



Industrifonden

**Swedish Tech Funding
Report 2016**

The year in review

2016 ended on a high note, with a record number of investment rounds and amount of capital raised. The strong increase in number of deals – twice the number of 2015's – primarily stemmed from a record-breaking amount of seed stage investments. This also explains the more than doubled increase in number of active investors, as a very high number of new angel investors dipped their toes for the first time in 2016.

This was also matched with a record year for Swedish tech IPOs. The companies going public ranged from older, venture-backed companies seeking an exit for investors to startups that had a hard time attracting venture capital or sought a more attractive valuation. The public markets treated tech IPOs favorably for the most part of the year, but the positive sentiment came to a halt in Q4 with several stocks flatlining or decreasing compared to the IPO price. While the data in this report does not include investments in publicly traded companies as that constitutes a different kind of funding compared to venture investments in private companies, the development is still highly noteworthy.

Apart from angel investors and the public markets, the clear trend for 2016 was the return of profitability as a

key value driver. Following the market correction in the US, several Swedish companies accelerated the focus on finding paths to profitability. 2016 saw a number of venture-backed companies shutting down or raising down-rounds, but the market for later stage funding did not dry up completely as domestic and international VCs picked up the pace again in the last quarter of the year, following moderate activity in the first half of 2016.

Just like in 2015, the most popular sector for venture funding was FinTech. More interesting to note however was this year's runner-ups. E-commerce climbed to a second place and while Enterprise SaaS had another strong year, MediaTech fell sharply while Digital Health and Gaming instead gained significant momentum.



Björn Bergström
Investment Manager
Industrifonden

KEY FIGURES

400 ↑

Funding rounds (2015: 175)

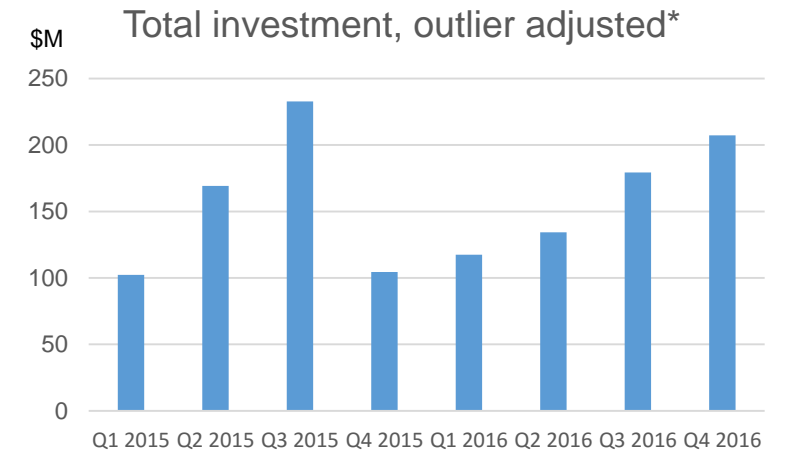
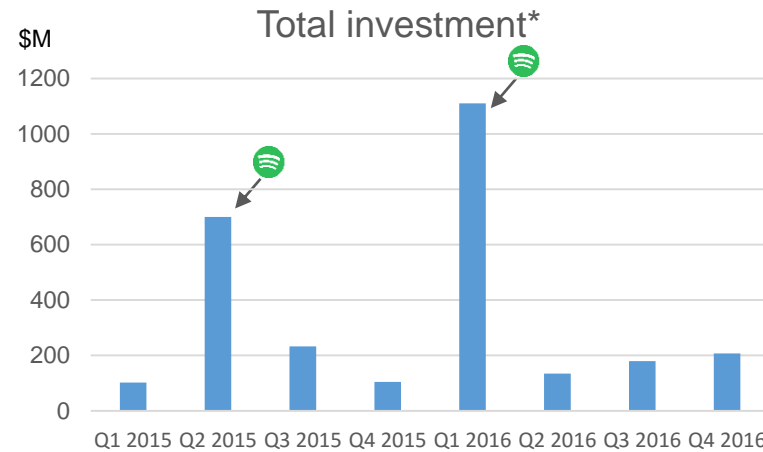
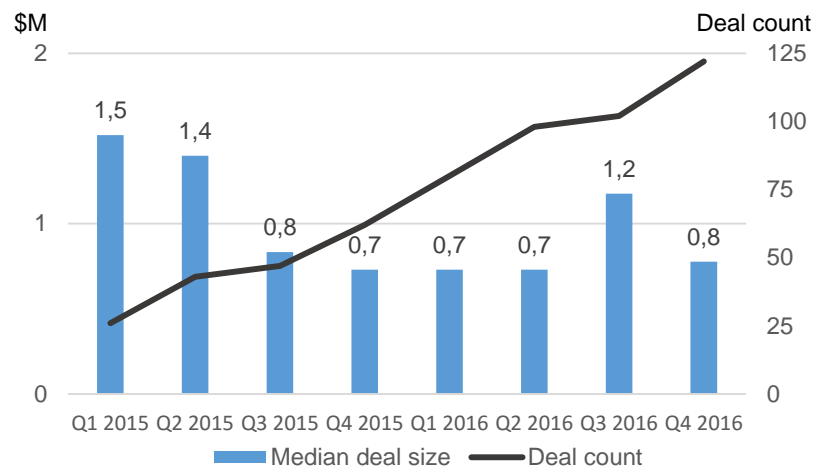
\$1.6B →

(SEK 13.6B) raised (2015: \$1.1B)

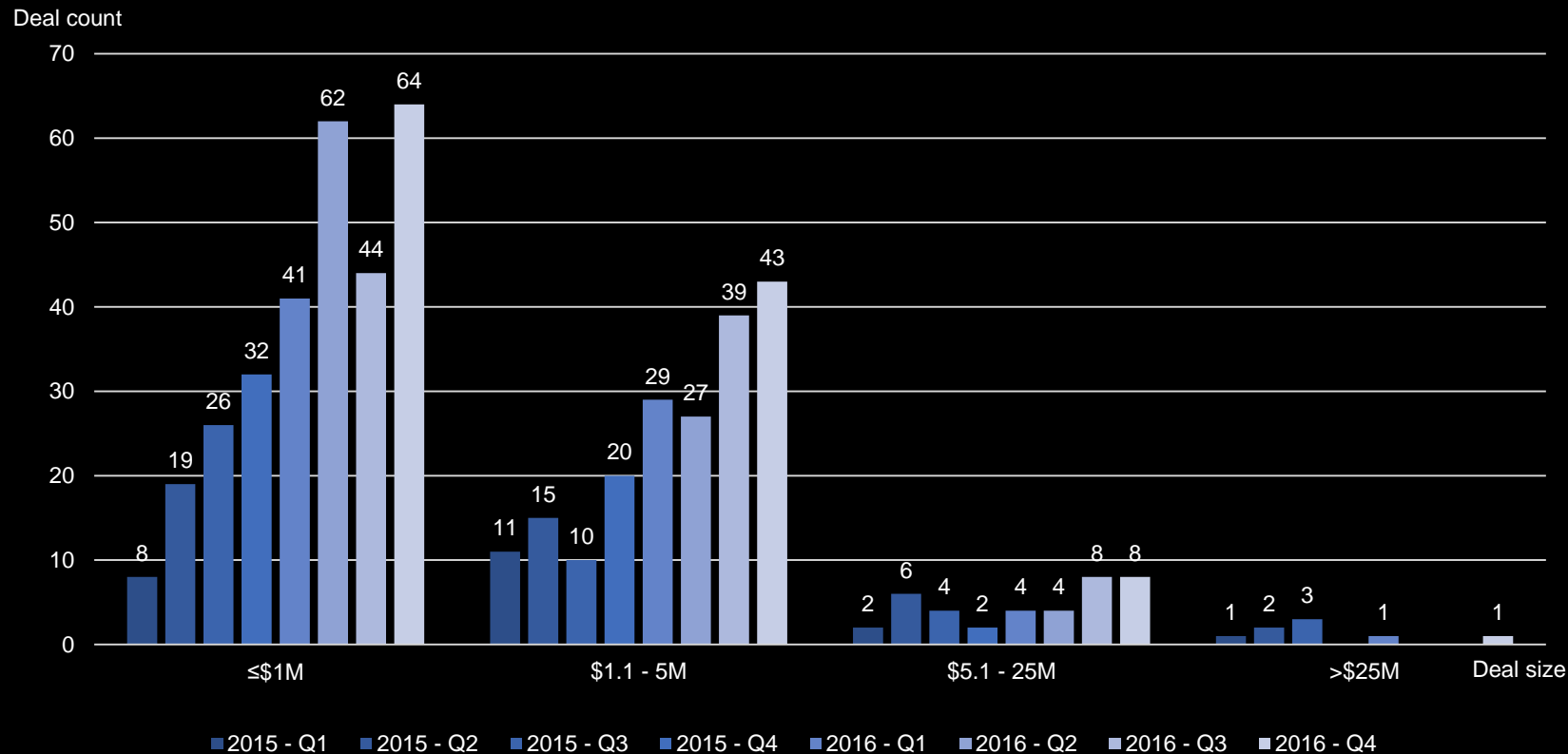
575 ↑

Active investors during 2016 (2015: 250)

2x increase in number of rounds – slower growth in invested capital



Increase in number of rounds remain driven by early stage – flatline in growth stage

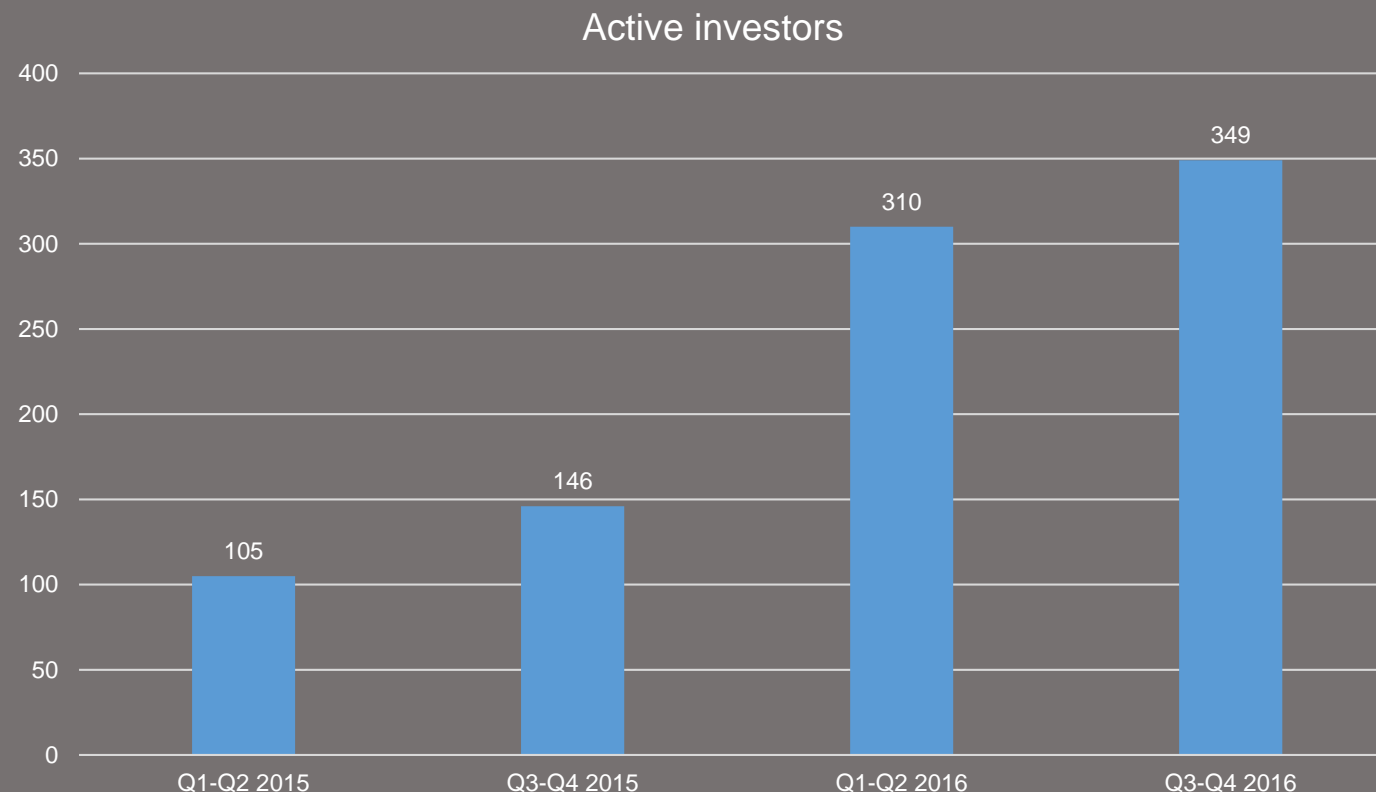


129%

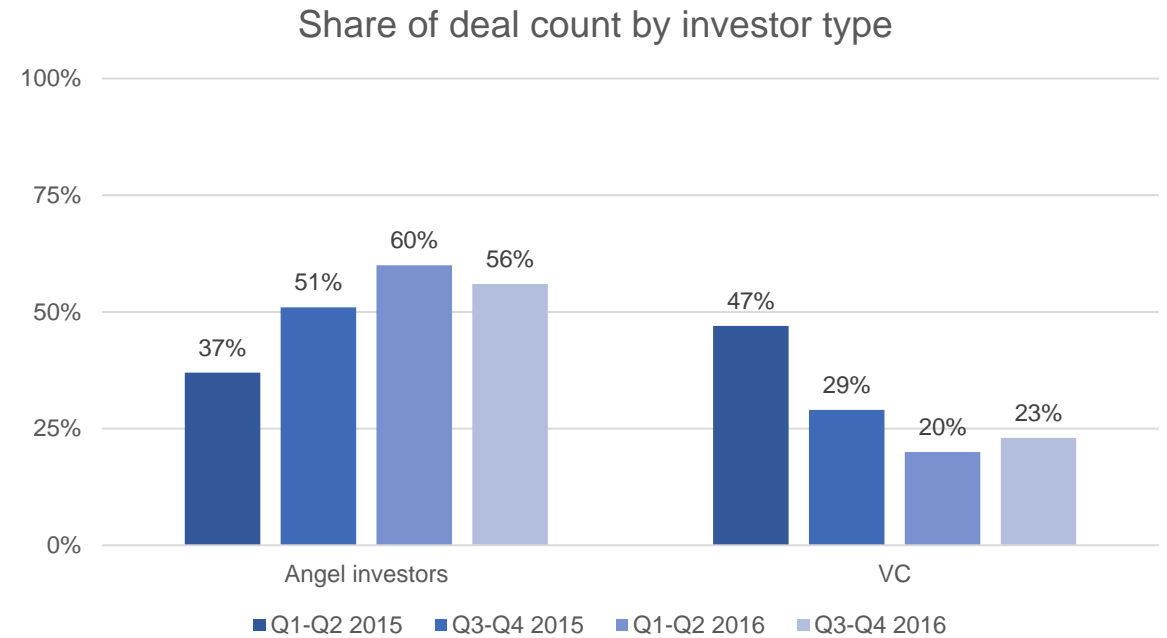
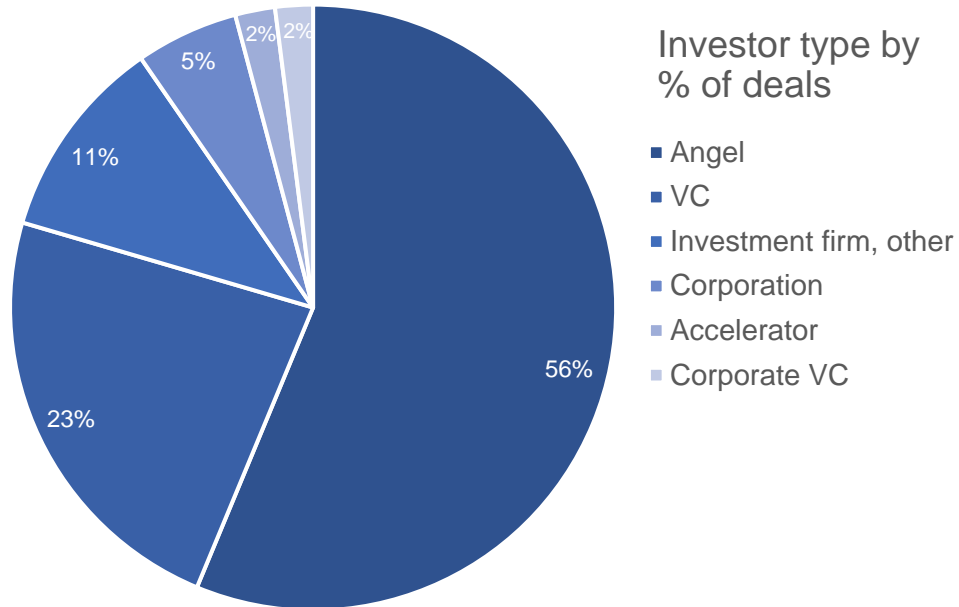
Increase in active investors 2016 compared to 2015

23%

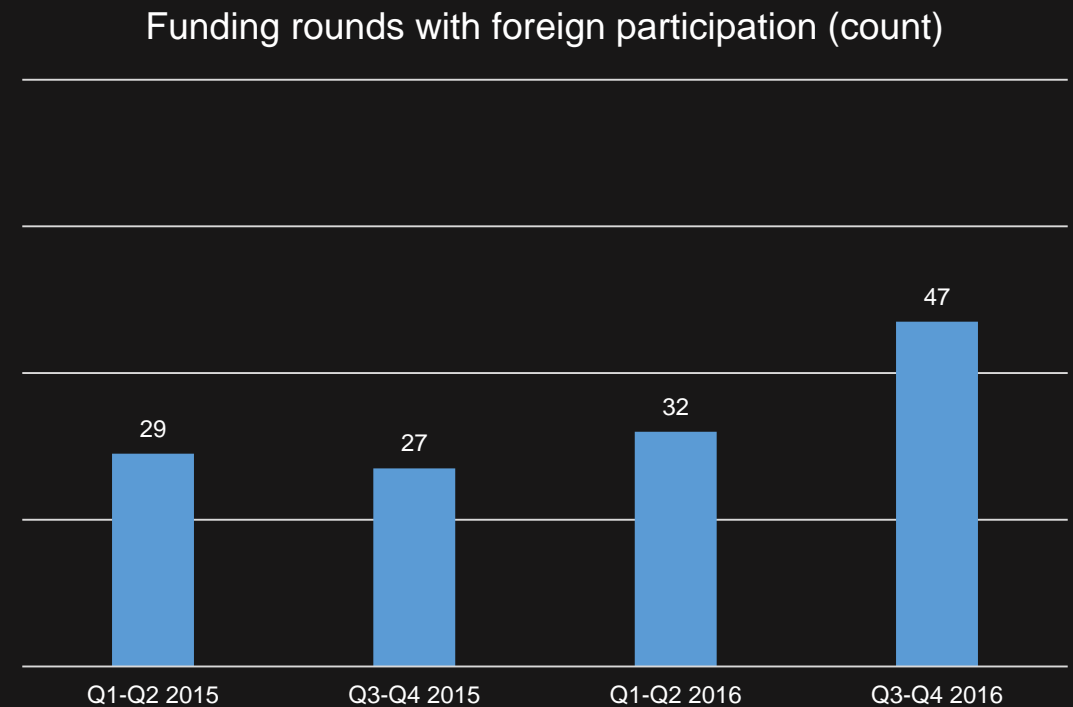
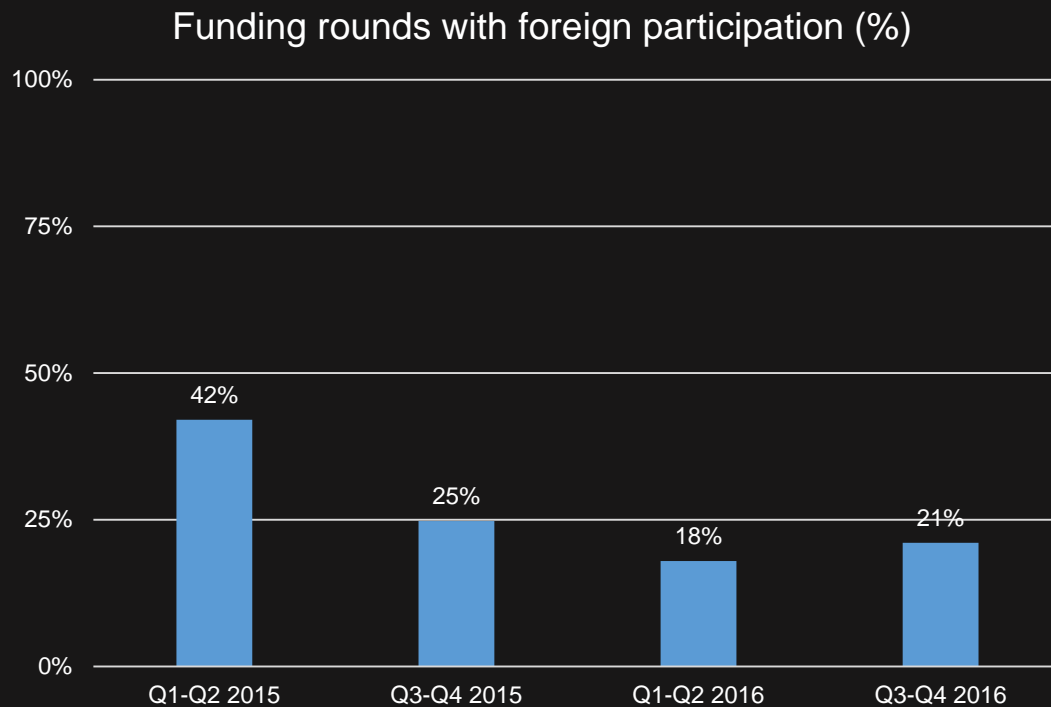
Of the active investors participated in at least two funding rounds during the year



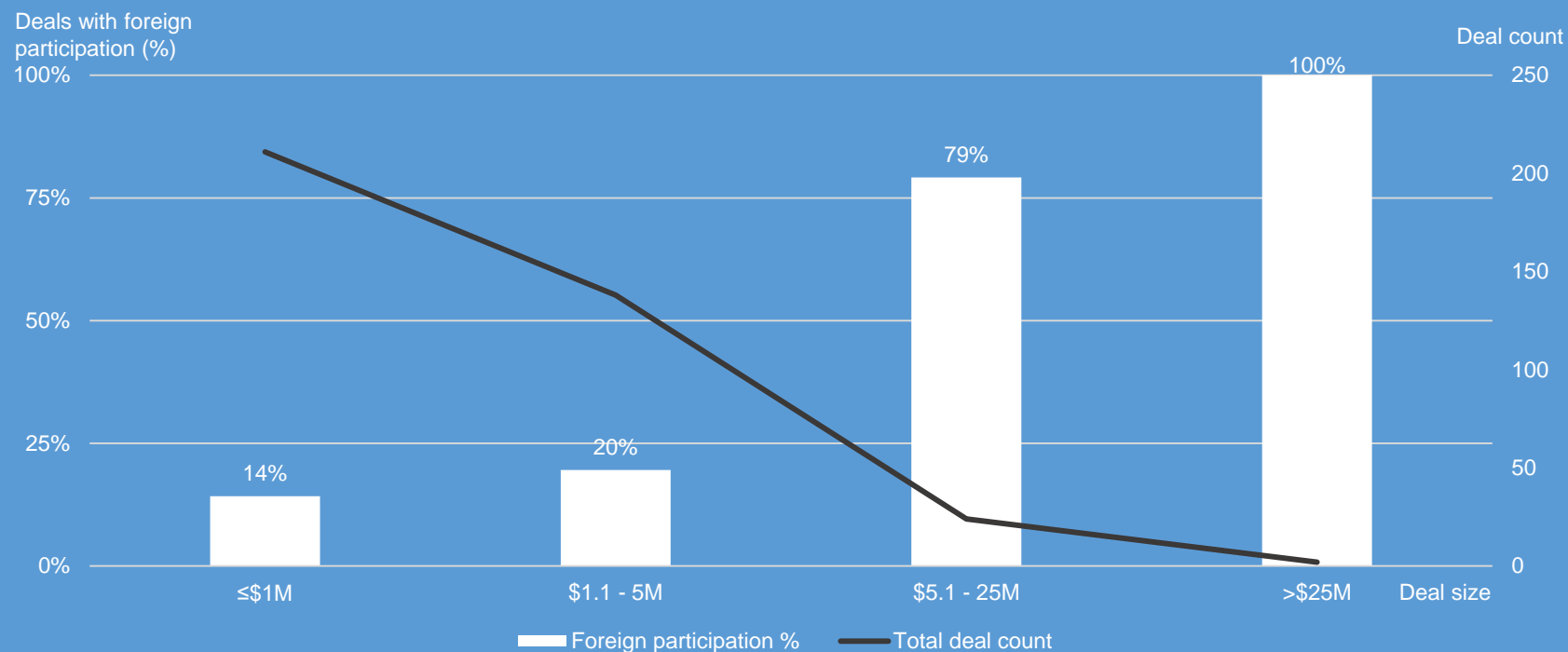
Angel investors and VCs remain most active backers of tech startups



Foreign investors broke the downwards trend – picked up the pace in Q3-Q4

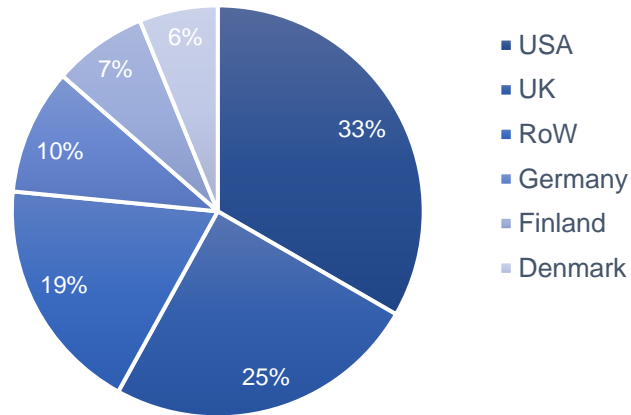


...but remain active mostly in growth rounds



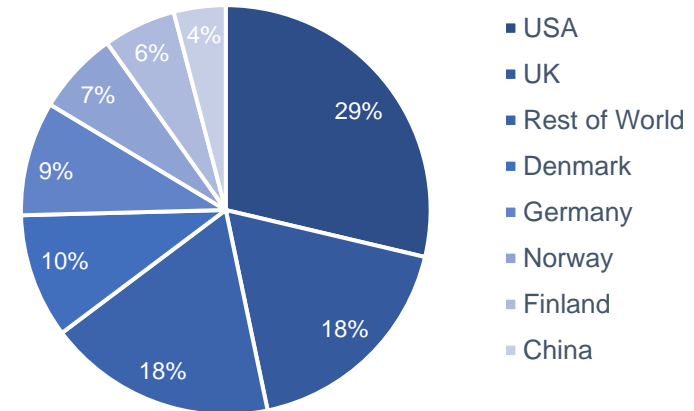
Decreased US and UK dominance – greater regional spread

Foreign participation by country **2015**



US and UK investors together accounted for close to 60% of foreign activity in 2015

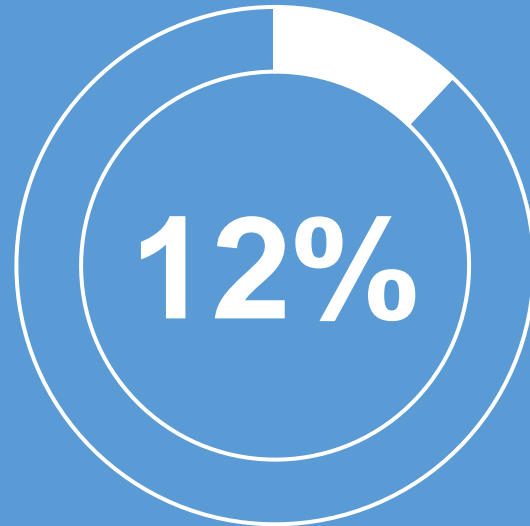
Foreign participation by country **2016**



In 2016, US and UK investors' share of foreign participation dropped by a fifth to 47%

FinTech remained hottest sector, while E-commerce, Digital Health and Gaming rapidly gained momentum

Top 2 verticals by deal count



FinTech

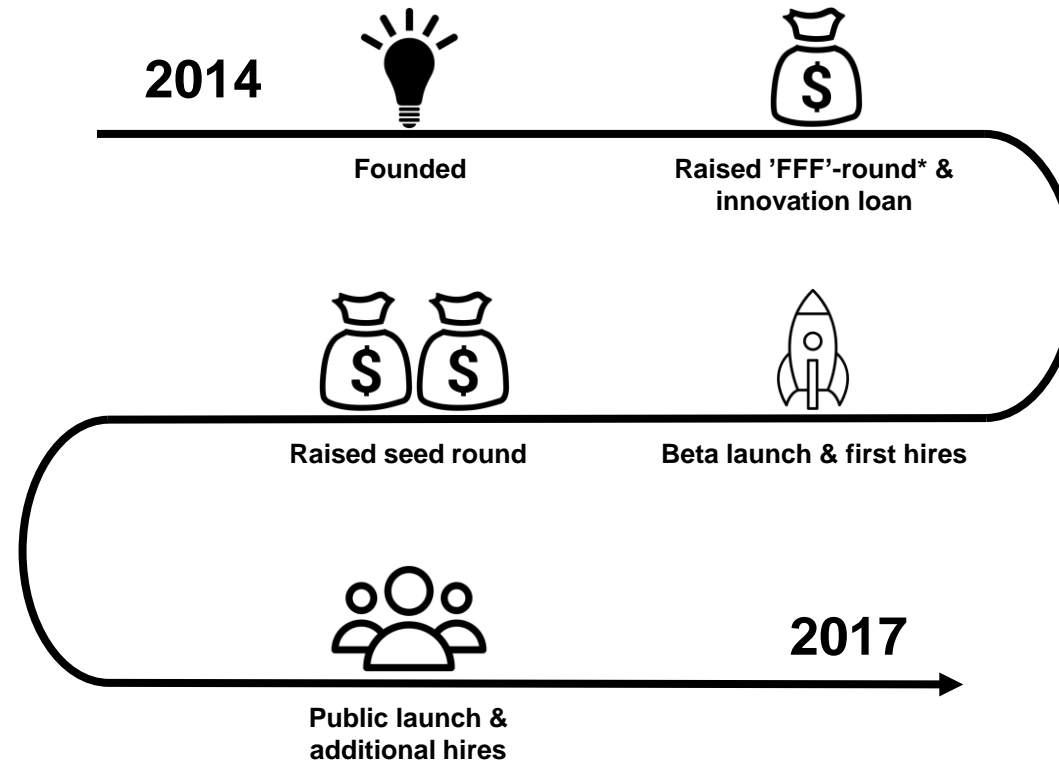


E-commerce

The Fundraising Journey – Seed Stage

A data-driven look at the average seed stage company's path to 2016

- Founded in 2014 by 2-3 founders
- Raised a small initial funding round topped up with a soft loan before making its first hires, moving into its own office and launching its first product
- Went on to raise a \$500K seed round in 2016 from a syndicate of angel investors and one early-stage institutional investor

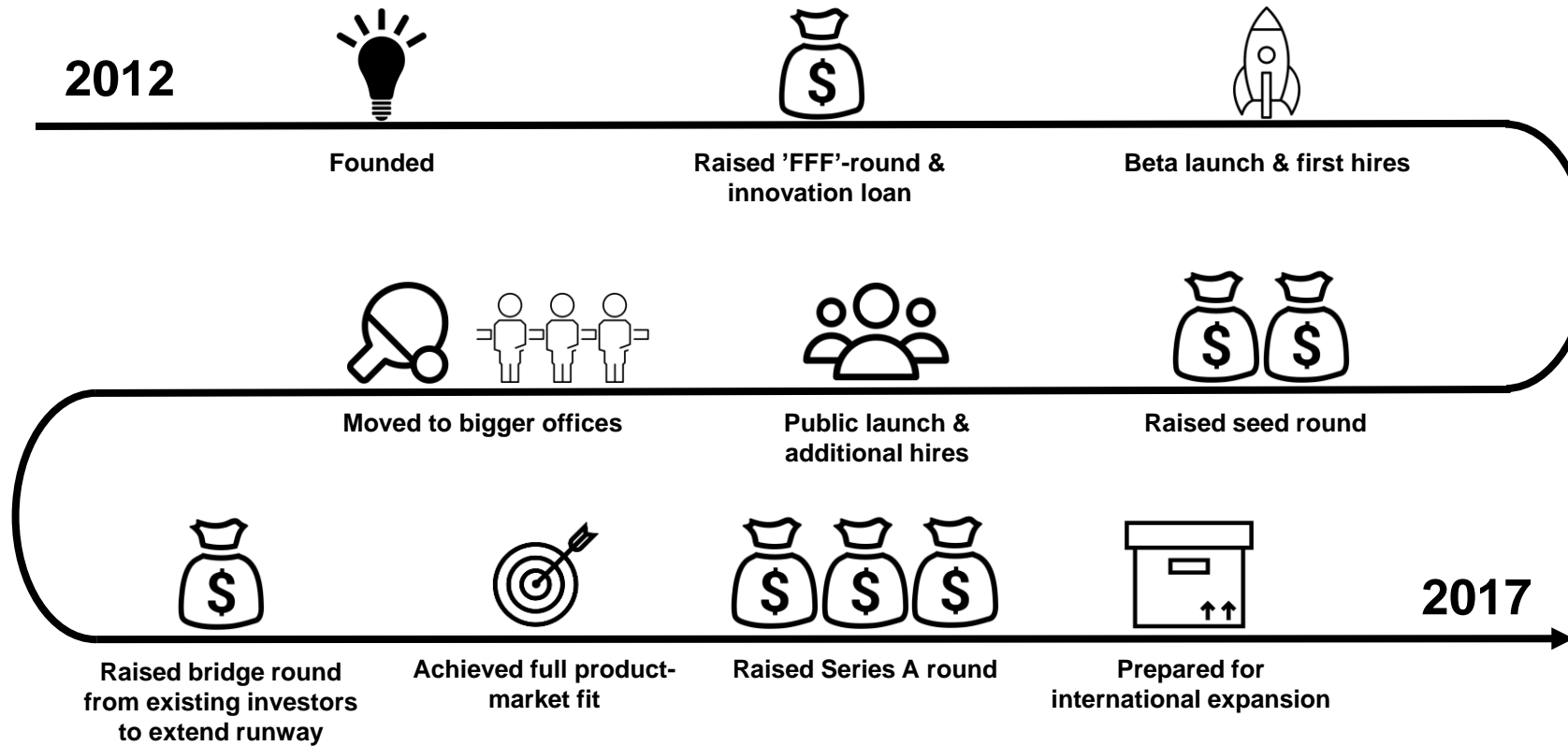


Most active seed stage investors in 2016



The Fundraising Journey – Series A

The average Series A stage company's path to 2016



Most active Series A investors in 2016

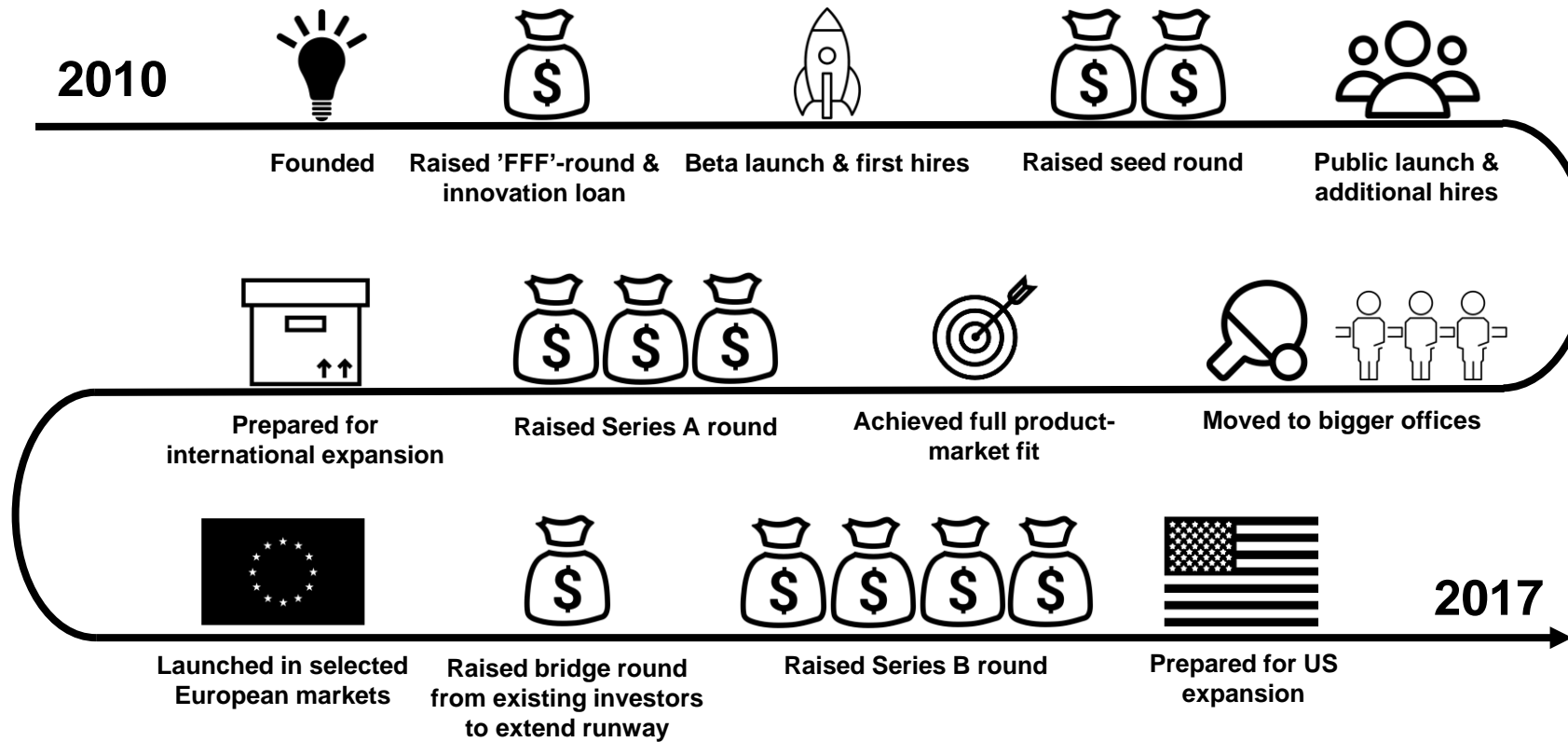
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Northzone

Sunstone
Capital

The Fundraising Journey – Series B & Beyond

The average growth stage company's path to 2016



Most active Series B & Growth investors in 2016

Sunstone Capital

What's included

- This report covers disclosed venture investments in Swedish private tech companies
- Analysis primarily based on proprietary database with 600+ funding rounds
- Both first-time and follow-on investments are included
- Deals are tracked in SEK but reported here in USD. If originally reported in other currencies, conversion is based upon exchange rate per date of disclosure. Aggregate figures are subject to change due to currency fluctuation

What's not included

- Investments in life science, med tech, bio tech, retail, and consulting
- Secondary transactions, investments in subsidiaries and M&A transactions
- Equity crowdfunding and investments in public companies of any kind
- Grants, bonds, bank loans and any other types of funding that is not intended to result in ownership

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Industrifonden is a Nordic venture capital investor with \$500M in assets, focusing on early-stage tech and life science companies with international potential. Industrifonden is an active partner to innovative companies poised for growth.

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