PitchBook

Q1
2022

EUROPEAN VC Valuations Report

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Introduction

In Q1 2022, European venture capital (VC) pre-money valuations across all financing stages are pacing above the highs in 2021. Valuations have maintained an upward trajectory, as dealmaking activity carried momentum from a record-breaking 2021. Valuations have developed impressively during the past two years, as capital flows and valuations tied to top VC-backed companies have risen. 2022 has been characterised by uncertainty, and growth may be harder to come by for VC stakeholders.

VC deals with nontraditional investors set a strong pace in terms of value and volume in Q1 2022. Impressive returns, innovative companies, and long-term technological development have attracted wealthy nontraditional investors to enter the VC scene. The economic climate has shifted in 2022, and it will be interesting to see if the pace of investment from nontraditional sources into VC during the past two years can be maintained in upcoming quarters.

The aggregate value and volume of unicorns increased in Q1 2022. Valuation growth was strong in Q1 2022, with existing and newly minted unicorns able to raise their profiles and press on with ambitious growth targets. We anticipate unicorn deal activity is likely to cool in 2022 and could regress to pre-pandemic levels after a bumper 2021.

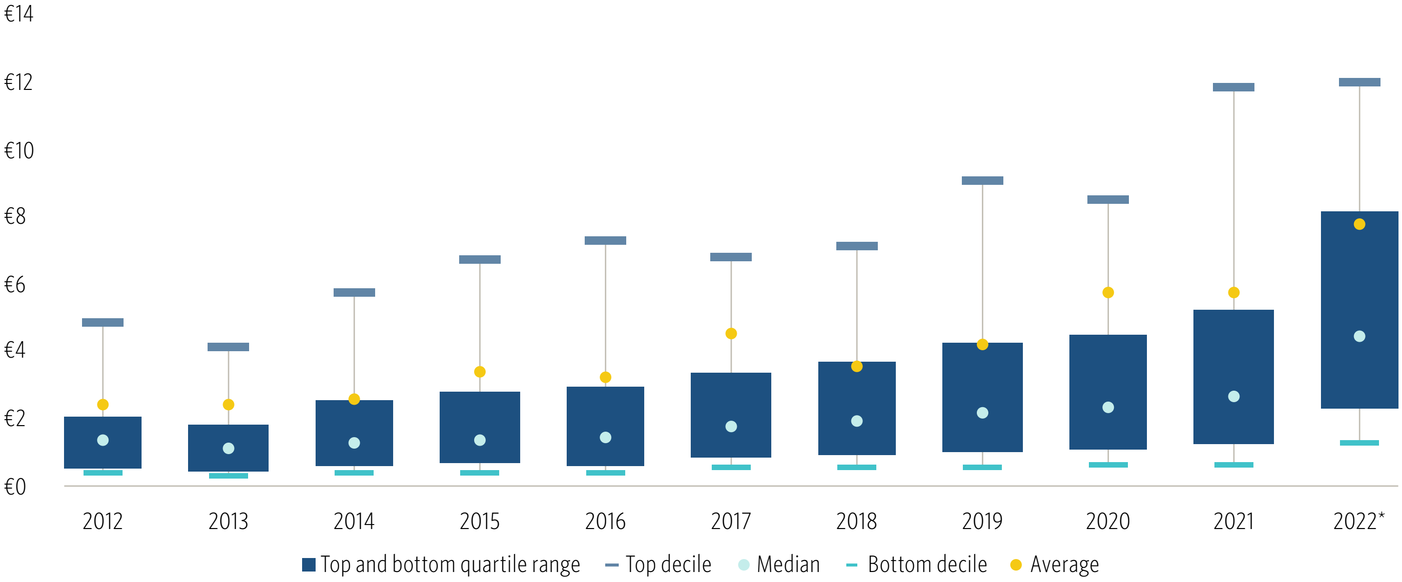
Despite a muted exit environment, the median post-money valuation upon exit ticked upwards from 2021. Record exit value was logged in 2021 as VC-backed companies rushed to take advantage of conducive market conditions for tech companies. The start of 2022 has been the opposite with headwinds including a widespread tech public equity selloff dampening VC exit appetite globally. Trade tensions, rising interest rates, stagflation, and the war in Ukraine have compounded geopolitical tension that has impacted on companies' appetite to exit.

Overview

In Q1 2022, European VC pre-money valuations paced above the highs across all financing stages in 2021. Valuations maintained an upward trajectory, as dealmaking activity in Q1 2022 carried momentum from a record-breaking 2021. However, exit value declined sharply in Q1 2022, and reduced appetite could filter into valuations later this year. In 2021, numerous records were broken, and record liquidity was delivered to the European VC ecosystem; however, 2022 has commenced cautiously on the exit front. Nonetheless, valuations tied to sizeable VC rounds in Q1 have been strong. Valuations have developed impressively during the past two years, as the COVID-19 pandemic increased capital flows and valuations tied to top VC-backed companies. Pandemic-driven growth has enabled tech businesses to flourish, and VC investors have competed to participate in flagship rounds that have reflected robust valuation step-ups. Now, with the worst of the pandemic over, focus has shifted onto the true economic cost of the past two years and what will drive post-pandemic growth.

2021 saw several rounds completed and exits accelerated to capitalise on near-term growth from increased online usage and shifts toward digitisation. But 2022 has been characterised by uncertainty stemming from macroeconomic volatility, and we believe VC stakeholders feel growth may be harder to come by. Interest rates have risen in major economies, which could signal the end of the cheap capital that has underpinned the private market boom during the past decade. Moreover, inflationary pressure, trade tensions, and the war in Ukraine are creating major challenges for European individuals, companies, and governments that rely on globalisation. The widespread tech public equity selloff in Q1 has also increased scrutiny on the veracity of lofty private market valuations of VC-backed companies. Despite the issues facing the VC ecosystem, data suggests that valuations have remained robust in Q1, as innovative startups have continued to attract funding.

Angel pre-money valuation (€M) dispersion

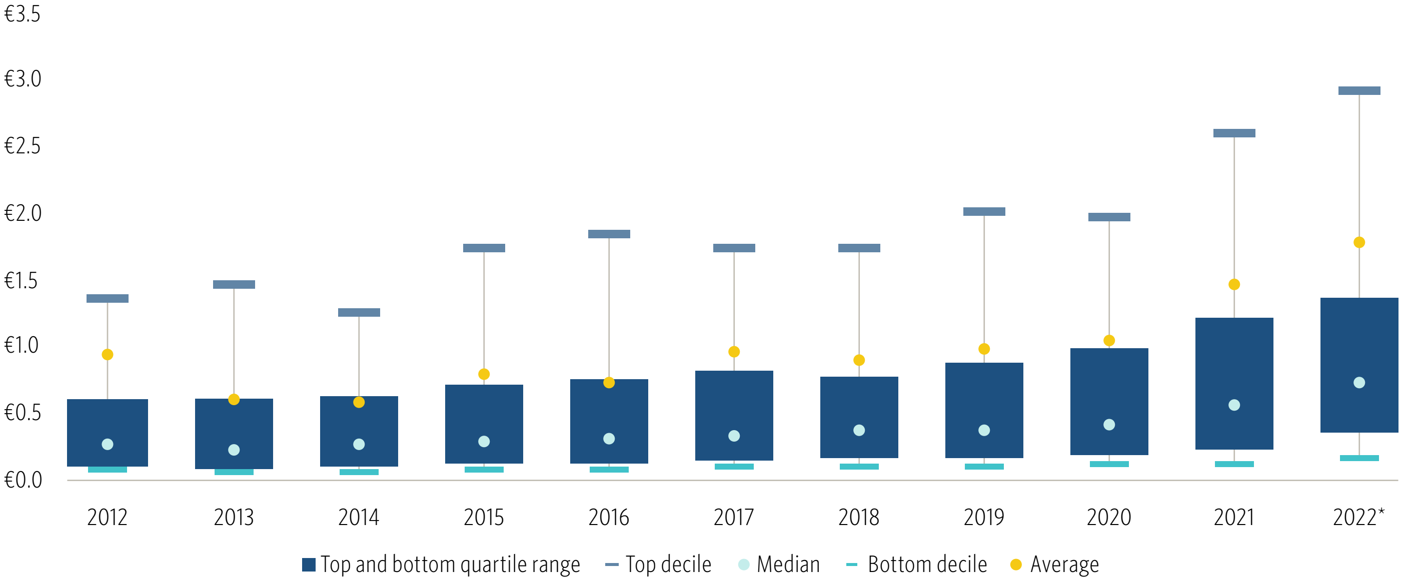


Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Angel & seed

The valuations of startups securing angel & seed financing developed robustly in Q1 2022. Angel & seed rounds often provide the highest return multiples and startups demonstrating strong fundamental metrics, sound management, and growing long-term market opportunities have received healthy backing. Investors are constantly working to unearth the next industry-dominating tech company. Backers have deployed significant amounts of capital into young businesses displaying initial promise and potential to develop into an outlier. Larger angel & seed rounds and subsequent valuations have emerged in recent years, as companies have displayed greater levels of maturity via cloud-based growth and online network effects before seeking funding. Further, once an initial round is completed, it has tended to be larger than previous years, resulting in

Angel deal size (€M) dispersion



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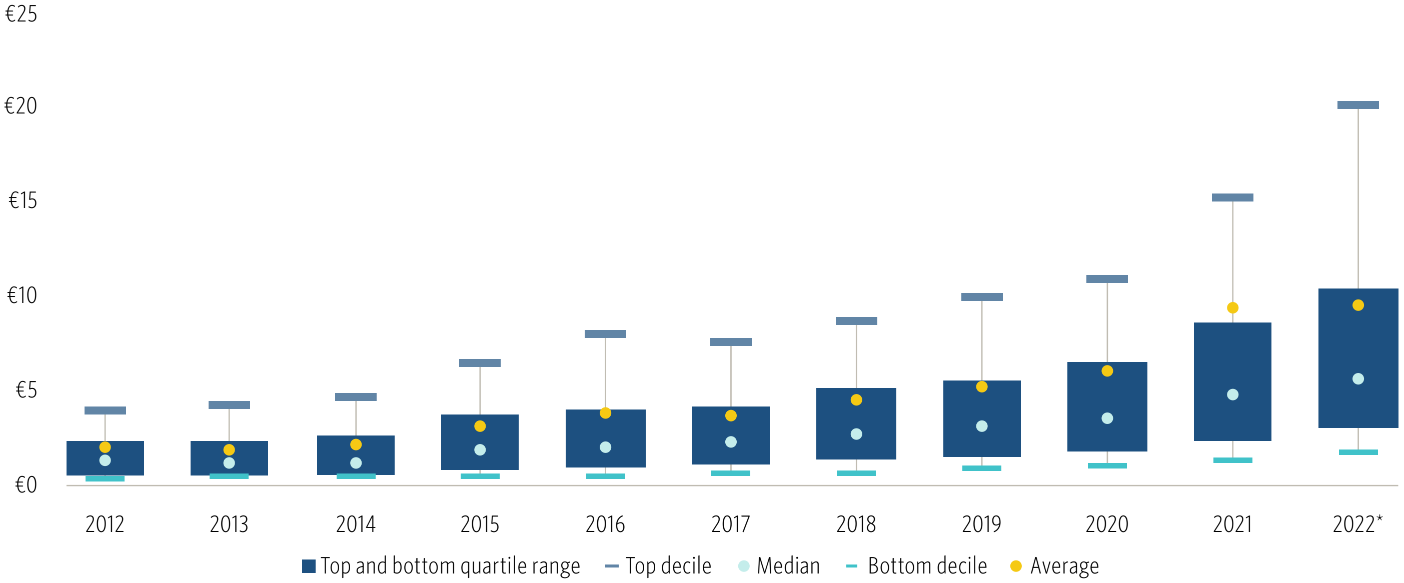
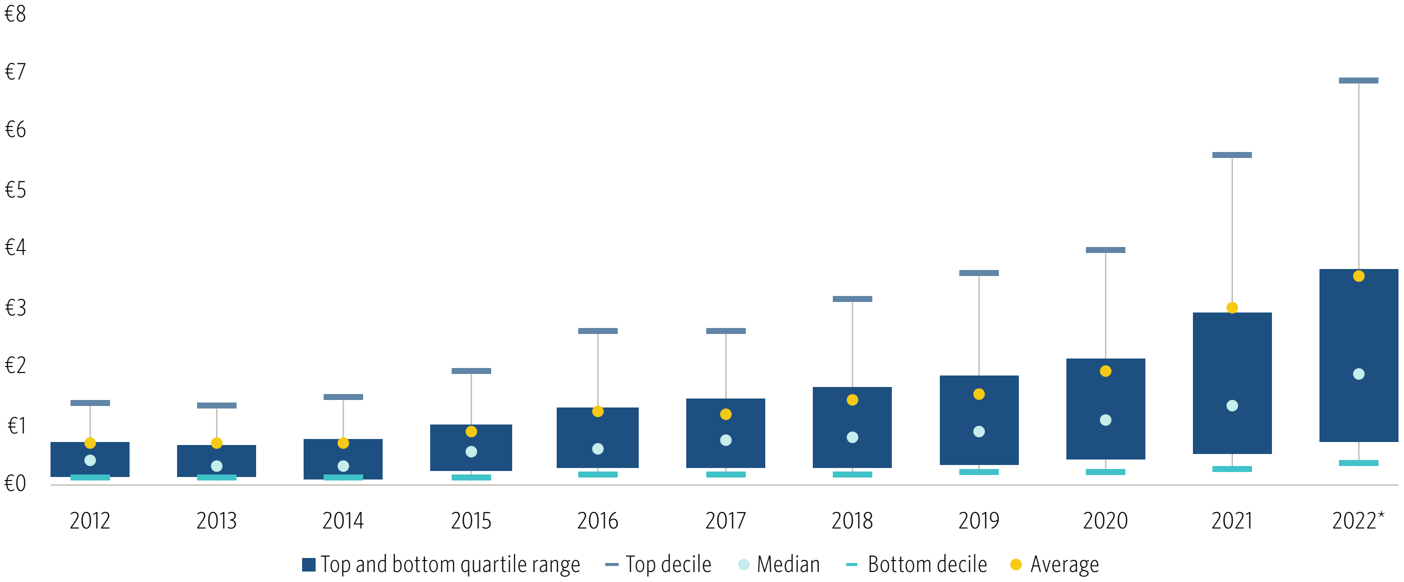
*As of March 31, 2022

Seed pre-money valuation (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Seed deal size (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

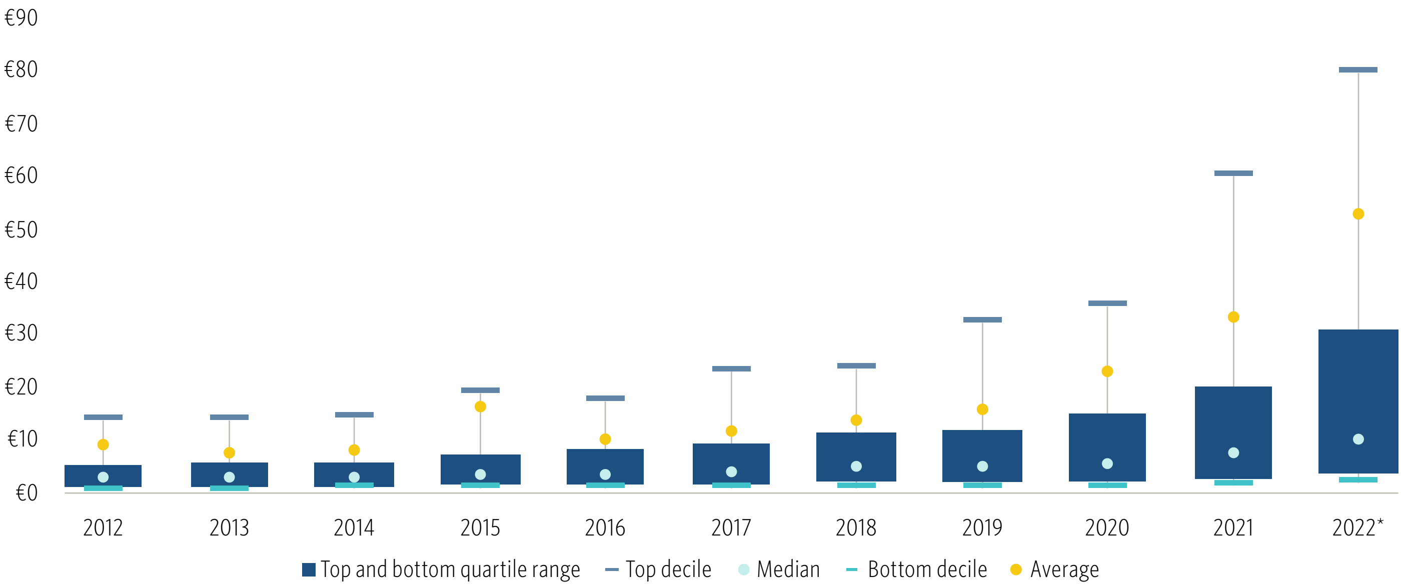
an acceleration in development and scaling efforts. In Q1 2022, the median angel & seed pre-money valuation reached €4.4 million and €5.5 million in Q1 2022, both pacing higher than records set in 2021. The median angel deal size is pacing at €0.7 million in Q1 2021, 33.6% higher than 2021's figure. Meanwhile, the seed median deal size is €1.8 million through Q1 2022, 39.4% above 2021 data.

Early-stage VC

Early-stage rounds and valuations are pacing to set new highs in Q1 2022, as investors and companies have carried momentum from a record-breaking 2021. As has been the case during the past few years, fast-growing, scrappy, and ambitious VC-backed companies looking to rapidly gain market share have put upward pressure on round sizes and valuations in Q1 2022. Competition and cooperation among an array of early-stage investors, including traditional VC firms and nontraditional backers such as financial institutions, have helped capital flow into a wide variety of startups looking to scale. The deal value records set in 2021 and pace upheld during Q1 2022 demonstrate that the European venture market enjoys a wealth of capital options across geographies looking to develop startups into mature companies. Early-stage VC valuations across all quartiles through Q1 2022 are above 2021's figures, with the median reaching €9.4 million. Further, early-stage deal sizes across all quartiles were bigger in Q1 2022, with the median pacing at €2.9 million—43.2% higher than in 2021.

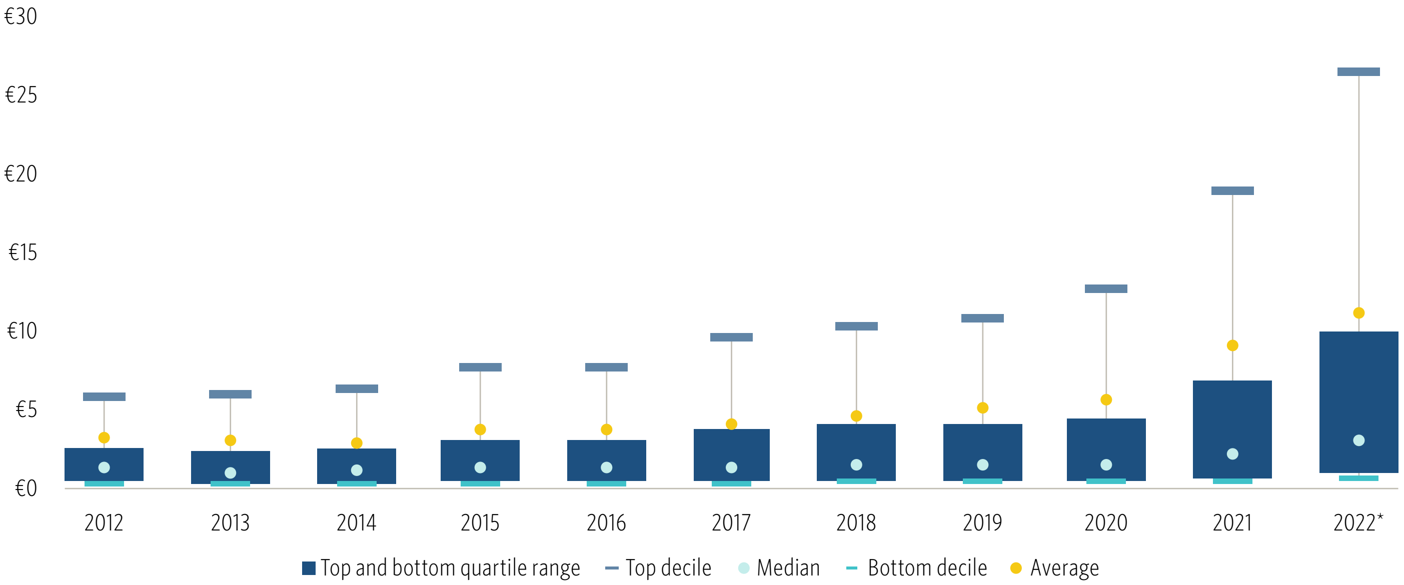
Outlier startups displaying strong long-term potential can attract multimillion-euro rounds at lofty valuations only a few years after founding. For example, Ireland-based ecommerce analytics platform Wayflyer, which was only founded in 2019, completed a €132.5 million round at a €1.3 billion pre-money valuation in Q1 2022. Investors included QED Investors, DST Global, Guillaume Pousaz (founder of Checkout.com), and J.P. Morgan (NYSE: JPM) among others, illustrating that early-stage companies are drawing capital from various backers searching for returns and strategic partnerships.

Early-stage VC pre-money valuation (€M) dispersion



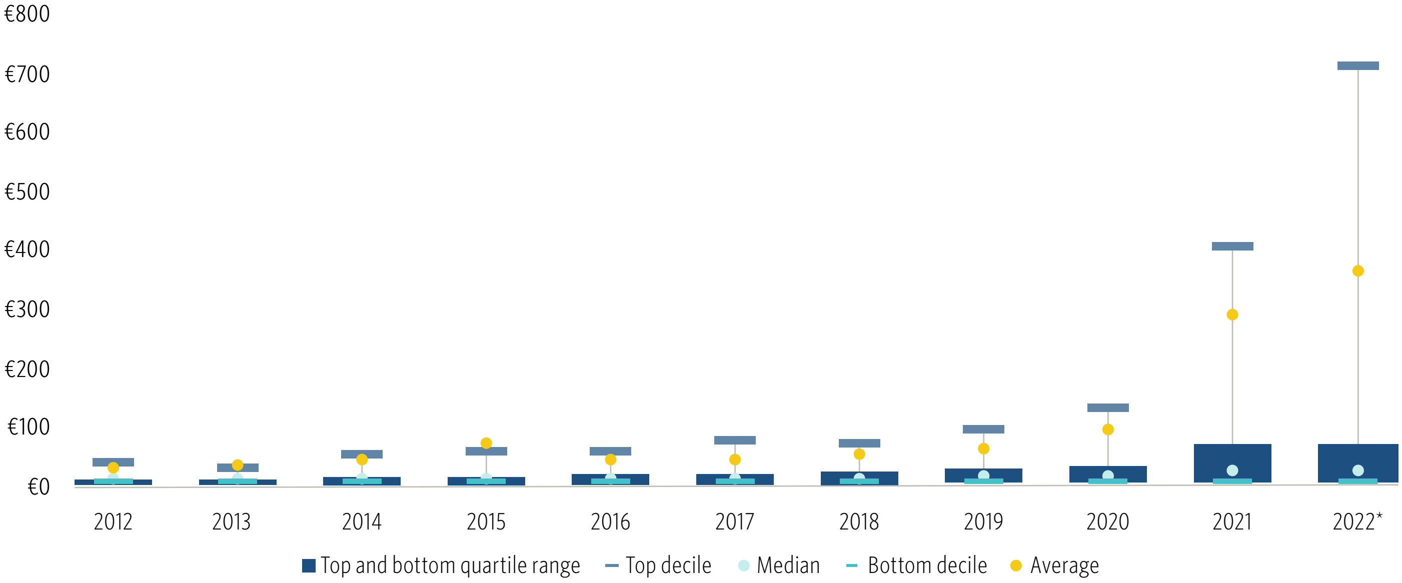
Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Early-stage VC deal size (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Late-stage VC pre-money valuation (€M) dispersion



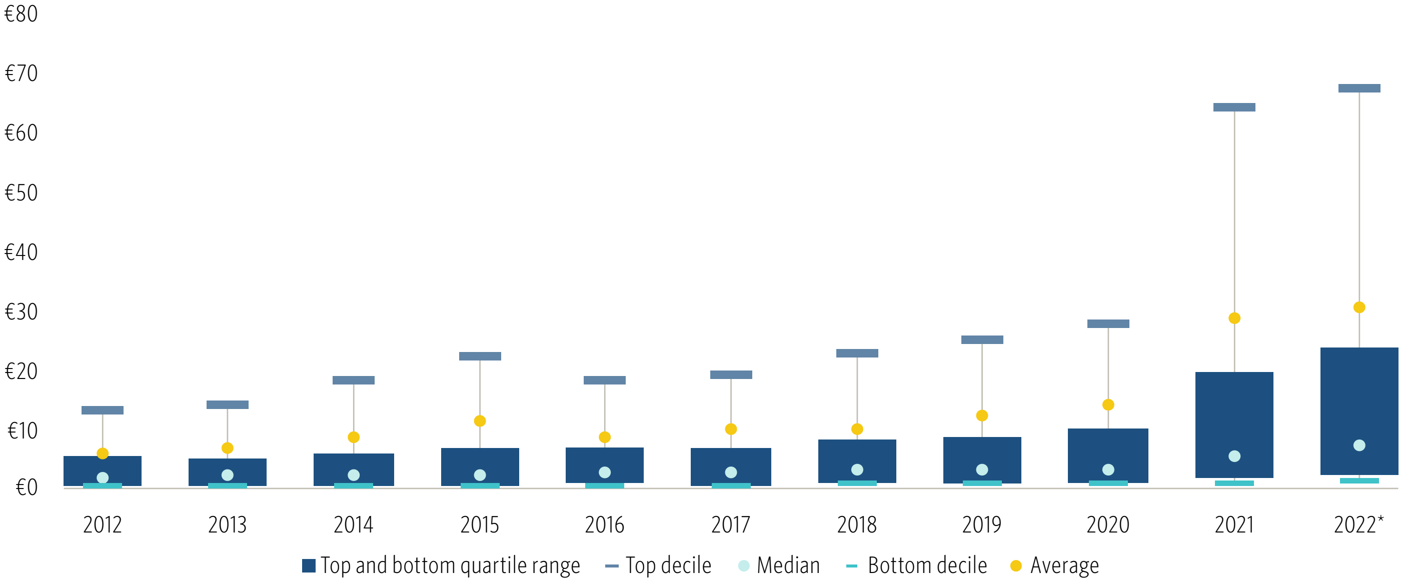
Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Late-stage VC

Late-stage VC valuations and round sizes in Q1 2022 ticked upwards from 2021 figures. Investment at the late stage has been staggering in recent years, as mature late-stage companies have extended their investment runways in the VC ecosystem before a substantial exit. Consequently, record round sizes and valuations ensued, and Q1 2022 sustained this trend. Uncertainty due to the Ukrainian war as well as COVID-19, stagflation, and volatility in public markets did not hamper valuation growth for late-stage companies. Nonetheless, the full effects of the shifting macroeconomic backdrop could feed into late-stage valuations in the coming quarters.

The median late-stage valuation increased 6.5% from 2021 data and reached €19.4 million through Q1 2022. Late-stage VC deal sizes paced higher than previous records, with the median reaching €7.2 million, 43.3% larger than the figure in 2021. In Q1 2022, flagship European late-stage companies including Checkout.com, Wefox, Bolt, Relex, Doctolib, and Qonto completed major financings at multibillion-euro

Late-stage VC deal size (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

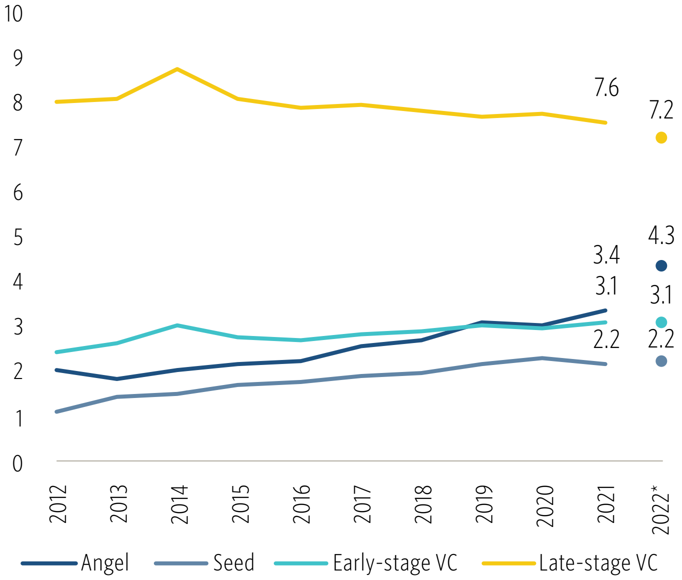
valuations. There are now multiple late-stage companies with multibillion-euro valuations in the European VC ecosystem. Although dealmaking was strong in Q1, we may see a flattening of the hypergrowth experienced during the past year. With big tech stocks trading below historically high multiples, late-stage valuations of mature companies looking to exit could be the first to take haircuts in the VC ecosystem. However, VC is relatively insulated from public equity volatility, and exits can be postponed, offsetting near-term volatility facing liquid public markets.

Time between rounds and up, down, and flat rounds

As VC-backed companies scale at a faster clip and attract greater sums of capital, the time between founding and financing rounds has remained relatively stable. In Q1 2022, the median time from founding to complete a late-stage round dipped slightly to 7.2 years from 7.6 years in 2021. The median time to complete a seed and early-stage round remained flat, the median time to complete an angel round rose slightly to 4.3 years in Q1 2022 from 3.4 years in 2021. These changes in time periods broadly reflect that companies can be bootstrapped for longer before seeking an angel round, and that their acceleration through funding stages has improved. Furthermore, it is worth noting that time periods have remained flat yet deal sizes and valuations have increased drastically during the past five years, indicating that growth rates and the velocity of value creation of companies has improved.

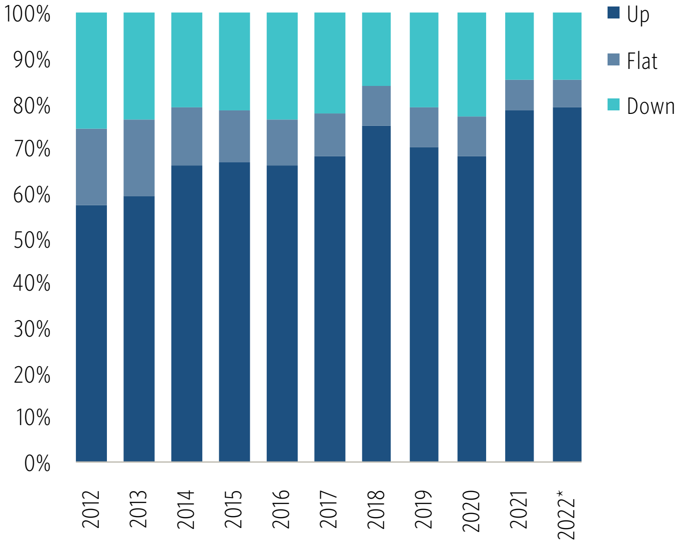
The sustainability of development remains an ever-present question in the VC ecosystem, and as sentiment grows that an economic downturn is on the horizon, discussions around valuation haircuts and down rounds have intensified. At the beginning of the pandemic in 2020, VC stakeholders felt a pullback in capital would take place as investors focused inwards on their existing portfolio. However, VC investment accelerated once remote working was implemented with reports of haircuts, down rounds, and job cuts being isolated rather than widespread. 2022 has commenced bearishly, with pandemic winners struggling to maintain the growth witnessed in recent quarters. Nonetheless, through a combination of momentum carried from Q4 2021, competition between investors, and plenty of innovative investment opportunities, down rounds have remained low. In Q1 2022, only 14.9%[1] of deals were down rounds, on pace to be the lowest proportion in the past decade and in line with 15.0%[2] from 2021.

Median years from VC-backed company founding by stage



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Share of VC deals with up, down, or flat rounds



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

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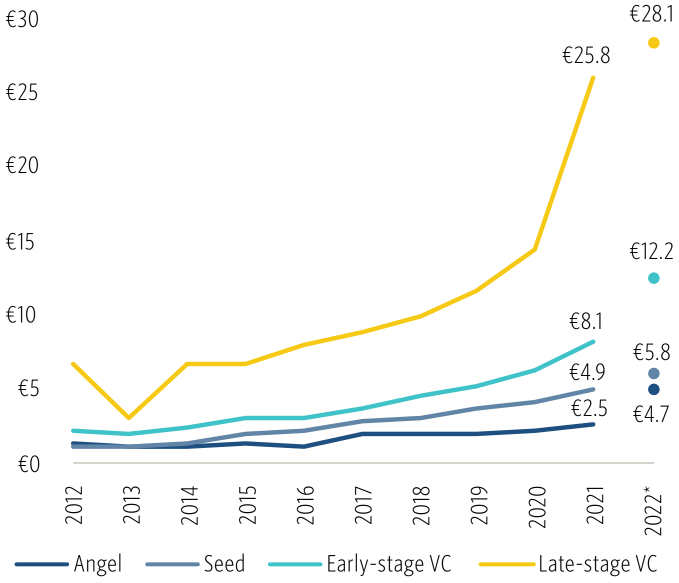
1 : This percentage was calculated with data from 470 completed deals.
2 : This percentage was calculated with data from 2,329 completed deals.

Sectors

The median early-stage software pre-money valuation reached €12.2 million in Q1 2022, pacing 50.8% higher than 2021's figure and nearly double 2020's. Software companies disrupting sectors such as food delivery, ecommerce, and financial services have displayed robust traction during the past two years, as companies and individuals have focused on online models. A healthy pipeline of industry-shifting software businesses has emerged from VC ecosystems, driving growth and interest in the asset class on a global basis. Therefore, it is not surprising that valuations tied to early-stage software businesses have commanded a premium. Median software deal sizes are up across financing stages in Q1 2022, with the early-stage software median pacing at €3.2 million, up from €2.0 million in 2021. Software businesses have had a strong few years, as increased digital adoption, COVID-19 restrictions, and strong financial performance have justified investing significant resources into cloud-based operations. However, high profile tech behemoth stocks such as Netflix (NASDAQ: NFLX) and Amazon (NASDAQ: AMZN) have fluctuated in 2022, and valuations for smaller businesses in related subsectors could struggle to maintain growth rates witnessed during the previous two years.

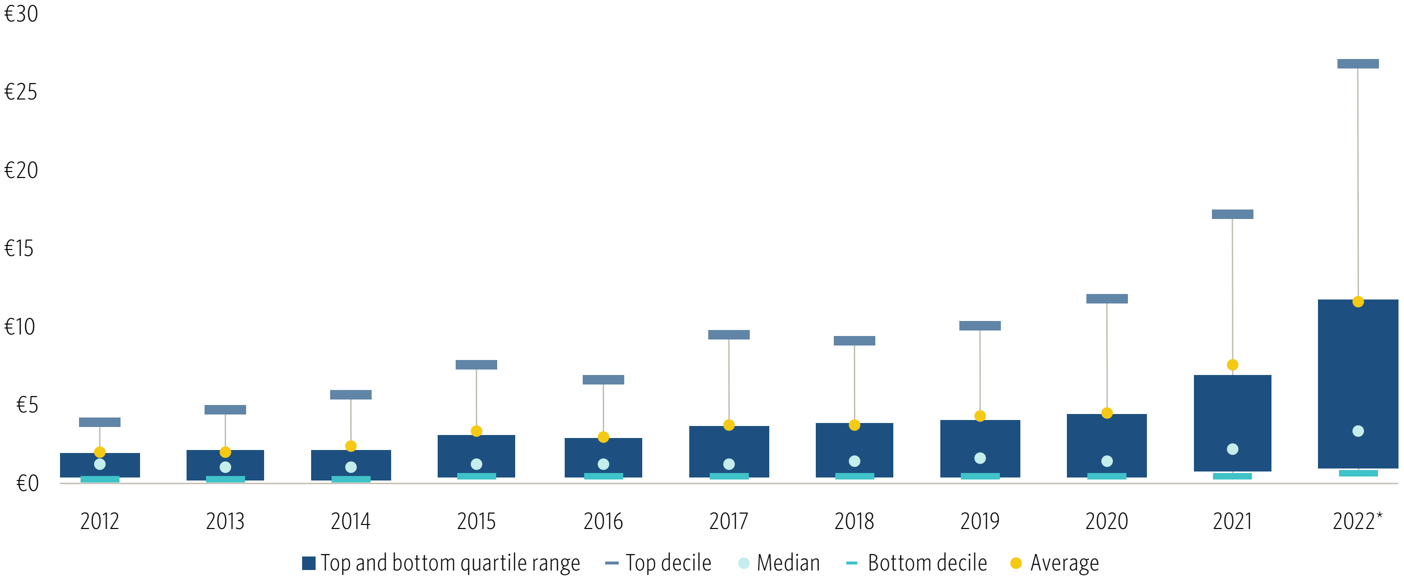
Median software VC pre-money valuations (€M) by stage



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

In Q1 2022, the median late-stage healthcare pre-money valuation dipped to €14.9 million from the record €15.8 million in 2021. The pandemic drew attention to the healthcare sector, and as nations begin life post-COVID-19, heavy levels of investment and record high valuations could cool. However, healthcare remains a capital-intensive long-term industry, and near-term oscillations in valuation or deal sizes can often be driven by outlier companies.

Early-stage software deal size (€M) dispersion



Source: PitchBook | **Geography:** Europe
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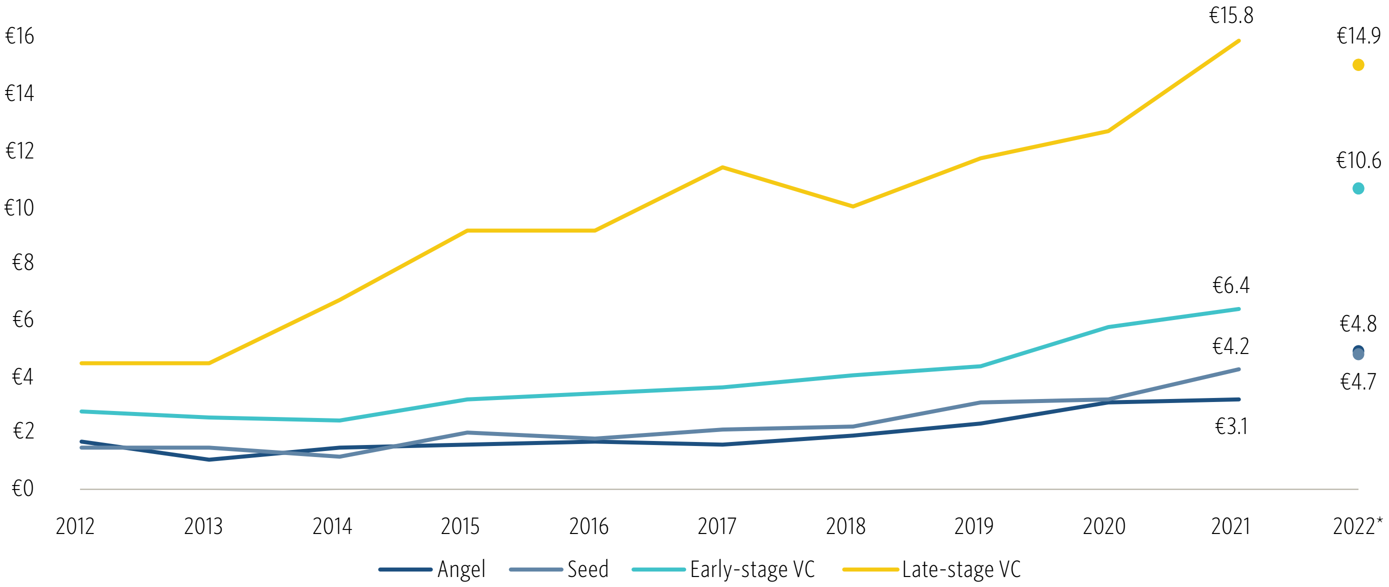
Median healthcare VC pre-money valuation (€M) by stage



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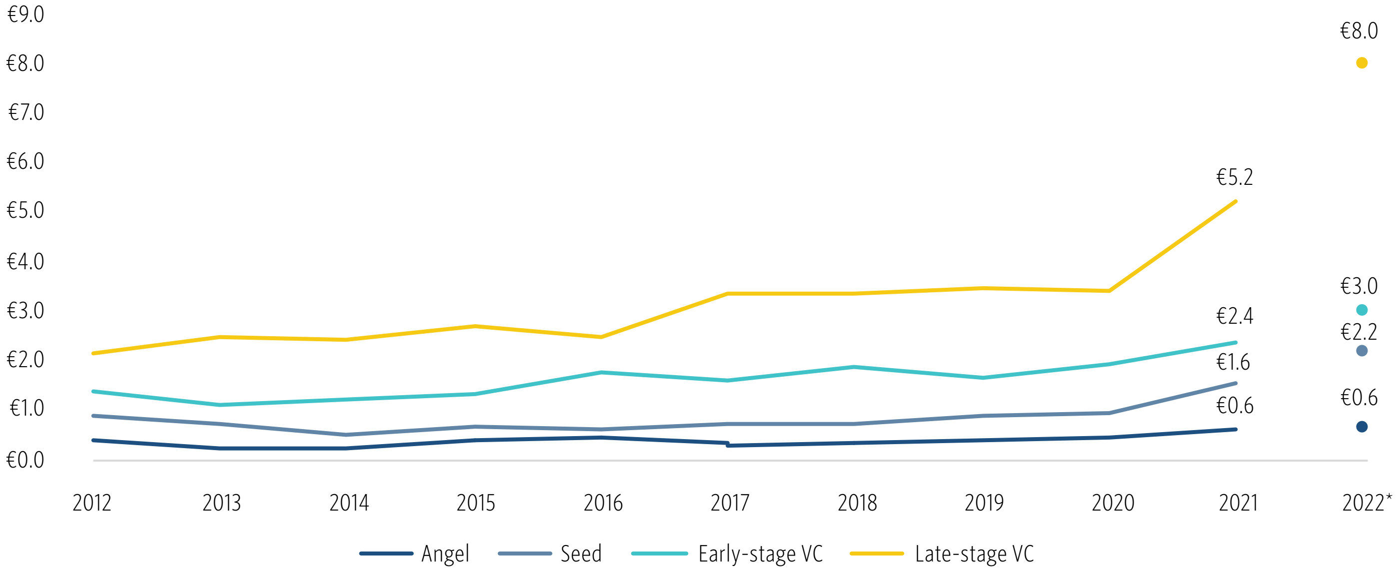
Median healthcare VC deal size (€M) by stage



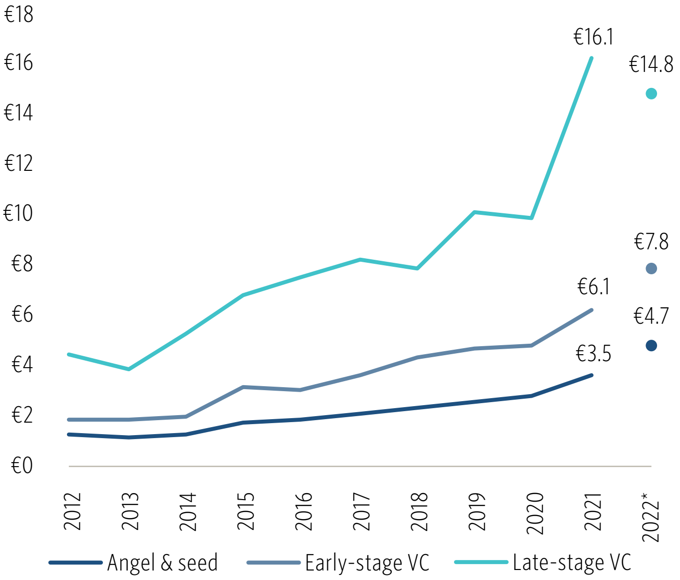
Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Regions

Angel & seed and early-stage valuations in the UK & Ireland are trending above the records set in 2021, while the late-stage valuation is slightly down from 2021's figure. The early-stage median valuation is €7.8 million through Q1 2022, pacing 28.7% higher than 2021. Furthermore, the early-stage median VC deal size is €2.1 million through Q1 2022, tracing slightly above €1.9 million in 2021. The UK & Ireland has remained the largest VC ecosystem in Europe, with its main cluster in London. Strong deal value figures in Q1 2022 indicate that recent interest rate increases by the Bank of England have not deterred capital flows into the VC strategy. However, the full effects of an increase in the cost of capital, combined with the rising cost of living, and increasing business expenses, could result in less appetite for high risk, high-reward strategies such as VC.

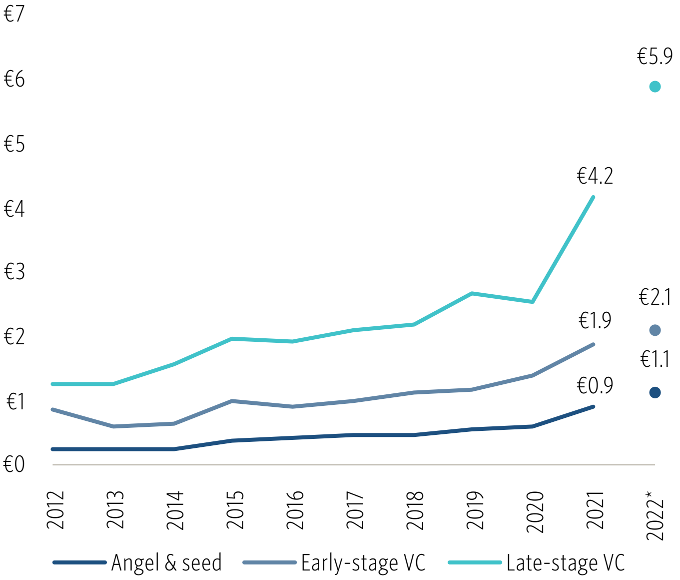
In Q1 2022, the median Nordic angel & seed deal size remained flat, while the median early-stage deal size grew to €2.6 million, and the median late-stage deal size rose to €7.5 million. The Nordic ecosystem has matured significantly in the past five years, with deal sizes and valuations tied to major companies such as Klarna and Northvolt raising awareness of the Nordic VC ecosystem. As discussed further in our 2022 Nordic Private Capital Breakdown, international and domestic investors have expanded in the Nordic region, resulting in the development of highly valued VC-backed companies across the Nordic nations.

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



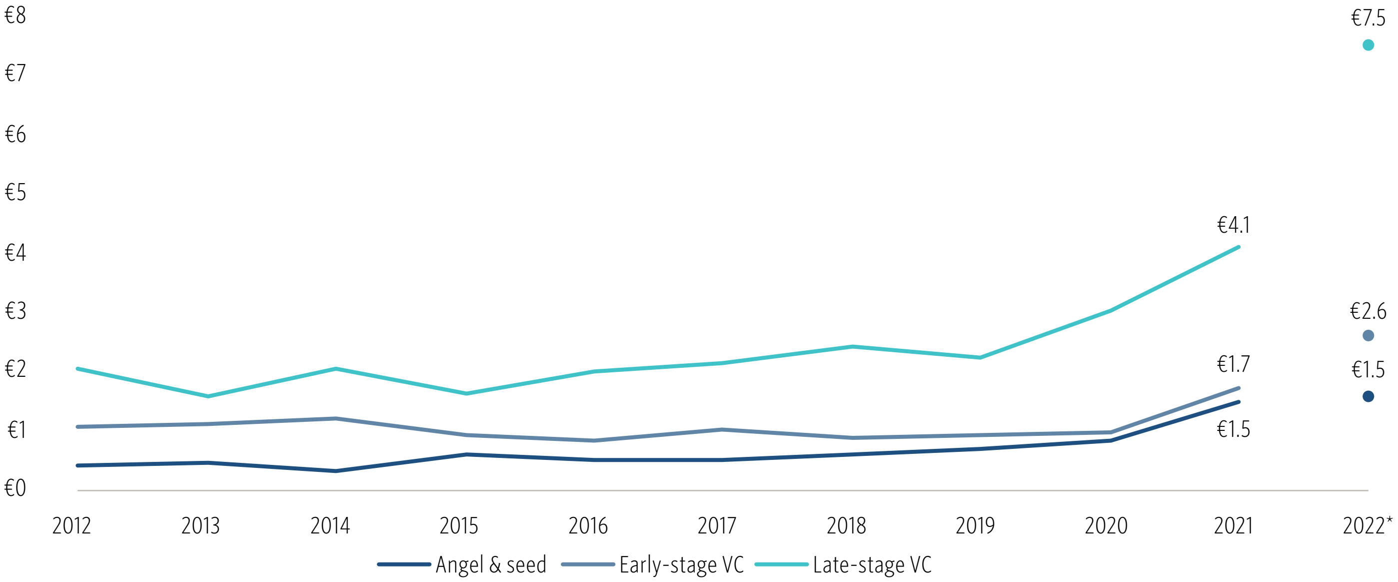
Source: PitchBook | **Geography:** UK & Ireland
*As of March 31, 2022

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



Source: PitchBook | **Geography:** UK & Ireland
*As of March 31, 2022

Median Nordic VC deal sizes (€M) by stage



Source: PitchBook | **Geography:** Nordics
*As of March 31, 2022

Nontraditional investors

In the past five years, nontraditional investors including asset managers, pension funds, sovereign wealth funds, investment banks, corporate VC (CVC) arms, private equity (PE) firms, and hedge funds, among others have increased their capital deployment within the VC ecosystem. Wealthy nontraditional backers equipped with substantial financial clout have increased round sizes, valuations, and competition between investors in the European VC ecosystem.

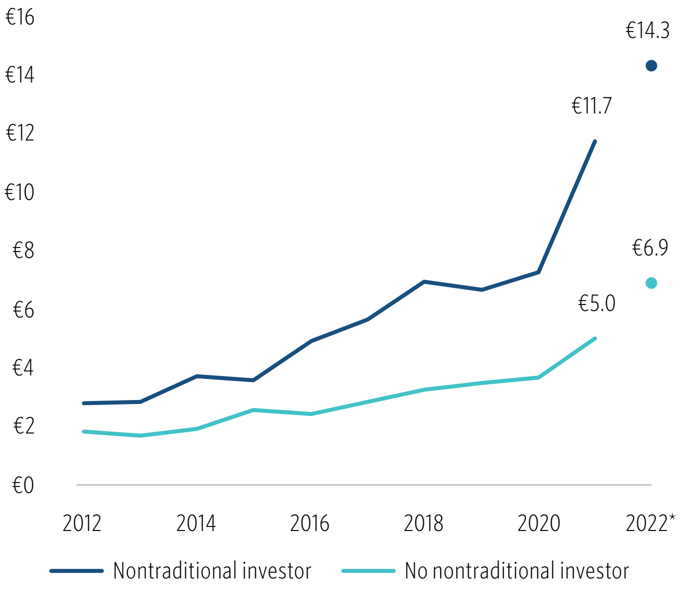
VC deals with nontraditional investors set a strong pace in terms of deal value and count in Q1 2022. VC deals with nontraditional investor participation topped €21.6 billion in Q1, on pace with the record set in 2021. The growing influence of nontraditional investors in the European VC ecosystem has led to record round sizes and valuations in recent years. Impressive returns, innovative companies, and long-term technological development have attracted wealthy nontraditional investors to enter the VC scene. Moreover, nontraditional investors have flocked to VC in recent years, viewing it as a long-term, illiquid asset class that can deliver outlier returns to offset high volatility and inflation experienced in financial markets.

The economic climate has shifted in 2022, and returns in VC are lumpy, with capital often locked away in a fund or investment for several years. With weak economic growth forecast in 2022 combined with the threat of stagflation, it will be interesting to see if the pace of investment from nontraditional sources into VC during the past two years can be maintained in the coming quarters. We believe nontraditional investors may target less risky defensive cash-generating businesses across their portfolios in the near-term, many of which could be undervalued—given the focus on tech in recent years—but have performed well during previous economic slumps.

Nontraditional investors have helped boost resources available to founders and startups looking to grow in the European VC ecosystem. Value can be added from a capital perspective as well as an operational, mentorship, and network standpoint. Startups have a selection of different types of domestic and international investors that can offer unique perspectives, help with scaling, develop valuations, and source capital. For example, having a PE firm or investment bank as an investor could help startups put together the infrastructure and team in place to grow inorganically via acquisitions or M&A. CVCs can help VC-backed companies enter new geographical markets via strategic partnerships or share knowledge and R&D to improve products for consumers. Pure play VC firms remain experts in helping get a business off the ground, as they possess vast experience doing this. However, as revenues and valuations become larger, nontraditional investors play an important role in ensuring funding gaps do not appear, valuations increase, and exit options remain available.

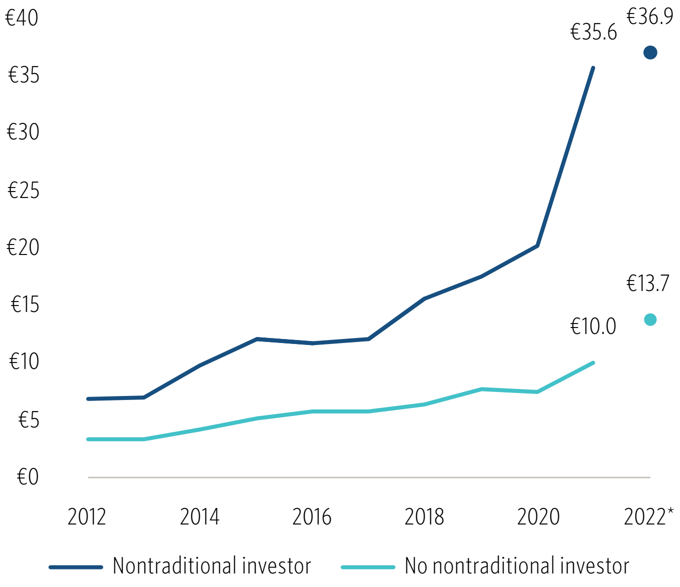
In Q1 2022, median VC deal sizes with nontraditional participation across all financing stages are pacing above the record highs from 2021, with the late stage reaching €13.4 million, 33.9% higher than 2021's figure. Irrespective of investor type involved, median early- and late-stage pre-money valuations are also pacing above 2021's record figures. Early- and late-stage valuations tied to rounds with nontraditional investors on board were more than double the size of valuations tied to rounds without nontraditional investors in Q1 2022.

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



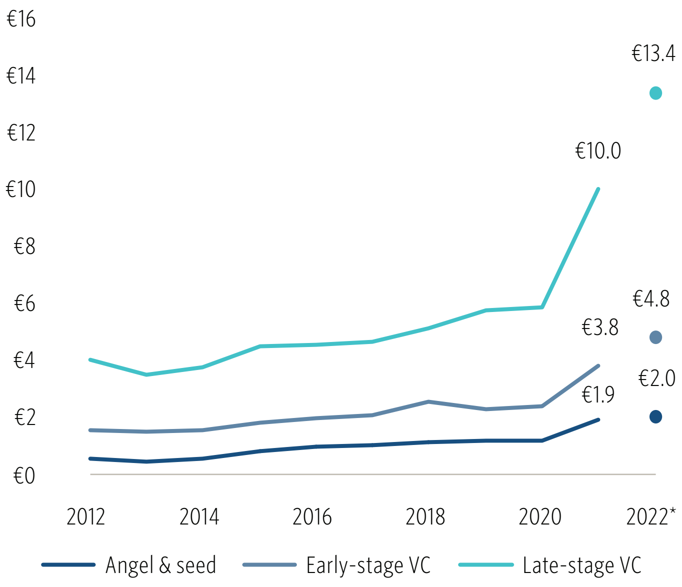
Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

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



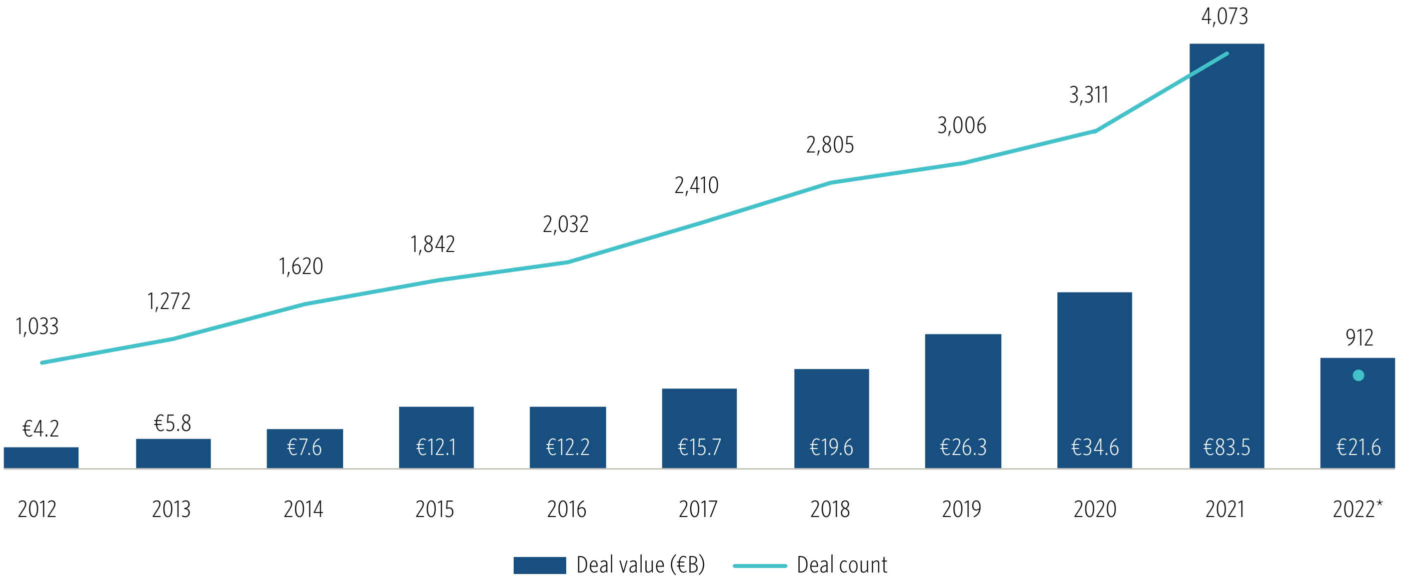
Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

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



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

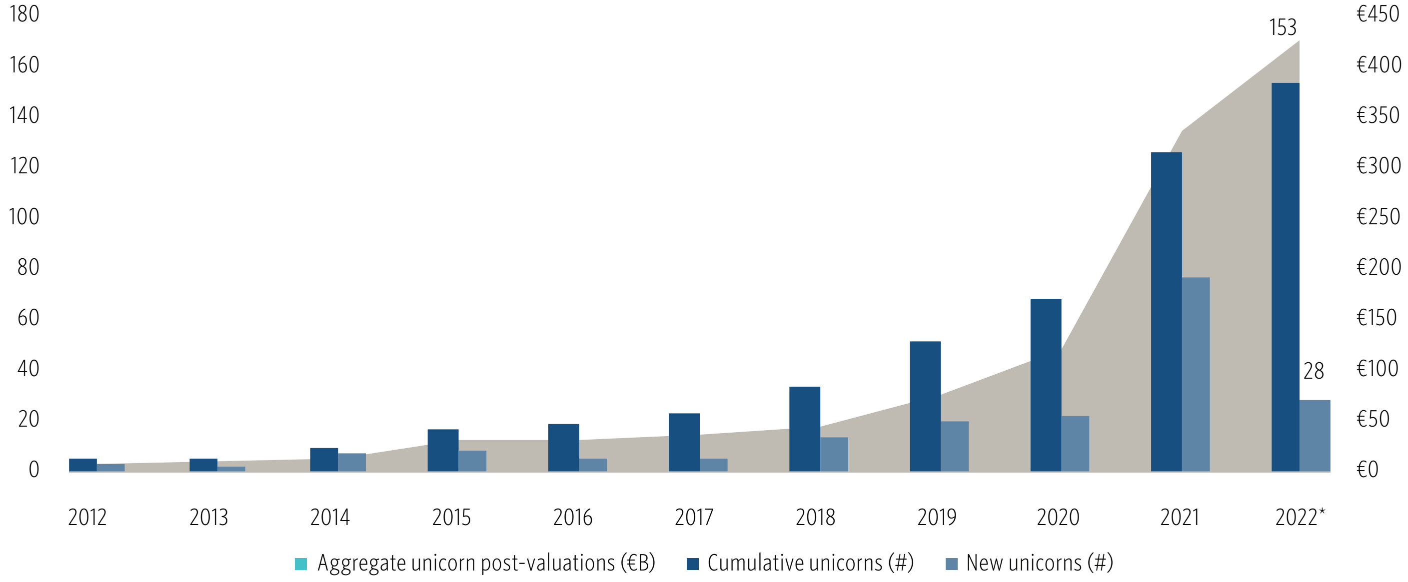
Nontraditional investor VC deal activity



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Unicorns

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



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

The aggregate post-money valuation of Europe-based companies valued at $1 billion or more—commonly known as "unicorns"—swelled to €424.5 billion in Q1 2022, 26.8% larger than the total at the end of 2021. Unicorn maturation has been a core component of the growth in valuations and round sizes witnessed in the European VC ecosystem in the last five years. Despite a tough macroeconomic environment in Q1 2022, the aggregate value of the most valuable VC-backed companies in Europe has grown.

Valuation growth was strong in Q1 2022, with existing and newly minted unicorns able to secure funding, raise their profiles, and press on with ambitious growth targets. Certain European unicorns recorded strong growth, including Checkout.com, which completed a €883.8 million round at a €34.5 billion pre-money valuation, representing a 2.8x step-up from its previous round in 2021. In the past, achieving a $1 billion+ valuation was considered a rare target in Europe that could signal plans for an exit. However, multibillion-euro valuations are becoming increasingly common, and there are several Europe-based companies valued at $10 billion or more (known as "decacorns"). With the exit market faltering in 2022, we expect decacorns to pursue major VC funding and expand their investment runways.

Through Q1 2022, there were 153 existing unicorns based in Europe, representing a 21.4% hike in cumulative figures from the end of 2021. Newly minted unicorn numbers spiked in 2021, with a record 76 added to the total in the 12-month period, more than triple the previous best in 2020. 28 new unicorns were crowned in Q1 2022, and if the current pace continues, we could have the highest number of new unicorns in a calendar year.

In Q1 2022, 38 deals for unicorns were completed, on pace with 2021, which saw 124 deals closed. Unicorn deal value crested at €8.4 billion in Q1 2022, indicating an 18.1% QoQ increase from Q4 2021. Records tumbled during 2021, and dealmaking for unicorns was unrelenting as investors strove to pick up the best deals, and companies pushed ahead with aggressive scaling strategies. Despite an admirable start this year, we anticipate unicorn deal activity is likely to cool in 2022 and could regress to pre-pandemic levels after a bumper 2021. It could be argued that the VC market has been overheated, particularly as unicorn valuations have ballooned during COVID-19, and that early signs of a market correction could be present as large US-based tech stocks struggle. For example, UK-based online events platform Hopin laid off 12% of its workforce in February[3] despite its hypergrowth during lockdowns, which resulted in its valuation soaring past €1 billion in only a few years.

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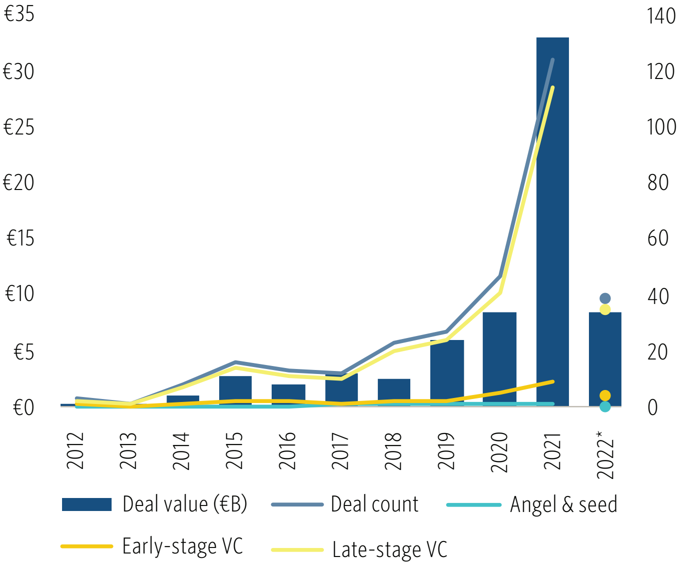
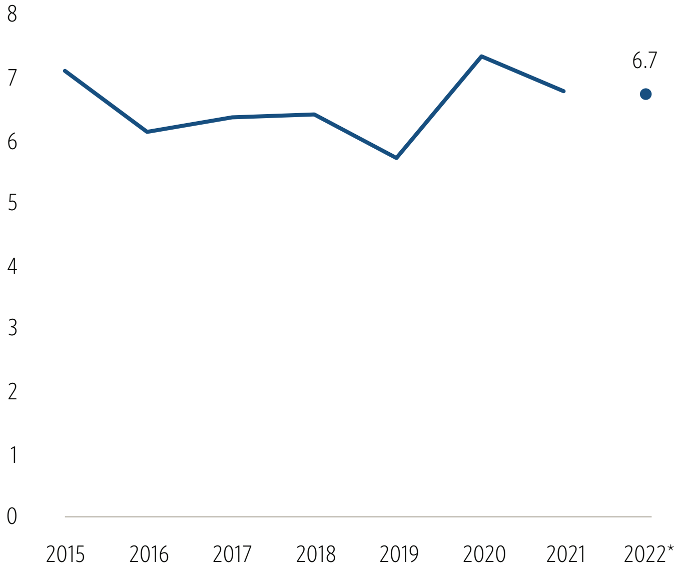
[3] : "Virtual Events Platform Hopin Cuts 12% of Staff, Citing Goal of 'Sustainable Growth,'" TechCrunch, Natasha Mascarenhas, February 10, 2022.

Unicorn deal activity by stage



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Median years for VC-backed companies to achieve unicorn status



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

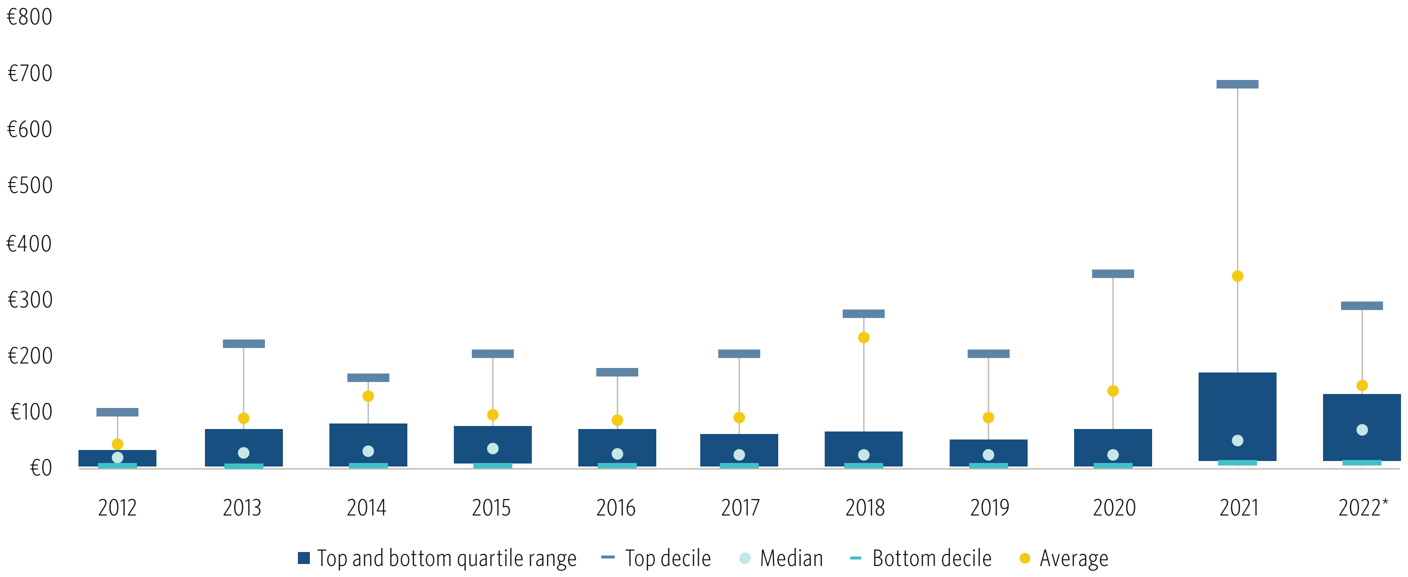
Top five largest rounds for unicorns in Q1 2022

Company name	Deal size (€M)*	Pre-money valuation (€M)	Post-money valuation (€M)	Industry	HQ
Checkout.com	€883.8	€34,467.1	€35,350.9	Payments	UK
Bolt	€628.0	€6,772.0	€7,400.0	Mobility	Estonia
Relex	€500.0	€4,500.0	€5,000.0	Retail software	Finland
Doctolib	€500.0	€5,300.0	€5,800.0	Healthtech	France
Qonto	€486.0	€3,914.0	€4,400.0	Business finance	France

Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Liquidity

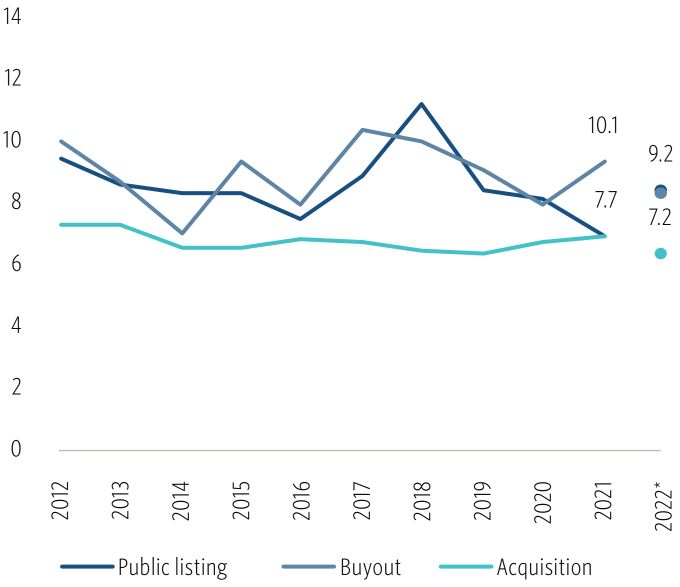
VC-backed exit valuations (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

Despite a muted exit environment, the median post-money valuation upon exit ticked upwards from €42.7 million in 2021 to €60.0 million in Q1 2022. Post-money exit valuations at the top quartile landed at €133.1 million in Q1 2022, down 21.6% from 2021's full-year figure. 2021 logged record exit value as VC-backed companies rushed to take advantage of conducive market conditions for tech companies. The start of 2022 has been the opposite with headwinds—including a widespread tech public equity selloff—dampening global VC exit appetite. Further, trade tensions, rising interest rates, stagflation, and the war in Ukraine have compounded geopolitical tension that has affected companies' appetite to exit. Exit activity has been significantly down in Q1 2022 from the heights of 2021, and we expect a quiet exit market in the coming quarters if uncertainty persists.

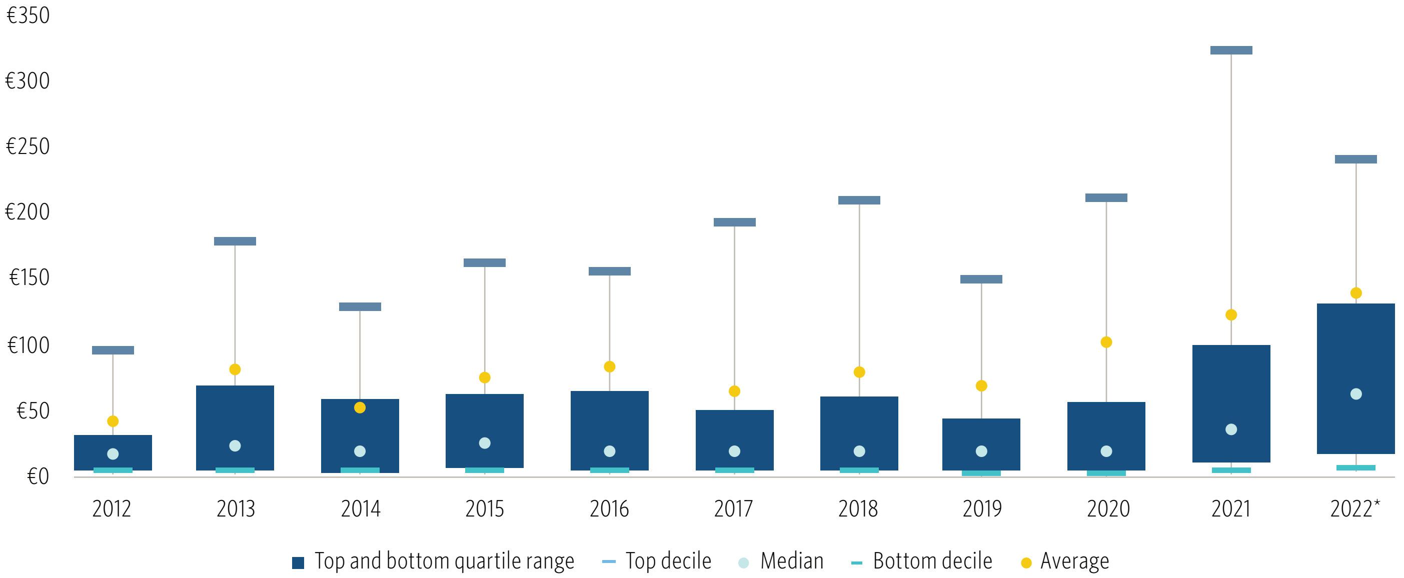
Median years between founding and exit for VC-backed companies



Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

In Q1 2022, the median post-money valuation upon exit via public listings fell to €21.1 million. If this figure does not rise in the next nine months, it will be the lowest figure since 2012. Public listings boomed in 2021, as stock exchanges jostled to secure listings with promising growth prospects. Moreover, VC-backed companies have multiple options to access public markets apart from traditional IPOs, which include direct public offerings (DPOs) and reverse mergers via special purpose acquisition companies (SPACs). Fundamentally, seeking an exit made complete sense for investors, founders, and operators given the strong growth displayed by the tech sector, and in particular the software subsector, during the COVID-19 pandemic. Many software businesses may not experience such rapid growth a second time, as consumers and businesses were forced online to conduct day-to-day activities. With European economies reopening, major sectors such as energy have rebounded, and we have seen

VC acquisition valuations (€M) dispersion

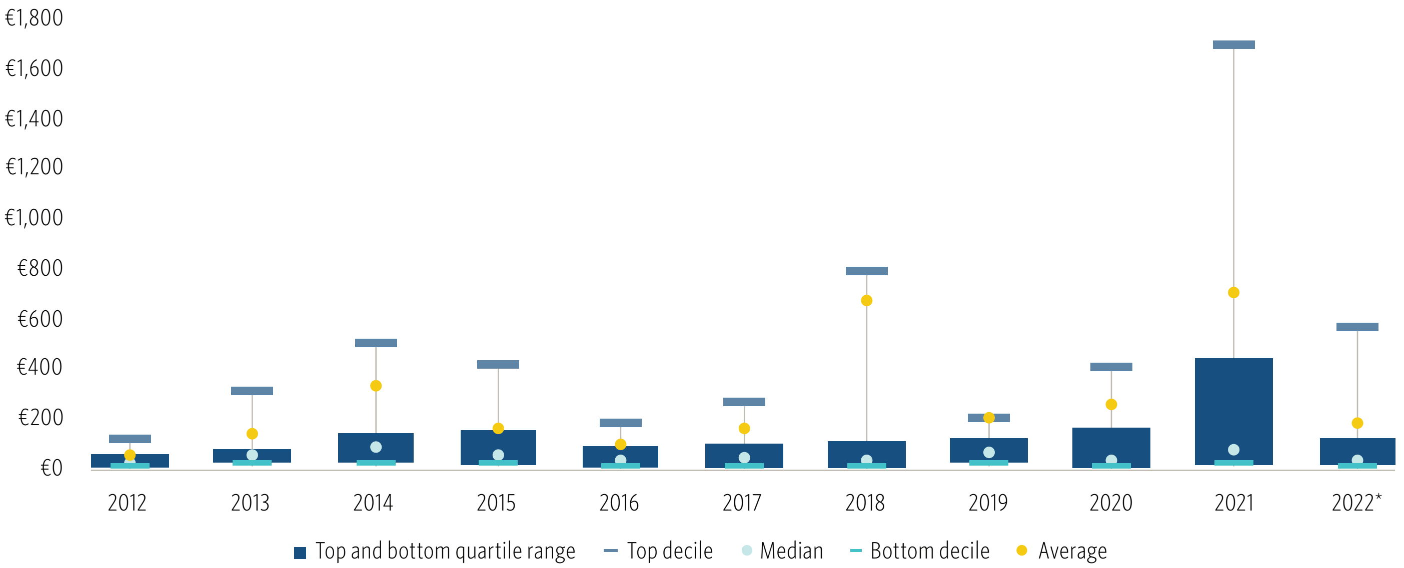


Source: PitchBook | **Geography:** Europe
*As of March 31, 2022

returns climb and profits grow, as costs for consumers have surged in Q1. The technology sector has enjoyed a long bull run in public markets; however, less popular sectors over the past few years, including energy and tourism, could re-emerge favourably in upcoming months.

It is too early to suggest companies are staying private for longer given the lack of exits in Q1; however, a prolonged period of muted exit activity will raise questions about companies remaining in the VC ecosystem. During the past decade, the median time from founding until an exit has remained relatively flat. The median number of years between founding and a buyout or acquisition has been between 7.8 and 11.1 years and 7.2 and 8.1 years, respectively. For public listings the median time has landed between 7.7 and 11.9 years. As we move deeper into 2022, time periods may lengthen, and we could see greater numbers of late-stage companies seeking VC funding rounds instead of risking an exit that could harm valuations or potential returns.

VC public listing valuations (€M) dispersion



Source: PitchBook | **Geography:** Europe
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Additional research

European VC and private capital

Q1 2022 European Venture Report

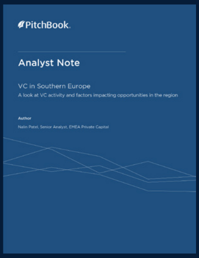
Download the report here.

2021 Annual European VC Valuations Report

Download the report here.

2022 Nordic Private Capital Breakdown

Download the report here.



Analyst Note: VC in Southern Europe

Download the report here.

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