

# Progressive Start-Up's – opportunity & challenge for public policy

Ott Pärna, *CEO*

UN Start-Up Financing Conference  
Helsinki, June 3<sup>rd</sup>, 2010



[www.arengufond.ee](http://www.arengufond.ee)



**ARENGUFOND**  
ESTONIAN DEVELOPMENT FUND



Red Bull

BULLSTRATOS.COM

**Annual VC investment represents  
0.2% of U.S. GDP**

**Venture-backed companies in US  
account for 17% of GDP**

**&**

**There is an equity gap in early stages**



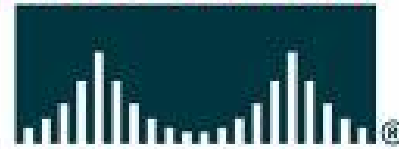
Google™



skype™

ebay

CISCO SYSTEMS



COMPAQ

 Sun  
microsystems  
We make the net work.

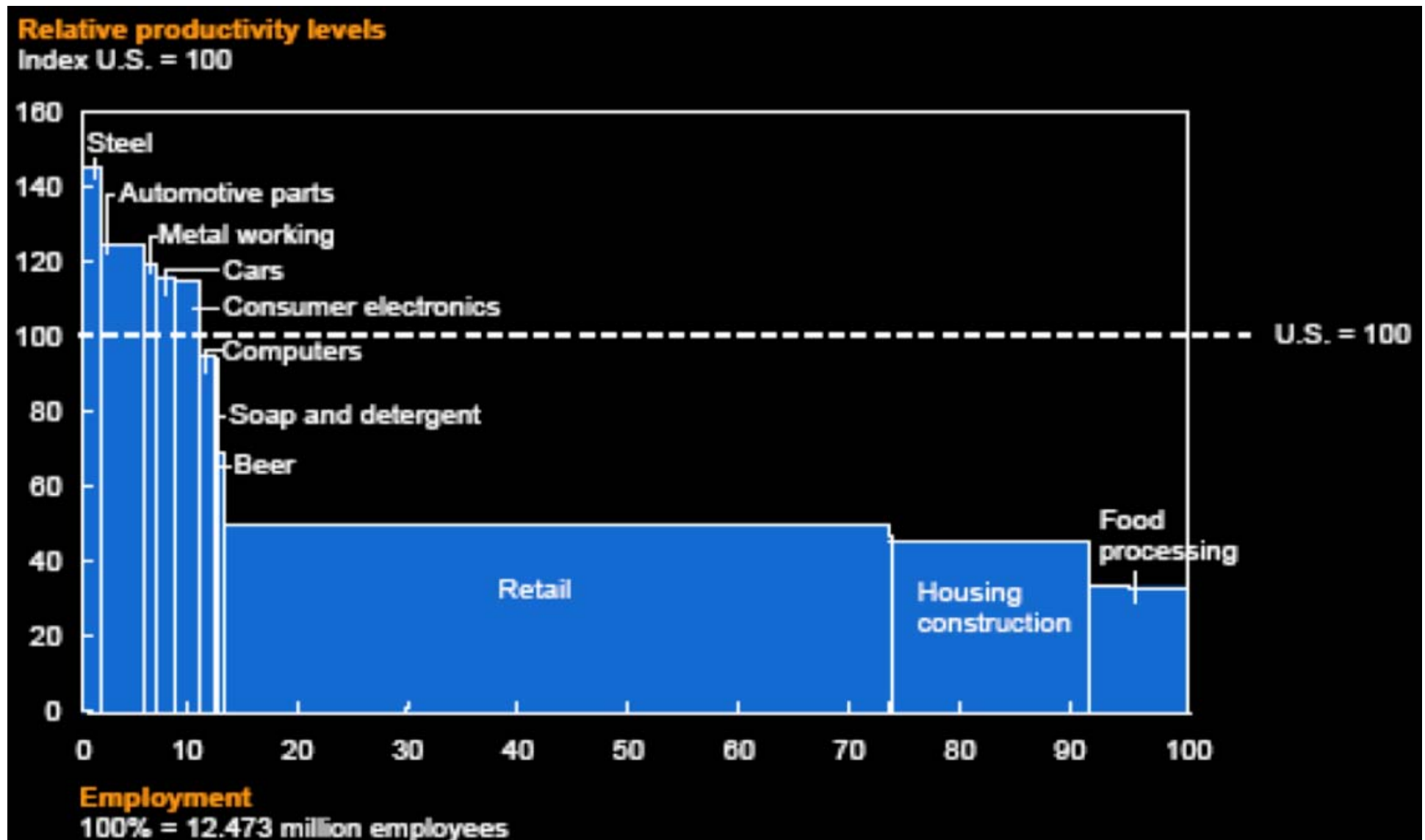
intel

STAPLES

FedEx

**94,5%**

# Dual economy of Japan



Sir Richard said: *“There are a lot of Richard Bransons that will come out of the next three or four years.”* *The Times* March 9, 2009



**Business can be fun & life style!**

**Question  $\neq$  only money**  
**Problem = lack of ambition**  
**Challenge = team**

**(how to)**  
**GO INTERNATIONAL ?!**





Smart **POST**

**GrabCAD**

**GOLIATH**  
a breath of a giant

**BiotaP**

**Robots, Fashion, and the Perfect Fit!**  
check [www.fits.me](http://www.fits.me) for invites



ANNO  
**ILMARINE**  
1859

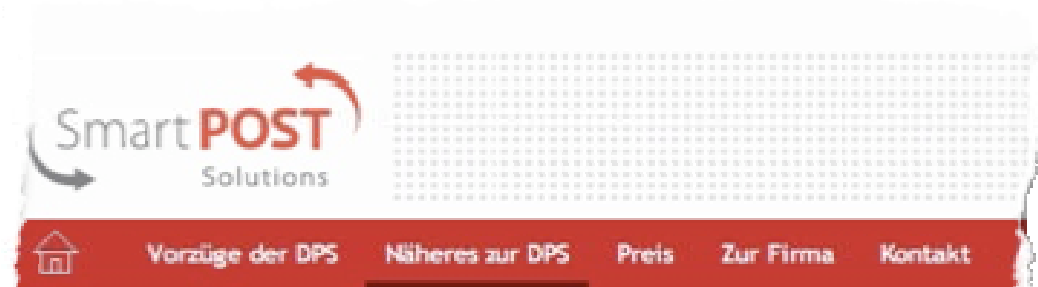
 **Uniteddogs™**

 **Unitedcats™**

# Competitive business models



<http://www.smart-post.eu/>

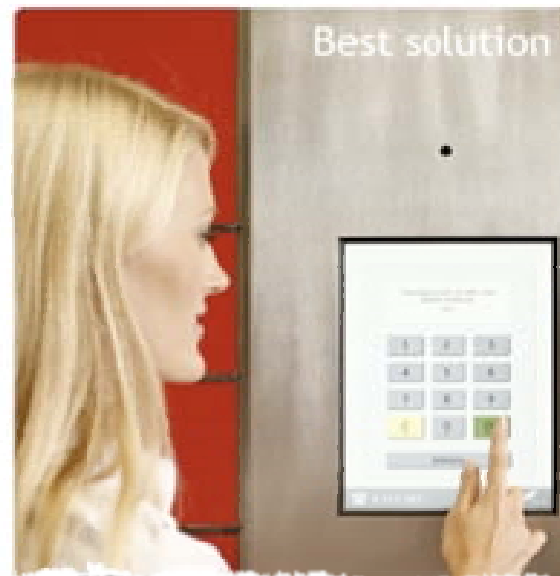


## Näheres zur Delivery Point Solution

- ▶ DPS Hardware von Smartpost
- ▶ Software für die DPS von Smartpost
- ▶ Wie findet die Anwendung der DPS statt

**Die Delivery Point Solution**  
Paketdienst der gewöhnlich

- sich ihre Pakete selbst
- an Ort und Stelle für
- Pakete versenden.



Kurz gefasst, für den Kunden persönliche Kennziffer über o. des automatischen Pakete-Tr zahlen. Danach öffnet sich die

**Die Benutzung der SmartPO**  
auf der Webseite oder am AP Pakets ein und führen Sie die Nachricht mit der persönlichen die APT-Einheit öffnet sich ein Tür. Die Logistikfirma, die das

Robots, Fashion, and the Perfect Fit!  
check [www.fits.me](http://www.fits.me) for invites



**FITS.ME – real start-up sportsman: finalist of many business competitions;  
Grand Prix in Plugg 2010 “Most promising startup in Europe 2010”**

Other portfolio companies:

**United Dogs  
and Cats:**



International prize for  
fighting against dog  
and cat afflicting  
Estonian prize  
“BEST INTERNET”



**SmartPost:**

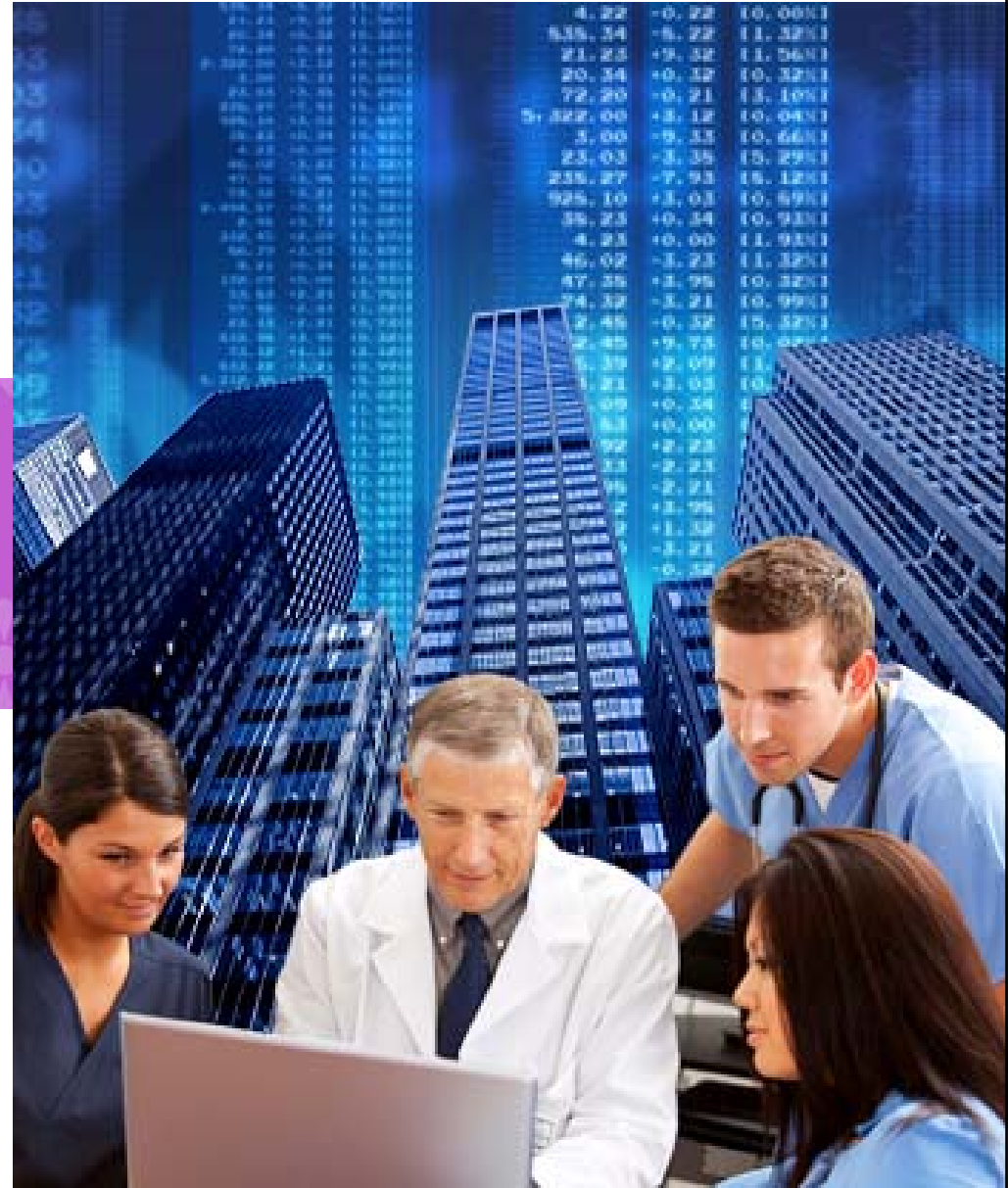


Estonian Trade Association  
Annual Prize  
“Annual Logics’ Award”  
2009

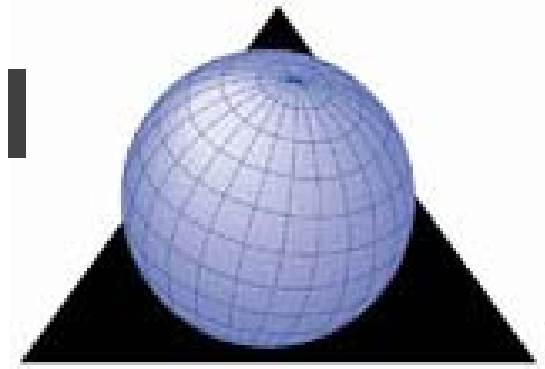


# Equity Capital **vs** Grants

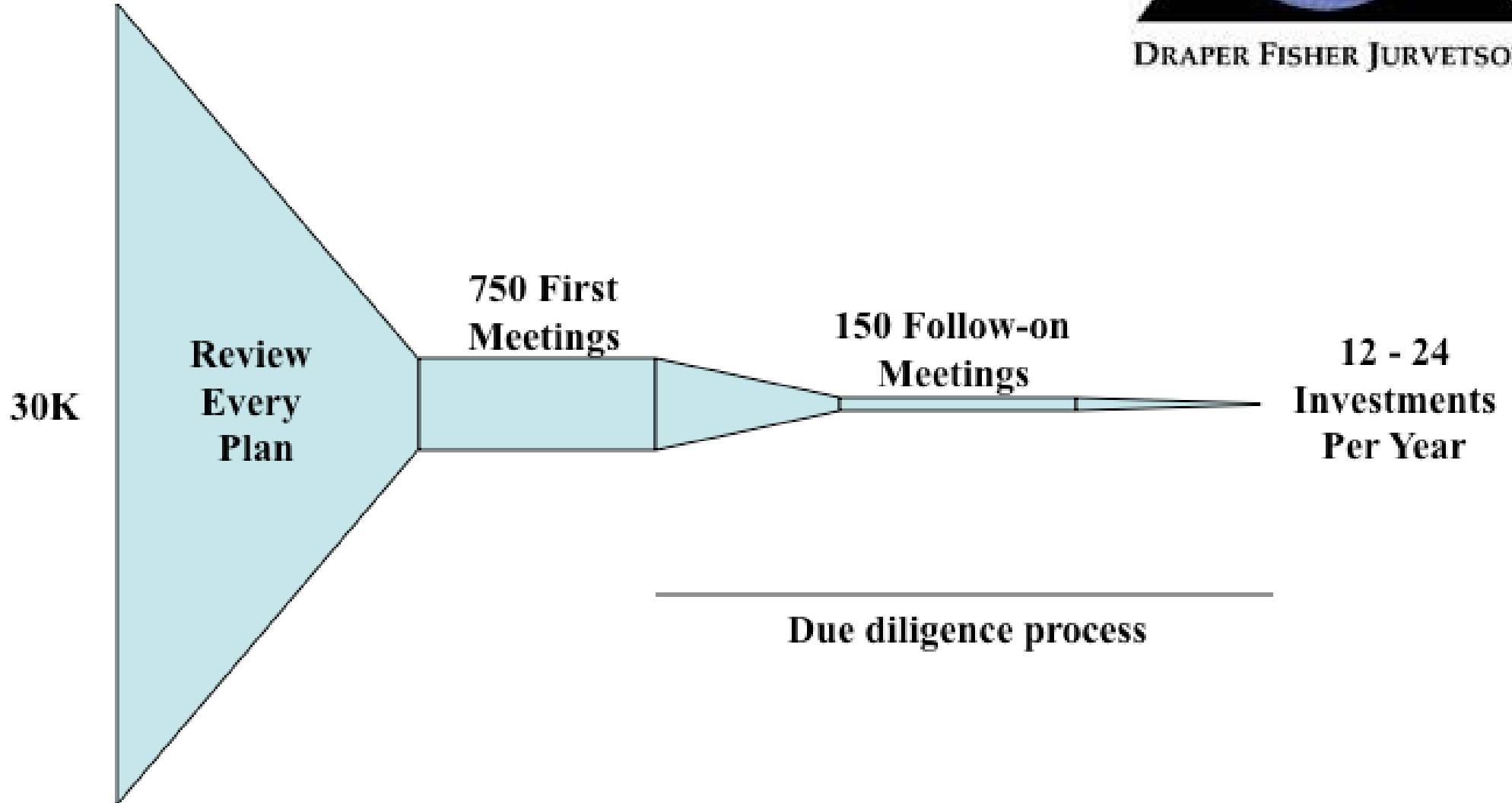
Boutique



# DFJ Annual Deal Funnel



DRAPER FISHER JURVETSON



# Magic X and IRR

- Money-back (X) – the main benchmark of VC industry
  - IRR is secondary
- Link between X and IRR
  - 3X = 17% IRR in 7 years      – OK
  - 4X = 22% IRR in 7 years      – good
  - 5X = 26% IRR in 7 years      – very good
  - >10X = >39% in 7 years      – from excellent to magic
- Individual expected IRRs of portfolio investments shall be 2X bigger to compensate for
  - failures
  - Fund manager's costs
  - Time and money lost on entry and exit
- **VCs expect the investee companies to deliver minimum 35-50% IRR over 5 years**

**i**NNOVATE!  
2010

seedcamp



Garage48



seedBOOSTER

ARCTIC**STARTUP**

TechCrunch

AALTO VENTURE  
GARAGE

Estonian Startup Leaders Club



## Don't talk, just execute – in 2 days, Estonia's Garage48 produces 16 potential startups

by Steve O'Hear on April 19, 2010

12 Comments  59 [retweet](#) [f Share](#) [83](#) 



[Estonia] "Don't talk, just execute". That was the goal of **Garage48**, a sort of bootcamp-meets-hackathon organised by the **Estonian Startup Leaders Club**, a non-profit organization that works with major startup founders from Estonia.

The event, which took place at Estonian IT College last weekend, involved 100 developers with varying startup experience - from student to experienced entrepreneur - and included a number of Skype founding engineers. After a brain storming session, 40 ideas were presented,

with 16 services selected to be developed and launched by the end of a single, presumably caffeine-fueled, 48 hours.



seedBOOSTER

## Investment of this week: **GrabCAD**

Coming from SeedBooster –  
international business incubator  
of Estonian Development Fund



# GrabCAD

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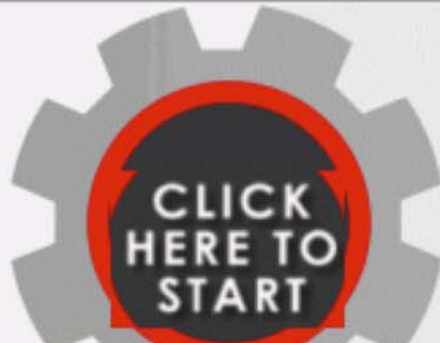
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Your



virtual engineer

**CAD Services:**

REVOLUTION NEWS E-STORE BOUTIQUES

# LE LABO<sup>CC</sup>

## GRASSE - NEW YORK

NEWS

Le Labo London a Landmark  
 Le Labo London a Landmark :  
 When [luxuryculture.com](http://www.luxuryculture.com)  
 (<http://www.luxuryculture.com>  
 , City Guide section)  
 celebrates the latest genius  
 from Herzog and De Meuron  
 with the VitraHaus, we take a  
 look .... U...to know more

ARTISTS

[ VERSION FRANÇAISE ]  
 日本語

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PRESS REVIEW





# START-UP NATION

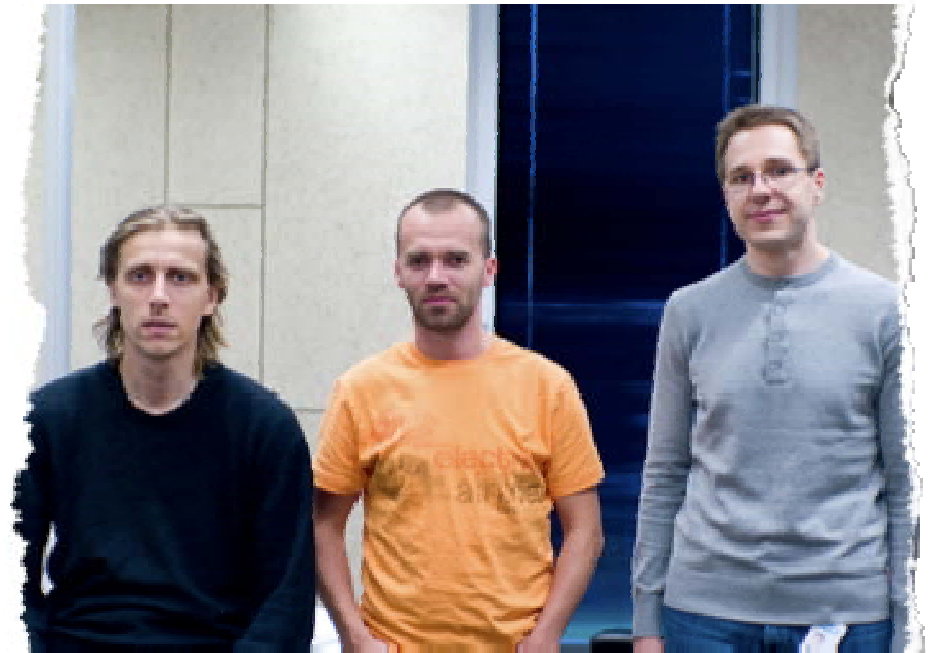
The Story of Israel's Economic Miracle

DAN SENOR AND SAUL SINGER

A Council on Foreign Relations Book



# NO to excuses YES to ambition!



- 🌟 Anybody can be the next successful engineer or entrepreneur (or both)

# Thank You! See also: <http://www.arengufond.ee/eng>

Innovate!100 Semi-finalists to Pitch in Tallinn on June 2. Power

Eesti keeles | In English

## ARENGUFOND

ESTONIAN DEVELOPMENT FUND

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Robots  
Fashion  
and the Perfect Fit

▶ New portfolio investment!

1 2 3 4 5 6

### New Investment!

Fits.Me

#### About us

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- Become a co-investor
- Foresight
- Venture Capital
- Publications
- Blog

#### Extranet login

User:   
Password:  >>>

#### Videocasts

▶ Videocasts

**Joe Fuller: cornerstones of vision building**  
A brief video conspectus from CEO of Monitor Group. Really exclusive!

**Niche Centre of Financial Services**  
Brendan Kelly shares the Ireland's experience.

**Financial Services 2018: Joakim Helenius**  
Ideas of the Founder of Trigon Capital.

#### News

▶ News

**Mikko Kosonen: Finland is being threatened by Greek's fate in five years**  
Interview with the President of the Finnish Innovation Fund SITRA about growth possibilities of Finland and SITRA's search for the Wellsprings of Finnish Vitality.  
[▶ Read more](#)

**Half human, half Estonian Steve Jurvetson**  
Listen to podcast about venture capital and market disruption.

**Fits.me in FT.com: Small country, big on enterprise**  
About portfolio company Massi Miliano co-founder Heikki Haldre: He Like all Estonians, he understands that small is beautiful... and leverage is everything.  
[▶ Read more](#)

**HEI cover story: Future scenarios put color around the data**  
HEI May 2010: Nick Turner, CEO of consulting company Global Business Network that is helping the Estonian Development Fund to compile the Estonian Growth Vision, talked to HEI, how and why should you look into future.  
[▶ Read more](#)

#### Foresight projects

- ▶ Industry Engines 2018  
Growth possibilities for Estonian manufacturing and the necessary steps for realising them
- ▶ EST\_IT@2018  
ICT possibilities for supporting Estonian development
- ▶ Service economy 2018  
Possibilities for economic growth are hidden in services

#### Blogs

**▶ New trends in Estonian insolvency law**  
Signe Viimsalu  
1 January 2010 was the date of entry into force of a new Bailiffs Act which established, for the first time in Estonia, a joint professional chamber of bailiffs and bankruptcy trustees and amended, among other acts, the Bankruptcy Act.

**▶ We make a bet to international start-up growth companies**  
Heidi Kakko  
One of the major challenges facing us is to develop the local VC

**Blog of the month**  
Inside GOLIATH

#### Events

▶ Events

May 31-June 1  
iTechLaw Third Annual Conference

02.06 Innovate!100  
Semi-finalists to Pitch in Tallinn