

Venture Capital - Private Equity



Proven track record

84

Team has Invested in ~100 companies,
>200 investment rounds, mostly in the
Nordics and Baltics

**Market cap of
the portfolio
companies 1B€***

**Portfolio generated
revenue >500M€***

180M€*

Portfolio raised financing

30M€

Under management

Strong deal flow

Science Venture Program in 11 Nordic tech universities,
investments in 6 countries across Nordics and Baltics. Solid
reputation as one of the leading deep tech and hardware
focused seed stage VC's in the Nordics, frequently referred
to by portfolio entrepreneurs.

IRR

Previous fund portfolios tracking at
8% to 61% IRR

Exits

11 positive exits,
average IRR 50%
and multiple 8X

**SMALL
GIANT
81X**

Daisy*

14X

CUBICASA

7X

* Sum of active portfolio and the exited portfolio at the point of exit.

First carbon neutral & most active Nordic VC

Forbes

This Finnish VC Firm Says It's The First To Be Carbon Neutral

Butterfly Ventures invests in the seed stage startups from Finland, Nordics, and Baltics. As a young venture capital (VC) firm with a €30 million fund, they also chose to ensure that all their operations are carbon neutral on an annual basis.

\sifted/
backed by
FINANCIAL TIMES

Venture Capital Analysis: Where are the 'most powerful' European VCs?

The report lists 54 VC funds in the Nordics [and Baltics]. The five most active funds in 2020 were from Finland (Butterfly and Tesi) and Sweden (Luminar Ventures, Spintop Ventures, Accent Equity).

Sources: Forbes, Sifted backed by Financial Times

Partners

Matti Kanninen

Co-founder, Managing Partner (FIN): M.Sc. in Technology, seasoned executive, in management positions since 1990, in startup and growth company financing, fund raising and management since 2008, VC since 2012, participated 100+ investment rounds.

Juho Risku

Co-founder, Partner (FIN): M.Sc. in Economics (thesis about the effects of VC-Founder relationship quality), serial entrepreneur since 1996, VC since 2012, participated 100+ investment rounds, visionary technology guy and an enthusiast ice climber and mountaineer.

Tanya Horowitz

Partner (SWE): A seasoned asset manager and M&A investment banker from NYC, co-founder of CAP A. Partner of Butterfly Ventures since 2016.

Ville Heikkinen

Partner (FIN): Hands-on transaction and fund management specialist with 15 years of experience in entrepreneurship, VC financing, M&A and technology management, L.L.M and M.Sc. in Economics, Partner of Butterfly Ventures since 2014.

Megatrend challenges driving the change

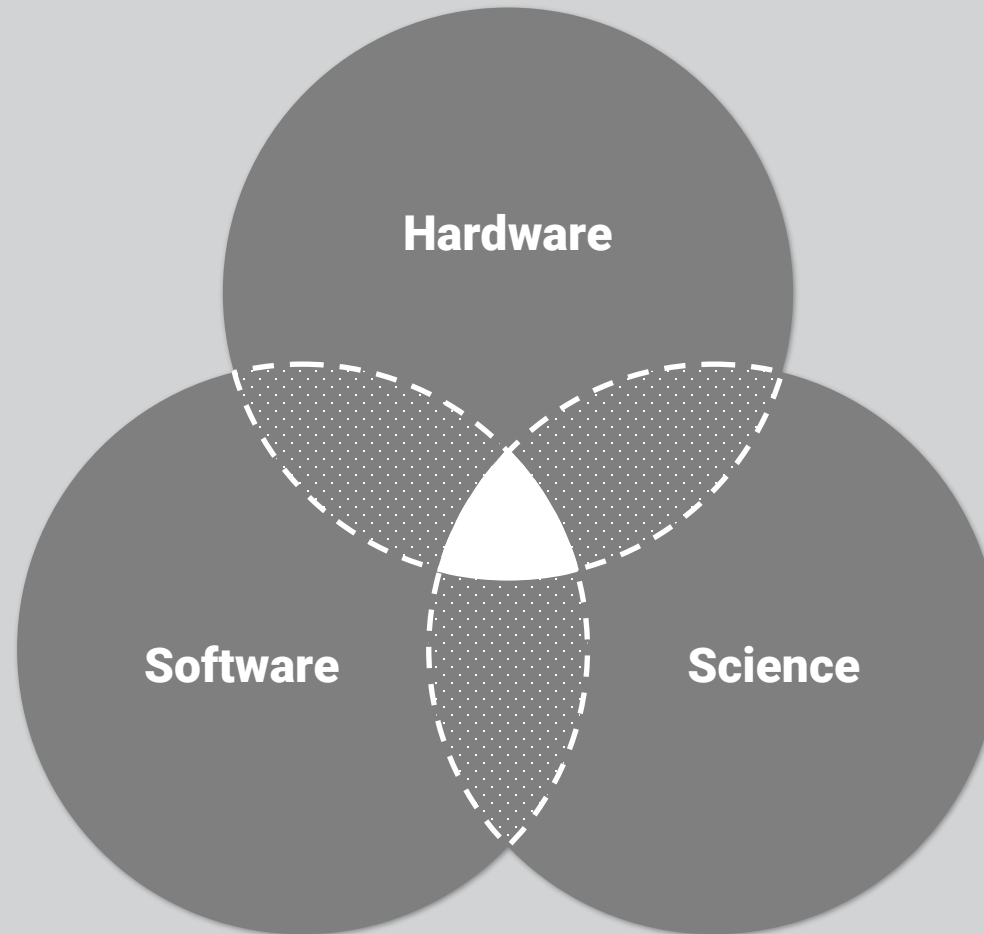
- 1. Climate change and resource scarcity**
- 2. Demographics and social change, aging**
- 3. Rapid urbanization**

Sources: Blackrock / Megatrends: The Forces Shaping Our Future

Where the world defining problems are being solved

Software driven hardware: Products assembled mostly from off-the-shelf or out-sourced components and relies heavily on software to deliver the value, extend the existing functionalities and provide new business models. Often software also replaces the need of more complicated hardware parts.

REVONTE SAROKAL
TEST SYSTEMS



Hardware deep tech: Science driven hardware technologies, that typically fundamentally change how things are done and what is considered possible.

XFOLD IMAGING GEYSER BATTERIES

Software deep tech: For example artificial intelligence and other such software that either provides interpretation of the physical world and phenomena we observe or controls systems and devices we rely on.

MediTuner CUBICASA

Venture Capital and Private Equity



Startup Ecosystem

1. Courage

Increasing the appreciation of entrepreneurship through events, champion stories, education etc.

1. Decision

2. Exposure, Understanding, Jargon, Norms

Inclusion of the topic into the University courses and training by experienced profs

2. Orientation

3. Mentoring and training

Incubators, accelerators and training by experienced profs

3. Skills and tools

More opportunities
Market Selection
Accept Failure

4. Resources

4. Know how, innovations and funding

Public and private technology transfer, academic research based innovation and early stage funds

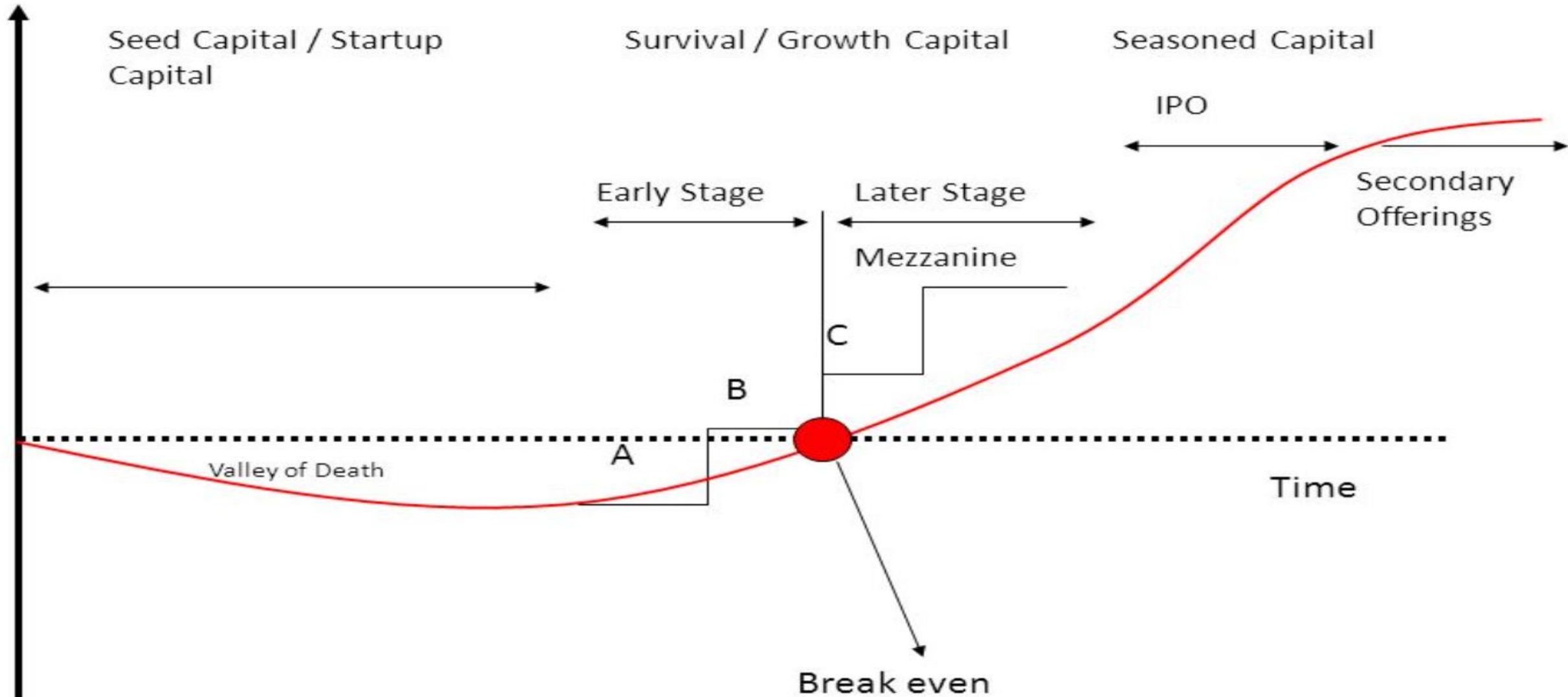
5. Entrepreneurship

5. Success

Celebrating champion stories

Financing Lifecycle – High Potential Venture

Cash Flow



Venture Capital (VC)

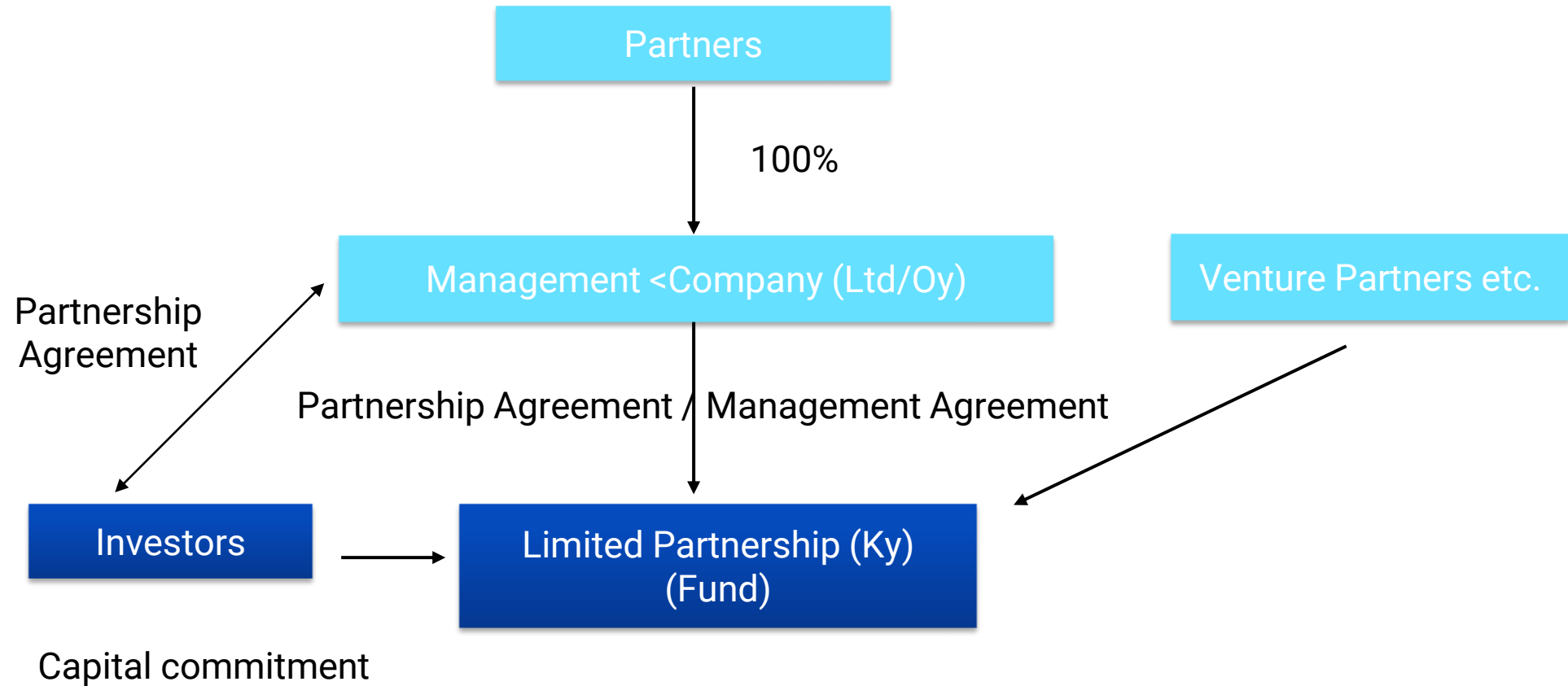
High Risk – High Yield

- Equity investment (Shares, Convertible loans, Options)
- Minority stake
- Active participation in target company (business development, management and networking)
- Exit

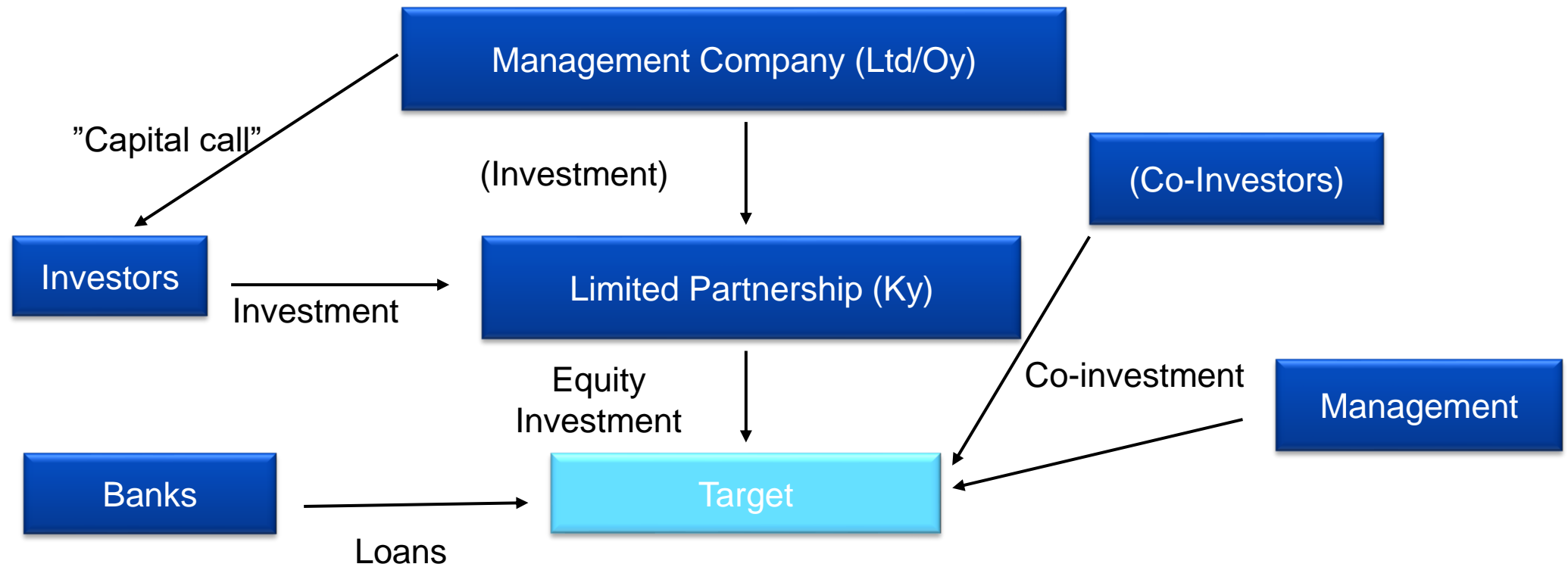
Private Equity (PE)

- More later stage companies
 - More "moderate" risk and yield than in VC
- Majority stake
- Often management team incentivised with shares
- Leveraged buyout (LBO)
 - Use of debt and target company's assets and shares as guarantee of the loan

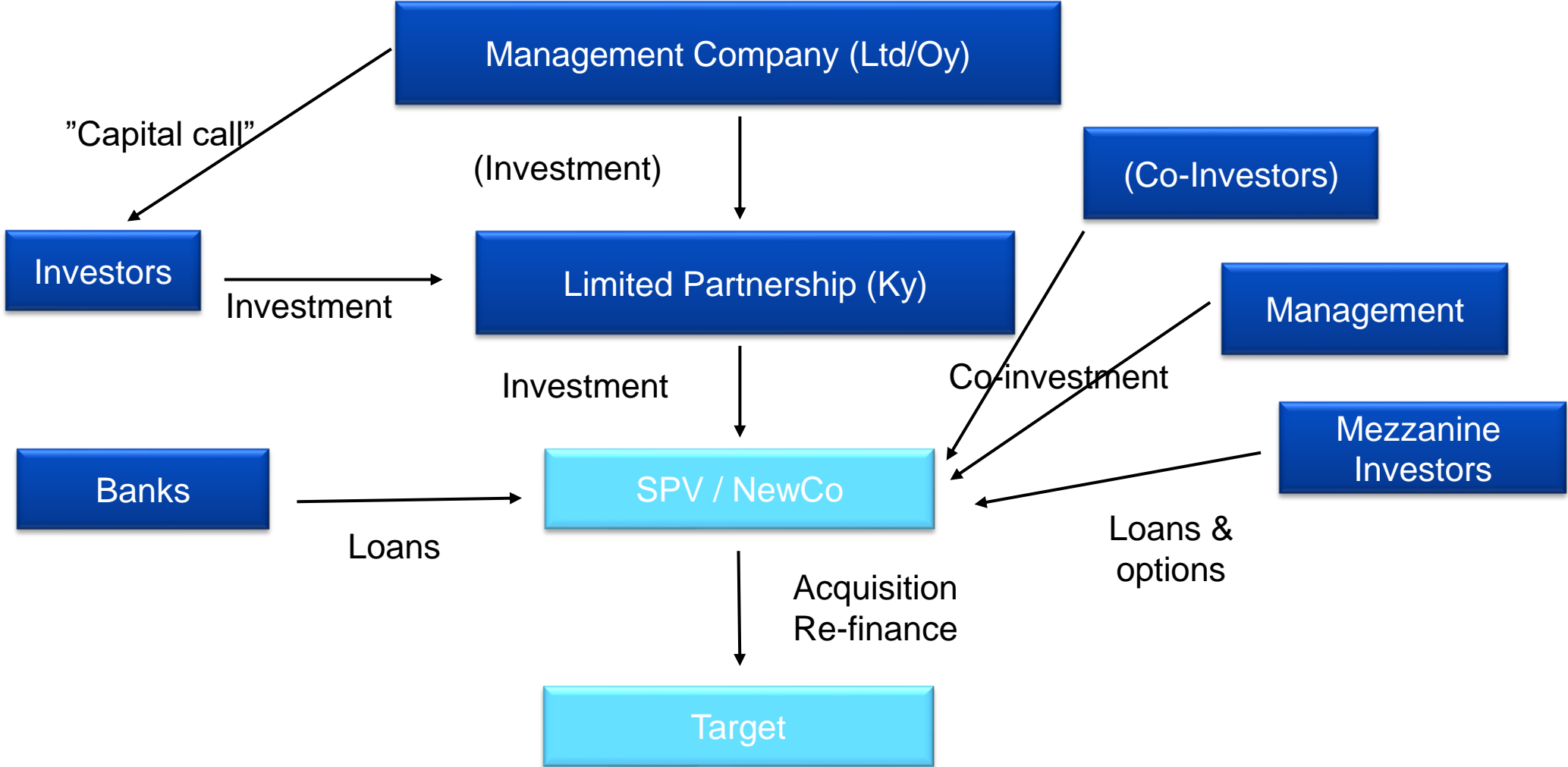
Fund Structure – VC + PE



Investment (VC + Growth)



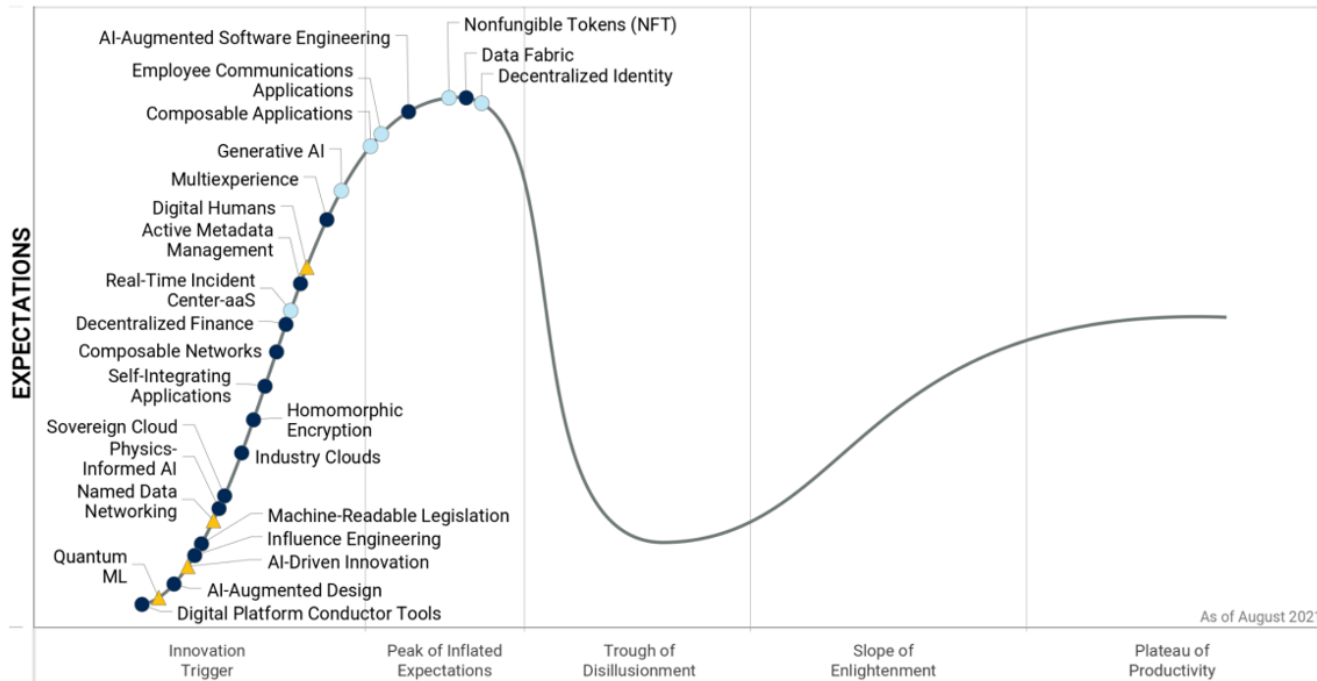
Investment (PE + Growth)



Valuation

- Corporate Finance Institute: 3 most important valuation methods
 - DCF analysis (Discounted Cash Flow)
 - Comparison analysis (Trading Multiples / Peer Group Analysis) ja
 - Other transactions

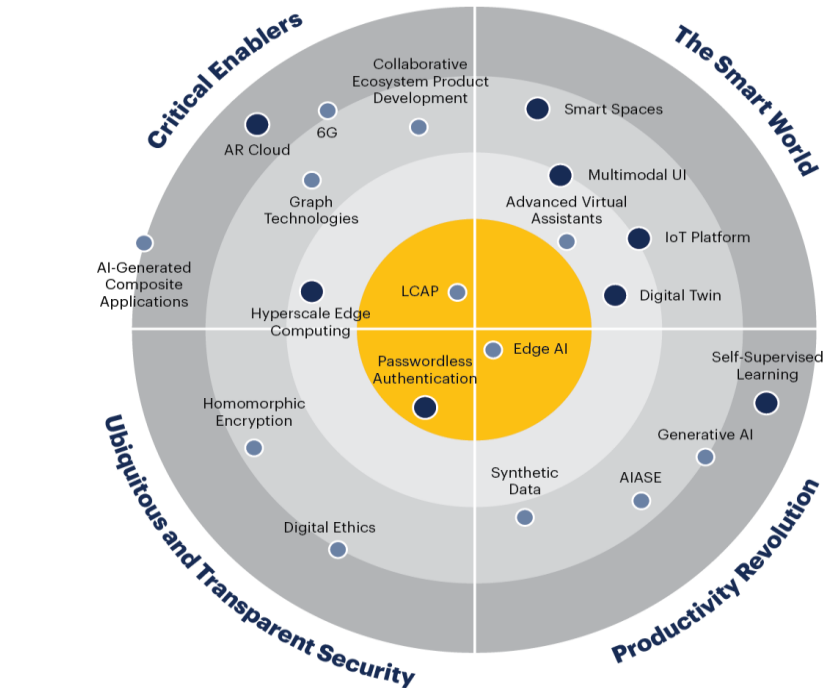
Hype Cycle for Emerging Technologies, 2021



Source: Gartner (August 2021)

747576

Impact Radar for 2022



Range

- 6 to 8 Years
- 3 to 6 Years
- 1 to 3 Years
- Now (0 to 1 Years)

Mass

- Low
- High
- Medium
- Very High

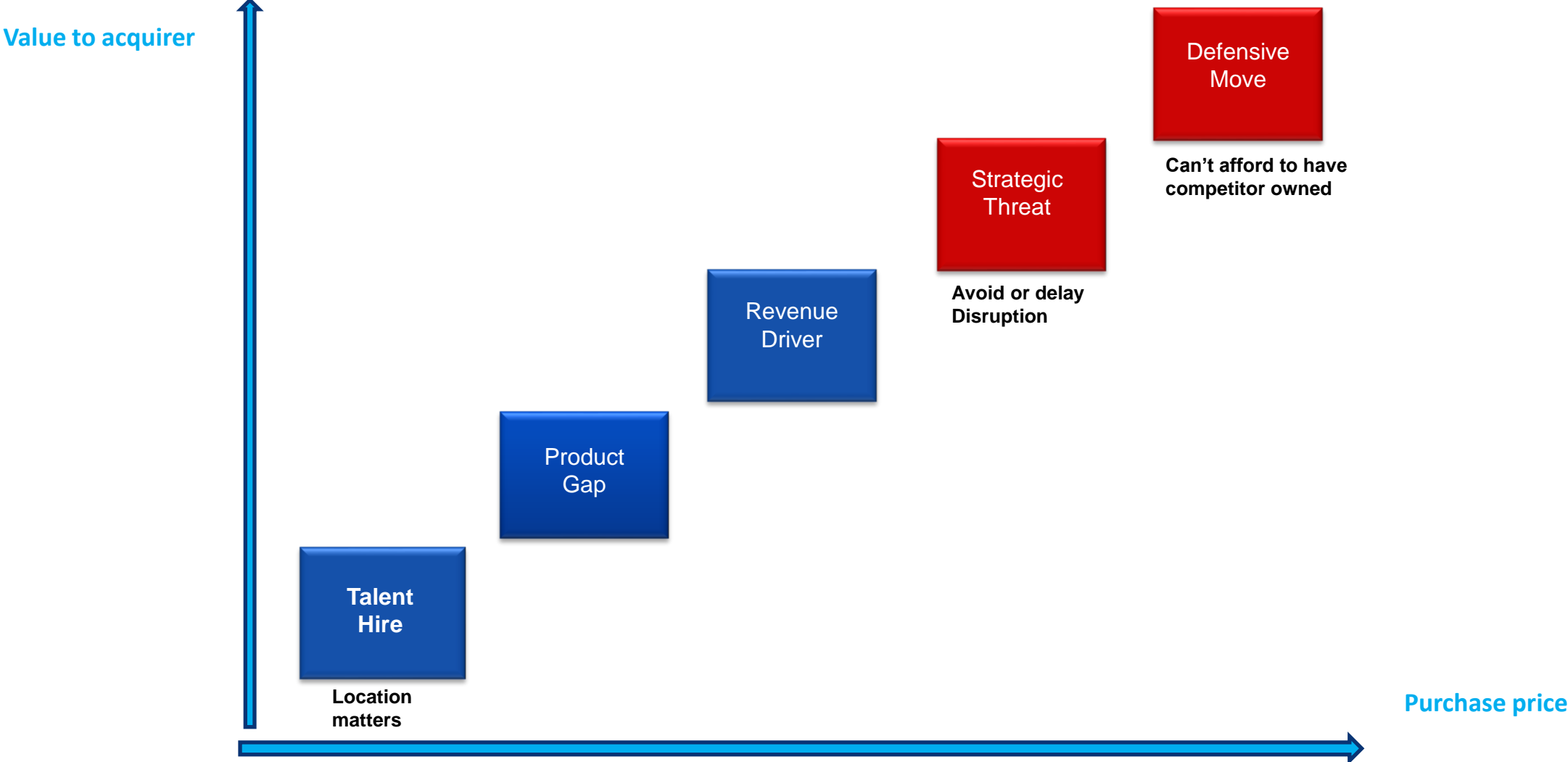
gartner.com

Source: Gartner

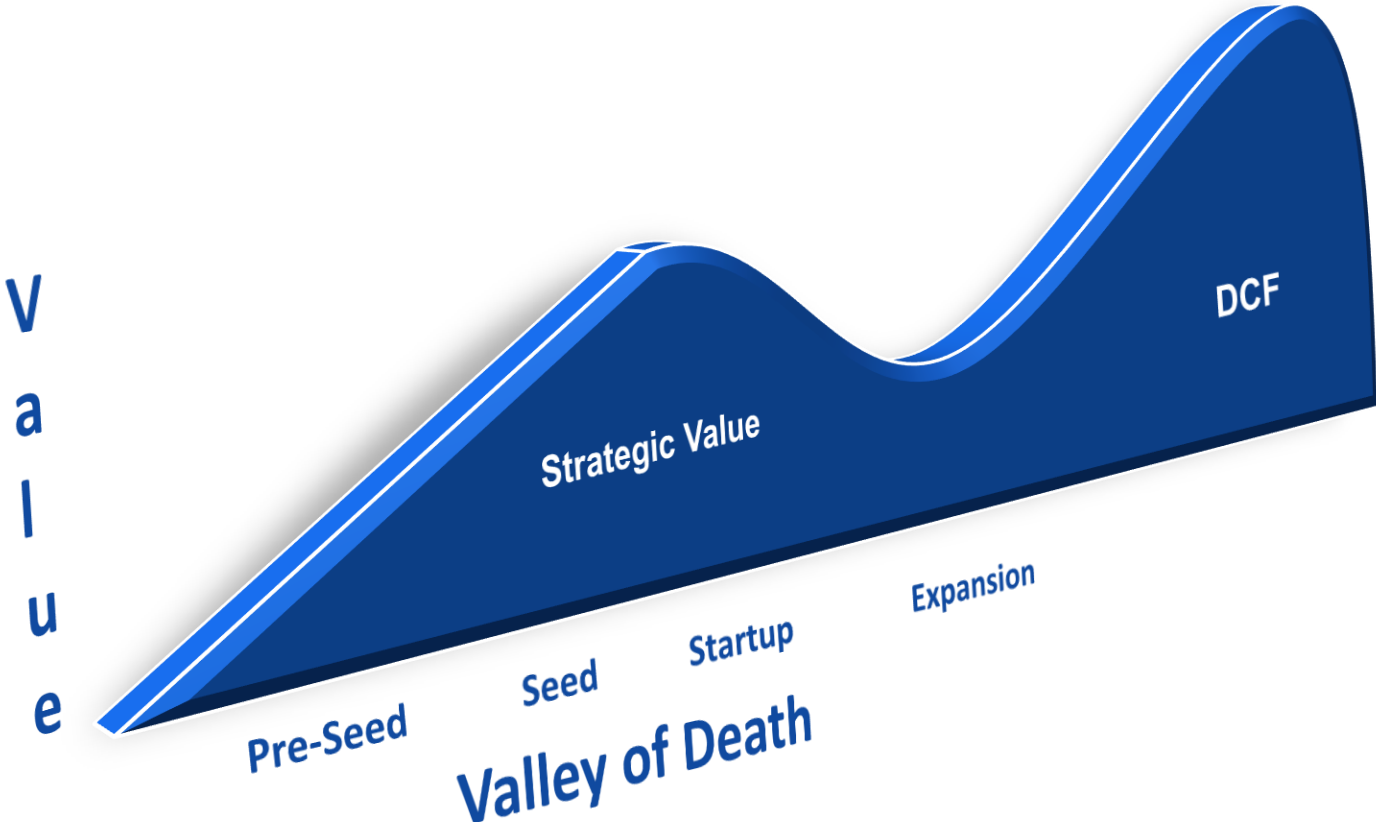
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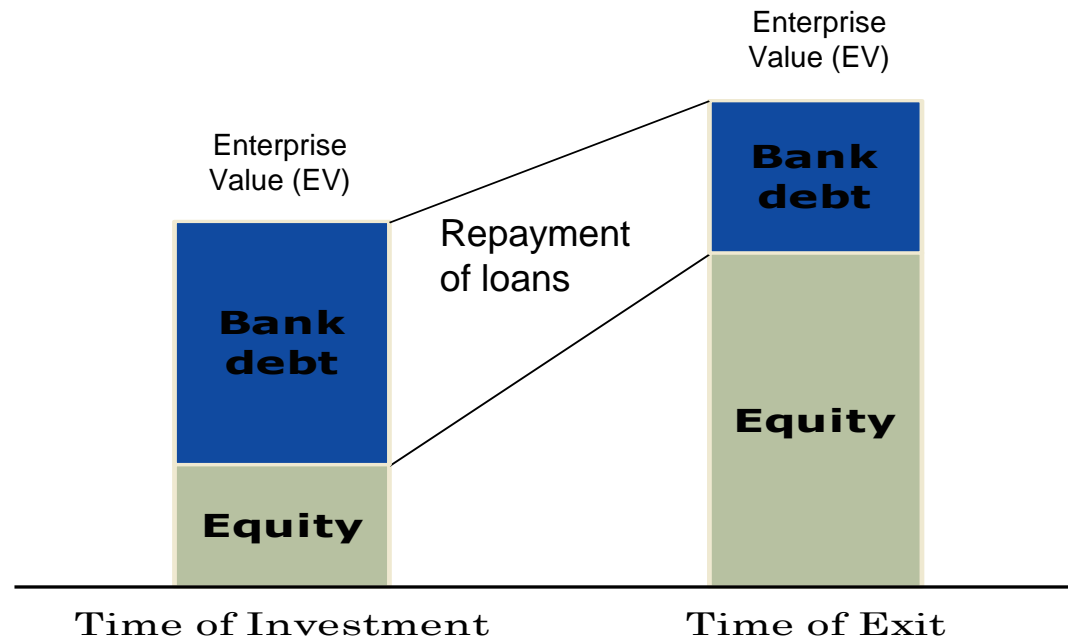
Valuation - VC



Valuation



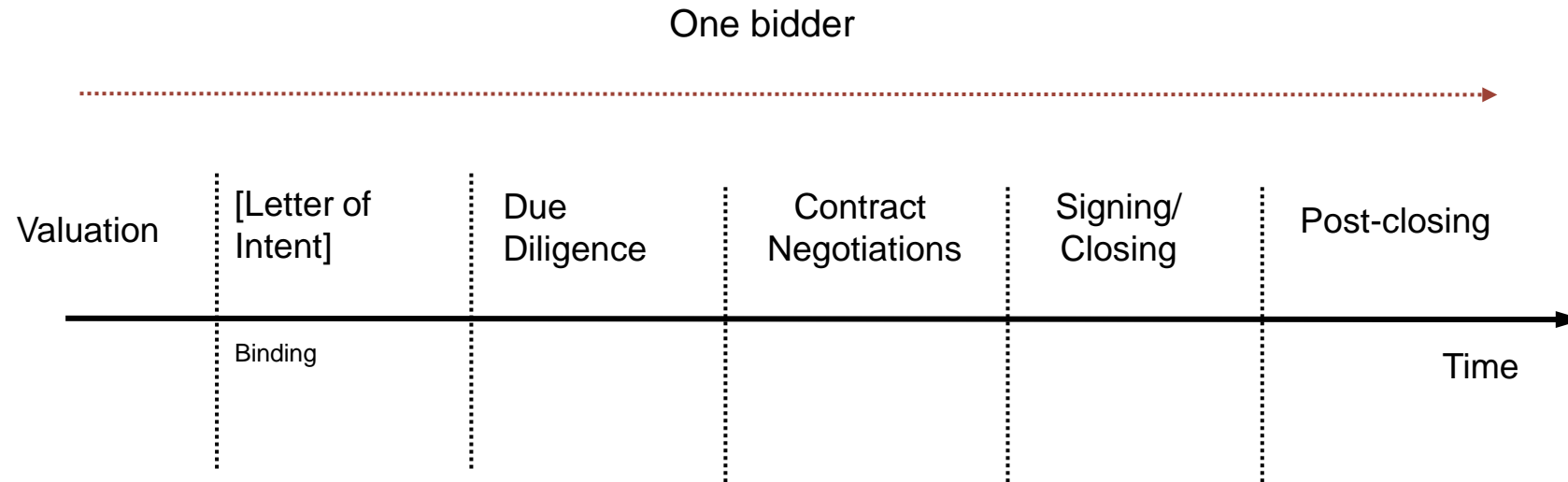
PE- Capital Structure (NewCo)



Venture Capital – Investment Process



Private Equity – Investment Process

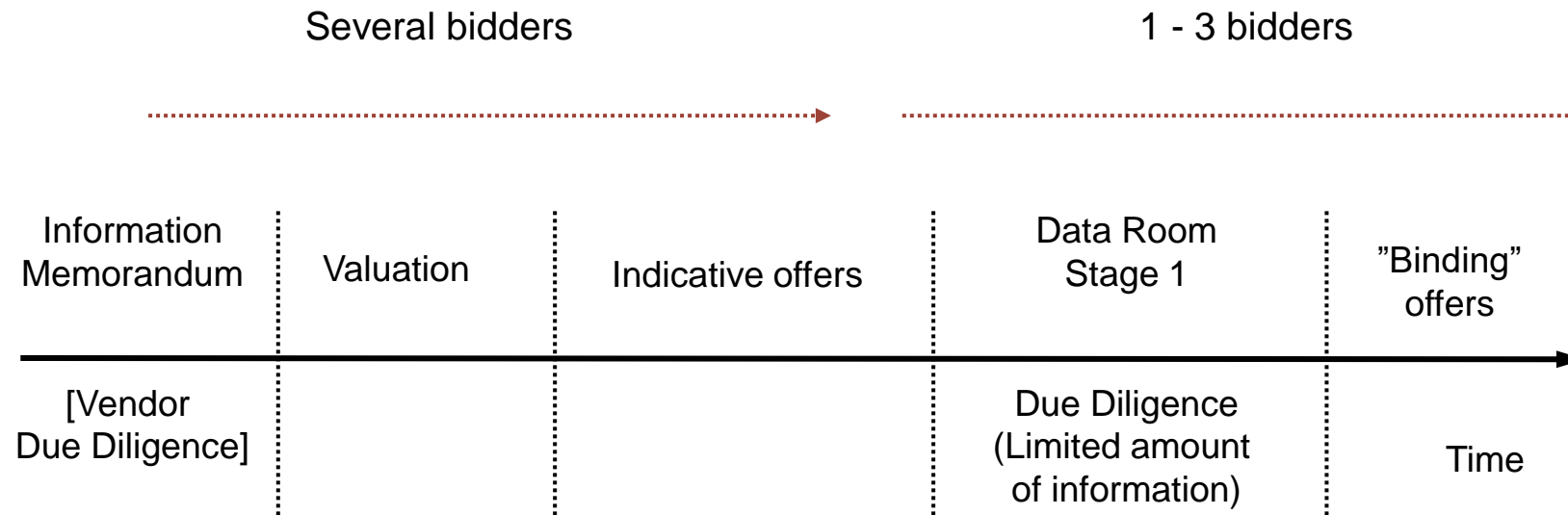


Signing = Share purchase agreement signed

Closing = Payment of purchase price and transfer of ownership

Private Equity – Investment Process

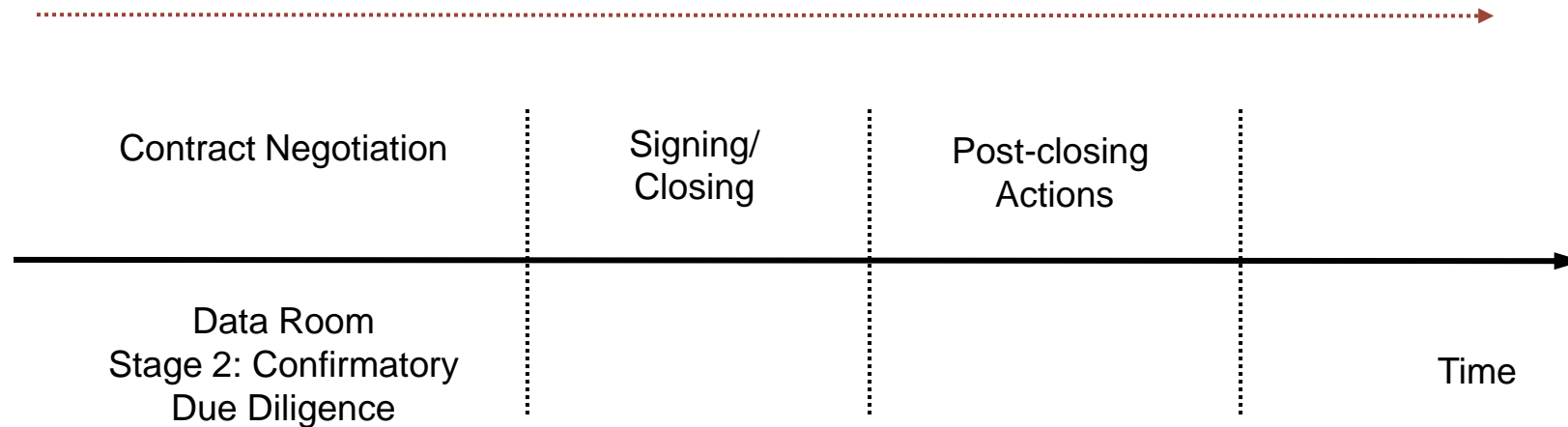
Auction process:



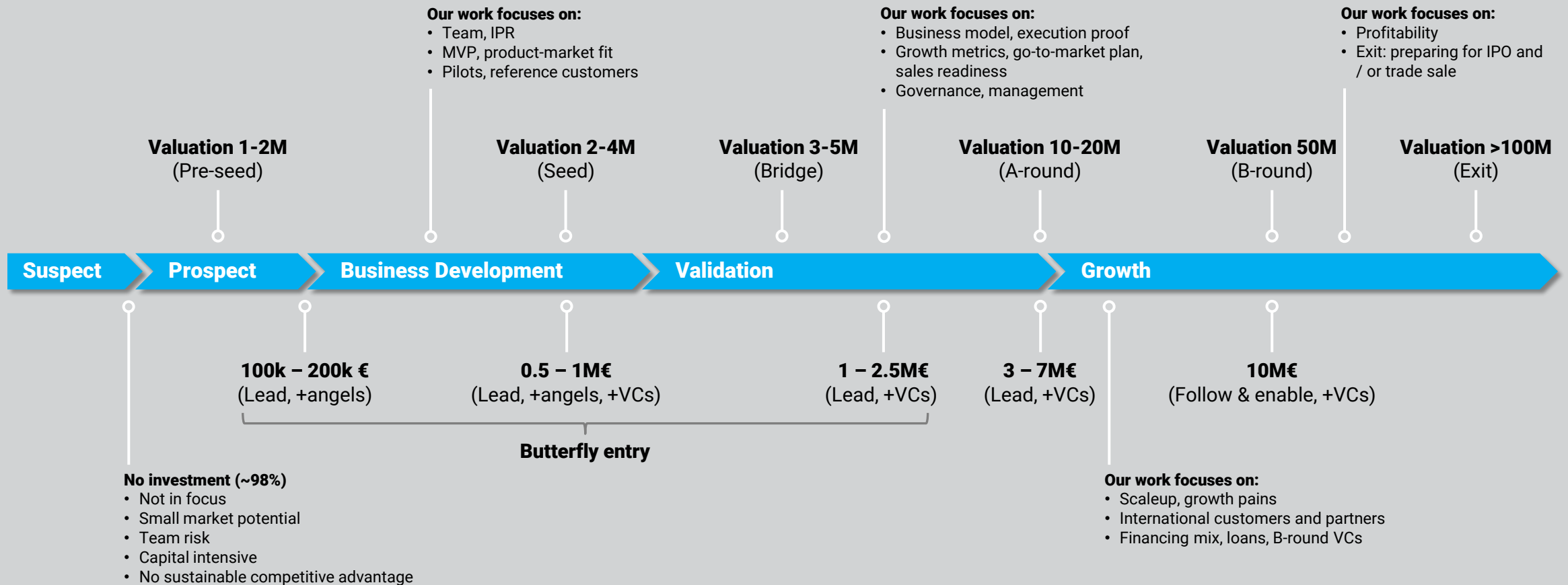
Private Equity – Investment Process

Auction process:

1 -2 bidders

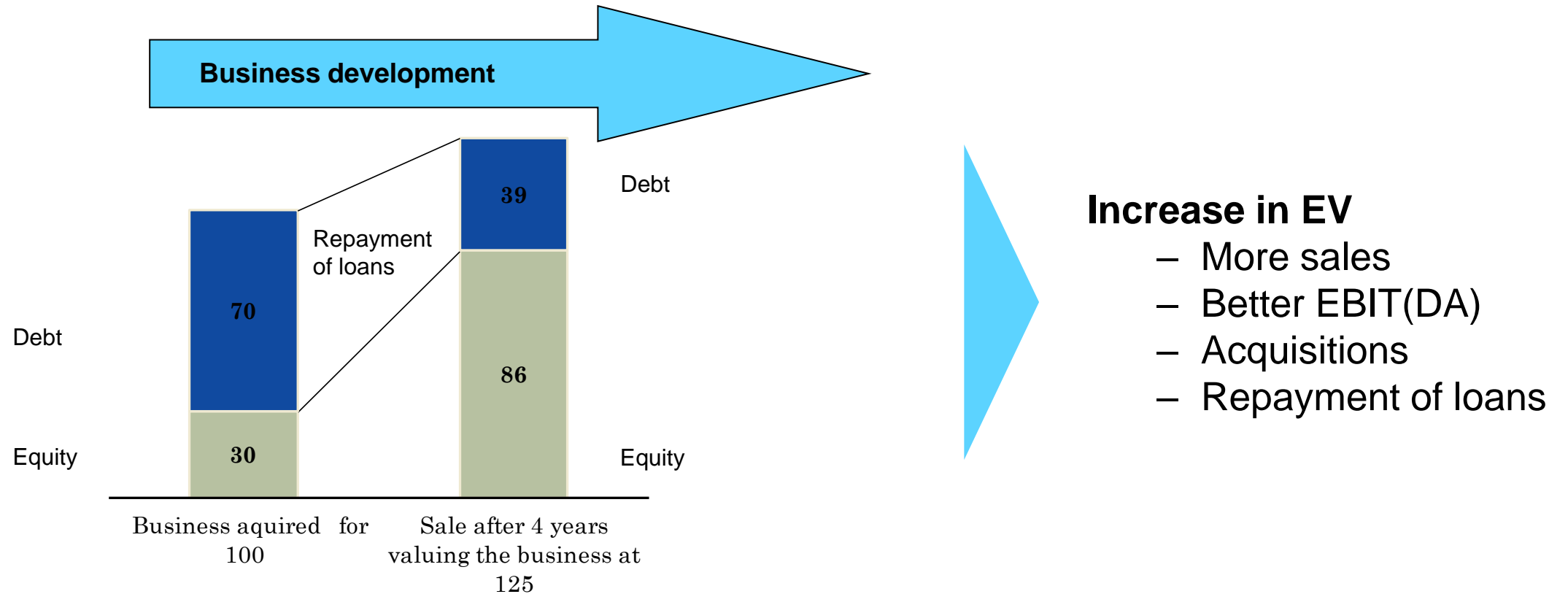


Butterfly Ventures – Value Creation



PE- Value Creation

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Questions

What are some problems that VC owners in Nordic struggle with that may be different from other parts of Europe?

- Number of investors able to support/enable fast scaling is limited
- Exit market compared to US is modest

What you think about start-up valuations? Too high? Also, in Nordics / Finland.

- High valuation requires very fast high growth
- Some increase in valuations and non-professional investors tend to pay higher valuations

What would be the next very big IPO/trade sale?

- Game industry has matured and it is more challenging develop high growth gaming companies
- Lot of bets in deep tech (incl. CO2 and health) but requires longer development time
- B2C platforms have provided great value development and will continue to be fastest growing companies
- EV related platforms will show great value development in the near future
- AI and edge computing tech companies gaining great value development
- Cryptos / NFTs?!!

How you see the increased ESG/RI activity in start-up space? Is the market for these kind of start-ups or are just subsidized by government?

- All impact factors are sought after
- Challenging to measure and with this respect there are big opportunities available for startups

How do you evaluate the potential risks of an investment?

- Risks to be covered: tech risk, market risk and team risk
- Basic check re assets/IPR, shareholders etc. in Due Diligence (not enough when you are investing into very early stage companies)
- Milestone based investment model with "modest" first tranche
- Get to know the team early on

How is your work distributed in different tasks (e.g. how much time is spent screening and analyzing prospective companies, how much time is spent on developing the companies with their management?)

- On average during 10 year lifetime of the fund
 - Deal sourcing 20% (4-5 days / month),
 - Deal execution 40% (8-9 days / month),
 - Operations 10% (2 days / month),
 - Portfolio management 25% (5-6 days / month),
 - Realizations 5% (1 day / month)

GOING LONG

START CHILLING THE CHAMPAGNE.
WE'VE ALMOST MADE IT.



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