

**DIFASS GOOD PRACTICE FACTSHEET NO 30 LLANERA 28 NOVEMBER 2013**  
**WORKSHOP THEME: FINANCE FOR SPIN OFFS/START UP/EARLY STAGE BUSINESSES**

**PROGRAMME:** Accelerace - Loan Model for Start-Up Companies  
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**1. SUMMARY OF GOOD PRACTICE**

▪ **Overview & Aims**

Aware of the difficulties i.e. the time taken to get a business to market/rapid sales growth and the benefits; growth and long term economic potential of successful start-ups, the Tehnopol decided on a deliberate strategy of **targeting support at high tech start-ups**. This included new businesses started by **'serial entrepreneurs'** who having learnt from past experience, refined their business model over time and as a result are more likely to succeed. With resources and programme funds scarce, targeting and supporting these start-ups is considered a better return on investment (ROI) and long term economic benefit for all.

Needing to find a more successful programme methodology quickly and avoid duplicating effort, the Tehnopol conducted a search for external best practice. With experience of selecting and accelerating the growth/commercialising start-ups quickly, the Accelerace model was selected for a pilot programme.

Aimed specifically at **accelerating the growth** of innovative companies from start-up to rapid growth, **Accelerace is a Danish-based, international initiative/model** set up to support start-ups who have a unique product or service and 'the ambition to take their business further'.

▪ **Key Resources**

– **Programme Partners**

1 year pilot programme launched in 2013 in collaboration with Accelerace Management A/S Denmark (the scheme founders). 4 other partner countries; Latvia, Sweden, Finland and Denmark have, subject to respective government approval, joined forces/raised funds for a pilot launch targeting the life science sector starting in January 2014. Each partner country will focus on a specific sub sector, drawing support/expertise for the start up from the partner network.

**Funding: Funding Body & SME Contribution**

Programme funds c€200K per year with the Danish scheme originally funded through a combination of Science Park Symbion investment and Danish local i.e. public funds.

Start-up businesses selected for the scheme receive a loan of €40K receiving €20K in cash with no restrictions on how it can be spent, and the rest (€20K) in time i.e. expert support/help.

**Eligibility Criteria**

Targeted at technology start-ups, particularly **repeatable and scalable business models**.



- **Terms and Conditions**

Beneficiaries are required to pay 10% (i.e. the total interest/fee payable) at the outset, and given the option of a 4 year payback period/1 year grace period. Businesses accessing funds at the next stage of the scheme normally use funds raised to payback the original investment i.e. €40K. Interest rates are similar to bank interest rates that in any case are normally reluctant/highly unlikely to give loans to such 'risky' start-ups. **Loans are treated as a shared risk** with no equity stake or guarantee required

## 2. IMPLEMENTATION

The Danish scheme is managed by 1 technical person, with a bank of 30 freelance business coaches providing the specialist support provided as /when required.

- **Key Steps - How it Works**

**The scheme is based on the principle that entrepreneurship can be taught and learnt and that the most successful start-ups are a result of hard work rather than luck.**

The methodology used enables the team working with the business to spot, train and fund start up talent helping them develop their business idea cheaper and faster by providing dedicated/intensive support to train and develop entrepreneurship and business development.

Selecting the best applicants, companies are provided with intensive support and early stage finance at favourable terms along with help to source next stage/long term investment to help them maximise their potential and their return as fast as possible.

Companies selected for the scheme and receiving the loan sign up for a 6 month intensive training programme. Support includes:

- 180 hours+ of 121 sessions
- Monthly training sessions and workshops
- A founders' pack of resources and tools worth €50,000
- a loan of €40K, 50% cash, 50% services, no equity taken
- Access to a network of leading venture capital firms and angel investors
- The chance of a €50K-400K follow-up investment on favorable terms from Accelerace investment funds.

Start-up businesses **need instant access** to know how, money and space. Experts from the Accelerace scheme use their knowledge, experience, business and financial expertise, working actively with start-ups to **meet those needs in two stages:**

- **To search and test the business model. Customer discovery and customer validation.** Establishing the demand/need, the target audience/routes to market and global potential, and **IF viable**
- **Execution of the business model. Establishing the customer base, establishing the company.** Access to space and fast track/intensive help for commercialisation, helping the entrepreneur realise the best value from potential buyers/investors.

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▪ **Key Stats - Accelerace Denmark**

The application process comprises a series of interviews over a short period of time, from which the most promising start-ups are selected and supported. Quick decision process. No application costs for start-ups aside from minimal time incurred. Partners cost estimated at 0.5 salary for the person recruited to review applications and manage the selection process.

KEY MEASURE	ESTIMATED TOTAL
<b>ANNUAL AVERAGE STATS</b>	
Applications Submitted (average per year to date)	140
Applications Accepted	10-15
Funding Granted (to successful start-ups)	c€10K per SME
SME Investment	€20K + 10% for payback over 4 years
<b>TOTAL TO DATE</b>	
New Enterprises Started	c 200
Enterprises Trading (enterprises still trading)	c 90
New Jobs Created	c 650
Funds/Investment Raised (for starts ups helped to access ongoing finance by the scheme)	DKK 363M (€49M)

**3. KEY LEARNING POINTS & OPPORTUNITIES**

A tested/proven model, the Accelerace programme has created 650 new jobs and more than 200 companies in Denmark, 90 of which are still trading and who have gone on to raise > €49M.

– **What worked well/Strengths**

The scheme is an attractive and unique instrument for start-ups, securing a high quality entrepreneur/SME pipeline for the acceleration process.

The scheme provides a win/win for the incubator, government, start-up investor.

– **Challenges/Weaknesses** – None at this point, but may too early to say

▪ **Transferability**

– **Opportunities:**

Cross-border implementation with other Scandinavian and Baltic countries.

Set-up of specialist sector programmes, Estonian partners are in the process of setting up/leading on a cross partner Nordic-Baltic health tech accelerator – ‘AcceleraceLife’

– **Threats:**

The scheme needs a very entrepreneurial government to back/invest in the programme.

**FURTHER INFORMATION:**

DIFASS You Tube Channel: <http://www.youtube.com/watch?v=g3pIHl1SzJw>

[www.accelerace.dk](http://www.accelerace.dk); [www.acceleracelife.com](http://www.acceleracelife.com)