



DACH

Private Capital Breakdown



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Introduction

Private equity

DACH (Germany, Austria, and Switzerland) deal activity picked up in Q3 as we started to see some data point towards stronger dealmaking in 2024. Deal value is expected to finish around the €100 billion mark, which would represent only a 13.7% decline year over year (YoY) from a record 2022. The resilience in dealmaking can be partly attributed to large reserves of dry powder amassed in the previous two years, when interest rates were favourable to fundraising. With leverage falling to a seven-year low, deals are getting smaller and tend to be bolt-ons. Going into 2024, we expect rates to remain higher for longer, meaning higher debt costs, less leverage, tougher exit conditions, and challenging fundraising will continue.

DACH private equity (PE) exit value is on course for its worst year in over a decade, echoing the global PE exit trough. In the current environment, sponsors are reluctant to sell their assets at lower multiples, but at the same time, they are often pressed by liquidity constraints to return capital to limited partners (LPs). Hence, we have seen notable exit activity through secondary buyouts. We have not seen a PE exit through a traditional initial public offering (IPO) in the DACH region since Q4 2021.¹

DACH fundraising tends to be quite irregular given the region is not home to many PE firms and often relies on capital coming from outside of the region. Fundraising activity is already higher in 2023 than it was last year; however, the €4.0 billion raised across 17 funds remains low and represents only 4.7% of the total capital raised in Europe year to date (YTD). Broken down by country, 72.7% of capital was raised in Germany, but the largest two funds closed YTD were in Switzerland.

Venture capital

VC (venture capital) deal value through Q3 sits 45.1% below VC deal value in the same period last year. Deal activity has nearly plateaued since Q1, and the quarterly decline in Q3 provides fewer signs of optimism for a recovery in the market. Cleantech companies have attracted the top tier of general partner (GP) capital. By sector, software has lost the most share of deal value, and commercial products & services has been the biggest gainer. By stage, venture growth shows the greatest declines in deal activity, and early stage the most resilience.

Exit value continues to drag through 2023. DACH VC exit value through the first nine months of 2023 sits at 69.6% below the same period last year, with little signs of uptick through the quarters this year. Q3 2023 was a particularly weak quarter. However, exits are still taking place, with 108 exits occurring through Q3, 90.9% of full-year 2022 levels. The decline in the market therefore continues to be a value decline versus a volume one, and the market favours mergers & acquisitions (M&A) over public listings. By sector, trends within exit markets are the reverse of those seen in deal value: Software has gained the most share of exit value in 2023 so far, and commercial products & services has been the greatest laggard.

DACH fundraising is the standout area within the VC ecosystem, showing more resilience than fundraising in the rest of Europe. Whilst fewer closes have occurred through the year, fundraising totals have been helped by large closes, especially in Germany. Several funds remain open within the region, but we do not anticipate any more significant large closes through the end of the year. The median fund close time has increased by around four months this year, and the tougher fundraising environment has been felt across the industry; however, emerging firms have felt the brunt of the downturn more. Outside of industry dynamics, we have also seen some government intervention within venture markets in the region.

¹: Though not a traditional IPO, there was a reverse merger for Next.e.GO Mobile in Q3 2022.

PE deals

DACH deal activity picked up in Q3, outpacing Q1 and Q2 in deal value for the region and pacing for an upbeat end of year as we start to see some data point towards stronger dealmaking in 2024. DACH deal value is expected to finish around the €100 billion mark, which would represent only a 13.7% decline YoY from a record 2022. The resilience in DACH PE dealmaking can be partly attributed to large reserves of dry powder amassed in the previous two years, when interest rates were favourable to fundraising. This buffer has helped push deals across the finish line despite macroeconomic headwinds stemming from monetary tightening.

The DACH region, comprising Austria, Germany, and Switzerland, is home to 13.6% of Europe’s population and 14.7% of PE deal value on the continent YTD. These three countries may share a language, but from a macroeconomic perspective, their economic profiles diverge. The Swiss National Bank has been able to decrease inflation much more efficiently than the European Central Bank (ECB), having brought inflation down to 1.7% in June 2023 and keeping it there through Q3. Given Switzerland’s small size and the independence of its central bank, the monetary tightening has been smaller in magnitude, with interest rates currently paused at 1.75%.

Switzerland also has one of the highest projected real gross domestic product (GDP) growth rates for 2024 out of the western European economies. Germany, Europe’s largest

economy, on the other hand is heading towards a second recession this year, having shrank its economy in Q3. It is also the only advanced economy forecast to have negative GDP growth in 2023, as noted in our [Q3 2023 Germany Market Snapshot](#). The ECB governs Austria and Germany’s monetary policies, and following 10 interest rate increases over the past 15 months, inflation is finally showing signs of cooling, falling to 4.3% for Germany and 5.7% for Austria. Going into 2024, we expect rates to remain higher for longer as the geopolitical and macroeconomic horizons do not offer a clearer picture. For sponsors, this means higher debt costs, less leverage, tougher exit conditions, and challenging fundraising will continue characterising the PE environment into 2024.

With corporate buyout leverage falling to a seven-year low, sponsors are moving away from risky, time-consuming megadeals, instead favouring smaller bolt-on acquisitions. Megadeals in the region are pacing for their lowest year in a decade in terms of deal value. Deals in the €100 to €500 million bucket, on the other hand, have gone from representing 42.9% of deal value in 2022 to 61.7% of deal value in 2023 YTD. Bolt-ons continue to be a major theme in European PE activity, representing 61.9% of buyouts YTD in the DACH region. Add-ons are faster and cheaper and allow for growth through M&A by adding supplementary cash flows to existing businesses, which sponsors are increasingly seeking in order to add value.

Macro data*

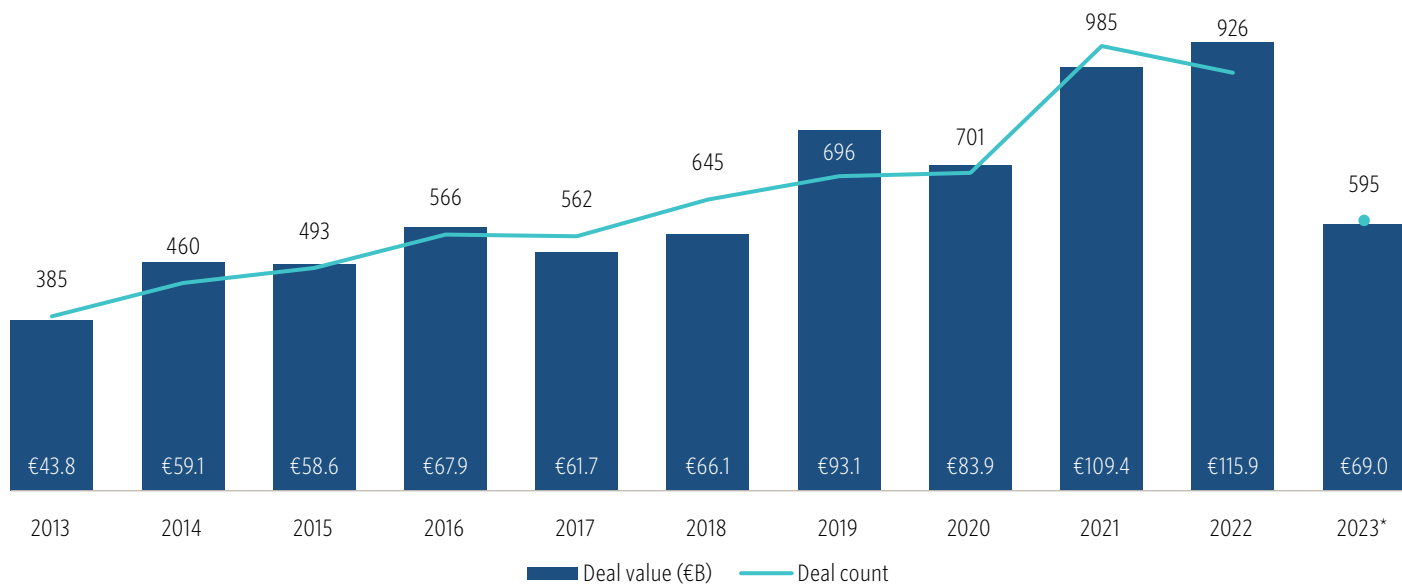
	Real GDP growth			Consumer prices			Unemployment rate		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
Austria	4.8%	0.1%	0.8%	8.6%	7.8%	3.7%	4.8%	5.1%	5.4%
Germany	1.8%	-0.5%	0.9%	8.7%	6.3%	3.5%	3.1%	3.3%	3.3%
Switzerland	2.7%	0.9%	1.8%	2.8%	2.2%	2.0%	2.2%	2.1%	2.3%

Source: [International Monetary Fund](#) • Geography: DACH

*As of November 3, 2023

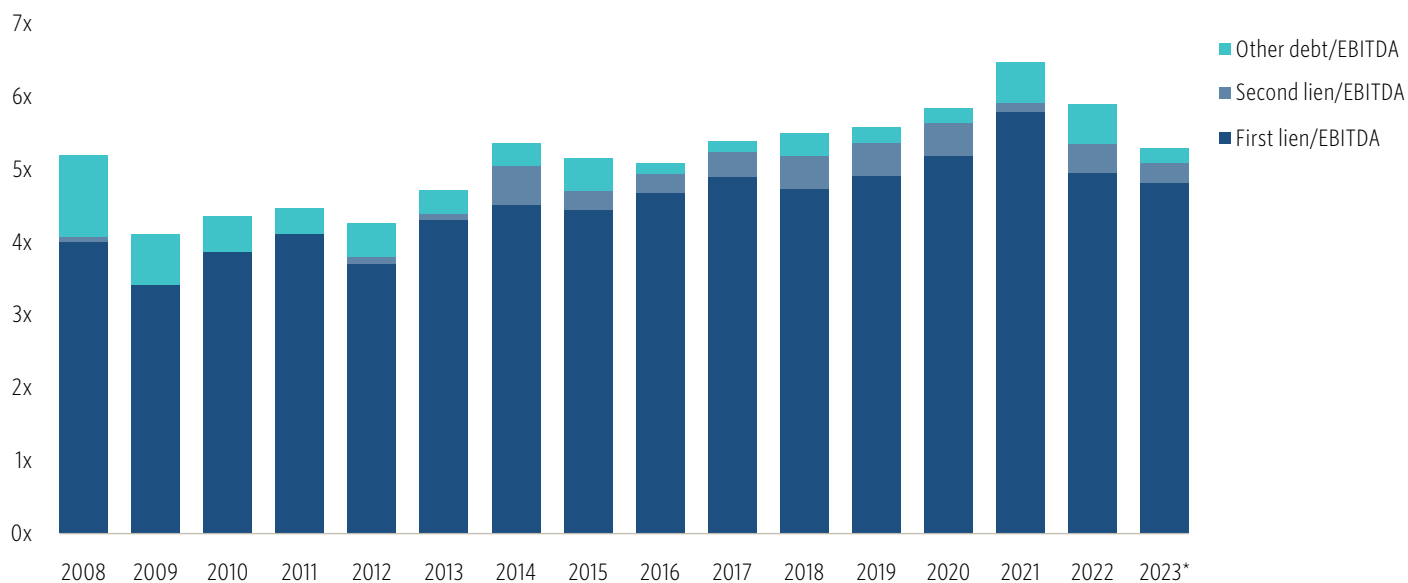
Note: 2023 and 2024 data is forecast by the International Monetary Fund.

PE deal activity



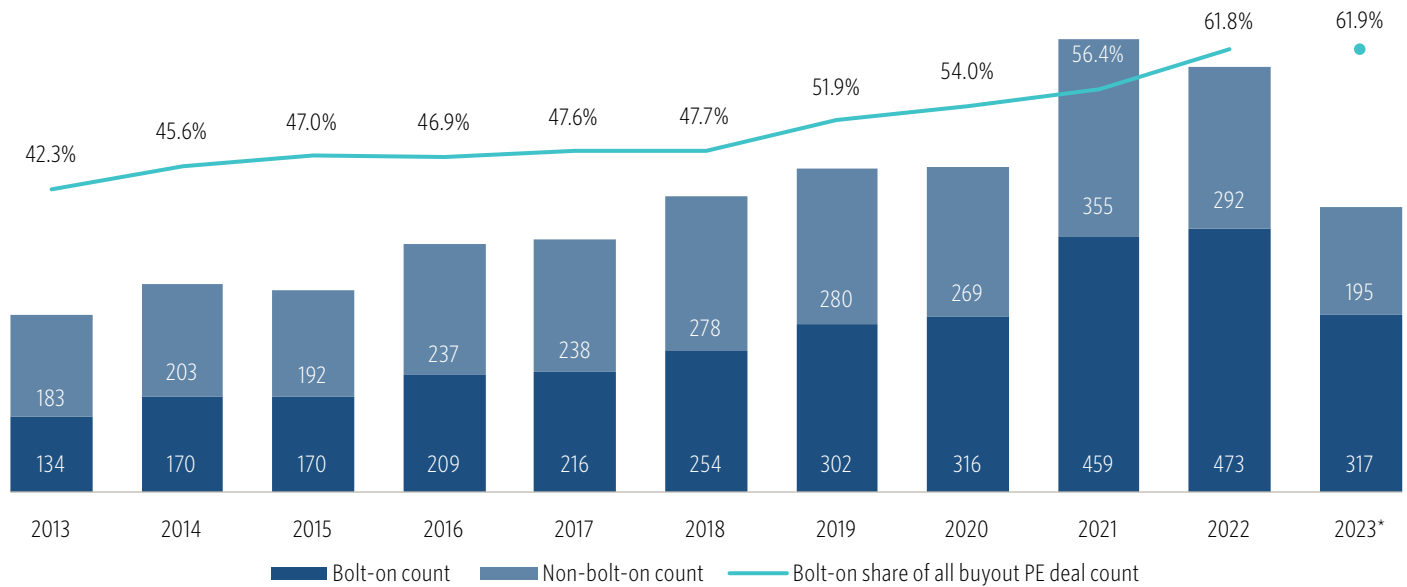
Source: PitchBook • Geography: DACH
*As of September 30, 2023

Pro forma debt/EBITDA ratios of buyout deals



Source: PitchBook | LCD • Geography: Europe
*As of September 30, 2023

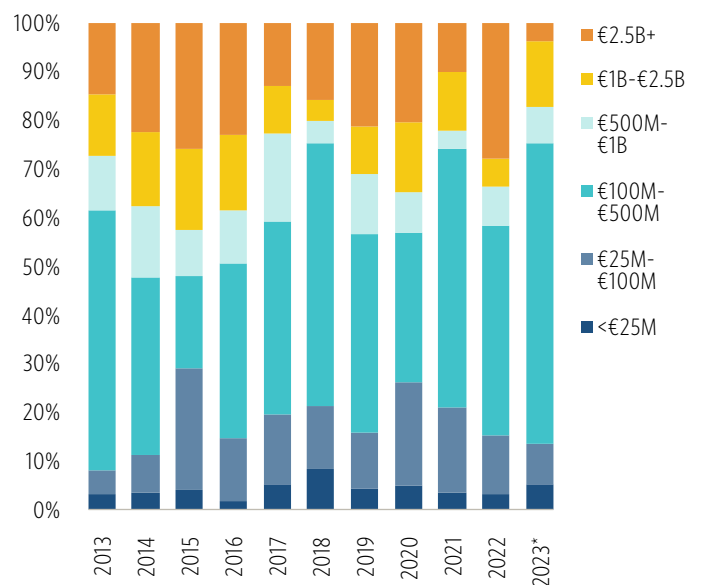
Bolt-ons as a share of all buyout PE deal count



Source: PitchBook • Geography: DACH
*As of September 30, 2023

Looking at the top 10 deals YTD in the DACH region, we note that three were in the energy sector and two in the materials & resources sector. Only these two sectors have surpassed their 2022 deal value totals so far this year, with energy deal value more than doubling since last year. This is particularly impressive considering 2022 was a record year for PE deals in the DACH region. When the war in Ukraine erupted in February 2022, Germany was receiving 55% of its gas from Russia.² However, the German government reacted quickly to end this reliance on Russian gas, opting instead for liquid natural gas from other countries. Fast-forward to 2023, and Germany has mostly eradicated its Russian gas reliance and instead accelerated the race to renewable energy, which now accounts for 47% of German energy—with a target of 80% by 2030. This transition is also visible within PE: London-based Foresight Group has invested around €1 billion in the development of the green-hydrogen production site in Lubmin, Germany. Separately, a consortium of PE firms acquired wind farm specialist NeXtWind for €676.9 million.

Share of PE deal value by size bucket



Source: PitchBook • Geography: DACH
*As of September 30, 2023

Resilience in dealmaking in 2023 has been boosted by non-DACH European investors. 26.1% of DACH PE deal value had non-DACH European sponsor involvement, the highest proportion since 2016 and an almost 10-percentage-point increase from 2022. This is also the result of a pullback from US investors for various reasons, including a 12.3% drop in the US dollar/euro exchange rate since its peak in September 2022.

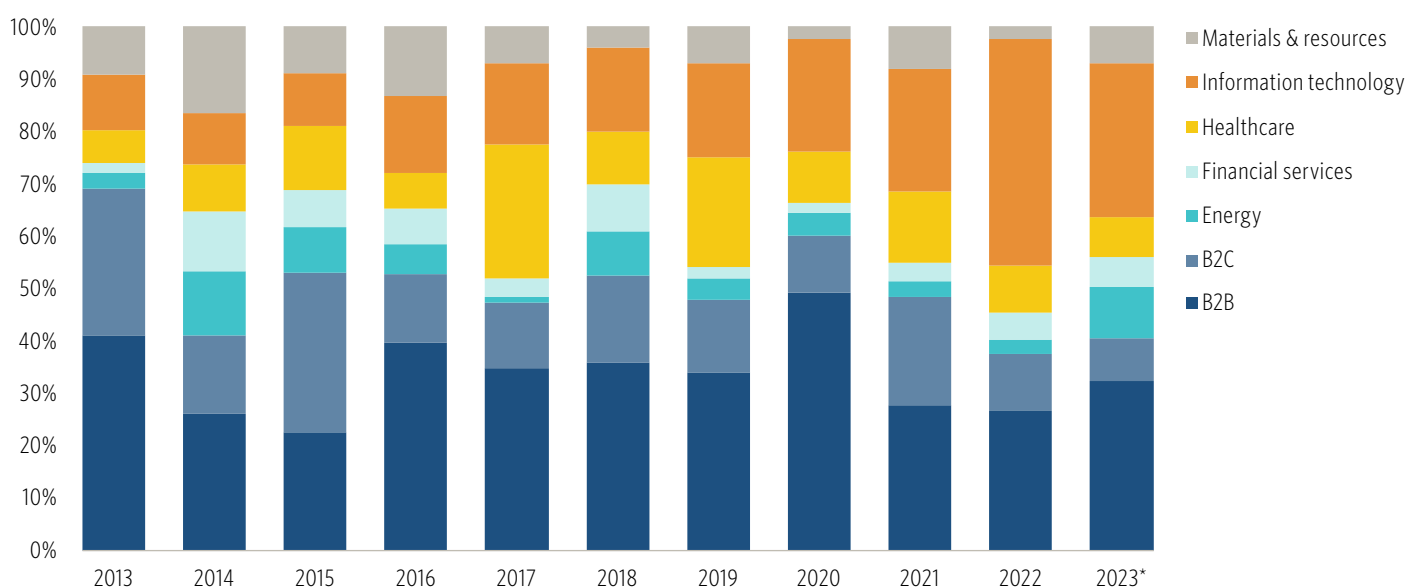
²: "Germany's Great Escape," Prospect, Isabel Hilton, June 14, 2023.

Top 10 PE deals by deal value YTD*

Company	Deal date	Deal value (€M)	Deal type	Industry sector	Country
STEAG	August 25, 2023	€2,557.1	Buyout/LBO	Energy	Germany
Software	April 24, 2023	€2,400.0	Buyout/LBO	Information technology	Germany
Messer Group	May 30, 2023	€2,000.0	PE growth/expansion	Materials & resources	Germany
AviAlliance	February 1, 2023	€1,483.0	Buyout/LBO	B2B	Germany
Schülke & Mayr	August 7, 2023	€1,400.0	Buyout/LBO	Healthcare	Germany
Constantia Flexibles	July 31, 2023	€1,097.0	Buyout/LBO	Materials & resources	Austria
H2 Lubmin	July 10, 2023	€1,000.0	Buyout/LBO	Energy	Germany
NeXtWind	August 9, 2023	€676.9	Buyout/LBO	Energy	Germany
Global Assekuranz Group	February 1, 2023	€673.0	Buyout/LBO	Financial services	Germany
nChain	August 1, 2023	€515.3	Buyout/LBO	Information technology	Switzerland

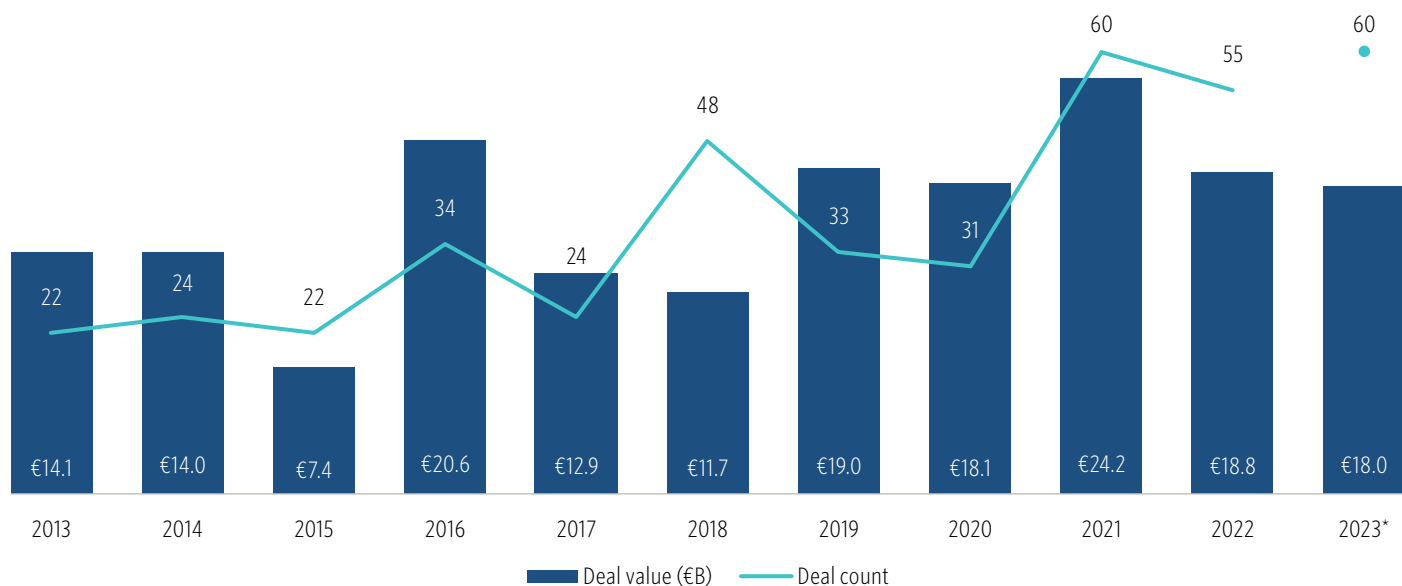
Source: PitchBook • Geography: DACH
*As of September 30, 2023

Share of PE deal value by sector



Source: PitchBook • Geography: DACH
*As of September 30, 2023

PE deal activity with non-DACH European investor participation



Source: PitchBook • Geography: DACH
*As of September 30, 2023

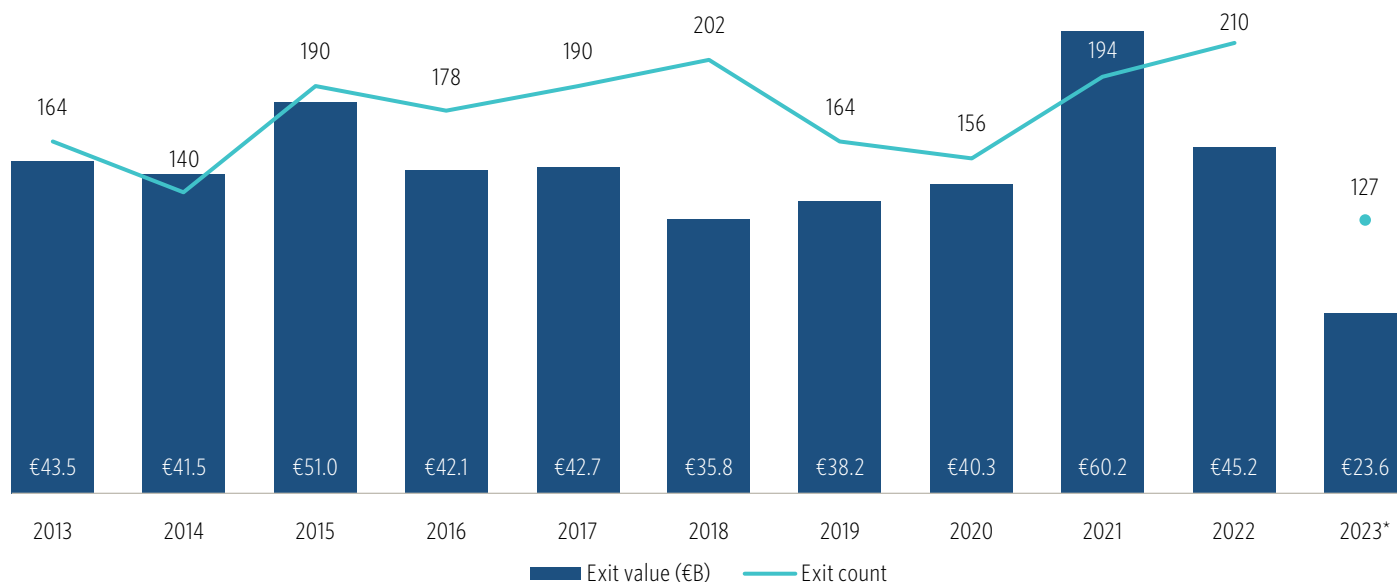
Top 10 investors in PE deals since 2018*

Investor	Deal count	AUM (€M)	Investor HQ country	Investor type
Waterland Private Equity Investments	90	€14,000.0	Netherlands	PE/buyout
Ufenau Capital Partners	88	€3,000.0	Switzerland	PE/buyout
EQT	87	€232,000.0	Sweden	PE/buyout
Deutsche Beteiligungs	86	€2,500.0	Germany	PE/buyout
Elvaston Capital Management	68	€3,000.0	Germany	PE/buyout
DPE Deutsche Private Equity	61	€3,000.0	Germany	PE/buyout
Auctus Capital Partners	61	€800.0	Germany	PE/buyout
Bregal Unternehmerkapital	57	€4,000.0	Germany	PE/buyout
Ardian	53	€144,673.8	France	PE/buyout
Triton	51	€18,000.0	UK	PE/buyout

Source: PitchBook • Geography: DACH
*As of September 30, 2023

PE exits

PE exit activity



Source: PitchBook • Geography: DACH
*As of September 30, 2023

DACH PE exit value is on course for its worst year in over a decade, pacing to finish the year around the €30 billion mark. As noted by Swiss PE firm Partners Group in their outlook webinar, we have moved away from a seller’s market to a buyer’s market as valuations correct and sellers need to lower their exit multiple expectations.³ In the current environment, sponsors are reluctant to sell their assets at lower multiples, but at the same time, they are often pressed by liquidity constraints to return capital to LPs.

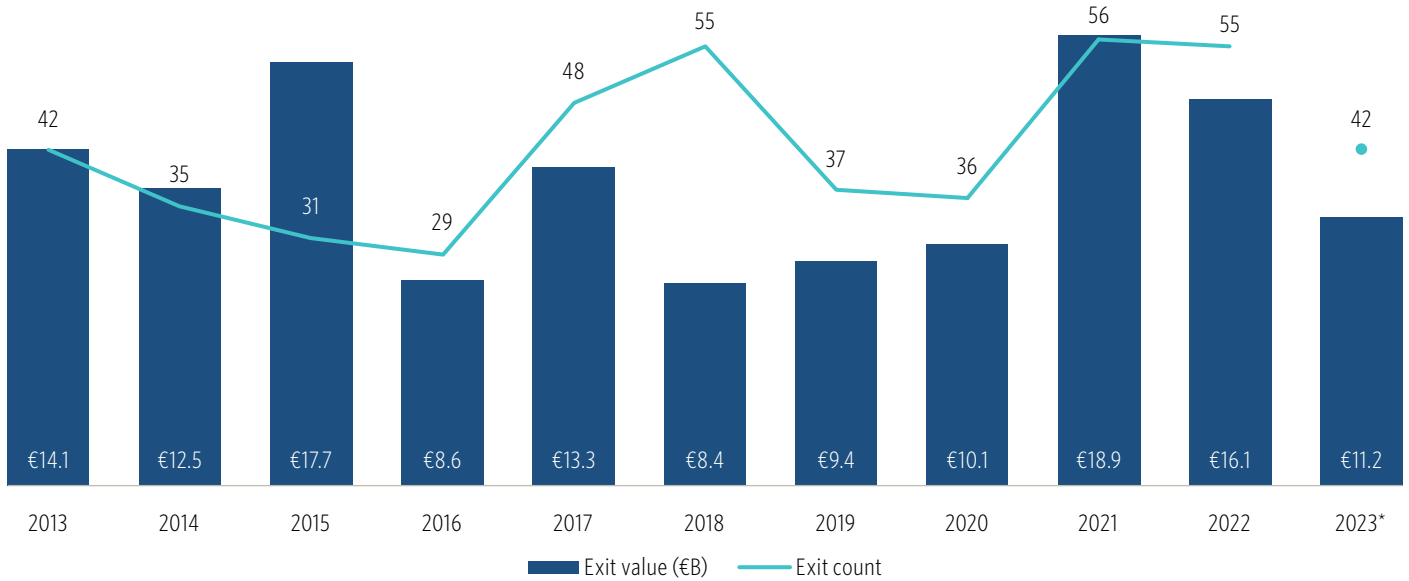
Exit route dynamics have slowly been changing. We have not seen a PE exit through a traditional IPO in the DACH region since BV Holding listed Skan on the SIX

Swiss Exchange in Q4 2021.⁴ Instead, a mix of buyouts and acquisitions are leading exits. Over the past 10 years, buyouts represented 43.3% of exit count on average, but in 2023 YTD, they have increased to 59.2%. In fact, almost half of exit value YTD can be attributed to secondary buyouts, which is when a PE firm sells an asset to another PE firm. This has come in tandem with the rise of continuation funds, where GPs roll over their crown assets into a new fund instead of forcing an exit. For example, US-based Summit Partners sold its majority stake in German broker Global Assekuranz Group to Castik Capital, a German PE firm, in February 2023.

³: "Private Markets Outlook: Navigating the 'Higher-for-Longer' Environment," Partners Group, November 2023.

⁴: Though not a traditional IPO, there was a reverse merger for Next.e.GO Mobile in Q3 2022.

Secondary buyout PE exit activity



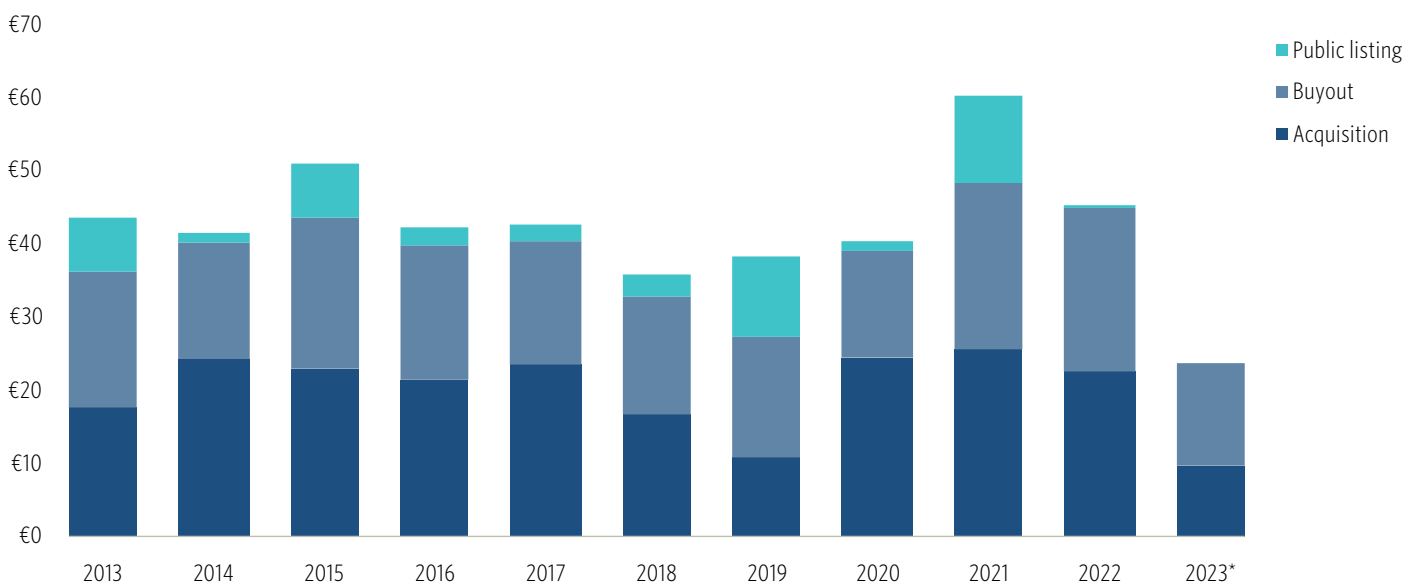
Source: PitchBook • Geography: DACH
*As of September 30, 2023

Given the lack of appetite for exits, exit sizes in the DACH region have decreased, with the average exit size down from €535.9 million in 2022 to €408.8 million for the first nine months of 2023. In fact, the region has had no exits over €2.5 billion YTD, whilst the YTD exit value for exits in the €25 to €100 million range is almost twice last year’s figure. Sponsors trying to sell large assets often find themselves having gone through the entire process of due diligence

and legal requirements only to disagree on price late in the process.

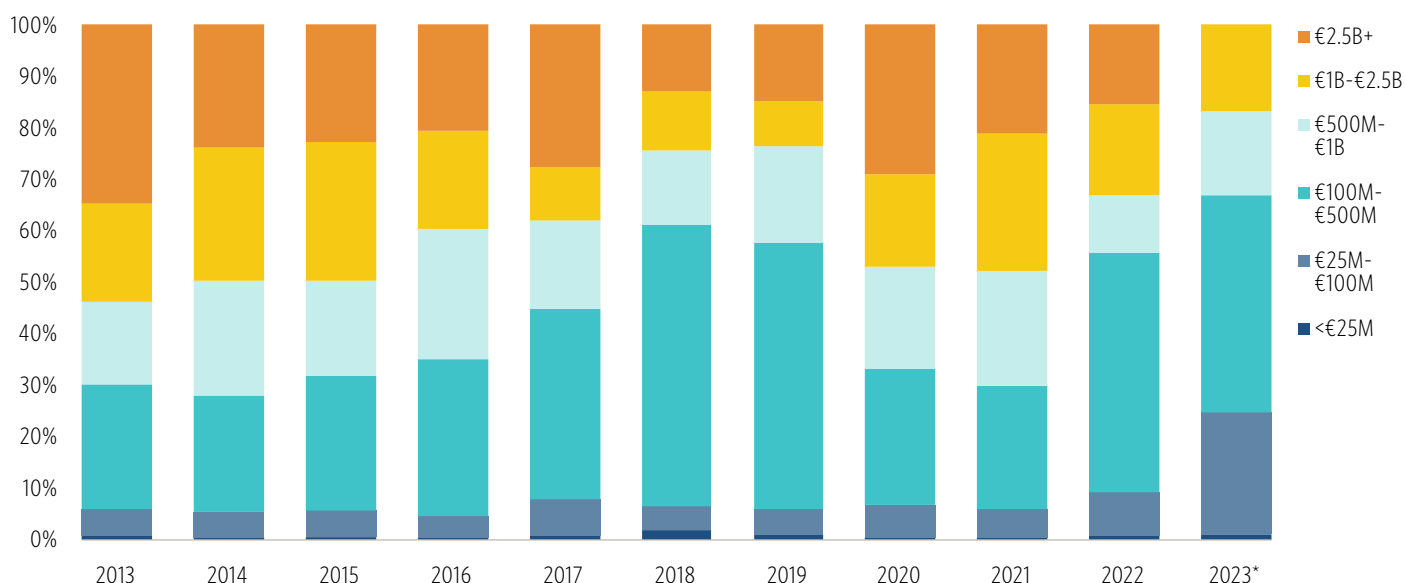
Looking at 2024, we expect exit activity to continue being sluggish but to pick up as the macro headwinds progress. We believe 2023 will be the trough for exits. However, 2023 may have a spillover effect on fundraising in 2024 because there will be less capital to reinvest into new funds if there are no exits in 2023.

PE exit value (€B) by type



Source: PitchBook • Geography: DACH
*As of September 30, 2023

Share of PE exit value by size bucket



Source: PitchBook • Geography: DACH
*As of September 30, 2023

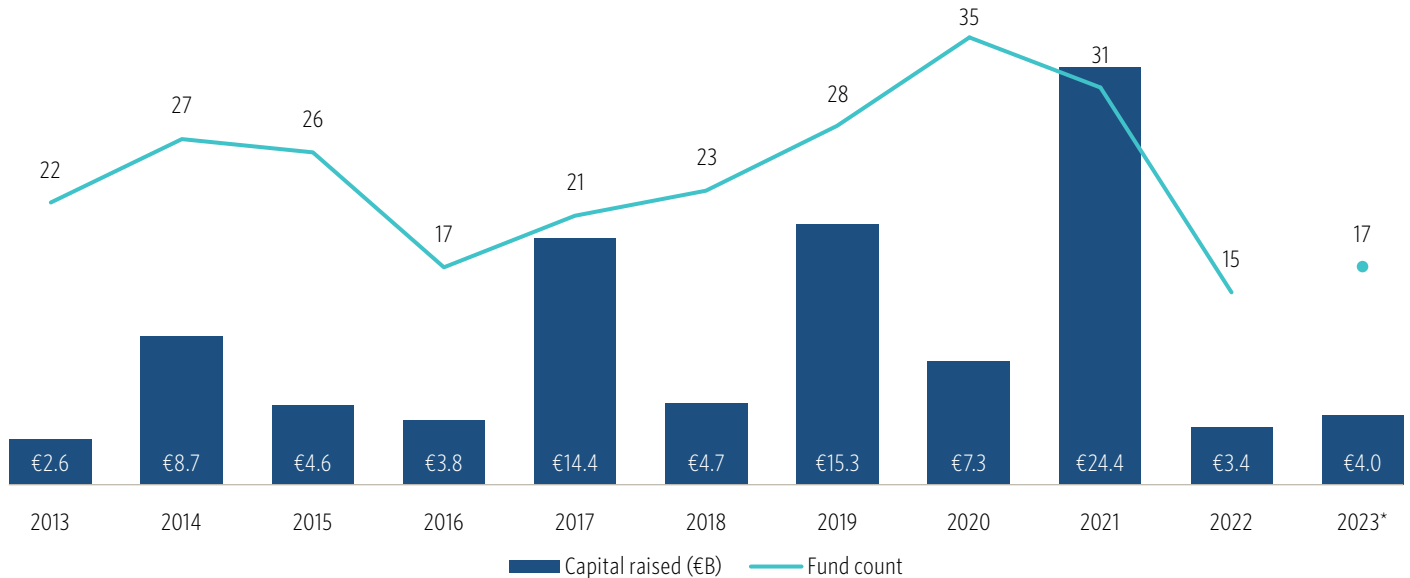
Top 10 PE exits by exit value YTD*

Company	Exit date	Exit value (€M)	Financing type 1	Financing type 2	Industry sector	Country
AviAlliance	February 1, 2023	€1,483.0	Buyout/LBO	Secondary buyout	B2B	Germany
Schülke & Mayr	August 7, 2023	€1,400.0	Buyout/LBO	Secondary buyout	Healthcare	Germany
Constantia Flexibles	July 31, 2023	€1,097.0	Buyout/LBO	Secondary buyout	Materials & resources	Austria
NeXtWind	August 9, 2023	€676.9	Buyout/LBO	N/A	Energy	Germany
Global Assekuranz Group	February 1, 2023	€673.0	Buyout/LBO	Secondary buyout	Financial services	Germany
nChain	August 1, 2023	€515.3	Buyout/LBO	Secondary buyout	Information technology	Switzerland
Elatec	May 26, 2023	€400.0	Buyout/LBO	Secondary buyout	Information technology	Germany
Klingel Medical Metal	July 28, 2023	€370.0	M&A	N/A	B2B	Germany
GfK Group	July 6, 2023	€315.0	M&A	N/A	B2B	Switzerland
DWK Life Sciences	July 1, 2023	€276.6	M&A	N/A	Healthcare	Germany

Source: PitchBook • Geography: DACH
*As of September 30, 2023

PE fundraising

PE fundraising activity

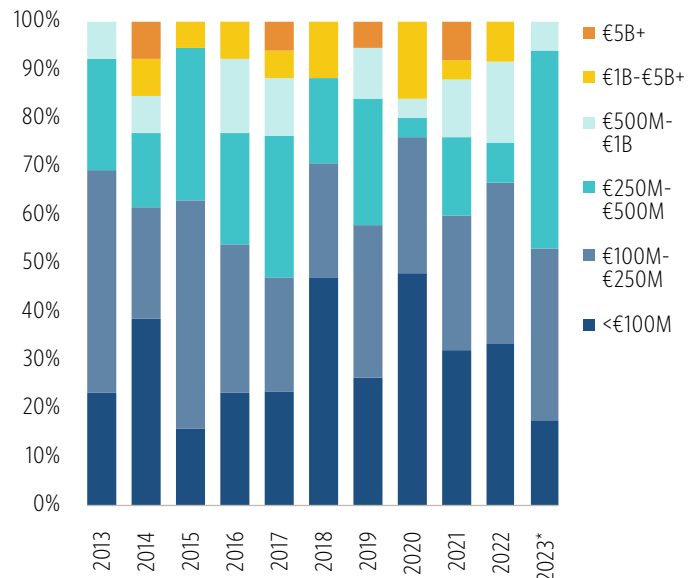


Source: PitchBook • Geography: DACH
*As of September 30, 2023

Fundraising in the DACH region tends to be quite irregular from one year to another given the region is not home to many PE firms. Fundraising is nonetheless higher in 2023 than it was last year, both in terms of capital raised and number of funds. However, the €4.0 billion raised across 17 funds remains low and represents only 4.7% of the total capital raised in Europe YTD. Breaking it down by country, we note that 72.7% of the capital was raised in Germany. However, the largest two funds closed YTD were in Switzerland, which was also the case in 2022. The DACH region differs from the European trend that has seen overall resilience in PE fundraising due to the closing of a select few megafunds, as noted in our [Q3 2023 European PE Breakdown](#). We have also seen a higher proportion of new buyout funds as opposed to growth/expansion funds in 2023. This is a result of higher interest rates putting more valuation pressures on companies that growth/expansion funds invest in.

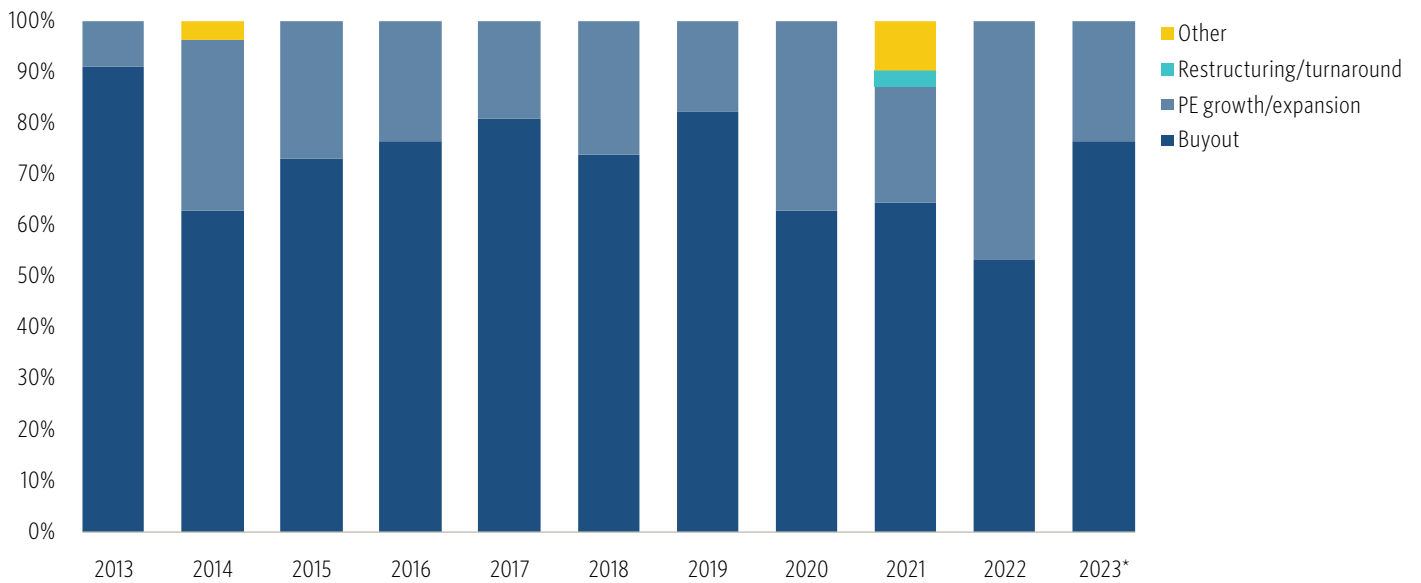
We have also seen a couple of continuation funds arise in 2023. Most notably, Swiss-based Ufenau Capital Partners raised €450.0 million for its fourth continuation fund, having raised the third fund less than seven months earlier. The fund was formed to acquire the portfolio companies Kanalservice, GarLa, and HPS—three investments currently held in Ufenau V and Ufenau VI.

Share of PE fund count by size bucket



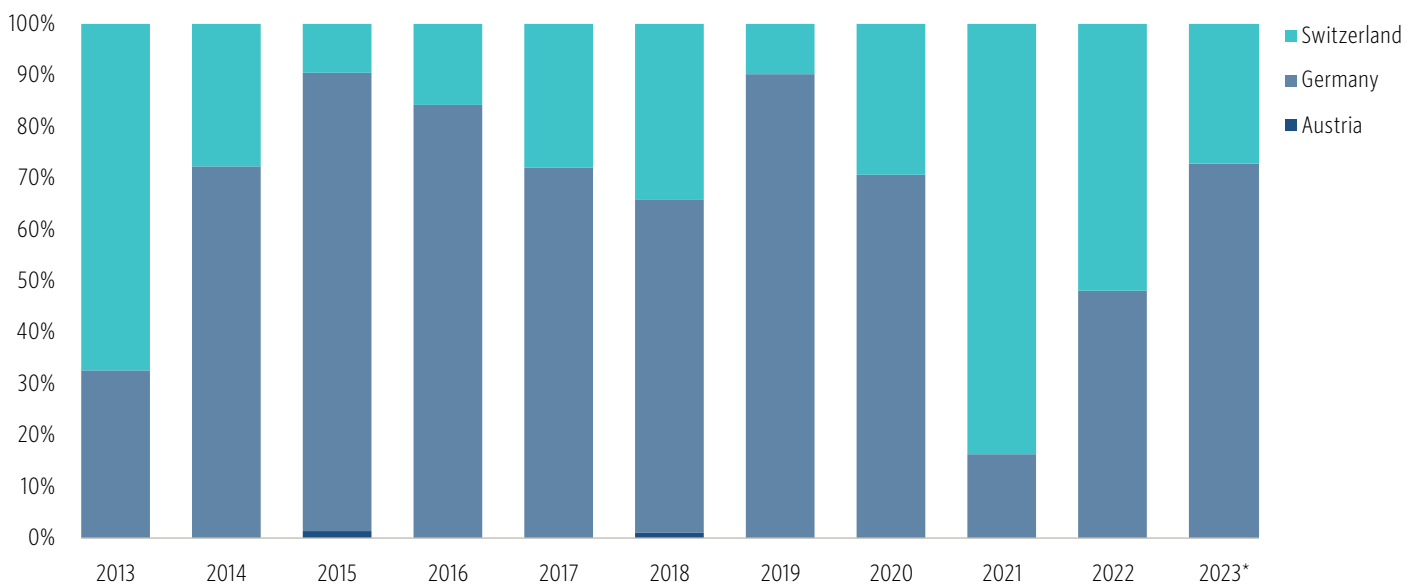
Source: PitchBook • Geography: DACH
*As of September 30, 2023

Share of PE fund count by type



Source: PitchBook • Geography: DACH
*As of September 30, 2023

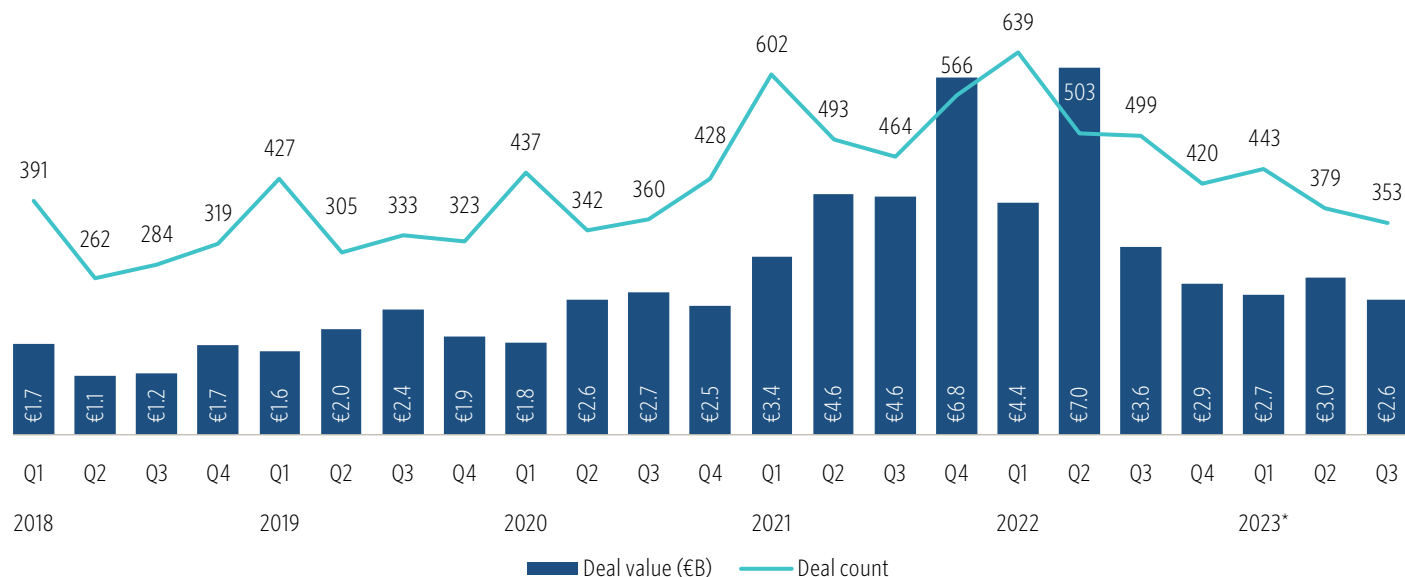
Share of PE capital raised by country



Source: PitchBook • Geography: DACH
*As of September 30, 2023

VC deals

VC deal activity by quarter



Source: PitchBook • Geography: DACH
*As of September 30, 2023

Deal value through Q3 sits 46.1% below deal value for the same period last year. Whilst this is unsurprising given the trends seen in wider European markets so far this year, quarterly trends in the region have lagged that of the continent. The decline for the first nine months of the year is similar to the 49.1% decrease seen in Europe. However, as noted in our [Q3 2023 European Venture Report](#), quarterly deal value in Europe has been on the rise since Q1 2023. This is not the case within the DACH region, where deal activity has nearly plateaued since Q1, and the quarterly decline in Q3 provides fewer signs of optimism for a recovery in the market. As noted earlier in this report, macro data is showing some signs of Germany falling behind other developed economies. According to the International Monetary Fund’s forecasts in October, Germany is the only advanced economy forecast to have negative GDP growth for 2023. Although forecasts for next year show a return to growth, generally the market is expecting a downbeat 2024 as the impact of a peak-rate regime bites.

Companies that were able to attract the top tier of GP capital in the region continue to fall within the cleantech space. As written about in our [Q3 2023 European Venture Report](#), agricultural technology and artificial intelligence (AI) players Atlas Agro and Helsing, respectively, closed the biggest deals in the quarter, followed by venture-growth fitness-tech player EGYM. Three of the top 10 deals in Q3 were from venture-growth players, one for each of the three countries in DACH. Such instances are constructive signs that deals are still able to get done in a stage seeing the most challenges within the venture market. This could be driven by a demand for certain technologies in spaces exhibiting structural growth (as seen with EGYM’s deal) as well as by decarbonisation trends and regulatory support providing a constructive backdrop for demand (as seen with Atlas Agro in the cleantech space).

Top 10 VC deals by deal value in Q3 2023*

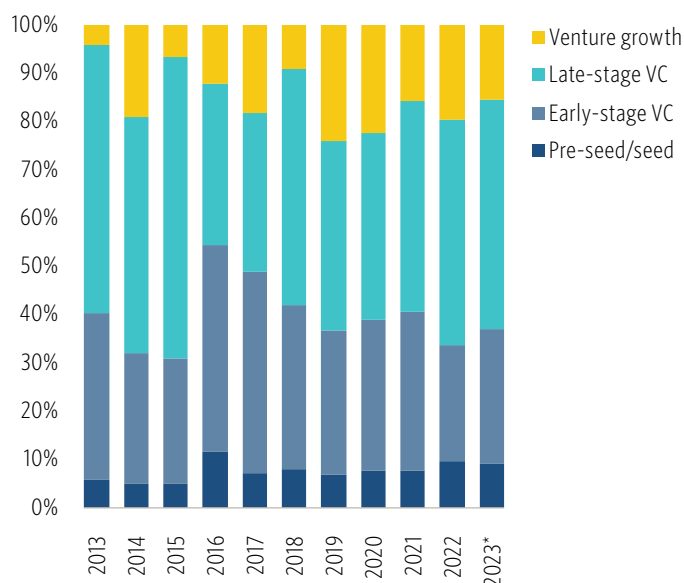
Company	Deal date	Deal value (€M)	Deal type (consolidated)	Industry sector	Country
Atlas Agro	August 14, 2023	€294.0	Early-stage VC	Materials & resources	Switzerland
Helsing	September 14, 2023	€209.0	Early-stage VC	B2B	Germany
EGYM	July 5, 2023	€207.0	Venture growth	Information technology	Germany
GoStudent	August 4, 2023	€85.8	Venture growth	Information technology	Austria
Rejuveron	September 12, 2023	€69.3	Early-stage VC	Healthcare	Switzerland
StoreBox	September 26, 2023	€67.5	Late-stage VC	B2B	Austria
Kandou	August 24, 2023	€66.1	Venture growth	Information technology	Switzerland
Numa	September 25, 2023	€55.4	Late-stage VC	B2C	Germany
NEURA Robotics	July 19, 2023	€50.0	Early-stage VC	Information technology	Germany
Fernride	September 20, 2023	€50.0	Early VC	B2C	Germany

Source: PitchBook • Geography: DACH
*As of September 30, 2023

By stage, venture growth continued to show the greatest declines in deal activity through Q3, but pre-seed/seed was also surprisingly markedly lower. Venture-growth deal value for the first nine months of 2023 declined 58.0% compared with the same period last year. Pre-seed/seed was down 47.4% from the same period. These trends correspond with those noted in our [Q3 2023 European VC Valuations Report](#), where we expressed our surprise by the lack of resilience in the earliest part of the market. Pre-seed/seed deals tend to be the smallest, so deal values are typically lower than other stages. Mathematically, this means that any changes to pre-seed/seed deal value can make a large difference in percentages. However, activity in the late stage has been supported by deals by Teylor, Enpal, and YFood, covering a broad range of verticals such as fintech, climate tech, and consumer nutrition, respectively. Late-stage deal value through Q3 declined 44.1% compared with the first nine months of 2022, whilst early-stage deal value showed the most resilience with a 35.1% decline over the same period.

For the first nine months of 2023, software has lost the most share of deal value among sectors, whilst commercial products & services has been the biggest gainer. The proportion of DACH deal value attributed to software companies has been nearly halved, down to 24.2% through Q3 2023 from a 45.6% share in 2022. The opposite is the case for commercial products & services, which has now gained share at 22.3% of deal value through Q3 compared with 10.8% in 2022. The changes in share have been driven mainly by declines in software deal value alongside

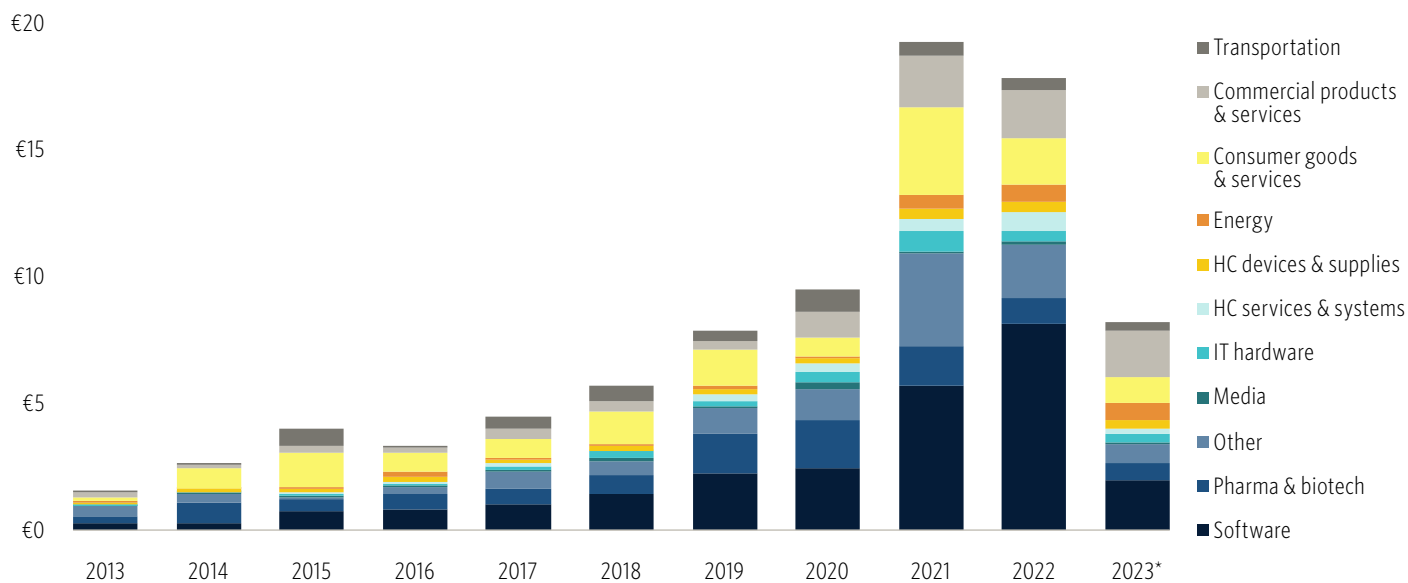
Share of VC deal value by stage



Source: PitchBook • Geography: DACH
*As of September 30, 2023

resilience in commercial products & services. For the latter sector, deal value in the first nine months of the year is pacing near 2022 levels. Many deals within commercial products & services fall within the cleantech, climate tech, and AI spaces, including the aforementioned top two deals in the DACH region, explaining the level of resilience in the sector.

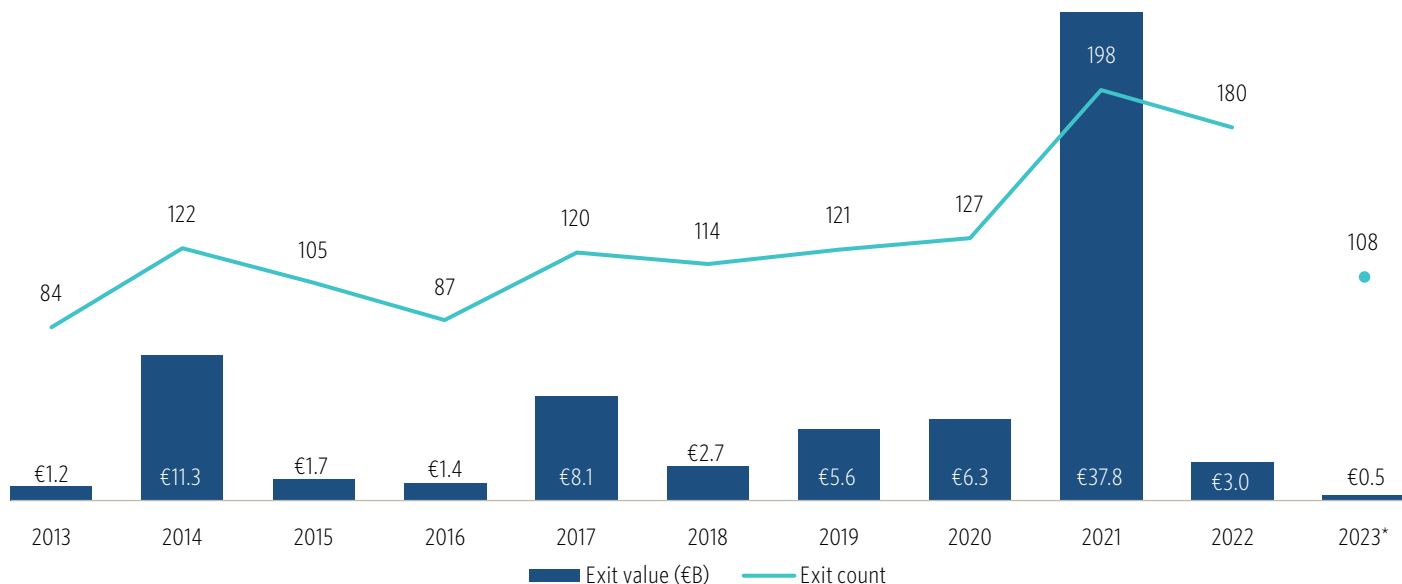
VC deal value (€B) by sector



Source: PitchBook • Geography: DACH
*As of September 30, 2023

VC exits

VC exit activity

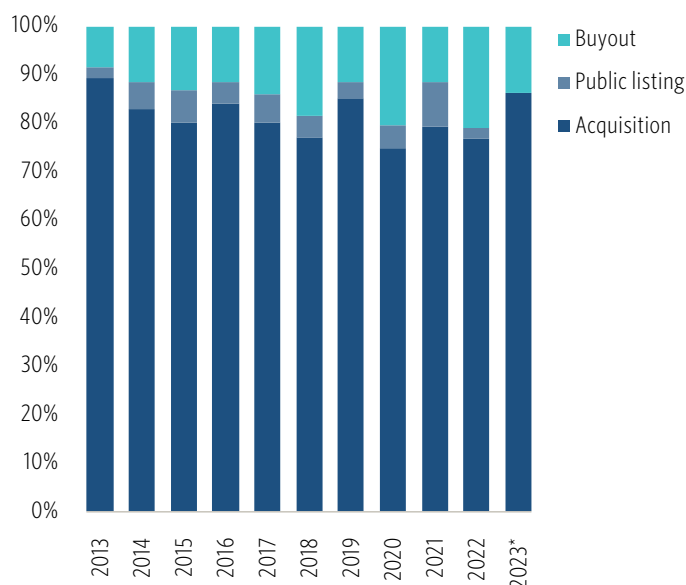


Source: PitchBook • Geography: DACH
*As of September 30, 2023

Exit value continues to drag through 2023. DACH exit value through the first nine months of 2023 sits at 69.6% below the same period last year, with little signs of uptick through the quarters this year. Q3 2023 was a particularly weak quarter. Exits are still taking place, however, with 108 exits occurring through Q3 2023, 60.0% of full-year 2022 levels. The ratio of investments to exits continues to tick lower at 10.9x YTD compared with 11.5x for full-year 2022, but this appears to be driven by a great decline in the number of deals being done versus the number of exits. However, the valuations at which exits are occurring are clearly markedly lower. The decline in the market therefore continues to be a value decline versus a volume one, and the market continues to favour M&A over public listings.

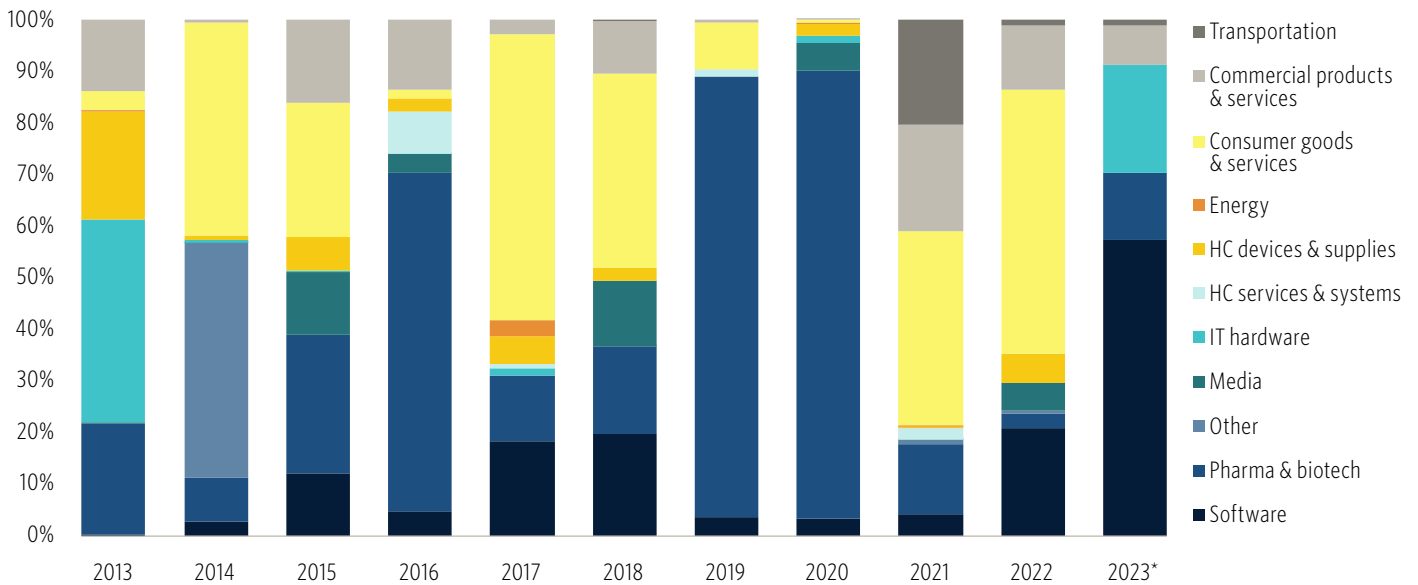
By type, 86.1% of exit count this year came from acquisitions and the rest from buyouts. No public listings have occurred by firms in the region so far this year. Of the top 10 exits so far this year, all were acquisitions, the largest being Ripple’s acquisition of Swiss crypto software company Metaco for €227.1 million. Expectations for public listings continue to be muted, in line with sentiment across Europe, and visibility is low. As noted in our [Q3 2023 Germany Market Snapshot](#), public equity market valuations for Germany specifically have shown some signs of resilience, with the DAX price/earnings ratio plateauing this year. However, higher-for-longer interest rates mean that investor sentiment towards longer-duration, tech growth stocks may remain challenged.

Share of VC exit count by type



Source: PitchBook • Geography: DACH
*As of September 30, 2023

Share of VC exit value by sector

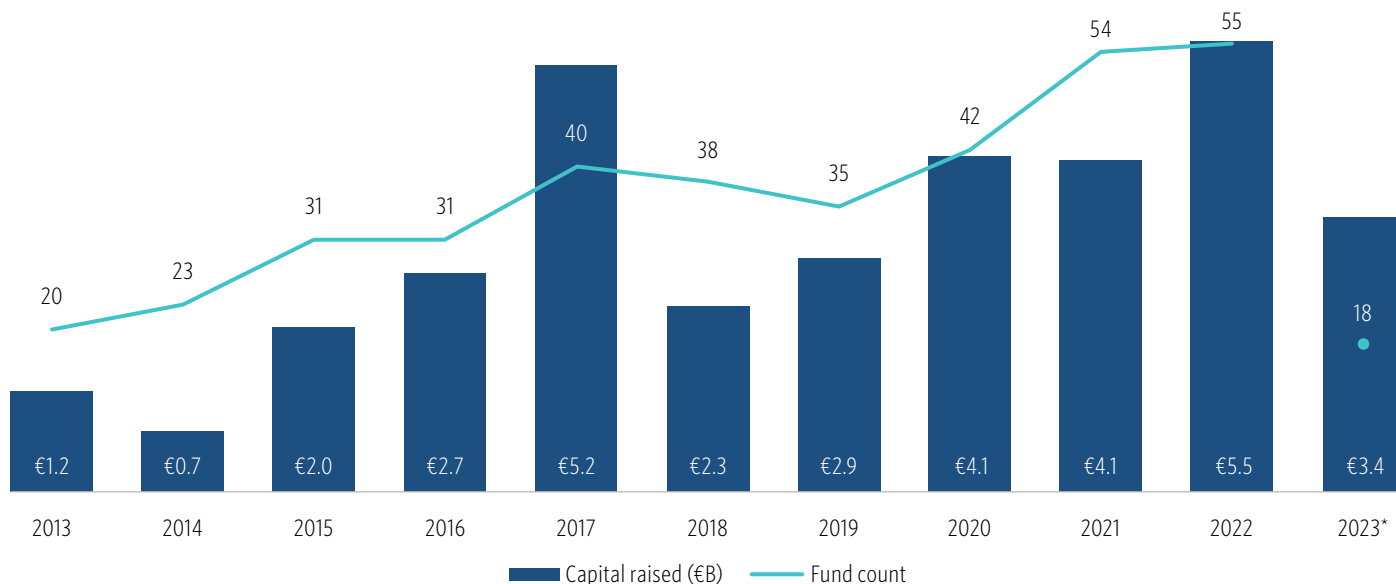


Source: PitchBook • Geography: DACH
*As of September 30, 2023

Sector trends within exit markets are the reverse of those seen in deal value. Software has gained the most share of exit value in 2023 so far, and commercial products & services has been the greatest laggard. Software now sits at 57.4% of exit value in 2023, more than double its share of 20.9% last year, whereas commercial products & services is 7.7% of total exit value through Q3 2023, compared with 12.2% in 2022. Investors in software companies that undertook large deals at the elevated valuations seen over the past two years may now be crystallising returns, supporting exit value in the sector. Examples include the top exit—the acquisition of crypto custody software player Metaco—and the acquisition of data stream processing startup Immerok by US firm Confluent.

VC fundraising

VC fundraising activity



Source: PitchBook • Geography: DACH
*As of September 30, 2023

DACH fundraising is the standout area within the VC ecosystem, showing more resilience than fundraising in the rest of Europe. Capital raised through Q3 sits at 61.1% of 2022 levels, implying that fundraising will pace below 2022 if the current run rate continues in Q4. This is higher than the rate at which fundraising is pacing in Europe: 50.4% of 2022 levels with only one quarter left in 2023. Whilst fewer closes have occurred through the year, fundraising totals have been helped by large closes, especially in Germany. However, the largest fund to close so far this year was a Swiss fund, Crown Growth Opportunities Global IV, at a size of €847.1 million. Other top closes include HV Capital's IX Growth Fund at €710.0 million and early-stage vehicle High-Tech Gründerfonds IV at €494.0 million. Both these funds are situated outside of Berlin (Munich and Bonn, respectively). As seen in our city heatmap in our [Germany snapshot](#), the fundraising capital outside of the capital city is more evenly dispersed compared with other European countries, such as the UK. Private capital raised (PE and VC) in Munich in the last 10 years now sits at nearly half the level of Berlin.

The median fund close time has increased by around four months this year, from 6.0 months to 9.9 months. The tougher fundraising environment has been felt across the industry, but emerging firms are feeling the brunt of the downturn more. Capital raised by VC first-time funds for the first nine months of the year sits at €0.3 billion, compared with €1.0 billion for all of 2022. Within the region, we have seen experienced firms gain share of LP capital, echoing trends in the wider continent. However, the change has been more marked in the DACH region, increasing to 70.9% of capital raised through Q3 versus 45.7% in 2022. Perhaps as a result of these trends, the top three funds have increased their share of fundraising, now sitting at 60.7% of total fundraising for 2023, above the 10-year average of 45.9%.

Germany private market activity heatmap (2013-2023)*

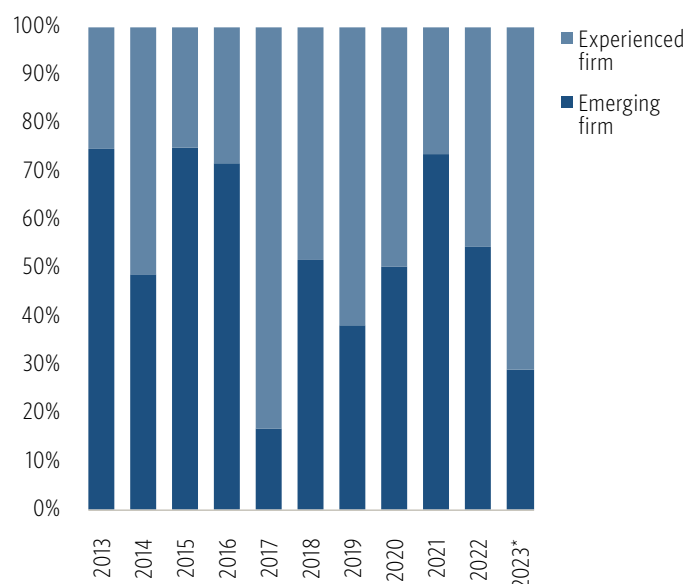
City	VC deal value (€B)	VC deal count	VC exit value (€B)	PE deal value (€B)	PE deal count	PE exit value (€B)	PE and VC capital raised (€B)	Median VC valuation (€M)	VC first-time financing count
Berlin	€33.6	3,414	€27.8	€15.3	445	€22.9	€24.0	€78.0	1,146
Munich	€10.9	1,329	€4.8	€12.9	405	€15.1	€10.3	€55.7	397
Hamburg	€2.8	658	€1.3	€27.9	298	€18.5	€0.1	€41.5	278
Cologne	€0.8	265	€0.3	€4.0	118	€3.8	€0.7	€26.6	108
Frankfurt	€1.1	251	€0.2	€5.1	110	€10.6	€1.3	€19.3	115
Düsseldorf	€0.6	120	€0.5	€23.7	68	€10.0	€0.6	€52.0	42
Stuttgart	€0.2	113	€0.0	€2.7	64	€1.8	€0.1	€268.1	52
Dresden	€0.6	129	€0.1	€0.2	39	€1.1	€0.0	€44.9	55
Leipzig	€0.1	100	€0.0	€0.7	49	€1.1	€0.5	€8.5	31
Karlsruhe	€0.3	70	€0.0	€0.4	61	€0.2	€0.1	€42.5	22
Aachen	€0.1	73	€0.1	€0.6	24	€0.4	€0.1	€17.8	26
Essen	€0.1	44	€0.0	€6.2	47	€22.2	€1.1	€3.9	26
Mannheim	€0.1	40	€0.1	€4.3	49	€5.5	€0.0	€51.4	19
Potsdam	€0.1	78	€0.0	€0.0	7	€0.0	€0.0	€5.3	28
Heidelberg	€0.6	68	€0.1	€4.0	11	€3.5	€0.0	€24.3	27

Source: PitchBook • Geography: Germany
*As of September 30, 2023

Several funds remain open within the region, but we do not anticipate any more significant large closes through the end of the year. More broadly, we have seen returns in VC lag other asset classes. As noted in our [Europe PitchBook Benchmarks \(as of Q1 2023\)](#), VC fund returns in Europe sat at the lower end of the pack at a one-year internal rate of return of 1.0%, compared with 3.3% for private capital and 5.1% for buyout strategies. This means LPs may prefer to allocate to other areas of private markets with better returns. Whilst the denominator effect appears to be less at play, with public markets having some bounceback in the past year, a full-on recovery to the heights of 2021 has not yet ensued in Europe; this means that overall, LP allocations to private markets may still be stretched compared with previous years.

Outside of industry dynamics, we have also seen some government intervention within venture markets in the region. Whilst state involvement in these markets has not been as prolific as in some other European countries, some progress has been made in recent years. A key milestone for the ecosystem in Germany was the government's approval of a €10 billion "Future Fund" to support late-stage startups

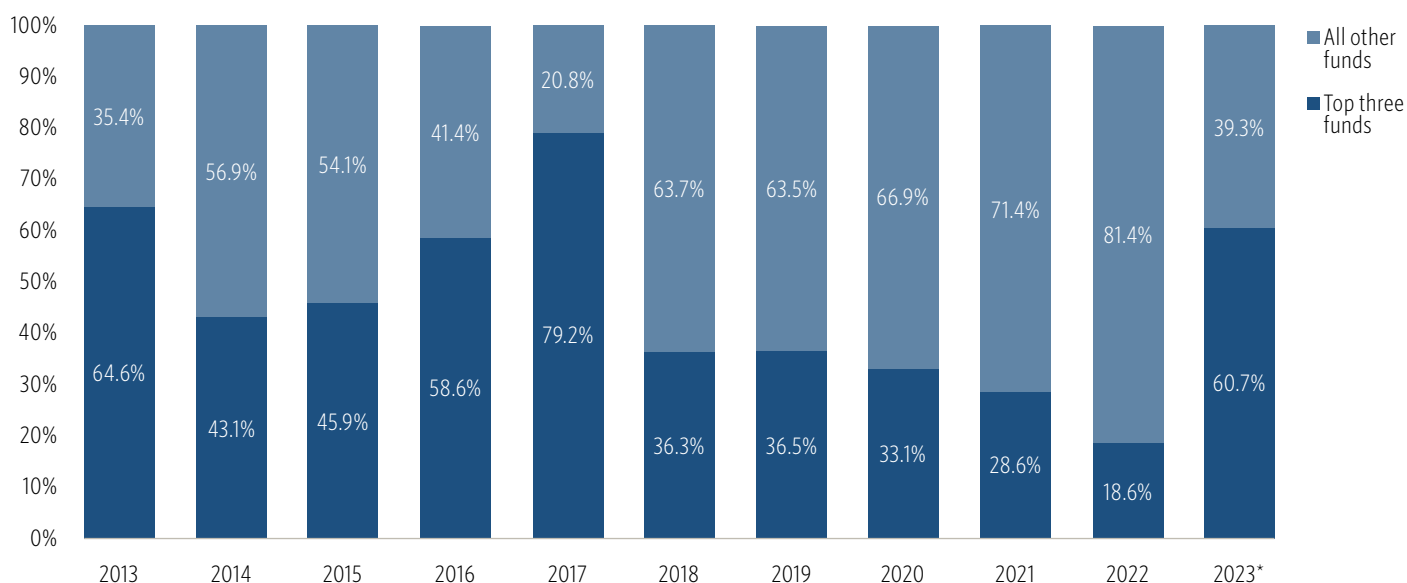
Share of VC capital raised by firm type



Source: PitchBook • Geography: DACH
*As of September 30, 2023

Note: Emerging firms are defined as firms that have launched fewer than four funds. Experienced firms are defined as firms that have opened four or more funds.

Share of VC capital raised by top three funds



Source: PitchBook • Geography: DACH
*As of September 30, 2023

in 2020.⁵ In Q3, state-backed LP KfW Capital launched the Emerging Manager Facility, which aims to invest in smaller funds managed by gender-diverse teams.⁶ The financing will total €200 million, where at least the amount of capital received will need to be invested into German startups. Elsewhere, there are reported plans for an AI campus called Innovation Park Artificial Intelligence (Ipai), financed by the Dieter Schwarz Foundation, to be built in Heilbronn by 2027.⁷ The foundation has reportedly invested €2 billion, with the state of Baden-Württemberg investing €50 million. In Switzerland, the government has also stated it will invest in an innovation vehicle that will operate as a fund of funds, distributing capital to venture funds.⁸

5: "Germany Launches €10bn 'Future Fund' for Startups. But Will It Go Far Enough?" Sifted, Miriam Partington, December 13, 2020.

6: "German LP KfW Capital Launches €200m 'Emerging Managers Facility' to Boost Diversity in VC," Sifted, Miriam Partington, October 24, 2023.

7: "Europe's Newest AI Hub Is Being Built in a German City No One's Heard Of," Sifted, Miriam Partington, October 24, 2023.

8: "Swiss Government Tries Its Hand at Venture Capital," Finews.com, January 10, 2023.

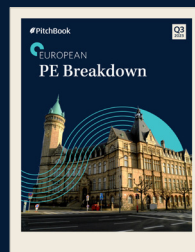
Additional research

Private markets



Q3 2023 Germany Market Snapshot

Download the report [here](#)



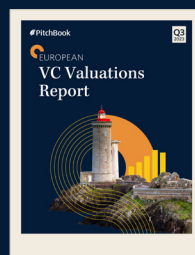
Q3 2023 European PE Breakdown

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Q3 2023 European Venture Report

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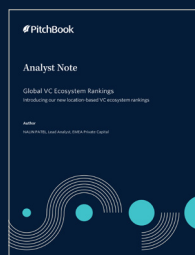
Q3 2023 European VC Valuations Report

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2022 DACH Private Capital Breakdown

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Q4 2023 Analyst Note: Global VC Ecosystem Rankings

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