

Case Study 10.3. Norsk Innovasjonskapital at Bergen Teknologioverføring

CRITICAL AREA OF FOCUS 3: “Accessing finance and interacting with financial stakeholders”

BEST PRACTICE FOR: “University seed funds”

AIMED AT: TTOs

TTO: Bergen Teknologioverføring AS (BTO)

UNIVERSITY: University of Bergen, Haukeland University Hospital, the Institute of Marine Research, Bergen University College and Siva (Norway)



The context:

Founded in 2004, **Bergen Teknologioverføring AS (BTO)** is a regional TTO serving 10 universities and research institutes in the Bergen area. It is owned by five of them (University of Bergen, Haukeland University Hospital, the Institute of Marine Research, SIVA - Industrial Development Corporation of Norway, and Bergen University College). Together, BTO's partners and owners employ about 4,000 researchers with a combined research budget of over EUR 425 million.

The BTO team consists of 30 highly skilled and experienced people covering the full range of technology transfer services from securing IP to commercialization activities. A particular focus is on business development and start-up support. Since 2013, BTO also runs an incubator facility for start-up companies in Bergen and is responsible for the administration of clinical trials at Haukeland University Hospital.

The problem:

In order to move early, high-potential projects effectively towards an advanced technology readiness level, BTO has adopted a proactive approach to start-up development. TTO staff takes on operational tasks and sometimes acts as an interim CEO. While this works extremely well during the early phases of project and company development, it becomes increasingly difficult when start-ups grow successfully and funding requirements rise steeply. The amount of time needed to attract appropriate investments goes far beyond what BTO can do with its own resources and funding options.

The solution:

BTO, two further Norwegian TTOs (Kjeller Innovation, Oslo, and NTNU, Trondheim) and Televenture, a leading early phase venture capital firm in Norway, set-up a new investment company, Norsk Innovasjonskapital AS (NIK), in August 2010. Managed by Televenture, it pursues an innovative funding concept: The fund first selects investment opportunities, i.e. early stage start-up companies from the TTOs portfolios, and then it raises money from private investors to develop these companies to the next value level.

It presently has 4 funds under management, NIK I-IV. The first three of them were established as separate funds, one per TTO (mainly because the TTOs entered one after the other into the negotiation process), and the fourth one is a joint fund for all three TTOs.

In total, 28 companies were selected for the funds NIK I-III, and a total of approximately EUR 150 million was raised from private investors for all three funds. There was no contribution from government or public bodies and no cash contribution from the universities and TTOs (but they contributed their respective shares in the companies which were exchanged for shares in the NIK funds).

The approach worked as follows. Each TTO develops its start-up companies through the initial stages of project validation, incorporation and early growth. NIK management then screens the TTOs' portfolios and picks the most promising start-ups for the fund. They are looking for innovative, validated technologies and convincing business concepts, but these can be fairly early in terms of their development stage. They cover a broad range of sectors and various business models, including service and product businesses. BTOs experience is that about 20% of its start-ups will be selected by NIK.

The companies of choice are then transferred to NIK in return for shares in the fund. From then on, BTO will not own shares directly in the startups. After this transaction, the fund managers will market the selected companies to potential investors who are invited to meet them and learn about their projects and projections.

The fund management is responsible for fundraising and developing its portfolio companies to the next value level. The managers themselves contribute to strategic issues on board level and frequently bring in new people at the operational level to lead and support the ventures. The further role of BTO varies case by case. Finally, the fund management will sell either individual companies or the whole fund. NIK I-III, comprised of a total of 28 start-ups, are now to be sold as a whole package, some five years after their initiation.

Alignment to PROGRESS-TT:

This case is a good illustration of the “University seed funds” Best Practice in PROGRESS-TT Critical Area of Focus 3 “Accessing finance and interacting with financial stakeholders”.

The approach proved to be extremely successful. Since NIK was established in 2011, it has raised EUR 60 million from 130 investors. About 25% of them have not only invested into the fund, but additionally into individual start-ups from the NIK portfolio. NIK funds have thus attracted more money than has been invested in Norway through seed financing schemes which include risk-reducing matching funds from government. This is remarkable, even more as the start-ups selected by NIK are early stage, i.e. high-risk. The current fund is valued in the three-digit range, as assessed by external experts. Having started out with companies valued somewhere near zero, this represents a dramatic increase in value for the TTOs, their PROs and inventors.

Two aspects clearly differentiate NIK from other early-stage investment tools: First, marketing is based on distinctive high-tech stories which open up a world of opportunities for potential investors. Secondly, NIK management provides a professional, trusted set-up for adding value to these stories. This is a unique combination that obviously sells. The principle can be replicated by other TTOs all over Europe. Moreover, it can be started fairly small and extended to multiple organisations later. It is also possible to pool projects from various sources according to themes and adopt a portfolio approach to development.

One lesson learnt is that a regional focus is not relevant to investors. NIK II was established as a regional fund for the Bergen area, but it turned out that investors came from all over Norway and abroad – just as for NIK I and III.

Critical success factors include significant business development skills and an entrepreneurial mindset enabling the TTOs to build up an attractive pipeline of projects for the fund to choose from.

Overall, the NIK approach has proven very effective in moving early-stage projects to the next value level while taking away significant workload from the TTOs as the investment requirements of their start-ups rise steeply.

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