OPTIMISING EXITS FOR EUROPEAN TECHNOLOGY COMPANIES

17th September 2020

SILVERPEAK

M&A TRENDS & VALUATION METRICS

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COMPANY SNAPSHOT

Silverpeak advises **outstanding technology companies** on M&A and financing transactions

European clients – **Global** counterparties

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OUR PRESENCE IN THE TECHNOLOGY SECTOR

Silverpeak has deep sector knowledge and extensive execution experience in the technology sector

FINTECH

- Banking
- Compliance
- Hubs
- Insurance
- Payments

ENABLING TECHNOLOGIES

- Electronics
- Materials
- Networking
- Semiconductors

ENTERPRISE SOFTWARE & SAAS

- Horizontal
- Vertical
- Security
- Artificial Intelligence

MOBILITY

- Shared mobility & MaaS
- Autonomous driving
- Telematics & fleet management

HEALTHTECH

- Diagnostics
- Digital Health
- Genomics
- Imaging
- M-Health
- Medical devices

INTERNET & DIGITAL MEDIA

- Adtech
- Digital Entertainment
- eCommerce
- Internet Infrastructure
- Marketplaces
- MarTech

BUSINESS SERVICES

- IT Consulting
- Managed Services
- Outsourcing
- Telecom Services

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SELECTED RECENT TRANSACTIONS

COMPLETED POST-COVID

PT | US
ARMILAR VENTURE PARTNERS
Continuation Fund Including:
outsystems
Investment by
GENERAL ATLANTIC
September 2020

COMPLETED POST-COVID

GB
Isotropic multi-beam satellite antennae
Investment by
CORPORATE & FINANCIAL INVESTORS
September 2020

COMPLETED POST-COVID

GB | EU
V-NOVA
Video compression solutions
Investment by
FAMILY OFFICES & HNW INVESTORS
July 2020

COMPLETED POST-COVID

LT | JP | GB
Trafi
Mobility-as-a-Service platform
Series B
undisclosed
MS&AD Aioi Nissay Dowa
Sumitomo
June 2020

EU | US
UNDISCLOSED
Technology platform
Sale
FACEBOOK
December 2019

GB | US
VIRTUAL CLARITY
Cloud transformation consultancy
Sale
DXC.technology
November 2019

EU | EU
CONFIDENTIAL
SaaS FinTech platform
Fundraise
$150m
September 2019

FR | US
sentryo
M2M cybersecurity for the industrial internet
Sale
CISCO
August 2019

GB | GB | US
oxbotica
Autonomous vehicle software
Investment by
ipgroup
PARKWALK
AXA XL GROUP
July 2019

GB | GB
thoughtonomy
SaaS Intelligent automation platform
Sale
blueprism
July 2019

US | NL | BE
CHOICE HOTELS
Maxxton
Hospitality ERP SaaS
Sale
FORTINO CAPITAL
June 2019

GB | GB
LOOT
Digital bank
Investment by
RBS
Bó
December 2018

IT | NL
GREEN BIT BIOMETRIC SYSTEMS
Fingerprint scanners & software
Sale
gemalto
security to be free
December 2018

GB | IE
dictate.it
Clinical speech recognition services & software
Sale
Clanwilliam group
December 2018

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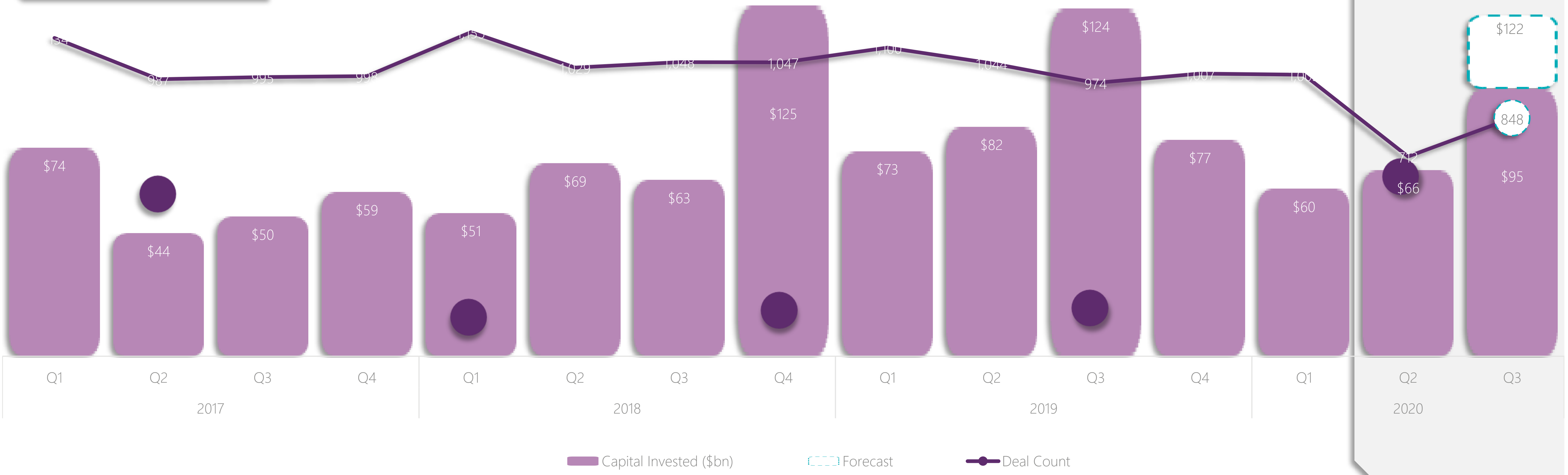
TECH M&A[1] ACROSS NORTH AMERICA & EUROPE

Global technology sector transaction volume is recovering after a 30% dip in Q2-2020

Q3 change by deal count

18% Q.o.Q ▲ | 13% Y.o.Y ▼

Buyer	Seller	
ANALOG DEVICES	maxim integrated	$22.8bn Jul-20
TELADOC	Livongo	$18.5bn Aug-20
Worldline	ingenico GROUP	$11.9bn Mar-20



Source: Pitchbook

Note: Technology Sector criteria includes: Computer Hardware, Software, Semiconductors, IT Services and Other Information Technology (e.g. enabling tech, IOT, etc.)

(1) Including both Strategic M&A and PE deals; Announced & completed deals; Data as of 11/09/2020

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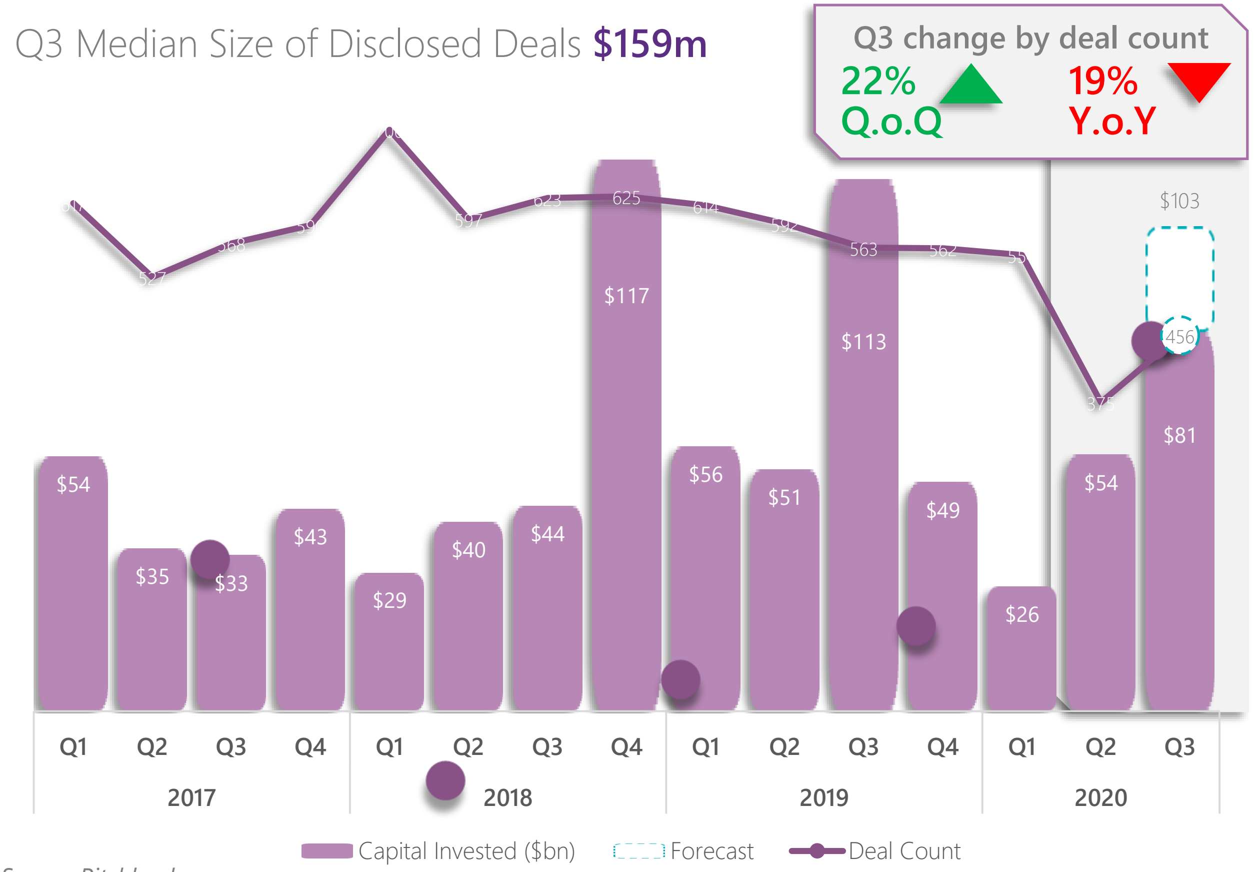
M&A DEAL BREAKDOWN BY REGION

The dip in Q2 was more severe in N. America, but deal count is recovering in both regions and larger deals continue to be announced in N. America

North America

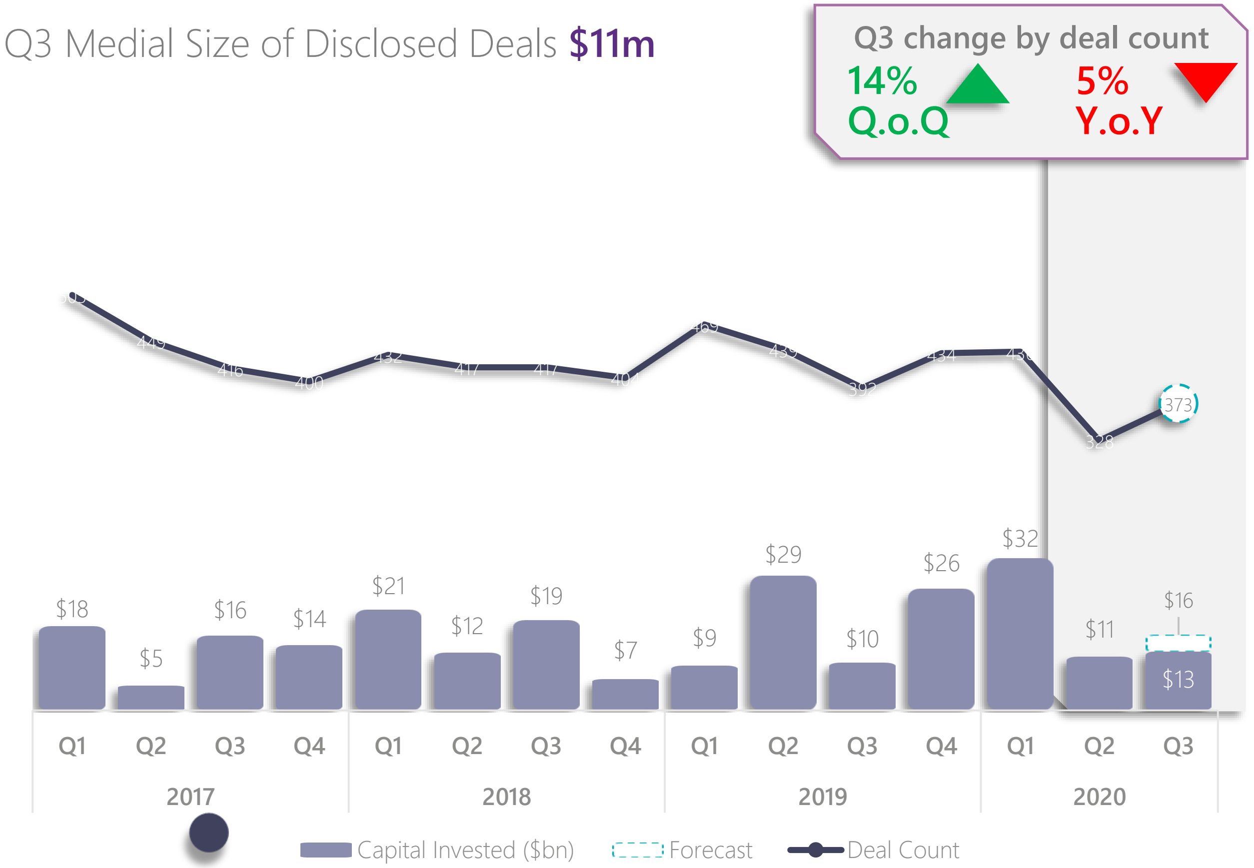
Q3 Median Size of Disclosed Deals **$159m**



Source: Pitchbook

Europe

Q3 Medial Size of Disclosed Deals **$11m**



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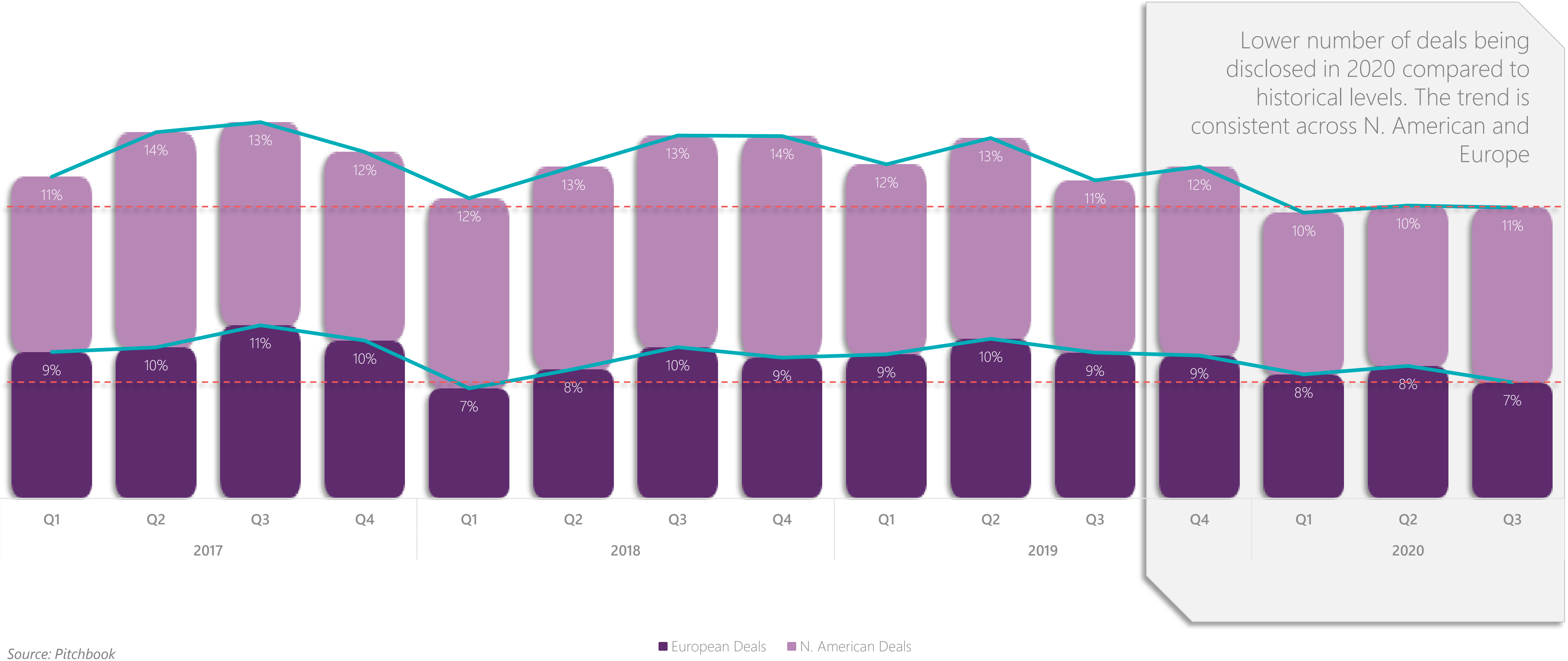
% OF ANNOUNCED DEALS

The % of announced deals has fallen since Q4'19, pointing to smaller deals



Source: Pitchbook

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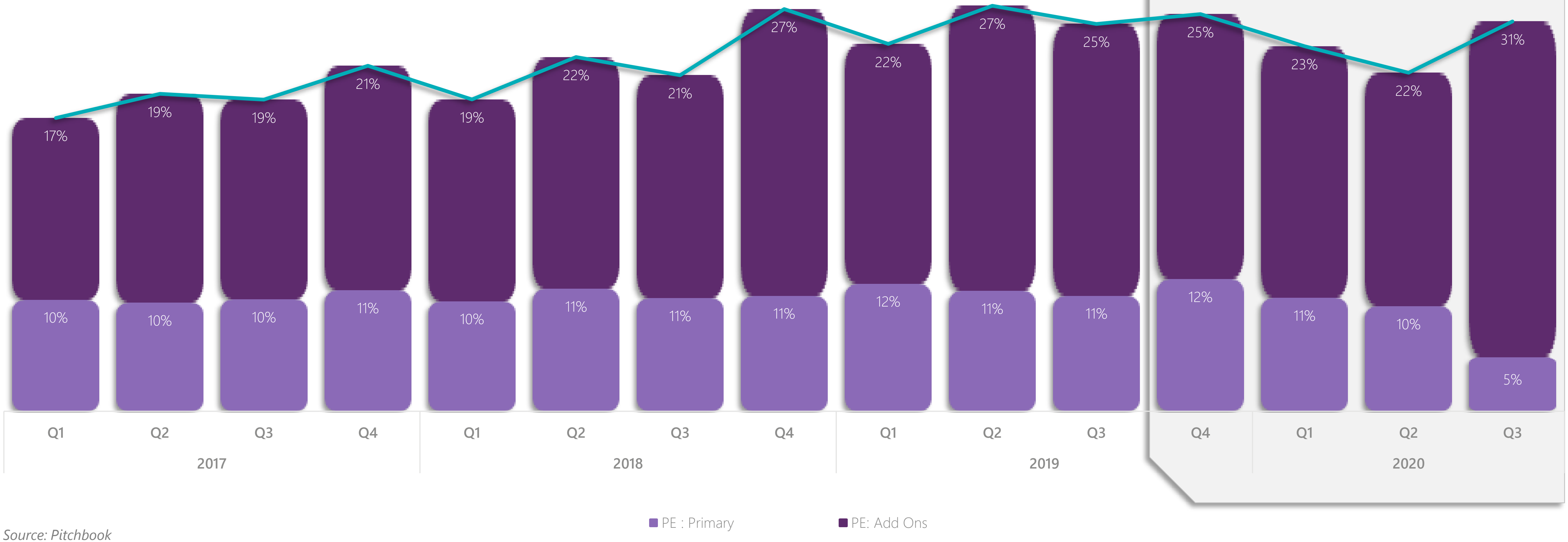
BREAKDOWN BY DEAL TYPE: PRIVATE EQUITY

Weight of PE deals in 2020 has decreased, reversing a trend from the highs of 2019. Add-Ons dominate overall PE activity in Q3'20

PE deals continue the downward trend as funds shift their focus to their current portfolios

PE deals as a proportion of total deal count



Source: Pitchbook

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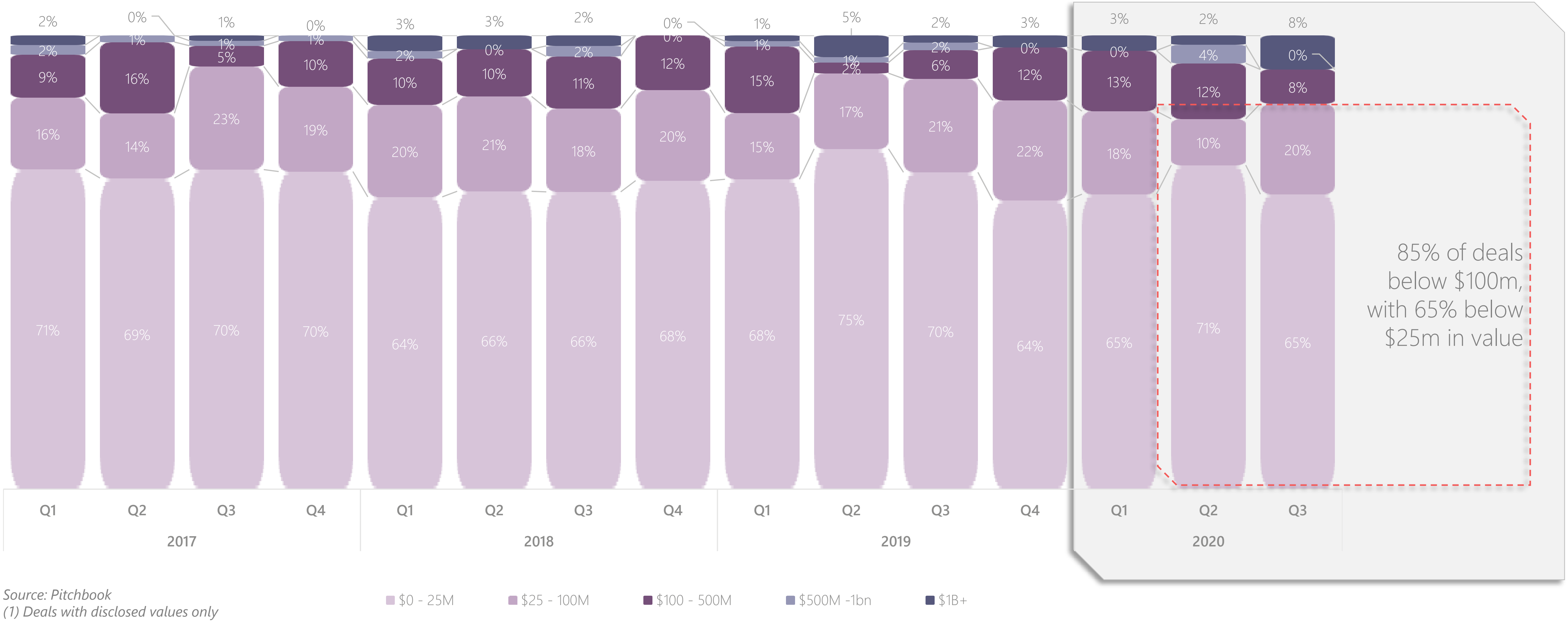
M&A DEAL COUNT BY SIZE[1] – EUROPE

Share of $100m+ deals in Europe in Q3 is reverting to pre-Covid levels, whilst larger $1b+ deals are becoming more prevalent



Source: Pitchbook
(1) Deals with disclosed values only

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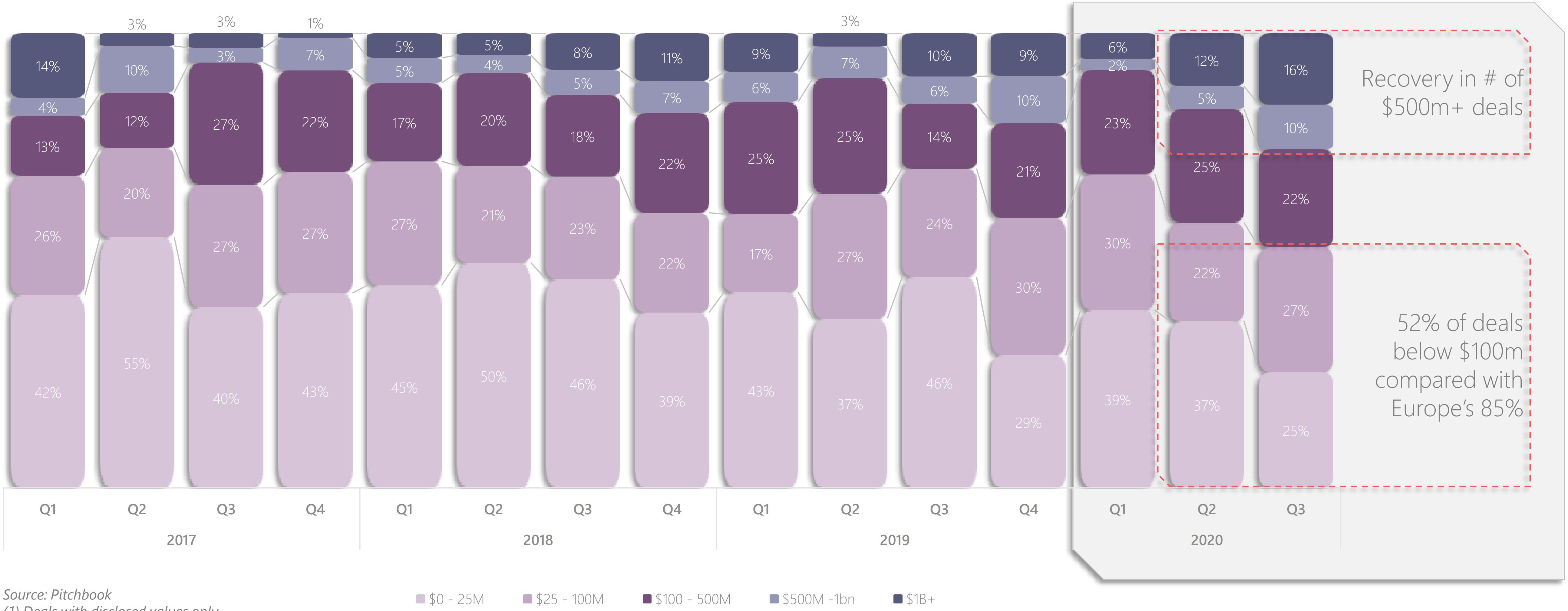
M&A DEAL COUNT BY SIZE[(1)] – NORTH AMERICA

$500m+ deals in North America increased in Q3’20, whilst smaller sub $100m deals continue to remain low



Source: Pitchbook
(1) Deals with disclosed values only

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10 BIGGEST TECHNOLOGY DEALS YTD

Two out of the five strategic buyers in largest deals are European, however US PE firms dominate. Notable absences are Chinese buyers

Corporate buyers

ANALOG DEVICES	Acquired	maxim integrated	$22.8bn Jul-20(1)
TELADOC	Acquired	Livongo	$18.5bn Aug-20(1)
Worldline	Acquired	ingenico GROUP	$11.9bn Mar-20(1)
Flutter	Acquired	THE STARS GROUP	$11.3bn May-20
ICE	Acquired	EllieMae	$11.0bn Sep-20

PE

APOLLO	Acquired	TechData	$6.9bn Jun-20
Advent International GLOBAL PRIVATE EQUITY	Acquired	COBHAM	$5.3bn Jan-20
INSIGHT PARTNERS	Acquired	veeAM	$5.0bn Mar-20
ELLIOTT	Acquired	LogMeIn	$4.7bn Aug-20
CLAYTON DUBILIER & RICE	Acquired	EPICOR	$4.7bn Aug-20(1)

Source: CapIQ, Pitchbook
(1) Announced

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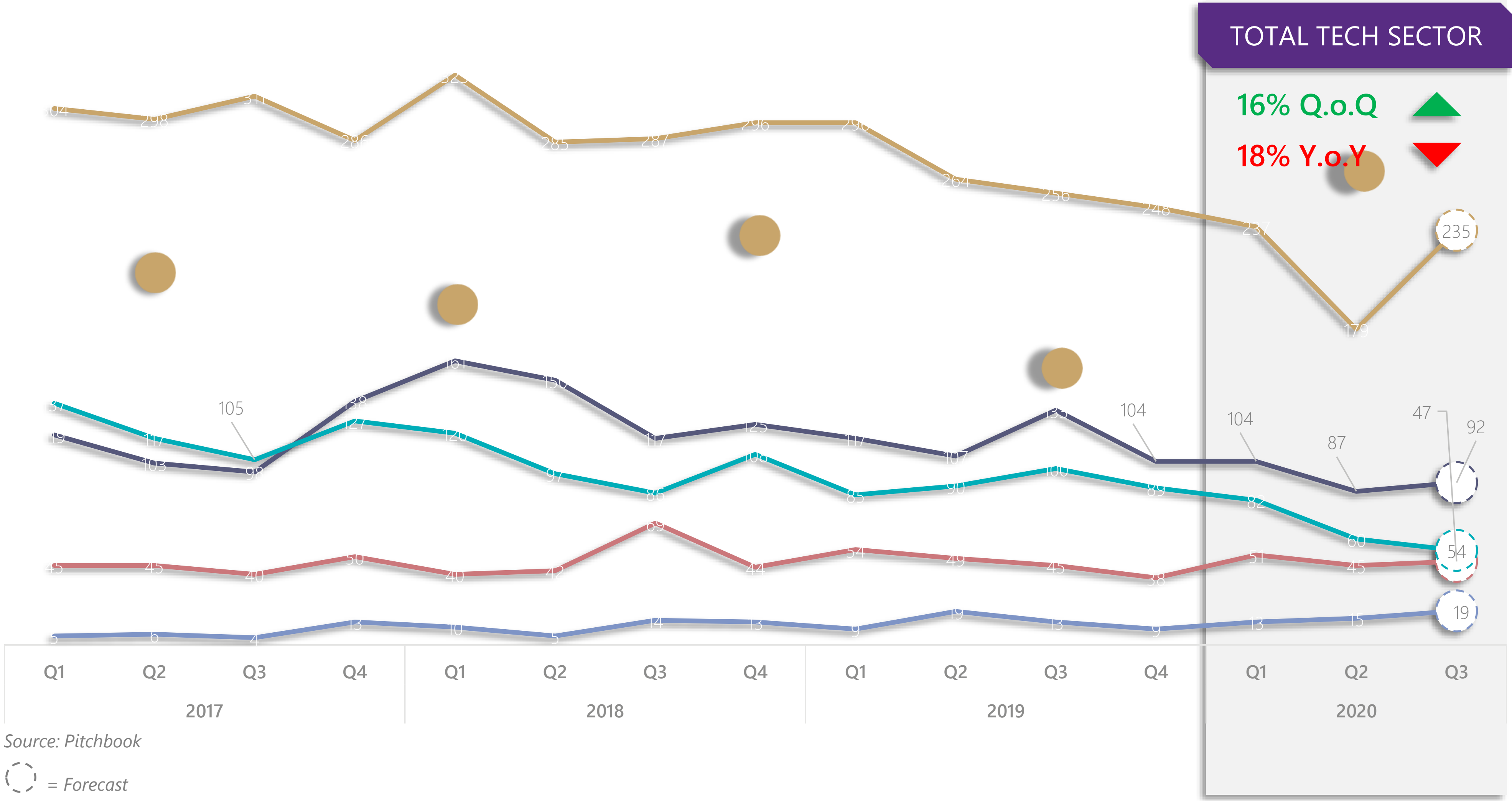
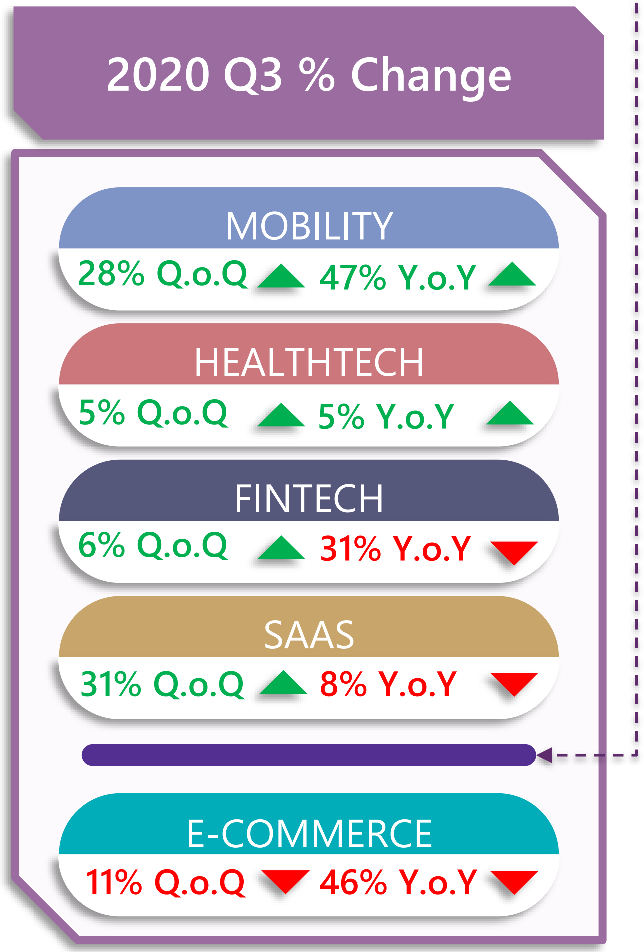
SUMMARY OF DEAL COUNT BY TECH VERTICALS

Most major tech verticals witnessed increased deal activity in Q3'20. Mobility and HealthTech have also seen an annual increase





Source: Pitchbook

= Forecast

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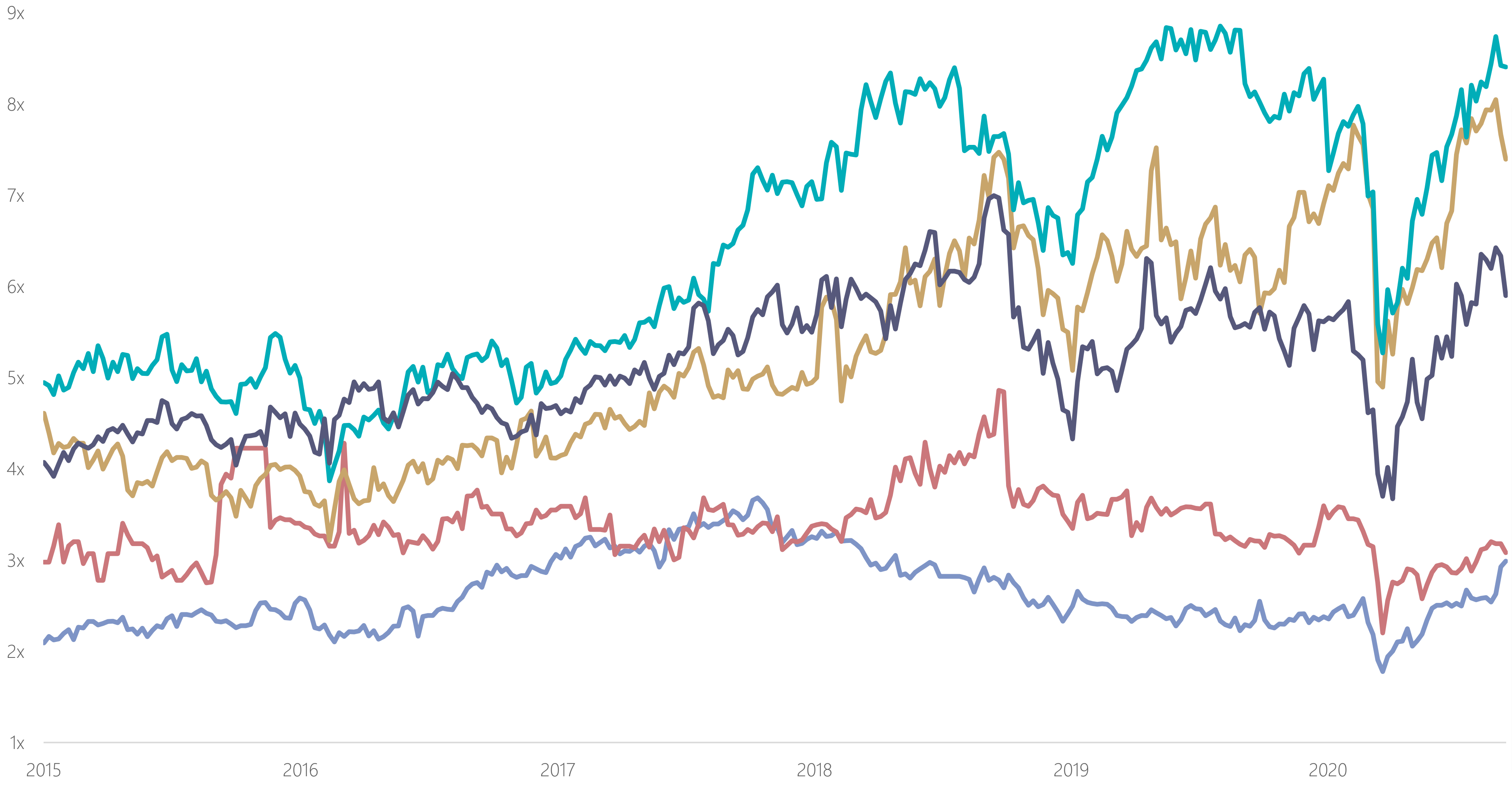
SOFTWARE VALUATION METRICS

Median revenue multiples bounce back to pre-Covid levels in the US



Source: CapIQ

MEDIAN REVENUE MULTIPLES Q3 2020

US SAAS	8.2x
US HORIZONTAL	7.7x
US VERTICAL	6.0x
UK SMALL & MID CAP	3.1x
EUROPE	2.6x

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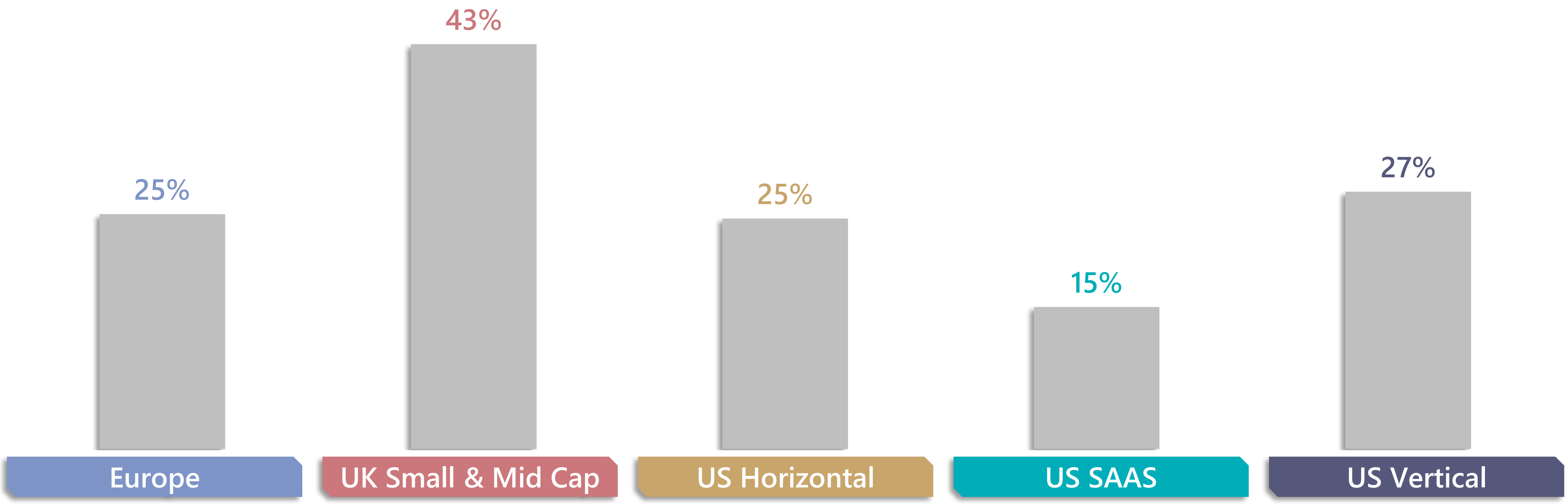
CASH RESERVES Q2 2020 vs. Q4 2019

Cash reserves of software companies have increased to buffer the uncertainty caused by Covid

Weighted average of the change in cash Q2-20/Q4-19



Source: CapIQ

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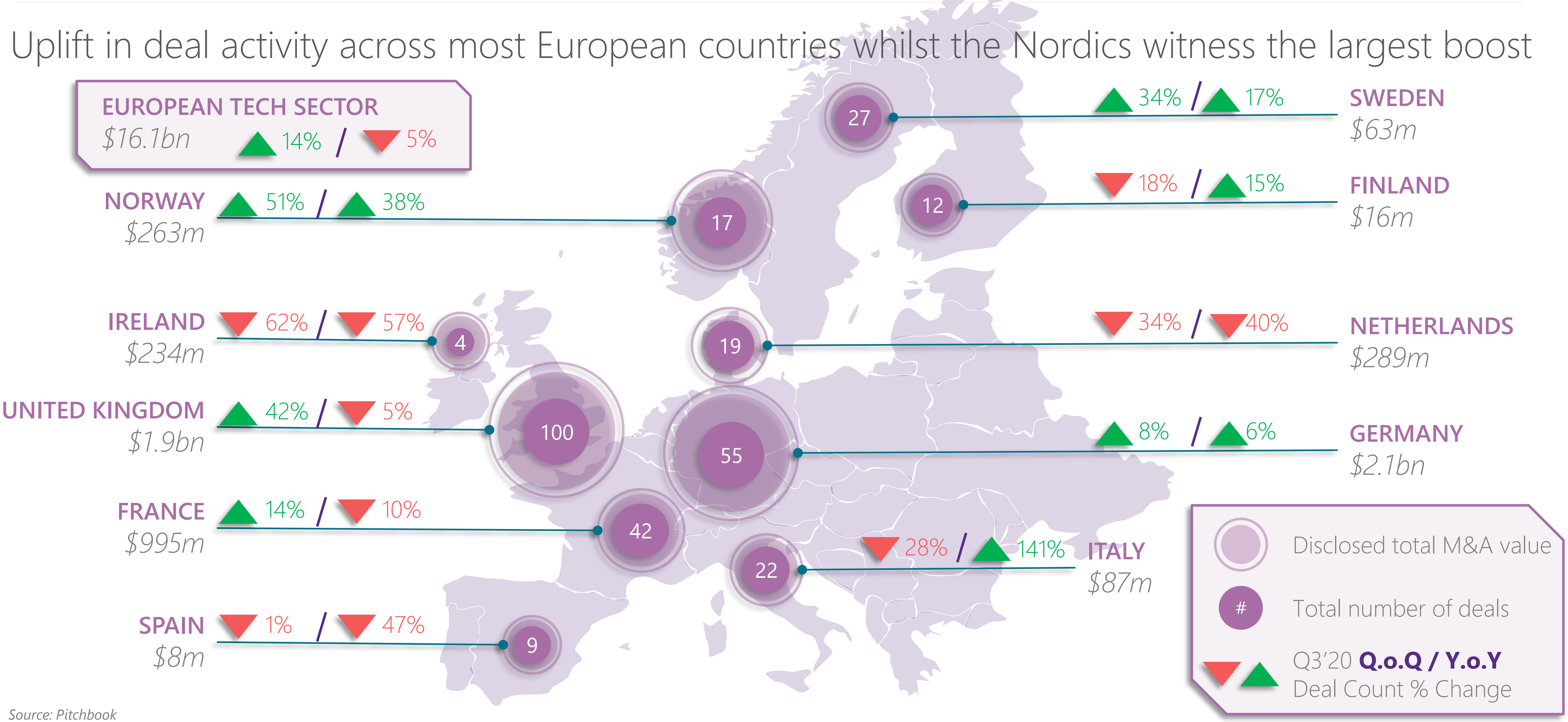
Question for companies:

Do you think that your revenues will grow more than 20% in 2021?

OVERVIEW OF FORECAST Q3'20 DEAL ACTIVITY IN EUROPE

Uplift in deal activity across most European countries whilst the Nordics witness the largest boost



Source: Pitchbook
Note: Deal count and disclosed deal size based on Technology Screening criteria

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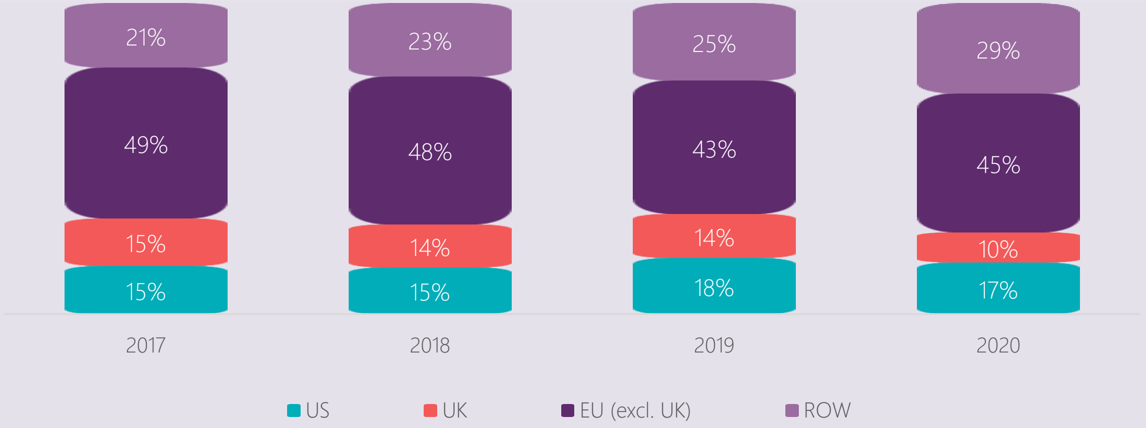
KEY BUYERS OF EUROPEAN ASSETS

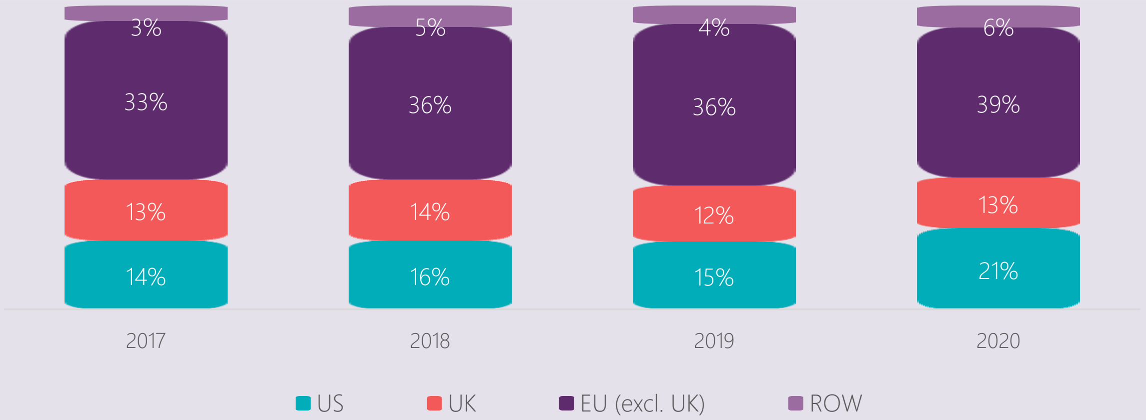
Buyer breakdown by geography

Proportion of US and foreign buyers remain consistent in 2020

M&A



PE



Source: Pitchbook

Most Active Buyers 2020

Buyers	# Deals	Selected acquisitions
accenture	8	context, MUDANO
FACEBOOK	6	ATLAS ML, Mapillary, SCAPE
VITEC vertical software	6	alma CONSULTING, appva, VISIOLINK
ZUCCHETTI	6	Lybra, RATEBOARD, scloby
Hg	21	dps, mintsoft
CPP INVESTMENT BOARD	13	Draftit, RoxAI, visionplanner
MAIN CAPITAL PARTNERS	10	avedos, JOLIV, wood wing
GIC	10	FIRST AGENDA, Nmbrs, specter

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10 BIGGEST N. AMERICAN ACQUISITIONS BY EU BUYERS

Largest acquisitions of North American businesses by European buyers greater than $100m (YTD). Larger deals more prevalent within Q2'20

Flutter	Acquired	The Stars Group	$11.3bn May-20
Infineon	Acquired	Cypress Embedded in Tomorrow	$10.4bn Apr-20
AVEVA	Acquired	OSIsoft	$5.0bn Aug-20(1)
SUSE	Acquired	Rancher Labs	$0.7bn Jul-20(1)
WorldRemit	Acquired	Sendwave	$0.5bn Aug-20(1)
General Atlantic / ProSiebenSat.1 Media SE	Acquired	The Meet Group	$0.5bn Jul-20
dialog Semiconductor	Acquired	Adesto	$0.5bn Jun-20
Embracer Group	Acquired	Saber Interactive	$0.5bn Apr-20
Stillfront Group	Acquired	Storm8	$0.4bn Feb-20
Stillfront Group	Acquired	candywriter	$0.2bn Apr-20

Source: CapIQ, Pitchbook
(1) Announced

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Question for investors:

Do you expect to deploy more capital in new companies (as opposed to portfolio companies) in 2021 than 2020?

TaylorWessing

M&A AND FUNDRAISINGS IN THE CURRENT ENVIRONMENT

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Overview of Taylor Wessing

Extensive M&A experience

Taylor Wessing has a strong international M&A practice that acts for clients on the full range of corporate/M&A work.

Over the years we have garnered enormous M&A experience, having acted on buy-side and sell-side deals of all shapes and sizes.

Our buyside and sellside M&A practice has advised on some of the highest profile transactions internationally over the last 18 months.

28 offices, 16 jurisdictions. including London, Munich, Berlin, Silicon Valley, Shanghai, Beijing Hong Kong, Vienna, Paris, Amsterdam, Dubai

Over 1,000 lawyers

Particularly well recognised in the technology and life sciences sectors

Fundraisings

Funding Rounds

- We have seen some substantial funding rounds
- Some at a lower price to the levels seen last December but nonetheless unicorns are being supported
- Most of these deals done remotely
- Majority are follow on rounds rather than new fundings
- Recent private funding rounds include:

Thought Machine	Vinted	dawn.	BibliU	EDITED
Advised Thought Machine on a $42 million follow-on funding for its Series B round.	Advised Vinted, Europe's largest online international C2C marketplace dedicated to second-hand fashion, on its €128 million Series E round financing which values the company at over €1 billion.	Advised long-standing client and early-stage VC fund Dawn Capital on its investment as part of a £51.2 million Series C fundraising round for Quantexa.	Advising BibliU, an online platform that provides students with access to their textbooks and libraries with affordable core textbook packages, on a follow-on fundraising and secondary sales.	Advised Edited, the retail decision platform, on its $29m funding round which was co-led by Boston-based Wavecrest Growth Partners and Beringea UK.

Fundraisings – Future Fund

Government matched equity Funding

- Convertible loans of between £125,000 and £5,000,000 (non negotiable terms)
- Must be matched by third party investors
- Eligibility
  - UK incorporated (only parent company is eligible)
  - Raised at least £250,000 in equity investment from third party investors in past 5 years
  - Not listed
  - Incorporated on or before 31 December 2019
  - 50% or more of employees are UK based OR 50% or more of revenues are from UK sales

Fundraisings – Future Fund

- Investor led process
  - Required confirmations from a director of the Company
  - Required confirmations from a nominated law firm
  - Money and signatures collected from all other investors
  - Money from the Government is released
  - Efficient and quick process
- Run by the British Business Bank – with the benefit of a Help Line
- Has helped numerous tech companies to survive
- How will this shape fundraisings and exits over the coming years for companies that have used the scheme?

M&A – legal considerations

Due diligence issues

- Employment law, including relevant temporary government stimulus measures, such as furlough
- Business continuity and emergency preparedness
- Information technology (IT) systems, privacy security and data security
- Terms of material contracts (including financing arrangements), such as term, termination rights and MAC clauses

MAC clause in SPA

- The right to terminate if there is a material and substantial deterioration in target's assets or financial situation between signing and closing

Completion adjustments

- Adjustment mechanisms as at completion – completion accounts

M&A – legal considerations

Structure of consideration

- Earn-outs spread over several years are more popular and
- deferred consideration arrangements dependent on hitting milestones

The mechanics of transactions:

  - Due diligence – all remote
  - Negotiation
  - Closing mechanics
  - Electronic signatures

M&A – legal considerations

Lack of physical meetings

- Has impacted the willingness to do new deals, however appetite for new deals seems to be increasing – acceptance of remote working as 'the new normal'?
- Issues around meeting management teams and sellers
- But for attractive assets there is still a willingness to get deals done – there have been competitive auctions for recurring revenue software businesses

M&A – recent deals

Deals focussed on key performing sectors

- Software – businesses with strong recurring revenue continue to attract investor interest
- Healthcare and life sciences
- Gaming
- Fintech
- E-Commerce

JAGEX	SciBite	THE ATHLETIC	wazoku everyday innovation	boku Pay by Mobile
Advised Jagex, one of the largest UK video game developers and publishers, on its sale of Platinum Fortune for $530m.	Advised on the sale of SciBite, a semantic AI company headquartered in Cambridge, to the global research publishing and information analytics provider, Elsevier, part of the RELX group.	Advised sports publisher The Athletic on its acquisition of UK-based football media company Muddy Knees Media, home of 'The Totally Football Show' podcast.	Advising Wazoku on its acquisition of the assets of InnoCentive Ltd.	Advised Boku Inc., a leading global mobile payment and mobile identity company on its conditional acquisition of Fortumo Holdings, a transaction valued at a maximum enterprise value of $41 million.

M&A - opportunistic or distressed

Opportunity

- Reduced valuations
- Less competitive landscape
- Consolidation
- Facilitate expansion

M&A - opportunistic or distressed

Key features

- Protecting against potential claw back rights or challenges by an insolvency receiver
  - arm's length consideration
  - dealing with creditors
  - shortening period between signing and closing
  - particular attention to be paid to repayment of shareholder loans and any risk of a preference
  - discharge of director's duties

M&A - opportunistic or distressed

Key features

- Buyer protection
  - asset acquisitions often favoured in a distressed scenario
  - warranties and indemnities likely to be worthless
  - enhanced diligence
  - W&I insurance
- Misalignment between selling shareholders
  - if a share sale, can drag rights be used?
  - if an asset sale, what consents are required?

Your Taylor Wessing team

Robert is a partner in our Corporate Technology group. He advises on a wide variety of corporate transactions within the technology sector, including private acquisitions and disposals, public takeovers, joint ventures, restructurings, reorganisations, IPOs and other fundraisings.

Recent deals include:

- advising Jagex, one of the leading UK games companies on its sale to Platinum Fortune for $530m
- advising Zynstra, a hybrid software supplier for the retail industry on its sale to NCR;
- advising Access Group on an investment from Hg valuing the business at approximately £1bn;
- advising Ciklum on the terms of an investment led by the Soros Fund;
- advising Allocate Software plc on a series of transactions including its take-private by Hg Capital; and
- advising Attraqt Group on its fundings and acquisitions of FredHopper BV and Early Birds

Robert Fenner

Partner

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Your Taylor Wessing team

Alexandra is a Partner in the Corporate Technology team. Alexandra specialises in advising companies, institutions and private shareholders on a broad range of corporate transactions (including public and private M&A, venture capital and private equity transactions, joint ventures and restructurings), many with an international element to them.

Recent deals include:

- The sale of One Fine Stay to AccorHotels;
- The acquisition of Achica Limited by Worldstores Limited;
- The acquisition of Blast! Productions by Sky;
- The investment by Holzbrink into Founders Factory and associated joint venture between a Holtzbrink subsidiary and Eton college;
- The sale of FineTubes to Ametek;
- The acquisition of Bundletech by Borderfree;
- The pre-IPO reorganisation and admission to trading on NASDAQ of Mimecast Limited;
- The secondary buyout of Cablecom Networking Holdings Limited by Inflexion Private Equity Partners

Alexandra Richardson

Partner

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SILVERPEAK

ACHIEVING A STRATEGIC VALUE

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THE 3 HATS

Be clear on your objectives

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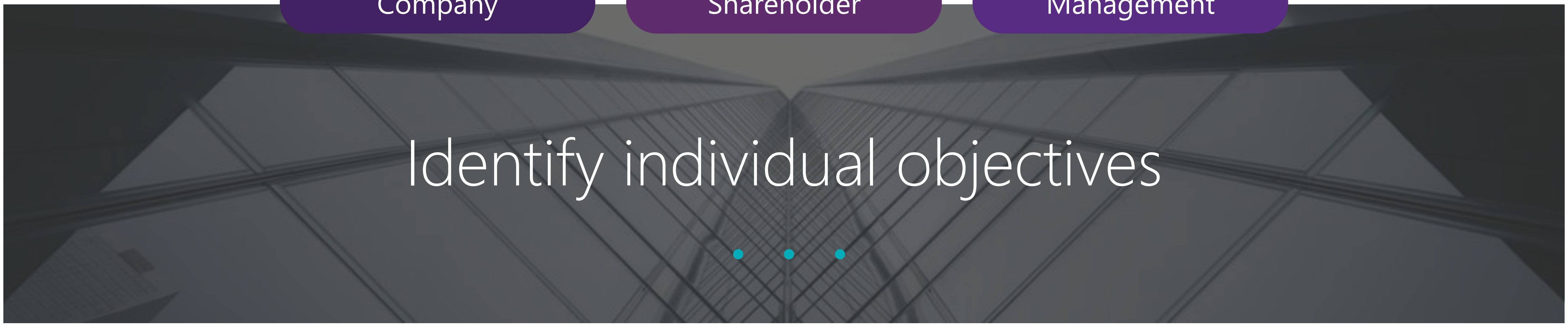
CLEAR OBJECTIVES: THE 3 HATS

Company | Shareholder | Management



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GETTING STRATEGIC VALUE

INCREASING STRATEGIC PRICE PREMIUM

INTRINSIC COMPANY VALUE

Size of Market Opportunity

Scarcity & Defensibility

Scalability & Operating Leverage

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GETTING STRATEGIC VALUE

INCREASING STRATEGIC PRICE PREMIUM

INTRINSIC COMPANY VALUE

- Size of Market Opportunity
- Scarcity & Defensibility
- Scalability & Operating Leverage

- High sustained growth
- Market accessibility
- Low churn rates
- Time to market
- "Move the dial"

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GETTING STRATEGIC VALUE

INCREASING STRATEGIC PRICE PREMIUM

INTRINSIC COMPANY VALUE

- Size of Market Opportunity
- Scarcity & Defensibility
- Scalability & Operating Leverage

- Absence of competition
- Barriers to entry
- Strong IP – differentiated & defensible
- High opportunity cost : build vs. buy
- Product pricing premium
- Value to multiple strategic buyers

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GETTING STRATEGIC VALUE

INCREASING STRATEGIC PRICE PREMIUM

INTRINSIC COMPANY VALUE

Size of Market Opportunity

Scarcity & Defensibility

Scalability & Operating Leverage

High scalability + high operating leverage
= higher operating margins

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GETTING STRATEGIC VALUE

INCREASING STRATEGIC PRICE PREMIUM

INTRINSIC COMPANY VALUE

Size of Market Opportunity

Scarcity & Defensibility

Scalability & Operating Leverage

Value to Buyer

How do we share the combined value that is not available to either individually?

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PRACTICALLY, HOW?

- Start when ready
- Prepare thoroughly
- Target acquirers globally
- Create a market
- Articulate clearly
- Help the acquirer help you

Be realistic and run a competitive process

Appoint quality advisers

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SO WHAT IS A STELLAR EXIT?

High
Value?

High revenue
multiple?

High return on
capital invested?

High earnings
multiple?

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SUCCESS STORIES

EU | US

UNDISCLOSED

Technology platform

Sale

FACEBOOK

December 2019

Equity invested:
$6.2m

GB | US

VIRTUAL CLARITY
Clear Thinking. Straight Talking.

Cloud transformation consultancy

Sale

DXC.technology

November 2019

Equity invested:
$3.4m

GB | GB

thoughtonomy

SaaS Intelligent automation platform

Sale

blueprism

June 2019

Equity invested:
$0.5m

GB | US

MAGIC PONY TECHNOLOGY

Machine learning for video processing

Sale

twitter

Advisor to Octopus – investor in Magic Pony Technology

June 2016

Equity invested:
$6.3m

"This is my fourth transaction with Paddy and his team, starting 20 years ago. He has always outperformed but this time Paddy, Matteo and their team absolutely nailed it. From first offer to completion in 50 days, and from LOI in only 19 business days, was always going to be a monumental task but they pulled it off masterfully with calming humour, great expertise and advice and nerves of steel. Bravo!."

STEVE PESKIN CEO, VIRTUAL CLARITY

VIRTUAL **CLARITY**

Clear Thinking. Straight Talking.

MY EXIT EXPERIENCE

Steve Peskin

CEO & Founder

PANEL DISCUSSION - LESSONS FOR AN OPTIMUM EXIT

Chairman:
Pietro Strada, Silverpeak

Robert Fenner, Taylor Wessing

Paddy MccGwire, Silverpeak

Steve Peskin, Virtual Clarity

Tom Wrenn, ECI Partners

SILVERPEAK TaylorWessing

THANK YOU FOR JOINING