

# Early Stage Venture Capital

Gary Bantle



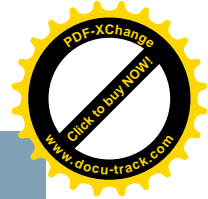
ACAMP – Edmonton Dec 3 2009

Canada



# 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

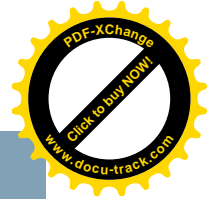
## > Patient

- 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.

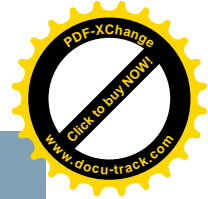


# Challenges for Early Stage Companies

(shareholder view)

## Key issues:

- > Financing Risk
  - > Lack of seed or early stage institutional investors
  - > Gap to later stage funds longer
  - > Foreign investors retreated
  - > More time required to finance
  - > Disruptive to operations
  - > Later stage rounds penalizing for earlier investors
  
- > Partners/Buyers/Customers
  - > Distracted by “global financial crisis”
  - > Buyers market
  - > US hospitals impacted

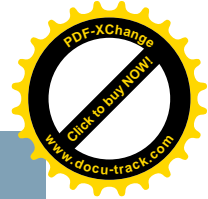
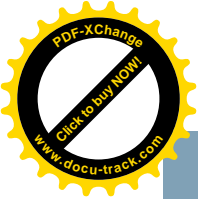


# Challenges for Early Stage Companies

(shareholder view)

## 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
  - > Early strategic partnering
  
- > Management
  - > Stress & motivation
  - > Losing key staff
  
- > Lack of alignment
  - > Existing shareholders looking for an exit

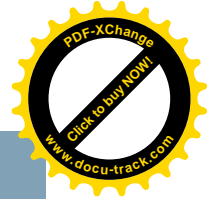
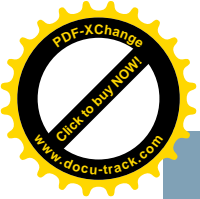


# Challenges for Early Stage Investing

(Investor View)

## Key issues:

- > Poor returns
  - > Lack of exits
  - > Buyers market/no IPO's
  - > Focus on building a company
  
- > Syndication
  - > Fewer institutional partners with overlapping interests
  - > Syndication taking longer
  - > Moving towards fully funded model – reduce financing risk
  - > Alignment with later stage investors (is it an opportunity for them)
  
- > Hold Periods growing
  - > 3 to 7 years now 7 to 12 years
  - > More volatility



# Challenges for Early Stage Investing

(investor view)

## Key issues:

- > Management
  - > Ability to build a team & access local talent pool
  
- > Capital efficient opportunities
  - > Life time capital of \$25 to \$50 million – reducing financing risk
  - > Fewer capital intensive investments
  
- > Focus on existing portfolio ongoing
  - > Industry needs more success stories
  - > Portfolio considerations
  
- > Diligence and bridging the information gap
  - > 1<sup>st</sup> institutional money – takes longer to fill the information gap
  - > Understanding the process and deal structure