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Global Corporate Advisors

Corporate Finance

IV. Pacific Alliance Private Equity and Venture Capital Summit
“Introduction: COVID-19 effects in the VC-Ecosystem”

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1. General Trends- Recent Influence of Covid-19 on VC

Significant drop in 2020 in Europe but “Market” will adapt

Negative Aspects

- Previously existing “good investing mood” came to an abrupt end in 2020.
- Before: Europe was always more skeptical regarding VC than the US. Only UK and Switzerland always had a vibrant VC industry.
- Business outlook and valuations of VC companies fell sharply.
- Growing difficulties in finding new - or additional funding.
- Investors were more concerned about security and skeptical about new investments.
- This reduced the “frequency of investments” in general.
- Long-Term-Financing of portfolio companies were at risk and consequently the “VC-Ecosystem.”

Positive Aspects

- ✓ However, it was and still is “time for change” within the industry.
- ✓ “Old” Industries are subject to change → That trend started in 2018 at the latest and will remain!
- ✓ Covid-19 is only accelerating it
- ✓ Advantage: Entry valuations had fallen.

Nevertheless,

- 📌 VC companies and their investors may need to take a different approach moving forward.
- 📌 It's not all about “Internet Market Places” and “Platform-Concepts” → “Technology is more than that. They may need to “finance a balance sheet” again

2. Covid-19 as an

Accelerator for Economic
Change

It is not COVID-19 that is changing the Economic Life we were used to...

It started before and will remain!

- ✓ Since Q1' 2018 (at the latest), the economy in the Western World was subject to major changes
- ✓ The main reasons for these changes are the “**Challenges of the New World**”, such as:
 - ✓ Changing consumer behaviors, esp. from the Generation Y and Z.
 - ✓ Steadily increasing importance of online business.
 - ✓ Industry 4.0 → digitization.
 - ✓ Steadily increasing environmental awareness.
 - ✓ Increasing regulatory requirements.
 - ✓ Changes in the use of transport systems and traffic modes.
 - ✓ Changing lifestyle, e.g. eating habits.
 - ✓ Shorter product life-cycles and time-to-market leading to changes in the logistics industry.

3. Macro-Economic mission of VC.

Definition of “Technology”:
It’s not only about “Internet
Market Places”

Most Parts of the World will not be able to copy
“Silicon Valley”, but

They may not be able to copy us either..

- ✓ The idea/concept of Internet Market Places is now getting very old. This meadow is soon to be mowed.
- ✓ The prosperity of the western world is - amongst others- based on “engineering competence” - That’s were our export surpluses come from!
- ✓ Examples of promising sectors: *Aviation, Artificial Intelligence, Traffic and Traffic Control, Medical Devices, Mechanical Engineering,...*
- ✓ Different age structures on different continents will demand different needs.
- ✓ Many “Mid-Caps have been setting up their own VC firms to enable technological change. They are increasingly competing with the established VC-Ecosystem as well as the “Wealthy Families”



4. Conclusion

Future looks bright-but there are some **Challenges/Changes to be met....**

- ✓ The future looks promising, but the traditional VC-World may need to change its approach and, amongst others, needs to be prepared to *finance balance sheets again!*
- ✓ Technology” is more than only “Internet”.
- ✓ There will be different Consumer Needs, not only those of the “Millennials”.
- ✓ There may be a need to take a more active role in the management and development of the company invested.
- ✓ There might be parallels to the development of the PE-market, when pure leveraging was no longer sufficient either.

Clearly, Covid-19 will be something we will need to live with, but not a reason for obstructing the future development of the VC-Market.

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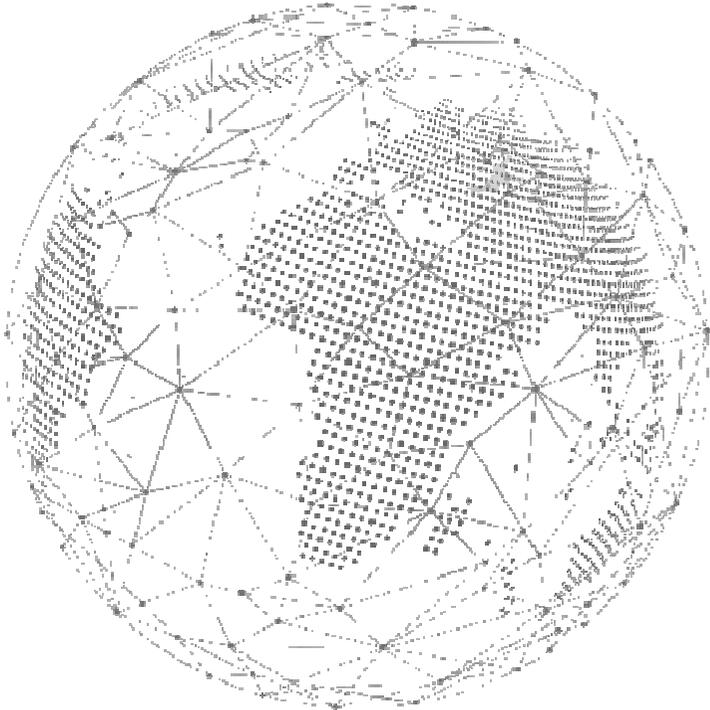


Appendix.

***Crowe Global* and
Intl. Corporate Finance /
M&A Team**

A Global Firm

 +41.000	Professionals
 146	Countries
 765	Offices
 USD 4.4b	Global revenues



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Crowe Colombia

5

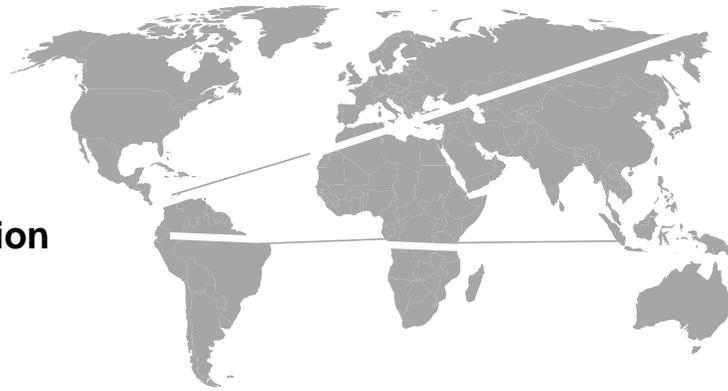
Offices

26

Years in operation

+450

Professionals



5 cities in Colombia

- Bogotá D.C.
- Barranquilla
- Cali
- Manizales
- Medellín



5 Business units

- Audit & Assurance
- Tax & Legal
- BPO
- GCA
- Digital Transformation & TICs



Karl-Michael Krueger
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