

INNOPOLIS UNIVERSITY

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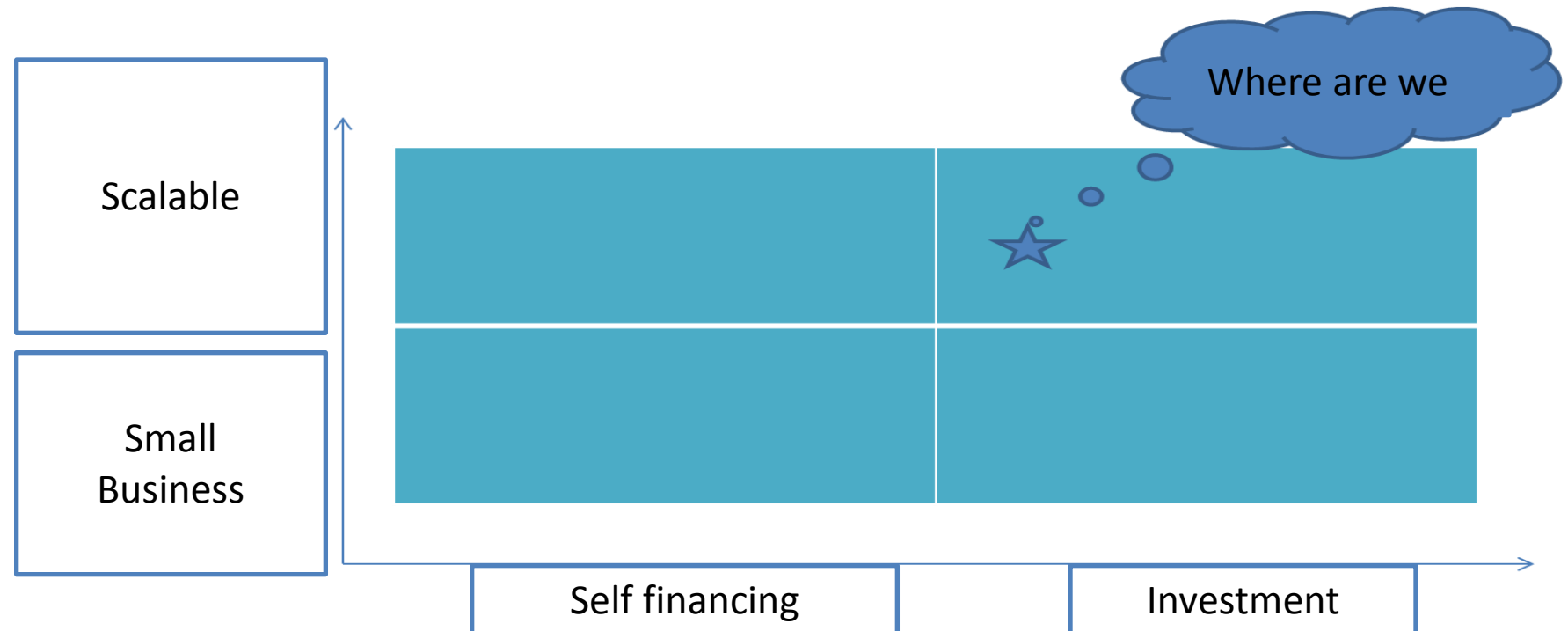
Workshop 1
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Forms of commercialization

- Processing and the final product sale (marginal profit)
- Start-up company with following IPO (more than \$10 mln.)
- Start-up sale to a corporate giant (from \$ 1 mln. and above)
- Vending of license (up to \$ 0.5 mln.)
- Special-ordered R&D
- Corporate giant

Technology commercialization

There is one question in developing of technology commercialization model: whether balanced growth with orientation **to profit is sufficient** or the **rapid growth aimed at capitalization** is necessary.



Innovative entrepreneurship

Innovative entrepreneur is a novator.

The major factor of receiving external financing is the existence of original idea and "real" human capital.

Statistics:

in the USA from 500 analysed successful companies the 26% began with initial investments of less than 5000 dollars.

Only 21% of the successful new companies began with the capital of more than 50000 dollars.

Only 2% of the successful companies were started with the capital of 1 mln. dollars and above.

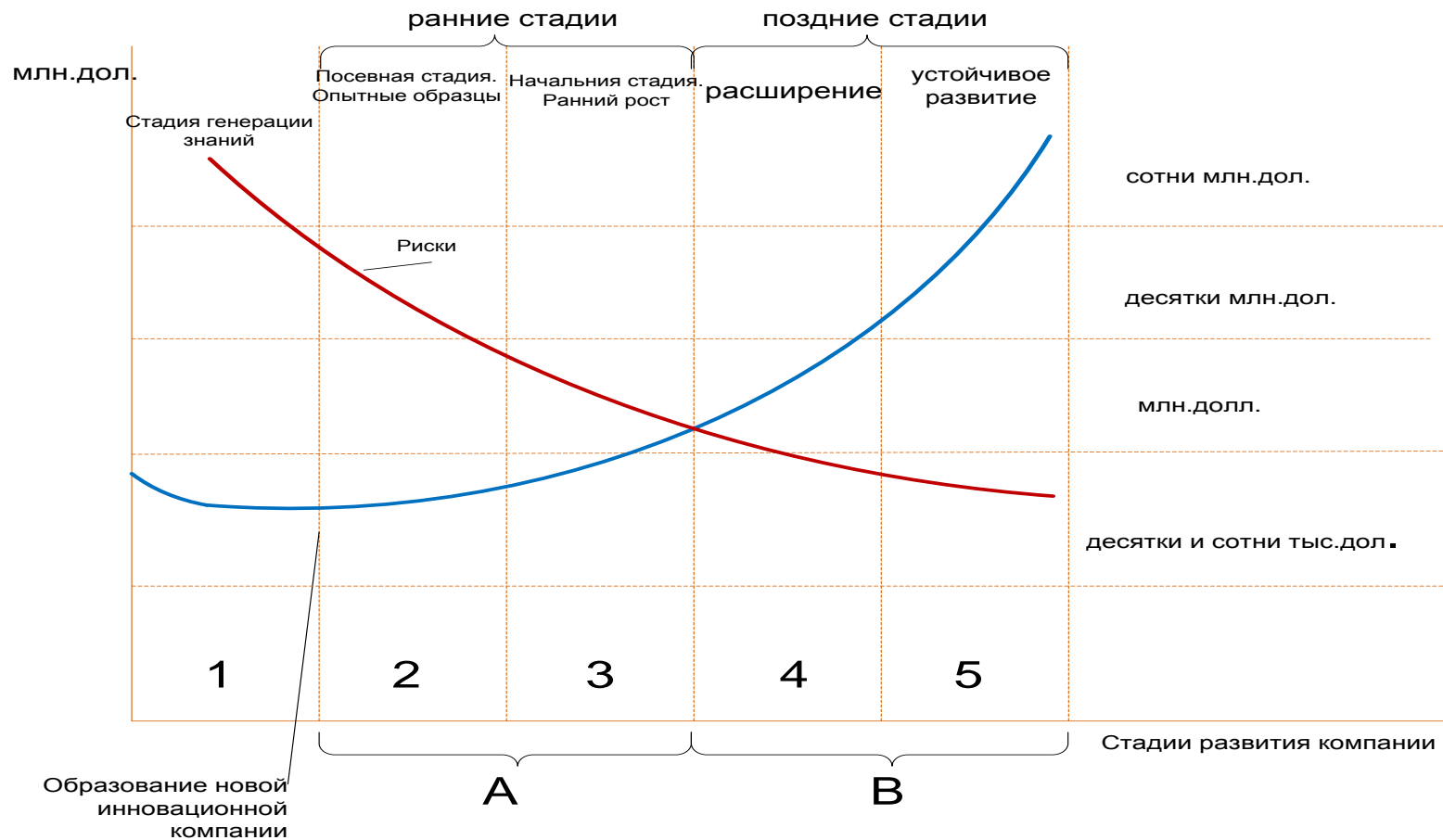
In case of failure the entrepreneur won't suffer any essential losses. In case of success the prize will be considerable. **DO NOT BE AFRAID OF LOSING.**

The main personal trait of successful innovative entrepreneurs is their ability to work in the conditions of high uncertainty, continuously changing situations and with continuous threats to lose money.

Working on your own project

- The idea concept
- Marketing startegy
- Testing market and metrics
- Financial model
- Prototype of Landing page
- DEMO DAY

Capitalization growth chart



Type of investment depending on a stage

Investment type	Stage at the moment of the investment	Investors
Seed investment	Seed	Business angels, Seed-funds Public funds
Venture investment	Start-up	Venture funds
Private equity investment	Early stage Expansion	Private equity funds

The basis of early investments (angel&venture)

Start-up realization is a creation of a profitable project or business what implies the growth of a project company capitalization.

- Venture or angel investing do not generate dividends during the first years after the launch.
- Major profit is made at the exit – INVESTOR SELLS HIS/HER SHARE MUCH MORE EXPENSIVE THEN HE/SHE HAS BOUGHT
- Seed and start-up investing are those of a high risk. NO MONEY CAN BE TAKEN FROM BANK
- In case of success the profit margin of investment in a start-up project can be over 60% annually for seed and 40% for start-ups.

Seed vs Start-up

	Seed	Start-up
Future cash flow	Can not be predicted. Only initial estimations are available	Can be predicted with a certain degree of reliability
Team	Is being formed. Some members of the team are known.	Ready for work.
Entrepreneurship skills of the founder	Usually is not high. In this case the investor actively brings knowledge in this field. Experts from outside are invited to the business.	The team is capable of solving on their own basic problems of business development. Participation of the investor or invited experts is needed only in 'bottlenecks'
Market	Is being examined. There is a general vision of the market. Some groundwork for product promotion is made.	Initial works on marketing study are done. Consumers are defined. Marketing strategy is being developed. Product is being sold.
Manufacture/Service	Preparations for trial production/service are taking place	Mass production/service is being set.
Investments requirements	\$ 0,1-1 MM	\$ 1-5 MM

Seed vs. Start-up

	“Seed”	“Start-up”
Prevailing type of expenses of the investor	Salaries to the members of team Rent of a small office IP registration Purchase of raw materials and details for trial models The termination of product development process Web-site creation Market research	Staff expansion Fulfillment of the most expensive works of IP registration Mass production facilities implementation works (rent of a spacious premise, equipment purchase) Deep marketing research Advertising, brand building Promotion expenses, business support expenses, Working capital
Meetings of the investor with a team	Frequent informal meetings «without a tie»	Frequent meetings within the limits of a formal procedure in pre-scheduled days

Business angels vs. venture funds

THE BASIC DISTINCTIONS

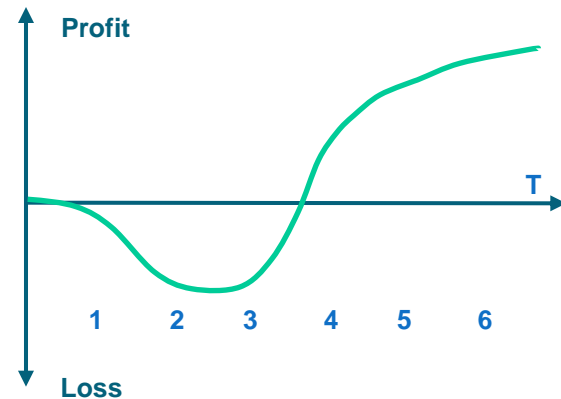
	Business angel	Venture capital
Participants	Private investors	Management companies
Money invested	Own	Under asset management
Portfolio companies	Small	Larger
Due diligence	Informal	Formal
Monitoring	Active, detailed	More formalized, less detailed
Involvement in the management	More	Less
Routes of an exit	Venture funds, strategic investors	Private equity funds, IPO, strategic investors

Venture projects features (1/3)

- An urgent need of investments on early stages
- “High profit / high risks”
- Expected rapid growth of a capitalization during the first years
- Non-linearity of a capitalization growth – J-curve graph. **Sales grow higher than Expenses.**
- Orientation on selling a share in some years and not on quick dividends
- Profit taking through the selling a share in company
- A team and intangible assets are the primary values of the company
- Orientation on a market with high growth rates
- BEING IN THE TREND

Venture projects features (2/3)

- «Death valley» - is a period of time between «start-up» and «early growth» stages.
- WORKING CAPITAL URGENTLY REQUIRED
- Organizational changes, expenses on expansion
- A financing shortage often exceeds expenses planned 3-5 times



1 –seed 2 – start-up 3 – early growth 4 –expansion 5 – later stage 6 – exit

Venture projects features (3/3)

«Liquidity event»

- Every investment round usually includes the purchase or sale of a project company share
- The possibility of a total or partial sale of a share for a favorable price is a goal of investment at any round. The “liquidity events” should be considered in the strategy of a venture project development.

Exponential growth

- The exponential growth of the company’s revenue/profit is the prerequisite of the rapid capitalization growth
- In telecommunication and Internet social services the power law dependence of a number of subscribers usually act as a driver of exponential profit expectation

«Defensive competitive advantage»

- A factor of withholding rapidly growing market for venture project during the first years is a “defensive competitive advantage”
- This could be an umbrella patent, know-how, a non-renewable business model, a client base, an access to unique sources.

OR SIMPLY GROWTH RATE QUICKER THEN COMPETITORS PERFORM

Примеры: Google

- Область: **интернет-поиск**
- Идея и основные алгоритмы реализации: Ларри Пейдж и Сергей Брин.
- Первый бизнес-ангел - один из основателей Sun Андреас Бехтольсхейм. После краткой устной беседы - чек на \$0.1 млн. даже без бизнес-плана, презентации.
- Венчурный раунд: в 1999 году венчурные фонды Sequoia Capital и Kleiner Perkins Caulfield Byers (KPCB) \$25 млн. в обмен на 40% акций.
- В 2001 году новый генеральный директор – Эрик Шмидт (экс-директор Novell), инвестировал в компанию \$1 млн. собственных денег, получив взамен 9.7% акций.
- В ходе IPO в 2004 году акции были проданы по цене \$100-110. Через неделю котировалась по цене \$196.
- В ноябре 2004 года рыночная стоимость компании с активами чуть менее \$3 млрд. составила \$46 млрд.

Примеры: Skype

- Область: **IP-телефония**
- Идея и основные разработки - швед Никлас Зеннстром и датчанин Янус Фриис. Выполнялся проект эстонскими программистами из Института кибернетики в Таллинне
- 2002 год: Skype получил инвестиции от инвестиционной компании ранних стадий Draper Investment Company
- 2003 год – инвестиции от фонда Mangrove Capital и бизнес-ангела Клауса Хоммельса
- В конце 2005 года Skype была куплена компанией eBay за 2,6 млрд. долл. На тот момент число абонентов составило 4 млн., а в компании работало всего 200 человек
- В результате сделки первоначальные инвесторы, по предположениям аналитиков, получили выигрыш в 350 раз.

Примеры: Mail.ru

Область – **Интернет-портал созданный на базе почтового сервиса**

1998 год: запуск сервиса mail.ru, разработанного компанией DataArt в рамках холдинга port.ru,

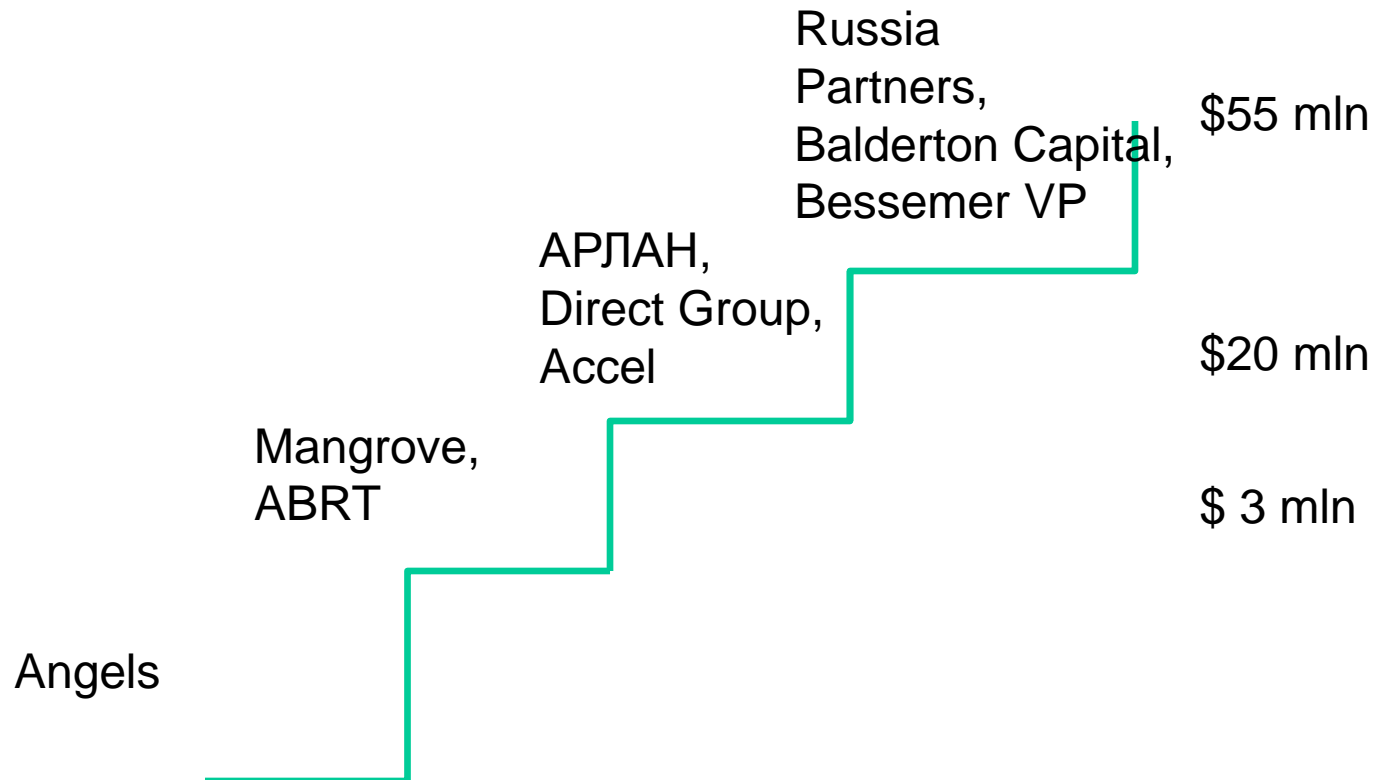
2001 год: инвестором port.ru становится инвестиционный холдинг NetBridge.

2003 -2005: изменение структуры собственности: акционерами стали концерн «Нефтяной», фонды Tiger Global Management, Digital Sky Technologies.

2007: продажа свыше 30% акций Port.ru южноафриканскому медийному холдингу Naspers Limited за \$165 млн. Акции были приобретены у Tiger Global Management, Digital Sky Technologies.

2010: IPO на LSE

KupiVIP



Pitching Plan

- **Idea**
- **Clients**
- **Monetization model**
- **Sales Channels**
- **Long-term Targets**