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TECHNOLOGY

VC funding to 'surpass €3bn'

IVCA believes Ireland has potential to become venture capital hub

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More than €3 billion in venture capital funding will be available to Irish firms over the next five to seven years, the Irish Venture Capital Association (IVCA) has predicted.

Prof Michael Donnelly, chairman of the IVCA and executive chairman of bioscience investors Grow Corp, said €1.4 billion would have been raised by Irish venture capital firms by the end of the first quarter of 2008. This includes funding of €175 million provided by Enterprise Ireland.

Based on the recent increased levels of co-investment between Irish and international venture

capitalists in local firms, Prof Donnelly said he would expect "at least" an additional €1.6 billion to be invested by overseas venture capitalists during the life of the current funds. Typically, venture capital funds are operated over seven to 10 years before the money is returned to investors.

Prof Donnelly conceded that 2006 had been a "very quiet year" for venture capital investment in Ireland. He attributed this to the large number of funds coming to the end of their life and looking for exits from their portfolio firms.

The lull in activity continued into early 2007. Dow Jones VentureOne and Ernst & Young tracked just one €4.2 million deal

here in the first quarter of this year in their European venture capital report, compared to investments of €26.3 million in the last quarter of 2006.

Prof Donnelly expected two more significant funds to be closed before the end of the year, with the rest to become available early next year. He said he believed the new crop of funds would be typically much larger than in the past - averaging about €100 million a firm.

"You have to remember venture capital is still very young in Ireland," he said. "The first major funds were raised in 1995 so most firms are only raising their third fund. In the US they have a 35-

year track record and some of the firms are on their seventh, eighth or even ninth fund."

Irish venture capital returned an average of 15.7 per cent a year between 1994 and 2005, according to a study by Investment Faculty Ireland. Prof Donnelly said the European average was less than 10 per cent.

Although venture funding in Ireland has traditionally favoured the technology sector, he said the new funds were likely to be more diverse, with more interest in the life science and media sectors.

Thanks to the high proportion of multinational companies in Ireland, there is a large base of internationally experienced managers,

which will be key in establishing the next generation of start-ups, according to Prof Donnelly.

The IVCA believes an opportunity exists for Ireland to become a venture capital hub for Europe.

It is in talks with PricewaterhouseCoopers to see if its experience in helping establish the International Financial Services Centre (IFSC) can be applied to the funding realm.

"The venture capital community in Europe is very fragmented," said Prof Donnelly. "It will take 10 to 15 years, but look at the IFSC. If you'd said 25 years ago there would be 15,000 people there working in financial services, people would have laughed at you."



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