SEP MONITOR
JUNE 2016

NORTHERN LIGHTS: ICT SCALEUPS IN THE NORDICS

SEP Monitor is published by Startup Europe Partnership (SEP)

About Startup Europe Partnership (SEP)

Established by the European Commission in January 2014 at the World Economic Forum in Davos, SEP is the first pan-European platform dedicated to transforming European startups into scaleups by linking them with global corporations. By participating in the SEP program, global companies can help this process via business partnerships and strategic and venture corporate investments, providing them with access to the best technologies and talents through procurement of services or products, corporate acquisition or “acqui-hiring”.

SEP is led by Mind the Bridge, a global organization based in Europe and United States, with the support of Nesta (the UK’s innovation foundation), Factory (an acceleration program and campus for tech companies of any stage, originating from Berlin), and Bisite Accelerator (Madrid/Salamanca).

SEP is a Startup Europe initiative. Partners include Telefónica, Orange, BBVA (Founding), and Telecom Italia, Unipol Group, Microsoft, Enel and Sky (SEP Corporate Member), with the institutional support of the European Investment Fund/ European Investment Bank Group, London Stock Exchange Group, EBAN, Cambridge University, IE Business School and Alexander von Humboldt Institute for Internet and Society.

For more info:

http://startupeuropepartnership.eu | @sep_eu
NORTHERN LIGHTS:
ICT SCALEUPS IN THE NORDICS

SEP MONITOR

430 SCALEUPS

$6.5B CAPITAL RAISED

205 M&As

40% acquired by US companies

12 SCALERS

CAPITAL RAISED

NUMBER OF SCALEUPS

- Spotify
- iZettle
- Klarna
- momondo
- Tradeshift
- ThinFilm
- SUP
- Blyk

$1.3B $18 $0.28 $0.6B $3.4B

96 126 149

- Denmark
- Sweden
- Norway
- Finland
- Iceland
If you look for scaleups in Europe, you definitively have to look North.

In January this year Tech.eu reported that nearly one in four of Europe’s funding rounds were raised by Nordic startups. Our data support this fact. The Nordic countries are without doubt an innovation powerhouse in Europe. We identified 430 scaleups in the five Northern countries (Sweden, Finland, Denmark, Norway and Iceland) that cumulatively raise over $6.5B in investments. That means in the Nordics we have 1.6 scaleups for every 100,000 people, that is 2.5x the ratio in the UK, almost 6x in continental Europe on average and 9x of Southern Europe.

But everything happens for a reason. If we look at the capital raised, 0.5% of GDP in the Nordic countries has been invested into scaleups, versus 0.42% in UK, and only 0.15% in continental Europe (Germany and France) and 0.06% in the South (Italy, Portugal and Spain).

And it appears that such investment is paying off. Some Nordic scaleups are - or are on their way to becoming - Unicorns. We identified 12 scalers in the region: small giants - such as Supercell, Spotify, King.com, Klarna, iZettle, Zendesk - that were able to secure over $100M in capital to fuel their growth.

It is not a surprise that the gaming sector represents the main driver of the Nordic ecosystem, with 40 scaleups tracked and almost $0.9B in capital raised. Other relevant verticals are software, digital media, fintech and hardware.

In the five countries we tracked, 20 scaleups have moved their headquarters abroad, while maintaining relevant operations in their home country (we define them as “dual companies”). 75% of the times, they moved to the US. This proves, on the one hand, that the Nordic ecosystems are internationally connected, but, on the other hand, that some ingredients remain missing and some companies still have to go abroad to scale-up.

205 startups exited via acquisitions in the last 5 years. 40% of the M&A transactions were completed by US companies. This data is in line with what we have found in the other European countries. The news is that 40% of deals were performed by companies in the region. That means that a large chunk of the acquired startups have “stayed in the Nordics”.

A lot of interesting data is presented in this report, good food for thoughts. More to come. Soon we will also publish each of the country reports with detailed information about the five Northern countries. Stay tuned!

Alberto Onetti
Chairman, Mind the Bridge
Coordinator, Startup Europe Partnership
The current analysis is focused on the Nordic countries including Denmark, Finland, Iceland, Norway and Sweden. International comparison is limited to six countries (France, Germany, Italy, Portugal, Spain and the United Kingdom). Scaleups and exits from other countries are not yet covered.

The current analysis is limited to ICT companies. Other key areas in the startup ecosystem, such as biotech/life science, hard-tech and cleantech, are currently under investigation and are not included.

SEP includes in the scaleup category startups that raised over $1 million (see Methodology for further details). This criterion may fail to consider startups that are scaling-up in a sustainable way (such as bootstrapped companies that grow organically and generate revenue and employment), although it includes startups that raised enormous seed investment while still in the “search phase.” Although the data fail to represent the complete scaleup landscape, we chose this methodology because it is the only one that allows an up-to-date “who’s who” of scaling-up in the various startup ecosystems. Furthermore, it is often not possible to report revenue and employment data (the real key variables to assess growth of a startup) as most cases are private companies, and many countries are simply not accessible in a timely manner.

SEP sources include public data (e.g. press articles, blogs), and direct information collected by investors and companies. The accuracy of our dataset is limited to the available information and disclosed data.

Note:
This Monitor has been realized with the active support of local investors and accelerators that contributed to the data collection and qualification. We’d like to thank all of them together with Silicon Vikings, Innovation Center Denmark, Arctic15 and Nordurskautid.
SEP identified a total of 430 ICT scaleups in the five countries analysed in Northern Europe, which include Denmark, Finland, Iceland, Norway and Sweden. 86% of them come from the 3 main countries (Sweden, Finland, and Denmark). Collectively, they raised $6.5 billion in funding either from venture capital funds and/or the stock market.

In terms of number of scaleups, the Nordic countries are at the same level as the UK as well as Germany and France together. Additionally, they have twice as much the number of scaleups Italy, Spain and Portugal were able to produce. Looking at the amount of capital raised, the level of funding in the Nordics is almost the half of that made available to UK scaleups and two thirds of the amount collectively funded in Germany and France. It is almost 3 times the amount that Italian and Spanish scaleups were able to raise.

The figures above are quite impressive if we take into account the relatively smaller economic size of the 5 Nordics economies compared to the other European regions.

GDP for 5 Northern countries ($1,292B) is 1/2 of the UK, 1/5 of Continental Europe and 1/3 of Southern Europe. Having a similar (or even higher, if compared to the Southern European countries) number of scaleups proves that in the North there is a very vital and productive startup ecosystem.

---

1- Data last updated to:
- Nordics: 31/12/2015
- UK, continental Europe, Italy, Spain: 31/04/2015
- Portugal: 31/10/2015
But everything happens for a reason. If we look at the capital raised, 0.5% of the GDP has been invested into scaleups in the Nordic countries, versus 0.42% in UK, and only 0.15% in Continental Europe (Germany and France) and 0.06% in the South (Italy, Portugal and Spain). And it looks that such investment is paying off, making this area a powerhouse of European innovation.

**KEY TAKEAWAYS**

The farther north we go, the higher is the ability to start and scale innovative companies: we record 1.6 scaleups every 100 thousands people in the Nordics.

**There Is Something In The (Nordic) Air**

It is often rumoured that the mild climate is the real secret of Silicon Valley. This rule doesn’t seem to apply in Europe, since the farther north we go, the higher is the ability to start and scale innovative companies. If we look at the number a scalups per inhabitants, the Nordic countries show stronger entrepreneurial and managerial attitudes. In the Nordic region we record 1.6 scaleups every 100 thousands people, that is 2.5 times the ratio we have in UK (0.6 scaleups per 100k inhabitants), almost 6x the Continental Europe average (0.6) and 9x the Southern Europe value.
The SEP Monitor tracked 430 scaleups in the 5 Nordic countries. **Sweden is the largest scale-up hub with 149 companies (35% of the total).** Finland ranks second with 126 (29%), while Denmark follows with 96 (22%). In Norway and Iceland numbers are smaller, 44 (10%) and 15 (4%) scaleups respectively.

**It Takes Time To Raise A Unicorn**

It is worth singling out that **the Nordic scaleup ecosystem is relatively young: just over 60% of scaleups we tracked were founded after 2010.** That makes the Nordic figures even more remarkable since our research shows how the number of scaleups is positively correlated to the level of maturity of the respective ecosystem.
The strong acceleration reported in the last two years – as shown in the chart in the previous page that groups the scaleups per the last year of funding – supports the positive sentiment about the growth potential for the scaleups in the Nordic region.

Compared to the Nordic countries, the Continental Europe and UK ecosystems, are far less young: for them the scaleups founded after 2010 are roughly the 50% of the total. On the other hand, the Southern Europe scaleup ecosystems look definitively younger: 65% of scaleups have been founded after 2010.

**KEY TAKEAWAYS**

The Nordic ecosystem is relatively young: just over 60% of scaleups were founded after 2010.

The 430 scaleups tracked by the SEP Monitor collectively raised $6.5B in funding: $5.5B through VC funds (84%) and $1B (16%) via IPOs.

Sweden leads by far with $3.4B in terms of capital raised: it is more than three times the amount raised by Finnish scaleups, 2.8 times the total funding collected by Danish companies, and more than 4 times the combined amount raised by scaleups in Norway and Iceland.

The total amount of capital raised in Sweden is significantly impacted by the billion dollar fundraising of the local “unicorn” Spotify.

It is also worth pointing out that Danish scaleups raised 1.3 times more capital than their Finnish counterparts, although there are on average 1.3 more scaleups in Finland than there are in Denmark.
Are the Thulean countries the land of European Unicorns?

The Unicorns have no specific area to which they are confined, legend says. However, they look to prosper in the Nordic region. 3% of the total scaleups are actually “scalers”, i.e. scaleups that managed to collect over $100M in funding. They collected almost half (45%) of total funding made available to Nordic companies.
If we add to the scalers the scaleups that received over $20M funding, we found that 15% of the Nordic scaleups raised over 75% of the total funding tracked in the region. This means that a solid number of Nordic scaleups have been able to raise significant capital and go beyond the early stage barrier. You must “mind the Nordics” if you are going to find the next “EUunicorns” - using the Robin Wauters’s way of saying.

Smaller scaleups, i.e. companies that have received funding ranging between $1 and 10M account for 76% of total Nordic scaleups. They collectively raised 16% of total capital available in the Region. 15% of the scaleups raised 76% of the capital, while 16% of the money went to 76% of the companies.

Nice coincidence. The “Power Law” appears to work in the North too.

According to SEP methodology, “scalers” are companies that secured over $100M in capital from VC funds or via IPO. We identified 12 scalers over the 5 Nordic countries (actually 4, since Iceland is not yet represented):

- Supercell and Blyk (Finland);
- Spotify, King.com, Klarna, iZettle, Tobii (Sweden);
- Zendesk, Momondo, Tradeshift, Trustpilot (Denmark);
- Thin Film Electronics (Norway).
We refer to SEP country Reports for more detailed insights about the companies above (and more detailed information about each scaleup ecosystem).

Hot Sectors: Not Just Gaming For Scandinavian Startups

The gaming sector represents the real force of the ecosystem, with 40 scaleups tracked and almost $0.9B in capital raised.

Software is the most “crowded” sector, with over 70 scaleups tracked (but “only” $0.6B in investments).

Digital Media supremacy in capital raised ($1.1B+) is driven (as clearly shown in the graph in the next page) by the huge amount of capital raised by music streaming giant Spotify.

Other relevant verticals are finance (25 scaleups raising almost $0.7B) and hardware (36 scaleups collecting $0.6B). It is worth noting that the fintech scaleups are the highest performing in terms of average capital raised, securing $25M each.
If you are looking for the top scaleup hotspots in the Nordic countries, you don’t need to go beyond the capital cities.

**Stockholm leads with close to $3B in capital raised by 90 scaleups**, followed by Copenhagen ($1B raised by 70 scaleups), Helsinki ($0.8B raised by 83 scaleups). Oslo (over $0.4B raised by 33 scaleups) and Reykjavik ($0.1B raised by 13 scaleups) complete the list.

**Which are the other hotspots in each country? The answer in the SEP country Reports.**

---

**The “Innovation Triangle”: Stockholm-Helsinki-Copenhagen**
Dual companies are an emerging phenomena in Europe. We define “dual companies” as startups that have moved their headquarters abroad, while maintaining relevant operations in the home country. We tracked 20 scaleups in the Nordics fitting this particular category. For the vast majority (75% of the total) the US, more specifically Silicon Valley, is the destination.

For the others, relocation typically occurs in the most advanced European ecosystems (in terms of market and/or financing opportunities) such as the UK (more specifically, London) and Berlin. Please refer to this specific section in each country’s analysis for more detailed information about the scaleups adopting a dual model.
KEY TAKEAWAYS
The number of acquisitions is growing year over year.

SEP Monitor tracked 205 M&As of Nordic startups.

Sweden is leading the way with 79 transactions, 1.6 times more than both Denmark and Finland and 3.4 times more than Norway. The number of acquisitions is growing year over year (approximately 150% on average) with a strong acceleration since 2014, in parallel with the growth of the ecosystem.

ICT M&As PER YEAR IN THE NORDICS

- **2010**: 14
- **2011**: 27
- **2012**: 16
- **2013**: 33
- **2014**: 46
- **2015**: 69
When observing the nationality of the acquirers, as usual, the US plays the lion part: SEP data shows that **40% of M&As were performed by US companies**. This data is in line with what we have seen in other European countries (44% on average).

**Noteworthy, however, is the strong presence of “domestic” acquisitions. 40% of all M&As were performed by Nordic companies.** 30% of the deals were completed by same country companies, while another 10% by companies from neighbouring states. A large chunk of the acquired startups, therefore, “stays in the Nordics”.

**The other 15% of M&As were performed by other (not Nordic) European players,** while a residual 5% of identified M&As were performed by Asian companies.
The most attractive vertical for acquisitions appears to be Software Solutions, accounting for 24% of total M&A activity tracked by the SEP Monitor. Other hot sectors are E-Commerce (10%), Gaming (8%), Digital Media and Mobile (6% each).

For country detailed analysis, including insights about nationality of acquirers per each sector, please refer to the SEP country Reports.
The SEP Monitor is based on the Startup Europe Partnership (SEP) mapping and scouting database that focuses on scaleups.

SEP categorizes ICT companies as follows:

### Startup:

<$1M funding raised (since foundation) and at least one funding event since 2010.

### Scaleup:

>$1M funding raised (since foundation) and at least one funding event since 2010.

### Scaler:

>$100M funding raised (since foundation) and at least one funding event since 2010.

SEP categorization is based on capital raised (including both capital raised through VC and the stock market), not on valuation. An alternative methodology is the one used by The Wall Street Journal and Dow Jones Venture Source that are tracking venture-backed private companies valued at $1 billion or more (aka The Billion Dollar Startup Club or Unicorn Club). SEP considers:

### Exit:

Liquidity event that occurred since 2010.

### M&A:

For companies that exited via M&A, the valuation is the amount that the company got acquired for.

### IPO:

For companies that went public, the exit valuation is that on the day of the IPO.

### Dual Companies:

Startups founded in one country that relocated their headquarters – and with that part of their value chain – abroad, while maintaining a strong operational presence in their country of origin.

SEP Sources of information include the SEP database, portfolios of VC companies, corporate venture units, business angels, accelerators and active seed and early stage funds, crowdfunding platforms, tech competitions and events, and other relevant channels. Research is ongoing and results reported in the SEP Monitor are preliminary and cannot be considered as final. SEP welcomes research from everyone in the European startup ecosystem by providing data and indicating cases of scaleup companies and exits to be monitored.

SEP Monitor is published by Mind the Bridge in collaboration with CrEStT.
About Mind the Bridge
Founded in 2007, Mind the Bridge is a Silicon Valley/European organization dedicated to developing, promoting, and supporting sustainable entrepreneurial ecosystems around the world and bridging them to the world’s most innovative center - Silicon Valley.

Mind the Bridge offers a suite of programs and services (Startup School, Investors Program, Scaleup Mastery Program, Corporate Executive Program, Technology Scouting) with partnerships and operations in Europe, Asia, MENA, and LATAM.

Mind the Bridge has also been chosen by the European Commission to drive “Startup Europe Partnership (SEP)”, the pan-European open innovation platform to connect startups to large corporates. It is also the host of Startup Europe Comes to Silicon Valley (SEC2SV), an intense week of activities in Silicon Valley for top EU scaleups, corporates and policy makers.

www.mindthebridge.com
www.startueuropepartnership.eu
@mindthebridge
@sep_eu