

## **Tesi's Performance and Results H1 2019**

Finnish startups attract the  
most investments in Europe  
from VC investors

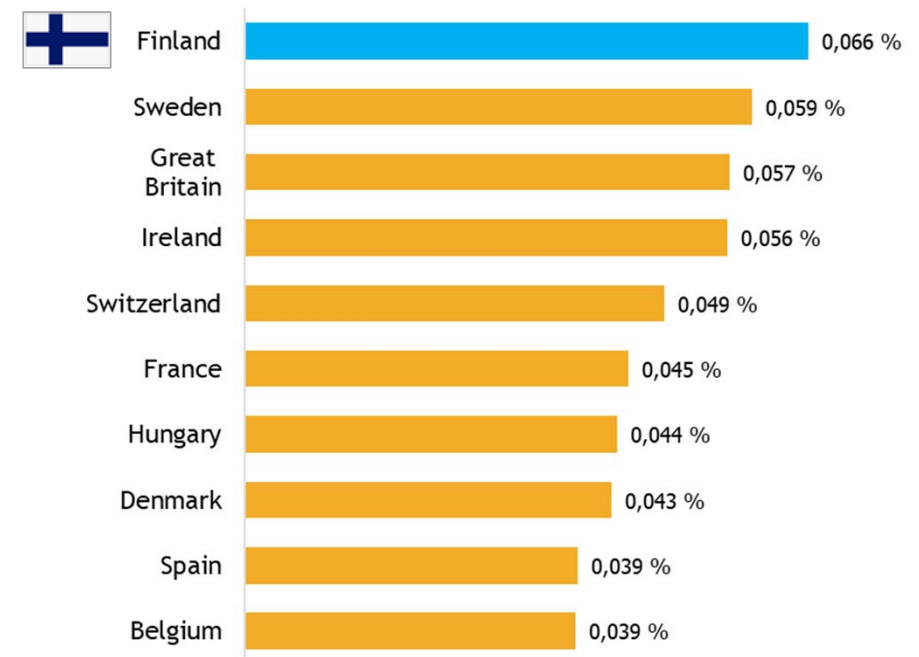
# Key figures

	H1-2019		H1-2018	2018
<b>Tesi's operations</b>				
	76 M€	New investments and commitments	87 M€	121 M€
	13 M€	Profit for the period (after taxes)	46 M€	55 M€
<b>Impact on market</b>				
	456 M€	Investments in Finland by Tesi and its co-investors	327 M€	431 M€
	24 M€	International capital in Finnish growth companies through our network	85 M€	123 M€

# Finnish startups attract the most investments in Europe from venture capital investors...

- ◆ Finnish startups attract most risk financing compared to European peers in relation to GDP
  - In addition to the rising quality and innovativeness of Finnish companies, international investors are showing heightened interest in Finland, and corporate venture capital players are also more active in Finland
  - The availability of risk financing over the past few years contributed to the raising in 2019 of the first financing rounds in Finland to surpass the €100m (see next page)
  - Continuation over the longer term of this positive development will depend on the market's ability to finance seed-phase companies
- ◆ The Finnish market still has room for growth in minority investments (growth investments) in later growth-stage companies, an observation supported by the FVCA's Invest Europe statistics

VC investments in European early stage companies / GDP (averages 2014-2018)



Source: FVCA / Invest Europe

## ...and that has supported companies becoming globally attractive

- ◆ Although there has been an increasing number of venture financing rounds exceeding 10 M€ in Finnish startups since 2015, a new market phenomenon has been individual rounds of over 25 M€, and even over 100 M€, during 2018-2019
  - All these companies have raised smaller financing rounds in earlier years
- ◆ In addition to providing large pots of risk financing, international investors contribute their expertise and networks to Finnish companies implementing ambitious growth strategies
  - When they succeed, these global pioneers will have the potential to become flagship companies in their own clusters, and in so doing support the surrounding ecosystem and the wider positive development of Finland's national economy

Venture financing rounds  
exceeding 25 M€ raised by growth  
companies with Finnish roots

  
*175 M€ (2019)*  
*Software for retail sector*

  
*110 M€ (2019)*  
*Restaurant delivery technologies*

  
*44 M€ (2019)*  
*BI service platform*

  
*33 M€ (2018)*  
*Game company*

  
*29 M€ (2018)*  
*Satellite technologies*

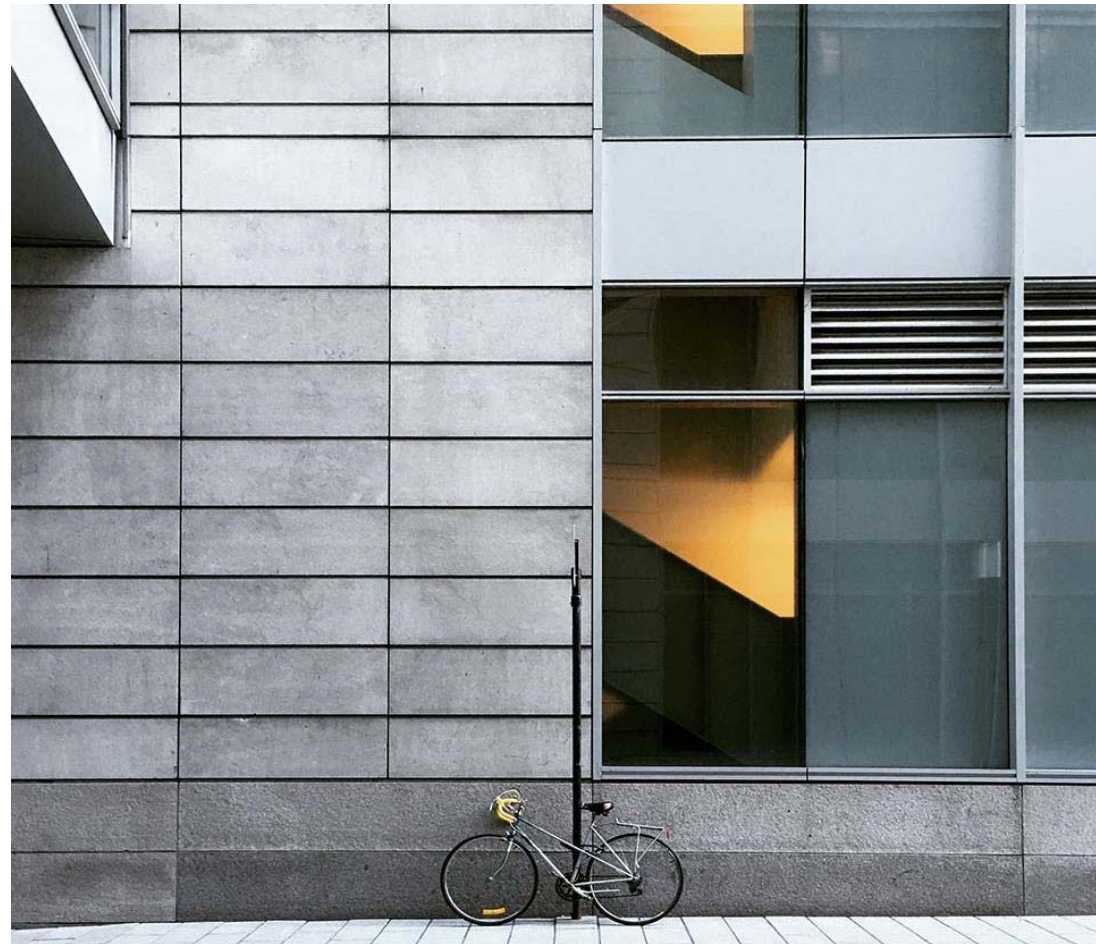
  
*27 M€ (2018)*  
*VR technologies*

Source: 'Talouselämä'  
business magazine

# Targets and results

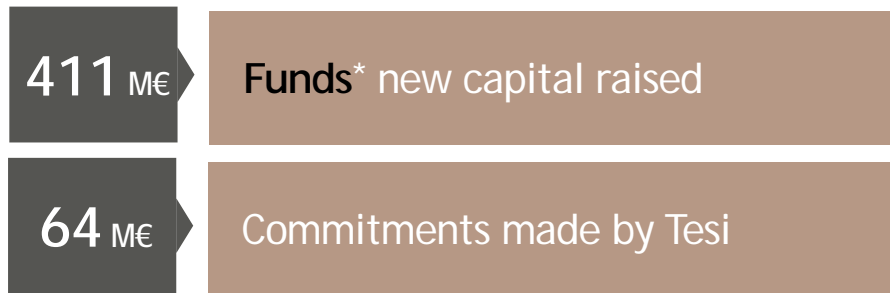
TARGETS	RESULTS	2017	2018	H1 2019
We invest in growth	→ Investments <b>76 M€</b> 7 fund commitments and 12 direct investments	149 M€	121 M€	76 M€
We develop the Finnish VC/PE market	→ Co-investments in Finland through our networks <b>456 M€ capital</b>	479 M€	431 M€	456 M€
We operate profitably	→ Consolidated net profit <b>13 M€</b>  → Retained earnings from Tesi's operations, total <b>354 M€</b>	66 M€	55 M€	13 M€





**Investments**

# Investments and commitments H1 2019



\* Finnish funds, with Tesi acting as catalyser H1 2019



\* Companies, with Tesi acting as catalyser H1 2019

CapMan

EVOLVER

WIREPAS

LeadDesk

kotisun  
Huolettomampaa asumista



ARMADA

CREANDUM

Uusioaines Oy

UNISPORT

ZSAR  
OUTLET VILLAGE

# EFSI, growth financing for the ambitious: case Wirepas



## EFSI financing

- ◆ A 100 M€ programme channelling financing from the European Fund for Strategic Investment (EFIS) into Finnish companies' growth.
- ◆ Part of the Investment Plan for Europe, which aims to boost the investment and competitiveness of European SMEs.
- ◆ The financing (15-30 M€ per company) is targeted at growth-oriented SMEs and innovative midcap companies.
- ◆ For investments in a company, one-half will come from the EFIS and one-half from Tesi. The model will supplement the financing currently available.
- ◆ One requirement is that private investors participate to an equal extent in the funding vehicles.

## Case Wirepas

- ◆ A Finnish software company that has built a wireless connectivity platform solving the major challenges of the Industrial Internet of Things (IIoT) and enabling broad adoption of Massive IoT.
- ◆ Decentralised IoT network protocol that can be used to connect, locate and identify lights, sensors, beacons, assets, machines and meters in cities, buildings, industry, and in the logistics and energy sectors.
- ◆ The investment in Wirepas is the first to take advantage of Tesi's new EFIS financial mechanism.
- ◆ Our investor partners are ETF Partners, Inventure, KPN Ventures and Vito Ventures.

**"When we formed this co-investment platform with Tesi, this is the kind of investment we had in mind. Although already quite competitive, in the Finnish equity investment landscape especially larger equity investment rounds were seen to be lacking investor support."**

Alexander Stubb, EIB's Vice-President



# Circular Economy programme has positive environmental impacts: case Partnera Glass Recycling



## Circular Economy programme

- ◆ In 2018 we launched a 75 M€ investment programme for financing circular economy companies. In addition to direct investments, the target is to create venture capital funds investing in Finland's circular economy.
- ◆ The circular economy is a broad concept encompassing renewable materials, lengthening product lifecycles, products as a service, resource efficiency & recycling, and a sharing economy.
- ◆ The objective is to boost the growth and internationalisation of existing companies and encourage the creation of new funds investing in the circular economy.
- ◆ Under the programme, we have invested in Partnera Glass Recycling (formerly Uusioaines) and in Environmental Technologies Fund 3.

## Case Partnera Glass Recycling

- ◆ Partnera Glass Recycling (formerly Uusioaines) is a glass-cleaning and foam glass manufacturing company. Finnish Uusioaines and Swedish Hasopor form Europe's leading manufacturer of foam glass.
- ◆ Tesi has co-invested in the company with investor Partnera.
- ◆ Increasingly stringent European regulation will raise glass recycling rates and open up markets for the consortium formed by Uusioaines and Hasopor. The EU's goal is for 75% of all glass to be recycled by 2030.
- ◆ The measurable impact targets set for investment are a reduction in waste going to landfill sites, and energy savings in glass manufacturing.

**“An impact investment study pilot setting measurable impact targets for investees will be formulated for the Circular Economy programme. These targets could be e.g. reduced emissions or energy savings. Implementation of the objectives will be monitored during the investment.”**

Matti Kangas, Growth & Industrial Investments



# FoF Growth funds: case Maki.vc

## FoF Growth funds

- ◆ The FoF Growth funds are funds-of-funds jointly established by Tesi and Finnish pension funds. They are managed by Tesi.
- ◆ The FoF Growth funds help pension companies invest in Finnish VC and growth funds, thus making more skilled capital available to growth companies.
- ◆ **150 M€ FoF Growth III**
  - ◆ Investors: Tesi and pension companies Ilmarinen, Keva, State Pension Fund of Finland, Elo, LocalTapiola and Fennia.
  - ◆ FoF Growth III has so far invested 47 M€ in five funds.
  - ◆ FoF Growth III's portfolio funds, in turn, have invested in over 20 companies that employ 700 people and generate net sales of over 53 M€ in Finland.

## Case Maki.vc

- ◆ Early-stage venture capital fund that invests in technology companies.
- ◆ Fund founded by Iikka Kivimäki and Pirkka Palomäki.
- ◆ The size of the fund is 80 M€.
- ◆ Investors: In addition to the founders, Maki.vc's other investors include Risto Siilasmaa (Chairman of Nokia), Iikka Paananen and Mikko Kodisoja (co-founders of Supercell), and Mistletoe Venture Partners International (founded by Taizo Son). Also institutional investors, such as banks (OP, Nordea) insurance companies (Varma, Ilmarinen) and Tesi.

“The FoF Growth concept gives us an opportunity to have an even stronger presence in the Finnish venture capital sector. And, most importantly, judged on the basis of FoF Growth I's results, returns are adequate— so, the concept works well.”

Maarit Säynevirta, Head of Investments at the State Pension Fund of Finland

## Tesi's fastest grower and internationaliser: Oura Health

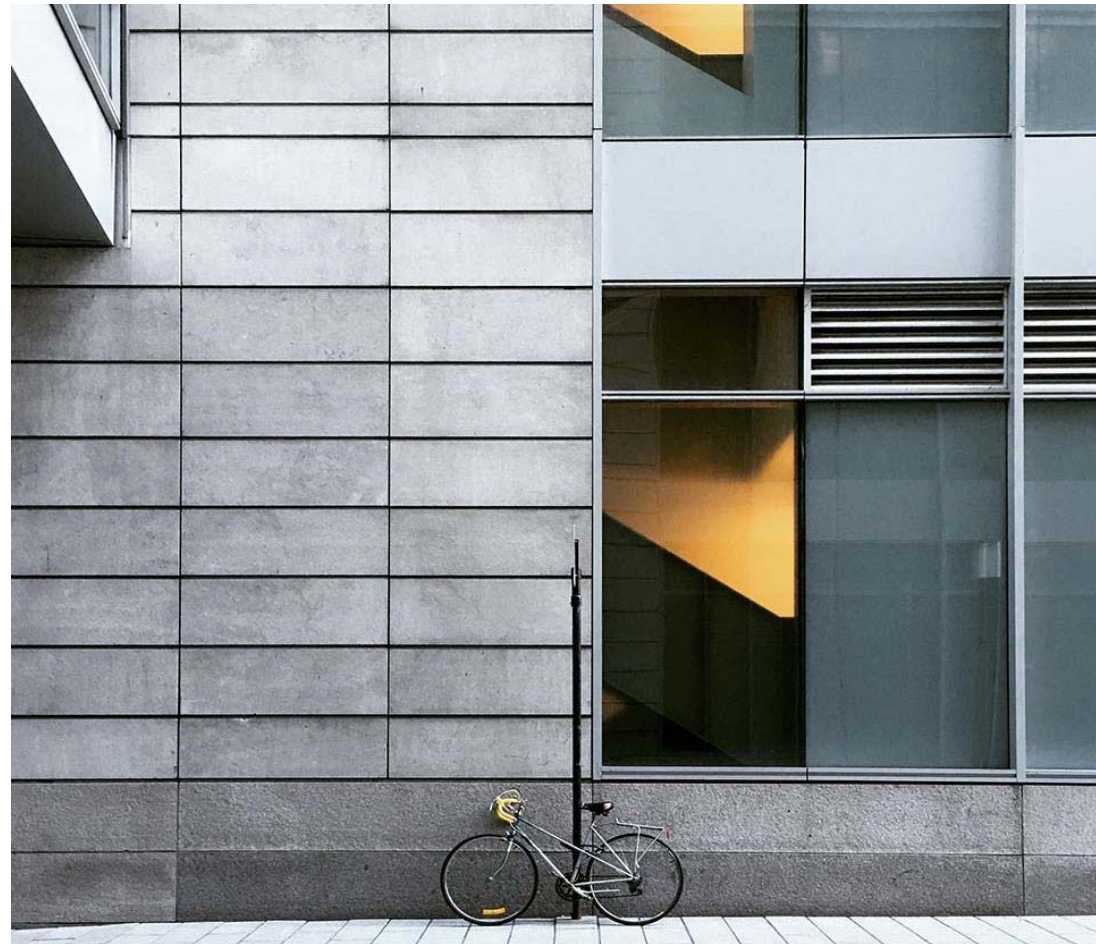
- ◆ Technology company Oura Health develops and sells a ring that measures the quality of sleep, alertness and activity level of the wearer.
- ◆ Oura's aim is to encourage and support the wearer's awareness of this data, thus guiding the user towards better quality of life.
  - ◆ *Net sales increased by 346% compared to the previous year*
  - ◆ *Net sales grew at a rate of 885% p.a. over the last three years*
  - ◆ *Number of personnel grew by 88%*



“Wellbeing is a megatrend of huge social importance. Oura's strong growth is founded on people's heightened interest in influencing the quality of their own lives. The company's growth is underpinned by an attractive story and a high-quality product. In future, Oura will offer more personalised instructions by applying artificial intelligence to improving sleep quality and waking alertness.”

Jussi Sainiemi, Tesi's Investment Director, Venture Capital





## **Profit and balance sheet**



# Result

- ◆ Profit for the review period was 13.4 M€
- ◆ VC/PE investments produced a net loss of 3.6 M€ in H1
  - ◆ There were decreases in the fair value of many direct investments due to operative reasons and changes in the market environment
  - ◆ Overall, the exit market has been quieter during the review period compared to the last few years
- ◆ Net gains from financial securities was 25.4 M€, corresponding to a 6.3% return for average capital
  - ◆ Capital markets have recovered from their Q4 fall, added to which the sharp fall in interest rates supported fixed-income investments

## Consolidated statement of comprehensive income

EUR thousands	1-6/2019	1-6/2018	1-12/2018
Net gains from funds	11 290	41 877	71 717
Net gains from direct investments	-14 874	21 567	17 947
<b>Net gains from investments, total</b>	<b>-3 584</b>	<b>63 444</b>	<b>89 664</b>
Net gains from financial securities	25 419	-1 364	-14 305
Income from fund management	613	300	938
<b>Other operating income, total</b>	<b>26 031</b>	<b>-1 064</b>	<b>-13 367</b>
Personnel expenses	-2 462	-2 359	-4 689
Depreciation and impairment	-261	-114	-213
Other operating expenses	-2 051	-1 904	-3 649
<b>Operating profit</b>	<b>17 673</b>	<b>58 003</b>	<b>67 748</b>
Financial income and expenses	-41	-79	-69
<b>Profit before taxes</b>	<b>17 633</b>	<b>57 924</b>	<b>67 678</b>
Income Taxes	-4 186	-11 585	-13 066
<b>Profit after taxes</b>	<b>13 447</b>	<b>46 339</b>	<b>54 613</b>
<b>Total comprehensive income for year</b>	<b>13 447</b>	<b>46 339</b>	<b>54 613</b>

# Balance sheet

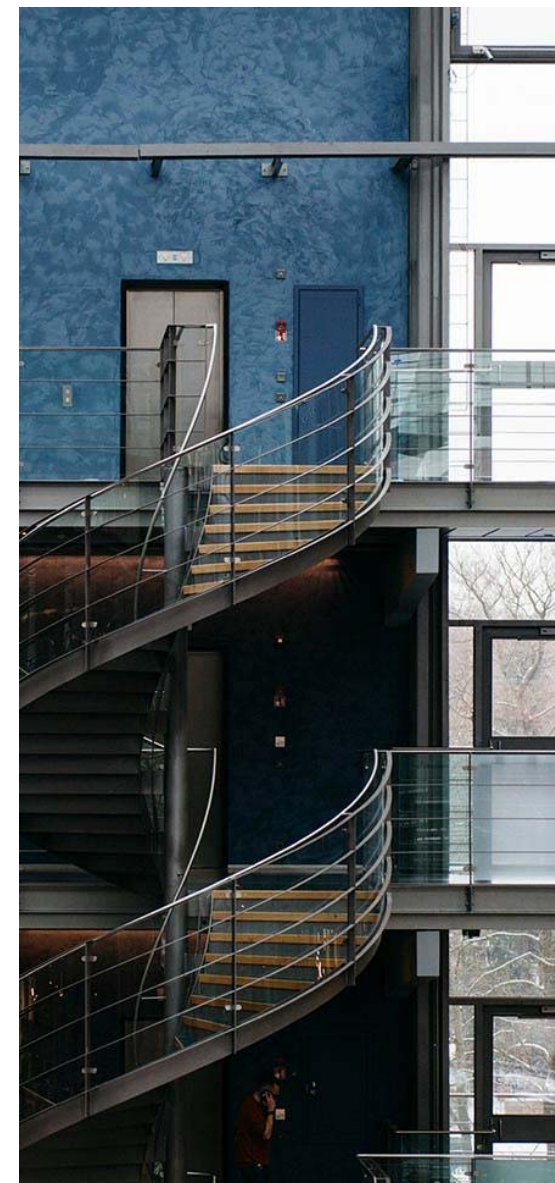
- ◆ Carrying value of VC/PE investment was 605 M€.
- ◆ Carrying value of financial securities (non-current and current assets) and cash & cash equivalents was 432 M€, which covers the company's off-balance-sheet external investment commitments.
- ◆ Tesi's Circular Economy programme was successfully launched, with investments and commitments made already amounting to 10 M€. Some 65 M€ of the programme is yet to be invested.
- ◆ The first investment in a portfolio company made with the European Investment Bank under the EFSI co-investment programme was made during the review period.
- ◆ The largest change in shareholders' equity of 1,024 M€ was the 14.5 M€ investment made by the State in an invested unrestricted equity (SVOP) fund relating to Tesi's new 75 M€ Circular Economy programme.

## Consolidated balance sheet IFRS

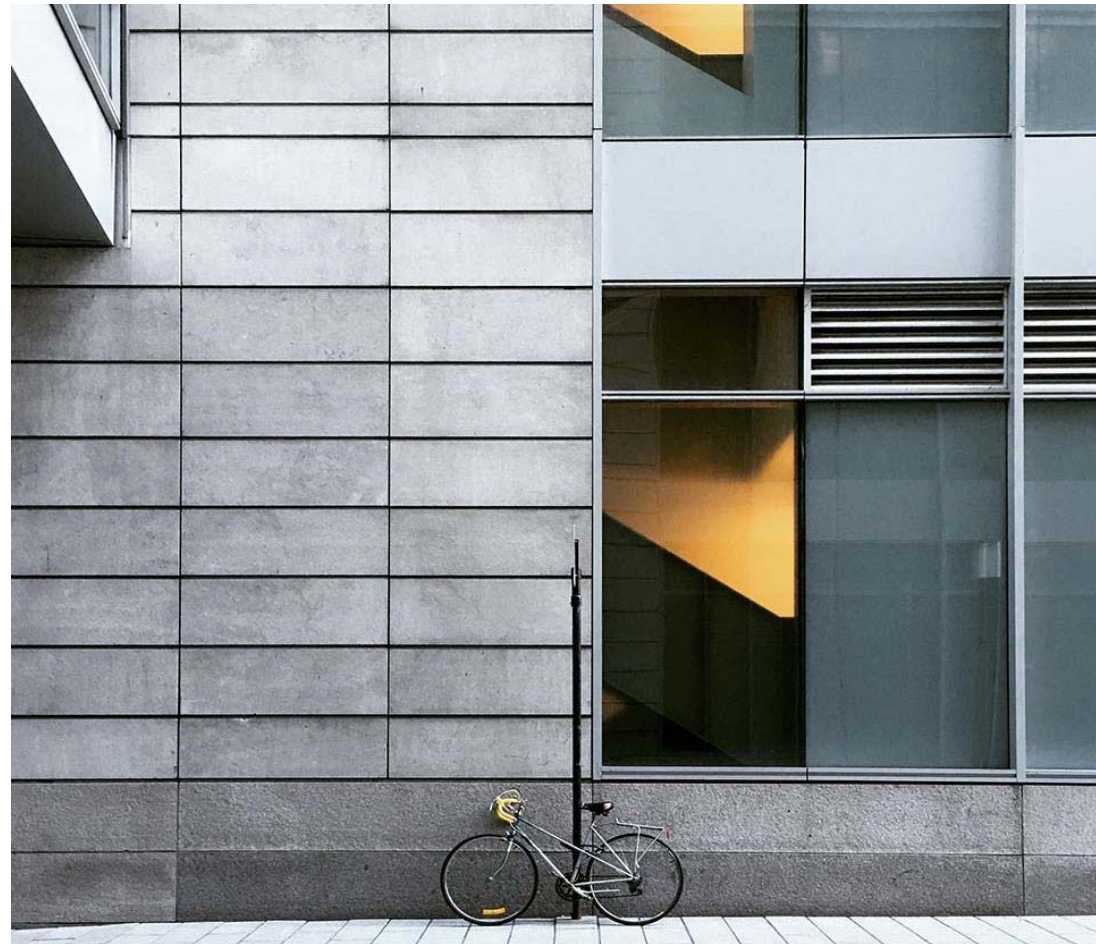
EUR thousands	30.6.2019	31.12.2018	Change
<b>Assets</b>			
<b>Non-current assets</b>			
VC & PE funds	378 106	370 529	7 577
Direct investments	226 878	235 118	-8 240
<b>VC &amp; PE investments, total</b>	<b>604 984</b>	<b>605 647</b>	<b>-663</b>
Other non-current assets	41 386	40 114	1 272
<b>Short-term assets</b>	<b>408 777</b>	<b>384 781</b>	<b>23 996</b>
<b>Assets, total</b>	<b>1 055 147</b>	<b>1 030 542</b>	<b>24 605</b>
<b>Equity, total</b>	<b>1 023 884</b>	<b>995 959</b>	<b>27 925</b>
<b>Non-current liabilities</b>	<b>28 092</b>	<b>28 092</b>	<b>0</b>
<b>Current liabilities</b>	<b>3 171</b>	<b>6 491</b>	<b>-3 320</b>
<b>Liabilities, total</b>	<b>31 263</b>	<b>34 583</b>	<b>-3 320</b>
<b>Equity and liabilities, total</b>	<b>1 055 147</b>	<b>1 030 542</b>	<b>24 605</b>

## Events after review period and prospects for year end

- ◆ After the review period, we invested in quantum computing startup **IQM Finland** and also in **Picosun**, a provider of advanced ALD (Atomic Layer Deposition) thin film coating technology. We made a fund investment in the **Lifeline Ventures IV** fund, which invests in early-stage companies.
- ◆ In the second half of the year, we will realise from our deal flow a number of fund investments and direct investments that we have prepared during the review period.
- ◆ Despite the growing economic uncertainty, Finnish venture capital funds have raised ample investment capacity to provide follow-on financing to growth companies over the next few years.
- ◆ Solving global problems opens up a market that favours new creative companies reinforced with partnerships. **Technology can effectively solve the world's major problems**, further strengthening the link between impact investing and profitability, in addition to making positive social and environmental impacts.
- ◆ Together with our entire personnel, we have crafted a strategy that extends our vision to 2030. Our strategy is founded on the ability of companies to produce solutions to global problems. **Well-timed financing, skilled ownership and effective networks will create the world's new success stories**. There is still a need to attract supplementary capital and expertise into Finland to support the country's investment industry and corporate growth.
- ◆ Currently under construction, **our data model will facilitate fact-based identification and analysis of market bottlenecks**. We also want to share fundamental information about the VC/PE market by drawing on in-house data, data in the public domain, and accumulated experience.







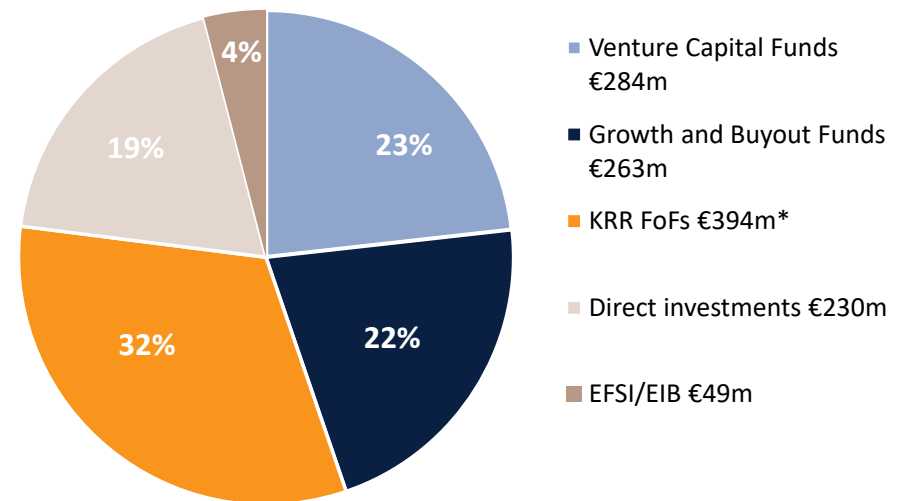
**More about Tesi**



# Expertise and experience to support funds and growth companies

- 87 funds
- 3 funds-of-funds
- 48 direct portfolio companies
- 100-150 M€ new investments per year
- 24 years' experience of developing Finland's VC/PE market
- 300 years' experience of VC/PE investment and corporate financing
- 36 employees in Helsinki
- 100% state-owned

Investments under management €1,220m  
30 June 2019



\* The FoF Growth funds managed by Tesi (3 altogether) include a total 229 M€ of pension funds' capital

# A network of Finnish and international investor partners

USA



Asia





**Ambition for  
ownership and  
success**

[tesi.fi](http://tesi.fi)

[dtg.tesi.fi](http://dtg.tesi.fi)

Twitter: @TesiFII