DEUTSCHE TELEKOM

Start-ups and spin-offs funding – Public and private policies

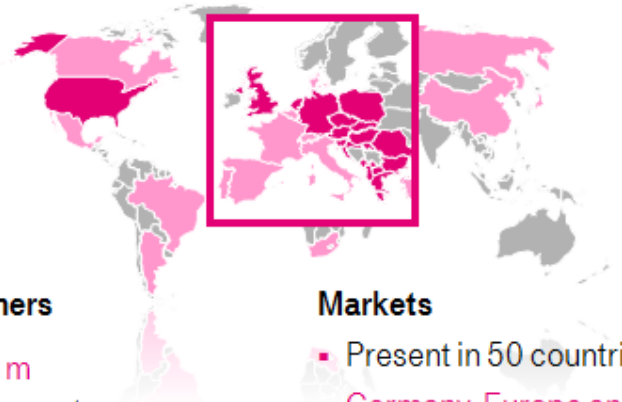
Oct. 14, 2014 – Berlin French Embassy - Venture capital, a German example

Denis Gautheret, CCEF, Vice President Alliances & Business Development

ERLEBEN, WAS VERBINDET.

DEUTSCHE TELEKOM
PROFILE

CUSTOMERS & MARKETS



Customers

- >142 m mobile customers
- >31 m fixed-network customers/ >17 m broadband customers
- Approx. 5.8 m TV customers
- Some 1.3 m managed workplace systems

Markets

- Present in 50 countries
- Germany, Europe and the USA: with own infrastructure
- T-Systems: global presence & alliances via partners

FACTS & FIGURES

Telekom in figures, 2013

- Revenue € 60.1 bn
- Adjusted EBITDA € 17.4 bn
- Free cash flow € 4.6 bn
- Among the top 100 worldwide (#89, Fortune500 list)

Employees & responsibility

- Employees worldwide: 229,000
- 9,100 trainees and cooperative degree students in Germany
- Pioneer of social issues (climate protection, data privacy, diversity, etc.)

Source: DT 2013 annual report/TMUS annual report to shareholders 2013

DEUTSCHE TELEKOM
TRENDS & CHALLENGES

TRENDS (CUSTOMER & MARKET)

Cloud
Digitization of the industry

M2M
Machine-to-machine-communication

Digitization
Personal communication, services and media, wearables, etc.

Big data
Processing and utilization of large data volumes

Fixed-mobile
convergence, seamless connectivity

TRENDS (INFRASTRUCTURE)

Global IP traffic

All-IP migration

Network-virtualization

CHALLENGES FOR DEUTSCHE TELEKOM

European telecoms industry lagging behind

Intense competition and industry policy

Need for extensive investment

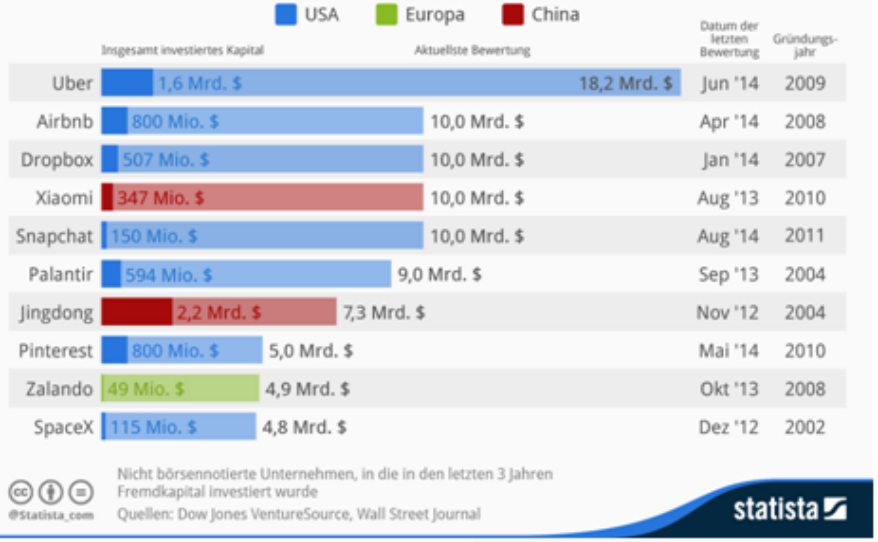
OUR AMBITION:
LEADING EUROPEAN TELECOMMUNICATION PROVIDER

"Startups are not smaller versions of big companies"

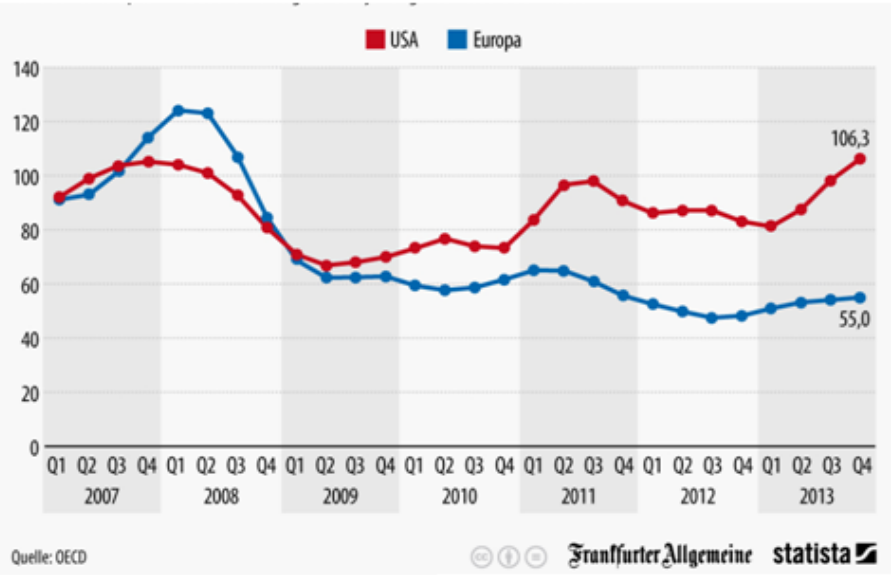
- Steven Blank, author The Startup Owner's Manual

THE WORLDWIDE MOST VALUABLE STARTUPS

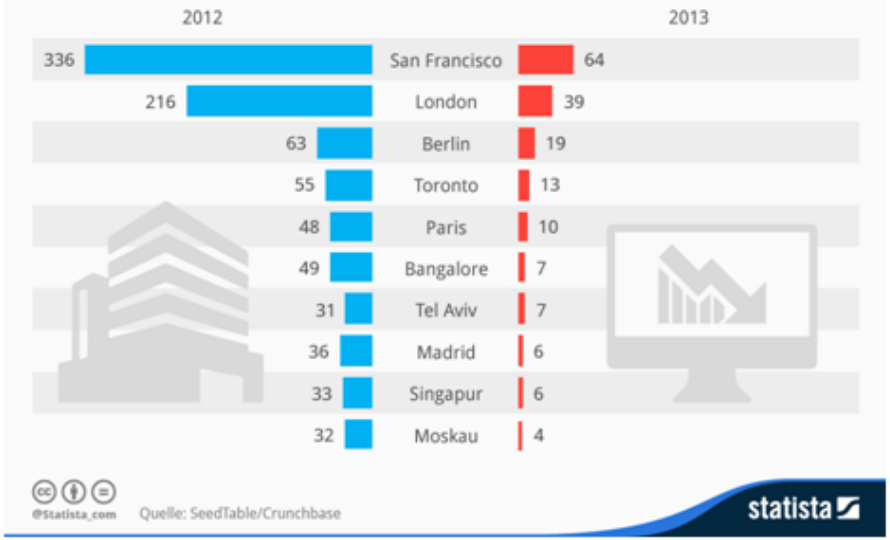
Unternehmen, die von Venture-Kapital-Firmen mit 1 Mrd. $ oder mehr bewertet wurden



EUROPEAN VENTURE CAPITALISTS STAY BEHIND



2013 WAS NOT A GOOD YEAR FOR TECH STARTUPS



DEUTSCHE TELEKOM'S FOCUS ON INNOVATION

NEW IDEAS COME FROM IN-HOUSE DEVELOPMENTS & PARTNERS

INNOVATION: VITAL TO SUCCESS!

IN-HOUSE DEVELOPMENTS

DeutschlandLAN
MyPhonebook
Inflight
IPTV program manager
HomeTalk app
Entertain
Railne
HotSpot finder
Customer Center app
Photo Share app

PARTNERSHIPS & COOPERATION

Microsoft
twitter
lookout
Google
SONY
DEEZER
fon
SAMSUNG
GROUPON
Norton
SAP
EMC
CISCO
JAWBONE
intel
Spotify
amazon.com
EVERNOTE

START-UP BACKING & SHAREHOLDINGS

InteractiveMedia
JAWBONE
fon
CONTENT FLEET
STRATO
pinger
BodyTel
velia
moviepilot
9flats.com
myTaxi
SCOUT 24
clickandbuy
Lottohelden

DIGITAL BUSINESS UNIT

T-LABS

T-SYSTEMS INNOVATION CENTER

T-VENTURE

HUBRAUM INCUBATOR

hub:raum

FACTS & FIGURES DIGITAL ECONOMY BERLIN

62.400 people are employed in Berlin's digital sector.

Sales in Berlin' digital economy in 2011: **€8.9bn**

Berlins digital companies are international. In 2012, the share of foreigners in regular jobs totalled **10%**

Around **500** startups in the digital economy

5.800 digital companies in Berlin

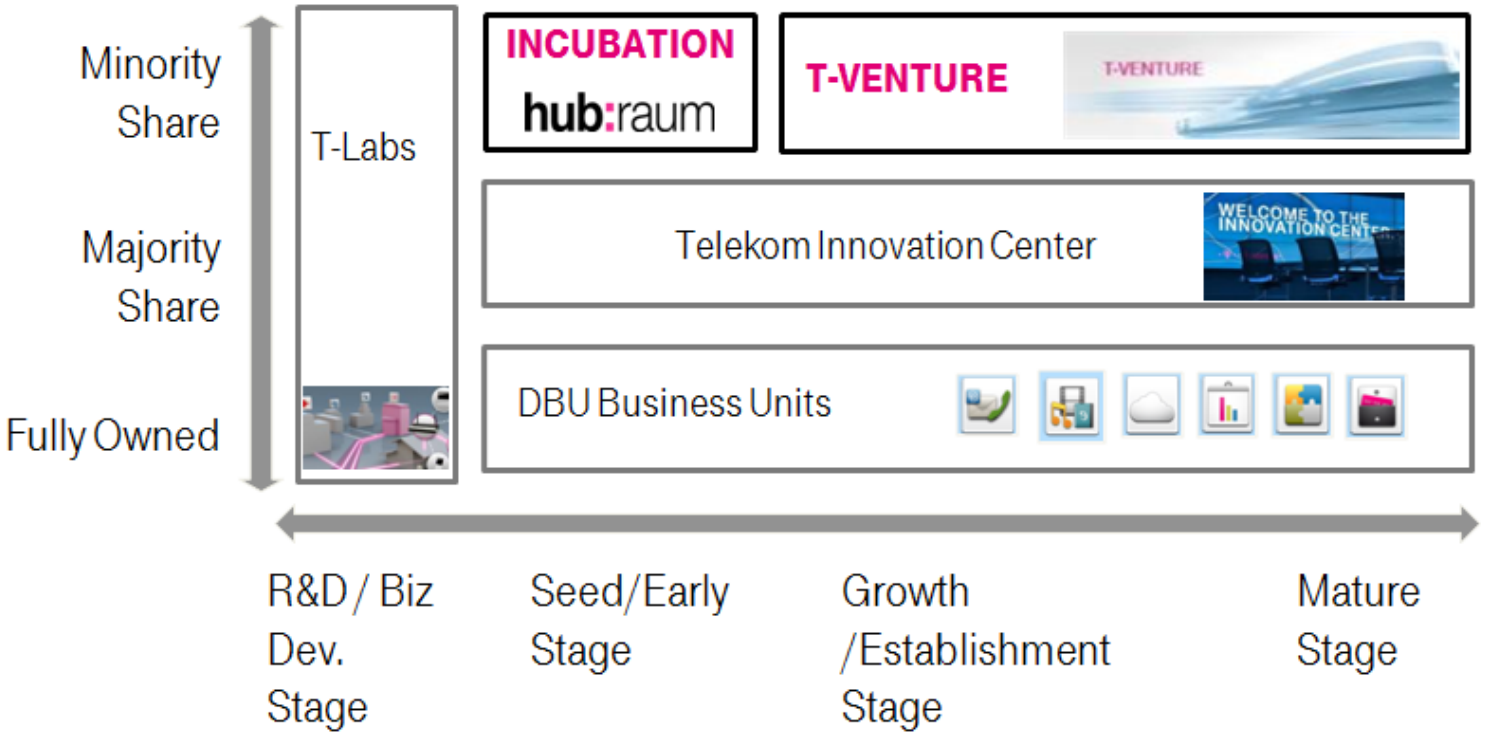
Equivalent to **5.3%** of the total turnover volume of Berlin's economy

IT and Internet startups in Berlin reveive the most venture capital in all of Germany. **€133** million was invested in these startups in 2012.

More than **400** special events each year addressing the digital issues

Source: http://www.berlin.de/projektzukunft/fileadmin/user_upload/pdf/studien/Berlin_Digitalwirtschaft_2013.pdf

HUB:RAUM AND T-VENTURE ARE AN INTEGRAL PART OF DT'S INNOVATION TOOLKIT



LOCATE T-LABS: SILICON PLATZ, SILICON WADI & SILICON VALLEY

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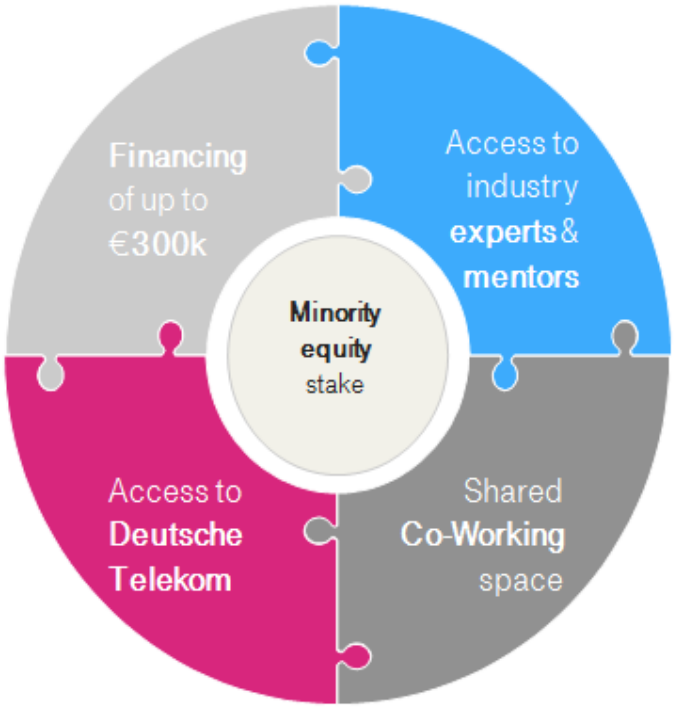
hub:raum

HUB:RAUM INVESTS IN SEED COMPANIES AND GETS AN EQUITY STAKE AND ACCESS TO INNOVATIVE IDEAS AND TECHNOLOGIES IN RETURN

What's in it for startups ...



... and for DT

- Options to become **innovation leader** in strategic platform ecosystems
- Potential for **differentiation** and possibilities to create **new business** and **revenues** for TSI, DBU, TDG and NatCos
- **Early foothold** in new markets and partners to shape them actively
- Honeypot for **talent**
- Early warning system to help DT understand **trends**
- **Financial gain** through exits

ERLEBEN, WAS VERBINDET.

ACTIVE IN 3 LOCATIONS AND ANALYSIS OF >2.500 STARTUPS RESULTING IN A PORTFOLIO OF CA. 50 COMPANIES

- > 2.500 deals screened
- > 750 startups analyzed in detail
- 10 deals closed
  - ca. 2m EUR invested
  - Average equity stake of 12%
- 37 Accelerator startups
- > 450 press mentions (NY Times, Economist, FAZ, Süddeutsche, NZZ, Handelsblatt, CNBC, etc.), all positive
- hub:raum Berlin moved into dedicated location November
- Best Accelerator/Incubator Award

CODESHIP
CAPSULE FM
frēstyl
THE NEW//
scolibri
StudyDrive
qLearning
PRIMAL SHIELD
Blinkist
SOLARBRUSH
CLEANER SOLAR ENERGY
SCREEMO
VIGOUR.IO
POCKETAID+
hub:raum
CHANGIFY
Toywheel®
SALON MEISTER
easyID
[O]
Reputami
(OFFTIME)
stylemarks.
sell. share. love design
appetico
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Lateral
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T-VENTURE

THE CORPORATE VENTURE CAPITAL COMPANY OF DEUTSCHE TELEKOM.

As of March 31, 2014

ERLEBEN, WAS VERBINDET.

T-VENTURE PROFILE.

- Founded in 1997 as a wholly-owned subsidiary of Deutsche Telekom.
- One of the leading Corporate Venture Capital companies worldwide which invests both directly and in funds.
- Investments are provided by Funds established for that purpose by Deutsche Telekom.
- Member in the European Venture Capital Association (EVCA) and the German Private Equity and Venture Capital Association (BVK) guarantees highest standards.
- Top executive involvement in the T-Venture Supervisory Board and Investment Committees ensure strong alignment with Deutsche Telekom.

We encourage and support young fast-growing companies from the first growth phase until market success, helping them gain considerable reputation and creditworthiness without losing their independence.

OUR GOAL.

Long-term partnership ✓

Increase in the valuation of the company ✓

Successful exit after five to seven years ✓

Management of start-ups and initiation of business between the business units of Deutsche Telekom and the portfolio companies.

Investment strategy:

- embedded in the market strategy of Deutsche Telekom and its strategic business areas
- Coordinated with Deutsche Telekom's business units
- important market and technology trends are picked up by the investments and made usable for Deutsche Telekom.

BEST OF BREED INNOVATION.

EXPERIENCE

- More than 200 investments since 1997
- US presence since 1999
- Co-invested with top Venture Capital firms worldwide (Accel, KleinerPerkins, Sequoia, etc.)
- > EUR 1.0bn funds under management since 1997

SUCCESS

- Many profitable exits (e.g. Demandware, BelAir Networks, Ruckus Wireless)
- Most of portfolio companies in business relationship with DT
- >7,500 employees in portfolio companies
- > EUR 1.1bn total revenue of portfolio companies

RELEVANCE

- More than 90 portfolio companies addressing the investment sectors:
  - Core Telco
  - Digital Services
  - IT & Intelligent Networks
- Providing start-up and entrepreneurial spirit to Deutsche Telekom

INVESTMENT SECTORS.

Core Telco

Investments in fixed and mobile network technology including subsystems and components as well as control and management plane.

→ improve efficiency and/or enable innovative communication services for our consumer and business customers.

Digital Services

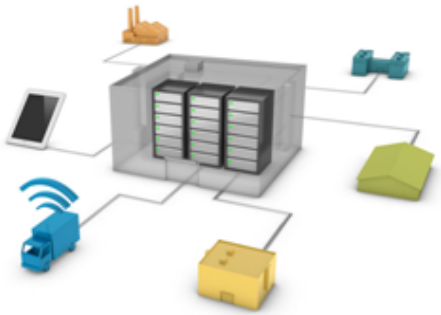
investments in disruptive and innovative companies in the online, media and mobile internet space.

→ unique business models, impressive teams and huge growth potential in common.

IT & Intelligent Networks

focuses on

- standards based networks to provide any to any communication for domains like Health, Energy, Logistics, Government and their cross-domain communication capabilities.
- user centric Enterprise IT including Enterprise Mobility Management.



SELECTED SUCCESSFUL EXITS.

INTERSHOP E-Commerce solution 1998: IPO	@motion Wireless internet access 2000: trade sale to Openwave (formerly: phone.com)	webex Web conference provider 2000: IPO	Flarion Mobile broadband 2005: trade sale to QUALCOMM	QPASS M-commerce infrastructure solution 2006: trade sale to Amdocs
grouper Social P2P media networking platform 2006: trade sale to Sony Pictures Entertainment	bol.com E-Commerce 2006: shares sold to Holtzbrinck + Weltbild	STARENT Multimedia core solutions 2007: IPO	apertio Core networking infrastructure provider 2008: trade sale to Nokia Siemens Networks	DANGER End-to-end wireless internet solution 2008: trade sale to Microsoft
OZ Mobile messaging solutions 2008: trade sale to Nokia	arantech Customer experience management solution 2009: trade sale to Tektronix Communications	jajah Web based calling company 2010: trade sale to Telefonica	clickandbuy Internet payment services 2010: trade sale to Deutsche Telekom	swoodoo Online Flight Search and Bookings 2010: trade sale to KAYAK
Core Optics Enabling Open Tolerant Networks Optical Networking Applications 2010: trade sale to Cisco	Percello Fabless Semiconductors 2010: trade sale to Broadcom	netviewer Real-Time Collaboration Software 2011: trade sale to Citrix	kauf·DA Search Portal for Discount Offers of Local Retailers 2011: trade sale to Axel Springer	demandware "On-Demand" E-Commerce 2012: IPO
BELAIR NETWORKS Wireless Access Technology 2012: trade sale to Ericsson	RUCKUS WIRELESS Wireless Systems for Home Networks 2012: IPO	MOBILISAFE Security Solution for Mobile Enterprise Devices 2012: trade sale to Rapid7	Ubiquisys Femtocell Technology 2013: trade sale to Cisco	wunderkinder Multi-Platform Productivity Solutions 2013: shares sold to Sequoia

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Pull teams out of the comfort zone

There are plenty of ways to do this, but a good start is to run a pitch night in front of children or elderly people. Instantly they have to drop the buzzword lingo and be more creative how to pitch a business case.

THANK YOU!

img flickr cc carolyn_gifford