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The PitchBook Platform

The data in this report comes from the PitchBook Platform—our data software for VC, PE and M&A. Contact sales@pitchbook.com to request a free trial.
Cyclicality comes to bear

PE-backed exits overview

Note: The geographic scope of this report covers both North America and Europe.

PE exit numbers were slightly down year over year in 2016, and 2017 is on pace to be down 24% in volume. Through the first five months of the year, there have been 791 PE exits worth $168.3 billion. Median hold times fell below five years during 2016 for the first time since 2011 and remain unchanged at 4.9 years through the first half of 2017. Despite a quicker turnaround of PE-sponsored companies when compared to just a few years ago, exits via corporate acquisitions and secondary buyouts are off to a slow start in 2017. At the current pace, exits to strategics would be down 34% and secondary buyouts down 30%. Although we expect exits to pick up through the back half of the year, the exit market seems to be at the beginning of a downward trend.

Volume has been steadily diminishing for several quarters now

PE-backed exit activity in North America & Europe

Hold times plateau thus far in 2017
Median PE hold time (years)

Source: PitchBook. *As of 6/1/2017

Volume has been steadily diminishing for several quarters now

PE-backed exit activity in North America & Europe

Source: PitchBook. *As of 6/1/2017
Declining averages in Europe have helped drive declining incidence of mega-deals
Average PE-backed exit size ($M)

This trend is driven by the cyclical nature of the PE industry and two figures point to being just past the peak of the current exit cycle.

One, a greater proportion of PE-sponsored companies was acquired over the last three years; many of these investments are not yet ready for an exit. Given the time it takes to implement operational changes it is reasonable to conclude that exits will experience a continued drop in activity. Two, corporate M&A activity seems to be returning to historical averages after a record-setting 2016 with $1.9 trillion over 6,695 deals. This too is influencing the decline in PE-backed exits; we expect exits to continue slowing until more recently acquired PE-sponsored companies are ready for sale.

Investment-to-exit ratio barely down, cyclicality in play for both buyers & sellers
PE investments versus exits (#)

Multiples are holding somewhat steady
Median PE-backed exit multiples by type

Note: Due to the opaque nature of private markets, we are constantly backfilling our database to include the most up-to-date information. Consequently, some data points may change from time to time, particularly for more recent quarters.
B2C exits fade after a strong year

PE-backed exits by industry & size

By and large, proportional activity remains similar to historical trends
PE-backed exits (#) by industry

Midsized deals temporarily driving more volume
PE-backed exits (#) by size

After a blockbuster year, B2C set to decline proportionally
PE-backed exits ($B) by industry
As previously stated, PE exits are entering a downward trend that is being driven by the cyclical nature of the industry and a return to normalcy by strategic acquirers. Exit value via corporate acquisitions was down 51% from 1Q 2016 and early 2Q data suggests M&A activity continues to be weaker quarter over quarter. Despite this, sales to strategics remain the most lucrative and popular exit route, making up 63% of all capital exited this year while only 44.6% of exits by count. Last year saw $142.1 billion dollars of exit value via secondary buyouts, down from 2015. Buyout firms drove 49.6% of all PE exits with $51.9 billion exited from one PE firm to another so far this year. This is also the first year secondary buyouts have made up a greater proportion of exit volume than corporate acquisitions, thus far. On another note, IPO exits are stabilizing and are on track to make up 5.8% of PE-backed exits this year, the highest proportion since 2014 and is the only exit route outpacing its volume recorded last year.

Relative proportions hold but secondary buyouts remain key in driving value

PE-backed exits (#) by type

**Source:** PitchBook. *As of 6/1/2017*

Median PE-backed exit size ($M) by type

**Source:** PitchBook. *As of 6/1/2017*

PE-backed exits ($) by type

**Source:** PitchBook. *As of 6/1/2017*
The exit market for VC-backed companies hasn’t yet been as robust as the industry had hoped after a slow 2016. For two straight years, the number of exits has decreased, forming a backup of unrealized value at the late stage. While Snap initially generated some optimism concerning unicorns’ exit prospects with its $3.4 billion IPO in March, the response from the rest of the mature, richly valued population of venture-backed companies was tepid. Just 30 companies have entered the public markets so far in the US and Europe, on pace for fewer than last year, which in turn had been the lowest total since 2012. Acquisitions have also been slow as corporations work on internal mechanics and organic growth rather than overextending themselves in the current climate. Just 315 VC-backed companies have been acquired in 2017; last year 990 acquisitions were completed.

The culprits for this slowdown are many, but we would be remiss not to mention this year’s constant political tension across multiple continents. While stock markets have performed well since the year began, the uncertainty created by the rollback of old policies—whether sector-specific or more general—and the implementation of new ones has likely made public markets less enticing. In Europe, multiple elections have caused the euro and pound to fluctuate, contributing to more instability in the region.

2017 was hoped to be a year of rebound for VC-backed exits. Unrealized value continues to be created at the top of the market, yet high levels of fundraising has kept late-stage capital available, continuing the trend of longer hold times before realized exits.
Surge of large exits continues

VC-backed exits by sector & size

Software businesses remain most frequently bought
VC-backed exits (#) by sector

30.2% of all 2017 VC-backed exits to date were sized between $100M and $500M
VC-backed exits (#) by size

Several software unicorns drove disproportionate value
VC-backed exits ($B) by sector

68.4% of all 2017 venture-backed exit value to date has come from exits sized $500M or more

Opportunistic exits have driven exit value significantly
VC-backed exits ($B) by size

Source: PitchBook. *As of 6/1/2017
**PE buyouts more popular**
Acquisitions continue to be the most common exit route, but through May, over 20% of 2017 exits have been buyouts by PE firms, a large proportion compared to past years which have observed that percentage generally hover between 10% and 12%. We believe that this trend will continue to play out moving forward, as it is an attractive option for many late-stage companies. PE firms can provide operating expertise to companies running inefficiently, and would likely allow the founder or current executives of the company to continue leading the company without the costly and highly scrutinized route of an IPO. PE firms have also been more actively targeting tech companies; the proportion of PE deals involving IT companies has grown each of the past three years, hitting a decade high of 20.4% in 2017.

**Time to say goodbye**
The hold period for VC-backed companies has risen quite dramatically in recent years. Median years to exit from first VC round through acquisition or buyout rose to almost five years in 2016, with the time until an IPO exceeding eight years. The longer these timelines grow, the more they clash with what is generally thought of as the traditional venture fund lifetime of 10 years. While that may have traditionally been the case, limited partners may now need to make commitments with an assumption that a fund will not be closed out in 10 years, but that it will hopefully create decent returns during that time, with only some liquidity protracted. Lengthening hold periods look to be due in part to rising deal sizes that are providing companies longer runways before the next round is necessary. The increase in available late-stage capital over past years has also disincentivized the flow of companies moving to exit, enabling longer tenure in private markets. While longer exit timelines aren’t necessarily detractive as long as healthy companies are eventually created and fund investors’ expectations are aligned, longer timelines could put pressure on fund managers to provide even larger returns to their investors.
The primary source of exit value

Corporate acquisitions

Corporate buys off to a slower pace
PE-backed corporate acquisition activity

VC-backed corporate acquisition activity

Both PE-backed & VC-backed corporate acquisition sizes tend to remain high

Median PE-backed corporate acquisition size ($M)

Median VC-backed corporate acquisition size ($M)

Source: PitchBook. *As of 6/1/2017
Will IPOs resurge in 2017?

IPOs

PE
Although IPO exits of PE-backed companies are up slightly over last year’s numbers, the number of IPOs exiting below target is at a 37.5%, the highest figure in our dataset. On the opposite end of the spectrum, 12.5% of IPO exits are hitting above their target pricing ranges. The largest IPO was BlackStone’s Invitation Homes which raised $1.54 billion, the largest public offering of a REIT.

VC
While IPO volume has been low through its first five months, 2017 is on pace to see the highest number of unicorns go public in any year—six is the current record—a caveat being the current population of private unicorns is much larger than in the past. Each of the four billion-dollar companies that has held an offering this year is currently trading above its IPO price, and Blue Apron’s forthcoming IPO is much anticipated. The only disappointment has been Snap (NYSE: SNAP), which has been dogged by slowing user growth and similar services being introduced by Facebook (NASDAQ: FB).

A surge in low-pricing debuts
PE-backed IPOs hitting range (#)

Past imbalances still hold implications for liquidity
$1B+ VC-backed rounds & exits

Source: PitchBook. *As of 6/1/2017
Will IPOs resurge in 2017?

IPOs, continued

So far in 2017, across North America and Europe, 30 companies have entered the public markets, amassing close to $6 billion in proceeds—$3.4 billion from Snap's offering. That number of IPOs is still relatively low compared to the rate that led to over 200 IPOs in 2014, or even the 139 completed offerings in 2015. This year has had its fair share of volatility-inducing events, likely causing the slow start to IPOs. Knowing companies prefer stabler environments, uncertainties over how new US governmental policies would affect stocks, coupled with several high-profile European elections, created an environment unsuitable for IPOs by companies with weak financials overly predicated on potential.

Venture-backed offerings still considerably off historical paces by volume

VC-backed IPO activity

Select statistics of most recent unicorn companies that went public

<table>
<thead>
<tr>
<th>Company</th>
<th>IPO Date</th>
<th>IPO Size (M)</th>
<th>Ticker Symbol</th>
<th>Initial Share Price</th>
<th>Current Share Price</th>
<th>Growth Rate</th>
<th>Current Market Capitalization ($M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Box</td>
<td>1/22/2015</td>
<td>$175.00</td>
<td>BOX</td>
<td>$14.00</td>
<td>$19.15</td>
<td>37%</td>
<td>$2,542.62</td>
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<tr>
<td>Etsy</td>
<td>4/16/2015</td>
<td>$266.67</td>
<td>ETSY</td>
<td>$16.00</td>
<td>$13.54</td>
<td>-15%</td>
<td>$1,577.63</td>
</tr>
<tr>
<td>Shopify</td>
<td>5/21/2015</td>
<td>$150.50</td>
<td>SHOP</td>
<td>$17.00</td>
<td>$97.48</td>
<td>473%</td>
<td>$9,562.23</td>
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<td>Sunrun</td>
<td>8/5/2015</td>
<td>$251.00</td>
<td>RUN</td>
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<td>$5.00</td>
<td>-64%</td>
<td>$527.22</td>
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<td>Pure Storage</td>
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<td>PSTG</td>
<td>$17.00</td>
<td>$13.22</td>
<td>-22%</td>
<td>$2,748.63</td>
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<tr>
<td>Square</td>
<td>11/19/2015</td>
<td>$243.00</td>
<td>SQ</td>
<td>$9.00</td>
<td>$23.39</td>
<td>160%</td>
<td>$8,750.29</td>
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<tr>
<td>Twilio</td>
<td>6/23/2016</td>
<td>$150.00</td>
<td>TWLO</td>
<td>$15.00</td>
<td>$24.95</td>
<td>66%</td>
<td>$2,257.52</td>
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<tr>
<td>Nutanix</td>
<td>9/30/2016</td>
<td>$237.92</td>
<td>NTNX</td>
<td>$16.00</td>
<td>$18.67</td>
<td>17%</td>
<td>$1,499.07</td>
</tr>
<tr>
<td>Snap</td>
<td>3/2/2017</td>
<td>$3,400.00</td>
<td>SNAP</td>
<td>$17.00</td>
<td>$20.21</td>
<td>19%</td>
<td>$23,830.13</td>
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<tr>
<td>MuleSoft</td>
<td>3/17/2017</td>
<td>$221.00</td>
<td>MULE</td>
<td>$17.00</td>
<td>$26.14</td>
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<td>$3,366.49</td>
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<td>Okta</td>
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<td>$187.00</td>
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<td>$24.61</td>
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<td>Cloudera</td>
<td>4/28/2017</td>
<td>$225.00</td>
<td>CLDR</td>
<td>$15.00</td>
<td>$22.56</td>
<td>50%</td>
<td>$2,889.13</td>
</tr>
</tbody>
</table>

Source: PitchBook. *As of 6/1/2017
Steady clip of sponsor-sponsor exchanges
Secondary buyouts & PE buyouts of venture-backed companies

Volume off pace after two highly active years
SBO activity

A decline from recent highs
Median SBO valuation/EBITDA multiple

Aggregate sum spent on VC portfolio companies soars
VC-backed buyout activity

Thus far in 2017, PEGs are paying less for VC cos.
Median size ($M) of VC-backed buyouts

Source: PitchBook. *As of 6/1/2017
### League Tables

Select largest PE & VC-backed exits in 2017

#### Select largest PE-backed exits in 2017*

<table>
<thead>
<tr>
<th>Company</th>
<th>Date</th>
<th>Size ($M)</th>
<th>Investor(s)/Buyer(s)</th>
<th>HQ</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formula One</td>
<td>23-Jan-2017</td>
<td>8,000</td>
<td>Liberty Media Group</td>
<td>London, United Kingdom</td>
<td>Other Commercial Services</td>
</tr>
<tr>
<td>Clayton Williams Energy</td>
<td>24-Apr-2017</td>
<td>2,442</td>
<td>Noble Energy</td>
<td>Midland, TX</td>
<td>Energy Exploration</td>
</tr>
<tr>
<td>Mauser Group (MSR)</td>
<td>03-Apr-2017</td>
<td>2,300</td>
<td>Stone Canyon Industries</td>
<td>Brühl, Germany</td>
<td>Plastic Containers &amp; Packaging</td>
</tr>
<tr>
<td>Optiv Security</td>
<td>02-Feb-2017</td>
<td>2,000</td>
<td>Kohlberg Kravis Roberts</td>
<td>Denver, CO</td>
<td>Systems &amp; Information Management</td>
</tr>
<tr>
<td>Oasis Healthcare</td>
<td>09-Feb-2017</td>
<td>1,040</td>
<td>Bupa</td>
<td>Bristol, United Kingdom</td>
<td>Healthcare Services</td>
</tr>
</tbody>
</table>

*As of 6/1/2017

#### Select largest VC-backed exits in 2017*

<table>
<thead>
<tr>
<th>Company</th>
<th>Date</th>
<th>Size ($M)</th>
<th>Investor(s)</th>
<th>HQ</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Snap (SNAP)</td>
<td>02-Mar-2017</td>
<td>3,400</td>
<td>N/A</td>
<td>Los Angeles, CA</td>
<td>Social/Platform Software</td>
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<td>Tolero Pharmaceuticals</td>
<td>25-Jan-2017</td>
<td>780</td>
<td>Dainippon Sumitomo Pharma</td>
<td>Lehi, UT</td>
<td>Drug Discovery</td>
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<tr>
<td>SimpliVity</td>
<td>17-Feb-2017</td>
<td>650</td>
<td>Hewlett Packard Enterprise</td>
<td>Westborough, MA</td>
<td>Systems and Information Management</td>
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<tr>
<td>Veracode</td>
<td>03-Apr-2017</td>
<td>614</td>
<td>CA Technologies</td>
<td>Burlington, MA</td>
<td>Network Management Software</td>
</tr>
</tbody>
</table>

*As of 6/1/2017

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**Deloitte’s Emerging Growth Company (EGC) Practice**

We understand that one size doesn’t fit all. Each emerging growth company has its unique needs and issues at different stages of growth. As your company grows, we make the necessary changes to grow with you. Quality is our top priority; our approach to client service focuses on the challenges of high-growth companies, the road to IPO and a commitment to the venture community.

We are committed to delivering a distinctive client experience through service offerings tailored to address the specific circumstances of your company. From startups to billion dollar companies, Deloitte’s collaborative approach brings the full breadth of our technical and industry capabilities, along with access to the global resources of our member firm network, to help you capture opportunities and address challenges. Our extensive IPO experience, along with our experienced professionals, enables us to provide insights that others may miss.

We have helped countless venture-backed companies achieve their goals. As you plan for your next stage of growth, make sure your organization is well equipped. Engage with our team of professionals that understands your challenges as a growing company, with specific industry knowledge and insights to the financial and operational challenges you may face.


We do pre-money valuations, cap tables, series terms, custom search, growth metrics.

You invest in the next big thing.