

8th Gesventure's Meeting
Opening speech – Dr. Francisco Banha
Gesventure's president
Lispolis – Lisbon, November 28th 2006

Dear sir president of EBAN – European Business Angels Network,

Dear sir vice-president of Cascais' Town Hall,

Dear sirs guest speakers,

The rest of the personalities, ladies and gentlemen,

I salute the entrepreneurs, the primary reason of our existence.

I greet PME INVESTIMENTOS, and in particular its president Dr. João Vicente Ribeiro, for the demonstrated support both at financial and institutional levels by associating itself, once again, with Gesventure in the realization of an event that has contributed to the dynamization of the entrepreneurial spirit in our country.

I greet F-Turismo – Capital de Risco, in the person of its president Dr. Orlando Carrasco, for the support given to us which helped in the operationalization of the realization of the current meeting.

I greet EBAN's president, Anthony Clarke, for giving us the honour of attending this meeting to debate the theme of the business angels activity in Portugal and in Europe and, particularly, by two important reasons:

First, for the formal support given by EBAN, and personally by its president, to the creation of FNABA – Federação Nacional de Associações de Business Angels [National Federation of Business Angels Associations] idealized by Gesventure a long time ago, aimed to give representation, in several different scopes, to the business angels associations of the entire country – and that, alias, is already promoting, namely with the involvement of Business Angels Club - Associação Portuguesa de Investidores em Start-Ups [Portuguese Association of Investors in Start-ups] and of the de Business Angels Associations from Oporto, Cascais, Covilhã e Algarve, a set of actions and

activities suited to encourage important concretizations, mainly having the aim to finance projects in the early stages of development.

Second, for giving to Gesventure – in the quality of responsible entity for the creation of the first Portuguese business angels club – the privilege of co-organizing, for the first time in Portugal, the 7th European Business Angels Congress, that will take place in Estoril in April 16th and 17th 2007.

I greet, equally, Cascais' Town Hall, in the person of its vice-president, Dr. Carlos Carreiras, for the dynamic that has been establishing in the entrepreneurship area of which is example not only the recent constitution of DNA CASCAIS aimed to create an Entrepreneurial Ecosystem for that municipality, but also the important involvement of Cascais' Town Hall in the realization of the 7th European Business Angels Congress 2007, namely through the offer of the space Centro de Congressos do Estoril to the realization of this event.

I also greet PME CAPITAL for the association with Gesventure and with the Business Angels Club - Associação Portuguesa de Investidores em Start-ups [Portuguese Association of Investors in Start-ups and Business Angels] in the organization of the 7th European Business Angels Congress 2007, as to IAPMEI for the high sponsor given to this initiative.

I greet Abreu Cardigos & Associados, APCRI and Cachudo Nunes & Associados for, once more, insisting in the association with Gesventure, demonstrating this way that the jointly efforts are not only possible as also desirable taking into account that a strong and dynamic venture capital industry is only made with the involvement of everyone that see opportunities in it.

And I rest my thanks because in that matter it is important to be sober. Like Saramago says: **“in sentiment matters, the biggest the part of eloquence is, lower it will be the truth of it.”**

Ladies and gentlemen,

It is with pleasure and honour that I open this 8th Gesventure's Meeting. I consider that this meeting represents more than a privileged moment, which I am happy to live.

This meeting, **faithful to the nonconformist, inquisitive and creator spirit that created it 8 years ago** – represents, for itself, a moment of change because imposes the balance of the past, aimed to the determination of what should be changed in the future.

Today, the venture capital sector in Portugal is no longer closed in itself and living for itself, it deserves, at least, the unanimous acknowledgement by all – market agents, public organisms and relevant entities – that it is an essential foundation of the creation and development of small and medium companies. We believe that, in this scenario, the contribute of Gesventure revealed itself, and that these meetings represent only one of the several initiatives of Gesventure that always acted as a catalyser of change, assuming a fundamental role in the support to entrepreneurship and the disclosure and discussion of key themes to the development of the venture capital market in Portugal.

However, this market is yet far from corresponding to the dimension already reached in most of the developed countries of OECD. Effectively, although we know that in Portugal there are private equity companies, mainly the ones that are property of the state, that are, currently, investing in seed and start-up stages, they are only the exception that proves the rule, once that they are still far from assuming in Portugal as main financing source of new business projects.

So, it is facing this scenario that the informal investors, named “business angels”, assume a fundamental role, as source of private equity financing of the presented projects by qualified entrepreneurs, mainly the ones that lead companies with high resource to technology.

Since Gesventure's creation in 1999 that we have been, in a determinant and sustained way, defending the development of a positive environment to the creation of business angels networks in Portugal, aimed to overcome the gap existent in the financing of projects in seed and start-up stages.

The creation of the first Portuguese business angels club, the adhesion as official member of European Business Angels Network (EBAN), since June 2005, the co-organization of the 7th European Business Angels Congress and, more recently, the start-up of FNABA Federação Nacional de Associações de Business Angels [National Federation of Business Angels Associations] are only some of the concrete actions that Gesventure has unchained aimed to the creation of a true ecosystem in the venture capital market in Portugal, in which the financing via informal investors, through active business angels networks, has a determining role to its self-sustainability and permanent regeneration.

However, it will be desirable the effective potentiation of the business angels networks' activity, the field implementation of contemplated measures in the program FINICIA – namely through the establishment of public-private partnerships designated to facilitate the access to financing by companies of smaller dimension that traditionally present bigger difficulties in their connection to the financial market, business angels assuming, in this context, one of the essential conditions of such an interesting initiative.

According to that, it would be equally desirable the introduction, in the national juridical system, of the proposition of alterations in the juridical regime of private equity companies and of Venture Capital Funds, which content CMVM put in public discussion, and that recognize the non-existence of a network which links business angels to investment opportunities in societies with high development potential, and to which I will refer latter.

And, that is why, we have been – and will continue to – insisting earnestly in the pursuing of these objectives until its complete realization. And, when someone like EBAN recognizes publicly all the effort that we have done in the disclosure of this important activity in Portugal and trusts in us with the gratifying task and difficult mission of co-organizing a congress with the scope and projection that the 7th European Business Angels Congress wants to achieve, it symbolizes to us the unequivocal recognition of this course of important concretizations settled in objective and measurable results.

Naturally that, almost everyday, we hear about entrepreneurship and venture capital – and it is good that it happens! But a lot of what is talked will have, eventually, ephemera profundity and will be of momentary reach, due to, mainly, that it is not translated in practical results. The efforts that Gesventure has been developing, since 1999, have assumed, contrarily to what we see thereabouts, in a consequent way and in all its extension.

But today there are more changes to signal.

Ladies and gentlemen,

This 8th Gesventure's Meeting occurs in the moment of change of the current juridical venture capital regime, to which I referred to just a while ago, which is, essentially, aimed to the dynamization of venture capital as a support instrument to the creation and development of small and medium companies. I refer to the proposition of alteration of the juridical regime of private equity companies and of venture capital funds that, in this moment, are subject of public consultation, promoted by CMVM.

I consider that, in general, this alteration proposition contemplates an important scope, because it allows us to shorten paths and take significant steps in the reaffirmation of venture capital's role as fundamental foundation in the development of competitively of the national economy, namely at the level of the incentive of an investment policy less adverse to risk, at the attribution of best conditions to investors (through the creation of venture capital investors, which, like what we see, for example, in the French juridical system, will assume a way of unipersonal quota societies), in the promotion of a higher transparency at the level of social capital realization of private equity companies, in the creation of a conflict of interests policy applicable to members of social organisms and shareholders, and thus the end of bureaucratization and reinforcement of the supervising powers of CMVM.

However, the weak proposition, as I see it, of a measure clearly penalizing to venture capital funds that does not favours the creation of these funds, determining the **rising of its minimum capital from €1.000.000 to €2.500.000.**

It is true that if it wasn't for the purely economic criteria that naturally will be in the base of this measure, I would say it is an evidently incomprehensive measure, mainly if we consider the current market tendencies, in which the public organisms themselves, universities and economic agents start the mobilization to the creation of small capital funds designed to the financing of new business projects. That is not to even talk about the incongruence that this measure evidences revealing itself completely contrary to the spirit that defends a place in the introduction of the referred alteration proposition, and that aims essentially to dynamize the venture capital as a support instrument to the creation and development of SMEs.

Effectively, in spite of the obstacle identified above, and although in the last months the activity developed by private equity companies registers little expressive results, it is, however, gratifying to verify – and thus to give the public importance to the good things with the same objectivity as sometimes we criticize the bad ones – that the national venture capital sector had never benefited of legal conditions so favourable as the current ones, putting at the reach of private equity companies a set of means that allows them to act in a much more effective way. However, what still troubles me is the fact that these favourable legal conditions are not equally extensive to the dynamization of business angels' networks not even favourable to the promotion of corporate ventures.

Ladies and gentlemen,

In this 8th Gesventure's Meeting, we managed to, once again, gather individualities that will surely proportionate a fertile and informed debate.

Effectively in a moment when the current economic integration dynamics at the global level, from which result very significant alterations in the market structure and in the emergence of new centralities, that have given a strong competitive pressure above the European economy and in particular in ours, that as a consequence register very limited levels of growth, it is important to hear with a particular expectation the prospective analysis that my friend professor António Nogueira Leite, to which I thank his kind availability, prepared and certainly will help us all to understand how we can overcome the structural unbalances that we have and that increasingly limits us.

One of the central themes of debate that will be discussed in the day is about the opportunities that are emerging in the energy sector. Beyond the increasingly public awareness of the economic and environmental impacts resultant from the energy use, the changes that the Portuguese energetic sector has registered, essentially resultant from signing the Kyoto Protocol and of the inevitable liberalization of this sector, begin to proportionate to its actors new challenges and new opportunities.

In this context, the new solutions launched by the Environment are beginning to generate the soundness appearance of projects in this energetic sector, of which financing via venture capital already represents, at the present, 10,83% of the total investment made. Along with that, the government's interest in this subject, by wanting to invest €2.500 million until 2010, reveals itself equally favourable, once its can be translated in an important support at the projects' co-financing level.

For its turn, the emerging opportunities in the biotech sector and also the analysis of its very long investment cycles, since the investigation stage to making it profitable, and the small connection between the investigation centres, existent in our country, and the business community will be themes that we will deserve a very clarifying approach by one of our more promising scientists professor Domingo Henriques.

Another important theme to debate is the investment opportunities in the tourism sector in which there is a profound restructuring resulting from the recent alterations by PRACE – Programa de Reestruturação da Administração Central do Estado [State's Central Administration Restructuring Program].

Effectively, the promotion, valorisation and sustainability policies for the national touristic activity from the National Tourism Strategic Plan, aimed to leverage this activity in the next 10 years – namely through the strong promotion of places and products of the entire country, affirmation of the national brands, development and consolidation of markets, qualification of human resources, support to companies in the establishment of new distribution and commercialization channels and potentiation of innovation and knowledge as determining factors in the orientation of the touristic activity – represent a determining platform to the economic development of this important sector which is the national tourism and, simultaneously, incite the interest of

venture capital operators in financing projects from new opportunities that we glimmer now, like what is happening in Spain where these entities evidence a stressful appetite to invest in initiatives in this sector, as we can see by the most recent example of the company that has the thematic parks, participated by Advent International, that has mobilized the interest of more than ten venture capital operators.

For its turn the theme of mergers and acquisitions will have its space in this Meeting so that we can comprehend the motives behind the boom of global acquisitions that we have made during the current year of 2006 and to which will not be inattentive, according to Private Equity Intelligence, the impulse provoked by the investment funds that, this year, already raised more than \$300 thousand millions.

Finally, I would not like to close this brief presentation of the themes that will be analyzed today, without referring to an important theme that I already approached, the business angels' activity in Portugal and Europe.

We consider the debate of this theme of vital importance, in the sense that the business angels' intervention as a financial leverage and as business advising to young businessmen presents itself as, inevitably, a necessity that wants to satisfy, like what happens in the Anglo-Saxon countries, as a way to overcome the insufficiency of the offer of venture capital operators in the seed and start-up stages.

And that insufficiency is reflected in the indifference of the numbers that take us to recognize, inevitably, that the Portuguese venture capital market still does not have any relevance in the national economy. To prove this reality it is not necessary to go very far, we just need to look – that does not need to be long once that the differences are very stressed – to what happens in Spain where the invested values have reached records worth of registering as we can see by the following data:

In **2005**, it were invested in Spain **€4.117** millions against **€244** millions in Portugal. Just in the **first six months of this year** were invested **€960** millions against **€56** millions in our country. Maybe one of the factors that can explain this reality is the fact that, in the last 20 years, the number of private equity companies in Spain raised from

24 to 124, while in our country the number is practically the same, that is around **20** entities operating in this sector.

That is why, once again, I reaffirm the importance of fully creating an attractive juridical and tax framework which incites the investment by business angels in our country, to proportionate to the national venture capital sector a more favourable environment to an activity with higher risk.

For its turn, it is equally important the co-financing, by the state, of developed activities by the business angels' activities aimed to the potentiation of the growth of the informal venture capital market in our country. In this scenario, the legal and tax harmonization should be taken much further, namely at the level of the promotion of business angels' and corporate venture's activities – for example Microsoft Ventures has currently more than 25 professionals working not only in the biggest markets of private equity, such as USA, United Kingdom and Israel, but also in the emergent markets, like India and China, with the objective of acting in a pro-active way with the private equity communities – aimed to promote the innovation and value creation in start-up companies.

Besides, there should be developed incentives to stimulate entrepreneurship and R&D in our country. To this purpose we shall evidence that in 2004, the percentage of researchers and staff connected to the research in Portuguese companies was of 18% and 25% respectively. Therefore, these values, according to recent data of Eurostat, present themselves much more lower than the European Union average, where the staff connected to research was of 53,4% and the researchers working in the business sector was of 49,5%.

Moreover, in a time when Europe reaches records in Initial Public Offers (IPO) – for example, in 2005 and 2006 in Europe were made 86 operations in technological companies against only 52 in the USA and, from January to July of this year were raised more funds in the IPOs made in the AIM – Alternative Investment Market of London Stock Exchange than in NASDAQ, registering precisely 9,2 millions USD against 8,2 thousand millions USD – it is important to create in Portugal an infrastructure which

allows private equity to transact their participated and obtain the liquidity that they have desired.

To that effect, all the initiatives developed by the responsible of Euronext Lisbon should be stimulated with the objective of creating, in the next months, an Alternative Market – ALTERNEXT – and in the scope of which the existence of an alternative tax frame to the companies that can be interested in it would represent, doubtless, an excellent argument to obtain of a favourable decision by entrepreneurs leaders in those companies.

To conclude, it remains for me to thank the attention given by all and express my true wishes of the result of this Meeting will, also in this year, go beyond the short term of its realization.

As certainly you realized, the main message that I tried to pass to all of you present here through my intervention is around a strong conviction of **change**.

But as you know **the door of change can only be opened in the inside!**

It is certain that we are given the capacity of operating changes. However, if each one of us – public organisms, market agents and relevant entities –acts with the true objective of changing, certainly that this sector will be transformed and will elevate its quality bar. And this affirmation is not a question of faith, but only, and is not little, be sure that the national venture capital sector can be better, that it has conditions to be better. But it will only be if who effectively believes in it does it. Declare it better is only the beginning of the course, and not the end, and the assumption of a great responsibility to all that integrate it.

It is having present that it is necessary to put the bar beyond, defining the ends that we want to reach in the future of this important sector and outlining the courses that can conduct us to them that we will continue to embrace the **challenge** of converting venture capital in a tool increasingly able to convoke an entrepreneurial culture and to incite young people to risk, and set aside the egoism and fear, to embrace the opportunities and to dare, innovating and venturing.

We will accept that challenge. We are only aware that the impossible takes only a bit more of time to reach!

And, talking in impossible, I end talking to those to whom the word impossible does not exist and that, because of that, they will always go beyond. To the attending entrepreneurs I would like to pass a strong stimulating message to continue working hardly in their projects, in a professional and responsible way, if possible with the support of qualified entities to allow them to give value to their projects and conduct them rightly in obtaining the critical financing that they need to grow.

And always remember that the fact that you have a genial idea does not represent, by itself, the right way for success, because, as said by Thomas Edison: **“A genius is made of 1% inspiration and 99% transpiration.”**

Thank you all.

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