

Industry & Markets

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Irish venture capitalists bullish over IPO prospects

By Gordon Smith

IRISH venture capitalists appear optimistic about the future with more than half expecting their clients will go public over the next two years and many more expecting to see exits from client companies via trade sales in the same timeframe.

A new survey of Irish Venture Capital Association (IVCA) members has found that 56pc of those polled believe that companies in which they have invested will float on the stock exchange. The high forecast of exits via trade sales (87pc of respondents) points to ongoing



IVCA chairman Desmond Fahey

interest from international firms looking to buy Irish companies, the group said.

IVCA chairman Desmond Fahey said the news was a significant development, adding that investors in VC funds can now expect a profitable return of capital. "VC funds are in a better position to liquidate investments because exit markets are improving all the time," he said.

Just a quarter of respondents said they expect to invest in new projects this year, compared to 80pc last year. This suggests that several VC funds are almost fully invested, the IVCA said. Almost two thirds (62pc) expect to continue investing in existing companies, which

would appear to indicate a concentration of limited resources on expansion and follow-on investments.

Fahey said the industry must raise new capital in order to continue to support the development of the technology sector. He also said that VC investment would need to quadruple over the next five years to €4bn if Ireland is to satisfy the demands in the marketplace and confirmed that the VC community is currently fundraising to address these requirements.

The survey indicated that the most serious challenge facing companies seeking VC backing is the lack of interna-

tional sales expertise. Senior management teams seeking VC were often incomplete, the research found.

Fahey pointed out that the VC community expects this situation and he said that funding is often used to attract experienced management into the investee companies.

There was optimism on the jobs front, as 87pc of respondents said they expect client companies to increase headcount, with none forecasting a decrease. However, the survey also raised concerns that cost pressures in the Irish economy, especially salary expectations, are a threat to the success of VC-backed firms.