Welcome.

SILVERPEAK

Mishcon de Reya

Agenda

17.00	Welcome and registration
17.30	Trends in M&A and financing – Pietro Strada
17.45	Tax considerations relevant to the current market – John Skoulding
18.00	My experience of doing a transaction – Terry Sweeney
18.20	Top tips for a strategic price – Paddy MccGwire
18.30	Panel Q&A – chaired by Paddy MccGwire
19.00	Networking
20.00	Close

SILVERPEAK

Mishcon de Reya

It's business. But it's personal.

SILVERPEAK

M&A + FINANCING ADVICE

The growth funding market for European tech companies

November 2022

Pietro Strada
Managing Partner

Agenda

Silverpeak overview

European & US Software: public market valuation metrics

European tech: venture growth environment

European tech: M&A environment

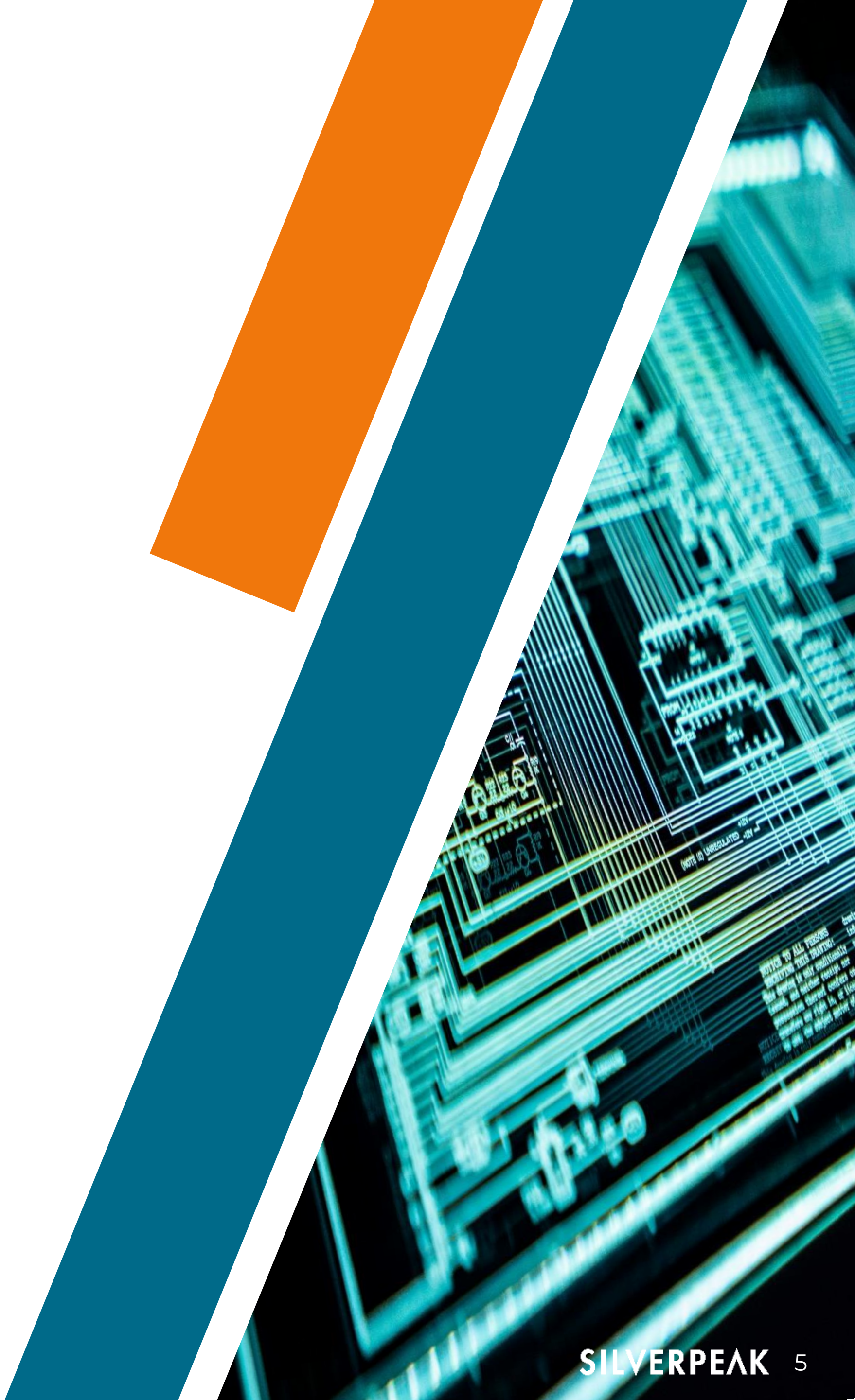
Our connections, ability and focus will deliver the best outcomes for your business

WE ARE MID-MARKET TECHNOLOGY SPECIALISTS representing European growth businesses in M&A and financing transactions involving the most relevant investors and acquirers, wherever they are.

25+ team concentrated in a single office

300+ completed deal experience

60%+ transactions with North American counterparties in the last 3 years



WE HAVE **ACCESS TO THE RIGHT INVESTORS AND ACQUIRERS** WHEREVER THEY MAY BE

A SELECTION OF INVESTORS AND ACQUIRERS ON SUCCESSFUL TRANSACTIONS

Accel	American Express	Boeing HorizonX	Cisco	DXC Technology
Fujitsu	General Atlantic	Genesys	Hewlett Packard Enterprise	H.I.G. Capital
Live Nation ticketmaster	Menlo Ventures	Meta	Oaktree	SES
Sumitomo	Summa Equity	Tenzing	twitter	Wavecrest Growth Partners

Silverpeak's success is built on three key pillars

Passion for technology

Ability to articulate your full value

Exceptional global execution

Sector Coverage

SOFTWARE

- Application Software
- Cloud
- DevOps
- Infrastructure Software
- Mobility
- RPA / LowCode
- Sustainability

DEEP TECH

- Additive Manufacturing
- Algorithms/AI & ML
- AR/VR
- High Perf. Computing
- MedTech
- Networking and IoT
- NewSpace
- Photonics
- Security Software
- Semiconductors

SERVICES

- IT Consulting
- Managed Services
- Outsourcing
- Telecom Services

Selected recent transactions

GB | US
November 2022
AVVIO
Hotel technology platform driving direct bookings
Sale to
SHR
backed by
Serent Capital

AU | DE
October 2022
camplify
Travel P2P marketplace
APPROVAL PENDING
for €30m acquisition of
PaulCamper

GB | UAE
October 2022
vaarst ROVCO
Autonomous subsea robotics technology
Series B extension to $26m+
SDF
Future Planet Capital
Blue Ocean

IT | US
May 2022
CRP Technology
CRP USA
Additive manufacturing services and proprietary composite materials
Investment by
ITT

GB | GB
March 2022
worksmart
Regulatory change meets business advantage
RegTech SaaS solution
Sale to
Davies

GB | GB, NO, US
March 2022
vaarst ROVCO
Autonomous subsea robotics technology
$20M+ Series B investment by
Legal & General
equinor
iqt
Martlet
Foresight

IT | WW
January 2022
D-ORBIT
In-space services and satellite transport
€51.5m pre-SPAC convertible bond by
COBHAM
iqt IN-Q-TEL
& OTHER INVESTORS

GB | GB
October 2021
cloudtrade
Data extraction & document automation SaaS ML platform
Sale to
advanced
People. Partnership. Solutions.

NO | CA
September 2021
Safran
Project management and risk analysis software
Sale to
JDM Technology Group

NL | US
September 2021
LOGINVSI
Application testing software
Majority sale to
WAVECREST GROWTH PARTNERS

GB | GB
June 2021
Origami
POWER OVER ENERGY
Trading and automation SaaS for renewable energy
£20m investment led by
BARCLAYS

GB | SE
April 2021
MSite
Construction workforce management platform & SaaS
Sale to
infobric
backed by
SUMMA EQUITY

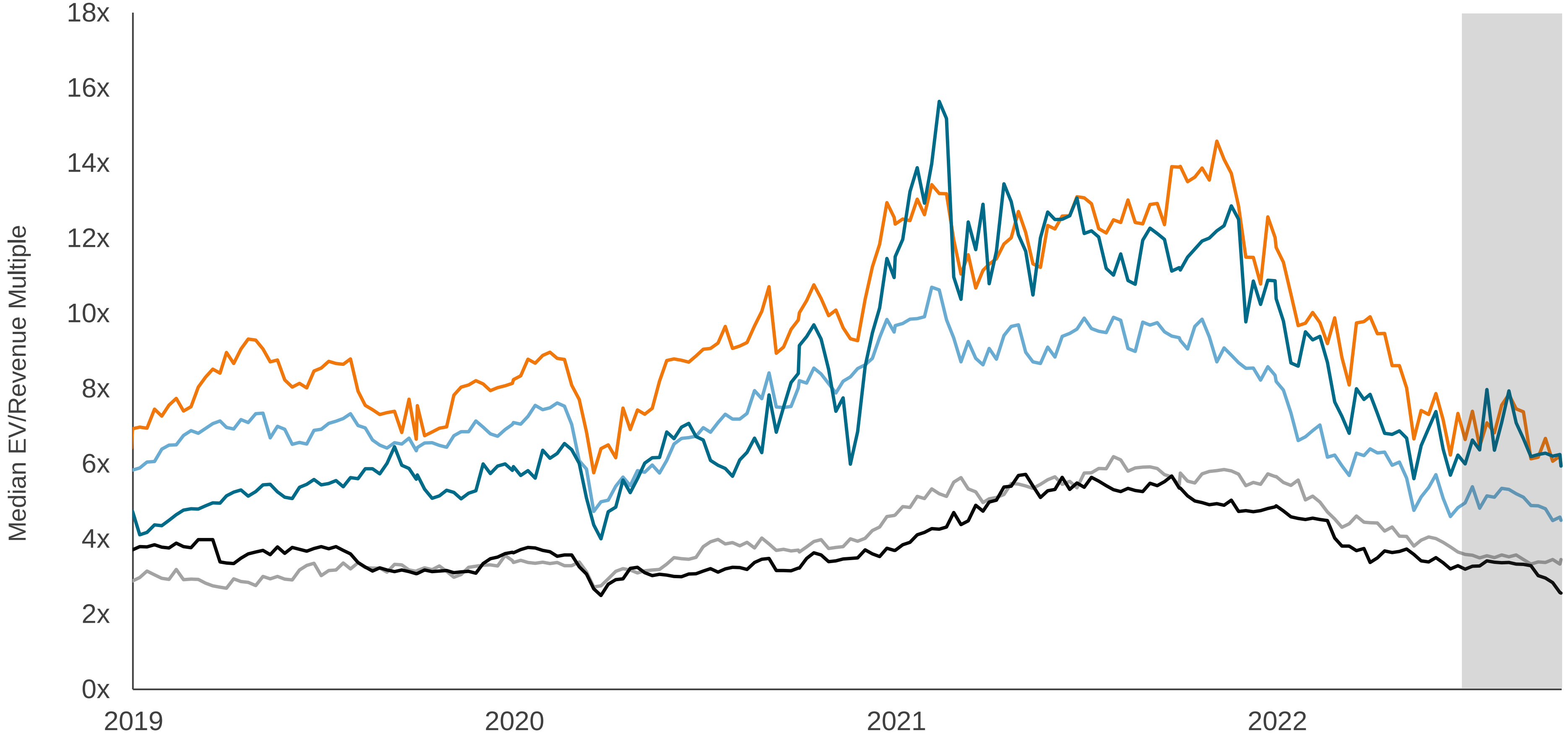
GB | LU, US
February 2021
isotropic systems
Satellite antenna technology
$40m investment by
SES
BOEING
HORIZONX

GB | EU
October 2020
V-NOVA
Video compression solutions
$33m investment by
INVESTMENT FIRMS & TECH ENTREPRENEURS

FROM Q3-22 SOFTWARE BENCHMARK REPORT

Q3 showed early indications of revenue multiples stabilising

LISTED SOFTWARE CATEGORY VALUATION METRICS: MEDIAN EV/REVENUE MULTIPLES 2019-2022 Q3



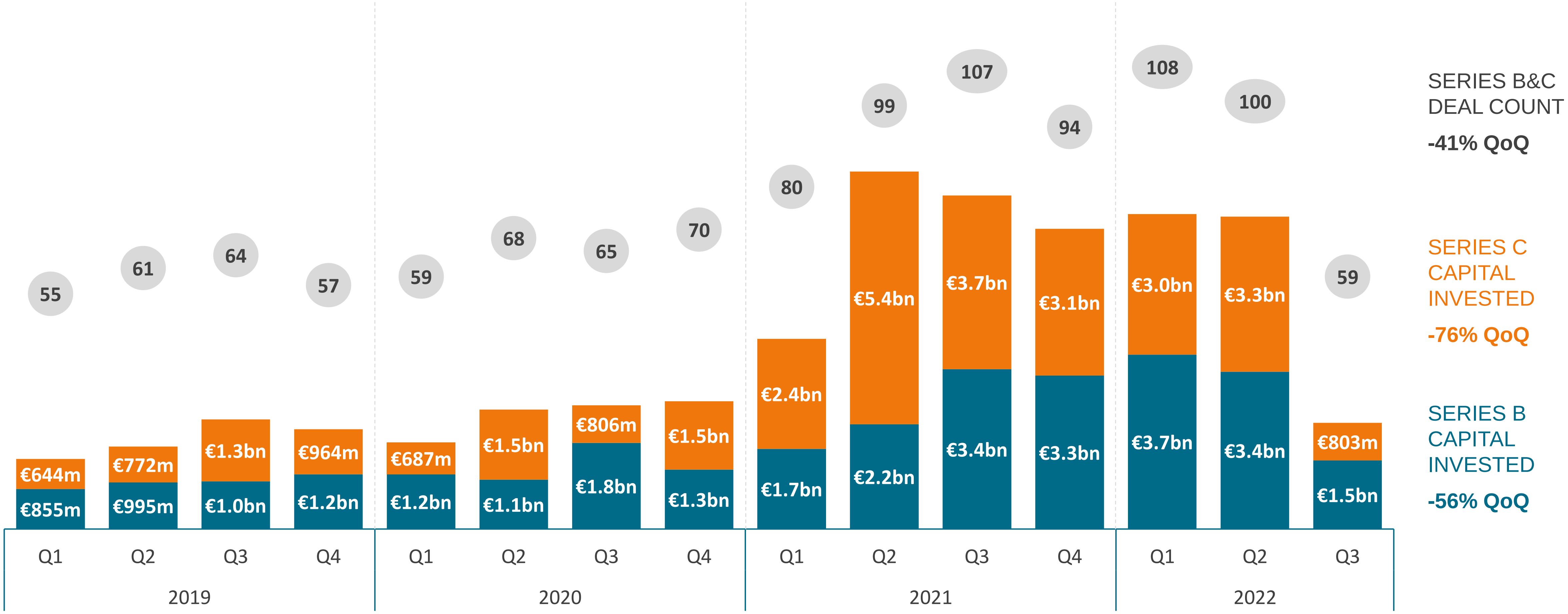
Q3 2022

EV/Revenue	QoQ change (%)
US SaaS 6.0x	▼ -10%
US Vertical 5.9x	▼ -1%
US Horizontal 4.5x	▼ -9%
Europe 3.5x	▼ -4%
UK 2.6x	▼ -20%

Source: CapitalIQ | Multiples as at 30/09/2022

Series B&C Q3 rounds declined to 'record' Q3 2019 level

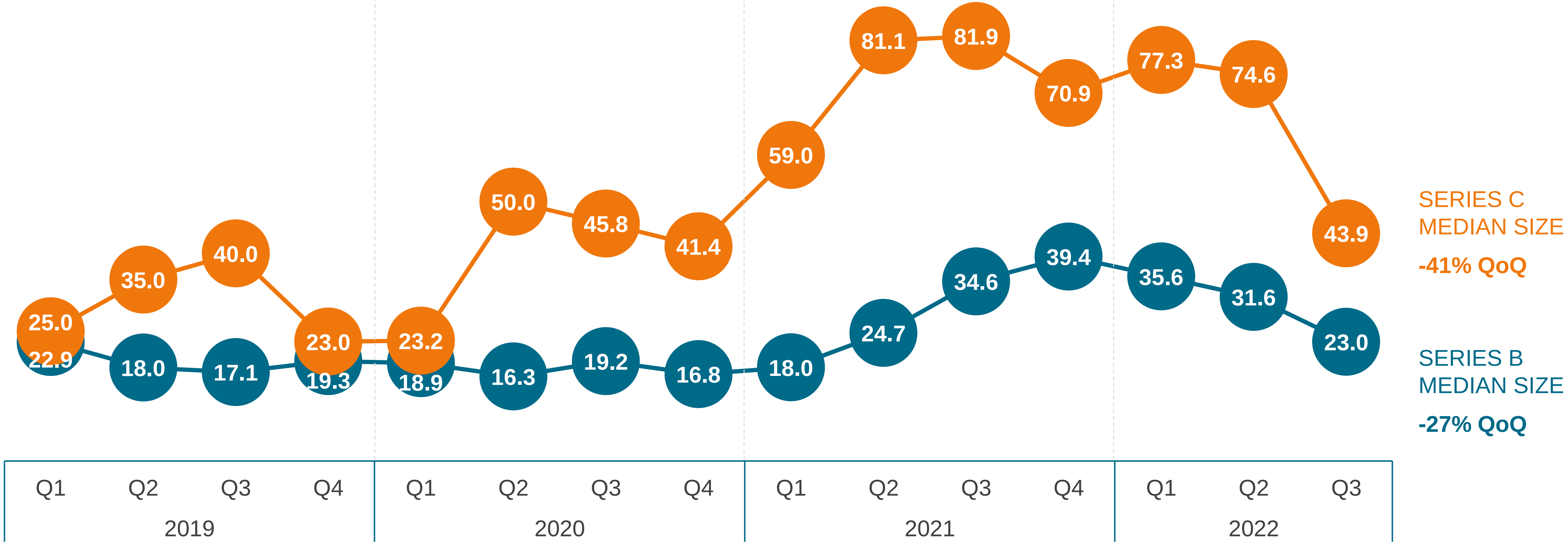
SERIES B&C TOTAL FINANCING AMOUNTS AND DEAL COUNT, 2019 – Q3 2022



Source: Pitchbook | Deals below €5m have been excluded | Data as of 30/09/2022

Not only did the deal number plummet in Q3, but so did the median deal size

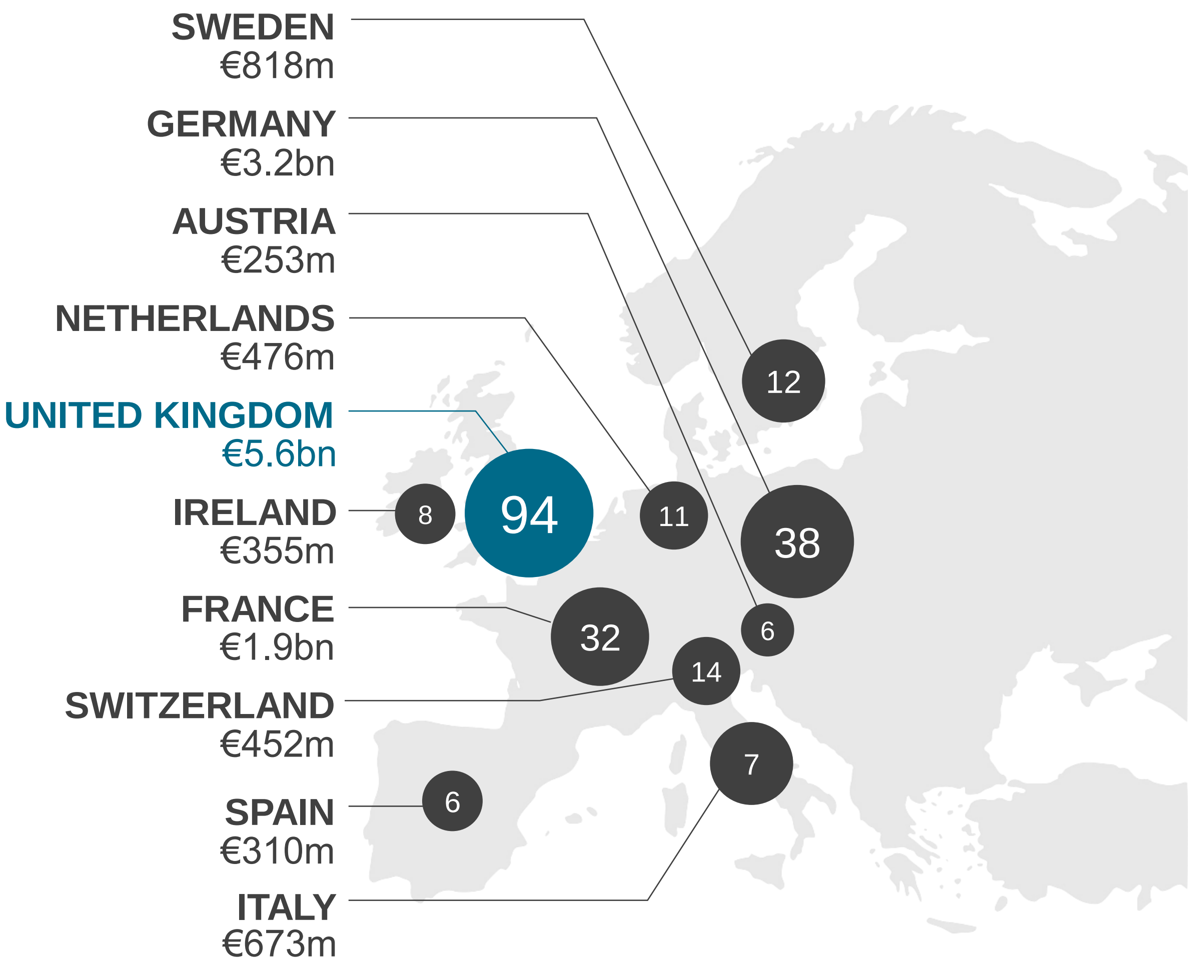
MEDIAN SIZE OF SERIES B&C ROUNDS, 2019 – Q3 2022



Source: Pitchbook | Deals below €5m have been excluded | Data as of 30/09/2022

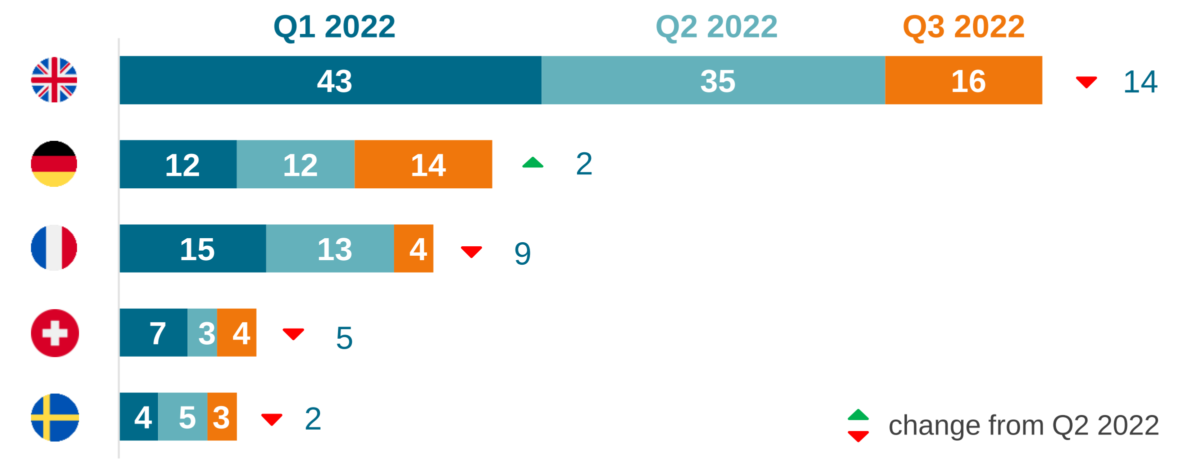
The UK is significantly ahead of other countries in 2022 Series B&C activity

SERIES B&C DEAL COUNT AND VALUE, Q1 - Q3 2022

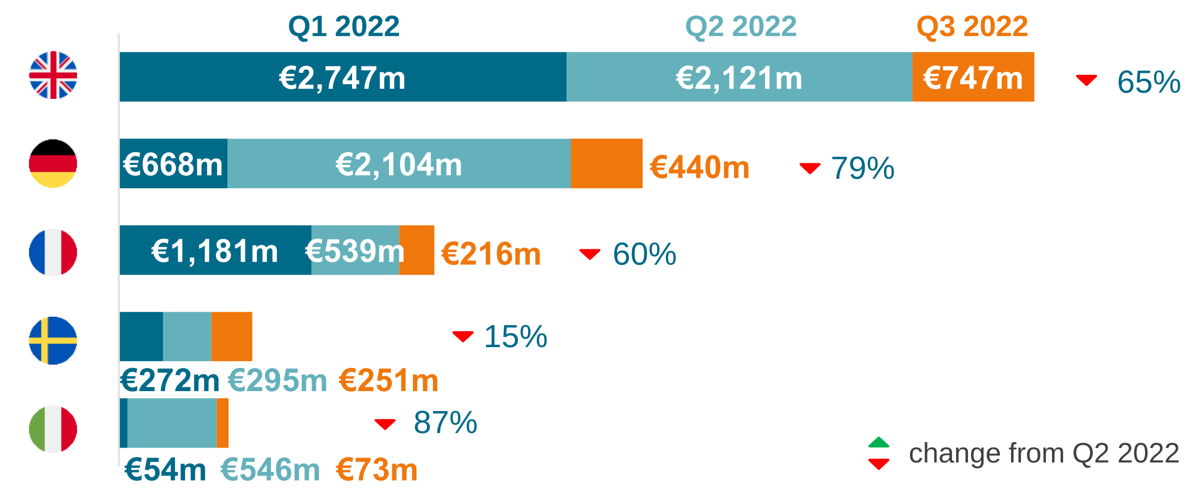


Source: Pitchbook | Deals below €5m have been excluded | Data as of 30/09/2022

of Series B&C rounds by quarter



Value of Series B&C rounds by quarter



4/10 of the largest deals were concentrated in broader fintech

LARGEST SERIES B&C ROUNDS Q1 - Q3 2022

SERIES B

Tencent 腾讯, Willoughby Capital	> Italy	scalapay	€486m May-22	FINTECH
Eclipse	> UK	WAYVE	€205m Jan-22	AI MOBILITY SOFTWARE
Mubadala	> Sweden	JUNI	€193m May-22	FINTECH
468 Capital, Bright Capital, Lightspeed	> UK	Zapp	€192m Jan-22	GROCERY DELIVERY PLATFORM
AMF, GIC, Schaeffler	> Sweden	H2 green steel	€190m Aug-22	CLEANTECH

SERIES C

Ontario Teachers' Pension Plan, Sequoia	> Germany	Trade Republic	€1,089m Jun-22	TRADING PLATFORM
Energy Impact Partners	> Germany	Grover	€297m Apr-22	ELECTRONICS RENTAL PLATFORM
Bond, Tiger Global	> France	Ankorstore	€250m Jan-22	B2B MARKETPLACE
Luxor Capital	> Sweden	Volta Trucks	€230m Feb-22	ELECTRIC TRUCKS
Tiger Global	> UK	Genesis	€215m Jul-22	CAPITAL MARKETS SOFTWARE

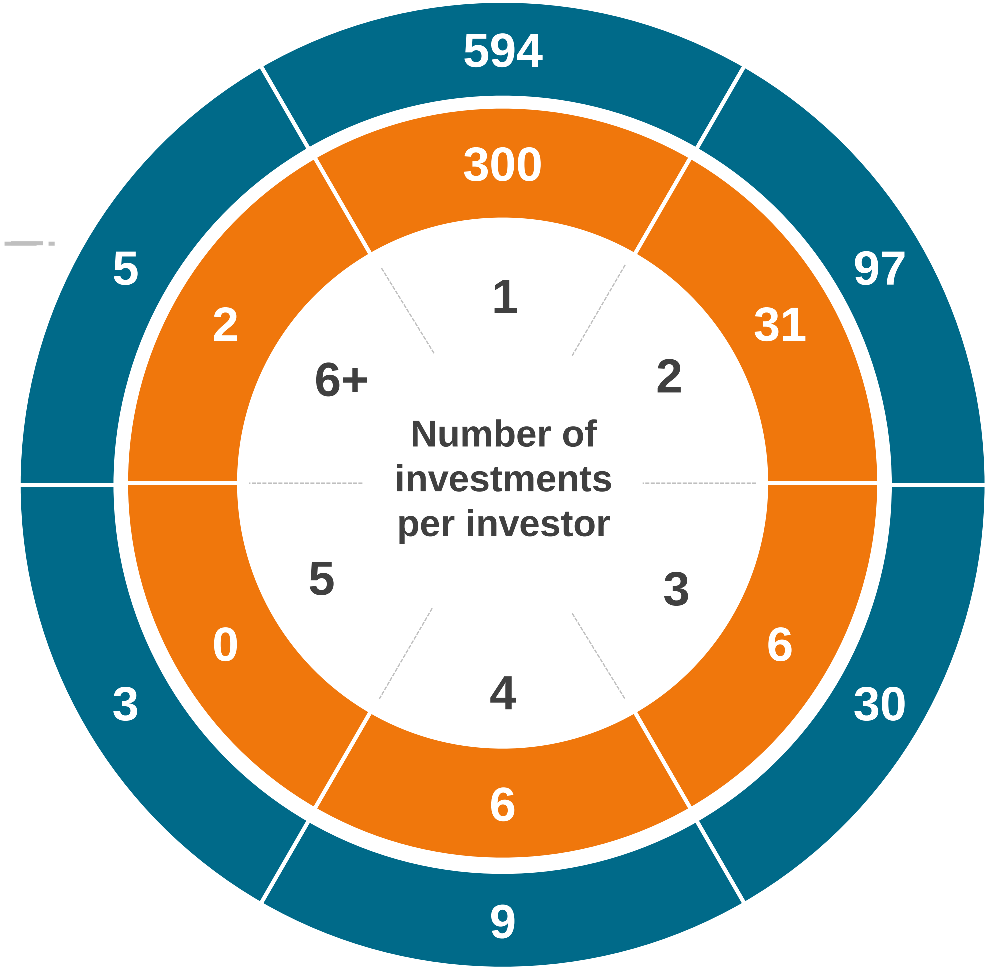
Source: Pitchbook | Only lead investor logos included | Data as of 30/09/2022

There was a sizeable pool of Series B&C round investors…

738 PARTICIPANTS IN SERIES B ROUNDS AND 345 PARTICIPANTS IN SERIES C ROUNDS FROM Q1 – Q3 2022

Series B investors	# of rounds
octopus ventures	8
Balderton.	6
HV CAPITAL	6
INSIGHT PARTNERS	6
partech	6

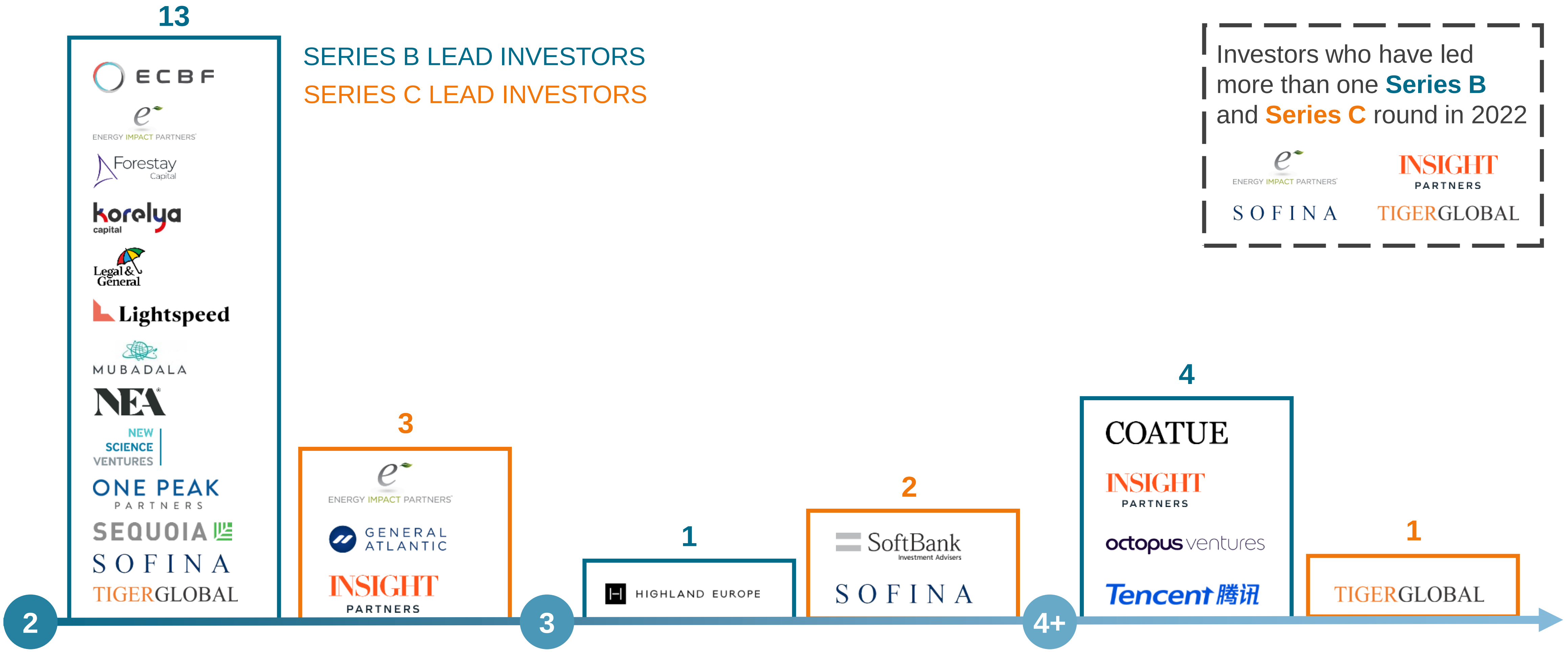
Series C investors	# of rounds
TIGERGLOBAL	8
Index Ventures	6



Source: Pitchbook | Deals below €5m have been excluded | Data as of 30/09/2022 | Some investors will appear in both Series B and Series C

...but only a select few frequently led investments

24 INVESTORS LED TWO OR MORE SERIES B & C ROUNDS FROM Q1 – Q3 2022

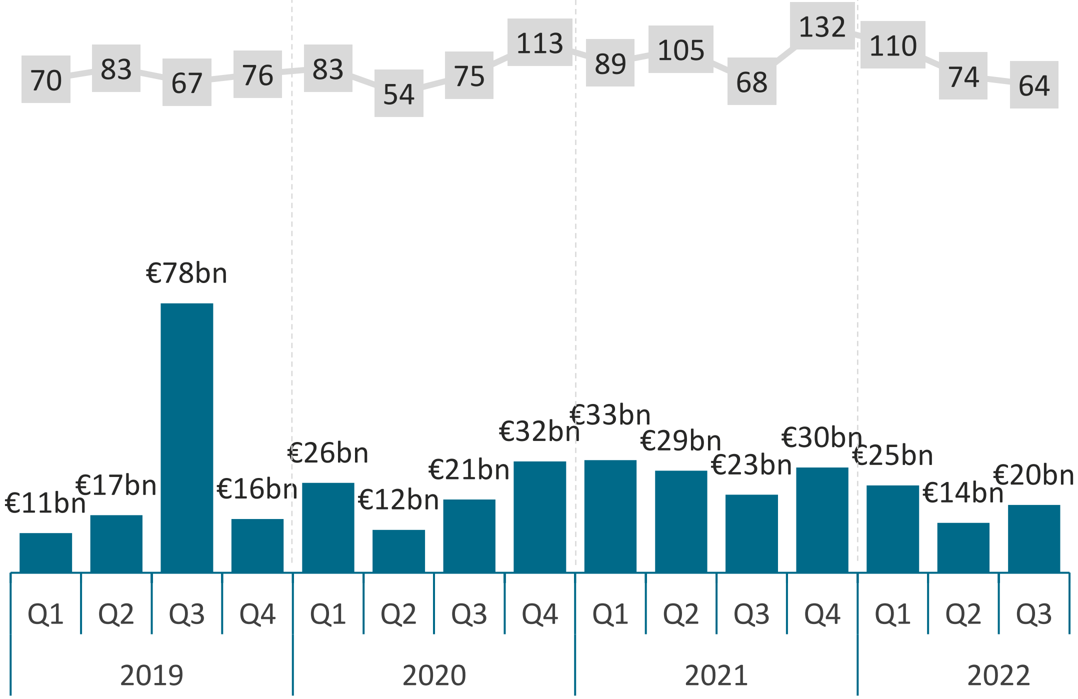


Source: Pitchbook | Deals below €5m have been excluded | Data as of 30/09/2022 | Lead investors only

The US M&A market is 3x-4x larger than the EU in deal value

TECHNOLOGY M&A TOTAL VALUE AND DEAL COUNT, 2019 – Q3 2022

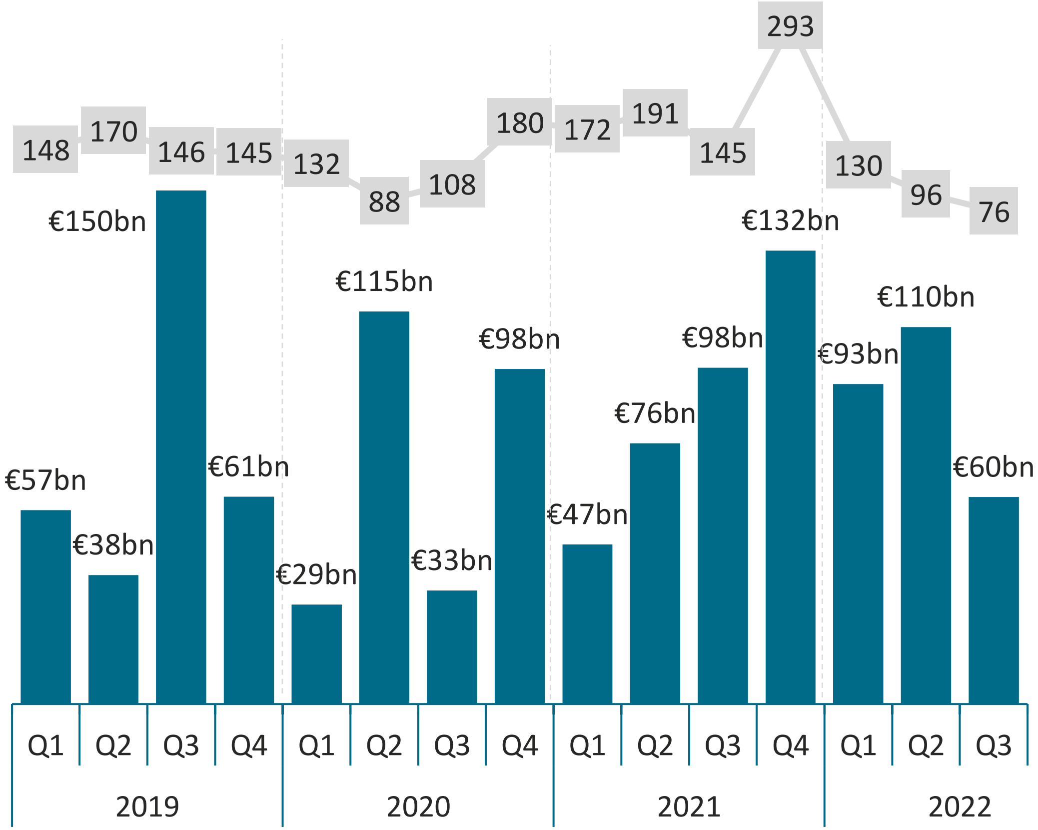
EUROPE



-14% QoQ
TOTAL DEAL COUNT

+35% QoQ
TOTAL DEAL VALUE

NORTH AMERICA



-21% QoQ
TOTAL DEAL COUNT

-46% QoQ
TOTAL DEAL VALUE

Source: Pitchbook | Data as of 30/09/2022

The largest deals are concentrated in North America

LARGEST M&A TRANSACTIONS Q1 - Q3 2022

EUROPE

NortonLifeLock	Avast (Czech Republic)	€8.7bn Sep-22	CYBER SECURITY
nexi	sia (Italy)	€3.7bn Jan-22	FINTECH
DOORDASH	Wolt (Finland)	€3.3bn Jun-22	FOOD DELIVERY
modis	AKKA (Belgium)	€2.1bn Feb-22	INDUSTRIALS
VISA	tink (Sweden)	€1.8bn Mar-22	FINTECH

USA & CANADA

AMD	XILINX (USA)	€45.9bn Feb-22	SEMI-CONDUCTORS
Discovery	WARNER BROS. (USA)	€37.6bn Apr-22	MEDIA
ORACLE	Cerner (USA)	€26.6bn Jun-22	HEALTHTECH
Microsoft	NUANCE (USA)	€18.8bn Mar-22	AI / ML
T2 TAKE-TWO INTERACTIVE	zynga (USA)	€12.0bn May-22	GAMING

Source: Pitchbook | Data as of 30/09/2022

Thank you

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— John is a Corporate Tax Partner. His practice includes a wide range of individual tax, private equity and corporate tax, and with an emphasis on UK and international M&A and management buy-outs. John heads the Corporate Tax Practice Group.

— John advises on management incentive arrangements including equity participations, growth shares, ratchets and share options.

TAX BEWARE

1. Incentives – ESOPs and resetting the equity.
2. Groups – do you want to retain any part?
3. Refinancing and debt write-offs.
4. Business Asset Disposal Relief – investing or trading?
5. Disputes – don’t let them drag on.

TAX BEWARE
Incentives

Already granted options – how do you reset to lower market values?

EMI Options/CSOPs:

- Tax neutral surrender and re-grant: share numbers, price, exit event.
- Proper exercise of a discretion under the rules.
- Discretion must be embedded in the rules at the time the option was granted.
- Change in HMRC guidance.
- Fair, reasonable and in good faith.
- Examples: accelerated exercise for a good leaver as opposed to when it can be exercised i.e. minority investment is not a change of control.

TAX BEWARE
Groups

- Buyers or sellers may only want to purchase/sell part of a group.
- Sellers are generally reluctant to do this until it is certain that they have a deal.
- If done too late, can it be done on a tax neutral basis?
- Group transfers should be tax neutral unless you have lost beneficial ownership or the required relief relies on there being no "arrangements" in place.
- Stamp duty/SDLT, capital gains tax, loan relationships and IP all have de-grouping charges.

TAX BEWARE
Debt write-offs/debt for equity swaps

General rule:

- Write-offs between connected parties/group members then.
- (1) No tax relief for the creditor and (2) no charge for the debtor.
- If the decision to write-off debt happens when no-longer connected, then the debtor could be taxed.
- Does the debtor have tax losses to use post sale?
- Buyers usually won’t take on heavily indebted groups.
- Buyer may require debt to be restructured in any event.
- Timing is important.

TAX BEWARE
Business asset disposal relief

One of the key conditions is:

- Do you have a “trading group”?
- No significant non-trading activity.
- Rule of thumb 20% or more of either income, revenue or assets.

Examples: beware property, cash, IP licensing.

Tax neutral spin off or demerger to create a sub-holding company or NewCo.

Tax clearances required: relevant to the Group and shareholders – share exchange/reconstruction.

TAX BEWARE
Disputes

Don’t let things drift:

- HMRC enquiry notice or assessment to stop being “out of time”.
- Usually HMRC awaiting outcome of a particular case.
- HMRC repeat for >1 tax year so tax, interest and penalties all accrue.
- HMRC may want to enter into a standstill agreement.

At the time of sale, multiple years of assessments and no convincing story.

Avoid inaction/standstill agreement. Control the narrative through disclosures.

Silverpeak and Mishcon de Reya – Current Trends in Tech Exits and Financing
23^{rd} November 2022

Experience of a CEO - Terry Sweeney

Background

- Chair of Waterbear Education – PE backed higher education music college business.
- Non-Executive Director of Stephen Austin Group – High stakes assessment business.
- CEO of 4 technology companies over the last 14 years in the education services and edtech sector
  - RM plc – Largest provider of technology and services to UK schools. Listed on LSE.
  - Academic Partnerships International – European operation for US online degree company. Privately held.
  - Epigeum – Online course publisher for the university sector. Imperial College spin-out sold to Oxford University Press in 2015.
  - Insendi – Learning experience platform for the university sector. Imperial College spin-out sold to private equity backed Study Group in 2020.
- 12+ Career transactions on both the buy and sell side. Focusing today on sell side.

Experience of a CEO – 12 Lessons I have learned that might be relevant to you

Three Phases to the Transaction

- Phase 1 – Preparation
- Phase 2 – The Transaction itself
- Phase 3 – Post Sale

Focusing today on Phase 1 and Phase 2

Disclaimer – These are my personal views of the lessons I have learned and not the companies I have been fortunate enough to work with. I hope they will be be helpful.

Disclosure – I have worked with Ross Bryson on 2 prior transactions. They both went very well!

Phase 1
Preparation for a Transaction

- **Lesson Number 1 - Shareholder Alignment**
  - Ensured I knew what the objectives of the shareholders were and that everything was aligned.
- **Lesson Number 2 – Market Conditions**
  - Look at the market conditions and assess whether they are conducive to a potential transaction and will remain conducive for the time it will take to complete a transaction.
- **Lesson Number 3 – Soft Market Testing**
  - Whether you are looking at a refinancing or an exit you should do the ground-work well in advance.
  - Making a long list of potential acquirers and financiers well in advance and doing the round of "coffee meetings" will help you assess the likely appetite for a deal before you commit significant time and resources.

- **Lesson Number 4 – Off market process versus full scale competitive process**
  - When buying companies I always prefer off market processes. When selling companies I recommend full scale competitive processes.
  - Trade vs PE – Preparation the same. A dual PE and Trade process likely delivers truest market value. PE option requires credible leadership solution and commitment over the period of the investment.
- **Lesson Number 5 – Professional Advisers**
  - For a full-scale competitive processes as mentioned it is advisable to engage a professional corporate finance house. Do the rounds and a beauty parade of potential advisers.
  - Once selected ensure that their remuneration is aligned with what you would consider a successful outcome for the transaction.

Phase 2
The Transaction

- **Lesson Number 6 – Target Valuation – Understand what your business is realistically worth**
  - ***Ultimately a company is worth what someone is willing to pay for it at a particular point in time.***
  - Wide range of techniques used to understand the market valuation range but most come down to a multiple of EBITDA or a multiple of revenue or occasionally some combination of both.
  - Once you have worked out a valuation range then ask shareholders what their view is on the valuation. **There is no point in going through a process if there is misalignment on the expected likely outcome.**
- **Lesson Number 7 – Treat this as a Sales Process – Just like you would building a pipeline for your business**
  - Like any other sales process you should identify potential acquirers or financial partners, through a long listing and ultimately a short-listing process.
- **Lesson Number 8 – Build a compelling Information Memorandum**
  - The information memorandum is the sales prospectus for your business. You should spend time making it as compelling as you can.

- **Lesson Number 9 – This is an Examination Question**
  - For your prospective purchaser or investment partner this could be the first time they have met you, so treat this as an examination.
  - Some of the obvious questions that you will get that you need a good answer:
    - **Why are you selling?** You will have set out the reasons in the Information Memorandum, but honesty and authenticity are essential.
    - **Do you want to stay on with the business?**

- Selling your buyer or indeed financial partner
  - Consider hard factors (quantums, structure, track record etc) and soft factors (cultural fit, organisation structure, people etc) when selecting.

- **Lesson Number 10 – Do as much of the tough negotiation points in the Heads of Terms as possible.**
- **Lesson Number 11 – Due diligence and disclosure – don't hold back**
- **Lesson Number 12 - Every Transaction has its "Moment of Truth", don't panic navigate your way through.**
  - In my experience every transaction has it's moment of truth, where there is a significant "wobble". Two pieces of advice;
    1) **Deals need momentum.** You are far more likely to work your way through a "moment of truth" if both the buyer and seller are invested in the process.
    2) **Don't be afraid to walk away.** Even if you have momentum if you are being asked to commit to something you genuinely don't feel comfortable then it really is best to walk away. There is always another day!

Q&A

Terry Sweeney

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M&A + FINANCING ADVICE

Top tips for a strategic price

Paddy McGwire
Managing Partner

The 3 hats

BE CLEAR ON YOUR OBJECTIVES

The 3 hats

Company

Shareholder

Management

IDENTIFY INDIVIDUAL OBJECTIVES

How to deliver strategic premium

BASE VALUATION

NEGOTIATION BASED ON ‘AS YOU ARE’

The key ingredients to change the narrative…

BASE VALUATION

NEGOTIATION BASED ON ‘AS YOU ARE’

1

IP, EXPERTISE AND DEVELOPMENT

2

SCARCITY PREMIUM

3

SCALABILITY

4

BLUE CHIP REFERENCES

…to…the value to the buyer

BASE VALUATION

NEGOTIATION BASED ON ‘AS YOU ARE’

1

IP, EXPERTISE AND DEVELOPMENT

2

SCARCITY PREMIUM

3

SCALABILITY

4

BLUE CHIP REFERENCES

VALUE TO THE BUYER

IDENTIFYING AND SHARING THE STRATEGIC BENEFITS

Buyers' senior executives typically involved in acquisitions

DECISION MAKERS

“CHAMPIONS” CENTRAL/REGIONAL

- The head of a business unit or CEO
- Responsible for “sponsoring” the deal

“EXECUTION”

- Corp Dev or M&A team
- Responsible for deal execution

Nuggets of wisdom when negotiating

FIRST CONTACT

DECISION MAKER

SIGNALLING

DEAL DRIVERS

COMPETITIVE TENSION

ROLE PLAYING

IT'S NOT DONE UNTIL IT'S DONE

Thank you

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SILVERPEAK

Panel Q&A

Paddy MccGwire, Managing Partner at Silverpeak

Stuart Chapman, Chief Portfolio Officer at Molten Ventures

Pietro Strada, Managing Partner at Silverpeak

John Skoulding, Partner, Corporate Tax, Mishcon de Reya

Terry Sweeny, CEO & Chair of Education Technology Businesses