

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

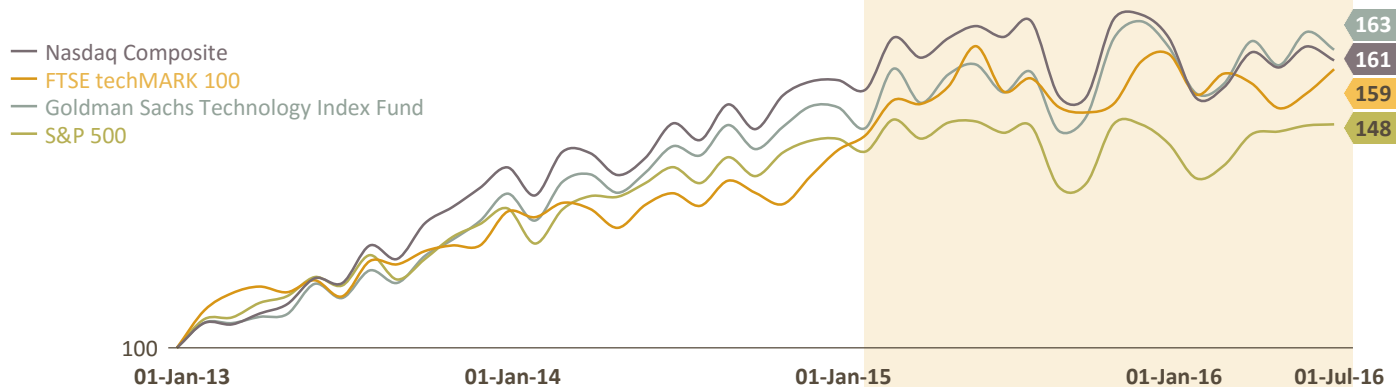
Uncertainty will drive more “dual-track” financing and M&A processes for the best private EU growth companies



PUBLIC MARKETS FLAT, IPOs DOWN SINCE 2015 H1

Performance of Public Technology Markets Since 2013

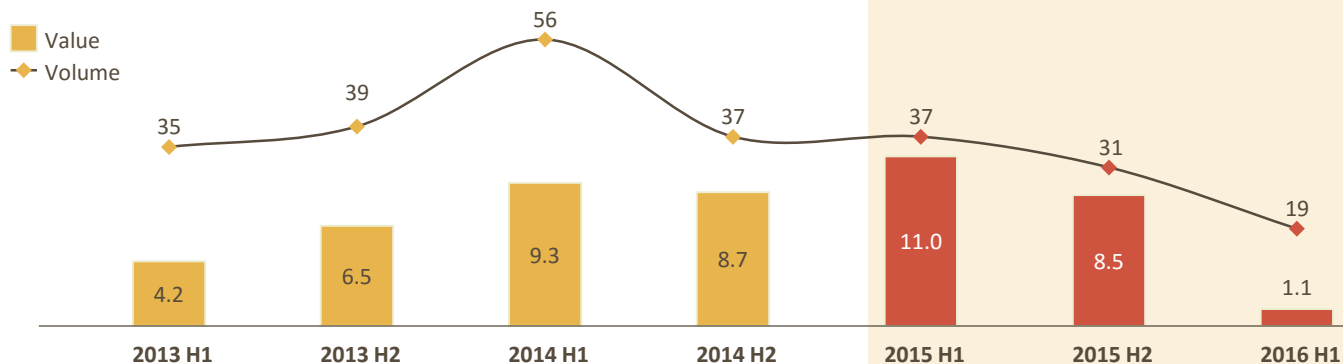
Indices rebased to 100 as at 01-Jan-2013



- 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.

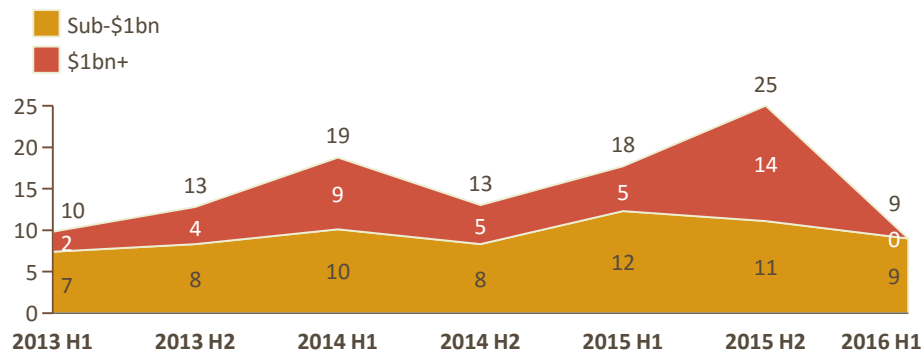
Notes: Initial public offerings by information technology companies (PitchBook's classification system); includes telecommunications.



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
Europe		
\$0-10m	1.5	1.4
\$10-100m	3.0	2.4
\$100-\$1bn	7.8	5.2
\$1bn+	5.4	-
Total	17.7	9.0

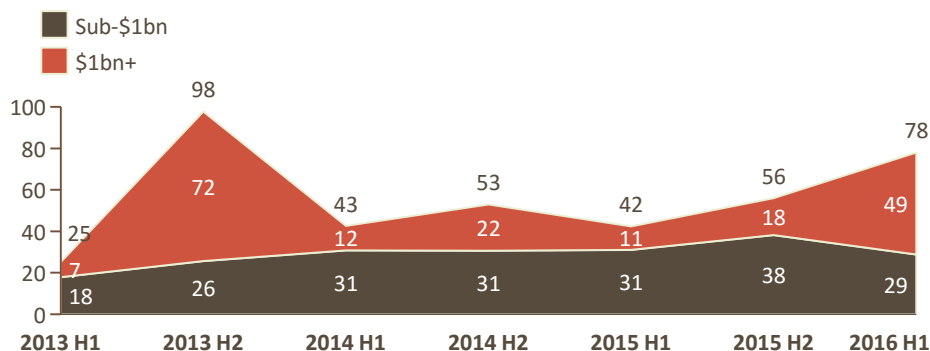
- Capital inflows (combining minority investments, majority acquisitions, recaps and other financial transactions) have generally cooled in the US and Europe over the past 18 months

- 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**

Private Capital Flows Into US Technology Companies

in USD billions



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

- The overall level of activity sub-\$1bn is lower across the board

Source: PitchBook; accessed 19-Jul-2016.

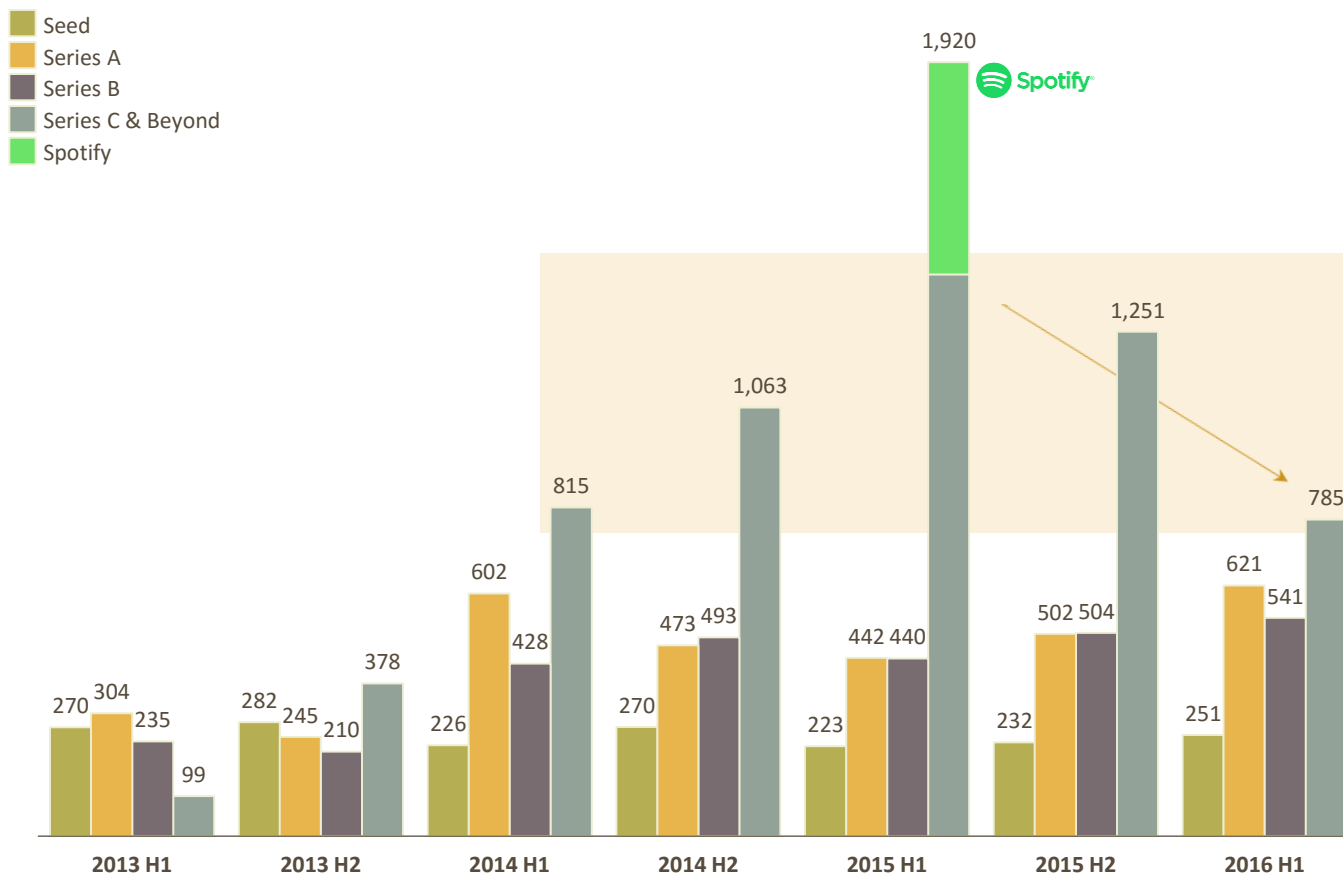
Notes: Completed investments in European and US information technology companies, all VC stages and buyout types; includes telecommunications.



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
2015	13	3.6
2016 H1	5	0.8

Source: PitchBook, accessed 11-Jul-2016.

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

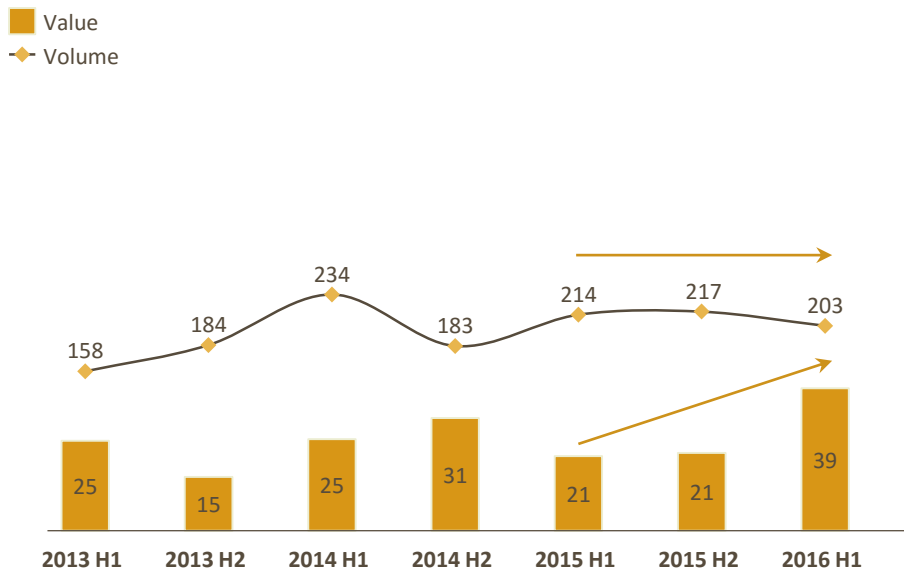


STRONG RATE OF TECH EXITS IN EUROPE

US EXITS MIXED

European Technology Exits

Value in USD billions and volume in units

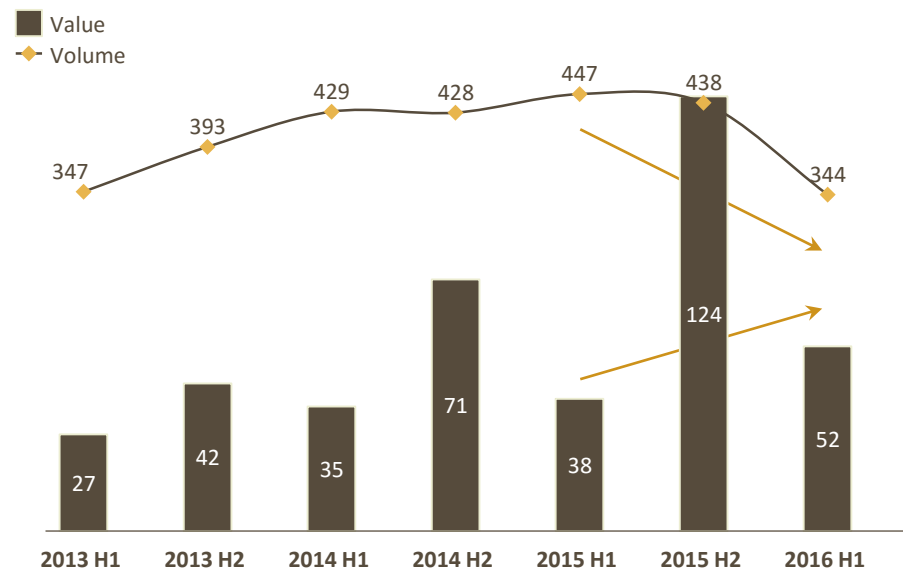


- Top 10 exits in 2016 H1 represent 89% of total deal value compared to 84% in 2013 H1
- Median European deal size has increased 44% in three years and is now approaching the US median

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.

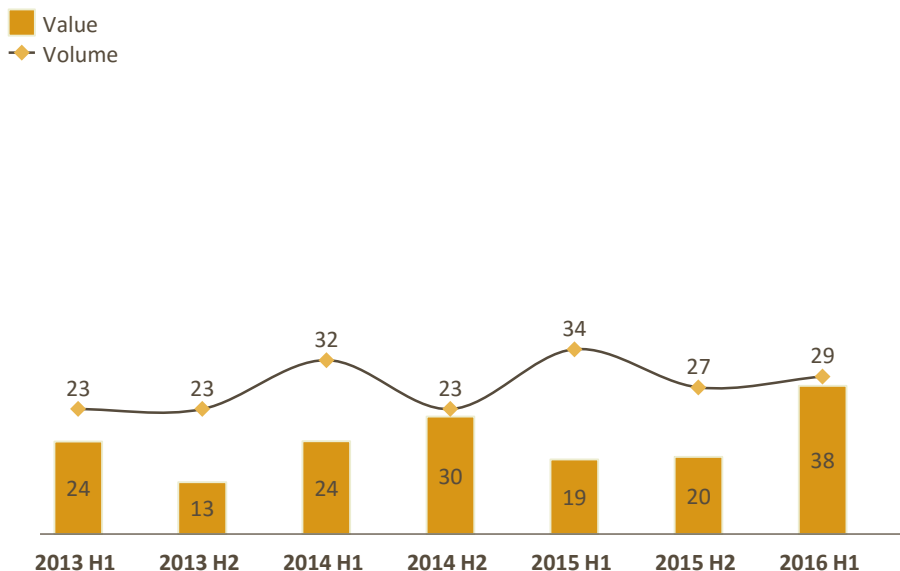
Notes: Completed exits (IPOs, financial buyouts and strategic M&A) in VC- and PE-backed information technology companies, in Europe and US.



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

European Technology Exits Over \$100m

Value in USD billions and volume in units

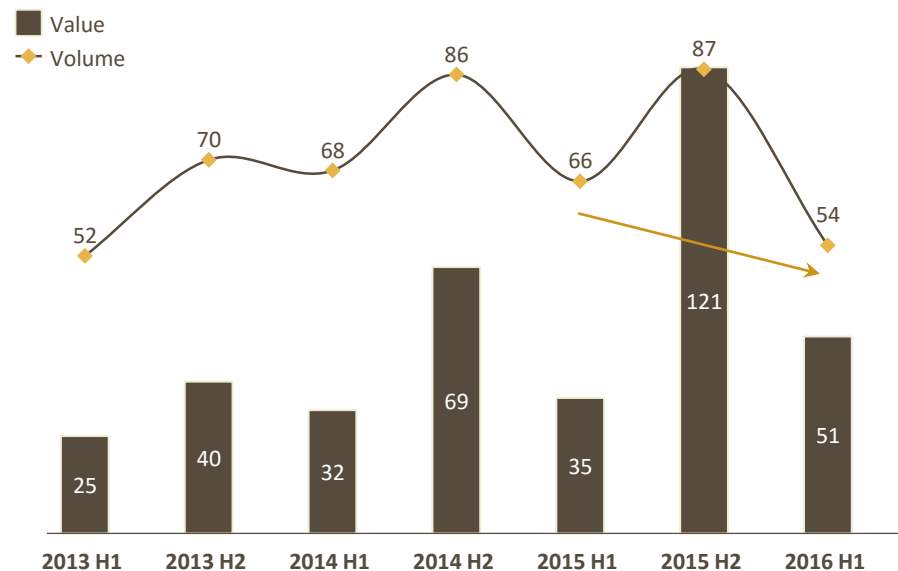


- More so than any other category, M&A yields the most relative value per exit for European technology companies

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.

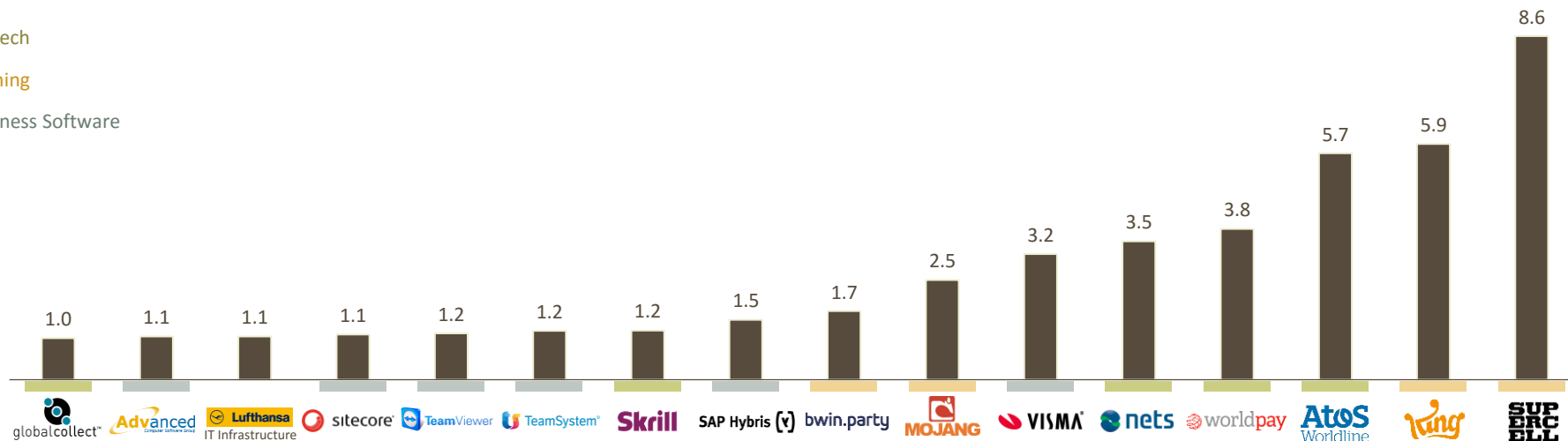


\$1BN+ EU TECH EXITS PAST 3 YEARS

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"> Welsh, Carson, Anderson & Stowe 	<ul style="list-style-type: none"> Marwyn Investment Management 	<ul style="list-style-type: none"> IBM 	<ul style="list-style-type: none"> EQT Partners 	<ul style="list-style-type: none"> Bessemer Venture Partners Insight Venture Partners 	<ul style="list-style-type: none"> Bain Capital HgCapital 	<ul style="list-style-type: none"> CVC Capital Partners Investcorp 	<ul style="list-style-type: none"> 83North iCongo Meritech Capital Partners 	<ul style="list-style-type: none"> Public 	<ul style="list-style-type: none"> Founder-owned 	<ul style="list-style-type: none"> HgCapital KKR 	<ul style="list-style-type: none"> Danske Bank DNB Private Equity Nordea Bank 	<ul style="list-style-type: none"> Advent International Ares Capital Bain Capital 	<ul style="list-style-type: none"> Atos 	<ul style="list-style-type: none"> Apax Partners Index Ventures 	<ul style="list-style-type: none"> Softbank

Source: PitchBook; accessed 11-Jul-2016.

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



KEY SECTORS TO WATCH



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

2



- 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



- **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