



CORPORATE DEALMAKER

HELPING COMPANIES SUCCEED IN THE DEAL ECONOMY

[Unilever's unique model](#)

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Like every big consumer products company, Unilever plc cares about innovations in the fast-growing health and wellness sector. Like some of its rivals (such as Nestlé SA), it does corporate venture capital investing to stay wired into what's happening there. But it has developed its own model for VC investing, now being implemented through Physic Ventures -- a firm that is independent of the Anglo-Dutch giant, yet largely funded by it.

To see how Unilever got to Physic, launched early last year, you have to go back to 2002, when it launched the predecessor Unilever Technology Ventures. At that time, the company carefully defined the structure and strategy of the captive fund. Phil Giesler, a 22-year Unilever veteran who had headed global R&D for the company's household care unit, was eager to explore new technologies and invest in startup companies in core markets and adjacent industries. He was also responding to management's call for a fund that would operate independently.

Unilever Technology Ventures was created as an independent entity, a €50 million (\$78 million) closed fund with Unilever as the sole limited partner and with employees as investment managers.

"The whole purpose was to make it like every other venture capital fund, with investment professionals' compensation based on carry points," Giesler says. "Unilever wanted to get a really good window on technology development in life sciences and materials industries, but with financial criteria as strict as any independent firm."

As the initial fund neared the end of its new investment cycle, managers began examining how they could increase dealflow in a second fund, positioning the fund to receive more board representation and even lead deals. For this second chapter, UTV managers were determined to create another independent fund, this time with additional limited partners. When Unilever was approached for new backing, the parent was more than willing to commit, despite the fact that there had been few exits.

"When we went back to them with the proposal in October 2006, it was kind of like 'Well, it's about time,' " Giesler says. "It was an easy discussion because Unilever's purpose when they started was clearly to have a fund that acted independently."

Still, as Giesler contemplated raising a new fund, he realized it might be difficult to find outside limited partners without enough exits to form a record of return. As a result, managers secured a commitment from Unilever for as much as \$125 million in a \$150 million fund.

"We wanted \$125 million in case we didn't raise enough," Giesler says. "But in a final close, we would like to limit Unilever money to 65% to 70% of the total."

UTV made its last initial investment in a \$6 million round for anti-microbial technology company HaloSource Inc. in December 2006. It turned over its funds for follow-on investments for management by Physic in 2007.

Giesler, who remains a Unilever executive, serves as a managing director of UTV and a general partner and innovation director at the Physic fund. He reports that Physic Ventures attracted dealflow almost immediately and has taken the lead in three of its four deals.

"A number of funds have tried to do this, but it is a difficult thing to pull off, because corporate venture funds aren't really fully trusted," Giesler says. "This model really is more sustainable." -- *Clifford Carlsen*

What's in the Physic Ventures portfolio?					
Company/ Location	Business	Investment			Other investors
		Round	Amount (\$mill.)	Date	
Novomer Inc. <i>Ithaca, N.Y.</i>	Biodegradable plastics and polymers	Series A	\$6.6	Nov. '07	Flagship Ventures
Elixir Pharmaceuticals Inc. <i>Cambridge, Mass.</i>	Drugs to treat metabolic and age-related diseases	NA	28.0	Sept. '07	MPM Capital, Arch Venture Partners, Oxford Bioscience Partners
Dreamerz Foods <i>San Francisco</i>	Natural food and beverages for stress reduction and healthy sleep	Series B	10.0	June '07	Burrill & Co. LLC, Prolog Ventures LLC, Great Spirit Ventures LLC, Dean Food Co.
Pharmaca Integrative Pharmacy Inc. <i>Boulder, Colo.</i>	Chain of wellness-oriented drugstores	Series F	20.0	April '07	Highland Capital Partners LLC, Brooke Private Equity Advisers

Source: [Physic Ventures](#)