

A woman with long brown hair and glasses is sitting in a black office chair, working on a silver laptop. She is wearing a light blue button-down shirt and blue denim jeans with a large tear on the right knee. The background shows a large window with a view of a city. The text 'Azores FAQs' is overlaid on the left side of the image.

Azores

FAQs

1. What is Azores Ventures?

Azores Ventures is a venture capital investment programme targeting entrepreneurship in the Azores. SDEA and Portugal Ventures spearhead the programme and aim at bolstering the entrepreneurship ecosystem in strategic areas for the Azorean economy and, thus, promoting the development of a modern, more competitive economy based on knowledge, innovation and highly-qualified human capital with a strong entrepreneurial spirit.

Azores Ventures is an initiative for founders of enterprising and innovative projects in strategic areas for the Autonomous Region of the Azores that are in the seed stages or projects for innovative tradable goods and/or that promote an increased export capacity for the Azores that are in the growth or expansion phase. Once an application has been submitted to Azores Ventures, projects are subject to an initial screening and those that go through to the next stage are then assessed by an expert panel. At the end of the assessment process, Portugal Ventures shall will take its investment decision and draft investment term sheets for the selected projects.

2. Is my project eligible for Azores Ventures?

Portugal Ventures is looking for projects with the following characteristics:

- Product-oriented (tradable goods and services)
- Based on referenced R&D
- Innovative and differentiated solutions
- Appropriable technology
- Positioned in regional or national value chains
- Significant regional or national market potential
- Implementable with existing resources
- Part of the incentive schemes for the Autonomous Region of the Azores (A.R.A.)
- Promote the export capacity of the A.R.A.
- Foster entrepreneurship in the A.R.A.

SDEA and Portugal Ventures are available to help you in this process.

3. I am a researcher looking for alternative sources to fund my project. Will I be eligible for Azores Ventures?

The purpose of Azores Ventures is not to finance research as such, but rather projects which:

- Offer new solutions for existing problems, and which
- Have a clear marketing strategy for the new solution or, at least, a willingness to develop it.

In other words, if you have a solution for a target market, based on a technology you have developed or which you helped develop, or which you licenced from a third party, then you are more than welcome to submit your project.

Projects that have innovative tradable goods and/or promote the increased export capacity of the Azores will also be eligible.

If the technology in question has already resulted in the creation of a company, then that company will be eligible for Azores Ventures if:

- It was established less than 5 years ago
- It is considered an SME, in accordance with IAPMEI Certification
- Its registered offices are in the A.R.A.
- It has settled all payments owing to the Ministry of Finance and Social Security
- There are no constraints which limit the global economic potential for marketing the project's technology.

4. There are currently many contests for ideas and business plans being held in Portugal. How is Azores Ventures different from these initiatives?

Azores Ventures differs from those other initiatives in that it is neither an idea contest nor an academic exercise or a training session, nor does it intend to give out any awards, but rather the opportunity to make investments if Portugal Ventures considers the project worthwhile.

5. How mature should the project be?

Projects should be in seed stage, with a working prototype (even if at early stages) that allows the practical application of the technology or business idea to be validated, and should show preliminary evidence of market acceptance. Seed projects with no significant revenue are also eligible.

Projects should be sufficiently structured (including a business plan with milestones and deliverables to be achieved, with each tranche being paid only when the company's previous financing milestone has been achieved, as well as it showing some evidence of evolution in the business opportunity) such that the questions on the application form can be answered objectively and clearly, as this information, together with the pitch made by founders, will be the basis for the assessment process carried out by the expert panels and for the investment decision made by Portugal Ventures.

6. Specify regarding projects around online solutions or using smartphone apps, what level of maturity is Portugal Ventures looking for?

Projects should have at least an alpha version and be able to demonstrate (preliminary) market fit.

7. How will be best projects be selected for investment?

Projects will be selected according to the criteria described in the Rules and Regulations.

To validate a project, assessment panels will assemble experts from the target industry sector. Based on the information provided in the application form about the project and the assessment/recommendations made by the respective assessment panel, Portugal Ventures will assess to what extent each project is a good investment opportunity for Azores Ventures. Projects selected by Portugal Ventures will receive a term sheet.

8. What are the guiding investment principles of Portugal Ventures?

- The investment amount, per portfolio company, shall be equal to or greater than thirty thousand euros and less than two hundred thousand euros.
- Investments will focus on share capital investment operations (at a par value with possible issue premiums), and may be accompanied by other equity or quasi equity instruments.
- Portugal Ventures' final equity position in the company shall, indicatively, vary between 15% and 35%, fully diluted (with a Stock Options Plan).
- The average duration of the investment shall be five years, for the business creation stage, or five plus two years as an option in the growth and expansion phase of the companies.
- Divestment shall be stipulated in the Shareholders' Agreement, by means of sale on the market to investment funds/financial institutions, founders or other investors.

Investment made by Azores Ventures are used to fund the proof of concept stage of the project until it is ready to go-to-market, which typically occurs between six to twenty-four months after the initial investment. Funds will be released by tranches, in accordance with the achievement of the milestones established at the time of the investment.

9. Is the pitch video of the project mandatory? I don't have the resources to make a professional video.

Yes, a pitch video is mandatory and extremely important, especially for the initial screening. Professional-quality video is not required. All you need is your laptop or a smartphone camera to tell us about your project (team, problem, solution, technology, market approach, financial projections, competitors / differentiation).

10. How can I upload a pitch video of the project to YouTube? Can anyone view it?

If you upload your video to YouTube as an unlisted video, only people who know the link to the video can view it. An unlisted video will not appear on any of YouTube's public spaces, like your channel, search results, or the homepage.

How to upload an unlisted video to YouTube:

1. Sign in to your YouTube account or create one
2. Click the Upload link at the top of the page
3. Select the video you want to Upload from your computer
4. Change the Privacy Settings from Public to Unlisted
5. Make sure to click the Save Changes button at the bottom of the page

11. The application process of Azores Ventures includes an assessment process carried out by expert panels. What does the process entail?

This assessment process allows Portugal Ventures to obtain a qualified expert opinion on the projects. This process has two stages:

- Founders will initially pitch their idea to the assessment panel in a session followed by Q&A.
- Based on the information provided in the application form, the pitch made by the founders, and the subsequent discussion, the assessment panel will write a qualitative assessment of the project, considering the requirements set forth in these Rules and Regulations, including the identification of the main risks of the project, suggest mitigation measures, and assess the overall quality of the investment opportunity.

12. Who are the experts on the assessment panels for the Azores Ventures?

Industry experts will be invited to assess the projects submitted to Azores Ventures.

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13. It is mandatory to attend the pitch sessions? If so, how many team members need to attend?

Attending pitch sessions is mandatory for all founders of the projects that reach this stage as it is essential to interact with the panel experts for them to properly assess the investment opportunity within the scope of the Azores Ventures.

If your project makes it to this stage, you must ensure that you are available during the time the sessions are to be held.

14. How are the project's milestones defined and why are they important?

Milestones are defined by founders, in coordination with Portugal Ventures, and aim at establishing the objectives / plans of action the projects must achieve / follow until the commercial launch. Achievement of each milestone triggers the release of the investment amount needed to fund the completion of the following milestone.

15. Can a company that has received or that is applying for grants from QREN, COMPETIR+, SIDER or others submit an application to the Azores Ventures?

Yes, these forms of financing are compatible although they will not be considered as an investment made by founders.

16. Can the same team submit more than a project?

Yes, but if Portugal Ventures decides to invest in one of them, founders must assure that they will dedicate themselves exclusively to that project.

This requirement ensures that if an investment proposal is submitted, founders will focus their efforts on the execution of the best project.

17. How is confidentiality of the project assured during Azores Ventures?

Please read the Rules and Regulations.

The teams from SDEA, Portugal Ventures and the assessment panel experts involved in Azores Ventures will use information provided during the application process to assess the potential and risks of the investment opportunity. If you have any questions regarding IP protection, please contact SDEA or Portugal Ventures beforehand. Protection of IP rights is ultimately the responsibility of each company. Neither SDEA nor Portugal Ventures will sign any Confidentiality Agreement.

18. Will applications from foreign founders be accepted?

Yes, provided they are willing to set up and run their company in the Azores.

Travel expenses related to the Azores Ventures will not be covered by Portugal Ventures or SDEA.

19. Are investments in kind (e.g. land, property, etc.) accepted as part of the founders' investment in the project?

Azores Ventures does not impose any restrictions in this regard. A project in which the founders themselves try to invest in financially may be more attractive when it comes to investment approval from investors as interests will be more aligned.

20. If the potential and target markets are difficult to identify accurately, what would be the best way to fill in and submit the application form?

Information on the size of the market is important to understand the scale of the investment opportunity. If this data has not yet been compiled by industry associations or other entities, founders should submit their best estimate, duly justified.

As a result of research already conducted, a list of companies operating in the sector and for which the founders have estimated X amount of turnover in euros is most likely available. In the absence of more data, the aforementioned information can be used to answer questions 7.2.1 and 7.2.2. From that list, there will be companies that due to their location or other reasons will not be considered as potential customers. By eliminating such companies from the market identified in questions 7.2.1 and 7.2.2, you will be able to answer questions 7.4.1 and 7.4.2.

21. When it is time for Azores Ventures to divest its holding in the company, how much will it sell it for?

The main objective of Azores Ventures is to invest in projects with high valuation potential. When it is time to divest, Azores Ventures will sell its holding in the company at the market value of the company at the time of sale.

22. I still do not have a company name. What should I indicate?

If a company has not been established yet and no name has been defined, indicate a temporary name.

23. Where can I find the application form?

The application form is available at www.portugalventures.pt

Please register in “Entrepreneurship in the Azores - Azores Ventures”. You will then receive a confirmation email of your registration (don't forget to click on the registration confirmation link). To access the online application form, all you need to do is insert your email address and password.

24. I already have a company but I don't have the financial statements requested in question 16.2. What do I do?

As regards attachment 16.2, if you have not submitted your statement of start of operations to the tax administration you should upload a word file explaining why you have not uploaded the financial statements. If you have already submitted the statement, you should upload the company's latest trial balance.

25. I only need funds to purchase basic equipment for my business. Can I apply to Azores Ventures for this purpose?

This type of use of funds is not part of Azores Ventures.

26. What are the advantages of partnering with Portugal Ventures?

It is an active partnership based on a capital investment focused on the project's growth and on the creation of value for the shareholders through a future sale.

In addition to the capital invested, the partnership also includes:

- Focus on business growth
- Management advice and monitoring
- Active search for new business opportunities
- Access to an international network of contacts
- Sharing of management and market information
- Access to new investors

27. If my project is selected, does the company to be incorporated have to be a public limited company? If the company already exists, does it need to be converted into a public limited company?

Yes, it is customary both at home and abroad in the venture capital sector for companies to take on the form of public limited companies as it is the legal form best suited to venture capital investment.

28. What is the role of Portugal Ventures in my company as a partner?

Portugal Ventures, through its representative on the Board of Directors of the portfolio company, will not intervene in the executive daily management of the company. Portugal Ventures will, however, need to give its consent to the most significant and structural decisions for the development of the company, such as, for example, budget, bank indebtedness, investments to be made, distribution of profits, amongst others.

To this end, Portugal Ventures expects the company to provide information on the development of the business on a regular basis.

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29. Once the agreement period has lapsed, if a third party submits a proposal to purchase the entire company and Portugal Ventures decides to sell, will I be obliged to sell?

The purpose of venture capital investment is to significantly increase the value of the company invested in to obtain a return corresponding to said valuation when the venture capital holding is sold. The maximisation of this return usually implies that the buyer will want to acquire the entire company. Naturally, under these circumstances, each shareholder, including founders, will receive their share of the sale.