



## Event Report

Munich, May 5<sup>th</sup>, 2009

### Venture Capitalist Panel Discussion 2009

The LMU Entrepreneurship Center (LMU EC), the Center for Digital Technology and Management (CDTM) and the Ludwig-Maximilians-Universität München's Institute for Innovation Research, Technology Management and Entrepreneurship (INNO-tec) presented the 2009 edition of the VC Panel Discussion under the theme "Startup Financing – US and German Approaches Compared" at Amerika Haus on Tuesday, May 5<sup>th</sup>.

Stuart Ellman (Founder and Partner of New York-based RRE Ventures) moderated the 1-hour discussion with following speakers:

- Axel Bichara (Partner and Founder, Atlas Ventures Germany),
- Rolf Dienst (Founder and Partner, Wellington Partners),
- Andy Goldstein (Executive Director, LMU Entrepreneurship Center)
- Andreas Odefey (Partner, Hamburg-based fund of funds BPE) and
- Ralf Schnell (CEO & President, Siemens Venture Capital).

LMU Entrepreneurship Center

**Press Contact:**  
Hortense Tarrade

**Postal Address:**  
Geschwister-Scholl-Platz 1  
D-80539 München

**Office:**  
Giselastraße 10, Room 204

**Tel.:** +49 (0) 89 2180-6206  
**Fax:** +49 (0) 89 2180-3809  
**E-Mail:** hortense.tarrade@lmu.de

[www.entrepreneurship-center.lmu.de](http://www.entrepreneurship-center.lmu.de)



**Stuart Ellman (SE): Where do you find the best entrepreneurs in Germany?**

**Andreas Odefey (AO):** Any region in Germany, really. What matters first is the entrepreneurial spirit. Then of course, you need the right "infrastructure", and this is more available in the US.

**Rolf Dienst (RD):** That's right: unfortunately, the tax and legal context does not support entrepreneurial endeavors in Germany as well as in the US. The survey led by the BVK [German Private Equity and Venture Capital Association] clearly shows this impediment.

**SE: Do Germans still have an aversion to failure?**

**RD:** This used to be true, but failing has become more acceptable today.

**AG:** When I came to Germany in the 80's to establish my software publishing business, there was not Internet, but there was still a very strong "Net": the "Hamma Net, Kamma Net, Gibs Net" [German for "forget it, there's just no way"]. And this is exactly what the LMU Entrepreneurship Center is working on to change once and for all: our goal is to shift this negative and passive mindset to a positive can-do attitude.

---

### LMU ENTREPRENEURSHIP CENTER

"Empowering Entrepreneurs!":

This is the vision pursued by the LMU Entrepreneurship Center (LMU EC) of the Ludwig-Maximilians-Universität München (LMU).

We educate tomorrow's entrepreneurial leaders, we support the creation of successful ventures and we promote a culture of entrepreneurship – across all LMU faculties and beyond.



**SE: Are you looking for companies who set their market focus on Germany or globally?**

**RD:** Wellington Partners invests in ventures located throughout Europe and with a global vision. Of course, Germany is close to our hearts and our offices so we have a slight bias towards German ventures. Also, these are easier for us to manage.

**SE: What are the most successful deals you've been involved with?**

**RD:** The best investments are those made with little money. For instance, the ImmoScout24 deal was very successful for Wellington. Basically, the best for entrepreneurs is to practice bootstrapping, trying to get along with as little external money as long as possible. This way, you make sure to spend only on what is strategically essential. To be provocative, one could even argue that VCs only see the bad deals, because the good ones do not need venture capital! But VCs do not only provide money. Take eBay for example. They raised over 5 million dollars from Benchmark Capital although they did not need the money – it was only for their reputation.

**Axel Bichara (AB):** I agree. Sometimes founders do not absolutely need the money but they need to go through the tough discipline imposed by VCs. Another point is that founders need access to a strong network and to strategic hires. In the earliest stage, a start-up needs people who have done the same and possibly even failed: they are the ones who know all the pitfalls. Then, you need new people when you grow, and working with a VC firm is a tremendous advantage because they have the network and can find these people for you.

**SE: What are the fields that will make money in the next 5 years?**

**Ralf Schnell (RS):** As head of Siemens Venture Capital I am biased, because we invest in ventures of interest to Siemens. But a rule of thumb is that any worthwhile idea must be one that has a long-term sustainable USP.

**RD:** At Wellington Partners, we like to invest in services that make processes simpler and more efficient. In the end, you need to find the right niches (those the big players do not see or are not interested in), you need a hard-working team and a vision.

**AB:** One keeps hearing about trendy subjects, such as cloud computing for example. This is not relevant for us: at Atlas, we invest in companies, not in sectors.

**SE: How would you rate the IPO market?**

**AO:** You cannot have great IPOs without courageous investors, and for this, we will probably still need to wait a few more years. Personally, I think that NASDAQ, Hong Kong and Shanghai are quite promising. For now however, trade sales and Mergers and Acquisitions have to be the base for our exits.

---

#### LMU ENTREPRENEURSHIP CENTER

“Empowering Entrepreneurs!”:

This is the vision pursued by the LMU Entrepreneurship Center (LMU EC) of the Ludwig-Maximilians-Universität München (LMU).

We educate tomorrow's entrepreneurial leaders, we support the creation of successful ventures and we promote a culture of entrepreneurship – across all LMU faculties and beyond.



**AB:** The really good VC firms such as Sequoia, Kleiner Perkins and so on, do differentiate through large IPOs. And although M&As have been the bread and butter for investors, one has to bear in mind that the pricing in a trade sale goes hand in hand with the IPO market: if there is no cover bid by an IPO, you need to exit through the trade sale, even if it only returns 2x or 3x the investment, in comparison to 10x with an IPO.

**SE: How does the financial crisis affect the VC industry?**

**RD:** No doubt, these are tough times to finance growth projects.

**SE: How would you compare US and German VCs?**

**AB:** The VC business is more mature in the US, and therefore, American VCs are more sophisticated.

**RD:** In Europe, there are maybe 10 VC firms that have the same level of sophistication. But most of European VCs still do not have the experience that the Americans have.

**Mixed:** In the US, the relationship between VCs and the companies they manage is much more collaborative than in Germany. In the US, it is also easier to recruit strategic hires for portfolio companies.

**RS:** There are indeed more good VCs in the US. But it's only because there are many more VCs in the US than in Germany!

*Important: This report is adapted from notes taken during the panel discussion. The questions and answers are neither exhaustive nor mean to be exact quotes. For an exact account of each of the participants' statements, please refer to the video of the event.*

---

#### LMU ENTREPRENEURSHIP CENTER

"Empowering Entrepreneurs!":

This is the vision pursued by the LMU Entrepreneurship Center (LMU EC) of the Ludwig-Maximilians-Universität München (LMU).

We educate tomorrow's entrepreneurial leaders, we support the creation of successful ventures and we promote a culture of entrepreneurship – across all LMU faculties and beyond.