



# DEAL FLOW

EUROPEAN VENTURE CAPITAL  
DEAL TERM REVIEW 2020

# DEAL TERM REVIEW 2020

## EUROPEAN VENTURE CAPITAL

### Foreword

With a record \$40+ billion in investment in 2020<sup>1</sup>, European tech has navigated a year of intersecting crises—a global pandemic, economic uncertainty, racial injustice and climate change—and continued on its growth trajectory.

Orrick is honoured to work with some of the most diverse, innovative and highly disruptive visionaries, high growth companies and their investors. In 2020, we helped to raise more than \$8.1bn in venture financings across Europe, which accounts for 20% of the total capital raised across the region. As the leader for European Venture Capital for the past five years (according to *PitchBook's* 2020 annual report), Orrick's European Technology practice has analysed all closed venture financings and convertible loan note financings (including UK Future Fund CLNs) across our European offices throughout 2020, to offer strategic insight into the European venture capital market.

<sup>1</sup> [Atomico's 2020 State of European Tech Report](#)

### Orrick's Technology Group in Europe

We focus on serving the **Technology & Innovation, Energy & Infrastructure** and **Finance** sectors globally.

#### A multidisciplinary team of 150+ technology lawyers.

We possess deep experience across offices in some of Europe's biggest technology hubs: London, Paris, Düsseldorf, Milan and Munich.

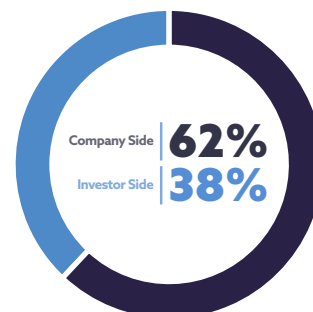
#### A commitment to driving long-term strategic growth.

We represent 3,000+ high-growth businesses and have a broad global platform that adapts to the needs of our clients. We place a strong focus on transactional and dispute resolution advice, including full-service finance, energy, cybersecurity, data privacy, tax, employment and antitrust and competition.

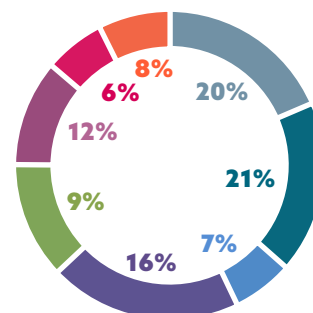
#### A unique global cross-border practice.

We specialise in high-value growth equity transactions, venture capital, flips, mergers and acquisitions, IPOs and cross-border exits.

### Breakdown of Deals 2020

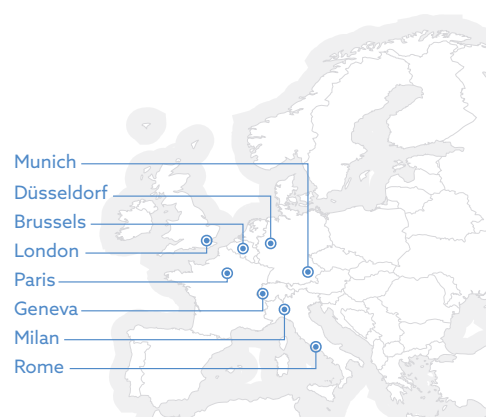


### By Sector 2020



Technology  
FinTech  
Data & Privacy  
SaaS & Platforms

Energy  
Health  
Real Estate  
Retail



Note these results are representative of data received by Orrick's European offices located in the UK, France, Germany and Italy

# DEAL TERM REVIEW 2020

## EUROPEAN VENTURE CAPITAL

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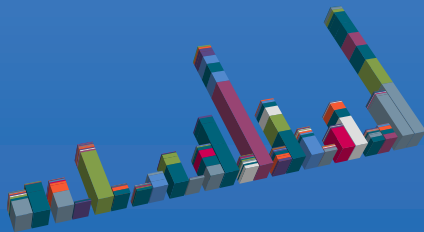
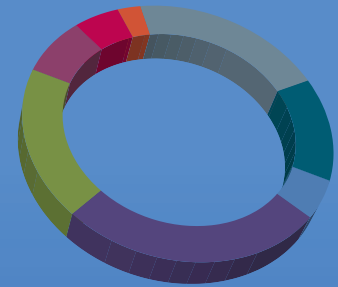
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## DEAL TERM REVIEW 2020 KEY INSIGHTS

### Sectors:

- ▶ Perfectly suited to #TeamOrrick's sector focus and specialism in Technology & Innovation, Energy & Infrastructure and Finance, we found that the prevailing majority of transactions fell under the **AI, FinTech, SaaS, Health** and **Energy** sectors, with:
  - a steady growth in energy-related companies and purpose-driven investments as companies move towards a sustainable global future, particularly Environmental, Social and Corporate Governance (ESG) activity.
  - increased market share in SaaS and Platform deals as companies adapt to COVID-19, virtual working and online hosting platforms; and
  - significant market share in the Health sector focussing on technological developments due to COVID-19.
  - That said, a large proportion of Future Fund deals fell within Data & Privacy and Retail as two of the most heavily impacted sectors by COVID-19.
- ▶ The uptick on energy and HealthTech deals is positively reflected in the late stage and SPAC market, particularly in respect of #TeamOrrick transactions involving energy investment companies, medical InsurTech companies and electric vehicle companies.
- ▶ European FinTech companies raised more capital in 2020 than any other industry vertical, driven by huge growth rounds. More than **\$20bn** has been invested in the past two years alone<sup>2</sup>.

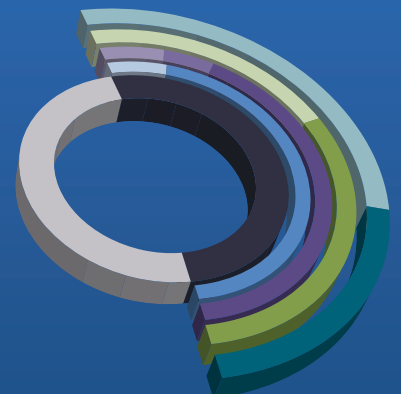


### Deal size / activity:

- ▶ With a consistently high aggregate investment amount for the year, we saw **average deal size increase by almost 60%** from 2019.
- ▶ We saw a sharp increase in high-value financings at the end of the year as companies and investors pushed to complete deals before the Brexit deadline and to make up for a slightly quieter second quarter (compared with 2019).
- ▶ European tech companies continue to scale faster and more aggressively than in previous years. The ecosystem is maturing through the increased scale of capital raised and the accelerated pace that this capital accumulates.

### Rights, Preferences and Protections:

- ▶ Navigating the global pandemic and prevailing economic certainty, #TeamOrrick successfully leveraged unparalleled market knowledge and sector experience to negotiate strong positions for clients.
- ▶ We saw a more "engaged" cohort of Founders, focussed on investing in the deal process to "future proof" not only their positions and protections within the company, but also the company's bargaining position for future rounds, demonstrated by:
  - an increased number of drag-along rights incorporating named Founder participation;
  - increased Founder board appointment rights; and
  - a "delay" in conceding anti-dilution rights (with a lower proportion of Seed deals incorporating the term).
- ▶ Outside the UK government's Future Fund, we found that the majority of Seed stage convertibles had little to no investor rights, with protections becoming more prevalent from Series A onwards. We wait to see whether there will be a reset to the venture debt market as a result of the minimum terms set via the Future Fund transactions.
- ▶ Investors sharpened their focus on diversity. We saw an increasing number of deals require that companies put plans in place at earlier stages in the company lifecycle.



<sup>2</sup> *Atomico's 2020 State of European Tech Report*

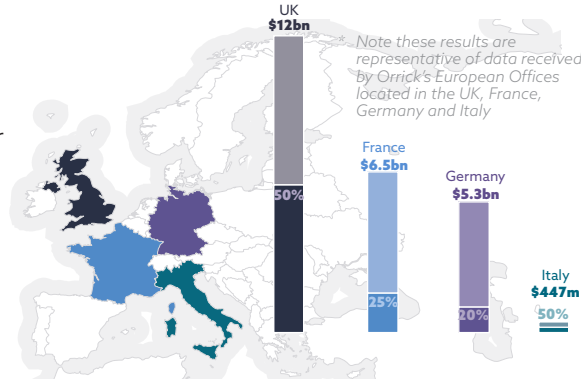
# 1

## DEAL TERM REVIEW 2020 VC FINANCINGS

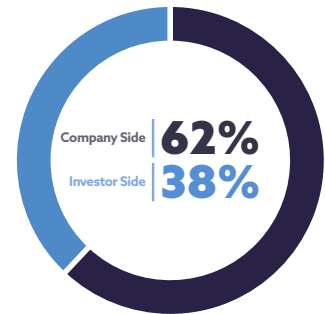
This data looks at Orrick's closed venture financings across its European offices throughout 2020.

VC financing transactions include the capital raised for startups and high growth companies in connection with investments from investors, investment banks and other financial institutions.

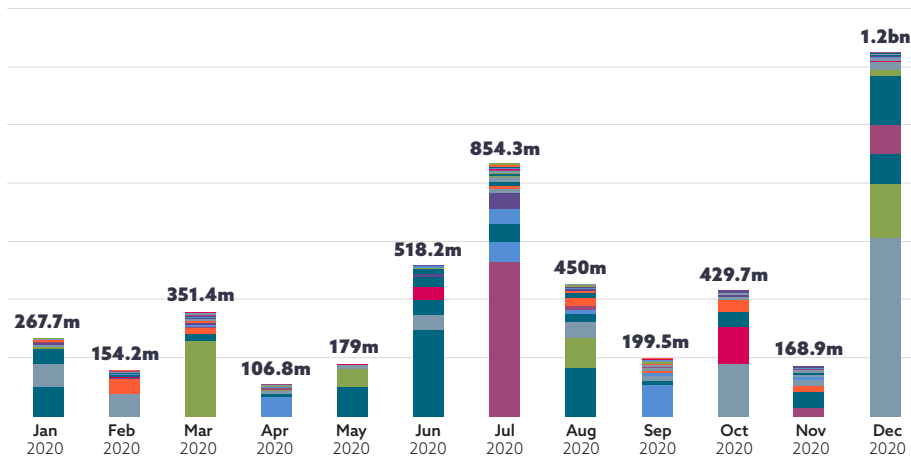
### Total capital raised in Europe\* (US\$bn) and Orrick share of deals



Atomico's 2020 State of European Tech Report based on Dealroom.co data. In Atomico's SoET Report, 2020 is annualised based on data to October 2020



### 2020 VC Financings by Total Size (US\$)

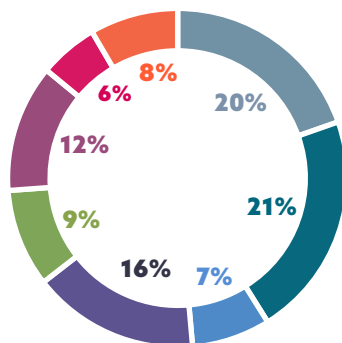


\* Representative weighting of transactions—not reflective of actual number of transactions completed

- ▶ Deal values all in US\$m using GBP/USD fx rate of 1.34; EUR/USD fx rate of 1.22  
Based on FT FX Rates of 21 Dec 2020
- ▶ Sectors are colour coded as per the key in the chart below

### 2020 VC Financing Deals by Sector

- Technology
- FinTech
- Data & Privacy
- SaaS & Platforms
- Energy
- Health
- Real Estate
- Retail

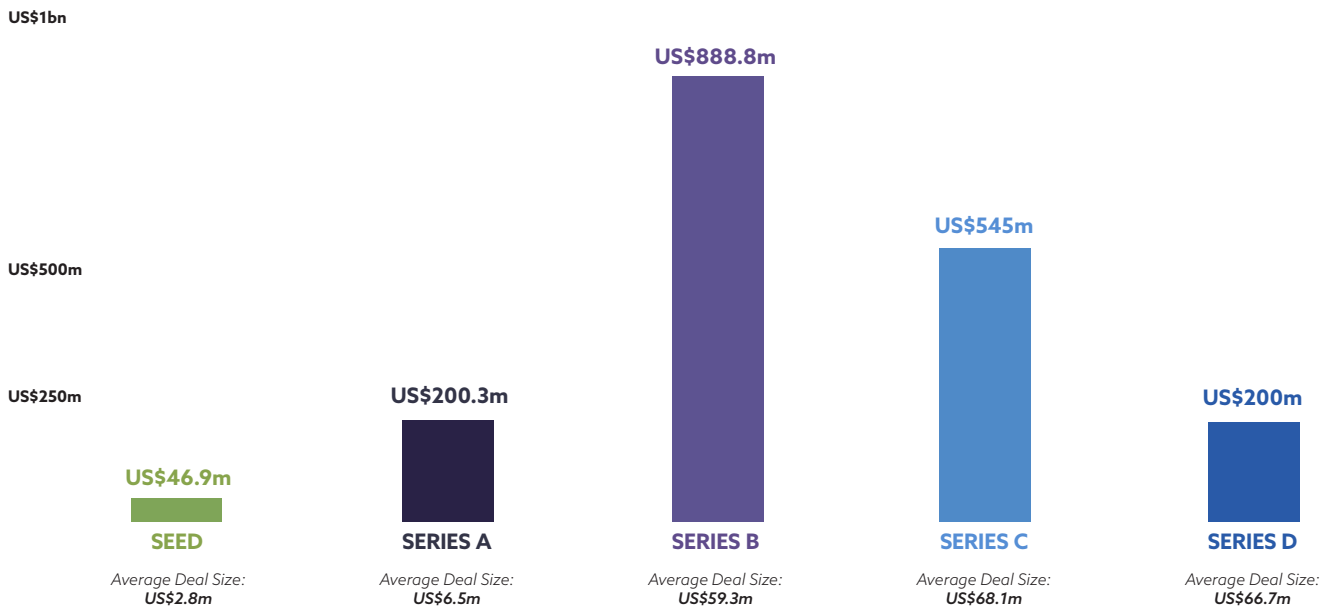


- ▶ **Technology** includes AI, AR; DeepTech, Image Recognition Technology, IT, QuantumTech, Semiconductors, VoiceTech, AudioTech and Communications, Web Browsers
- ▶ **FinTech** includes BaaS, Blockchain, Crypto, Digital Currency
- ▶ **Data & Privacy** includes Big Data, Compliance, Cybersecurity, Data Analytics, Data Centres, Data Privacy, IoT, Risk Management
- ▶ **SaaS & Platforms** includes Cloud-based Solutions, EdTech, Enterprise Software, HR, Online Hosting Platforms, Software
- ▶ **Energy** includes AgTech, Aviation, CleanTech, Electric Vehicles, Mobility and TransportTech, Renewable Energy, Telecommunications, Utilities
- ▶ **Health** includes Biopharmaceutical, BioTech, HealthTech, Life Sciences, MedTech
- ▶ **Real Estate** includes PropTech
- ▶ **Retail** includes Fashion, Food & Drink, FoodTech, InsurTech, Media, Manufacturing, PetTech

# 1 DEAL TERM REVIEW 2020 VC FINANCINGS

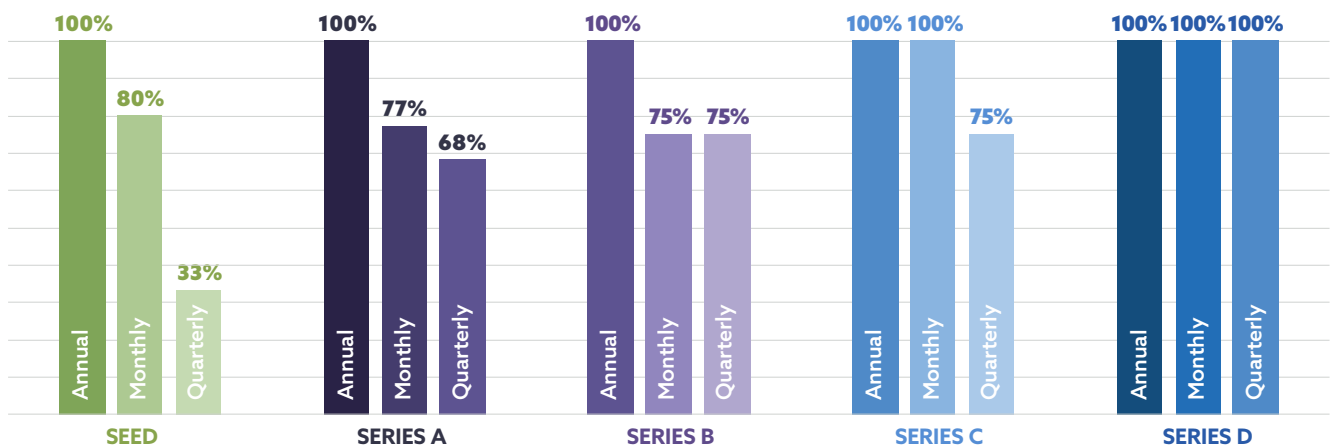
## 2020 VC Financing Series / Rounds by Deal Value

► Deal values all in US\$m using  
GBP/USD exchange rate of 1.34  
EUR/USD exchange rate of 1.22  
Based on FT FX Rates of 21 Dec 2020



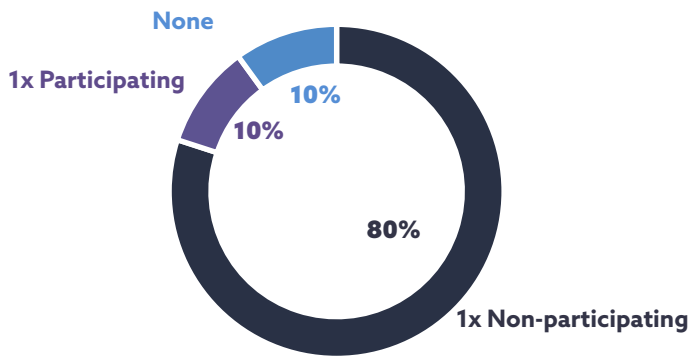
## Information Rights (% of total deals in each round)

► All deals include Information Rights on an annual basis. In addition, we list how many deals also feature Information Rights on a quarterly and monthly basis.

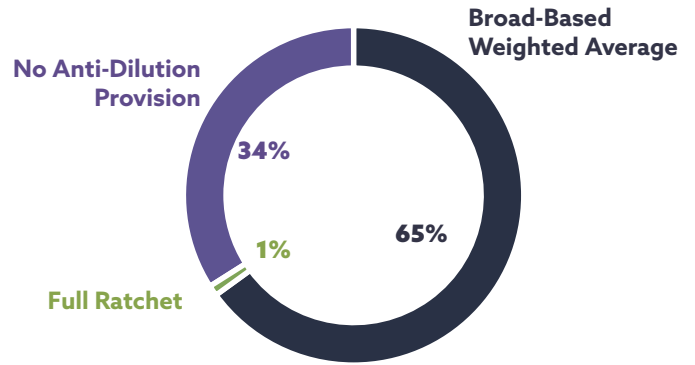


# 1 DEAL TERM REVIEW 2020 VC FINANCINGS

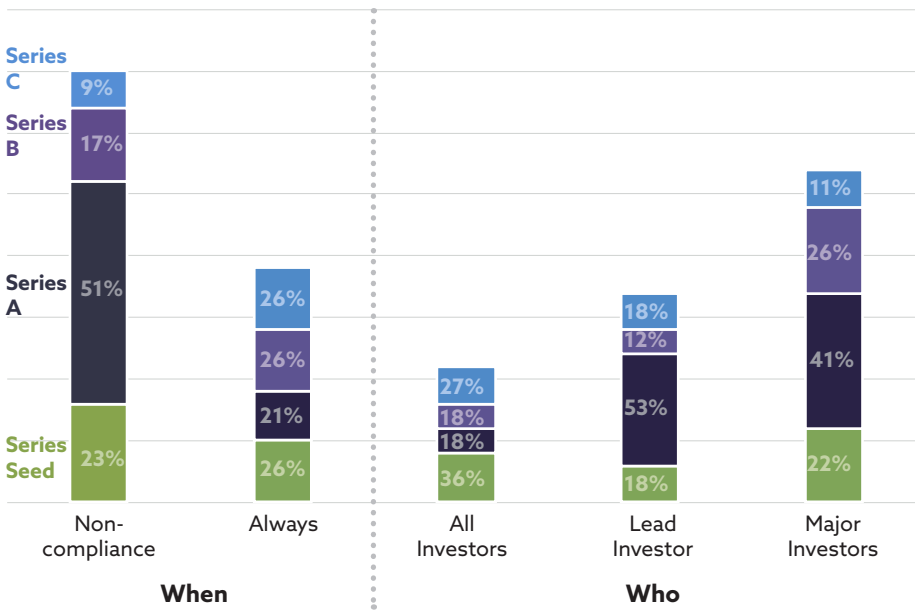
## Liquidation Preferences



## Anti-Dilution Protection

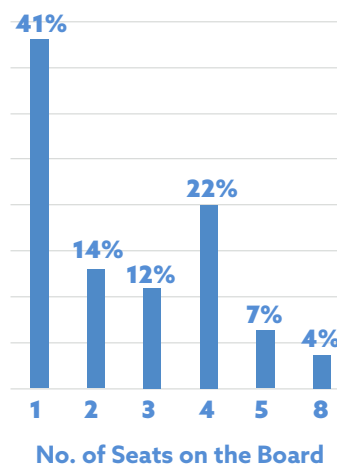
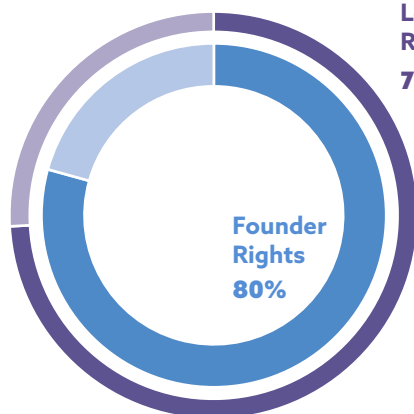


## Inspection Rights



► Inspection Rights by Major Investors only or by All Investors.

## Board Rights



► Percentage of deals with Board Rights.

# 1

## DEAL TERM REVIEW 2020 VC FINANCINGS

### Series Seed

#### LIQUIDATION PREFERENCES



75% were 1x non-participating preferred, common *pro rata*.

#### ANTI-DILUTION PROTECTIONS



50% were entitled to the standard broad-based weighted average protection

#### DRAG-ALONG RIGHTS



75% required only a specified majority of issued shares (the remaining required a fixed percentage – either Investor Majority or Founder Involvement)

### Series A

#### LIQUIDATION PREFERENCES



80% were 1x non-participating preferred, common *pro rata*

#### ANTI-DILUTION PROTECTIONS



60% were entitled to the standard broad-based weighted average protection

#### DRAG-ALONG RIGHTS



40% required only a specified majority of issued shares (the remaining required a fixed percentage – either Investor Majority or Founder Involvement)

#### BOARD OF DIRECTORS (UK DEALS ONLY)



Ranged from **1 to 6** seats.  
Majority of the term sheets stipulated **no more than 3** seats

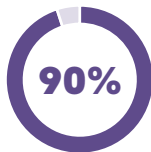
### Series B

#### LIQUIDATION PREFERENCES



85% were 1x non-participating preferred, common *pro rata*

#### ANTI-DILUTION PROTECTIONS



90% were entitled to standard broad-based weighted average protections

#### DRAG-ALONG RIGHTS



60% required only a specified majority of issued shares (the remaining required a fixed percentage – either Investor Majority or Founder Involvement)

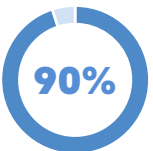
#### BOARD OF DIRECTORS (UK DEALS ONLY)



Ranged from **1 to 6** seats.  
Majority of the term sheets stipulated **no more than 4** seats

### Series C

#### LIQUIDATION PREFERENCES



90% were 1x non-participating preferred, common *pro rata*

#### ANTI-DILUTION PROTECTIONS



70% of deals were entitled to the standard broad-based weighted average protection

#### DRAG-ALONG RIGHTS



40% required only a specified majority of issued shares (the remaining required a fixed percentage – either Investor Majority or Founder Involvement)

#### BOARD OF DIRECTORS (UK DEALS ONLY)



Ranged from **2 to 8** seats.  
40% of the deals stipulated **4** seats.  
15% of the deals stipulated **2 or 3** seats.  
15% of the deals stipulated **8** seats

### Series D

#### LIQUIDATION PREFERENCES



100% were 1x non-participating preferred, common *pro rata*

#### ANTI-DILUTION PROTECTIONS



100% were entitled to standard broad-based, weighted average protections

#### DRAG-ALONG RIGHTS



All required only a simple majority of holders of preferred and/or ordinary shares

#### BOARD OF DIRECTORS (UK DEALS ONLY)



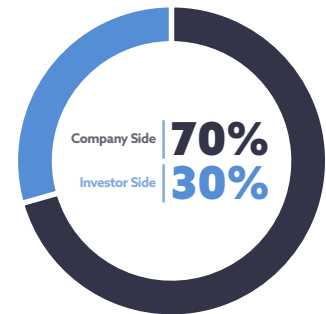
Ranged from **1 to 9** seats.  
25% stipulated **5 or less** seats



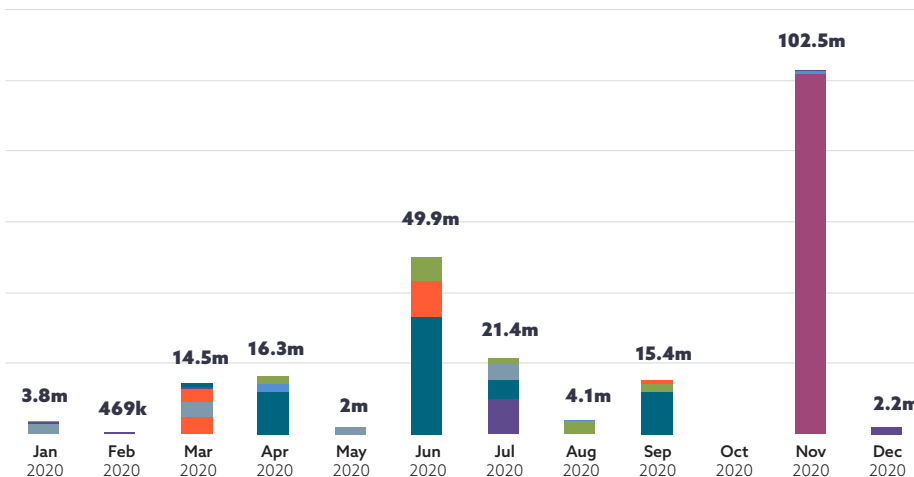
# 2

## DEAL TERM REVIEW 2020 CLN FINANCINGS

This data looks at Orrick’s closed Convertible Loan Note transactions (excluding Future Fund transactions) across its European offices throughout 2020. CLNs are an increasingly prevalent tool in Europe—providing finance to support startups and high-growth companies from investors, investment banks and other financial institutions.



### 2020 CLN Financings by Total Size (US\$)



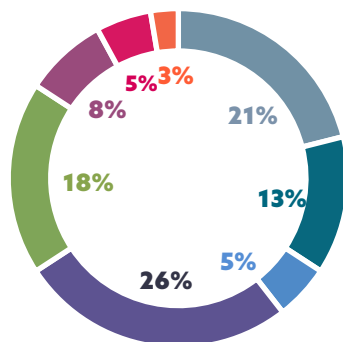
▶ Deal values all in US\$m using GBP/USD exchange rate of 1.34  
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Based on FT FX Rates of 21 Dec 2020

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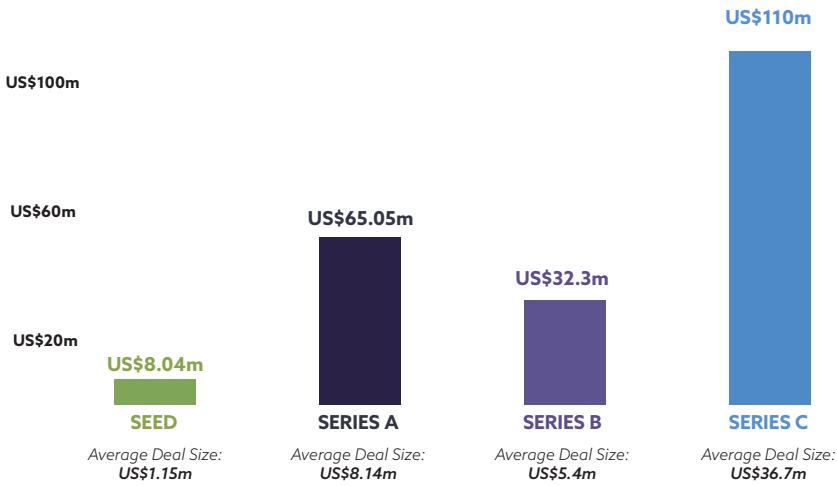
### 2020 CLN Financing Deals by Sector

- Technology
- FinTech
- Data & Privacy
- SaaS & Platforms
- Energy
- Health
- Real Estate
- Retail



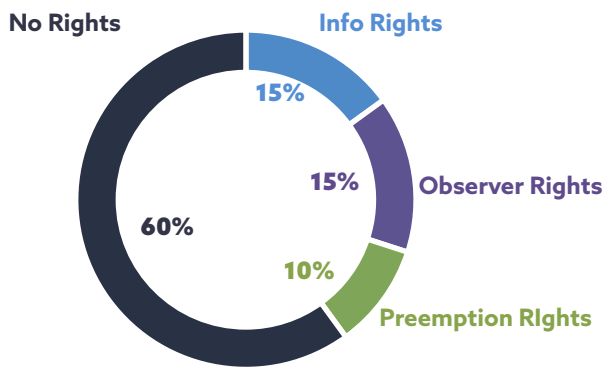
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- ▶ **FinTech** includes BaaS, Blockchain, Crypto, Digital Currency
- ▶ **Data & Privacy** includes Big Data, Compliance, Cybersecurity, Data Analytics, Data Centres, Data Privacy, IoT, Risk Management
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**2020 CLN Series / Rounds by Deal Value**

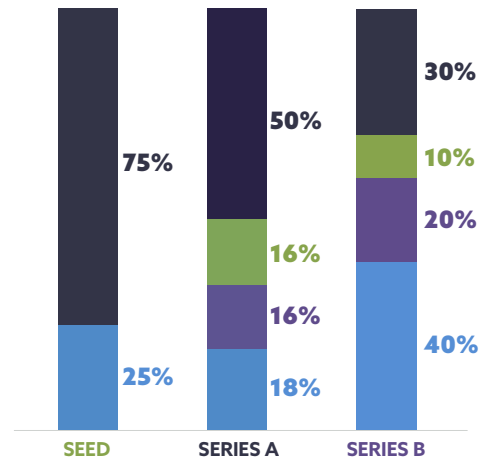


► Deal values all in US\$m using  
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**Investor Rights:  
Breakdown across our CLN transactions**



**Investor Rights:  
Breakdown by Round**

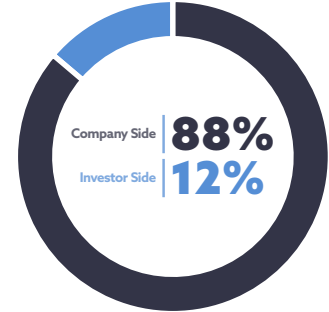


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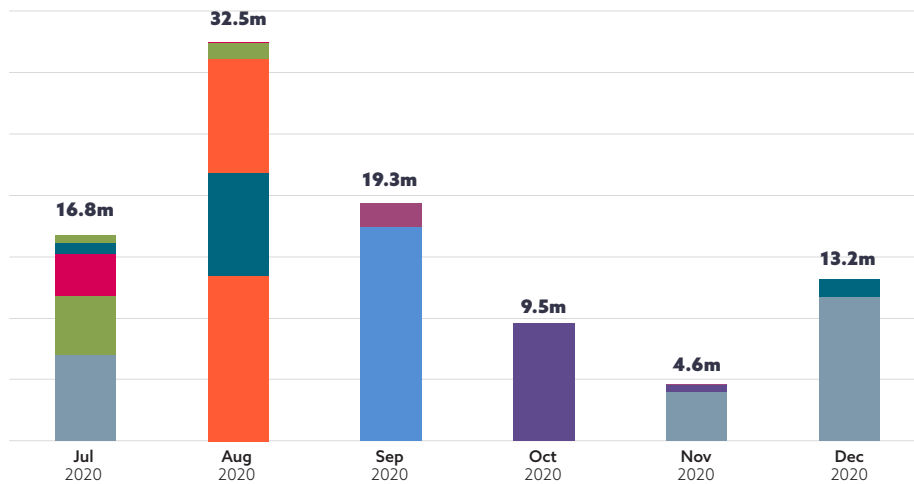
## DEAL TERM REVIEW 2020 FUTURE FUND FINANCINGS

This data looks at Orrick’s closed Future Fund Convertible Loan agreements throughout 2020. Since launching in response to the Covid-19 pandemic, the UK’s Future Fund has helped to finance thousands of startups.

To sustain the region’s economic recovery from COVID-19, the UK moved decisively to support the tech industry through initiatives like the UK Future Fund scheme. Orrick had the honour of [advising HM Treasury](#) on the design and implementation of the scheme which provides financing to UK start-ups and scale-ups in the form of a convertible loan which is invested directly by the Government, alongside a company’s existing investors.



### 2020 Future Fund Financings by Total Size (US\$)

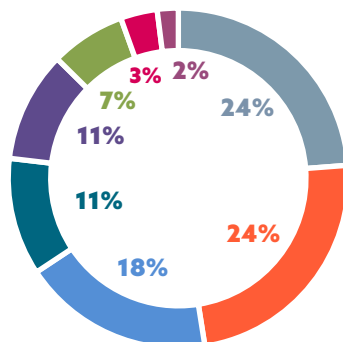


- ▶ Deal values all in US\$m using GBP/USD exchange rate of 1.34  
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- ▶ Sectors are colour coded as per the key in the chart below

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### 2020 FF, CLN & Venture Debt Deals by Sector

- Technology
- FinTech
- Data & Privacy
- SaaS & Platforms
- Energy
- Health
- Real Estate
- Retail

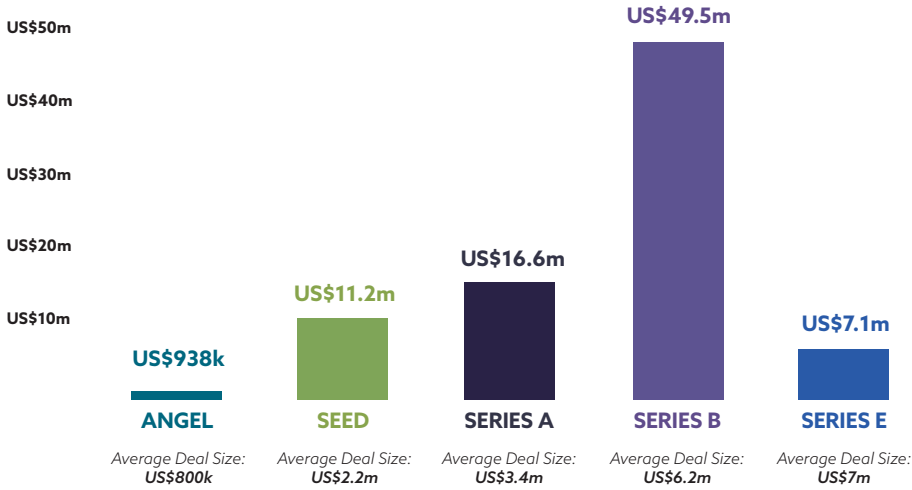


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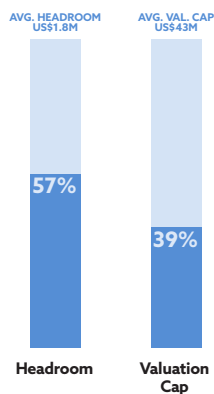
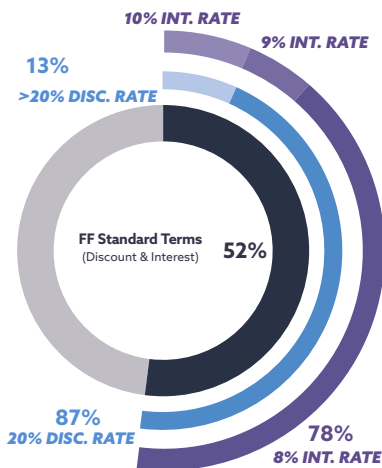
# DEAL TERM REVIEW 2020 FUTURE FUND FINANCINGS

## 2020 Future Fund Series / Rounds by Deal Value

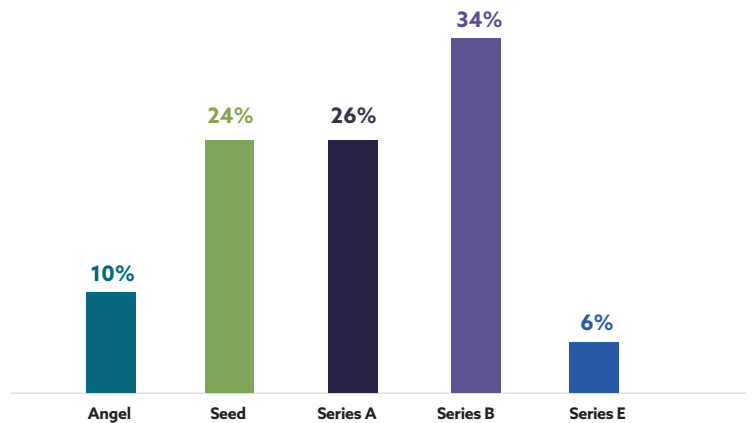
► Deal values all in US\$m using  
GBP/USD exchange rate of 1.34  
EUR/USD exchange rate of 1.22  
Based on FT FX Rates of 21 Dec 2020



## Headline Terms



## Series Breakdown by # of FF Deals



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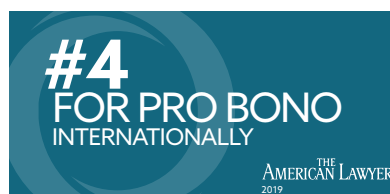
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# INNOVATIVE LAWYERS 2020

NORTH AMERICA WINNER

## Most Digital Law Firm 2020



Financial Times has selected Orrick as the **Most Innovative Law Firm in North America** from 2016-2018 and as runner-up in 2019 & 2020

## About Orrick

### Creators. Visionaries. Underdogs. The Daring.

Nothing inspires us more than helping tech companies develop novel strategies and push boundaries. We're passionate about entrepreneurship and guiding the success of early ventures. Through our extensive client portfolio, deal volume, and relationships in the tech ecosystem, we provide commercial and legal insight to companies and investors, from incubation to strategic exit and future growth opportunities.

**Our sector focus.** Because our clients need legal solutions informed by commercial insight, we focus on serving the three sectors driving the global economy: technology & innovation, energy & infrastructure and finance. We counsel more than 3,000 high-growth tech companies, as well as the most active funds, corporate venture investors and public tech companies worldwide.

**A unique global platform.** Based in 25+ markets globally, we possess deep experience across offices in many of the major global technology hubs. We specialise in high-value external growth transactions, flips, mergers and acquisitions, IPOs, direct listings, SPACs and cross-border exits.

**A commitment to innovation.** We are transforming the delivery of legal services. That's why Financial Times has named Orrick the Most Innovative Law Firm in North America from 2016-2018 and runner-up in 2019 and 2020. Through Orrick Labs, we're developing new legal technologies. Through Orrick Analytics, we're applying AI and other tools to solve clients' problems and save them money. And through creative staffing at our Global Operations & Innovation Center, we're streamlining legal processes for efficiency.

**Attracting and retaining top talent.** Because our clients value top quality, consistent and diverse teams, we're focused on transforming the BigLaw talent model by being the best firm to work for and the most diverse firm among our peers. On Fortune's list of the 100 Best Companies to Work For (five years in a row) we are able to attract and retain top quality teams for each client.





## Diversity, Equity & Inclusion

Orrick has a long-standing commitment to diversity, equity and inclusion. We believe it is not only a moral imperative but is also essential to the sustainability of our firm and our profession. Without diverse perspectives on our team, it would be impossible for us to give forward-thinking advice to the world’s most innovative companies.

- ▶ As one of four law firm founders of the [Move the Needle \(MTN\) Fund](#), we set a goal with a \$5 million investment that, by 2025, the teams serving an initial set of 40 most-valued clients will comprise of at least 55% diverse lawyers—including women, lawyers of color and LGBTQ+ lawyers—with meaningful roles appropriate to their level of seniority.
- ▶ We have achieved Mansfield Plus certification for the past three years indicating that we’ve affirmatively considered at least 30% women, lawyers of color, LGBTQ+ lawyers and lawyers with disabilities for leadership and governance roles, equity partner promotions, formal client pitch opportunities and senior lateral positions.
- ▶ We are deploying six bias interrupters to unravel systemic inequities—these are science-backed approaches to improve systems of feedback, work allocation, sponsorship, communication/connection and retention, and raise awareness through educational reinforcement.
- ▶ We launched a fellowship program in 2021 where six experienced Orrick lawyers will devote a year of full-time work to partner with organizations working on the frontlines of civil rights, criminal justice reform, social and racial justice, and economic empowerment issues.
- ▶ We inform changes to our DEI program by listening to diverse lawyers across the firm. In particular in 2020, the Black Lawyers of Orrick (BLOO) and the Orrick Women’s Initiative each provided recommendations to our Board on how to further advance inclusion and the success of diverse lawyers at our firm. This feedback has helped us implement a range of training and forums focused on enhanced allyship and inclusion.



**Mansfield Certified Plus**  
3 years in a row



**Human Rights Campaign**  
100% score—15 years in a row



**Top 10 for Overall Diversity 2021**



**WILEF Gold Standard Firm—8 years in a row**



**FINANCIAL TIMES' INNOVATIVE LAWYERS REPORT EUROPE 2019:**  
THREE INNOVATION PROJECTS RELATING TO DIVERSITY AND INCLUSION

### OUR RESULTS TO DATE

Senior Leadership Team:  
**50% diverse**

Partnership:  
**39% diverse**  
**14% of colour | 25% female**

U.S. Lateral Partners over last 5 years:  
**50% diverse**

2020 New Partner Class:  
**60% diverse**

2020 Summer Associate Class:  
**83% diverse**

## Contact/Sign Up Information

For additional information about this report or to be placed on an email list for future editions, please contact

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