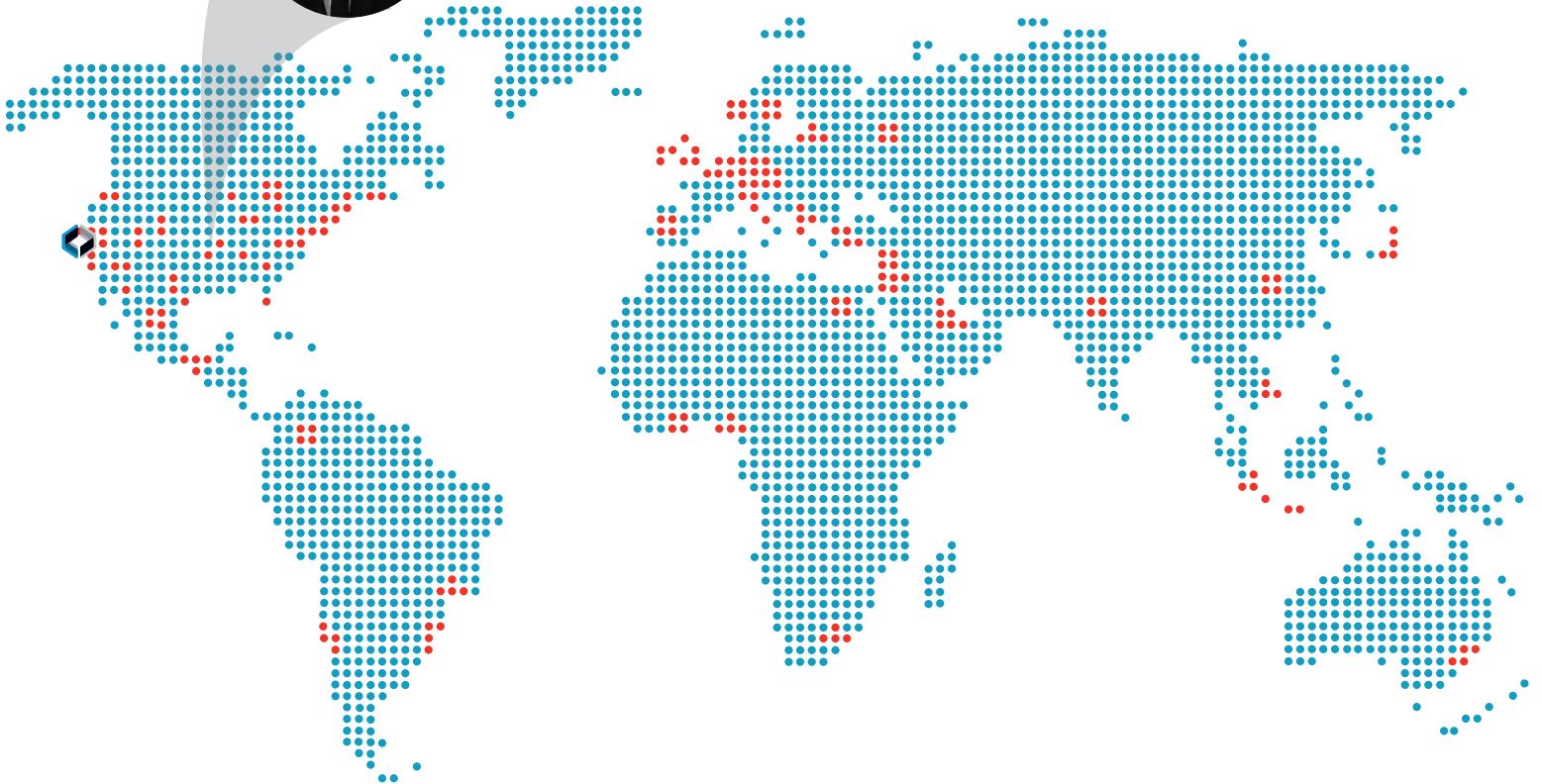




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The Future of VC in Spain: Time for a Track Record

Liz Fleming

Class 19

As a resident of Madrid since May 2011 and an active member of the startup ecosystem in Spain,¹ I have witnessed the maturation of the country's entrepreneurial community and have seen significant growth in its venture capital (VC) industry. At South Summit,² one of Europe's largest startup events, we have seen finalists from our startup competition raise over €450 million in the last three years, with the majority of this investment coming from international VC firms. These funding rounds are representative of [what has been happening in the Spanish VC industry as a whole: VC in Spain has nearly tripled since 2013](#).³

I am excited about the rapid growth of internationally competitive technology companies in Spain (e.g., ScytL, Alien Vault, Carto, Cabify, and Typeform⁴) and I am curious

about how the local VC industry will react. To date, international VC firms have been plugging the funding gap in later stages of these exciting Spanish tech companies. Will we see local VC firms get more involved in the game? [Who are the investors backing the VC firms in Spain, and why?](#)

This study looks at VC in Spain today and compares it with VC in Europe and the United States, in order to map the potential of VC in Spain. By comparing the annual reports of the National Venture Capital Association (NVCA), Invest Europe, and the Spanish Venture Capital and Private Equity Association (ASCRI), I was able to gauge where Spain lies in terms of VC investment volume and deals backed.

To get a better understanding of current investors, I interviewed limited partners (LPs) in public entities and private equity funds, and also asked Spanish VC firms about their LPs. First, I talked to Óscar Farrés, Investment Manager at the European Investment Fund (EIF),

modernization solutions. <https://www.scytl.com/en/>.

Alien Vault is a leading provider of unified security management and community-powered threat intelligence. <https://www.alienvault.com/>.

Carto is a leading location intelligence and data visualization platform. <https://carto.com/>.

Cabify is a mobile private driver platform. <https://cabify.com/>.

Typeform provides online surveys, forms, and quizzes with an engaging user- and mobile-friendly experience. <https://www.typeform.com/>. For more information about these companies, see [figure 9](#).

¹ Since arriving in Madrid, I have served as the Deputy Director of IE Business School's Startup Program Venture Lab and as the Director of Venture Network (a weekly pitch slam event). I also opened the Area 31 IE Business Schools Startup Incubator; ran the Spain Startup Co-Investment Fund—a €40M co-investment fund run by IE Business School and Enisa, a government agency tasked with financing innovation in SMEs; am an active member of Chamberi Valley (a networking group of Madrid's top tech founders); and was also responsible for content and investor relations at South Summit, one of Europe's largest startup events. I recently joined Adara Venture Partners as part of the investment team.

² <https://www.southsummit.co/>.

³ ASCRI 2015, 24; ASCRI 2016, 24. To improve readability, data sources are abbreviated in footnotes; see the appendix of this article for full references.

⁴ ScytL develops state-of-the-art electronic voting and electoral

and Guillermo Jiménez, Managing Director of FOND-ICO Global, two of the most important public investors in the European and Spanish VC industries, respectively. To compliment this public LP perspective, I also interviewed Gonzalo Verdera, head of Investor Relations and Business Development at Altamar, and co-founder of Galdana Ventures, Spain's first private fund-of-funds dedicated to VC; Pedro Michelena, CEO of Qualitas, one of Spain's only private equity funds to invest in technology deals; Santiago Satrustegui, CEO of the Madrid-based wealth management firm Abante Asesores; and Borja Durán, CEO of Wealth Solutions, a leading multifamily office with approximately €20 billion of private capital under management. Finally, I gathered data from 14 Spanish VC firms on the type of LPs within their investor base. Together, these data provide a snapshot of who is investing in VC in Spain today.

State of the Nation

There is room for growth in the European venture industry—and in Spain in particular.

VC in Europe as a percentage of GDP is about 1/10 that of the United States⁵—but not because Europe is “smaller.” In fact, Europe and the United

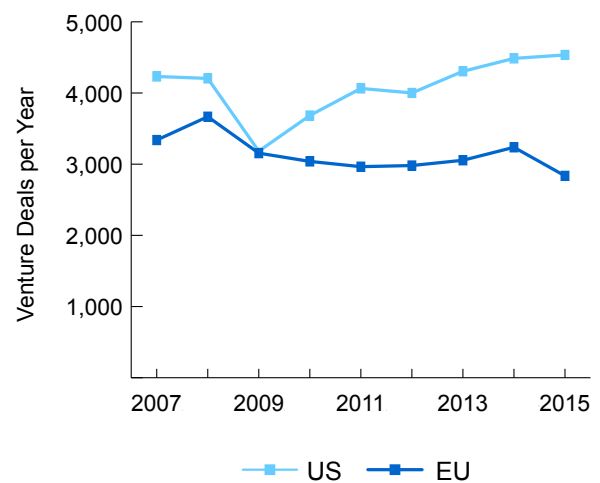


Figure 1. Venture Capital Investment in Europe and the United States, 2007-2015 (no. of deals). Author's figure; US data from PwC/NVCA; EU data from Europe Tables.

States have similar GDPs,⁶ and the population of Europe is 56% larger than that of the United States.⁷ The number of VC-backed companies in Europe and in the United States are reasonably similar: approximately 3,000 and 4,300 per year, respectively. So, **Europe is backing a comparable number of companies with significantly less capital** (see figures 1 and 2).

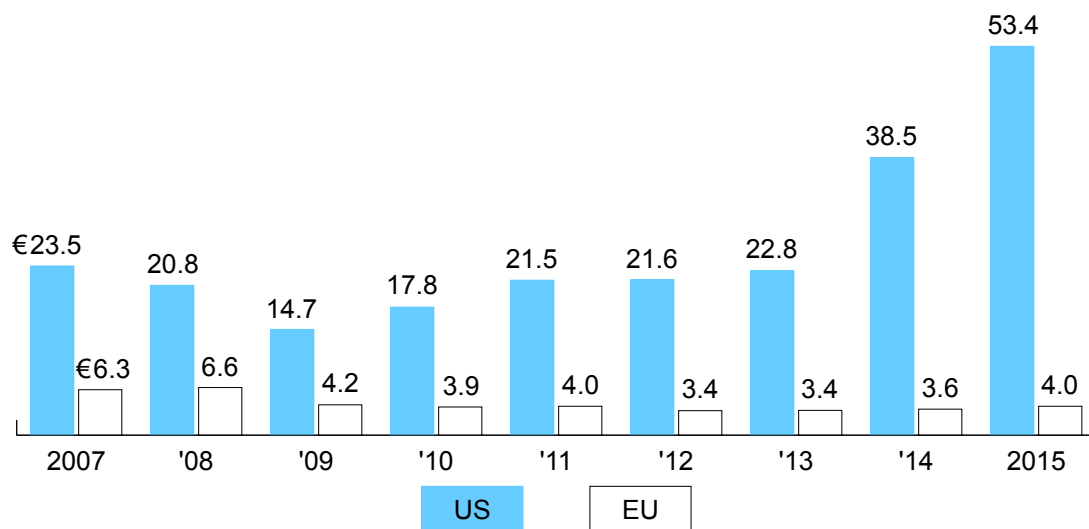


Figure 2. Venture Capital Investment in Europe and the United States, 2007-2015 (billions of Euros). Author's figure; US data from PwC/NVCA; EU data from EIF 2016 Outlook, 29 fig. 23.

⁵ GDP information from Eurostat and US GDP. US VC data from PwC/NVCA; EU data from EIF 2016 Outlook, 29 fig. 23.

⁶ Eurostat and US GDP.

⁷ Worldometers.

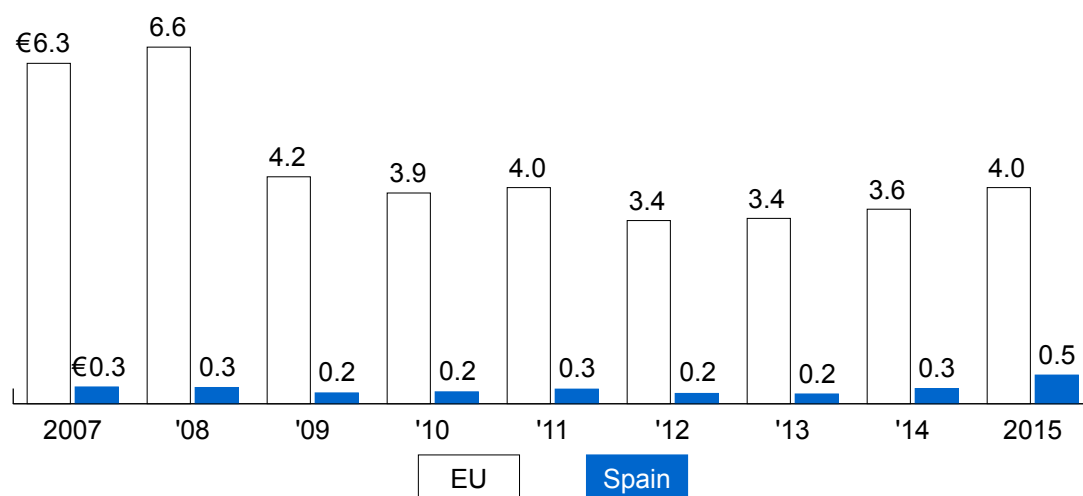


Figure 3. Venture Capital Investment in Europe and Spain, 2007-2015 (billions of Euros). Author's figure; EU data from EIF 2016 Outlook, 29 fig. 23; Spain data from ASCRI 2016, 24; ASCRI 2015, 46; ASCRI 2011, 42; ASCRI 2009, 30.

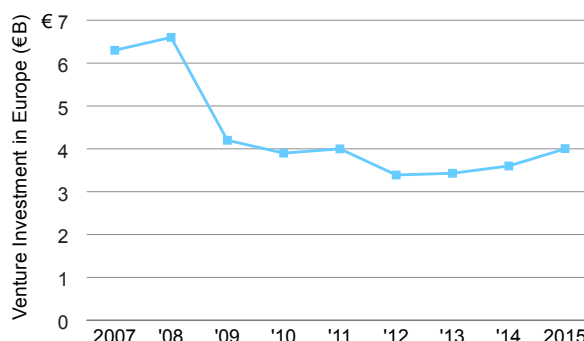
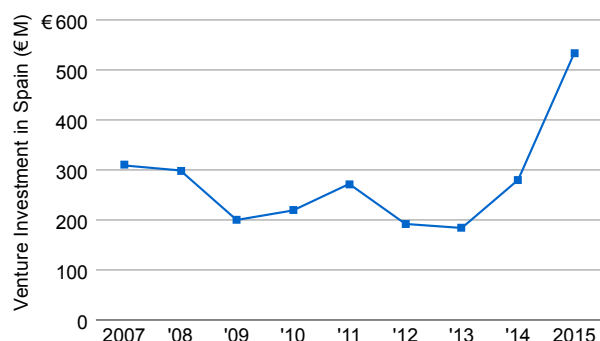


Figure 4. Venture Capital Investment in Europe and Spain, 2007-2015. Author's figure; *ibid.*

Venture capital in Spain, in turn, is a small fraction of VC in Europe (figure 3); however, VC in Spain has nearly tripled since 2013, while Europe has grown only 13% during that time. The difference in growth rates can be seen more clearly when the two trends are viewed on region-specific scales (figure 4).

Government Funding Predominates

Government agencies are the single largest LP investor in VC in Europe, representing 31% of all funds invested into the asset class in 2015.⁸ At the regional level, the European Investment Fund (EIF) is a massive player: it has invested over €4.4 billion into the European VC industry since 1997, investing in more than 260 VC firms.⁹ The EIF has a similar purpose to

⁸ EIF 2016 Outlook, 35.

⁹ Óscar Farrés (Investment Manager, European Investment Fund), interview with author, 14 March 2016.

the Small Business Investment Company (SBIC) Program administered by the Small Business Administration (SBA), which helped to establish the first regulated high-quality PE and VC firms in the United States.¹⁰ In addition to the EIF, many governments have specialized agencies at the national level contributing to VC investment.

In Spain, public source investment levels are also quite significant. The majority (86%) of VCs in Spain have a public investor in their LP base, and in half of these cases, that public investor represents more than 30% of the fund.¹¹

¹⁰ U.S. Small Business Administration, "History," n.d., <https://www.sba.gov/about-sba/what-we-do/history>.

¹¹ Based on author's VC questionnaire; see further detail in "Spain's LP Landscape: A Deeper Look."

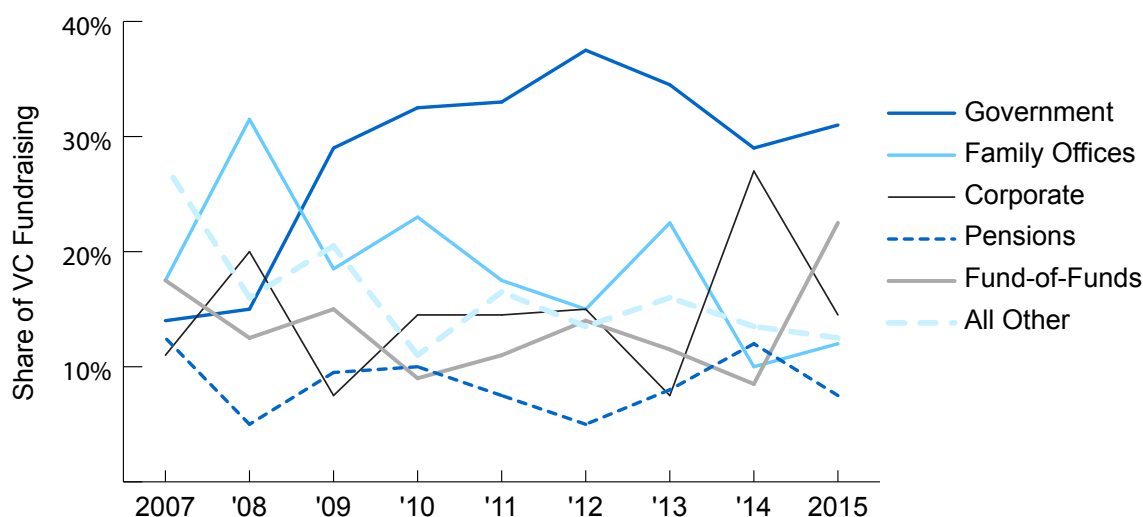


Figure 5. Sources of Funding for VC in Europe's LP Ecosystem, 2007–2015. Author's figure; data from EIF 2016 Outlook, 36 fig. 28.

The EIF has played a vital role in the development of Spain's venture market. In 2006, in collaboration with local government agency CDTI (Centre for Development of Industrial Technology), the EIF created a €183 million fund-of-funds called NEOTEC, which invested in 14 VC firms in Spain, building the foundation of the country's venture capital industry.¹² In addition to the EIF and CDTI, Axis became another major public sector player in Spain's VC industry. In 2013 Axis launched FOND-ICO Global, a €1.5 billion fund-of-funds¹³ established to strengthen Spain's VC and PE industry during a time when Spain was still in deep recession as a prolonged effect of the global economic recession of 2008.

While government agencies are significant investors in Europe's VC industry, they contribute less investment than governments in established innovation hubs such as the United States. The EIF ratio for leveraging federal funds in Europe is approximately 1:3,¹⁴ almost inverse of the

SBA's original 4:1 ratio.¹⁵ The lower ratio of leveraged funds puts a greater onus on European management teams to raise more private capital. Does the fact that the EIF offers significantly less capital (than the SBA originally did) to European firms make these firms weaker or make them more resilient? If there is a greater need for European fund managers to raise private (non-government) capital—and government funding dominates the venture industry—then where does that private capital come from?

Relationship between Public and Private Funding

The VC industry in Europe today has a far greater dependency on government agencies as a source of investment than it did in 2007–2008 (figure 5). As mentioned above, 31% of funding in the European VC industry came from government agencies in 2015—more than double the proportion in 2007. This funding is typically from the EIF as well as national-level government fund-of-funds. Pension funds, family offices and private individuals, corporate investors, and fund-of-funds make up most of the other 69%.

¹² European Investment Fund, "NEOTEC Resources," 2016, http://www.eif.org/what_we_do/resources/neotec/.

¹³ Guillermo Jiménez (Managing Director Axis; fund manager, FOND-ICO Global), interview with author, 10 March 2016. See also Axis, "FOND-ICO Global: What Is It?," 2016, <http://www.axispart.com/our-funds/fond-ico-global/what-is-it/?lang=en>.

¹⁴ Óscar Farrés, "EIF Presentation," slides presented at the South Summit, 7–9 October 2015, Madrid, Spain, 9.

¹⁵ Arun Rao, "Graybeard Funders: Venture Capital in Its Clubby Days (1955–78)," in *A History of Silicon Valley: The Largest Creation of Wealth in the History of the Planet—A Moral Tale*, 2nd ed., by Arun Rao and Piero Scaruffi (Palo Alto: Omniware Group, 2013), <http://www.scaruffi.com/svhistory/sv/chap80.html>.

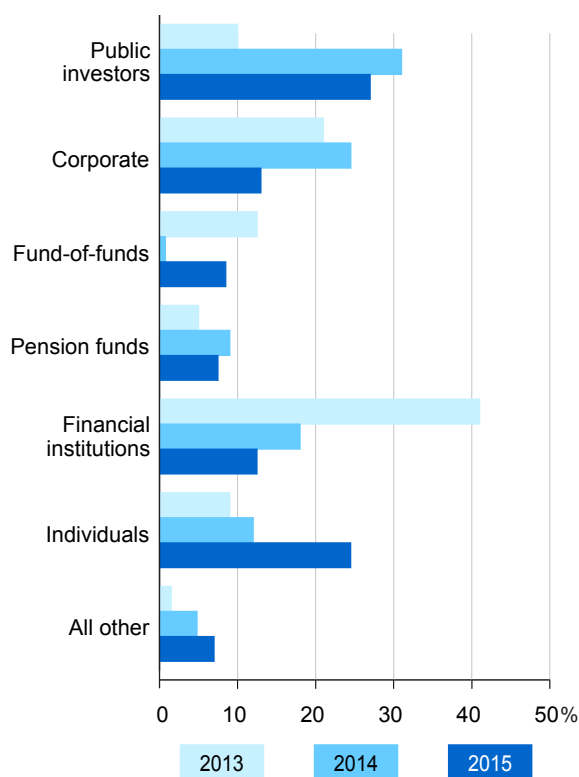


Figure 6. Sources of Funding for Spain's Venture Capital Ecosystem, 2013-2015.

Author's figure; data provided by ASCRI.

"Individuals" includes high-net-worth individuals and family offices.

Considering the timeline, this growth in public funding is related to the macroeconomic crash of 2008. Public sources of financing, particularly from the EIF, were increased to shore up the market,¹⁶ filling funding gaps created by the lack of private sources of capital during the crash.

In Spain, government agencies accounted for 27% of all investment into the venture industry in 2015, having grown substantially from only 10% of the total in 2013 (figure 6); it is now much closer to the EU level, which has been close to 30% or more since 2009 (figure 5). High-net-worth individuals and family offices are the next-largest contributing group in Spain, providing 25% of capital, and having also grown rapidly from their 10% base in 2013. It is interesting to note that financial institutions have significantly dropped their contribution to VC in Spain from 41% of the total in 2013 to 12% in the latest figures.

¹⁶ EIF 2016 Outlook, 35.

Private Equity Allocations

Zooming out to look at the larger private equity industry (of which VC is a part), one sees that Spain's dependency on public financing halved from 22% in 2014 to 11% in 2015,¹⁷ coming into line with Europe as a whole (14% in 2015¹⁸). While Spain's LP landscape for the PE industry is becoming a balanced combination of public and private investors, it still lacks a more significant contribution from pension funds when compared to Europe as a whole. Pension funds were the single largest contributor to the PE industry in Europe in 2015, investing 22%¹⁹ of all funds raised, while in Spain pension funds only accounted for 11%.²⁰ **In Spain, national pension funds tend to have a private equity allocation significantly lower than their international counterparts,** contributing less than 2% of total funds invested into PE versus an average of 15%-20% of funds raised internationally.²¹

As noted by Javier Ulecia, Chairman of ASCRI, the majority of pension-fund contributions to the PE sector in Spain come from international rather than local pension funds. Ulecia suggests greater contribution from national pension funds is needed in order to see a more balanced LP base for Spanish PE. Ulecia explains that lower levels of PE allocation in Spain's pension funds relate to the fact that **PE funds in Spain are often too small to satisfy the minimum ticket sizes of pension funds**; additionally, there are concerns about the "waterfall effect" of management fees (when management fees increase because there is an accumulation of fees from each PE fund in which the pension fund invests). Ulecia believes Spain should introduce tax incentives for LPs investing in PE to increase allocations in

¹⁷ ASCRI 2016, 33.

¹⁸ Invest Europe 2015, 13.

¹⁹ Ibid.

²⁰ ASCRI 2016, 33.

²¹ ASCRI 2015, 13 fn. 6.

For funds with the following types of LPs...

...the LP group comprised this portion of the fund.

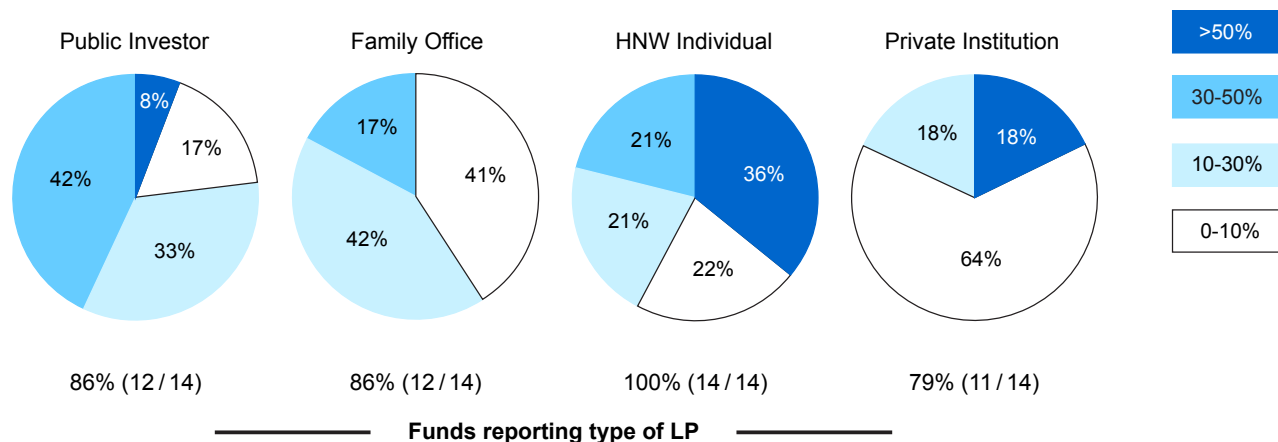


Figure 7. Understanding Spain's LPs: Funding Level and Involvement of Various LP Types. Author's figure.

that area; it already provides tax relief for LPs investing in pension funds.²²

The increase in public funds investing in PE is also a direct result of FOND-ICO Global, the Spanish government's €1.5 billion fund-of-funds described above. FOND-ICO plans to support 40 new funds, mobilizing €5 billion with matched funding for investment. To date FOND-ICO has allocated €800 million to 35 funds; therefore, we can expect a plentiful supply of public funding for new and existing VC funds—and it will be interesting to see whether the private sector investors get more involved.²³

Spain's LP Landscape: A Deeper Look

In order to map the LP landscape in Spain, I collected and aggregated the LP breakdown of 14 Spanish VC firms; these firms represent over €600 million under management. The data was collected via an online survey. The results provide a more definite perspective on the LPs investing in Spain and the importance of each type of LP for the country (figure 7).

The dependence of the Spanish VC industry on public funding is clear: 86% of VCs who completed the questionnaire (12 out of 14) have public investors in their LP base. The public

investor has an important role in fund formation as well, with half of the public investors contributing 30% or more of the total fund.

Family offices (FO) also play an important role in Spanish VC: 86% of VCs completing the questionnaire (12 out of 14) have a family office in their LP base. In the majority (59%) of the firms with family office investors, the group represented more than 10% of the total fund.

All of the VCs who completed the questionnaire (14 firms) had **high-net-worth individuals (HNWIs)** in their LP base, showing this group to be significant contributors to Spain's VC funds. For 57% of the firms, the HNWIs accounted for more than 30% of the total fund.

A surprisingly large number of the VCs who answered the questionnaire have **institutional investors** as LPs in their fund, with 79% of respondents (11 out of 14 firms) being backed by institutions. The majority (64%) of these institutional investors, however, represent less than 10% of the fund.

This study is the first time that comprehensive data on the LP landscape for venture capital in Spain has been collected, aggregated, and analyzed. Figure 7 allows a visualization of exactly who is investing in VC in Spain and in what proportions. Being able

²² Javier Ulecia (Chairman, ASCRI 2015), interview with author, 18 January 2016.

²³ Guillermo Jiménez (Managing Director, Axis; fund manager, FOND-ICO), interview with author, 10 March 2016.

to gauge the composition of the LP base is an important first step toward ensuring the maturation and longevity of the industry.

What do HNWI and FO Investors in Spain think?

One finding of this research is that [a significant amount of private capital bolsters Spain's VC industry](#) (figures 6 and 7). All of the public funding initiatives have matching requirements that aim to reduce the investment risk for the private investors they invest alongside. Since HNWIs and FOs are playing a sizable role as LPs in Spain's VC landscape, it is important to know whether this participation will grow when thinking about the future of Spain's venture industry.

To investigate this question, I interviewed four wealth managers, three LPs, and two GPs—and found that [although investment by HNWIs and FOs in VC is not common, it is fundamental to Spain's VC industry](#). Their interview responses provide some explanation as to why this is so, and what might be needed for change.

I first spoke to Borja Durán of Wealth Management Solutions, a wealth management company that manages approximately 60 FOs. They have €20 billion under management—and zero allocation to VC investments. Durán explains,

FOs and wealth managers don't invest in VC because they don't understand the J-Curve type growth of the portfolio companies. VC is a long-term, low-liquidity asset that is simply not worth the effort for wealth managers or FO members.²⁴

Durán estimates that the private wealth industry in Spain has some €300 billion under management, but its allocation to alternative assets, principally private equity and venture capital, is less than 5%, and [many of the PE vehicles in Spain have ticket allocations that are too small to make sense for wealth managers](#).

²⁴ Borja Durán (CEO, Wealth Solutions), interview with author, 21 January 2016.

Santiago Satrustegui, CEO of Abante Asesores, a wealth management company in Madrid, explains that the small allocations from HNWIs and FOs to alternative assets, PE and VC, are due to [structural issues in the Spanish financial markets](#).

The alternative asset market in Spain is not as mature as in the US or the UK; it requires more professional regulation and better functioning capital markets to be able to provide liquidity options for investors. Unlike in the US, in Spain there is little distinction between institutional and retail investors and few specialized funds and fund managers. Some specialization is happening in funds focusing on property or capital markets, but it is still early days for specialization in PE and VC.²⁵

Gonzalo Verderra is CEO at Altamar, a financial advisory firm specializing in alternative assets. He shares that they have seen an appetite from the private sector—institutions and FOs—to invest in VC, but on a very selective basis.

This is why we created Galdana Ventures, Spain's—and possibly Europe's—first private fund-of-funds designed to invest in VC worldwide. There is an interest in the asset class, just not an interest in investing in Spain. VC globally is an asset class where the top percentile of firms take the lion's share of returns. FOs and wealth managers know this, and it's why they are not interested in investing in Spain. [There are very few firms in Spain with a proven track record in VC](#). Also, the industry in Spain is too small to generate the investment volumes and returns required by institutional and FO investors—that is why we are only focused on investing in the best VC firms globally.²⁶

Qualitas is a PE firm in Madrid that has created a growth fund to invest in earlier-stage companies, addressing [a gap they saw in the market for companies looking for growth capital to expand](#). As CEO Pedro Michelena explains,

Our clients were aware of the growth capital opportunity in Spain, so when we presented them with this new fund they were willing to invest. FOs do not have a strategic approach to investing in VC. They like to invest directly, and it is often

²⁵ Santiago Satrustegui (CEO, Abante Asesores), interview with author, 8 February 2016.

²⁶ Gonzalo Verderra (CEO, Altamar), interview with author, 21 January 2016.

Breeding Unicorns: Europe versus the United States

“Unicorns”—tech companies valued at \$1 billion or more—are rare enough. But as I looked deeper into Spain’s venture capital present and future, I began to wonder about the performance of these rare companies. In particular, I examined European (EU) and U.S. unicorn production, to compare their respective capital efficiency and returns.

While Europe and the United States have similar GDPs, European VC as a percentage of GDP is one-tenth that of the United States.¹ Despite this significant difference in investment distribution, European venture investment backs 65% as many companies as the United States—with one-twelfth the capital.²

The United States produces more unicorns than Europe, but Europe makes better use of its capital. From 2010 to 2015, 33 unicorns emerged in Europe,³ while 128 emerged in the United States. In that same period, Europe invested 12% as much capital (\$28 billion⁴) as in the United States (\$222 billion⁵), but produced 26% of the total number of unicorns. In other words, VC in the United States produced one unicorn for every

\$1.7 billion invested 2010-2015, while Europe produced one unicorn per \$840 million invested—making European VC roughly twice as capital efficient.

On the other hand, the United States grows much bigger unicorns. Thirteen U.S. tech companies have reached valuations of more than \$10 billion,⁶ while Europe did not see one emerge at a similar benchmark within the same timeframe (2010-2015). Spotify is Europe’s most likely candidate to break the \$10 billion threshold; the company’s valuation was \$8.5 billion as of June 2015,⁷ without taking into consideration the \$1 billion convertible debt the company secured in March 2016.⁸

The challenge now for Europe is to continue investing more VC in its efforts to scale up European tech companies and create a more robust ecosystem. Meanwhile, the European venture capital industry may offer ways for the United States to improve capital efficiency overall.

⁶ The 13 companies are Uber, AirBnB, Palantir Technologies, Whatsapp, Snapchat, WeWork, Workday, SpaceX, Palo Alto Networks, Pinterest, Service Now, Dropbox, and Twitter.

⁷ Ingrid Luden, “Sweden’s Telia Sonera Confirms \$115M Investment in Spotify, Now Valued at \$8.53B,” *TechCrunch*, 10 June 2015, para. 2, <http://techcrunch.com/2015/06/10/swedens-telia-sonera-confirms-its-investing-115m-in-spotify/>.

⁸ Josh Constine, “Spotify Raises \$1 Billion in Debt with Devilish Terms to Fight Apple Music,” *TechCrunch*, 29 March 2016, para. 2, <http://techcrunch.com/2016/03/29/stream-with-the-devil/>.

¹ Eurostat and US GDP.

² In 2015; EU data from Europe Tables; US data from PwC/NVCA.

³ Unicorn Data.

⁴ Europe Tables.

⁵ PwC/NVCA.

opportunistic because they like the deal and like to be close to the company. We offer our clients the opportunity to co-invest alongside the fund in the deals they are particularly interested in. We are a growth-stage fund that dedicates approximately 30% to technology deals. We are invested in technology right now because there is good growth in the sector and a lack of growth-stage capital in the market. We are comfortable investing in tech deals at the later stage when they can demonstrate growth and have a track record.²⁷

After speaking with these four wealth managers, **it is clear that most family offices are wary of venture capital investing**. Interviewees reported that (a) FOs prefer to invest directly into companies

in an opportunistic way, usually derived from a personal relationship to the company founders; (b) the low liquidity of the asset is a deterrent; and (c) Spanish VC is not perceived as having an attractive track record.

Steps for the Future in Spain

As discussed previously, Spain has a large dependency on public funds to fuel and finance the VC industry. Investment from individual private investors has grown from contributing less than 10% of total funds raised in 2013 to 25% in 2015 (**figure 6**). While private investors play a key role, they are generally reluctant venture investors. There is a resounding level of conservatism and caution in the investment strategies of private-sector funders—

²⁷ Pedro Michelena (CEO, Qualitas), interview with author, 19 January 2016.

| Company | Sector | Funds raised | Backed by | Founded | Exit |
|---------------------|---------------------|---------------------|---|---------|---|
| Privalia | Fashion ecommerce | €167M | Cabiedes, Nauta, Index, General Atlantic, Highland | 2006 | €500M to Vente-privee 2016 |
| Ticketbis | ecommerce | €20M | Active Venture Partners, Fabrice Grinda, Jose Marin | 2009 | €150M to eBay 2016 |
| idealista | Property listings | N/A | Bonsai, KutzaBank, Tiger Global, Apax | 2000 | Partial exit to Apax ~€150M 2015 ^a |
| Mil Anuncios | Classifieds | N/A | N/A | 2005 | €50M to Schibsted Media Group 2015 ^b |
| Trovit ^c | Real estate, search | €690K | Cabiedes | 2006 | €80M to Next Co. 2014 |
| Nevera Roja | Food delivery | €10+M | La Caixa, Next Chance Group, Ad4Ventures | 2011 | €80M to Rocket Internet 2015 |
| Wallapop | Mobile classifieds | ~€120M ^d | Antai, Caixa, Bonsai, NEA, IVP | 2013 | Merger with Letgo 2016 |

Figure 8. Significant Exits in Spain's VC Industry since 2014. Author's figure; data from CrunchBase unless otherwise noted. N/A: data not available.

^a Jaime Novoa, "Apax Buys Controlling Stake in idealista, Reportedly Valuing the Company at €150 Million," *Novobrief*, 27 July 2015, <https://novobrief.com/idealista-investment-apax/>.

^b Schibsted Media Group, "SCM Spain Agrees to Acquire Milanuncios" (press release), 13 February 2014, para. 2, <http://www.schibsted.com/en/Press-Room/News-archive/2014/SCM-Spain-signs-agreement-to-acquire-Milanuncios/>.

^c Jaime Novoa, "One More 'Real Estate Exit' for Spain: Trovit Acquired for €80M by NEXT Co.," *Novobrief*, 7 October 2014, para. 1-2, <https://novobrief.com/trovit-acquisition/>.

^d Jaime Novoa, "Barcelona's Best Kept Secret: Wallapop's \$40 Million War Chest," *Novobrief*, 28 April 2015, <https://novobrief.com/barcelona-best-kept-secret-wallapop-40-million-war-chest/>; Mike Butcher, "Wallapop Is Poised to Disrupt Classifieds, as Accel, Insight, Fidelity Pack Its War Chest," *TechCrunch*, 19 May 2015, <http://techcrunch.com/2015/05/19/wallapop-is-poised-to-disrupt-classifieds-as-accel-insight-fidelity-pack-its-war-chest/>; ASCRI, "El capital riesgo NEA entra en Wallapop," 8 October 2015, <http://www.ascrri.org/el-capital-riesgo-nea-entra-en-wallapop/>.

understandably so, considering the lack of experience in and knowledge about investing in VC.

In general terms, the perception among investors is that there is no VC track record in Spain. In order for wealth managers to consider VC as a viable asset class and to pique private sector investor interest, the sector must demonstrate consistent positive returns.

The good news is that this track record might be right around the corner. There has been an evolution in the exit landscape for Spain's tech companies, with

significant exits such as Privalia (€500 million), Ticketbis (€150 million), idealista (partial exit to Apax ~€150 million, not confirmed), Trovit (€80 million), Nevera Roja (€80 million), and Mil Anuncios (€50 million) all taking place in the last 18 months (figure 8). In addition, a growing breed of rising stars has attracted significant capital from international investors: Cabify (€100 million led by Rakuten), Carto (€30 million led by Accel), peerTransfer (€37 million led by Accel), and Typeform (€15 million led by Index) (figure 9).

| Company | Sector | Funds raised | Backed by | Founded | Exit |
|--------------|------------------------------|--------------|--|---------|------|
| ScytI | eVoting | €100M | Nauta, Balderton | 2000 | No |
| Alien Vault | Cybersecurity | €100M | Adara, Trident, KPCB, GGV, IVP | 2007 | No |
| Cabify | Private drivers | €125M | Hit Forge, Seaya, Rakuten | 2011 | No |
| Carto | Data mapping & visualization | €27M | Vitamina K, Kibo, Earlybird, Accel, Salesforce | 2012 | No |
| peerTransfer | Payments | €37M | JME, Kibo, Accel, Spark, Bain | 2009 | No |
| Typeform | Surveys | €15M | Point Nine, Connect, Index | 2012 | No |

Figure 9. Rising Stars—Promising Startups in Spain’s VC Industry. Author’s figure; data from CrunchBase.

Spain has not yet had a unicorn, but there are [some promising companies on an exit path](#). eDreams IPOed in 2014 at a near \$1.5 billion valuation;²⁸ however, 5 months later, the share price had dropped 75%.²⁹ Privalia, backed by Cabiedes, recently exited via trade sale for €500 million. ScytI, backed by Nauta, and Alien Vault, backed by Adara, have both raised over €100 million and are positioning to IPO on Nasdaq in 2017.³⁰ If those two IPOs are successful, they could have a profound impact on Spain’s tech ecosystem by delivering an impressive track record for Spain’s entrepreneurs and the VCs who backed them.

Spain needs to materialize positive returns on the €1 billion in capital that has gone into the market in the last three years. If [the ecosystem can produce these positive returns—and the signals suggest it can](#)—private LPs including

institutions and FOs will likely show increased interest in backing local VC firms.

As the economy in Spain recovers, I also expect to see [greater investor confidence and more liquidity in the market to facilitate further VC investment](#). With €800 million committed by FOND-ICO Global yet to be deployed, there will be no shortage of capital available for Spanish tech entrepreneurs in the next two years. The key factor is whether the quality of emerging Spanish tech companies will continue to improve: if exits keep creating more success stories and company role models, while upskilling a whole generation of tech entrepreneurs and an entrepreneurial workforce, the future will be bright for Spanish tech companies.

It is time to establish Spain’s positive track record. If one believes that success breeds success, we can expect to see a new batch of globally competitive tech companies emerge from Spain in the next 3 to 5 years. What remains to be seen is just who the VCs backing them will be—I intend to be one of them.

²⁸ Sonya Dowsett and Sarah White, “Spain’s eDreams Odigeo Says Valued at \$1.5 bln After IPO Pricing,” *Reuters*, 3 April 2014, <http://www.reuters.com/article/odigeo-ipo-idUSS8N0MA00A20140403>.

²⁹ Alex Barrera, “Spanish Online Travel Agency eDreams Odigeo Gets a Rude Awakening from Its IPO Dream as Shares Plummet 75% in 5 Months,” *Tech.eu*, 11 September 2014, <http://tech.eu/news/edreams-odigeo-ipo-aftermath/>.

³⁰ Jaime Novoa, “ScytI Builds Strong Management Team to IPO on the Nasdaq in 2017,” *NovoBrief*, 6 September 2015, <https://novobrief.com/scytI-ipo-nasdaq-2017/>; Ron Miller, “AlienVault Secures \$52M Round With Eye Toward IPO,” *TechCrunch*, 19 August 2015, <https://techcrunch.com/2015/08/19/alienvault-secures-52m-round-with-eye-toward-ipo/>.

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Liz Fleming

Liz has been investing in early-stage tech companies and entrepreneurial development in Dublin and

Madrid since 2008. In Madrid, since 2011 Liz has served as Deputy Director of IE Business School's startup program Venture Lab; launched Area 31, IE Business Schools startup incubator; and ran the Spain Startup Co-Investment Fund—a €40M co-investment fund run by IE Business School and Enisa, a government agency tasked with financing innovation in SMEs. Liz is an active member of Chamberi Valley (a networking group of Madrid's top tech founders) and recently ran content and investor relations at South Summit, one of Europe's largest startup events. Liz is now part of Adara Ventures, investing in enterprise software: cloud services and infrastructure, cybersecurity, data analytics, and IoT. With \$100M under management, Adara invests in Series A startups targeting a global market with disruptive technologies.

Liz holds undergraduate and graduate degrees from University College Cork and the Dublin Institute of Technology. Kauffman Fellow Class 18.
elizabeth.d.fleming@gmail.com

*"...above all, I think it's a people factor
that will be the secret of the success
of your business in the future."*

—Ewing Marion Kauffman

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