State Of European Venture Capital

Reshma Sohoni

@rsohoni
Seedcamp is a founder’s first round fund. We invest smart capital into pre-seed and seed stage startups, providing up to €500k and a lifelong platform of Learning, Network and Capital to support the most ambitious Founders.
The access to capital

**Total Funding Raised by companies since 2007**

- $450M

- **84%** of Seedcamp backed companies raise follow-on funding

- **500** Total investors

- **120** US investors

Some of the top VCs our companies are raising from:

- VALAR Ventures
- USV
- LAKE STAR
- Redpoint Ventures
- Index Ventures
- Horizons Ventures
- SHERPA Ventures
- Balderton Capital
- ANDREESSEN HOROWITZ
Seedcamp’s Baltic portfolio

- GRABCAD
- TransferWise
- SPORLYZER
- Qminder
- branch track
The Early Stage
The generational effect

<table>
<thead>
<tr>
<th>Pre 90’s</th>
<th>90’s</th>
<th>00’s</th>
<th>10’s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st generation</td>
<td>2nd generation</td>
<td>3rd generation</td>
<td>4th generation</td>
</tr>
</tbody>
</table>

In EU

90’s | 00’s | nowadays

Supernova Silicon Valley
Angels - exited experience

<table>
<thead>
<tr>
<th>Skype</th>
<th>ATOMICO</th>
<th>MANGROVE CAPITAL PARTNERS</th>
<th>Passion Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>PayPal</td>
<td>GRABCAD</td>
<td>TransferWise</td>
<td>VALAR</td>
</tr>
<tr>
<td>Facebook</td>
<td>Second &amp; Fourth</td>
<td>Flipboard</td>
<td>General Catalyst Partners</td>
</tr>
<tr>
<td>LOVEFiLM</td>
<td>Zoopla</td>
<td>Kano</td>
<td>graze</td>
</tr>
</tbody>
</table>

Barry Smith
Skyscanner

Errol Damelin
Wonga

Ed Wray
Betfair

Will Neale
Grabyo

Jeremy Yap
Citymapper
The emergence of seed VCs

Source: The Micro-VC crunch, pevcbanker.com, May 2016
Crowdfunding

- Customers as Shareholders
- Product validation
- Creates Brand Advocates

crowdcube
SEEDRS
AngelList

Revolut

Our £1M round is backed by 6,980 people ready to invest:

£13,831,844 in 4 days
Bringing together public & private capital

£25m to support London tech startups

£200m invested in 169 fast growing UK startups

Enterprise Capital Fund

behind…

[Logos of various companies and funds]
Tax benefits - unlike anywhere

EIS/SEIS
1994 - 2012

- income tax relief
- no capital gains
- tax offset loss

Average fundraiser increased to £535,615

+58% Angel Investments 2013 vs 2012

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount Invested (million £)</th>
<th>+%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>342</td>
<td>+34%</td>
</tr>
<tr>
<td>2012-13</td>
<td>457</td>
<td>+51%</td>
</tr>
<tr>
<td>2013-14</td>
<td>692</td>
<td>+13%</td>
</tr>
<tr>
<td>2014-15</td>
<td>783</td>
<td></td>
</tr>
</tbody>
</table>

Rapid growth

Source: Commentary EIS SEIS Official Statistics, HMRC, January 2016
# European grant funding

<table>
<thead>
<tr>
<th>Programme</th>
<th>Annual budget</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>HORIZON 2020</td>
<td>€2.8 billion</td>
<td>For entrepreneurs, startups and SMEs</td>
</tr>
<tr>
<td>EUREJA</td>
<td>€0.27 million</td>
<td>European network developing cooperation between SMEs, research centres and universities for industrial innovation</td>
</tr>
<tr>
<td>CREATIVE EUROPE</td>
<td>€2.6 million</td>
<td>Grants to support productions companies interested in developing a video game concept or project.</td>
</tr>
<tr>
<td>MARCO POLO II</td>
<td>€60 million</td>
<td>Grants for commercial projects that stimulate competitiveness of combined transport as against exclusively road transport</td>
</tr>
</tbody>
</table>
Baltic startup scene

Ease of doing business in Estonia

<table>
<thead>
<tr>
<th>Starting a Business</th>
<th>Dealing with Construction Permits</th>
<th>Getting Electricity</th>
<th>Registering Property</th>
<th>Getting Credit</th>
<th>Protecting Minority Investors</th>
<th>Paying Taxes</th>
<th>Trading Across Borders</th>
<th>Enforcing Contracts</th>
<th>Resolving Insolvency</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB 2016 RANK</td>
<td>15</td>
<td>34</td>
<td>4</td>
<td>28</td>
<td>81</td>
<td>30</td>
<td>24</td>
<td>11</td>
<td>40</td>
</tr>
<tr>
<td>DB 2015 RANK</td>
<td>25</td>
<td>25</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>CHANGE IN RANK</td>
<td>+10</td>
<td>+5</td>
<td>-10</td>
<td>0</td>
<td>-10</td>
<td>-5</td>
<td>-10</td>
<td>-9</td>
<td>-10</td>
</tr>
</tbody>
</table>

Source: Worldbank

Evolution of Baltic Startups funding (2009 - 2015)

Source: TechChill Baltics Conference 2016
Tallinn on the Index

City Ranking

1 London  39 Prague
2 Amsterdam  29 Tallinn
3 Stockholm  21 Milan
4 Helsinki  22 Budapest
5 Copenhagen  23 Cologne
6 Paris  24 Warsaw
7 Berlin  25 Bratislava
8 Dublin  26 Nicotra
9 Brussels  27 Ljubljana
10 Munich  28 Rome
11 Cambridge  29 Vilnius
12 Madrid  30 Bucharest
13 Oxford  31 Zagreb
14 Barcelona  32 Riga
15 Vienna  33 Sofia
16 Stuttgart  34 Athens
17 Lisbon  35 Valetta
18 Luxembourg

Lifestyle

Market

Digital Infrastructure

Entrepreneurial Culture

show variables
The Later Stage
Late stage capital drop

Number of funds that reached first, intermediate or final closing during the year

Source: European Private Equity Activity, investeurope.com, 2015
Hubs are dominant
Value add VCs

Hands-on approach

Index Ventures

Notion Capital

Balderton Capital

Point Nine Capital

Ongoing involvement

Talent
Marketing
Sales
Partnerships
Operations
Networking
### The Americans

<table>
<thead>
<tr>
<th>VC</th>
<th>Selected investment in Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEQUOIA</td>
<td>Mapillary (SWE)</td>
</tr>
<tr>
<td></td>
<td>Klarna (SWE)</td>
</tr>
<tr>
<td></td>
<td>skyscanner (UK)</td>
</tr>
<tr>
<td>ANDREESSEN HOROWITZ</td>
<td>i (UK)</td>
</tr>
<tr>
<td></td>
<td>TransferWise (UK)</td>
</tr>
<tr>
<td></td>
<td>Skype (SWE)</td>
</tr>
<tr>
<td>VALAR</td>
<td>EyeEm (GER)</td>
</tr>
<tr>
<td></td>
<td>NUMBER26 (GER)</td>
</tr>
<tr>
<td></td>
<td>Lystable (UK)</td>
</tr>
<tr>
<td>KPCB</td>
<td>truecaller (SWE)</td>
</tr>
<tr>
<td></td>
<td>Spotify (SWE)</td>
</tr>
<tr>
<td></td>
<td>Funding Circle (UK)</td>
</tr>
<tr>
<td>USV</td>
<td>auxmoney (GER)</td>
</tr>
<tr>
<td></td>
<td>Clue (GER)</td>
</tr>
</tbody>
</table>

Source: The State of European Tech, SLUSH & ATOMICO, Nov 2015
UNHWs, family office and corporates

Non-VC participation in mid & late stage startups

<table>
<thead>
<tr>
<th>Year</th>
<th>Asst Mgmt / Family Office / Hedge Fund / Mutual Fund</th>
<th>Corporate / Corporate VC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>9%</td>
<td>25%</td>
</tr>
<tr>
<td>2010</td>
<td>8%</td>
<td>28%</td>
</tr>
<tr>
<td>2011</td>
<td>13%</td>
<td>28%</td>
</tr>
<tr>
<td>2012</td>
<td>11%</td>
<td>31%</td>
</tr>
<tr>
<td>2013</td>
<td>17%</td>
<td>35%</td>
</tr>
<tr>
<td>2014</td>
<td>20%</td>
<td>35%</td>
</tr>
<tr>
<td>2015</td>
<td>27%</td>
<td>44%</td>
</tr>
</tbody>
</table>

CAGR 18%
09’-14’ 7%

Source: VC-backed, US startups that have raised $15M+ total, ex. life sciences, CBInsights, 1/1/09-4/20/15
Venture debt

Direct lending fundraising: North America vs. Europe-focused funds, 2006 - 2016 YTD

North America-Focused Funds  Europe-Focused Funds  Source: Private Debt Spotlight, Preqin Ltd, May 2016
Takeaways
VC is better than ever - not perfect
Not every great company gets funded
Capital is king
Hubs dominate
Mix-Match is the name of the game
The right capital partners matter
We need our GOOG, FB, Alibaba