

Olswang European Venture Capital Report

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Olswang is pleased to publish the first edition of the *Olswang European Venture Capital Report*. This edition provides the global entrepreneurial and venture community with an overview of the trends in European venture capital (VC) investment in 2014.*

2014: A mixed year for European venture capital

European VC had a mixed 2014. Investment transaction numbers declined compared with previous years. However, the global trend of rising valuations in VC deals was evidently felt in Europe, with deal values increasing from 2013 figures and leaping from 2012 figures.

In contrast with the US, the supply of capital to the European VC industry remained fairly constant in 2014, whereas exits increased markedly, with both volume and value of European VC-backed IPOs rising sharply compared with 2013 and M&A exits by VC-backed companies rising 21% on the previous year.

The proportion of technology-related investments fell year on year, from 19% by value in 2013 to 12% in 2014.

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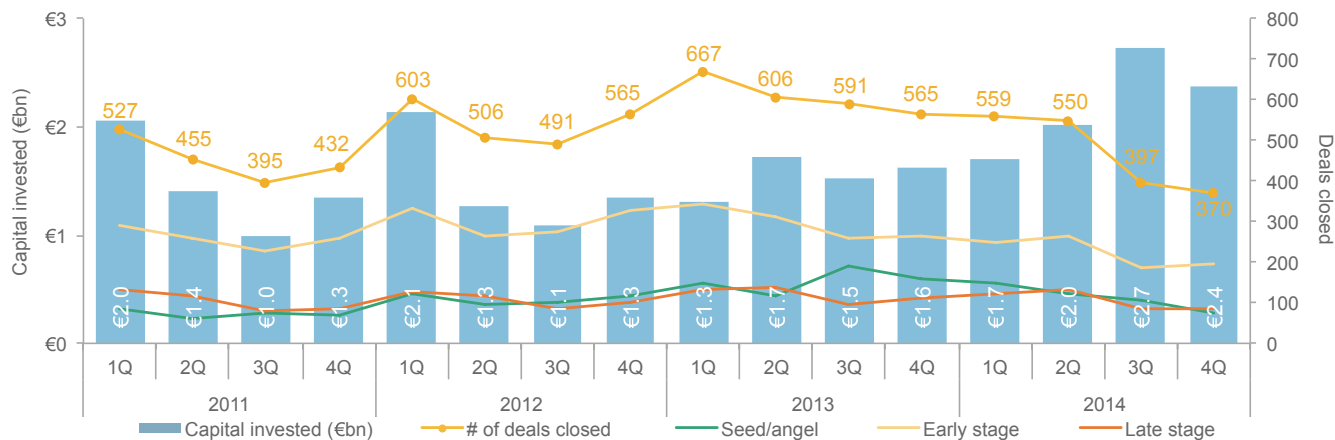
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*The report is based on independent data and, in order to provide content that is representative of the marketplace, is not restricted to financings in which Olswang is involved.

Venture capital valuations creeping up

European venture capital deal flow by quarter



● Compared with the previous two years, 2014 saw a marked decline in the number of VC deals completed in Europe: to 1,876 fundraisings from nearly 2,500 in 2013 and over 2,000 in 2012, according to PitchBook's *2015 Annual European Private Equity Breakdown Report*.

● However, the value invested in European VC deals increased sharply to €8.8bn, a 42% rise on the €6.2bn recorded in 2013 and far higher than the €5.8bn seen in 2012. The average

European VC deal across all stages (seed/angel, early stage and late stage) stood at €4.7m in 2014, versus €2.6m in 2013 and €2.8m in 2012. Coupled with the fact that the proportion of deals relative to stage remained steady in 2014 compared with the previous two years, this attests to increasing valuations in VC rounds.

● This reflects a global trend of rising valuations in VC deals, as many late-stage rounds for US companies, such as rental site Airbnb and taxi app Uber,

value the companies at multibillion-dollar levels (Uber's latest \$1.2bn round valued the company at \$40bn). These higher valuations are trickling through to other regions and spreading to early-stage and seed/angel-capital rounds.

● This is clearly good news for entrepreneurs and owners of young, growing businesses who are able to secure VC funding at higher valuations, but the fall in the number of deals suggests that it might be getting harder to attract venture funding rounds.

Venture capital fundraising holding steady

Aggregate Europe-focused venture capital fundraising, 2007–14

Year	Number of funds	Aggregate capital raised (€bn)
2007	83	5.3
2008	100	6.8
2009	63	3.6
2010	48	2.3
2011	57	3.7
2012	51	2.6
2013	54	3.5
2014	53	3.8

● The supply of capital to the European VC industry remained fairly constant in 2014. A total of 53 Europe-focused VC funds raised an aggregate €3.8bn in capital last year, compared with 54 raising a total of €3.5bn in 2013, according to figures from Preqin. Fundraisings in the year included DN

Capital's €144m third fund and Balderton Capital's \$305m Series A fund.

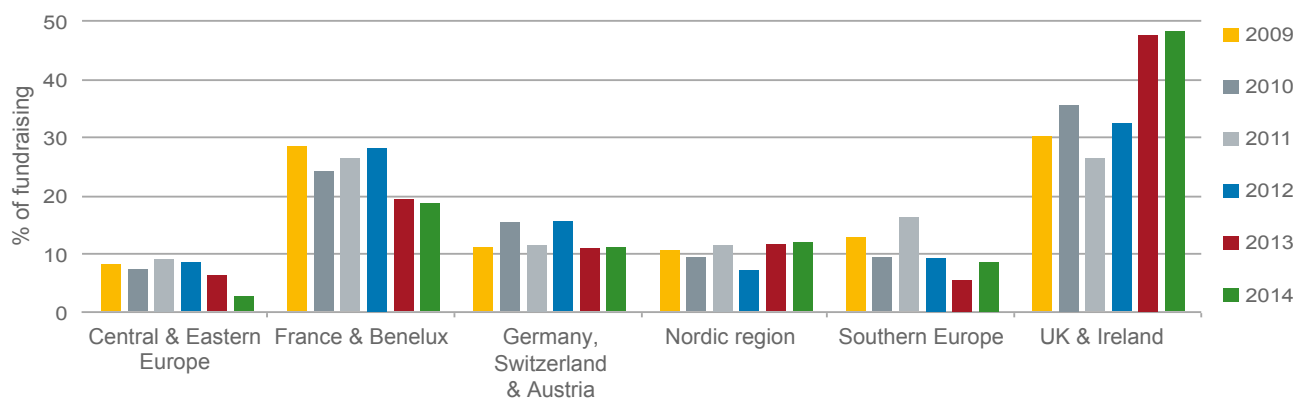
● This contrasts with the US, where 2014 saw the third-highest value raised by VCs over 10 years, at \$32.2bn.

● We are concerned that, unless European fundraising picks up substantially in 2015, higher valuations and an increase in the amount of capital invested by VC in Europe in 2014 might lead to a dearth of VC funding available to businesses.

● Some of the demand from Europe's businesses may be met by US VC funds' increasing interest in investing in Europe (in January 2015, for example, US VC Andreessen Horowitz invested \$58m in London-based money-transfer service TransferWise). US VCs accounted for \$3.5bn of investment in Europe in 2014, according to Go4Venture Advisers – up from just \$808m in 2010. However, this increased interest will not come close to filling the potential gap.

UK and Ireland-based funds win investor backing

European venture capital fundraising by region

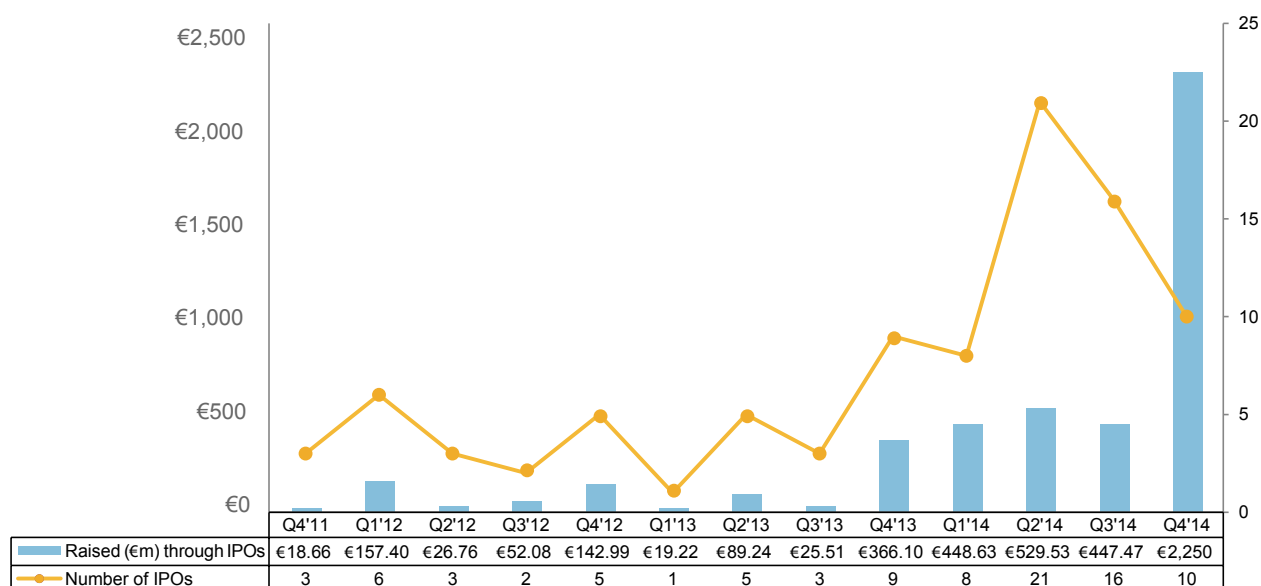


Recent years have seen a significant shift of European VC capital towards UK and Ireland-based funds. In 2009, these accounted for 30% of European VC funds raised by amount; in 2013 and 2014, that proportion rose to 47% and 48% respectively, according to PitchBook's *2015 Annual European Private Equity Breakdown Report*.

Meanwhile, French VC funds have seen their proportions drop markedly. In 2009, they raised 28% of European VC; in 2013 and 2014, France's proportion was down to just 19%. The Nordics, however, have remained constant, accounting for around the 11% mark each year between 2009 and 2014.

Venture capital-backed IPOs rocket

European venture capital-backed IPO activity, 2011–14



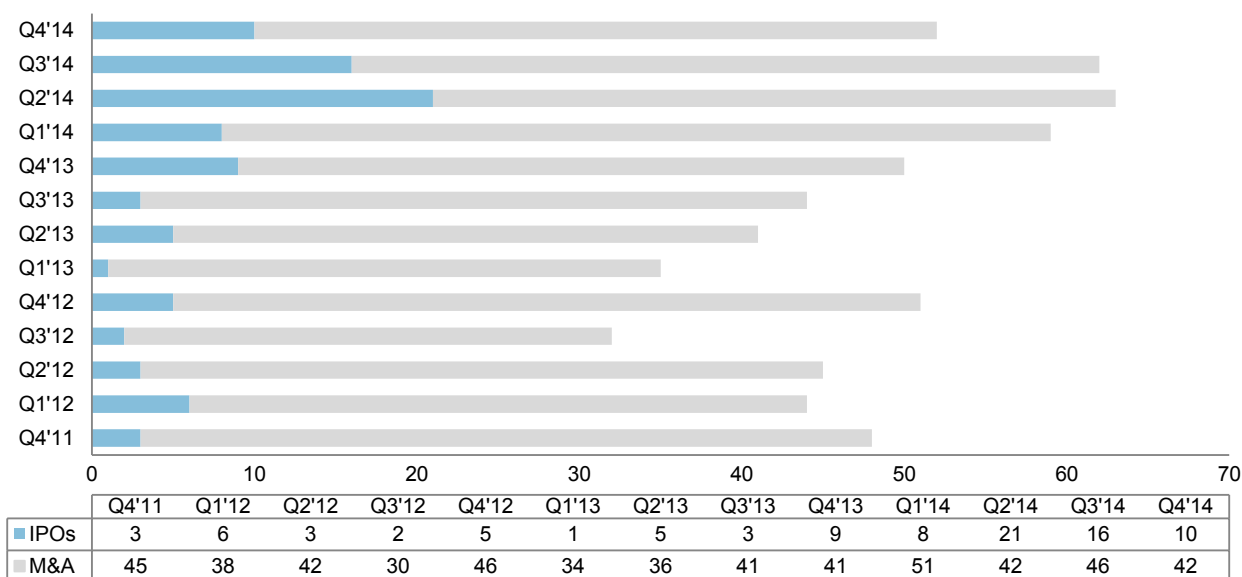
European VC-backed IPOs rose sharply in 2014 as company backers and owners took advantage of public markets' appetites, particularly in the first half of the year, according to Dow Jones VentureSource's *Venture Capital Report* for the fourth quarter of 2014.

There were 55 European VC-backed IPOs in 2014, compared with just 18 in 2013 and 17 in 2012. The amount raised by the 2014 IPOs totalled €3.675bn – far higher than the 2013 total of €500m. The final quarter of 2014 was particularly strong, with

nearly €2.3bn raised by VC-backed IPOs – the highest amount since the second quarter of 2000 (€3.8bn raised by 71 companies). The largest was Rocket Internet, which listed on the Frankfurt Stock Exchange in October, raising €1.4bn.

Exits via M&A up in 2014

Exit opportunities for European venture capital-backed companies, 2011–14



● There were 201 M&A exits by European VC-backed companies in 2014, up 21% on the 2013 figure of 166 for 2013, according to Dow Jones VentureSource's *Venture Capital Report* for the fourth quarter of 2014.

● Some of the largest in the final quarter of 2014 included e-payment solutions company Clear2Pay, based in Belgium, which was sold for €375m to Fidelity National Information Services, and UK-based cloud technology for commodity markets provider SuperDerivatives, which was acquired by Intercontinental Exchange for €277.25m.

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