

From Start-up to Scale-up: Comparing US, Canada and Europe

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The start-up revolution - Endangered?

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- ▶ Canada & Europe have come long way
- ▶ Changing financing landscape for tech starts-ups
- ▶ Large role of public policy support for start-ups
- ▶ Where is the growth performance?
- ▶ Next step: Scale-up revolution?

What Scale-up Problem?

- ▶ Focus on growth of start-ups
- ▶ Focus on innovative / tech start-ups
- ▶ Focus on role of finance
- ▶ Scale-up works well in US...
- ▶ ...but not yet in Canada & Europe

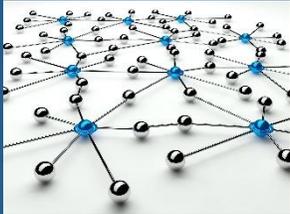
Requirements for Scale-Up investors



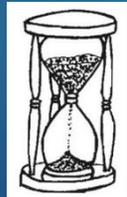
- ▶ Financial muscle ('deep pockets')



- ▶ Expertise ('smart money')

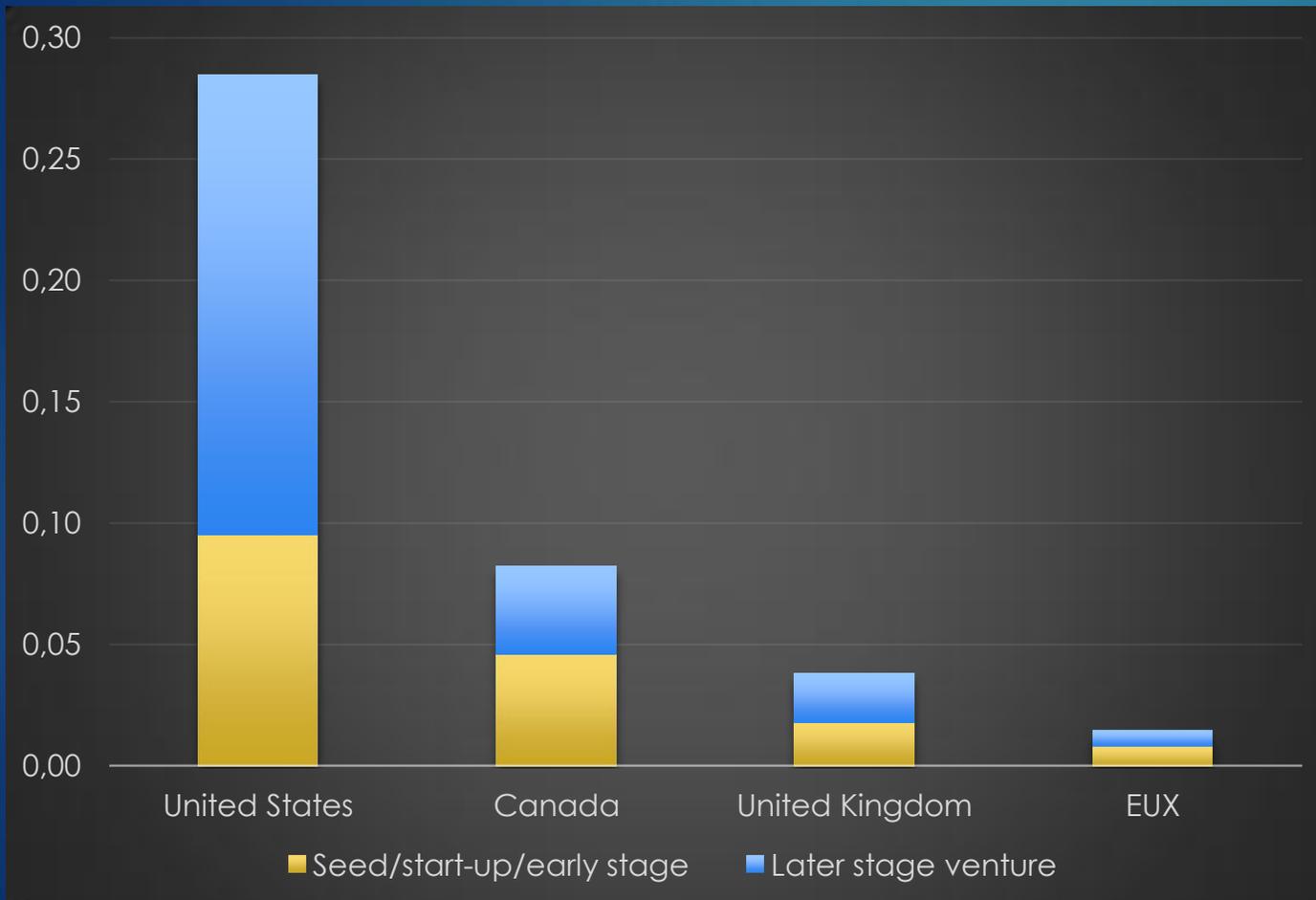


- ▶ Networks ('connected money')



- ▶ Long horizons ('patient money')

VENTURE CAPITAL INVESTMENTS AS % OF GDP



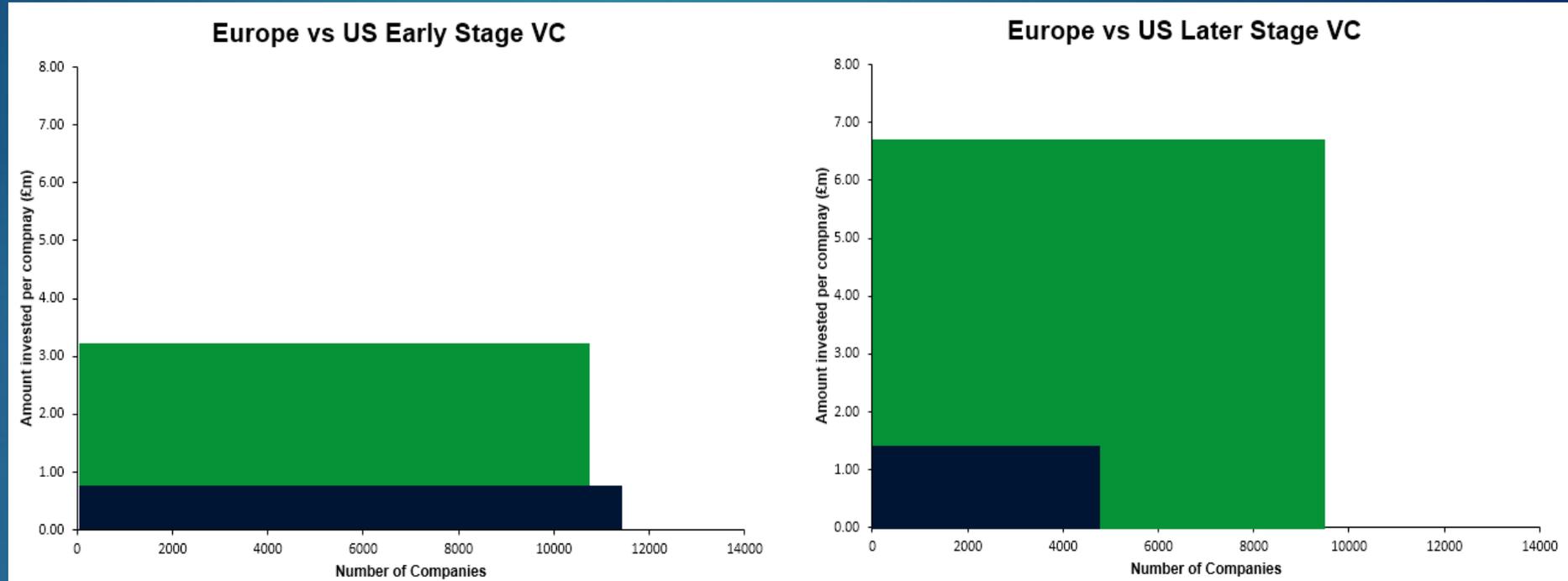
% of Total VC	Early stage	Later stage
US	33%	67%
Canada	56%	44%
UK	48%	52%
EU (excl. UK)	57%	43%

THE SCALE-UP GAP: EU VS US

Early stage deals

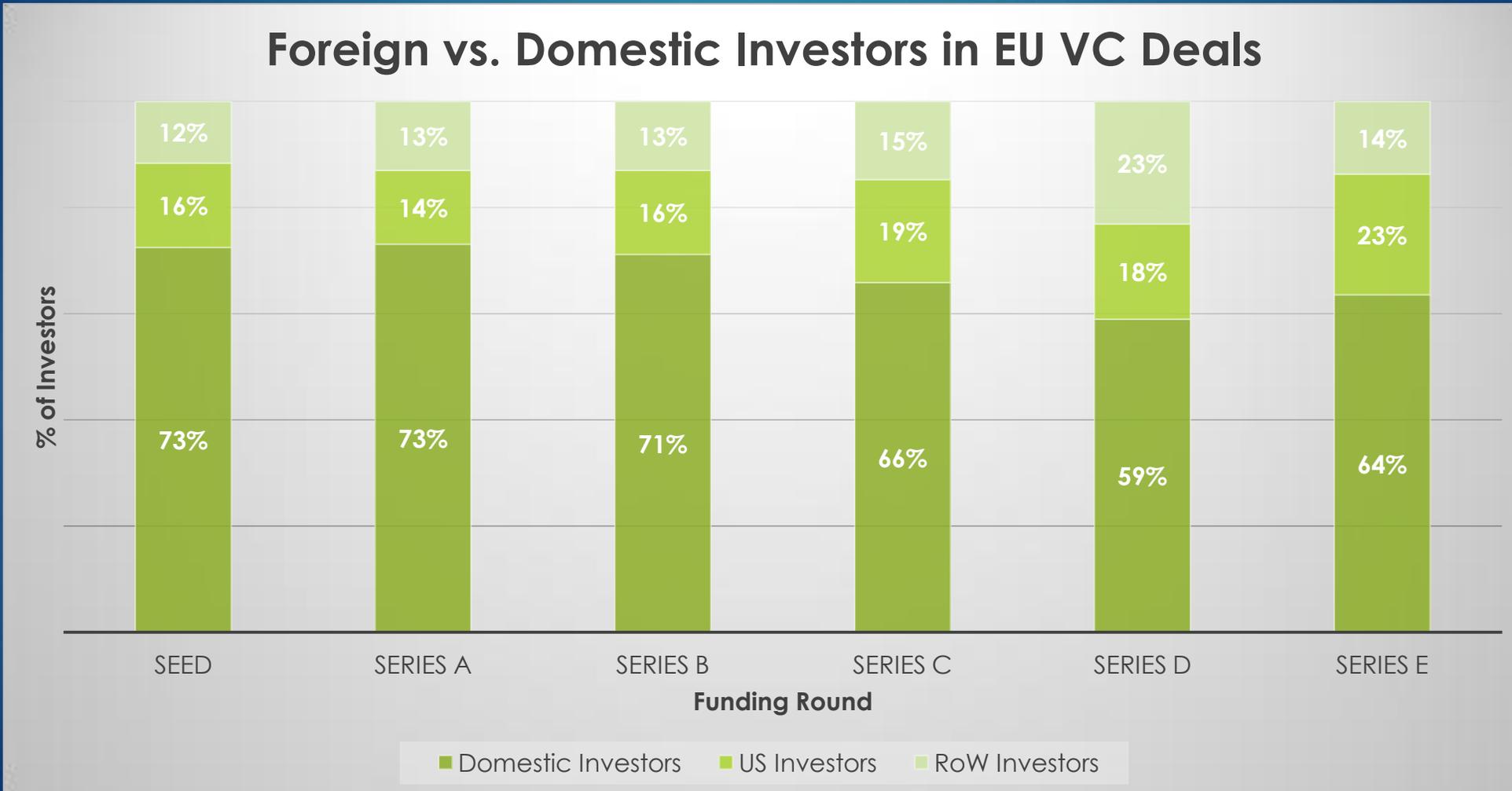
Later stage deals

Average amount invested (£m)

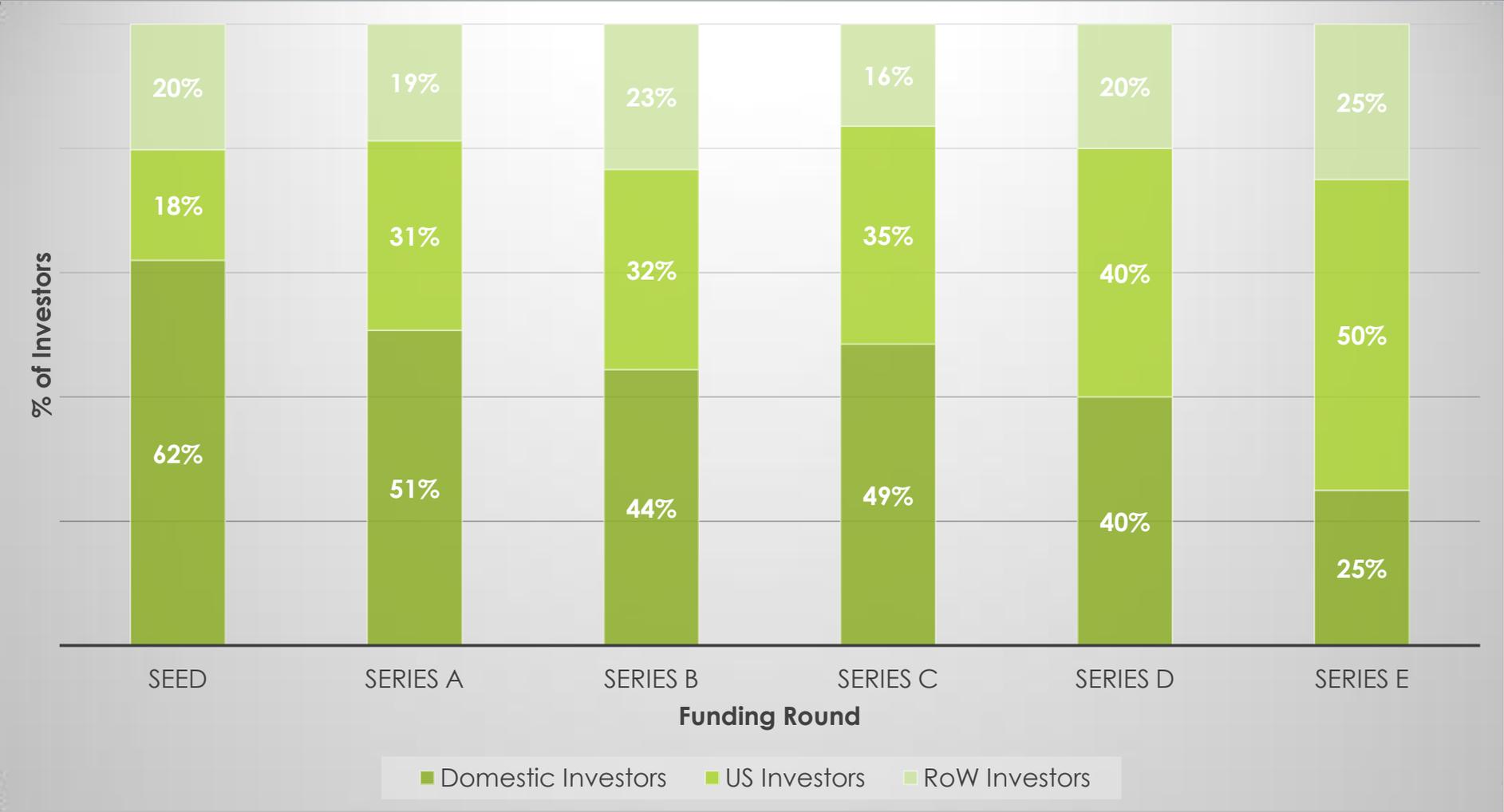


Number of deals (GDP adjusted)

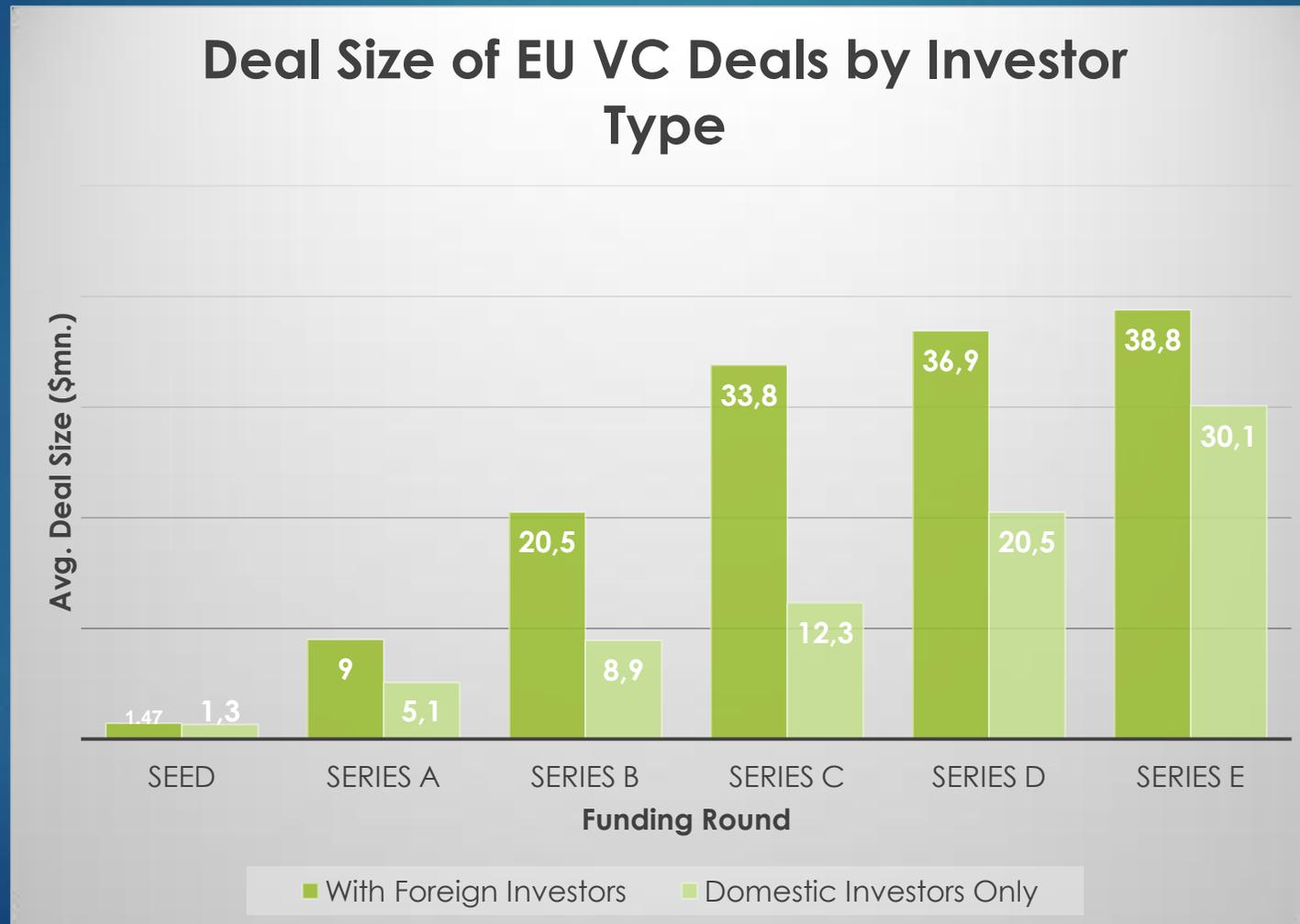
The Role of Foreign Investors in Europe



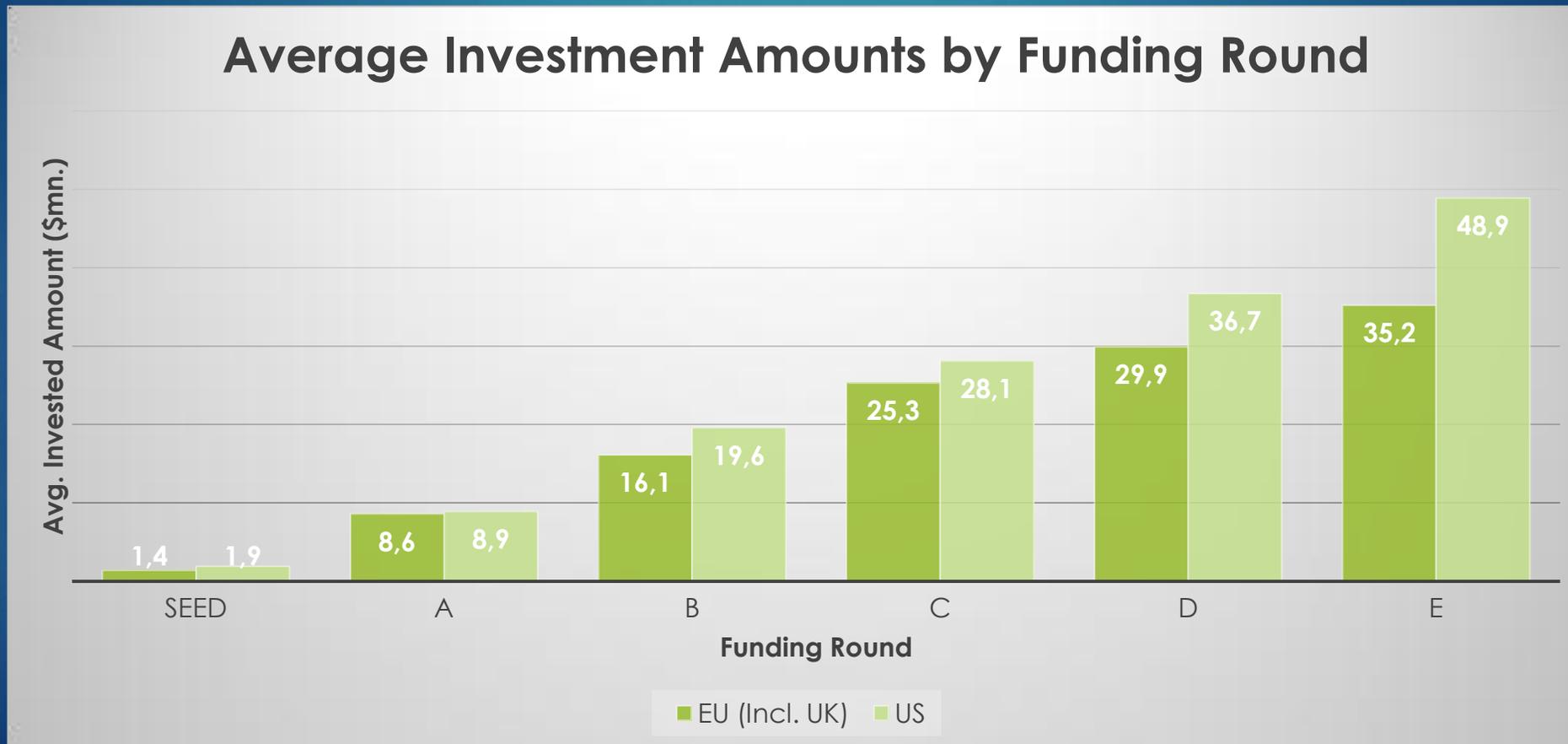
The Role of Foreign Investors in the UK



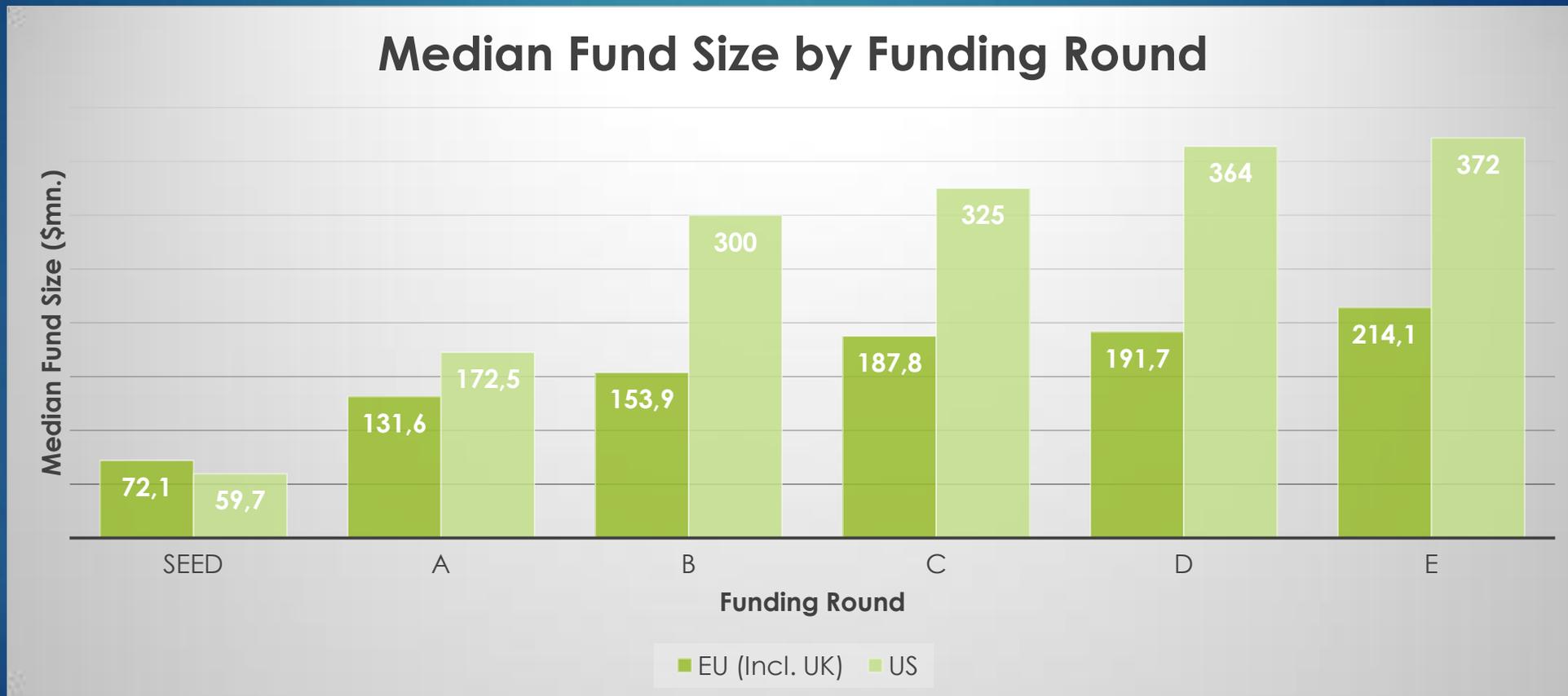
Deals are larger with foreign investors



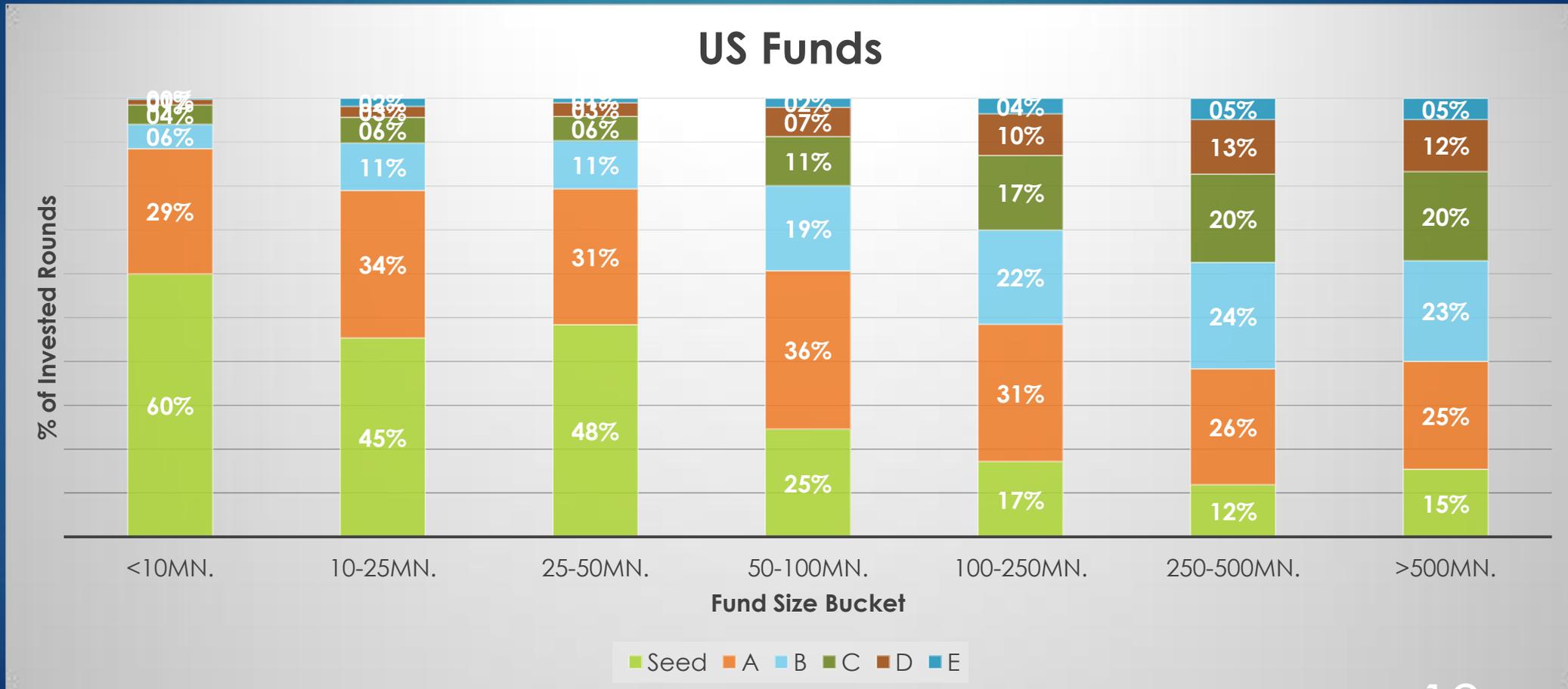
EU-US funding gap widens at later stages



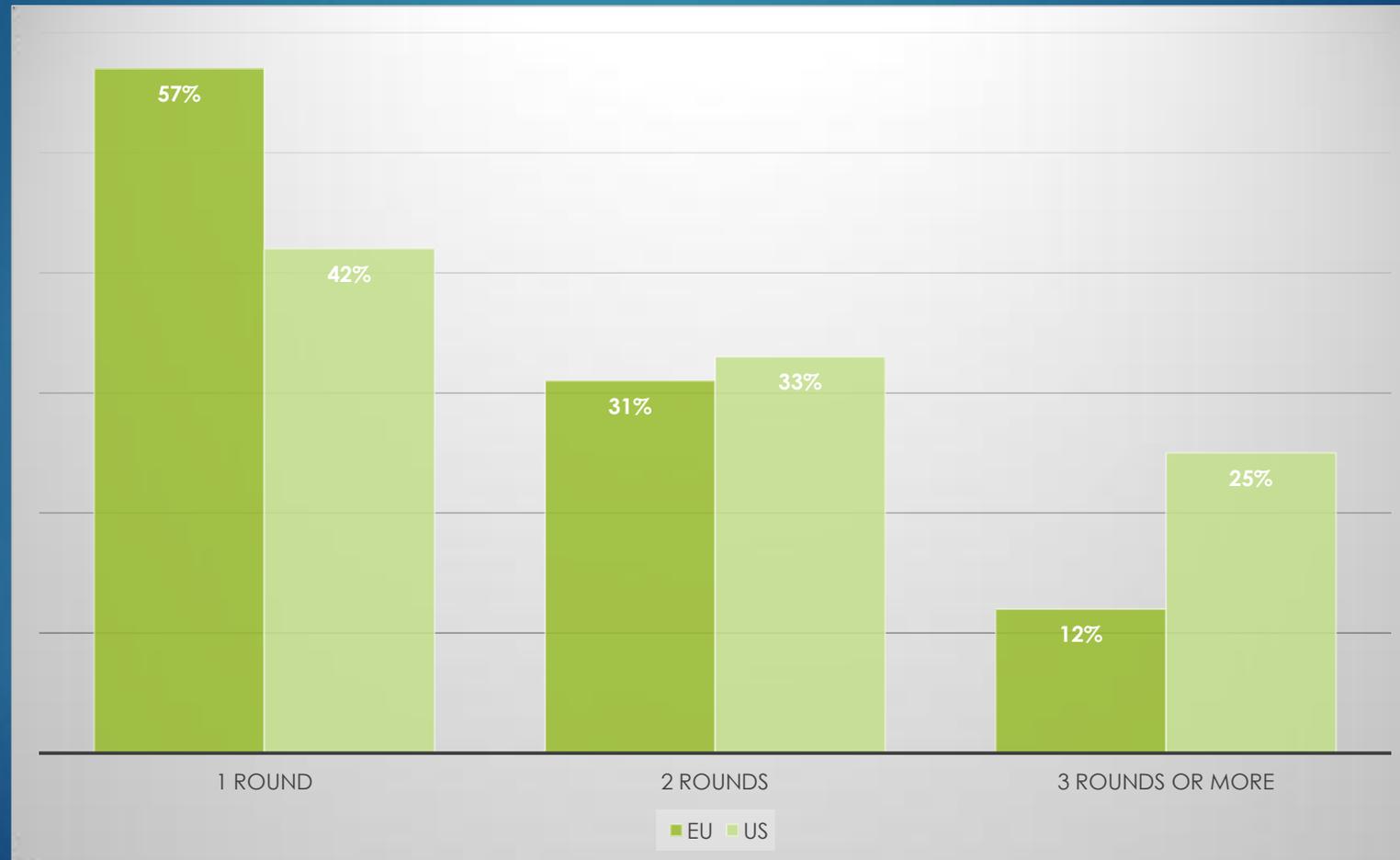
US Funds larger at later stage



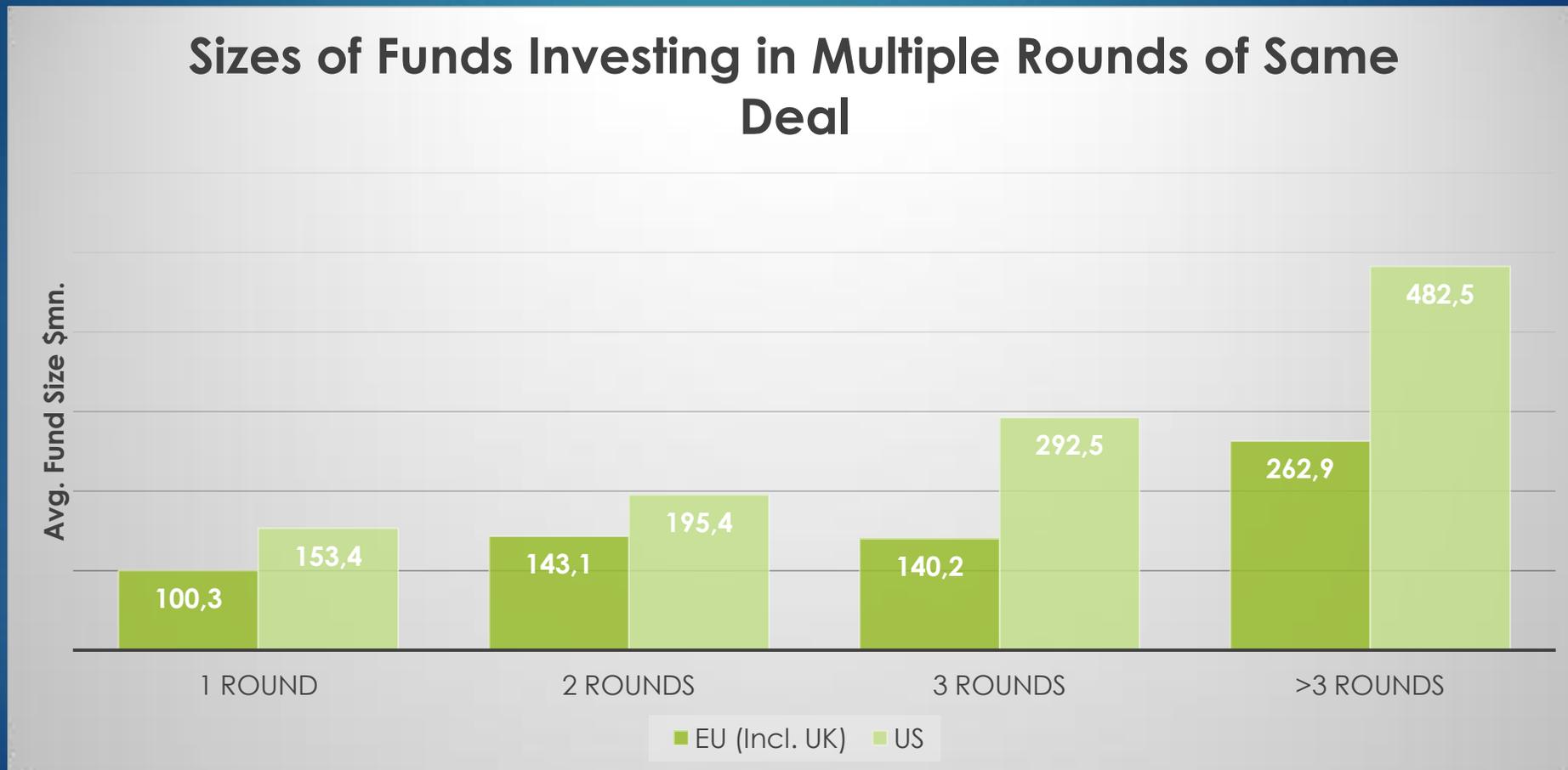
How do US funds invest depending on fund size?



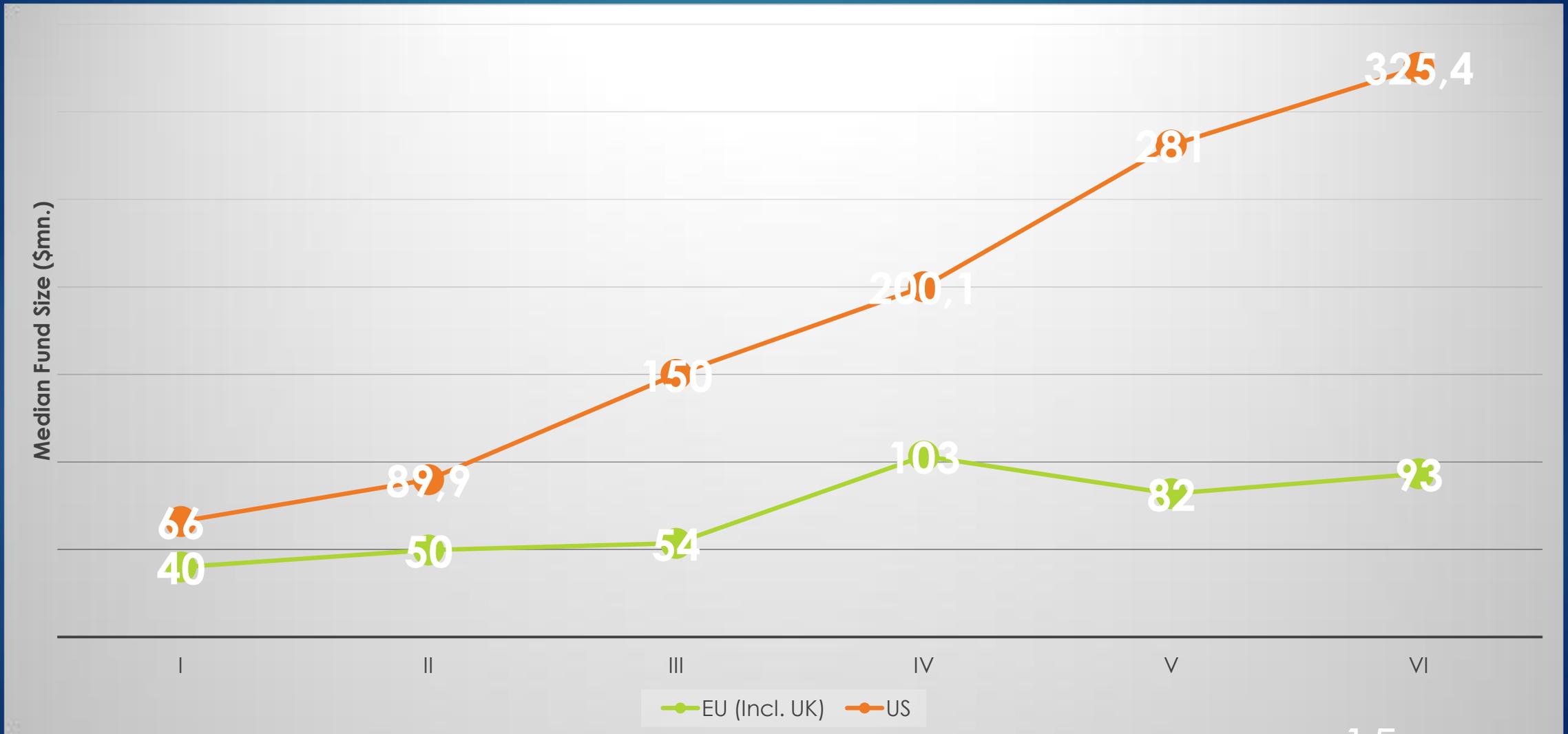
US Investors fund companies for more rounds



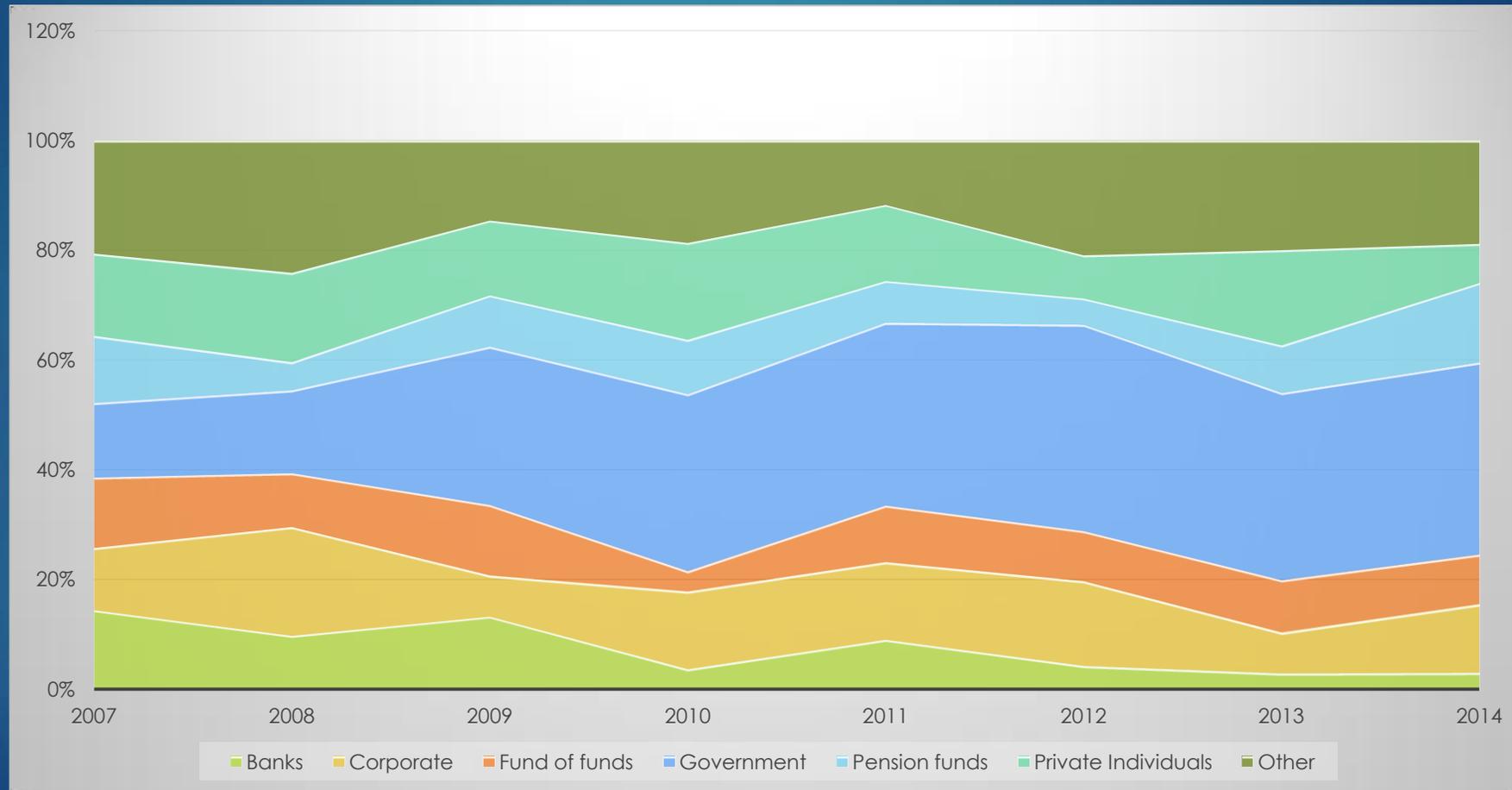
Funds that invest in multiple rounds are larger (especially in the US)



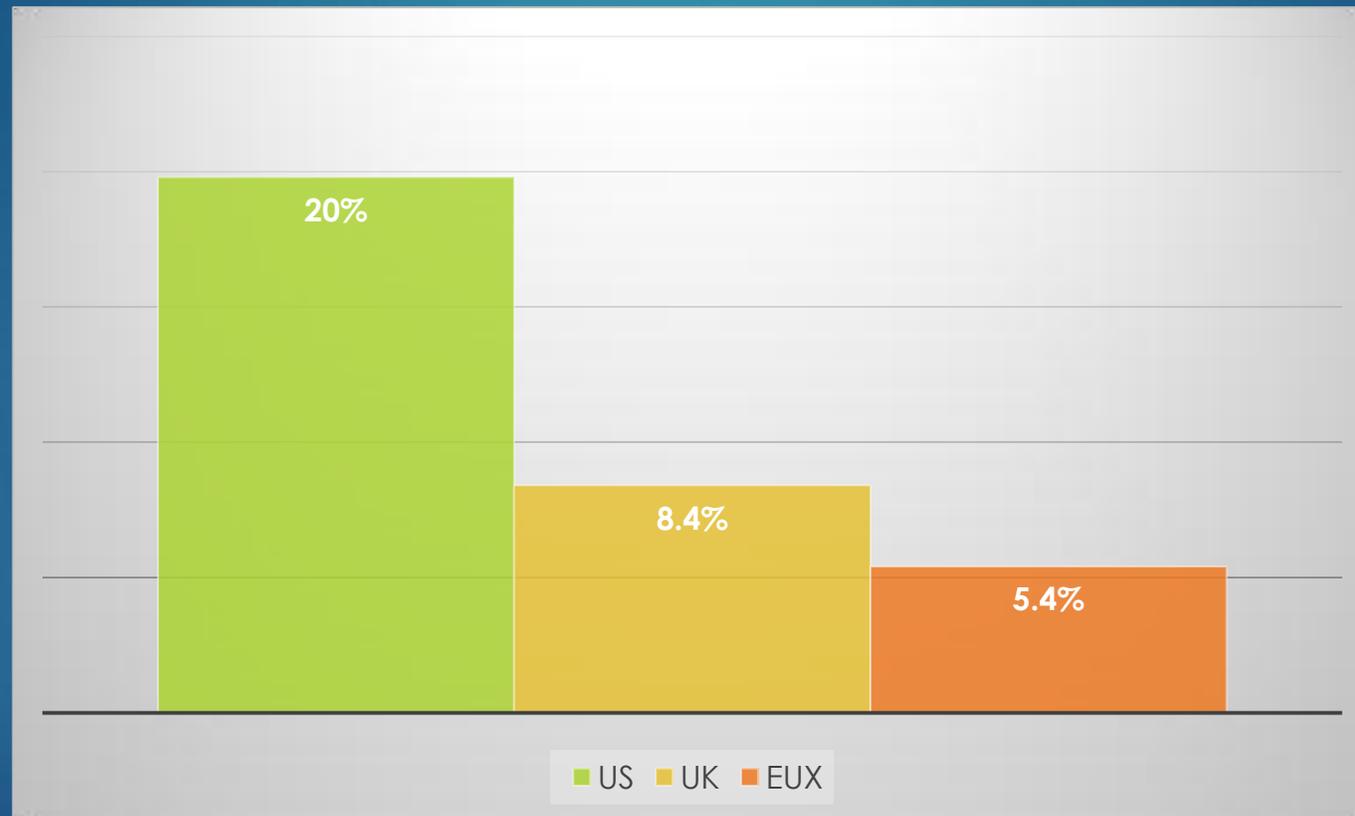
US funds grow larger over time



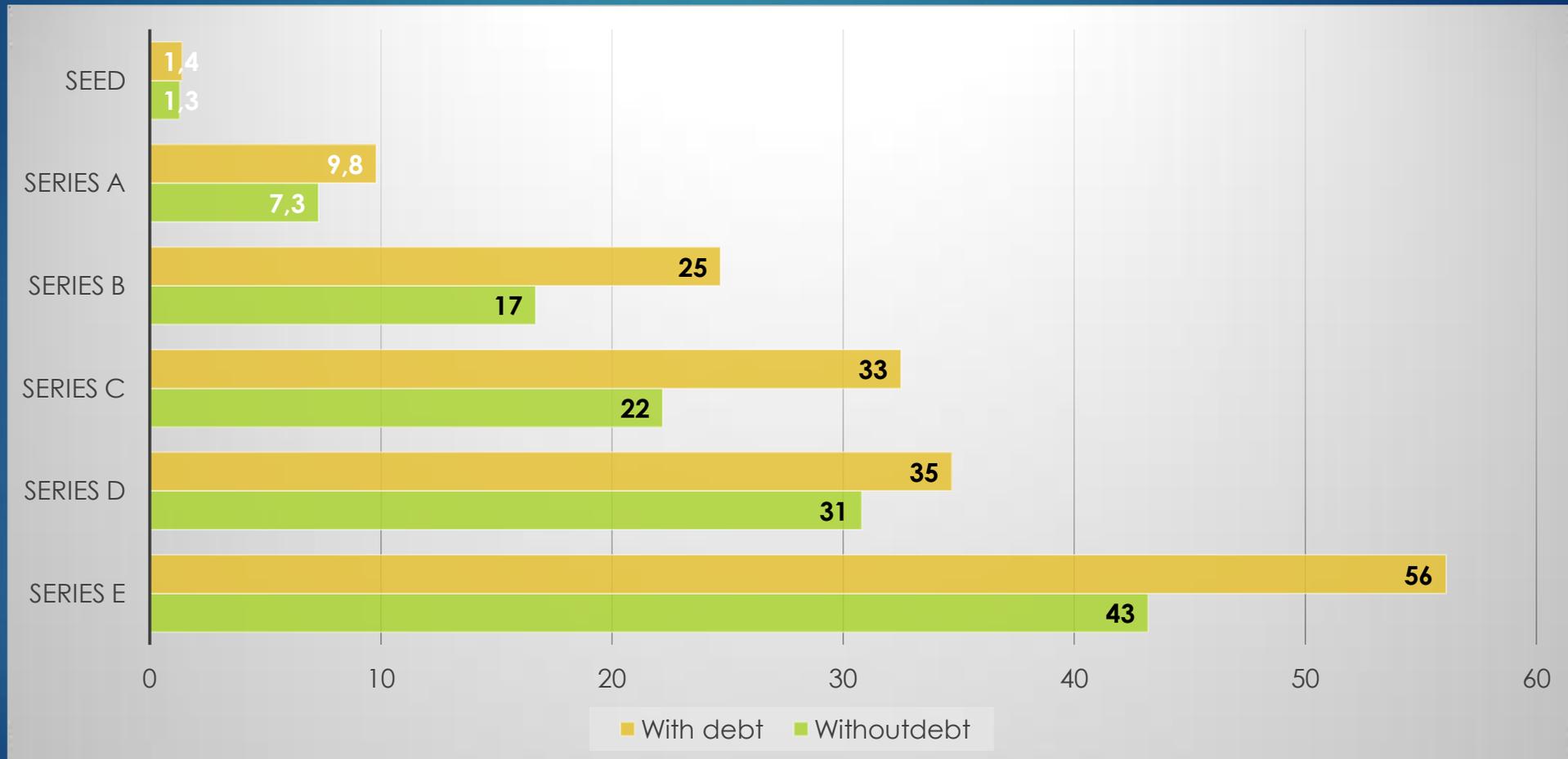
The rise of government as LP in European VC



How many VC backed companies get venture debt?



Companies with venture debt also raise more venture equity



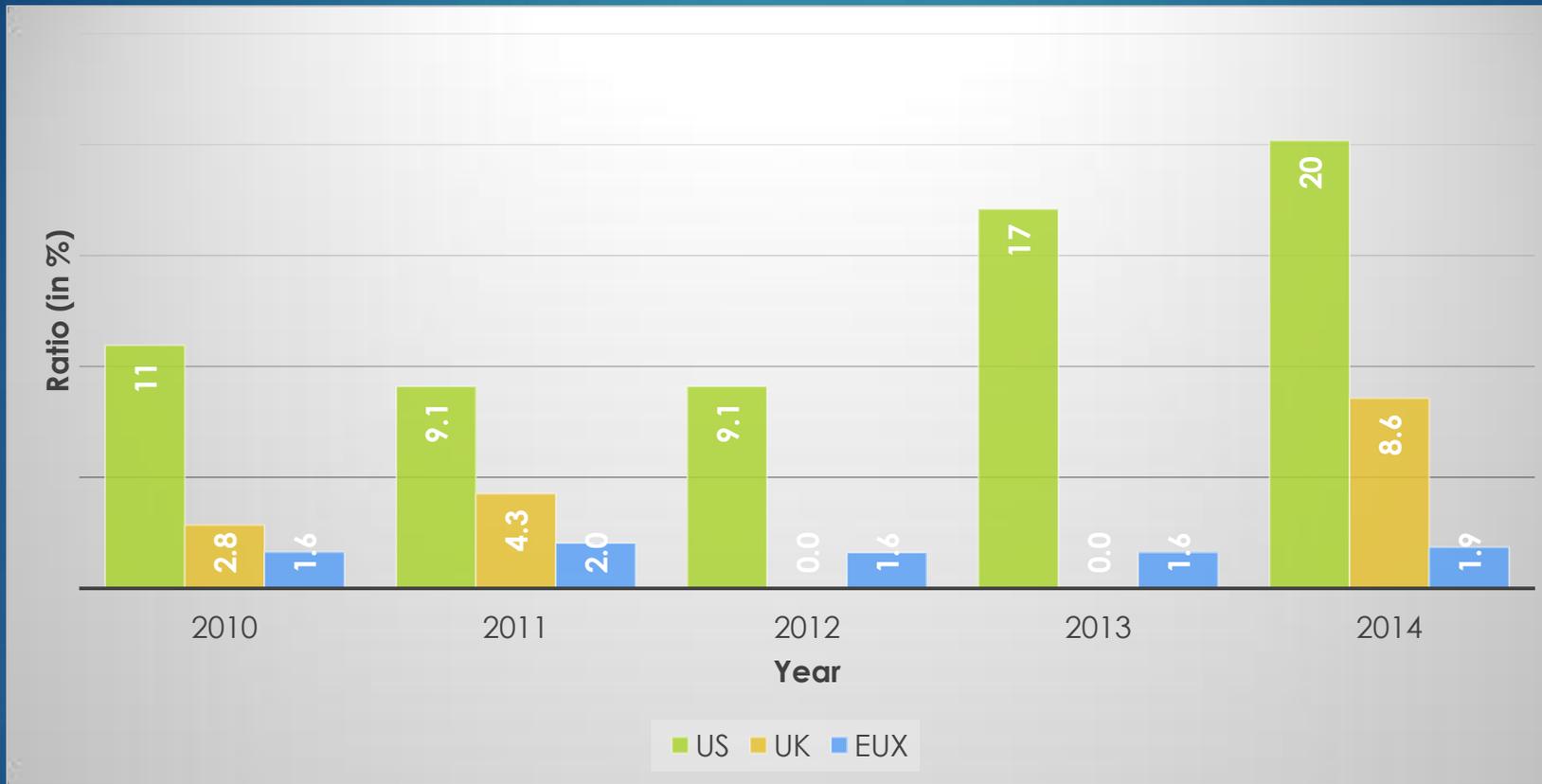
The Crossroad for Scale-Ups

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Exits of VC backed companies: Fraction of IPOs

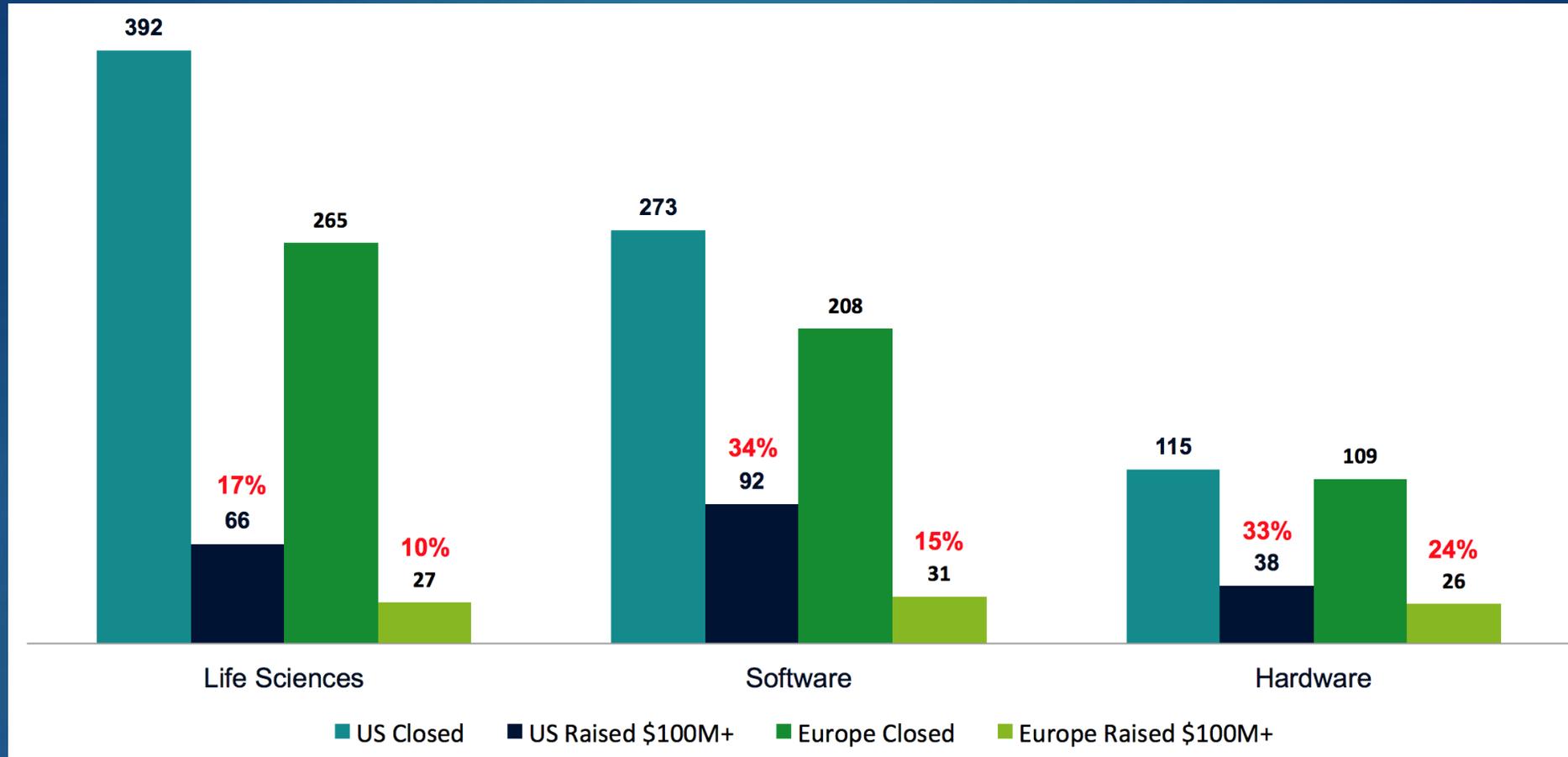
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IPOs in US & Europe > \$100m (2002-2015)

Source: Capital IQ, 2015

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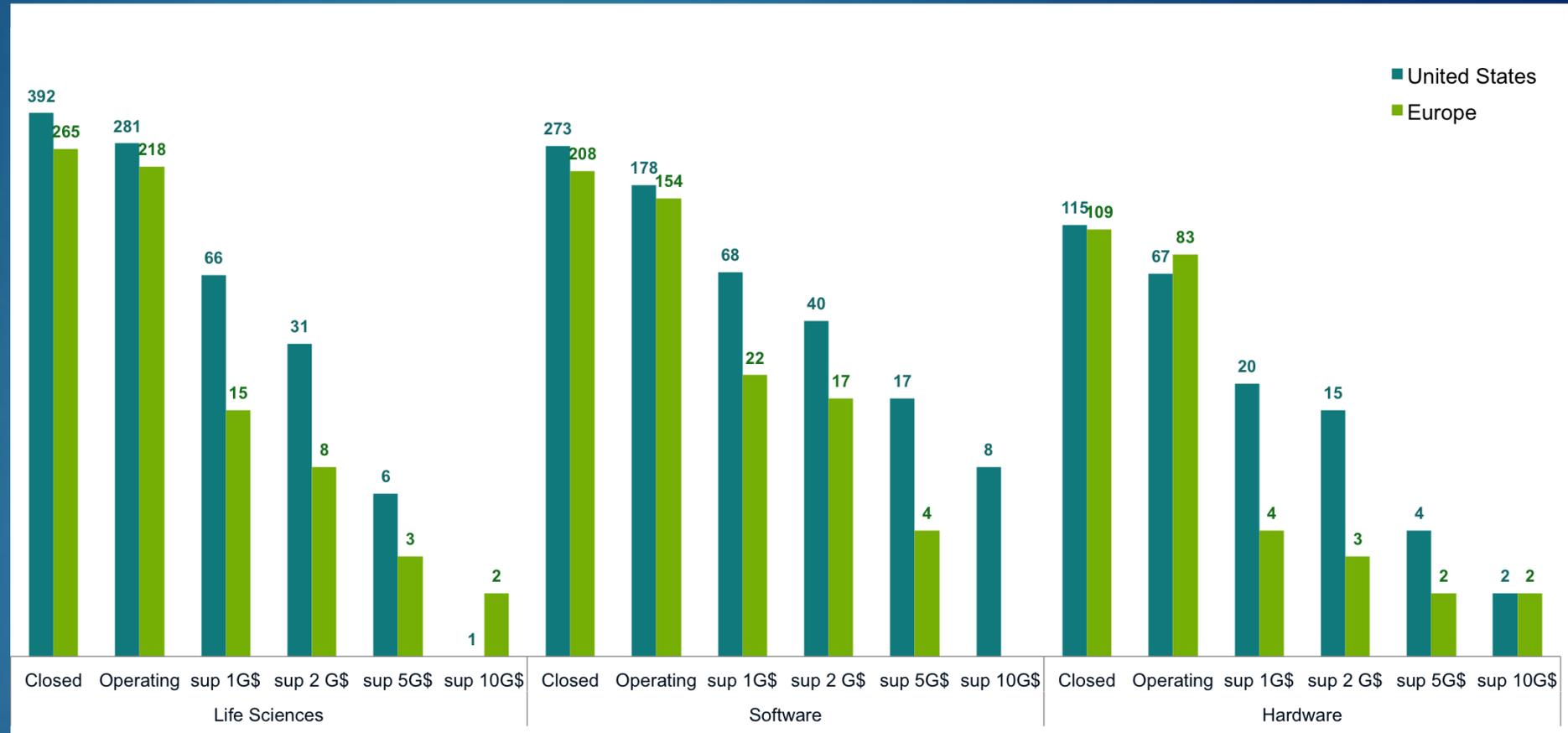
The proportion of firms that raise amounts greater than \$100m at IPO is much higher in the US than in Europe

Number of IPOs in US & Europe (2002-2015)

by market cap (still operating)

(logarithmic scale)

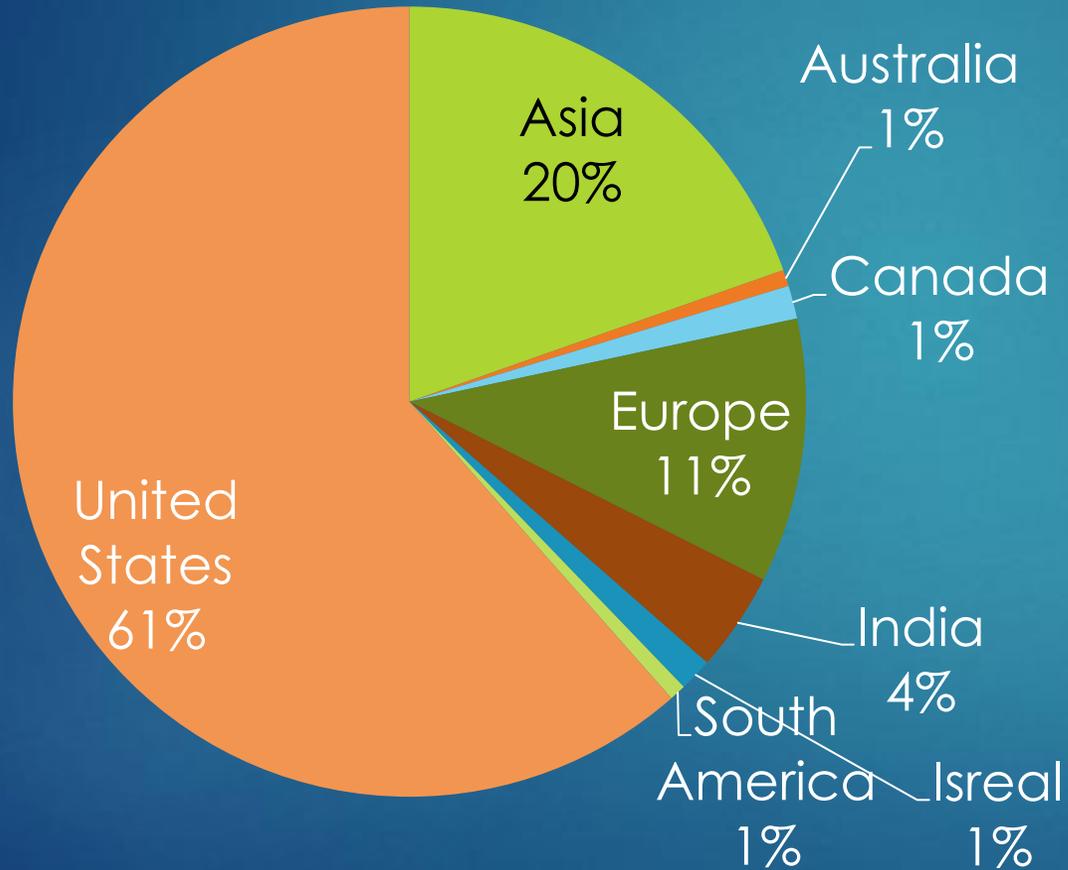
Source: Capital IQ, 2015



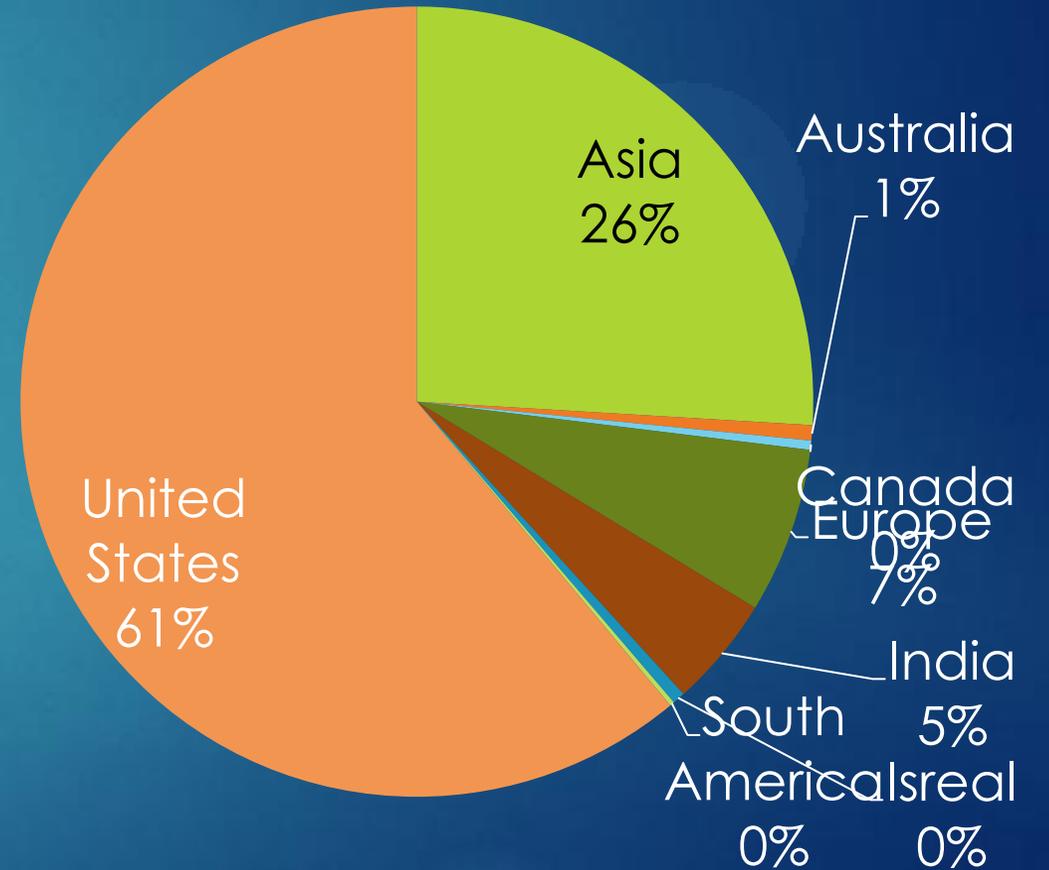
- ▶ After 2001, the number of IPOs in Europe is comparable to the US
- ▶ But the proportion of these IPOs that are still independent today and have reached a market cap of \$1G is much lower

Global Distribution of Unicorns

Global Distribution by Count



Global Distribution by Value



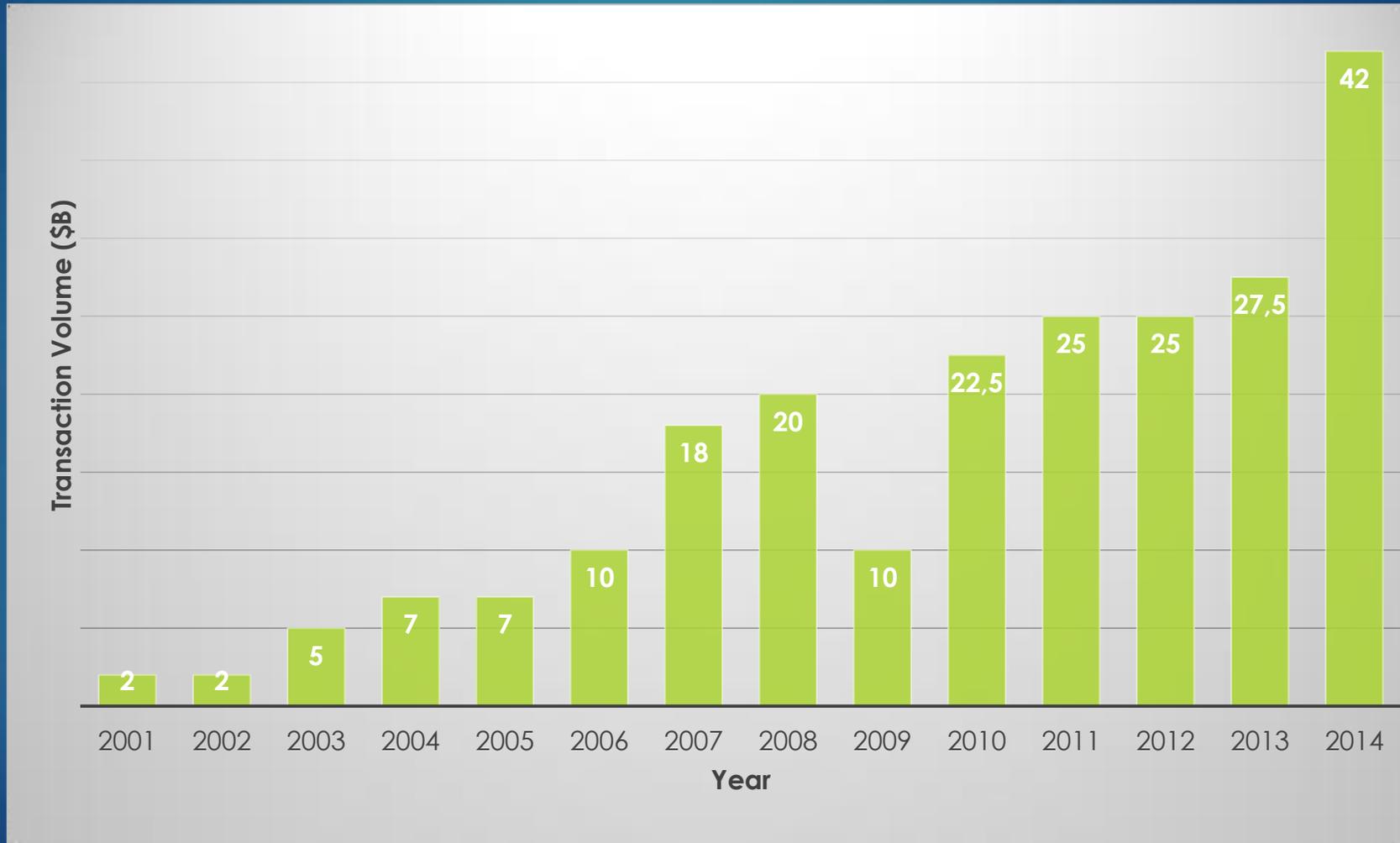
Case study: Second Markets

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- ▶ 2004: Founded with focus to provide private liquidity
- ▶ 2009: Trading boom of private Facebook shares
- ▶ After that: Refocus on company tender offers
- ▶ 2015: Trading volume of \$1.4B
- ▶ Oct 2015: Acquired by NASDAQ Private Market

Can secondary markets be done? Evidence from buyouts

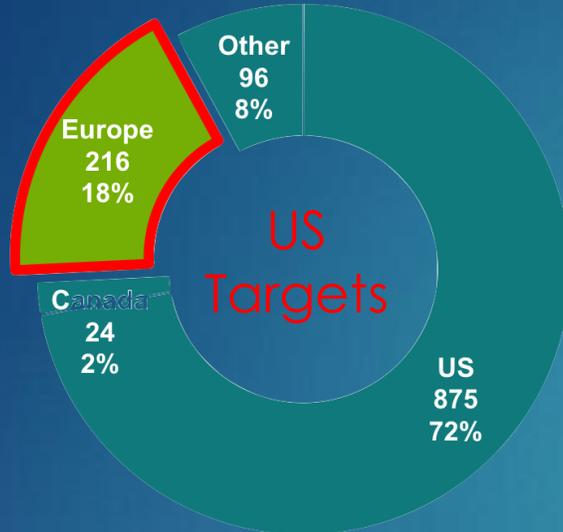
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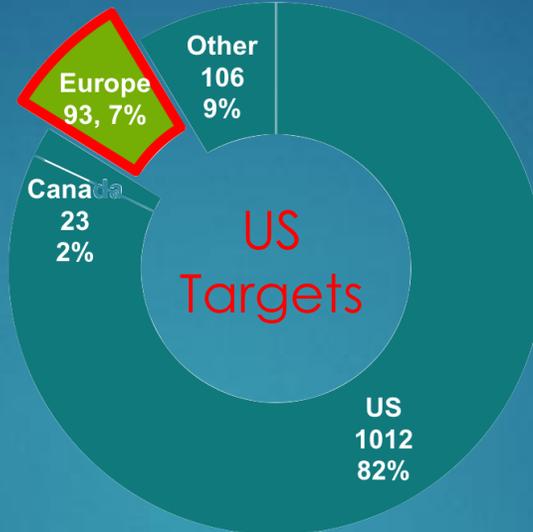
Acquisitions >\$50m (2002-2015)

Source: Capital IQ, 2015

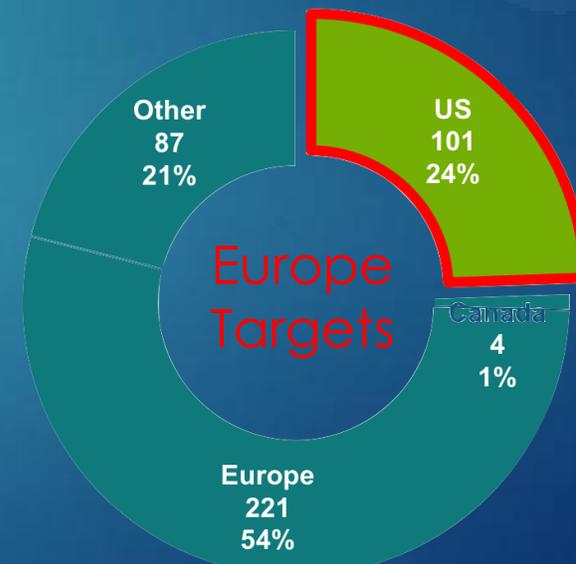
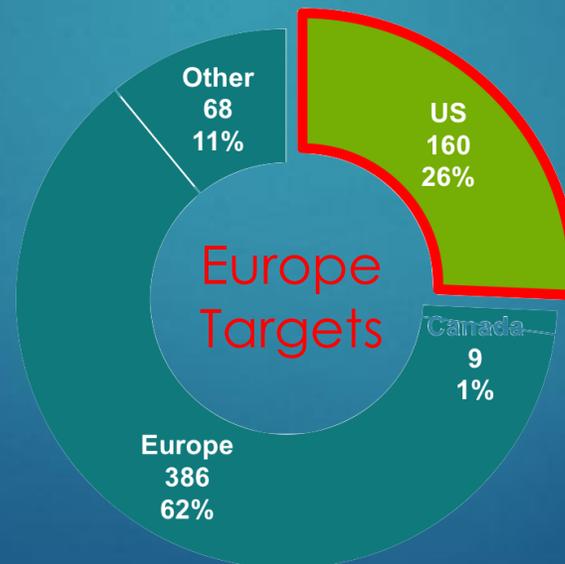
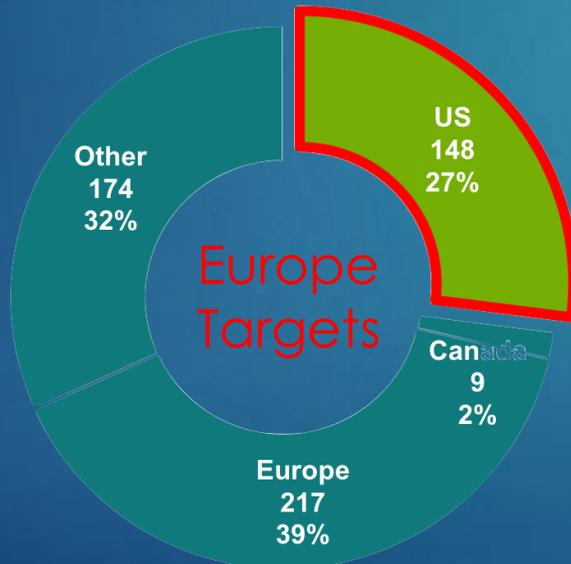
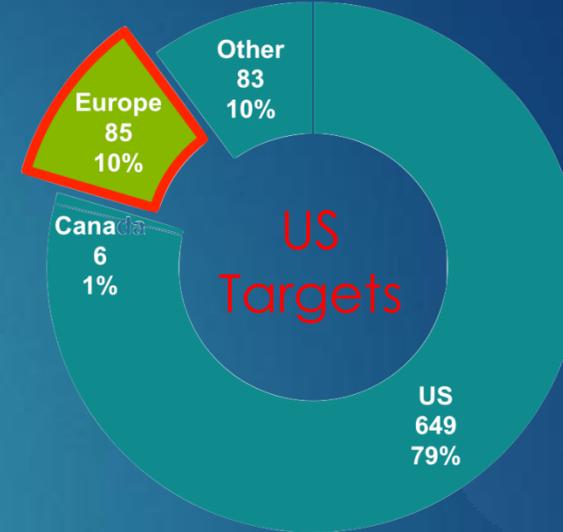
Life Sciences



Software



Hardware



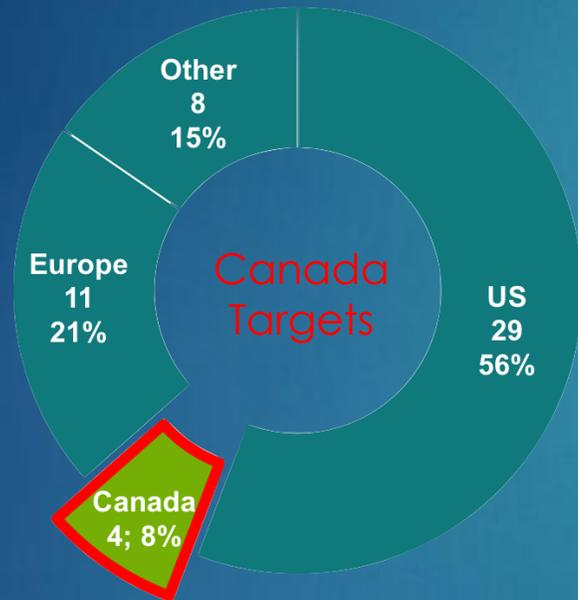
► The proportion of European firms acquired by US firms is much higher than the reverse

Acquisitions >\$50m (2002-2015)

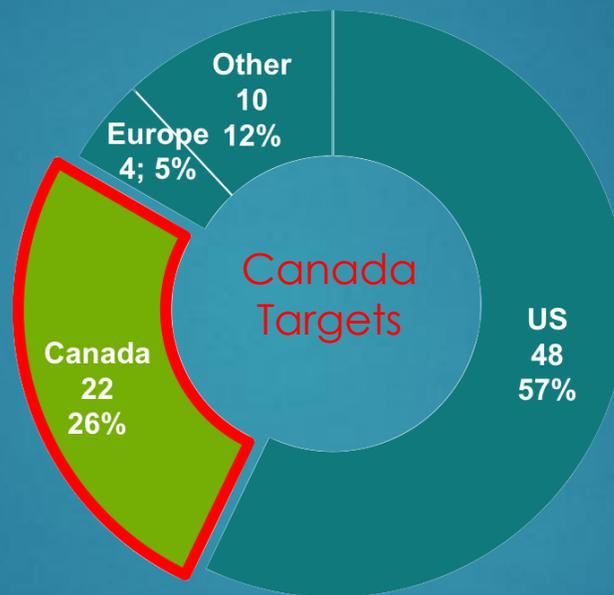
Source: Capital IQ, 2015

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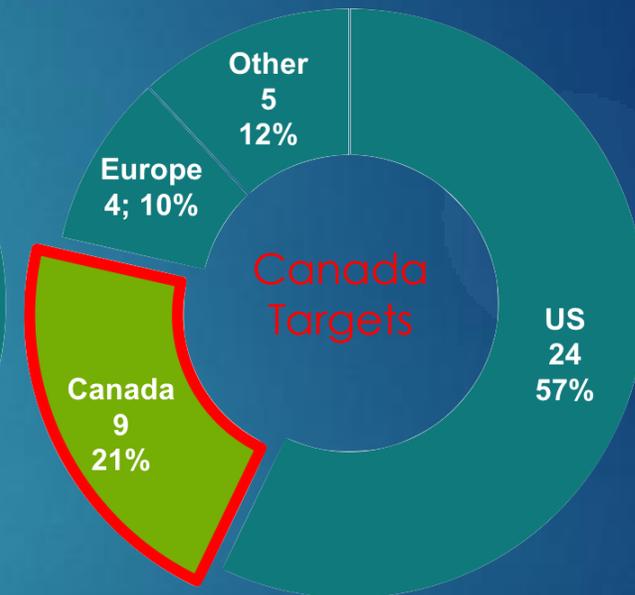
Life Sciences



Software



Hardware



- ▶ The proportion of Canadian firms acquired by other Canadian firms is low