

# KREOS QUARTERLY

EUROPE'S LEADING GROWTH DEBT PROVIDER

Q2 2015

## Welcome

Welcome to the Q2 2015 edition of Kreos Quarterly, designed to give you a snapshot of the latest activity in our investor partners better, and share our insights into current market developments.

We continue to be very well positioned as the leader in the pan-European growth debt space, working alongside leading equity investors to support companies at all stages of their growth across the region and across multiple sectors.

In this edition of Kreos Quarterly we share our insights from three European industry conferences which we attended during Q1 – Mobile World Congress in Barcelona, the Growth Tech Tour in Geneva and BioCapital Europe in Amsterdam.

We discuss some current market trends we are seeing and highlight some of the latest developments across our portfolio. We also interview Stuart Paterson of Scottish Equity Partners, one of Europe's leading growth equity sponsors, and Tal Brener, CFO of fast-growing, global on-demand taxi app GetTaxi, a Kreos IV portfolio company.

## *The Kreos Team*

## Market Observations

As we continue to actively deploy Kreos IV, which is now well into its fourth year of commitments, we have been seeing an increasing number of debt and equity portfolio company exits. Over the past 15 months there have been 23 exits across the Kreos portfolio and in total over 100 portfolio companies have exited across the Kreos III and Kreos IV portfolio to date.

Our experience is a reflection both of the strength of our model and of wider market conditions which we discuss in more detail on page 6 and in our latest news on pages 4 and 7. Where our portfolio companies typically require one or two further financing rounds, before exiting via an M&A transaction or through IPO in Europe or the US, in Europe itself there have been over fifty financing rounds above €20m in 2014, and more than 200 IPOs on Euronext during the same period.

The increased number of exits across our own portfolio is a reflection in particular of broader trends of increased IPO, M&A and direct secondary activity across the high-growth sectors of TMT, web-based online services, and healthcare.

If you have the opportunity to join us at our upcoming Growth Financing seminar in London on April 28th, we will have a panel focused on exits which will cover the latest developments in detail. We hope you can join us!

## Kreos Capital - Industry Conference Overview



Mårten Vading, Ross Ahlgren and Maurizio PetitBon of Kreos participated at three conferences during Q1 2015:

- ◆ Mobile World Conference (MWC) in Barcelona
- ◆ TechTour Growth Forum in Geneva
- ◆ BioCapital Europe conference in Amsterdam

### INSIDE:

◆ Interview with SEP Partner, Stuart Paterson on p.2

◆ Catch up with the CFO of global on demand taxi app GetTaxi on p.5

Focused on some of the high growth sectors where Kreos has been active during 2015, here are a few observations from the conferences which we thought would be of interest to our Kreos Quarterly readers. *Continued on page 6*

## INTERVIEW: Stuart Paterson Partner at Scottish Equity Partners

Stuart Paterson, a Partner at Scottish Equity Partners (SEP), shares his thoughts with Kreos on the current European growth-stage technology investment environment. Stuart is one of SEP's founding Partners and has been responsible for a number of SEP's most successful information technology investments including Bluetooth chip leader CSR plc, Gigle Networks, acquired by Broadcom, and Skyscanner, the world's fastest-growing flight search business. He has a particular interest in new investment opportunities in software, including internet services. Stuart was non-executive director of managed data centre provider ControlCircle until its acquisition by AIM-listed Alternative Networks, and currently sits on the board of Europe's largest on-line multi-channel eyewear retailer Mister Spex.

SEP invests up to £20m in high growth technology companies across the UK and Europe. The team has a successful track record spanning 20 years investing in more than 150 innovative companies and realising over 110 investments. The firm has significant funds under management, from an impressive blue chip investor base, and has recently broadened its range of funds with the closing of an infrastructure fund offering finance for small scale clean energy projects.



**Kreos and SEP have had a long-standing relationship over many years. Investments we have worked on together recently include**

- ◆ **BioVex** – Kreos provided €3m of growth financing. BioVex focused on the development of a cancer vaccine and was acquired for \$1bn.
- ◆ **Kiala** – Kreos provided €5m of growth financing to this Belgian based delivery and return parcel service. Kiala has now joined the UPS group.
- ◆ **Mister Spex** – Kreos provided €12m of growth and acquisition financing. Mister Spex is the leading online European optician and recently closed a \$40m round led by Goldman Sachs.

**You have successfully invested in a number of growth companies over the years: tell us a little bit of your current investment focus.**

As one of the most established European growth capital investors we have invested in over 150 companies over the past 20 years. And accordingly we have had experience in most areas of technology, which is a main area of focus for us, as well as other growth investors.

*“Kreos are much more aligned with the investor and work as a team to get the right outcome...”*

Our core sectors include IT, Healthcare and Energy. The key challenges are always the same: the pace of growth (it is a marathon not a sprint), scaling challenges and building great teams. It is in these areas where an experienced investor can add value.

In the IT space we are big fans of the Consumer Internet sector due to its capital efficiency and scalability. We like to balance these consumer investments with investments in the Enterprise space which include SaaS software companies such as SSP, Intelligent Reach and SocialBro and tech-enabled services such as Control Circle which we recently very successfully exited, and the UK's largest Private Data Centre business Pulsant.

### **Where do you see the most attractive growth opportunities in Europe at the moment?**

I think different regions of Europe have their areas of expertise, though not all of them suit our investment focus. We are very active in Scotland, the North of the UK and London, and in terms of European cities we like the B2C activity in Berlin and have a good network as a result of our Mister Spex investment: we see ourselves making more investments in Berlin.

### **SEP has been able to establish itself as a successful growth investor in Europe: what is the secret sauce that you have applied?**

Through up-cycles and down-cycles, investing in private businesses is a long-term game. This needs patience and a supportive investor with experience who plays a proactive role in the growth of the business. It is a journey which can take many years so the key is the trust and the relationship between management and the investor. Other factors to get right are the pace of growth, the development of the senior team as well as the financing and exit strategy - which is where having an experienced and level-headed investor makes the difference if you are playing for a large outcome.

### **Kreos and SEP have worked together since 2002: how has your thinking around applying growth debt evolved over the years?**

I think having growth debt in the tool bag is useful to improve the investor's and management's returns in the right situation. Where capital is needed for

profitable M&A, for working capital or to get to a key value-driving milestone, a pure equity structure may not be an efficient capital structure. Traditional lenders struggle with dynamic business plans and with companies' lack of track record. In addition tight lending covenants are not appropriate for many high-growth companies. This is where Kreos can really help. I have been impressed with Kreos's ability to deliver and with its flexibility. It is a relationship we really value.

### **Let's look at a more recent joint deal like Mister Spex: what was the reason you decided to bring in debt into the financing structure and Kreos as a partner?**

Mister Spex were looking to buy a profitable Swedish business with a limited trading track record and we needed to move quickly. We had a strong equity base but a pure equity structure would not have been the most efficient structure for the acquisition. Kreos was able to move quickly, and as a major European growth debt provider they had the debt capacity we needed (up to €10-20m), and we valued the trust-based relationship that they would deliver on the deal, as well as be easy to deal with post-acquisition. We were right on all counts.

### **What are you looking for in a growth debt partner and how do you see the differences between working with banks and growth debt funds?**

Traditional debt lenders and equity providers can end up being on the opposite side of the table, with traditional bank lenders becoming unpredictable if cash or EBITDA priorities change due to changes in the market, new growth opportunities or M&A. I find with Kreos they are much more aligned with the investor and work as a team to get the right outcome for the company as well as for the debt and equity providers. They understand the dynamic environment of high-growth companies and this experience is critical. The capital is more expensive than debt with tight covenants, but cheaper than equity and the flexibility debt funds provide is very helpful to the company and investors.

# Quarterly Insights Into The Kreos Portfolio

*A subset of Kreos's portfolio*



In Q1 2015, Kreos approved new commitments to 10 new facilities, totalling €26.5m. A select group of these commitments are shown below, as well some as our featured exits from the last quarter.

## Featured Recent Transactions

wahanda 

Wahanda has revolutionised the way consumers search, sort and book health, hair, beauty and wellness appointments online in real time. Wahanda has been expanding after acquiring a German competitor and app developer in recent months and plans to enter six new European markets this year. Kreos has committed €7.8m to date.

PANAYA

Panaya is a SaaS company which simplifies Enterprise Resource Planning systems (ERP) upgrades and maintenance by providing a cloud-based solution. Kreos IV committed \$7.9m in Q3 2014 and the company was acquired by Infosys for over \$200m in Q1 2015.

  
poxel

Founded in 2009, Poxel is a drug development company focused on developing a novel mode of action Type II diabetes treatment. During December 2014, Poxel announced positive results for their lead antidiabetic agent, Imeglimin. Kreos IV committed €8m in Q4 2014 and the company had a successful IPO in February this year.

  
**Delivery Hero**

Delivery Hero is the largest global provider of online and mobile food ordering and is currently operating across five continents. Delivery Hero now facilitates the delivery of over 12 million meals globally per month. Kreos IV committed €13.5m to the company which has now exited realising a very strong result for the fund.

ReWalk

ReWalk Robotics manufactures and sells a revolutionary exoskeleton walking system enabling individuals with lower limb disabilities to walk unaided without a wheelchair. ReWalk, formerly known as Argo Medical, was founded in 2001 and operates in Israel, Europe and the US.

  
CROCUS Technology  
Blossoming future

Crocus is a semiconductor company producing magnetic random access memory products (MRAM), sensors and Magnetic Logic Units (MLUs). Crocus's magnetic platform enables it to read and write faster than flash memory and to have a smaller footprint. Kreos committed €4.6m in 2006, and has recently committed a further €7.8m to the company.

## 60 SECONDS WITH...

### GetTaxi's CFO, Tal Brener

Kreos Capital IV portfolio company GetTaxi was founded in 2010 and is now a global provider of transportation services. GetTaxi is the only on demand app serving individuals and enterprises and it is estimated that every second a GetTaxi ride is happening. GetTaxi is continuing expansion plans after a \$150m round in Q3 2014.



**Kreos Capital committed \$5m of growth debt financing to GetTaxi in Q3 2013.**

**What's the biggest driver of growth in your business?**

GetTaxi is a unique platform which operates as digital marketplace linking passengers and taxis. GetTaxi covers both the B2C segment, with millions of users placing over 50,000 orders a day, and the B2B segment where we serve more than 2,000 corporate clients. In fact, half of Fortune 500 companies are using GetTaxi for the benefit of their employees. GetTaxi's growth is driven by customer demand for an easy to use, certain, cost effective and enjoyable experience. We are able to leverage our scale for the benefit of customers and drivers alike, offering the best product and service for both. More customers means that more drivers join the network, and more drivers attract more customers who wish to receive a service on demand and on time.

**What's the biggest challenge for your business?**

GetTaxi is constantly challenged by its own success. The company is growing at 300% year on year in revenue terms, a fact which requires constant management focus on scaling the infrastructure, technology and capacity without detracting from the service. We have built a data-driven business and organisation, delivering constant improvement focusing on marginal and incremental enhancements. This has led to better margins and cohorts, and at the same time quadrupled our business every year for the past 4 years.

**What have been your key learning experiences so far?**

We have learned that everything can and should be measured: we need to understand our numbers, our KPIs and our unit

economics and strive to improve them one by one. This does not mean there is no room for experiments and, inevitably, errors. We encourage managers to take initiatives and risk, but when they do so we expect them to have the ability to set the targets, to measure the success and then adjust if things do not go to plan. It is also critical to stay focused and avoid doing what is not within our strategy. We know what not to do. There are endless opportunities along the way, but a company needs to have a clear vision and not to be distracted by opportunities that are not part of its vision.

**How big can GetTaxi become?**

We believe that GetTaxi has the potential to become a huge company with a multi-billion dollar valuation. Our current addressable market is valued at \$32bn and as we evolve and expand we are exposed to greater markets and opportunities. As a market leader with a superior technological platform and a differentiated service, we are well placed to become one of a few market leaders globally.

**What are the key trends in your industry?**

Our industry is disrupting the very core of the transport world. The essence of how people commute and travel. We're bringing efficiencies which are facilitated by technological advance. Unit economics are changed as a result of such efficiencies allowing customers and drivers the ability to receive and provide better service at a lower cost. We have seen a flat markets grow as a result of the change and some of our clients even announcing the sale of their car and the use of a GetTaxi driver as a viable and economically preferable alternative.

---

#### Key facts about GetTaxi:

- ◆ *named among FORBES "Top 15 explosively growing companies"*
- ◆ *operates in 32 cities worldwide*
- ◆ *number 1 B2B worldwide*

**[www.gettaxi.com](http://www.gettaxi.com)**

---

# Kreos Capital - Industry Conference Overview *From page 1*

**At the MWC** the major theme was "Mobile is now at the centre of our lives". Constant connectivity, wearable computing, mobile health monitoring, the Internet of Things (IoT) - and the smart-phone turning into the remote control of people's lives - are major areas attracting investment momentum. The Apple Watch could be the category definer in the consumer and healthcare space and could drive ample opportunities for the fast growth and exit of companies in consumer-facing constant-connected spaces.

Additionally, established industrial companies are applying connectivity capabilities to their current product lines as a way of moving from product-centric to solutions-oriented business models, where devices are enabling services such as maintenance and support, remote management, location services, yield management and monitoring. This development could provide ample opportunity for growth, as well as M&A exits for growth-stage companies which emerge as leaders in the industrial connectivity and IoT spaces.

These developments impact mobile operators as well, as constantly-connected devices require multi-carrier and multi-network (cellular and WiFi) roaming with carrier-agnostic mobile connectivity. The changing environment of operators was highlighted by Google announcing that it is launching a virtual mobile network in the US, allowing users to switch seamlessly not only between cellular and WiFi connections but also between the towers of competing mobile phone networks. This dynamic could enable opportunities for high-growth hardware and software companies servicing the carrier space as well.

**At the BioCapital Europe conference**, a major event where healthcare investors meet a selection of high quality European public and private companies, several themes emerged from a wide range of discussions:

- ◆ the European healthcare space has become more mature with an increasing number of later-stage companies with growing sales and/or significant partnerships with large pharma or medical device companies
- ◆ there are sectors – especially in medical devices – where European growth companies are slightly ahead of similar US-based companies in terms of underlying technology and level of market attractiveness
- ◆ the European IPO environment for

healthcare companies continues to be bullish, with a number of successful completed IPOs and a strong pipeline of companies prepping for an IPO during the remainder of 2015

- ◆ there are a growing number of European healthcare investors which have completed exits and therefore are able to raise new funds, which could generate significantly more investment activity in the European healthcare and life sciences space in 2015. This could provide a catalyst for continued strong Kreos activity in the space similar to 2014, in the coming years.

---

*"...wearable computing, mobile health monitoring, IoT, and the smart-phone are major sectors attracting sponsor investment..."*

---

**The Tech Tour Growth Forum**, echoed some similar themes in the mobile, constant-connectivity and IoT spaces, as well as highlighting European fintech and

big data growth financing opportunities. At the conference some interesting European growth sector funding data was presented including:

- ◆ the Euronext exchange had over 200 IPOs in 2014, providing ample exit opportunity for European high-growth companies
- ◆ there were fifty-six €20m+ late-stage growth financing rounds in 2014 for European growth companies – these are typically financing rounds which Kreos complements the equity sponsors
- ◆ the velocity of change in the equity investor arena from 2004 to 2014 has increased with 30 new investors joining the Top 50 investors (largest amount of growth financing) over the past 10 years. Kreos has been successful in building relationships with a large number of these investors

Several Kreos portfolio companies participated at these conferences including Heptagon, Openet, Celltick, Symetis, Kiadis, TiGenix, Altair, ip.access, Pontis, CBNL, Fyber, Mobile Aware, Wahanda, Commprove, EPS, MedicAnimal, Mister Spex and Inneractive.

We are looking forward to financing a number of new companies leveraging the next leg of growth in these spaces in 2015 and beyond.

## Select News & Portfolio Developments

To read these stories in detail and keep up to date with all other Kreos portfolio company news, please visit [www.kreoscapital.com/news.aspx](http://www.kreoscapital.com/news.aspx)

- ◆ leading online optician, **Mister Spex**, raises \$40m in a round led by Goldman Sachs
- ◆ **Panaya** is acquired by Infosys in a deal valued at over \$200m
- ◆ online health and beauty marketplace **Wahanda** continues its European growth by acquiring a Lithuanian based app company
- ◆ **Kreditech** secures an additional \$200m credit facility
- ◆ **Secret Sales** announces a £4.5m investment and increases revenue by 43%
- ◆ **Bookatable** welcomes top UK restaurant chains, with partnered restaurants growing to over 12,000
- ◆ **TiGenix** signs an agreement for the manufacture of a new stem cell-based treatment for Crohn's disease
- ◆ leading IP-based live video service and broadcast solution **LiveU** was selected to provide round-the-clock coverage of the presidential election in Sri Lanka last month
- ◆ **RealMatch** raises \$8m in additional funding to fuel rapid expansion

### Team Spotlight

Gareth Walters joined Kreos in 2008. As Financial Controller, Gareth is responsible for managing the operational aspects of the finance team, including deal structuring, cash management, maintaining fund structures, and financial reporting. Gareth plays an important role in Kreos's interface and provision of information to its investors.



[gareth@kreoscapital.com](mailto:gareth@kreoscapital.com)



Earlier this year, Kreos Capital was invited to talk with Private Debt Investor's editor about our seventeen years of experience as Europe's leading provider of growth debt to fast-growing companies. In the cover story of the March 2015 issue, the Kreos partners shared their insights into how the growth debt market has evolved, current market conditions, how they have worked together and their outlook for the growth debt market in Europe. You can read more by visiting the Private Debt Investor or the Kreos Capital websites.

[www.privatedebtinvestor.com](http://www.privatedebtinvestor.com)

## Events

In Q1 2015, members of the Kreos Capital team had speaking engagements at a number of conferences, including:

- ◆ SuperReturn in Berlin
- ◆ SuperInvestor in San Francisco
- ◆ LP:GP Connect Private Debt in London
- ◆ Informa Private Debt Summit in London

The Kreos team also have a number of upcoming conference & speaking engagements, including, the Private Debt & Mezzanine summit in Paris in June

If you would like to attend our fourth annual Growth Financing seminar on 28th April, please email [info@kreoscapital.com](mailto:info@kreoscapital.com) for more information.

## Contact Us



**Kreos Capital**  
**25 Old Burlington Street**  
**London**  
**W1S 3AN**  
 t: +44 (0)20 7758 3450

**Birger Jarlsgatan 2**  
**114 34 Stockholm**  
**Sweden**  
 t: +46 8 678 72 00

**6 Hamenofim Street**  
**Ackerstein Towers**  
**Building B, 10th Floor**  
**Herzlya Pituach**  
**46725**  
**Israel**  
 t: +972 9 951 44 34

**47 Esplanade**  
**St. Helier**  
**Jersey**  
**JE1 0BD**  
 t: +44 (0)15 3483 5716

**9A boulevard Prince**  
**Henri**  
**L-1724**  
**Luxembourg**  
 t: +352 2621 5400

[www.kreoscapital.com](http://www.kreoscapital.com)

For all media enquiries,  
 please contact:  
 Sophie Stevenson-Salih  
 +44 (0)20 7758 3450

If you would like to learn more about Kreos or discuss any of the themes covered in this newsletter please do not hesitate to contact us.

To receive this newsletter quarterly in your inbox, and keep up-to-date with the latest Kreos developments, please subscribe to our mailing list by emailing [info@kreoscapital.com](mailto:info@kreoscapital.com) with the subject title **Subscribe**.

**KREOS**  **CAPITAL**

*None of the information contained in this publication may be reproduced in whole or in part without prior written consent of Kreos Capital. The opinions, estimates, charts and/or projections contained herein are as of the date of this presentation/material(s) and may be subject to change without notice. Kreos Capital seeks to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that we believe are accurate and complete. However, Kreos Capital makes no representation or warranty, expressed or implied, in respect thereof, takes no responsibility for any errors and omissions contained therein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this presentation/material(s) or its contents. Information may be available to Kreos Capital or its affiliates which is not reflected in our presentation/material(s). Nothing contained in this presentation constitutes a solicitation, recommendation, endorsement, or offer to buy or sell any investment product.*