

What do VC investors look for?

Melanie Goward
Senior Investment Executive
14th December 2011



Introduction

- Life science investment
- What do investors look for?
- What you need to think about when approaching a VC?
- Some case studies

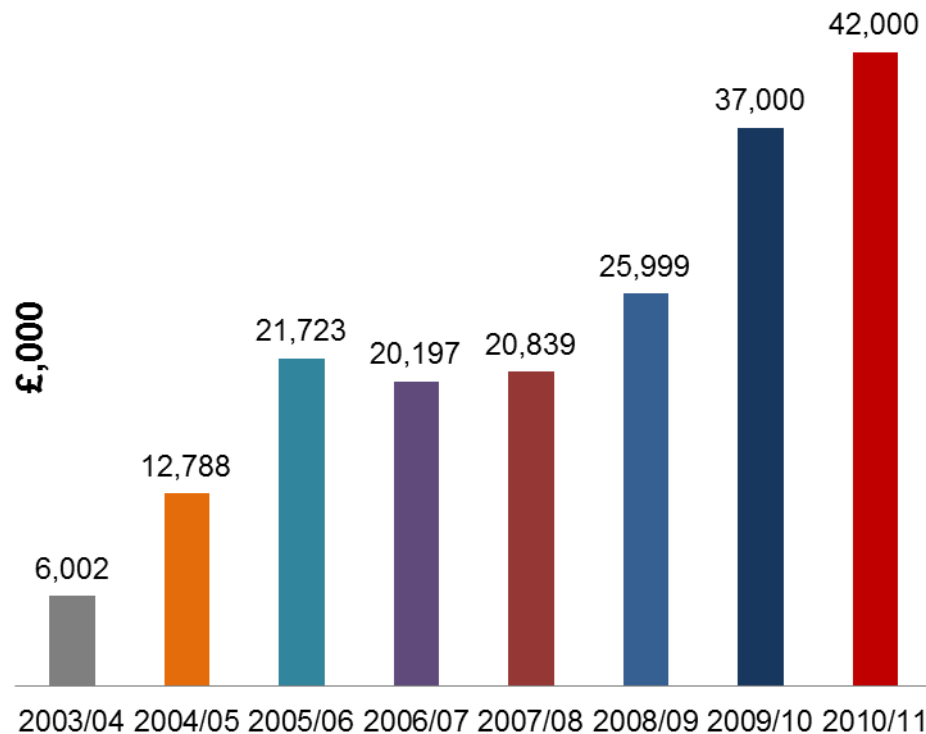


Background

- Leading UK investment company with more than 10 year track record
- £335 million funds under management
- Commercial company providing investment funding to Welsh SMEs
- Raises and invests private and public funds
- xénos, the Wales Business Angel Network, and FW Capital are subsidiary companies



A successful track record



Invested over **£200 million**

Over **2600** investments

Leveraged over **£391 million** private sector investment



What kind of deals do we invest in?

- Debt and equity investments:
- Micro loans (£5,000 - £25,000)
- Start-up
- **Early stage/technology (£50,000 - £1m per round)**
- Expansion and development capital
- Management succession
- Co-investment



Technology investments

- Innovative new technologies and spinouts
- Novel products or processes and robust IP
- Seed and development capital: **£50,000 to £1 million per round**
- **Follow on investment up to £5 million**
- Key sectors include **medical technologies, ICT, environmental, electronics, engineering**



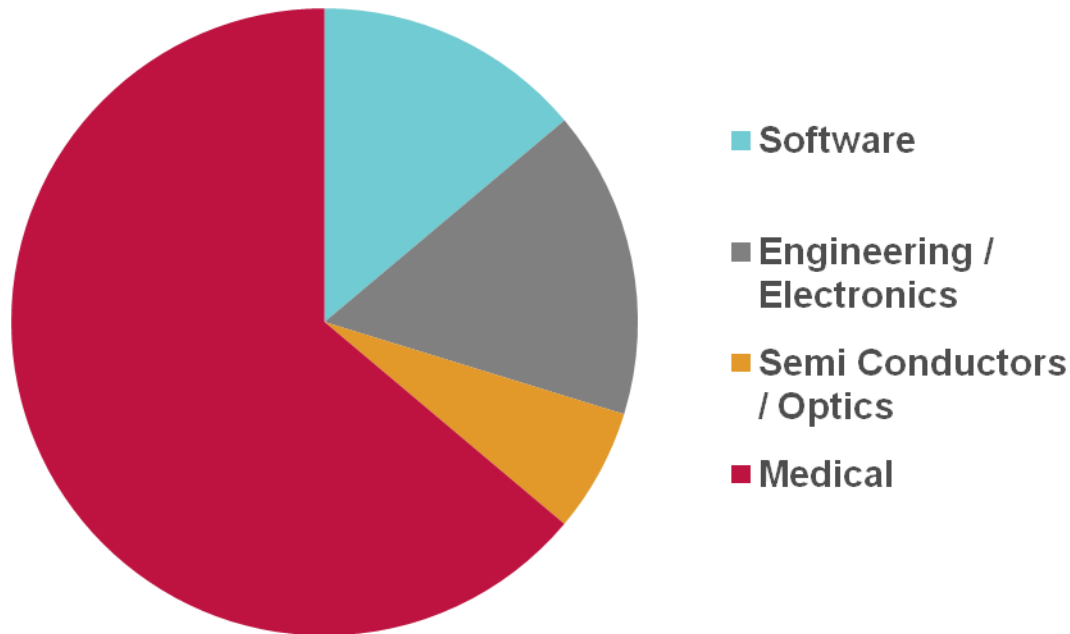
Early stage track record

- To date Finance Wales has invested in:
 - **30** new technology businesses, which includes:
 - **£13.8m** total investments
 - **£5.6m** first round investment
 - **£8.2m** in follow on investment
- And attracted **£22.5m** co-investment to our portfolio companies



Life sciences – a key sector

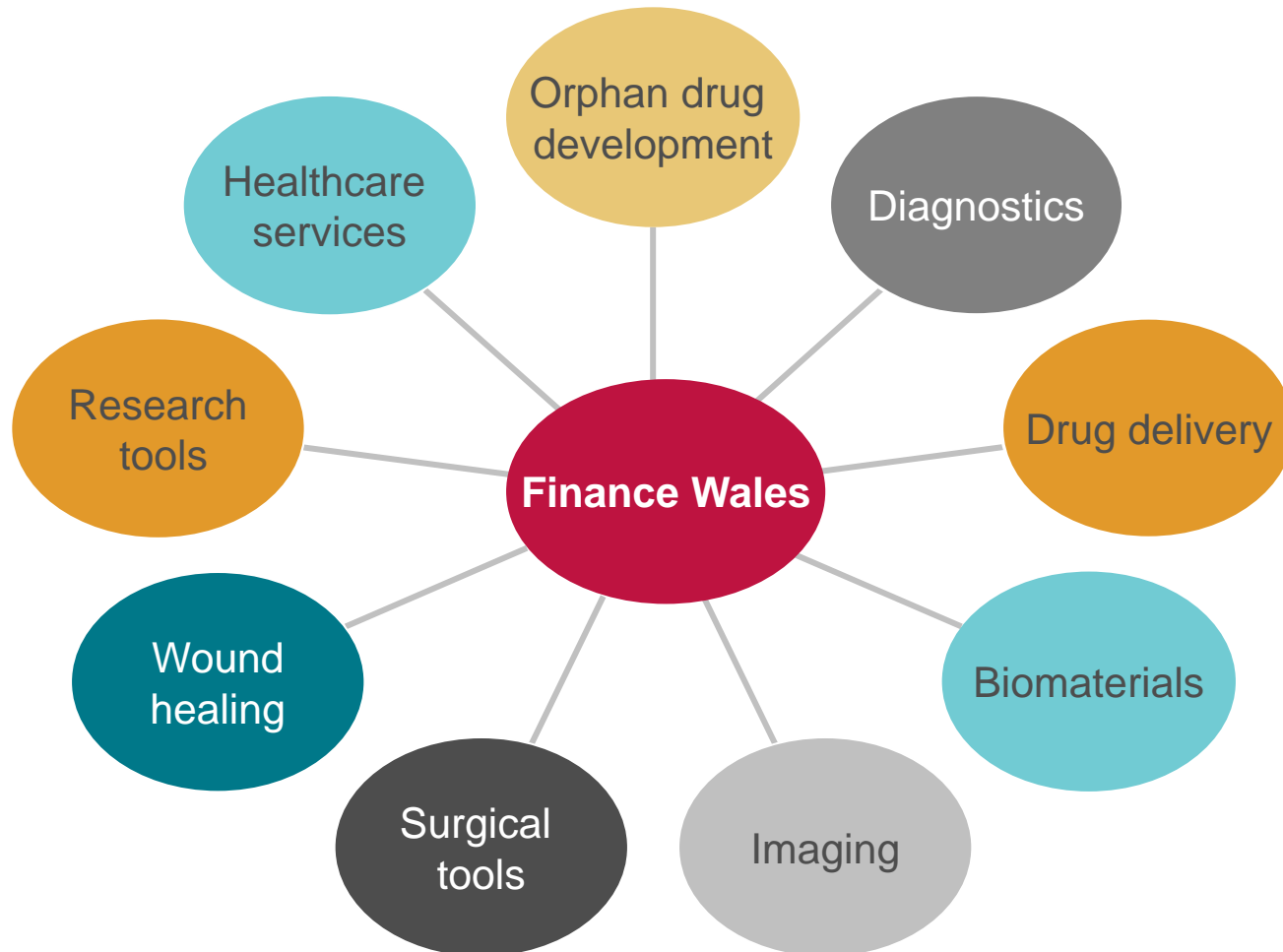
Early stage portfolio sectoral analysis
December 2010



Total early stage portfolio investment = £13.8 million



We invest across the life sciences sector



What do investors look for?

- Return
- Goal congruence
- Investment horizon



Considerations

- A robust business plan
- The right management team
- Commitment
- Understand your market
- Opportunities for substantial value creation
- Total investment required
- A clear exit strategy
- Good return on investment within 5 years



Is your team good enough?

- You are taking the team on a journey
- Drive, passion, commitment
- What if the going gets tough?
- Will they be there until the end?
- Are you likely to have to bring in new talent?
- Do you have all the key bases covered?



Management team on board

- Elect wisely or regret later



Will you stand up to scrutiny?

- Have you nailed down agreements?
- Are there any skeletons?
- Do you have good management information and systems?



Do your diligence

- Don't rely or assume that due diligence has been undertaken



What is your edge?

- Why will you be different?
- How do you stand out from the crowd?
- Can you understand and segment the markets you operate in?
- Can you clearly define customers, their needs and how you will meet these?
- Why will it be attractive to potential purchasers?



Understand your market



Some final thoughts...

- Do you have a credible business plan?
- Take ownership
- Tell investors what you want and why
- Be realistic
- Management
- Be prepared for diligence
- Clearly define customers, their needs and how you will meet these
- Understand the macro and micro market environment



Thank you

Melanie Goward

Senior Investment Executive

T: 029 20 338112

M: 07796 991264

E: melanie.goward@financewales.co.uk

W: financewales.co.uk

