

KfW Venture Capital Dashboard

Q1 2024

KfW Research

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Overview

The German venture capital market in Q1 2024

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German start-ups attracted approx. EUR 1.9 billion in funding in the first quarter of 2024. Thus, the flow of funds in the German VC market was steady at the start of the year, remaining just slightly above the average deal volume of the previous year's quarters. Compared with the preceding quarter, overall deal volume increased again by around 30%. The number of financing rounds, on the other hand, was lower again, at 195 deals (-9% QoQ). But the decline was more moderate than in the two preceding quarters.

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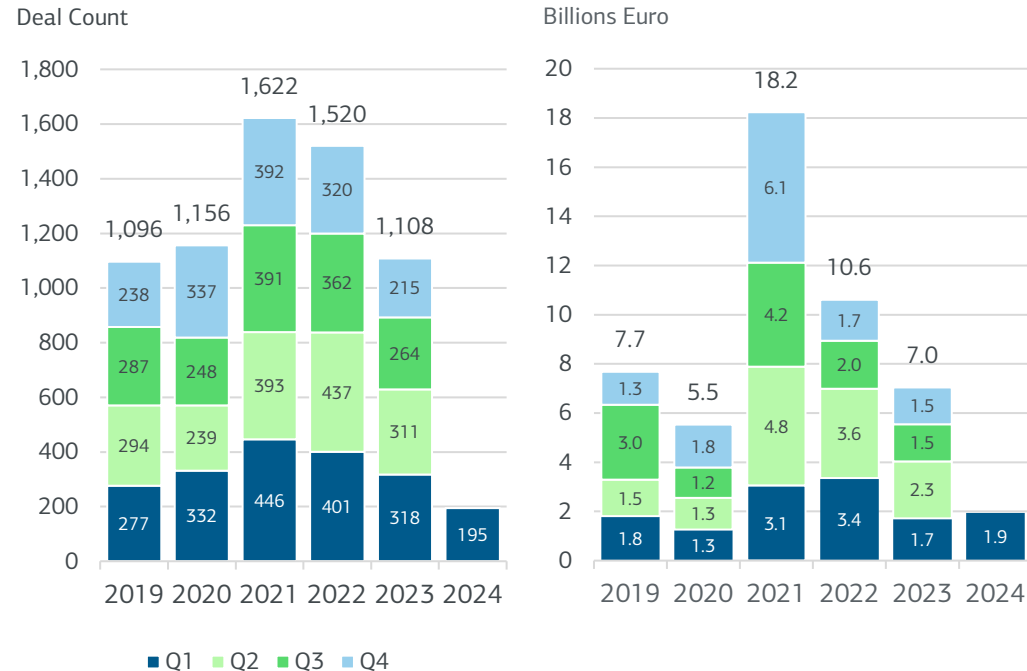
Innovations in artificial intelligence (AI) have been attracting growing investor interest for some time now. Thus, AI start-ups received the largest financing rounds in the German VC market in the last two quarters of the previous year 2023. Across that year, these contributed to a funding volume of EUR 1.36 billion in the field of AI – more than one sixth of total VC deal volume in Germany. The first quarter of 2024 saw 38 financing rounds of AI start-ups with a volume of EUR 187 million.

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Following the consolidation phase that began at the start of the year 2022, the German VC market has settled in on the current level over several quarters now. It is possible that it may flourish this year, especially since investors have dry powder at their disposal. However, the market obviously needs further impetus from an upturn in IPO activity or the business cycle to achieve this. Global cuts in key interest rates in the further course of the year could also provide important impulses for a turnaround in the market climate. With their upswing, the public markets have already anticipated a possible easing of monetary policy this year. This is likely to have provided some tailwind for the valuations of private market investments. The global geopolitical situation remains a major factor of uncertainty for VC markets around the world, not least as a result of new tensions in the Middle East conflict.

Flow of funds remains steady on previous year's level – EUR 1.9 billion was invested in German start-ups in the first quarter of 2024

Number of deals and deal volume



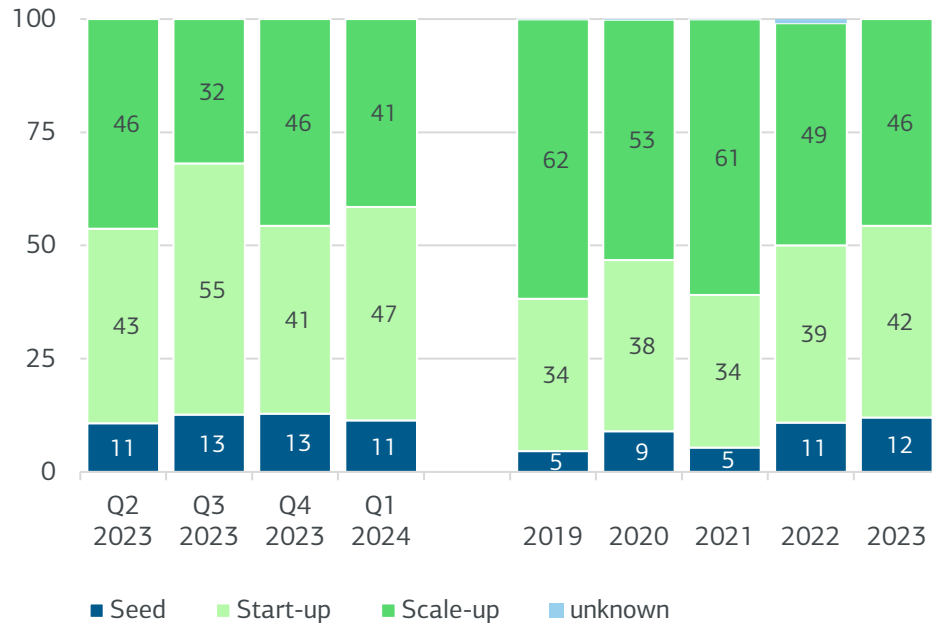
Source: Dealroom.co, KfW Research (current as at 19 April 2024).

VC deals were concluded with German start-ups for approx. EUR 1.9 billion in the first quarter of 2024. Thus, the funds in the German VC market continued to flow steadily at the start of the year, just slightly above the average deal volume of the previous year's quarters. Investment volume even increased again on the previous quarter (+30% QoQ). The invested funds were expanded in the previous quarter by, among other things, five megadeals, each with a volume of EUR 100 million or more and on average larger deal volumes, particularly in the start-up area (Series A and B).

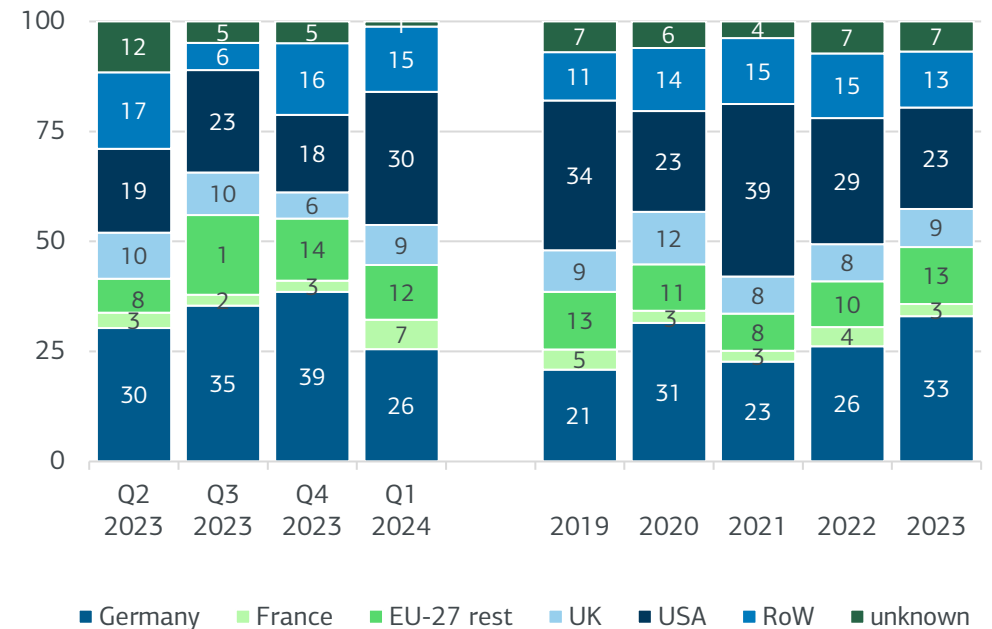
The number of financing rounds, on the other hand, was lower again, at 195 deals (-9% QoQ). To be sure, the decline was more moderate than in the two preceding quarters, but the first quarter of the year is typically the strongest. Small, early-stage financing rounds constitute by far the largest number of deals in the VC market. Such individual deals below EUR 1 million typically account for more than half of all deals in the German market. It was particularly in this area that the number of deals declined across the last three quarters. This may have been partly caused not just by the restraint exercised by business angels and early-stage investors, but also by more cautious start-up activity in 2023 and the resulting lower demand for such financing rounds.

Funds in the start-up area exceeded previous year's average in Q1 2024 – foreign investors participated more than in previous quarters

Deal volume by phases (in per cent)



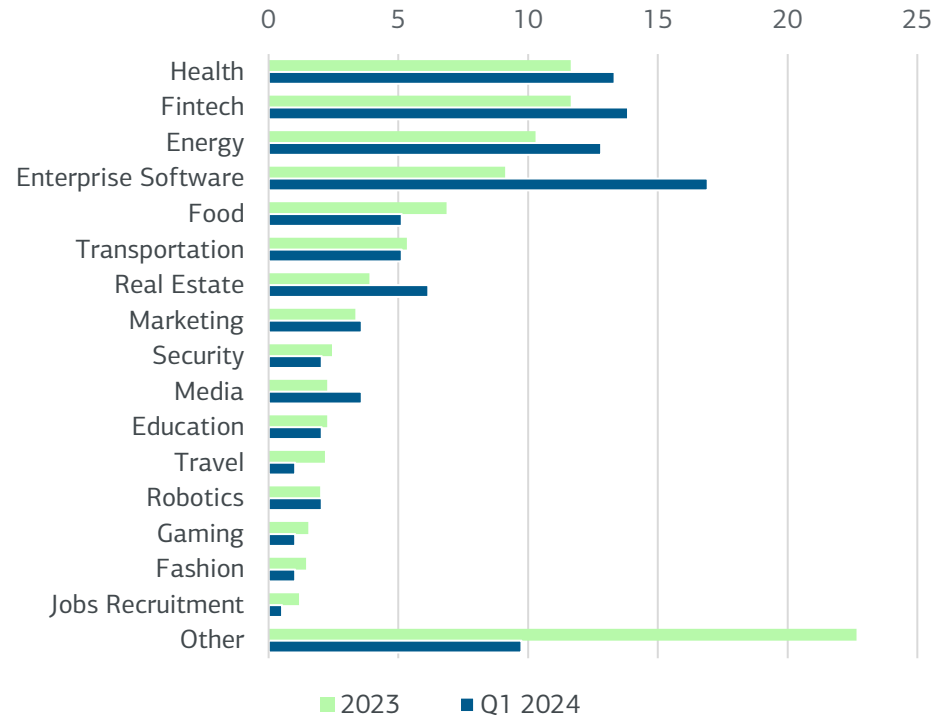
Deal volume by investor origin (in per cent)



Source: Dealroom.co, KfW Research (current as at 19 April 2024).

At the start of the year, industries traditionally present in the VC market accounted for the bulk of all deals

Share of deals by industry (in per cent)

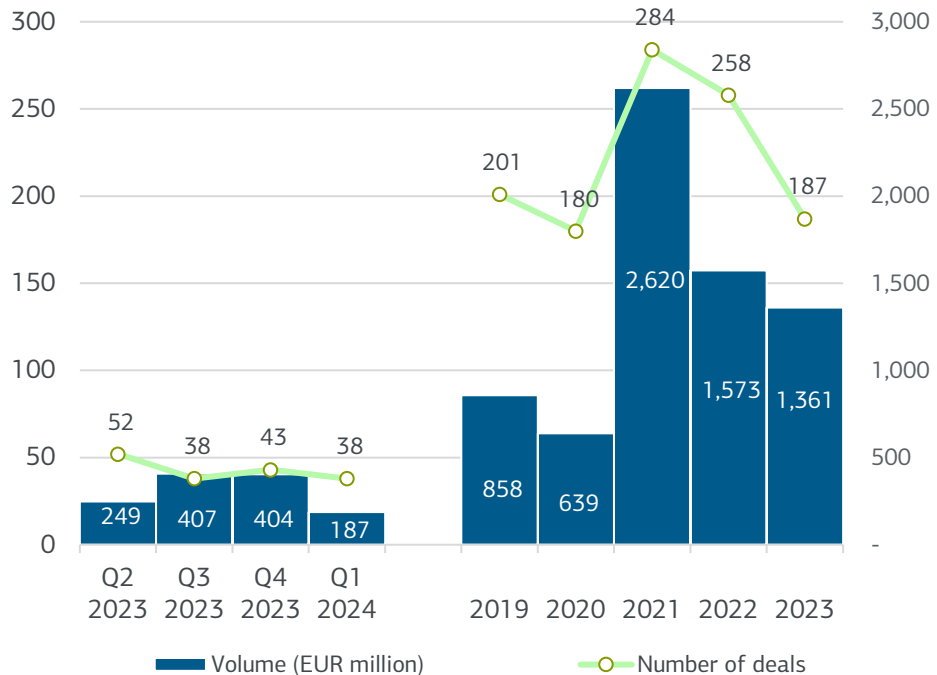


At the beginning of 2024, investment activity was mainly sustained by industries that constitute traditional investment targets of venture capital. Thus, most deals – 17% – were closed in the field of enterprise software, which was also significantly more than average for the whole of last year. The field of Health/Life Sciences is also above the previous year's average, with 13% of deals. After a reduced participation in financing transactions in 2022, FinTechs are seeing increasingly more investor interest since last year, raising their share in all deals in the market again to 14% at the start of 2024. Boosted by the green transformation, deals with start-ups in the field of energy continued to expand their share as well.

Source: Dealroom.co, KfW Research (current as at 19 April 2024).

Focus on artificial intelligence

Number of deals and deal volume



Ever since late 2022, artificial intelligence (AI) has moved into focus in global VC markets, especially as a result of developments in the field of generative AI. The fact that even in a cooling market, German AI start-ups last year were able to attract EUR 1.3 billion, roughly the same amount as in the previous year, is testament to the market opportunities which investors currently see in AI technologies.

With 38 deals, German AI start-ups obtained slightly fewer financing commitments at the start of 2024 than in the previous quarter. In fact, the deal volume currently recorded for Q1 2024 was significantly lower than those of the preceding quarters. At the same time, however, it must be noted that the final quarters of the previous year saw prominent megarounds of the AI start-ups Helsing (Q3 2023) and Aleph Alpha (Q4 2023), the two largest financing rounds in the entire German VC market. Furthermore, the fact that the deal volume in the overall German market picked up again in Q1 2024 despite lower investment in AI illustrates that for all the euphoria around the topic of AI, investment activity targets a broad mix of technologies.

AI is a cross-cutting (vertical) technology developed and used in a range of industries. According to the definition of the transaction data provider Dealroom.co, AI technologies include hardware and software in the areas of application of machine learning/deep learning, generative AI, computer vision and natural language processing.*

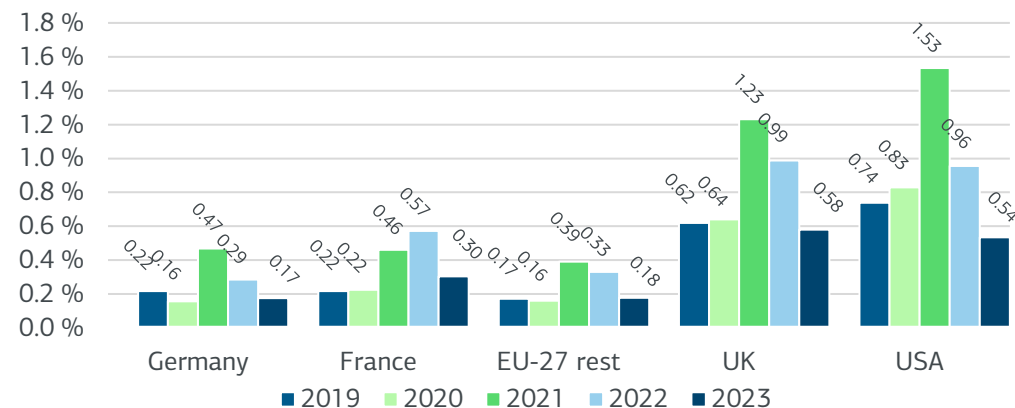
Note: * Since there is no generally accepted definition, the figures reported here may differ from those of other sources.
Source: Dealroom.co, KfW Research (current as at 19 April 2024).

Up and down in international VC market continues

Deal volume in USD million

	2023 Q2	2023 Q3	2023 Q4	2024 Q1
Germany	2,556	1,660	1,636	2,135
France	2,023	2,548	2,308	1,698
EU-27 rest	8,160	9,122	7,830	8,197
UK	4,271	6,011	4,918	3,924
USA	33,952	33,722	27,797	39,866

Deal volume in per cent of GDP

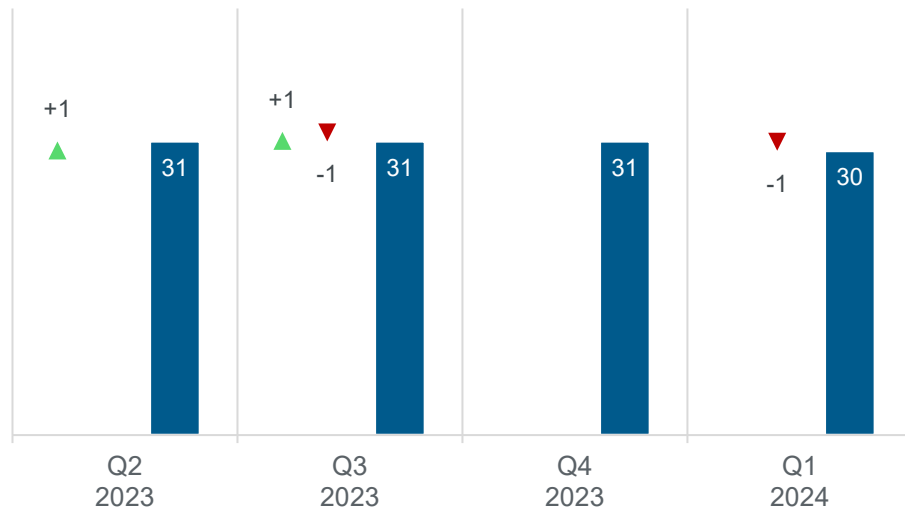


With a view to deal volume, the comparison markets considered here continued the up and down of the last quarters at the start of the year. In addition to Germany, the US recorded a rise in invested funds on the previous quarter. Thus, at the start of the year both markets recorded a (nominal) deal volume level that was roughly the same as in the pre-crisis year 2019. The overall market in the EU-27 countries, too, recorded growth of just under EUR 8.2 billion at the start of the year. In the United Kingdom and France, on the other hand, deal volumes at the start of the year were down on the previous quarter.

Source: Dealroom.co (current as at 19 April 2024), IMF and own calculations.

Number of unicorns in Germany decreased

Number of unlisted start-ups with valuation in excess of USD 1 billion

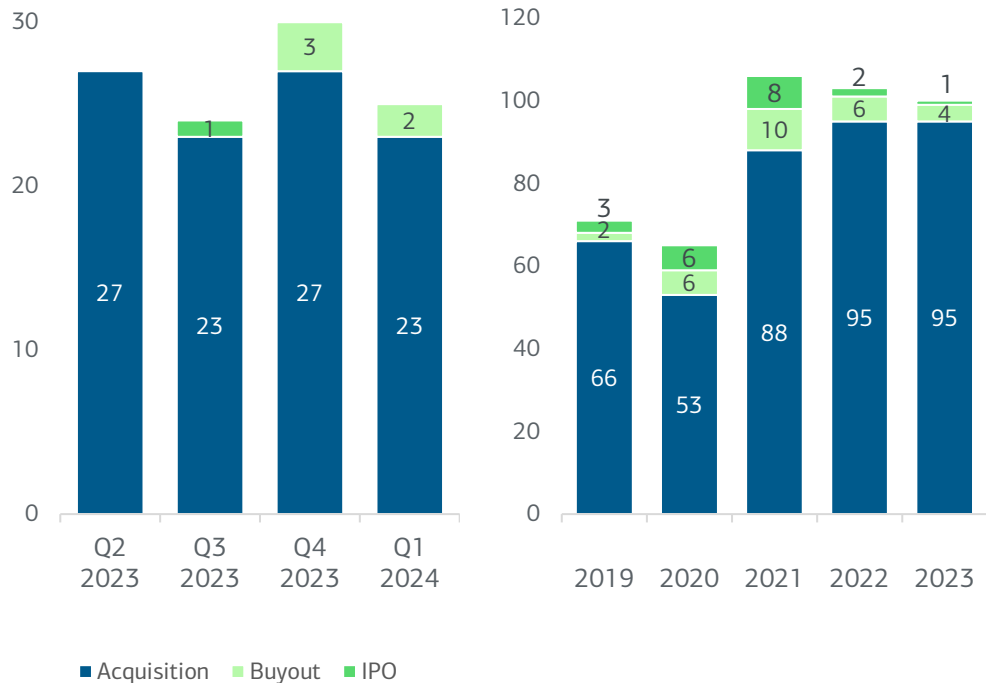


According to CB-Insights, there are currently 30 unicorns in Germany, that is, unlisted young enterprises with a billion-dollar valuation. There was one departure from the CB-Insights list in the first quarter of 2024 with a merger of Tier Mobility. As entry valuations appear to be rising again, there is a good chance of new start-ups joining with a first billion-dollar valuation in the course of the year.

Source: CB Insights (Current as at: 22 April 2024).

Exit activity continued from previous quarters in Q1 2024

Number of exits of VC-funded start-ups from Germany



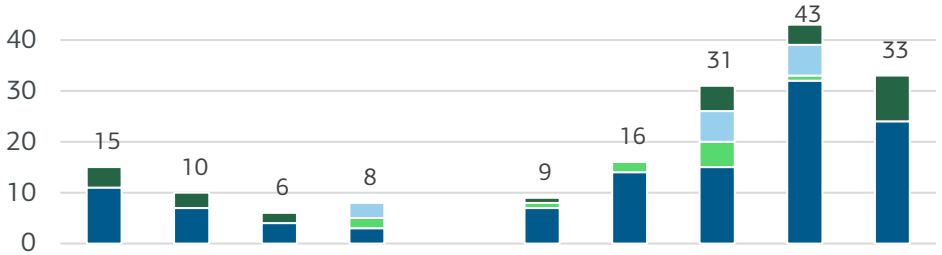
However, the number of exits, that is, transactions in which VC investors sell their shares to start-ups, was also on similar levels in the relevant quarters in the past three years. And so it was in the first quarter of 2024, with 23 takeovers and 2 buyout deals.

Even if the stock markets continued their positive trend from the previous year in the first quarter, no exits of VC-funded start-ups via an IPO could be recorded at the start of 2024 either. According to media reports, some start-ups are currently preparing an IPO in order to fund further growth via the public markets. Unless conditions for new emitters deteriorate in the course of the year, a revival of the exit market through new IPOs thus appears likely later this year and next.

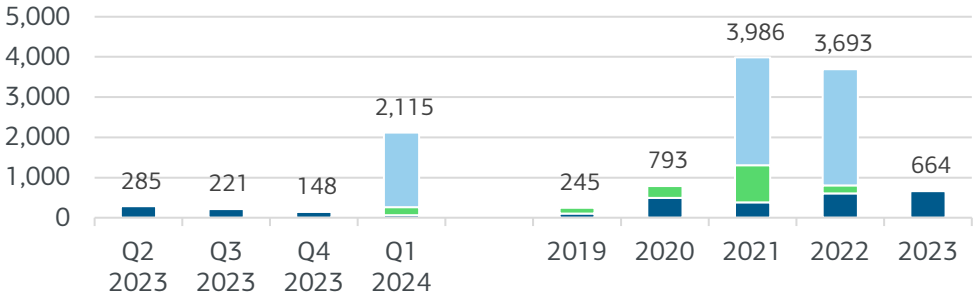
Source: Dealroom.co, KfW Research (current as at 19 April 2024).

In Q1 2024, almost as many venture debt financing transactions were concluded as in the entire pre-crisis year 2019

Number of deals



Deal volume (in EUR million)



By deal size

■ <100 EUR million ■ ≥ 100 - 250 EUR million ■ ≥ 250 EUR million ■ unknown

In Q1 2024, German start-ups concluded eight venture debt financing transactions. In a similar way as the venture capital market, the provision of venture debt thus continued on the level of activity of the previous year. On an annual basis, it is clear that with 43 recorded transactions, 2022 has so far been the peak year of the German venture debt market. This was due to the challenging conditions for equity finance coupled with the good liquidity position of many start-ups from preceding financing rounds. Both led to increased demand from enterprises with a good capacity to absorb debt finance. The past year 2023, too, was a strong year for the venture debt market, although the number of financing transactions recorded did not match that of the previous year. This clearly illustrates that in the medium term, developments in the venture capital market will be an important precondition for venture debt as a complementary form of finance.

Given the small case numbers and heterogeneity of the specific design of debt instruments for start-ups, deal volume in the German venture debt market is very volatile. For the first quarter, Dealroom.co again recorded multiple venture debt rounds with a volume in excess of EUR 100 million. The very large overall volume was partly due to outlier deals which combined already made up three fourths of total deal volume.

Source: Dealroom.co, KfW Research (current as at 19 April 2024).

Appendix

Appendix

Deals

	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2019	2020	2021	2022	2023
Market overall									
Volume (EUR million)	2,323	1,509	1,487	1,941	7,684	5,539	18,240	10,611	7,037
Number of deals	311	264	215	195	1,096	1,156	1,622	1,520	1,108
Deal size* (Ø, EUR million)	11	9	10	15	12	9	19	11	10
Stages (EUR million)									
Seed	250	190	191	221	355	498	978	1,156	847
Start-up	997	837	616	915	2,581	2,094	6,147	4,152	2,976
Scale-up	1,076	481	679	805	4,742	2,936	11,099	5,202	3,214
unknown	-	-	-	-	5	10	15	101	-
Mega-deals (count)									
<100 EUR million	214	161	143	124	609	634	914	963	703
≥ 100 - 250 EUR million	3	2	3	5	5	6	28	20	13
≥ 250 EUR million	2	-	-	-	8	1	11	3	2
unknown	92	101	69	66	474	515	669	534	390
Deal volume by investor location (EUR million)**									
Germany	704	534	573	495	1,603	1,741	4,130	2,772	2,323
France	81	38	38	130	353	156	457	463	193
EU-27 rest	180	273	210	241	1,004	583	1,542	1,110	913
UK	243	145	88	176	727	663	1,533	892	609
USA	443	351	262	589	2,614	1,267	7,153	3,041	1,622
RoW	404	94	242	287	848	795	2,736	1,562	896

Source: Dealroom.co (current as 19 April 2024).

Note: The evaluations are based on Dealroom.co. The figures may differ from other data sources. They are based on the cut-off date and may even change retroactively through the addition of new data. The following financing stages/occasions are counted as venture capital deals: Angel and seed (phase: 'seed'), Series A / Round 1, Series B / Round 2 and early VC (phase: 'start-up'), Series C+ / Round 2+, growth, late VC and megarounds+ (phase: 'scale-up') and deals with unknown financing round. Grants, support programmes, media for equity and venture debt are not included.

* Only deals that specify deal volume; ** approximated under the assumption that investments are equally distributed among all investors in each deal.

Appendix

Deals

Industries	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2019	2020	2021	2022	2023
Health	41	31	26	26	11%	12%	14%	10%	12%
Fintech	30	27	24	27	13%	13%	13%	13%	12%
Energy	31	30	24	25	5%	5%	7%	8%	10%
Enterprise Software	37	15	20	33	10%	10%	9%	8%	9%
Food	24	16	14	10	6%	6%	7%	7%	7%
Transportation	15	15	9	10	7%	7%	6%	7%	5%
Real Estate	8	11	12	12	5%	4%	5%	4%	4%
Marketing	12	14	3	7	4%	5%	5%	4%	3%
Security	7	6	2	4	4%	3%	3%	2%	2%
Media	5	9	2	7	3%	3%	3%	3%	2%
Education	9	2	6	4	3%	4%	4%	4%	2%
Travel	7	5	5	2	3%	2%	1%	1%	2%
Robotics	9	2	5	4	2%	4%	2%	2%	2%
Gaming	3	4	5	2	3%	1%	1%	1%	2%
Fashion	3	7	1	2	2%	2%	1%	2%	1%
Jobs Recruitment	2	6	3	1	2%	3%	2%	3%	1%
Other	68	64	54	19	16%	18%	19%	21%	23%

Source: Dealroom.co (current as 19 April 2024).

Note: The evaluations are based on Dealroom.co. The figures may differ from other data sources. They are based on the cut-off date and may even change retroactively through the addition of new data. The following financing stages/occasions are counted as venture capital deals: Angel and seed (phase: 'seed'), Series A / Round 1, Series B / Round 2 and early VC (phase: 'start-up'), Series C+ / Round 2+, growth, late VC and megarounds+ (phase: 'scale-up') and deals with unknown financing round. Grants, support programmes, media for equity and venture debt are not included.

Appendix

Deals (Artificial Intelligence)

	2023	2023	2023	2024	2019	2020	2021	2022	2023
Market overall	Q2	Q3	Q4	Q1					
Volume (EUR million)	249	407	404	187	858	639	2,620	1,573	1,361
Number of deals	52	38	43	38	201	180	284	258	187
Deal size* (Ø, EUR million)	7	16	12	6	7	6	16	9	10

Source: Dealroom.co (current as 19 April 2024).

Note: The evaluations are based on Dealroom.co. The figures may differ from other data sources. They are based on the cut-off date and may even change retroactively through the addition of new data. Artificial intelligence (AI) is a cross-cutting (vertical) technology that comprises both hardware and software and is developed and used in a range of industries. AI technologies mainly include machine learning, computer vision and natural language processing. The following financing stages/occasions are counted as venture capital deals: Angel and seed (phase: 'seed'), Series A / Round 1, Series B / Round 2 and early VC (phase: 'start-up'), Series C+ / Round 2+, growth, late VC and megarounds+ (phase: 'scale-up') and deals with unknown financing round. Grants, support programmes, media for equity and venture debt are not included.

* Only deals that specify deal volume.

Appendix

Benchmarks

USD million	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2019	2020	2021	2022	2023
Germany	2,556	1,660	1,636	2,135	8,452	6,093	20,064	11,672	7,741
France	2,023	2,548	2,308	1,698	5,910	5,934	13,613	15,899	9,246
EU-27 rest	8,160	9,122	7,830	8,197	27,044	24,718	67,648	55,117	32,674
UK	4,271	6,011	4,918	3,924	17,727	17,314	38,487	30,457	19,320
USA	33,952	33,722	27,797	39,866	158,057	174,785	357,754	243,232	144,197
as share of GDP (%)									
Germany					0.22%	0.16%	0.47%	0.29%	0.17%
France					0.22%	0.22%	0.46%	0.57%	0.30%
EU-27 rest					0.17%	0.16%	0.39%	0.33%	0.18%
UK					0.62%	0.64%	1.23%	0.99%	0.58%
USA					0.74%	0.83%	1.53%	0.96%	0.54%

Source: Dealroom.co (current as at 19 April 2024), IMF and own calculations.

Unicorns

	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2019	2020	2021	2022	2023
increase	1	1	-	-	5	1	17	5	3
decrease	-	1	-	1	1	1	5	1	-
total	30	-	-	30	12	12	24	28	31

Source: CB Insights

Note: Unicorns are start-ups not publicly listed that are valued by investors at USD 1 billion or more. Start-ups are not counted as unicorns anymore when they are liquidated, lose their independence or go public. The date of the financing round through which the valuation of at least USD 1 billion came about (entry) or the exit was completed determines the date from which they are no longer included.

Appendix

Exits

	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2019	2020	2021	2022	2023
IPO	-	1	-	-	3	6	8	2	1
Buyout	-	-	3	2	2	6	10	6	4
Acquisition	27	23	27	23	66	53	88	95	95

Source: Dealroom.co (current as 19 April 2024).

Note: Purchases and majority shareholdings (50%-100%) are counted as acquisition; buyout: mentioned as 30%-100% takeover by private equity firms, or as 'buyout' in the transaction.

Venture Debt

	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2019	2020	2021	2022	2023
Market overall									
Volume (EUR million)	285	221	148	2,115	245	793	3,986	3,693	664
Number of deals	15	10	6	8	9	16	31	43	33
Deal size* (Median, EUR million)	15	25	39	100	11	30	67	15	24
Mega-deals (count)									
<100 EUR million	11	7	4	3	7	14	15	32	24
≥ 100 - 250 EUR million	-	-	-	2	1	2	5	1	-
≥ 250 EUR million	-	-	-	3	-	-	6	6	-
unknown	4	3	2	-	1	-	5	4	9

Source: Dealroom.co (current as 19 April 2024).

Note: The definition of venture debt follows Dealroom.co and SVB (2020): European VC Pulse Check H1 2022. It captures debt capital transactions of banks and non-banks to young growth-oriented enterprises. We exclude lending capital – loans to FinTech and other platforms collateralised by assets (SME loans, real estate, etc.).

* Only deals that specify deal volume.

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