

# Venture Capital for SMEs Taiwan Experience

By: Patrick Lin  
Trinity Investment Corp.

# Agenda

- The Development of SMEs in Taiwan
- Taiwan Government's Strategies in SMEs
- The Development of Taiwan's Venture Capital Industry

# The Development of SMEs in Taiwan

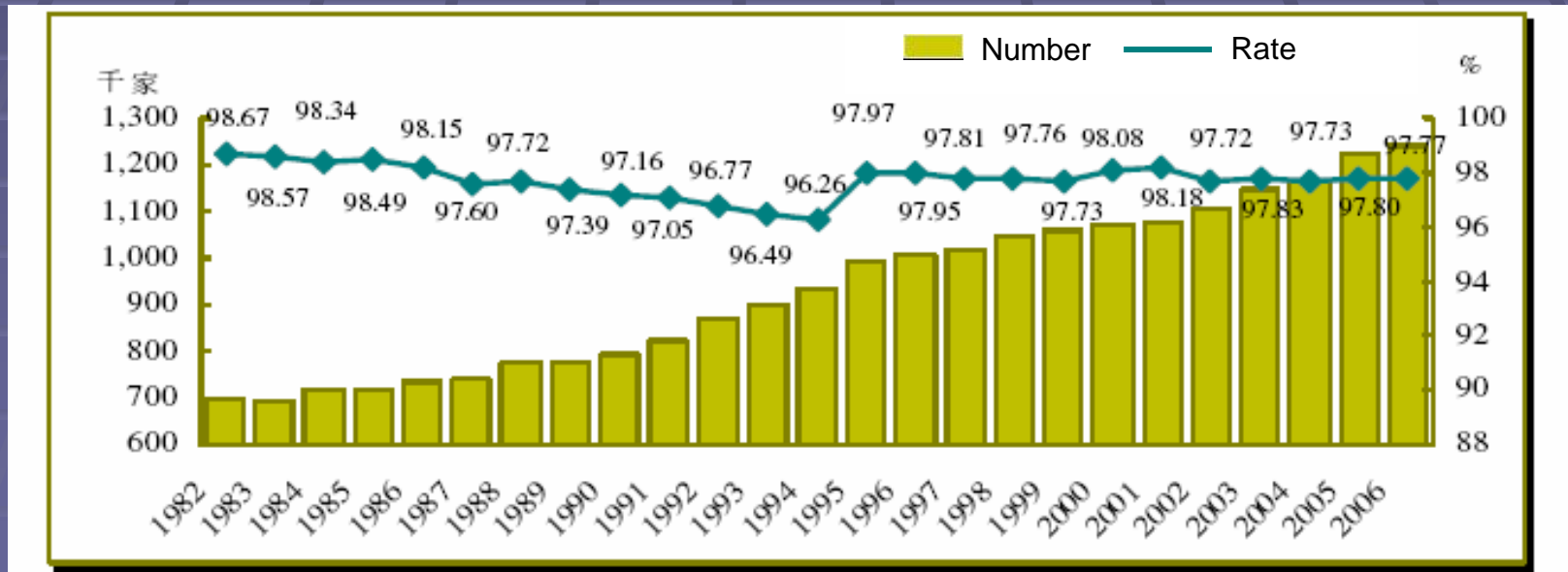
# The SMEs' Contribution in Taiwan

- GDP & government's tax revenue
- Added value – more industrial dynamics, e.g. less affected by the Asian Financial Crisis in 1997
- Job creation, and balance the economy between urban and rural area
- Development of labor force for growing service industry

# The Number of SMEs in Taiwan

- There were 1.24 million SMEs in Taiwan in 2006, which is 97.77% of all businesses in Taiwan.
- This figure represented a yearly growth rate of 1.47%.

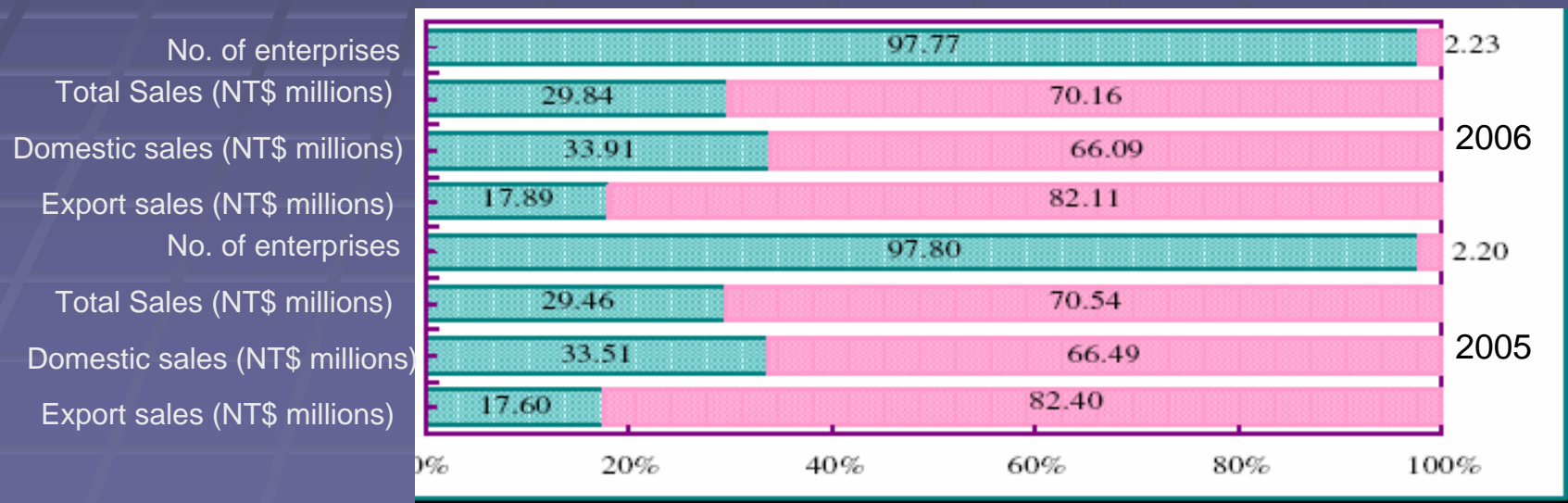
The Number of Enterprises in Taiwan from 1982-2006



# SMEs Sales Revenue

- Sales Revenue was worth NT\$10 trillion (US\$0.303 trillion), which accounted for 29.84% of overall corporate revenue value. This represented a yearly growth rate of 2.41%.

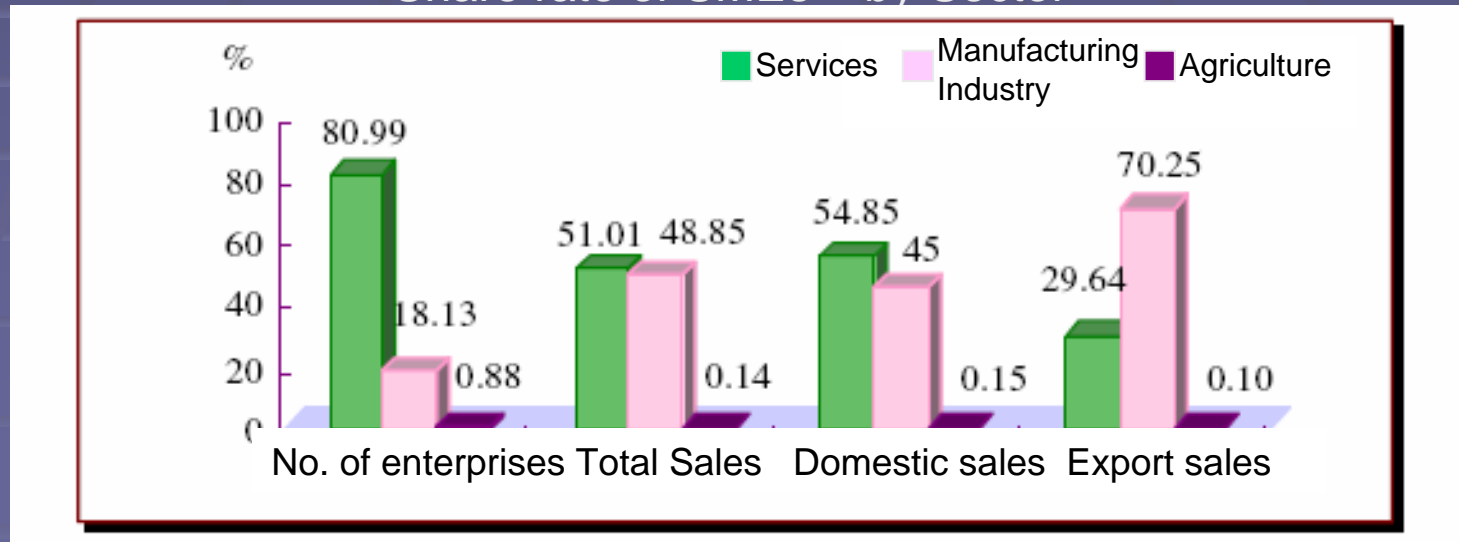
■ SMEs ■ Large Enterprises



# Number of SMEs – by Sector

- The service sector within Taiwan's industrial structure has been growing.
- Of the enterprises in Taiwan in 2006, 80.99% were in the service sector.
- Manufacturing industry accounted for the largest share of Taiwanese SMEs' total export in 2006.

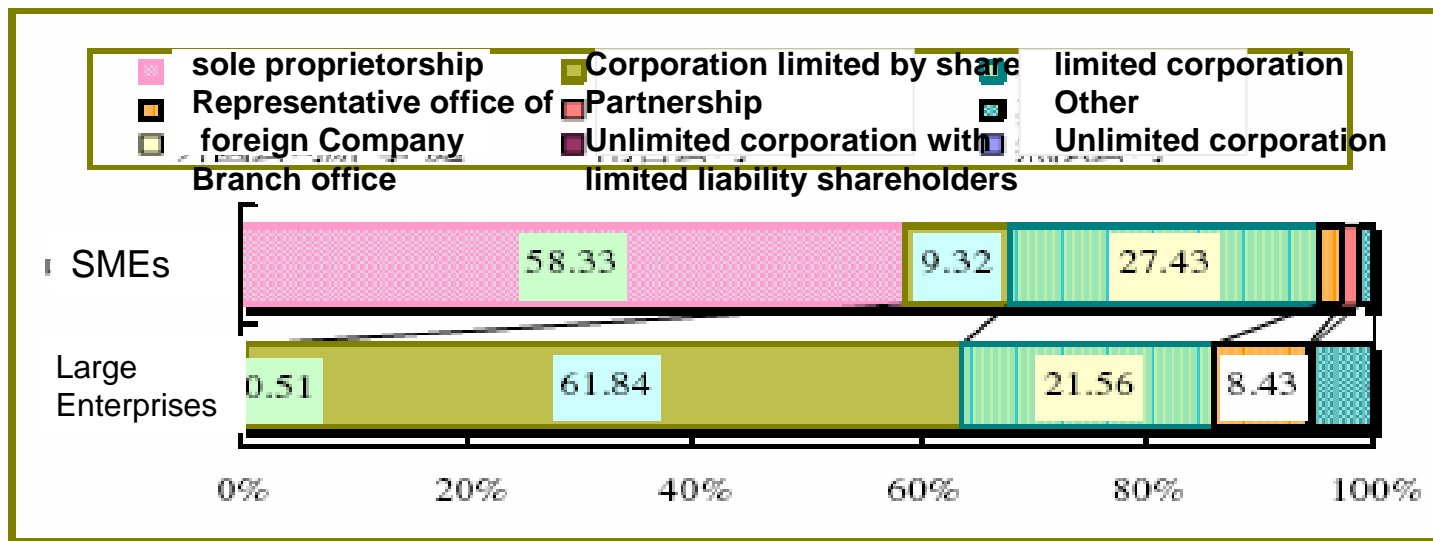
Share rate of SMEs – by Sector



# The most widespread organizational type is the sole proprietorship

- Among SMEs, the three most widespread organizational types in 2006 were, in order: the sole proprietorship ( 58.33%), the limited corporation (27.43%), and the corporation limited by shares ( 9.32%).

The Number of Enterprises in 2006 – by Form of Organization



# Taiwan Government's Strategies in SMEs

# The Vision of the SMEA



# Taiwan Government's Strategies

- In order to encourage SMEs to become more innovative in terms of research and development, Taiwan government has promoted schemes such as the "Small Business Innovation Research" (SBIR) plan and the "Plan for Assisting the Service Sector with Research and Development".
- The government also established "SME Incubators" in the hope that apart from getting SMEs to invent or adopt new technologies, SMEs could also make improvements in terms of their products, resource use, operational procedures, service quality and production productivity. These schemes have had good results in recent years.

# The Development of Taiwan Venture Capital

# The Development of Taiwan Venture Capital

- Taiwan's first venture fund was established in 1984.
- Taiwan venture capital industry is the third most active venture capital market in the world, ranking behind the US and Israel.
- The main driving force behind the steady flow of venture capital into early stage technology companies has been sound government policy:

- 1. the 20% investment tax credit incentive for first-time investors in venture funds.**
- 2. Regulations restricting venture funds from investing in publicly traded securities. In the early 1980s, the government also set up a seed fund to invest in venture funds and help the industry get off the ground. Therefore, the government played a vital role in not only the development of the venture capital industry, but the high technology industry as well.**

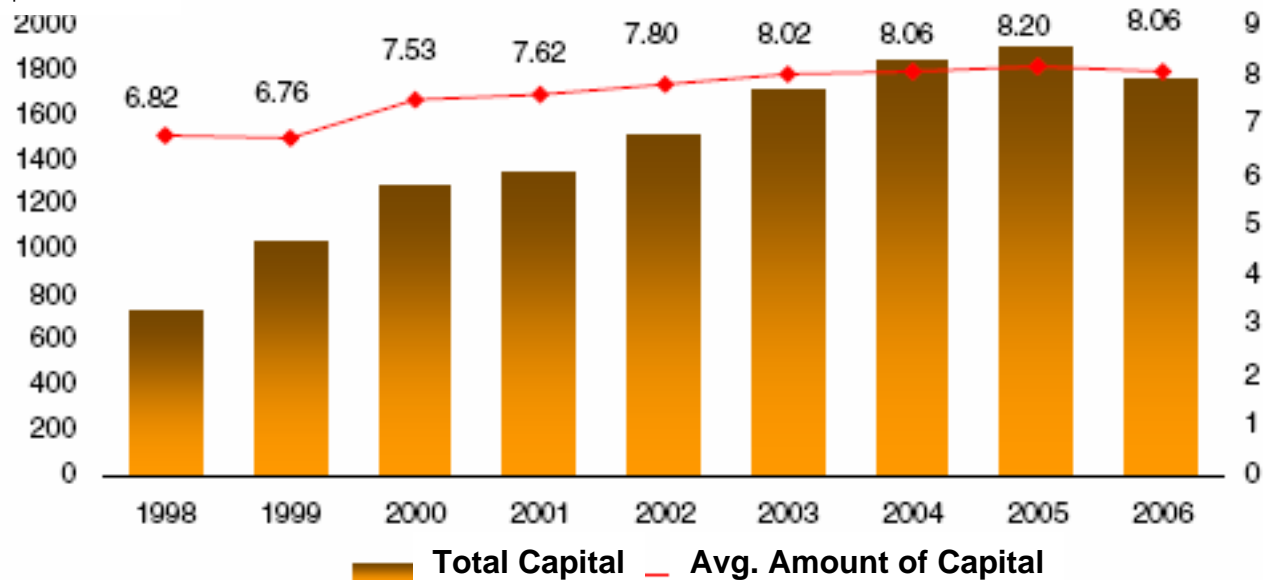
# The Number and Capital of Taiwan VC

Avg. Amount of Capital Per Year 1998-2006

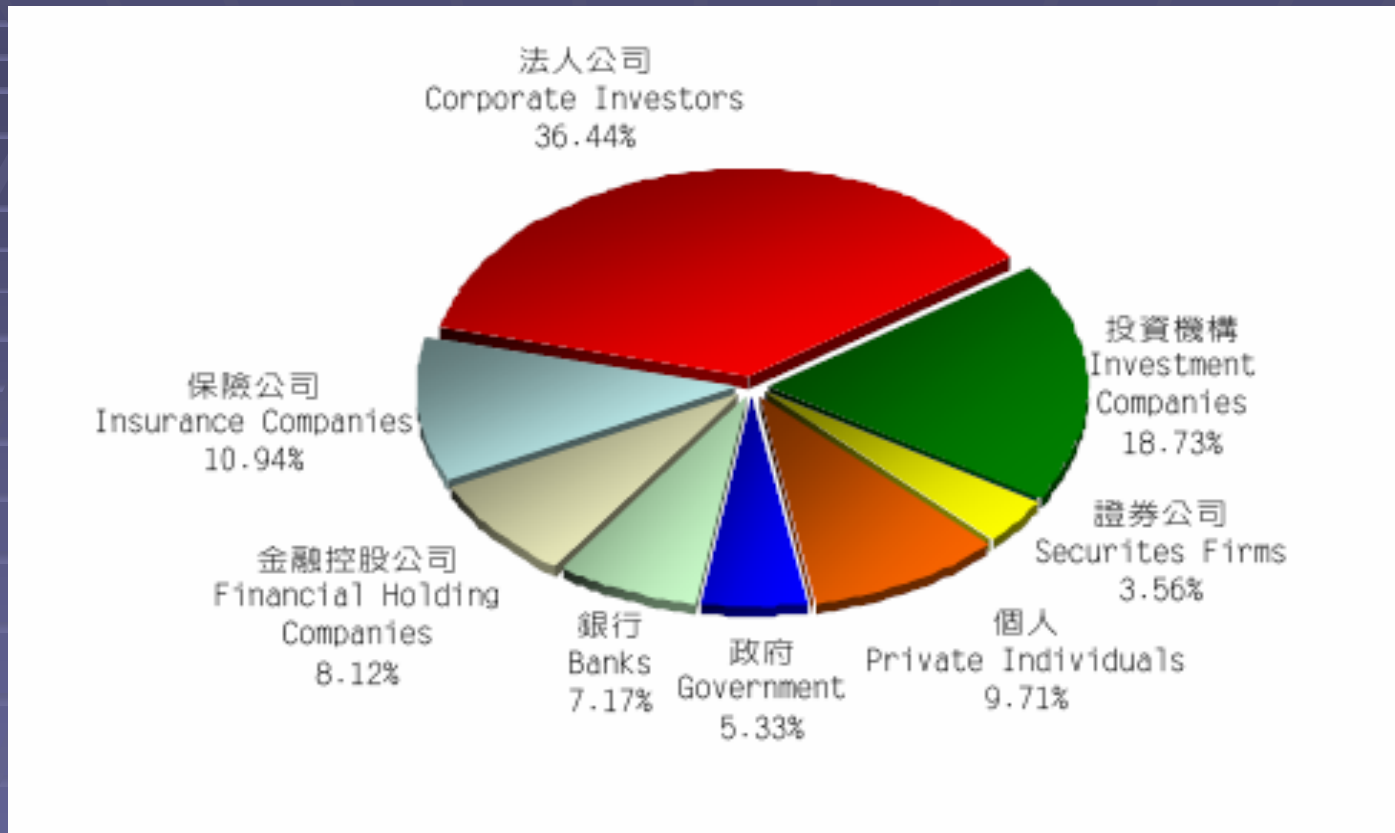
Unit: NT\$ hundred million; 1US\$=32.5NT\$

年度	1998	1999	2000	2001	2002	2003	2004	2005	2006
Avg. Amount of Capital	6.82	6.76	7.53	7.62	7.80	8.02	8.06	8.20	8.06
No. of VC	107	153	170	176	194	214	229	231	219
Total Capital	729.32	1034.25	1280.76	1341.07	1512.88	1717.09	1845.0	1893.7	1765.3

Unit: NT\$ million



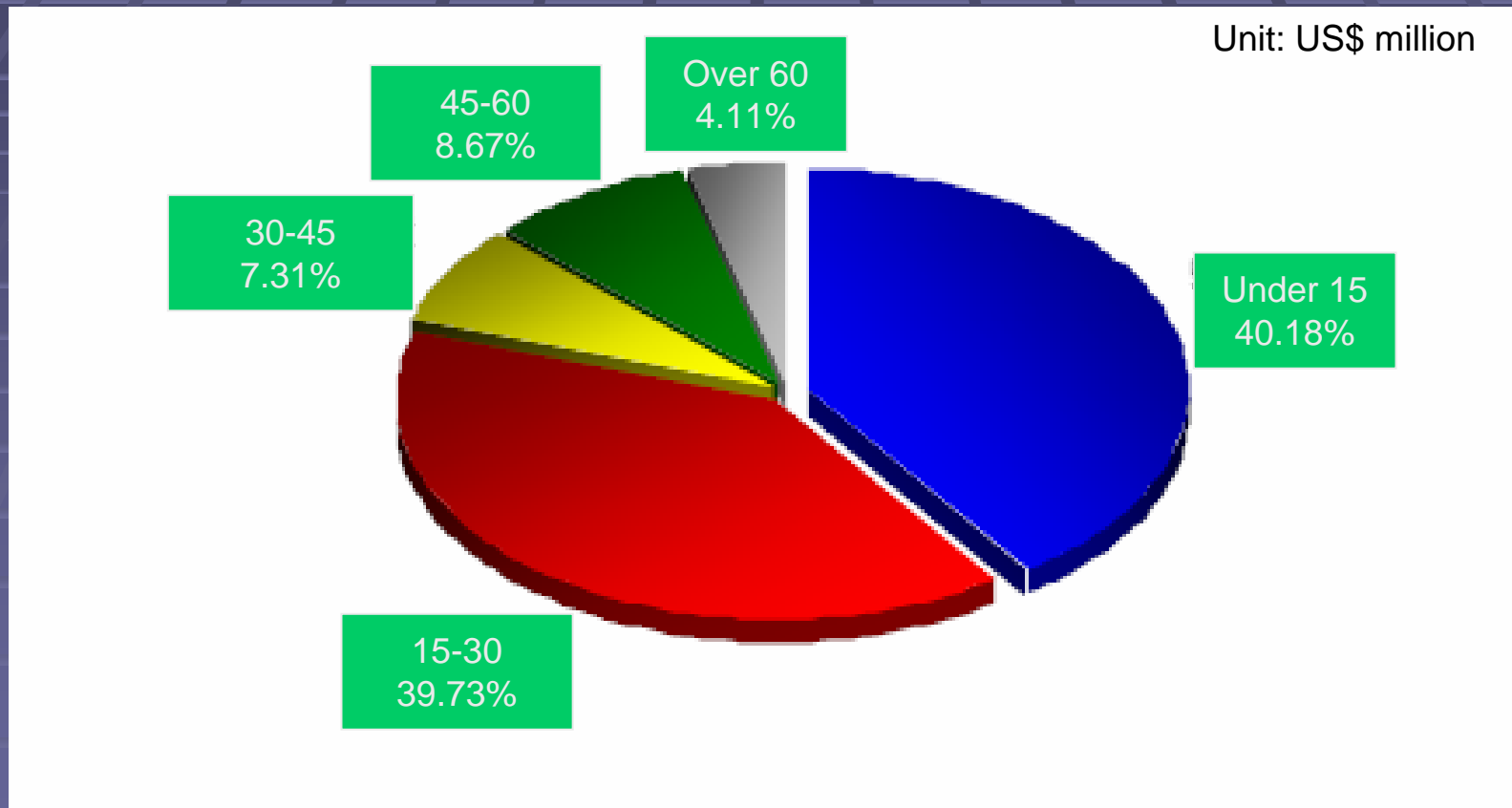
# The Shareholder of Taiwan VC



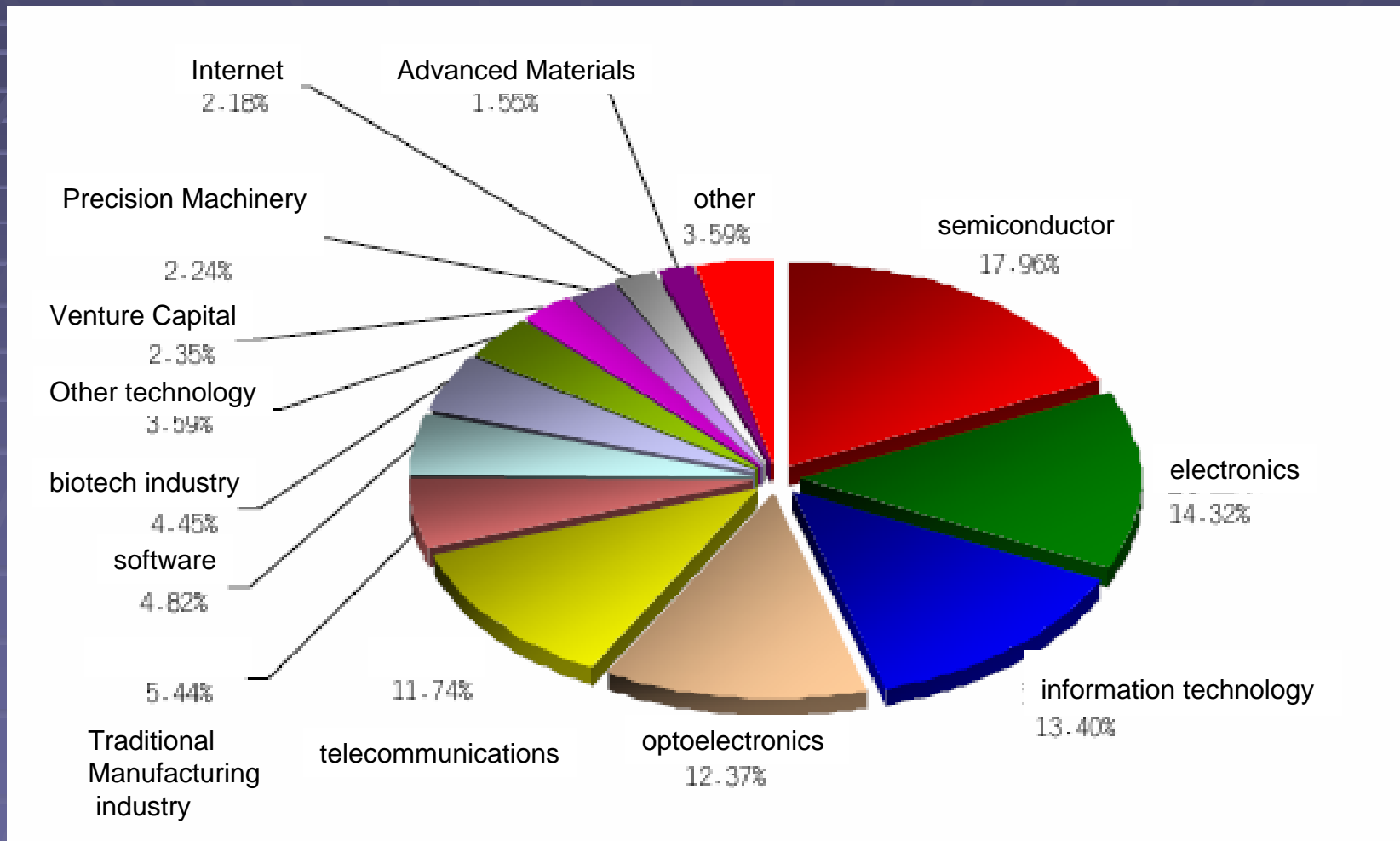
Taiwan Venture Capital Association 2007 YearBook

Among Taiwan VC, the three most widespread shareholder types are: Corporate Investors(36.44%), Investment Companies(18.73%), and Insurance Companies(10.94%)

# The Fund Size of Taiwan VC

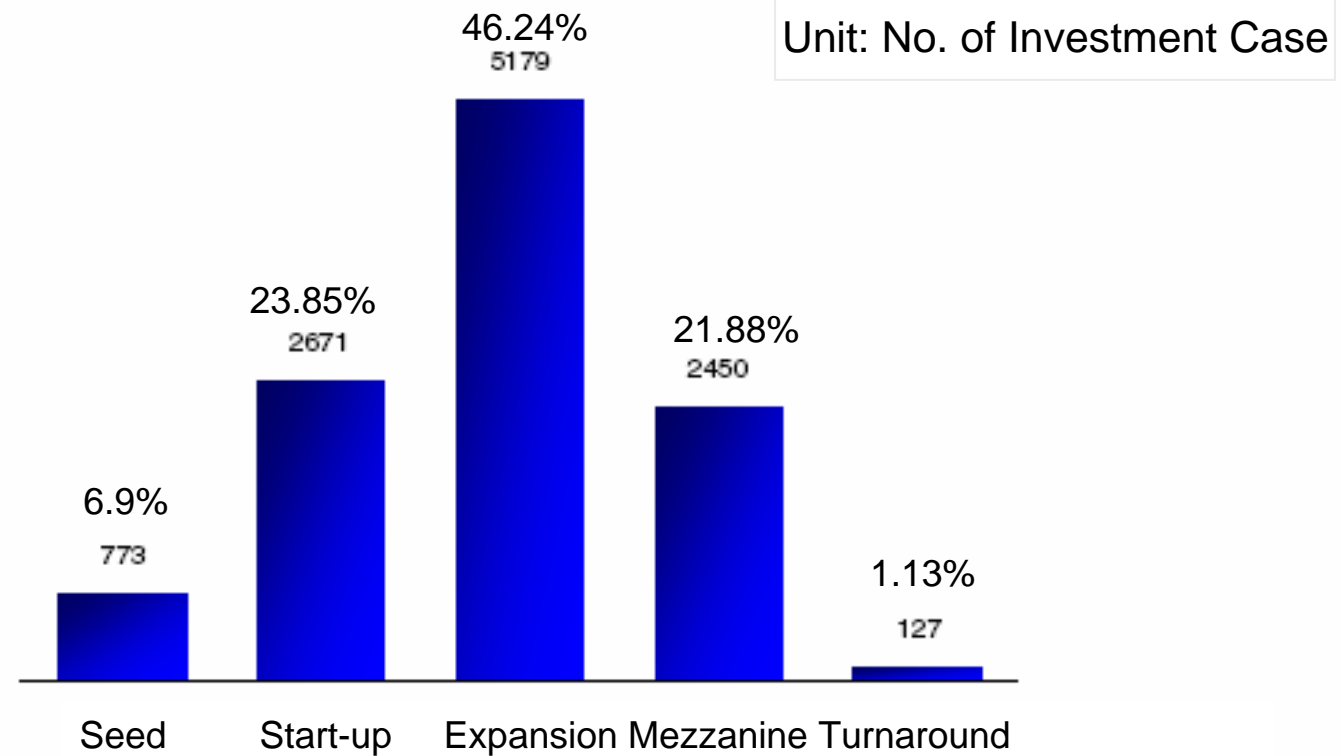


# Total Investment Scale - by sector



Total Investment Scale-by sector

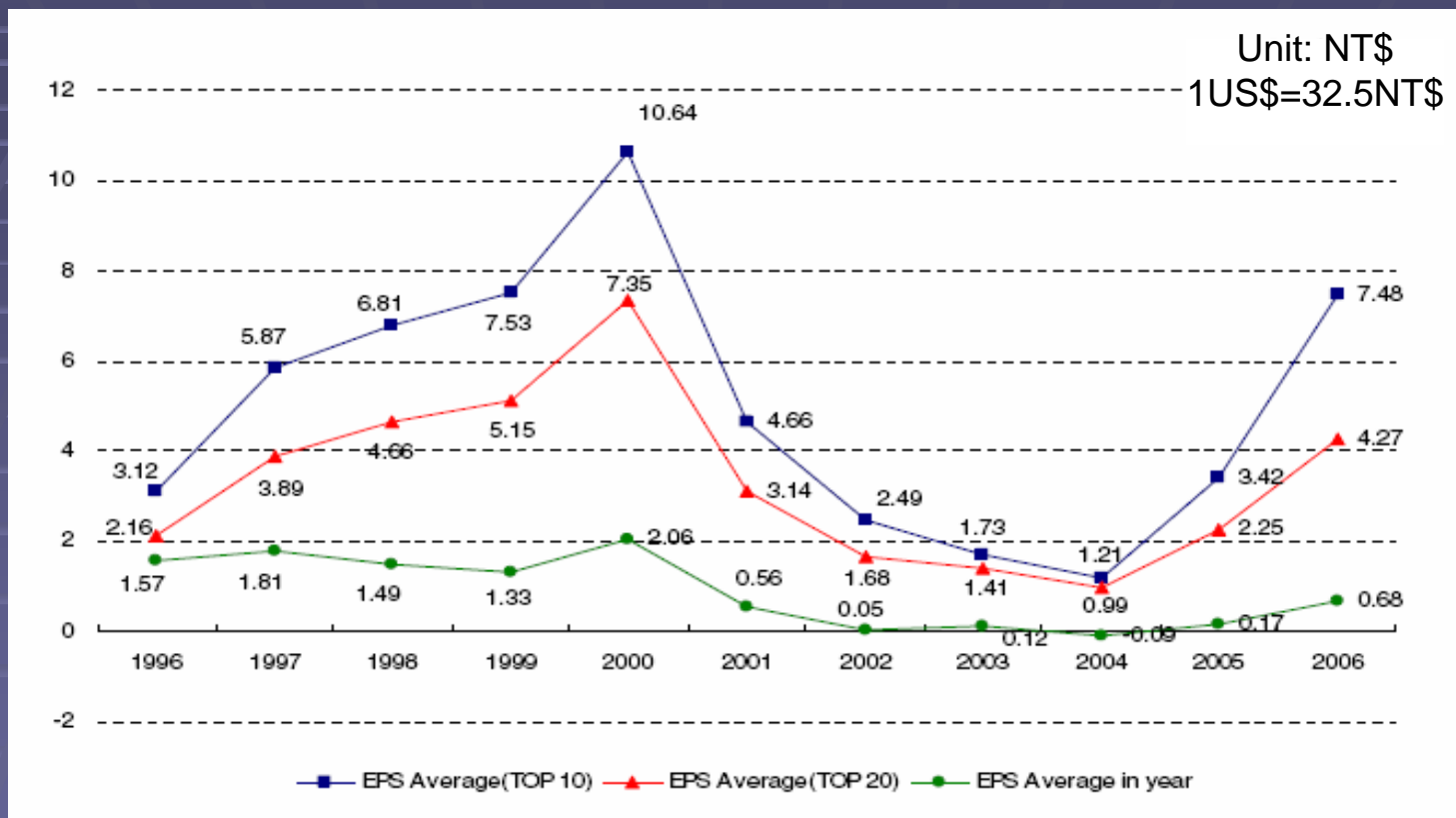
# Total Investment in Different Round



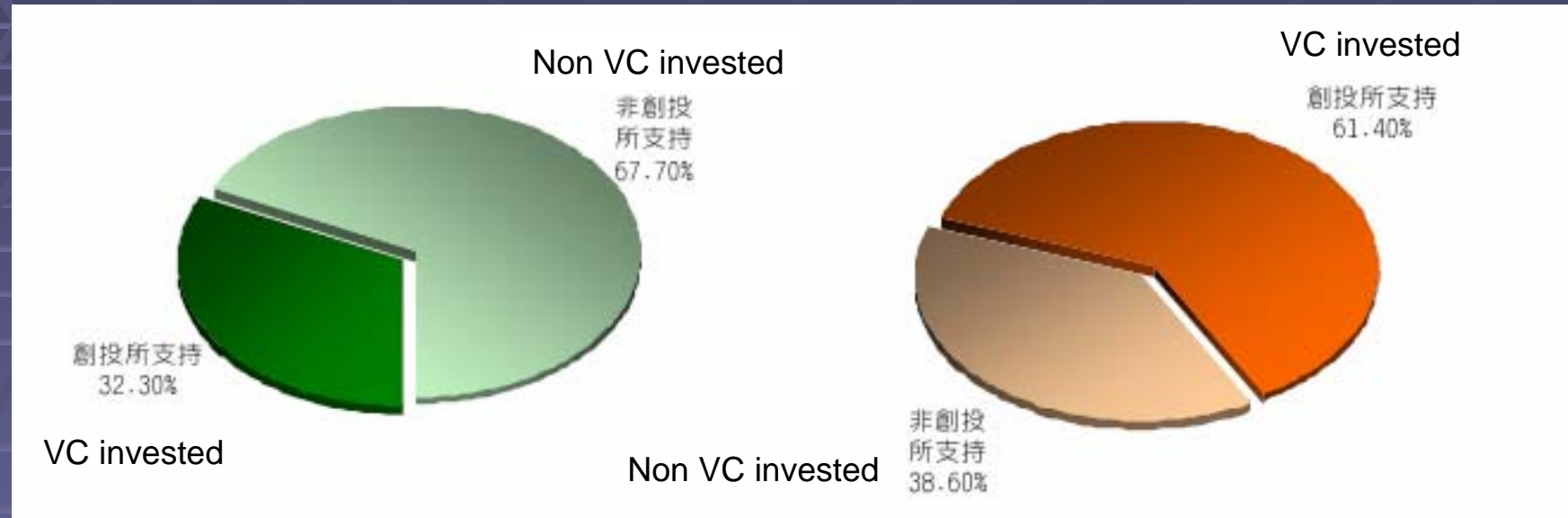
Taiwan Venture Capital Association 2007 YearBook

Most Taiwan VC choose to invest in expansion round,  
The No. of Investment Case is 5179 over years.

# 1999-2006 EPS of Taiwan VC



# The Share Rate of Venture-backed IPO



The Share rate of Venture-backed over the years

The Share rate of Venture-backed in 2006

Taiwan Venture Capital Association 2007 YearBook

The share rate of Venture-backed IPO over the years is 32.30%.

In 2006, the share rate is increased to 61.40%.

It means 3/5 IPO Companies are VC invested. Taiwan VC indeed play an important role in Taiwan Industry.

# The Successful Cases of Taiwan VC's Investment

- In Taiwan venture capital market, leveraged buyouts (LBOs) and mergers and acquisitions (M&As) are rare. Therefore, venture funds generally hold their equity in portfolio companies until the companies go public.
- Venture-backed companies that later went public include **D-Link, United Semiconductor, Acer, ZyXEL, Macronix, Inventec, TSMC, Winbond, Accton, MediaTek, BenQ, Altek, and Radiant Opto-Electronics.**

# Taiwan VC's Contribution to Taiwan GDP and Employment

Unit: US\$ hundred million

The Total Sales of Venture-backed IPO/Taiwan GDP in 2006	202/3650 =55.38%
The No. of Employees in Venture-backed IPO/Taiwan Manufacturing industry Employees in 2006	336,578/ 2,771,678 =12.14%

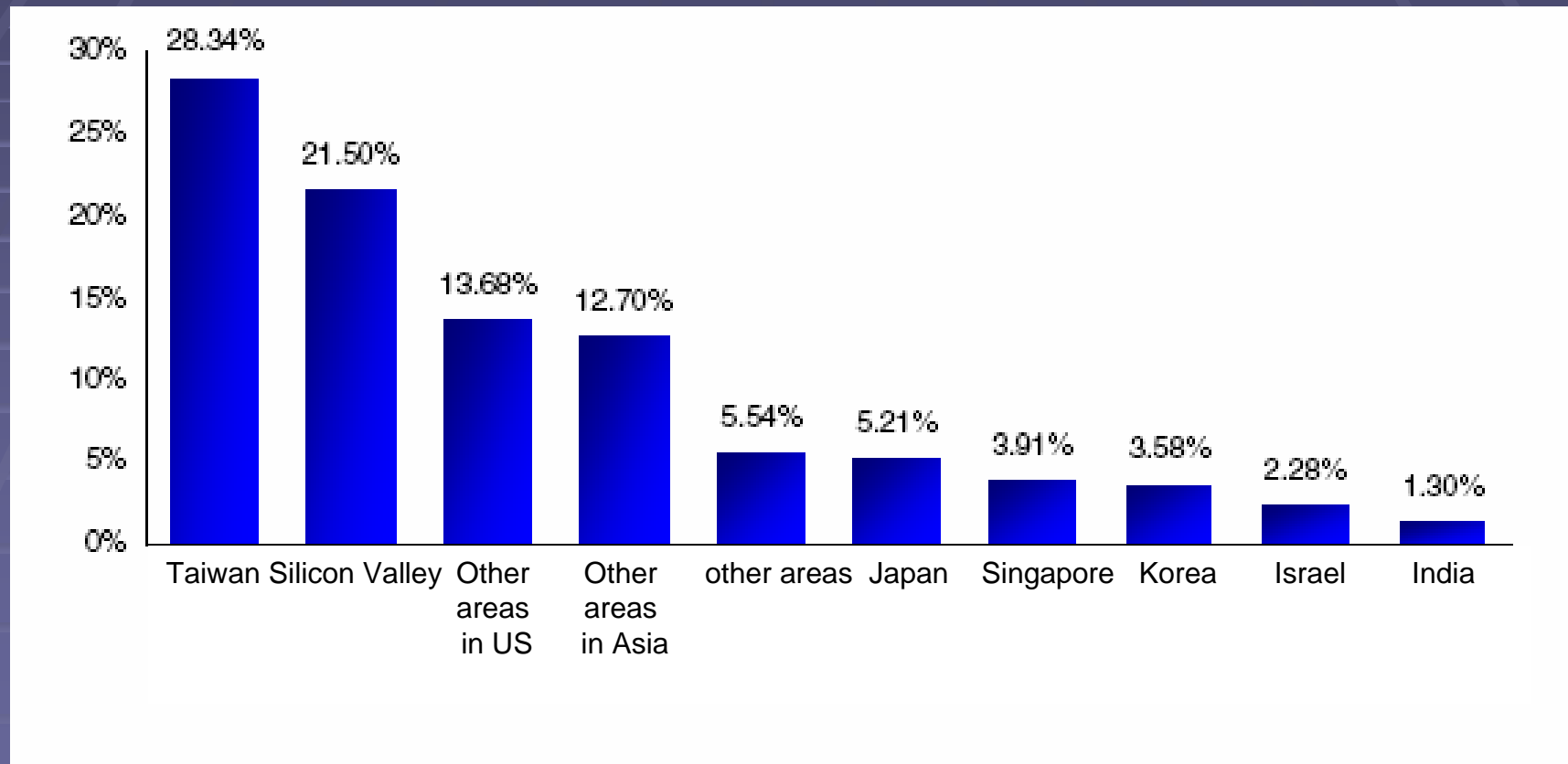
Taiwan Venture Capital Association 2007 YearBook

Taiwan VC have made a obvious contribution to Taiwan GDP and Employment. In GDP, the total sales of Venture-backed IPO have a big share rate in Taiwan GDP (over 50%). Taiwan VC have supported many SMEs to IPO and contribution to Taiwan's economic development.

# Taiwan VC's Problem and Challenge

- The investment performance is not good
- Lack of appropriate investment candidates
- The fund raising is difficult
- The globalization is difficult

# The Investment Strategy by Area in the following 5 years



# The Trend of Taiwan VC Industry

- Extend funds source
- Create a VC globalization platform
- Focus on more value-added Investment
- Integrate VC resources to strengthen competitive capability
- Need government to create a better investment environment

**The End**  
**Thank You!**