

Corporates expand venture programmes

Despite a string of corporate venture capital arms failing after a late 90s boom, corporations are moving full steam ahead – or in some cases re-entering – into venture investing. Corporate VC arms say they have developed a deeper understanding of portfolio management options.

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Look out venture capitalists. Despite a spotty success record, it seems tech companies are throwing greater weight behind in-house, strategic venture capital investing. Beefing up operations is mobile phone giant Nokia, which has spun out at least one prior in-house effort, and internet behemoth Google is reportedly not far behind in developing its own team.

“Corporate VCs are definitely getting back in, but I think that it is different than before, in that they have continued to develop a deeper understanding of the direct secondary market and their ability to have more control over their exit,” David Wachter, founding partner of direct private equity secondary firm W Capital, told *PEO*.

In many instances, the groups come to the secondary market as a portfolio management strategy to divest investments after strategic and financial goals have been attained.

“Very rarely is someone getting completely out,” Wachter added. Of the more than 20 secondary deals W Capital has done with corporate VC groups, 80 percent were not looking to exit the market. “Selling the non-core assets is the underlying theme,” he said.

Nokia this week put \$150 million (€96 million) more capital behind its \$250 million growth venture fund. Google, meanwhile, is reportedly looking to launch a new venture investment group, separate from a philanthropic arm already making VC-like investments in renewable energy.



David Wachter

Some market participants will recall that after a burst of corporate venture investing in the late 90s, a number of companies abandoned unsuccessful endeavors including Hewlett-Packard, British Airways and AT&T. This resulted in a number of team spin-outs and secondary transactions such as Olivetti Ventures, the venture division of a now-defunct computer manufacturer which Paul Capital spun-out in 1995 as 4C Ventures in a \$56 million synthetic secondary deal.



Nokia: Corporate VC veteran

Nokia has sponsored venture investing since 1998. It launched Nokia Growth Partners in 2004, and Nokia Venture Partners in 1998. Initially funded entirely by Nokia, early-stage investor Nokia Venture Partners began accepting outside capital in 2000, changing its name to BlueRun Ventures in 2005 to avoid confusion in the marketplace. BlueRun continues to have a relationship with Nokia which is a minority investor in the group's \$315 million third fund.

Fellow technology giants Cisco, Motorola and Intel are also among those with active venture arms.

“Our intention when we invest is to drive strong strategic returns by being able to get visibility into new innovations before they become mainstream. In some cases, it's to understand new business models as they're being innovated,” Cisco's vice president for corporate development, Hilton Romanski, previously told *PEO*. Cisco also occasionally uses investment capital to align interests and forge relationships by investing in related companies well-positioned in target geographies.

Google, however, has broken the mold in that, to date, its venture investments have been made for philanthropic purposes with the caveat that some day they may lessen the company's energy bills.

The internet giant's \$1 billion philanthropic arm started an initiative dubbed “renewable energy cheaper than coal”, aiming to ease climate change by lowering the cost of renewable energy sources so as to better compete with coal-powered electricity. The initiative focuses on high-risk investments such as financing pilot or first-of-a-kind energy infrastructure projects, and also makes private equity- or venture-style commitments to early stage companies.

The initiative's commitments have included funding solar power companies BrightSource Energy, eSolar and Makani Power.

Now it seems that Google may be looking towards more traditional corporate venture activities. Although the group's focus is still unknown, Google is planning to start a venture capital arm outside of the philanthropic initiative, according to the Wall Street Journal.

Entrepreneur and investor William Maris has been hired to help set up the unit, which will be headed by Google's senior vice president of corporate development and chief legal officer David Drummond, according to the report.

“Google does not comment on market rumour or speculation,” said a company spokesman.