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info@armilar.com | www.armilar.com | @armilarvp



**ARMILAR**  
VENTURE PARTNERS

Armilar Venture Partners, SCR, S.A.

# NEWSLETTER

JUNE 2017

## EDITORIAL

### WELCOME TO THE SECOND ISSUE OF THE ARMILAR NEWSLETTER.

Historically, each issue of the newsletters that we have created as a team revolved around one of our portfolio companies, helping to make it known among our investors, our partners and our friends. The belief that that is what's important stands unabated. Our job is to help develop those companies, day in, day out. We think of them, and the entrepreneurs that lead them, as our customers, in the same sense that we think of our formal customers - the investors in our funds - as our shareholders. So, we will go back to making the

companies the centrepiece of our newsletters.

However, as we set sail with our new brand, Armilar, we have decided to dedicate a few issues of this newsletter to tell you about our funds, more generally. These are the funds that this team has been managing for several years – nothing has changed in that respect. Nevertheless, a high-level overview of what these funds do and where they have invested in is a good and useful lens to understand what Armilar is about, what is our DNA, our focus and our ambition.

In the first issue of our newsletter, we described our upcoming fund, the Armilar Venture Partners Technology Transfer Fund, which will invest in deep-tech spin-offs

from European academic and research institutions with the aim to create very successful businesses from the output of technological and scientific research. This time, we will focus on the fund that inspired the Technology Transfer Fund: ISTART-I. Our smallest fund, ISTART-I invested in spin-offs from Portuguese Universities, and despite its very limited investment capacity, it has built a promising portfolio of 8 companies.

We're also taking the opportunity to give you brief updates and news about the portfolio, and to wrap up what was a very enjoyable time that we spent with many of our friends at our first ever Armilar Investors' Day!

**We hope you enjoy the reading!**



## The ISTART-I Fund

*In early 2017, after the operation through which Armilar Venture Partners became an independent VC, we resumed the fundraising for our Technology Transfer Fund, a fund that will invest in seed, technology-based companies, building on the experience of its predecessor, the ISTART-I fund.*

*But what's so special about ISTART-I, that inspired us to repeat the experience, only this time with a larger, broader fund?*

*Is the opportunity still there?*

Armlar's accumulated experience is really about growing companies from inception to exit. In the funds that the Armilar team has been managing since 2000, we find examples of investments in early-stage and seed companies, both Portuguese and international.

There are even a couple of situations in which Armilar actively incubated Portuguese companies with disruptive business models and technologies, creating the environment to support them, and building the teams needed to lead the companies in their growth path.

Over time, we became aware that disruptive solutions were often built on top of work produced at the best universities and research labs.

In some cases, international ventures were created through serial entrepreneurs approaching the universities' patent offices to obtain rights over the most promising IP.

### Opportunity for a small technology transfer seed fund

At the end of the last decade, the attitude toward tech-based entrepreneurship in Portugal was changing, and Portuguese universities were recognising the creation of technology-based

companies as an important part of their technology transfer strategy. All the most forward-looking schools developed specific policies promoting entrepreneurship amongst their MsC and PhD students.

Progressively, the so-called "deep-tech" entrepreneurship was shifting from a rare phenomenon to an alternative to the traditional professional careers of academic research, or working for a big corporation.

At that time, Armilar and Instituto Superior Técnico (IST, a leading Portuguese engineering school) coordinated efforts to create ISTART-I, a small 3 million euro seed fund to invest up to 300 thousand euro in new-born companies, started by students, teachers or researchers of Portuguese universities and research institutions. ISTART-I had its closing in November 2011, with private corporations, public entities and public funds (through PORL and COMPETE) as investors, and made its first investment in March 2012.

### The ISTART-I fund today

ISTART-I made its last investment in September 2015, and closed its investment phase in December of the same year. Today, the fund has

8 portfolio companies.

We are strong believers that a fund's success is solely measured by its return to investors, and from this point of view it is still early to evaluate ISTART-I – although, thus far, it is performing solidly also in that respect. Nevertheless, there are several aspects that are validating of ISTART-I, that we would like to share.

Firstly, ISTART-I invested in companies operating in very disparate sectors – ranging from Materials to Life Sciences, from Information Technology to Biotech –, and originated in Universities from across the country, from Braga to Lisbon. This fact suggests that the innovation that is fueling the creation of startups is present on a wide range of scientific areas.

External awards also provided us with some confirmation of their business value and market-fit: Codacy was the winner of Web Summit 2014; Fastinov was the first Portuguese company to be awarded with and to lead a H2020 FTI (Fast Track to Innovation); and Sakproject is today the preferred brand of shin guards used by elite players and teams – to mention just a few examples.

Secondly, in the last 3 years, Armilar received close to 950 investment opportunities coming from Portugal, of which nearly 80% were for companies at the seeding stage. And from these seed opportunities, 60% were based in technology developed in universities or research institutions, showing that this is an important source of seed-stage dealflow.

The figures for the international dealflow are also illustrative of this reality: in the same period Armilar received about 800 investment opportunities in foreign companies, of which 60% in seed stage, 20% of them originating from

## THE ISTART-I PORTFOLIO



**Codacy** offers the most comprehensive and flexible tool for Automated Code Review in the market, relying on code patterns to detect inconsistencies and opportunities for improvements in code

**Industry:** Software Development

**Origin:** Instituto Superior Técnico (Lisbon)



**Sakproject** developed a new concept of shinguards that brings significant improvements in protection and usability, with particular focus on elite football players

**Industry:** Wellness – Sports

**Origin:** Universidade Coimbra & Instituto Politécnico de Viseu



**Muzzley** implements a B2(B2C) SaaS solution for consumer IoT that supports a comprehensive set of connected devices

**Industry:** Internet-of-things

**Origin:** Startup Lisboa & Instituto Superior de Ciências do Trabalho e da Empresa



**HeartGenetics** has developed new software tools and genetic tests that make genetic data significantly more simple, actionable and cost-effective, with highly scalable applications to wellness and health

**Industry:** Biotech – Genetics and Genomics

**Origin:** Instituto Superior Técnico (Lisbon)



**Fastinov** developed a patented technology to perform Antimicrobial Susceptibility Tests (AST) in less than 2h, providing MDs with fast and comprehensive results regarding which drugs a microbial infectious agent is susceptible to

**Industry:** Medical Services – Diagnostic

**Origin:** Faculdade de Medicina da Universidade do Porto



**Equi germinal** identified and patented a New Equine Virus (NEV) and simultaneously developed and patented an effective ELISA diagnostic, aiming to explore it commercially in partnership with reference animal health companies

**Industry:** Veterinary Medicine

**Origin:** Universidade de Coimbra / Biocant Park



**Ecofoot** has developed a dye based on “ionic pigments”, that claims to have significant savings in water and in energy use in the dyeing process, ensuring similar quality dyeing textiles

**Area:** Advanced Materials

**Origin:** Universidade do Minho

a European university – and these international figures are far from representing the full potential, since most tech-based startups coming out of European universities are most likely funded and supported by their local VC community, similarly to what happens in Portugal.

And finally, since 2014, universities and the ecosystems related to entrepreneurship saw a huge evolution in all aspects:

- The key Portuguese universities have continued to develop and professionalise their Technology Transfer activities. Today, Technology Transfer Offices annually run multiple structured programs to support entrepreneurship amongst their communities, frequently in coordination with local investors (and Armilar is very often an active participant in these events). Researchers have become more careful about publicly disclosing inventions resulting from scientific work. Entrepreneurship is viewed as a key lever for the development of academic institutions.
- The ecosystem is now much more mature. Accelerators and incubators in the country have continued to show growing levels of professionalization, in many cases working closely with major universities. Corporations, who were mostly absent, have become very involved with the entrepreneurial ecosystem.
- Portugal has gained its own notoriety as a European entrepreneurial hub. With the Web Summit contributing very positively to promote the Portuguese ecosystem, the country is now frequently visited by international investors and Portuguese startups have raised meaningful funding from a number of them. The announcement of public financial

support to entrepreneurial initiatives has also contributed for this awareness.

With ISTART-I in its maturing phase, and following the conclusion of the independency process, Armilar resumed the raise of its new Technology Transfer Fund (TTF) that it had initiated back in 2014, which we described in the last number of our newsletter. Backed by the European Investment Fund and targeting a size of 60 million euro, this will be Armilar's investment instrument to support technology-based companies spun-out from European academic ecosystems. The early signs of the opportunity were clear back then; for all the reasons described above, the conditions have nothing but improved in the last three years.

A major difference between the two funds relates to the capability to support the portfolio companies from seed to exit. ISTART-I is limited in the amount to invest in each company to a cap of 300 thousand euro. This means that, after the investment phase, the fund will necessarily see its stake in portfolio companies being diluted over time,

hopefully – and it has been the case thus far – with an appreciation in value, as the companies raise additional capital. But the TTF will have the ability and the capacity to do follow-on investments on the best performing seed companies of the portfolio, after they have gone through their seed-stage development. This feature not only provides entrepreneurs with the comfort that – provided performance is solid – the fund can continue to support their venture, but it is also an important means to protect the fund investors' interests, preventing unwanted dilution and providing additional exposure in the best-performing assets of the fund.

Similarly to ISTART-I, the TTF will have a Strategic Advisory Board, composed of knowledgeable individuals and representatives of participating Universities and Research Institutions invited by Armilar, to review the portfolio and active investment opportunities of the fund, as well as to provide strategic guidance on investment and technology trends. This will be a value builder for the fund, the investors and universities. We will keep you posted on the progress of the TTF.

	ISTART I	TTF
<b>Capital</b>	€3 million	Up to €60 million
<b>Target Companies</b>	Tech-based Seed companies with technology from Portuguese universities and research labs	Tech-based Seed companies with technology from European universities and research labs
<b>Investment limitation</b>	Up to €300 thousand per company	Capability to follow investments in the best companies until exit
<b>Industry scope</b>	Information and communication technology, CleanTech, Healthcare & Well-being	



# AVP NEWS



## SuperBac: Exit closed in Q2 2017

Last April, the Armilar Venture Partners II fund exited from the portfolio company (BioGênese aka SuperBac). Headquartered in Brazil, SuperBac was an investment initially done in late 2007 that had several delays in its development, though successfully achieving some valuable milestones in the space of Agri-Business in 2014/2015. More recently, the political crisis in Brazil became an obstacle for the company to get funding to foster growth, having eventually closed in December 2016 a significant round with a leading international PE fund, in which a secondary acquisition of the AVP II stake was successfully negotiated.



## AVP Investors' Day 2017

Our 2017 Investors' Day took place on March 13 at Hotel Pestana Palace, in Lisboa, and for the first time using our new brand, Armilar Venture Partners. We were very pleased to see a full house, and to have the opportunity to share with our guests our views about the current state of the Venture Capital industry, as well as our vision and plans for the future, with special emphasis on our new Technology Transfer Fund, the raising of which we have recently resumed. We had an update on the macroeconomic context, by Carlos Andrade, Chief Economist of Novo Banco, and Julien Baumont, Investment Manager of the European Investment Fund (the anchor investor of the Technology Transfer Fund) shared with us the EIF's views and experience, as the biggest European LP investor in Venture Capital funds. Following the coffee-break, serial-entrepreneur António Câmara gave us his perspective on the state of technology and technology investing. Before the lunch that closed the event, the CEOs of two of our portfolio companies updated our investors and friends about their companies and their most recent achievements: Ana Teresa Freitas from HeartGenetics, and Paulo Rosado, from OutSystems. We would like to thank all the attendees, our investors, our partners and our friends, for their presence and their outstanding feedback, and for a very enjoyable and engaging discussion. We hope you have all enjoyed it as much as we did, and we're looking forward to see you back next year.

## PORTFOLIO NEWS



### **BERD keeps innovating... Now in modular bridge solutions** February 2017

The effect of weather conditions, natural disasters, conflicts between peoples and other events that require daily bypasses to allow the freedom of movement of people revealed an opportunity for BERD to create a new Business Unit: MBS (Modular Bridge Solutions).

Within MBS, BERD develops, designs, manufactures, supplies and installs Modular Bridge Solutions for sale or rent, for civil and/or military applications all around the world. With its MBS Unit, the company aims to bring a new concept to the Modular Bridges: technically and economically competitive solutions, reducing assembly and launching time, expanding the range of spans and load capacity.



### **CODACY selected as preferred quality solution by GitHub** May 2017

Codacy announced a partnership with GitHub and is featured as the preferred quality solution in an ideal development workflow. The announcement was made on May 22, at GitHub's Satellite conference in London, where Jaime Jorge, CEO of Codacy, presented the platform before thousands of developers and together with GitHub announced the launch of the new GitHub Marketplace. As the global leader in source code management and repository, GitHub's choice for Codacy validates the company's leadership in automated code review, with which developers and teams can boost productivity through improving code quality.





## HEARTGENETICS and SAKPPROJECT successfully raised funds with new private investors in Q1' 2017 January and March 2017

After launching the new NutriGenetics test, HeartGenetics has been delivering an impressive traction since the beginning of the year, and thanks to that, in March, the company was able to raise a bridge financing with a set of six new private investors. These funds will be crucial for the company to proceed its expansion and close a Series A round in the coming months.

In January, Sakproject has also closed a new funding round with private investors, who were attracted by the more than 250% revenue growth attained in 2016. These new investors have also brought along significant professional experience in business development and management, and have now a fundamental role in the process to take the company to the next level and prepare the company for a Series A round in 2017.

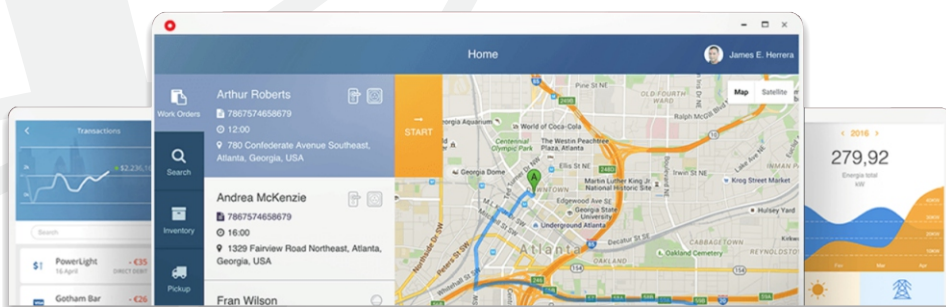


## OUTSYSTEMS Named a Leader in Gartner's 2017 Magic Quadrant for Enterprise High-Productivity Application Platform as a Service May 2017

With the increasing demand for faster application development, Gartner has published the new Magic Quadrant for Enterprise High-Productivity Application Platform as a Service (hpaPaaS) 2017 report in which OutSystems is named a Leader. This category of technologies accelerates application development and digital business transformation.

According to Gartner, the “high-productivity, or rapid application development and deployment, platform technology in the cloud is growing swiftly as enterprise IT increasingly exploits cloud-based tooling with reduced skill requirements.” Further, Gartner says, “high-productivity aPaaS provides rapid application development features for development, deployment and execution — in the cloud. Enterprise aPaaS is an aPaaS offering designed to support the enterprise style of applications and application projects — such as high availability/disaster recovery, external service access, security and technical support.”

The OutSystems high-productivity aPaaS is a general-purpose solution that addresses many PaaS use cases including the development of mobile front-end applications, enterprise core systems, and omnichannel business applications. OutSystems provides clients with a low-risk way to get started, immediately cutting app backlog with tremendous development speed. Going forward, OutSystems customers have a future-proof platform for end-to-end application lifecycle management, architecture, and governance as they grow their digital portfolio.





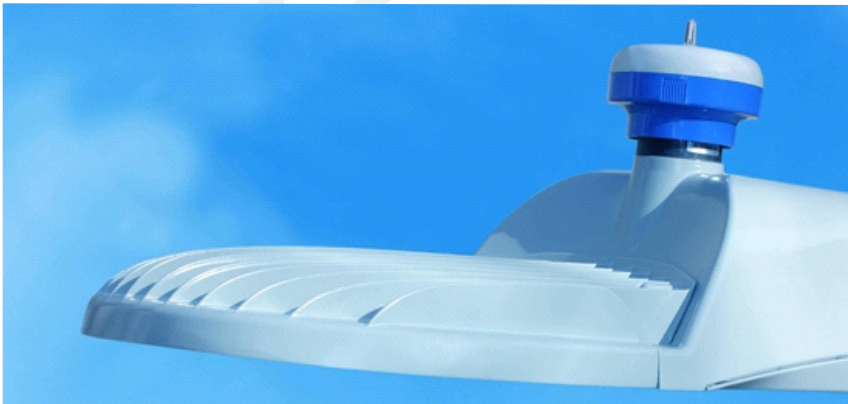


## **PETRA SYSTEMS pilots its Smart Streetlight Network Solutions in Minnesota** **May 2017**

Petra Systems and Palmer Wireless, a leading provider of wireless and high speed internet service across Central Minnesota, announced a project to pilot Petra's Smart Streetlight Network Solutions across select locations in the Palmer service territory.

The pilot will demonstrate streetlight-integrated voice-over-WiFi and Wi-Fi data offloading, including origination and completion of voice calls from within the Wi-Fi network, transforming each streetlight into an extension of Palmer's mobile network while simultaneously delivering significant streetlight energy savings to local municipalities and utilities. The pilot partnership will also help test the backbone technology needed to deliver uninterrupted network coverage, including blanket Wi-Fi in targeted areas and seamless hand-off between mobile and secure Wi-Fi networks to improve service levels and overall mobile network performance.

Petra Systems' Smart Streetlight Network Solutions come complete with high-efficiency LED luminaries and fully-integrated adaptive lighting controls that include carrier-grade Wi-Fi radios. These Smart Streetlights create a secure, city-wide Wi-Fi network that improves mobile network performance and coverage. The high density of the streetlight-based infrastructure ensures maximum bandwidth availability with low latency.



## **UBIQUITY announces expanded partnership with Curve** **January, 2017**

Ubiquity Global Services, a multinational services organization with deep expertise in the payments space, today announced that it will be expanding its partnership with innovative London-based FinTech startup Curve, who have created an all-in-one card platform and powerful mobile app. Ubiquity, which has been working with Curve since April of last year, has been selected to handle additional business lines, including 24/7 fraud support and outbound customer correspondence. This work complements services already provided to Curve, including identity verification support, dispute handling on both the issuing and acquiring side, as well as data gathering for SAR (suspicious activity report) filings.