VENIONAIRE CAPITAL

ENTREPRENEURIAL PARTNERS

EUROPEAN VENTURE SENTIMENT INDEX

Quarterly Report
Q1/2025

April 2, 2025

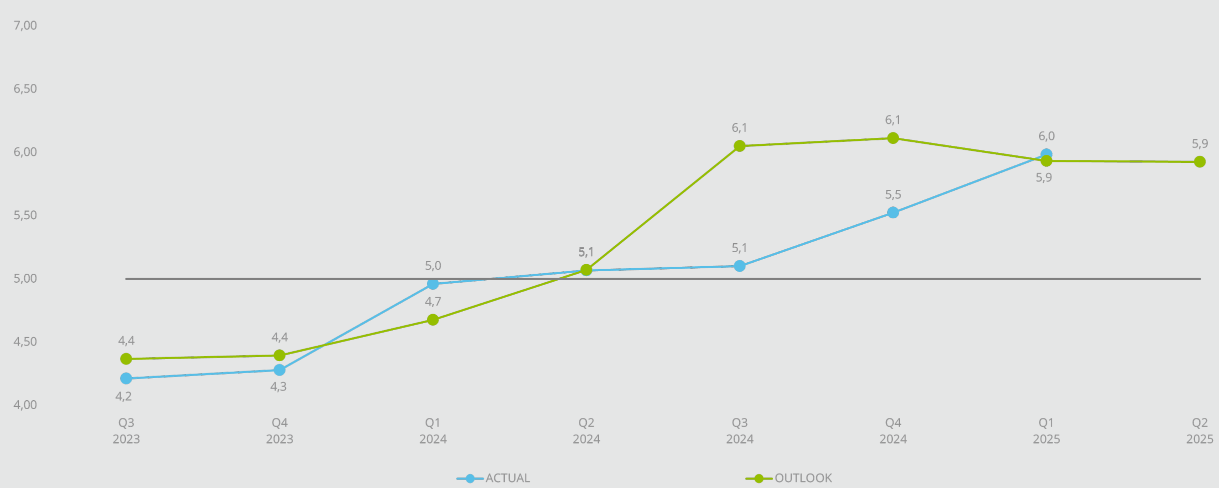
INTEREST RATE CUTS AND INFLATION DECLINE UNDER THE SHADOW OF US TRADE TENSIONS.

The global economy entered 2025 on a relatively stable ground, supported by easing inflationary pressures, improved financial conditions. Yet, the US economy, a critical global driver, is showing signs of slowing. Global real GDP growth is projected to remain steady at 3.2% in 2025, with a slight moderation to 3.0% in 2026. Despite these stable projections, growth remains below pre-pandemic levels due to persistent policy uncertainties and ongoing geopolitical risks, particularly trade tensions. Global inflation is expected to decline significantly, from 6.4% in 2024 to 4.1% in 2025, with further moderation to 3.5% by 2026 (Euromonitor International, 2025).

The US economy is projected to grow at 2.2% in 2025, a slowdown from previous years, driven by weaker consumer spending and a cooling labour market. Despite the Fed maintaining interest rates at 4.25% - 4.50% in March 2025, concerns about economic weakness persist. Goldman Sachs has raised its recession probability for the US to 35%, up from 20%, citing the potential negative effects of new tariffs, especially the 25% tariff on auto imports. These tariffs are expected to dampen consumer spending and business investment, with the industrial and manufacturing sectors particularly vulnerable (BNY, 2025). The US auto sector has already begun to feel the impact, with sales expected to surpass 1.45m units in March as consumers rush to buy vehicles before prices rise. However, the long-term effects remain uncertain, with analysts forecasting disruptions to both demand and supply chains. This slowdown in the US economy, coupled with inflationary pressures, poses risks for Europe, especially in terms of weaker demand for European exports and heightened economic uncertainty across the continent.

The US economy remains resilient, with a projected growth of 2.2% in 2025, driven by consumer spending and a strong labour market. The Fed maintained its interest rate range at 4.25% - 4.50% in March 2025, continuing its cautious approach. Despite this, Goldman Sachs raised their estimate of a US recession in 2025, increasing the probability to 35%, up from 20%. This revision is due to the potential negative impact of new US tariffs, particularly the 25% tariff on auto imports, which could dampen consumer spending and business investment. These tariffs could also affect the industrial and manufacturing sectors, adding to broader economic uncertainties (BNY, 2025). The US auto sector has already started to feel the effects of new tariffs, with auto sales expected to exceed 1.45m units in March as consumers rush to purchase vehicles ahead of anticipated price increases. However, the long-term impact of the tariffs remains uncertain, with analysts forecasting potential disruptions to both demand and supply chains.

The Eurozone faces a more modest recovery, with real GDP growth projected at just 0.9% in 2025, improving slightly to 1.2% in 2026. This slower growth trajectory is partially attributed to the uncertainty surrounding trade policies and a global rise in protectionism. The European Central Bank cut its deposit rate by 25bp to 2.5% in March 2025, marking the sixth rate cut since mid-2024. The ECB's decision reflects its ongoing effort to support economic recovery amidst a turbulent geopolitical climate, including the US tariff imposition (ECB, 2025). The moderation in Eurozone inflation is reflected in the overall inflation rate dropping to 2.3% in March, down from 3.0% in the



previous quarter. This decline was driven by lower energy prices, particularly in the oil and natural gas sectors, and a slowdown in food inflation. However, core inflation, excluding volatile energy and food prices, remained elevated at 2.8% in March 2025 (IMF, 2025).

Across Europe, the labour market has shown some signs of improvement, with the unemployment rate remaining steady at 6.2% in March 2025, down from 6.5% a year earlier. However, the situation in Germany remains concerning, as the unemployment rate increased to 6.3% in March, up from 6.2% in February. Jobless claims surged by 26k, far exceeding expectations, with layoffs from companies such as Siemens and Volkswagen's Audi unit contributing to this rise (WSJ, 2025). While the broader Eurozone labour market has remained relatively stable, Germany continues to experience significant strain, especially in sectors vulnerable to economic challenges like automotive and energy.

The slowdown in the US economy, coupled with ongoing trade tensions, is posing significant risks for Europe. As the US economy cools, demand for European exports, particularly in manufacturing and automotive sectors, is expected to weaken. This reduced demand, combined with declining US investment in Europe, could hamper the region's recovery. US investors, grappling with domestic economic challenges, may pull back from key sectors like technology and innovation, slowing the flow of venture capital into Europe. At the same time, geopolitical risks from rising protectionism and trade barriers continue to create uncertainty, particularly with the ongoing US-China trade standoff. The OECD has warned that these rising trade barriers could reduce global GDP growth by as much as 0.2%, with the Eurozone's manufacturing sector already showing signs of strain. In Q1 2025, industrial output in the Eurozone contracted by 1.5% year-over-year, underscoring the direct impact of these external pressures on European businesses (OECD, 2025).

INDEX ACTUAL OUTPERFORMS OUTLOOK, CONTINUING ITS GROWTH TRAJECTORY.

The index actual in Q1 2025 was remarkable by surpassing its outlook, scoring 6.0% compared to the expected 5.9%. This outcome reflects the significant 8.4% QoQ rise and an incredible YoY increase of 20.7%, mostly driven by resilient labour market conditions, improving credit affordability and improving macroeconomic conditions amid the existent economic uncertainty.
Solid labour market performance, better credit conditions, and early recovery signals in key sectors have contributed to the positive performance of the index actual. Europe gained momentum, particularly in sectors of BioTech, financial services, and AI, supported by the European Commission's five-year plan to simplify regulations and accelerate investments, which played a crucial role in attracting capital.

The Q1 2025 index actual remained above the neutral line for the fourth consecutive time, reaching its highest levels in the past three years. Yet, the Q2 2025 outlook, standing at 5.9, points to a still favourable but more cautious investment climate, reflecting a less predictable macroeconomic environment. This is reflected in a slight 0.1% QoQ decline, though it still marks a strong 16.8% YoY increase. These trends suggest that in Q1 2025, the European VC ecosystem is likely to maintain its positive trajectory, supported by sustained economic recovery and growing investor confidence, similar to the momentum observed in Q4 2024.

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SURGING CAPITAL DEPLOYMENT, ANTICIPATED EXITS, AND STRATEGIC FUND ALLOCATION IN EUROPE.

The European VC market is on the verge of a new growth phase. A major catalyst is the estimated USD 500b in global dry powder, primarily from PE and growth equity funds raised in 2021, that is to be deployed in the next 12–24 months. This investment pressure is expected to accelerate deal-making across the continent, especially in later-stage and growth opportunities.

Following a prolonged exit drought in 2023–2024, improved public market sentiment and growing buyer appetite suggest a turning point for liquidity events in Europe. We anticipate a steady increase in IPOs and M&A activity, with many long-awaited exits finally materialising. This shift will provide critical validation for the ecosystem and create new recycling opportunities for capital.

Fund managers, in turn, are becoming more strategic in capital allocation, balancing conviction bets in sectors like AI, BioTech, and ClimateTech with a cautious and fundamentals-driven approach. As market conditions stabilise, we expect more specialist funds and disciplined deployment, favouring quality over quantity

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

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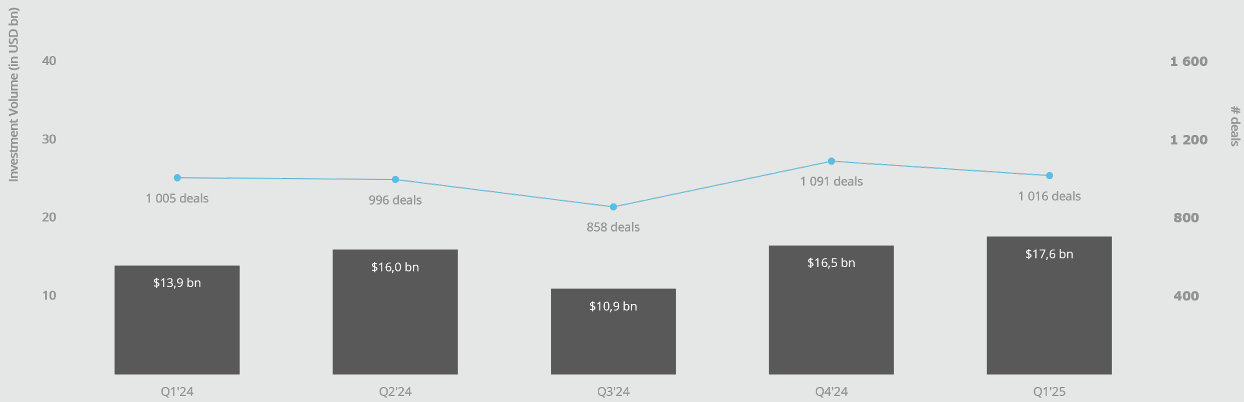
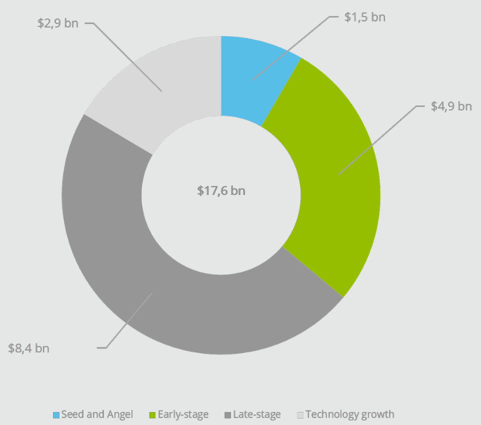
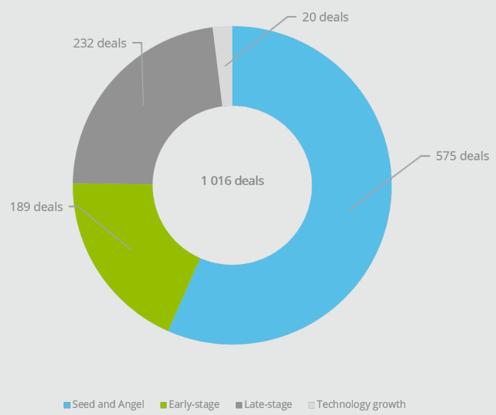
EVSI Q1/2025

EUROPEAN VENTURE CAPITAL DASHBOARD



Investment Volume		# deals	
QoQ	YoY	QoQ	YoY
▲+7,1%	▲+26,7%	▼-6,9%	▲+1,1%





The index components largely show positive QoQ developments. Notably, the investor activity increased by 8.2% QoQ, while startup valuations saw a strong 12.3% QoQ rise. This was supported by a 5.8% increase in competition for deals and a 14.5% improvement in the perception of the current fundraising environment. On the negative side, the only component that showed a decline was the quality of the current dealflow, which slightly decreased by 0.8% compared to the previous quarter.

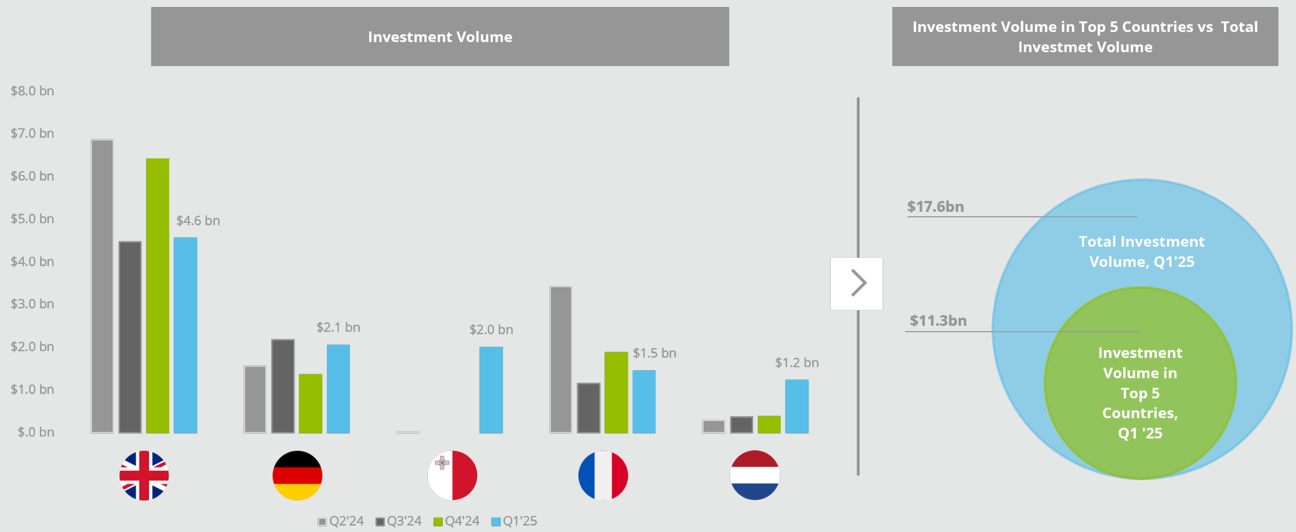
Looking ahead to Q2 2025, respondents expect investment activity to increase by 7.1% compared to Q1 2025. The fundraising activity is also projected to increase by a significant 12.0% QoQ. However, the startup valuation is expected to decrease by 8.1% QoQ, accompanied by a 6.8% dealflow quality decline and a 2.6% drop in competition for deals.

The primary concerns identified in the in-depth interviews changed, with geopolitical tensions as the leading issue, followed by the rising trade tensions of the global economy, fundraising challenges, and concerns over inflation. Respondents also mentioned concerns about the ability of startups to sustain operations until reaching a Series A funding round and to strengthen the business models. These concerns are further influenced by broader issues such as the ongoing US trade war.

While projections for the upcoming quarter indicate a more cautious investment climate amid macroeconomic concerns, the continued momentum is suggested in anticipation of increasing investment and fundraising activity. As a result, the European VC is expected to maintain its positive trajectory in the upcoming period.

EVSI Q1/2025

INVESTMENT VOLUME ACROSS THE EUROPEAN VC ECOSYSTEM



*Malta's Q1 2025 spike in investment was driven by a single mega-deal (USD 2.0b), making it an outlier in the data.

STRONG START TO 2025 SIGNALS RENEWED OPTIMISM IN EUROPEAN VC.

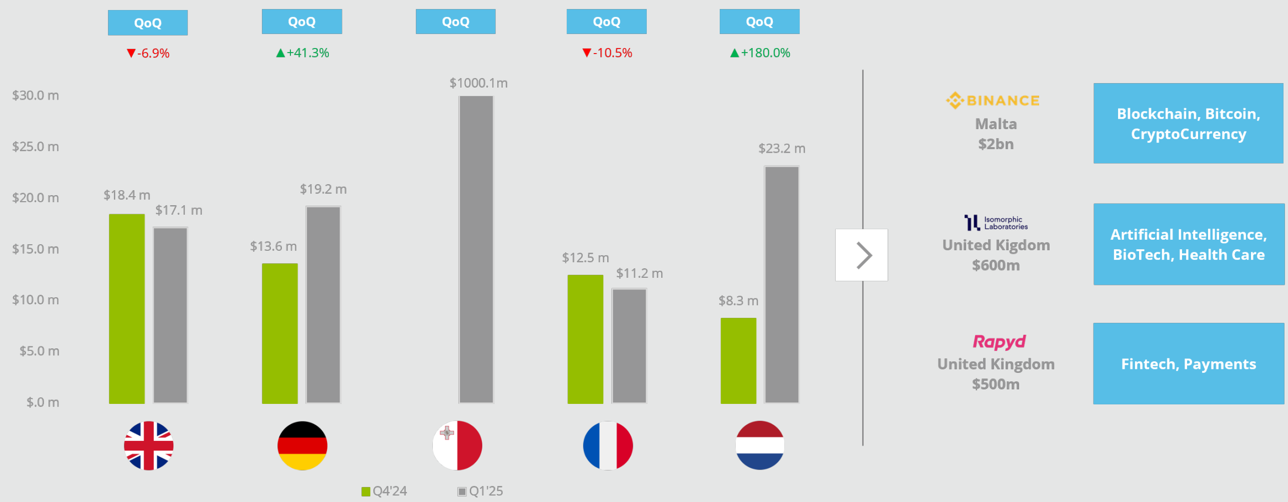
In the first quarter of 2025, the European venture capital ecosystem delivered a robust start to the year, marking one of the strongest Q1 performances in recent memory. Total investment volume rose to USD 17.6b, reflecting a 6.7% increase QoQ and an impressive 26.6% increase YoY. While the number of deals decreased slightly to 1,016, a 6.9% decline compared to Q4 2024, it still marked a modest 1.1% increase compared to Q1 2024. These figures indicate recovering investor confidence and an early momentum in 2025, suggesting that capital deployment is regaining strength despite ongoing geopolitical and macroeconomic uncertainties.

Seed and Angel investments totalled USD 1.5b, accounting for 8.5% of total funding. With 575 deals, this stage represented 56.6% of the total deal count. The average deal size at this stage stood at USD 2.6m. Early-stage investments amounted to USD 4.9b, or 27.8% of total funding, across 189 deals,18.6% of all deals, with an average deal size of USD 25.9m. Late-stage investments reached USD 8.4b, representing 47.7% of total funding, with 232 deals comprising 22.8% of the total deal count. The average deal size at this stage was USD 36.1m. Technology Growth investments came in at USD 2.9b, or 16.5% of the total funding, across 20 deals, representing just 2.0% of the total deal count. The average deal size at this stage was USD 145.4m.

The average deal size across all stages was USD 17.4m, showing a 15.2% QoQ increase and a 25.2% increase YoY. This uptick in average deal size, despite a smaller deal count than in Q4, points to a shift toward larger, more capital-intensive rounds, particularly at the Late and Technology Growth stages.

Overall, Q1 2025 delivered a strong start to the year, surpassing Q4 2024 in total investment volume,a rare occurrence for a first quarter. The combination of rising deal sizes and consistent investor activity highlights a market that, while still navigating broader economic and political complexities, is showing renewed optimism and strategic capital deployment across the European venture capital landscape.

AVERAGE DEAL SIZE PER COUNTRY AND
BIGGEST DEALS ACROSS THE EUROPEAN VC ECOSYSTEM



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UK, GERMANY AND FRANCE DOMINATE EUROPEAN VC, WITH MALTA MAKING A SURPRISE APPEARANCE.

In the first quarter of 2025, the United Kingdom retained its position as Europe's top venture capital ecosystem, while Germany overtook France to secure the second spot. Combined, these three countries accounted for a total investment volume of USD 8.1b, representing 45.7% of Europe's total VC funding. Although they remained the key players, this marks a 16.6% decline in investment volume compared to Q4 2024, along with a significant 22.1% drop in their combined share of total investment—indicating a broader rebalancing of capital across the European market.

The top three ecosystems recorded 503 deals during the quarter, reflecting a 16.2% decline from Q4. Their combined share of total deal activity also fell to 49.5%, down 10.0% quarter-over-quarter. This downward shift highlights a cooling trend in activity among the leading hubs, even as Europe overall posted strong performance for the quarter.

The United Kingdom, while maintaining its lead, saw its investment volume fall to USD 4.6b, a sharp 29.0% drop from the previous quarter. The number of deals also declined to 266, representing a 23.8% decrease QoQ. Germany, in contrast, recorded a strong rebound with investment volume rising to USD 2.1b, a notable 51.2% increase QoQ. Deal activity also grew, reaching 107 deals, up 7.0%. France, now in third place, saw a decline in both metrics: investment volume dropped to USD 1.5b (down 22.9% QoQ), and the number of deals fell to 130 (down 13.9% QoQ).

While France remains in the top three, it is important to highlight that Malta recorded a standout performance in Q1 2025, driven by a single mega-deal. Binance raised USD 2.0b in one transaction, temporarily placing Malta ahead of France in terms of raw investment volume. However, given the concentration of this figure in a single deal, Malta remains outside the group of Europe's core VC ecosystems in terms of broader market activity.

In the first quarter of 2025, the European VC ecosystem witnessed several standout mega-deals that shaped the funding landscape.

Binance, a global blockchain and crypto infrastructure provider based in Sliema, Malta, led Q1 2025 by raising USD 2.0 billion on March 12, a deal that marked one of the largest in European VC history and significantly boosted Malta's investment volume. The second-largest round came from Isomorphic Labs, an AI-driven drug discovery company based in London, which secured USD 600m in a venture round on March 31, 2025. This raise underscores the increasing investor appetite for AI applications in Healthcare and BioTech. Close behind was another London-based company, Rapyd, a global fintech-as-a-service platform, which raised USD 500m on March 13, 2025. Rapyd's funding round highlights the continued strength of the UK FinTech sector, particularly in areas related to cross-border payments and embedded finance (DealMatrix, 2025; Crunchbase, 2025).

These major transactions, spanning crypto, AI, and fintech, not only shaped Q1 2025's investment dynamics but also reflected broader sectoral trends and investor preferences across the European venture capital ecosystem.

METHODOLOGY

Over 4000 highly experienced investors (business angels, (corporate) venture fund managers and family offices) from 8 European countries were invited to participate in January, February and March 2025 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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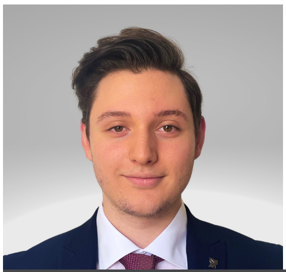
The Bank of New York (BNY) Mellon Corporation (2024, December). 10 Year Capital Market Assumptions Reportthis figure in a single deal, Malta remains outside the group of Europe's core VC ecosystems in terms of broader market activity.

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.

BERTHOLD BAUREK-KARLIC
CEO & FOUNDER, VENIONAIRE CAPITAL



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

Makar focuses on screening and evaluating startups. He contributes to the team by preparing quarterly reports and supporting fundraising efforts. He is also responsible for conducting risk monitoring for the Venionaire Web3 fund.

Makar is currently pursuing bachelor's degrees at two universities in Vienna: at Wirtschaftlicheuniversität Wien (WU) and Lauder Business School, maintaining strong academic performance. He holds the FMVA certification (Financial Modeling and Valuation Analyst). Prior to Venionaire, Makar worked as a Business Analyst, conducting business performance evaluation, legal and market research, and bearing accounting responsibilities.

Outside of work, Makar enjoys coding and runs a blog where he publishes interesting reports and articles from the financial world.

MAKAR VERGOVSKIY
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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