

2017 Finnish Private Equity Activity

Venture Capital

Statistics on fundraising, investments and divestments



Presentation as of 5.4.2018

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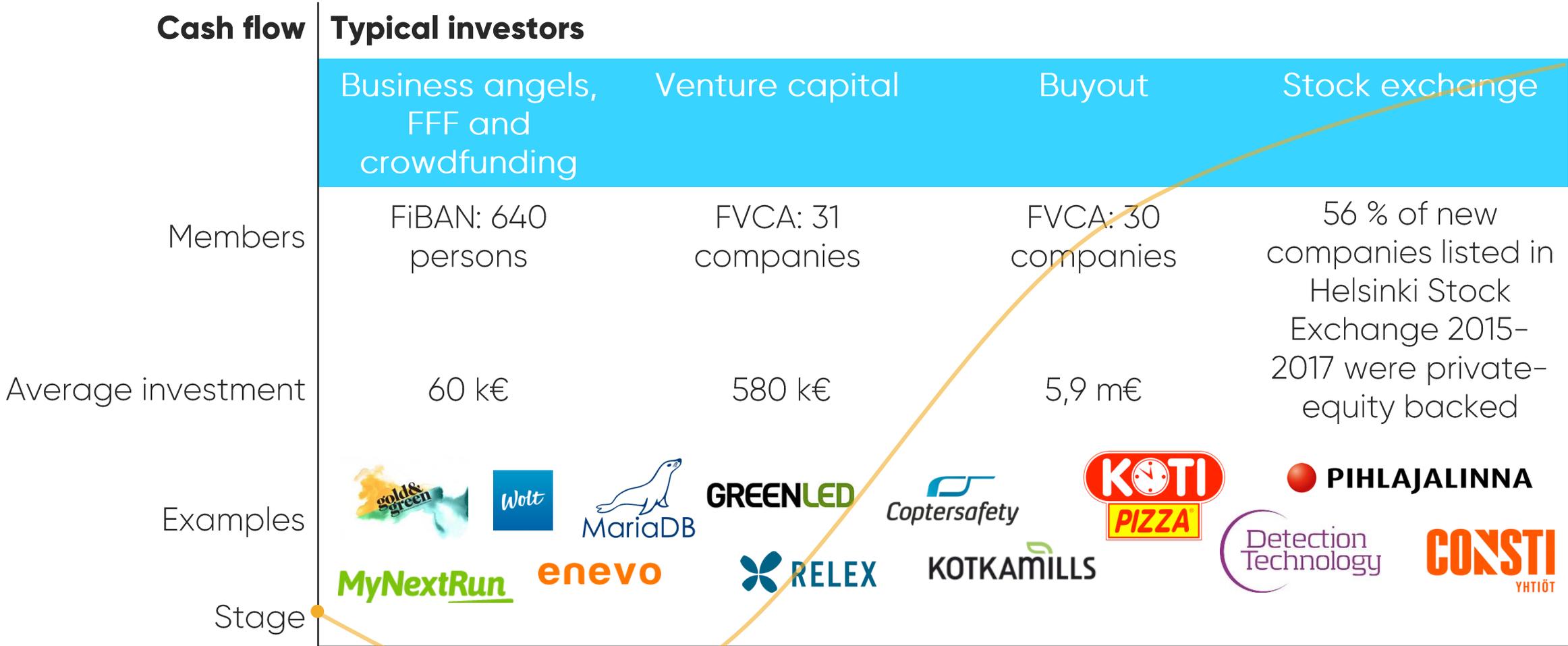
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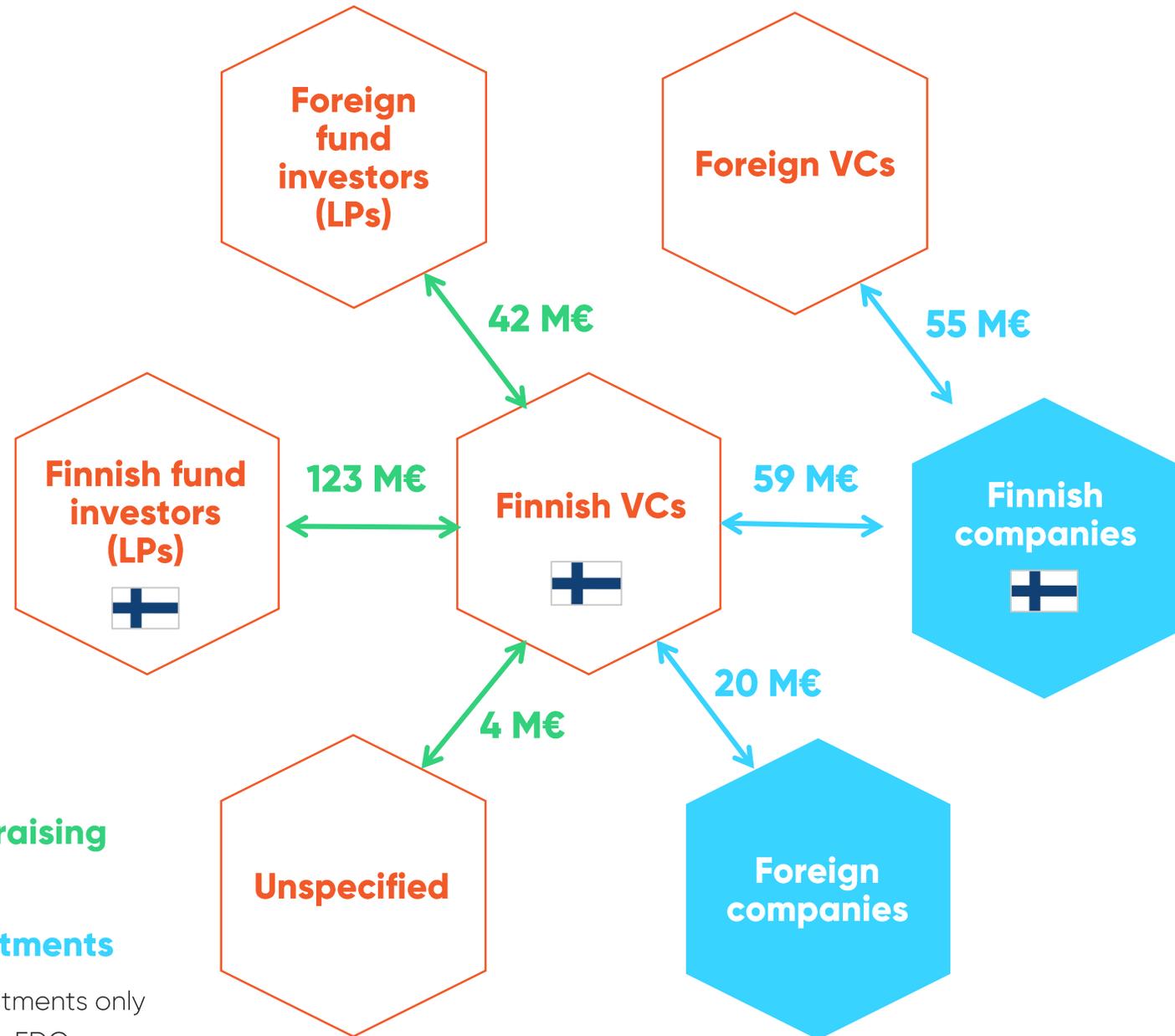
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Private equity investors by stage



Venture Capital 2017

Venture Capital 2017



 Fundraising

 Investments

Note: VC investments only

Sources: FVCA, EDC

Venture Capital 2017

Statistics in brief

- 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 %).

Industry statistics

Finnish VC activity in Finland and abroad

Venture capital funds



Fundraising

Fundraising

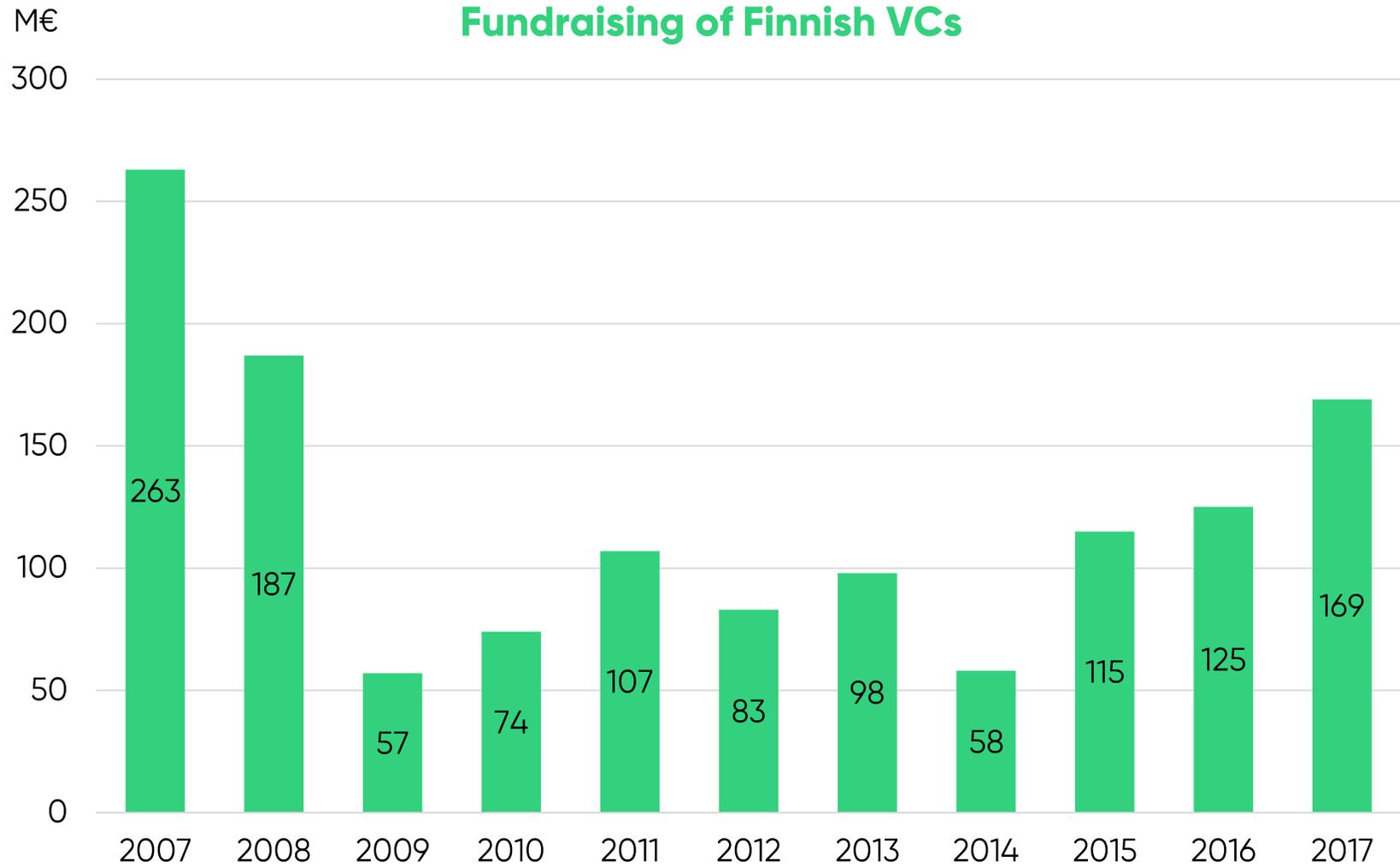
Fundraising continued to be active with a number of new Finnish VC funds raised

135 M€

Inventure raised the largest ever early stage fund in Finland

417 M€

Total capital available for VC investments



Sources: FVCA, EDC

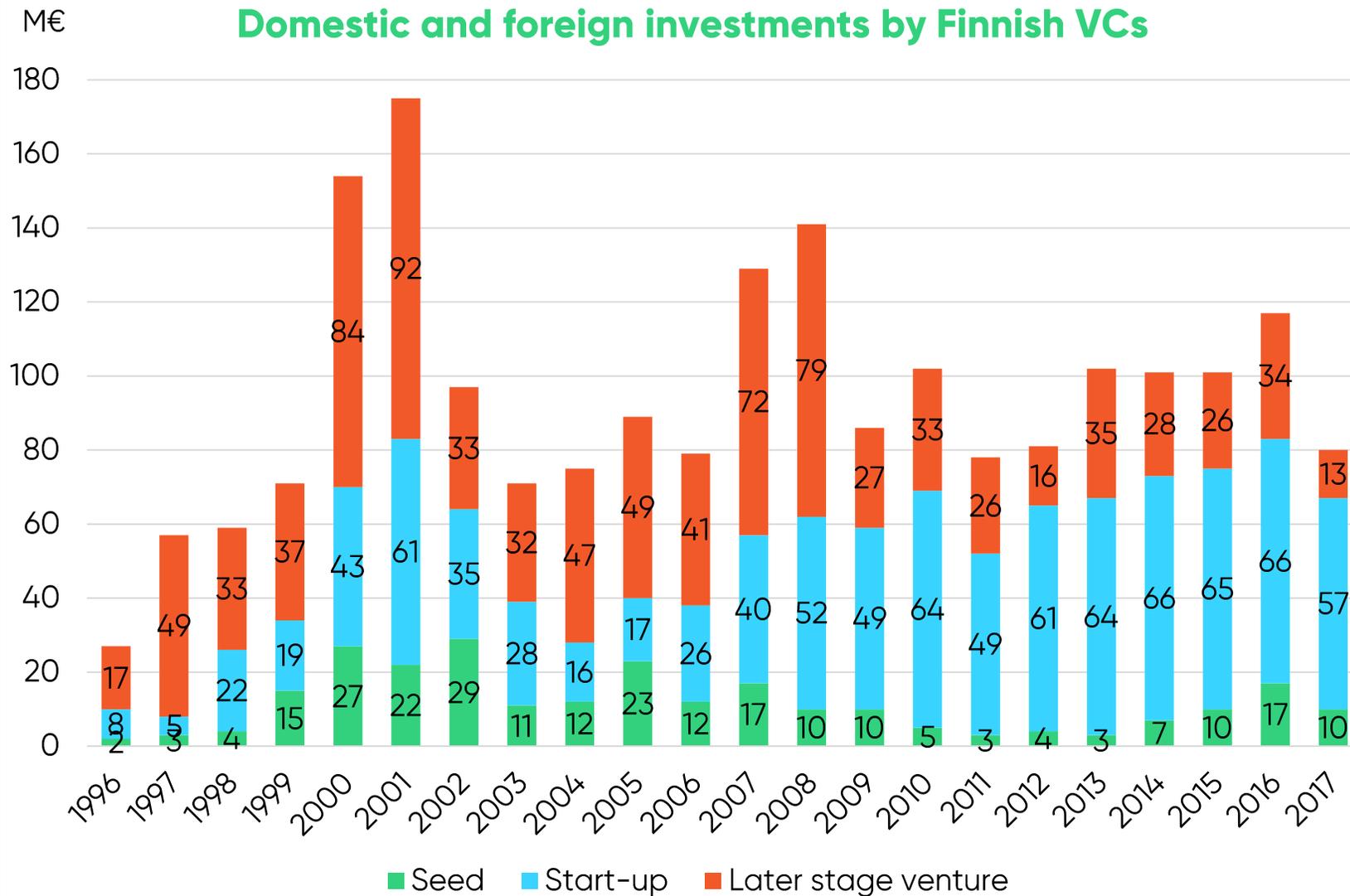
Investments

Investments

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

Public sector's direct investments decreased significantly in 2017

Domestic and foreign investments by Finnish VCs



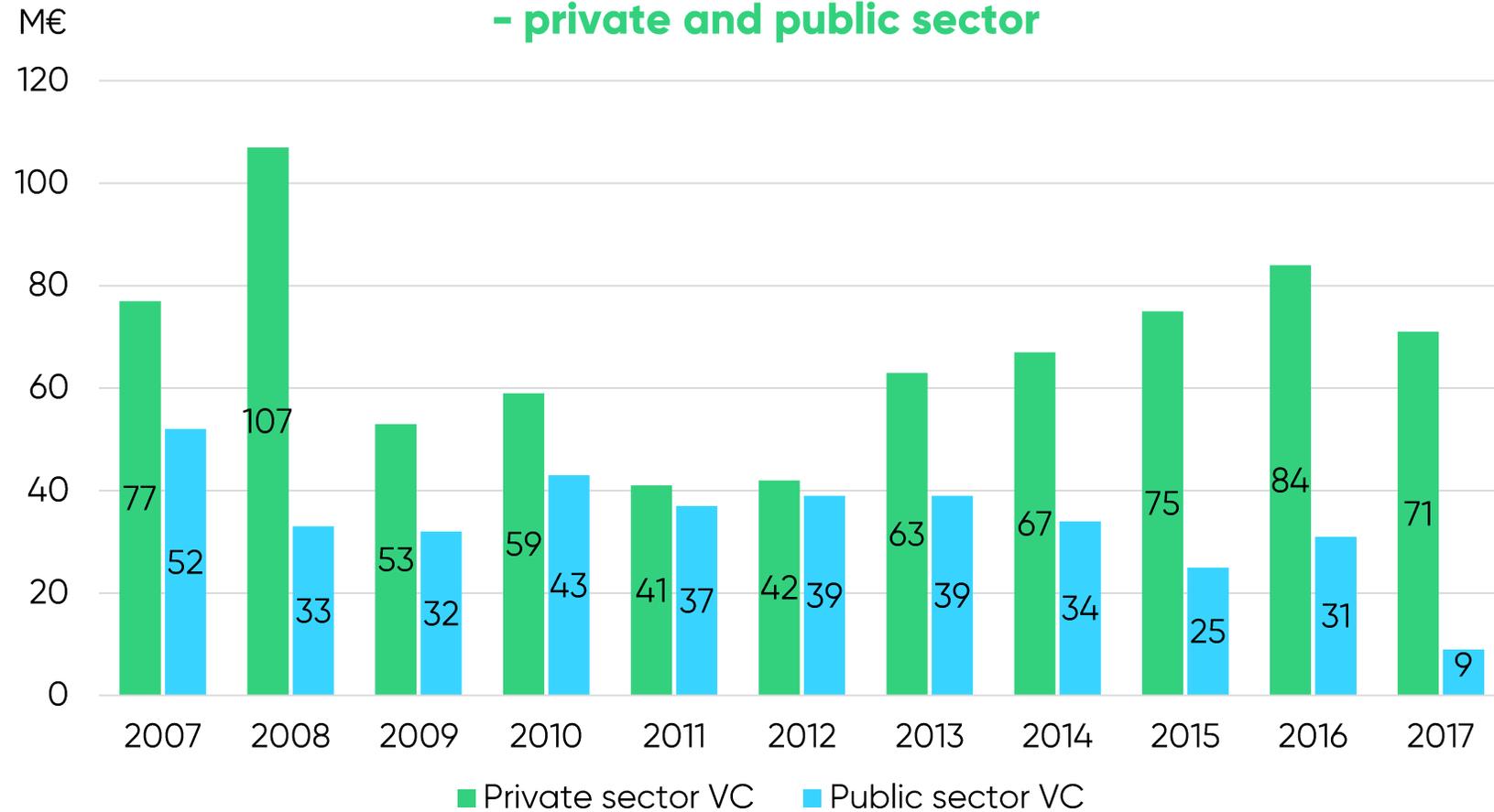
Sources: FVCA, EDC

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

Domestic and foreign investments by Finnish VCs - private and public sector



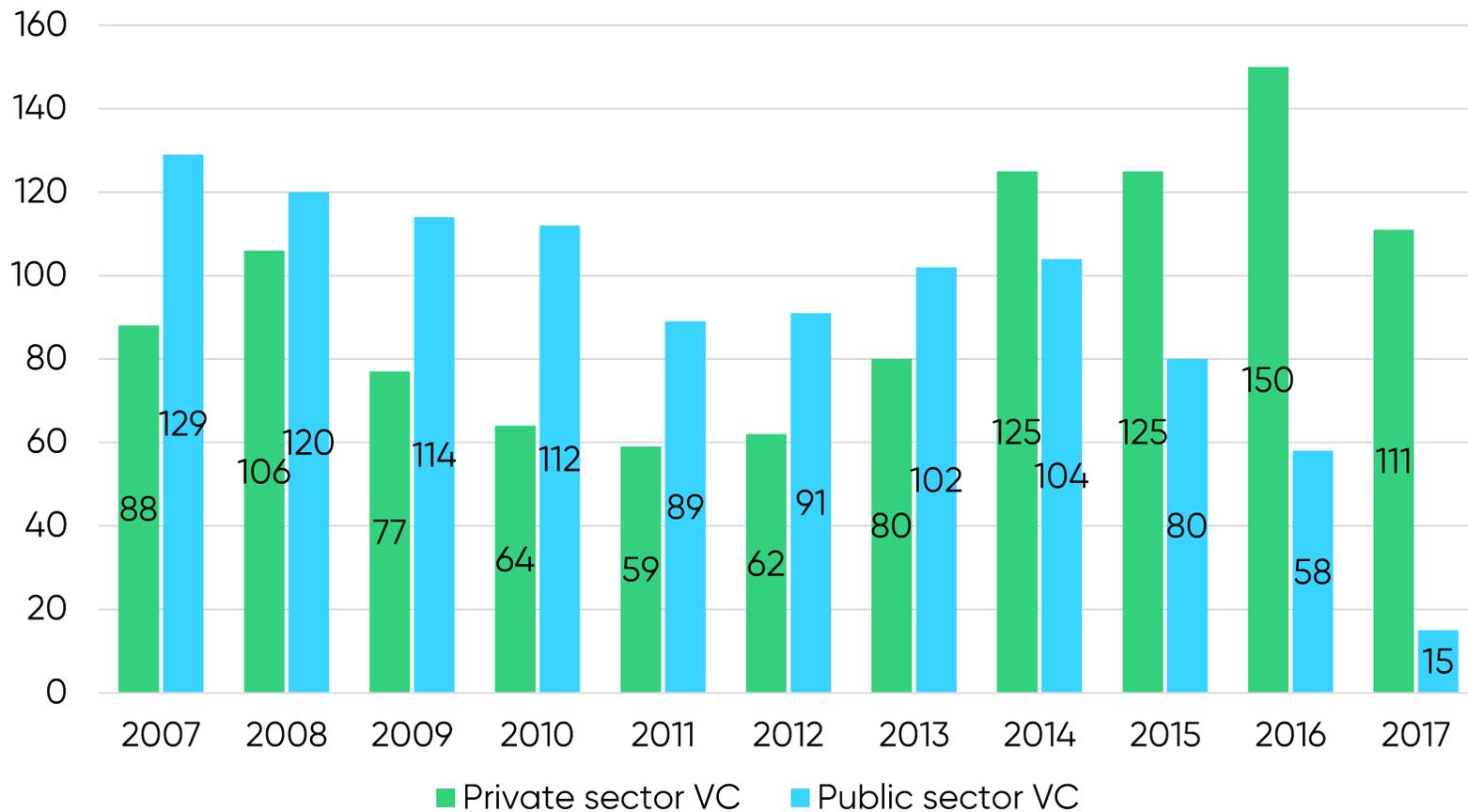
Private sector-driven market

The VC market is becoming more private sector -driven

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

Domestic and foreign investments by Finnish VCs - private and public sector

Nbr companies



Sources: FVCA, EDC

**Over 100 companies
a year**

100-200

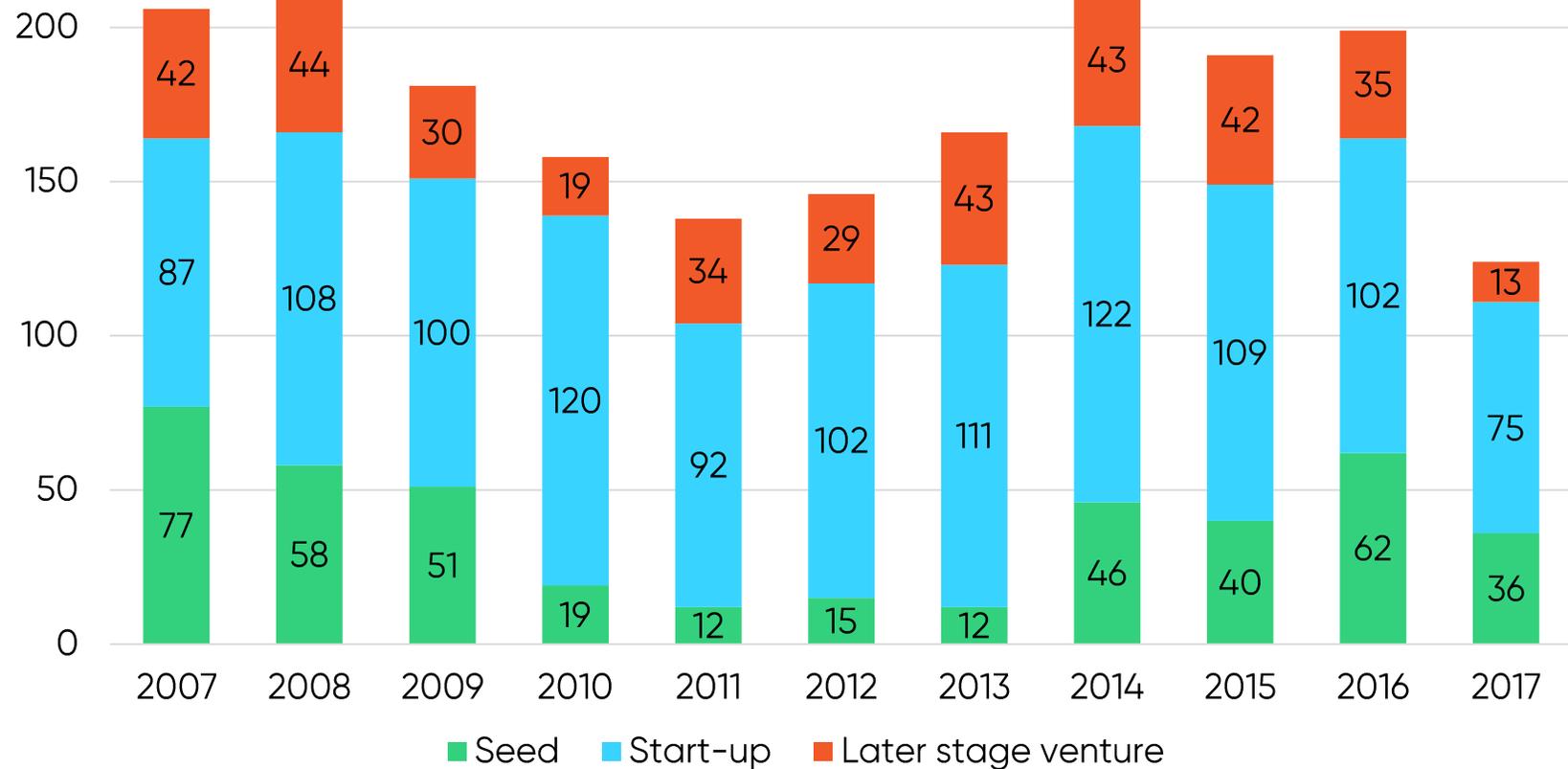
companies receive a VC
investment annually

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

Domestic and foreign investments by Finnish VCs - stage

Nbr companies

250

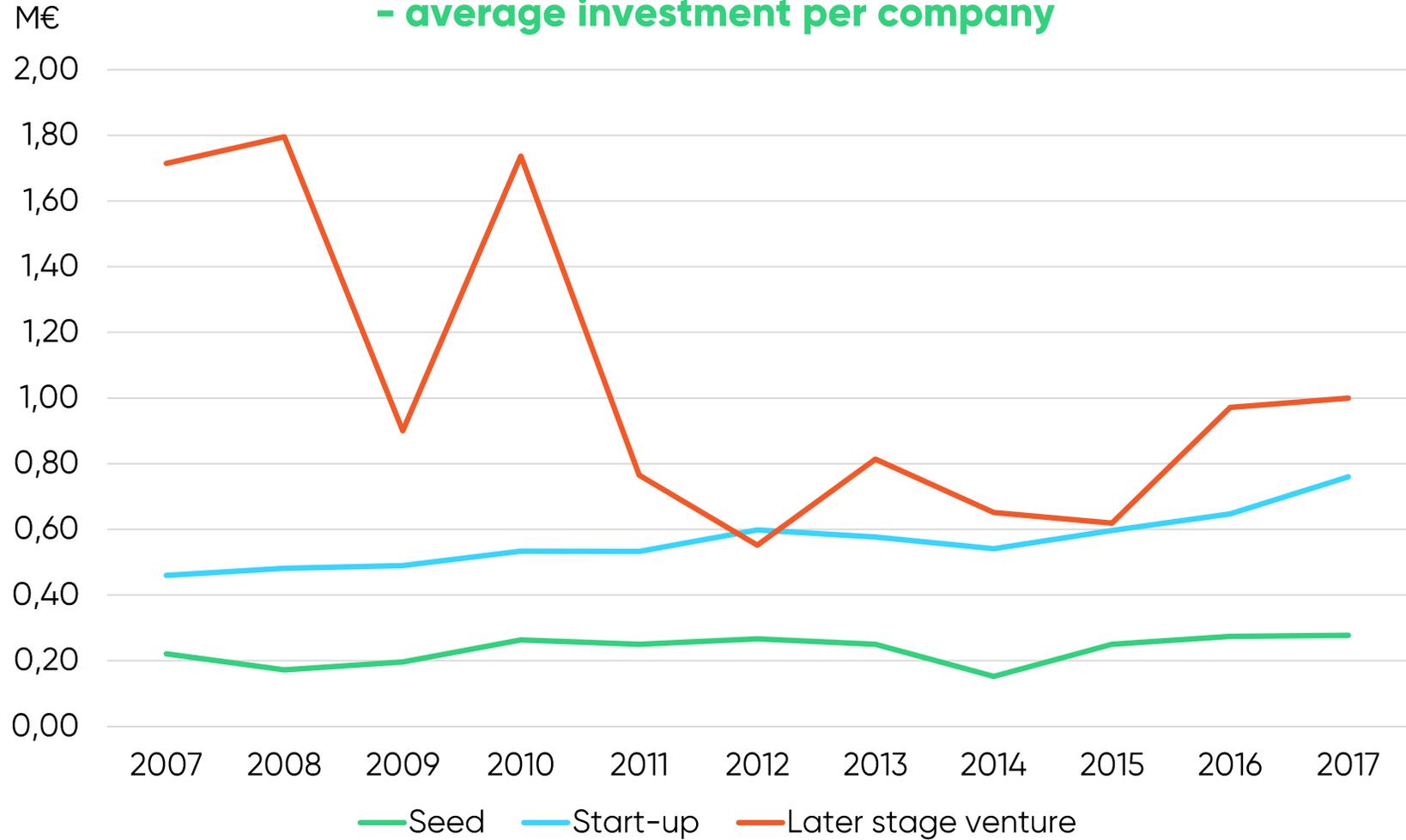


Sources: FVCA, EDC

**580 000 €
per company**

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

Domestic and foreign investments by Finnish VCs - average investment per company

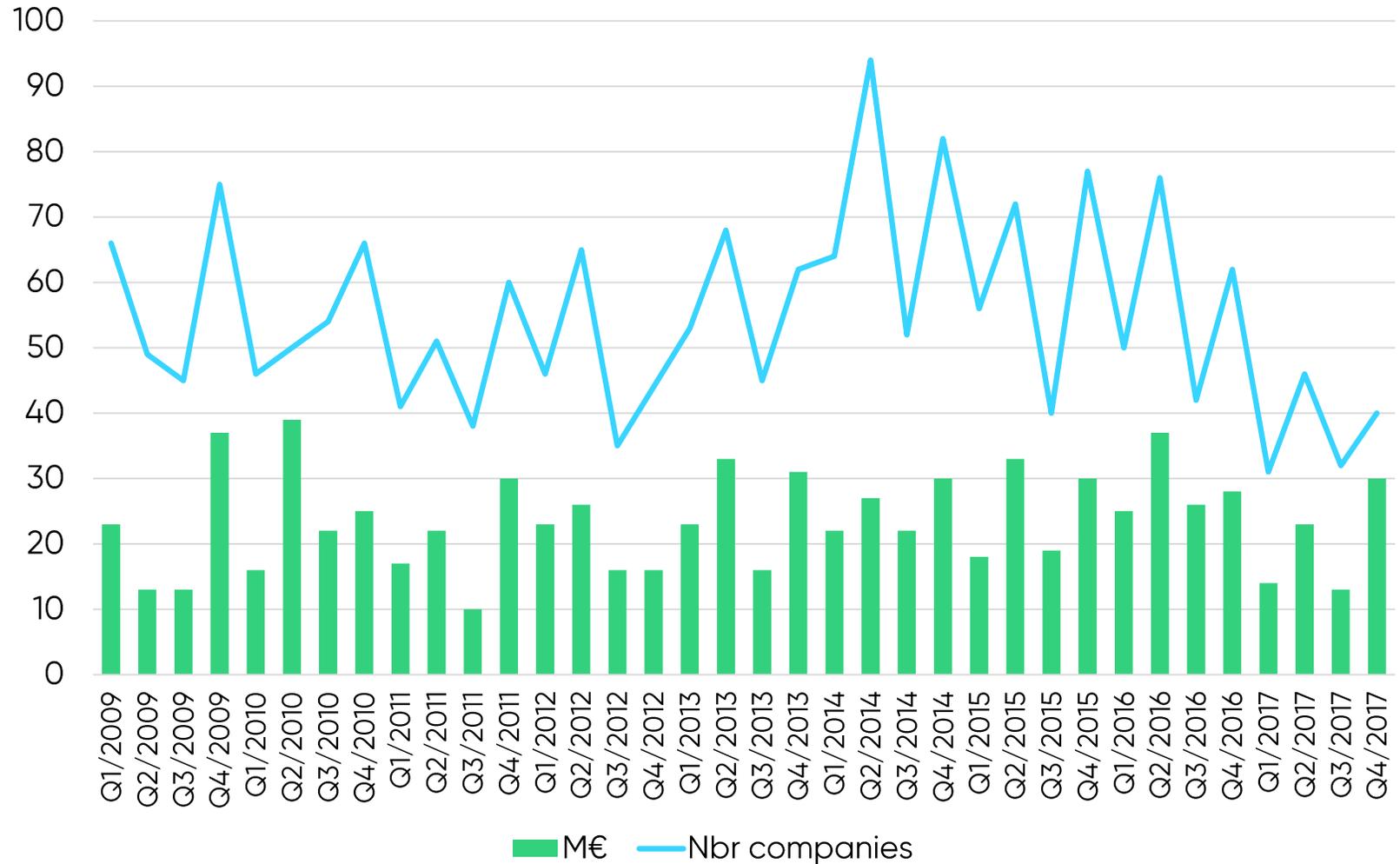


Strong Q4

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

Domestic and foreign investments by Finnish VCs - quarters

M€ / Nbr companies



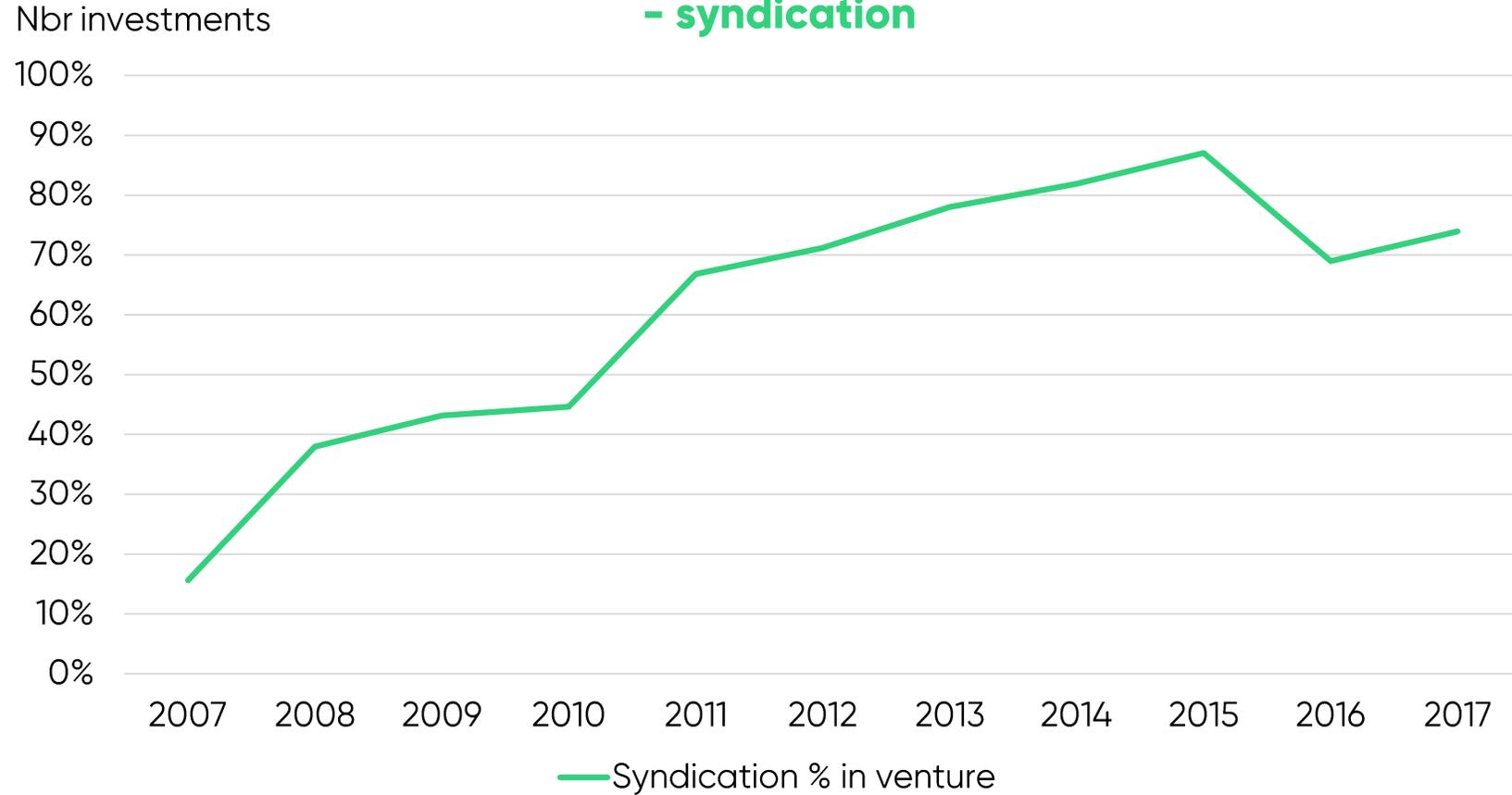
Syndication

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

Domestic and foreign investments by Finnish VCs - syndication

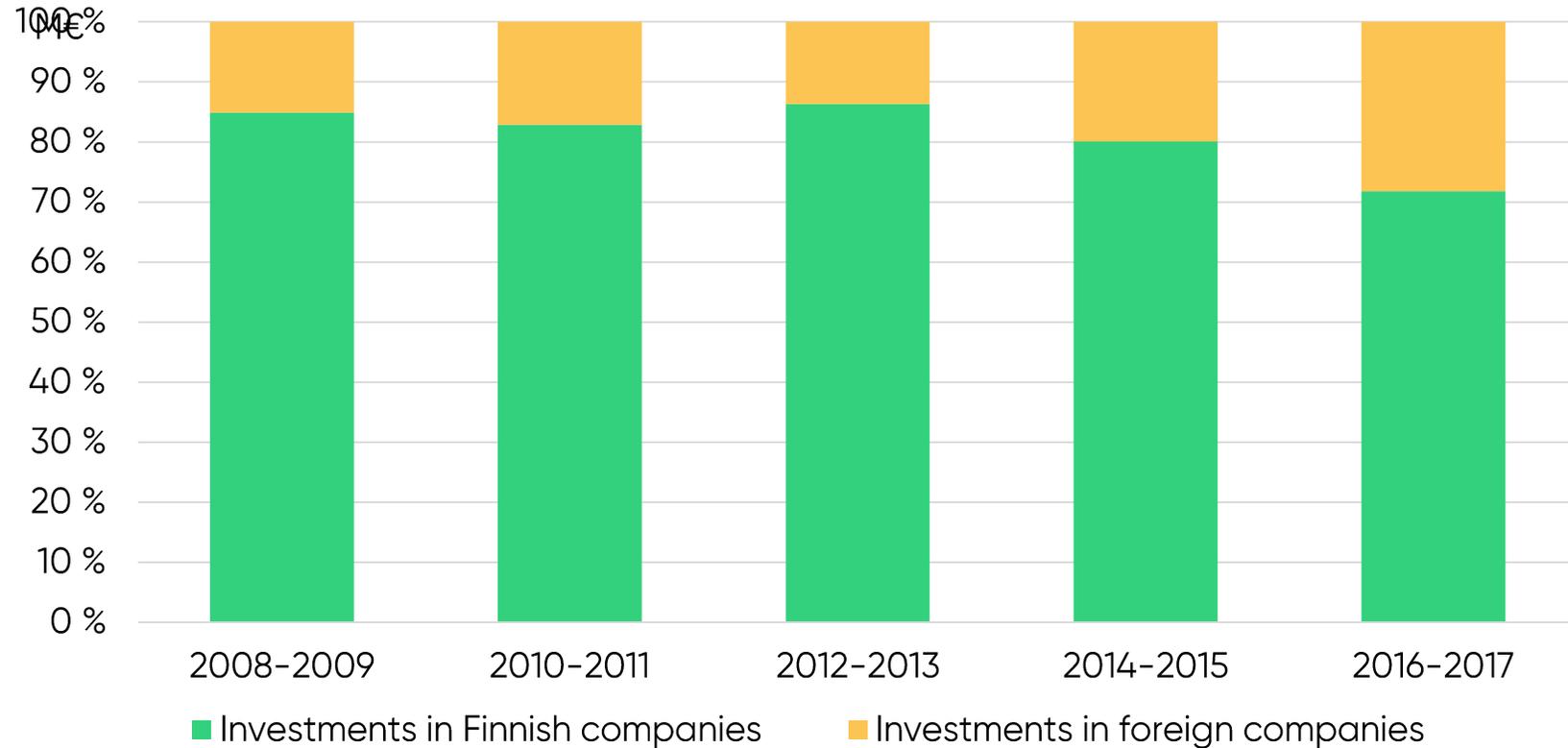


Sources: FVCA, EDC

Internationalization

Nearly 30 %
of investments are made
into foreign companies

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



Internationalization

55 M€, 59 companies

Finnish VCs' investments in total into foreign companies between 2016-2017

Domestic and foreign investments by Finnish VCs



Domestic and foreign investments by Finnish VCs



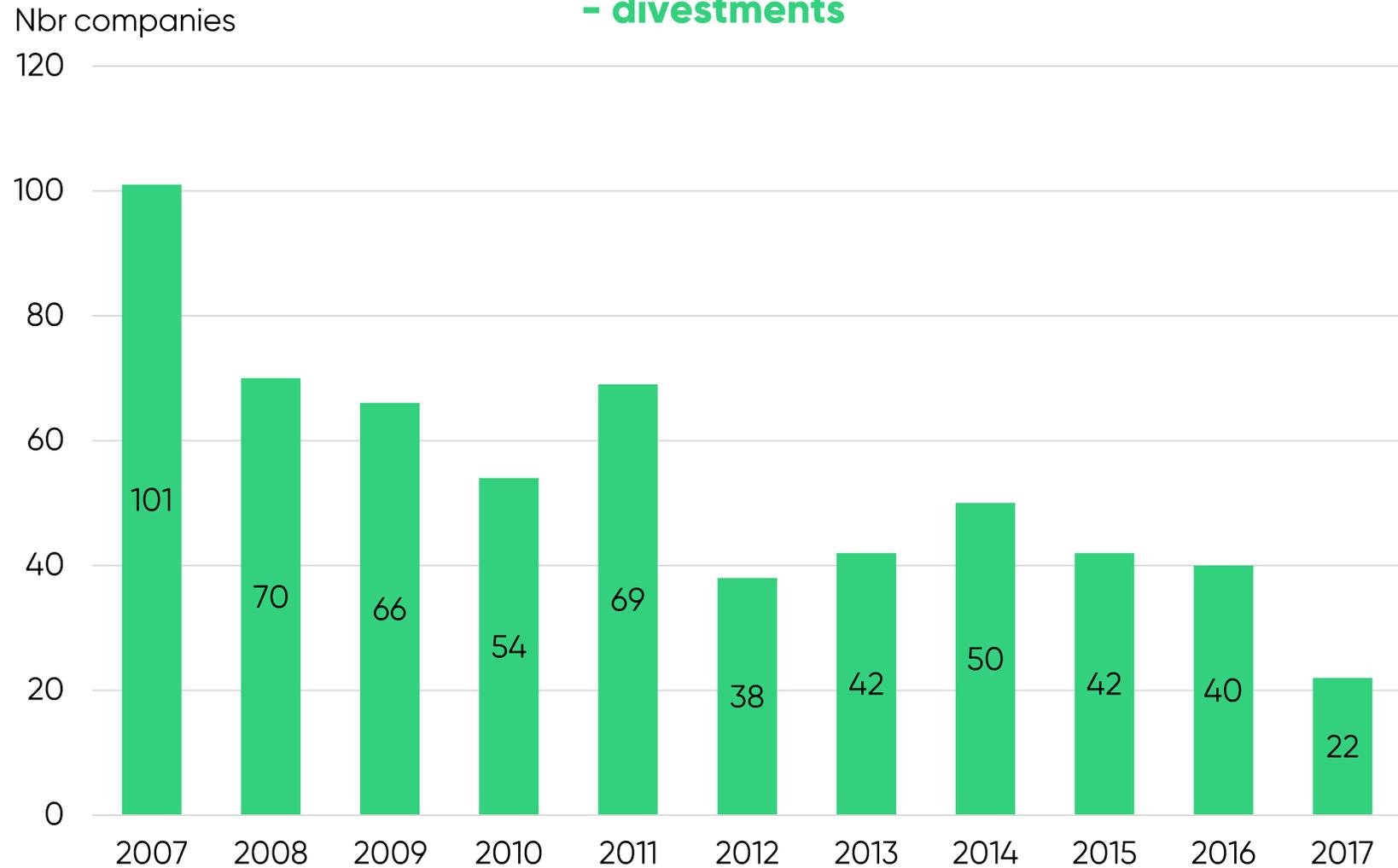
Divestments

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

Domestic and foreign divestments by Finnish VCs - divestments



Sources: FVCA, EDC

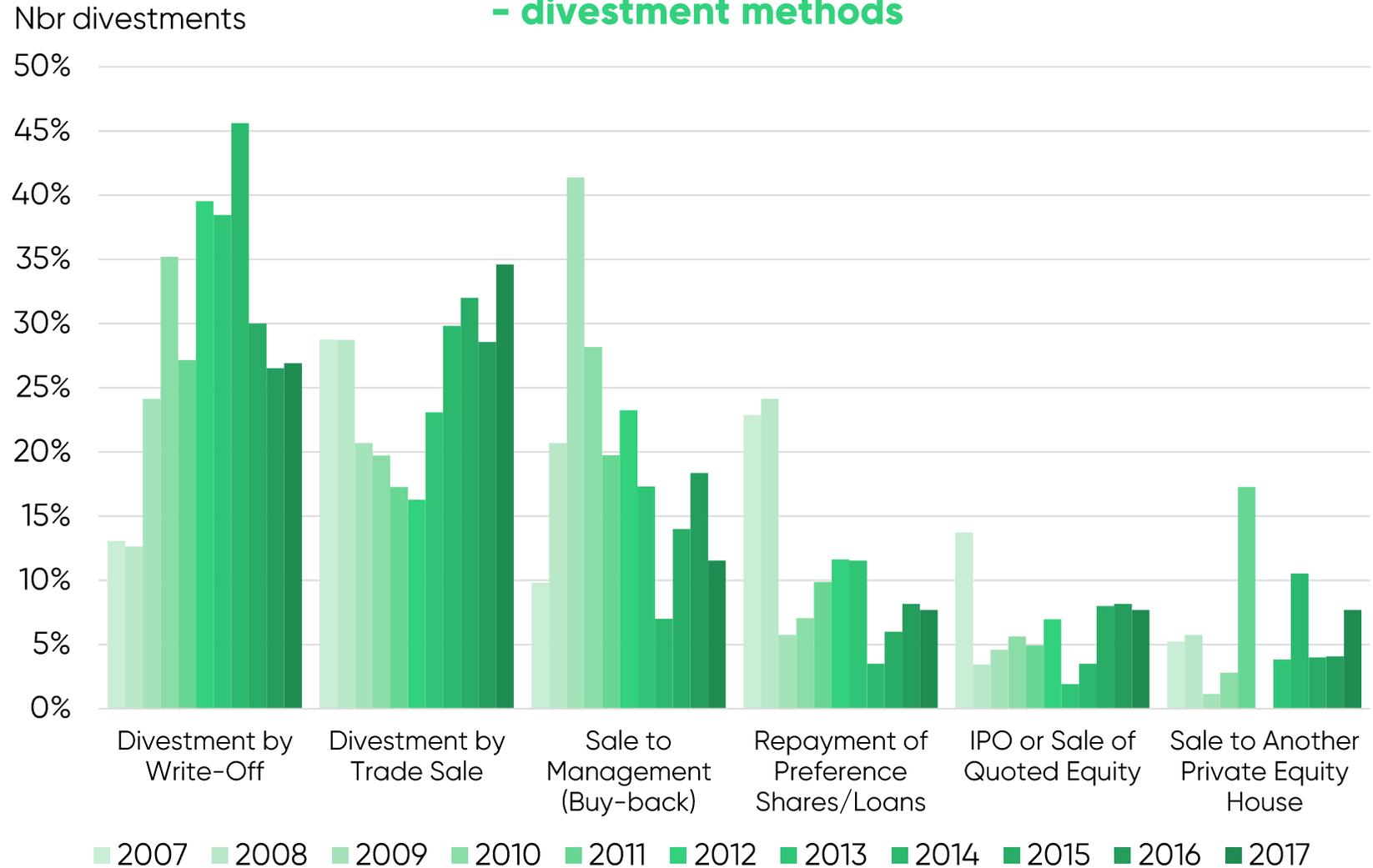
Divestments

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

Domestic and foreign divestments by Finnish VCs - divestment methods



Sources: FVCA, EDC

Market statistics

Domestic and foreign investors' investments into Finnish startups and growth companies

Venture capital funds



Pääomasijoittajat
Finnish Venture Capital Association

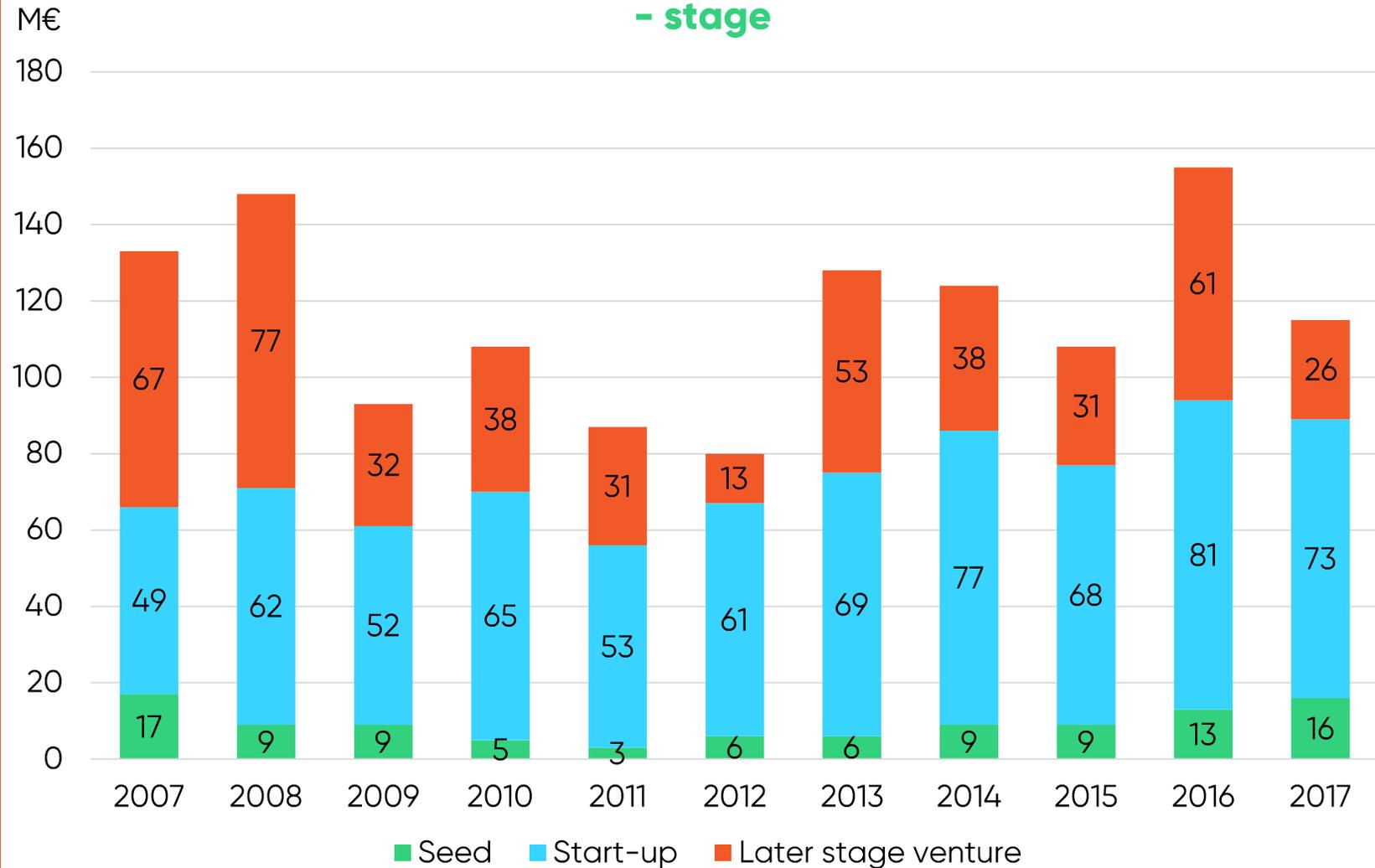
Funding

Over
100 M€ annually

Finnish startups and early
stage growth companies
attract VC funding

The fastest growing stage in
Finland is the seed stage

Domestic and foreign VC investments in Finnish companies - stage



Sources: FVCA, EDC

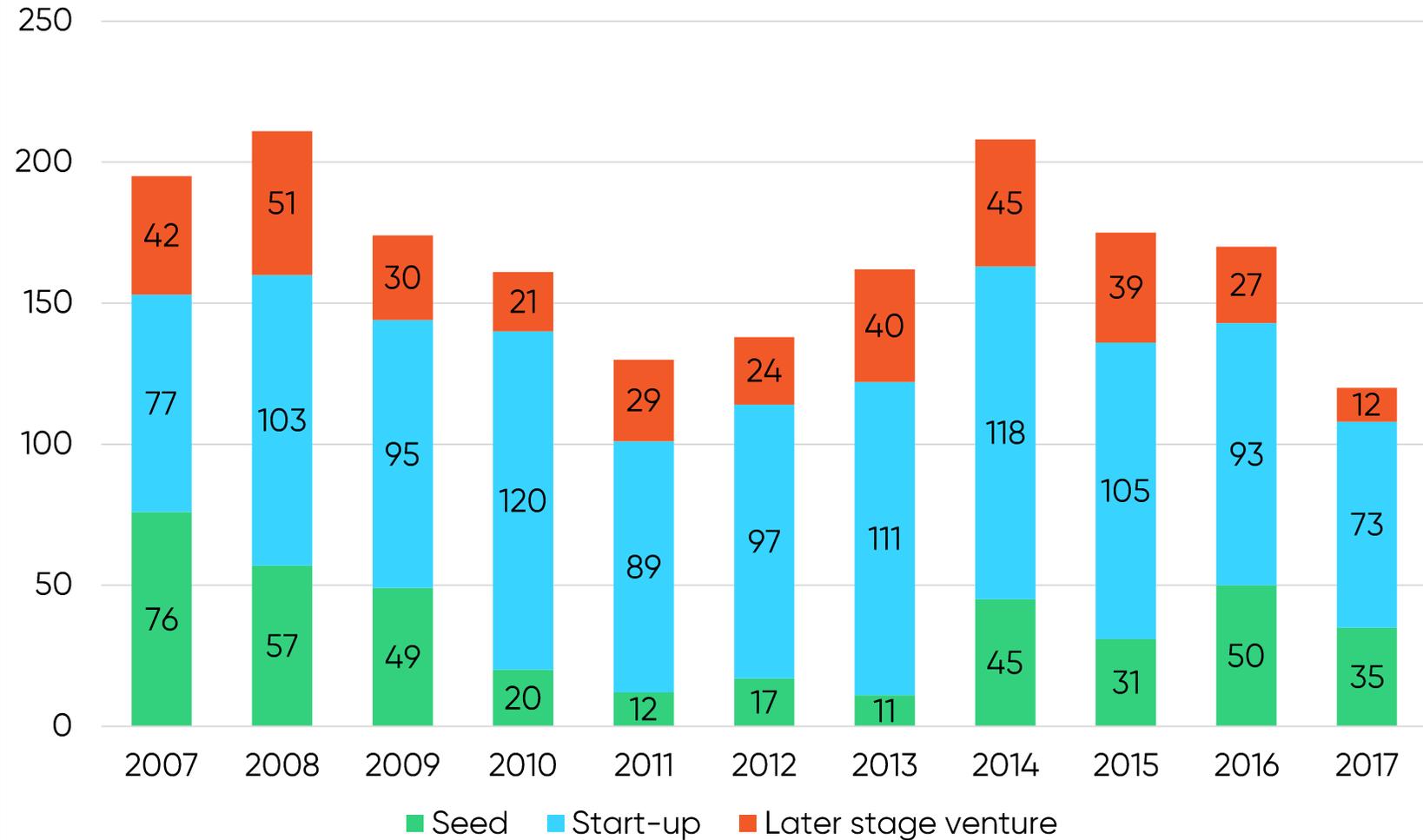
100–200 companies per year

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)

Domestic and foreign VC investments in Finnish companies - stage

Nbr companies

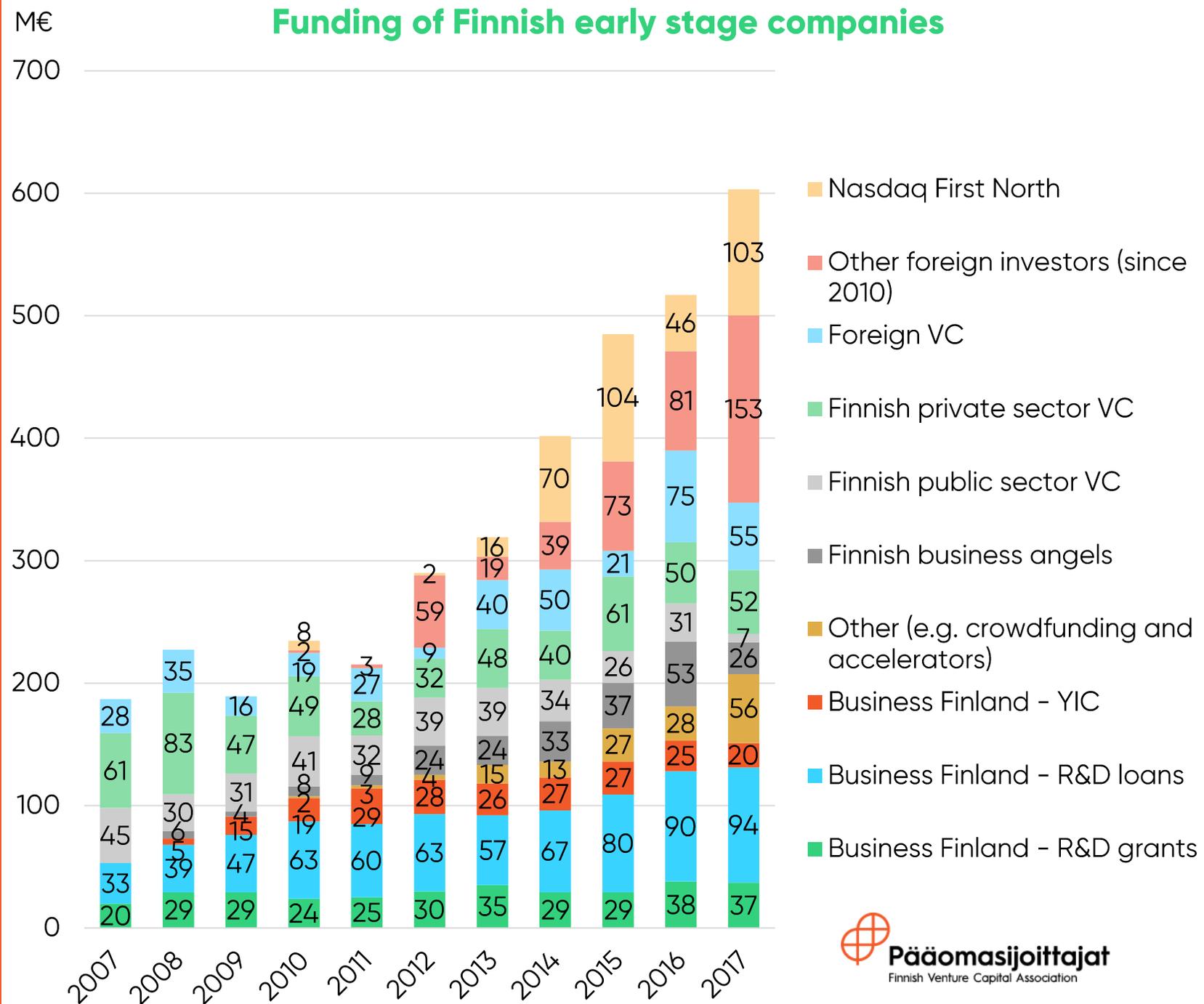


Sources: FVCA, EDC

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, Repomedia, Vigot, FiBAN, Finnvera, HBH Investor Services, Nasdaq Helsinki, Business Finland, public databases



Strong Q4

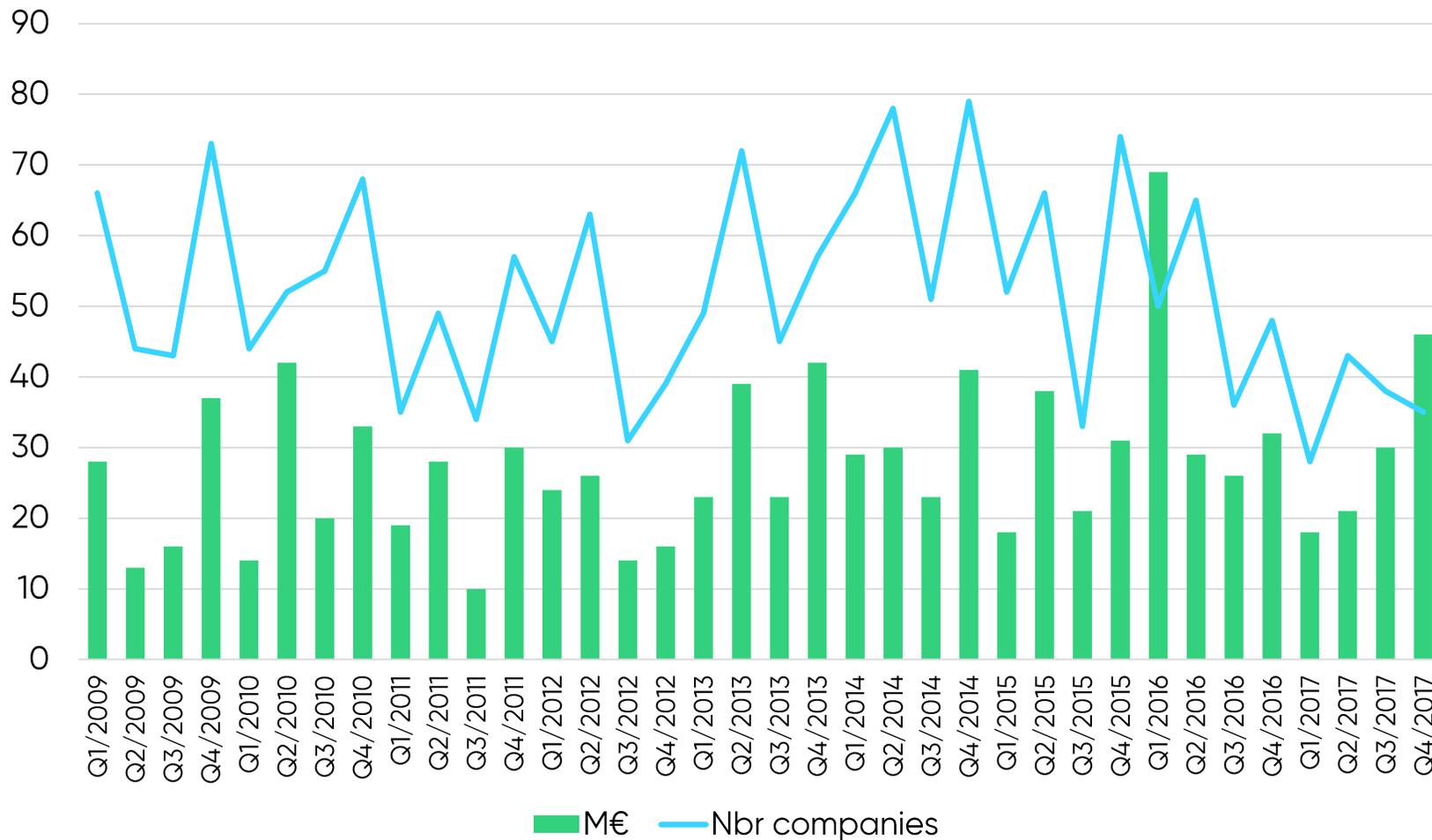
46 M€

in total invested into Finnish companies during the last quarter of 2017

Q4/2017 the most active last quarter since 2009.

Domestic and foreign VC investments in Finnish companies - quarters

M€ / Nbr companies



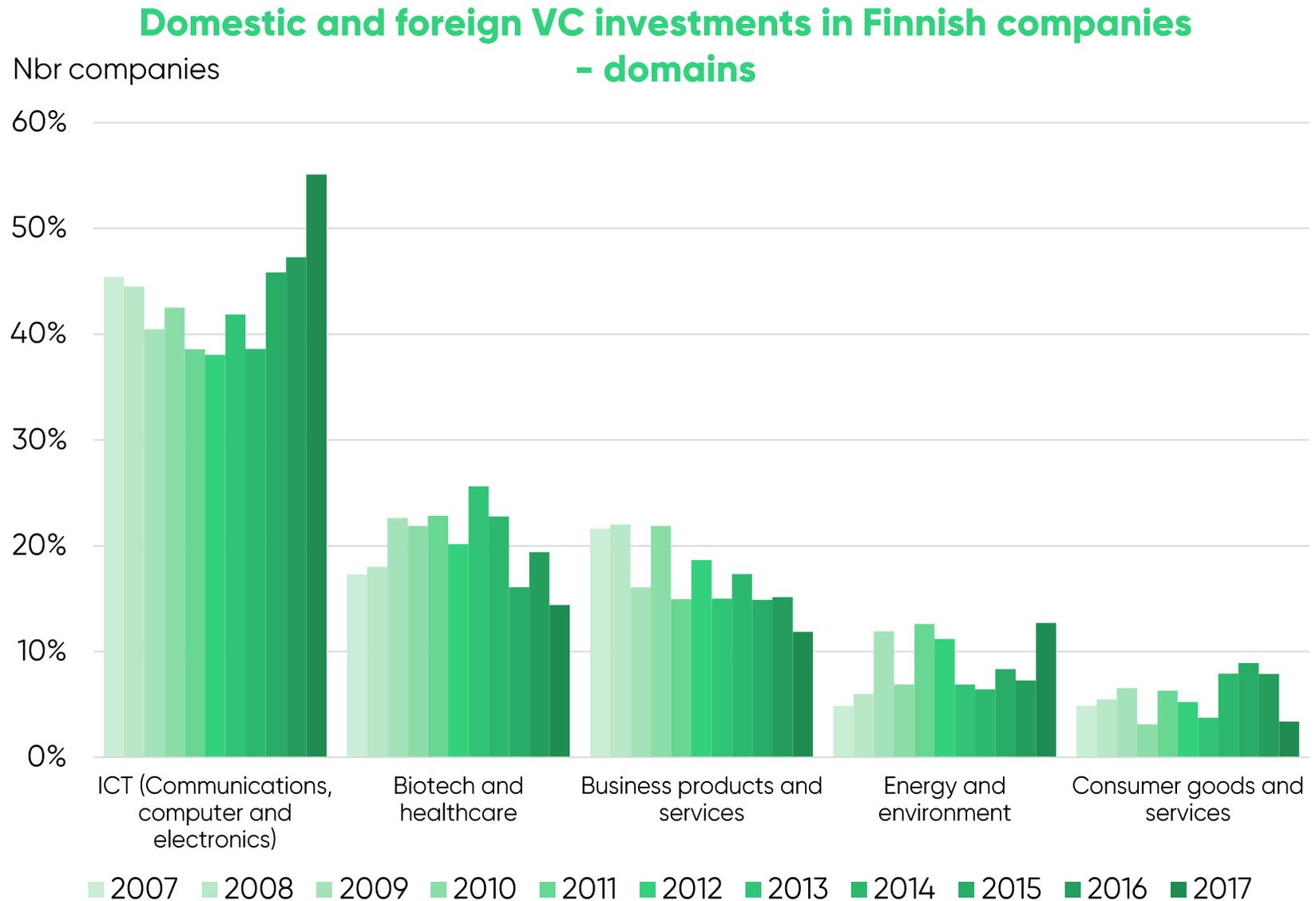
Sources: FVCA, EDC

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

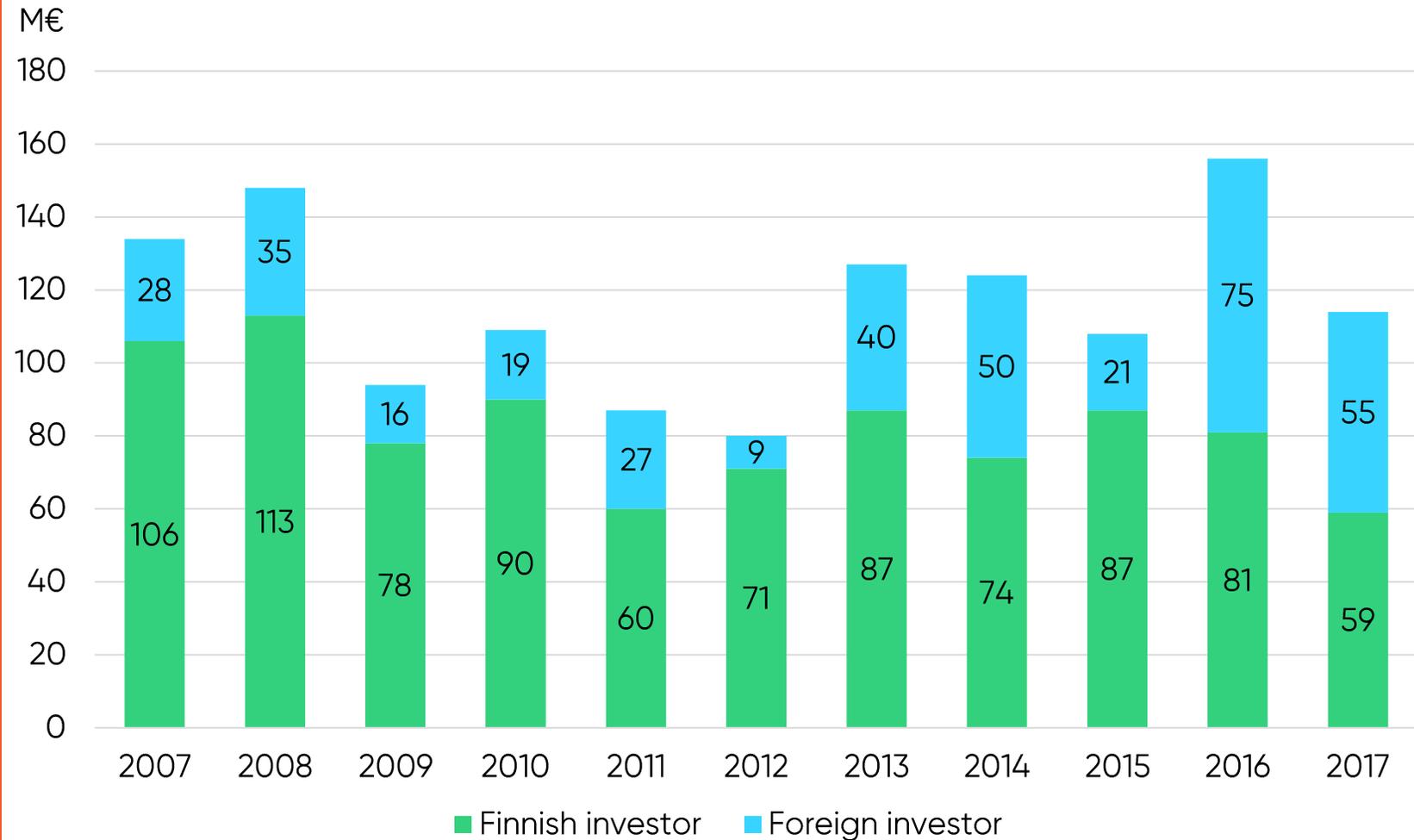


Sources: FVCA, EDC

Active foreign investors

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

Domestic and foreign VC investments in Finnish companies



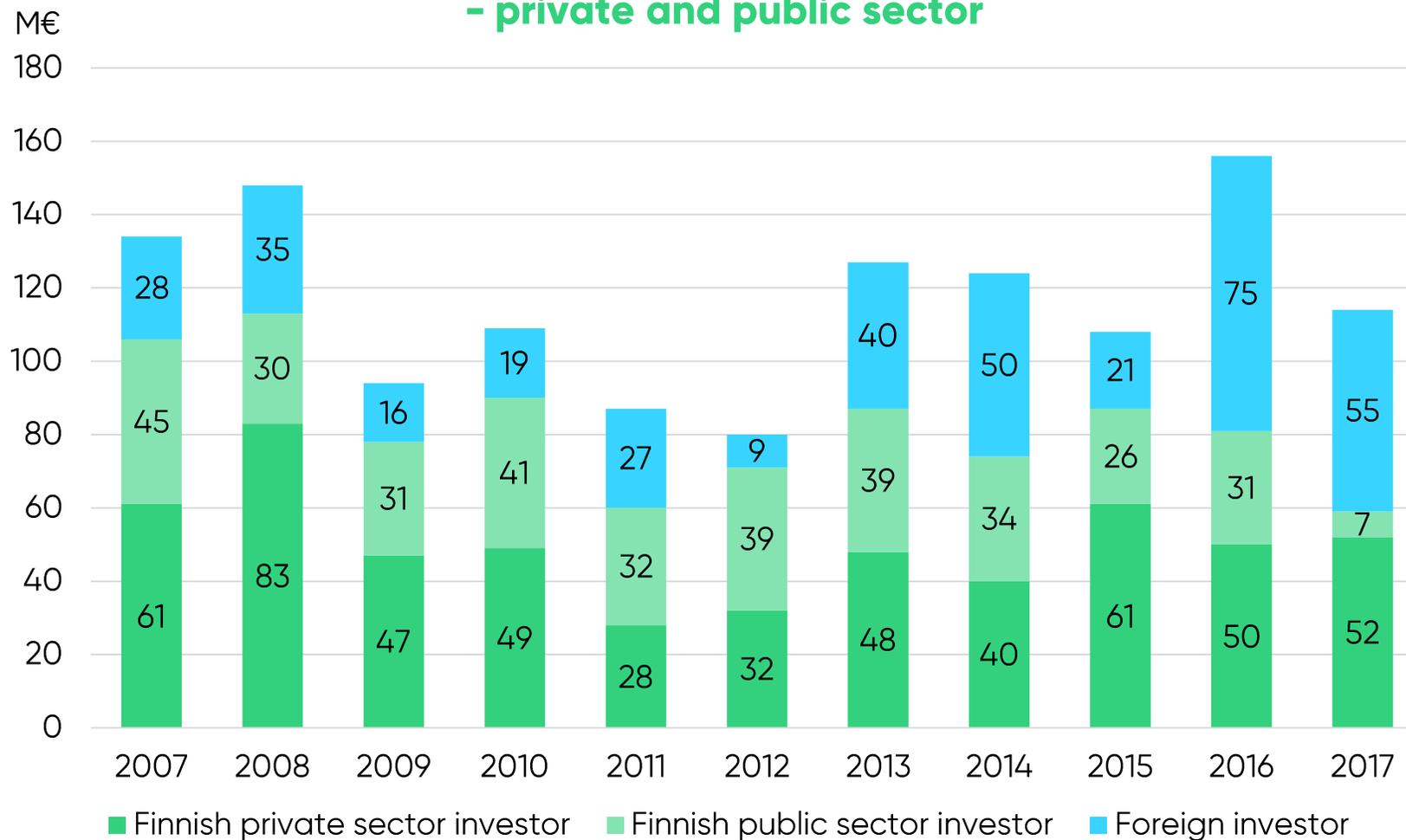
Private sector funding

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

Domestic and foreign VC investments in Finnish companies - private and public sector



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

Domestic and foreign VC investments in Finnish companies



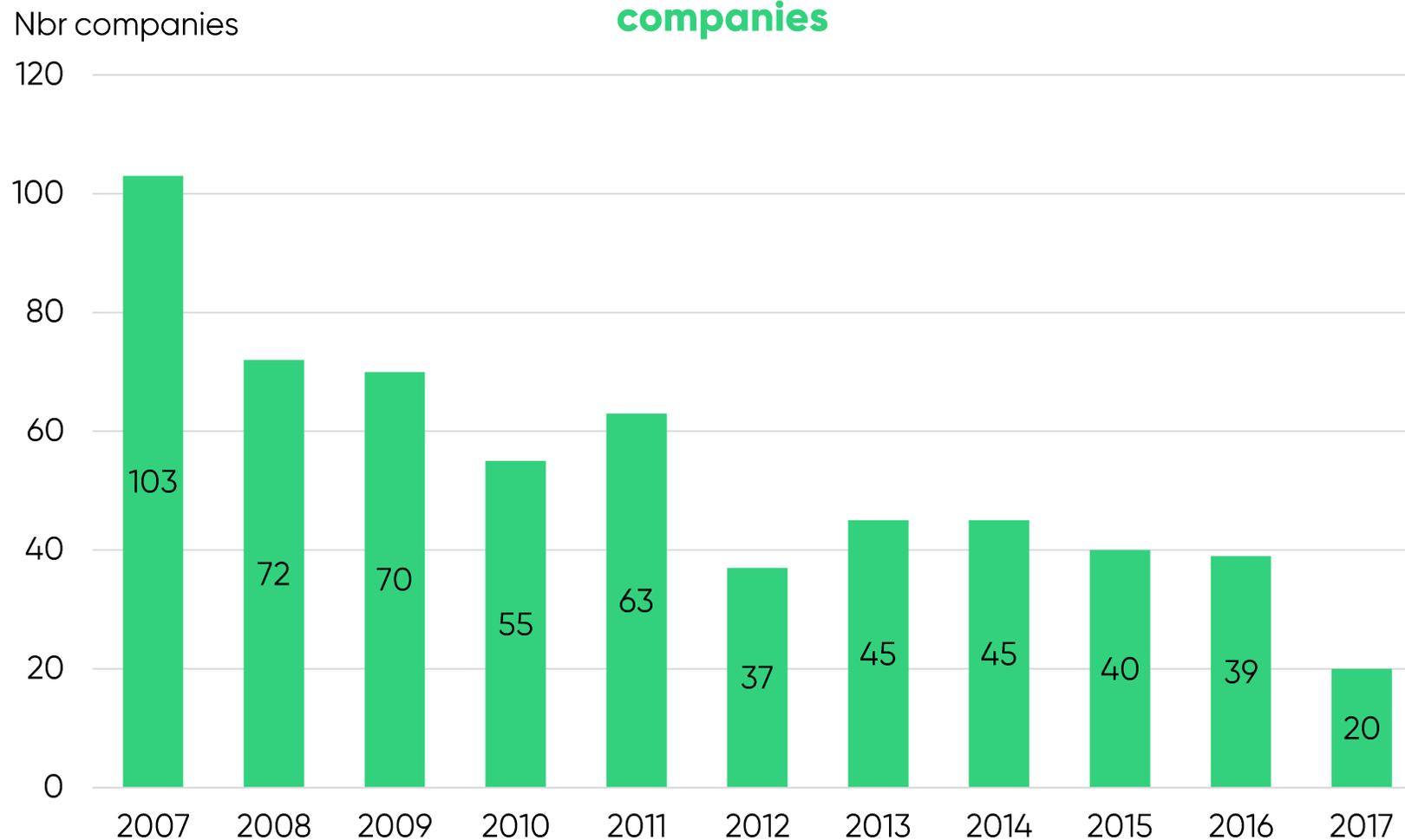
Divestments

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

Domestic and foreign VC divestments of Finnish companies



Sources: FVCA, EDC

Divestments

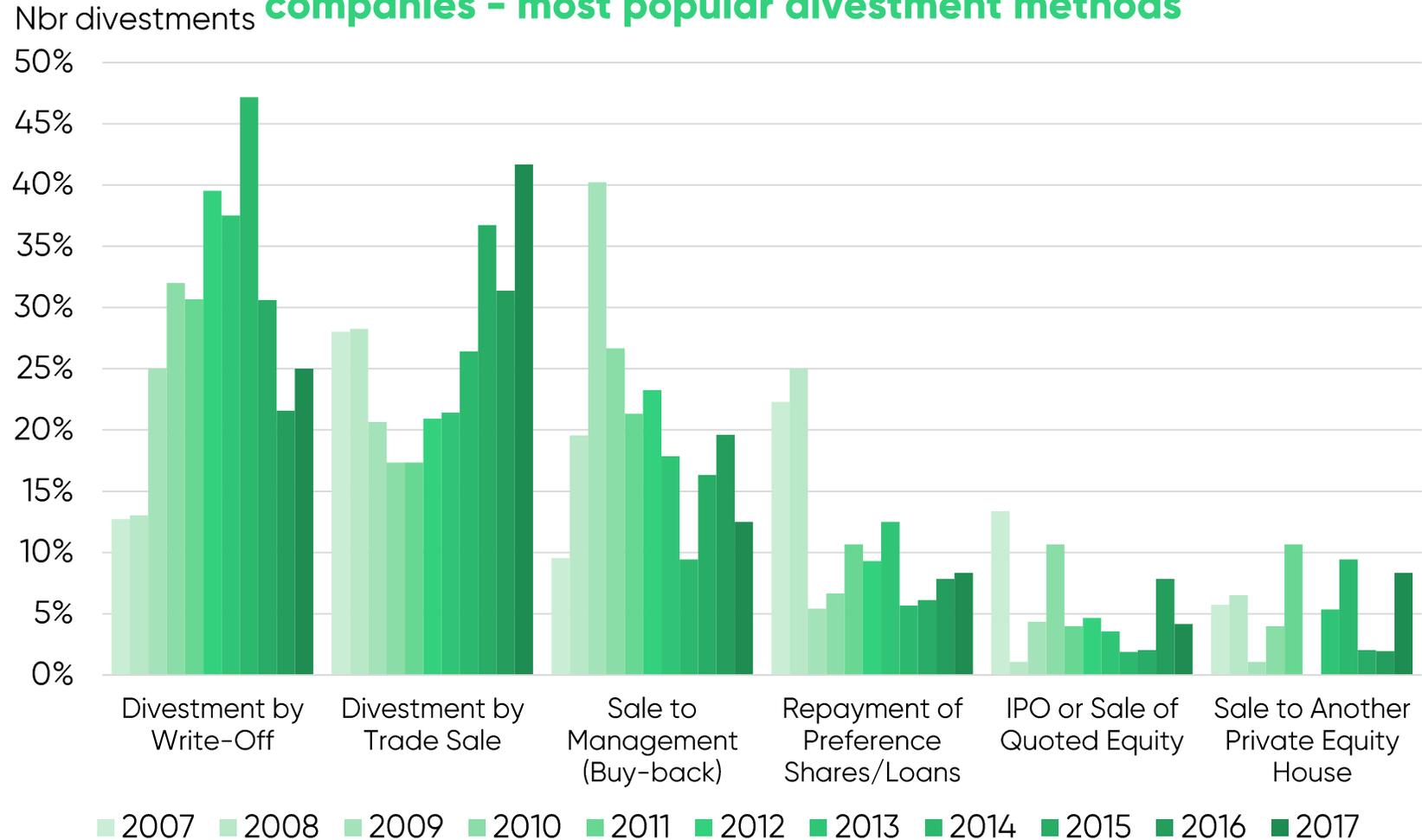
Over 40 %

of divestments done through trade sales

Some notable exits in 2017:

- Beddit
- OptoFidelity
- Visedo

Domestic and foreign VC divestments of Finnish companies - most popular divestment methods



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 webportal
- 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.

Methodology

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

VENTURE	Seed	Seed
Investments in companies in their early development stage	Start-up	Start-up, Other early stage
	Later stage venture	Early growth, Transition stage
BUYOUT	Growth	Later growth
A transaction financed by a mix of debt and equity, in which a business, a business unit or a company is acquired	Rescue/Turnaround	Rescue/Turnaround
	Replacement capital	Secondary purchase/Replacement capital, Refinancing bank debt
	Buyouts	Management buyout (MBO), Management buy-in (MBI), Public to private, Other PIPE, Other leverage buyout