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**LIZ FLEMING**

Kauffman Fellows **2016**

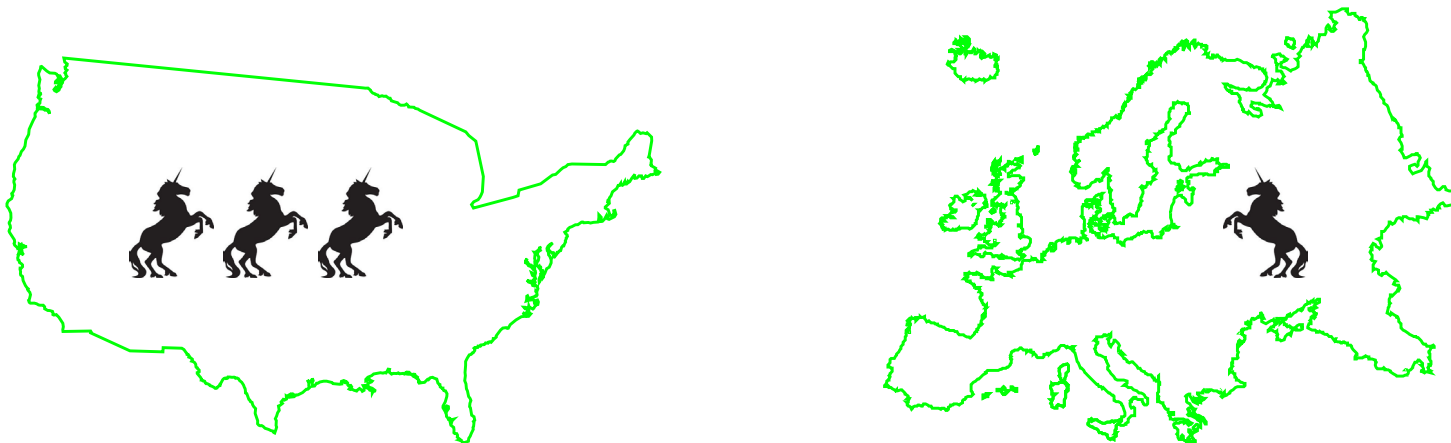
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## *The EUnicorn Economy: opportunities for Spain*



## STATE OF THE NATION

From 2010 – 2015 **34 unicorns** (*tech companies valued at \$1bn or more*) have emerged out of Europe. 128 have emerged in the US. Over the same time frame the US have invested more than 10 times the amount of venture capital, \$222bn invested in the US V's \$25bn invested in Europe. What we have learned is that European tech companies are more capital efficient; unicorns on average raise \$140m in Europe but \$404m in the US. However if Europe wants its tech industry to mature, it needs to continue to grow levels of VC invested into these companies to bring more to the \$1bn dollar milestone and break the \$10bn valuation threshold which has never been done before. Spain, as an example, has seen almost 300% growth in VC in 2 years and now has a solid pipeline of rising star tech companies that might just emerge as Spain's 1st unicorn.



## METHODOLOGY

This study looks at Venture Capital (VC) in Spain today and compares it with VC in Europe and the US in an attempt to understand what the future development of VC in Spain might look like. By comparing data from the National Venture Capital Association (NVCA), Invest Europe, and the Spanish Venture Capital and Private Equity Association (ASCRI) we can gauge where Spain lies in terms of VC investment volume and deals backed<sup>1</sup>. We also look at the emergence of tech companies valued at over \$1bn in an attempt to gauge productivity of the US and European tech industry correlated to VC \$'s invested. To see where Spain lies we look at some of the larger tech exits over the last 2 years as well as some rising stars who have raised significant rounds of VC.

To get a deeper insight into who is investing in VC in Spain and why, one to one interviews were conducted with the following investors and limited partners (LPs):

- |   |                   |                                       |
|---|-------------------|---------------------------------------|
| » | Oscar Farres      | <b>European Investment Fund (EIF)</b> |
| » | Guillermo Jiménez | <b>FondICO</b>                        |
| » | Gonzalo Verdera   | <b>Altamar</b>                        |
| » | Pedro Michelena   | <b>Qualitas</b>                       |
| » | Borja Durán       | <b>Wealth Solutions</b>               |

Compiling new data provided by ASCRI with data gathered from 16 Spanish VC firms, with \$800m+ under management, we can map the LP landscape getting a snap shot of who is investing in VC in Spain today.

### Limitations

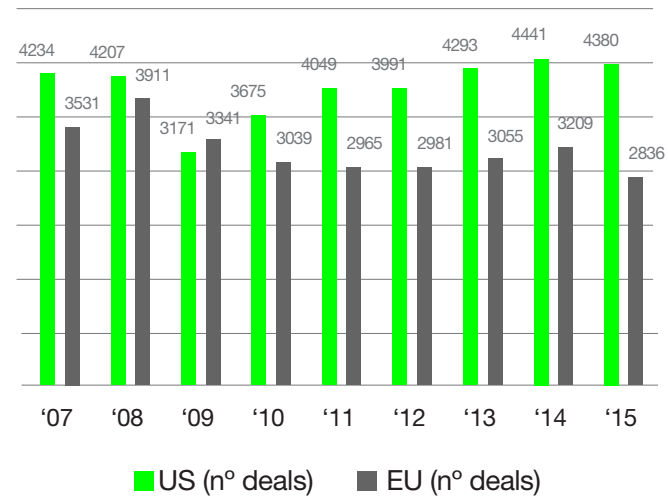
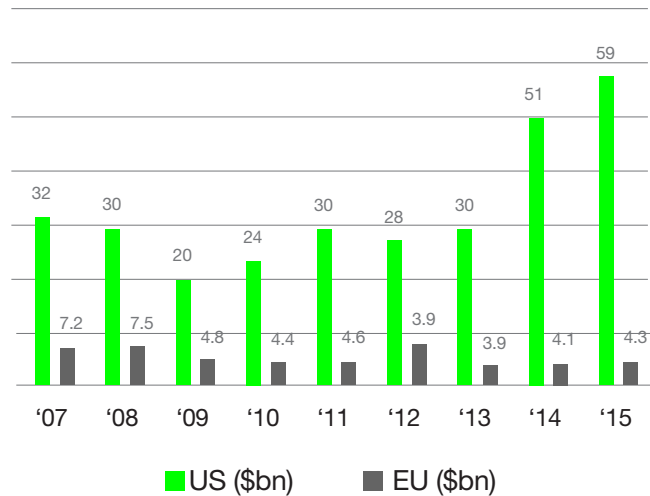
We believe that company valuations are not a measure of success but an indicator of the maturation of an industry. This is not a perfect measure of the impact of the venture capital industry however we do hope that this report can serve stakeholders in the innovation economy to help them be better informed and consequently make better decisions.

<sup>1</sup> It is important to note that these 3 official organisations collect data on the VC industry with slightly varying methodologies. Particularly Invest Europe who heavily rely on the participation of the national VC associations in the different European countries who in turn have their own method for collecting the data on national VC activity. As a result, the figures used are not absolute but give us a good snapshot of VC activity in the 3 regions

UNITED STATES vs EUROPE

Venture Capital investment in the United States & Europe 2007-2015<sup>2</sup>

There is room for growth in the European venture industry. VC in Europe as a percentage of GDP is 1/10th that of the United States<sup>3</sup>. Considering that Europe and the United States have similar GDPs, and the population of Europe is 60% larger than the United States<sup>4</sup>, the difference in volumes of VC invested is significant. Interestingly, although volumes of VC invested in Europe are almost 13 times<sup>5</sup> less than that invested in the US the number of deals backed is only 35% less. This means that **Europe is supporting 65% of the number of companies the US supports but with 13 times less capital.**



<sup>2</sup> Graph built from; NVCA, PWC MoneyTree™ Report, Data: Thomson Reuters “Total U.S. Investments by year Q1 1995 - Q4 2015” <http://nvca.org/research/venture-investment/> and Invest Europe Research, “European Private Equity Activity Data 2007-2015” 2016 May 6 <http://www.investeurope.eu/research/activity-data/annual-activity-statistics/>

<sup>3</sup> VC invested as % GDP in Europe is 0.03% while in US is 0.32% in 2015

<sup>4</sup> Eurostat <http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=tec00001&language=en>

<sup>5</sup> In 2015

## UNITED STATES vs EUROPE

### Capital efficiency & breeding unicorns

From 2010 to 2015, 34 unicorns have emerged in Europe while 128 have emerged in the US<sup>6</sup>. In that same period Europe invested 11% of the capital invested in the US but produced 27% of the number of unicorns. Europe has produced 34 unicorns since 2010 on \$25.2bn<sup>7</sup> of VC invested while the US has produced 128 unicorns on \$222bn invested<sup>8</sup>. For every \$1.7bn of VC invested in the US since 2010 one unicorn has been produced while in Europe one unicorn has been produced for every \$741m invested, indicating that **European VC is twice as capital efficient as the US.**

GP Bullhound explains that the median funds raised for European unicorns is \$140m<sup>9</sup> in VC investment while data from Aileen Lee's Unicorn Club Techcrunch article indicates that the US Unicorns raise on average \$404m.

So Europe looks more capital efficient and Earlybird's industry report from July 2011 would suggest that European VC generates better returns too. According to Earlybird's data European VCs were producing a x7.2 median cash multiple for LP investors versus x4.5 in the US from 2005 to 2010.

<sup>6</sup> Authors own research comparing; CB Insights: The Unicorn List <https://www.cbinsights.com/research-unicorn-companies> combined with Aileen Lee, "The Unicorn Club," Techcrunch 2015 July 18 <http://techcrunch.com/2015/07/18/welcome-to-the-unicorn-club-2015-learning-from-billion-dollar-companies/>. Included public and acquired companies, excluded any company reaching \$1bn valuation before 2010, included any new unicorns in 2015, excluded unicorns created in 2016.

<sup>7</sup> Invest Europe Research, "European Private Equity Activity Data 2007-2015" 2016 May 6 <http://www.investeurope.eu/research/activity-data/annual-activity-statistics/>

<sup>8</sup> NVCA, PWC MoneyTree™ Report, Data: Thomson Reuters "Total U.S. Investments by year Q1 1995 - Q4 2015" <http://nvca.org/research/venture-investment/>

<sup>9</sup> GP Bullhound "European Unicorns: Do They Have Legs?" page 14 <http://www.gpbullhound.com/wp-content/uploads/2015/06/GP-Bullhound-Research-Billion-Dollar-Companies-2015.pdf>

UNITED STATES vs EUROPE

The EUunicorn Economy 2010-2015 <sup>10</sup>



- » **128 tech companies** valued \$1bn+
- » **\$404m median raised**
- » Average valuation: \$3.6bn
- » **\$222bn** total VC investment
- » Exits: 31%
- » Average age: 7 years
- » Dropout rate: 4%
- » **13 Decacorns** (>\$10bn valuation)



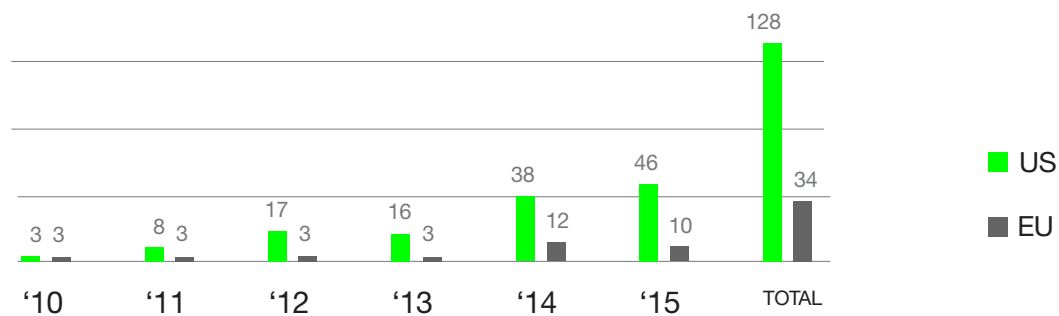
- » **34 tech companies** valued \$1bn+
- » **\$140m median raised**
- » Average valuation: \$2.9bn
- » **\$25.2bn** total VC investment
- » Exits: 27%
- » Average age: 9 years
- » Dropout rate: 8.8%
- » **0 Decacorns** (>\$10bn valuation)

<sup>10</sup> Author compiled database of 128 US based and 34 EU based unicorns including year founded, year valued at \$1bn, most recent published valuation, public or private company, exit event or not, and whether valuation dropped below \$1bn based on own research comparing; GP Bullhound "European Unicorns: Do They Have Legs?" <http://www.gpbullhound.com/wp-content/uploads/2015/06/GP-Bullhound-Research-Billion-Dollar-Companies-2015.pdf>, Atomico Report - The State Of European Tech: Achievement Unlocked, But Not Mission Accomplished 9th November 2015. Slide 52/53 <http://www.atomico.com/news/the-state-of-european-tech>, CB Insights: The Unicorn List <https://www.cbinsights.com/research-unicorn-companies> & Techcrunch Unicorn Leaderboard <http://techcrunch.com/unicorn-leaderboard/>. Included EU 28 only excluding Russia, Turkey, & Israel. And comparing; CB Insights: The Unicorn List <https://www.cbinsights.com/research-unicorn-companies> combined with Aileen Lee, "The Unicorn Club," Techcrunch 2015 July 18 <http://techcrunch.com/2015/07/18/welcome-to-the-unicorn-club-2015-learning-from-billion-dollar-companies/>. Included public and acquired companies, excluded any company reaching \$1bn valuation before 2010, included any new unicorns in 2015, excluded unicorns created in 2016.

## UNITED STATES vs EUROPE

### Growth of Unicorns in the Europe & United States 2010-2015

The biggest caveat in Europe today is the scale of the unicorns it is producing, while Europe is more capital efficient, the sheer scale of the US unicorns is far superior. 13 tech companies<sup>11</sup> have emerged in the US in the last 5 years with valuations of more than \$10bn while zero have emerged in Europe. Spotify is Europe's most likely candidate to break the \$10bn valuation threshold with an \$8.5bn valuation as of June 2015<sup>12</sup>, not considering the \$1bn convertible debt Spotify secured in March<sup>13</sup>. While the US has produced 18 companies who have a valuation greater than \$5bn Europe has only produced 7 (*Spotify, Rocket Internet, Zalando, Ulmart, King, ASOS, Markit Group*). **The challenge for Europe now is to continue to invest more VC in an attempt to scale up European tech companies to create a more robust ecosystem.**



<sup>11</sup> Uber, AirBnB, Palantir Technologies, Whatsapp, Snapchat, WeWork, Workday, SpaceX, Palo Alto Networks, Pinterest, Service Now, Dropbox, Twitter.

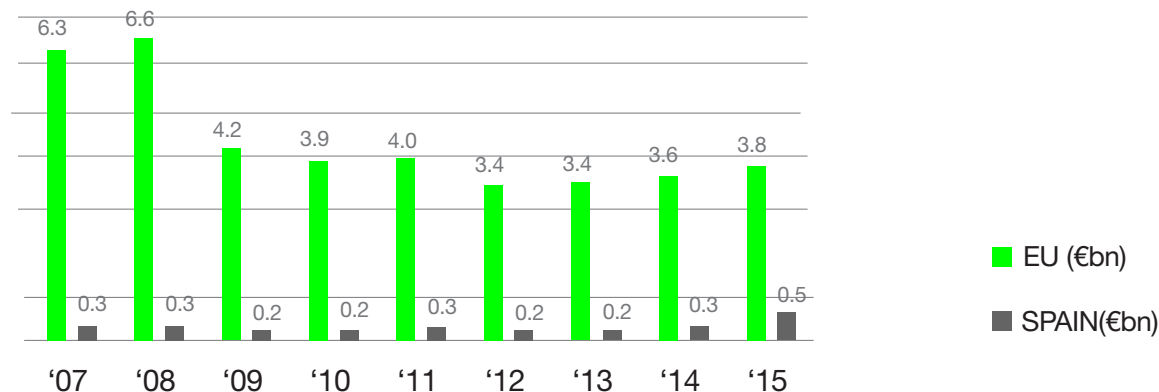
<sup>12</sup> Ingrid Luden, "Sweden's Telia Sonera Confirms \$115M Investment In Spotify, Now Valued At \$8.53B" Techcrunch, 2015 June 10, para. 2 <http://techcrunch.com/2015/06/10/swedens-telia-sonera-confirms-its-investing-115m-in-spotify/>

<sup>13</sup> Josh Constine "Spotify raises \$1 billion in debt with devilish terms to fight Apple Music" Techcrunch, 2016 March 29, para. 2 <http://techcrunch.com/2016/03/29/stream-with-the-devil/>

## EUROPE vs SPAIN

### Venture Capital investment in Europe & Spain 2007-2015<sup>17</sup>

Venture Capital in Spain is a fraction of VC in Europe, however it has grown significantly in recent years and at a rate much faster than Europe. VC in Spain has grown almost 300% in 2 years from €184m in 2013 to €534m in 2015.

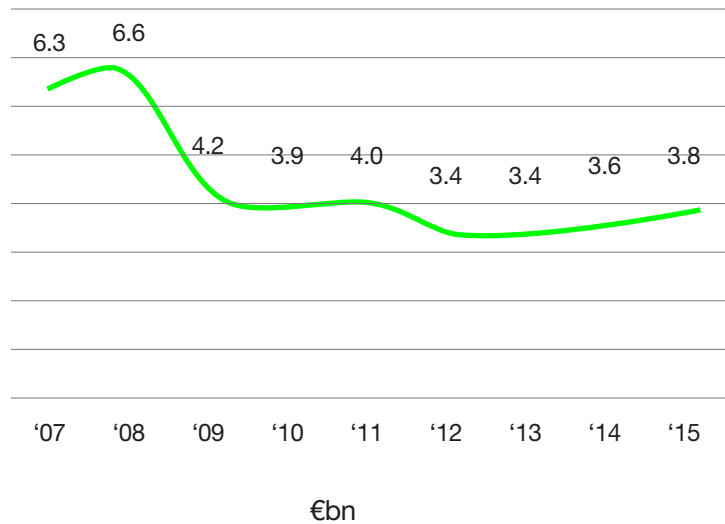


<sup>14</sup>Graph built from; Invest Europe Research, "European Private Equity Activity Data 2007-2015" 2016 May 6 <http://www.investeurope.eu/research/activity-data/annual-activity-statistics/>; ASCRI, "2015 SURVEY Venture Capital & Private Equity in Spain" 2015 May 29, page 46 <http://www.ascr.org/wp-content/uploads/2015/06/Informe-ASCRI-2015.pdf>; ASCRI, "2011 SURVEY Venture Capital & Private Equity in Spain" 2011 April 19, page 42 <http://www.ascr.org/wp-content/uploads/2015/07/Informe-ASCRI-2011.pdf>, and ASCRI, "2009 SURVEY Venture Capital & Private Equity in Spain" 2009 April 24, page 30 <http://www.ascr.org/wp-content/uploads/2015/07/Informe-ASCRI-2009.pdf>

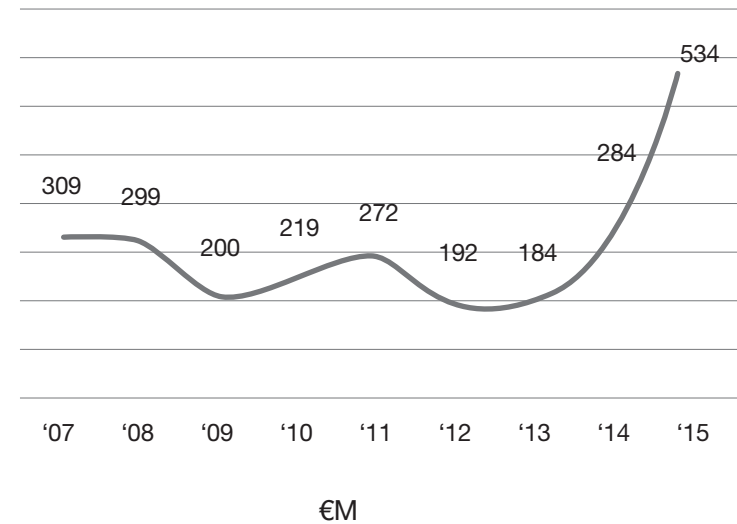


**EUROPE vs SPAIN**

**Growth of VC in Europe 2007-2015<sup>18</sup> €**



**Growth of VC in Spain 2007-2015<sup>19</sup> €**



<sup>15</sup> Graph built from; Invest Europe Research, "European Private Equity Activity Data 2007-2015" 2016 May 6 <http://www.investeurope.eu/research/activity-data/annual-activity-statistics/>

<sup>16</sup> Graph built from; ASCRI, "2015 SURVEY Venture Capital & Private Equity in Spain" 2015 May 29, page 46 <http://www.ascr.org/wp-content/uploads/2015/06/Informe-ASCRI-2015.pdf>; ASCRI, "2011 SURVEY Venture Capital & Private Equity in Spain" 2011 April 19, page 42 <http://www.ascr.org/wp-content/uploads/2015/07/Informe-ASCRI-2011.pdf>, and ASCRI, "2009 SURVEY Venture Capital & Private Equity in Spain" 2009 April 24, page 30 <http://www.ascr.org/wp-content/uploads/2015/07/Informe-ASCRI-2009.pdf>

## EUROPE vs SPAIN

### Government Funding Predominates

**Government agencies** are the single largest LP investor in VC in Europe representing 35% of all funds invested into the asset class<sup>20</sup>. At a European level, the European Investment Fund (EIF), is a massive player and has invested over €4bn into 300+ funds since 1997<sup>21</sup>. The EIF has a similar purpose to the Small Business Investment Company (SBIC) Program, administered by the Small Business Administration (SBA), which helped to establish the first regulated high quality PE and VC firms in the US in the 1960s<sup>22</sup>. At a national level, many European countries also have local government agencies that play a significant role in contributing to VC investment.

In Spain, the level of investment by **public sources** is significant at 28% of all investment into the asset class<sup>23</sup>. The majority (86%) of VCs in Spain have a public investor in their LP base<sup>24</sup>, and in half of these cases, that **public investor** represents more than 30% of the fund<sup>24</sup>.

While government agencies are significant investors in VC in Europe, they invest less than the original contribution from the SBA. The EIF ratio for leveraging federal funds in Europe is 1:4<sup>25</sup>, the exact opposite of the SBA's original 4:1<sup>26</sup> ratio. This puts a greater onus on European management teams to raise more private capital.

<sup>17</sup> Invest Europe Research, "European Private Equity Activity Statistics on Fundraising, Investments & Divestments 2014" 5th May 2015, page 15 <http://www.investeurope.eu/media/385581/2014-european-private-equity-activity-final-v2.pdf>

<sup>18</sup> Oscar Farres (Investment Manager, European Investment Fund), telephone conference, 14th March 2016

<sup>19</sup> US Small Business Administration, "History" para. 11 <https://www.sba.gov/about-sba/what-we-do/history>

<sup>20</sup> Angela Alferez (Head of Research, ASCRI), telephone conference, 17th May 2016

<sup>21</sup> Based on findings from author's own VC questionnaire.

<sup>22</sup> Presentation by Oscar Farres (Investment Manager, European Investment Fund) at South Summit Conference in Madrid, 8th October 2015

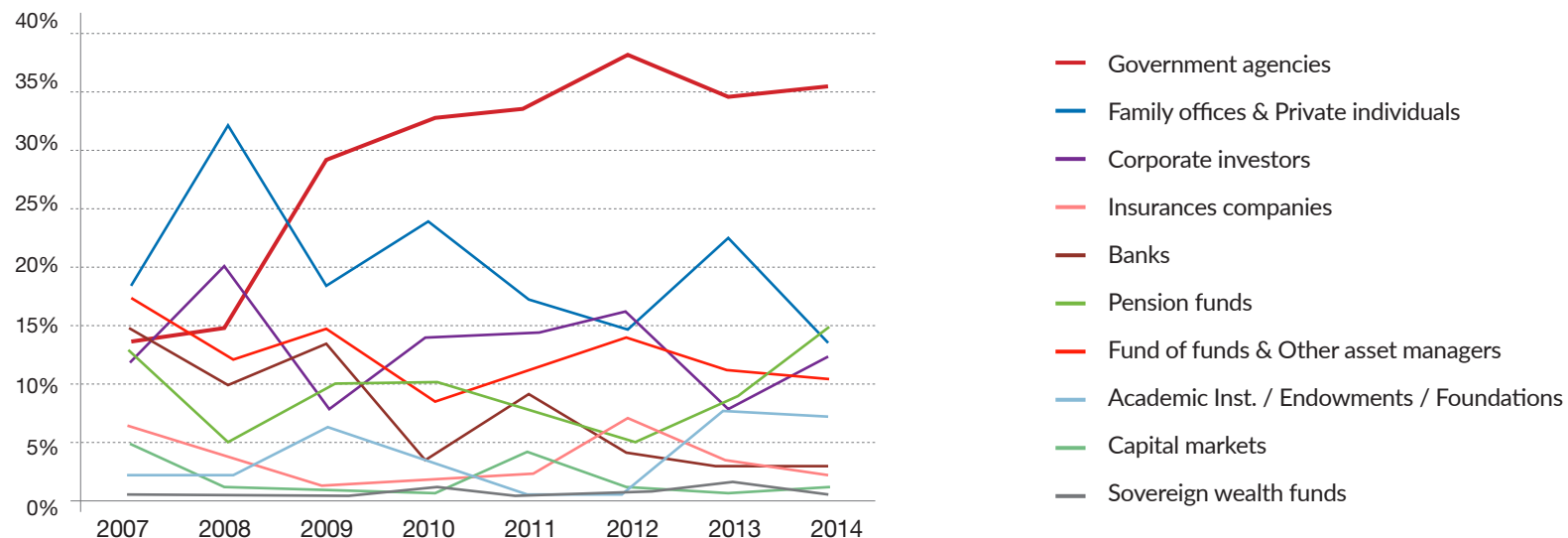
<sup>23</sup> Arun Rao and Piero Scaruffi, "History of Silicon Valley: The Largest Creation of Wealth in History A Moral Tale", (Palo Alto, Onmiware Group, 2011), page 103, para. 1 <http://www.scaruffi.com/svhistory/sv/chap80.html>

## EUROPE vs SPAIN

### Relationship between Public and Private Funding

The VC industry in Europe today has a far greater dependency on government agencies as a source of investment than it did in 07/08. As of 2014, funding in the European VC industry was comprised of **35% from government agencies** with pension funds, family offices & private individuals, corporate investors, and private fund of funds making up the other 65%. Government agencies more than doubled their investment in VC in Europe from 2007 to 2014, and are now by far the **largest contributor**. This growth in public funding is likely related to the macroeconomic crash of 2008. The level of government agency support is exactly converse to the contribution by private and institutional investors; public sources of financing appear to be filling funding gaps created by lack of private sources of capital.

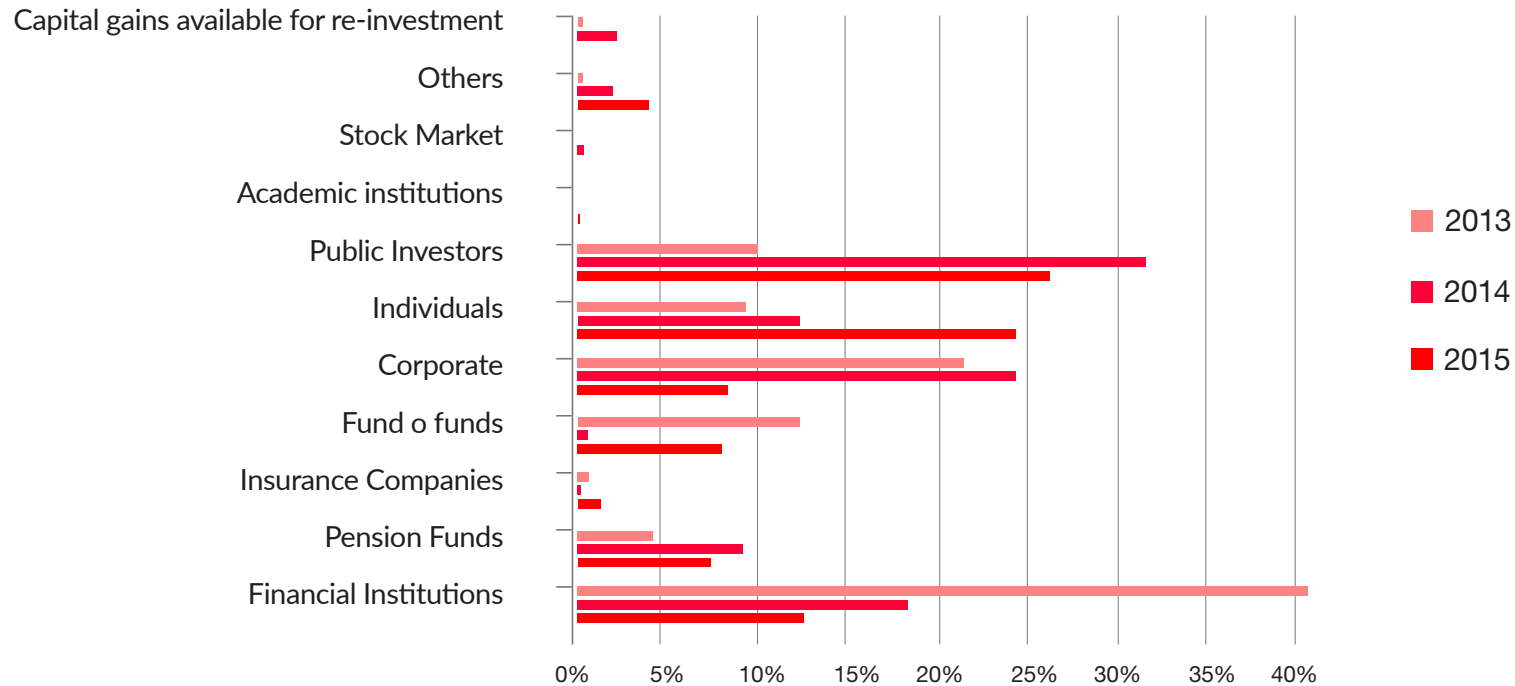
### Sources of funding for VC in Europe's LP ecosystem, '07-'14



LA LIGA ESPAÑOLA

LP Breakdown of VC industry by type of investor in Spain '13-'15<sup>27</sup>

In Spain the dependency of the industry on government agencies continues accounting for 27% of investment into the industry. HNWIs and FOs are the next single biggest contributor to VC in Spain providing nearly 25% of all the capital going into the industry. It is also interesting to note that financial institutions have significantly dropped their contribution to VC in Spain from more than 40% in 2013 to less than 15% in 2015.



<sup>24</sup> 1 Graph built from customised data provided by ASCRI.f

LA LIGA ESPAÑOLA

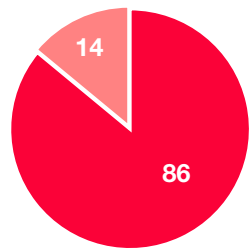
Spain's LP Landscape: A Deeper Look

Aggregating the LP breakdown of 16 VC firms in Spain who represent over \$800m under management we have a clearer picture of the LPs investing in VC in Spain and the importance of each type of LP for the industry.

Public Funds

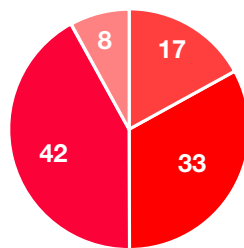
The dependence on public funding within the VC industry in Spain is clear with 86% of VCs having public investors in their LP base. The public investor has an important role in fund formation as well, with half of the public investors contributing to 30% or more of the total fund.

Do you have a Public Fund as an LP



- Yes
- No

% of funds invested by Public Funds

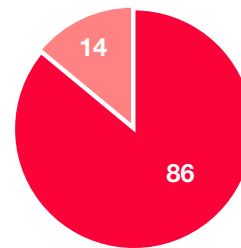


- 0-10%
- 10-30%
- 30-50%
- 50%>

Family Offices

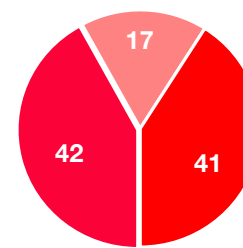
Family Offices play an equally important role in VC in Spain with 86% of VCs having a family office in their LP base. In the majority (59%) of the funds invested in by family offices, the family office represented more than 10% of the total fund.

Do you have a Family Office as an LP



- Yes
- No

% of funds invested by Family Offices



- 0-10%
- 10-30%
- 30-50%

LA LIGA ESPAÑOLA

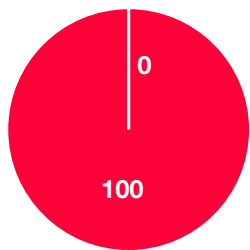
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Aggregating the LP breakdown of 16 VC firms in Spain who represent over \$800m under management we have a clearer picture of the LPs investing in VC in Spain and the importance of each type of LP for the industry.

High Net Worth Individuals (HNWIs)

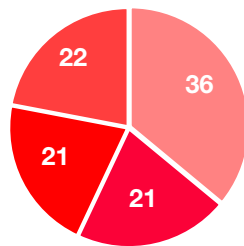
HNWIs play an extremely important role in VC in Spain. All of the VCs who completed the questionnaire (14 firms) had HNWIs in their LP base. For 57% of the funds, the HNWIs accounted for more than 30% of the total fund.

Do you have a HNWIs as an LP



- Yes
- No

% of funds invested by HNWIs

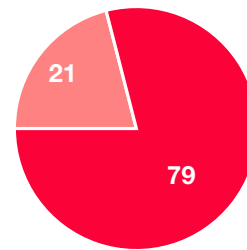


- 0-10%
- 10-30%
- 30-50%
- 50%>

Private Institutions

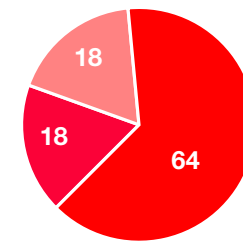
A surprisingly large number of the VCs who answered the questionnaire have institutional investors as LPs in their fund, with 79% of respondents being backed by institutions. The majority (64%) of these institutional investors represent less than 10% of the fund.

Do you have a Private Institution as an LP



- Yes
- No

% of funds invested by Private Institutions



- 0-10%
- 10-30%
- 50%>

## LA LIGA ESPAÑOLA

### Perspectives of HNWI and FO Investors in Spain

One finding of this research is that a significant amount of private capital bolsters the VC industry in Spain. All of the public funding initiatives have matching requirements and aim to reduce the investment risk for the private investors they invest alongside. Since HNWIs and FOs are playing an important role as LPs in VCs based in Spain, to understand the future of Spain's venture industry it is important to know whether this participation will grow.

**Family Offices in Spain are wary of investing in VC.** Interviewees reported that FOs prefer to invest directly into companies in an opportunistic way usually derived from a personal relationship to the company founders, that the **low liquidity of the asset is a deterrent**, and that the **Spanish VC is not perceived to have an attractive track record**.

Interviews conducted to investigate this question include perspectives from wealth managers, limited partners (LPs), and general partners (GPs), and found that although investment by HNWIs and FOs is fundamental to Spain's VC industry, it is not widely practiced. The following quotes are representative of their perspectives.

## LA LIGA ESPAÑOLA

### Perspectives of HNWI and FO Investors in Spain

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*“FOs and wealth managers, in my opinion, don’t invest in VC because they don’t understand the J-Curve type growth of the portfolio companies. VC is a long term, low liquidity asset that is simply not worth the effort for wealth managers or FO members, as it is not related to their core business.”*

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**Borja Duran**  
CEO of Wealth Solutions

*“The alternative asset market in Spain is not as mature as the US or the UK, it requires more professional regulation and better functioning capital markets to be able to provide liquidity options for investors. Unlike in the US, in Spain there is little distinction between institutional and retail investors and few specialised funds and fund managers. Some specialisation is happening in funds focussed on property or capital markets but it is still early days for specialisation in PE&VC.”*

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**Santiago Satrustegui**  
CEO of Abante Asesores

*“This is why we created Galdana Ventures, Spain’s and possibly Europe’s first private Fund of Funds designed to invest in VC worldwide. There is an interest in the asset class, just not an interest in investing in Spain. VC globally is an asset class where the top percentile of firms take the lion’s share of returns. FOs and wealth managers know this, and it’s why they are not interested in investing in Spain. There are very few firms in Spain with a proven track record in VC. Also, the industry in Spain is too small to generate the investment volumes and returns required by institutional and FO investors—that is why we are only focused on investing in the best VC firms globally”*

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**Gonzalo Verdera**  
Investor Relations & Business Development at Altamar

*“Our clients were aware of the growth capital opportunity in Spain, so when we presented them with this new fund they were willing to invest. FOs do not have a strategic approach to investing in VC. They like to invest directly, and it is often opportunistic because they like the deal and like to be close to the company. We offer our clients the opportunity to co-invest alongside the fund in the deals they are particularly interested in. We are a growth-stage fund that dedicates approximately 30% to technology deals. We are invested in technology right now because there is good growth in the sector and a lack of growth-stage capital in the market. We are comfortable investing in tech deals at the later stage when they can demonstrate growth and have a track record”*

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**Pedro Michelena**  
CEO of Qualitas



## LA LIGA ESPAÑOLA

### Steps for the Future in Spain

Spain has a large dependency on public funds to fuel and finance the VC industry, and while private investors play a key role, they are generally reluctant venture investors. In the immediate term, the results of this investigation indicate that participation from private investors is not likely to grow faster than it has in recent years. There is a resounding level of conservatism and caution in the investment strategies of private-sector investors—understandably so considering the lack of experience and knowledge of investing in VC. In general terms, the perception is that **there is no VC track record in Spain**. In order for wealth managers to consider VC as a viable asset class and for private sector investors to be interested, the sector must demonstrate a significant track record.

The good news is that this track record might be right around the corner. There has been an evolution in the exit landscape for Spain's tech companies with significant exits like **Privalia** (€500m), **TicketBis** (€145m), **Idealista** (partial exit to Apax ~€150m, unconfirmed), **Ticketbis** (€145m), **Trovit** (€80m), **Nevera Roja** (€80m) and **Mil Anuncios** (€50m), all taking place in the last 2 years. There is also a growing breed of rising stars who have attracted significant capital from international investors like **Wallapop** (~€120m led by Fidelity unconfirmed), **Cabify** (€100m led by Rakuten), **CartoDB** (€30m led by Accel), **peerTransfer** (€37m led by Accel), and **Typeform** (€15m led by Index).

LA LIGA ESPAÑOLA

**The Exits<sup>28</sup>**

COMPANY

FUND RAISED

BACKED BY

FOUNDED

EXITED

SECTOR

**trovit**

€690k

Cabiedes

2006

Yes. €80m to Next Co. 2014

Real estate, search

**privalia \***

€167m

Cabiedes, Nauta, Index, General Atlantic, Highland

2006

Yes. €500m to Vente-privee 2016

Fashion ecommerce

**la nevera roja**

€10+m

La Caixa, Next Chance Group, Ad4Ventures

2011

Yes. €80m to Rocket Internet 2015

Food delivery

**idealista.com**

N/A

Bonsai, KutzaBank, Tiger Global, Apax

2000

Partial exit to to Apax. 2015

Property Listings

**wallapop**

~€120m

Antai, Caixa, Bonsai, NEA, IVP

2013

Merger with Letgo 2016

Mobile classifieds

**milanuncios**

N/A

N/A

2005

Yes, €50m to Schibsted Media Group 2015

Classifieds

**ticketbis**

€20+m

Active venture partners, FJ LABS

2009

Yes. €145m to ebay

Ticketing market place

<sup>25</sup> Graph compiled from Crunchbase profiles at <https://www.crunchbase.com/>

LA LIGA ESPAÑOLA

The Rising Stars<sup>29</sup>

COMPANY

FUND RAISED

BACKED BY

FOUNDED

EXITED

SECTOR

COMPANY

FUND RAISED

BACKED BY

FOUNDED

EXITED

SECTOR



€100m

Nauta, Balderton

2000

No

eVoting



€100m

Adara, Trident, KPCB, GGV, IVP

2007

No

Cybersecurity



€125m

Hit Forge, Seaya, Rakuten

2011

No

Private drivers



€27m

Vitamina K, Kibo, Earlybird, Accel, Salesforce

2012

No

Data mapping & visualization



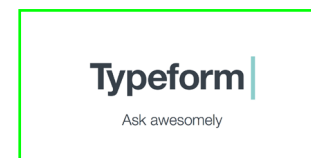
€37m

JME, Kibo, Accel, Spark, Bain

2009

No

Payments



€15m

Point Nine, Connect, Index

2012

No

Surveys

<sup>26</sup> Graph compiled from Crunchbase profiles at <https://www.crunchbase.com/>

## LA LIGA ESPAÑOLA

### Steps for the Future in Spain

Spain has no unicorns, but as we can see there are some promising companies on the exit path. eDreams IPOd at a near \$1.5bn<sup>30</sup> valuation in April 2014 but stock price has dropped 75% since. Privalia, backed by Cabiedes, recently exited via trade sale for €500m. **Scytl backed by Nauta, and Alien Vault backed by Adara, have both raised over €100m and are positioning to IPO in the US in 2017.** If those two IPOs are successful, it could have a profound impact on the tech ecosystem in Spain by delivering an impressive track record for Spain's entrepreneurs and the VCs who backed them.

Spain needs to materialise positive returns on the **€1bn in capital that has gone into the market in the last 3 years.** If the ecosystem can produce these positive returns, and the signals suggest it can, we can expect to see an increased interest from private LPs including institutions and Family Offices in backing local VC firms.

As the economy in Spain recovers we would also expect to see greater investor confidence and more liquidity in the market to facilitate further VC investment. With **€800m yet to be deployed by the funds FondICO has invested in,** it looks like there will be **no shortage of capital** available for Spanish tech entrepreneurs in the next 2 years<sup>31</sup>. What remains to be seen is whether the quality of emerging Spanish tech companies will continue to improve. If we can continue with the realisation of recent exits creating more success stories and role models in the Spanish tech industry while upskilling a whole generation of tech entrepreneurs and an entrepreneurial workforce, the future will be bright for Spanish tech companies. Once we can continue to produce the success stories the track record will inevitably follow. If you believe that success breeds success, **we can expect to see a new batch of globally competitive tech companies** emerge out of Spain in the next 3-5 years.

### ***What remains to be seen is who are the VCs that will back them?***

<sup>27</sup> Sarah White, "Spain's eDreams Odigeo says valued at \$1.5 bln after IPO pricing", Reuters, 2014 April 3rd, para. 1 <http://www.reuters.com/article/odigeo-ipo-idUSS8N0MA00A20140403>

<sup>28</sup> The €1.5bn to be invested into the ecosystem by FOND-ICO Global is distributed to both PE & VC firms and therefore will be exclusive destined to tech companies.

## AUTHOR



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*Liz runs content and international partnerships at South Summit, one of Europe's largest startup events, and is Spain's only graduate of the Kauffman Fellows Program; a leadership program and global community of innovation investors. Liz has spent most of her career in the early stage venture capital industry. Starting out as an investment advisor with Enterprise Ireland and later as programme manager at HBAN, Ireland's national business angel network. Landing in Madrid in 2011, Liz became deputy director for the Venture Lab at IE Business School (ranked No.1 in Europe, 13 worldwide by FT '13), responsible for accelerating 50 teams and spinning out on average 10 start ups per year connecting teams to over €15m in capital.*



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## ACKNOWLEDGEMENTS

*This report was made possible by the kind contribution of many collaborators and supporters namely Jewel Savadelis, Anna Doherty, Ben Bensoussan, Mary Fleming, Tony Fleming, Maria Benjumea, Iñaki Arrola, Javier Ulecia, Angela Alferez, Carlos Trenchs, Aquilino Peña, Javier Torremocha, Luis Martin Cabiedes, Pedro Michelena, Gonzalo Verdera, Didac Lee, Santiago Satrustegui, Borja Duran, Gonzalo Tradacete, Belen Mateo, Ander Michelena, José del Barrio, Beatriz Gonzalez, Pablo Ventura, Ignacio Fonts, Nicolas Bergareche, Merce Tell, Alberto Gomez, Santiago Reyna, Carles Ferrer, Enrique Penichet, Mark Kavelaars, and Francisco Velázquez. Thank you so much for your granito de arena no matter how big or small, every little helps.*

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**THANK YOU !**

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