VENIONAIRE CAPITAL

ENTREPRENEURIAL PARTNERS

EUROPEAN VENTURE SENTIMENT INDEX

Quarterly Report
Q3/2025

October 1, 2025

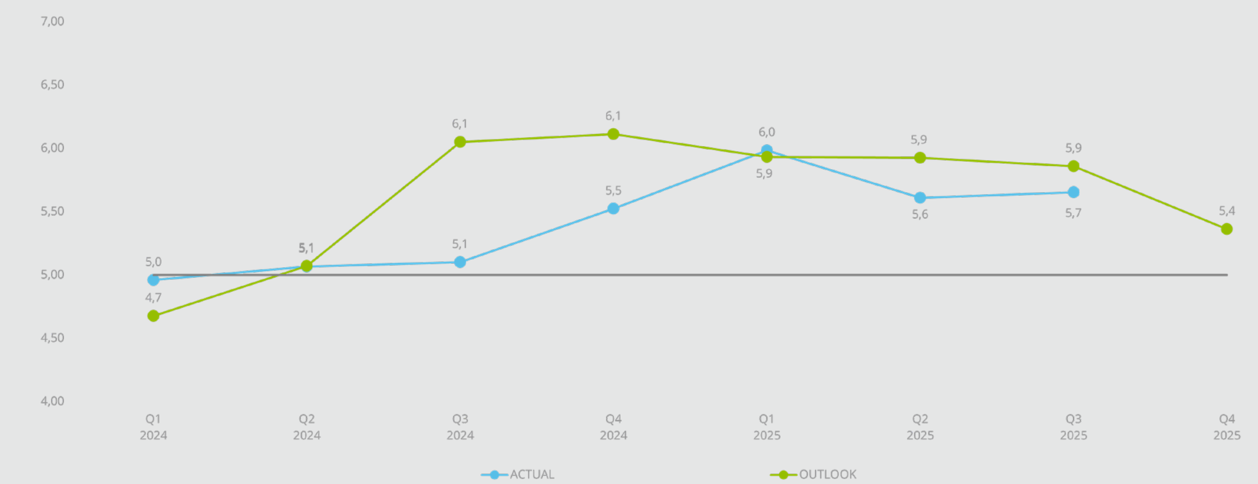
SLOWING TURNS TO STABILISATION AS MARKETS ARE REVIVED.

After Q2's loss of momentum, the global economy entered Q3 on steadier ground. The IMF kept 2025 world-growth expectations broadly intact at 3.0% as tariff uncertainty proved more "front-run" than fatal, while headline inflation across the OECD stood around 4.1% YoY in July, continuing the slow disinflation trend (IMF, 2025; OECD, 2025). Compared with Q2, when global output growth decelerated to roughly 0.5-0.6% QoQ and inflation relief was led by energy, Q3 looked less about deceleration and more about recalibration, with financial conditions easing into September. (OECD, 2025).

The macro headline of the quarter was the Federal Reserve's pivot to easing. On 17 September, the FOMC cut the policy rate by 25 bp to a 4.00-4.25% target range, its first move of 2025 (Federal Reserve, 2025). At the same time, confidence in the US cycle was jarred by a rare statistical shock: the BLS's preliminary benchmark revision indicated around 911,000 fewer payroll jobs in the 12 months to March 2025 than previously reported, effectively halving the average monthly gains over that period (BLS, 2025). The revision, plus the prospect of a late-September US government shutdown that would delay fresh labour and inflation prints, complicated near-term read-throughs for policy and markets (Reuters, 2025). Relative to Q2, when the Fed stayed on hold and labour markets "eased rather than weakened" Q3 added a clear rate cut and a credibility test for the data. (BLS, 2025; Federal Reserve, 2025).

In the euro area, headline HICP hovered at around 2.0-2.1% YoY (July-August), validating a cautious stance on further easing (Eurostat, 2025). On 11 September, the ECB left rates unchanged, noting inflation near the medium-term objective and broadly steady projections versus June (ECB, 2025). The job market stayed solid: unemployment was 6.2% in July, supporting consumer spending even while factories remained weak. (Eurostat, 2025). Business surveys pointed to stabilisation rather than reacceleration: the HCOB Eurozone Composite PMI edged up to 51.2 in September, while manufacturing slipped back below 50 and services remained modestly expansionary, consistent with a low-growth, near-target-inflation mix. Country dynamics diverged: Germany's jobless rate stayed at 6.3% in September and inflation rose to 2.4%, reflecting a still-weak industrial backdrop even as fiscal plans emphasise infrastructure and defence (Reuters, 2025). Financing conditions improved at the margin: the ECB Bank Lending Survey reported broadly unchanged credit standards for firms in Q2, with signs of steadier loan demand into the summer (ECB, 2025). Energy risks eased compared with 2023-2024 extremes: EU gas storage levels into late September were adequate though uneven, helping contain wholesale cost pressures ahead of winter (Reuters, 2025). Versus Q2's "fragile but firming" recovery, Q3 delivered more of the same: low but positive growth, inflation near 2%, and gradually easier financing conditions - an environment historically supportive of deal-making and late-stage funding in Europe (ECB, 2025; Eurostat, 2025).

Dealmaking returned with force. Global M&A topped USD 1.0t in Q3 2025, only the second time on record a third quarter has cleared that bar (Bloomberg, 2025; Financial Times, 2025). The quarter featured multiple mega-deals, illustrating that lower rates coupled with boardroom confidence can overcome tariff noise (Reuters, 2025). In equities, September brought the busiest



US IPO week since 2021, with approximately USD 4.1b raised and a broader pickup in September issuance. Within flagship tech flotations, Figma priced at USD 33 and raised USD 1.2b, then closed its first session up roughly 250%, an indicator of renewed demand for profitable, high-growth software (Reuters, 2025). Klarna listed in New York at USD 40, selling 34.3 m shares to raise USD 1.37b and valuing the company at USD 15.1b at pricing; the stock opened +30% to USD 52 (≈USD 19.7b), reinforcing cross-border demand for profitable fintechs and offering a concrete benchmark for European exits (Reuters, 2025). In Europe, the window is open but measured: Frankfurt and Zurich are leading a cautious revival, with investors more valuation-disciplined than in the US (Reuters, 2025). Versus Q2's weak primary activity, Q3's M&A-plus-ECM pulse materially improves the exit outlook for European portfolios. (Reuters, 2025).

POSITIVE TERRITORY PERSISTS, BUT MOMENTUM REMAINS ELUSIVE.

In Q3 2025, the index actual stood at 5.7, falling short of the 5.9 projection. While the figure reflects a modest sequential improvement from Q2 (QoQ +0.8%; YoY +10.84%), the gap to expectations underscores investors' recognition that the anticipated momentum has yet to materialise. This continued shortfall signals a more protracted path back to the levels last reached in 2022.

The composition of the index actual in Q3 2025 showed a mixed picture. Investor activity rose by 4.2% QoQ, while valuations also advanced by 3.9%, providing some support to the overall index. In contrast, the quality of deal flow declined by 5.8%, competition for deals fell by 4.5%, and the fundraising environment weakened further with a 3.5% drop. These diverging trends highlight a market still characterised by selective optimism, where improved activity and pricing are offset by continued caution in capital deployment and deal sourcing.

The long-awaited recovery continued to fall short of expectations, as investor momentum remained muted. This was mirrored by record levels of undeployed capital, with dry powder standing at USD 1.6tr since the start of the year. Both LPs in VC and PE funds have adopted a cautious stance, prompting managers themselves to raise the bar for allocations. As a result, funding activity has remained subdued, with only the most compelling opportunities able to secure capital. Nevertheless, the significant reserves of dry powder are expected to be deployed over time, signalling that the current restraint is unlikely to persist indefinitely.

Although the Q3 2025 index actual once again held above the neutral line, marking the seventh consecutive quarter in positive territory, the trend has clearly weakened. Looking ahead, the Q4 2025 outlook of 5.4 signals further softening, reinforcing the view that the European VC ecosystem is entering a period of prolonged caution. The reading represents a sharp 8.5% QoQ drop and a 12.3% decline YoY, underlining the mounting pressures on market sentiment.

Looking ahead to Q4 2025, survey respondents anticipate further weakness across most index components. Investor activity is projected to decline sharply by 15.9% QoQ, while startup valuations are expected to fall by 11.9%. The quality of deal flow is also set to contract by 3.0%. In contrast, some stabilising signals emerge, with competition for deals forecast to rise by 3.3% QoQ and the fundraising environment expected to edge up by 1.2%. Overall, the outlook points to a challenging environment, where selective improvements are unlikely to offset the broader downward pressure on market sentiment.

In Q3 2025, the key concerns highlighted in the in-depth interviews shifted noticeably. Fundraising challenges emerged as the primary issue, followed by a difficult exit environment, geopolitical tensions, and rising trade frictions. Notably, this quarter marked the first time in the past two years that macroeconomic issues were not the dominant focus. Instead, venture-specific factors took precedence, reinforcing earlier indications that the long-awaited momentum in the market has yet to materialise.

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THE UPSWING YET TO UNFOLD.

Despite the supportive signals in the broader environment, venture capital has yet to translate them into real momentum. Investors came into the year expecting a stronger rebound, but conviction has remained limited and activity cautious. What we see is not a lack of capital, but a preference to wait and to see whether conditions consolidate into a sustained trend.

As a result, deployment is measured, fundraising cycles take longer, and deal flow remains selective. The gap between improving external factors and actual market activity reflects timing rather than fundamentals.

Looking ahead, the outlook remains positive. The drivers are in place, and once confidence builds, momentum will follow. Venture markets often lag behind broader signals, but history shows they do not stay disconnected for long.

Berthold Baurek-Karlic
CEO @ Venionaire Capital
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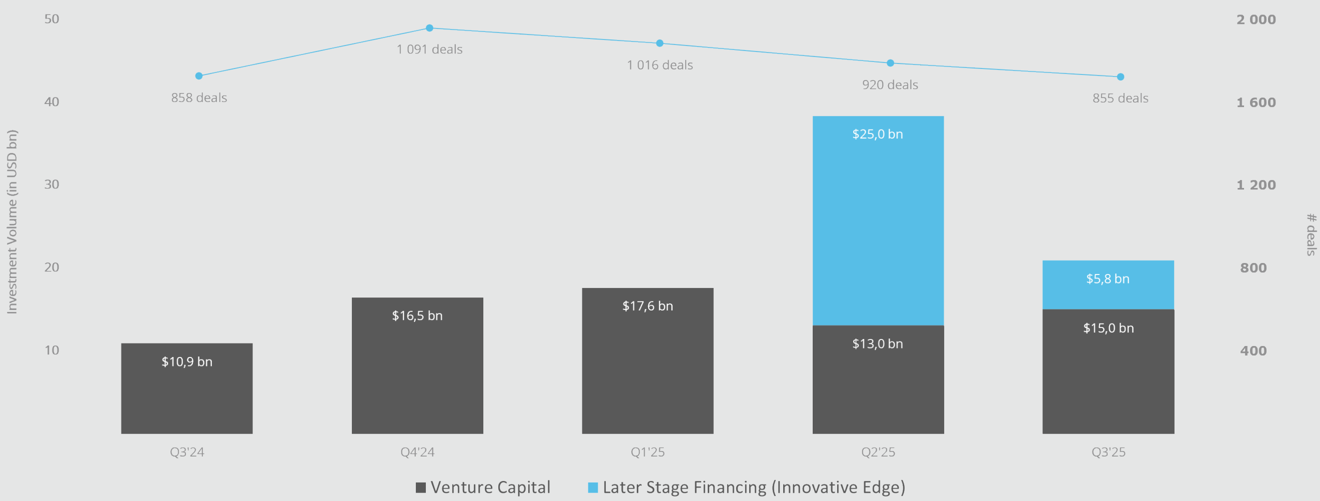
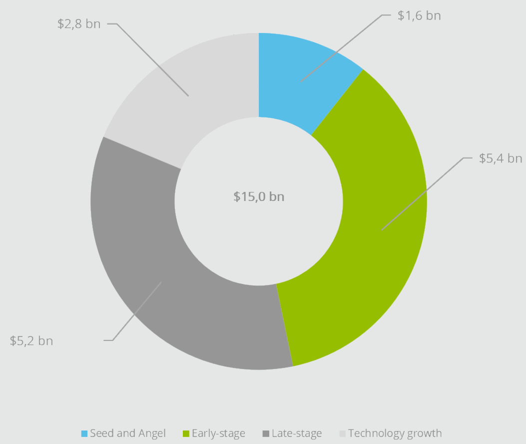
EVSI Q3/2025

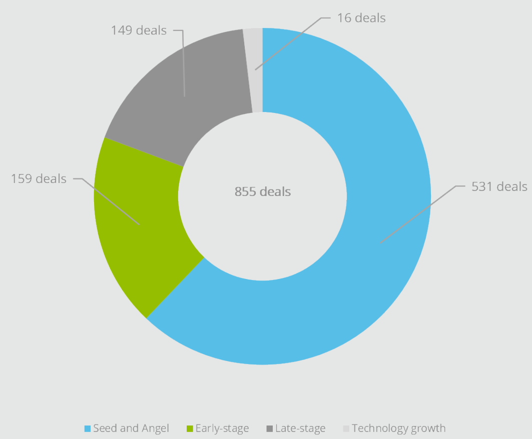
EUROPEAN VENTURE CAPITAL DASHBOARD



Investment Volume	
QoQ	YoY
▲+15,1%	▲+36,9%

# deals	
QoQ	YoY
▼-7,1%	▼-0,3%



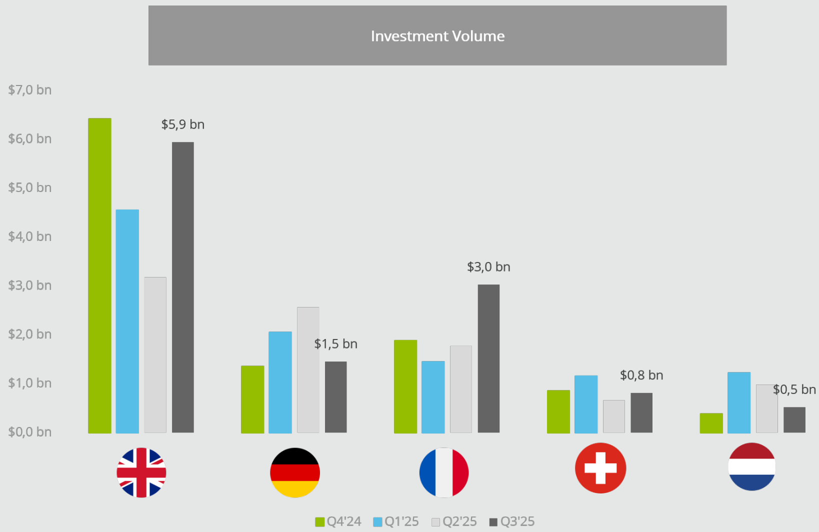


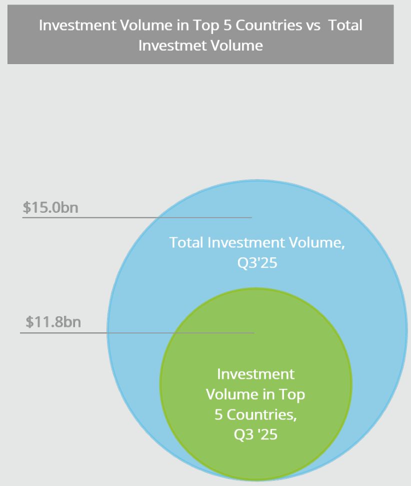
The Q3 2025 results underline a continued pivot in the European VC market. While activity and valuations registered notable declines, selective improvements in fundraising conditions and deal competition show that investors are actively recalibrating rather than withdrawing. This confirms that the market is moving through a phase of adjustment, with capital deployment becoming more discerning and efficiency-driven, rather than slipping into outright stagnation.

LARGER ROUNDS LIFT VOLUME AS ACTIVITY COOLS.

Starting in Q2 2025, we broadened our methodology to include late-stage and technology-growth financings alongside traditional venture rounds. Specifically, we now capture select large growth deals led by private-equity investors in companies

INVESTMENT VOLUME ACROSS THE EUROPEAN VC ECOSYSTEM





with prior venture capital backing. Total funding stood at USD 20.0b, down 47.4% QoQ from USD 38.0b. The mix shifted decisively as growth rounds totalled USD 5.0b, 25.0% of funding; in Q2, they reached USD 25.0b, 65.8%. QoQ, growth volume declined 80.0%, marking a sharp reset after a Q2 boom in PE-led growth deals.

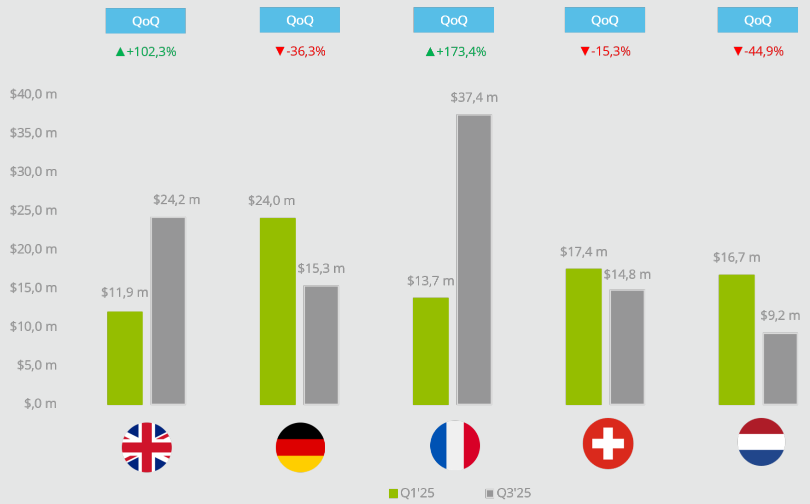
Considering the European Venture Capital Ecosystem, in the third quarter of 2025, it advanced meaningfully in value while slowing in pace. Total investment volume rose to USD 15.0b, up 15.4% QoQ and 37.3% YoY. The number of deals decreased to 855, down 7.1% QoQ and 0.3% YoY. This mix of higher capital with fewer transactions indicates a continued shift toward bigger rounds and selective deployment.

Seed and Angel investments totalled USD 1.6b, accounting for 10.7% of total funding. With 531 deals, this stage represented 62.1% of the total deal count. The average deal size at this stage was USD 3.0m. QoQ, Seed and Angel volume declined by 5.9%, with deals down 5.5%. Early-stage investments amounted to USD 5.4b, or 36.0% of total funding, across 159 deals, 18.6% of all deals. The average deal size at this stage was USD 34.0m. QoQ, Early-stage volume increased by 42.1%, with deals up 7.4%. Late-stage investments reached USD 5.2b, representing 34.7% of total funding, with 149 deals comprising 17.4% of the total deal count. The average deal size at this stage was USD 34.9m. QoQ, Late-stage volume rose by 18.2% while deals fell 20.7%. Technology Growth investments came in at USD 2.8b, or 18.7% of total funding, across 16 deals, 1.9% of the total deal count. The average deal size at this stage was USD 175.0m. QoQ, Technology Growth volume decreased by 9.7%, with deals down 27.3%.

The average deal size across all stages was USD 17.5m, a 24.2% QoQ increase. Taken together, Q3 2025 underscores a market prioritising scale and quality - larger, more capital-intensive rounds concentrated at Early and Late stages, while Seed held steady in share of activity and Technology Growth cooled from Q2's highs.

Overall, in Q3 2025, the global pattern persisted: investment volumes rose, signalling investors' readiness to deploy capital and a higher tolerance for risk. Yet selection tightened, with fewer deals closing this quarter. The game is getting tougher for founders as more capital circulates around later rounds. In the short term, this behaviour aims for safer returns; in the long run, it cannot hold - tomorrow's mature startups are today's seed and angel, and today their plates are quite empty.

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



MISTRAL AI_
France
$2.0bn
Artificial Intelligence

NSCALE
United Kingdom
$1.1bn
Artificial Intelligence, GPU

Southern Water
United Kingdom
$900m
Water

UK, FRANCE AND GERMANY LEAD EUROPEAN VC, WITH UK SURGING AND GERMANY PULLING BACK.

IIn Q3 2025, the United Kingdom, France and Germany remained Europe's top venture ecosystems. Combined, they accounted for USD 10.4b, representing 69.3% of Europe's total VC funding (up from 58.5% in Q2). They recorded 422 deals, equal to 49.4% of total deal activity (down from 53.4% in Q2). QoQ, the trio's combined investment volume increased by 36.8%, while their deal count decreased by 14.1%. The United Kingdom led with USD 5.9b, an 84.4% QoQ increase, across 246 deals, down 10.2% QoQ—signalling larger round sizes despite fewer transactions. France followed with USD 3.0b, up 66.7% QoQ, and 81 deals, down 33.6% QoQ, pointing to a similar tilt toward bigger tickets. Germany posted USD 1.5b, down 42.3% QoQ, with 95 deals, flat QoQ, indicating stable activity but smaller average rounds compared to the prior quarter.

During Q3 2025, the European venture capital ecosystem was defined by three headline transactions that underscored investors' appetite for scale in AI and critical infrastructure. Paris-based Mistral AI led the quarter, closing a USD 1.9b Series C in September 2025. UK-based Nscale followed with a USD 1.1b Series B in September 2025, reinforcing momentum behind AI infrastructure and compute access. Rounding out the top deals, Southern Water in the UK secured USD 900m in Technology Growth financing in July 2025 to accelerate technology-driven upgrades and modernisation. Taken together, these transactions highlight sustained conviction in AI & deep tech and the digital transformation of essential services, signalling clear alignment with investor priorities across Europe in Q3 2025.

METHODOLOGY

Over 4000 highly experienced investors (business angels, (corporate) venture fund managers and family offices) from 8 European countries were invited to participate in July, August and September 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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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
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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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