

The Future World of Enterprise Finance

Hermann Hauser

London

13th October 2015

State of the Market

Positives

- IPOs are back – and delivering visibility and returns to VC investors
 - This pushes up M&A exit valuations which are also improving
- Exits are getting largerand more widely spread
 - Consumer internet and life sciences both strong
- Pricing still attractive
 - Particularly compared to US valuations
- Seed and Early Stage Funding becoming abundant,
 - the opportunity/challenge has moved to the later stage financings

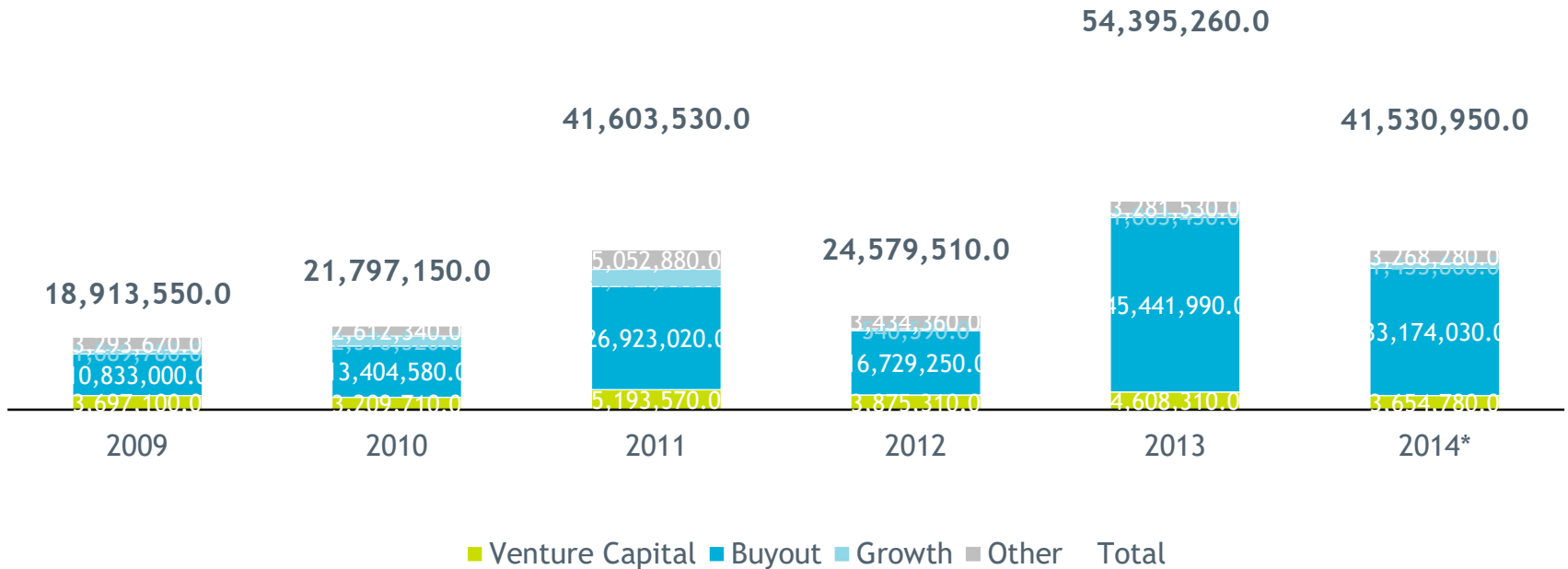
2014* - A stable year in a maturing industry



Source: EVCA / PEREP_Analytics; * preliminary

Overview - Fundraising

2009-2014* - for Europe in EUR billion

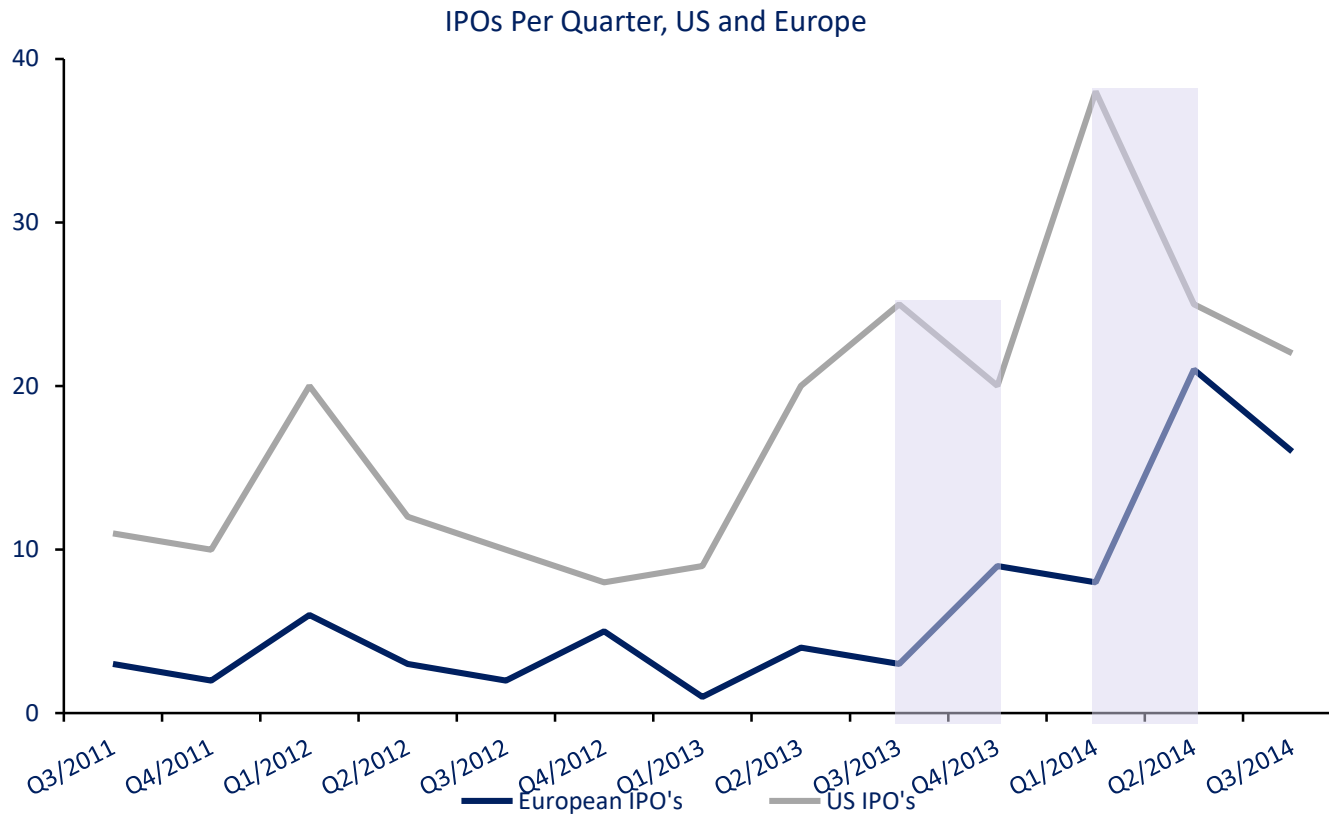


Source: EVCA / PEREP_Analytics; * preliminary



IPO Activity Increases in 2014

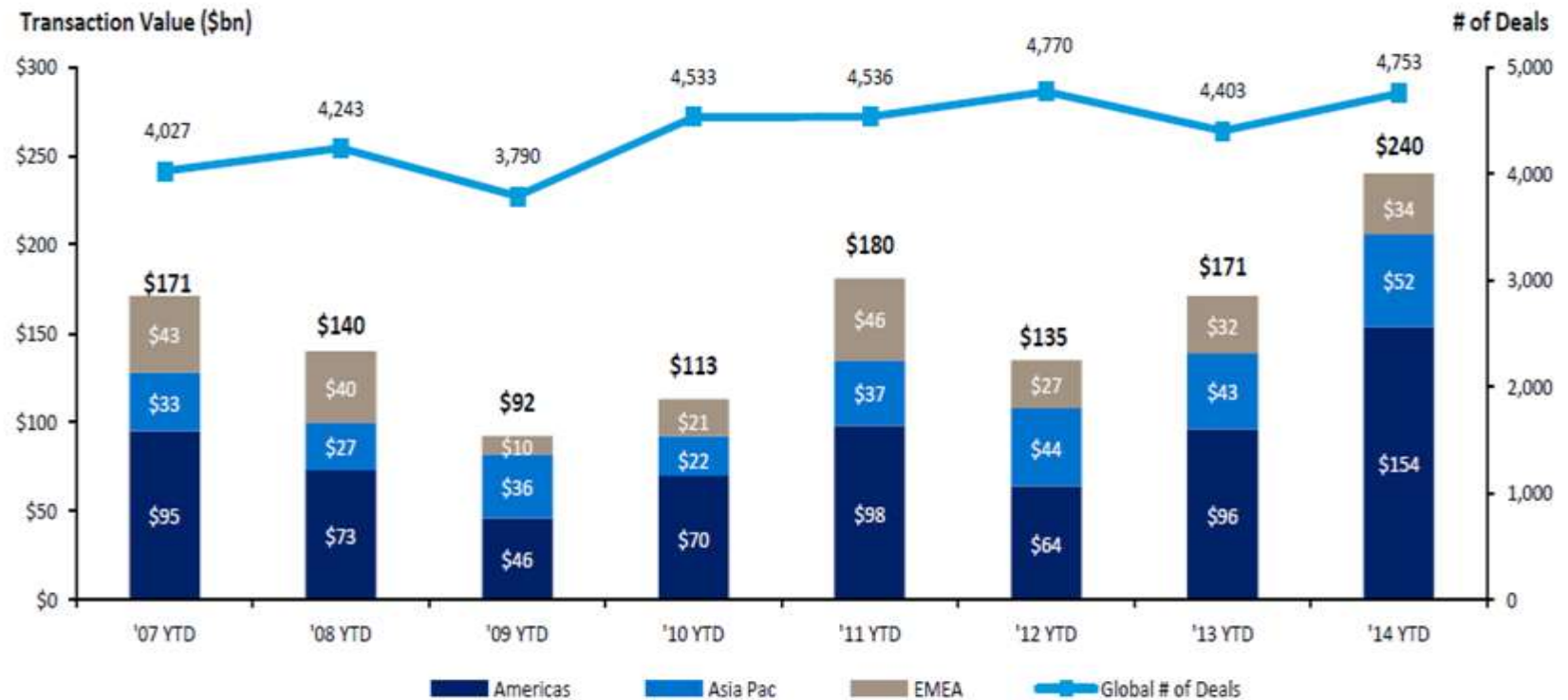
Europe lags the US by ~ 1 quarter but is improving



Source : Venture Source

Tech M&A Value has increased 2.5x since the crisis

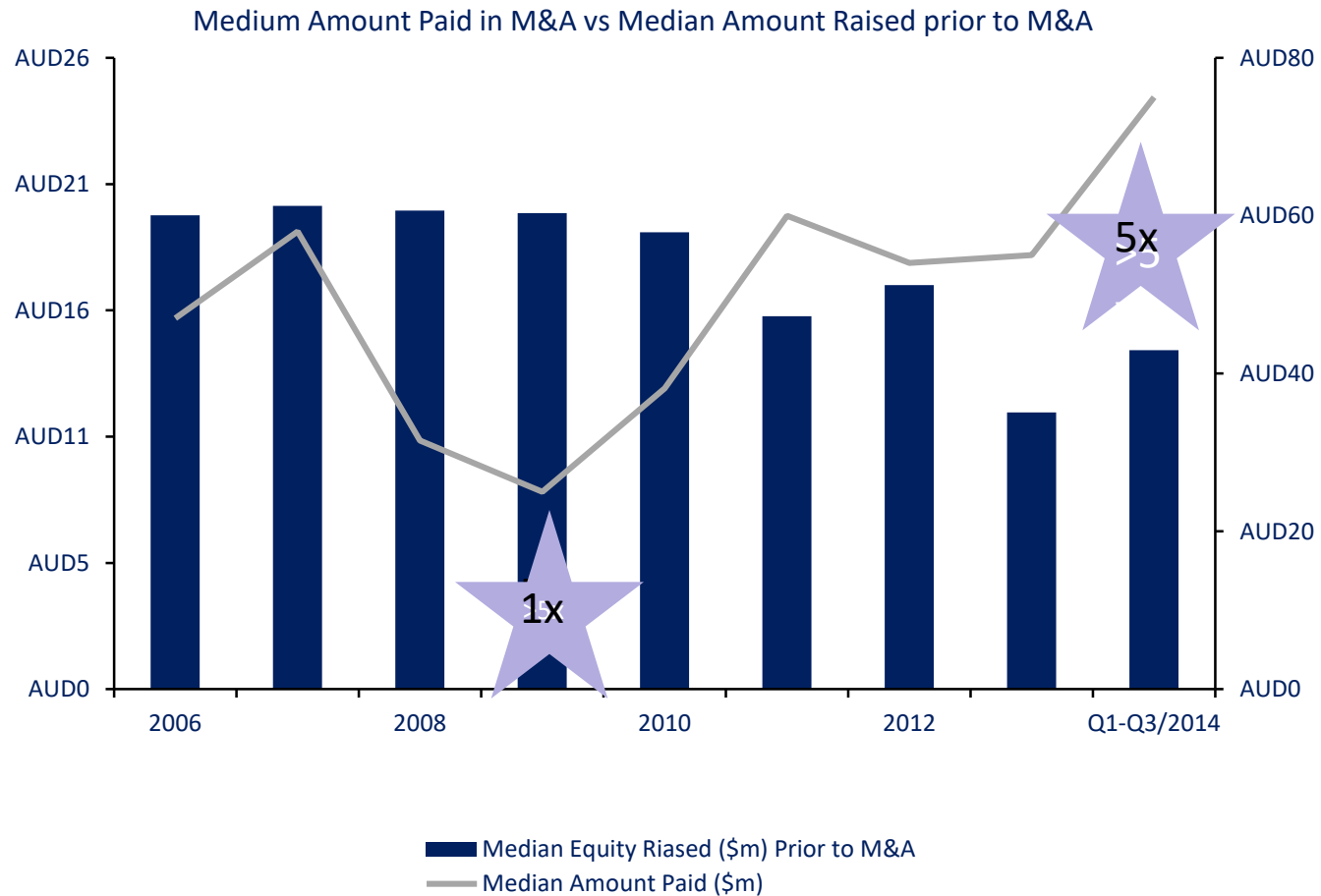
Global YTD Tech M&A Volume⁽¹⁾⁽²⁾



Source : BAML

Median Amount Raised Prior to M&A Increases in 2014

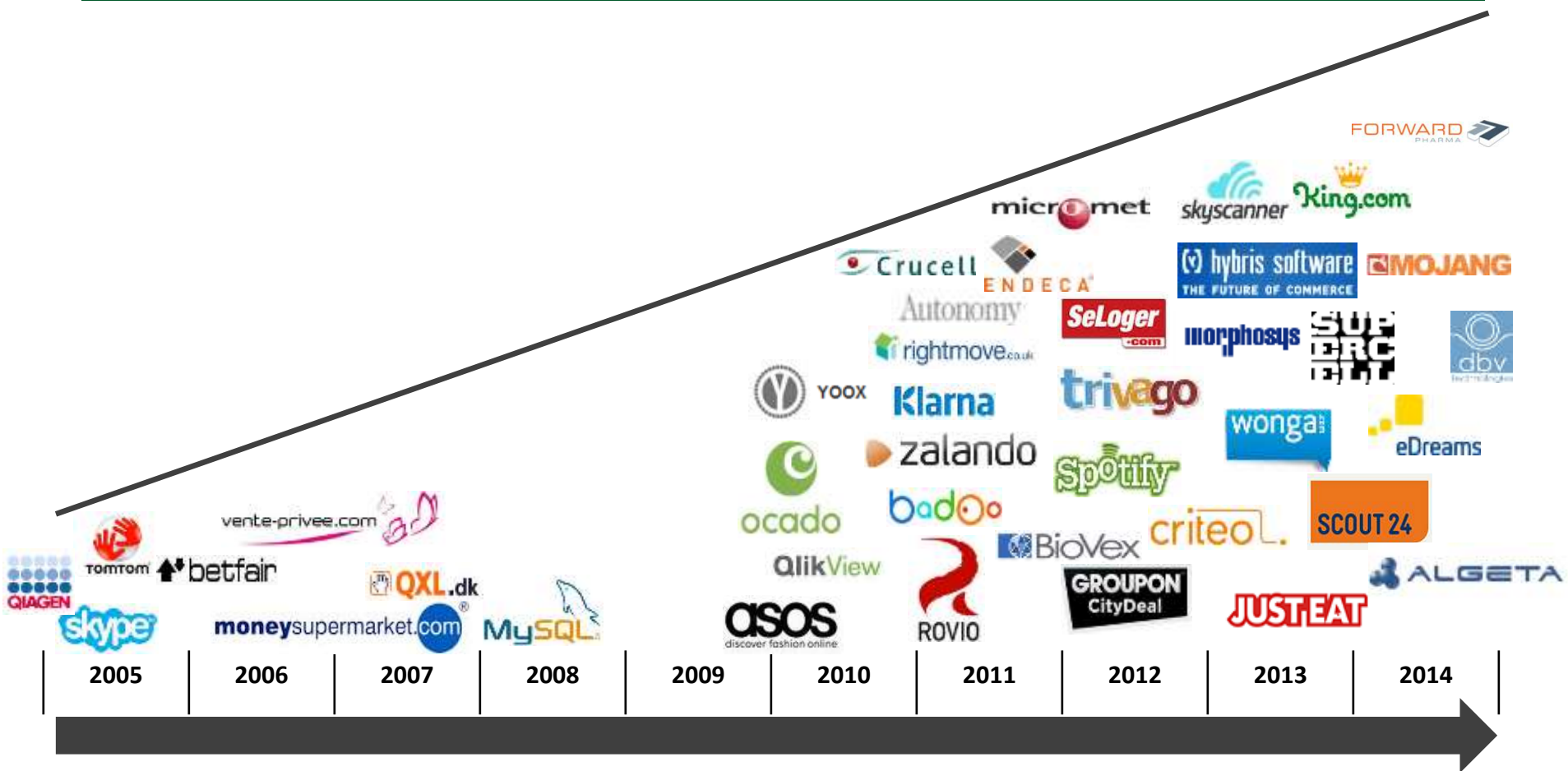
Multiples on invested cash have risen dramatically



Source : Venture Source

Europe is home to many global leaders and billion \$ companies

European tech companies reaching ~USD 1bn valuations



European \$100m+ exits continuing in 2014

M&A

Logos of companies that exited via M&A in 2014:

- OCTO Telematics
- enovance
- QUINTIQ
- ACTIVAERO
- MOJANG
- FircoSoft
- santaris pharma
- POZITRON
- Sapiens
- mytheresa
- Clear2Pay
- LiveRail

IPO

Logos of companies that exited via IPO in 2014:

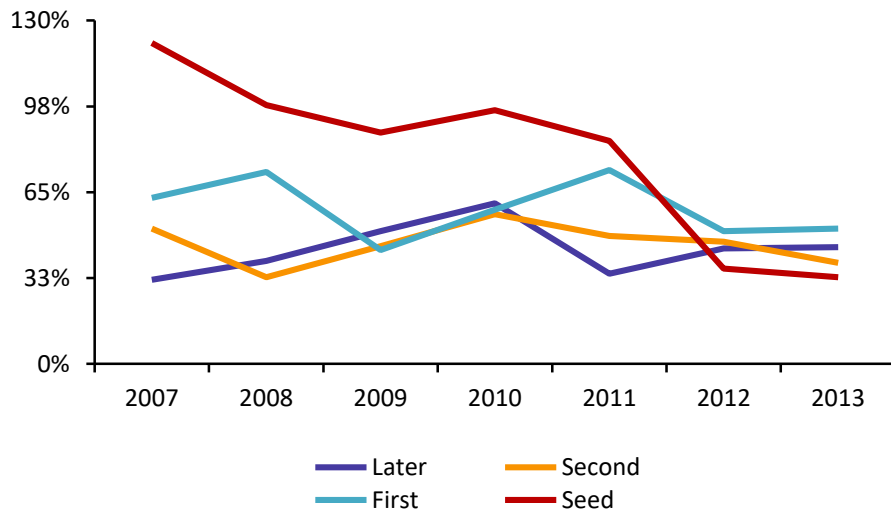
- viadeo
- FORWARD PHARMA
- ProBioGen
- zaland
- Pixium
- arGEN-X
- ProQR THERAPEUTICS
- affimed unique antibody therapeutics
- Zoopla Smarter property search
- ROCKETINTERNET
- King.com

Median Pre-money Valuations by Round Class

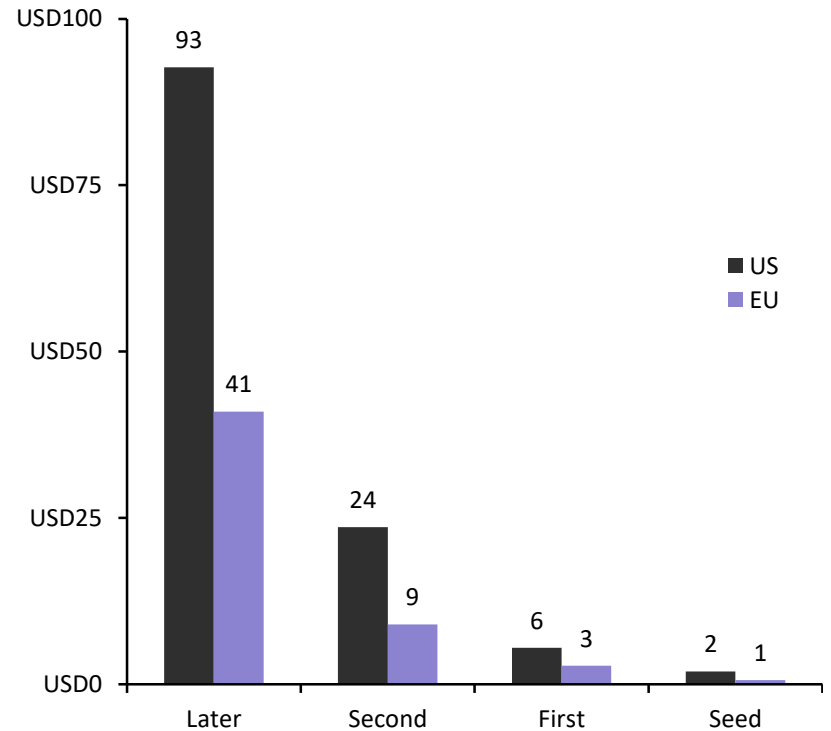
(All Industries) US and Europe

Limited supply of investment capital leads to lower pricing (~40% of US level) at all stages

Median Pre-money valuations: EU as a % of US



Median Pre-money valuations: US vs EU 2013



Source: Venture Source

Europe provides less later stage/growth capital than the US

because the potential to IPO gives confidence to later stage investor and is more fragile in Europe
 (Investment by Stage US vs. Europe, Q1 2008 to Q3 2014)



State of the Market

Challenges

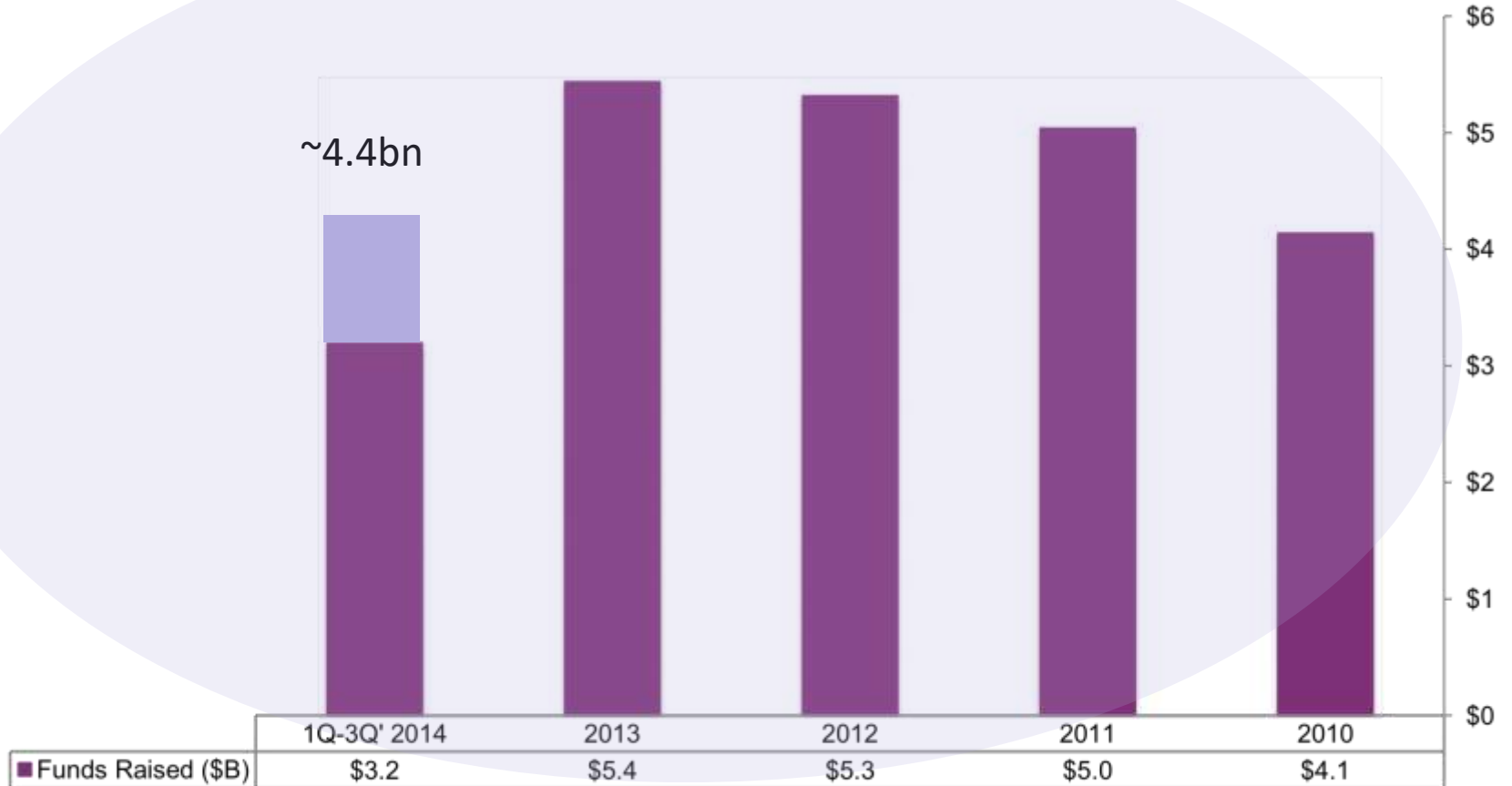
- European Fund Raising still flat and lengthy
 - EIF and other national government LPs essential
 - but still 40% of commitments....
 - Need to attract private investors back to our sector
 - Performance
 - Incentives
 - Regulation
- IPOs possible in Europe, but below £500m liquidity is poor
 - many choosing to go to the US if they can

European VC Fundraising Off to a Slow Start in 2014

EUROPE: FUNDRAISING

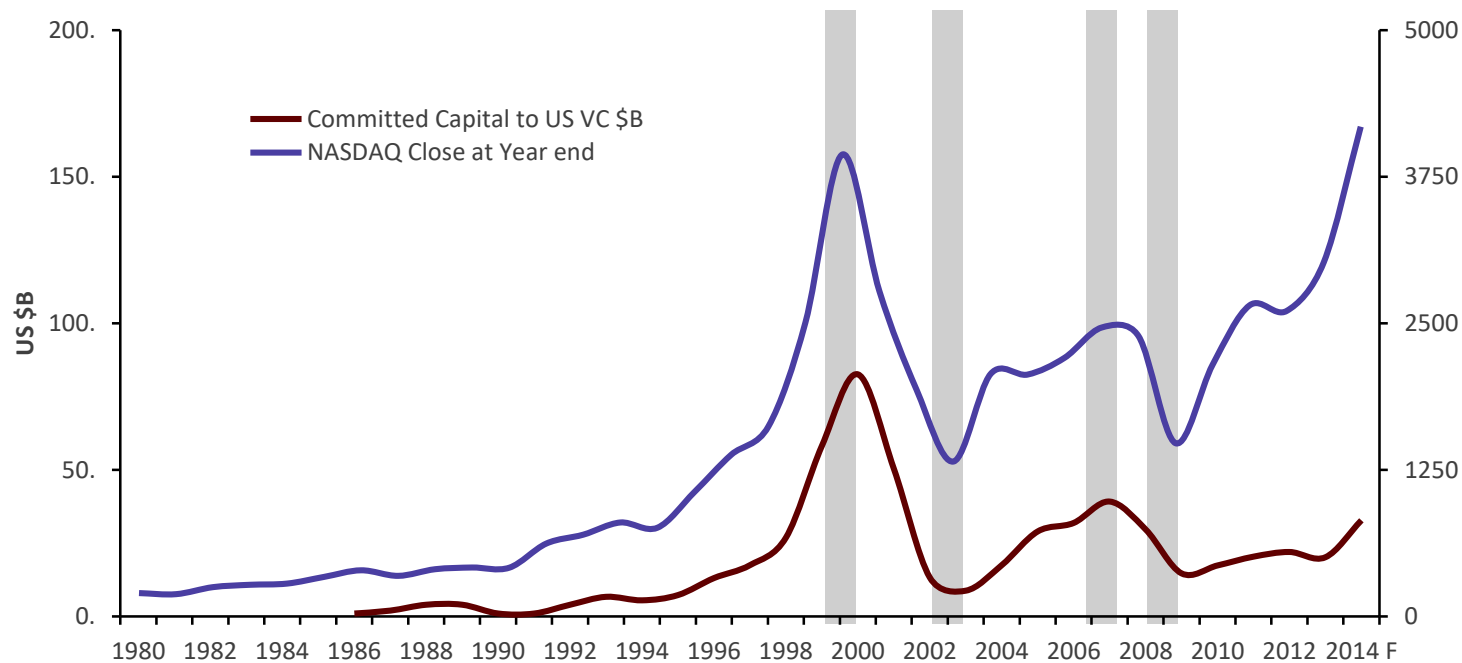
Commitments to European Funds
(based on multiple closings)

US ~32bn = 6 years of EU



US experience shows that VC Commitments are cyclical and lag public market performance by ~1 year

...because LPs gain confidence from recent public market performance/realisations



Fund raising should keep on improving into next year

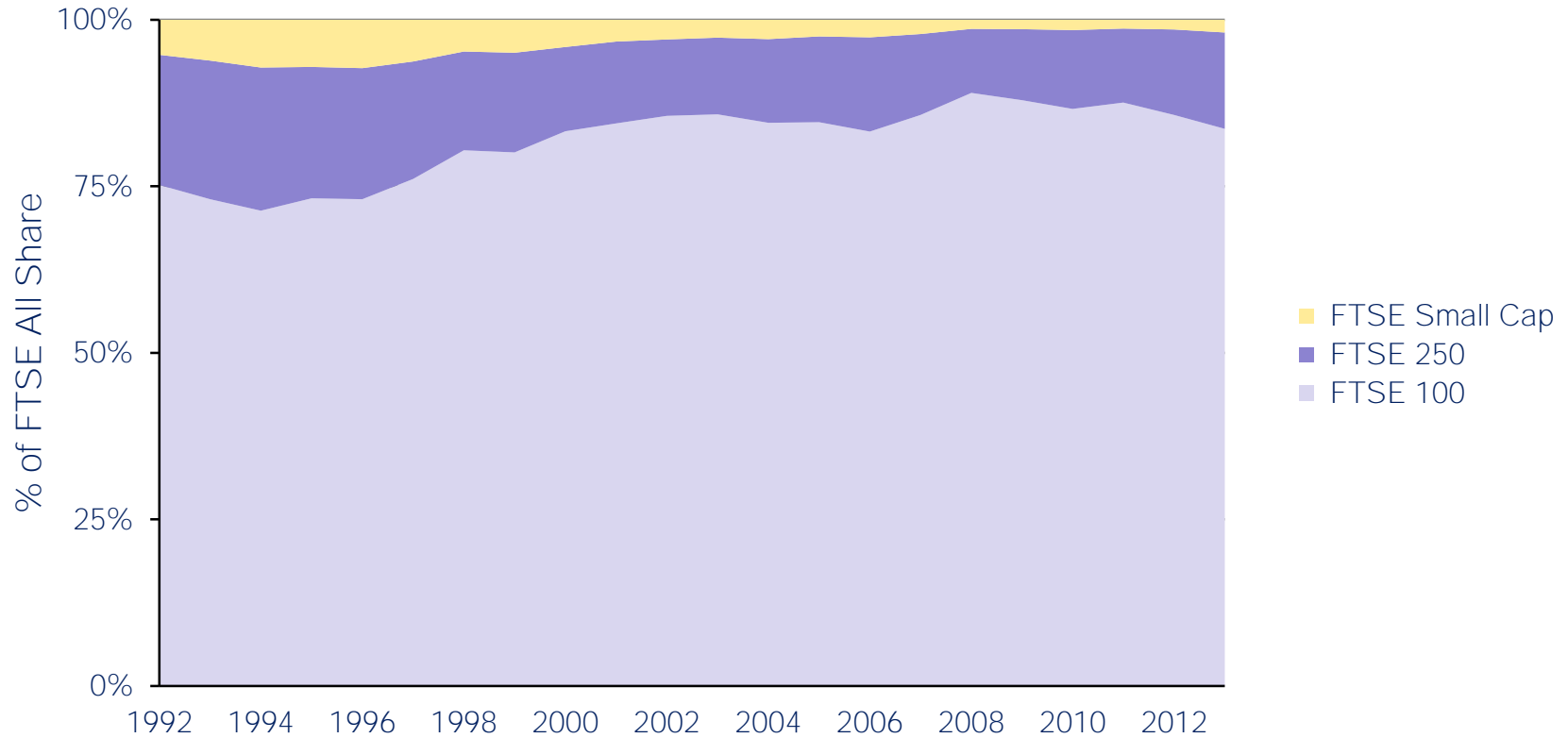
Source: Venture Source/Yahoo Finance

Changes in FTSE All Share Composition

Small Cap has declined from >6% of the market to 2% of the market

We need to work on making small cap IPOs more viable and attractive in Europe

Breakdown of FTSE All Share (1992-2013)



Source: ONS and FT October 11th 2013

State of the Market

Fund of Funds initiative within Horizon 2020,

- aiming to attract international capital to EU VC

IPO task force with FESE chaired by MEP, Philip De Backer

- aiming to improve IPO as an exit alternative

IPO VC backed index

- to show out-performance of VC backed companies

Sector task forces designing heatmaps of our successes
for which we thank you all

Future

- Crowd funding
- Business angles
- E-commerce
- Healthcare
- Machine learning
- AI: Artificial Intelligence

Machine Learning

- NOT
- NOT determined
- NOT programmed
- NEEDS Big Data
- NEEDS (Human)
- Genie Problem

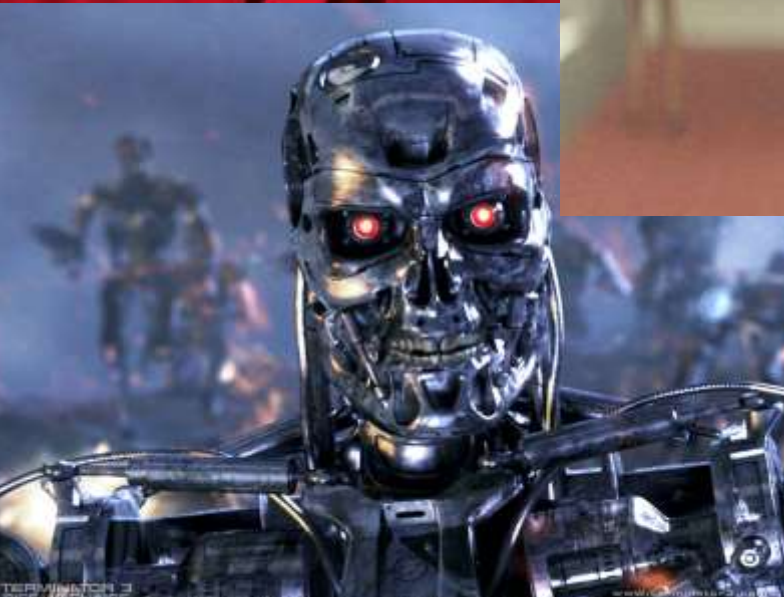
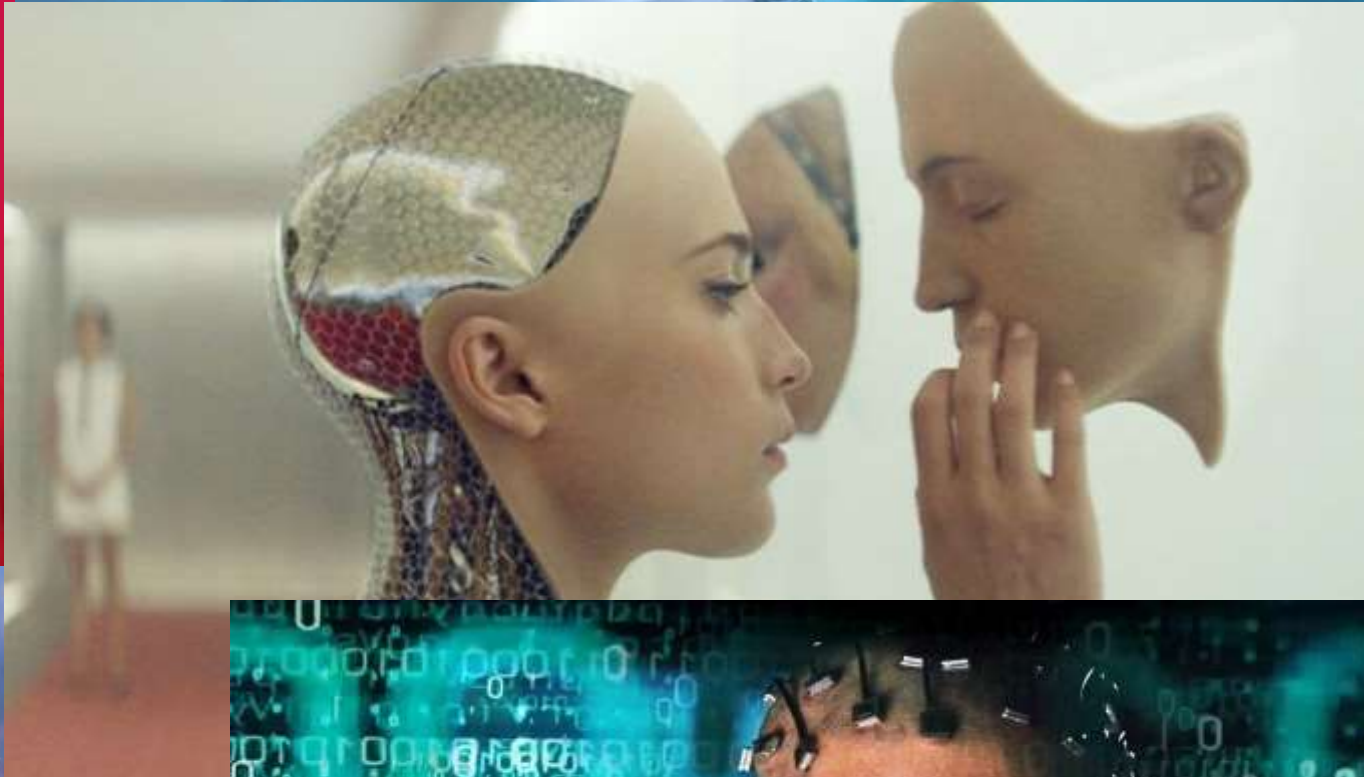


Can computers think?

Turing Test



AI Movies



AI Risks



“Success in creating AI would be the biggest event in human history. Unfortunately, it might also be the last, unless we learn how to avoid the risks.”

“Hope we’re not just the biological boot loader for digital superintelligence. Unfortunately, that is increasingly probable.”



What is missing ?

- Common sense
- Correct Predictions
- Creativity
- Human values
- Making breakfast



Superintelligence

A futuristic, metallic humanoid robot is depicted in a thoughtful pose, sitting with its hands clasped near its chin. The robot has a sleek, silver and blue metallic finish. The background is a deep blue with faint, glowing binary code (0s and 1s) scattered throughout, creating a digital atmosphere.

- Better than human intelligence
- Possible by 2050
- Machine learning GPT 25 and LAST?
- How can we ensure that AGI embodies human values?
- Potential threat to > 50% of jobs