

Introducing CONVERGENCE PARTNERS – MAKING THE CHINA SCALE-UP A SUCCESS

We met Daniel Koppelkamm, Founder and Managing Partner of Convergence Partners at their Zurich HQ to discuss the unique value add they can provide to portfolio companies, enabling them to realise their significant growth potential in China.

For more information visit: www.convergence-partners.ch

Daniel has been investing into European DeepTech innovators for more than 10 years. "What has always been depressing us a bit", Daniel states, "is that the scalability for many great B2B deepTech companies in Europe is fairly limited. At least, limited relative to certain high growth B2C business models. Hence, we have always been looking for ways to 'turbo-boost' their growth. Now we seem to have found the right formulae"

Starting around 5 years ago, Daniel has been witnessing the growing desire of EU DeepTech companies, especially in areas like IndustrialTech, Greentech and HealthTech, to enter China. Many scale-ups consider China their largest potential market but are often put off by all the challenges associated with the market entry.



WORKING WITH CONVERGENCE AS AN ACTIVE INVESTOR AND SPARRING PARTNER WILL GIVE EU TECH INNOVATORS THE POTENTIAL OF TOP-LINE REVENUE ACCELERATION AND VALUE CREATION IN BOTH EUROPE AND CHINA.

Key questions are usually:

- 1 HOW DO I PROTECT MY IP?
- 2 IS THERE ALREADY A LOT OF COMPETITION?
- 3 HOW SHOULD I STRUCTURE MY CHINA MARKETING/ SALES STRATEGY?
- 4 HOW DO I DEAL WITH THE CULTURAL DIFFERENCES?
- 5 HOW DO I FIND RELIABLE CUSTOMERS/ PARTNERS?

A number of well-publicised cases, such as Duisburg Special Tubes (DST) or Ledvance illustrate the difficulties that can arise with China cross-border development of EU companies. Problems can typically be categorized into unfamiliarity with the Chinese partner, unrealistic growth expectations and ineffective marketing and sales strategies. It is therefore crucial to approach the China market entry only after thorough preparation and selection of the right partners.

In 2018, Daniel and a team of DeepTech investment veterans launched Convergence Partners as a D-A-CH focused venture-growth fund that can coordinate all aspects of



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market entry and targeted scale-up of its portfolio companies in China. In order to give EU scale-ups the best possible inroad into China, Convergence has built a powerful local network including a strategic partnership with the Shenzhen-based Entrepreneurship arm of Tsinghua University. Tsinghua University, the leading technical university of China, is at the core of a China-wide network of industrial and government-associated partners.

Convergence works with a 40-people strong team of cross-border acceleration experts in Shenzhen and Beijing that has been landing and scaling dozens of international technology companies in China for nearly 20 years. Besides the longstanding experience, the deep technical expertise and trusted relationships with hundreds of corporate partners across China, are clear differentiators here.

Daniel explains: "Our cross-border acceleration (CA) team is able to coordinate all aspects of China market landing, from initial market research and competitive mapping to formulating effective IP protection, CFDA approval and marketing/ sales strategies to setting up local legal entities and building local teams. Focus is very much on driving sales growth in China by matching the targets with the most suitable customers, sales channels and local partners from the corporate network. The CA team will also be an effective sparring partner in the negotiations and interactions with

Chinese entities, effectively dealing with cultural differences. One of the CA team's China scale-up success examples is the German company Enviplan (<https://www.enviplan.de/>), which manufactures micro flotation wastewater treatment equipment. Recognizing the significant China market growth potential of the technology, the CA team structured all elements of market landing and subsequent scale-up, starting with a deep market research study, and an effective IP protection strategy. It then led the products localization process, including technological assimilation, HR training and establishment of local manufacturing capabilities. Lastly, a local Chinese licensing entity, which now employs 12 people, was formed. The company is now experiencing strong sales traction, having already secured 9 Chinese key customers to date.

Daniel concludes: "Working with Convergence as an active investor and sparring partner will give EU tech innovators the potential of top-line revenue acceleration and value creation in both Europe and China. Our portfolio companies will be able to enjoy significant China benefits whilst having a German-speaking team as their counterparty. Besides growth funding in Europe, Convergence can also provide growth capital in China, via a local RMB financing vehicle, managed by Tsinghua."