VENTURE CAPITAL IMPACT STUDY

Presentation to the Press
March 2, 2007

AGENDA

- Short introduction BVA
- Impact study
- Benelux Venture Summit

BVA
Short presentation

- Founded in 1986
- Represents the Belgian venture capital and private equity sector
- 65 members of which
  - 39 active investment companies (full members)
  - 26 advising companies (associate members)
- Members well balanced
  - type of investors: private and public institutions
  - background: financial and industrial
  - focus: venture and development capital as well as buy-outs
  - timing of exit: open ended and closed end
  - nationality of investors: Belgian and foreign ultimate investors
  - nearly all structured players in Belgium
- 30,000 persons employed in Belgium by companies owned by BVA members
- Assets under management 2005 * : 2.3 billion €

* EVCA figures

BVA
Mission

- **Knowledge & Networking for its members**
  - Workshops
  - BVA Academy
  - Belgian Private Equity Summit

- **Focal point for stakeholders in Belgium (all risk capital initiatives)**
  - Authorities
  - Employers’ associations
  - Universities
  - Public at large

- **Promotion of private equity as an industry**
  - Impact studies
  - BVA Essay Award
  - Universities

BACKGROUND OF THE STUDY

In the BVA impact study presented in February 2006 on « Employment by venture capital and private equity backed companies in Belgium », the BVA showed that venture capital and private equity contribute substantially to employment growth in Belgium.

The ensuing question was why those companies were creating so much employment.

What would be the figures if we would compare those companies with comparable companies? Did venture capital also have an impact on other aspects of the performance or the balance sheet of those companies?

METHODOLOGY

- In this analysis, we compare the financial and economic evolution of Venture Capital Backed Companies (VCB) on different aspects with a sample of comparable companies who did not receive venture capital (Non Venture Capital Backed companies, NVCB).
- We took a random sample of 112 Belgian VCB companies selected from the portfolio of BVA full members, first investment between 1994 and 2002. We created a sample of 560 Belgian NVCB companies, similar to the first set of VCB in terms of size, age and sector. Annual reports and employment statistics were obtained through Bel-First (non consolidated figures).
- We compared the two groups based on an index, with the year prior to the investment as the base year for the analysis. We calculated the indices up to 6 years after this first investment (if available).
- The study only deals with young and growing companies i.e. venture capital companies, not with buy-out companies.

PRIVATE EQUITY, VENTURE CAPITAL AND BUY-OUTS

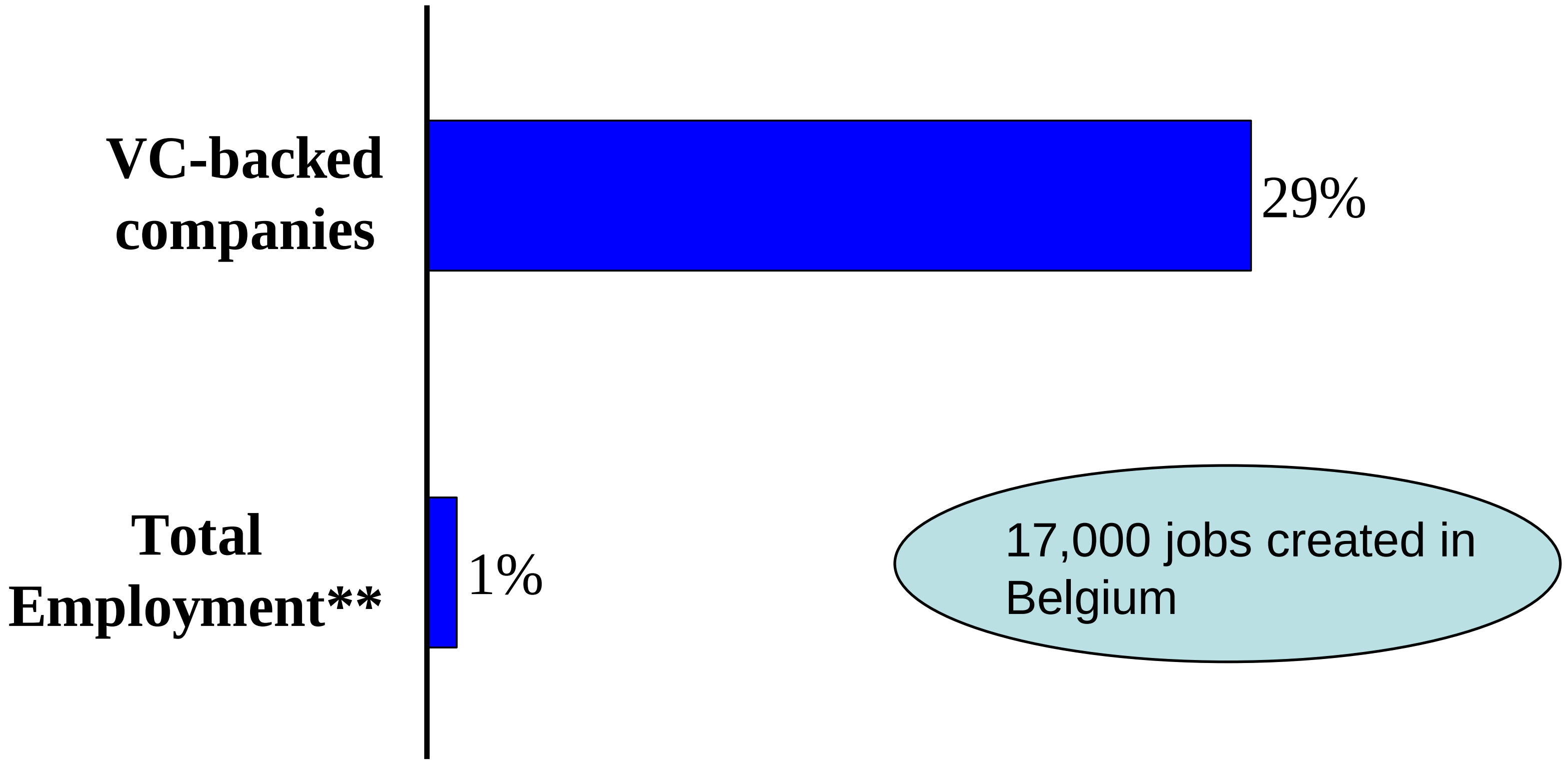
Private equity
Private equity provides long term equity capital to enterprises mostly not quoted on a stock market.

Venture capital
Professional equity to fund an early stage (seed and start-up) or expansion (development capital). This is mostly done through equity financing. Debt capacity could hence also be created as a side effect.

Buy-out
A transaction in which the majority ownership of a mature business, business unit or company is acquired from the current shareholders. This is mostly done through a mix of equity and debt financing.

EMPLOYMENT GROWTH
Venture Capital, BVA study, compounded annual growth*
Percentage

Job creation very high compared to job creation in normal companies



* 4 years after fist investment

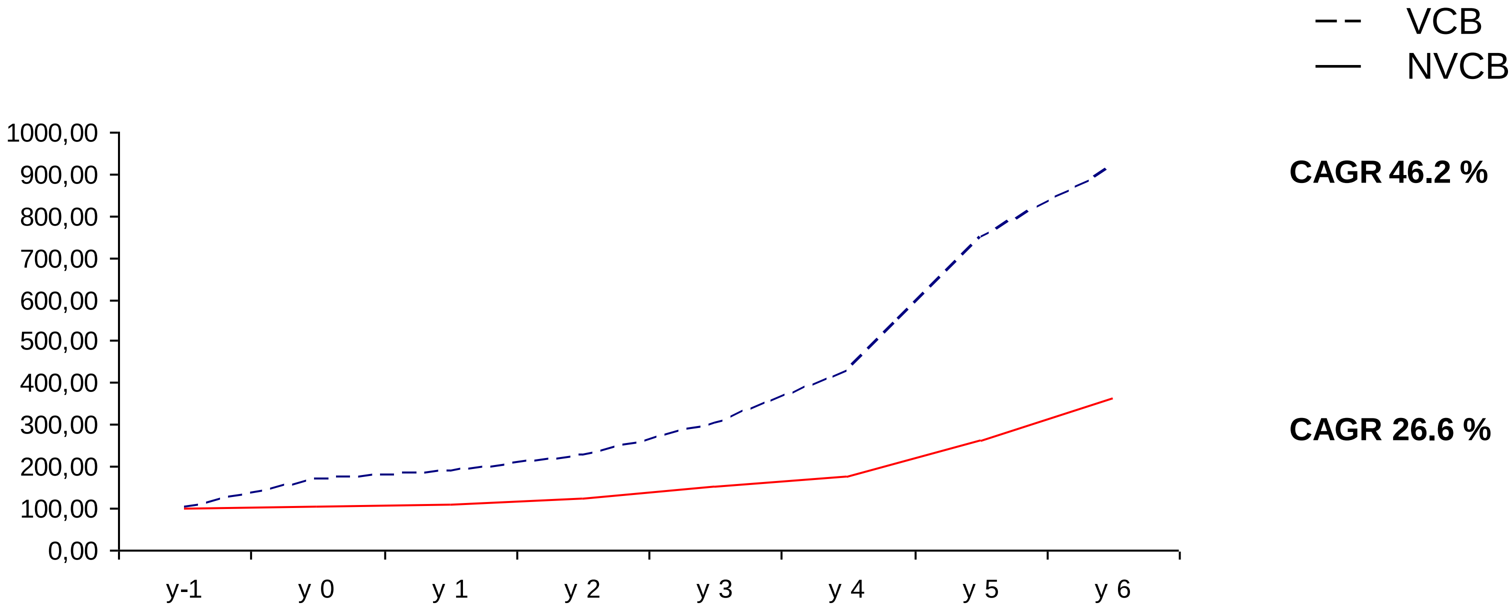
** Average for equivalent periods in total Belgian labor market of private enterprises

PERSONNEL - FTE

VCB FTE number of employees grows twice as quickly as in NVCB with important jumps in y 0 and as of y 4

Average number of full time equivalent employees

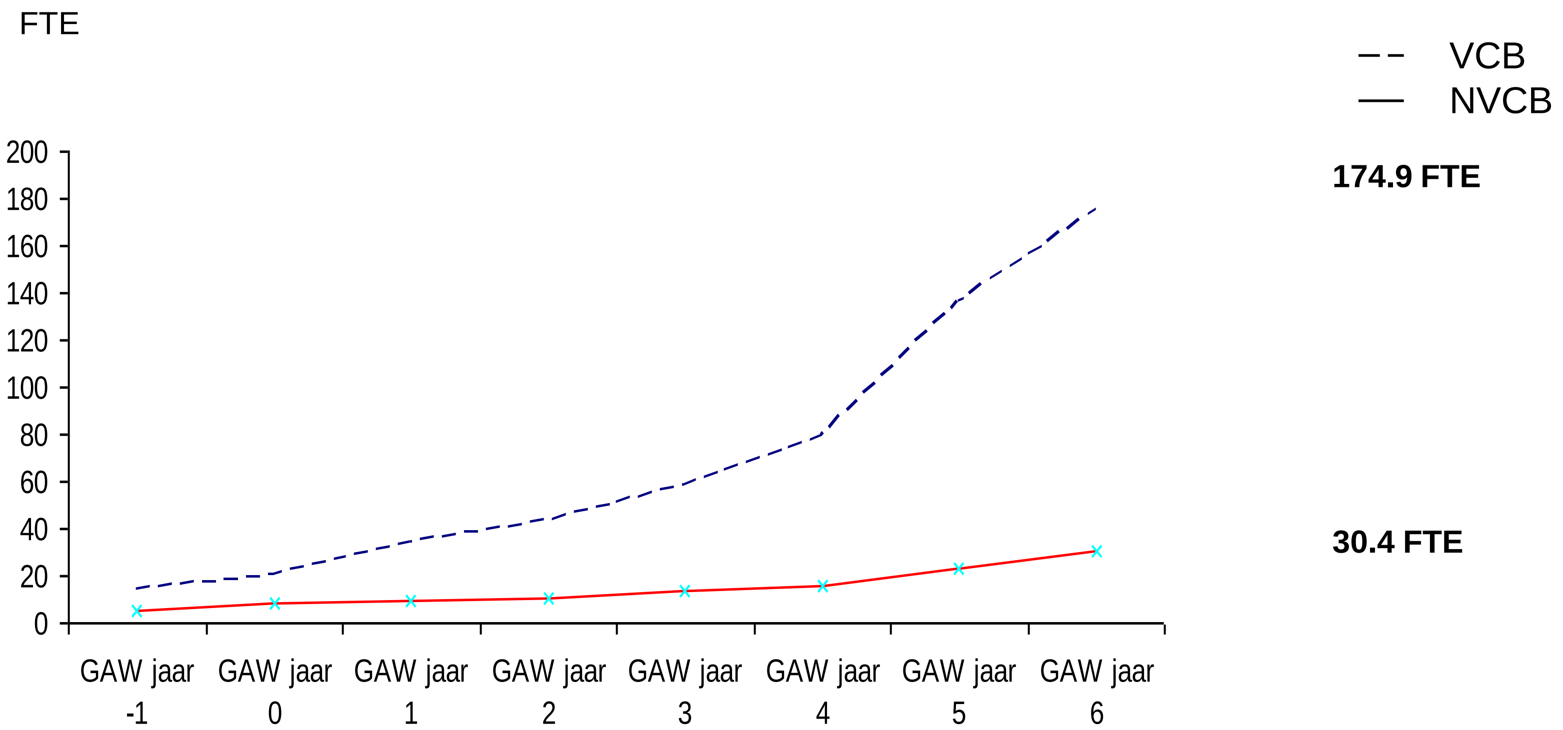
Index: year -1 = 100



PERSONNEL - FTE

In average number of employees (FTE), the size of VCB is bigger so the growth is even more impressive

Average number of full time equivalent employees

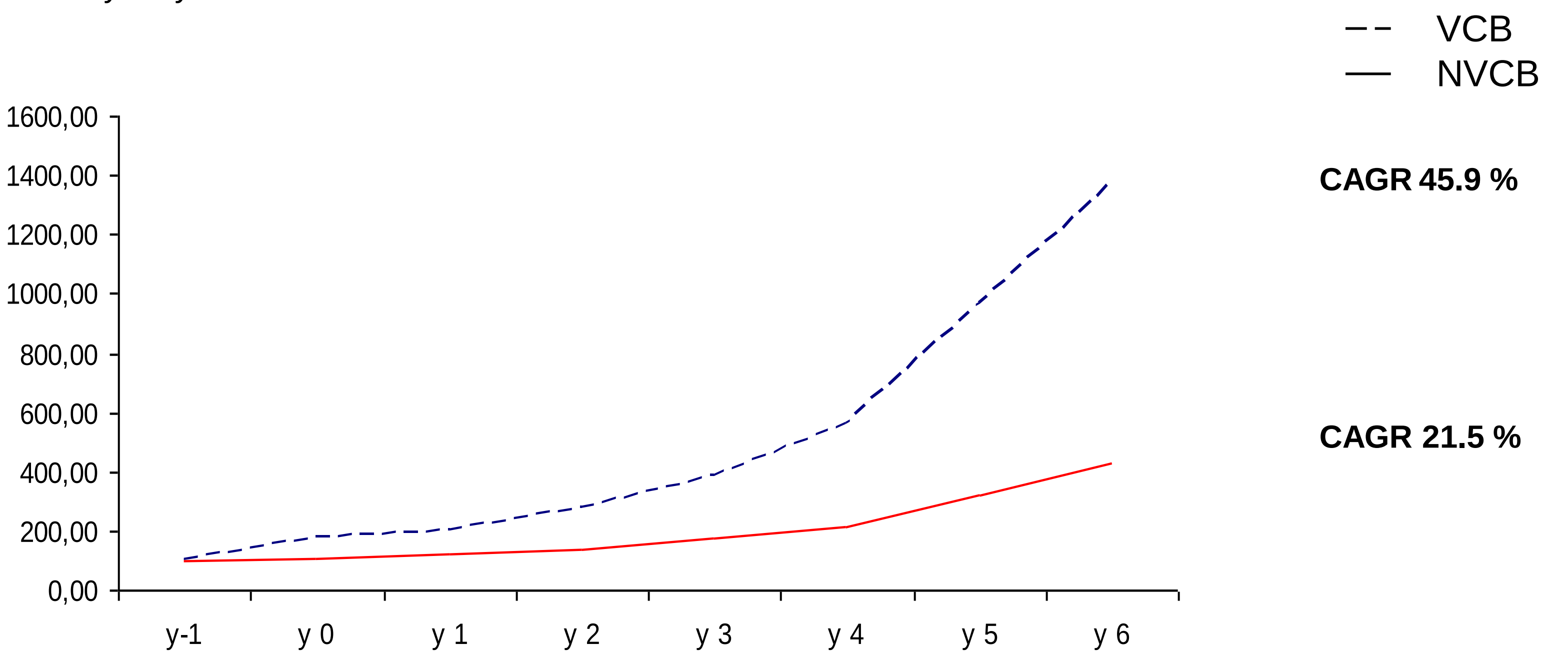


COST OF PERSONNEL

The trends are the same in personnel costs. VCB seem to have a higher average personnel cost than NVCB

Average personnel costs

Index: year y-1 = 100

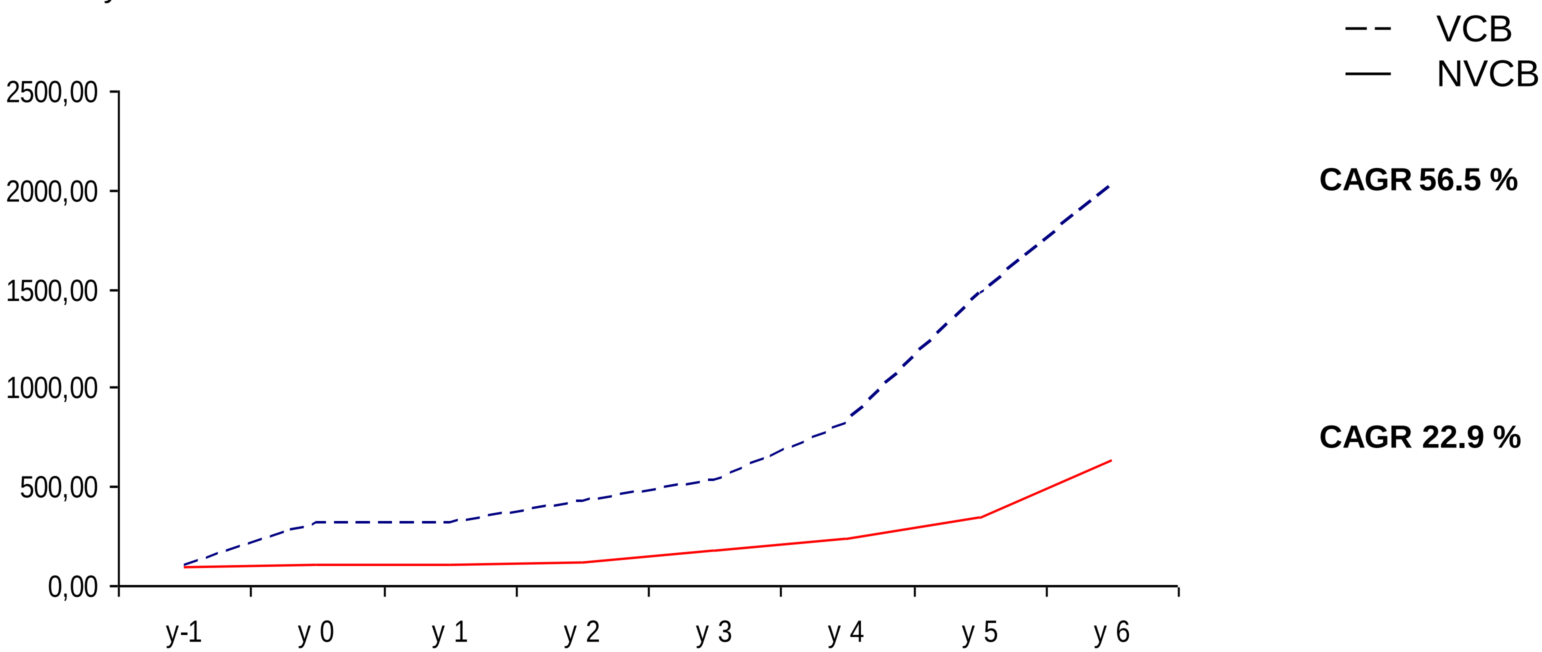


TOTAL ASSETS

In terms of total assets we also see the same trend. Total assets grow however more quickly than number of employees.

Average total assets

Index: year -1 = 100

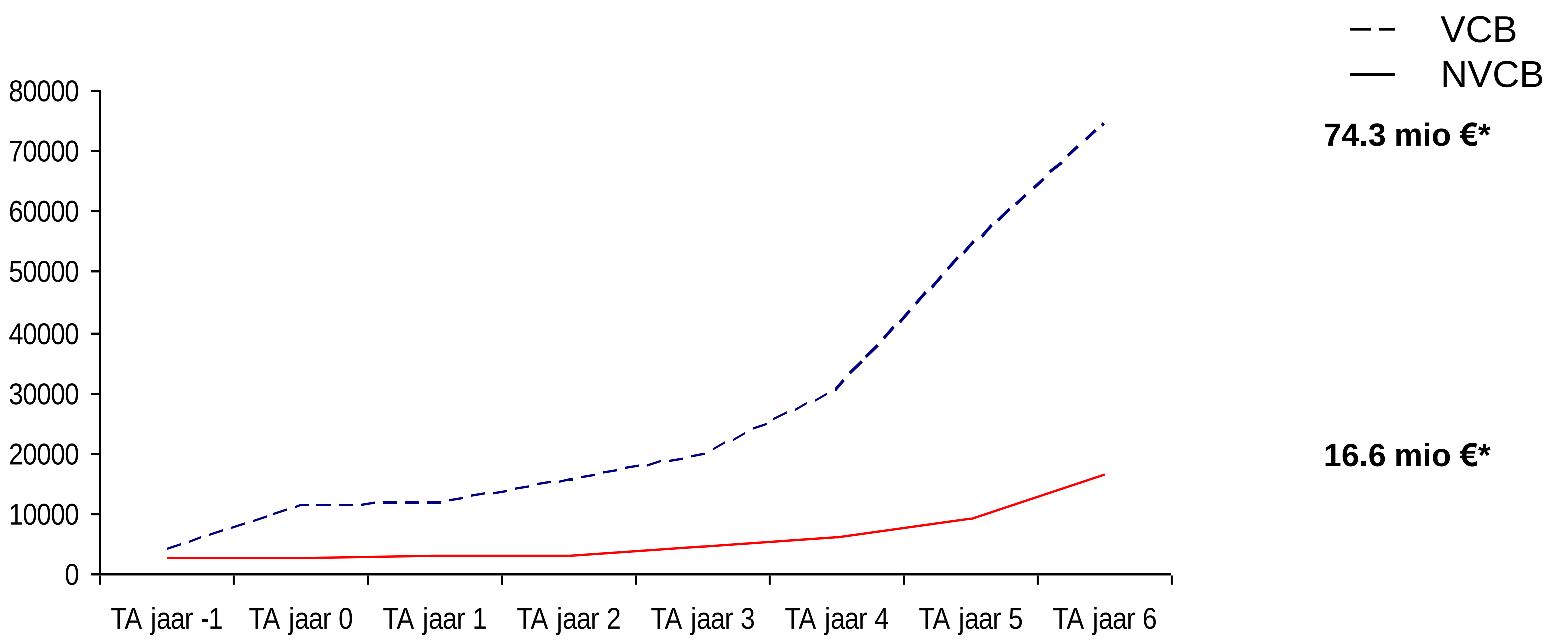


TOTAL ASSETS

Total assets have globally increased with at least 100 mio € a year over and above the levels NVCB companies invested.

Average total assets

000 €



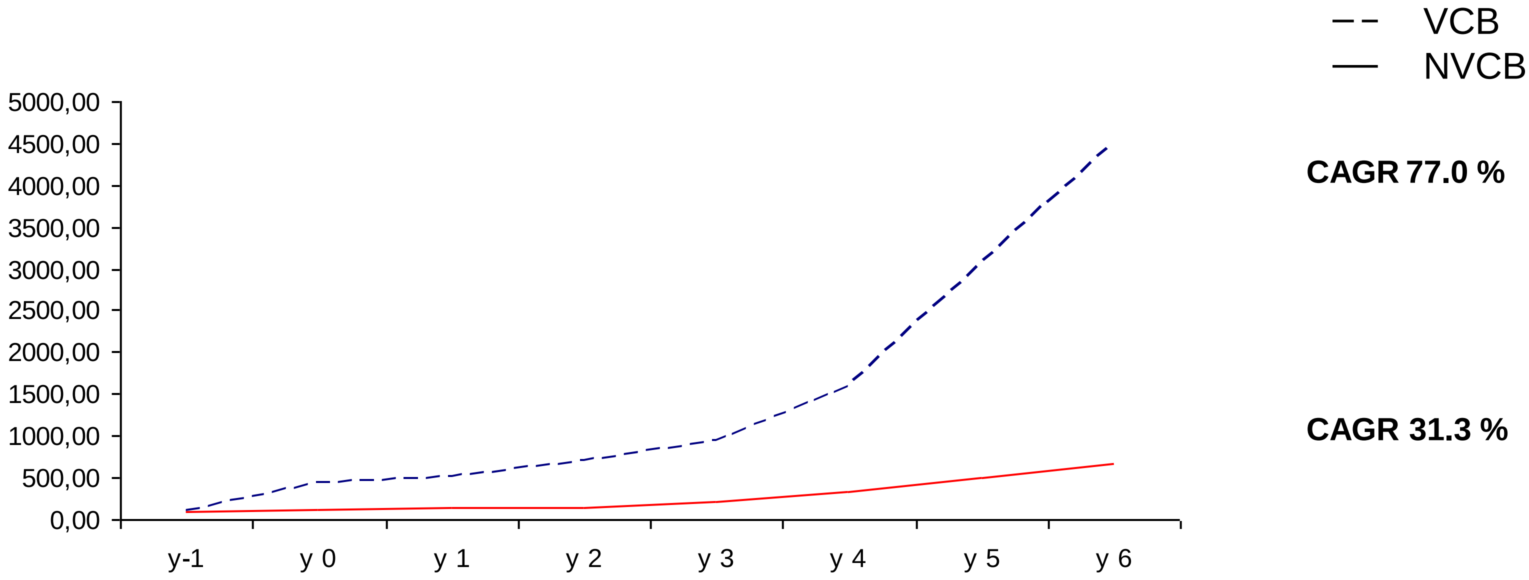
* 12.2 mio € VCB respectively 3.3 NVCB without outlyers

TANGIBLE FIXED ASSETS

The VCB companies' tangible fixed assets increased more than twice as quickly, with the same patterns

Average tangible fixed assets

Index: year y-1 = 100

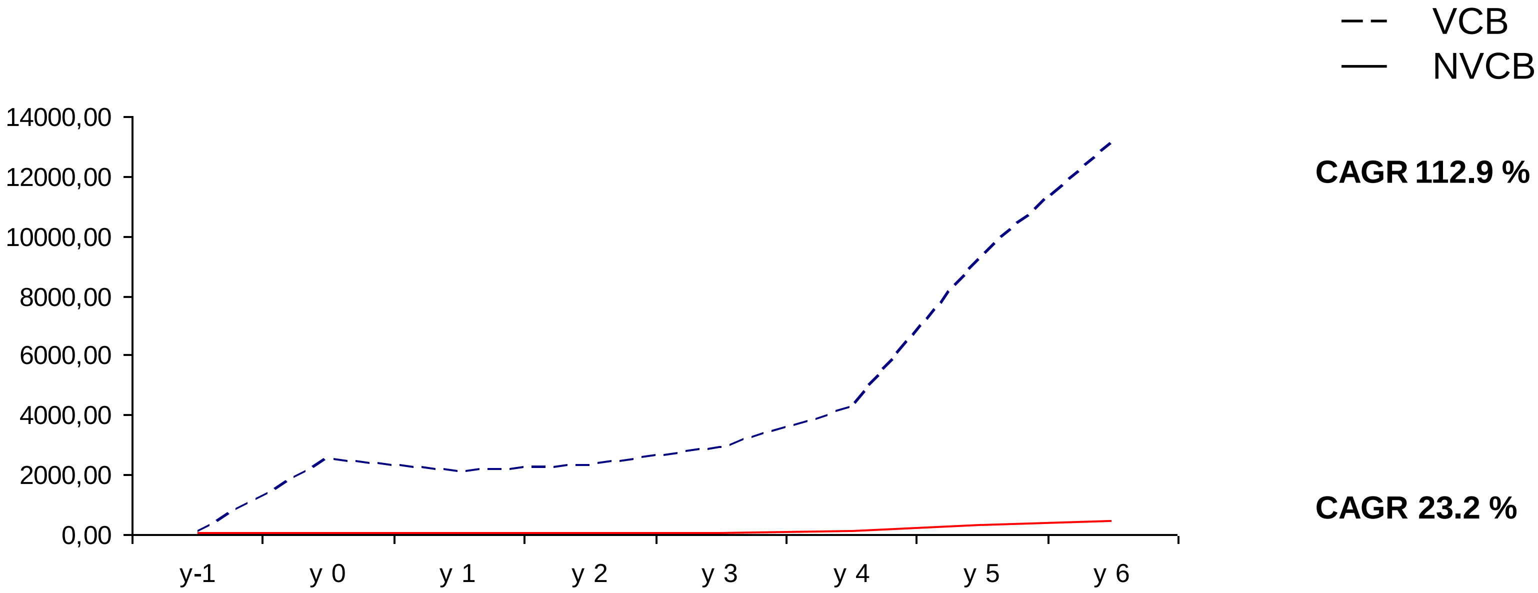


INTANGIBLE FIXED ASSETS

For intangible fixed assets the difference, even if this could be expected, is even more striking. In total numbers, however, the importance of assets is less important than in fixed assets

Average intangible fixed assets

Index: year y-1 = 100

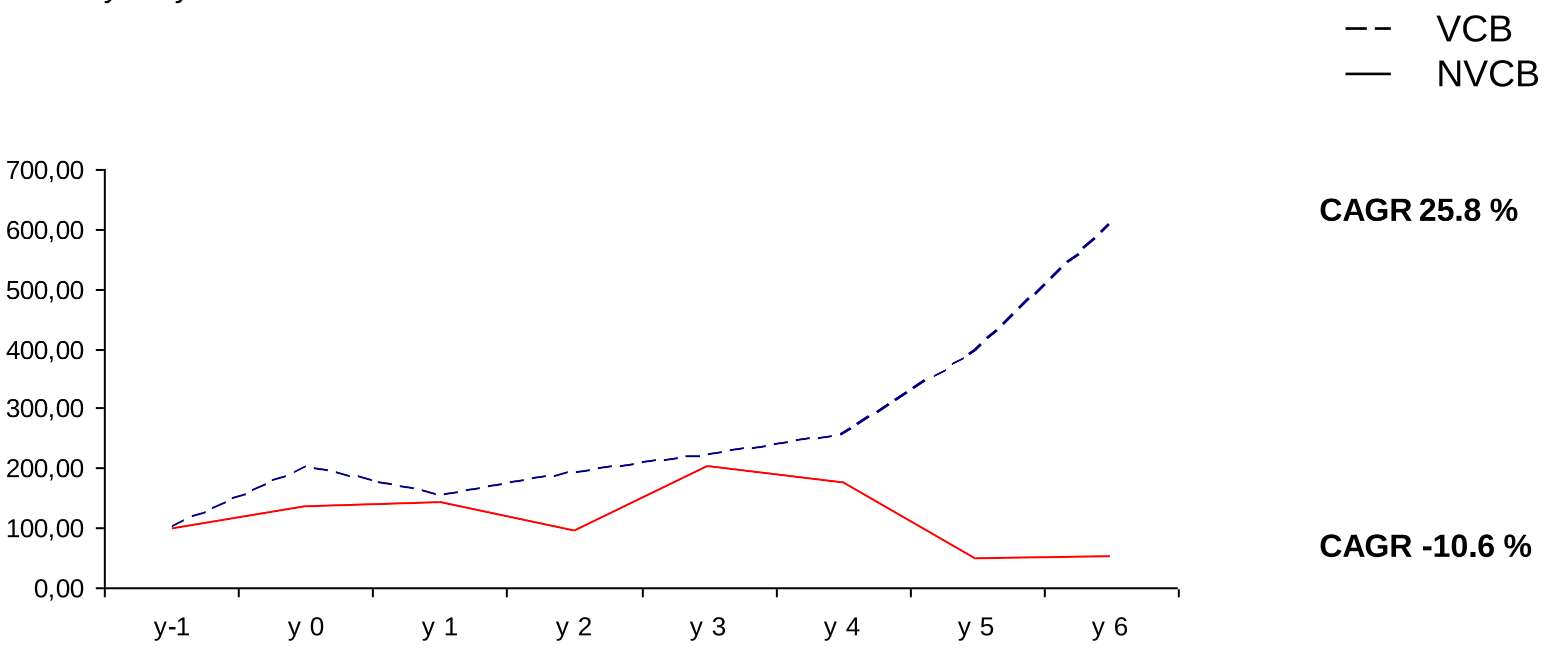


FINANCIAL ASSETS

VCB tend to invest more in subsidiaries, NVCB decreasing even their financial fixed assets over time.

Average financial assets

Index: year y-1 = 100

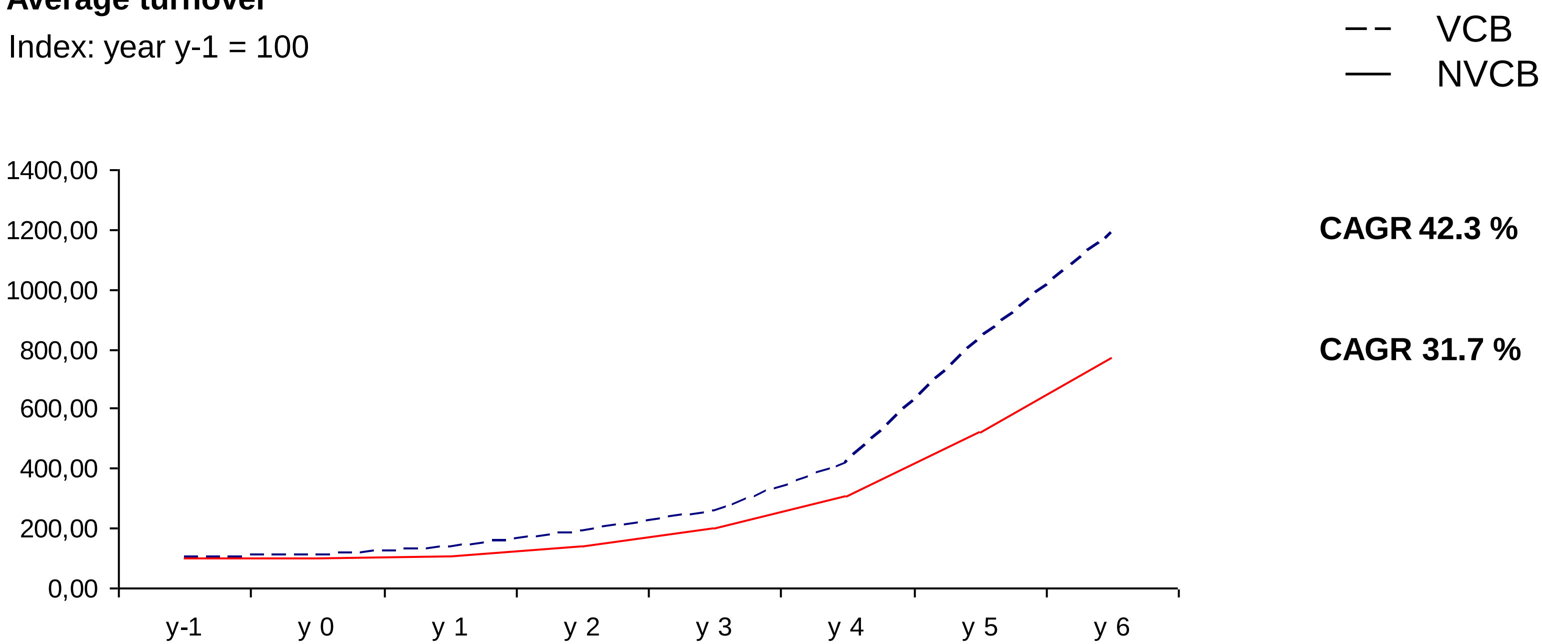


TURNOVER

VCB companies do better than NVCB companies, but in the short term less than investments would make us believe. The main boost comes only in year 4, concurrently with a new boost in investments and employment. After 6 years additional turn-over created by VCB can be estimated to be over 250 mio €*.

Average turnover

Index: year y-1 = 100



* Excluding outlyers, own calculations

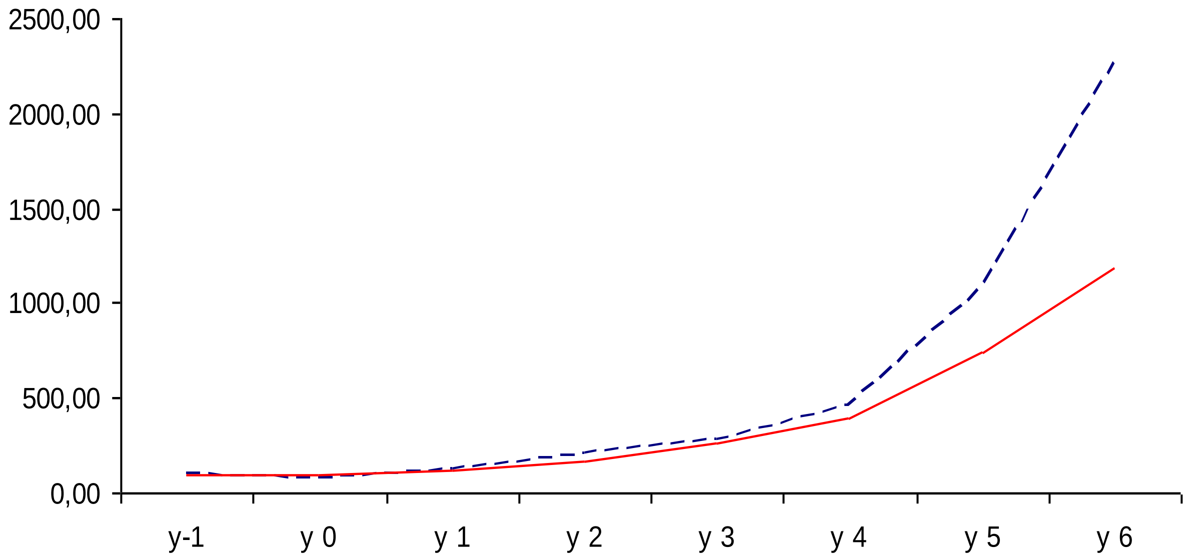
ADDED VALUE

Added value follows the trend of sales ...

Average added value

Index: year y-1 = 100

VCB
NVCB



CAGR 48.5 %

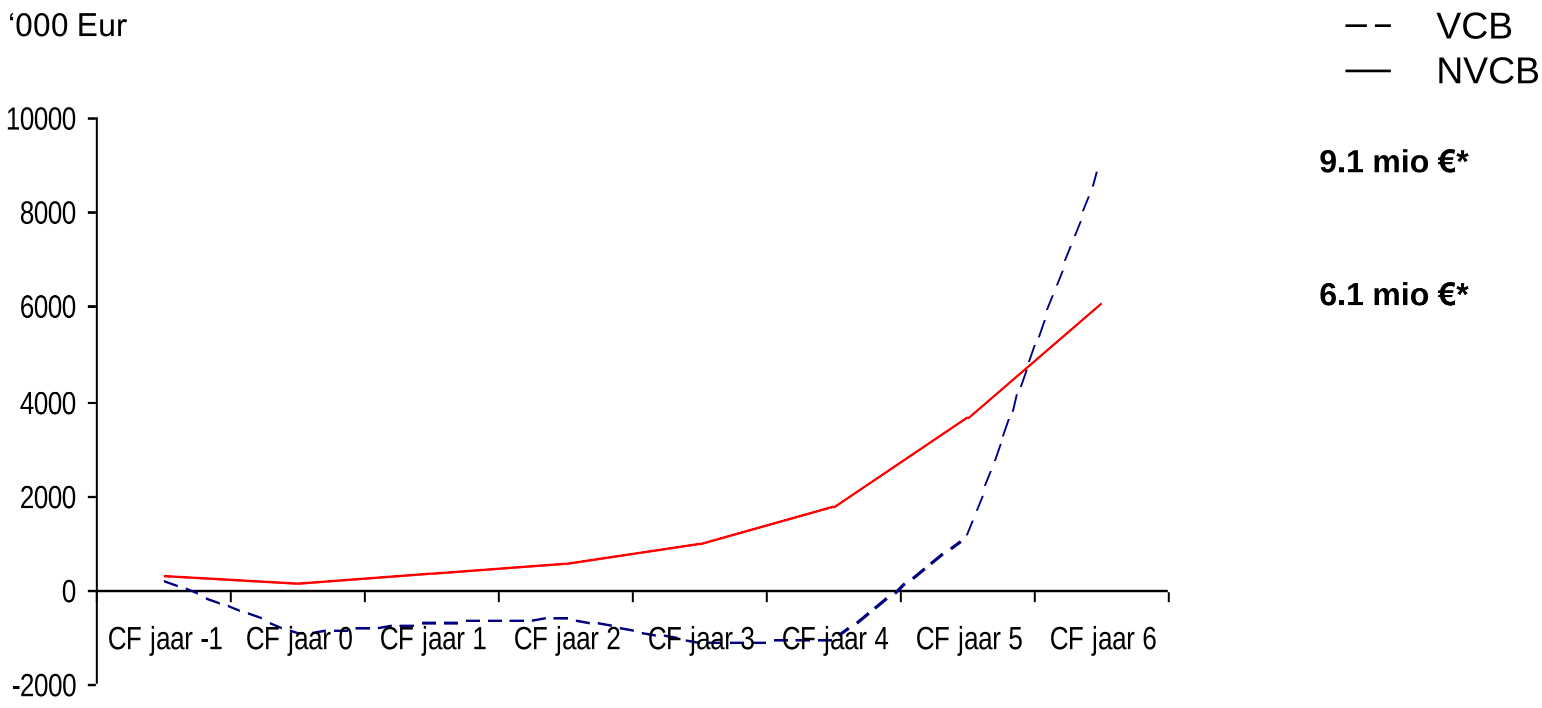
CAGR 39.8 %

CASH FLOW

While the NVCB companies show a gradual increase in cash flow, VCB companies invested heavily in the first 3 years, only reaping the results as of year 4, but then with a much steeper increase

Average cash flow

'000 Eur



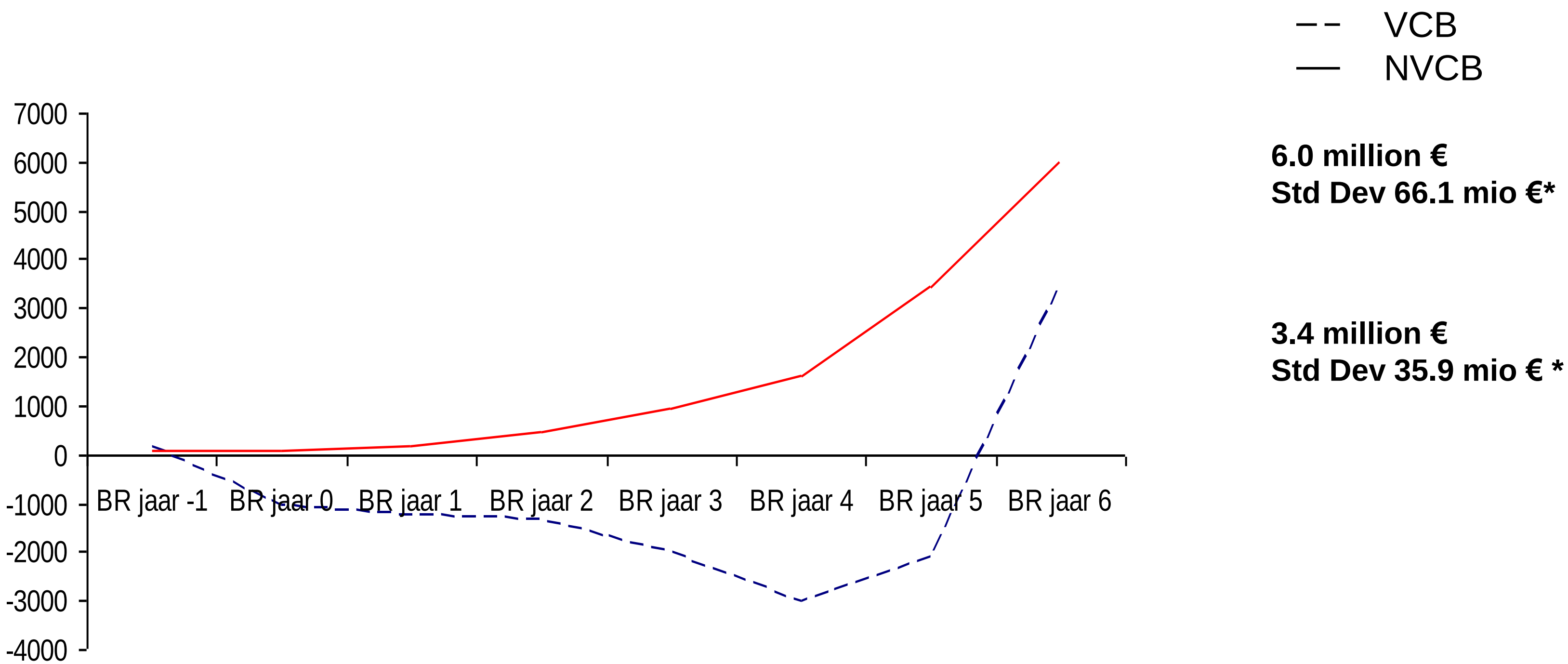
* 0.4 VCB respectively 0.2 mio € NVCB without outlyers

OPERATING PROFIT/LOSS (EBIT)

In terms of operating profitability, depreciations due to the past investments weigh even more on the results but the trend is the same. Within the sample, however, returns are very volatile.

Average EBIT

'000 Eur



* -0.1 mio € VCB respectively 0.2 NVCB mio € without outlyers. Standard deviation however much more important for VCB (3.4 mio €) vs NVCB (0.9 mio €)

MAIN CONCLUSIONS

VCB companies take more risks but generally create more sustainable growth in the long term.

- VCB companies invest more and more quickly than NVCB companies
- This leads to much higher employment, total assets, fixed assets and financial assets in a structural way
- Sales and added value follow only after 4 years, so that a long term horizon is required and deeper pockets are needed
- VCB (can) experience a period of negative cash flows in the first 4 years, whereas the average NVCB company on the other hand doesn’t have negative results.
- In the 5th year cash flows then, however, on average become highly positive. A similar pattern is noticed for operational results but break-even takes longer to attain.
- Once cash flows evolve positively, a new investment effort seems to take place in VCB companies, so as to even speed up growth.

FINAL REMARKS

Venture capital companies take risks and allow Belgian companies to take more risks than they would do on their own. These risks are reflected in either physical investments, investments in subsidiaries or in personnel.

There is a reward for those risks, even if these strategies tend to take time to create added value. Once they do, a platform exists allowing for quicker growth. This indicates an existence and necessity of bridge financing towards profitability and entrepreneurship provided for by venture capital.

For the Belgian economy as a whole, the impact may be at least 100 million € investments per year more than without venture capital, and extra cumulative sales of over 250 million € after 6 years.

BELGIAN VENTURE SUMMIT

Wednesday March 8, 2007 in KBC offices in Brussels

Workshops on
- Trends in venture capital markets and private equity
- Take-overs by private equity companies of quoted companies
- Differences between venture capital and buy-outs
- Due diligence
- Requirements for efficient seed venture capital

Many one-on-one meetings with young companies
BVA Essay Award