Vol.10 1/29/2021

AN ANALYSIS OF PRIVATE EQUITY & VENTURE CAPITAL

NORTHEASTERN UNIVERSITY
PRIVATE EQUITY & VENTURE CAPITAL CLUB

Research Team

Miranda Nimmer
Anya Sood
Jordan Sarnie
Terrel Cox
Nicholas Maggi
Irfan Ajmeri
Adam Inzelstein
Aaron Gunther
Mark Nevins
Henry Wong
Griffin Byer
Shiv Amin
Justin Radist
Kaiya Clarke
Phoebe Socha
Lawrence Wu

Contents: This Week's News

TPG enters HR-tech taking a majority stake in Greenhouse Software in a $500mn acquisition deal.

- **TPG** is a San Francisco based private equity firm with global investments concentrated in the real estate, financial service, and venture capital industries. TPG's Investment philosophy involves creating value through investing in change in industry trends or economic cycles.

- **Greenhouse Software** is a New York based HR talent acquisition software company. Greenhouse Software provides tools and services for businesses to assist in the hiring process. Through this software, Greenhouse Software aims to help firms cut costs and optimize efficiency in the recruitment hiring process by utilizing the edge of data analytics.

- **Deal Structure:** In a $500mn deal, private equity firm TPG acquired a majority stake in Greenhouse Software through an internal joint-partnership between TPG Growth and TPG's The Rise Fund. TPG Growth focuses on middle-market growth equity and The Rise Fund concentrates on capitalizing on companies geared towards generating environmental and social impacts.

- **Significance:** As tech integration trends continue, reinforced by the Covid-19 Pandemic, companies are relying more on software and data analytics to make crucial company health decisions such as recruitment. To help with constructing a more effective recruiting process, Greenhouse Software is leading the shift towards using data driven techniques in hiring employees. Through this recent majority stake acquisition, TPG plans to help Greenhouse Software expand its global reach capacity, thus positioning itself as a global HR-tech leader in providing data driven recruiting software.

The Blackstone Group (NYSE: BX), the world's largest private equity firm, will be acquiring Allstate's Life Insurance Business from Allstate Corp. (NYSE: ALL) for $2.8bn.

- **The Blackstone Group i**s an American investment management company focused on private equity, real estate, hedge fund solutions, and credit & insurance. The firm has over $619 bn in AUM and looks to expand its investments in life insurance.

- **Allstate**, an American insurance company, have reported losses of $23mn in the first nine months of 2020 from their life insurance unit. They look to pivot towards products such as identity protection and personal coverage, amongst other property-casualty services.

- **Deal Structure:** The Blackstone Group will acquire Allstate's Life Insurance Unit for $2.8bn during the second half of 2021. Through the deal, The Blackstone Group will manage the Life Insurance's $28mn portfolio. The deal excludes Allstate Life Insurance Company of New York (ALNY), which is looking for a third party to transfer risk.

- **Significance:** The deal is one of many between private equity firms and insurance companies. Investment firms such as The Blackstone Group are able to make significant profits by investing premiums paid by customers, as well as investment management fees. Insurers look to restrict payouts to policyholders that have increased tremendously due to the COVID-19 pandemic.

German drone startup, **Wingcopter**, has raised $22mn in its series A funding. The round was led by Silicon Valley VC Xplorer Capital, as well as German growth fund Futury Regio Growth.

- **Wingcopter** is a manufacturer of aviation-grade drone technology. In addition to manufacturing, the company also offers services for drone deployment. The company's competitive advantage is its patented tilt-rotor mechanism which enables a smooth transition from multicopter vertical takeoff to horizontal fixed-wing travel.
- **Xplorer** is an early-stage venture capital firm that invests in emerging, disruptive technologies that will hopefully change entire global industries. The Futury Regio Growth Fund aims to invest in promising, high growth companies, typically in later phases.
- **Deal Structure:** The three lead investors Xplorer, Futury, and Corecam Family Office all contributed towards the $22mn cash received by Wingcopter in its series A funding round.
- **Significance:** Wingcopter is planning on allocating the new influx of cash towards completing its next-generation drone, expanding into the United States, and helping to distribute COVID-19 Vaccines. Additionally, Wingcopter can direct some of the funding towards its goal of providing increased drone deliveries as a service. Although the company has a substantial amount of demand for the hardware, Wingcopter is more focused on operating similar to a SAAS company by providing a service which generates monthly revenues. However, before Wingcopter can successfully operate as such a company, it needs to acquire approval from the Federal Aviation Administration (FAA) to operate drones beyond visible line of sight (BVLOS). Because the drone industry is so new, the FAA conducts extremely thorough examinations before granting companies approval to operate drones BVLOS; last week, the company American Robotics became the first drone company to gain approval from the FAA. In conclusion, Wingcopter appears to be in a good position to capture market share in an industry with an estimated 2025 market value of $42.8 billion and an expected CAGR of 13.8% from 2020-2025, however, it cannot be forgotten that other players, such as Google and Amazon, are also heavily investing into drones and are also looking to become market leaders in this highly competitive industry.

On January 26th, **SetSail** announced a $26mn Series A funding round, led by Insight Partners and a handful of other firms.

- **SetSail** is an artificial intelligence-based revenue platform that allows sales teams to be more effective in their client acquisition processes. Their strategy includes compensating sales people throughout the deal, rather than at closing, and connects email, CRM's, and more to streamline how deals are tracked.
- **Insight Partners** is a growth-stage venture capital firm specializing in technology, software, and internet based businesses. Based in New York City, Insight currently has $30bn assets under management.
- **Deal Structure:** Insight Partners, Wing Venture Capital, Team8 and Operator Collective made up the $26mn of funding in this round, bringing SetSail's total investment to $37mn . This investment has allowed the company to expand upon its rapid growth in its third year.
- **Significance:** In an ever changing business landscape due to the pandemic, the organization of sales teams and their clients has never been more crucial. By using a centralized system that maintains contacts, communications, and cleans up the deal process, SetSail clients can expect to see increased traction, more efficient deal pipelines, and a more unified process overall from the whole team. Salespeople have been forced to adapt significantly with less travel, in-person meetings, and other opportunities to build relationships. Companies are urgently seeking to do what they can to build off of leads and secure clients, and SetSail seeks to satisfy that need.

Melvin Capital Management, a New York based hedge fund, coordinated with Point72 Asset Management and Citadel LLC to exchange stakes and shares for $2.75bn dollar shore up after suffering massive losses to kickstart the year.

- **Melvin Capital Management** is an investment advisor founded by Gabriel Plotkin; using a bottom up, long-short equity strategy Melvin Capital as of January 2021 accumulated $12.7bn AUM primarily investing in tech and consumer stocks.
- **Reddit**, an RSS reader, and content discussion website and other discussion-based websites have become an increasingly popular outlet for amateur investors. The most notorious of the few is the page /r/wallstreetbets on Reddit; a previous staple for hot takes, radical advice and cultivating financial stereotypes has turned into a cash cow for the average trader. The subreddit has boosted heavily shorted stocks, resulting in devastating losses for hedge funds and advisory firms alike. Melvin Capital Management dialed around 30% loss on the year, after bets like GameStop (NYSE: GME) and long market positions.
- **Deal Structure:** Melvin Capital will receive an investment from Point72 Asset Management and Citadel LLC. Point72 will double down on Melvin after their $1mn input in 2019 with an additional $750mn; Citadel LLC initialized their Melvin partnership with an $2bn in funding. Both Point72 and Citadel LLC will receive non-controlling revenue shares that will expire.
- **Significance:** The surge of amateur investor's stakes such as GameStop (NYSE: GME), AMC Entertainment (NYSE: AMC), and BlackBerry (NYSE: BB) to maximize returns on cheap short-term call options as a mob is unprecedented. The "short squeeze" manifested by what most considered to be harmless Robinhood traders exposed the seemingly obvious and vulnerable front on the short side. Melvin on average has returned 30% each year; the situation is one to keep an eye on as Plotkin and his new managers have some work to do.

Periphas Capital will provide $65mn in growth equity funding to ShipMonk.

- **Periphas Capital** ,a New York based private equity firm, focuses predominantly on growth and buyout investments in four main sectors: technology enables services, business services, consumer and industrials.
- **ShipMonk** is an industry leader in providing e-commerce and technology solutions for small to medium sized businesses. The ecommerce management platform allows for smooth integration between inventory, warehouse, and shipping needs to optimize delivery.
- **Deal Structure:** Periphas Capital injected $65mn of additional equity funding following the $290mn raised in the previous round financing led by Summit Partners. ShipMonk's total funding now exceeds $365mn.
- **Significance:** As small to medium sized online retailers look to expand their capabilities and better compete in the marketplace, the technology necessary to scale these businesses are in high demand. Even during the COVID pandemic ShipMonk has increased their customer base by over 100%, while increasing order volume 115% year over year. As ShipMonk continues to support their B2C customers, they will look to develop new products and features to satisfy additional issues faced by scaling businesses. The capital received will go to bolstering research and development as well as increasing the company workforce by 50% in 2021.In addition, ShipMonk plans to expand by opening a fulfillment center in Prague by mid 2021. Despite the growing pains early in the pandemic, ShipMonk has stayed profitable and looks to further capitalize on the push towards e-commerce exacerbated by the pandemic.

M&A ACTIVITY

On January 24, 2021, **OPC Energy** acquired Competitive Power Ventures for $648mn.

- **OPC Energy**, headquartered in Tel Aviv, is the leading private electricity company in Israel. Their primary operations are the development and running of power plants, electricity generation, and servicing the energy needs of private companies and the Israeli government.

- **Competitive Power Ventures is** a top North American electric power generation development and asset management company. Their focus is on sustainable energy. Their primary capabilities include Project Development and Asset Management; the Project Development team develops and finances energy centers while the Asset Management team is responsible for optimizing and managing existing resources.

- **Deal Structure:** OPC is gaining a 70% stake in Competitive Power Ventures, with the remaining 30% being acquired by three Israeli financial companies.

- **Significance:** This deal allows OPC to expand its activities into the U.S., one of their most attractive target markets. In turn, this will diversify their revenue streams and poise the company for stronger future growth. They aim to be ready to capture market share as the U.S. shifts to cleaner energy sources, a move that will only be accelerated under the Biden administration.

On January 14, 2021, **Alphabet Inc.** acquired Fitbit for $2.1bn.

- **Alphabet Inc.** is an international conglomerate. Its largest subsidiary, Google, is a technology company involved in a multitude of advanced technologies, from search engines to smart home devices to autonomous vehicles.

- **Fitbit Inc.** is a leading American consumer electronics and fitness company. They are best known for their smart watches that track health and exercise. Their primary growth strategy is centered around product development and leveraging their established brand to cater to changing consumer lifestyle preferences to focus on technology.

- **Deal Structure:** Alphabet has agreed to purchase Fitbit for $7.35 per share in cash, valuing the acquisition at $2.1bn.

- **Significance:** This deal marks a move by Google to enter the wearable devices industry, by combining "the best AI, software and hardware." The deal comes after world antitrust regulators have been investigating big-tech companies' track records of acquisitions. European Union regulators signed off on the deal in December, after Google made a statement outlining their intent to not use Fitbit data to target ads. Google anticipates this deal to increase the competition in the wearables sector, benefiting consumers around the world and making next-gen devices more affordable.

FUNDRAISING & LP ACTIVITY

KKR & Co, has raised $3.9bn for its first Asia-Pacific Infrastructure Fund from around three dozen investor clients. The firm will use the fund to deploy capital into infrastructure companies in sectors like waste management, renewable energy, and communication towers.

- **KKR & Co** is one of the largest private equity companies in the world. The firm manages over $200bn in AUM and is known for its expertise in leveraged buyouts. The firm has multiple divisions and covers various sectors from energy to real estate.

- **KKR Asia-Pacific Infrastructure Fund** is the name of KKR's first infrastructure fund in the Asia Pacific region. The fund is seeking to expand into new regions as competition intensives in mature markets like North America and Europe.

- **Deal Structure**: The new fund has raised $3.9bn from a variety of clients. The fundraising was capped at $3.9bn after the initial target of $3.0bn was surpassed

- .**Significance**: KKR's expansion in the Asia-Pacific region with its inaugural fund is indicative of the changing risk/reward profile of investment options around the globe. After a decade of strong growth in the US, investors are warming to emerging markets where growth is expected to increase in-line with population expansion. The focus on infrastructure-related companies suggests that KKR is looking for companies with recurring revenues and evergreen business models. This fund will be a positive development for firms in Asia that are seeking financing for capital-intensive projects.

NextView Ventures raised $100mn for its fourth fund, NextView IV, and plans to invest in early stage SaaS companies that are disrupting traditional industries often overlooked by the VC community.

- **NextView Ventures**, a Boston-based VC firm with $110mn AUM, focuses on seed and pre-seed enterprise SaaS startups. The firm's success includes 22 exits and over 139 investments.

- Its new fund, **NextView IV**, will allocate capital towards disruption within the "everyday economy." Specifically, it will try to identify technological innovations addressing the sustenance, shelter, wellness, transportation, and apparel verticals.

- **Deal Structure:** NextView IV registers at $100mn, exceeding an original goal of ~$70mn. The raise primarily derives from NextView's tight-knit LP base consisting of foundations and endowments with long term time horizons. Trustworthy LP's are crucial in VC given the illiquidity and unpredictability of investments, which NextView GP's have made an effort to value.

- **Significance:** This fundraise validates NextView's unorthodox investment philosophy and the efficacy of operating outside of traditional VC focus areas like artificial intelligence and machine learning. NextView's concentration on where we are in the internet innovation cycle, rather than anticipating the next big technology, has proved successful in today's market environment as several everyday tasks have still yet to benefit from technological advancement. However, the pandemic has accelerated the digitization of our economy, heightening demand for software services that facilitate daily life. This fundraise indicates that there are still digitization opportunities across multiple "everyday" sectors and there is certainly money to show for it.

Poshmark completed it's $318.8mn IPO with its stock being listen on the NASDAQ exchange.

- **Poshmark** is a leading social marketplace for new and secondhand products. Poshmark has over 70 million registered users across the U.S. and Canada. The majority of active users are millennials or Gen Z. Poshmark charges a 20% fee for sales that are $15 or more.

- **Deal Structure:** Poshmark announced its initial public offering of 6,600,000 shares of its Class A common stock at a price to the public of $42 per share. In addition, the underwriters have a 30-day option to buy up to an additional 990,000 shares of Class A common stock from the company at the IPO price, less underwriting discounts and commissions.

- **Significance:** Poshmark joins the IPO boom with it's $318.8mn IPO. Poshmark has raised $153mn in funding in the past including a $87.5 million series E round in November 2017. Mayfield Fund, a venture-capital firm, now has the biggest stake, 26.2%, and Menlo Ventures has the second-largest with a 14% stake, after the IPO. While the apparel category has struggled during the pandemic and is attempting to bounce back, second hand sales still may be a strong performer. Poshmark's revenue for the first nine months of the year came to nearly $193mn, up 28% year over year. The company's stock price skyrocketed 142% on its first day of trading, pushing its valuation to more than $7bn and making it one of the first big blockbuster public offerings of the year, along with pet store chain Petco and fintech company Affirm, which allows customers to pay for online purchases over time. "Poshmark is at the intersection of three of the biggest things happening in retail: the shift to online, the shift to social and the shift to secondhand," says Venky Ganesan, a partner at Menlo Ventures.

Qualtrics files for IPO, aiming for a $15bn valuation following recent SAP spinout.

- **Qualtrics International** is a U.S. based employee management platform geared toward capturing customer, workforce, and brand experience insights. With firms such as Microsoft and General Electric actively using the platform, Qualtrics has been able to boost its revenue more than eightfold over the past six years.

- **IPO Terms:** After a recent increase from their initial price range, Qualtrics seeks to raise as much as $1.5 billion selling 50.4 million shares at $27 to $29 each. Morgan Stanley and JPMorgan Chase & Co. are the leading underwriters in the offering and trading is expected to launch on the Nasdaq under ticker symbol XM on Thursday, January 28th.

- **Significance:** Qualtrics is making a return to the public markets which will mark a major shift in owner SAP's strategy. A chunk of the IPO will be used to repay approximately $1.8bn in debt to SAP, while the rest will be put toward working capital. Aside from Qualtrics' production of over $100mn in recurring revenue, the platform has been seen as a critical juncture in the reinforcement of corporate culture and customer loyalty amid the coronavirus pandemic. With the globe operating from home for the past year and into the foreseeable future, Qualtrics' software has become chief in helping corporations determine what an optimal remote experience looks like for stakeholders.

Boston Metal raises $50mn in Series B funding as they work to revolutionize metal production.

- **Boston Metal** is a metals technology solutions company that is creating a new production process for steel and other metals that eliminates emissions and cuts costs.

- **Transaction:** Boston Metal received $50mn in Series B funding to continue the commercialization of its patented MOE technology. Many of the investors from Series A funding, such as The Engine and Prelude Ventures, showed continued support by further investing in this Bill Gates-backed firm.

- **Significance:** Donald Sadoway, an MIT professor and the founder of Boston Metal, demonstrated that Molten Oxide Electrolysis (MOE) could be used to produce emissions-free metals: a major breakthrough in the industry. Boston Metal is currently focusing the use of MOE technology on the annual 1.9 billion ton production of steel, which directly accounts for eight percent of global carbon emissions. As the implementation of carbon taxes becomes imminent, Boston Metal's MOE solution could capitalize on a huge market. Boston Metal plans to use the capital from the Series B round of funding to accelerate the industrial-scale deployment of their production systems. All of this will be on display when Boston Metal opens its first "pilot plant" in December 2022.

Fuze secures $13.6mn from Existing Investors.

- **Fuze** is a Boston-based cloud communications and collaboration software company. The company combined several communications apps and analysis tools under a single cloud service. The company has focused on large and mid-sized companies like National Geographic and PTC

- **Bessemer Venture Partners ($>5B AUM)** is a San Francisco based VC firm focused on companies in the enterprise, consumer, and healthcare sectors. Summit Partners($21B AUM) is a Boston-based growth equity and VC firm that invests in companies in three key sectors: tech, healthcare & life sciences, and growth products & services.

- **Deal Structure:** The $13.6mn financing was led by Bessemer Venture Partners and Summit Partners, both of whom had previously invested in Fuze's prior funding rounds. The two firms led a group of 15 other investors.

- **Significance:** As employees have fled the office due to the current pandemic, communications solutions have become more important in an era of flexible work environments and WFH. Fuze recently hired a new CFO and Senior Security Advisor to better adapt to this changing environment. Combined with an infusion of cash, Fuze looks to further its growth by providing tailored solutions to meet the needs of telecommuting employees, a target market that has seen astronomical growth since the onset of COVID-19.