

# NSPA / AIP

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# Initial assignment, financing and strategy

## Mission

- Increasing entrepreneurship, competitiveness and growth through venture investments and financing in innovative companies and projects in northern Sweden
- The assignment also included being an active owner who contributes to the company's commercialization and development of the ecosystem for venture capital investments in northern Sweden.

## Financing

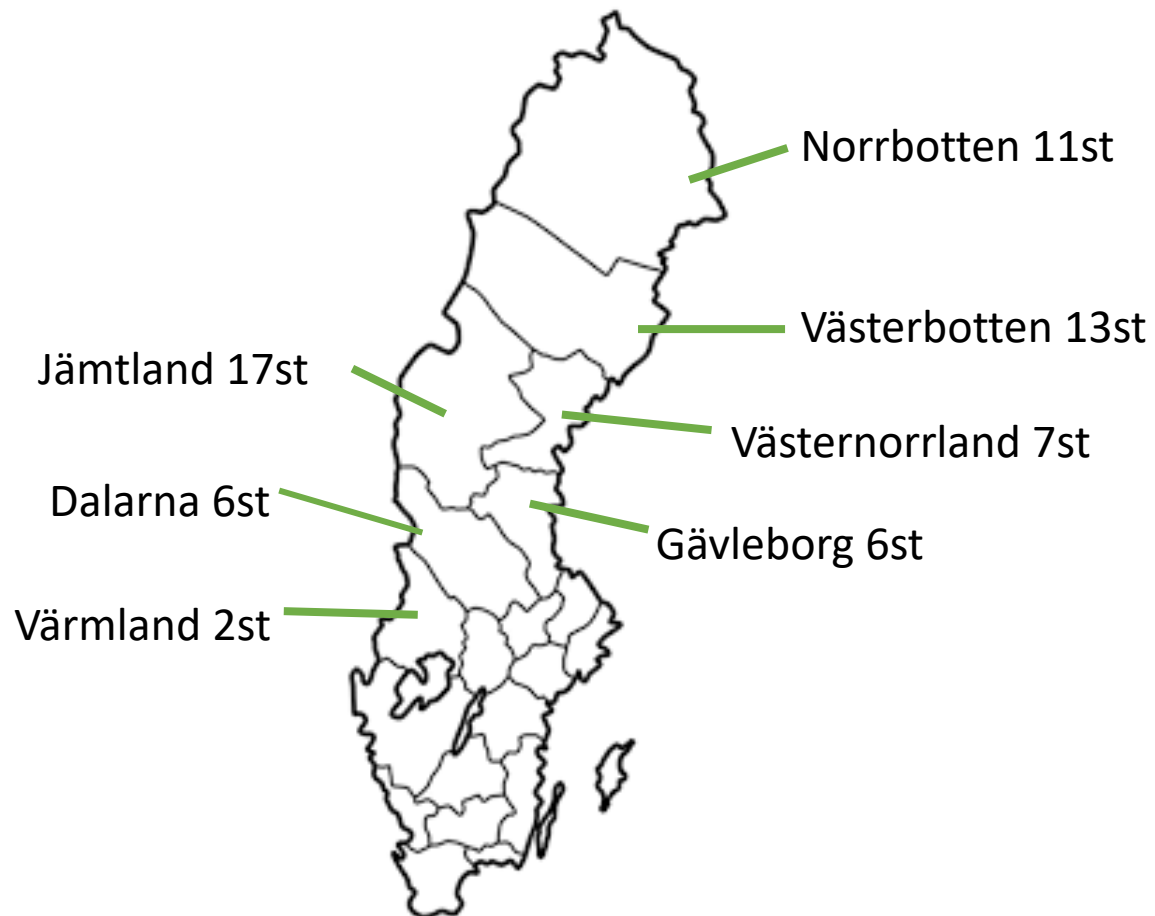
- SEK 2 billion when the company was formed in September 2010

## Strategy

- Direct investments in operating small and medium-sized companies that have a will and ability for expansion and development
- Indirect investments through partners
- Through dialogue and collaboration with the academy, entrepreneurship organizations, authorities, regions, municipalities, banks and other actors in the field, so that interesting investment needs and opportunities are captured.

# Summary

*The geographical spread of investments*



- Made a total of 62 investments in companies and local growth funds in order to increase competitiveness and growth in northern Sweden.
- Acted as an active owner through board representation and with direct advice, information and dialogue with the portfolio companies in, for example, law, financing, recruitment, leadership, internationalization and general business consulting.
- Portfolio days have been held annually with participation from portfolio companies and other relevant stakeholders such as banks and venture capital companies. It has been an arena for skills-enhancing activities as well as contact creation and exchange of experience.
- Through its co-investors, we generated regional, national and international private venture capital for the geographical area
- Through a large amount of information initiatives and outreach activities within the designated geographical area, we have increased its knowledge of venture capital as one of several alternatives for financing growth. The purpose has been to increase the supply and demand of venture capital and through this contribute to the development of the ecosystem regarding venture capital in northern Sweden.

# Conceivable AIP challenges

Overall, a political initiative with market-supplementing regionally oriented venture capital can function satisfactorily, but there can be several challenges. Examples of these are:

- The maturity of the regional business community and knowledge regarding venture capital. Here, its important with competence-enhancing efforts to create greater knowledge in the area through various company meetings and other information initiatives via, for example:
  - Portfolio company days, arena created with skills-enhancing and contact-creating activities
  - Municipal and regional business offices
  - Banks and other prospective financiers
- Limitation of the number of prospective investment objects can be compensated by:
  - A broad portfolio of industries and the size and maturity of companies
  - Relatively higher risk
  - Relatively lower financial return requirements
- A limited number of regional co-investors and their financial capacity can be compensated with, for example:
  - Smaller size of individual investments
  - Networking and efforts outside the geographical investment area in order to find co-investors.

# Conceivable AIP results

Conceivable results with varying effects and values. Examples of these are:

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- The companies can increase their ability to create more commercially sustainable business models as calculations are not based on grants or support, which provides better conditions for long-term survival.
- The companies can create stronger balance sheets, which increase opportunities for other types of financing via, for example, banks
- The companies can increase the competence of their boards via external investors and become more professional
- Increase the supply of regional venture capital in general as the investments can generate venture capital from co-investors both within and outside the geographical investment area.
- Greater regional maturity and knowledge in general regarding venture capital as a means of financing growth.

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- “Public venture capital”, regardless of the size of the investment, may jeopardize the business dialogue with the companies, other owners and other stakeholders, such as banks and municipalities. There is often an external expectation that the “state” should “take responsibility” and, for example, not put a company into bankruptcy or sell its share and always be ready to inject additional capital.
- Repulsive effects of private capital and “to high” valuations

# To think about - AIP in general

- When establishing this type of initiative, set a clear purpose and goal with the market-complementary role.
- That stakeholders understand that this is not grants and “support money”. These are investments that should provide a certain return to ensure long-term ability to continue investing
- To have a good ability to make exits. A basic precondition for revolving capital
- To adapt regulations and goals based on the specific market-supplementing purpose, so that the opportunities to invest and attract co-investors not risk being limited to an excessive extent.
- That state aid rules in some cases are restrictive and not adapted to industry or local conditions. Can make it difficult to achieve goals with specific initiatives, such as investments in sparsely populated areas where the shortage of private co-investors can be great.
- To have a continuous supervision so that government efforts in the area do not compete with functioning markets
- That market conditions can change over time and then have the ability to reassess a specific effort
- To be fully successful you need a professional team with the right skills, experience and network in the specific geographical area

**With the right set up , this type of effort can make a significant difference and create desired lasting effects.**