PitchBook

Q1 2024

EUROPEAN VC Valuations Report

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PitchBook Data, Inc.

John Gabbert Founder, CEO

Nizar Tarhuni Vice President, Institutional Research and Editorial

Dylan Cox, CFA Head of Private Markets Research

Institutional Research Group

Analysis

Navina Rajan
Senior Analyst, EMEA Private Capital
navina.rajan@pitchbook.com

Data

Charlie Farber
Senior Data Analyst

Oscar Allaway
Data Analyst

pbinstitutionalresearch@pitchbook.com

Publishing

Report designed by **Joey Schaffer**

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Introduction

At the end of 2023, we wrote about three R's that will be pivotal in shaping 2024: rates, recovery, and rationalisation. Since then, in Europe, the European Central Bank (ECB) has still suggested it will start cutting rates in the second half of the year. However, the timing and rate of cuts remains uncertain, with mixed commentary on how said cuts will ensue. Regarding recovery, upticks in valuations at the end of 2023 continued through Q1 2024, as median deal sizes increased across all stages; valuations followed, apart from late stage, which saw a decline. We have also seen a rationalisation of industry players, where tougher conditions have led to survival of the fittest, potentially leaving a higher quality startup pool, as the proportion of down rounds have also shown signs of plateauing this quarter.

In Q1 2024, nontraditional share of value increased to 85.5%. The YoY increase may seem small, but in the long term, we note a continual growing presence in European venture; a decade ago, nontraditional share of value was just 69.5%. Now, the majority of deals have such participation, as venture has expanded into new industries and technologies, enabling stakeholders to capitalise on adjacent technologies. Despite the recent scale back, we expect the proportion to continue to tick higher. Corporate venture capital (CVC) participation, specifically, increased too; however, the value of these deals decreased, unlike the rest of the nontraditional participation, where share of deal value in Q1 increased from 2023. Generally, late-stage companies have had the most CVC participation, closely followed by early and pre-seed stages.

As of Q1 2024, there are 139 active unicorns in Europe. This number has grown from 2023, with four new unicorns added in Q1 and only one exit in the VC ecosystem. Half of these were software-as-a-service (SaaS) players, providing some signs of optimism for a vertical that has seen the greatest corrections in valuations, especially in this mature area of the market. Unicorn deal value also showed signs of recovery in Q1, but this will need to continue to improve on last year. There are several factors that will determine unicorn count and value through the year. If more of these companies "exit" through listings if IPO markets open, the number of privately-backed names will decrease. If exit markets stay tepid, the already full backlog will increase. As mentioned in our recent Year of the IPO Window or Vent? analyst note, there are 300 European companies with high IPO probability.

Exit valuations have demonstrated some resilience so far in 2024, but activity is weak. In Q1, median exit valuation sat at €22.7 million, compared with €23.2 million in 2023. We caveat this is over a smaller number of exits, which may be skewed. Most exits in Q1 are acquisitions, followed by buyouts and limited public listings. Median valuations for acquisitions sit lower compared with 2023, where the value and volume of exits continues to be depressed. There is also a growing disparity between private unicorn value and IPO value, asking the question on whether the private versus public valuation spread needs to compress further.

Overview

At the end of 2023, we wrote about three R's that will be pivotal in shaping 2024: rates, recovery, and rationalisation. Since then, in Europe, the ECB has suggested it will start cutting rates in the second half of the year. However, the timing and rate of cuts remains uncertain, with mixed commentary on how said cuts will ensue.[1] Regarding recovery, upticks in valuations at the end of 2023 continued through Q1 2024. Although, this occurred across different stages through last year, with all areas of VC apart from late stage seeing an uptick in median valuations. Concerning median deal sizes, all stages increased in Q1 2024 compared with 2023, where at the end of last year, venture growth was the only area to decline.

Green shoots of improvements in valuations continue to emerge in the VC ecosystem, showing signs of promise. The question now lies in if these can be sustained through the year. The data and recent industry news point towards a continued recovery of valuations in some markets. Furthermore, as mentioned, rate cuts later in the year should be supportive for equity valuations. Regarding the last R, rationalisation continues to be evident in the market. Less deals are taking place YoY but are occurring at improved valuations, and median deal sizes are increasing. This was evident in Q1 when median deal sizes increased across all stages, with venture growth surprisingly showing the greatest uptick after months of declining values. The same holds true for valuations—in Q1 2024, all stages apart from late stage experienced higher median valuations compared with 2023, with pre-seed as the largest gainer.

A broader recovery in deal value and valuations supports the notion of a higher quality startup pool, where companies that attract capital are likely to have rationalized cost bases to improve operational performance and profitability. They are therefore likely to have more upside than downside to valuations. However, there could be more rationalisation to come, as several players who raised finances in the last 12 to 18 months need to come back to the cap table this year, but at lower valuations. That being said, the proportion of down rounds plateaued in Q1 2024, after large step-ups were seen in previous years. Currently, of the companies that did deals in Q1 in Europe, the highest-valued players are Klarna, Monzo, Mistral AI, TravelPerk, and Mews. SaaS and fintech dominate the 20 highest-valued companies in Europe, with AI & machine learning (ML) startups making a few appearances.

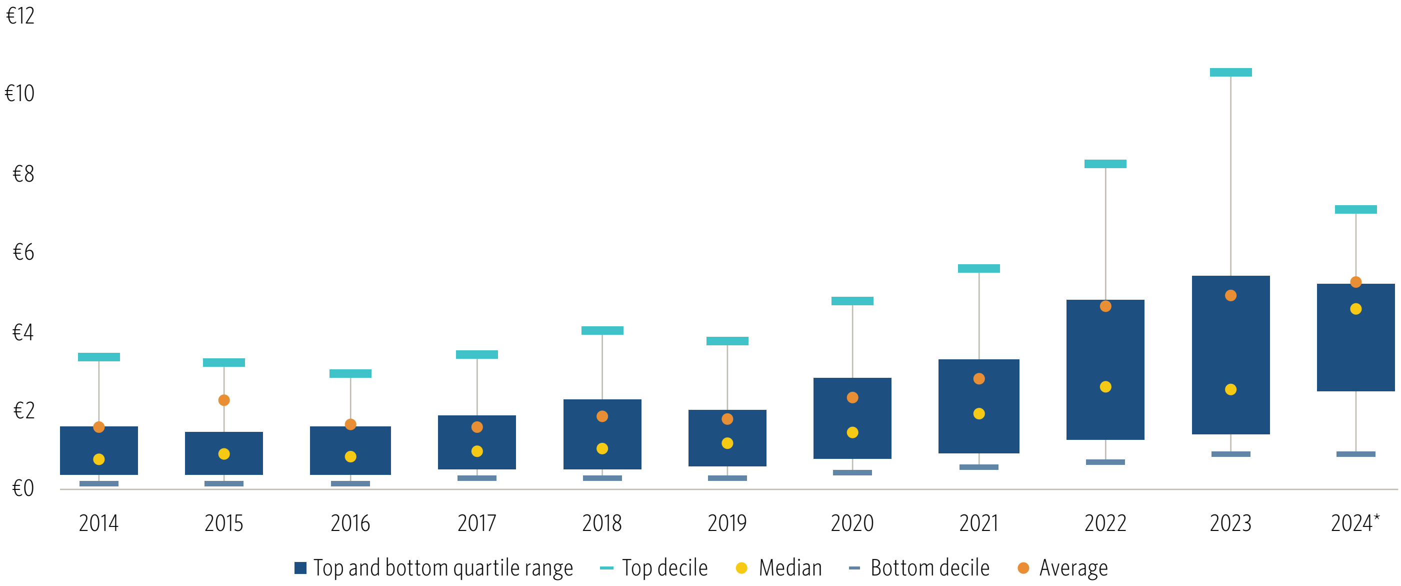
Overall, these trends are only over one quarter and are likely to change as we collect more data through 2024. Although, as mentioned in our Q1 2024 European Venture Report, quarterly trends can set the tone for how valuations trend through the year. We expect a broad recovery in the market overall this year, but it will be key to see how data points trend at the end of H1, after more data points come through and visibility on interest rate cuts is greater.

1: "ECB Governors Stick to Plan for Multiple Rate Cuts Despite Global Headwinds," Reuters, Francesco Canepa, April 22, 2024.

Pre-seed

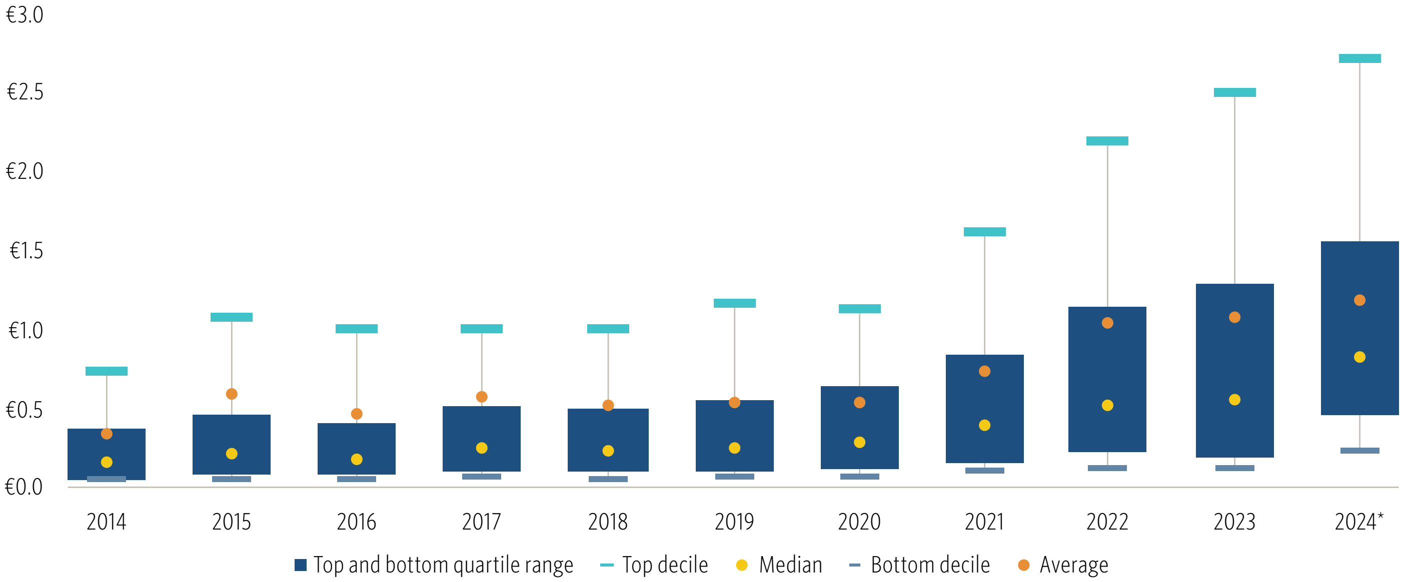
Pre-seed continues lead as the most resilient stage regarding valuations. We noted strength in the stage at the end of 2023, which held true through Q1 2024. This occurred across valuations and deal sizes, with both increasing QoQ. The median pre-seed pre-money valuation increased the most out of all stages, sitting at €4.6 million at the end of the quarter, compared with €2.5 million in 2023.

Pre-seed pre-money valuation (€M) dispersion



Source: PitchBook • Geography: Europe • *As of March 31, 2024

Pre-seed deal value (€M) dispersion

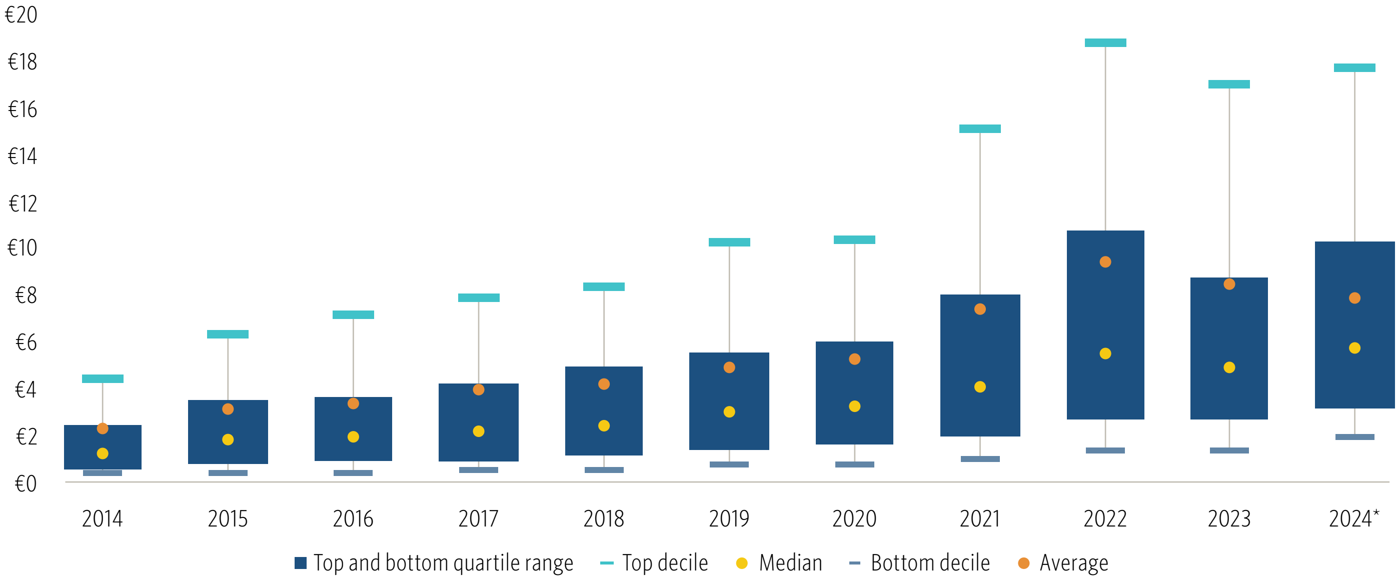


Source: PitchBook • Geography: Europe • *As of March 31, 2024

Seed

Seed valuations and deal sizes also increased compared with 2023. Of all the stages, median seed deal values increased the least in the quarter. Median valuations showed more signs of recovery than last year, increasing 17.6% in Q1 2024. The resilience follows pre-seed, where similar dynamics found in the early stage of the market are at play—investor time horizons are longer, and companies have fewer profitability metrics to be valued on. Median valuations therefore sat at €5.7 million in Q1 2024, with a median deal size of €2.0 million.

Seed pre-money valuation (€M) dispersion



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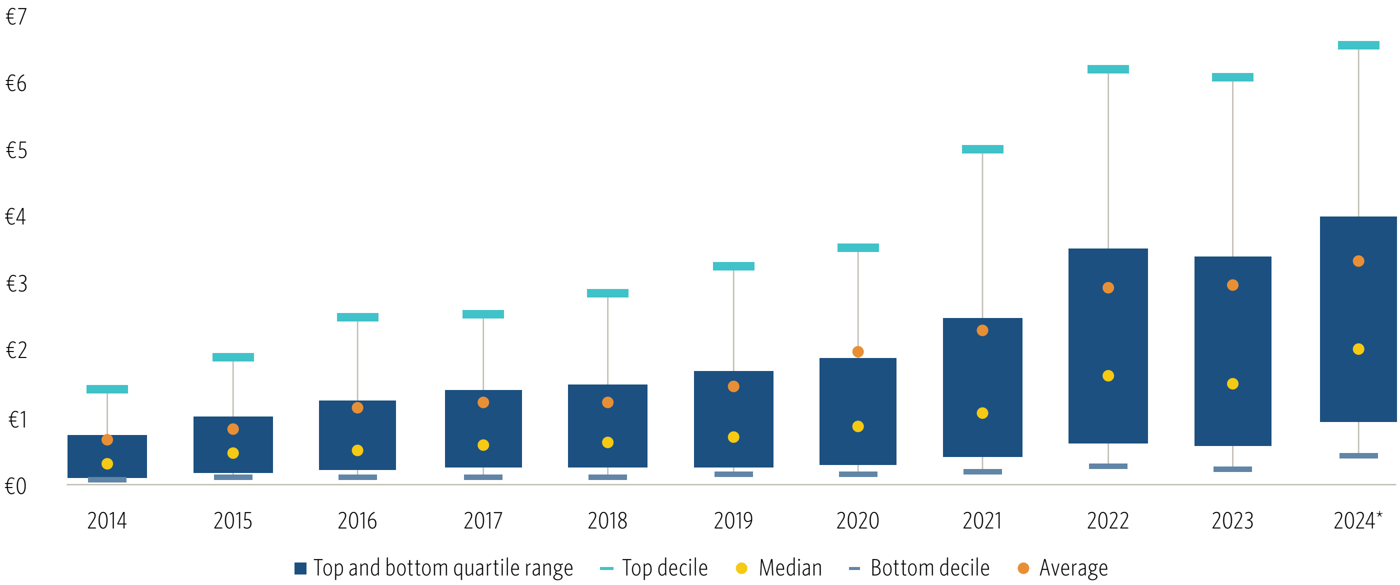
Seed deal value (€M) dispersion

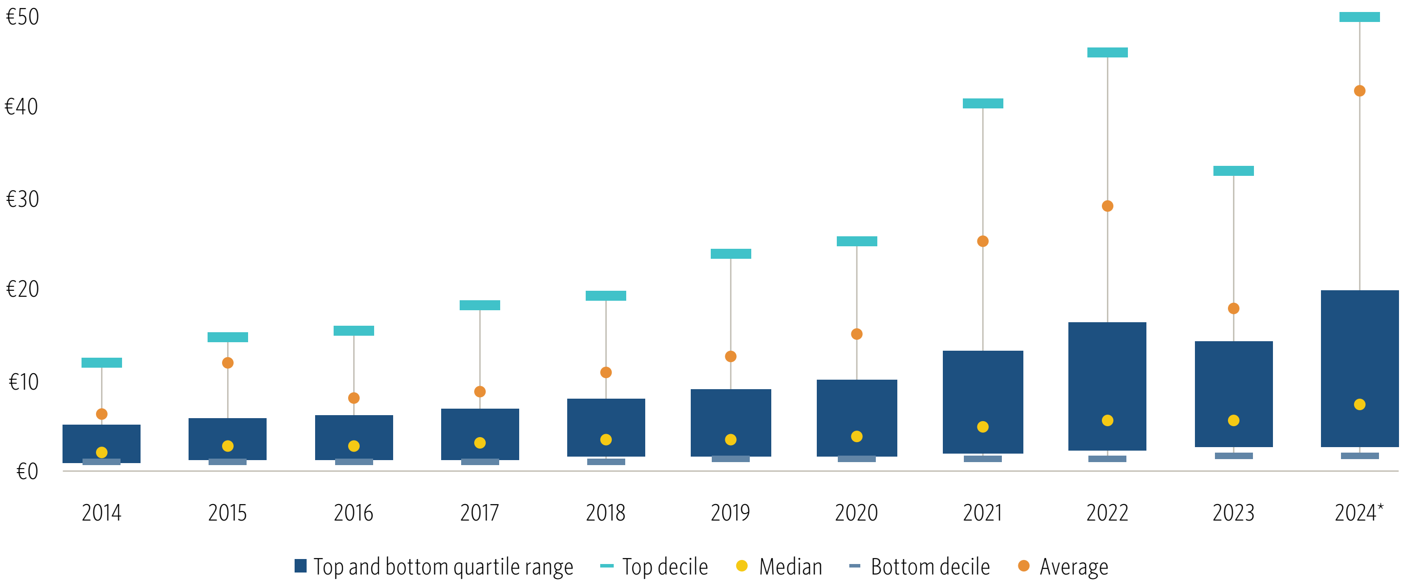


Source: PitchBook • Geography: Europe • *As of March 31, 2024

Early stage

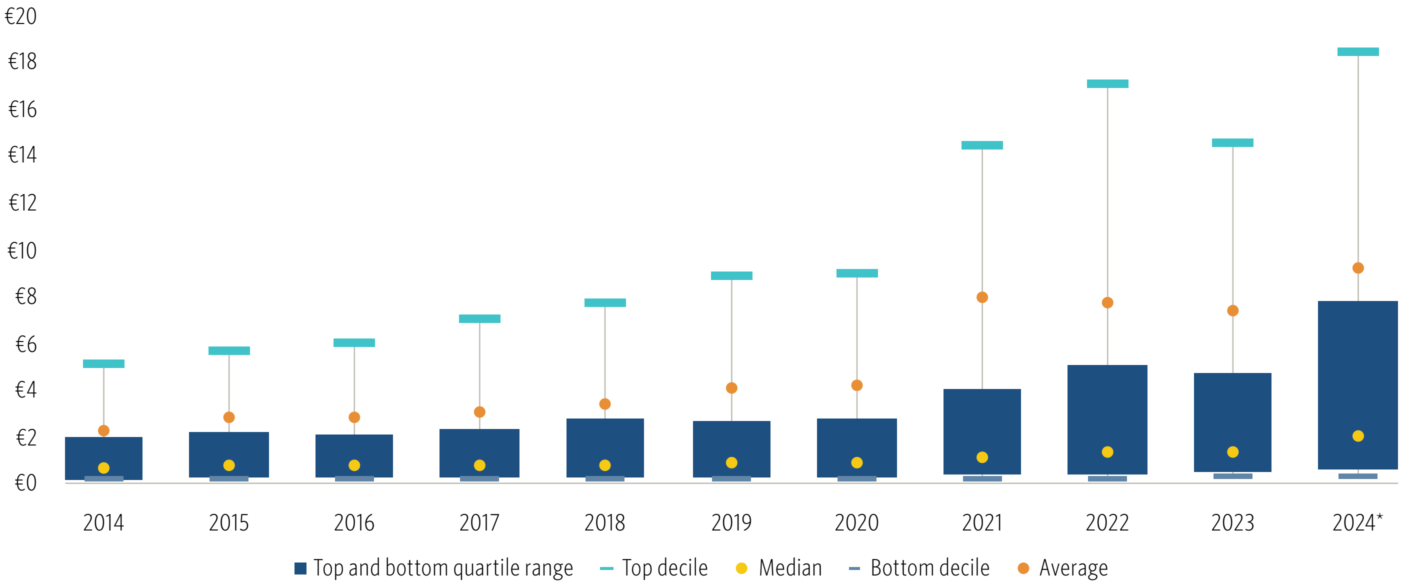
The median early-stage deal size increased to €2.0 million, compared with €1.3 million in 2023. The median valuation was also up, at 35.8% higher in Q1 versus €7.0 million in 2023. In terms of deal count, the early stage has always held the majority of European activity and remains a key area of the VC ecosystem. Some of the largest deals in Q1 were early-stage companies, as mentioned in our Q1 2024 European Venture Report. The stage continues its resilience versus the later stages, with Mistral AI, Moove (fintech), and Subgen AI the highest-valued companies in the stage.

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



Source: PitchBook • Geography: Europe • *As of March 31, 2024

Early-stage VC deal value (€M) dispersion

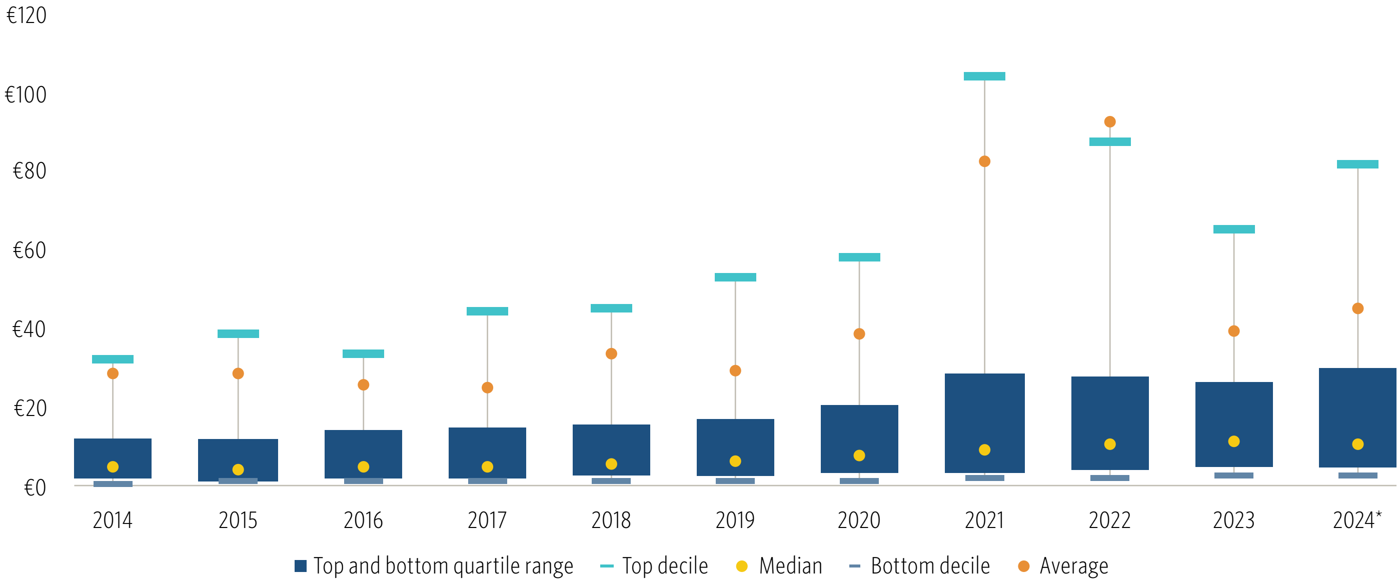


Source: PitchBook • Geography: Europe • *As of March 31, 2024

Late stage

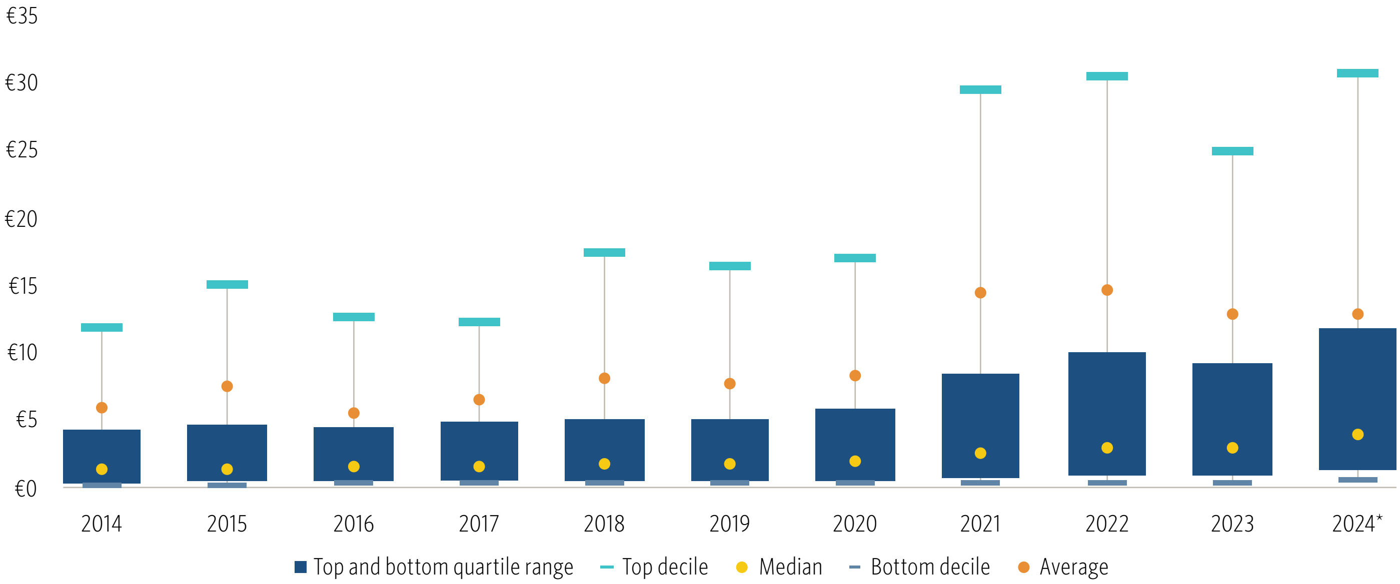
Late-stage valuations declined, but deal values increased. The median deal size in Q1 2024 sat at €4.0 million, 34.1% higher compared with 2023. There was less resilience in valuations, where medians decreased 5.4% to €10.6 million in Q1. We see this as less of a concern given the small decrease and because the other areas of the valuation dispersion in the stage all increased in Q1 2024 versus 2023.

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



Source: PitchBook • Geography: Europe • *As of March 31, 2024

Late-stage VC deal value (€M) dispersion



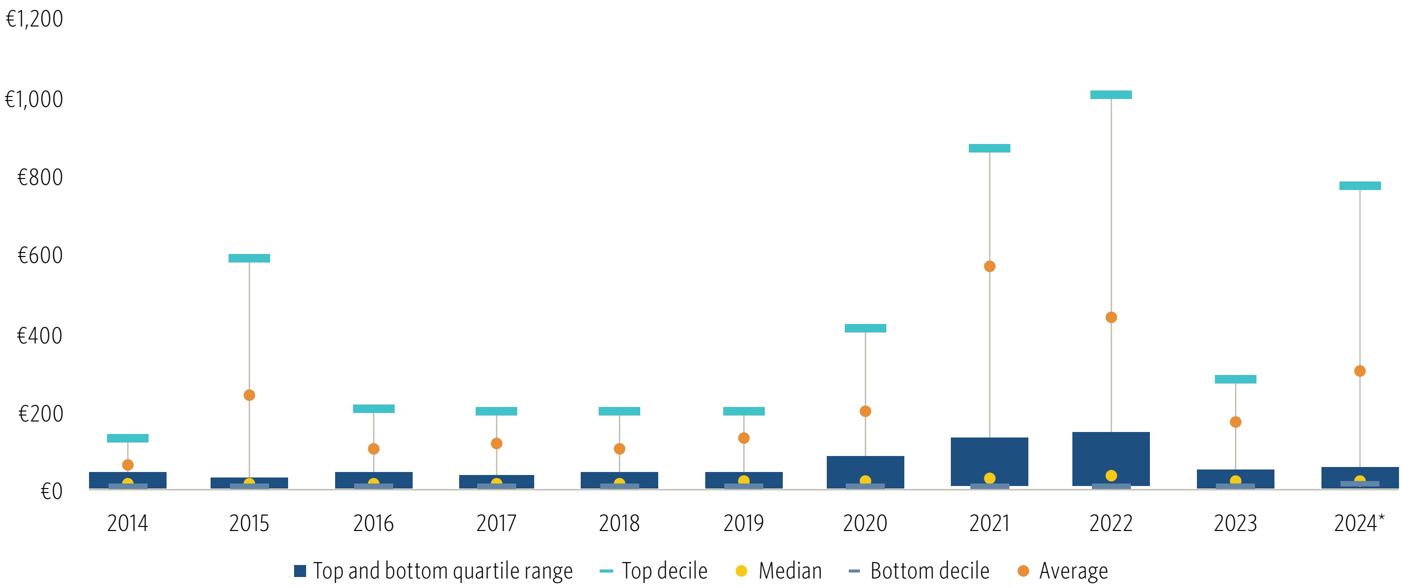
Source: PitchBook • Geography: Europe • *As of March 31, 2024

Venture growth

There has been some respite for venture growth after a tough 2023. Venture-growth companies suffered in the tougher environment due to several factors: pullback from tourist investors in VC, which entered this market area in the peak of 2021 but exited investments due to higher volatility; lower returns; weak exit markets that venture-growth companies rely on to raise further rounds; and weak public market valuations, to which venture-growth companies are often benchmarked due to their broad similarity in size and operations.

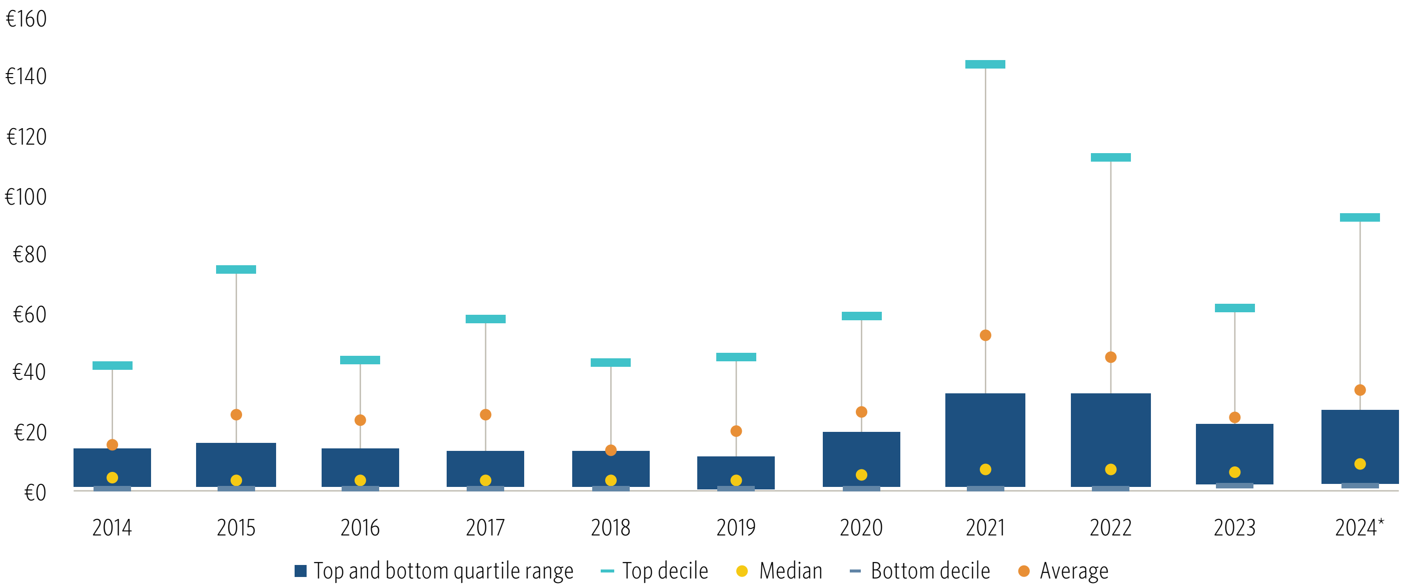
We are encouraged to see improvement at the start of 2024. Median deal values in the stage increased significantly to €9.3 million in Q1 2024, compared with €6.0 million last year. Contrary to 2023 trends, valuations also displayed signs of uptick, increasing 4.5% to €21.7 million. This was likely helped by the rally public equity valuations have seen since January, providing more favourable comparables. Anecdotally, high-profile venture-growth bellwethers, such as Klarna and Monzo, achieved higher implied valuations recently.[2, 3]

Venture-growth VC pre-money valuation (€M) dispersion



Source: PitchBook • Geography: Europe • *As of March 31, 2024

Venture-growth deal value (€M) dispersion



Source: PitchBook • Geography: Europe • *As of March 31, 2024

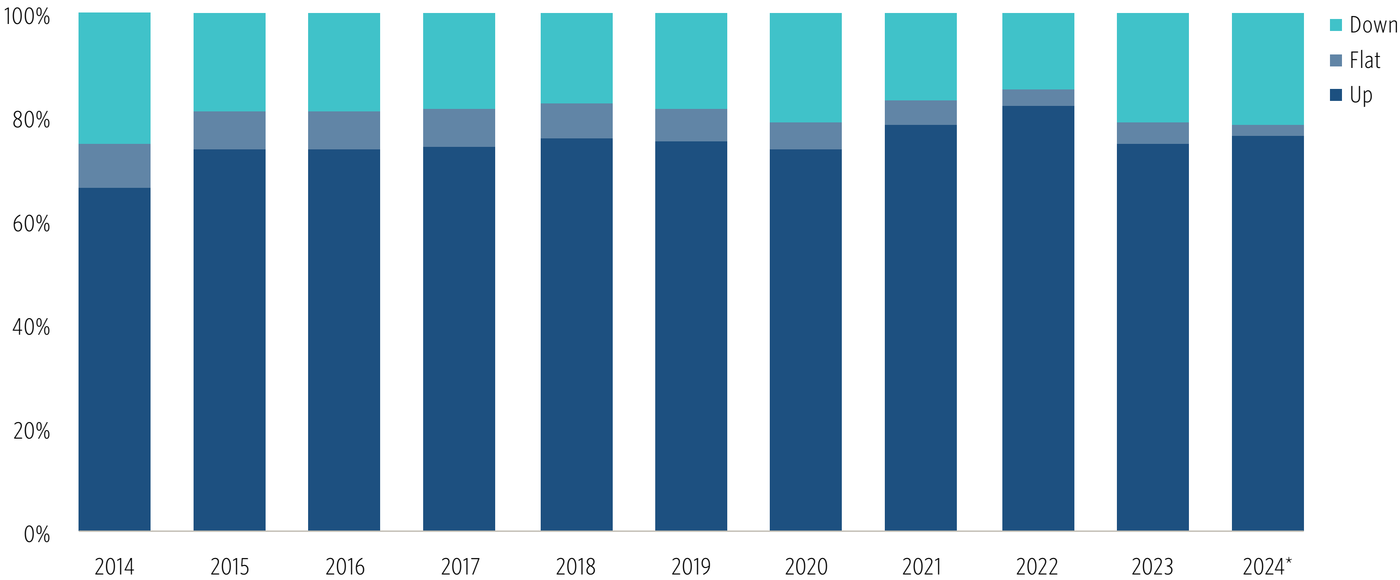
2: "Klarna's Valuation Boosted by Investor After Profitable Quarter," Bloomberg, Aisha S Gani and Rafaela Lindeberg, December 5, 2023.
3: "Monzo Secures $5bn Valuation as It Prepares Return to US," Financial Times, Akila Quinio and Stephen Morris, March 5, 2024.

Up, down, and flat rounds

Down rounds tick higher but show signs of abating. In Q1 2024, down rounds ticked higher to 21.7%, a slight increase versus 2023's 20.8%. While this is still higher YoY, we note two things: The proportion now appears to be close to the historical average, and figures may be skewed by a smaller sample size in quarterly data. We therefore await more data points through the year, also noting that companies may be less inclined to disclose down rounds, even if more occur through 2024. In Q1, the majority of down rounds were from UK & Ireland startups, with the largest round attached to late-stage, life sciences startup Mission Therapeutics. By sector, there is no specific weighting towards an industry, unlike regional skew to the UK.

Overall, we see the slowing rate of down rounds as a sign for optimism, which also tallies with the above data on resilient valuations so far this year, as well as anecdotal industry news of some increasing valuations. We also saw the proportion of up rounds slightly rise to 76.3%, increasing above the historical average for the first time since the heights of 2021. Given the prediction for a more favourable interest rate environment in the second half of the year, we expect the proportion of down rounds to continue to slow as flat, and in some cases, up rounds take the share of deals. There are areas of the market, however, that will still have to accept lower valuations. For many venture-growth players, "down round IPOs" may become more common, with the spread between public and private valuations remaining wide—as expanded on in the "Liquidity" section. Reddit, for example, listed at a lower valuation than its previous private valuation upon exiting the VC funnel.

Share of VC deal count by up, flat, or down rounds



Source: PitchBook • Geography: Europe • *As of March 31, 2024

A WORD FROM FORGE GLOBAL

Growing momentum for venture secondaries in Europe

Kelly Rodriques
Chief Executive Officer
Forge Global

Kelly Rodriques is the CEO of Forge Global, a leading global private securities marketplace. He has accrued decades of domestic and international experience founding and successfully operating growth companies in the financial technology sector, and his fintech experience spans both investing and financial services leadership. Formerly, he was the CEO of Pensco, Totality, and Novo and was an operating partner with Ignition Growth Capital. He founded and remains managing partner of Operative Capital, an early-stage financial technology investment fund.

Thomas Davies
Managing Director
Forge Global

Thomas Davies is the managing director and president of Forge Europe. Davies has 15-plus years working in VC-backed fintech. Prior to joining Forge, he was the chief investment officer of Seedrs, one of Europe's largest equity crowdfunding platforms. Davies began his career as a lawyer with Freshfields. He has a bachelor's from Cambridge University and a master's in law from Cardozo Law School. He is qualified to practice law in both England and New York.

Why is now the right time for Forge to launch in Europe?

Now is the ideal time for Forge to launch in Europe: Europe's tech ecosystem is thriving, fuelling global leaders in consumer tech, AI, fintech, or climate tech. Whilst public markets have struggled over the last few years, innovation thrives as Europe's universities, cities, and business centres emerge as hotbeds of tech innovation, largely driven by private companies. In a challenging market environment, Europe's biggest private companies have maintained robust growth.

This thriving ecosystem demands a new infrastructure to support it—an infrastructure that allows employees, founders, and investors to trade stakes in private businesses. Three core drivers fuel this demand:

First, venture investors face limited exit strategies due to a continuous downturn in M&A and IPO activity—the traditional methods of providing liquidity for their investments. As the pressure for liquidity increases, so does the willingness to sell positions, even if that means doing so at a discount. This provides unique opportunities for buyers in the market.

Second, companies have been steadily staying private for longer with more and more value accretion occurring prior to the IPO. There has been a dramatic increase in appetite to gain exposure to this value accretion and invest in private companies from some investors who traditionally have only been exposed to or had the opportunity to invest in public company stocks.

And third, companies recognise the need to provide liquidity for employees with shares via option schemes, enhancing talent retention.

With over $14 billion traded on the Forge platform in over 500 companies, including European unicorns such as Klarna and Spotify, the strong secondary market in the US underscores the need for a similar marketplace in Europe.[4] The surge in venture investment in Europe over the past two decades has fuelled institutional demand for an efficient, data-driven platform for trading private company shares, led by local experts. This trend is not just a passing phase; it is here to stay. We see this as the right time to seize the opportunity and lead the charge in Europe's dynamic tech ecosystem.

How would you describe the secondary market landscape in Europe?

The European market is rapidly evolving. We are now seeing the established exchange businesses like Deutsche Börse, the LSE, and Nasdaq move into secondaries. Forge was one of the first movers 14 years ago, and this has given us a wealth of experience, which Deutsche Börse identified when we first partnered.

In Europe, while still early, the landscape is rapidly evolving. The demand for a secondary marketplace in private company shares naturally follows vibrant investment in primary rounds. Europe has seen sustained

4: Based on Forge's historical transaction data from inception through December 31, 2023.

venture investment for two decades, birthing world-class companies like Spotify, Klarna, and Revolut. We believe Europe's venture ecosystem is maturing, with secondary trading becoming a key component in the coming years.

How are private companies in Europe shifting their thinking about liquidity?

Two key shifts are underway in Europe. The first is that investor focus and mindset are changing as the capital markets environment shifts.

The typical invest-and-hold strategy has become increasingly difficult to sustain as companies stay private for longer, with the median age of European tech companies at IPO going from seven years between 2000 to 2010, to 13 years between 2011 to 2020, according to Deutsche Börse Primary Market statistics.[5] Consequently, fund managers are under significant pressure to increase their DPI ratio in an increasingly delayed IPO window.

Secondly, the pressures on private company founders have changed. These longer horizons mean that founders who start a business in their garage have gone through a lot of life events—such as getting married and having children—long before an exit, and often, their need for liquidity is as high as the fund manager.

Alongside this, and perhaps to enable it, companies are also recognising the value in providing liquidity to employees themselves. Once reserved for only the most forward-thinking tech companies, employee share option schemes have been adopted by an increasing number of companies across Europe. Companies are realising that providing these employees with not just shares in the company they are helping to build, but also the opportunity to sell some of these shares and see a financial return on their hard work, is a very powerful way to attract and retain the top talent.

These trends all point to the need for a better private market trading infrastructure—which is something that Forge has pioneered for years—and underpins Forge's excitement about expanding in Europe.

What are some of the biggest private market trends currently happening in Europe?

In Europe, category-leading companies are thriving, yet many remain privately held amidst market challenges. As these European growth giants emerge onto the global stage, investors have a unique opportunity to participate in their success.

Early investors in these companies stand to gain from a new route to liquidity through secondary marketplaces, offering interested buyers access to these companies outside of fundraising rounds.

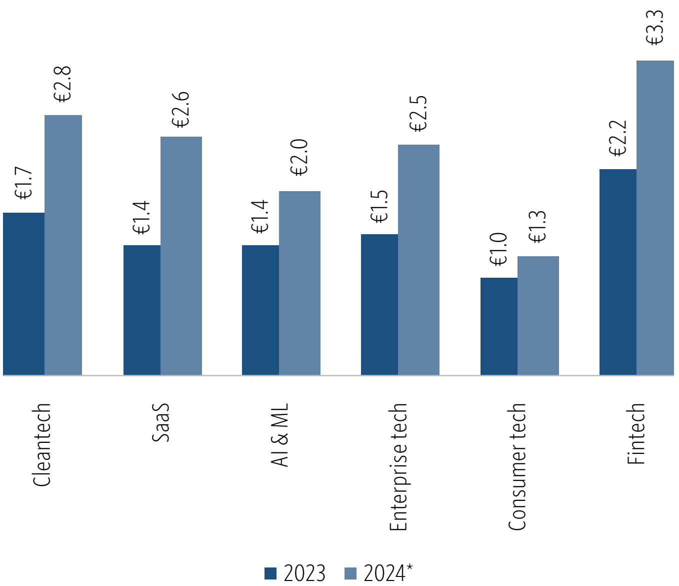
From AI leaders like Mistral AI in France, to fintech resurgence in London with Revolut and GoCardless, and the surge of climate tech exemplified by Einride's sustainable freight solutions, Europe is poised to lead in innovative global players.

It is this combination of the amazing private company landscape and the changing market dynamics that makes European secondary market investing such an exciting place to be right now.

5: The age at IPO includes the time between incorporation of VC-backed and/or tech companies and their listing at the FWB.

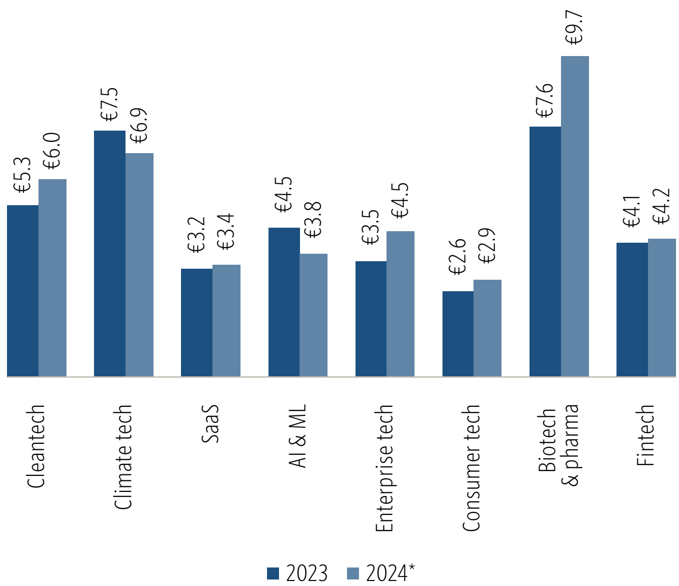
Sectors

Median early-stage VC deal value (€M) by vertical



Source: PitchBook • Geography: Europe • *As of March 31, 2024
Note: Only verticals with at least 25 data points in 2024 are included.

Median late-stage VC deal value (€M) by vertical



Source: PitchBook • Geography: Europe • *As of March 31, 2024
Note: Only verticals with at least 25 data points in 2024 are included.

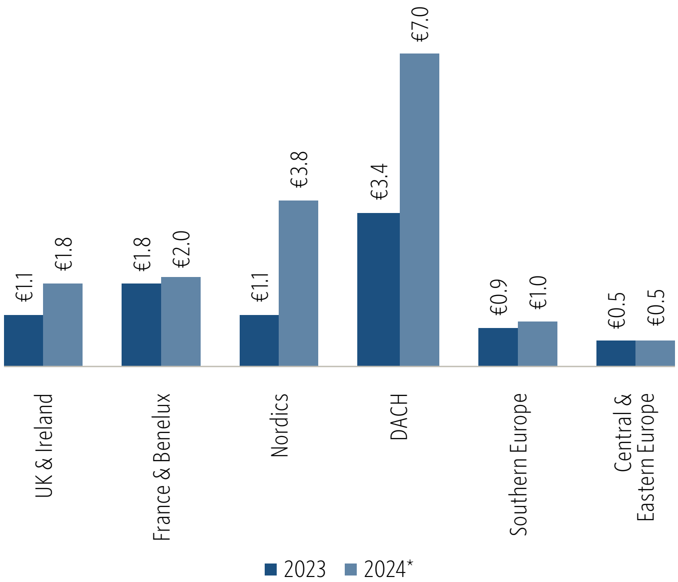
How do verticals rank regarding deal sizes? Within early stage, fintech and cleantech median deal sizes lead. Looking at key Q1 2024 verticals in Europe, the largest median round of €3.3 million sits in fintech at the top of the pack. This is followed by cleantech, at €2.8 million, with consumer tech the smallest average, at €1.3 million. Within Q1 late-stage deals, the largest median round was in biotech & pharma, at €9.7 million, followed by climate tech, at €6.9 million.

Cleantech showed resilience in 2023, and had notable deal activity in Q1 2024 where median valuations and deal values within the space increased in the quarter. Most deals in the first quarter occurred in the early stage, where median deal size sat at €2.9 million, compared with €1.7 million in 2023. Early-stage companies that raised larger rounds in the vertical include electric vehicle charging startup Electra, with €304.0 million raised, and clean energy tech company Aira, with its €145.0 million round. It is therefore key within the energy transition that companies address consumer access to cleaner energy, as well as industrial output, such as H2 Green Steel's project to build a flagship green steel plant.

How do verticals rank when looking at the highest-valued companies? Despite the resilience in cleantech, the value of privately-backed companies in the sector are much lower. Of the cleantech companies that closed deals in Q1, the highest-valued players are Enough (foodtech), Reactive Technologies (climate tech), and Transmutex (alternative energy). The former two are valued at over €100 million, sitting at the more mature part of the ecosystem. These valuations are at a fraction of the largest players in other key European industries, such as SaaS and fintech, given the scale of production and the structural differences in industries. However, outside of the top-six-valued fintech players that closed deals in Q1, values fell to under €100 million for the rest of the top 20, showing greater dispersion between stages in the vertical.

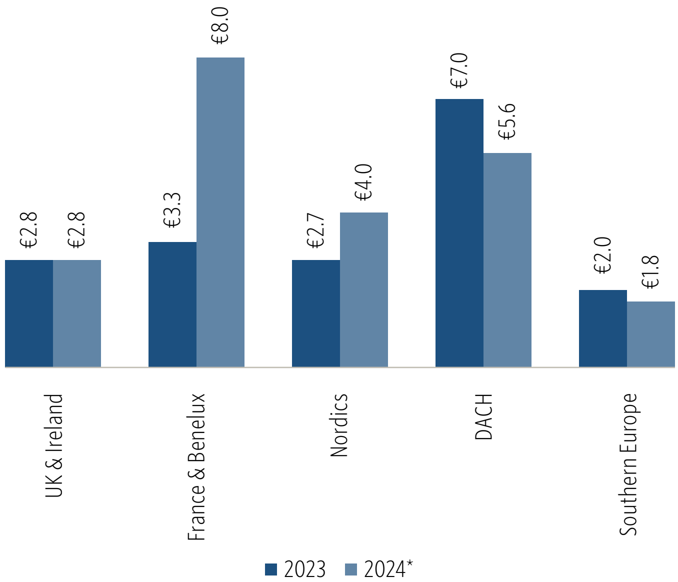
Regions

Median early-stage VC deal value (€M) by region



Source: PitchBook • Geography: Europe • *As of March 31, 2024
Note: Only regions with at least 25 data points in 2024 are included.

Median late-stage VC deal value (€M) by region



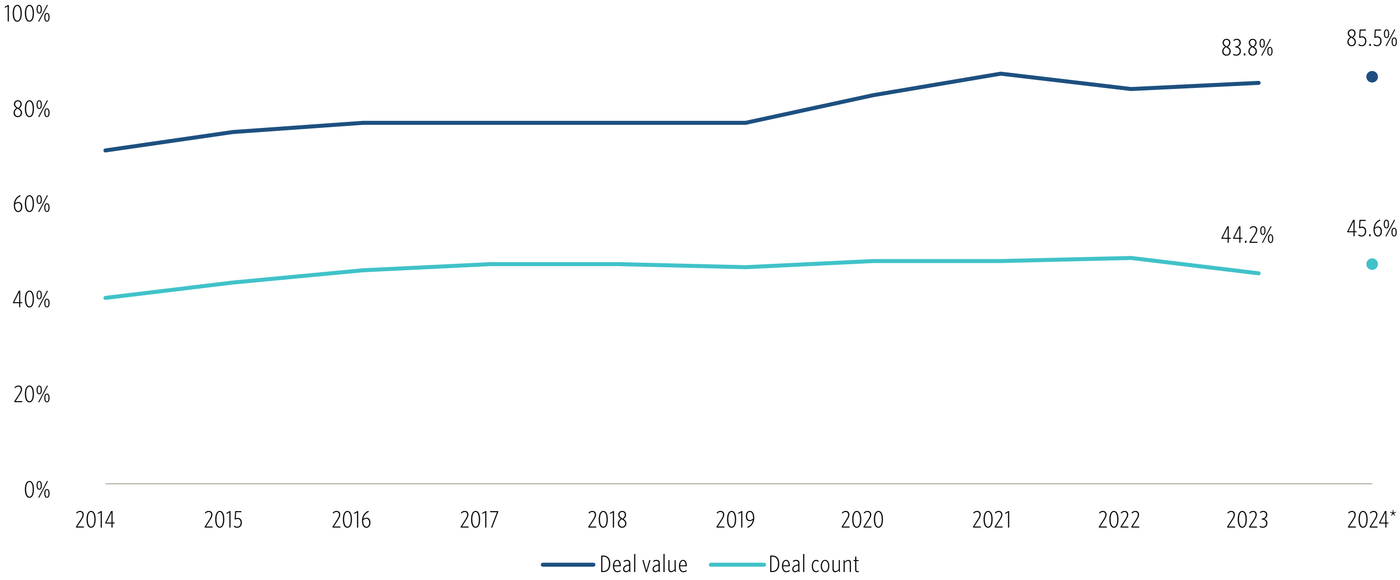
Source: PitchBook • Geography: Europe • *As of March 31, 2024
Note: Only regions with at least 25 data points in 2024 are included.

In the earlier stages, median deal sizes in Q1 2024 were largest in the DACH region, at €7.0 million, more than doubling from €3.8 million last year. This was driven by large deals in a variety of verticals, including healthtech, robotics & drones, AI & ML, as well as e-commerce. The DACH's lead was followed by the Nordics and France & Benelux. Israel technically sat at the top of the regions at €17.0 million, but this occurred over only 16 deals, and therefore is subject to being skewed by anomalies. At the other end, UK & Ireland median early-stage deal sizes are smaller, at €1.8 million, increasing YoY by 61.4%. Overall median early-stage valuations in the UK & Ireland continue to show signs of uptick, with pre-seed values also increasing so far in 2024. We would expect more resilience in this part of the market given longer investor time horizons; however, relative to other regions, the nation lags in the size of deals being executed. This could be driven by the nature of the companies within the UK versus other regions, such as a weighting to biotech & pharma, which tends to have smaller rounds than other verticals.

Within late stage, the picture is different as median France & Benelux deal sizes are the highest, at €8.0 million in 2023. This is followed by DACH, and then the Nordics. UK & Ireland deal sizes sit further down at €2.8 million, as valuations in the region also started 2024 lower, at €10.2 million—a 9.1% decrease versus 2023. The dispersion between median deal sizes in the region compared with France & Benelux is large, yet the region still makes up the majority of deal volume in Q1 2024 across Europe.

Nontraditional investors

Deal activity with nontraditional investor participation as a share of all VC deal activity

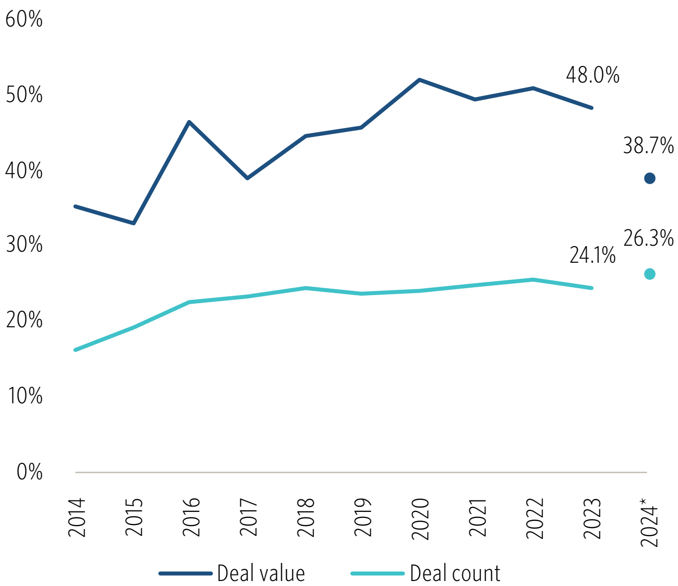


Source: PitchBook • Geography: Europe • *As of March 31, 2024

Nontraditional share of deal activity ticked higher in Q1 2024. In recent years, there has been an exodus of nontraditional participants from European venture markets. Amid tougher market conditions, several of the players we track—CVCs, PE, and hedge funds—returned to conventional strategies in more familiar markets. Yet, in Q1 2024, the number of deals with such participation has increased to 45.6% of European deals, slightly up from 2023. This, alongside a recovery in valuations, has meant nontraditional share of value in Q1 is also higher, at 85.5%. The YoY increase may seem small, but in the long term, we note a growing presence in European venture; a decade ago, nontraditional share of value was just 69.5%. Now, most deals have such participation, as venture has expanded into new industries and technologies, enabling stakeholders to capitalise on adjacent technologies. Despite the recent scale back, we expect the proportion to continue to tick higher.

CVC participation, specifically, ticks higher too. A large part of the nontraditional space is CVC participation. 26.3% of deals in Q1 2024 had CVC participation, up from 24.1% in 2023. The value of these deals, however, seems to be lower, unlike the rest of the nontraditional participation, where share of deal value in Q1 significantly decreased from

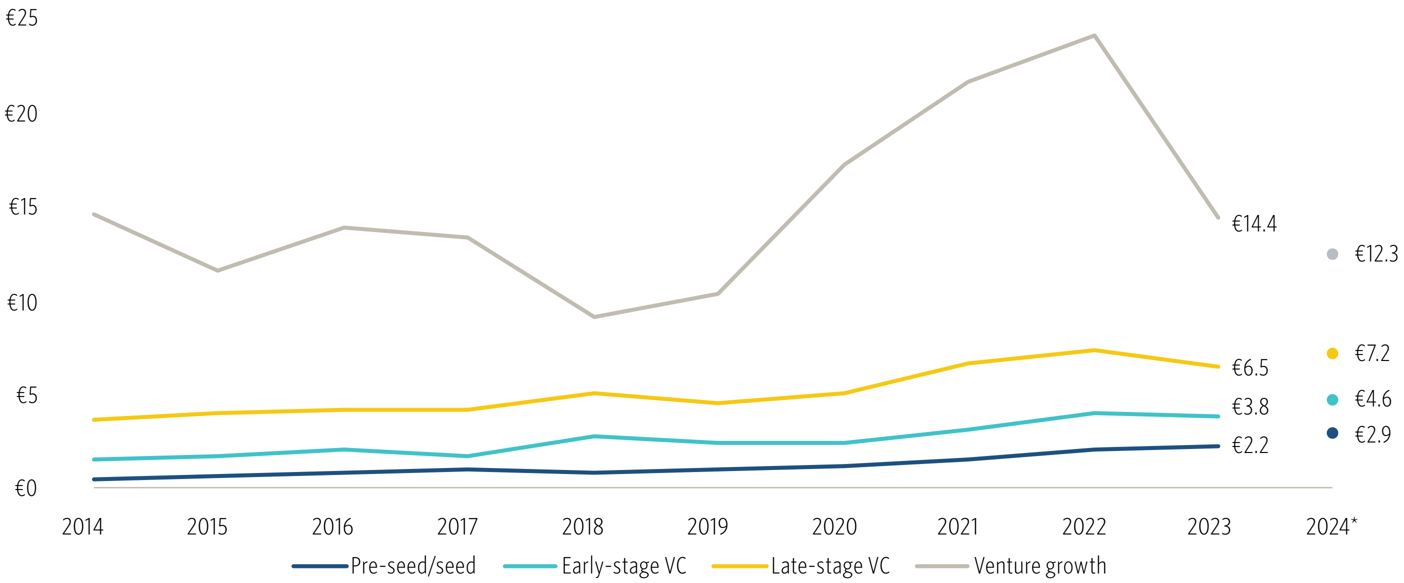
Deal activity with CVC participation as a share of all VC deal activity



Source: PitchBook • Geography: Europe • *As of March 31, 2024

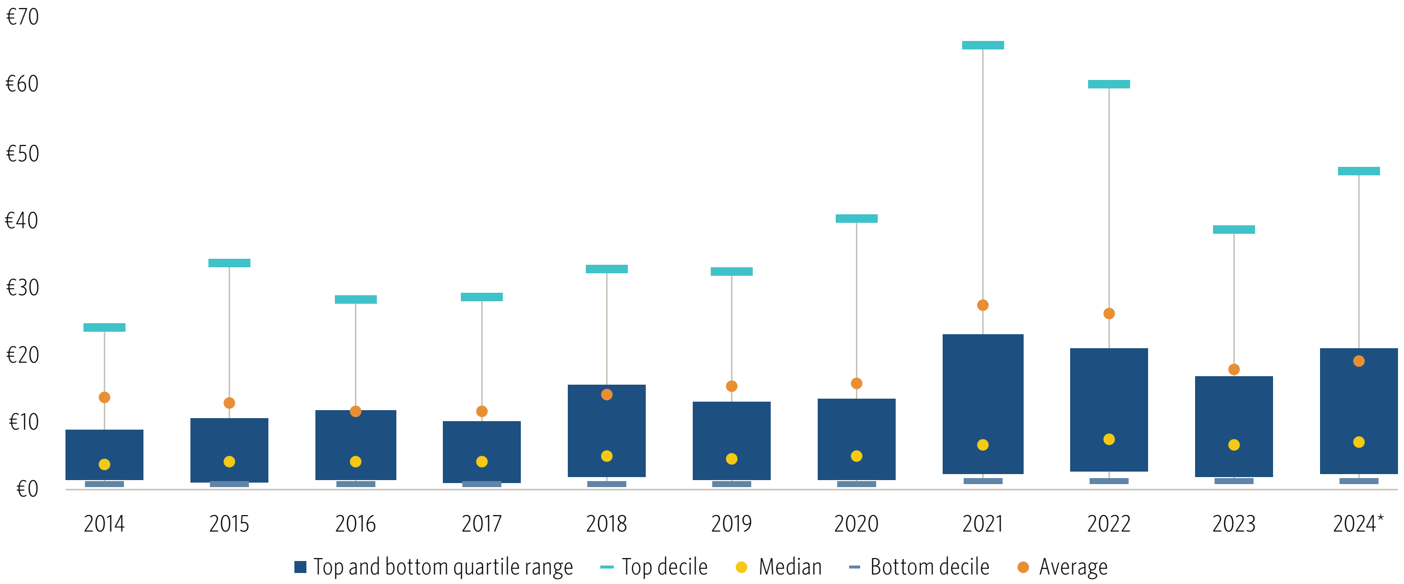
2023, going from 48.0% to 38.7%. Generally, late-stage companies have had the most CVC participation, closely followed by early and pre-seed stages. Q1 2024 median late-stage deal values with CVC participation increased close to peak levels, reaching €7.2 million from €6.5 million in 2023. Late-stage CVC deals were one of the few areas in which valuations rose across the dispersion of deals. The top deal in Q1 was from Picnic, the biggest round in the category, as the largest German supermarket corporation Edeka Zentrale participated.

Median VC deal value (€M) with CVC participation by stage



Source: PitchBook • Geography: Europe • *As of March 31, 2024

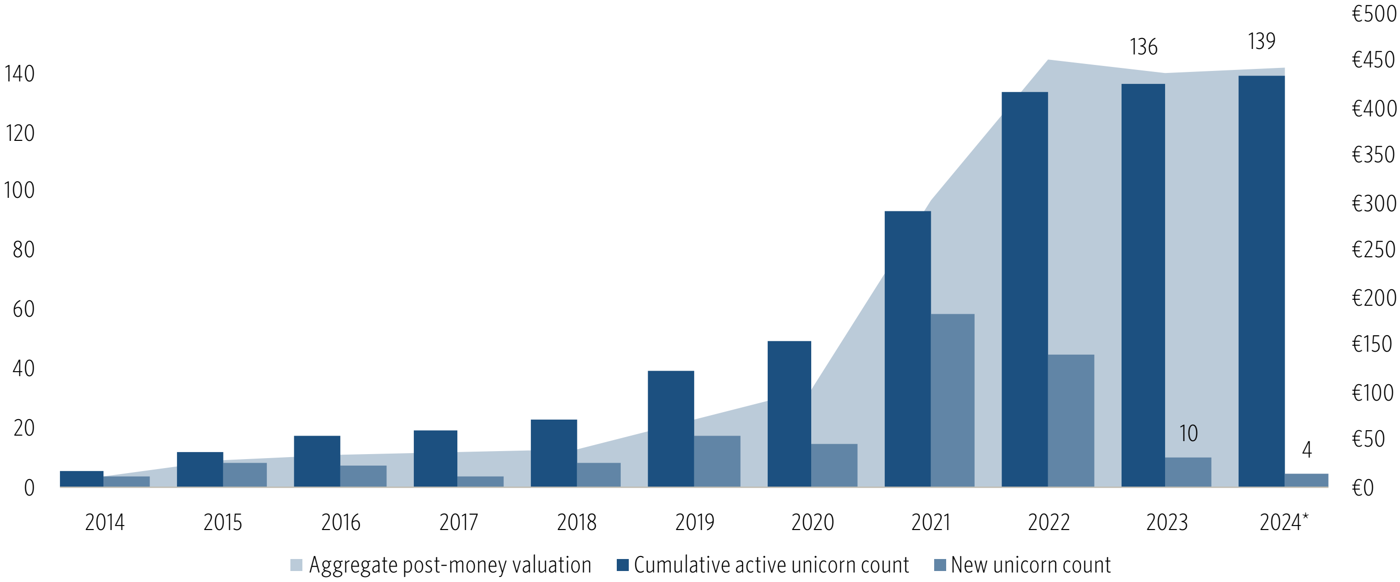
Late-stage VC deal value (€M) dispersion with CVC participation



Source: PitchBook • Geography: Europe • *As of March 31, 2024

Unicorns

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



Source: PitchBook • Geography: Europe • *As of March 31, 2024

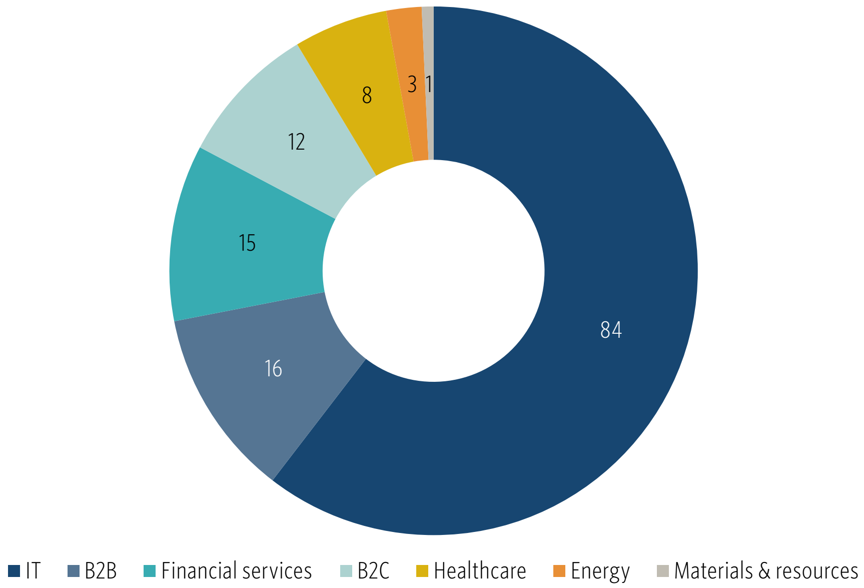
Unicorn deal value demonstrates signs of recovery. In step with the aforementioned upticks in venture growth, unicorn activity has started the year with signs of resilience. Its Q1 2024 deal value of €1.4 billion sat 6.6% higher YoY. Activity was also up sequentially by a similar magnitude. However, for levels this year to exceed 2023, continued recovery will be required. The Q1 run rate implies that 2024 deal value still ends lower than 2023 by 6.1%. Given the significant decline in value last year, it is pivotal that this mature area of the VC ecosystem finds further rounds of financing, and, as mentioned later, investors are able to exit. Depressed listings markets are the obvious key to unlock this, which we expect to only open fully in 2025.

As of Q1 2024, there are 139 active unicorns in Europe. This number has grown from last year, as four new unicorns were added in Q1, along with some exiting the VC ecosystem. Amid the correction in valuations in 2023, 10 companies achieved unicorn status, down from the peaks of 2021. The Q1 2024 run rate implies that 2024 totals could come in higher YoY, but it is still earlier on in the year. Mistral AI, Data Snipper (fintech), Mews, (SaaS) and TravelPerk (SaaS) comprise the four new unicorns. Half of these are SaaS players, providing some signs of optimism for a vertical that has seen the greatest corrections in valuations, especially in this mature area of the market. Of the new unicorns minted this year, Mistral AI is also reportedly raising funding again in April;[6] its valuation is speculated to be twice its current size, indicating that inflated investor appetite remains for structural, high-growth verticals in VC.

There are several factors that determine unicorn count and value through the year. If more of these companies "exit" through listings if IPO markets open, the number of privately-backed names will decrease. The pipeline is ripe—as mentioned in our recent note, Year of the IPO Window or Vent?—with a 300-company-strong backlog of companies likely to IPO in Europe. However, market conditions are not yet conducive for a fully open window, although private valuations have displayed some signs of uptick. There may be more companies that therefore achieve unicorn status through 2024 as venture-growth valuations recover. The aggregate value of the 139-unicorn backlog has increased so far in Q1 to €443.8 billion from €438.2 billion in 2023, showing some signs of support in the market. Given the large aggregate value of unicorns alone, there is untapped exit value from such players. On average, only one company in the backlog would need to exit each quarter to create exit value in 2024 that broadly matches last year.

6: "AI Start-Up Mistral in Talks to Raise €500mn at €5bn Valuation," Financial Times, Ivan Levingston, George Hammond, and Leila Abboud, April 19, 2024.

Active unicorn count by industry*



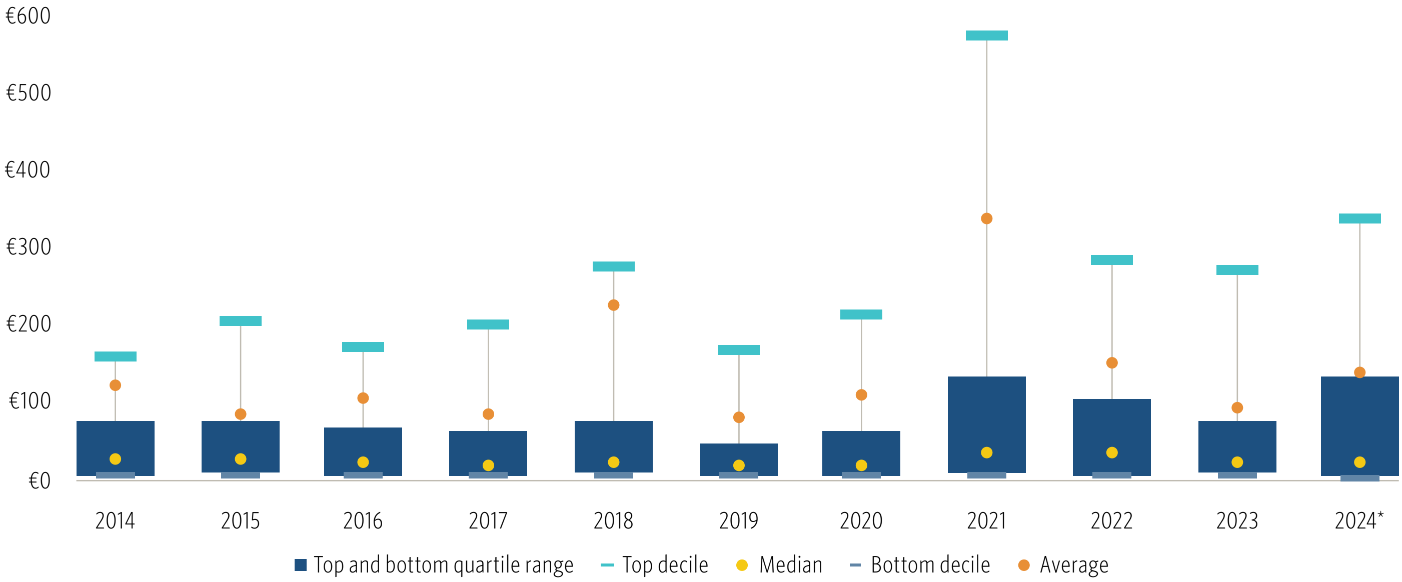
Source: PitchBook • Geography: Europe • *As of March 31, 2024

Fewer exits due to weaker listing markets would add to the active unicorn backlog. As of Q1 2023, it is weighted mainly to IT industries, unsurprisingly. Outside of this, B2C and financial services are the largest sectors and include some of the candidates in our top-25 valued IPO watchlist, such as Bolt, Vinted, Lendable, and eToro.

As exit markets remain muted through the year, such companies will have to continue to extend cash runways. Where a lot of players rationalized cost bases in 2023, there may be more to come. It will therefore be of interest to look at company-specific financials of active unicorns in Europe. We believe companies are now more profitable and will be required to exhibit margin growth as they become larger in the lead-up to listing.

Liquidity

VC exit valuation (€M) dispersion

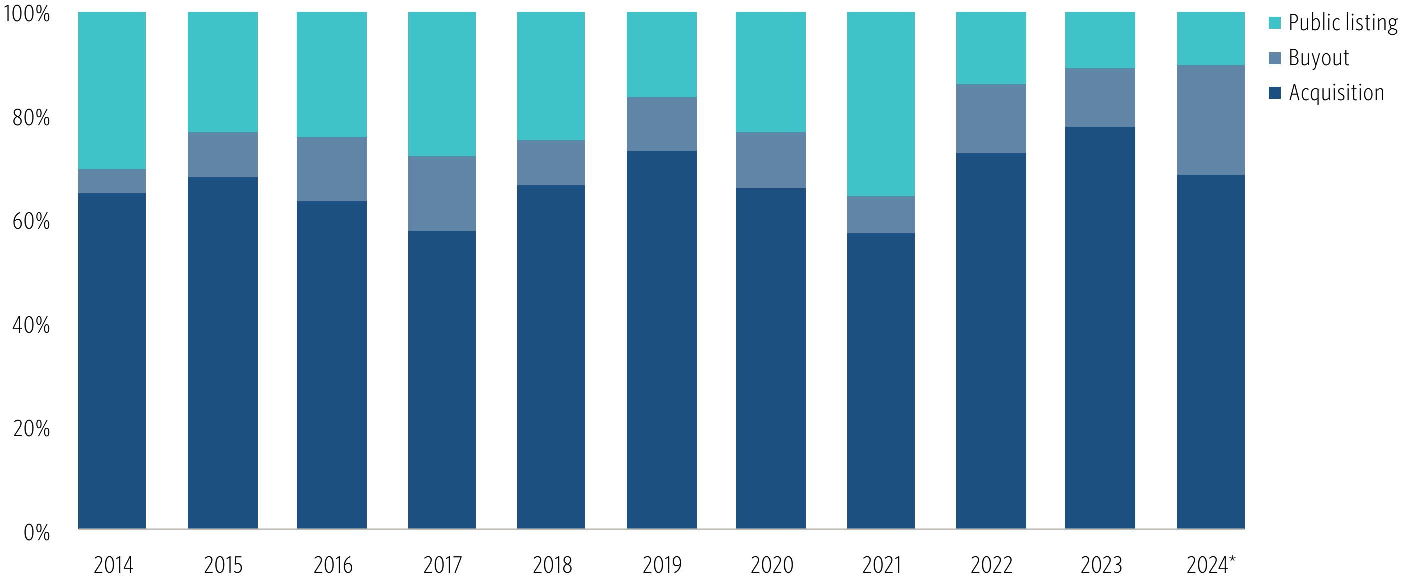


Source: PitchBook • Geography: Europe • *As of March 31, 2024

Exit valuations have shown resilience so far in 2024. In Q1, median exit valuation sat at €22.7 million, compared with €23.2 million in 2023. We caveat this is over a smaller numbers of exits, which may be skewed. The majority of exits in Q1 were acquisitions, followed by buyouts and limited public listings. Median valuations for acquisitions sit lower compared with 2023, where the value and volume of exits continues to be depressed. There could be some upside to this as valuations recover in the second half of the year. However, for IPOs, specifically, there also seems to be a gap between private and public markets. Private market valuations correct at a lag to public ones, thus, given the rally in European equity markets since the start of the year, this could provide more favourable benchmarks for exits over the next few months.

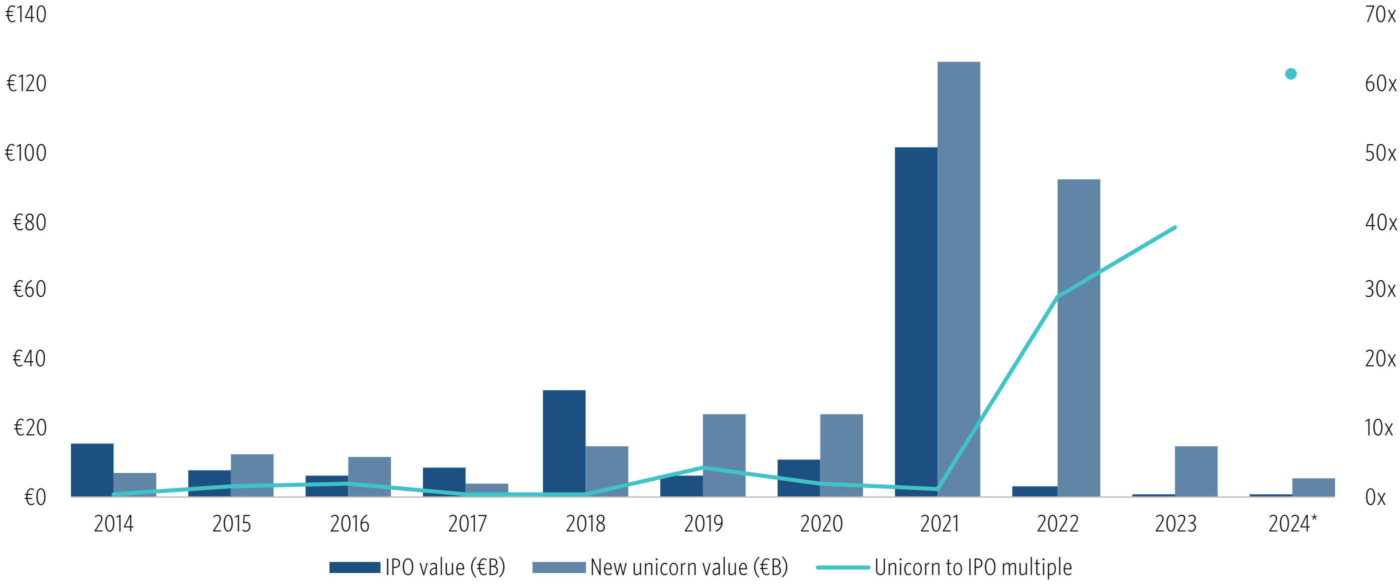
Will unicorn valuations compress once publicly listed? We take a closer look at exits in the more mature part of the VC ecosystem—in particular, the listing of unicorns. As mentioned, IPOs have been a natural progression for venture-growth companies in the VC funnel, providing exit opportunities for GPs and returns for LPs. However, we note a continued gap between public and private companies within this space, which has only widened in recent years. In 2023, new private unicorn value amounted to €14.5 billion. New IPO exit value in the same year sat at €0.4 billion. The disparity has only grown in Q1 2024, asking the question of whether private companies versus public are still overvalued and if such valuations will be more conservative upon listing. This also drives the question of whether such companies will stay private and source other means of financing, where possible, if IPO valuations are more conservative. Alongside this, we have seen private-backed IPOs exhibit negative returns in Europe, with VC lagging that of PE-backed listings as well. It is therefore not only the volume of exits that is important, but the value too.

Share of VC exit count by type



Source: PitchBook • Geography: Europe • *As of March 31, 2024

Multiple of VC-backed IPO exit value to new unicorn value



Source: PitchBook • Geography: Europe • *As of March 31, 2024
Note: 2024 data is predicated on low counts.

Additional research

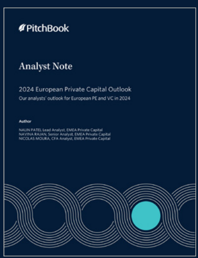
European private capital

Q1 2024 European Venture Report

Download the report here

Q1 2024 European PE Breakdown

Download the report here



2024 European Private Capital Outlook

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