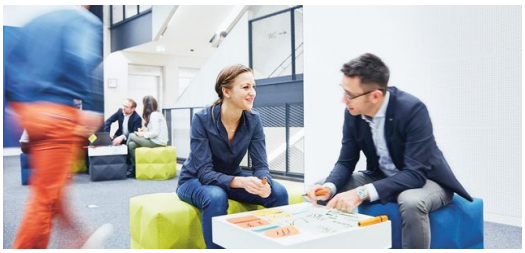
ATHANASSIOS KALIUDIS

Win-win situation: Venture capital and the start-up scene

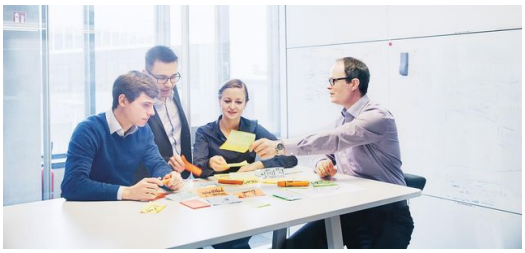
Millions of Germans have watched the TV show “Die Höhle der Löwen” – similar to “Shark Tank” in the USA or “Dragons’ Den” in the UK. Young viewers are particularly fond of the program, which features start-ups, tinkerers and inventors who pitch an idea or product to investors. Christof Siebert, Head of Innovation Management at TRUMPF in Ditzingen, has watched “Die Höhle der Löwen” – German for “Lions’ Den.” What’s more, he himself is a lion. In this interview Siebert describes, how he and his venture-capital team seek and identify technologies of tomorrow.

Venture capital sounds complicated. What exactly does it involve?
Simply put, venture capital refers to investing in start-ups. Institutional venture-capital funds prioritize a high return on investment, which is associated with high risk. When a traditional company such as ours invests for strategic reasons, then it’s referred to as corporate venture capital. In practical terms, we’re looking for start-ups we want to work closely with. Both parties benefit from corporate venture capital. The start-up receives money and access to expertise, while we profit from a close relationship with an innovative, young enterprise. In essence, TRUMPF has supported innovation for quite some time now. Venture capital is simply the next logical step for us, so now we have founded TRUMPF Venture GmbH – a company that finances tech start-ups. This improves our ability to find worthwhile technological innovations in markets that intersect with our core areas.

What does financing look like? Do you envision taking full ownership of some start-ups?
No, that’s not our objective. Start-up teams typically require initial financing. TRUMPF Venture allows us to add value via financial assistance. We will invest 40 million euros over five years. In addition, we hope to provide funds to as many as five start-ups every year. Our company will have minority interests of 10 to 30 percent in these enterprises. At the end of 2016, we invested venture capital for the first time – in a start-up for sensor systems, XARION Laser Acoustics.



Christof Siebert (right) and his colleagues at a work session.
Picture: Janine Graubaum



Picture: Janine Graubaum

Fast team: In the past six months, the venture capital experts have looked at 500 start-ups and held talks with 30 of them.
Picture: Janine Graubaum

TRUMPF Venture GmbH is not a typical TRUMPF entity. Your company relies on unique methods, doesn't it?
If we are to operate on the same wavelength as start-ups, we must think and act like they do. You need to react fast, for example. There's a saying that sums things up nicely: "Corporations look at the calendar, but start-ups look at the clock!" In the world of start-ups, people make decisions very quickly. We naturally need to keep pace. You also need to have the courage to delegate tasks and to trust your colleagues. TRUMPF Venture GmbH gives us a company of our own, one that focuses on our fields of interest. We hope it will make our work even more efficient and straightforward.

In which areas are you looking for partners?
Smart factories are naturally a priority for us. We're looking beyond what TRUMPF does today to what we could do tomorrow; artificial intelligence and additive manufacturing are just two examples. Other areas are promising as well. Our partner XARION specializes in laser-based measurement technology, for instance. TRUMPF would not likely develop such a thing on its own, but the technology is a very good match with our core strengths.

How do you find start-ups that meet your expectations?
We use different approaches. We attend pitch events, where start-ups introduce themselves to potential investors. And we serve as judges at competitions such as the CODE_n contest, a platform for innovation. It's really important to establish a good network. So far, we've looked at 500 start-ups. Of those, we closely considered 50 and held talks with 30 within a year. We got pretty far with some start-ups, but then broke our talks off after all. It's imperative in this sector that you trust your gut feeling. Before we seal a deal, we always ask ourselves two questions: Would we invest our own personal money? Does the start-up absolutely need to succeed? It's not a matter of right or wrong. Instead, it's important to evaluate a lot of start-ups that specialize in the same or similar areas. Doing so allows us to amass a wealth of experience.

Once you have found a perfect match, how do you collaborate with a start-up?
We help the start-up grow and establish a network. In addition, we always want to be involved in subsequent rounds of financing. Shares are usually sold after seven to ten years. Such investments necessitate a wait-and-see approach: if both parties verify that their partner is an ideal match, then everything should proceed smoothly. But you can't eliminate risk entirely – you're not investing in an established brand, after all.

Where there is risk, there must also be courage. How much do you need in your line of work?
I would say that start-up founders and venture capitalists alike need to muster varying degrees of courage. Start-ups naturally bear a different risk than we do as a company. That's why we need to appreciate their courage and work together as equals. At TRUMPF Venture Capital, every investment we make is courageous, because we know full well – in fact we fully expect – that not all of them can succeed. Failures are okay – inevitable even. Out of ten start-ups, three or four will go bankrupt. Another three or four will grow a little bit. But just one in ten will truly thrive. So yes, you do need courage – combined with expertise.

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