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AN ANALYSIS OF PRIVATE EQUITY & VENTURE CAPITAL

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Contents: This Week's News

On Monday, February 22, **Highspot** announced it had raised $200mn in Series E funding, led by Tiger Global Management.

- **Highspot** is an AI-run sales enablement platform. It's essentially a systems selling company that helps other organizations improve their sales analytics and customer experiences.

- **Tiger Global Management** is an American PE firm specializing in the international software, Internet, consumer, and payment industries. Tiger invests in both private and public markets.

- **Deal Structure:** This $200mn in funding values Highspot at $2.3bn, giving it newly minted unicorn status. Besides Tiger Global Management, Bain Capital and Highspot's other six existing investors contributed to the Series E funding.

- **Significance:** Highspot's platform is a very differentiated product in the sales enablement market, meaning it can use this funding to enhance its products' capabilities without worrying about losing market share to competitors. It will also use this capital to expand its operations in Europe, the Middle East, and Africa, and enter the Asia-Pacific market. Highspot is a very community-oriented company, so it also wants to strengthen its technology partner ecosystem. Because of Highspot's enthusiasm to partner with other firms, Tiger Global Management hopes their increased investment will push Highspot to conduct business with other companies in their PE portfolio.

On Tuesday, February 23, 2021, **Wells Fargo & Company** (NYSE: WFC) announced an agreement to sell its Asset Management division to private equity firms GTCR and Reverence Capital Partners, for $2.1bn.

- **Wells Fargo** is a leading financial services company with over $1.9tn in assets. Wells Fargo Asset Management (WFAM), is a leading Asset Management firm with over $603bn in AUM, 24 global offices, and supported by more than 450 investment professionals.

- **GTCR & Reverence Capital Partners** are two well-respected private equity firms with experience in the Asset Management space. GTCR, based out of Chicago, focuses on investing in Financial Services & Technology. Reverence Capital Partners, which is based out of New York, is a private investment firm focused on investing in leading Financial Services businesses.

- **Deal Structure:** Under the terms of the agreement, the purchase price has been set for $2.1bn, with Wells Fargo keeping a 9.9% equity interest. The transaction is expected to close in the second half of 2021.

- **Significance:** This transaction marks a significant milestone for WFAM, which will be rebranded when the deal closes and operated as an independent firm. WFAM's CEO, Nick Marais, believes the new partnership with GTCR and Reverence will put their business in a better position to execute their strategy and to provide clients with innovative products to help them reach their investment goals. Both GTCR and Reverence Capital have a strong conviction that the partnership will grow over the long term and provide further innovation in the investment marketplace. This transaction also reflects Wells Fargo's strategy to focus on businesses that serve their core consumer and corporate clients, while also helping the bank stay away from the $2tr asset cap that the Federal Reserve imposed on them for their 2016 scandal.

Self-Driving Trucking startup **PlusAI** has raised $200mn in Series B funding from US and Chinese Investors. The financing was led by the Chinese Investment firm Guotai Junan International Holdings.

- **PlusAI** is a Cupertino based startup producing self-driving systems that can be retrofitted to traditional semi-trucks with autonomous driving capabilities.

- **Guotai Junan Holdings** is a Hong Kong based investment manager. The company is part of Guotai Junan Securities, a conglomerate comprising a large spectrum of financial services companies, headquartered in Shanghai.

- **Deal Structure**: The founding round contained a number of international venture capital firms, including Sequoia and Lightspeed venture partners and raised a total of $200mn.

- **Significance:** With increasing interest in self-driving technologies by established companies like Tesla, GM and a multitude of other startups, PlusAI offers an opportunity for companies with existing truck fleets to exploit efficiencies that arise from the implementation of autonomous driving systems. This is of particular interest to long-haul trucks as they face relatively fewer complex situations than inner-city vehicles. In general, as self-driving gets increasingly more advanced, PlusAI will be well prepared to launch their products to the American and International market as an alternative to purchasing.

Public.com has raised $15mn in a Series B funding round. The round was co-led by Accel and Greycroft which are two prominent venture-capital firms that a wealth of expertise in helping companies grow.

- **Public.com** was founded to address the major inequality in the investing world in which most families were unable to share in the large returns of major companies due to the high individual prices of certain stocks. The company has a diversified set of investors & advisors including Will Smith, J.J Watt, Shari Redstone, Tony Hawk, and The Chainsmokers.

- **Accel & Greycroft:** Accel and Greycroft are two well-known VC firms that have a successful track record of bringing many companies to public markets. Both firms recently secured a major milestone as they were both early investors in Bumble which had its IPO on February 11th.

- **Deal Structure**: The funding round was classified as a Series B and raised $15mn.

- **Significance:** Public.com's funding round comes as retail trading takes the spotlight in news headlines and in Washington D.C. The rise of Robinhood as a dominant trading platform as well as the "dash to zero" fee war among traditional incumbents (E*Trade, Charles Schwab) is shaking up the trading industry. Public.com's business model suggests that the platform is trying to combine the community atmosphere of Reddit with the trading ease of Robinhood. The company's business is growing steadily as it seeks to court individuals who want to invest in technology stocks (Ex: Alphabet...) but cannot afford to pay $2,000 for a single share. Fractional shares are also now becoming a critical marketing tool as trading platforms seek to grow their user bases.

Abound raises $22.9mn in Series A financing to accelerate growth, enhance tech offerings, and further international expansion.

- **Abound** is a leading wholesale marketplace that serves brands and retailers in the US and UK. They offer over 190,000 products from thousands of brands. Abound offers retailers and brands a modern way to connect and build lasting business relationships.

- **Left Lane Capital** is a New York-based venture capital and early growth equity firm focused on high-growth, high-retention consumer and internet businesses.

- **Deal Structure:** Abound announced the close of a $22.9MN Series A financing round led by Left Lane Capital with additional support from RiverPark Ventures, All Iron Ventures, and Red Antler.

- **Significance:** This investment represents Around's first institutional fundraise and will accelerate their efforts to further international expansion, grow the team, and enhance Abound's tech offerings with the release of industry-first features. This Series A raise follows a year of explosive growth for the company as demand for a modern wholesale platform hit an all time high. Since the start of 2020, Abound has added over 180,000 products to their marketplace and experienced a 20-fold increase in monthly sales volume. This deal also signifies an important milestone for not only the future of Abound, but for its community, as it will empower Abound to continue stripping away the complexities and costs of wholesale distribution and allow the world's greatest emerging brands to focus their talents on creation and innovation.

Israeli FinTech Firm **Earnix** Raises $75mn Round Led by Insight Partners.

- **Earnix** is a developer of AI software that enables insurers and banks to provide smarter, faster, and safer prices, along with personalized solutions. The firm combines AI with advanced analytics, enabling clients to present highly unique and customized offers.

- **Insight Partners** is an American venture capital and private equity firm based in New York City with $30bn under management. The firm primarily invests in growth-stage technology and software products.

- **Deal Structure:** This is a $75mn funding round at a $1bn pre-money valuation led by Insight Partners, with existing investors JVP, Vintage Partners and Israel Growth Partners joining the round as well. This is set to be Earnix's final investment round before going public on Nasdaq.

- **Significance:** The funds raised in this final round will be put towards Earnix's global expansion into new market segments and regions, will increase investments in product innovation, increase their employee headcount, and support M&A strategic initiatives. The investment will also help the company fulfill their mission to better meet the needs of a rapidly changing consumer market. Additionally, following the investment Erel N. Margalit was appointed as the new Chairman and Principal Jonathan Rosembaum will join the company's board of directors.

M&A ACTIVITY

BlackSky, a Seattle-based geospatial intelligence and imagery company, is to go public via a SPAC merger.

- **BlackSky** is a space venture that provides dusk-to-dawn monitoring solutions through its satellite constellation. The company offers on-demand, low-cost intelligence by combining AI, cloud computing, data fusion, activity analysis, and autonomous satellite tracking.

- **Osprey Technology (SFTW)** is led by Edward and Jonathan Cohen alongside JANA Partners' David Didomenico. Companies with high growth potential like those operating in software or space tech tend to favor SPAC's due to the allowance of financial modeling in investor reports.

- **Deal Structure:** The merger's value is projected to be $1.5 bn. BlackSky expects to raise around $450 mn in cash through the merger.

- **Significance**: From Virgin Galactic to Astra, this deal is the latest in a string of notable SPAC IPOs in the space industry. Looking forward, BlackSky seeks to eventually deploy a network of 30 imaging satellites so it can provide a picture of any location on the planet within half an hour. As of now, the company only has 5 satellites in orbit, notwithstanding the 9 which are projected to be launched later in 2021. From the intelligence services to energy companies, there exists a wide variety of clients who demand the customized, quick services that BlackSky provides.

Goodyear (NASDAQ: GT) announced a $2.8bn acquisition of top US rival Cooper Tire (NASDAQ: TB),

- **Goodyear** is a multinational tire manufacturer and the US leader in the market. Founded in 1898, Goodyear has been extremely successful and was most recently valued at over $8.5bn.\

- **Cooper Tires** is another Akron-based tire manufacturer with a strong presence in the US and China. Cooper specializes in the light truck and SUV industry and was valued as the 13th most valuable tire manufacturer in the world at the time of purchase.

- **Deal Structure:** The deal was agreed upon at a valuation of $2.8bn and financed through a mix of stock and cash. Cooper shareholders will receive $41.75 in cash per Cooper share owned, as well as 0.907 shares of Goodyear common stock per share of Cooper common stock. Since the announcement, Cooper's stock price has shot up to over $55, a 30% increase.

- **Significance:** This deal came as a relative surprise as the automotive industry as a whole has been struggling during the pandemic. Although Goodyear has seen a significant drop in revenue this year, the company felt comfortable making the massive acquisition because of Cooper's foothold in China. With this acquisition, Goodyear will double its presence in China while also solidifying itself as the top tire manufacturer in the US. These markets are the two largest in the world for tire manufacturers and project to have strong growth in the coming years. The deal -- which is expected to close in the second half of this year -- will see Goodyear's projected annual revenue jump to $17.6bn while also cutting $165mn annually by reducing overlapping functions and improving "synergies" between the two companies.

FUNDRAISING & LP ACTIVITY

Ironspring Ventures raises $61mn for its debut venture fund Ironspring Venture Fund I to invest in industrial technology.

- **Ironspring Ventures** is an Austin based venture capital firm with a specialization in industrial technology innovation investments. They provide post-seed early stage funding, asset management, and financing services. Launched back in 2020, Ironspring Ventures has garnered 3 successful investments in its portfolio to date.

- **Targets:** Ironspring Ventures's strategy revolves around focusing primarily on investing in revenue generating companies within the industrial technology sector. Prospective target investments will include early stage startups in sectors such as construction, transportation, mining, and energy.

- **Deal Structure:** Ironspring Ventures is a post-seed early stage venture capital investor and aims to invest around $1mn to $4mn per company depending on evaluations. When participating in an investment, Ironspring Ventures prefers to take the lead investor position or co-lead investor position.

- **Significance:** Launched in Austin, Texas back in 2020, Ironspring Ventures's founding highlights a growing vibrant entrepreneurial and investor ecosystem in Texas. As corporations, entrepreneurs, and talent are leaving California for Texas, an arguably business friendlier state, investors are following behind. The Californian exodus of venture capital firms demonstrates shifting ecosystems and the rise of Texas as the newest innovation hub. Already firms such as Ironspring Ventures have capitalized on the growing innovative ecosystem such as its recent investment in ICON, a 3D printing robotics company that's reinventing housing construction. Ironspring Ventures's recent $61mn first fund debut is a reflection of the healthy state of the innovative ecosystem, and through this fund, Ironspring Ventures is poised to capitalize on a booming ecosystem in Texas.

Truvian Sciences announced the close of their $105mn Series C funding, led by TYH Ventures, Glen Tullman of 7wireVentures, and Wittington Ventures.

- **Truvian Sciences** is a healthcare company headquartered in San Diego, California. They stand at the intersection of personal healthcare and consumer technology, with the ultimate goal for allowing consumers to make informed decisions about their health. Truvian's main product in development includes their benchtop blood-testing system, a compact analyzer that can deliver results for any type of blood test, ranging from immunoassays to lipid panels. The investors of the funding round include TYH Ventures, Glen Tullman of 7wireVentures, and Wittington Ventures. All three investors focus on early-stage startups.

- **Deal Structure:** Truvian Sciences received $105mn in their Series C funding, bringing their total funding amount to $150mn.

- **Significance:** As consumers became more concerned with their health during the pandemic, health care companies saw this as an opportunity to develop products that best suit consumer needs. Truvian's blood testing system offers immediate insight into the health of a patient, while simultaneously providing affordable healthcare at facilities that are able to offer a faster turnover rate for results. While Truvian's bench-top blood testing system is akin to that of Theranos, a healthcare company that soon dissipated at the wake of a scandal, Truvian's business model includes full transparency, through regulatory approval, collaboration with top scientists, and enforcing test accuracy. The recent funding will allow for Truvian to move forward to attain FDA-approval, and begin to place their product in retail environments and pharmacies.

LIQUIDITY EVENTS

AEA Investors is seeking to liquidate its position in **Traeger**.

- **Traeger**, founded in 1985, is based in Salt Lake City. The company manufactures and distributes wood pellet burning barbeque grills which have "superior taste" compared to traditional gas or charcoal grills. Prices of the grills range anywhere from $400 - $1800.
- **AEA Investors** is a global private investment firm focused on private equity and debt investments in the middle market with over $15 billion of invested and committed capital. AEA acquired control of Traeger in 2017 for an undisclosed amount.
- **Deal Structure:** Currently, the company is hoping for a $3 billion-plus valuation from banks. AEA has not disclosed whether they plan on selling directly to a buyer or to take the company public through an IPO. Due to the recent explosion in SPACs, it's also possible for the company to enter the public markets through a SPAC merger.
- **Significance:** The global pandemic resulted in a greater demand for grills as people spent more time cooking at home. Additionally, Traeger offers wood pellets which act as a captivating product since they are necessary for operating the grill. The upbeat in demand can be observed through Traeger's $160 million in operating income, as well as a 20% increase in sales compared to last year. While the finances were stellar over the previous year, there is no guarantee that demand will continue to rise as the vaccine rolls out and people start spending less time at home. With less demand for grilling comes a decrease in the frequency of wood pellet purchases which would greatly hurt the company's operating income. It appears that this would be the perfect time for AEA to liquidate its position in Traeger given the grill manufacturer's recent performance, as well as the uncertainty for future demand. Furthermore, it would also make sense for AEA to take Traeger public given the current state of the market and the astronomical P/E ratios. AEA Investors has realized a phenomenal exit opportunity in its Traeger investment and the firm intends on taking advantage of it. Now it will be interesting to see what course of action the firm takes to liquidate its assets.

Auddia Inc. has announced the closing of its upsized IPO, led by Maxim Group LLC as the sole book-running manager for the offering.

- **Auddia** is a technology company that develops consumer apps that reinvent the way audio media is utilized by consumers and advertisers. The firm Providesing fans with an ad-free, on-demand listening experience through the use of patent pending AI technology. is a breakthrough in the radio and podcast industry.
- **Maxim Group LLC** is a full-service investment bank, securities and wealth management firm located in New York. Led by Michael Rabinowitz, the firm has many different avenues for helping businesses get off the ground and experience rapid growth.
- **Deal Structure:** Offering just under 4,000,000 units, each comprising one share of common stock and one Series A warrant to purchase a common share, the total price for each unit was $4.125. Gross proceeds before any commissions or expenses was approximately $16.5 mn.
- **Significance:** The use of podcasts and other radio alternatives has exploded during the pandemic. What was once an industry that continued to be outmatched by video media, has now beganis now beginning to experience an era of growth. People are taking advantage of their free time by utilizing the easily digestible content that exists on radio and podcast platforms everywhere. Auddia is a catalyst for this movement, by removing commercial breaks and other disruptions, and by making consumption significantly more efficient. Condensing the vast array of options available down to one app that can allow you to learn about anything and everything is exactly what the audio media sector needs to retain its audiences. This IPO represents just the beginning of what could become of the audio entertainment world if consumer needs can be met.

IN THE NEWS

Boston-based **BayPine LP** raised $1.1 billion in its initial closing on their debut fund.

- **BayPine LP** is a private equity firm co-founded by David Roux, and Anjan Mukherjee. Silver Lake founder and ex-CEO, David Roux aims to penetrate tech investing once more with a focus on disrupting traditional industries via innovative technology. Mukherjee was a senior managing director for Blackstone's PE Group. The two aim to assemble a PE fund that can exercise a strategy derived from their impressive resume.

- **Digital perspective, leadership and long term outlook** are the three points of the fund's approach. BayPine aims to execute the fundamentals of their strategy by enabling old middle-market companies to capitalize on new opportunities. The fund advantage lies in its personnel and utilization of digital technologies.

- **Deal Structure:** As of February 11th BayPine raised $1.1bn, $100mn of that sum was put forth by BayPine.

- **Significance:** David Roux's reemergence into the tech driven private equity scene aligns perfectly with Boston's financial agenda. The pandemic has hurt middle to small businesses throughout the city. If Roux and company are able to integrate technological solutions for traditional middle-market businesses they could be the a push factor in resurging Massachusetts' economy following the rollout off COVID-19 relief efforts.