



Mind the Bridge

crunchbase

TECH STARTUP M&As

2018 Report

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TECH STARTUP M&As

2018 Report



Launched in 2015, Startup Europe Comes to Silicon Valley (SEC2SV) brings together annually the most relevant founders, corporates, investors, and policy-makers from the EU entrepreneurial ecosystem and Silicon Valley in engaging meetings and workshops, forging meaningful long-term relationships.

Created and organized by Mind the Bridge with the support of Startup Europe and EIT Digital, SEC2SV is the flagship pan-European program in Silicon Valley supported by the European Commission and European Parliament. A week-long program of high-level activities organized around the European Innovation Day conference.

Past participants have included: the best 15 year EU scaleups expanding to the US; Elżbieta Bieńkowska, EU commissioner for Internal Market, Industry, Entrepreneurship and SME's; Günther H. Oettinger, EU Commissioner for Budget and Human Resources; Julie Hanna, US Presidential Ambassador for Global Entrepreneurship; Věra Jourová, Commissioner for Justice, Consumers and Gender Equality; Oona King, Director of Diversity Strategy, Google; Henry Chesbrough, the Father of Open Innovation.

www.sec2sv.com



Report Highlights

✓ **How many startups make an exit?**

We've tracked about 22,000 startup exits worldwide since 2010 for a total value of about 1.2 trillion dollars.

✓ **The US and Europe still control the majority of deals and capital**

86% of the transactions, and 80% of the money spent, involved startups from North America and Europe.

✓ **M&A startup activities flattened in 2018**

We recorded about 4,200 exits and \$220B spent in the last 12-months period, a comparable amount to 2017. This consolidation comes after the strong increase that has been tracked in 2017 (+29% YOY growth) that represented a substantial change of pace over the prior years.

✓ **Europe slows down the Startup M&A market**

We recorded a significant contraction in Europe, with less M&A transactions (an 11% decrease in volume), and a concurrent decrease in deal value of 30%, while the rest of the world has shown flat numbers.

✓ **US companies acquire 2x more startups than European companies**

A total of 12,780 deals have been completed by US companies on the "buy" side representing 68% of all the transatlantic transactions. US companies have acquired approximately 2 times more startups than European counterparts.

✓ **M&As across the pond are slightly decreasing**

Compared to last year, European companies seem to look more at the European ecosystem for M&As. 81% of the acquisitions refer to domestic startups (versus 75% last year). Are these early signs of the global wave of protectionism or does it reflect the growing maturity of the Old Continent startup ecosystem.

✓ **Not all startup ecosystems show a "M&A balance"**

North America and the US overall show only a slight M&A imbalance between number of exits and number of acquisitions in favour of the latter. On the contrary, Europe is still characterized by more exits compared to acquisitions. Israel confirms to be a "net seller" of startups while South Korea, China and Japan are "net acquirers".

✓ **US and Silicon Valley run the M&A show**

22 out of 30 of the world's top acquiring companies are from the US (the top 10 are all US-based) with 13 from Silicon Valley.

✓ **Say Europe, Say United Kingdom**

The UK confirms to be the "exit" capital in Europe. Followed, at a distance, by Germany and France.

✓ **IT & Software are the most acquisitive industries**

The most active sector is IT & Software, followed by Finance and Banking and Pharmaceutical industry.

✓ **Software and Life Science Startups to see most deal action**

Looking at the sell side, Software (including Enterprise solutions) and Life Science attract the largest share (40%) and value (53%) of M&A transactions. Advertising and Artificial Intelligence and Big Data are also relevant and growing.

✓ **Which is typical profile of a startup that makes it all the way to the exit?**

On average acquired startups have between 50 and 100 employees. The majority (55%) are acquired between 5 and 15 years after founding and have raised between \$10 and \$100M. The average (median) acquisition price is about \$65M.

✓ **Investment Returns?**

59% of the exited startups don't return the capital invested, while only 24% return more than a 3x multiple. European startups tend to return more capital than the US peers (0.85 vs. 0.67).



Buying Startups for companies means Importing Innovation



ALBERTO ONETTI
Chairman, Mind the Bridge



GENÉ TEARE
Head of Content, CrunchBase

As established companies look to remain competitive and extend their life cycle, acquisition becomes a more viable and attractive strategy. Not the only one¹, but surely the fastest route in a world when time is the most valuable resource.

M&A deals are a boon for startups as well. No exit, no party, as we're used to saying. While launching a thriving self-supporting business is still the end-goal for any startup, a buyout from a large company can render that problem irrelevant—or at least less urgent. And return the capital to investors, hopefully with a decent multiplier, thus, M&As are a key component of the startup economy.

The M&A market is large and complex and coming to grips with it from a macro point of view requires looking at a very big picture that can be quite intimidating at times. This involves asking some key questions: Are there worldwide trends we can find for startup exits? What are the conditions under which companies sell and buy, and how do they change by region? Who are the top startup acquirers and where do they come from? Which industries are more active? Which technologies and verticals are attracting the interest of buyers? What is the typical profile of a startup that makes it all the way to the exit?

In seeking to answer these questions Mind the Bridge has dug even deeper into the Crunchbase database to try to collect more data points and trends.

The result is our new report, "Tech Startup M&As", which will as usual be presented at the European Innovation Day Conference on September 11th in Mountain View (CA), the flagship event of the fourth edition of Startup Europe Comes to Silicon Valley.

SEC2SV is an annual week-long program that brings together entrepreneurs, managers, investors, and policy-makers from both sides of the pond work together to identify best practices and practical ways to foster innovation. This report seeks to inform and advise participants with the best possible information and analysis in order to encourage effective solutions and outcomes to the conference.

San Francisco, September 2018

¹ - For an overview of various approaches to open innovation by corporates, refer to: Mind the Bridge & Nesta, *Open Innovation in Europe*, 2017.

Sponsor Welcome



MATTEO DASTE
Partner
Orrick, San Francisco



OLIVIER EDWARDS
Senior Counsel
Orrick, Paris

We are pleased to have the opportunity to share with you the 2018 “Tech Startup M&As” report for this year edition of Mind the Bridge’s SEC2SV.

From our position as a global tech law firm, our dedicated Europe - Silicon Valley Desk continues to witness important deal flow trends impacting Europe and the Bay Area.

In addition to the trends highlighted last year, which still hold true, we are observing the following developments:

- 1 Larger Bay Area tech companies are increasingly looking for engineering talent in Europe, with particular focus on higher-skill, lower-cost opportunities in Eastern and Southern Europe, but also in countries that, like France, provide strong tax credits to finance R&D and €1 interest free loans for every €1 invested in equity. This seems to be the driver behind numerous, smaller “acquihires” involving either dual companies, or single entity companies that are only based in Europe. These acquisitions do not necessarily bring to the purchaser an existing market-ready product, but do offer the prospect of adding a team with technical prowess and with the capability of replicating their prior work within the context of a larger enterprise based in Silicon Valley.
- 2 The quality of teams moving from Europe to the Bay Area seems to be higher than ever, given the investment threshold required to enter the market.
- 3 European companies and investors continue to seek connections with the Bay Area, not only by establishing local hubs but also via partnerships and strategic alliances with existing Bay Area operators.
- 4 Venture investing continues to globalize, and the volume of transcontinental deal flow remains quite strong.

Technology markets in both Europe and the Bay Area have continued to grow in the past 12 months.

The trends outlined above may signal that, in the future, new business paths and fluid interactions between Silicon Valley and Europe may emerge alongside those traditional channels that are anchored around specific geographies.

Editor Note

This study is based on the Crunchbase dataset. The study is not exhaustive, however, we believe that the present research is based on a representative set of companies that allow the collected results and trends to be generalized to a larger population.

To finalize the research, we analyzed approximately 56,000 M&A transactions worldwide, completed since 2010, and tracked in Crunchbase. Since the focus of the research is on acquisitions of startups (as indicated in the Methodology), we restricted the analysis to 21,844 M&A transactions.

The research is mainly focused on acquisitions of US and European startups performed by US and European companies (18,696 M&A transactions). Data about acquisitions of startups from other regions as well as acquisitions of US and European startups performed by non-US and non-European entities are also included. For more details see Methodology.

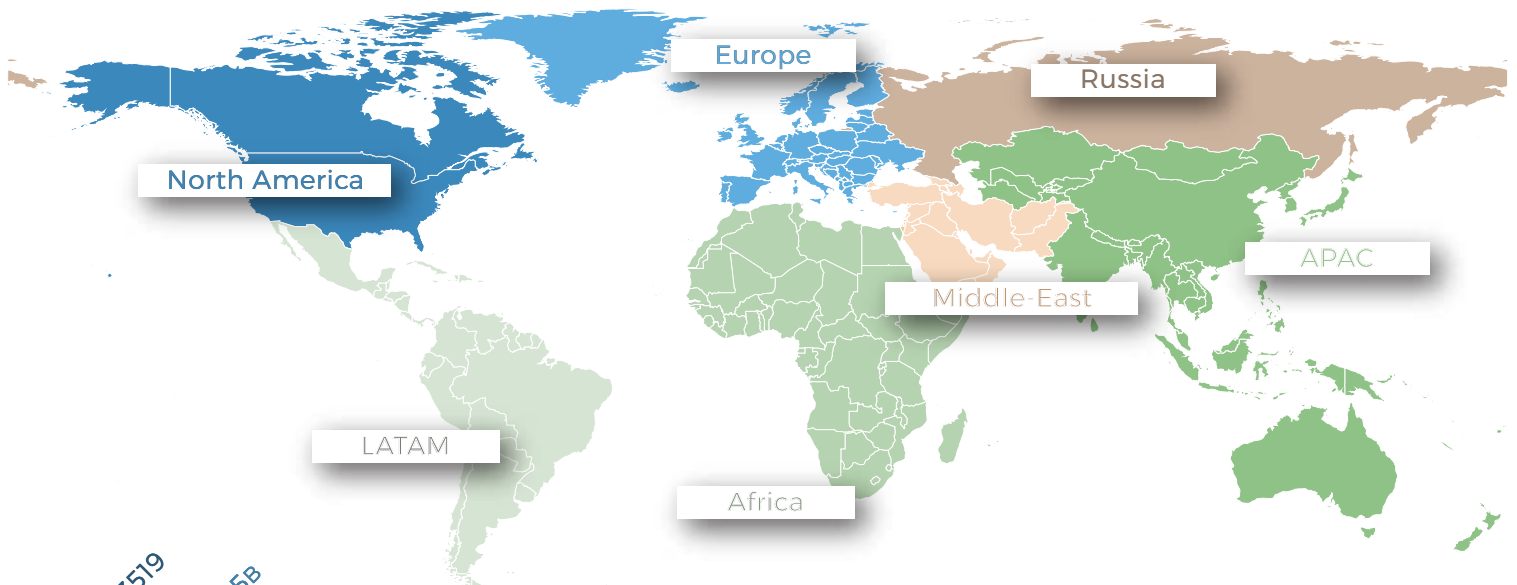
M&A transactions completed after July 30th, 2018 are not included.

It is also important to note that, when we refer in the report to M&A (deal) values, we are referring to acquisition prices. Numbers include only transactions with disclosed amounts (3,328 deals), which constitute 15.2% of the total number of analyzed transactions.

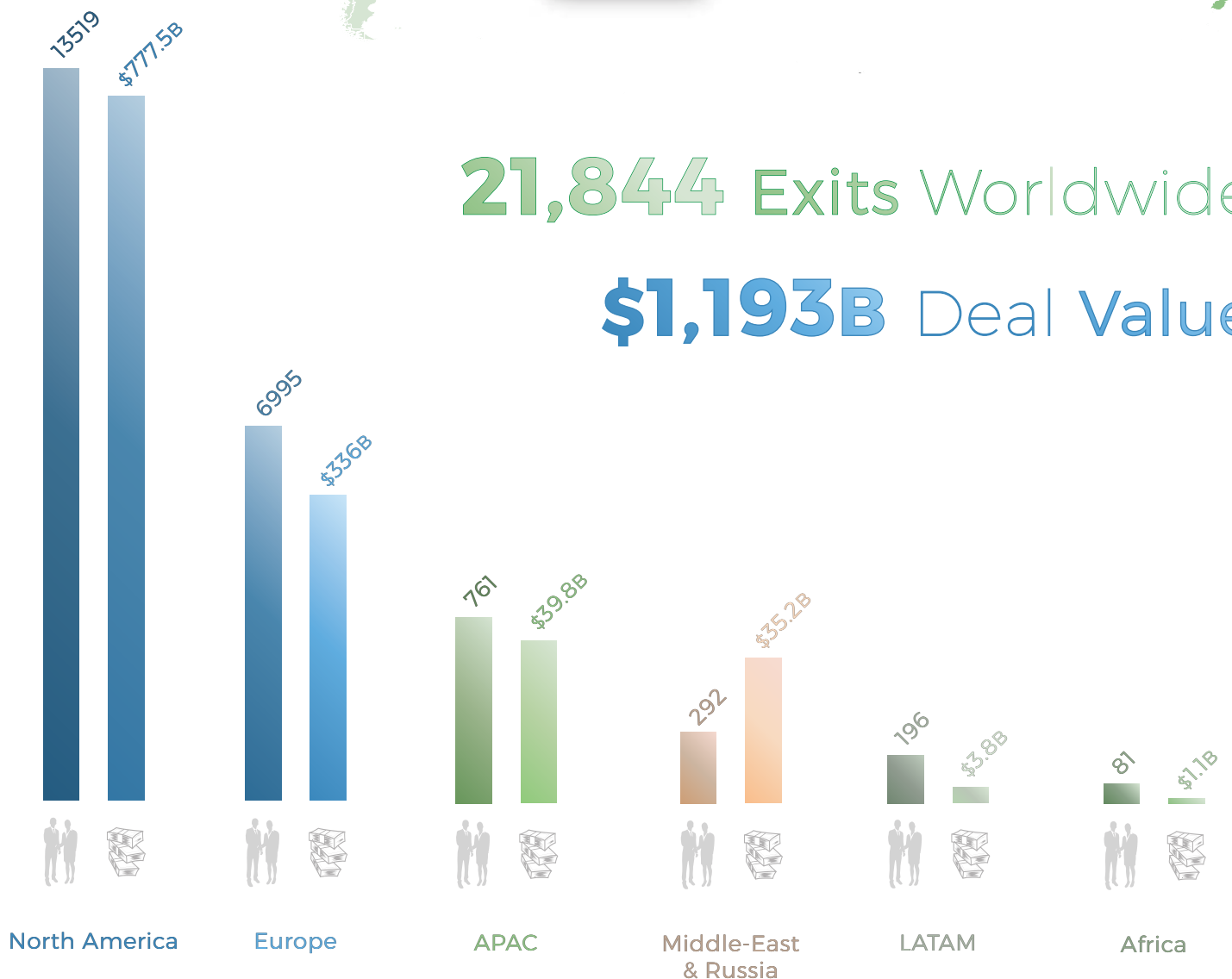
Although values for major transactions are usually revealed, values indicated in this study are structurally underestimated since a large percentage of startups do not disclose the price of the transaction.

Worldwide Startup Exits

2010-2018



21,844 Exits Worldwide
\$1,193B Deal Value



Number of Exits



Deal Value

Who's Driving the Global Startup Market?

The M&A market is a global one, making understanding and navigating through it a mission with an almost impossibly wide horizon. That said, for this annual report we have just updated data, but we have also in-depth re-assessed the information related to prior years. We've tracked over 21,800 startup exits worldwide since 2010 for a total deal value of about 1.2 trillion dollar². Not surprisingly 86% of the transactions, and 80% of the money spent involved startups

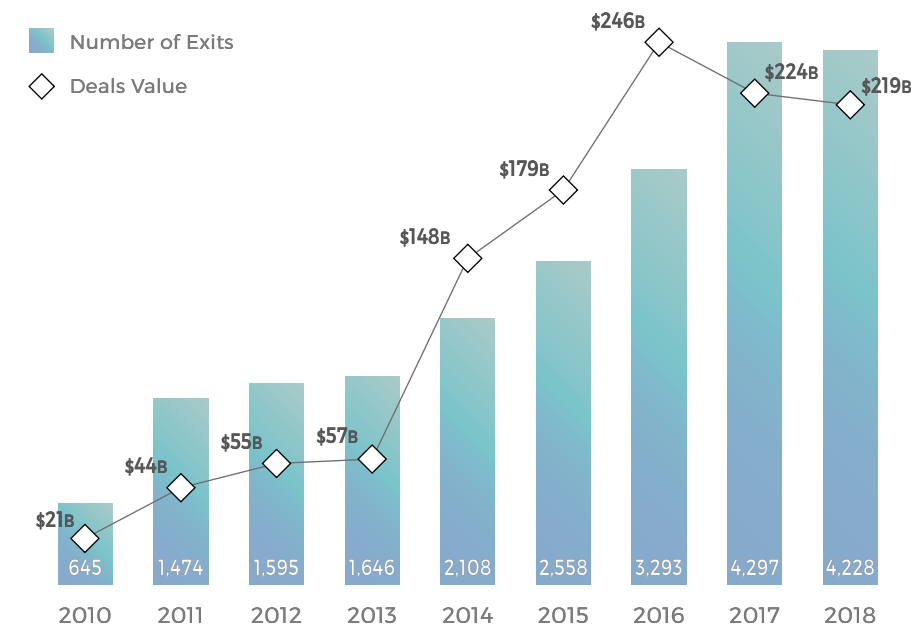
from North America and Europe. Outside of these areas, India, Australia, Israel, China, Singapore, and Brazil have the largest share of transactions (though not yet comparable to the two main regions). The US and Europe still control the majority of deals and capital, consequently, our analysis focuses on the impact of these two regions, with the goal to compare the New and Old Continent's approach to startup acquisitions and the innovation ties between them.

2018: The 2017 Peak Levels Are Confirmed

Out of the 21,844 transactions recorded, 4,228 occurred in the last 12 months, for a total value of about \$220B³. The 2018 figures are aligned with the previous year, when we tracked 4,297 exits, for a value of \$224B. It should be noted that this consolidation comes after the strong increase that has

been recorded in 2017 (+29% YOY growth in terms of number of deals) that represented a substantial change of pace over the prior years. If we look at the long term trend⁴, we identify 4 turning points, as summarized in figures 1 below.

FIGURE 1
WORLDWIDE EXITS: EU-US vs. REST OF THE WORLD



2011
The number M&A transactions more than doubled, increasing from 645 to approx. 1,500, with an increase in terms of value from \$20M to \$44M.

2014-2015
50%+ increase from the average of the 2011-2013 period. Numbers of deals increasing from 1,600 average to 2,300, value from \$52M to \$164M.

2016
Approximately 30% rise, with numbers of deals raising close to 2,300 and capital invested up to \$246M.

2018
A further 30% increase in number of deals (close to 4,300) and slight decline in terms of deal value.

2 - The deal value for this report includes only M&A transactions with disclosed amounts. This represents approximately the 15.2% of all the exits. Typically amounts for large acquisitions are revealed, while for the majority of small acquisitions amounts are not communicated. This reports focuses only on M&A deals, while IPOs were not analyzed.
3 - The analysis period is from July 2017 through June 2018. Same for prior years analysis.
4 - Our analysis covers M&A deals occurred since 2010.

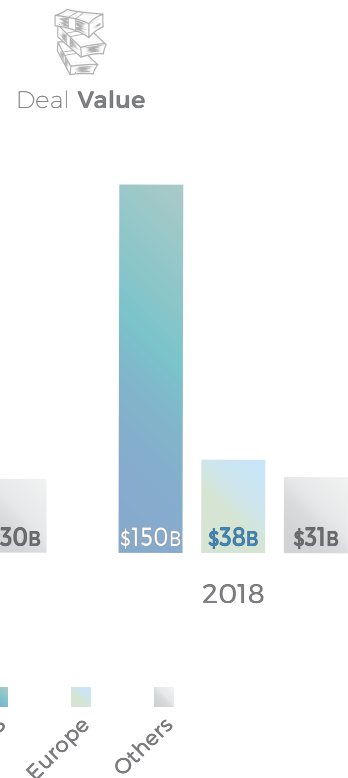
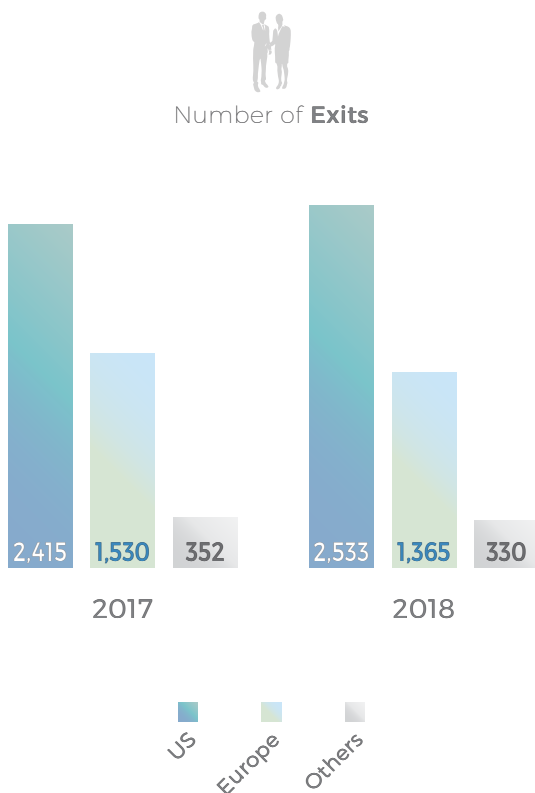
Europe Slows Down the M&A Startup Market

As mentioned, 2018 has been a flat year, with only 118 additional new exits recorded in the US, a 5% YoY increase in volume a 7% raise in deal value. The weak growth in the US, has been neutralized by the significant contraction in Europe, with 165 less M&A transactions this year than last recorded (-11% volume), and a concurrent decrease in deal value of 30% (-\$16B). The rest of the world has also shown substantially flat numbers (-6% in volumes and +3% in value). The numbers demonstrate the dominant impact of the US acquisition machine in the global M&A market. We'll continue to monitor whether the contraction we tracked in Europe (after several years of continuous growth) is just a mere slowdown in the process of

closing the gap with US or signals the impossibility of eliminating it entirely. Europe (and Asia) reaching the level of the US would be beneficial for all as it would then be able to raise the level for startups all over the world, given companies increasing opportunity to exit across continents.

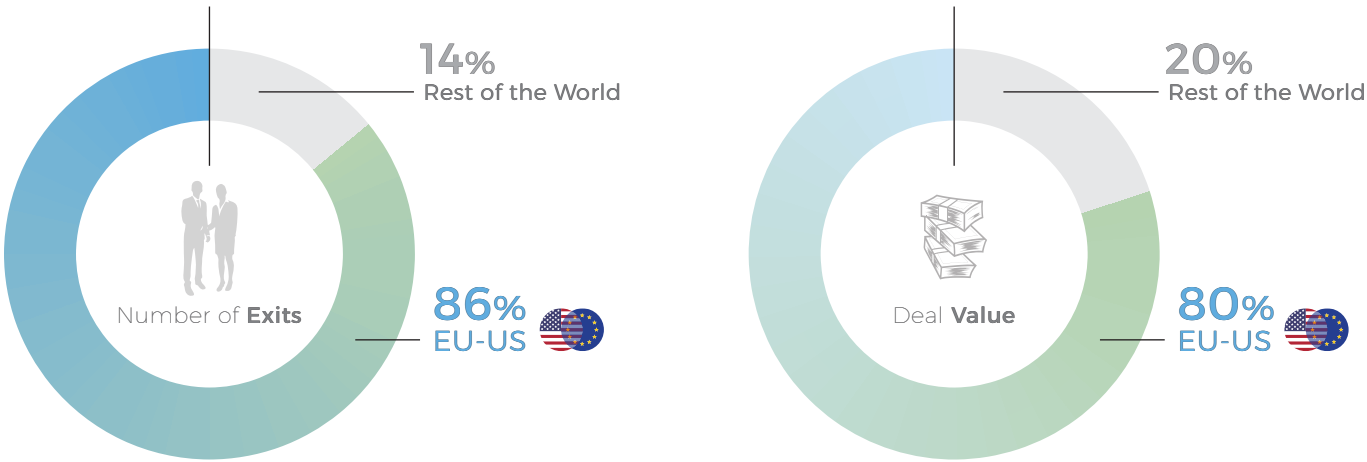
2018 has been a flat year, with the weak growth in the US being neutralized by the significant contraction in Europe.

 **FIGURE 2**
WORLDWIDE EXITS: 2018 vs. 2017



US and Europe Maintain a Clear Preference for Each Other

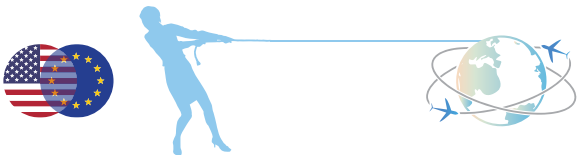
FIGURE 3
WORLDWIDE EXITS: EU-US vs. REST OF THE WORLD



You may be wondering: “Who is buying US and European startups?”. The answer is quite straightforward: mostly US and European companies. About 18,700 transactions involved US and European startups, 86% were exclusively between European and US companies (attracting 80% of all money spent), while the remaining 14% involved a buyer from a country from the rest of the world (20% of the capital involved)⁵. Based on these numbers it’s clear to say that there is a clear preference between these ecosystems for each other⁶. That said, the numbers also suggest the appetite for US and European startups is growing also in other regions. Some of the most active companies acquiring US and EU startups

are from Canada, Japan, India, Australia, China and Israel. Just one year ago the percentage of US and European startups exited elsewhere was 7% , that number has grown to 14% this year. We’ll continue to monitor this trend over time. US and Europe also pull from outside their sister regions, US and EU companies acquired an additional 1,853 startups outside the US and Europe spending over \$92 billion dollars for transactions with disclosed amounts. Canada, Australia, Israel, India are the most frequently targeted ecosystems, almost the exact same group which is most often buying EU and US startups.

FIGURE 4
US AND EUROPEAN ACQUISITIONS OF STARTUPS IN THE REST OF THE WORLD



1,853
Acquisitions of RoW Startups
\$92.3B
Price Paid for Acquisitions

5 - “Exclusively” means only European or US entities were involved, i.e. US/European acquirer, and US/European acquired startup.
6 - There are strong links between ecosystems, particularly in the main hubs (such as the Silicon Valley, London and the other main European hotspots) where companies make an effort to have a presence in both places. For more information, see:
Mind the Bridge, *European Dual Companies: Scaleup Migration?*, 2017
Mind the Bridge, *European Corporate Innovation Outposts in Silicon Valley. The Who's Who*, 2nd. Edition (forthcoming), 2018.
Mind the Bridge, *European Innovation Economy in Silicon Valley*, 2018

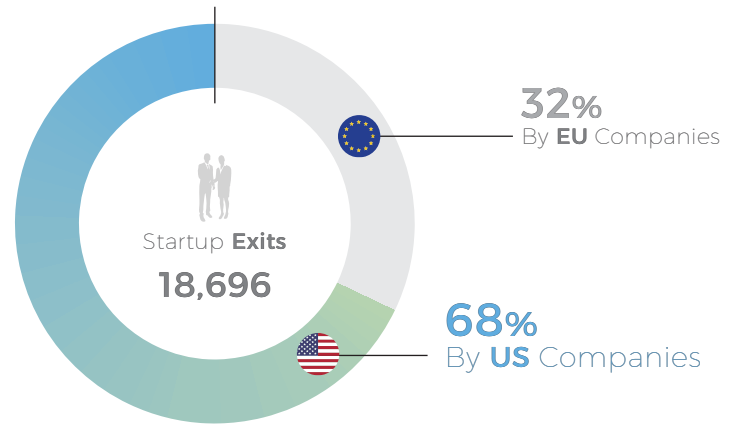
US Still Dominates the Buy Side

A total of 12,780 deals have been completed by US companies on the “buy” side representing 68% of all the transatlantic transactions⁷.

Meaning that in total US companies have acquired approximately 2 times more startups than European counterparts.

The data confirms the dominance of US companies in acquiring startups and the thesis we introduced that US companies are much more willing to acquire than their European counterparts.

FIGURE 5
US AND EUROPEAN EXITS: BREAKDOWN BY ACQUIRER



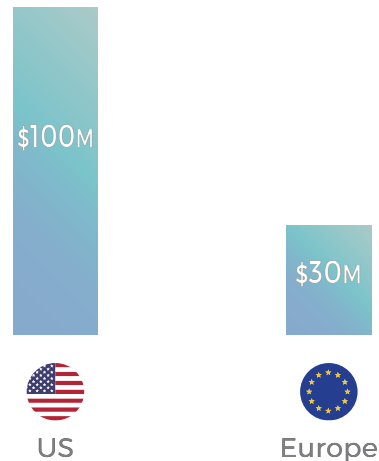
US companies have acquired approximately 2 times more startups than European counterparts.

US companies invested \$744 billion in disclosed transactions since 2010 in acquiring startups in Europe and the US, 78% of the overall disclosed value of transatlantic M&A deals in this time period.

The median deal size for US startups is \$100 million, 3.3 times the median amount for European startups (\$30M).

On the other side a total of 5,917 acquisitions were performed by European companies. In those deals, European companies invested \$209 billion dollars, representing 22% of all value invested in startup transatlantic M&A deals.

FIGURE 6
US AND EUROPEAN EXITS: MEDIAN DEAL VALUE



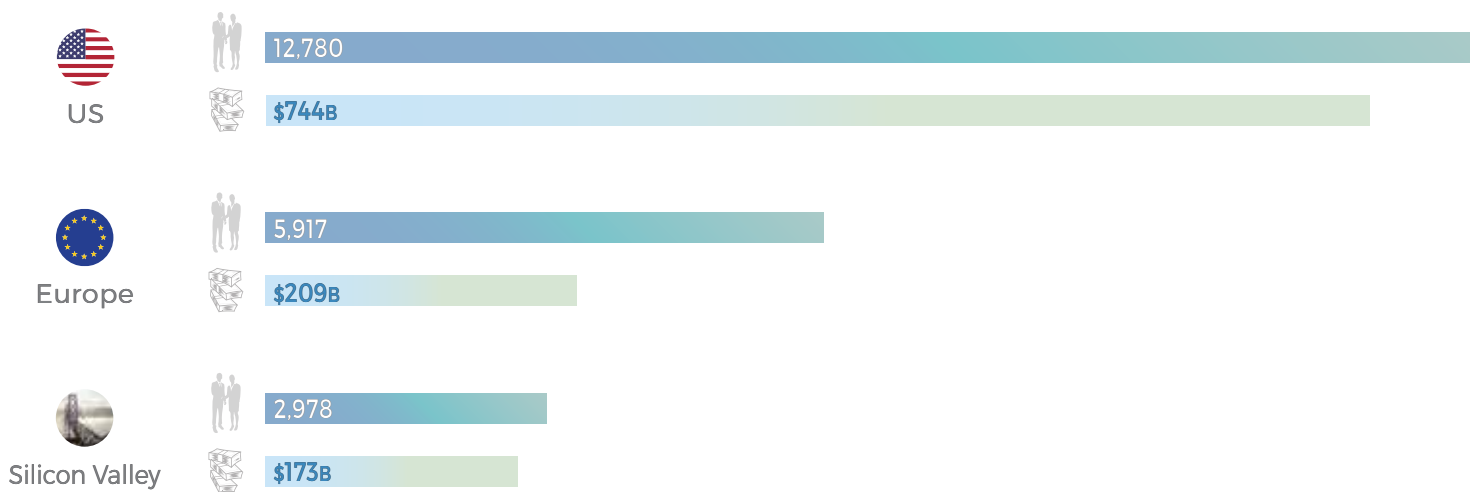
Size Doesn't Matter

Startup Europe is definitively progressing, but the gap with the US remains substantial. Silicon Valley produces a number of exits that is half of all exits generated in Europe.

The gap is even deeper if we look at deal value. The deal value of Silicon Valley exits amounts to 83% of the money paid for all European acquisitions.

⁷ - For the sake of clarity, “transatlantic” will be referred in this report to describe activities involving US and European entities, either companies or startups.

 **FIGURE 7**
US AND EUROPEAN EXITS: BREAKDOWN BY REGION



M&A Activities Across the Pond

While much of the content of this report has been directed at transatlantic dynamics, the numbers suggest that both European and US companies prefer to acquire companies in their own region. In 86% of US acquisitions both sides were domestic companies, while this number is 81% for European M&A deals. In addition to deal counts showing this trend, total capital involved also shows that these purely domestic acquisitions drive much of the activity in the US. American companies poured \$614B (82%) in domestic acquisitions and \$130B in acquisitions of European startups (18%).

However, the numbers don't tell the same story for European firms. We found that European firms invested \$105B (51% of the total capital spent to acquire) in domestic acquisitions versus the \$103B (49% of the total) they invested in acquisitions of US startups.

The data also shows that US startups accounted about 19% of acquisitions by EU companies, but ate up 49% of the total capital invested.

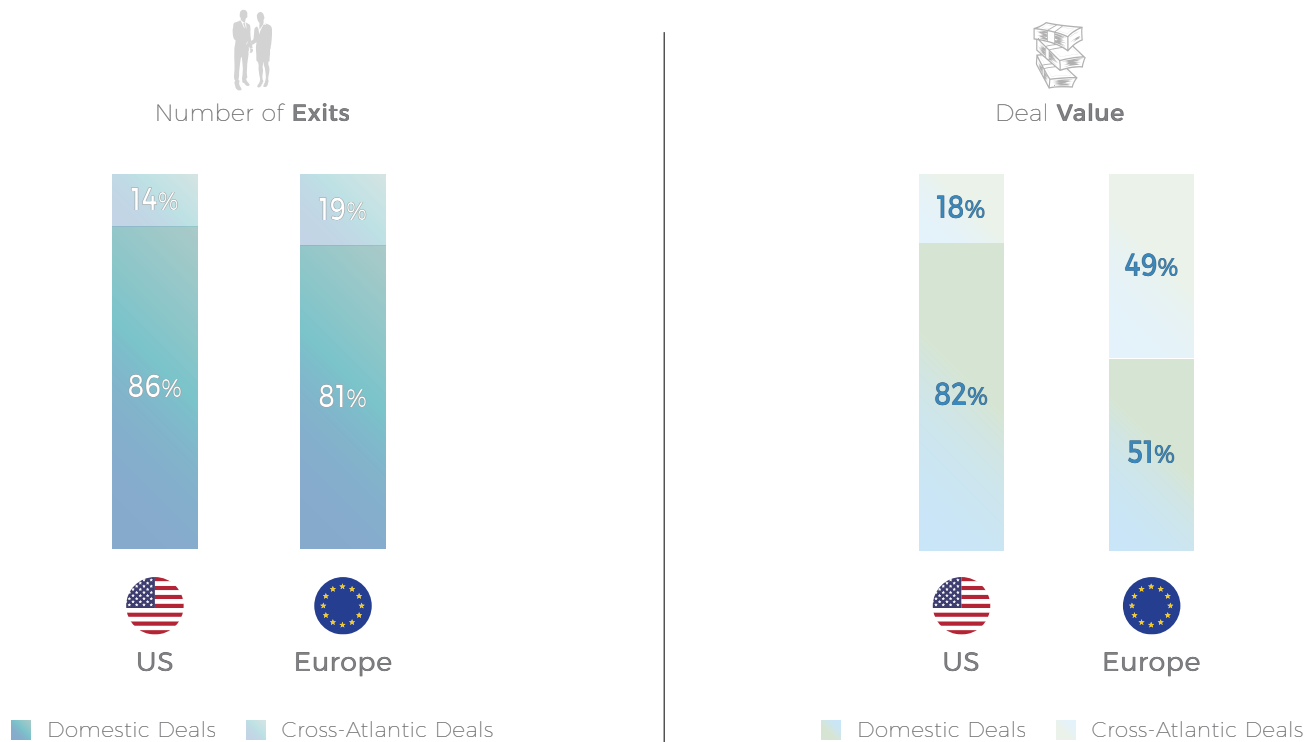
We've previously reported this trend but it has been re-confirmed here, that US startups are more expensive than European counterparts.

The median price paid for EU companies acquiring other EU startups was \$23M, while the median price of EU companies acquiring US startups was \$101M in the same time frame.

On the other side, US companies acquiring US startups paid a median price of \$100M, and on average paid approximately \$71M for European startup companies.

At face value these numbers show that there seems to be a premium for buying outside the region the acquiring company is a part of. There are many possible explanations for why median prices are far apart from each other based on the nationality of the acquiring company, this will be the subject of future reports and research.

FIGURE 8
M&A ACTIVITIES ACROSS THE POND

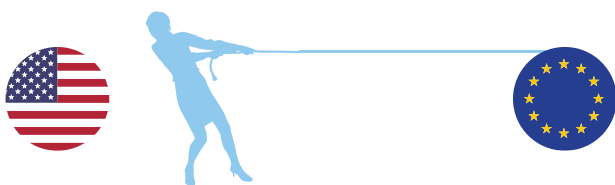


Even with US companies biased towards acquiring from their own country, they still managed to acquire a sizeable amount of European startups when compared to European corporates. US companies were responsible for slightly less than a third (27%) of European startup acquisitions⁸. To be noted that the dominant role of US companies on the European startup M&A market has been declining over the time

(36% in our last year's analysis), despite the US presence in terms of capital invested (US companies still account for 55% of overall deal value).

The dominant role of US companies on the European startup M&A market has been declining over the time.

FIGURE 9
US ACQUISITIONS OF EUROPEAN STARTUPS



27%

of acquisitions of European Startups are completed by US companies

⁸ - This data is quite consistent with the statistics Mind the Bridge collects on European startups exits and reported in SEP Monitors. See: Mind the Bridge, Tech Scaleup Europe - 2018 Report, SEP Monitor, July 2018.

Transatlantic M&As Are Slightly Decreasing

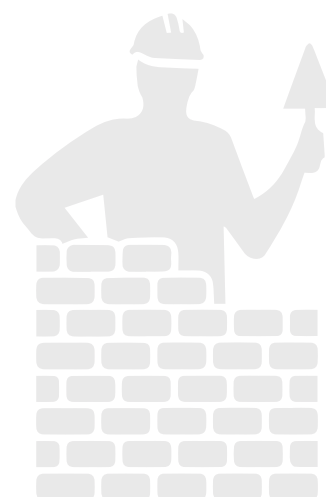
Early Signs of the Global Wave of Protectionism?

Compared to last year's analysis, European companies seem to look more at the European ecosystem in terms of M&A. 81% of the acquisitions are of domestic startups (versus 75% last year).

In terms of deal value, this trend is even more visible with 51% of money invested into the European markets (up from 42% last year).

On the US side, while the percentage of domestic deals is comparable to last years values (86% vs. 87%), there is an increase in terms of money spent (82% vs. 75%).

We can't say if this data reflects the ongoing change in the global political climate which may be less favorable to international trade, or on the other side the growing maturity of the European startup ecosystem. Either way, this is a shift worth monitoring over time.



Startup M&As Speak English

In the period recorded (2010-2018) the US leads all other countries with slightly less than 13,000 exits (60% of total volume).

The role of the US is even more pronounced looking at the nationality of the acquirers as 64% of the transactions (14k) have been completed by American companies. The United Kingdom follows behind the US in second, though the gap with the US remains huge. Even with 2,544 recorded exits they are still at one fifth of US exit volume.

Deal volume by nationality of the acquirer tells a similar story.

UK acquisitions totaled 2,475, one sixth of US volume over the same period. Germany and France follow in the ranking at a distance. They produced a number of exits that are about one third than that of the UK.

The gap from the UK to other European is almost as frightening as the gap from the UK to the US.

UK alone has exited a similar number of startups than Germany, France, Benelux, Spain and Italy combined in same period.

The situation is similar for acquisition volume by country.

The UK is at the top with 2,475 transactions, followed by France and Germany with 976 and 681 respectively. Germany is more active in exits and less in acquisitions, while it is the opposite for France.

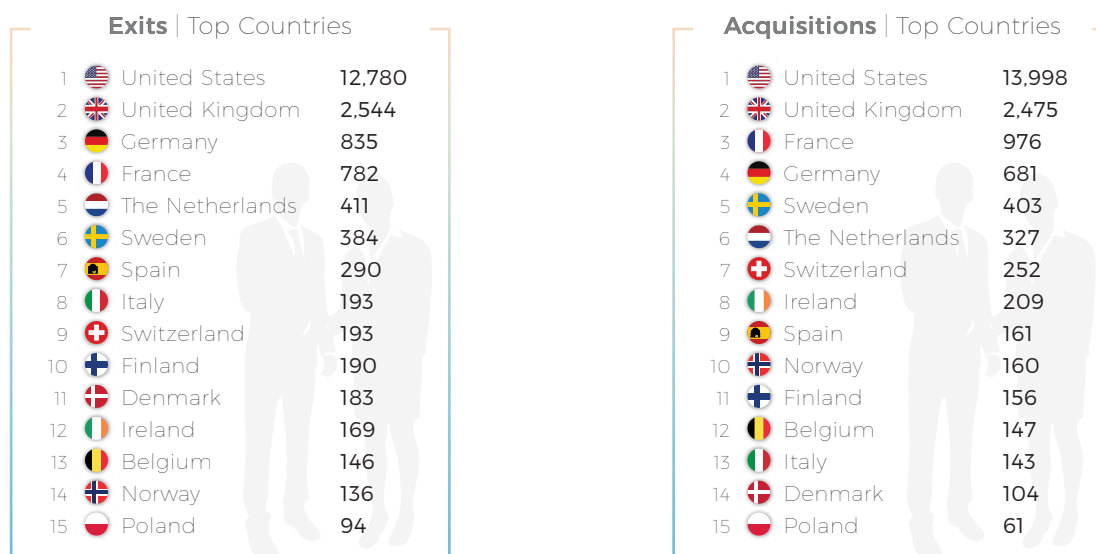
When broken down by sub-region these rankings are unchanged.

The British Isles (UK and Ireland) leads with 2,713 exits, Central Europe (Germany, France, Switzerland and Austria) follows with 1,892.

The Nordics and Baltics follow with 944, , the Benelux 588, Southern Europe (Spain, Italy, Portugal and Greece, Andorra, Cyprus and Malta) with 583, Eastern Europe with 268.

UK alone as exited a similar number of startups than Germany, France, Benelux, Spain and Italy combined.

FIGURE 10
US AND EUROPEAN EXITS AND ACQUISITIONS: TOP 15 COUNTRIES



Want To Sell Your Startup? Go To New York

Looking at the US, not surprisingly Silicon Valley is a large driver of the M&A activity, a total of 2,859 exits were reported in the San Francisco Bay Area accounting for 22% of all US exits. San Francisco is the main hub with 1,251 exits, while another 1,608 exits happened south of it. Mountain View and Palo Alto show the highest concentration along the Highway 101 corridor traversing Silicon Valley.

New York is the other big hub in the United States with 1,130 exits. The Greater Boston (including Cambridge) ranks a distant third with 397 exits. Chicago (267), Austin (257) and Seattle (245), Los Angeles (208), San Diego (180) and Atlanta (172) follow. Location of the acquirer changes the rankings around some from the previous version. San Francisco loses its primacy while New York moves to the first spot with 1,551 acquisitions topping the 1,035 in San Francisco. Chicago has recorded 397 acquisitions.

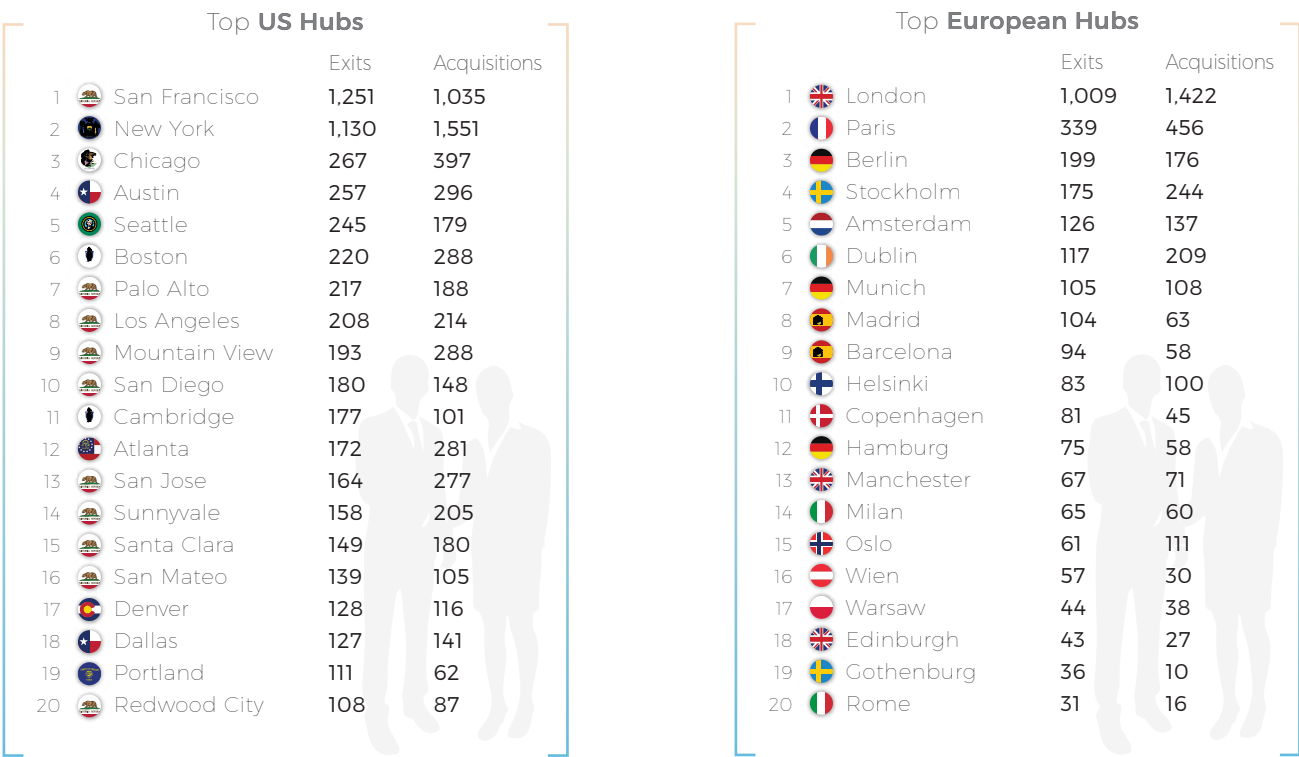
Silicon Valley as a region still remains at the top, with 3,281 acquisitions completed by companies with a Bay Area zipcode.

London continues to be the exit capital of Europe. The number of startups that exited in London (1009) is almost the same as for the other top six cities in Europe combined, and added to that is the large number of IPOs which were not considered in this report.

Paris recorded 339 exits and can be considered the second hotspot, followed by Berlin (199), Stockholm, Amsterdam, Dublin, Munich, Madrid, Barcelona, and Helsinki.

This order remains mostly the same for acquisition volume, the only change being Stockholm and Dublin jumping up above Berlin with 224 and 209 acquisitions respectively

FIGURE 11
EXITS AND ACQUISITIONS: TOP US AND EUROPEAN HUBS



Not All Ecosystems Are Equal: Looking at the M&A Balance

In prior years’ reports, and repeated again in this year updated version, we have introduced and calculated an “exit/acquisition ratio”⁹ by geographical area to provide some data points useful to better understand how startup ecosystems perform. This number represents a ratio between the number (and value) of exits in a certain area and the number of acquisitions performed by companies based in the same area. Values above 1 indicate ecosystems with a “negative M&A balance”, i.e. where the number of startups that have been sold is larger than the number of startups that have been acquired by companies in the region. This situation is typical of emerging ecosystems that are able to generate a lot of startups, but they don’t have a critical mass

of large corporates active in open innovation and acquisitions. On the contrary, values below 1 show ecosystems with a “positive M&A balance”, where the number of startups that have been acquired by companies located in the region is larger than the number of startups that have been sold in the same region. A positive M&A balance is characteristic of ecosystems with a strong corporate presence but a not yet properly developed startup community. Startup ecosystems thrive where both sides (buyers and sellers) are well represented. Not all ecosystems show a healthy balance between the sellers (exits) and buyers (acquisitions).

9 - The “exit/acquisition ratio” is an indicator created and calculated by Mind the Bridge.

FIGURE 12
THE M&A BALANCE, EXPLAINED



Which Regions Are Exporting Startups?

Not surprisingly, US and Europe show two almost symmetrical situations. North America and the US overall show only a slight M&A imbalance in with an 0.94 ratio (0.93 if we look at capital outflows). Being close to a perfect ratio but leaning to the lower side is indicative of the power of the US corporates that scout internationally and bring in companies from other parts of the world. Europe is still characterized by a negative M&A balance of an ecosystem that hasn't fully reached maturity. While in terms of number of transactions the imbalance is quite minimal (1.07), there is a larger gap (1.50) in terms of capital invested in M&As that is substantially lower than capital received for acquisitions. This slightly negative ratio paired with the slightly positive US number suggests that the deficit and subsequent drain of startups from Europe is working to the benefit of US companies who are acquiring them. Specifically, Silicon Valley seems to be taking a more active role in the international M&A market, with an exits/acquisitions ratio of 0.87, which shows a renewed interest in buying startups outside of the Bay Area to foster innovation.

On the contrary, Israel, the other recognized world's leading innovation tech hotspot, shows a negative M&A balance.

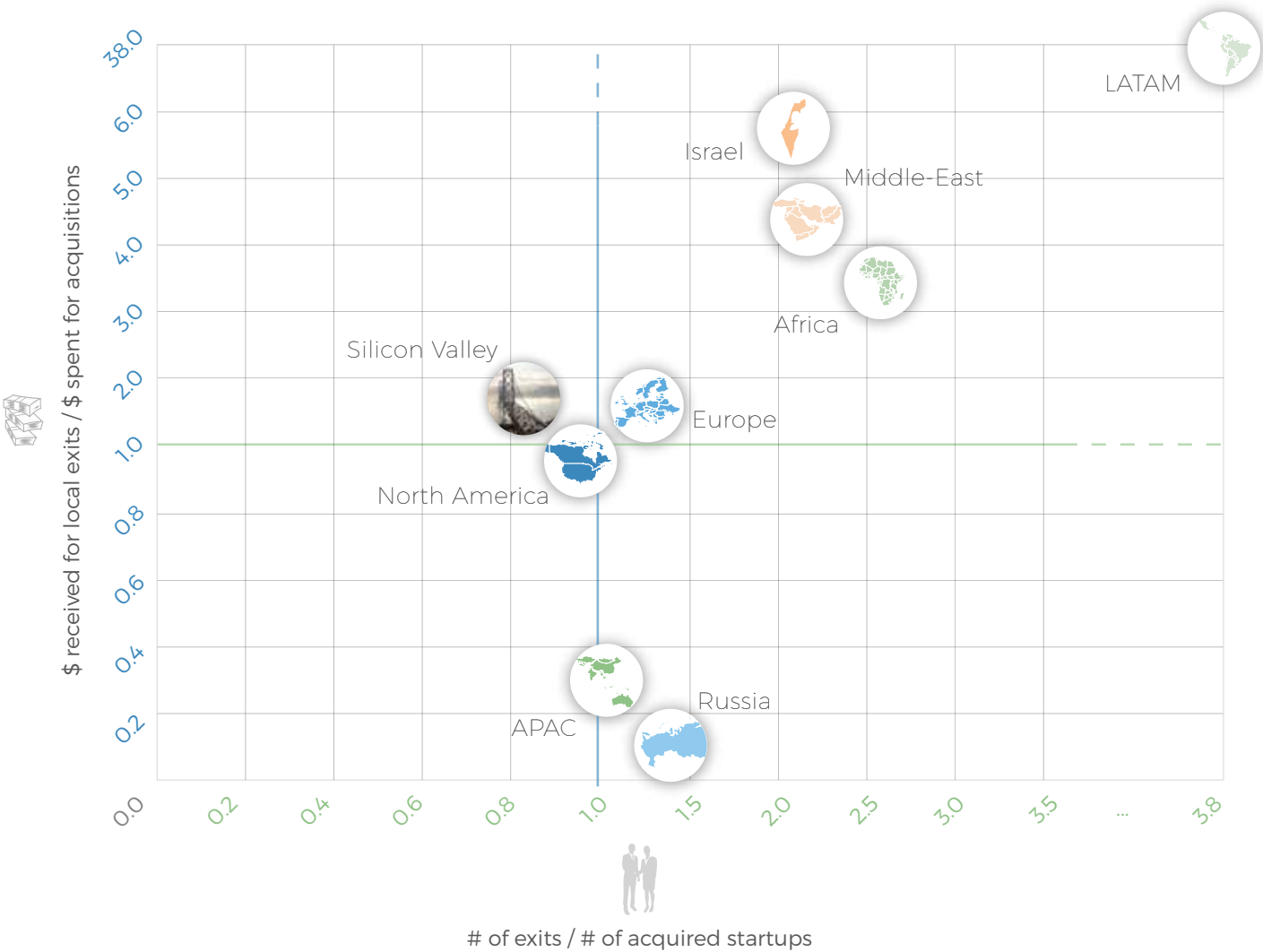
The exit/acquisition ratio is 2.1, and 5.6 for the capital flows (\$27B gap between capital received and capital spent).

APAC comes in with 1.11 for volume of startups and 0.31 for capital. The latter number, indicating a large imbalance between capital received in M&A deals and capital spent by APAC companies, would suggest that the Asian countries, specifically South Korea, China and Japan, are "net acquirers" of startups.

The money is likely flowing not only to startups in the region but also large amounts to startups outside the region as well with a \$87B gap to explain.

In these Asian countries it seems that there are numerous corporate buyers, but a lack of supply from the startup scene. This is the opposite of the European ecosystem in which corporations aren't willing, or able to acquire the numerous startups being created in the region (\$112B gap).

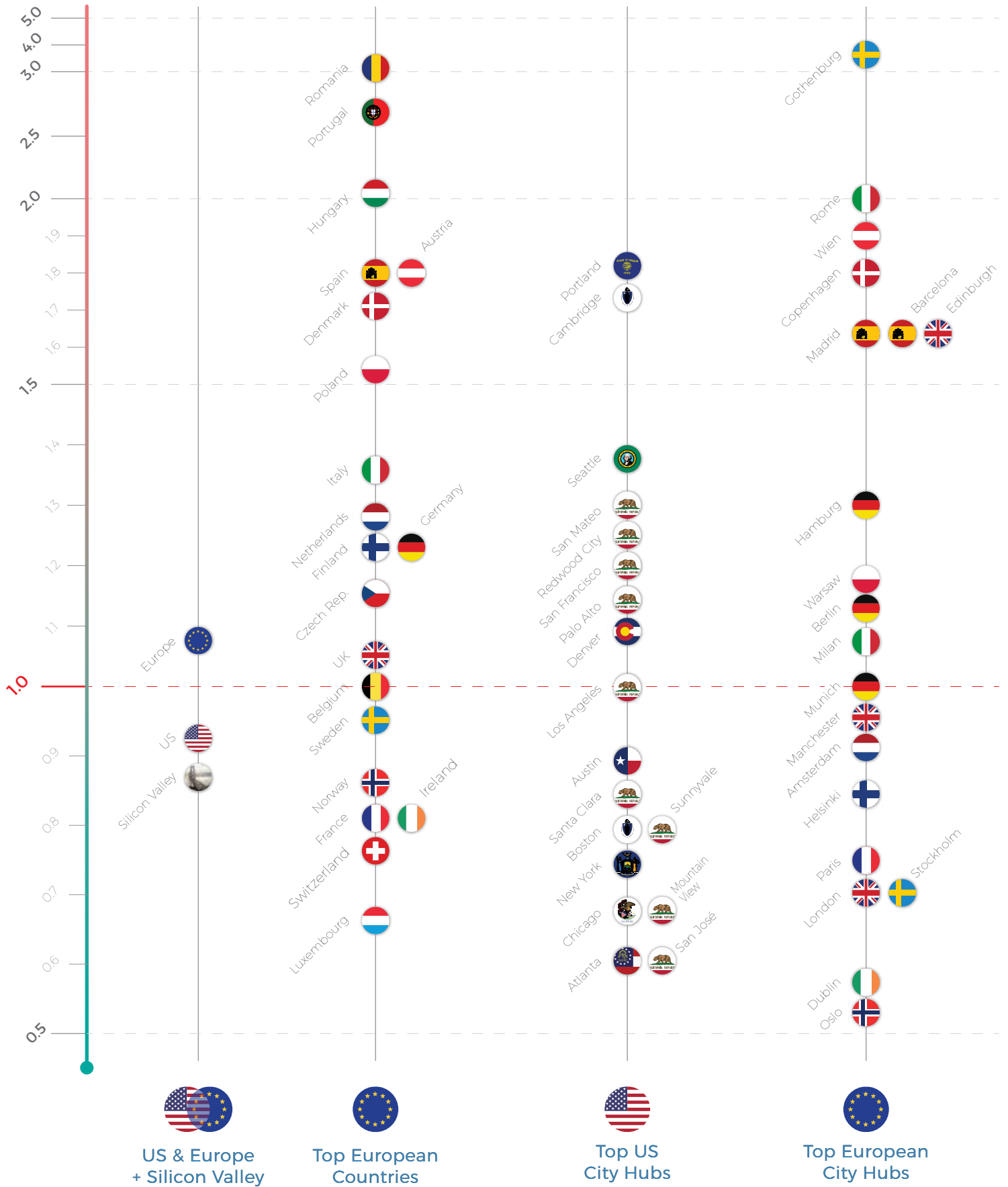
FIGURE 13
WORLD'S STARTUP ECOSYSTEMS: THE M&A BALANCE



Latin America, the Middle East, and Africa have similar traits as Europe, though taken further to the extreme as they are much younger ecosystems for tech startups. These areas have values of 3.8 for South America, 2.2 for the Middle East, and 2.3 for Africa for volume of startups sold. The trends are quite clear, they have little acquisition power in the countries, with startups having to look outside the region for buyers due to the shortage of acquisition capital. They are clearly “net sellers” of startups, which is to be expected for young ecosystems.

In the future we will look for these ratios to move towards a better balance for signs that established businesses are willing to acquire. It is likely that the exodus of startups from Europe, Middle East, Latin America, and Africa is being driven, or received by US (and APAC) companies as they look outside the country to fulfill the appetite for innovation. In absolute terms it sports the largest difference between exits and acquisitions, and this difference can be explained by them acquiring from other regions of the world.

FIGURE 14
THE M&A BALANCE, US Vs. EUROPE



Countries: UK Sits Close to the Parity

For countries in Europe the situation looks quite heterogeneous as we've explored in previous reports, both our Tech Scaleup SEP Monitor, which provide a European overview, and country reports. The UK shows an almost perfect equilibrium between number of exits and number of acquisitions (1.03), with Belgium and Sweden sitting close below the parity (0.99 and 0.95 respectively). Only six countries are below the parity (net buyers): France (0.80), Norway (0.85), Ireland (0.81

for whom numbers are distorted by Irish domiciled corporations), Switzerland (0.77), and Luxembourg (0.66). Germany, Finland, and the Netherlands show a slightly negative M&A balance (just above 1.2). The Southern countries show higher values (net sellers), ranging from 1.4/1.8 (Italy, Spain) up to 2.6 (Portugal). Similarly the CEECs produce a lot more exits, e.g. Poland (1.54), Hungary (2.08), and Romania (3.14).

Startup Cities: Who's Buying and Who's Selling?

For cities, the numbers show that there are clear net acquirers of startups in the US with the largest cities like New York (0.73), Austin (0.87), Boston (0.76), Chicago (0.67), and Atlanta (0.61) all having volume ratios below 1. These acquiring hotspots are home to some of the biggest corporations in the country and as such we would expect this behavior. Coherently with the new trend of many startups being founded and headquartered there, we see San Francisco driving exits with a ratio of 1.21. Other net sellers are Seattle (1.37), Cambridge (1.75), and Portland (1.79). The nature of the industry is that a select few behemoths have huge influence over numbers in certain cities.

Mountain View, home of Google, has 193 recorded exits and 288 acquisitions (150 of those acquisitions were completed by Google). Both the exits and acquisitions numbers are high for a city of only 66,000 people. Menlo Park, home of Facebook, and Seattle, home of Amazon and Microsoft, also suffer from this distortion of numbers. In Europe, the main hubs commonly drive (and thus mirror) their country's performance. London makes a relevant exception being a net buyer of startups (0.71 ratio). Similarly Munich that shows a more acquisitive approach compared to Berlin.

US and Silicon Valley Run the M&A Show

Not surprisingly, 22 out of 30 of the world's top acquiring companies are from the US (the top 10 are all US-based) with 13 from Silicon Valley. Within the top 30 list (taking into account only data since 2010) 6 are European companies, and all ranked lower than 20th: Publicis Groupe from France, UK professional services company Capita, Visma

the Norwegian supplier of business software, Siemens from Germany, and Roche from Switzerland.

The Japanese media and digital marketing communications company Dentsu and the South Korean giant Samsung round out the top 30.

As further proof of the size of Silicon Valley acquiring habits consider this: the top 3 companies (Google, Facebook, and Apple) bought more companies through acquisitions in the time period than the top 15 European companies combined.

The ranking differs slightly in capital spending acquisition (disclosed amounts only). Microsoft takes the lead, though the figures are impacted significantly by the \$26B+ LinkedIn acquisition, followed by Facebook, once again impacted by a large acquisition, this time Whatsapp for \$19B, Intel and Cisco follow.

If we restrict the analysis to the last 12 months, Microsoft leadership position is confirmed, both in deal volume and size, driven by the recent GitHub acquisition. Also noteworthy it is the presence of many consulting firms such as Accenture, Ernst & Young, or KPMG, among the most active companies.

Google, Facebook, and Apple bought more companies than the top 15 European companies combined.

 **FIGURE 15**
TOP 30 WORLD ACQUIRERS (2010-2018)











Top World Acquirers					Acquisitions	Deal Value
	Name	Headquarters				
1	 Google	Mountain View, CA			150	\$8.0B
2	 Facebook	Menlo Park, CA			69	\$22.8B
3	 Apple	Cupertino, CA			68	\$51.B
4	 Microsoft	Redmond, WA			67	\$39.4B
5	 Accenture	New York, NY			61	\$0.4B
6	 Cisco	San José, CA			60	\$17.4B
7	 Yahoo	Redwood City, CA			56	\$3.0B
8	 Oracle	Sunnyvale, CA			51	\$10.8B
9	 IBM	Armonk, NY			49	\$8.1B
10	 Salesforce	San Francisco, CA			46	\$15.7B
11	 Twitter	San Francisco, CA			46	\$1.5B
12	 Amazon	Seattle, WA			45	\$5.9B
13	 Dell EMC	Hopkinton, MA			45	\$2.2B
14	 Dentsu	Tokyo, Japan			42	\$0.1B
15	 Groupon	Chicago, IL			39	\$0.3B
16	 Intel	Santa Clara, CA			36	\$18.4B
17	 eBay	San José, CA			33	\$3.8B
18	 Autodesk	San Rafael, CA			29	\$0.3B
19	 Zynga	San Francisco, CA			27	\$1.1B
20	 Publicis Groupe	Paris, France			25	\$0.6B
21	 Boston Scientific	Marlborough			24	\$3.9B
22	 Citrix Systems	Fort Lauderdale, FL			24	\$3.3B
23	 AOL	New York, NY			24	\$0.8B
24	 Capita	London, United Kingdom			24	\$0.6B
25	 Visma	Oslo, Norway			24	\$0.2B
26	 Siemens AG	Munich, Germany			23	\$0.7B
27	 Samsung Electronics	Suwon, South Korea			23	\$0.6B
28	 Luxottica-Essilor	Agordo, Italy - Charenton-Le-Pont, France			23	\$0.2B
29	 Dropbox	San Francisco, CA			22	\$0.1B
30	 Roche	Basel, Switzerland			21	\$9.4B

FIGURE 16
BILLION DOLLAR STARTUP ACQUISITIONS BY TOP ACQUIRERS

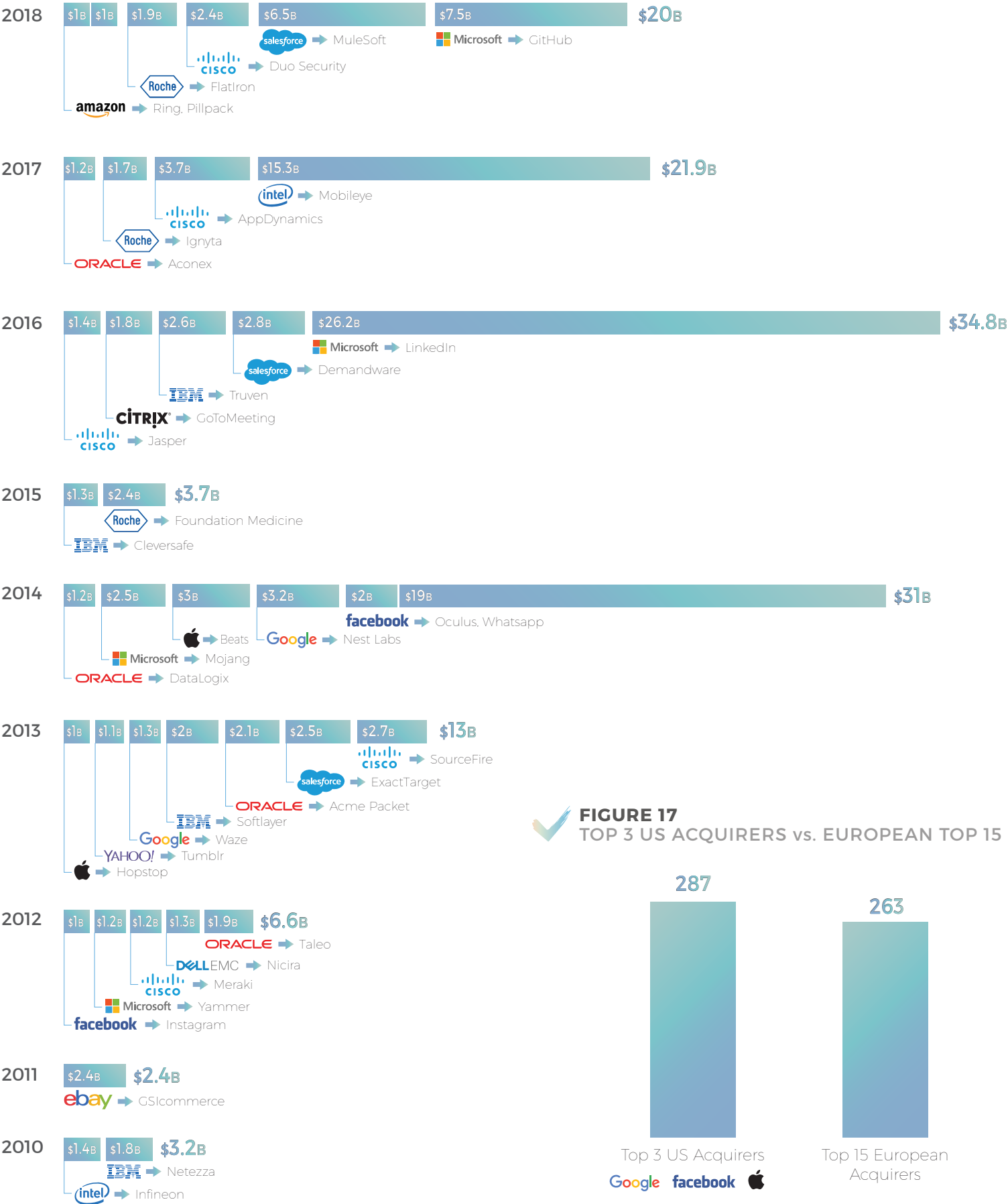
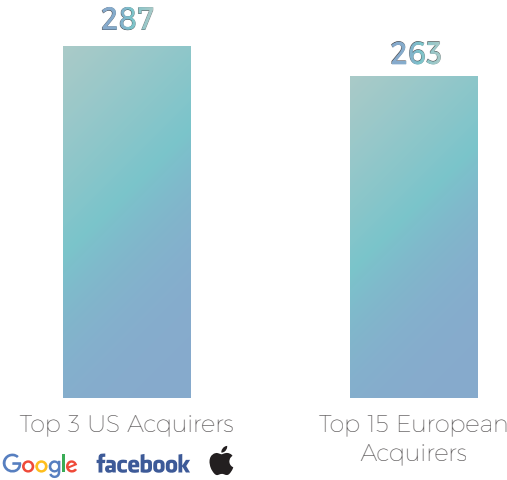
































FIGURE 17
TOP 3 US ACQUIRERS vs. EUROPEAN TOP 15



Focus: **M&As in Europe**
 **FIGURE 18**
TOP 30 EUROPEAN ACQUIRERS

Top European Acquirers

	Name	Headquarters	Acquisitions	Deal Value
1	 Capita	London, United Kingdom	25	\$629M
2	 Publicis Groupe	Paris, France	25	\$572M
3	 Visma	Oslo, Norway	24	\$228M
4	 Roche	Basel, Switzerland	21	\$9,364M
5	 Just Eat	London, United Kingdom	21	\$1,023M
6	 Luxottica-Essilor	Agordo, Italy - Charenton-Le-Pont, France	19	\$158M
7	 Delivery Hero	Berlin, Germany	18	\$1,089M
8	 Nokia	Helsinki, Finland	16	\$16,792M
9	 ARM	Cambridge, United Kingdom	15	\$1,020M
10	 Ericsson	Stockholm, Sweden	15	\$220M
11	 Capgemini	Paris, France	14	n/d
12	 Siemens AG	Munich, Germany	13	\$700M
13	 Dassault Systèmes	Paris, France	13	\$162M
14	 Next Fifteen	London, United Kingdom	12	\$18M
15	 Link Mobility	Oslo, Norway	12	n/d
16	 Spotify	Stockholm, Sweden	12	n/d
17	 SAP	Walldorf, Germany	11	\$4,885M
18	 Bridgepoint	London, United Kingdom	11	\$565M
19	 Sky	London, United Kingdom	11	\$268M
20	 FoodPanda	Berlin, Germany	11	\$91M
21	 Elsevier	Amsterdam, The Netherlands	11	n/d
22	 Philips	Eindhoven, The Netherlands	11	n/d
23	 Schneider Electric	Rueil Malmaison, France	10	\$113M
24	 Axel Springer	Berlin, Germany	8	\$442M
25	 Telefónica	Madrid, Spain	8	\$405M
26	 Engie	Paris, France	8	\$222M
27	 Catena Media	Ta'Xbiex, Malta	7	\$42M
28	 BASF	Ludwigshafen am Rhein, Germany	6	\$3,800M
29	 Criteo	Paris, France	6	\$279M
30	 BBVA	Bilbao, Spain	6	\$117M

Among the 30 most active startup acquirers France has seven, followed by UK and Germany (six companies each).

Food delivery startups are very acquisitive with 3 out of the top 30 and 2 in the top ten. Looking at capital poured into M&A transactions, Nokia leads, followed by Roche, SAP and BASF.

**Food delivery startups are very acquisitive
with 3 out of the top 30 and 2 in the top ten.**

“Startups” Acquiring Startups

Although this report focuses on acquisitions of startups we also investigated how much startups (i.e. recently founded companies) contribute to the M&A market on the buy side.

Out of the almost 22,000 worldwide startup acquisitions, 40% (8,775) have been completed by startups, defined in this case as companies founded since 2000, for a total \$198B (17% of the total).

























For the top 30 acquirers among “startups” 22 are from US, and 16 come from Silicon Valley (led by Facebook, Salesforce, and Twitter).

Europe has 6 in the top 30 with Just Eat and Delivery Hero in the top 10. Israel too is represented with Playtech and Australia with Atlassian.

13% (2,954 for \$23.8 deal value) of the M&A deals have been performed by companies established after 2010, suggesting that recently founded companies seem to have a more acquisitive approach.

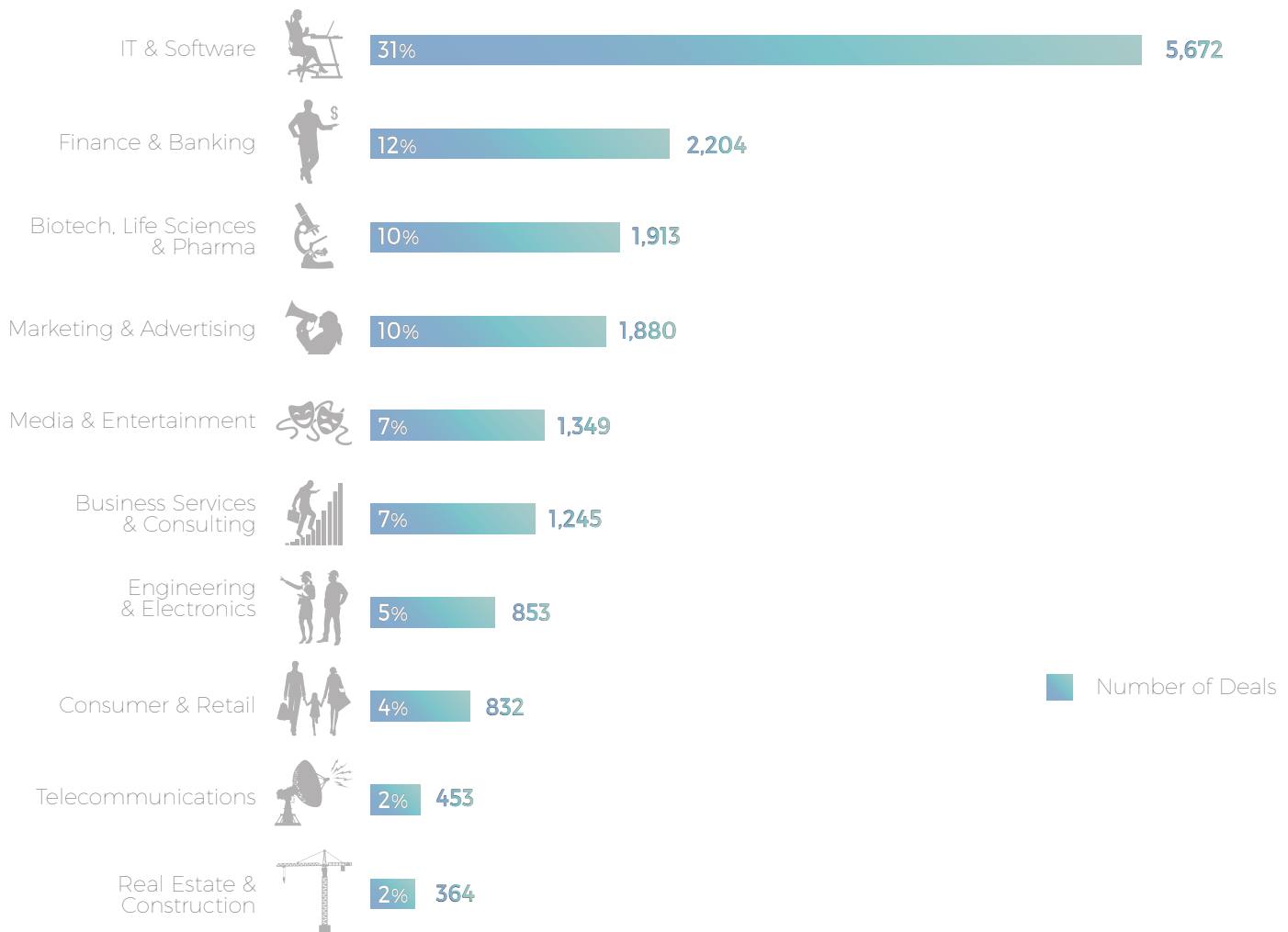
It is a new trend of startups looking to use Series A or B funding to merge or buy new technologies to help them grow at a more rapid pace.

 **FIGURE 19**
TOP 30 WORLD ACQUIRERS (FOUNDED IN THE NEW MILLENNIUM)

Top World Acquirers (Founded in the New Millennium)				
	Name	Headquarters	Acquisitions	Deal Value
1	 Facebook	Menlo Park, CA	69	\$22,776M
2	 Salesforce	San Francisco, CA	46	\$15,716M
3	 Twitter	San Francisco, CA	45	\$1,488M
4	 Groupon	Chicago, IL	39	\$270M
5	 Zynga	San Francisco, CA	27	\$1,081M
6	 Dropbox	San Francisco, CA	22	\$100M
7	 Just Eat	London, United Kingdom	20	\$1,023M
8	 LinkedIn	Mountain View, CA	19	\$175M
9	 TripAdvisor	Needham, MA	19	\$143M
10	 Delivery Hero	Berlin, Germany	18	\$1,089M
11	 Airbnb	San Francisco, CA	16	\$200M
12	 Snap	Venice, CA	15	\$839M
13	 Pinterest	San Francisco, CA	14	n/d
14	 Agilent Technologies	Santa Clara, CA	13	\$340M
15	 Chegg	Santa Clara, CA	13	\$134M
16	 Square	San Francisco, CA	12	\$455M
17	 Spotify	Stockholm, Sweden	12	n/d
18	 Playtech	Tel Aviv, Israel	11	\$475M
19	 FoodPanda	Berlin, Germany	11	\$91M
20	 Box	Redwood City, CA	11	n/d
21	 Infor	New York, NY	11	n/d
22	 Amobee	Foster City, CA	9	\$865M
23	 Lyft	San Francisco, CA	9	n/d
24	 WeWork	New York, NY	9	n/d
25	 Eventbrite	San Francisco, CA	8	\$200M
26	 Homeaway.com	Austin, TX	8	\$20M
27	 Atlassian	Sydney, Australia	7	\$453M
28	 Coinbase	San Francisco, CA	7	\$120M
29	 Catena Media	Ta'Xbiex, Malta	7	\$42M
30	 Criteo	Paris, France	6	\$279M

Fighting Disruption: Which Industries Are Taking Action

FIGURE 20
STARTUP M&As: MOST ACTIVE SECTORS (SINCE 2010)



Disruption is the what keeps CEOs up at night. At least it should keep all of them up, as no industry is safe. However looking at data, not all industries are fighting the “open innovation challenge” with the same energy and commitment. The most active sector is IT & Software. These companies account for 5,672 acquisitions, 31% of the total. Finance and Banking is the second most active sector, with over 2,200 acquisitions (12% of the total). Pharma and Marketing/Advertising companies are also quite acquisitive, both completed around 1,900 transactions for 10% of the total to each of vertical.

Media & Entertainment (1,346, 7%) and Consulting (1,245, 7%) follow in the middle of the rankings. On the contrary, Telcom, Energy, Construction, Automotive, Travel and Hospitality, Oil and Gas are industries that do not play yet a significant role (percentages below 2%).

Insurance companies are showing an even lower level of activity.

They performed less than 100 acquisitions (1% of the total). For those who are less active we expect and encourage a growing presence in the next future, if not, disruption nightmares might turn into reality.

Software, Life Science and Advertising Startups To See Most Deal Action

Looking at the sell side, Software (including Enterprise solutions) startups attract the largest share of M&A transactions: more than 1,000 transactions of the 4,225 M&As completed in the last 12 months refer to these verticals. Over the previous 8 years software startups have been the acquired company in 30% of transactions.

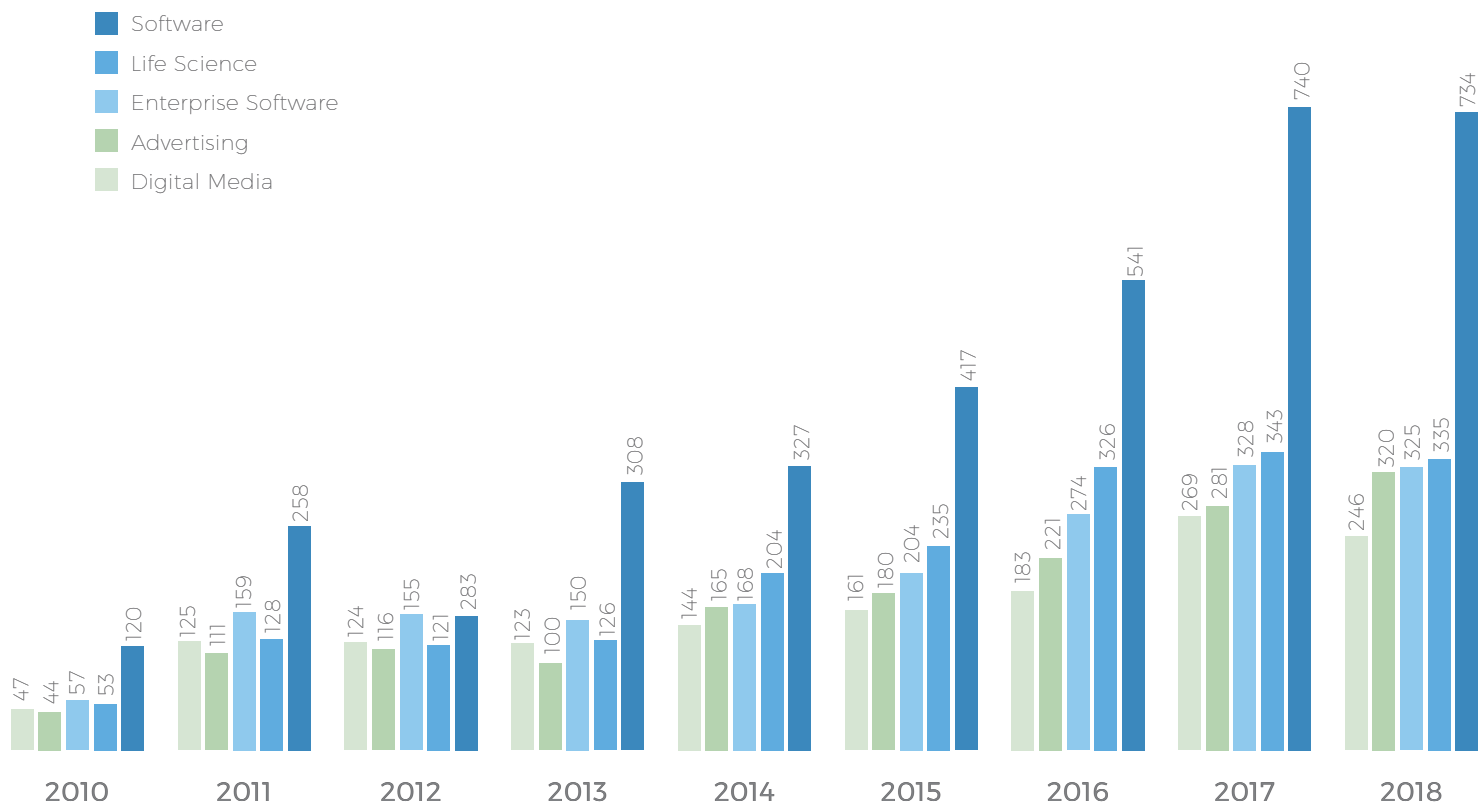
Life Science startups see a lot of deal action as well: 335 transactions in the last year that add up to the 103 deals involving Medtech startups. Not surprisingly, these transactions absorb the largest share of money spent as company maturity and IP adds significant value to the acquisition. Although they represent 12% of volume of deals since 2010,

they account for 35% of the overall deal value. Another hot vertical is Advertising: 320 transactions in the last 12 months, a 14% increase compared to prior year, while Digital Media (246 deals) is seeing a slight decline in M&A activity (-9%) in the past 12 months.

Artificial Intelligence and Big Data is booming: 263 deals in the last year, with a 30% growth compared to the prior 12 month period.

Life Science startups see a lot of deal action and absorb the largest share of money spent.

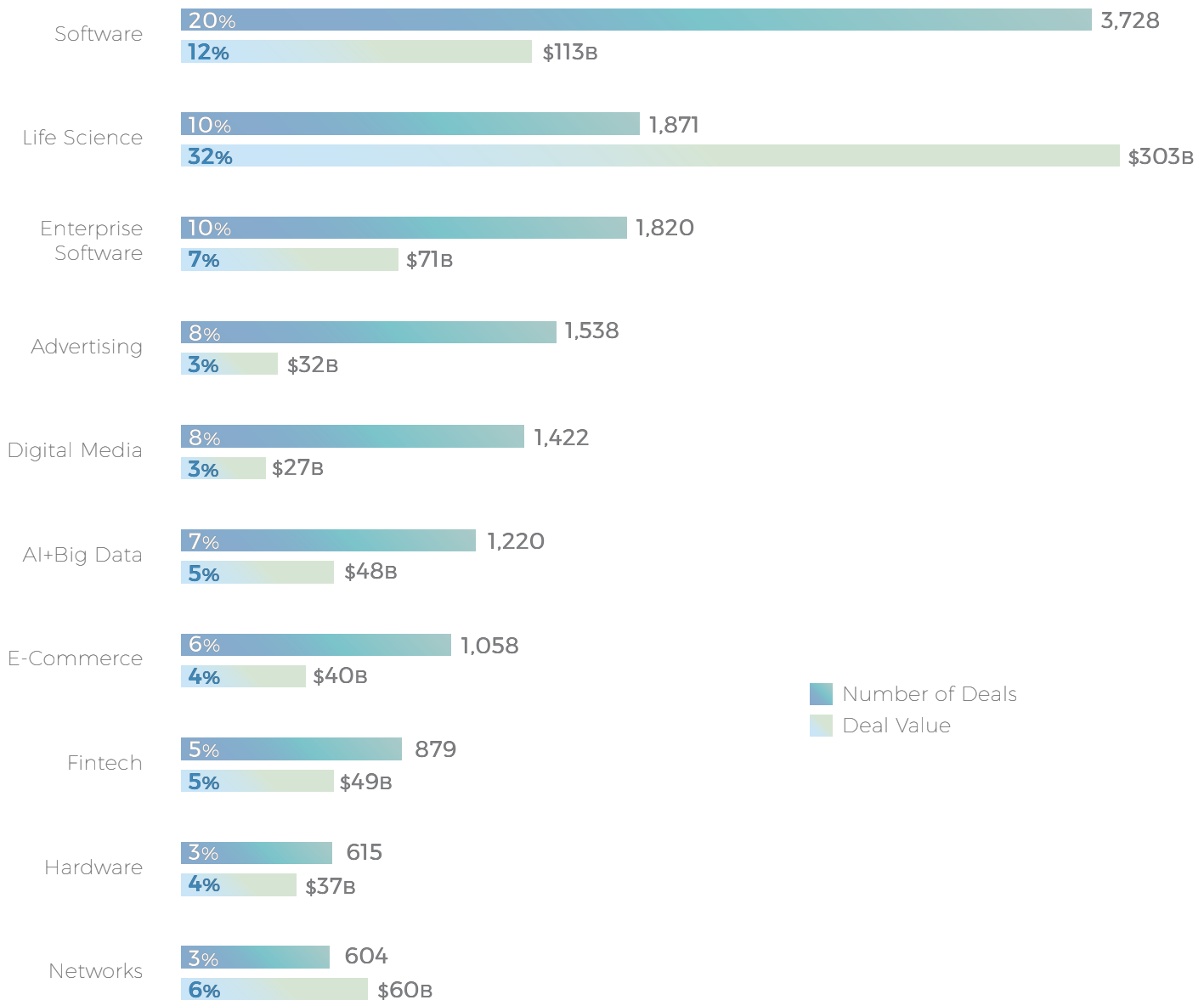
 **FIGURE 21**
STARTUP M&As: NUMBER OF EXITS PER YEAR (TOP 5 VERTICALS)



Fintech remains a hot vertical with 211 deals last year, similar volume than the prior year, while E-Commerce has seen lower activity, only 161 transactions, a 21% decrease YoY.

Among the emerging verticals, Security is the fast growing one: 115 M&A deals completed in the last 12 month period, +35% compared to prior year.

FIGURE 22
STARTUP EXITS: TOP 10 VERTICALS (SINCE 2010)



Fintech remains a hot vertical with 211 deals last year. Among the emerging verticals, Security is the fast growing one.



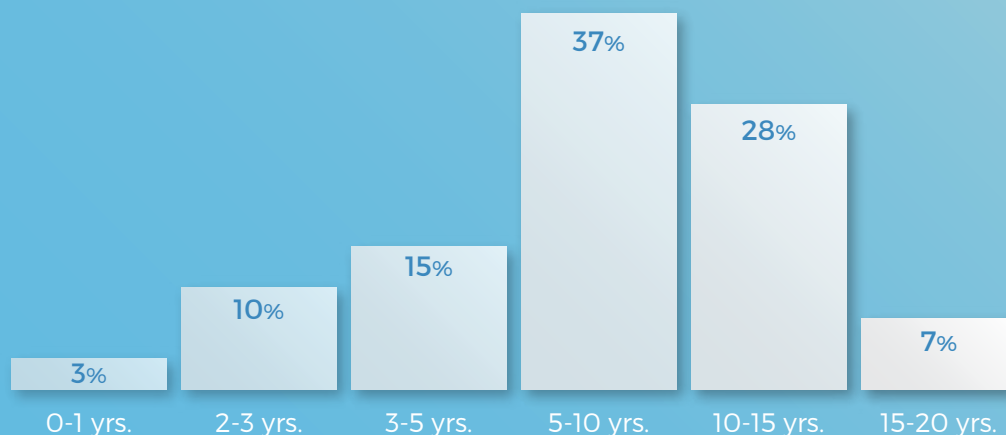
What Is the Typical Profile of a Startup That Makes It All the Way to the Exit?

The extended bonus of analysing over 22,000 M&A transactions involving startups is the opportunity to identify the characteristics of the startups that have been able to get acquired. We have dug into the database to identify parameters such as age at the time of the acquisition, capital raised, size (in terms of headcount), and price paid. We focused the analysis below to the subset of M&A deals with a disclosed transaction price (3,332 deals).

Average Age at Acquisition

On average, startups were acquired 9 years after foundation.

The majority (65%) were acquired between 5 and 15 years old at the time of acquisition. 13% sold the company in the first 3 years after inception (3% in the first year). 15% between 3 and 5 years. 7% of the exits involve startups that are over 15 years old.



Number of Employees

66% of the exited companies have over 50 people.

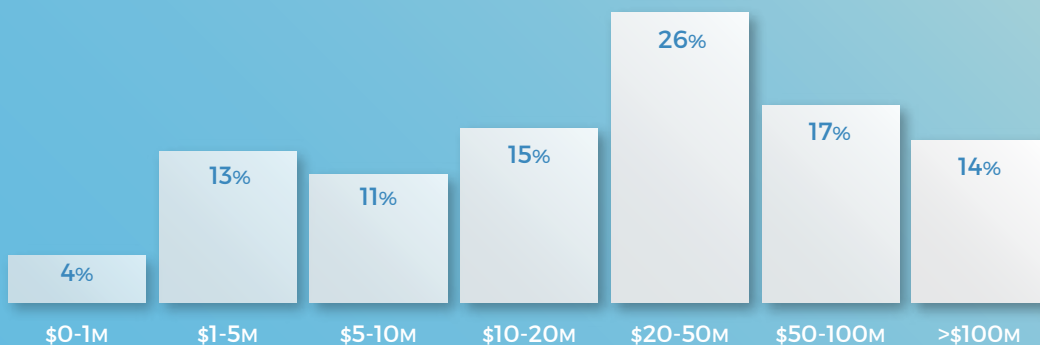
68% have less than 250 employees;
20% between 250 and 1,000 headcount;
12% over 1,000 people;
26% have between 10 and 50 people;
9% are micro-startups with less than 10 employees.



Average VC Funding

On average startups have raised approximately \$66M.

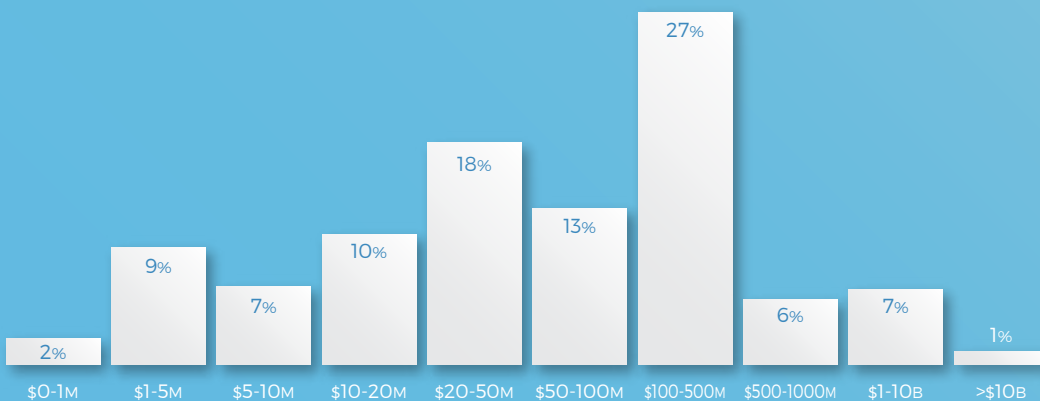
4% of the exited companies are startups at seed level (less than \$1M raised);
 24% are at Series A/Series B level (capital raised between \$1-10M);
 41% raised between \$10M and \$50M;
 17% raised between \$50M and \$100M;
 14% of the exits involve scalers, i.e. companies that raised over \$100M.



Average Ticket Price

The average (median) acquisition price is around \$65M.

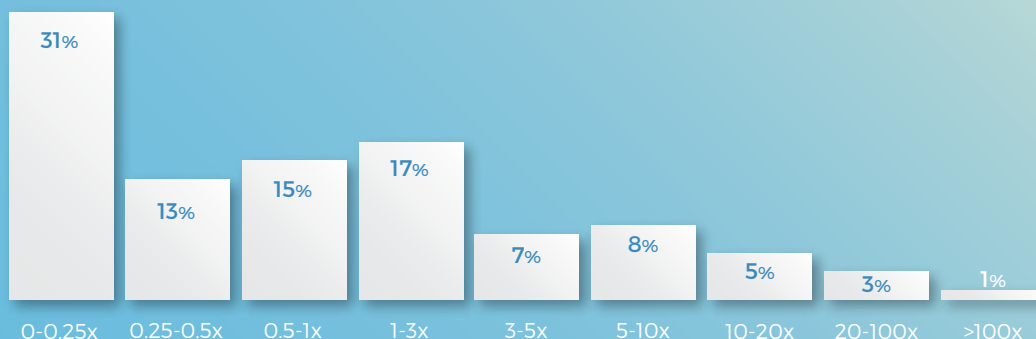
8% exited at \$1B+ and 6% between \$500M and \$1B;
 27% between \$100M and \$500M;
 13% between \$50M and \$100M;
 28% between \$10M and \$50M;
 18% for less than \$10M.



Average Multiple Between Acquisition Price and Capital Raised

The average (median) multiple between the acquisition price and capital raised for M&As that we tracked was 0.67, meaning that the average acquisition returns less than 70% of capital raised by the startup to investors.

All together 59% of the exited startups didn't return the capital invested and 44% are sold at a value that is less than half the amount of capital raised. Among those that do well, the gains aren't guaranteed to be enormous, 17% of the acquired startups return between 1 and 3 times the capital invested, and 15% of the startups are sold at a multiple between 3 and 10 times the capital raised. 9% of the exited startups did extremely well for investors and are sold at more than 10x multiple.



This spread follows common venture thinking. With 100 startups given funding, approximately 60 won't return the invested capital ("fire sales"), 20 return at a 1-3x multiple, 15 properly reward the invested capital (3-10x multiple), and only 5 produce "wild" payouts with 1 out of one hundred turning out to be the unicorn in the mix returning at 100x or higher.

The percentages given from this data and shown in the graph in the next page match up with this.

The graph in the following page demonstrates with real data that venture capital tends to be "power law" distributed¹⁰. Most startups return a multiple below 1 (59% based on our data) and a small number post large multiples that a normal curve could not encompass (4-8% according to our results)¹¹.

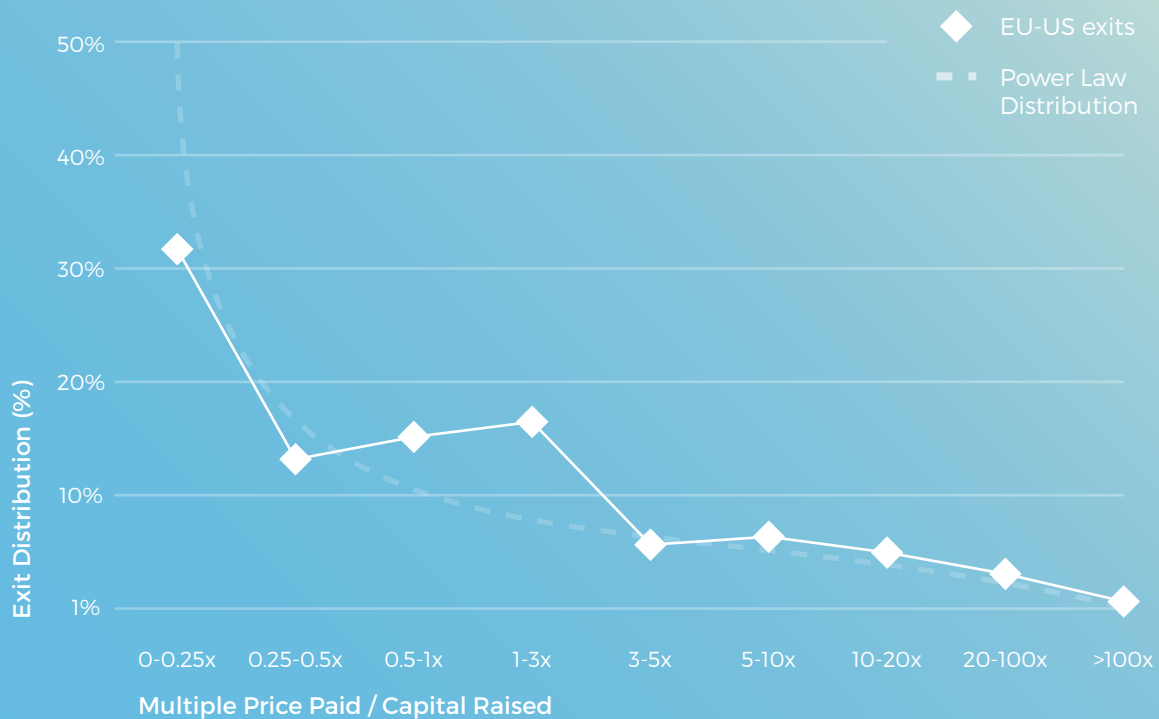
There are some observable differences between US and European startups in the data. European startups tend to make an exit just a bit later, on average they are 9.1 years old at the time of the acquisition, compared to 8 years for US startups. They also tend to be smaller at the time of the exit, both in terms of headcount (11-50 employees) and capital raised (\$43M raised versus \$100M of the American peers).

As discussed previously, European startups also sell for less with the average (median) selling ticket at \$35M vs \$100M for US startups.

This usually translates to a positive for investors however, European exited startups on average return more capital than US startups. EU startups average ratio between acquisition price and capital raised is 0.83 versus the 0.48 ratio of US startups that exit.

¹⁰ - J. Neumann, Power Laws in Venture, June 2015.

¹¹ - It is worth to be noted that data refer to exited startups only. Then portfolio companies that haven't yet reached an exit or had a negative financial conclusion are not factored in the data.



With 100 startups given funding, approximately 60 won't return the invested capital (3x-10x multiple). Only 5 produce "wild" payouts with 1 out 100 turning out to be the **unicorn**.

Methodology

Stats have been elaborated by Mind the Bridge based on data provided by Crunchbase.

This report is based on publicly available information and disclosed data that is collected by Crunchbase. While the data and the timeframe of the analysis is not exhaustive, the main purpose of the report is to provide insights and show trends.

Definitions:

Mind the Bridge utilizes the following definitions:

“Target (Acquired) Companies”

The studies included only startups that are defined as below:

- companies founded after 1999.
- companies that operate in innovative industries (e.g. ICT, life sciences, etc...) and/or introduce radical (disruptive) innovations in traditional industries (e.g. drones in agriculture).

MTB together with Crunchbase run an in-depth qualitative analysis on the Crunchbase dataset to exclude all acquired companies that do not meet the criteria of innovation.

“Deal Values”

Data about deal amounts only include transactions where the price has been disclosed by parties involved. A large percentage of transactions do not have disclosed prices. 15.2% of acquired startups in this study have a price associated.

“Capital Raised”

All equity investments made by private investors (includes, among the others, Venture Capital, Corporate Venture Capital, Seed Capital, Business Angels, Accelerators and Public Sector investment vehicles that are regarded as "equity-type investments" (e.g. EIB)).

were created with the intention of fostering innovation. Once again, the lines of this category are not determined by funding sources, but by program focus.

Indicators:

Mind the Bridge produces and monitors the following indicators:

“Exits/Acquisitions Ratio” (deal count) by geographical area

This number represents a ratio between the number of exits in a certain area and the number of acquisitions performed in the same area.

“Exits/Acquisitions Ratio” (deal value) by geographical area

This number represents a ratio between the value produced by exits in a certain area and the capital invested in acquisitions by companies based in the same area.

“Negative M&A Balance” (Exits/Acquisitions Ratio >1)

Areas where the number of startups that have been sold is larger than the number of startups that have been acquired by companies in the same region.

“Positive M&A Balance” (Exits/Acquisitions Ratio <1)

Areas where the number of startups that have been acquired by companies in the region is larger than the number of startups that have been sold in the same region.

Geography:

This report includes data on worldwide startup M&As, with a specific focus on US and European transactions.

We define:

“Continental Europe”

Including Albania, Andorra, Austria, Belarus, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Macedonia, Malta, Moldova, Monaco, Montenegro, Netherlands, Norway, Poland, Portugal, Romania, San Marino, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, Ukraine, United Kingdom (UK, including Gibraltar, Jersey, Guernsey, and Isle of Man), Vatican City. It does not include Russia that is reported separately.

“European Union”

The 28 Member States as of June 2018, including Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, United Kingdom.“

“Middle East”

Region centered on Western Asia, including among others Turkey and Israel.

“APAC”

Asia-Pacific region, including among others India, China, Australia and New Zealand.

“LATAM”

Central, Caribbean and Latin America, including among others Mexico.

“Transatlantic” will be referred in this report to describe activities involving US and European entities, either companies or startups.

Timeframe:

Data refer to startup acquisitions completed since 2010 and afterwards until June 30, 2018.

Annual trend analysis for a given year 20(xx) refers to the period July 20(x-1)- June 20(xx).

With the support of:



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Mind the Bridge

About Mind the Bridge

Mind the Bridge is a global organization that provides innovation advisory services for corporates and startups. With HQs in San Francisco (CA) and offices in London, Italy and Spain, Mind the Bridge has been working as an international bridge at the intersection between Startups and Corporates since 2007.

Mind the Bridge scouts, filters and works with 2,000+ startups a year supporting global corporations in their innovation quest by driving open innovation initiatives that translate into curated deals with startups (namely POCs, licensing, investments, and/or acquisitions).

Mind the Bridge publishes curated reports on the status of the scaleup ecosystems in different geographies, as well as M&A and innovation market trends in various verticals.

Mind the Bridge has strong partnerships with entities such as the London Stock Exchange and the European Commission, for whom it runs the Startup Europe Partnership (SEP) open innovation platform.

Mind the Bridge is the organizer of the Startup Europe Comes to Silicon Valley (SEC2SV) and Startup Europe Comes to Israel (SEC2IL) missions and the European Innovation Day conference.

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