



# EIC Growth Club

Fundraising Deep Dive – Digital  
July 2022



**Jean-Michel Deligny,**  
Chairman of the Selection  
Committee,  
Senior Advisor at Silverpeak

## 25+ year career tech investment banking, working with VC/PE-backed deep tech and software B2B companies

### Current Roles

- Senior Advisor, [Silverpeak](#) technology investment banking
- Head of the Selection Committee at [ScalingUp](#)  
*“Powering Series B/C investment in deep tech EIC companies”*
- Member of the Selection Committee of the [Tech Tour DeepTech](#)  
*“Investment and partnership around 45 selected growth companies”*

### Recent transactions

- (closing): >EUR 100m Series A fund-raising for [SiPearl](#) (semis, Europe)
- Nov 2021: sale of [Proximis](#) (B2B ecommerce software, France) to Planet (Ireland, Advent International portfolio company)
- Dec 2019: sale of [Playgiga](#) (cloud gaming platform, Spain) to Facebook (US)
- Sep 2019: EUR 19m Series A fund-raising for [AnotherBrain](#) (AI, France)
- Aug 2019: sale of [Sentryo](#) (industrial cybersecurity, France) to Cisco (US)

This is NOT about teaching you the ropes.

This is About:



1. Giving you the latest market data
2. Helping you figure out your priorities
3. Pooling our knowledge of LEAD investors



Let's make this session as interactive as we can!



# Agenda

- 01 The new reality of the funding environment
- 02 Lessons from EIC ScalingUp perspective
- 03 What does a lead investor look like?
- 04 Who can be lead in Europe?
- 05 Q&A
- 06 Guest speaker: Mikko Suonenlahti





**01**

# **THE NEW REALITY OF THE FUNDING ENVIRONMENT**

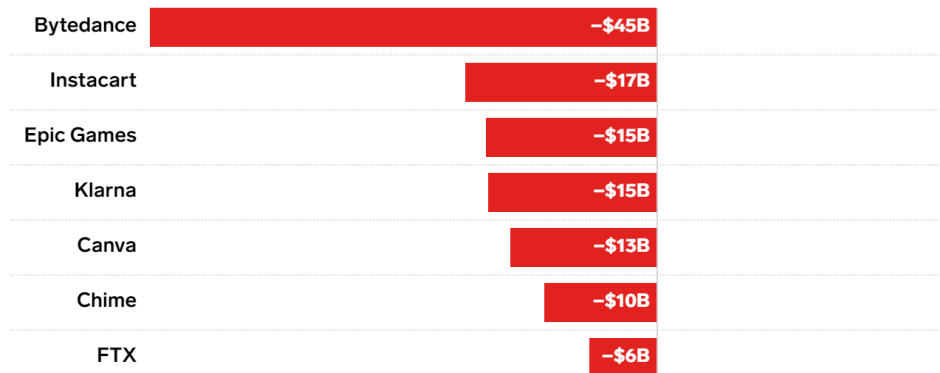
## 1. Recent Headlines

### Startup Founders Say Venture-Capital Investors Are Driving Harder Deals

'A 30% haircut right now is what we're seeing,' the co-founder of one startup said at the Collision tech conference in Toronto

*Source: WSJ, June 30, 2022*

#### Change in late-stage startup valuations, 2021–2022



*Source: Business Insider, June 21, 2022*

**Here's why some VC investors say an economic downturn can be good for digital health**

By Heather Landi • Jun 23, 2022 12:30pm

*Source: <https://www.fiercehealthcare.com/>*

*From visionary exuberance to rational austerity* ”  
“ (Balderton Capital)

## 2. The facts

- The macro situation is REALLY bad
  - Politics: democracies in crisis.. Covid.. Ukraine.. West vs China
  - Public policy (interest rates, end of QE): we are heading for a recession
- Tech markets are down.. CONSIDERABLY
  - IPO (= exit) -96% 2022-H1 vs. 2021-H1 US IPOs (\*source: Bloomberg)
  - Valuations >-30% YTD vs Nov 2021 all-time-high (\*\*source: NBC News)
- VCs (your clients) ARE reacting.. as they have their LPs on their back
  - Flat round is the new up round
  - Downrounds are going to become more common
  - More on that later...

### Sources:

\* <https://www.bloomberg.com/news/articles/2022-06-28/us-ipos-can-t-shake-2022-slump-after-thriving-through-pandemic>

\*\* <https://www.nbcnews.com/business/markets/stock-market-closing-numbers-june-30-rcna36229>

## 3. Why you have to change your plans... against your best instincts

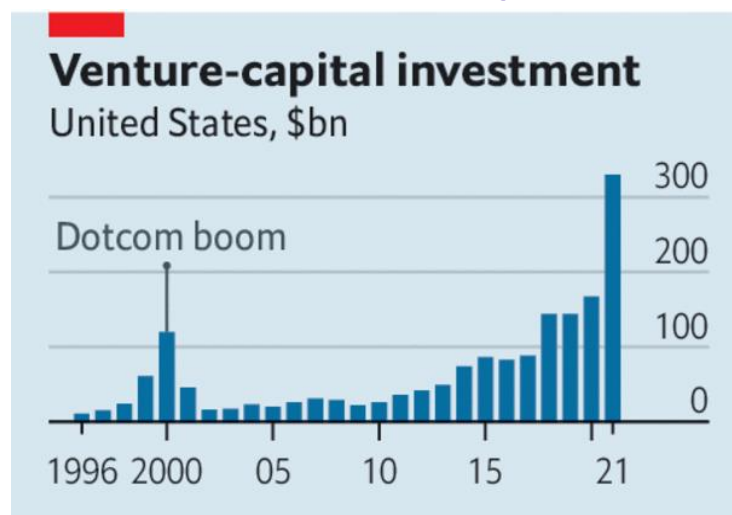
- Public markets are moving down... so what?
  - Market sentiment
  - LPs are hurting
- Deep tech is long term... so short-term market corrections don't apply
  - Fight to quality
  - Sudden obsession (and DD) on KPIs
- To be an entrepreneur is to be optimist... listening to this noise will only bring us down
  - Adapting, and fast, is key to survival
  - You cannot (and be seen to) ignore the changes in the investment market

And remember, many of you will only have known the good times...



## 4. We haven't seen the end of the bad news (1/2)

- Macro shocks: we've seen nothing yet
  - Economic recession as central banks policies play out
  - Slowing demand – which will impact you (eventually)
- Expect investment to divide by HALF OR MORE in \$ in the following 18-24 months...



- This will be a return to only 5 years ago

The Economist

## 5. We haven't seen the end of the bad news (2/2)

- Question: how quickly? how bad?
  - VC: late-stage -> early-stage
  - SaaS/marketplace -> deeptech (will crypto, QC, AI, Web3 survive as aspirational themes?)
  - US -> Europe
- For sure
  - Fewer investors will invest
  - Process will be elongated
  - You will have to rely on your existing investors much more
  - Investment terms will be crummy (dilution: from 15% to.. up to 40%)
- Consequences can be brutal... an illustration on next slide

€m	Before	Now	Actual	
Pre-Money	50	20	20	-60%
Raised	10	10	7	-30%
Post-Money	60	30	27	-55%
Dilution	17%	33%	26%	

## 6. What does it mean in practice?

- Bifurcation: "flight to quality"
  - Top companies will be heavily competed on by investors
  - Other companies will have a torrid time

*Q: which one are you?*

- Internal rounds will become VERY common
  - Cultivating your existing investors is even MORE important

*Q: how solid are your relationships with your existing investors?*

- Valuation will be under CONSIDERABLE pressure
  - Growing importance of **customer revenues, non-dilutive financing & reducing expenses**
  - **Uprounds** will become the **exception** - rather than the norm (for the next 18-24 months)
  - A **downround** is **preferable** to artificial pricing (funny terms)
  - Best defense of valuation is **what** is **needed for the next milestone** (post = amount raised /30% , +/-)

*Q: what is your valuation today, really?*

## 7. What does it mean for your plans?

- You need a NEW PLAN
  - Be seen as taking notice
  - CEO-led but all stakeholders involved (management + shareholders)
  - Communicate to all internally
- Investors expect to see 24 months of cash
  - Growth vs burn?
  - Hire freeze or RIF (Reduction In Force) - the new buzzword?
  - More emphasis on customer and/or public financing?
- KPIs are all what matters
  - Strength of vision is a given (not something to boast of)
  - It is all about accountability (KPIs) and efficient growth
  - You need to be very articulate about who will buy you (and your investors)
- (Credible) big exit is key





02

## LESSONS FROM THE EIC ScalingUP EXPERIENCE

## EIC ScalingUp: A Formidable Benchmarking Opportunity

## 1. The good: fantastic bunch

- By and large have raised EUR 10m or more, some much more
- All beyond market fit
- Good management teams

## 2. The bad: (too often) cut off from mainstream VC market

- Still below par compared to US peers
- Still not as well funded as US peers
- Still making newbies mistakes
  - PPTs are still too tech orientated and aspirational
  - Investors want to see tangible ROI

## 3. The top priorities

### 1) Narrative and visibility

- Simple narrative
- Invest in building reputation

### 2) Role of Board and NEDs

- Board (NEDs) and Advisory Board Members brings you credibility + access
- NEDs/Advisory Board members should lead you to investors
- Post investment, key to good governance

### 3) Finding a lead investor

- The only investors who matter are lead investors
- Narrative + NEDs -> investors
- Co-investors are nice but waste of time

## 3. And the rest

- 4) Collaborating with corporates
  - Key in deeptech as customers and investors
  - Corporate investors are fickle, but you should not avoid them
- 5) Identifying, recruiting and retaining talent
  - Technical AND business
  - Keeping a closely knit culture vs working across borders
  - Current environment are turning out to be plus
- 6) Partnering with others in Europe's deeptech ecosystem
  - Networking is key
  - Try to make it across borders
- 7) Navigating Europe's institutional challenges
  - European regulations - friends and foes
  - EIC vs EIB vs grants etc.





**03**

## **WHAT DOES A LEAD INVESTOR LOOK LIKE?**

# What does a lead investor look like?

## 1. Context

- You are generating lots of interest – so what?
  - You are in a hot space - investors want to learn
  - You are working the market - so, of course, you generate lots of interest
  - You are getting lots of inbound - investors are all about outbound marketing

# What does a lead investor look like?

## 2. Lessons:

- #1 You are not in the business of educating the market
- #2 An expression of interest doesn't mean that they are willing/able to invest
- #3 Once you have found a strong lead, finding co-investors will be easy...  
Not the other way round
- #4 Your time is your most precious resource

## 3. Prequalify investors you are spending time with

- Once they are interested, it will be difficult to say NO
- Screen
  - Do they have the money?  
*Size: fund size & AUM*  
*Years of investment remaining/ Years in fund*
  - Interests/ Domain expertise (aligned with your business?)  
Are they conflicted?
- Benchmark.. Early
  - Check with your existing investors
  - Speak to your peers.. Reputation with other CEOs

## 4. Know who you are dealing with (the GP you are speaking to)

- Do they understand your business?
  - Domain expertise
  - Empathy with your approach to challenges
- Do they have the conviction?
  - Domain knowledge
  - Chemistry
  - Ability to carry the IC
- Are they able to produce valuation and terms quickly?
  - Amount they would be prepared to invest (30% of more of the round)
  - Pre-money (and rationale)
  - Terms (liquidation preference, downround protection)
- Process/ Timeline/ Approvals (how does the IC work?)



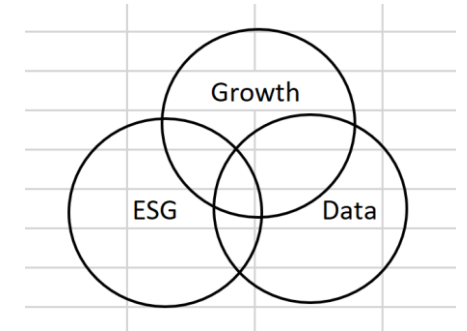


04

WHO CAN BE LEAD IN EUROPE?

## The power of mapping

- Forces you to focus on
  - Existing relationships
  - Financial investors which may be lead
  - Corporate investors who are relevant in the light of your GTM strategy
- Of course, every company will have a different map
  - Think through which investment themes you hit – build your Venn diagram
  - Start in your home country - where web of your relationship should be the closest
  - Then prioritize geographies depending on your strategy x the power/relevance of investors
  - US should be first US investors who are already active in Europe (preferably with a local team)
- The map will change over time
  - Depending on past experiences and meetings
  - Depending on how you progress – and how the investor market changes



# Who can be lead in Europe?

## GOLDEN RULE

**#1 Avoid direct contact (except at conferences)**

**Always use a QUALIFIED intro**

**#2 Speak to GP, not analyst/ associate**

# Examples of possible lead investors in Digital: Financial Investors (1/2)

Target List So Far: 74	UK 22	Fra 16	DACH 10	Benelux 11	Scandi 4	S Europe/CES 4	US in Europe 7
<b>EXISTING RELATIONSHIPS</b> Existing Investors Special Relationships				EIC Fund EIB			
<b>FINANCIAL INVESTORS</b> <b>PE/Growth Capital</b>	Carlyle Mayfair One Peak Vitruvian	Cathay Capital Eurazeo					Highland Insight
<b>Venture Capital</b> Large VCs	Atomico Molten Octopus	Cathay Innov Iris Capital Partech	Earlybird Lakestar	Prime	EQT Ventures		BVP
Smaller, opportunistic VCs	Beringea Dawn Capital DN Capital Talis	360 Capital Kreaxi Omnes Ventech Xange	BtoV Partners			Adara Amilar United Ventures	
Specialists	Atlantic Bridge Bloc Ventures CIC OSI Parkwalk Redline Seraphim	C4 Ventures Jolt Capital Quantonation Tikehau ACE	Creathor eCapital Join Capital MIG Vito	Cottonwood Expon Capital Innovation Ind KBC	OpenOcean	Almaz	Nanodimension

## Examples of possible lead investors in Digital: Financial Investors (2/2)

Target List So Far: 74	UK 22	Fra 16	DACH 10	Benelux 11	Scandi 4	S Europe/CES 4	US in Europe 7
<b>OTHER INVESTORS</b>							
<b>Public Funds</b>	BGF Ventures	Bpifrance	DTFF	Invest-NL PMV SFPI-FPIM	Tesi Vaeksfonden		
<b>Hedgies/SWFs</b>	DST Temasek						Coatue Softbank/VF Tiger Global
<b>HNWIs/Family Offices</b>	Thetys	Invus	B-Flexion	SPDG			



## Examples of possible lead investors in Digital: Corporate Investors

Region 44	Internet/ALL 11	Semis 10	Telecoms/Suppliers 6	IOT 8	Auto OEMs 9
<b>Europe</b>	Robert Bosch VC SAP/Sapphire Siemens/Next47	Infineon Ventures NXP	Ericsson Orange Ventures Swisscom Ventures	Breed Reply Hermes SEB Alliance	BMW Porsche/VW Daimler Renault Stellantis
<b>US/ROW</b>	Amazon/AWS Microsoft M12 Salesforce	Hitachi Ventures Samsung Ventures Dell Tech Ventures Intel Capital NTT Docomo Sony	Huawei	Cisco Ventures	Ford GM Ventures
Region	Auto Suppliers	Aero	Robotics	Chemicals	O&G
<b>Europe</b>	Continental Castrol Valeo Plastic Omnium Faurecia	Airbus Ventures Safran Ventures	Groupe Gorge ABB Tech Ventures	BASF Ventures Evonik Ventures Henkel Ventures	Total
<b>US/ROW</b>				SABIC	SAEV



# 05 Q&A

Y Combinator	Letter to founders	May 2022
	<a href="https://techcrunch.com/2022/05/19/yc-advises-founders-to-plan-for-the-worst/">https://techcrunch.com/2022/05/19/yc-advises-founders-to-plan-for-the-worst/</a>	
Sequoia Capital	Adapting to Endure	May 2022
Balderton Capital	Managing Through Turbulent Times	June 2022

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