



## **Venture Capital and Firm Performance**

WKO Sky Lounge | Vienna, 19.1.2015

# austria wirtschaftsservice (aws)

aws is Austria's national promotional bank and offers

- financial assistance in terms of loans, guarantees, grants, consulting services and **Equity & Venture Capital**
- aws initiatives cover (mostly) SMEs within the pre-seed-phase up to the expansion-stage
- Equity & VC: aws offers „make“ and „buy“ approaches

**Guiding principle: aws initiatives address market failure;**  
**NO** crowding-out, but complementarity to private market forces!

# EUR 309 Mio. of Venture Capital and Private Equity for start-ups and fast-growing companies\*

austria  
wirtschafts  
service

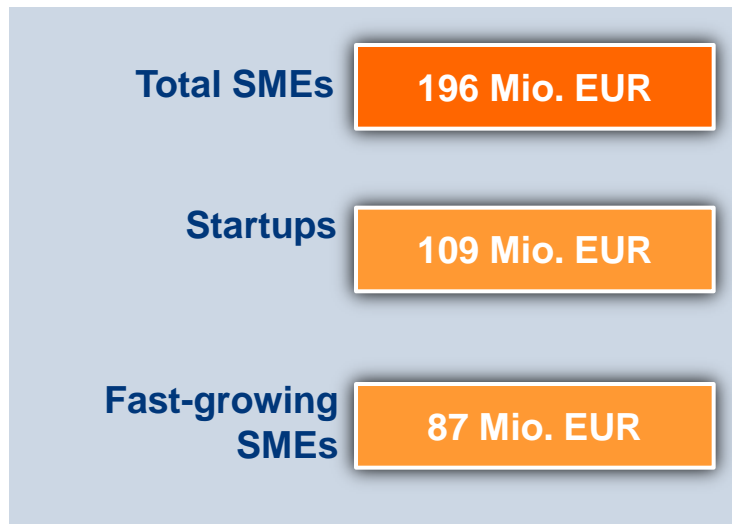


Venture Capital by aws



Private Equity  
leveraged

Total Venture Capital

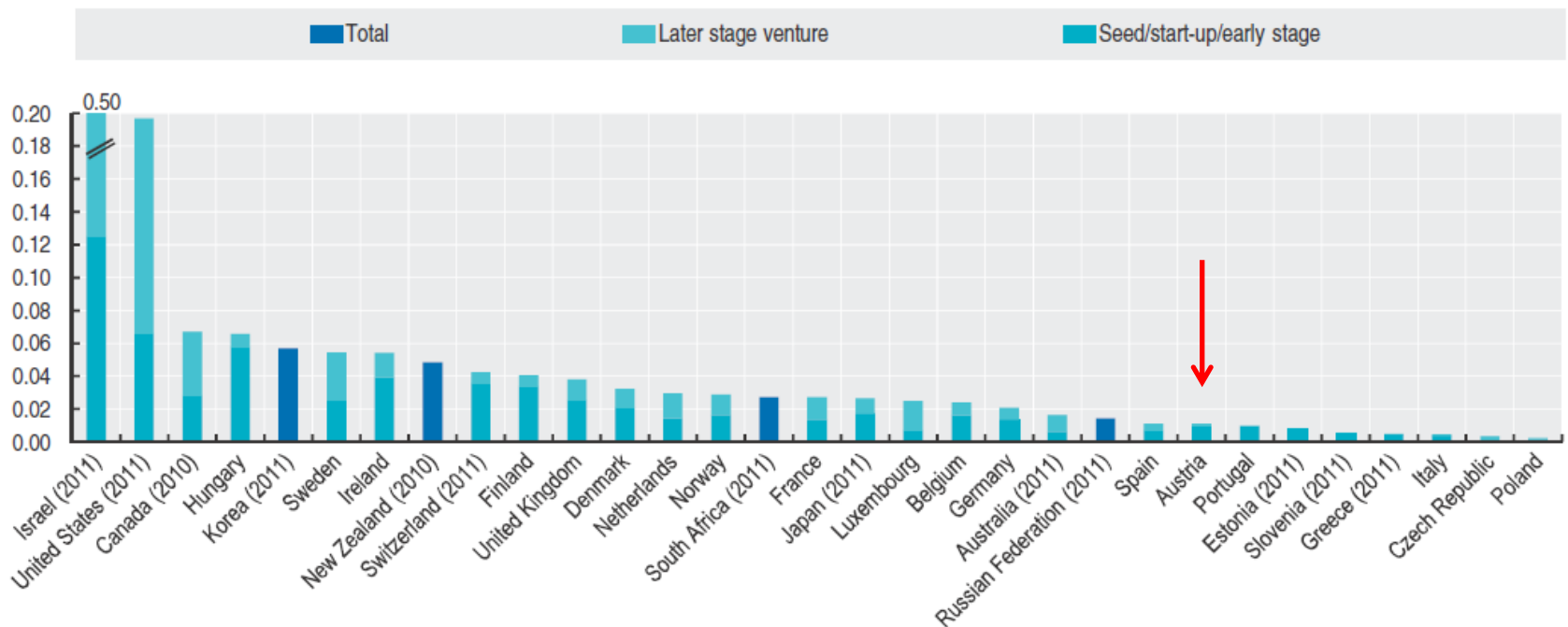


Annual total: approx. **EUR 31 Mio. EUR** invested into Austrian companies

\*) total period of investment

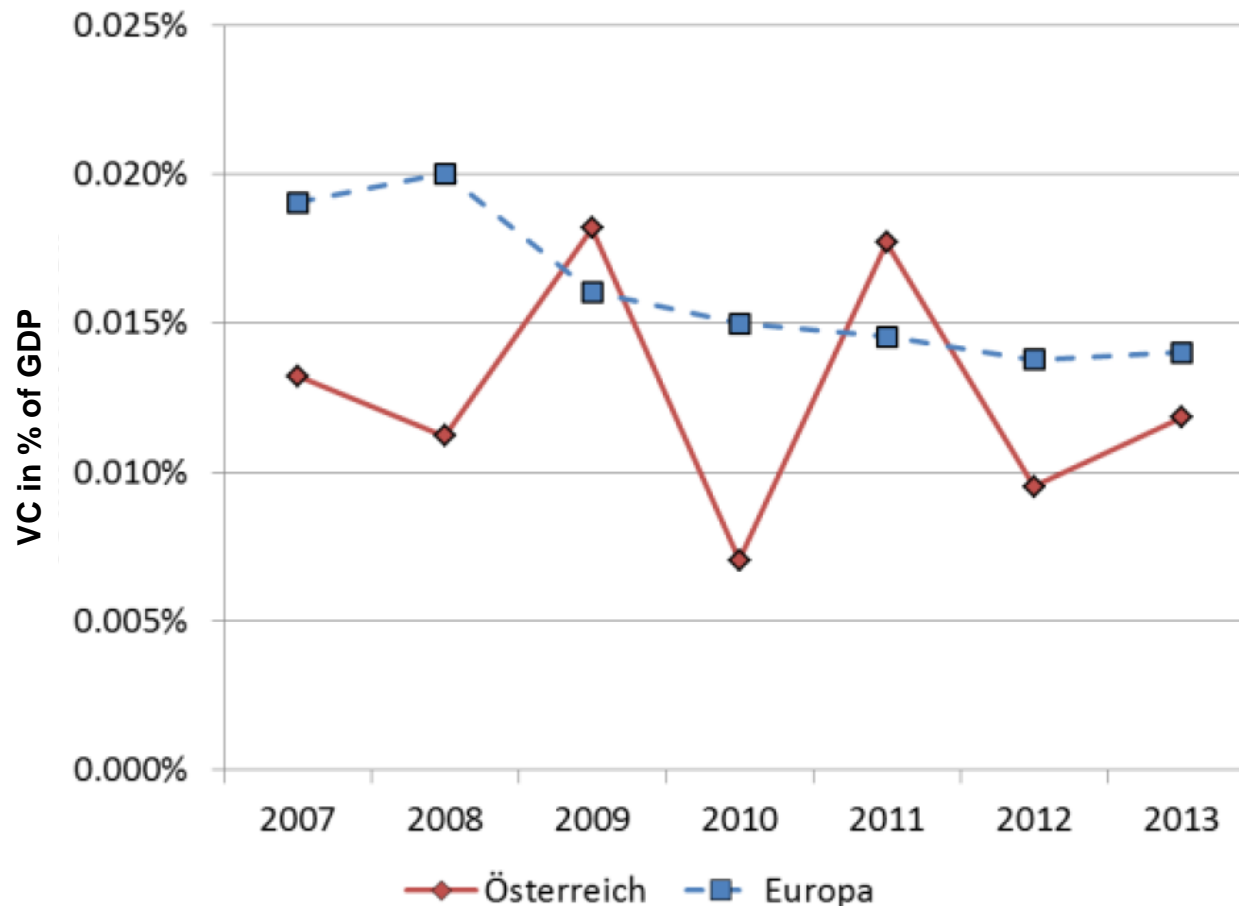
# Venture capital investments as percentage of GDP (US \$)

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Source: OECD, 2013

# Early-Stage VC Investments in Austria and Europe



Source: IHS, EVCA, World Bank

# **Reasons for market failure**

Fund structures not in line with international standards (national tax legislation), therefore only few international investors.

Low level of cooperation with international PE/VC-teams, therefore no know-how-transfer and difficult exit perspectives.

Poor balance between invested capital and management teams at early-stage investments (i.e.: low management fee → “brain drain” towards major “Boutique Investments Banks”)

Effects of the global economic crisis

Basel III framework – enormous demands on bank’s risk-based assets

# **Reasons for insufficient deal-flow**

- Quality of investments projects (i.e.: non-reasonable growth opportunity, lack of business scalability)
- Terms of investments
- Alternative financing source encountered
- technical reasons (i.e.: project location, investment volumes too high)

## **Bernhard Sagmeister**

Managing Director

**T** +43 1 501 75 – 301

**E** [b.sagmeister@awsg.at](mailto:b.sagmeister@awsg.at)

Austria Wirtschaftsservice Gesellschaft mbH  
Walcherstraße 11A | 1020 Wien | [www.awsg.at](http://www.awsg.at)