Rothschild & Co
Global Advisory

Growth Equity Update

July 2023 – Edition 16

- **Bottoming out:** Global venture capital investment in Q2 2023 was $87.4bn, almost identical to Q1 2023 and Q4 2022 although still down 43% yoy. A sharply easing comp means yoy declines should be much less marked in Q3. Q2 2023 saw **European venture capital investment** at $18.3bn, a similar level to the preceding three quarters. Again, the yoy decline was c40%
- According to the Pitchbook-NCVA Venture Monitor, **US VC valuations continued to decline** across all stages except for seed in H1 2023. The decline is sharpest at the venture-growth stage
- By sector the **most notable area of VC investment in start-ups in H1 has been in generative AI** with c$15.5bn raised, including the $10bn investment in Open AI by Microsoft
- **Interest in funding AI remains intense.** Both Sapphire Ventures and Bessemer Venture Partners have recently announced plans to invest $1bn each in AI startups. In June, Salesforce Ventures said it was doubling its commitment to generative AI companies to $500m
- **IPO activity picks up:** There has been a string of IPOs in the US (Cava, Savers Value Village, Fidelis Insurance, Kodiak Gas Services). In July Rothschild & Co advised on Romania's largest ever IPO ($2bn IPO of Hidroelectrica) and on the €605m carve-out IPO of thyssenkrupp nucera AG
- **Macron and Mansion House:** French President Macron has announced €500m in new funding to 'create champions' in AI. UK Chancellor Jeremy Hunt unveiled plans to get pension funds to invest more in unlisted assets – potentially unlocking an additional £75bn financing by 2030
- **The NASDAQ Composite was up 32% in H1**. The tech focused NASDAQ 100 was up 40%, its best 6 month performance in history. The S&P 500 was up 16% in H1 and is now only 6% below its 2022 high. European markets lag. STOXX 600 Europe was up 8% in H1. The FTSE 100 was flat
- **The Refinitiv Venture Capital Index**, which seeks to monitor the real time performance of the VC industry **was up 29% in H1**. It remains 46% below its early November 2021 peak.

Venture Capital investment trends – Q2 2023 – Bottoming out

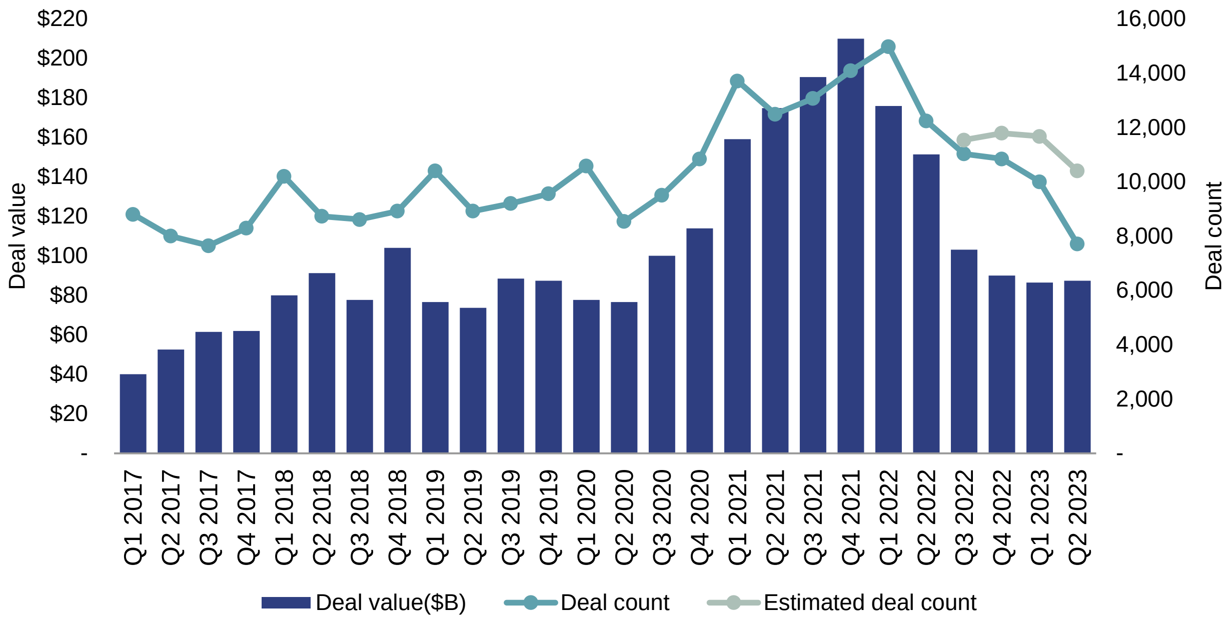
The PitchBook-NVCA Venture Monitor has published initial figures for venture capital investment levels in Q2 2023. The figures indicate that:

Global VC investment levels have flattened out in the last three quarters. Q2 2023 saw $87.4bn being raised globally for venture capital companies. The Q4 2022 and Q1 2023 totals were very similar at $90.7bn and $86.5bn.

Still sharply down yoy: Q2 2022 saw $153bn being raised, meaning Q2 2023 investment levels fell by 43% yoy. Q2 2021 was higher still at $177bn, implying a two year fall of 50%. The one year comps ease sharply in Q3 but the comps remain tough on a two year basis given the quarterly investment peak was $213bn in Q4 2021.

A return to normal? Q2 2020 saw $80bn raised globally for venture capital. Q2 2019 was at $74bn and Q2 2018 at $92bn. The $87.4bn of Q2 2023 looks 'normal' in this context.

Global Venture Capital Investment



Source: PitchBook-NVCA Venture Monitor

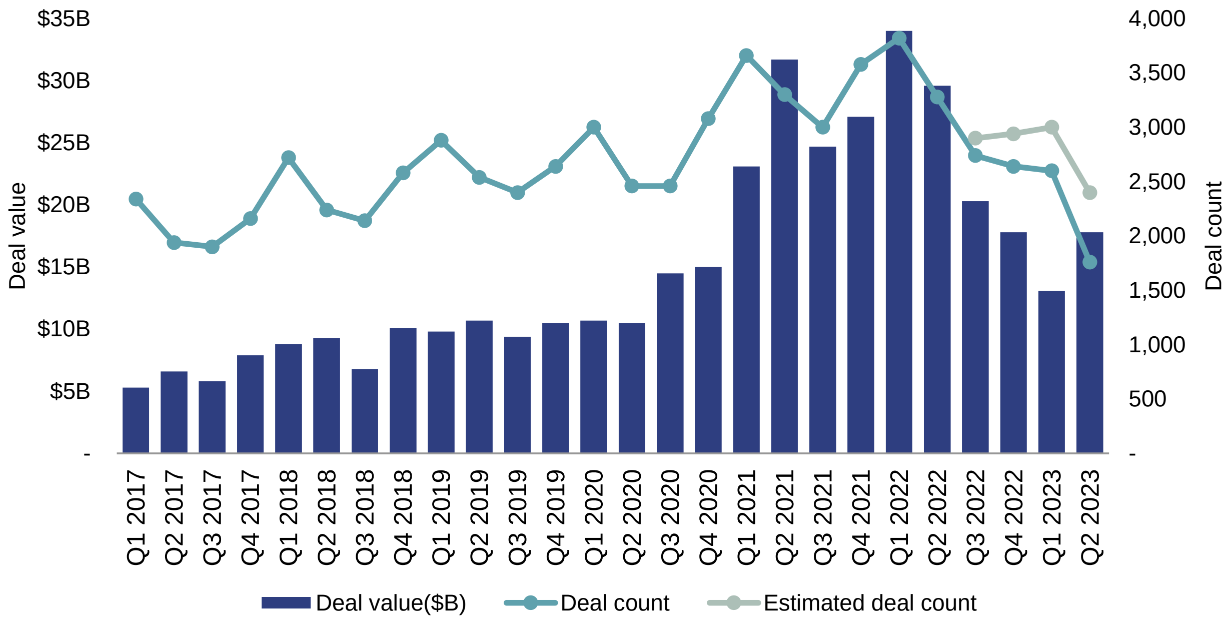
The next chart shows the figures for **European** raises.

Four quarters at close to the same level: Here raises have been at roughly the same level for the past four quarters. Q2 2023 was at $18.3bn. The recent low was $13.3bn in Q1. Q4 2022 was also at $18bn and Q3 2022 was at $20.7bn.

Q2 yoy raises down: Q2 2022 saw raises of $30.5bn meaning the yoy decline is at 40%. Q2 2021 was close to the peak of European VC raises at $32.4bn, meaning the two year decline is 44%.

Well up on 2018-20. European VC raises in Q2 2018/19/20 were respectively $8.7bn, $10.8bn and $10.8bn implying that there has been a sharp underlying step up in European VC fundraising in the last three years.

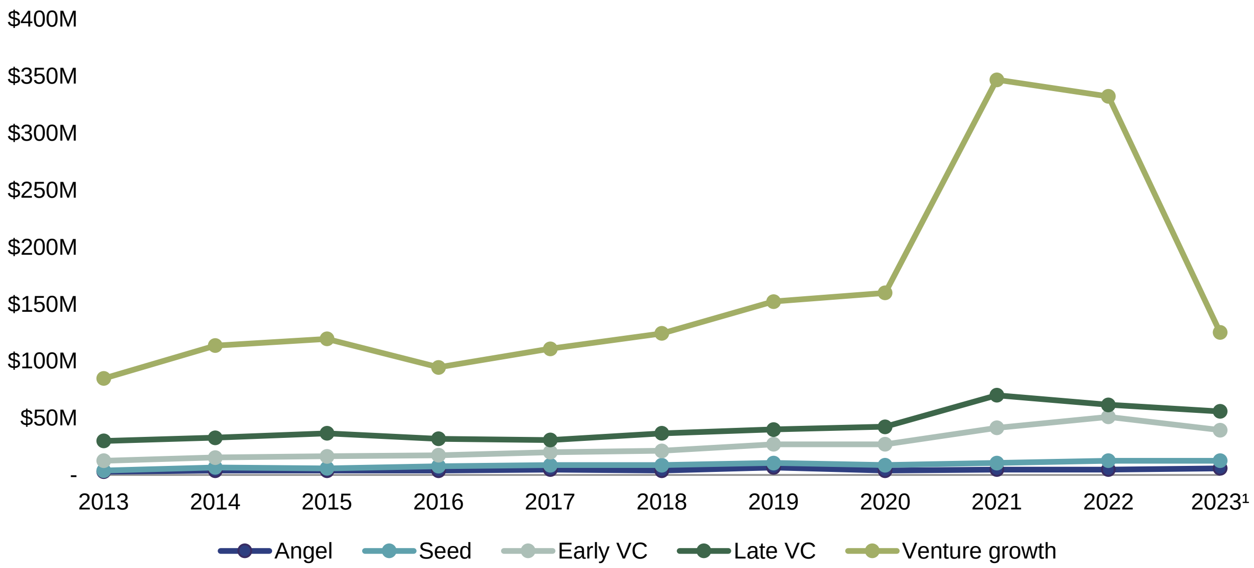
European Venture Capital Investment



Source: PitchBook-NVCA Venture Monitor

According to Pitchbook median US VC valuations have continued to decline across all stages except for seed - where valuations are modestly higher than in 2022. The decline is sharpest at the venture-growth stage, where the median pre-money valuation fell 62% YoY to c$126m in Q2.

US Median valuations by stage

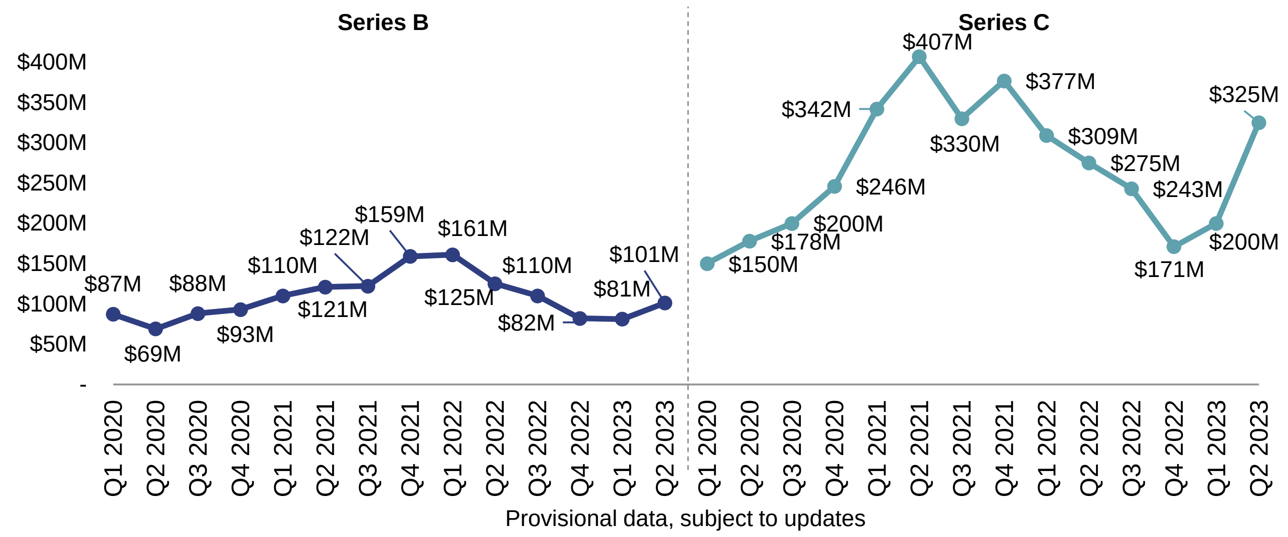


Source: *PitchBook-NVCA Venture Monitor*
Note: As of June 30, 2023

It is notable that data produced by Carta in its *'First Cut – State of Private Markets Q2 2023'* is more encouraging about valuation trends. Again focused on the US, Carta states.

Q2 valuations exceeded those of Q1 across all funding stages. Series B and C in particular saw substantial gains over recent lows in median pre-money valuations.

Median pre-money valuation by stage and quarter, Q1 2020-Q2 2023

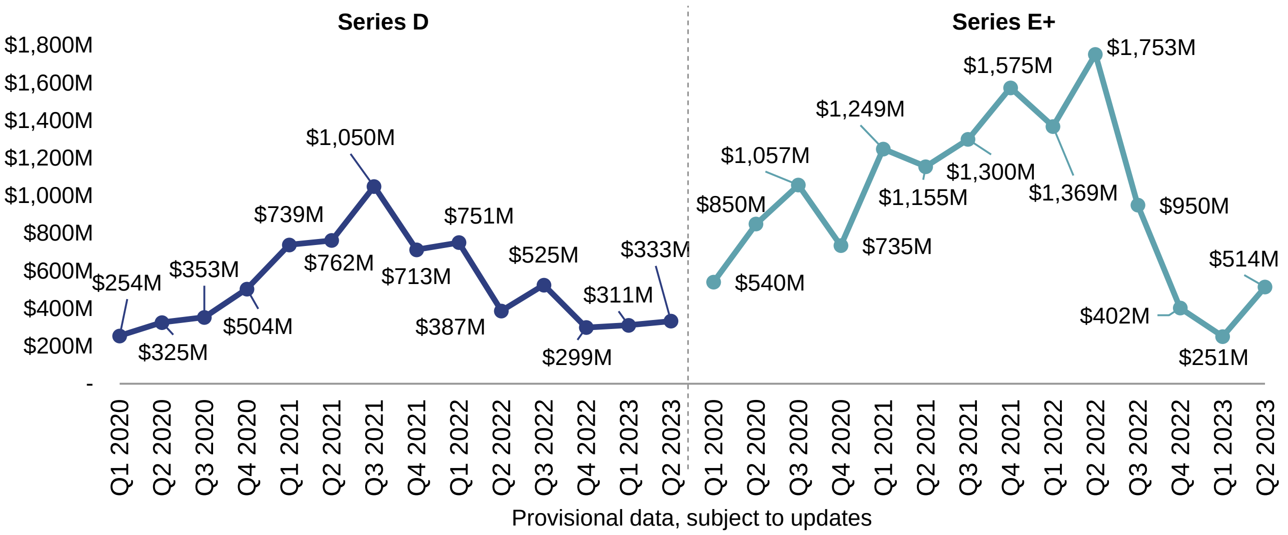


Source: Carta

Series D & E valuations stopped declining: According to Carta, both of the later stage series valuations ticked up in Q2 2023 over Q1. In Series D the average valuation rose on a sequential quarter basis from $311m to $333m while in Series E plus it went from $251m to $514m, still well down yoy but a sharp recovery over the previous two quarters.

Late-stage valuations stopped declining

Median pre-money valuation by stage and quarter, Q1 2020-Q2 2023



Source: Carta

https://carta.com/blog/first-cut-state-of-private-markets-q2-2023/

According to Pitchbook fundraising by VCs themselves stood at just $33.3bn in the US in H1 2023. The 2021 and 2022 full year totals were $160bn and $167bn. The sharply below trend number in H1 2023 is attributed to the dearth of exits in H1 with a stalled IPO market and a modest market for M&A.

In Europe capital raised by VCs reached just $8.9bn in H1 2023, down from $28.8bn in FY21 and $28bn in FY 22.

The most active VC investors in European deals by volume in H1 2023 were SFC Capital (UK); Antler (Singapore); The European Innovation Council (Belgium); Kima Ventures (France); Fuel Ventures (UK); High-Tech Grunderfonds (Germany); Octopus Ventures (UK); CDP Venture Capital (Italy); FJ Labs (US); and the FSE Group (UK).

By sector the most notable area of VC investment in start-ups in H1 has been in generative AI with c$15.5bn raised including the $10bn investment in Open AI by Microsoft. Other notable deals have included the $1.3bn raised by InflectionAI in June by investors including Microsoft and NVIDIA. Anthropic raised $450m in May 2023 and Adept AI $350m in March. MistralAI raised $113m in June.

Debate continues over the heady valuations being afforded to generative AI businesses. Quoted in Pitchbook Hussein Kanji, partner of Hoxton Ventures notes:

" In 2021 we saw [herd mentality] across the tech industry but right now we're still seeing it in isolated pockets like AI. This is just the nature of venture and I think just generally the financial markets. When something gets hot, there's a massive push to be involved."

By contrast Reece Chowdhry, founding partner of Concept Ventures observes:

"I think today's herd is smarter (than in 2021). Investors are very well aware of the current market dynamics of defensibility. There are lots of companies that aren't being funded even in generative AI, and investors are really looking for those category-defining businesses."

More wryly Matt Turck, a partner at Firstmark , commented:

> *"Generative AI investing: a process by which venture capital firms transfer large amounts of money to NVIDIA via intermediaries known as 'start-ups."*
>
> Matt Turck , FirstMark

Interest in funding AI remains intense. For instance, Sapphire Ventures has announced plans to invest over $1bn in AI enterprises with the capital coming from Sapphire's existing funds, which have $10bn under management and about $3bn waiting to be deployed. The intention is that the majority of the capital will be deployed as direct investment in AI startups, while some resources will go to early-stage AI-focused venture funds through its limited partner fund.

In May, Bessemer Venture Partners said it would devote $1bn to AI startups. In June, Salesforce Ventures said it was doubling its commitment to generative AI companies to $500m.

Other previously well sought after sectors have seen a relative drought in funding. Crypto and web3 startups raised only $2.34bn in Q2 2023, marking the fifth quarter of declines in VC funding. According to BeInCrypto the peak funding was $21.6bn in 2022.

France - New Macron plan to boost French tech and AI investment

We wrote in Edition 7 of our Growth Equity Update about the French president's plans to promote France's role as a *'start up nation'*. 2019's Tibi Report called for massive investment in disruptive technologies to drive future prosperity in France and the target for Tibi labelled funds is now €30bn. The French government's initial target of 25 French unicorns was met in January 2022 and is now for 100 by 2030.

In June President Macron made one of his regular annual appearances at the VivaTech technology trade show in Paris. Mr Macron appeared on stage with the founders of several French startups, including Arthur Mensch, the CEO of Mistral AI which recently raised a seed round of $113m valuing the then four-week-old business at $240m. Lightspeed led the round which was both Europe's largest ever seed round and a record for a French AI firm.

At the show President Macron announced €500m in new funding to *'create champions'* in AI. He outlined plans to boost the level of training in AI to create several centres of excellence, including support for French-language language models. The investment is an extension of France's 2018 'AI plan', initially endowed with €1.5bn after the Villani report five years ago.

It is intended that the €500m package should create between five and ten AI clusters. There will be €40m to attract investment in generative AI and two state subsidies of €50m each to accelerate the capacity of supercomputers.

Mr Macron also presented the ‘Tibi 2’ program, where institutional investors, operating French citizen savings, have pledged to re-direct some €7bn to the real economy.

Using the leverage effect of this money in investment funds, President Macron hopes to create €35-40bn of concrete investments.

> *"In the field of artificial intelligence, I want France to be the champion and position itself at the forefront of this new industrial revolution. I will make announcements to accelerate our progress in financing, education, and research. As Europeans, we must also advance in regulating and mastering this technology."*
>
> President Macron

On AI regulation Mr Macron commented *“we’re too far behind in terms of innovation and we’re regulating too slowly.”* He argued that France and the EU are lagging behind the US, China and the UK.

The Mansion House Reforms - UK plan to boost start-up investment

In the UK in early July the Chancellor Jeremy Hunt launched his Mansion House Reforms. Amongst other things these are designed to promote the channelling of defined contribution pensions into private companies. Using some of the techniques seen in the French Tibi programme, the core of the initiative is an agreement signed by nine of the UK’s largest pension providers to commit 5% of their ‘default’ funds from defined contribution pensions to private companies and start-ups by 2030.

The nine DC pension schemes to sign up to the Chancellor’s ‘Mansion House Compact’ are Aviva, Scottish Widows, L&G, Aegon, Phoenix, Nest, Smart Pension, M&G and Mercer. These funds represent around two-thirds of the UK’s DC workplace market.

At present such funds invest just 0.5% of their c$500bn of assets to unlisted UK companies. The intention is that, if the scheme is adopted more broadly by other pension providers, the proposed changes could induce c£50bn of additional investment in start-ups by 2030.

Mr Hunt has also targeted a shift in the investment intentions of local government pension scheme allocations. The aim is to encourage such schemes to double investments in private equity to 10% from c5% presently. The government hopes that this may amount to c£25bn additional investment into private companies.

The government hopes that these measures have the potential to unlock an additional £75bn of financing for growth by 2030. This will, according to Mr Hunt *“finally address the shortage of scale up capital holding back so many of our most promising companies.”*

Mr Hunt observes these plans should enable:

“our financial services sector to increase returns for pensioners, improve outcomes for investors and unlock capital for our growth businesses.”

Meanwhile as part of his reforms on the UK listings market Mr Hunt has proposed an ‘intermittent trading venue’ for private companies. The proposal is to launch a new hybrid trading platform to allow private companies to trade periodically rather than continuously. The intention is that this should be in place by the end of 2024.

His report outlines the plan.

“And, in a highly innovative step which represents a global first, we will establish a pioneering new ‘intermittent trading venue’ that will improve private companies access to capital markets before they publicly list. This will be up and running before the end of 2024, and put the UK at the forefront of capital market innovation.”

IPO activity picks up

The combination of a strong run on NASDAQ, up 32% in the first six months of 2023, and lower market volatility has contributed to a revival in IPO activity.

In early July UK based **CAB Payments raised** more than £300m in a London IPO which valued the company at £851m. The stock was placed at 335p but slipped about 10% on the first day of trading. The shares are now trading at c290p per share. CAB Payments deals in foreign exchange and payment services for businesses sending money to emerging markets. CEO Bhairav Trivedi commented:

"*Deciding to list signifies the confidence that we have in the UK as the home for innovative and growing global fintech businesses.*"

Mining company **ACG** plans to raise $300m in a SPAC to part fund its planned $1bn acquisition of two mining operations in Brazil. ACG chief executive Artem Volynets commented*:*

"London is perfect for us [as] the prime spot for mining companies" [to raise capital].

By contrast the planned listing of chemicals company **WE Soda**, announced in May, failed to complete. The world's largest producer of natural soda ash was aiming to raise c$800m and for a valuation of up to $8.5bn. The proposed valuation – c7x EBITDA (versus the c4.5x EBITDA of quoted comp Solvay) appears to have deterred investors.

Elsewhere, in Europe, Rothschild & Co advised the selling shareholder, Fondul Proprietata, on the $2bn IPO of **Hidroelectrica** in early July. It was Romania's largest ever IPO. The company was valued at $10.3bn at the placing price of 104 lei. The indicated range for the IPO had been 94-112 lei. The shares closed at 110 lei on the first day of trading.

Rothschild & Co also acted as sole financial advisor to thyssenkrupp on the €605m carve-out IPO of **thyssenkrupp nucera AG**. The IPO priced at €20 per share, implying a market capitalisation of c€2.5bn. The shares closed up sharply on the first day of trading at €23.2 versus the placing price of €20.

The US has also seen a revival of IPO activity. At the end of June there were three IPOs in a single day:

Savers Value Village, a thrift store operator, raised $400m in a debut which valued the company just short of $4bn. The stock was placed at $18 and has since risen to $23.7.

Fidelis Insurance Group raised $210m in its $14 per share IPO, valuing the company at c$1.5bn. The stock opened at $13.10 per share but has rallied back to the $14 level.

Kodiak Gas Services priced its shares at $16, below the initial marketing range of $19-22 per share, raising $256m and valuing the company at $1.2bn. Kodiak provides compression equipment used in oil and gas production. The stock is now trading at c$16.25.

Earlier in June the US restaurant chain **Cava** raised $318m in an NYSE IPO. The stock was placed at $22 per share, valuing the company at $2.45bn. A sharp pop on the first day of trading saw the stock close at $43.8, up 117% on the day. Cava is loss making, meaning that the successful IPO goes against the narrative that investors are seeking only EBITDA positive businesses.

The performance of **Kenvue,** the consumer arm of Johnson & Johnson which had an upsized $3.8bn IPO offering in May remains strong. The stock, placed at $22 per share on May 8th, now stands at $25.

Meanwhile the planned IPO of **Arm** continues to be seen as a bellwether for IPO markets. Recent press reports suggest that ARM owner Softbank plans to bring in Nvidia as an anchor investor to help ease the passage of the IPO. Nvidia was, of course planning to buy ARM before the deal was blocked by regulators. Other industrial anchor investors such as Intel, which like Nvidia is a trading partner of Arm, are also reported to have been approached. The FT reports that Arm may launch its IPO as early as September 2023.

Rothschild & Co and the IPO market

In this context it is worth noting that Rothschild & Co has advised on:

- Four of the largest five IPOs in Europe in the last 12 months - more than any bank or adviser
- The three largest European IPOs in the last 12 months (Porsche, Hidroelectrica and thyssenkrupp nucera)
- All 'advised' Western European IPOs in the last 18 months
- c.60% of all advised equity issuance in Europe since 2018.

Hidroelectrica's $2.1bn IPO

In early July Rothschild & Co advised on the $2bn IPO of Hidroelectrica, Romania's largest ever IPO. Rothschild & Co advised the selling shareholder, Fondul Proprietata. The company was valued at $10.3bn at the placing price of 104 lei. The indicated range for the IPO had been 94-112 lei. The shares opened up 9% at 113 lei on the first day of trading before settling back to 110 lei.

- Hidroelectrica is the number one power producer in Romania, with 100% green production (o/w 95%+ hydro-power)
- R&Co was appointed in 2022 by the Selling Shareholder (Fondul Proprietatea) to ensure a successful outcome
- The offer was 3.7x covered at the final price, with the institutional tranche covered 3.9x and retail covered 3.1x.
- Tight allocations were used to minimise post-IPO share price risk. The top 30 institutions were allocated 90% of the deal. Long only institutions were allocated 90%+ of the institutional tranche.

thyssenkrupp nucera's €605m IPO

Rothschild & Co acted as sole financial advisor to thyssenkrupp AG on the €605m carve-out IPO of thyssenkrupp nucera AG & Co. KGaA (nucera), a leading global electrolysis technology provider for green hydrogen plant solutions. The business was listed on the Frankfurt Stock Exchange in early July with a market capitalisation of €2,526m.

Key elements:

- Largest IPO in Germany in 2023 and largest global hydrogen IPO ever
- Significant de-risking from cornerstone investor process – PIF and BNP Asset Management subscribed for c40% of the deal pre-launch
- Bookbuilding generated strong demand with books being covered within 6 hours after opening and the final book being multiple times oversubscribed
- Strong demand was generated from European long-only investors and from funds focused on the energy transition theme
- Priced at €20.00 per share, towards the middle of the price range of €19.00 – €21.50 implying a 2024E EV/Sales multiple of 1.7x. EBITDA breakeven expected for the company in 2025-26
- First traded price of €20.20 (+1% versus IPO price) and a closing price on the first day of €23.2, up 16%.

Markets - NASDAQ continues to fly

NASDAQ is maintaining its surge with the index now (to mid-July) up by 36% since the start of the year. It is now just 12% below its peak in November 2022. The H1 performance of the NASDAQ Composite, up 32% , was its best half year period since 1999.

The tech focused **NASDAQ 100 was up 40% in H1 2023**, its best ever six month performance. The index is concentrated with six companies making up 51% of its capitalisation – Apple, Alphabet, Amazon, Microsoft, Nvidia and Tesla. Nvidia, on the back of the interest in AI , has tripled since the start of the year. The First Trust Nasdaq 100 Equal Weighted Index ETF, which gives an equal weight to all 100 stocks, was up just 19%.

To counter the concentration NASDAQ has announced a *'special rebalance'* of the NASDAQ 100 index to take place on July 24. Based on Nasdaq 100 methodology, the combined weight of the five companies with the largest market caps will be set to 38.5%. The five-largest companies, Apple, Microsoft, Google, Amazon and Nvidia had a combined weight of 46.7%. The rebalance may give a modest check to the progress of NASDAQ.

Elsewhere, the **S&P 500 was up 16% in H1** and is now only 6% below its high at the start of 2022. It too is in official bull market territory, up 25% from its mid October 2022 lows.

European markets continue to lag. The **STOXX 600 Europe was up just 8% in H1 2023**. The **FTSE 100 was flat in H1** and is now down 2% ytd .

The **Refinitiv Venture Capital Index**, which seeks to monitor the real time performance of the VC industry and whose performance is partly driven by the moves in public markets and particularly tech heavy indices like NASDAQ, was **up 29% in H1**, remaining 46% below its early November 2021 peak.

In the US there are signs that interest rate rises are having an impact in slowing inflation and the economy. In June US inflation dropped to 3% (May was at 4%). The fall was greater than expected and means that headline inflation has come down steadily from a peak of 9.1% in June 2022.

Core inflation, which strips out food and energy costs, slowed to annual growth of 4.8%. The peak was 6.6% in September 2022. The Fed's target is 2% and is focused on core inflation. These are encouraging numbers on inflation albeit Chairman Powell says the Fed still has '*a long way to go'* to bring inflation back to its 2% target.

Jobs growth is also slowing, another sign of a cooling economy. The June jobs growth number was 209,000 versus consensus expectations of 225,000. The unemployment rate though dipped to 3.6% (it had risen in May) and wage growth was higher than anticipated at 4.4%.

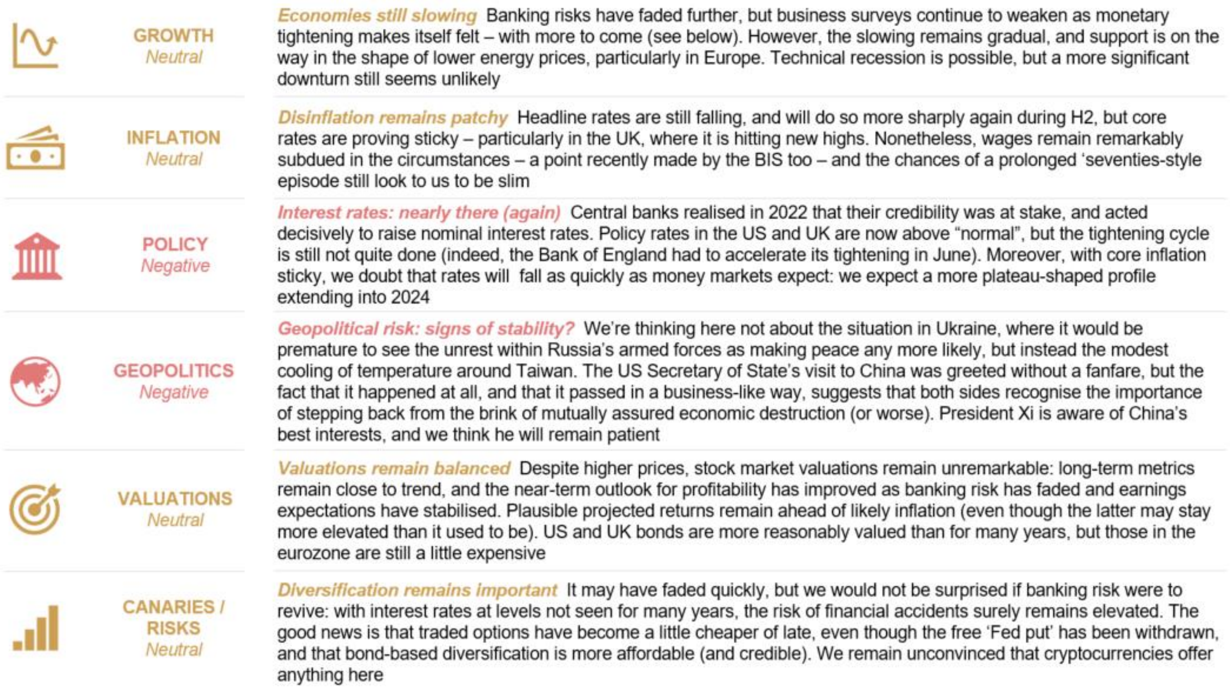
The minutes of its June meeting, when the Fed paused interest rates after 10 successive increases, suggest that the June hiatus was to allow the Fed to consider the cumulative effect of its overall five percentage point increase in rates. Nevertheless, sixteen of the eighteen Fed participants thought another interest rate rise would be necessary in 2023 and twelve members expect two rate increases. As a result the market remains convinced that the Fed will revert to raising interest rates at its next meeting on July 26.

In the UK the Bank of England has now increased interest rates thirteen successive times and yet inflation was last seen at 8.7% (April) while the increase in average pay in the three months to May was 7.3%. The governor of the Bank of England, Andrew Bailey, insisted at the recent Mansion House speech that inflation will fall *'markedly'* this year as energy and food prices come down but warned that interest rates will still have to rise further.

He commented *"UK headline inflation is set to fall markedly over the remainder of the year…Both price and wage increases at current rates are not consistent with the inflation target."*

At its meeting ending on 21 June 2023, the MPC voted by a majority of 7-2 to increase the bank rate by 50bps to 5%. The UK peak is now seen at above 6%. Indeed with the ECB at 3.5%, the BoE at 5.0% and the Fed at 5.25% all three are suggesting more rate increases to come. The expectation of a *'higher for longer'* interest rate cycle remains.

Rothschild & Co strategist Kevin Gardiner summarises the current key drivers of the market in this graphic:



GROWTH Neutral	*Economies still slowing* Banking risks have faded further, but business surveys continue to weaken as monetary tightening makes itself felt – with more to come (see below). However, the slowing remains gradual, and support is on the way in the shape of lower energy prices, particularly in Europe. Technical recession is possible, but a more significant downturn still seems unlikely
INFLATION Neutral	*Disinflation remains patchy* Headline rates are still falling, and will do so more sharply again during H2, but core rates are proving sticky – particularly in the UK, where it is hitting new highs. Nonetheless, wages remain remarkably subdued in the circumstances – a point recently made by the BIS too – and the chances of a prolonged 'seventies-style episode still look to us to be slim
POLICY Negative	*Interest rates: nearly there (again)* Central banks realised in 2022 that their credibility was at stake, and acted decisively to raise nominal interest rates. Policy rates in the US and UK are now above "normal", but the tightening cycle is still not quite done (indeed, the Bank of England had to accelerate its tightening in June). Moreover, with core inflation sticky, we doubt that rates will fall as quickly as money markets expect: we expect a more plateau-shaped profile extending into 2024
GEOPOLITICS Negative	*Geopolitical risk: signs of stability?* We're thinking here not about the situation in Ukraine, where it would be premature to see the unrest within Russia's armed forces as making peace any more likely, but instead the modest cooling of temperature around Taiwan. The US Secretary of State's visit to China was greeted without a fanfare, but the fact that it happened at all, and that it passed in a business-like way, suggests that both sides recognise the importance of stepping back from the brink of mutually assured economic destruction (or worse). President Xi is aware of China's best interests, and we think he will remain patient
VALUATIONS Neutral	*Valuations remain balanced* Despite higher prices, stock market valuations remain unremarkable: long-term metrics remain close to trend, and the near-term outlook for profitability has improved as banking risk has faded and earnings expectations have stabilised. Plausible projected returns remain ahead of likely inflation (even though the latter may stay more elevated than it used to be). US and UK bonds are more reasonably valued than for many years, but those in the eurozone are still a little expensive
CANARIES / RISKS Neutral	*Diversification remains important* It may have faded quickly, but we would not be surprised if banking risk were to revive: with interest rates at levels not seen for many years, the risk of financial accidents surely remains elevated. The good news is that traded options have become a little cheaper of late, even though the free 'Fed put' has been withdrawn, and that bond-based diversification is more affordable (and credible). We remain unconvinced that cryptocurrencies offer anything here

Source: Rothschild & Co

Investor Feedback

We monitor feedback from venture capital investors on the state of the market. The key themes we are seeing are:

(i) Investors are seeing activity and value in seed and early-stage rounds

(ii) Attractive opportunities in later stage rounds are fewer and investors report a lot of internal rounds

'General environment is slow…Deal flow getting a bit better but generally slow.'

(iii)There is a sense that well placed companies continue to defer raises in 2023

(iv) Many investors we speak to observe they are looking at opportunities and [are] 'open for business right now'

(v) Investors observe that valuation expectations are often still too high, and that founders' expectations have not fully adjusted

Our views on the state of the venture capital markets

Since the start of 2022 we have seen sharp falls in the public markets on the back of a combination of global inflation, rising interest rates, and increased geopolitical risk. More recently we have seen a sharp rally on NASDAQ, led by the major tech stocks, a rally more palely reflected in other markets.

The Refinitiv Venture Capital Index, which seeks to monitor the real time performance of the venture capital industry fell 55% in 2022. YTD in 2023 to mid-July it is up 36% meaning the total fall since the start of 2022 is now 39%. Our summary of the outlook is:

- The deterioration in the interest rate, inflation and macro-economic environment has had a sharp impact on valuations in private markets. The scale of the fall in the Refinitiv VC index in 2022 was much more substantial than the 33% fall on NASDAQ. This has been reflected in some big valuation falls on some high-profile VC rounds
- There is substantial dry powder in the VC industry. This may now be prioritised to supporting existing rather than new investments
- Best-in-class companies, addressing critical rather than nice-to-have requirements, continue to attract support. There are still hotspots for investment notably in artificial intelligence, fintech, climate tech and software. Certain investors remain very active in the space with substantial funds to deploy
- The speed of the investment process has slowed considerably. The volume of new deals has reduced. The level of diligence on new deals has stepped up
- In recent months the number of big late-stage deals has slowed. The strongest part of the market in terms of appetite appears to be in Seed and Series A where there is less immediate pressure on valuation
- There will likely be a growing number of down rounds in 2023, albeit the substantial fund raising of 2021 and the ability of companies to eke out existing resources may limit the immediate number of these. There is the expectation of a crunch point, perhaps as early as H2 2023, when companies will need to raise again but where the environment for fundraising is still not receptive
- The dislocation caused by the collapse of Silicon Valley Bank may further hamper conditions in the venture capital market
- It seems likely that the more difficult conditions for fundraising, and the lack of a clear path in some cases to early cash positive status, will mean a flurry of venture capital backed businesses looking to sell or merge their businesses
- Valuation priorities have shifted with investors moving away from a growth and revenue multiple emphasis. There is a sharper focus on the path to profitability and positive free cash flow and an emphasis on DCF and comparative based multiples.

Rothschild & Co: Selected deals in Growth Equity and Private Capital

A selection of recent deals on which we have advised.

Skyroot: $51m Series B

- Sole adviser on its Series B raise of INR 4,030m (US$51m) from GIC Private Limited and LK Advisers
- Looking to 'uberize' space for small satellite operators, Skyroot will use its differentiated solid propulsion technology to offer on-demand, affordable launch vehicles. It plans its first orbital launch by early 2023

YuLife: c $800m Series C

- Adviser to YuLife on its investment by T Rowe Price
- TRP's first ever private investment in European FinTech
- The Series C extension values YuLife at c.$800m, a 3x uplift from its valuation at its Series B announced in July 2021

Carsome: US$290m Series E

- US$290m Series E fundraise led by SeaTown Holdings International and 65 Equity Partners Holdings
- The funding round brought Carsome's valuation to US$1.69bn, cementing its position as Malaysia's first and largest tech unicorn
- Follows US$170m Series D2 round in Sept 2021, on which we also advised

Marwyn Acquisition Company II: £500m equity raise

- Advised Marwyn Acquisition Company II on the launch of its equity raise, by way of a 12-month placing programme
- The company will seek to raise up to £500m during the next twelve months from equity investors in a structure which is distinct from the typical 'SPAC' structure

FL Entertainment: €7.2bn combination with Pegasus Entrepreneurs and simultaneous c€550m equity raising

- FL Entertainment is composed of Banijay, largest independent content producer globally, and Betclic Everest Group, Europe's fastest-growing sports betting platform. Pegasus is an Amsterdam-listed SPAC
- Largest ever European SPAC business combination an PIPE raising

Insight Partners: strategic investment in Precisely

- Led investment in a recap of Precisely Software Incorporated, in an investor group that will also include Partners Group, Clearlake Capital, TA Associates, and Centerbridge Partners
- Precisely is a leading data integrity and infrastructure software company

Kpler: Minority stake Acquisition

- Adviser to Five Arrows Growth Capital and Insight Partners on joint acquisition of a minority stake in Kpler Holding S.A. from its founders
- Consisted of acquisition of c.30% of secondary share capital of Kpler plus primary investment of €20m
- Kpler is a leading SaaS provider of data and analytics to energy markets

Harmay: US$90m Series D

- Advised Harmay on its US$90m Series D equity financing from a group of leading Chinese and global growth equity /venture capital funds
- Harmay is a premium beauty retailer
- Raise was led by QY Capital (an entity related to Alibaba New Retail Fund) plus existing investors

SEBA Bank: CHF110m raise

- Advised on fundraising co-led by a consortium of new investors specialised in blockchain and fintech including Altive, Ordway Selections and Summer Capital
- DeFi Technologies, leader in decentralized finance, and Alameda Research, a global cryptocurrency quantitative trading firm, also participated

First Digital Bank: US$120m capital raise

- Advised on capital raise through a syndicate of investors including Tencent, SBI Investment Co, Julius Baer, and West Coast Equity Partners
- First bank to receive a banking license in Israel for over 42 years and first neobank in Israel

Fibrus: £270m seven-year debt package

- Advised on package comprising a £200m capex facility, £20m revolving facility and up to £50m uncommitted accordion facility
- Fibrus is an alternative provider of full fibre network infrastructure and broadband in rural UK
- Highly active in European fibre infrastructure: our 7th debt financing mandate in UK fibre in last 3 years

Neuberger: US$4.8bn valuation Getty Images combination

- Advised on business combination valuing Getty at an enterprise value of US $4.8bn, equivalent to 15.2x enterprise value to 2022E Adj. EBITDA of US $315m
- CC Neuberger Principal Holdings II is a special purpose acquisition company that completed its IPO in July 2020, raising US $828m in proceeds

Azerion: €1,300m enterprise value combination with EFIC1

- Advised on combination with European FinTeach IPO Company 1 B.V - a SPAC that raised c.€382m through IPO on Euronext Amsterdam in 2021
- Azerion provides solutions to automate purchase and sale of digital advertising inventory
- Landmark transaction - one of the largest de-SPAC transactions across Europe to date

Gousto: £240m primary and secondary rounds

- £70m primary financing for food delivery company Gousto with Softbank Vision Fund 2 in Jan '22
- In Feb '22 secondary component of £170m from institutional investors including SoftBank, Grosvenor Food & AgTech, Railpen and Fidelity
- Valued Gousto at £1.2bn on a pre-money basis

GreenWay: €85m Series C

- Advised Greenway Infrastructure on its €85m Series C fundraise
- Led by a consortium of infrastructure funds including Generation Capital and Helios Energy Investments. The transaction is the first known investment by an infrastructure fund in an EV charging network in Central and Eastern Europe

Diabeloop: €37m Series C

- Advised on its €37m Series C capital raise
- Following extensive investor outreach, LBO France was chosen to lead the raise jointly with existing investors including Supernova Invest, AGIR à dom., CEMAG INVEST and Odyssée VenturesA
- Diabeloop provides automated insulin delivery system and handset facilitating diabetes management

For more information, or advice, contact our Growth Equity team:

Chris Hawley
Global Head of Private Capital
chris.hawley@rothschildandco.com
+44 20 7280 5826
+44 7753 426 961

Patrick Wellington
Vice Chairman of Equity Advisory
patrick.wellington@rothschildandco.com
+44 20 7280 5088
+44 7542 477 291

Mark Connelly
Head of North American Equity Market Solutions
mark.connelly@rothschildandco.com
+1 212 403 5500

Stéphanie Arnaud
Managing Director – France
stephanie.arnaud@rothschildandco.com
+33 1 40 74 72 93
+33 6 45 01 72 96