



The US Economy and European Entrepreneurs

L'économie américaine et les entrepreneurs européens

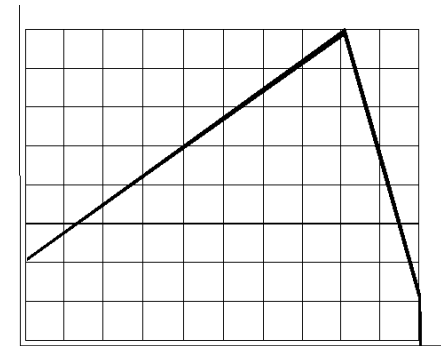
Fran Grigsby

December, 2008

Décembre, 2008

Agenda

- Impact of the Crisis
- Some Predictions
- U.S. Business Response
- Implications for European Entrepreneurs
- Industry Outlooks

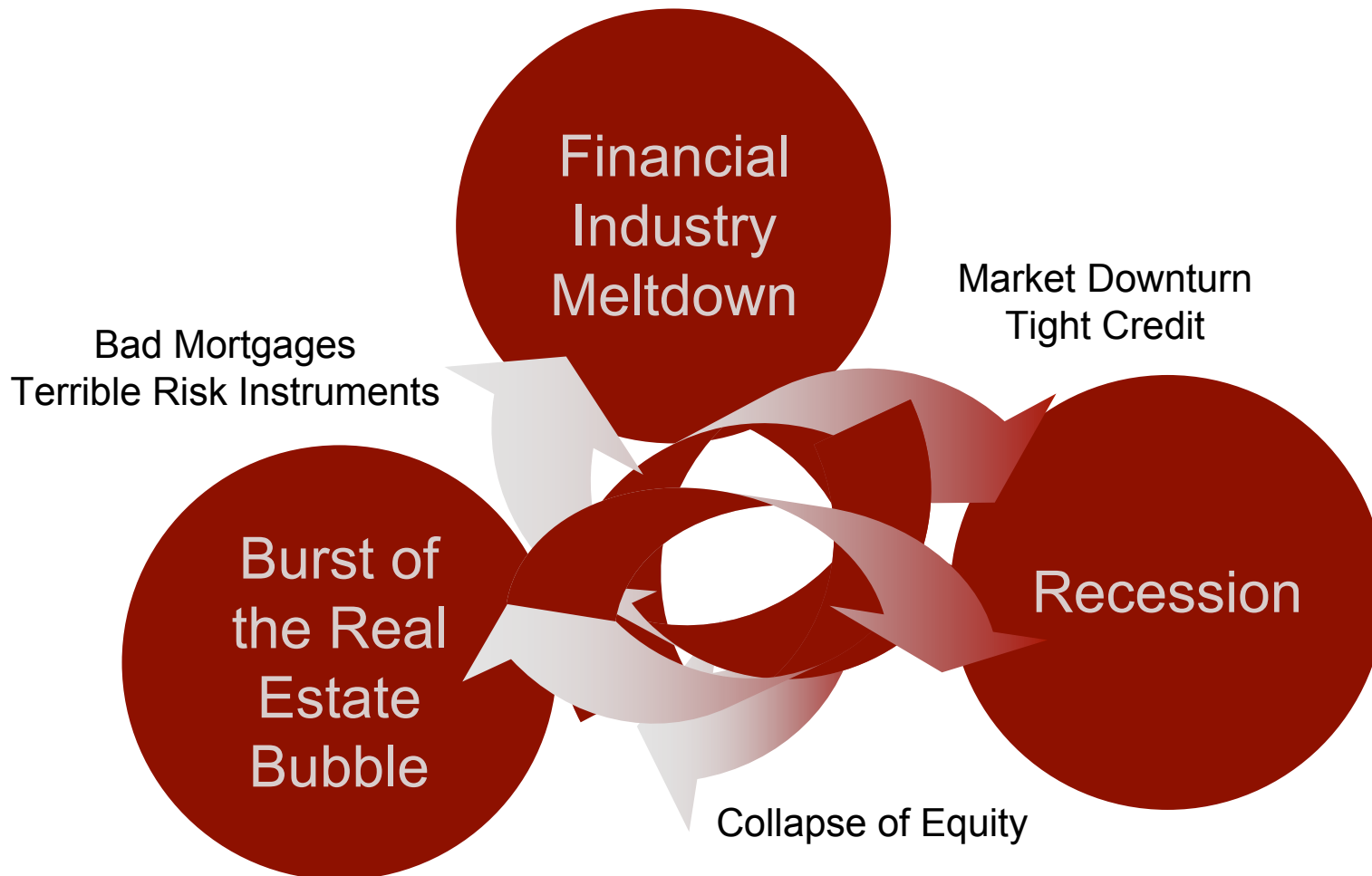


“What
now?”

- *La crise économique et son impact*
- *Quelques prévisions*
- *La réponse des entreprises américaines*
- *Les mesures pour les entrepreneurs européennes*
- *Les prévisions pour l'industrie*

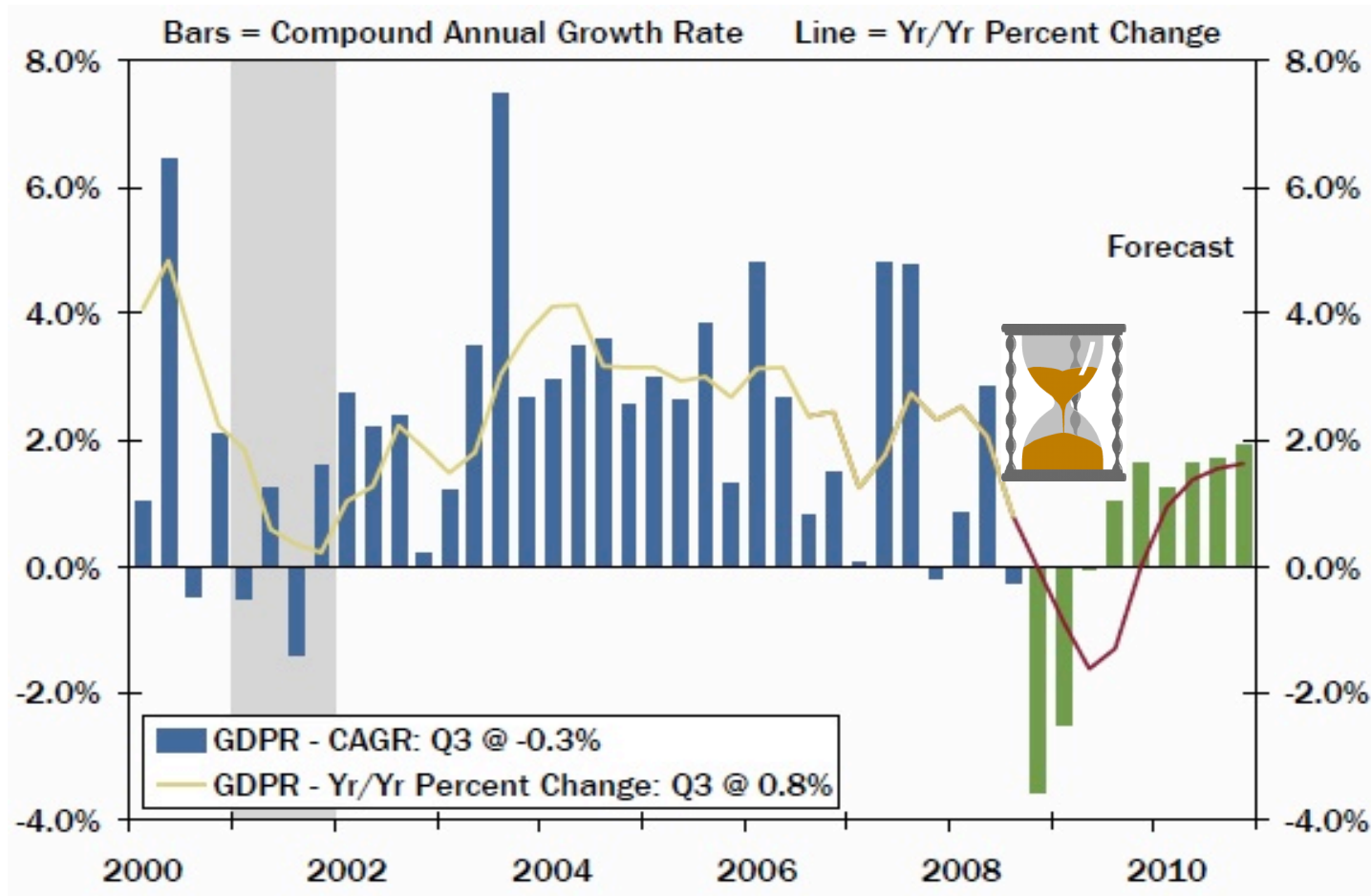
Multiple Crises Defy Predictability

Trois crises interconnectées créent une incertitude majeure



GDP Will Recover Q4 2009

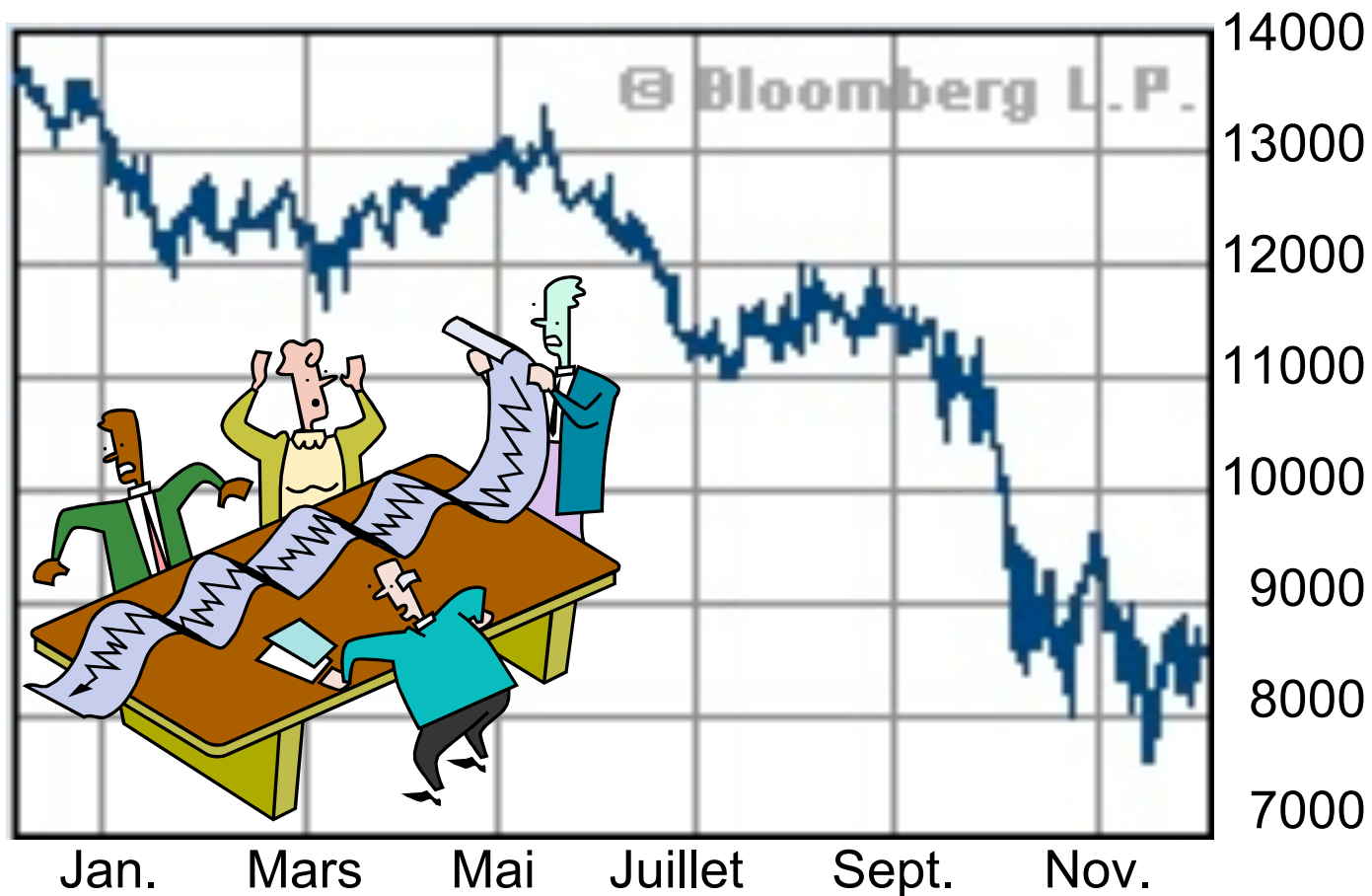
Rebond du PIB américain Q4 2009



Wachovia Monthly Outlook, November 12, 2008

Stock Market Undervalued

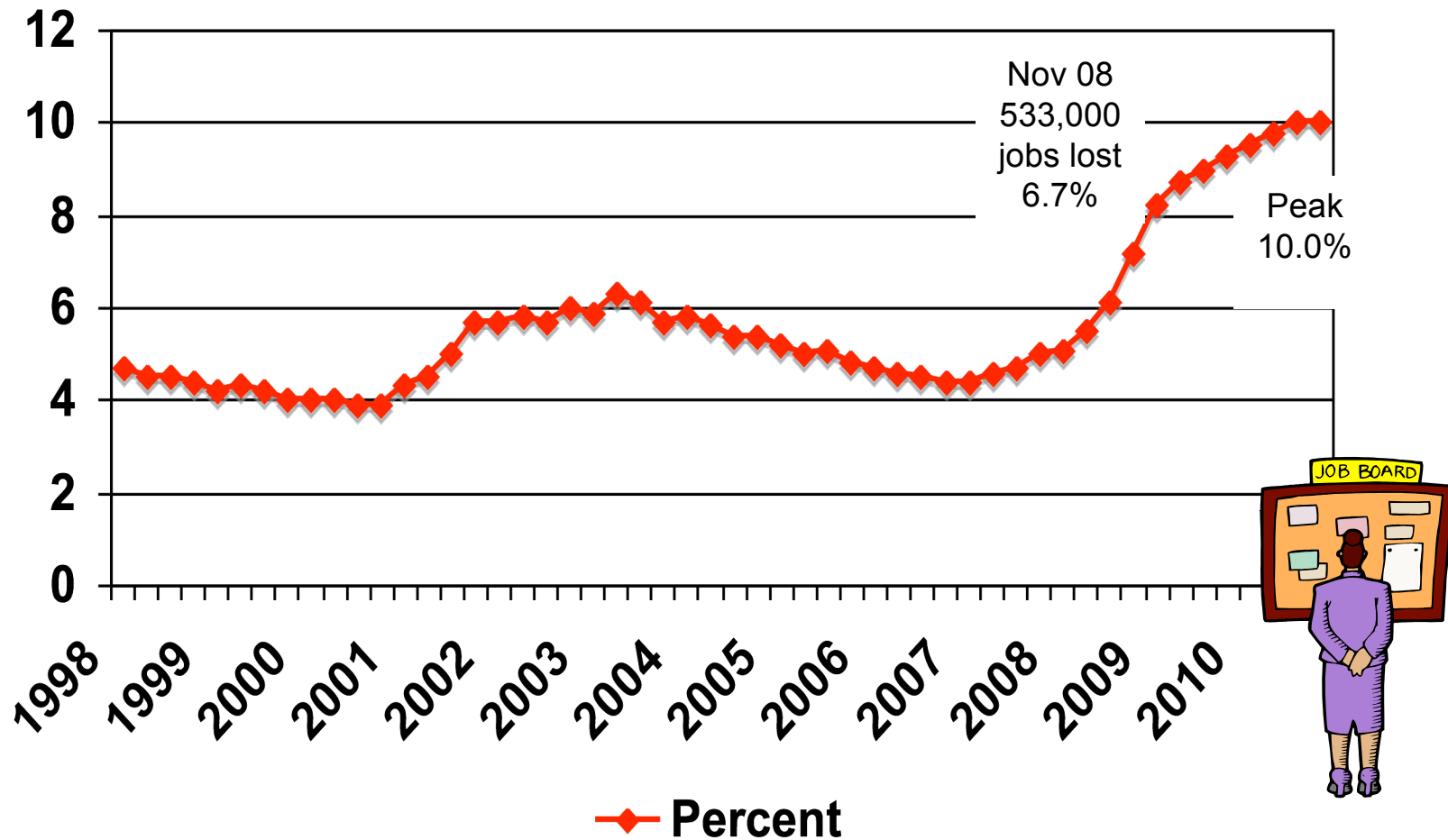
Marché pas suffisamment valorisé



Bloomberg December 5 2008

Job Losses Accelerate

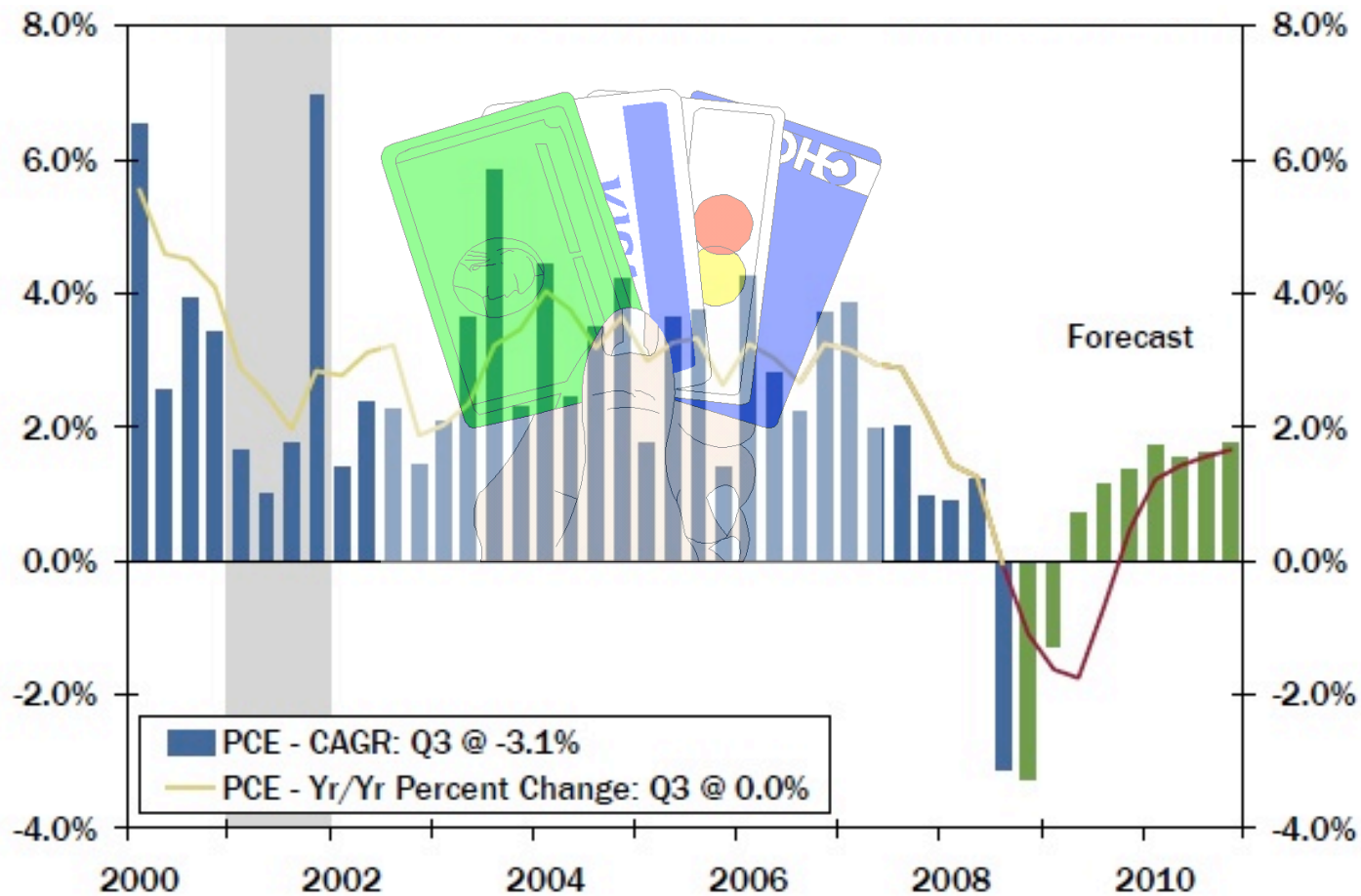
Montée en flèche du chômage



Wachovia Monthly Outlook, November 12, 2008

Equity & Unemployment Curb Spending

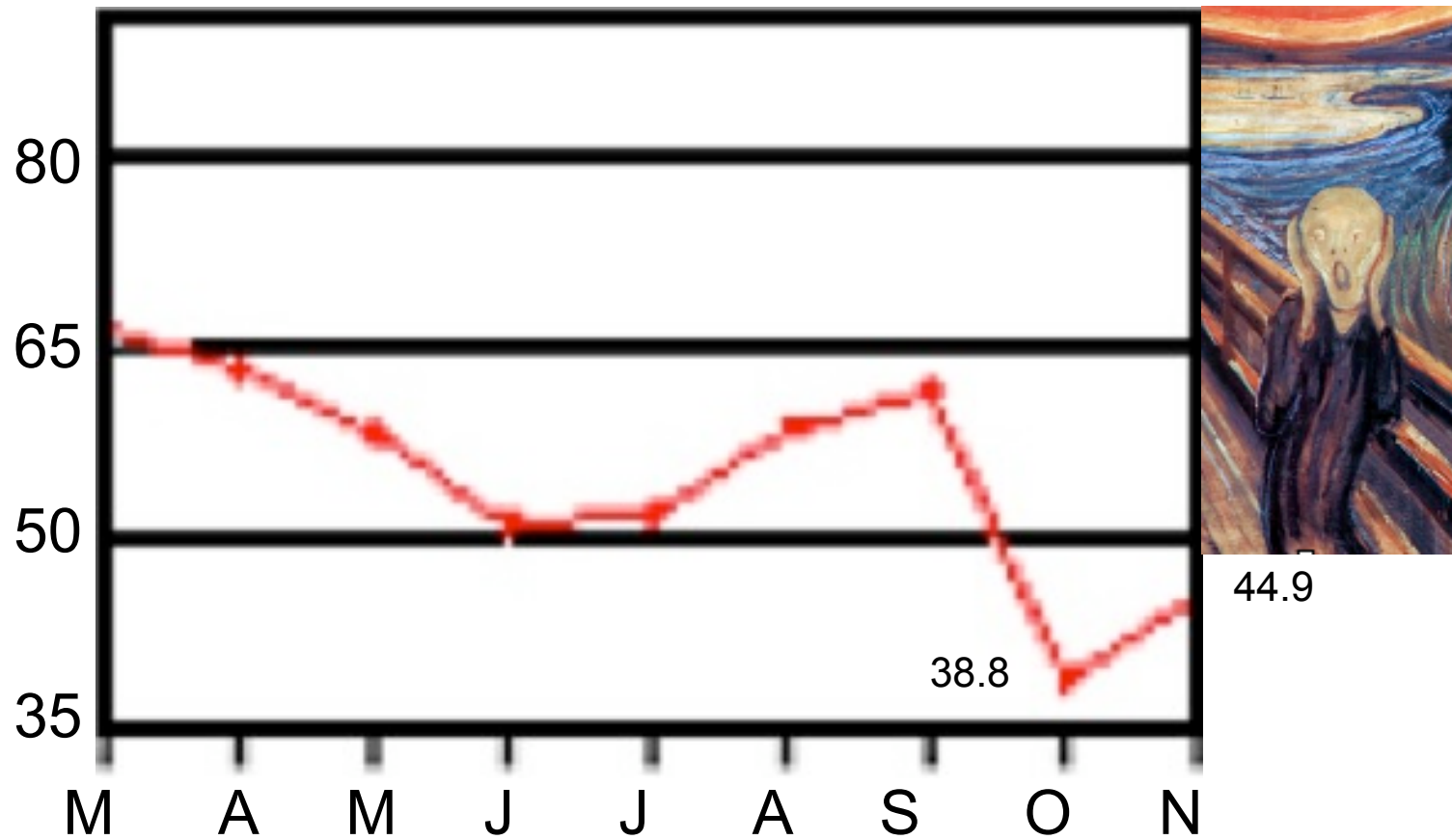
Dépenses restreintes par le manque de liquidités et le chômage



Source: Bloomberg 11/12/08

Confidence at Record Low

Recul record de la confiance des consommateurs



Consumer Confidence Index,
Conference Board, 18 November, 2008

1985 = 100

Rescue and Stimulus

Plan de sauvetage et mesures de stimulation

- \$7.8 trillion in financial commitments
- *\$7.8 billions engagés*
 - \$700 billion rescue plan
 - \$1.4 trillion Bear Stearns & AIG
 - \$600 billion Fannie Mae and Freddie Mac guarantees

- Fiscal stimulus package being prepared for President Obama
- *Plan de stimulation fiscale préparé pour le président Obama*
 - Extended unemployment benefits
 - Aid to state and local governments
 - Infrastructure development
 - Goal: 2.5 million jobs

- Aid for domestic automobile industry
- *Aide au secteur automobile américain*

- Planning to reduce mortgage interest rates
- Consideration d'un plan pour réduire les taux d'intérêt

- Eliminate capital gains tax, retain Bush tax cuts?
- *Élimination de l'impôt sur les plus-values, maintien des diminutions de Bush ?*



What is in Store?

Que va apporter le futur?

- Deep recession, upturn late 2009, followed by long period of subdued growth

- However -

- President Obama inspires confidence
- His team is making an impact
- All parties agree on aggressive government action
- Financial crisis shows very early signs of improvement
- Problem-solving process becomes more orderly
- Inflation will stay low



Restructuring Venture Finance

La restructuration du financement des entreprises

- Frozen deal markets: No IPOs, few M&As, little credit
- Limited partners must reconsider their level of investment
- VCs need to hold cash for mature portfolio companies
- Angels assessing the damage to their retirement funds

Trouble for new and A-round companies
As the dust settles, a great time for acquisitions
Many unattached executives for new ventures
Everyone wants to restart the financial engine

Fourth quarter deals will be down
50%. The common wisdom is to take
a wait-and-see approach.”

- Jim Matheson, Flagship Ventures

“We’re aggressively looking for our next portfolio
company.” Scott Maxwell, OpenView Ventures



“I have a fiduciary responsibility that stops
many deals.”

- Claire Wadlington, FA Technology Ventures

Responding to 2001

La réponse à 2001

- In 2001-2002, tech businesses who hesitated, died.
- This time, business has moved quickly.
- Companies are cutting fast and deep.
- Exacerbates the recession but probably shortens it.

“Portfolio companies should preserve their cash.”

-Nina Saberi, Castile Ventures

“Our goal is to survive 18-24 months without a new investment.”

- CEO who just laid off 1/3 of his team

“Get Real or Go Home“

- Sequoia Ventures



Photo -
Sequoia Ventures
Presentation

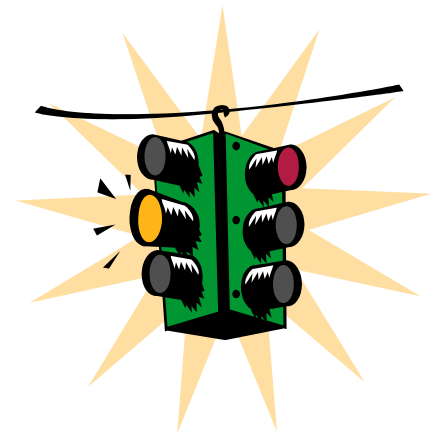
Reshaping Economic Control

La réorganisation du contrôle économique

- Increased Regulation and Oversight
- “Back to Basics” in the Finance Industry
- End of the Debt-Driven Economy
- Huge Government Role in Business

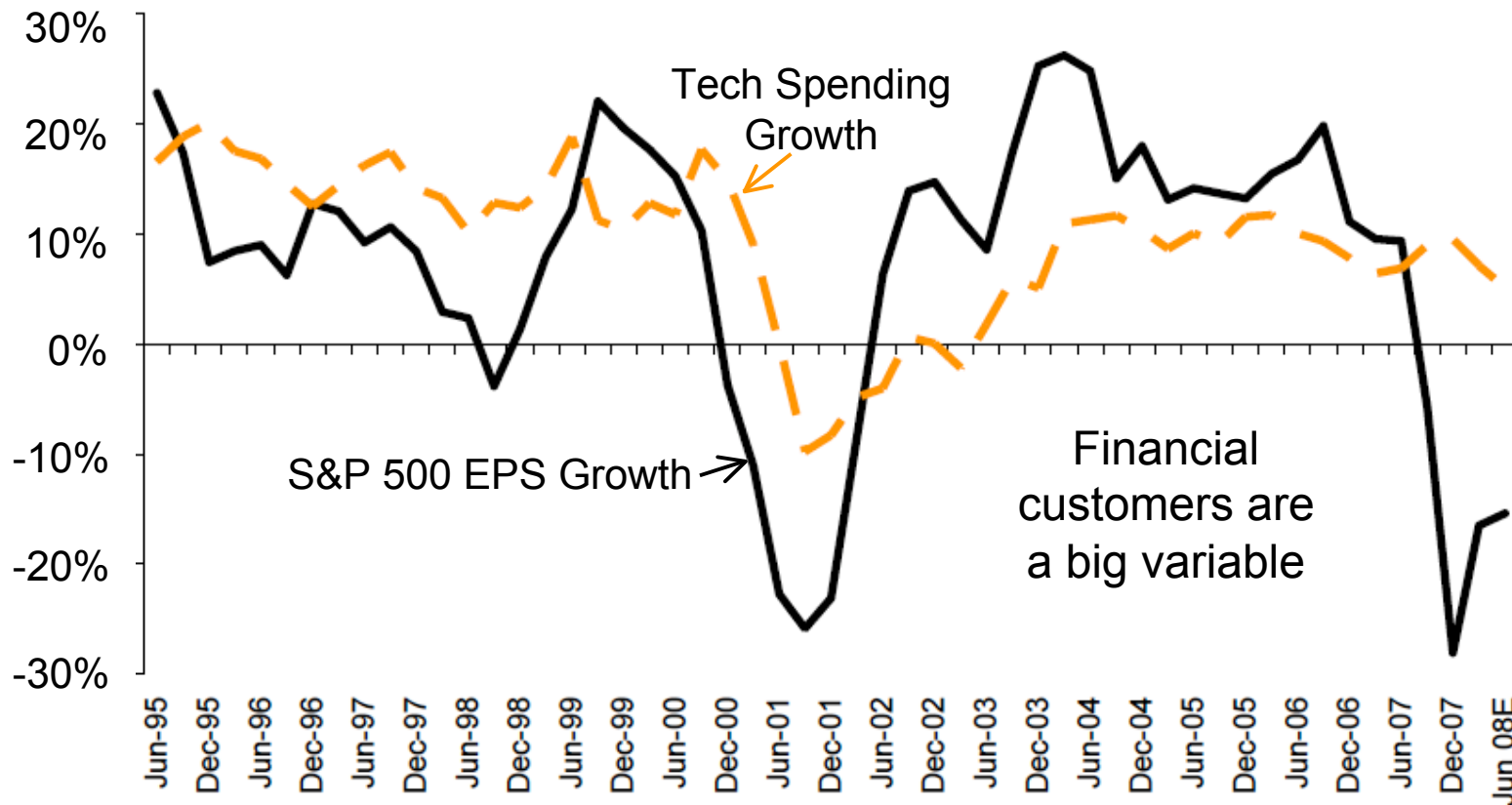


New Sarbanes-Oxley
New products for government
New financial management tools



Tech Will Be Impacted

(but probably not as much as others)



*La technologie sera affectés
(mais probablement moins que d'autres)*

Source: Bernstein Strategy Group; First Call

What Does This Mean To European Entrepreneurs? - 1

Cela signifie quoi pour les entrepreneurs européens? - 1

- Tactical, hard-nosed approach is essential
 - Spending, revenue assumptions, debt ↓
 - Products that yield immediate customer benefit
 - Resources outside of company ↑
 - Sales cycle →
- Be creative about your survival plan
 - Perspective and ideas from experienced advisors
 - Creative alliances
 - Whatever it takes to stay alive

“Of my peers in 2001, only one survived, the one that reacted immediately - and that company became Constant Contact.”
- Don Bulens, Equalogic (now Dell)

“They should not do anything that won't generate revenue within six months.”

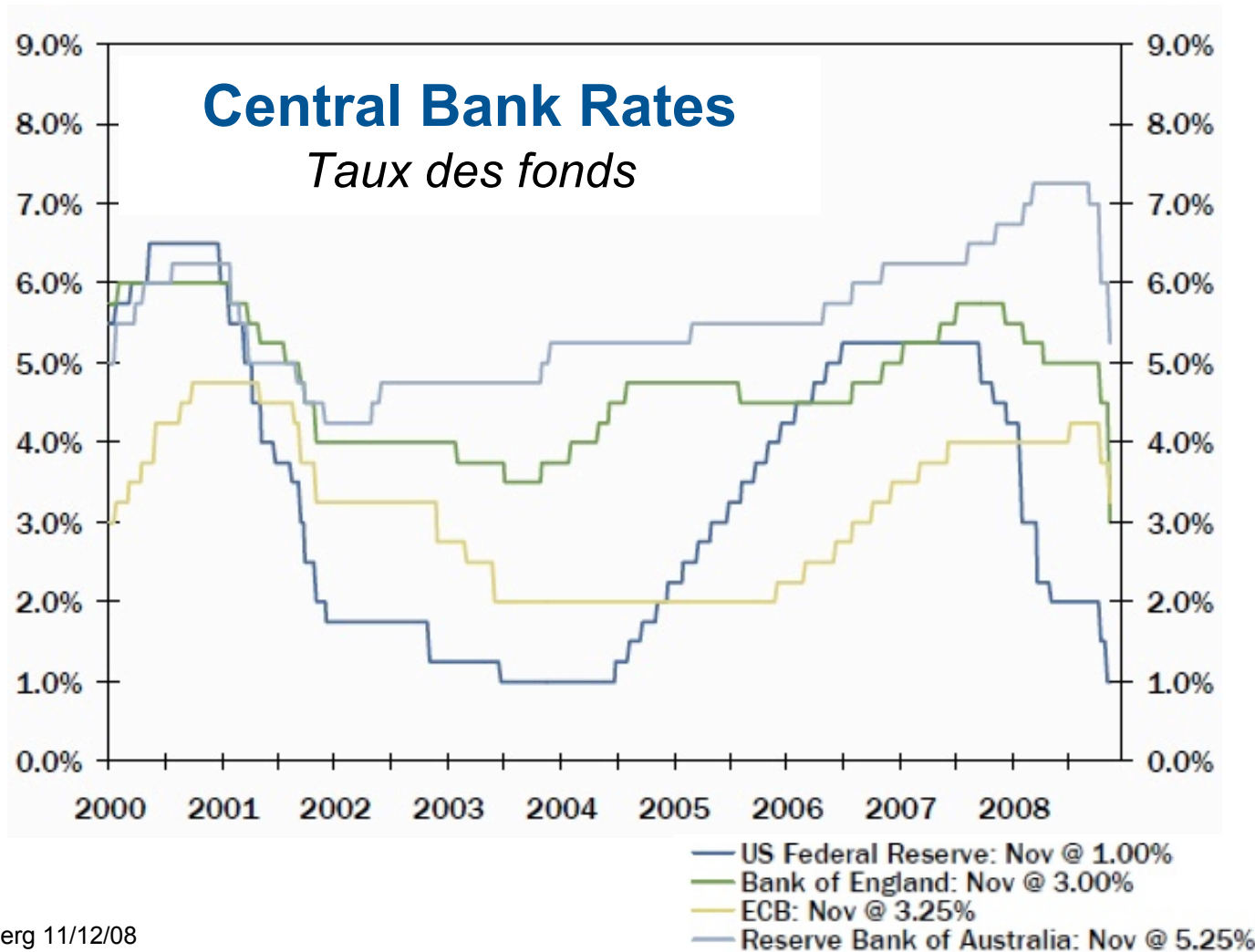
- Bo Peabody, Village Ventures

“Customers will want 100% ROI, immediately.”
- Les Charm, Babson College



U.S. Started It & Will Emerge First

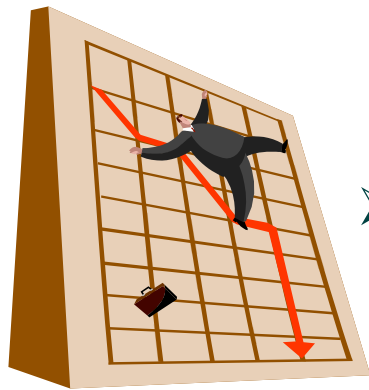
Les E-U l'ont démarré et ils vont se dégager d'abord



Source: Bloomberg 11/12/08

What Does This Mean To European Entrepreneurs? - 2

Cela signifie quoi pour les entrepreneurs européens? - 2



- Build an airtight value proposition
 - Immediate ROI for your customers
 - Low-cost sales (probably indirect)
 - Evidence that you will survive, so customers feel secure
- Start activity in the U.S. before it emerges from recession
 - Learn about competitors
 - Meet future customers
 - Find distributors and partners
 - Get help while it is cheap
- Buy your competition



“Now is a great time to hire experienced executives and advisors - they all need money!”
- Steve Snyder, Gesmer Updegrove

“Be fearful when others are greedy, and be greedy when others are fearful.”

- Warren Buffett, October 16

The Old Industries Don't Apply

Les groupes anciennes des industries ne s'appliquent pas

- Stimulus package will help key industries recover...
 - Construction
 - IT - Security, services, infrastructure
 - State and city government
- ...and help the next big ones emerge
 - Energy generation and conservation
 - Federal financial management
- Some industries will never be the same
 - Automotive
 - Financial
- Strongest regions
 - Boston, New York
 - Atlanta
 - Los Angeles



Thank You, and a Few Questions -

Merci, et des questions -

- What should U.S. companies know about Europe and the crisis?
- How is the European recession different?
- What does the future look like?

Quelles informations sur le marché européen et la crise seront utiles pour les entreprises américaines?

Comment la récession est-elle différent en Europe?

Quelles sont vos prévisions pour l'avenir?



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