

Frictionless Commerce Incorporated

Intelligent Purchasing Technologies That Automate e-Markets™

Cyprus Entrepreneurship Competition

Case Study #1

Frictionless Commerce™
It's who we are. It's what we deliver.™

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Before the Incorporation

- What?
 - Research Artificial Intelligence and eBusiness – “Software Agents”
- How?
 - Decided to participate in MIT's \$1K and \$50K Entrepreneurship Competitions - Very Important Step
 - Assemble the team, assess the idea
 - Bounce ideas off mentors, write the plan
 - Make all the common mistakes early
- What Happened?
 - Lost in \$1k competition
 - Reached Semi-finals in \$50k competition

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Starting the Company

- **Incorporation:**
 - 3 people from MIT, Harvard and Wharton
 - Licensed Technology from MIT - very easy step
 - Worked on prototypes over the summer
- **Raised \$1m from business angels in September 1998**
 - \$4m pre-money valuation
 - First contract in May 1999
 - Created network of company advisors
 - Company size increased to 40
- **Second round in June 1999 (\$2m)**
 - \$8m pre-money valuation
 - Internet Portal Lycos became shareholder
 - Beginning of changing of Business model from Service to Software

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Changing the Business Model

- **Third Round in December 1999 (\$8m)**
 - \$20m pre-money valuation
 - Intel, Polaris and ChevronTexaco invested
 - Company size: 60
- **Fourth Round in September 2000 (\$30m)**
 - \$110m pre-money valuation
 - Citibank invested
 - Company size: 145 people

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The Changing Role of Founders

- People
 - Learning to manage people, then manage through managers
 - Hire professional managers, give them a stake
 - CEO (ex-Oracle), got 8% of the company
 - VPs in Marketing, Software Engineering and Business Development (got from 1% to 3%)
- Dilution
 - Started with 33%. Ended up with less than 10%
 - That's a good thing!

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Frictionless Today

- 120 people
- Customers include
 - US Pentagon
 - British Airways
 - Intel
 - Goldman Sachs
- More than \$30m in annual revenues, profitable
- Waiting for market to open

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Case Study #2, Velti

Before Incorporation

- Greek Software Technology Company
- Business Angel funding of €2.5m in 2 rounds
- 40 people today
- Sales Bookings of:
 - €600k 2001
 - €1.8m 2002
 - €4.2m 2003 (projected)

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US vs Greece

- Bureaucracy of starting a company
 - 1 day in US
 - 90 days in Greece
- Monthly Expenses of 40-people Software Company
 - US-based: €500k
 - Greek-based: €150k
- Technical Training Required
 - Software Scientists vs Software Engineers

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Financing Opportunities

- No real VCs in Greece
 - They are really private equity funds
- Why?
 - Not enough hedging opportunities
 - Relative lack of technology experience
 - Fear of failure (1 out of 10 investments really succeeds)
 - Not enough US-type incentives for VCs
- However:
 - A lot of subsidization opportunities exist

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Key Takeaways

- It's not about the idea...
 - It's about execution
 - Don't be paranoid, ask people to assist you
- Dilution is good
 - Owning 0.01% of Microsoft vs 100% of Mitsos, Inc.
- Develop an Elevator Pitch
 - Explain your ideas in 30" or less
 - Your mother must be able to understand it
- Business Plans Change!
 - 5-year financial plans are an exercise in futility

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Key Takeaways #2

- Cash is King!
 - Raise 50% more than what you think you need
 - The first rule of vrending is that the vendor must survive
- VC Selection
 - Always go with the best VC
 - (not necessarily the one that gives you more money)
- Create the right team
 - Business experience invaluable
- Numbers
 - 1 in 1,000,000 ideas reaches IPO

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