SILVERPEAK

DEEPTECH M&A AND FINANCING REPORT 2024

Promising outlook for European deeptech exits driven by surge in late-stage fundraising and strong public valuations

DECEMBER 2024

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Welcome to the latest edition of Silverpeak's Deeptech M&A and Financing Report, providing an in-depth review of European fundraising and deal activity in the deeptech sector.

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At Silverpeak, we work with the best deeptech companies, helping them to grow and unlock their potential to become global leaders. Deeptech is about tackling big challenges — think AI processors, quantum computing, robotics, space and photonics. It’s an exciting space that’s catching more investor attention, with a growing number of funds and plenty of public, corporate, and private capital fuelling these groundbreaking ventures.

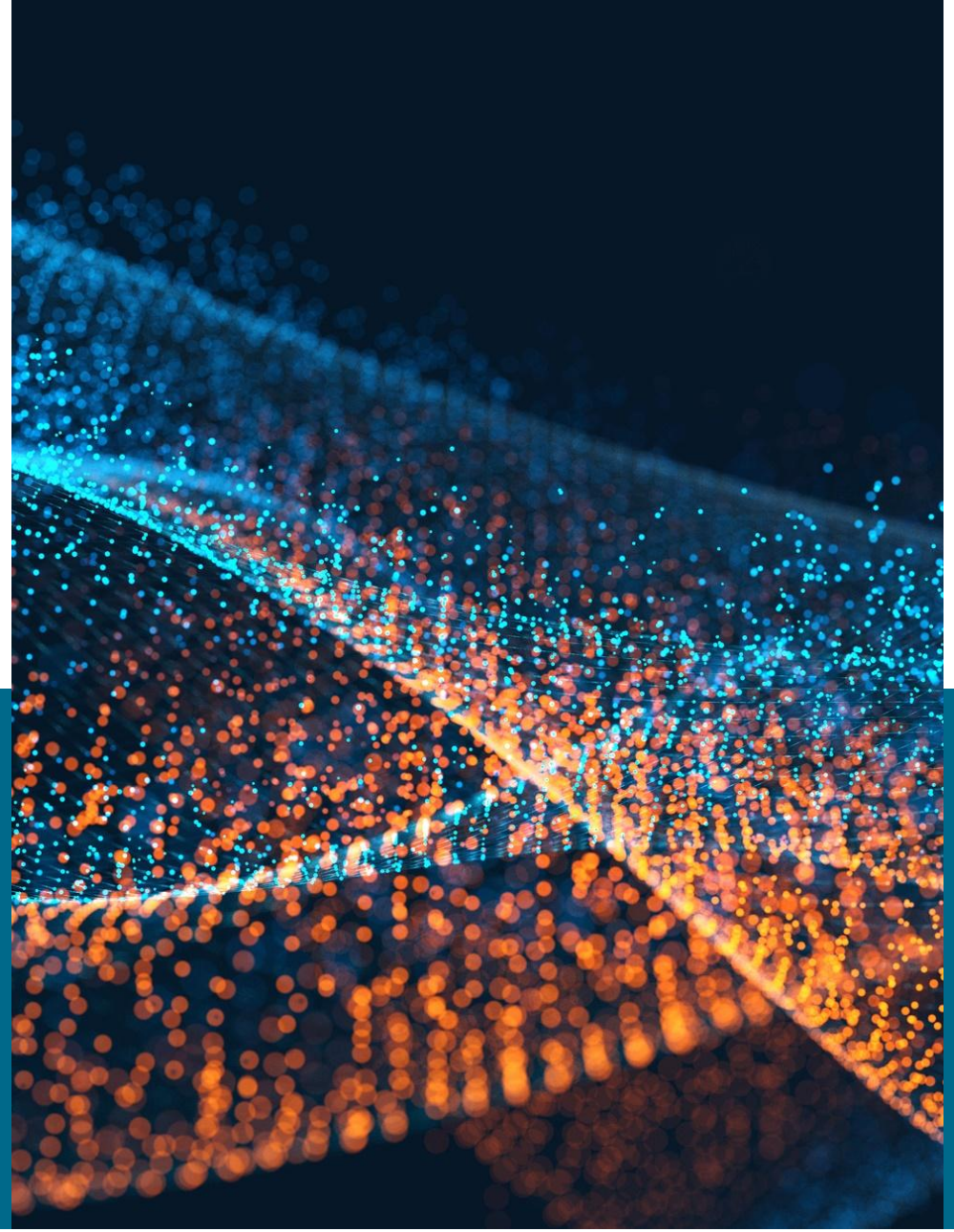
PIETRO STRADA
MANAGING PARTNER, SILVERPEAK

KEY FINDINGS

- With European deeptech financing stabilising at $1bn per quarter, 2024 has seen a surge in large Series C transactions, paving the way for promotions from the extensive pool of near-term European deeptech unicorns.
- M&A trends present a mixed picture: the $9.3bn deal value in 2024 signals overall market health, however it masks the lowest sub-$1bn EV deal value year since 2020. A recent surge in public company valuations offers a promising leading indicator for strategic M&A in 2025.
- With evidence of time-to-exit aligning with fund lifecycles and deeptech achieving premium exit valuations, European deeptech remains a strong investment opportunity.

DEAL METRICS

	2024 YTD vs 2023
Financing transaction value	+ 19%
M&A deal value	+ 47%
M&A deal value (<$1bn EV)	- 21%



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SECTION 1

Financing environment

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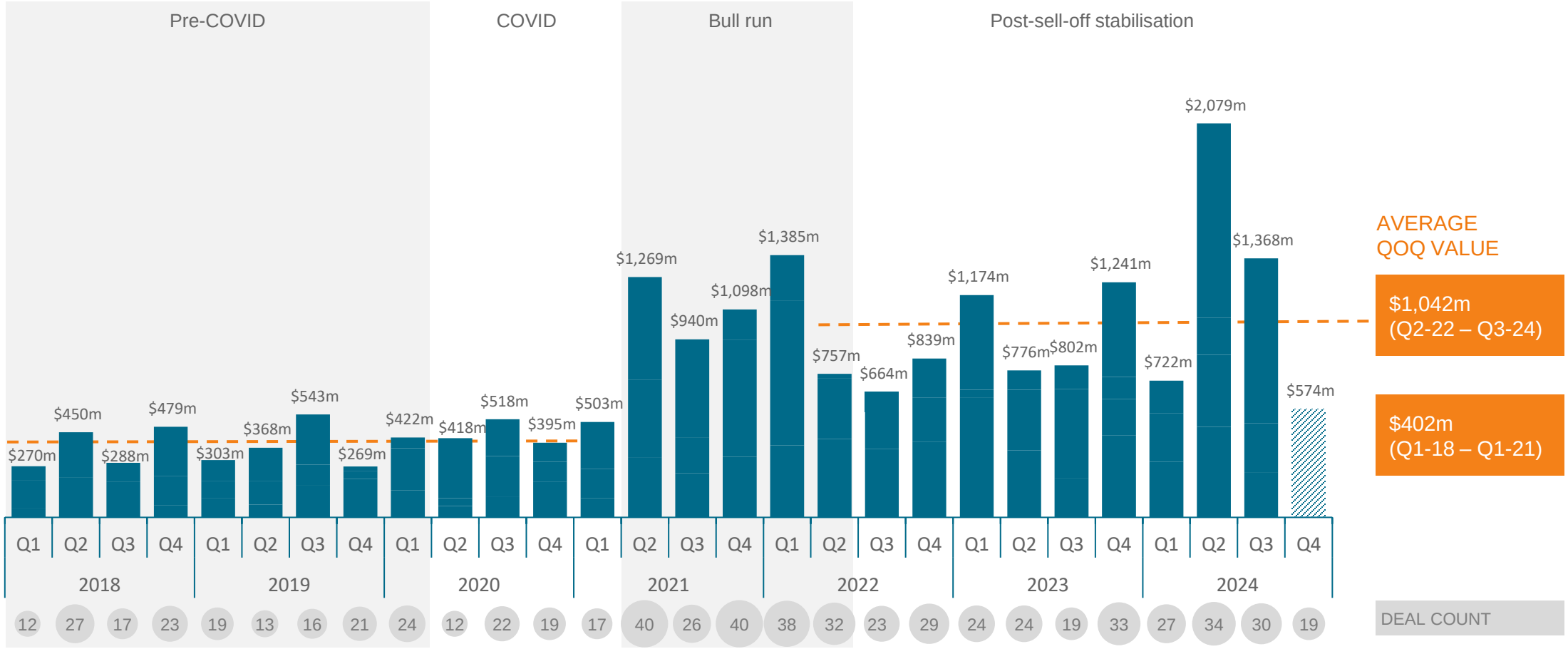
Financing deals in Europe have stabilised at c.$1bn per quarter, marking a 2.5x increase from pre-Covid levels

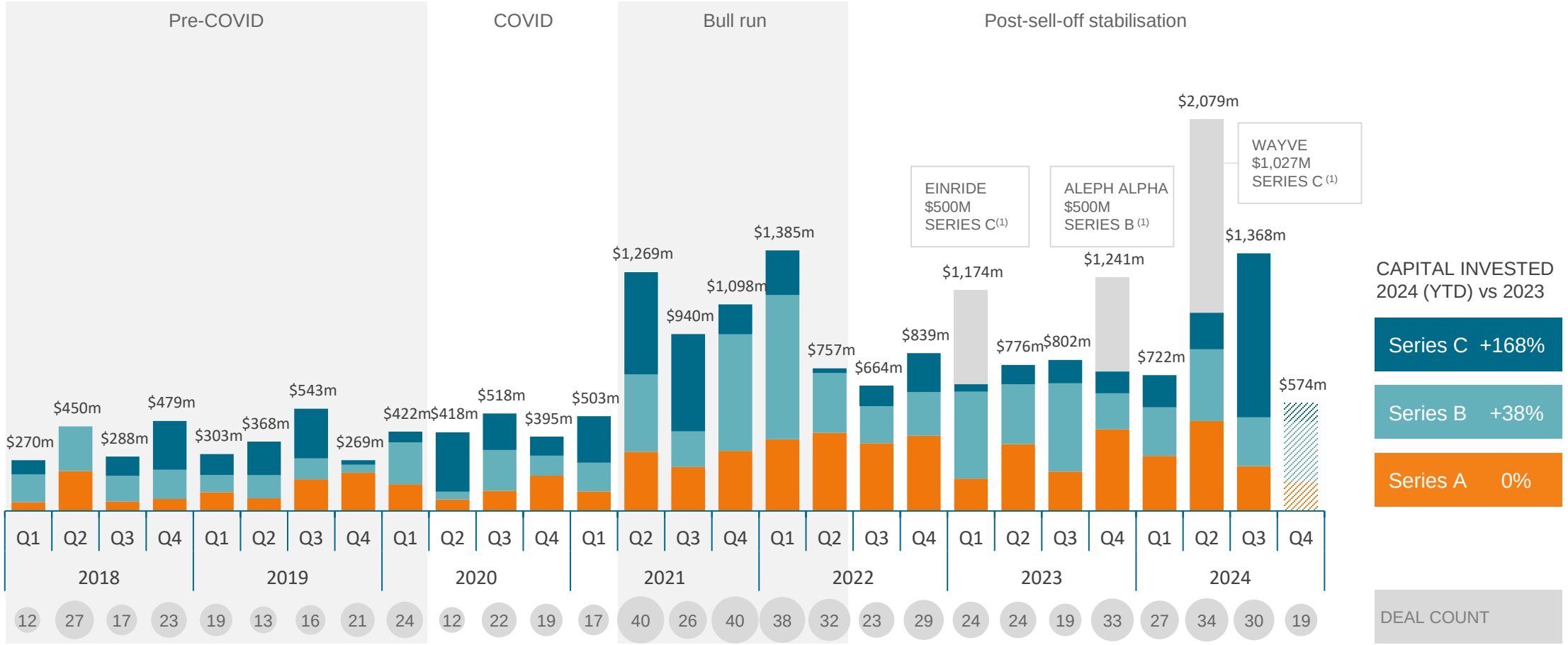
TOTAL FINANCING AMOUNTS AND DEAL COUNT, 2018 – 2024 (YTD)



Source: Pitchbook | S&P Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024

2024's deal value uptick is driven by a surge in Series C deals, primarily fueled by mid-market financing deals and Wayve's mega round

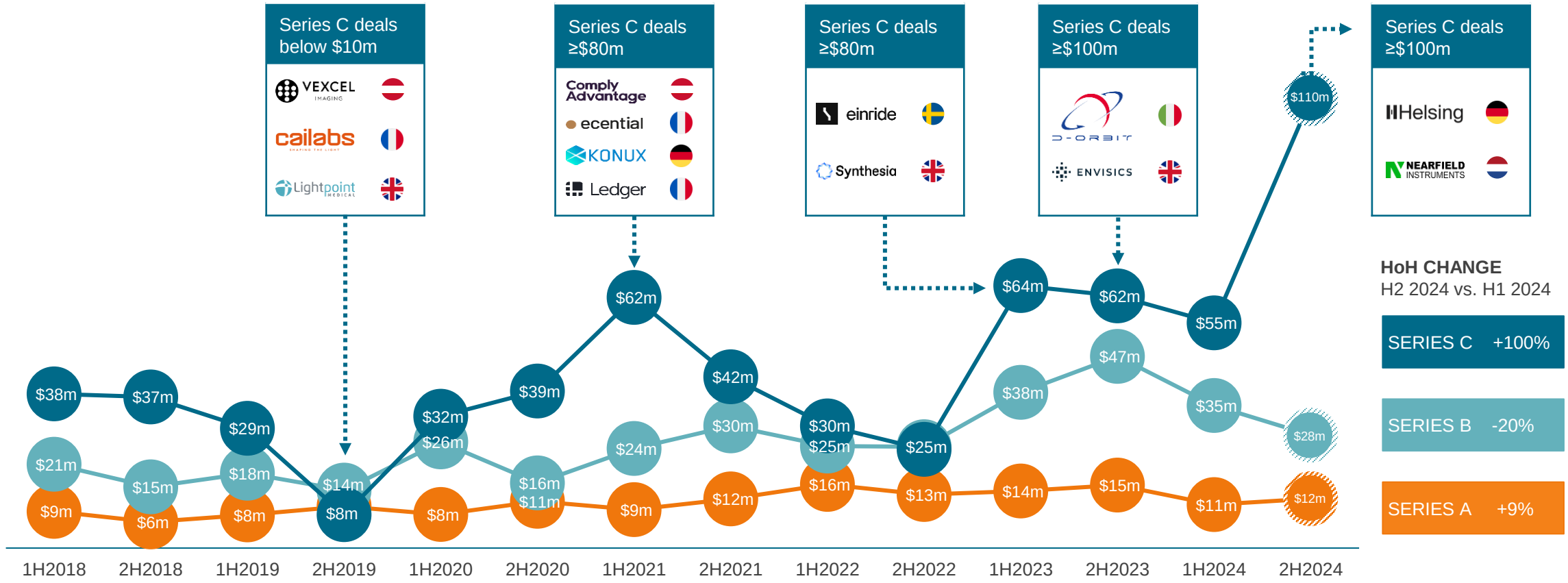
SERIES A, B & C TOTAL FINANCING AMOUNTS AND DEAL COUNT, 2018 – 2024 (YTD)



Source: Pitchbook | S&P Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024
Notes:(1) Mid-market transactions exclude mega deals (>$500m)

Investors are favouring Series C rounds over riskier early-stage Series A&B rounds, leading to increased capital allocation towards larger financing rounds

MEDIAN SIZE OF SERIES A, B & C ROUNDS (2018 – 2024, YTD)



HoH CHANGE
H2 2024 vs. H1 2024

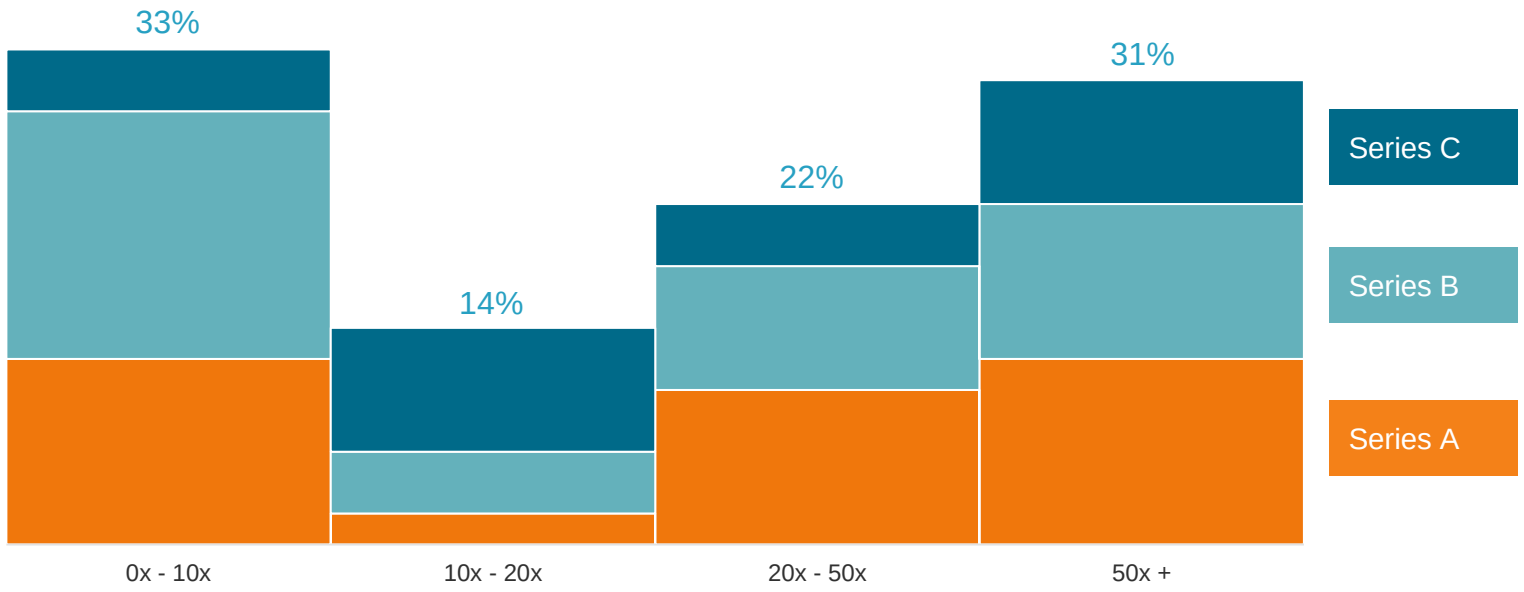
SERIES C	+100%
SERIES B	-20%
SERIES A	+9%

Source: Pitchbook | S&P Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024

Deeptech valuations are disconnected from EV/Revenue multiples, suggesting investors are not using financial profiles for valuations, unlike other sectors such as software

EV/REVENUE FREQUENCY CHART (DISCLOSED EV/REVENUE MULTIPLES FOR SERIES A, B & C ROUNDS, SINCE 2018)

MEDIAN EV/REVENUE 22X



- Investment decisions are driven by end-market expectations and technology differentiation, rather than financial profile
- VCs invest with the expectation of either explosive growth or a highly strategic exit driven by value to the buyer

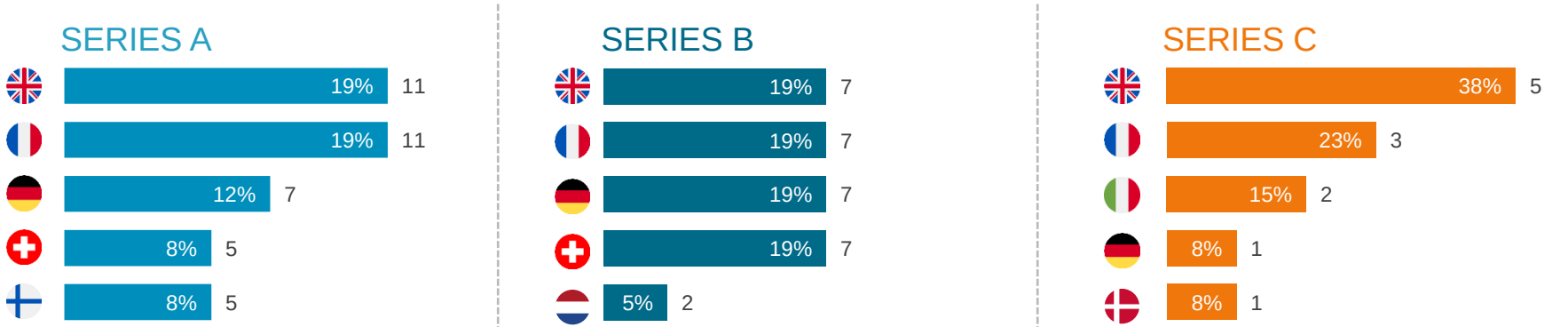
Note: bins vary in size

Source: Pitchbook | S&P Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024

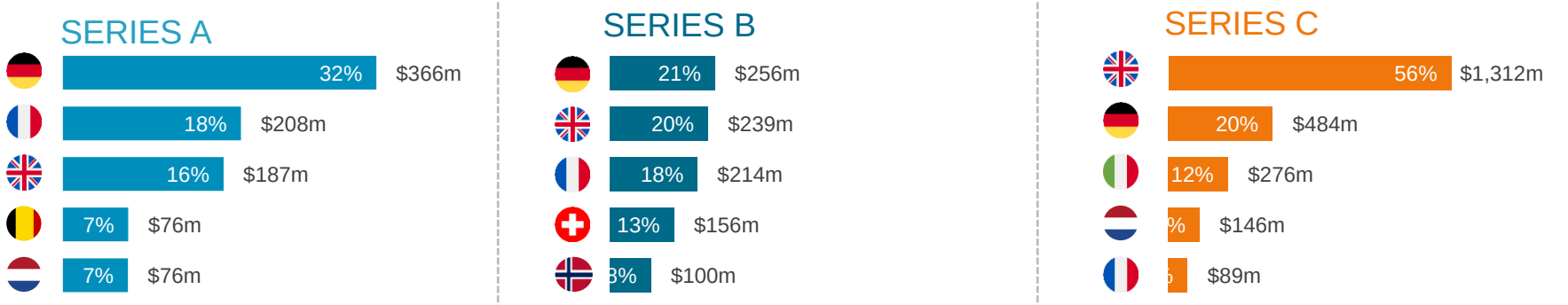
UK dominates Series C rounds both by value and deal count

SERIES A, B & C DEAL COUNT AND VALUE BY COUNTRY, 2024 (YTD)

TOP FIVE COUNTRIES BY DEAL COUNT



TOP FIVE COUNTRIES BY DEAL VALUE



Source: Pitchbook | S&P Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024

A prominent group of seasoned investors specialising in deeptech investments is emerging, with 91 investors participating in 3 or more rounds in the last two years

ROUND PARTICIPATION – 2023 - 2024 (YTD)

Lead and followers

NO. OF DEEPTECH INVESTORS (SERIES A, B & C)

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Source: Pitchbook | S&P Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024

European deeptech financing highlights a diverse and growing investor appetite across difference sectors

SELECTED FUNDING ROUNDS IN UK & EUROPE, 2024 (YTD)

SELECTED EUROPEAN ROUNDS

DEAL SIZE	DATE	HQ	COMPANY	STAGE	SECTOR	SELECTED INVESTORS
$484m	Jul-24		Helsing	Series C	Aerospace & Defence	General Catalyst, Greenoaks
$276m	Jun-24		black semiconductor	Series A	Semiconductor	Federal Ministry for Economic Affairs and Climate Action, Porsche Ventures
$167m	Sep-24		D-Orbit	Series C	Aerospace & Defence	Marubeni
$146m	Jul-24		Nearfield Instruments	Series C	Semiconductor	Temasek, (w)C Walden Catalyst
$70m	Sep-24		MarvelFusion	Series B	Fusion	b2venture, HV Capital

SELECTED UK ROUNDS

DEAL SIZE	DATE	HQ	COMPANY	STAGE	SECTOR	SELECTED INVESTORS
$1.0bn	May-24		Wayve	Series C	Autonomous Driving (Software)	Microsoft, NVIDIA, SoftBank Group
$111m	Apr-24		Skyports Infrastructure	Series C	Aerospace & Defence	ACS
$80m	Oct-24		Dexory	Series B	Robotics	DTCP
$75m	Aug-24		River Lane	Series C	Quantum	edbi, PlanetFirst Partners
$44m	Oct-24		ALL.SPACE	Series C	Satellite Communications	BOKA | GROUP

Source: Pitchbook | S&P Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024

Europe is home to a deep pool of growth-stage startups with near-term unicorn potential

EUROPEAN DEEPTECH UNICORNS WITNESSED SINCE 2018

$5.3bn	$2.8bn	$1.5bn	$1.5bn	$1.4bn	$1.3bn	$1.0bn	$1.0bn	$1.0bn
Helsing	WAYVE	LEDGER	veriff	CMR SURGICAL	OWKIN	AGILE ROBOTS	stability.ai	DeepL
2024	2024	2021	2022	2019	2021	2021	2022	2023

RISING STARS

ADVERTIMA · AIMOTIVE · Aledia · ALL.SPACE · AMVbotics · Automata · Blickfeld · clearspace today · COMPLY ADVANTAGE · DELAIR · ENVISICS · GARRISON · GATEWATCHER · GitGuardian · ICEYE · IQM · isotropic · MAGAZINO · MULTIVERSE · nexthink · nym · onfido · oxbotica · oxford ionics · PARAGRAF · PASQAL · Pragmatic · PRELIGENS · PRIVITAR · PROGLOVE · PROPHESEE · QUANTUM MOTION · QUANTUM SYSTEMS · Ravelin · RED POINTS · RED SIFT · RIPJAR · river lane · SATELLITEVU · SCANDIT · SIPEARL · Skyports · sosafe · submer · Synthesia · TEHTRIS · TERABEE · Terra Quantum · TESSIAN · tines · TRACTABLE · TWINNER · VARJO · vay · verity · wandelbots · WAYRAY · wingtra · XYZ

SECTION 2

M&A environment

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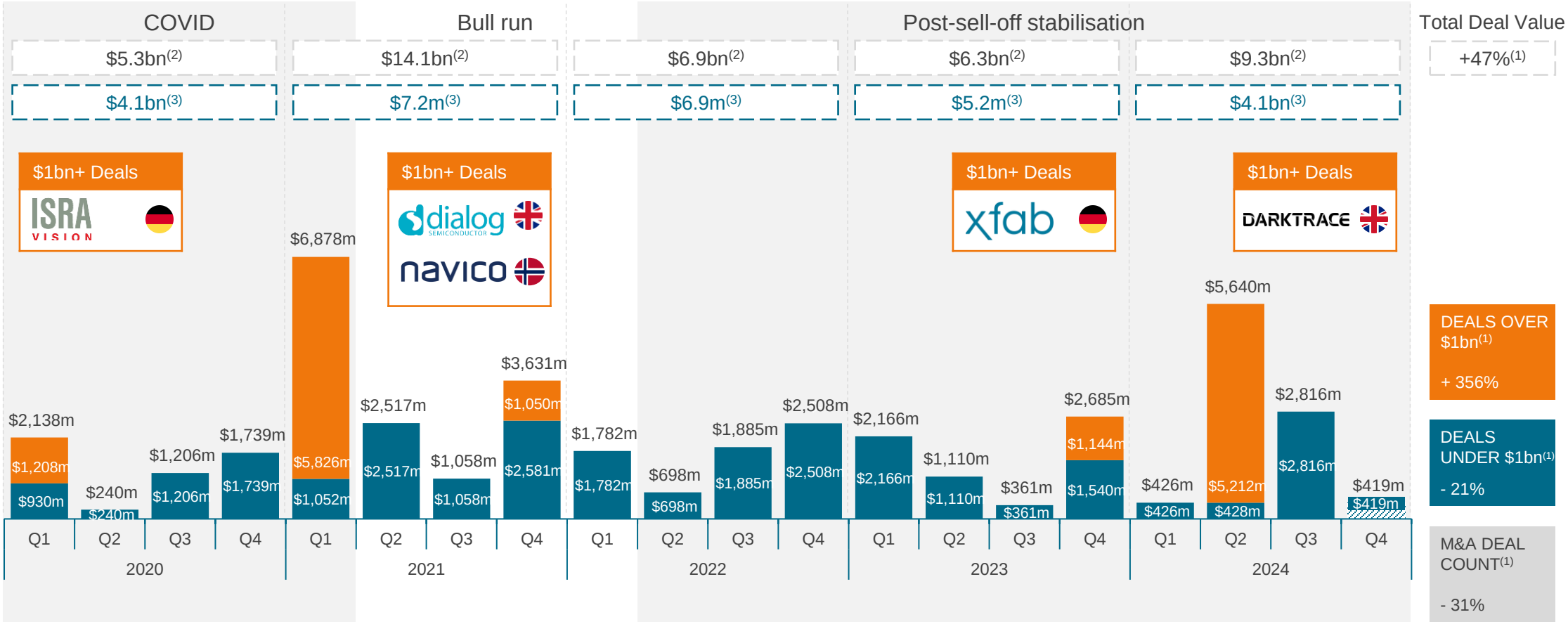
M&A deal value in 2024, led by Darktrace's $5.2bn take-private, is the highest since 2021 but deals under $1bn have seen their weakest year since Covid

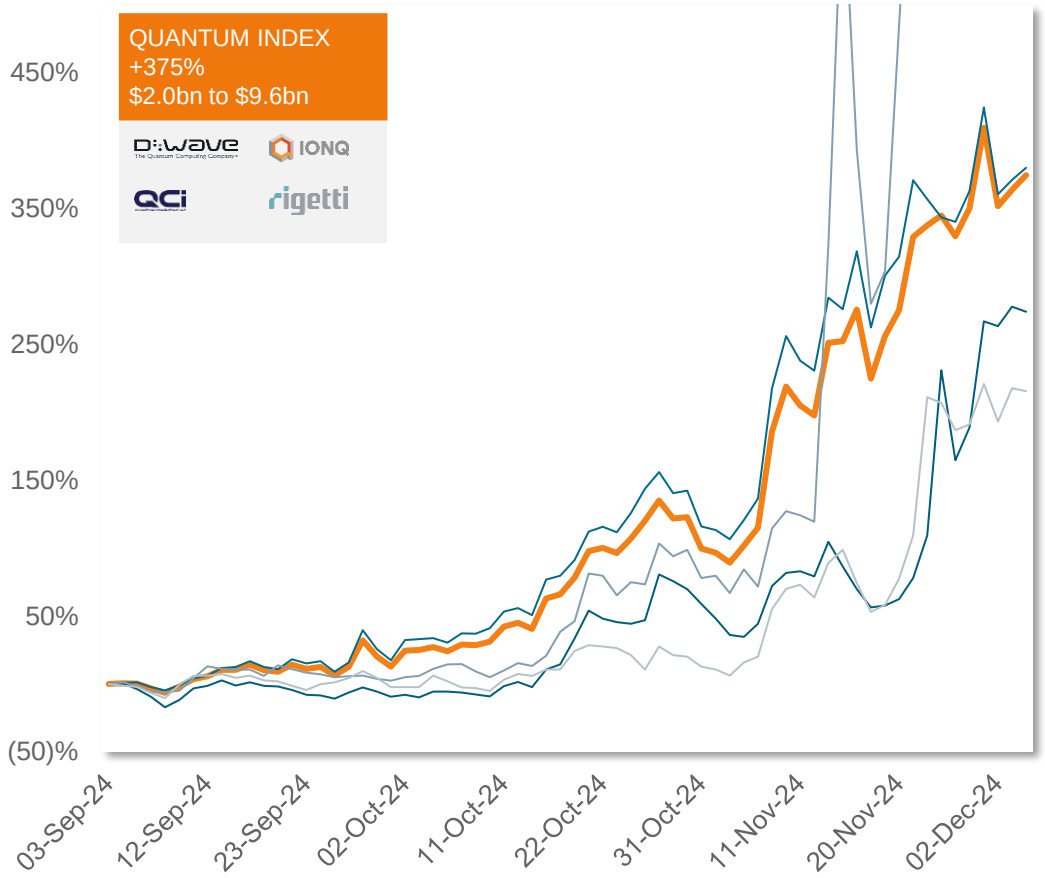
EUROPEAN DEEPTECH TOTAL M&A DEAL VALUE AND COUNT 2018 – 2024 (YTD)



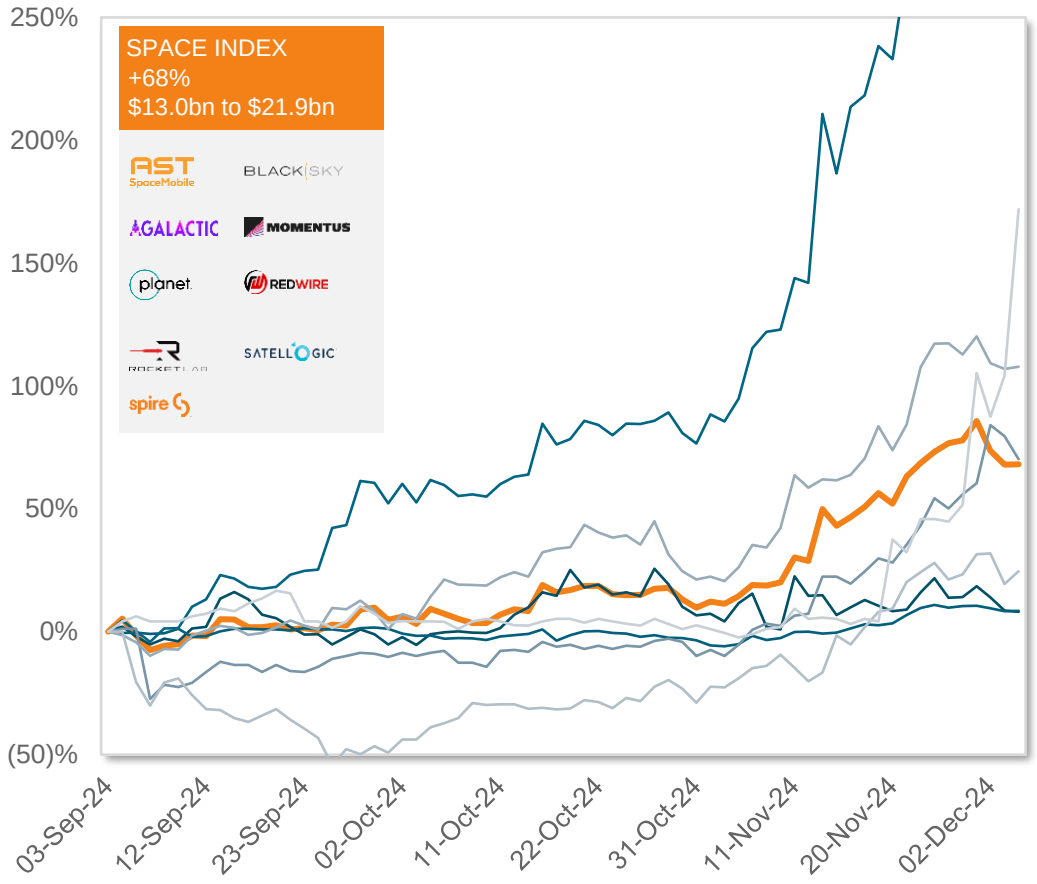
Source: Pitchbook | Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024
Notes: (1) Compares 2024 (YTD) to 2023; (2) Total deal value for the year including deals over $1bn; (3) Total deal value for the year excluding deals over $1bn.

Public companies in key deeptech domains have seen a valuation surge over the last three months, with rising share prices signalling strategic M&A opportunities in high-value markets

QUANTUM INDEX SHARE PRICE PERFORMANCE



SPACE INDEX SHARE PRICE PERFORMANCE



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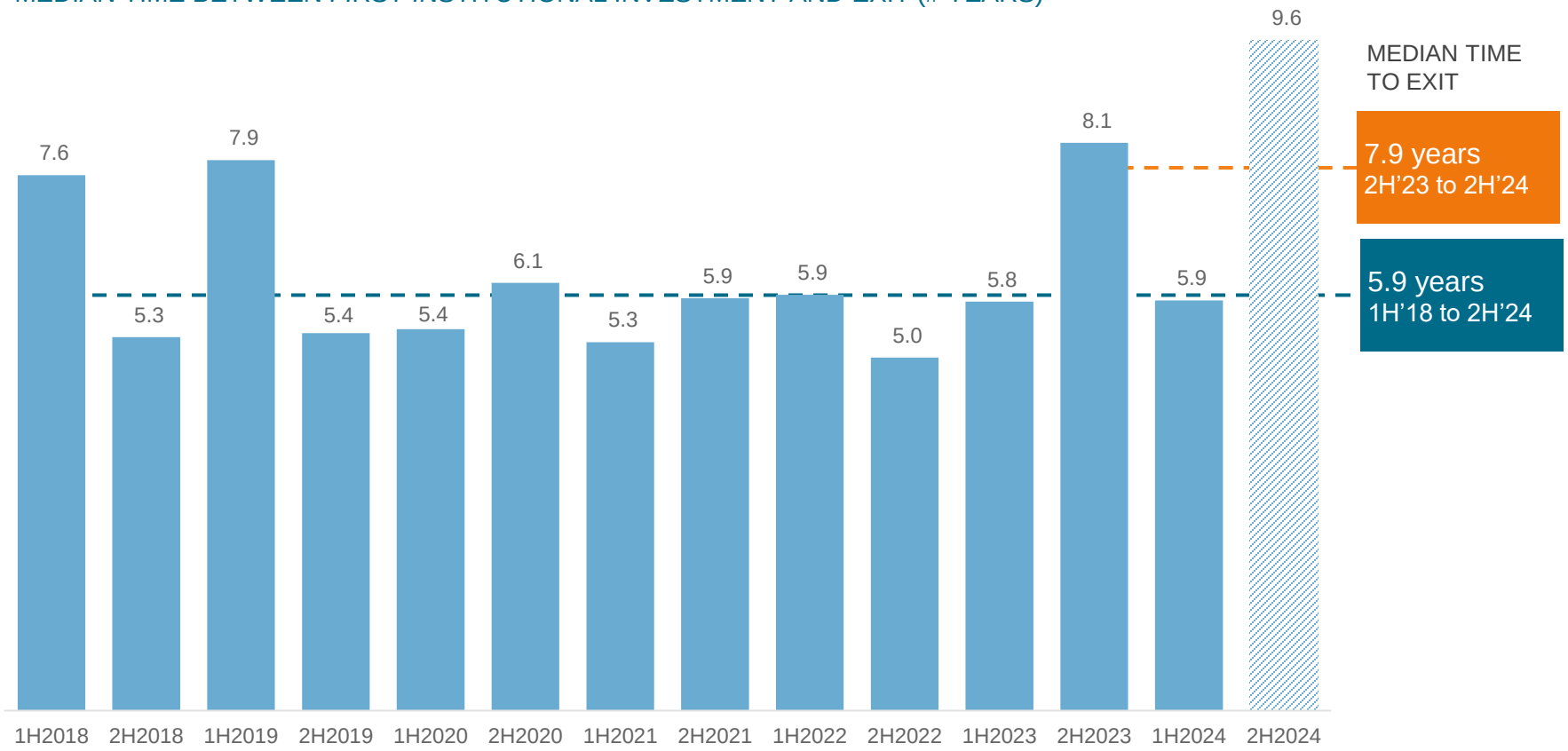
Source: S&P Capital IQ | Data as of 2/12/2024

Deeptech exits align with typical fund timelines, though signs suggest a growing trend for staying private longer

MEDIAN TIME BETWEEN FIRST INSTITUTIONAL INVESTMENT AND EXIT (# YEARS)



- Despite investor perception that deeptech investments will require a relatively long hold period, our analysis shows hold periods to be at the lower end of what is typical for VCs
- Deeptech investments are often funding significant upfront capex before commercialisation and come with more technology risk than, for example, software companies
- Although investors tend to invest at an earlier stage, deeptech companies can exit early at strategic valuations once product-market-fit is proven

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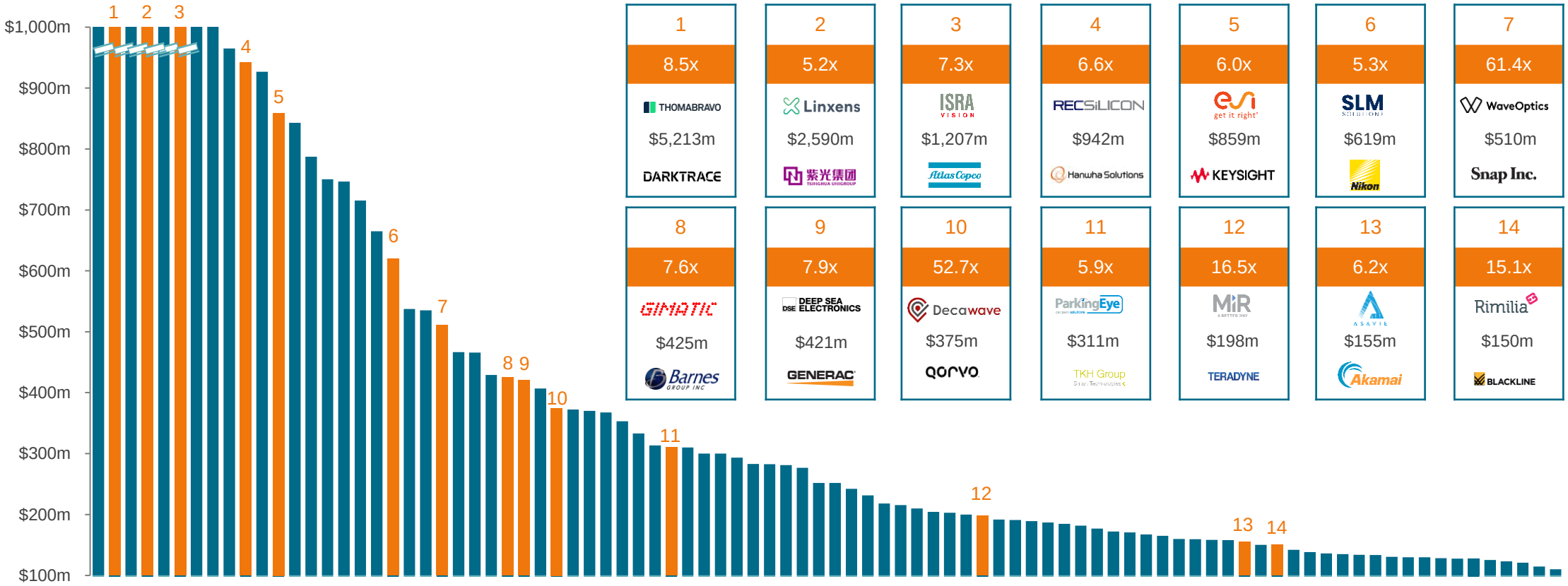
Source: Pitchbook | Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024

Strategic multiples are often paid for deeptech companies upon exit, reflecting their unique value to buyers

M&A ENTERPRISE VALUE >$100M AND SELECTED EV/REVENUE MULTIPLES > 5X 2018 – 2024 (YTD)



Source: Pitchbook | Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024
Note: Values represent implied EVs.

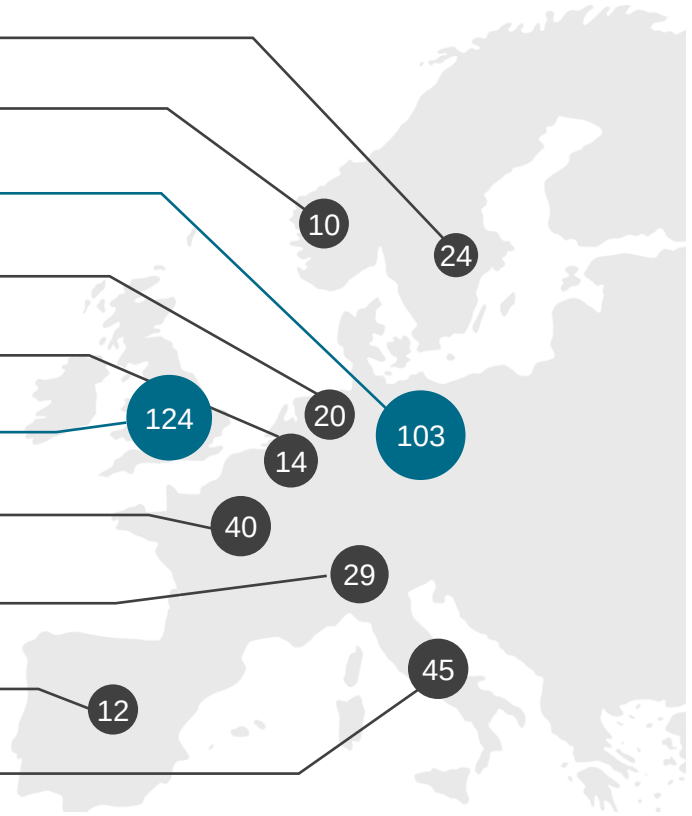
UK is most active for deeptech M&A activity, followed by Germany

TOP 10 COUNTRIES BY M&A DEAL VALUE IN EUROPE, 2018 - 2024 (YTD)

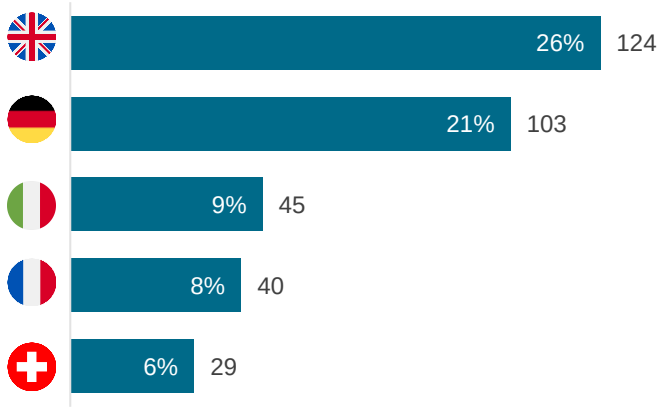
TOTAL VALUE $62BN

TOTAL DEAL COUNT: 482

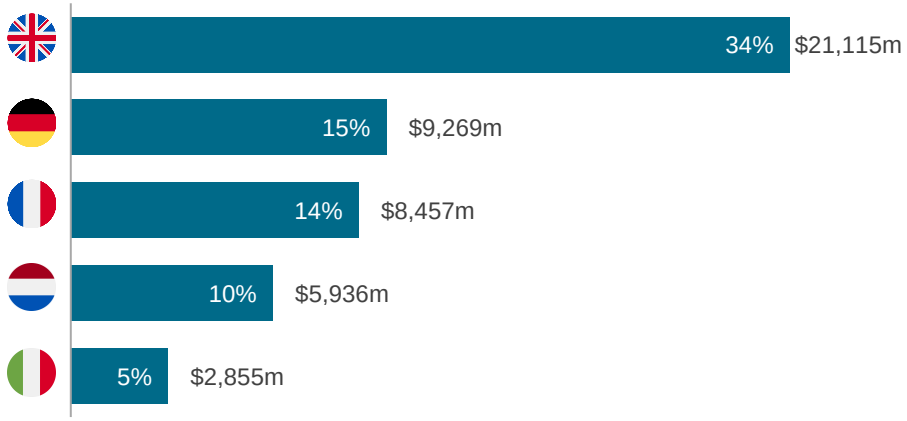
Sweden	$2.4bn
Norway	$2.3bn
Germany	$9.3bn
Netherlands	$5.9bn
Belgium	$1.8bn
UK	$21.1bn
France	$8.5bn
Switzerland	$1.4bn
Spain	$1.4bn
Italy	$2.9bn



DEAL COUNT



ENTERPRISE VALUE



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Source: Pitchbook | Capital IQ | Deals below $5m have been excluded | Data as of 10/11/2024

2024 saw a variety of sectors covered in deeptech European M&A

SELECTED M&A IN UK & EUROPE, 2024 (YTD)

SELECTED EUROPEAN M&A DEALS

EV	DATE	HQ	COMPANY	SECTOR	SELECTED INVESTORS
$665m	Aug-24		SILO AI	Artificial Intelligence	AMD
$333m	Sep-24		NIL TECHNOLOGY	Semiconductors	
$313m	Nov-24		STEMMER IMAGING	Machine Vision	MidasScound Capital
$282m	Nov-24		corob	Advanced Manufacturing	GRACO
$168m	Jul-24		unity SC	Semiconductors	MERCK

SELECTED UK M&A DEALS

EV	DATE	HQ	COMPANY	SECTOR	SELECTED INVESTORS
$5.2bn	Oct-24		DARKTRACE	Cyber Security	THOMABRAVO
£310m	Jul-24		endomag	Medical Equipment	HOLOGIC
$67m	May-24		Rolls-Royce (Off-Highway Engines Business)	Aerospace & Defence	DEUTZ
$45m	Oct-24		zappar	AR / VR (Software)	INFINITE REALITY
$20n	Jul-24		AIR CONTROL ENTECH	Robotics	SRJ Technologies

Source: Pitchbook | Capital | Only lead investor logos included | Data as of 10/11/2024
Note: Values represent implied EVs.

SECTION 3

About Silverpeak

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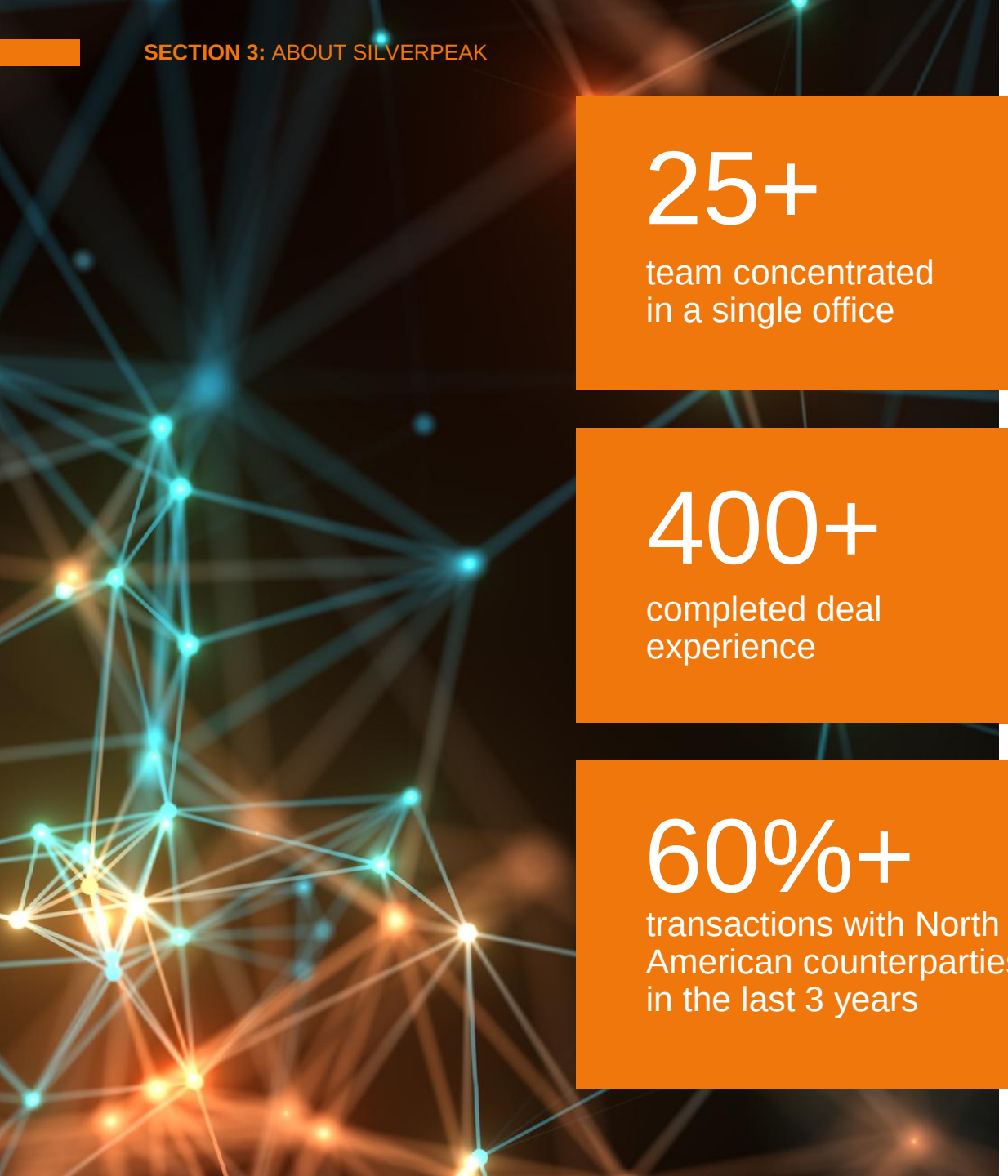

25+

team concentrated in a single office

400+

completed deal experience

60%+

transactions with North American counterparties in the last 3 years

We are mid-market technology specialists representing European growth businesses in M&A and financing transactions involving the most relevant investors and acquirers, wherever they are

Sector coverage

Software

- Application software
- Applied AI
- Data analytics
- Infrastructure software
- RPA /LowCode
- Vertical software
  - Construction
  - Edtech
  - Fintech
  - Healthcare
  - Maritime
  - Martech
  - Mobility
  - Sustainability
  - Travel

Deeptech

- Advanced manufacturing
- Algorithms/AI & ML
- AR/VR
- High performance computing
- Medical devices
- Networking and IoT
- NewSpace
- Photonics
- Quantum computing
- Robotics & computer vision
- Security software
- Semiconductors

Digital services

- Data services
- IT consulting
- Managed services
- Marketplaces
- Telecom services
- Cloud Services

Strong track record in later stage deeptech transactions

AUT | AUT Oct 2024

Quartz, silicon, and ceramic for semiconductors

Majority sale to

Wietersdorfer

UK | NO Sep 2024

Maritime cybersecurity software company

Sale to

DNV

UK Mar 2024

Quantum networking

Board advisory

Undisclosed investors

CA | US | UK | ROW Aug 2023

Photonically networked silicon spin quantum computers

$105m financing

Microsoft BCI Amadeus Capital Partners National Security Strategic Investment Fund inovia

UK | JP | WW Apr 2023

Institutional digital asset infrastructure provider

$36m Series A financing

SBI scventures by Standard Chartered

AND UNDISCLOSED INVESTORS

EU | UK | FR Mar 2023

High-end CPU for HPC and data centres

€115m Series A financing

European Investment Bank European Innovation Council Fund EVIDEN an atos business arm

CH | PL | LU | US Dec 2022

In-orbit servicing and space debris removal

$29m Series A investment by

ctb swisscom Ventures LUXEMBOURG FUTURE FUND iqt

UK | NO | US | AE Oct 2022

Autonomous subsea robotics technology

$26m+ Series B

Legal & General equinor iqt Martlet Foresight

IT | US May 2022

Additive manufacturing services and proprietary composite materials

Investment by

ITT

IT | WW Jan 2022

In-space services and satellite transport

€51.5m pre-SPAC convertible bond by

COBHAM iqt IN-Q-TEL

& OTHER INVESTORS

UK | LU, US Feb 2021

Satellite antenna technology

$40m investment by

SES BOEING HORIZON X

INVESTMENT FIRMS & TECH ENTREPRENEURS

UK | EU Oct 2020

AI video automation IP and algorithms

$33m investment by

FR | US Aug 2019

IIoT M2M cybersecurity

Sale to

CISCO

NL | NL Nov 2018

Integrated optoelectronic communication devices & modules

Investment led by

Innovation Industries

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