

bpifrance

SERVIR L'AVENIR

Seed & Venture Capital - **Bpifrance**

Deal Flow

03/22/2016

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01. Seed & Venture Capital in France

02. Prepare an investor meeting

01.

Seed & Venture Capital in France

- a. Private equity**
- b. Private equity life cycle**
- c. Seed & venture capital in France**
- d. Bpifrance's activities**
- e. Seed & Venture Capital in Bpifrance**
- f. Fundraising process**

a. **Private Equity** – *Debt vs Equity*

- Debt : contract between a borrower and a lender.
Debt schedule, leading to interest payments.
- Equity : nothing to reimburse and no interest.
 - Allow the owners to share the net income (*dividends*).
 - Give political rights (*right to vote, right to information, etc.*).
 - Last stakeholder paid after the French State (taxes), employees, suppliers, and banks (*in that order*).

Raise equity funds is the risky way to finance a firm

a. Private Equity – Definition

Private Equity (PE)

Consist in investing in private companies' equity. It will increase the shareholder's equity.

Method

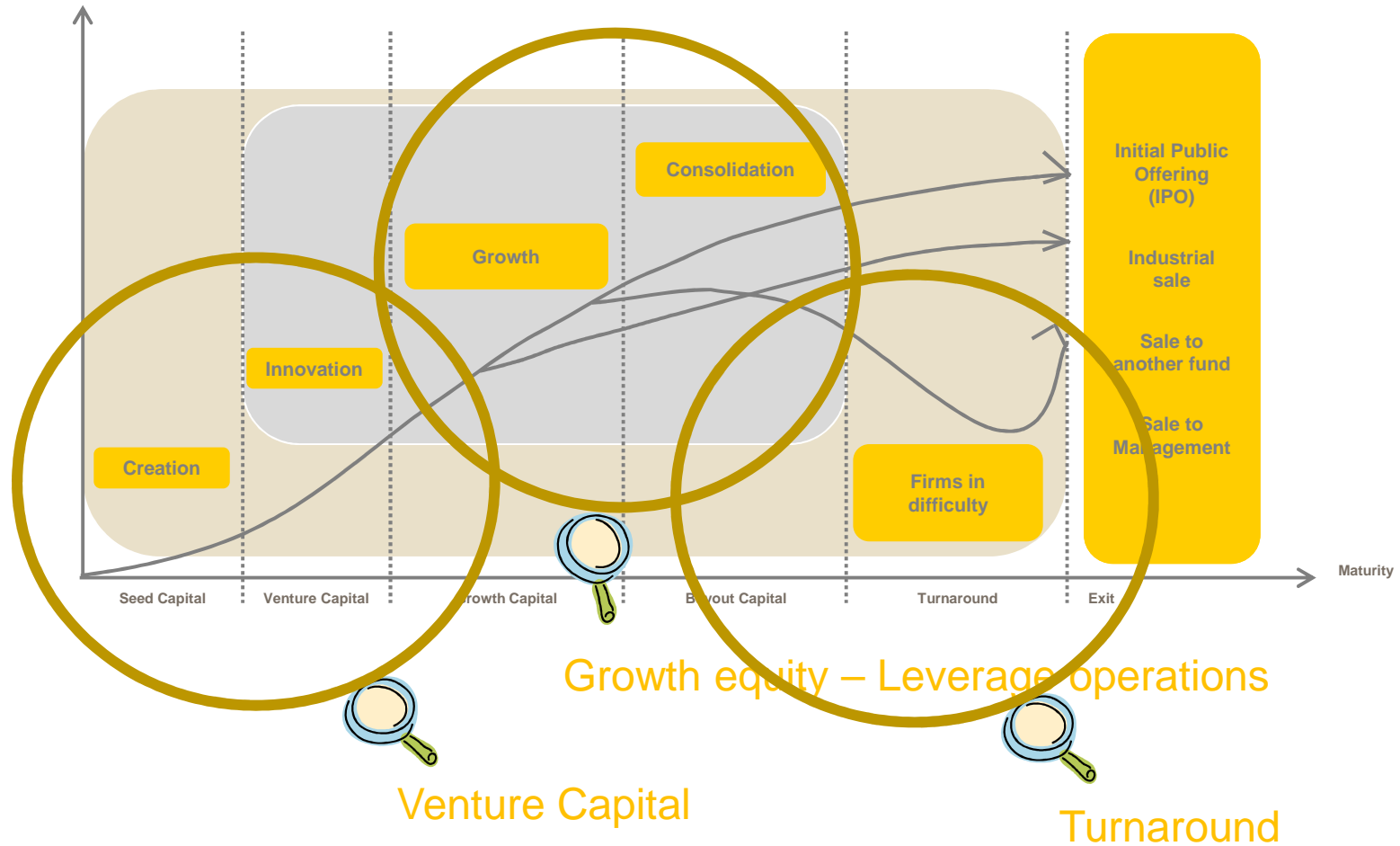
Active monitoring (*advices, network, experience...*)

Acquire a minority shareholding

Temporary period (*5 to 7 years*)

Specific criterias are used (*project's goals, geographic, business sector, fundraising level...*)

b. Private Equity life cycle



b. Private Equity life cycle

- **Average lifetime = 10 years**
 - Step 1. Subscription period - *between 1 and 2 years*
Period in which fund is looking for new investors and subscriptions are possible.
 - Step 2. Investment period – *between 3 and 4 years*
The fund is looking for good opportunities to invest in.
 - Step 3. Pre-liquidation – *as of the 6th years and closed at the 9th*
Period of desinvestments or reinvestment (only in the portfolio)
 - Step 4. Dissolution
Management company decides to close the fund. It leads to the liquidation.
 - Step 5. Liquidation
All investments are sold, and all commitments are distributed to investors



C. Seed & venture capital in France

- **Actors and objectives**
 - Investors : friends & family, business angels, crowdfunding, seed and venture capitalists
 - Objectives : financing market studies, R&D, prototypes, human resources, proof of concept, proof of market

- **Seed & Venture Capital key metrics in France – 2014¹**
 - €626 M in 438 companies
 - Average ticket of €1.4 M
 - France is the second most important player in Europe
 - Digital (29%) and medtech/biotech(15%) are the most represented business sectors in the French Private Equity

¹sources : AFIC

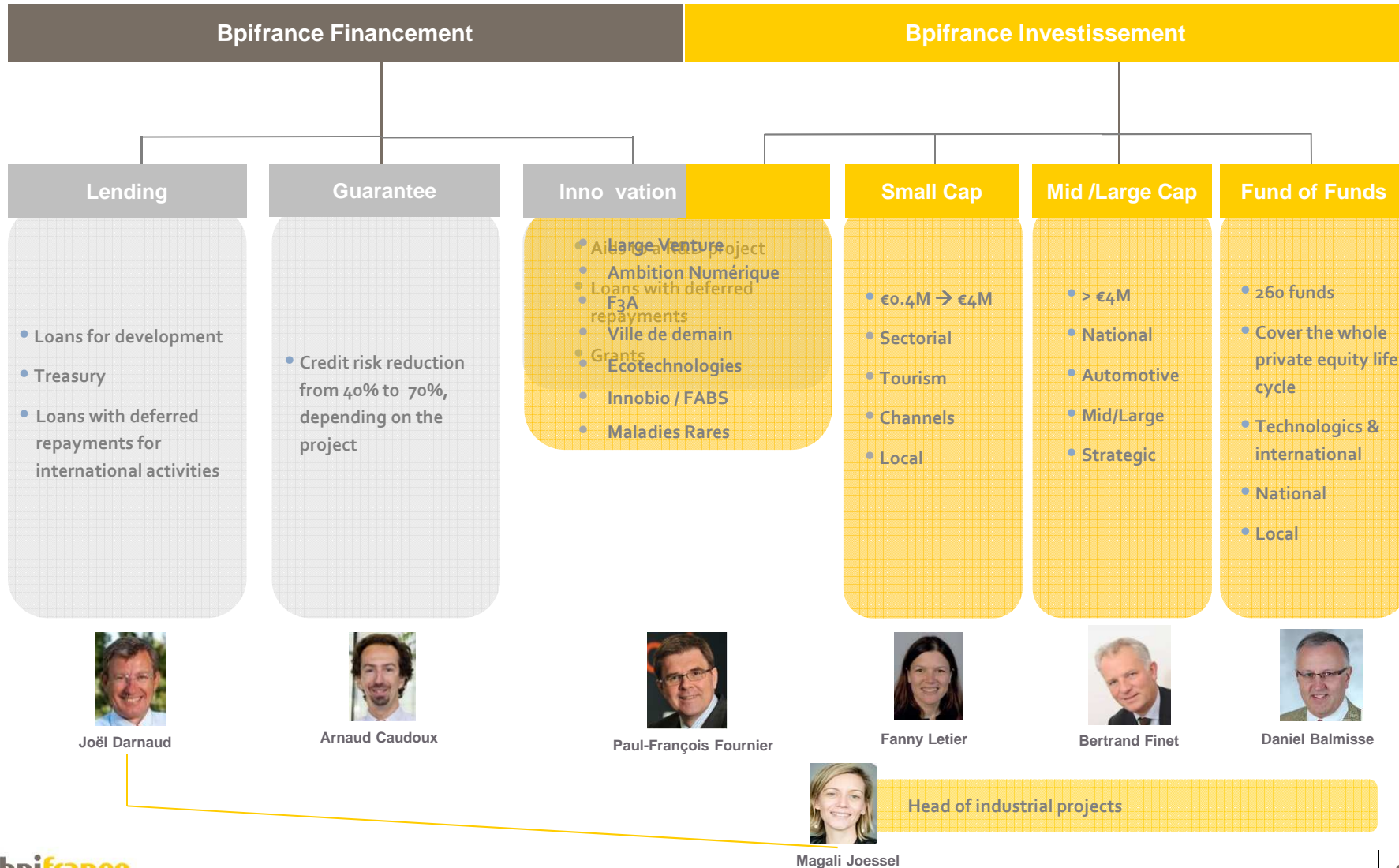
The logo for Criteo, featuring the word "criteo" in a lowercase, sans-serif font. The letter "i" has a dot, and the letter "o" has a horizontal line extending to the right, ending in a small square.

The logo for dbv technologies, featuring a stylized circular graphic composed of concentric lines above the text "dbv" in a lowercase, sans-serif font, with "technologies" in a smaller, lowercase, sans-serif font below it.

d. Bpifrance's activities



Nicolas Dufourcq



e. Seed & Venture Capital in Bpifrance

Innovation

Mailys
Ferreire



- **Large Venture**

- *Ticket : between 10 and €50 M (venture capital)*
- *Biotech, Cleantech, new tech (Valuation between 50 et €100 M)*
- *Evergreen fund of €600 M – Bpifrance’s funds*
- *Private and Public companies – Co-investment*

Generalist

Véronique
Jacq



- **Fonds Ambition Numérique**

- *Ticket : between 1 and €10 M (venture capital)*
- *Software, cloud, big data, cyber security, hardware, robotics, connected products, ehealth*
- *€300 M FPCI*
- *Private companies - Co-investment, global fundraising of €3 M at least*

Digital

- **Fonds Ambition Amorçage Angel (F3A)**

- *Ticket : between 0.2 and €0.5 M (seed capital)*
- *Software, cloud, big data, cyber security, hardware, robotics, connected products, ehealth*
- *€50 M FPCI*
- *Private companies - Co-investment with new Business Angels*

e. Seed & Venture Capital in Bpifrance

Innovation

Laurent
Arthaud



- **Ecotechnologies**

- Ticket : between 2 and €10 M (venture capital)
- Renewable energy, waste sorting & recycling, smart grids and future vehicles
- €150 M FPCI
- Private companies - Co-investment

- **Ville de demain**

- Ticket : between 0.5 and €2 M (venture capital & seed capital)
- Smart city
- €50 M FPCI
- Private companies - Co-investment

Ecotech & Cleantech

- **InnoBio**

- Ticket : between 1 and €10 M (venture capital)
- Technological products and services for human health
- €173 M FPCI
- Private companies - Co-investment

Biotech, Medtech

- **Fonds Biothérapies Innovantes et Maladies Rares**

- Ticket : between 1 and €5M (venture capital & seed capital)
- Biothech & detection of rare sicknesses
- €50 M FPCI
- Private companies - Co-investment

- **Fonds Accélération Biotechnologies Santé (FABS)**

- Ticket : between 1 and €20 M (venture capital & seed capital)
- Technological products and services for human health
- €340 M FPCI
- Private companies - Co-investment

f. Fundraising process

Many ways to reach an investor

Directly

- Directly send your project to investors : all information is available on investor's website
- Your network : if investors are part of your network, you can directly contact them
- The AFIC website : contacts information of institutional investors that can be sorted by your own criteria
- Bpifrance (regional departments) : 43 divisions throughout France¹ giving you access to our investment (and financing) solutions.

Indirectly

- With fundraisers : specialized in the fundraising process, they have a privileged access to the investors they used to work with
- Bpifrance's Deal Flow section : targets interlocutors for your company among Bpifrance own investment vehicles or its partnerships in France.
- Business incubator : it helps you to create your startup, raise funds and organize the firm

¹ Depends on your headquarters location

01. Seed & Venture Capital in France

02. Prepare an investor meeting

02.

How to prepare an investor meeting

- a. **Target the right investor**
- b. **Key elements to deliver**
- c. **Key points before an investment decision**

a. Target the right investor

Seed & Venture Capital funds have specific criterias :



- Business sector (*digital, medtech, non-financial services, social activities, etc.*)
- Business model of the targeted company : BtoC, BtoB...
 - Having a unique business model is necessary for your startup : needs/uses are not the same for each of them thus investors' expectations are different
 - ex : BtoC – high commercial expenses - high revenue*
 - ex : BtoB – faster return on investment*
- Business location : local, national or international focus
- Ticket : investment levels are different depending on investors
- Control : acquiring a majority or a minority shareholding
- Required points : being a board member, changing the current management, etc.

b. Key elements to deliver

Seed and venture capitalists invest in **projects with strong growth potential**. Their appreciation of growth perspectives is based on 5 strategic points that need to be pointed out by the company in their presentation

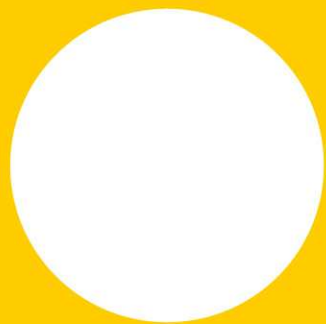
- Management
 - *Complementary skills, ability to work together, high ambitions, etc*
- Business model
 - *Coherence, ability to follow your business plan (B2C – high commercial expenses - high revenue)*
- Technologies / proceeds / algorithms
 - *Innovations, patents, barriers to entry, etc.*
- Market
 - *Market size, competitors, targeted clients, new market ?, etc.*
- Fund raising
 - *Key milestones and financial needs to reach them.*
 - *What is the next step for your company (number of users, go to market...) and the means you need to reach it.*

G. Key points before an investment decision

Discussions on 4 strategic points leading to investment

- **Firm valuation : DCF method, multiples approach**
- **Exit and expected return**
- **Shareholders' agreement with several clauses :**
 - The manager has to keep its shares (lock up clause)
 - Impossible to raise new funds for a period, to prevent from dilution
 - Exit clauses
 - Management & information clauses
- **Relevant corporate governance adaptation**
 - Censor of the Board of Director → usually used in growth equity.
 - Member of the Board of Director → usually used in venture capital.

Thank you



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