VENIONAIRE CAPITAL

EUROPEAN VENTURE SENTIMENT INDEX

Quarterly Report
Q4/2024

January 9, 2025

STEADY GLOBAL GROWTH AMID INFLATION DECLINE AND UNCERTAINTIES OVER U.S. POLICY SHIFTS.

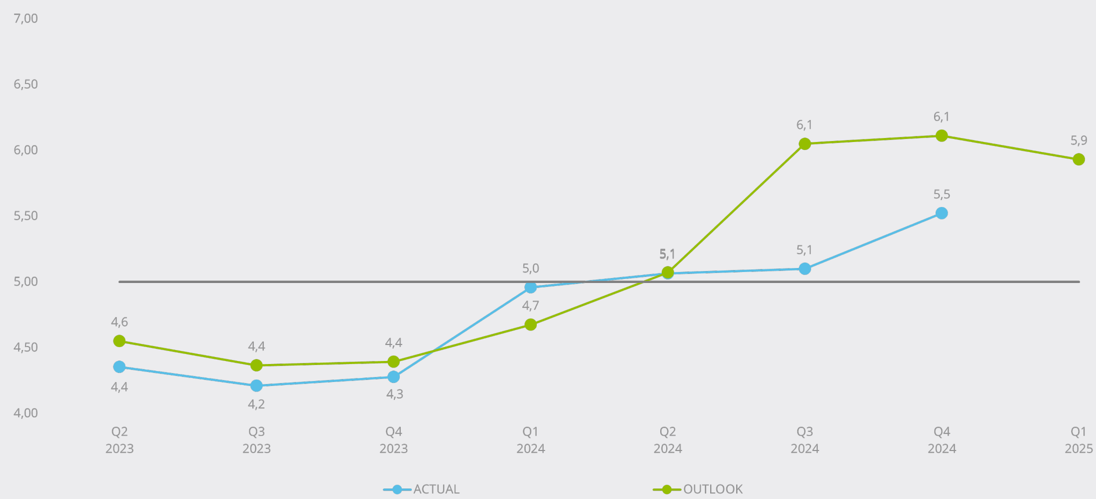
After Q1 2024 witnessed real income gains, increased consumer In the final quarter of 2024, the global economy continued its steady growth trajectory, largely supported by sustained private consumption, declining inflation, and the easing of monetary policies in key markets. According to baseline forecasts, global real GDP is expected to reach 3.2% for 2024 and maintain this pace in 2025. While this growth reflects resilience, it remains below pre-pandemic levels. Global inflation is projected to decline significantly, from 6.5% in 2024 to 3.8% in 2025. However, due to persistently high interest rates and subdued business and consumer confidence, the real GDP growth forecasts for developed economies remain modest at 1.7% for both 2024 and 2025 (Euromonitor International, 2024).

The Eurozone is gradually emerging from its 2022–2023 downturn, which was driven by a complex geopolitical environment and elevated inflation, particularly in energy prices. Steady, albeit slow, growth is anticipated to continue into 2025 as interest rates are projected to decline and economic stagnation begins to ease. Real GDP growth has been revised to 1.1% for 2025 and 1.4% for 2026 (ECB, 2024). However, compared to the ECB's September 2024 macroeconomic projections, the GDP growth outlook has been downgraded. This adjustment reflects weaker-than-expected investment data from the first half of 2024, anticipated slower export growth in 2025 due to U.S. President-elect Donald Trump's planned tariffs, and a modest reduction in projected domestic demand expansion for 2026.

In contrast to the Eurozone, U.S. real GDP growth in Q4 2024 was significantly upgraded to 2.0%. This revision reflects robust consumer spending in October, despite the impact of hurricanes, alongside record-breaking "Black Friday" and "Cyber Monday" sales. Additional support for the improved U.S. outlook came from wage growth, increased after-tax income, and high consumer confidence, underpinned by a strong labour market (The Conference Board, 2024). However, with Donald Trump's election victory, the U.S. economic outlook may face near-term adjustments due to potential upside risks, such as tax cuts, and downside risks, including tariffs and potential labour supply challenges from stricter immigration controls (Euromonitor International, 2024).

During Q4 2024, the Eurozone's headline inflation remained broadly unchanged compared to the previous quarter, averaging 2.4% for the year. Projections for 2025 and 2026 are set at 1.9%, with longer-term inflation expectations for 2029 steady at 2.0%. Core inflation forecasts for 2024 were slightly revised upward to 2.8%, driven by persistent inflation in services. Projections for subsequent years remain stable at 2.2% for 2025 and 2.0% for 2026 (ECB, 2024).

In this quarter, both the ECB and the Federal Reserve continued their efforts to reduce interest rates. At its December 2024 meeting, the ECB announced a 25bp rate cut, reflecting updated assessments of inflation, underlying trends, and



the effectiveness of monetary policy transmission within the Eurozone (ECB, 2024). Similarly, the Fed implemented its third consecutive rate cut of the year in November, followed by an additional reduction in December. Conversely, the BoE opted to hold rates at 4.75%, citing a downgraded GDP growth forecast for the UK. This decision was influenced by concerns over budgetary challenges, rising inflation, and the implications of Trump-era trade tariffs (The Guardian, 2024).

The global labour market saw notable developments in Q4 2024, with 25% of companies reporting plans to expand their workforce. However, labour costs in Europe continued to rise sharply, particularly in the industrial sector, raising concerns about potential labour market pressures. Looking ahead, fiscal policy is expected to become more restrictive, and foreign trade is likely to contribute less to economic growth. These dynamics could shape the venture capital market, potentially fostering a more cautious investment approach favouring resilient and scalable startups.

INDEX ACTUAL AT ITS HIGHEST SINCE 2022. OUTLOOK REMAINS POSITIVE YET BALANCED.

The index actual in Q4 2024 fell below its outlook, landing at 5.5 compared to the expected 6.1. Despite this, the index reflects a QoQ rise of 8.3% and a YoY increase of 29.1%. The relatively significant QoQ improvement represents the gradual recovery of the European VC landscape.

During this period, the challenges for both VC investors and startups have revolved around the lack of downstream investment. One of the most significant obstacles for founders has been dealing with unfavourable terms proposed through collaborations with business angels, compounded by the shifted focus of originally early-stage investors toward later-stage startups.

For the third consecutive quarter the Q4 2024 index actual surpassed the neutral line and remained at its highest levels, nearing those of Q1 2022. The Q1 2025 outlook, standing at 5.9, indicates a more balanced yet still favourable investment environment. This is evident in a 3.0% QoQ decline in the outlook, which nonetheless reflects a significant 26.9% YoY increase. These trends suggest that in Q1 2025 the European VC ecosystem will likely continue its positive trajectory, driven by sustained economic recovery and increasing investor confidence.

The components of the index present a mixed outlook, reflecting both positive and negative QoQ developments. On the positive side, the investor activity saw a significant 23.4% QoQ rise, the perception of the current fundraising environment improved by a remarkable 37.1% QoQ, and the competition for deals increased by 5.4% QoQ. On the negative side, the quality of the current dealflow declined by 6.2% QoQ, while startup valuation saw a 0.9% decrease compared to the previous quarter.

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EUROPEAN INVESTMENT PREFERENCES, SECONDARY OPPORTUNITIES, AND SHIFTS IN FUND SIZES.

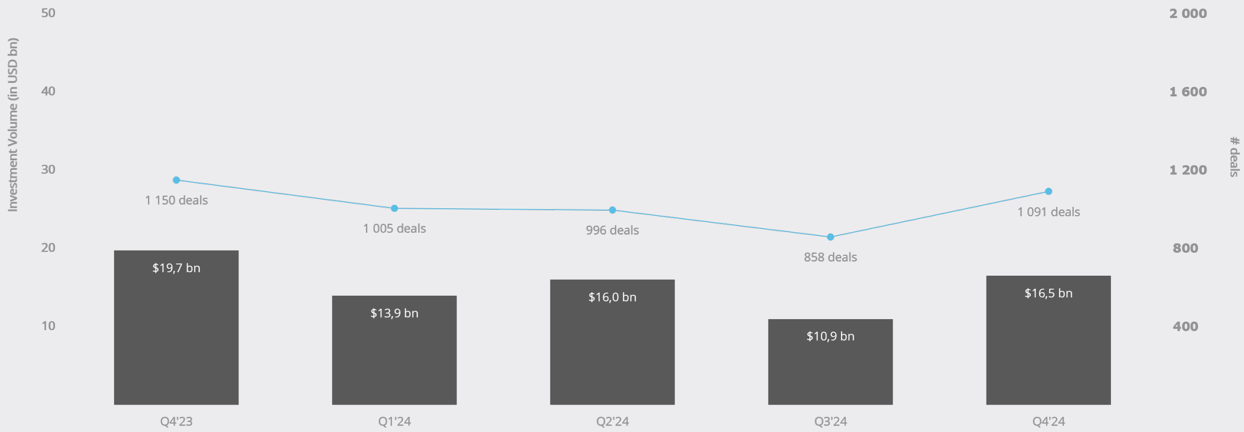
The global VC landscape delivered mixed results in Q4 2024, with AI continuing to dominate funding efforts. However, in Europe, AI accounted for just over a quarter of the region’s deal value. Despite a growing total investment volume, European investors showed a clear preference for smaller deals compared to other VC markets.

Q4 2024 concluded a relatively quiet year for European VC-backed exits, particularly in public listings, as many companies opted to delay their exit plans. As a result, numerous unicorns and soonicorns sought bridge rounds to extend their runways until more favourable exit opportunities arise. This trend creates a promising opportunity in the coming year to access attractive secondary deals in these startups. Nevertheless, we anticipate a rebound in the exit environment in 2025, driven by improved market conditions.

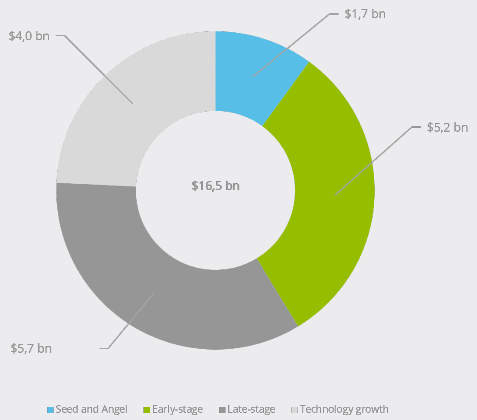
Another key trend observed in Q4 2024 was a shift in the size of VC funds. Across Europe and other global VC ecosystems, there was a noticeable movement towards larger funds. Approximately 75% of globally raised VC capital was concentrated among top-tier players. Consequently, we expect fewer but larger VC funds in the coming year, leading to a higher concentration of funding within a smaller pool of funds.

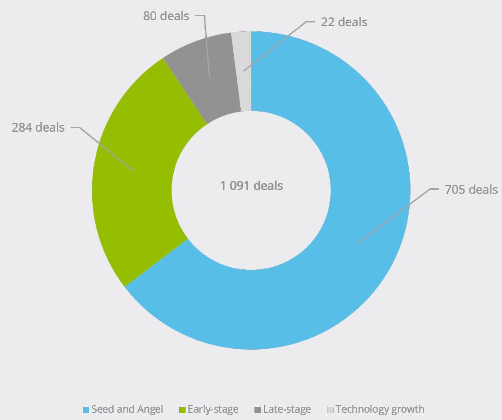
Berthold Baurek-Karlic
CEO @ Venionaire Capital
President European Super Angels Club

EUROPEAN VENTURE CAPITAL DASHBOARD



Investment Volume		# deals	
QoQ	YoY	QoQ	YoY
▲+50,5%	▼-16,4%	▲+27,2%	▼-5,1%





Anticipating Q1 2025, respondents expect the quality of dealflow to improve by 8.0% compared to Q4 2024. A modest 1.6% increase in startup valuations is also projected. However, the fundraising activity is expected to decline significantly by 14.1%, accompanied by 8.6% drop in competition for deals and a 5.3% decline in investment activity for the upcoming quarter.

The primary concerns identified in the in-depth interviews changed, with inflation emerging as the leading challenge, followed by the interest rate policies of central banks, global military conflicts, and fundraising difficulties. Respondents also highlighted the concerns regarding the possible upcoming policies by the new presidential administration of Donald Trump and European hyperregulation.

The continuous macroeconomic difficulties, including inflation, interest rate volatility, and geopolitical uncertainties continued to weigh on the VC market while reduced downstream investment and unfavourable terms for early-stage founders remain critical concerns. However, steady improvements in investor activity, an optimistic outlook for deal flow, and signs of economic stabilization signal resilience. Amid the uncertainty surrounding potential regulations under the Trump administration and broader global political shifts, the European VC landscape appears positioned for cautious yet sustained growth as it heads into 2025.

REMARKABLE AND PROMISING YEAR-END FOR EUROPEAN VC.

In the fourth quarter of 2024, the European venture capital ecosystem showed significant improvement compared to the previous quarter. Total investment volume increased to USD 16.5b, marking a substantial 50.5% QoQ growth. However, this still represented a 16.4% YoY decline. The number of deals rose to 1,091, reflecting a 27.2% QoQ increase, although it has still marked a 5.1% decline YoY. This situation reflects the ongoing recovery in the European venture capital market, despite persistent macroeconomic challenges and the continued caution of the investors.

Seed and Angel investments totalled USD 1.7b, accounting for 10.0% of total funding, with 705 deals representing 64.6% of the total deal count. The average deal size at this stage was USD 2.3m. Early-stage investments amounted to USD 5.2b, or 31.3% of the total funding, across 284 deals, which comprised 26.0% of all deals. The average deal size for Early-stage was USD 18.2m. Late-stage investments reached USD 5.7b during this quarter, representing 34.5% of total funding, with 80 deals accounting for 7.3% of the total deal count. The average deal size at this stage was USD 71.0m. Technology Growth investments amounted to USD 4.0b, or 24.2% of the total funding, across 22 deals, comprising 2.0% of the total deal count, with an average deal size of USD 181.5m.

The average deal size across all stages was USD 15.1m, reflecting the 18.4% increase QoQ, despite the 11.9% decline YoY. This development suggests a cautious but notable rebound in investment activity, potentially driven by increased confidence in the market opportunities, even though the overall market conditions encourage measured and strategic deployment of capital.

These figures represent a gradual improvement in the European VC market during Q4 2024, in contrast to the slowdown observed in the previous quarter. The positive macroeconomic indicators, despite the ongoing political uncertainties, positively affected both the investment volume and deal count. The concerns over the strict U.S. policies in the coming year, combined with the persistent worries regarding inflation, despite its decline in the previous quarter, continue to pose risks for investors.

UK, FRANCE AND GERMANY LEADING EUROPEAN VC, WITH AUSTRIA NOTABLY FOLLOWING.

In Q4 2024, the United Kingdom maintained its position as Europe's top venture capital ecosystem, while France surpassed Germany to secure the runner-up position. Combined, the mentioned countries accounted for an investment volume of USD 9.7b, representing 58.6% of the total investment volume in Europe. The following investment volume represents a notable 23.8% QoQ increase compared to the previous quarter, even though the combined share of the total investment volume decreased by 17.8% QoQ. Furthermore, during this quarter, Austria appeared to be among the leaders in European venture capital, ranking 4th place. Austrian investment volume experienced an extraordinary surge, skyrocketing from USD 58.9m in Q3 2024 to USD 1.02b in Q4 2024, marking an impressive 1,639.6% increase.

The top three ecosystems accounted for a total of 600 deals, reflecting a 32.7% rise compared to the previous quarter. Their combined share of the total deal volume also grew, reaching 55.0%, an increase of 4.4% QoQ.

The United Kingdom, while maintaining the position of the European VC leader, experienced its investment volume rise to USD 6.4b, making a substantial 43.4% QoQ increase, with 349 deals, an impressive 267.4% QoQ surge. France also saw an increase in investment volume by 63.3% QoQ, reaching USD 1.9b and the number of deals rising by 51.0% to 151. Germany, in contrast, faced a decline among the top three, with investment volume falling by 37.6% QoQ to USD 1.4b, yet the number of deals increased by 5.3% in comparison with the previous quarter to 100.

In the fourth quarter of 2024, the European VC ecosystem saw three major funding rounds that drew significant attention. Leading the way was the renewable energy developer RP Global, headquartered in Vienna, Austria, which in October 2024 raised EUR 480m. Specialising in solar photovoltaics, wind, and hydropower, PR Global's growth underscores the increasing focus on green energy solutions, with upcoming projects in hydrogen and battery storage further reinforcing this trend. The second largest deal was Spanish payment provider for E-Commerce – SeQura, which raised EUR 410m in November 2024. SeQura improves conversion rates and secures payments for investors, and its success represents the overall growth of E-Commerce, especially in Western Europe. Lastly, Lighthouse, a London-based commercial intelligence platform for the travel and hospitality industry, secured USD 370m in its Series C round in November 2024 (DealMatrix, 2024; Crunchbase, 2024).

METHODOLOGY

Over 4000 highly experienced investors (business angels, (corporate) venture fund managers and family offices) from 8 European countries were invited to participate in October, November and December 2024 in the European Venture Sentiment Survey, conducted by Venionaire Capital. Venionaire Capital collects answers from a focus group in computer-assisted personal interviews and a much smaller control group to assess the indices based on a quarterly recurring survey.

Those datasets are collected in two waves and finally merged. In both groups, Venionaire has aligned similar sets of investors, ranging from business angels to large corporate venture units as well as early- to later-stage venture capital funds from all over Europe (incl. Switzerland and the UK).
The indices for current sentiment and projected outlook are weighted indices, with emphasis on the ability/willingness of investors to invest, the perception of startup valuations and the quality of deal flow.

COMPARABILITY

Sentiment surveys and indices are nothing new. They have been around for decades to quantify how a specific group of people feel about a market or economy. One of the most notable examples is the Consumer Confidence Index (CCI), which provides an indication of future consumption and saving of households. There are also surveys that focus on a specific market, or even an individual security. How can the results of these market sentiment surveys help market participants?

Let's look at the venture capital industry. This general economic information can greatly benefit both the investor and start-ups within a market. Investors can compare their own views and opinions to those of the general market or across different geographical regions and industry verticals. This will help them to adjust their investment behavior. Start-ups can use this information when growing their business internationally, when they prepare for fundraising or to slow down their business (return to bootstrapping – ahead of time) if the economic environment worsens. Market sentiment indicators are important for us in all industries and markets.
Nevertheless, there is a limited number of market sentiment indices for the venture capital or start-up market available, which we found useful to work with.

Most indices available focus on a specific region, investors group or industry. Take EIF's VC Survey, which targets a highly professional group of regulated investors across Europe, but does not take accelerators or business angels into account. Our partners of Deutsche Börse Venture Network conducted a great report on market sentiment during the COVID-19 pandemic. It offers great insights, but it was a onetime publication.
We have developed our own "European Venture Sentiment Index", which shows in one simple number the general state of sentiment today and shows the current outlook in a second number.

THE EUROPEAN INVESTOR SENTIMENT INDEX

The index is based on feedback from different economic regions, as well as start-up sectors and reflects the general European Venture Sentiment. The methodology of the index was designed by Venionaire Capital in mid-2019. The project was led by its founder and managing partner, Berthold Baurek- Karlic, a serial entrepreneur and leading venture capital expert from Vienna, Austria. Berthold started his career in the statistics department of the Austrian Central Bank (OeNB).

"We attach great importance to providing our investors with an actual overview of the current investment climate in the European start-up sector. After this index has proven to be an important tool for our clients - including start-ups as well as investors - we have decided to make the results available to the public for the first time during the COVID-19 pandemic in the first quarter of 2020. Our aim was to draw public attention to the threatening situation of innovative young companies in Europe", explains Berthold Baurek-Karlic.

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AUTHORS

Berthold is the founder and CEO of Venionaire Capital, which specializes in M&A and venture capital. The Venionaire Group also includes the software provider DEALMATRIX (dealmatrix.com).

He is also founder and secretary general of the Business Angel Institute (businessangelinstitute.org), board member of the European Super Angels Club (superangels.club), former board member of Homeppl (homeppl.com), Flovtec (flovtec.com), Unmanned Life (unmanned.life) and chairman of the supervisory board of Blockpit (blockpit.io). Furthermore, he is an expert partner of various accelerators and consultants of various venture funds, as well as external consultant in the EU programs Horizon2020 (today Horizon Europe) and Innovation Radar.

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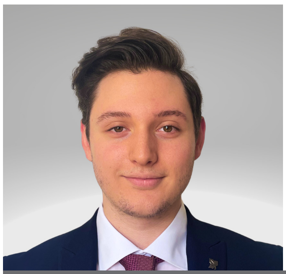

Denis manages the dealflow, analyses intricate business models, and prepares investment decisions. He is accountable for spotting, screening, and evaluating startups, with an added focus on financial modelling, aiding Venionaire's clients with financial engineering and valuations. Additionally, Denis is responsible for evaluating the development of portfolio startups. He has gained professional experience working on international projects between Russia and China. Holding an undergraduate degree in International Business Administration with a finance major from Lauder Business School, he currently pursues a graduate degree in Strategic Finance & Business Analytics from the same institution.

DENIS VOLDMAN
LEAD INVESTMENT ANALYST, VENIONAIRE CAPITAL

Sofiya is responsible for the preparation of information for reports and manages various dealflow tasks, which encompass fundraising efforts and the ongoing updating of startup information. She is also actively involved in assisting with the identification, evaluation, and consideration of potential startups. Sofiya earned her Bachelor of Arts degree in the "Ethics Politics Economics" program from the Ukrainian Catholic University in Lviv, Ukraine, achieving the distinction of magna cum laude. Recently, she has achieved her Master of Arts degree in Economic Policy in Global Markets at the Central European University. Additionally, she possesses valuable experience in international cooperation, garnered during her tenure at the Economic Department of the Ukrainian Embassy in Austria.

SOFIYA LYN
ANALYST, VENIONAIRE CAPITAL

ABOUT

The European Venture Sentiment Survey is conducted with the lead of Venionaire Capital. Venionaire is a entrepreneurial partner for investors, founders and institutionals. Our partners and team are specialized in venture capital and private equity investments, with an extensive over a decade-long track-record. We offer transaction and corporate advisory services – from due-diligence, valuation, deal structuring, (ghost) negotiating to alternative fund management – for investors, corporates, public entities and growth companies (startups / scaleups). Our track-record as entrepreneurs, advisors and investors shows deals in fields of corporate finance (M&A), (Corporate) venture capital, corporate startup engagement (CSE), digital transformation and high-tech innovation with a total volume of more than a billion Euros. In addition we serve as trusted partners for scouting, screening, technology-, market- and competitive analysis and valuation for bespoke investors and accelerators in Europe. We are proud of our performance within managed portfolios and increase our high-tech footprint everyday to support a future-proof economy.

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