

Technology Sector overview

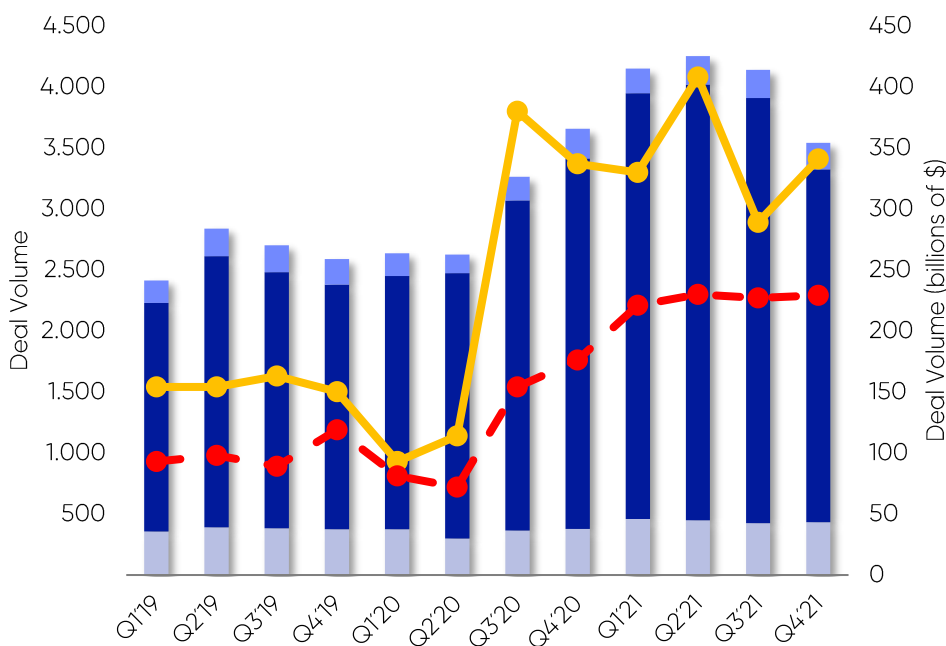
Growing opportunities in Spain

General overview



COVID has brought about a heightened level of consciousness about how important digital transformation is and how fast it needs to happen

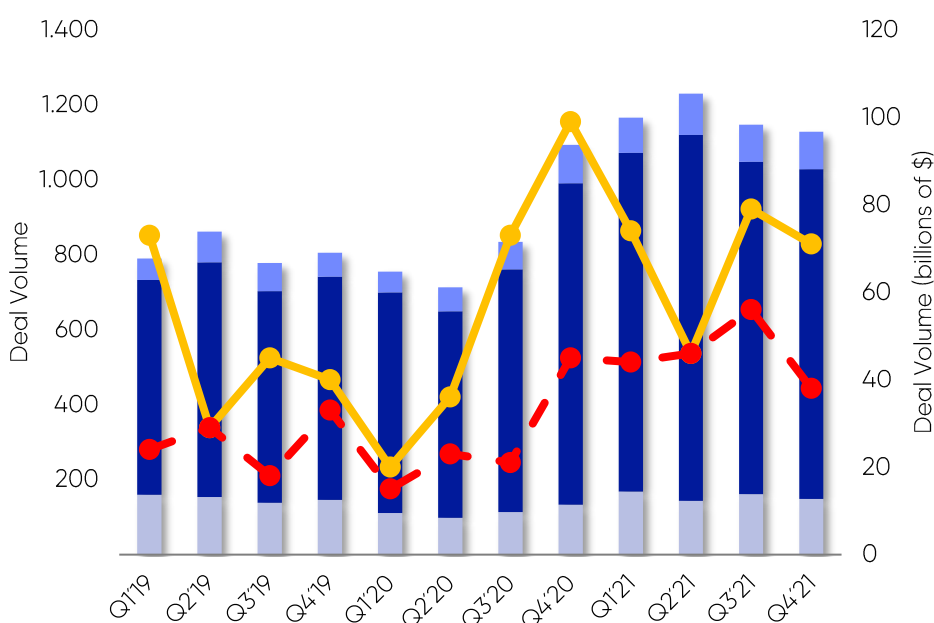
Global TMT Deals Volumes and Value



Comments

- In 2021, momentum has been maintained as a result of the necessity for digitization, which has increased demand for Cloud Computing, Cybersecurity, SaaS, and IT services.
- Deal activity globally has seen a record year and has mainly been driven by technological companies.
- Many sectors are increasingly digitalizing their processes, and this phenomenon pushes the evolution to all verticals of the Technology industry.
- Some segments like Cybersecurity, Cloud Computing, Data Science, Information Technology have seen more activity than other sub-segments at the moment.
- According to PwC experts, at a breakneck speed, technology is spreading across multiple industries. In the IT sector, record VC investments and IPOs are driving increased competition and consolidation opportunities, resulting in M&A reaching new highs in 2022.

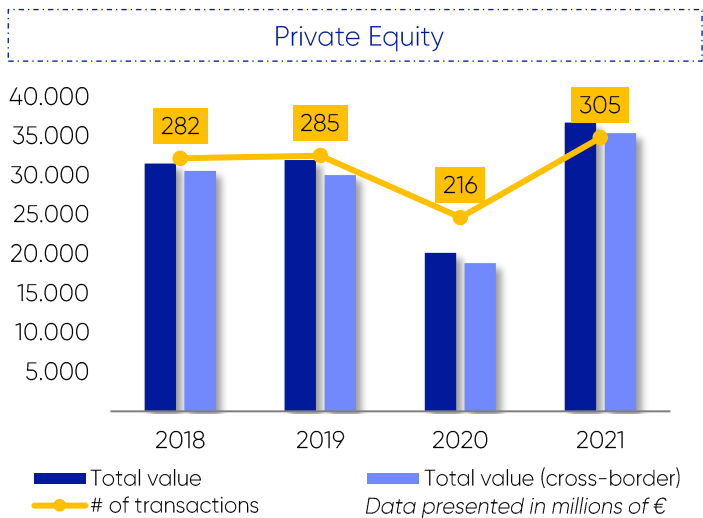
EMEA TMT Deals Volumes and Value



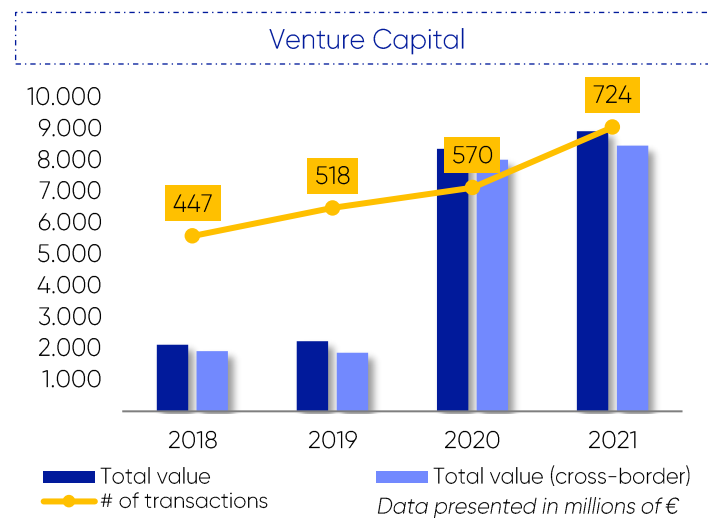


In 2021, PE and VC was mainly driven by cross borders transactions. PE reached € 36.799m in total aggregate value in 2021 (82% increase from 2020), whereas VC reached € 8.916m (7% increase from 2020)

Spain has experienced a strong increase in the total aggregate value and number of transactions in PE and VC

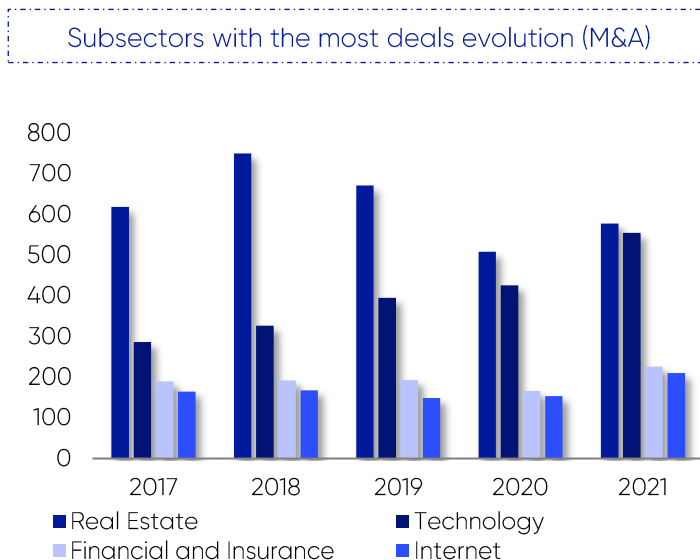


- In 2021, the Technology subsector ranked second and experienced an 83% YoY percentage increase reaching 33 deals (18 deals in 2020).
- Main active PE actors were KKR, Magnum Capital, Providence Equity partners, ProA Capital, GED Capital and Cinven.



- In 2021, the Technology subsector ranked first and experienced a 23% YoY growth reaching 324 deals (264 deals in 2020).
- Most active VC actors were Inveready Capital, Wayra, Sabadell Venture Capital, Innvierte Economía Sostenible and JME Venture Capital.

M&A activity in Spain also evolved positively in 2021, breaking news records, particularly in the tech segment



Top 10 bidder countries targeting Spain (2021)*

Bidders	No.	Total Value (€ in M)
United States	222	26.146
United Kingdom	177	11.375
France	128	12.053
Germany	87	4.639
Luxembourg	51	8.501
Sweden	49	3.833
Switzerland	49	2.210
Netherlands	44	688
Italy	41	1.572
Belgium	33	311



Why Spain?

Spain is a competitive economy that provides access to the global market

Spain is attractive to other countries for numerous reasons:



4th economy of the EU and 14th globally, with a GDP of \$1.2 billion. More than 14.600 foreign firms have set up their business in Spain. It is the 13th country that receives the most foreign investments in the world. Further, 70 out of 100 top companies in Forbes Global 2000 operate in Spain.



Over 750 million customers – world's most significant purchasing power. Spain enjoys unlimited access to the European market.



Offers direct access to the LATAM region and its 660 million consumers. High attractiveness for European companies looking to expand their business into the Southern and Northern American continent.



€ 8,9bn was invested in Spanish start-ups in the 2021 (6,7% increase compare to 2020)*. From 2019 to 2020, there was a 274% increase in the total aggregated value of venture capital transactions.

Favorable Law for Foreign Investors*

The spanish act 14/2013

- The Spanish Act 14/2013 prescribes attractive regulations created to help foreign businessmen in starting a company in Spain. Foreigners do not have any restriction in starting a local business and can also obtain various incentives.

Lower Costs for Companies

Lower employment costs for companies

- Spain ranks 12th out of 27 in terms of the average level of labor cost per hour in the European Union.

Strong talent pool

Barcelona is the 5th most attractive city for digital talent

- The Catalan capital has a high number of qualified engineers and scientists. Further, it is home to the R&D centers of the most innovative multinational companies such as: Amazon, Hempel, Volkswagen, Nestlé, Roche or HP.

Taxation

Tax incentives to promote foreign investment and entrepreneurship

- Spain's corporate tax within the Eurozone is moderate (25%) and incentives and tax exemptions can reduce the effective tax rate to around 20%.

Quality of Life

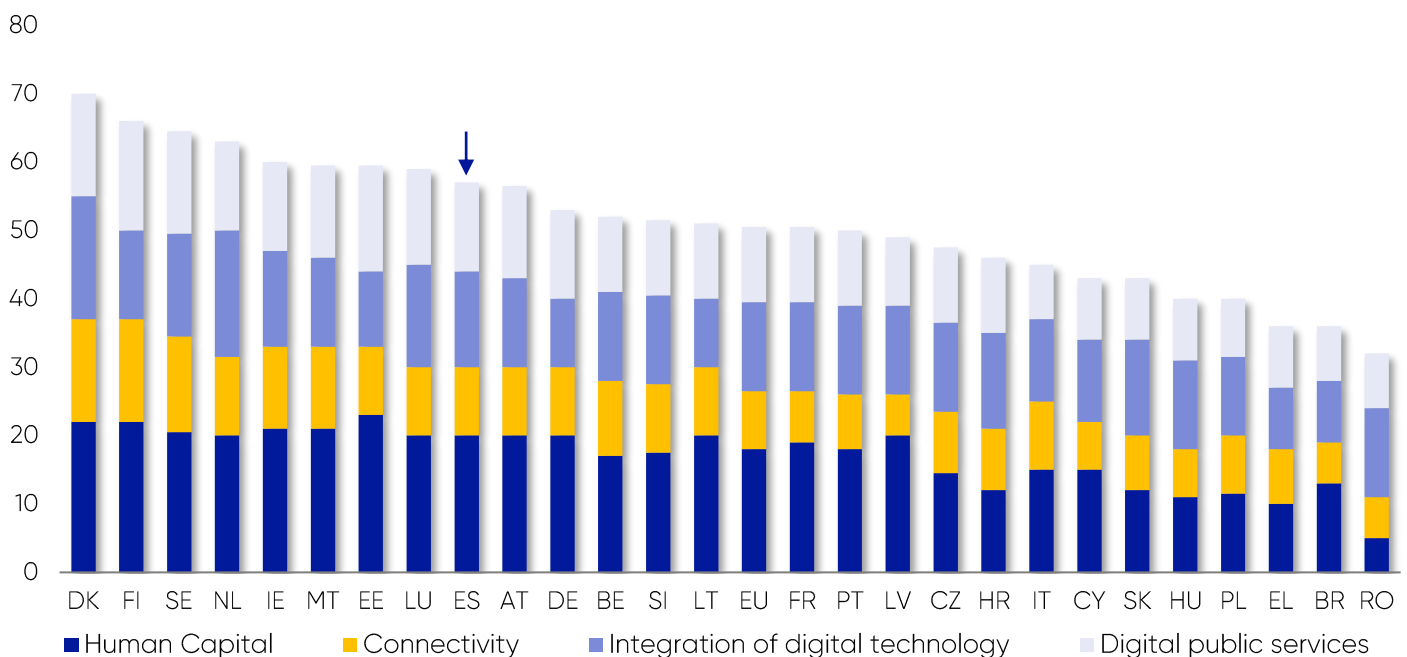
Favored by expatriates

- Spain is one of the most attractive countries with regards to safety, strong health indicators and its Mediterranean climate.



Spain ranked 9th on the Digital Economy and Society Index (DESI) in 2021

In 2021, Spain ranked 9th (among 27 participants) on the DESI index below Luxembourg and above Austria. Over the years, the country has seen strong development regarding the four pillars evaluated by the European Commission: Human Capital, Connectivity, Integration of Digital Technology and Digital public services.



Key drivers

- In 2021, a National Plan for Digital Skills was initiated and provides an exhaustive set of measures to strengthen digital skills among the workforce and citizens in general. As for the moment, Spain is a medium performer on the human capital dimension and this strategy will help the population.
- Spain launched in 2020 the Strategy for the promotion of 5G. This strategy aimed at improving spectrum assignment and management across pioneer bands and incentivize 5G deployment and use.
- Spain also launched the SME Digitalization Plan 2021-2025. The plan aims to boost disruptive innovation and entrepreneurship in Spain through the enhancement of digital skills, and has usefully prioritized the country's recovery and resilience plan (RRP) funding for that purpose with a strong set of coherent support actions.
- RRP, with a total budget of € 69,5 billions, devotes 28,2% of the total investment to digital (exceeding the 20,0% target) with a total amount of € 19,6 bn. The plan has a particular focus in promoting digitalization of businesses, particularly SMEs (25,0% of the total budget).
- The remaining plan's investment will be focused on strengthening the digital skills of the Spanish Population (22,0%), Improving digital connectivity (15,0%), continuing the digitalization of the public administration (28,0%), and finally supporting digital-related R&D and the deployment of digital technologies (10,0%).



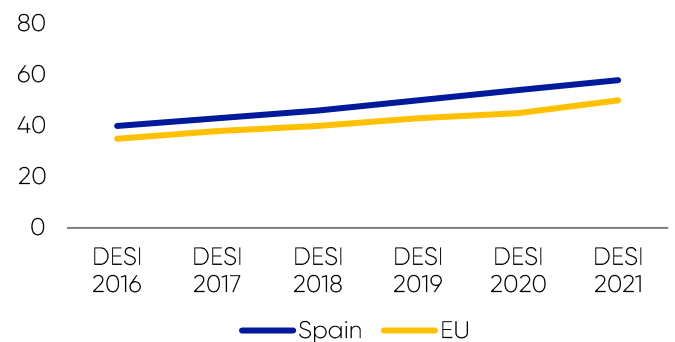
DESI index and investment opportunities

Although it is natural to see an upward trend in the adoption of digitalization, Spain is making faster progress than its European peers

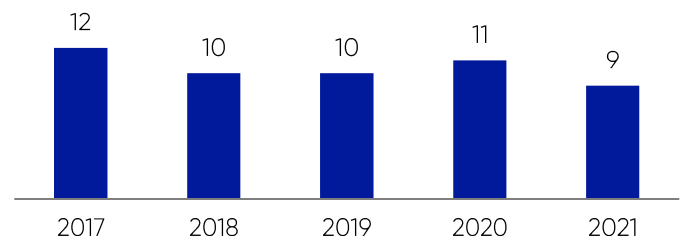
Capacities that have seen the strongest improvement

- Throughout the numerous investment plans targeted at improving the digital capacities in all dimensions analyzed by the DESI index, Spain has made relatively rapid progress compared to the EU average.
- In fact from 2015 to 2021, Spain has made the four biggest increase in its DESI index (after Ireland, the Netherlands and Malta). Narrowing the gap with the leaders in digitalization in Europe, the Nordic countries.
- Spain mainly stands out in two dimensions which are the connectivity and digital public services. Regarding the former, Spain is among the countries with the largest deployment of very high capacity networks covering 89% of the households in 2019 (whereas the average in Europe was 44%).
- In contrast, the country is lacking behind in human capital. Indeed, c.40% of the population still lacks basic digital skills and c.8% have never used internet. However, the investment plan Digital Spain 2025 aims to tackle this issue through investments in the education system.

DESI – evolution over time (Spain)



DESI – evolution over time (Spain)



What are the best investment opportunities ?

Internet of Things

- The internet of things (IoT) has been favorably impacted by the recent pandemic.
- According to a study from EAE Business School, Spain is fourth in the EU in terms of IoT investment, below Germany, France, and Italy.

AI and Big data

- The Digital Spain Plan 2025 sets a clear target for this vertical to ensure the use of AI and Big Data by 25% of companies. Spain is a global leader in open data, ranking second in the DESI 2020 with a score of 90%.

Cybersecurity

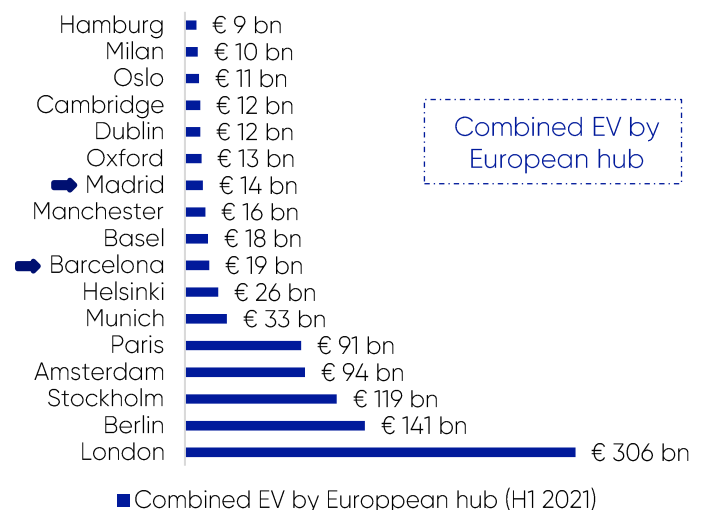
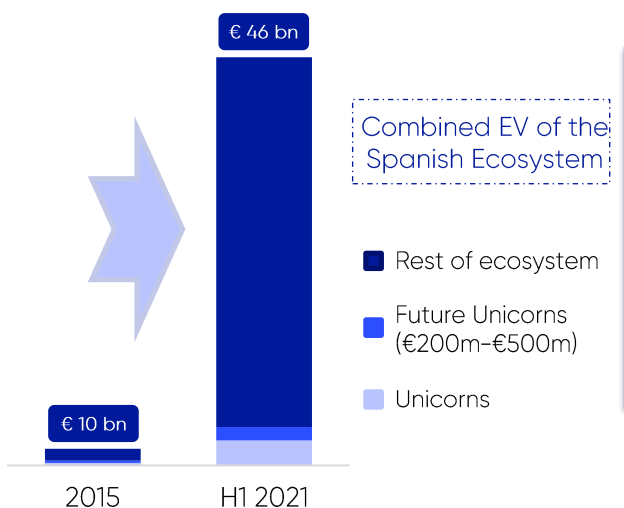
- Spain is a fascinating market. SMBs make up 95 percent of the business ecosystem, yet only 36% of them utilize basic cybersecurity practices, indicating a significant potential opportunity. The Spanish government is committed to bolstering the country's cybersecurity capabilities, with the following goal established in the Digital Spain Plan 2025: 20.000 new cybersecurity, AI, and data specialists in 2022.



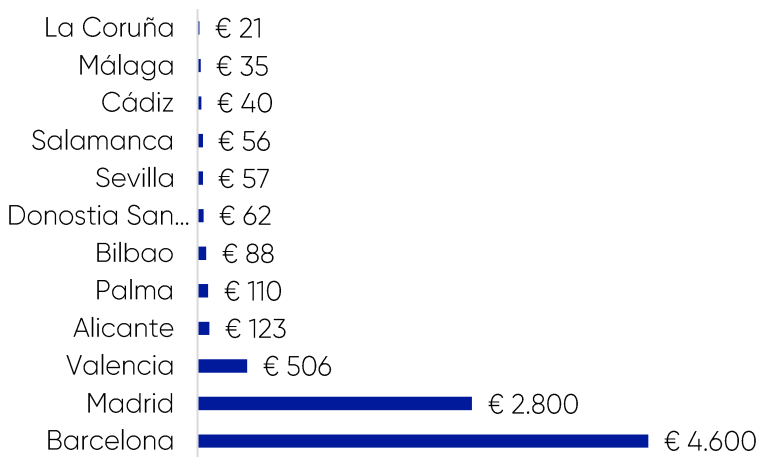
According to the Spanish Startup ecosystem Observatory, Madrid and Barcelona account for 93% of the total investment volume

Size of the Spanish ecosystem (nationally and per hubs) and most valuable tech Spanish Companies

- The Spanish ecosystem has grown tremendously over the recent years and is now worth € 46bn as of H1 2021.
- Notable Spanish companies are :
 - Flywire** based in **Valencia** and valued at € 1,8bn¹.
 - Glovo** based in **Barcelona** and valued at € 0,8bn¹.
 - Wallbox**, based in **Barcelona** and valued at € 1,5bn¹.
 - Letgo**, based in **Barcelona** and valued at € 0.8bn¹.
 - Cabify** based in **Madrid** and valued at € 2,6bn¹.
 - Job and Talent**, based in **Madrid** and valued at € 2,0bn¹.



VC investment per Spanish hubs



■ Total VC investment Spanish Hubs (2015-H1 2021)

Data presented in million of Euros

Barcelona and Madrid are the most established Spanish tech hubs, but startups are also raising capital in all regions of Spain

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