INFLECTION POINT

THE PATH TO IPO

2022

Revaia

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A FOREWORD FROM OUR PARTNERS

We founded Revaia in 2018 with the intention to help build sustainable tech champions.

We partner with scale-ups that possess the potential to become tomorrow's global leaders – a role that requires long-term thinking. We are investing to close the gap on growth equity in Europe and instill the tech ecosystem with environmental, social and governance principles. Doing so, we have collaborated with founders at a unique inflection point in their journey.

Late stage startups hit their stride in the private markets by having found product-market fit, scaled an organization and cultivated a core mission and vision. Despite the current macro situation which has put on hold most public listings, one of the ambitious next steps for some of these entrepreneurs is a leap into the public markets, a complex transition that requires patience, determination and expertise. Passage from private to public markets – the crossover, as it were – is an exciting yet daunting challenge that enables companies to unlock the next level of their potential.

The discrepancy between market activity in the US and Asia compared to Europe doesn't go unnoticed. The world's most valuable tech companies reside in the US and in Asia (FAANG or GAFA, depending on your locale and on the year) and despite a higher volume of public offerings on European exchanges, market capitalization tends to be lower. One of our goals is to address this gap, not only for the sake of digital sovereignty but as a matter of tremendous, untapped value creation. Crossover investing enables investors to bridge the gap between venture growth and public markets. By spotlighting this area we hope to accelerate worthy public offerings and help build sustainable tech leaders.

Private and public companies operate on different timescales – a typical venture investment matures over five years, whereas public stocks are exchanged daily at high throughput and near instantaneous trading. This continued mark-to-market valuation acts as a healthy pressure on executives and operators of public companies to deliver value for the stakeholders. Listed companies are exposed to compliance and public scrutiny that makes governance and rigorous reporting essential, including advanced environmental policy and independent board members. While stronger regulation fosters organizational and strategic initiatives in the public markets, it also increases rigidity. Private companies don't have to answer to public investors, which increases the rate at which they can enact change. We believe, as investors, we can take advantage of best-in-class, forward thinking strategies from the public markets and incubate them on the private side to get the best of both worlds.

We are excited to share with you the inaugural *Inflection Point - The Path to IPO Report*. It serves as an exploration of an emerging investing category that we believe has implications for the future of technological and financial innovation. We interrogate the definition of the crossover term and seek to find consensus on how it works, why it's important and the various approaches funds around the world are taking to market. The report consists of data-driven analysis of activity in the sector, interpretations of said quantitative results and their implications for the future. A first of its kind in Europe. In addition, we interviewed several thought leaders – founders, public company executives, crossover investors, and investment bankers – for their input on the subject.

Alice Albizzati and Elina Berrebi
FOUNDING PARTNERS

We are currently experiencing unprecedented market turbulence, which has put on hold most initial public offerings. As a matter of fact, we're observing more take private than IPOs of tech scale ups nowadays. Nevertheless, we believe that during this time of high uncertainty, it is of tremendous importance to keep forward-thinking and to build a path to the most relevant exits. Hence, we would like to leverage this period to help prepare the IPO window openings and try to foster the ground for healthy exits out of Europe.

We believe there is not only an opportunity for a step-change in value creation but also a chance to improve the relationship between business, environment and society, what we call the sustainable innovation space. Leaders globally are now pushing for ambitious environmental policy and innovation, the path to IPO might be a milestone to explore this journey.

EXECUTIVE SUMMARY

This report seeks to unpack the terminology encompassing the path to IPO by providing a definition for Crossover Investing and segmenting the types of investors in the capital markets, highlighting shared traits and distinct differences that make this corner of the investing ecosystem thrive.

Ultimately, our aim is to better understand the behavior and macro trends surrounding crossover investing and determine how it can be an effective tool for long-term growth and responsible investment in Europe and around the world.

To start, we'll examine the dissolution of traditional investing categories across two dimensions: stage and industry vertical. As the venture industry has professionalized, the lines between fundraising rounds and domain expertise have blurred. On the financing side, this is largely due to new and creative funding mechanisms and the unrelenting appetite for revenue growth – what was once a Seed round looks more like a Series A, and so forth. With regard to domain expertise, there are two factors: bigger funds have the strength and foundation to become multi-faceted, meanwhile technology companies have become increasingly *multi-disciplinary* by building products that intersect two or more categories, like artificial intelligence and healthcare. These changes serve as a catalyst for funds that were previously stage or domain-specific to expand coverage and even go so far as to maintain positions in public equities. Conversely, the attractive returns and necessity of funding has encouraged public market players to expand their portfolio in the opposite direction.

As a result, we've seen a significant increase in crossover investing activity worldwide. From 2017 to 2021, venture deals including crossover funds' investment increased from 3.4% to 7.9% of the total number of deals – a leap from 491 to 1,807 crossover deals over the 4-year period. The overarching trend is consistent across metrics like deal count, dollar volume and average deal size with slight variations based on geography as we will explore in further detail. Furthermore, we discovered an uptick in public market entities, notably hedge funds, progressively increasing their presence in earlier stage deals, a strategy initiated in the United States but gaining momentum in Europe in recent quarters. In this report, we will evaluate the current state of affairs across Europe and US geographies, assess the relative impact of these investment dynamics and identify the target industry segments ripe for this style of fundraising.

Key Learnings

Crossover investors are contributing more to private market deals globally. Their contribution, as measured by the share of their investments over the total venture capital funding, reached **33% in 2021**, doubling from 2017. On average over 2017 to 2021, crossover funds were responsible for **25% of dollars invested in venture-backed startups**.

This has been particularly true in the United States: by 2021, **nearly half of US venture capital funding included crossover fund investors (42% in value)** representing 11% of total number of US venture deals in the period, **but in 2022 this decreased in frequency** both in terms of US venture funding including crossover investors (27% in value for the first 9 months of 2022) and total number of US venture deals (9% for the first 9 months of 2022).

Europe, however, is increasing crossover fund contribution in private market deals; in terms of crossover funds' investment contribution as a proportion of total capital raised, there was an increase from 13% to 26%, **doubling over the 4-year period.** At its peak in 2021, crossover investment accounted for over $53B of annual private venture capital and **to date is holding up better compared to US counterparts**.

Software is the top tech category in which crossover funds are investing, accounting for **45% of total capital raised** from crossover investors in Europe when Consumer amounts to 25% and FinTech stands at 13%.

INTRODUCTION

DEFINING THE CROSSOVER INVESTOR

One of the stated aims of this report is to provide some definitional clarity around the term crossover investor as it pertains to the tech industry. During the research phase, we strived to be as inclusive as possible for the sake of geographic diversity and to ensure a comprehensive and representative data set, while focusing on the tech industry only. The resulting insights enabled us to view the data from a global, macro perspective while also segmenting by pertinent categories to reveal a picture of the crossover investing ecosystem globally, regionally and by industry and deal size. The depth and breadth of our analysis, however, assumes multiple types of crossover investors. The top-line definition – an investor who operates concurrently in the private and public markets – holds true; however, sub-categories exist based on directionality, expertise and origin. Therefore, prior to exploring the data, we have provided a definitional framework for your consideration to best understand our selection criteria and ultimate conclusions. Ultimately, at Revaia we consider ourselves crossover investors, a part of the broader ecosystem implementing this novel strategy.

Definitions by Type

HEDGE FUNDS

Hedge Funds are most broadly characterized by a strategy allocating a portion of their assets in the opposite direction of the fund's primary focus area in order to off-set – *or hedge against* – losses to their core holdings. Generally speaking, they tend to implement riskier strategies, employing leverage and derivatives. Due to the nature of their positions and high frequency trading requirements, hedge funds traditionally operated in public markets for the sake of liquidity. This tendency has changed of late by deploying excess capital into high-potential, private companies (notably illiquid) in search of outsized returns. Directionally speaking, hedge funds are moving from public to private markets to achieve their crossover investing goals. However, due to current macro conditions, some have opted to rein in private market investments in 2022 and double down on the public markets.

PRIVATE EQUITY

Private Equity is most commonly broken down into three categories: venture capital, growth capital and buyouts. Buyouts – where a firm acquires controlling interest in a mature and profitable company through debt leverage – are less relevant in the context of this paper. Venture and Growth Capital, however, are core to the discussion. These categories are essentially two phases on the same spectrum: *venture* funds early stage companies, assisting them to get off the ground, and *growth* injects capital later on to help scale the proven business model. These entities tend to be exclusive to private markets (as the name would imply) but in some cases hold a portion of their portfolio in public assets and in certain circumstances maintain positions in their portfolio companies post-IPO.

Directionally speaking, private equity is expanding their position up-market towards public holdings to achieve their crossover investing status. As of the publication date of this report, according to the Wall Street Journal [1], some of the most reputable venture capital firms in the US are taking advantage of what seems to be attractive public market valuations and have accelerated their acquisition of publicly-listed stocks, usually from their former portfolio companies, and in some cases, new ones.

1 : "Venture-Capital Firms Buy Up Public Tech Stocks as Startup Market Stalls", WSJ, October 13, 2022.

ANCHOR/CORNERSTONE INVESTORS

This category is critical to the IPO process, the inflection point in the world of crossover investing. As per Euronext "Common Guide to IPO Best Practices", cornerstone investors validate an amount within a price range (or a fixed price) prior to launch and are named in the prospectus, whereas anchor investors indicate before the opening of the order book the willingness in principle to place an order at its opening at a certain price level. Both types of investors specialize in supporting the IPO process from start to finish and tend to have vast experience in preparing and executing public offerings alongside company management teams. Categorically, they are agnostic, as asset managers that straddle the private and public markets.

Our analysis evaluates crossover fund activity in the private markets as it is a novel and measurable activity within the crossover category. We use this behavior as a proxy for overall crossover activity and a leading indicator for behavior by all categories of crossover investors in global markets.

Methodology

This report is composed of quantitative analysis, qualitative findings as well as sourced input from leading industry experts. Our primary data source was PitchBook. The time period starts in 2017 and extends to the third quarter of 2022, roughly five years' worth of activity. We started by defining the sample (65 funds) and time frame; later we extracted and normalized the data to uncover key insights. Our analysis focused on private market fundraising in an effort to uncover fluctuations in deal size, participation of public market players in the rounds, the volume of crossover investor participation by stage, contributions as a share of overall capital, the industry verticals impacted, and their evolution over time and by geography.

SECTION 1
THE STATE OF CROSSOVER INVESTING

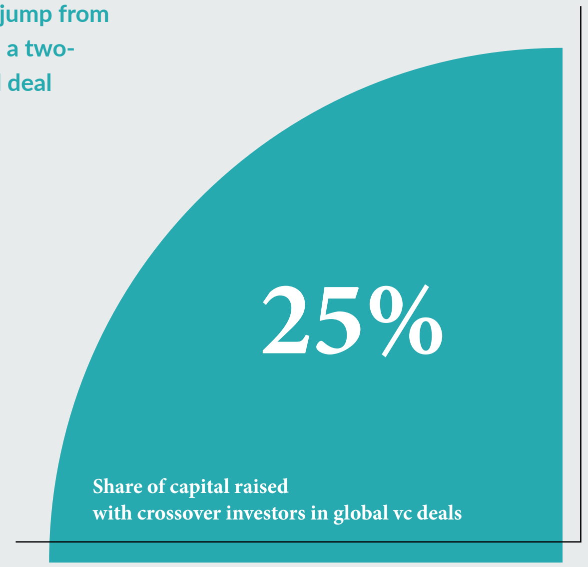
The following analysis focuses on the period going from 2017 to the third quarter of 2022. The deals considered in this analysis are VC deals qualified by PitchBook as “Early VC” deals, “Late VC” deals, “Growth Expansion” deals, and “PIPE” deals. Whenever the analysis focuses on a given continent, deals are classified by the headquarter location of the company raising the funds. We believe the shortlist of 65 crossover investors considered in this analysis captures the vast majority of market-moving firms engaged in this new strategy in technology investing. Under this crossover umbrella can be found a wide variety of investment firms ranging from centuries-old investment banks, to sovereign wealth funds, to fast-growing asset management powerhouses born from the ashes of the dotcom crash or the Global Financial Crisis.

The first finding of this report is in line with the literature on crossover investors behavior in private markets: a sharp increase in the number and share of deals that crossover investors have participated in, in recent years, with a tendency to participate in very large deals. Overall, the share of capital raised in global VC deals in which crossover funds participated has reached 33% in 2021, a doubling from 2017 and it was, on average, 25% over the whole period studied.

The chart on the following page illustrates the linear progression of crossover fund deal participation and the *near*-linear capital allocation across said deals over the period. Remarkably, from 2017 to 2021, the gross volume of venture capital deals with crossover participation increased by more than 3.5 times, representing a jump from 3.4% of overall deal volume to 7.9%, a two-fold increase as a proportion of total deal volume.

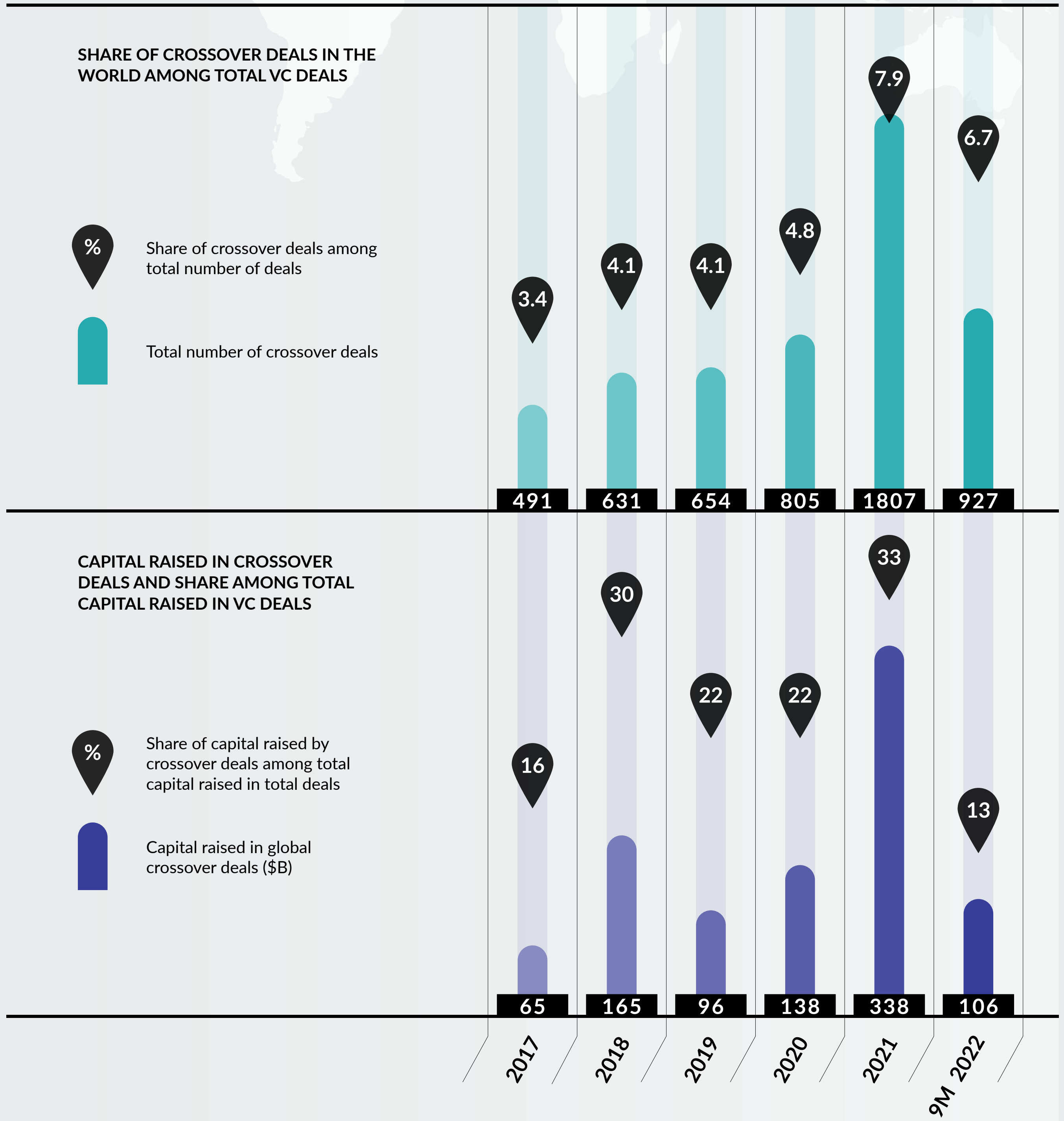
In terms of capital raised, the increase in venture deals with participation from crossover funds is quite staggering as well. In the same period (2017 - 2021) the amount of capital allocated to these deals jumped 5.2x, from roughly $65Bn to $338Bn.

As a share of overall venture capital raised, deals involving crossover funds represented 1/3 of the total in 2021, a significant proportion of the deals and a meaningful shift from 16% in 2017. The fact that crossover participation is larger measured as a share of total capital raised than by deal volume shows that crossover investors tend to participate in larger funding rounds. This is in line with their role as pre-IPO investors.



FROM 2017 TO SEPTEMBER 2022

SHARE OF CROSSOVER DEALS IN THE WORLD – SOURCE: PITCHBOOK



WORLD

x3.7

Number of VC deals with crossover investment from 2017 to 2021

x5.2

Amount of capital raised with crossover investors from 2017 to 2021

US

x3

Amount of capital raised in the US with crossover investors between 2020 and 2021

x2.5

Number of VC deals in the US with crossover investment between 2020 and 2021

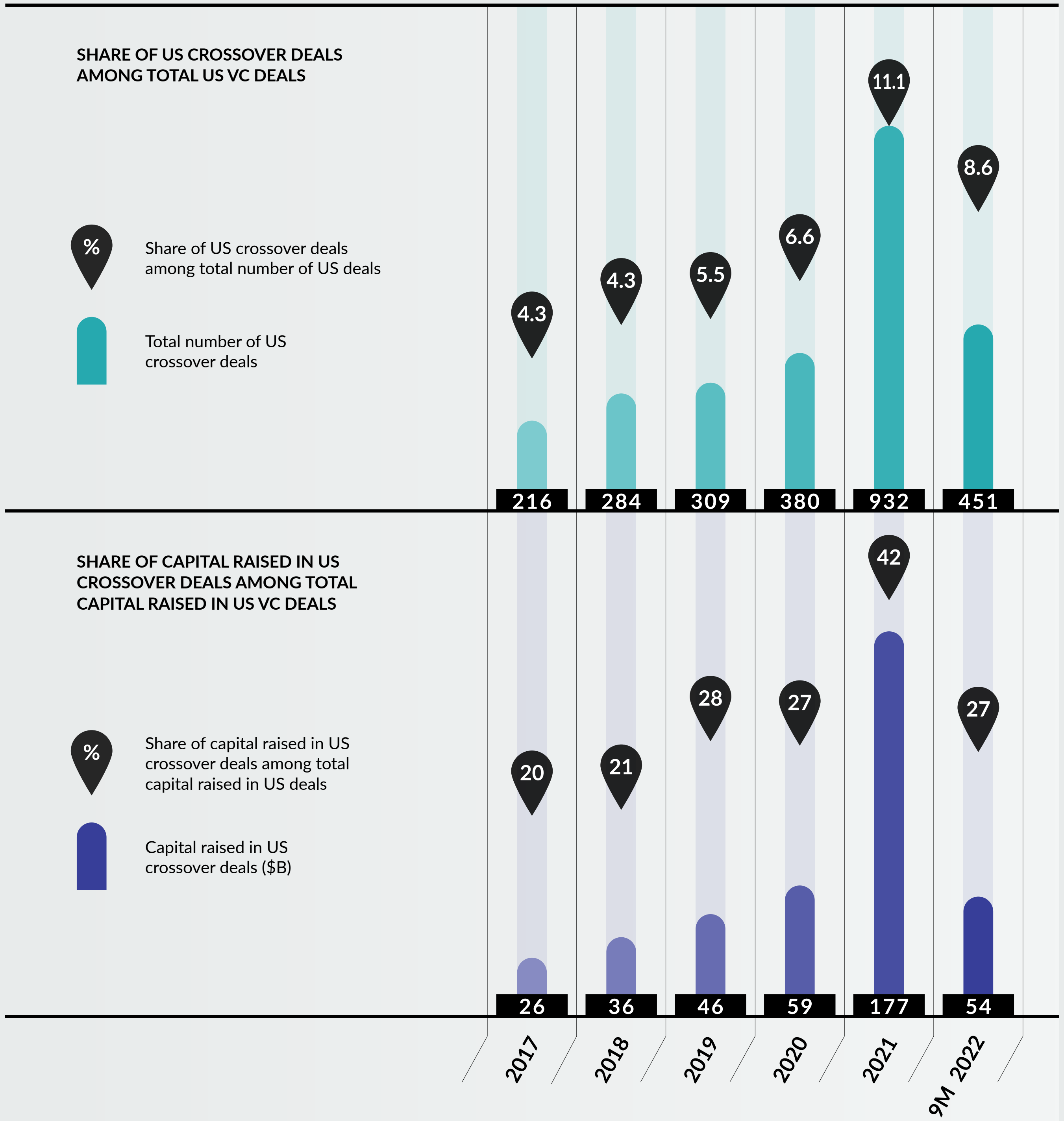
The data for the first 9 months of 2022 show an important reversal of this trend, especially in crossover investors' share of capital deployed (13% of total in 9M-22) that is likely to end 2022 at a 5-year low. However, investment of crossover investors as a share of deal volume remains elevated and indicates that crossover investors have shifted to early-stage investing and smaller equity checks over 2022. Therefore, crossover investment is not so much slowing down as it is moving upstream.

These global trends are by and large aligned with US-based activity, the market where this trend has been best documented. By 2021, 42% of US venture capital funding included crossover fund investment representing 11.1% of total venture activity in the period. The time series adheres to a fairly linear pattern with a notable jump in 2021 which can be partly attributed to low interest rates and cheap capital during the recovery period from the Covid-19 Pandemic.

In the US alone, dollar volume attributed to crossover deals (i.e. deals with investment from a crossover fund) increased 3x between 2020 and 2021 with only a 2.5x relative increase in deal count, which is to say the pace of capital allocation grew faster than the already accelerating volume of crossover deals. In simple terms: *more* crossover deals with *even more* capital raised has been the consistent trend over the past several years.

Here again, 2022 tells a different story: crossover investors were less aggressive in deploying capital as illustrated by a steeper reversion to pre-2021 levels. However, the slowdown is less visible in terms of deal volume, meaning that crossover investors remain engaged in private markets, albeit in smaller deals.

SHARE OF CROSSOVER DEALS IN THE US – SOURCE: PITCHBOOK



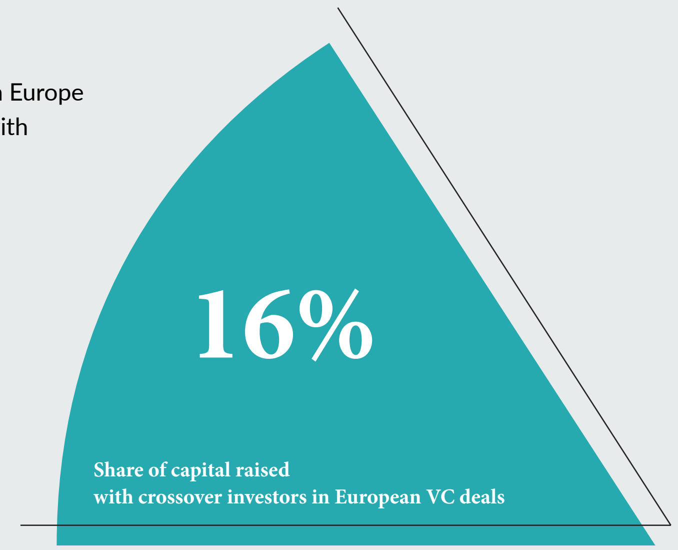
SECTION 2
THE EUROPEAN APPROACH

As far as investment trends are concerned, Europe tends to lag, ever so slightly, behind global trends – we wanted to validate this hypothesis and identify if and how the trends differed on a regional scale. As anticipated, European crossover activity mimicked global and US activity, albeit on a smaller scale. In 2021, Europe reached parity – and overtook by some metrics – the US in crossover activity. We also zoomed in on the implications of European crossover activity: which sectors and stages were the beneficiaries of said investment?

Overall EU Crossover Activity

In Europe, we witnessed a steady increase in crossover activity in the period from 2017 - 2021, with a peak in the final year with 323 deals, up from 145 at the beginning of the period, representing a 2.2x increase in deal volume. Crossover participation as a proportion of total capital invested increased from 13% to 26%, doubling over the 4-year period. At its peak, crossover investment accounted for over $53Bn of private venture capital.

Dollar volume attributed to crossover deals in Europe increased by 4.8x between 2020 and 2021 with only a 1.7x relative increase in deal count.



FROM 2017 TO 2021

x2.2

Number of VC deals in Europe with crossover investment from 2017 to 2021

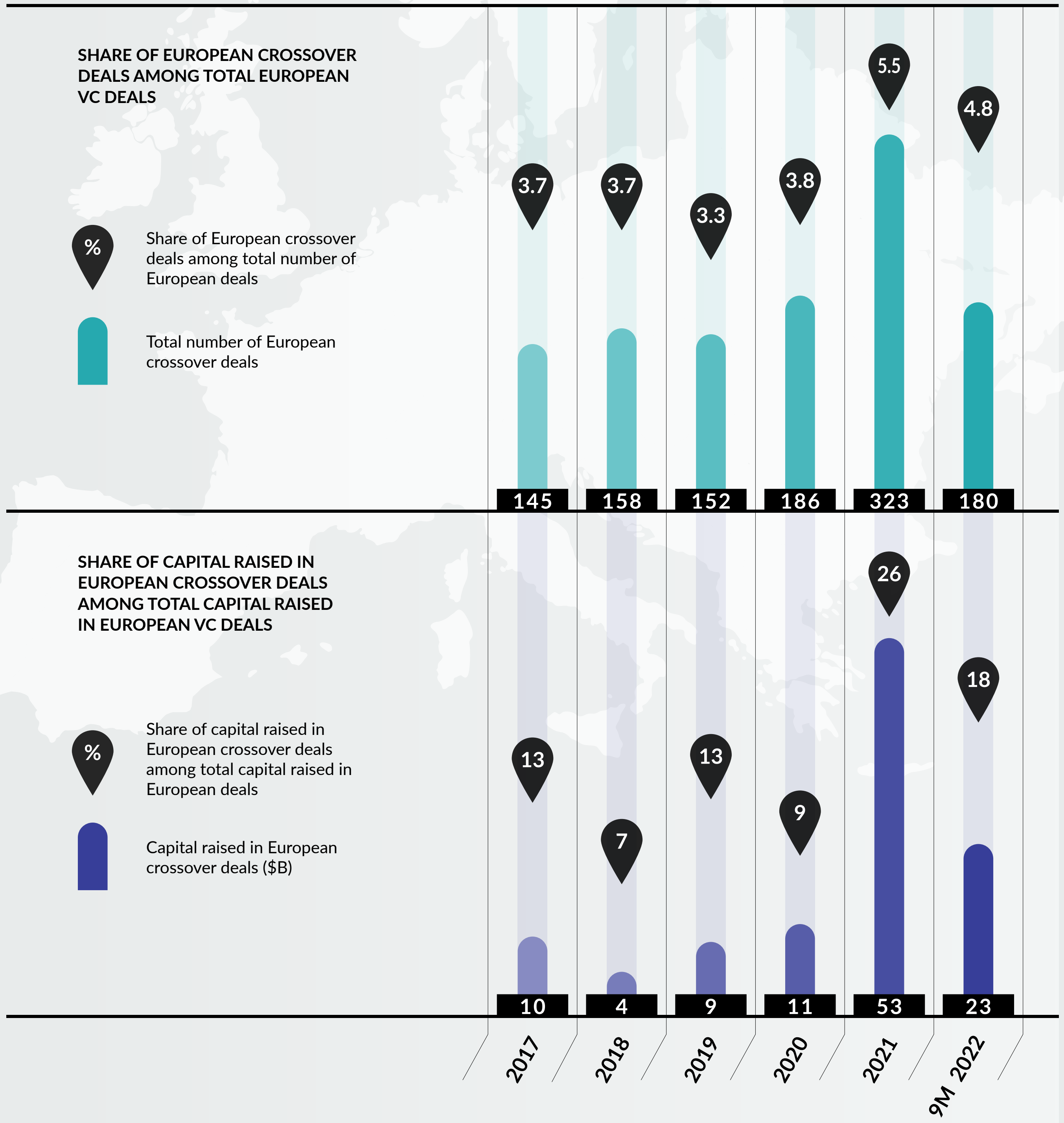
x3.8

Amount of capital raised in Europe with crossover investors between 2020 and 2021

x1.7

Number of VC deals in Europe with crossover investors between 2020 and 2021

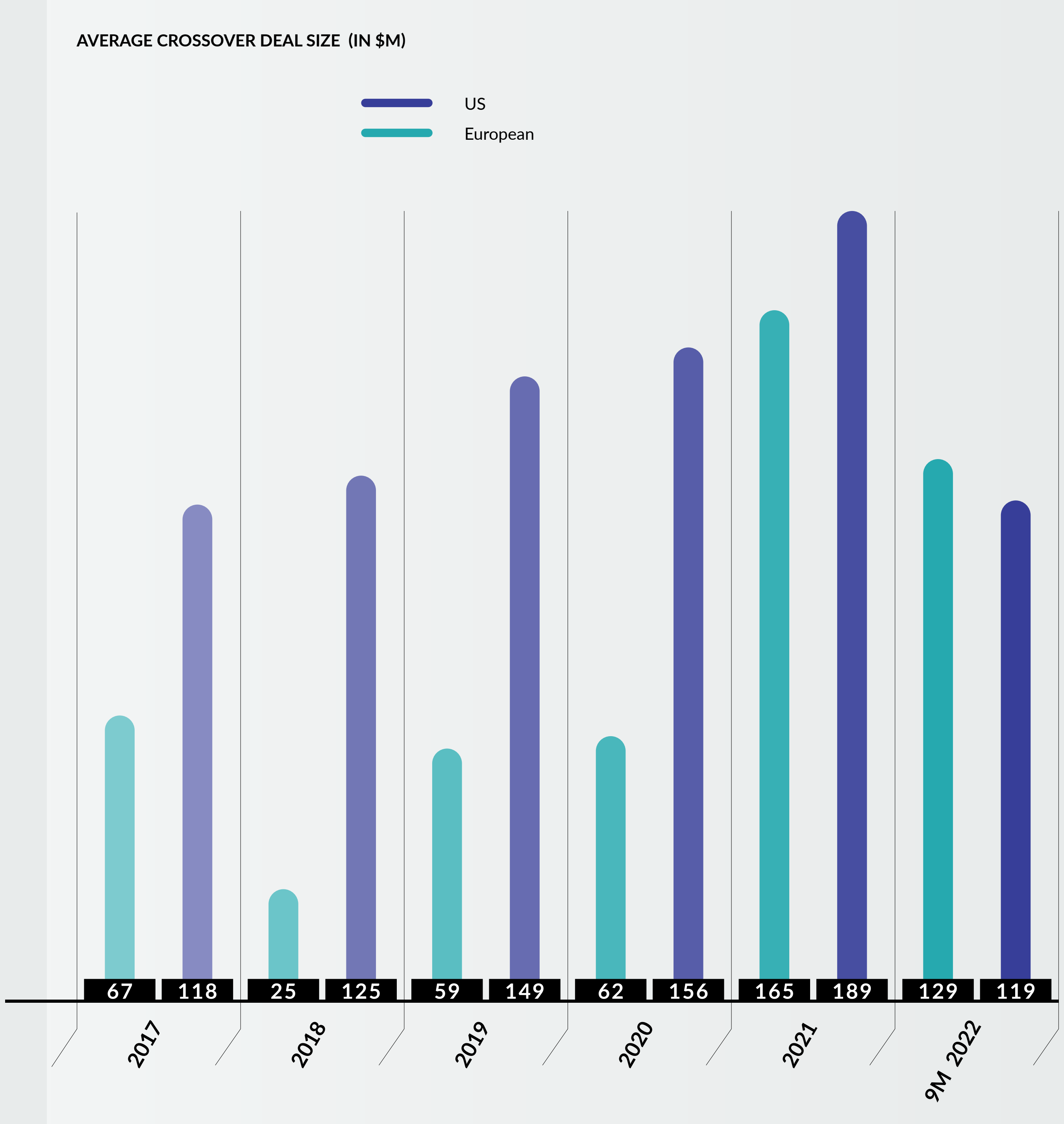
SHARE OF CROSSOVER DEALS IN EUROPE – SOURCE: PITCHBOOK



European Crossover Activity Compared to US

By overlaying the evolution of European crossover activity with that of the United States, we can see a clear comparison between capital invested over time by crossover funds in private venture deals. EU average deal size consistently trails behind that of the US up until 2022 when the EU is overtaking the US for the first time to an average $129M crossover deal size. Over the 2017 to 2021 period, the average crossover deal size in Europe is $76M which is 49% lower than $147M in the US. In 2021, a peak average deal size was reached in both geographies to $189M in the US and $165M in Europe. The 2.7x increase in 2021 average deal size in Europe is particularly dramatic. This trend is telling about the recent attraction of the European market from crossover investors as well as the explosion of larger growth rounds. The 2022 downtrend shows that the average crossover deal size in the US decreased significantly more than in Europe by -37% and -22% respectively.

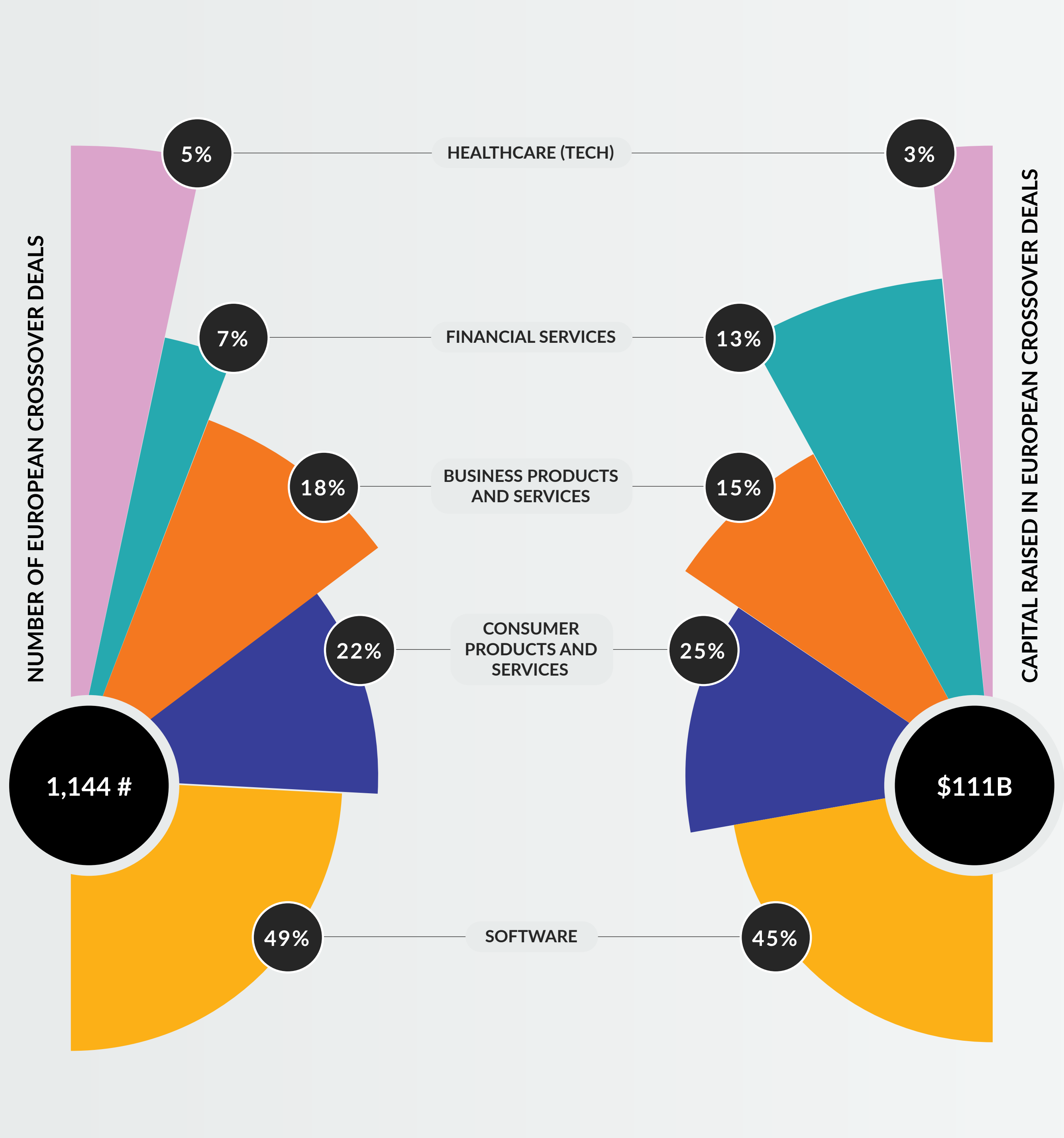
EUROPEAN & US CROSSOVER DEAL SIZE – SOURCE: PITCHBOOK



European Crossover Activity By Sector

By and large, the software sector received the most attention from crossover investing capital with 49% of the total number of deals with crossover participation and 45% of total capital raised when Consumer amounts to 25% capital raised and FinTech stands at 13% of capital raised. The software vertical tends to be scalable and benefits from pandemic tailwinds driving changes to the way we work, shop and interact.

BREAKDOWN BY SECTOR – FROM JANUARY 2017 TO SEPTEMBER 2022 – SOURCE: PITCHBOOK



European Crossover Activity By Deal Stage

Trends uncovered relating to activity by deal stage are perhaps the most telling, painting a picture of gradual downmarket exposure. As depicted in the charts, **"Late Stage" deals dominate the crossover category, far ahead of the early stage in terms of capital share.** Late stage investments make sense, as hedge funds are accustomed to public markets and can apply their strategy to pre-IPO companies that require a substantial push before the next milestone. Furthermore, the high-potential of near-term liquidity (via public offering) makes late stage investments particularly attractive. The trend lines that tell the most compelling story, however, are those representing late-stage and early stage crossover investments.

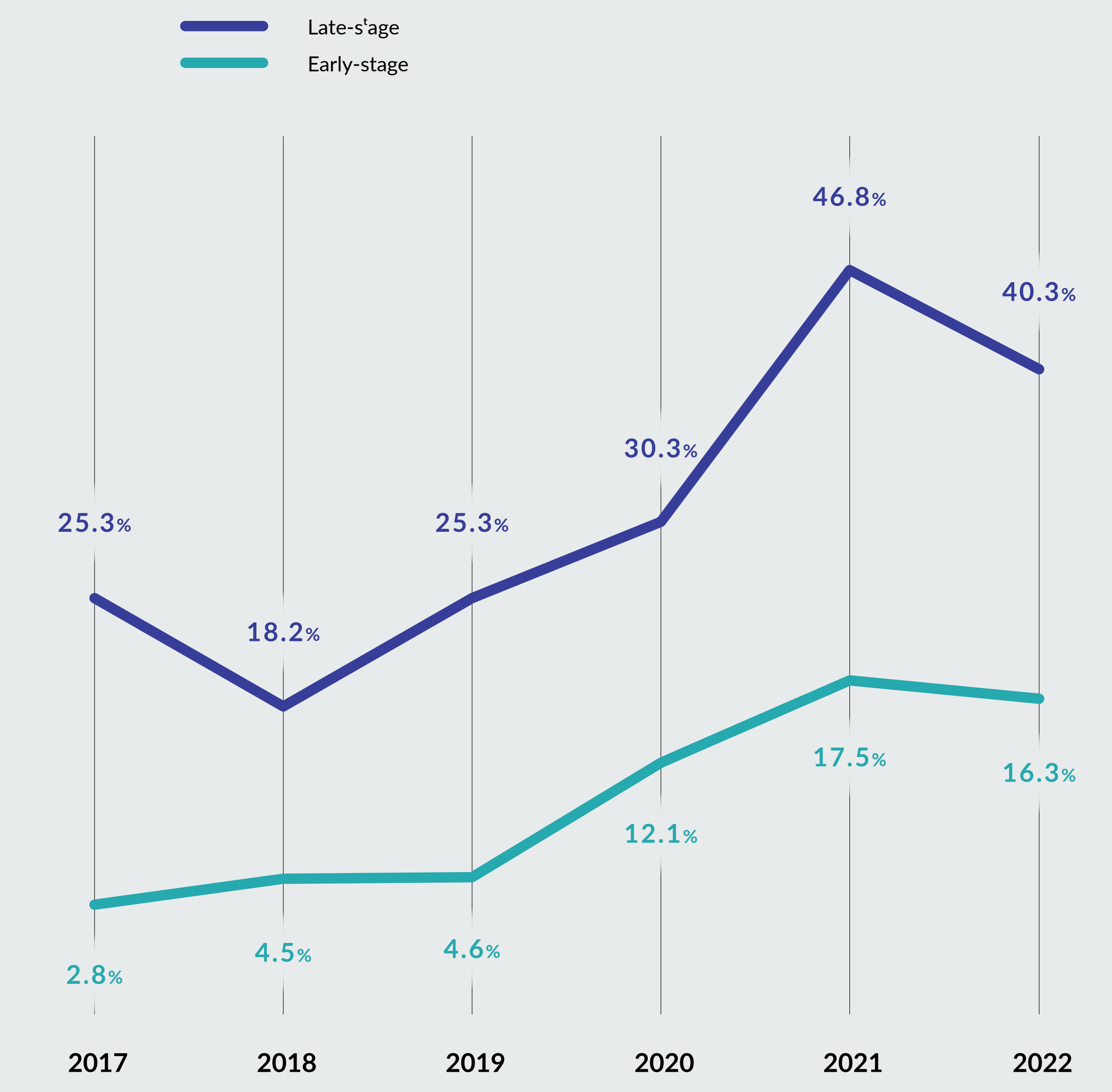
As a proportion of the number of crossover deals, early stage categories are remaining stable in 2022 (-0.2ppt) compared to late stage (-1.7ppt). As a function of dollars invested, early stage and late stage categories see a substantial increase respectively 5.8x and 1.6x over the January 1, 2017 to September 30, 2022 period. **Early stage European deals jump from 2.8% of crossover capital invested in 2017 to a peak of 17.5% in 2021.** This could be attributed to a number of factors ranging from riskier allocation strategies to capital commodification, to monetary policy and the resulting inflationary environment, to a general comfort and up-leveled expertise in lucrative venture markets.

2022 has evidenced different trends for later-stage crossover investments that declined by 6.5 percentage point while early-stage crossover investments proved resilient, actually gaining market share to 16.3% of total European venture capital invested.

BREAKDOWN BY DEAL STAGE – SOURCE: PITCHBOOK

SHARE OF EUROPEAN CROSSOVER (NUMBER OF DEALS)

SHARE OF EUROPEAN CROSSOVER (CAPITAL RAISED)



SECTION 3
EXPERT VIEWS

During our research, we interviewed various thought leaders to get their perspective on technology investing trends across private and public markets. We share their views on the path to IPO here. These interviews are also part of a podcast to provide an intimate look through the lenses of people operating day-in-and-day-out in this space.

INDUSTRY LEADING BANKERS AND INVESTORS

NATIXIS

JONATHAN BANET
ECM SYNDICATE MANAGER

bpifrance

MAÏLYS FERRERE
HEAD OF LARGE VENTURE

EURONEXT

GUILLAUME MORELLI
HEAD OF LISTING
FRANCE, PORTUGAL & SPAIN

Verlinvest

CLÉMENT POINTILLART
EXECUTIVE DIRECTOR

SYCOMORE

GILLES SITBON
PORTFOLIO MANAGER & PARTNER

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Coralogix

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CO-FOUNDER & CEO

SaaS platform facilitating delivery and maintenance processes for software providers

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malt

VINCENT HUGUET
CO-FOUNDER & CEO

Local marketplace connecting freelancers and customers

SERIES D

remote

PEDRO MONTEIRO DE BARROS
VP OF FINANCE

International payroll, benefits, and compliance services for employees and contractors

SERIES C

aircall

OLIVIER PAILHES
CO-FOUNDER

SaaS cloud telephony for businesses

SERIES D

Grover

LINDA RUBIN
COO/CIO

Online subscription platform for tech products

SERIES C

PlanRadar

SANDER VAN DE RIJDT
CO-FOUNDER & CO-CEO

SaaS solution for documentation and communication in construction and real estate projects

SERIES B

On the Evolution of Funding Rounds

"As you develop, investors change their focus from founders towards the metrics. So clearly in the seed and the series A stages, I think the decision of Balderton to invest was much more based on our founding team, the space we operate in, and the business idea, although to be honest we were not that well positioned in our communications regarding these aspects at the time. We had very few customers. We had a product that was still in the making but we had a good team. So, I think they were convinced by the aspects I just mentioned. Then at the later stages - series B, C, and D - the focus shifts onto metrics: calls, retention, and demonstrating a healthy structure and ideally balance sheet and fast growth."

Olivier Pailhes, Aircall

Mindset Changes at Late Stage

"The big difference happened when Goldman Sachs got involved, as we moved to the second phase. Today with north of a hundred million in revenue, we feel we are still not close to an IPO. We are in the pre-IPO stage, but only at the beginning of the process of taking the company public. But when Goldman Sachs came in last year, things changed. They have a different way of looking at things. Of course, they look at the numbers, the metrics, and the growth potential, but they look a lot at compliance, the way the company is organized and structured. And as a start-up there are a lot of things that are in the grey area that you do not focus on too much because all you are focussing on is growing the company. This was the moment where, as a leadership team, and as a leader, we had to refocus the priorities by deciding what the worthwhile markets were going to be, leaving some potential growth behind to comply with regulations We multiplied our legal team by four, for instance. We're a regulated business, we work in telecoms, and we handle sensitive data. And we are a global player, so we have to adapt to all the regulations all over the world and this can be different to what is required in the US. For example, you have emergency coding in the US, but you have GDPR in Europe, a plethora of factors that need attention and that you need to get right."

Olivier Pailhes, Aircall

I think there's a difference in psychology between European and US investors. The US is more tolerant of unprofitable growth especially when it's supported by strong unit economics. European investors are more focused on EBITDA and free cash flow. We've seen in the context of the rising tide of interest rates and liquidity being withdrawn from the markets, that suddenly there's less tolerance for unprofitable growth. Hence, we've seen some of the stocks on the Nasdaq down by 60, 70, 80% from the peak for some of the unprofitable growth names. Why do companies get away with it more in the US versus Europe? I think it's partly investor psychology more industry/verticals-focused funds and the fact that there is more liquidity available in the US.

Gilles Sitbon, Sycomore AM

IPO is still the Favored Way to Exit

"An IPO is still the favored means of exit for a lot of startup CEOs and with the recent market downturn, this has not changed, it has only changed the timeline."

Linda Rubin, Grover

"One of our values is "ambition" and clearly at some stage being exposed to public markets is part of an ambitious journey of any company that goes through the kind of growth that we've experienced. So clearly, we have it in mind that it could be a part of our future."

Pedro Monteiro de Barros, Remote

"I just think that IPO'ing a company gives it a stamp of success. And many times, specifically in the SaaS domain, we see companies accelerating after the IPO because it creates a lot of noise and you have a seal of approval, you become a brand. That pushes a lot of leads and a lot of recognition to the company, specifically in our space. Because every company has an observability product and being able to become one of the choices that people think about when they consider a vendor is huge. There's no amount of funding that you can put into marketing that'll build you even half the brand awareness that an IPO will."

Ariel Assaraf, Coralogix

IPO Readiness

"The very key for an IPO is the ability to be very resilient and very predictable."

Olivier Pailhes, Aircall

"For Remote especially, given the complexity of our business, going public will be life changing. There is scrutiny, on all your operations and finances. It'll be something that we need to focus heavily on. We are present in 65 countries already. So, the depth of our operation is very significant. It requires that we are at a certain level of maturity... And we have that ambition, internally we push ourselves to move closer to becoming public-ready and work as if we were a public company already."

Pedro Monteiro de Barros, Remote

"It's essential to have a product or service that's easy to understand. When you have a roadshow, you want to be able to explain quickly & easily."

Sander Van de Rijdt, PlanRadar

"There are three main considerations for an IPO. The first one is the equity story. You need to write an equity story that not only makes sense for the next three or five years, but also which feeds your company's long term ambition. It is the story about your vision and the potential of your company to become a world leader.
The second consideration is linked to the governance of your project. If your equity story implies that you want to become number one in the US and no one at your board speaks English, there is an issue. You need the most relevant people in place to achieve your goals. As an independent company, you need to understand that the shareholders will no longer be partners who have a direct influence on your strategy. Investors will ask you to go and execute it. Having people around you who can challenge you and bring the right competencies is key. Last but not least, when considering an IPO, timing and preparation are critical. An IPO process takes at least six months. But a successful IPO takes - let's say - a year, maybe closer to two years. The more you plan ahead, the better prepared you will be to succeed as a listed company."

Guillaume Morelli, Euronext

"Taking a company public is time intensive for founders and the management team. You will have marketing, planning and more and more meetings with investors to prepare the IPO launch, as well as all the documentation. So, you should be well organized and you need to have a number two or a good support team to help you continue to manage your company during these six months."

Jonathan Banet, Natixis

"The business should be sufficiently mature to be able to give good predictability for the future, which is key for an IPO project. You need to execute and deliver. This is the first aspect. Then, you need to put in place a certain number of requirements: internal controls, procedures, committees and deep analysis of your risk. This can be time-consuming. Finally, you need your IFRS compliance and accounting and to prepare your documentation. This is the last mile of the preparation for an IPO. So, all in all, the preparation could take 11 to 18 months, something like that. And regarding the accounting aspect at least six months. Alongside all that you need to plan for governance, independent board members and such."

Maïlys Ferrere, Bpifrance

"From a technical standpoint, an IPO is a very intensive process to be carried out, first and foremost by the management team. It is extremely time consuming and demanding from a disclosures standpoint. And it really involves not only the top management, but also the different regions, the different departments, for example on the related risks, etc. Our role, every step of the way, is to act as a sparring partner to the management team around timing, and then later on, during the roadshow, giving considerations around valuation. But I would like to remind everyone that the management teams are the ones at the forefront of this exercise and it requires a lot of work."

Clément Pointillart, Verlinvest

IPO's Listing Location

"There are two determinants regarding where to list: the first one is the investor base and the other one is the peer universe."

Linda Rubin, Grover

"I think there is a lot of interest in IPOs, in Europe & France... It's something people are starting to prepare for. I think the question, at the same time as the founders get prepared, it's important that the ecosystem gets prepared too. There has always been a path for EU companies to go to the NASDAQ, the US, but there are obviously other options in Europe. But it's still a very fragmented topic in Europe. I think the ecosystem, at the same time as companies grow on the subject, will get better at being less fragmented. And I hope there is a strong centralized place for European companies."

Vincent Huguet, Malt

"When possible, my advice is generally for French companies to have "two legs". I think the ideal situation would be a dual listing, for example, Euronext Paris and Nasdaq. It is a way to be sure that if you want to raise money, you can have access to both markets, even though US investors are also able to invest in Europe. This is why a European listing is completely doable with participation of US investors even though, they will be particularly attracted by a minimum liquidity (i.e. more than €400M of free-float).
Then, some companies who have a significant part of their business or their management in the US will naturally go there for a listing. Another example is Life Sciences, where it is very important to have access to US investors or NASDAQ because you have a lot of very specialist sector investors there and the healthcare market is larger than in Europe."

Maïlys Ferrere, Bpifrance

Expectations from Crossover Investors

"I think that being a cornerstone investor can make a critical contribution, especially over the recent years where we've seen crossover funds investing earlier and earlier on in the journey of a company. I think what you expect from a traditional VC is what you would expect as well from these funds, which is the capacity of enabling the company to do well from a commercial and operational perspective. Being able to be that advisor and partner of the company continues to be something key to have, especially as we continue seeing crossover investors or hedge funds getting involved so early in the journey."

Pedro Monteiro de Barros, Remote

"I've always seen the investors as partners around the board who have different skills like the type of funds they manage and through their personalities, and you must, in some ways, challenge them depending on the areas they're good at and can contribute. And obviously on that topic, I think they can introduce you to companies whohave done certain things well, or banks and intermediaries that can help you to do that. I would say it's mostly your connections that would be important in preparing you for the IPO process and having the right people to talk to in order to not make the mistakes they have done, or to learn from the things that went well and to learn from them."

Vincent Huguet, Malt

"What I expect is a lot of guidance, understanding and knowing already where to go, which partners to choose and the timetables required. As a founder, we only do this once, but they execute on these deals all the time so I trust they know how it works."

Sander Van de Rijdt , PlanRadar

"What we've appreciated in working with crossover investors is the speed of their work. I think they apply a public mindset in the background, building very strong conviction on sectors, on macro thesis, and then they are confronted with opportunities. What I love about working with crossover investors is that it allows you to get an answer from them, on their level of interest in a very short time frame. That is something that I view as very valuable."

Clément Pointillart, Verlinvest

IPO as a Mechanism for M&A

"You clearly get more visibility when you do an IPO. We are focused on building partnerships with other software companies, resellers and other players in our space. So becoming a listed company is proof that the company is here to last and being listed helps being on people's radar. It makes an M&A strategy easier. So far we've grown organically and enjoyed very good momentum.
But logically as we grow to expand our suite of products and the value we deliver to our customers, we're looking at acquisition opportunities. If you're public, it makes an equity deal easier because there's a share price. You don't have to discuss the value, if you're public. So potentially, that's an added benefit from an IPO."

Olivier Pailhes, Aircall

What matters to succeed

"We notice two trends as of today. The first one is that to succeed in your IPO process and listing journey you have to demonstrate a strong ESG ambition. There is an increasing number of projects coming to the markets showcasing ESG commitments. And this is not only the case for companies in ESG-related sectors, like the cleantech industry, but also for companies within traditional sectors. This is due to both the political landscape as well as to increasing regulation to promote clean and responsible investments and initiatives across Europe.
The second trend is linked to inflation and macroeconomic conditions. As of today, we have a significant number of IPO projects that are not frozen but slowed down due to uncertainties regarding the economic outcome."

Guillaume Morelli, Euronext

"Regarding IPOs, the main constraints, whatever the cycle and the market conditions, will be your size. You need to propose a deal size that is interesting for investors. If you target a large audience, you need to have a large deal size. So, the size of the company should be relevant with the size of the deal and linked to your equity story."

Jonathan Banet, Natixis

"When market conditions are tough, liquidity is more important to investors. Investors have choice. They can invest in thousands of companies, all over the world. Some of them are specialized in a sector or a country, but, overall, they have many options. So, you have to propose the right equity story at the right time. Sometimes it's growth, sometimes it's profitability. Occasionally it's both. But you have to find the right market windows, with the lowest volatility. It's not a perfect science."

Jonathan Banet, Natixis

Market conditions

"You have economic cycles, but you also have cycles within a company. With public equities, you must take this into account. You have very good companies, with very good guidance, and generally very good perspectives. And for some reason – due to the macro environment or war in Ukraine, inflation – they run into challenges. But you still have defensive sectors, that still interest investors. The classic, high-growth tech sector in H2 2022 is less appealing to investors now because they have a lot of choice, in the secondary market, with historical low valuations. As a result, H2 2022 was not the right time to launch an IPO. If you run a company, you still have two options: the first one, will be to reach private investors. The second is to adapt your growth and your CapEx to the situation, to save your time and better position yourself for an IPO in the future."

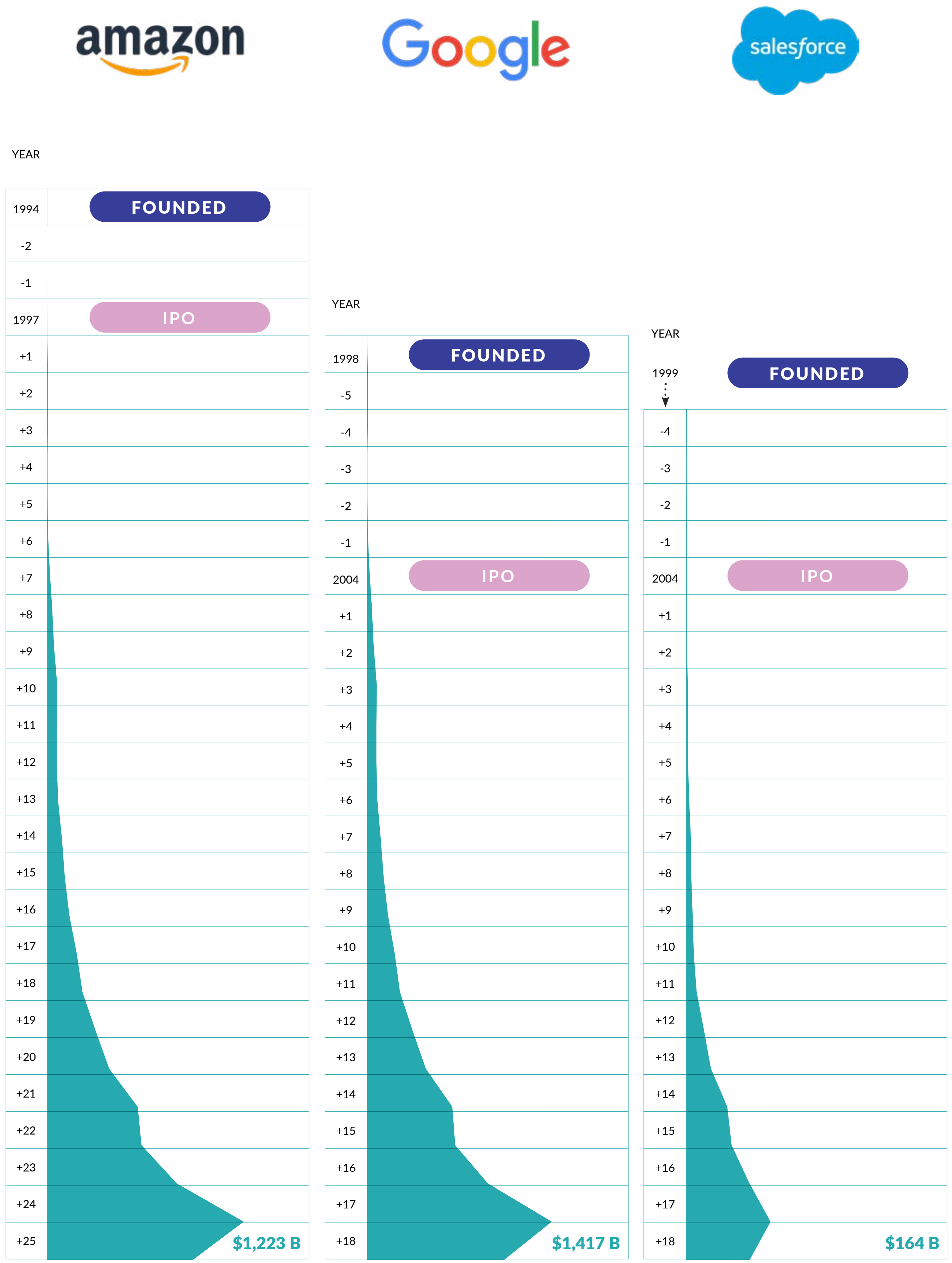
Jonathan Banet, Natixis

CONCLUSION

Having observed an industry trend that sits so close to home, it was only natural to investigate and report on the phenomenon we witnessed. Having confirmed anecdotal evidence with data – crossover funds were participating more in private rounds – it made sense to further explore the implications of this behavior. For that, we tried to nail down a clearer definition of "crossover investor" and evaluate the various attributes of each sub-category. With a rise in popularity, there are risks, even doubts, but our research, interviews and analysis only validate the importance of this style of investing. Long-term, public-private investing strategies not only reinforce sound governance and sustainable growth but provide companies that have IPO plans with the appropriate shareholder basis for the journey. While traditional venture strategies have capital distribution requirements and liquidity constraints, much of the value creation in top-tier tech companies happens after the IPO (see the Salesforce, Google and Amazon examples on the next page).

It is our belief that working together, across the "IPO Divide" will serve to expand Europe's digital sovereignty and enable unprecedented value creation. Additionally, layering on a value system and convictions around environmental, social and governance principles will make for a more inclusive, climate-conscious and net-positive digital transformation.

MARKET CAP APPRECIATION POST IPO – AS OF SEPTEMBER 30, 2022 – SOURCE: CAPITAL IQ



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ABOUT US

Revaia is a leading European sustainable growth investor, partnering with mission-driven entrepreneurs with global ambitions and sustainable leadership. Revaia helps these growth-stage companies navigate their entire life cycle from Series B to IPO and beyond. Revaia builds bridges between venture, private equity, and public markets and is a supportive sparring partner for entrepreneurs who are working to transform the world for the better. With offices in Paris and Berlin and presence in North America, its diverse team brings hands-on expertise and unique ESG know-how to the most promising technology scale-ups. Revaia is very proud to be supporting companies such as Algolia, Aircall, Coralogix, Deepki, Frontify, GoHenry, Hublo, Platform.sh, Planity, and Welcome to the Jungle.

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