



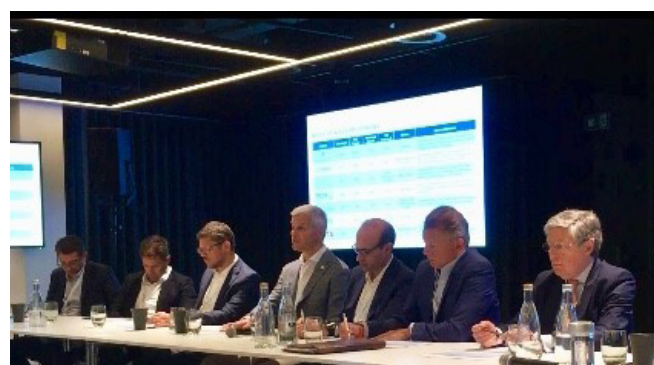
Hello and welcome to the October 2019 edition of the Kreos Capital Newsletter, designed to give you a snapshot of the latest activity in our portfolio, and share our insights into current market developments.

In this edition of our newsletter we share some highlights from our 2019 Growth Finance and Portfolio Company Seminar, as well as our 20th Anniversary Celebration. A special thank you goes out to those of you that were able to join our celebration. The newsletter will also feature an interview with Sonali De Rycker, General Partner at Accel, a discussion with Hiroki Takeuchi, CEO & Co Founder of GoCardless, highlights of some recent transactions and a feature on one of our team members.

We hope that you find the insights helpful. If you would like to discuss any of the themes covered in this newsletter, or get more information about Kreos Capital, please do get in touch.

Thanks,

The Kreos Capital Team



(Above - Dinner address from Scott Tobin, General Partner of Battery Ventures; Below - Kreos partners presenting during the event)

Market Observations

We are now 10 months into Kreos Capital VI, our new €700m fund, and so it has been a very busy period for the Kreos Capital team. 2018 saw record amounts of technology investment in Europe and Israel, and 2019 has seen this trend continue; with Q2 2019 technology investment hitting a new peak, beating the previous high of Q1 2019. These consecutive record quarters have translated in to circa €19bn of investment into those technology ecosystems for the first half of 2019, a significant increase on the €15bn seen during the same period in 2018*. A key driver of this increase has been the continued emergence of the larger growth financing rounds, particularly the €50m plus bracket, with Kreos portfolio companies Docplanner €80m, Kandou \$56m, Mister Spex €65m, members of this esteemed club.

With the launch of Kreos's new fund, we are uniquely positioned to be able to lend additional capital to supplement some of these later stage opportunities

in Europe and Israel; having capacity to invest up to €50m on a standalone basis, and significantly more when in conjunction with co-investment from our Limited Partners.

2018 was also a record year for sponsor fundraising, and the trend has continued into 2019. Kreos continues to work with top-tier growth equity funds in supporting both new and existing investments in their portfolios. Recent KVI investments include Tiqets, Nicox, Vicentra, Zerto, and Earlysense, the latter being an example of our effective follow-on investment strategy. We have also seen several successful exits through 2019 with Magisto, Profitect, LiveU, LeadDesk and Orthospace notable highlights. The outlook for the remainder of 2019 continues to be strong and we expect another busy period of activity for the Kreos team before year end.

*Source - Dealroom.co

Interview with Sonali De Rycker General Partner Accel



Sonali De Rycker joined Accel in 2008 and invests in consumer internet, enterprise software and fintech businesses.

She led Accel's investments in Avito (acquired by Naspers), Lyst, Spotify (NYSE: SPOT), Wallapop, Calastone, Monzo, Shift Technology, Kry, Soldo, and sennder. Prior to Accel, Sonali was with Atlas Ventures.

(Overleaf): Kreos Capital General Partner and co-founder, Ross Ahlgren, interviews Sonali De Rycker to discuss Accel, the company's history, and the future of investing



Accel is one of the very top global technology investors - Can you give me a quick history on Accel's dedicated UK / European funds?

Accel realized in the late 90's that there was no monopoly globally for high growth companies and started planning a dedicated European Fund to be managed by a new team based in London. The success of this led to a similar strategy in India.

The initial European team was on the ground by 2000, and the dedicated European fund made its first investment in 2001. The intent was always that the team would be London based but would focus on investing in European and Israeli early stage companies.

So, it is coming up to 20 years that Accel has been active in Europe. The London based team and funds still remain dedicated to UK, Europe and Israel, and so far have invested in companies originating from over twenty different cities in the region. We raise our own funds, from our own LP base, and while Accel itself has a global platform and a unique footprint to leverage, the investment team, and the decision-making for all the European funds, has always been based here in London. This decentralization has helped us stay nimble and evolve with the local markets and become an integral player in the accelerating growth ecosystems.

I understand that Accel recently closed a new Fund VI?

Yes, we recently closed Fund VI at \$575m. The strategy for Fund VI is the same as our previous five European funds; to focus on early stage Series A investments and selective Series B. Series A has always been our core focus and whilst we would typically expect to invest an average of \$20m over the life of a company, we do not have strict allocation rules. By exception we will also do late seed rounds as well as the occasional growth deal where we can still envisage outlier returns. All of our European funds have had this same Series A focus and each fund has been in the region of \$500m - higher or lower depending on cycle.

Are there any themes that you and your partners are looking at for the new Fund VI?

We like to focus on meta themes where we see unique and sustainable global leadership positions for companies founded in Europe. We are seeing this across a number of areas in both enterprise and consumer alike.

We invest across both consumer and enterprise and specific concentration is very dependent upon cycle and market reality. Platform shifts create a new set of investing opportunities and luckily for us these shifts are constantly evolving across consumer and enterprise. In our Fund III for example, the majority of the deals were in the consumer space such as Supercell, Spotify, Avito, Fiverr. By Fund V, which is now fully invested, the majority of our deals are in the enterprise segment. Today, enterprise investing in Europe is in a golden age given the trends around automation and digitization, availability of data, the willingness of the major corporations to act as design customers and of course the widespread technical and commercial talent. It has led to some amazing companies such as UiPath out of Romania and Celonis out of Germany.

“

Today, enterprise investing in Europe is in a golden age

There are also specific sectors that Europe had an edge. Privacy is one example. With GDPR and other European-led initiatives to safeguard consumers, we are seeing European companies like Privitar leading the way globally in developing innovative ways of for enterprises to deal with the quickly evolving demands of consumers and regulators. We are also seeing innovation across some vertical sectors such as insurance where you have large carriers adopting next generation data centric software. Shift Tech in Paris is an emerging category leader in insure-tech solving very complex issues of fraud and claim automation.

Accel



“

We have never seen so many high quality entrepreneurs with compelling ideas across so many geographies.

(cont.)

Healthcare is another such category on the consumer side. Europe is unique with its single payer systems (governments) that are opening up to digitization and reimbursement of digital channels. This enables companies such as KRY in Sweden and Doctolib in France to focus on digitally enabled primary care for consumers.

Finally one cannot talk about innovation in Europe without mentioning fintech. The UK in particular led the charge here by creating a regulatory sandbox and democratizing access to consumer data via Open banking etc. With these building blocks in place, we have seen a crop of fintech start-ups bringing really compelling use cases to both consumers and SMEs.

Has Accel been active in some of the latest trends for investment into areas such as education, space, autonomous vehicles, etc.?

Yes of course, we are actively looking at many of these sectors. We have historically done more in the 'picks and shovels' as opposed to the full stack models that can be very capital intensive. Deepmap and Blue Vision are good examples. We have done less in education but recognize it is very interesting. Similar to healthcare, our focus is a bit more toward platform products that service both consumers as well as commercial buyers. As far as space, with a \$500m fund, it is nearly impossible to play in some areas that require a great deal more capital that we can deploy

As a UK-based fund, what are your thoughts on the state of the UK and European growth stage ecosystem in the next 5 years?

We are very bullish, the fundamental change in the UK and Europe is not necessarily just the supply of capital (although everyone acknowledges the much greater amount of capital now in our markets from the early angels all the way through growth funding and debt), but in the supply of

talent. It is a virtuous circle; more successes have resulted in more successful founders and executive teams. We have never seen so many high quality entrepreneurs with compelling ideas across so many geographies. Both the 2nd and 3rd generation of tried and tested entrepreneurs, as well as teams spinning out of successful growth companies who have the skills to understand the transition from start-up to successful growth companies.

In my view, the best early stage companies in UK and Europe will have the pick of any investor they want to work with but we believe that Accel London is in a very unique position to partner with them.

You joined Accel in 2008 from Atlas. Like children, I am sure that you love all your companies, but do you have any favourites over the years? Favourite management teams and why?

There was a Swedish team that we backed in 2012 that were building a company called Avito in Russia. The founders had moved to Russia to build a consumer marketplace and ended up creating one of the largest consumer internet businesses in Europe. Avito is today the Ebay+Zillow+Autotrader+Craigslist of Russia. Not an easy task to build locally relevant commerce product across tens of cities in the largest land mass in the world and that too in a different language. They managed to build a sizable and very profitable business despite the difficult conditions in Russia (sanctions, currency crash) and successfully sold the business to Naspers for several billion dollars. It is an 'against the odds' story and one that has stayed under the radar. It is one of my favourites as the founders are incredibly humble and always put their team and their customers first. They built special management and leadership culture. I learnt a lot in that journey.

Any final thoughts?

We like working with Kreos because like us, you have been consistent and supportive across what are typically long journeys to success. 21 years is a long time. We continue to have companies that are too early or don't work for debt, but equally, we always have companies where using debt makes sense, and we are very fortunate to have a close working relationship with Kreos, and see you as a vital part of the ever-maturing venture ecosystem in Europe. We look forward to continuing to work closely together in the decades to come.

A portrait of Hiroki Takeuchi, a young man with short dark hair, wearing a light blue button-down shirt. He is sitting and looking slightly off-camera to the right. The background is a blurred office or studio setting with shelves and a desk.

60 Seconds: Hiroki Takeuchi, Co-founder & CEO of GoCardless

Hiroki Takeuchi is co-founder and CEO of GoCardless. Founded in 2011, GoCardless is on a mission to take the pain out of getting paid for businesses with recurring revenue. More than 40,000 businesses around the world, from multinational corporations to SMBs, transact through GoCardless each month, and the business processes \$10bn of payments a year. Before starting GoCardless, Hiroki studied Mathematics at Oxford University and worked as a management consultant at McKinsey & Co.

Kreos Capital General Partner and co-founder, Ross Ahlgren, interviews Hiroki Takeuchi to discuss GoCardless' history and their plans for the future.

Hiroki, we first began working together towards the end of 2014. Over the past 5 years, GoCardless has grown exponentially, now processing \$10bn in transactions a year, and you recently brought your total fundraising to an impressive \$122.3m to date. How did you get your original idea or concept for the business?

We actually started out doing something different – helping informal groups to collect money. In the process of trying to get that business off the ground, we attempted to access the UK Direct Debit system and realized there was a much bigger problem we could solve. Many businesses were struggling to get paid – either because they couldn't get access to Direct Debit or because the system was too old and clunky. It was then we pivoted to become GoCardless.

“Many businesses were struggling to get paid...”

You were effectively the first mover in this space. What was your mission at the outset?

To open up access to Direct Debit for small businesses and make it incredibly easy to use. Today we help businesses of all sizes and across the world to collect recurring payments, but our mission is much the same: to take the pain out of getting paid, so those businesses can focus on what they do best.

What's is your competitive advantage and why can't it be copied?

Firstly, we're the only ones to have built a global network that brings together Bank Debit payment systems around the world. Secondly, we work very closely with software partners to ensure that our product is embedded into the tools that businesses use every day, creating a great user experience. Lastly, we're now processing substantial volume, which enables us to continually optimize our product – for example, making payments smarter, faster and more reliable.



To what do you attribute your success?

Hiring great people. Especially given Tom, Matt and myself were first time founders who didn't know what we were doing! We learnt a lot along the way by working with people that are better than us.

What risks are you facing?

There are always going to be competitive and regulatory risks, but we focus much more on how we can execute well and deliver on the opportunity in front of us, as opposed to external risks.

Do you remember your first few customers?

In the early days worked with a lot of small businesses. The first transaction we ever processed was for a skip hire company. Our first software partner was Kashflow, and it's that partnership that gave us lift off. Through Kashflow we worked with lots of different businesses, including coffee wholesaler Has Bean Coffee.

Have you ever turned down a customer?

Yes, as a payments company we have to manage financial risk and fraud, which means we do have to turn away customers with certain risk profiles.

What have been your main learnings so far in the GoCardless growth journey?

Firstly, to focus on momentum. Mistakes are bound to happen, but I've learned to try and embrace them. Instead of agonizing over every decision, it's better to get your head down, run with it and course-correct as you go. It's through that cycle of constantly moving and course-correcting that you build momentum and wiggle your way to success.

Secondly, be an emotional cockroach. Meaning, you need to be able to withstand the biggest of ups and downs. The peaks and troughs are never-ending. Y-Combinator Chairman, Sam Altman, once said that starting a business is like riding a wave between life and death – if you can hang on long enough, you're bound to succeed. Holding onto that wave is one of the hardest things to do, but if you're emotionally resilient, you can do it.

“...if you can hang on long enough you're bound to succeed.

Lastly, and most recently, I've learned the importance of hiring in experience as you scale. You need to gain the right balance of young energetic people who are taking it on from first principles, and experienced people who have scaled companies before.

What is next for GoCardless? Or What are the company's goals today?

Our big focus is internationalisation. We've built a global network and now we need to leverage that to grow internationally. We're expanding in France, Germany, the US and Australia for example, and starting to target companies with global footprints.

You have expanded your equity investor base over the years (most recently with the GV-led \$75m growth fund) and utilized growth lending. What advice would you offer other growth companies about how they finance their business?

There's a lot of value not just in leaning on equity, but also in leveraging debt when you've got the right level of repeatability and you've proven that the unit economics work.

Are you still having fun?

Yes definitely. Every day brings a new challenge.

GOCARDLESS

Kreos Capital's 9th Annual Growth Finance & Portfolio Company Seminar 2019

Our 9th annual seminar held earlier this year in May was a special celebratory event marking our 20th anniversary as well as the raising of our largest fund to date, Kreos VI, at €700M. The event's theme focused on Kreos's 20 year history, highlighting key seminal industry moments during this period as well as discussing the evolution of our broader ecosystem of financing high growth, technology and life sciences mapped during the same period.

Kreos is a key player of the European high growth ecosystem having itself been established in 1998 at the start of the ecosystem. The raising of Fund VI has now confirmed our place as a financing leader in this space and the strong relationships enjoyed with companies and sponsors alike were evident during the day. About 300 people, including our Fund investors, GP Sponsor relationships, portfolio company management teams, close friends and colleagues joined us this year.

The event kicked off with an exciting keynote speech by Felda Hardyman, Partner at Bessemer Venture Partners, who gave an overview of the history of the growth financing industry, starting with its origins in financing whaling expeditions, to today's specialist funds backing highly disruptive technology companies.

Following Felda's presentation the CEOs of a selection six of our portfolio companies shared with us the ways in which they have significantly grown their businesses by innovating and disrupting the markets that they operate in.

Our first presenter was Matt Johnson, CEO of EarlySense, who presented the company's

business based on its innovative bed sensor, now embedded in almost all the hospital beds shipped by Hill Rom, the world's largest hospital bed manufacturer. Earlier in the year EarlySense raised a c.\$40M financing round to grow its business in US hospitals and care centres.

Howard Edelstein, CEO of Biocatch, then explained how the company uses behavioural biometrics to establish a user's digital identity for online transactions in the finance and banking space. The company has grown substantially since Kreos's first investment and has a considerable customer base of large financial institutions.

The day continued with an investor panel moderated by Manish Madhvani, Managing Partner of GP Bullhound and consisting of illustrious investors representing some of Kreos's closest sponsor relationships such as Simon Cook, CEO of Draper Esprit, Bernard Dallé, Partner at Index Ventures, Patrick Hedelin, co-founder of eEquity, Antoine Papiernik, Managing Partner at Sofinnova and Denise Scots-Knight, CEO of Mereo Biopharma. As all of the participants were active investors over the past 20 years, the panel explored the evolution of equity investing in technology and life sciences over this period. They remarked on how GPs are now much more established, sophisticated and better financed than in the early 2000s and how the European ecosystem has developed substantially showcasing several unicorns, IPOs and high valued exits.

The program continued with Luuc Elzinga CEO of Tiqets, the world's largest online platform for mobile admission tickets aims to make culture more accessible.



The platform has signed up some of the world's most famous attractions such as the Louvre, the Eiffel Tower, the Colosseum, the Statue of Liberty and the Burj Khalifa and is actively used by customers around the world.

Gavin Spencer, CBO of Nicox SA subsequently described how the company has a unique portfolio of successful commercially created pharmaceutical products like Vyzulta, distributed by B&L for the treatment of glaucoma, and Zerviate used in the treatment of conjunctivitis, that it intends to commercialize in 2020, as well as other clinical stage products that it is developing.

Company presentations were paused for a fireside chat moderated by David Waxman, Managing Director of Azla Advisors and consisting of representatives from Kreos's LPs from Europe, the US and Asia. Richard Tomlinson, Deputy CIO of the Local Pension Partnership, Matt Stone, Managing Director of Public Markets and Absolute Return at the endowment of the University of Chicago, and Akane Hashimoto, Managing Director of HC Asset Management, discussed ways in which the LP community and investment philosophy has changed over the past 20 years.

Company presentations then continued with Lukas Brosseder, co-founder of Sunshine Smile, a German digital health company that has developed an innovative business model in orthodontics by treating cosmetic cases of malocclusion in adults via invisible aligners.

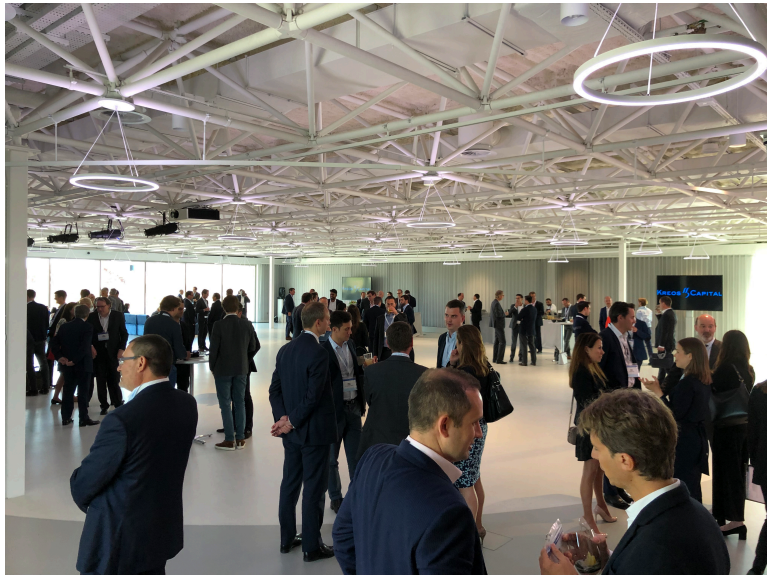
The final presenter was Peter Bialo, CFO of DocPlanner, the leading healthcare marketplace in Europe and Latin America, which aims to streamline the provision of health by facilitating the booking of doctors' appointments and helping doctors better manage their practise. Excitingly, the Peter was able to use the event as a public forum to announce a mammoth \$90M financing led by Goldman Sachs that closed earlier that day.

As this was a special event, given the dual celebrations of Kreos's 20 year history and the closing of Fund VI, guests were first invited to the Science Museum's Wonderlab where they could experiment with scientific exhibits in an enjoyable and interactive way.

The day closed with a celebratory dinner featuring Scott Tobin, General Partner at Battery Ventures, as the keynote speaker. Scott spoke about the close relationship between Battery and Kreos formed over nearly 20 years of collaboration and his views on what made Battery a successful firm having joined as an analyst more than 20 years ago. The concluding message, fitting for the event celebrating Kreos's 20 year life, was that Kreos was operating in a market of significant opportunity and he wished us success for the next 20!

We have already begun discussing the theme for our 10th seminar in the spring of 2020, so please do not hesitate to send us any thoughts you might have, and we look forward to you joining us in April 2020!

The Kreos Capital Team



(Pictured: Scott Tobin General Partner of Battery Ventures top left; Lukas Brosseder co-founder of Sunshine Smile top right; Drinks in the Wonderlab middle left; Kreos Capital partners before the event began upper middle left; Kreos partners pictured with their wives lower middle left; 20th Anniversary dinner celebration bottom centre)

Portfolio update

Recent featured transactions, follow ons & exits



Funnel, based in Stockholm, provides a data aggregation tool which integrates with over 400 platforms to collect data for customers to effectively measure and predict their marketing efforts across distribution channels. Kreos provided a €5m facility in Q1 2019 to fund the growth of the business.



Biocatch offers behavioural biometric based cybersecurity systems to the banking sector to combat fraud. Kreos initially provided a \$4m facility in Q4 2016 and a further \$10m facility in Q3 2019 to fund the businesses growth.



SunshineSmile is a German direct-to-consumer digital health company in the area of orthodontics, treating cosmetic cases of malocclusion (teeth straightening) in adults using SunShine aligners. Kreos committed EUR 5m to the company in Q1 2019 in conjunction with an equity round led by Lakestar and HV Holtzbrinck Ventures.



Leaddesk is a Finnish SaaS company providing cloud-based solutions for high-volume sales and customer service. Kreos provided a €3m loan facility in Q3 2016 and exited the company following its IPO on NASDAQ First North Finland in February 2019.



Kandou is a Swiss based fabless chip manufacturer which has developed breakthrough, chip-to-chip communication technology, increasing the speed and reducing the power required to send data from one chip to another. In Q4 2018 Kreos approved a \$10m debt investment into the company, and in Q1 2019 Kreos participated in the Series C late stage equity round lead by Bessemer and Walden International.



Based in Israel, Orthospace has developed a novel device for minimally invasive treatment for shoulder rotator cuff tears. At the time of our investment that company had implanted more than 50,000 devices and was expecting the FDA approval for its US commercial launch. The company was acquired by Stryker in an acquisition worth up to \$220M shortly after investment.



Mixtiles is an Israeli mobile and ecommerce platform which prints and sends personalised wall art on canvas to consumers. Kreos and SVB provided an \$8m loan to the company in Q2 2019. The company is backed by growth investor, 83North.



Profitect is a provider of prescriptive analytics software for the retail and consumer packaged goods industries. Kreos provided a \$3m loan facility in May 2012 and exited the company in relation to its acquisition by Zebra Technologies (NASDAQ: ZBRA) in June 2019.

A snapshot of our portfolio



Team spotlight

Alex Garabedian, Investment Analyst

As an Analyst, Alex supports all aspects of the deal lifecycle including pre-investment analysis and post-investment monitoring. Prior to joining Kreos, Alex was an Associate at Lawson Conner where he supported strategy, operations, and M&A efforts, working on the firm's acquisition by PE-backed SGG Group. Previously, Alex was Project Manager at Go4Venture running the investment platform for European growth tech companies. Before moving to London from Chicago, Alex worked on ABN AMRO's Equity Finance desk. He holds BSc degrees in both Finance and Economics from DePaul University Chicago.

Contact Us

25 Old Burlington Street
London
W1S 3AN
t: +44 20 7758 3450

11 HaSadnaot Street
Seaview Building B
Herzlya Pituach
4672839 Israel
t: +972 954434

Birger Jarlsgatan 2
114-34 Stockholm
Sweden
t: +46 8678 7200

47 Esplanade
St. Helier
Jersey
JE1 0BD
Channel Islands

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

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 publication or its contents. Information may be available to Kreos Capital or its affiliates which is not reflected in our publications