

AN ANALYSIS OF PRIVATE EQUITY & VENTURE CAPITAL



NORTHEASTERN UNIVERSITY PRIVATE EQUITY & VENTURE CAPITAL CLUB

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PRIVATE EQUITY

1

Uber Technologies has sold a stake in Uber Freight, its freight logistics arm, to investors led by Greenbrier Equity Group for \$500 million in a Series A preferred stock financing.

- **Uber Technologies** is a San Francisco based tech company offering vehicles for hire, food deliveries, package delivery, electrical scooter and bike rental, and freight transportation. Uber Freight pioneered directly connecting large companies to networks of truck drivers but reported a net loss of \$49 million last quarter. The outbreak of COVID-19 saw demand for trucking plummet in March but it's now rebounding to near record highs.
 - **Greenbriar Equity Group** is a New York based private equity firm specializing in the aerospace, transportation, and logistics sectors. The firm has raised over \$4 billion across four funds since its founding in 1999.
 - **Deal Structure:** Uber will retain majority ownership of Uber Freight, but two Greenbriar managing partners will join Uber Freight's board of directors. Greenbriar Equity valued Uber Freight at \$3.3 billion post investment.
 - **Significance:** The American trucking sector is a fragmented, quickly growing industry currently undergoing rapid digitalization. Uber Freight has seen quick growth and has taken significant market share from both conventional freight vendors and digital rivals. Even though Uber Freight has consistently reported net losses, its EBITDA and reported revenue have steadily increased year over year. Moving forward, Uber Freight seeks to use the funds to drive product innovation and further accelerate growth. By offering unprecedented convenience and flexibility, digital freight brokerage is expected to rapidly increase in popularity and usage.

Wilshire Associates advises investors with over \$1 trillion in assets, sells to two private equity firms, CC Capital and Motive Partners.

- **Wilshire Associates** advises pension funds and institutional investors with over \$1 trillion in assets and manages another \$73 billion. They are widely known for their equity market index, the Wilshire 5000 Total Market Index. They also provide portfolio analytics services to their customers.
 - **CC Capital** was founded in 2015 by Chinh Chu, a senior managing director at the Blackstone Group. The private equity firm plans to manage and operate businesses for a hold-period longer than the industry average.
 - **Motive Partners** is a sector-specialist investment group focused on software and information services businesses. They focus on control-based investments or buyouts.
 - **Deal Structure:** The deal is expected to go through in the fourth quarter, but no financial details have been made publicly available.
 - **Significance:** Pension consulting has become competitive as firms have cut fees lowering profits. Many have moved into managing assets. CC Capital's expertise in business operations paired with Motive Partners' fintech experience should give Wilshire the support it needs to adapt to the rapidly changing industry. The two PE firms co-invested in Dun & Bradstreet, highlighting their mutual interest in long-term value creation in fintech companies.

VENTURE CAPITAL

2

ShipBob, provides third-party fulfillment and logistics services to eCommerce brands, has raised \$68 million in their Series D funding round led by investment fund SoftBank Vision Fund 2.0.

- **ShipBob** is a provider of end to end fulfillment solutions completing e-commerce orders for direct to customer brands. The company seeks to become the default solution for eCommerce logistics by offering an integrated platform that allows business to use multiple online marketplaces while managing their inventory efficiently.
 - **The SoftBank Vision Fund 2.0** is a billion-dollar investment fund that invests in disruptive technology companies of varying sizes. The fund is managed by Softbank Group.
 - **Deal Structure:** The Series D funding round raised \$68 million with the financing being led by Softbank. Prior investors in the company include Menlo Ventures and Bain Capital Ventures.
 - **Significance:** The company disrupts a market dominated by Amazon allowing small and medium sized companies to manage and fulfill orders at a speed akin to those of a large e-commerce corporation. ShipBob plans to use these funds to invest in new personnel and fulfillment centers which will result in a greater distribution footprint. Ervin Tu, Managing Partner at SoftBank Investment Advisers regards that Shipbob, IA&TC_is on track to be the market-leading solution for SMB and larger merchants around the world."The funding comes at a time when Shipbob has seen significant growth due to Covid-19 and will allow the Company to expand its capabilities globally to compete with large scale corporations such as Amazon and Walmart.

Turntide Technologies, the creator of the first sustainable electric motor, has raised \$33 million in a recent financing round with notable investor Amazon Climate Pledge Fund.

- **Turntide Technologies** developed the Smart Motor System, the first software driven digital motor. The motors digital DNA allows for dependable, exact control and improves efficiency by reducing excess energy generation. Their motor will be primarily used in the HVAC market which handles the cooling/heating of buildings. The company seeks to disrupt the conventional technology solution and has already begun scaling manufacturing providing Software Motor Systems for large corporations such as Amazon and Five Guys.
 - **The Amazon Climate Pledge Fund** was created in June 2020 by Amazon Inc with an initial capital base of \$2 billion and an aim to invest in sustainable and decarbonizing innovations.
 - **Deal Structure:** The financing round consists of a \$33 million investment led by the Amazon Climate Pledge Fund.
 - **Significance:** Turntide's innovative technology will shape the future of climate change and demonstrates a pivotal shift in the motor industry in which nearly all motors used are reliant on dated technologies over a century old. The \$33 million raised by Turntide will allow the company to invest in production capacity and hire more engineers to work on new features and improve the functionality of the core product. Amazon's investment marks an inflection point in which Turntide seeks to increase its installed base by partnering with more Fortune 500 companies. This financing round will accelerate the company's penetration into new markets and demonstrates a bolstering of demand to use innovative technologies to make positive impacts in climate change.

GROWTH EQUITY

3

European lithium-ion battery company **Northvolt** raised \$600M in funding from Baillie Gifford and many other institutional investors

- **Baillie Gifford** is an investment management firm based in the UK that has had tremendous success with pre-IPO tech companies. Spotify CEO Daniel Ek, Volkswagen, and other institutional investors including Goldman Sachs Merchant Banking Division, Baron Capital Group, Bridford Investments Limited, and more also joined this round of funding.
 - **Northvolt** is a Swedish maker of lithium-ion batteries, the products used to power the electric car industry. Besides its automotive division, Northvolt also focuses on renewable energy for the Grid, Industrial, and Portable & Micromobility industries.
 - **Deal Structure:** The \$600M of capital raised will be used for research and development as well to establish domestic manufacturing capabilities in Europe. The CEO hopes this investment will propel Northvolt to take over 25% of the European battery market by 2030.
 - **Significance:** Northvolt is a primary competitor of Tesla, with its CEO being the former head of supply chain at Tesla and a leader in green energy. With the continued push towards electric cars and more sustainable solutions, Northvolt aims to take a large share of the increasing demand and dominate the European market. Even here in the US, it was recently announced that California would start banning traditional gas vehicles by 2035. The funding will be used to develop factories and create recycling facilities in Europe; their planned manufacturing facility is expected to be the largest in the world with the capacity to make 4 gigawatt hours of batteries.

Cazoo, a UK-based used car sales platform, has received \$311M in funding led by General Catalyst and other large investment firms.

- **General Catalyst** is an early stage and growth investor with past success investing in tech companies. Investments from this round also include D1 Capital Partners, Fidelity Management & Research Company, Blackrock, and more.
 - **Cazoo** is a car sales platform that allows consumers to purchase used cars through the app and receive cars at their door through contactless delivery. The company offers protections including quality assurance, 7 day trial period, and 90 day warranty to ensure a stress-free buying experience.
 - **Deal Structure:** The deal came out to a total of \$311M of funding for an all-equity round with no inclusion of debt, despite debt being a common vehicle for similar companies. Cazoo's current valuation has reached \$2.5B with a total funding of \$582M.
 - **Significance:** Because of the environment created by the global pandemic, people want to avoid using public transportation to ensure healthy social distancing now and for years to come. This has provided opportunities for the car industry to adapt and take advantage of the rising demand for personal vehicles. Cazoo also plays to many peoples' interests of wanting to car shop without human contact, representing a shift in how the industry is changing and how Cazoo is meeting those demands.

M&A ACTIVITY

4

On October 5, **Bristol-Myers Squibb** acquired biopharmaceutical company MyoKardia for \$13.1 billion.

- **Bristol-Myers Squibb** is a public pharmaceutical giant that manufactures prescription drugs in many therapeutic areas such as cancer, HIV/AIDS, diabetes, cardiovascular disease, and hepatitis.
 - **MyoKardia** is a clinical-stage biopharmaceutical company specializing in the treatment of severe cardiovascular diseases. Their top product is mavacamten, a drug still that treats obstructive hypertrophic cardiomyopathy, which affects about 1 in every 500 people. It is still in the experimental phase.
 - **Deal Structure:** The deal will be financed by a mix of both cash and debt, although the specific split has not yet been disclosed. The \$13.1 billion is equivalent to \$225 per share of MyoKardia, a 61% premium over last Friday's closing price.
 - **Significance:** This acquisition expands Bristol-Myers Squibb's heart drug portfolio, already containing Eliquis, which keeps their therapeutic lineup more diversified as they grow their oncology branch, which they've emphasized in recent years. The competition in the cancer therapy field has been growing steadily, but this acquisition provides Bristol-Myers Squibb with a medium- to long-term growth driver. MyoKardia's promising drug has the ability to address an important but unmet need in patients with cardiovascular disease. If it's successful, Bristol-Myers Squibb would have the only drug treating that need for at least a decade.

Space transportation company **Momentum** is in the final stages of being acquired by Stable Road Capital, through an SPAC and stock PIPE, which raised \$172.5 million and \$175 million, respectively.

- **Momentum** is the first company to offer sound infrastructure and other space service capabilities which allow human existence to thrive in space. Providing effective last-mile satellite and cargo delivery, among other services, has established Momentum as a leader in the rapidly expanding space economy.
 - **Stable Road Capital** is a single family office, deploying an opportunistic approach to fundamental value investing. Specializing in venture capital, real estate, and private equity, Stable Road has shown great interest in the recently up and coming cannabis and space industries.
 - **Deal Structure:** Through a special purpose acquisition company (SPAC), Momentum raised close to \$172.5 million towards the end of 2019. Stable Road looks to take Momentum public after the deal is finalized. Another \$175 million comes from a fully committed stock PIPE at \$10/share, to bring the total cost to \$347.5 million.
 - **Significance:** Many private companies have sprung up in the space industry towards the end of the decade, and the close race between firms with the ability to provide structural and delivery support to various satellites is getting tighter. By 2030, the size of the global space economy is expected to reach \$1.4 trillion, up from \$415 billion today. This funding will allow Momentum to build towards a new fleet of high-capacity delivery vehicles which can serve commercial customers, with the goal of serving all orbits up to the Lunar Orbit by 2025.

FUNDRAISING & LP ACTIVITY

5

Shogun, an e-commerce website builder has recently raised \$35 million in series B funding.

- **Shogun** focuses on supporting direct to consumer brands that offer a superior shopping experience to the e-commerce giants such as Amazon. Their tools such as the Page Builder make it easier for companies to create their online store-front and allow for complete customization. Shogun's clients range from mom-and-pop stores to leading brands such as K-Swiss and Chubbies.
- **Accel** is also based in Silicon Valley and is a VC firm focused on being the first investor with seed and early-stage ventures. They have funds all over the world from San Francisco to China. They boast an impressive portfolio of successful companies that they've invested in such as Slack, Flipkart, Spotify, Facebook, Kayak, and many more.
- **Deal Structure:** \$35 million in Series B funding that will be used towards product development in addition to building out all of their teams from engineering to sales.
- **Significance:** E-Commerce has been prominent for some time now and while many people tend to think of Amazon when it comes to E-Commerce, there is actually an entire ecosystem of companies that drive the E-Commerce industry. In the last year or so, the e-commerce industry has seen a growth in B2B e-commerce companies whether it be in direct selling or goods/products to other businesses or playing support roles for the retailers.. Shopify allows people to make online store fronts on their site with access to their shopping cart features, marketing capabilities, analytics, and much more. Shogun takes it one step further by helping these small businesses get their storefront up and running by streamlining and allowing for customization of the entire website development process. More consumers are turning towards bringing their small businesses online especially during the pandemic and Shogun enables them to bring their online presence from a wish to reality.

On October 1st, **Pacaso** officially launched after receiving \$267 million in funding from debt financing and investments from PE firms Maveron, Crosscut and Global Founders Capital, as well as former Starbucks CEO Howard Shultz and former Zillow President of Media and Marketplaces, Greg Schwartz.

- **Pacaso** is a company that allows the collaborative financial split of houses to a maximum of 8 people. They create an easier alternative to co-ownership of home by turning it into an LLC which enables customers to buy shares of the home. This business model offers customers a more affordable solution to buy a second house. Pacaso earns revenue through a 10% initial purchase fee, and annual fee equal to 1% of the purchase price for maintenance.
- **Maveron** is a Seattle based venture capital firm that invests in early stage consumer-only companies. They have raised eight total funds with their latest being Maveron Equity Partners VII totaling \$143.6 million raised which was announced on May 28, 2019.
- **Deal Structure:** Pacaso secured \$250 million through debt financing and received the remaining \$17 million through series A funding led by Maveron.
- **Significance:** The individual investors contributing to the series A funding are reputable leaders with relative experience which is a great sign for Pacaso. Additionally, this influx of cash has enabled the company to finally launch. The \$267 million in new funding is necessary as Pacaso needs cash to temporarily purchase equity in homes that will later be resold. It will be very intriguing to see how Pacasso does with their home-sharing model considering both people's hesitancy to be around other groups during Covid and the booming housing market.

LIQUIDITY EVENTS

6

Chindata Group Holdings Ltd. rises 20% after completion of its Bain-backed \$540mn U.S. initial public offering.

- **Chindata Group Holdings Ltd.** is a Beijing based Chinese big data tech company. As a key leader in information technology, CGH dominates data center solution services in emerging Asia-Pacific markets.
 - **Bain Capital** is a Boston based investment firm specializing in debt, early stage venture, late stage venture, and private equity. With an AUM of over \$95b and past experiences in 88 unique investments, Bain Capital is a vetran leader of its industry.
 - **IPO Terms:** On September 30th, Chindata released a sale of 40,000,000 American Depository Shares (ADS) at \$13.50 per ADS for a total offering size of \$540mn USD under the symbol “CD” on the Nasdaq Global Select Market. Each ADS represents two Class A shares of Chindata Group.
 - **Significance:** Despite the inability to generate profitability and a continued model of growth-at-all-cost, Chindata’s strong IPO demonstrates the swift resurgence in tech-stock confidence as investors look ever more so to tech in order to hedge against volatile markets. Chindata plans to expand activity as the new normalcy of remote work ensues an increased demand for cloud computing and data services.

NEC (Tokyo: 6701) agreed to buy Swiss banking software firm Avaloq Group from Warburg Pincus for around \$2.2 billion in global fintech push.

- **NEC Corporation** is a Japanese multinational information technology and electronics company, headquartered in Minato, Tokyo.
 - **Avaloq Group** is a Swiss company headquartered in Zurich, Switzerland that develops and provides software for core banking. The software system, Avaloq Banking Suite, is used by more than 140 banks worldwide. The firm has developed business processes as a service (BPaaS) and software as a service (SaaS) cloud solutions for banks and financial organizations.
 - **Deal Structure:** NEC will pay CHF 2.05 billion, or approximately \$2.23 billion, for 100% of Avaloq shares. At present, 45% is owned by global private equity firm Warburg Pincus, whereas the rest are held by the firms' founders and employees.
 - **Significance:** NEC wants to continue to shape the future of the financial industry by continuing to invest heavily in R&D. Avaloq has one of the biggest market shares in wealth management software within Europe and the Asia-Pacific region. By picking up a company already established worldwide in banking technology, the organization will add digital finance to its bow as well as the ability to enter this market on a global scale.

IN THE NEWS

7

Tend, a New York based startup company predominantly focused on in-person dental care receives \$37 million in funding led by GV, and plans to expand to Boston.

- **Tend** is focused on creating a direct-to-consumer dentistry experience that stands out from regular dentists' offices by offering an excellent, value based customer experience. Customers are allowed to control many faucets of the experience such as TV shows played during visit, toothpaste flavor used, and the aromatherapy scent in the room.
- **GV**, formerly known as Google Ventures, is the venture capital arm of Alphabet inc. It primarily focuses on providing venture and growth stage funding for companies in a variety of industries such as software, life science, healthcare, cybersecurity, and transportation. GV was one of the first venture capital firms to implement venture capital services model, to provide portfolio companies access to operational help after investment
- **Transaction:** On October 1st, the company announced that it raised a \$37 million Series B round funding. In total, Tend has now raised over \$73 million in funding over 282 funding rounds. The funding was led by GV (formerly Google Ventures) and received participation from Tiger Global, Zigg Capital and Good Friends, the fund formed by the founders of Allbirds, Harry's, and Warby Parker.
- **Significance:** The dentistry industry is almost a \$140 billion dollar market and despite that, we see very little innovation in the industry. Like Warby Parker did for vision care, Tend is hoping to revamp the patient experience in dentistry. In 2019, the company's revenue exceeded \$5 million, despite the company not being profitable yet. Since reopening, revenue has recovered more than 150%. In addition, Tend plans to use the new capital to expand offices to Boston and Washington DC. They will boost their employees as well as look to add more dentists. Future plans include launching branded oral hygiene products. The goal, according to management, is for Tend to have a major recognizable presence for anything that relates to oral care. While there are other startups in the oral hygiene market, Tend is one of the few companies that is tackling reimaging the in-office dental experience. The goal is to create a welcoming customizable environment tailored to the customers needs, which should increase user satisfaction for dental office visits. An interesting caveat to their business model is that Tend dentists don't make commission on procedures. They receive a base salary and a bonus based on customer satisfaction. Tend hopes to remove the negative feelings associated with the dentist's office by adding value to the customer experience.

