

A CASE OF THE CHICKEN AND THE EGG

With local start-ups in the headlines for major funding success and new government initiatives being launched, what is the outlook for Luxembourg's tech scene in 2016?

Technology, known locally as ICT, has been a key focus of the national government over the last decade, gaining particular momentum with the launch of the Digital Lëtzebuerg initiative in 2014, which aims to consolidate the Grand Duchy's position in the sector. As part of this effort, the state recently announced the new ICT Seed Fund, backed by €19.2m in public and private funds to finance innovative new tech businesses.

The fund will provide venture capital to promising start-ups that have reached the proof of concept stage in ICT sub-sectors, which are a priority for the government, including financial technology (fintech), big data and e-health. With new options such as this, is it really getting easier for Luxembourg start-ups to access funding?

Patrick Kersten, CEO of Doctena, an online booking system for medical appointments operating in Luxembourg and several other European countries, says: "It's never been as easy as today to launch your start-up in Luxembourg. There is a lot of cash, and people willing to trust you to start something new." The company recently secured €4.5 million in funding from a mix of sources, including private investors, business angels and a long-term loan from BIL.

OFFICIAL SUPPORT

Kersten, who is also behind well-known real estate platform atHome, finds the government's support schemes especially valuable--Doctena qualified early on for support from both the Ministry of the Economy and Luxinnovation as part of the



Young Innovative Enterprise scheme. "The credibility you get from being recognised by the state is important for a young company," he says.

Peter Pöhle, CEO of SponsorMy-Event, an online platform that matches event organisers with sponsors and that is currently in an angel fundraising round, has a slightly different view based on experience with his previous start-up Yappoint. An online booking tool for service providers, that company had the chance to develop its business plan through the government's 1,2,3 GO competition, but learned the hard way that this is no guarantee of funding from investors. "The best business plan at the end of the day is traction, and Yappoint never got the traction it needed to get capital."

However, a new initiative for start-ups from Luxinnovation aims to address exactly this issue. "There was a lack of early stage funding, which are the funds an entrepreneur needs to build a prototype, get their first clients and attract investors," explains Antoine Hron, manager of the Fit for Start programme. "We not only provide new start-ups with €50,000 in seed funding, but also offer coaching to help the entrepreneur become successful." Co-supported by the Digital Letzebuerg label, Fit for Start will run twice a year, providing four months of intensive coaching in lean start-up methodology to innovative tech companies less than a year old. "It's an interesting, concrete tool that really meets the needs of start-ups," says Hron.

ANGEL INVESTORS

Despite the improved access to seed funding, Kersten and Pöhle both still see room for improvement in the angel investment and venture capital scenes. "It gets more difficult if you're going for bigger funding. There are better structures in other countries," says Kersten. But he welcomes recent



A. ANTOINE HRON

A new coaching programme hopes to help start-ups make it over the operating hump

B. PATRICK KERSTEN

Support from a state-backed scheme gives start-ups a big credibility boost

state developments in this area. "Government initiatives are boosting the private sector, giving it more leverage and resources."

Laurent Muller, board member of the Luxembourg Business Angel Network, agrees. "The Luxembourg government gives grants with co-investing, and angel investors can provide that funding." Though Muller acknowledges that funding has always been a weak point in Luxembourg's start-up ecosystem, he believes that as the number of start-ups grow, more people will become aware of angel investing opportunities, describing it as "a chicken and egg situation."

Pöhle believes that the same principle applies to the venture capital scene. "Over recent years, the start-up scene in Luxembourg has developed tremendously, but it is still poor when it comes to venture capital as there are only a few main actors. But VCs

will come if Luxembourg has a start-up structure."

Jérôme Wittamer, founding partner of Expon Capital and chairman of the Luxembourg Private Equity & Venture Capital Association (LPEA), explains that there are just two pure play venture capital firms in Luxembourg. However, he believes that "Luxembourg's maturity is certainly up to par with neighbouring countries. The money is there."

Yet it isn't necessarily easy to get. "The requirements of Luxembourg investors have increased considerably. As a VC you see 100 firms and have some interest in one to three," Wittamer reckons. But with the growing number of early funding and development initiatives available in Luxembourg, local start-ups may soon start catching the eye of more investors, both in the Grand Duchy and abroad. <