PEI PARTNER CONNECT EVENTS

SEPTEMBER 2019

PARTNER CONNECT WEST 2019

SUBSTANTIVE BRIEFING GUIDE

Buyouts & Venture Capital

Read an overview of vital topics being addressed during PartnerConnect West on Fund Managers, Healthcare Technology, Venture Capitalist and CVC Programs.

DIRECTOR'S LETTER

Dear Colleague:

This Briefing Guide produced by Buyouts & VCJ presents a snapshot of topics that will feature at **PartnerConnect West, September 23-25, 2019** at **The Fairmont Hotel** in **San Francisco, CA**.

The 12th Annual PartnerConnect West conference will welcome over 250 decision making LP, GP and VC executives as they gather for educational sessions focused on investment & fundraising and to participate in our facilitated one-on-one Exec Connect meetings program.

Articles to enjoy in the guide include:

- LP Scorecard: Large buyouts, secondaries pay off for PERSI
- Deal-flow mix: BlueMountain, AGR Partners and Clearlake
- Corporate venture is steeled for slump, possible program cuts
- Softbank Remakes Venture In Its Image
- Women-focused StandUp Ventures holds second close and adds LPs

Discussion's to augment the articles herein and to enjoy at PartnerConnect West will include:

- How GPs are finding the next home run investment
- How growth equity is evolving and its impact on the venture and private equity landscape?
- How to set up a direct co-investment program that is sure to succeed
- How to successfully move from being an independent sponsor to raising a captive fund
- Creative ways to entice LPs into your fund
- What opportunities exist for minority & women-led private equity firms
- Where we are in the cycle and will the bull market continue, or should we prepare for a downturn?
- Leveraged loans: Trends to optimize the capital structure
- Robotics, space, drones and AI: Venture capitalists discuss which frontier markets are ripe today and what will be hot tomorrow?
- How to Keep Your LP Investors Happy

This year's gathering will guarantee attendees with an opportunity to network with senior executives from GPs and VCs looking to raise funds and LPs looking for the right funds to invest in.

See you this September at PartnerConnect West!

Best,

Vikash Magdani
Director,
Buyouts Insider

FUND MANAGERS

LP Scorecard: Large buyouts, secondaries pay off for PERSI

By Joseph Weitemeyer

Public Employee Retirement System of Idaho (PERSI) has received more than $16.4 million in distributions from its 2016 investments, most by way of large buyout funds, according to an analysis by *Buyouts*. That year was the pension's largest commitment to PE on record.

All told, PERSI in 2016 committed $275 million to seven PE funds: five focused on buyouts (two mega, two large, one small); one focused on secondaries; and one focused on venture capital. The pension contributed $140 million of its commitment, or 51 percent, as of June 30, 2018.

The $16.4 million in distributed capital produced a median IRR of 18.5 percent.

The majority of PERSI's capital distribution — $11.4 million — came from two large buyout funds managed by **TPG** and **Bridgepoint**. These funds also received the pension's largest contributions.

TPG received $33.3 million of its $40 million commitment. It distributed $7.4 million and produced an IRR of 27.7 percent, second highest of 2016. It had the highest investment multiple at 1.3x.

spxChrome/iStock/Getty Images

Bridgepoint's fifth European fund received $30.7 million of its $44.2 million commitment. It distributed $3.9 million, had an IRR of 20.9 percent and an investment multiple of 1.3x.

Blackstone and **Hamilton Lane** received the pension's biggest commitments at $50 million each.

Hamilton Lane's fourth secondaries fund received $19.8 million of its commitment and distributed $3.5 million, which produced the highest IRR from 2016 at 39.3 percent. It had an investment multiple of 1.2.

Blackstone's seventh mega-buyout fund received $12.9 million of its commitment and distributed $793,000. It had a net IRR of 18.5 percent and an investment multiple of 1.2x.

All numbers for PERSI go back to 1996. Since that time, PERSI has received $1.4 billion in capital distributions from $2.3 billion in commitments across all private equity funds.

Top Overall Funds by IRR for PERSI Vintage Year 2016

Rank	Fund Name	Fund Strategy	IRR	Committed Capital	Contributed Capital	Total Cash Out	Investment Multiple
1	Hamilton Lane Secondary Fund IV, L.P.	Secondaries	39.26%	$50,000,000	$19,849,481	$3,579,908	1.19
2	TPG Growth III, L.P.	Large Buyout	27.67%	$40,000,000	$33,253,779	$7,407,697	1.31
3	Bridgepoint Europe V, L.P.	Large Buyout	20.91%	$44,232,239	$30,691,530	$3,986,215	1.27
4	Blackstone Capital Partners VII, L.P.	Mega Buyout	18.52%	$50,000,000	$12,954,541	$793,930	1.17
5	Advent International GPE VIII-B, L.P.	Mega Buyout	9.92%	$36,000,000	$17,694,000	-	-

Top Overall Strategy by Distribution for PERSI Vintage Year 2016

Rank	Strategy	Number of Funds	Total Cash Out	IRR (Median)	Committed Capital	Contributed Capital	Investment Multiple (Median)
1	Large Buyout	2	$11,393,912	24.29%	$84,232,239	$63,945,309	1.29
2	Secondaries	1	$3,579,908	39.26%	$50,000,000	$19,849,481	1.19
3	Mega Buyout	2	$793,930	14.22%	$86,000,000	$30,648,541	0.59
4	Small Buyout	1	$640,803	7.64%	$35,000,000	$19,705,408	1.12
5	Venture Capital	1	$4,261	-4.55%	$20,000,000	$6,469,444	0.95

Source: Public Employee Retirement System of Idaho; data is current as of June 30, 2018.

Healthcare Technology

Deal-flow mix: BlueMountain, AGR Partners and Clearlake

By Buyouts Staff

- Clearlake shops Ivanti, IT-services company
- AGR sells 3D Corporate to Olympus
- BlueMountain leads recap of AdaptHealth

Hacked IT security concept. ValeryBrozhinsky/iStock/Getty Images
REUTERS/xxxxxxxxx

Clearlake Capital is shopping **Ivanti**, which could draw about $2 billion in a sale, sources familiar with the deal told *Buyouts*.

UBS and **Evercore** are advising Clearlake, the sources said.

In January 2017, the Santa Monica, California, PE firm acquired **Landesk** from **Thoma Bravo** and combined it with its portfolio company **HEAT Software** under one brand to become Ivanti.

Clearlake completed two add-ons to the platform — **RES Software** and **Concorde Solutions** — also in 2017.

The company, with 36 offices in 23 countries, employs almost 1,500.

Ivanti, Salt Lake City, aims to help IT organizations automate and secure digital workplaces by addressing security threats, manage devices and optimize their user experience. Ivanti also aims to ensure that supply-chain and warehouse teams are using the latest technology to improve productivity in operations.

Clearlake, which has managed more than $8 billion of institutional capital since its inception in 2006, invests in software and technology, energy and industrials and food and consumer sectors.

On April 30, the firm announced the sale of a 50 percent stake in **Perforce Software** to **Francisco Partners**. —*Milana Vinn*

AGR sells pet-food company 3D Corporate to Olympus

Olympus Partners won the auction for **3D Corporate Solutions**, the Monett, Missouri, maker and distributor of pet food and food ingredients.

The Stamford, Connecticut, shop is acquiring 3D, an April 29 **FTC** filing and two sources said. Early-termination notices appear on the FTC site after the regulator has conducted an antitrust review of a deal.

3D Corporate produces $35 million to $40 million Ebitda, one of the sources said.

AGR Partners invested in 3D in November 2015, according to **PitchBook**. The growth firm put 3D up for sale nine months ago, sources said.

Harris Williams advised on the sale, people said. All the final bidders were PE, the first source said.

How much Olympus paid for 3D is unclear. AGR Partners was seeking $400 million for 3D, the second person said.

AGR Partners, Davis, California, invests in companies in agriculture and the food value chain. **Ejnar Knudsen**, a former **Western Milling** executive, formed AGR in 2012.

The firm typically invests $25 million to $75 million per deal, structured as either non-controlling equity or subordinated debt.

3D won't be Olympus's first pet deal. The PE firm owns **Petmate**, a supplier of non-food pet products to retailers.

Olympus, a middle-market buyout shop, invests in sectors including business services, consumer and restaurants, as well as industrial and packaging.

In March, Olympus acquired **Tank Holding** for a second time, from **Leonard Green Partners**. The firm in July bought **Rise Baking** from **Arbor Investments**.—*Luisa Beltran*

BlueMountain recaps DME company AdaptHealth, formerly QMES

BlueMountain Capital Management has led an about $250 million recapitalization of **AdaptHealth**, which distributes oxygen-therapy products and other durable medical equipment, according to people familiar with the matter.

In connection with the recap, BlueMountain injected some $100 million into the Oaks, Pennsylvania, company, formerly **QMES**, the people said.

CIT Group led a $425 million senior credit facility to support the transaction, bringing its total enterprise value to $675 million. That represents a 5.6x multiple, based upon the company's about $120 million in Ebitda pre-cash flow.

The deal concludes a **JP Morgan Securities**-run auction, as *Buyouts* initially reported in November.

Formed in 2012 through various acquisitions, AdaptHealth provides durable medical equipment and respiratory therapy products and services to patients in their homes through various affiliates: **Ocean Medical**, **Montgomery Medical**, **Landauer/MedStar** and **Roberts Home Medical**, among others.

AdaptHealth's geographic presence spans New York, New Jersey, Pennsylvania, Delaware, Maryland, Virginia and West Virginia.

The company's chairman and CEO is **Luke McGee**, a principal at **Quadrant Management**, the New York private investment and restructuring firm.

The transaction comes as an AdaptHealth peer, **Peloton Equity**-backed **AeroCare**, continues to undergo a sales process via **Triple Tree**.—*Sarah Pringle*

ACTION ITEM

Contact Clearlake at +1 310-400-8800.

September 23-25, 2019
The Fairmont Hotel
San Francisco, CA

PARTNER CONNECT WEST 2019

Bridging the Gap Between LPs & GPs

Spanning 12 years of conducive networking and education

Featured Keynote Speakers:

Andrea Auerbach
Managing Director and Head of
Global Private Investment Research
Cambridge Associates

Mark Yusko
Founder, CEO & Chief Investment Officer
Morgan Creek Capital Management

Justin Kaplan
Partner
Balance Point Capital

Key Benefits:

- Shake hands and network with vetted 300+ senior LPs, GPs, and VCs
- Meet with key decision-makers of family offices, endowments, foundations and pensions funds
- Enroll in ExecConnect private one-on-one meetings with LPs-GPs throughout the day for 20 minutes
- Gain insight on PE trends from our keynote speakers and break-out sessions; discussing topics on Buyouts and Venture Capital

Register Today! **bit.ly/pcwest19**

CVC PROGRAM

Corporate venture is steeled for slump, possible program cuts

MARK BOSLET
SENIOR EDITOR

Corporate venture suffered a tarnished reputation in the wake of the dot-com crash, when dozens of programs exited the business and left portfolio companies short of follow-on capital.

Whether a similar exodus, and stain, follows the next economic downturn is a hot question in the venture capital today. There are good reasons to believe the VC community is more durable this time, and that corporates better understand the need for innovation and the way to structure investment efforts for longevity.

But it is highly likely at least 20 percent, and perhaps many more, of today's programs could find the rug pulled out from under them should a significant turn in the economy take place, according to interviews with corporate venture capitalists and industry experts.

Corporate investing has been strong in recent years. Rounds with corporates accounted for 50 percent of capital deployed in the United States last year, a big increase and a percentage that has been rising steadily for almost a decade, according to **PitchBook** and the **National Venture Capital Association**.

Clearly, the impact of a downturn on this ebullient trend is top of mind for these investors, as they evaluate how to prepare. There already are signs more sophisticated programs are showing some caution as financial markets roil and economic growth is brought into question.

In numerous ways, many corporate programs rolled out during the expansion of the past decade appear more thoughtful than the ones sparked by the dot-com fervor of two decades ago. More have experienced investors and better metrics to assess corporate benefit, though some of these metrics remain a work in progress.

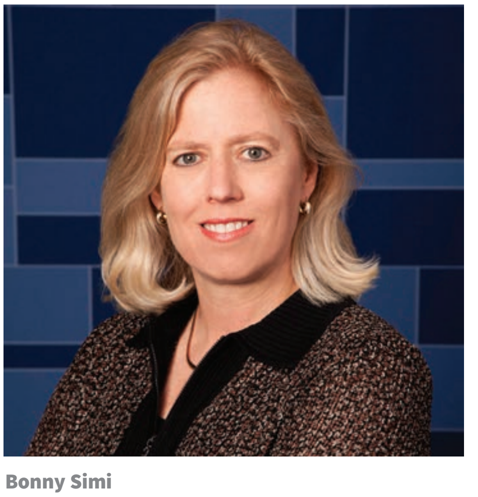
"What I see is a more mature market place," said **Mark Radcliffe**, an attorney at **DLA Piper**. CVCs better understand the strategic importance of backing young companies to spark internal innovation, and this is in large part because "in 35 years of doing this I have never seen a time of such rapid and sweeping technology change."

A JetBlue aircraft comes in to land at Long Beach, California, Airport on Jan. 24, 2017. Reuters/Mike Blake

Yet in the event of a significant downturn, programs will be cut back, though probably not as deeply as in 2000 and 2001, Radcliffe said.

The casualty rate will likely be highest among new entrants to the business.

Top programs seem to be steeling themselves for such a change. At **JetBlue Technology Ventures**, President **Bonny Simi** has told portfolio companies that rounds may take longer to close and to be sure to have money on hand to last a year, not just six months.


Bonny Simi

Yet, she said the program as an integrated portion of the airline and believes the message of its value is understood. Value is measured in terms of increasing revenue, decreasing costs, improving customer service and not being blindsided by new technology, Simi said.

There is also a sense of opportunity in change, particularly Brexit, as the firm potentially could become more relevant to startups in the United Kingdom.

At **Samsung**, which kicked off its Catalyst Fund about six years ago, there is a similar sense the program will help identify new verticals. Yet there also is some concern about 2019.

"We have to be careful with what is happening around us," said **Shankar Chandran**, head of the fund, speaking on stage in late January at the **Global Corporate Venturing & Innovation Summit** in Monterey, California, where more than 800 industry members gathered.

"We have to help our companies get through difficult times," Chandran said. "We are in the business for the long term."

This means helping with follow-on financings and bridge rounds. For companies that have value, "we will do everything we can to support them with our partners," Chandran said.

"I think the industry is here to stay," added **Quinn Li**, head of **Qualcomm Ventures**. He said Qualcomm will probably not decrease its investing in a downturn, and may come to see it as an opportunity.

With valuations down and fewer firms

doing deals, "it's a great opportunity for us to find deals at better valuations," Li said.

Quinn Li

Yet the pace of business may look quite different across the broader sweep of the industry. In the event of a significant downturn, 10 percent to 20 percent of corporate programs may decide they don't have the stomach to maintain their investing and exit the business, estimated **Scott Lenet**, a co-founder of **Touchdown Ventures**.

And the fallout could be far worse if an economic pullback becomes severe, or conditions at a particular company deteriorate substantially.

This is because many programs, even ones with significant pedigree, are still honing the metrics they use to manage and run their investment groups.

At **American Express Ventures**, which now has 50 investments and was fortunate to have started early in the cycle of fintech innovation, the firm understands the need to add value to a portfolio company in short order, said **Harshul Sanghi**, global head.

It is now becoming more of a thesis-driven investor and more granular in understanding sectors, said Sanghi, who spoke at the summit.

Initially, the challenge was cultural, or learning to move faster with new product introductions. Now the challenge remains finding people and talent for the team and the business, he added.

More CVCs nevertheless understand the need to stay involved than they did in the 1990s, said **Lisa Lambert**, who helped kick off **National Grid** Partners last fall and is bringing rigor to the new program.

Lambert, a senior vice president, said she is hiring new investors with a minimum of 10 years experience and a minimum of a 20 percent IRR, so that they understand the financial side of investing.

Top corporate venture deals (2018)

Company	Founded	Location	Amount raised ($M)	Investors
Uber Technologies Inc	2009	San Francisco	$1,250.00	SoftBank Group Corp, Sequoia Capital
Epic Games Inc	1991	Cary, N.C.	$1,250.00	KKR & Co Inc, Lightspeed Venture Partners, Kleiner Perkins Caufield & Byers, Vulcan Capital Group
WCI One LLC	-	Los Angeles	$1,000.00	JPMorgan Chase & Co, Goldman Sachs & Co, Liberty Global Ventures, Disney Accelerator, Madrone Capital Partners
We Company, The	2010	New York	$1,000.00	SoftBank Group Corp
Snowflake Computing	2012	San Mateo, Calif.	$696.78	Sequoia Capital, Capital One Growth Ventures, Redpoint Ventures, Altimeter Capital Management, Meritech Capital Partners, Madrona Venture Group, Sutter Hill Ventures, Wing Venture Partners
PharmaCann LLC	2014	Oak Park, Ill.	$682.00	MedMen Opportunity Fund
Moderna, Inc.	2009	Cambridge, Mass.	$625.00	Sequoia Capital, Merck & Co Inc, Abu Dhabi Investment Authority, Alexandria Venture Investments, ArrowMark Partners GP, EDB Investments Pte Ltd
Peloton Interactive Inc	2012	New York	$550.00	Balyasny Asset Management, Kleiner Perkins Caufield & Byers, Wellington Management Company, Tiger Global Management, GGV Capital, Technology Crossover Ventures, True Ventures, Felix Capital Partners, Winslow Capital Management
OpenDoor Labs Inc	2014	San Francisco	$460.00	Andreessen Horowitz, GGV Capital, Khosla Ventures, Fifth Wall Ventures, Lakestar Advisors GmbH, Rialto Capital Management, Access Technology Ventures, General Atlantic, Norwest Venture Partners, New Enterprise Associates, Coatue Management
Neutron Holdings (Lime)	-	San Mateo, Calif.	$400.10	NGP Capital, Meritech Capital Partners, Fifth Wall Ventures, Andreessen Horowitz, GV Management Co, Coatue Management, Atomico Ventures, Gic Special Investments Pte Ltd, Institutional Venture Partners

Source: Thomson Reuters.

The program also attempts to assure strategic alignment by insisting that a majority of its investments, which has a target of 80 percent, has a letter of intent to clearly define strategic engagement. The remaining 20 percent to 25 percent of deals are more forward thinking, where strategic engagement might be in the cards two to five years down the road.

Lambert also pointed out the program has investment, incubation and business-development functions: "I think the companies that are really serious about it are going broader."

What seems evident is that the way programs measure their value will determine their ability to survive. Programs most likely to face cuts during a downturn are those that base their strategic value on striking joint marketing deals with portfolio companies or encouraging direct product sales to business units, according to corporate investors and industry observers. Often, business unit deals bring in relatively little revenue and as a result their business-unit champions can lose interest. This makes their value less important during a downturn.

More critical to a corporation is a general sense of corporate learning and awareness. This value should continue in a downturn. Another route to avoiding cuts is by tying CVC value to M&A, which also remains critical to a parent company in difficult times.

At the same time, financial metrics, by themselves, are not enough. Financial returns may be necessary to keep a program from becoming a cost center, but optimizing for IRR is not a guarantee of longevity, these experts said. Returns from a venture unit are generally not large enough to matter on a corporate balance sheet.

On the other hand, turnover at the top of a corporation seems to be playing a smaller role in sinking corporate programs than in the past. Corporate venture is becoming a more important tool to understand innovation, and corporate "boards are not hiring CEOs that don't like innovation," Lenet noted.

Perhaps the most significant factor to gauging the survival of a venture unit is patience. Strategic value from an investment typically takes three to five years and a program needs to be in place to harvest it. Still many are structured as discretionary spending, with cash coming off the balance sheet.

In that case, "every year you need to justify your value," Lenet said.

It is no simple thing to do.

VENTURE CAPITAL

ojogabonitoo/iStock/Getty Images

SOFTBANK REMAKES VENTURE IN ITS IMAGE

The Vision Fund bets big on transportation and real estate, but also on shaping industries to its liking. Venture better take notice

MARK BOSLET
SENIOR EDITOR

Venture capital has entered an era of mega checks, expanding fund sizes, ever larger rounds and delayed exit timelines.

It's also arrived at the age of the **SoftBank Vision Fund**, the largest ever fund to target venture investing. At $98.6 billion, the fund is not just a gutsy break with the past, but a powerful force muscling its way into deals and designed to make the most of venture's frothy environment.

With two years of investing under its belt, the impact of this colossus is becoming amply clear. And venture capitalists better take notice.

In a sense, the Vision Fund is a sign of its times. The world of venture investing has grown. Capital is plentiful and so are new places to deploy it: China, Singapore, Bangkok, Brazil, Eastern Europe.

Demand is growing equally strong in traditional venues, particularly the United States, but also Israel and Western Europe.

All this is in part because innovation is changing. Startups focus more on disrupting established industries slow to move to the internet than on creating the new markets of a generation ago, such as the ones for the microprocessor and personal computer.

As companies try to blow up large established businesses, they can absorb bigger checks. Giving them the money makes sense. They have global aspirations. They accept longer time horizons to exit. They are not simply trying to figure out channel strategies for a single domestic market.

The SoftBank Vision Fund's modus operandi fits this new world to a T. It has willingly supplied abundant capital to this third era of internet investing, as it has shown with big bets on young companies, such as **Uber Technologies**, the **We Company** and **Flexport**. In the process it hopes to reshape the competitive landscape and earn a say in products and industries of tomorrow.

SoftBank plays into another trend as well. So-called private IPO financings are displacing public ones as young growth companies delay going public and investors prove eager to concentrate their bets on a handful of perceived breakout businesses during their high-growth years.

It is a trend SoftBank did not bring about, but one it is has not fled.

Now with SoftBank talking about raising a second vision fund, and perhaps increasing the capital available for technology investing by as much as 70 percent, its stamp on venture investing seems all the more indelible.

When it comes to the SoftBank Vision Fund, "it's really not been done before," said **Paul Holland**, a general partner at **Foundation Capital**. "It's, 'Let's get in and let you stay private a lot longer and really build a company.'"

The fund has largely stuck to its playbook during its first couple years, showing itself to be a long-term investor and eager to take minority and majority stakes in businesses representing the next age of innovation. It looks for companies with the potential to build multi-billion-dollar businesses and injects them with substantial capital under the assumption they will dominate the markets of tomorrow.

The idea is that big checks not only anoint a market leader

VENTURE CAPITAL

Mark Siegel, a managing director at Menlo Ventures. Photo courtesy of the firm.

but permit faster growth and intimidate competitors.

Quite likely the firm is pleased with its portfolio, said **Mark Siegel**, a managing director at **Menlo Ventures**, whose firm worked with SoftBank during its Uber financing. It has been bold and, in the process, changed the competitive landscape, Siegel said.

"I would argue they have done what they set out to do," he added "It's been transformative."

In the process, the SoftBank Vision Fund has not tried to play by the existing rules. It didn't come into the businesses attempting to one up the company-building skills of existing firms. Instead it attempted to create a competitive advantage for a company in a different way, through the sheer size of its fund.

"They are betting on very long-term trends" and as a result can be less price sensitive, Siegel said.

An example of the strategy is the Menlo investment **Getaround**, which SoftBank backed in $300 million round in 2018. Building a car-sharing business market by market can be expensive.

With the capital "you create a huge barrier for anyone else to come in," Siegel said.

But its role goes deeper.

The SoftBank Vision Fund's biggest bet so far has been on new-age transportation, which includes ride hailing. With 25 out of its 71 investments in this area, according to data collected by *VCJ*, it has taken a major piece of this new industry.

SoftBank's Vision Fund Investments, Categorized

Company	Date	Round or investment ($M)	Focus	Listed on SVF site
Transportation				
Uber	2018	$9,250.00	Ride hailing service	y
Didi Chuxing	n/a	$6,800.00	Ride hailing, bike sharing in China	y
Didi Chuxing*	2017	$4,000.00	Ride hailing, bike sharing in China	y
Alibaba Koubei	2018	$3,000.00	Food delivery service	y
GM Cruise	2018	$2,250.00	Autonomous vehicle technology	y
Grab*	2017	$2,000.00	Ride hailing, food delivery in Asia	
Ola Cabs*	2017	$2,000.00	Ride hailing service	
Full Truck Alliance (Manbang)	2018	$1,900.00	Online truck hailing	y
Chehaoduo (Guazi)	2019	$1,500.00	Used car market place	y
Grab	2019	$1,460.00	Ride hailing, food delivery in Asia	
Flexport	2019	$1,000.00	Freight transport	y
Advanced Technologies Group (Uber)	2019	$1,000.00	Autonomous vehicle technology	
Nuro	2019	$940.00	Robotic delivery vehicles	y
ParkJockey	2018	$800 (est)	Parking technology developer	y
Auto1	2018	$560.00	Used car market place	y
DoorDash	2018	$535.00	Food delivery service	y
Delhivery	2019	$413.00	Delivery service	y
Real Estate				
We Company (WeWork)	2017	$4,400.00	Co-working space service	y
View	2018	$1,100.00	Glass maker	y
OYO	2018	$1,000.00	Hotel booking site	y
Katerra	2018	$865.00	Construction automation company	y
WeWork China	2018	$500.00	Co-working space service	
Compass	2017	$450.00	Real estate app developer	y
Opendoor	2018	$400.00	Online real estate transactions	y
OpenDoor	2019	$300.00	Real estate sales platform	y
Consumer				
ByteDance	2018	$3,000 (est)	Chinese entertainment app	
Flipkart (Sold)	2017	$2,500.00	Online retailer (sold to Walmart)	
Coupang	2018	$2,000.00	Ecommerce site	y
Tokopedia	2018	$1,100.00	Online market place	y
Fanatics	2017	$1,000.00	Online retailer of sports merchandize	y
Improbable Worlds*	2017	$502.00	Virtual reality tools developer	y
FirstCry	2019	$396.00	Online baby products	y
Wag	2018	$300.00	Dog walking service	y
Brandless	2018	$240.00	Online retail	y
Healthcare				
Ping An Healthcare (OneConnect)	2018	$1,150.00	Online healthcare insurance service	y
Roivant Sciences	2017	$1,100.00	Biopharmaceutical drug developer	y
Vir Biotechnology	2017	$500.00	Drug developer for infectious disease	y
Ping An Good Doctor	2018	$400.00	Online healthcare service	y

To see the full table in the story, VCJ subscribers can go online at www.VCJnews.com.

Source: News stories, press releases, analyst reports, SoftBank Vision Fund website. Investments categorized by VCJ.
Notes: Includes deals where the SoftBank Vision Fund and SoftBank invested together.
*SoftBank expected to transfer to Vision Fund
**Reported

SOFTBANK'S LEGACY: THE PRIVATE IPO

SoftBank Vision Fund didn't invent the so-called private IPO, but its deep pockets have helped institutionalize these so-called mega rounds of $100 million, and many times much more.

In the past five years, massive financing rounds have spread like wildfire across U.S. venture capital. Last year, 201 such rounds took place, almost double the total from 2017, according to **PitchBook** and the **National Venture Capital Association**.

Few funds symbolize this upsurge more than the gargantuan $98.6 billion SoftBank Vision Fund. In this year's first quarter, SoftBank or its Vision Fund participated in the quarter's three largest U.S. deals, massive rounds that added up to almost $4 billion. Their impact is not hard to see.

"They are a mini IPO market," said **Rohit Kulkarni**, senior vice president of research at **Forge Global**.

SoftBank has in fact helped reshape the public IPO market, with companies waiting longer to go public and growing larger. Not only do private company boards find they are less dependent on the public IPO as a fundraising event, they come across better prices and more friendly terms in private financings.

Uber Technologies' 2018 deal with the Vision Fund was a milestone for this. Not only did the SoftBank-backed round changed the cap table at the company but it led to improvements in the management team and bylaws.

The impact for traditional pre-IPO investors, such as **Fidelity** and other crossovers, has been enormous.

And yet, the proof isn't yet available on whether the strategy will work. Finding returns for the Vision Fund's big horde of capital will be no easy task when the companies eventually do go public, as Uber was preparing to do, as of at press time.

Every indication suggests the SoftBank Vision Fund will be a patient, long-term investor, though the two-year old fund has found some early returns from investments in **Nvidia** and **Flipkart**. While this long horizon makes the firm less price sensitive and willing to pay up to be involved in a deal, it doesn't guarantee a deal multiple.

As it is, prices today are rich, with deal multiples having trended higher for a number of years and round size more than doubling at every stage of investing since the start of the decade.

This round size and valuation inflation create a tall mountain for the Vision Fund to climb.

Take the Uber deal as an example. Most of SoftBank's investment in the company was made at about a $48 billion post valuation, with about $1 billion of it at a lower valuation, according to public information on the deal.

If Uber ends up getting an 8x to 10x multiple on 2018 revenue, as the market appears to expect, it will have a post-IPO valuation of between $90 billion and $112 billion.

In that case, SoftBank comes away with a roughly 2x return, or slightly greater, after the offering. With a relatively short holding period, it's a nice mark up, but not one that will return the fund.

Should SoftBank hold the shares, more promising returns are possible.

The general feeling seems to be that SoftBank needs the economy and the financial markets to stay strong to have a good chance at exceptional returns.

Even still, the numbers look daunting. For SoftBank to achieve an IRR of 30 percent to 40 percent it would need to generate $35 billion to $55 billion of cash each year during the second half of the fund, or an entire company the size of **Workday** each year, according to a 2018 study from **EquityZen**.

It is a gargantuan task.—*Mark Boslet*

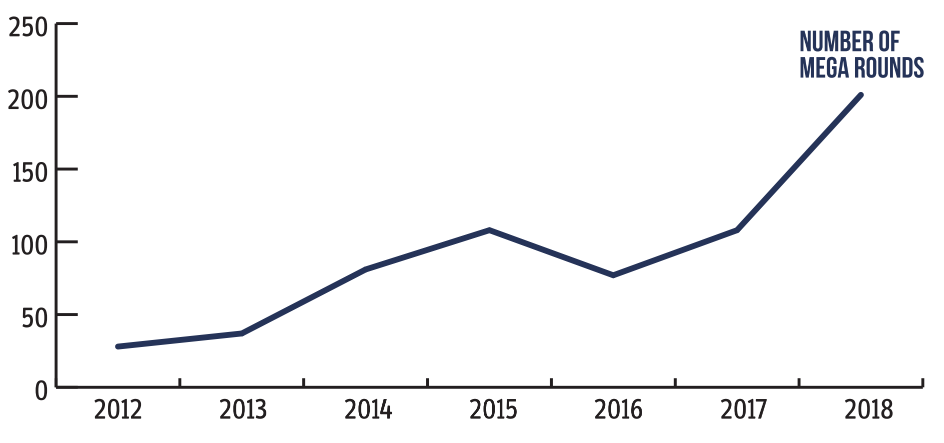
Driving its interest is the belief transportation is being transformed and a desire to influence that change as the industry's most important investor. The firm holds 16.3 percent of Uber Technologies, pre-IPO, and has made major bets on **Grab**, **Didi Chuxing**, **Ola Cabs**, **GM Cruise**, Flexport and **Nuro**.

The only major riding hailing company not in the portfolio is **Lyft**. Most recently, in April, it joined a syndicate that included **Toyota**, to pump $1 billion into Uber's **Advanced Technologies Group**, which is developing gear for autonomous vehicles.

Investors who have worked alongside the Vision Fund say the firm's strategy to become a major shareholder has been a long-term goal. The fund sees Uber as a crown jewel and it worked as a catalyst for management changes at the company.

Behind the strategy is the desire to become vertically integrated into this key sector and use the position to influence the types of vehicles and autonomous technologies automakers produce and rely upon. Discussions are underway, for instance, with Toyota to consider the future of mobility, according to *Reuters*.

Mega Rounds Soar



Source: PitchBook, National Venture Capital Association
Note: U.S.-based deals only. Mega round is $100 million or more.

But the firm isn't just looking at transportation. A second big investment sector is real estate, with 10 investments, including into We Company, **View** and **Katerra**.

The consumer sector has attracted anoth-

VENTURE CAPITAL

SECOND VISION FUND SEEN AS LIKELY

By some measures, the unthinkable has happened. Two years after kicking off the largest fund ever to target venture capital investments, the **SoftBank Vision Fund** is running out of money.

In March, SoftBank CEO **Masayoshi Son** said about $70 billion had been invested in what VCJ calculates are at least 71 financings in at least 68 companies.

With about $28 billion left in the fund, the firm has reportedly begun exploring ways to raise additional capital before the cash expires this year or next. This has included proposals to reinvest returns and to ask LPs to forgo an annual repayment.

It also means actively seeking a second and, down the road, perhaps third and fourth funds at two-year intervals. In press interviews it has said it anticipates financial resources could eventually total $880 billion and allow investments in as many as 1,000 companies over 10 years.

SoftBank did not respond to a request from *VCJ* to discuss its portfolio and strategies.

By in large, venture investors and industry observers expect SoftBank will be able to raise a second fund. The firm has shown it is not just capable of deploying capital at a tremendous scale but has been able to put forth a compelling vision of the future.

"I think SoftBank has done a remarkable job of executing in terms of deploying the capital and getting access to deals," said **Rohit Kulkarni**, senior vice president of research at **Forge Global**. "They should be able to raise more funds."

And yet exactly how large a fund and from which LPs is a matter of great debate.

To some, it is possible a second fund will be smaller than the $98.6 billion of the first fund, despite that SoftBank's infrastructure for deploying capital has grown to support its present fund.

Another unknown is whether the money will come from Saudi Arabia.

Many question whether Saudi money will be the linchpin of any new effort they way it was of the original fund. The Kingdom's sovereign wealth **Public Investment Fund** contributed $45 billion to the first Vision Fund. However, with Crown Prince **Mohammed bin Salman** accused of ordering the killing of journalist **Jamal Khashoggi**, the money has become harder for Silicon Valley and other startups to take it.

The prince denies involvement in the death.

Many investors expect a new fund will seek a broader group of backers. But who they are, no one yet knows..—*Mark Boslet*

er 10 investments, with Flipkart, **Coupang** and **ByteDance**, and health has accumulated eight, according to the *VCJ* analysis.

Enterprise has won eight investments and fintech, another six, with deals in **Automation Anywhere** and **PolicyBazaar**. One deal each has shown up in agtech and space tech, and two holdings involve semiconductors, **Arm Holdings** and **Nvidia**.

SoftBank did not reply to an email seeking comment on its portfolio and strategy.

Co-investors say the firm for the most part has been easy to work with and undertakes considerable due diligence before writing checks. When considering an investment, it urges entrepreneurs and syndicate members to envision what would be possible for a company if capital constraints were lifted, according to people close to the firm. It uses this same line of reasoning to determine check size.

Post-investment staff then encourages portfolio companies to communicate with one another and cooperate through joint ventures and joint investments.

What's more, SoftBank has so far shown itself willing to provide ongoing backing for companies, and not simply to write a single check, as many late-stage investors do.

An example of this is April's **Lemonade** deal, where the SoftBank Group stepped in to lead a $300 million Series D round for a company it had previously backed.

This policy is likely to be tested in a downturn but has presently caught the attention of some venture investors.

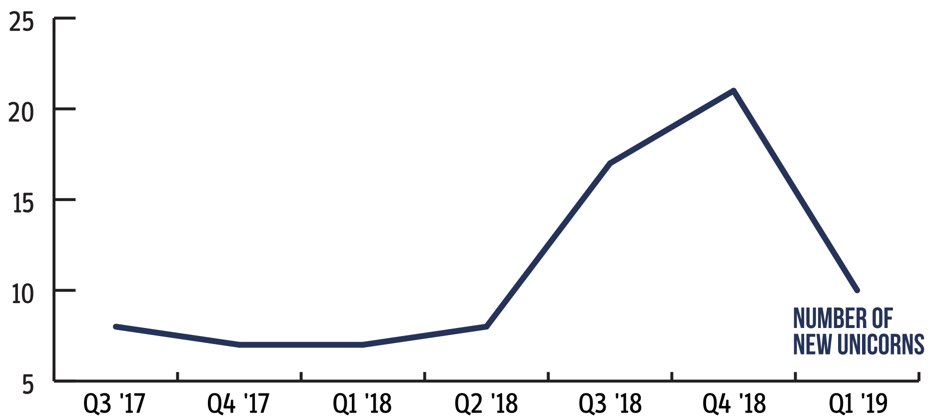
Yet there is a downside to the Vision Fund's activities, particular for startups competing with a SoftBank-funded company. When a competitor suddenly raises $450 million, it is a life-changing event, Holland noted.

Each Google keyword is suddenly 2x to 3x more expensive and "it becomes an arms race pretty quickly," Holland said. "What venture capital has to do is anticipate this could happen."

Exit opportunities also can be restricted for richly funded companies. A startup with a $1.6 billion valuation can find itself out of the reach of an industry incumbent that might have considered a takeout at a lower price.

SoftBank's stamp on venture capital has become clearer as the fund has operated. Its mark isn't likely to disappear any time soon.

Unicorns on the Rise



Source: MoneyTree Report.
Note: U.S.-based companies only.

VENTURE CAPITAL

Women-focused StandUp Ventures holds second close and adds LPs

gradyreese/E+/Getty Images

KIRK FALCONER
PE HUB CANADA EDITOR

StandUp Ventures, part of a small but fast-growing group of Canadian women-focused venture firms, held the second close of its inaugural fund, raising C$18 million ($13.4 million).

StandUp Ventures Fund I secured additional commitments from **CIBC**, **Export Development Canada**, **Northleaf Venture Catalyst Fund II**, **RBC** and **Vancity**, a news release said.

The new limited partners joined **BDC Capital**, which helped anchor the fund's launch in 2017.

With the second close, Fund I surpassed its original goal of C$15 million. The Toronto firm is now targeting a final close of C$25 million.

StandUp Ventures invests in pre-seed and seed financings of women-run cleantech, IT and life-sciences companies located across Canada.

To qualify, startups must have at least one female founder in the C-suite. The role must include a significant ownership stake commensurate with the company's development stage.

"Research has shown that investor bias accounts for a third of the gender disparity in high-growth startups, and venture capitalists invest in what they know," Managing Director **Michelle McBane** said.

By focusing on female entrepreneurs, StandUp Ventures is "helping to change the narrative and grow the talent pipeline of women in the technology sector," she said.

Fund I has so far made seven investments. They include **Bridgit**, a Kitchener construction-software provider founded by **Mallorie Brodie** and **Lauren Lake**, which closed a C$6.2 million round in March.

In the same month, **Emovi**, a Montréal developer of joint-assessment solutions led by **Michelle Laflamme**, landed a C$15 million Series C round also backed by the fund.

Fund I also joined February's C$3 million financing of **Sampler**, a Toronto digital product sampling platform founded by **Marie Chevrier**.

The fresh commitments will be deployed to about 12 to 20 investments over the next three to five years.

StandUp Ventures is overseen by **MaRS Investment Accelerator Fund**, an affiliate of Toronto innovation hub **MaRS Discovery District**.

Along with McBane, the firm's team includes Managing Director **Barry Gekiere** and Investment Manager **Snita Balsara**.