

The Investor



Earlybird Digital East Fund (DEF) invests in technology ventures hailing from Emerging Europe with over USD400 million in committed capital. DEF is one of the autonomous, dedicated and specialized teams within the Earlybird family, which has over EUR1.5 billion in assets under management and has overseen eight IPOs and 30 trade sales as of October 2021.

FUND NAME
Digital East Fund 2013 SCA SICAR

FUND SIZE
USD150 million

TOTAL AUM
USD400 million

The Company



Established in 2005, UiPath develops robotic process automation software for enterprises in a wide range of industries, including healthcare, financial services and energy. Its software monitors activity to automate repetitive tasks, while offering flexible deployment options such as private cloud as well as on-premises. As of the end of October 2021, UiPath has annual recurring revenue of USD818.4 million, as well as over 9,600 enterprise clients and more than 4,900 go-to-market and technical partners.

WEBSITE
www.uipath.com

INDUSTRY/SECTOR
Enterprise Software

LOCATION
Global (founded in Romania)

DATE OF INITIAL INVESTMENT
JULY 2015

AMOUNT
USD16.6 MILLION

INITIAL PARTICIPATION/STAKE
12.3%

DATE OF IPO
APRIL 2021

IN 2014, Microsoft-trained engineer Daniel Dines approached Emerging Europe-focused venture investor Earlybird Digital East Fund. Dines had returned to his home country of Romania and was seeking funding for his ambitious plan to fully automate a vast range of repetitive front- and back-office tasks across an organization. His enterprise software company, UiPath (then known as DeskOver) wanted to enter the nascent robotic process automation (RPA) industry, which at the time was largely comprised of two major players. The Earlybird Digital East team was willing to bet that the company could dominate the competitive landscape and expand rapidly by pairing its innovative product with strong execution skills.

Earlybird Digital East led UiPath’s seed round in July 2015, contributing USD1 million of the USD1.6 million infusion – the first institutional financing for the company. Earlybird Digital East continued to participate in follow-on rounds, contributing a total of USD16.6 million until April 2021, when UiPath went public on the New York Stock Exchange. Since Earlybird Digital East’s initial investment, UiPath has grown from 10 engineers operating out of one office in Bucharest to a New York City-headquartered global company with nearly 3,000 employees across 40 offices. At the time of its IPO, UiPath was valued at more than USD35 billion.



The Deal

UIPATH'S PLATFORM is used to develop “software robots” that can automate repetitive tasks by utilizing computer vision and machine learning technology, thus freeing employees to do more value-added work. Since 2015, UiPath has added several new capabilities, including process and task mining, task capture, document understanding, third-party integration frameworks, UiPath marketplace (a place to share knowledge through an open exchange of RPA components) and the Automation Cloud (a cloud-based software-as-a-service solution) – all of which help to improve productivity.



The Earlybird Digital East team knew from experience that Eastern European founders tended to be conservative, often seeking profitability before growth. Earlybird Digital East encouraged Dines to think differently and aggressively invest resources early to capitalize on the market opportunity.

UiPath utilized some of its funding to open offices in London, New York, Bangalore, Paris, Singapore, Washington, DC and Tokyo in the first years after initial investment, and then expanded more deeply into Asia Pacific and Latin America over the following years.

In 2017, the company moved its headquarters to New York City to be closer to its target customer base of established global enterprises with thousands of employees. At the time of Earlybird Digital East's first investment, UiPath was sharply focused on product development rather than commercialization. Subsequently, it also allocated significant resources to develop its sales and marketing capabilities.

UiPath's fundraising success at an early stage of development was instrumental in its ability to launch its suite of products and rapidly scale operations before becoming profitable. After leading the company's first institutional financing round in 2015, Earlybird Digital East introduced UiPath to global venture capital firm Accel, who led the company's Series A in 2017. Later on, other prominent investors such as CapitalG and Sequoia Capital came onboard with larger pools of capital, so Earlybird Digital East took a smaller part in each subsequent round.

Earlybird Digital East continued to invest in the company because it believed in UiPath's growth potential, even when the valuations grew to a level to which the fund was unaccustomed. For example, it participated in UiPath's 2018 Series B, which valued the company at USD1 billion, even though its commitment represented a significant percentage of its total fund size. In total, UiPath was able to raise nearly USD2 billion in private capital in advance of its IPO.

Outlook

EARLYBIRD DIGITAL EAST began partially divesting its holding in 2019, primarily to make room for new investors. However, the firm held the majority of its shares until UiPath's IPO. As of December 2021, Earlybird Digital East's multiple over invested capital stands at 150x, which includes the proceeds from its partial share sales as well as the fair value of its remaining interest in the company. Still, Earlybird Digital East has held onto a portion of its stake because it expects its investors will be able to benefit even further from UiPath's growth, particularly as the company currently leads the ever-expanding global RPA market. Looking forward, the Earlybird Digital East team believes UiPath's global success will help shine a spotlight on other Emerging European businesses.



Annual recurring revenue (ARR) is the key metric UiPath uses to measure performance. The company primarily bills its clients through an annual subscription model, with rates based on the number of software robots and users. As of the end of October 2021, UiPath's ARR was USD818.4 million, up from approximately USD1 million in 2015. UiPath also boasts a net revenue retention rate of 144% – one of the highest in the industry – meaning that for every dollar initially paid, the customer spent an additional USD0.44 over the next year, either for new use cases or more users.



Spurring job creation in a new industry

UIPATH'S RAPID GROWTH has directly led to an explosion in the RPA market and created thousands of new developer and sales roles in the IT industry. Within UiPath, there are 2,850 employees, many of which are based in Romania and India. RPA-focused positions have been added over the last five years to many of the company's nearly 5,000 channel and implementation partners. These are customers, such as IT services or consulting companies, that have become resellers of UiPath's products. A range of service providers such as RPA integrators and training providers are also cropping up to support the industry.

To further develop the market, UiPath is committed to bringing RPA software and education into local schools and communities through technology support and grants. UiPath has provided over 25,000 students with educational programs in Romania and India since 2019.