PitchBook

European VC Valuations Report

Q3 2021

Contents

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Introduction

Venture capital (VC) valuations in Europe continued to attain record highs at each quartile and across all financing stages through Q3 2021. Records have been smashed in the European VC ecosystem in 2021, as robust valuations have been tied to outsized rounds across funding stages. VC investors have remained bullish, and VC-backed companies have increased their valuations, while pandemic-induced growth has enabled tech-based businesses to prosper.

Nontraditional investment has increased to set record highs. The abundance of nontraditional capital entering VC rounds has been one of the key drivers of maturation within European VC. Nontraditional investors have been attracted to strong return profiles in VC, as volatility within other investment strategies, the threat of stagflation, and low interest rates have persisted.

With a new record already set, growth in the aggregate value and quantity of unicorns cooled in Q3 2021. Nonetheless, a record number of unicorns have been minted in 2021 YTD. European unicorns have attracted global attention and healthy investment, and have pushed ahead with aggressive growth strategies amid a challenging macroeconomic environment in 2021.

Post-money valuations across all quartiles upon exit through Q3 2021 are trending above 2020 figures amid a fervent exit environment in Europe. VC-backed companies have quickly consolidated and accelerated towards an exit to capitalise on pandemic-induced growth witnessed during the past 21 months. A healthy pipeline of public listings carrying robust valuations has emerged in 2021.

Nalin Patel
Senior Analyst, EMEA Private Capital

Overview

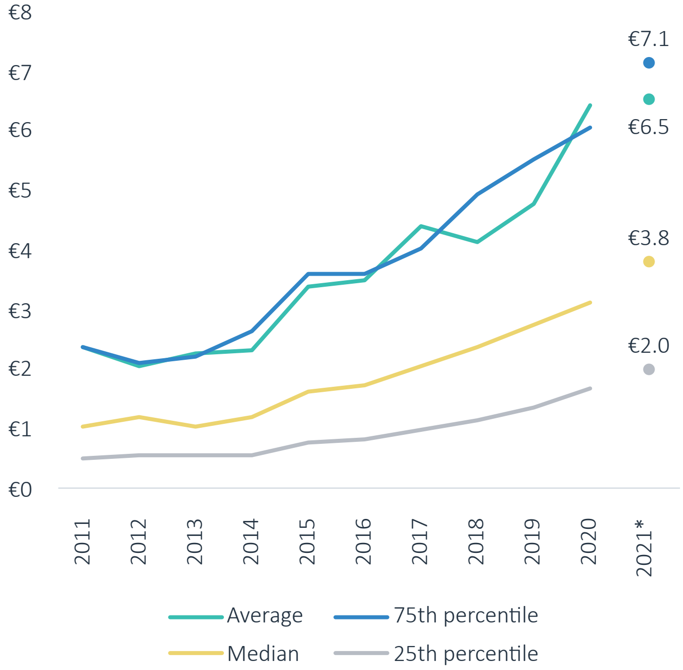
Through Q3 2021, European VC pre-money valuations paced to record peaks at each quartile and across all financing stages. Valuations increased from record figures logged in 2020, as a variety of records including overall deal and exit value have already been broken in the European VC ecosystem in 2021. The continued development of VC valuations is more remarkable given the evolving threat of stagflation, combined with the winding down of monetary policy and COVID-19 stimulus packages affecting wider business sentiment. However, VC investors have remained bullish, and VC-backed companies have increased their valuations, as pandemic-induced growth has enabled tech-based businesses to prosper.

Capital flows into VC during the pandemic have accelerated as entrepreneurs, founders, startups, and investors have identified major opportunities to disrupt sectors heavily affected by the pandemic. Nontraditional and international backers have pumped capital into VC in search of outlier returns. Big tech companies have grown revenues handsomely during the past two years, and startups have shown strong potential alongside rapid growth in sectors including fintech, biotech & pharma, e-commerce, and cybersecurity. As Europe hopefully emerges from the worst of the pandemic, we are also seeing strong valuation growth and dealmaking for startups in areas wanting to rebound strongly from the pandemic. For example, a glut of capital has been poured into mobility startups focusing on food delivery and workplace management tools that offer solutions that can be used remotely at home or in the office.

Angel & seed

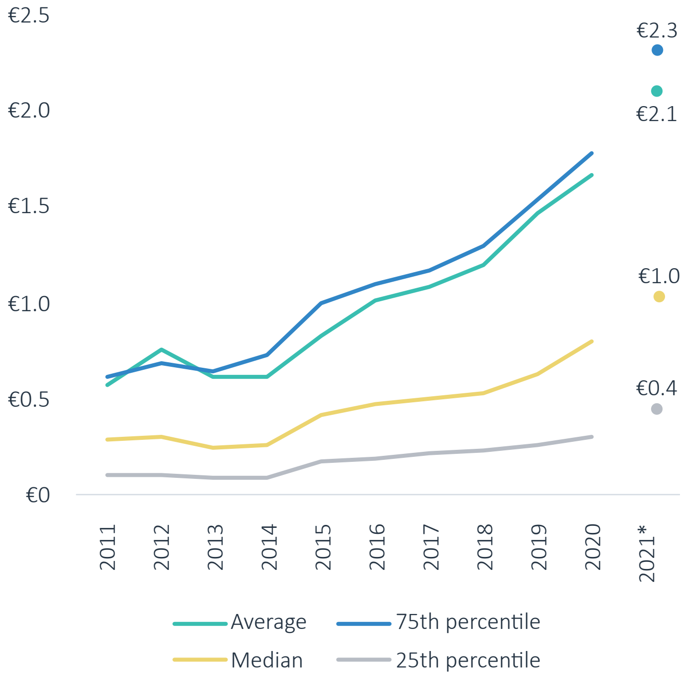
The valuations of new startups attracting angel & seed financing have prospered through Q3 2021 as more capital has entered the earlier stages of the VC lifecycle. Investors' intentions have been clear with significant capital outlays on startups that have shown potential to develop into major brands via mass adoption and rapid scaling. Moreover, promising startups founded during the pandemic that offer solutions to the future of healthcare, the workplace, or consumer spending have drawn capital, causing their respective valuations to jump. As the digitised global economy evolves, new industries have emerged as startups linked to cryptocurrencies, payments, clean energy, and food production have attracted capital. The median angel & seed pre-money valuation paced at €3.8 million through Q3 2021, 22.5% higher than the record set in 2020. Further, angel & seed deal sizes across all quartiles are higher relative to 2020, with the median pacing at €1.0 million through Q3 2021.

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



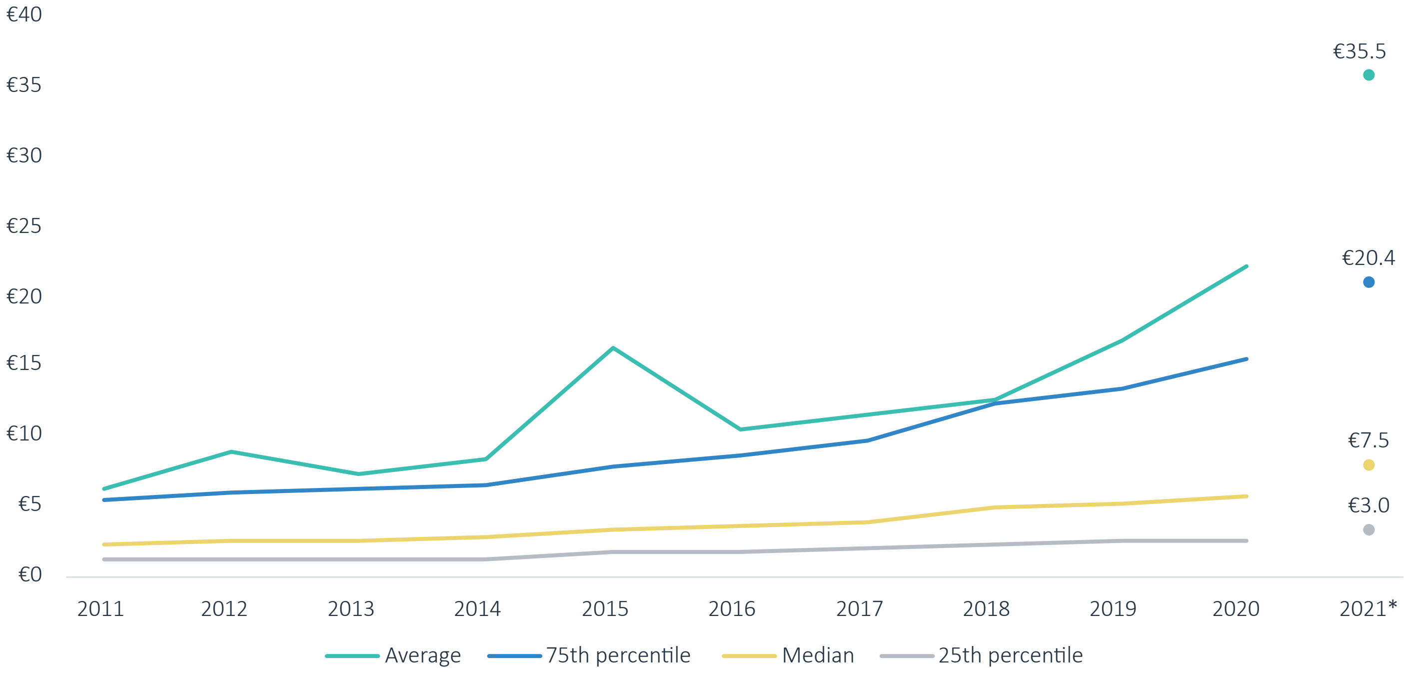
Source: PitchBook | **Geography**: Europe
*As of September 30, 2021

Range of angel & seed deal sizes (€M)



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

Range of early-stage VC pre-money valuations (€M)



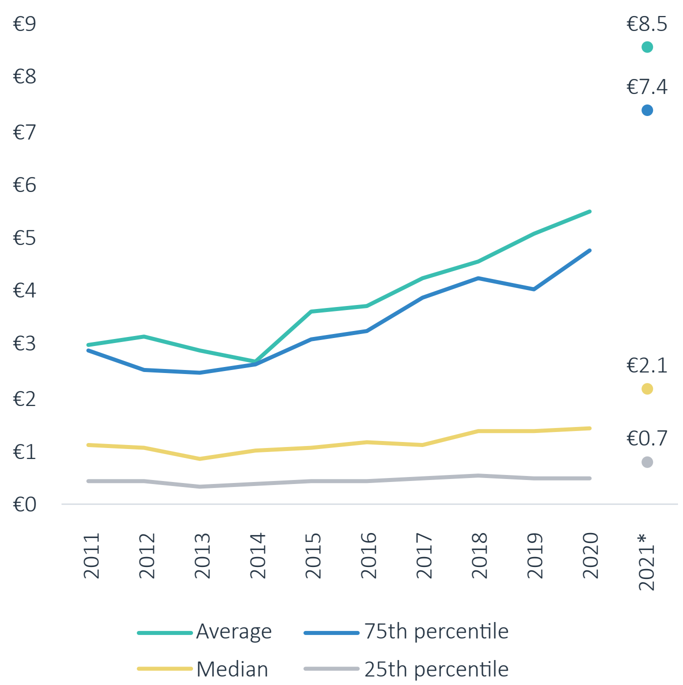
Source: PitchBook | **Geography**: Europe
*As of September 30, 2021

Early-stage VC

Early-stage rounds and valuations have continued to increase in size through Q3 2021. Early-stage investors and startups have developed robustly during the past five years, as the overall ecosystem has matured via increased capital inflows and a wider breadth of investors backing a diverse range of startups. We expect the early stage to mature further in the coming quarters, as increased competition drives up round sizes and valuations of fast-growing VC-backed companies looking to dominate specific subsectors. Early-stage VC valuations across all quartiles trended higher through Q3 2021 relative to 2020's peak figures, with the median reaching €7.5 million. Further, early-stage deal sizes across all quartiles were larger in Q3 2021, as the median paced at €2.1 million, 50% higher than the figure logged in 2020.

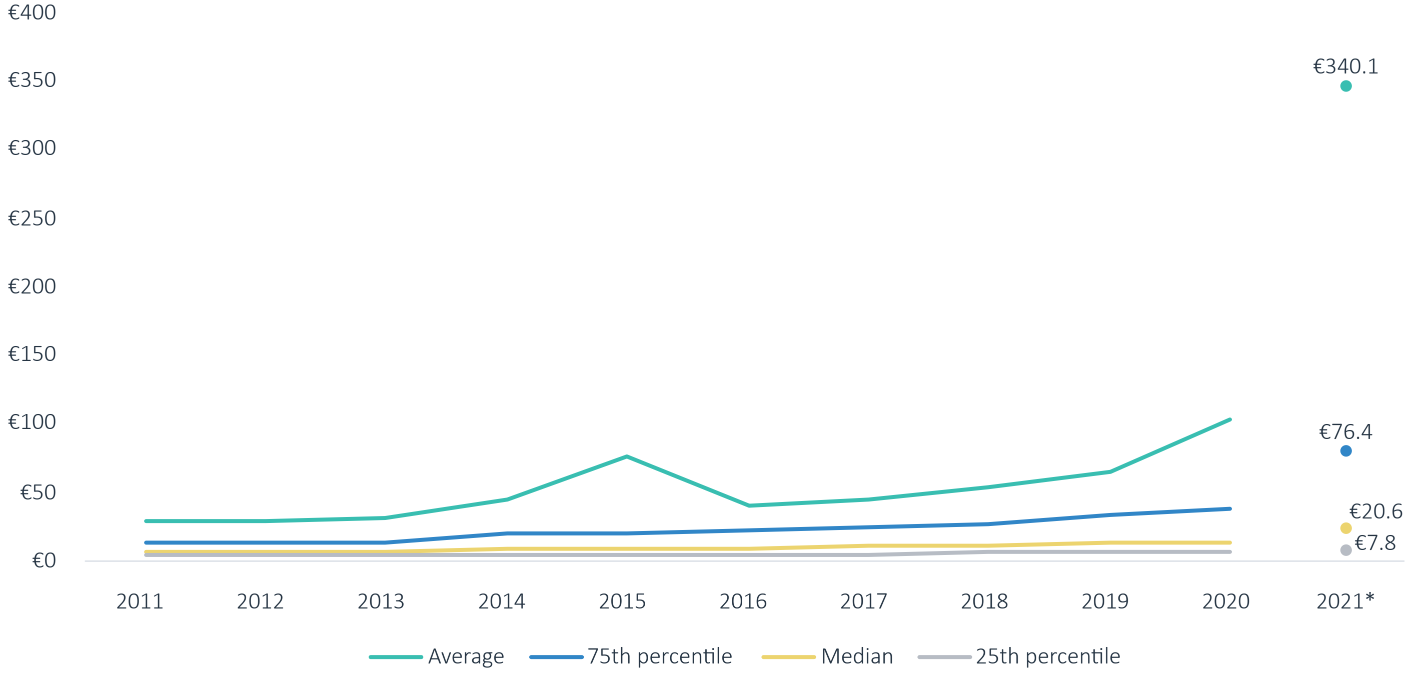
One notable early-stage deal involved Austria-based Bolttech, which extended its Series A funding to €178.0 million ($210 million) with a post-money valuation of €1.1 billion. Bolltech's round was one of the largest early-stage financing rounds for an insurtech platform, further highlighting how capital is flowing freely into startups disrupting traditional sectors with technological innovation. As evidenced by Bolltech's funding, early-stage startups are now capable of reaching unicorn status with their first major VC round. We believe similar-sized deals carrying swelling valuations will occur with increased frequency in Europe.

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



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

Range of late-stage VC pre-money valuations (€M)



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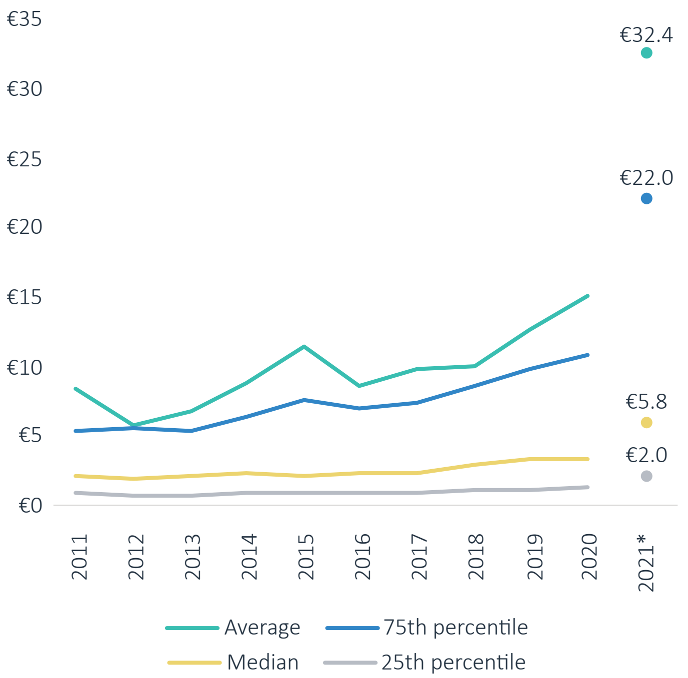
Late-stage VC

Round sizes and valuations tied to late-stage startups have been staggering during 2021 YTD. Late-stage growth has been fuelled by investors pumping capital into record outsized rounds conducted at record valuations never seen in Europe before. The variety of investors has expanded for late-stage VC-backed companies, leading to the most valuable companies maximising growth runways in VC before exiting. Consequently, we are seeing rounds close with record valuations, as late-stage companies extract maximum growth from the VC ecosystem. Late-stage valuations across all quartiles through Q3 2021 are pacing above 2020 figures, as uncertainty stemming from COVID-19, inflation, and supply chain issues have not dampened valuation development and revenue growth for Europe's best late-stage VC-backed companies.

The median late-stage valuation reached €20.6 million through Q3 2021, pacing 67.9% higher than the record set in 2020. Meanwhile, late-stage deal sizes are also tracing higher than 2020 records, with the median reaching €5.8 million, 76.9% larger than the record set in 2020. In Q3 2021, fintech giant Revolut grew its valuation to an astonishing €27.8 billion when it completed a €672.9 million round. We anticipate valuations tied to the most valuable VC-backed companies to increase further in the coming quarters as growth rates remain strong and rounds close at an increased clip.

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



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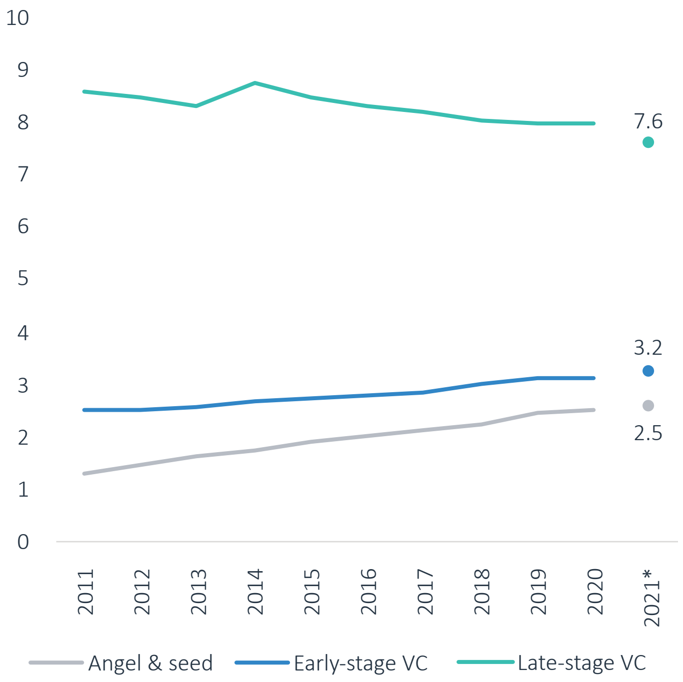
Time between rounds

Time between financing rounds has remained consistent in recent years, and this continued in Q3 2021 despite shattered records and increased capital in the VC ecosystem. As investment levels and overall valuations have increased, companies have been able to develop within largely similar time frames. Thus, we have seen improved rates of revenue and valuation growth in the VC ecosystem. The median time between founding and completing a late-stage round fell marginally from 8.0 years in 2020 to 7.6 years through Q3 2021. As late-stage companies develop revenues and acquire customers faster, time periods could potentially drop further.

While the time between rounds has remained steady in recent years, we have witnessed outlier startups, including the aforementioned Bolttech, demonstrate increased velocity of value creation. Rapid online scaling and strong capital backing have enabled certain companies to reach milestones such as unicorn status at a faster rate than ever before.

Median years from VC-backed company founding by stage



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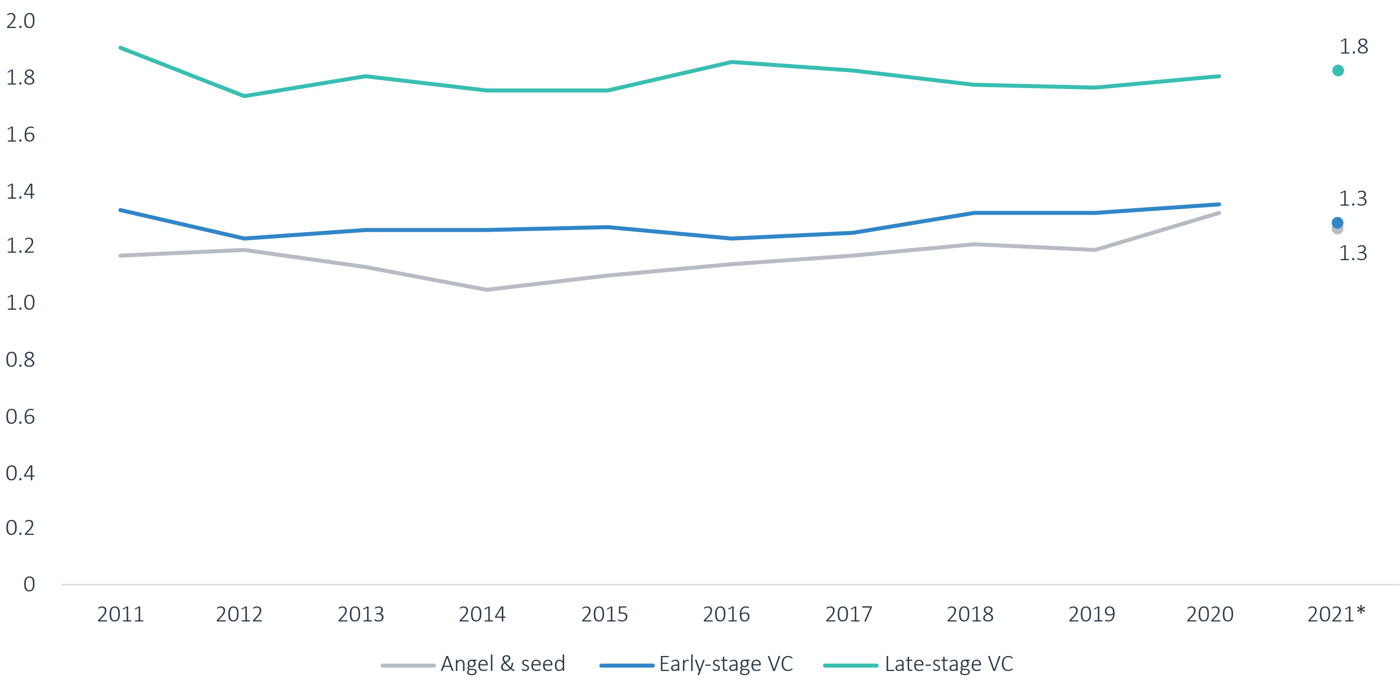
Median years between VC rounds by stage



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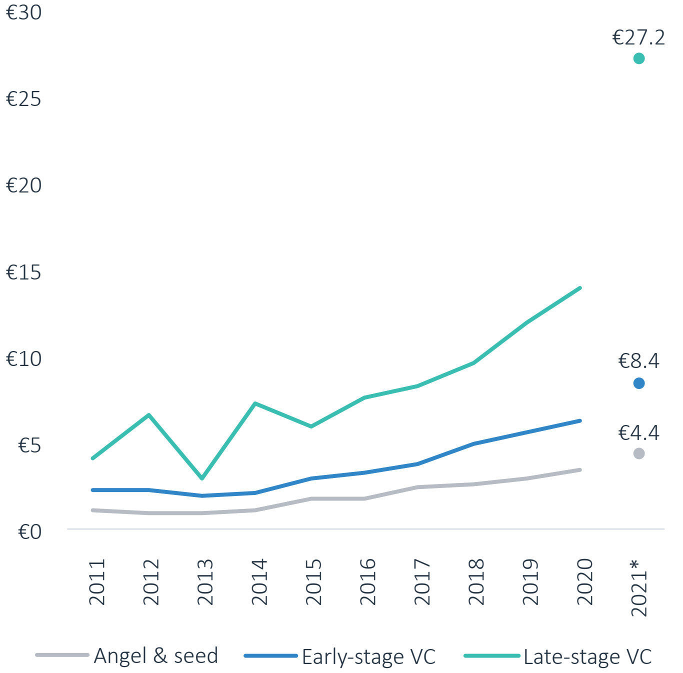
Sectors

Software late-stage pre-money valuations climbed to a lofty €27.2 million through Q3 2021, nearly double the record figure from 2020. Disruptive software businesses targeting longstanding sectors have been a core component of the growing VC ecosystem. Previously, the US was viewed as the main exporter of innovative software and large tech companies. However, with late-stage capital pouring into larger European software companies, we are seeing a number of companies emerge strongly in subsectors such as fintech, mobility, business productivity, and cybersecurity. We believe software companies will remain the primary driving force behind dealmaking and valuation growth as new streamlined solutions are brought to market.

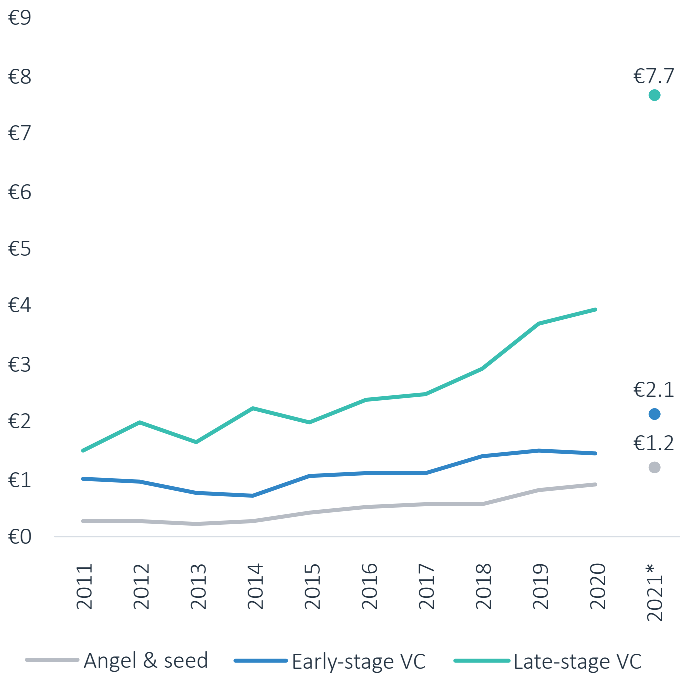
Late-stage biotech & pharma businesses have also drawn healthy amounts of capital in 2021 YTD. In Q3 2021, the late-stage median deal size rose to €9.0 million, 52.1% greater than the record in 2020. Investment is likely to remain high in the industry as governments, companies, investors, and founders concentrate on avoiding or confronting near- and long-term challenges from COVID-19 and other health-related issues in the coming years.

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



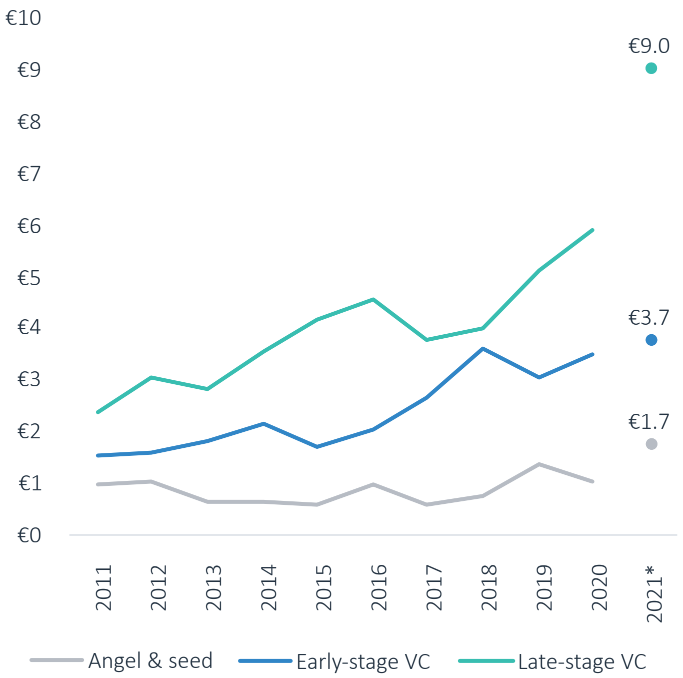
Source: PitchBook | **Geography**: Europe
*As of September 30, 2021

Median software VC deal sizes (€M) by stage



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

Median biotech and pharma VC deal sizes (€M) by stage



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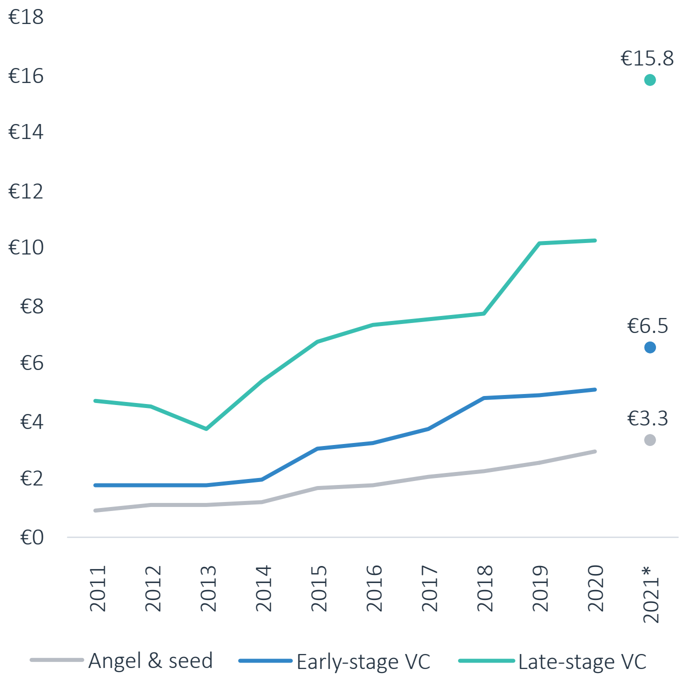
Regions

In Q3 2021, valuations in the UK & Ireland across all quartiles paced strongly above 2020 figures. The late-stage median valuation spiked to €15.8 million, 52.9% higher than the peak in 2020. Further, the late-stage median deal size is pacing 57.4% higher than 2020 and currently sits at €4.2 million. It is clear that the UK & Ireland has remained the main VC hub of Europe despite Brexit. Although some operations have had to move back into the EU, VC dealmaking and valuations have developed impressively. It remains to be seen if Brexit will cause long-term scarring in the VC industry, particularly in the UK, but the VC ecosystem appears to be coping well in the post-Brexit era. Numerous records have been broken in 2021, as the region has been able to develop new startups, retain talent, and draw in capital.

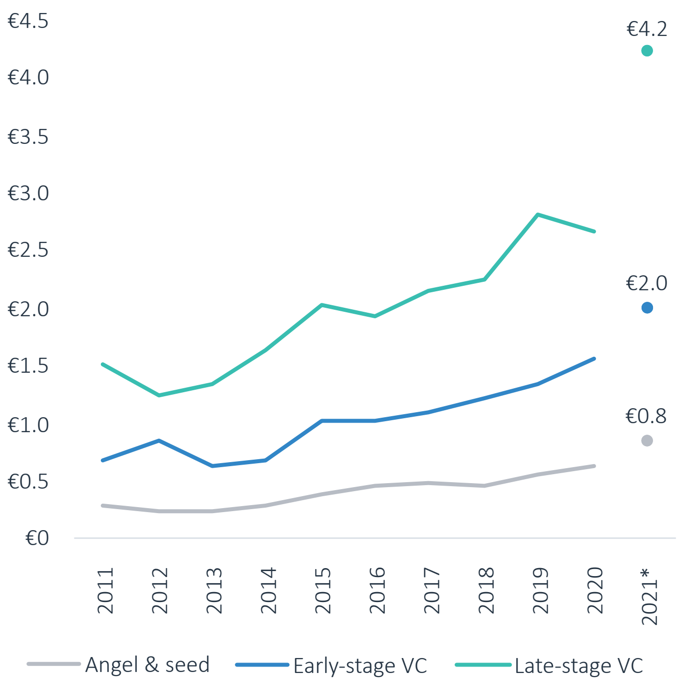
Nonetheless, valuations and deal sizes have been robust across Europe too. The late-stage median deal size in the France & Benelux region is pacing at €6.5 million through Q3 2021, more than double the €3.0 million figure recorded in 2020. Deal activity has been fervent across Europe in 2021 as numerous records have already been smashed. The France & Benelux region has been no exception, as discussed further in our 2021 France & Benelux Private Capital Breakdown.

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



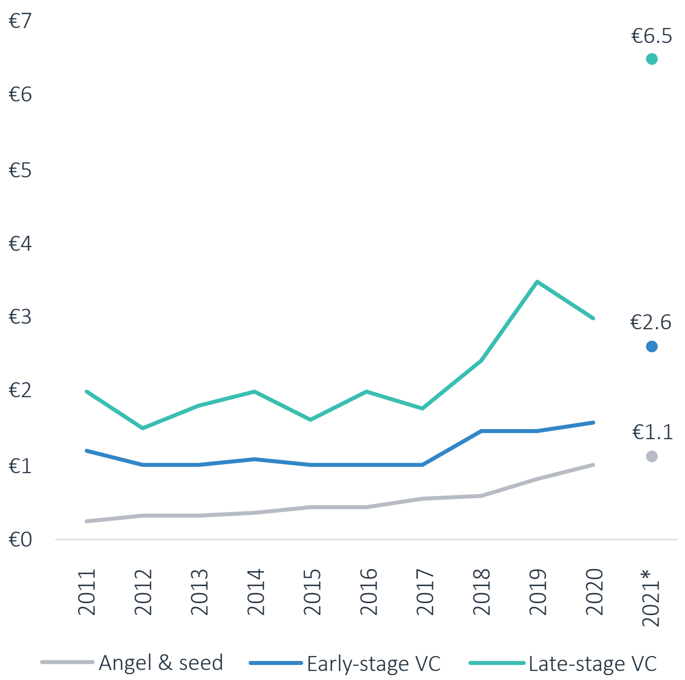
Source: PitchBook | Geography: UK & Ireland
*As of September 30, 2021

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



Source: PitchBook | Geography: UK & Ireland
*As of September 30, 2021

Median France & Benelux VC deal sizes (€M) by stage



Source: PitchBook | Geography: France & Benelux
*As of September 30, 2021

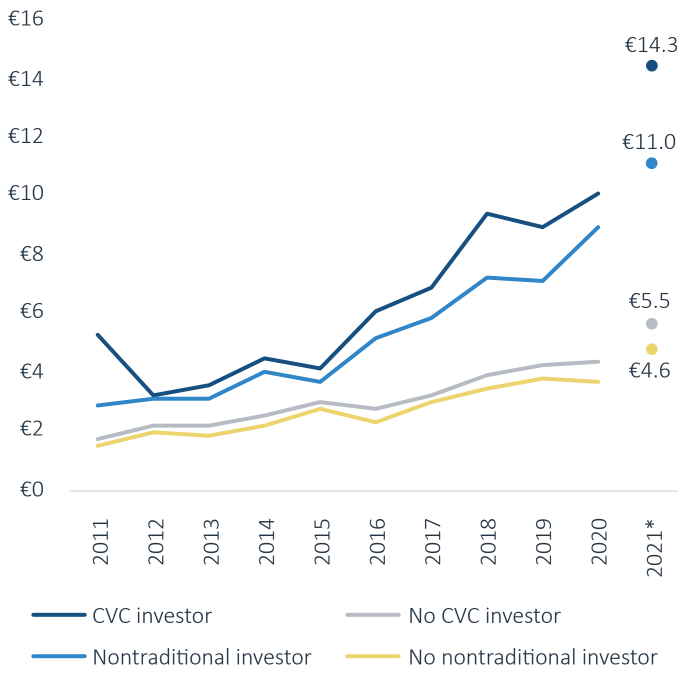
Nontraditional investors

Financial institutions including PE firms, hedge funds, pension funds, sovereign wealth funds (SWFs), investment banks, and corporate VC (CVC) arms, among others—collectively known as nontraditional investors—have drastically increased their exposure to the VC ecosystem in recent years. The abundance of nontraditional capital entering VC rounds has been one of the key drivers of maturation within European VC in the past five years.

VC deals with nontraditional investors have risen in value and volume, creating record round sizes and valuations in Europe. Nontraditional investors have been attracted to strong return profiles in VC, as volatility within other investment strategies and low interest rates have persisted. VC investments present an attractive opportunity for investors armed with large sums of capital seeking outsized long-term returns and diversification from primary investment areas. As traditional sectors such as energy struggle with volatility, investors have been looking at long-term solutions with wide economic moats that can deliver sustainable returns. Moreover, investors including SWFs whose countries' economies rely on natural resources such as oil are actively building out long-term investment portfolios to futureproof against shifting regulations and global climate targets.

The median angel & seed, early-, and late-stage pre-money valuations set a strong pace through Q3 2021, irrespective of investor type involved, and are pacing well above 2020 figures. Such is the strength of the valuation environment in Europe, we expect new valuation highs, regardless of investor type, across all financing stages at the year's conclusion. Startups across a variety of sectors and at different lifecycles have broadly shown strong growth and completed fundings to boost their valuations in 2021 YTD. The quality of startups seeking backing has remained elevated, and this has been illustrated by the willingness of existing, new, and nontraditional investors to deploy record sums of capital. Healthy investment options have also helped CVCs identify and partner with startups that can offer synergies, viable strategic partnerships, and exciting growth prospects.

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



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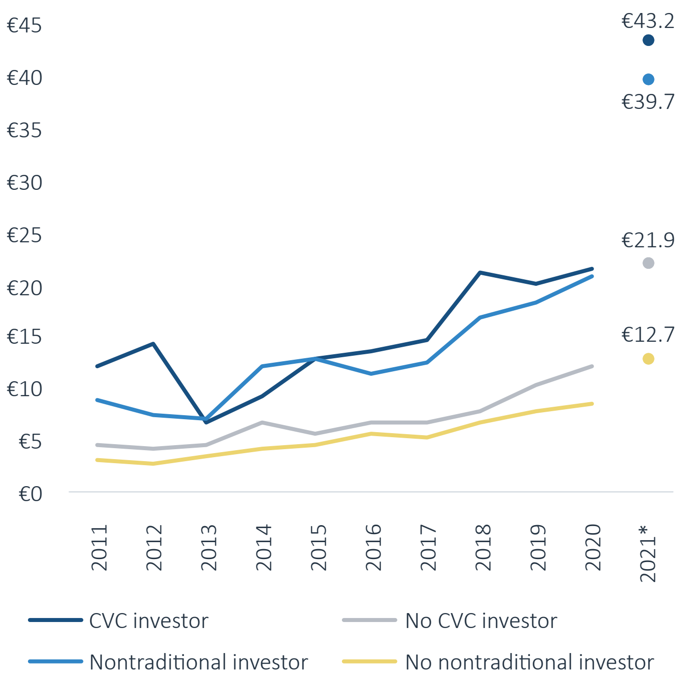
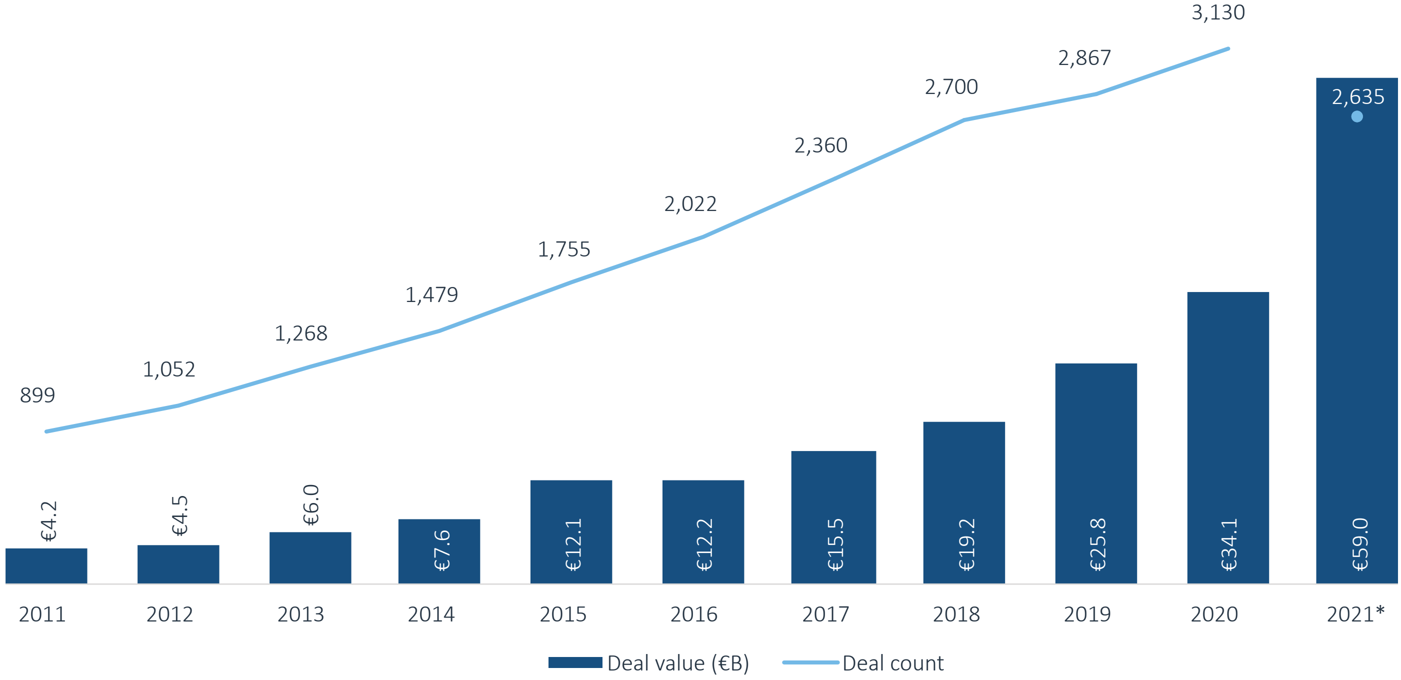
Median late-stage VC pre-money valuations (€M) by investor participation



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

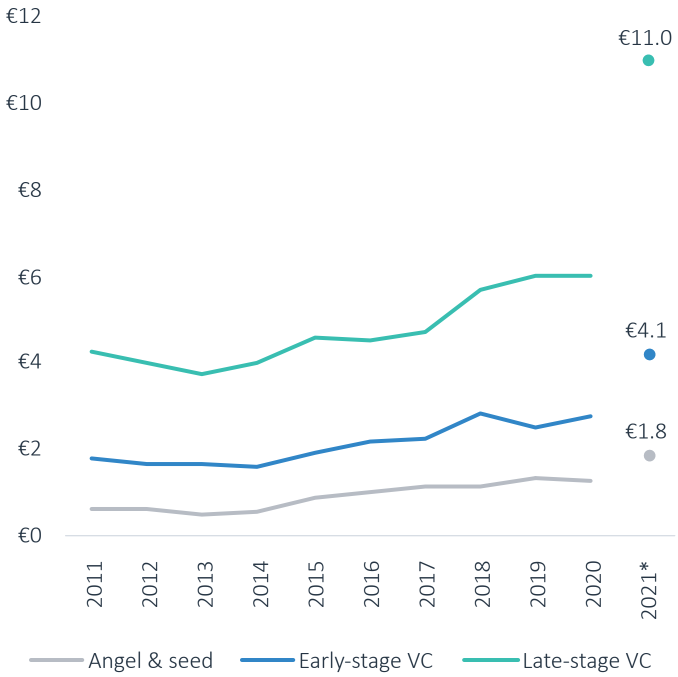
Nontraditional investor VC deal activity



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

VC deals with nontraditional participation charged on and reached €59.0 billion in Q3 2021, having already surpassed the previous annual best in Q2. The median deal size with nontraditional participation across all financing stages is pacing higher through Q3 2021 than 2020 figures. One notable Q3 deal involved Berlin-based grocery delivery company Gorillas, which completed a €805.3 million round at a €2.5 billion post-money valuation. Numerous investors—including delivery giant Delivery Hero (ETR: DHER)—participated in the round, further highlighting how established companies continue to take minority stakes in newly emerging businesses in their respective sectors. Corporates are investing in new companies to bolster research & development, grow market share, leverage common networks, and ride the wave of growth new businesses often have, which can all aid long-term profits.

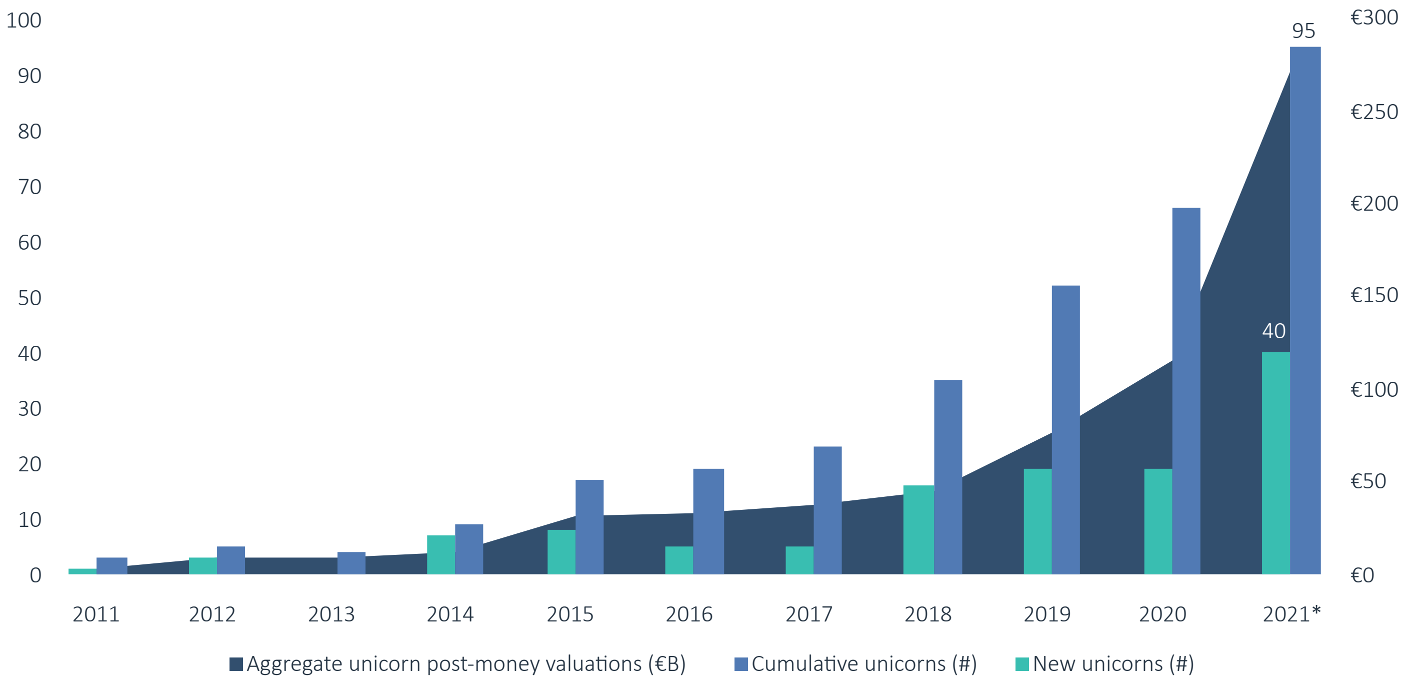
Median nontraditional investor VC deal size (€M) by stage



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

Unicorns

Unicorn count and aggregate post-money valuation (€B)

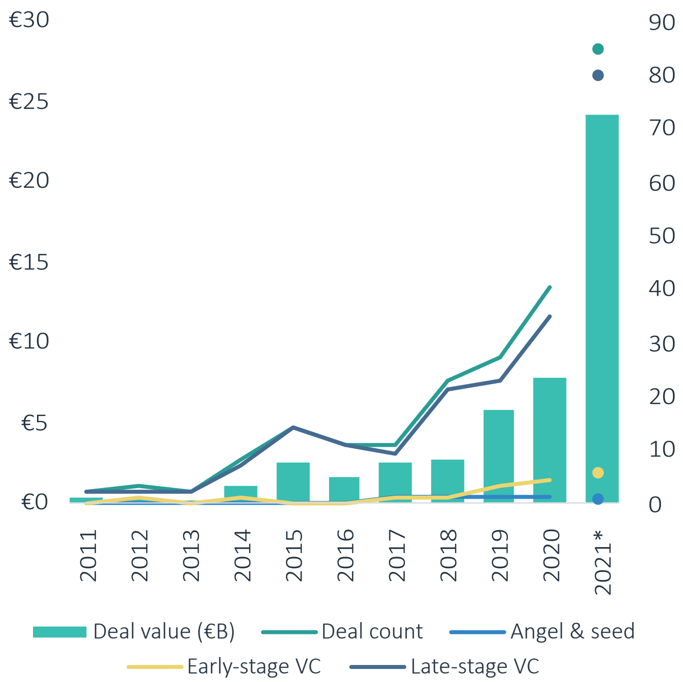


Source: PitchBook | **Geography**: Europe
*As of September 30, 2021

The aggregate post-money valuation of companies in Europe valued at €1 billion or more—known as "unicorns"—grew to €270.8 billion through Q3 2021, as growth cooled after the extraordinary spike in Q2. On an annual basis, the aggregate post-money valuation of unicorns has swelled considerably in 2021 YTD, and if the current pace continues, at the year's end it could be triple the €115.5 billion registered at the end of 2020. European unicorns have attracted global attention and healthy investment as they have developed strongly amid a challenging macroeconomic environment in 2021.

95 unicorns are currently based in Europe, including Israel. This is up from 66 in 2020 and 52 in 2019. Newly minted unicorns have been strong with 40 added in 2021 YTD. The rate at which unicorns have been crowned in 2021 has been surprising given pandemic-related economic and job uncertainty for many. However, European VC, and in particular unicorns, have broadly thrived during the pandemic. Certain companies linked to tech have experienced pandemic-induced growth and, equipped with substantial capital and soaring valuations, have pushed ahead with aggressive growth strategies, including hiring sprees and geographical expansion.

Unicorn VC deal activity by stage



Source: PitchBook | **Geography**: Europe
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Top five largest rounds for unicorns in Q3 2021

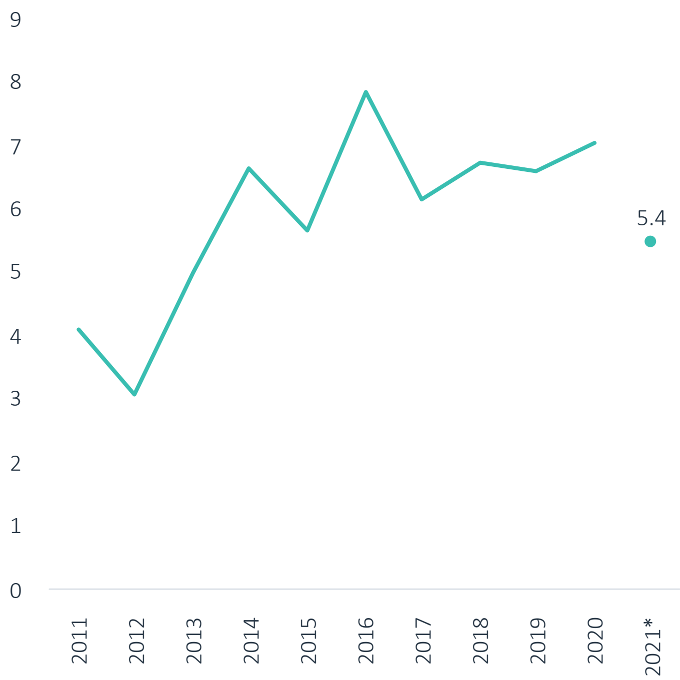
Company	Deal size (€M)	Pre-money valuation (€M)	Post-money valuation (€M)	Industry group	Location
Gorillas	€805.3	€1737.8	€2543.1	Media	Germany
Revolut	€672.9	€27085.1	€27758.1	Software	UK
Bolt	€600	€3395.5	€3995.5	Transportation	Estonia
Sorare	€576.4	€3068.6	€3645.0	Software	France
Mirakl	€470.4	€2496.1	€2966.5	Software	France

Source: PitchBook | **Geography:** Europe

In 2021 YTD, 84 deals for unicorns have been completed—more than double the quantity from the previous record set in 2020. Deal value jumped sharply and reached €24.1 billion through Q3 2021, more than triple the next best of €7.7 billion from the entirety of 2020. Dealmaking for unicorns has been frenzied as companies burning through cash seek capital to grow quickly and investors compete fiercely to get in on the best deals, pushing up round sizes and valuations in the process. For example, London-based events platform Hopin, which is one of the fastest growing companies ever in Europe, completed a €380.5 million round at a monumental €6.6 billion post-money valuation in Q3. Hopin was only founded in 2019 and is now one of the most valuable VC-backed companies in Europe.

As discussed in our recent analyst note, a combination of factors has led to the astounding development of unicorns in Europe. These factors include greater late-stage capital options, either via enlarged traditional VC funds or nontraditional investors putting their capital directly into startups. Another factor is regional expertise, which has helped a diverse set of unicorns emerge across the continent. This is evident within London where a selection of fintech unicorns including the aforementioned Revolut have been created. Moreover, strong VC networks and employee shareholder schemes have enticed highly skilled individuals into VC to help create new batches of unicorns and serial founders. However, given the extraordinary rise of recent unicorns, the sustainability of such rapid growth remains a key question for the future development of unicorn valuations.

Median years for VC-backed companies to achieve unicorn status



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

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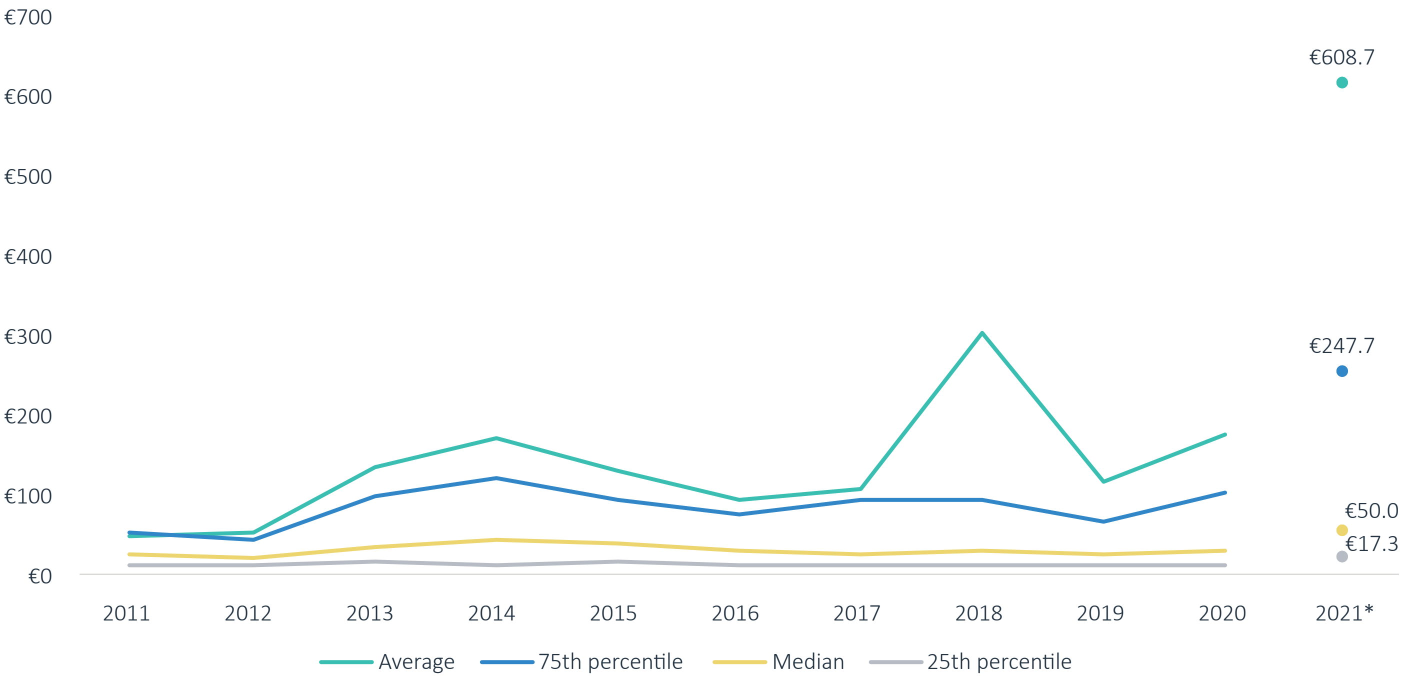
Liquidity

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

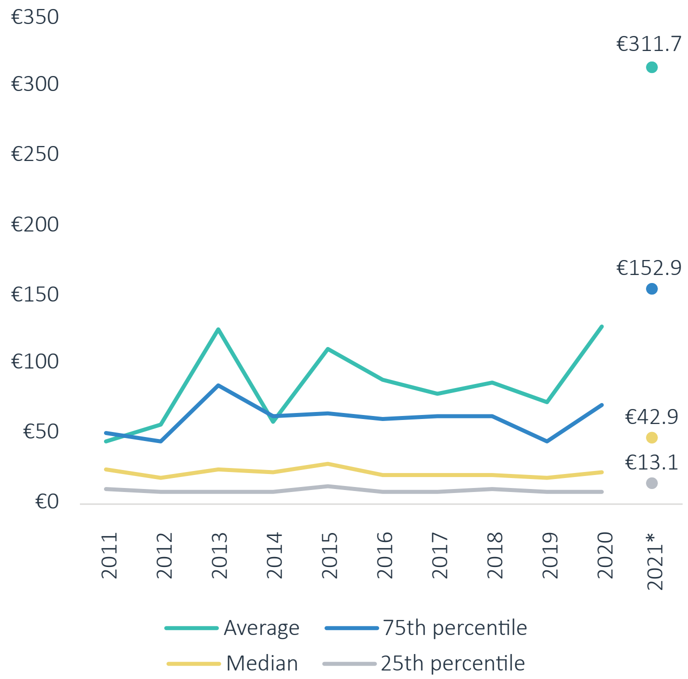


Source: PitchBook | **Geography**: Europe
*As of September 30, 2021

Post-money valuations across all quartiles upon exit through Q3 2021 are trending above 2020 figures amid a fervent exit environment in Europe. Post-money exit valuations at the upper quartile sit at €247.7 million through Q3 2021, an increase of 148.0% from 2020. It is evident exits for the most valuable VC-backed companies in Europe have grown in size in 2021. Few would have expected such strong exit appetite in 2021, as the year has been characterised by widespread macroeconomic volatility. Nonetheless, VC-backed companies have quickly consolidated and accelerated towards an exit to capitalise on pandemic-induced growth witnessed during the past 21 months. High profile exits in Q3 included Sportradar's (NASDAQ: SRAD) IPO at a €25.0 billion pre-money valuation and the direct public offering (DPO) of Wise (LON: WISE) at a €10.2 billion pre-money valuation, while Cazoo (NYSE: CZOO) and Lilium (NASDAQ: LILM) listed via SPACs, at pre-money valuations of €5.5 billion and €2.1 billion, respectively.

Multiple records have been set in the first three months of 2021, including the overall exit value in Europe, which reached €115.3 billion, blowing past the previous best of €42.0 billion set in 2018. As the pandemic forced consumers and businesses online, VC-backed tech companies have been extremely well-positioned to increase customer bases, monthly recurring revenues,

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

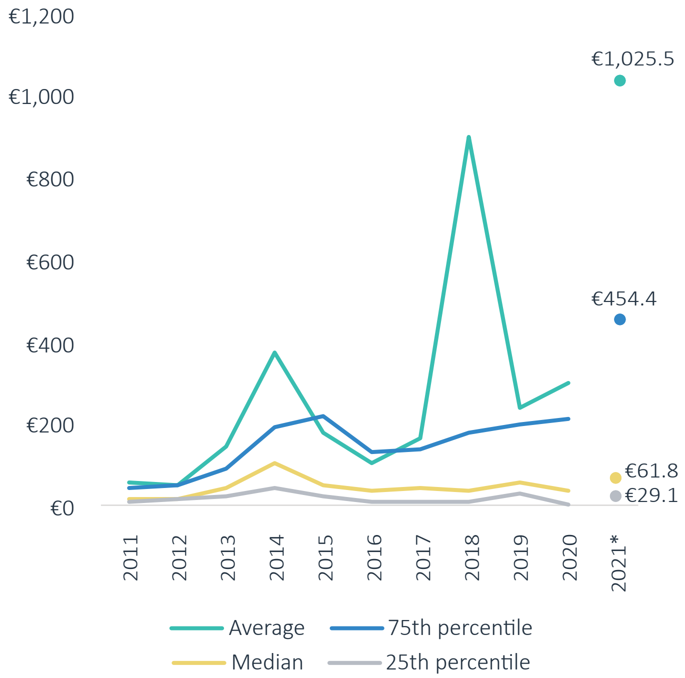


Source: PitchBook | **Geography**: Europe
*As of September 30, 2021

CAGRs, and subsequent valuations. However, the pandemic has exacerbated impacts on other sectors such as hospitality and tourism, which are struggling to supply strong investment opportunities, particularly in public markets. Consequently, investors seeking heightened returns have increased demand for tech-based companies that are listing or seeking an acquirer, leading to improved VC exit valuations. As we enter Q4, there have been reopenings across Europe and rebounds in travel, tourism, and in-person spending as many get used to life with COVID-19. However, with winter approaching it remains to be seen if vaccinations will deliver a permanent stop to all restrictions or if certain measures are reimplemented.

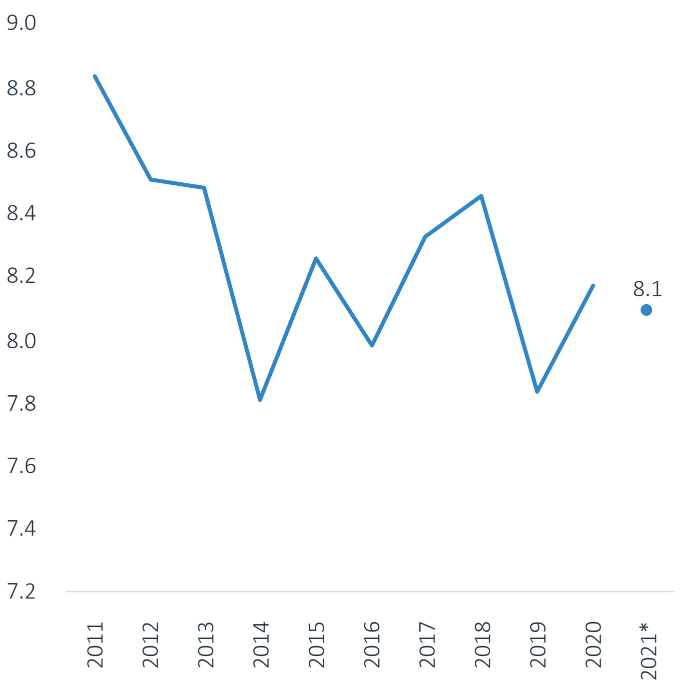
Despite uncertainty, a healthy pipeline of public listings carrying robust valuations has been established in 2021. Post-money exit valuations via IPO paced well above 2020 figures through Q3 2021, with the median reaching €61.8 million. Through Q3 2021, 135 public listings have produced a record €99.5 billion, triple the previous record set in 2018. As high-growth companies target exits, competition between investors and exchanges has intensified, pushing up valuations. European exchanges including the Euronext Amsterdam have become popular for SPACs. Meanwhile, the London Stock Exchange has loosened listing requirements, including the use of dual class share structures, to attract European tech listings. Additional exit options have also enabled founders to negotiate, find, and exit at the right valuation. These include IPOs, DPOs, and reverse mergers via SPACs, which can help companies gain access to large-scale institutional investors via different listing routes.

Range of VC IPO post-money valuations (€M)



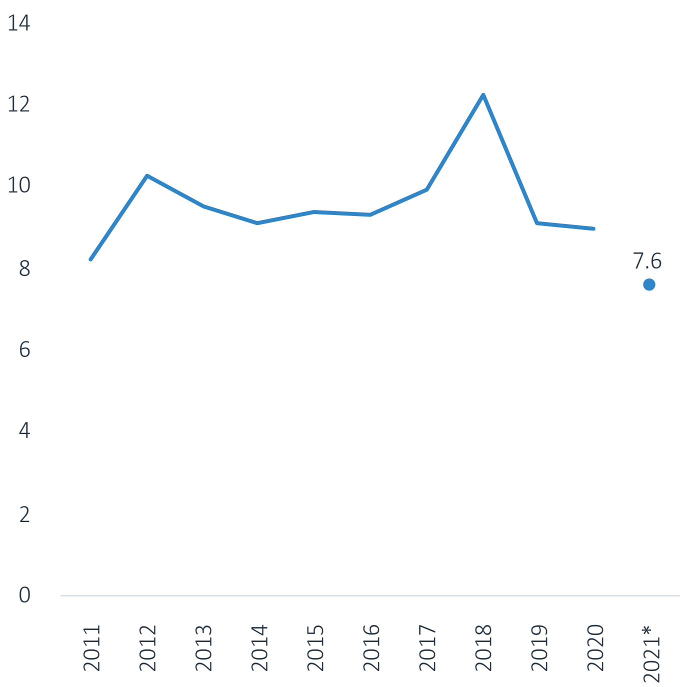
Source: PitchBook | **Geography:** Europe
*As of September 30, 2021

Median years between founding and exit for VC-backed companies



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

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



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

Additional research

European VC & Private Capital

Q3 2021 European Venture Report

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2020 Annual European VC Valuations Report

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Q2 2021 European VC Valuations Report

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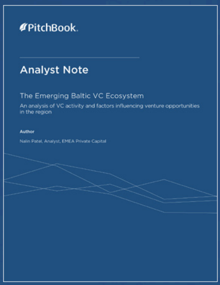

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