The Art of the Exit

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Markus is a Managing Director in AGC Partners’ London office. Markus has over 20 years of experience in investment banking and specializes in mobility and software technologies. Markus started his career in TMT Investment Banking with UBS and HSBC. After working as a Principal at BlueRun Ventures and a General Partner at Nokia Growth Partners, Markus joined Arma Partners where he was Senior Managing Director focusing on mobility and communications companies globally. Most recently Markus was a Managing Director at GrowthPoint Technology Partners.

Select Transactions:

Select VC Investments:

Recent AGC Deal in Finland:
COMPANY GROWTH TRAJECTORY

- Ramp Sales
- Product Expansion
- Partner Buildout
- Inorganic Growth
- Global Expansion

Actions:
- SELL
- ADVANCE
- DEVELOP
- ACQUIRE
- EXPAND
| **Market/Growth Opportunity** | • How big is the market? Why is it so important? How will the dynamic of the market opportunity change as the market matures?  
• What international expansion opportunities exist and what are the barriers to entry into these new markets?  
• What are the other growth opportunities around the market and how difficult will it be for the Company to build a business in these areas? What are customers saying about the need for these capabilities?  
• Small business customers vs enterprise customers – ability to potentially serve both?  
• Importance of creating market/buyer awareness through business development to ensure that core buyers are aware of the technology and the opportunity for acquisitions when go-to-market occurs |
| **Strength of Product Offering** | • How effective is the product? What is the ROI?  
• Difficulty to replicate/barriers to entry  
• Investment to date and how much is needed to remain state-of-the-art  
• Key product issues, if any, from a customer perspective |
| **Competitive Dynamics** | • Who are your major competitors and what is your competitive advantage? How would these dynamics change if either the Company or one of its competitors were acquired by a large software or infrastructure player? |
| **Customer Relationships** | • Strength/Length/Breadth  
• Any churn and why?  
• References  
• Potential Reseller vs. Direct Sales Strategy  
• Small Business vs Enterprise Relationships |
| **Management Team** | • Strength/Breadth of Management Team  
• Key missing positions/positions that need to change as the business scales |
| **Use of Proceeds/Financing Structure** | • Key uses of proceeds  
• Primary vs. Secondary  
• Minority vs. Controlled Recap  
• Management team incentives |
TECH EXITS IN FINLAND

SWOT

Strengths
• Stable operating environment
• Healthy pace of company creation
• Great “start-up” scene
• Availability of early-stage funding – private
• Availability of early-stage funding - public

Opportunity
• Enhancing the impact of R&D and early-stage funding
• Re-targeting resources towards growth-stage investments
• Refocus from start-ups to scale-ups
• Attract inbound investment activity
• Leverage “Team Finland” abroad

Weaknesses
• Narrow domestic ecosystem
• Light domestic deal volume
• Scarcity of growth-stage capital
• Scarcity of syndication partners
• Lack of VC/PE funded scale-up skills
• Fragile public market

Continued continued Swedish domination for growth investment $’s (and subsequent exits)
• Continued lack of growth in the overall economy
• Continued brain drain
• Lack of VC/PE funded exits will drive asset allocation elsewhere
READY TO LAUNCH

- **Phase 1: Preparation (quick and intense)**
  - Work with management to expand upon our understanding of the business and continue to improve the positioning
  - Refine the list of most likely strategic buyers and private equity investors and customize the positioning and script for each one to effectively communicate the specific value proposition
  - AGC will work with management to prepare the following materials prior to launch:
    - Two-page teaser providing an overview of the opportunity
    - Management Presentations – a short form for introductory conference calls as well as a longer form for more extensive follow up meetings
    - MD&A – a detailed and comprehensive analysis of recent and projected financial results so that the Company is prepared for the rigorous financial diligence that serious strategics and investors will perform
  - Data Room – AGC will provide a list of the most likely required data room information. AGC will also help gather the information and make sure it is presented in the optimal way to ensure that potential buyers feel good about the Company and the process

- **Phase 2: Launch** – Launch a process and engage in a dialogue with the “right contacts” at mutually agreed upon potential partners

- **Phase 3: Marketing** – Hold introductory WebEx/meetings with interested parties and facilitate high level due diligence; gauge interest and start setting valuation expectations

- **Phase 4: Bids** – Solicit initial term sheets. Force competition among potential buyers / investors

- **Phase 5: Due Diligence** – Detailed diligence with top potential partners

- **Phase 6: Ultimate Goal** – Select partner(s), sign definitive agreement and close
- Established relationships and frequent dialogues with all potential partners ensures deal reaches top decision makers and we receive a response

- Masters of creating a highly competitive bidding process

- Highly transparent process ensures no surprises for the management team and shareholders
The Nordics: one of the world’s most attractive tech regions

- 2015 generated almost 2 BUSD in exit value - a big drop from the record of 13.4 BUSD in 2014

- Still, the Nordic tech opportunity is large and growing, average exit value last 5 years is more than $4 billion per year

- There was no BUSD exit in 2015, but the Nordics still represent over 7% of global BUSD exits on a global basis since 2005

- Looking at Europe, the Nordic has stood for 50% of BUSD exits

- Within the Nordics, Sweden is the dominant market, contributing to 50% of the Nordic exit value

- Digital consumer services is the most valuable sector, but software produces most >$100 million exits and is growing fast

- Nordic VC allocation is required to capture the value in the region, Nordic VC capital is invested in ~90% of Nordic winners
NORDIC OPPORTUNITY GROWING STEADILY

Total Nordic exit value 2000 – 2015 (MUSD)

- Average exit value last 5 years was $4.1Bn
- Market is growing: Total exit market value increased 3x between economic cycle in ’00-’04 and ’10-’14
- Big exits matter: 2/3 of all exit value created by 3% of exits (exits larger than $500 million)
The best time in history to be a European technology entrepreneur

Statement: Now is the best time in history to be a technology entrepreneur in Europe

- Founders and investors have the most positive view on the current situation: 50% of investors and 40% of founders agree strongly
- Repeat founders had a noticeably more positive view than first-time founders
- Employees of corporations and the public sector are positive, but not quite as much

Source: Shuk & Atanios Survey
European companies are transforming a wide range of sectors

$B+$ companies by sector and customer focus

- Retail, financial services have produced most $B+$ companies
- Consumer-focused companies dominate

$B+$ companies by industry sector

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<thead>
<tr>
<th>Sector</th>
<th>Count</th>
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<tbody>
<tr>
<td>Retail</td>
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<tr>
<td>Financial Services</td>
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<tr>
<td>Enterprise Apps</td>
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<tr>
<td>Gaming</td>
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<tr>
<td>Social &amp; Comms</td>
<td>3</td>
</tr>
<tr>
<td>Music</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
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$B+$ companies by primary customer focus

<table>
<thead>
<tr>
<th>Sector</th>
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<tbody>
<tr>
<td>Consumer</td>
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- “Other” category consists of six different verticals
- All retail companies originate from large domestic markets (UK, GER), and 4 out of 7 are Rocket Internet-backed firms
- Europe’s $B+$ companies are dominated by consumer-focused businesses, but Europe is also building a growing portfolio of enterprise success stories

Source: Atomics