

Open Micro VC Model

“Making you part of Finland’s next success story”

Pekka Abrahamsson, Univ. of Helsinki

Petteri Alahuhta, VTT

Jussi Autere, TKK

Presentation, v.41, 11.7.2009

VC money boosts economy*

- 17.6% of U.S. GDP comes from VC funded companies
- VC funded companies employ 9.1% U.S. private sector
- "The nation's venture capital industry plays a paramount role in nourishing the U.S. economy by bringing innovative concepts and business models to life."

*Venture Impact, The economic importance of VC backed companies in the U.S. economy, fourth edition, Global Insight, 2006

Need for Seed Money

- Finland has no shortage of new high-tech companies
 - Great majority offer software services to large players in the field
 - Very few of these are so called growth companies
- Seed money is needed for promoting high tech (serial) entrepreneurship
- Finland's VC investments are around 10-20 MEUR per fiscal year

Motivation for new ideas

- While it is desirable that VC culture would truly land in Finland, it is unlikely
- A new model is needed that
 - Fits to European landscape, culture and tradition
 - Demystifies venture capital model
 - Is scalable to broader application spectrum across European landscape and industries
 - Makes efficient use of the assets that are not yet mobilized

Micro VC model in a nutshell

- Connecting equity and promising companies
 - General public has billions of Euros in bank savings account
 - General public has currently no means, whatsoever, to invest in companies that are not listed
- We make it possible for you to
 - Invest directly (or indirectly) to a non-listed high tech company of your choice
 - MicroVC investment can be anything between 500 – 10 000 EUR

Micro VC logics

- Establishment of venture funds company to govern the funds
- MicroVC has the option to either
 - Fund directly a company of the MicroVC's choice
 - Indirectly via Funds (several options, different profiles, ambitions, philosophy)
- High risk investment

“Open Venture Funds Co.”, OVFc

- OVFC is a privately owned company launching MicroVC services in European Union member states
 - Governs the funds, handles investments, MicroVC reporting, etc.
 - Typically, a partner from Open Venture Fund Co. participates to board of the company (Six ventures per partner)
 - Typically, offers seed money for 50-300KEUR resulting in 5% up to 20% ownership of the company. The ownership should not exceed 49%.
 - Pre-selects companies for funding rounds
 - Several funding rounds (twice yearly or continuous)
 - Target 10 MEUR (2010), 200MicroVC's*500EUR (from Finland)
 - 15-30 companies funded 2010 (in Finland)
 - OVFc operates based on 1-2% commission

OVFc, cont.

- **Direct MicroVC investments**
 - Create, update and monitor an investment list for non-public high-tech companies
 - Fully automated service for MicroVC's (contracts, reporting etc.), consultation available for a cost
 - Expected payback time 5-8 yrs (typical to a start-up company)
- **Other issues**
 - Legislation likely to be a challenge
 - In order to avoid WinCapita effect, should involve public players as well
 - Not a donation, but an investment decision. Risk is likely to be higher than in any other investment plan

Money flow: Direct investment

Private investors



2 000€ 500€ 700€

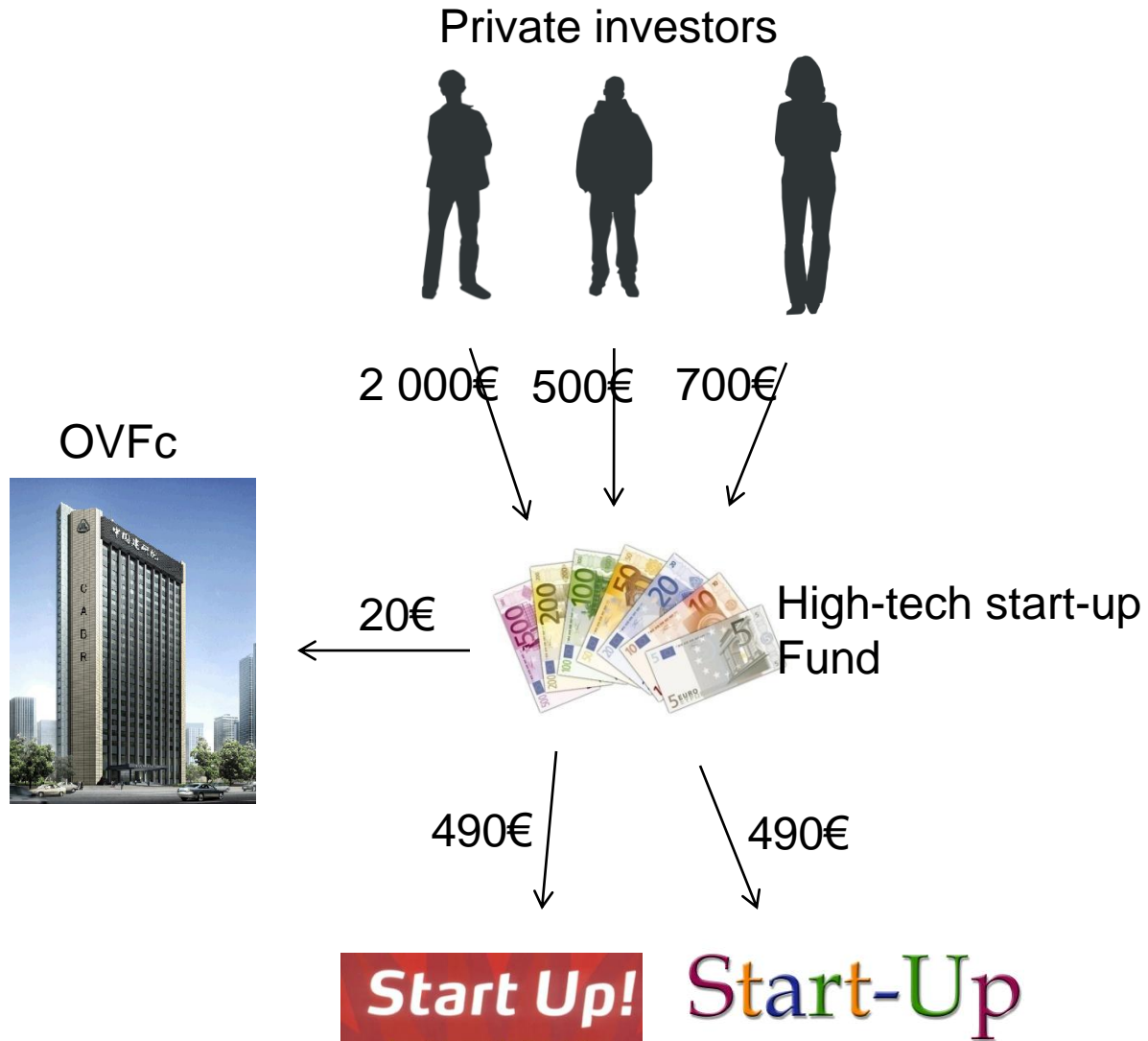
OVFc



← 4€
← 2€
← 14€



Money flow: Fund example



Similar models outside Finland

- Increasing the amount of seed money is not a new issue
 - However, the focus solely on Micro VC's and general public is the novelty factor not tried before
- Closest to MicroVC model comes Microcredit* (or Micro Loan)
 - Lend to micro-entrepreneurs (kiva.org)
 - Invest in microcredit securities (microplace.org)
 - Guarantee loans to micro-entrepreneurs (unitedprosperity.org)
 - Contribute to micro-entrepreneurs (wokai.org)

*<http://en.wikipedia.org/wiki/Microcredit>

Team

- We plan to form a team with financial expertise, VC experience, business understanding and technological aspiration

Status and timeline

- The idea of MicroVC is currently at an idea stage
- Plan for 2009 is to
 - Form the team
 - Establish the company
 - Prepare the business plan
 - Connect to the companies
 - Prepare for marketing
 - Establish connections with public players
- Spring 2010 the operations are launched

- In Summary, we seek to promote Finnish and European high-tech entrepreneurship by forming a unique seed money funding mechanism that leverages on general public's desire and assets to be part of Finland's success of tomorrow!
- This is a call to action to help us to complete our mission; What is the role that you can play?

Thank you!



Professor, software business
jussi.autere@tkk.fi



Technology manager
petteri.alahuhta@vtt.fi



Professor, software technology
pekka.abrahamsson@helsinki.fi