



Growth Equity Update

August 2024 – Edition 29

- **July was a strong month for European venture capital raises:** The R&Co Deal Monitor recorded c\$3.6bn of raises, second best of the year, twice the level of July 2023 and 4% ahead of July 2022.
- **YTD European raises total c\$21.4bn, up c44% yoy:** To end July 2024 there have been 60 \$100m+ raises (vs 32 same period 2023), including 4 of \$500m-\$1bn (vs zero) and one \$1bn+ (vs zero).
- **IPOs are back:** In July there were three \$400m+ US IPOs and they raised \$5.5bn. This brought the number of \$400m+ US IPOs to 18 ytd raising, in total, \$17.4bn. This compares with nine \$400m+ IPOs during the whole of 2023 with an aggregate value of \$14.1bn. July had the largest US IPO ytd with Lineage raising \$4.4bn. In Europe 36 IPOs raised €11.4bn in H1 2024 versus 25 raising €2.5bn in H1 2023.
- **A deep dive on LegalTech:** July's \$900m raise for Canadian LegalTech Clio was the largest ever in this field. We look at how the legal information and tools market is set up and how it might develop as AI initiatives make legal processes more efficient. We review some of the companies participating in the recent spate of LegalTech VC raises.
- **Interest rate cuts:** First an ECB interest rate cut, then a UK one and then a strong indication from the Fed of a US one in September. And what does the market do...?
- **'The only thing you can be sure of is that there are times when large numbers of stocks are priced too high and other times when they're priced too low.'** Benjamin Graham.

The rise of LegalTech

The market's hunt for vertical market AI applications has arrived at LegalTech where July's \$900m raise by Canadian business Clio was the largest ever in this field. We look at how the legal market's incumbents are positioned and where the challenges from VC based LegalTech companies are coming.

Recent months have seen a number of raises for Legal Tech businesses on both sides of the Atlantic. This flurry of activity has been sparked by the rapid development of a series of start-ups looking to use generative AI to transform working practices in the legal industry. Law firms have typically been slow adopters of new technology. The big data businesses servicing the legal reference business, like Westlaw,

Lexis Nexis and Wolters Kluwer, have seen a two decade long print to digital switch amongst their customers that is only just coming to an end.

The legal information market has long been dominated in the US and much of Europe by three major players, Westlaw (owned by Thomson Reuters); Lexis Nexis, owned by RELX and by Dutch company Wolters Kluwer. At the core of these businesses is the provision of electronic provision of legal reference material. Westlaw’s state surveys, for instance, allow users to get all the relevant statutes and regulations in a state by state analysis across all 50 United States including both proposed bills and legislative history. In the UK Westlaw offers full text legislation going back to 1267.

Before the Internet the information provided by these companies was in print form. Digitalisation transformed the industry but the major players maintained their market leadership with big law firms through the comprehensive scope of their legal databases and by adding value through summaries, commentaries and interpretations.

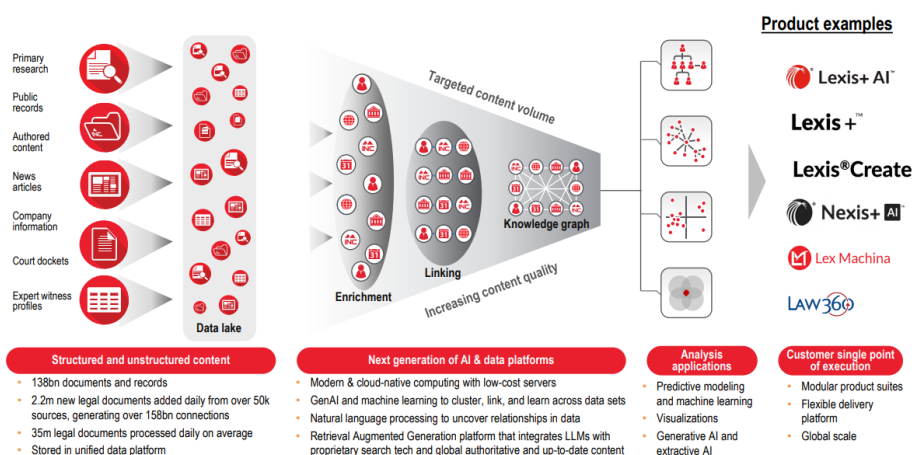
Over time these players introduced tools to make searching reference materials more intuitive, typically via linking through subject and key words. With legal firms resource-constrained (the number of US lawyers has been in decline since the global financial crisis) this meant legal searches could be completed quickly and by more junior staff using Google style search features.

The major players have used Machine Learning and AI to interrogate their vast information databases – petabytes of data - for some years. LexisNexis Legal & Professional (owned by RELX which has a c£50bn market capitalisation, employs 11,000 technology staff and spends c£1.7bn pa on R&D) has been using AI language models since the introduction of Google’s BERT (*‘first deeply bidirectional, unsupervised language representation, pre-trained using only a plain text corpus’*) in 2018.

In 2023 RELX introduced Lexis+AI, a GenAI solution designed to transform legal work, featuring conversational search, intelligent legal drafting, summarisation, and document upload and analysis capabilities. It advertises it as delivering secure and comprehensive legal results combining the power of GenAI with proprietary LexisNexis search technology. Developed with users from global law firms, corporate legal departments, US small law firms, and US courts it was rolled out internationally in 2024 and is available in multiple models using Anthropic’s Claude 2, Amazon Bedrock from AWS, and OpenAI’s GPT-4.

Sean Fitzpatrick, CEO of LexisNexis observes *‘General AI models just don’t work for law firms, they need very specific and legally trained models. There’s a lot of hype out there about Gen AI in the legal space, but there’s a reality within that hype that there are some real products, they really work and they’re transformational’*.

LexisNexis – Leveraging global scale and technology



Source : RELX investors – July 2024

With their knowledge of big law firms and their practices, the data providers have moved into *'the business of law'* extending into legal business services which analyse law firm practice management. These products can be used to help manage and run a law firm practice. Products enable law firms, for instance, to analyse upcoming cases, to see what resources would be required, how winnable a case is and whether taking on the case would be cost efficient.

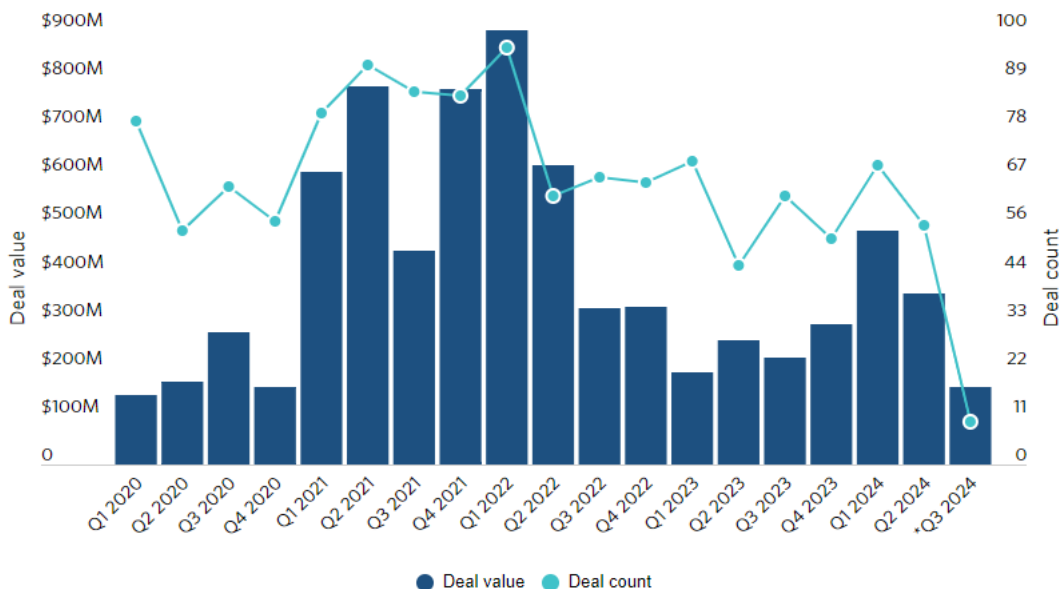
LexisNexis Legal & Professional carried out a survey in early 2024 across 266 managing partners at Am Law 500 firms and legal professionals in Fortune 1000 companies to understand the potential business impact of GenAI on the industry [New Survey Data from LexisNexis](#), it found:

- 90% expect their GenAI investment to increase over the next five years
- 53% of Am Law 200 firms have purchased GenAI tools and 45% are using them for legal work. 43% of Am Law 200 leaders indicated their firm has a dedicated budget to invest in generative AI in 2024.
- 70% believe GenAI solutions will enable new value-added work product for clients, with 30% expecting these solutions to result in a direct impact on firm revenue.
- 47% are exploring new lines of business or billable opportunities made possible by GenAI technologies and the same percentage expects to reduce costs from the use of generative AI solutions.
- Amongst Fortune 1000 executives 72% expect GenAI to increase the ability to complete more work in-house.
- Only a small number of legal leaders expect a reduction in legal roles over the next five years, although one in five Am Law 200 executives predict a reduction in the need for associates.

A recent industry report by Custom Market Insights valued the global legal tech market at \$9.8bn in 2022 growing at 8.5% pa 2023 -2032 to reach a value of c\$21.4bn.

It is into this environment of intense focus on GenAI techniques that in recent months there has been a flurry of VC backed deals for Gen AI led legal applications on both sides of the Atlantic. The chart from Pitchbook indicates the upturn in LegalTech deals since the start of 2024.

Global VC funding for legal tech



Source: PitchBook data
*As of July 22, 2024

Indeed the \$900m raised by Canadian legal tech business Clio in July was the largest ever such raise in this field. Clio’s \$900m Series F, a mixture of primary and secondary, valued the company at \$3bn which, with ARR at c\$200m (up 100% in two years) gave an implied ‘sales’ multiple of c15x. Of the funding \$500m came from New Enterprise Associates with GSAM and Sixth Street Growth also prominent.

Also in July US business **Harvey AI** raised a \$100m Series C valuing the company at \$1.5bn with an ARR multiple of c60x. The impressive roster of investors included Google Ventures, OpenAI, Kleiner Perkins and Sequoia. As the Exhibit indicates these two recent rounds have led a series of smaller deals for emerging legal tech businesses.

Recent VC raises in LegalTech

Country	Date	Company	Stage	Amount \$m	Valuation \$m	Sector	Investors	What it does
Canada	Jul-24	Clio	Series F	900	3,000	AI - Legal	NEA, GSAM	AI based solutions for legal industry
US	Jul-24	Harvey	Series C	100	1,500	AI - Legal	Google Ventures, OpenAI, Kleiner Perkins	research and analysis of legal documents,
US	Jun-24	Hebbia	Series B	130	700	AI	Andreessen Horowitz, Google Ventures	Gen AI to search large documents
UK	Apr-24	Luminance	Series B	40		AI	March Capital, National Grid Partners	Proprietary LLM for legal contracts
UK	Dec-23	AutoGenAI	Series B	40		Software	Salesforce, Spark Capital	AI led proposal/bid writing
US	Sep-23	Darrow	Series B	35		AI - Legal	Georgian, F2	class action litigation potential - data privacy /environmental
UK	Jan-24	Robin AI	Series B	26		AI	Temasek	Uses AI to automate an drafting and negotiating contracts,
Sweden	Jul-24	Leya	Series A	25		Software	Redpoint	AI-powered legal workspace*
US	Mar-24	Draftwise	Series A	20		AI - Legal	Index Ventures	contract and negotiation platform for law firms
Canada	Jan-24	Spellbook	Series A	20		AI - Legal	Innovia Capital, Thomson Reuters Ventures	AI contract drafting tool for lawyers,
US	Oct-23	LegalMation	Series A	15		AI - Legal	Aquiline Capital Partners,	automated response drafting to complaints/discovery requests
UK	Apr-24	Lawhive	Seed	12		AI - Legal	Google Ventures, OpenAI, Kleiner Perkins	Consumer law - Automating legal tasks
Switzerland	Jun-24	DeepJudge	Seed	10		AI - Legal	Coatue	AI-powered Knowledge Search†
UK	May-24	Definely	Series A	7		AI - Legal	Octopus Ventures	pre-execution stage of the contract lifecycle
US	Sep-23	Paxton	Seed	6		AI - Legal	WV Capital	legal research and composition process,
UK	Jun-24	Wordsmith	Series A	5		AI - Legal	Index Ventures, General Catalyst	legal assistance platform
US	May-24	Superlegal	Seed	5		AI - Legal	Aleph and Disruptive AI fund.	AI powered contract review platform for SMBs
US	Jun-24	Clerabrief	Funding	4		AI - Legal	Authentic Ventures	Word add in for legal fact checking
Total				1400				

Source: Rothschild & Co

These emerging companies address three main areas:

AI for practice management: These are ‘business of law’ applications often using GenAI to simplify practice management, document handling and key functions like billing. Examples include Clio for large law firms and LawHive for small solicitor practices with its GenAI assistant, Lawrence.

AI techniques to simplify and speed up case preparation: These applications assist lawyers in case preparation. An extension of the Google search style techniques they allow lawyers to use natural language to interrogate databases with the AI functionality capable of producing accurate and relevant results from substantial records almost instantaneously. These can be sold both as an efficiency tool and as a route to provide better, deeper insights, potentially driving new business.

Examples include Harvey AI’s Gen AI powered ‘co-pilot’ for lawyers. Swedish business Leya’s ‘AI powered workspace designed for law firms and legal professionals’ automates repetitive tasks and accesses public sources and lawyers’ own data on a single platform. Hebbia which describes itself as ‘the AI platform for knowledge work’ has developed an AI driven system called Matrix to search large documents. Others in this field are Draftwise, LegalFly, LegalMation, DeepJudge, Definely and Paxton.

Legal AI for contract production: Producing new contracts and responses to tenders is laborious and time consuming. A number of companies have focused their AI applications to speed these processes up and to democratise them by developing protocols to allow non-legal divisions of a corporate, such as sales, to use AI based products to issue accurate and binding legal documents (trained on the templates of the company’s legal department) without the necessity for lengthy review and correction processes. Among companies offering this rapid contract drafting capability are Luminance, RobinAI, AutogenAI, Spellbook and Superlegal.

The recent \$900m Series F raise for **Clio** valuing the company at \$3bn was the largest capital raise and equity value ever for a cloud legal software business and a top five capital raise for any vertical market software company.

At its heart Clio is a legal practice management software business. Its focus is on helping legal firms to run more efficiently – the business of law- an area embraced by incumbent legal information providers in recent years.

Clio's 'operating system for law firms' manages core law firm functions such as client intake and case and document management. It claims also to be the world's largest legal technology platform, with more than 250+ legal technology software integrations. Its focus as a business was originally with solo practice and small law firms but it has moved strongly into the mid-market. Clio is endorsed by more than 100 law societies and bar associations worldwide, including all 50 state bar associations in the United States. Founder Jack Newton observes:

"We've quietly become the market leader in cloud-based law practice management for midsized law firms, with over 1,000 customers in that market."

Much of the recent growth has been driven by its payments business. Payments management in legal businesses is complex and time consuming for small law firms. The addition of an online payment processing platform to simplify this quotidian but critical process was a natural extension of Clio's Manage platform. The Clio system processes billions of dollars of legal transactions payments each year taking a modest percentage of the value of each transaction.

Clio's core business is not dependent on GenAI techniques. The Series F announcement came with a raft of forthcoming GenAI based product developments Clio hopes shortly to release. These include:

- The Clio Duo proprietary GenAI solution to help lawyers complete routine tasks, and leverage their firm analytics to run a more efficient practice; including audit log functionality for court discovery
- Clio Accounting to manage firm finances in one system of record
- Clio Draft intelligent document automation and court form libraries in 50+ jurisdictions

July also saw US LegalTech **Harvey AI** raise a \$100m Series C valuing the company at \$1.5bn with an ARR multiple of c60x. The impressive roster of investors included Google Ventures and OpenAI as well as Kleiner Perkins and Sequoia.

Harvey's focus is on a GenAI powered 'co-pilot' for lawyers designed to assist with research, drafting and other routine legal tasks. The 'co-pilot' is trained to answer natural language questions. Harvey AI uses OpenAI's GPT AI which is trained specifically on legal data such as case law and reference materials and, when engaged by a firm, on that firm's own work products and templates.

A lawyer asks Harvey to find relevant documents, to produce early drafts of filings and queries it on points of law . The answers are derived from the original source material with citations to the most relevant sections.

In transactional work, Harvey is most frequently used in drafting, due diligence and deal management as well as research and strategy. In litigation it can also provide strategic analysis of regulation and legislation and how they apply to particular fact patterns. Other substantial use cases include case law research, review of discovery and litigation documents and advocacy strategy for both trials and oral arguments. The top use cases of Harvey amongst its customers are shown here:

<https://www.harvey.ai/blog/top-harvey-use-cases>

In late 2022 Allen & Overy was the first law firm to partner with Harvey which has since been used by 3,500 of its lawyers. In March 2023 PwC, which has 4000 legal staff, partnered with Harvey across its 100+ countries to deliver 'human led and technology enabled' solutions in 'contract analysis, regulatory compliance, claims management, due diligence and broader legal advisory and legal consulting services.' PwC is training its proprietary AI models with Harvey to create customised products and services for clients.

In June 2024 Ashurst rolled out Harvey across all its offices after a global trial involving 525 users. David Wakeling, head of Allen & Overy Shearman's Markets Innovation Group commented:

"...I have never seen anything like Harvey ... Harvey can work in multiple languages and across diverse practice areas, delivering unprecedented efficiency and intelligence. In our trial, we saw some amazing results."

Harvey's management team says of the Series C proceeds: *'We will use this new capital to invest in the engineering, data and domain expertise that are fundamental to building AI-native systems that facilitate the most complex knowledge work.'*

Another company looking to speed up repetitive and manual tasks performed by lawyers is the Swedish business **Leya**. Citing strong investor demand it followed up a \$10.5m seed round in May 2024 with a \$25m Series A round in July led by Redpoint Ventures.

Leya describes itself as *'an AI powered workspace designed for law firms and legal professionals'* which allows customers to automate repetitive tasks and access public sources and their own data on a single platform. Its legal assistant uses public legal sources, the firm's proprietary data and can access a customer's files and documents from its document management system (DMS). It combines them with legal information from fifteen jurisdictions to provide *'sentence-level citations and references to the underlying material in its output'* enabling due-diligence reviews and document editing.

Leya has been adopted by more than 70 law firms internationally. It reports that It frequently finds itself in competition with Harvey and also with incumbent WestLaw's CoCounsel product.

Hebbia's June 2024 Series B raise of \$130m was led by a16z Index Ventures and Google Ventures. The round valued the company at c\$700m, an implied c54x ARR of c\$13m . ARR is growing rapidly, up fifteen fold in the last 18 months.

Hebbia which describes itself as *'the AI platform for knowledge work'* has developed an AI driven system, Matrix, to search large documents. Its initial target customer base was asset managers, banks and Fortune 100 companies. The company is now focusing on the top law firms in the AmLaw 100.

Hebbia has developed from an initial focus on AI powered search and summaries to the Matrix AI analyst tool. This is able to digest structured and unstructured data across multiple files and formats, to retrieve information when prompted, and deliver answers with citations. The end result is delivered in a spreadsheet-like format. Matrix shows the sourcing and individual steps it took to reach its conclusions.

Alex Immerman of leading shareholder a16z comments:

"We are entering the new SaaS era, moving from Software-as-a-Service to Service-as-a-Software. Until now, software has helped knowledge workers do their jobs better: Bloomberg or Capital IQ for finance, Westlaw or Lexis Nexis for legal, Salesforce or HubSpot for sales. But in the not too distant future, an AI agent is going to do their jobs entirely for them. Whether an agent is reviewing more deals, automating quarterly earnings reviews, or leveraging cross-firm knowledge to drive to faster client value, AI coworkers will soon be an integral part of our day to day."

Luminance describes itself as the leader in *'legal-grade'* AI. It announced a \$40m Series B raise in April 2024. Its specialist legal Large Language Model (LLM) automates the generation, negotiation and analysis of contracts and other legal documents. The LLM is trained on a dataset of 150m legal documents enabling it to understand areas of legal risk and learn from previous contracts. Luminance AI speeds up the contract lifecycle process, including drafting, negotiating and understanding key features of contracts. The company has a customer base of 600 in 70 countries.

Luminance CEO Eleanor Lightbody comments:

“Luminance is AI for wherever businesses interact with their contracts. It's AI to help them review and negotiate contracts faster, automating that process. It will tell you the nuances of all of your contracts. It will tell you which parts of the contract you can agree to, and the ones you can't. Plus, for anyone who wants to create a contract, it will allow them to do that in seconds.

The fact is legal teams are resource limited. ...Contracts are very manual, very time consuming, very expensive, and can introduce a lot of risk. So, we were the first company to begin to automate that process from end to end.”

In late 2023 during a live demonstration in front of media outlets, Luminance became the first AI system to automate the negotiation of a contract between two parties, without human intervention. Luminance was the first AI system used by counsel at London's Old Bailey criminal court where it was used to cut the time spent reviewing evidence.

Luminance is looking to extend its use beyond legal departments. Non-legal parts of a corporate are able to use its 'Self Serve' to draft their own contracts from templates approved by the in house legal team. Thus a sales team can use a template to draft a contract for a prospective customer rather than sending it off for potentially laborious review and revision by their legal team. They can also amend third party contracts in line with internal standards speeding up the commercial process.

RobinAI, which raised \$26m in a round led by Temasek in January 2024, has developed a similar AI-powered contract software. It claims this enables users to review contracts 80% more quickly taking, for instance, just a few seconds to search for a clause. Robin AI's contract copilot combines an LLM (it partnered early with Anthropic and uses the Claude LLM) with its proprietary contract data and machine learning techniques to read and understand contracts. Customers add their own negotiating templates and the Robin copilot will quickly review a contract, and propose edits, which can easily be accepted or rejected. The customer lawyers retain full control over the process.

RobinAI charges an annual licence fee for access to its software platform plus ad hoc charges on a per contract basis. 75% of its revenues are in the US. Customers include Clifford Chance, Pepsico, PwC, Yum! Brands, AlbaCore Capital Group and Blue Earth Capital.

AutoGenAI has a similar capability with its AI bid writing engine which helps businesses respond to bids and tenders for public sector and corporate contracts. The company raised a \$40m Series B led by Salesforce Ventures and Spark Capital in December 2023.

AutogenAI estimates that, using its system, a bidder can reduce the time taken to write a first draft for a procurement deal by 70%, reducing costs and allowing the bidder to focus on strategic aspects of its bids. Frequently its customers are resource constrained SMEs looking to bid on complex public tenders. AutoGenAI uses LLMs and its own platform and integrates an organization's content, such as previous bids and marketing materials, to produce proposals specific to the tender.

'Justice intelligence platform' **Darrow** is a lead generation business for class action litigation lawyers. Darrow's AI data engine ingests publicly available documents such as consumer complaints, administrative documents and SEC filings to find examples of class action litigation potential, typically in areas like data privacy violations and environmental contamination. The system connects relevant data points to detect potential legal violations that its lawyer customers might be able to turn into class action lawsuits.

Having found the cases Darrow then helps to find the potential plaintiffs using its *PlaintiffLink* product to identify, connect with, and manage the plaintiffs, acting as a business lead generator for litigation teams. Its AI driven service is also able to predict the outcome of cases and assess the financial implications – cost to pursue versus likely outcome. So far it has partnered with over 50 law firms in the US.

There has been a welter of smaller raises in recent months in LegalTech. A number of these are outlined in the Exhibit. Many of these touch upon the practice areas of their larger counterparts. What is notable is the quality of some of the names investing in these relatively small businesses. Index Ventures led the March 2024 \$20m raise for **Draftwise**. The business is an AI led drafting and negotiation platform for transactional lawyers. Thomson Reuters Ventures, whose parent owns industry leader Westlaw, participated in the \$20m January 2024 round for Canadian contract drafting and review business **Spellbook**.

Google Ventures (GV), OpenAI and Kleiner Perkins were all on a \$12m seed ticket for the consumer law firm platform **Lawhive** which can perform the ‘*basic legal work at the level of a junior or paralegal*’ in April 2024. The Scottish start up **Wordsmith’s** \$5m seed round in June 2024 attracted both GV and General Catalyst. Its product is aimed at corporates with its ‘*lawyer in the loop*’ concept giving customers ‘*90 per cent of the through-put of a world-class lawyer and a 99 per cent cost reduction versus going to a law firm.*’

The \$5m raise in May 2024 by **SuperLegal** for its AI contract review service for corporates was supported by Aleph and the Disruptive AI fund and also by Tom Glocer, the first CEO of the combined Thomson Reuters.

A selection of recent LegalTech raises

Country	Date	Company	Stage	Amount \$m	Investors
US	Mar-24	Draftwise	Series A	20	Index Ventures
<i>A secure end-to-end drafting and negotiation AI platform designed for all transactional lawyers. "The thing that we embrace, is to lead with data and not with AI, Differentiated by using law firms' records of client work and other unique data to better tailor contracts.</i>					
Canada	Jan-24	Spellbook	Series A	20	Innovia Capital, Thomson Reuters Ventures
<i>AI contract drafting and reviewing - draft contracts 10x faster with AI 2,600+ lawyers use Spellbook to automate legal work Revenue grew 10x from 2022 to 2023. 86,000 contracts are being opened by Spellbook each month</i>					
Belgium	Jul-24	LegalFly	Series A	17	Notion Capital
<i>GenAI-based contract review and drafting platform automates repetitive legal tasks, Uses on-premise anonymisation approach to ensure sensitive client data never leaves a company's premises. "Save 60% of your time on more than 90 document types, in multiple languages and different jurisdictions."</i>					
US	Oct-23	LegalMation	Series A	15	Aquiline Capital Partners,
<i>Leverages the power of AI to transform litigation and dispute resolution. Auto-generating written responses for litigation matters to attack the litigation lifecycle AI is 20% of the value- 80% is in the workflows, preparation and analysis of how responses should be made</i>					
UK	Apr-24	Lawhive	Seed	12	Google Ventures, OpenAI, Kleiner Perkins
<i>Consumer law platform for solicitors with generative AI assistant 'Lawrence', Delivers qualified leads, performs identity/AML checks, provides secure file-sharing, invoicing & billing. Lawrence does admin tasks, (file opening/billing) to "basic legal work at the level of a junior or paralegal".</i>					
Switzerland	Jun-24	DeepJudge	Seed	10	Coatue
<i>AI Knowledge Search for lawyers to find/leverage insights from large documents using natural language DJ Knowledge Assistant 'gen AI interface that can instantly access the firm's entire document knowledge base' "Law firms are sitting on tons of data that is their intellectual output, yet they don't fully leverage its value"</i>					
UK	May-24	Definely	Series A	7	Octopus Ventures
<i>AI-powered software that aims to help lawyers draft, proof and understand legal documents quickly Drafting tool, proofreader, PDF scanner - helping lawyers cross-reference information across document formats Customers - A&O Shearman, Slaughter and May, Dentons, Everheds Sutherland, DLA Piper, Deloitte, Barclays</i>					
US	Sep-23	Paxton	Seed	6	WV Capital
<i>AI platform for legal/business which automates tasks like contract review, legal drafting, document analysis. AI Citorator tool - provides lawyers with detailed legal context allowing them to validate the research provided Users can upload their own research and documents to Paxton for analysis.</i>					
UK	Jun-24	Wordsmith	Series A	5	Index Ventures, General Catalyst
<i>A "lawyer-in-the-loop" generative AI platform Aimed at self-serve company employees, within legal team parameters using their own data sources "Customers get 90% of the through-put of a world-class lawyer and a 99% cost reduction vs going to a law firm"</i>					
US	May-24	Superlegal	Seed	5	Aleph and Disruptive AI fund.
<i>AI contract review software for US SMEs authorised to practice law. AI based SaaS platform with lawyer-verified contract reviews for cost-effective SME commercial contracts streamline your contract review process, saving time on legal admin while reducing legal costs by 90%.</i>					
US	Jun-24	Clearbrief	Funding	4	Authentic Ventures
<i>A Word add-in AI provider that helps lawyers with legal writing, Speeds up litigation/investigations workflows by generating hyperlinked timelines, exhibits, and fact sections. Clearbrief serves hundreds of law firms across the world, including large global organizations.</i>					

Source: Rothschild & Co

Post the development of the large LLMs the market has been looking for the key verticals in which GenAI techniques will be employed. It seems that LegalTech is being marked out as such a key vertical. Of course the new aspect of AI is the ability of large language models (LLMs) to use prompts, whether via text or image, to generate new content- the obvious examples are in music, writing and AI generated images.

Search, one of the key aspects of many of these LegalTech companies' capabilities is, by contrast, not a new capability although LLMs are capable of aggregating Internet content and presenting the results of search differently to Google style website linking. The companies we have highlighted in some cases marry existing data gathering capabilities (predictive coding , machine learning) with newer GenAI based capabilities. Most would argue that a key part of their business is simply understanding the customer processes and pain points and using that insight to develop useful solutions that solve problems – with GenAI contributing along the way. It is this understanding of the customer allied with technical innovation and deep domain knowledge that has kept the likes of RELX, Thomson Reuters and Wolters Kluwer at the top of the tree for so long.

Public markets – All change

Fed on peanuts.....

Public markets performed well in H1 2024. To the 28th June the MSCI Global index was up 11.3%. The US led the way, up 14.6% with the Magnificent Seven stocks up 36%, NASDAQ up 20% and the S&P 500 up 15%. In Europe the STOXX 600 was up 7% and the FTSE 100 up 6%.

July fared less well with a tech shake out hitting the Magnificent 7, contributing to a fall in the leading indices. There was in turn a natural rotation into value and small companies which outperformed. In the month of July up to August 2nd (to take into account the timing of the interest rate decisions in the US and UK, albeit not the market shakedown subsequently) the Magnificent 7 led the way down falling by 9% in the month, NASDAQ fell by 7%, and the S&P500 and STOXX 600 by 3% . The FTSE 100 rose by 1% and the Russell 2000 Index of smaller US companies by 4%. The MSCI World Index was down 2.5%.

The end of the month was dominated by interest rate moves (or the lack of them), growing fears of US recession and a results season which indicated aroused fears of consumer slowdown in the US and elsewhere.

At the Fed's meeting on July 31 rates were held for the eighth month in a row. This was in line with expectations although it disappointed some who thought that signs of a slowing US economy meant that a surprise July rate cut could be in order. Fed chairman Jay Powell retained his typical measured approach indicating that further progress had been made in reducing inflation towards the 2% target while indicating that the Fed would need '*greater confidence*' before it would actually cut rates. At the same time the Fed gave a clear indication that the greater confidence might be in place by September's meeting with Powell saying:

"A reduction in our policy rate could be on the table as soon as the next meeting in September."

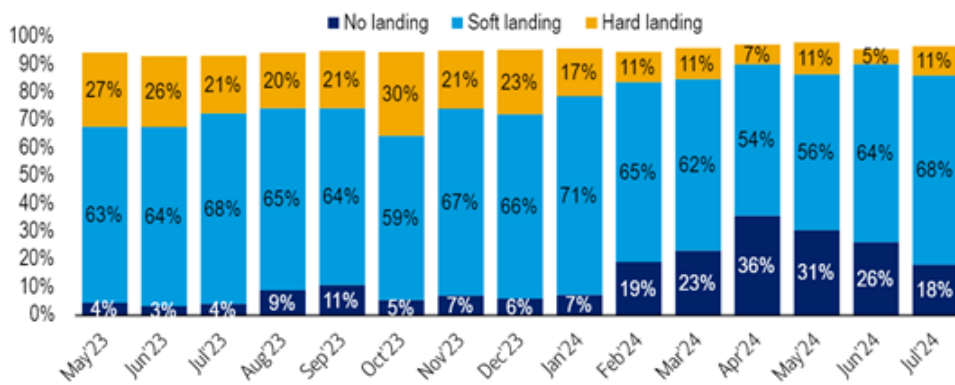
Such a reduction seemed even more likely by the end of the same week. The Fed's meeting was on Wednesday 31st July. By Friday August 2nd the markets had begun to recoil as mediocre jobs data fuelled fears of recession.

The continuous effort by the Fed is to discourage inflation while maintaining economic growth and avoiding recession. There was acknowledgment in the Fed meeting that its thoughts were turning as much to the economy as to inflation, Chairman Jay Powell noting:

"if we see something that looks like a more significant downturn, that would be something that ... we would have the intention of responding to...If the labor market were to weaken unexpectedly or inflation were to fall more quickly than anticipated, we are prepared to respond."

Thus far through 2024 it appeared to be doing a reasonable job and the market had responded by pricing in a US soft landing – or even no landing at all –as opposed to recession. Thus the July Bank of America fund manager survey indicated 68% of participants expecting a US soft landing and just 11% a hard landing, down from 17% at the start of the year.

BoA Global Fund manager survey July 2024 – what is the most likely outcome for the global economy in the next 12 months?



Source: BofA Global Fund Manager Survey

Sahm Rules? The Fed's decision not to cut interest rates in July was followed by weak US jobs data announced two days later with the 114,000 jobs added in July below market expectations of 175,000. Unemployment rose to 4.3%. By itself this set of figures was mediocre rather than bad – employment is still rising and July is, in any case, not the most important month for jobs data. The rise of the unemployment rate to 4.3% though triggered a widely followed recession indicator, the Sahm Rule:

“When the three-month moving average of the national unemployment rate is 0.5 percentage point or more above its low over the prior twelve months, we are in the early months of recession.”

This indicator has been a reliable signal that the US is in the early stages of a recession. In the eleven recessions since 1948 the Sahm rule has only produced two false positives (in 1959 and 1969) and in both failures the indicator can be said to have been too early rather than outright wrong. Claudia Sahm, its inventor, observed in an interview post the July jobs figures that the indicator could be misleading this time – citing growing household incomes and resilient consumer spending and business investment. Sahm also noted that there was an unusually high figure of 420,000 new entrants to the labour market in July which contributed to the rising unemployment rate.

Nevertheless the combination of the weak jobs number, a results season in which the Magnificent Seven stocks mainly disappointed and the news that Berkshire Hathaway had halved its stake in Apple in Q2 sent shares falling at the start of August. On Monday 5th August Japan's Nikkei fell 12.4%, the second largest daily fall on record and NASDAQ and the S&P 500 by 3% each.

In recent months market expectations have been for between two and three 25bps US rate cuts totalling 50-75 bps by 2024 year end. Post the July payroll numbers this increased to an expectation of a cut of 100bps by year end. The fed has indicated it is unlikely to make an emergency cut. Given there are just three Fed meetings until the year end it would imply a cut of 50bps at one of these meetings. All eyes are now on the Jackson Hole economic summit on August 22-24 for the Fed to give more clues as to its likely action at the September 17-18 Fed meeting.

European rate cuts underway. On June 6 the ECB lowered interest rates for the first time in five years, cutting the core interest rate by 25bps to 3.75% although the ECB indicated that it was *‘not pre-committing to a particular rate path’* with ECB president Christine Lagarde saying that further rate cuts will *“depend on the data that we receive.”* The market has pencilled in two more interest rate cuts by the end of the year which would take rates down to 3.25% and a further two rate cuts by the end of 2025.

UK interest rate cut: In the UK, May inflation was 2%, the first time since July 2021 it had hit the Bank of England's target. The June figure was, albeit slightly higher than market expectations, also at 2% . On August 1 the Bank of England responded with a 25bps rate cut to 5%, the first rate cut since 2020. The decision was close, with a 5-4 majority on the BOE rate setting committee.

The BoE's forecasts now show inflation getting back to 2.7% by year end before dropping back to 1.7% by 2026. It upgraded its 2024 UK GDP forecast from 0.5% to 1.25% with 1% expected in 2025. At present markets are anticipating between one and two more 25bps UK rate cuts by the end of the year.

Going against trend it is worth noting that Japan raised interest rates on July 31st. It moved its benchmark rate to 0.25% from the previous zero, the highest rate since 2008. In part the raise was to help offset rising inflation, up 2.6% in June, partly caused by the weakness of the yen.

Rothschild & Co strategist Kevin Gardiner summarises the current key drivers of the market in this graphic:

	GROWTH Positive	Resilience intact Momentum in the biggest economies – the US and China – extended through the first half of the year, while European growth has also turned a corner. Forward-looking business surveys suggest growth can continue into the second half. We still doubt that all the damage done by higher interest rates can have surfaced, but a major downturn still seems neither necessary nor likely
	INFLATION Positive	Disinflation now in the "last mile" Most of the decline in inflation is now behind us: core rates in the US, eurozone and UK are in the 2-4% range in which we think they will likely stick for a while. The good news is that this outcome has been delivered without a big economic setback, and is close enough to targets to allow central banks to cut policy rates – which they have now started to do
	POLICY Neutral	Rates can now fall – a little After 2021, central banks belatedly realised their credibility was at stake, and acted decisively to raise policy rates in 2022 and 2023. Inflation has now fallen far enough to allow the Federal Reserve, European Central Bank and Bank of England to begin to cut them (indeed, some of them have already lowered interest rates). However, with unemployment staying low – and growth still resilient – there is still no need for rates to fall fast or far
	GEOPOLITICS Negative	Geopolitical risk is even more evident Grim conflicts continue in Ukraine, the risk of a more widespread conflict in the Middle East has risen, and China persists with its intimidation of Taiwan. Another Trump presidency might add to the uncertainty, but the outcome of the world's most important election appears to be a closer call after Biden's decision to step down. Moreover, in Europe, the fractious French election and (widely expected) change of leadership in the UK passed without incident for global investors. As we note often: what troubles us as citizens does not always affect impersonal capital markets – and this may be the case even now. The business cycle usually matters most
	VALUATIONS Neutral	Valuations are full but not excessive Global stocks briefly touched further new highs, but earnings expectations are also drifting higher and valuations are not egregious. Meanwhile, government bond markets have stabilised at what we might think of as fair value (while also looking potentially more useful as diversifiers). Corporate bonds do however look expensive, with spreads close to post-global financial crisis lows
	MARKET DYNAMICS Neutral	A brief re-emergence of volatility Stock volatility has been remarkably low this year, and so the brief market setback in July was not (yet) cause for concern. Meanwhile, financial risk must still be elevated after the sharp normalisation of interest rates. Big banks' balance sheets look well capitalised, but there will be many idiosyncratic risks, and plenty of potential casualties such as regional US banks, commercial real estate, and private markets

Source: Rothschild & Co

IPOs – Summer's lease

July had the largest US IPO ytd with Lineage raising \$4.4bn. In Europe 36 IPOs raised €11.4bn in H1 2024 versus 25 raising €2.5bn in H1 2023. The summer lull is now upon us. Assuming markets stabilise there is a strong pipeline in late 2024 and into 2025.

In July three \$400m+ US IPOs raised a total of \$5.5bn. This brought the number of \$400m+ US IPOs to eighteen ytd raising, in total, \$17.4bn. This compares with nine IPOs raising \$400m+ during the whole of 2023 with an aggregate value of \$14.1bn.

The July IPOs included the largest US IPO ytd. Lineage, which is the world's largest operator of cold-storage warehouses, raised \$4.4bn and was the biggest IPO since the \$4.87bn IPO of Arm in September 2023.

While the total amount raised by global IPOs in H1 2024 was down 18% yoy at \$48.8bn (LSEG data), the \$17bn raised in the US was more than twice that of H1 2023 and the best for three years.

The overall performance of the 2024 US IPO cohort remains positive. 15 of the 18 saw a gain on the first day with the weighted day one advance being 12%. As of August 2, 15 of the 18 were still trading at above their flotation price with the weighted advance of the group being 21%.

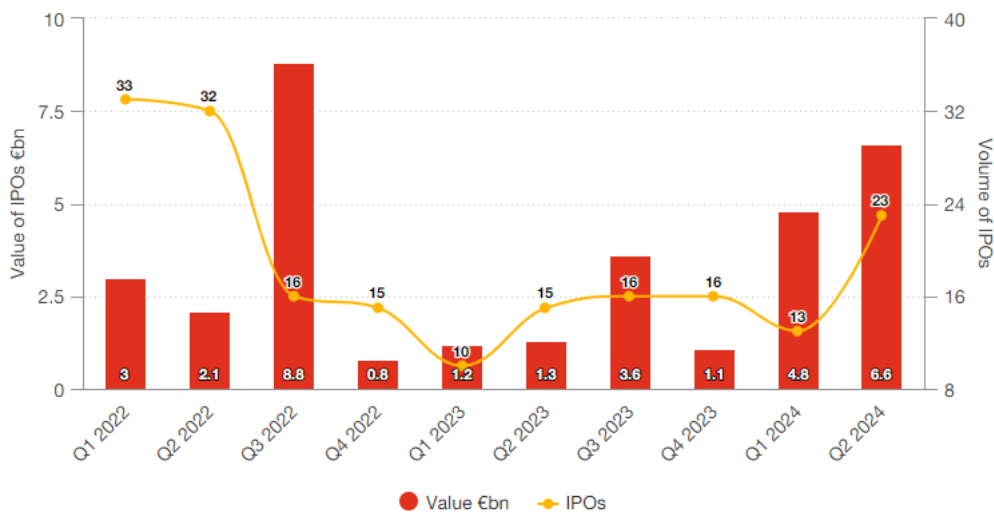
18 US IPOs of \$400m+ in H1 2024

	Symbol	Offer date	Shares (m)	Offer price \$	Amount sold (\$m)	First day Close \$	Change %	Price Aug-02	Change %
Concentra Group	CON	25-Jul-24	22.5	23.5	529	22.5	-4	22.9	-3
Lineage	LINE	25-Jul-24	56.9	78	4,438	80.8	4	82.9	6
One Stream Inc	OS	24-Jul-24	24.5	20	490	26.9	34	28.0	40
Tempus AI	TEM	14-Jun-24	11.1	37	411	40.3	9	28.5	-23
Waystar Holding Corp	WAY	07-Jun-24	45	21.5	968	20.7	-4	21.6	0
ZEEKR	ZK	05-May-24	21	21	441	28.3	35	24.6	17
Viking Holdings	VIK	01-May-24	64	24	1,536	27.0	13	34.1	42
Rubrik Inc	RBRK	25-Apr-24	23.5	32	752	37.0	16	32.4	1
Ibotta Inc	IBTA	18-Apr-24	6.6	88	581	103.3	17	105.8	20
UL Solutions	ULS	12-Apr-24	33.8	28	946	34.5	23	39.9	43
PACS Group	PACS	11-Apr-24	21.4	21	449	23.0	10	29.8	42
Reddit	RDDT	21-Mar-24	22	34	748	50.4	48	58.5	72
Astera Labs	ALAB	20-Mar-24	19.8	36	713	62.0	72	68.9	91
BBB Foods	TBBB	09-Feb-24	33.7	17.5	590	19.1	9	26.8	53
American Healthcare REIT	AHR	07-Feb-24	56	12	672	13.2	10	13.1	9
Amer Sports	AS	01-Feb-23	105	13	1,365	13.4	3	15.2	17
BrightSpring Health	BTSB	26-Jan-24	53.3	13	693	11.0	-15	5.7	-56
Kaspi.KZ	KSPI	19-Jan-24	11.3	92	1,040	96.0	4	124.4	35
					17,361		12.1		21

Source : Rothschild & Co

In Europe 36 IPOs raised €11.4bn in H1 2024 versus 25 raising €2.5bn in H1 2023. Q2 was at €6.6bn after Q1's €4.8bn. The top three European IPOs in H1 2024 were Spanish fashion operator Puig, Swiss healthcare business Galderma and the private equity house, CVC. Raising \$2.5-2.9bn each, these were also the top three global IPOs in H1 2024.

European IPO activity 2022-Q2 2024



Source: S&P Global Market Intelligence LLC

The IPO window is open. There is a steady flow rather than a flood of IPOs and sponsors need to be cautious in terms of investor selectivity and pricing discipline. Nevertheless, the IPO market is building an attractive record that suggests it is worth the while of investors to participate. Meanwhile, there is little chance of a shortage of supply with, according to Pitchbook data, the backlog of venture-capital-backed firms waiting for an opportunity to go public standing at around 220 companies.

July - Another strong month for European VC backed raises

July's raises saw a revival for biotech on both sides of the Atlantic.

July was a strong month for European venture capital raises with the R&Co Deal Monitor recording c\$3.6bn of venture raises in the month making it the second highest of the year after January's \$4.3bn. The \$3.6bn total in July was twice the level of the \$1.77bn raised in July 2023 and 4% ahead of July 2022. With the 2022 comps easing we should see the 2024 totals now regularly exceed those of 2022.

YTD European raises are at c\$21.4bn, up c44% yoy against 2023 in the same period. YTD to end July there have been 55 raises of more than \$100m (vs 32 in the same period in 2023), plus 4 raises of \$500m-\$1bn (versus zero) and one of \$1bn + (versus zero). In total 60 \$100m+ raises so far in 2024, almost twice the 32 of 2023 at this stage.

By category software deals led the way in July with three raises amassing \$719m. French HR software business **HR Path** raised \$550m in a deal led by Ardian. **QX Global** which offers business process management services raised \$125m from Long Ride Equity Partners. German business **osapiens** raised \$120m from Goldman Sachs Alternatives and Armira. The company offers SaaS solutions helping companies fulfil their ESG requirements.

There was a flurry of raises for biotech companies with 7 deals raising \$712m including four deals raising \$100m, those for Beacon Therapeutics (\$170m), CatalYm (\$150m) , Myricx Bio (\$114m) and Ascenreuron (\$100m). A similar resurgence of interest in VC backed biotech companies was seen in the US where two of the top five deals by value in July were for biotechs.

Healthcare was also strong in July with five deals raising \$515m. One of the biggest raises of the month was the \$200m for **Flo Health**, a fertility tracking app. The Series C was backed by General Atlantic and valued the business at more than \$1bn post money. Its last round was a Series B of \$50m in 2021.

The one AI deal in the month was substantial with defense AI software business Helsing raising \$487m in a round led by General Catalyst valuing the company at \$5.4bn. Its Series B round of \$223m in September last year was also led by General Catalyst. The post money valuation at that time was c\$1.9bn. Helsing develops AI software for weapons, vehicles, and military strategy.

Top 30 VC raises by sector

Top 30 raises by sector - July 2024			
	Number of deals	Amount raised \$m	Average raise \$m
Software	3	719	240
Biotech	7	712	102
Healthcare	5	515	103
AI	1	487	487
Fintech	4	193	48
Metrology	1	148	148
ClimateTech	3	147	49
SAAS	1	120	120
Travel Management	1	65	65
Cloud Services	1	60	60
Quantum Computing	1	55	55
Marketplace	1	52	52
Transport	1	38	38
Total	30	3311	110

Source : Rothschild & Co

Europe - \$3.6bn of VC raises in June

Country	Date	Company	Stage	Amount \$m	Valuation \$m	Sector	Investors	What it does
France	Jul-24	HR Path	Funding	550		Software	Ardan	HR consulting
Germany	Jul-24	Heising	Series C	487	5,400	AI	General Catalyst	Defense AI software
UK	Jul-24	Flo Health	Funding	200	1,000	Healthcare	General Atlantic	fertility tracker app
UK	Jul-24	Beacon Therapeutics	Series B	170		Biotech	Forbion, Syncona Limited,	ophthalmic gene therapy
Germany	Jul-24	CataM	Series D	150		Biotech	Canaan Partners and Bioque Ventures	cancer therapy resistance mechanism
Netherlands	Jul-24	Nearfield Instruments	Series C	148		Biotech	Walden Catalyst and Temasek	Metrology (M&I) solutions for semi manufacturing
UK	Jul-24	Myrick Bio	Series A	114		Biotech	Novo Holdings and Abingworth,	novel payload class for antibody-drug conjugates
UK	Jul-24	QX Global	Growth	125		Software	Long Ridge Equity Partners	business process management ("BPM") services
Germany	Jul-24	osapiens	Series B	120		ESG SaaS	Goldman Sachs Alternatives, Armira	compliance and sustainability reporting solutions,
Israel	Jul-24	Magenta Medical	Funding	105		Medical Devices	Novo Holdings, Viking Global Investors	miniaturized blood pumps
Switzerland	Jul-24	Asceneuron	Series C	100		Biotech	Novo Holdings, EQT Life Sciences	small molecules targeting tau protein aggregation,
Israel	Jul-24	CytoReason	Funding	80		Healthcare	OurCrowd, NVIDIA, Pfizer	computational disease models for predictive insights
UK	Jul-24	Huma	Series D	80		Healthcare	AstraZeneca, Hat Technology Fund	RPM solutions for pharmaceutical providers
Sweden	Jul-24	SciRhomb	Series A	70		Biotech	Andera Partners, Kuma Partners, Hadean Ventures	therapeutic iRhom2 antibodies
Belgium	Jul-24	Corfo Therapeutics	Series B	66		Biotech	Ackermans & van Haaren (AvH), Dneheus Capital Mgt	medicines targeting G-protein coupled receptors
Switzerland	Jul-24	H55	Series C	65		ClimateTech	Existing investors	electric aviation technologies,
Spain	Jul-24	Exotica	Series D	65		Travel management	Quadriple Capital	Travel management platform
Luxembourg	Jul-24	Gcore	Series A	60		Cloud services	Wargaming, Constructor Capital	edge AI, cloud, network, and security solutions
Netherlands	Jul-24	Payt	Series B	60		Fintech	Partech	Accounts receivables management
Germany	Jul-24	planqc	Series A	55		Quantum Computing	CATRON Holding, DeepTech & Climate Fonds (DTCF)	quantum computing cloud service
UK	Jul-24	Carwow	Series C	52		Marketplace	BVP	Online car marketplace
Germany	Jul-24	Grover	Funding	55		Fintech- Consumer	Cool Japan Fund (CJF)	Technology rentals
France	Jul-24	TriCares	Series D	50		Healthcare	Single strategic investor	minimally invasive treatment of tricuspid regurgitation
Germany	Jul-24	Hero Software	Series B	44		Software	Eight Roads, Cusp Capital and Federated Herme.	cloud based software platform for craft businesses
Denmark	Jul-24	Again	Series A	43		ClimateTech	GV, HV	Carbon transformation and utilisation
Israel	Jul-24	Scopio Labs	Funding	42		Biotech	Fortissimo Capital	digital cell morphology imaging and analysis platforms
UK	Jul-24	Nala	Funding	40		Fintech	Acree Capital, DST Global, Amplo,	payment services
UK	Jul-24	Addionics	Series B	39		ClimateTech	GM Ventures and Deep Insight	battery technology company
Italy	Jul-24	Limolane	Funding	38		Transport	Cherry Bay Capital	Premium mobility solutions for businesses
Lithuania	Jul-24	Fintbee Verslui	Funding	38		Fintech	Pollen Street Capital,	crowdfunding platform for business
UK	Jul-24	GrowthUp	Funding	38		Vertical Farming	Generate Capital	vertical farming - salad
UK	Jul-24	Canoe Intelligent	Series C	36		Fintech	Goldman Sachs Alternatives	alternative intelligence for institutional investors
Germany	Jul-24	OneData	Series B+	35		Software - Data Mgt	V Squared, HV, Molten	Data management platform
Netherlands	Jul-24	SCW Systems	Funding	28		ClimateTech	Pensioenfonds Zorg en Welzijn	water gasification technology
UK	Jul-24	Solus Power	Funding	28		ClimateTech	Petra Equity Partners	portable electric vehicle charging
Italy	Jul-24	Hui	Funding	28		ClimateTech	Nimbus Capital	Tools for worker decision making
Norway	Jul-24	Heimdall Power	Series B	25		Software- Energy	Orlen, NRP Zero	power grid optimization for utility companies
Sweden	Jul-24	Leya	Series A	25		Software	Redpoint	AI legal platform
UK	Jul-24	Naked Energy	Series B	21		ClimateTech	E.ON Energy Infrastructure Solutions	Virtu solar collectors solar heat and power
Sweden	Jul-24	Mauten	Funding	22		sports nutrition	Iris Ventures	Sports nutrition drinks and gels
Switzerland	Jul-24	Lakera	Series A	20		AI - Software	Atomico	Real time Gen AI security
Total				3,617				

Source : Rothschild & Co

Biggest US VC raises in July (\$100m and above) – \$5.8bn raised

The biggest sector for US raises of \$100m and above in July was Biotech with six deals raising a total of \$1.07bn. This time AI had to take second place.

There were two deals in the month for AI businesses with legal applications. We include Canada for these purposes with Canadian business Clio raising \$900m in the largest deal of the month, led by NEA and GSAM. AI driven legal platform Harvey raised \$100m in a deal led by Google Ventures, Open AI and Kleiner Perkins.

There were three Fintech deals with a cumulative value of \$442m (Earned Wealth, Aven and Matera). In the month when CrowdStrike received unwanted publicity on a failed security update, three cybersecurity businesses (Vanta \$150m at a valuation of \$2.45bn), Chainguard (\$120m at a valuation of \$1.12bn) and Kandji (\$100m at a valuation of \$850m) raised \$370m between them.

The US – 29 VC backed raises of \$100m+ in July

Country	Date	Company	Stage	Amount \$m	Valuation \$m	Sector	Investors	What it does
US	Jul-24	Clio	Series F	900	3,000	AI - Legal	NEA, GSAM	AI based solutions for legal industry
US	Jul-24	Cloverleaf Infrastructure	Funding	300		Infrastructure	NGP and Sandbrook Capital	ready-to-build sites for US electric loads
US	Jul-24	Skild AI	Series A	276	1,500	Robotics	Lightspeed Venture Partners, Coatue, SoftBank	scalable foundation model for robotics
US	Jul-24	Element Biosciences	Series D	277		Biotech	Wellington Management	AVIT™ benchtop DNA sequencer,
US	Jul-24	Cadunion Pharma	Series B	260		Biotech	Ascentia Capital, NEA, GV	therapeutics treatment of cardiovascular diseases,
US	Jul-24	Regal	Funding	250		Entertainment	Existing	Theatre circuits company
US	Jul-24	Human Interest	Growth Equity	242	1,300	Financial Services	Baillie Gifford, Marshall Wace	401k plans for SMEs
US	Jul-24	Tekion	Funding	200	4,000	Automotive	Dragonair Investment	Automotive software-as-a-service platform,
US	Jul-24	Harmony Cares	Funding	200		Healthcare	General Catalyst, McKesson Ventures,	value-based in-home longitudinal care
US	Jul-24	Earned Wealth	Funding	200		Fintech	Summit Partners and Silversmith Capital Partners	tech-enabled financial services -medical professionals
US	Jul-24	Astranis	Series D	200		Space	a16z and BAM Elevate,	geostationary satellite maker
US	Jul-24	Altana	Series C	200		Software - Logistics	US Innovative Technology Fund (USIT), March Capital,	value chain management system
US	Jul-24	Kestra Med tech	Funding	196		Medtech	Andera Partners,	wearable cardiac medical device
US	Jul-24	Saronic	Series B	175	1,000	Defense Tech	Andreessen Horowitz	autonomous capabilities for naval and maritime forces,
US	Jul-24	Third Arc Bio	Series A	165		Biotech	Vida Ventures and Cormorant Asset Management	multifunctional antibodies
US	Jul-24	Scorpion Therapeutics	Series C	150		Biotech	Frazier Life Sciences and Lightspeed Venture	clinical-stage oncology
US	Jul-24	Imperative Care	Series E	150		Medtech	Ally Bridge Group, D1	vascular diseases
US	Jul-24	Vanta	Series C	150	2,450	Cybersecurity	Sequoia Capital,	trust management platform
US	Jul-24	Aven	Series D	142		Fintech	General Catalyst, Khosla Ventures	consumer credit cards backed by home equity
US	Jul-24	Chainguard	Funding	140	1,120	Cybersecurity	Redpoint Ventures, Lightspeed Venture	Software security company
US	Jul-24	IntelePeer	Funding	140		Communications	Savant Growth and VantagePoint Capital	Communications automation
US	Jul-24	Monarch Tractor	Series C	133		Electric vehicles	Astanor and HHCTBC Partnership	EV and AV Tractors
US	Jul-24	F1 Arcade	Growth	130		Hospitality	Cheyne Capital, Liberty Media	F1® experiential hospitality brand
US	Jul-24	NGM Biopharmaceuticals	Series A	122		Biotech	Column Group	therapeutics for liver diseases
US	Jul-24	Matera	Funding	100		Fintech	Warburg Pincus	software for real-time payments in Brazil
US	Jul-24	Headway	Series D	100		Healthcare	Spark Capital,	mental healthcare system
US	Jul-24	Autobahn Therapeutics	Series C	100		Biotech	Newpath Partners	neuropsychiatric and neuroimmunologic disorders
US	Jul-24	Harvey	Series C	100	1,500	AI - Legal	Google Ventures, OpenAI, Kleiner Perkins	legal AI platform
US	Jul-24	Kandji	Funding	100	850	Cybersecurity	General Catalyst	Apple endpoint management and security platform
Total				5,798				

Source: Rothschild & Co, Crunchbase

Our views on the state of the venture capital markets

















The combination of global inflation, rising interest rates, and increased geopolitical risk substantially impacted the venture capital market in 2022 and 2023. As we move through 2024 adaptation to the 'new normal', the refocusing of venture backed companies to achieve a better balance of growth, profitability and cash flow and the prospect of H2 interest rate cuts have led to increased optimism and enthusiasm for growth equity. Our summary of the outlook is:

- The deterioration in the interest rate, inflation and macro-economic environment has had a sharp impact on valuations in private markets. The scale of the fall in the Refinitiv VC index in 2022 was much more substantial than the 33% fall on NASDAQ. This was reflected in some big valuation reductions in some high-profile VC rounds in 2023.
- There is substantial interest in venture capital to fund artificial intelligence, both the foundation LLM models, the applications of AI and industries (data centres, semiconductors) supporting the development of AI.
- Best-in-class companies, addressing critical requirements, continue to attract support. There are still hotspots for investment most notably in Artificial Intelligence and Climate Tech. Certain investors remain very active in the space with substantial funds to deploy.
- The speed of the investment process has slowed considerably. The level of diligence on new deals has stepped up.
- 2023 saw more downrounds, albeit the substantial fund raising of 2021 and the ability of companies to eke out existing resources has limited the number of these. These continue into 2024.
- There is substantial dry powder in the VC industry. This though appears to be prioritised to support existing rather than new investments.
- It seems likely that the more difficult conditions for fundraising, and the lack of a clear path in some cases to early cash positive status, will mean a flurry of venture capital backed businesses looking to sell or merge their businesses.
- Valuation priorities have shifted with investors having moved away from an emphasis on revenue growth and revenue multiple emphasis. There is a sharp focus instead on profitability (or a rapid path to it), on positive free cash flow and an emphasis on DCF and comparative based multiples.

Read the previous editions: [May 2022](#), [June 2022](#), [June 2022 \(2\)](#), [July 2022](#), [August 2022](#), [Sep 2022](#), [October 2022](#), [November 2022](#), [December 2022](#), [January 2023](#), [February 2023](#), [March 2023](#), [April 2023](#), [May 2023](#), [June 2023](#), [July 2023](#), [August 2023](#), [September 2023](#), [October 2023](#), [November 2023](#), [December 2023](#), [January 2024](#), [February 2024](#), [March 2024](#), [April 2024](#), [May 2024](#), [June 2024](#), [July 2024](#)

Rothschild & Co: Selected recent deals in Growth Equity and Private Capital

A selection of recent deals on which we have advised.

 <p>Castore: £145m equity funding</p> <ul style="list-style-type: none"> Sole adviser to Castore, the premium sportswear brand and end-to-end retailing platform for global sports teams on its first institutional funding round The £145m equity investment was led by The Raine Group and valued Castore at £800m pre-money (£945m post) Rothschild & Co Debt Advisory also upsized Castore's RCF by £25m to a total of £100m 	 <p>Skyroot: \$51m Series B</p> <ul style="list-style-type: none"> Sole adviser on its Series B raise of INR 4,030m (US\$51m) from GIC Private Limited and LK Advisers Looking to 'uberize' space for small satellite operators, Skyroot will use its differentiated solid propulsion technology to offer on-demand, affordable launch vehicles. It plans its first orbital launch by early 2023 	 <p>YuLife: c \$120m+ Series C</p> <ul style="list-style-type: none"> Adviser to YuLife on its investment by T Rowe Price T Rowe Price's first ever private investment in European FinTech The Series C extension valued YuLife at c.\$800m, a 3x uplift from its valuation at its Series B announced in July 2021 	 <p>Carsome: US\$290m Series E</p> <ul style="list-style-type: none"> US\$290m Series E fundraise led by SeaTown Holdings International and 65 Equity Partners Holdings The funding round brought Carsome's valuation to US\$1.69bn, cementing its position as Malaysia's first and largest tech unicorn Follows US\$170m Series D2 round in Sept 2021, on which we also advised
 <p>FL Entertainment: €7.2bn combination with Pegasus Entrepreneurs and simultaneous c€550m equity raising</p> <ul style="list-style-type: none"> FL Entertainment is composed of Banijay, largest independent content producer globally, and BetClic Everest Group, Europe's fastest-growing sports betting platform. Pegasus is an Amsterdam-listed SPAC Largest ever European SPAC business combination an PIPE raising 	 <p>Insight Partners: strategic investment in Precisely</p> <ul style="list-style-type: none"> Led investment in a recap of Precisely Software Incorporated, in an investor group that will also include Partners Group, Clearlake Capital, TA Associates, and Centerbridge Partners Precisely is a leading data integrity and infrastructure software company 	 <p>Kpler: Minority stake Acquisition</p> <ul style="list-style-type: none"> Adviser to Five Arrows Growth Capital and Insight Partners on joint acquisition of a minority stake in Kpler Holding S.A. from its founders Consisted of acquisition of c.30% of secondary share capital of Kpler plus primary investment of €20m Kpler is a leading SaaS provider of data and analytics to energy markets 	 <p>Harmay: US\$90m Series D</p> <ul style="list-style-type: none"> Advised Harmay on its US\$90m Series D equity financing from a group of leading Chinese and global growth equity /venture capital funds Harmay is a premium beauty retailer Raise was led by QY Capital (an entity related to Alibaba New Retail Fund) plus existing investors
 <p>SEBA Bank: CHF110m raise</p> <ul style="list-style-type: none"> Advised on fundraising co-led by a consortium of new investors specialised in blockchain and fintech including Altive, Ordway Selections and Summer Capital DeFi Technologies, leader in decentralized finance, and Alameda Research, a global cryptocurrency quantitative trading firm, also participated 	 <p>First Digital Bank: US\$120m capital raise</p> <ul style="list-style-type: none"> Advised on capital raise through a syndicate of investors including Tencent, SBI Investment Co, Julius Baer, and West Coast Equity Partners First bank to receive a banking license in Israel for over 42 years and first neobank in Israel 	 <p>Fibrus: £270m seven-year debt package</p> <ul style="list-style-type: none"> Advised on package comprising a £200m capex facility, £20m revolving facility and up to £50m uncommitted accordion facility Fibrus is an alternative provider of full fibre network infrastructure and broadband in rural UK Highly active in European fibre infrastructure: our 7th debt financing mandate in UK fibre in last 3 years 	 <p>Marwyn Acquisition Company II: £500m equity raise</p> <ul style="list-style-type: none"> Advised Marwyn Acquisition Company II on the launch of its equity raise, by way of a 12-month placing programme The company will seek to raise up to £500m during the next twelve months from equity investors in a structure which is distinct from the typical 'SPAC' structure
 <p>Azerion: €1,300m enterprise value combination with EFIC1</p> <ul style="list-style-type: none"> Advised on combination with European FinTech IPO Company 1 B.V - a SPAC that raised c.€382m through IPO on Euronext Amsterdam in 2021 Azerion provides solutions to automate purchase and sale of digital advertising inventory Landmark transaction - one of the largest de-SPAC transactions across Europe to date 	 <p>Gousto: £240m primary and secondary rounds</p> <ul style="list-style-type: none"> £70m primary financing for food delivery company Gousto with Softbank Vision Fund 2 in Jan '22 In Feb '22 secondary component of £170m from institutional investors including SoftBank, Grosvenor Food & AgTech, Railpen and Fidelity Valued Gousto at £1.2bn on a pre-money basis 	 <p>GreenWay: €85m Series C</p> <ul style="list-style-type: none"> Advised Greenway Infrastructure on its €85m Series C fundraise Led by a consortium of infrastructure funds including Generation Capital and Helios Energy Investments. The transaction is the first known investment by an infrastructure fund in an EV charging network in Central and Eastern Europe 	 <p>Diabeloop: €37m Series C</p> <ul style="list-style-type: none"> Advised on its €37m Series C capital raise Following extensive investor outreach, LBO France was chosen to lead the raise jointly with existing investors including Supernova Invest, AGIR à dom., CEMAG INVEST and Odyssée VenturesA Diabeloop provides automated insulin delivery system and handset facilitating diabetes management

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