

# INNOVATION & TECHNOLOGY

BEST PRACTICES for  
CORPORATE VENTURE  
CAPITAL PROGRAMS

*Fabiana Cid de Andrade*

*April 2022*

# START WITH THE WHY!



**70%** of Top 100 (market cap) have CVC

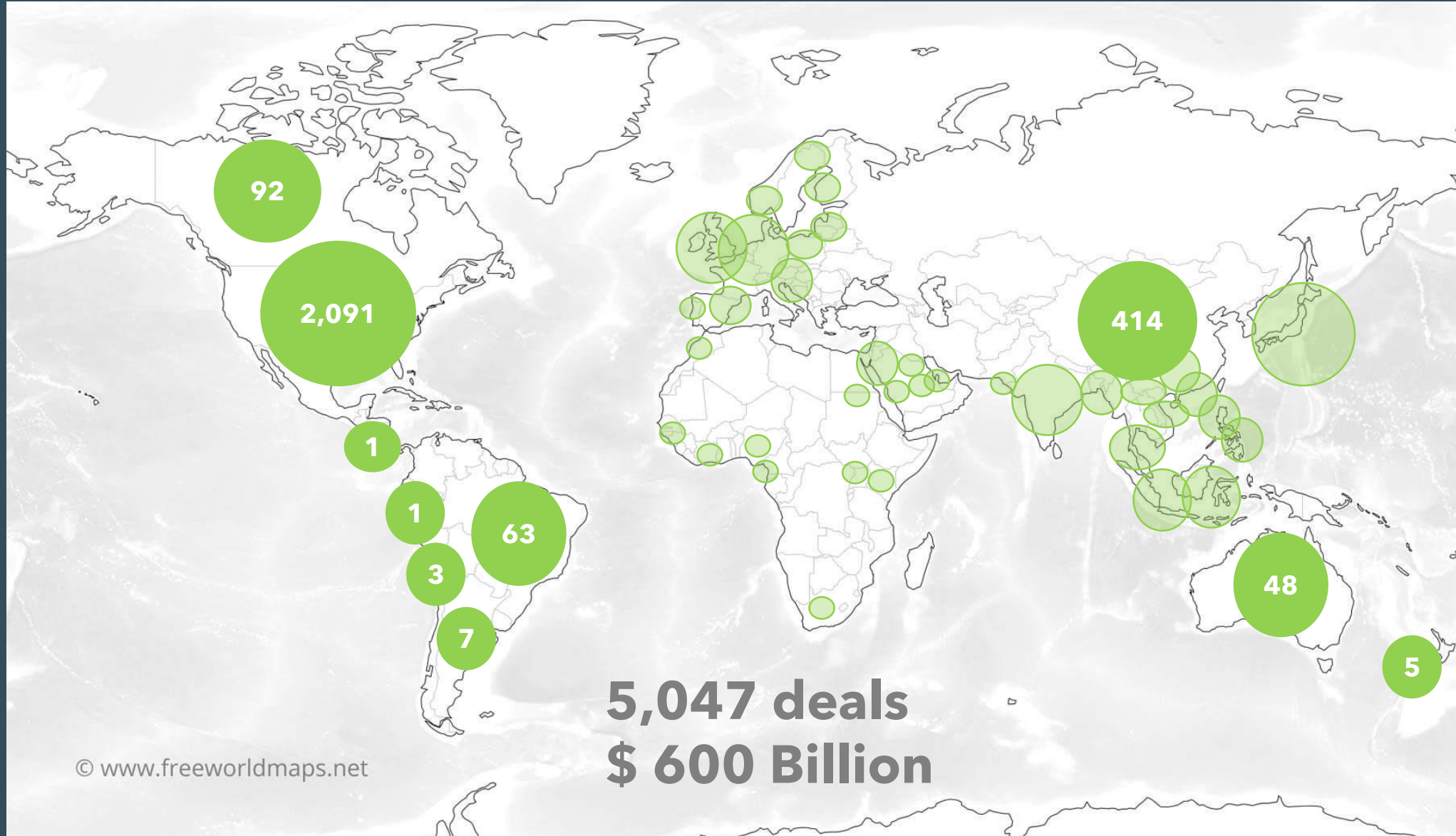
U.S. Public Companies with CVC outperform peers by **46%**

CORPORATE VENTURE PROVIDES A FRONT-ROW SEAT TO THE FUTURE OF YOUR INDUSTRY

# THERE ARE MANY “WHYS”

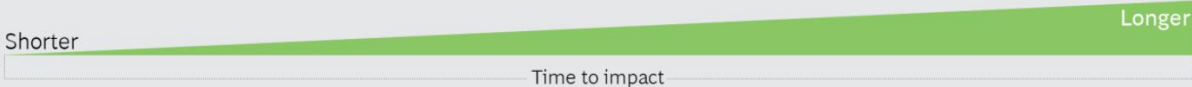
- Access to new technology
- Trend spotting and marketing intelligence
- Commercial relationships
- M&A pipeline
- Launching businesses in new markets
- Customer experience
- New business models
- Talent, recruiting, and training
- Disruptive investing and hedging
- Culture change
- Future proofing the business
- Branding/marketing the corporation as innovative
- Product roadmap
- Cost savings and efficiencies
- Supply chain optimization
- Freedom to operate in a non-regulated environment






# CVC Dealmaking Heatmap (2021)



# Several Structures and Formats Available

EXHIBIT 5 | Different Innovation Tools Suit Different Company Objectives



Tool	M&A	Partnership	R&D	Innovation lab	Incubator or accelerator	CVC
 <b>Rationale</b>	To gain access to resources, capabilities, revenue, or clients	To increase the competitiveness of an offering	To develop core or adjacent businesses	To rapidly prototype new products and services and test new ways of working for the company	To find and nurture startups that can fill a specific need or to gain insight into new opportunities in a search field	To learn about or gain access to disruptive and new opportunities
 <b>Primary objective</b>	To acquire established or startup companies	To gain access to a complementary technology, product, or service, usually without a large financial commitment	Mainly to incrementally improve existing products or services	To convene teams of in-house innovators for rapid prototyping and market testing of new products and services	To quickly spot and assess innovative solutions and venture partners to address a specific need	To invest in disruptive and new business opportunities and create growth options
 <b>Functional benefits</b>	Gaining transaction and integration experience	Learning agile ways of working and the latest developments in an industry segment	Continually developing expertise in a core or adjacent business	Building digital capabilities and a startup methodology; winning and retaining talent	Becoming part of the startup ecosystem and creating a deal pipeline; winning and retaining talent	Becoming part of the startup ecosystem and creating a deal pipeline; winning and retaining talent
 <b>Degree of control over investment</b>	Significant control (if a majority stake is acquired)	Joint control	Full control	Full control	Full control if internal; limited or no control if external	Limited or no control
 <b>Financial benefits</b>	New short- and long-term revenue	New short- and long-term revenue	New short- and long-term revenue	New medium- to long-term revenue	New long-term revenue	New long-term revenue

# PRACTICAL TIPS: START WITH YOUR WHY!

- 1. List your 3-5 top “Whys” → They are now your **GOALS**
- 2. Define optimal operating and investing models (Balance sheet? Separate entity? Theme(s)? B-U driven?)
- 3. Describe EACH goal **BOTH** quantitatively and qualitatively, with specific KPIs for each
- 4. Goals can be measured in the short or long-term – include both and start with **goals measured over a single year** for a new CVC Program
- 5. Develop the right mix of quantitative and qualitative goals
- 6. Don’t forget **CULTURE** – manifesto may be different than at corporate level
- 7. Make sure first year strategic goals are achievable, expected to ramp up afterwards
- 8. Financial returns (based on capital deployed) measured only after Year 5

# START WITH YOUR WHY!

- Engage with right stakeholders
  - Buy-in from BoD
- Structure the team well - equal parts investments and innovation programming (Ops team with industry knowledge, investment team with financial expertise to do deals).
- Invest at right stage / Mix
  - Near term (0-2yrs) - ideal for trials
  - Mid term (2-5yrs) - rely on domain expertise to determine that startup will be impactful
  - Long term (5+yrs) - industry disruptors
- Add value beyond money
  - Balancing act: strategic investor but not scaring away potential customers or acquirers

# Top 5 Reasons CVC Programs Fail

- Lack of objectives and overall strategy
- Inexperienced Team / Misaligned incentives
- Rushing to make too many investments (vintage concentration)
- Lack of financial discipline
- No budget for follow-on investments

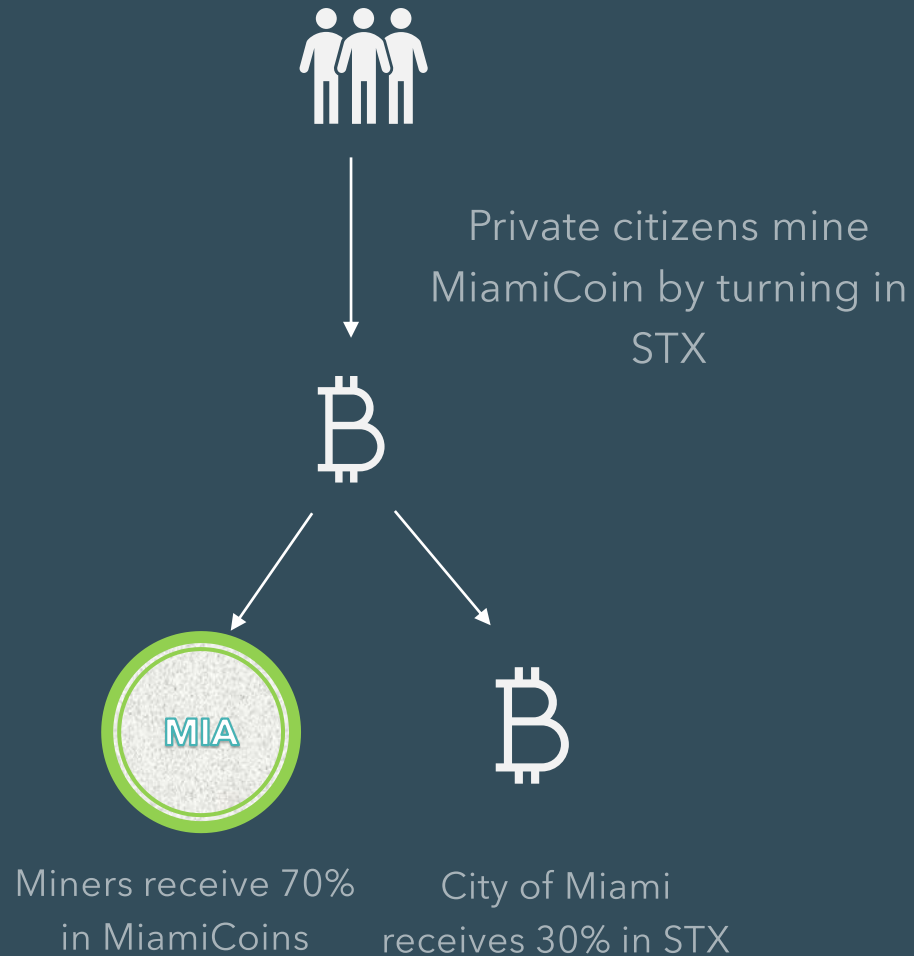


# INNOVATION & TECHNOLOGY

THE CRYPTOCITY  
EXPERIMENT - BLESSING OR  
CURSE?



# MiamiCoin



- Managed by CityCoins, a NFP organization
- Proceeds go into a digital wallet
- Can be converted into U.S. Dollars anytime by the City
- City has no participation other than accepting payment
- Citizens can nominate cities for consideration

**So far, Miami has collected \$5.25 million in revenues, dedicating it to a Rental Subsidy Program, BUT MiamiCoin has lost over 65% of its value...**

**WATCH THIS SPACE!**

THANK YOU!