



Global Investment in Photonics

Mike Powell ; *Managing Director and Partner*

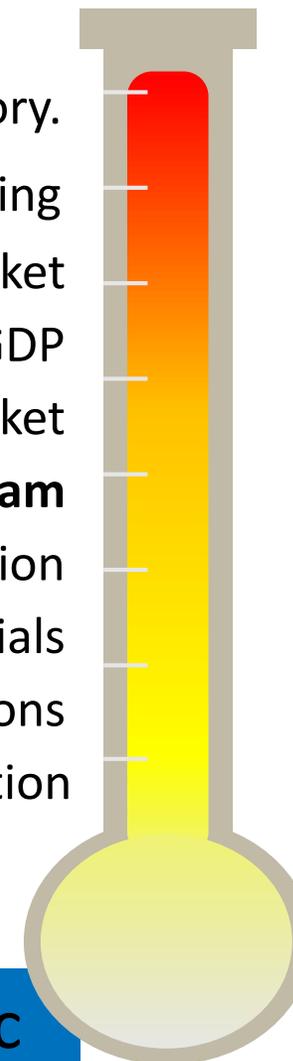
Renevo Capital Limited

T: +44 7989 384590

E: mike.powell@renevocap.com

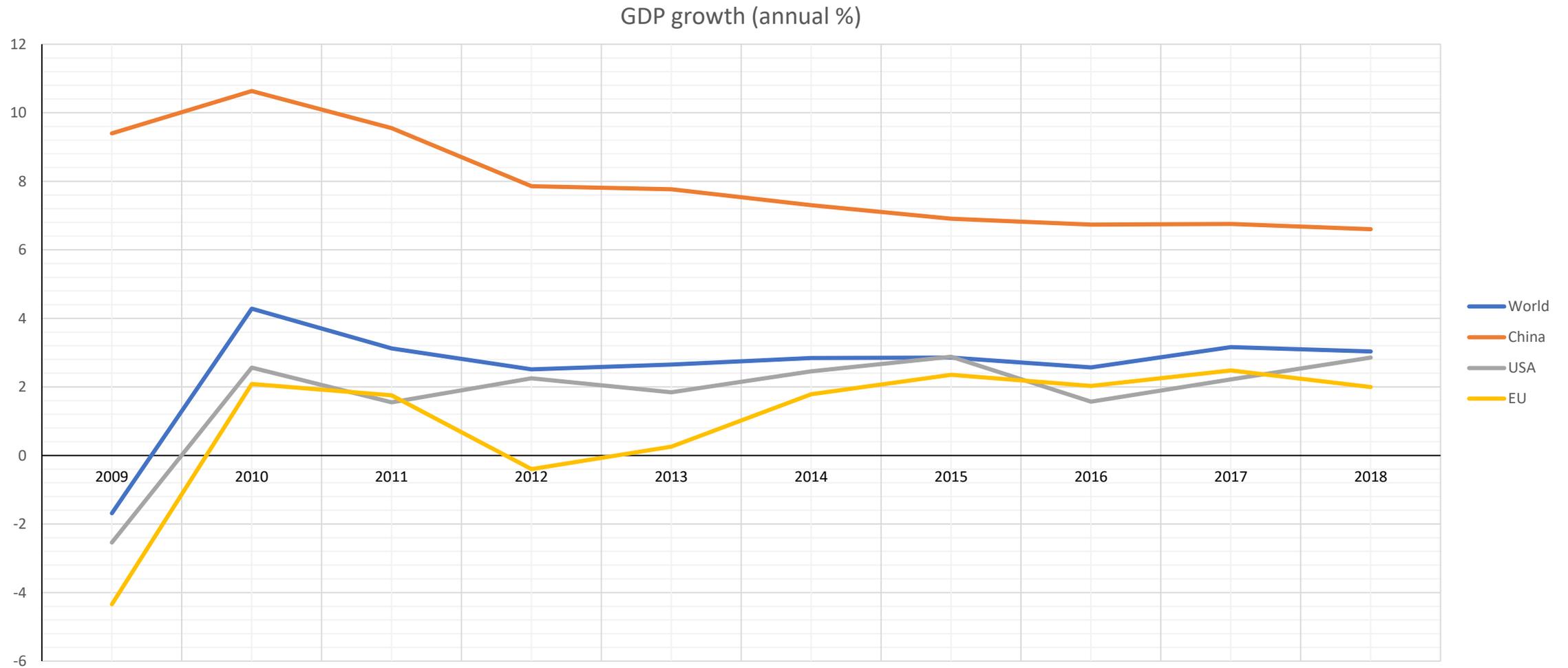
www.renevocap.com

Macro economic, Political, & Regulatory.
Zeitgeist /Timing
Business addresses a large, multi\$B market
The market is growing faster than GDP
The business proposition is validated by the market
Believable management team
Strong IP/Patent ownership position
Profit making, strong financials
Cap table is not poisonous & shareholders have rational valuation expectations
Low AML and KYC Risk, no current litigation



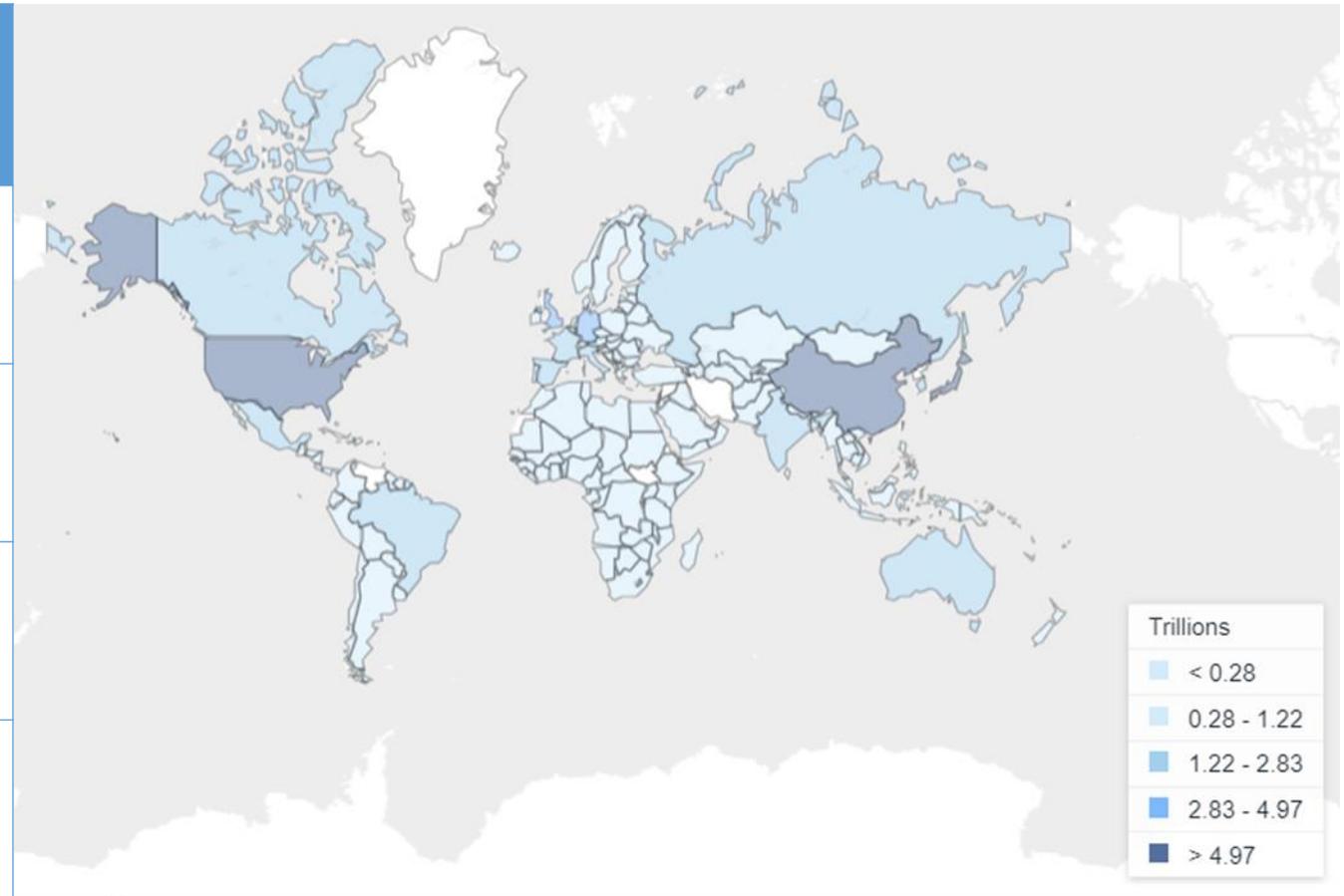
An intensely Human activity dressed up as logic

Global economy: up, down, or sideways?



Regional GDP - 2018

Zone	GDP (\$ Trillions)
USA	20.5
European Union	18.7
China	13.6
Rest of the World	33.0

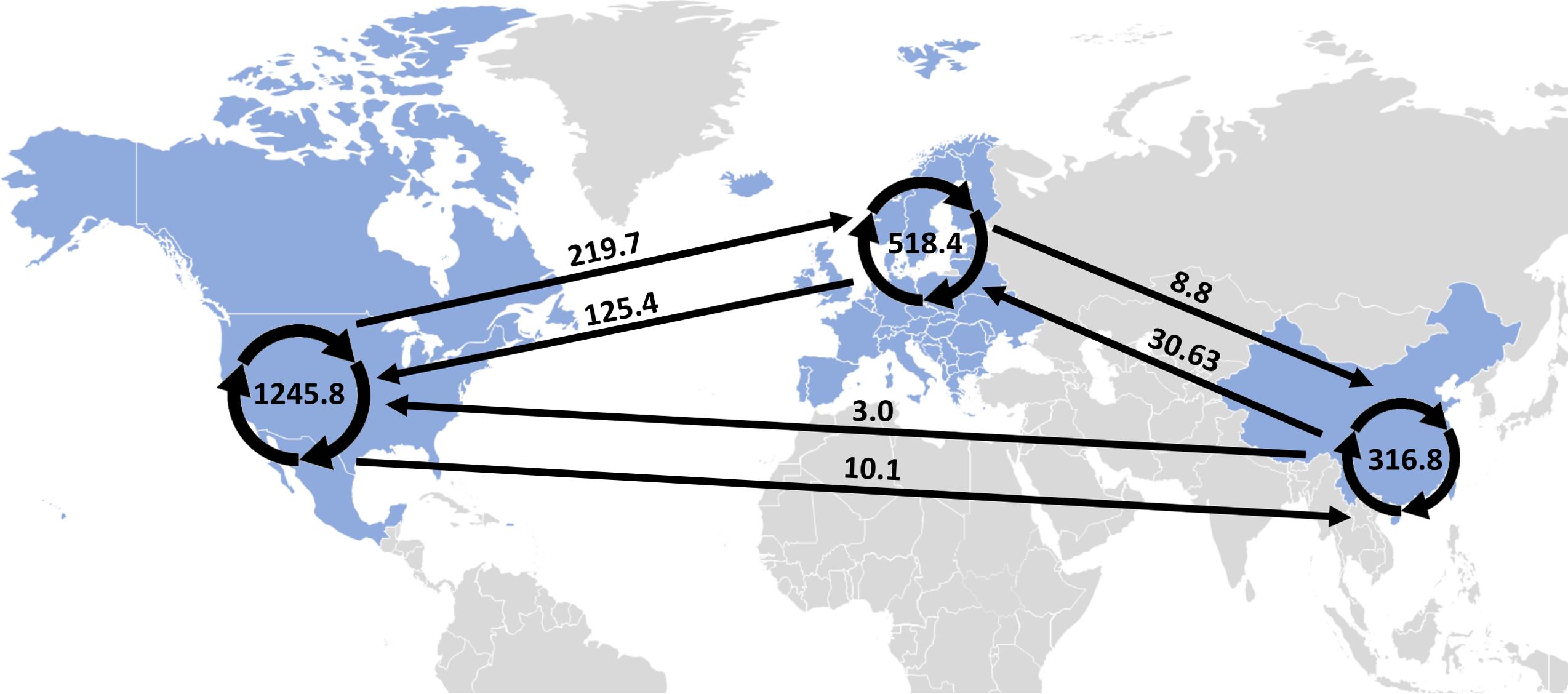


Regional GDP - 2018

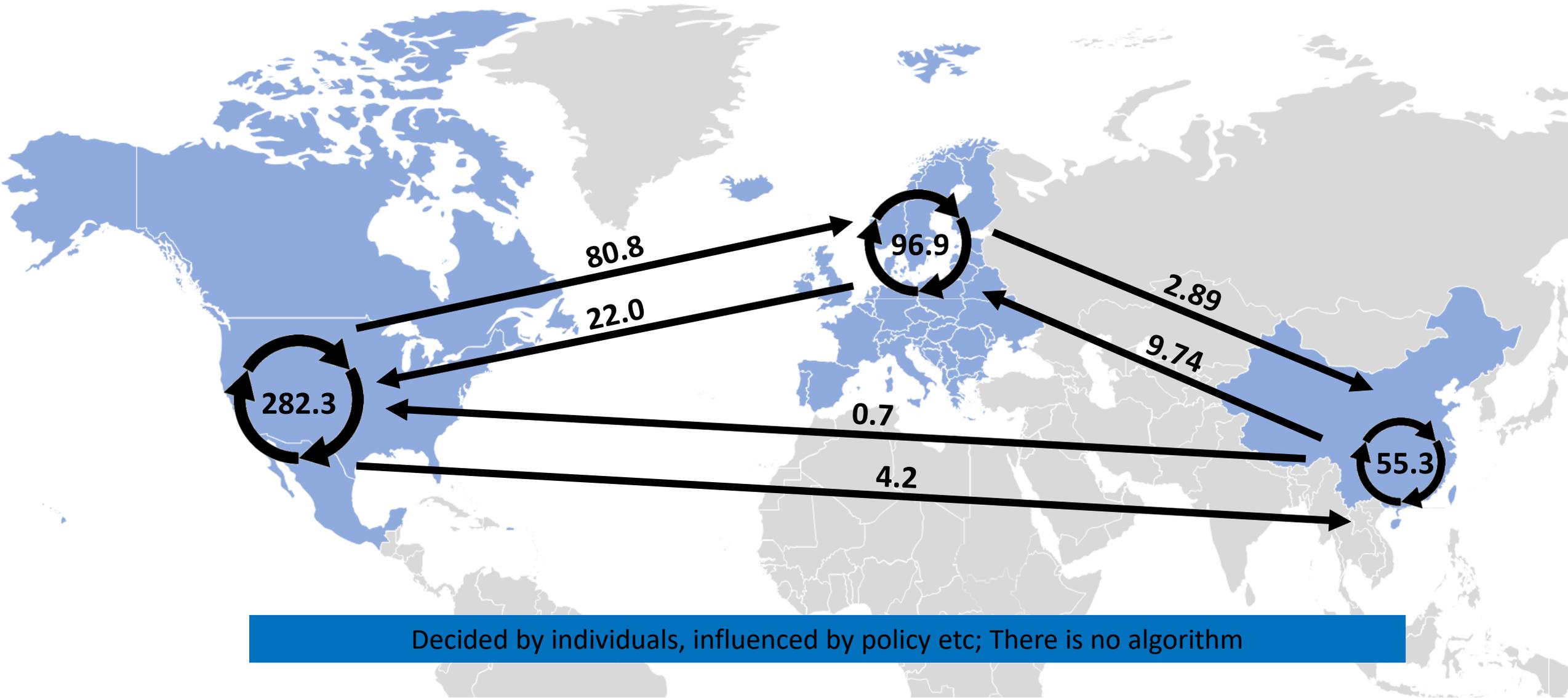
Zone	GDP (\$ Trillions)
USA	20.5
European Union (excl. UK)	15.9 (-2.8)
China	13.6
Rest of the World	35.8



M&A capital flows in 2018 (US\$ billions)



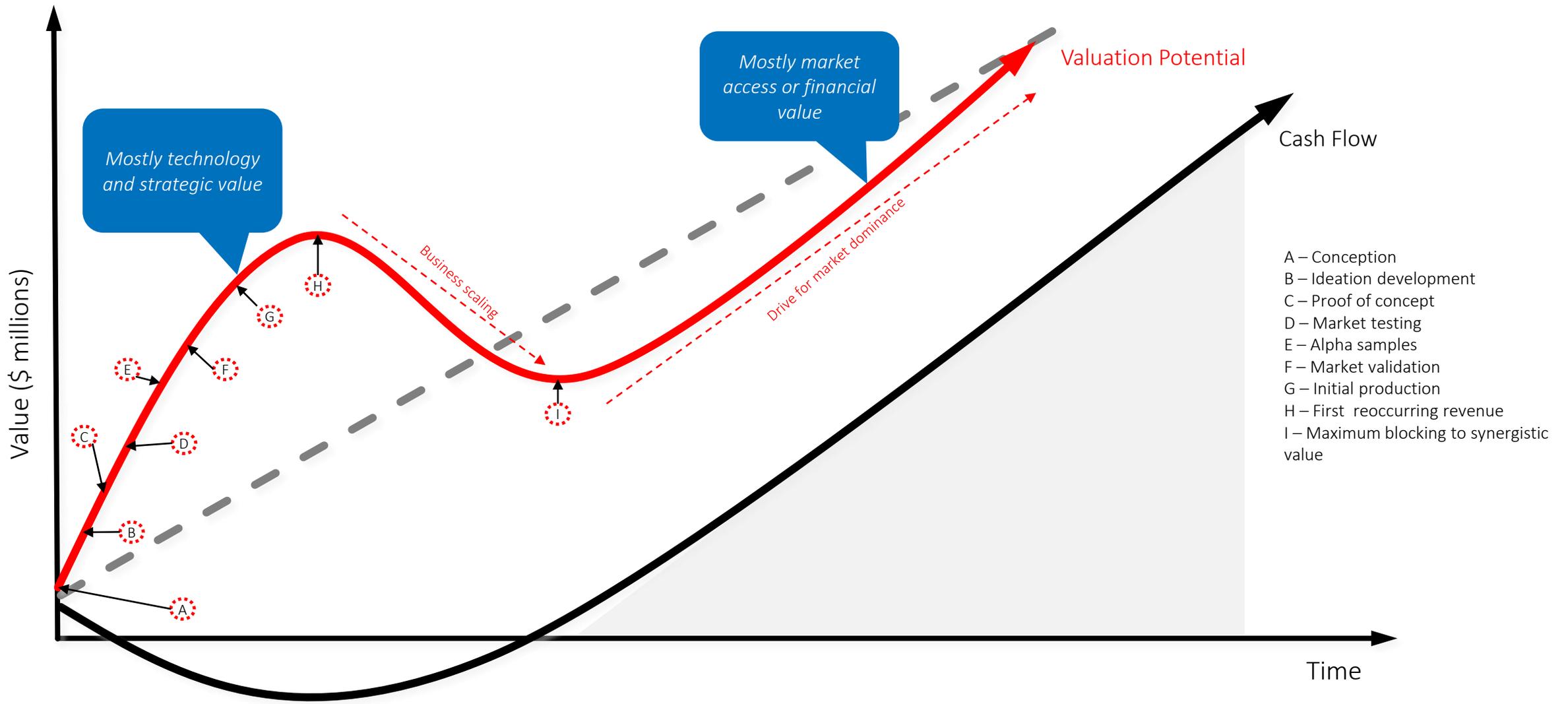
TMT M&A capital flows in 2018 (US\$ billions)



Decided by individuals, influenced by policy etc; There is no algorithm

Source: Mergermarket data via White & Case

Emerging tech: returns analysis



Bid	Chinese acquirer of a private European technology company issued an LOI to the normal international standard, making a compelling bid both financially (all cash) and with a continuing plan for the company.
DD	Very large team and extremely detailed due diligence.
Price confirmation and SPA	Very straight forward price confirmation by agreed waterfall. Escrow holdback at the lower end of the scale in quanta and release period. Usual back and forth re: warranties. SPA in European local law, albeit with Chinese extra clearance steps but with closing and completion on the same day.
Cash transmittance	Into companies lawyer account for distributions for shareholders once closing conditions are met on both side.
Specific distinctions	<ul style="list-style-type: none">▪ Lots of side agreements with targets partners▪ Strong focus on tax issues▪ Special focus on connection with governmental bodies▪ Communication with CFIUS
What happened next	<ul style="list-style-type: none">▪ Investment in target ramped▪ Staff added and no meaningful staff losses▪ Staff happy, shareholders happy, targets partners happy with significantly increased interaction with the buyer, buyer very happy

A China/Europe deal where the buyer was experienced and mitigated the China specific aspects of the transaction

Strategic investment vs. Financial investment



Strategic

- Additional capacity to scale (Side agreements)
- Greater opportunity to commercialise the product
- Access to advice from experts in the field
- Access to larger sales team (Side agreement)
- Reputation boosting association with established brand
- Valuation enhanced by synergy premium

- DD and revealing the secret sauce
- Strategic investor may lose interest or change direction
- *Potentially obstructive for other commercial partnerships*
- *Possibly blocking for future strategic investment or exit*

Private equity/VC

- No capacity to compete so DD feels safer
- Potential for early stage investment
- Non-blocking for commercial relationships
- More hands off
- Capacity for follow-on investments

- Harder on valuation
- Want board control
- Average hold period between 3-5 years, then resale
- Current management will need to remain for hold period
- Struggle to bring any value other than financial

- Photonics consistently growing faster than GDP since 2004
- Realisation that strong returns are available from hardware business.
(Reducing focus on software and service businesses)
- Photonics now seen as much more than lasers and fiberoptics.
- Still a rare skill
- No longer a 100K per month business can be Multiple Millions per month

Photonics. A good place to invest



Mike Powell

Managing Director and Partner

Renevo Capital Limited

T: +44 7989 384590

E: mike.powell@renevocap.com

www.renevocap.com

Encourage investment



National strategy

- Infrastructure in countries along the One Belt And One Road



Industry promotion

- Superior industry/superior equipment/technology export field
- Strengthen investment in overseas high-tech/advanced manufacturing
- Encourage the establishment of overseas R&D centers



Specific industry

- Oil and gas/mineral energy resources
- Agriculture, forestry, animal husbandry and fisheries
- Commercial and Trade

Sensitive issues



Chinese investment is equivalent to more than US\$300 M



Sensitive countries (regions), sensitive industries

- For example: hotels, real estate, studios, sports clubs, entertainment



Projects with significant operating losses

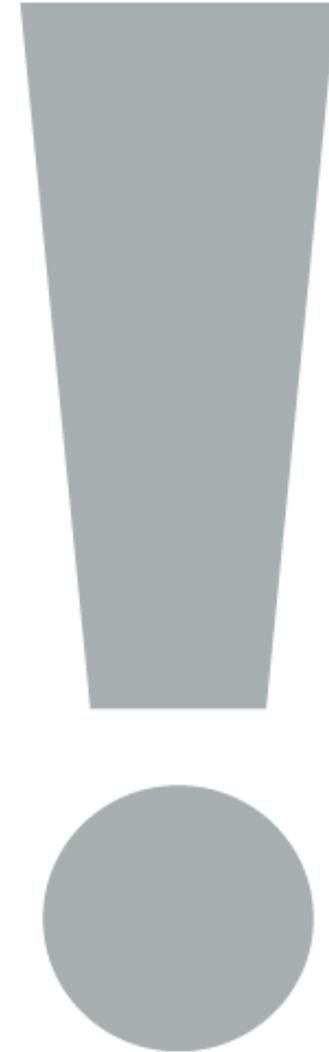


Major safety incidents and mass incidents



Existing serious violations behavior

- Cultural attitudes towards Letters of Intent (LOIs)
- Language barriers, especially in technology matters with some concepts expressed differently
- Internal company processes
- CFIUS
- Chinese regulations – NDRC, SASAC, MOFCOM, SAFE
- Close out processes



This presentation was presented at EPIC World Photonics Technology Summit 2019

HOSTED BY



GOLD SPONSOR

PI

SILVER SPONSORS



PULSe



EU initiatives funded by
www.photonics21.org



BRONZE SPONSORS

edgewave



yelo