FIN-EN Meeting

Sharing Methodologies on Financial Engineering for Enterprises

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CAPITAL CRIATIVO: Brief Presentation

- Founded in 2009 in a partnership between an independent management team with experience in the industry and a reputed institutional (minority) investor: Portugal Telecom.

- Based on the Portuguese business environment experience, and the triple deficit of the Portuguese SMEs (equity, management, international orientation), focused its strategy on the growth of SMEs, preferably producers of transferable goods.

- After 4 years has €80,5 MM under management considering both funds, a team with 11 executives and a diversified portfolio of investments.
**FUND I: Backgrounds**

### SAFPRI application 25/09/2009

- **2009**
  - Set Application
  - Dec 1st decision

- **2010**
  - Feb Final decision
  - Jul Signature
  - Nov Registration CMVM
  - Dec Investor’s subscription

- **2011**
  - Jan Started activity

**Time from application to starting activity:** 15 months

### Fund at the present time

- **Duration:** 34 months
- **Approved investments:** 19
- **Investment made:** 6
- **Committed amount:** €15,5 M
- **Execution rate:** 74,5%

### Lessons Learned

- **Pre-notice of the application opening and timing of the private fund raising.**
- **Difficulties to conciliate SAFPRI rules and CMVM/ legal rules.**
- **Delay between application and subscription of the fund with investment cycle non-adjustable (deadline does not change).**
## FUND I: Portfolio & Key achievements

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>YEAR</th>
<th>BUSINESS</th>
<th>ACHIEVEMENTS</th>
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</table>
| ISA      | 2011 | Smart metering | • Average turnover growth: 19%  
|          |      |           | • Alternext  
|          |      |           | • Cloogy + Kisense |
| LIVE CONTENT | 2011 | Digital marketing | • Average turnover growth: 85%  
|          |      |           | • Big Accounts  
|          |      |           | • Brazil + Mexico |
| USC      | 2011 | Logistics | • Greenfield Morocco  
|          |      |           | • Breakeven 2014  
|          |      |           | • IT Operations ongoing |
| Cortex | 2012 | Market intelligence/IT | • European Centre of R&D  
|        |      |           | • New products/ business model |
| DMC     | 2012 | DMC | • Average turnover growth: 72%  
|          |      |           | • Brazil |
| cardMobilis | 2013 | Digital wallet | • PT closed, others in negotiation  
|          |      |           | • ME + Latam |
FUND I: Portfolio & Key achievements

Lessons learned

Stable portfolio in 3 years with:
- International operations
- 120 jobs created
- 24% Average turnover growth
- Significant operational improvements

“Good companies”/ “Good deals” are out of the market.

- Portuguese SMEs are (almost) all start-ups.
- Venture Capital is always a cost.
- Hard time to finance growth with debt.
- Risk is still there.
FUND CC I & SAFPRI

VC/PE as the right tool
- Capitalization
- Hands on approach: operational improvements, access to new markets
- Reporting/ accountability/ tax

Portuguese market underdeveloped
- Statistics are wrong (turnaround funds/ bank credits)
- SMEs still need equity, management and access to markets
- Sources of fundraising are limited (State + Banks)

VC/SAFPRI as interesting case to develop both PE/VC market and Portuguese based SMEs: VC/PE as the right tool
- Public funding with private/ independent management.
- Sharing risk with private funding.
- Hands on management.
- Developing SMEs:
  - Capitalization/ Equity
  - Management
  - New markets
- Developing independent VC/PE operators.
Capital Criativo & SAFPRI: Improvements

Lessons learned & Rules to improve

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<tr>
<th>FROM AN INVESTMENT POINT OF VIEW</th>
<th>FROM A MANAGEMENT POINT OF VIEW</th>
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<tbody>
<tr>
<td>• Time to evaluate SAFPRI requirements (1&lt;sup&gt;st&lt;/sup&gt; investment vs. cycle of life).</td>
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<td>• €1,5 MM/year/company limitation.</td>
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<td>• Combined capitalization and acquisition.</td>
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<td>• Investing in new markets/internationalization.</td>
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<td>• Sector limitations: health services, education, agro business, others.</td>
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<td>• SME certifications (rules).</td>
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<td>• “Modern” investment not always has a “territory”.</td>
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<td>• % fund for 2&lt;sup&gt;nd&lt;/sup&gt; round investments, cash needs and commissions/management fees.</td>
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<tr>
<td>• Inspections/audits and confidentiality of information.</td>
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<tr>
<td>• Fund extra costs (due diligence, lawyers, consultants) and cost limitations.</td>
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<tr>
<td>• Corporate governance rules:</td>
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<td>• Investment committee, plus...</td>
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<td>• Internal approval, plus...</td>
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<td>• Privileges over the private investors (makes the private fundraising harder).</td>
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