

British Business Angels Association

Specialist Early Stage Investing

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Chairman

Company Guides, The Capital Fund and London Technology Fund

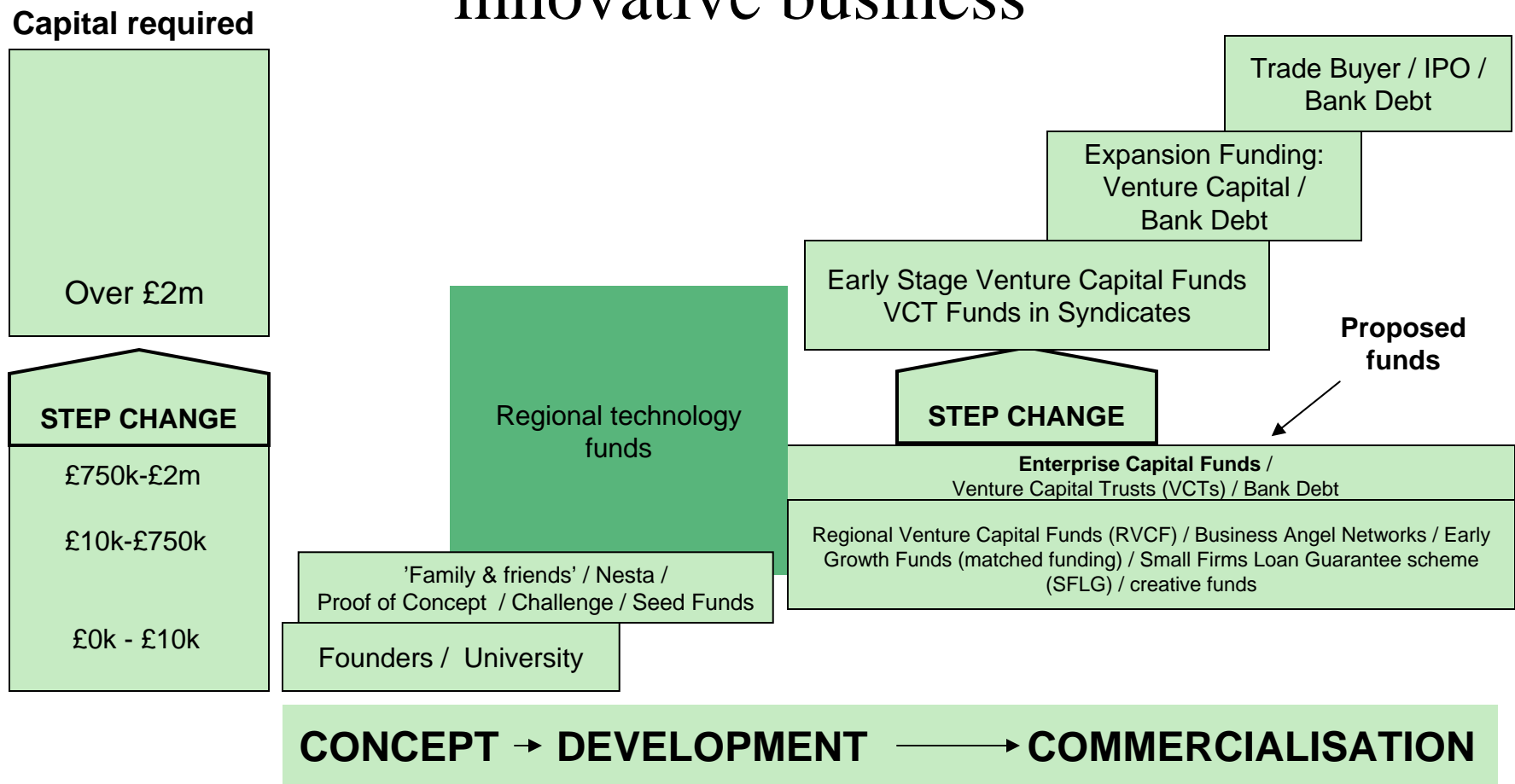
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Innovation and the Funding Ladder

- Problems for funders of early, small and technology deals
 - Early: hard to evaluate new management and/or new business proposal without track record
 - Technology: hard to evaluate new technology
 - Small: not economic
- Result: risk and reward out of balance
- Funders move up the ladder

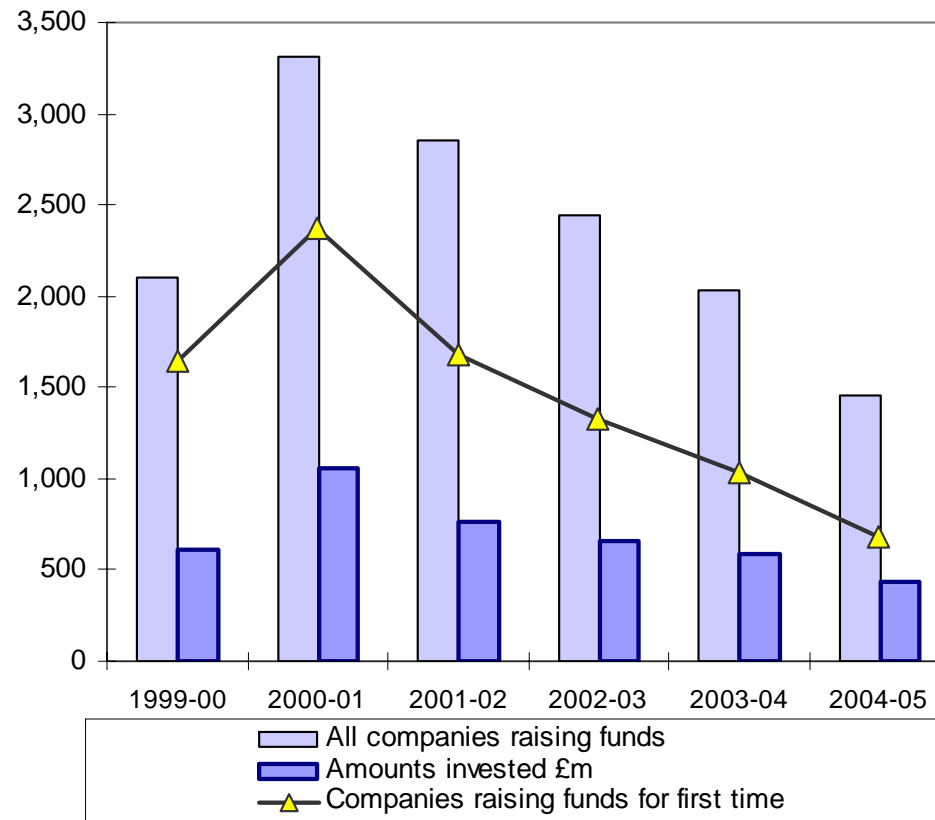
‘The Funding Ladder’

The different stages of funding for a new and innovative business



Note: indicative only. Timescales and capital requirements vary. For example, some start-ups (e.g., with attractive technology and management in place) may move straight to early stage VC while corporate investors may invest at any stage. Note that grants may be available at any stage

Recent investment under EIS



Note: most recent figures particularly subject to revision

Source: HM Revenue & Customs

The Capital Fund

- £50 million Regional Venture Capital Fund
- Investment focus: SMEs in Greater London
- Initial investment up to £250,000...
- ...with a further £250,000 after at least 6 months
- ...with potential to invest up to £5m in some companies
- Must be the 1st institutional investor/can co-invest with angels
- Can invest at all stages in most sectors
- Expect to invest in around 90 or more companies over first 6 years
- Primary objective – VC rates of return for our investors

The Capital Fund

- Over 60 investments in 40 companies
- 70% co-investments with angels - why?
 - Deals brought by/sent to angels
 - Benefits from our specialist skills and ability to commit increasing sums
 - Often appoint angel as representative
- Further details:

www.thecapitalfund.co.uk



London Technology Fund

- £15m fund – launched summer 2005
- Investment focus: technology-based SMEs in Greater London at seed, start-up and early stage
- Can invest up to £1.5m – over a series of tranches over the life of the investment
- Key requirements include:
 - Investment must be on a commercial basis
 - Investment must be as part of a syndicate (‘matched funding’)



London Technology Fund – applications by sector

- Applications now received from **ALL** sectors:
 - Medical
 - Value added manufacturing
 - New materials
 - Physical sciences and engineering
 - Environment
 - Energy
 - Emerging technologies
 - Biotechnology
 - Other electronics related industries
 - Computer
 - Communications



London Technology Fund – what surprised us

- Number of applications
- Quality of applications
- Size of applications



London Technology Fund – why the technology deal flow shouldn't have surprised us

- London is **1 of the 10** largest economies in Europe
- London **leads in GEM rankings of entrepreneurial activity** in UK
- London is a **research powerhouse**
 - the combined research income of just three of its academic institutions is greater than that of Oxford and Cambridge combined
- London is an attractive **centre for technology companies**
 - **clusters** in finance, legal services, telecoms and the creative industries
- Continued **shortage of VC funding** for new technology companies
 - only £160m in 'start-up' funding across ALL sectors in the UK in 2005



LTF's first investment -



- Biotools that enhance productivity in pharmaceutical and biotech research
- Spin-out from Imperial
- Strengthened management team with proven track record and known to LTF
- LTF part of an important £6m funding round – bridging the gap with a c£600k commitment



London Technology Fund – bridging the equity gap by building and completing syndicates

- Building syndicates
 - Happy to lead or complete investments and build syndicates with:
 - Business angel networks
 - Venture capitalists
 - Corporates
- Why will private sector co-invest?
 - Comfortable with technology
 - No cost to access or refer deals
 - Ease of identification of attractive investments
 - Selection based on specialist knowledge
 - LTF prepares proposition and due diligence



Funded by the London Development Agency and the ERDF



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