2017 Finnish Private Equity Activity
Venture Capital
Statistics on fundraising, investments and divestments

Presentation as of 5.4.2018
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  Venture capital

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### Private equity investors by stage

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<th>Cash flow</th>
<th>Typical investors</th>
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<tr>
<td></td>
<td>Business angels,</td>
<td>Venture capital</td>
</tr>
<tr>
<td></td>
<td>FFF and crowdfunding</td>
<td>FVCA: 31 companies</td>
</tr>
<tr>
<td>Members</td>
<td>FiBAN: 640 persons</td>
<td>60 k€</td>
</tr>
<tr>
<td>Average investment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Examples</td>
<td>MyNextRun, enevo, Coptersafety, KOTI, PIHLAJALINNA</td>
<td></td>
</tr>
<tr>
<td>Stage</td>
<td></td>
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</tbody>
</table>

Sources: FVCA, EDC, FiBAN
Venture Capital 2017

Foreign fund investors (LPs) → Finnish VCs: 42 M€
Finnish fund investors (LPs) → Finnish VCs: 123 M€
Finnish VCs → Finnish companies: 59 M€
Finnish VCs → Foreign VCs: 20 M€
Finnish VCs → Unspecified: 4 M€
Foreign VCs → Finnish companies: 55 M€

Legend:
- *Fundraising* (green)
- *Investments* (blue)

Note: VC investments only
Sources: FVCA, EDC
• Finnish venture capital (VC) firms raised 169 M€ (+35 %) of new funds.

• Finnish VC firms invested 80 M€ (-31 %) in 122 (-37%) domestic and foreign companies.

• Public sector VC investments amounted to 9 M€ (-70 %). Similar drop emerged also in the number of new target companies. A gradual shift from direct investments towards public sector favoring a role of a fund investor can be seen.

• 26 % of all VC investments were made into companies abroad.

• Altogether 118 (-28 %) Finnish companies received a domestic or foreign VC investment. The total amount of investments reached 114 M€ (-26 %).

Sources: FVCA, EDC
Industry statistics
Finnish VC activity in Finland and abroad
Venture capital funds
Fundraising
Fundraising continued to be active with a number of new Finnish VC funds raised.

135 M€
Inventure raised the largest ever early stage fund in Finland.

417 M€
Total capital available for VC investments.

Sources: FVCA, EDC
Investments
Investments

After an active 2016, new investments were made at a moderate pace.

Public sector’s direct investments decreased significantly in 2017.

Sources: FVCA, EDC
Public sector’s role

A gradual shift from direct investments towards public sector favoring a role of a fund investor can be seen.

Seed fund Vera’s management was transferred from public sector to private in 2016.

Sources: FVCA, EDC
Private sector–driven market

The VC market is becoming more private sector–driven

Government-backed Tesi (Finnish Industry Investment) and Business Finland VC continue to make direct investments

Sources: FVCA, EDC
Over 100 companies a year

100-200 companies receive a VC investment annually

Investing in seed stage companies has picked up in the last few years

Sources: FVCA, EDC
580 000 € per company

The average investment amount has increased but is still far from the highest levels

Sources: FVCA, EDC
Strong Q4

The last quarter of 2017 was the most active period of an otherwise moderate year.

Sources: FVCA, EDC
Syndication

Over 70% of all VC investments are made in syndication with other investors

Co-investments are typically done with e.g. business angels, corporations as well as with other domestic and foreign VC funds

Sources: FVCA, EDC
Internationalization

Nearly 30% of investments are made into foreign companies.

Domestic and foreign investments by Finnish VCs - share of foreign investments

- Investments in Finnish companies
- Investments in foreign companies

Sources: FVCA, EDC
### Internationalization

**55 M€, 59 companies**

Finnish VCs’ investments in total into foreign companies between 2016–2017

<table>
<thead>
<tr>
<th>Year</th>
<th>Investments in Finnish companies</th>
<th>Investments in foreign companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>105</td>
<td>23</td>
</tr>
<tr>
<td>2008</td>
<td>113</td>
<td>27</td>
</tr>
<tr>
<td>2009</td>
<td>78</td>
<td>7</td>
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<td>2010</td>
<td>90</td>
<td>12</td>
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<tr>
<td>2011</td>
<td>60</td>
<td>19</td>
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<tr>
<td>2012</td>
<td>71</td>
<td>10</td>
</tr>
<tr>
<td>2013</td>
<td>87</td>
<td>15</td>
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<tr>
<td>2014</td>
<td>74</td>
<td>27</td>
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<tr>
<td>2015</td>
<td>87</td>
<td>13</td>
</tr>
<tr>
<td>2016</td>
<td>81</td>
<td>35</td>
</tr>
<tr>
<td>2017</td>
<td>59</td>
<td>20</td>
</tr>
</tbody>
</table>

Sources: FVCA, EDC
Divestments
Divestments

A few good quality exists seen in 2017

Many promising portfolio companies currently developing in Finland, that have been able to raise substantial follow-on financing rounds

Sources: FVCA, EDC
Divestments

The number of write-offs has been declining.

The VC industry is maturing and showcasing increasing selectivity in regard to investment targets.

Trade sale is the most common divestment method.

Sources: FVCA, EDC
Market statistics
Domestic and foreign investors’ investments into Finnish startups and growth companies

Venture capital funds
Funding
Over 100 M€ annually

Finnish startups and early stage growth companies attract VC funding

The fastest growing stage in Finland is the seed stage

Sources: FVCA, EDC
100–200 companies per year

Both newly founded and previously funded companies receive VC investments.

The decrease in the number of investments is partly due to shifting role of the public sector (slide 11).

Sources: FVCA, EDC
Early stage funding

The overall amount of funding raised by Finnish startups and early stage growth has more than tripled over the past ten years.

Sources: FVCA, EDC, Repornedia, Vigot, FiBAN, Finnvera, HBH Investor Services, Nasdaq Helsinki, Business Finland, public databases.
Strong Q4

46 M€ in total invested into Finnish companies during the last quarter of 2017.

Q4/2017 the most active last quarter since 2009.

Sources: FVCA, EDC
ICT is attractive

Over 50% of the investments were made in ICT companies in 2017

ICT domain includes e.g. software, applications, communications and computer technology and electronics

Sources: FVCA, EDC
Active foreign investors

The trend of foreign VCs actively investing in Finnish startups and early-stage growth companies continues to be strong.

Sources: FVCA, EDC
Private sector funding

107 M€
invested in total by Finnish and foreign VCs into Finnish companies

Seed fund Vera’s management was transferred from public sector to private in 2016

Sources: FVCA, EDC
Selectivity

A significant number of Finnish portfolio companies received a foreign investment.

VCs are ever more selective when selecting future top companies.

Sources: FVCA, EDC
Divestments
Divestments

A few good quality exits seen in 2017

Many promising portfolio companies currently developing in Finland, that have been able to raise substantial follow-on financing rounds

Sources: FVCA, EDC
**Divestments**

**Over 40%** of divestments done through trade sales

Some notable exits in 2017:
- Beddit
- OptoFidelity
- Visedo

Sources: FVCA, EDC
Methodology
The following national private equity associations are cooperating with EDC

AFIC, France
AIFI, Italy
ASCRI, Spain
BVA, Belgium
BVCA, United Kingdom
BVK, Germany
CVCA, Czech Republic
DVCA, Denmark
FVCA, Finland
NVP, Netherlands
PSIK, Poland
SECA, Switzerland
SEEPEA, Romania and Bulgaria
SVCA, Sweden
Invest Europe, Europe

The statistics describing the Finnish private equity industry are based on information received from European Data Cooperative (EDC) private equity database

• A fully functional, centralised non-commercial pan-European private equity database
• With its own staff, internal resources and webpage
• Information is collected via an online survey and complemented with public sources of information
• Figures are updated continuously and are therefore subject to change

Note: The statistics include only PE firms’ (including evergreens and captives) investments. Syndicate and direct investments made by several other investors, e.g. LP co-investors, individuals, entrepreneurs, business angels, management, corporates, funds-of-funds, other asset managers and/or financial institutions, are not included in FVCA’s statistics. However, they may form a notable part of the venture market. Additionally, growth investments’ classification to buyout investments affects the venture statistics.
Investment and divestment statistics are aggregated via two methods – industry statistics and market statistics.

Industry statistics
- By country of private equity firm’s office
- Here: Domestic and foreign investments/divestments made by the Finnish offices of private equity firms

Market statistics
- By the location of the portfolio company
- Here: Investments/divestments in/from Finnish portfolio companies made by domestic and foreign private equity firms

Note: The aggregated figures may not always sum up to totals due to rounding. Some graphs exclude variables labelled as ‘unspecified’.

Please ask Finnish Venture Capital Association (FVCA) for more information about the methodology.
### Definitions

<table>
<thead>
<tr>
<th>VENTURE</th>
<th>Seed</th>
<th>Seed</th>
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<tbody>
<tr>
<td>Investments in companies in</td>
<td></td>
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<tr>
<td>their early development</td>
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<tr>
<td>stage</td>
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<tr>
<td>Start-up</td>
<td>Start-up, Other early stage</td>
<td></td>
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<tr>
<td>Later stage venture</td>
<td>Early growth, Transition stage</td>
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</tbody>
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<tr>
<th>BUYOUT</th>
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<tbody>
<tr>
<td>Growth</td>
<td>Later growth</td>
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<td>Rescue/Turnaround</td>
<td>Rescue/Turnaround</td>
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<td>Replacement capital</td>
<td>Secondary purchase/Replacement capital,</td>
<td>Refinancing bank debt</td>
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<td></td>
<td>Management buyout (MBO), Management</td>
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<tr>
<td></td>
<td>buy-in (MBI), Public to private, Other</td>
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<tr>
<td></td>
<td>PIPE, Other leverage buyout</td>
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