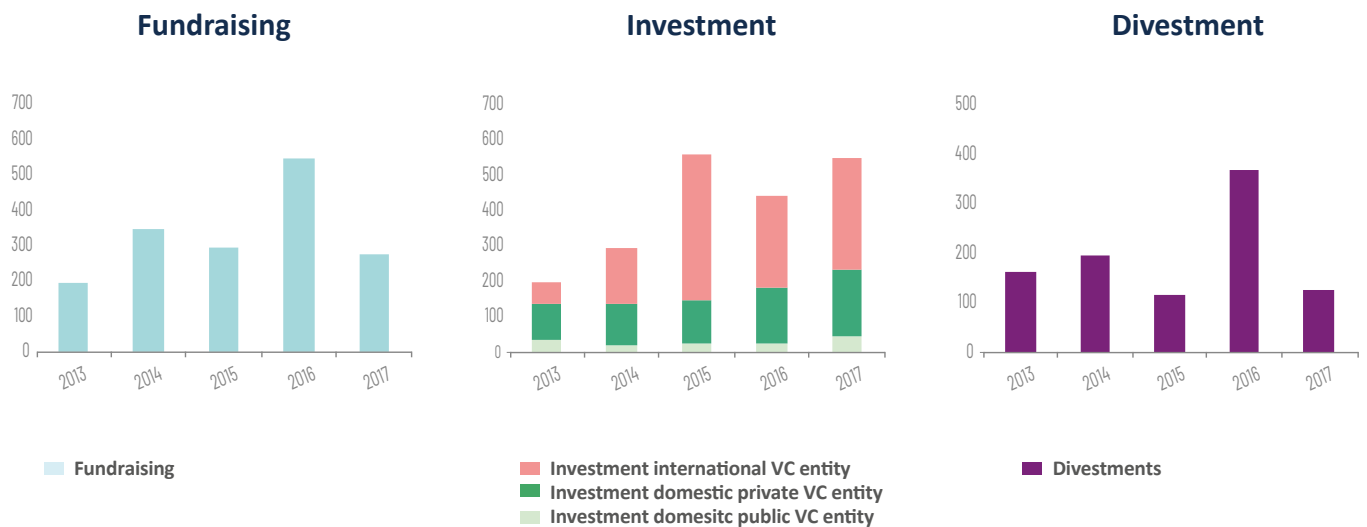


# Venture Capital

## MAIN CONCLUSIONS FOR 2017<sup>1</sup>

### Venture Capital Key Indicators



- Venture Capital momentum in 2017, with **€537M<sup>2</sup> in investments**, is driving growth in this segment, making **2017 one of the best years on record**, just behind 2015 (€548M).
- **Record high number of Spanish start ups funded by domestic and international Venture Capital (449 start ups in 2017)**. By number of companies invested, all stages saw growth, in particular seed capital and series A funding. Likewise, growth of companies funded was very scattered across different sectors (ICT, Digital and Consumer, Life Sciences and Industry).
- Investor Appetite: **300 Spanish start ups received Venture Capital funding for the first time**, the best figure on record.
- Activity in the **€5M–€10M investment range grew**,

correcting for the lack of capital available for funding this range; in 2017, 15 investments<sup>3</sup> were closed in 8 companies, the majority of which were led by international funds.

- **Record high number of scaleups:** 88 start ups received investments >€1M, double the figure on record for 2012.
- In 2017, **private domestic Venture Capital firms drove increases to early stage investment in Spain**, both by investment volume and number of investee companies, **reaching record highs** for both variables. This intense activity is supported by the new funds being raised both by existing firms and by new management companies that have started activity in recent years.
- **Public Venture Capital firms** regained some of the ground lost in direct investment, **doubling the investment**

<sup>1</sup> All statistical data on the Venture Capital sector is available on page 36.

<sup>2</sup> For methodological reasons, the round in Letgo was not included in the statistics as it has no branch in Spain. In general, the information both in this chapter and in the rest of this report refer to investments (equity and quasi-equity, including equity and convertible loans) made in Spanish companies by domestic and international firms, not including investments made outside Spain by domestic management companies.

<sup>3</sup> The number of investments published is calculated from the perspective of the funds, meaning that some investee companies may be double counted in the case of syndicated investments.

**volumes recorded in 2016.** Their investment activity had a particularly strong impact on the Industry sector, the fastest growing sector in terms of investment received in 2017.

- The **interest of international funds in the Spanish market** continues to be reflected by investment volume (57% of total Venture Capital investment in Spain in 2017), by the record high number of investments closed (63 in 34 companies), by the new funds that continue to open each

year (of the 26 new funds making a first-time investment in Spain, 18 were Venture Capital funds), and more and more funds are increasingly investing without the backing of local funds.

- Spain surpassed the European average for **Venture Capital investment in terms of GDP**, reaching 0.043% in 2017.<sup>4</sup>

### Summary of Venture Capital investment in Spanish start ups in 2017

2017	DOMESTIC	INTERNATIONAL
Corporate VC (Investment)	€8.7M	€146.7M <sup>5</sup>
VC (Investment)	€176M	€161.4
Public VC (Investment)	€44.4M	-
Active Investors 2017	72	51
Invested (M€)	€229.6M	€308.1M
Nº of Investments	497	63
Start Ups Invested	432 <sup>6</sup>	34
Avg. Round (M€)	€0.55M	€9.1M
Avg. Ticket (M€) Investments	€0.46M	€4.9M

### VENTURE CAPITAL ACTIVITY IN 2017

**Venture Capital investment in Spain is growing.** Venture Capital funds (domestic (72) and international (51)) **invested** a total of **€537.7M** in Spanish companies in 2017, a **23.9% increase from investment volume in 2016 (€433.9M)**, close to the all-time high recorded in 2015 (€548.3M).

This excellent figure is driven in part by recovery in the number of large funding rounds (>€10M) directed to 8 start ups, all performed by international funds, as is coming to be the norm in the Spanish market. Furthermore, the 15 investments closed in the €5M–€10M segment, totaling €101.4M, also had a positive impact and temporarily corrected for the lack of capital available for funding this

segment. In 2017, a transaction for >€100M was closed by a single investor<sup>7</sup> for the second consecutive year. **International funds**, attracted by the maturity of the sector, have become one of the primary actors in the domestic Venture Capital sector in just 4 years, increasing their commitment to the Spanish start up, both by volume, totaling **€308M (+20% vs. 2016)**, the second best figure on record, as well as by number of **investments<sup>8</sup> (63 in 34 companies<sup>9</sup>)**, a record high. As at the end of **2017, 118 of the approximately 182 international entities with Spanish portfolio companies were Venture Capital firms.** At the national level, the sector had close to 95 Venture Capital active firms<sup>10</sup>, 12 of which were public.

<sup>4</sup> Data from the "2017 European Private Equity Activity" annual report published by Invest Europe in May 2018.

<sup>5</sup> As in 2016, the investment by Rakuten in Cabify (also held by, inter alia, the Spanish fund Seaya Ventures) in 2017 was decisive for International Corporate Venture investments.

<sup>6</sup> A total of 449 companies received funding in 2017, 17 of which were co-invested by domestic and international funds.

<sup>7</sup> Investment by Rakuten in Cabify

<sup>8</sup> The number of investments published in this report is calculated from the perspective of the funds, meaning that some investee companies may be double counted in the case of syndicated investments.

<sup>9</sup> Of these 381 companies, 18 companies received co-investments from domestic and international funds.

<sup>10</sup> Venture Capital and Private Equity firms with an investment focus on Venture Capital and that have portfolios in which seed, startup, other early stage and late stage venture account for at least half of the portfolio.

# Venture Capital

**Record high Venture Capital investment by domestic funds.** Fundraising by **private domestic Venture Capital funds** in recent years, together with increased leeway in the budget of public entities, has stimulated their investment activity. In particular, **domestic entities increased their investment in Spanish start ups, totaling €229.6M** (+29% from the €177.8M invested in 2016). **Capital was invested across 497 investments.** Looking to the coming years, the outlook remains positive thanks both to the available offering of start ups which continues to mature and to demand driven by local Venture Capital funds with dry powder and international funds coming to Spain as one of the most attractive countries for channeling investor appetite.

**Record high in number of start ups receiving Venture Capital funding for the first time.** The number of start ups funded by Venture Capital grew for the fifth consecutive year. In 2017, a total of 560 Venture Capital investments were made in **449 companies**, of which **299 start ups received Venture Capital funding for the first time** (51 more companies than in 2016 and a record high). Capital injections in 150 companies were used to support the portfolio (+4% vs. 2016). As regards Venture Capital funds that invested capital in new portfolio investments, a total of €249M was invested, compared to €288.7M<sup>11</sup> in extensions and follow ons in 2017. 58.6% of start ups received investment rounds below €250,000 in equity.

**Private Venture Capital firms led investment activity.** By **type of entity**, the significance of investment fell, primarily, in private entities, totaling **€493.3M** in investments in 2017 (**92% of total volume invested**), as compared to **€44M in investments by public funds (8%)**. The role of public funds has without a doubt evolved since the start of the crisis, reducing support of SMEs through direct investment and strengthening its role **as an investor (LP)**

**Recovery in late stage venture in the Spanish market.** As a sign of the maturity attained by a growing number of start ups in the Spanish ecosystem, late stage venture continues to grow every year, reaching a record high in investment volume in 2017, totaling €250M in 50 companies, 23 of which received Venture Capital funding for the first time (3 more than in 2016 and a record high). The remaining categories, by stage of investment, also grew compared to 2016 in terms of volume and number of investee companies. In particular, **investment in start ups and round A funding stood out** with €102M (+33% from 2016), a **record high in number of investee companies (177)**, 130 of which were new investments.

**Seed capital increased by 48% in 2017 in terms of investment volume** (€22M in 2017), **and by 44% in terms of number of investee companies** (118, 102 of which were new investments, a record high for both variables), thanks to the domestic Venture Capital funds that are currently the main driver for future start ups.

**in start ups through Venture Capital funds**, using funds of funds programs such as FOND-ICO Global (managed by Axis), Innvierte (managed by CDTI through 2017 and playing a significant role in the growth of technology Venture Capital funds during the crisis years) and the fund investment program of Institut Català de Finances. In particular, the public sector is once again positioned as a primary investor (LP) for domestic Venture funds,<sup>12</sup> with over €109M.

<sup>11</sup> This figure was the highest on record thanks to the reinvestment of Rakuten in Cabify.

<sup>12</sup> A more detailed description of the fundraising activity in 2017 is provided in the chapter of this report on "Fundraising, page 14."

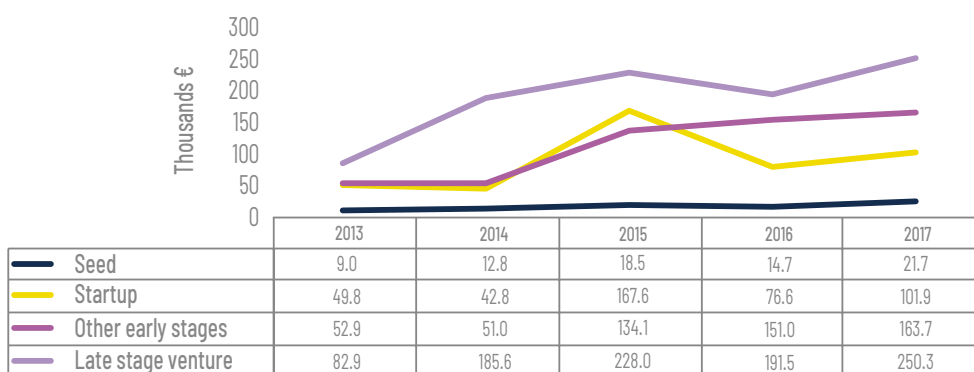
Nevertheless, in 2017, economic recovery in general and of the public sector in particular was confirmed, with the latter increasing direct investment in start ups by 61% as compared to 2016, across a total of 152 investments, a record high.

In 2017, the most active **private domestic investors** (by number of investments) were, inter alia: Caixa Capital Risc, Inveready Technology Investment Group,

Sabadell Venture Capital, Kibo Ventures and Bankinter (Intergestora). In the **public sector**: Seed Capital Bizkaia, Xesgalicia, Sodena, Vigo Activo and Gestión Capital Riesgo País Vasco. As regards international funds, the following stood out by number of investments: Idinvest Partners, Pointnine Capital, Mangrove Capital Partners, Innogest Capital.

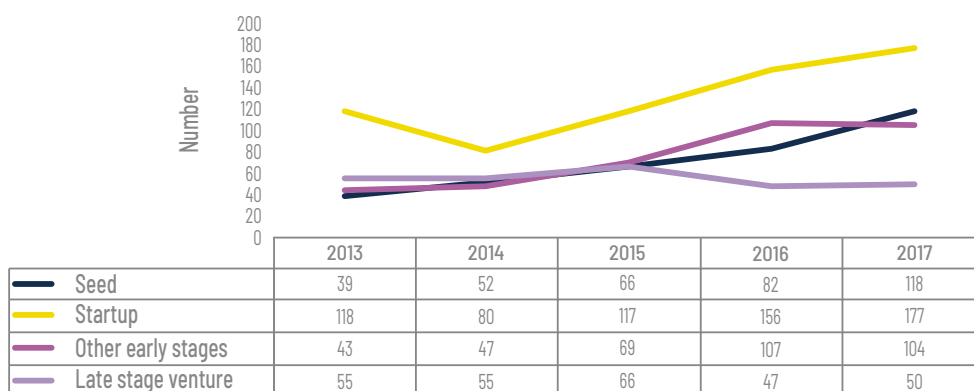
### Venture Capital investment by company stage

#### Volume



Seed Startup Other early stages Late stage venture

#### Number of start ups



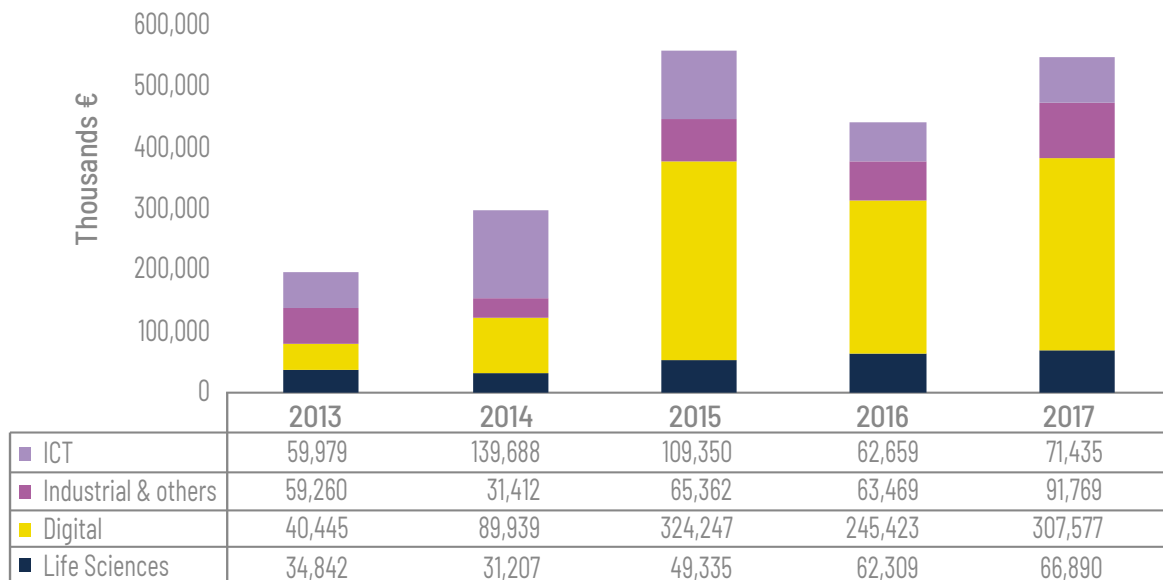
Seed Startup Other early stages Late stage venture

# Venture Capital

**Venture Capital support across all sectors has increased, and in particular, in the Industry sector.** In 2017, the four categories resulting from the sectoral classification grew both by capital received and number of start ups funded. In particular, **a total of €307.6M was invested in 148 companies in the Digital and Consumer sector.** In this category, international funds stood out, as is becoming the norm, contributing 80% of investment volume in this category.<sup>13</sup> **The Life Sciences** sector continues to attract investment from both private domestic funds as well as from several international funds, which contributed €31M (€21M invested in biotechnology start ups, a record high) of the total €66.9M received by this sector in 2017.

This volume yet again surpassed the record highs registered over the past three years, as did the number of start ups receiving investments in the Life Sciences sector (60, four more than 2016). Recovery of public Venture Capital fund activity in 2017 drove the **Industry** sector, which saw the most growth (44% vs. 2016), totaling €91.8M in investment in 127 start ups, both record highs.

Venture Capital Investment Volume by Sector



■ ICT  
■ Industrial & others  
■ Digital  
■ Life Sciences

Source: ASCRI/webcapitalriesgo

<sup>13</sup> The new Cabify round was decisive for this category.

**M**adrid and Barcelona, the two Venture Capital hubs. With a total of **€236M** in investments in start ups in Madrid<sup>14</sup> and **€201.8M** in Catalan start ups in 2017,<sup>15</sup> these two regions continue to position themselves as innovation and entrepreneurship hubs, standing out for the concentration of Venture Capital funds and start ups, as well as for holding events and creating start up communities that have without a doubt contributed to the development of

early stage investments. In distant positions were Galicia (€17.7M invested in the region), Navarre (€13.8M) and the Balearic Islands (€11.7M). **Catalonia also led by number of start ups financed (115)**. Followed by Madrid (77 start ups), the Basque Country (63 start ups), Galicia (55 start ups) and Navarre (37 start ups).

**S**lowdown in divestments in 2017. 2016 was an exceptional year for portfolio turnover for early stage companies, both by volume (€363.8M) and number (228) and quality of exits, and in 2017, this variable dropped considerably, totaling €126M in divestments (at price cost), in 131 divestments. These figures highlight the need to continue driving the sale of investee companies as one of the challenges of the sector. The "Trade Sale" category shows positive figures,

as the main divestment method used by volume (47.5% of total), with the number of write-offs decreasing to a record low (only 15 divestments made using this divestment method).

<sup>14</sup> According to "The State of European Tech 2017" study published by Atómico, Madrid is the fourth largest hub by number of developers.

<sup>15</sup> According to "The State of European Tech 2017" study published by Atómico, Barcelona is the third most preferred city by entrepreneurs for building start ups.

# Venture Capital

## INVESTMENT

	AMOUNT (M€)				
TYPE OF GP	2013	2014	2015	2016	2017
International VC	58.6	158.1	401.3	256.0	308.1
Domestic Private VC	101.6	112.6	119.9	150.3	185.2
Domestic Public VC	34.4	21.5	27.0	27.5	44.4
<b>TOTAL</b>	<b>194.5</b>	<b>292.2</b>	<b>548.3</b>	<b>433.9</b>	<b>537.7</b>
STAGE OF DEVELOPMENT					
Seed	9.0	12.8	18.5	14.7	21.7
Start-up	49.8	42.8	167.6	76.6	101.9
Other early stage	52.9	51.0	134.1	151.0	163.7
Late stage venture	82.9	185.6	228.0	191.5	250.3
<b>TOTAL</b>	<b>194.5</b>	<b>292.2</b>	<b>548.3</b>	<b>433.9</b>	<b>537.7</b>
SIZE					
0 - 0.25 M€	19.7	15.8	22.4	21.7	24.1
0.25 - 0.5 M€	17.5	16.6	16.2	27.5	20.2
0.5 - 1 M€	30.9	41.2	45.5	40.2	52.8
1 - 2.5 M€	57.3	59.9	83.6	92.2	108.5
2.5 - 5 M€	39.6	22.6	64.2	69.2	70.5
5 - 10 M€	29.5	52.1	49.6	29.4	101.4
10 - 15 M€	0.0	24.0	28.3	10.0	33.7
15 - 20 M€	0.0	30.0	34.8	0.0	17.5
20 - 25 M€	0.0	0.0	0.0	0.0	0.0
25 - 50 M€	0.0	30.0	114.8	37.5	0.0
50 - 75 M€	0.0	0.0	0.0	0.0	0.0
75 - 100 M€	0.0	0.0	89.1	0.0	0.0
More than 100M€	0.0	0.0	0.0	106.2	109.0
<b>TOTAL</b>	<b>194.5</b>	<b>292.2</b>	<b>548.3</b>	<b>433.9</b>	<b>537.7</b>
INDUSTRY					
Life Sciences	34.8	31.2	49.3	62.3	66.9
Digital & Consumer	40.4	89.9	324.2	245.4	307.6
Industry and others	59.3	31.4	65.4	63.5	91.8
TIC	60.0	139.7	109.4	62.7	71.4
<b>TOTAL</b>	<b>194.5</b>	<b>292.2</b>	<b>548.3</b>	<b>433.9</b>	<b>537.7</b>
REGIONS					
Andalucía	7.9	4.2	7.2	4.6	4.2
Aragón	0.3	0.5	0.1	0.6	2.2
Asturias	3.3	2.9	1.6	2.1	7.2
Baleares	0.1	2.3	10.3	23.2	11.7
Canarias	0.0	0.0	0.1	0.0	0.0
Cantabria	0.4	0.0	0.0	0.0	0.0
Castilla-La Mancha	1.8	3.0	4.8	3.0	1.8
Castilla-León	12.0	4.8	2.7	12.0	25.9
Cataluña	64.9	172.4	342.4	144.3	201.8
Cdad. de Madrid	53.6	64.8	129.6	195.6	236.0
Cdad. Valenciana	15.2	10.1	20.1	4.7	3.6

	NUMBER START UPS				
2013	2014	2015	2016	2017	
33	38	73	43	63	
261	258	293	338	345	
68	53	107	108	152	
<b>362*</b>	<b>349*</b>	<b>473*</b>	<b>489*</b>	<b>560*</b>	
39	52	66	82	118	
118	80	117	156	177	
43	47	69	107	104	
55	55	66	47	50	
<b>255</b>	<b>234</b>	<b>318</b>	<b>392</b>	<b>449</b>	
145	136	202	213	263	
38	26	30	50	36	
31	27	35	56	61	
25	32	24	50	59	
10	4	12	13	13	
5	6	5	3	8	
0	0	4	2	3	
0	1	2	2	2	
1	1	2	1	1	
0	0	0	1	2	
0	0	0	0	0	
0	1	1	0	0	
0	0	1	1	1	
<b>255</b>	<b>234</b>	<b>318</b>	<b>392</b>	<b>449</b>	
55	48	51	56	60	
110	106	129	142	148	
72	56	75	113	127	
69	61	88	79	114	
<b>306</b>	<b>271</b>	<b>343</b>	<b>390</b>	<b>449</b>	
22	14	16	8	7	
2	2	2	2	5	
14	12	9	12	28	
3	1	4	4	6	
0	1	2	1	0	
1	0	0	0	0	
4	6	21	4	3	
15	9	7	18	16	
75	75	88	105	115	
42	47	63	64	77	
22	19	16	32	23	

\*Number investments.

AMOUNT (M€)					
REGIONS	2013	2014	2015	2016	2017
Extremadura	2.0	4.1	8.0	1.7	3.9
Galicia	11.7	2.7	4.8	10.8	17.7
La Rioja	0.3	0.0	0.3	0.1	0.3
Murcia	2.0	2.3	0.4	3.9	0.6
Navarra	13.5	8.9	6.0	14.7	13.8
País Vasco	5.5	9.0	10.1	12.7	7.1
Ceuta/Melilla	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>194.5</b>	<b>292.2</b>	<b>548.3</b>	<b>433.9</b>	<b>537.7</b>

NUMBER OF START UPS					
2013	2014	2015	2016	2017	
15	8	9	2	3	
9	12	26	46	55	
1	0	1	1	4	
4	3	3	6	7	
12	11	15	36	37	
14	14	36	51	63	
0	0	0	0	0	
<b>255</b>	<b>234</b>	<b>318</b>	<b>392</b>	<b>449</b>	

## DIVESTMENT

AMOUNT (M€)					
EXIT WAY	2013	2014	2015	2016	2017
Owner/manager buy-back	36.3	40.1	41.8	27.2	24.5
Sale to PE & VCs	2.2	3.6	11.5	97.2	0.0
Trade sale	26.6	62.9	15.7	204.8	59.9
Stock Market	2.7	0.0	0.2	1.4	0.2
Write-offs	78.5	71.4	30.7	23.5	28.4
Repayment of loans	10.2	8.0	8.6	8.2	8.8
Others	5.7	8.0	6.3	1.5	4.4
<b>TOTAL</b>	<b>162.2</b>	<b>194.0</b>	<b>114.7</b>	<b>363.8</b>	<b>126.2</b>
STAGE OF DEVELOPMENT					
Seed	17.5	31.9	11.3	9.9	38.2
Start-up	109.0	130.2	62.9	116.6	18.7
Other early stage	33.2	8.1	19.5	25.7	8.9
Later stage venture	2.6	23.8	21.0	211.7	60.9
<b>TOTAL</b>	<b>162.2</b>	<b>194.0</b>	<b>114.7</b>	<b>363.8</b>	<b>126.2</b>

NUMBER OF DIVESTMENTS					
2013	2014	2015	2016	2017	
40	46	38	36	18	
4	6	6	4		
32	24	17	39	20	
1	0	3	4	3	
97	60	70	36	15	
40	120	133	87	67	
11	12	14	22	8	
<b>225</b>	<b>268</b>	<b>281</b>	<b>228</b>	<b>131</b>	
79	118	117	86	52	
124	114	113	88	40	
16	19	36	40	17	
6	17	15	14	23	
<b>225</b>	<b>268</b>	<b>281</b>	<b>228</b>	<b>131</b>	

## FUNDRAISING

AMOUNT (THOUSANDS)					
TYPE OF LP	2013	2014	2015	2016	2017
Financial institutions	82,846	65,333	37,917	109,965	6,000
Pension funds	9,614	32,798	23,610	15,007	9,892.47
Insurance Companies	2,114	1,000	6,003	16,700	6,383
Fund of funds	24,700	2,519	26,137	98,440	15,575
Corporate investors	43,254	87,484	40,224	30,532	22,955
Family office	19,170	41,799	75,439	179,271	84,167
Government agencies	20,381	112,013	82,026	98,271	109,139
Academic institutions	-	-	988	-	-
Stock Market	-	2,228	-	-	-
Others	1,000	7,176	14,141	20,800	29,583
Capital gains available for re-investment	750	6,412	-	-	-
<b>TOTAL</b>	<b>203,829</b>	<b>358,761</b>	<b>306,484</b>	<b>568,987</b>	<b>283,694</b>