PitchBook

Q3 2025

EUROPEAN Venture Report

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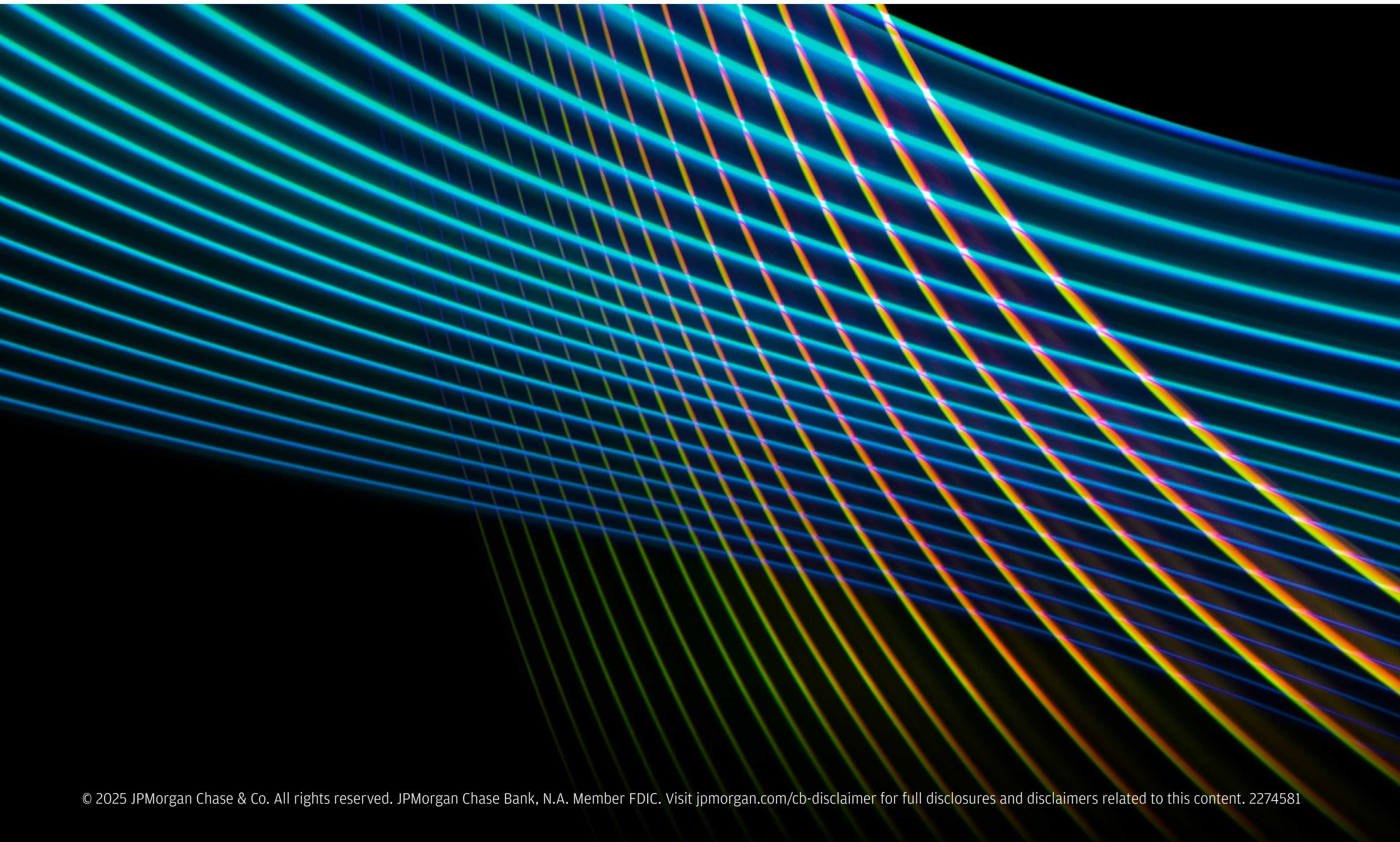

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Introduction

European venture dealmaking softened in Q3 2025, signalling that full-year totals may decline YoY despite an uptick in the average deal size. Activity is increasingly concentrated in larger rounds, and follow-on investment has weakened as first-time deals—particularly in AI—remain resilient. The AI sector continues to dominate, accounting for nearly 40% of deal value in Europe YTD and setting the pace with blockbuster raises from Mistral AI and Nscale. This outsized focus reflects a structural shift in global tech markets, though questions remain about the depth of due diligence on AI-driven business models. Israel and Southern Europe have gained share of the region's deal value thanks to landmark deals, while the UK & Ireland's lead has narrowed. Meanwhile, previously robust verticals such as fintech and life sciences are showing signs of a slowdown as investor capital crowds into AI. Overall, dealmaking remains active but is increasingly uneven, shaped by a small number of outsized rounds and a heavy reliance on the AI boom.

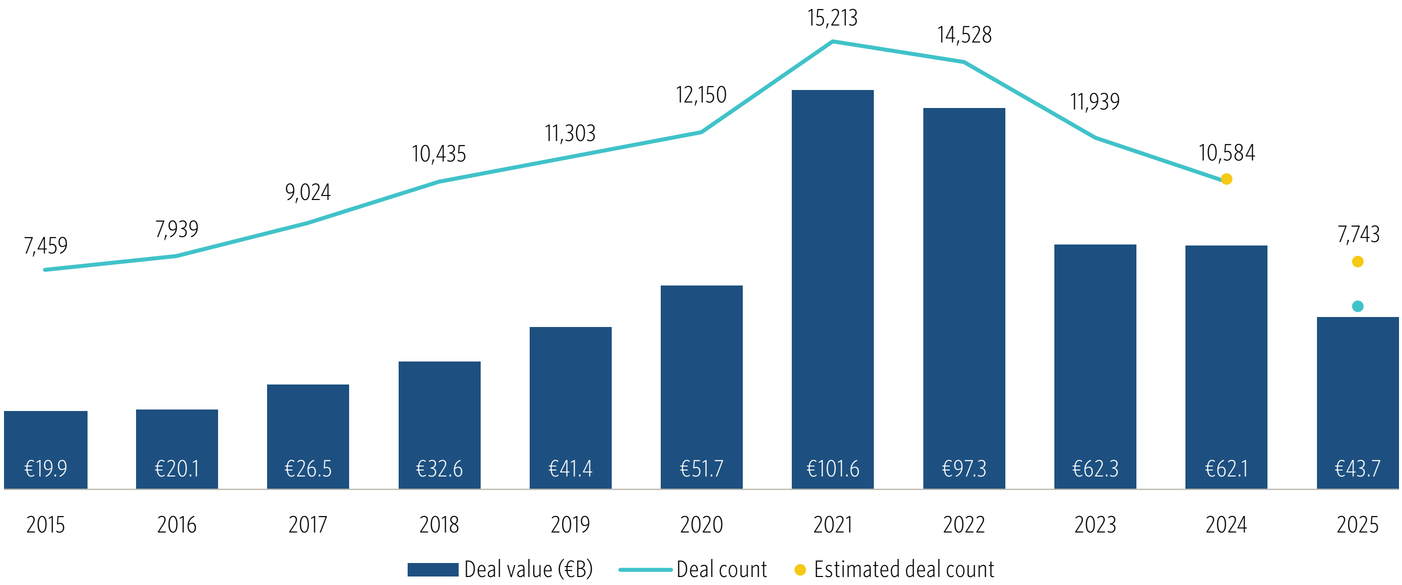
Venture debt activity in Europe has slowed in 2025 following a record-setting 2024, with deal value trending lower despite a handful of large transactions. Fewer deals are taking place, but the average deal size has grown, with a greater share of deals now exceeding €25 million. This shift reflects an environment where late-stage and venture-growth companies are leaning more heavily on debt while earlier-stage companies are cooling off. Market conditions are also influencing dynamics: Companies that might have turned to debt are instead eyeing public listings as equity markets stabilise, while easing monetary policy is expected to support refinancing activity. Fintech remains a standout in venture debt activity, dominating the largest transactions so far this year, while notable raises have also come from cleantech, digital health, and human resources (HR) tech. Although deal volumes are lower, venture debt continues to provide an important financing avenue for mature companies navigating a cautious fundraising climate.

European exit activity so far in 2025 can be defined by the "Klarna effect," with the fintech company's landmark IPO accounting for nearly a quarter of total exit value YTD. Klarna's listing provided a much-needed boost to sentiment, though its underwhelming aftermarket performance highlights ongoing fragility in the market. Beyond this headline event, exit momentum remains muted, with activity trending lower than last year and heavily reliant on a handful of large transactions. IPOs have increased their share of exit value as public market volatility subsides, yet volumes remain thin, underscoring how recovery is concentrating in a few large transactions. Acquisitions continue to drive the bulk of exits, particularly in AI, where strategic buyers remain active. Cleantech and fintech have also shown resilience, with their exit values pacing ahead of 2024 levels. Still, liquidity challenges persist as the broader ecosystem struggles to match the pace of dealmaking, keeping pressure on LP distributions and fuelling interest in alternative strategies such as secondaries, which we highlight in the "Spotlight" section of this report.

2025 is shaping up to be one of the weakest years for European venture fundraising in recent history, with momentum slowing sharply compared with 2024. The market has shifted away from megafunds and toward smaller, emerging managers, which now dominate the landscape, both in number and share of activity. Fund sizes have compressed as first-time funds and vehicles under €50 million gain traction, reflecting a more fragmented fundraising environment. Regionally, leadership continues to shift between established hubs, with the UK & Ireland and DACH closely competing, while traditional strongholds such as France lag. Despite capital still available in the pipeline, investors remain cautious as weaker venture returns and subdued LP commitments weigh on the outlook. The broader trend signals a rebalancing of Europe's venture ecosystem, marked by smaller, more diverse players driving activity amid ongoing headwinds.

Deals

VC deal activity



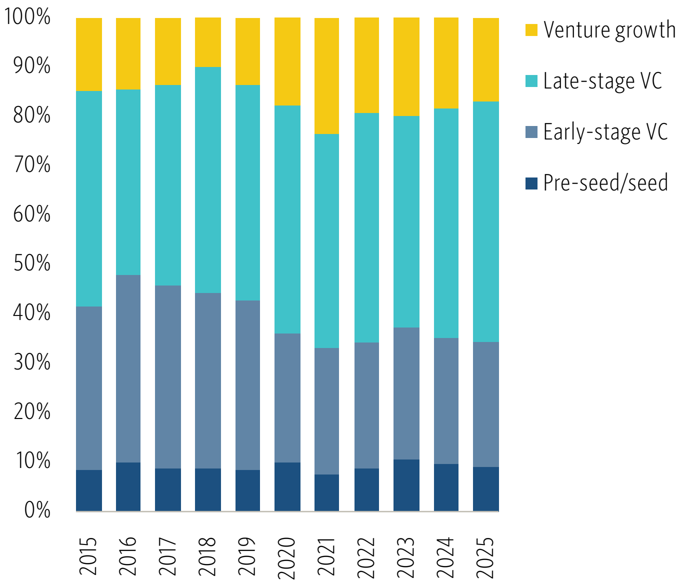
Source: PitchBook • Geography: Europe • As of 30 September 2025

Q3 deal activity implies a YoY decrease in annual figures

2025 deal value through Q3 sat at €43.7 billion, a run rate that implies the full-year deal value will decline 6.1%. Activity continues to be a game of size over volume, where the average deal size has increased and deals greater than €25 million have gained share of total deal value and volume. Within headline activity, it is interesting to note that deal value for first-time deals appears more resilient, pacing 11.8% above last year, while follow-on activity has waned. This could be a function of new startups in the nascent-but-popular AI ecosystem, which has shown steadfast demand from investors throughout the year. Among VC stages, the late stage has shown the most strength, with €21.3 billion in deal value through Q3, pacing only 0.9% below last year. Venture growth showed the weakest rate of activity through Q3, with deal value pacing 13.6% below last year.

Unsurprisingly, the largest deals to close in Q3 included AI platforms. Mistral AI's €1.3 billion round led by ASML eclipsed all others, bringing the company's post-money valuation to €11.7 billion. This makes Mistral AI the second-highest-valued company to secure funding this year, behind German AI defence tech player Helsing. Mistral AI's round was followed by Nscale's €1.27 billion round led by Aker, with backing from NVIDIA, which invested €573 million, Nokia, and Dell. Founded just last year, Nscale has already partnered with several major tech giants and raised nearly €1.7 billion in funding, including its latest Series B round. The company continued to raise capital after Q3, with €368.8 million of Series C SAFE funding closed on 1 October. Both Mistral AI and Nscale's growth trajectories highlight the rapid development of AI-related companies in the past year. Rapyd Financial Network rounded out the quarter's top three deals, raising €428.1 million.

Share of VC deal value by stage



Source: PitchBook • Geography: Europe • As of 30 September 2025

Top 10 VC deals by value in Q3 2025

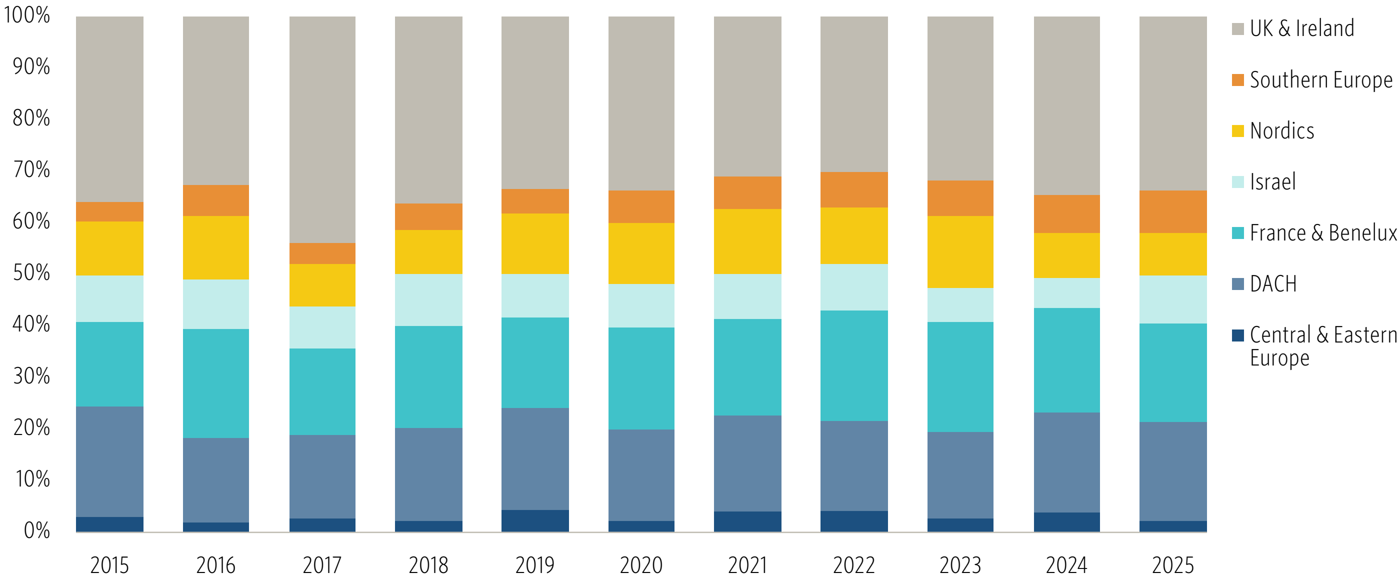
Company	Close date	Deal value (€M)	Deal type	Vertical(s)	Country
Mistral AI	9 September	€1,300.0	Late-stage VC	AI & machine learning (ML), mobile, software as a service (SaaS)	France
Nscale	25 September	€1,268.7	Late-stage VC	AI & ML, Big Data, cloudtech & development operations (DevOps)	UK
Rapyd Financial Network	10 September	€428.1	Venture growth	B2B payments, fintech, mobile, SaaS	UK
PS Miner	1 July	€303.7	Late-stage VC	Cryptocurrency/blockchain, fintech, SaaS	UK
IQM	3 September	€274.4	Late-stage VC	N/A	Finland
Sirius AI	9 August	€201.8	Early-stage VC	AI & ML	Switzerland
Lovable	17 July	€171.4	Early-stage VC	AI & ML, SaaS	Sweden
Nothing	15 September	€171.1	Late-stage VC	Audiotech, mobile	UK
Laxey	4 July	€158.0	Late-stage VC	Cleantech	Iceland
wefox	7 July	€151.0	Venture growth	Fintech, insurance technology, SaaS	Germany

Source: PitchBook • Geography: Europe • As of 30 September 2025

Israel and Southern Europe gain share YoY

Israel continued to show the most resilience in deal activity, with its deal value through Q3 already exceeding its full-year 2024 total of €3.6 billion. The region represents 9.2% of European deal value YTD, an increase from the 5.8% share it held in 2024. Southern Europe's share of European totals marginally increased from 7.4% in 2024 to 8.2% in Q3 2025 as key deals from Xoople, Bit2Me, and THEKER closed during the quarter. On the other hand, incumbent leader UK & Ireland declined in share of deal value, dropping from 34.5% in 2024 to 33.6% through Q3. Key Q3 deals in the UK & Ireland included the aforementioned rounds by Nscale and Rapyd Financial Network as well as over €300 million raised by crypto player PS Miner.

Share of VC deal value by region



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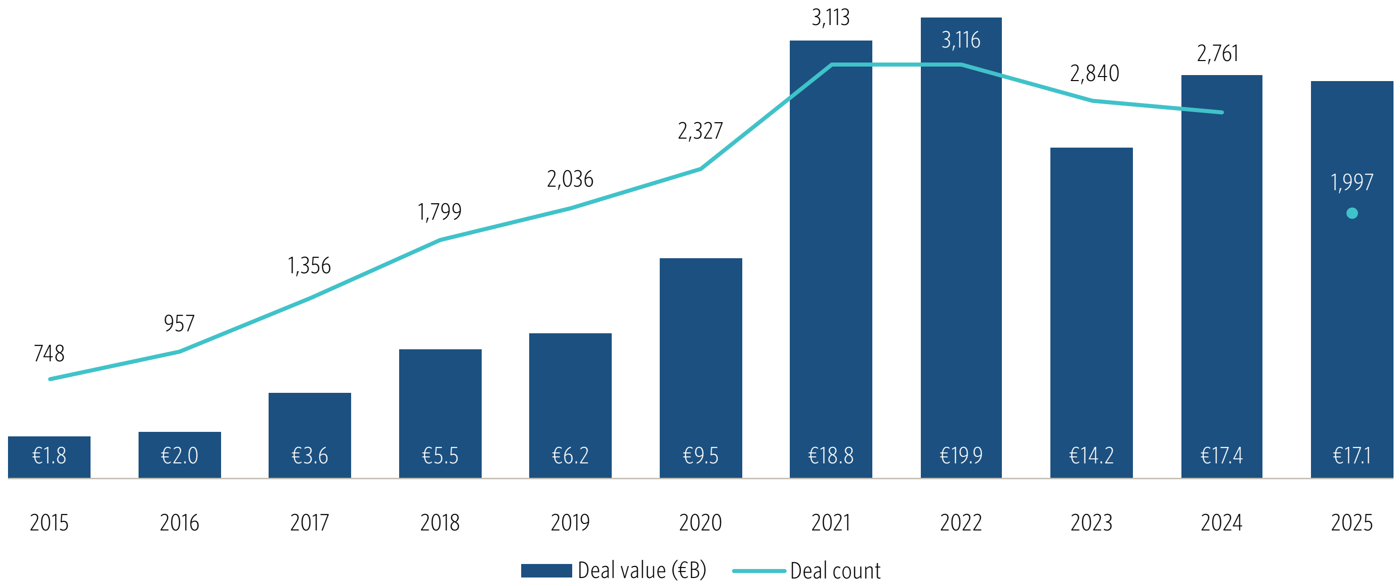
AI VC deal activity



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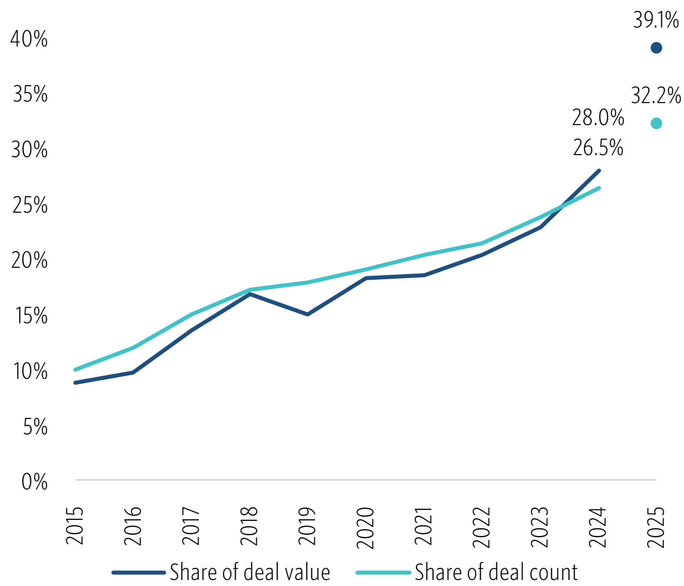
AI crowding out other sectors?

AI's share of European deal value continues to grow, sitting at 39.1% at the end of Q3, up from 34.5% at the end of H1 2025. Through Q3, investment in the sector amounted to €17.1 billion, a run rate that paces 31% above full-year 2024 levels. Although AI's continued resilience in Europe may be unsurprising, its share of European deal value is still roughly two-thirds of the share it holds in the US (59.8%). It is rare for one vertical to dominate the market for an extended period of time. However, we believe this trend is one of the largest structural shifts in global tech markets and will be here to stay. Whilst the market appears to be placing little value on the future of tech unless it is AI related, we question how closely the fundamental business propositions of AI-related startups are being vetted. AI startups must be distinguished by the proportion of their assets that are in pure AI software, meaning the core of their business's IP sits within AI tech, versus startups employing AI for more functional add-ons in legacy software. Furthermore, even large retailers such as Walmart and Tesco, which leverage vast datasets to optimise their operations with AI tools, are part of the broader AI theme. This diversity complicates the task of building thematic portfolios but also presents opportunities for differentiated exposure, as noted by Morningstar in its article on the AI investment theme.[1]

It also appears that the vertical may be crowding out other previously resilient ones. Through H1 2025, fintech and life sciences were pacing above or in line with their full-year 2024 deal values and outpacing the broader SaaS ecosystem. However, in Q3, deal activity in life sciences waned and fintech did not keep pace, with their run rates through Q3 implying a 13.9% and 17.3% decline in full-year deal values, respectively. In terms of absolute investment by sector, life sciences remains in sixth place, with fintech now fourth, ahead of cleantech.

AI VC deal activity as a share of all VC deal activity



Source: PitchBook • Geography: Europe • As of 30 September 2025

1: "Artificial Intelligence: The Defining Investment Theme of Our Era," Morningstar, Kenneth Lamont, 30 June 2025.

Top 20 verticals by VC deal value

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
AI & ML	7	7	5	4	5	4	4	3	2	1	1
SaaS	2	2	2	1	1	1	1	1	1	2	2
Mobile	3	3	3	3	2	2	2	4	6	4	3
Fintech	6	5	4	6	3	3	3	2	5	5	4
Cleantech	14	10	15	12	10	12	9	6	4	3	5
Life sciences	4	4	6	5	6	6	7	12	7	6	6
Healthtech	13	11	9	7	8	7	10	9	9	9	7
Big Data	15	14	11	11	13	10	11	10	13	13	8
Manufacturing	11	8	8	10	12	8	15	8	8	8	9
Climate tech	17	13	17	14	11	9	8	5	3	7	10
TMT	1	1	1	2	4	5	5	7	11	10	11
LOHAS & wellness	16	16	13	16	15	14	16	13	10	11	12
Cryptocurrency/blockchain	20	20	20	17	20	20	17	16	14	17	13
Oncology	9	15	16	15	14	16	18	20	16	12	14
Digital health	18	18	18	19	18	15	19	19	19	16	15
Industrials	8	12	12	13	19	17	20	17	17	18	16
E-commerce	5	6	7	8	7	11	6	11	12	15	17
Mobility tech	10	9	10	9	9	13	14	14	15	14	18
Supply chain tech	19	19	19	18	17	18	13	15	18	19	19
Foodtech	12	17	14	20	16	19	12	18	20	20	20

Source: PitchBook • Geography: Europe • As of 30 September 2025
Note: Verticals are ranked by their 2025 deal value.

A WORD FROM J.P. MORGAN

Navigating the European venture landscape: Insights from Q3 2025

Alex McCracken
Head of Venture Capital Relationships, EMEA

Alex is a managing director and leads J.P. Morgan's coverage of venture capital funds in Europe. His role is to help partners in venture funds succeed by accessing the full range of J.P. Morgan's global services, including fund banking and lending, commercial banking, and investment banking, and connections to J.P. Morgan's network of investors, corporates, and sector specialists.

Key risks in financing trends

The Nasdaq has reached unprecedented highs, and tech IPOs are making a comeback. AI companies are securing substantial funding at elevated valuations. However, the One Big Beautiful Bill Act is expected to keep driving inflation in the US. Additionally, US tariffs and geopolitical conflicts are continuing to disrupt global supply chains, increasing uncertainty for tech founders and investors. Despite these risks, stock markets in Europe and the US continue to perform robustly, suggesting that these risks may be underpriced in public and private tech markets.

Conversely, European tech companies, both private and public, often trade at a discount compared with their US counterparts. This is attributed to factors such as market fragmentation, limited funding options, and regulatory challenges. For instance, the European Commission recently fined Apple €500 million for alleged anticompetitive behaviour,[2] and the EU's AI Act imposes compliance requirements on AI systems. However, these risks may be overstated, as many European tech companies are outperforming their US peers while maintaining capital efficiency. These companies are poised for significant IPOs or M&A exits in the coming years, and many are expanding across borders to mitigate valuation, regulatory, or geopolitical impacts.

Client concerns in the current economic and market environment

The US has imposed a 15% tariff on imported goods from the EU, affecting hardware companies in sectors such as defence, electronics, and consumer tech. This has led to a shift towards local sourcing and sales within European markets. In response, there has been a "flight to quality" among EU investors, with H1 2025 VC deal volume down 15% compared with H1 2024 volume, according to PitchBook. However, "hot" sectors such as AI and defence technology are garnering larger median check sizes and valuations. Investors are now taking longer to conduct due diligence—often over six months—thoroughly assessing market conditions, risks, and company performance before investing.

Sector specialisation in the European market

Investor specialisation is prevalent in Europe. Established VC firms have long had partners focusing on specific verticals such as fintech, vertical AI, digital health, and medical technology (medtech). Smaller emerging managers are similarly focussing on subsectors they understand well. This specialisation is driven by a need to deeply understand sector dynamics and meet LPs' demands of a clear "right to win." Sector specialisation is also geographically distinct, with enterprise AI and industrial automation thriving in Germany and the Nordics, while France excels in AI models. The UK leads in fintech, life sciences, and medtech.

Technological frontiers beyond AI and defence tech

AI-powered drug discovery companies are accelerating and reducing the cost of the development of new drugs. Isomorphic Labs, for example, recently raised a £448.9 million Series A round to advance AI drug discovery. Latent Labs is developing generative AI models for designing novel proteins. Unicorn exits in this space include that of Araris Biotech, acquired by Taiho Pharmaceutical Company for $1.1 billion in March. Consumer health is also transforming with wearable devices and digital health solutions, such as ZOE's personalized nutrition insights and Oura's wearable ring devices for health monitoring. This convergence of wearable and digital health technology is redefining healthcare delivery and driving innovation in the medical sector.

2: "Commission Finds Apple and Meta in Breach of the Digital Markets Act," European Commission, 22 April 2025.

Adaptation of startup founders to the current economic environment

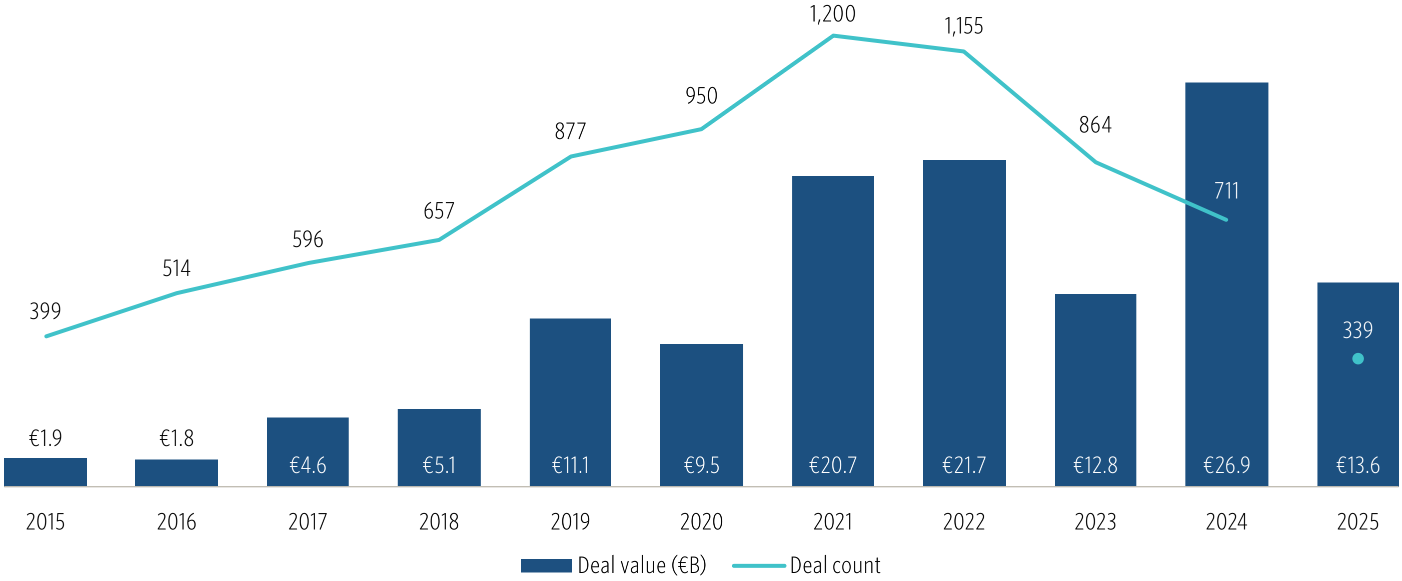
Over the past two years, many founders have reduced burn rates in response to macroeconomic uncertainty and a slowdown in venture funding. Companies have paused hiring and increased their adoption of AI solutions to augment existing staff. Startups that successfully integrated AI have scaled more efficiently. Lovable, a no-code app builder, reached $100 million in annual recurring revenue (ARR) just eight months after launching. With only 45 employees, the company is demonstrating high efficiency by generating more than $2 million in ARR per employee in its first year.

Busy areas in advisory and lending services

J.P. Morgan's Equity Private Placements team has seen increased demand from growth-stage tech companies seeking to raise rounds exceeding $100 million, particularly in deep tech sectors such as AI, cloud, infrastructure, and life sciences. There is also a growing demand for secondary rounds as early investors seek liquidity. Growth-stage tech companies are raising debt to finance working capital, capital expenditures, or M&A activities, using credit finance to extend their runways and avoid equity dilution. Additionally, treasury support requests are rising for cash management and yield optimisation across borders, driven by companies expanding internationally and managing risks from foreign exchange and interest rate volatility.

Venture debt

Venture debt deal activity



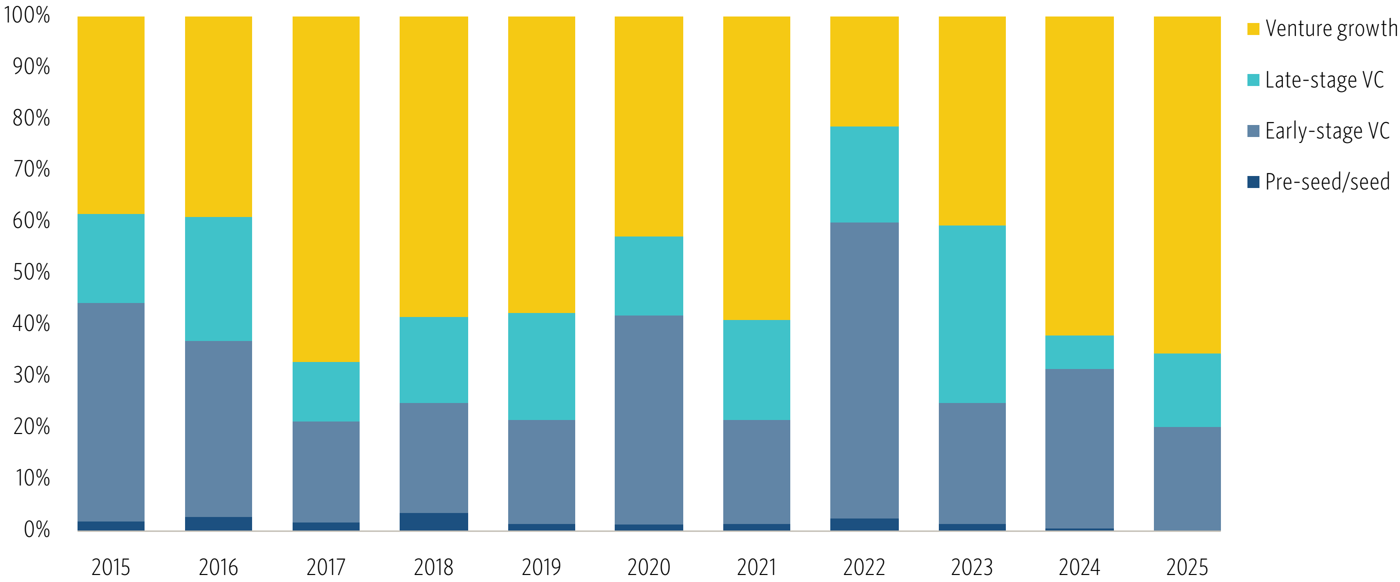
Source: PitchBook • Geography: Europe • As of 30 September 2025

Despite a robust start to the year, venture debt deal activity waned through Q3. The YTD deal value of €13.6 billion implies a 32.6% decline YoY if the run rate is maintained through the rest of the year. Deal value in 2024 sat at a record high, making it a difficult base to grow from. As outlined in our outlook, we expected the 2025 deal value to remain robust but not exceed last year's total. Whilst this appears to be playing out, deal value also falls short of pre-2024 totals. Fewer deals are taking place, and in Q3, the average deal size increased and the share of deals greater than €25 million notably increased to 23% from 14.5% in 2024. This reflects stage-level dynamics, where venture-growth deals now account for 41.9% of all venture debt deals, compared with 28.8% in 2024.

Opening IPO markets through the second half of the year could mean that players that sought venture debt financing may postpone raising funds in favour of listing amidst less turbulent times in the public equity markets. A more dovish environment developing across macroeconomic policies will also likely foster debt refinancing, which would boost our deal activity data. Most recently, the US Federal Reserve cut rates by 25 basis points in September, its first rate cut since last December. The Federal Reserve's rate cutting has been much slower than that of the European Central Bank and the Bank of England, which have made three cuts throughout the year.

The top deals in Q3 included HR tech Job&Talent's €556 million raise, followed by a handful of cleantech and digital health rounds, including Electra's €433 million round in July, digital health wearable provider Oura's €214 million round, and Vital Energi's €173 million round. Some of the largest deals this year have come from mature sectors, with fintech dominating the top 10 deals. British fintech companies Ferovinum, Carmoola, and Wagestream all raised more than €350 million of debt in Q2. The largest deals so far this year were in Q1, with the top deal being a €1.4 billion round from United Petfood.

Share of venture debt deal value by stage



Source: PitchBook • Geography: Europe • As of 30 September 2025

Top 10 venture debt deals by value YTD

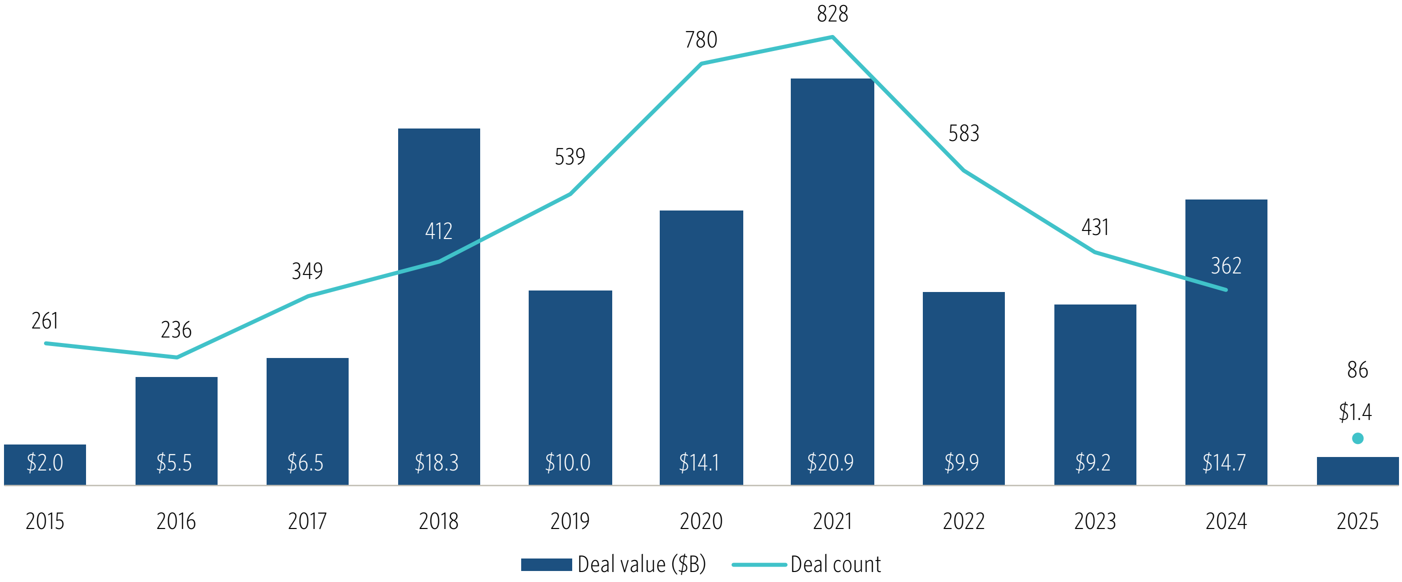
Company	Close date	Deal value (€M)	Deal type	Vertical(s)	Country
United Petfood	5 February	€1,425.0	Debt refinancing	Manufacturing	Belgium
FINN	10 February	€1,000.0	Capital spending	Mobility tech	Germany
Capital on Tap	20 February	€898.0	Debt - general	Fintech, SaaS	UK
Job&Talent	5 August	€556.0	Debt refinancing	HR tech, mobile	Spain
Ardersier Port Authority	23 January	€479.0	Debt - general	Oil & gas	UK
Ferovinum	30 June	€478.0	Debt - general	E-commerce, fintech	UK
Electra	24 July	€433.0	Debt - general	Climate tech, cleantech, LOHAS & wellness, mobile	France
Carmoola	24 June	€354.0	Debt - general	Fintech, mobile	UK
Wagestream	7 May	€351.0	Debt - general	Fintech, mobile	UK
Abound	27 May	€300.0	Debt - general	Fintech, mobile	UK

Source: PitchBook • Geography: Europe • As of 30 September 2025

SPOTLIGHT

Direct secondaries are of primary importance

Global institutional VC direct secondary deal activity



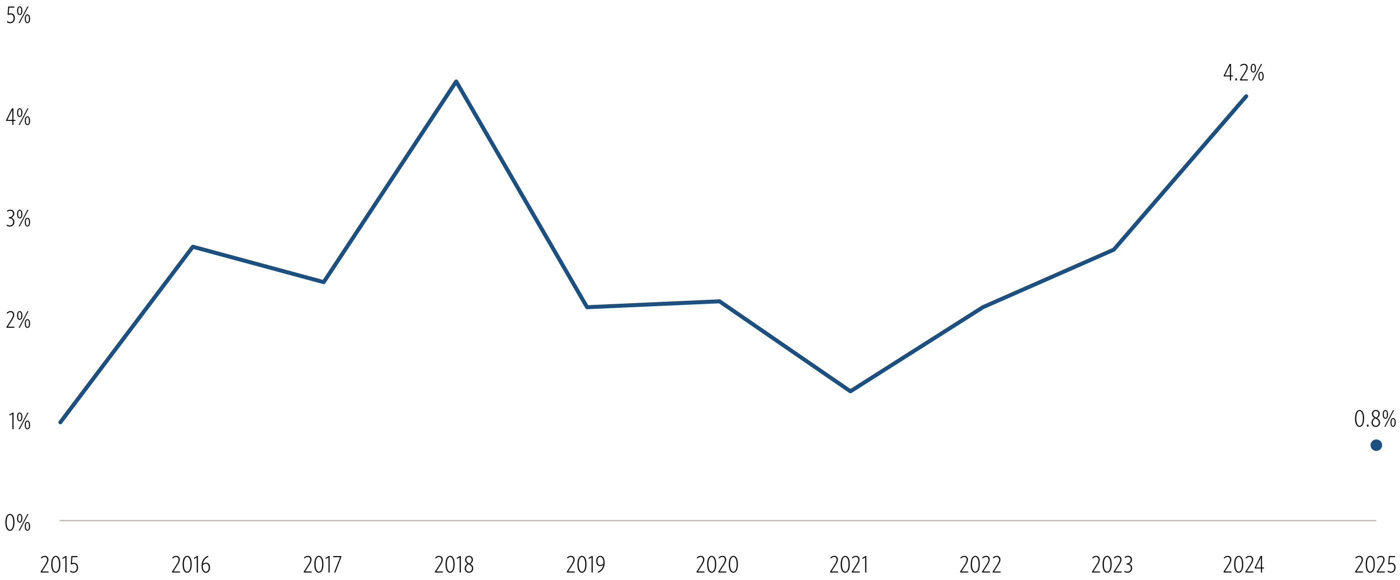
Source: PitchBook • Geography: Global • As of 12 June 2025

Note: This section is abbreviated from our recent analyst note Sizing the Institutional VC Direct Secondaries Market.

Although the term “secondaries” is widely used in private markets, its meaning can vary. It has traditionally been used to describe GP- and LP-led secondaries strategies conventionally found in PE, but these strategies are increasingly being deployed in venture. In our recent analyst note, however, we focused on VC direct secondaries, where an investor or a founder sells their shares directly to a buyer. The market has continued to grow and represents an increasing proportion of exits. In September, fintech bellwether Revolut conducted a secondary share sale, giving employees liquidity and escalating the firm’s valuation to $75 billion. Our analyst note explored this subset of the secondaries market where coverage and research are more limited.

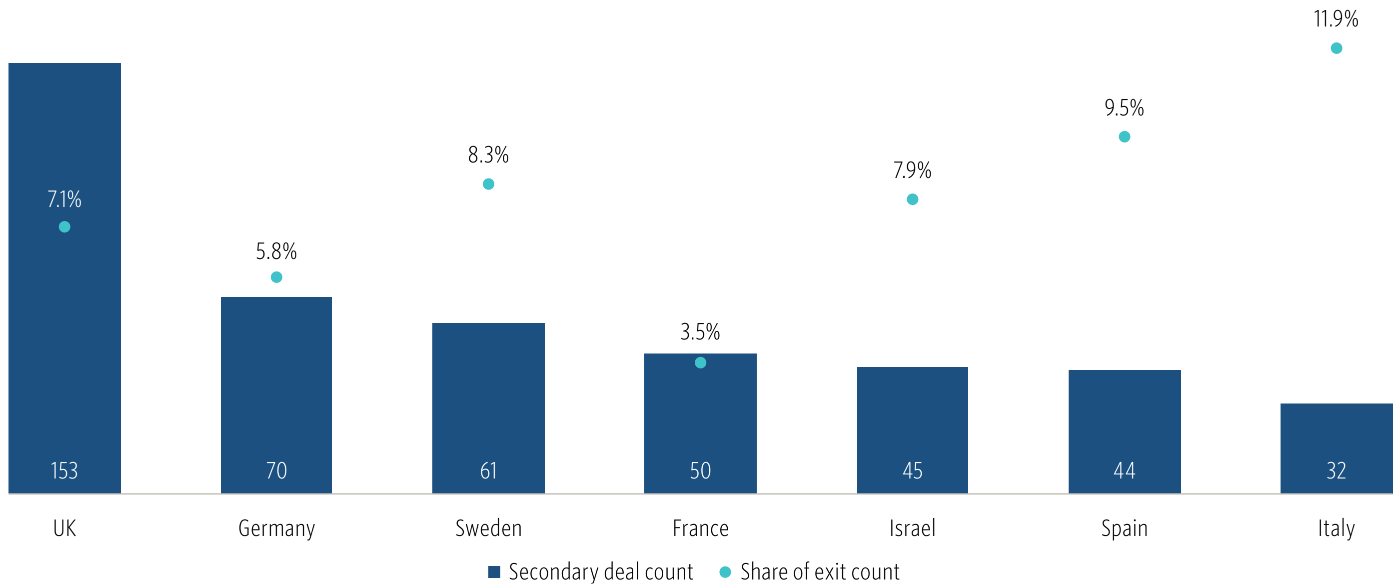
Since 2015, the institutional VC direct secondaries market has amassed nearly $113 billion globally, with 2024 seeing $14.7 billion—the highest annual total since 2021. In recent years, direct secondaries have grown in relation to global VC exit value, rising from 1.3% of exit value in 2021 to 4.2% in 2024. Asia has dominated global deal value for the past decade, driven by China, though North America led in 2024. Europe lags, with its deal value driven by the UK, Germany, and Sweden. However, in other European hubs, secondaries show a higher penetration of exit volume. While liquidity remains lower in Europe amidst decreasing median deal sizes, the direct secondaries market is gaining share of VC exits globally.

Institutional VC direct secondary deal value as a share of all global VC exit value



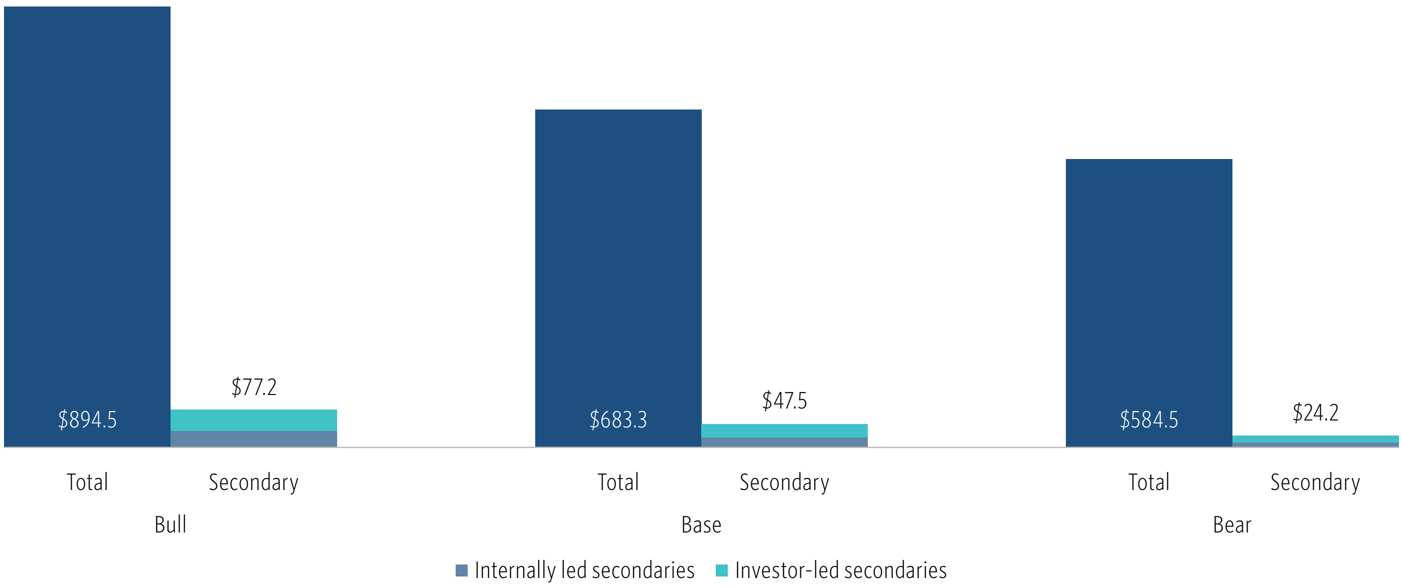
Source: PitchBook • Geography: Global • As of 12 June 2025

Institutional VC direct secondary deal count as a share of all Europe VC exit count by country (2015-2025)



Source: PitchBook • Geography: Europe • As of 12 June 2025

Europe institutional VC direct secondary market size estimates ($B)



Source: PitchBook • Geography: Europe • As of 30 June 2025
Note: Internally led secondaries are those led by founders and employees.

In our base case, we estimate the European institutional VC direct secondaries market to be $47.5 billion, equivalent to 7% of the aggregate market cap of the companies included in our data. Our secondaries data is transactional and therefore backwards looking. To examine the potential size of the institutional VC direct secondaries market in Europe, we use cap-table ownership data from early-stage companies and apply our methodology across firms valued at $500 million or more to arrive at our estimate.[3] Of the $47.5 billion, over half is from investor-led secondaries versus internal sales (those by founders and employees). While our data shows that $10.7 billion of institutional VC direct secondaries has been transacted in Europe over the past decade, the potential market size highlights a significant opportunity for growth in the asset class.

Our bear and bull scenarios size the European institutional VC direct secondaries market between $24.2 billion and $77.2 billion. The key variables are the size of the eligible company pool and the assumed level of liquidity that secondaries can unlock. The bull case includes companies valued at over $100 million and assumes higher ownership applicability, with the estimated market size at around 9% of the market cap of applicable companies. In contrast, the bear case limits secondaries to unicorns and has a lower liquidity assumption, resulting in a market size that is roughly 4% of the market cap. Our estimates are also broken out by internally led and investor-led sales.

Our secondaries estimations imply a notable contribution to VC exit activity in Europe. Over the past 10 years, VC exit value has amounted to nearly €600 billion, and it totalled €63.2 billion in 2024. Whilst we do not expect the secondaries market to grow to our base case of $47.5 billion quickly, even just the investor-led portion of the market ($26.9 billion) could generate meaningful liquidity in comparison to current exit activity. For context, $47.5 billion would be 4.5% of the total VC exit value over the past 10 years, similar to the investor-led secondary market's share of the total market cap of the applicable companies (3.9%). Whilst the comparison of our market size estimate to exit value is not apples to apples, it illustrates what it could become in a base case in the context of the European venture ecosystem.

3: For the full methodology, read our analyst note.

Europe institutional VC direct secondary market size estimates by scenario

Scenario	Valuation bucket of companies	Internally led secondaries value ($B)	Share of total VC valuation	Investor-led secondaries value ($B)	Share of total VC valuation	Total secondaries market value ($B)	Secondaries share of total VC valuation	Total VC valuation ($B)
Bull	$100M+	$35.9	4.0%	$41.3	4.6%	$77.2	8.6%	$894.5
Base	$500M+	$20.6	3.0%	$26.9	3.9%	$47.5	7.0%	$683.3
Bear	$1B+	$11.7	2.0%	$12.5	2.1%	$24.2	4.1%	$584.5

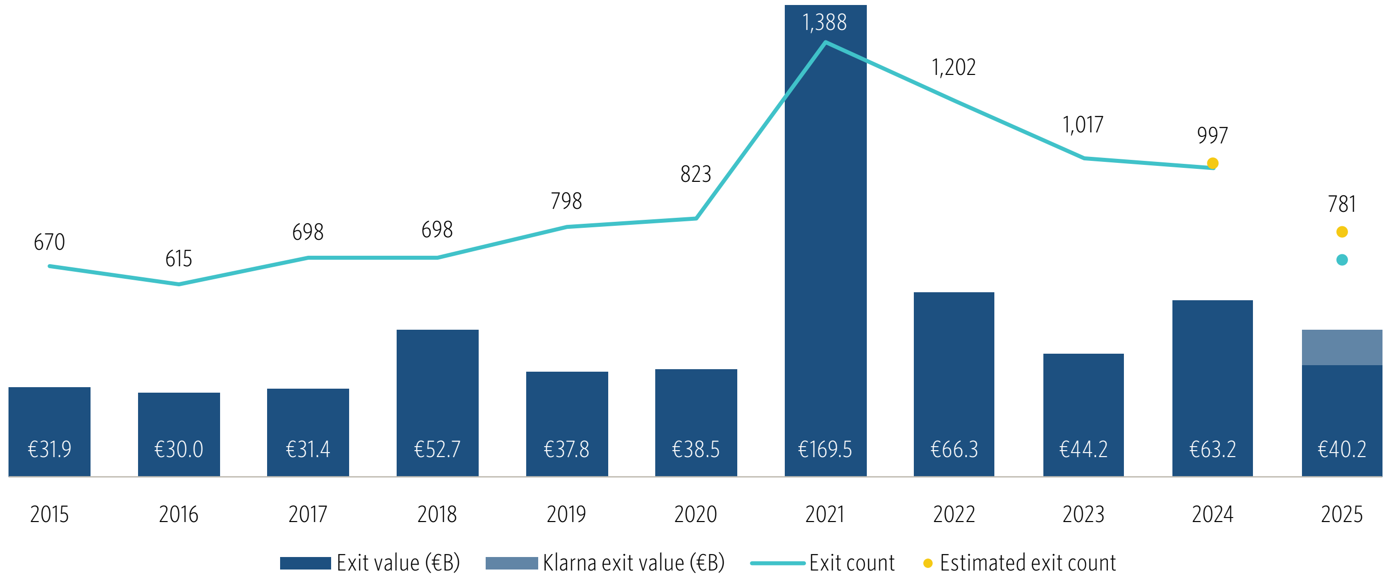
Source: PitchBook • Geography: Europe • As of 30 June 2025
Note: Internally led secondaries are those led by founders and employees.

There are several caveats to our market-sizing model. Variability in ownership, deal terms, and limited disclosure—especially in Europe—add complexity. Company-level restrictions such as rights of first refusal can block deals, limiting liquidity. Europe's fragmented infrastructure and regulations may also hinder activity from reaching US levels. Our model does not predict when the market might reach expected levels. While platforms such as the UK's PISCES aim to streamline the market, broader adoption still depends on issuer cooperation and governance standardisation, without which growth could remain constrained.

In conclusion, it will be a long, complex process for the European institutional VC direct secondaries market to reach our estimated sizes. The market remains nascent and inefficient. While our scenarios show that significant liquidity could emerge, generating it through direct secondaries remains complex and underdeveloped. Assets are abundant but not well understood, and buyers are scarce. Discounts remain significant, and a select number of large transactions inflate pricing data. In Europe, intermediaries are limited, with only a handful of funds facilitating direct secondaries (such as Siena, Isomer, Giano Capital, TempoCap, Nordic Secondary Fund, Hedosophia, and Launchbay). Unlike the US, Europe lacks a brokerage market, and information is confined to insiders, creating both inefficiencies and opportunities for high returns. Nonetheless, VC secondary activity has been increasing, and PE provides a playbook for market development. PE secondaries, once similarly immature in the 1990s, are now sophisticated, transparent, and well intermediated. We believe the venture market mindset toward liquidity and direct secondaries has shifted, with secondaries becoming a viable exit alongside IPOs and M&A. GPs are planning liquidity earlier to generate distributions to paid-in at the start of the investment cycle, mirroring PE strategies. More buyers will be needed to expand the asset class, but the liquidity generated will be meaningful.

Exits

VC exit activity



Source: PitchBook • Geography: Europe • As of 30 September 2025

Exits benefit from the Klarna effect but waver without it

Exit activity has sequentially risen through 2025, with exit value in Q3 reaching €23.8 billion. €12.7 billion of this came from the long-awaited IPO of Klarna in September, a key exit for the private bellwether in Europe. The IPO raised $1.4 billion, implying a valuation of $14 billion to $15 billion for the company, a notable step-up since its widely documented down round in 2022, when its valuation sat at $6.7 billion.

Despite a strong debut, Klarna's current share price (as of 1 October) sits 20% below the IPO price, underperforming S&P 500 gains over the same period. As we have highlighted in our previous work, returns for VC-backed companies are as crucial as the companies' listings. Klarna's performance in the coming months will be a key barometer of confidence, both for other companies listing and for investors looking at potential new listings. Excluding Klarna's listing, the run rate of exit value for the European venture ecosystem implies a 15.3% decline YoY, evidencing that the underlying environment is not as resilient.

Among exit types, IPOs have gained significant share of overall value, sitting at 32.3% through Q3 compared with 23.1% in 2024. However, this share comes from only 14 public listings, of which nine were IPOs. Our 2025 outlook, which predicted that VC-backed IPOs would have a concentrated recovery, appears to be playing out. Volatility in public markets through H1 waylaid our initial prediction, but listing activity has somewhat come back as volatility has subsided and public equity valuations have recovered and rallied. Exit value from listings sits at €17.1 billion, a 16.7% YoY increase. However, acquisitions are still the bread and butter of VC exit volume, with over 70% of exits YTD using the strategy. The second-largest transaction in Q3 was Workday's acquisition of Swedish AI platform Sana for €940.9 million, followed by another AI M&A deal from Cognigy for €815.1 million.

Whilst the recovery in Europe has been concentrated, it is still important to not dismiss activity from larger transactions. They may skew the data but are crucial for venture asset class returns and for providing liquidity for LPs, which gets recycled back into European investments. Despite Klarna choosing not to list in Europe, large tech listings still need to occur to assure venture stakeholders that the industry's liquidity and returns are improving. It is also important to note that a rising tide could lift all boats and inspire other European market participants to list, improving exit activity.

Fintech and AI exits recovering apart from the Klarna effect while cleantech stays resilient

Despite the lack of resilience in broader European exits, activity in sectors such as cleantech and fintech is still pacing above last year. Through Q3, cleantech exit value sat

Top 10 VC exits by value in Q3 2025

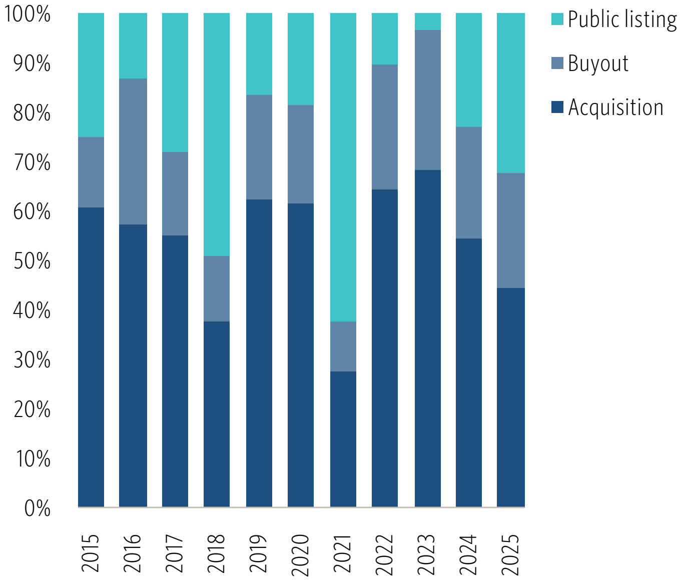
Company	Close date	Exit value (€M)	Exit type	Vertical(s)	Country
Klarna Group	10 September	€12,748.2	Public listing	AI & ML, fintech, mobile, mobile commerce, SaaS	Sweden
Sana	16 September	€940.9	Acquisition	AI & ML, SaaS	Sweden
Cognigy	8 September	€815.1	Acquisition	AI & ML, Big Data, marketing tech, mobile	Germany
Wallapop	1 August	€600.0	Acquisition	E-commerce, mobile commerce	Spain
EnergyVision	9 July	€538.5	Public listing	Cleantech	Belgium
Vectorious	4 September	€426.0	Acquisition	Digital health, healthtech	Israel
GT Get Taxi Systems	18 August	€163.2	Buyout	Mobile, mobility tech, SaaS	UK
Beekeeper	29 July	€108.5	Buyout	AI & ML, Big Data, SaaS	Switzerland
Axiom	26 August	€85.9	Acquisition	Cloudtech & DevOps, SaaS	Israel
MEDS Apotek	23 September	€82.8	Public listing	E-commerce, LOHAS & wellness, mobile	Sweden

Source: PitchBook • Geography: Europe • As of 30 September 2025

at €2.3 billion, pacing 6.5% above 2024 levels and driven by the Q3 IPO of EnergyVision in Belgium, which generated €538.5 million in exit value. This was the first Belgian IPO since 2021. Elsewhere, AI and fintech are both pacing roughly a third above 2024 totals, with AI generating €11.5 billion in exit value (excluding the Klarna exit).

Outside of recent trends, the broader question remains how venture ecosystems will continue to adjust to what appears to be a new normal for liquidity. On one hand, activity may seem thin in relation to last year, but compared with 2023 and pre-2021 levels, exit value over the past few years has been robust. Even the seemingly depressed year of 2023 proved to have a significant exit value, higher than the pre-2021 historical average. On the other hand, the venture ecosystem has significantly grown since 2021, and it is clear that exit activity has not kept up with dealmaking. Liquidity therefore remains an issue, especially for LPs, whose need for distributions has given rise to alternative strategies such as secondaries, as noted in the "Spotlight" section of this report.

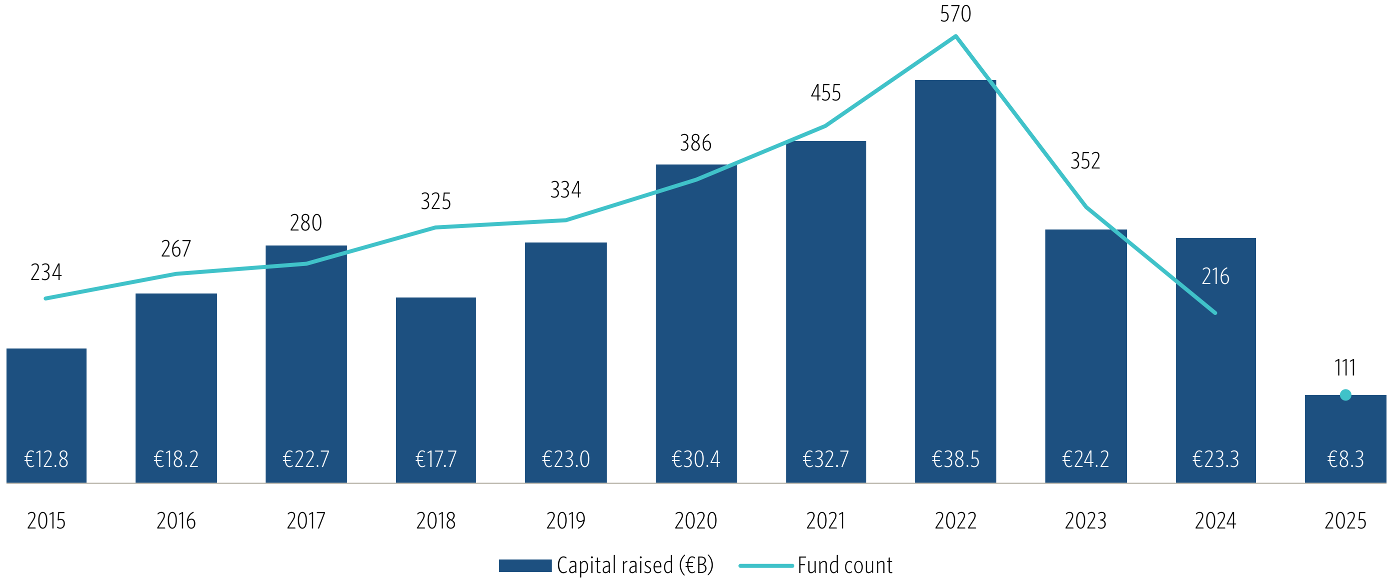
Share of VC exit value by type



Source: PitchBook • Geography: Europe • As of 30 September 2025

Fundraising

VC fundraising activity



Source: PitchBook • Geography: Europe • As of 30 September 2025

Fundraising on track for record low

Through Q3 2025, fundraising in Europe amounted to €8.3 billion over 111 vehicles, a run rate that implies the full-year capital raised will decline 52.3% YoY. Fundraising tends to be lumpy, and several smaller funds could be backfilled through H2 2025. However, given that we are approaching the end of the year, we are less optimistic that smaller closes will fill the gap in capital raised from a strong 2024, which sat at €23.3 billion.

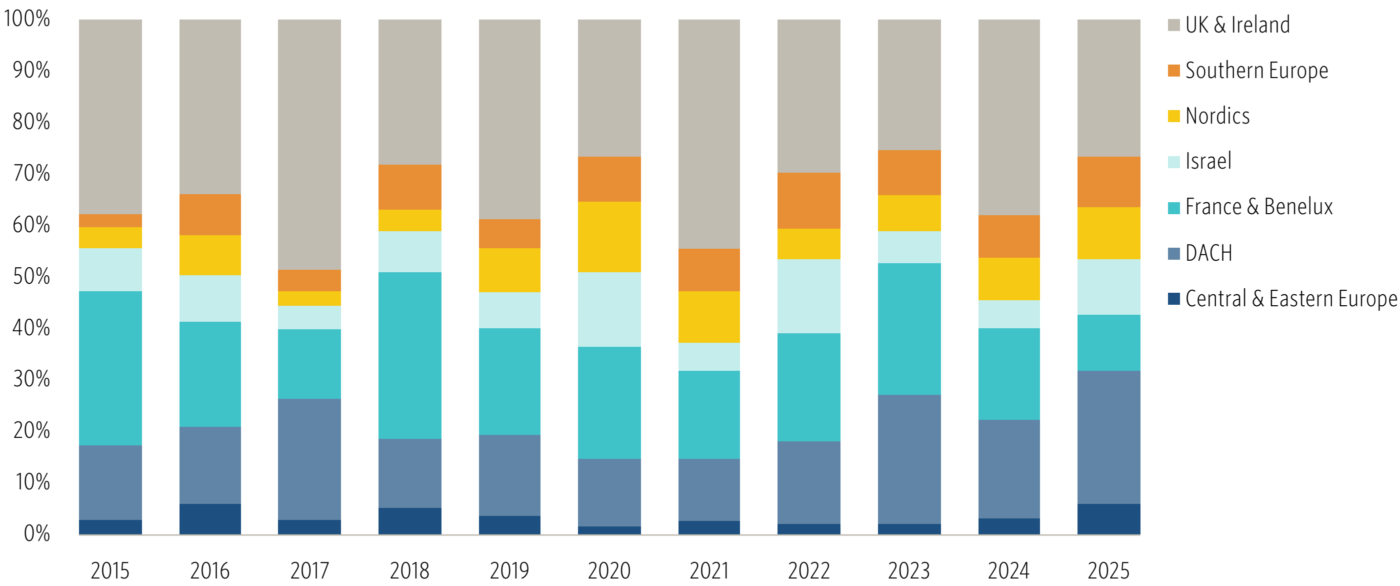
Fund sizes decrease as emerging firms take share

Fundraising trends so far this year have been driven by a reduction in the median fund size, which is now 24.6% lower than in 2024, where megafund closes and a skew towards experienced firms resulted in a record median fund size. Dynamics this year are very different, with emerging managers gaining share of fund count. Emerging firms now hold the lion's share of fund closes through Q3, sitting at 71.8% of count, and represent 48.4% of capital raised, up from 42.8% in 2024. A third of fund closes this year have been first-time funds, and smaller vehicles under €50 million have nearly doubled their share of capital raised YoY to 11.9%, totalling €1 billion through Q3 2025. Of the top 10 closes this year, two were emerging players: Cambridge Innovation Capital and Picus Capital. The largest close was from corporate VC arm Hitachi Ventures, which raised €386.6 million, followed by Greenfield Partners in Israel at a fund size of €384.6 million and G2 Venture Partners in Sweden, which closed €350 million in September.

UK & Ireland fundraising catches up to DACH

The lead that the DACH region gained last quarter has been marginally reversed, with the UK & Ireland back on top with the largest share of capital raised, at 26.7%. The largest closes in the UK & Ireland came from Cambridge Innovation Capital III for €288.6 million, Adams Street European Venture Fund 2023 for €270 million, and QuantumLight Capital Fund for €221.4 million. The UK & Ireland is followed closely by the DACH region, which holds 25.8% of capital raised, still a significant step-up from 18.9% in 2024. In terms of YoY growth rates, Israel is proving the most resilient, with activity this year pacing in line with last year, though it weakened through Q3. Other historical core regions are lagging significantly, with only €0.9 billion raised in the France & Benelux region, or 10.9% of the European total, compared with 17.9% in 2024.

Share of venture capital raised by region

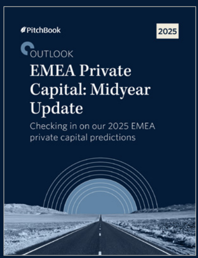


Source: PitchBook • Geography: Europe • As of 30 September 2025

There is capital on the table to be closed, with the top 20 open venture funds YTD amounting to €16.4 billion. If these funds close by the end of the year, the full-year total will grow; however, distributions will need to pick up before fundamental factors behind capital raised will drive funding as well as other areas of the ecosystem. LP net cash flows for VC globally have recovered from trough levels in previous years but remain below historical averages. The capital invested in European startups therefore sits at increasing multiples of capital raised by European funds, at 5.2x through Q3 versus 2.7x in 2024. As returns continue to wane in VC (our funds research team estimates [Q1 2025 venture returns to be -1.1%]), especially compared with other private asset classes, fundraising in the venture ecosystem is clearly staying under the pressure seen throughout the year.

Additional research

EMEA private capital



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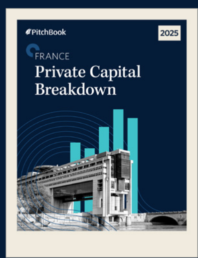

2025 France Private Capital Breakdown

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