

Building the LP Network and Fundraising for a Fund

Nordic VC Masterclass Series - Part 3

Henrik Juul

October 2023

ESTVCA / ESTONIAN PRIVATE EQUITY
AND VENTURE CAPITAL ASSOCIATION



Nordic
Secondary
Fund

Agenda

1. Introduction
2. Nordic Secondary Fund
 - a. What are Secondaries?
 - b. When and Why Should You Use Secondaries?
 - c. Our Journey Into The Secondary Market
 - d. Our Transactions In the Nordics (N2F Portfolio)
 - e. Why Are Secondaries More Relevant Than Ever
3. Case I
4. What kind of setup
5. Case II
6. Documentation
7. Case III
8. Investors – LP's
9. Workshop
10. Your observations over the past two years



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1. Introduction – Our Team

About us

Diverse backgrounds as **entrepreneurs, investors, LPs, GPs, executives and business angels**

Strong track record of successful investments in Nordic and Baltic companies, and an unmatched network across these regions

Previous experience



Peter Sandberg
Founding Partner



Frank Lyhne
Founding Partner



Henrik Juul
Head of Legal & Admin.



Julie Bensch
Executive Assistant



Benedikt Dosenrode
Investment Associate



Jonas Bøgsted
Analyst



Mads Korsholm
Analyst

Audit



Legal



Gorrissen Federspiel

1. Introduction – Henrik Juul

- Banking industry + 25 years
- Credit/Risk Management, Asset Management and Investment Banking
- Startup – Fintech + 10 years

- Master of Law (Copenhagen University)
- PhD - Law and economic (Copenhagen Business School)
- Attorney-at-Law

- External Attorney for Nordic Secondary Fund since 2018
- Joined Nordic Secondary Fund in 2021



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2.a. What are Secondaries?

Primary Market

- Company raises money by issuing new shares
- Money goes directly to the issuing company
- New shares dilute the existing shareholders

Secondary Market

- Shareholder sells existing shares
- Money goes directly to the selling shareholder
- "Old" shares don't dilute other shareholders

2.b. When and Why Should You Use Secondaries?



Liquidity – Cash flows back into the start-up ecosystem



Rebalance your risk profile



Postpone IPO or Exit for higher valuation



Protect your investors interests



Monetize your holdings partly - if there never is an Exit

2.c. Our Journey Into The Secondary Market

ESTABLISHED NORDIC SCEONDARY FUND IN 2018

First and Largest Nordic Fund to Invest Exclusively in Secondaries

FUND I

- First Investment in **2019**
- **€50M** EUR Raised
- 150+ Independent Professional Investors
- 21 Investments
- Of which 4 are exited

FUND II

- First Investment in **2021**
- **€90M** EUR Raised
- 225+ Independent Professional Investors
- 10 Investments
- 1/3 of AUM invested

INVESTMENT CRITERIA

- Post Series A
- Primarily in the New Nordic Region
- Exit opportunity within 4-5 years
- Target Discount: 10-50%. Average: 25%.
- Minimum 3-5x Upside
- Strong founders, board and cap-table.

Stage 1: Deals Sourced: **(+500)**

Stage 2: Due Diligence: **(+200)**

Stage 3: Investments: **(+30)**



2.d. Our Transactions In the Nordics (N2F Portfolio)

FUND I

21 Investments

Of which:

- ✓ 4 Swedish
- ✓ 10 Danish
- ✓ 3 Estonian
- ✓ 1 Finnish
- ✓ 2 Latvia
- ✓ 1 Norwegian

EXITS: Klarna, Actimo, MapsPeople, Bokio

FUND II

11 Investments

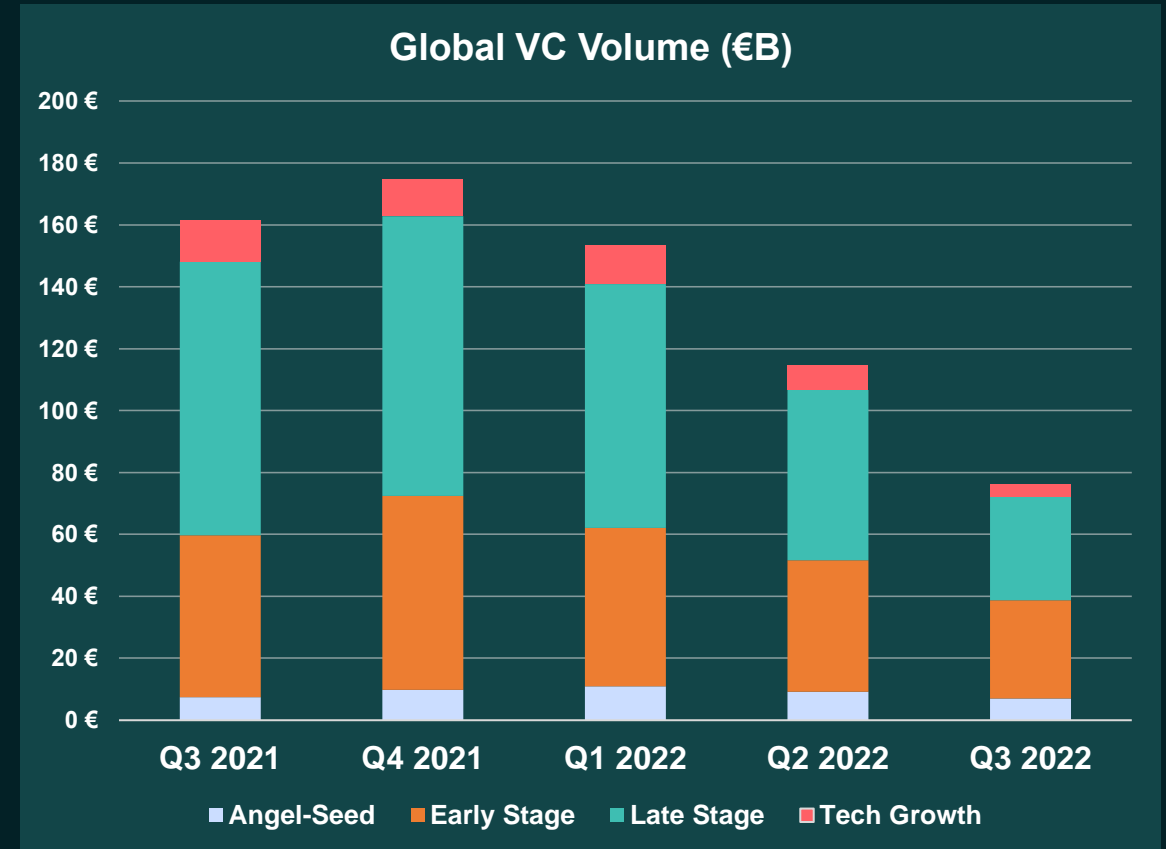
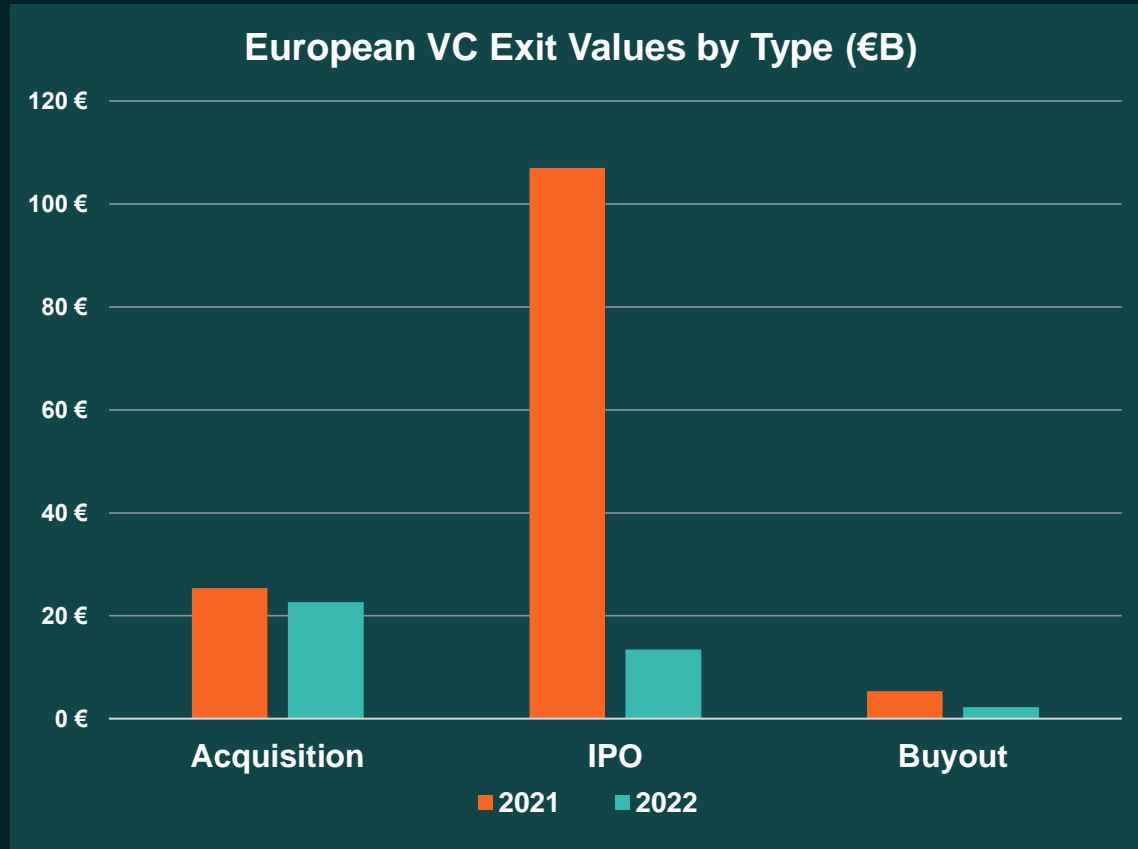
Of which:

- ✓ 2 Swedish
- ✓ 2 Danish
- ✓ 2 Estonian
- ✓ 2 Finnish
- ✓ 2 Lithuanian
- ✓ 1 Norwegian

2/3 of AUM left to be deployed



2.e. Why Are Secondaries More Relevant Than Ever?



Source:

PitchBook, "European Venture Report 2022"

Source:

PitchBook, "European Venture Report 2022"



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Case I

3. Case

Which types of investors (LPs) would you consider to be the most optimal for a secondary fund?



4. What kind of setup

DIRECTIVES	
DIRECTIVE 2011/61/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010 (Text with EEA relevance)	
THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION, Having regard to the Treaty on the Functioning of the European	Directive therefore aims at establishing common requirements governing the authorisation and supervision of AIFMs in order to provide a coherent approach to the related risks and their impact on investors and markets in the Union.

Act of Managers of alternative investment funds

Section 6: Must be licensed and have permission from the Danish FSA if the assets in the alternative investment funds that the company manages together **exceed** a value corresponding to

- 1) 100 million EUR or
- 2) 500 million EUR if the company exclusively manages alternative investment funds that have **not leveraged** their investments and no investors in the funds have the right to be redeemed for a period of at least 5 years after the date of the initial investment in each of the funds



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4. What kind of setup



Act of Managers of alternative investment funds

Section 190, subsection 8:

If a member of the management of a manager of alternative investment funds **fails to take necessary measures** in the event of loss or imminent danger of loss of a significant amount, the person concerned is punished with a **fine or imprisonment** of up to **4 months**, unless a higher penalty is due under other legislation.

Section 190, subsection 9:

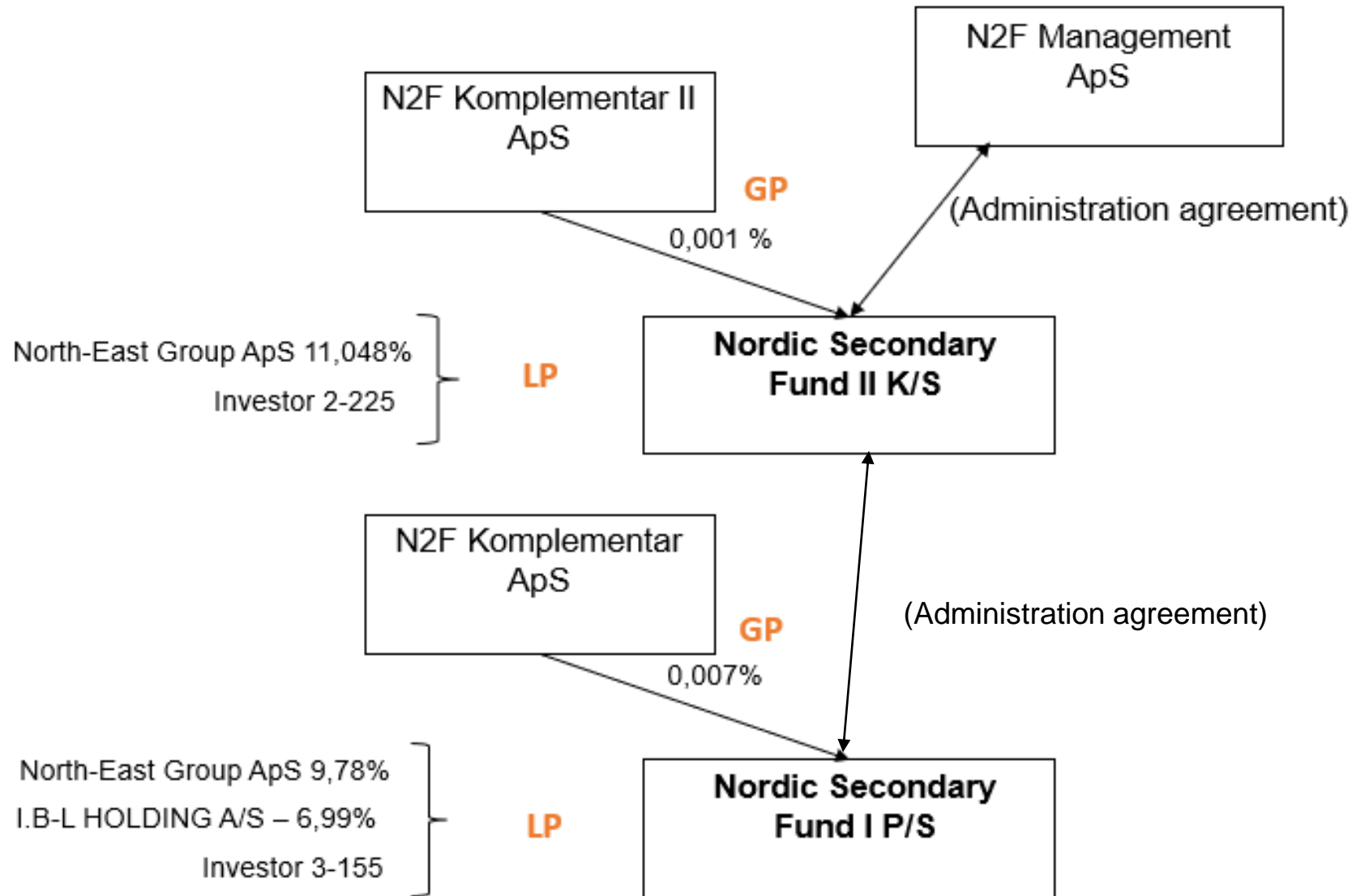
Persons ... who provide false or misleading information about matters relating to the manager to public authorities, to the public, to any corporate body or to investors ...

or who is guilty of **gross** or more often **repeated neglect** or **carelessness** that may **result in losses** for the manager or the investors in an alternative investment fund that the manager manages, is punished by a **fine or imprisonment** of up to **4 months**, unless a higher penalty is due under other legislation



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4. What kind of setup



Case II

5. Case

What kind of setup would you consider to be the most optimal in your region?

Pros and cons?



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6. Documentation



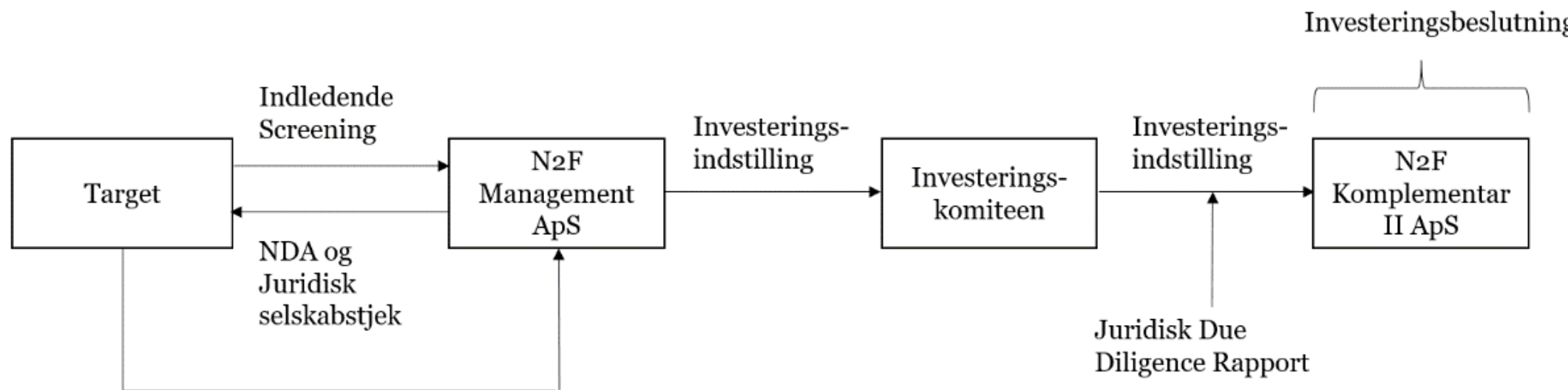
INVESTMENT MEMORANDUM

N2F MANAGEMENT ApS (Corp. Reg. No. 40 19 93 30), which is registered as an administrator of alternative investment funds with the Danish Financial Supervisory Authority (FT-no. 23161) offers the opportunity to invest in:

Nordic Secondary Fund II K/S
Corp. Reg. No. 42 53 01 58
(FT-no. 24920)

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6. Documentation



Fremsendelse af det relevante materiale til brug for:

1. Kommerciel Due Diligence (KDD)
2. Juridisk Due Diligence (JDD)

6. Documentation

10. RISK INFORMATION

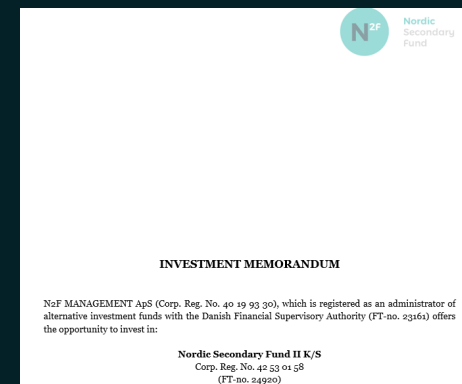
Potential investors should read this entire investment memorandum and the attached appendices and make their own assessment by consulting their own advisors before deciding to invest in Fund II.

Any investment is associated with risk. This also applies to the investments in Fund II. The risk profile of an investment is indicated on a risk scale from 1-7, where 7 yields the highest risk.



I forbindelse med risikoindekatoren antages det, at du beholder Produktet i 9 år. Du kan ikke indløse tidligere.

Investment in Fund II is defined as a 7 on the risk scale.



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6. Documentation

Short investment period



Option of
co-investments



Investment period is 36 months
(+12 months)

Holding period : 4 + 1 + 1 years

Fund's AUM: € 135 M.

Management fee: 2% Carry: 20%

Hurdle rate: 8%

Expected + 20% p.a. IRR



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Case III

7. Case

What information do you consider the most central/important for an investor (LP)?



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7. Case

REGULATIONS

REGULATION (EU) No 1286/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
of 26 November 2014
on key information documents for packaged retail and insurance-based investment products
(PRIIPs)
(Text with EEA relevance)



Forward looking document unlike UCITS KIID



Stand-alone document separate from marketing material



Maximum 3 A4 pages



A comprehension alert where applicable (aligned with MiFID II)

Key Information Document	
Purpose	This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.
Product	Name of Product [Name of PRIIP manufacturer] [where applicable (ISIN or UFI)] [website for PRIIP manufacturer] [call telephone number] for more information [Competent Authority of the PRIIP Manufacturer in relation to the KIID] [date of production of the KIID]
	[Alert (where applicable) You are about to purchase a product that is not simple and may be difficult to understand]
What is this product?	
Type	
Objectives	
Intended retail investor	[insurance benefits and costs]
What are the risks and what could I get in return?	
Risk Indicator	Description of the risk-reward profile Summary Risk Indicator SRI template and narratives as set out in Annex III, including on possible maximum loss: can I lose all invested capital? Do I bear the risk of incurring additional financial commitments or obligations? Is there capital protection against market risk?
Performance Scenarios	Performance Scenario templates and narratives as set out in Annex V including where applicable information on conditions for returns to retail investors or built-in performance caps, and statement that the tax legislation of the retail investor's home Member State may have an impact on actual payout.
What happens if [PRIIP Manufacturer] is unable to pay out?	Information on whether there is a guarantee scheme, the name of the guarantor or investor compensation scheme operator, including the risks covered and those not covered.
What are the costs?	
Costs over Time	Template and narratives according to Annex VII
Composition of Costs	Template and narratives according to Annex VII Narratives on information to be included on other distribution costs
How long should I hold it and can I take money out early?	Recommended (required minimum) holding period: [x] Information on whether one can disinvest before maturity, the conditions on this, and applicable fees and penalties if any; information on the consequences of cashing-in before the end of the term or before the end of the recommended holding period
How can I complain?	
Other relevant information	

Accurate, fair, clear and not misleading



Written in the language where it is distributed



Provided in good time before the retail investor is bound by any contract



Regularly reviewed by the manufacturer



8. Investors – LP's

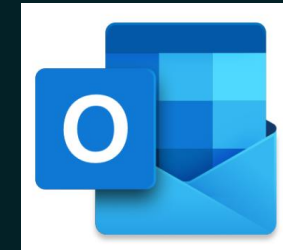
- 155 Investors/LP's in Fund I and 225 investors in Fund II (Correlation approx. 80 %)
- 100 + LPs are from DanBan (Danish Business Angels)
- LPs also includes large Family Offices
- No investments from public funds
- LPs connected to the fund through GP's network

- I. Professionelle investorer.
- II. Investorer, der efter anmodning kan behandles som professionelle kunder.
- III. Investorer, der arbejder eller har arbejdet i den finansielle sektor i mindst ét år i en stilling, der kræver viden om den påtænkte transaktion.
- IV. Udenlandske investorer.
- V. Øvrige investorer efter FAIF-lovens § 5, stk. 5. Detailinvestorer, der forpligter sig til at investere mindst 100.000 EUR, og som skriftligt erklærer, at de er bekendt med risikoen forbundet med investeringerne.

8. Investors – LP's

- 155 Investors/LP's in Fund I and 225 investors in Fund II (Correlation approx. 80 %)

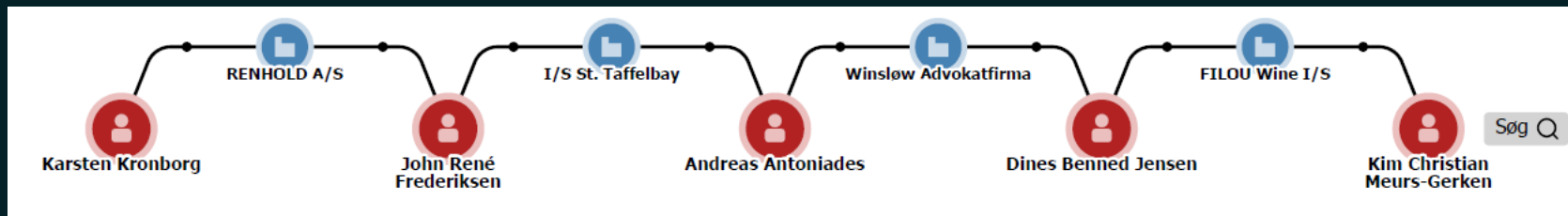
Company (Mio. DKK)	CVR/CPR	CAT	SOURCE	EQ	ASSET	SOL
		II	CVR	1.276,1	1.296,2	98,5
		II	CVR	667,1	803,4	83,0
		II	CVR	644,4	870,4	74,0
		II	CVR	538,0	700,1	76,8
		II	CVR	430,1	1.261,3	34,1
		II	CVR	376,7	378,3	99,6
		II	CVR	284,1	303,0	93,8
		II	CVR	276,6	353,6	78,2
		II	CVR	226,7	313,0	72,4
		II	CVR	208,9	239,2	87,3
		II	CVR	198,9	444,5	44,7
		II	CVR	194,9	298,5	65,3



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8. Investors – LP's

Verdensrang	Navn	Statsborgerskab	Nettoformue (USD) ^[1]	Kilde til rigdom
312	Anders Holch Povlsen	 Danmark	7.3 mia.	Bestseller, Zalando, ASOS
365	Kjeld Kirk Kristiansen ^[a]	 Danmark	6.7 mia.	Lego
365	Sofie Kirk Kristiansen	 Danmark	6.7 mia.	Lego
365	Thomas Kirk Kristiansen	 Danmark	6.7 mia.	Lego
365	Agnete Kirk Thinggaard	 Danmark	6.7 mia.	Lego
442	Niels Peter Louis-Hansen	 Danmark	5.8 mia.	Coloplast
2133	Martin Møller Nielsen	 Danmark	1.3 mia.	Nordic Aviation Capital
2540	Benedicte Find	 Danmark	1.3 mia.	Coloplast

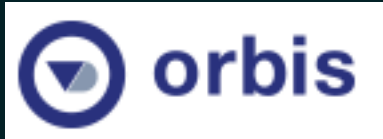


BIQ



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8. Investors – LP's



Input example: 1) Region Denmark 2) Min 100 MDKK in total assets

Search step	Result for:	Step	Search
<input type="checkbox"/> 1. World region/Country/Region in country: Denmark	>	2,189,763	2,189,763
<input checked="" type="checkbox"/> 2. Total assets (m DKK): min=100, Last available year, exclusion of companies with no recent financial data and Public authorities/States/Governments	>	1,155,046	16,384

Output (16,384 Companies)

Company name	Flags	Country ISO code	NACE Rev. 2, core code (4 digits)	Consolidation code	Last avail. year	Operating revenue... th USD Last...	Number of employees Last avail. yr	▲ Total assets th USD Last...	Total assets th LCU Last...	▲ Total assets th USD Last...
STENSEMINDE HOLDING APS		DK	6420	C2	2022	218,612	1,006	196,123	1,367,411	196,123
LAERKEDAL APS		DK	6420	C2	2022	182,900	77	196,318	1,368,767	196,318
IEI PORTEFOLJE A/S		DK	6630	U1	2022	n.a.	1	196,471	1,369,835	196,471
GUDBJORG OG EJNAR HONORES FOND		DK	8899	U1	2022	3,612	1	196,513	1,370,125	196,513

Workshop

9. Workshop

Building the LP Network and
Fundraising for a Fund

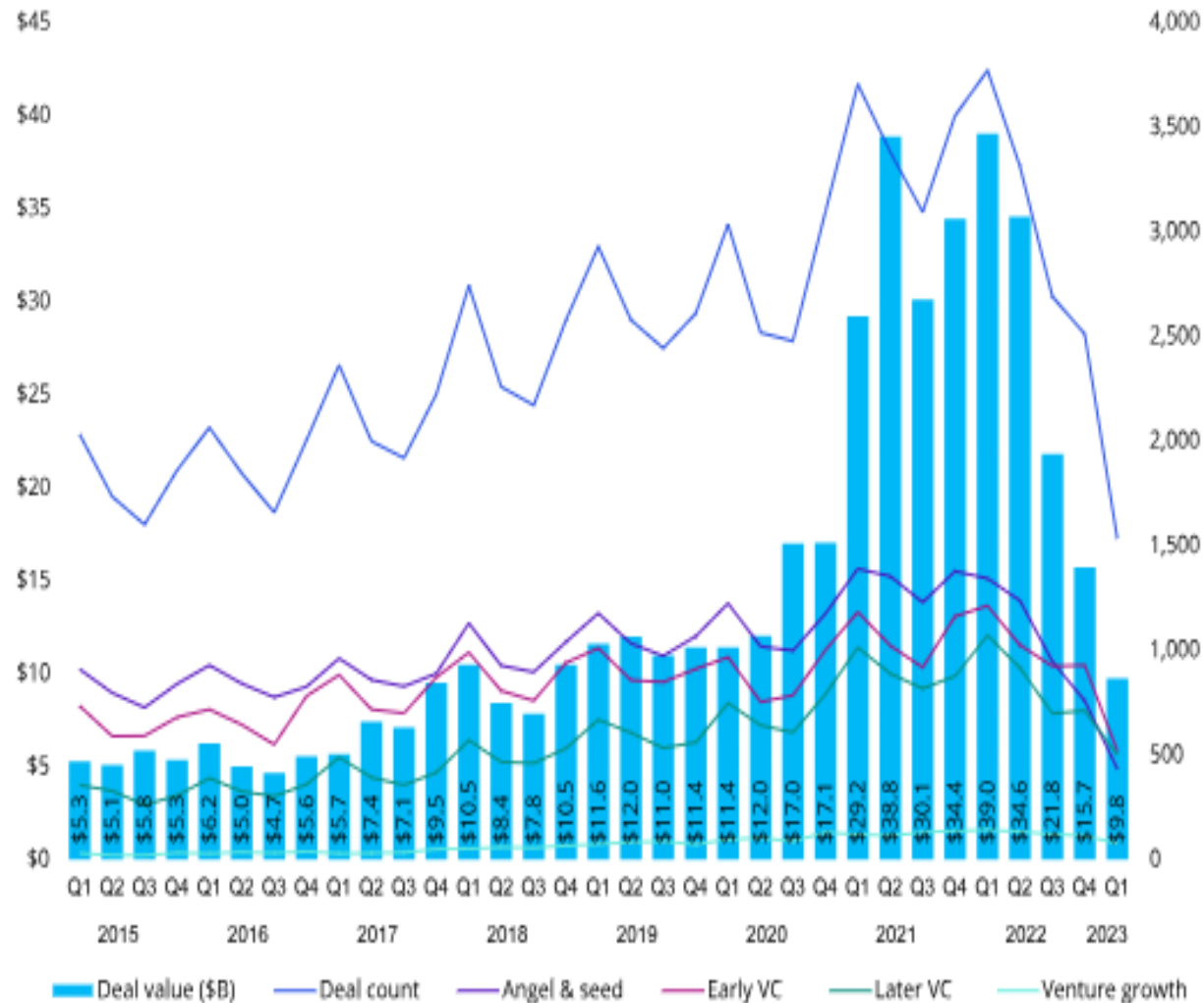


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10. Our observations over the past two years

Venture financing in Europe

2015–Q1'23



Source: Venture Pulse, Q1'23, Global Analysis of Venture Funding, KPMG Private Enterprise. *As of March 31, 2023. Data provided by PitchBook, April 19, 2023



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10. Our observations over the past two years

- Bridge financing – Safe/Loans with and without convertible terms
- New share classes
- Preferences Participation (with and without) (up to 4x) (cath-up) - Waterfall
- Down rounds
- Ratchet Clause/MAC (Material adverse change)
- Dutch auction – Valuation
- Multiples



10. Our observations over the past two years

Simplified captable

Year	2019	2020	2021	2022
Percentage of issued shares	100	100	100	100
Shareclass A	100%	85%	70%	50%
Shareclass B	n/a	15%	15%	15%
Shareclass C	n/a	n/a	15%	15%
Shareclass D	n/a	n/a	n/a	20%

Simplified share characteristics

Shareclass	Characteristic 1	Characteristic 2	Characteristic 2
Shareclass D	3X liquidation preference	Pro rata participation rights	Catch-up
Shareclass C	1X liquidation preference	Pro rata participation rights	Catch-up
Shareclass B	1X liquidation preference	Pro rata participation rights	Catch-up
Shareclass A	No liquidation preference	No Pro rata participation rights	No catch-up



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10. Our observations over the past two years

Liquidation scenarios

Valuation mUSD	100	200	250
Preferred shareclasses			
Shareclass D claim m USD	60	60	60
Left to claim	40	140	190
Shareclass C claim m USD	30	30	30
Left to claim	10	110	160
Shareclass B claim m USD	15	15	15
Left to claim	-5	95	145
Commonshares			
Shareclass A claim m USD	0	48	73

Return per shareclass mUSD

Valuation mUSD	100	200	250	
D	60	79	89	36%
C	30	44	52	
B	10	29	36	
A	0	48	73	



10. Our observations over the past two years

Broad-Based Weighted Average Ratchet

$$N = \left(\left(\frac{SIP}{WA} \right) x Z \right) - Z$$

Where:

N = The number of Anti-Dilution Shares to be issued to [REDACTED]

$$WA = \frac{(SIP \times ESC) + (QISP \times NS)}{(ESC + NS)}$$

SIP = The “**Series A 2023 Subscription Price**”, being [REDACTED]

ESC = The number of Shares in issue plus the aggregate number of shares in respect of which options to subscribe have been granted, or which are subject to convertible securities (including but not limited to warrants) in each case immediately prior to the Qualifying Issue.

QISP = The lowest per share price of the New Securities issued pursuant to the Qualifying Issue (which, if the New Securities are not issued for cash, will be the sum certified by the Auditors acting as experts and not arbitrators as being in their opinion the current cash value of the non-cash consideration for the allotment of the New Security).

NS = The number of New Securities issued pursuant to the Qualifying Issue.

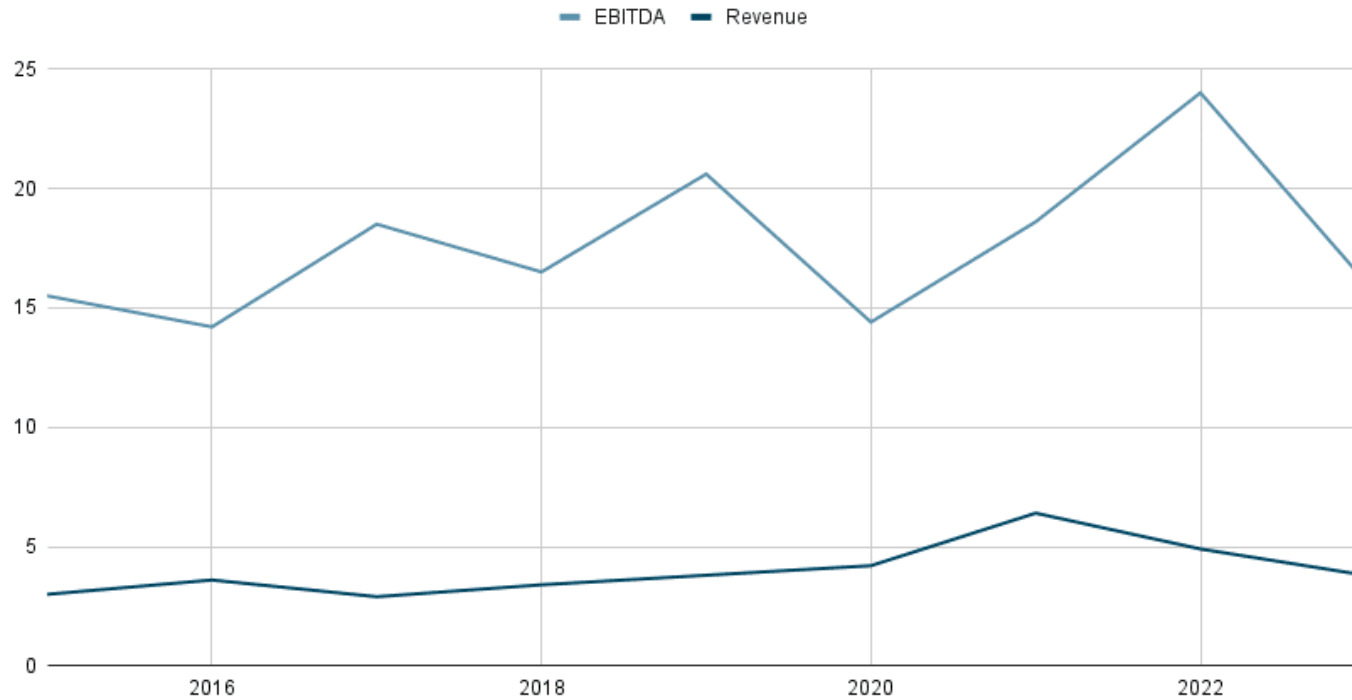
Z = The number of Series A 2023 Shares held by [REDACTED] on the date of this agreement which continue to be held by [REDACTED] immediately prior to the Qualifying Issue.



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10. Our observations over the past two years

EBITDA & Revenue Multiples for Tech Companies, 2015-2023



Aventis Advisors

Valuation Multiples in Software

H1 2023 update

Enterprise Value (EUR m)	EV / Revenues			EV / EBITDA		
	2022 (x)	2023 (x)	2024 (x)	2022 (x)	2023 (x)	2024 (x)
6,371	4.1x	3.3x	2.8x	21.5x	11.1x	8.9x
6,151	11.3x	9.1x	7.5x	29.1x	19.2x	15.3x
1,446	2.5x	2.3x	2.2x	23.0x	16.3x	14.5x
Mean	6.0x	4.9x	4.1x	24.5x	15.5x	12.9x
Median	4.1x	3.3x	2.8x	23.0x	16.3x	14.5x



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Thanks for listening

Henrik@n2f.vc

+45 21 91 1301



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