avoltapartners

with help from tech.eu

Tech Exit Transaction Multiples Europe 2018 Edition

What about venture capital liquidity?

bpifrance Le HUB

Edito

Avolta Partners

Over the course of 2017, a day didn't go by when you don't hear a prize European Tech company getting snapped up by investors outside of the geography: Zenly was acquired by Snapchat; Chauffeur Privé was bought out by Daimler; BIM was taken over by Zendesk.

Following this observation, our point here is to unravel the dynamics of the European Tech M&A market, to identify the profile of buyers and to know more about the valuation models they are guided by.

The long of the short is that there is (unlike America) very little appetite to go public and/or to explore the LBO avenue in Europe : the vast majority of entrepreneurs use M&A as exits in Europe. Numbers are 91% trade sales; 4% LBO's and 5% IPO's. As the nature of the market cannot be changed in the short term, the single most important issue impacting transactions are valuation criteria.

Trade sales and M&A are one of the key factors impacting the financing of the European Tech Startup ecosystem, as sales/exit proceeds are often reinvested in the very same ecosystem. Corporate acquisitions play a large part in this economy and subsequently in the financing of Innovation and developments in Europe. We have sensed in our capacity as a leading European Tech Investment Bank and advisor to both large corporates and entrepreneurs / startups, that the question of valuations and liquidity is central. Moreover, it has become strategic issue in the conduct of business and in entrepreneurial attitudes.

In our study, we have attempted to give valuable insights to three major questions:

1- What are the profile and typology of acquirers (Lions, Elephants, Whales) ?
2- How does the profile and typology of acquirers determine motivation and acquirer dynamics?
3- What determines exit valuations and dynamics: sector? business model? maturity? acquirer motivations?

Year over Year, Avolta Partners has sought to provide a fresh and quantitative view to the startup valuations in France and in Europe. This in the form of our Venture Transaction Multiples (VTM-2017). In this edition, we have sought to jump a step further and to address the issue of valuations motivations for Tech M&A in Europe. One of our areas of focus has been to deliver insights to help larger corporations have a fresher and data-driven view of this topic to help them strategic approaches to European Tech Startups and entrepreneurs.

Avolta Partners team, 01/19/2018

Our partners

Tech.eu x Bpifrance Le Hub

Tech.eu

content partner

- Tech.eu was founded in 2013 because we saw that there was a clear unmet need for a publication to go both deep and wide on the European technology industry and deliver data-driven analysis, news with nuance and context, opinionated but thoughtful commentary combined with solid research.
- Since our start one of the key aims of the Tech.eu team has been to track all funding and exit rounds in Europe to provide the most comprehensive and accurate record of the European technology industry. Today our database is extensive and rich and underpins all our reports and services.
- Tech.eu is now the premier source of European technology news, data analysis and market intelligence. We provide a holistic range of services to partners across the European Technology ecosystem by leveraging the Tech.eu data, market insights, networks and media platforms to meet our partners strategic objectives.
- From November 2013 onwards, we've continuously monitored approximately 120+ sources of news and information across multiple European regions and languages and added them to our database.
- We are proud to contribute to this report because we share similar values with Avolta Partners and a common vision on the need for data in the tech investment and acquisition industry. This report discloses valuable EV/Sales multiples by industry and outlines key trends of the Tech M&A market in Europe. We believe it can bring both strategic value to our partners and more transparency for startup founders

Bpifrance Le Hub

distribution partner

- Given our position at the heart of the ecosystem and our strong experience and expertise in venture capital at Bpifrance Le Hub, we aim at creating key partnerships and multiply business opportunities in order to accelerate innovation and growth, particularly by providing practical and useful tools to the diverse stakeholders involved in the ecosystem.
- We work on best practices by bringing together startups, corporates and VCs in a task force to share their insights on business experiences. We implement the gathered information in practical and ready-to-use tools such as smart contracts or Corporate Venture Capital term sheets, in order to smooth friction and improve collaboration between startups and corporates.
- We are convinced that Tech M&A is a major factor of innovation and development for corporates and startups. Therefore and with the profound ambition to conciliate the traditional economy with the innovative French ecosystem, Bpifrance Le Hub teamed up with Avolta Partners in order to promote data-driven knowledge on the Tech M&A market. A sector still cruelly lacking transparency.
- We are proud to make data accessible to all the ecosystem by distributing this study. You will find here the results of Avolta Partners researches and analysis gathered in the first edition of their study on "Tech Exit Transactions Multiples Europe". We're convinced that those findings will participate in reducing the current asymmetry of information ruling the venture capital market.
- The work we do, in collaboration with actors of the ecosystem, intends to help entrepreneurs and corporates to align their strategic interests and so to raise the number of deals and their relevance. We're confident that it will lead to a better mutual understanding between market players and therefore to new business opportunities.

Methodology

Data. Data. Data.

Building a platform for Tech corporate finance

Avolta Partners was rated the most active M&A boutique and fundraising specialist in Europe in the Tech Industry (Business Insider, Feb-17). With +50 deals closed in 4 years, we chose from the beginning to be pan-European and data-driven. So we built Avolta Intelligence, a unique platform to automate processes and scale our ability to help fast-growing tech companies in Europe.

Our platform concatenates European deals in the Tech Industry with information on valuation, revenues and structuration. We source this private data from our network of providers, business partners and investors, combining it with unique insights from our team of analysts.

Avolta Intelligence is used by professional funds, specialised boutiques and startups to gain knowledge on valuation, competitors investment thesis and deal opportunities.

€204.4bn. 2,429 deals. 1,984 investors.

We extracted from our +7,000 deals database all Tech Exit and/or M&A transactions monitored for 2015-17 for targets headquartered in Europe. This filter gave us 2,429 deals representing €204.4bn in value split in 1,984 acquirers.

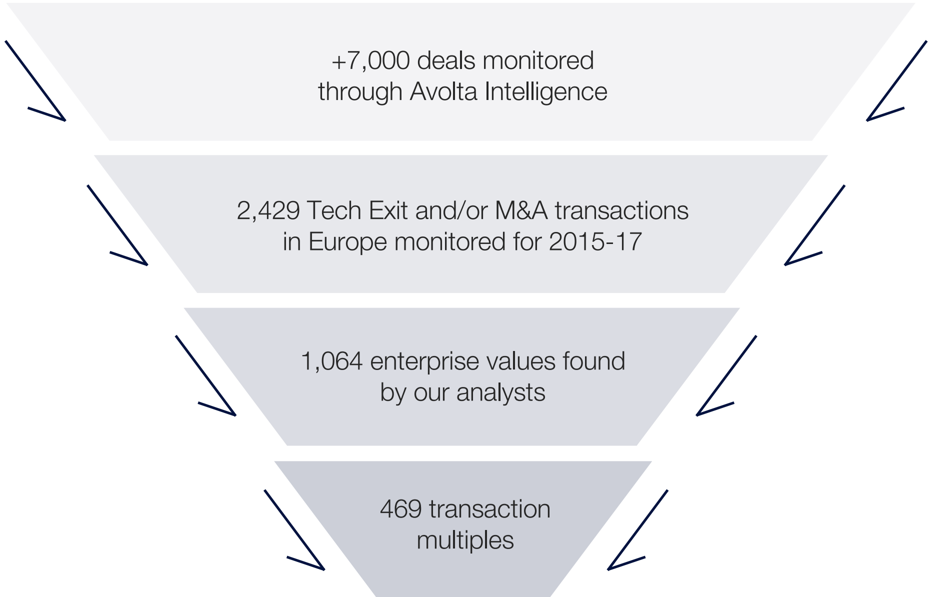
Enterprise Value (EV)
Calculated as Equity Value + Net Debt when legal information is found. Otherwise estimated EV from several sources: dealroom.co, CapitalIQ, Mergermarket, Bureau Van Dijk, private Avolta and Tech.eu networks and public media.

Trailing Twelve Month (TTM) revenue
Pro temporis revenue calculated as (12-M) * R(N-1) /12 + M * R(N) / 12, with M the month of effective transaction, R(N) the revenue for the year of the transaction and R(N-1) the revenue in preceding year.

Key analytical assumptions

We iterated analysis on our data sample and isolated key factors that we believe mainly determine Exit EV/ TTM revenue transaction multiples:

- Target business model (cf. p5)
- Target sector and focus (cf. p5)
- Acquirer type (cf. p5)
- Acquirer sector (cf. p5)
- Acquirer typology (cf. p23)
- Deal type (cf. p5)



Methodology

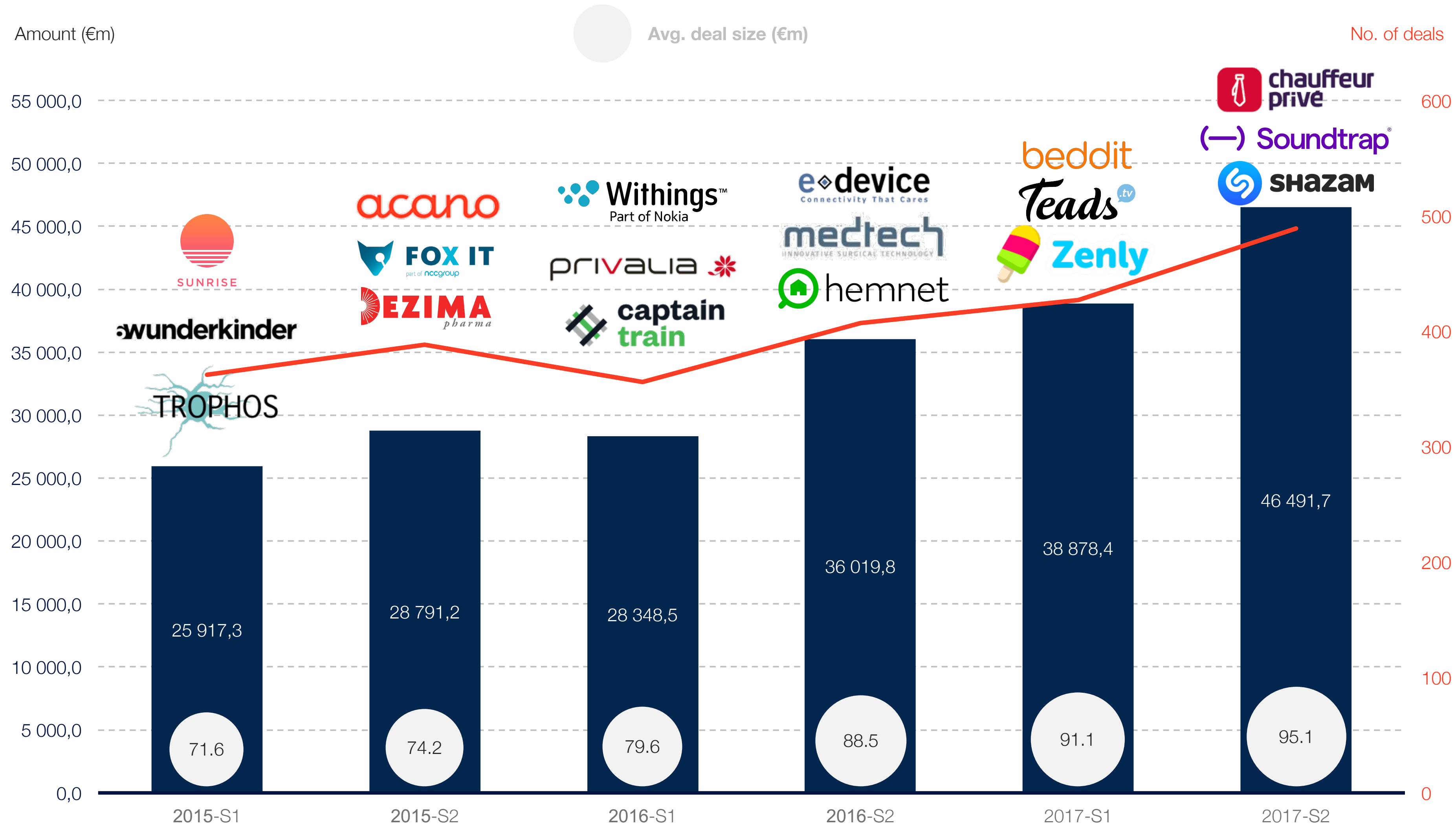
Key analytical assumptions

Acquirer types	• **Startup**: no shareholder has absolute majority of the company excepting founders • **Corporate**: founders have lost majority of the company and either another entity has majority or the firm is public • **Sponsor**: financial acquirer
M&A types	• **Corporate Dev**: main reason is to gain market shares or margin percentages • **Tech Acquisition**: acquisition of the Tech as a stand-alone new product • **Tech Integration**: integration of the Tech in the acquirer's product roadmap • **Merger**: union of two companies (often equal) into a unique company • **IPO**: Initial Public Offering though financial markets • **Liquidation**: transfer of assets, liquidation value method is used • **MBO**: Management Buyout Acquisition, management team is acquirer • **Sponsor**: the acquirer is a private equity fund (often LBO transactions)
Business Model	• **Subscription**: SaaS or more traditional licensing recurring revenue • **Commission**: platform debiting a defined cut from its flows • **Performance**: built around usage from a recurring user community • **eCommerce**: buy and online resale of goods • **Manufacturing**: production and resale of goods • **Retail**: resale of goods through brick-and-mortar shops • **Audience**: traffic-based revenue • **Service**: margin between labour cost and service invoice price • **Research**: strong R&D focus to keep high barriers to entry
Acquirer Sector	▪ Media/Advertising ▪ Energy/Environment ▪ Telecom #Consulting ▪ Software/IT ▪ GAFAM ▪ eCommerce/Marketplace ▪ Finance/Insurance ▪ Agrifood ▪ Health ▪ Transportation/Mobility ▪ Retail/Distribution ▪ Luxury/Fashion ▪ Heavy industry ▪ Industry/Manufacturing ▪ Defense/Aeronautics ▪ Tourism/Hospitality/Leisure ▪ Real Estate/Construction
EV	43.8% of monitored deals are associated to an Enterprise Value in the sample. We believe most of the remaining 56.2% transactions value targets between €0m and €20m. We could have communicated on disclosed valuations only to compute average deal size. But this method is likely to inflate averages since major acquisitions tend to be communicated much more than long-tail transactions. Therefore, **we assumed an avg. deal size per undisclosed valuation of €10m**.

European Trends

European Trends

Tech Exits are steadily increasing in Europe



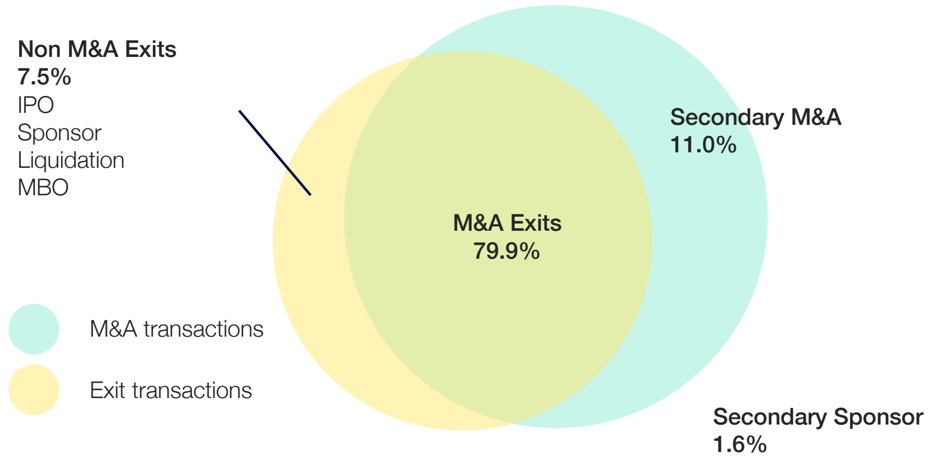
European Trends

M&A is driving the European Tech Exit market

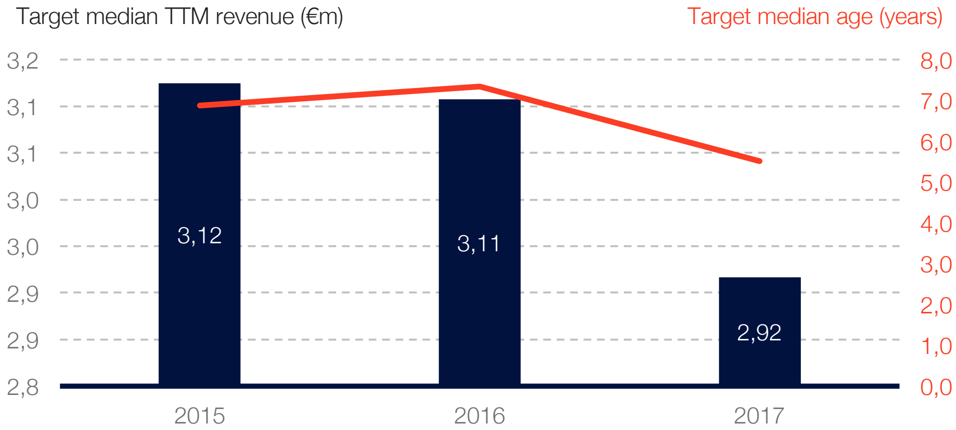
Tech M&A Exits are driven by young acquirers and dynamic European PE

- The median time-to-exit through an M&A transaction is notably short: 6.4 years vs. 9.9 years for Sponsor/IPO. The direct consequence is a smaller median TTM (Trailing Twelve Months) revenue at exit : €2.3m vs. €5.6m for Sponsor/IPO.
- Despite their youth, Tech companies exiting through M&A show smaller growth (17.5% vs 19.7% for Sponsor/IPO) and yet higher valuation multiples (4.4x vs 4.1x for Sponsor/IPO).
- These two reasons (exiting sooner and with higher relative valuation) explain why M&A Exits represent 79.9% of total Tech majority deals in Europe, far beyond Sponsor (5.0%) and IPO (4.1%). This trend is confirmed YoY with the median **time-to-exit reaching a record low 5.5 years in 2017 for a median €2.92m TTM revenue**.
- For the remaining startups going for LBO transactions and IPO, they seem to demonstrate remarkable growth and critical size and are more likely to have been supported by Private Equity (87.5% vs. 54.4% for M&A Exist) before reaching their Exit.

Most Tech majority transactions are M&A Exits



European Tech companies exit sooner YoY



What does it take to make an M&A Exit?

	Non M&A Exits	M&A Exits	Secondary M&A
Annual growth	19,7%	17,5%	6,8%
Med. TTM revenue (€m)	5,6	2,3	21,9
Med. age (years)	9,9	6,4	13,5
EV/TTM Revenue	4,1x	4,4x	1,4x
% PE-backed	87,5%	54,4%	41,9%

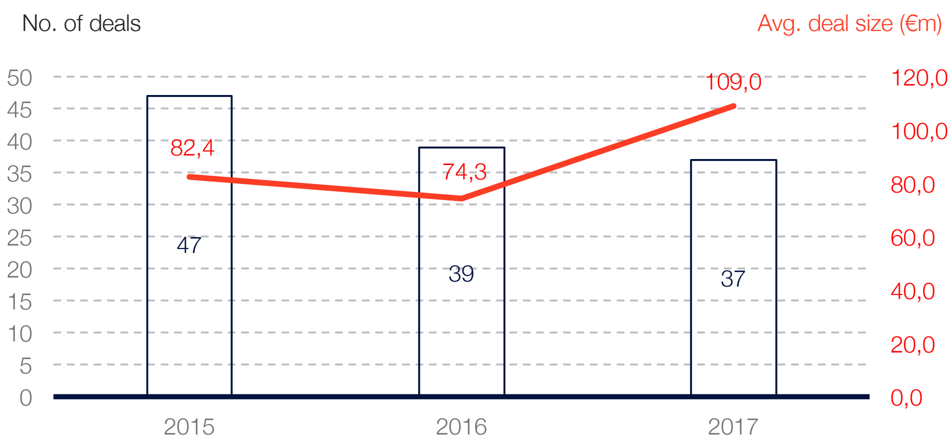
European Trends

Closer look at Private Equity deals

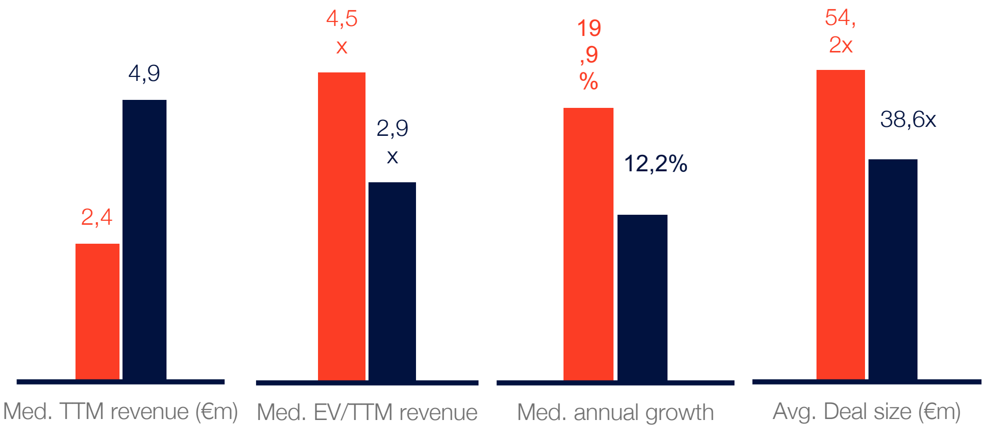
Research note

- Sponsor acquisitions represent 5.0% of total Tech majority deals in Europe, and this activity has been decreasing relatively to the surge of Tech M&A: there were only 37 sponsor Tech Exit monitored in our sample for 2017.
- PE funds face difficulties when competing for majority Tech deals against Corporates so they tend to position further in the value chain: the average sponsor Exit size rose to €109.0m in 2017 (vs. €93.2m for total sample) and the median target TTM revenue was €6.5m (vs. €3.7m for total sample).
- PE minority deals (= startups fundraisings), on the contrary, has been booming over the past three years and Venture Capital appears to these mega funds as an actual alternative to classic LBO, not so easy to apply to fast-growing Tech companies.
- And the results are visible : PE-backed companies exit with higher multiples, higher growth and in fine higher valuations

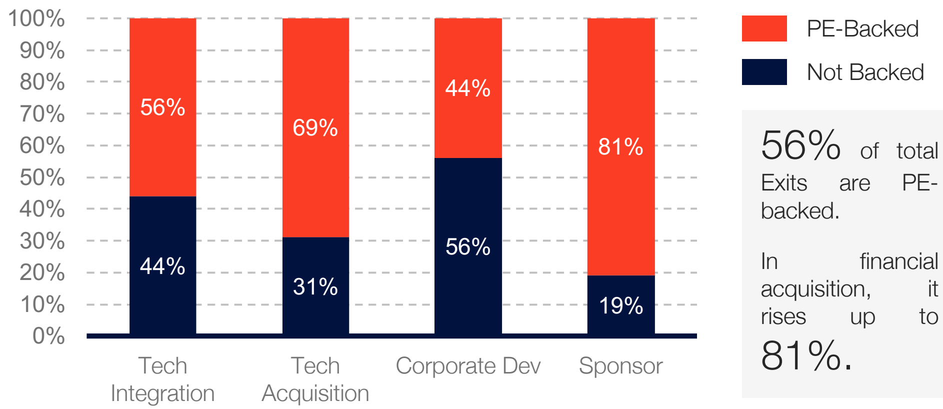
Sponsor acquisition deals



PE-backed companies exit with higher valuation multiples



If a company is acquired for its Tech, it is likely to have been PE-backed



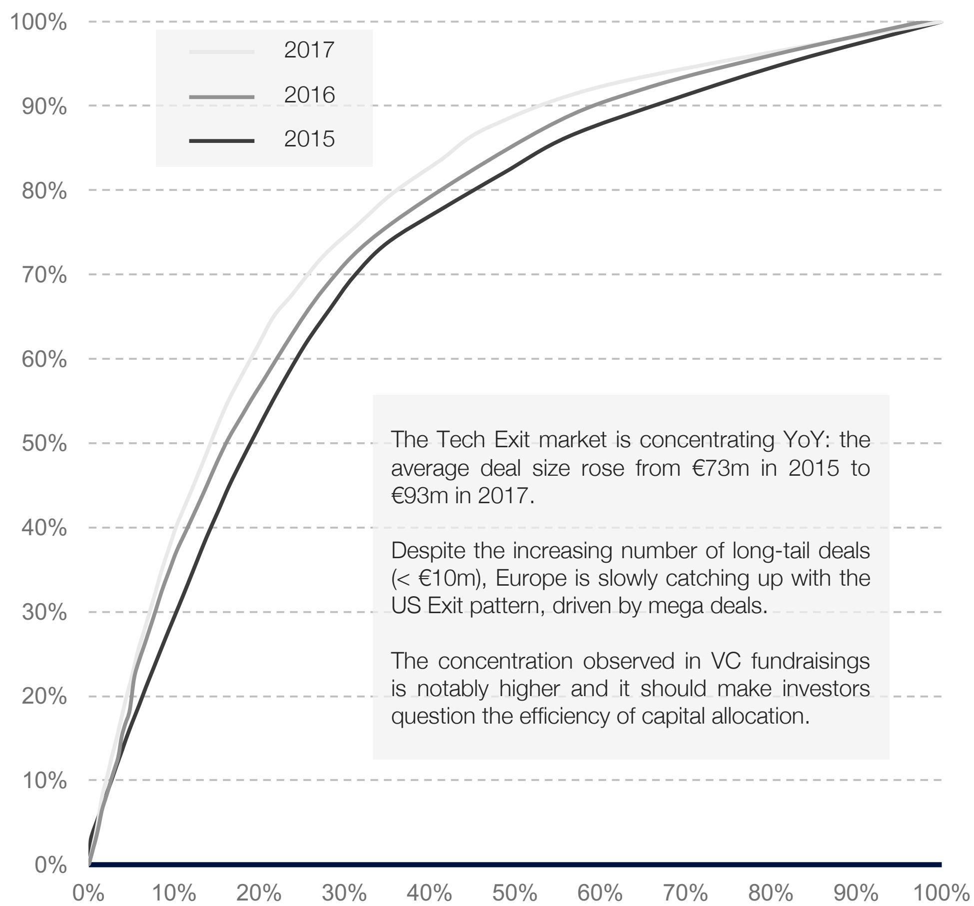
56% of total Exits are PE-backed.

In financial acquisition, it rises up to 81%.

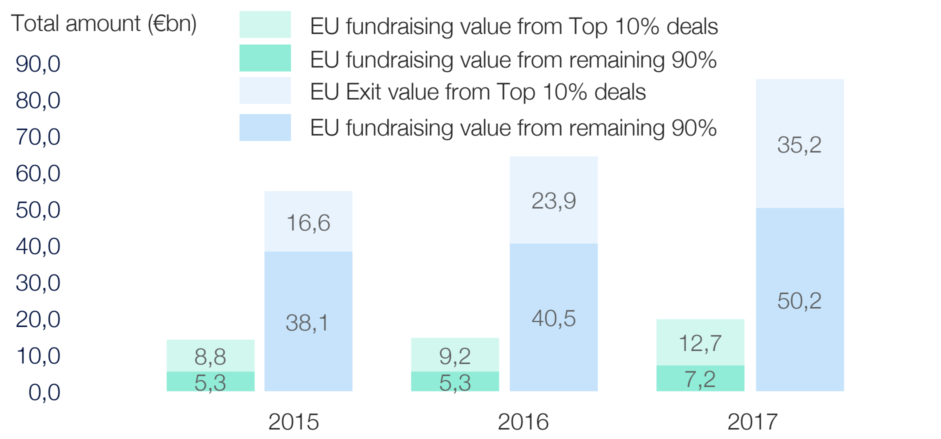
European Trends

Top 10% deals are driving 41% of the value

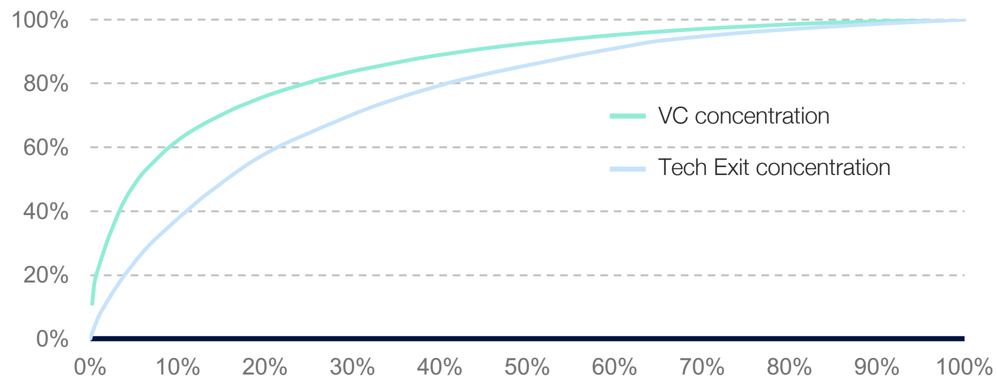
Market consolidation



Top 10% deals are driving 41% of the Tech Exit market in Europe



VC vs M&A concentration

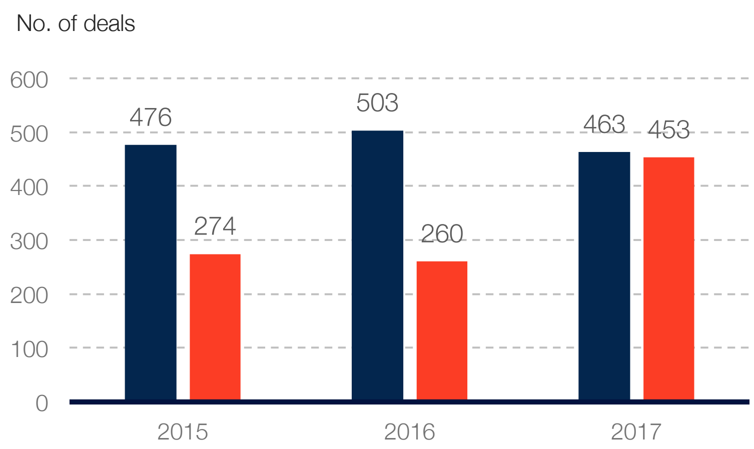


European Trends

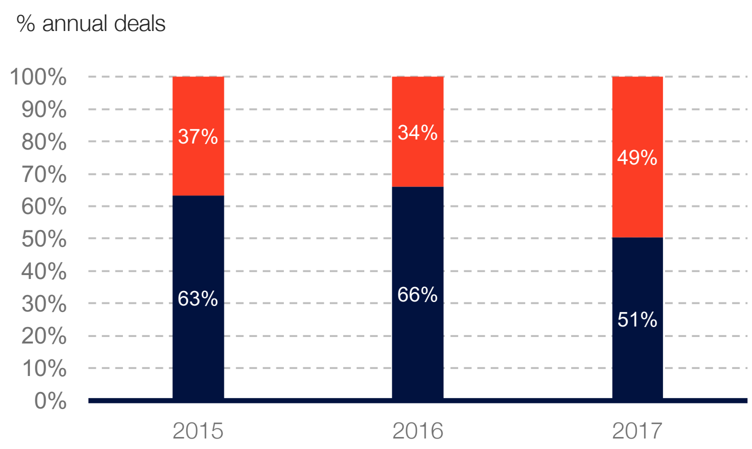
B2B vs B2C

with help from tech.eu

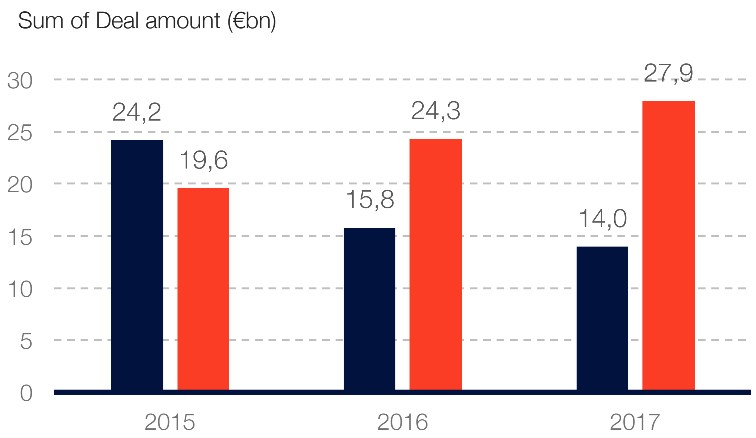
No. of deals (absolute)



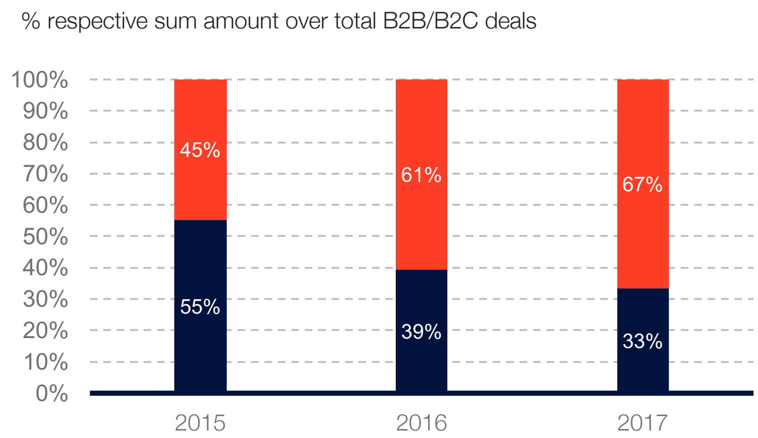
No. of deals (relative)



Invested amount (absolute)



Invested amount (absolute)



B2C is on fire!

On the one hand, the number of B2C deals caught up with B2B, rising from 37% to 49% of total Exits.

On the other hand, the B2C average deal size is now almost twice the average B2B deal size (€52m vs. €27m).

In our Venture Transaction Multiples report from September 2017, we already observed a similar trend effect with B2C startups increasing concentration, valuation and fundraising attractivity.

This trend is due to the maturation of the peer-to-peer economy and the boom in on-demand models.

Some outstanding deals are also driving the average up : Delivery Hero €4.5bn IPO, HelloFresh €1.7m IPO, Shazam €400m acquisition by Apple or Zenly €320m acquisition by Snapchat.

Sectors such as jobbing, delivery, on-demand mobility, smart marketplace and other B2C 3.0 are to be watched.

B2B B2C

European Trends

The UK historical dominance is being challenged

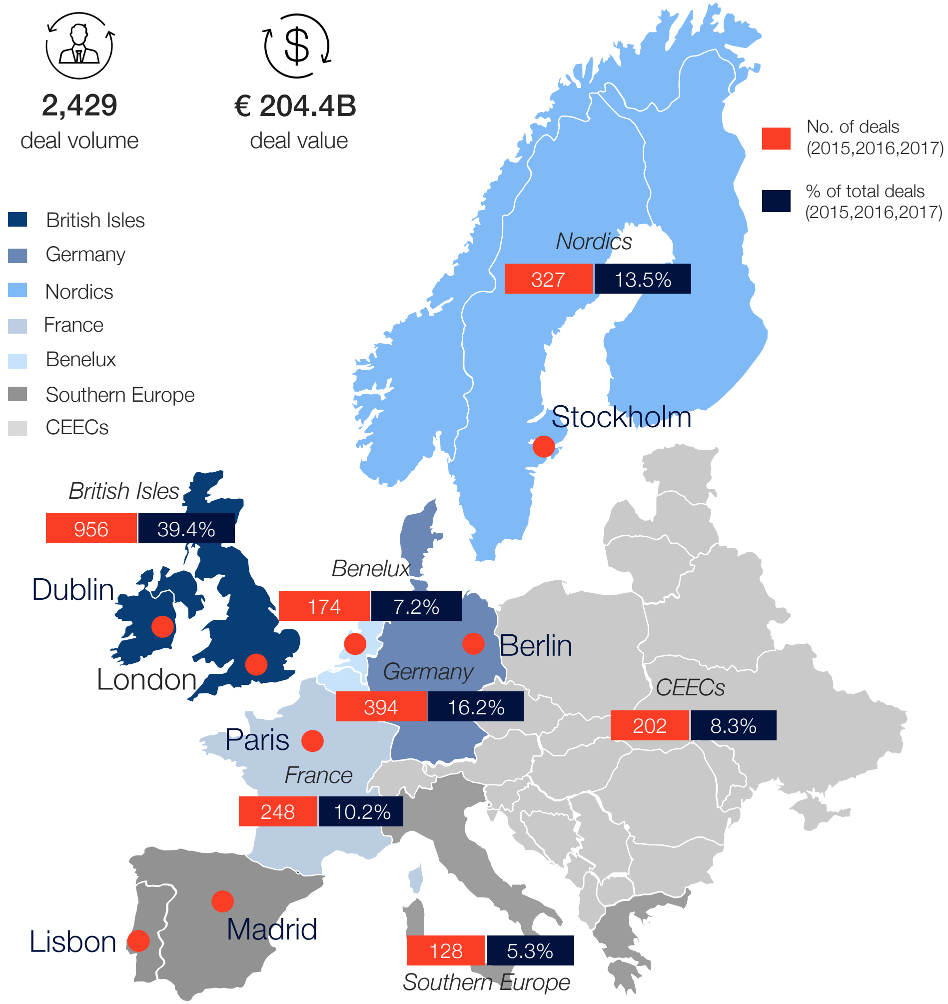
Research note

- British Isles #1: more than a third of the Tech M&A activity in Europe (39.4% - 956 deals) is led by the UK (and Ireland), followed by Germany (16.2%, 394 deals).
- France #4: with 248 deals over the 2015-2017 period (10.2%), France is behind the Nordic region (Sweden, Norway, Denmark and Iceland) who is driving 13.5% of the activity for a total of 327 deals.
- London still remain the *hot spot* in Europe to close tech M&A deals (488 deals, x3.2 the total Parisian deals). But Paris ranks before major hubs such as Stockholm (88 deals), Dublin (76 deals) or Berlin (70 deals).
- Mega tech hubs? Paris and London drive respectively 62.6% and 51.8% of the deals in their region. But in Germany, the activity is more spread out (18% in Berlin and 12% in Munich), and even if the situation has historical reasons, their model interestingly proves that each country can have several successful major Tech city hubs.

Top 10 most active European hubs

Ranking	Hub name	Number of deals	% cluster
1	London	488	51,8%
2	Paris	154	62,6%
3	Stockholm	88	27,2%
4	Dublin	76	8,0%
5	Berlin	70	18,0%
6	Zurich	51	25,4%
7	Munich	45	12.0%
8	Amsterdam	42	24,2%
9	Milan	14	11,1%
10	Barcelone	13	10,5%

Mapping of European Tech majority deals



European Trends

with help from tech.eu

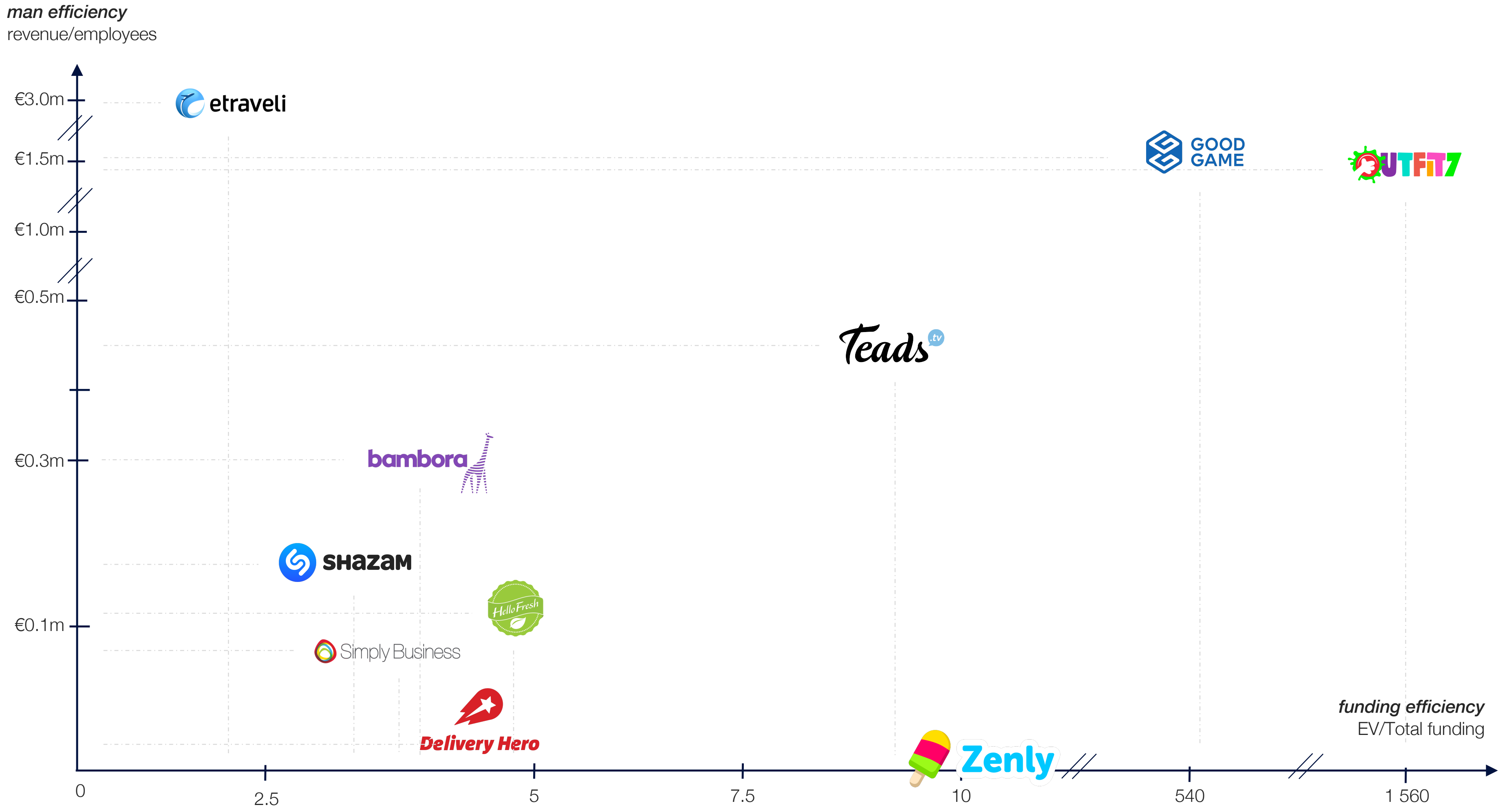
Key 2017 European Tech Exits

Company	Creation	Sector	Deal Type	Acquiror	Date	EV	Country	Employees	EV/employees
Delivery Hero	2011	Food delivery	IPO	-	June	**€4.5bn**		6000	€0.8m
HelloFresh	2011	Food delivery	IPO	-	November	**€1.7bn**		2000	€0.9
bambora	2015	Financial services, payments	Corporate Dev	Ingenico Groupe	July	**€1.5bn**		700	€2.1m
OUTFIT7	2009	Mobile apps and games	Sponsor	United Luck Group Holdings	January	**€937m**		200	€4.8m
etraveli	2000	Travel insurance	Sponsor	CVC Capital Partners	November	**€508m**		600	€0.9m
Simply Business	2005	Travel insurance	Corporate Dev	The Travelers Company	March	**$490m**		400	$1.2m
SHAZAM	2000	Mobile app, music	Tech Acquisition	Apple	December	**$400m**		250	$1.6m
Zenly	2015	Mobile App	Tech Acquisition	Snap Inc.	June	**€320m**		50	€6.4m
Teads.tv	2011	Video advertising	Tech Acquisition	Altice	June	**€300m**		450	€0.7m
GOOD GAME	2009	Video game studio	Corporate Dev	Stillfront	December	**€270m**		1200	€0.2m

European Trends

with help from tech.eu

The Tech Exits efficiency matrix



Who invests and why?

Who invests and why?

with help from tech.eu

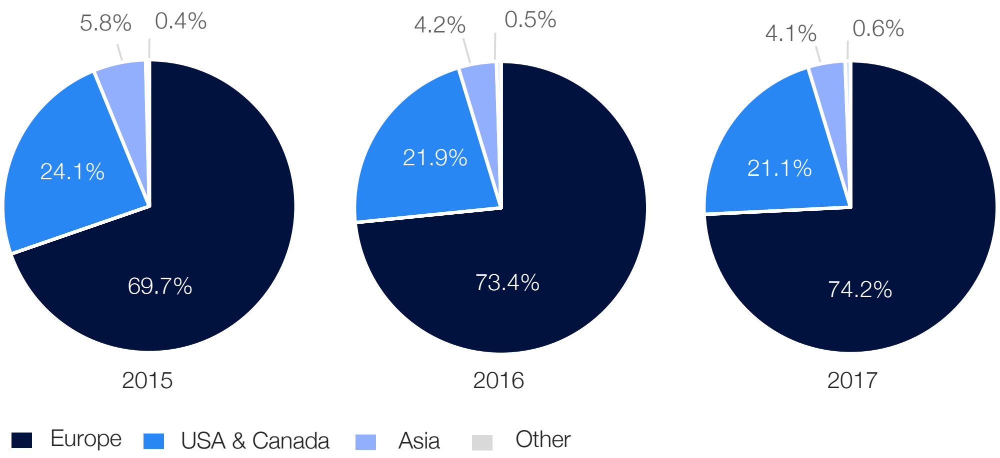
Most active acquirers (2015-17)

Company	Creation	Sector	Employees	Country	Acquisitions	Notable deal
Rocket Internet	2007	Start-up studio / Sponsor	36 300	Germany	15	foodpanda
ProSiebenSat.1 TV Deutschland	2000	Media / Communication	6 000	Germany	13	esome advertising
Spotify	2006	Music streaming	2 000	Sweden	12	Soundtrap
Apple	1976	Consumer electronics Computer software	123 000	USA	11	Shazam
Schibsted Media Group	1839	Media / Communication	6 300	Norway	11	Service Finder
vivendi	1853	Media / Communication	20 300	France	10	Dailymotion
Visma	1996	Business software provider	6 600	Norway	8	admincontrol
tripadvisor	2000	Tourism Mobile app	3 500	USA	8	House Trip
j2 Global	1995	Cloud Services Digital media	1 700	USA	8	WeCloud Email Security
Telefónica	1924	Telecom	130 000	Spain	7	statiq

Who invests and why?

Cross-border deals and funds origin

Acquirers geography breakdown



- The proportion of Tech Exits driven by European players rose from 69.7% in 2015 to 74.2% in 2017. This goes against the common theory about Europe needing *Marshall Plan* to guarantee liquidity to its Tech VC investments. This is good news for the Old Continent even if figures are based on deals volume and not value here.
- Transatlantic deals (European target acquired by a North American acquirer) represent an average 22.4% of the European-based acquisition over the 2015-2017 period. However, the trend seems to decrease slowly due to the growing proportion of European–centric acquisitions. With no surprise, the US drives more than 96% of those deals.
- Asia represented 4.1% of 2017 total European deals, up from 5.8% in 2015. Among Asian countries, Japan shows a great appetite for European startups (34%), before China (29%) or Hong-Kong (14%).

Cross-border analysis

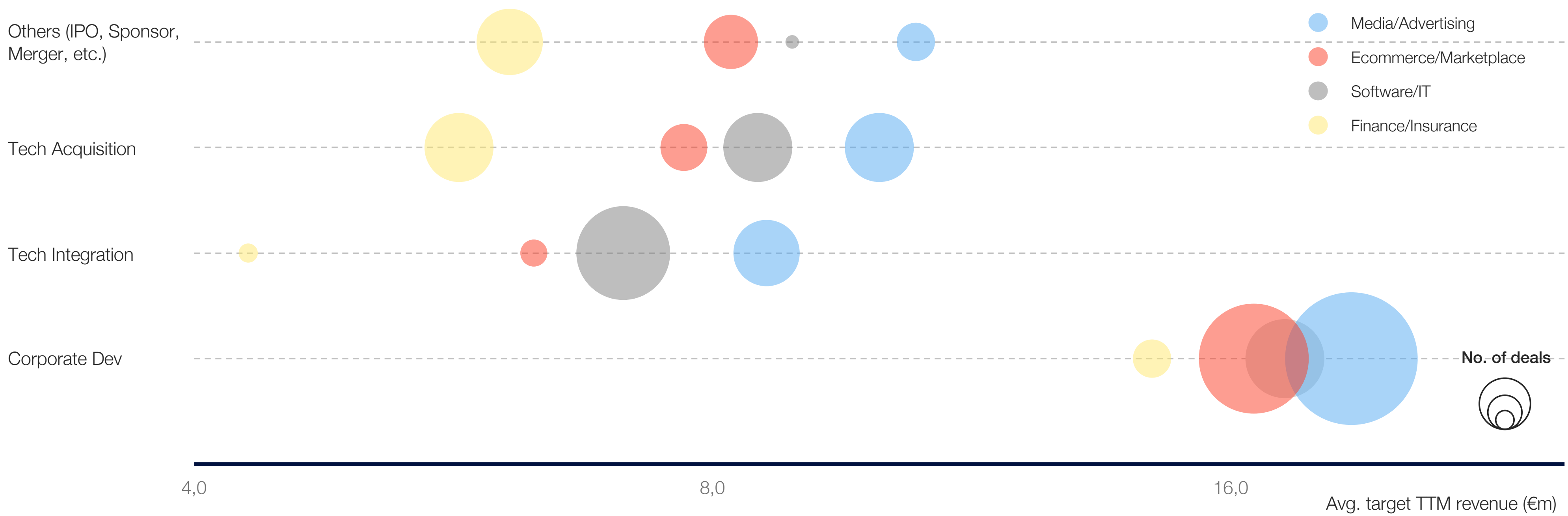
- The majority of domestic acquisitions (European companies acquired by European players) were also domestic deals.
- Spanish acquirers are leading the trend as their domestic deals accounted for almost 70% of their acquisitions. Germany closely follows, with 67.3% of German-German acquisitions, then comes the Nordics (56.2%).
- French acquirers, though, are leading more cross-border deals: 9.6% targets were German, 9% were from the UK, while almost ¼ of their acquisitions aimed startups from the CEECs, Southern Europe or Benelux.
- Finally, the US and Asia have their own preferences in Europe: North-American acquirers chose 30.2% of their European targets in the UK while Asian acquirers are notably investing in Germany (21.5% of their European acquisitions).

Acquirers \ Targets	UK	France	Germany	Nordics	Spain	Other
UK	55.7%	8.3%	10.1%	3.8%	4.4%	17.7%
France	9.0%	53.3%	9.6%	2.4%	6.6%	19.1%
Germany	5.6%	5.3%	67.3%	1.5%	1.9%	18.4%
Nordics	6.9%	1.6%	6.9%	56.2%	5.7%	22.7%
Spain	8.9%	3.6%	8.9%	0.6%	69.6%	8.7%
USA & Canada	30.2%	11.3%	14.3%	9.3%	6.0%	28.9%
Asia	18.4%	16.0%	21.5%	9.8%	3.7%	30.6%

Who invests and why?

Focus on key acquirer patterns per sector

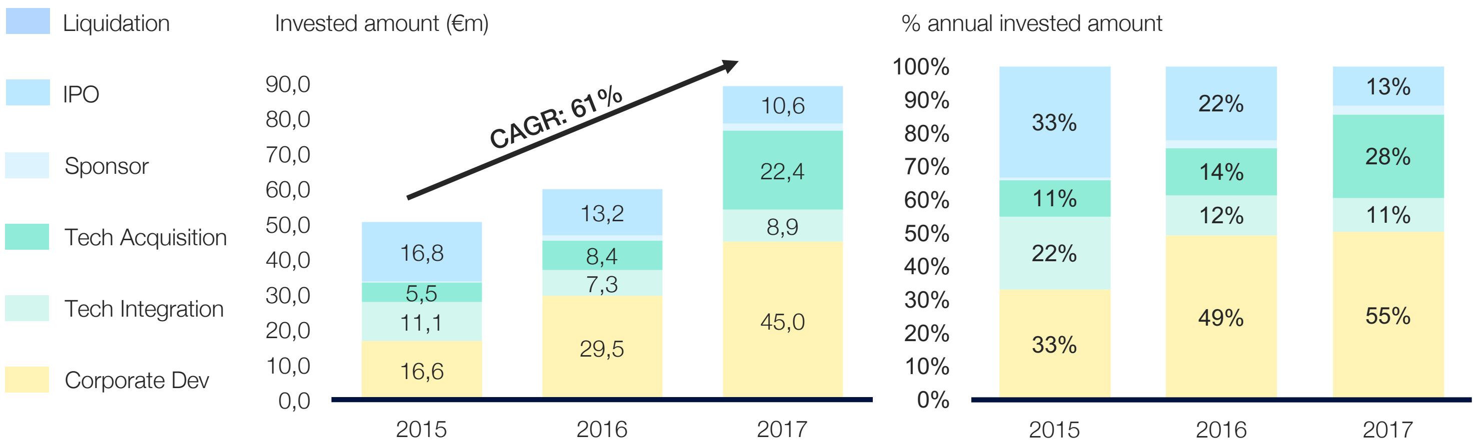
- **Finance/Insurance**: About half deals are finance institutions acquiring stand-alone technologies (Tech Acquisition), major remaining transactions being mergers between peers and sponsor transactions. The average target revenue is outstanding low since the aim is not to make short-term money but acquiring long-term strategic assets.
- **Ecommerce/Marketplace**: Most of the transactions led by ecommerce players and marketplaces are driven either by financial considerations or audience consolidation. The main stake for the sector is to reach critical size, diversify revenue streams and gain margin points. The average target revenue is superior to €15m and acquirers are interested in relatively mature businesses.
- **Software/IT**: Acquirers are continuously building-up their monopolies through external acquisitions to integrate new technology in their product roadmap (Tech Integration). The average target revenue is relatively median (average €9.7m).
- **Media/advertising**: Media actively seek build-up strategies in order to gain digital market shares and audience engagement. They focus on mature companies with relatively high revenue (average €15.6m).



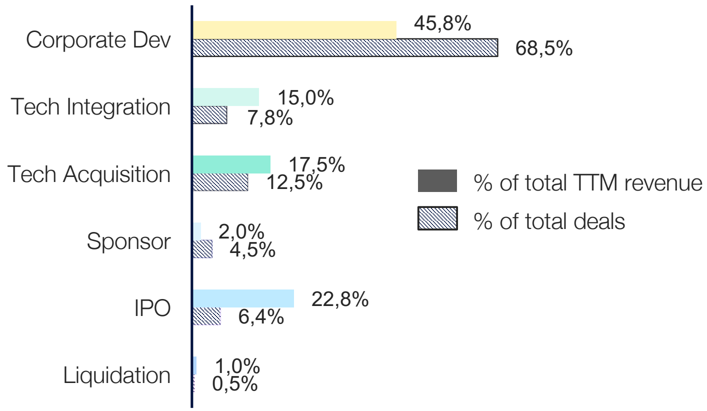
Who invests and why?

Deals Typology

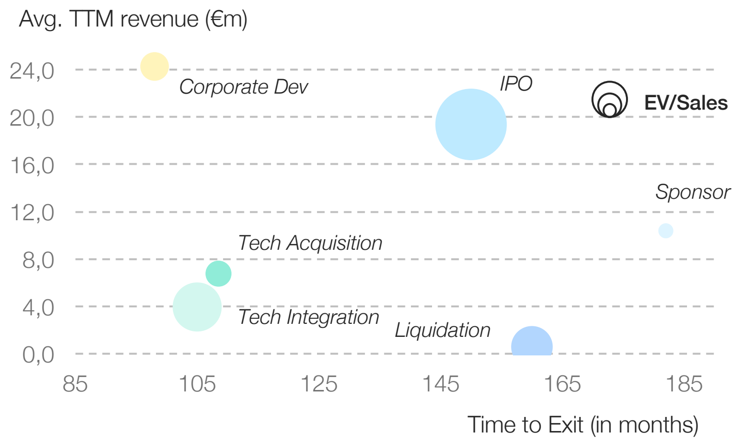
Invested amount per deals



Revenue concentration per deal type



Time to Exit and Size per Deal type



Corporate Dev. transactions represent more than two third of total deals in Exits.

The invested amount in Tech Acquisitions deals has been multiplied by 4 over the past 3 years, driving the overall growth of the Exit market.

2017 losers

Facing this strong rise in Tech Acquisitions, both IPO and Tech Integration deals have lost ground. In 2017, IPO only accounted for 13% of total Exit value and Tech Integration for 11%.

Though, with an EV/Sales ratio 3 to 10 times higher than its counterparts, the IPO Exits are particularly well-valued.

Sponsor and Liquidation take time

On average, Sponsor deals need 182 months before Exit and Liquidation 160; whereas less than 100 months are required to seduce Corp. Dev acquirers.

Tech Integration remains a manna from heaven

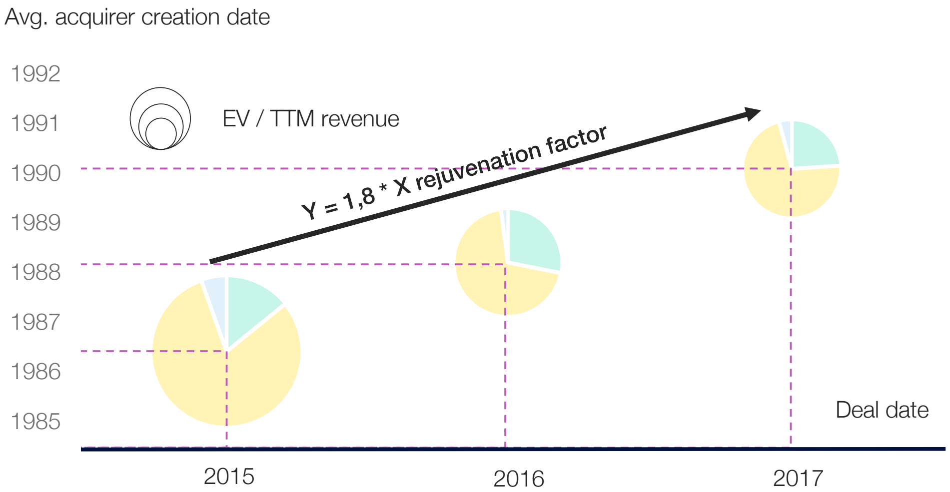
Those deals take only 105 months to Exit with a relatively high multiple (more than 30x EV/Sales!).

Who invests and why?

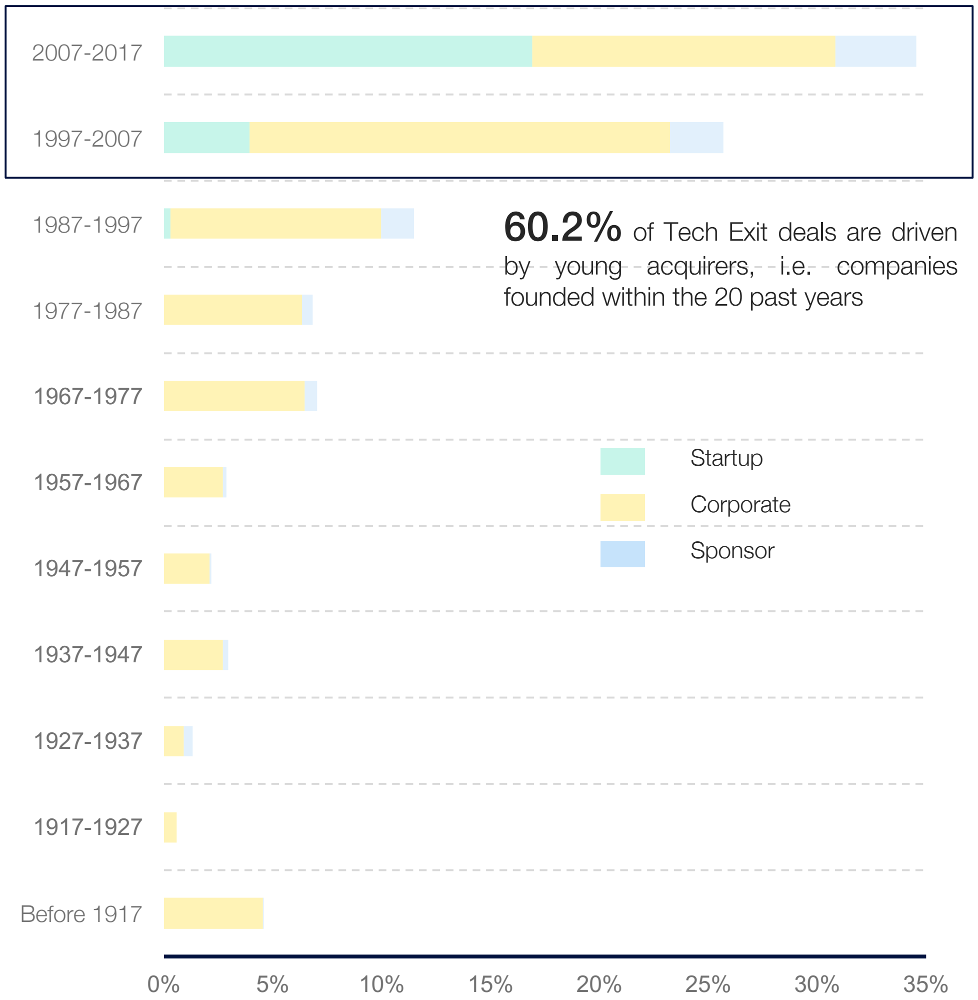
Acquirers age distribution

Tech M&A Exits are driven by young acquirers and dynamic European PE

- **It's time for youth!** Over the past 3 years, the average acquirer age reduced from 29 years old to 27 years old. 60.2% of Tech Exit deals were driven by companies founded within the 20 past years.
- PE-backed startups are leading the trend with serial acquisitions to consolidate their market shares and meet their investors growth expectations. But they tend to value on smaller multiples, driven by their investors ROE objectives.
- Corporate players born between 1970 and 2000, on the other hand, still lead more than 30% of acquisitions. They increasingly understand the interest of startup acquisitions in maintaining their dominance, and they have the ability to value on higher multiples, since considering the strategic Tech value before EBIT.



Deals volume distribution by acquirer age (creation date) and acquirer type (e.g. corporate)



Who invests and why?

Acquirers typology

LIONS

Creation date range : 1987-2017
Examples : Rocket Internet, Zendesk

Acquirers who were born after the 90th are reasonably balanced in their Tech M&A motivations. Half of their deals are Corporate Dev, i.e. driven by market shares and margins consolidation - the typical example being Rocket Internet, perfectly mastering the finance behind VC returns. And the other half of their deals are Tech-value-driven, the best example being Zendesk.

ELEPHANTS

Creation date range : 1947-1987
Examples : Microsoft, AccorHotels

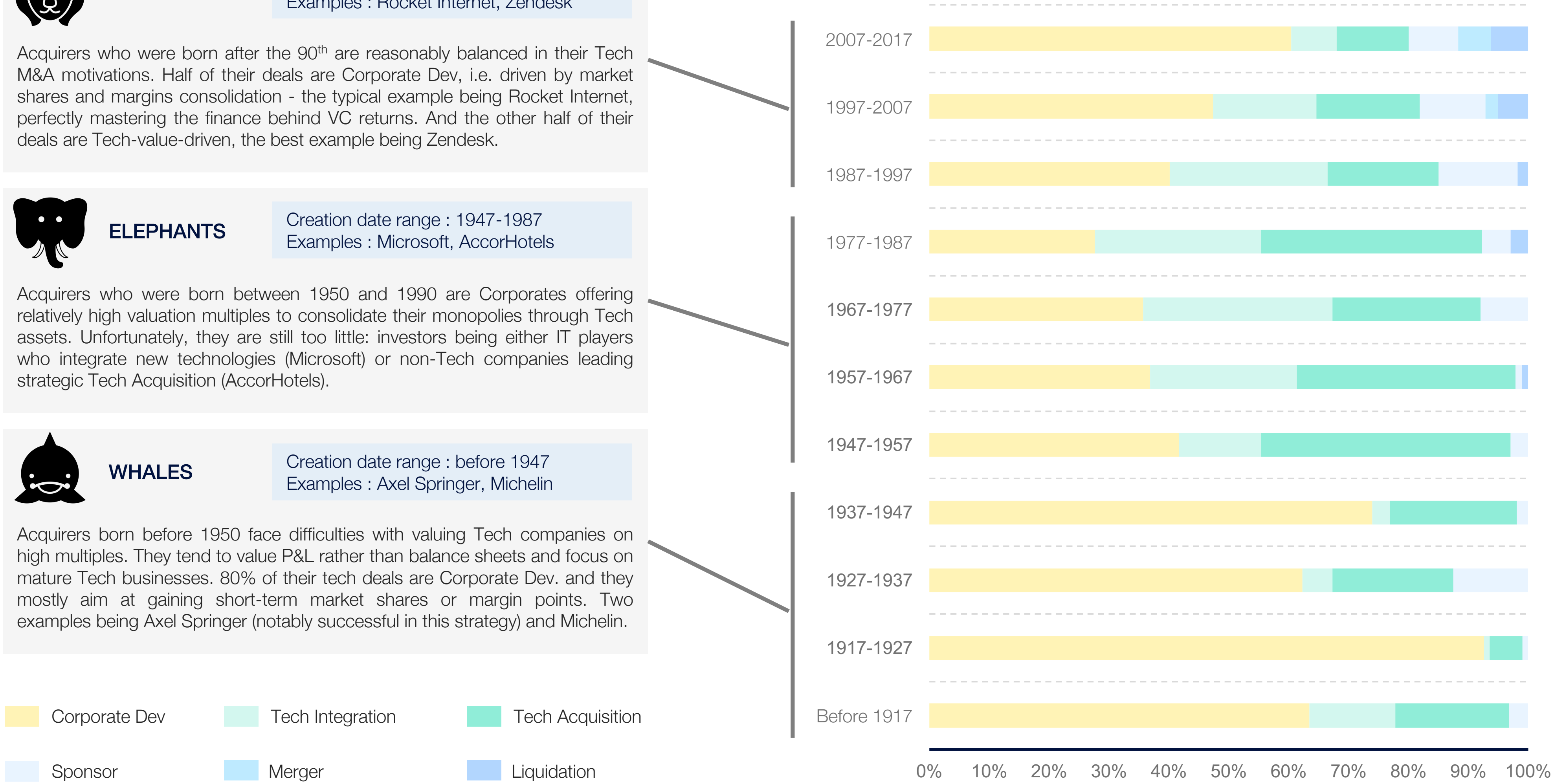
Acquirers who were born between 1950 and 1990 are Corporates offering relatively high valuation multiples to consolidate their monopolies through Tech assets. Unfortunately, they are still too little: investors being either IT players who integrate new technologies (Microsoft) or non-Tech companies leading strategic Tech Acquisition (AccorHotels).

WHALES

Creation date range : before 1947
Examples : Axel Springer, Michelin

Acquirers born before 1950 face difficulties with valuing Tech companies on high multiples. They tend to value P&L rather than balance sheets and focus on mature Tech businesses. 80% of their tech deals are Corporate Dev. and they mostly aim at gaining short-term market shares or margin points. Two examples being Axel Springer (notably successful in this strategy) and Michelin.

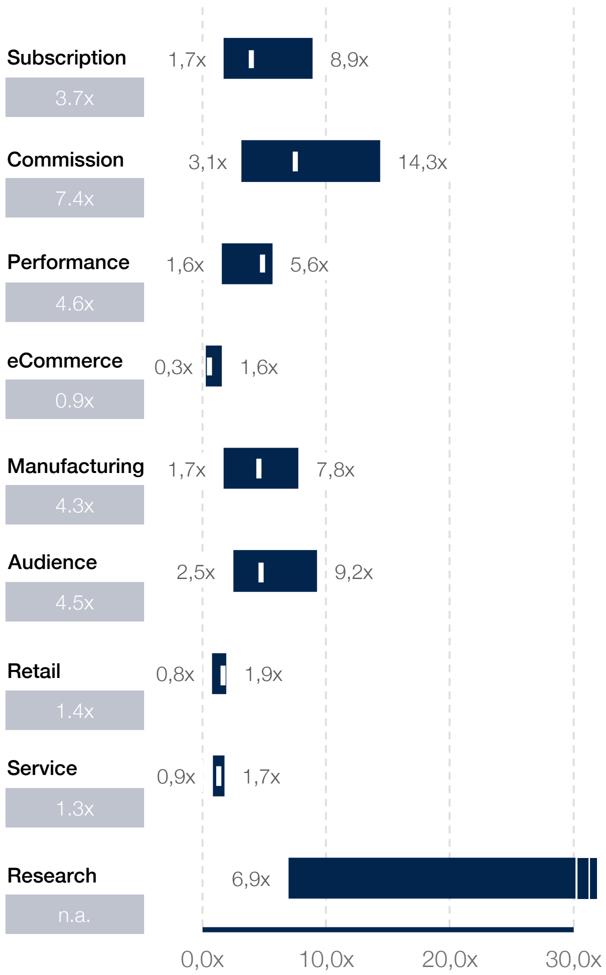
Deals type distribution by acquirer age (creation date)



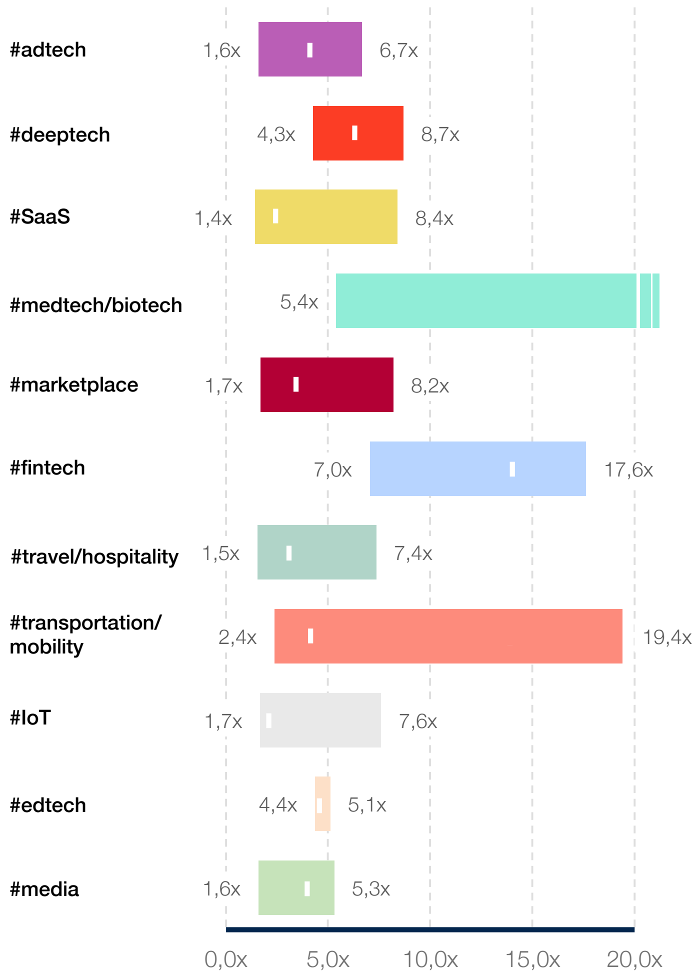
Transaction Multiples

Transaction Multiples

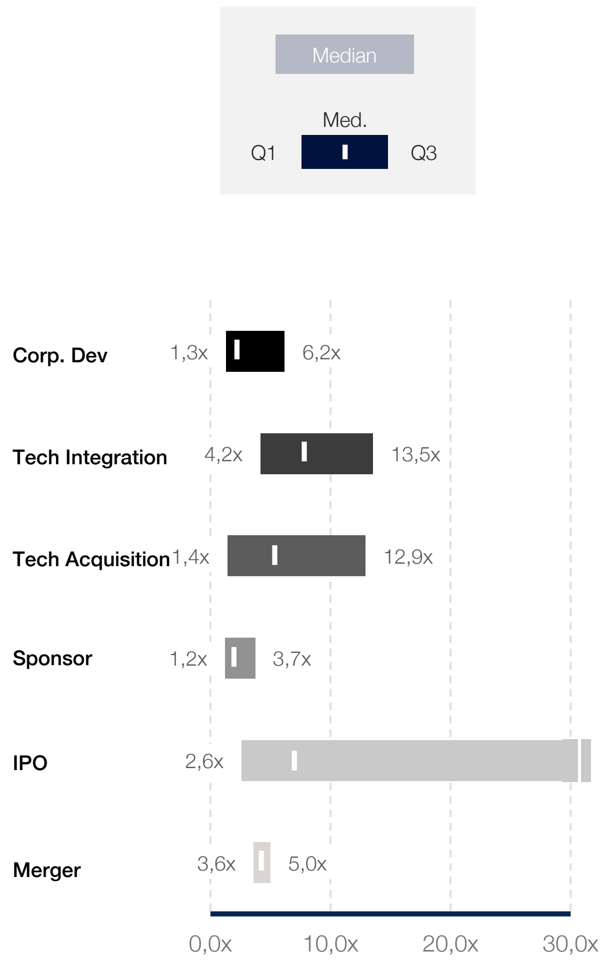
Tech valuation snapshot



EV/TTM revenue per business model



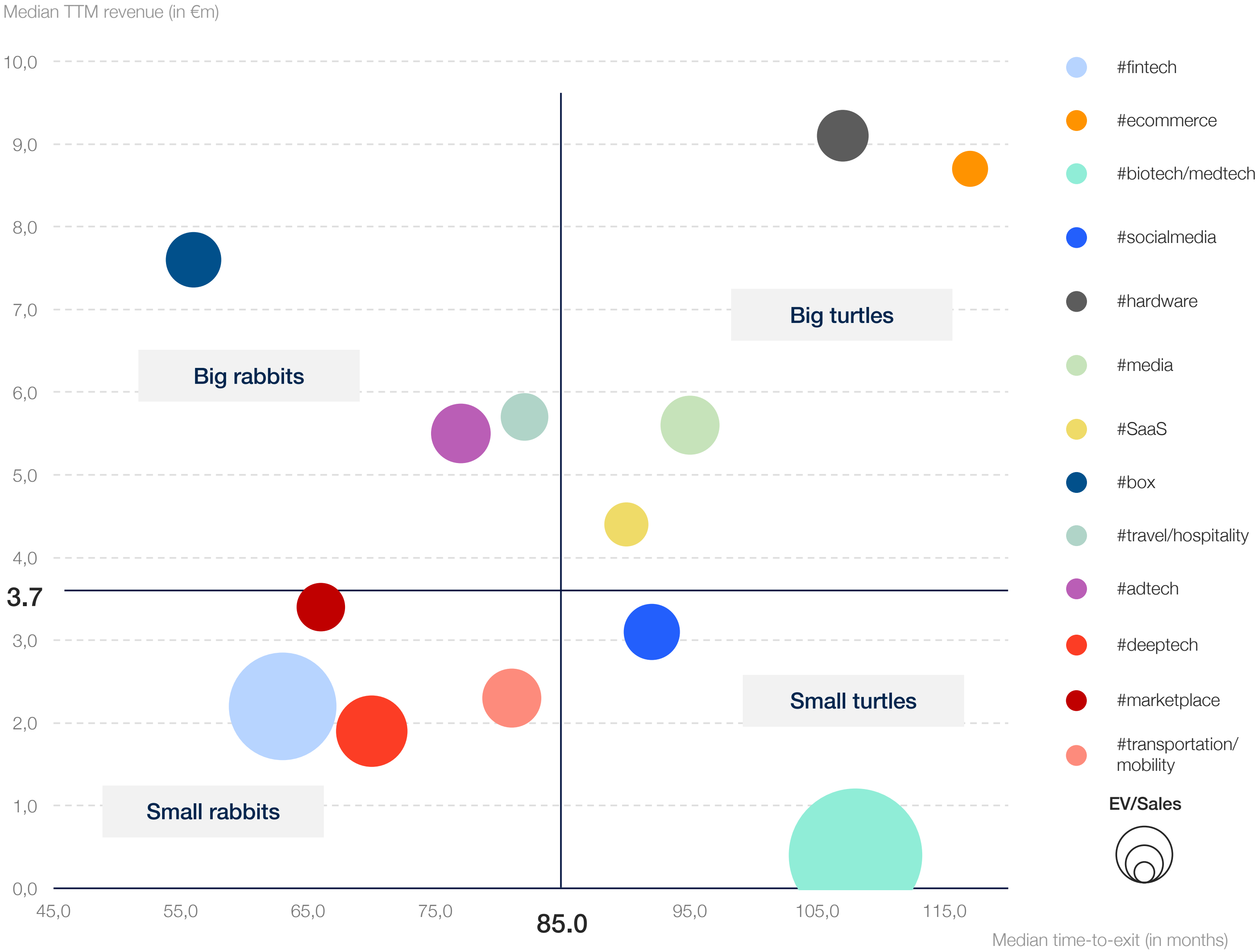
EV/TTM revenue per focus



EV/TTM revenue per deal type

Transaction Multiples

Tech companies race for Exit



All roads lead to acquisition

Assessing the median time-to-exit and TTM revenue shows subsectors can be split into four categories:

- The small rabbits : business sectors where companies usually accumulate little income but are acquired early
- The big rabbits : business sectors where companies tend to grow quite fast in terms of revenues and are quickly acquired
- The small turtles : business sectors which show little revenue and wait quite a long time for an acquirer
- The big turtles : business sectors able to record pretty high sales but acquired only at a late stage

Among our different focuses, #biotech/medtech are the archetypal of small turtles as research business model is by nature not so revenue-generating at first and requires time. In contrast, #hardware models can be described as big turtles: they are acquired quite late but manage to reach a high revenue level.

On the other hand, #fintech models are acquired very early with little revenue, which is typical from a small rabbit. #box subscription-based lucrative business are conversely big rabbits.

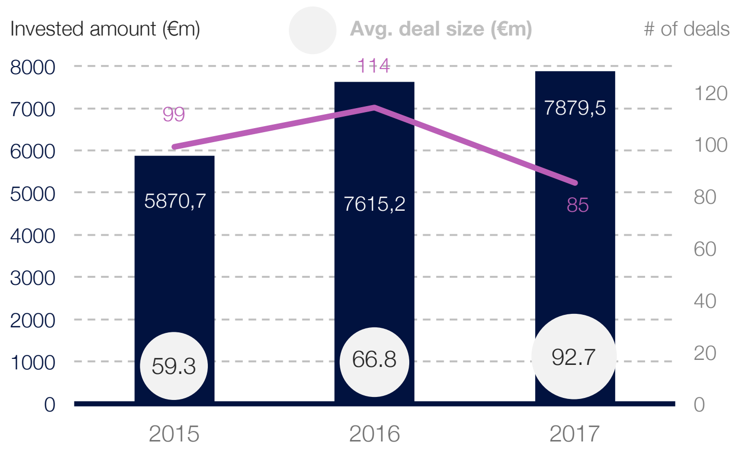
Transaction Multiples

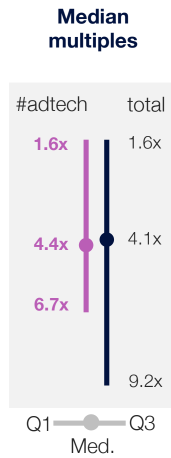
#adtech

Research note

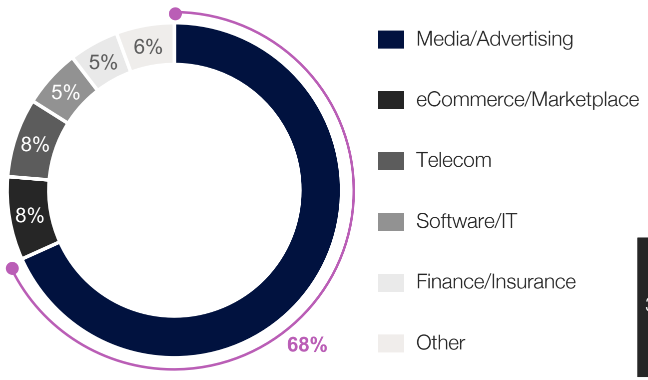
- #adtech Exits boomed in 2016 with a number of deals increasing from 99 in 2015 to 114 before decreasing to 85 in 2017. Meanwhile, the Exit market in value experienced a continuous growth from €5.9bn to €7.9bn over the 3-years period.
- The average deal size significantly increased from €59.3m in 2015 to €92.7m in 2017.
- By spending more money on a few key players, acquirers buying behavior demonstrates #adtech sector ongoing consolidation in Europe.
- Among #adtech companies buyers, 68% are Media/Advertising players conducting mostly corporate development transactions to boost their market reach.
- #adtech median transaction multiple is 4.4x, very close to overall median but performance-based businesses seem more attractive and are better valued by buyers.

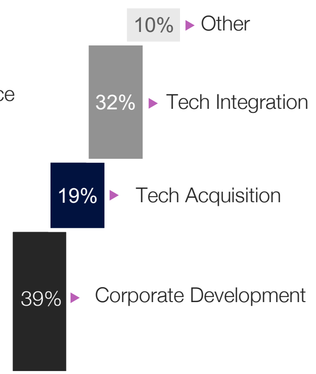
Transaction trend





Acquirer profile and motivations





Three deals standing out

Target	Date	Buyer	EV	EV/TTM revenue
UNRULY	**Sep-15** acquisition by	News Corp	**$176m**	**3.8x**
avocarrot	**Sep-16** acquisition by	glispa	**$20m**	**n.d.**
Teads.tv	**Mar-17** acquisition by	altice	**€285m**	**1.4x**

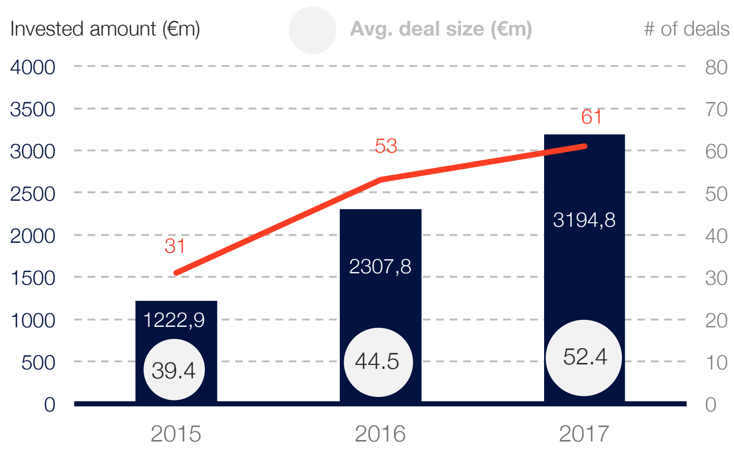
Transaction Multiples

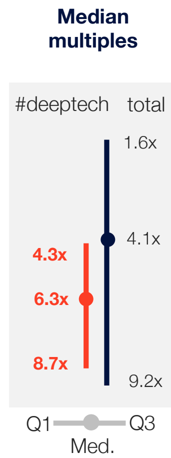
#deeptech

Research note

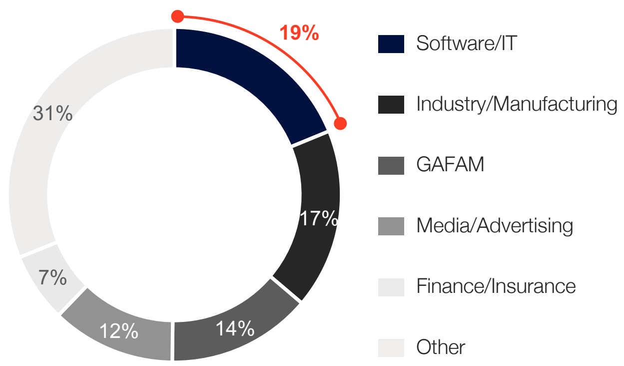
- Transactions in #deeptech rose from €1.2bn in 2015 to €3.2bn in 2017, while the average deal size kept growing over the period to reach €52.4m in 2017.
- Even if #deeptech deals are increasingly numerous with 61 transactions recorded in 2017, they remain low in value compared to the typical European deal size.
- With a median transaction multiple of 6.3x, #deeptech companies seem to be well-valued by buyers. It shows acquirers increasing willingness to pay for cutting-edge technologies.
- Software/IT companies, industrial players and GAFAM are the ones who are the most interested in acquiring #deeptech companies.
- Typically, #deeptech acquisitions are motivated by an urge to integrate disruptive machine-learning and AI technologies to upgrade existing offers in Tech Integration moves.

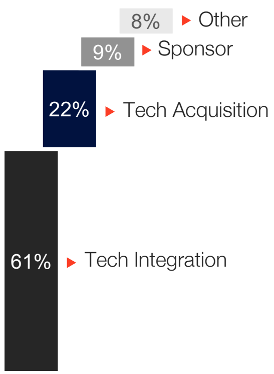
Transaction trend





Acquirer profile and motivations





Three deals standing out

Target	Date	Buyer	EV	EV/TTM revenue
SwiftKey	Feb-16 acquisition by	Microsoft	$250m	n.d.
niland music search systems	May-17 acquisition by	Spotify	n.d.	n.d.
Shazam	Dec-17 acquisition by	Apple	$400m	7.2x

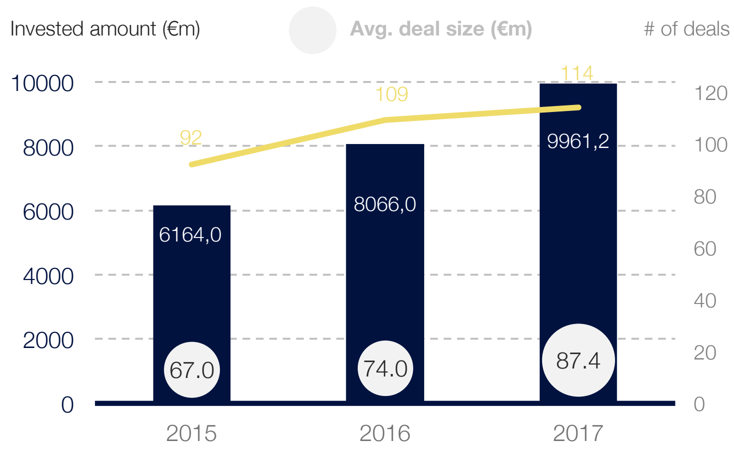
Transaction Multiples

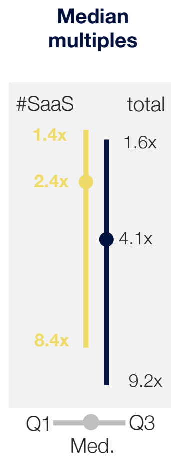
#SaaS

Research note

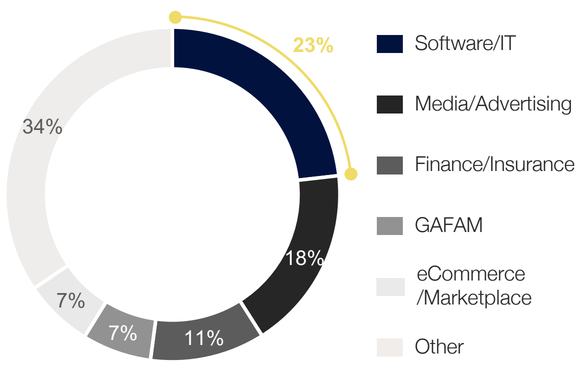
- #SaaS is a steady growing sector with transaction value approaching €10bn in 2017 for 114 deals. Similarly, the average deal size grew slowly from €67m in 2015 to €87.4m in 2017.
- The median transaction multiple is 2.4x, notably below 4.1x overall median, but the analysis shows higher dispersion than other tags.
- This modest increase and quite low level for EV/TTM revenue multiples are characteristic of a mature sector where buyers accept punctually to pay for outstanding champions.
- Buyers of #SaaS are logically Software/IT companies followed by Media/Advertising and Finance/Insurance corporations for whom SaaS tools become increasingly useful for performance enhancement.
- Motivations for a #SaaS acquisition do not obey to specific patterns even though integrating SaaS solutions to existing products remains the most likely scenario.

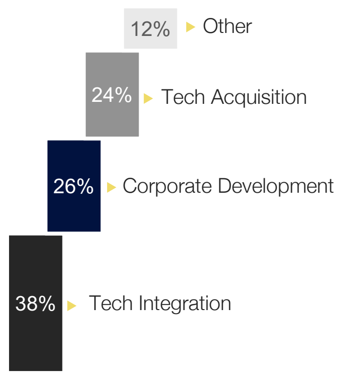
Transaction trend





Acquirer profile and motivations





Three deals standing out

Target	Date	Buyer	EV	EV/TTM revenue
wunderkinder	Jun-2015 acquisition by	Microsoft	€150m	n.d.
bime	Oct-15 acquisition by	zendesk	$44m	23.4x
xmreality	Apr-17 IPO	Nasdaq	$15m	19.2x

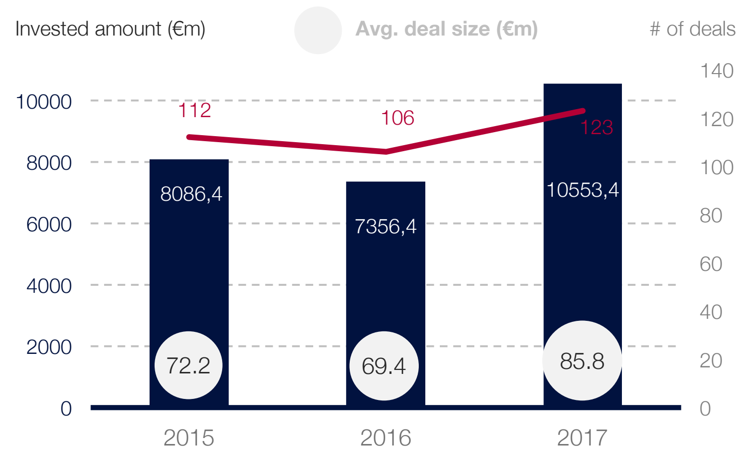
Transaction Multiples

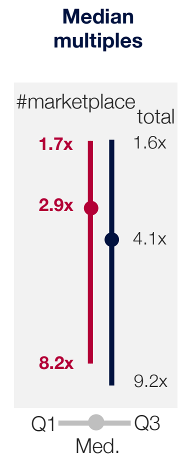
#marketplace

Research note

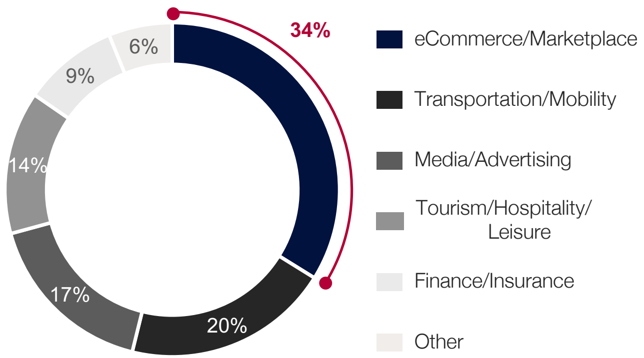
- #marketplace Exit market experienced a relative slowdown in 2016 with only 106 deals recorded against 112 in 2015. This downturn is also visible in value with total Exits accounting for €7.4bn in 2016 against €8.1bn back in 2015.
- However, 2017 shows a rebound in #marketplace both in number of deals and in value with the cumulated Exit market finally reaching €10.5bn.
- Taking a closer look at typical transactions, this renewed momentum is to be linked to the emergence of leading P2P or B2C marketplaces.
- Buyers of #marketplace companies are mainly eCommerce/Marketplace with competitive or complementary offers looking for Corporate Development opportunities.
- The association of close players is often to be seen as the only way to maintain or increase market share in a sector where size definitely matters.

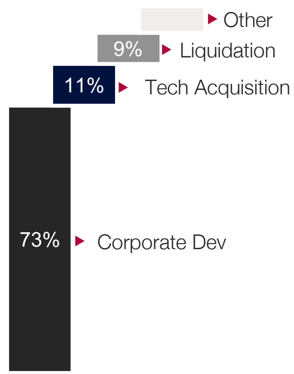
Transaction trend





Acquirer profile and motivations





Three deals standing out

Target	Date	Buyer	EV	EV/TTM revenue
skyscanner	Dec-15 acquisition by	Ctrip	€1.6bn	8.7x
onefinestay	Apr-16 acquisition by	ACCOR HOTELS	€148m	n.d.
CONTORION ALLES FÜR DEN PROFI.	Jun-17 acquisition by	Hoffmann Group Tools to make you better	€120m	6.0x

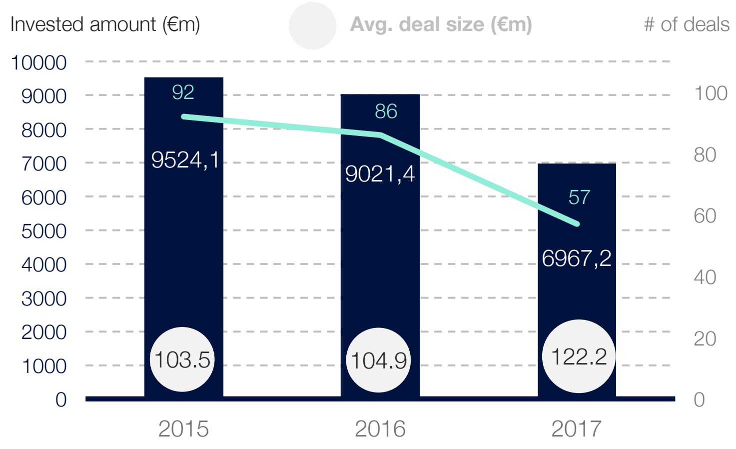
Transaction Multiples

#medtech/biotech

Research note

- #medtech/biotech sector is one of the rare Exit perimeters showing significant and constant decline from €9.5bn in 2015 to less than €7bn in 2017.
- Fewer though bigger deals were recorded year over year so that only 57 transactions took place on 2017 with an average deal size of €122m.
- This bearish move may be explained by a decline in the European #medtech/biotech IPO market since this financing method is very common for these actors.
- As expected, health-related companies are those who acquire the most #medtech/biotech players, directly followed by Agrifood companies.
- Except for leading pharma groups who are used to this type of integration, the CAPEX-intensive long-to-ignite research models complexify #medtech/players takeovers.

Transaction trend



Median multiples

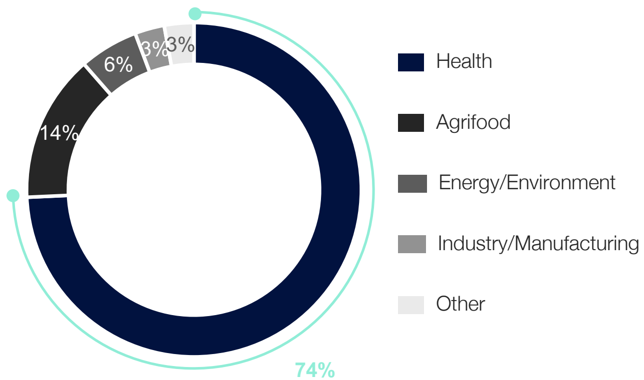
#medtech/ biotech

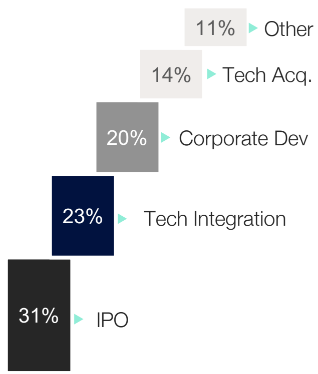
n.a.

Pre-revenue deals significantly disperse multiples

Q1 — Med. — Q3

Acquirer profile and motivations





Three deals standing out

Target	Date	Buyer	EV	EV/TTM revenue
HEPTARES therapeutics	Feb-15 acquisition by	sosei	€357m	n.d.
medtech	Jul-16 acquisition by	ZIMMER BIOMET	€164m	16.8x
SYMETIS	Apr-17 acquisition by	Boston Scientific	€396m	10.1x

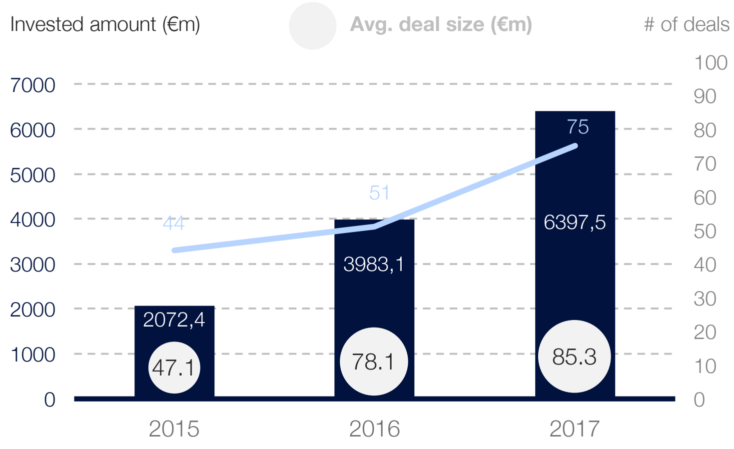
Transaction Multiples

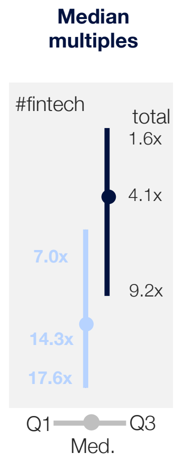
#fintech

Research note

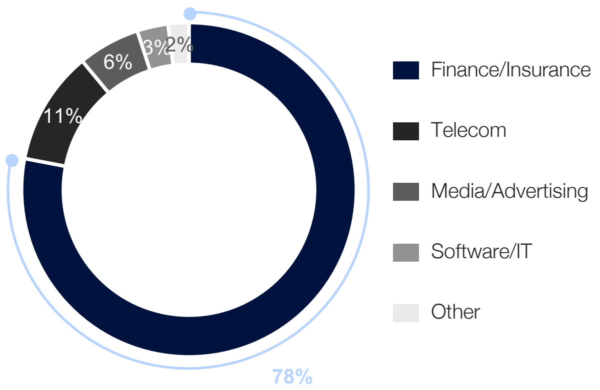
- The #fintech Exit market is radically booming with 75 deals in 2017 against 44 in 2015 and a cumulative market value of €6.4bn in 2017 against €2.1bn in 2015.
- The average deal size has kept increasing over the period going from €47.1m in 2015 to €85.3m in 2017.
- The median EV/TTM revenue multiple is 14.3x, far above 4.1x overall median multiple, and shows how attractive the #fintech sector is.
- Acquirers are mostly Finance/Insurance leaders who aim at acquiring technologies to propose new alternative offers.
- Most likely, this trend will be confirmed in 2018 since newly-born alternative finance unicorns are serious threats to incumbents.

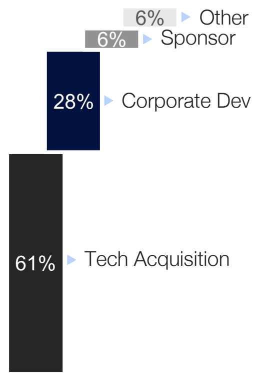
Transaction trend





Acquirer profile and motivations





Three deals standing out

Target	Date	Buyer	EV	EV/TTM revenue
Skrill	Aug-15 acquisition by	Optimal Payments	€1.1bn	n.d.
Vocalink	Jun-16 acquisition by	mastercard	€830m	3.3x
bambora	Jul-17 acquisition by	ingenico GROUP	€1.5bn	6.5x

Research team

Contact us

Arthur Porré
Co-founder & Managing Partner

Pascal Farrugia
Associate

Thomas Reygagne
Head of Data

Evan Proux
Head of Research

Marianne Beaufils
Analyst

Romain Mombert
Analyst

Sally Naamani
Analyst

Jean Ronin
Analyst

Charles Gombert
Analyst

External sources

Leveraging quality data providers

statista

BUREAU VAN DIJK
A Moody's Analytics Company

S&P CAPITAL IQ

CrunchBase

tech.eu

PitchBook

Tracxn

dealroom.co

CB INSIGHTS

CFNEWS
L'INFO ET DATA DU CORPORATE FINANCE

TechCrunch

Mergermarket
An Acuris company

avoltapartners

with help from tech.eu

Disclaimer

Avolta Partners
With +50 deals closed in 4 years, Avolta Partners has proven to be the most active M&A boutique in Europe in the Tech Industry. As a result, our team has learned how to maximise the value of a deal – both valuation and legal conditions – thanks to a proven methodology and hard-nosed negotiations.

Tech.eu
Tech.eu is the premier source of European technology news, data analysis and market intelligence. The company keeps track of innovative technologies and interesting startups emerging from Europe, with a particular focus on monitoring deal activity (funding, M&A transactions, IPOs). Through reports and a weekly subscription newsletter, we share our data and insights with the European technology industry.

Bpifrance Le Hub
Bpifrance Le Hub aims at boosting French innovation by multiplying deals between corporates and startups (partnerships, investments or M&A) in the tech industry. Since our launch in Apr-15, we have accelerated 64 startups, accompanied 60 corporates and intermediated 35+ commercial partnerships.