

# **BACKGROUND OF VENTURE CAPITAL IN SPAIN, STARTING POINT, VENTURE CAPITAL (PART II AND LAST)**

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In this second and last part of In my article on venture capital in Spain, I will talk about VC divestments, VC returns, VC funds raised in Spain, fundraising, and finally, VC investors. I'm sure it will be of great interest too.

## VC divestments

33% of the divestments were carried out through **sale to an industrialist**, compared to 23% of the total for the venture capital industry (private equity + venture capital). In 26% of the divestments **the owner/s bought back the stake from the investor**, compared to 39.5% for the industry as a whole. The percentage of **failed investments** was similar in the VC operations (19%) than in the divestment set (17%). Another form of divestment is **sales between venture capital entities**, with percentages of 8.3% (VC) and 7.2% respectively (PE + VC).

**Divestment through IPOs continues to be used marginally, with a weight of 4.1%.** Until the creation of the Alternative Stock Market ([MAB](#)) in mid-2006, only consolidated companies, to a certain extent, size and owned by private equity had the possibility of going public. Currently, the IPO of [Amadeus](#), which is expected for the end of first half of 2010, is generating a lot of expectations in the venture capital sector. If successful, other companies in which venture capital participates, such as [Cortefiel](#), [Mivisa](#), [ONO](#), [Parques Reunidos](#), [Panrico](#) or [Telepizza](#), they could follow you. At the [MAB](#) only three companies have premiered to date: [Zinkia](#) (OPV in July 2009), [Imaginarium](#) (OPV in December 2009) and [Gowex](#) (IPO in March 2010) still far from the already consolidated [AIM](#) British (Alternative Investment Market) which launched in 1995 and where more than of 3,000 companies around the world, or the French Alternext, in operation since 2005.

The **average time spent by the VC firm was between 5 and 7 years** between 2005 and 2009, exactly the same as when grouping the activity of PE and VC.

## VC Returns

There is very little or no information on the returns obtained from the divestment of investee companies. Due to the private nature of the operations, that is, the investment in companies not listed on the Stock Exchange, there is no obligation when publishing this information, except that which the ECR itself has with its investors. In addition, the VC ECRs in Spain themselves are private, that is, they are not listed on the Stock Exchange either, just like their investees. The only exceptions would be [Dinamia](#) and [Inverpyme](#) that are listed on the Stock Exchange.

According to the report by [Deloitte](#) "Indicators of Private Equity Confidence in Spain" (published in Autumn 2009 and freely accessible at [www.deloitte.es](#) and [www.webcapitalriesgo.com](#)), "the highest returns tend to occur in operations carried out in recessive periods, such as the current one", since it is cheaper to buy in a bearish cycle, with the idea of selling the participation with a significant capital gain during the bullish cycle of the economy. On the contrary, from the point of view of an ECR selling its participation, it would obtain less profitability during a bearish period,

[since company valuations normally fall.](#)

The [Deloitte](#) report points to IPOs or sales to third parties (industrial, financial and other ECRs) as the routes with the highest returns they provide. Buybacks by shareholders are often associated with more moderate returns. At the opposite extreme would be the definitive disinvestments due to the recognition of losses over the total.

## **VC Funds Raised in Spain**

In the last five years, the size of the funds raised by VC firms was between €15 and 25 million (examples would be: [Axon I](#) €15 million, [Axon ICT I](#) €10 million or [Suan Biotech](#) between €20 and €30 million of committed assets), with the exception of some vehicle that has reached up to €50 million. Funds raised between 2008 and 2009 by [Debaeque](#), [Eland Private Equity](#) or [Bullnet Capital](#) raised €50, €40 and €30 million, respectively. In 2008, [Ysios Capital Partners](#) created its first fund with an amount of €69 million and [Nauta Capital](#) aspires to close another €100 million fund at the beginning of 2010, having already completed a first closing.

There are funds that have raised less than €15 million. There are, for example, three managed by [Clave Mayor](#): [Arista Viva](#) with €3 million and a widely dispersed shareholding (none owns more than 5% of the capital), [Three to Partners](#) with €5 million and five businessmen from Navarre as shareholders and finally [Agora Mayor](#) with €2.4 million, owned by a business family from Navarre. In 2006, [Eland Private Equity](#) raised €6 million for its first Eland Renewable Energy fund and €12.2 million for its second. In 2005, [Nauta Capital](#) raised its first fund Nauta Tech Invest I with €15 million, its second Nauta Tech Invest II with €50 million. [Perennius](#), another ECR, allocates €2 million as part of its venture capital activity to "accompanying capital", with investment amounts between €50,000 - €350,000, with an investment horizon of 3 to 5 years. The manager [Riva y García](#) has among its funds [Webcapital](#) with €3 million raised and investing in companies with a high technological content (application, security and biometrics) and in spin-offs of University and Research Centers.

There is also talk of "globalization" among VCs. Both from foreign VC funds that invest in Spain, and from national funds that undertake foreign investments. Among the first is the French fund [Elai Partners](#) with investments in [Agnitio](#), a Spanish company specializing in voice biometrics and [NTR Global](#), a Spanish software company, in turn owned by the British fund [Kennet Partners](#), the American-British [Atlas Venture](#) and Spanish [Debaeque](#). [Kennet Partners](#), in turn, is also an investor in [BuyVip](#), one of the largest online private clubs selling fashion at affordable prices in Spain. Other ECRs participate in this company, such as the German funds [Bertelsmann Digital Media Investments](#) and [Cipio Partners](#) and the Spanish funds [Active Capital Partners](#) and [Debaeque](#). The latter bought shares from minority partners of [BuyVip](#), basically business angels who supported the initial development of the business. American funds [Highland Capital Partners](#) and [Insight Venture Partners](#) invested in [Privalia](#), a private online sales club, last year, together with [Nauta Capital](#), [Caixa Capital Risc](#) and the two founding partners, [Carné](#) and [Villanueva](#). Another example would be the Swedish fund [Scope Capital Advisory](#) which invested in the Spanish company in 2008 [Artificial Solutions](#) which offers optimized solutions for customer service. Likewise, Spanish ECRs such as [Active Capital Partners](#), [Adara Venture Partners](#), [Bullnet Capital](#), [Debaeque](#) or [Nauta Capital](#) have in their portfolios companies located in European countries and the US

## **Fundraising**

According to the report by [Deloitte](#) "Indicators of Private Equity Confidence in Spain" (published in Autumn 2009 and freely accessible at [www.deloitte.es](http://www.deloitte.es) and [www.webcapitalriesgo.com](http://www.webcapitalriesgo.com)), raising funds will be less complicated in the first six months of 2010, compared to the same period of the previous year. Experts in international and national forums have stated that 2010 will present more favorable conditions for fundraising activity (fundraising) than it was in 2009.

## **VC investors**

**Spanish public entities as investors in Venture Capital have been very important in the last five years.** The [CDTI](#), for example through the program [Neotec Capital Riesgo](#), which aims to create between 50 and 60 technology-based companies each year in Spain; [ENISA](#) through participatory loans; the ICO through [Axis Participaciones Empresariales](#), one of the oldest ECR operators in the sector, created in 1986; e [Invercaria](#) (Investment and Venture Capital Management of Andalusia) through its different programs has committed up to €63 million and invested in 228 business projects. Especially since 2005, they have come to finance 676 companies that were in the initial stages of development. The financing granted by these public institutions has meant, in many cases, the first injection of resources for the company and has served to attract funds from private firms, reaching, in some cases, up to a million euros in total. Co-investments, understood as investment in a company by two or more ECRs even if they do not coincide in the same round, are also common.

Other public investors in Spain are those already mentioned in the section of the article in part I entitled "Main characteristics of the VC", the so-called **SODIS (Industrial Development Societies), and the Autonomous Communities or Local Corporations themselves.**

At European level, the [European Investment Fund](#), **one one of the largest investors in European Venture Capital, has gained prominence as an investor in the Venture Capital in Spain.** Here he has invested approximately €60 million in the following funds: [Adara Venture Partners](#) (€10 million), [Bullnet Capital](#) (Bullnet Capital €6m; Bullnet Capital II €2,732m); [Debaeque](#) (Debaeque II €1,445m); [Axis Participaciones Empresariales](#) (Euro-ICO €9,015m); [BCN Highgrowth](#) (Fonsinnocat €6.5m); [Nauta Capital](#) (Nauta Tech III (€2.9m); [Spinnaker](#) (€7m) or [Talde Capital](#) (Talde Capital II €16m).

Financial institutions, banks and savings banks also appear as frequent investors in the different VC ECRs in Spain. Sometimes they co-invest with other institutions, such as the BCN Emprèn fund of the ECR [BCN Highgrowth](#) where they appear Institutions such as [BBVA](#), [Santander](#), [Banc Sabadell](#), [Caixa Catalunya](#) or [la Caixa](#). [Caja Navarra](#) is an investor in several funds managed by the manager [Clave Mayor](#). [Tirant Inversión](#) of the manager [Riva y García](#) is owned by [Bancaja](#), the [CAM](#), [Caja Duero](#), among other financial institutions. In [Ysios Capital Partners](#), 47% of the capital comes from financial institutions (the [Kutxa](#), through the company [CK Korporación Kutxa, S.L.](#) and its venture capital fund [Sendogi Capital FCR](#) managed by [Talde](#); the [Santander](#), the [Caixa](#), [Banesto](#) and [Caja Murcia](#), among others). Other times, they found a joint venture ECR (50/50 investment) such as [BIDSA](#) and [Aurica XXI](#) from [Banco Pastor](#) and [Banc Sabadell](#) or as the sole investor, [la Caixa](#), for example, with its ECR [Caixa Capital Risc](#) or the [Santander](#) with [Santander Capital Development](#).

Pension plans and insurers can bet on venture capital, since 2006 and 2007, respectively. [Fonditel](#), the largest private pension fund in Spain, participates in Venture Capital through its investment in [Adara Venture Partners](#), [Ysios Capital Partners](#) or [Eolia Renewables](#). Another example is the Pension Fund for industrial engineers in Catalonia ([la Mútua dels Enginyers](#)) invests in the ECR's Fonsinnocat fund [BCN Highgrowth](#). [Spinnaker](#) and [Webcapital](#) are owned by insurance companies such as [Catalana Occidente](#), [Ges Seguros](#), [National Reinsurance](#) or [Inverseguros](#).

**Among the relatively new profiles of investors are the so-called "Family Offices" (FO)**, private companies that carry out comprehensive management of the assets of family fortunes. The financial capital of the company is the family fortune. They have gained weight in recent years as investors (a typical FO usually invests up to 15% of their capital in venture capital companies) or even as founders of an ECR. There are between 70 and 80 in Spain, between 10% and 12% of those that exist in Europe (between 600 and 700). Some FO executives had already completed at least one cycle at another venture capital firm or international funds pursuing opportunities in a global market. Within Venture Capital in Spain, the ECR [Active Capital Partners](#) is owned by the FO of a branch of the Molins Family, owner of Molins cement. 40% of the capital of [Inveready Capital](#), is in the hands of Family Offices, including that of the Roca Junyent family FO. [CMC XXI](#) is owned by the

Cosmen family, former owners of Alsa and who have reinvested their profits after selling the company to National Express. [OYsios Capital Partners](#), 16% owned by family offices and private investors, such as the FO of the Bernat family , former owner of Chupa-Chups. Other ECRs owned by FO are [Debaeque](#) or [Suanfarma Biotech](#).

Nor should we forget the private initiatives of business groups such as those that have come together to form the ECR [Finaves](#), giving priority attention to business projects prepared by students and alumni of the Master Programs of the [IESE](#). Other examples would be the [Grupo Intercom](#), with around 100 private shareholders, [Create Business Angels](#), with 12 business angels, as partners or [Arico 99](#) made up of businessmen from the Canary Islands.

With this I end my series. I await your comments...

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