PitchBook

European VC Valuations Report

2021 Annual

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Introduction

European venture capital (VC) pre-money valuations set record highs at each quartile and across all financing stages in 2021. Numerous records were broken, including overall deal value across regions and financing stages as well as exit value. Pandemic-induced growth enabled tech businesses to prosper, and VC investors competed fiercely to participate in outsized rounds that drove up valuations.

VC deals with nontraditional investors rose in value and volume in 2021. Irrespective of the investor type involved, median angel & seed, early-, and late-stage pre-money valuations set new highs in 2021. Strong historical return profiles, mounting technological adoption, and future growth prospects have enticed nontraditional investors to participate in VC. Startups have welcomed nontraditional investors as they can possess several years of operational experience.

The aggregate value and quantity of unicorns grew in 2021. Unicorn development has been a key driver of maturation of the European VC ecosystem. The most valuable VC-backed companies have increased their profiles via outsized rounds amid increased attention from investors, consumers, and competitors. Despite a challenging macroeconomic backdrop, several European unicorns recorded strong growth and substantial valuation step-ups.

2021 post-money valuations across all quartiles upon exit beat 2020 figures. Investors and founders took advantage of conducive market conditions and heightened multiples tied to tech-enabled companies. VC-backed companies were quick to pivot and execute on fast-tracked exit plans to capitalise on pandemic-driven growth. In 2021, competition between US and European stock exchanges for sought-after tech listings intensified, and the emergence of SPACs in Europe offered an alternate exit route for VC-backed companies seeking liquidity.

Nalin Patel
Senior Analyst, EMEA Private Capital

Overview

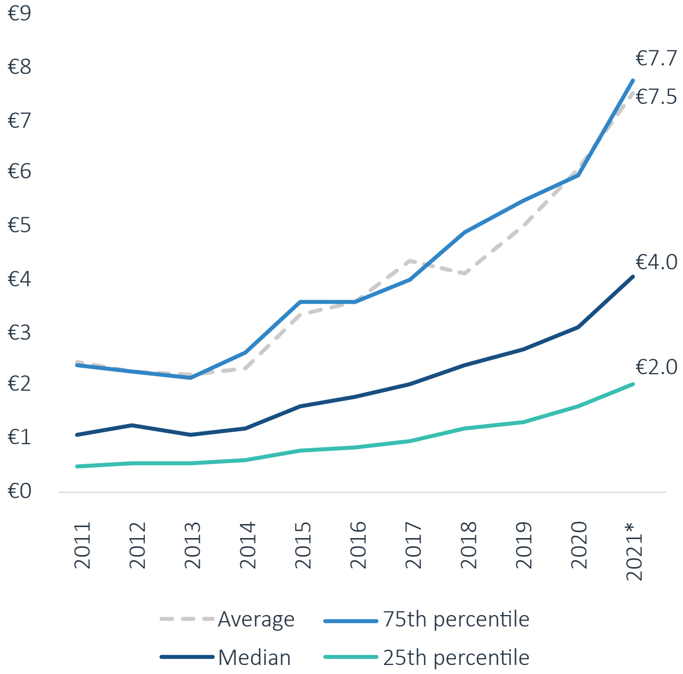
European VC pre-money valuations set record highs at each quartile and across all financing stages in 2021. Valuations grew from figures in 2020, as numerous records were broken in the European VC ecosystem, including overall deal value across regions and financing stages as well as exit value. VC valuations have matured during the past three years, and the COVID-19 pandemic has increased capital flows and valuations tied to top VC-backed companies. Pandemic-induced growth has enabled tech businesses to prosper, and VC investors have competed fiercely to participate in outsized rounds that have driven up valuations. In 2021, VC stakeholders shrugged off uncertainty stemming from macroeconomic volatility and doubled down on ambitious growth targets to develop robust valuations.

During 2021, strong dealmaking appetite from investors, combined with a healthy pipeline of emerging startups disrupting traditional sectors, helped valuations remain elevated. Nontraditional and international investors injected significant amounts of capital into Europe-based VC-backed companies. As capital options have expanded for startups, round sizes have increased. VC-backed companies demonstrating strong growth potential have commanded a premium and secured sizable backing in 2021. High-growth subsectors including SaaS, fintech, and pharma & biotech have been particularly popular with investors ready to deploy capital. Moreover, we have seen valuations develop impressively across European VC regions as investors and entrepreneurs look to penetrate new markets. As COVID-19 hopefully becomes endemic in Europe, we could see further growth in areas that have struggled since the pandemic commenced.

Angel & seed

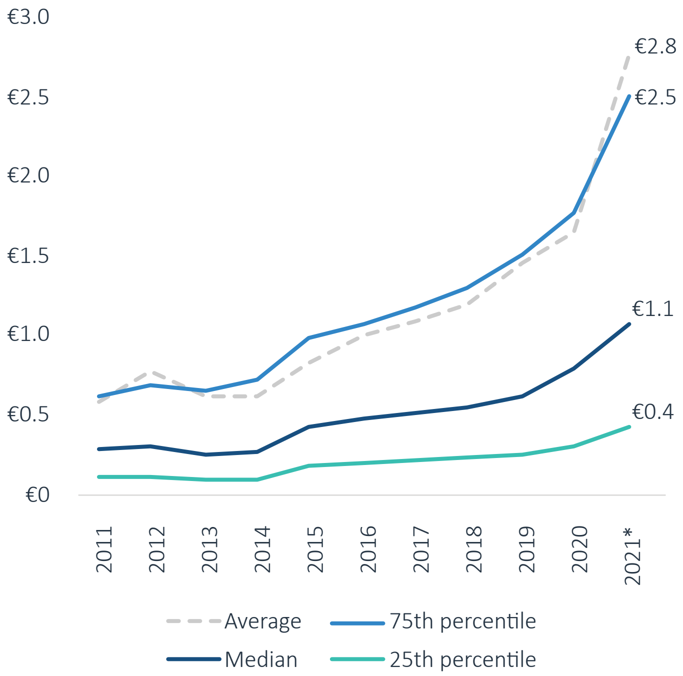
The valuations of startups drawing angel & seed financing flourished in 2021. Investors have been confident in their ability to find the next big thing, and they have written considerable cheques for startups displaying initial traction and the potential to develop into international businesses. The fear of missing out was apparent in 2021, and various founders and investors felt it was the opportune time to create or back a new solution. The COVID-19 pandemic highlighted pressing issues regarding healthcare, working practices, and commerce. Entrepreneurs acted quickly, and competitive sectors have emerged rapidly, such as the food delivery space, which is arguably oversaturated now. The median angel & seed pre-money valuation reached €4.0 million in 2021, 30.7% higher than the record set in 2020. Angel & seed deal sizes across all quartiles were also higher than 2020 figures, with the median hitting €1.1 million in 2021.

Range of angel & seed pre-money valuations (€M) by quartile



Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

Range of angel & seed deal sizes (€M) by quartile



Source: PitchBook | **Geography:** Europe
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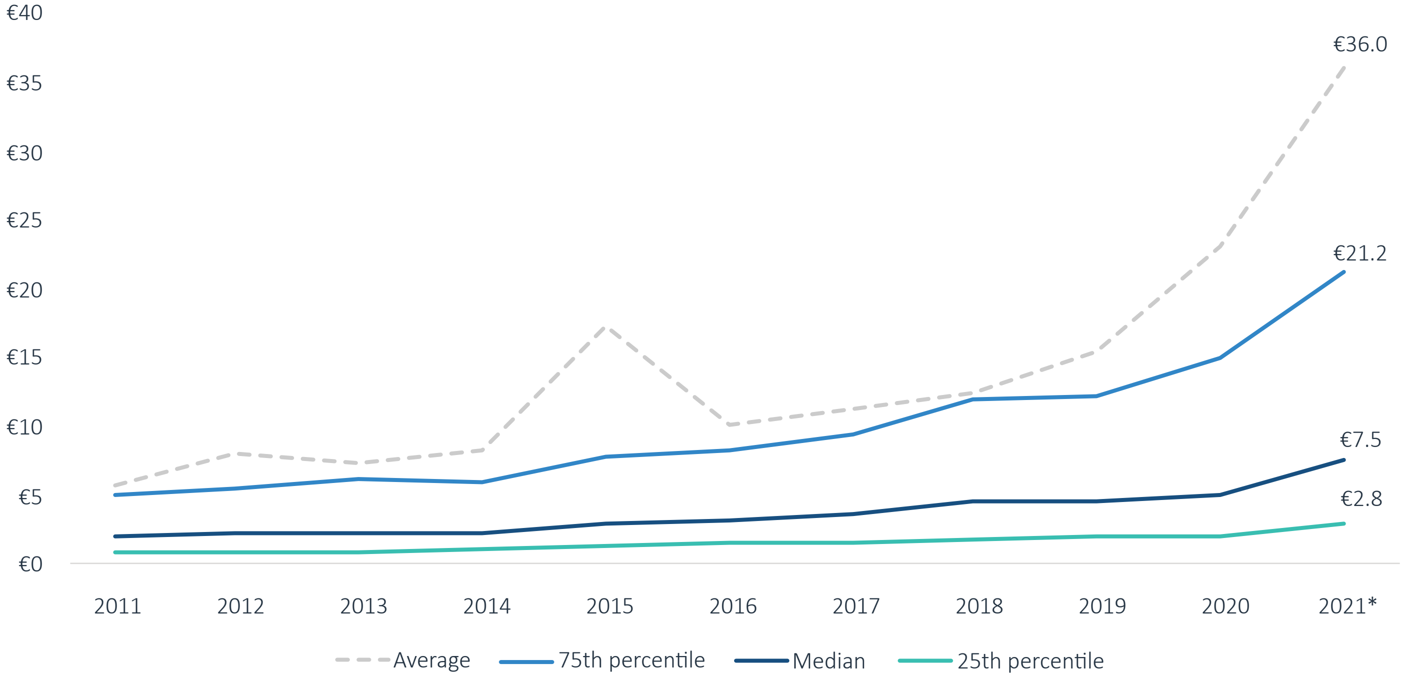
Range of early-stage VC pre-money valuations (€M) by quartile



Source: PitchBook | **Geography:** Europe
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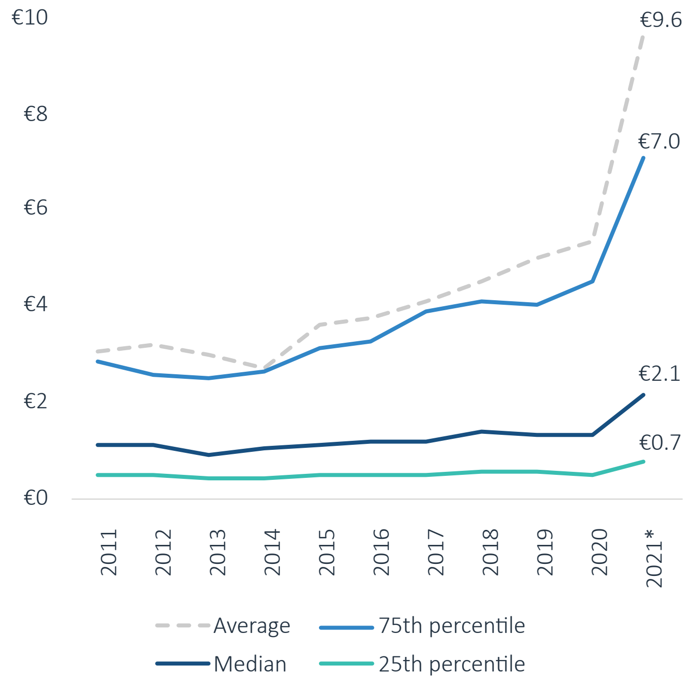
Early-stage VC

Early-stage rounds and valuations set new peaks in 2021. Fast-growing VC-backed enterprises looking to penetrate industries pushed up round sizes and valuations in the year. Competition among an array of early-stage investors also helped increase capital flows into a wide variety of startups looking to scale. The records set in 2021 demonstrate that the European ecosystem possesses a multitude of capital options across regions and geographies to help startups establish themselves as fully fledged businesses. Early-stage VC valuations across all quartiles finished 2021 above 2020's figures, with the median reaching €7.5 million. Furthermore, early-stage deal sizes across all quartiles were larger in 2021, with the median reaching €2.1 million—66.2% higher than in 2020.

Attractive startups showing strong long-term potential can attract multimillion-euro rounds at impressive valuation step-ups only a few years after founding. Israel-based cultured meat producer Future Meat provides a notable example of this. The company, which was just founded in 2018, completed a €307.4 million round in Q4 2021, resulting in a €797.4 million post-money valuation. Investors included VC arms of US-based food corporations Archer-Daniels-Midland (NYSE: ADM), Rich Products, and Tyson Foods (NYSE: TSN), highlighting that early-stage businesses are drawing funding from backers seeking returns and strategic opportunities.

Range of early-stage VC deal sizes (€M) by quartile



Source: PitchBook | **Geography:** Europe
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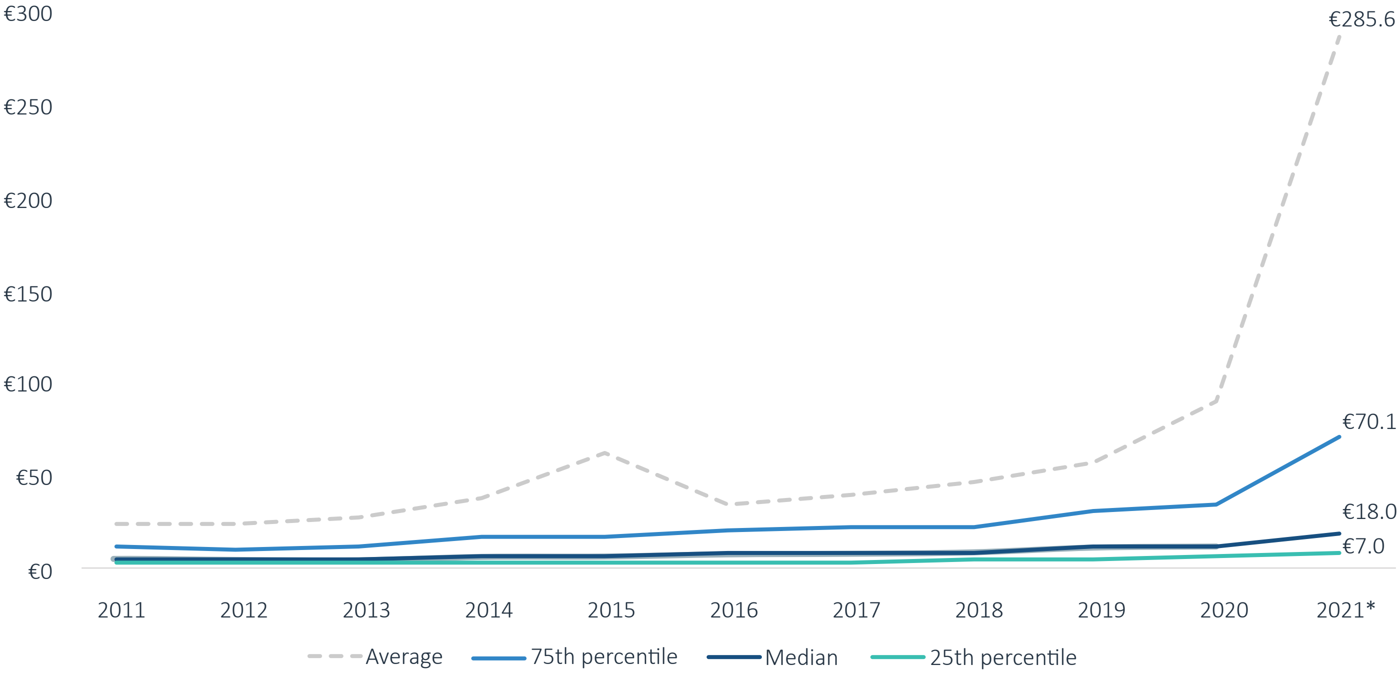
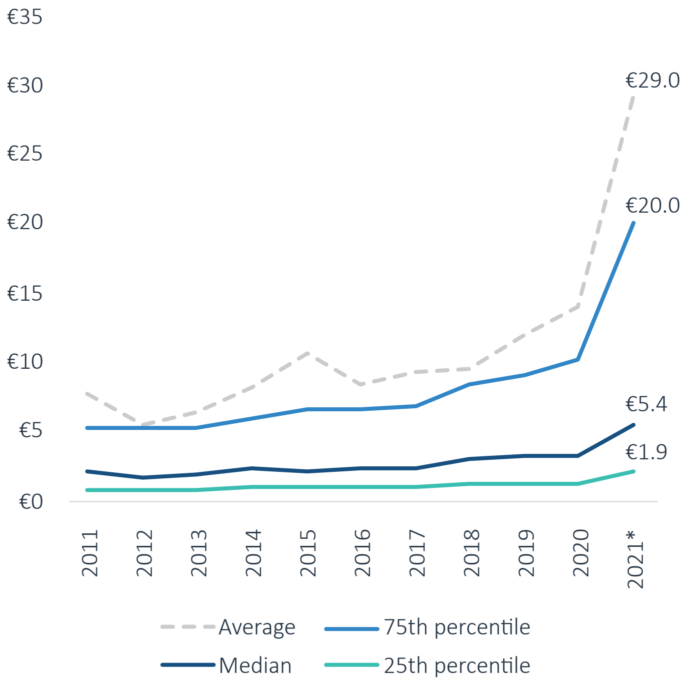
Range of late-stage VC pre-money valuations (€M) by quartile



Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

Range of late-stage VC deal sizes (€M) by quartile



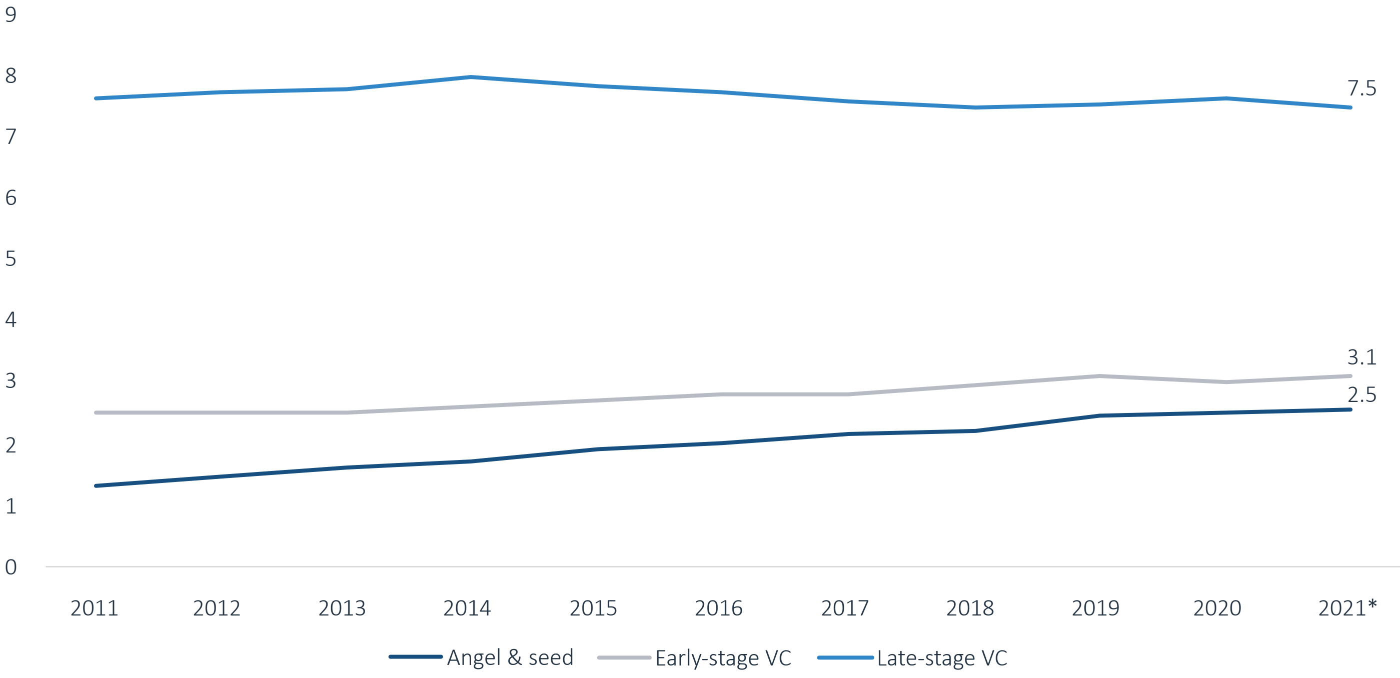
Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

Late-stage VC

The valuations and round sizes associated with late-stage VC-backed companies jumped in 2021. Growth at the late stage has been astonishing in recent years as mature late-stage companies have maximised their investment runways in the VC ecosystem before a sizable exit event. As a result, we have seen record round sizes and valuations in recent years, and 2021 was no exception. Uncertainty due to COVID-19, inflation, and a winding down of stimulus packages did not dampen valuation development and revenue growth for late-stage companies.

The median late-stage valuation rose 61.1% YoY and reached €18.0 million in 2021. Late-stage VC deal sizes also improved on previous records, with the median reaching €5.4 million, 75.4% larger than in 2020. In 2021, major European late-stage companies including Revolut, Klarna, Northvolt, MessageBird, Celonis, and Gorillas conducted enormous financings at multibillion-euro valuations. There are now dozens of late-stage companies with valuations more than €1 billion that are attracting copious amounts of capital. We anticipate valuations tied to the most valuable VC-backed companies will increase further in 2022 as companies fuel aggressive growth targets with VC backing.

Median years from VC-backed company founding by stage



Source: PitchBook | **Geography:** Europe
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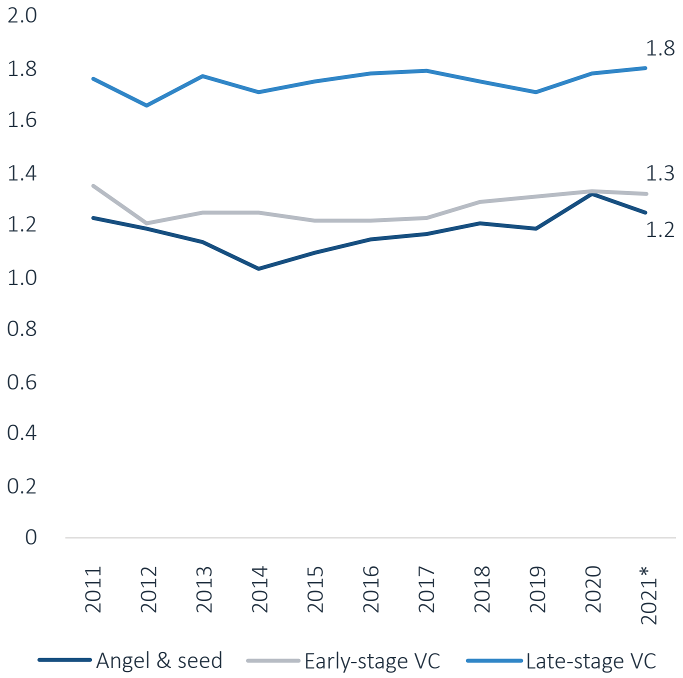
Time between rounds

Time between financing rounds has remained steady in recent years, and this continued despite 2021 being littered with broken records and increased capital across the board. Investment levels and overall valuations have grown during the past decade; however, VC-backed companies have scaled and attracted capital within comparable timeframes. In 2021, the median time from founding was 2.5 years to complete an angel & seed round, 3.1 years to complete an early-stage round, and 7.5 years for a late-stage round. While periods have stayed flat, the capital involved at each stage has risen sharply, enabling companies to demonstrate greater financial maturity at each financing stage in the VC lifecycle.

The time between VC financing rounds has also remained consistent in the past decade. Companies are scheduling rounds within similar time horizons; however, as is the case across Europe, outlier rounds are becoming larger in size. Consequently, we are seeing the very best startups demonstrate increased velocity of value creation as they are equipped with greater sums of capital. This has led to valuations increasing across quartiles and financing stages.

Median years between VC rounds by stage



Source: PitchBook | **Geography:** Europe
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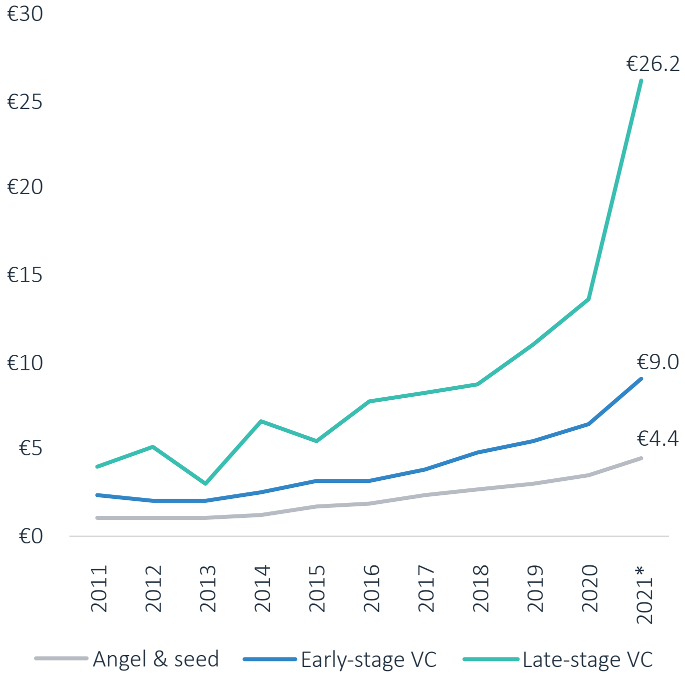
Sectors

Late-stage software pre-money valuations swelled to €26.2 million in 2021, roughly double the previous record from 2020. Software companies have experienced robust growth during the pandemic as businesses and consumers have been pushed online. Looking further back in time, VC-backed software businesses targeting traditional sectors have been a crucial driver of growth over the past decade. Software solutions are entrenched in global industries, improving efficiency via reduced costs and increased productivity. Cloud-based entities have negotiated volatile periods, such as 2021, with increased certainty than cyclical businesses as the recurring SaaS business model is less exposed to supply- and demand-side shocks. Therefore, software valuations have blossomed, particularly for late-stage companies with potential capital reserves and more developed operations.

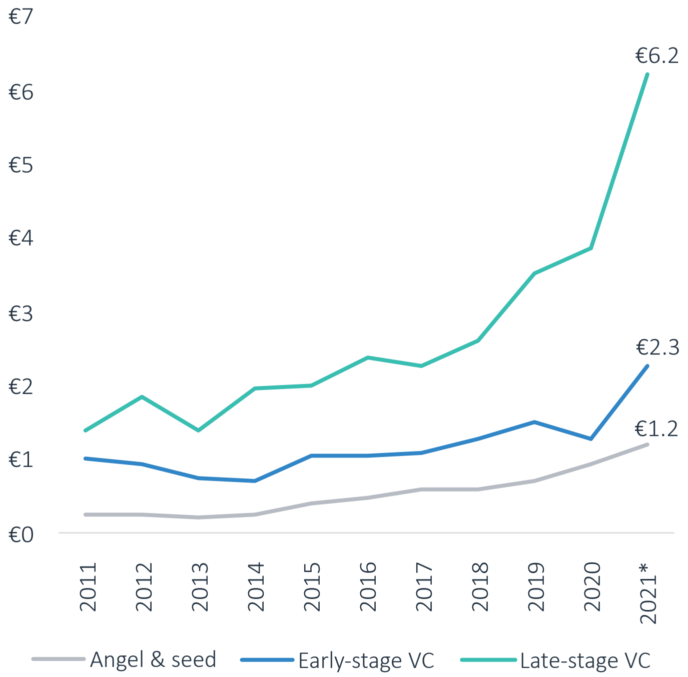
Late-stage healthcare companies enticed significant capital injections in 2021. The late-stage median VC deal size reached €4.6 million in the year, a 66.0% YoY increase. Healthcare is a capital-intensive industry, and COVID-19 cast attention on the sector in 2021. We expect capital investment to sustain elevated levels in 2022 as entrepreneurs and investors tackle problems and enhance solutions through innovation.

Median software VC pre-money valuations (€M) by stage



Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

Median software VC deal sizes (€M) by stage



Source: PitchBook | **Geography:** Europe
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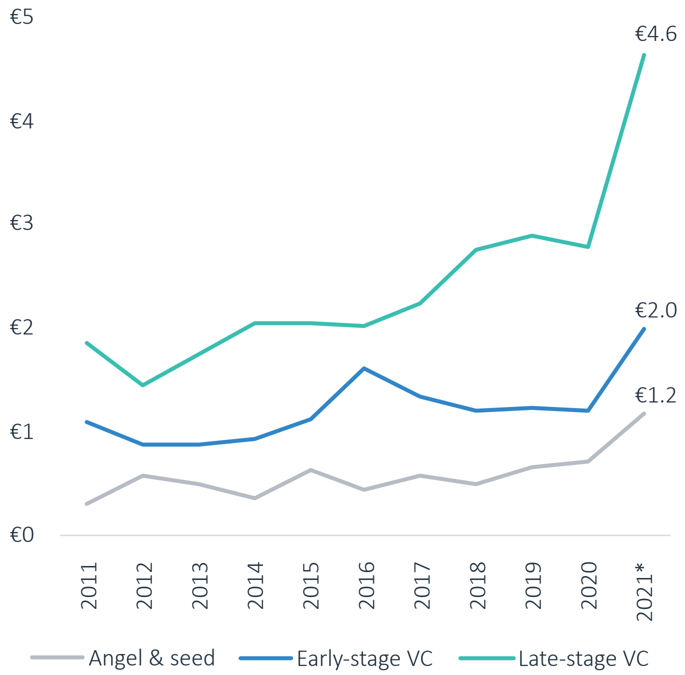
Median healthcare VC deal sizes (€M) by stage



Source: PitchBook | **Geography:** Europe
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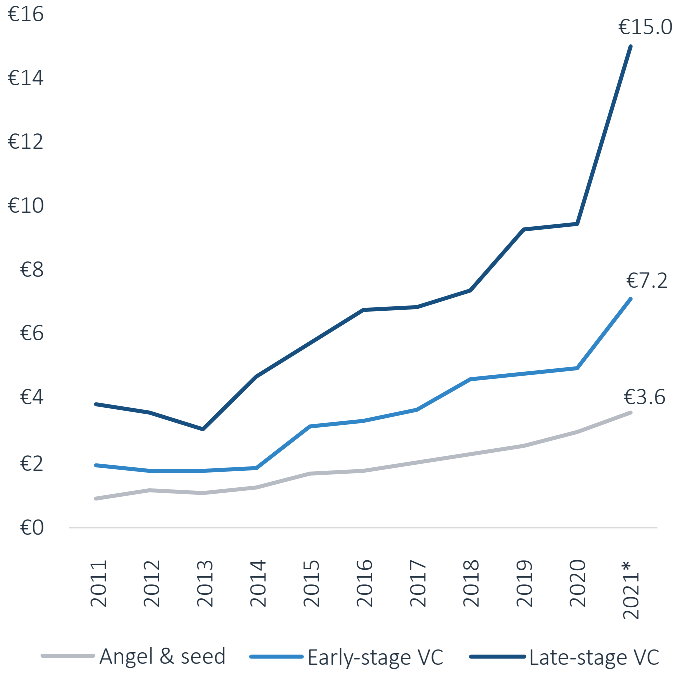
Regions

Valuations in the UK & Ireland hit new heights across all financing stages in 2021. The late-stage median pre-money valuation grew to €15.0 million, a 58.2% YoY uptick. Furthermore, the late-stage median VC deal size increased 60.8% YoY and finished 2021 at €4.2 million. The UK & Ireland continued as the leading European VC hub in the year, with high concentrations of VC activity in London, despite Brexit. Record deal value in the UK & Ireland in 2021 indicates investors and founders are confident completing long-term investments in the region. In addition, valuations in the region increased in the year, and we expect growth to carry into 2022. The UK & Ireland has been able to build new startups, retain tech talent, and attract capital. Moreover, the development of late-stage companies in the area has improved in recent years, drawing greater numbers of employees and investors to the VC industry.

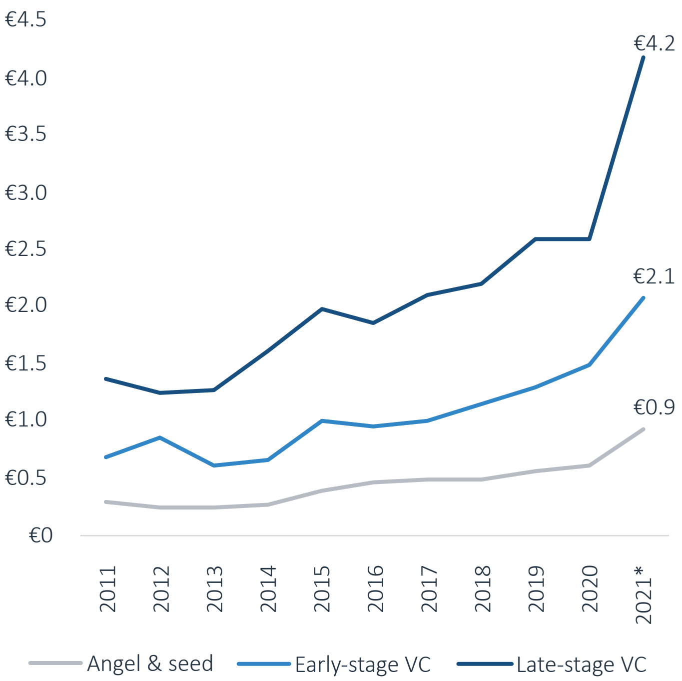
Looking across Europe, valuations were positive. In 2021, the late-stage median pre-money valuation grew by 43.7% YoY in the France & Benelux region, 104.0% YoY in the Nordics, and 133.2% YoY in the DACH region. 2021 was a record year for the DACH ecosystem, as discussed further in our 2021 DACH Private Capital Breakdown.

Median UK & Ireland VC pre-money valuations (€M) by stage



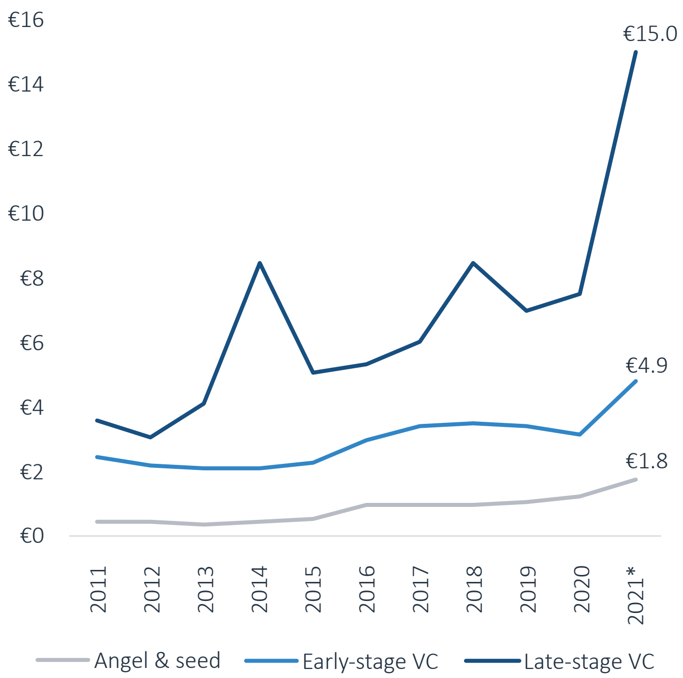
Source: PitchBook | **Geography:** UK & Ireland
*As of December 31, 2021

Median UK & Ireland VC deal sizes (€M) by stage



Source: PitchBook | **Geography:** UK & Ireland
*As of December 31, 2021

Median DACH VC deal sizes (€M) by stage



Source: PitchBook | **Geography:** DACH
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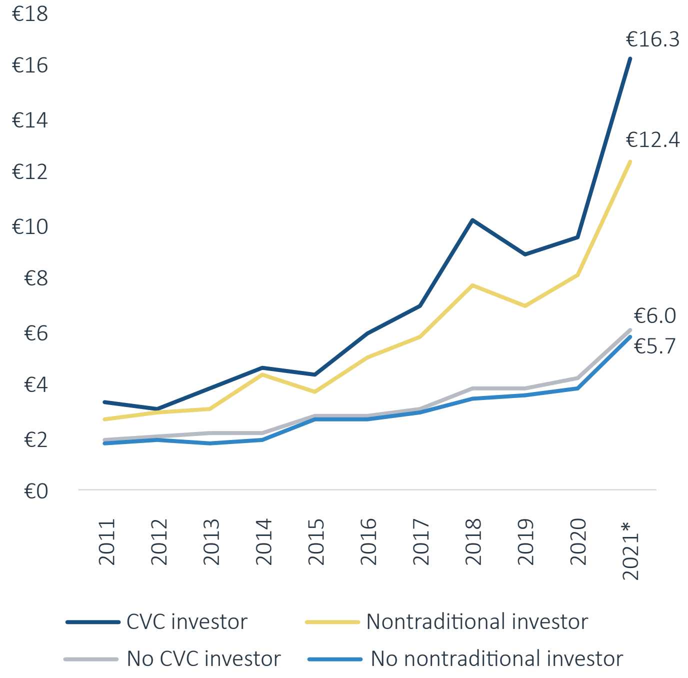
Nontraditional investors

Financial institutions including PE firms, hedge funds, pension funds, sovereign wealth funds, investment banks, and corporate VC (CVC) arms, among others—collectively known as nontraditional investors—have increased their presence in the VC ecosystem in the past five years. The influx of nontraditional capital in the European VC landscape has led to increased competition between investors, larger rounds, and swelling valuations.

VC deals with nontraditional investors rose in value and volume in 2021. In turn, record round sizes and valuations were produced in Europe. Strong historical return profiles, mounting technological adoption, and future growth prospects linked to shifts towards digital economies have enticed nontraditional investors to participate. 2021 was a volatile year for financial markets, and nontraditional investors were particularly keen to invest in long-term strategies such as VC that could deliver outsized returns. VC is illiquid and a high-risk, high-reward asset class; however, nontraditional investors were drawn to it in 2021. Factors driving up nontraditional investment included managing volatility from other investment strategies, preventing the erosion of purchasing power from inflation, and identifying long-term strategic opportunities. VC deals with nontraditional investor participation reached a record €79.3 billion in 2021, representing a sharp 131.2% YoY increase. Median VC deal sizes with nontraditional participation across all financing stages finished 2021 at record highs, with the late stage swelling 80.9% YoY to €10.0 million.

On the startup side, founders have welcomed nontraditional investors as they can possess several years of operational experience. For example, a new startup developing a drug would inherently benefit from the intangible and tangible resources a Big Pharma company could offer. Certain industries, such as pharma & biotech, are extremely capital-intensive and are typically loss-making, unsuccessful for several years, or require multiple iterations. Therefore, deep-pocketed CVCs with vast networks and existing infrastructure may be required to keep new businesses focusing on research & development (R&D) afloat. Further, nontraditional investors that employ individuals with multiple years of operational experience or niche academic research can take board seats at the startup and help guide founders to a successful exit.

Median early-stage VC pre-money valuations (€M) by investor participation



Source: PitchBook | **Geography:** Europe
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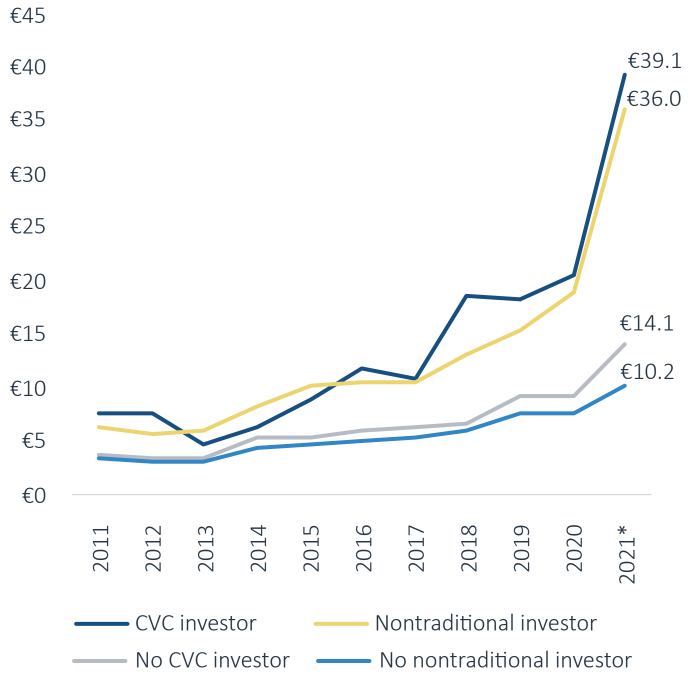
Median late-stage VC pre-money valuations (€M) by investor participation



Source: PitchBook | **Geography:** Europe
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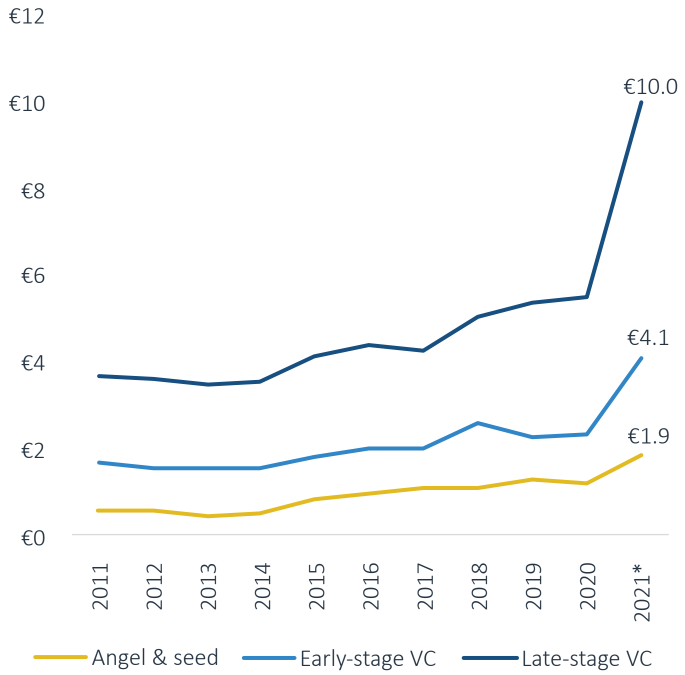
Irrespective of investor type involved, median angel & seed, early-, and late-stage pre-money valuations set new highs in 2021. Throughout 2021, European VC valuations paced above 2020 figures, and a strong Q4 ensured records were set with aplomb. Few analysts would have expected a surge in valuations at the start of 2021; however, startups across financing stages addressing a range of sectors have shown robust development and have completed financings at elevated valuations. Traditional VC funds and nontraditional investors have provided record sums of capital, a testament to the quality of startups successfully closing rounds. The appetite from investors indicated that few felt the market was overheated in 2021, and many continued to deploy capital to find the next outlier startup.

Median nontraditional investor VC deal size (€M) by stage



Source: PitchBook | **Geography:** Europe
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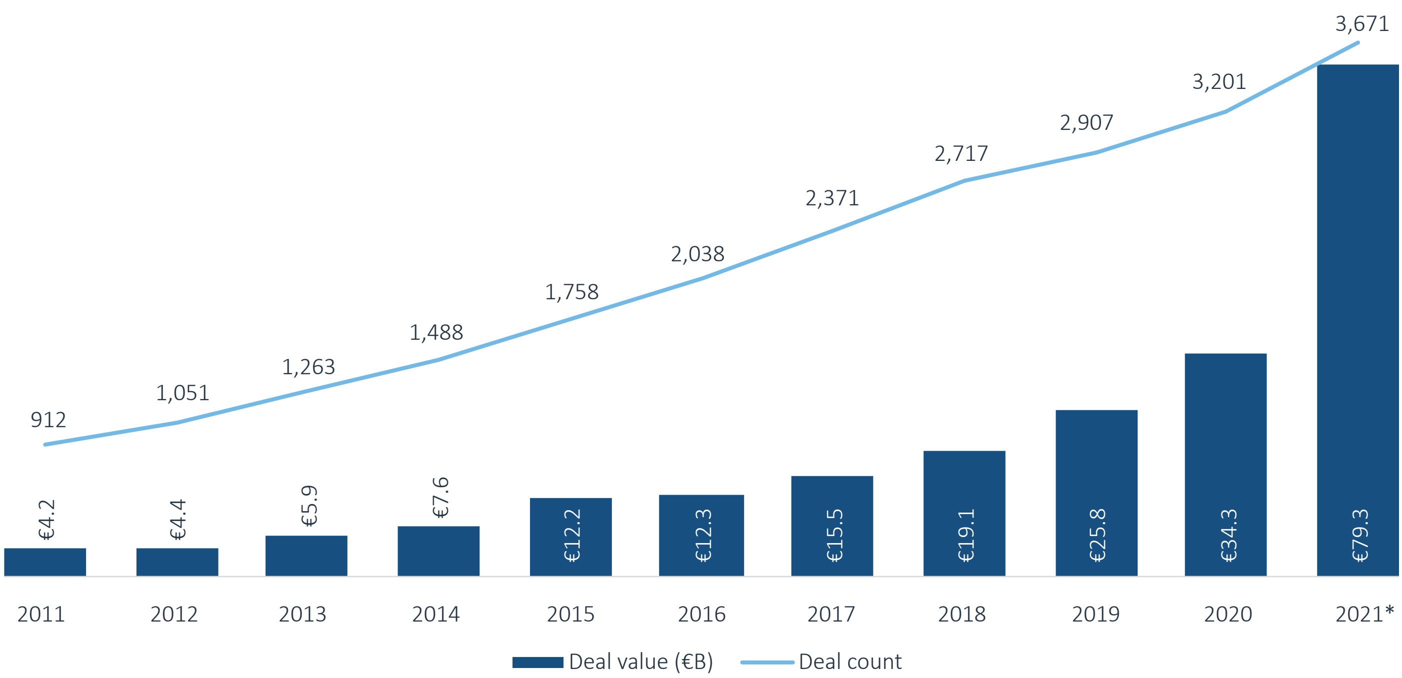
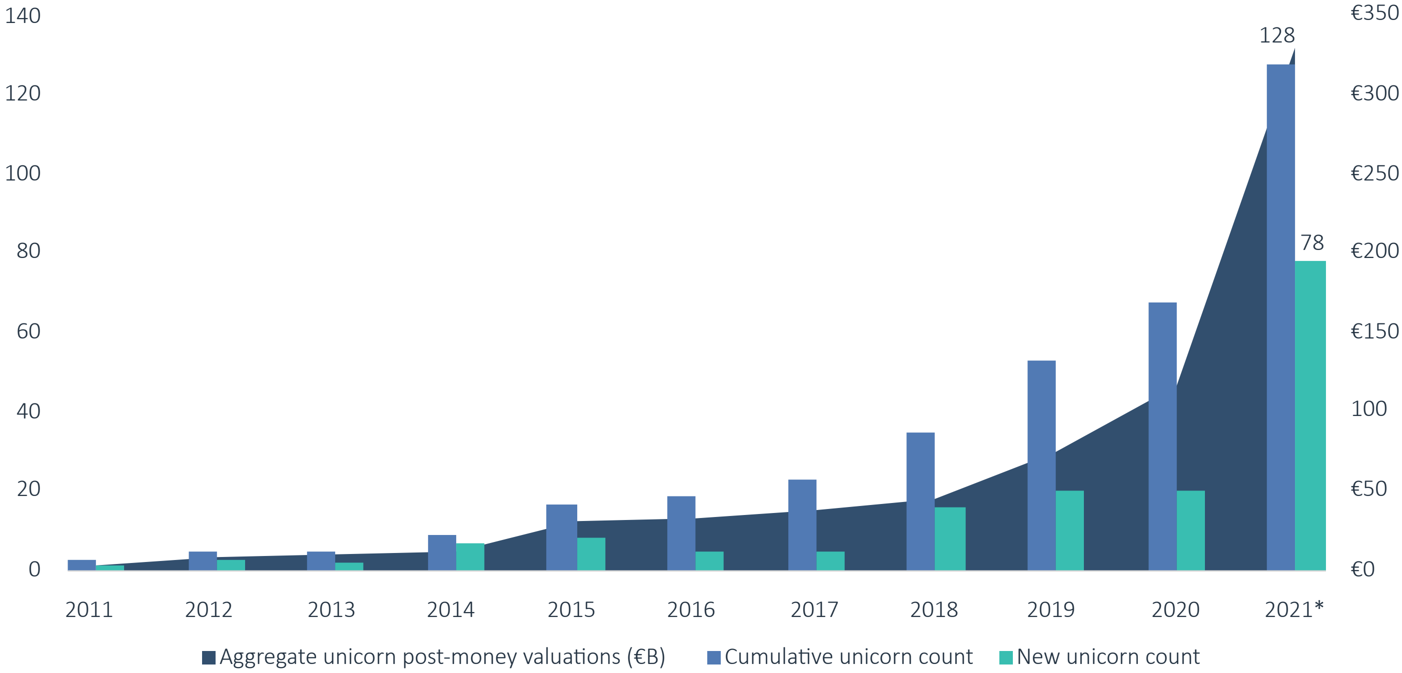
VC deal activity with nontraditional investor participation



Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

Unicorns

Unicorn count and aggregate post-money valuation

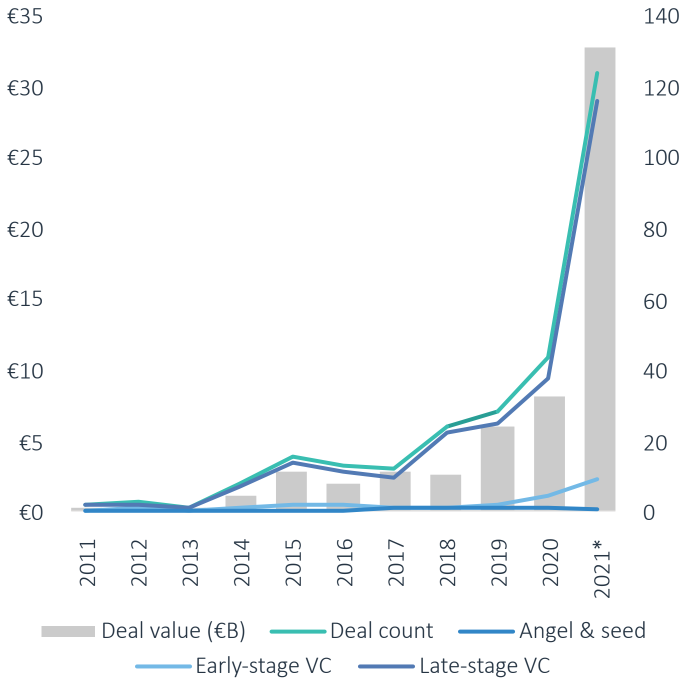


Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

The aggregate post-money valuation of companies in Europe valued at €1 billion or more—known as "unicorns"—grew to €329.7 billion in 2021, nearly tripling from the 2020 total. Unicorn development was a key driver of maturation in the European VC ecosystem in 2021. The most valuable VC-backed companies increased their profiles considerably via outsized rounds amid increased global attention from investors, consumers, and competitors. Despite a challenging macroeconomic backdrop in 2021, certain European unicorns recorded strong growth and substantial valuation step-ups. Previously, reaching a valuation of €1 billion or more was considered rare. However, multibillion-euro valuations are becoming increasingly common in Europe, and we expect this to persist heading into 2022.

At the conclusion of 2021, there were 128 existing unicorns based in Europe and Israel, representing 88.2% YoY growth in cumulative figures from the end of 2020. Newly minted unicorn numbers were notable in 2021, with a record 78 added to the total. Freshly crowned unicorns have followed the underlying theme of records witnessed across the European VC ecosystem in 2021. Despite uncertainty stemming from the pandemic and its impacts on macroeconomic indicators, as well as consumer and business sentiment, the most developed VC-backed companies in Europe have displayed resilience.

Unicorn deal activity by stage



Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

Top five largest rounds for unicorns in 2021

Company	Deal size (€M)	Pre-money valuation (€M)	Post-money valuation (€M)	Industry group	Location
Northvolt	€2,258.8	€7,392.4	€9,651.2	Energy storage	Stockholm
Klarna	€1,066.5	€24,563.4	€25,629.9	Financial software	Stockholm
MessageBird	€1,034.8	€2,348.0	€3,186.6	Messaging	Amsterdam
Celonis	€822.6	€8,226.4	€9,049.0	Productivity software	Munich
Gorillas	€805.3	€1,737.8	€2,543.1	Food delivery	Berlin

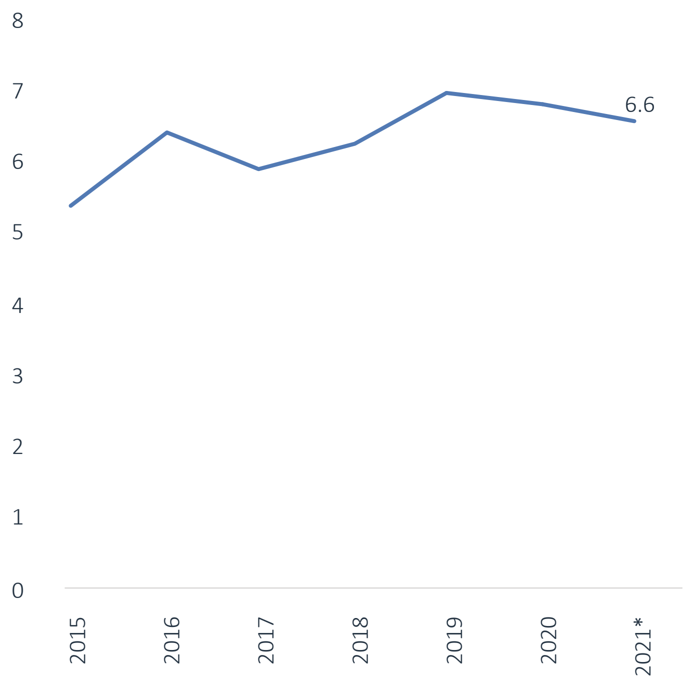
Source: PitchBook | **Geography:** Europe

One factor that has helped VC-backed companies is that they are not subjected to the financial scrutiny of public companies, which have valuations that can fluctuate with quarterly performance. Most unicorns are loss-making and seek revenue growth ahead of profits. Thus, near-term financial health is less of a concern as they burn through cash with the hope of achieving mass scale and long-term domination in a specific sector. Given the fervent dealmaking environment in 2021, companies were able to close rounds to manage near-term cashflows and extend funding runways.

Pandemic-induced growth and increased focus on long-term industry shifts in 2021 also helped major VC-backed companies develop their valuations. Governments, organisations, and consumers have become more aware of the value of cloud computing, data, and artificial intelligence. Meanwhile, investors and founders are far more cognizant of the holistic impacts of investments and spending. As a result, opportunities have increased, and established companies have developed strongly in new markets such as clean energy, remote working, mobility, and healthtech. We believe investment and subsequent valuation growth in such areas with wide economic moats will continue an exponential upward trajectory in the coming years.

In 2021, 123 deals for unicorns were completed, nearly triple the quantity from 2020. Deal value hit €32.8 billion in 2021, roughly four times larger than the €8.1 billion recorded in 2020. Dealmaking for unicorns was relentless as investors vied to get on the best deals and as companies pushed ahead with bold expansion plans and hiring sprees. We anticipate dealmaking and valuations will remain strong for mature VC-backed companies in 2022 despite recent tightening of monetary policy and tech stock selloffs.

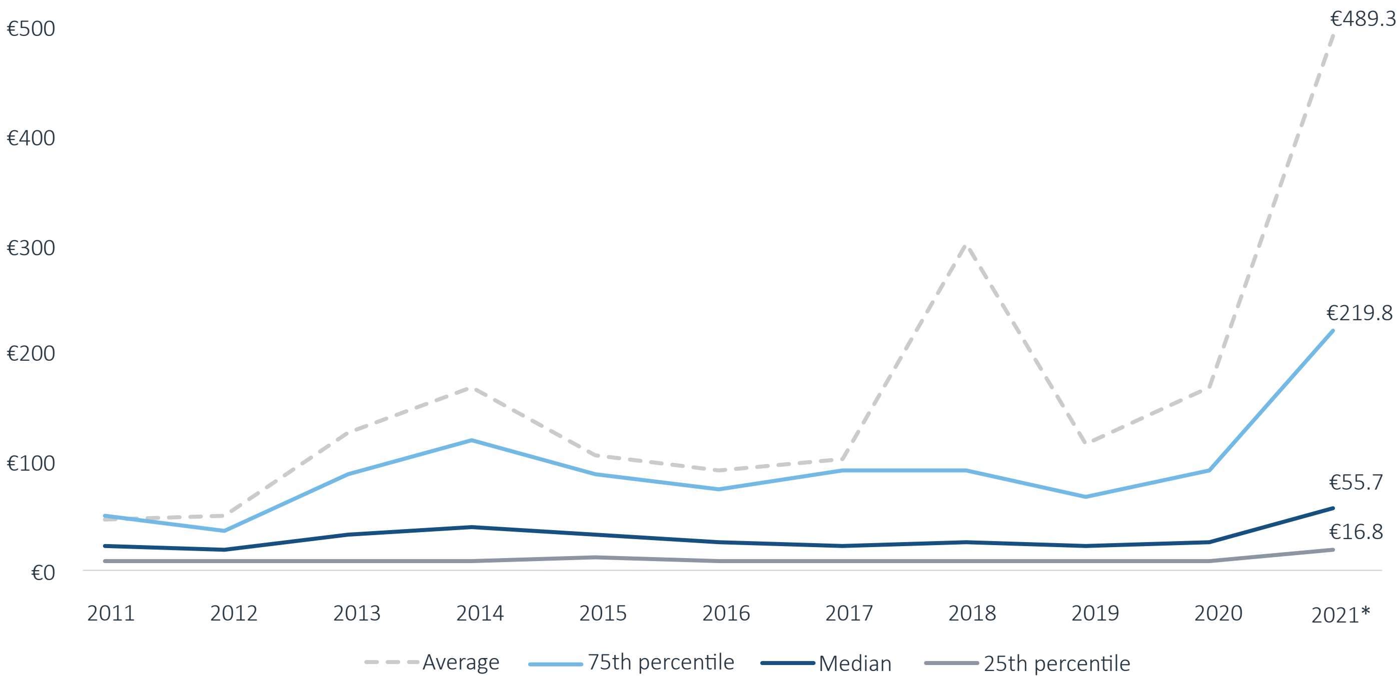
Median years for VC-backed companies to achieve unicorn status



Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

Liquidity

Range of VC exit post-money valuations (€M) by quartile

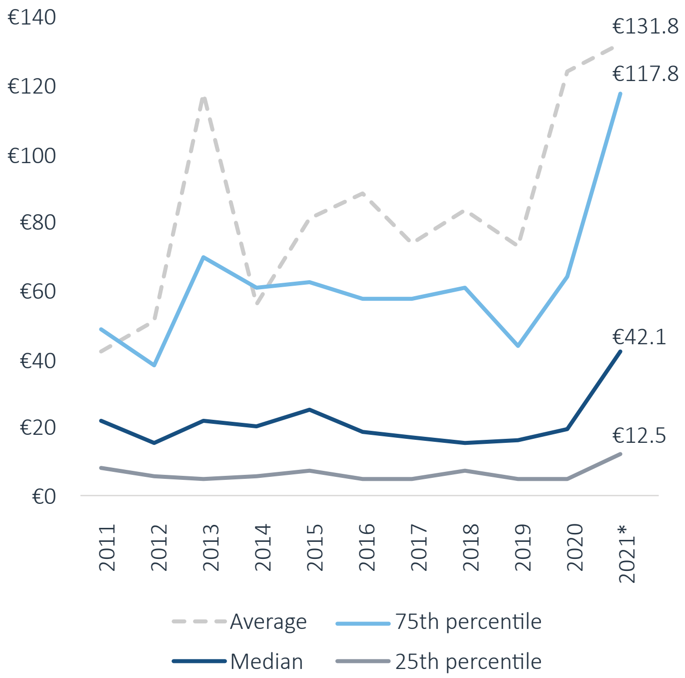


Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

2021 post-money valuations across all quartiles upon exit beat 2020 figures during a bumper year for exits in Europe. Post-money exit valuations at the upper quartile landed at €219.8 million in 2021, an increase of 143.3% YoY. Exits for VC-backed companies grew considerably across the board in Europe during the year, as investors and founders took advantage of conducive market conditions and heightened multiples tied to tech-enabled companies. Few would have expected such strong exit appetite and frothy valuations in 2021, as the year began with COVID-19 restrictions and was dogged with macroeconomic unpredictability.

Nonetheless, VC-backed companies were quick to pivot and execute on fast-tracked exit plans to capitalise on pandemic-driven growth. Online businesses recognised that other sectors were struggling and pressed ahead to engage with investors experiencing a dearth of investment opportunities not associated with technology in public markets. Fear that other sectors may rebound and cool growth for pandemic winners, as the year progressed and restrictions were lifted, further incentivised founders and management teams to exit to deliver maximum returns to investors. In 2021, competition between US and European stock exchanges for sought-after tech listings intensified, and the emergence of SPACs in Europe offered an alternate exit route for VC-backed companies seeking liquidity.

Range of VC acquisition post-money valuations (€M) by quartile



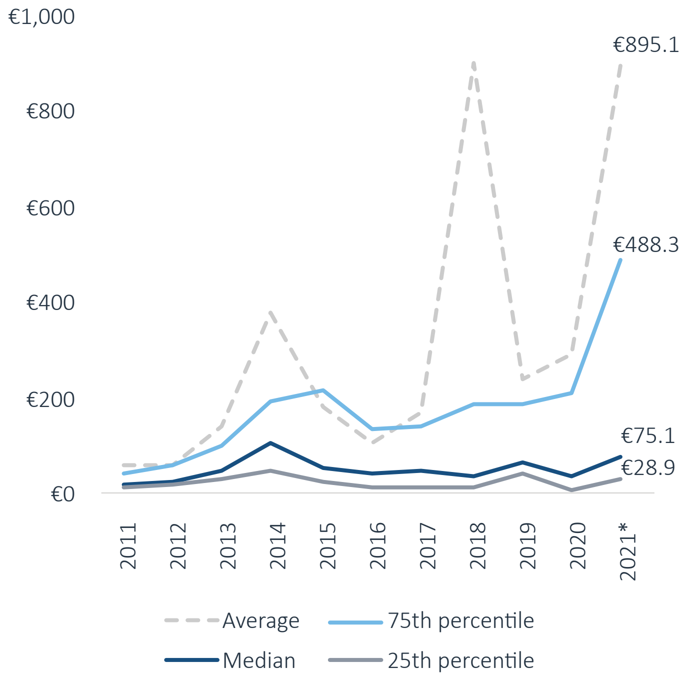
Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

Liquidity

Multiple records were set in 2021, including aggregate exit value, which jumped to €142.5 billion—more than triple the previous best of €42.0 billion in 2018. Distinguished exits in 2021 included the public listings of Sportradar (NASDAQ: SRAD), On (NYSE: ONON), Wise (LON: WISE), Deliveroo (LON: ROO), and AUTO1 Group (FRA: AG1). All these companies carried multibillion-euro valuations and illustrate that Europe developed companies with loftier exit valuations in the past year. We also saw 2021 post-money exit valuations via public listings across all quartiles notch numbers well above 2020 figures, with the median reaching €75.1 million. Public listings resurged in 2021, with 186 conducted that generated €113.7 billion in exit value.

Looking ahead to 2022, we believe the European VC exit market will cool. In 2021, excess liquidity was produced in an ecosystem already equipped with healthy levels of dry powder. As a result, we anticipate GPs and LPs will focus on redeploying capital into startups fuelling future growth. Additionally, exits are traditionally most sensitive to external factors such as market conditions. As COVID-19 stimulus packages wind down, and the true cost of COVID-19 is established, exit appetite in public markets and from large acquisitive corporations could suffer. Recent monetary policy considerations to combat rising inflation and fluctuations in stock prices could affect founders' willingness to risk an exit. Therefore, closing a financing round, consolidating in existing markets, and focusing on growing revenues may be more appealing to VC-backed businesses in the early parts of 2022.

Range of VC public listing post-money valuations (€M) by quartile



Source: PitchBook | **Geography:** Europe
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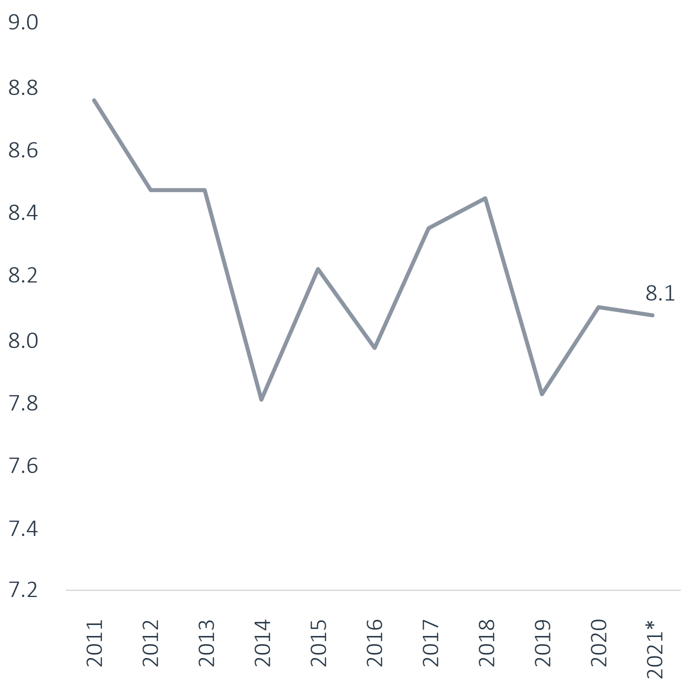
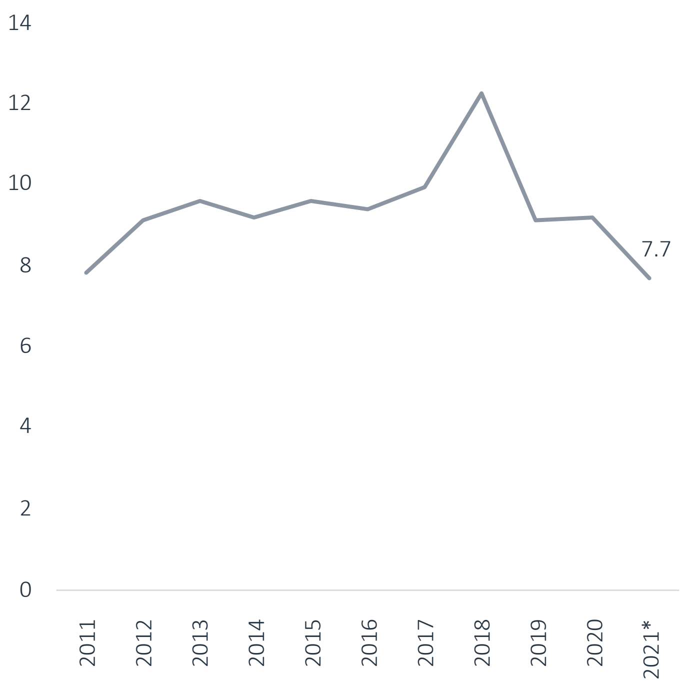
Median years between founding and exit for VC-backed companies



Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

Median years between founding and exit via public listing for VC-backed companies



Source: PitchBook | **Geography:** Europe
*As of December 31, 2021

Additional research

European VC & Private Capital

2021 Annual European Venture Report

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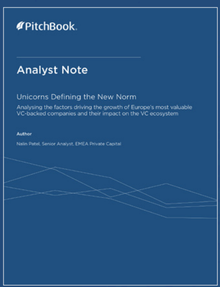

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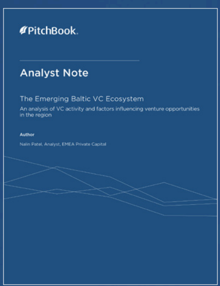

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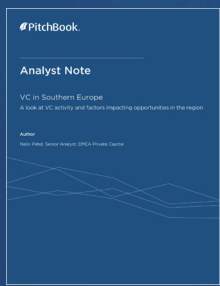

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