

**Northzone Ventures**

**Taking Nordic Technology  
to the Next Level.  
And Beyond.**

**Torleif Ahlsand  
General Partner, Northzone**

Gründerdagen2009

# Agenda

- 1 Northzone in brief**
- 2 Investment approach**
- 3 Case examples**
- 4 Key learnings**

# One of the most experienced VC teams in Europe

## General Management, Technology & Finance



**Torleif Ahlsand**

- Investment banker, R&D CERN
- 9 investments
- 5 IPO's and tradesales



**Bjørn Stray**

- Northzone co-founder
- Investment banker, McKinsey
- 13 investmentst
- 3 IPO's and 7 trade sales



**Stine Foss**

- CFO TeleDanmark Norway
- Due Dil Manager PWC



**Tellef Thorleifsson**

- Northzone co-founder
- CFO (Western Bulk), Business developer
- 14 investments
- 2 IPO's and 5 trade sales



**Arve Johan Andresen**

- CEO (Laerdal Medical), Business Devpt. (Nestlé), McKinsey & Co.
- 4 investments
- 1 IPO, 2 trade sales

## Entrepreneurs



**Pär-Jörgen Pärsson**

- Investor, Entrepreneur, McKinsey & Co.
- 15 investments,
- 1 IPO, 6 trade sales



**Hans Otterling**

- Serial Entrepreneur (Streamserve, Waymaker), Investment banker
- 6 investments
- 2 trade sales



**Gregers Kronborg**

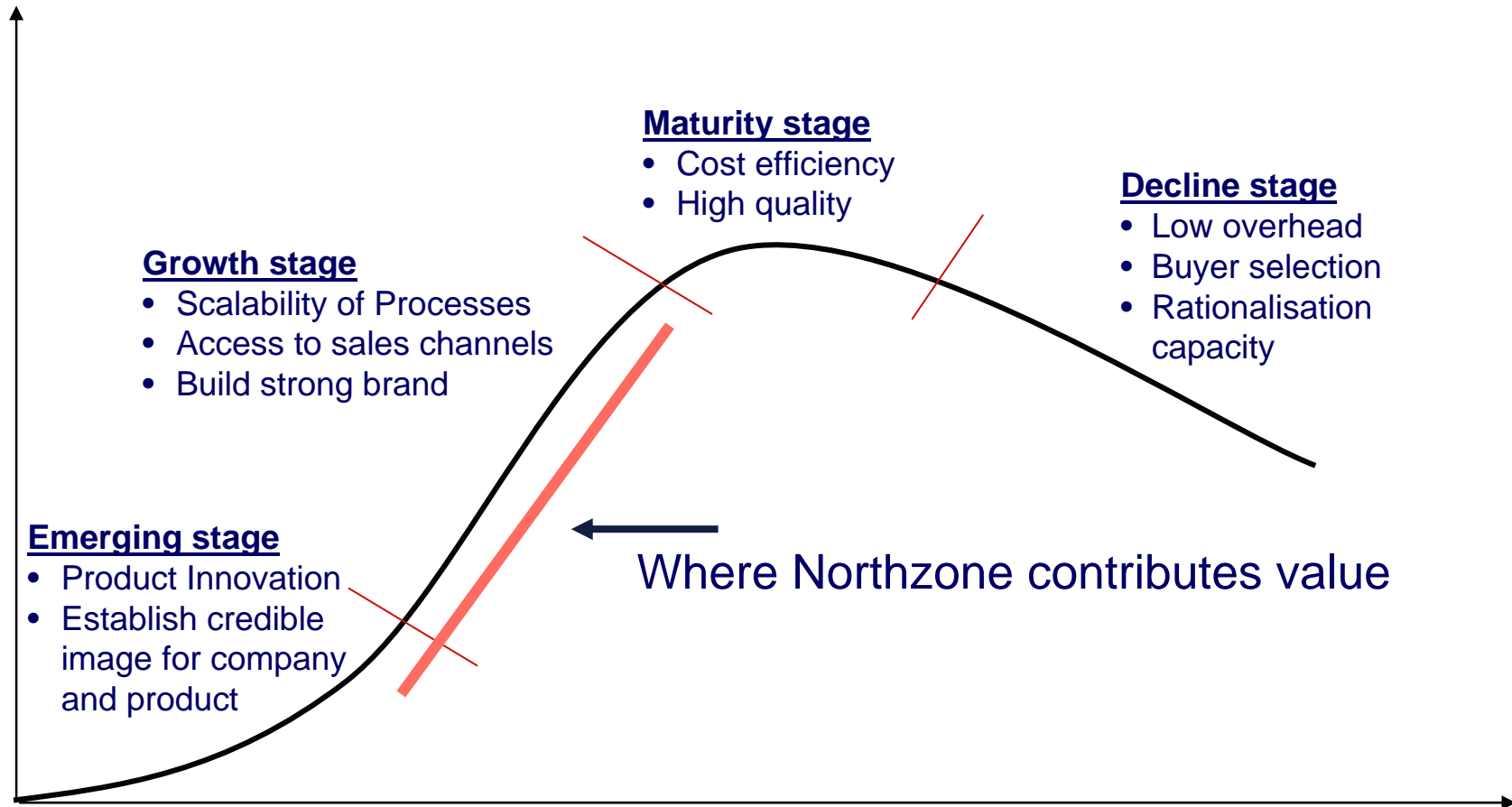
- Entrepreneur (Cocom), General Manager (Cisco), Business Angel
- 6 investments
- 1 trade sales

# Northzone: Nordic stronghold, European position and Global reach

- Established in 1996
- Well defined technology investment strategy
- NOK 3 billion raised in 5 funds
- Invested in 70 companies
  - 5 portfolio companies recently ranked on Global Red Herring 100 list
  - 4 out of top 5 on Nordic Cleantech top 50
- Top-tier performance and exit track record
- Awarded "European Venture Capital Fund of the Year" at Investor Allstars in London in Sep.2009



# We invest in high growth companies and support their international ambitions



# We only invest in companies that can become major winners and shape their industries

## **Large international market opportunity**

- Significant potential for value creation
- Reasonable resources and time required to meet milestones

## **Compelling value proposition and a scalable business model**

- Product easily recognized by potential customers
- They will act with a sense of urgency
- Channels to reach customers are definable and accessible

## **Stellar and committed management team**

- Domain & customer knowledge and understanding
- Entrepreneurial drive and willingness to win

## **Sustainable competitive advantages**

- Superior product features / value
- Protectable and unique IP (when applicable)
- First mover not sufficient!

# Understanding your company and its opportunity is key to us (and you!)

We dedicate significant attention to the

## **Investment Process**

- Meeting your team and evaluation of the business plan
- Introduction of your company to the NZ partner team
- Commercial verification of your business
- Contingent approval by the NZ partner team
- Term Sheet
- Due Diligence
- Alignment on value creation plan
- Final investment decision

**3-6 months**

## **Investment Size**

- 500k€ - 10m€ per company
- Milestone based

# Northzone is passionate about helping our entrepreneurs succeed!

## **Operative value building**

- Recruiting a world class management team and experienced board
- Setting a winning strategy and a scalable business model
- Building scalable processes to succeed in international sales and marketing operations
- Maximizing the value of your product and/or service

## **Financial value building**

- Securing strong capital base
- New financing rounds with international VCs
- M&A strategy and implementations
- Planning an executing IPOs, trade sales or mergers

# Northzone's key learnings

1. People make the difference
2. Have a global focus from the outset
3. Focus on operations and the building of a great company
  - Successful companies are always attractive
  - Build strategic relationships early on
4. Commercial partnerships have no value before they start to deliver results
5. Give the company enough leeway to prove itself
6. Be aware of changes in the industry, and be prepared to adjust

# Profiles of companies that we DON'T invest in

1. Too early, not enough proof
2. Size of the opportunity not big enough
  - Regional players with limited scope and ambitions
3. Unclear value proposition
4. Business model not scalable
5. Core management team not in place
6. Limited competitive advantage, not unique enough
7. A “nice to have” product or service – not “need to have”
  - We like products that trigger customers to buy with a sense of urgency



# Northzone investment focus areas

- **Cleantech** – Technology for the edge (not power generation). Energy Storage, Energy conservation, low power applications and new materials
- **Consumer focused internet services** (Beyond web 2.0) that redefine existing business models
- **New delivery platforms and service models** (Software as a Service, Cloud Computing, Mobility, Multi-platforms, Open Source)
- **Network infrastructure** (Wireless/Backbone/Triple Play) internet traffic continues exponential growth and traffic converges to all IP

# Spotify: Revolutionizing Music Distribution and Scaling Business Fast

Revolutionizing the music distribution and capturing a significant share of the 440 million users of illegal file sharing networks

Providing the most targeted media ad platform to the > \$ 50 billion online advertising market



- Stellar founder team.
- One of the top 10 fastest growing internet companies in the world, now 6 million users
- Strong support from labels and endorsement from top artists – 95% world music content)
- Revenue model proven in Sweden

"You will do Google for search, Skype for telephony, Youtube for videos and Spotify for music"

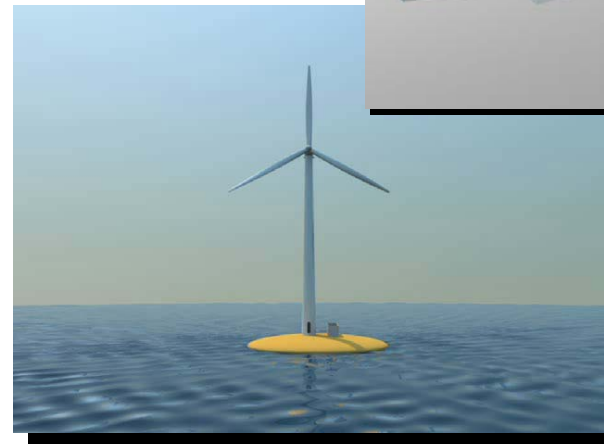
# Chapdrive: Quantum Leap in Wind Turbine Efficiency

Reducing the cost of energy by > 10% for wind turbines, a multi-billion dollar market

- Reducing top weight of turbine by 50% enabling floating turbines
- Reducing installation and maintenance cost
- Pilot plant of 300 kWh and 1MW successful
- Stellar management team



Replacing the mechanical gearbox in wind turbines with hydraulic transmission.



A 5MW off-shore floating Turbine with Chapdrive's power transmission. (J/V with StatoilHydro)

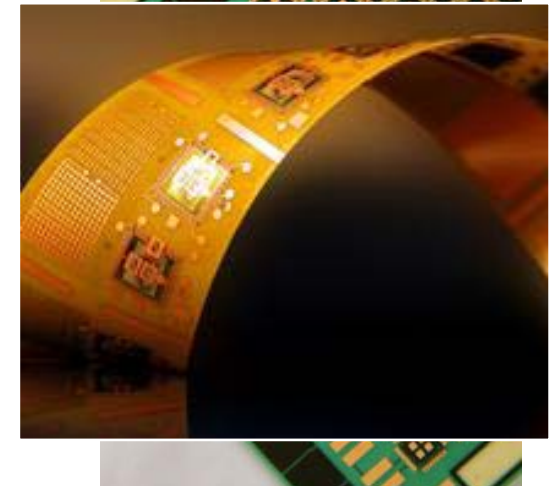
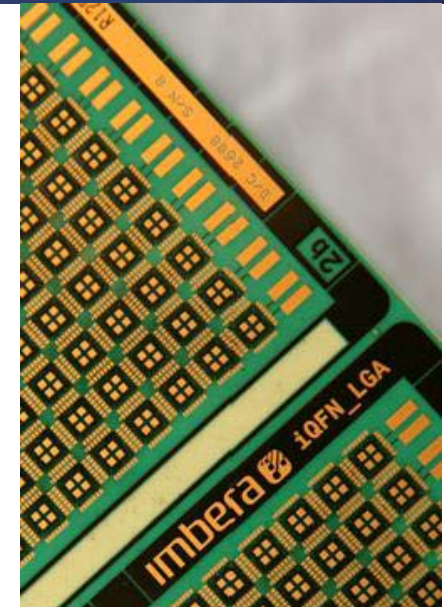
# Imbera: First Functional Embedded Component Solutions

Serving the multi-billion dollar market of electronics in printed circuit boards (PCB's)

Changing the game by enabling unparalleled design flexibility, 40% smaller size and also cost competitive



- Patented method of embedding electronic components into the substrate
- Standard HVM equipment and standard materials can be used => competitive cost of ownership
- JV with Korean PCB manufacturer Daeduck established to build manufacturing
- Samsung, Nokia, Analog, Maxim, Dialog and others are customers



# Key questions for a start-up

- How important or powerful is the category you are competing in?
  - Is this power raising, falling or static?
  - You can't be more powerful than your category
- How important/powerful can you be in the category?
  - What position do you occupy in the value chain?
- Do you have the right strategy in place to reach your objectives?
- Do you have the right organization to execute on your strategy?
  - Does the organization understand what it takes to compete?

# Food for thought

- Evolutionary vs Revolutionary offers

Difficult with discontinuous innovation and adoption

- Be aware of the power of the value chain

- TAM = sum of people that will behave the way you want them to behave (not theoretically!)

- Focus initially on a single customer segment and build a whole product for that segment

Target customer -> Compelling reasons to buy -> Orchestrate the value chain

Beachhead -> Bowling alley -> Tornado -> Become the Gorilla

- Mainstream customers must be addressed differently than Early adopters

You need to cross both the Popularity Chasm AND the Monetization Chasm

# Thank you !

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