

# Market Consultation Deep Tech Fund 2020/12

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Fuelling the  
growth of the  
Estonian  
venture capital  
market

**SmartCap is managing a state funded venture capital fund Early Fund II with assets under management of EUR 80 million.**

SmartCap's ambition is to drive the development and growth of the Estonian venture capital market by:

- 1) Being a committed cornerstone investor in venture capital funds
- 2) Investing through different economic cycles and
- 3) Providing investment solutions that address market gaps in Estonia

[www.smartcap.ee](http://www.smartcap.ee)

Addressing the  
deep tech VC  
funding gap in  
Estonia

# Purpose of the Call

**The Call will be published with the purpose of tackling capital availability problem for Estonian early stage deep tech companies.**

SmartCap is intending to carry out a Call for Expression of Interest with an aim to select one suitable private fund manager for establishing and managing a venture capital fund which shall provide equity/quasi-equity financing to early stage deep tech companies in Estonia.

A cornerstone investment will be made in the Fund up to 15,000,000 euros.

# Call process overview

1. Publication of the Call
2. Clarification (Q&A) period
3. Submission of Expression of Interest
4. Eligibility check
5. Assessment and due diligence
6. Negotiation and conditional signing
7. Closing

Organized  
through several  
steps

## ELIGIBILITY

Eols are assessed against the eligibility criteria:

- Received within deadline
- Format requirements fulfilled
- Signed by relevant persons
- Declaration of Honour
- Key Executives requirement fulfilled

Eols that meet the eligibility criteria will go through to the assessment phase.

## ASSESSMENT

Assessment of the Eols based on:

- Team
- Investment Strategy
- Terms and Structure

Meeting the highest scoring applicants.

Selection of the preferred applicant after team meetings.

# Draft main terms of the Fund

Subject	Term
Investments	<p>Direct investments into privately held non-listed deep tech companies, meeting all of the following criteria:</p> <ul style="list-style-type: none"><li>● Early-Stage high-tech SMEs;</li><li>● the product or service is mainly based on scientific advancement and development or meaningful engineering innovation;</li><li>● the product or service development results in commercializable IP.</li></ul>
Stage focus	<p>Early-Stage:</p> <ul style="list-style-type: none"><li>● (Pre-) seed stage;</li><li>● Start-up stage;</li><li>● Other early stage.</li></ul> <p>Financing rounds from seed to series A.</p>
Geographical focus	<p>Companies that have an establishment or branch in Estonia.</p> <p>Up to 100% of the private capital can be invested outside Estonia, but not more than 50% of the total amount invested by the Fund.</p>

# Draft main terms of the Fund

Subject	Term
Fund structure	A limited partnership ( <i>usaldusfond</i> ) under the laws of Estonia or similar form in the EU acceptable for SmartCap and according to best industry practices.
Early Fund II contribution	15,000,000 euros, capped at no more than 70% of the total Fund size.
Private investor contribution	To be proposed by applicants. Financial Commitment of the Team at least 2% of the Fund size. No state aid, pari-passu investment.
Fund size	Applicants are invited to propose the minimum, target and maximum Fund size.
Investment form	Equity or quasi-equity.



# Draft main terms of the Fund

Subject	Term
Closings	Initial closing - proposed min Fund size, but not later than 6 months from signing the commitment. Final closing - 12 months from Initial closing + 6 months subject to investor approval.
Fund term	Up to 12 years + possible extensions subject to prior investor approval.
Investment period	Up to 4 years + possible extensions subject to prior investor approval.
Key Executives	At least half of the full-time Key Executives must be residents of Estonia.

# TARGET TIMELINE\*

\* The actual timeline of the Call may differ in part or in whole depending on the number of applicants participating in the Call, public health situation and possible COVID-19 related restrictions, etc.

Action	Deadline
Market consultation	23.11.2020
Publication of the Call at <a href="http://www.smartcap.ee">www.smartcap.ee</a>	By the end of December 2020
Final date for requesting clarifications	25.01.2021
Submission of Expression of Interest	01.03.2021
Evaluation against eligibility and assessment criteria and shortlisting applicants	March - April 2021
Presentations by shortlisted applicants and due diligence on preferred applicant	May - June 2021
Negotiation and execution of the Investment Documents	Q3 2021
Closing of the Fund	6 months from signing

# Q&A

# MARKET CONSULTATION

Please note that this presentation is for information purposes only. The market consultation file awaiting feedback is available at:

[www.smartcap.ee/deeptech](http://www.smartcap.ee/deeptech)

All feedback should be sent no later than 23 November 2020 in English via e-mail to [info@smartcap.ee](mailto:info@smartcap.ee) with a subject line “Deep Tech Fund 2020/12 – Market Consultation”.\*

\* SmartCap will not be responding directly to market feedback. Relevant comments and feedback will be considered and, if appropriate, addressed in the final Call Document.

\* The final Call including the Main Terms and the Business Plan requirements may differ in part or in whole to the draft version published for market consultation.

# Thank You!

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