



The role of Venture Capital for cluster excellence

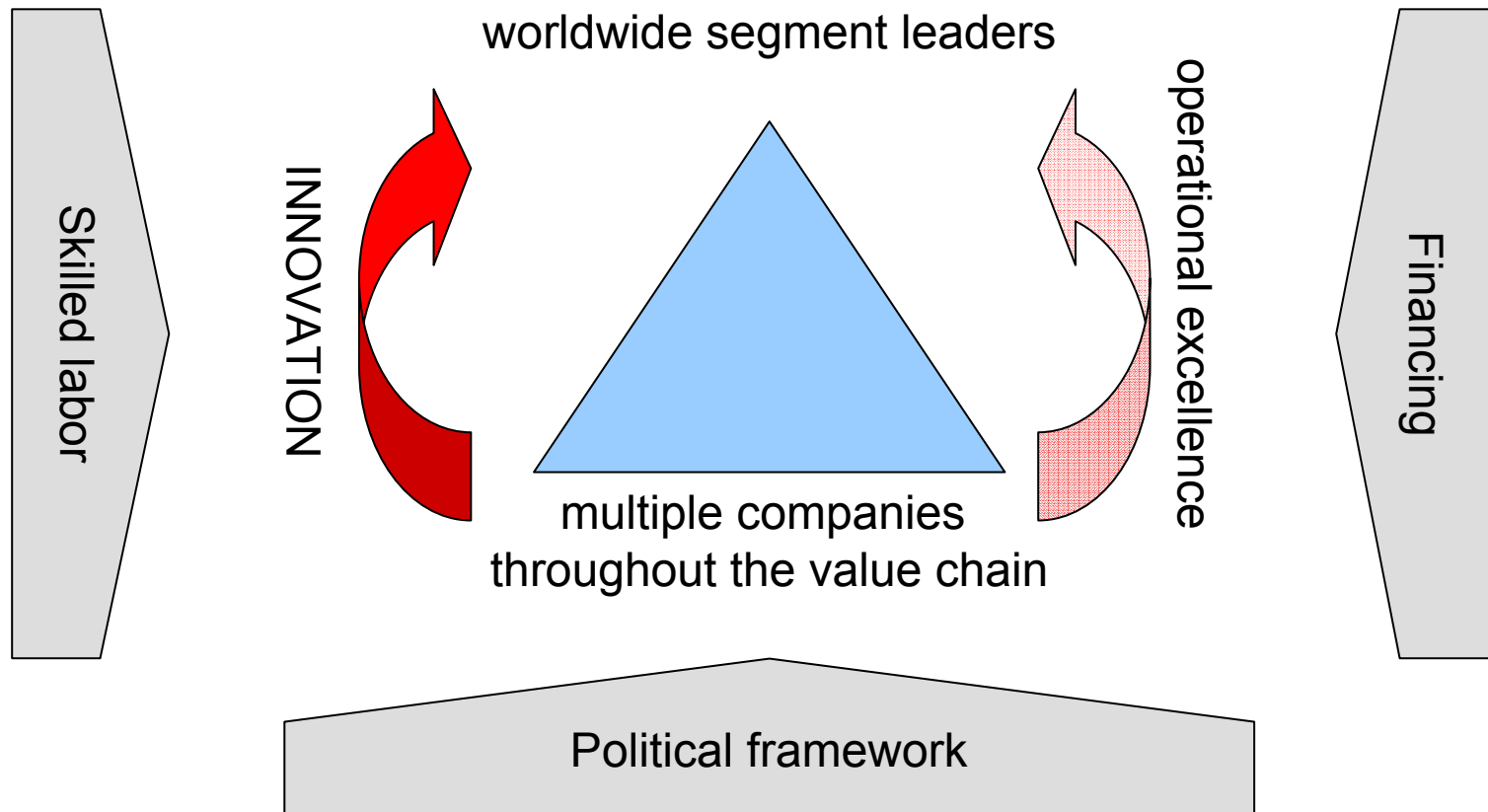
Dr. Michael Hochholzer

***4th Competitiveness Cluster Forum
Sophia Antipolis
November 13, 2008***

Agenda

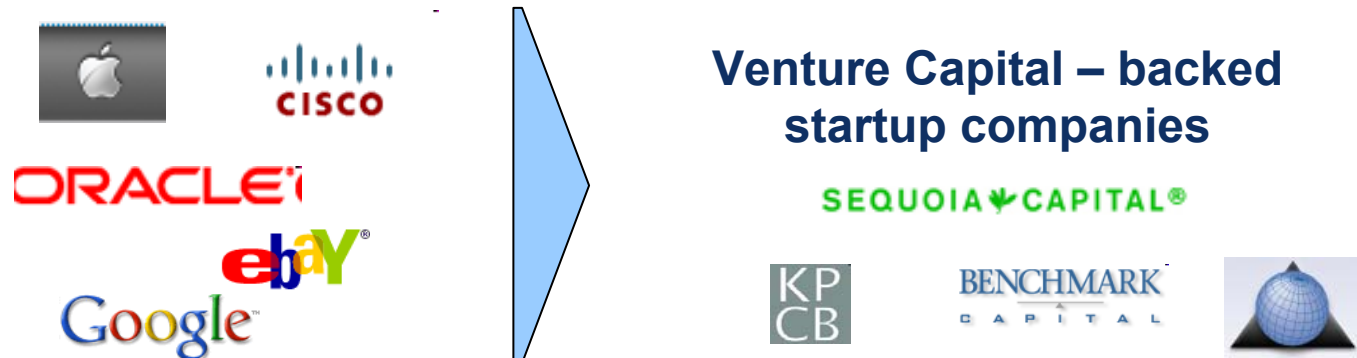
- **Start-ups relevant for Clusters ?**
- **Role of Venture Capital**
- **Key Success Factors**
- **Profile of BayTech Venture Capital**

Innovation is a key driver for sustainable cluster excellence

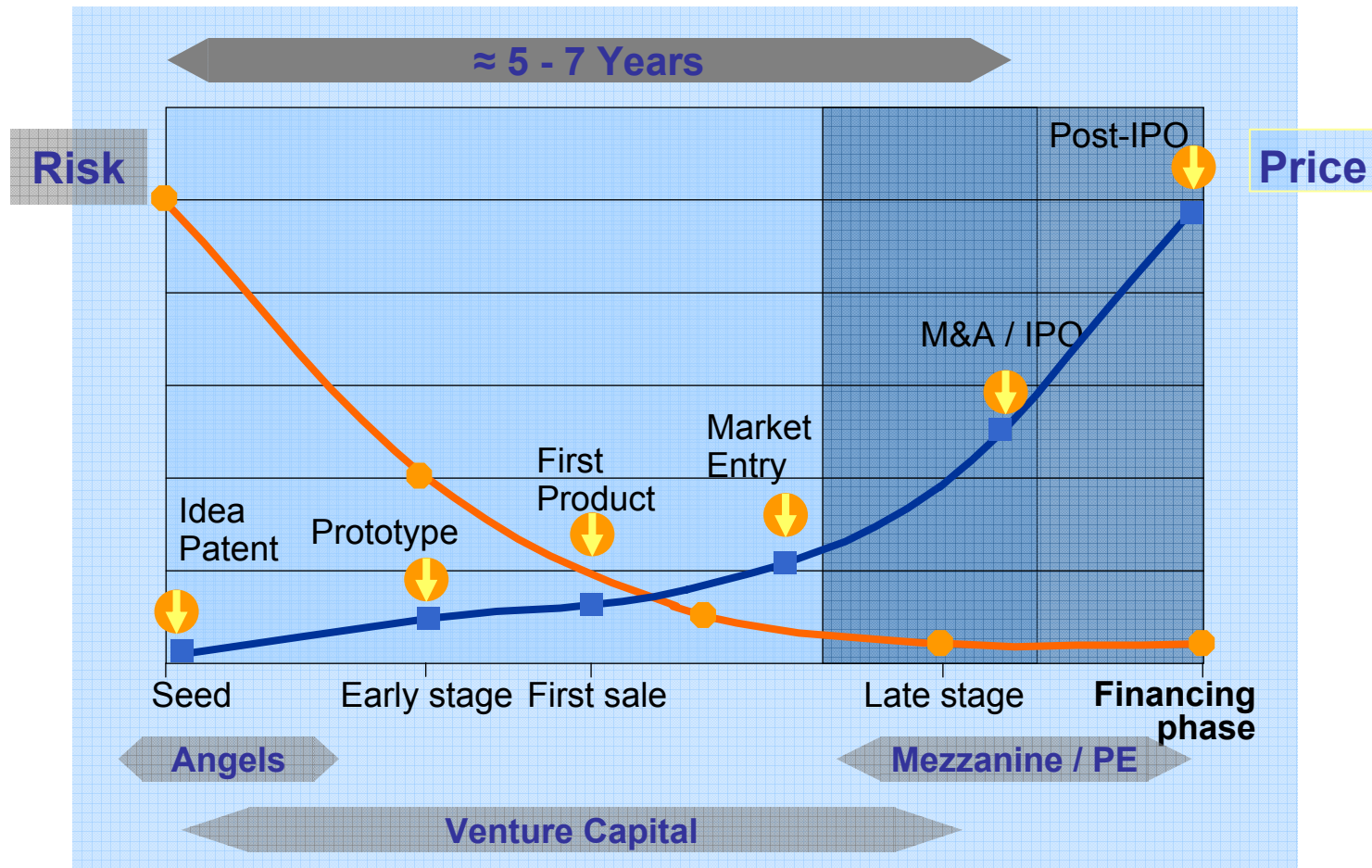


Disruptive innovation grows in special 'nutrition mediums' of startup companies

- **Key INNOVATION from**
disruptive technology & disruptive business models
- **...require a special 'nutrition medium' to grow**
 - 'creative', 'chaotic', 'non-conformity' environment
 - attracting and keeping excellent talent 'oscillating' throughout the value chain
- **Role model: Silicon Valley, CA**



Private Equity financing is crucial for startups Venture Capital covers essential phase

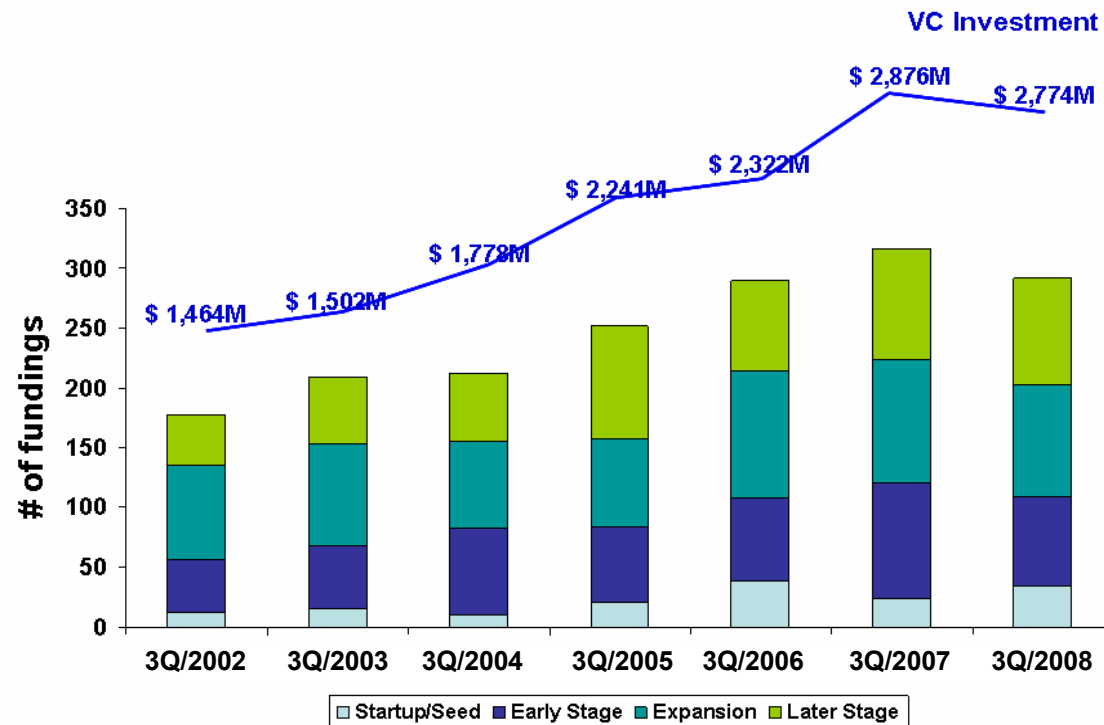


Venture Capital is much more beyond money

- **Financing**
 - funds (€) required to break even & „exit“
 - syndication to secure cash in turbulent times
- **Sparring partner & operational support**
 - strategy, company building, experience sharing
- **HR**
 - hiring of additional management and team through the value chain
- **Network**
 - access to industry networks, corporations, partners and customers
- **Exit**
 - negotiation support

Role model: Silicon Valley (I)

Venture Capital invested and # of companies - focus on California only and 3rd Quarter of a year



Bay Area / p.a.:

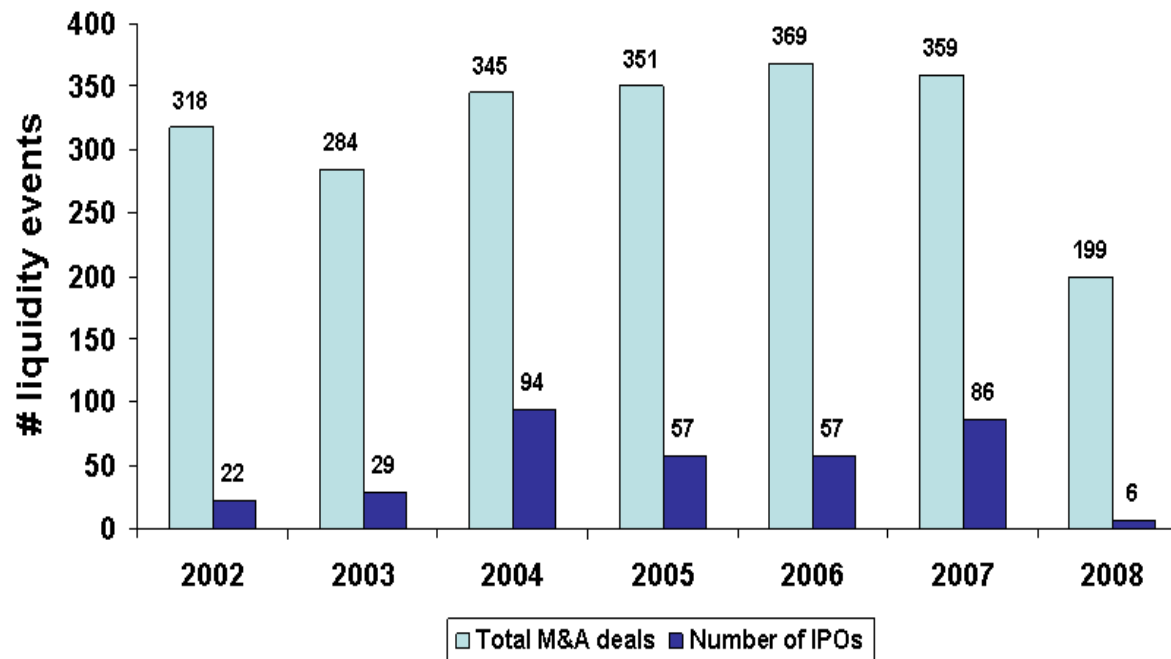
- ≈ 275 VCs
- ≈ 850 deals
- ≈ \$ 10bn invest

Source: Dow Jones VentureSource

Source: Thomson Reuters, NVCA, PWC Moneytree

Role model: Silicon Valley (II)

Liquidity events of US Venture Capital backed companies (per year)



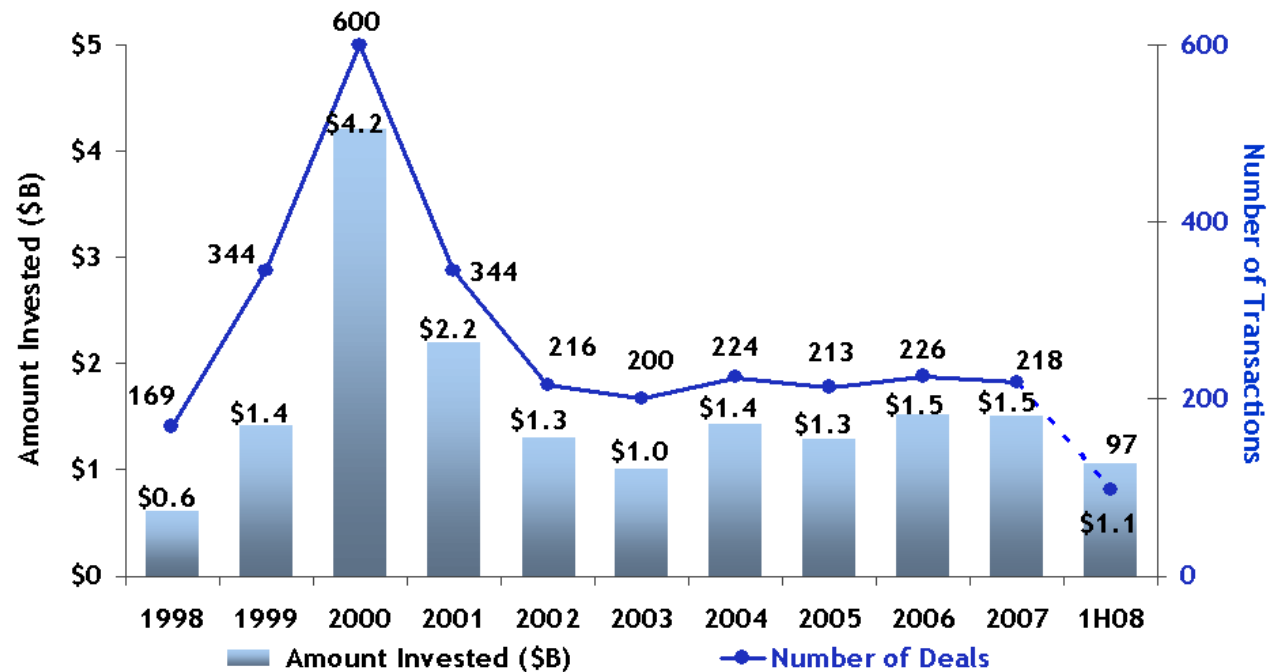
Bay Area:

- \approx 1/3 of all US exits
- \approx 140 M&A events p.a.

Duplication of the role model in Israel: Cluster Herzeliya / Netanya / Haifa

Investment and exits in Israeli companies p.a.

≈ 15 – 20% of California activities

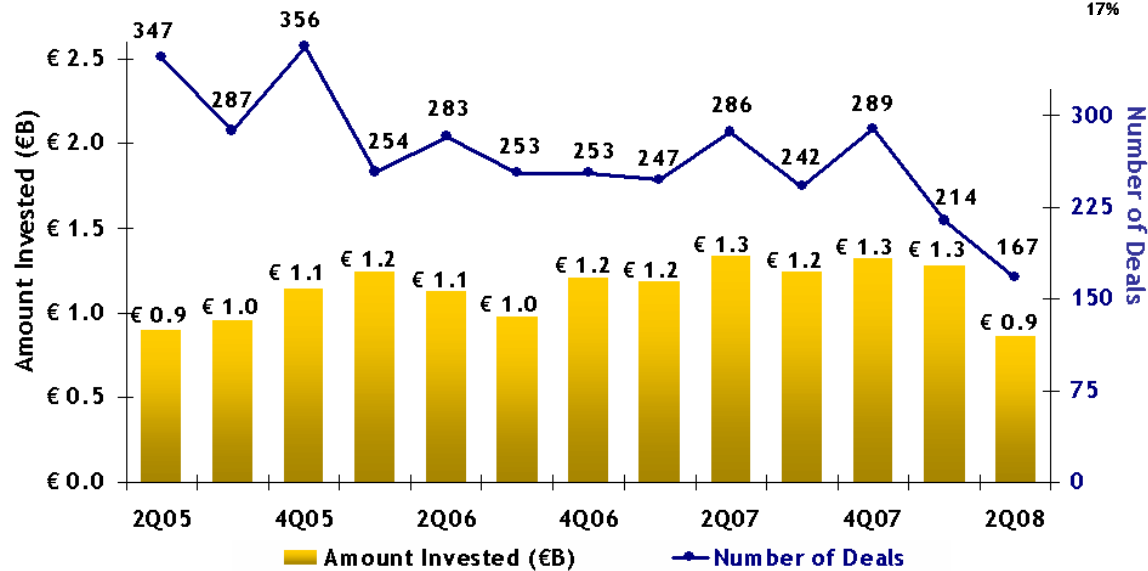
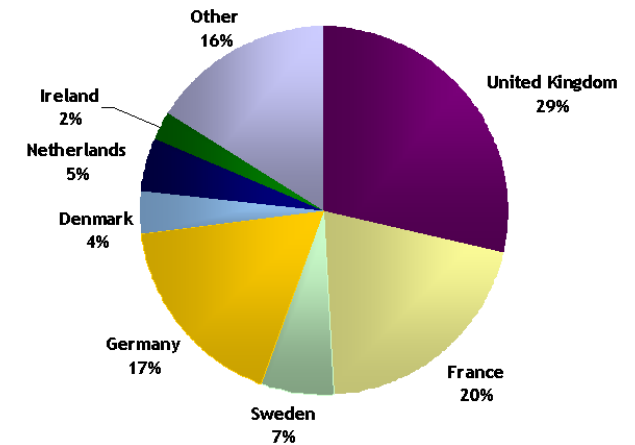


Source: Dow Jones VentureSource

German or French venture investment activities still lag behind

Investment and exits in European start-up companies p.a.

- D / F: \approx 66% of Israel activities
- rather distributed geography

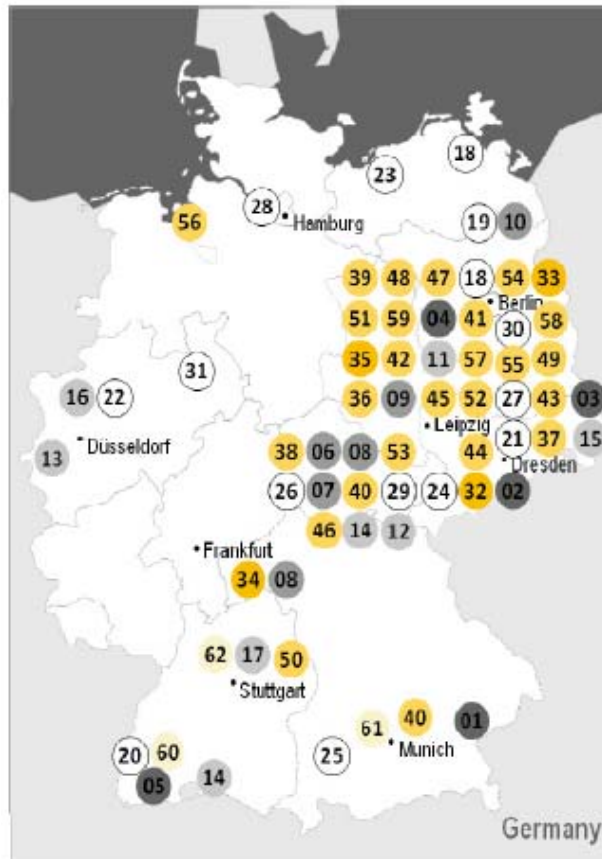


Source: Dow Jones VentureSource

Key factors: a full Venture ecosystem with critical mass and entrepreneurial mentality



An example for a new cluster growing in Germany – the solar cluster



Silicon wafers



Solar Cells



Solar Modules



Fully integrated



Thin film



Source: Invest in Germany

BayTech Venture Capital – Short Profile

Fund volume	€ 150 million (Fund I + II raised in 2000 and 2005)
Investors	Prestigious European Financial Institutions
Location	Munich
Industry focus	IT & communication, internet-enabled services Industrial Application & Energy, Life Sciences
Stage	Seed stage or expansion stage
Investment size	€ 0.5 to 5 million
Geography	Europe / focus on Germany and France
France	7 investments in France / 4 in Sophia Antipolis



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