

Why & How to invest in Venture Capital

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NORDIC INVESTMENT
SOLUTIONS

Achieve better returns than on the stock market – by investing in early value creation

The logo for Supercell, featuring the word "SUPERCCELL" in a bold, black, stacked font.The Klarna logo, consisting of a blue stylized flower icon followed by the word "klarna" in a lowercase, sans-serif font.The Rovio Mobile logo, featuring a red stylized bird-like shape above the text "ROVIO MOBILE" in a bold, sans-serif font.The King.com logo, featuring a gold crown icon above the word "King.com" in a green, stylized font.The Unity logo, featuring a black stylized cube icon followed by the word "unity" in a lowercase, sans-serif font.The Zendesk logo, featuring a green stylized flower icon followed by the word "zendesk" in a lowercase, sans-serif font.The Spotify logo, featuring a green square with a white stylized soundwave icon and the word "Spotify" in a white, sans-serif font.The Mojang logo, featuring an orange square with a white stylized character icon followed by the word "MOJANG" in a bold, orange, sans-serif font.The Avito.RU logo, featuring the text "AVITO.RU" in a bold, black, sans-serif font with a small icon of a house and a car, and the tagline "ЛЕГКО КУПИТЬ, ЛЕГКО ПРОДАТЬ" below it.The Just Eat logo, featuring the words "JUST EAT" in a bold, red, sans-serif font with a white outline.

Currently 10 unexited Nordic BUSD companies*

*Med Tech and Oil and Gas excluded, Supercell and King recently partly exited; Source: Creandum

NIS – The Nordic private equity adviser since 2003

- Strategic advice
- Non-discretionary advice
- Nordic and international facilitation
- Public policy and strategic communication

Connected, reliable and result oriented



Founders

Erik Johansson &
Carl-Peter Mattsson



Agenda

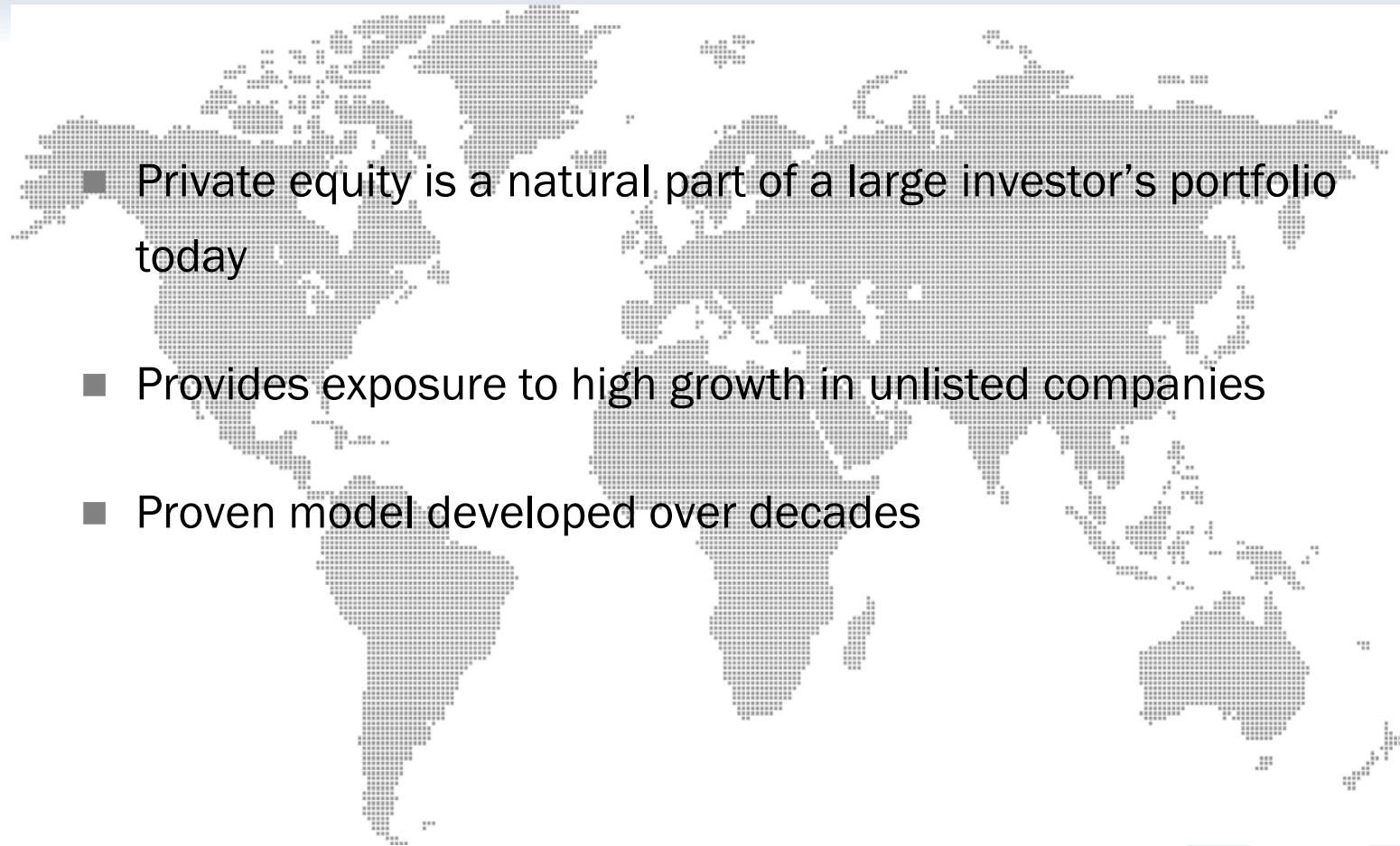
- Why invest in venture capital?
- The Venture Capital model
- Nordic technology exits
- How to invest in Venture Capital
- NSA Ventures Nordic Activity 2014 – Stockholm & Copenhagen



Why invest in Venture Capital?



PE – an important part of the offering



- Private equity is a natural part of a large investor's portfolio today
- Provides exposure to high growth in unlisted companies
- Proven model developed over decades

Returns from different asset classes

	1 YEAR	3 YEARS	5 YEARS	10 YEARS	20 YEARS
All VC	8.19	6.23	3.25	6.19	18.88
All Buyouts	20.36	12.57	8.99	10.56	9.89
Mezzanine	13.90	7.76	5.40	7.16	7.56
All Private Equity	17.43	11.34	8.14	9.78	11.28
S&P 500	19.34	16.27	10.02	7.57	8.80
Russell 3000	21.6	16.76	10.58	8.11	8.89
BC Aggregate	-1.68	2.86	5.41	4.59	5.75
Cash (91 day T-bill)	0.06	0.06	0.10	1.58	2.90

Source: Thomson Reuters Venture Economics U.S. Internal Rate of Return as of September 30, 2013

Venture Capital returns rising again

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All Buyouts	20.36	12.57	8.99	10.56	9.89
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All Private Equity	17.43	11.34	8.14	9.78	11.28
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The largest venture investor in Europe - EIF

4045 million Euro committed

248 VC funds and Business Angels of which

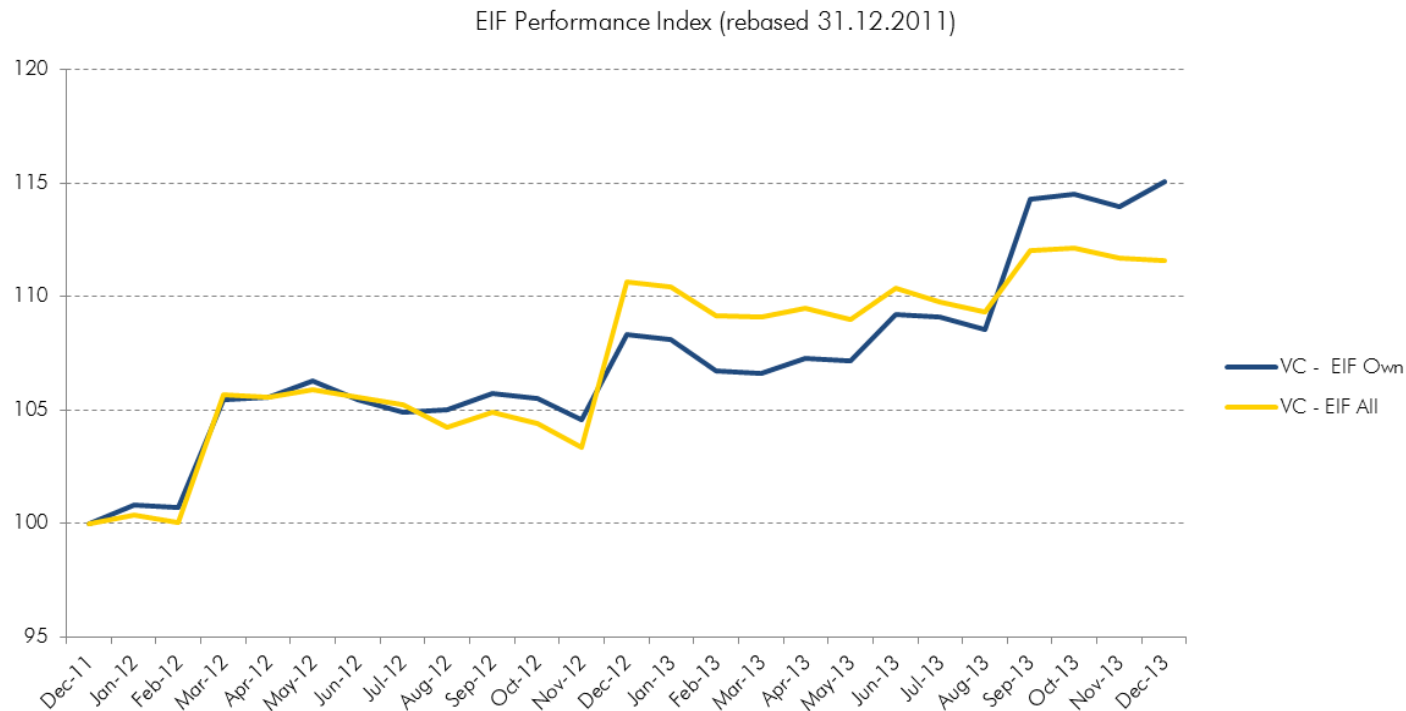
103 actively making new investments

1604 early to growth stage tech companies

As of 31.12.2013 Source: EIF



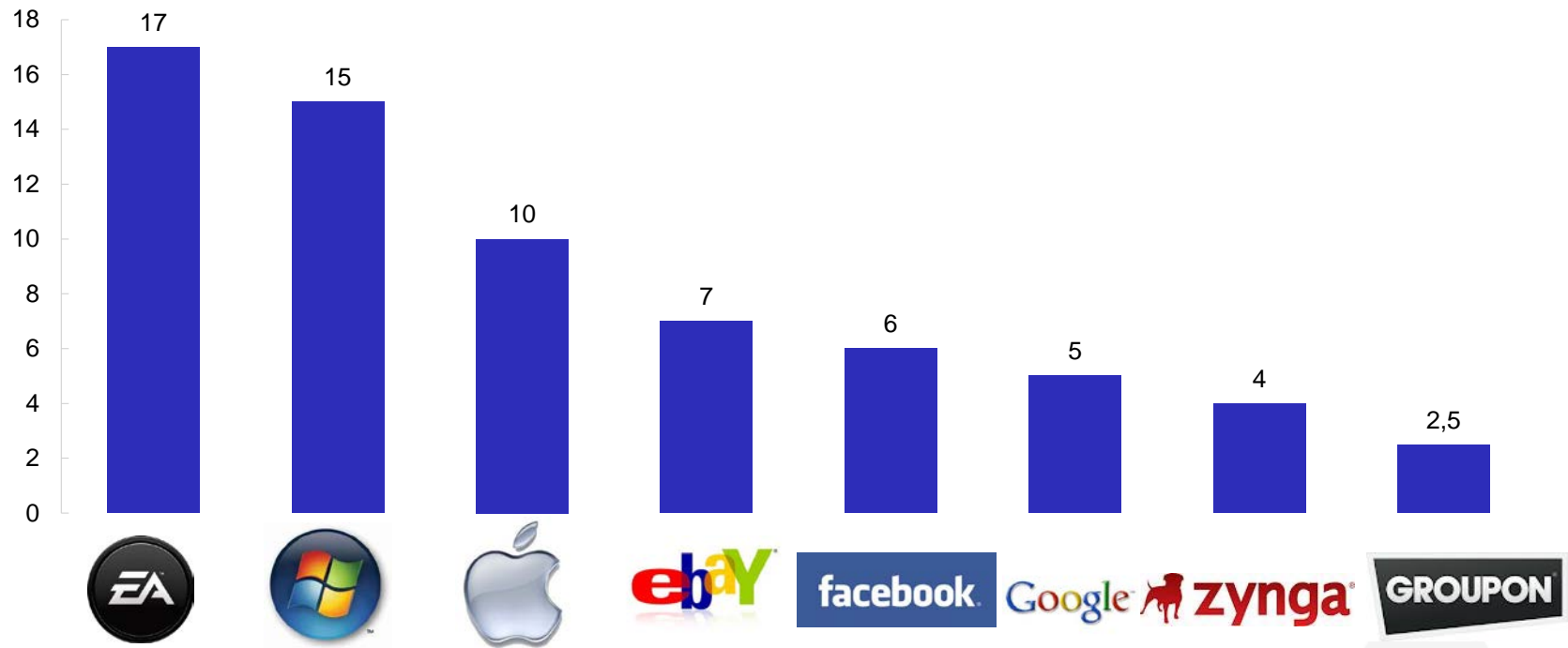
EIF returns rising in recent years



The index calculation is based on the **Time-weighted rate of return (TWROR)** methodology which is a measure of the historical performance of an investment portfolio taking into accounts value creation during a period due to change in NAV and corrected for interim cash flows during the period. The index calculation based on date x is equal to 100 as of date x, for each period is iteratively recomputed as $100 * (1 + \text{return})$.

Return is equal to $((\text{NAV}(t+1) - \text{cash-ins during the period} + \text{cash-outs during the period}) - \text{NAV}(t)) / \text{NAV}(t)$

Years to get to \$bn in revenues



Source: IVP

Summary – Why invest in Venture Capital?

- Venture Capital has in the long run outperformed the stock exchange
- Venture Capital returns are rising again after the millennium bubble and crash returns are rising
- Venture Capital gives investors access to high growth in unlisted companies
- Venture Capital provides some level of diversification from the stock exchange
- The model is proven, the market has matured and the ecosystem is in place
- But, the investments are illiquid, returns are volatile and vary much between managers. Doing it right is key.

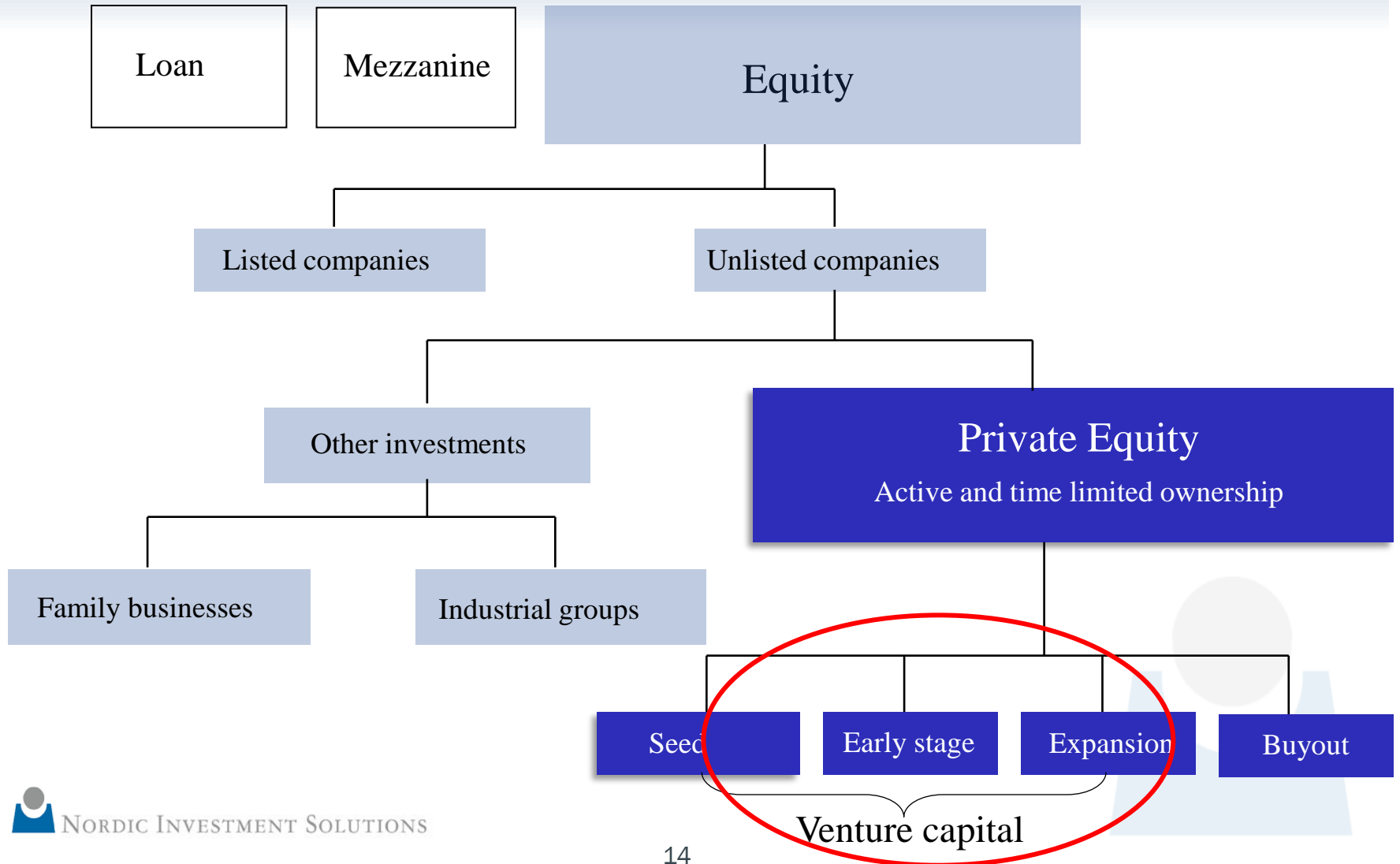




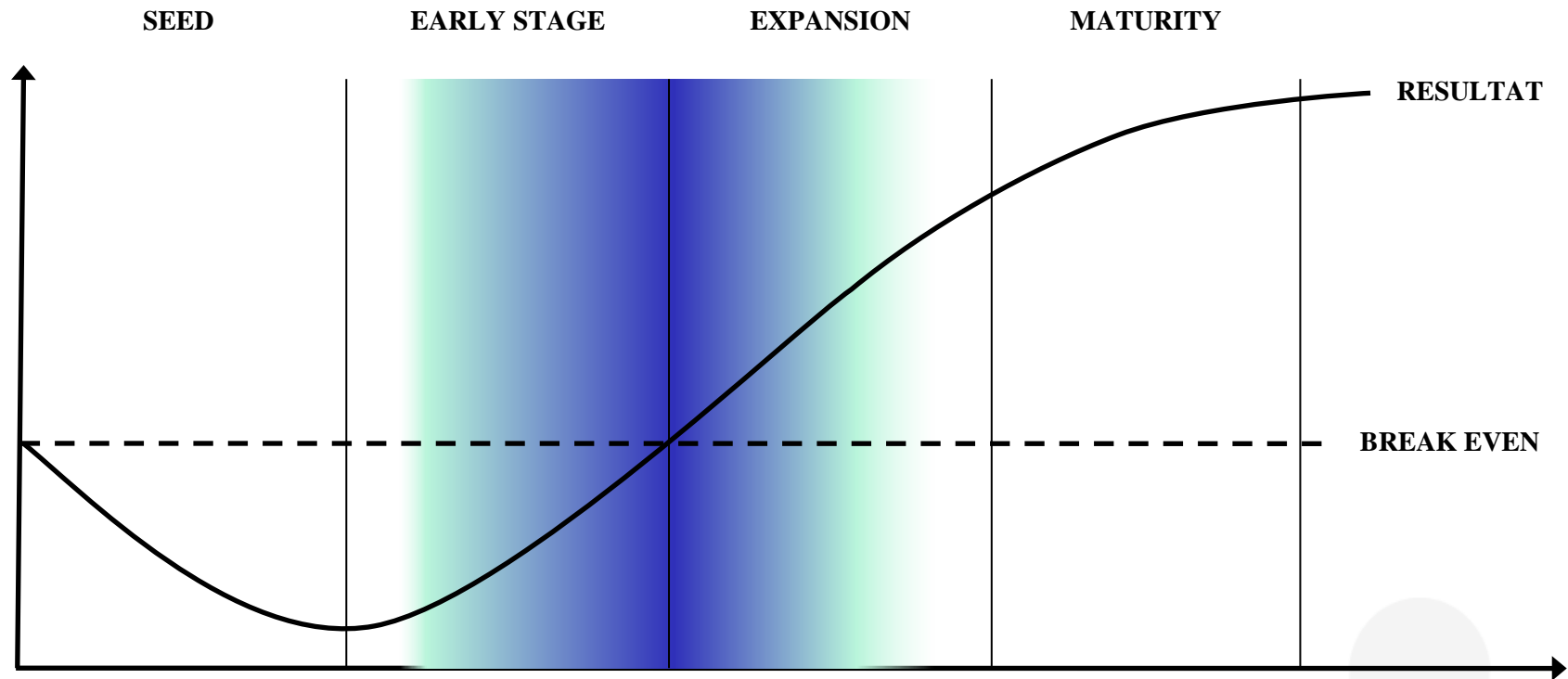
The Venture Capital model



Definition of Venture Capital



Focus of Venture Capital in the stages



Venture Capital – an effective model

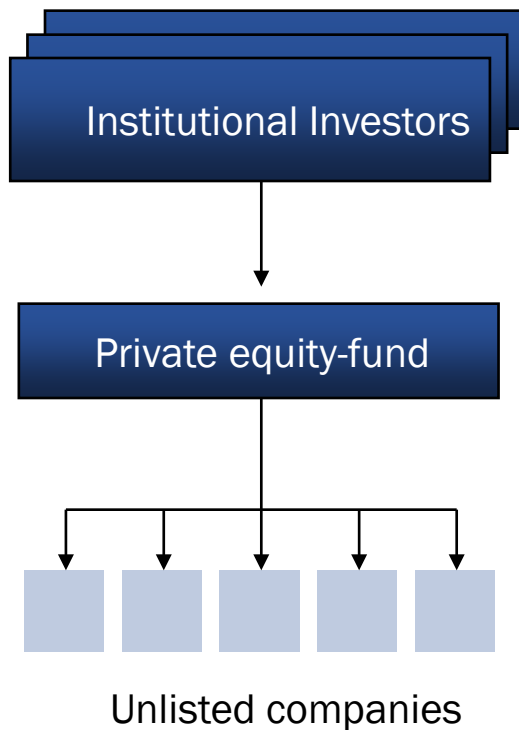
Combines the best from private and public investment programs – access to capital and active ownership, which creates long-term, profitable and viable companies.

Combines strengths from three important factors – a trinity for foundation of new companies.

- 1) Business model/ business idea/ new technology/ R&D
- 2) People/ human capital in the form of entrepreneurs, management, board
- 3) Capital as engine, facilitator and creator of new initiative



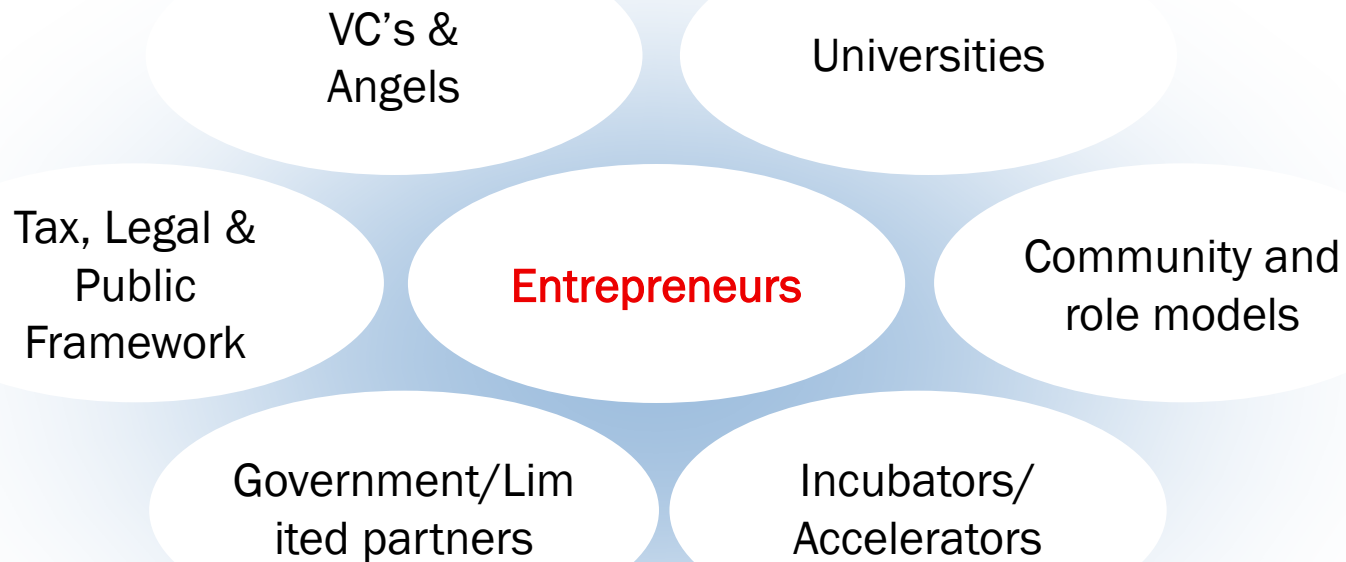
Venture Capital – now a mature market



- Structures, governance and terms have been standardized
- Fund managers have gathered substantial experience
- Institutional investors have developed their selection and monitoring processes
- Large companies have processes in place for acquiring startups as an important part of their innovation



The entrepreneurial ecosystem



Nordic Venture Network – est. in 1999

CONOR



CREANDUM
ENTREPRENEURS BEHIND ENTREPRENEURS



Northzone

energy ventures



SEED
CAPITAL



Sjätte AP-fonden



SITRA

VEKSTFONDEN



Investinor



Nordic Technology Exits



The Nordic region consistently produces a significant number of winners

Tech exits larger than 100 MEUR 1999 - 2004

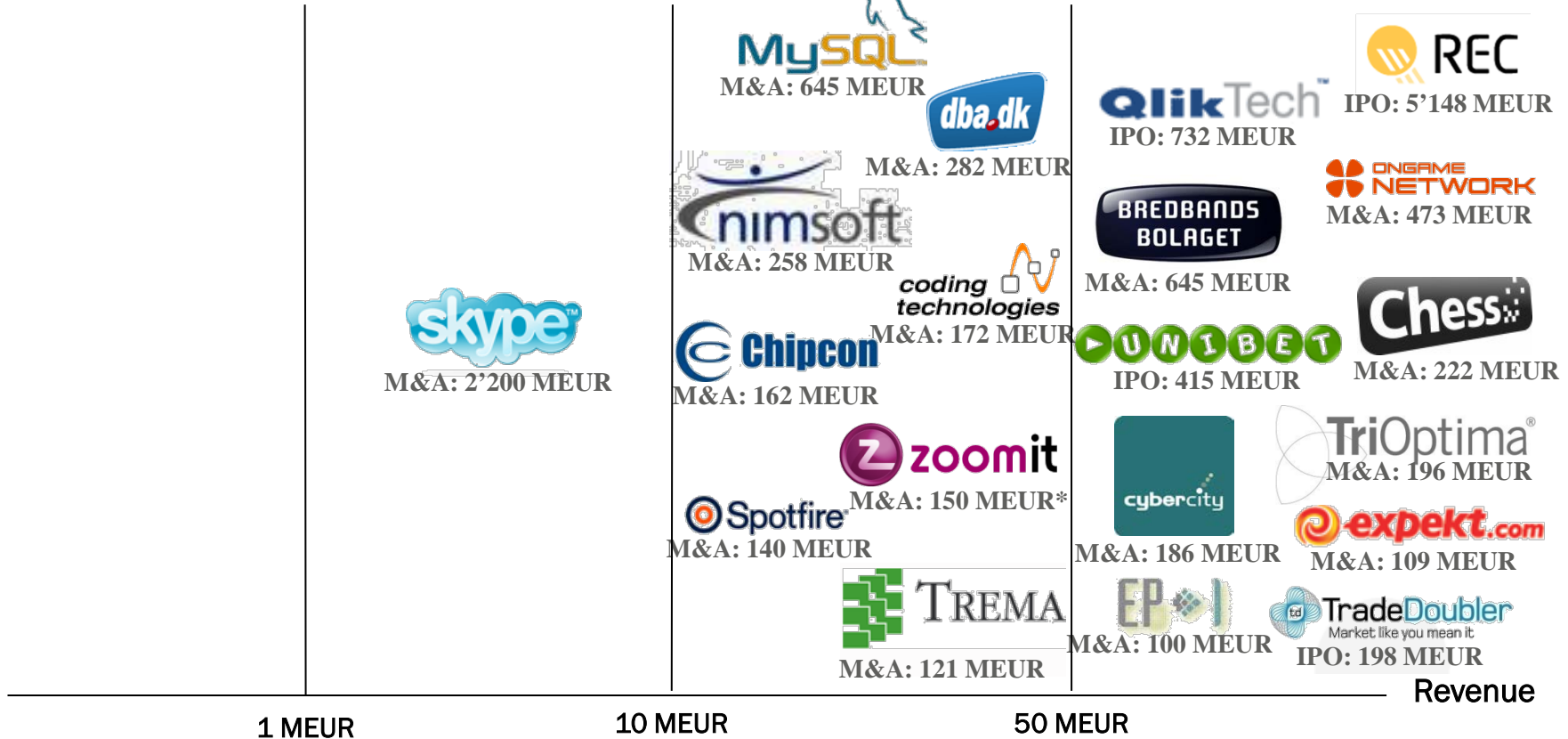


Median P/S: 15
Median Rev: 21 MEUR

Source: Creandum

and the trend is towards more solid businesses with considerable revenues

Tech exits larger than 100 MEUR 2005 - 2010

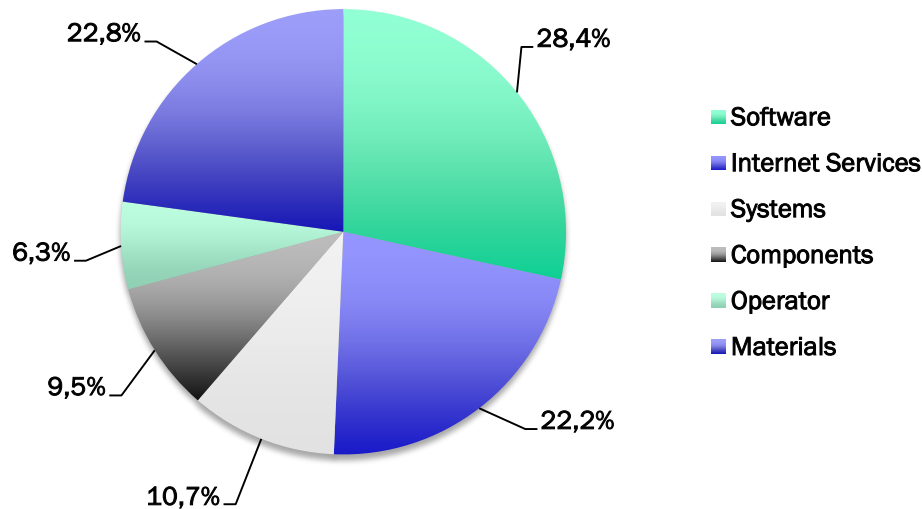


Median P/S: 6
Median Rev: 52 MEUR

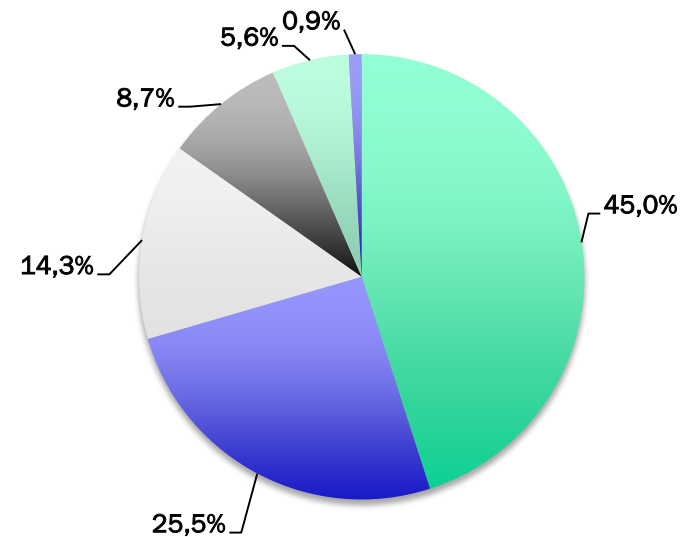
Source: Creandum

Internet and software are two most important sectors

Exit value: € 23.7 Bn



Nr of exits: 322



- Software & Internet: 71% of exits & 51% of exit value
- Software companies are exited in all value intervals

Source: Creandum



Which company will be next?



Summary – Nordic Technology Exits

- The Nordic region produces great companies
- The Nordic region is producing winners with less capital invested than the US
- The technology sector is maturing – substantial revenues required for exit today
- Internet, software & mobile most important sectors



How to invest in Venture Capital?

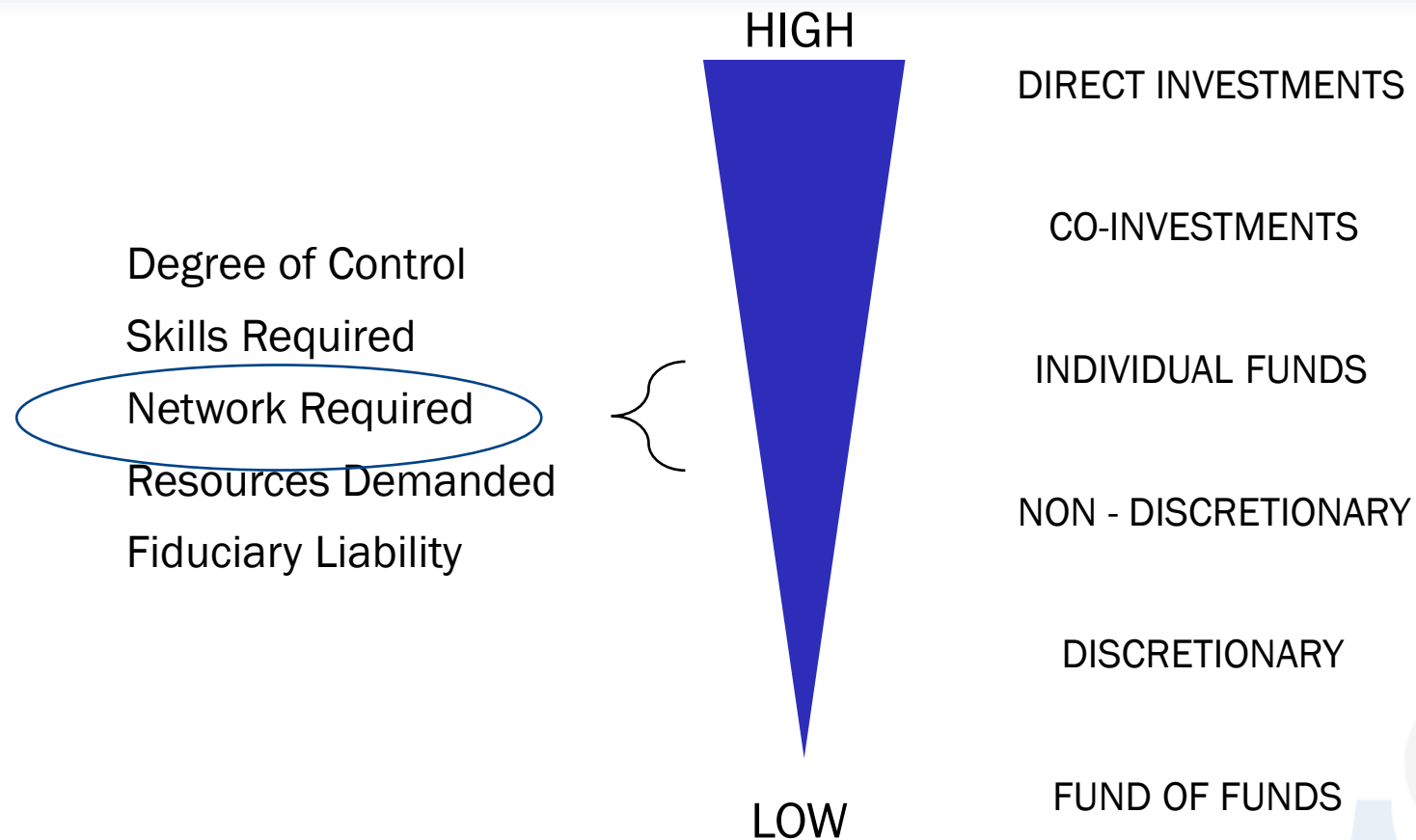


Knowledge, network and discipline required

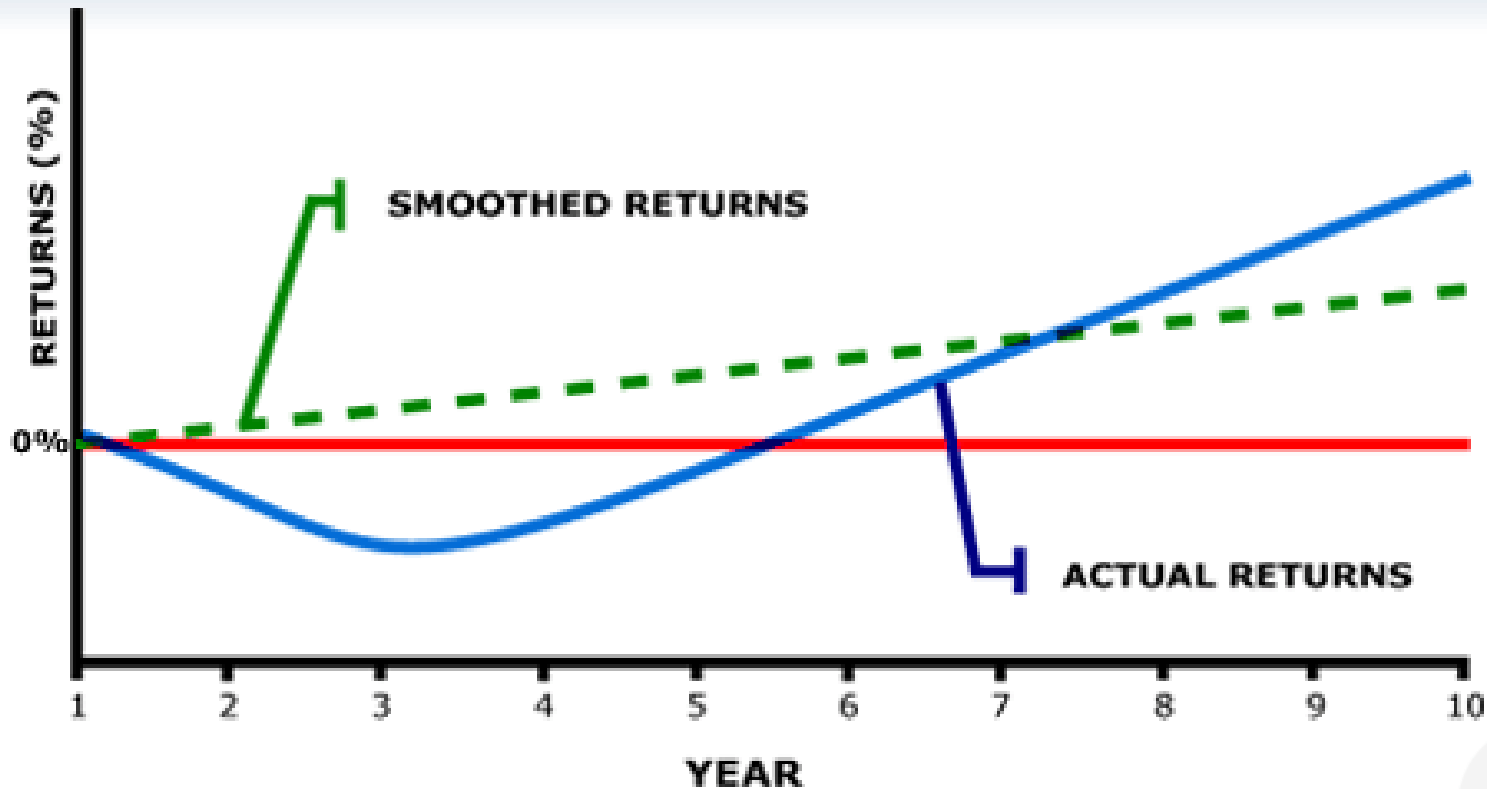
- Use the knowledge and experience of other investors - don't reinvent the wheel
- Always use international standards for structures, governance and terms
- Prepare your board for illiquidity, j- curve effects and varying returns
- Build relations to funds you might want to invest in – let it take time
- Create a network among investor colleagues to share information and best practices
- Invest regularly – don't try to time the market



Different strategies have different investor requirements



J-curve and the importance of patience



Source: CalPERS



Building a portfolio

- Always use the bottom-up approach, choosing the right manager more important than geography
- Build a concentrated portfolio with the managers you really want rather than trying to spread the risk
- Start investing locally in people you trust
- Act slowly
- Implement detailed monitoring from the start
- Find the right advisor for very selective international investments and build your own network and capacity over time



Investment Process



Trends in the Institutional Investor market

Long term increase
in allocations

Short term waiting
period

New entrants to
asset

1

Regulations affect allocations

2

Investors have become more experienced

3

Focus on fund selection

4

Different strategies to achieve returns

5

Stricter risk control and Corporate
Governance policies



The NSA Ventures Nordic Activity 2014



The NSA Ventures Nordic Activity 2014

N S A V E N T U R E S

NORDIC ACTIVITY 2014
STOCKHOLM &
COPENHAGEN

May 13 – 15, 2014



Welcome to the NSA Ventures Nordic Activity 2014

Relationships for the future

The NSA Ventures International Activity takes us to our neighbours in the Nordic region; Sweden and Denmark.

The purpose of the trip is to give the Icelandic investors an introduction to and insights from Nordic institutional investors as well as private venture capital firms and growth stage investors.

The trip serves twofold purposes for the participants by creating relevant business relationships and by providing input for future strategic planning.

Program – Stockholm & Copenhagen

Please on the following pages find the program for the activity. The group will be arriving in Stockholm in the evening of May 13 and end the program in Copenhagen in the evening of May 15.

Stockholm – the largest city in the Nordics

Stockholm is the largest city in the Nordic region with a long track record as leading supplier of innovative solutions and products in a wide range of global industries. In Stockholm the program includes meetings with venture capital firms, institutional investor, a midcap investor and academia.

Copenhagen – best location to do business

Copenhagen is the best location in Scandinavia to do business, says World Bank report. Denmark is given a sixth place for ease of doing business. In Copenhagen the program includes meetings with a public investor, a venture capital firm, an institutional investor and a leading European investor.

Internal discussions a key ingredient

Don't forget that one of the key benefits of the activity are the internal discussions in the group travelling together. The program also includes organised dinners.



Enhance your Venture Capital knowledge and network

- **The NSA Ventures Nordic Activity 2014** aims at providing an introduction to and a comprehensive overview of the Nordic Venture Capital market
- May 13 -15 – stops in Stockholm and Copenhagen
- Insights from institutional investors colleagues
- Meetings with leading Venture Capital-firms, growth investors, service providers and academia



NIS – The founders

Managing Partners

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MANAGING PARTNERS, ERIK JOHANSSON AND CARL-PETER MATTSSON, founded Nordic Investment Solutions in 2003. Together the Managing Partners have more than 30 years of Nordic and international private equity experience as institutional investors, venture capital professionals and advisors.

Previously Mr. Johansson and Mr. Mattsson held various positions at the Sixth Swedish National Pension Fund including; Head of International Affairs and Head of Business Development – focusing on allocations and strategic issues.

Both Managing Partners have hands-on US venture capital experience working for a US trans-Atlantic VC firm in Silicon Valley. Originally, they were professionals in International Banking and Management Consulting, they have lived, worked and studied in several countries and are both fluent in German, English and Swedish.

