

7th VENTURE CAPITAL INTERNATIONAL CONGRESS – VCIT

Opening speech – Dr. Francisco Banha

Gesventure's CEO

Tagus Park – Oeiras May 8th 2007

Dear sir president of Oeiras's City Council,

Dear sirs guest speakers,

Remaining personalities,

Ladies and gentlemen.

I want, from this very instant, to state to INOVCAPITAL, represented by the president of its board of directors, Dr. Luís Filipe Costa, my particular satisfaction for his crediting presence, and seize this chance to publicly present to him my sincere success wishes in the conduction of the destiny of Nova Capital de Risco from the Economy and Innovation Ministry.

I equally rejoice myself with the presence of Sociedade Portuguesa de Garantia Mútua, represented by its CEO, Dr. José Fernando Figueiredo, remembering the several participations that he has had in the initiatives developed by Gesventure in the past few years.

Also a word of high appreciation to API Capital, represented by its director Dr. Jorge Costa, for the ongoing institutional support given to the events promoted by Gesventure.

I equally greet Oeiras's City Council, represented by its president Dr. Isaltino Morais, to whom I thank the logistic support given to Gesventure for offering this magnificent auditorium to the 7th VCIT, in the same manner as giving us the honour of opening this event.

I also greet Abreu Advogados and APCRI for, once more, maintaining positively the association to Gesventure in this initiative.

I would like, further, to manifest a special gratitude to my dear friend Ricardo Câmara e Sousa, by his inexhaustible collaboration in mobilizing the distinctive international specialists that, year after year, have been available to share with us their knowledge and practices about the main themes of this debate.

I end my thanks by directing a friendly salutation to all the investors, promoters and remaining interested parties in attending this 7th edition of the VCIT with all the enthusiasm and attention to the themes that are registered in their horizons.

By participating in this 7th edition of the Venture Capital Congress, it is my duty to evidence the great pleasure with which Gesventure welcomes, once more, speakers from other countries willing to share with us the better that has been done in more developed Venture Capital Industries, not with an arrogant and superiority attitude, but in some kind of advice capable of, from a profound experience and a venerable tradition, illuminating the future paths of this sector in Portugal.

And that important share will start producing effects already in the first panel of this morning in the scope of which there will be space to reflection about the **Market Trends in the Energy, Venture Capital and Telecommunication, media and Technologies sectors.**

I remind, about the energy sector, that we are a country strongly dependent and inefficient as to energetic subject and that we have ahead major challenges related to the high oil prices, to the provisioning security, the climatic changes and the demands of the Kyoto Protocol.

On the other hand, the massification in the use of the internet is bringing new opportunities, new players and new business models which anticipate great operations from venture capital investors proved by the fact that only in 2006 the invested value in web 2.0 companies reached the amount of €620 million and the investment annual average growth rate in the referred web 2.0 companies that reached 63% between 2001 and 2006.

Other great theme that deserves special notability, and that will be discussed in this first day of the congress, is **Entrepreneurship**. And, in this scope, we will have the privilege of counting with the precious – and usual – presence of Chris Curtis, to approach the importance that the Entrepreneurship Training has in Portugal, mostly if we consider that Entrepreneurship came late to our Schools and now it is necessary to go faster.

Effectively, in the world where we live in, it is necessary that the School, more than teaching, instructs how to learn. And, mostly, it is decisive to learn how to be entrepreneurial. Let's point out that today's companies do value who is able to be entrepreneurial, from their more modest collaborators to the managers and organizers.

And it is mostly in the High Schools that the youth can be better prepared to be the Knowledge capital of tomorrow. And if this training is not combined with the challenges imposed by the 21st century, this youth's future will be seriously endangered.

It is, in this context, that the Entrepreneurship training assumes particular relevance by affording to our youth a better preparation to face the current and future challenges, in the same manner as starting the change through innovation and responsibility, allowing them to develop the skills and attitudes necessary to being productive, self-motivated and to have entrepreneurial spirit.

And in this scope, Gesventure has been giving a committed contribution by realizing several actions in several perspectives of the social Entrepreneurship, aimed to the creation of an inciting environment to entrepreneurship, which may, in a short term, favour business efficiency to the Portuguese SME.

About this theme, Bill Gates recently pronounced himself publicly about the American High Schools, stating, about them, that they are obsolete, once they are not able to teach to the American youth what they need to know today.

Well, if America – as paradigm of the developed nations – has, by chance, obsolete High Schools, what would he say about the Portuguese ones?

Thus, and if we consider that the Entrepreneurship training within the educational context existent at the High School levels – which embrace currently a total of 336.446 students – produces the increase of the interest in learning by the students, increases the detention and graduation rate of “problematic students”, incites the will to be an entrepreneur, causes a higher involvement from the students in the learning process and

a renewed attention from the teachers themselves, it will be easily recognized the importance of the generalized application of Entrepreneurship at the High School levels.

Other important aspect to refer further about the Entrepreneurship theme is the **Intellectual Property** and that in this Entrepreneurship context, assumes primordial interest when associated to the promoter's necessity to protect and explore, exclusively, their Inventions, utility Models or Brands. To give us a clear explanation, we will have the privilege of listening the distinct American specialist Harold Novick, with an admirable course by the several actions developed in the Intellectual Property area.

On the second day of this Congress, we will give a very special focus to the approach of the theme related with **Business Angels**, considering that we are in the presence of a model that is now, in Portugal, stretching its wings to fly.

This can be demonstrated by the realization, for the first time in Portugal, of the 7th European Congress of Business Angels, co-organized by Gesventure and INOVCAPITAL which counted with the institutional support of IAPMEI and Cascais's City Council, which joined in the same space more than 320 participants, coming from 28 countries, from which near 200 were Business Angels.

However, so that this model, which associates the capital to the knowledge, grows, like what is already an undeniable reality in Europe, also growing in Portugal, we have to consider – and above all implemented – a considerable set of good reasons so that the country can embrace this important model to the creation of wealth in the business sector.

From the very instant it is imperative to have a favourable tax framing. We hope that the measures recently announced by the State's Exchequer Secretary in the scope of the alterations to make in the legal and fiscal framing of venture capital – that foresee the creation of the "Business Angel" image and the attribution of tax benefits – are briefly achieved. Let's see, about this, that in England, France and obviously, in the USA, it is given the possibility of reducing the taxable subject from 20% to 25% of the value of the investments made in companies in the early stages.

Side by side to this reality, it is necessary the creation of mechanisms of support to the regional dynamization of the Business Angels clubs. In France, the French government created a program that allows to the regional clubs to have a sum of €100.000, to apply in three years, in the realization of initiatives in favour of the Business Angels activity.

Another initiative, equally important in this scope, would be the Portuguese government to support the annual realization of the “National Week of Business Angels”. Considering once again the French reality, we refer that the French government has given financial support to the French National Federation of Business Angels Associations, in the amount of €140.000 to the realization, in November 2006, the first edition of the “National Week of Business Angels”.

As to measures yet to be implemented, the diagnostic will be done. All that is left now is to wait from the several entities acting in this sector, each one with their own responsibility, is action, more action.

I conclude this small introduction to the Business Angel theme, referring to one of the more remarkable occasions of 2006, which course has been traced by the Business Angels Associations represented from all the country, the creation of **FNABA – Federação Nacional de Associações de Business Angels** [National Federation of Business Angels Associations].

I am fully convinced that, through the creation of FNABA, we are doing what should be done at the level of strengthening and stimulating the development of the business angels activity in Portugal. Forgive me the exaggeration due to the necessity of giving life to the colours, in my painting, but I know that the leaders of several founding associations of FNABA are relying all their passion and commitment in this important emerging movement of business angels which is starting now to succeed, and that will, through the respective associations which they represent, launch a new glance to the opportunities that this kind of investment can render in terms of wealth creation in the country that belongs to all of us.

It is important not to forget that Portugal has good universities, good technologies, infrastructures, deal flow, and above all capable entrepreneurs, so we will only have to

wait some time until the work already accomplished until now is converted in new opportunities.

I will not save efforts to value this Business Angels network represented by FNABA, convinced that, jointly, we will be capable to build something which is much bigger than the sum of all the parts. To do that, it is necessary to continue assuming this new attitude of creating initiative and optimism based in the certainty that our problems are not bigger than our collective will of beating them.

Other of the main debate themes that will be discussed in the second day of this Congress, is the relationship between Entrepreneurs and Business Angels, namely the conditions in which these investors, although called “informal” demand as compensation to their participation in the business Project to which they decide to carry capital, knowledge and experience.

By its turn, the approach of the financing mechanisms as support to the operations financed by Business Angels, favoured by **FINICIA platform**, will be other theme that will certainly deserve an approach quite clearing by Dr. André Março, representing IAPMEI. Let’s point out that the FINICIA Program, through the establishment of public-private partnerships, has as aim to facilitate the access to financing by smaller dimension companies that traditionally present higher difficulties in their connection to the financial market, with IAPMEI assuming the risk of the financial operations involved.

Side by side with that, the approach of **Mutual Guarantee** will also have its space in this Congress so we can know, with details, this excellent support to the knowledge of business projects in the early stages of their life cycle. To do that, Dr. José Figueiredo, CEO of SPGM – Sociedade Portuguesa de Garantia Mútua, will make an interesting presentation about the main aspects related to obtaining guarantees which allow, mostly to SME, the access to loans with terms suited to the exploitation cycles of the companies and the achievement of loans necessary to their development.

Finally, I can't end this brief presentation of the themes that will be analysed in these two days of Congress – which are foretold fruitful – without referring an important theme which is **Private Equity and MBO Operations**.

We consider it a theme of vital importance, once that the Portuguese market presents conditions to, soon after, realize MBO operations.

So, let's pay attention to the following facts:

From the very instant, the aging of the Portuguese business range composed mainly by family companies which have evident signs of lack of capacity to ensure their succession. In that sense we foresee that the founders, for several reasons, have the necessity of selling their organizations, preferably to the company boards which have the capacity of continuing the business, as acknowledgment of their dedication, loyalty and professionalism.

Side by side with that we should register that some of the Portuguese Economic Groups and even some of the branch companies of multinationals will continue paying attention to acquisition movements of companies that can include assets or subsidiary companies that are not desired for not belonging to the fundamental business context.

Another good reason is the fact that the companies in liquidation process, whether for subjects of strategic disinvestment or for problems in the juridical-fiscal countenance, are increasingly frequent in our country, which imply restrict and in the internal circuit negotiation processes, only possible to be assumed by the managers that know the “files” and, at the same time, the potential of the business opportunity which is underlying to this opportunity.

Besides, the Venture Capital Companies, through their participation managers, have been developing operational capacities of building extremely important businesses in helping the participated companies in the increase of their productivity indexes, through the addition to the “knowledge capital” projects resultant from the know how, from the national e international contact networks and, mostly, from the credibility they give to the ideas.

Another important fact is the attitude change by the financial institutions, which reveal themselves increasingly interested in this kind of operations through giving attractive interest rates to the Managers that eventually want to financially leverage the Operation.

Last, the higher liquidity of the capital markets, the legislative alterations, especially in the tax matter about the incomes and the better preparation of the management teams are, decisively, determining factors which will lead to the brief realization of this kind of operations.

Concluding this Congress, we will proceed to the usual attribution of **Prémios Gesventure** [Gesventure's Prizes], to distinguish the exceptional conduct of 5 personalities in the following domains:

1. Entrepreneur of the Year
2. Intrapreneur of the Year
3. Entrepreneurial Autarchist
4. Innovation
5. Internationalization

To conclude it remains for me to state that the regenerating wind which blows over the national Venture Capital, the alterations of the legal legislation which are occurring favourable to the action of Business Angels, the cooperation and reorganization of several sector players and, above all, the will of all to continue improving the conditions underlying to this financing tool, leaves me hopefully optimist.

I do not doubt that these are difficult times. But we have a long way ahead to optimism, which is the path of will, courage and wanting.

This is the path that has to be followed, because there is no other!

Surely that this is the only way to fight against the increasing trend, that has been showed in the last few years, to the extinction of the Portuguese SME. Let's underline

about this that only the **last 2 years, Portugal has less 48.5 thousand micro and small companies**, i.e. workers with companies that employ thirds.

From the Promoters it is expected that they can continue proving to be capable to win the resignation and some pessimism that still struts the national venture capital sector. However, the determination overcomes the pessimism and the hope is stronger than any resignation, and it is the strong Promoter's ambition that will manage to overcome all the discouragement that they will feel in the path to success.

To the Promoters present here, I appeal to the non resignation to the discouragement and to seizing the opportunities with both hands.

As for us, we will continue, in Gesventure, to look ahead, potentiating the daily small steps. We will continue to celebrate every new step up the stairs having in mind that by doing it, it is the whole staircase we are going up.

Effectively we already have some tradition in the national venture capital as **future's builders**.

And as – which many people insist in recognizing me like – national Entrepreneurship and Venture Capital **evangelist** , it remains for me to state that the tradition of building the future of this sector is, from all of them, the one which I am more pleased to perpetuate.

So, it will be with this hallucinating speed that we will earnestly to walk, **while we have wings – not only to the innovating business – but also to our dream!**

To you all it remains for me to present my profound desire of good luck and to formulate my true wishes so that the Congress reaches its objectives, aim which seems to me already achieved given the notoriety of so many participants and the enthusiasm revealed by the joining originated to this initiative.

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