

Funding for Business Start-ups – The Irish Experience

**Geneva 3 – 4 May 2007
UN ECE Financing and Innovation Initiative**

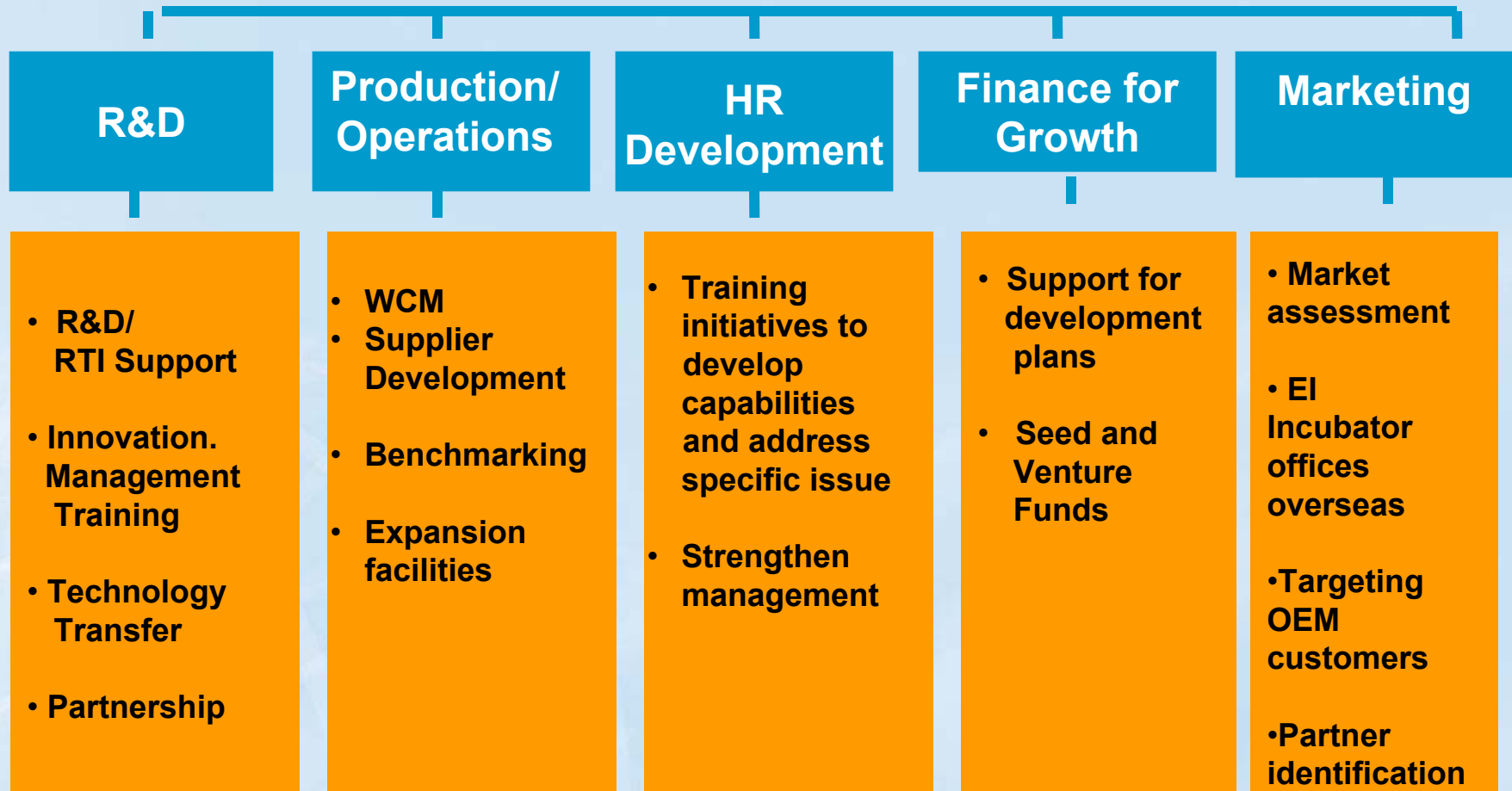
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- **Irish Government agency**
- **Established in 1998**
- **Responsible for the support and development of Irish industry**
- **900 Person organisation / 34 International offices**

Mission

Accelerate the development of world-class Irish companies to achieve strong positions in global markets resulting in increased national and regional prosperity.

EI Approach -Existing Clients



Types of new enterprises we support



- HIGH POTENTIAL START UP BUSINESSES -

What is a 'High potential start-up' business?

- Company that manufactures or trades services internationally;
- Usually product / services based on technological innovation;
- Export oriented;
- Involving industry experienced team
- Potential for sales > €1m and 10 employees within 3/4 yrs
- Irish owned and located in Ireland.

Who we work with

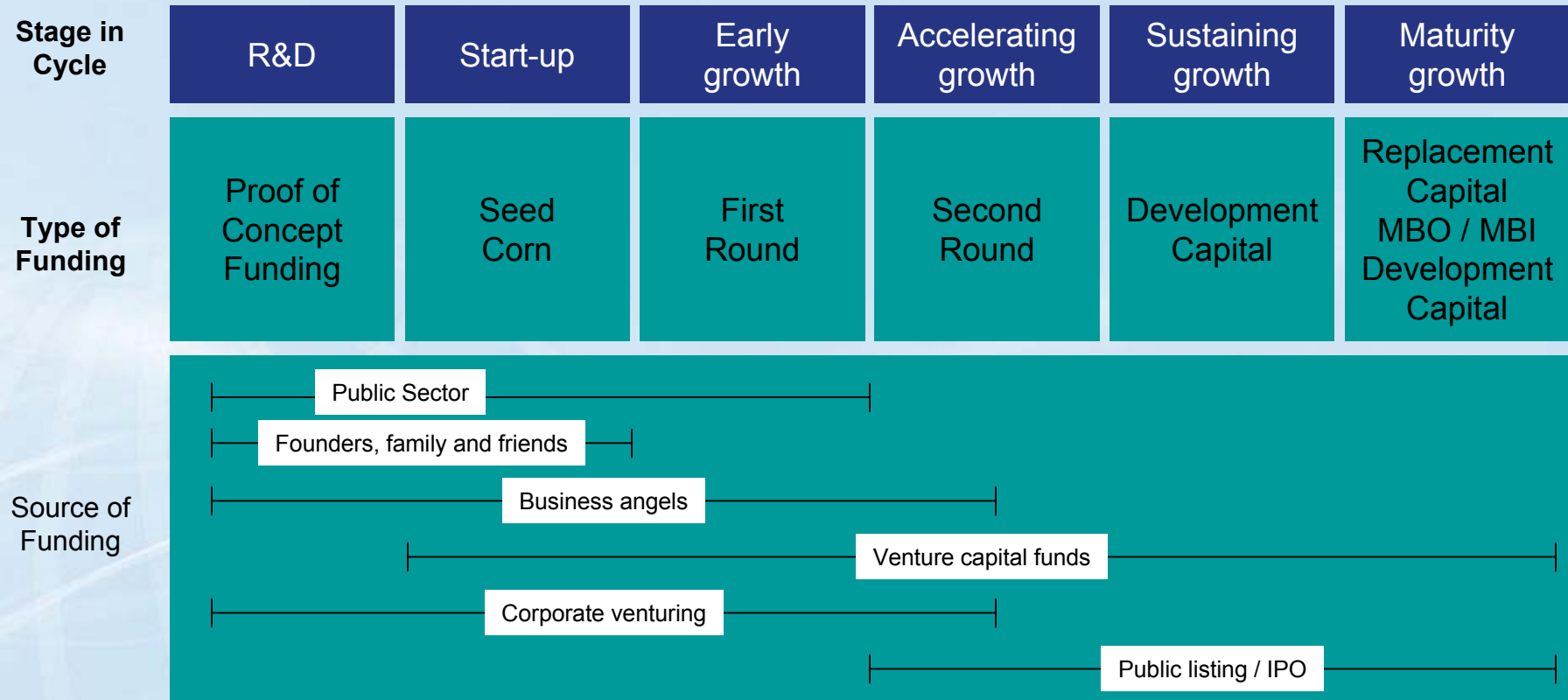


A wide range of clients ...

- Key functional managers within existing businesses with new business ideas;
- Experienced Managers looking at a management buy-out;
- Irish ex-Pats, returning to Ireland with new business ideas
- Individuals involved in 3rd level research, with an interest in commercialisation;
- 'Serial' or repeat entrepreneurs.

Sources of Equity Finance

Stage of Business Development



Advice and mentoring – Getting started

- Enterprise Start Programmes (over 6 weeks) and Enterprise Platform Programmes (over 12 months with part salary support).
- Initial idea / project evaluation – Feasibility study grant (50%).
- Advice and help in development of a business plan;
- Assistance with product / market validation;
- Challenging of assumptions, projections etc – help fill the gaps.
- Advice and help in building a balanced, management team;

Advice and mentoring – Getting started



- Mentor panels / Business Angels
- ‘Fit for market’ seminars
- ‘Investor readiness’ seminars
- Information on potential investors
- Networking receptions (clients, advisers, investors)
- Introductions (investors, business partners, consultants)

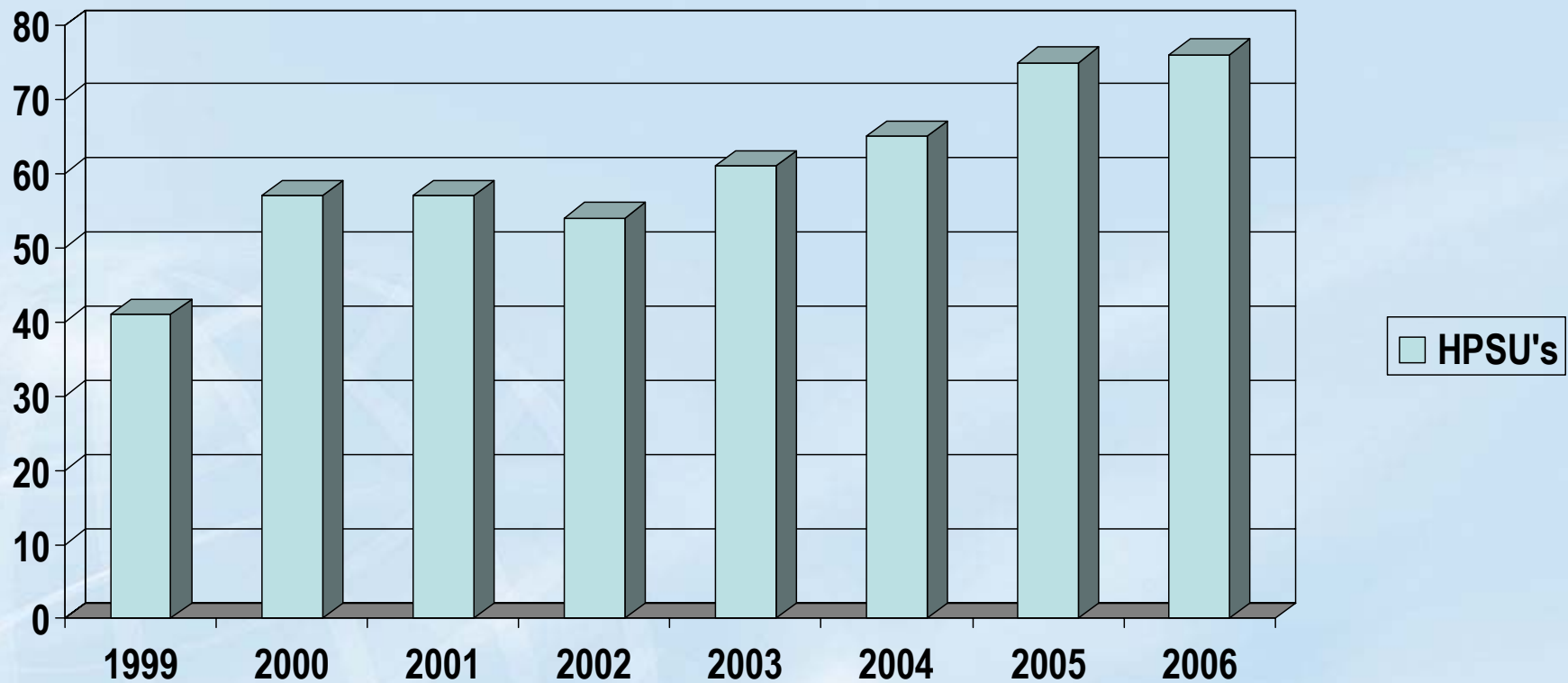
Enterprise Ireland as Investor in Irish Industry



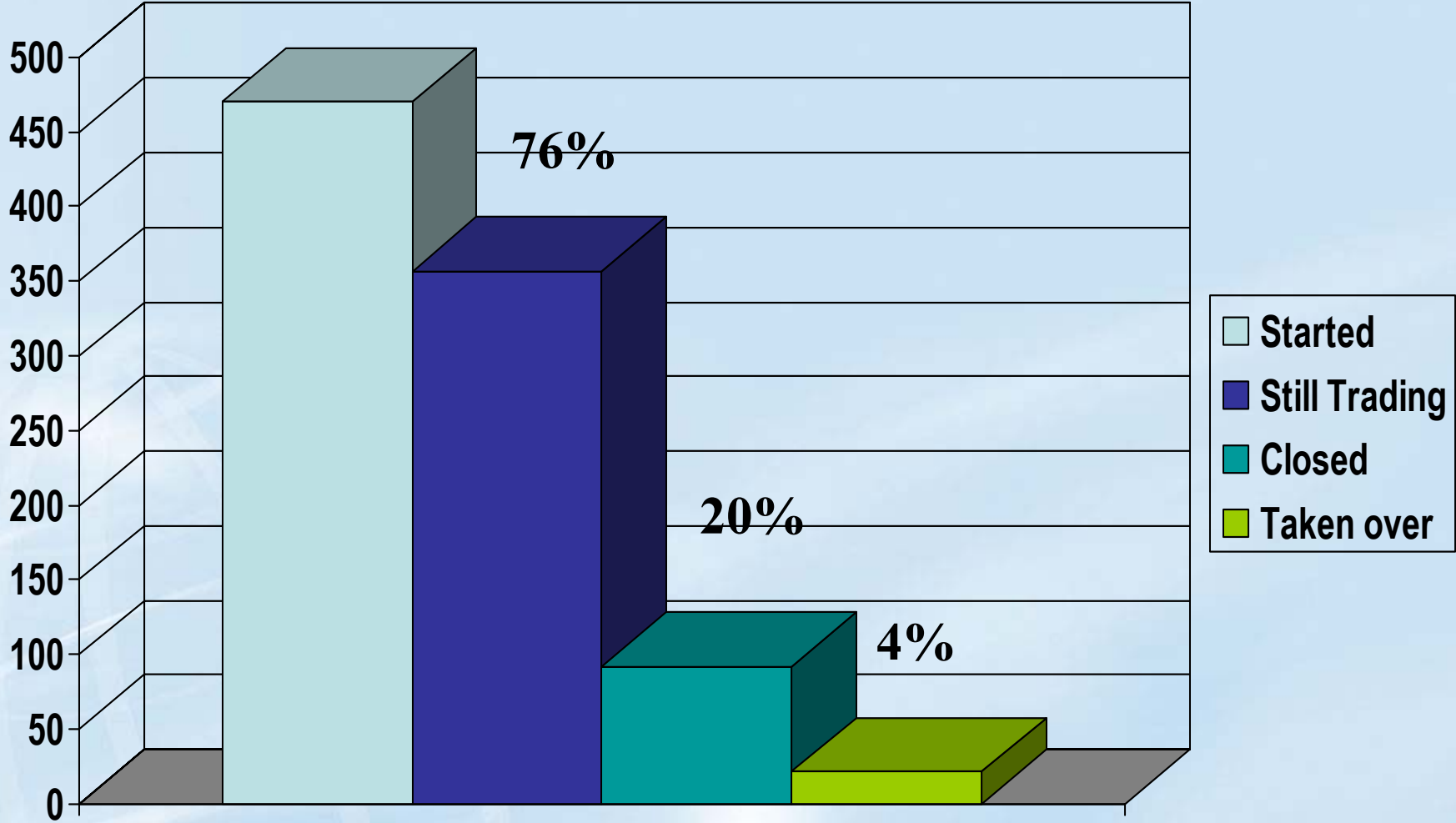
- **EI will typically take up to 10% of the share capital;**
- **Balance of funding in the form of grants and/or preference share – normally on a 50/50 basis;**
- **Convertible preference shares may be used**
- **Very early stage start-ups – 'milestone funding' e.g.**
 - Completion of critical element of R&D activity;
 - Development of a Beta Model;
 - A patent application in a specific location
- **The level of EI funding determined by the potential level of exports and job creation; /or R&D being undertaken**

Volume and impact

EI assisted HPSUs since 1998:



Status of EI Client Companies



Trading Performance



- Total annual sales : €1,180m
- Total employment : 9,200

- **Average age of firm with**
 - Sales €5m - €10m is 6.7 years
 - Sales > €20m is 6.3 years

Critical factors for Successful Companies



- 1 Customer knowledge and focus & Building a strategic alliance.
 - **Trust and commitment**
 - **Understanding the value chain of the customer and where the product fits**
 - **Understanding the customer purchasing process in detail and sign off**
- 2 Product offering based on clear technological advantage.
- 3 Strong, experienced management team.
- 4 Experienced sales and marketing professional in the team.
- 5 Well funded or with access to strategic funding from the outset.

Some Lessons

- Feasibility grants should not be used to say NO
- Capital Grants can be expensive
- Milestone funding can be positive with some negative aspects
- Promoter / team is paramount
- Tax incentives can be beneficial
- Promoters need to invest
- Set up a good screening process
- Train staff in SME area
- Soft supports are often better than financial supports
- Managing an equity portfolio can be expensive and also rewarding