



International
VC Zone

SUMMARY OF FINNISH HI-TECH CAPITAL RAISING ACTIVITY IN THE FIRST HALF OF 2014

International VC Zone Report: Finnish technology companies announced that they have raised €61.5 million in venture capital funding over the first half (H1) of 2014. This sum is visibly below the €167 million of venture capital recorded in H1 of 2013 and also less the €76 million attained in H1 of 2012. However, during the first half of 2014 the number of venture financing rounds increased from the preceding year's first halves, with a total of 57 rounds registered in H1 of 2014.

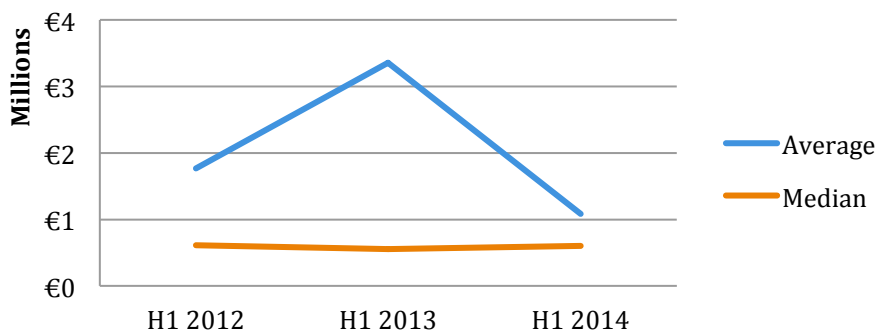
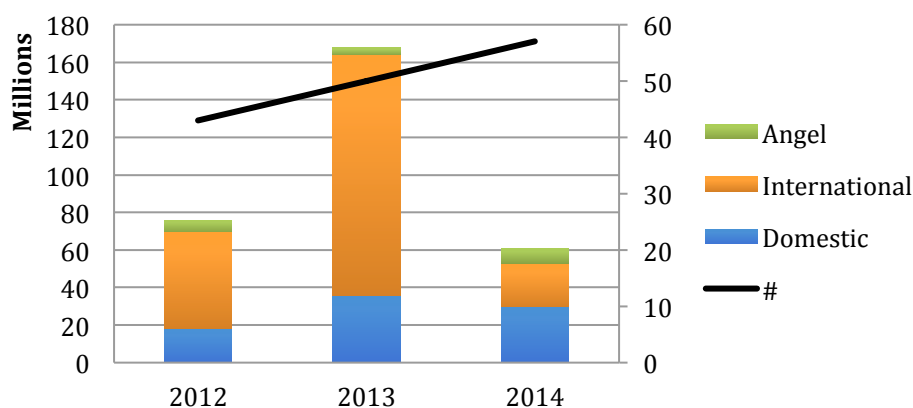
During the first half of 2014 Finnish technology companies raised approximately €61.5 million of venture funding in 57 investment rounds. The total value was down 63% from the €167 million valuation in H1 of 2013 and a regress of 19% from the €76 million attained in H1 of 2012. In spite of the decrease in terms of capital, the first half of 2014 demonstrated a marked increase in the number of venture capital transactions. A total of 57 risk investments were recorded in H1 of 2014, outnumbering the 50 attained in H1 of 2013 and the 43 transactions in H1 of 2012. The average investment size in the first half of 2014 was lower than in prior years. An average per investment value of €1.1 million was recorded for the half year, while in the first halves of 2013 and 2012 the average investment sizes were €3.35 million and €1.75 million respectively. Nevertheless, the median investment value increased by 9% from €550,000 in H1 of 2013 to €600,000 in H1 of 2014.

In H1 of 2014, with €30 million in invested capital, domestic VC investments surpassed international VC investments as the largest benefactor type for the first time in the four years, accounting for roughly half of all the raised capital during the past half year. Despite being the largest investor type, the total value of domestic VC funding decreased by 17% from the respective H1 2013 figure, while international VC funding combined for €23 million, a sum 82% down from the 2013 first half total. On a more positive note, the €7,8 million invested by angel investors represented a generous 110% increase from the €3,7 million distributed in H1 of 2013.



Keep in mind that all figures for H1 of 2013 include the €100 million pre-exit investment raised by Supercell, the largest VC round recorded in Finland in recent history. The inclusion significantly influences and skews data in favor of 2013 and weakens the 2014 results in comparison.

Annual Comparison 2012-2014 H1



Investments by Investor Type

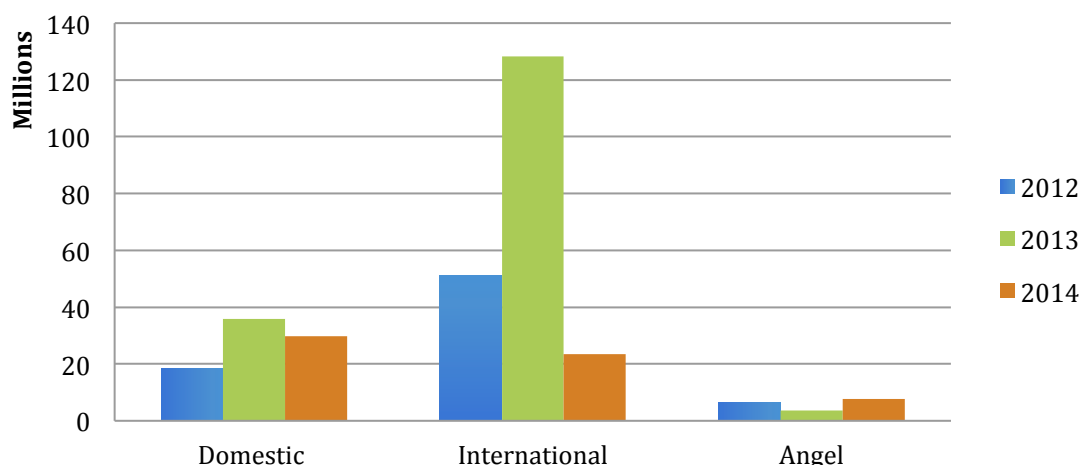
As mentioned, for the first time since 2010, the €30 million invested by domestic venture capital investors contributed the largest portion of the capital invested into Finnish hi-tech companies, which represented 49% of the total capital expenditure during the first half of 2014. Although, Finnish VC funding was the largest contributor in H1 of 2014, the €30 million in investment value was €5.5 million or 17% below its 2013 first half counterpart.



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This total bested the €18.5 million of domestic VC funding raised in H1 of 2012 by 61%. The €23 million in foreign VC funding represented 38% of all raised venture capital during H1 of 2014. The combined sum of international investments was down significantly from the first halves of the two previous years, in which €128 million and €52 million were raised from foreign VCs in the first halves of 2013 and 2012 respectively. Conversely, angel funding exhibited a notable increase in value by providing €7.8 million in funding. In comparison, angel investors contributed €3.7 million in H1 of 2013 and €6.3 million in H1 of 2012.

Invested capital by investor type 2012-2014 H1



In terms of investment activity (i.e. number of investments), international VC and angel involvements increased, while domestic VC participation decreased in the first half of 2014. Of the 57 funding rounds, 41 included a domestic VC, 19 had an international investor partaking, and 20 contained angel funding. Overall 22 rounds had two or more investor types involved. International investors had the largest average investment size with €1.2 million, domestic VCs provided €725,000 per participated round, and angel investors contribution was €390,000 on average. The corresponding figures for H1 of 2013 had international investors averaging €12.8 million in 10 rounds, domestic VCs providing

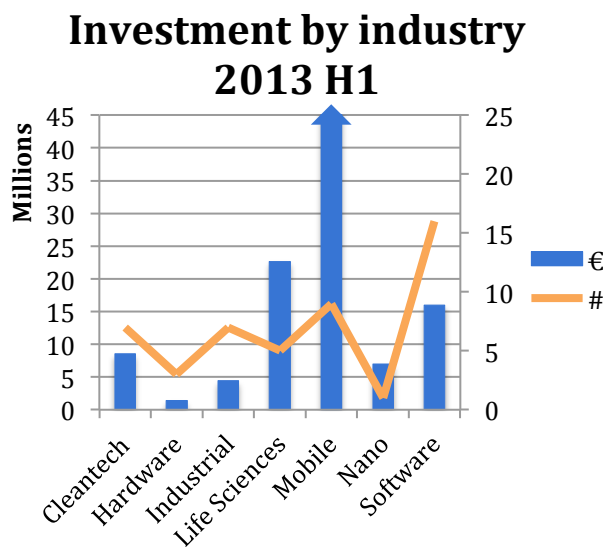
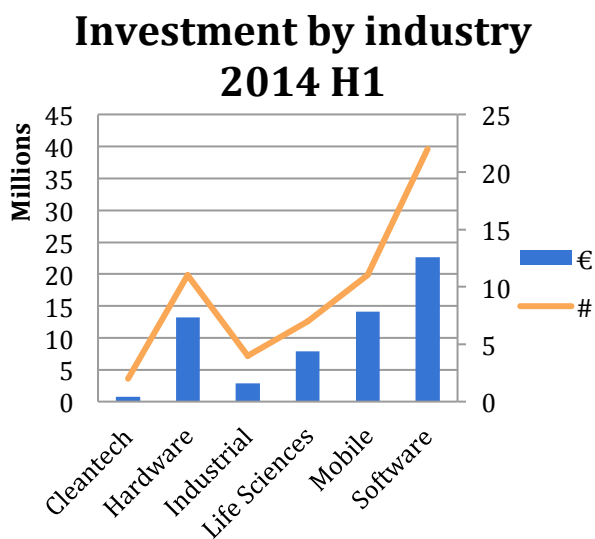


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€800,000 per round across 45 investments, and angel investors taking part in 15 rounds with a mean allotment of €250,000.

Investments by Industry

In H1 of 2014, six of the seven identified primary industries raised venture capital funding. The software industry was the largest and most active sector with €22.5 million in invested capital and 22 funding rounds, followed by mobile, €14 million in 11 rounds, and hardware, 11 investments for €13 million in venture funding. Life sciences received €8 million over 7 investments, industrial firms attained €3 million in 4 transactions, and Cleantech companies secured less than €1 million with 2 rounds. Finnish nanotechnology firms received no venture capital funding in the first half of 2014.



In comparison to the first half of 2013, only two industries were able to attract more funding than in the previous years first half, with software growing 31% to €22.5 million and hardware rising an astonishing 846% to €13 million from the previous years €17.5 million and €1.4 million valuations respectively. Investments into mobile firms equated €14 million, an 87% decrease from the prior years corresponding total. However, this drastic drop happened primarily because of the € 100 million Supercell round raised the year



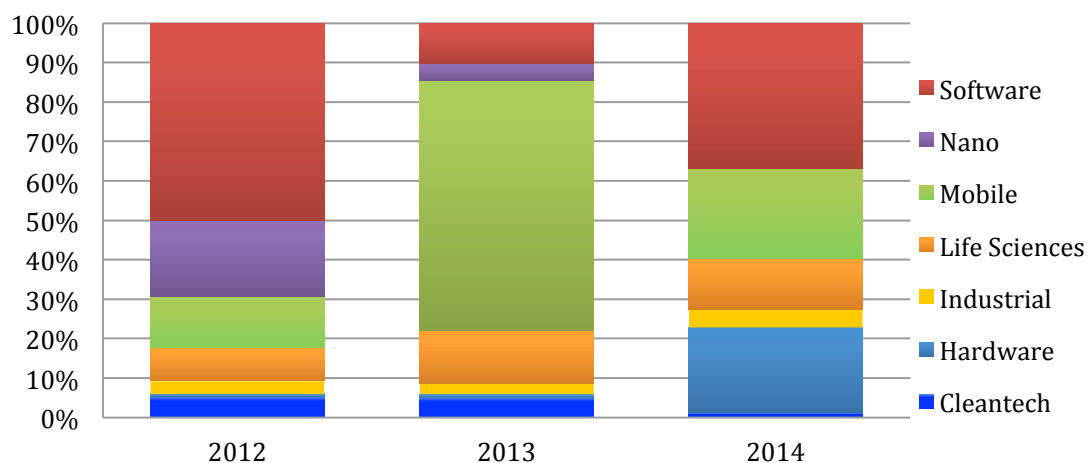
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before. Without the Supercell round, investments into mobile would have displayed a noticeable €7.5 million or 116% increase in value. Investments into Life Sciences start-ups also contracted significantly, dropping 65% in value from the €22.5 million raised in H1 2013 to €8 million in H1 of 2014. Industrial firms recorded €3 million in the first half of 2014, €1.5 million and 36% below the comparable H1 figure of 2013. The Cleantech industry experienced the steepest decline in value by decreasing 91% from the €8.5 million accrued in H1 of 2013 to only €750 000 in H1 of 2014.

Proportional Investments by Industry

The distribution of investment value in the first half of 2014 between the identified sectors was more balanced in comparison to the first halves 2013 and 2012. Software with a 37% of the invested capital had the most lucrative first half, growing 27% from the previous year's 10%. Mobile and hardware both attained shares exceeding 20% of the total value. Mobile with a 23% portion dropped 41% from its 2013 H1 percentage, while hardware reached 21%, clearly besting its 1% share from the year before. Despite the drop in actual value, the ratio of invested capital into Life Sciences ventures remained at 13%. Investments into industrial firms represented 5% of the 2014 first half total, up 2% from the previous years proportion despite its decrease in funding value. The cleantech sector contributed the remaining 1% of the years funding value, down 4% from the 2013 H1 total.

Proportional value of investments

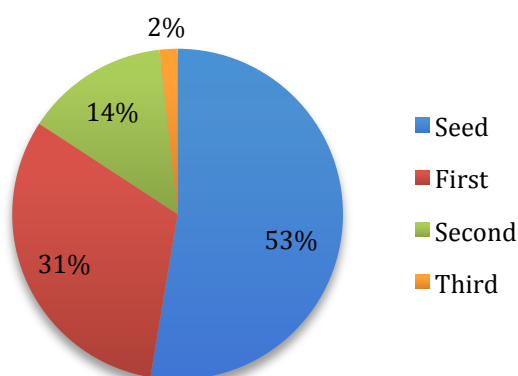




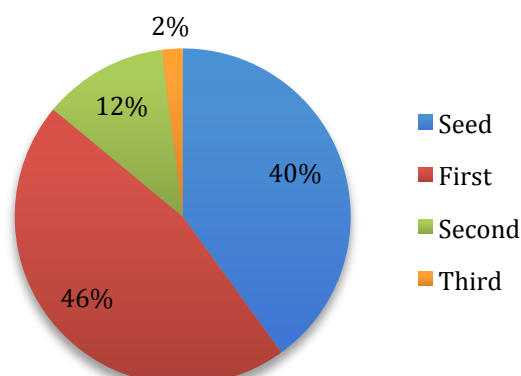
Stage Distribution

Similar to the first halves of the past two years, early stage investing continued to be active in the H1 of 2014. Of the 57 investment rounds recorded in the first half of 2014, 48 were considered early stage investments, of which 30 were seed and 18 were first round investments. The remaining nine later stage deals were allocated into eight second round transactions and a single third round investment.

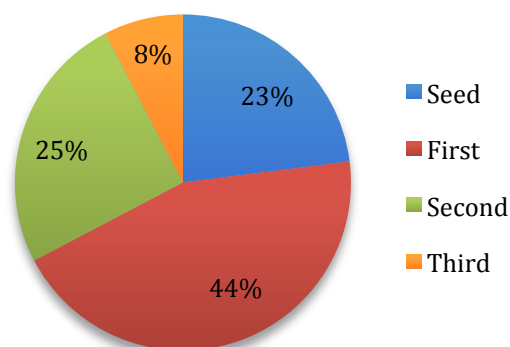
Stage distribution - Count of investments 2014 H1



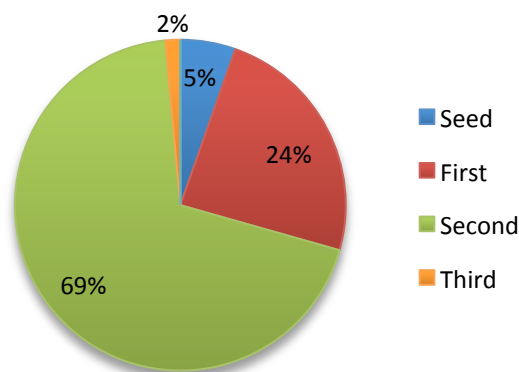
Stage distribution - Count of Investments 2013 H1



Stage distribution - Value of Investments 2014 H1



Stage distribution - Value of investments 2013 H1





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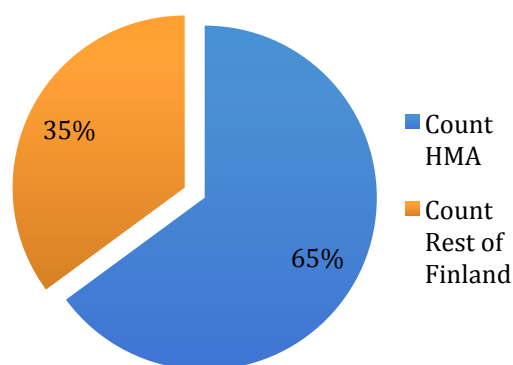
With 48 seed or first round investments, H1 of 2014 continued the ascending trend in early stage investment activity by topping the 43 early stage investments recorded in the first half of 2013. In value, these early stage investments combined for €41 million representing 67% of all invested capital. Within early stage investments, seed round activity increased notably with 30 seed investments completed during H1 of 2014. This was clearly above the 20 seed investments recorded in H1 of 2013. Contrariwise, the number of first round investments decreased from 23 in H1 of 2013 to 18 in H1 of 2014. First round investments combined for 44% with €27 million, second round investments accrued €15,5 million and 25%, seed rounds garnered €14 million for 23%, and third round investments supplied the remaining 8% and €5 million of the total capital invested in H1 of 2014.

Geographical Distribution

The geographical dispersion of the investment activity and value invested again favored the Helsinki metropolitan area in the first half of 2014. Of the 57 venture capital investments 37 (65%) were directed to firms headquartered in the greater Helsinki area. In value the Helsinki, Espoo, Vantaa and Kauniainen based companies corralled €46 million, good for 74% of the total capital invested during H1 of 2014. Firms from other parts of Finland totaled 20 rounds and €15 million in venture funding.

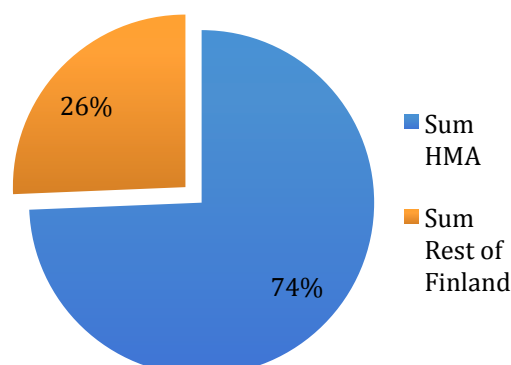
**Geographical distribution -
Count of investments 2014**

H1



**Geographical distribution -
Sum of investments 2014**

H1





Companies receiving international funding (public list)

Mendor	Senseg
Sayduck	Boomlagoon
Linko	TrademarkNow
Play Raven	Holvi Payment Services
Transfluent	MyNextRun
Next Games	IndoorAtlas
AppGyver	Seriously Digital Entertainment
Tellyo	

Report source and background

This report is provided by [International VC Zone](#). International VC Zone is designed for top-tier venture capital organizations and provides access to hi-tech, hi-growth, hi-ambition companies from Finland, the greater St. Petersburg area in Russia, and the Baltic States of Estonia, Latvia and Lithuania. We offer a service package that includes matchmaking services, liaison officer, value-added tools and various support services.

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This research aims to track all Venture Capital (VC) investments into Finnish high-technology companies. In accordance with the aforementioned company criteria, this excludes investments into companies that have made an exit or are headquartered abroad. The information on investment value, date, round, and investing parties are tracked and analyzed using public sources and by contacting key personnel. If the investing party is an affiliate of a foreign VC, private equity company or corporation, it is assessed as a foreign investment, even though it might have Finnish operations. Investments from individual persons are primarily regarded as Angel investments solely



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without assessment of their domestic or foreign origins, as most of the data concerning angel participation is highly fragmented and incomplete.

For the purposes of this document, Venture Capital investments are categorized as private equity investments where new funds are allocated to companies, thus discounting investments or a portion of the investments, which involve a transferal of ownership such as an exit or buyout. The data used is maintained and updated continuously and is therefore subject to change as new information becomes available.