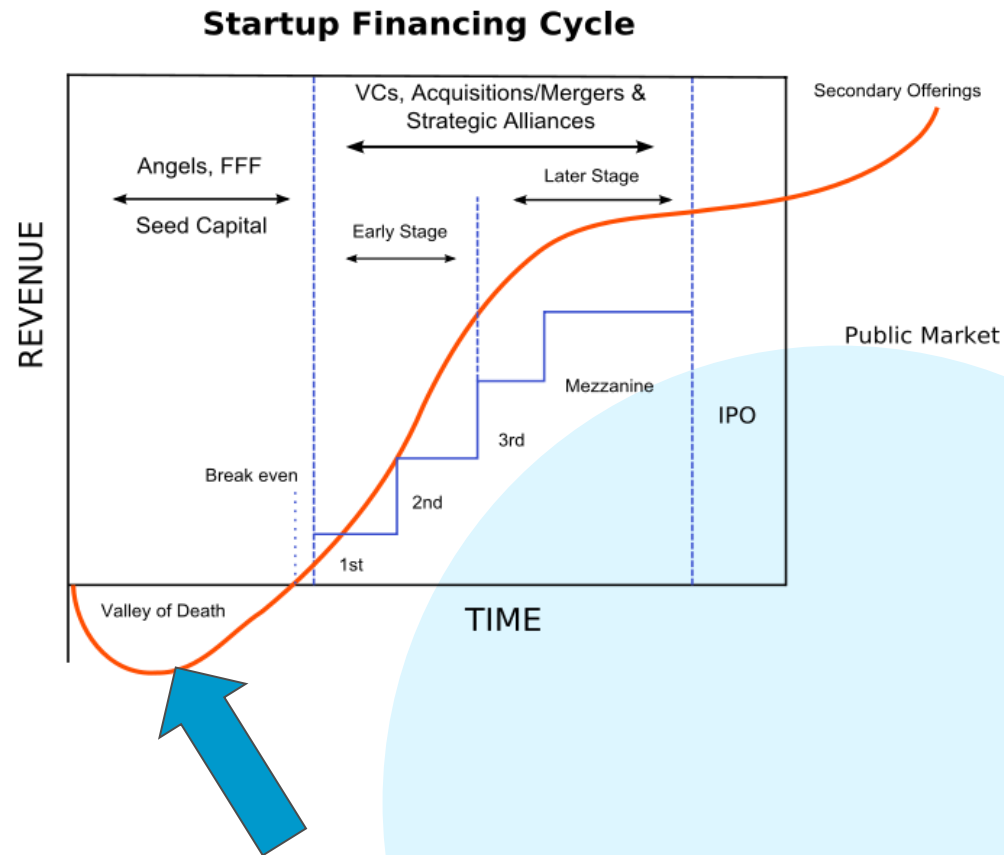
is being penalized by severe capital adequacy requirements

New EU capital requirement directive:

	Bank asset side	Bank capital
Mortgage Loan	100€	1€
Private Equity	100€	20€

Banks take up their responsibility and have developed initiatives to bridge the 'Valley of Death'

- 1) University funds
- 2) Startup support platform
- 3) Facilitator between investors and spin-offs / startups



1) University funds

Gemma Frisius Fund, Qbic, Vives, Baekeland Fonds, Bi³

Investment policy:

- Seed capital and follow-up financing
- All sectors: ICT, biotech, microelectronics, cleantech, food



Findings:

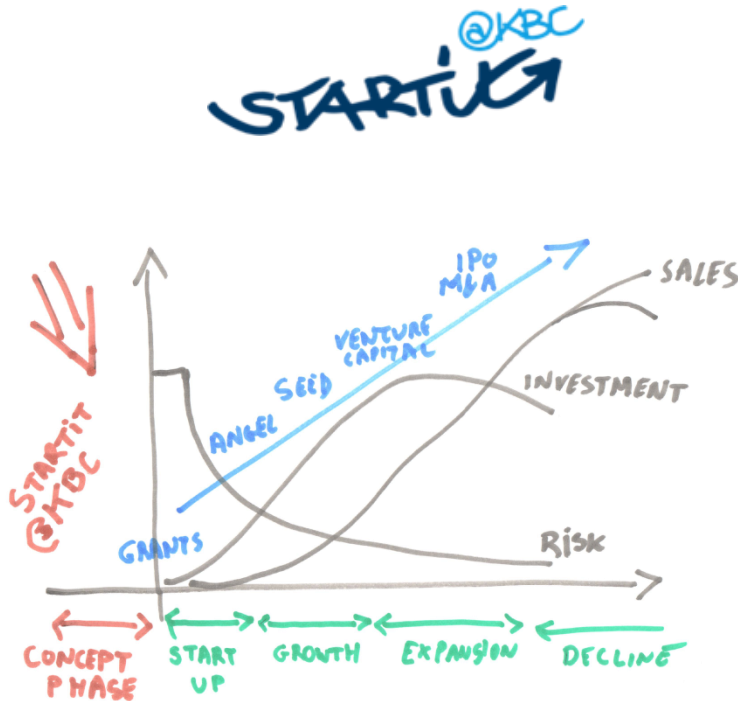


- Participations are sometimes limited, especially in bio-tech
- Tenor is sometimes short in case of closed-end funds

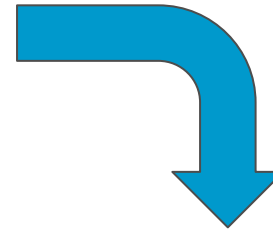


- Leverage towards other investors
- Professionalism at techtransfers

2) Platforms for startups Startit@KBC



- Start it connects early stage startups with mentors.
- Is a unique partnership between different companies.
- Builds a community around expertise and content.
- The offer consists of working space, workshops, networking, one-to-one coaching.
- Result is a business plan, minimal viable product, a first sale to a reference customer.



3) Facilitator between investors and startups

Crowdfunding

- ✓ Potential new asset class for mainstream investors
- ✓ FSMA March 2014: Limit of € 300,000 per company and €1,000 per investor

Private Placement

- ✓ Liaison between private banking clients and startup companies
- ✓ Equity, bonds

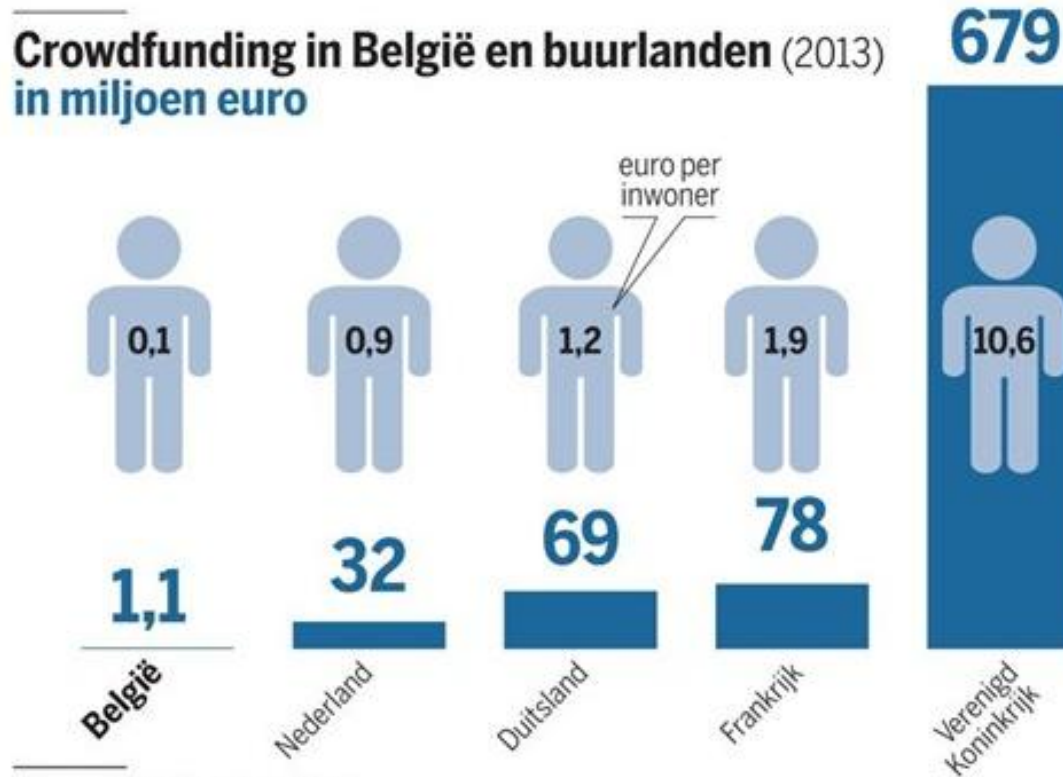


Role of the banks:

- No due diligence/advise
- Executive role
- Risk awareness



Crowdfunding



DS-Infografiek | Bron: Douw & Koren

Q&A





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