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 3rd).

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. 4th, 2023
VC trends
VC trends

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

Total fundraising amount in Europe (€bn)

Germany leads mega-rounds in 2023 for now

Total no. of European unicorns (#)

€11.4bn
Total fundraising in Europe (2023 YTD)

Mega rounds > €100m (#)

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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

Total fundraising amount (£m) vs Deal count (#)

Average deal value has improved this quarter

Top 10 funding rounds in Q1-23

1. AMOLYT
   Led by ICG & Soffinnova (€130m)
2. LEDGER
   Led by 10T (€100m)
3. PASQAL
   Led by Temasek (€100m)
4. Led by Bpifrance (€60m)
5. Led by Bpifrance & Blisce (€54m)
6. AliraHealth
   Unknown lead (€53m)
7. Welcome to the Jungle
   Led by Cipio Partners (€50m)
8. Led by PrimaryBid (€46m)
9. Lithium de France
   Unknown lead (€44m)
10. The Exploration Company
    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)

<table>
<thead>
<tr>
<th>Cumulated deal count (#)</th>
</tr>
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</table>

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

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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?

Ynsect
Oct. 20 – Series C
€315m

VERKOR
Nov. 22 – Growth Equity
€250m

KPLER
Apr. 22 – Growth Equity
€185m

360Learning
Oct. 21 – Series C
€172m

DNA SCRIPT
Jan. 22 – Series C
€142m

ELECTRA
Jun. 22 – Series B
€160m

deeplki
Mar. 22 – Series C
€150m

sendinblue
Sep. 20 – Series C
€140m

platform.sh
Jun. 22 – Series C+
€133m

DiliTrust
Jul. 22 – Series C+
€130m

LOFT ORBITAL
Nov. 21 – Series B
€125m

akeneo
Mar. 22 – Series D
€122m

alma
Feb. 22 – Series C
€115m

Descartes Underwriting
Jan. 22 – Series B
€107m

PASQAL
Jan. 23 – Series B
€100m

HOMA GAMES
Jun. 22 – Series B
€95m

AGICAP
May 21 – Series B
€82m

malt
May 21 – Series C+
€80m

Pigment
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

*Note: In Q1-23, there was only one €15m Series D+*
Manufacturing-based business models gained in capital attractiveness compared to Q4-22.

*Note: « Others » category includes Performance, Retail, and Audience business models.
288 active investors on the French market in Q1-23, back to the early 2021 trend

Top 10 active VCs in Q1-23

<table>
<thead>
<tr>
<th>Rank</th>
<th>VC Name</th>
<th>Deals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>bpiFrance</td>
<td>32 deals*</td>
</tr>
<tr>
<td>2.</td>
<td>Calise des Dépôts</td>
<td>9 deals</td>
</tr>
<tr>
<td>3.</td>
<td>DEMETER</td>
<td>6 deals</td>
</tr>
<tr>
<td>4.</td>
<td>kima ventures</td>
<td>5 deals</td>
</tr>
<tr>
<td>5.</td>
<td>BNP PARIBAS Développement</td>
<td>3 deals</td>
</tr>
<tr>
<td>6.</td>
<td>XAngle</td>
<td>3 deals</td>
</tr>
<tr>
<td>7.</td>
<td>techmind</td>
<td>3 deals</td>
</tr>
<tr>
<td>8.</td>
<td>Super Capital VC</td>
<td>3 deals</td>
</tr>
<tr>
<td>9.</td>
<td>SOFIARO Capital Investissement</td>
<td>3 deals</td>
</tr>
<tr>
<td>10.</td>
<td>otium capital</td>
<td>3 deals</td>
</tr>
</tbody>
</table>

*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

Funds raised by French VCs (€bn)

Top 5 new VC funds raised in Q1-23

1. partech €245m Raised in Feb. 2023

2. elaia €200m Raised in Mar. 2023

3. SWEN Capital Partners €170m Raised in Mar. 2023

4. EMBLEM €50m Raised in Mar. 2023

5. Polytechnique Ventures €36m Raised in Mar. 2023

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VC trends

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

Although investments in Impact¹ companies surged in 2021 and 2022, it seems to slowdown in Q1-23

Top 10 impact funding rounds in Q1-23

1. Unknown lead
   - €44m
2. Led by Cycle Capital
   - €35m
3. Unknown lead
   - €27m
4. Led by Sia Partners
   - €21m
5. Led by Felix Capital
   - €20m
6. Led by Vinci Concessions
   - €20m
7. Led by Lowercarbon Capital
   - €15m
8. Led by Bpifrance
   - €15m
9. Led by IRDI & Sofiario
   - €14m
10. Unknown lead
    - €13m

¹Companies addressing one or more of the UN Sustainable Development Goals (SDGs)
Tech exit trends
French Tech saw a surge of lower-value exits in Q1-23

Tech exit trends

Total exit value (€bn)

Deal count (#)

2018 2019 2020 2021 2022 2023

4.5 5.0 4.8 10.4 5.0 2.5

Annualized EV (€bn) Annualized 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

Top 5 tech exit deals in Q1-23

1. **EQUATIV**
   - by Bridgepoint
   - €338m

2. **gandi.net**
   - by TWS
   - €150m

3. **pure gaming**
   - by OFF Group
   - €35m

4. **ika**
   - by B&Capital
   - €35m

5. **THÉLÈME**
   - 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. Crédit Mutuel Innovation 6 exits
2. bpi法国 5 exits
3. EURAZEO 3 exits
4. MG-CAPITAL 3 exits
5. newfund 3 exits
6. OMNES 2 exits
7. Entrepeneur Invest 2 exits
8. alven 2 exits
9. IDIA Capital Investissement 1 exit
10. kreaxi 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 seem 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…

… but an all-time-high start of the year in terms of deals activity
Tech exit trends
European acquirers were the most active in Q1-23 under a deal value perspective

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

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

Distribution by no. of deals

Distribution by total exit value

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Tech exit trends
Avolta’s Public French Tech Index

CAC Small show slightly higher performance than Public French Tech companies

IPO characteristics & breakdown

€70.3m
median EV at IPO

14.0%
of companies show positive returns since IPO

Index represents returns of an equally-weighted portfolio of all tech IPOs since Jan. 2017

+209.9% for the B.V.P. Nasdaq Emerging Cloud Index (U.S) over the same period

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

<table>
<thead>
<tr>
<th>Business Models</th>
<th>Exit types</th>
</tr>
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<tbody>
<tr>
<td>• Subscription: SaaS or more traditional licensing revenue</td>
<td>• Corporate: the acquiror is a corporate</td>
</tr>
<tr>
<td>• Commission: platform debiting a defined take rate from its flows</td>
<td>• PE fund: the acquiror is a private equity fund (non-leveraged, LBO, MBO, OBO)</td>
</tr>
<tr>
<td>• Manufacturing: production and resale of goods</td>
<td>• IPO: Initial Public Offering through financial markets</td>
</tr>
<tr>
<td>• Performance: built around usage from a recurring user community</td>
<td></td>
</tr>
<tr>
<td>• eCommerce: buy and online resale of goods</td>
<td></td>
</tr>
<tr>
<td>• Retail: resale of goods through brick-and-mortar shops</td>
<td></td>
</tr>
<tr>
<td>• Audience: traffic-based revenue</td>
<td></td>
</tr>
<tr>
<td>• Service: margin between labor cost and service invoice price</td>
<td></td>
</tr>
<tr>
<td>• Research: strong R&amp;D focus to keep high barriers to entry</td>
<td></td>
</tr>
</tbody>
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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.


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