

# Exit Strategies for European Tech & Life Science Companies

Arctic 15: Exit Path  
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# It Used to be Easier in America

- Just a couple of decades ago, successful technology and life science companies were primarily clustered
- In America around Silicon Valley and Boston
- The reasons were related to:
  1. Post-secondary education
  2. Availability of capital
  3. Face-to-face communication
  4. How desirable it was to live there

# Raising Capital is Different Regionally

- Raising capital to grow companies is different
- Depending on where you are in the world
- Silicon Valley is the most unusual place
- Today there is so much capital available in Silicon Valley
- That my angel investor friends there say it is a serious problem
- (Entrepreneurs do not agree)

# Why Does Capital Depend on Location?

- The reason that the availability of capital varies geographically
- Is that the methods preferred by angel and VC investors
- Both pre, and post, investment
- Still rely on a lot of face-to-face communication
- Even today with crowd funding accelerating
- Most investors are still investing close to home

# Investor Sophistication Varies Regionally

- Other factors affecting the regional availability of capital are:
  1. Cultural risk aversion, and
  2. Regional investor sophistication
- No question investors in America are the most sophisticated and the most willing to accept risk
- The UK and New Zealand are not that far behind
- Most of Europe is still less sophisticated and more risk averse

# Capital is Less and Less Important

- Fortunately, capital is becoming far less important
- It is amazing how capital efficient companies are today
- Many companies require no external capital at all
- And are bootstrapped from founding to exit
- The availability of traditional Venture Capital has become irrelevant to well over 99% of companies
- This has dramatically reduced the advantage that companies used to have being in Silicon Valley or Boston

# Face-to-Face Communication

- Just in the past few years online technology has changed
- How people prefer to communicate
- Most of my friends today believe it is more efficient to have a business meeting using a screen sharing technology
- Rather than face-to-face, even if you are only minutes away
- Most of my friends also prefer to shop online even if a store is only minutes away
- Location and distance is far less important for business

# Virtual Companies

- Because online communication is more efficient
- The very structure of companies is changing
- Many young companies today are entirely virtual and have no physical location
- Our M&A Advisory firm has sold several virtual companies
- Making location and distance even less relevant

# Example Virtual Company Exit

- As an example, let me tell you about a virtual software company my firm helped to sell a couple of years ago
- The buyer only visited the company's city once
- A year and a half after the sale, the CEO was on stage with me telling his story
- Someone asked him how often he had to fly to meet with the company that had acquired them
- With a big smile on his face, he said "twice"

# Desirable Place to Live

- These changes in technology and communication methods
- And global geo-politics
- Are changing what makes a place desirable to live
- We could spend all day talking about this
- But the majority of my friends in Silicon Valley tell me that it is no longer a desirable place to build a technology company
- And many think it has become a less desirable place to live
- By many measures the Nordic/Baltics look more desirable

# Today Most Companies Can Be Anywhere

- Today we take for granted that we can buy products from companies anywhere in the world
- When I worked in Silicon Valley, I recall driving down the street and recognizing the names of companies I had purchased from
- Today, I can travel almost anywhere in the developed world and also recognize companies I have purchased from
- But now I find myself thinking “I had no idea that company was located here.”
- Today, the market for many products is truly global

# The Market for Exits is also Global

- Unlike the market for capital,
- And much more like the market for products,
- The exits market is global
- Buyers for companies are willing to look at acquisition opportunities anywhere in the world
- And are happy to communicate online rather than face-to-face
- Making it almost as easy to sell a company from Europe as from Silicon Valley

# Should M&A Advisors be Local?

- One possible geographic difference is the availability of M&A professionals to execute the exit
- For exits under \$100 million, it is usually better to engage a local M&A advisor (more on my blog)
- But M&A advisors, like investors, are not uniformly sophisticated in different regions
- Even in America, outside the major centers, it is hard to find experienced M&A advisors for knowledge based companies
- Consider both local and global M&A advisory firms

# Today, Exits Aren't Different in Europe

- Exit strategies here in Europe aren't really different
- One possible difference is on exit execution where it may be necessary to work with a remote M&A advisory firm
- That may mean that a company here should start thinking about the exit sooner to accommodate the longer selection time
- But other than that, the market for exits is truly global
- Thank you