

KfW Venture Capital Dashboard

Q2 2024

KfW Research

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Overview

The German venture capital market in Q2 2024



1

In the second quarter of 2024, German start-ups raised around EUR 1.8 billion in 187 funding rounds. The second quarter almost matched the first quarter of the year in terms of deal volume. Around EUR 3.6 billion was invested across the entire first half of 2024. If the market can maintain this level of investment until the end of the year, we could see a deal volume just above the previous year's level for the first time since the boom year of 2021. The number of funding rounds, however, fell again in Q2 2024 (-17% QoQ). This was driven primarily by a decline in small early-stage financings. The more subdued start-up activity over the past two years has likely contributed to more muted demand for finance here.



2

The market development was driven by high-volume financing rounds in the scale-up stage. In Q2, growth companies in Germany raised around EUR 842 million (+15% QoQ). As was already the case in some of the previous year's quarters, the largest financing round in the German VC market in Q2 2024 was a growth financing round in the technological field of artificial intelligence.

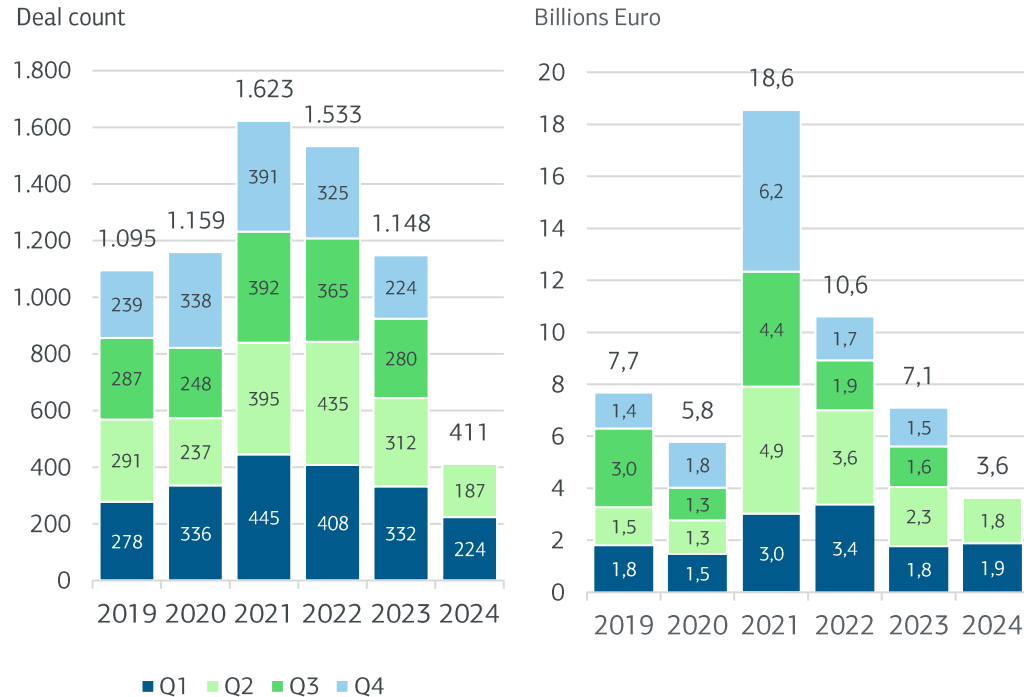


3

The German VC market continued trending sideways in the second quarter of the year. In the short to medium term, volatility can be expected to remain low and the market will likely continue in the same direction for the rest of the year. Furthermore, the trajectory of interest rate cuts which the ECB embarked on in Q2 2024 could provide further positive impetus in the medium term. Current policy initiatives should also be conducive to a favourable development of the market. Programmes such as the WIN Initiative currently being pushed in Germany and the Growth Initiative of the Federal Government can help make financing conditions attractive. Possible imponderables for the further development of the market, however, include persistent geopolitical and geoeconomic risks.

The German VC market continued its sideways movement with a deal volume of EUR 1.8 billion in Q2 2024

Number of deals and deal volume



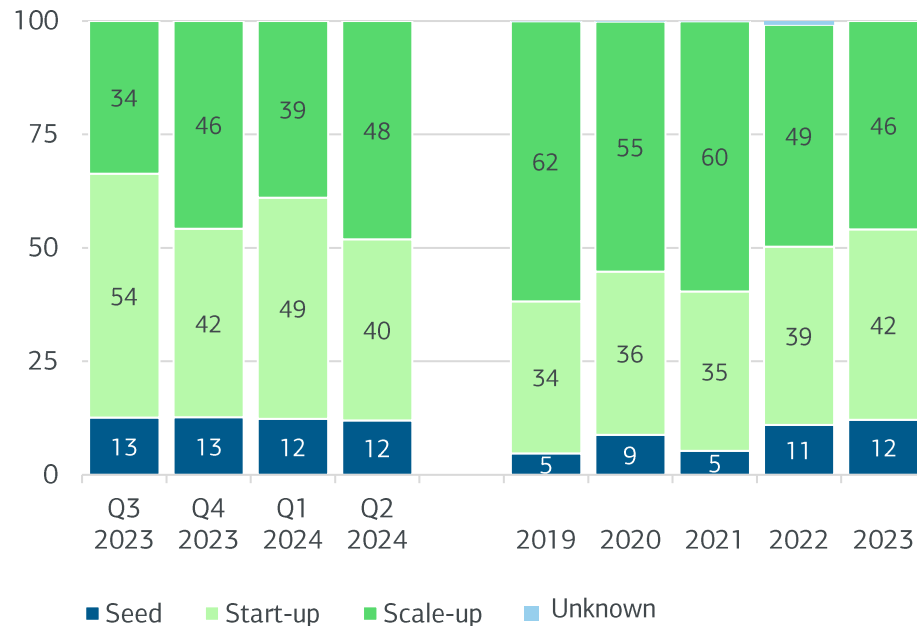
In the second quarter of 2024, German start-ups raised around EUR 1.8 billion in 187 funding rounds. Thus, venture capital investors participated in start-ups in Germany with a similar funding volume as in the first quarter of the year. Around EUR 3.6 billion was invested across the entire first half of 2024. If the market can maintain this level of investment until the end of the year, we would see a deal volume just above the previous year's level. This deal volume was driven in Q2 2024 by an increase in commitments in the scale-up stage, in which around EUR 842 million was raised (+15% QoQ). Accordingly, the average volume per funding round was around EUR 14 million and hence above that of the previous quarters in the market as a whole. The high-volume funding activity in the scale-up stage reflects the fact that for growth enterprises whose business model is on a solid foundation, up-rounds – financings at higher valuations – are definitely possible again in the current market environment.

The number of funding rounds dropped again to a total of 187 deals in Q2 2024 (-17% QoQ). Most funding rounds in the venture capital market are small and early-stage deals. Such deals with small ticket sizes of less than EUR 1 million, in particular, were again less often concluded in Q2 2024. The number of such deals was more than one fifth lower than in the preceding quarter. In this market segment in particular, the more subdued start-up activity of the previous years is the likely reason that demand for funding still remains muted. The recent mild recovery in start-up activity could provide new impetus here.

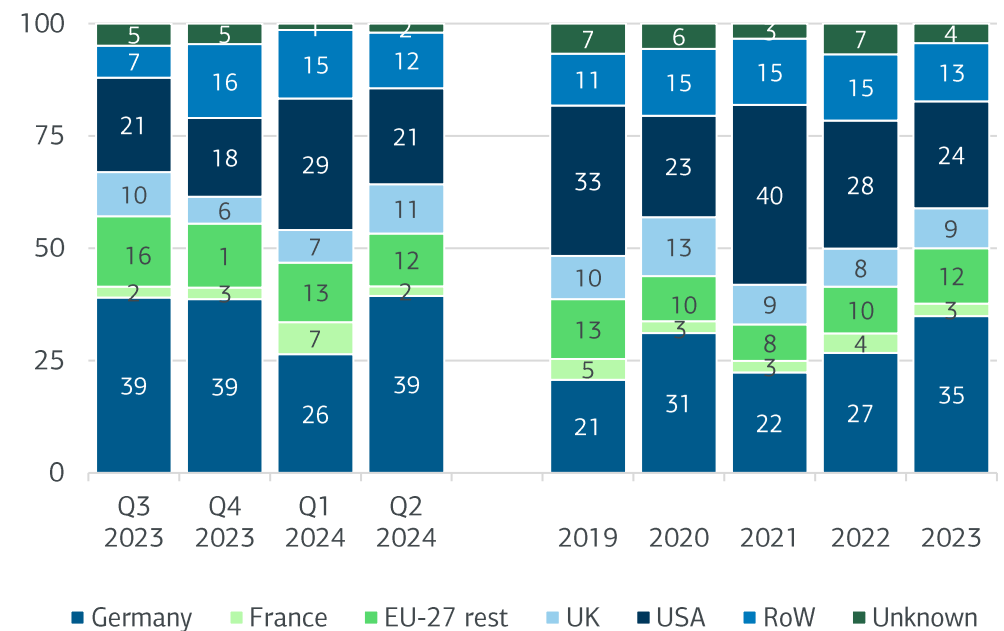
Source: Dealroom.co, KfW Research (current as at 12 July 2024).

Nearly half the deal volume in Q2 2024 in the scale-up stage – domestic investors again provided more than one third of funds

Deal volume by phases (in per cent)



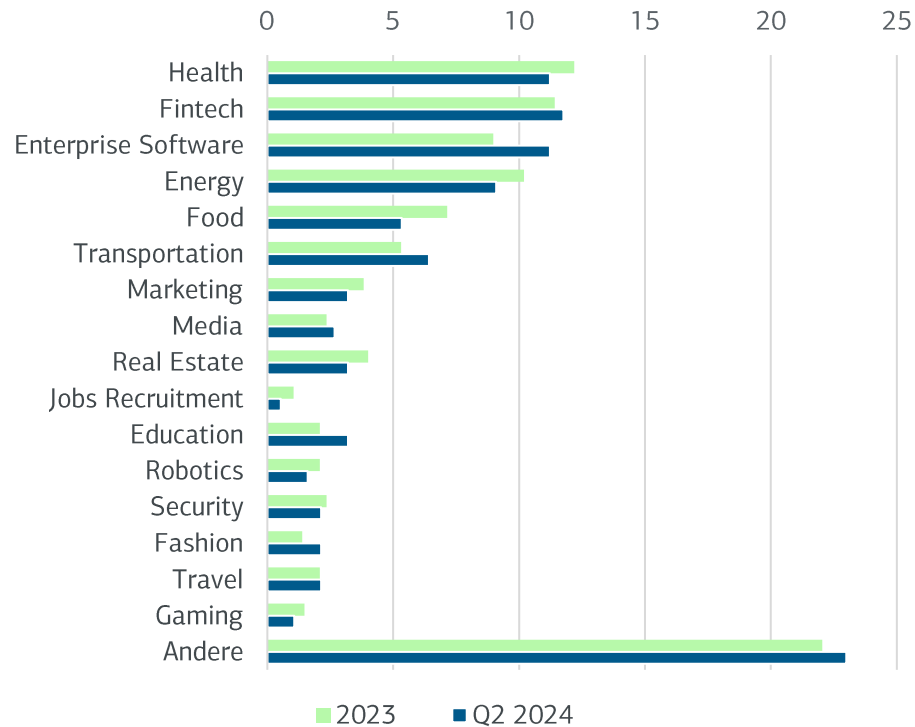
Deal volume by investor origin (in per cent)



Source: Dealroom.co, KfW Research (current as at 12 July 2024).

Deal distribution by industry similar to previous year – enterprise software again a significantly more common investment destination than in 2023

Share of deals by industry (in per cent)

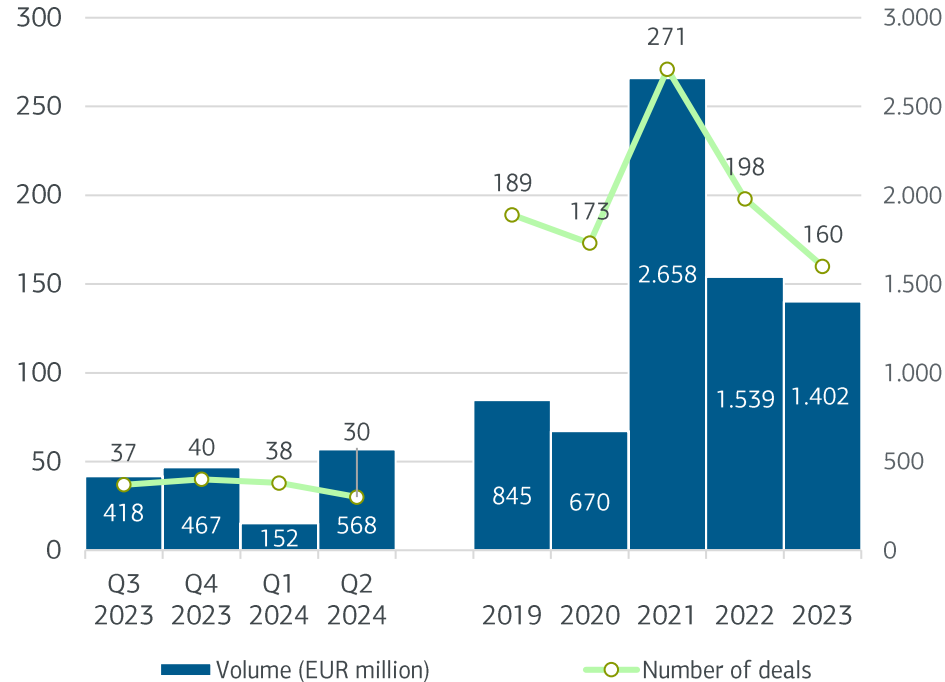


In Q2 2024 the share of funding rounds distributed across different industries in many cases followed the distribution of the previous year. The greatest deviation was in the field of enterprise software. Deal activity here was stronger than in 2023, as it was in the preceding quarter. The shares of deals in the transportation and education industries, too, were each more than one percentage point higher than in 2023.

Source: Dealroom.co, KfW Research (current as at 12 July 2024).

Focus on artificial intelligence

Number of deals and deal volume



German start-ups that develop applications in the field of artificial intelligence (AI) and establish them in the market raised EUR 568 million in 30 funding rounds in Q2 2024. Thus, the second quarter was one of very strong volumes – with a deal volume that exceeded the quarterly average of the previous years 2022 and 2023. As was already the case in some of the preceding quarters, deal volume was basically driven by a single megaround with a ticket above EUR 250 million. Thus, the field of AI again accounted for the largest funding round in the entire German market in Q2 2024.

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.*

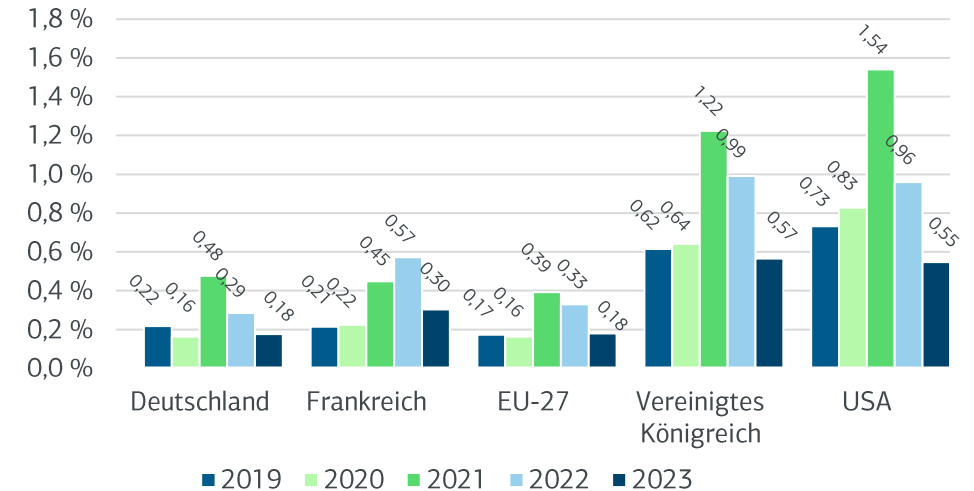
Note: * Since there is no generally accepted definition, the figures reported here may differ from those of other sources.
Source: Dealroom.co, KfW Research (current as at 12 July 2024).

Important comparison markets developed steadily on a broad front

Deal volume in USD million

	2023 Q3	2023 Q4	2024 Q1	2024 Q2
Germany	1,721	1,631	2,070	1,927
France	2,568	2,319	1,773	2,344
EU-27	9,185	7,877	8,103	8,100
UK	5,523	4,971	3,868	5,599
USA	36,135	27,792	37,549	45,305

Deal volume in per cent of GDP

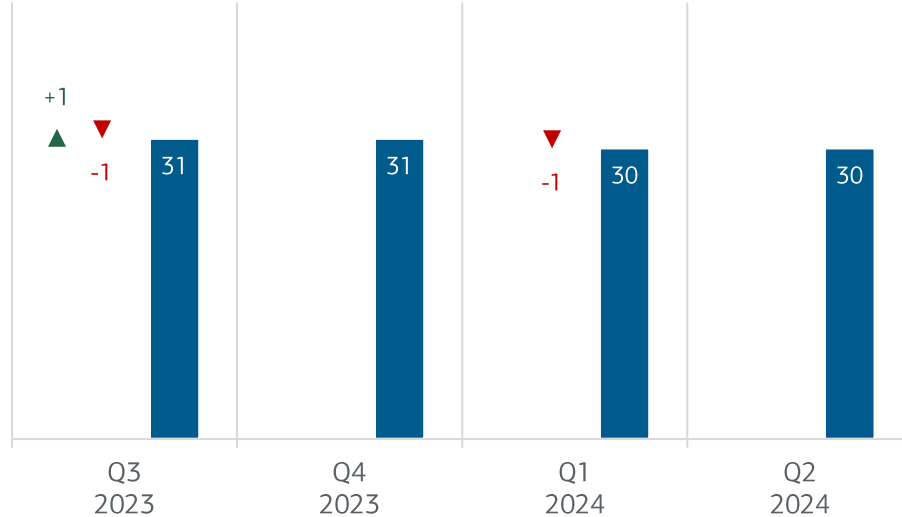


As was the case in Germany, where deal volume in Q2 2024 was on a similar level as in the previous quarter, major economic areas recorded a solid second quarter in their VC markets. The volume of funds invested grew on the first quarter in all comparison markets observed here. The most significant increases in commitments were in France (+32% QoQ) and the United Kingdom (+45% QoQ). So, the trend in investments is giving cause for cautious optimism for the VC markets at international level.

Source: Dealroom.co (current as at 12 July 2024), IMF and own calculations.

Number of unicorns in Germany remained unchanged

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

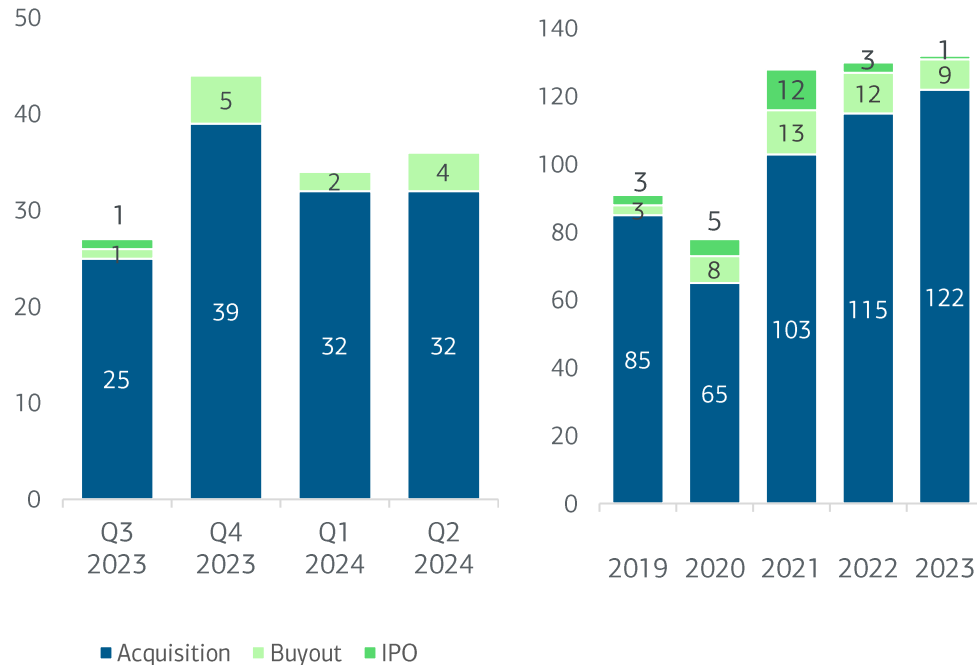


The Unicorn Tracker of CB Insights currently lists 31 unicorns in Germany. The latest change was in the first quarter of 2024 with the exit of Tier Mobility after its merger with the Dutch mobility provider Dott. The list also contains InFarm, which declared insolvency in September 2023, which is why we listed 30 start-ups with unicorn status in our overview for the second quarter of 2024. As the business environment in the German VC market is expected to continue improving, and given the positive outlook on investment activity, a couple of new start-ups may achieve a billion-dollar valuation for the first time and potentially join the list later this year.

Source: CB Insights, The Complete List Of Unicorn Companies (accessed on: 15 July 2024).

Exit activity continues with no surprises

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

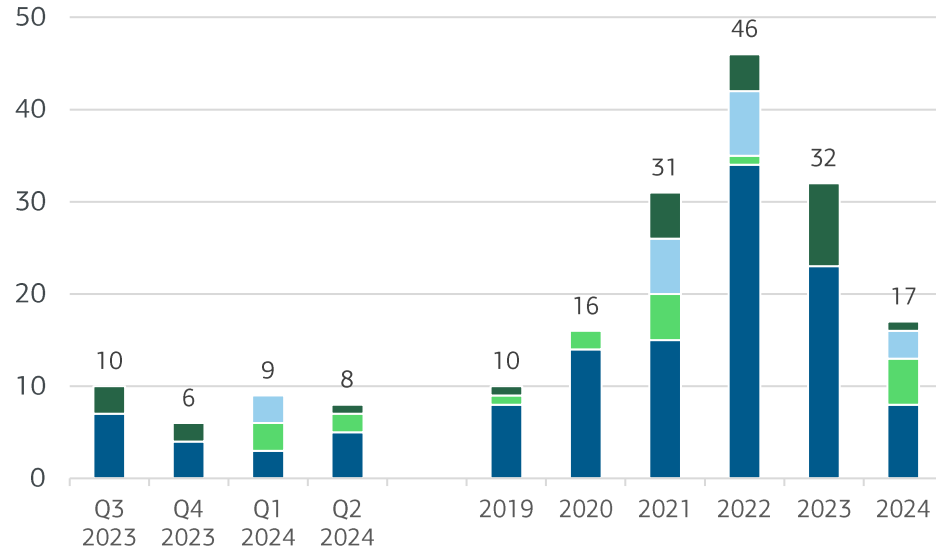


For investors, acquisitions and buyout transactions continue to be the sole liquidity events in German portfolio companies. A total of 32 exits in the form of acquisitions were recorded in Q2 2024, the same number as in the previous quarter. There were four exits in the form of a buyout. However, VC-funded start-ups from Germany have yet to launch an IPO again. A recently more favourable development in valuations should provide a tailwind for IPOs later in the year and in the year ahead. In addition to the short- to medium-term activities, advancing the development of exit markets in Germany and Europe remains an important area of action where economic policy can support venture and growth finance.

Note: Due to methodological changes at the data provider Dealroom.co, the figures presented here are not directly comparable with previous editions of the KfW VC Dashboard.
 Source: Dealroom.co, KfW Research (current as at 3 July 2024).

With eight deals, the venture debt market in Germany continued its financing activity from the previous quarter

Number of deals



By deal size:

■ <100 EUR million
 ■ ≥ 100–250 EUR million
 ■ ≥ 250 EUR million
 ■ Unknown

A total of eight transactions were observed in the German venture debt market in the second quarter of 2024. For the first half-year as a whole, 17 deals were recorded – a level of activity surpassed only in the year 2022.

Source: Dealroom.co, KfW Research (current as at 12 July 2024).

Appendix

Appendix

Deals

	2023	2023	2024	2024	2019	2020	2021	2022	2023
	Q3	Q4	Q1	Q2					
Market overall									
Volume (EUR million)	1,565	1,483	1,882	1,751	7,679	5,782	18,555	10,610	7,097
Number of deals	280	224	224	187	1,095	1,159	1,623	1,533	1,148
Dealsize* (Ø, EUR million)	9	10	13	14	12	9	19	11	10
Stages (EUR million)									
Seed	198	188	231	210	359	508	983	1,166	858
Start-up	840	616	918	699	2,573	2,081	6,508	4,164	2,979
Scale-up	527	679	732	842	4,742	3,184	11,048	5,187	3,260
Unknown	-	-	-	-	5	10	15	92	-
Mega-deals (count)									
<100 EUR million	169	144	140	117	606	634	913	974	719
100–250 EUR million	2	3	5	3	5	7	30	20	13
250 EUR million	-	-	-	1	8	1	11	3	2
Unknown	109	77	79	66	476	517	669	536	414
Deal volume by investor location (EUR million)									
Germany	610	573	497	690	1,593	1,800	4,142	2,834	2,478
France	38	38	134	38	357	152	479	460	194
EU-27 rest	246	212	251	205	1,023	580	1,507	1,102	879
UK	154	88	137	192	737	757	1,649	898	631
USA	329	260	550	374	2,572	1,307	7,421	3,023	1,689
RoW	111	244	287	216	883	861	2,742	1,570	916
Unknown	76	68	27	35	515	325	615	723	310

Source: Dealroom.co (current as 12 July 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

	2023	2023	2024	2024		2019	2020	2021	2022	2023
Industries	Q3	Q4	Q1	Q2						
Health	33	31	28	21		13%	13%	13%	14%	12%
Fintech	28	26	28	22		12%	12%	14%	11%	11%
Enterprise Software	16	21	38	21		10%	10%	9%	8%	9%
Energy	31	24	26	17		5%	5%	7%	8%	10%
Food	18	14	11	10		6%	6%	7%	7%	7%
Transportation	17	9	11	12		7%	7%	5%	7%	5%
Marketing	16	6	10	6		4%	5%	5%	4%	4%
Media	9	3	8	5		3%	4%	3%	4%	2%
Real Estate	12	13	13	6		5%	4%	4%	4%	4%
Jobs Recruitment	5	3	1	1		2%	3%	2%	3%	1%
Education	2	5	4	6		3%	3%	3%	2%	2%
Robotics	2	6	4	3		2%	3%	2%	2%	2%
Security	8	1	5	4		4%	3%	3%	2%	2%
Fashion	7	1	2	4		2%	1%	1%	2%	1%
Travel	5	5	2	4		3%	2%	1%	1%	2%
Gaming	4	5	3	2		3%	1%	1%	1%	1%
Other	67	51	30	43		16%	18%	19%	21%	22%

Source: Dealroom.co (current as 12 July 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	2024	2024		2019	2020	2021	2022	2023
Market overall	Q3	Q4	Q1	Q2						
Volume (EUR million)	418	467	152	568		845	670	2,658	1,539	1,402
Number of deals	37	40	38	30		189	173	271	198	160
Dealsize* (Ø, EUR million)	18	14	5	28		7	7	18	12	12

Source: Dealroom.co (current as 12 July 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

	2023	2023	2024	2024	2019	2020	2021	2022	2023
USD million	Q3	Q4	Q1	Q2					
Germany	1,721	1,631	2,070	1,927	8,448	6,361	20,410	11,671	7,807
France	2,568	2,319	1,773	2,344	5,862	5,936	13,293	15,899	9,253
EU-27	9,185	7,877	8,103	8,100	26,887	25,014	67,223	54,877	32,695
UK	5,523	4,971	3,868	5,599	17,593	17,372	38,235	30,560	18,847
USA	36,135	27,792	37,549	45,305	156,677	174,252	359,162	244,463	147,378

as share of GDP (%)

Germany					0.22%	0.16%	0.48%	0.29%	0.18%
france					0.21%	0.22%	0.45%	0.57%	0.30%
EU-27					0.17%	0.16%	0.39%	0.33%	0.18%
UK					0.62%	0.64%	1.22%	0.99%	0.57%
USA					0.73%	0.83%	1.54%	0.96%	0.55%

Source: Dealroom.co (current as at 12 July 2024), IMF and own calculations.

Unicorns

	2023	2023	2024	2024	2019	2020	2021	2022	2023
	Q3	Q4	Q1	Q2					
Increase	1	-	-	-	5	1	17	5	3
Decrease	1	-	1	-	1	1	5	1	-
Total	31			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	2023	2024	2024	2019	2020	2021	2022	2023
	Q3	Q4	Q1	Q2					
IPO	1	-	-	-	3	5	12	3	1
Buyout	1	5	2	4	3	8	13	12	9
Acquisition	25	39	32	32	85	65	103	115	122

Source: Dealroom.co (current as 3 July 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	2023	2024	2024	2019	2020	2021	2022	2023
	Q3	Q4	Q1	Q2					
market overall									
Volume (EUR million)	221	148	2,215	304	247	793	3,986	5,198	624
Number of deals	10	6	9	8	10	16	31	46	32
Deal size* (Median, EUR million)	25	39	100	13	2	30	67	15	23
Mega-deals (count)									
<100 EUR million	7	4	3	5	8	14	15	34	23
100 –250 EUR million	-	-	3	2	1	2	5	1	-
250 EUR million	-	-	3	-	-	-	6	7	-
Unknown	3	2	-	1	1	-	5	4	9

Source: Dealroom.co (current as 12 July 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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