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## BUSINESS

# Demand for venture capital to rise dramatically

by Geoff Percival

THE demand for venture capital investment for Irish firms is expected to rise dramatically due to the financial crisis brought about by the global credit crunch.

A study by the Irish Venture Capital Association — whose members have invested the majority of the €1.4 billion spent on Irish companies in the past eight years — shows 70% of its venture capitalist members are expecting to see an increase in

demand as a result of the credit crunch impinging on traditional loan finance avenues.

IVCA chairman, Professor Michael Donnelly, said the sector is well placed to meet any upsurge in demand, pointing out that the Irish SME sector successfully raised €226m from venture capital funds in 2007, which was their highest level of intake for five years.

The real reason for a refusal of venture capital applications are inexperienced management teams, rather than any fear of

investment, Prof Donnelly added. "Particularly in the current environment, venture capital investors continue to look at the people rather than the idea. The management team needs to have not only good technology but global marketing and sales potential. This is one of the big challenges facing Ireland's technology sector."

While about 30% of Irish venture capital companies expect one or more of their client firms to seek a public flotation in the next two years, the majority of

respondents to the study said they expect one or more of their client companies will be involved in a trade sale over the same time period.

"Irish technology firms retain a good reputation on global markets," said Prof Donnelly. IVCA members also said the most critical external issues facing venture capital-backed companies in Ireland is the state of the US and global economies, while about 30% of respondents highlighted the strength of the euro as a major threat.