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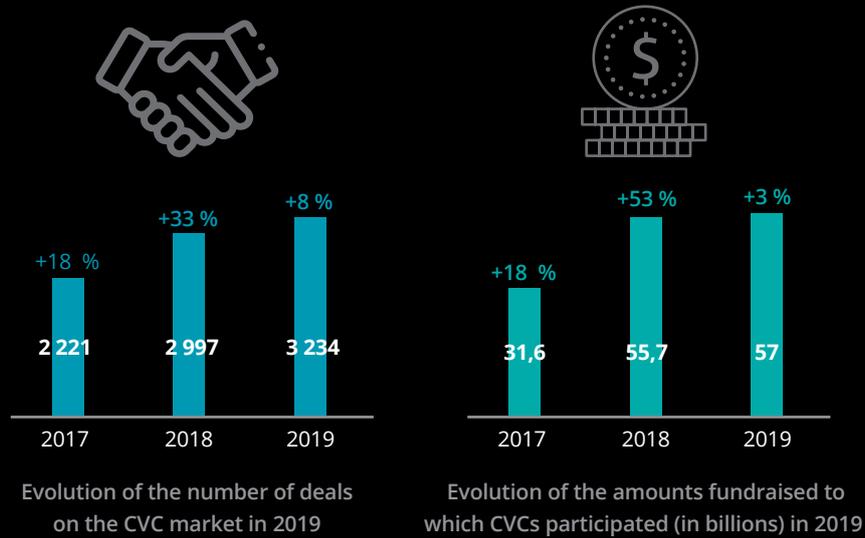
**Orange
Ventures**



Barometer CVC – 4th edition
Corporate Venture Capitalists in
France
June 2020

1 GLOBAL CVC OVERVIEW

The CVC activity continues to grow worldwide in 2019 despite a slowdown in comparison to 2018...



... which benefits the acceleration of investment growth in Europe, unlike Asia which experienced a drop in investments

Evolution of fundraising in which CVCs participated (in terms of amounts invested and deals) on the American, European and Asian venture capital market (in \$bn) between 2018 and 2019



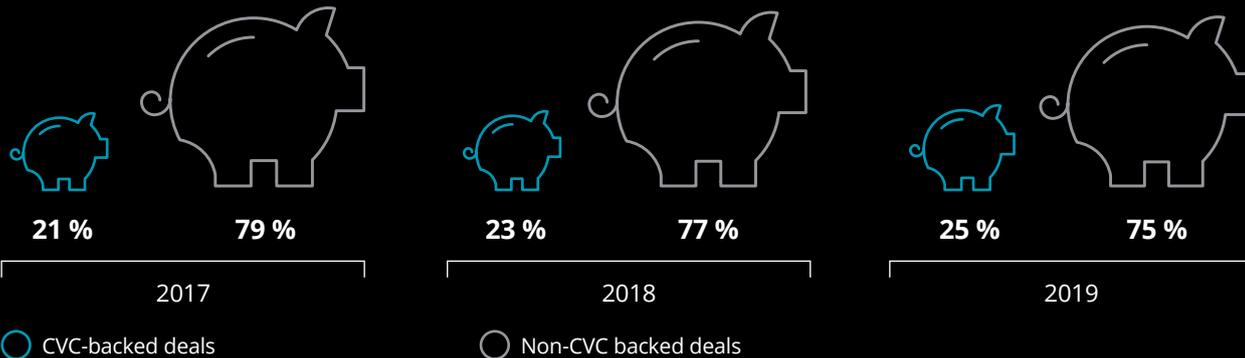
The American market is experiencing a slowdown in growth compared to previous years in terms of both numbers of deals and amounts invested.

Two consecutive years of growth, and Europe is becoming the geographic area with the strongest growth both in amounts invested (+39%) and in number of deals (+24%). Europe continues to catch up with both the United States and Asia and turns out to be the winner in terms of evolution on the global CVC market in 2019.

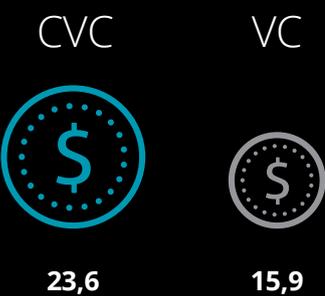
Asia recorded a sharp drop in amounts (-20% compared to 2018) mainly due to the Chinese slowdown. However, the Asian market is maintained by the steady growth of both India and Japan.

The CVC continues to grow on the venture capital market worldwide, with amounts per deal significantly higher than VCs (48% higher on average)

Evolution of the CVC participation on the venture capital market worldwide



Average CVC and VC deal size (\$M)



Did you know?

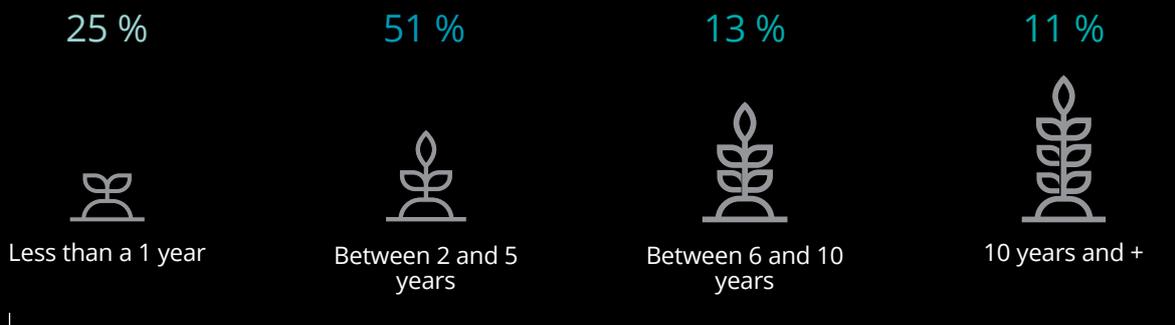
CVCs prefer late stage investments, especially so they can create synergies and collaborate with the corporate. On the contrary, the VC population is very diverse and includes a large number of early stage investors (family offices, BA, ...) lowering the average.

"We mostly invest in mature startups (Series A & B) so we can collaborate on projects together directly"

Alliance Ventures

A growth of the CVC market these past few years which can be explained by the growing number of CVCs

CVCs' maturity



75 %

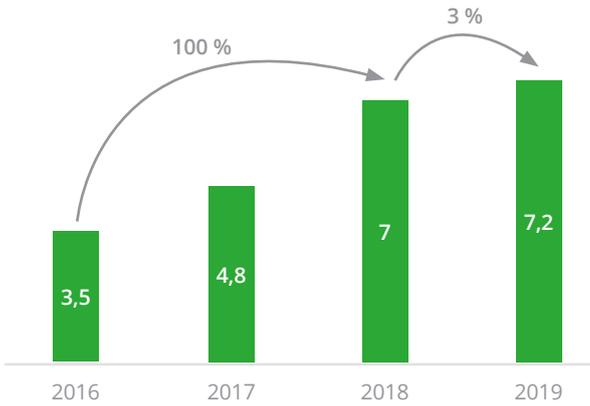
of CVCs in the world have less than 5 years of existence

The number of CVCs created continues to increase. In 2019, 941 CVCs were listed as active worldwide, compared to 773 in 2018.

2 THE FRENCH MARKET

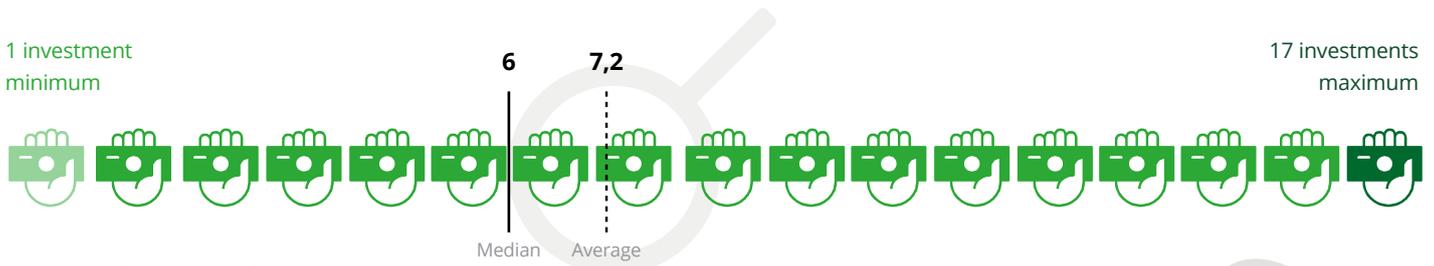
The French CVC market follows the general trend observed worldwide in terms of amounts invested and number of deals

The average number of deals has stabilised since 2018



An average of 7,2 investments per CVC, showing a slowdown after 2 years of strong growth

Evolution of the average yearly number of investments per CVC since 2016



Number of investments in 2019

... and of invested amounts, in particular for the largest actors on the market



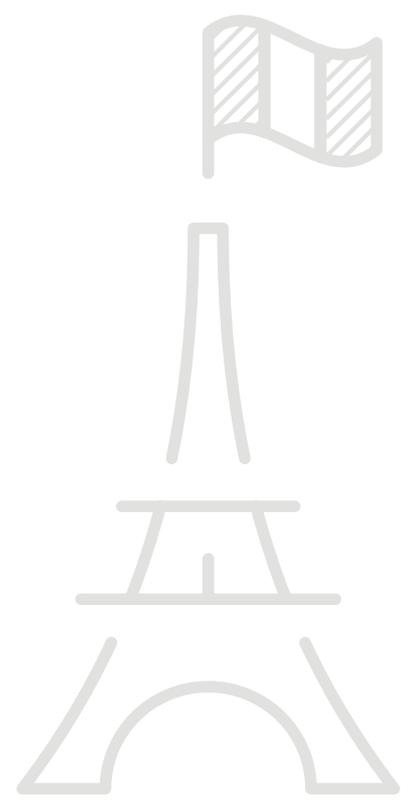
19 748 095€

total amount of investments on average in 2019 per CVC, i.e. 20% less than 2018*
(*recalculated to consider an equal perimeter)



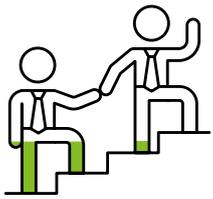
2 746 606€

average ticket size in 2019 per CVC, i.e. 22% less than 2018*
(*recalculated to consider an equal perimeter)



The French CVCs confirm their trends in terms of positioning

French CVCs are mostly follower investors, a continuous trend since 2017...



Only **27%**

of the surveyed CVCs are lead investors (vs. 50% in 2017, i.e. a 46% decrease in 2 years)

... and keep consolidating their portfolio

51% of the investments are reinvestments in the the existing startups from their portfolio.

Evolution of the number of CVCs as lead investors



French CVCs facing the Covid-19 pandemic

Despite the crisis, funds pay attention to new opportunities

73% of the CVCs surveyed remain open to new opportunities whilst developing their dealflow

Whereas **23%** of French CVC funds have stopped new dealflow management and stay focused on most advanced deals – vs. **5% and 20%** for respectively **European and international funds**



Despite a harsh slowdown in fundraising amid March 2020

Fundraising dropped by **65%** in France in march 2020 (in comparison to march 2018)

A resumption in investments in French startups observed in april

Circa €200m have been invested in French startups in the last 2 weeks of april 2020, which confirms a recovery following a drop in investments

How do you manage your dealflow strategy in light of the Covid-19 pandemic ?



73%

We remain open to new opportunities and actively develop our dealflow



23%

We do not manage new dealflow and remain focused on most advanced deals



4%

Other

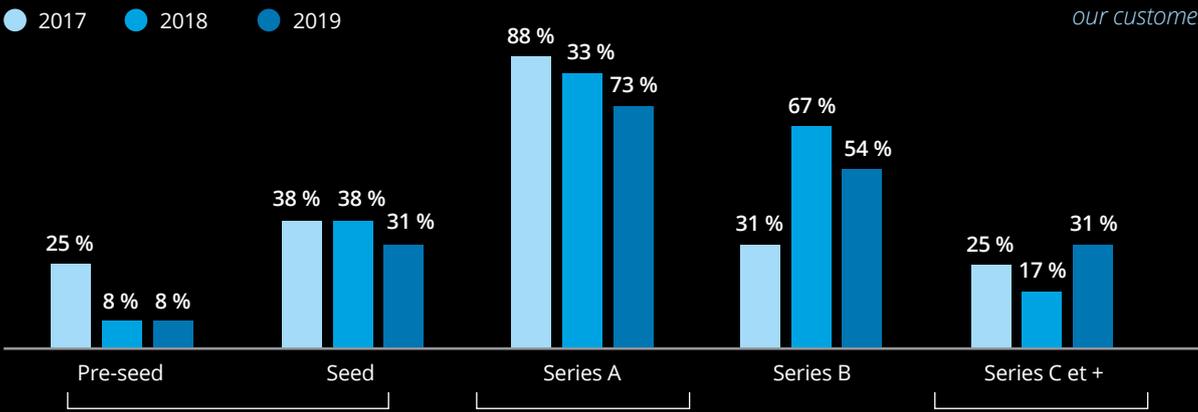
« We are taking a long-term approach, in particular by investing in sustainable growth drivers for the group. If the promise disappears, we chose to exit the deal”

EDF Pulse Croissance

3 STRATEGIES ADOPTED

Preferred investment stages by French CVCs

CVCs investments focus on the most advanced investment stages (A,B,C+), showing a consistency for the french trend with regards to the global trend.



Investments in seed and pre-seed continue to decline. Between 2017 and 2019, seed investments have been divided by 5.

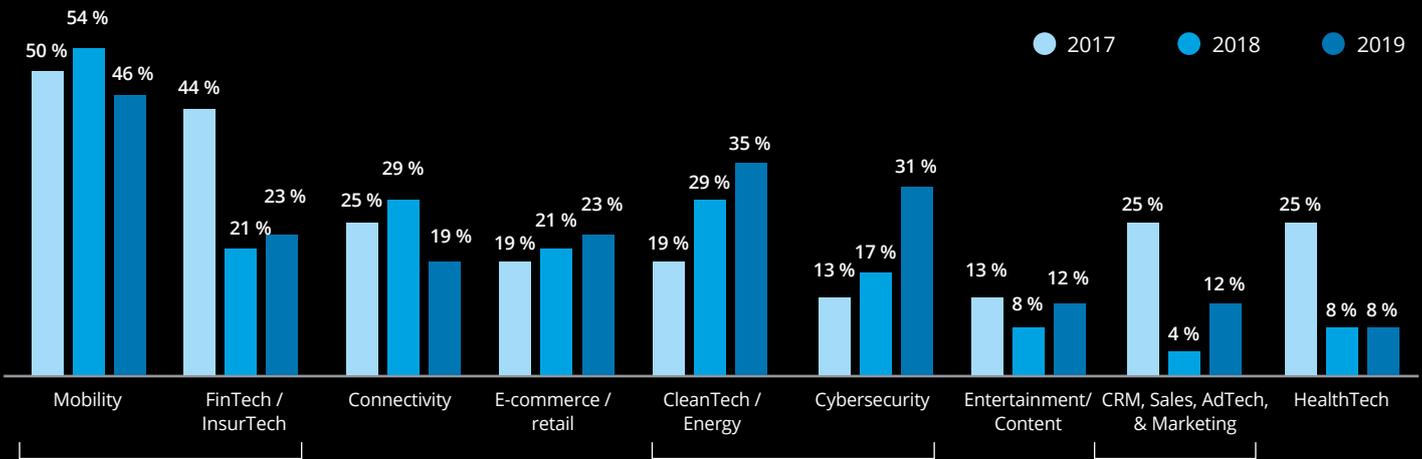
Series A represent the majority of french CVCs' investments, in line with global trend: more than half of the deals backed by CVCs around the world are Series A deals.

French CVCs investments in Series C and above are growing strongly: +14 points in 2019.

"Through our investments, we remain close to the core business while paying attention to major trends. This allows the group to position itself ahead of the curve to imagine the business of tomorrow, meet demand, respond to our customers' needs and adapt to new markets."

EDF Pulse Croissance

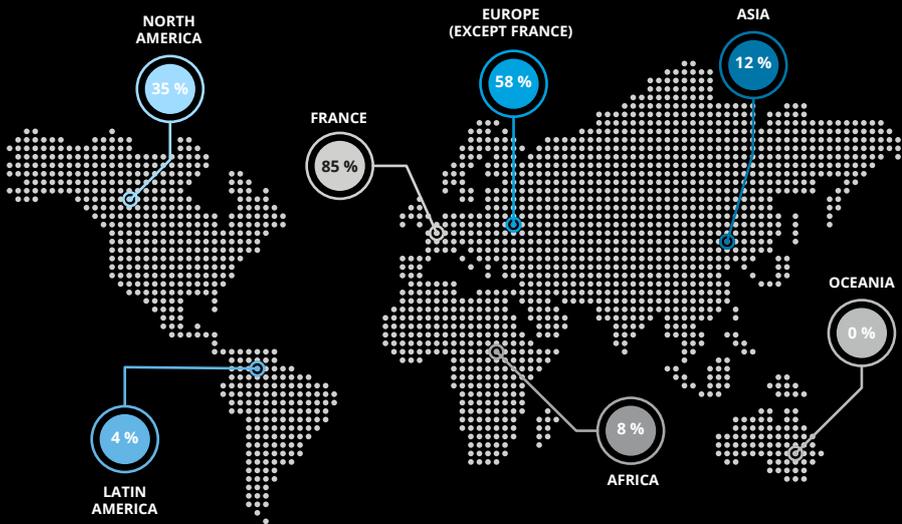
Preferred investment sectors for the French CVCs



In 2019, the FinTech/InsurTech sector resumed its growth after a significant drop in 2018. On the contrary, the French CVCs reduced their investments in the mobility sector.

Since 2017, investments in the CleanTech/Energy and Cybersecurity sectors have shown the strongest growth.

CRM tools and marketing technologies recovered in 2019.



Similarly to 2018, the French CVCs mainly oriented their investments towards mature markets (France, Europe and North America). The dynamism of the Asian market remains attractive, while Africa is making progress among the French CVCs preferred investment areas. Latin America is making its first appearance in the preferred investment geographic areas.

ESG criteria are increasingly important when investing

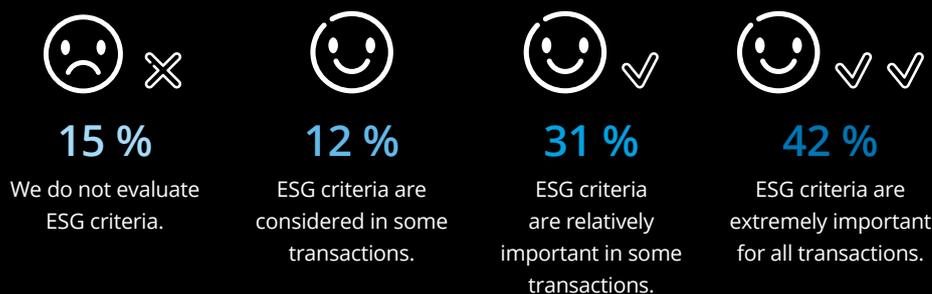
Evolution of ESG investments in Venture Capital between 2016 and 2018



ESG investments - strategies that consider a company's environmental, social and governance factors - have reached **more than \$30 trillion worldwide by 2018**, and some forecasts indicate that **their growth could reach \$50 trillion in the next two decades**.

The French CVCs follow this trend, as **85% confirm they take ESG criteria into account when investing in 2019**.

How important is it for your CVC to assess environmental, social and governance (ESG) criteria when investing?



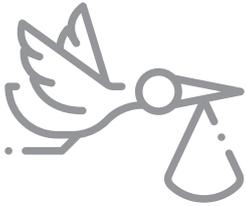
"In the current climate, positioning on sustainable and respectful value chains is an additional success factor for us."

Orange Ventures

4 WHO ARE THE FRENCH CVCs ?

The French CVC persona

Creation



The first CVCs in France started to appear in **2008**.
50 % of corporate venture funds identified in France today have been created after 2015.

Operating model in place



65 %

of the funds are self-managed



27 %

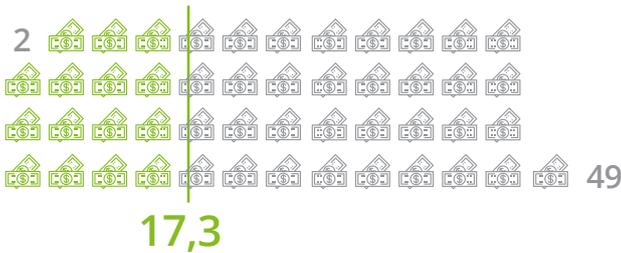
Other



8 %

of the funds put in place a joint management model with a VC

Number of investments made since the creation of fund



Portfolio size



34

14 startups on average

2

"Our current portfolio has been reviewed and analysed by our LPs and 75% of our investments are considered as strategic for the group. This is a clear sign of success for us."

Alliance Ventures

Team configuration of the French CVCs in 2019

Team size varies between **2** and **24** members



2

new recruits on average in 2019

&

8

team members on average



of which 4 in charge of investments (40% women)



and 4 in support functions

Zoom on gender balance in the French corporate venture sector



Women representation in venture capital remains poor on a global scale...
 The investment sector remains as one with the lowest percentage of women in senior positions (only 4%).

...however the French CVCs seem to become increasingly inclusive with their team configuration
 On average, almost half of team members in 2019 are women vs only 1/3 in the previous year. Moreover, investment teams are closer than ever to parity in gender representation, with 40% of women investors.

"Despite the recruitment campaigns, we tend to receive less women job applications than men. We noticed the same trend for digital/IT jobs. The innovation ecosystem is impacted as a whole."

EDF Pulse Croissance

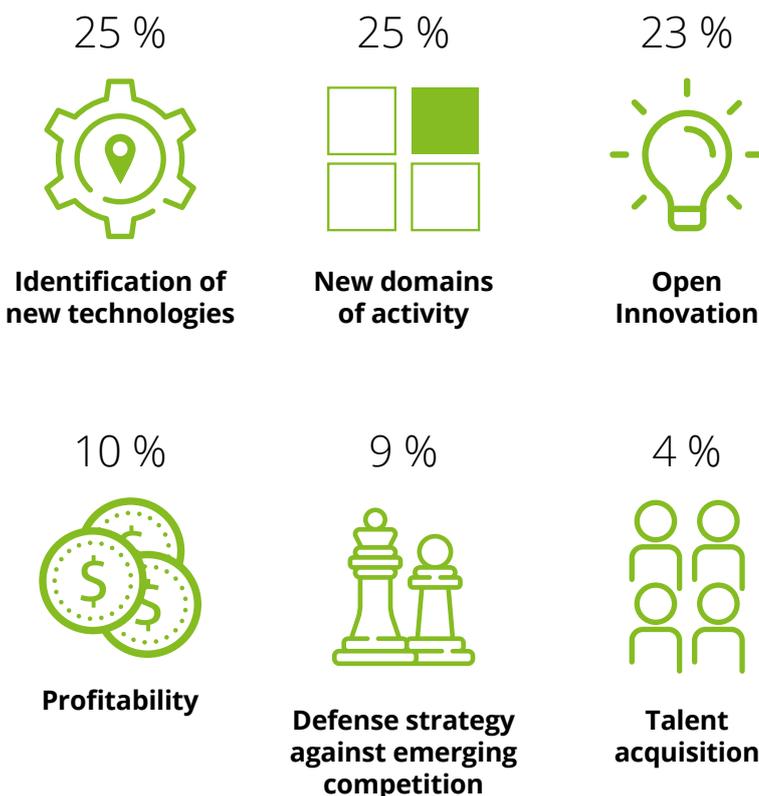
"A change is happening within the VC teams too, with more and more women joining the investment teams. Some of them will become Partners, and will serve as role models and inspiring female figures. At Alliance Ventures, almost 40% of the team is made up of women."

Alliance Ventures

French CVCs: financial and strategic objectives

new domains of activity

The stakes identified by French CVCs in 2019



Contrary to traditional VCs, the French CVCs are seeking **strategic objectives** on top of financial ones.

Consequently, their investment objectives mainly aim to :

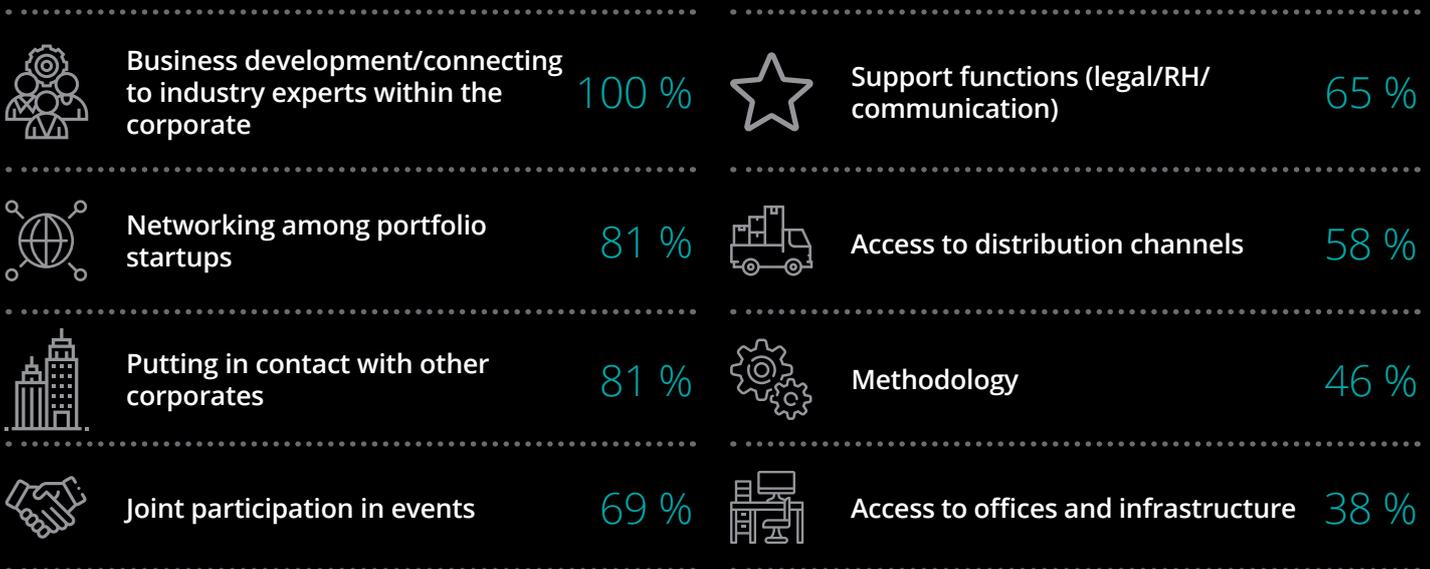
- develop new activities for **25% of them**.
- identify new technologies for **25% of them**.
- support the process of Open Innovation for **23% of them**.

5 VALUE CREATION

Open Innovation at the heart of the CVCs' activity

Indeed, CVCs activities go largely beyond financing :

Primarily, by offering to startups in their portfolio various types of support, access to resources and industry expertise...



...as well as through testing and development. 91% of respondents declare having done Proof of Concepts with their portfolio startups. Within these 91%, on average 5 PoCs have been conducted.



Did you know?

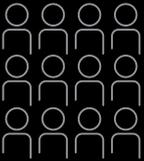
Open innovation helps large groups transform their business models.

- By offering differentiated value proposition to their clients via new products and services
- By improving the experience of all users, customers and collaborators

What are the main objectives of these PoCs?



A strong relationship between the CVC and the corporate teams who are very involved in the activity



A continuous and highly structured collaboration for 65% of CVCs

All of the parent entity's teams conduct PoCs with the startups in the portfolio, but it is mainly the IT, Innovation and Digital teams that have an appetite for experimentation and represent 66% of the staff working with the startups.

"Forging links with the business lines in a structured, agile and balanced way is a competitive advantage and a real attractiveness factor for startups."

Orange Ventures

Which teams in the parent company are conducting PoCs with the startups of your portfolio?



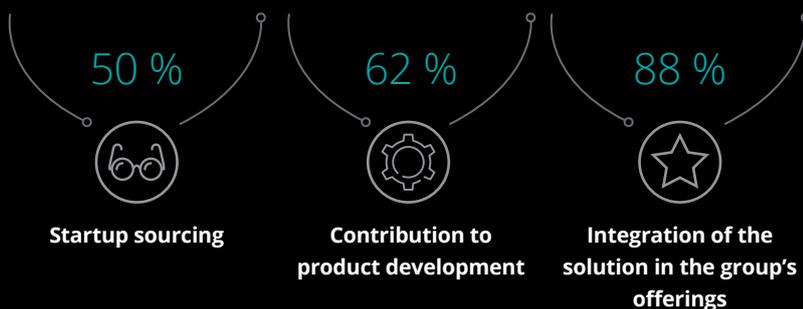
The teams are involved throughout the entire value chain, from the definition of the investment strategy to the exit

For which stages of your CVC activity do you request the support of the Corporate team?



"The involvement of the business lines is very structured. We lead a group of about 40 people, in different functions, who dedicate 20% of their time to Venture. They're leveraging their expertise and that of their team to qualify the targets."

Alliance Ventures

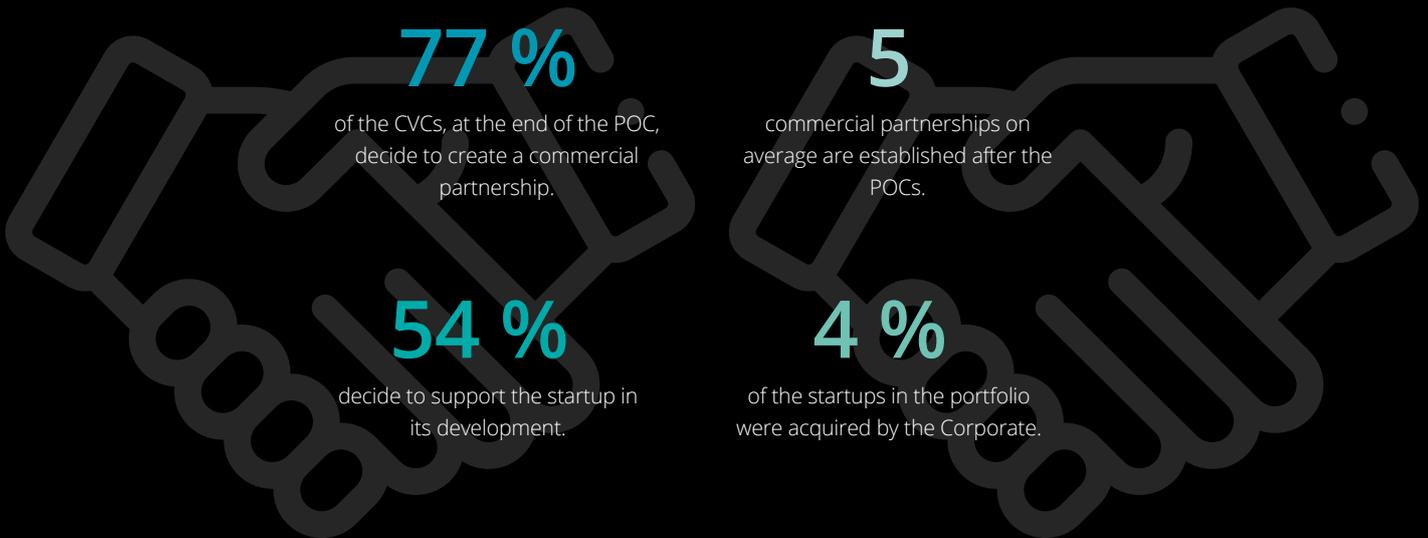


"The challenge for the fund is to anticipate the necessary adjustments in the group's business lines in order to gradually transform it towards what it must continually become to adapt to the market."

EDF Pulse Croissance

After the experiment, the partnership

The majority of POCs are successful and lead to partnerships or support for the startup



However, challenges remain regarding the integration of the startup into the corporate environment

To what extent were you able to scale the idea/technology/product into your core business?



To what extent do you agree with the following statement: "The activities of our CVC have had a significant impact on the core business and/or operational model of the company"?



6 THE FINAL WORD

QUOTES TO REMEMBER

The majority of POCs are successful and lead to partnerships or support for the startup

“ The first key success factor is the team in place and especially its management. They are the ones who will choose, understand and apprehend the market, in order to guarantee the proper positioning of the startup and its adaptation to the market.

EDF Pulse Croissance ”

“ We look at the team's track record, their background, their complementarity, but above all their vision and attitude. We want them to be confident in themselves without being arrogant. Cerebral malleability is also very important, it shows a real ability to adapt, to pivot if necessary. Then comes the value proposition, which must respond to a clearly identified bread and butter point, and the size of the market addressed, the one in which we see the startup in a position to achieve a level of valuation that allows a good financial return for the fund.

Alliance Ventures ”

Collaboration between corporates and startups - Marginal apprehensions, which fade away thanks to the strength of the group and the value of its support

“ Being attached to a Corporate can be a pain point, depending on the strength of the person's entrepreneurial culture. Our role is to help companies, accelerate their development and create synergies with our business lines. Startups benefit from access to the group's sales force, technological expertise, the power of R&D, the group's visibility and a shareholder who helps, coaches and accelerates startups.

EDF Pulse Croissance ”

“ It is our responsibility to prove to those who might still doubt that we are competitive (financial performance, speed of execution, ...) and to demonstrate the advantages of working with a corporate entity (expertise, distribution network, customer ecosystem, ...). At Orange Ventures, we have put in place a governance structure adapted to take investment decisions very quickly and agile go-to-market processes common to Orange/startup with the group's BUs.

Orange Ventures ”

The Covid-19 pandemic - a conjunctural topic that becomes structural

“ For Alliance Ventures, for example, one subject that has naturally emerged is that of health (on our production lines, at our dealerships, in our shared mobility service vehicles). Questions are also being asked about the future evolution of the sharing economy (car sharing, vehicle purchases vs. subscription models, etc.) The impacts will also be strong on retail, with an acceleration in online consumption. In order to sell cars, an increasing part of the sale will be done upstream. We're gonna need to enhance the customer experience before the car dealership.

Alliance Ventures ”

French CVC market survey of 26 CVCs including :

Safran Corporate Ventures, Edenred Capital Partners, Open CNP, Sopra Steria Ventures, ENGIE New Ventures, SNCF Digital Ventures, La Poste Services 4 Equity, Via ID, BOLD, EDF Pulse Croissance, MAIF Avenir, Alliance Ventures, CMA CGM Ventures, SEB Alliance,

Macif Innovation, Total Carbon Neutrality Ventures, Arkéa Capital, Orange Ventures, Société Générale Ventures, Convivialité Ventures, OneRagtime Aria, SUEZ Ventures, ALIAD, Accor New Business, One Innovation, ISAI Cap Venture.

Sources

Association française de la gestion financière, CB Insights, Crunchbase, Maddynews, Harvard Business Review, Frenchweb, CNBC.

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