

Galway Chamber Presentation

12th November 2009

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Dramatic Change in Irish Economy



- ◆ **Overdependence on Domestic Demand & Construction in Recent Years.**
- ◆ **Competitiveness Issues.**
- ◆ **Entrepreneurship & Export Led Growth Vital to Recovery.**

Central Bank Forecast Oct 09

How entrepreneurial is Ireland?



- 2,800 people new business every month (2005 to Mid 2008)*
- 500 High Growth Potential
- Rate at which entrepreneurs starting businesses

Ireland	4.3%
EU average	2.7%
OECD average	3.3%*
- Rate of Established Entrepreneurs was 9%, one of the highest across the OECD.*

How do I Qualify for HPSU support ?

Your company must be :

1. **Recently established** (between 0-4 years from first employee)
2. **Innovative** (operating in a growth sector).
3. **Capable of generating at least :**
 - ❖ **10 full time jobs (in Ireland) - by end of year 3**
 - ❖ **Annual revenues of €1.25M - by end of year 3**
4. **Export focused.**

Funding the Concept (Category One Funding)



- Feasibility/CORD
- Mentor
- Strategic Consultancy
- Market Research
- Trade Fair Participation
- Recruiting Key Person
- eBusiness Initiative
- Training
- Business Accelerators

*Max E.I. Funding is
€65K (over 2 years)
Based on 50% grant*

➤ **Innovation Vouchers (*max. €5,000*)**

Funding the Business Plan (Innovative Funding)



- Evaluation of the Business Plan (which includes Cash Flows).
- E.I. will invest by way of Equity (usually Pref. Shares).
- E.I. will invest based on identified cash need per the Business Plan.
- Typical first investment is ~ €300,000 with additional sums based on achieving agreed milestones.
- E.I. will always look for co-investors (BES, VCs, Promoters)
- Max equity funding by E.I. is €1.25M over 3 years (regions outside Dublin).



Transforming Irish Industry

Start a business

Grow your business

Export

Research & Innovate

Source from Ireland

Home > Start a Business > How we can help you Start a Business?

> Start a Business

> Overview

- 1) Starting a business
- 2) Challenging & validating the business idea
- 3) Seeking advice & funding

What is a HPSU?

Contact Us

FAQs

Finance

How we can help you Start a Business?

> Print Page

We provide advisory and financial support to High Potential Start-Up (HPSU) businesses and encourage all forms of entrepreneurship.

As a HPSU the support you can get from us depends on where you are in the three stages of our start-up development process.

- 1) [Starting a Business](#)
- 2) [Challenging and Validating the Business Idea](#)
- 3) [Seeking Advice and Funding to Develop an Investor-ready Business Plan](#)

Last updated 26/2/2009

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[Sample Business Plan](#)

[Túsnuá](#)

Sources of Equity Finance

Stage of Business Development



Stage in Cycle	R&D	Start-up	Early growth	Accelerating growth	Sustaining growth	Maturity growth
Type of Funding	Proof of Concept Funding	Seed Corn	First Round	Second Round	Development Capital	Replacement Capital MBO / MBI Development Capital
Source of Funding	Enterprise Ireland / CEBs					
	Founders, Family and Friends					
	Business Angels					
	Seed Capital Funds					
	Venture Capital Funds					
					Banks	
					Public Listing / IPO	

Other Funding : BES/Seed Capital Scheme



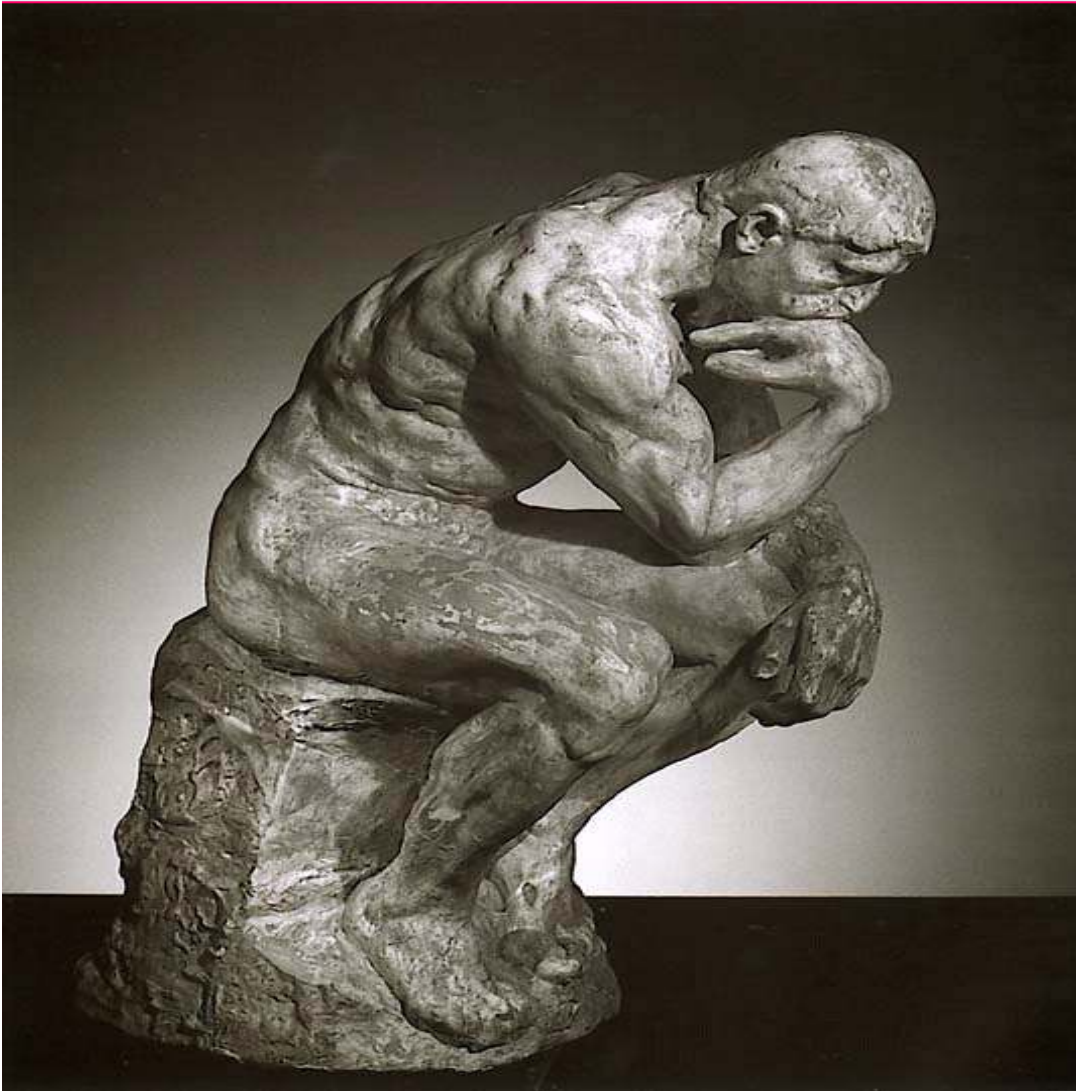
Seed Capital Scheme

- Provides refund (under certain conditions) for PAYE paid over previous 6 years.
- Refund is limited to PAYE paid subject to a max income of €100K pa
- Investment must be in shares in the company and is claimed as a refund of that investment

BES

- Max investment in any one company is €2M (or €1.5M in any 12 month period).
- Relief of €150,000 per investor per annum at marginal rate of tax.
- Scheme expires December 2013.
- Commutation Rules could reduce other State Aids by 20%.

Lessons Learned



***Some of the more
common start up
mistakes.....***

Some common start up mistakes ...



1. **VALUE PROPOSITION** is not clearly defined. Technically brilliant product but does it deliver **VALUE** to the customer?
2. Inability to identify and **QUALIFY** the customer.
3. “Our product has no **COMPETITORS**” !
4. **UNBELIEVABLE** numbers (revenue projections and costs).
5. **UNREALISTIC** expectations on raising cash (time needed and valuations).
It will take 3-6 months. Plan conservatively.
6. Inability to **MANAGE COST** – high burn rate.

Some common start up mistakes ...



6. Inability to identify clear – and achievable – **MILESTONES**.
7. ‘Unbalanced’ **MANAGEMENT TEAM** – dominant CEO with little commercial experience. Recruiting a good CEO costs money & equity.
8. **WEAK BOARD** (non commercial). Securing a hard-nosed, no nonsense, commercial Chairman is invaluable.
9. Inability to plan for **CONTINGENCIES** (they will happen !! – Reilly’s Law).
10. No **EXIT STRATEGY** (an absolute must for BES / VC funding).

Thank You !

Thinking of starting a business
with export potential?

