

# Early Stage Venture Capital

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# BDC Venture Capital

## > Investing since 1975

## > Focus on Early Stage & Seed

- Proprietary position
- High growth potential
- Solving a global problem
- Management

## > Investment Model

- Direct investment
  - Information Technologies
  - Telecom
  - Life Sciences
  - Energy, Environment, Electronics and Materials
- Indirect investment - Specialized funds

## > Capital Committed

- 140 active portfolio companies across Canada
- \$552.0 M total commitment
- 19 funds across Canada
- \$253.0 M total commitment

## > Offices Across Canada

- Vancouver, Calgary, Toronto, Ottawa and Montreal.
- Experienced Team

# BDC Venture Capital

## > Investment Amount

- \$500K to \$4.0 million initial investment
- Up to ~ \$12 to \$15 million life-time of investment
- Syndicate preferred
- Co-invested with all major Cdn and many international venture capital funds

## > Patient

- Ability to follow-on
- Long term focus (5 to 12 years)

## > BDC success stories

- Ballard Power, Creo Products, Tundra Semi-conductors, Xantrex Technologies, Neurochem, ViroChem, Miranda Technologies OncoGenex Pharmaceuticals, Tekmira.

- > Expect to invest over \$260 million in direct opportunities (new & existing) over the next three years and \$90 million in funds.

# BDC Venture Capital

## Energy Related Focus:

- Alternative Energy – Cleantech
- Technology related competitive advantage
- Solves a global issue – not local issues
- Technology/products is competitive in an unsubsidized market
- Technology must be scalable
- Capital efficient (\$25M to \$50M lifetime)

## Where Don't we Focus:

- Exploration
- Biofuel facilities
- Waste to Energy
- Large and expensive infrastructure plays

# Challenges for Early Stage Companies

## Key issues facing venture capital and “start ups”:

- > Poor returns
  - > Lack of exits
  - > Buyers market/no IPO's
  - > Longer hold periods – 3 to 7 years now 5 to 12 years
  
- > Financing Risk
  - > Lack of seed or early stage institutional investors
  - > Gap to later stage funds longer
  - > More time required to finance
  - > Disruptive to operations
  - > Later stage rounds penalizing for earlier investors
  
- > Partners/Buyers/Customers
  - > Still distracted by “global financial crisis”
  - > Buyers market

# Challenges for Early Stage Companies

## Key issues:

- > Cash Management
  - > Survived the “crisis”
  - > Longer timelines to milestones – slower to market
  - > No room for error or change in direction
  - > Delay hiring key staff
- > Management
  - > Stress & motivation
  - > Retention
- > Lack of alignment
  - > Existing shareholders looking for an exit