



INDEPENDENT TECHNOLOGY RESEARCH
EUROPEAN BILLION DOLLAR COMPANIES | 2015

European Unicorns: Do They Have Legs?



Introduction and methodology

- » In 2014, we were inspired by the [post by Aileen Lee of Cowboy Ventures](#) about billion-dollar startups (“unicorns”) created in the US since 2003, which generated substantial discussion on both sides of the Atlantic and spawned various attempts to create a more comprehensive list for both the US and Europe, prompting us to write a report about European billion-dollar startups
- » **This year, we have updated our report and drawn comparisons to the previous year’s report**
- » We crunched the data on the European billion-dollar companies founded since 2000, with the aim of analysing what it takes to create a European unicorn, and find any parallels and differences with the US analysis and our report from last year⁽¹⁾⁽²⁾
- » Our methodology and sources:
 - › We have included:
 - › Tech companies only, with a bias towards internet/software (Cleantech excluded)
 - › Companies falling into the following macro-sectors: eCommerce (e.g. sale of goods or services), Audience (e.g. monetisation through ads and lead gen), Software (e.g. license of software), Gaming (including gambling) and Fintech
 - › Headquartered in Europe⁽³⁾
 - › Founded in 2000 or later
 - › With an equity valuation of \$1bn+ in the public or private markets
 - › First caveat: our sources include public data (e.g. press articles, blogs and industry rumours), and the accuracy of our dataset is limited to the disclosed data
 - › Second caveat: the analysis is based on data as at May 2015, which has obvious limitations related to, for example, the state of equity markets, recent company performance, etc.

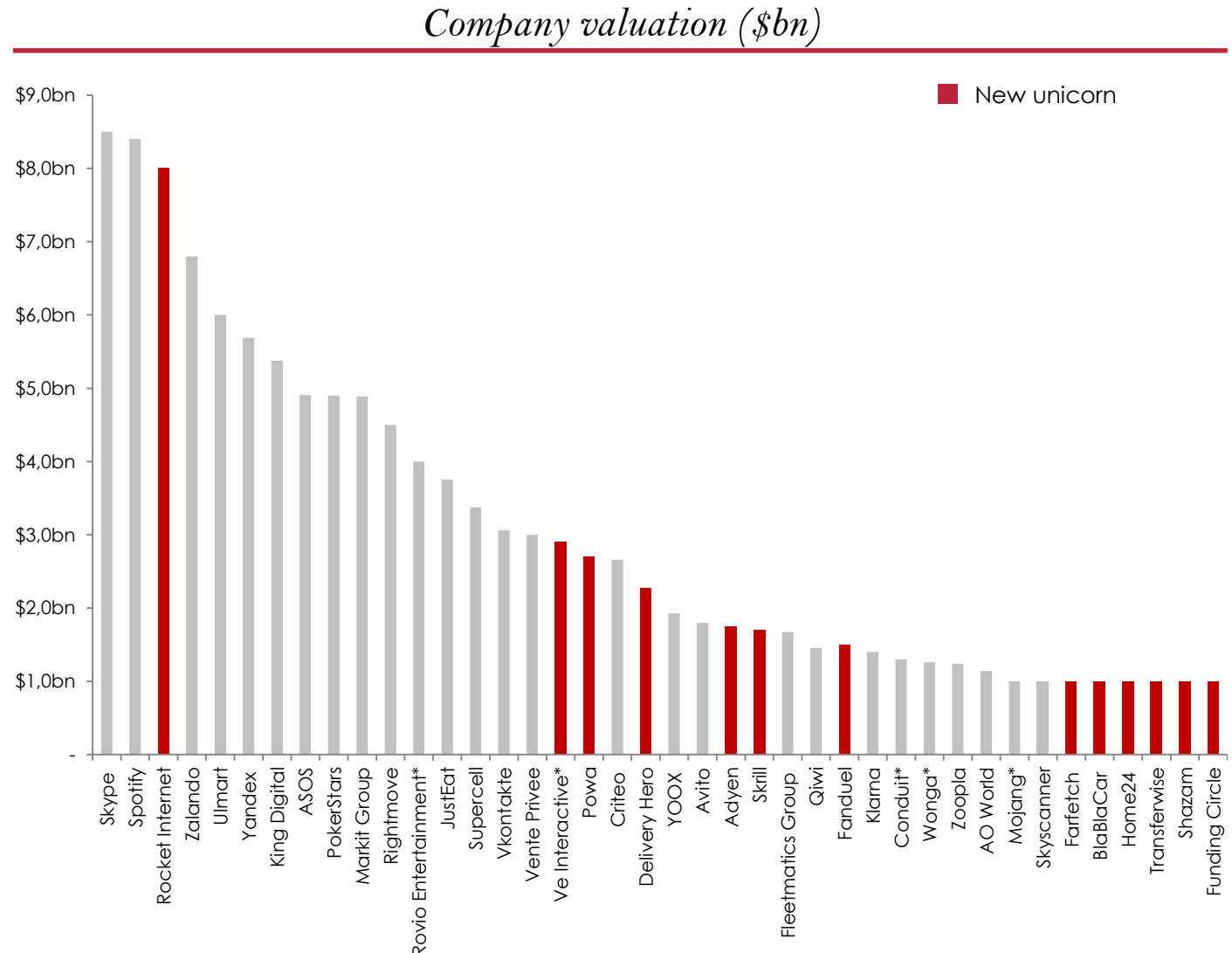
1) When we reference US statistics we refer to the post by Cowboy ventures at the link above.

2) We have used a slightly longer timeframe than the US report in order to capture a large number of unicorns founded in 2000-2001.

3) Including Israel; and companies which relocated to the US pre-IPO or at a mature stage.

European Unicorns: do they have legs?

- » We have found 40 \$1bn+ companies vs. 30 in last year's report
- » Rate of growth is accelerating: 10 net additions
- » European entrepreneurs added another 13 companies to the club, while three companies dropped out
- » Average valuation of \$3.0bn: new entrants enter predominantly at lower valuations



Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

*: Indicates valuation estimate based on press and rumours.

New kids on the block !

In: 13

Out: 3

adyen

Bla Bla Car


Delivery Hero

boohoo.com

FanDuel

FARFETCH

 **Funding Circle**

eDreams ODIGEO

home 24

 **ROCKETINTERNET**

POWA
instant salesware

monitise™

Skrill

 **TransferWise**

 **SHAZAM®**

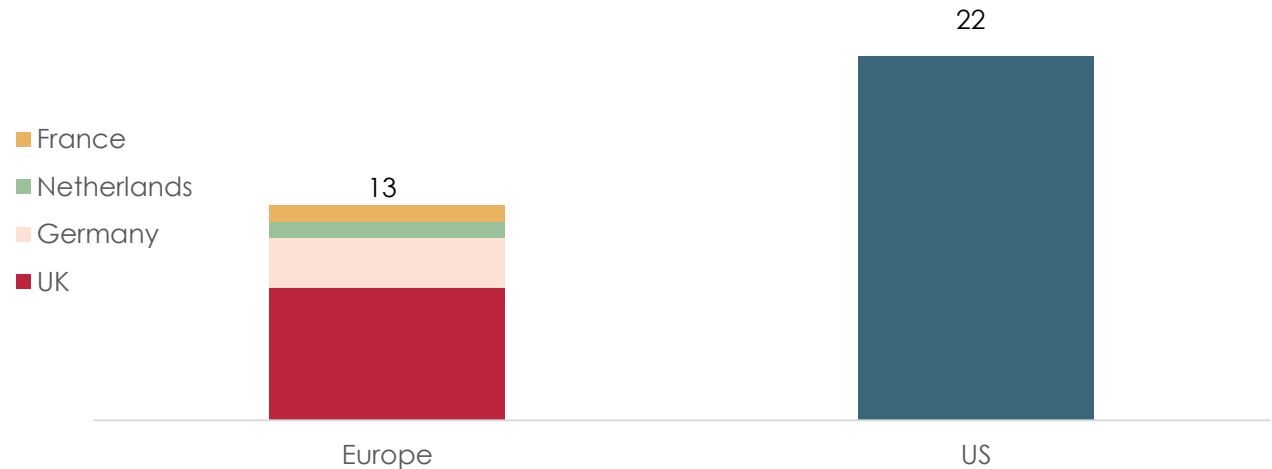
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A Blessing of Unicorns

The club is growing, but still lagging the US

» The vast majority of new additions are consumer focused

» All new unicorns in Germany are consumer oriented













» The mix in the UK is more diversified with software companies dominating the new additions

Key stats for new joiners



Which country is the unicorn champ?



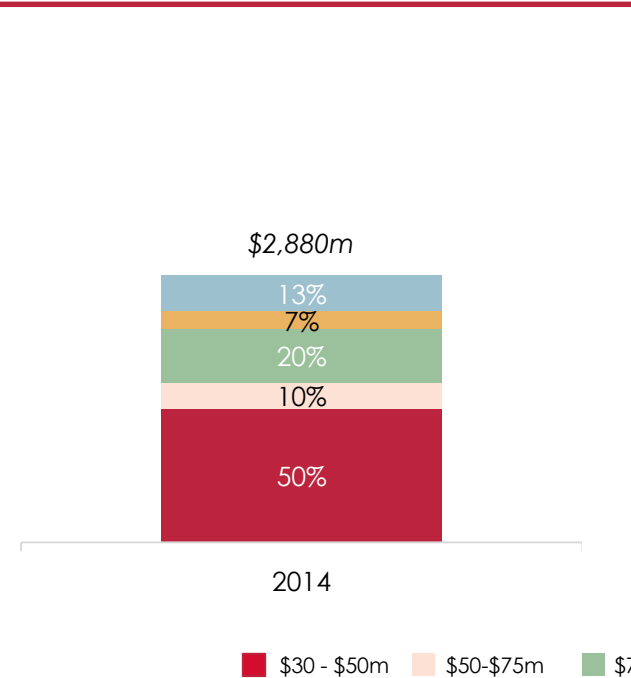
Country										
Cumulative Value	\$40.4bn	\$26.5bn	\$18.0bn	\$16.2bn	\$6.7bn	\$7.4bn	\$1.3bn	\$1.9bn	\$1.8bn	\$1.7bn
No. of Unicorns	17	6	4	4	3	2	1	1	1	1
LTM Additions	8	0	3	0	1	0	0	0	1	0

Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

Barbell thesis feeding unicorns

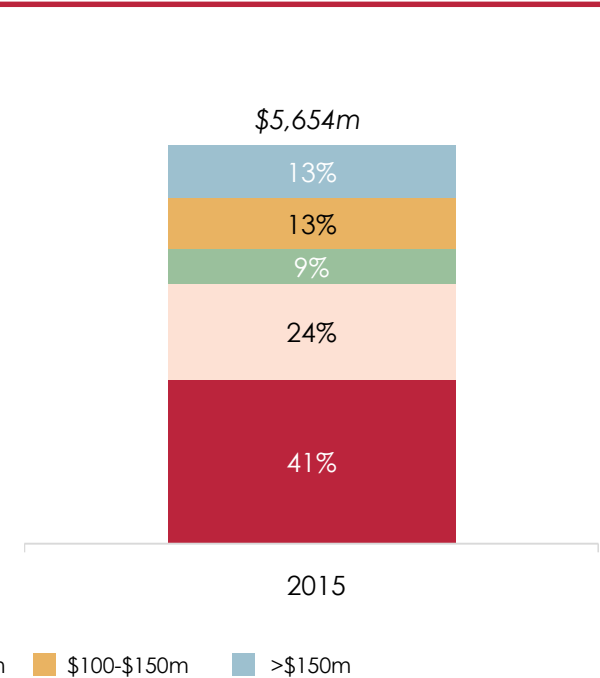
- » Strong increase in total number and value of large fundraises (>\$30m)
- » Many public market investors enter in pre IPO rounds
- » Total number of transactions increased by 53% to 46
- » Total value of transactions increased by 96% from \$2,880m to \$5,654m
- » Fundraises over \$50m represent 37% of total by number and 59% by value
- » It's the first time European Companies have capital to rival US peers

Large fundraises LTM up to April 2014



Total number of transactions: 30

Large fundraises LTM

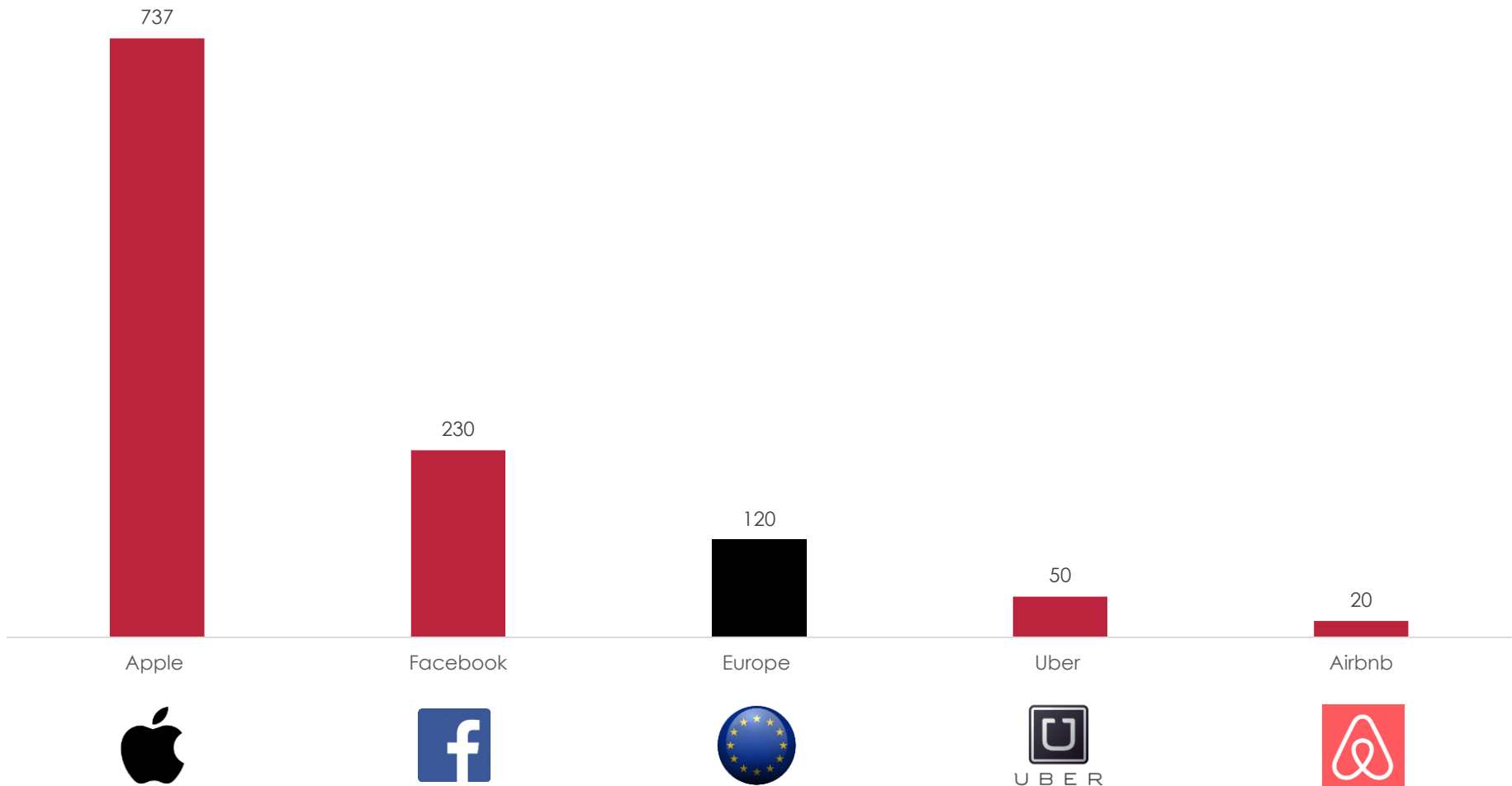


Total number of transactions: 46


Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.
 Note: Fundraises >\$30m in Technology in Europe.

Our next challenge..

Cumulative value of European unicorns (\$bn)



Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.
Note: valuations as of May 2015

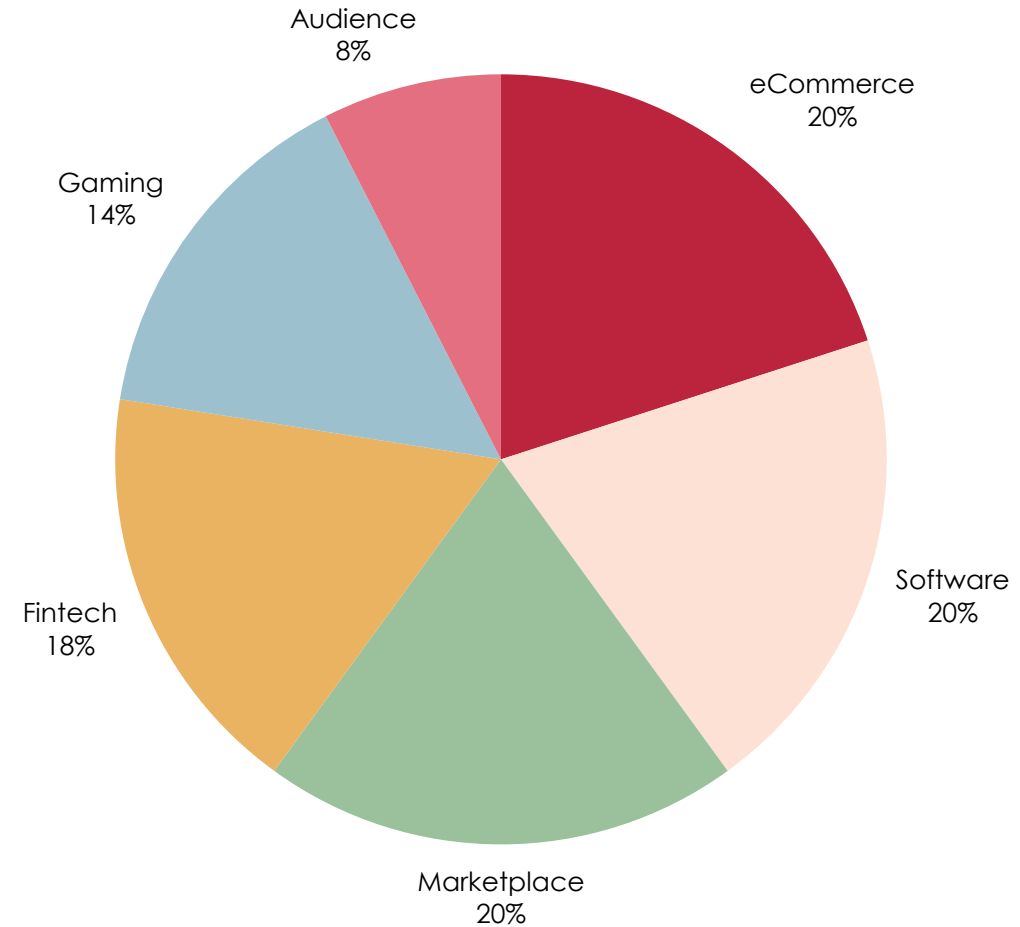
A large, white, fluffy cloud formation in the shape of a unicorn, including its head, mane, body, and tail, set against a clear blue sky. A bright light source, likely the sun, is positioned behind the cloud, creating a strong glow and highlighting its edges. The text "Unicorn Growing – Shorten your odds !" is overlaid in the center of the image.

Unicorn Growing – Shorten your odds !

Fintech on the rise

Industry split

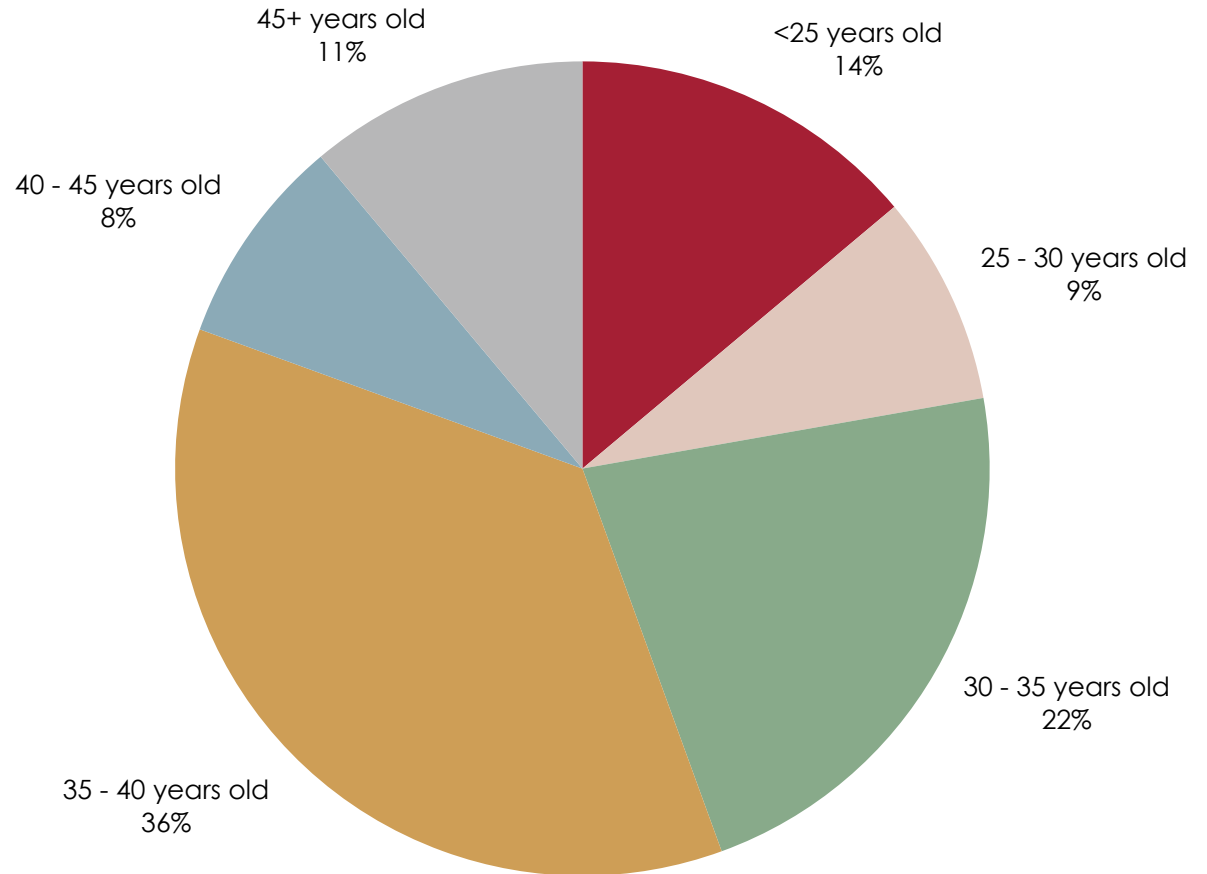
- » Strongest sectors are eCommerce, Software and Marketplace each representing 20% of the total number of European unicorns
- » Fintech share is growing the fastest, with 7 companies
- » More than half of the Fintech companies are UK based: London's unique position in global finance is driving growth
- » Audience businesses under represented with only three unicorns in Europe



Start in your 30s..

Age of founders at inception

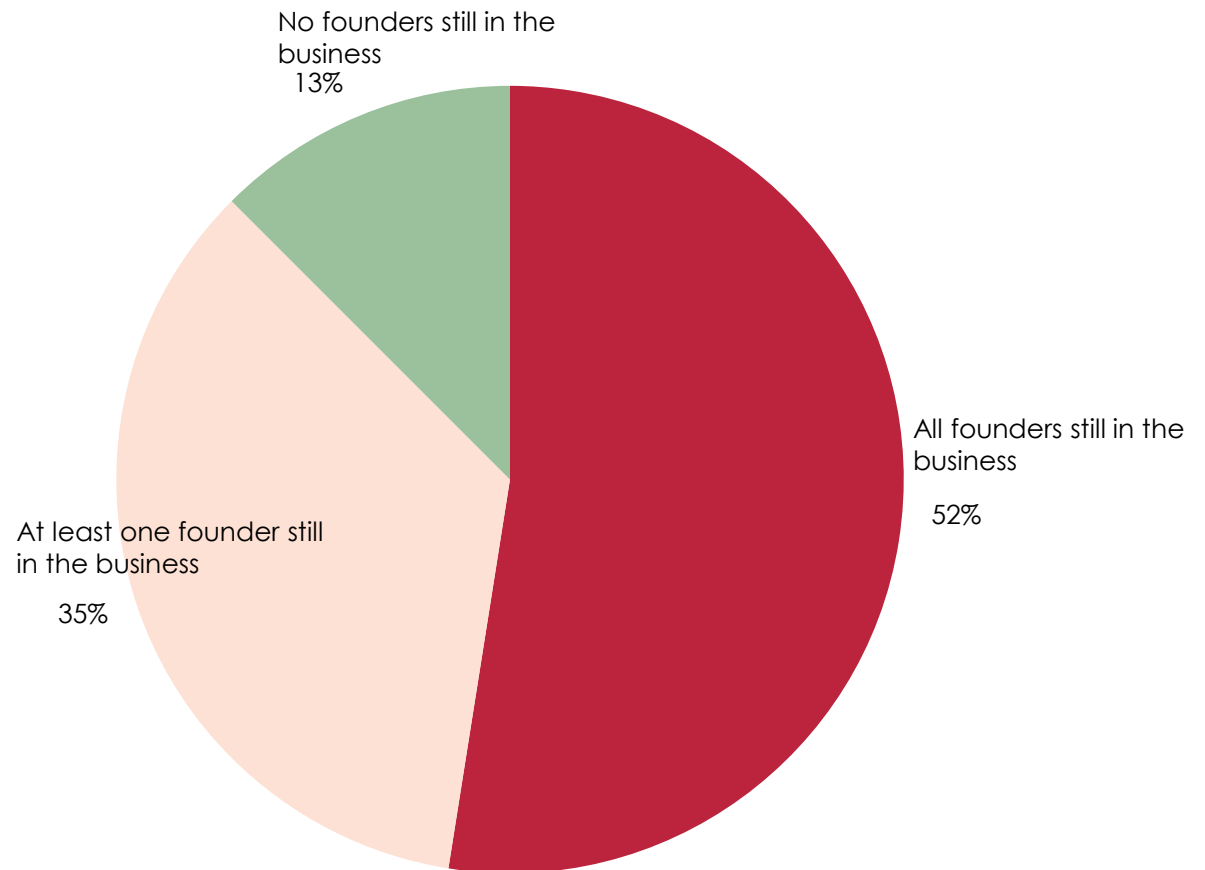
- » The companies in our list were in most cases founded by experienced entrepreneurs
- » Over 58% of unicorns have been founded by entrepreneurs in their 30s
- » Just less than one fourth (23%) founded by under 30
- » The average age of founders is 35, with enterprise unicorn founders, aged 38 on average, above the age for consumer founders at 34



..and keep the founding team intact

Breakdown of founders still within business

- » 87% of the companies are still managed by at least one member of the original founding team
- » Only 13% of unicorns where all founders have left the management of the company



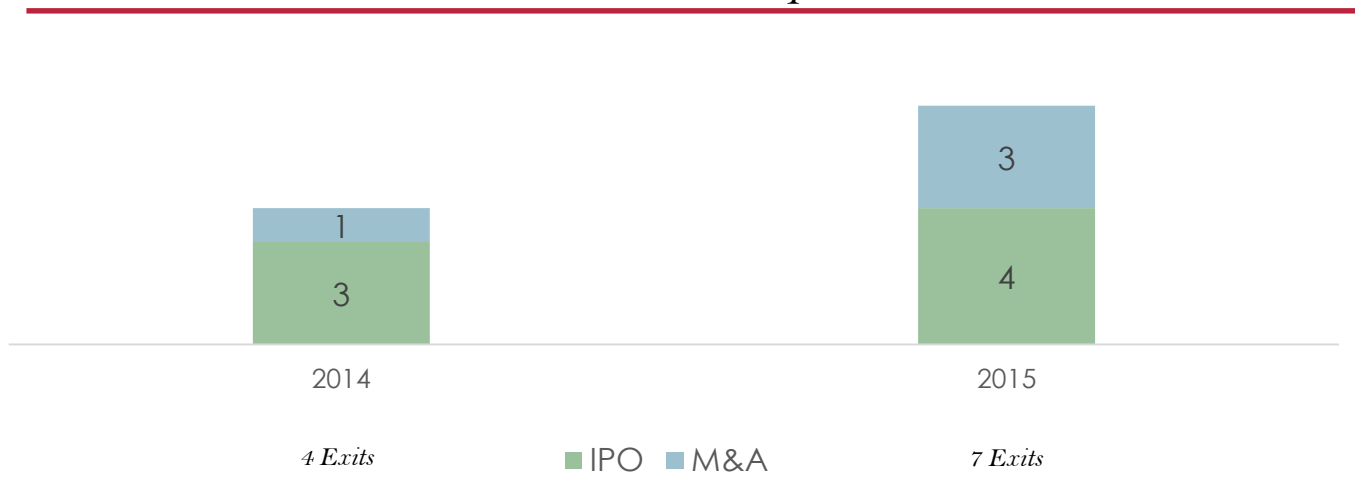
Long shift to liquidity event...

- » Less than half have reached a liquidity event (sale or IPO)
- » Time to a liquidity event is long, eight years +
- » Positive period for exits, with seven billion-dollar transactions LTM, up from four last year:
 - » Markit IPO (Jun-14)
 - » Pokerstars sold to Amaya (Jun-14)
 - » Zoopla IPO (Jun-14)
 - » Zalando IPO (Sep-14)
 - » Mojang sold to Microsoft (Sep-14)
 - » Rocket Internet IPO (Oct-14)
 - » Skrill sold to CVC (Mar-15)

Average time to a liquidity event



Exit events in comparison

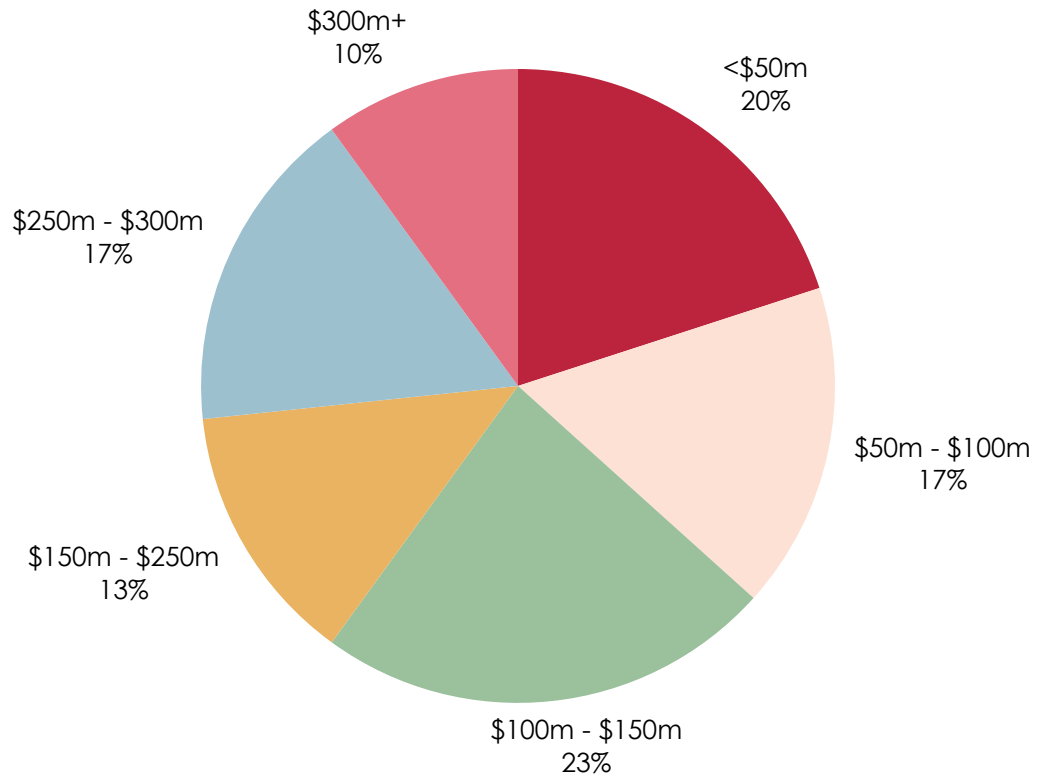


Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

...and requires serious feeding

Capital raised to become a unicorn

- » Building a unicorn takes \$140m (median) in investment
- » 20% of unicorns have raised less than \$50m
- » Only 10% of companies have raised \$300m+
- » Consumer focused companies need more capital than enterprise focused ones (median of \$246m vs. \$178m)
- » Average age of European unicorns is 9 years old



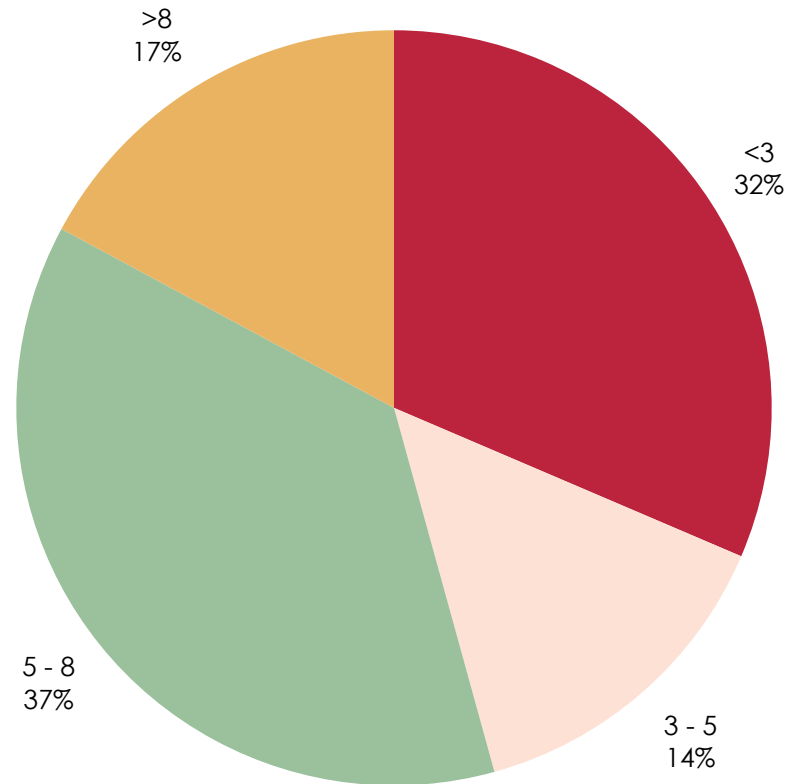
Average capital raised: \$230m

Median capital raised: \$140m

Syndicates are critical in Europe

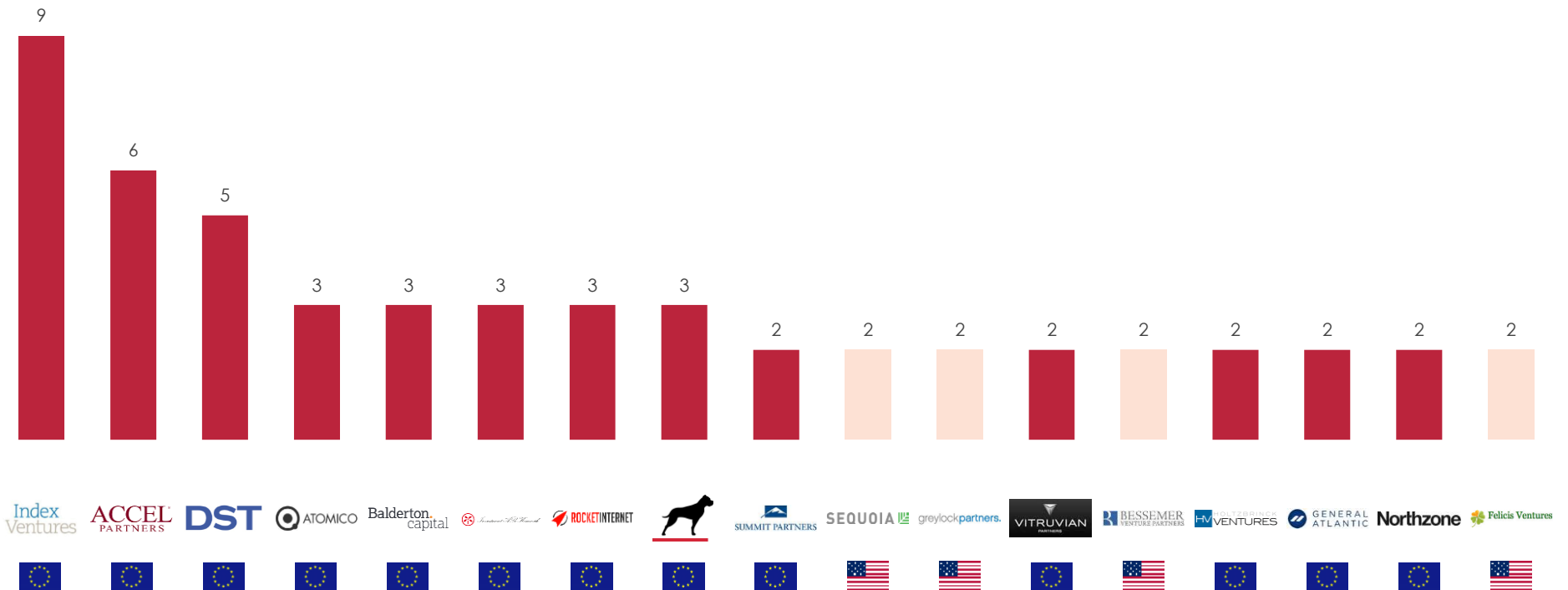
Number of investors

- » The majority (37%) - received investment from 5 to 8 institutional investors to date
- » Second largest category with 32% is unicorns that have had less than 3 investors
- » The range is wide:
 - » Spotify - 17 investors
 - » King – 2



Most successful unicorn investors

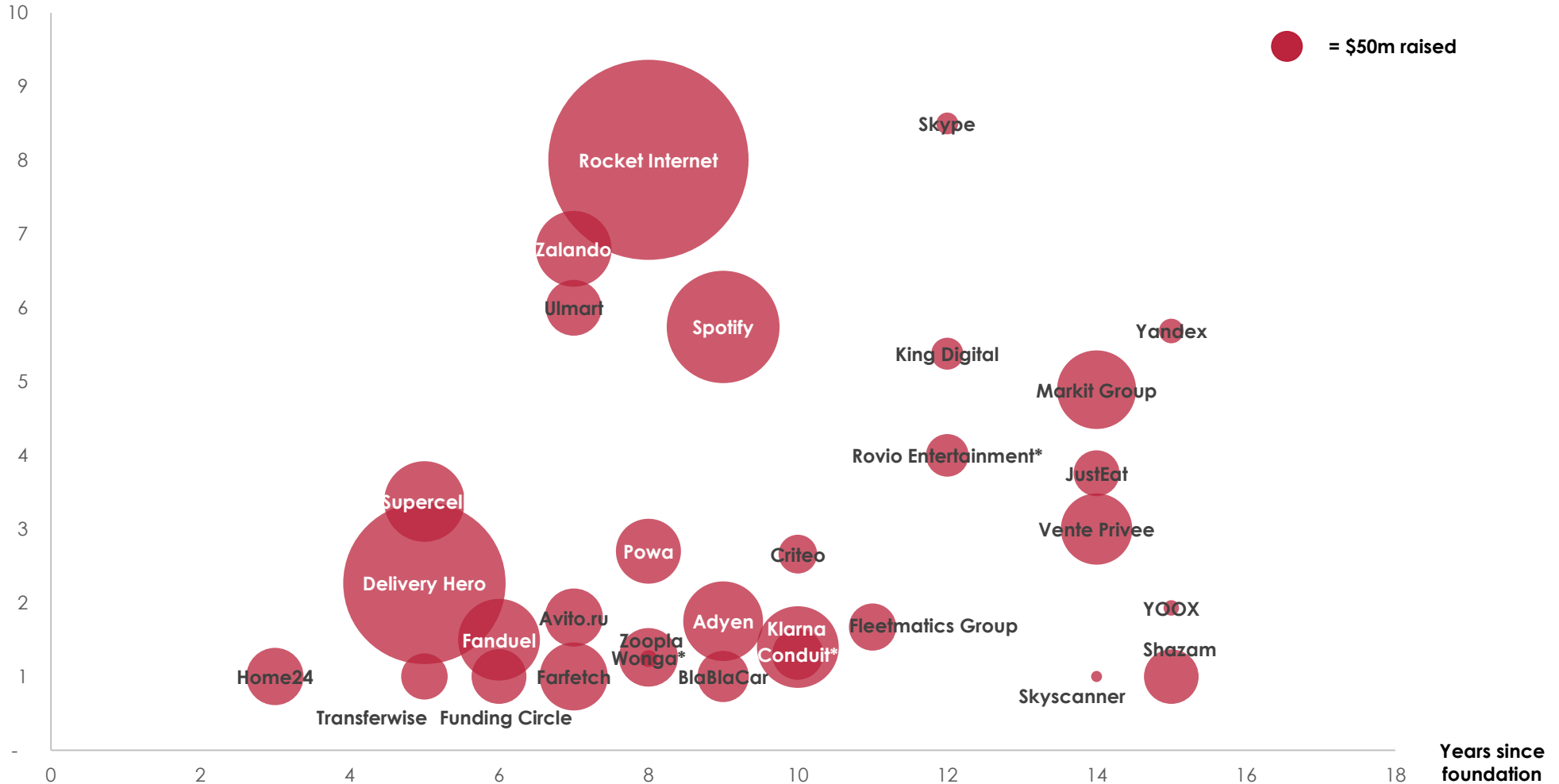
Investors by number of European unicorns they invested in



Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

Winner takes all entering Europe?

Valuation \$bn



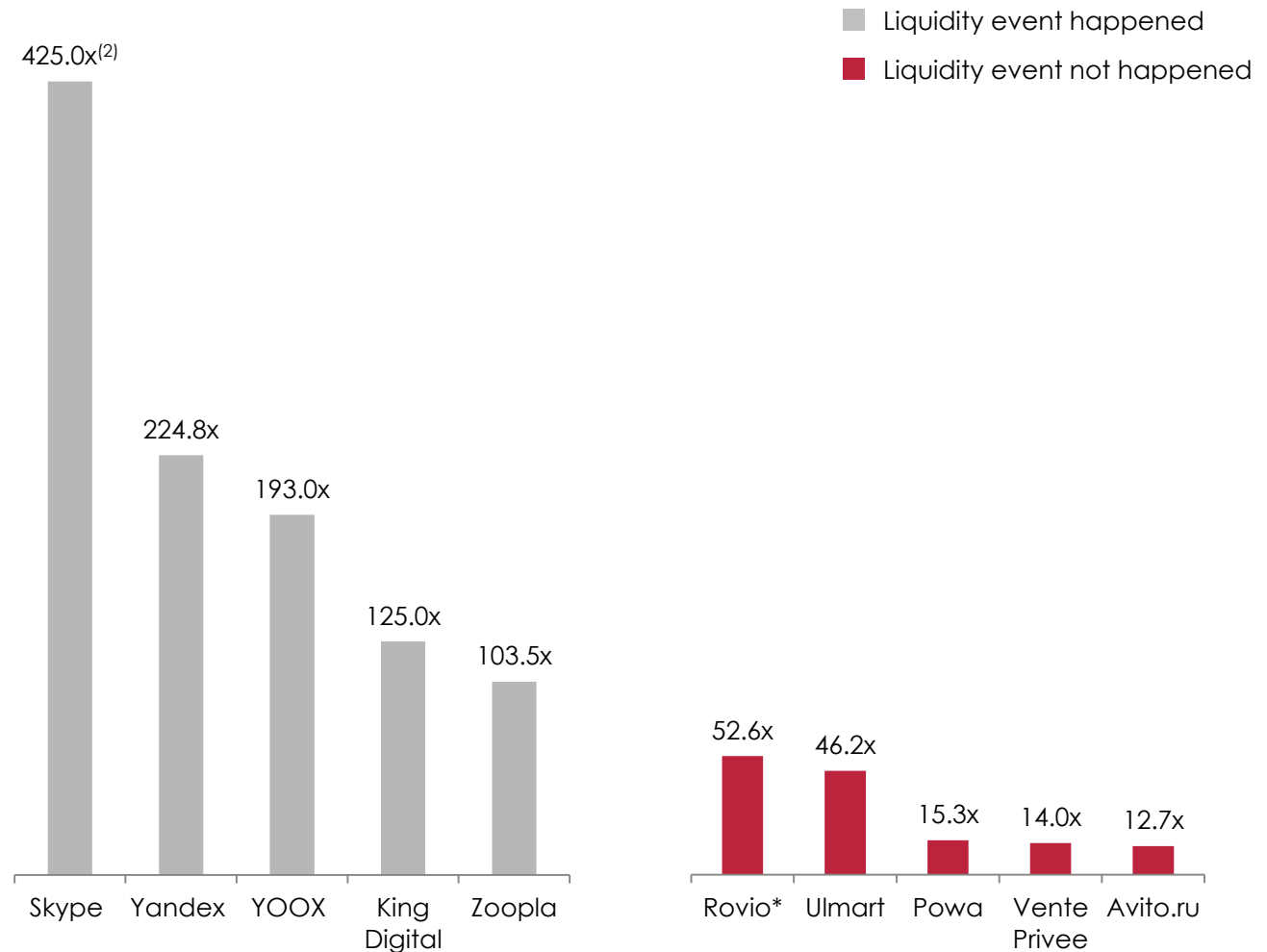
Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

Dragons vs Unicorns

Value Created⁽¹⁾

- » Main liquidity event necessary to drive Dragons
 - › Average value created for top 5 companies with liquidity event is 214x vs. 32x for the top 5 without liquidity event

- » Consumer focused unicorns on average have generated a higher return on capital than enterprise focused ones
 - › Consumer - 67x
 - › Enterprise – 14x



Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

1) Equity valuation as a multiple of investment received. Represents an indication of value created, not real returns for investors.

2) Based on sale to Microsoft in 2011. Value created for initial sale to Ebay in Sep-05 estimated at ~130x.

*) Indicates valuation estimate based on press and rumours.

Facts at a glance

2015

40

Unicorns

\$3bn

Average valuation

8

Enterprise focused unicorns

32

Consumer focused unicorns

3

Unicorns born on average every year

13

Unicorns joined the club

3

Unicorns left the club

54x

Average return on capital invested

The unicorn foals

The logo for foodpanda, featuring a black and white panda head icon to the left of the word "foodpanda" in a bold, orange, sans-serif font.The logo for huddle, featuring the word "huddle" in a blue, lowercase, sans-serif font with a trademark symbol.The logo for iZettle, featuring the word "iZettle" in a black, sans-serif font with a registered trademark symbol.The logo for Kreditech, featuring a blue bar chart icon to the left of the word "Kreditech" in a blue, sans-serif font.The logo for SIGFOX, featuring a blue signal wave icon to the left of the word "SIGFOX" in a blue, sans-serif font, with the tagline "One network A billion dreams" in a smaller font below.The logo for THE HUT.COM, featuring the text "THE HUT.COM" in a black, sans-serif font.The logo for TRADESHIFF, featuring the word "TRADESHIFF" in a blue, sans-serif font with a registered trademark symbol.The logo for truecaller, featuring the word "truecaller" in a blue, lowercase, sans-serif font.The logo for TRUSTPILOT, featuring a black checkmark icon to the left of the word "TRUSTPILOT" in a grey, sans-serif font.The logo for worldremit, featuring the word "worldremit" in a green, lowercase, sans-serif font with a small blue and green butterfly icon to the right.

GP Bullhound's Next Billion Dollar Companies Prediction

Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis.

Passionate about creating category leaders



We have advised over 15% of Europe's billion dollar start-ups

A large, white, cloud-like unicorn shape is the central focus of the image. It is set against a clear blue sky. A bright light source, likely the sun, is positioned at the bottom left, creating a strong glow and casting long, soft shadows from the unicorn's form. The unicorn's head is on the left, with a single horn pointing upwards. Its body is elongated and tapers towards the right, where its tail is visible. The overall composition is simple and evocative, suggesting a sense of wonder and gratitude.

THANK YOU

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