

## **Results of the Market Pulse survey**

**8 June 2020**

**Tesi**

**Business Finland Venture Capital**

**Finnish Venture Capital Association**

**Finnish Business Angels Network**

# The surveys cover 24-27 Finnish venture capital and private equity funds and 362-412 Finnish growth companies

- ◆ The first pulse survey about the Finnish VC & PE market was conducted between 9.-16.4.2020 and the results were published 22.4.2020.
- ◆ The second survey was sent to all Finnish VC & PE investors to be answered between 15.-22.5.2020.
- ◆ The second survey covered 362 portfolio companies in total, of which more than a third were at growth or buyout stage and less than two-third at venture capital stage.
- ◆ The sample covers different fields and stages and represents Finnish VC & PE backed companies well.

1. survey  
9.-16.4.2020

27

VC & PE investors

412

Portfolio companies

345

Finnish portfolio  
companies

2. survey  
15.-22.5.2020

24

VC & PE investors

362

Portfolio companies

306

Finnish portfolio  
companies

# What was asked in the questionnaire?

The aim of the questionnaire is to create a snapshot of the business and financial position of Finnish investment companies' *current* portfolio companies. The snapshot enables a data-based evaluation of the need, and assessment of the means, for state intervention to support companies backed by venture capital.

The questionnaire required VC investment companies to assess the following aspects of each of their active funds with respect to the 15 most valuable portfolio companies:

- ◆ How does the COVID-19 pandemic impact your company's business?
- ◆ For how many months will your company's reserves last without follow-on financing?
- ◆ Are the company's current owners able to meet the company's financing needs over the next year?
- ◆ Is financing available from sources other than the current owners to meet the company's financing needs over the next year?

# Analyses based on the pulse surveys

- ◆ Based on the second survey, Tesi has estimated the Net Asset Value (per 31.12.2019) of each company in which Tesi is an investor
  - The sample includes 233 of such companies (equals to c. 64 % of the total number), of which more than a third are at growth or buyout stage and less than two-thirds at venture stage.
- ◆ This information has been utilized in the analysis to find the largest value concentrations
- ◆ Different analyses have been distinguished in the following way:

April - # of co's

Analysis based on the first questionnaire, comparing the number of companies (published 22.4.2020)

May - # of co's

Analysis based on the second questionnaire, comparing the number of companies

May - value

Analysis based on the second questionnaire, comparing the value of holdings

# Key take-aways from the surveys

**Impact on business on the same level as before**

- The impact of the COVID-19 -pandemic on the business operations of portfolio companies remain mostly the same according to the estimates of the investors who replied to the survey.

**Sufficiency of current funding has improved significantly**

- Sufficiency of funding has improved significantly in the companies covered by the survey, concerning especially Growth & Buyout companies.
- On average 31 % (previously 36 %) of companies still have reserves for less than six months throughout the VC & PE scene.

**Value concentrated in companies that have better than average outlooks**

- VC & PE investors' fund value has concentrated in companies, where:
  - The crisis has affected businesses more moderately than on average (excl. seed-stage companies)
  - Current reserves are set to last longer than on average
  - Sources of follow-on financing can be better recognized

**Follow-on financing has improved, but depends more strongly on the current owners**

- Current owners are more capable to secure follow-on financing, yet availability of other funding sources continues to be uncertain, especially in VC companies.

**Business angels' deal flow on the rise after a bend in March**

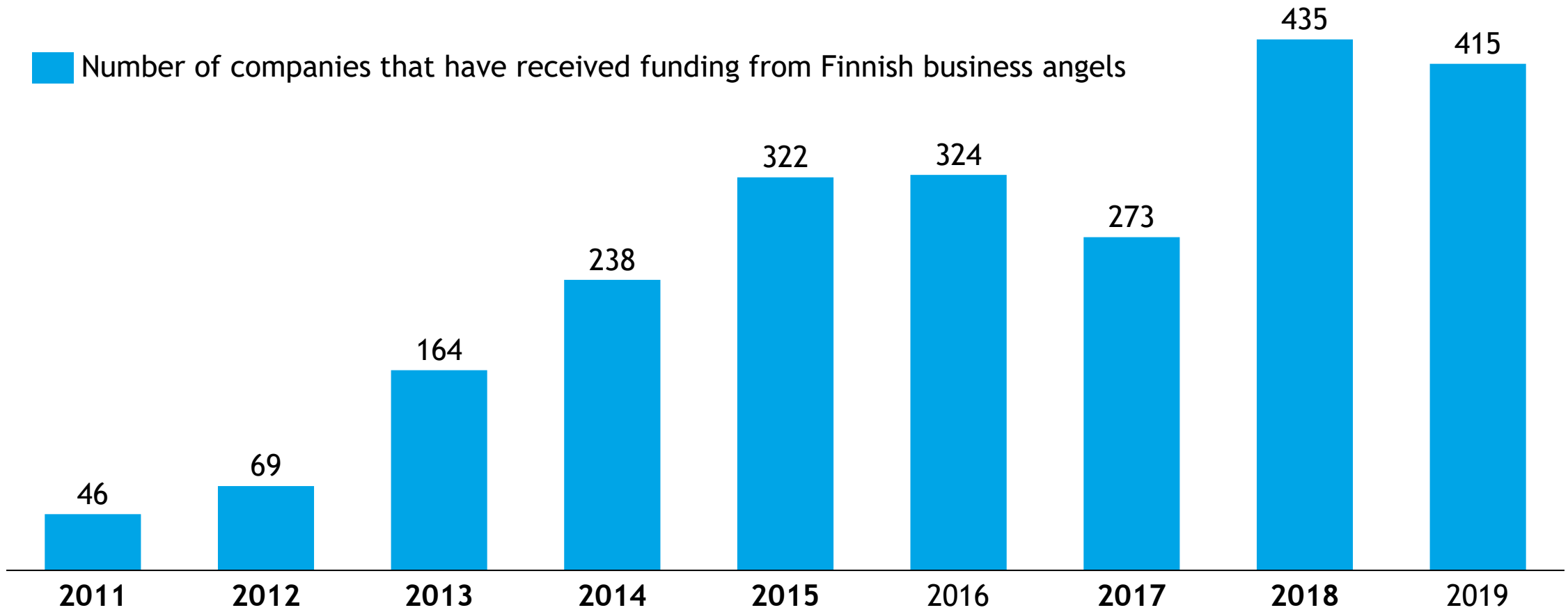
- Finnish business angel activity was record-high in 2018 and 2019, which may affect the investment activity in 2020.
- Investment activity by business angels recovered fast after a temporary bend in March 2020.



Pulse survey by Business Angels 11.-17.5.2020

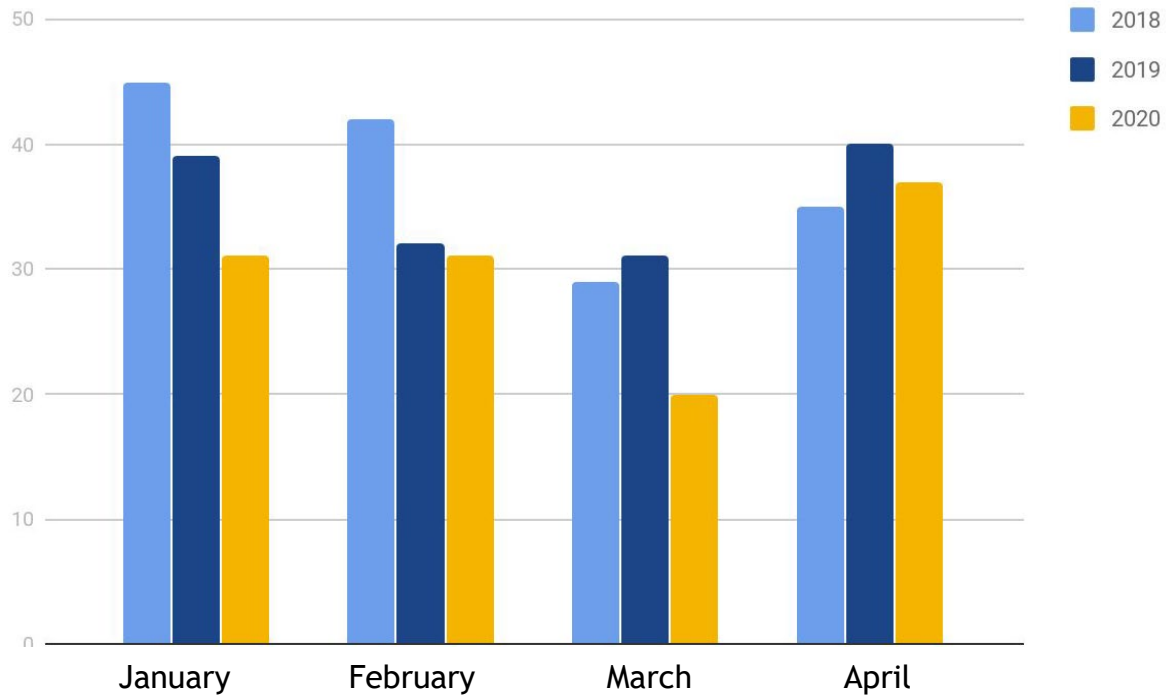


# Finnish business angels have set a new record in activity during the past two years

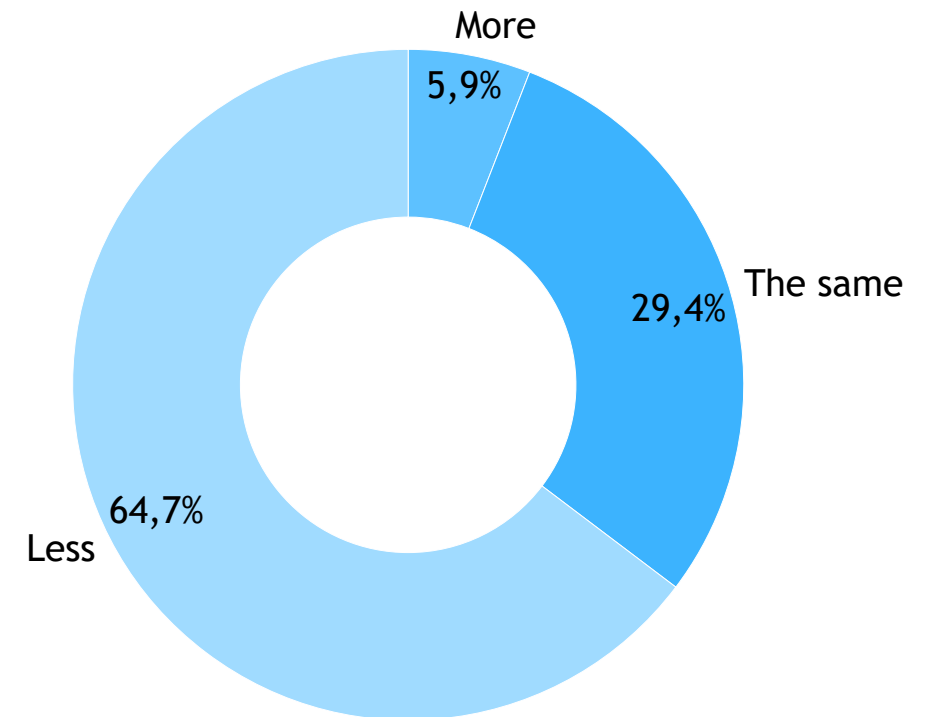


# Business angels' deal flow has recovered after a bend, less active year expected by investors nevertheless

Angel deal-flow known to FiBAN spring 2018-2020



"How much do you expect to invest in startups this year compared to 2019?"

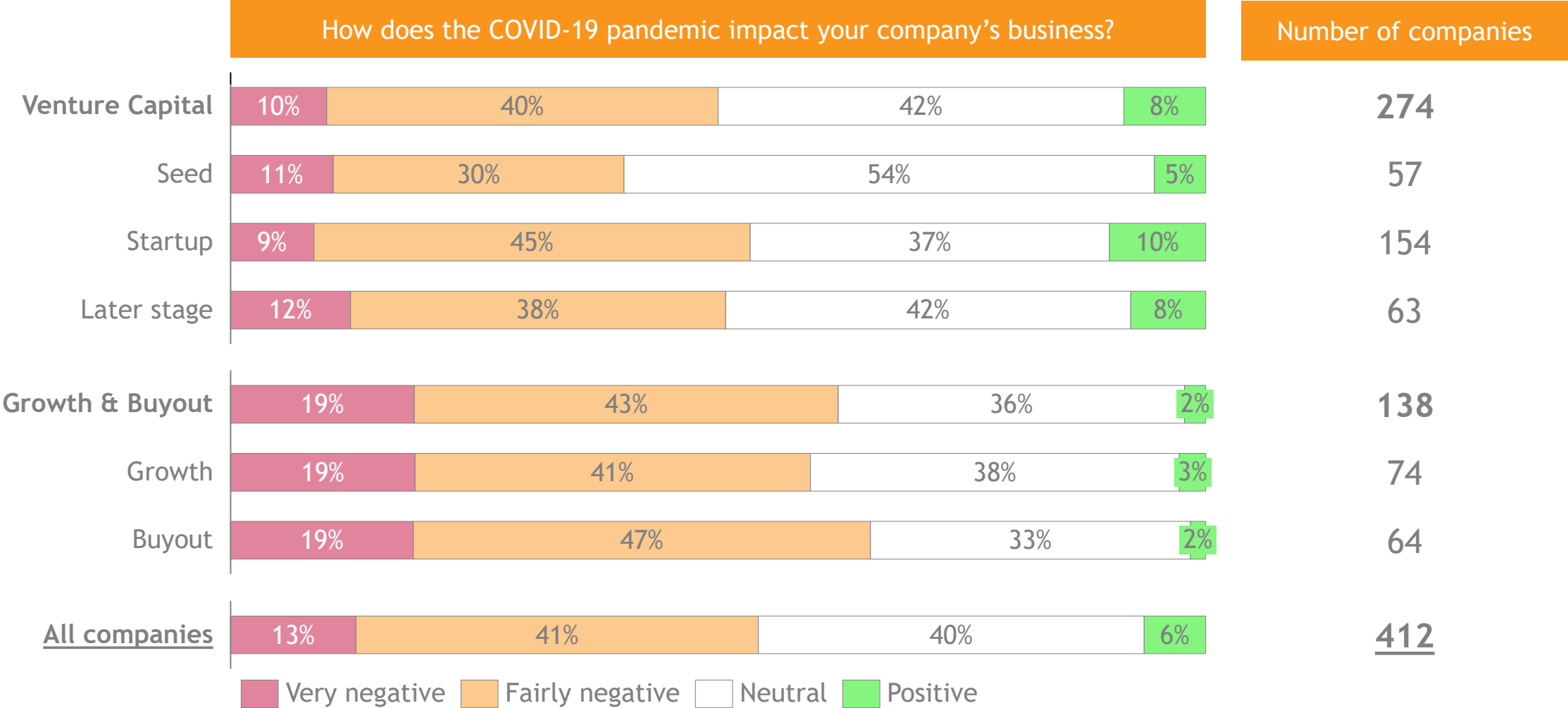




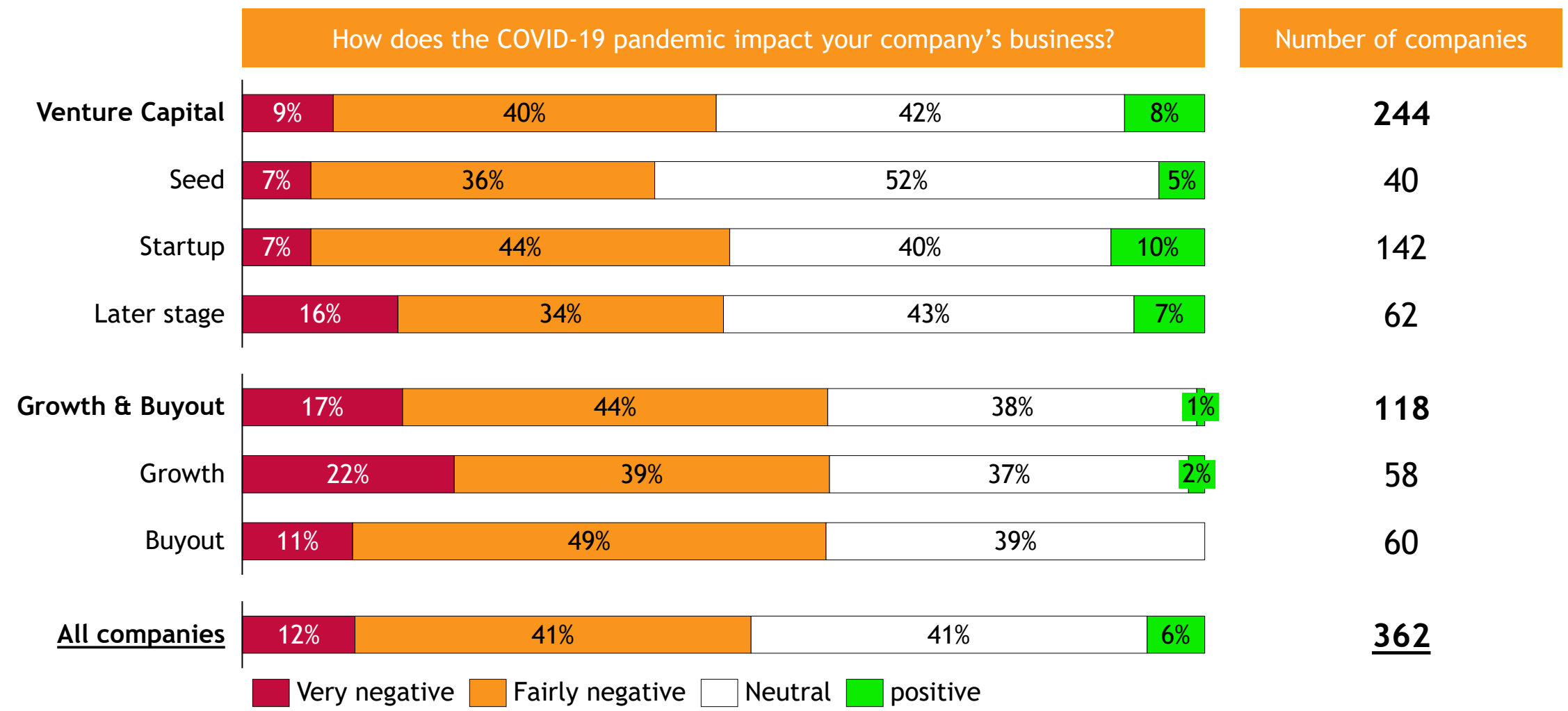


**Market pulse survey**  
**15.-22.5.2020**

# COVID-19 has had a negative impact on most VC & PE-backed companies, particularly on the Growth & Buyout stages

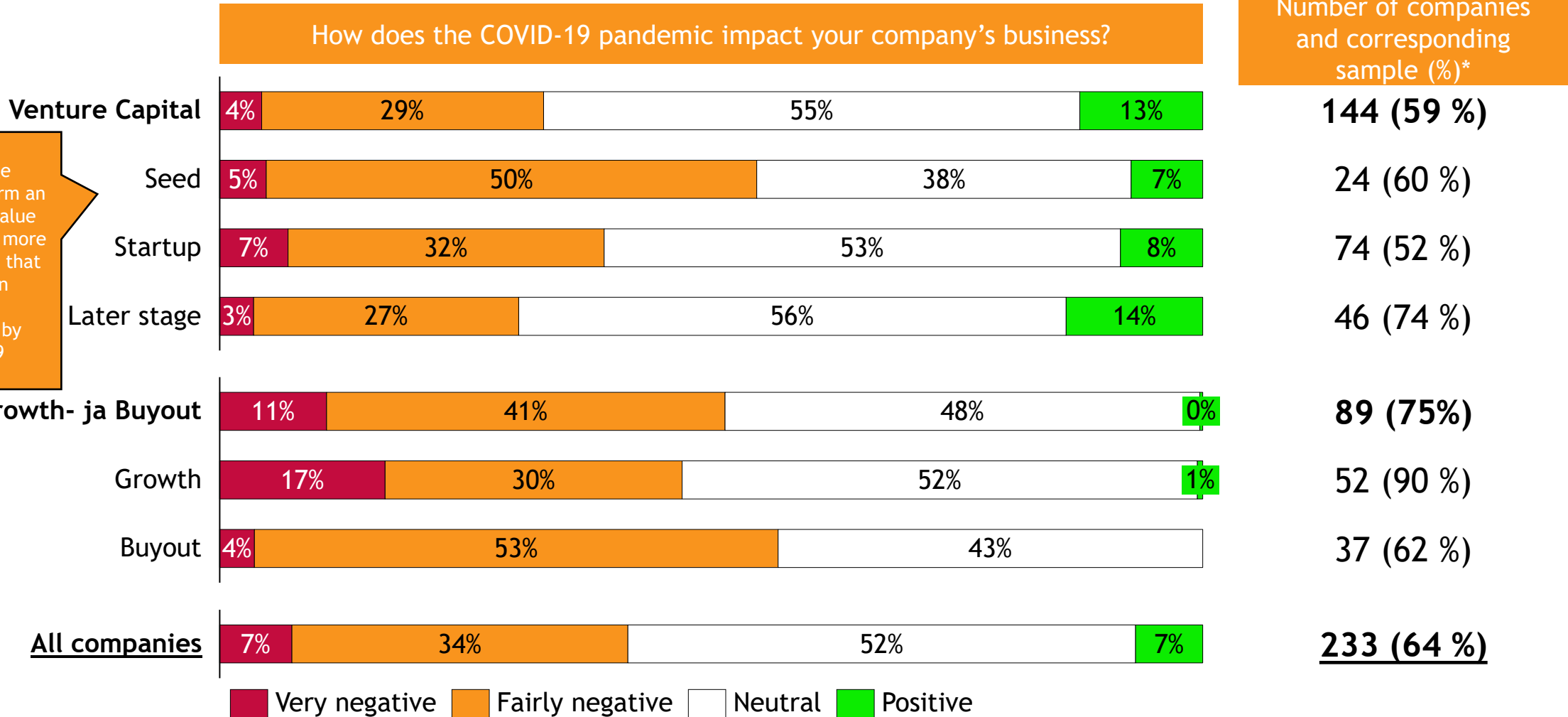


# No significant change in the impact on business compared to results of the first questionnaire



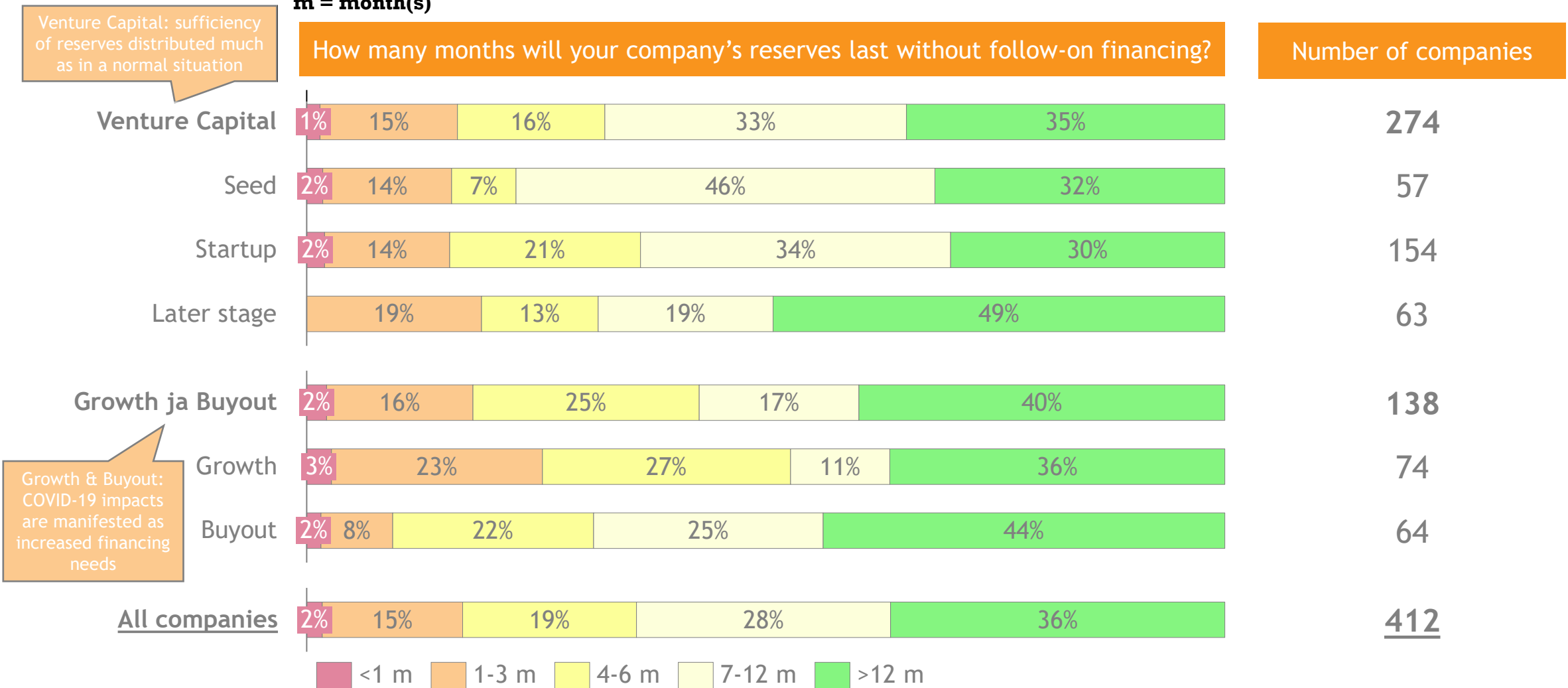
# Value concentrated more in companies that have been less affected by COVID-19

Seed-stage companies form an exception: value concentrated more in companies that have been affected negatively by COVID-19



Note! Figures include foreign portfolio companies. Distribution of responses largely unchanged if sample is restricted to only Finnish investee companies. Only portfolio companies, whose valuations are known to Tesi, taken into account. Extreme values left out.  
\* The percentage indicates the relation of a single sample, whose Net Asset Value is known to Tesi, to the overall sampling.

# About one-third of companies currently have cash reserves for less than six months

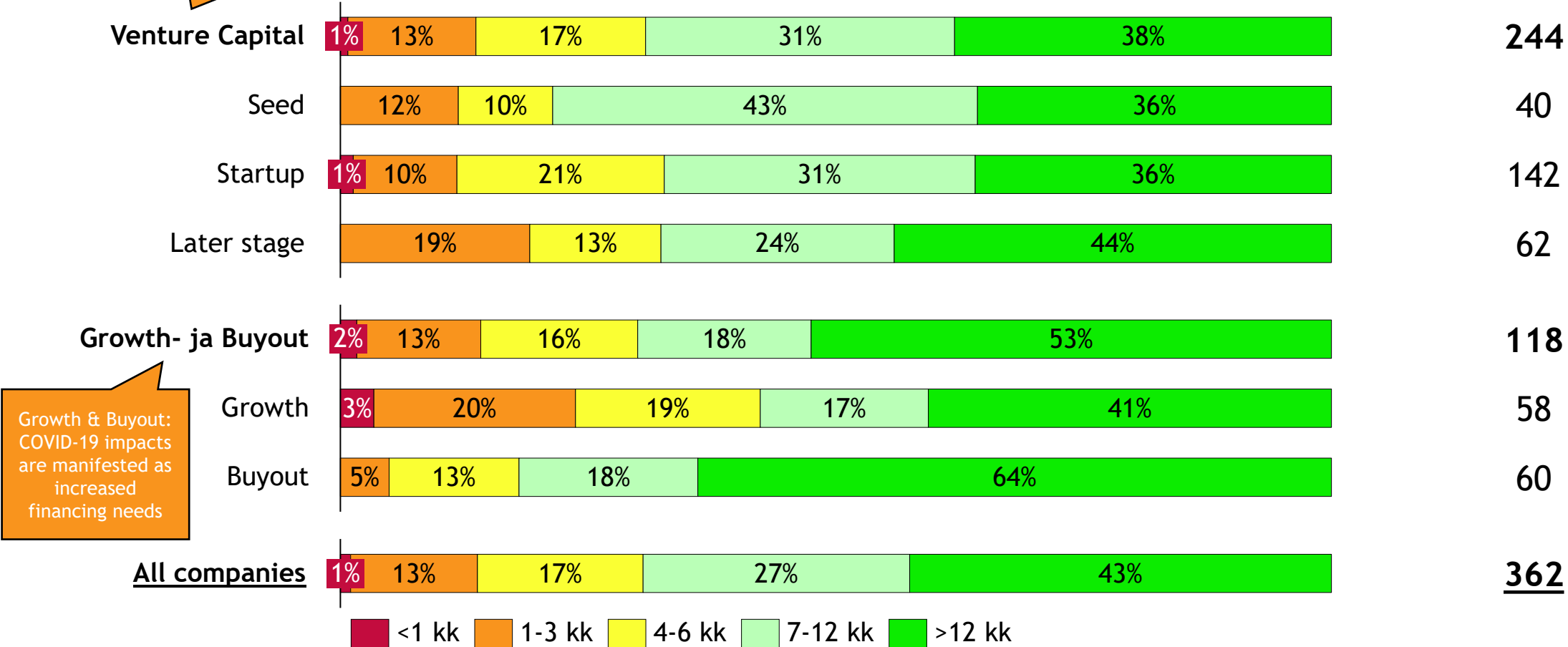


# Sufficiency of current funding has improved significantly, especially in Growth & Buyout companies

Venture Capital: sufficiency of reserves distributed much as in a normal situation

How many months will your company's reserves last without follow-on financing?

Number of companies



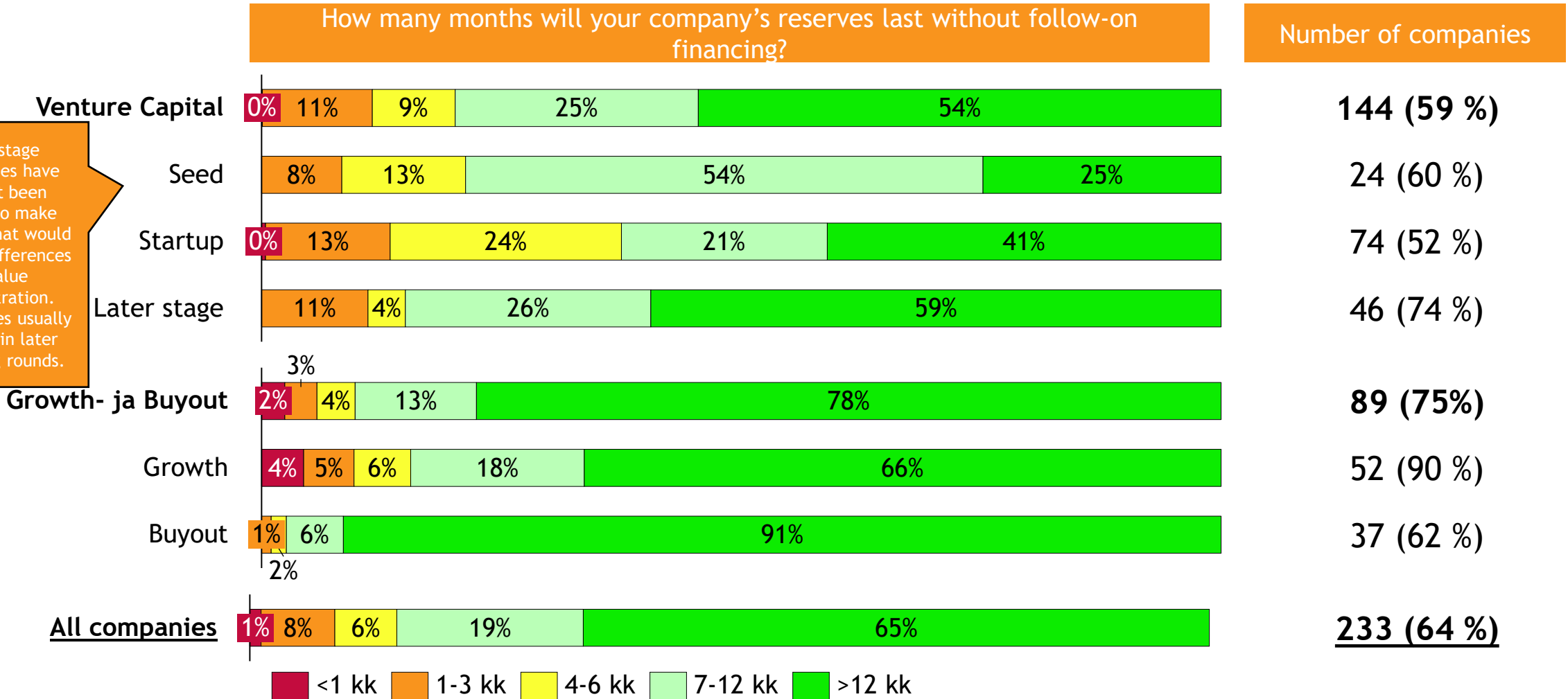
Especially Growth & Buyout companies have successfully utilized variety of funding sources and thus improved their position

Growth & Buyout: COVID-19 impacts are manifested as increased financing needs

Note! Figures include foreign portfolio companies. Distribution of responses largely unchanged if sample is restricted to only Finnish investee companies.  
The change with the seed-stage portfolio companies can be explained almost entirely by differences in sampling.

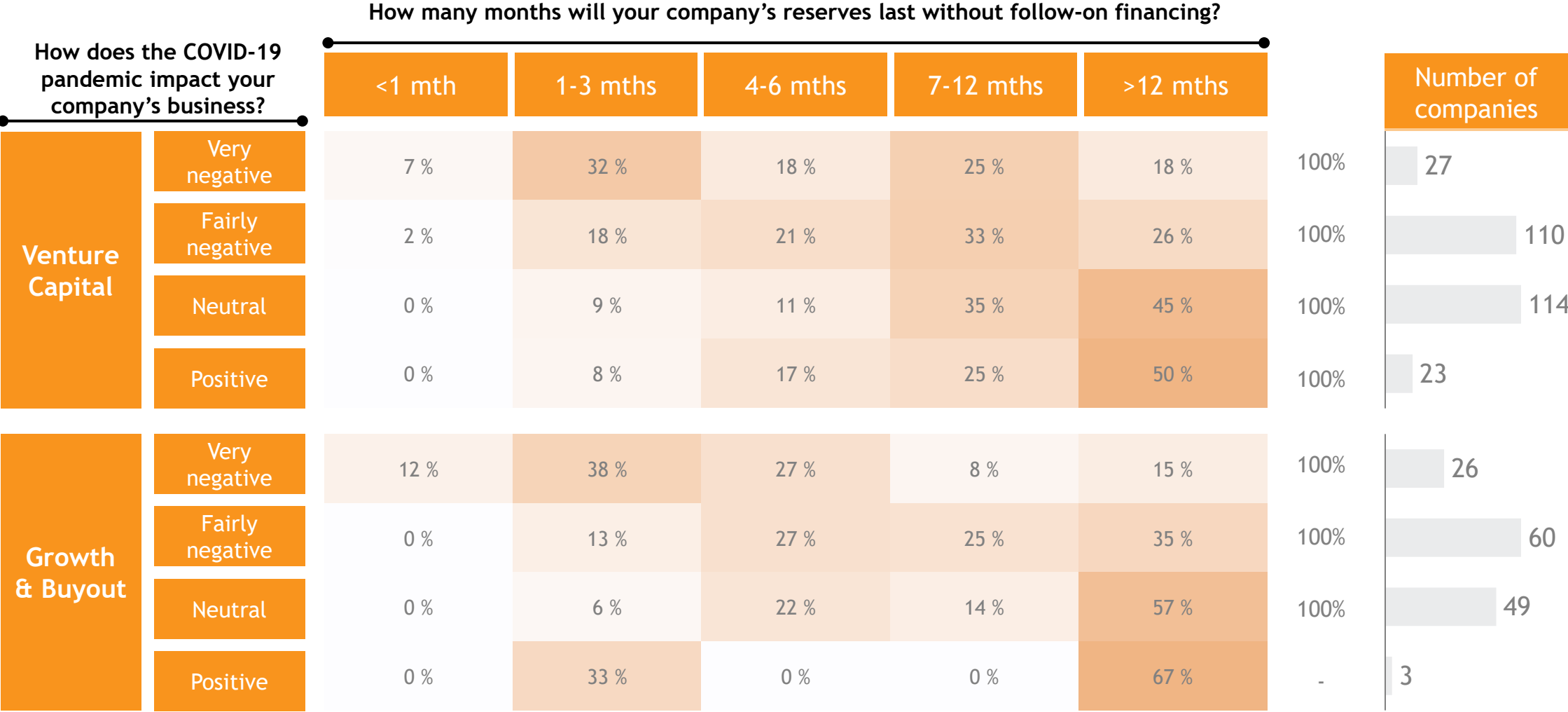
# Value concentrated in companies, whose current reserves are set to last longer

Seed-stage companies have not yet been forced to make choices that would lead to differences in value concentration. Differences usually emerge in later financing rounds.

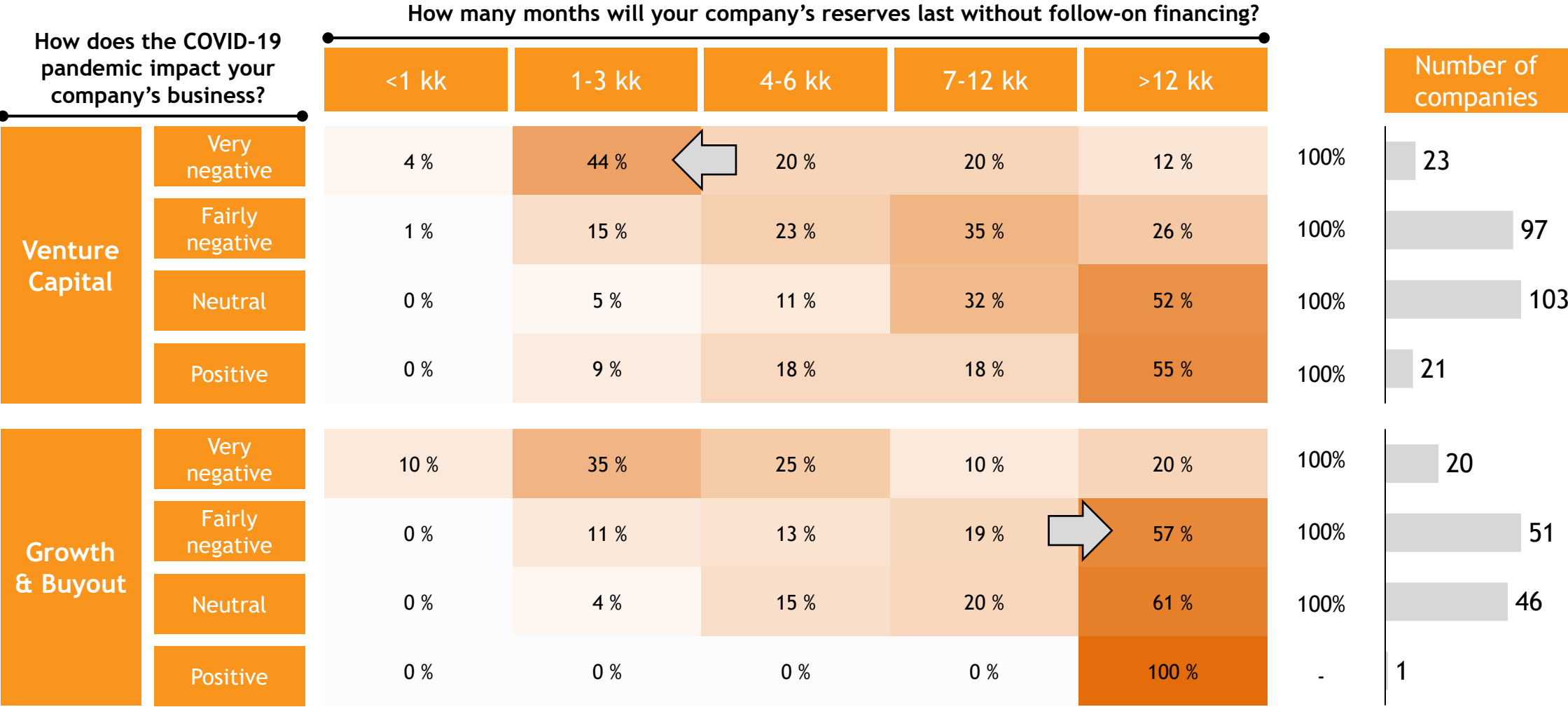




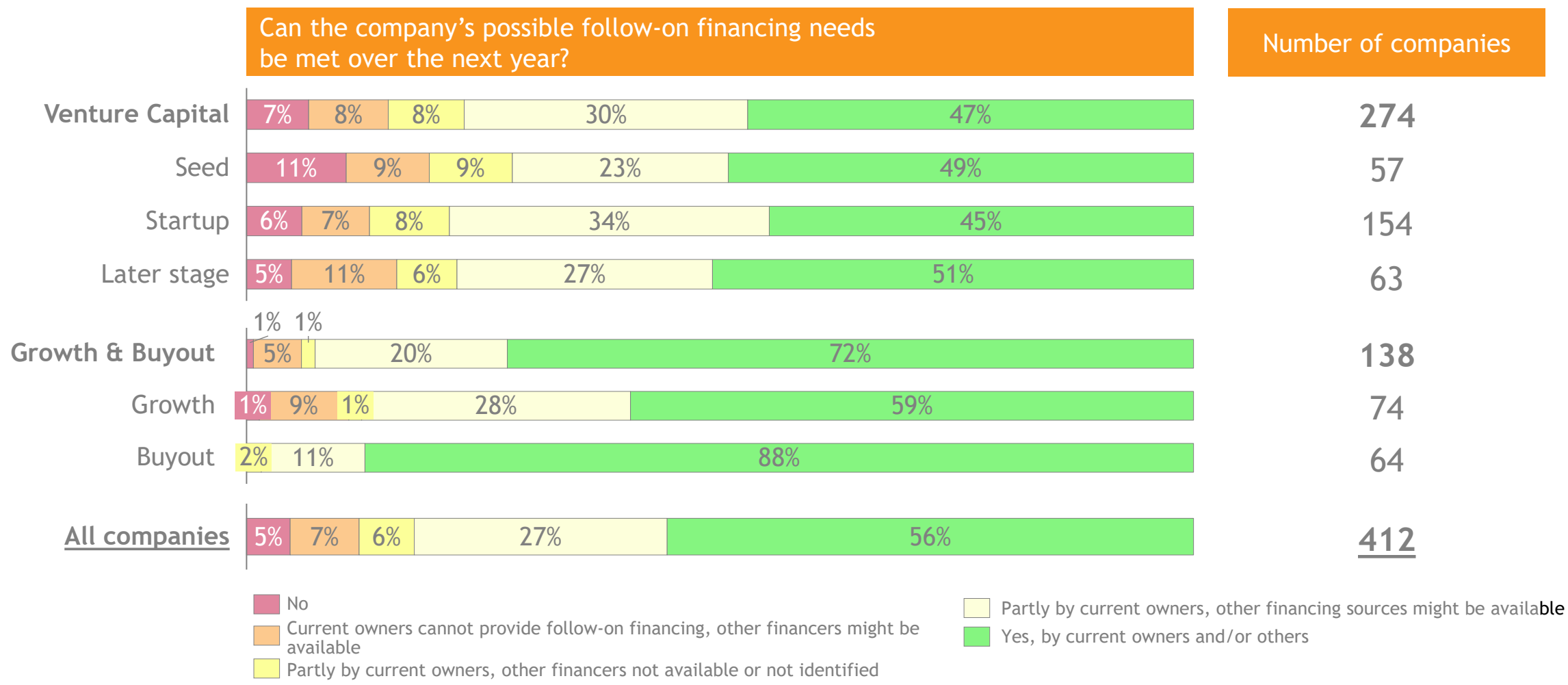
# COVID-19 has had a negative impact on the sufficiency of funds, but in only some cases explains the weak cash position



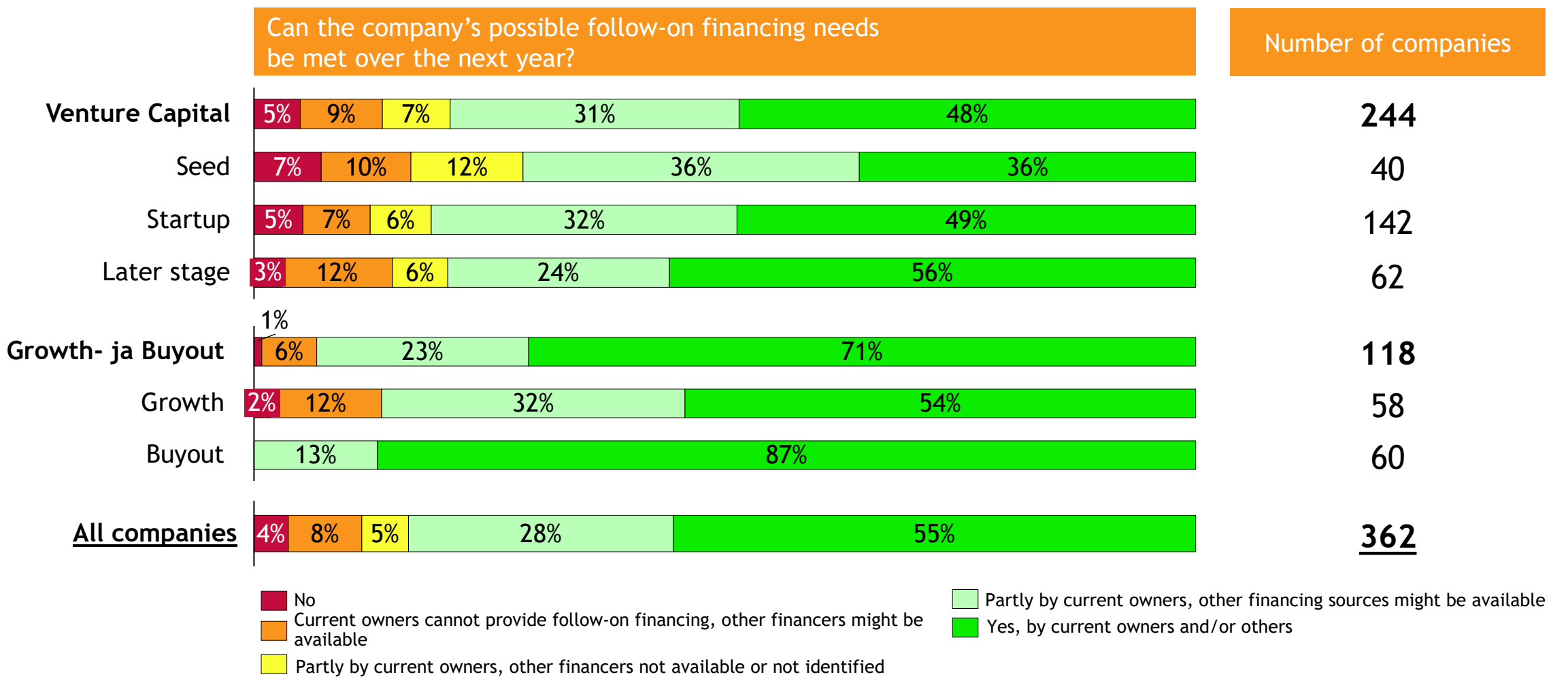
# The second pulse questionnaire reveals differences between the development of VC and Growth & Buyout companies



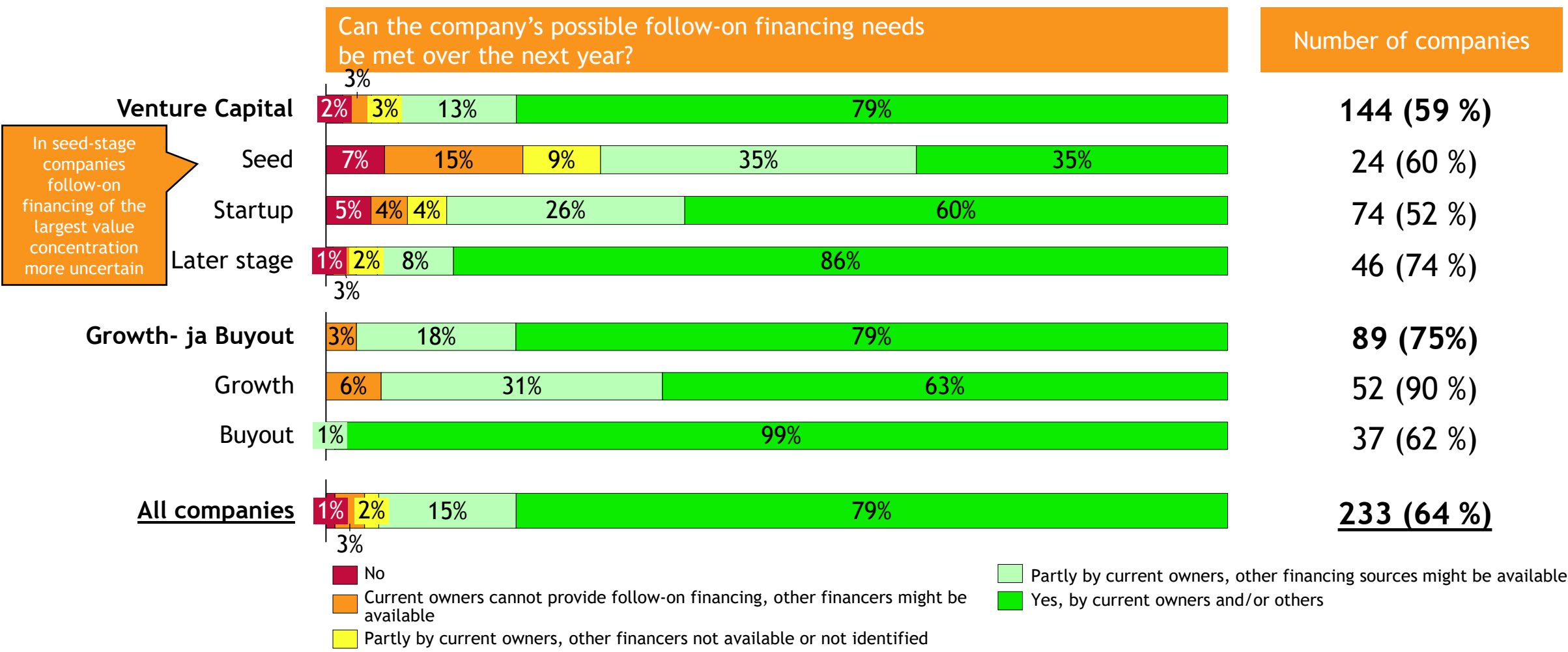
# Less than 15% of companies are without identified providers for their follow-on financing needs over the next 12 months



# Availability of follow-on financing has improved especially in VC backed companies

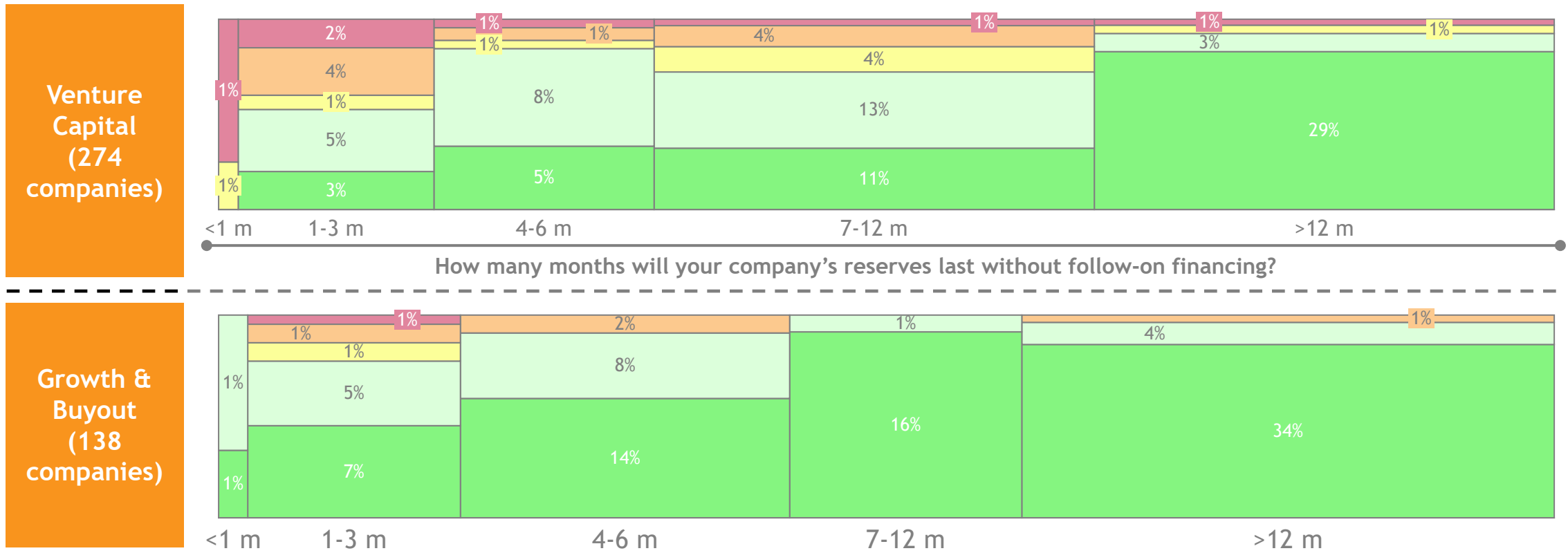


# Value has concentrated in companies, where the sources of follow-on financing can be better recognized



# An immediate liquidity crisis without identified follow-on financing opportunities threatens only a fraction of companies

m = month(s)



Can the company's possible follow-on financing needs be met over the next year?

No

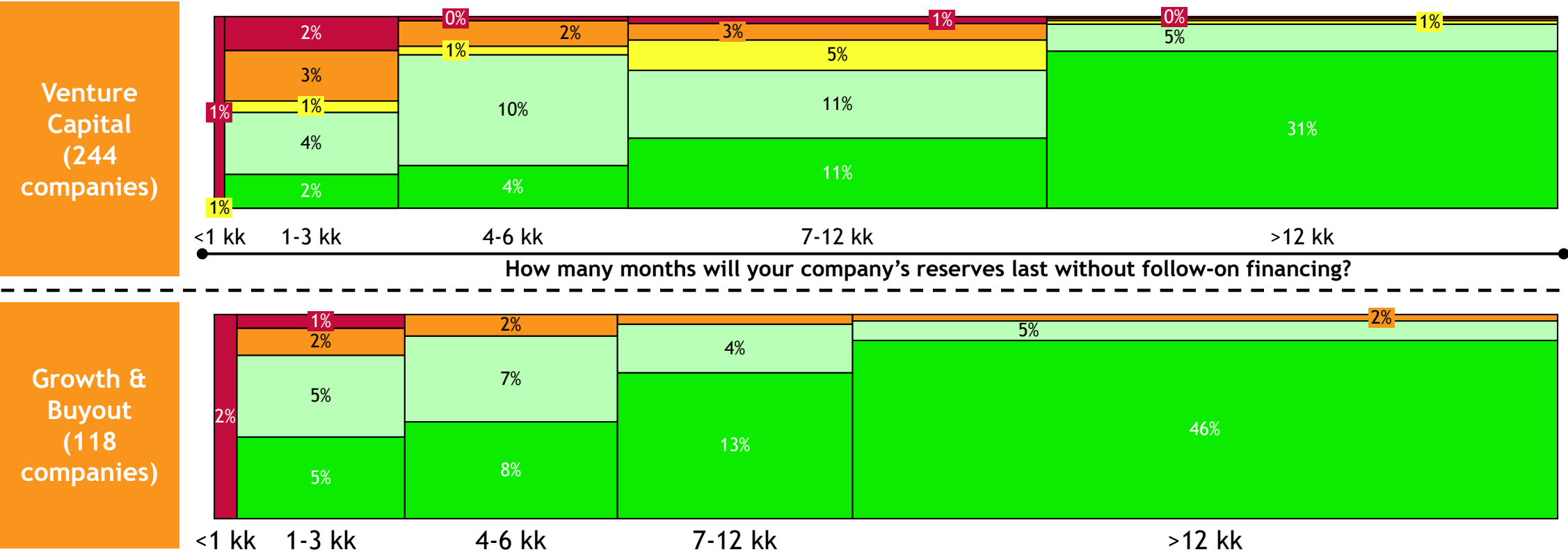
Current owners cannot provide follow-on financing, other financiers might be available

Partly by current owners, other financiers not available or not identified

Partly by current owners, other financing sources might be possible

Yes, by current owners and/or others

# Number of companies facing an immediate liquidity crisis decreased further

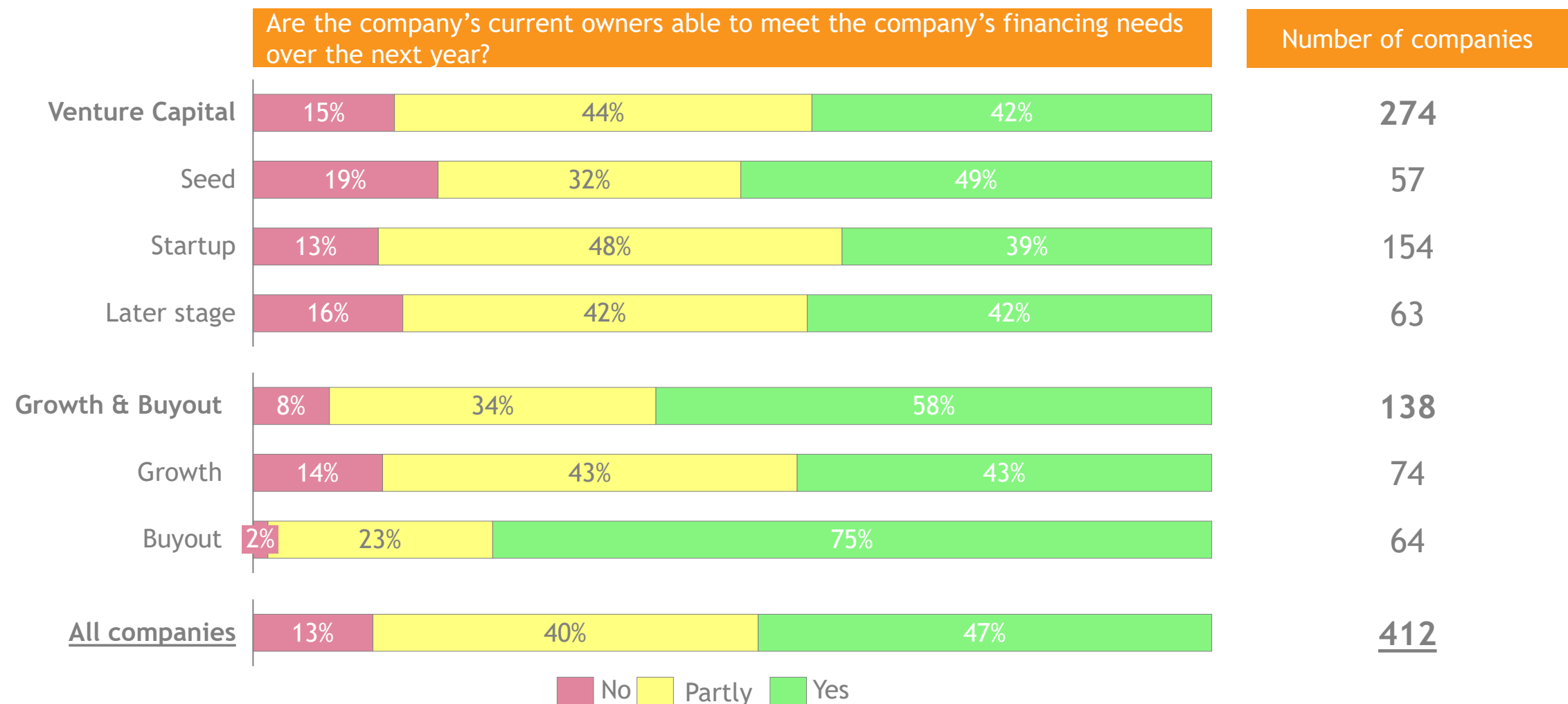


Can the company's possible follow-on financing needs be met over the next year?

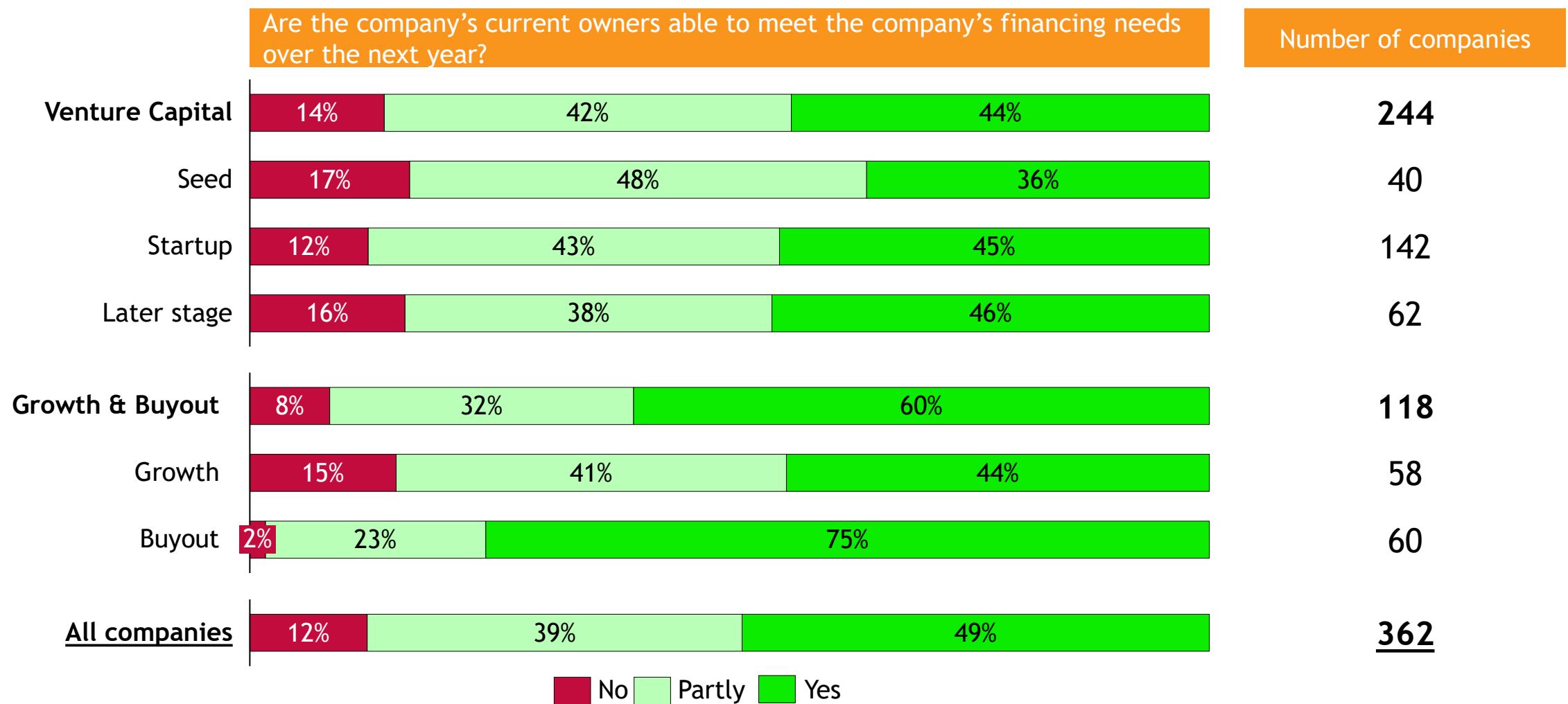
■ No ■ Current owners cannot provide follow-on financing, other financiers might be available ■ Partly by current owners, other financiers not available or not identified ■ Partly by current owners, other financing sources might be possible ■ Yes, by current owners and/or others



# Current owners are able to partly or wholly finance follow-on financing needs in over 85% of companies

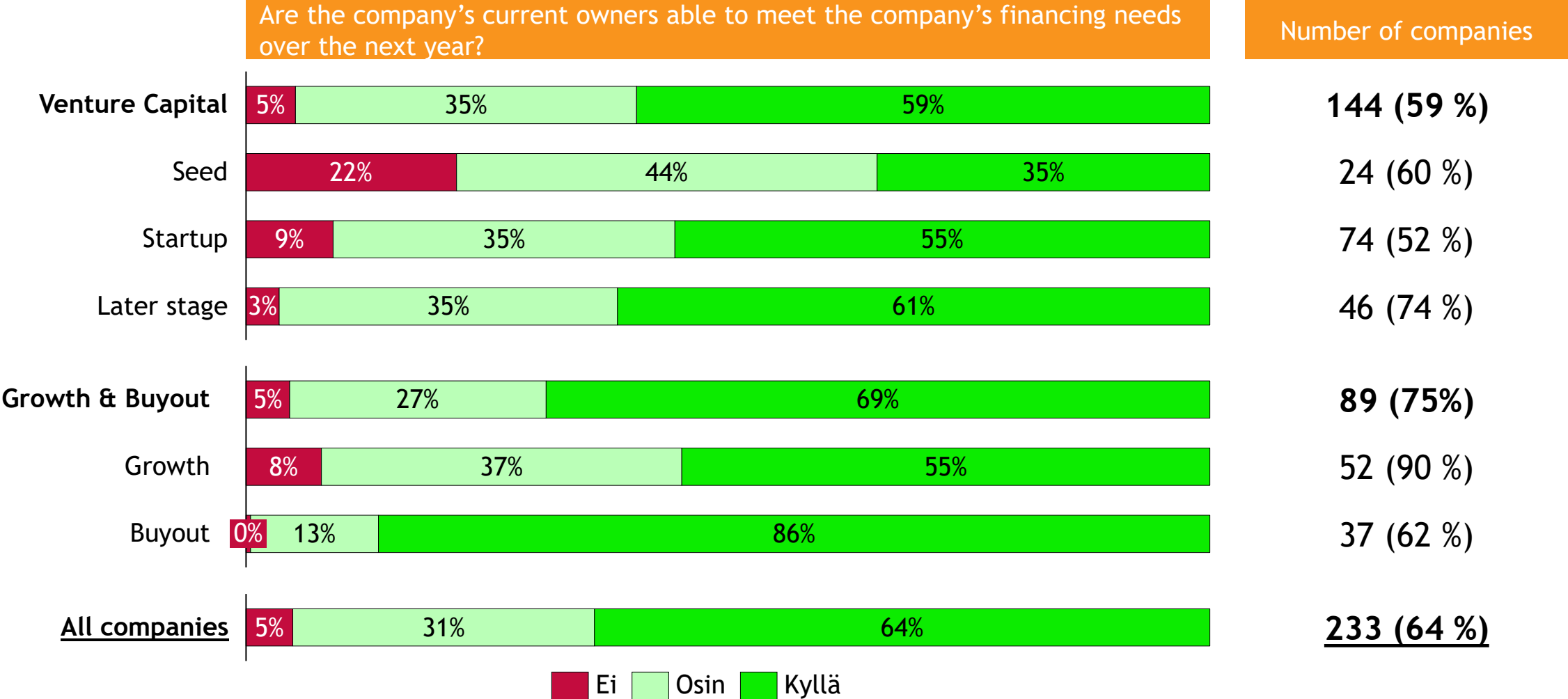


# Current owners slightly more capable in securing follow-on financing for the next year

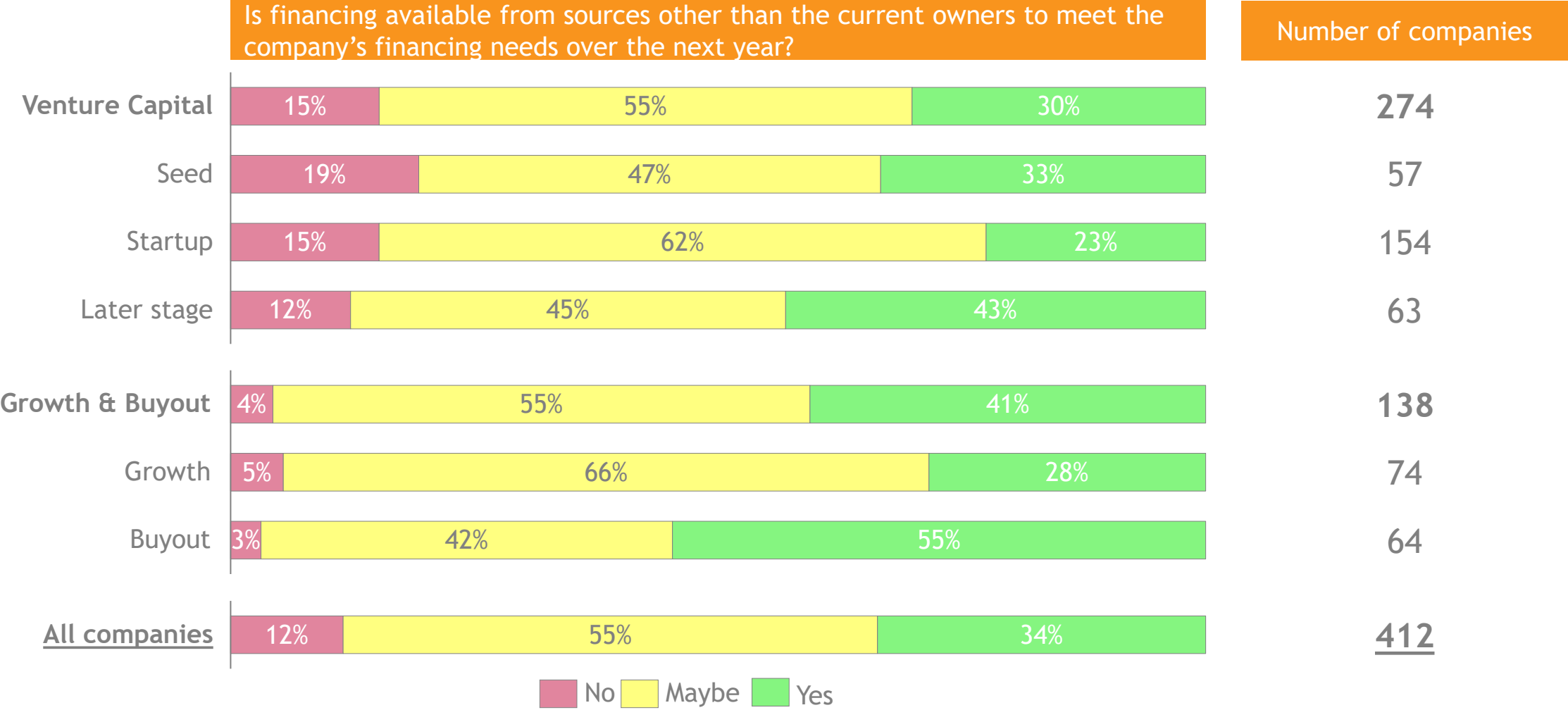


Note! Figures include foreign portfolio companies. Distribution of responses largely unchanged if sample is restricted to Finnish investee companies.  
The change with the seed-stage target companies can be explained entirely by differences in sampling. Only positive changes in the portfolio companies of those seed-stage investors, who replied to both questionnaires.

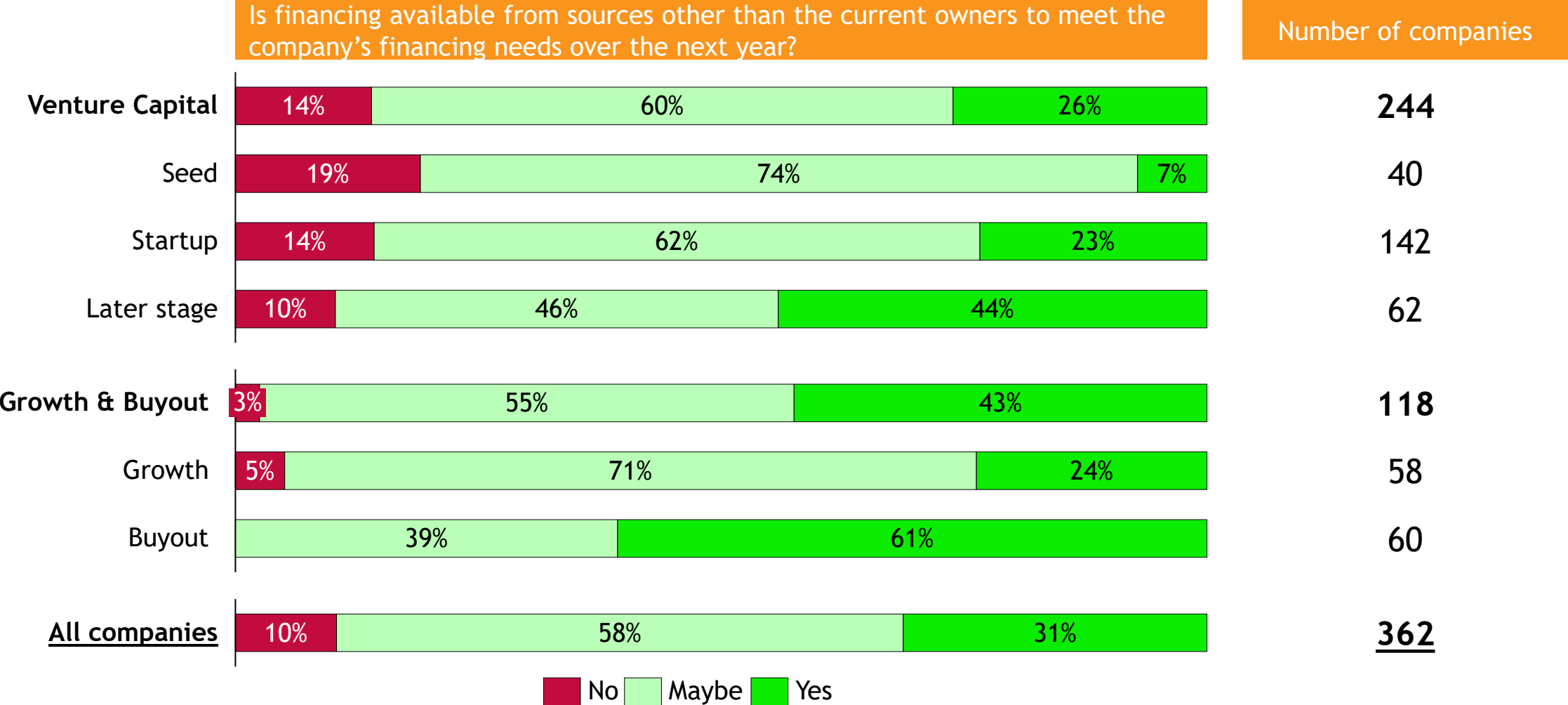
# Value mostly concentrated in companies, whose current owners can secure follow-on financing for the next year



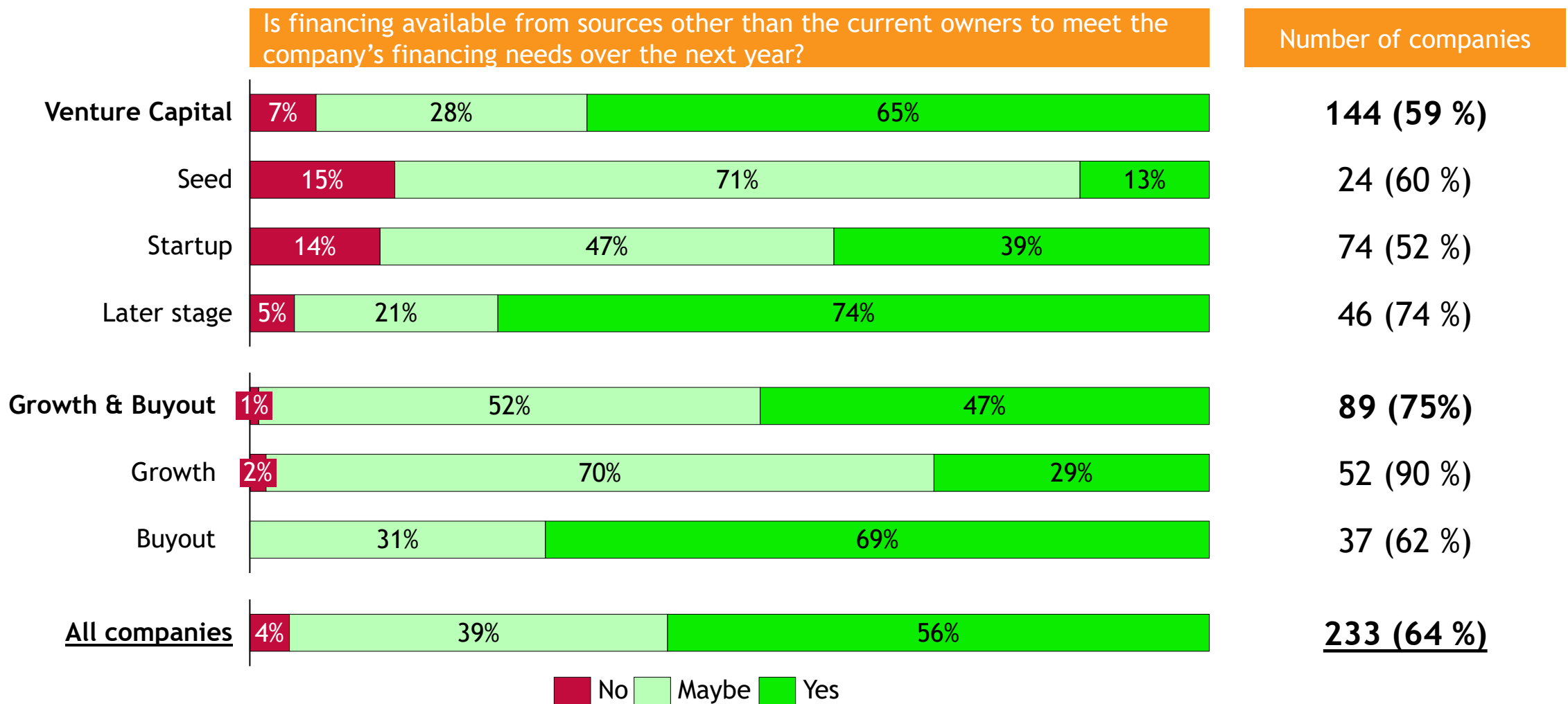
# New investors and other financiers are ruled out of follow-on financing options in less than 15% of companies



# Availability of external follow-on financing still uncertain



# Value concentrated in companies, where securing external financing is more likely over the next year



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Only portfolio companies, whose valuations are known to Tesi, taken into account. Extreme values left out.