

European VC Valuations Report

Q2 2021

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Introduction

VC valuations in Europe reached record highs at each quartile and across all financing stages through H1 2021. A multitude of records have already been broken across the European VC ecosystem in 2021. VC-backed companies have broadly increased their valuations. Globally, major tech companies have consolidated their leading positions, and startups have shown rapid growth as sectors such as e-commerce, cybersecurity, and remote work have boomed.

The increased presence of nontraditional investors in the European VC ecosystem continues to set records. Over the last two years, the deluge of capital flowing into the VC ecosystem has created upward pressure on round sizes and valuations, resulting in record peaks. The pursuit of growth has not slowed as reduced interest rates, low return profiles in other investment strategies, and public equity volatility have pushed backers to inject capital into VC.

The aggregate value and quantity of unicorns soared to new records in H1 2021. The remarkable growth in aggregate unicorn value in the European ecosystem has garnered global attention, with some of the

most valuable unicorns seeing drastically increased valuations. Moreover, a flurry of new unicorns have been minted in 2021, further adding to Europe's impressive aggregate unicorn valuation statistics.

Across all quartiles, post-money valuations upon exit in H1 2021 paced well above 2020 figures. Exits for the most-valuable VC-backed companies in Europe have grown in size. The rejuvenated exit market has been driven by high-profile exits, as overall exit value generated in Europe set a record. Tech companies have taken advantage of favourable market conditions and looked to generate enhanced returns after the COVID-19 pandemic pushed individuals online.



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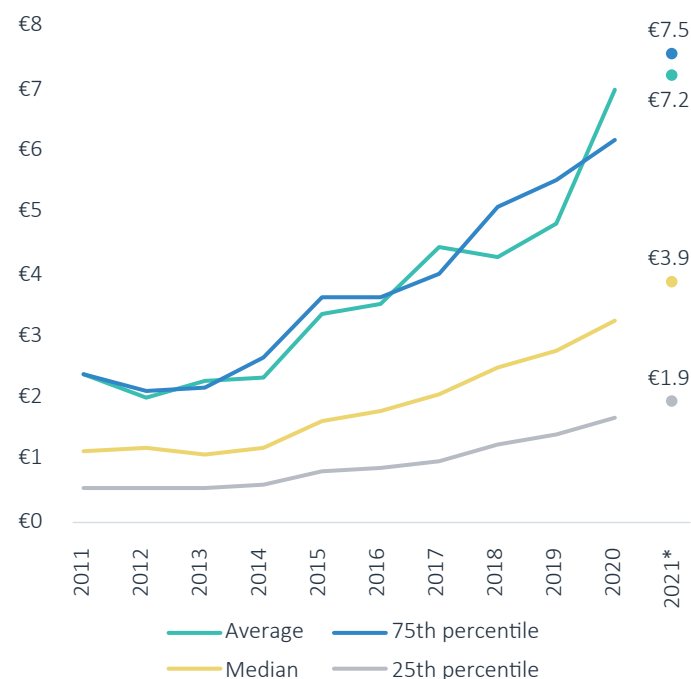
Overview

VC valuations in Europe reached record highs at each quartile and across all financing stages through H1 2021. Valuations have ticked upwards from the record figures registered in 2020 as a multitude of records have already been broken across the European VC ecosystem in 2021. The astonishing rise in VC valuations is impressive, given volatility facing wider financial markets, macroeconomic uncertainty, and persistent challenges such as new variants and vaccination uptake rates. VC-backed companies have broadly increased their valuations, as widespread haircuts (a reduction applied to the value of an asset) that were initially estimated when the pandemic spread to Europe in early 2020 have not materialised. Globally, major tech companies have consolidated their leading positions, and startups have shown rapid growth as sectors such as e-commerce, cybersecurity, and remote work have boomed. Technological development is ingrained in VC, and newly founded startups—as well as the majority of mature VC-backed companies—have been able to grow users, increase monthly recurring revenues, and improve CAGRs, all of which have helped their valuations and attracted capital. Another factor driving valuation upwards is record nontraditional investor participation in VC rounds that have carried enormous valuation step-ups.

Angel & seed

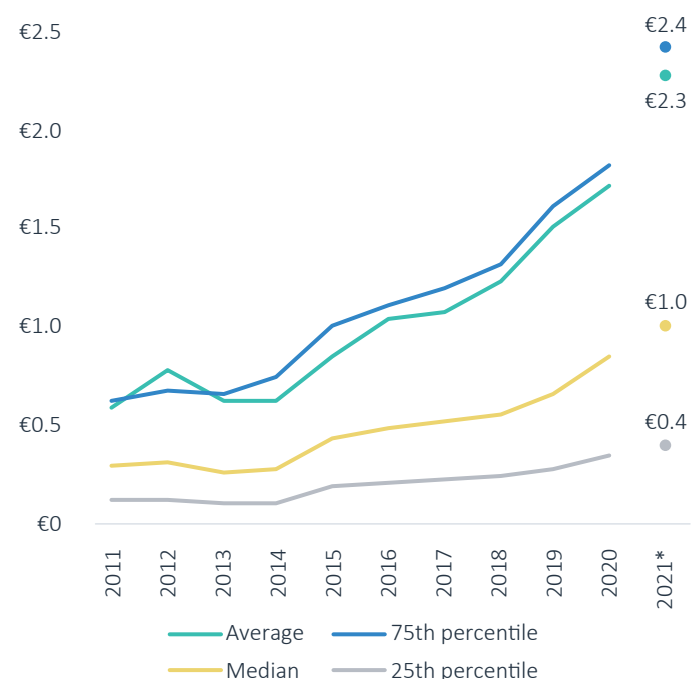
The healthy pipeline of startups attracting angel & seed financing carried strong valuations in H1 2021. As the ecosystem has adapted to the pandemic, startups founded during the last two years in areas such as food delivery, online retail, and business productivity have demonstrated impressive growth rates. Consequently, valuations tied to such businesses have grown rapidly, and investors are pouring capital into these enterprises at increased rates. Furthermore, relatively new and largely untapped areas tied to diversity, equity & inclusion, ESG, and healthcare continue to provide vast opportunities for investors and new companies seeking out angel & seed backing. The median angel & seed pre-money valuation paced at €3.9 million in H1 2021, currently 20.3% higher than 2020's peak figure. Meanwhile, angel & seed deal sizes across all quartiles are trending higher than they were in 2020, with the median reaching €1.0 million in Q1 2021.

Angel & seed pre-money valuations (€M) by quartile



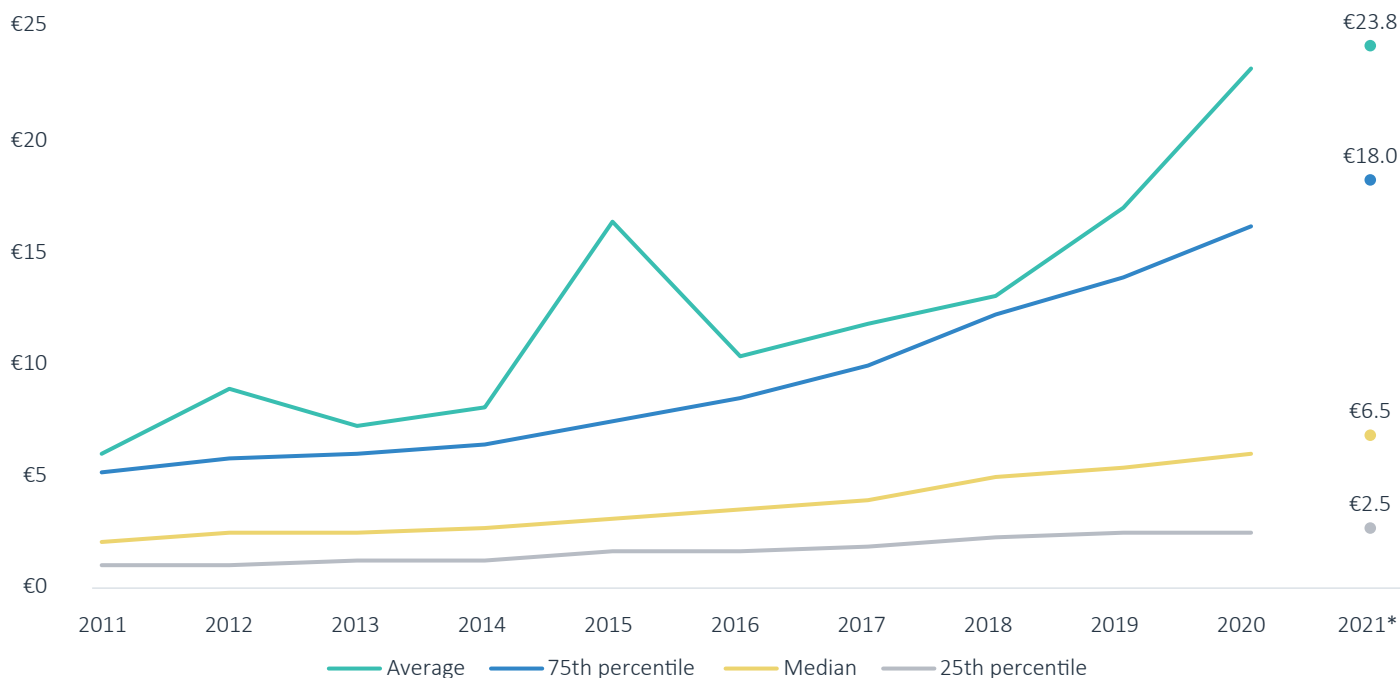
Source: PitchBook | Geography: Europe
*As of June 30, 2021

Angel & seed deal sizes (€M) by quartile



Source: PitchBook | Geography: Europe
*As of June 30, 2021

Early-stage VC pre-money valuations (€M) by quartile



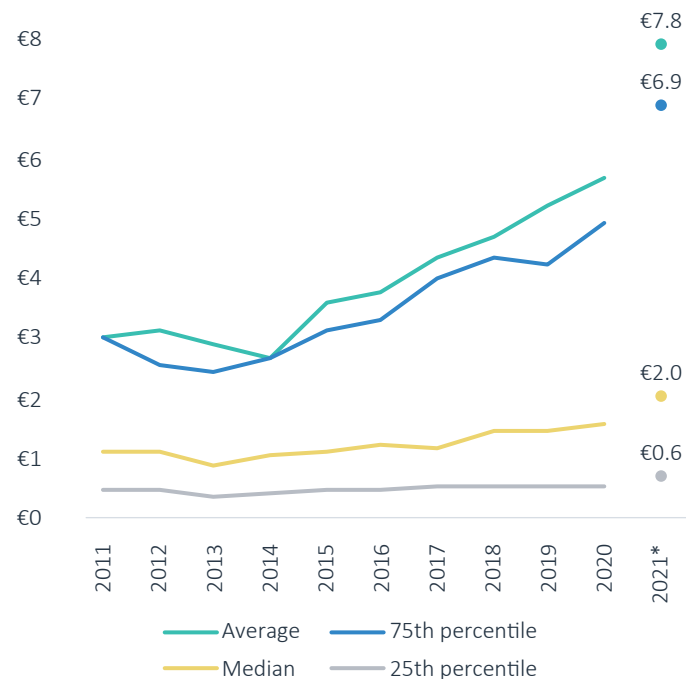
Source: PitchBook | Geography: Europe
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Early-stage VC

The development of early-stage VC rounds and valuations in Europe continued in H1 2021 as startups attracted ample capital to build fully-fledged businesses with robust valuations. Early-stage startups now possess the size and characteristics that equivalent late-stage startups did five to six years ago, and as capital continues to pour in at an increased clip, we expect further maturation at the early stage. H1 2021's early-stage VC valuations across all quartiles paced higher than record 2020 figures, with the median reaching €6.5 million. Further, early-stage deal sizes across all quartiles were greater as the median paced at €2.0 million in H1 2021, 33.3% higher than 2020.

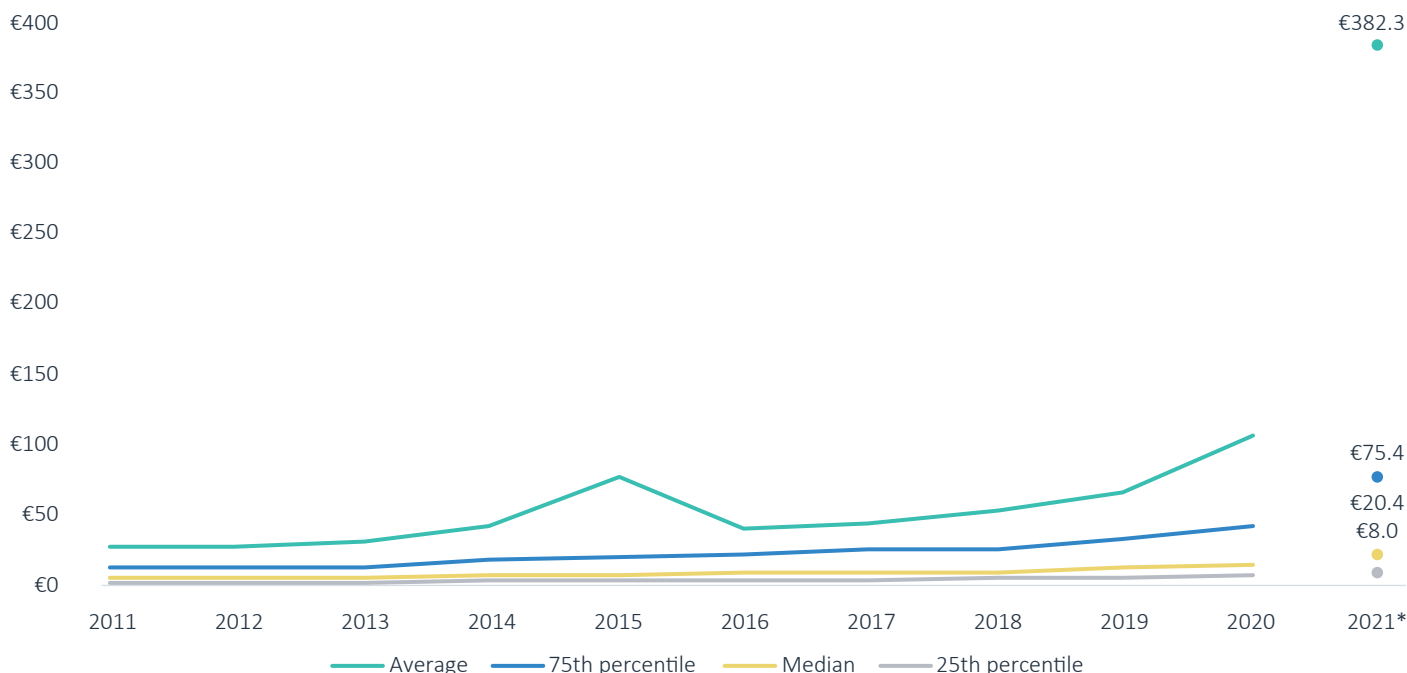
Germany-based grocery delivery company Flink completed a €200.0 million round with a post-money valuation of €900.0 million in Q2 2021. Flink's funding represents a microcosm of the shifts occurring in the European VC ecosystem regarding round sizes and valuations at the early stage. Additionally, the nascent industry Flink operates in, combined with the breadth of investors participating in the round, illustrates that deals of this magnitude conducted at lofty valuations will continue to proliferate.

Early-stage VC deal sizes (€M) by quartile



Source: PitchBook | Geography: Europe
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Late-stage VC pre-money valuations (€M) by quartile



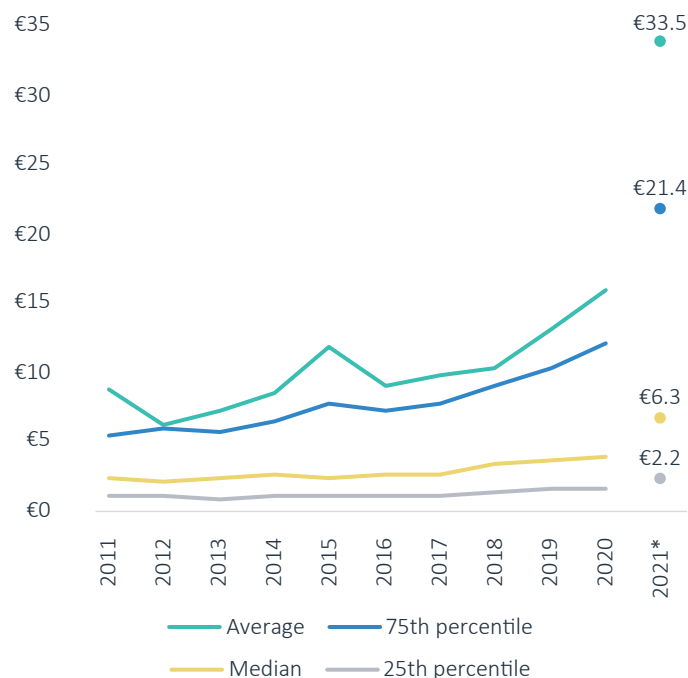
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Late-stage VC

In H1 2021, late-stage valuations across all quartiles ticked upwards from 2020 figures, as lingering uncertainty stemming from the pandemic has not hampered valuation development or revenue growth experienced by Europe's late-stage VC-backed companies. The median late-stage valuation reached €20.4 million in H1 2021, pacing 57.3% higher than the record set in 2020. Late-stage valuation growth has been driven by the most valuable companies maximising growth trajectories and investment runways by closing record outsized rounds. Late-stage rounds have grown in size and now contain a wide variety of investors, similar to largescale VC rounds witnessed in the US ecosystem. Capital options have expanded for businesses as investors pumped copious amounts of capital into late-stage companies to maximise their potential in the VC ecosystem before a substantial exit event that could generate improved returns to investors.

Northvolt's huge €2.3 billion funding in Q2 2021 further highlights how late-stage rounds in Europe have evolved in size and stature. Investors included hedge funds, corporates, pension funds, and investment banks, alongside traditional VC GPs, as awareness of Europe's best VC-backed companies has spread internationally and prompted inflated valuations and round sizes.

Late-stage VC deal sizes (€M) by quartile



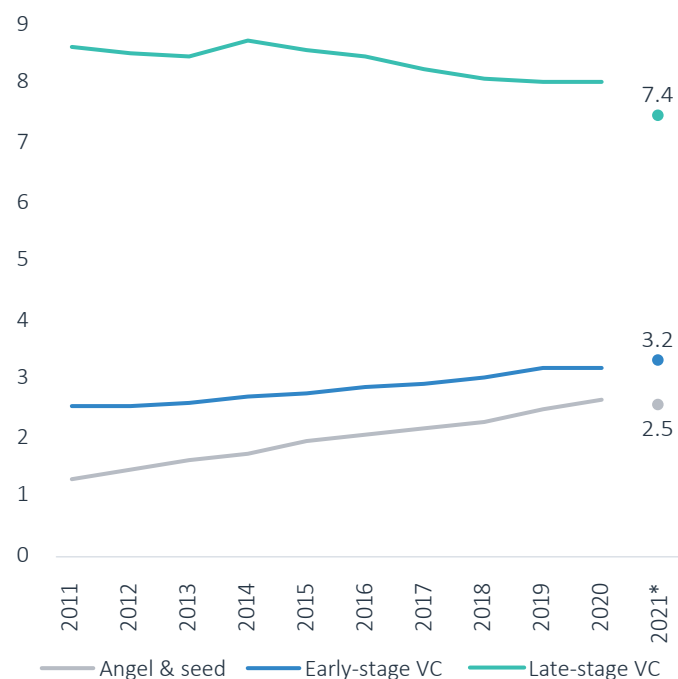
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Time between rounds

The median time to reach each financing stage has remained consistent despite numerous broken records and historic levels of capital entering the VC ecosystem. As investment levels have increased, it seems companies have been able to develop their valuations and entice more capital at a faster rate, as time periods have stayed flat. In fact, the median time between founding and completing a late-stage round dropped slightly from 8 years in 2020 to 7.4 years in H1 2021. It is widely accepted that late-stage companies carry much larger valuations now. Thus, companies have been able to increase their valuations faster. For example, the median late-stage valuation was €4.8 million in 2011 and €12.9 million in 2020, as valuations have grown rapidly despite time periods remaining flat.

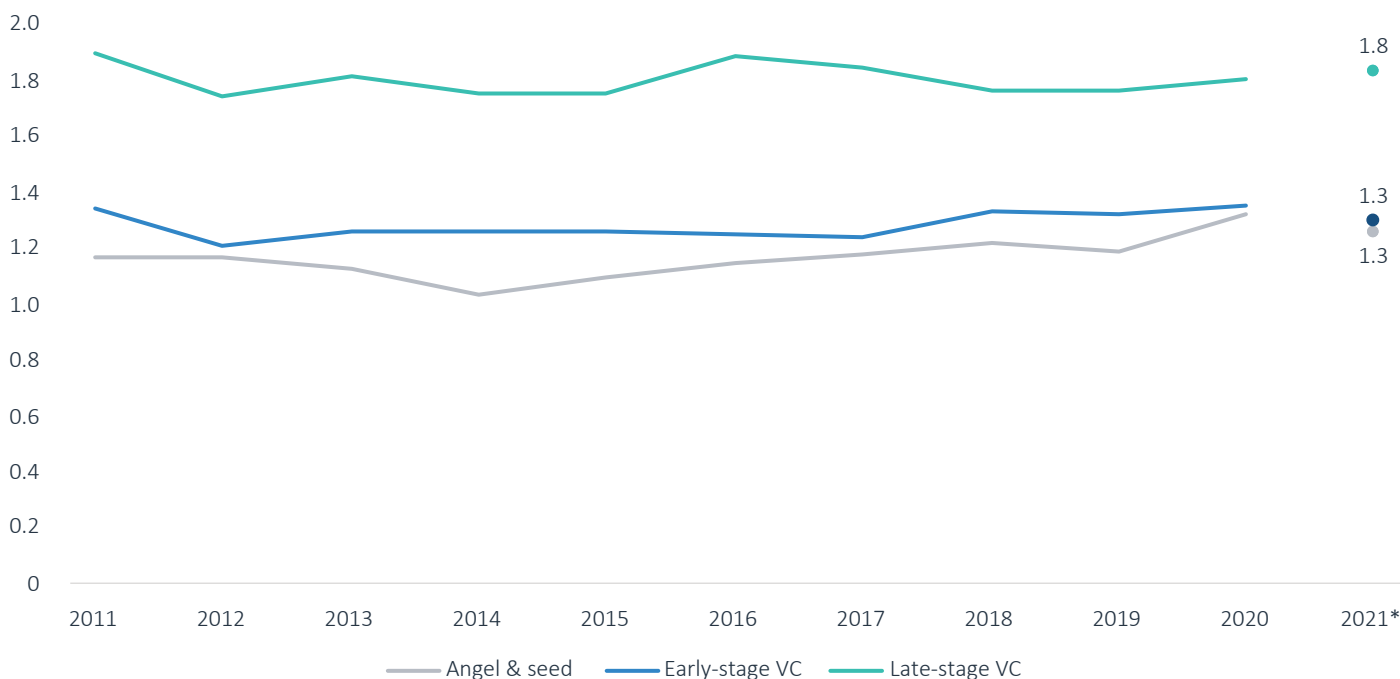
The median time between rounds has also remained steady in recent years, though outlier startups have generally demonstrated increased velocity of value creation. This means certain startups have gone on to reach milestones such as unicorn status—a valuation over €1 billion—at a faster rate than ever before.

Median years from VC-backed company founding by stage



Source: PitchBook | Geography: Europe
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Median years between VC rounds by stage



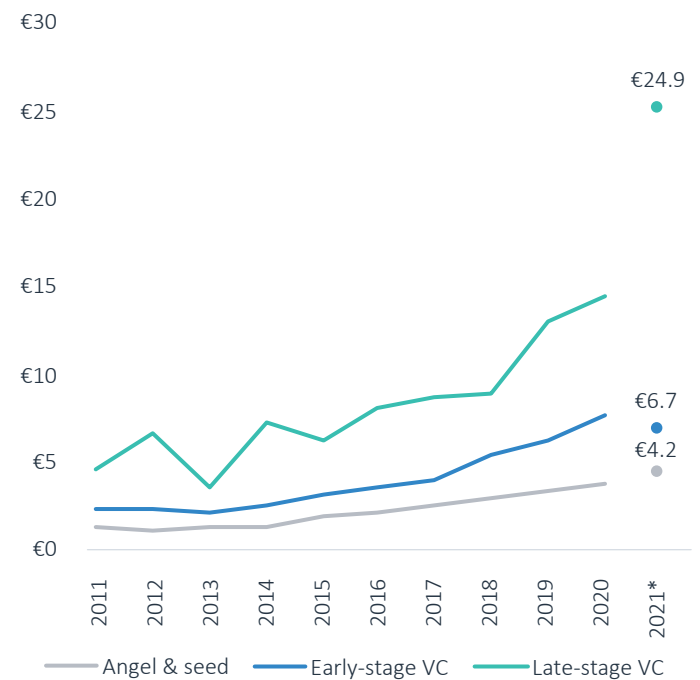
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Sectors

Software late-stage pre-money valuations rose to €24.9 million in H1, as many of Europe's flagship companies, such as MessageBird, Celonis, Trade Republic, and Mollie, closed substantial rounds. Late-stage software businesses disrupting traditional industries have been a crucial element of the burgeoning VC ecosystem, and we expect that they will remain key drivers of growth in valuations and round sizes throughout 2021. Subsectors such as e-commerce, business productivity, and fintech have exhibited increased, and more importantly, sticky adoption during the pandemic, leading to larger valuations for bigger rounds. The software late-stage median deal size paced higher than 2020 figures at €7.3 million in H1 2021.

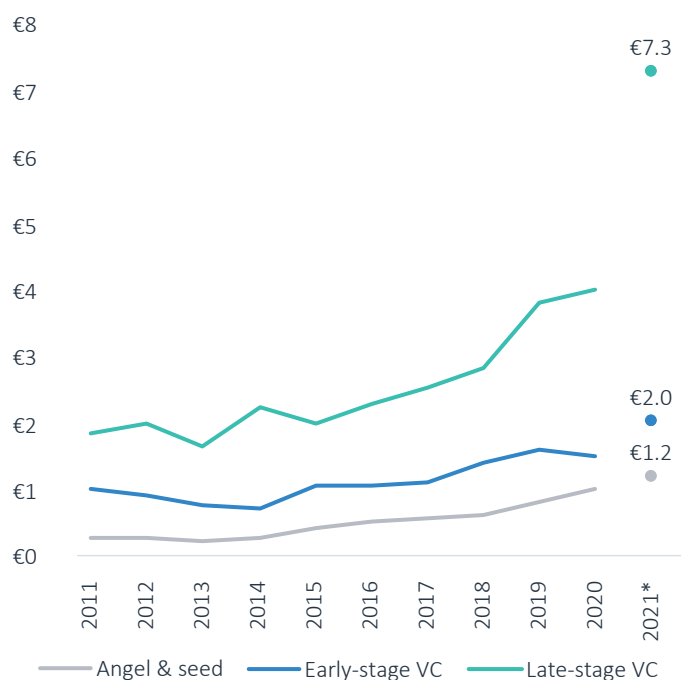
Late-stage healthcare enterprises have also drawn healthy amounts of capital. In H1 2021, the late-stage median deal size rose to €6.3 million, which will be a new annual peak if maintained throughout 2021. We believe investment will remain elevated as investors and founders concentrate on healthcare in forthcoming years to prevent and tackle future challenges.

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



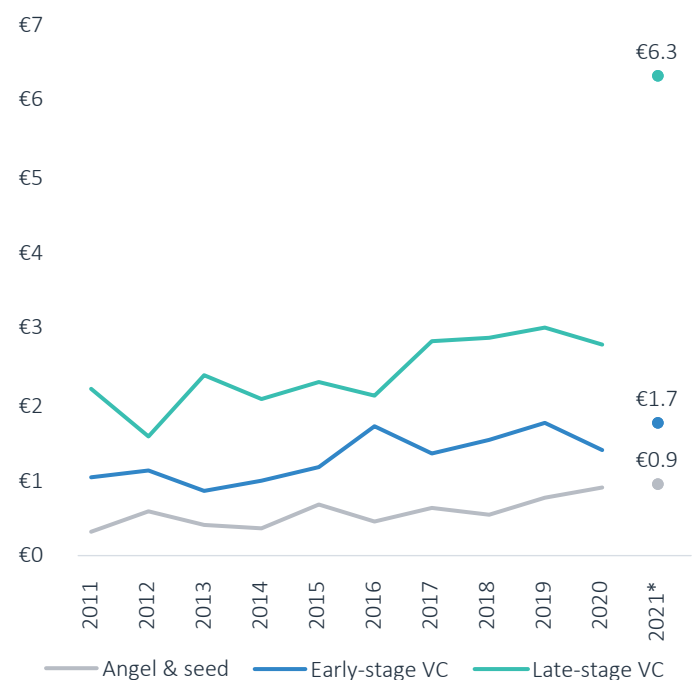
Source: PitchBook | Geography: Europe
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Median software VC deal sizes (€M) by stage



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



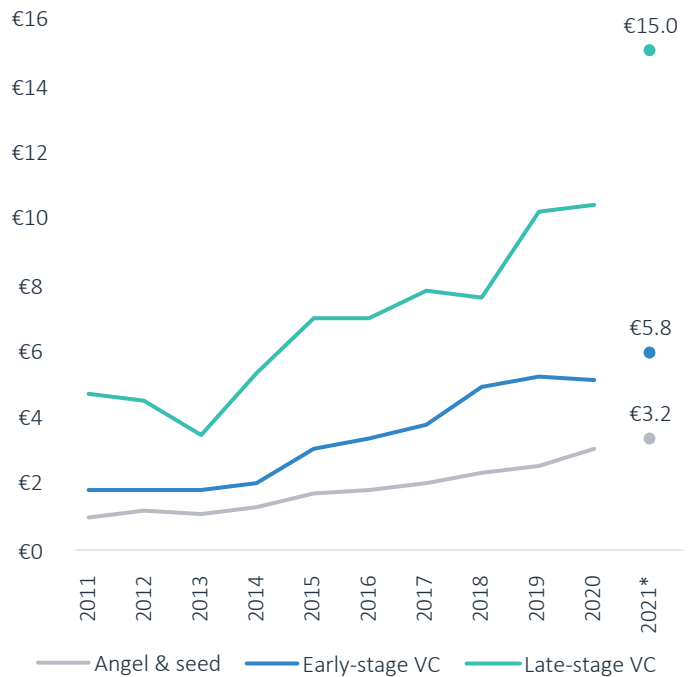
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Regions

In H1 2021, the valuations of companies based in the UK & Ireland across all financing stages paced higher than 2020 figures. Most notably, the late-stage median came in at €15.0 million through H1 2021, 45.1% larger than the record €10.4 million in 2020. VC in the region has developed strongly during the last decade, and entrepreneurs, operators, and investors remain confident of the long-term prospects as evidenced by record capital investment and 2021 valuations in the region. The UK & Ireland is the main VC deal value contributor in Europe, as discussed in our [UK & Ireland Private Capital Breakdown](#). Post-Brexit implications may create issues; however, the VC strategy has never been hotter in the UK, as stakeholders remain bullish on the long-term viability of the UK as a diversely talented international VC hub. We expect further valuation increases as COVID-19 restrictions are eased.

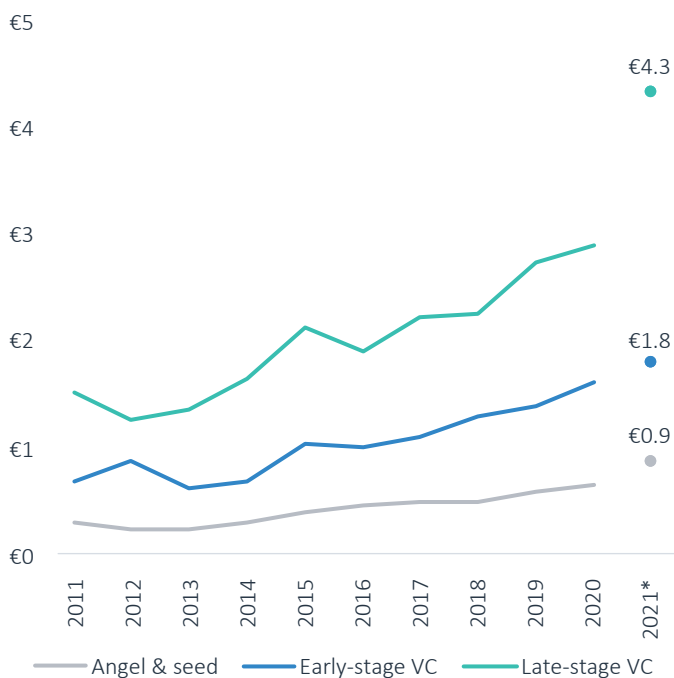
Valuations and deal size growth have been robust across Europe as well. The late-stage median deal size in the DACH region is pacing at €14.9 million through H1 2021. Additionally, deal activity was fervent in Europe, smashing numerous records; we expect more of the same in H2 2021.

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



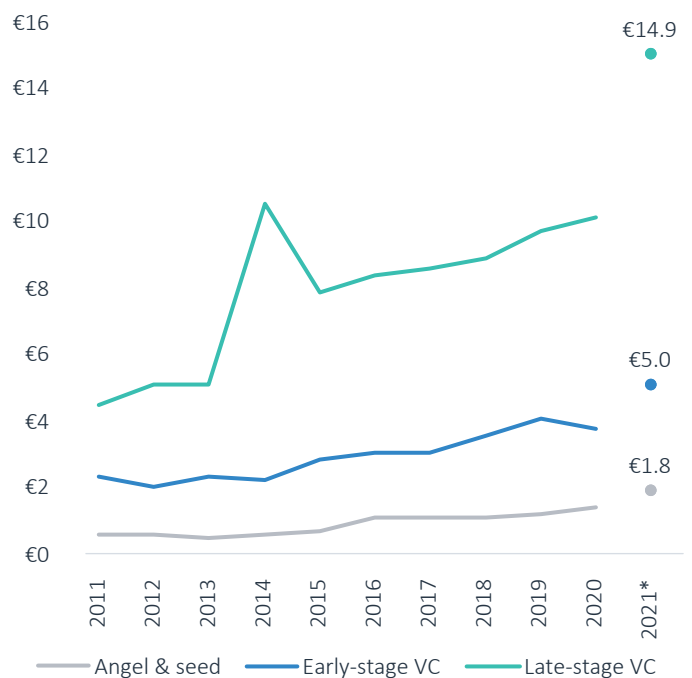
Source: PitchBook | Geography: Europe
*As of June 30, 2021

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



Source: PitchBook | Geography: Europe
*As of June 30, 2021

Median DACH VC deal sizes (€M) by stage



Source: PitchBook | Geography: Europe
*As of June 30, 2021

Nontraditional investors

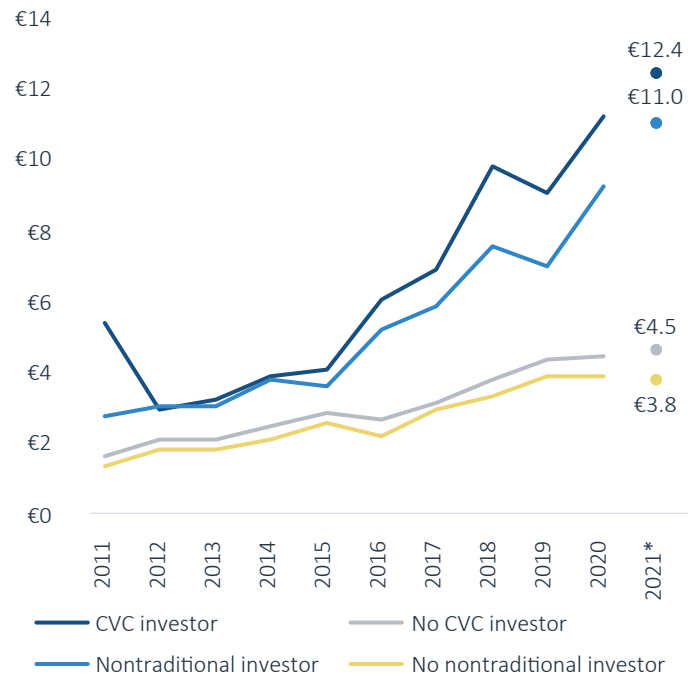
In recent years, nontraditional investors—including financial institutions such as PE firms, hedge funds, pension funds, sovereign wealth funds, investment banks, and corporate VC (CVC) arms—have increased their investment levels and round participation in European VC.

Over the last two years, the deluge of capital flowing into the VC ecosystem has created upward pressure on round sizes and valuations, resulting in record peaks. The pursuit of growth has not slowed as reduced interest rates, low return profiles in other investment strategies, and public equity volatility have pushed backers to inject capital into VC. Furthermore, macroeconomic uncertainty and potential stagflation created by the pandemic have not dampened VC investment from nontraditional sources.

Both median early- and late-stage pre-money valuations set a strong pace in H1 2021, irrespective of investor type involved, and are pacing above 2020 figures. We expect the pace set to remain above 2020 figures, given the record-breaking H1 and optimism heading into H2. New highs across valuations regardless of investor type seem inevitable at the year's end, as startups have broadly showcased growth and completed fundings to augment their valuations. While the quality of startups seeking backing stays high, expanding capital options from new and nontraditional channels has been a huge factor enabling startup growth in recent years. Aside from the obvious financial benefits of closing rounds, startups have benefitted from potential strategic partnerships with corporate investors and have leveraged nontangible assistance such as advice and mentorship.

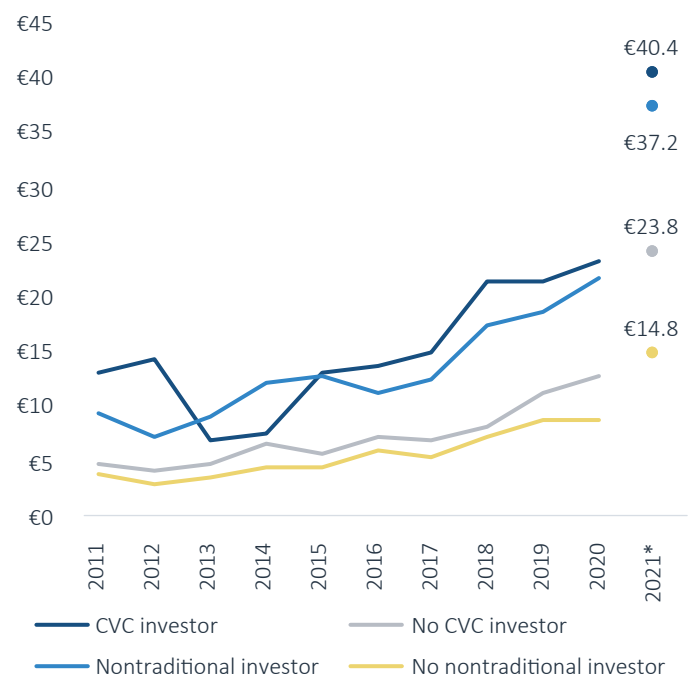
VC deals with nontraditional participation hit a record €38.6 billion in H1 2021, surpassing the record €33.6 billion from 2020. Primarily, nontraditional investors have invested heavily in the VC ecosystem to capitalise on lucrative returns; however, various nontraditional investors are also investing in new companies to bolster research & development (R&D) efforts that could drive future innovation within their own lines of business. For example, Northvolt's colossal €2.3 billion round included participation from car giant Volkswagen (ETR: VOW3). European carmakers are well aware of the aggressive shift in regulations facing vehicle emissions in Europe in the coming years. Northvolt focuses on lithium-ion battery development,

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



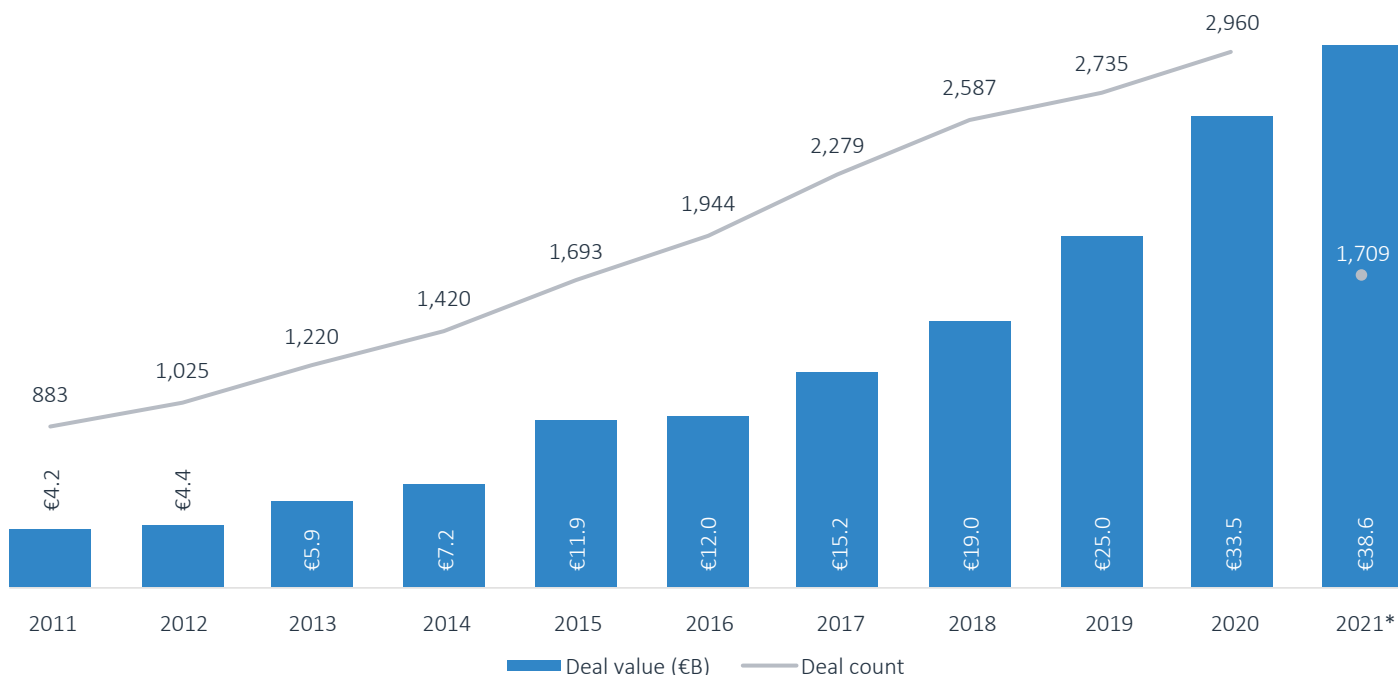
Source: PitchBook | Geography: Europe
*As of June 30, 2021

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



Source: PitchBook | Geography: Europe
*As of June 30, 2021

Nontraditional investor VC deal activity

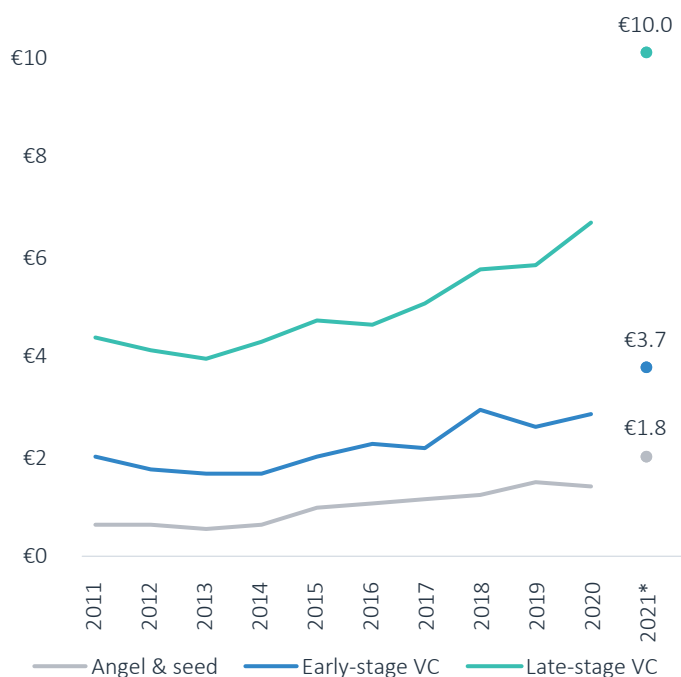


Source: PitchBook | Geography: Europe
*As of June 30, 2021

and as the electric vehicle market continues to grow, established corporates will have to shift their focus to new technologies that meet the new rules along with changing consumer preferences.

The median deal size with nontraditional investor participation across all stages ticked higher in H1 2021 than it did in 2020. Notably, the late-stage median is pacing at €10.0 million through H1 2021, equivalent to a 52.1% increase from the record €6.6 million in 2020. We expect elevated deal sizes to persist into H2, as investors and companies look to exploit strong momentum from pandemic-driven growth experienced in the last 18 months. VC-backed companies will be keen to maximise capital they can raise in the ecosystem, and investors will want to extend runways for flagship startups, many of which have displayed astounding growth during the pandemic.

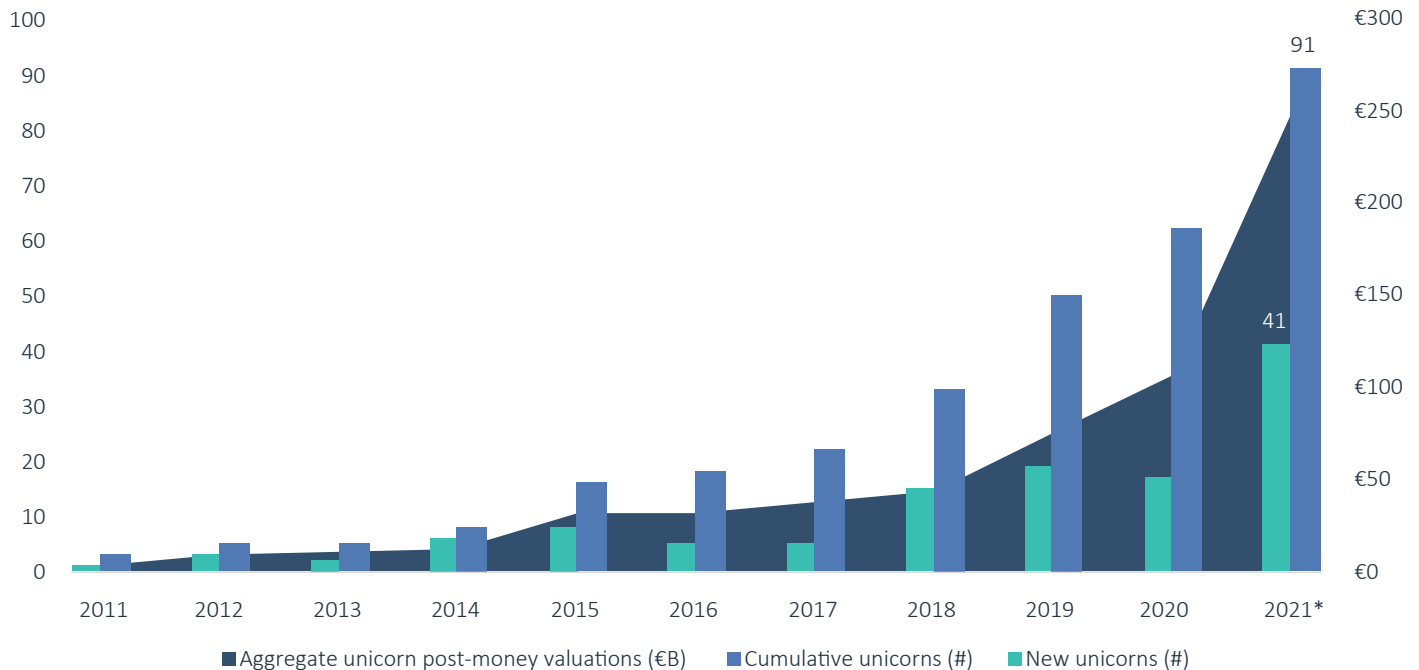
Median nontraditional investor VC deal sizes (€M) by stage



Source: PitchBook | Geography: Europe
*As of June 30, 2021

Unicorns

Unicorn count and aggregate post-money valuations

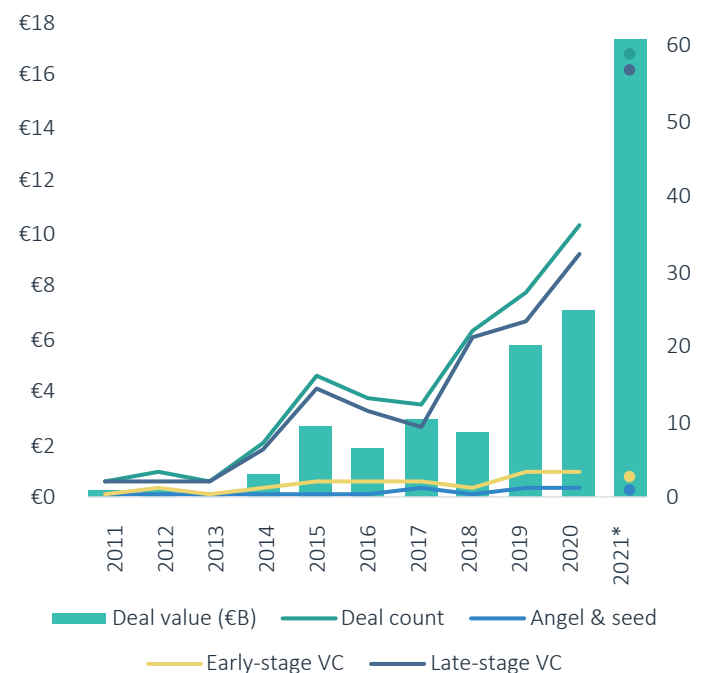


Source: PitchBook | Geography: Europe
*As of June 30, 2021

The aggregate post-money valuation of companies in Europe valued at €1 billion or more—known as “unicorns”—soared to €247.3 billion through Q2 2021, roughly doubling from Q1 2021 figures. The remarkable growth of aggregate unicorn value in the European ecosystem has garnered global attention, with some of the most valuable unicorns seeing drastically increased valuations. Moreover, a flurry of new unicorns have been minted in 2021, adding to the impressive aggregate unicorn valuation statistics in Europe.

Currently, 91 unicorns are based in Europe, including Israel, as 41 have been minted in H1 2021. The number of newly minted unicorns in H1 has already surpassed the previous annual best of 19 in 2018—yet another new record set in 2021. The rate at which unicorns have been crowned has far exceeded any forecasts, and few would have expected such frenzied unicorn creation, given the complex implications of the pandemic. 2021 is already a record year for VC in Europe, as companies push ahead with ambitious growth targets, equipped with fresh capital and swelling valuations.

Unicorn deal activity by stage



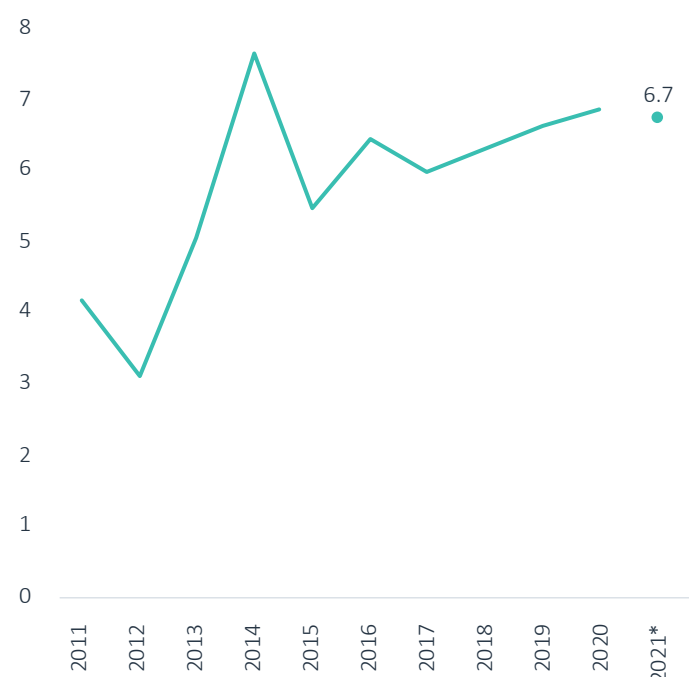
Source: PitchBook | Geography: Europe
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Unicorns

In H1 2021, a record 58 unicorn deals were completed, eclipsing the 36 completed in the entirety of 2020. As dealmaking for unicorns has increased in frequency in H1 2021, deal value has risen sharply to €17.3 billion and has already blown past the record €7.0 billion from 2020. Valuations of existing unicorns have increased dramatically in the last two years, particularly in H1 2021. For example, after Klarna's Q2 round, its post-money valuation rose to €37.5 billion, one of the highest valuations ever recorded in Europe. When Klarna does eventually decide to exit, it will be one of the largest European VC-backed exits since Spotify's (NYSE: SPOT) direct public offering (DPO) in 2018.

Late-stage capital options through enlarged VC funds and nontraditional sources have transformed unicorn valuations in Europe. As a result, more companies in Europe are now valued at €10 billion or more—these are known as decacorns. Previously, this was only regularly witnessed in the US and Asian ecosystems. Companies are exploring all capital resources before an exit; therefore, we expect valuations to continue to climb YoY along with excitement, awareness, and investment into European unicorns. It is worth noting exits can be risky events, particularly for VC-backed companies transitioning from private markets to public markets via listings. Thus, companies are often keen to ensure they have maximised their VC investment runway, while also timing an exit to take advantage of market conditions, leading to increased valuations at the top end of the ecosystem.

Median years for VC-backed companies to achieve unicorn status



Source: PitchBook | Geography: Europe
*As of June 30, 2021

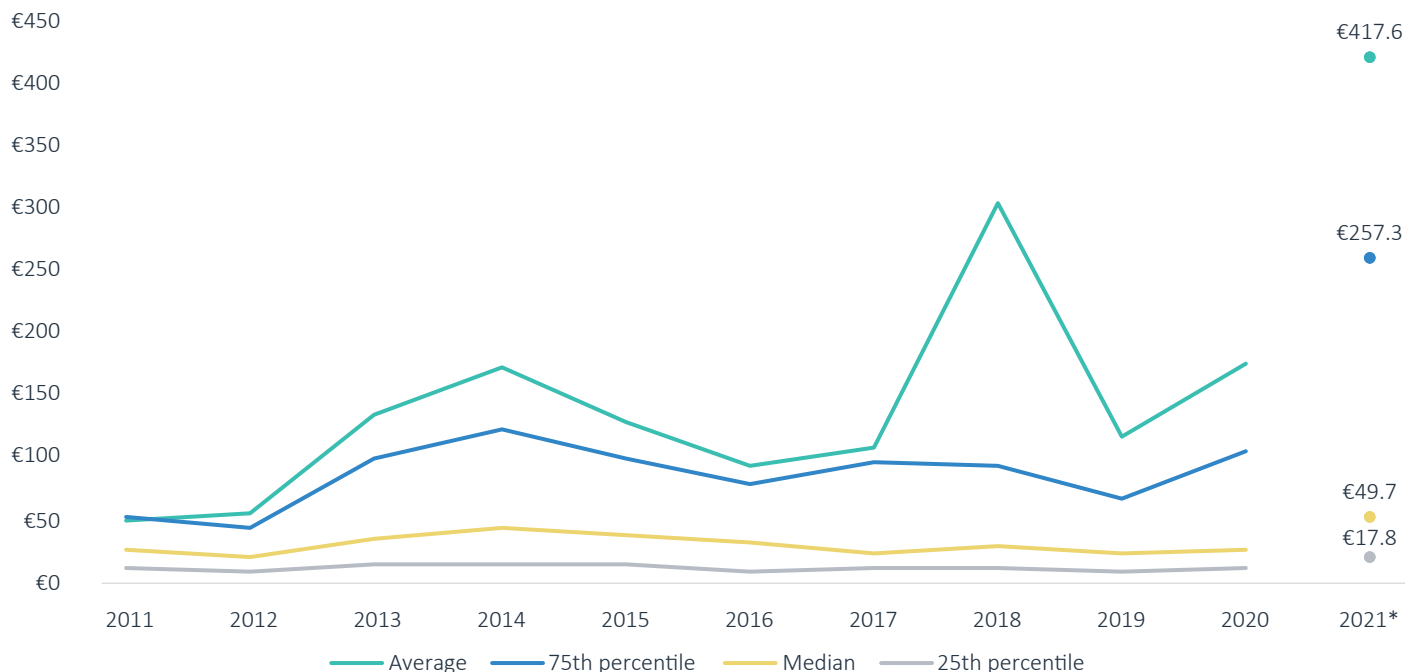
Top five largest rounds for unicorns in Q2 2021

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	Commercial products	Stockholm, Sweden
MessageBird	€1,030.6	€2,348.0	€3,186.6	Software	Amsterdam, Netherlands
Celonis	€822.6	€8,226.4	€9,049.1	Software	Munich, Germany
Trade Republic	€744.0	€3,389.3	€4,381.3	Software	Berlin, Germany
Mollie	€665.0	€4,735.0	€5,400.0	Software	Amsterdam, Netherlands

Source: PitchBook | Geography: Europe

Liquidity

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

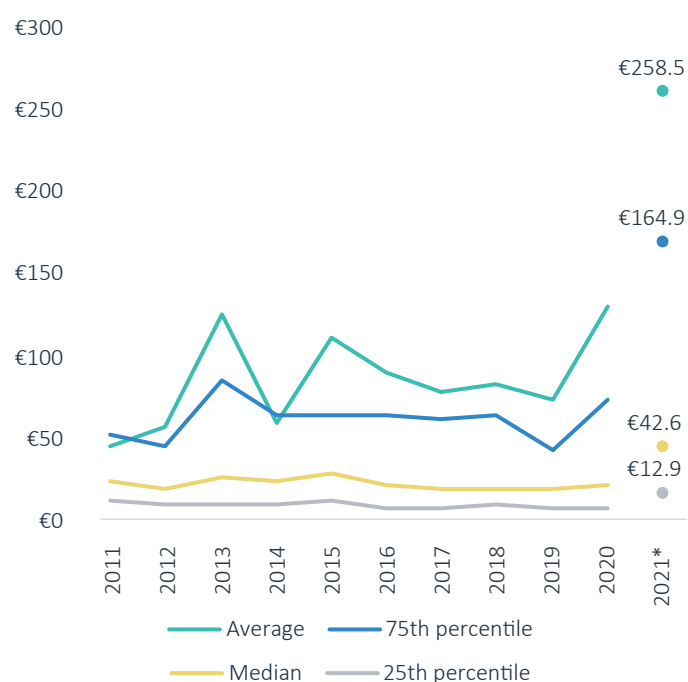


Source: PitchBook | Geography: Europe
*As of June 30, 2021

Across all quartiles, post-money valuations upon exit in H1 2021 paced well above 2020 figures. Post-money exit valuations at the upper quartile paced at €257.3 million in H1 2021, representing the largest increase across quartiles from 2020 figures at 152.2%. Although fluctuations are expected during the remainder of 2021, the sizable increase illustrates that exits for the most-valuable VC-backed companies in Europe have grown in size. The rejuvenated exit market has been driven by high-profile exits including Israel-based productivity tool Monday.com's (NASDAQ: MNDY) IPO at a €5.1 billion pre-money valuation in Q2, which followed the major exits of Deliveroo (LON: ROO) and AUTO1 Group (FRA: AG1) in Q1.

As dealmaking in the VC ecosystem set record after record in H1 2021, overall exit value generated in Europe topped €46.8 billion, beating the previous best of €43.1 billion in 2018, with six months of 2021 remaining. Tech companies have taken advantage of favourable market conditions and looked to generate enhanced returns after the pandemic pushed individuals online. A dearth of exit events during the pandemic produced pent-up demand, and as certain companies experienced heightened attention, they pushed ahead with exits amid reduced competition. Furthermore, with a return to normality on the horizon, given vaccination success, companies that chose to exit may not experience such growth again as parts of economies affected by lockdowns reopen.

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



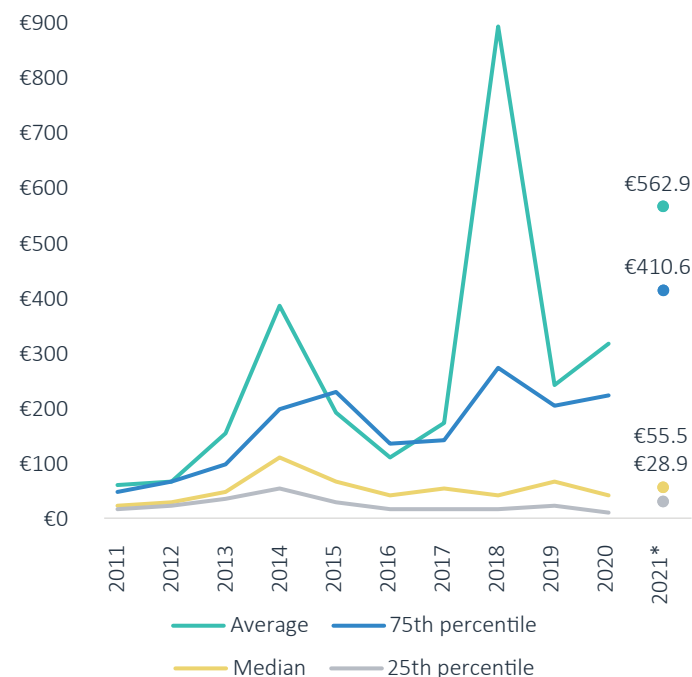
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Liquidity

Monday.com's IPO was the largest exit in Q2 and highlights the common tech company exit strategy that makes the most of pandemic-induced growth. The pandemic has increased the adoption of such platforms, with record growth rates and increased client bases, combined with a scarcity of opportunities from other struggling sectors. Software-based VC-backed companies have identified 2021 as the perfect year to cash in on rapid growth—as evidenced by record exit value—ahead of a potential plateau in online traffic as millions of people potentially return to the workplace. Nonetheless, certain aspects of pandemic life, including working from home, have demonstrated long-term stickiness, and tools such as Monday.com that can be used in both home and office settings could prove to be the best long-term bet.

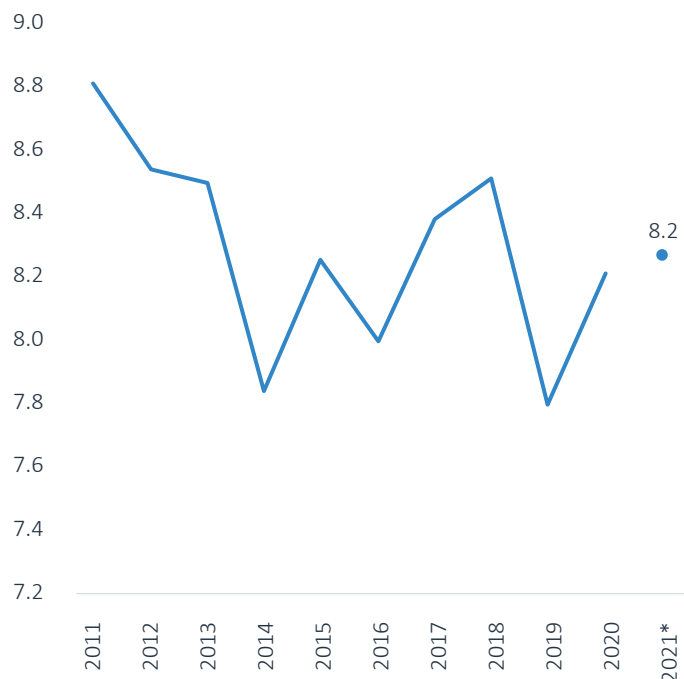
Post-money exit valuations via IPO paced well above 2020 figures in H1 2021, with the median reaching €43.1 million. Throughout the pandemic, public equities have been choppy; however, big tech companies have largely increased their market capitalisations. Consequently, this has led numerous tech-based VC-backed companies to exit at robust valuations and take advantage of the increased focus on technology as a sector. We expect the tech sector to globally dominate corporate growth moving deeper into 2021, and VC-backed companies built upon innovative new technologies disrupting sectors are well positioned to press ahead with exit plans and generate returns to LPs.

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



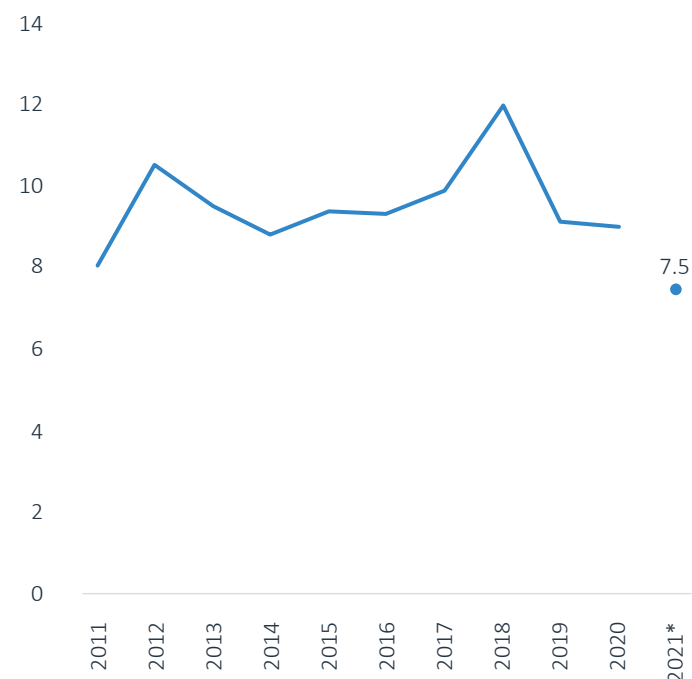
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Median years between VC-backed company founding and exit



Source: PitchBook | Geography: Europe
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Median years between VC-backed company founding and IPO exit



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Additional research

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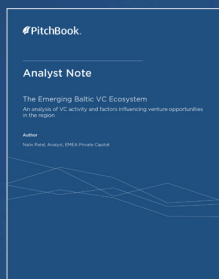
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