

# EU TECH BREXIT BENCHMARK AT MID-YEAR 2016

July 2016

Private and Confidential



MAGISTER  
ADVISORS

# OVERALL: POSITIVE FOR TECH EXITS, NEGATIVE FOR FUNDRAISING

1

We head into Brexit uncertainty with European tech capital flows down c. 50% in 2016 H1

2

European Series C and later round financings have nearly halved in value since 2015 H1

3

Mixed exit signals in the US, but strong in Europe; EU VC firms have failed to take advantage, vast majority of larger exits have been PE-backed

4

IPOs, as generally reported, are few and far between, and the window remains shut

5

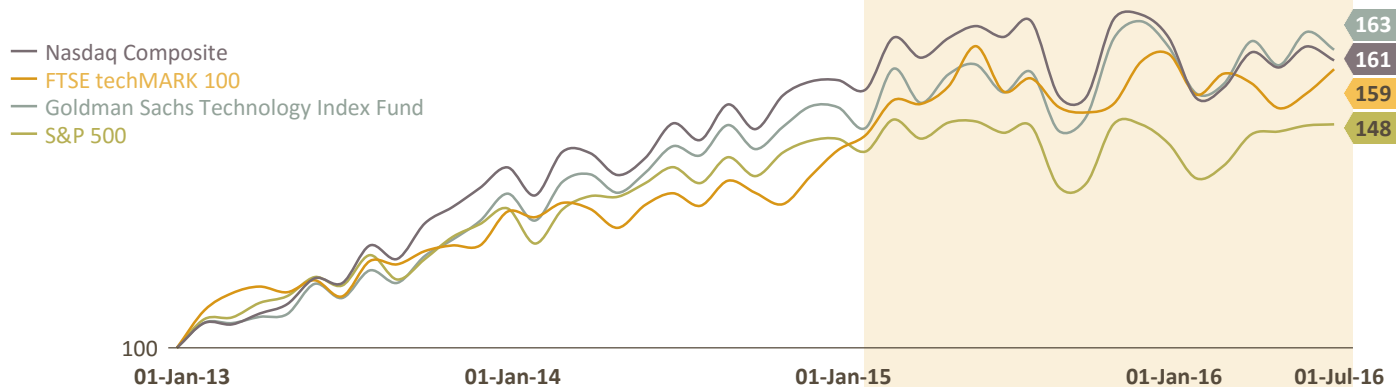
Uncertainty will drive more “dual-track” financing and M&A processes for the best private EU growth companies



# PUBLIC MARKETS FLAT, IPOs DOWN SINCE 2015 H1

## Performance of Public Technology Markets Since 2013

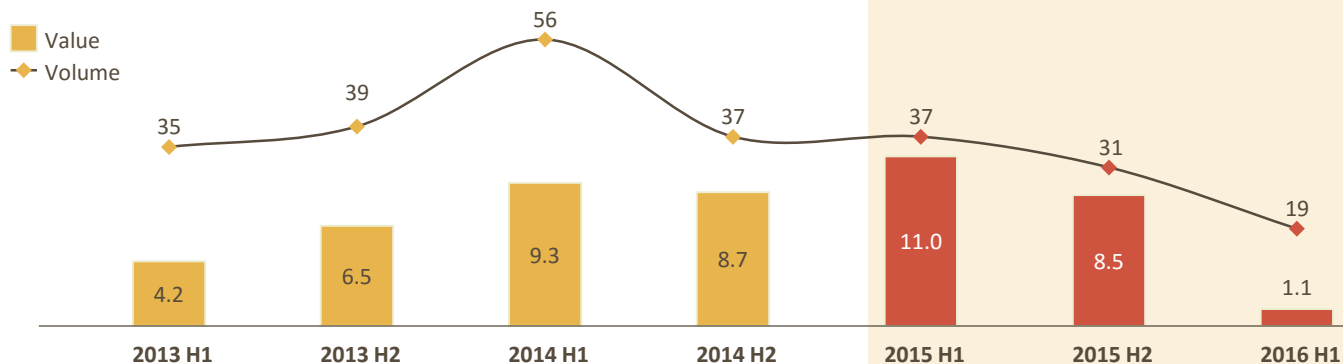
Indices rebased to 100 as at 01-Jan-2013



- Global technology public market performance has been stagnant since 2015 H1, due to uncertain politico-economic environments and disappointing earnings (LinkedIn, Yahoo, IBM, Twitter)
- Offering sizes for all European IPOs in 2016 H1 sum to less than \$100m; largest IPO is Paradox Interactive, raising c. \$65m
- The largest IPO in the US, BATS Global Markets, raised c. \$253m

## Technology IPOs in Europe and US Since 2013

Value in USD billions and volume in units



Tech IPOs in 2016 H1	Volume	Value
US	10	\$924m
Europe	9	\$187m

Source: CapitalIQ, PitchBook, press releases; accessed 18-Jul-2016.

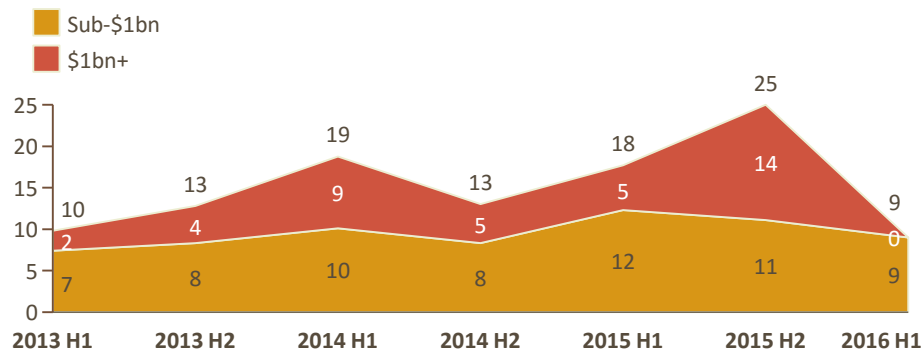
Notes: Initial public offerings by information technology companies (PitchBook's classification system); includes telecommunications.



# SHARP DROP IN CAPITAL FLOWS INTO EUROPEAN TECH FROM VC AND PE

## Private Capital Flows Into European Technology Companies

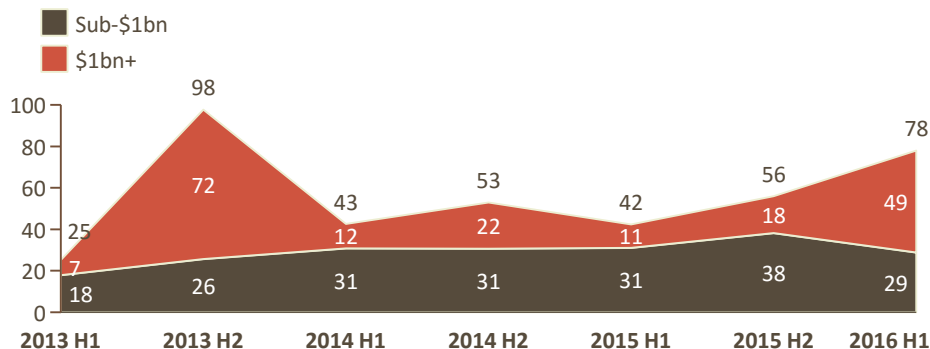
in USD billions



Flows by Value Band (in USD billions)	2015 H1	2016 H1
<b>Europe</b>		
\$0-10m	1.5	1.4
\$10-100m	3.0	2.4
\$100-\$1bn	7.8	5.2
\$1bn+	5.4	-
<b>Total</b>	<b>17.7</b>	<b>9.0</b>

## Private Capital Flows Into US Technology Companies

in USD billions



Flows by Value Band (in USD billions)	2015 H1	2016 H1
<b>US</b>		
\$0-10m	4.9	4.2
\$10-100m	14.2	13.7
\$100-\$1bn	11.9	10.9
\$1bn+	11.3	49.2
<b>Total</b>	<b>43.3</b>	<b>78.0</b>

- Capital inflows (combining minority investments, majority acquisitions, recaps and other financial transactions) have generally cooled in the US and Europe over the past 18 months
- European technology capital flows are at their **lowest level since 2012 H2**
- US capital flows** have increased to their **third highest level** since 2007 H2 (which was the past decade's peak), but that increase is **solely driven by \$1bn+ financings**
- The overall level of activity sub-\$1bn is lower across the board

Source: PitchBook; accessed 19-Jul-2016.

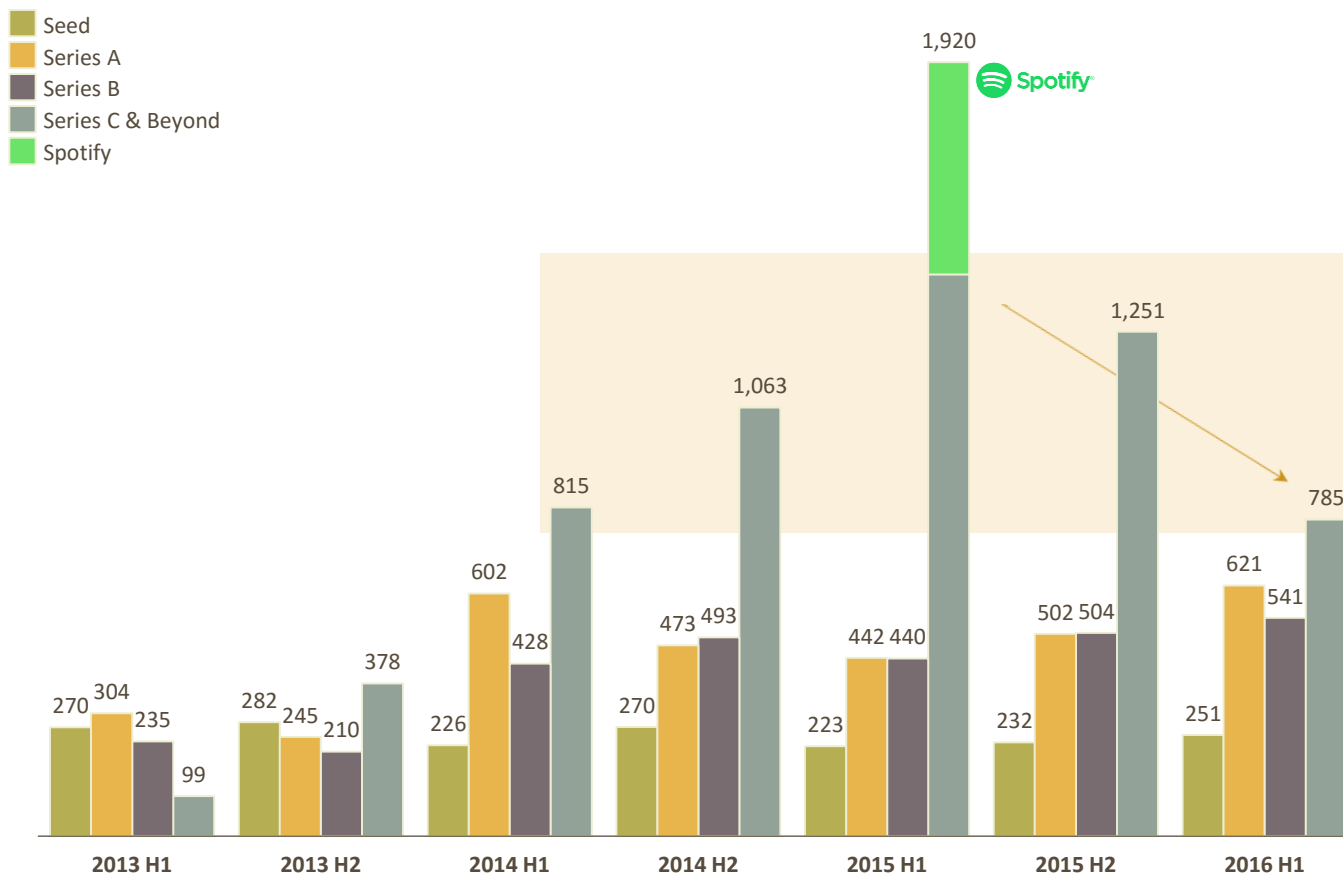
Notes: Completed investments in European and US information technology companies, all VC stages and buyout types; includes telecommunications.



# EUROPEAN SERIES C & LATER ROUNDS SHOW LARGEST DECLINE

## Aggregate Value of Private Investment into European Technology, by Fundraising Stage

in USD millions



- Early stage investing recorded slight growth in 2016 H1
- Since 2013, 2016 H1 has seen 110 Series A deals, second only to 117 in 2014 H2
- Series C and later rounds have dropped by nearly half since 2015 H1, excluding the large Spotify financing
- \$100m+ private financings running below 2015's record high

\$100m+ Private Financings	Number	Value (\$bn)
2013	6	0.9
2014	9	1.2
<b>2015</b>	<b>13</b>	<b>3.6</b>
2016 H1	5	0.8

Source: PitchBook, accessed 11-Jul-2016.

Notes: Completed investments into European information technology companies (including telecommunications) by VC stage.

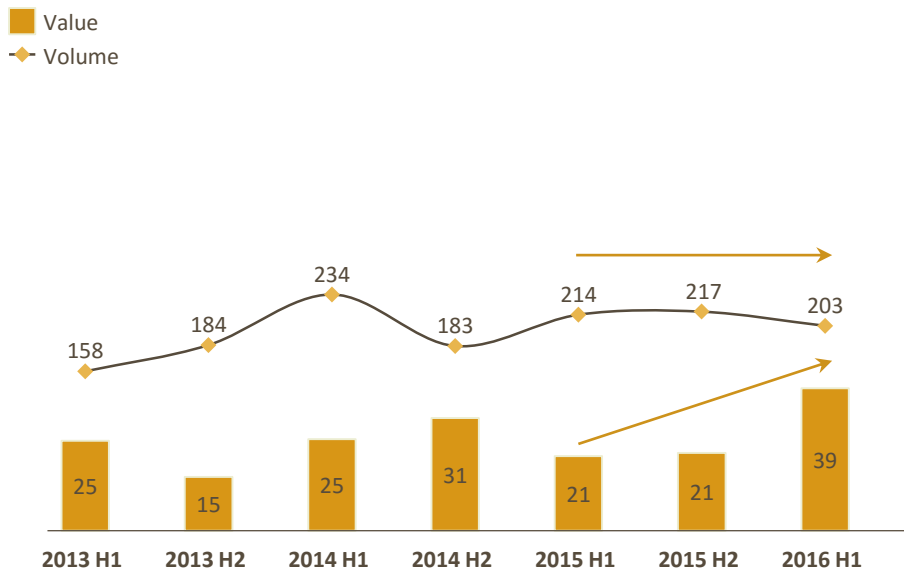


# STRONG RATE OF TECH EXITS IN EUROPE

## US EXITS MIXED

### European Technology Exits

Value in USD billions and volume in units

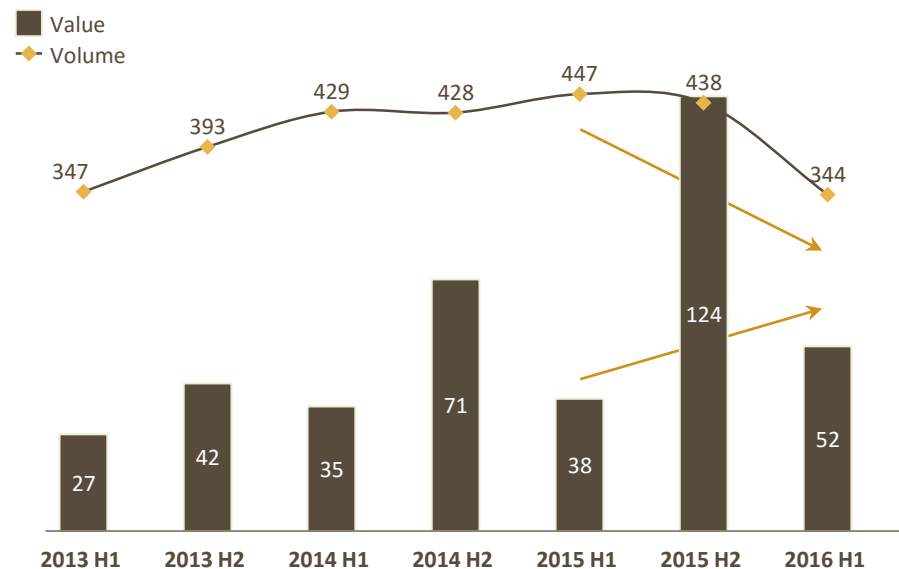


- Top 10 exits in 2016 H1 represent 89% of total deal value compared to 84% in 2013 H1
- Median European deal size has increased 44% in three years and is now approaching the US median

EU Tech Exits	2013	2014	2015	2016 H1
Median Exit Value	\$50m	\$65m	\$55m	\$72m

### US Technology Exits

Value in USD billions and volume in units



- Top 10 exits in 2016 H1 represent **78% of total deal value compared to 33% in 2013 H1**
- Median US deal values have remained relatively steady since 2014

US Tech Exits	2013	2014	2015	2016 H1
Median Exit Value	\$63m	\$94m	\$100m	\$104m

Source: PitchBook; accessed 11-Jul-2016.

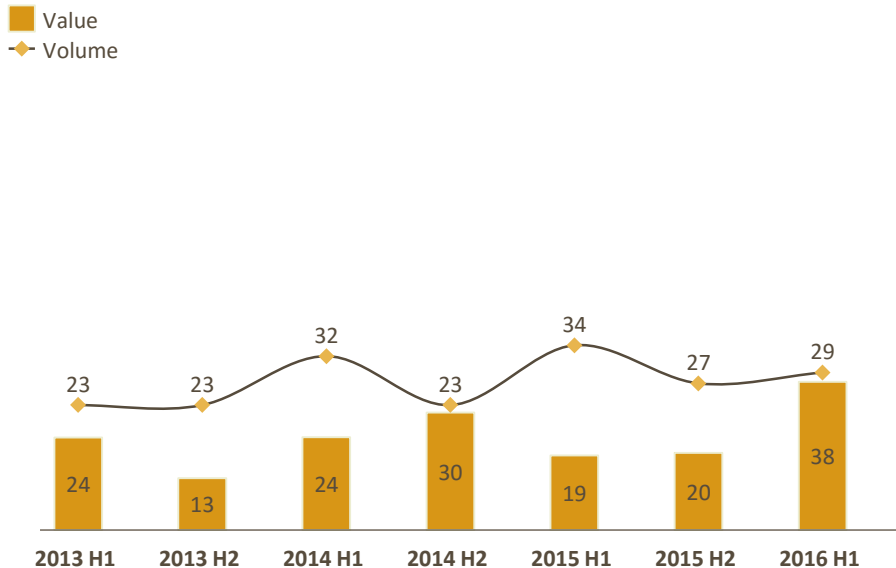
Notes: Completed exits (IPOs, financial buyouts and strategic M&A) in VC- and PE-backed information technology companies, in Europe and US.



# \$100M+ M&A VOLUME DECLINED IN US EUROPEAN ACTIVITY SUSTAINED/POSITIVE

## European Technology Exits Over \$100m

Value in USD billions and volume in units

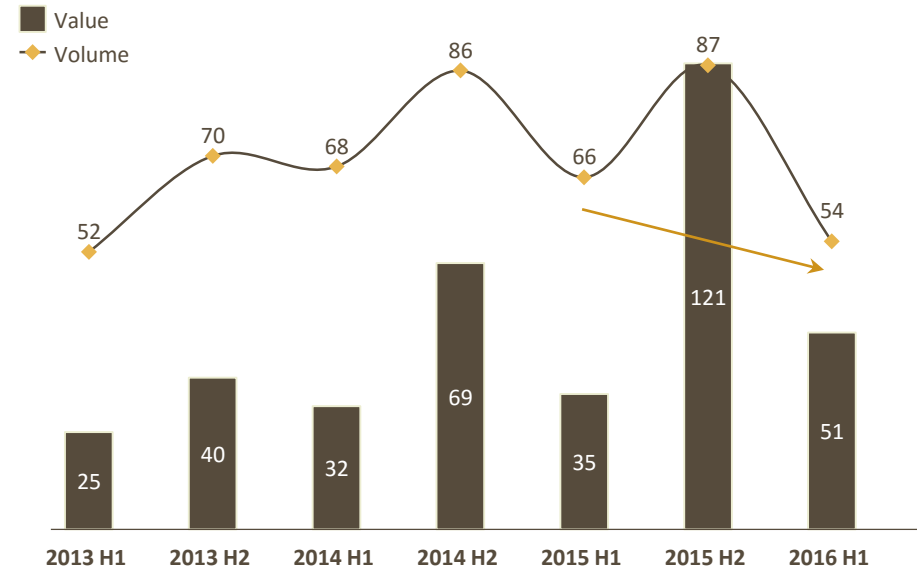


- More so than any other category, M&A yields the most relative value per exit for European technology companies

Cumulative EU Exits Since 2013	Value	Volume
M&A	66%	53%
LBO	23%	32%
IPO	11%	15%

## US Technology Exits Over \$100m

Value in USD billions and volume in units



- Deal value is up half-over-half in the past three years for the US
- IPOs remain the least favoured option for tech exits

Cumulative US Exits Since 2013	Value	Volume
M&A	72%	64%
LBO	21%	18%
IPO	7%	17%

Source: PitchBook; accessed 11-Jul-2016.

Notes: Completed exits (IPOs, financial buyouts and strategic M&A) of at least \$100 million value, in VC- and PE-backed information technology companies in Europe and US.

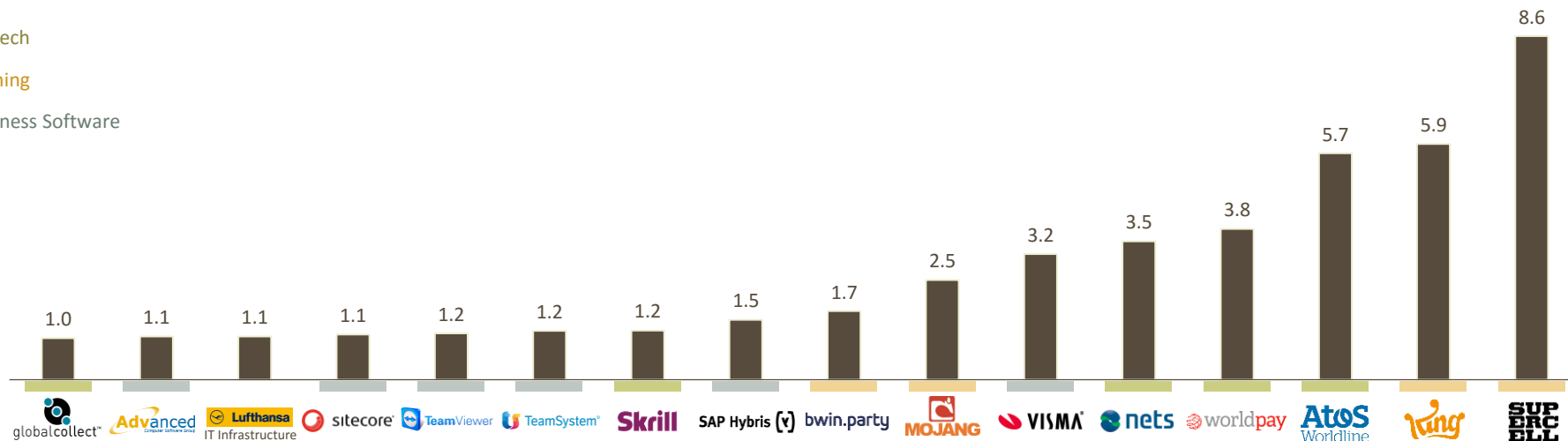


# \$1BN+ EU TECH EXITS PAST 3 YEARS

## MAINLY PE-BACKED, NOT VENTURE

### Billion-Dollar Technology Exits

in USD billions



Transaction Date	Sep-14	Mar-15	Mar-15	Apr-15	Jul-14	Dec-15	Aug-15	Apr-14	Feb-16	Nov-14	Jun-14	Jul-14	Oct-15	Jul-14	Feb-16	Jun-16
Transaction Type	M&A	LBO	M&A	LBO	LBO	LBO	M&A	M&A	Take-Private	M&A	LBO	LBO	IPO	IPO	M&A	M&A
Private Equity-Backed	Yes	Yes	No	Yes	No	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Select Investors Prior to Exit	<ul style="list-style-type: none"> <li>Welsh, Carson, Anderson &amp; Stowe</li> </ul>	<ul style="list-style-type: none"> <li>Marwyn Investment Management</li> </ul>	<ul style="list-style-type: none"> <li>IBM</li> </ul>	<ul style="list-style-type: none"> <li>EQT Partners</li> </ul>	<ul style="list-style-type: none"> <li>Bessemer Venture Partners</li> <li>Insight Venture Partners</li> </ul>	<ul style="list-style-type: none"> <li>Bain Capital</li> <li>HgCapital</li> </ul>	<ul style="list-style-type: none"> <li>CVC Capital Partners</li> <li>Investcorp</li> </ul>	<ul style="list-style-type: none"> <li>83North</li> <li>iCongo</li> <li>Meritech Capital Partners</li> </ul>	<ul style="list-style-type: none"> <li>Public</li> </ul>	<ul style="list-style-type: none"> <li>Founder-owned</li> </ul>	<ul style="list-style-type: none"> <li>HgCapital</li> <li>KKR</li> </ul>	<ul style="list-style-type: none"> <li>Danske Bank</li> <li>DNB Private Equity</li> <li>Nordea Bank</li> </ul>	<ul style="list-style-type: none"> <li>Advent International</li> <li>Ares Capital</li> <li>Bain Capital</li> </ul>	<ul style="list-style-type: none"> <li>Atos</li> </ul>	<ul style="list-style-type: none"> <li>Apax Partners</li> <li>Index Ventures</li> </ul>	<ul style="list-style-type: none"> <li>Softbank</li> </ul>

Source: PitchBook; accessed 11-Jul-2016.

Notes: Completed exits of information technology companies (PitchBook classification) in Europe, **excluding** telecommunications.





# KEY SECTORS TO WATCH

AI



- UK and Israel are world leaders
- We see M&A valuations **averaging \$2.5m per employee**
- **Team value far exceeds business value**, given most companies exiting have little-to-no revenue

1

FinTech



- FinTech M&A running at \$50bn annually<sup>(1)</sup> during 2016 H1, still **twice the level of 1–2 years ago**
- **Multiple financings since Brexit; but medium term uncertainty**

2

Environmental,  
Health & Safety



- Multiple recent M&A deals and financing as **growth investors focus on this regulated B2B space**
- Large number of emerging SaaS players in the US, Europe attracting investor interest
- Enablon acquired for \$250m+ by Wolters Kluwer

3

e-Procurement



- **Nearly \$1bn invested since 2012**
- Recent major investments into Taulia (\$46m), Tradeshift (\$75m)
- Highly attractive sector as downturn-driven cost-cutting increases, rather than decreases, the market's growth rate

4