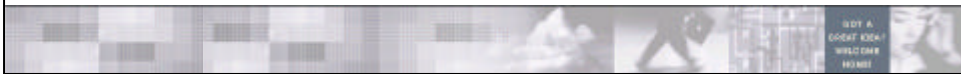


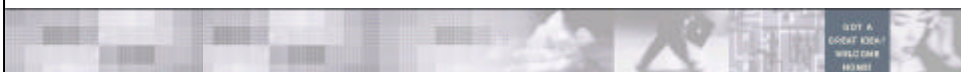


Telecom Crisis
Venture Capitalist Point of View
Telecom Forum
30.10.2001
Pekka Lundmark



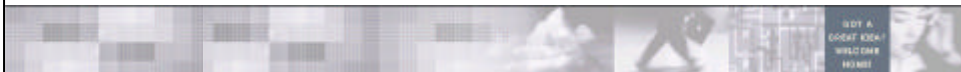
Agenda

- **Venture Capital as business**
- **Startupfactory as a case example**
- **Telecom – is there a crisis?**
- **What matters in mobile internet?**
- **How ideas are evaluated**
- **Conclusions**



Venture Capital Business

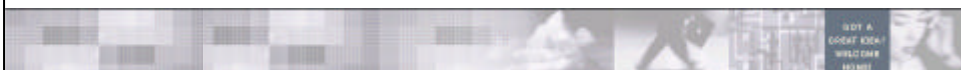
- **Origin in the post 2nd world war U.S.**
- **Investing in unlisted securities**
- **Higher risk, higher return expectations**
- **Traditionally active involvement from investors**
- **Different stages and instruments**
- **VC makes money through company trade sales or public offerings**



European Venture Capital Statistics

- **Europe: 5,88 billion euros during 1-3Q/2001 (September 873 million!)**
- **Finland: 418 investments totalling 400 million euros in 2000**
- **year 2001 in Europe expected to finish 16 to 20 percent below 2000**
- **major sector rotation: internet & e-commerce from 58,5 % in 2000 to 19 % in 2001 (9 % in Q3!)**
- **Q3/2001: biotechnology 21 %, telecom ~19 % (broadband), network hardware 17 %, semiconductors & computer hardware 15 %, wireless 15 %**

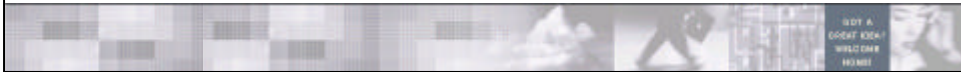
source: Tornado Insider



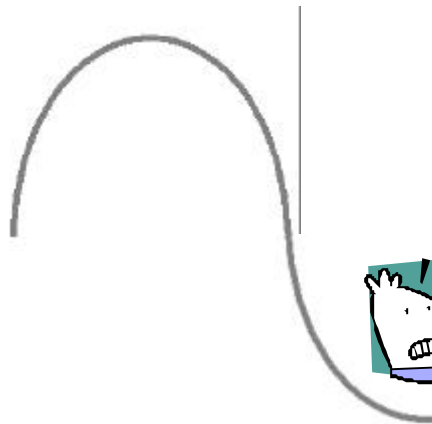
The fantastic journey!



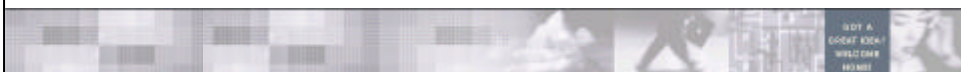
Great Idea!



The fantastic journey!



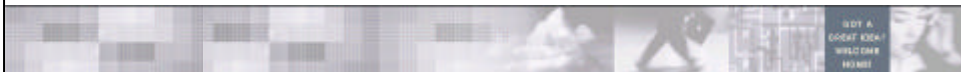
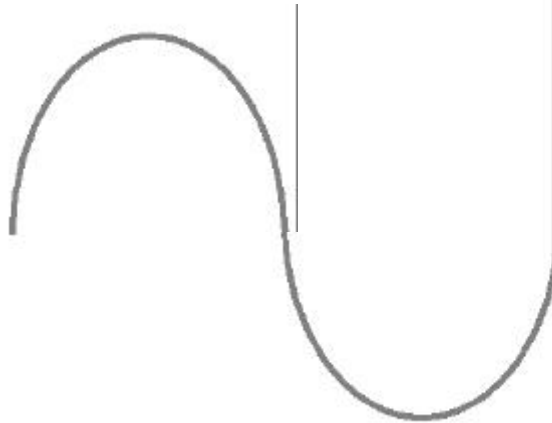
**Money?
Customers?
Support?**



The fantastic journey!

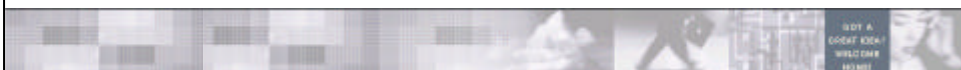


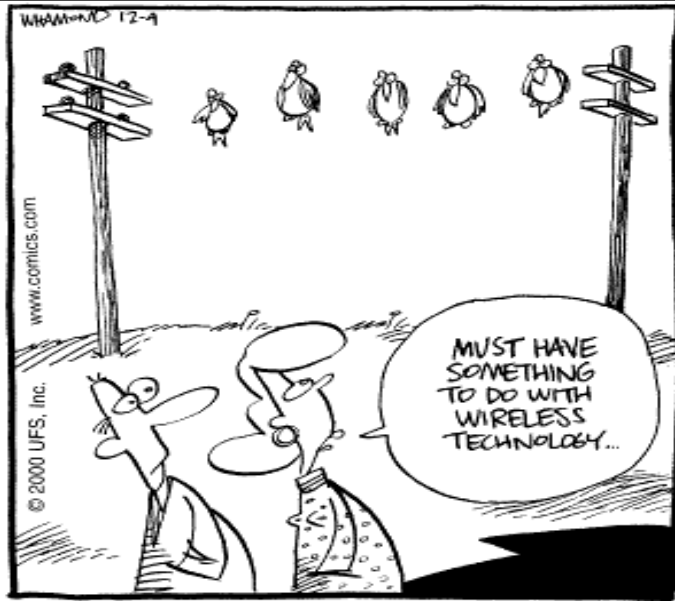
Success!



Startupfactory

- **Nordic early stage venture capitalist focusing on the IT, datacom and telecom industries**
- **Offices in Helsinki & Stockholm**
- **Team comes from Nokia, Ericsson, Microsoft, Sonera, Telia and McKinsey**
- **~1,800 business plans analyzed in 16 months**
- **EUR 55 million fund**
- **12 investments made (Sweden, Finland, U.S. and Israel)**





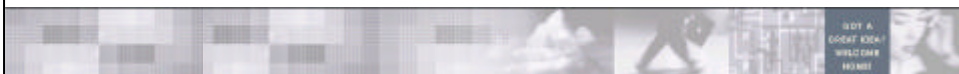
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Investment Portfolio Examples

- **FastraX**
- **u-NAV Microelectronics**
- **Xelerated Packet Devices**
- **MatchEm**
- **Picofun**
- **OTM Technologies**



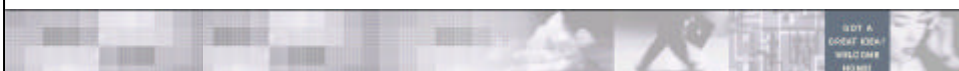
Pen – The Most Natural Input Device in the World



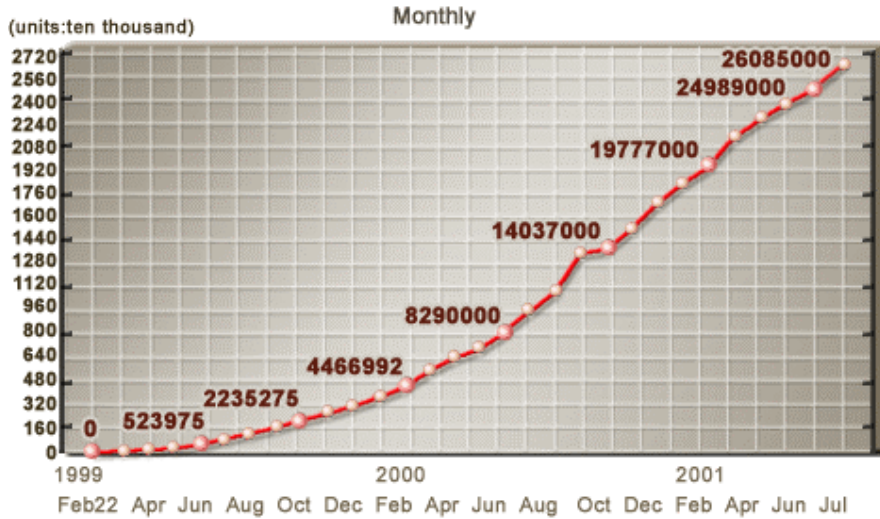
Telecom Crisis?

- **Venture capital investments dropped**
- **Operators debt burden slowing down investments**
- **Slower than anticipated acceptance of value added mobile services, WAP disappointment**
- **3G uncertainties**

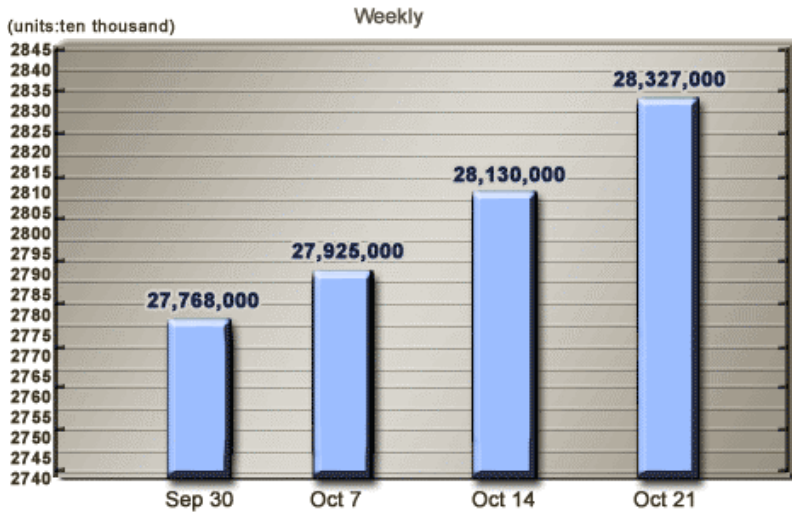
but ... 1 billion SMS's per day... and...



I-Mode Users



I-Mode Users



"FOMA" 3G in Japan



GET A GREAT IDEA? WELCOME HOME!

Initial FOMA Coverage



■ service area (Since October 1, 2001)

GET A GREAT IDEA? WELCOME HOME!

What Matters in Mobile Internet?

- terminal
- service
- easy (=no) installation
- understandable billing
- cost, cost & cost!!



Business Models Vary a Lot Depending on Terminal & Network

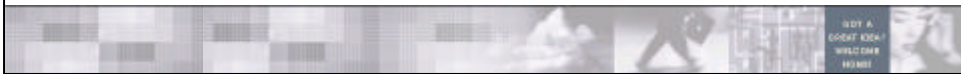
- GSM with SMS, WAP
- iMode
- GPRS
- UMTS
- WLAN

... very different
revenue & cost
structures



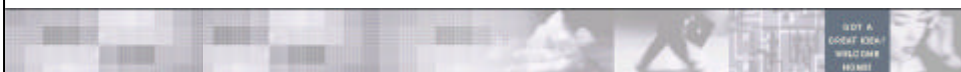
All this is needed...

- 1) Team**
- 2) Technology**
- 3) Market**



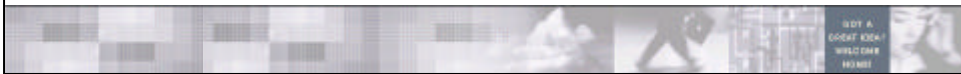
1. Present the Team

- **Key members**
- **Commitment**
- **Track record**
- **References**
- **Execution power**
- **Magnets to attract the best people**



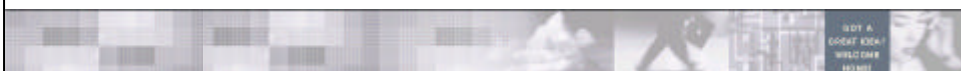
2. Explain Your Idea

- **What is the product / service**
- **Who is the customer**
- **What is your competitive advantage**
 - Why the customer buys from you
 - Who are the competitors
 - Why are you better
 - How do you sustain your advantage
- **How much the customer pays for the product**
- **What is your execution plan**



3. Demonstrate that You Understand the Dynamics of Your Industry

- **Consumers**
- **Your customers**
- **Big players strategy**
- **Value chains**
- **Competitors**
- **Partners**
- **Distribution**
- **Capital markets**



Startup Claims that Turn off Investors

- "Our estimates are conservative"
- "According to Gardner Group our market is \$50 billion by 2005"
- "We have no competition"
- "Nokia will sign our deal next week"
- "I have lot of people ready to join as soon as we get financing"
- "Our patents make our business defensible"
- "All we need to get is 1 % of the market"

Source: Guy Kawasaki article in HBR

Conclusions

- Capital market crisis does not change the need for technology innovation
- Next generation mobile & internet will be a major opportunity
- Timing & exact roadmap are big uncertainties, opening up opportunities for skillful entrepreneurs & venture capitalists
- Dont compare too much with i-mode. It is very different.
- **Do not count exclusively on any single network technology!!!**



startupfactory

Thank you!

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+ 358 40 821 0638

