MANAGING TECHNOLOGY FOR GROWTH & PROFITABILITY

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Technology Venturing

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Agenda

- Technology Venturing- Approaches
- Oman Experience- 2016/2017
- Russia Experience 2007/2017
Background

Base for recommendations
European experience of encouraging innovation
Setting up innovation infrastructure in Russia
Setting up innovation infrastructure in Oman

Current
Investment in startups deriving from leading UK Universities
Oxford, Cambridge, Bristol
Focus on threat assessment and/or new business creation

Typical approach is to use a vc fund structure to identify not only threats but also opportunities in core business

Can make a large number of investments to “try out” new technology

Focus in not so much on financial returns but on making sufficient returns with a view of positive upside to the business at large

In some cases a vc fund may be used as a springboard to create a new business line

Pipeline and DD are complimentary due to access to parent organisation

Potential for technology transfer taking into account substantial parent company skill set

Examples Siemens vc fund, Cisco ventures/ incubation
Focus on supporting research derived startups

Uses as input, the **output of Universities and Research Funding bodies**

Assumes the **existence of incubators** that can assist in the formation of business driven teams

**Access to facilities** (hotdesks, subsidised office space, workshops with right equipment)

**Missing link** between R&D funding, seed/ angel investors on the one hand and private equity/ bank debt on the other

**Pipeline is effectively pre-defined** with some possibility of tech transfer from other countries

In many cases aim is for **technology transfer as a standalone objective**

Examples: Cambridge, Oxford Innovations, Imperial Innovations
Fund Technology Venturing

Focus on returns

Can invest in a wide variety of companies to **maximise returns**

Potential exists to use this as a **tech transfer vehicle** - equity investment as a quid pro quo of locating a HQ/ R&D facility/ business development/ manufacturing facility

Can **work very well in a sovereign concept** if considered as part of

- Ecosystem
- Cluster for a specific technology (eg cleatech/ semiconductors)
- Money+ (business development, tax preferences, access to markets)

Examples: Singapore
Oman vc approach - early steps

Innovation Driver

• Focus on **bridging the valley of death** for Omani startups

• Follow on **Sultan Qaboos Shamikhat speech** that laid the ground work for the formation of

  - Incubators (Sas, NBC)
  - Riyada
  - Al Raffd fund

• Key need to create **SME’s**, foster Omani **employment**

• **Next stage from TRC** IIC and AIAP grant funding
Critical issues were discussed and decided upon by key stakeholders

TRC (The Research Council of Oman)

Oman Oil

Ministry of Commerce

SGRF

Ministry of Finance

Oman Telecom
<table>
<thead>
<tr>
<th>Key Decision Points</th>
<th>IDO</th>
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<tbody>
<tr>
<td>Focus- Oman driven or international</td>
<td>Both</td>
</tr>
<tr>
<td>Total size of fund</td>
<td>OMR 50 mln (USD 125 mln)</td>
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<td>Decision making</td>
<td>SAOC based- Management and Board based on shareholders/ independents</td>
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<tr>
<td>Size of deals</td>
<td>OMR 400,000 to 5 mln (USD1-12 mln)</td>
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<tr>
<td>Own fund manager or external resource</td>
<td>Own manager with external advice</td>
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Launched in May 2016

Building pipeline through
- Own contacts
- Shareholders
- Potential investment by shareholders

Shareholders play an active role through
- Board and Board Committees (Audit, Investment)
- DD
- Business Development

Priority Sectors
- Energy incl renewables
- Food/Agribusiness
- Healthcare
- Technology

Can invest globally but with an Oman angle
Adopted a portfolio and direct investment approach

Portfolio approach- investments into
- Oxford Sciences Innovation (OSI)
- Cambridge Innovation
- Atlantic Bridge

Direct approach- creating OTF
- Incubation
- Acceleration
- Growth Capital

OTF focus on
- ICT
- MENA based companies
Oman Technology Fund

Incubation

3 months training program
Mentorship
Funding
One batch a year of 10-15 startups per batch
$25K – $100K
Oman Technology Fund

Acceleration

4 Months Acceleration Program

Mentorship

Funding

One batch a year of 10-12 startups per batch

$25K – $500K

Partnership with “500 Startups”
Growth Capital

Growth funding
Market access
Global linkage
As opportunities arise
$500K – $3M
Partnership with “Atlantic Bridge”
Russia experience

Innovation Driver

Commercialising technologies from **Russian R&D institutions**

**Non R&D** based startups

Create a **3i analogy**

Attempt to kick start a Silicon valley through a cascade of organisations at **different funding levels**

Create both **internal and intra-entity competition**
Russia comparison

Innovation Infrastructure

RVC- originally fund of funds, later both direct investor and fund of funds

Skolkovo- Grant based late stage R&D funding

Rusnano- vc, pe and funds focused on nanotechnology space. Lead positions in syndicates.

IIF-Internet/ e-commerce based businesses. Often sole investor
Russia Successes

Over **60 new high tech companies** formed by Rusnano alone

**Significant technology transfer**

Some investee companies are **world leaders in their field eg IPG**

**Some home runs** (cosmetics company with 1800% annual exit returns)

**Creation of a network of nano centres** (collective use centres) offering advice, space and seed funding
Challenges

Lack of quality pipeline

Need to **create, handhold and develop startups**

Lack of **qualified startup management** (approach, experience, ability to get up and go)

**Motivation for fund staff** and alignment of shareholder long term needs with management incentives

**Long term fund success vs political short term objectives**

Investing in startups that can be **internationally competitive** (knowledge of market, specific startup space, international business development, cluster availability)
Thank you