

SAP Ventures

Venture Investing in India

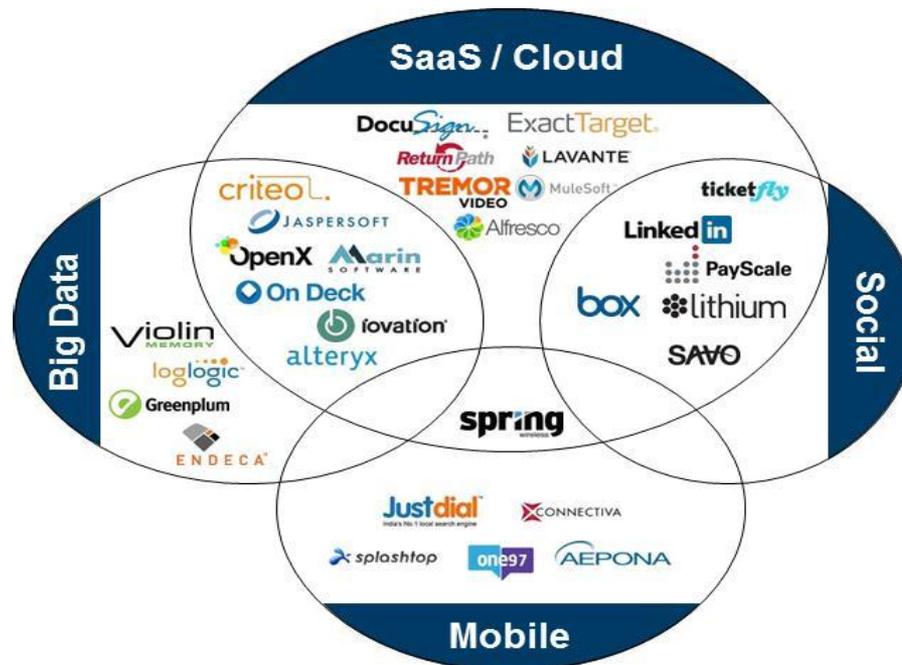
Jai Das

Managing Director

SAP VENTURES

SAP Ventures Overview

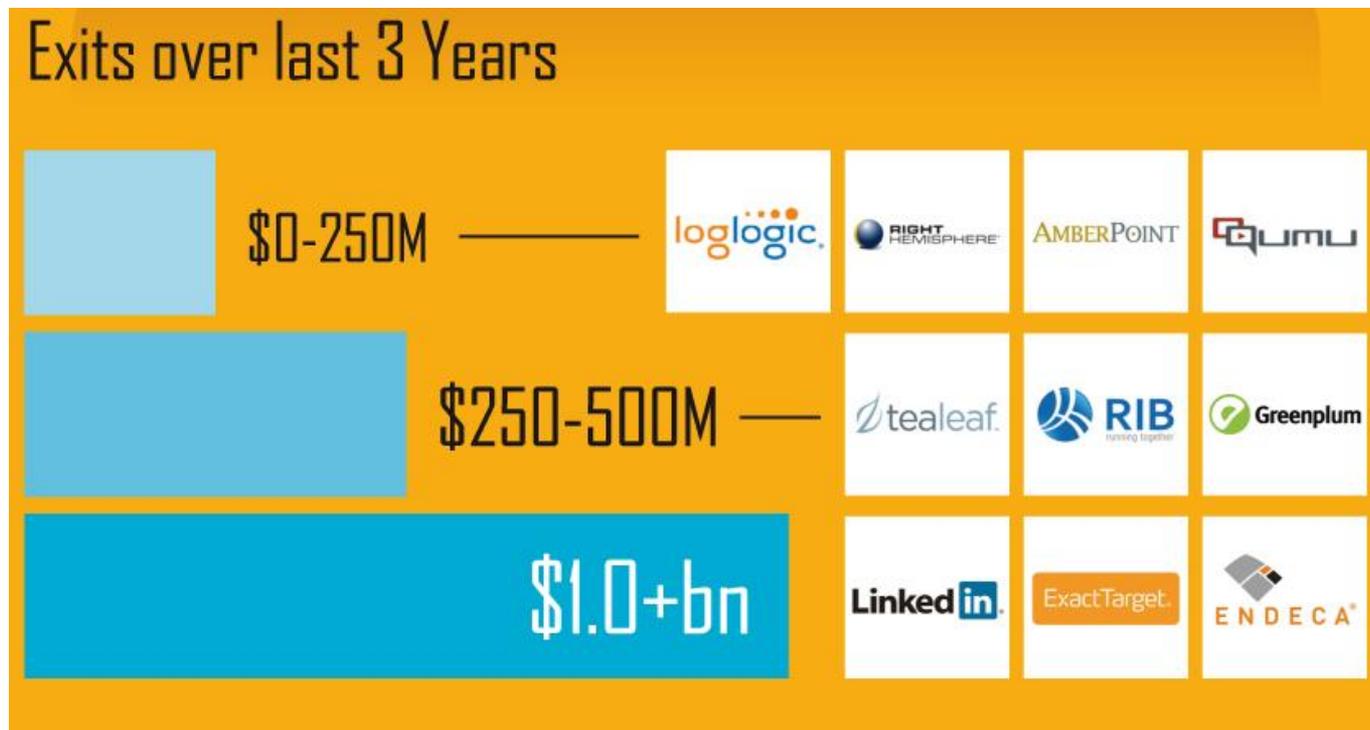
- SAP Ventures is a financially focused venture fund affiliated with SAP AG managing \$500M across two funds
- SAP AG is the sole limited partner for both funds
- \$350M Growth fund is focused on expansion stage and late-stage investing
- \$150M Real-time fund focused on seed stage investing and LP commitments to foster and support an ecosystem of entrepreneurs and investors focused on the development of real-time applications



SAP Ventures Recent Exits

- **The Growth Fund has seen 4 of its portfolio companies go public in the last two years**

- LinkedIn and ExactTarget both trade publicly at \$1bn+ market capitalizations.
- Marin Software trades at ~\$500M market capitalizations
- One IPO in the pipeline in India and one in the US
- Recent M&A Transactions have included the following high profile enterprise-focused technology giants: SAP, Oracle, IBM, and Tibco.



Venture Investing in India – A Tale of Two Cities

➤ **Stay Away (Run for the hills)**

- Lack of exits (No IPO's in the last 3-4 months)
- Government regulations
- Currency Risk
- Finding good teams and management skills

➤ **Great time to invest**

- Growing consumption economy
- Increasing penetration of smart phones and mobile web
- Familiarity with online transactions
- Growing economy and relative stability

Some 2012 statistics – how else can you present at Booth

- **Venture capital investments have contracted by 30% in 2012 versus 2011**
 - Only \$762 million across 206 deals in 2012
 - VCs invested \$1,094 million spread across 222 deals in 2011
 - Investments in IT/ITeS companies led the deal table accounting for \$381 million across 133 deals last year, but dropped from \$558 million in 2011.
 - Investments in healthcare and life sciences dipped to \$98 million from \$120 million
- **Lack of late stage capital**
 - Seed round investments accounted for 42% of the venture capital investments in 2012
 - Series A investments accounted for 36% of the investments in 2012
 - Series B accounted for 12% of the investments
 - Series C or higher investment rounds accounted for 11% of the investments.
- **Lack of exits**
 - Biggest areas of concern and believe this trend will continue in 2013.
 - 60% of the VC exits in 2012 were due to strategic divestments
 - 10% of the VC exits were due to IPO and another 20% of the exits were to other PE or VC firms

Learnings from our 5 years of investing in India

➤ **Incorporate your company in Mauritius or Singapore at get go**

- IPO in NYSE/Nasdaq or India
- Easier strategic exits through M&A

➤ **Promoters think of themselves as owners and not shareholders**

➤ **Indian IPO process is a nightmare**

- Antiquated regulations
- Not enough float to sell large chunk of shares

➤ **Indian consumers are less brand conscious than Indian enterprises**

- Enterprises will pay a higher price for SAP or Oracle
- Indian consumers will use the best service available

➤ **No walled garden (unlike China)**

- Language is not a barrier since most high-end consumers knew English. So hard to keep out Yahoo, Google, LinkedIn etc.
- Increasingly consumers are ones who don't know English → opportunities

➤ **Product companies need to move to silicon valley once they are done with proto-type**

- Customers are located there
- Ecosystem is there → Product Management., Marketing, Sales etc.