

# VC/M&A Tech Trends Q1-23 France

# Introduction

## Have we reached the bottom?

When January is up, the year is up. Let's hope this saying will come true as the *BVP Nasdaq Emerging Cloud Index*, which tracks public tech valuations in the US, rose 11.9% in January (and even 25.8% if measured until Feb 3<sup>rd</sup>).

However, the optimism was short-lived, as SVB, Signature Bank and Credit Suisse collapsed in March. Despite this crisis, the *EMCloud Index* has surprisingly shown some resilience, still up by 13.9% since the beginning of the year.

Looking forward, macroeconomic conditions are not promising for 2023. The International Monetary Fund predicts inflation to remain high at 6.6%, compared to 8.8% in 2022, while global GDP growth is expected to remain low at 2.9%, compared to 3.4% in 2022. The situation in Ukraine appears stable, but there is still the possibility of escalating tensions, which could drive up global food prices.

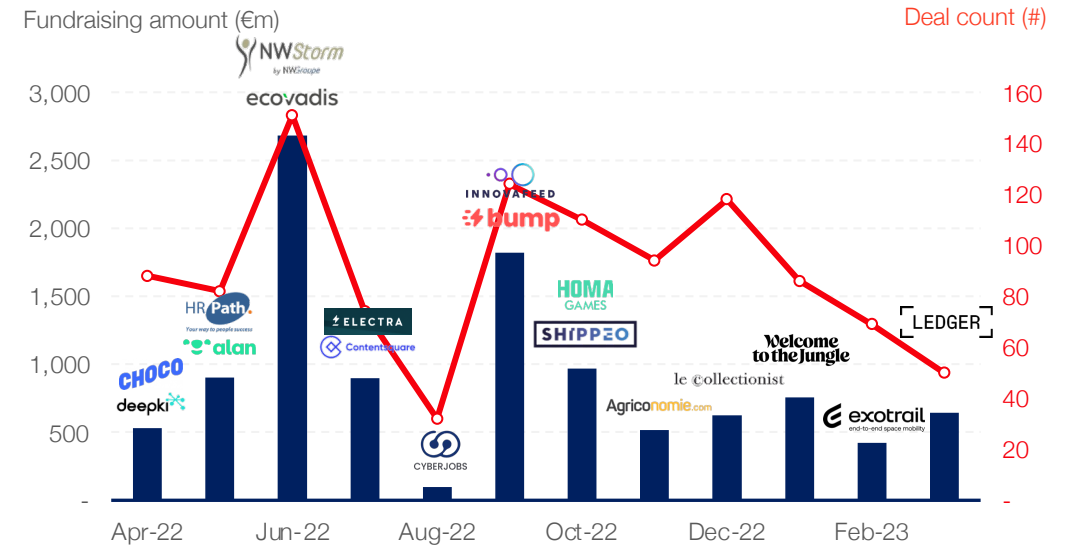
In the tech industry, Q1-23 saw a decrease in startup funding, with only \$90bn raised, the worst quarter since Q1-20 and a 50% drop from Q1-22. However, there are signs of stabilization, as Q1-23 only saw a 9% decrease compared to the previous quarter.

French Tech experienced a similar trend, with only €1.8bn raised in Q1-23, a 66% decrease from Q1-22, its all-time high. Despite this, the sector is showing signs of stabilization, with a 13% decrease from the previous quarter. Q1-23 also saw 129 exits, an all-time high, but only €615m in total exit value.

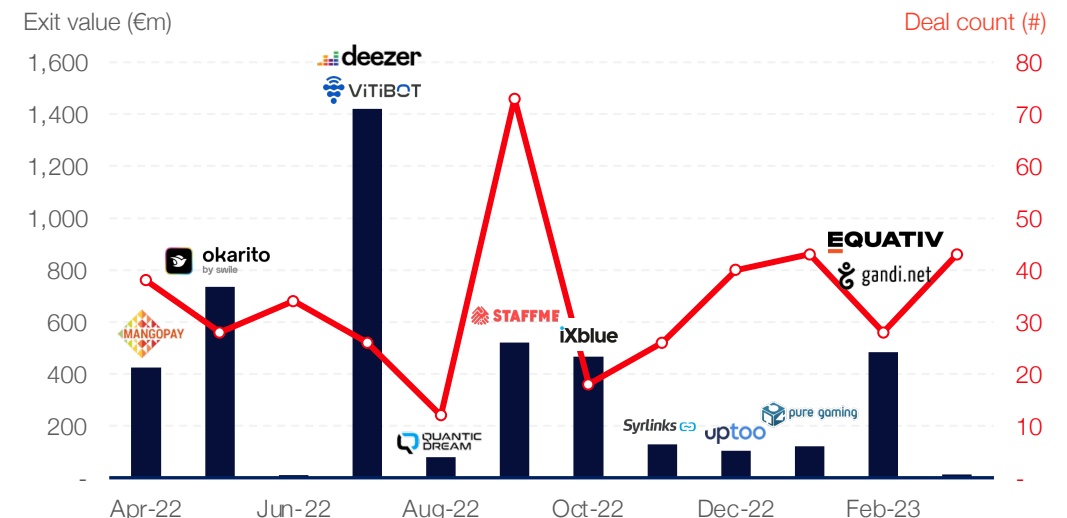
Expectations are that the next two quarters will remain slow, but the market may pick up at the end of the year if the IMF's 2024 forecasts hold true, with GDP growth expected to increase to 3.1% and inflation to drop to 4.3%.

*Arthur Porré, Founding Partner - Apr. 4<sup>th</sup>, 2023*

## €1.8bn raised by French startups in Q1-23, a 13% decrease QoQ



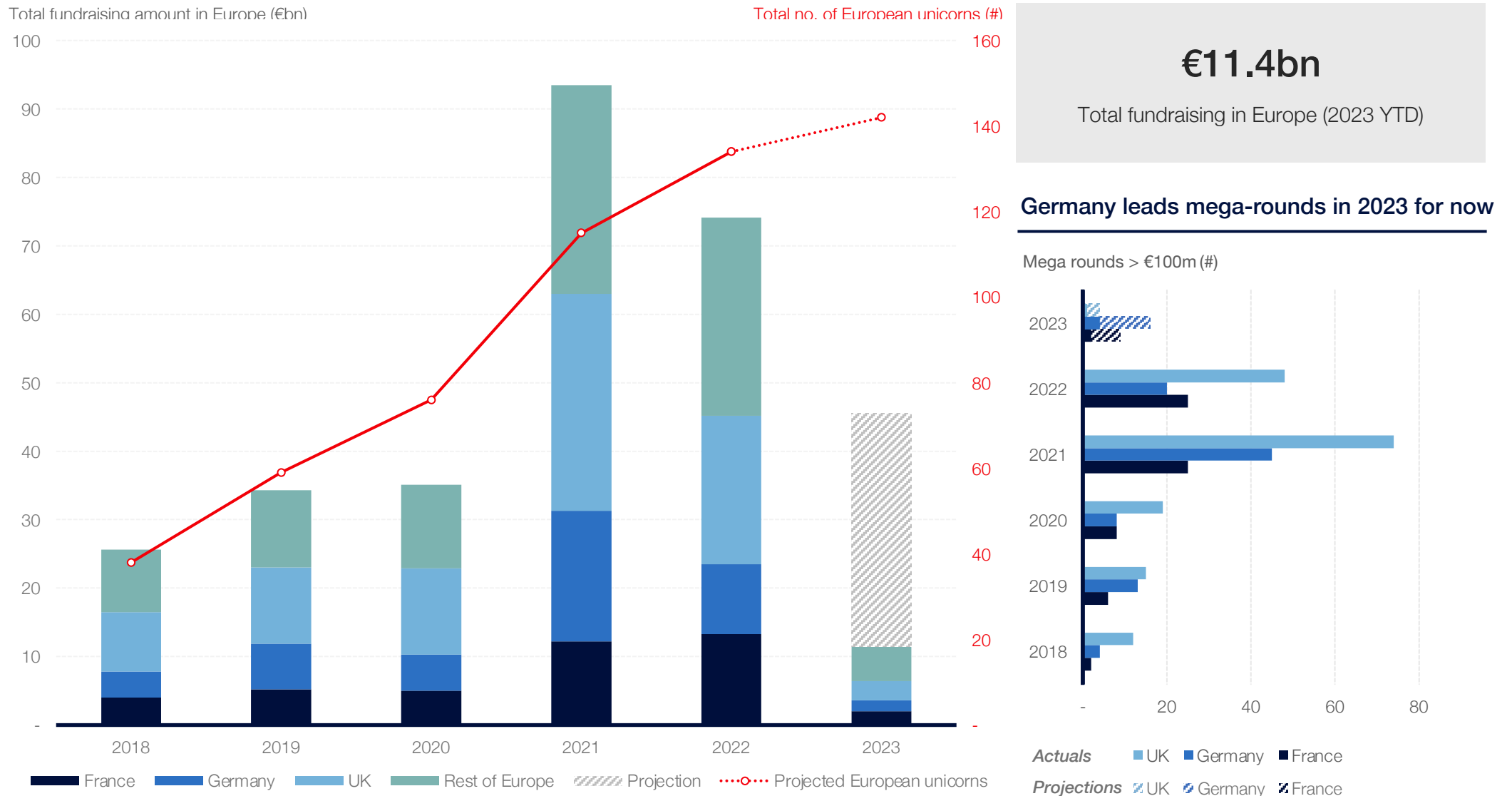
## €274m total exit value for French Tech in Q1-23 vs. €1.14bn in Q1-22



# VC trends

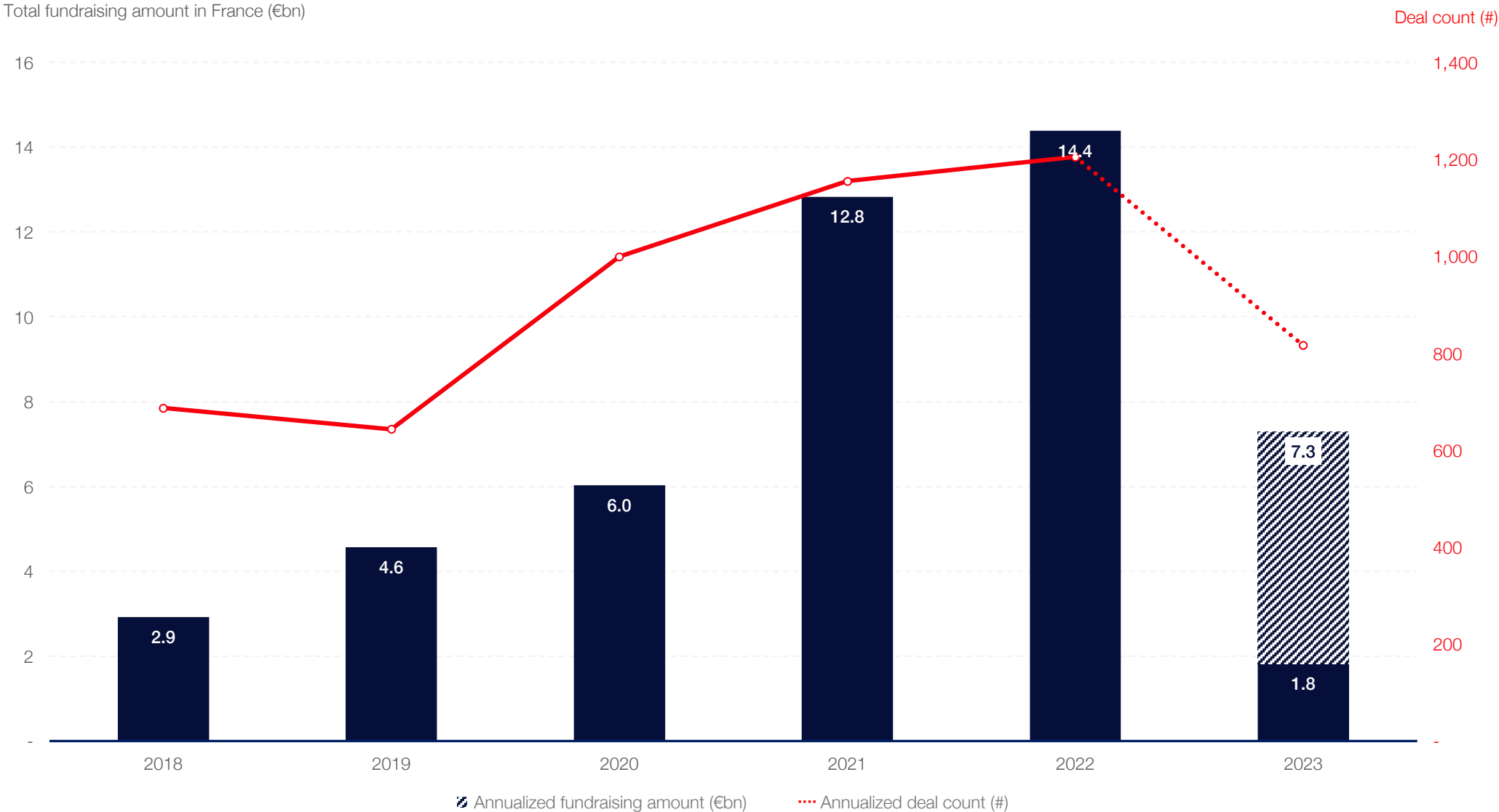
# VC trends

In the current trajectory, investment dynamics in Europe will fall short compared to 2021 and 2022



# VC trends

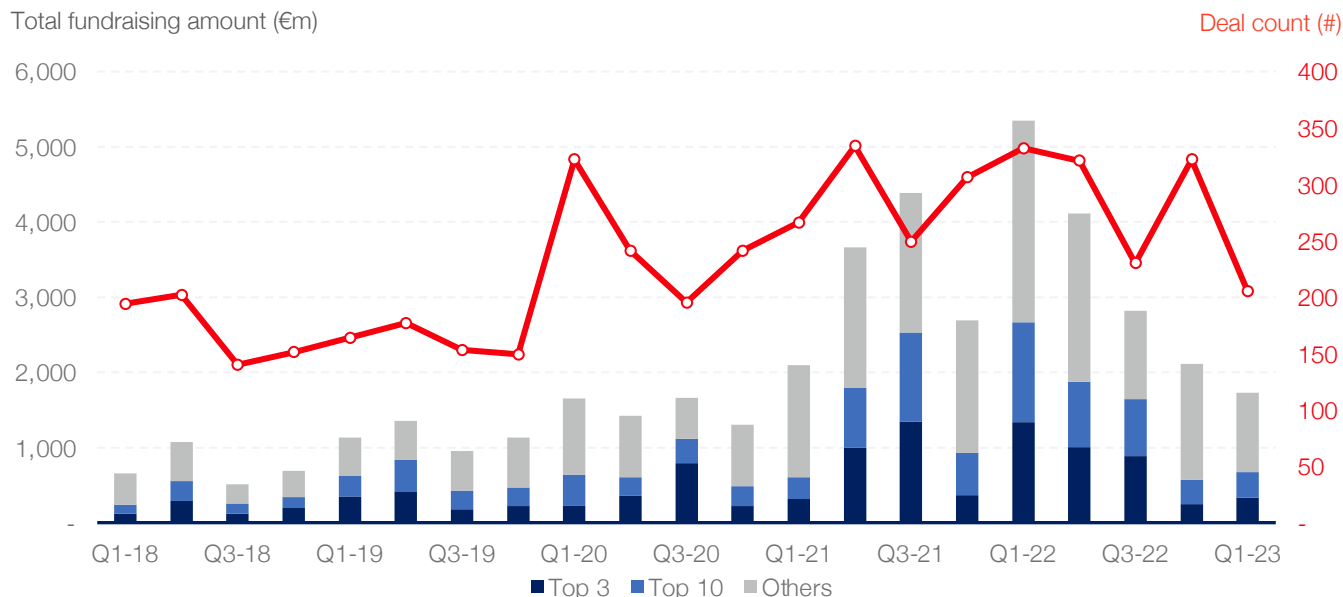
After a 2022 record-breaking year, the French Tech is expected to go through a turbulent 2023 year



# VC trends

2023 first quarter shows less but bigger deals than in the previous quarter

## Fifth consecutive decreasing quarter in terms of fundraising amount in France



## Average deal value has improved this quarter



## Top 10 funding rounds in Q1-23

1.	<b>AMOLYT PHARMA</b> Led by ICG & Sofinnova	€130m
2.	<b>LEDGER</b> Led by 10T	€100m
3.	<b>PASQAL</b> Led by Temasek	€100m
4.	<b>etotem SMART CHARGING</b> Led by Bpifrance	€60m
5.	<b>exotrail end-to-end space mobility</b> Led by Bpifrance & Blisce	€54m
6.	<b>AliraHealth</b> Unknown lead	€53m
7.	<b>Welcome to the Jungle</b> Led by Cipio Partners	€50m
8.	<b>DON'T NOD</b> Led by PrimaryBid	€46m
9.	<b>Lithium de France GEOTHERMAL</b> Unknown lead	€44m
10.	<b>The Exploration Company</b> Led by Red River & EQT Ventures	€40m

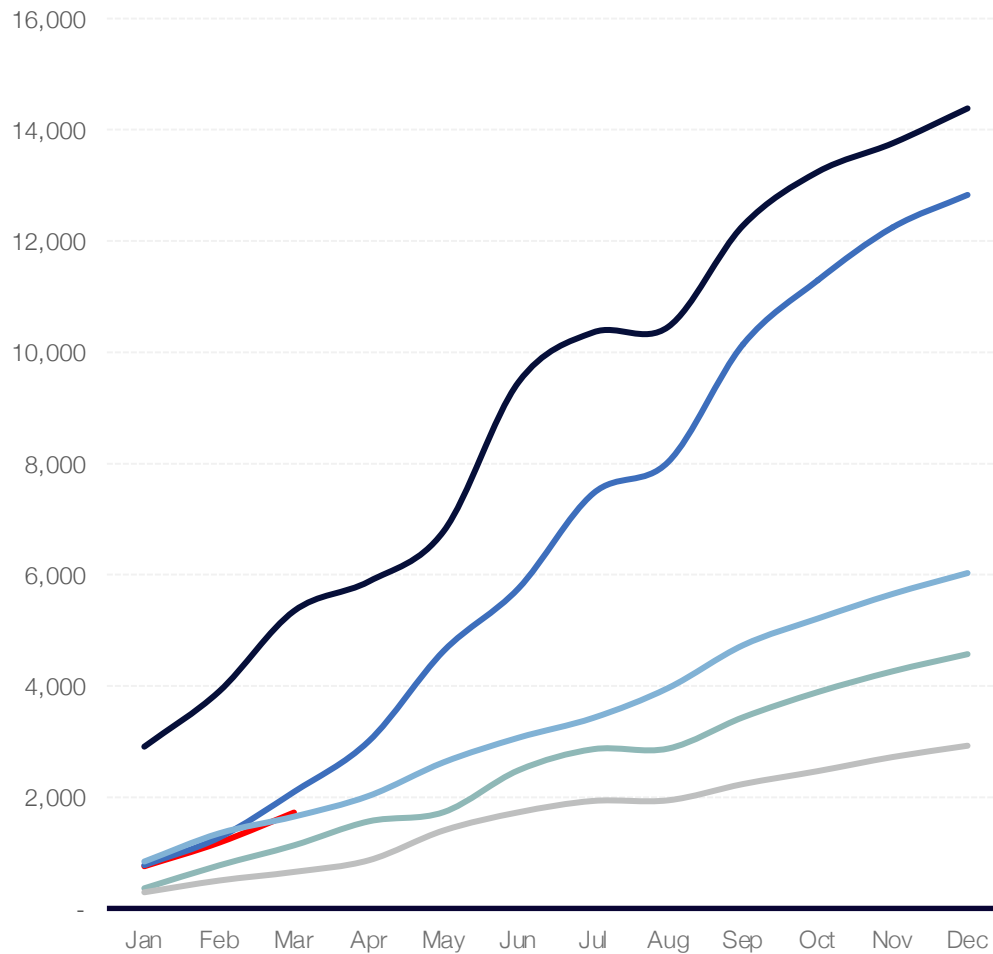


# VC trends

A modest Q1-23 with less fundraisings than in the 3 past years and deal values back to pre-2022 levels

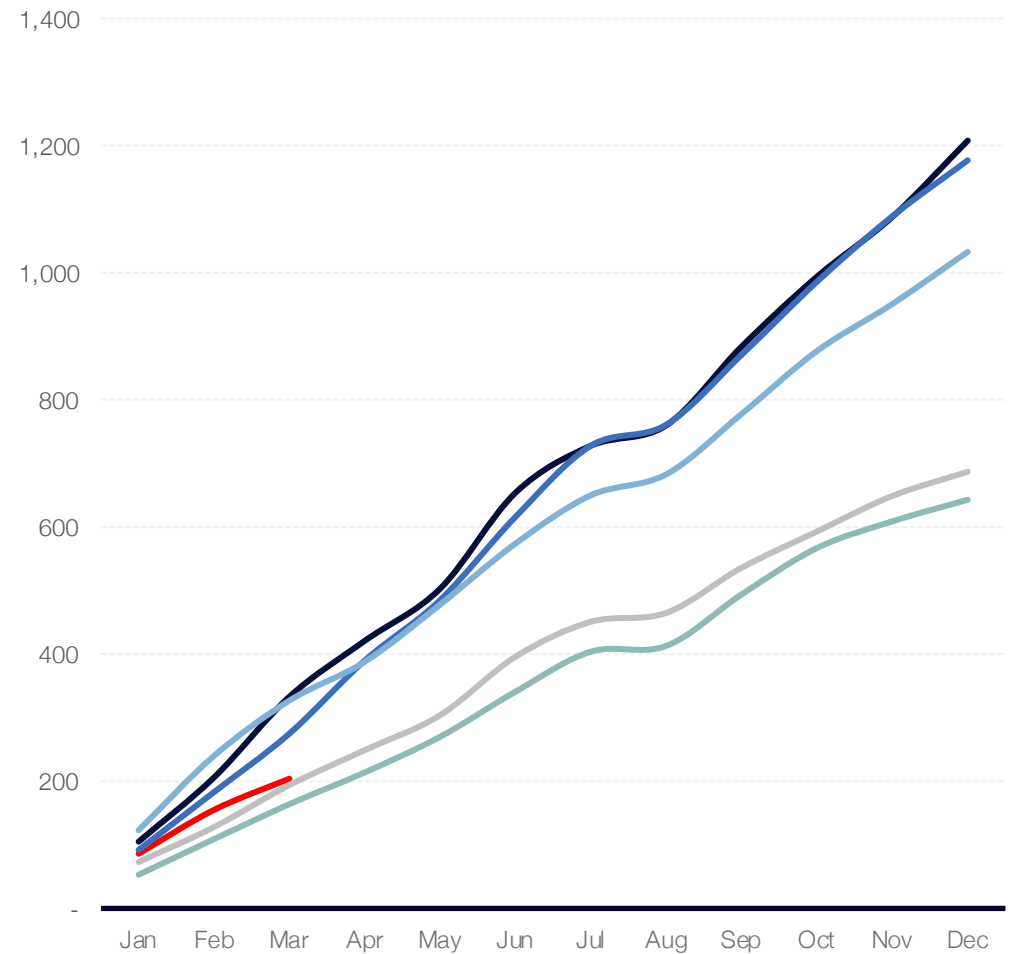
## Back to pre-2022 levels in terms of amount raised...

Cumulated deal value (€m)



## ...and pre-Covid-19 in terms of number of deals

Cumulated deal count (#)

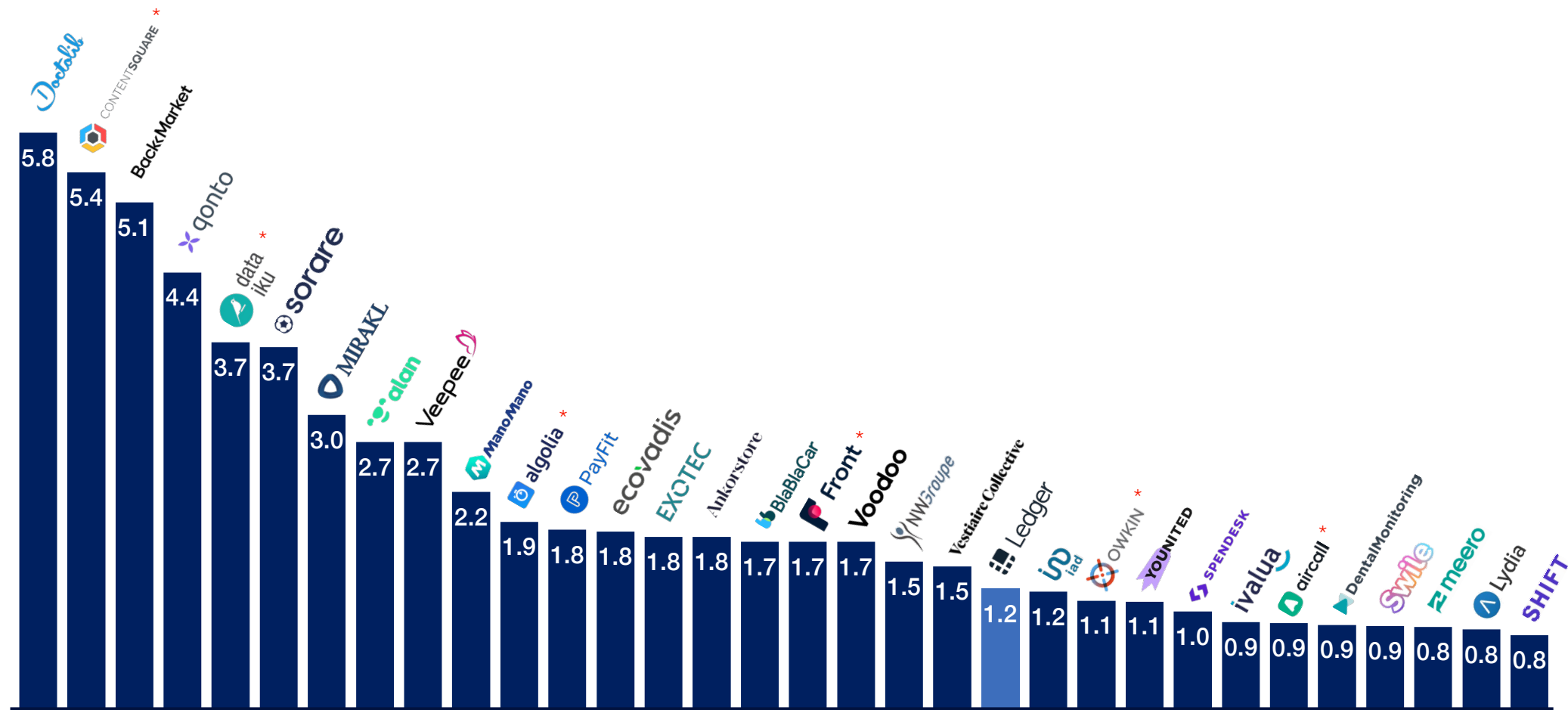


2023 2022 2021 2020 2019 2018



# VC trends

France counts 32 unicorns as of Mar-23



Last round valuation (€bn)

■ Status reached before 2023    ■ Already unicorn that raised in 2023

\* Headquarters transferred to the U.S





# VC trends

Avolta Next 20: who will be France's next unicorns?



Oct. 20 – Series C  
€315m



Nov. 22 – Growth Equity  
€250m



Apr. 22 – Growth Equity  
€185m



Oct. 21 – Series C  
€172m

DNASCRIPT

Jan. 22 – Series C  
€142m



Jun. 22 – Series B  
€160m



Mar. 22 – Series C  
€150m



Sep. 20 – Series C  
€140m



Jun. 22 – Series C+  
€133m



Jul. 22 – Series C+  
€130m



Nov. 21 – Series B  
€125m



Mar. 22 – Series D  
€122m



Feb. 22 – Series C  
€115m



Jan. 22 – Series B  
€107m



Jan. 23 – Series B  
€100m



Jun. 22 – Series B  
€95m



May 21 – Series B  
€82m



May 21 – Series C+  
€80m



May 22 – Series B  
€66m



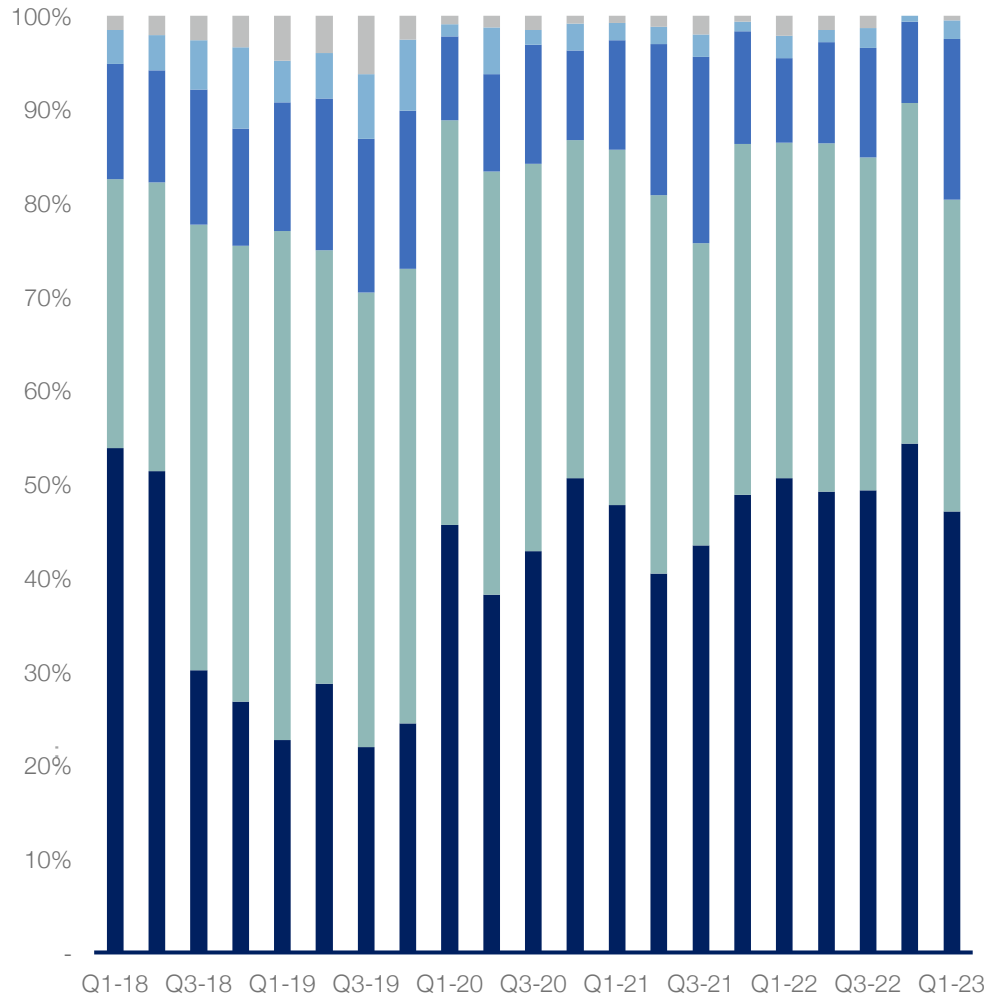
Sep. 22 – Series C  
€65m



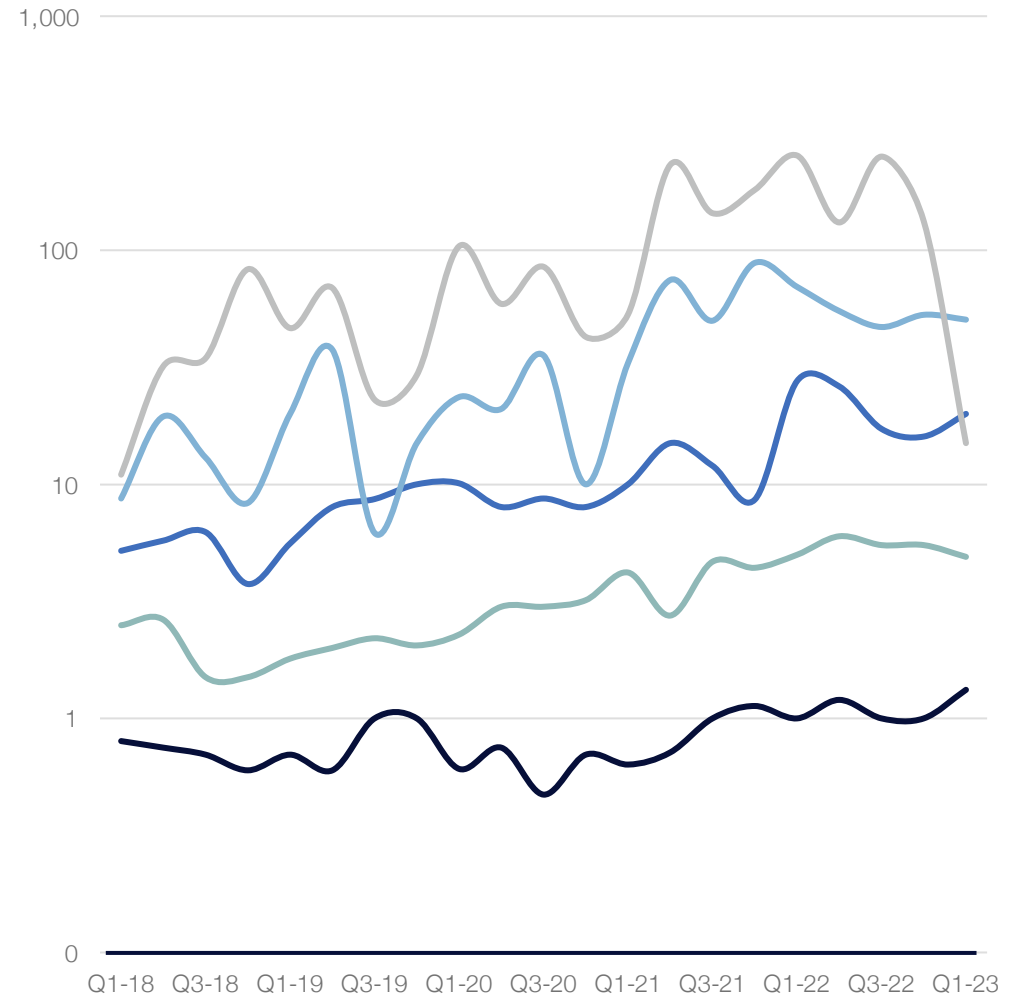
# VC trends

A surge in Series B in Q1-23 both in terms of distribution and in median amount

Distribution of deals (%)



Median amount (€m)



Seed Series A Series B Series C Series D+

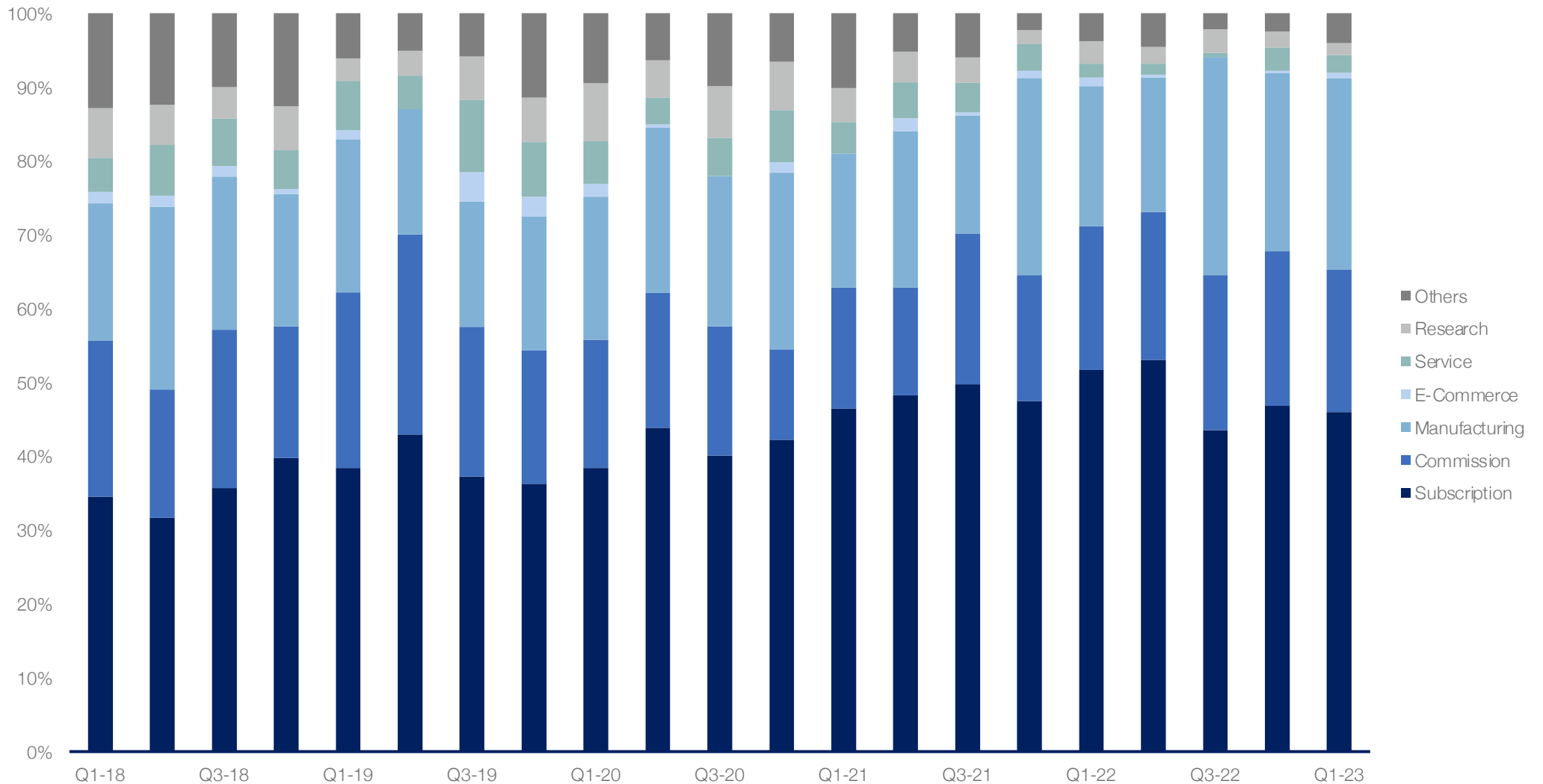
\*Note: In Q1-23, there was only one €15m Series D+



# VC trends

Manufacturing-based business models gained in capital attractiveness compared to Q4-22

Distribution of deals (%)



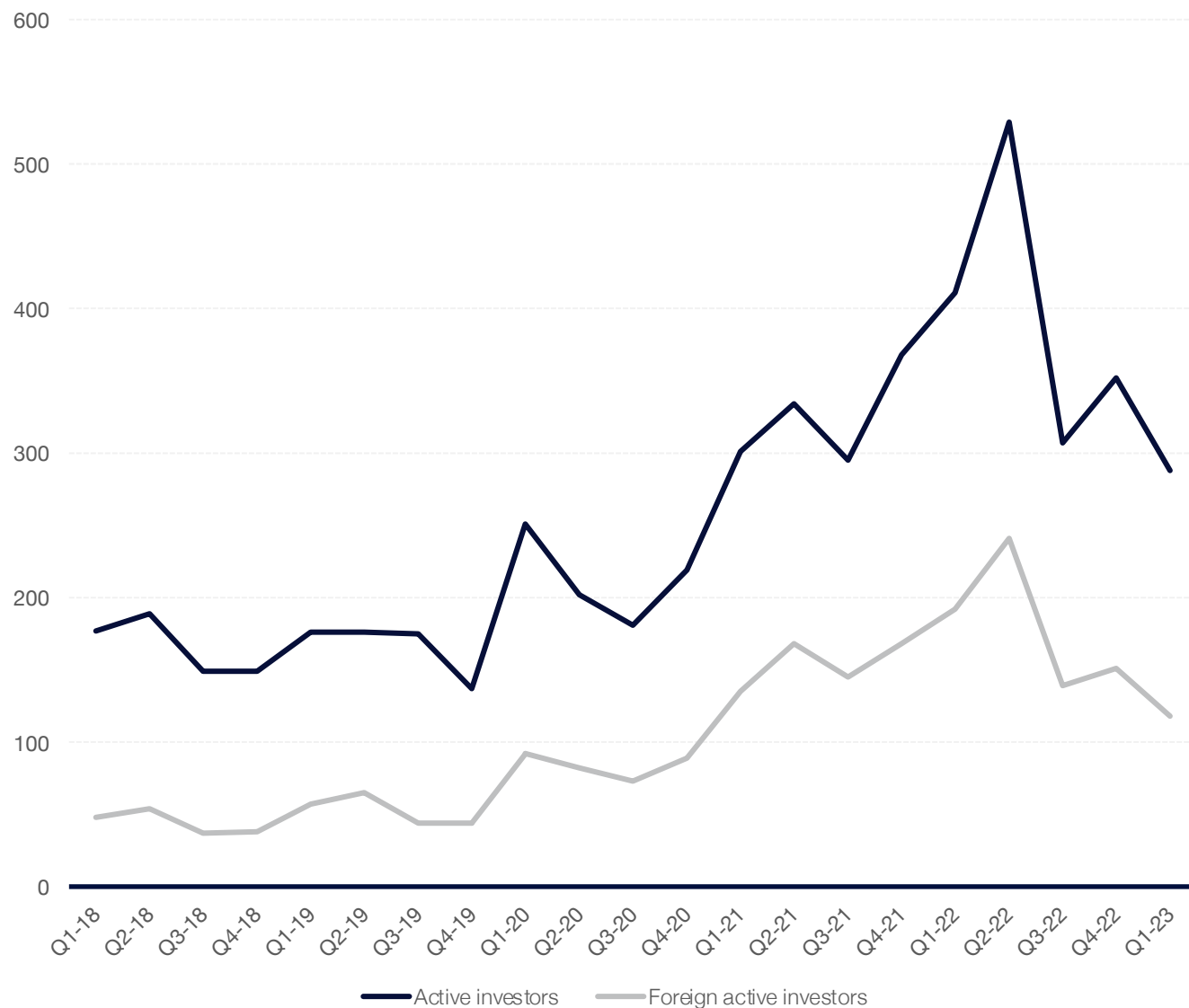
\*Note: « Others » category includes Performance, Retail, and Audience business models













# VC trends

288 active investors on the French market in Q1-23, back to the early 2021 trend

# of active investors (excl. business angels)



## Top 10 active VCs in Q1-23

1.		32 deals*
2.		9 deals
3.		6 deals
4.		5 deals
5.		3 deals
6.		3 deals
7.		3 deals
8.		3 deals
9.		3 deals
10.		3 deals

\*Note: includes debt deals

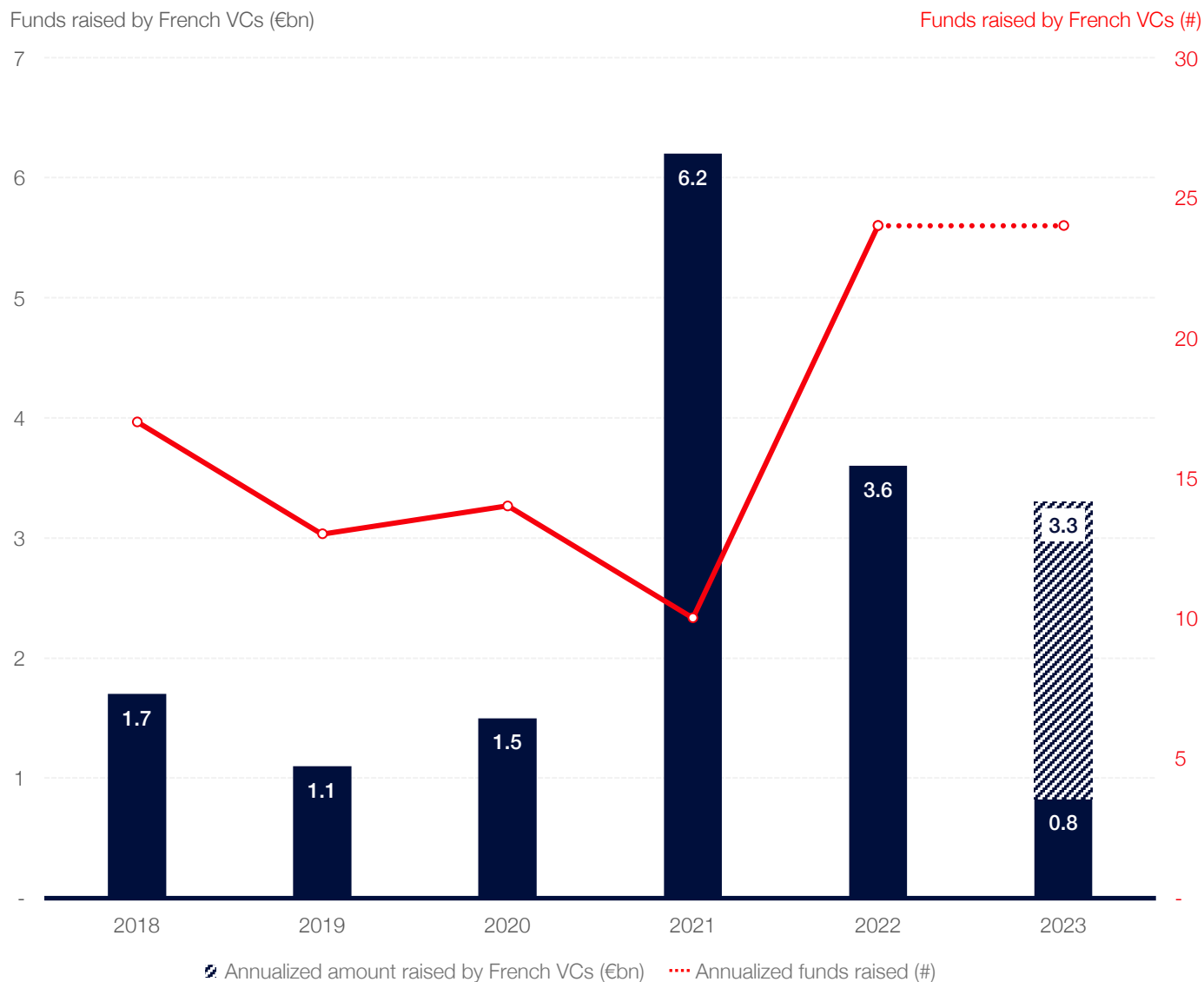







# VC trends

New funds size went back to pre-2020 levels with an average of €100m per new funds

**Total amount raised in 2023 will decrease by 10% if subsequent quarters look like Q1-23**

**Top 5 new VC funds raised in Q1-23**

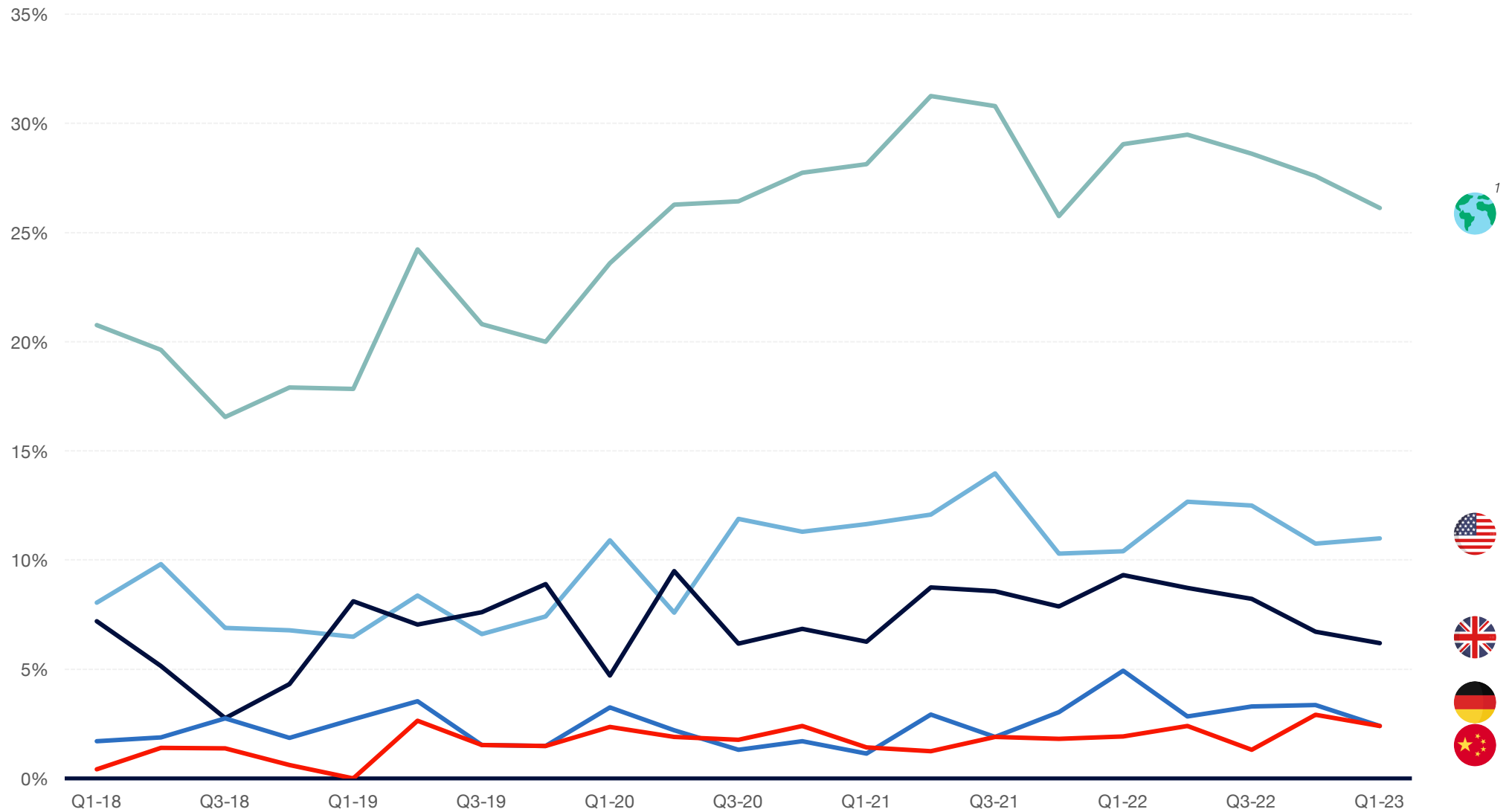


1.		<b>€245m</b> Raised in Feb. 2023
2.		<b>€200m</b> Raised in Mar. 2023
3.		<b>€170m</b> Raised in Mar. 2023
4.		<b>€50m</b> Raised in Mar. 2023
5.		<b>€36m</b> Raised in Mar. 2023



# VC trends

While North American VCs found appetite back for French companies, most other regions did not

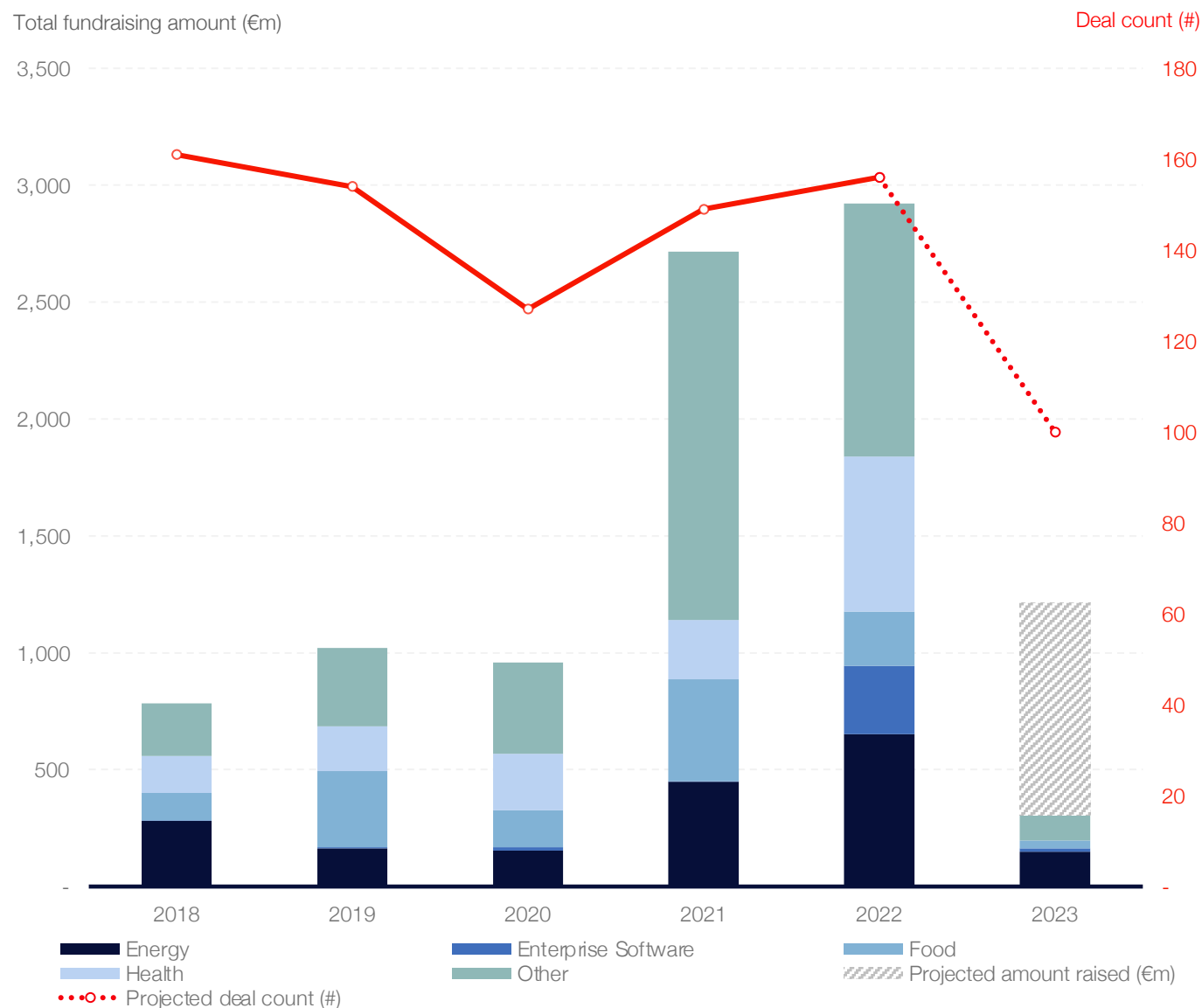


Note: This graph depicts the % of deals in which at least one investor of a specific country/region is participating  
<sup>1</sup>% of deals with at least one foreign investor



# VC trends

Although investments in Impact<sup>1</sup> companies surged in 2021 and 2022, it seems to slowdown in Q1-23



## Top 10 impact funding rounds in Q1-23

1.	<b>Lithium de France</b> GEOTHERMAL Unknown lead	€44m
2.	<b>AIREX</b> ENERGY Led by Cycle Capital	€35m
3.	<b>ZEWAY</b> Unknown lead	€27m
4.	<b>Greenly</b> Led by Sia Partners	€21m
5.	<b>Effy</b> Led by Felix Capital	€20m
6.	<b>hype</b> Led by Vinci Concessions	€20m
7.	<b>RENAISSANCE FUSION</b> Led by Lowercarbon Capital	€15m
8.	<b>Pili</b> Led by Bpifrance	€15m
9.	<b>bulane</b> Led by IRDI & Sofilaro	€14m
10.	<b>ALGAMA</b> Unknown lead	€13m

<sup>1</sup>Companies addressing one or more of the UN Sustainable Development Goals (SDGs)



# Tech exit trends

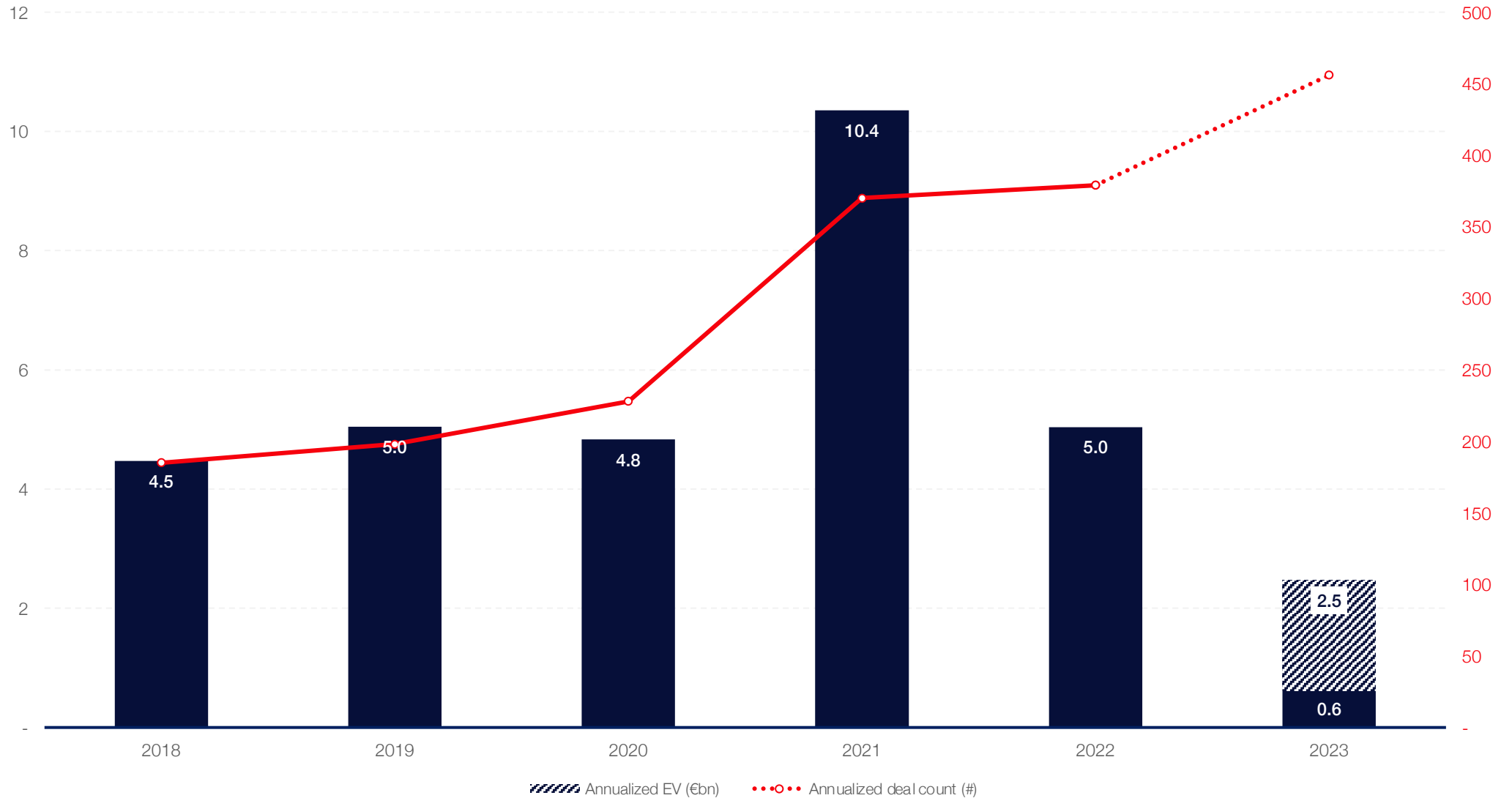


# Tech exit trends

French Tech saw a surge of lower-value exits in Q1-23

Total exit value (€bn)

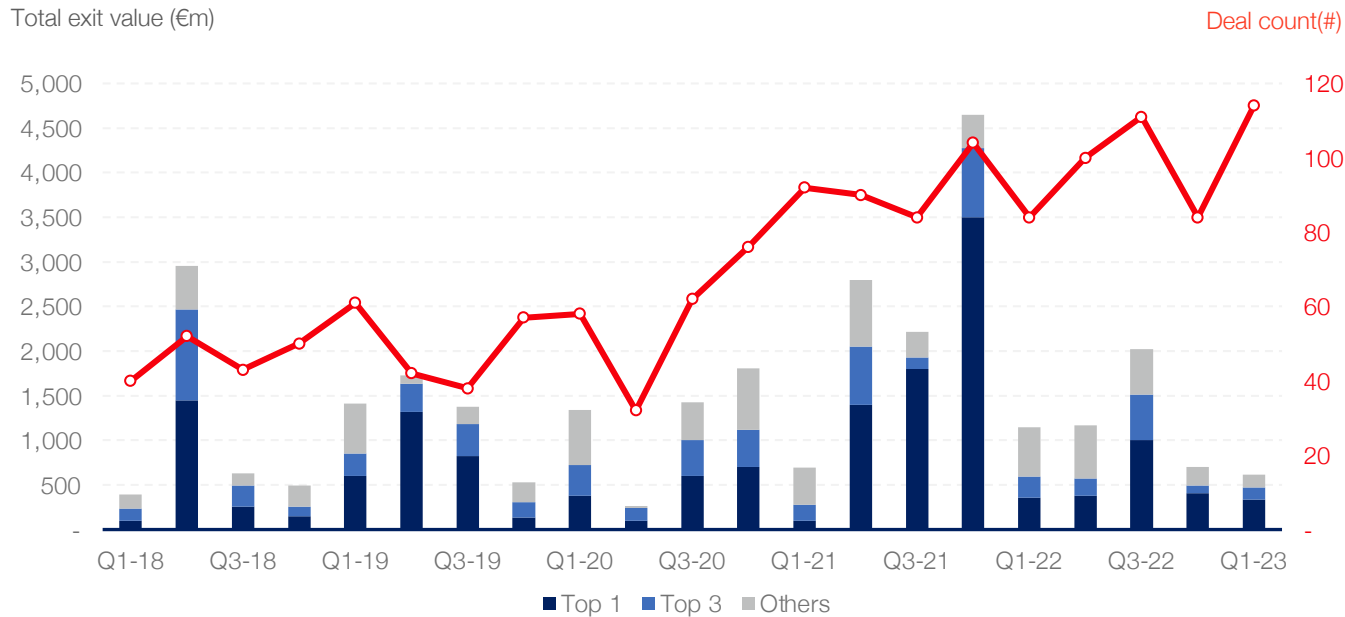
Deal count (#)



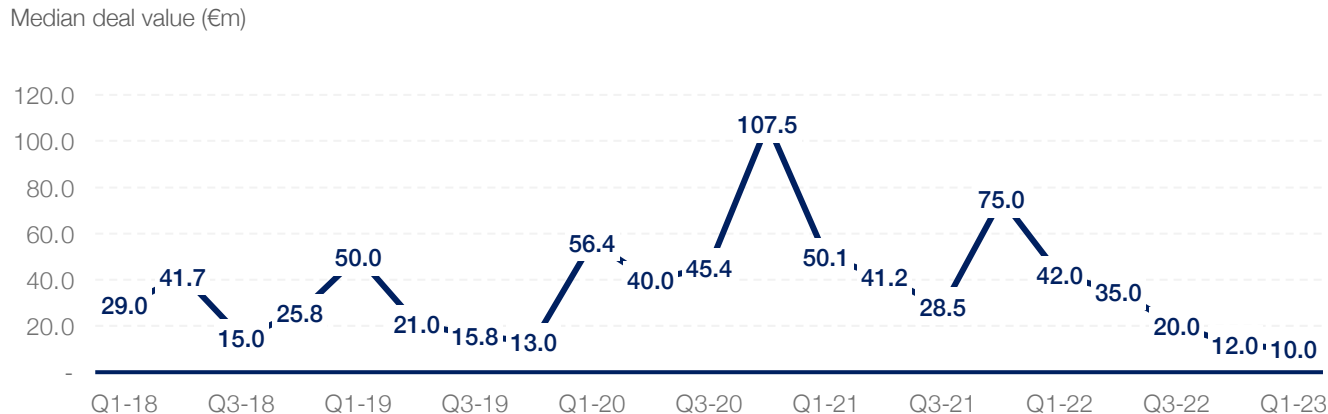
# Tech exit trends

French Tech ecosystem has never been that active than in Q1-23 but valuations dropped significantly

## Tech exit value declines compared to last quarter whereas number of deals increases



## Median exit deal value at an all-time low



## Top 5 tech exit deals in Q1-23

1.	<b>EQUATIV</b> by Bridgepoint	€338m
2.	<b>gandi.net</b> by TWS	€150m
3.	<b>pure gaming</b> by OFF Group	€35m
4.	<b>ika</b> by B&Capital	€35m
5.	<b>THÉLÈME</b> by EDL	€10m

\*Note: based on transactions with known valuations



# Tech exit trends

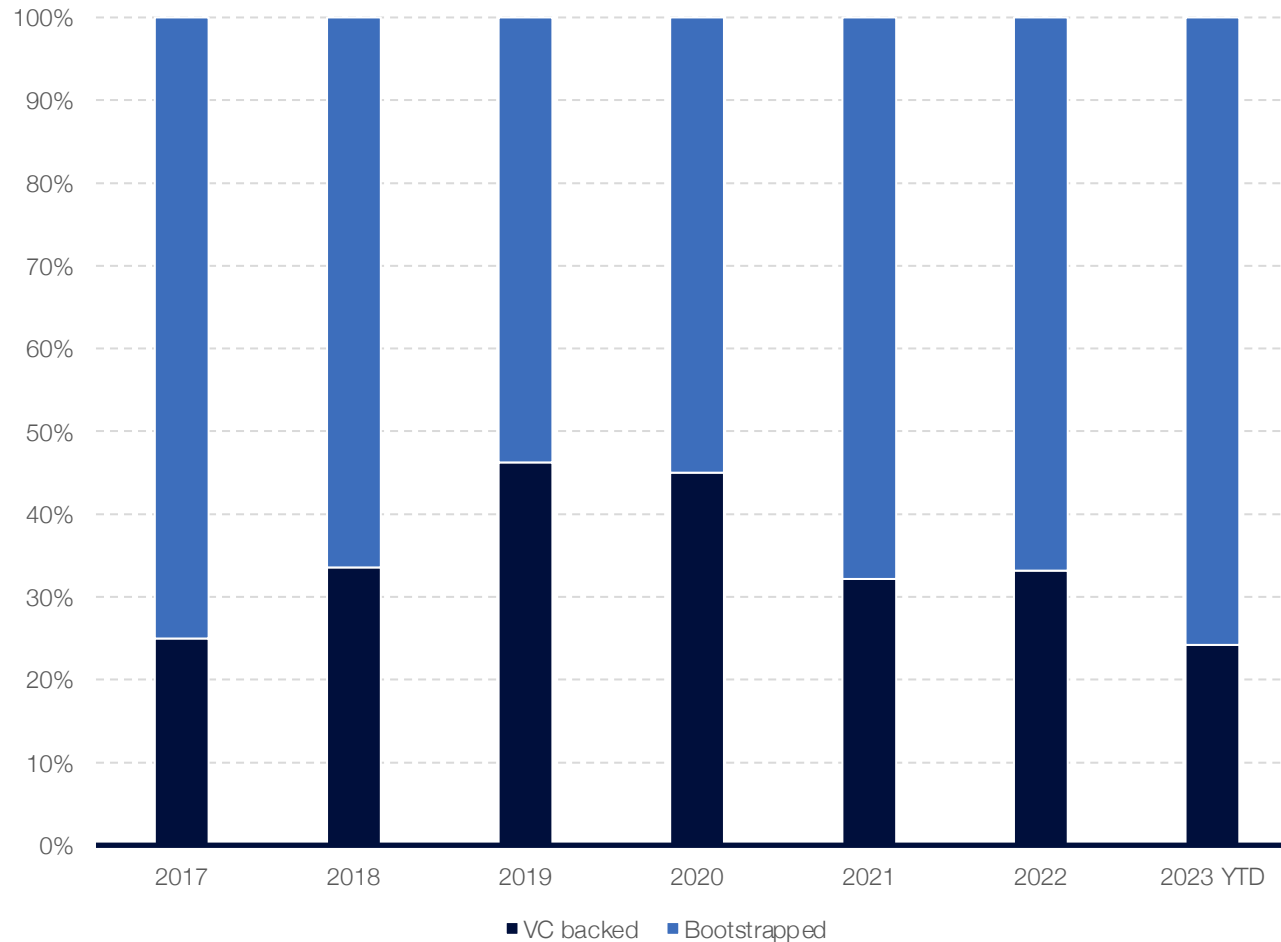
VC-funded startups represent only 25% of Tech exits in Q1-23

€3.6m

Median funding amount at exit

9y vs. 12y

Avg. age of funded companies vs. bootstrapped companies at exit



## Top 10 VCs by no. of exits in Q1-23

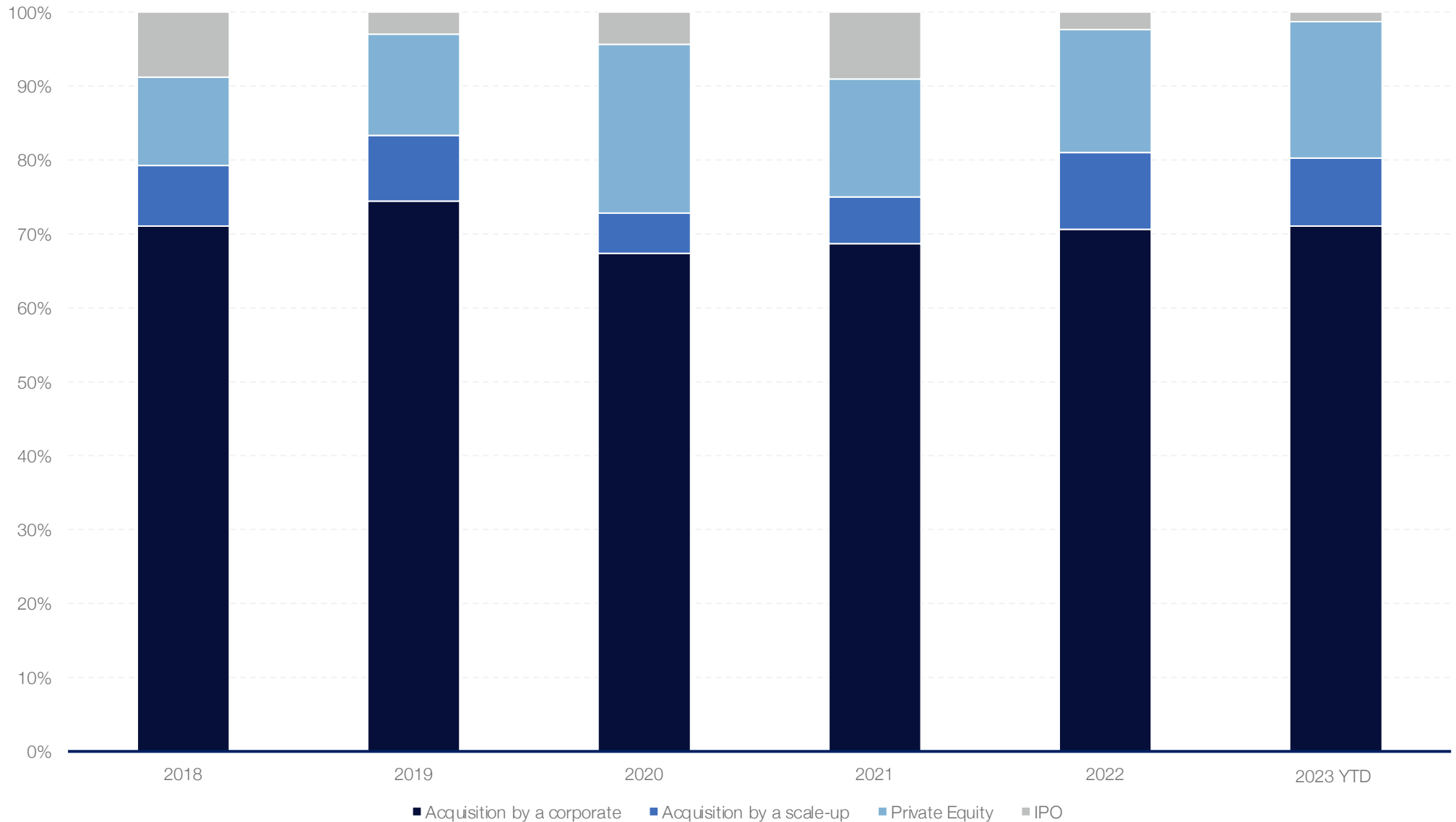
1.	<b>Crédit Mutuel Innovation</b>	6 exits
2.	<b>bpi france</b>	5 exits
3.	<b>EURAZEO</b>	3 exits
4.	<b>M-CAPITAL</b>	3 exits
5.	<b>newfund</b>	3 exits
6.	<b>OMNES</b>	2 exits
7.	<b>ENTREPRENEUR INVEST</b>	2 exits
8.	<b>alven</b>	2 exits
9.	<b>IDIA CAPITAL INVESTISSEMENT</b>	1 exit
10.	<b>krexixi</b>	1 exit



# Tech exit trends

Scale-ups and Private Equity firms are actively acquiring French Tech companies with 32% of all deals

Distribution of deals per acquiror type (%)

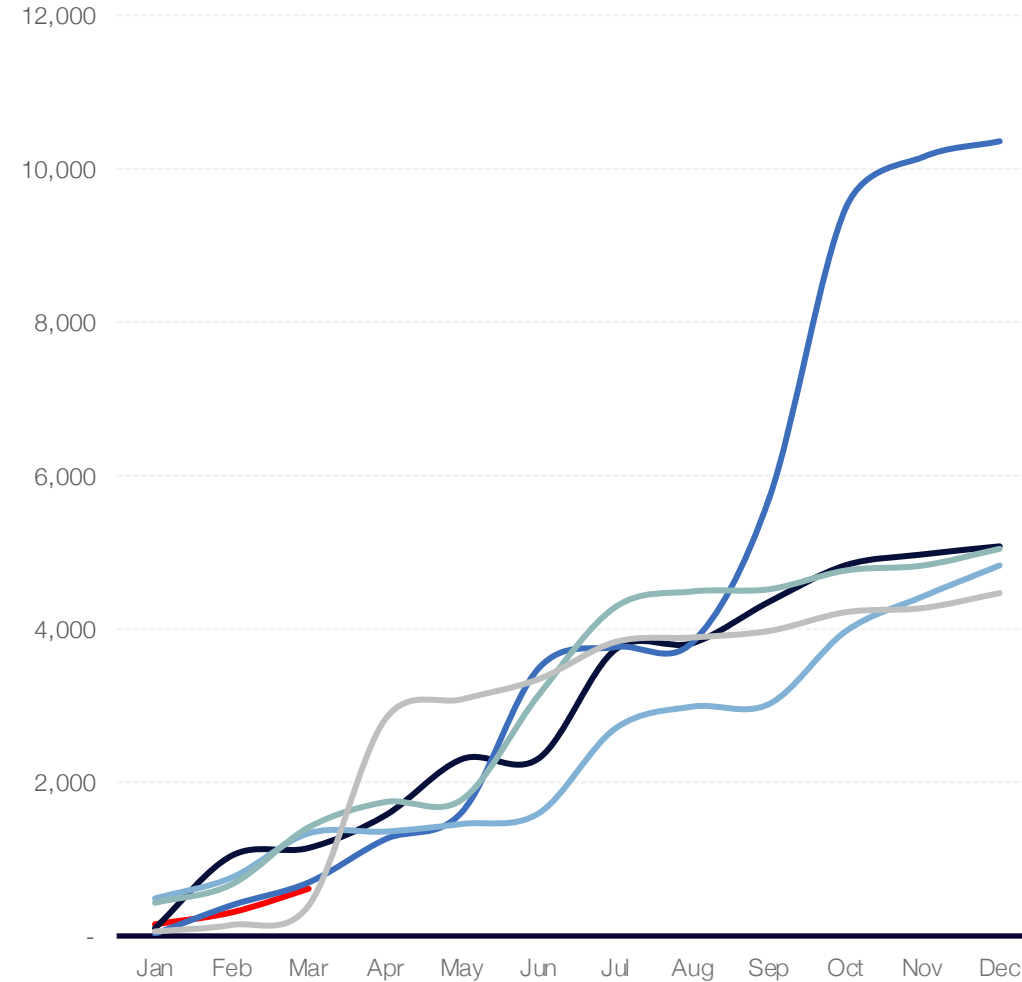


# Tech exit trends

Tech exits seems to be rather lower-value deals than in previous years

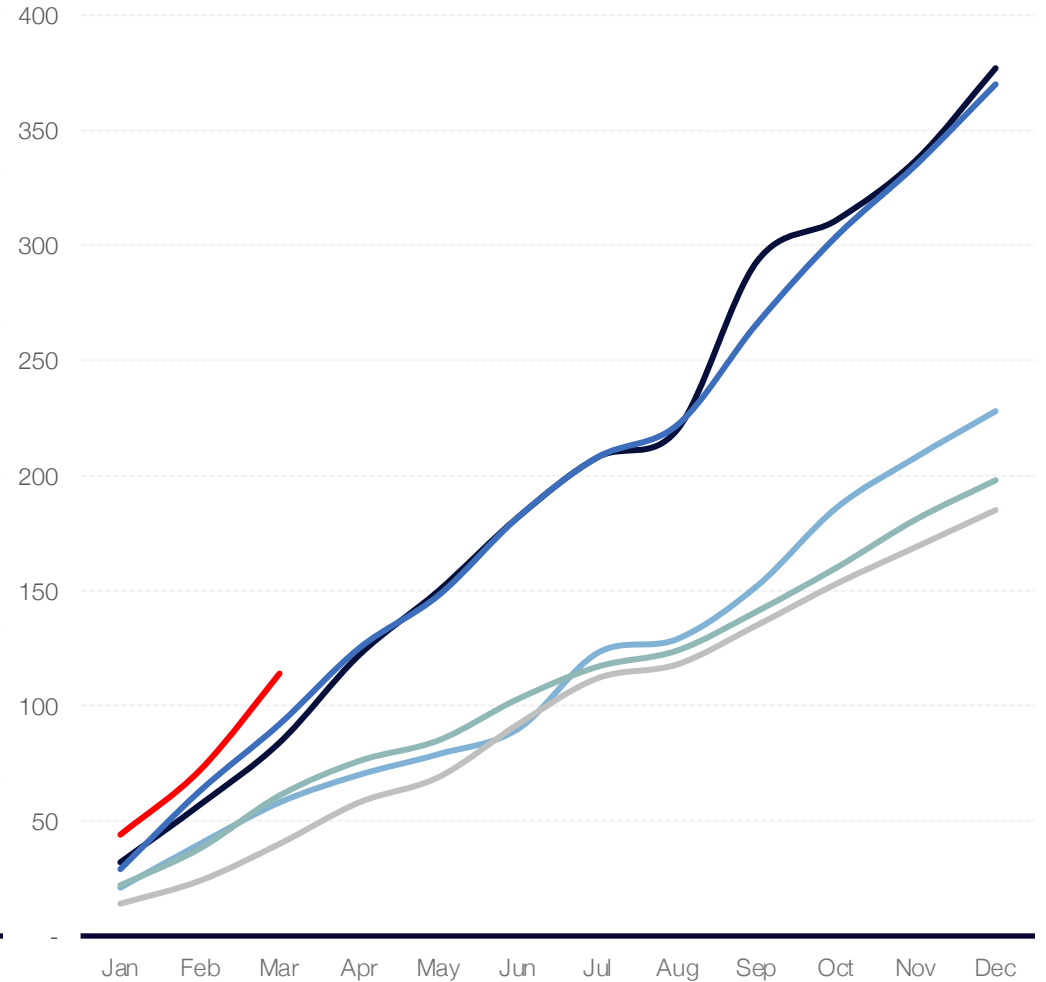
**A lower cumulative deal value in Q1-23 than in Q1-22 and Q1-21...**

Cumulated deal value (€m)



**... but an all-time-high start of the year in terms of deals activity**

Cumulated deal count (#)



2023 2022 2021 2020 2019 2018

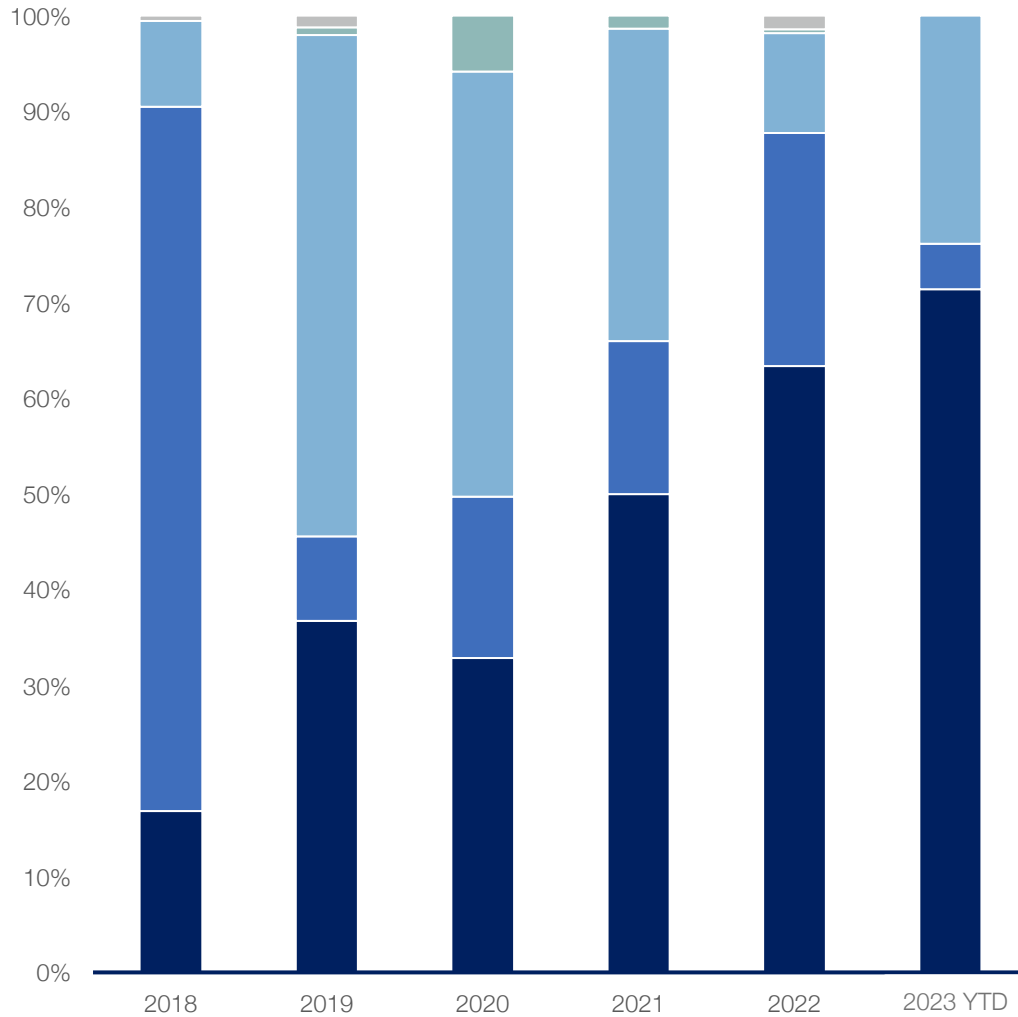


# Tech exit trends

European acquirers were the most active in Q1-23 under a deal value perspective

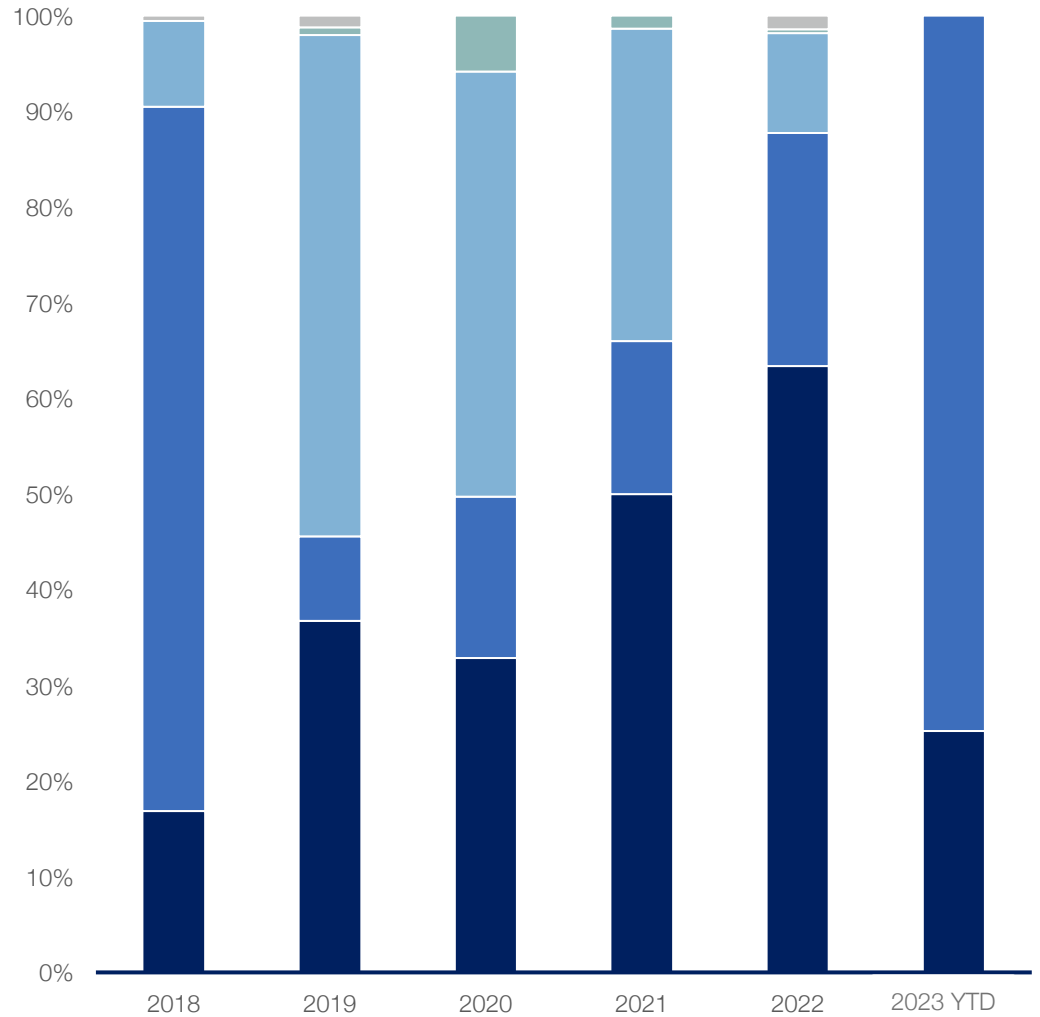
## In Q1-23, acquirors were mostly French...

Distribution by no. of deals



## ...but almost 80% were European in terms of deal value

Distribution by total exit value



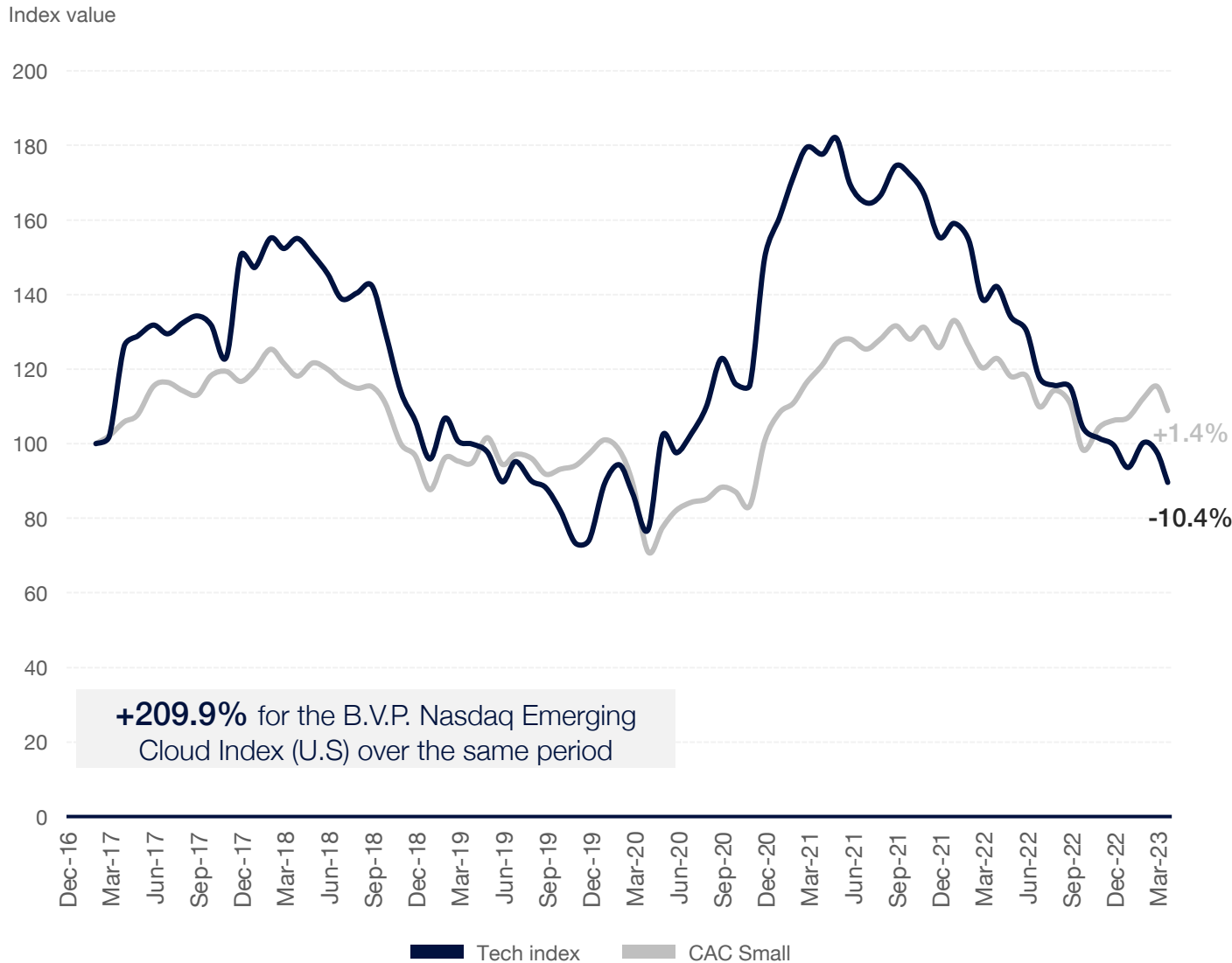
■ France ■ Europe ■ North America ■ Asia ■ Rest of the World



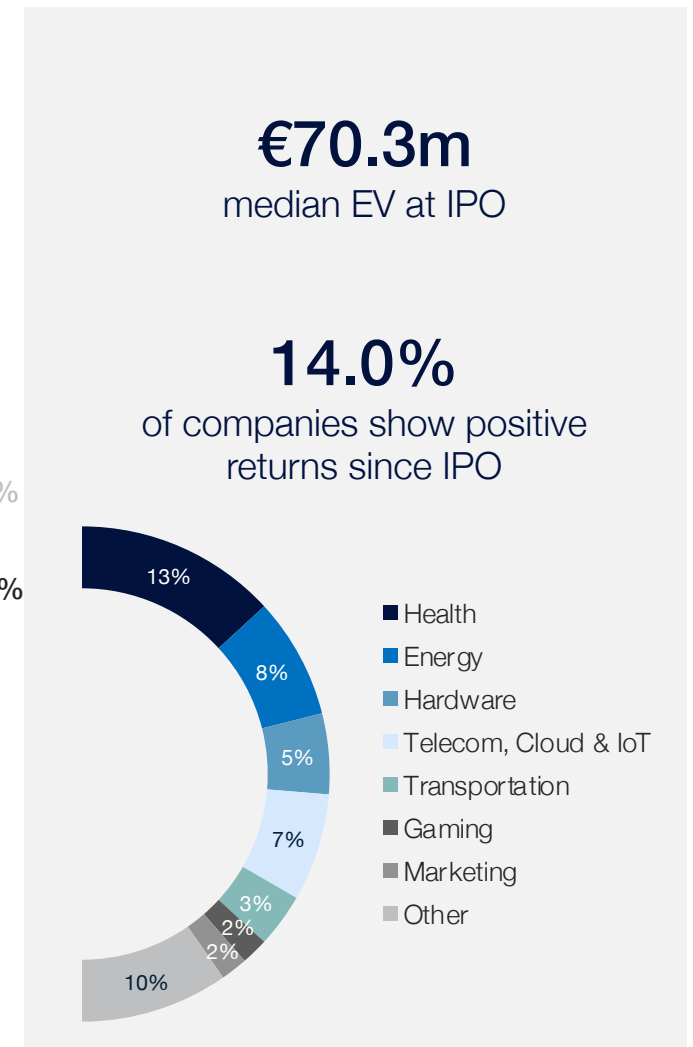
# Tech exit trends

Avolta's Public French Tech Index

CAC Small show slightly higher performance than Public French Tech companies



IPO characteristics & breakdown



<sup>1</sup>Index represents returns of an equally-weighted portfolio of all tech IPOs since Jan. 2017



# Methodology

Data, Data & Data.

## 1. Building a platform for tech corporate finance

We chose from the beginning in 2012 to be pan-European and data-driven. So, we built Avolta.io, a unique platform to automate processes and scale our ability to help fast-growing tech companies in Europe.

Our platform concatenates European deals in the tech Industry with information on valuation, revenues and structuration. We source this private data from our network of providers, business partners and investors, combining it with unique insights from our team of analysts.

## 2. Scope of research

### Business Models

- **Subscription:** SaaS or more traditional licensing revenue
- **Commission:** platform debiting a defined take rate from its flows
- **Manufacturing:** production and resale of goods
- **Performance:** built around usage from a recurring user community
- **eCommerce:** buy and online resale of goods
- **Retail:** resale of goods through brick-and-mortar shops
- **Audience:** traffic-based revenue
- **Service:** margin between labor cost and service invoice price
- **Research:** strong R&D focus to keep high barriers to entry

### Exit types

- **Corporate:** the acquiror is a corporate
- **PE fund:** the acquiror is a private equity fund (non-leveraged, LBO, MBO, OBO)
- **IPO:** Initial Public Offering through financial markets

## 3. Definitions

**Enterprise Value (EV):** calculated as Equity Value + Net Debt when legal information is found. Otherwise, estimated EV from several sources: Dealroom.co, Pitchbook, Pappers, CFNews, Avolta's private networks and public media.

**Avolta Tech Index:** composed of 2MX Organic, Adeunis, Advicenne, Aelis Farma, Affluent Medical, Alveen, Arcure, Balyo, Believe, Biom'Up, Boostheat, Broadpeak, Cabasse, Deezer, Don't Nod, ENENSYS Technologies, Energisme, ERYTECH Pharma, Exclusive Networks, FNP Technologies, Groupe Tera, Haffner Energy, Hopium, Hydrogen-Refueling-Solutions, Inventiva, Kalray, Keyrus, Kumulus Vape, Largo, Lepermislibre, Lhyfe, Lysogene, MaaT Pharma, Medesis Pharma, Munic, Nacon, namR, Nanobiotix, Navya, Obiz, Octopus Biosafety, Ordissimo, Osmosis, OVH, Oxatis, Predilife, Prodways, S.M.A.I.O, Spartoo, Theranexus, Toosla, UV Germi, Valbiotix, Vente-Unique.com, Vogo, Voluntas, Waga EnergyY.

## 4. Sources





# About Avolta

Leading tech M&A and fundraising advisor in Europe on €10-300m deals



- Leading tech advisor in Europe
- 120 deals for €2bn+ completed in 10 years
- All types of transactions (€10-300m deals)
  - M&A & LBO: 50% of our deals
  - Fundraising (Series A/B/C+) : 50% of our deals
- 60% cross-border deals
- 100% Tech companies, with major focus on:
  - Software
  - Sustainability
  - Fintech
  - Deeptech
  - Digital Services
  - Online Retail
  - Web 3.0 & Gaming



# Research team

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## Avolta

With 120 deals executed for €2bn in total over the last 10 years, Avolta is one of the most active Tech M&A advisors in Europe. Based on this expertise, Avolta's team of 20 people has maximised the value of each and every deal in terms of valuations and overall conditions – this due to its time-tested sectorial methodology and expert negotiating skills