

Venture Capital and SMEs

SMEsand innovation funding for a sustainable future

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Agenda

- Speaker background
- Venture capital explained
- Investment scenes in Thailand and ASEAN
- AEC 2015, venture capital, and SMEs

Dr. Jay Jootar

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Education

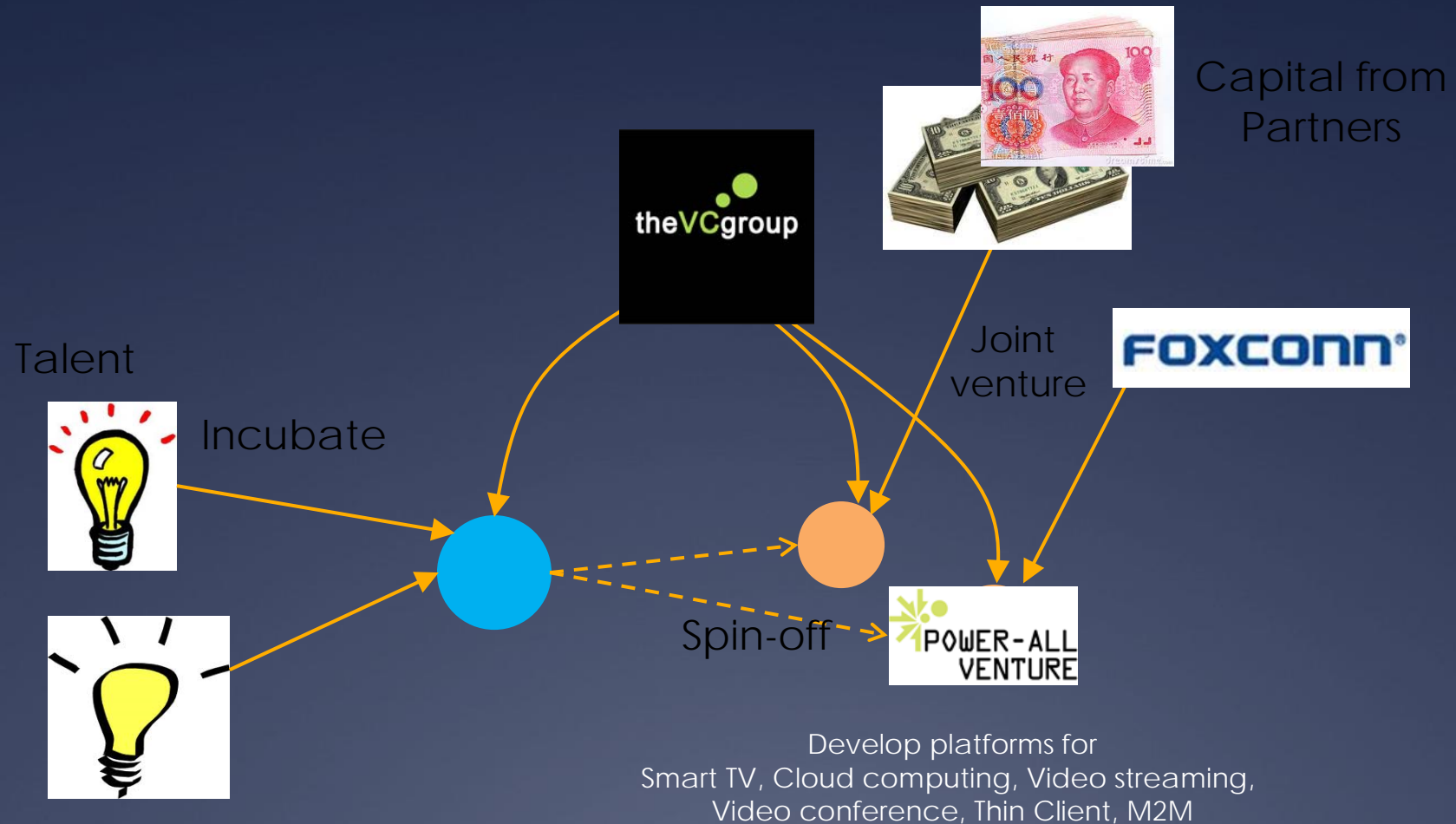
- Engineering (CU), MBA & PhD (MIT)

Professional

- Equity analyst & Investment banker
- Management consulting in technology business (Intel, ITT industries, Verizon, various startups on Boston's route 128 area)
- Senior executive at True corporation for 7 years (step down as a General Manager)
- Founded and manage The VC Group since 2009

The VC Group

www.thevcgroup.com



Venture Capital

- Invest in early stage private companies, sometimes even without revenues
- Usually also active in managing the companies, at least at the board level, by providing connections and advices
- Focused on companies that build innovations especially in information technology, energy, biotech, green technology
- Bet on the team, usually do not require a collateral
- Harvest by bringing the company to IPO or selling shares to other companies at much higher value than the investment
- Expect a few huge success to make up for the failure of the rest of the portfolio

Private Equity

- Technically, venture capital is a subset of private equity. But “private equity” usually means the non-vc private equity
- Also invest in private companies, but usually the ones that are more mature and already have revenue and income
- Focused on companies with significant room to maximize profits and share value through activities such as restructuring or expansion, not so much innovations
- Also harvest by IPO or acquisitions
- Expect most of the investment to generate good return, not just a few homerun
- Example of private equity in Thailand: Lombard investment, Navis capital, K-SME Venture Capital (despite the name)

Milestones

- Fairchild semiconductor was founded 1957 by 8 employees of Shockley Semiconductor Laboratory “the traitorous eight”
- with investment from a corporation **Fairchild camera and instrument** as its semiconductor unit.
- This is widely considered as the starting point of venture capital and Silicon Valley



The traitorous eight

Milestones

- Venture capital industry started to form a structure and to attract more and more capital to bet on “people” and their innovations.
- Most of the major players in early venture capital had something to do with Fairchild semiconductor one way or the other

The logo for Kleiner Perkins Caufield Byers (KPCB) features the acronym "KPCB" in large, bold, white letters on a dark green background. To the right, the full name "KLEINER PERKINS CAUFIELD BYERS" is written in smaller, white, all-caps letters.

KPCB | KLEINER
PERKINS
CAUFIELD
BYERS

The logo for Accel consists of the word "ACCEL" in a large, red, serif font, with a registered trademark symbol (®) to the upper right.

ACCEL®

The logo for Sequoia Capital features the words "SEQUOIA" and "CAPITAL" in white, all-caps, sans-serif font, separated by a small green tree icon. The entire logo is set against a green background.

SEQUOIA  CAPITAL®

The logo for Andreessen Horowitz features the words "ANDREESSEN" and "HOROWITZ" in a black, serif font, stacked vertically.

ANDREESSEN
HOROWITZ

The logo for Benchmark Capital features the word "BENCHMARK" in a large, blue, serif font, with "CAPITAL" in a smaller, blue, all-caps, sans-serif font below it. A small red triangle is positioned above the letter "I" in "CAPITAL".

BENCHMARK
CAPITAL

The logo for New Enterprise Associates (NEA) features the letters "NEA" in a large, black, serif font, with a registered trademark symbol (®) to the upper right. Below it, the full name "New Enterprise Associates" is written in a smaller, black, sans-serif font.

NEA®
New Enterprise Associates®

The logo for Khosla Ventures features the words "khosla ventures" in a black, sans-serif font, with "khosla" in lowercase and "ventures" in lowercase.

khosla ventures

First wave "silicon and biotech"



Second wave “dot com and internet”



Current wave
"social, energy, green, etc."

The Facebook logo, consisting of the word "facebook" in white lowercase letters on a blue rectangular background.The Zynga logo, featuring a red silhouette of a dog standing on its hind legs to the left of the word "zynga" in red lowercase letters.The Sapphire Energy logo, featuring a blue diamond shape to the left of the word "Sapphire" in black uppercase letters, with "Energy" in smaller black lowercase letters below it.The Instagram logo, featuring a camera icon with a rainbow flash to the left of the word "Instagram" in a black script font.The Twitter logo, featuring the word "twitter" in a light blue, rounded, lowercase font.The SOLYNDRA logo, featuring the word "SOLYNDRA" in blue uppercase letters, with a stylized orange and yellow sun icon to the left.The Skype logo, featuring the word "skype" in a white, rounded, lowercase font inside a blue cloud-like shape.The nanosolar logo, featuring a stylized sun and solar panel icon above the word "nanosolar" in a black, lowercase font.

VC, innovation, and the economy

- In the U.S., VC-backed company accounts for 21% of the GDP and 11% of private sector jobs*
- However, the real heroes are the entrepreneurs who take the funding and build their companies (most can be classified as SMEs in their early stages) into innovative and competitive firms.
- Venture capital is just a means of funding for their innovation to make it happen faster at lower risk to entrepreneurs
- Venture capital enables innovation necessary to sustain the success of a company and the economic growth of a country
- Thai SMEs should take note and engage in innovation and technology, possibly with VC funding, to provide a solid base to expand globally instead of relying only on costs and captive market

*National Venture Capital Association

Thailand scenes

- Not so much in the form of formal venture capital “funds”
- But several notable “strategic investment” by big corporations in technology and media business (“corporate venture capital”)
- This is similar to the early development of Silicon Valley
 - Fairchild Camera and Instrument invested in Fairchild Semiconductor, the predecessor of most silicon-based startups in Silicon Valley

Thailand deal flows

- Global Care Solutions, invested by Microsoft (USA) in 1997
- Sanook.com, invested by MIH (South Africa) in 1999
- PaySbuy, invested by DTAC (Thailand) in 2008
- Tarad.com, invested by Rakuten (Japan) in 2009
- Power-All Venture (a subsidiary of The VC Group), invested by Foxconn (Taiwan) in 2011
- Ookbee.com, invested by Intouch (Thailand) in 2012

Rest of ASEAN scenes

- Singapore government put heavy emphasis to create venture capital and startup environments with limited success as most Singaporeans do not target entrepreneurship as a career
- Several notable deals in Singapore, Vietnam, Indonesia, and Malaysia
- Corporate venture capital also dominates the scenes in ASEAN like in Thailand
- Majority of deals focus on SoLoMo (Social, Location, Mobile) businesses and eCommerce businesses

AEC 2015, VC, and SMEs

- Consolidate and enlarge the total market addressable by any company in ASEAN (hopefully)
- Increase the importance of online channel and information technology to reach the regional market
- Increase the upside for VC investment in the region
- This will increase the interest of VC in the region as there are more upsides to be gained from the investments
- The challenge is to prove to VCs that your company can actually take advantage of AEC to expand regionally

Conclusions

- Innovation is a key driver of economic growth for a company and a country
- Venture capital is one of the ways to provide funding for innovation
- AEC 2015 will likely drive the interest of venture capital throughout the world into the region
- This provides a great opportunity for Thai companies to tap in the funding (both VC funds, and Corporate VCs) for innovation to pave a way for a more sustainable future