

An Outlook of the Chilean Venture Capital Industry

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London - UK

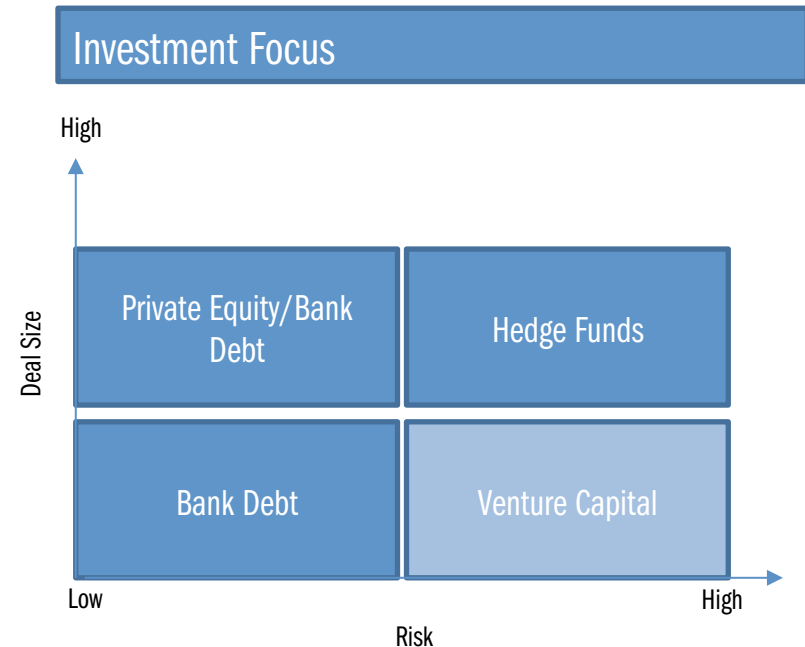
Content

- ① What is Venture Capital?
- ② Venture Capital Timeline in Chile
- ③ General Overview of the Venture Capital Industry in Chile
- ④ Venture Capital in Latam
- ⑤ The Role of Chilean Venture Capital Association

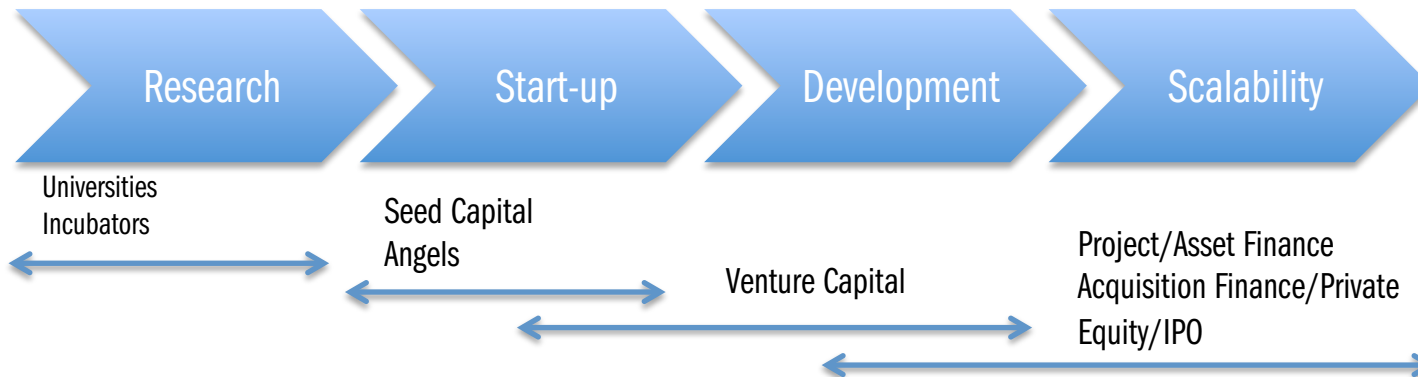
① What is Venture Capital?

What do we understand by Venture Capital?

- Venture Capital (VC) Funds, usually invest in young companies with businesses at early stages development.
- The VC industry starts around the 60's in the US, but is not until the 80's that gets an estimated size of \$750 million.
- The industry targets accelerated growth of young companies with exits in around 2 to 7 years.
- VC funds not only provide capital but also a high level network actively participating in every business it invests (smart money).



Business Development Process

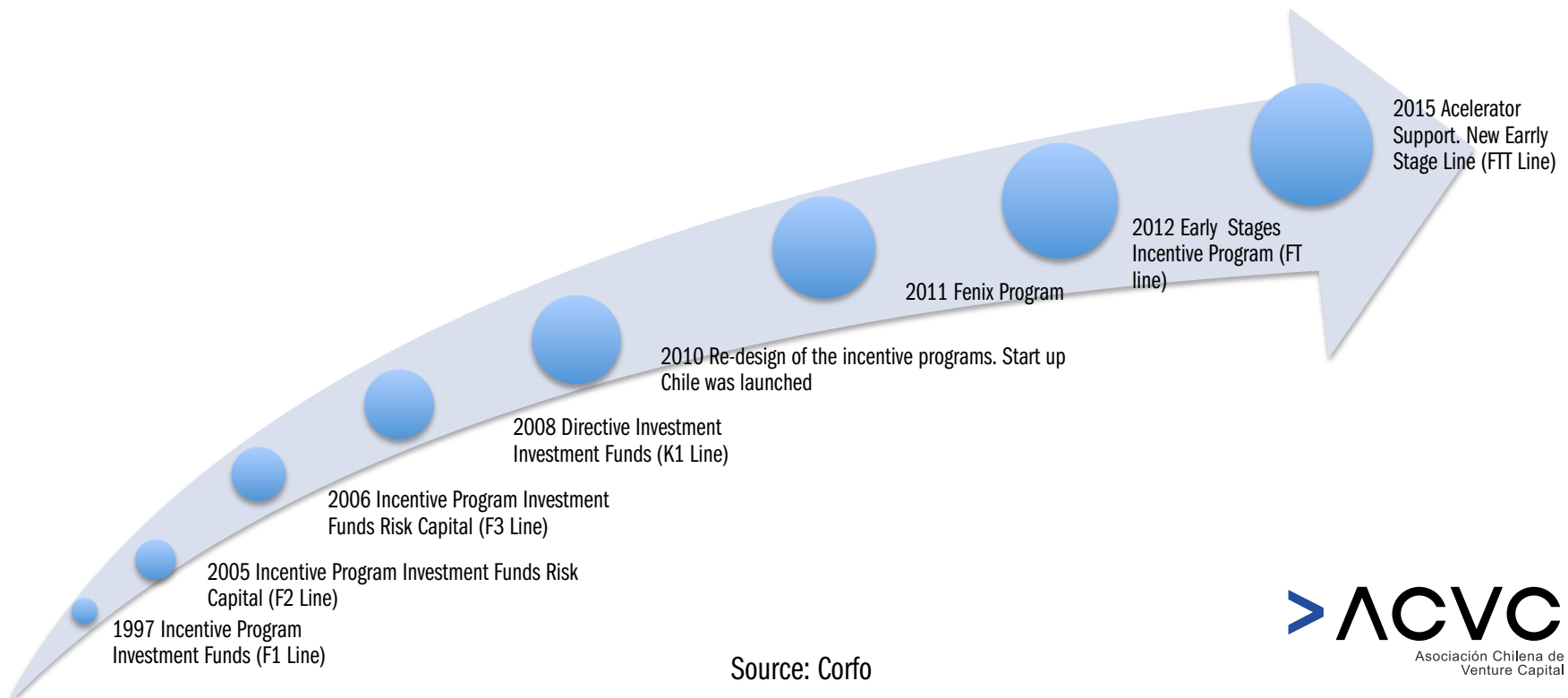


*VC funds are usually structured for a 10 year period.
Either in the Startup or the Development stages.*

② Venture Capital History in Chile

Main Milestones

- The VC Industry in Chile has aggressively expanded during the last 4 years primarily because of the various incentives the Chilean government (CORFO) has granted to the industry since 1997, and has achieved \$350 million assets under management.
- It's not until 2010 that the industry jumps into something real with the re-design of the Incentive Programs (Matching Credit Lines) and the creation of Start-up Chile, known as a world class incubator/accelerator program for entrepreneurs around the world.
- Most of its investments have been deployed in the later development stages of a company which has closely related to a more Private Equity approach rather than a Venture Capital one.



Source: Corfo

③ General Overview of the VC Industry in Chile

General Overview

- VC industry accounts for 15 funds funded between 2005 and 2015, and with an average equity size of \$24 million, while the figure in the US is \$135 MM.
- The average ticket invested is nearly \$1.58 million, where almost 70% of the tickets are over \$500,000
- An average portfolio of 8 companies and CORFO financial leverage is 2:1.

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MANUTARA VENTURES

MAGMA PARTNERS

australcapital

EQUITAS CAPITAL

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ALAYA CAPITAL PARTNERS

Genesis Ventures

Mountain Nazca

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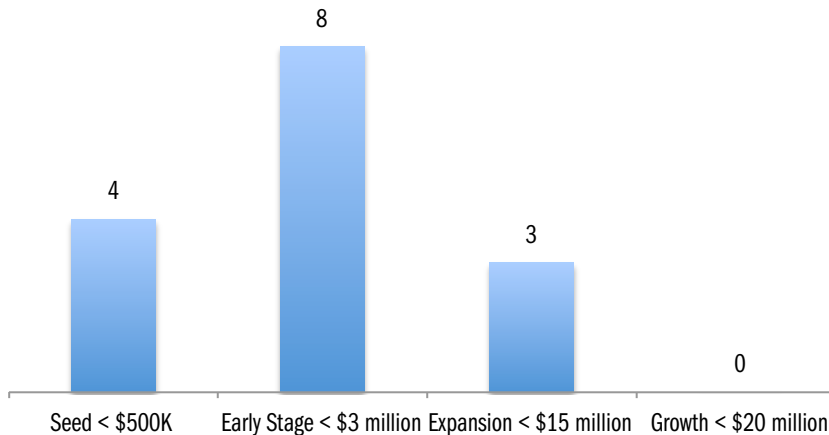
NEXO CAPITAL PARTNERS

DADNEO

Telefónica Ventures

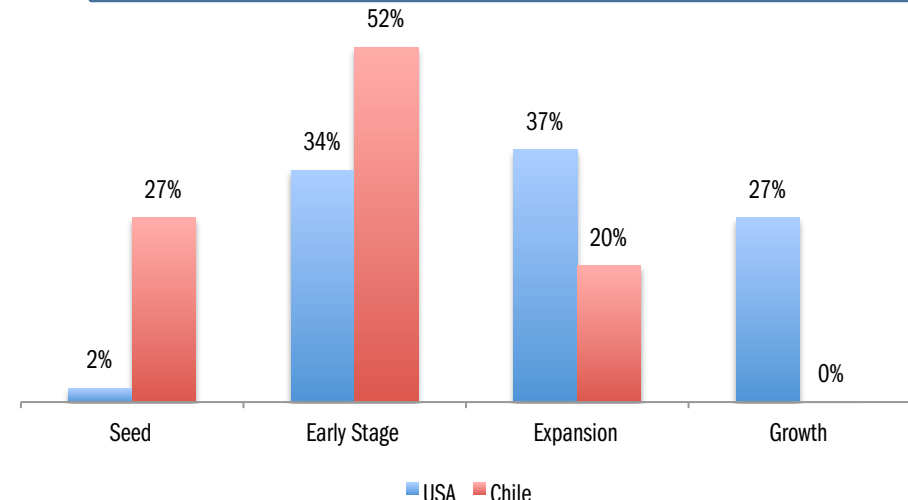
ENGIE New ventures

Number of Funds by type of investment



Source: Corfo

Funds by average investment

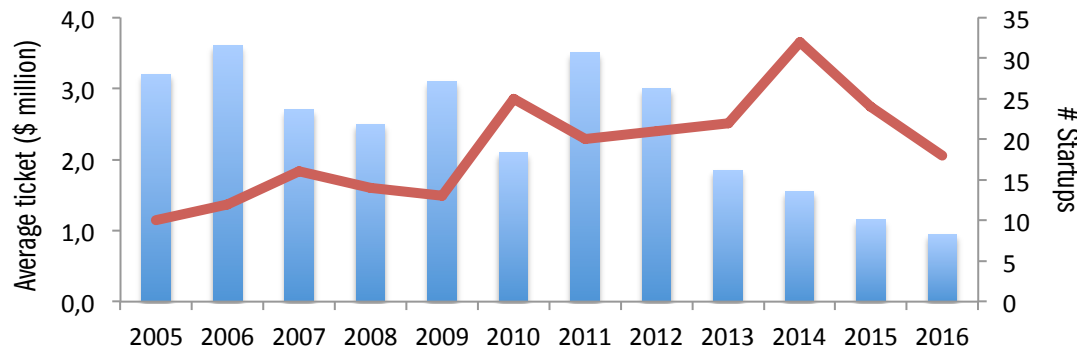


③ General Overview of the VC Industry in Chile

General Overview

- Main stakeholders involve in structuring and management of a VC:
 - Private Investors (LPs)
 - General Partners (GPs)
 - CORFO
 - Deal Flow
- The fund must be administrated by a registered and approved Manager which will invest in the Startups and Early Stage companies using instruments such as: share purchase agreements, convertible notes, warrants or other instruments alike.

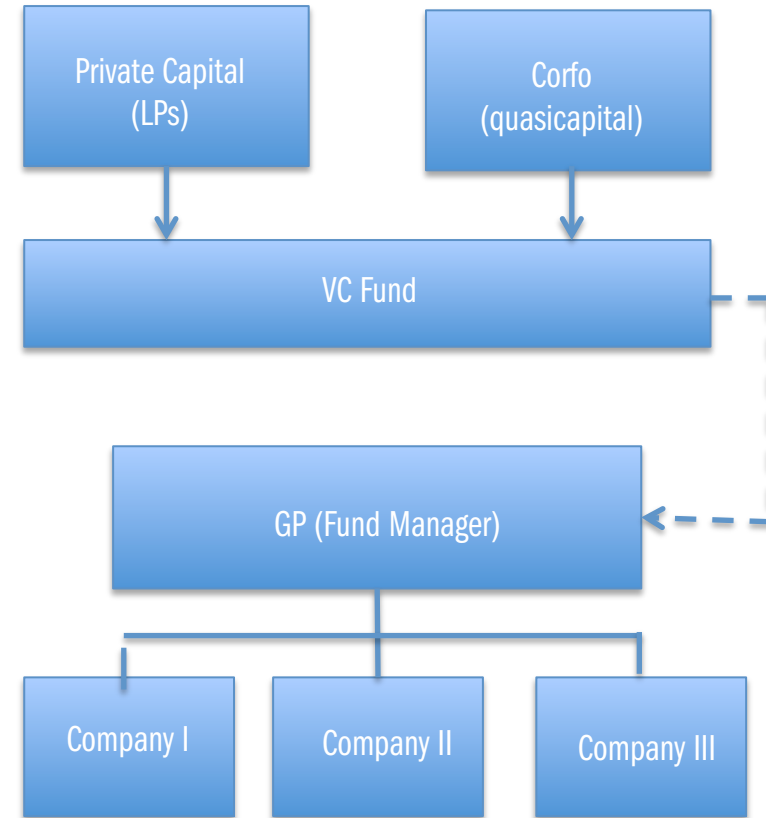
Investments and startups VC backed



Source: Corfo

— Average Ticket (MM\$) — # Startups

Structure



④ Venture Capital Industry in LatAm

LAVCA Scorecard

Regional Rank	Country	Score (1-100)	VC (% GDP)
1	Chile	74	0,336
2	Brazil	72	0,195
3	Mexico	65	0,102
4	Colombia	60	0,176
5	Costa Rica	56	0,098
6	Uruguay	54	0,000
7	Panama	50	0,000
8	Peru	49	0,066
9	Jamaica	46	0,000
10	Dominican Republic	42	0,027
11	Argentina	40	0,028

Macro Drivers

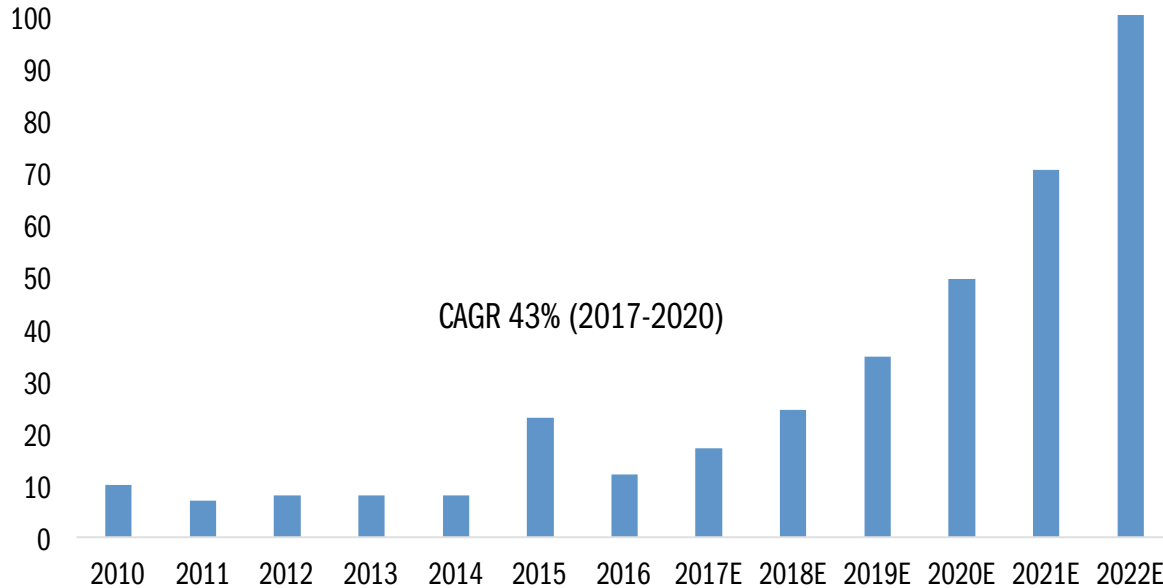
- Laws on VC/PE
- Tax Treatment
- Protection of minority shareholders rights
- Restrictions on institutional investors
- Protection on intellectual property
- Capital Markets development
- Judicial System
- Perceived Corruption
- Entrepreneurship

Entrepreneurship Ecosystem

- Highest level of adult population that declares themselves as entrepreneurs (34,1% of the population between 18-64 years old)
- 13,6% of the adult population owns an SME that is generating 20 or more job positions.
- According to the TEA Index, entrepreneur activity going from 11,1 in 2005, to 25,9 in 2015.

⑤ The role of ACVC

Investments (in \$ millions)



Strategies

- Outreach: communicate the positive role of VC industry in the Chilean economy, aid understanding around the activities of our members, promote our industry to local and international entrepreneurs and investors, Government, media and civil society.
- Best Practices: provide market intelligence, technical updates and specialist training.
- Public Policies: influence in public policy decisions (tax, financial, governance).

Potential Outcomes

- Capital deployments of \$100 million/year, focused mainly in Pre Series A or Series A (\$500.000 - \$3 million)
- Increase numbers and quality of GPs and VC Funds (international compliance standards)
- Exit strategies have to be done abroad in order to improve the likelihood of success (boost multiples).
- Chilean VC internationalization (fundraising, scouting, scale up, and exits).