



Experience and Capital for
courageous business ideas



IEGULDĪJUMS TAVĀ NĀKOTNĒ

2014

Investment strategy



Development phase

- Focus of the fund is to invest in existing companies with established revenues and a profitable business model, however
- **20% – 30%** of the fund will be invested in start-up companies with a successfully proven business model

Financial instruments

- The fund invests both in capital/equity of the company, as well as providing mezzanine financing
- In case of mezzanine loans, there are possibilities that the company owners do not have to pledge their shares
- For sums up to **EUR 200,000** we finance **100%** of the necessary funds
- For sums above **EUR 200,000** we finance **up to 70%** of the necessary funds (the remaining sum can be financed by the bank, owner or another investor)
- Investment can be used to finance both fixed assets and working capital
- The investment cannot be used to finance buyout

Deal size

- Fund size: **EUR 10,5m**
- Maximum investment amount in a single entity: **EUR 1,5m**
- In case of a start-up company the first investment can amount to EUR 50,000 – 200,000 with the rights to invest more and acquire additional equity in the future

Investment criteria



Overall criteria

- Strong management team (competence, experience, motivation, integrity and energy)
- High growth potential, including markets outside Latvia
- No significant business risks
- Industry is not renown for dumping and price war situations
- Product of the company has a distinct competitive advantage
- Clear and identifiable investment exit possibility
- Transparency of information

Mezzanine

- Positive cash flow, that covers mezzanine interest payments
- Potential of significant increase in growth and profitability
- Mezzanine price would consist of a fixed % rate plus a bonus, which depends on achieved financials of the company (i.e. EBITDA growth)
- In separate cases – requirement of collateral
- Mezzanine can be subordinated to a bank loan

Start-up

- Proven viability of the product and business model
- Existence of first clients
- Big interest from potential customers
- Financial participation of the entrepreneur in the project



Priority industries

The fund offers investments in different industries (except the prohibited ones)

Priority industries:

1. Manufacturing (food, electronics, metallurgy, construction materials, chemicals, pharmacy, processing of agricultural products, timber, engineering and other products)
2. Information technology
3. Healthcare
4. B2B services

Prohibited industries

- Immoral industries (alcohol, tobacco, wagers, weapons)
- Insurance and financial intermediation
- Fisheries and aquaculture (primary production, not further processing)
- Agricultural products and livestock farming (core product extraction)
- Cogeneration
- Companies in financial distress
- Residential real estate

FlyCap VALUE ADDED



Financial management

- Help with budgets and reports
- Balanced Scorecard, KPI performance based management
- Company management evaluation and “Coaching” for achieving KPIs

Business management

- Development and introduction of a bonus scheme for the management and employees, to generate better results
- FlyCap has management experience in different industries
- Independent advice and support in everyday questions

Contacts

- Connections in various business circles, potential clients, consultants, banks etc.

Banks

- FlyCap has extensive contacts within banks, which will contribute towards receiving loans and better loan conditions

Reliability & seal of quality

- Presence of a venture capital fund among shareholders means a level of organization and absence of negative surprises
- Future investors will have increased confidence, that provided business information is truthful

Support in the exit process

- Professional management of the exit process
- Preparation of the company according to “Good target” guidelines from the first day of entry

Investment process



Investment Application

The suggested approach is to complete the FlyCap application form. Another approach could be sending a company presentation containing answers to questions in application form.

First Meeting

After evaluating the application, FlyCap informs the entrepreneur of further steps. In case of confirmation, a meeting with management and shareholders is arranged.

Letter of Intent

After the first meeting, an analysis of the company and the transaction is performed. In case of successful results, an agreement of cooperation conditions is negotiated in form of a letter of intent.

Due Diligence

An investigation of company's financial, tax, legal and business position, that takes 2-4 weeks, depending on information availability.

Closing the Deal

During the due diligence, shareholder and investment contracts can be coordinated. If Due Diligence results in success, shareholder and investment contracts are signed and investment takes place.

Business Development

A member of FlyCap is elected in the company's advisory or management board. FlyCap team contributes their time, contacts and expertise to help the company develop and increase its value.

Exit

After 4-6 years FlyCap plans to sell the shares it owns. Potential exit paths are: company management, other shareholders, strategic investor, financial investor, IPO or other options.

Team



Jānis Skutelis

5 years of experience in BaltCap, where Jānis managed 5 investment projects. Afterwards he invested and managed assets of private business angels. Janis has been actively involved in managing a portfolio with net worth of EUR 17 million. MSc. degree from Stockholm School of Economics (Sweden)



Jānis Liepiņš

4 years of experience investing and managing assets of private individuals, involvement in 7 investment projects with net worth of EUR 15 million. Before that, 10 years of experience working in the banking sector. Executive MBA degree from Stockholm School of Economics



Ģirts Milgrāvis

6 years of experience in consulting and managing investment transactions, involvement in more than 10 investment projects with net worth of more than EUR 14 million.

MBA degree in finance from Riga Business School

Contacts



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