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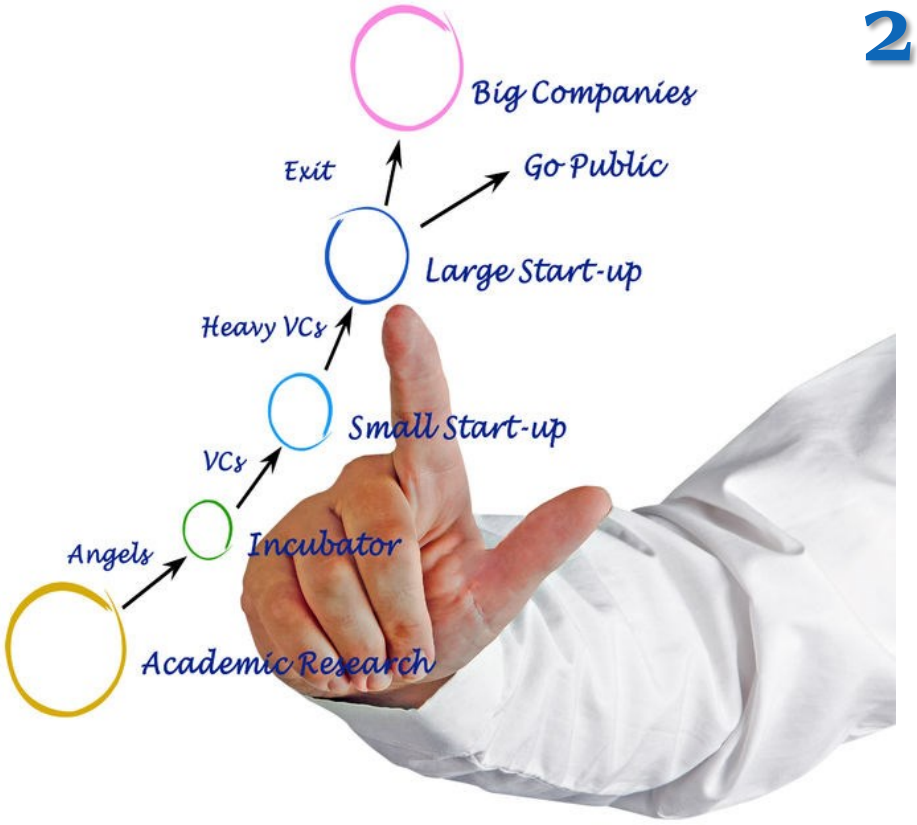
MATURITY OF VENTURE CAPITAL IN SPAIN

Successful cases when a transformation of startup to solid company has occured

2017



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Maturity of Venture Capital in Spain
Successful cases when a transformation of startup to solid company has occured

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Introduction

Venture Capital activity has undergone a great change in recent years in Spain. Beyond the extraordinary amount invested in 2015[1], a qualitative leap has taken place in the last years, having markedly increased the maturity degree of this financial activity.

The massive arrival of international investors, whose figure has increased fivefold in the last 5 years, has been the main change experienced. In addition to the new funds injected into the business sector, Spain has definitely been postulated as a country where very profitable deals can be done.

The report, in addition to reviewing the different VC stages in our country, with relevant facts and details of over 60 outstanding deals, explores the success stories of **eDreams, Privalia, Social Point, Idealista.com, Softonic, Ticketbits, MásMóvil and Oryzon Genomics**, which raised funding from business angels, Venture Capital and Private Equity funds and loans granted by public bodies as Enisa or CDTI. It also shows11 startups that could lead the next major exit.

The Venture Capital circle in Spain has been completed, reaching a sufficient size to get the attention of Private Equity funds, large industrial groups and improve the odds for an eventual IPO.

Webcapitalriesgo.com whishes to express its gratitude to ENISA for collaborate in the report, to the sponsors Kibo Ventures and Ad&Law, and to Bridgepoint and Portobello for its support in sustaining Webcapitalriesgo.com.

Marcos Salas de la Hera
Partner at Webcapitalriesgo.com

1. According to the oficial figures of ASCRI, Association of the industry that has been supporting the activity for 30 years, €613 million. Access ASCRI 2016 report

Executive Summary

Venture Capital has changed enormously in Spain, especially in the last five years. The massive arrival of international funding, the new generation of domestic funds, the burgeoning of accelerators and crowdfunding platforms, greater organization of business angels, the size achieved by some startups, or the contribution of public agents, such as Enisa or FondICO Global, are just some of the factors giving witness to the change. All of this attracted the interest both of Private Equity funds and industrial groups, leading to several rounds of funding, large scale purchase-sales and some cases of going public, all the time showing how mature this segment is becoming.

The appearance of public regional industrial development companies (SODIS) in the seventies and eighties, was the antechamber for the takeoff of Venture Capital activity in Spain in ***the early nineties***. That early stage was fairly flat in investment amounts, mainly public ones, worth around €25 million and scarcely anything for international funds. From 1997 onwards, there were increasing numbers of private investors and it was possible to see something of the potential of the Internet through Intercom Group. Some noteworthy deals in this initial period were *Thyssen, Quavitae, Chupa Chups* and *Softonic*.

Internet bubble in Spain (1998-2000). In the three-year period 1998-2000, we began to see some of the early deals which were to mark an epoch in the world of Internet and Telecommunications in Spain, for better or for worse. They were years when new investors appeared, a large amount of capital entered the country (peaking in 2000 with investment amounting to €288 million) and there were numerous investments in technological firms in the initial stages. Some investors disappeared for ever after the bubble burst and the collapse of NASDAQ in April 2000, led to a return to "safer" deals in well established companies of traditional sectors. Among the notable deals in these years were *Jazztel, eDreams, PharmaMar, Myalert.com, Submarino.com, Mercadolibre.com, Vitaminic, Patagon.com, Lanetro.com* or *Xfera*.

The music stops…transition stage (2001-2005). When the Internet bubble burst, there was still some inertia in this type of firms in 2001, to start a long drought lasting till 2006. In this period the average investment was €183 million invested and 119 deals per year and the number of private investors rose to 71 (+17). Outstanding were operations carried out in *Wisdom, Vueling Airlines, Fractus* or *Netspira Networks*. In this period there was also a noticeable rise and fall of the technological fund *Marco Polo*, which attracted nearly €100 million from important Spanish firms and was dissolved five years after being set up before it had carried out the expected investments.

Internet led the way in the first large divestments (2006-2010). Investment continued rising by an average €243 million (+33%) and 328 deals a year (+66%). The outstanding case was the Computer-related sector, which amassed 30% of the amount and number of deals, and to a lesser extent, the Renewable energy and Biotechnology sectors. In this period, the number of private national assets showed a 34% rise to 95. 2006 saw the arrival in Spain of the first large international Venture Capital funds, with the investment of Sequoia and index Ventures in *FON*.

Succesive sales of BuyVip to Amazon for around €70 million and Tuenti to Telefónica, for a similar amount, was well reported in the media and led to growing expectations within the sector. In both cases, a successful startup, acceleration and sale, in just less than three years took place, something very unusual in Spain. Unfortunately, these deals did not lead very much to continuation in the following years. Also in this period *Privalia* started up and *Idealista.com* was given a considerable boost, though their development sale took a decade or more, respectively. Another significant and atypical deal during this time was the startup of the television channel *La Sexta*.

International investors take up positions... 2015 a record year (2011-2016)

Between 2011 and 2016 Venture Capit*al* in Spain has undergone a record period of growth and transformation. This was also the case for the segment of Accelerators-Incubators, business angels and Crowdfunding platforms. These have been years of loss of complexes on the part of international investors, and they have carried out purchase/sales of varying sizes while filling the gap in the funding rounds of larger size. In these rounds, *business angels* and domestic funds have played a determining role in validating the potential of the *startup* in its initial stages, 103 international funds from 17 countries invested in Spanish *startups* during this period, compared to the 18 from four countries which did so in the previous period. The United States is the most represented country, with 54 investors, followed by the United Kingdom with 13 and France with 18.

Between 2011 and 2015, Venture Capital activity showed a 45% increase in the average amount invested per year (€352 million), and a 23% increase in the average number of deals (405), compared to the previous period. This large increase was linked, mainly, with the explosive growth of 2015[2] (€613 million invested) and the coincidence in the same year of two unusually large deals, *Wallapop* and *Letgo*. Other deals also attracting a large amount of capital in this period were *Alien Vault, Cabify, Carto, CornerJob, Jobandtalent, Kantox, Peer Transfer, Scytl, Social Point* or *Stat Diagnóstica*. In 2016, €416.5 million in VC investments were reported in 485 deals. In spite of the fall that took place, mainly because not so many large size rounds were closed as in 2015, the dynamic appeared to be highly positive.

Some of the *startups* which obtained funding and were sold to industrial groups at this time[3] were **Trovit**, sold to the Japanese Next Co Ltd for €80 million; **La Nevera Roja**, acquired by Food Panda for another €80 million; **Akamon**, sold to the Canadian Imperus Technologies for $27 million; **Olapic**, acquired by the American Monotype for $130 million; and Habitissimo, sold to the British firm Homeserve for more than €20 million. Also of note we have the sales of BlablaCar to Index Ventures in a $100 million round and that of **Kiwoko** (Masquepet) to the American PE fund TA Associates.

But indeed, **the most significant succesful cases** of firms obtaining funding from business angels, and/or Venture Capital funds and were sold to major industrial groups, to some international Private Equity fund, or quoted on the Stock Exchange were Privalia, eDreams, Social Point , Softonic, Idealista.com, Oryzon Genomics, Ticketbis and MásMóvil.

2. As detailed by ASCRI in its 2016 activity report
3. Extended through the first quarter of 2017

Privalia, is a private club with exclusive sales, founded by Lucas Carné, José Manuel Villanueva and Bruno Coffre started with slim resources provided by business angels, support from Enisa and several VC bodies. In successive rounds it raised more than €170 million in funding from Cabiedes, Caixa CR. Nauta, Insight, Highland, Index, General Atlantic and Enisa between 2006 and 2011. With a turnover of over €500 million and more than 1,000 employees, the Barcelona based company was sold to the French Vente Privée for €500 million in April 2016.

The online travel platform **eDreams** was founded in Barcelona by Javier Pérez-Tenessa, James Hare and Mauricio Prieto in 1999. Since then it has raised €383 million from Apax, SCH Desarrollo (CR Internet), 3i, TA Associates and Permira, among others. After a process of mergers and takeovers, in April 2014, eDreams Odigeo made its debut on the Stock Exchange. The company has some 1,700 employees and a turnover of more than €460 million.

In 1997 Tomás Diego created a distribution platform for apps and software **Softonic,** from the digital business incubator Intercom Group. The startup based in Barcelona cemented its growth in Spain and abroad with the help of Corsabe, Inveready, Bonsai and Enisa. In 2011 the domestic Private Equity firm Espiga took a small share and early 2013, the Swiss Private equity fund Partners Group acquired 30% of Softonic for €82.5 million. The firm is at the present time going through a reconstruction period.

The online real estate platform **Idealista**, was set up by Jesús Encinar, along with his brother Fernando Encinar and César Oteiza in 2000, after the bursting of the technological bubble. With organic, progressive growth in 2007 and 2008 it took on Tiger Global and Bonsai, respectively, and at the end of 2015 Apax Partners acquired a majority share in the Madrid based firm for around €150 million.

Ticketbis a platform for buying and selling tickets for events, was created by Ander Michelena and Jon Uriarte in 2009. With little more than €13 milllion of business angels funding, the public funds Seed Capital Bizkaia and Gestión de Capital Riesgo del País Vasco; and Active Venture Partners the startup firm from Bilbao obtained a figure of €85 million gross and is present in 47 countries. In May 2016 the American firm StubHub, owned by Ebay, bought out Ticketbis for around €150 million.

The telecom operator **MásMóvil** was founded in February 2006 by Meinrad Spenger and Christian Nyborg. The Madrid based company was supported in its beginnings by several business angels, Northzone Ventures and Enisa. Subsequently, other firms as Inveready, Fides Capital and the Private Equity subsidiary of Caser Seguros, joined the company. In March 2014, took place the merger of MásMóvil with Ibercom, the latter listed on the MAB. In the middle of 2016, MásMóvil acquired Yoigo for €612M with the incorporation of the British PE firm Providence. In spring 2017 the company, already consolidated as the fourth national operator, plans to make the leap to the Continuous Market, having surpassed its capitalization the €630 million figure.

Social Point, a company developing online games for Facebook and mobile phones, was founded at the end of 2008 by Andrés Bou, Horacio Martos and Marc Canaleta. Helped by Nauta Capital, Enisa and the international funds Idinvest, Greylock and Highland, and with somewhat more than €30 million funding, the company with headquarters in Barcelona achieved turnover of €84 million, with significant presence in Asia, Europe and the U.S.A. On the first of February last there was an announcement of its sale to the American Take Two for $250 million.

Oryzon Genomics first saw the light of day in Cornellá de Llobregat (Barcelona) in the year 2000, founded by the scientists Carlos Buesa and Tamara Maes. With the support of Najeti and Enisa, ICF, Corsabe, Invertec and Laboratorios Ordesa and some €11 million in funding, the biopharmacist managed to get the Swiss multinational Roche to licence its main oncological program in 2014. Its anti-leukemia medicine could lead to strong sales in the future of more than €1,800 million.

Other companies with these characteristics who might be a target for a coming disinvestment are **AlienVault, Cabify, Carto, CornerJob, Jobandtalent, Kantox, Letgo, Peer Transfer, Scytl, Stat Diagnóstica** or **Wallapop**. All of them have experienced staff, high degree of ambition, and an international outlook from the beginning. Altogether they have amassed an investment of €730 millions in 22 domestic funds, as well as several participative loans.

The recent history of funding startups in Spain cannot be understood without assessing the contribution of the public bodies **Enisa**, with €790 million invested between 2005 and 2016 having recently signed its loan number 5,000; **C.D.T.I.** with its investments both direct and through INNVIERTE, its fund of funds; and other bodies of a regional nature such as ICF or IVACE. Nor could it be understood without the contribution from **ICO**, particularly through Fond-ICO Global, its fund of funds. The latter has acted as a catalyst helping large funds through its leverage to raise new funds and keep the ball rolling. Of no less importance is the way in which *Informal Venture Capital* is evolving. It contains business angels, accelerator-incubators, crowdfunding platforms and other bodies (henceforth BA-Ac) which has not ceased to grow in recent years in Spain. It should also be highlighted the work of the Spanish Venture Capital & Private Equity Association (ASCRI), a non-profit organization born in 1986 that has witnessed the birth and development of the Venture Capital & Private Equity sector in Spain.

The present state of the ecosystem of startups in Spain is very positive and the future promising. Nevertheless, it must not be forgotten that this is just the beginning of a long road which has only existed for two decades.

This report[4] would not have been possible without the support and collaboration of Enisa, Kibo Ventures, Ad & Law , Ysios Capital and Inveready.

4. Among the firms mentioned in the report Enisa gave participative loans to Alien Vault, Cabify, Cornerjob, Habitissimo, Jobandtalent, Social Point, Scytl, Stat Diagnóstica, Wallapop, among others: KiboVentures participated in Carto, PeerTransfer and Jobandtalent and Yslos Capital in Stat Diagnóstica.

YSIOS CAPITAL

Interview with Julia Salaverría. Founding partner at Ysios Capital

"Ysios Capital is a leading venture capital firm in Spain specialized in biotechnology, with almost €200 M under management through its two funds"

Tell us about Ysios Capital. When and why was the company founded?

Ysios was founded in 2007 by Joël Jean-Mairet, Julia Salaverria, Josep Ll. Sanfeliu and Cristina Garmendia. At a time when the biotechnology in Spain was beginning to accelerate, we saw the opportunity to create a specialized fund able to appreciate the needs of the sector. The business model of biotechnology companies is very different from other sectors. Their analysis requires specialized teams that understand both the technologies or products in development and the markets to which they are directed, as well as the business and corporate development models and management needs. Once the investment is made, they remain very involved as members of the board of directors to drive the value of the company and lead it to an exit.
At Ysios, we have a solid, specialized team with extensive investment experience and complementary skills which allows us to evaluate the specific needs of these companies, and to analyze and choose the most appropriate projects for the funds we manage.

What have been the greatest achievements since your foundation?

At an operational level, our first fund Ysios BioFund I is achieving its business plan: we have done what we told our investors in 2007/2008 and we have obtained some great results to date.
In September 2016 we closed our second fund, Ysios BioFund II Innvierte, Spain's largest specialist fund in life sciences, with a total amount of € 126M.
We have already invested in 21 companies through our two funds, having analyzed about 2,000 companies, which means we have daily access to investment opportunities and constantly analyze deals. To evaluate all these opportunities, we collaborate with multiple advisors and opinion leaders in the scientific and clinical field to which we have access thanks to our extensive contact network.
In addition, we have co-invested with 40 specialized international funds and 15 corporate funds from multinational companies, which demonstrates the recognition and international positioning that we have achieved since we launched the first fund nine years ago.
Ysios has had a very significant role in attracting international capital to the Spanish companies in which it has invested, as well as in job creation. Our Spanish portfolio companies have received € 114m from international investors in joint venture with Ysios and have generated around 100 direct jobs, most of them from qualified personnel.

"Our Spanish portfolio companies have received € 114m from international investors in joint venture with Ysios"

If you had to define Ysios in a few words what would you say?

Professionalism, proven experience, national and international leadership, access to quality deal flow and good results for our investors.
Since 2008, Ysios Capital has consolidated its role as an international benchmark investor, has a first-class team, access to an extensive quality deal flow both in Spain and abroad, and has demonstrated the ability to create and lead syndicates of international investors. In addition, it has completed the cycle of a good venture capital investor by successfully divesting three companies to date.

The report describes the success of Oryzon Genomics and the potential of one of Ysios' portfolio companies, Stat-Diagnostica. What other companies stand out in your portfolio?

Everyone of them. We focus on investing in companies with innovative products targeting diseases of high prevalence as well as niche diseases, which will substantially improve the prognosis and / or treatment of patients. The companies in which we invest develop therapeutic products, new medical technologies and / or new diagnostic products, with high unmet medical need.
As for our investments is Spain, it is very significant that almost all of them have received international capital and can negotiate agreements with industry globally.
Currently we have 7 Spanish companies in our portfolio, all of them well funded and with very promising projects: Stat-Diagnostica, Inbiomotion, Medlumics, Dermalumics, Sanifit, Minoryx and Aelix.

How have you seen the evolution of the biotech sector in Spain since its inception?

Ysios has been evaluating investments in Spain for almost 10 years and after a few years of euphoria and subsequent adjustment, there is now a more solid basis in the approach that many companies take towards the investment community.
Also, in the last years we have seen a clear increase of the interest in the sector by international investors.

How do you see the future of Ysios in this context?

The success of the Ysios BioFund II Innvierte fundraising confirms Ysios' successful strategy in positioning ourselves as a venture capital firm specializing in biomedical investments and leader in the Spanish market, but also reflects the maturity of the sector as an investment destination.
The quality of the opportunities that Ysios constantly receives from the national and international market, the experience accumulated in the analysis of these opportunities and the active management of the investments with very good results makes us certain that we will be able to raise new funds in the medium term.
In short, we're very optimistic about the future of Ysios, the biomedical sector and the biotech companies. Advances in this sector will result in an improvement in human health, which will benefit from the market entry of new products, whether for diagnosis or treatment of diseases. Ysios' investors will benefit from good results from their investments in our funds, but we will also be contributing to the current social challenge of aging populations in a context of strong cost-control in the health systems. Investing successfully and making innovative health products available to the people is very motivating.

JULIA SALAVERRÍA

Julia Salaverria, founding partner at Ysios Capital, has over 25 years of experience in executive positions in the financial sector. Since 2000 she has been working particularly in the venture capital sector. After her experience at Talde, in 2007 she founded Ysios Capital together with three partners. On top being member of the board of directors and investment committee, she is heavily involved in investor relations and fundraising, among other responsibilities. Formerly, she was board member at Sabir Medical and STAT Diagnostica.

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INVEREADY
Technology Investment Group

Interview to
Roger Piqué / Carlos Conti

"We live the start of MásMóvil like any other start up and it invoices now more than €1.000M, and it is valued at more than €1,000M"

Invereadyis one of the leading VC in Spain. How have you evolved since your start in 2008?

Invereadyhas gone from € 15 million to € 100 million under management since we started the first investments in 2009. This year we want to reach 140 million € under management. We have invested in more than 80 companies, without losing our initial vision: invest in technological and disruptive companies in their early stages. Despite the increase in funds managed, the philosophy stills being the same that has demonstrated to be successful: quality of our products, the importance of diversification throughout the fund, the contribution and value add to portfolio companies and specialization in the financing strategy. The repetition rate of the LP's in the new launched funds, is more than 70%, so we are very satisfied.

You are one of the few VC firms that manage funds with a wide diversity of companies from different sector like: ICT, Biotech... How do you manage it internally?

The first fund we launched was a generalist one. Within its portfolio there are companies as diverse as Password Bank, Iahorro or Ability. Although the experiment was successful, and the support needed in early stages is very similar among different sectors, company life cycles and investors' profile are different. Thus, our growth strategy was to create more specialized funds in terms of sector investment but with a shared philosophy: understand how the life cycle of a companies works when you invest on it in early stages. In ICT funds, investments are focused on sectors that we prioritize and where technology disruption is relevant. In most of the cases are B2B companies. In Health funds, we focus on efficient developments that can achieve clinical milestones with investments between 3 - 5 million euros. Debt funds respond to a market need, but they are also vehicles with a higher turnover and allow investors with a lower risk profile to get involved in the technology venture capital sector. There is one responsible for each line, ICT, BIO and Debt, as well as joint resources associated mainly to the structuring of operations and the follow-up of portfolio companies.

"This year we want to reach 140 mm € under management"

Have you recently announced the first closing of your second debt fund, Invereadyventure Finance II? Is there a gap in Spain for venture debt?

The first debt fund has had a growing demand that has either allowed to meet the investment schedule and prepare the basis for a second fund of the same typology with a solid deal flow from the beginning. It is true that the newness of the product demanded a relevant sensitization work of the market in Spain. Recently AFME has published a study where it insists on the importance of developing a venture debt market as one of the indispensable mechanisms to dimension the companies invested by venture capital. This same study indicates that only 5% of the European companies invested by VC have received Venture Debt financing, comparing it with 15 to 20% of the Americans. This is exactly our target. The Venture Debt is an ideal instrument to give continuity to the companies supported by venture capital, generating little dilution and often functioning as a bridge between one round of capital and another. In this sense the market is evolving and today the main Venture Spanish funds are our clients. The second fund doubles the size of the first one and is born with investment commitments close to 30% of the managed capital.

The report talks about MásMóvil success. What would you highlight about this company and how has Invereadyhelped MásMóvil?

Invereadyinvested in MásMóvil in 2010 in an early stage. After its IPO to the MAB, Invereadycollaborated in the design of the growth strategy, the design of the acquisition policy and also in its execution. The management team of Invereadyhas dedicated a lot of time to this company. After the purchases of Yoigo and Pepe Phone, which were preceded by numerous smaller purchases that allowed the followings operations, and the capital increased lead by Providence, one of the largest private equity specialists in Telco, Invereadykeeps having a seat in the Board of Directors, is the chairman of the Audit Committee, and represents the union formed by 31% of the capital. We believe that this is the best image of the weight that has had and continues having Invereadyin this company. Of course, for Invereadyy, MásMóvil is a very important company, we live the start of the company like any other start up and it has become a company that invoices more than 1.000 mm €, valued at more than € 1,000 mm. - being one of the few national unicorns - and is the fourth Spanish telco operator. In addition, it is a company in which we have partially divested and generated significant capital gains to our shareholders. We have also learned from this experience, now we have three additional companies in the MAB in more initial stages but with very attractive prospects. Everything that we have learned, in this and other cases, we try to replicate it helping the rest of our portfolio.

To comment any another-s highlighted divestment-s of Invereadyy, and any other portfolio company with great expectations?

Each year we carry out an average of 3-4 total exits. This is a priority, understanding that the main goal of our business is above all to divest with significant capital gains. We have been fortunate to make sales to buyers like Symantec, Intel or Red Hat and we have achieved liquidity with several IPOs. We currently have very mature companies that are near to the end of our investment cycle. It is difficult to highlight the profile of some companies since our portfolio is very broad, but to change the sector since we have talked about Más Móvil, we could highlight our high potential in the Biotech sector. The last three big licenses in Spain of drug discovery companies have been carried out by companies in our portfolio. Palo Biofarma for example made one of the biggest licenses worldwide at the end of 2015 with the pharmaceutical company Novartis which has already materialized several milestones, in a huge area of great potential such as lung cancer.

Roger Piqué
Investment Director and co-founder of Grupo Invereadyy

Carlos Conti
Director of Venture Debt Funds and partner at Grupo Invereadyy

"Helping entrepreneurs make their dreams come true"

INVEREADY
Technology Investment Group

The past few months have been intense, thrilling, non-stop and challenging:

⇒ We announced a €71M first close of our Fund II in September '16. We are very fortunate to be backed by both existing and new investors.

⇒ Have grown the team by adding 3 new great Kibomates: Sonia Fernandez as Investment partner, Valeria Loewe as COO and Jordi Vidal, as investment Manager.

⇒ We moved to our new offices in the heart of Madrid, with a great roof-top terrace that will use to promote meetups of the Spanish startup ecosystem and hold workshops.

⇒ Have already invested 20% of Fund II in 9 companies across Spain, Germany, Portugal, the US and Latam.

⇒ Plus lots of activity in existing portfolio, including acquisition of Trip4Real by Airbnb, several growth rounds cooking and very good news, business wise, in many of them.

Fund II Recent Investments

Stoyomedia (based in Germany) is one of the world's leading social video platforms, which creates data-driven engaging social videos for publishers and brands worldwide (ie National Geographic, Time Inc, Condé Nast...). They have achieved exponential growth in video views in Facebook getting close to 1 billion video views and ranking #24 amongst all social media properties worldwide. On average their videos perform 3–5x better than those of the same channel

Logtrust is a real-time big data-in-motion as-a-service firm for Fast Data, Big Data analytics. Logtrust's platform is currently used by top companies in the financial services, telecommunications, cyber security services and other industries, where its clients quickly reap insight that would otherwise take months and millions of dollars to achieve with open source tools (PRNewswire).

Odilo is a Digital Content as a Service (DCaaS) platform that allows organizations to create digital content solutions for their users by removing technological and content distribution barriers and providing access to global content agreements. Odilo is the clear market leader in Spain and Latin America and has secured global digital content rights from all Big 5 publishers. It is also making inroads in the US, having won major contracts in competitive bidding processes.

Iguama (with operations in NY, Miami, Guatemala and China) has developed a tech cross-border e-commerce platform serving Latin America. The Company is currently present in 6 countries. Iguama provides consumers in Latin America access to top U.S. retail brands typically not available for purchase in local malls, handling fulfillment and all local customs, taxes and shipping (PRNewswire).

Gamelearn is a platform offering corporate training through serious games. It currently has 4 high-quality games each one focusing on different skills such as negotiation, customer support, leadership and time management that acieve completion rates >90% (vs average 25% for online training). License-based business model for large corporates, has over 1,000 customers in 5 continents.

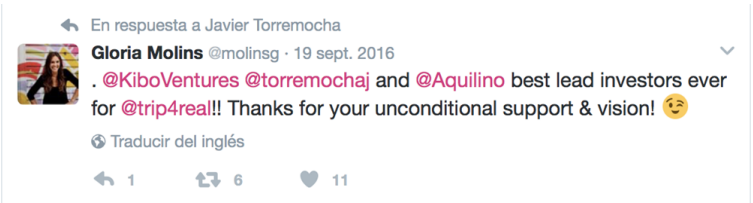
Vilynx is at a very attractive intersection of video, artificial intelligence and machine learning. Vilynx is an Artificial Intelligence (AI) company that develops machine learning technology to facilitate video search and discovery across multiple sectors (media, e-learning, drones, smart cities...). It has a differentiated market technology. Vilynx is headquartered in Silicon Valley with its core development team based in Barcelona.

Apartum is a comparison meta search engine for short-term apartment rentals. The Company has developed a proprietary technology to identify the same apartments and homes in different web sites in order to compare prices.

Hole19 is a company based in Lisbon (Portugal) with a very international team, which has an app actively used by ca. 1M golfers. It offers a full range of products and tools for golfers, aiming to be part of their full journey: before (discover, organize & book), during (plan & track) and after (review, share & rebook) the golf round.

Plus two additional investments, in a SaaS platform for SMBs and a semiconductor company that will soon be released.

Back in September, Airbnb announced the acquisition of Trip4Real, a Barcelona-based portfolio company. It has been an awesome journey



With this acquisition, Airbnb has expanded their service and launched Airbnb Trips & Experiences, a range of highly curated activities developed by local freelance hosts (Vanity Fair).

enisa

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Enisa, a leader in finance for entrepreneurs

Just a few months ago, Enisa granted loan number 5,000. In what ways has the company changed since its very early days?

Since it was first established, Enisa has continually adapted to meet market needs, creating new facilities but always focusing on SMEs and, more recently, on entrepreneurs.

Although Enisa initially provided venture capital, its strategy changed around the mid-nineties and it began financing SMEs directly. In order to do so, it opted for participative loans. From that point onwards, this commitment has continued to evolve and it currently represents the 90% of all our business. We are the leading entity in terms of providing finance through this product.

"We want to help companies to take risks"

Simultaneously, in 2010, a specific course of action within the world of entrepreneurship was set up: the creation of the Young Entrepreneurs Facility, followed four years later by the Entrepreneurs Facility. Both have become essential sources of finance for companies during their early stages and the fact that it works well has meant that Enisa has become the leading public entity in terms of providing support for our entrepreneurial ecosystem. Together, these facilities account for almost 2,500 loans to a value of 148 million euros.

It's clear that numerous venture capital funds and business angels have been leveraged in the funds provided to start-ups by Enisa. However, there are still some critics to be had. What would you say in defence of the role Enisa plays?

In general terms, I believe that the work of a public entity such as Enisa needs to be faithful to the principle of additionality. This principle can be applied in two ways: in the first instance, we want to help companies to take risks which, without our financial support, it's possible they would not take. In doing so, we are contributing towards boosting our entrepreneurial ecosystem. Secondly, we want to support diversification of the sources of finance available to Spanish SMEs so that they can turn to sources other than banks in order to finance growth.

"Our companies stand out for the global outlook that they have had right from the very outset and the fact that they have been able to diversify their sources of financing"

In order to achieve these goals, we offer participative loans. We believe that their characteristics make them particularly appropriate for these needs. This debt instrument falls half way between a traditional loan and venture capital. It provides considerable strength to companies' financial structure whilst refraining from interfering in management and without watering down the contributions made by partners.

Furthermore, we don't need endorsements or guarantees other than the viability of the project itself and its management team in order to be able to grant the loan. For its part, the loan's interest rate is linked to company progress and adapts to its profitability and it is entirely compatible with any other means of public or private finance. In fact, to a great extent, the aforementioned agent leveraging is down to the 'certifying' effect our loan has from the point of view of potential third party investors.

Over the last few years, most of the start-ups that have successfully divested (sale to an industrial enterprise or a private equity fund, or by going public) belonged to ICT sector. What about other significant sectors such as industry or life sciences and biotechnology?

That's right. Most of the companies in our portfolio are ICT companies, which account for 44 % of the transactions carried out. This is simply a reflection of the kinds of business models we are financing, especially in terms of facilities in support of entrepreneurship.

However, we have to take into account that our credit facilities are available to companies from all sectors. Indeed, our portfolio includes companies from other sectors, with a clearly innovative approach, from agri-food, industrial or life sciences and biotechnology sectors, among others.

Enisa has provided hundreds of start-ups with funds. Some of those that stand out in particular include Privalia, Social Point, BuyVip, AllenVault, Wallapop, Cabify, Sctyl....What would you point out about these companies?

Whilst they are all very different to one another in terms of their business models, it is true that there are a number of traits which are common to them all. On the one hand, I'd point out that they have the support of an excellent, multidisciplinary team which is fully committed to and consistent with the company's vision and goals. Also important is the global outlook that they have had right from the very outset and the fact that, as they have grown, they have been able to diversify their sources of financing.

These companies, along with hundreds of others, have witnessed and played a leading role in changing the entrepreneurial ecosystem in our country over the last ten years. Amongst other things, this change has included the arrival of new investors, both national and international ones; a growing interest by large multinational Spanish companies in the potential of Spanish start-ups as providers of new developments and sources of innovation; and, ultimately, little by little, a dynamic, modern and competitive ecosystem has emerged which is capable of fostering sustainable and long-term growth in the Spanish economy.

Bruno Fernández Scrimieri

Bachelor of Economics, Complutense University of Madrid. High Corps of Spanish State Economists and Trade Experts. Amongst others positions, he was previously Director of Fashion, Habitat and Cultural Industries at ICEX Spain Exports and Investments, as well as Councillor for Commercial and Economic Affairs at the Economic and Commercial Office of Spain in Casablanca. He has been Managing Director of Enisa since 2014.

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Interview to Miguel Ángel Martínez Bernal

Partner at Ad&Law. Madrid office

1.- Please introduce AD&LAW to us

AD&LAW was born in the middle of the crisis because the partners perceived there was an opportunity in the corporate services industry.

There is a huge gap, in terms of quality and price, between the tax and accounting services used by 90% of the companies and the great firms like the Big Four (KPMG, Deloitte-S2G, E&Y, PWC).

Furthermore, we felt that there was a need for increased adaptation to the requirements of the clients at each moment: sometimes they need a team in-house, or to strengthen the team during a very specific period of time, or financial statements each month, week or even day, an increased control of cash-flow and suppliers, consolidated financial statements, due-diligence or audit processes,...

Finally, the approach of many firms is not really multidisciplinary and they do not really understand the business of the clients from a financial, tax, accounting, labor and legal perspective. AD&LAW can provide specialized advisory in all these aspects by a highly qualified team of professionals and always pro business, offering complex solutions at very competitive prices.

Our target in the medium-long term is to be able to assure our clients the same quality of service we offer now fundamentally in Spain in other countries and be able to accompany our clients in their expansion process. We do that already in different aspects (contracts, financing, taxes), but we are leading an alliance of medium sized firms like us with the same level of commitment in the key countries where AD&LAW is still not present.

2.- Which kind of services do you offer to Funds and Startups?

It is very variable. As I told before, we adapt us to the requirements of our clients.

A big fund, like Eolia or Sunedison, with a size of hundreds of millions, can be interested in us acting as their own financial controlling department, always dependent on their CFO. AD&LAW is responsible in this case to do monthly financial statements, prepare taxes, elaborate consolidated financial statements,... We can even be responsible of collections and payments. We can also be responsible for mergers, business transfers, intercompany loans,...

A small fund, like Capitana VP or Athos Capital, usually requires mostly advisory in the day to day activities of the management company and the fund or funds. Also, they usually count on us in order to financially control their investments, either externally or acting directly as outsourcing of the investee.

Startups like aBoatTime, LLOLLO or Guudjob have a very changing reality and require dynamic advisors who accompany them in all their phases of growth. We can advise them integrally or only in certain aspects they need. From the shareholders agreement to the legal architecture of the business, through raising funding, a correct fiscal planning, an adequate accounting control or an advanced labor advisory, among other services.

3.- At which moment is the Venture Capital ecosystem in Spain? How has it evolved in the last years?

In our opinion, the Venture Capital ecosystem in Spain is at a very interesting moment.

On the one side, it is maturing. The oldest and successful funds like Cabiedes or Kibo Ventures have achieved great operations like BlaBlaCar, Job&Talent, Carto DB,... This allowed them to grow in size and to get involved in bigger operations. In the same way, there are each time more Startups and all the ecosystem in general is getting more professional.

"There is an increasing interest of great corporations in Startups and VC in general"

On the other side, it is internationalizing. Many funds from other countries are already operating in Spain and many others are interested in starting operations in this market. Similarly, Spanish funds are also starting operations in other countries in our environment. Co-investment, one of the pillars of Venture Capital, is expanding massively.

Finally we need to highlight an increasing interest of great corporations in Startups and Venture Capital in general. We are seeing that business and technological dynamism is enormous. There are Startups which are competing at the same level with much bigger corporations in their markets and many other are costing much money in the case the corporations are willing to take them over. Additionally, the market of technology companies is globalizing, as we already commented. This lead many corporations to launch their own accelerators, incubators and even their own Venture Capital funds, usually in specialized in their sector.

All this means many challenges and opportunities. Entrepreneurs have more opportunities to choose, but at the same time it is more difficult to decide. Do they prefer to maximize the value of the company from a financial perspective (usually in this case it is better to have a financial partner) or do they prefer a technological and commercial partner (usually then an industrial partner is preferable)?. It is very complex to combine the best of both worlds, but it is possible.

Conclusions

- ◊ The ecosystem is currently experiencing a moment of great dynamism in Spain, both startups, VC institutional funds and informal venture capital (*business angels,* accelerators ...) and public bodies as Enisa. In the last two years, the Fond-ICO Global public-related fund of funds has also been an important player.

- ◊ *Venture Capital* has matured enough to lead divestment transactions in favor of large industrial groups, *Private Equity* funds, or an eventual IPO. eDreams, Privalia, Idealista, Softonic, Ticketbits, Social Point, MásMóvil or Oryzon Genomics, are some examples.

- ◊ VC's international funds heavily landed between 2011 and 2016. A total of 103 firms from 17 countries, more than half of which came from the United States.

- ◊ The number of startups that received more than €8 million in funding since 2000, has been multiplied by 6, with almost 4 co-investors per company (x2), on average.

- ◊ The specialization of the investor has been gaining weight, especially in the Internet and Communications sector.

- ◊ There are still very few VC investors in Spain with the capacity to contribute with at least €5 million in a round, although the evolution is positive. International investors are covering this gap.

- ◊ It is more frequent to see teams of Spanish entrepreneurs determined to start their business from another country, such as Olapic.

- ◊ *Startups* such as AlienVault, Cabify, Carto, CornerJob, Jobandtalent, Kantox, Letgo, Peer Transfer, Scytl, Stat Diagnóstica or Wallapop could lead the next major exit in the medium term.

- ◊ Despite a certain degree of euphoria, one should not forget that the industry has barely two decades of history and a long way to go.

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