



Can Europe Create Billion Dollar Tech Companies THE FACTS!



MANISH MADHVANI

manish.madhvani@gpbullhound.com
London: +44 207 101 7567
Twitter: @manishmadhvani

ALESSANDRO CASARTELLI

alessandro.casartelli@gpbullhound.com
London: +44 207 101 7594
Twitter: @Acasa_GPB

OANA CHIMINA

oana.chimina@gpbullhound.com
London: +44 207 101 7569
Twitter: @Gpb_oana

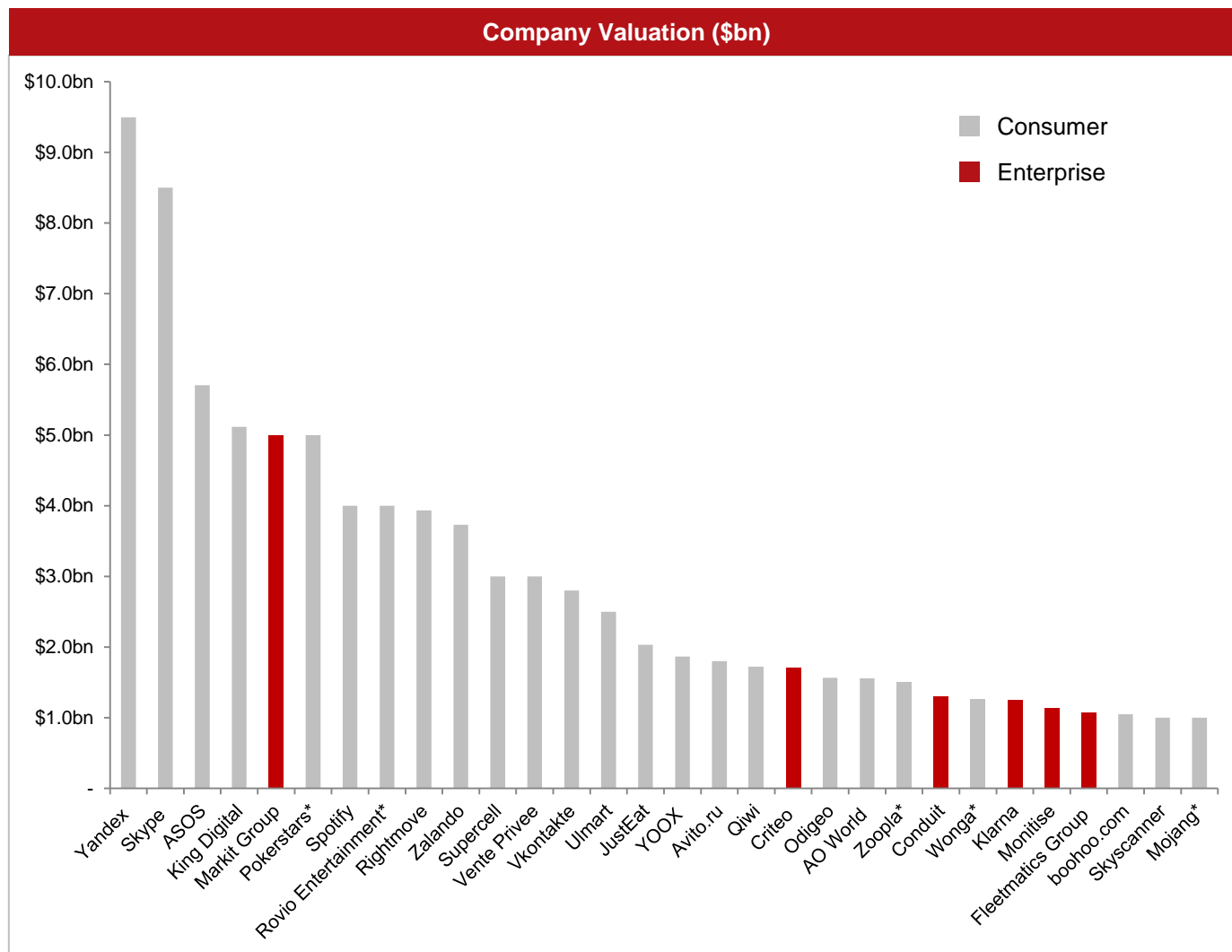
- » We have been inspired by the [excellent post on TechCrunch by Aileen Lee of Cowboy Ventures](#) about billion-dollar startups (“unicorns”) created in the US since 2003, which generated substantial discussion on both sides of the Atlantic and spawned various attempts to create a more comprehensive list for both the US and Europe
- » We crunched the data on the European billion-dollar companies founded since 2000, with the aim of analysing what it takes to create a European unicorn, and find any parallels and differences with the US analysis⁽¹⁾⁽²⁾
- » Our methodology and sources:
 - › We have included:
 - › Tech companies only, with a bias towards internet/software (e.g. Telecoms and Cleantech are excluded)
 - › Companies falling into the following macro-sectors: eCommerce (e.g. sale of goods or services), Audience (e.g. monetisation through ads and lead gen), Software (e.g. license of software), Gaming (including gambling) and Fintech
 - › Headquartered in Europe⁽³⁾
 - › Founded in 2000 or later
 - › With an equity valuation of \$1bn+ in the public or private markets
 - › First caveat: our sources include public data (e.g. press articles, blogs and industry rumours), and the accuracy of our dataset is limited to the disclosed data
 - › Second caveat: the analysis is based on data as at May 2014, which has obvious limitations related to, for example, the state of equity markets, recent company performance, etc.

1) When we reference US statistics we refer to the post by Cowboy ventures at the link above.

2) We have used a slightly longer timeframe than the US report in order to capture a large number of unicorns founded in 2000-2001.

3) Including Israel; and companies which relocated to the US pre-IPO or at a mature stage.

- » In the past European entrepreneurs have been accused of not thinking big enough, and selling too early – this is not true, they have been able to create homeruns!
- » We found 30 European companies founded after January 2000 with a valuation of \$1bn+ as of April 2014
 - › This compares to 39 US unicorns in the period from 2003 – 2013
- » The average valuation is \$3bn (vs. \$3.6bn in US)
- » Statistically, it is very hard to build a unicorn: this cohort represents c.0.27% of the number of comparable tech companies founded in the same period⁽¹⁾
- » Of the 30, six (20%) are enterprise-focused businesses, while the rest address the consumer market
 - › This compares to 38% of enterprise focused unicorns in the US



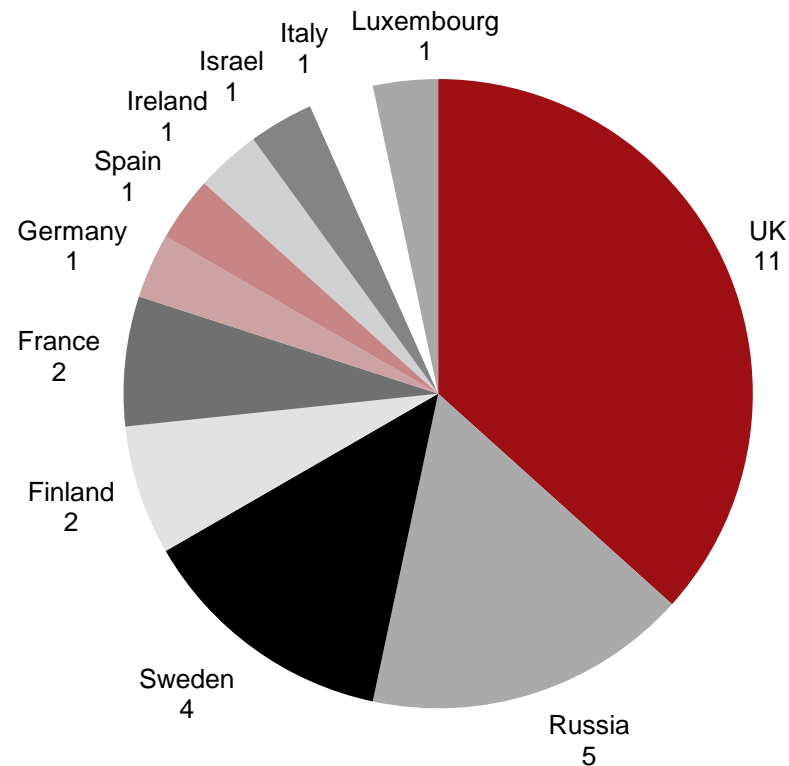
Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

*: Indicates valuation estimate based on press and rumours.

1) Statistic based on CapitalIQ data.

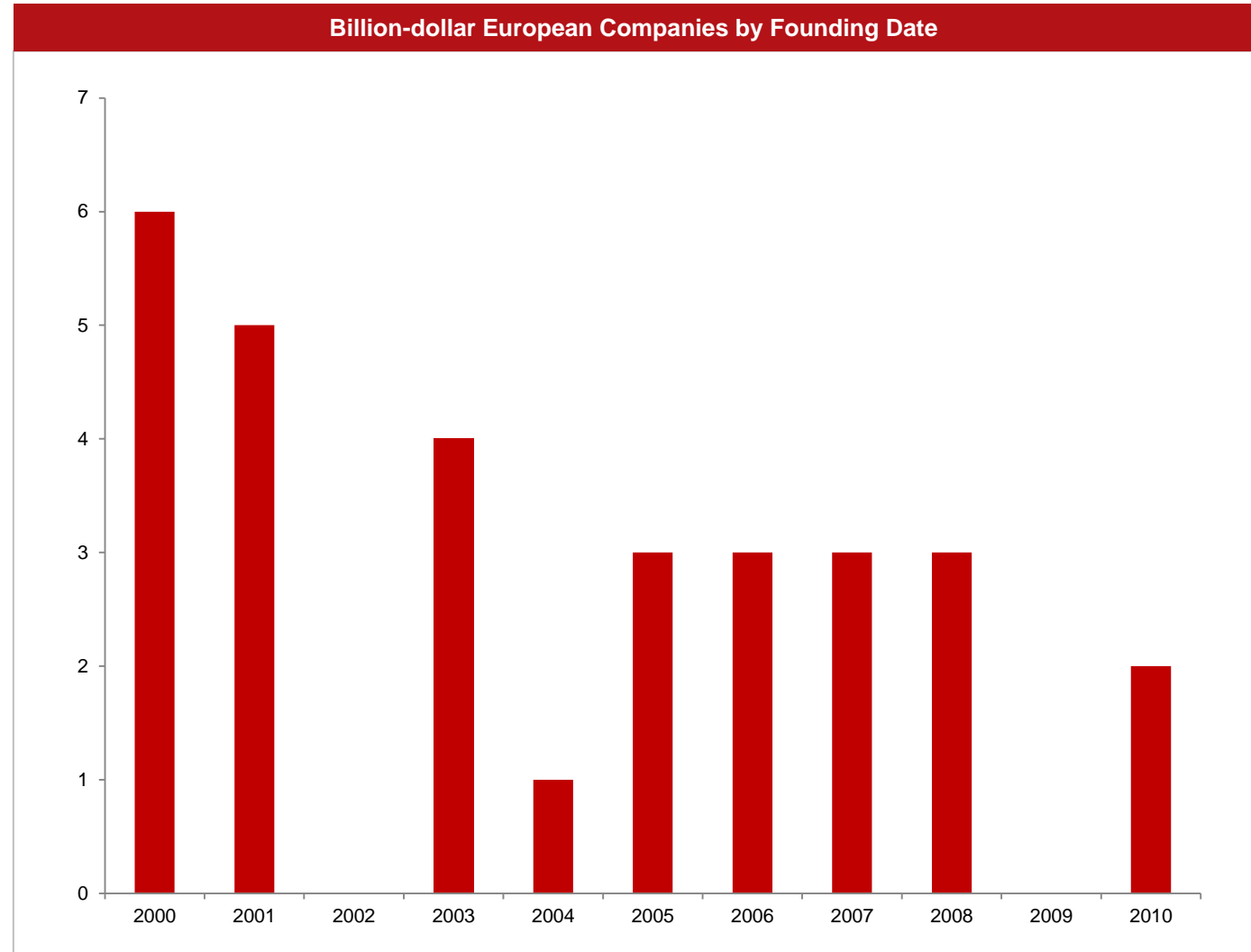
- » The UK has the largest share of Unicorns with 11 total count, followed by Nordics at six (Finland plus Sweden) and Russia at five
- » The vast majority come from the UK, where there is a sizeable domestic market and technology adoption is very high
- » The unicorns from the Nordics have been able to become very valuable mostly through international growth
- » Russia's high number of unicorns is partly thanks to a large domestic market

Company Count by Geography



Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

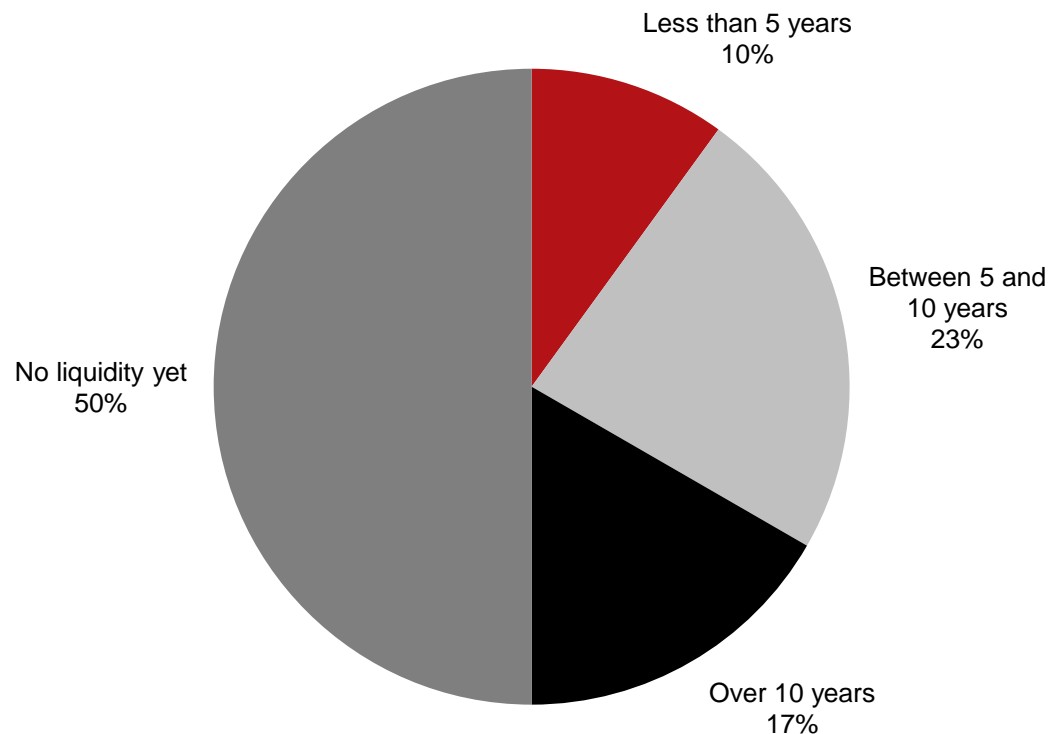
- » On average, three unicorns are born per year in Europe (vs. four p.a. in US)
- » In contrast to the US list, the European billion-dollar club is front-end loaded, suggesting it takes more time to achieve high valuations
- › Half the unicorns were founded between 2000 and 2003
- › 2000 and 2001 were the most prolific years, with over a third of the total founded
- › No unicorns have been founded from 2011 to date...yet



Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

- » Only half of the European unicorns have reached a liquidity event (defined as sale or IPO)
 - › This compares to circa two thirds in the US, pointing to a more challenging exit environment
 - › Furthermore, the vast majority (13 / 15) of liquidity events have been IPOs, suggesting that a full exit for the founders and early investors is in reality later than the headline stats suggest
 - › The two M&A transactions have been Skype (\$8.5bn) and Supercell (\$3.0bn)
- » Time to a liquidity event is long, eight years on average (vs. seven in the US)⁽¹⁾
 - › Consumer companies take longer (8.5 years) in comparison to enterprise (6.7 years) to reach liquidity

Time to a Liquidity Event ⁽¹⁾

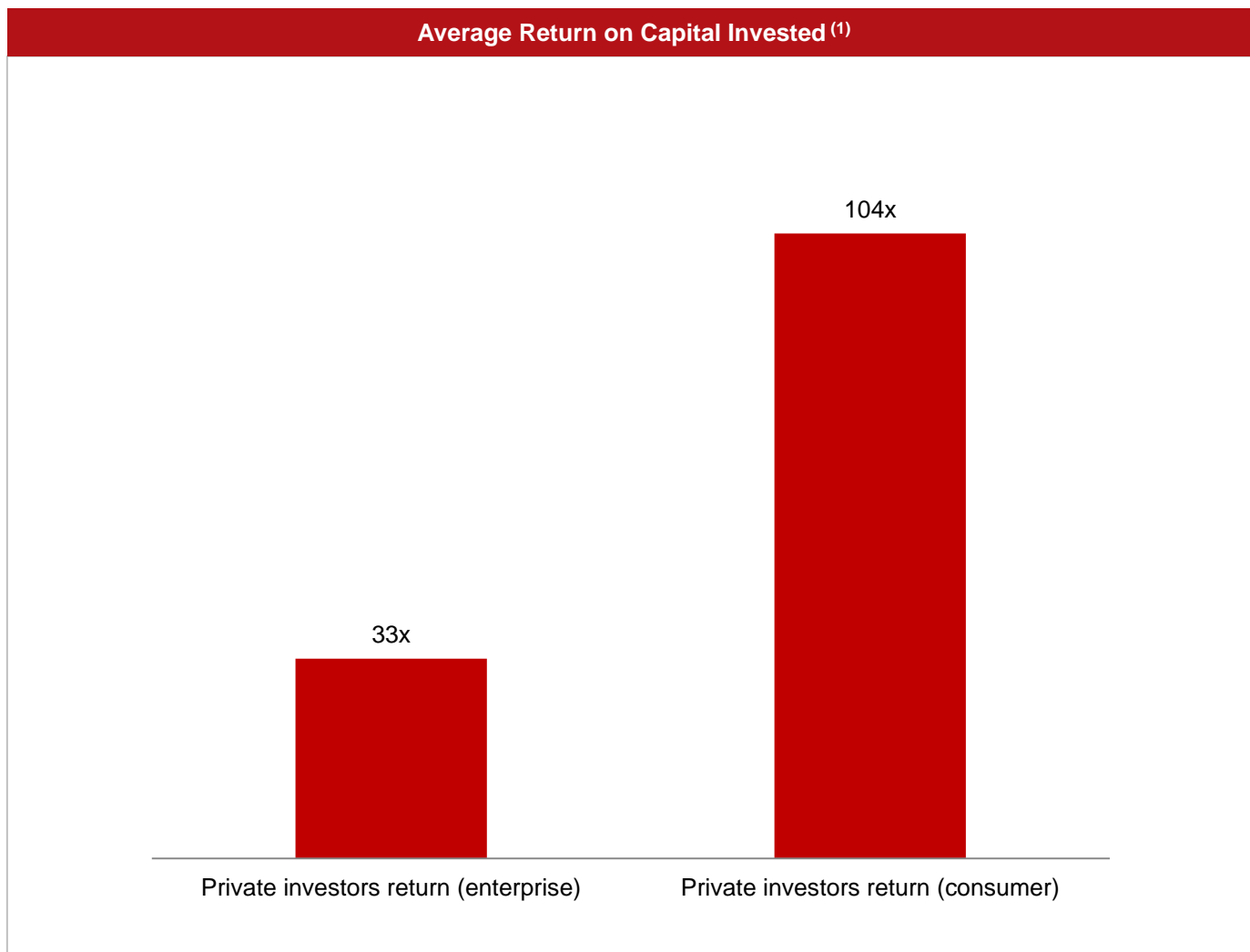


Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

1) Statistics exclude ASOS, which listed on the UK AIM market at an early stage.

Focus on the Consumer: Average return on capital invested

- » These exceptional companies generate exceptional rewards for entrepreneurs and investors
- » Consumer unicorns have generated on average a higher return on capital than enterprise⁽¹⁾
 - › Consumer companies are worth 104x the private investment on average, vs. 33x for enterprise
 - › The opposite has been found for US unicorns, with enterprise generating higher return per dollar invested
- » The range of returns in the dataset is wide: the minimum multiple of capital invested (for a young unicorn which has not yet reached a liquidity event) is 4.5x, and the maximum is 425.0x

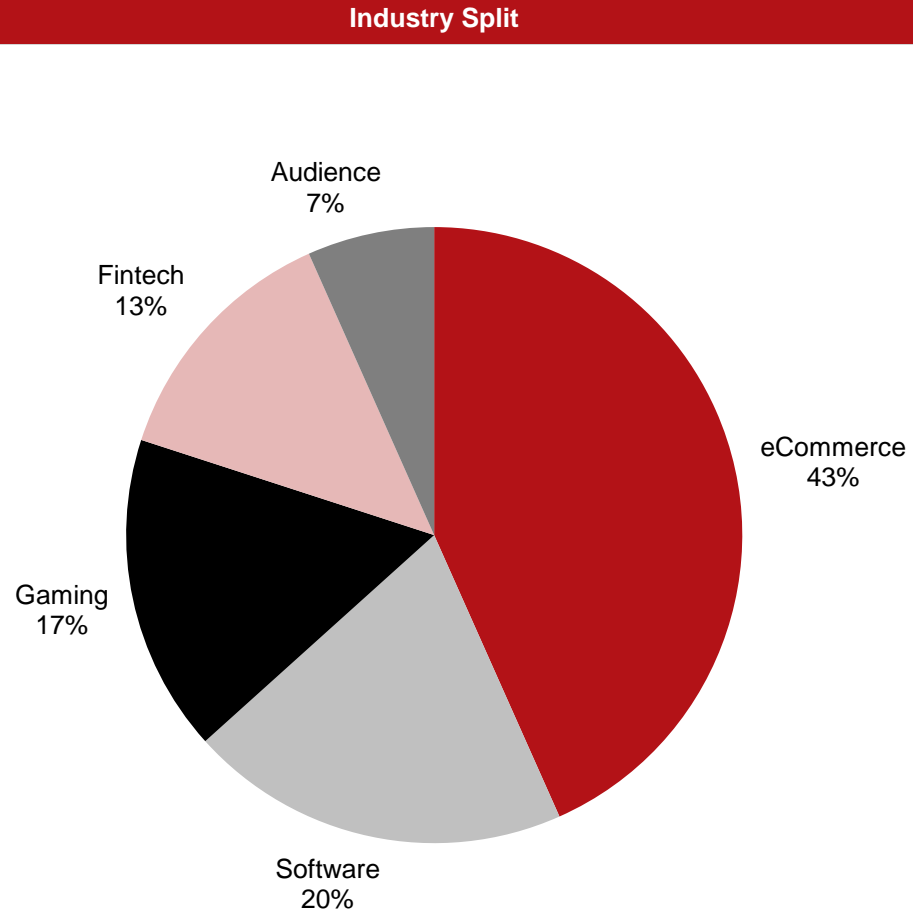


Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

1) Represents equity valuation as a multiple of investment received. Based on disclosed data, it represents an indication of value created as opposed to actual returns for investors.

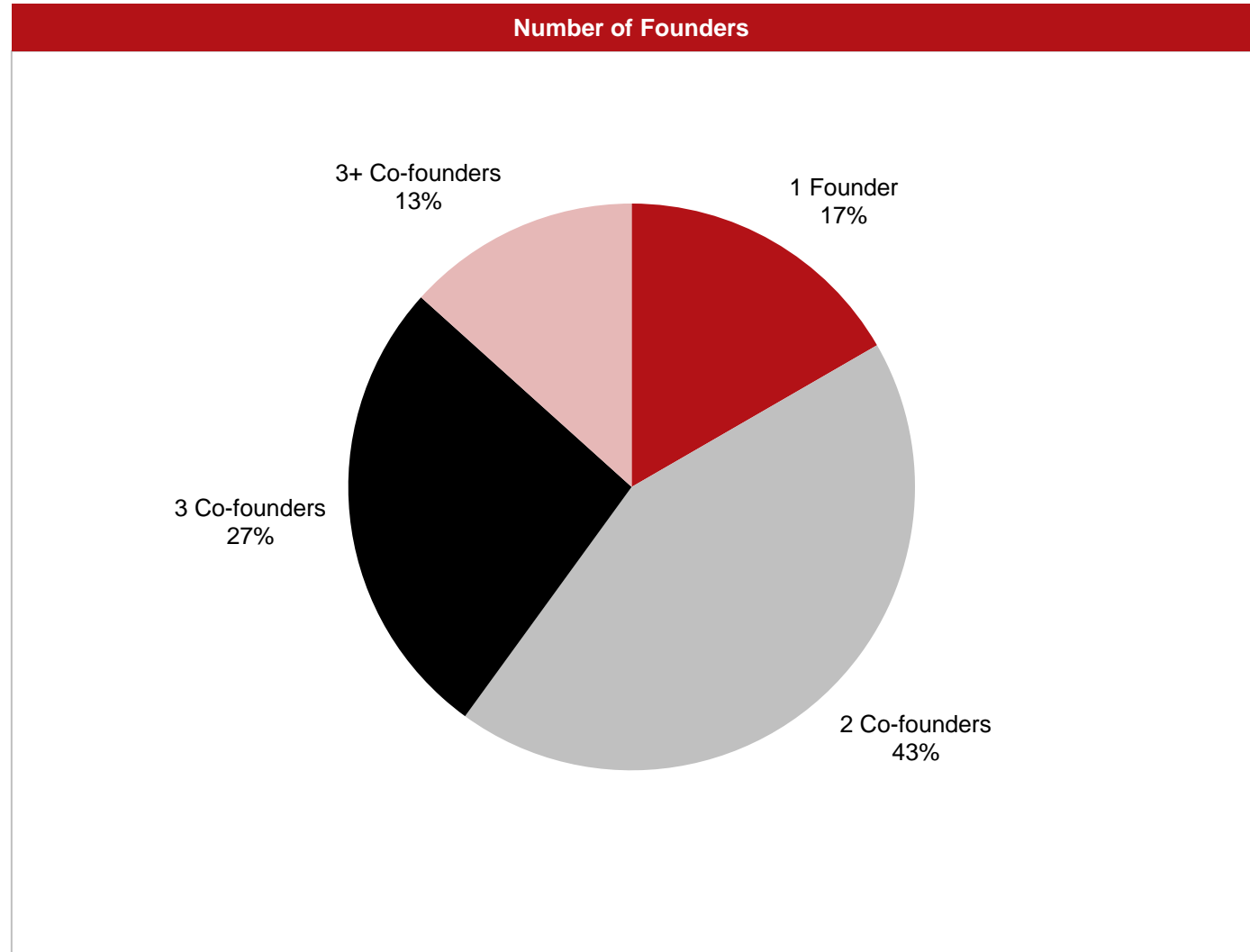
Online shopping has the largest share

- » The majority of European unicorns fall in the eCommerce sector, with a strong representation in apparel, private sales and marketplaces
- » The software sector includes mostly B2B companies (four out of six)
- » Of the five gaming companies, only one was not founded in the Nordics (PokerStars)
- » Two of the four unicorns in financial technology are UK based: Wonga and Monitise
- » Audience businesses are under represented vs. the US, with only two unicorns in Europe (7%), vs. 28% in the US



Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

- » Building a company is a team effort
- » Most entrepreneurs who built unicorns work in pairs, but teams of three are also popular
- » Solo flyers and large groups of founders are comparatively rare

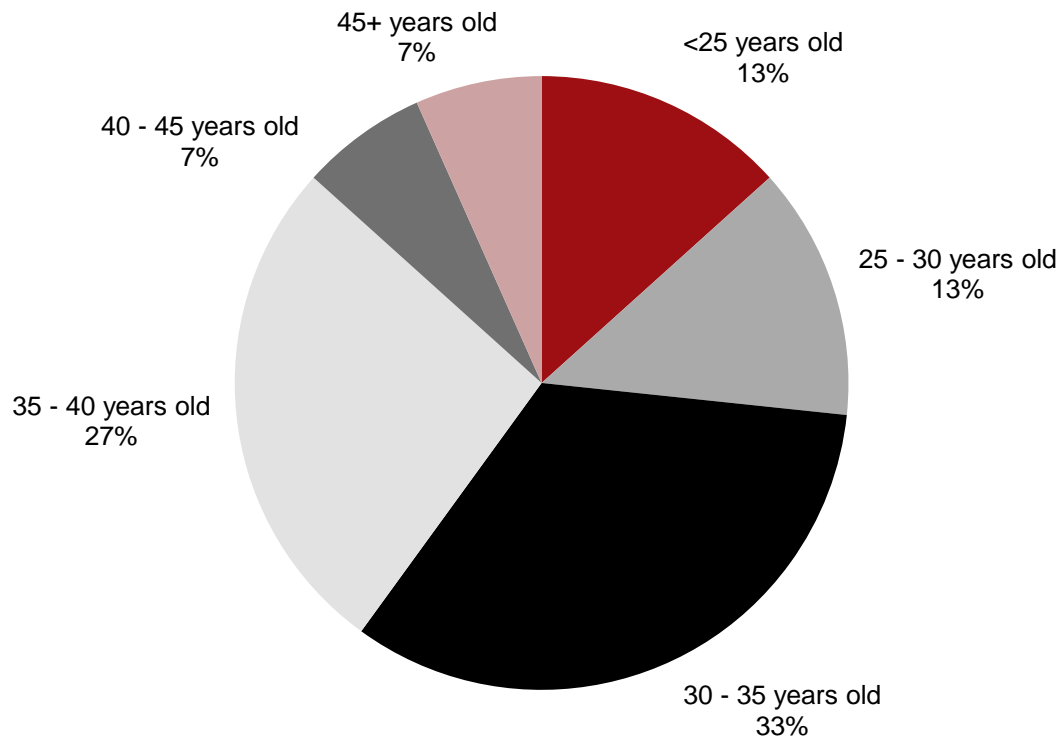


Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

Start in your 30s and keep hold of your founding team

- » The companies in our list, similarly to the US list, were in most cases not founded by inexperienced entrepreneurs
- » The average age of founders is 33, consistent with 34 in the US
- » 60% of unicorns have been founded by entrepreneurs in their 30s
- » The average age for enterprise unicorn founders, at 34, is just slightly higher than for consumer ones

Age of Founders at Inception



Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.



GP Bullhound: Europe's #1 technology investment bank

#1

Ranked technology advisor in Europe

160+

Successful transactions

35

Dedicated tech bankers

1,500

Strategic buyer contacts

1,000

VC/PE contacts

14

Years since inception

5

Offices

40+

Events, keynotes and
research reports

8,500+

In contact with GP
Bullhound team annually

GP Bullhound in the center of the technology ecosystem

DIGITAL CONTENT



INTERNET/ECOMMERCE



SOFTWARE



HARDWARE




BUYERS



INVESTORS



Marquee Transactions




Delivery Hero

PRIVATE PLACEMENT


UNDISCLOSED INVESTORS

\$85,000,000



POZITRON

SOLD TO



monitise

\$100,000,000

FJORD

SOLD TO



accenture

UNDISCLOSED



steelseries
professional gaming gear

SOLD TO

CATTERTON | partners

UNDISCLOSED

Klarna

SECONDARY SALE OF
6.8% STAKE TO

SEQUOIA  **CAPITAL**

 **GENERAL ATLANTIC**

OTHERS

\$72,000,000



















AVITO.RU
ЛЕГКО КУПИТЬ, ЛЕГКО ПРОДАТЬ




PRIVATE PLACEMENT

BARING VOSTOK
ACCEL PARTNERS
KINNEVIK
NORTHZONE

\$101,000,000

Recent Deal Announcements

-  May 2014: Expansion round for TIS
-  May 2014: Expansion round for Tobii Technology
-  Apr 2014: Expansion round for Delivery Hero
-  Apr 2014: Expansion round for CiteeCar, led by Mangrove Capital Partners
-  Apr 2014: Expansion round for Somo, led by MMC Ventures
-  Mar 2014: Sale of IT Sonix to Enghouse Systems
-  Mar 2014: Sale of Realise to St Ives
-  Feb 2014: Expansion round for Car Loan 4U, led by Scottish Equity Partners
-  Feb 2014: Secondary sale of 6.8% stake in Klarna
-  Feb 2014: Sale of Pozitron to Monitise
-  Dec 2013: Expansion round for MyOptique, led by Acton, Highland and Index
-  Nov 2013: Expansion round for Newlisi, led by BM Capital
-  Nov 2013: Expansion round for AlexandAlexa
-  Sep 2013: Sale of Tirendo to Delticom
-  Aug 2013: Sale of Muzicall to Real Networks
-  Jul 2013: Expansion round for PlayOn! Sports led by Herff Jones

	HUGH CAMPBELL Managing Partner		CHRISTIAN LAGERLING Managing Partner		MANISH MADHVANI Managing Partner		PER ROMAN Managing Partner		PETER READ Board Director
	SIR MARTIN SMITH Chairman		GRAEME BAYLEY Partner		GUILLAUME BONNETON Partner		ALEC DAFFERNER Partner		LORD CLIVE HOLLICK Partner
	SIMON NICHOLLS Partner		JULIAN RIEDLBAUER Partner		ANDRE SHORTELL Partner		CLAUDIO ALVAREZ Director		CARL BERGHOLTZ Director
	ALI DAGLI Director		CECILIA ROMAN Director		ALEXIS SCORER Director		ANTONY NORTHROP Senior Adviser		MATT ROGERS Senior Adviser
	MARK KLIMMEK Vice President		PER LINDTORP Vice President		DAVID RAABE Vice President		ADAM RUDD Vice President		CARL WESSBERG Vice President
	ALESSANDRO CASARTELLI Senior Associate		STIRLING ADELHELM Associate		RAVI GHEDIA Associate		DANIEL HERTER Associate		MALCOLM HORNER Associate
	OANA CHIMINA Analyst		PHILIPPE GREMILLET Analyst		OLOF RUSTNER Analyst		WILL SHELDON Analyst		LILJANA XHEKA Analyst

GLOBAL REPRESENTATION



SECTOR RESEARCH



GP BULLHOUND'S INDUSTRY EVENTS & SPEAKING ENGAGEMENTS



AWARD WINNING INVESTMENT BANK



2013 DEALMAKER OF THE YEAR 40 UNDER 40 AWARD



2013 LEADING ADVISERS OF THE YEAR



2013 BOUTIQUE INVESTMENT BANK OF THE YEAR - UK



2010 CORPORATE FINANCE BOUTIQUE OF THE YEAR



2010 DEAL OF THE YEAR & RUNNER-UP DEAL OF THE YEAR



2010 M&A BOUTIQUE INVESTMENT BANK OF THE YEAR & GREEN ENERGY DEAL OF THE YEAR



Disclaimer: The contents of this presentation document ("Presentation") shall not be deemed to be any form of offer or binding commitment on the part of GP Bullhound LLP. This Presentation is provided for use by the intended recipient for information purposes only. It is prepared on the basis that the recipients are sophisticated investors with a high degree of financial sophistication and knowledge. No representation or warranty, express or implied, is or will be made in respect of the information contained in this Presentation and no responsibility or liability is or will be accepted by GP Bullhound LLP in this regard. In particular, but without prejudice to the generality of the foregoing, no representation or warranty is given as to the accuracy, completeness or reasonableness of any projections, targets, estimates or forecasts contained in this Presentation or in such other written or oral information that may be provided by GP Bullhound LLP. All liability is expressly excluded to the fullest extent permitted by law. This Presentation may contain forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from the results described in such forward-looking statements. Any past performance information contained in this Presentation is provided for illustrative purposes only and is not necessarily a guide to future performance and the value of securities may fall as well as rise. In particular, investments in the technology sector can involve a high degree of risk and investors may not get back the full amount invested. This Presentation should not be construed in any circumstances as a solicitation or offer, or recommendation, to acquire or dispose of any investment or to engage in any other transaction, or to provide any investment advice or service and you should not act or refrain from acting upon any information contained on it without seeking appropriate professional advice. In the event that you should wish to engage GP Bullhound LLP, separate documentation, including an engagement letter, will be provided to you. For the purposes of the rules and guidance issued by the Financial Conduct Authority ("the FCA"), this Presentation has been communicated by GP Bullhound LLP, which is authorised and regulated by the United Kingdom Financial Conduct Authority under number 527314. This Presentation is only directed at persons who fall within the category of "Professional Clients" as defined in the rules and guidance issued by the FCA from time to time and any investment or investment activity to which this Presentation relates is available only to such persons and will be engaged in only with such persons. The information contained in this Presentation must not be relied upon by persons who are not Professional Clients and any person who is not a Professional Client should return it immediately to GP Bullhound LLP at the address below. This Presentation and any other information or opinions supplied or given to you by GP Bullhound LLP constitute confidential information. Neither the whole nor any part of the information contained in this Presentation may be duplicated in any form or by any means. Neither should the information contained in this Presentation, or any part thereof, be redistributed or disclosed to anyone without the prior written consent of GP Bullhound LLP.

GP Bullhound LLP is a limited liability partnership registered in England and Wales, registered number OC352636, and is authorised and regulated by Prudential Regulation Authority and the FCA. Any reference to a partner in relation to GP Bullhound LLP is to a member of GP Bullhound LLP or an employee with equivalent standing and qualifications. A list of the members of GP Bullhound LLP is available for inspection at its registered office: 52 Jermyn Street, London SE1Y 6LX.

SAN FRANCISCO OFFICE
ONE MARITIME PLAZA, SUITE
1940
SAN FRANCISCO, CA 94111

TEL +1(415) 986 0191
FAX +1(415) 986 0180
MEMBER OF FINRA

HQ: LONDON OFFICE
52 JERMYN STREET, LONDON
SW1Y 6LX

TEL +44(0)207 101 7560
FAX +44(0)207 101 7561
AUTHORISED AND REGULATED
BY THE FCA & PRA

BERLIN OFFICE
OBERWALLSTR. 20,
101 17 BERLIN, GERMANY

TEL +49(0)30 610 80 600
FAX +49(0)30 610 80 6029

STOCKHOLM OFFICE
BIRGER JARLSGATAN 5
111 45 STOCKHOLM, SWEDEN

TEL +46(0)8 545 074 14
FAX: +46(0)8 545 071 01

MANCHESTER OFFICE
1 NEW YORK ST
MANCHESTER M1 4HD

TEL +46(0)8 545 074 14
FAX: +46(0)8 545 071 01