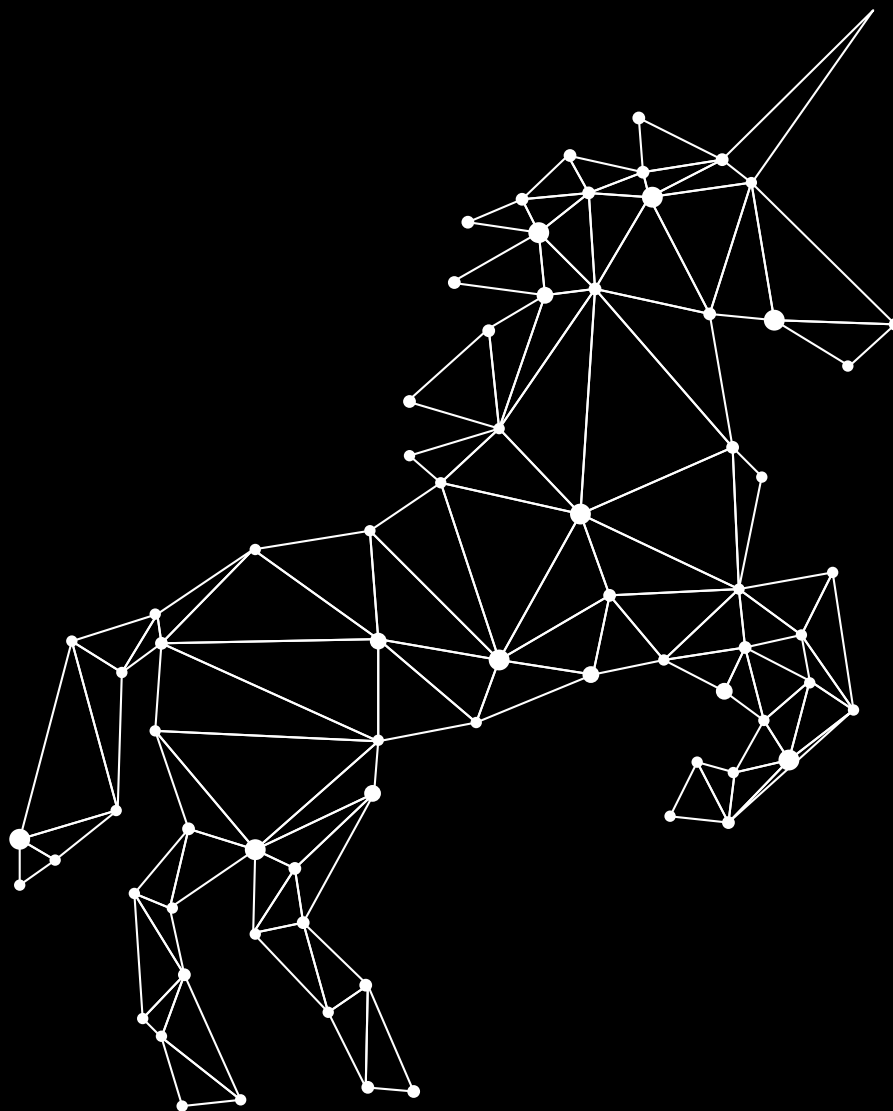




# EUROPEAN UNICORNS 2016

*Survival of the fittest*



**GP.Bullhound**

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## ABOUT US

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*GP Bullhound provides independent strategic advice and deal-making to the best technology entrepreneurs, companies and investors.*

*Our passion for technology, financial acumen and empathy for entrepreneurs is what really sets our advice apart. We want to help build more billion-dollar technology companies across Europe. We know this takes time and we are not in a hurry.*

### STRATEGIC ADVISORY

We have a reputation for providing direct and impartial strategic advice to clients across the technology ecosystem.

We work with Boards of Directors to provide guidance on acquisitions, divestments, international expansion and exit planning.

### MERGERS & ACQUISITIONS

When entrepreneurs and investors are planning to sell their businesses, they need a trusted partner. We have completed over 100 deals in the last decade with giants of the global technology sector.

More than half of our M&A deals have a cross-border solution and our five technology hubs across Europe and the US allow us to provide a senior, local service to clients but with access to buyers across the globe.

### FUNDRAISING, SECONDARIES AND BLOCK TRADES

GP Bullhound has been helping to finance technology businesses since 2000. We have built up a unique set of relationships with investors who, like us, are passionate about the technology sector.

We pride ourselves on building long-term relationships, and we hope to work with our clients from growth equity fundraising, through debt restructuring, secondary fundraising and towards the ultimate exit – via trade sale or IPO.

### PRINCIPAL INVESTMENTS

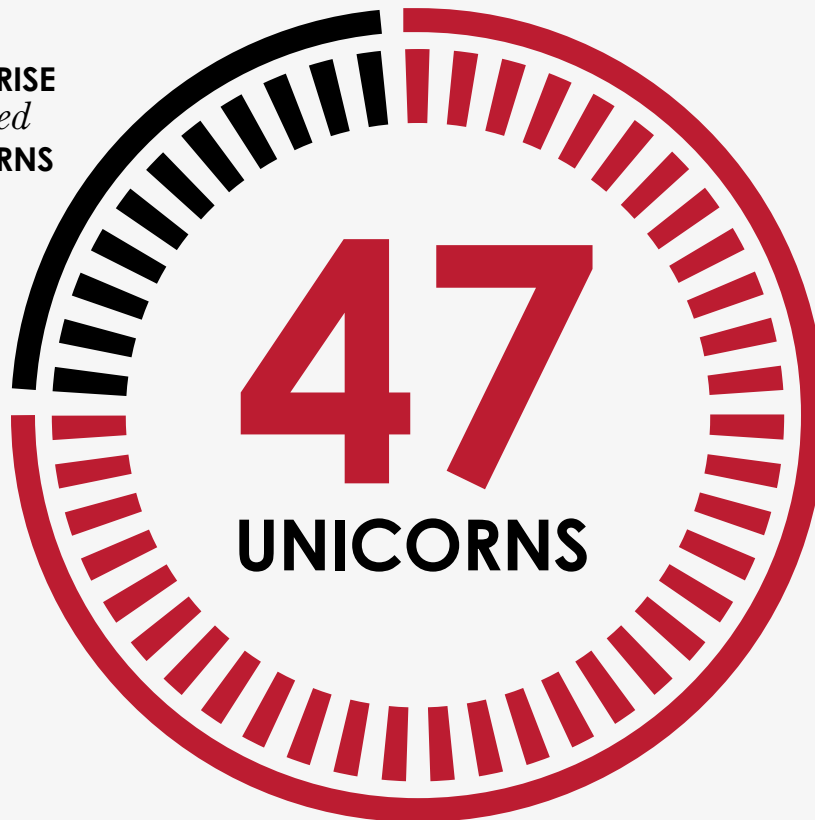
GP Bullhound Asset Management is our independent investment arm. It currently manages three funds, investing in category leaders, early-stage businesses and unicorn companies.

# EUROPEAN UNICORNS

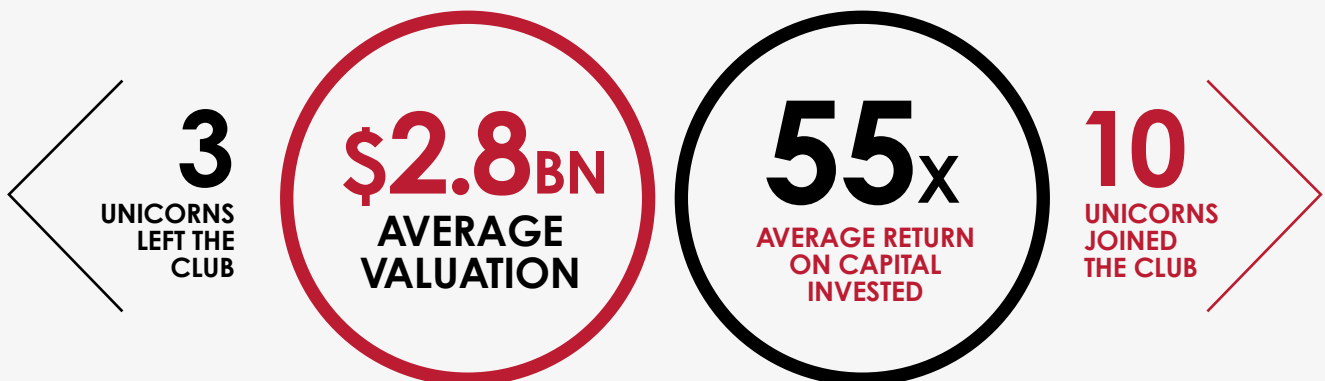
## *Landscape*

# 2016

**11**  
**ENTERPRISE**  
*focused*  
**UNICORNS**



**36**  
**CONSUMER**  
*focused*  
**UNICORNS**



GP Bullhound Research - European Unicorns 2016

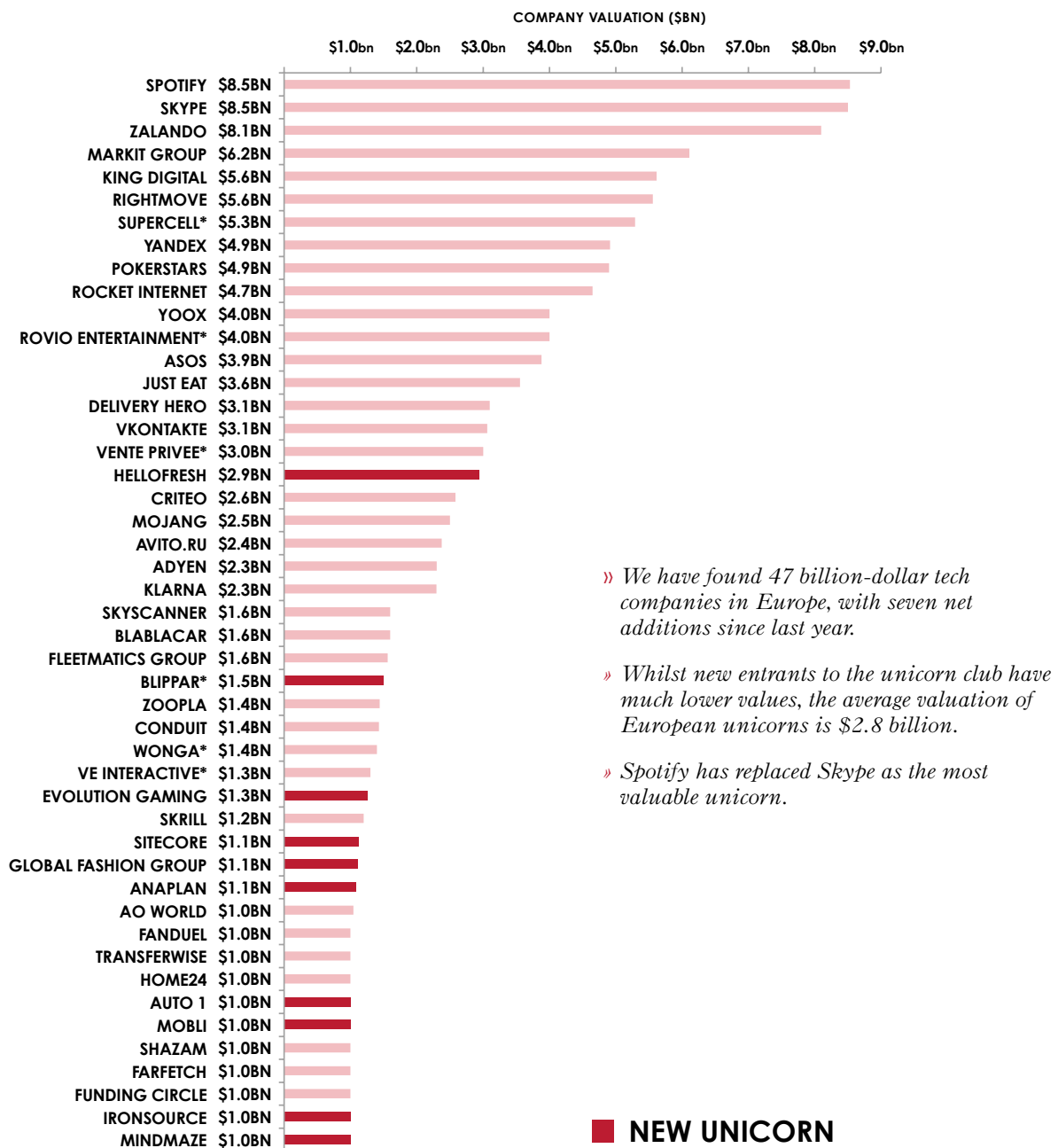
Source: Company data, Capital IQ, Mergermarket, CB Insights (US data), press articles, GP Bullhound analysis as at April 2016

Note: Average return on capital invested is the equity valuation as a multiple of investment received. This represents an indication of value created, not real returns for investors.



# WHO ARE *the European unicorns?*

*European unicorns are fast-growth, profitable businesses*



# THE EUROPEAN UNICORN

## *League Table*

COUNTRY	CUMULATIVE VALUE	NO. OF UNICORNS	LTM ADDITIONS
	\$39.6	18	2
	\$31.1	7	1
	\$20.8	6	2
	\$7.2	3	0
	\$3.4	3	2
	\$9.3	2	0
	\$8.0	2	0
	\$4.0	1	0
	\$2.3	1	0
	\$1.6	1	0
	\$1.1	1	1
	\$1.1	1	1
	\$1.0	1	1



**MANISH  
MADHVANI**

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**GP BULLHOUND**

# THE RESILIENCE of the unicorn

*A valuation of one billion dollars has become a badge of honour for fast-growth technology companies around the world. Despite numerous commentators calling into question this achievement, the key now is to ascertain the underlying robustness of the Unicorn Club.*

What began as a goal for only the most ambitious entrepreneurs has become an exclusive, but consistently expanding, collection of businesses. What began as testament to the superiority of Silicon Valley innovation has become a worldwide phenomenon. Simply put, the myth has become a reality.

Nowhere is the unicorn phenomenon seen more clearly than in Europe. GP Bullhound has been charting the growth of billion-dollar companies across Europe since 2014. Two years ago we asked, can Europe create billion-dollar tech companies? The answer is clear. There are now 47 European unicorns; the continent has proved it can consistently produce tech companies with significant valuations. Companies that can compete with the very best, anywhere in the world.

However, the adulation of Europe's greatest digital success stories has started to sour. Critics are beginning to doubt the veracity of recent headline-grabbing valuations. Detractors are sceptical of the number of companies claiming billion-dollar valuations and whispers of a tech bubble persist amidst concerns over whether unicorns themselves have a long-term future, make profit or actually aid the economy.

These are big claims. Our annual research into the progress of unicorns has always aimed to take an objective approach to Europe's most successful tech companies, analysing a wide range of data sets to draw quantitative conclusions. We let the numbers speak for themselves.

Informed by this approach, we can send a clear message to the investment and digital community: European unicorns are here to stay.

Ten new companies have reached unicorn status, bringing the total number of billion-dollar tech companies in Europe to 47. Most remarkably, 60 per cent of the businesses we have analysed are profitable.<sup>(1)</sup> As any entrepreneur or investor knows, maintaining profitability during periods of rapid growth is extremely challenging and for so many of the cohort to be balancing the considerable investment in talent and product required to scale and revenue generation is seriously impressive.

The key finding in our research, however, is the comparison between valuations and actual revenue. In the US, tech valuations are, on average, 46 times the

revenue produced by that company. In Europe, this number is considerably lower, at 18 times.<sup>(2)</sup>

This figure cuts to the heart of the backlash facing the valuation of tech companies around the world. Of course Europe has yet to reach the dizzying heights of the giants such as Facebook and Google, but when you look at businesses in the \$1 billion to \$3 billion range, what we lack in quantity we more than make up for in terms of quality. Last year, there were 30 new billion-dollar tech companies in the US, over three times the number in Europe. However, the disparity between revenue and valuation in the US creates a market inclined to dramatic combustions. European valuations are much more rooted in reality.

In the past two years, Europe has undergone a remarkable journey. From a landscape in thrall to Silicon Valley to a quietly confident and stable market capable of sustaining growth.

Our report, *European Unicorns 2016: Survival of the fittest* examines what is increasingly becoming the uniquely diverse and fertile landscape of European technology. We have mapped the success of European unicorns across individual countries, individual sectors and investment activity. And because great companies are built by great people, we have included interviews from three of the most exciting entrepreneurs from across the continent: Dominik Richter from HelloFresh, Bonamy Grimes from Skyscanner and Frédéric Mazzella from BlaBlaCar. We hope their stories inspire you as much as they inspire us.

I would like to thank these three entrepreneurs for their time speaking to us and Alessandro Casartelli, Marvin Maerz and Miguel Indekeu from GP Bullhound who lead on our unicorn research.

The conclusion we can draw is that there has never been a better time to be operating within the European technology market. I firmly believe that the right ecosystem now exists for one of the companies highlighted in this report to push forward and reach a \$10 billion valuation in the next few years, and over time a \$100 billion valuation.

**Manish Madhvani**  
Co-founder and Managing Partner  
GP Bullhound

GP Bullhound Research - European Unicorns 2016

Note: <sup>(1)</sup>% of sample, sample includes 37 of the 47 companies.

<sup>(2)</sup> Sourced latest revenue and valuation data available, dataset includes private companies only; revenue data is one year older than valuation data. Sample set size: 12 EU Unicorns and 20 US unicorns.



# VALUATIONS

## *Europe proves itself*

*Fundamental to all unicorns are the metrics underpinning valuations. The following chapter demonstrates that European tech is growing sustainably on a base of profit and revenue. Unicorns are here to last.*

Over the past 12 months, the growth, consistency and endurance of European unicorns prove that valuations are not fantastical, but that the figures and investment attached to their potential growth are well earned.

Importantly, the number of European unicorns has increased, from 40 to 47. While three companies may have lost their unicorn crown, the net gain of seven is a much stronger end of year result than analysts expected.

Not only have seven new unicorns been welcomed to the fold, but impressive revenue streams are creating the foundations on which European unicorns will be raised for the long-term. In fact, the average revenue of European unicorns is almost three times as high as their US counterparts - \$315 million compared to \$129 million.<sup>(1)</sup> This figure demonstrates a key difference between the US and EU investor mindset. In the US, investors are basing their decisions around potential growth - an outlook made possible by the sheer amount of funding available across the Atlantic.

As a result, there are more unicorns in the US, but

they are valued, on average, at 46 times their revenue. In Europe, where unicorns are valued, on average, 18 times their revenue, investors are clearly acting more responsibly and taking an evidence-based approach that aims to pay dividends for years to come.<sup>(2)</sup>

Overall, the cumulative value of unicorns has increased from \$122 billion in 2015 to \$131 billion in 2016. Meanwhile, average valuations have actually stayed very similar at \$2.8 billion, down from \$3 billion in 2015, due to the addition of younger companies. It has also been a year for diversity: three countries – Luxembourg, Denmark and Switzerland – have each produced their first unicorn.

The massive growth trajectories that Europe's unicorns exhibit need to be treated as a phenomenon that cannot be directly compared with the journeys of traditional companies. There is so much in this research that we, as champions of European tech, are proud to present. This chapter should allay fears and demonstrate how unicorn valuations are creating a stable and exciting future for Europe's tech scene.

GP Bullhound Research - European Unicorns 2016

Note: <sup>(1)</sup> Sourced latest revenue and valuation data available, dataset includes private companies only. Sample set size: 12 EU Unicorns and 20 US unicorns.

<sup>(2)</sup> Sourced latest revenue and valuation data available, dataset includes private companies only; revenue data is one year older than valuation data. Sample set size: 12 EU Unicorns and 20 US unicorns.

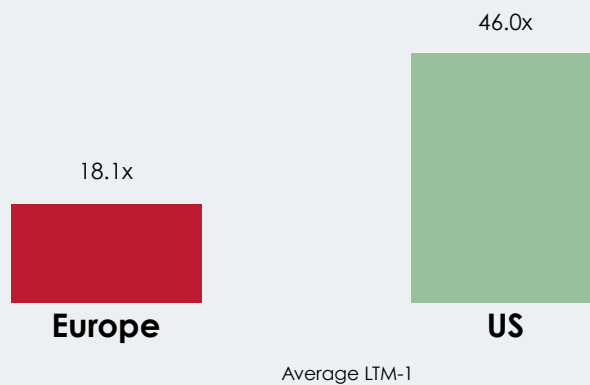


# HIGHER BAR

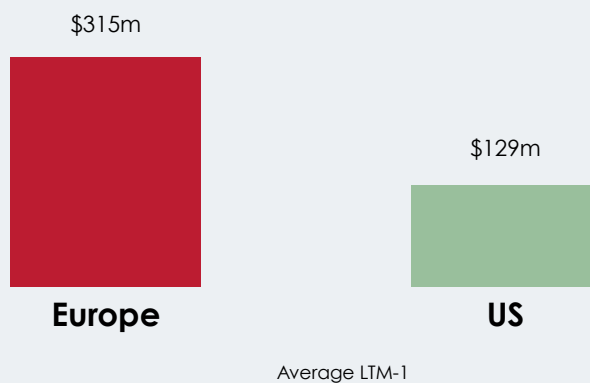
## for *European unicorns*

- » Average US unicorn valuation significantly higher than average European valuation, but the opposite is true when comparing revenue.
- » This suggests that European investors require a much stronger track record for billion-dollar valuations.

### REVENUE MULTIPLES EUROPE VS. US



### AVERAGE REVENUE EUROPE VS. US



GP Bullhound Research - European Unicorns 2016

Source: Company data, Capital IQ, Mergermarket, CB Insights (US data), press articles, GP Bullhound analysis as at April 2016

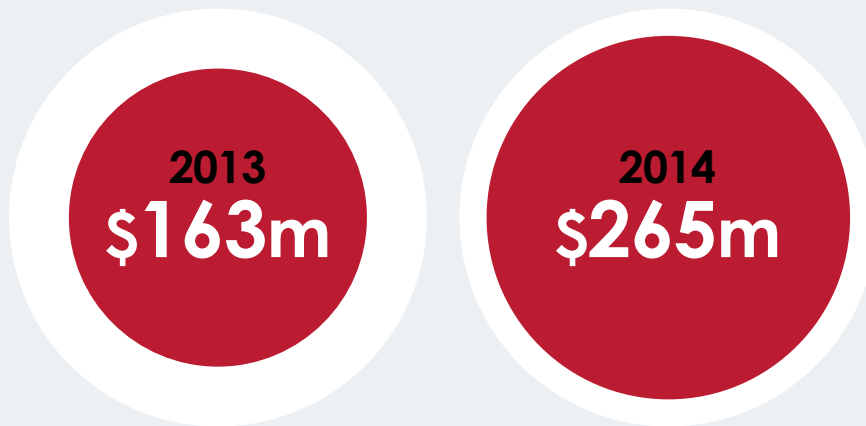
Note: Sourced latest revenue and valuation data available, dataset includes private companies only; if revenue data is one year older than valuation data, label reads LTM -1; sample set size: 12 EU Unicorns and 20 US unicorns.



## REVENUE GENERATION *of European unicorns*

### *Average revenue*

» *The average revenue for European unicorns is growing as companies mature, increasing by 63 per cent to \$265 million in 2014.*

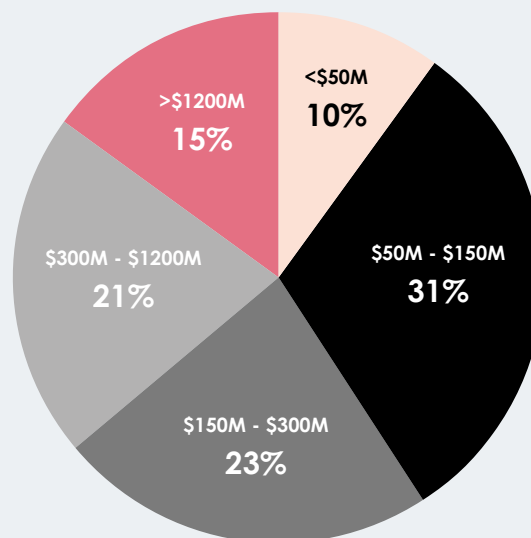


GP Bullhound Research - European Unicorns 2016

Source: Company data, Capital IQ, Mergermarket, CB Insights (US data), press articles, GP Bullhound analysis as at April 2016

Note: Dataset includes private companies only; sample set size: 12 EU unicorns

### *Revenue segmentation of European unicorns in 2014*



GP Bullhound Research - European Unicorns 2016

Source: Company data, Capital IQ, Mergermarket, CB Insights (US data), press articles, GP Bullhound analysis as at April 2016

Note: Only includes unicorns where data is available.

# THE PROFITABILITY of European unicorns

» Two-thirds of European unicorns are profitable, which is testament to the long-term potential of these businesses.

» Some unicorns have favoured growth over profit: fast growth requires significant investment.



## PROFITABLE UNICORNS



## UNPROFITABLE UNICORNS



GP Bullhound Research - European Unicorns 2016

Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis as at April 2016

Note: CAGR is calculated based on data available, the amount of years taken into account varies across data set.

<sup>(1)</sup> % of sample, sample includes 37 of the 47 companies.

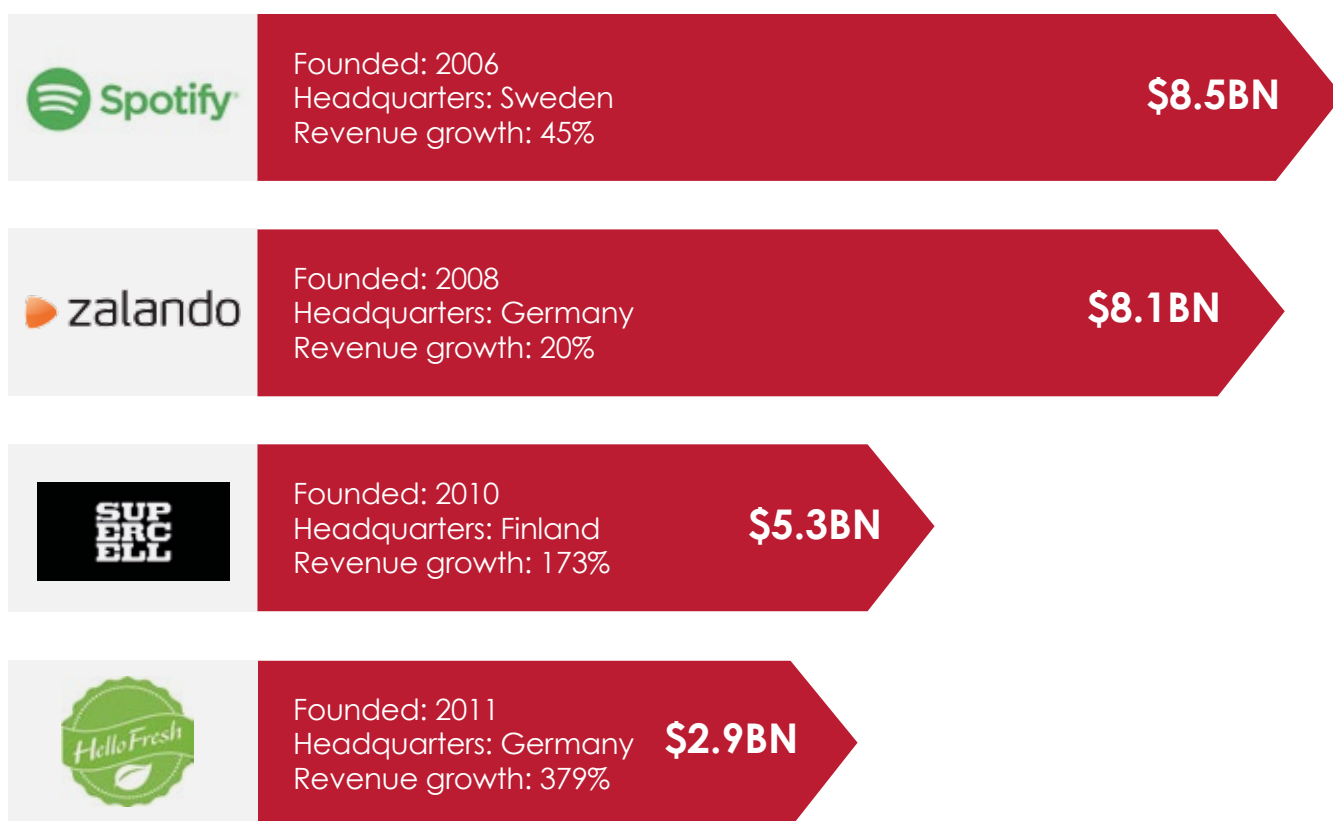
<sup>(2)</sup> company profitability based of EBITDA.



## THE MARCH TOWARDS *Europe's first decacorn*

» *Europe is on the cusp of its first \$10 billion tech company.*

» *These are the businesses that GP Bullhound has identified as having the potential and ambition to reach that \$10 billion valuation in the next few years.*



# EMERGING *unicorn foals*

» This is a selection of European tech firms that GP Bullhound believes could achieve a billion-dollar valuation in the coming months and years.

» These businesses have the potential to reach unicorn status due to their fast-growth, ambition and robust credentials.





**DOMINIK  
RICHTER**

**HELLOFRESH**



# EUROPE'S LATEST *success story*

*When we founded HelloFresh in Berlin in 2011, the city had a handful of angel investors backing a handful of entrepreneurs. Since then, the technology ecosystem in Berlin has grown massively, almost unbelievably. There are now around 50 different funds providing capital to ambitious founders across the city.*

Look elsewhere, and there are rapidly expanding tech hubs throughout Europe, all of which attract the talent and funding required to build a billion-dollar company. We could not have believed it in 2011 but the evolution of European tech has given rise to unicorns in London, Stockholm, Paris, and Berlin.

These billion-dollar technology companies succeed by challenging the status quo across major consumer markets. The influence of technology is being felt in every walk of life, and this is generating significant returns for investors.

Take our own industry, food and drink: the average person eats about 90 meals a month and we estimate that the average HelloFresh customer probably eats 10 meals a month with us. Harness the value of household spend and the returns are vast.

Food is just one example. Across travel, media, retail, and finance, these billion-dollar tech companies are reshaping every sector. Technology is embedding itself into mature industries to change them beyond recognition. This shift has been the making of the 47 unicorns that we have in Europe today.

The unprecedented rate of change has, though, given rise to concerns among observers. There are clearly positive and negative sides to growing so fast, and we have seen a fair number of people expressing the view that unicorns are overstressing themselves.

This scepticism is nothing new. Five years ago, Facebook was considered to be vastly overvalued; three years ago Instagram was considered to be

vastly overvalued. Yet now we look back at the \$1 billion deal made by Facebook to acquire Instagram, and it looks like one of the best deals ever made.

We need to foster a better understanding of fast-growth businesses in Europe. In a couple of years we will be able to look back on the success of this generation's unicorn companies and we will understand the value of the growth that they are demonstrating.

HelloFresh is one of the fastest-growing companies of all time, and yet we have only just begun to scratch the surface. I am simply an entrepreneur looking for an opportunity, and I see so many opportunities for concepts with vast potential in the food space. In the next five to ten years we will experience significant developments across every major consumer market.

The challenge for us in the here and now is to create a mindset, both among investors and spectators, that keeps pace with the rapid growth of European tech.

This growth will see Europe develop its first \$10 billion unicorn soon, but only if we give it the chance. The US has created the blueprint for huge success, and while we may struggle to build a German Google or a French Facebook, I fully believe in the value of European tech.

Technology will change each and every industry. The current cohort of European unicorns is full of fundamentally great businesses. The concerns will not last long, and the unicorns will prevail.

## THE HIGHEST VALUE NEW UNICORNS OF 2016





# GROWTH STRATEGIES

## *Building sustainably*

*The European tech sector has witnessed considerable growth in the last year. Billion-dollar companies have expanded through organic growth, acquisitions and raising capital. These tactics are a demonstration of founders' commitment to a long-term strategy of growth and expansion. For most the billion-dollar threshold is only the beginning.*

Almost two thirds of our European unicorn sample are profitable,<sup>(1)</sup> an astonishing amount considering how much capital is invested in growth or research and development. This profitability comes at the trade off of faster growth. The average Compound Annual Growth Rate of unprofitable unicorns (CAGR) was 141 per cent, compared to just over 49 per cent for those making a profit.<sup>(2)</sup>

A clear trend in growth strategy is acquisitions. Over 80 per cent of unicorns have acquired other companies in their life span. This can bring in knowledge and expertise in new markets, new technology and a local customer base. It is a clear method for expansion to reach a billion-dollar valuation, as 62 per cent made acquisitions ahead of gaining unicorn status. This continues to be a favoured means of growth, as half of all acquisitions are made after attaining the valuation. Unicorns acquire an average of five companies, but some go much further, with Markit Group completing 33 acquisitions to date, Just Eat at 24, Delivery Hero at 18 and Rocket Internet and Yandex both acquiring 16 companies each.

But these unicorns also require a lot of feeding. Average capital raised by EU unicorns in 2016 was

slightly higher with \$260 million vs. \$230 million the year before with a median of \$145 million and \$140 million respectively. The US continues to lead the way on fundraising, with average rounds that are double the size of European unicorns. Almost one-third of billion-dollar tech companies in Europe have raised over \$250 million, in contrast almost two-thirds of US unicorns have raised such sums. On average, consumer-oriented firms required more capital (\$294 million) to reach unicorn status, compared with enterprise oriented businesses (\$155 million).

Building tech firms of such scale does not happen overnight. It takes a lot of time and patience. European consumer-focused companies take on average seven years to reach a billion-dollar valuation, while enterprise-focused companies took on average nine years to attain the same level.

The most exciting conclusion from these findings is that entrepreneurs are putting into practice the recommendations of investors and aiming for long-term growth strategies over early exits. The behaviour outlined in the following pages is that of business owners with eyes on a \$10 billion valuation.

GP Bullhound Research - European Unicorns 2016

Note: <sup>(1)</sup> % of sample, sample includes 37 of the 47 companies.

<sup>(2)</sup> CAGR is calculated based on available data; the amount of years taken into account varies across the data set.

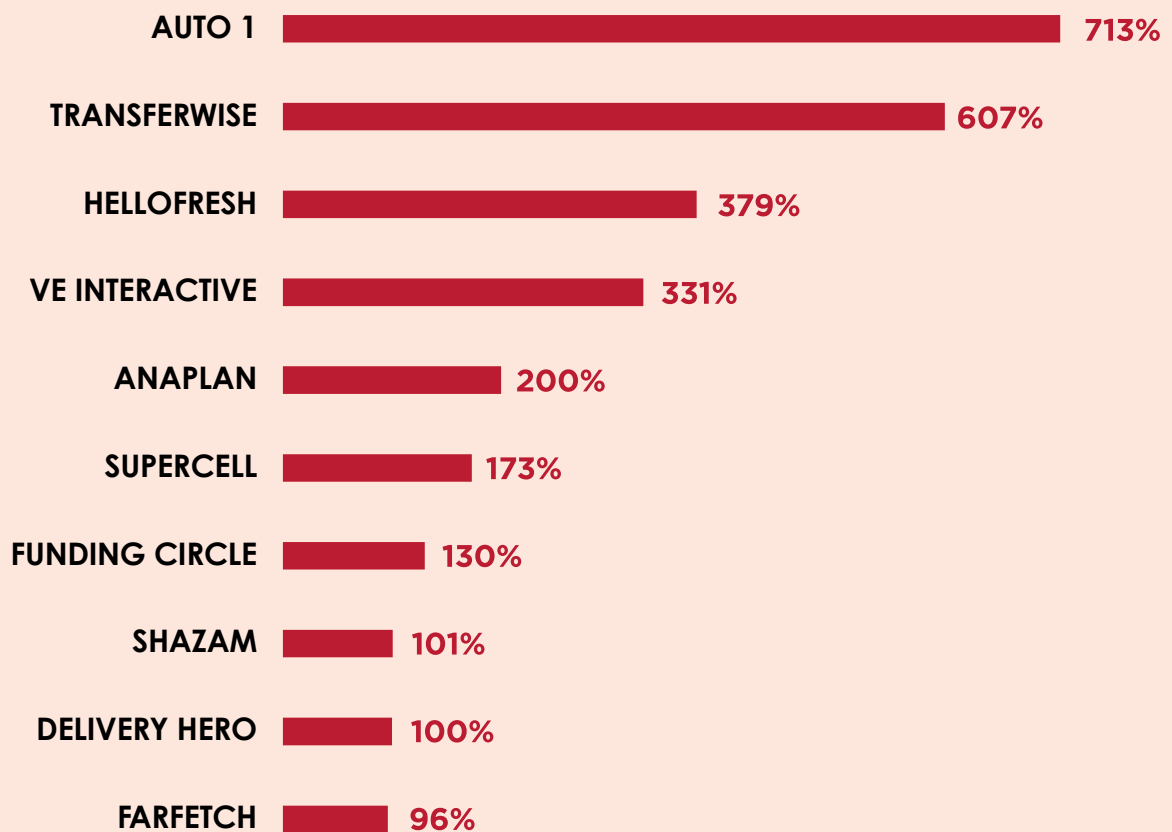


# EUROPE'S FASTEST *growing unicorns*

## *Top 10 by 2013-2014 growth rate*

» *The average revenue growth rate of Europe's unicorns is 99 per cent.*

» *Auto 1 and TransferWise emerged as the fastest growing companies and there is a strong presence of marketplace models in the top ten.*





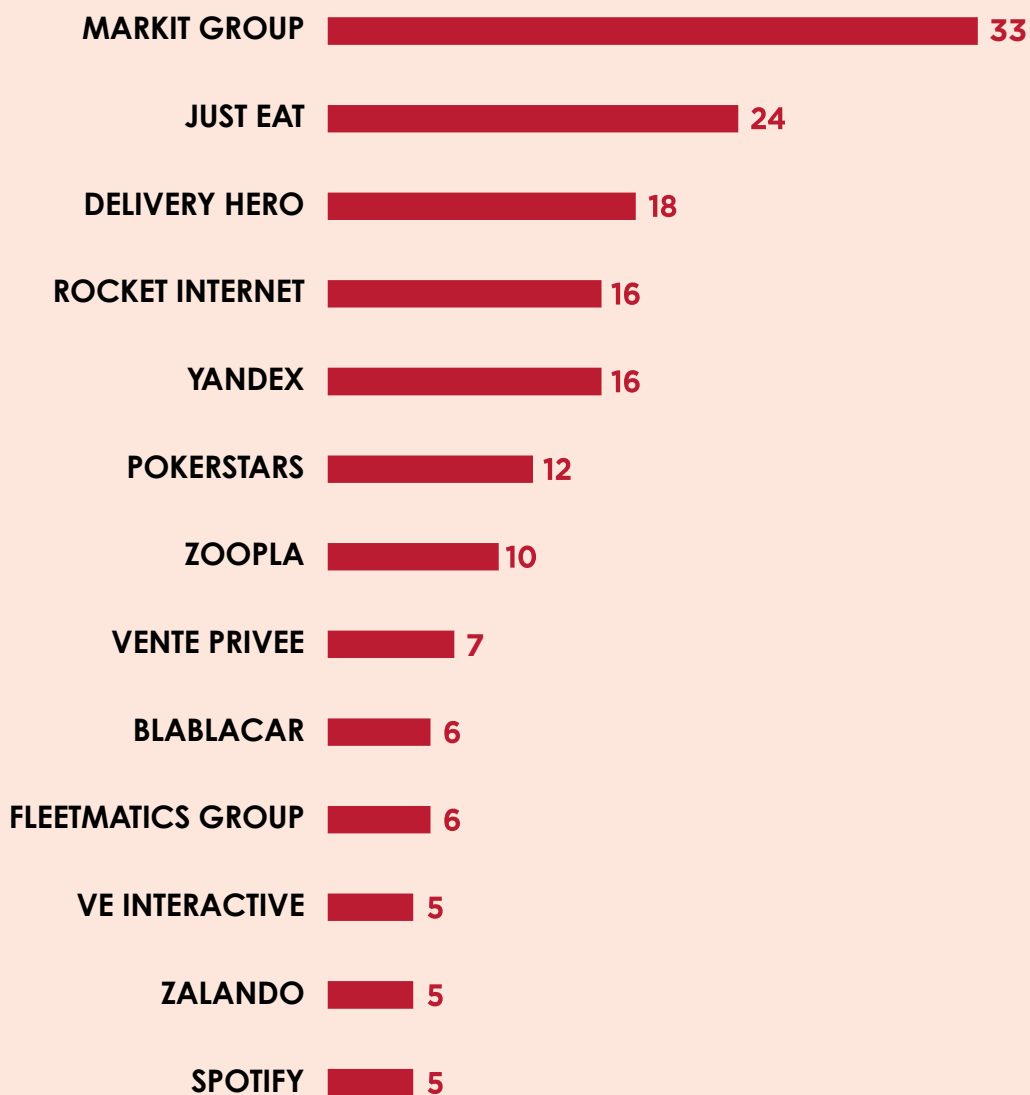
# ACQUISITION

## *as growth strategy*

*Top acquirers: number of acquisitions per unicorn*

» *With over 80 per cent of unicorns making acquisitions, this has emerged as a key growth strategy for Europe's most successful tech companies.*

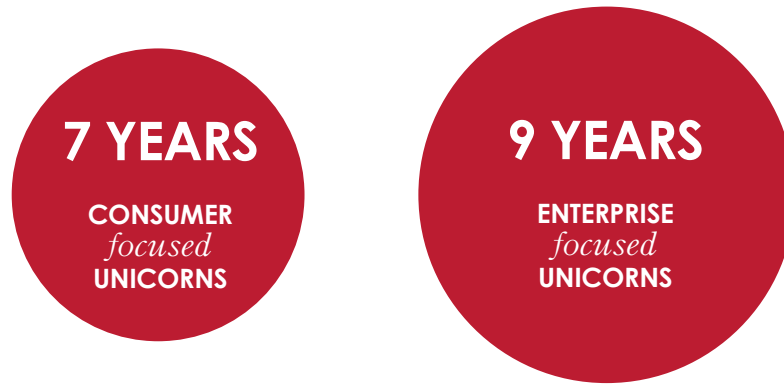
» *On average, unicorns acquired five companies and 50 per cent made acquisitions before they had reached unicorn status.*



# TIME REQUIRED for significant growth

*Number of years for unicorns to reach a \$1 billion valuation*

» *It takes enterprise focused companies longer to reach unicorn status, despite the fact that consumer focused companies need more capital to reach a \$1 billion valuation – on average \$294 million compared to \$155 million.*



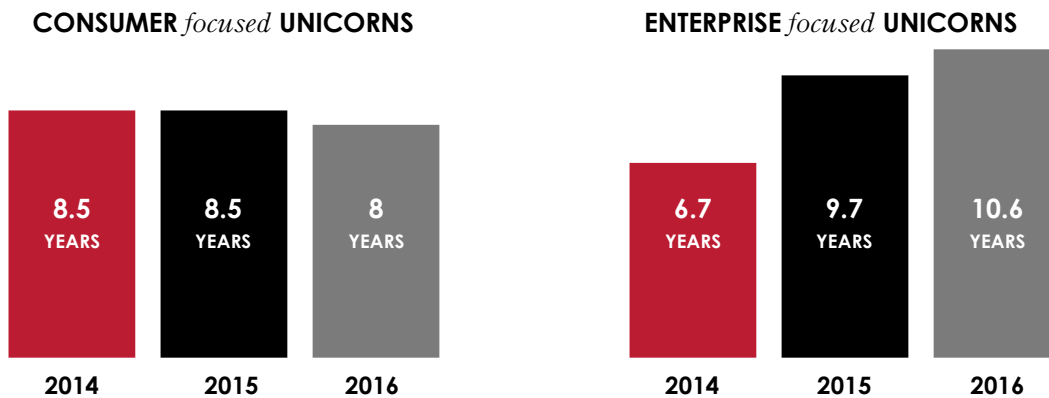
**AVERAGE CAPITAL RAISED: \$294M**

**AVERAGE CAPITAL RAISED: \$155M**

## *Average time to a liquidity event*

» *Less than half of European unicorns have reached a liquidity event (sale or IPO)*

» *It takes on average more than eight years to reach this, suggesting that entrepreneurs are aiming for long-term growth rather than early exits.*





# INVESTMENT REQUIRED

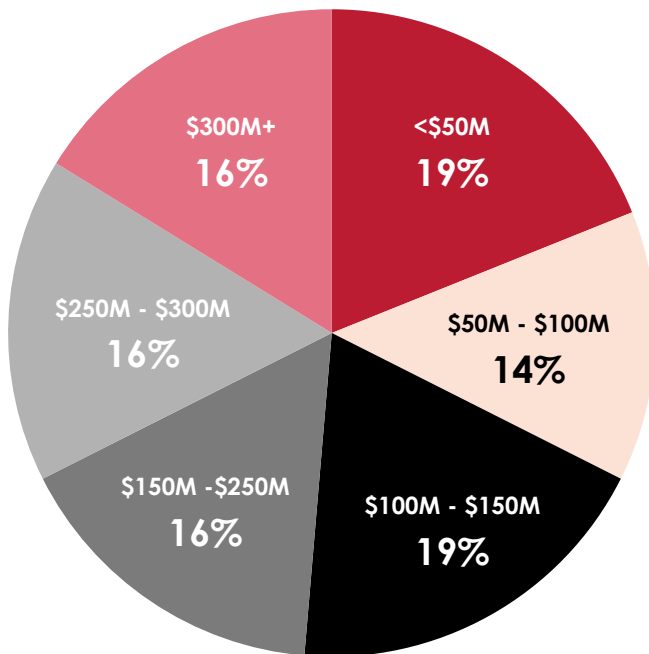
## *for significant growth*

» Unicorns need serious capital to maintain growth – the average European unicorn raised \$260 million.

» American unicorns are raising significantly more capital than in Europe.

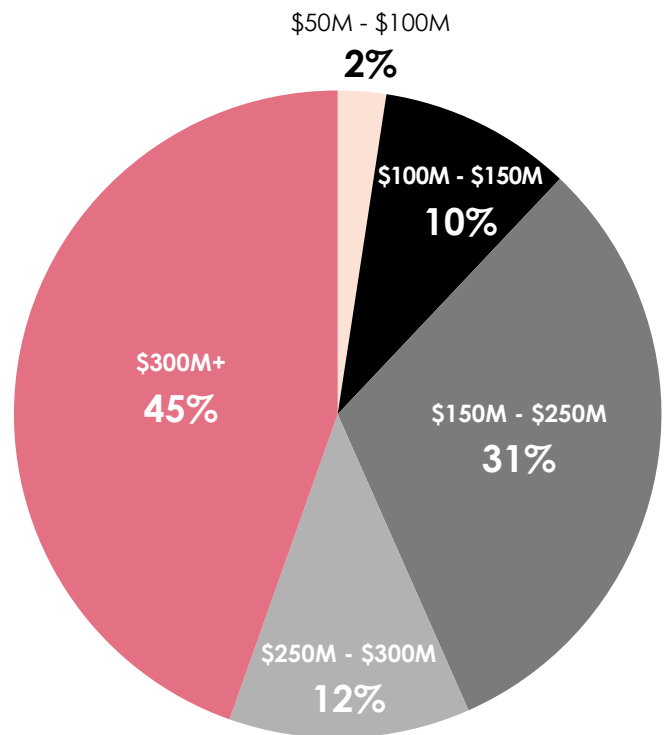
» On average, US unicorns raised more than double the levels of investment in Europe.

Capital raised by EU unicorns



AVERAGE CAPITAL RAISED: \$260M

Capital raised by US unicorns



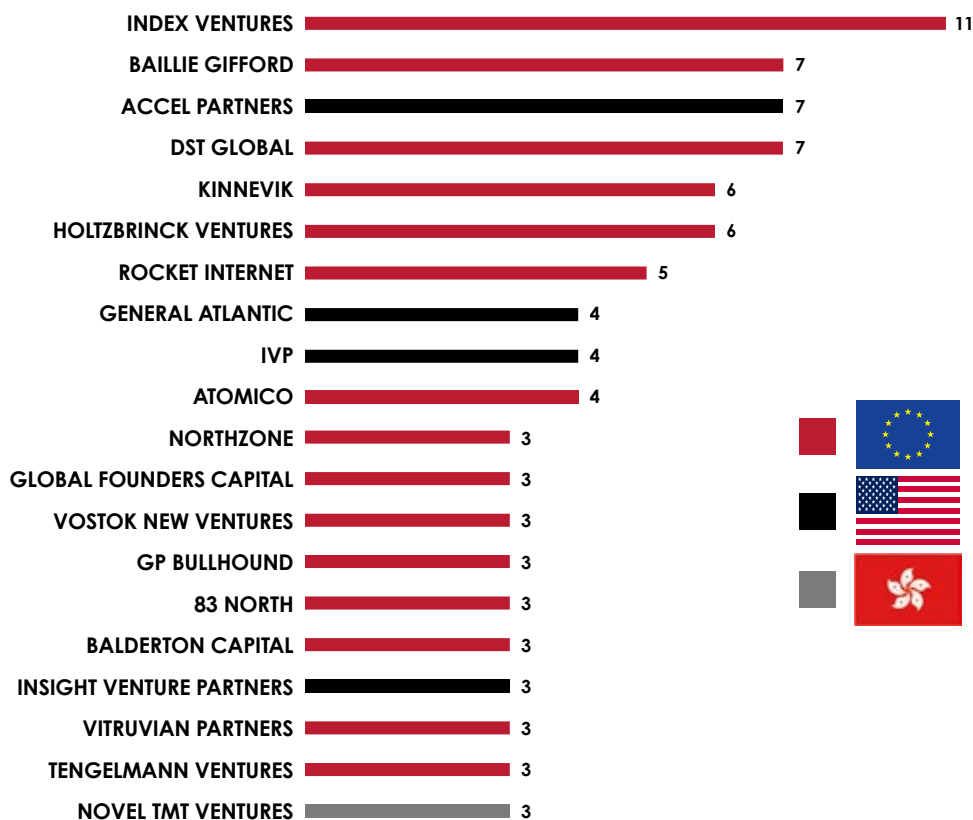
AVERAGE CAPITAL RAISED: \$558M

GP Bullhound Research - European Unicorns 2016  
 Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis as at April 2016  
 Note: % represents the number of unicorns that raised capital in each bracket.

# INVESTMENT FIRMS

## *driving growth*

*Investors by number of European unicorns they invested in*



*Investors invested in two unicorns*



GP Bullhound Research - European Unicorns 2016  
 Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis as at April 2016  
 Note: Only takes in to account investors from private rounds; includes both past and current investments.



**FRÉDÉRIC  
MAZZELLA**

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**BLABLACAR**



# IN THE *fast lane*

*Our ambition from day one was always to expand. We knew that our ride-sharing concept had to become a global platform, and to succeed we had to scale and go beyond borders. But scaling to such a size does not happen overnight, especially in Europe.*

Growing a company in the US is like running a 100m race; in Europe it is the equivalent of a 110m hurdle race. You have 28 countries, 28 languages, several currencies, different cultures and labour laws. To set up shop in a new country is like starting all over again. You have to account for this. It makes it more difficult compared to growing in the US with access to a very large core market from day one. But crucially, those that succeed are very robust. Once you have adapted your entire culture and company to 15 different cultures or more, you are ready for more.

We have never tried to reinvent the wheel with our technology. After all, we already do this by pioneering the ride-sharing concept – that's hard enough! So we benchmark ourselves against tech giants all the time. In May, we flew to San Francisco with the product team to meet with lots of companies in Silicon Valley such as Airbnb, Slack, LinkedIn, Facebook, Whatsapp, Twitter, Paypal and Salesforce, to share methods and experience. We believe in a culture of sharing that benefits everyone. Benchmarking is in our DNA. We compare ourselves to competition the whole time in wider sectors. 70 to 80 per cent of internal initiatives we have delivered are issued from these benchmarks.

In the ride-sharing space there are no direct competitors, and partly this is down to our M&A activity. You see the big US tech success stories

growing and innovating through acquisitions – and this is also ingrained in our culture through our investors and my co-founder Nicolas Brusson, who worked in venture capital. This approach has really fast-tracked our growth.

We offer a value proposition – for small ride-sharing firms to join a great team who are equally passionate, but with an international scope and high levels of capital. To date, we have acquired eight small teams, mostly when expanding into new markets. These companies acknowledge the high levels of liquidity that offer a barrier to entry – the odds of two people making the same journey at the same time is very low. Therefore it's very hard to reach marketplace liquidity.

We didn't know precisely how to go about our expansion when we first started out in Paris over 10 years ago, but we figured out along the way that with the right business model, product, marketing and experience we could become one of the fastest-growing businesses in Europe.

In France, we are seeing this more and more. There is an acceleration of companies reaching a global scale – look at Criteo, Sigfox, Deezer, Drivy and Doctolib, for example. From coming up with the idea for long-distance ride-sharing in 2003, we have grown to 500 people today, with 30 million members in 22 different countries worldwide.

## FRANCE'S TOP UNICORNS

**\$3bn**  
VENTE PRIVÉE

**\$2.6bn**  
CRITEO

**\$1.6bn**  
BLABLACAR



# EUROPE'S *unique DNA*

*As the European technology sector has matured, it has fostered a remarkable array of specialisms across the continent. From Fintech in London to eCommerce in Berlin, there are many breeds that make up this year's unicorn herd.*

This is a year that has been marked by the resurgence of software. While other areas of expertise may come and go, the fundamental importance of software to both businesses and consumers has led to more than a quarter of this year's unicorns coming from this most traditional specialism.

Software expertise has long been the overriding specialism of European technology and we view this as a renaissance rather than an indication of investors looking for a safe haven in turbulent markets.

Many investors in 2015 were predicting the rise and rise of Fintech companies in Europe. Representing 18 per cent of European unicorns last year, it appeared that Fintech could be a growth sector for years to come. This has not been the case, and the sector has faced notable challenges from both the recovery of traditional financial institutions, regulation and a heightened level of investor scrutiny.

The opportunity is still huge. With 13 per cent of the unicorn businesses still coming from the Fintech sector, it remains an area of interest for investors and entrepreneurs alike.

Paired with a renaissance in software, we continue to see eCommerce and marketplace companies taking advantage of the broad consumer base across Europe. These three sectors make up the vast majority of this year's unicorns, contributing 64 per cent of the businesses that make up the list.

It is also noteworthy that this year has seen three nations, previously unheralded for the strength of their domestic technology sectors, each producing unicorns – Luxembourg, Denmark and Switzerland. With the ten new unicorns spread across seven different countries, Europe is creating a genuinely broad base of technological expertise.

The rise of Virtual Reality this year should not go unnoticed. Ten new unicorns have joined the billion-dollar club, two of which specialise in VR, a clear emerging trend.

Software's rise in 2016 is an indication of a wider maturation of the sector. As digital innovation takes hold across the continent, more and more businesses will require software at the heart of operational systems. Complemented by the healthy resilience of eCommerce and marketplace companies, Europe is consolidating its many strengths.

GP Bullhound Research - European Unicorns 2016

Note: <sup>(1)</sup> % of sample, sample includes 37 of the 47 companies.

<sup>(2)</sup> CAGR is calculated based on available data; the amount of years taken into account varies across the data set.

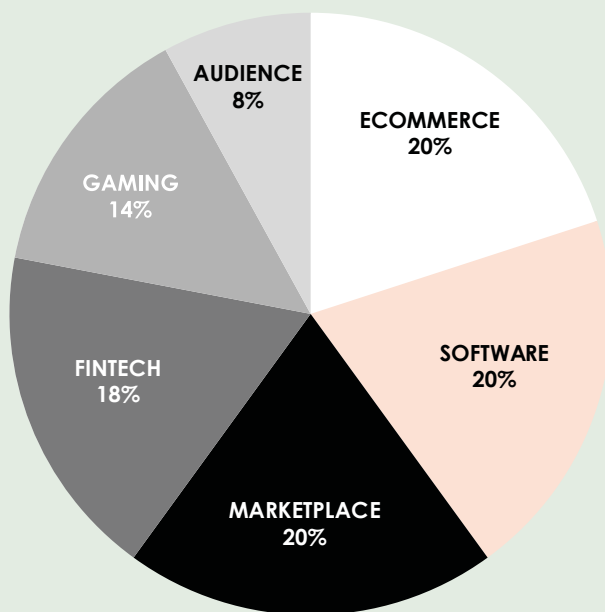


# SOFTWARE

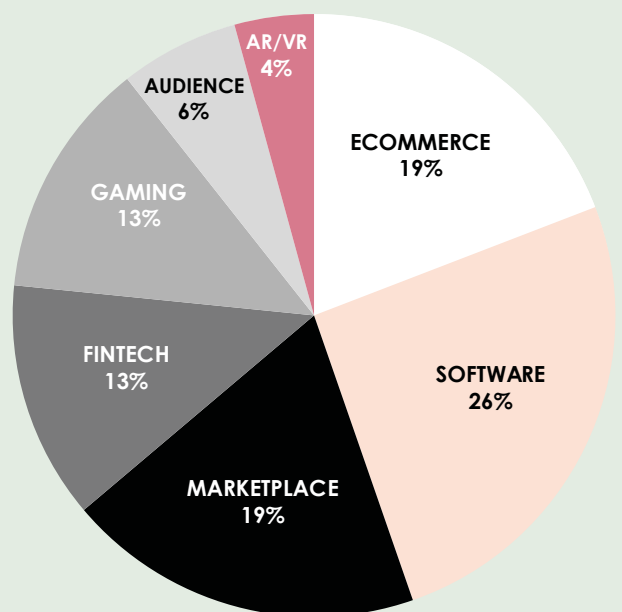
## *sector dominance*

- » *The strongest sectors are eCommerce, Software and Marketplace, representing 64 per cent of the total number of European unicorns.*
- » *Augmented Reality/Virtual Reality is an emerging sector, producing two of this year's new unicorns.*
- » *The Software sector increased its share from 20 per cent in 2015 to 26 per cent in 2016. It is now Europe's dominant specialism.*

*Sector split 2015*























*Sector split 2016*



GP Bullhound Research - European Unicorns 2016  
 Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis as at April 2016



# EUROPE'S *new unicorns*

COMPANY	COUNTRY	SECTOR	DESCRIPTION	INVESTORS INCLUDE	VALUATION
	<sup>(1)</sup> 	Software	Develops cloud-based enterprise planning and modeling solutions for companies worldwide	Baillie Gifford & Co., Brookside Capital, Coatue Management, DFJ Growth, Founders Circle Capital, Granite Ventures, Harmony Partners, MeriTech Capital Partners, PremjiInvest, Salesforce Ventures, Sands Capital Management, Shasta Ventures, Workday	\$1.1bn
		eCommerce	Operates an online trading platform for used cars	DN Capital, DST Global, INVEST, millhouse, Panorama Point Partners, Piton Capital	\$1.0bn
		AR/VR	Develops a mobile application based on augmented reality, computer vision technology, and image recognition technologies	Khazanah Nasional Berhad, QUALCOMM Ventures	\$1.5bn
		Software	Live casino solutions for businesses	Edendale Universal Holding, Garcia Investment Holdings, Knoxville, Swedbank Robur Fonder, TAH Management, Total Markets Holding, UBS Asset Management	\$1.3bn
		Marketplace	Operates online fashion stores	Investment AB Kinnevik, Rocket Internet, Tengelmann Ventures Management, Verinvest	\$1.1bn
		eCommerce	Creates recipes and offers online grocery delivery services	Insight Venture Partners, Phenomen Ventures, Rocket Internet, Baillie Gifford & Co., Investment AB Kinnevik, Vorwerk Direct Selling Ventures	\$2.9bn
		Software	Operates a platform for software discovery, distribution, and delivery across platforms and devices	83 North, Carmel Ventures, CBC Capital, Clal Industries and Investments, Claltech, Ping An Ventures, Saban Capital Group, The Disruptive Fund	\$1.0bn
		AR/VR	Develops medical grade virtual reality (VR) products to stimulate neural recovery	Hinduja Group	\$1.0bn
		Software	Develops and operates a social media application platform that enables users to collect, organize, and share digital content	America Movil, Singulariteam	\$1.0bn
		Software	Develops customer experience management software for marketers worldwide	EQT Partners	\$1.1bn

GP Bullhound Research - European Unicorns 2016

Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis as at April 2016

Note: <sup>(1)</sup> Anaplan was founded in the UK, but has subsequently headquartered in the US.

# NEW UNICORNS

## *defining characteristics*

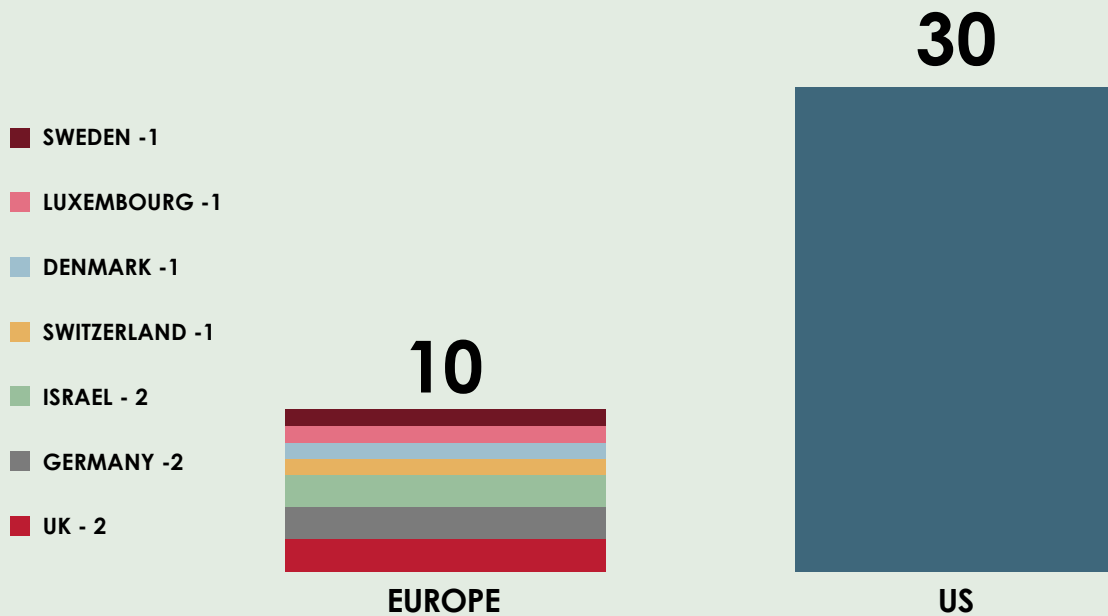
### *Key characteristics for new joiners*

» *The majority of new unicorns are software companies, with two new entrants in augmented reality or virtual reality.*



### *Quality over quantity*

» *The new unicorns are from seven different countries in Europe, up from four last year, suggesting a greater depth and maturity across the whole market.*



GP Bullhound Research - European Unicorns 2016  
 Source: Company data, Capital IQ, Mergermarket, press articles, GP Bullhound analysis as at April 2016  
 Note: Gross increase of unicorns.



**BONAMY  
GRIMES**

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**SKYSCANNER**



*We founded Skyscanner at a time when the airline industry was going through a major upheaval. By 2001, everything was going online and the sector was breaking apart. Airlines were suddenly able to sell directly to customers through their own websites.*

Crucially for us, this move to direct sales left consumers without a single hub of centralised flight information. It is this sort of information deficit that is fundamental to the rise of the digital entrepreneur. New technologies inevitably create rapid change and cracks begin to appear in old business models. Spot these and you can build a winning technology business.

We uncovered our opportunity as most people do, through personal experience. My co-founder Gareth was working a contract that took him from his home in the UK out to the Alps every two weeks. This left him with a fortnightly search for the cheapest flight, looking at each airline and considering every potential destination in and around the Alps.

Skyscanner built a central bank of information that allowed consumers to be far more flexible with the data they provided. You could search for any number of destinations, carriers and dates. We had harnessed an information deficit in an enormous consumer market; the business is now targeting the global travel sector, worth \$1.3 trillion in 2015.

I think the rise of artificially intelligent technologies will bring the next wave of change in the travel sector. You used to go into a travel agent to have a discussion with the 'expert' and that conversation was clearly a human process of learning and refinement. The loss of this type of personal interaction has left an information gap that an entrepreneur could tackle with an artificially intelligent platform. You could even say the same of virtual reality.

We are in a strong position to cultivate these new technologies in Europe. Virtual reality will require a combination of creativity and technology. With some of the best universities in the world, we have the talent to take up this opportunity and you are already seeing European competitors in the sector on the rise.

Different locations and different markets also tend to produce an information deficit. This is another characteristic of the European technology sector that has made it resilient. Having founded Skyscanner in Europe, we have had to analyse multiple languages and data sources from inception. American competitors tackle these problems at a far later stage, as they have access to one big pool of English speaking consumers from day one.

Take Uber: you could believe that they have their market sewn up; and yet there are a lot of difficulties that they will face trying to roll out a product in different markets all over the world. This means it simply will not be a one horse race.

You can never be complacent: from day one this is a hard industry to operate in. There are plenty of challenges, but European tech has the credentials to create world-beating businesses in every sector. We can be ambitious about our potential, but the expectation should be that this is tough: it makes for real businesses building valuable tech.

## EUROPE'S TOP SPECIALISMS

26%

of unicorns in  
Software

19%

of unicorns in  
eCommerce

19%

of unicorns in  
Marketplace

13%

of unicorns in  
Fintech



# METHODOLOGY

*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.<sup>(1)(2)</sup>*

## OUR METHODOLOGY AND SOURCES

### We have included:

Tech companies only, with a bias towards internet and software (cleantech and biotech have been excluded).

Companies falling into the following macro-sectors: eCommerce (e.g. sale of goods or services); Audience (e.g. monetisation through ads and lead generation); Software (e.g. licence of software); Gaming (including gambling); Fintech; Marketplaces; and Augmented Reality / Virtual Reality (AR/VR).

Companies headquartered in Europe<sup>(3)</sup>, which were founded in 2000 or later.

Companies 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 disclosed data.

**Second caveat:** the analysis is based on data as at April 2016, which has obvious limitations related to, for example, the state of equity markets, recent company performance, et cetera.

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# ADVISING CATEGORY LEADERS

» We have completed transactions with over 15% of Europe's billion dollar start-ups



Represents transactions completed with GP Bullhound

GP Bullhound Research - European Unicorns 2016

Note: <sup>(1)</sup> Advised a number of Klarna and Spotify shareholders on the sale of secondary shares.

<sup>(2)</sup> Advised incoming investor on acquisition of shares.



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