PitchBook

Q3 2022

EUROPEAN

VC Valuations Report

PitchBook

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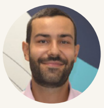

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Introduction

Venture capital (VC) pre-money valuations remained robust through Q3 2022, as bearish macroeconomic outlooks spread across Europe. The drop off in public market capitalisations has not filtered into the VC ecosystem, with the valuations of VC-backed companies staying strong. VC valuations are tracing above expectations given wider market conditions, and companies may be absorbing drops internally via reduced revenues and growth rates. Pressure is filtering into the VC ecosystem as recessions bite and reports of down rounds, layoffs, and cost cutting surface. The valuations tied to fresh deals to be completed in upcoming months, with realigned revenue multiples, growth estimates, and business costs, could reflect greater declines.

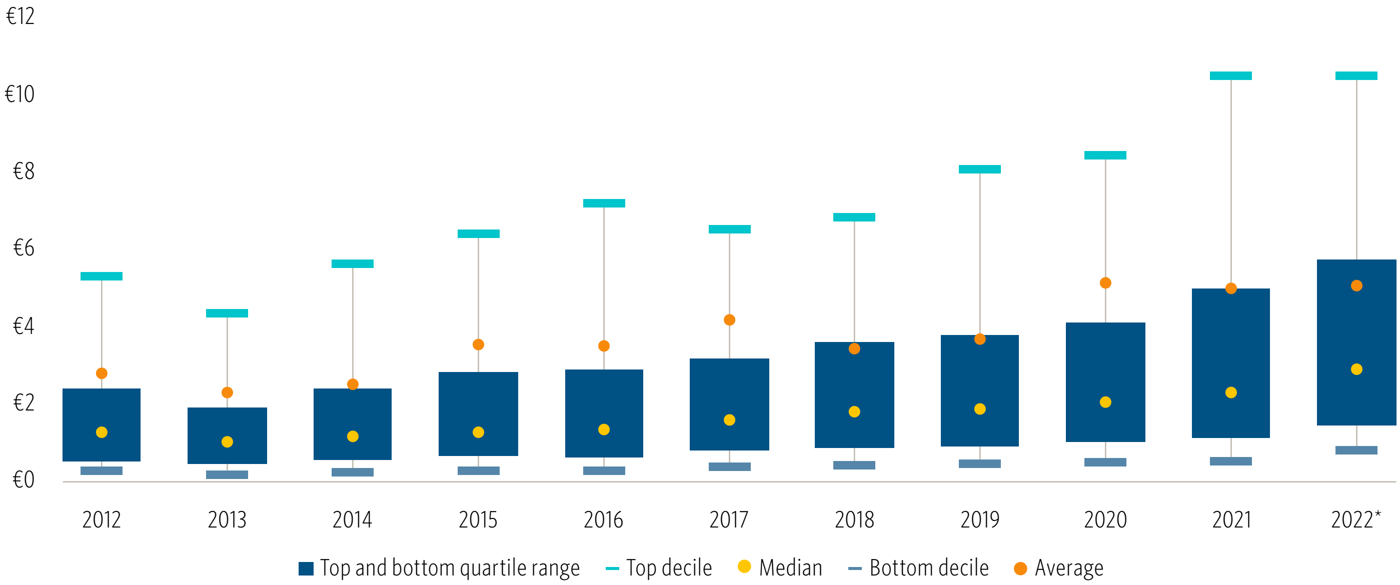
Through Q3 2022, VC deal value with nontraditional investor participation kept pace with the record set in 2021. With markets shifting considerably in 2022, the glut of nontraditional capital linked to the boom in VC funding during the past five years has flattened. Nonetheless, dealmaking has remained elevated from pre-2021 levels. The near-term challenges facing nontraditional investors and the long-term benefits startups can provide creates an interesting backdrop as we enter Q4 2022.

Unicorns continued pacing for a record year with 40 new unicorns emerging in Europe year-to-date (YTD) and Q3 deal value increasing 8.8% year-over-year (YoY) to €5.7 billion. This in itself shows the resilience of the VC industry given the current macro climate, especially within the late stage of the VC ecosystem. There have now been more new unicorns YTD than initial public offerings (IPOs) in Europe, with 40 versus 39. And none of those 39 IPOs were unicorns, as the IPO market remains muted this year.

The exit market pulled back from 2021 levels but remains resilient and higher than pre-2021 levels. Disparity between the top and bottom quartile range for 2022 was almost twice as large as any pre-2021 figure. The resilience of European VC exits is witnessed by the median exit of €39.8 million, an increase of 2.8% YoY and more than double from 2020 thanks to exits via acquisitions, which kept a healthy momentum.

Overview

Angel pre-money valuation (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

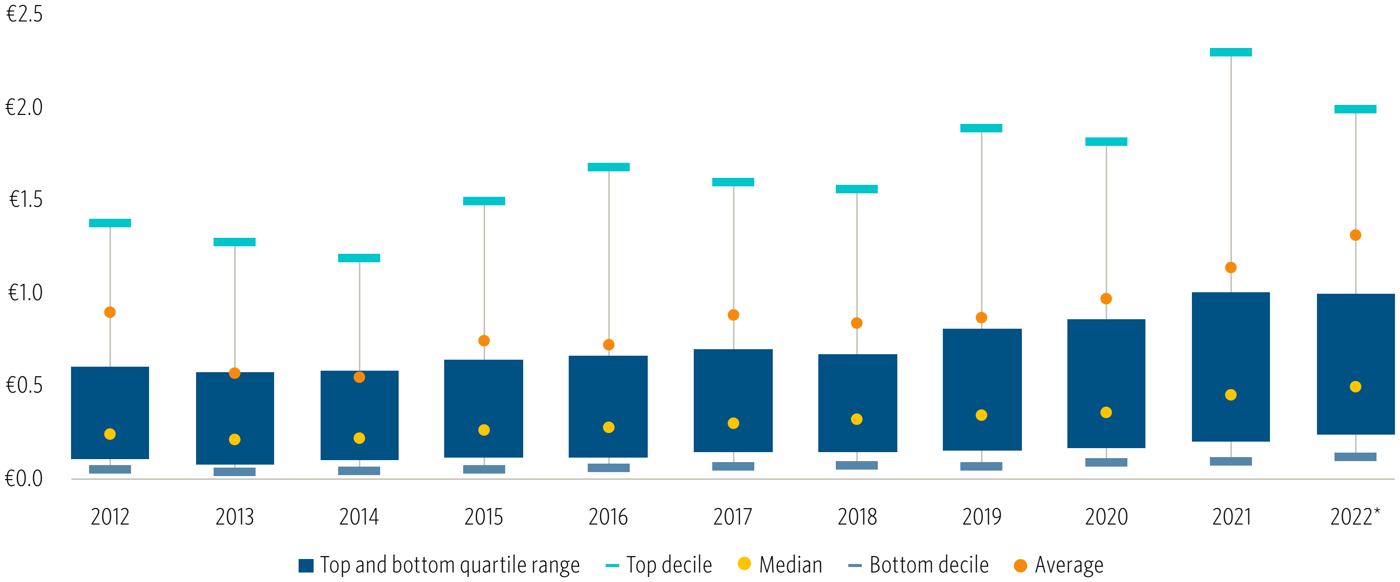
VC pre-money valuations remained robust through Q3 2022, as bearish macroeconomic outlooks spread across Europe. The median valuation of companies at all financing stages—angel, seed, early stage, and late stage—paced higher than 2021 full-year figures. The drop off in public market valuations has not filtered into the VC ecosystem, with the valuations of VC-backed companies staying strong. VC valuations are tracing above expectations given wider market conditions, and companies may be absorbing valuation drops internally via reduced revenues and growth rates. Moreover, time lags could be in effect as readjusted VC valuations may not be announced when a funding round is completed. In contrast, a large-cap publicly listed stock is subject to daily price fluctuations and quarterly financial reporting requirements which can rapidly impact on a market capitalisation. Pressure on valuations is filtering into the VC ecosystem as recessions bite and reports of down rounds, layoffs, and cost cutting surface.

Inflation has shaped markets in 2022 and interest rates have risen aggressively to combat upward pressure on prices. As a result, the availability of capital with low interest to fund the boom in private market strategies during the past decade appears to be over. Record European deal value was logged in 2021 and the pace through Q3 2022 has levelled off. While valuations have remained high, a more challenging global macroeconomic environment will slow spending for most companies, even if they operate in largely recession-proof sectors or regions. Investors could become more selective in coming months; however, with dry powder elevated prior to the recent economic downturn, deals will continue to be completed. The valuations tied to fresh deals to be completed in upcoming months, with realigned revenue multiples, growth estimates, and business costs, could reflect deeper declines. General partners and VC-backed companies at different financing stages will expect contrasting challenges within the ecosystem at this time. For example, an angel or seed round with investor-friendly terms for a pre-revenue idea that is multiple years away from an exit could be an enticing prospect for investors. Whereas, a large pre-IPO late-stage round for a company with a valuation that has ballooned during the past two years may be less appealing if a recalibration is anticipated.

Angel and seed

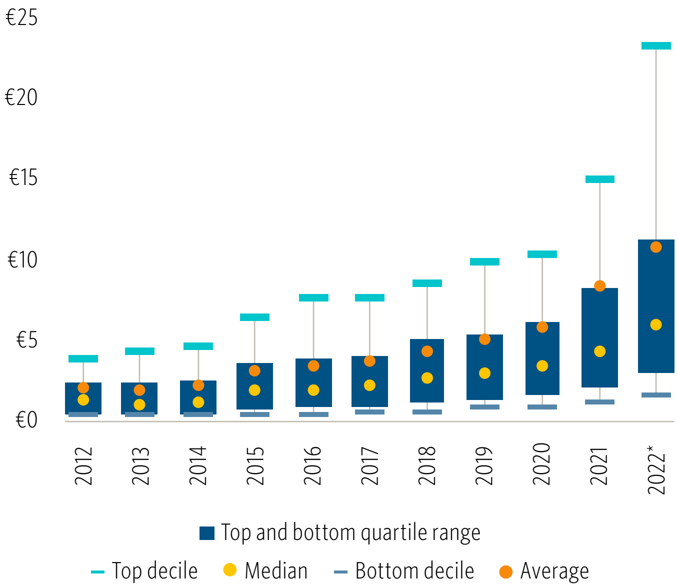
Valuations tied to angel and seed rounds displayed strength through Q3 2022. Angel and seed companies are several years away from exit markets and public equity volatility. Therefore, novel concepts with limited financial information and their long-term potential present an appealing proposition in the current climate. When companies are in their infancy, greater importance is placed on the founder, future market size, and product, rather than monthly financial metrics to determine investment appetite. As a result, we anticipate investment flows and valuations tied to angel and seed deals to remain relatively shielded from volatility in comparison to more mature funding stages.

Angel deal size (€M) dispersion



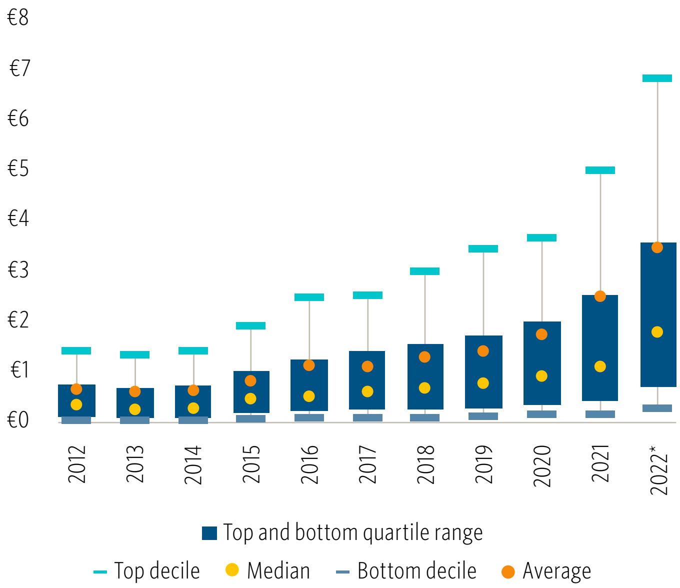
Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

Seed pre-money valuation (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

Seed deal size (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

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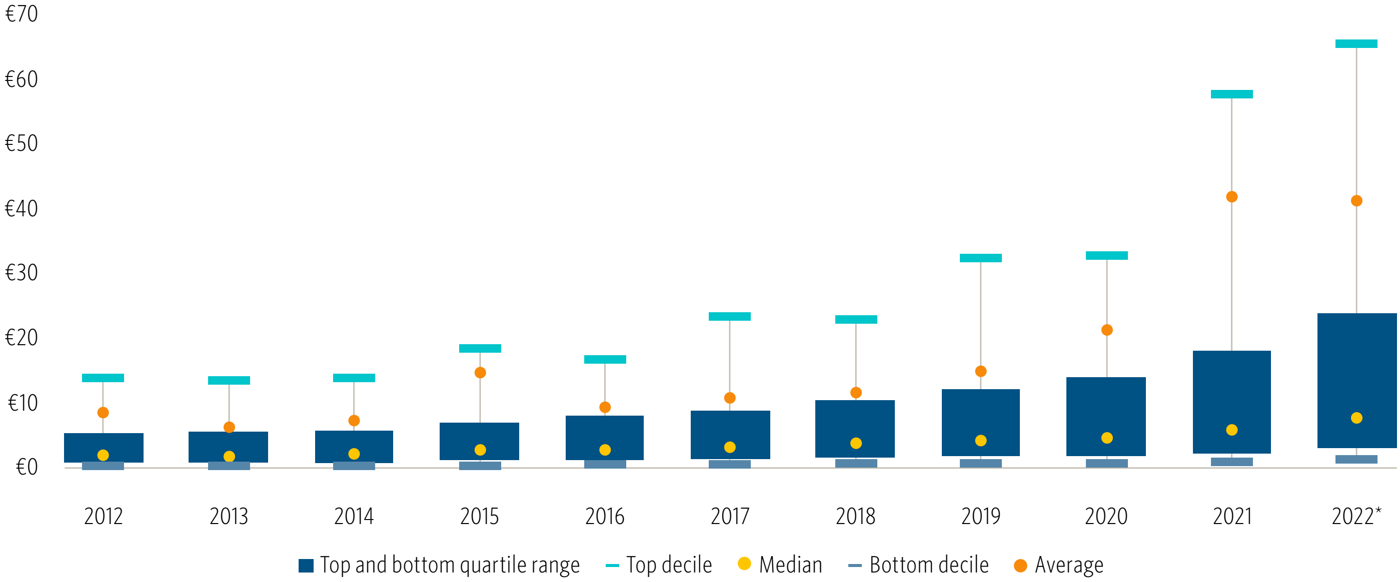
Early-stage VC pre-money valuation (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

It is widely accepted in the VC industry that several high-profile companies have been founded during challenging circumstances, which can help channel capital and resources into the best ideas that have the greatest chance of success.

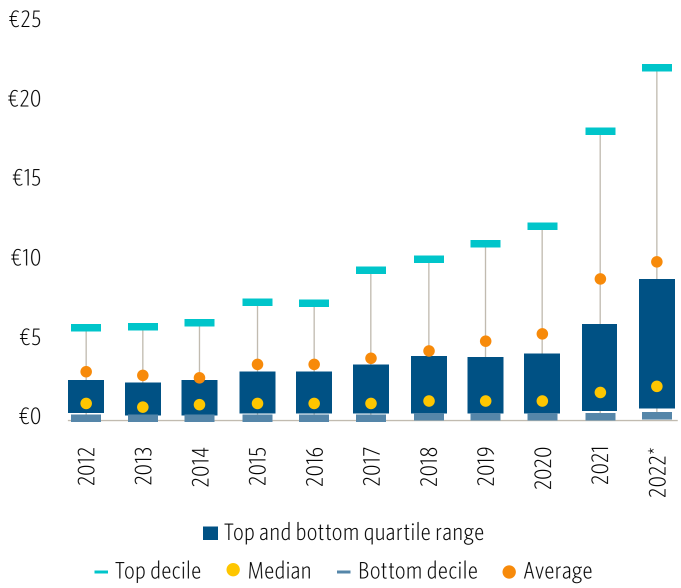
Through Q3 2022, median angel and seed pre-money valuations reached €2.9 million and €5.9 million, respectively, pacing above 2021 figures. Meanwhile, median angel and seed deal sizes were €0.5 million and €1.8 million through Q3 2022. Strong valuations and deal sizes indicate capital inflows and risk appetite for new investments remain healthy despite a flattening of deal activity in 2022 YTD.

Early-stage VC

Despite gloomy outlooks, the median early-stage valuation paced at €8.0 million through Q3 2022, up from €6.0 million in 2021. While there is potential for additional fluctuations in Q4 2022, valuations at the early stage have held up impressively during 2022 YTD. One factor helping early-stage valuations flourish is that companies are years away from an exit, as is the case with angel and seed companies. Thus, lower multiples for mature international businesses could have less impact on a smaller company's valuation calculation, with more emphasis placed on unique characteristics of the business in question.

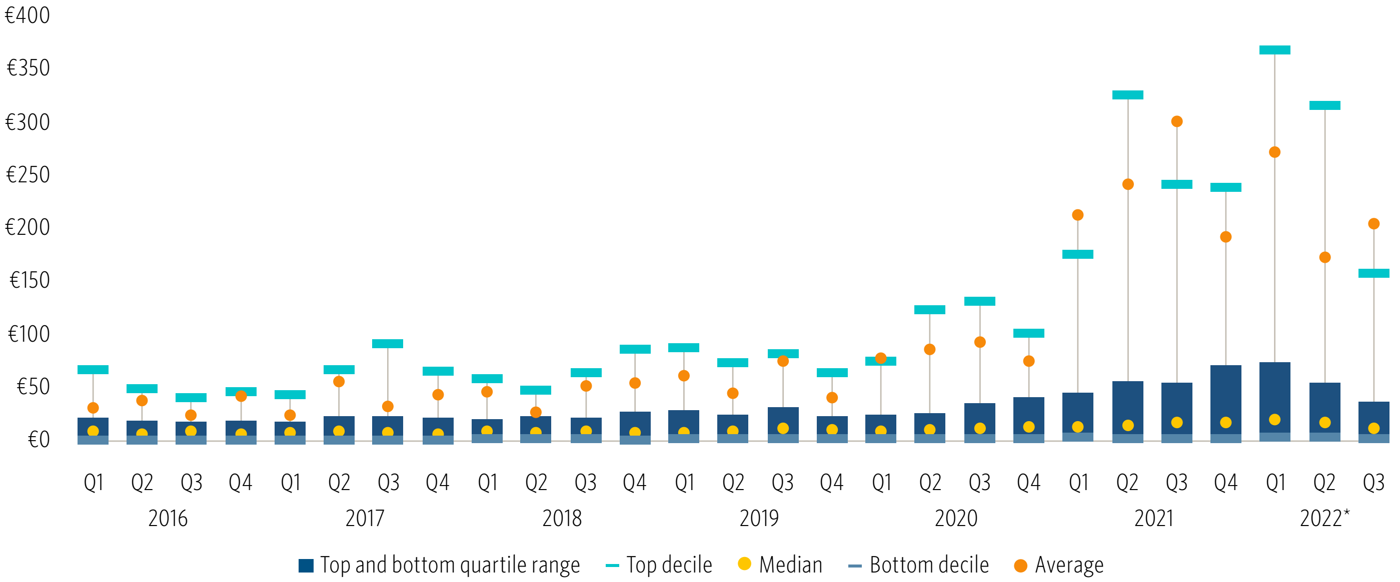
As deal activity has softened, another factor promoting higher valuations could be investors being increasingly selective and backing companies that command a premium. An abundance of capital has flooded into the VC ecosystem

Early-stage VC deal size (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

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



Source: PitchBook | **Geography:** Europe
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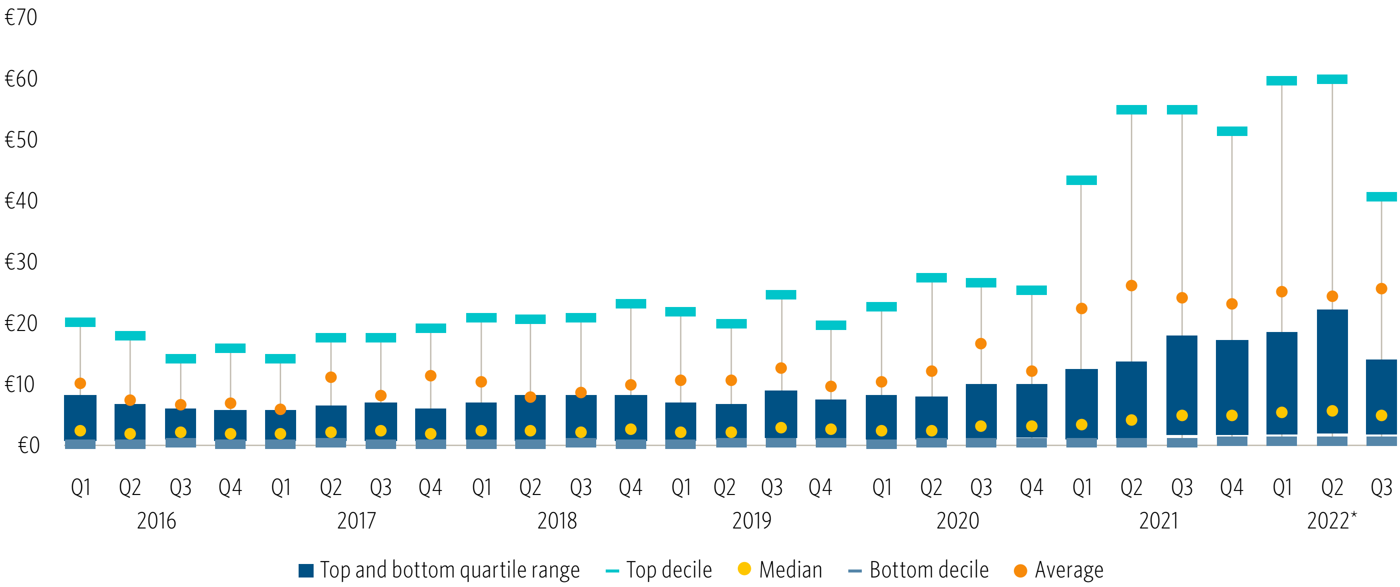
Late-stage VC deal size (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

in the past two years, which has enabled a plethora of companies across different sectors and regions to be funded. In particular, this has occurred at the early stage, where competition and participation between nontraditional and international investors has risen. Deal sizes have stayed solid for companies at the early stage looking to transition to revenue generation, revise products, and increase adoption among users. Through Q3 2022, the median early-stage deal size topped €2.1 million, pacing above €1.7 million registered in 2021.

Late-stage VC

Through Q3 2022, the median late-stage valuation paced above 2021's figure. However, diving deeper into quarterly figures, the median late-stage valuation declined for the second consecutive quarter from its peak of €19.7 million in Q1 2022 to €11.9 million in Q3. While valuations remain strong in comparison to recent yearly figures, the falls through 2022 indicate VC valuations are cooling at the top end of the ecosystem. Figures indicate rounds are closing for multi-billion-euro VC-backed companies, but we are no

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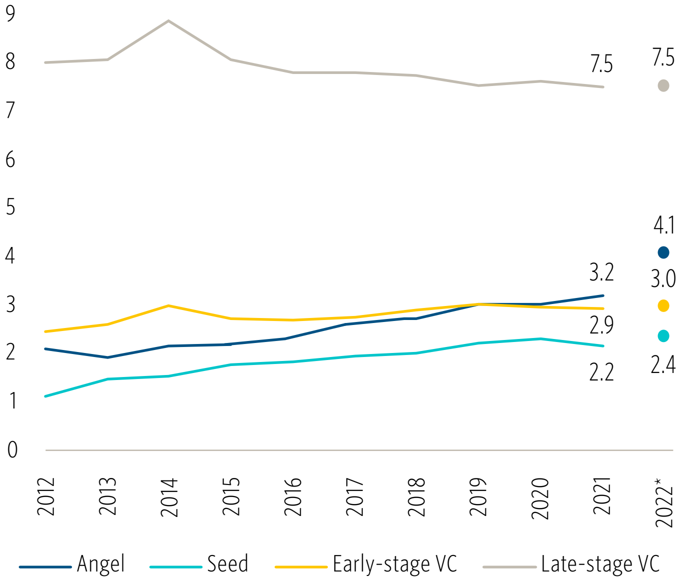
Median years from VC-backed company founding by stage



Source: PitchBook | **Geography:** Europe
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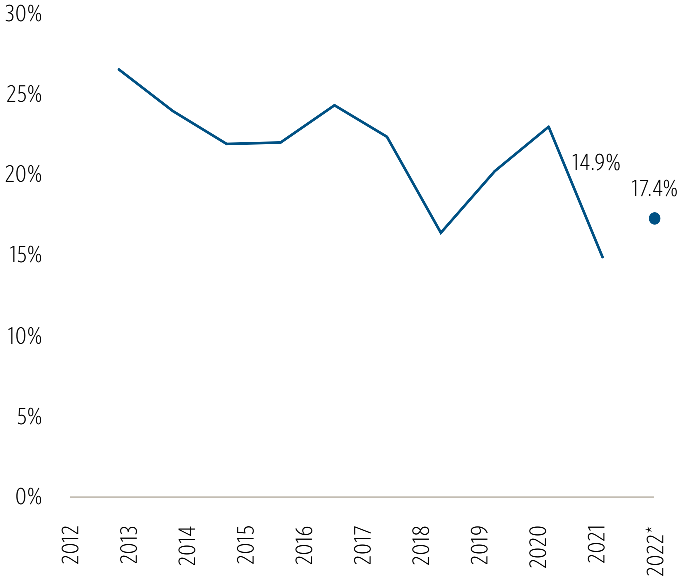
Proportion of VC down rounds



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

longer seeing records tumble and new valuations over €10 billion, as witnessed during the past two years. We believe late-stage companies will continue to close multi-million-euro rounds, but the outsized valuations recorded during the past two years are unlikely to be surpassed in the current climate.

Reported layoffs at high-profile late-stage companies, including Gorillas, Hopin, TIER Mobility, and Checkout.com, are increasing scrutiny on costs across the VC ecosystem. Several companies that grew remarkably during the COVID-19 pandemic lockdowns are now focusing on capital efficiency rather than growth at all costs. As late-stage companies are closest to public markets in terms of revenues and company size, they have been the first to reflect troubles from public markets in the VC ecosystem. We anticipate further challenges for companies whose valuations swelled during the past two years, with layoffs and potential flat or down rounds on the horizon in the near term. Furthermore, with exit markets muted, largescale late-stage companies will be forced to extend their funding runways in the VC ecosystem.

Time between rounds and up, down, and flat rounds

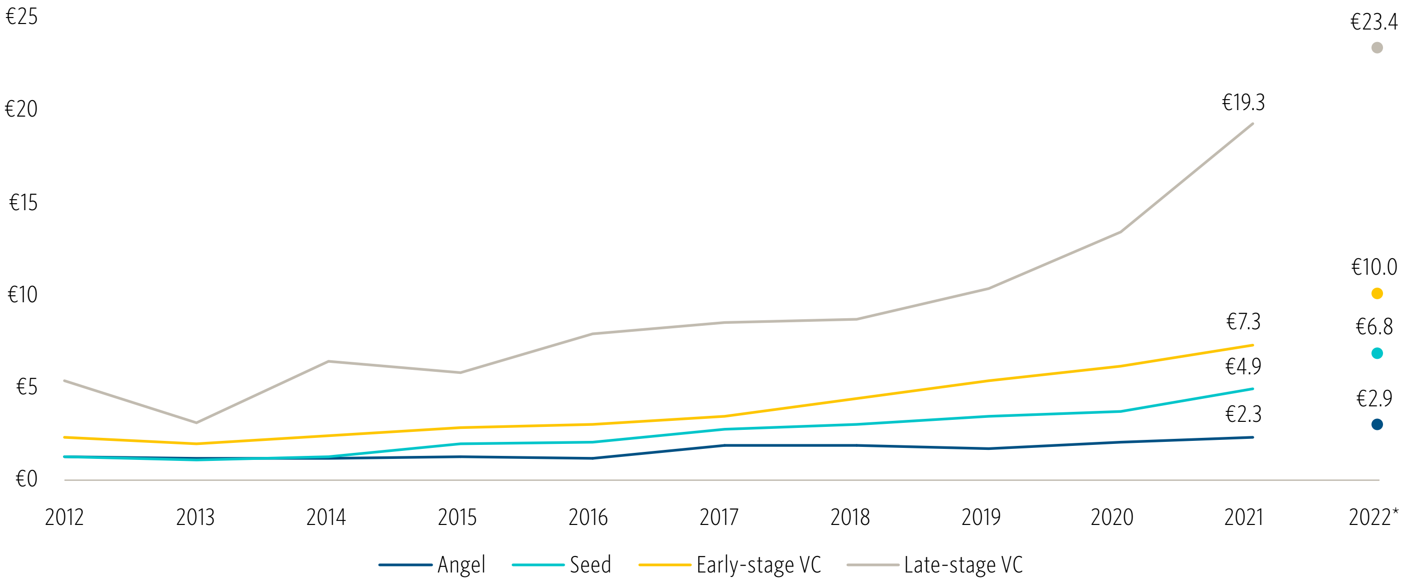
Rounds sizes and valuations have trended upwards during the bull run in VC during the past decade. The growth experienced by companies has been sharper as larger revenues and subsequent valuations have been achieved at faster rates in the last five years. Time periods to achieve different financing stages have remained relatively flat during the past decade, with slight convergence between stages. For example, the median time from founding to completing a late-stage round has been 7.5 to 7.8 years since 2016 and was 8.0 to 8.9 years from 2012 to 2015. The median time from founding to completing an angel or seed round has shifted from 2.1 years in 2012 to 4.1 years in 2022 YTD. Long-term shifts, including the bootstrapping ability of founders and lower costs associated with starting an online business, have likely impacted on timings for first-time financings for startups. Meanwhile, steeper growth trajectories for companies, fuelled by larger amounts of capital, have enabled VC-backed companies to accelerate towards a late-stage round or exit.

While long-term shifts illustrate that time periods are evolving slowly, the current developing downturn that markets are in may alter time periods. A prolonged recession may stifle activity and cause deals and exits to dry up, lengthening time periods across the ecosystem. While a widespread drop off is unlikely, lower spending associated with economic downturns will result in divergent impacts for stakeholders across the VC landscape. Certain companies that would have received backing during the past two years may not get funded in the current climate. In addition, flat or down rounds may increase in prevalence as portfolio companies and investors work together to prevent businesses from going bust. Through Q3 2022, the proportion of down rounds ticked upwards from 2021 figures and reached 17.3%.[1]

1: This percentage was calculated with data from 1,741 deals.

Sectors

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

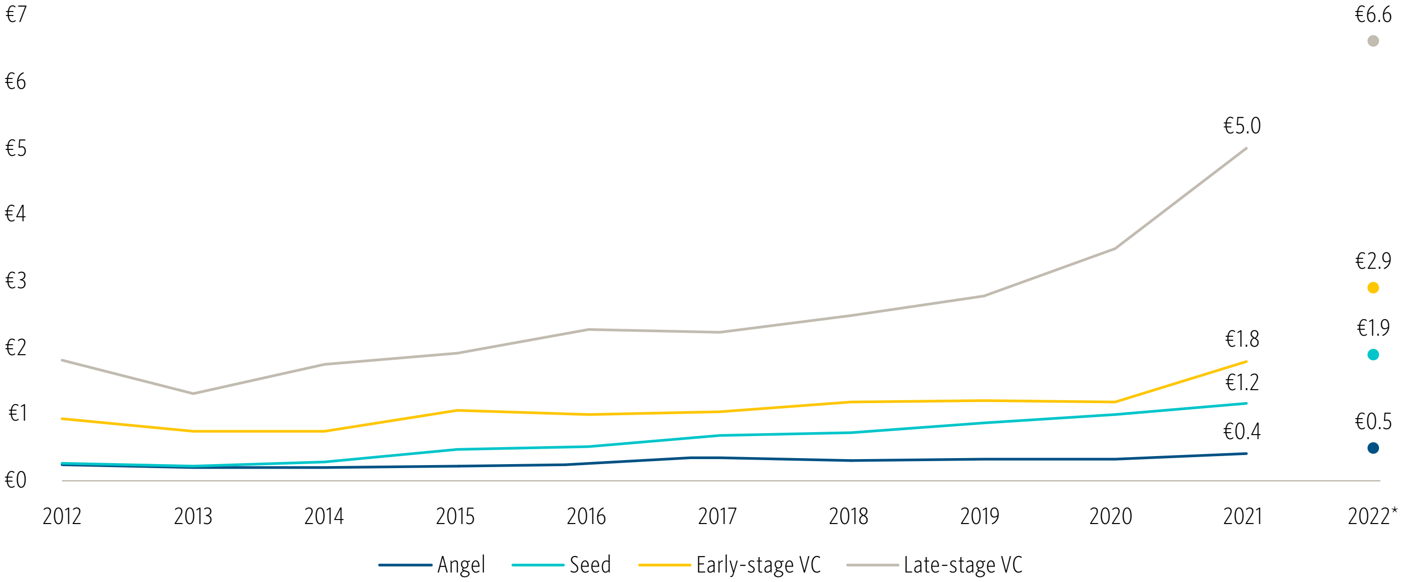


Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

Software companies in subsectors such as fintech, information security, and business & productivity have attracted substantial capital flows in Europe. The VC ecosystem is intrinsically linked to software, with high proportions of activity taking place each year. Therefore, alterations to deal sizes and valuations in the software sector will directly influence overall VC activity. Through Q3 2022, median software pre-money valuations paced above 2021 figures, indicative of the resilience displayed across the VC ecosystem. Across financing stages, median software deal sizes ticked upwards through Q3 2022 with the early stage reaching €2.9 million.

As discussed in our Q2 2022 European VC Valuations Report, late-stage healthcare valuations could be displaying early signs of flattening. Capital deployment accelerated within healthcare as attention was concentrated on the sector during the past two years. As COVID-19 restrictions have loosened, attention has shifted towards macroeconomic challenges due to geopolitical tension, inflation, and recovering sectors. Through Q3 2022, the median late-stage healthcare valuation was tracing marginally above 2021's figure; however, the top decile is pacing 23.0% lower at €101.0 million.

Median software VC deal size (€M) by stage



Source: PitchBook | **Geography:** Europe
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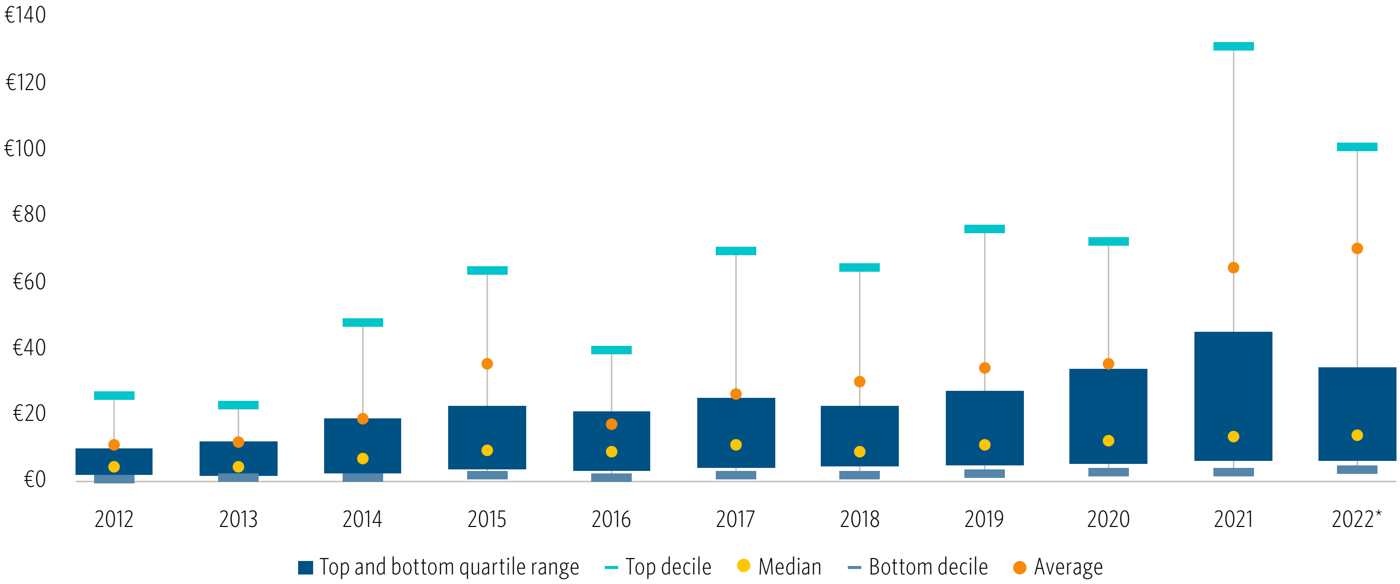
Late-stage healthcare pre-money valuation (€M) dispersion



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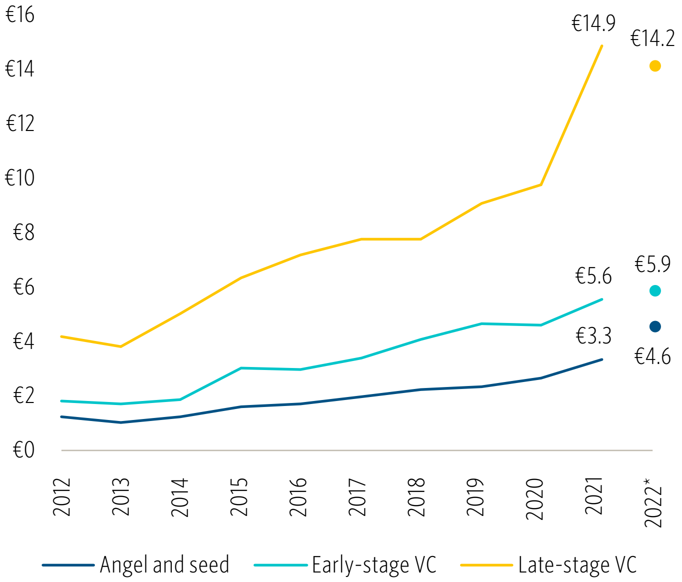
Regions

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



Source: PitchBook | **Geography:** UK & Ireland
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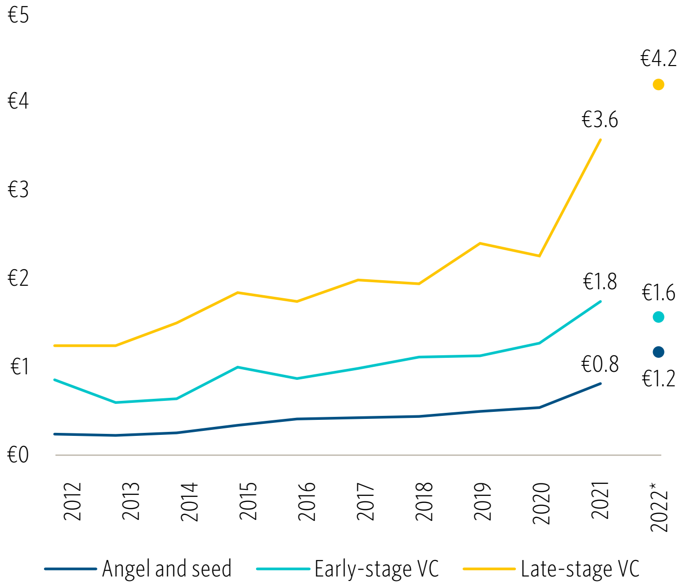
Median UK & Ireland VC deal size (€M) by stage

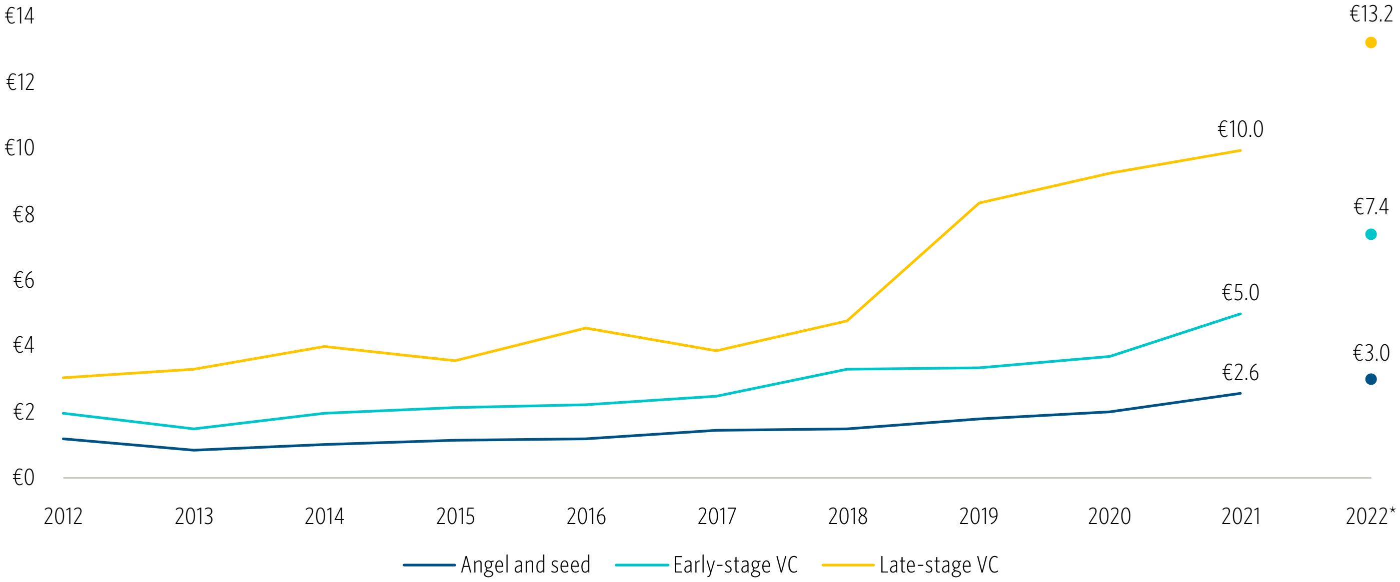


Source: PitchBook | **Geography:** UK & Ireland
*As of September 30, 2022

As referenced in our 2022 UK & Ireland Private Capital Breakdown, high levels of VC activity are concentrated in the region. The median late-stage valuation in the UK & Ireland ticked downwards to €14.2 million through Q3 2022, from its peak of €14.9 million in 2021. Despite the drop at the late stage through Q3 2022, median angel, seed, and early-stage valuations are pacing above 2021. Median valuations in the UK & Ireland indicate valuation reductions are taking place at the late stage and could potentially spread towards less mature financing stages. We are no longer seeing the record-breaking valuations witnessed in the past two years as dealmaking has flattened. Mature late-stage companies are still closing rounds but valuations have cooled in 2022. We expect late-stage valuations in the UK & Ireland to remain flat in coming quarters. In 2022 thus far, the UK has faced unprecedented political instability. Recent tax rate announcements, new government cabinet ministers, and currency fluctuations have created uncertainty for operators and investors in the region. If concerns persist in the long run, we believe VC investment, company valuation development, and job creation could be harmed.

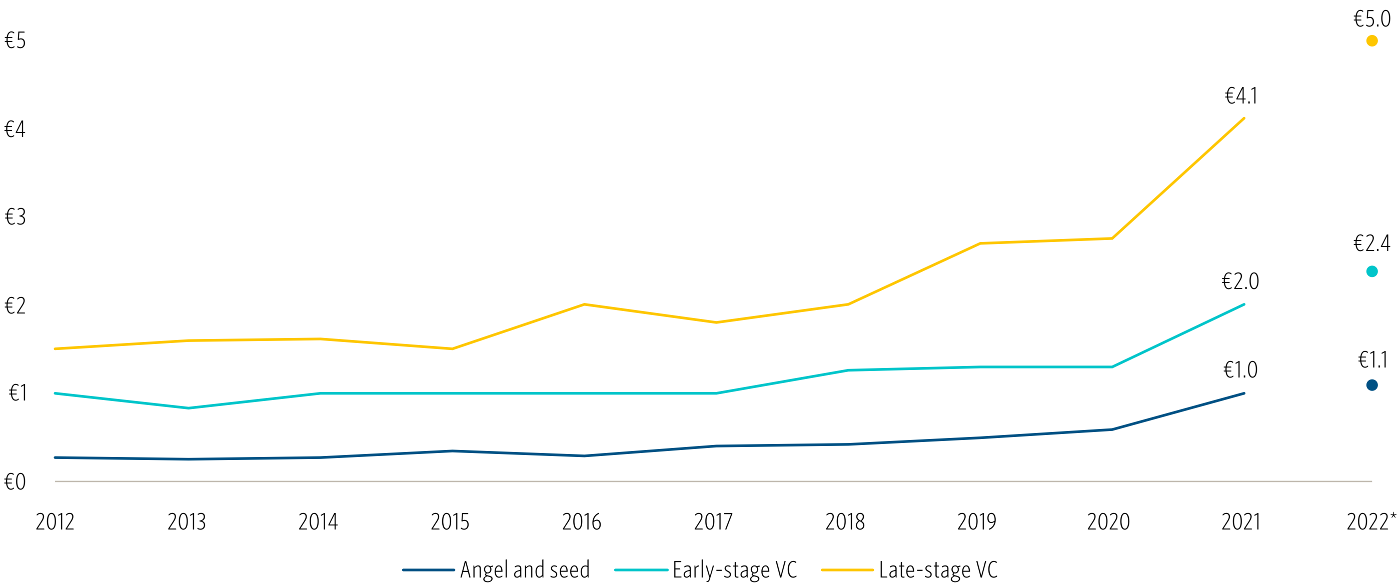
The France & Benelux region could benefit from the turmoil facing the UK in recent months. It is one of the largest VC ecosystems in Europe in terms of deal value each year and has expertise and resources for growing largescale companies. Through Q3 2022, the median late-stage valuation reached €13.2 million, pacing 32.8% higher than 2021's full-year figure.

Median France & Benelux VC pre-money valuations (€M) by stage



Source: PitchBook | **Geography:** France & Benelux
*As of September 30, 2022

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



Source: PitchBook | **Geography:** France & Benelux
*As of September 30, 2022

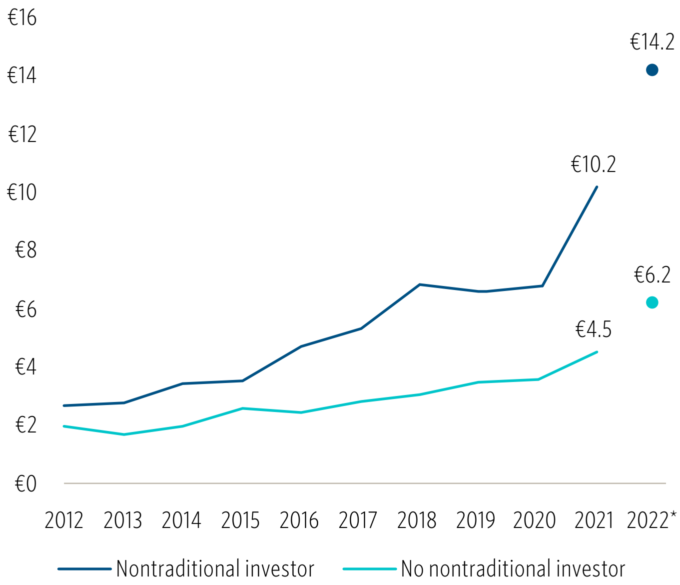
Nontraditional investors

Nontraditional investor involvement in VC deal activity has gained traction during the past decade.[2] Wealthy nontraditional investors have entered the VC ecosystem to gain exposure to the long-term returns, synergies, and portfolio diversification that VC investments can offer. Consequently, a wider investor pool for startups has increased competition, round sizes, and valuations in Europe. With markets shifting considerably in 2022, the glut of nontraditional capital linked to the boom in VC funding during the past five years has flattened. As broader VC deal value has declined in Q3 2022, deal value with nontraditional investor participation has followed a similar trend. We believe valuation development could slow if the economic downturn is deep and prolonged, as growth becomes challenging for portfolio companies.

Through Q3 2022, VC deal value with nontraditional investor participation reached €59.2 billion, pacing marginally below the record €82.1 billion set in 2021. Dealmaking has remained elevated from pre-2021 levels. VC is a long-term strategy that possesses a high-risk, high-reward return profile. Fund returns typically follow a power law, can be lumpy, and are regularly concentrated among a select few investments. VC investing can also produce outlier returns for investors and growth for companies that can counteract inflation, volatility, and market cycles impacting on mature businesses. An influx of capital has entered the VC ecosystem, but it can be tricky for nontraditional investors without experience to pivot into VC investing.

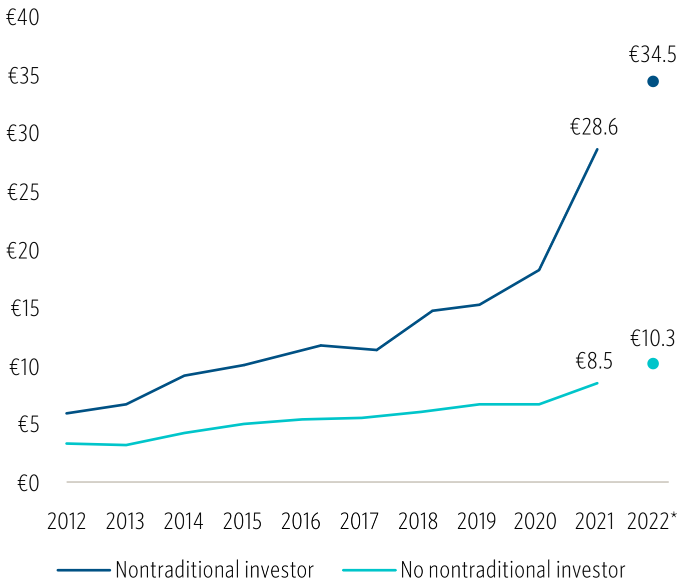
Through Q3 2022, median VC deal sizes with nontraditional participation across all financing stages are pacing above 2021 figures. Although oscillations can still take place in Q4 2022, the median early-stage and late-stage deal sizes climbed to €4.5 million and €10.2 million through the third quarter. Deal sizes tend to be larger with nontraditional investors involved, as they target more mature companies that align with their investment expertise. Irrespective of investor type involved, median early-stage and late-stage pre-money valuations are also pacing above 2021's record figures through Q3. Down rounds reflect a minority of completed deals in the VC landscape. However, as announced down rounds are completed, it could take a few quarters for the decline in valuations to feed into data. Even then, the falls could be isolated to specific financing stages, sectors, or regions.

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



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

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

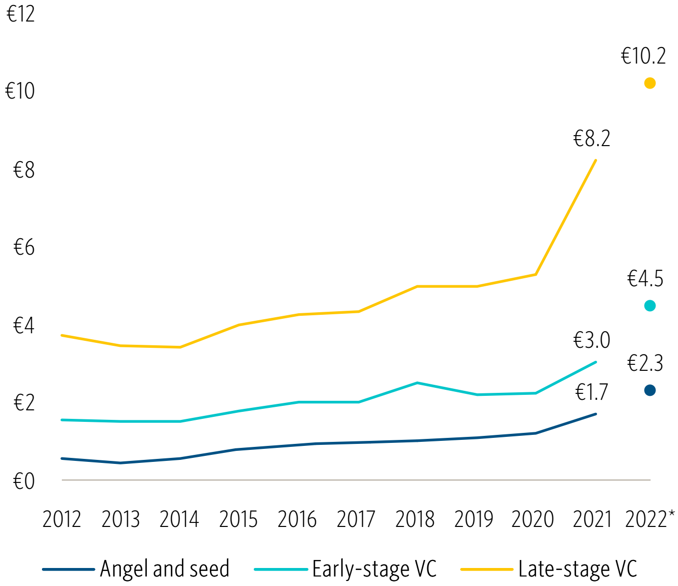


Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

2: We define nontraditional investors as corporate VC arms, private equity firms, asset managers, investment banks, pension funds, sovereign wealth funds, and hedge funds, among others, who are not primarily VC funds.

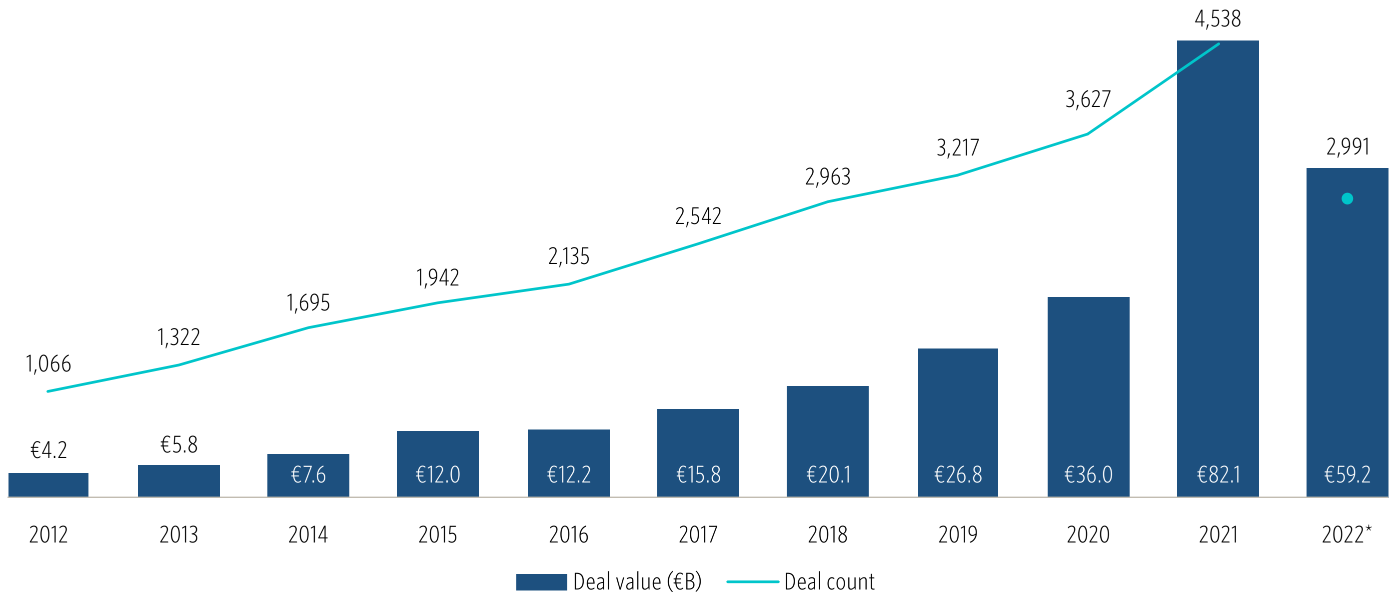
The near-term challenges facing nontraditional investors and the long-term benefits that startups can provide creates an interesting backdrop as we enter Q4 2022. Long-term industries with growing demand—such as renewable energy, mobility, and food technology—appear to be solid bets in the current climate. Moreover, broader investment themes centred around investing in young companies focused on artificial intelligence, machine learning, and digitisation of economies present interesting opportunities. In contrast, nontraditional investors could prioritise core investment areas alongside near-term liquidity needs and may not want to lock in significant sums of capital into a fund for multiple years. Capital allocations could be recalibrated amid the current environment, with the potential for increased usage of venture debt instruments or direct nontraditional investments for VC-backed companies.

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



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

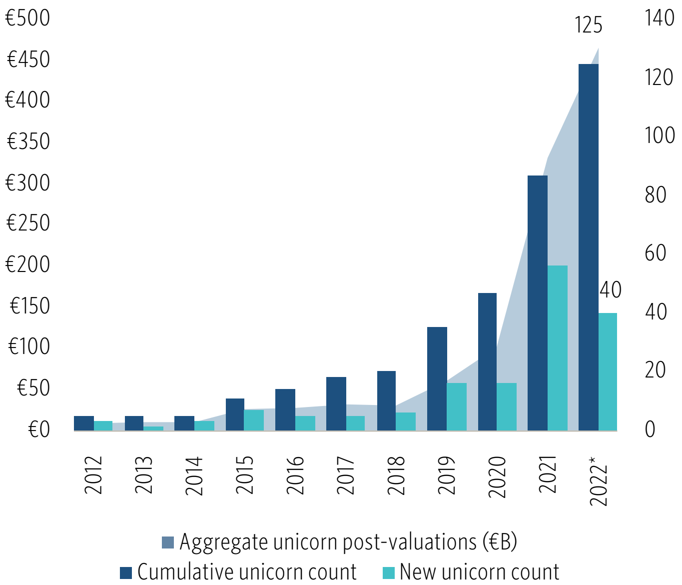
Nontraditional investor VC deal activity



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

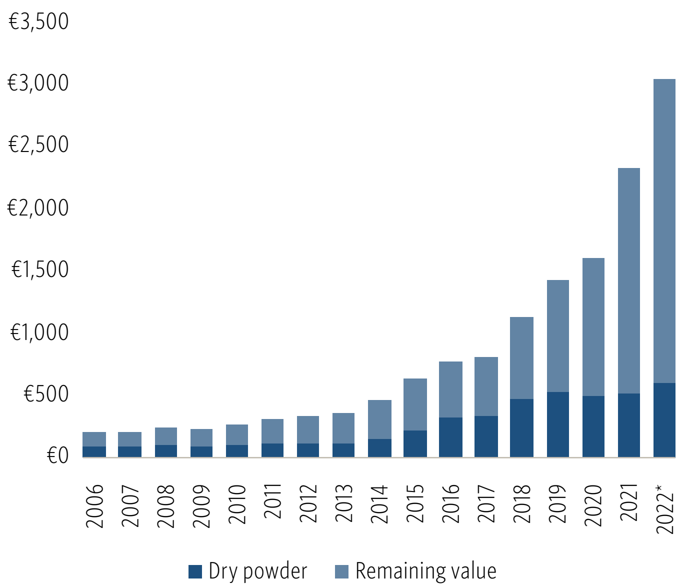
Unicorns

New and cumulative unicorn count and aggregate post-money valuation (€B)



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

Global VC Fund AUM (€B)



Source: PitchBook | **Geography:** Global
*As of September 30, 2022

40 new unicorns—VC-backed companies valued at €1 billion or more—have emerged in Europe in 2022 YTD, pacing for a record year of unicorn additions. This in itself shows the resilience of the VC industry given the current macroeconomic climate, especially within the late stage of the VC ecosystem. In Q3, deal value for unicorns increased 8.8% YoY to €5.7 billion and deal count was higher than in the first three quarters of last year (69 YTD versus 67 last year).

However, the picture for unicorns is not all rosy, and tougher times may lie ahead given the backdrop seen in public markets. Although unicorns are not directly affected by public market volatility, they are not insulated either, and are usually the most impacted within the VC ecosystem because the businesses are closest to publicly listed companies in terms of maturity, financials, and size. As tech stocks plummeted some -33.1% YTD in Europe,[3] we are seeing certain unicorns cutback on hiring and focus on improving operational efficiencies rather than a growth-at-all-cost approach. For example, London-based unicorn Hopin has been on a hiring freeze, and in July, cut 29% of its workforce in its second round of layoffs in five months.[4] Flowing down from this, Q3 saw valuation haircuts from software unicorns Klarna and SumUp. The Swedish unicorn's "buy now, pay later" business took an 82.8% valuation cut as Klarna was valued at €6.4 billion, down from €37.5 billion a year earlier. Similarly, UK fintech SumUp took a 60% valuation cut, valued at €8.0 billion, down from €20.0 billion earlier in the year. As the 12-year long bull market in tech stocks fades away, it comes as no surprise that investors are becoming more scrupulous about valuations, especially in companies that focus on consumer spending. As inflation is biting consumers' wallets and cost of living is rising, there is less appetite for buying now if you cannot pay later.

Unicorns are also lengthening their stay within the VC ecosystem. As covered in our [Q3 2022 European Venture Report], the IPO market has emphatically cooled down in 2022, going from 175 IPOs in 2021 to 39 YTD. Conducting an IPO used to be the holy grail for companies, but as private markets have exploded in the past decade—going from €332 billion in 2012 to €3 trillion in 2022 in total assets under management across venture funds—unicorns will only pursue an IPO if public market conditions are favourable. Otherwise, they are happy to flourish within the VC ecosystem. There are much less regulatory and reporting costs if a business stays private, and as long as VC funding is available, there is no pressure for unicorns to go public. In 2022 so far, there has been €545 million in VC dry powder globally.

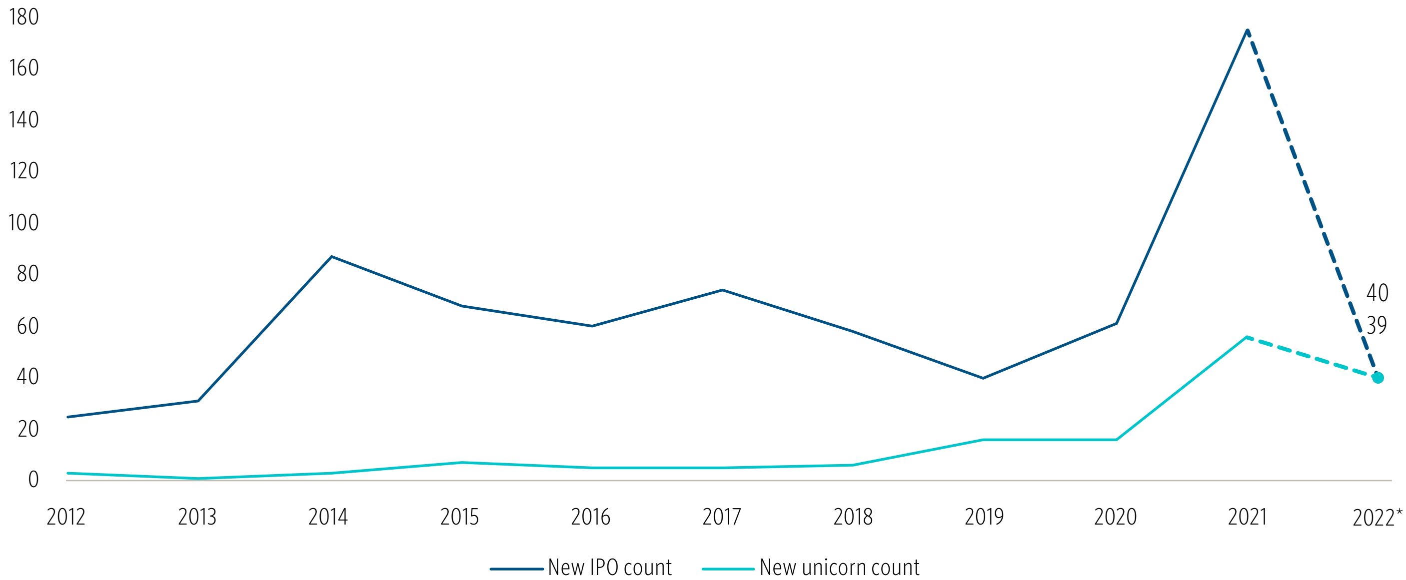
3: "iShares STOXX Europe 600 Technology UCITS ETF (DE)," iShares by BlackRock, n.d., accessed October 20, 2022.
4: "Events Platform Hopin Cuts 29% of Jobs in Second Wave of Layoffs," UKTN, Robert Scammell, July 13, 2022.

All European unicorn public listings in 2021

Company	Ticker	Deal type	IPO date (2021)	Current market cap (€M)*	Performance (%) since public listing	Working days since listing	HQ location
Arrival	ARVL	Reverse merger	March 24	€496.0	-90.6%	419	UK
ATAI Life Sciences	ATAI	IPO	June 18	€491.6	-76.0%	357	Germany
AUTO1 Group	AG1	IPO	February 4	€1,475.7	-82.3%	453	Germany
Bird Rides	BRDS	Reverse merger	November 5	€124.4	-93.6%	257	Netherlands
Cazoo Group	CZOO	Reverse merger	August 26	€245.3	-96.0%	308	UK
Darktrace	DARK	IPO	April 30	€2,929.0	40.9%	392	UK
Deliveroo	ROO	IPO	March 31	€1,862.5	-77.9%	414	UK
ironSource	IS	Reverse merger	June 29	€3,331.3	-64.8%	350	Israel
Monday.com	MNDY	IPO	June 10	€4,843.6	-15.6%	363	Israel
Oxford Nanopore Technologies	ONT	IPO	September 30	€2,589.1	-36.7%	283	UK
VTEX	VTEX	IPO	July 21	€804.8	-73.8%	334	UK
WalkMe	WKME	IPO	June 16	€757.3	-64.8%	359	Israel
Wise	WISE	IPO	July 7	€7,787.3	-26.0%	344	UK

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

New IPO and new unicorn count



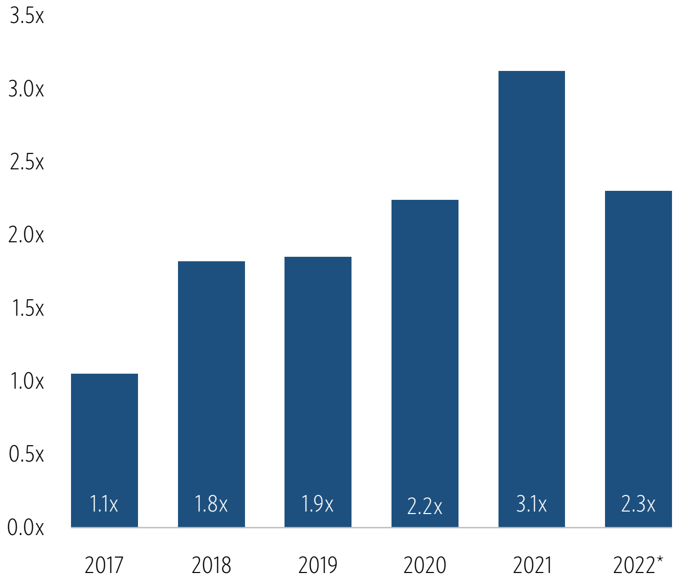
Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

There have been more new unicorns YTD than IPOs in Europe, and none of the 39 IPOs were unicorns. In comparison, 13 unicorns made their public debut in 2021, but out of those 13, only Anglo-American cyber-defence company Darktrace has had a positive share price since. Unicorns will have those figures in mind when thinking about exiting through an IPO, which is why none have gone through the process this year and instead prefer to remain private.

Despite more and more companies joining the €1 billion-plus unicorn club each year, we notice data is pointing to a cooling in valuations. The average unicorn valuation, which has been on the rise since 2018, has been dropping in 2022 for three consecutive quarters from €4.0 billion in Q1 to €3.7 billion in Q3. Looking at median unicorn step-ups,[5] we have a similar story as the figure has been rising for the last five years but has dropped this year from 3.1x post-money valuation to 2.3x post-money valuation, which of course was impacted by the previously mentioned down rounds of Klarna and SumUp.

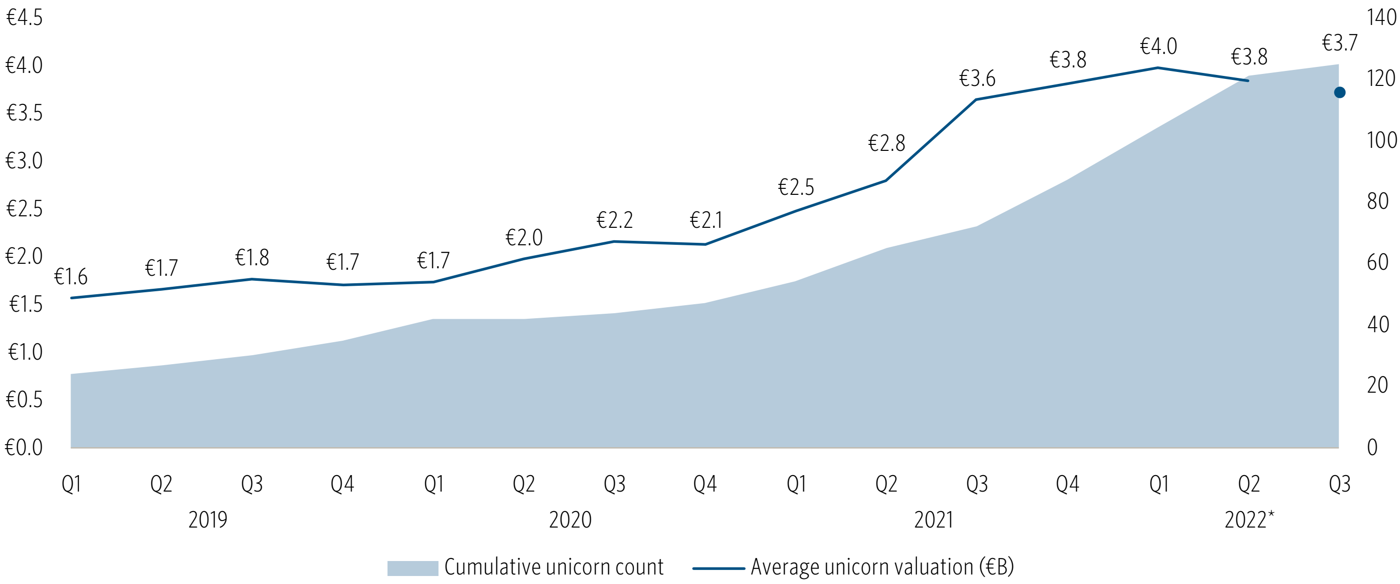
In summary, there are more unicorns making more deals that are worth less, and they are afraid to go public due to the macroeconomic environment. We expect additional valuation haircuts as unicorns look to extend their VC funding runway to survive stagflation and play the long game.

Median and average unicorn step-up multiple



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

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

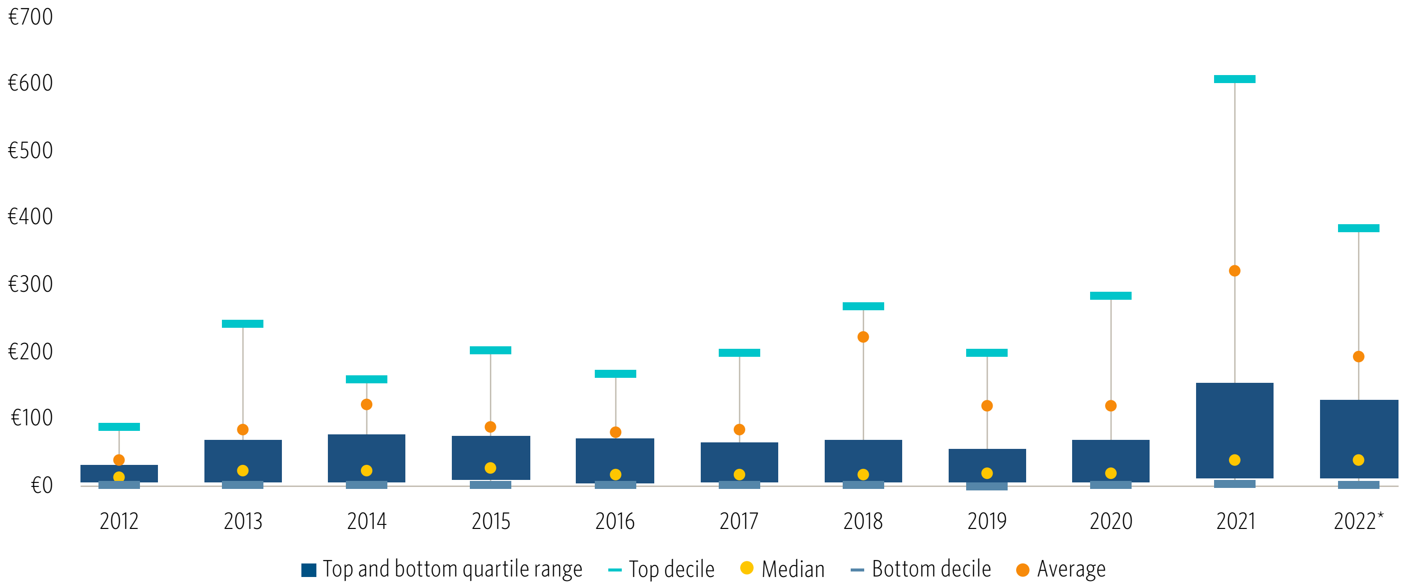


Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

5: Calculated as the ratio of pre-money valuation of the new funding round over the post-money valuation of the previous funding round.

Liquidity

VC-backed exit valuation (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

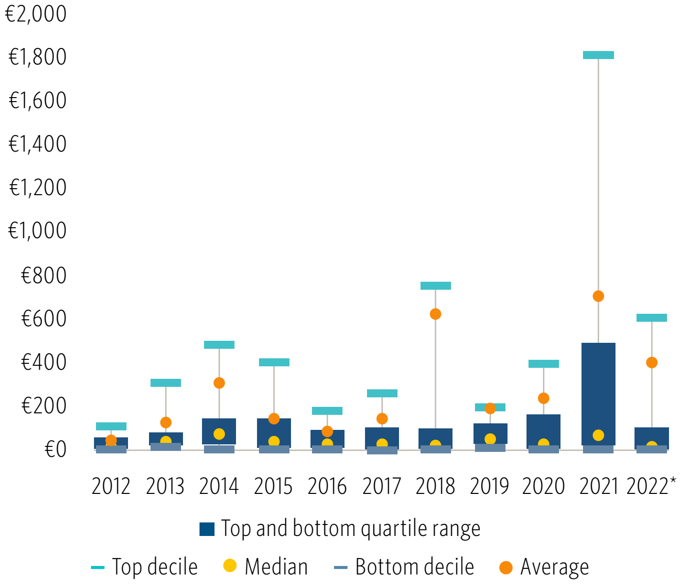
The VC exit market pulled back from 2021 levels but remains resilient and higher than pre-2021 levels. This is reflected in the disparity seen between the top and bottom quartile range for 2022, which is almost twice as large as any pre-2021 figure. The resilience of European VC exits is witnessed by a median exit size of €39.8 million, an increase of 2.8% YoY and more than double the 2020 figure. 2021 was a standout record year for exits given the beneficial macroeconomic conditions of low interest rates, low inflation, and high valuations—specifically within the tech sector. 2022 will most likely be remembered as a year of market correction and policy tightening by major European economies as inflation skyrocketed, interest rates were pushed higher, and valuations came crashing down and experienced a reality check.

Public listings, including IPOs, DPOs, and SPACs, which had a record year in 2021, were almost entirely muted in 2022 as only 39 IPOs were recorded YTD in Europe. Moreover, all of the IPOs were micro-caps—companies with a market capitalisation of less than €300 million—as the more established companies witnessed the likes of Deliveroo and AUTO1 Group go public in 2021 and have their share price plummet since: Deliveroo is down 77.9%, while AUTO1 Group is down 82.3% since their respective public debuts. In 2022, median public listing exit valuation YTD was at its lowest figure in a decade at €20.8 million versus an average of €41.1 million in the past 10 years. As discussed earlier, market conditions have made public listing exits unfavourable as the 12-year-long bull market in public equities ended. This is the result of valuations climbing irrationally high, most notably within the tech sector, but also a factor of too much cheap money circulating in the economy thanks to low interest rates since the Great Financial Crisis of 2008. This has resulted in a divergence between valuations and the underlying state of the economy.

In contrast to VC-backed public listing valuations, acquisition exit valuations continue trending higher on all metrics tracked. We point out that although exit count of acquisitions is below 2021 levels, the median exit is at all-time highs at €40.9 million, up 47.2% YoY. As mentioned in our Q3 2022 European Venture Report, software companies made up 51% of exit value YTD. And as explained earlier, tech—in particular, software as a sub-sector—has seen valuations plunge this year alongside the haircuts we experienced within the VC ecosystem. This has created an opportunity for larger, more mature, better capitalised, cash-rich companies to snap up software companies seeing their valuations slashed this year. For example, Remitly acquired Rewire for €78.4 million in Q3 to further expand its product offering and complement its customer base. We expect acquisition exits to continue making up the bulk of exits in the current market dynamics while public listings remain subdued.

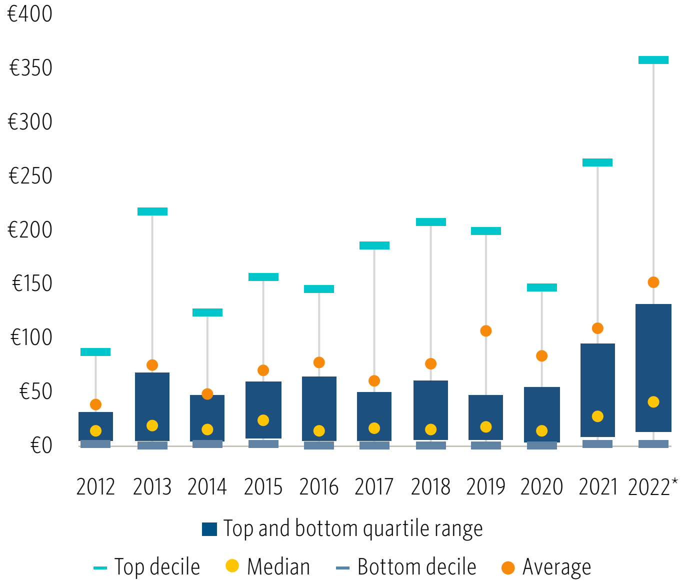
PitchBook

VC public listing valuation (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

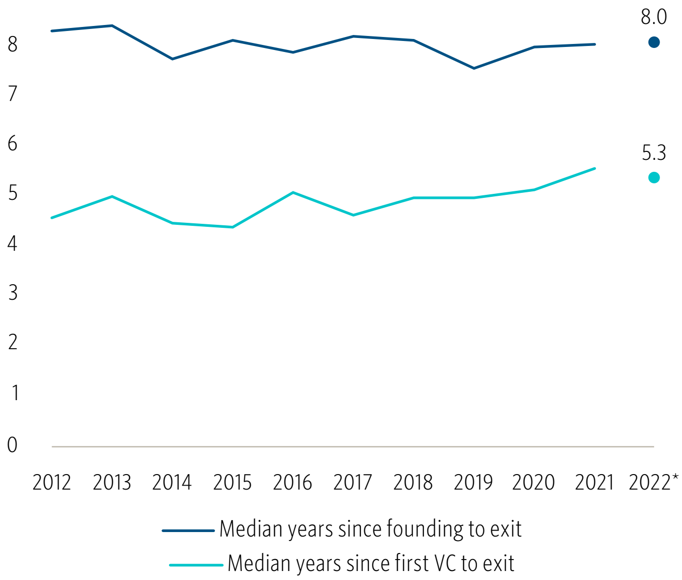
VC acquisition valuation (€M) dispersion



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

The median time since founding to exit, as well as median time since first VC to exit, have remained relatively constant throughout the years, ranging from 7.5 years to 8.4 years for median since founding to exit, and ranging from 4.3 years to 5.5 years for median since first VC to exit. We expect that if the current macroeconomic environment continues to worsen—for example, if most European economies enter a recession in 2023—then VC-backed companies will most likely remain longer in the VC ecosystem and those numbers will rise. If this happens, the exit market could continue to be muted, and as a result, this may also affect fundraising as less exit capital will be redeployed back into new VC funds, thus potentially affecting the overall growth of the VC industry in the long-term.

Median time (years) between founding and exit and first VC investment and exit for VC-backed companies



Source: PitchBook | **Geography:** Europe
*As of September 30, 2022

Additional research

Venture capital

Q3 2022 European Venture Report

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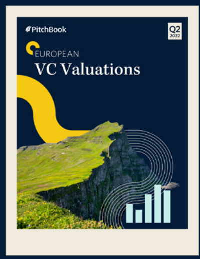
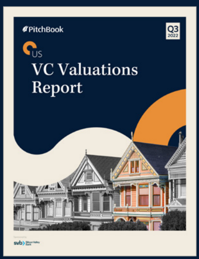


Q2 2022 European VC Valuations Report

Download the report here



Q3 2022 US VC Valuations Report

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