Blooming Late:

The rise of late-stage funding for European technology scale-ups

NOVEMBER 2019

Introduction

Europe's technology industry continues to grow up. Across the EU, Israel, Russia and Turkey, startup ecosystems are flourishing, expanding and - in a few places - maturing into veritable world-class hotbeds for innovation.

Evidently, challenges remain and Europe will have to overcome many of them to even have a chance of staying competitive in an ever-evolving world - and with haste to boot. To continue scaling up and accelerate the maturation process of its key tech hubs, Europe has to play to its strengths and eliminate some of its inherent weaknesses to mitigate the risk of getting left behind.

Two of these weaknesses have historically been the lack of major exits and late-stage financing rounds (€100 million and more) for Europe's fastest-growing tech businesses as catalysts for growth. As we've detailed in previous reports on the influx of capital for Europe's finest tech startups, there has been a tremendous increase in investment volume for early-stage and growth-stage companies in recent years, with no signs of a slowdown so far.

Numbers only tell part of a story, but the rise in seed and growth capital (Series A-B-C) flowing to European tech businesses across the region paints a picture of a healthy collection of ecosystems with potential for further growth.

But when it comes to really big rounds of financing, Europe hasn't really seen many of those to date, certainly not in comparison to the US and, increasingly, China. That too is changing, however.

Stripe and Tech.eu have joined forces to research how much late-stage funding (€100 million rounds and above) has been invested in European tech from the beginning of 2015 to date (Q3 2019), and the findings speak for themselves.

Especially in the last twelve months, late-stage capital has found its way to Europe's finest tech companies, with the likes of Klarna, GetYourGuide, Transferwise, UiPath, Deliveroo, Glovo, Bolt and many others raising mega funding rounds in pursuit of faster growth and international expansion.

Others such as Spotify, Farfetch and Delivery Hero have opted for IPOs and turning to public market investors to finance their growth, although there's been a noticeable overall decrease of exits in Europe in recent years as well.

The very rise of late-stage funding in Europe is partially a cause for this, as successful tech companies now have more options for staying private longer than ever before, in parallel with companies in other ecosystems across the world.

Our research also shows that these big bets are being placed by a diverse mix of investors, most of which notably do not come from Europe. This demonstrates very clearly that there's a lack of European late-stage capital on the one hand, but also an appetite from American and Asian investment giants to invest in Europe's tech scale-ups on the other.

Whether this is a good or a bad thing for Europe, and whether this trend will continue, is subject to debate.

One thing is for sure, though: governments across Europe are taking note, and some are taking action. France, for instance, which is vying for the UK's crown of biggest startup nation in the bloc alongside Germany, made waves in September 2019 when it announced that it would be earmarking €5 billion in funds (coming from both the government and a mix of large investors/corporations) to support homegrown late-stage tech scale-ups.

Other governments are likely to follow suit with similar initiatives, as there is no catalyst for any ecosystem as important as local stars turning into successful behemoths, with the inevitable trickle-down effect this tends to generate (just look at how Skype's success has managed to fuel Estonia's startup ecosystem).

This has also been noticed on a European government level, where policies and legislation are increasingly being created or amended to cater to faster growth for technology companies, and better support for both entrepreneurs and investors is high on the agenda.

We hope you find the research below interesting and invite you to discuss its findings with us and peers within your local ecosystem and communities.

Robin Wauters
Founding Editor, Tech.eu

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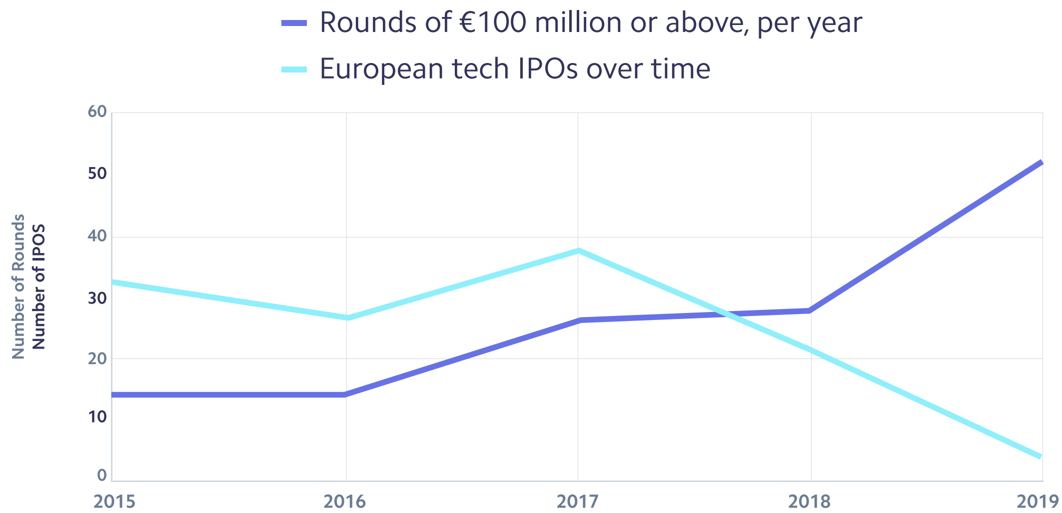
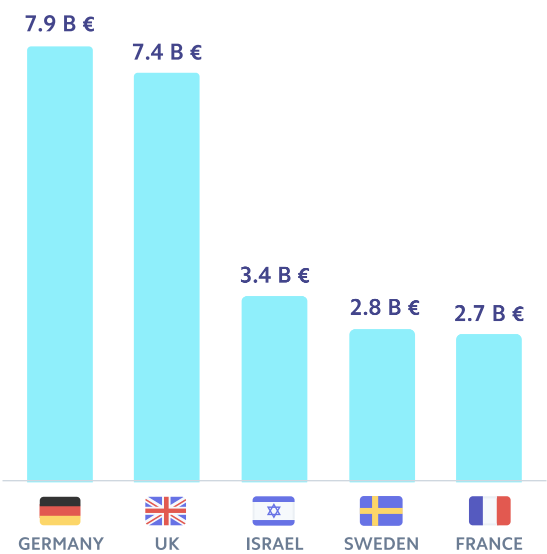
Blooming Late: Venture Capital Report

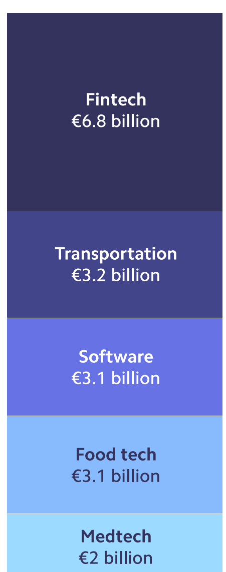


Where are the European scale-ups attracting late-stage funding based?

The UK and Germany are clearly driving the market



Top 5 verticals in Europe based on total late-stage funding size



Most prolific investors in European late-stage rounds

SoftBank
(JAPAN)

Rocket Internet
(GERMANY)

Insight Venture Partners
(US)

Kinnevik
(SWEDEN)

DST
(US/RUSSIA)

Delivery Hero, Klarna, Bolt, TransferWise, Revolut, Glovo, UiPath, Wolt, BlaBlaCar, Doctolib, N26, deliveroo, Etc.

Key Takeaways

1. **European tech scale-ups: FUNDING**

    - In Europe and Israel, there has been a steady increase in late-stage funding rounds for homegrown tech companies from 2015 to Q3 2019, with the last 12 months (Q4 2018 - Q3 2019 included) accounting for a major surge after a slight dip in the first half of 2018
    - In the first three quarters of 2019 alone, Tech.eu recorded 52 late-stage funding rounds for European tech scale-ups, a 60% jump compared to full year 2018, when 28 funding rounds were tracked.
    - The biggest amounts of private capital raised in mega deals in the past five years were by Delivery Hero and Spotify, both of which subsequently went public. However, this bucks the general/global trend of companies staying private longer and shunning the public markets in favour of big rounds.
    - In 2015 and 2016, the situation was largely the same (14 late-stage rounds, totalling €3-4 billion respectively). However, the number of late-stage funding rounds went on to almost double in 2017, and in 2018 the situation was again similar to the year prior (26-28 rounds, €5-7 billion in size, respectively).
    - In the first three quarters of 2019, the number of rounds doubled again already, compared to full year 2017. As a result, the total funding size climbed - to €12 billion in the period Q1 2019 to Q3 2019 - and if this trend continues we are likely to see close to triple the amount of late-stage funding in 2019 compared to the year before.
    - Going back further: the amount of mega financing rounds monitored by Tech.eu from Q1 to Q3 2019 was already almost four times as high as the number of late-stage funding deals recorded in full years 2015 and 2016.

2. **European tech scale-ups: INVESTORS**

    - The large investments in European tech scale-ups are coming from a very diverse mix of investors; made up of internationally active PE & VC firms but also big multinationals, hedge funds, state funds, etc.
    - The location of the investment firms backing European late-stage tech scale-ups varies, but the UK and US reign supreme. Japan comes in third, courtesy of SoftBank and its Vision Fund, and Rakuten to a lesser degree.
    - Of the top 10 investors in late-stage financing rounds for European tech scale-ups, more than half (6) are headquartered outside of Europe (US, Japan, South Africa, Hong Kong, Singapore and China - in that order).

- SoftBank, Rocket Internet, Insight Ventures Partners, Kinnevik and DST Global are the most active investors participating in late-stage European tech funding rounds of €100 million or more.
- SoftBank leads by a margin here; through its Vision Fund, it has pumped nearly €4 billion into European late-stage companies from 2015 to Q3 2019. The number two in the ranking, Insight Venture Partners, deployed 'only' about €1.4 billion during that time period - a 180% difference between the two leaders when it comes to volume.
- The majority of late-stage financing rounds for European tech scale-ups involve only a single investor (62.9%), while 17.4% and 9.1% of rounds involve two and three investors, respectively. Only 10.7% of late-stage funding rounds for European tech companies involve more than three investors.
- Investment firms are capitalising on the global trends by raising large new funds focused on new equity, debt, follow-on and secondary rounds in the fastest-growing tech companies. Our research shows that this is also the case in Europe.

3 European tech scale-ups: VERTICALS

- Europe and Israel, the three main sectors attracting funding across all stages are Fintech, Transportation/Mobility and Medtech/Health Tech. This is also the case when it comes to late-stage funding rounds, but strong growth can also be observed in two other verticals: Software/SaaS and Food Tech, which round out the top five categories where late-stage capital is flowing to.
- European fintech and software/SaaS businesses are largely responsible for the surge in late-stage mega deals for tech businesses in the last twelve months. Financial technology scale-ups such as Monzo and Transferwise in the UK and N26 in Germany in particular drove that growth. While Tech.eu tracked only four €100 million+ fintech financing deals in Europe in 2018, that number increased by nearly 5X in the first three quarters of 2019 alone.

4 European tech scale-ups: GEOGRAPHIES

- From a geographical perspective, Germany and the UK are driving the market when it comes to late-stage funding for homegrown scale-ups, and come out neck and neck when looking at the total size of mega deals from 2015 to Q3 2019, way ahead of Israel, Sweden and France which round out the top 5 list.
- Late-stage funding rounds are not only happening in large countries and/or mature tech startup ecosystems; we also tracked a number of mega deals in nimbler places in Europe, notably Sweden, Romania, Switzerland, Estonia, Portugal, Finland and The Netherlands.

5 European tech scale-ups: EXITS

- Following a global trend, European and Israeli growth companies are staying private and independent a lot longer than ever before, which is at least partly responsible for driving down considerably the number of tech acquisitions and IPOs across the region.
- While Tech.eu tracked 629 acquisitions in 2015, that number dropped nearly 12% to 555 by 2017, and in the first three quarters of 2019 to a mere 273 deals.
- The vast majority of these deals continue to be acquisitions. Of the European tech companies that have seen an exit in recent years, nearly 90 percent (89.7% to be exact) were acquired, followed by only 4.4% that has completed an IPO.
- While there were 36 European tech IPOs at the peak in 2017, that number steadily decreased by nearly 42% to only 21 in 2018. In 2019, the number of tech IPOs in Europe will be significantly lower even than that; Tech.eu tracked only 5 tech IPOs in the first three quarters of the year so far.

6 European tech scale-ups: POLICY

- On a European institution level, there are a number of initiatives poised to unlock more capital - both private and public - for the advancement of science, innovation, research and development.
- The European Commission has proposed a budget of €100 billion for the Horizon Europe programme, which is intended to keep the EU at the forefront of global research and innovation. The proposal is now subject to formal approval by the European Parliament and Council.
- The Commission, together with the European Investment Fund, has also launched a pan-European VC Funds-of-Funds programme called VentureEU, which it expects to trigger an estimated €6.5 billion of new investment in innovative scale-ups across Europe.
- One crucial priority of the future EU leadership to support startups and scale-ups in Europe alike, should be to support and enhance their ability to attract, hire, (re)train, compensate and retain the best talent from around the globe to help them scale their businesses.
- Especially in the fintech sector, the European Union has made great strides in trying to level the playing field between large financial organisations and startups/scale-ups, leading to a healthy and fast-growing industry across Europe.
- At a member state level, France is making a bold move with its recent announcement to earmark €5 billion in funding for boosting its homegrown scale-ups. Other EU countries seem to be left behind when it comes to initiatives to support late-stage tech companies in particular.

Contents

1. The dawn of late-stage funding for Europe's tech scale-ups

1.1 Introduction

According to data from Pitchbook, a whopping $132.1 billion of venture capital was invested in the US in 2018, as $100 million rounds for tech companies started becoming 'the new normal'. According to CB Insights, the number of rounds sized $100 million and above to US startups nearly tripled between 2016 and 2018, rendering them 'almost routine'.

In Europe, in comparison, roughly €25 billion in private capital flowed to tech companies in 2018, at current conversion rates ($27.7 billion) only slightly more than one fifth of the total funding monitored across the Atlantic.

While this discrepancy belies the growth and maturation process the European tech startup sector has seen over the past years, particularly in its companies' early and growth stages, Tech.eu and Stripe set out to discover what was happening in Europe when it comes to late-stage funding deals, and the overall financing and exit trends for European tech scale-ups.

One thing is for sure: monster rounds - for this report, any financing round of €100 million or more - are far from becoming 'the new normal' in Europe.

That said, there has been a significant increase of such mega deals, particularly in the last twelve months, as companies like Deliveroo (UK), N26 (Germany), Glovo (Spain), Doctolib (France), Klarna (Sweden) and OutSystems (Portugal) attract late-stage funding from a diverse mix of investors from around the globe.

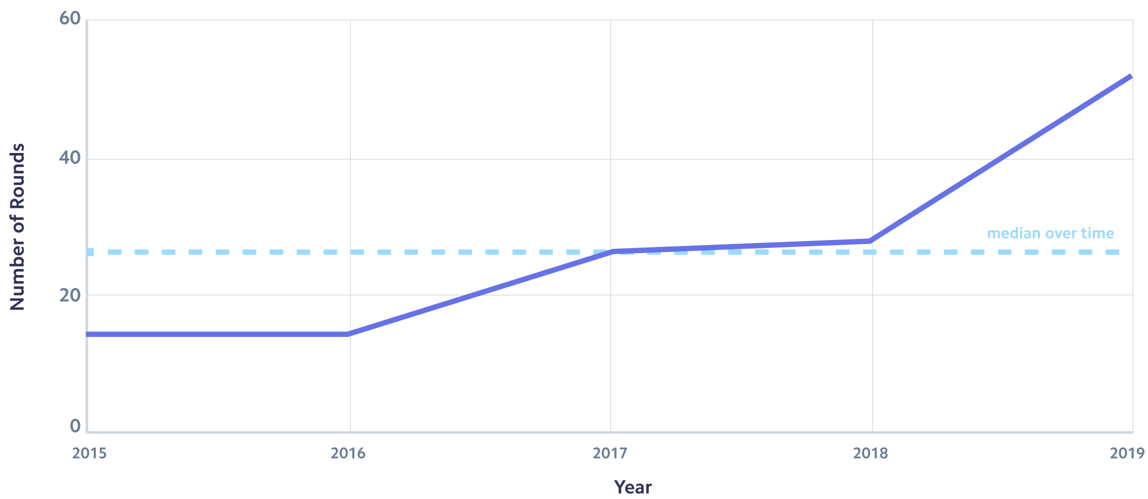
The chart below shows the significant jump in late-stage funding announcements from European tech scale-ups, which started in Q4 of 2018 and has continued until the end of Q3 2019, when we marked the end point for analysing the data.

In the first three quarters of 2019 alone, Tech.eu recorded 52 late-stage funding rounds for European tech scale-ups, a 60% positive percentage difference compared to full year 2018, when 28 funding rounds were tracked.

The number of late-stage funding rounds in 2017 and in 2018 were almost equal and slightly above the overall median (26 rounds), but it was also roughly double the number of such rounds (14) tracked in both 2015 and 2016.

Number of European tech late-stage funding rounds per year

Outstanding increase occurs in 2019



That this trend is bound to continue and likely even accelerate, is demonstrated by five significant late-stage funding rounds announced in October 2019 (Q4) but excluded from this data set and thus report, including the $110 million equity financing round for France's Algolia, UK-based Sonovate's £110 million in debt and equity funding, and Germany's e-commerce tech scale-up Commercetools, which raised €130 million in a growth round of funding led by Insight Partners.

In Israel, meanwhile, mobile marketing company ironSource took in more than $400 million from private equity investor CVC Funds, while Fabric (formerly known as CommonSense Robotics) raised a $110 million Series B round.

It remains to be seen what the final tally will be at the end of 2019, but with scale-ups like UK-based fintech company Revolut reportedly in a bid for a $1.5 billion debt and equity round and Germany's Lilium reportedly in talks with investors to raise between $400 million and $500 million in new funding, the signs are clear.

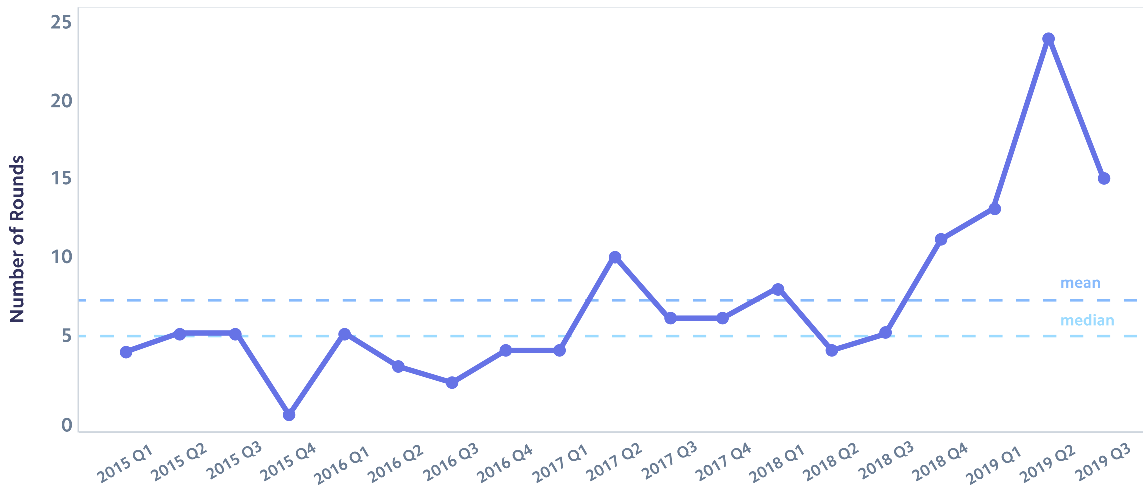
Finally, it's worth noting that there is also a rise in valuations of European tech companies, although this is hard to prove with data as private companies in this region tend to keep that information very close to their chests. However, there are examples to point to, such as Switzerland-based, which raised more than €36 million at a $1 billion+ valuation in August 2019, and Munich, Germany-founded startup Celonis, which raised $50 million at a $1 billion valuation in June 2018.

Another example is Hamburg, Germany-based and Peter Thiel-backed fintech scale-up Deposit Solutions, which sold a 4.9% stake in its business to Deutsche Bank, valuing the company at around €1 billion.

If the overall trend continues, it's companies like these that will no doubt show up in future reports on late-stage capital for European tech scale-ups.

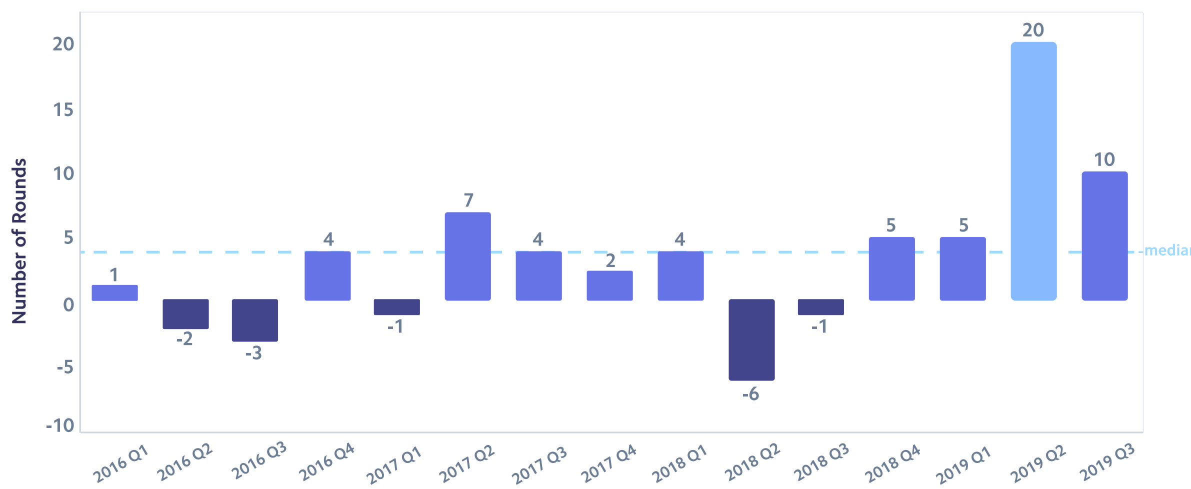
Number of late-stage funding rounds in Europe by quarter

Peaks happen from 2018 Q4 onwards



Jumps over time

Compared to the relevant quarter in the previous year each time



1.2 Which European tech scale-ups have attracted the most late-stage funding from 2015 to Q3 2019?

Delivery Hero and Spotify, two leading European tech companies in their fields, have recently started trading its shares on the Frankfurt and the New York Stock Exchange respectively, bucking a trend as both have raised significant amounts of private capital shortly before going public.

This runs counter to a global trend of technology companies raising these mega rounds of funding precisely to stay private longer than ever before, as companies like WeWork, Uber, Lyft and others have proven how tricky entering (or trying to enter) the public markets can be. The increasing availability of growth capital, or other financing options, provided by companies with very deep pockets such as SoftBank through its Vision Fund (Auto1 et al.), Amazon (Deliveroo), hedge fund Coatue (UiPath) and growth equity firm Lead Edge Capital (Transferwise) has been a boon for companies choosing this path.

Wirecard is an outlier, as it made the list thanks to a post-IPO financing deal reached with an affiliate of SoftBank to the tune of €900 million. The German fintech scale-up issued convertible bonds with a term of five years exclusively to SoftBank, which would give the investor about 5.6% of Wirecard's share capital.

With the exception of Wirecard, all the European tech scale-ups in the top 10 list of late-stage funding rounds were founded less than 15 years ago, with two of them (OakNorth and Letgo-Wallapop) less than five years old.

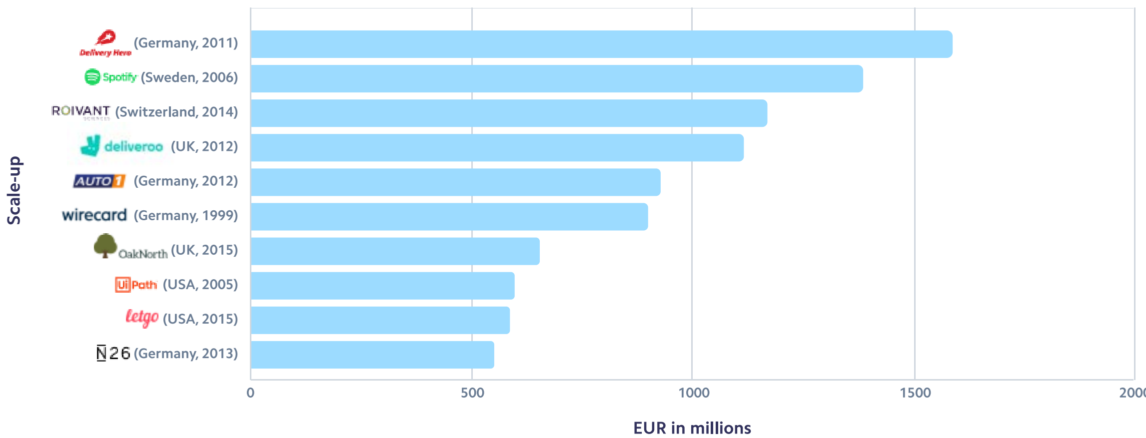
Germany stands out in the top 10 list with almost half of the companies (4) that have raised the biggest amounts in late-stage financing hailing from the country, ahead of the UK with 2 inclusions in the ranking. The United States also pops up twice, but it’s worth noting that this is because Letgo and UiPath are currently headquartered in the US, though founded and still with significant operations in Spain and Romania, respectively.

Most of the companies in the list are job growth engines, employing multiple thousands of employees in various locations, with Delivery Hero boasting 22,000 employees globally, and Spotify more than 4,100 employees around the world just to highlight a pair.

Others remain more nimble for now; UK-based fintech scale-up OakNorth Bank, for instance, raised a $440 million funding round from SoftBank’s Vision Fund in February 2019 but employs less than 300 staff according to LinkedIn.

Top 10 European tech scale-ups by total late-stage funding size

Location and founding year in parenthesis



1.3 Where is the money coming from?

The data clearly shows that the increase in late-stage funding rounds for European tech companies is not a matter of traditional VC follow-on rounds.

In fact, American, and to a much lesser degree British, German and Swedish growth equity investors, private equity firms, hedge funds, corporates and event sovereign wealth funds are leading the charge, albeit alongside the two elephants in the room - Japanese corporate SoftBank's Vision Fund and the South Africa-based Naspers group.

Indeed, a look at the list of investment firms who've backed late-stage tech businesses in Europe with €100 million+ in recent years proves that the capital is coming from a diverse mix of investors from across the globe.

The bulk of the late-stage capital is coming from the US, with firms such as Insight Venture Partners (Veeam, HelloFresh, Delivery Hero, N26, Darktrace, TeamViewer etc.), Goldman Sachs, KKR, Summit Partners, General Atlantic, TPG Growth, DST Global, ICONIQ Capital, Kleiner Perkins, Sequoia Capital, Intel Capital, TCV, New Enterprise Associates etc. actively scouting for leads or participation in European tech mega deals.

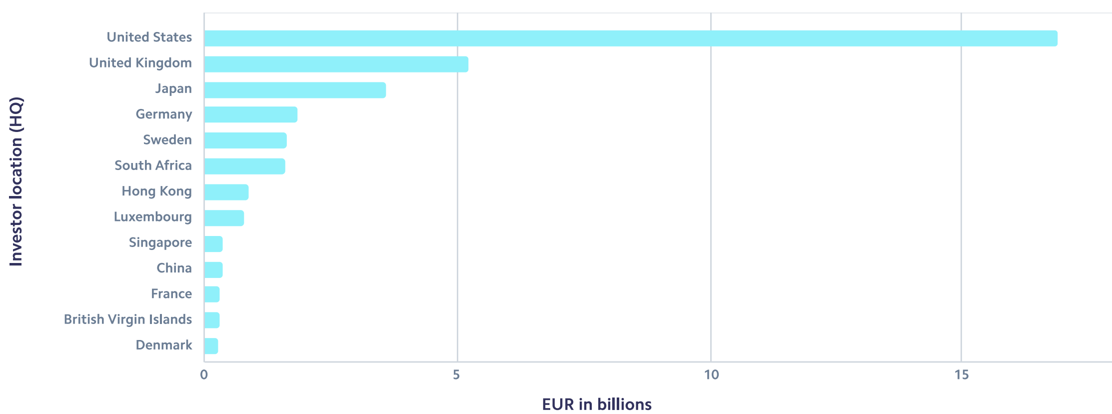
Also notable are big bets taken by big American tech companies, such as Amazon leading a major investment in Deliveroo, and Microsoft joining the $200 million round for another UK-based tech leader, Graphcore.

Notably, investment firms based in mainland China and perhaps also France are nowhere near as big an investor in late-stage funding rounds for European tech companies than might be expected, while South Africa weighs heavily thanks to it being the headquarter location for Naspers, a group that has made significant investments in European tech scale-ups in recent history.

Of the top 10 investors in late-stage financing rounds for European tech scale-ups, more than half (6) are headquartered outside of Europe (US, Japan, South Africa, Hong Kong, Singapore and China - in that order).

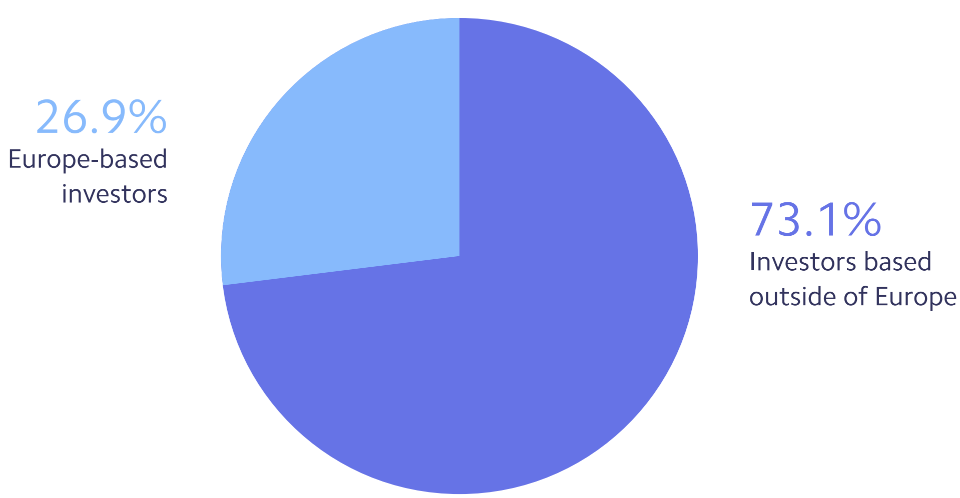
Where are the major backers of Europe's tech scale-ups located?

US investors lead by a margin



Looking at the total size of late-stage investment into European tech scale-ups from 2015 to Q3 2019, the picture becomes even clearer: close to 75% of mega round investments come from 'foreign' investors, with just north of a quarter of the volume from Europe-based investors.

Amount of investment in EU scale-ups from inside and outside the EU



1.4 Investment firms are keen to chase late-stage financing deals across the globe

In October 2019, Bessemer Venture Partners, one of Silicon Valley's oldest VC firms, raised a $525 million fund to invest in later-stage tech scale-ups. Earlier this year, Andreessen Horowitz announced that it had raised almost four times as much - $2 billion - for its first late-stage venture fund. Y Combinator, meanwhile, is actively investing in scale-ups through its Continuity Fund (size unknown).

Those are just a handful of examples, but the trend is clear, and it's not only happening in the US: Singapore-based Vertex Venture Holdings recently closed a $290 million fund earmarked for late-stage bets, and Japan-based Rakuten has raised multiple funds to seize on such opportunities globally - to name a few.

In Europe, too, investors are keen on staying in - or entering - the game.

Looking at recent mega deals, active European late-stage investment firms include Kinnevik, Eurazeo, Permira, Baillie Gifford and Daimler, but more traditional VCs are not planning to be left behind: Switzerland-based Lakestar is attempting to raise one the largest-ever European funds for startup investments at $800 million, while prolific investor Rocket Internet has reportedly raised a second $1 billion fund in September 2019.

Other significant European investment firms/funds:

- Accel, which raised a $575 million fund in May 2019
- Atomico, which closed a $765 million fund in February 2017
- Index Ventures, which closed $1.65 billion in new funds in July 2018
- Balderton, which raised a $375 million fund in November 2017
- Idinvest Partners, the private equity and VC firm owned by Eurazeo, raised its third 'digital fund' at €350 million in October 2019
- IQ Capital, a Cambridge-based VC firm focused on deep tech investments, launched a new $125 million Growth Opportunities Fund in July 2019
- UK-based Dawn, a VC firm that's focusing on B2B software and fintech, has closed its new Opportunities Fund at $125 million in June 2019
- Germany-based Digital+ Partners raised a €350 million fund in July 2018 to back European B2B tech startups that are ready to scale up
- On the 1st of November, London-based VC firm Frog Capital announced the first close of its second scale-up fun, which is expected to accumulate over €150 million

The list goes on, but the writing is on the wall. The question is: can European investors keep up?

1.5 How much are European VC firms lagging behind in the race for late-stage funding deals?

European investment firms are playing catch-up when it comes to late-stage investments, and it will take some time for those investors to reach the levels of its most active US and Asia-based peers.

While the data shows that Europe has made great strides (especially in 2018, which was almost 4.5X that of 2013) there are still major issues to resolve, especially in light of the fact that Israel and China started their activities at a similar time and have been able to overtake Europe.

Our data shows that in a sample of €3.6 billion of late-stage funding rounds for European tech scale-ups (taking in data from investments between €150 million to €300 million), only €1.4 billion of those included Europe-based VCs.

Even then, it is worth noting that more than half (55%) of those rounds still included a US investor. As has been noted in the Policy section, government support has been late to the party, and is sporadic at best. The creation of the European Investment Fund (EIF) along with grants on national levels, such as the German High-Tech Gründerfonds (HTGF), and the Austrian AWS, are increasing government budgets that can be applied to, or trigger, investment. The failure to create the EASDAQ, to rival NASDAQ, has also contributed to Europe's investment woes.

As can be seen elsewhere in the report, most later-stage investment rounds in European tech scale-ups are led by non-European investors. Softbank (Japan) led the investment for Auto1, DST Global (Russia) led the investment in Revolut, and Mubadala (UAE) led the investment round for WeFox, just to name a few.

In other words, founders of European tech scale-ups are looking beyond European investment firms to maintain growth levels after their initial and Series A/B rounds - because it often makes sense to see out investors that can help them break in to, or accelerate expansion in markets outside of this region, but also because of a clear lack of available options in Europe.

As noted earlier, European investment firms are in the market for larger funds earmarked for late stage financing deals, but a lack of pension fund investments is one of the aspects holding Europe back.

In the US, up to 20 percent of all investment money comes from pension funds. In Europe, it is 2 percent. The Nordics are lighting the way, however. A new rule in Sweden implemented in 2018 allows private pension schemes to now put up to 40% of their money into alternative investments. There has also been some commentary in the industry that the difference in business model between US and EU VCs is partially to blame. The typical 2 percent fixed management fee, 20 percent carry model employed here means that, combined with lower EU performances, fund managers can comfortably live off the management fee, and therefore have little skin in the game.

This may never change, given the cultural differences between the US and EU countries, each of which is diverse - that's both a problem, and a positive, depending on your viewpoint. But Europe lags behind in results. To wit: of the 20 most valuable tech companies in the world, not one was founded in Europe.

Whether the current move to bring more government money into play, or changes in any of the other issues highlighted above, can fix the issue quickly enough is something that is being debated by the VC community regularly.

1.6 A look at mean and median funding stats

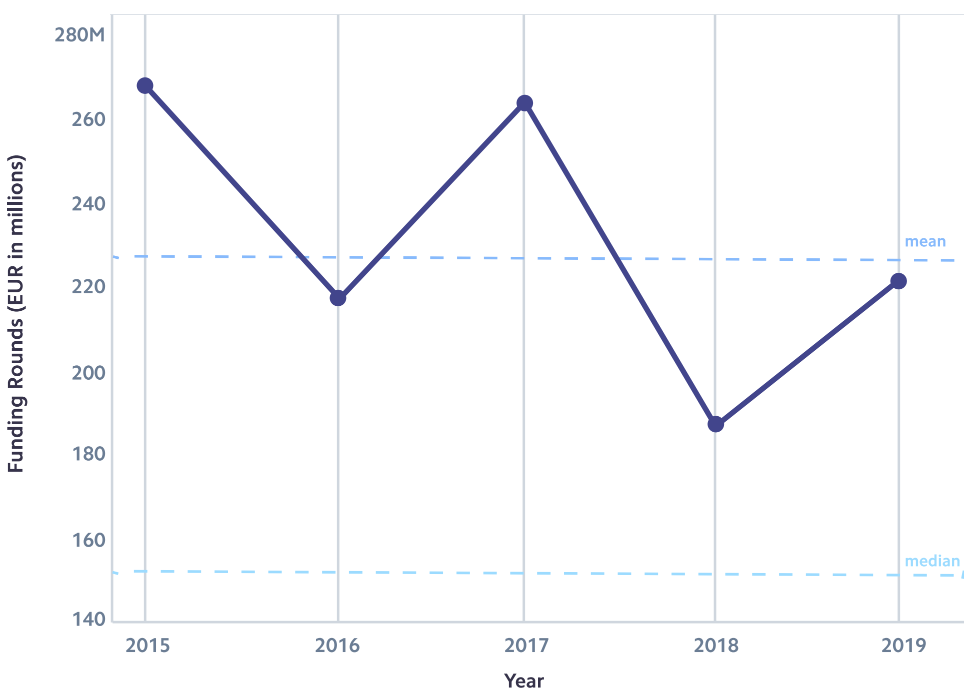
Interestingly, even though the number of late-stage financing deals for European tech scale-ups has increased significantly over the last four years (roughly x4 to 52 rounds in Q1-Q3 2019), the median size decreased slightly.

This translates to a relatively healthy spread of risk: given that the mean size doesn't shift significantly even though the overall number of late-stage financing rounds grows over the years, this means that investors have access to more European tech scale-up deals than ever before, sans increased liability.

For most of the years tracked for this research report, the annual median size of funding rounds was slightly below or above the overall median size, including in the growth period between Q4 2018 and Q3 2019.

Mean size of late-stage funding rounds by year

2015 and 2017 are on top; 2019 is rising



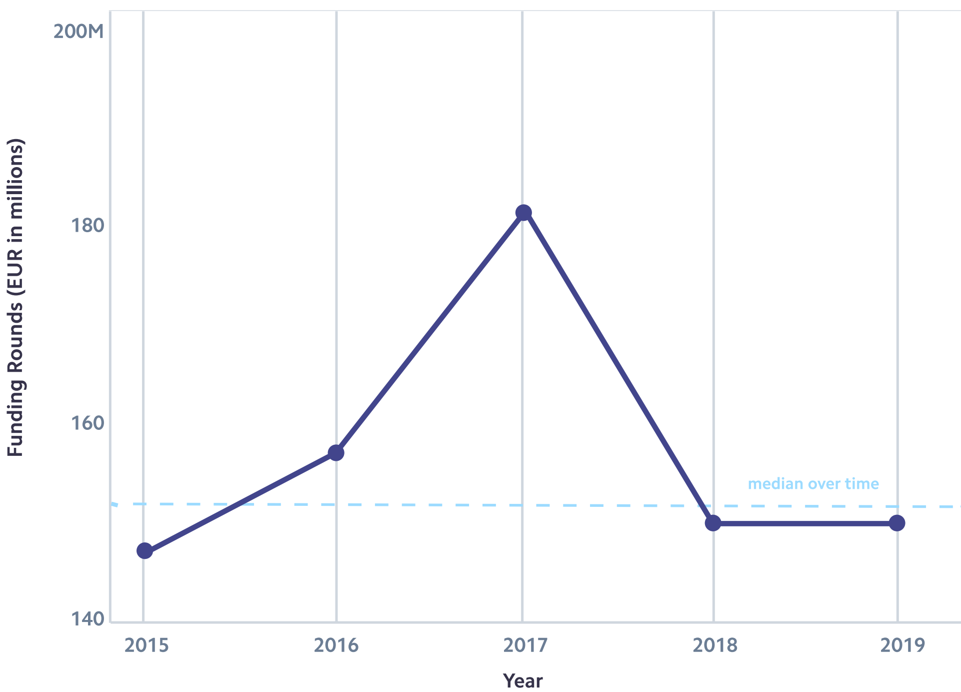
A big exception was 2017, when the median funding size exceeded the overall size significantly (€181 million compared to €152 million to be exact).

In 2017, this coincided with an increase in mean size (see chart above), but there was also an increase in mean size in 2015, even though the median size that year came out below the overall median funding size.

That means there was already a relatively small amount of really big rounds for European tech scale-ups in 2015, but 2017 represented 'real growth' that has continued yet normalised in subsequent years.

This is a clear good sign for founders and investors alike.

Median size of late-stage funding rounds by year



1.7 A look at correlation between number and total size of European late-stage tech funding

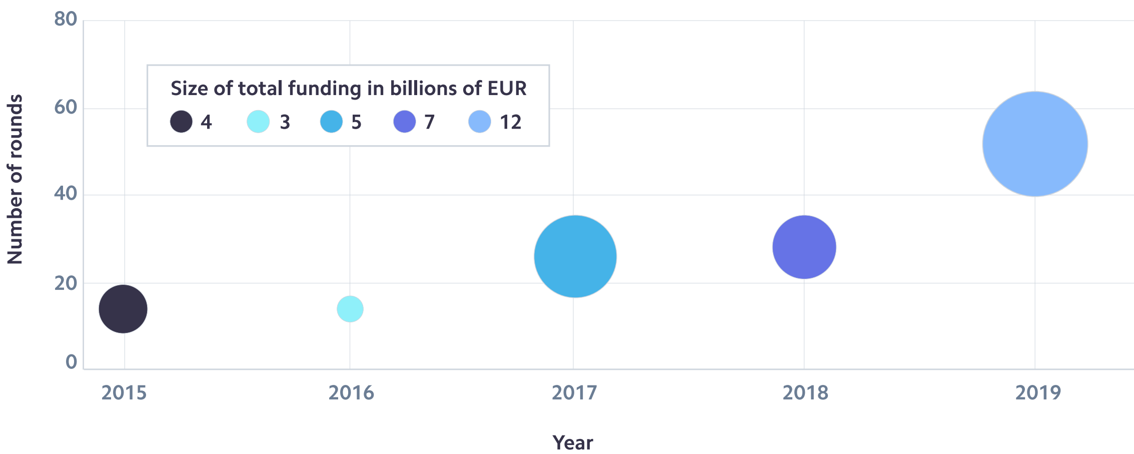
Evidently, the increase in the number of €100 million+ funding rounds has resulted in a growing total investment volume for European tech scale-ups.

As the chart below shows, in 2015 and 2016 the situation was largely the same (14 rounds, €3-4 billion in total annual investment size for both years). But the number of late-stage funding rounds went on to almost double in 2017, and in 2018 the situation was again similar to the year prior (26-28 rounds, €5-7 billion in size).

In the first three quarters of 2019, the number of rounds doubled again already, compared to full year 2017. As a logical result, the total funding size has seen a considerable uptick - it climbed to €12 billion in the period Q1 2019 to Q3 2019 - and if this trend continues we are likely to see close to triple the number of €100 million+ financing rounds by the end of 2019 compared to the year before, and four times as many as three years ago (cfr. €3 billion in late-stage funding in 2016).

The data also shows that 2017 was an interesting outlier, as annual funding amounted to €7 billion from 26 late-stage deals, whereas 2018 saw only €5 billion in late-stage financing for European tech scale-ups, although there were two more deals tracked compared to the year before.

Correlation between number and size of late-stage funding rounds



Furthermore, the overall growth curve of total late-stage funding size and the significant surge in 2019 hides the fact that the mean size doesn't necessarily increase all that much as the number of rounds jumps.

The more rounds per year, the larger the mean size?

Not necessarily; 2019 seems to differ surprisingly

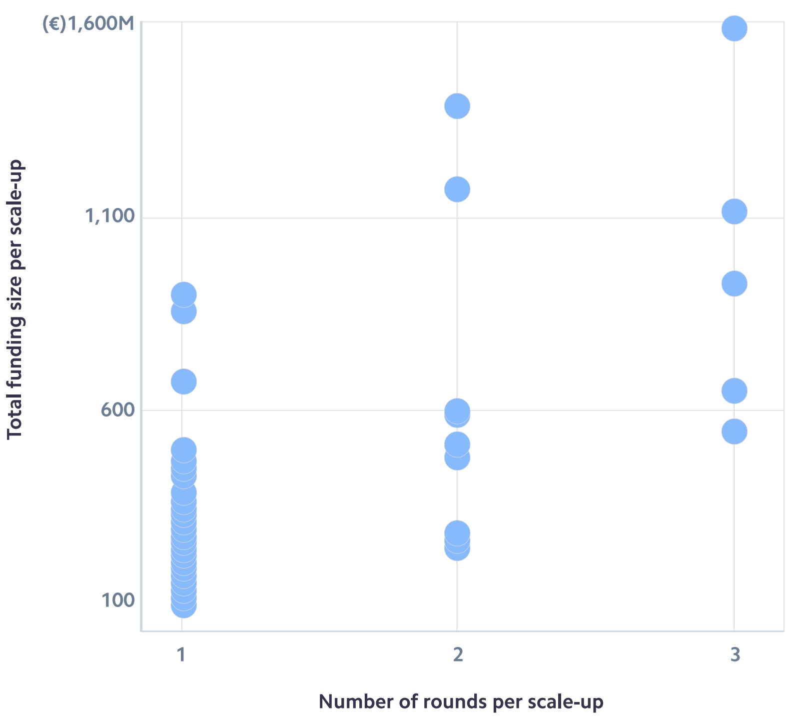
Also worth noting is the finding that more financing rounds for late-stage scale-ups in Europe don't automatically translate to a larger amount of total funding. As the chart below shows, companies that raise only one or two late-stage funding rounds sometimes come out on top of, or just behind, companies with 3 rounds of late-stage financing in terms of total size.

GetYourGuide, for instance, only closed a single round of late-stage funding, but it amounted to €500 million, whereas Transferwise closed two rounds worth a total of €515 million, and N26 required three separate financing rounds to get to €550 million in late-stage funding.

In other words, the sheer number of late-stage funding rounds raised by companies isn't necessarily the best indicator to measure growth in this regard.

The more rounds for a specific scale-ups, the larger total funding?

Not necessarily

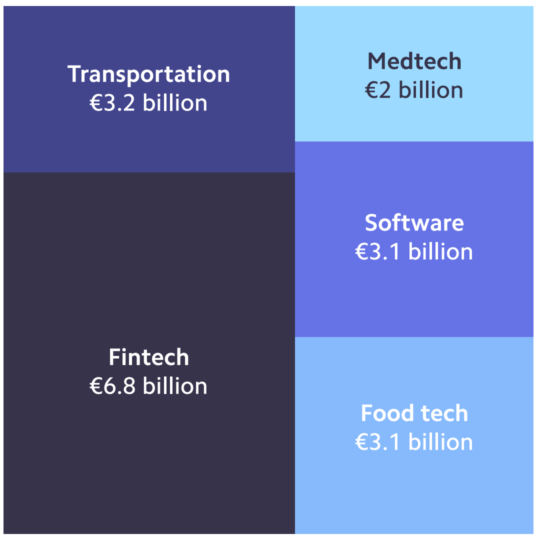


2. A look at the verticals attracting late-stage funding in Europe

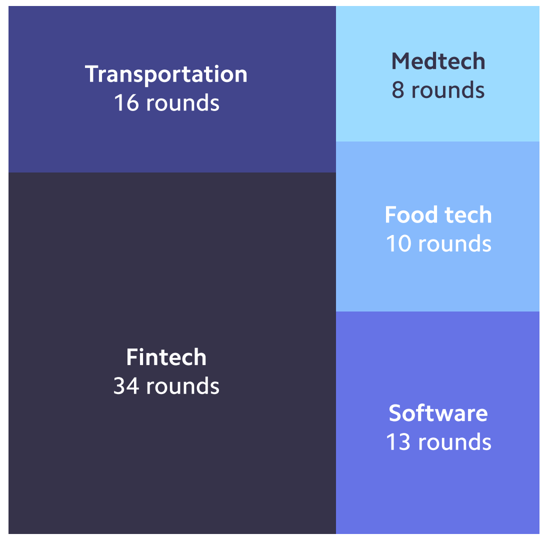
In 2018, the bulk of overall private capital funding rounds went to companies in the [fintech, transportation and medtech/health tech sectors] (note that the latter excludes pure biotech, pharma and life sciences deals). Those three major verticals also show up in the top 5 list of sectors attracting late-stage funding rounds in Europe, complemented by 'food tech' and 'software/SaaS'.

These are clearly Europe's strengths today, underlined by the fact that the same five industries make the top 5 when looking at total funding size on the one hand, and the sheer number of late-stage financing rounds tracked from 2015 to Q3 2019 on the other hand.

Top 5 verticals in Europe based on total late-stage funding size



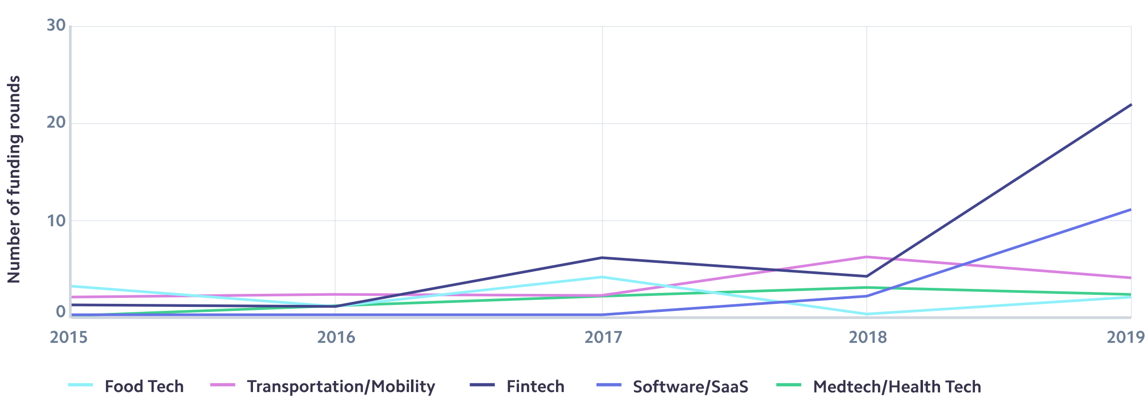
Top 5 verticals in Europe based on number of late-stage funding rounds



Yet, as the chart below clearly shows, an increase of funding flowing to European fintech and software scale-ups was largely to thank for the overall surge in €100 million+ funding deals for European tech companies in the last twelve months.

Growth in number of late-stage rounds for the top 5 verticals over time

Fintech recently increased rounds significantly



2.1 Fintech

On the fintech front, we recorded UK scale-ups such as Transferwise, Monzo, Revolut, OakNorth, Funding Circle, LendInvest and Atom Bank closing mega financing rounds, in addition to the likes of Wirecard, N26, SumUp (Germany) and Klarna (Sweden).

In total, there were 34 late-stage deals for European fintech scale-ups from 2015 to date, but the large majority of those (22 rounds, or nearly 65%) were closed or at least announced in the first three quarters of 2019.

This is clearly driving a lot of the growth outlined earlier in the report; we tracked only 4 late-stage fintech financing deals in Europe in 2018, but nearly five times as many in 2019, even excluding the ongoing fourth quarter of this year.

2.2 Software

The Software/SaaS vertical witnessed a similar growth pace, with a jump from only two late-stage funding deals in 2018 to a total of eleven in the first three quarters of 2019, or roughly 5X in less than a year.

The Software/SaaS vertical encompasses a rather large swath of companies, but it's scale-ups like UiPath (Romania-born), Veeam (Switzerland) and OutSystems (Portugal) that are attracting large rounds of financing and ensuring that the rise of European SaaS continues, and not only in the mature ecosystems.

To wit, funding for European SaaS companies rose from $2 billion to $5 billion from 2016 to 2019, demonstrating faster growth than SaaS in the US according to Accel's recently published Euroscape report for 2019. As these companies mature and continue to showcase healthy annual recurring revenue (ARR) numbers, it's likely that big bets will be placed on the fastest-growing companies in this sector.

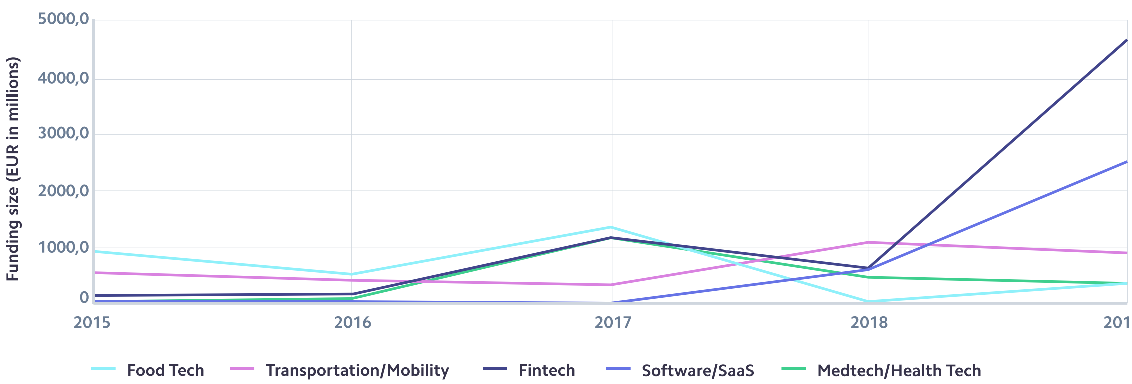
2.3 Transportation, food and medtech

In the 'transportation/mobility' vertical, it's companies like BlaBlaCar (France), Gett (Israel), FlixMobility (Germany), Cabify (Spain) and Bolt (formerly known as Taxify, Estonia) leading the charge, while the 'food' category growth is driven by the likes of pre-IPO Delivery Hero and HelloFresh (Germany), Wolt (Finland) and Deliveroo (UK). Those sectors are, however, not the ones driving the growth of late-stage funding in Europe, at least not to the degree of fintech and software/SaaS.

Neither is medtech/health tech, which is surprising given that there is a lot of capital flowing to early-stage and growth-stage companies from across Europe, as the previous Tech.eu/Stripe reports demonstrated. Likely, the nature of the sector and its strict regulatory environment means that companies take longer to go to market and/or mature to a point where they are ready to command late-stage financing deals in the orders of magnitude we see in the fintech and software verticals. Extrapolating our findings in the previous reports, we expect growth in this area in the coming years when it comes to late-stage financing.

It is worth noting that Tech.eu excludes pure biotech, life sciences and pharma companies from the data set, which skews the numbers based on perspective/methodology. For more on the latter, please refer to the relevant section later in this report.

Growth in number of late-stage rounds for the top 5 verticals over time



3. A closer look at where in Europe late-stage tech funding rounds are taking place

For all intents and purposes, the United Kingdom remains the leader in European tech, with total venture capital investment in UK tech [topping €5.7 billion in 2018 according to Tech.eu research](), more than any other European country. According to a recent [Tech Nation report](), more than one third (35%) of Europe and Israel's 169 unicorn tech companies have been created in the UK to date.

However, the significant diversity in mature tech companies in Europe and their ability to attract late-stage financing from investors located across the globe, shows that Germany is slightly ahead on this front, and currently neck and neck with the United Kingdom. Notably, the two countries are far outpacing the rest of the top 5 list, which is rounded out by Israel, Sweden and France.

From 2015 to Q3 2019, German tech scale-ups like Wirecard (a post-IPO funding round from SoftBank), Delivery Hero, Auto1, N26, FlixMobility, Global Fashion Group and others have raised late-stage funding to the tune of almost €8 billion. Large investments by the likes of Rocket Internet and Sweden's Kinnevik have fueled the country's growth in terms of late-stage funding.

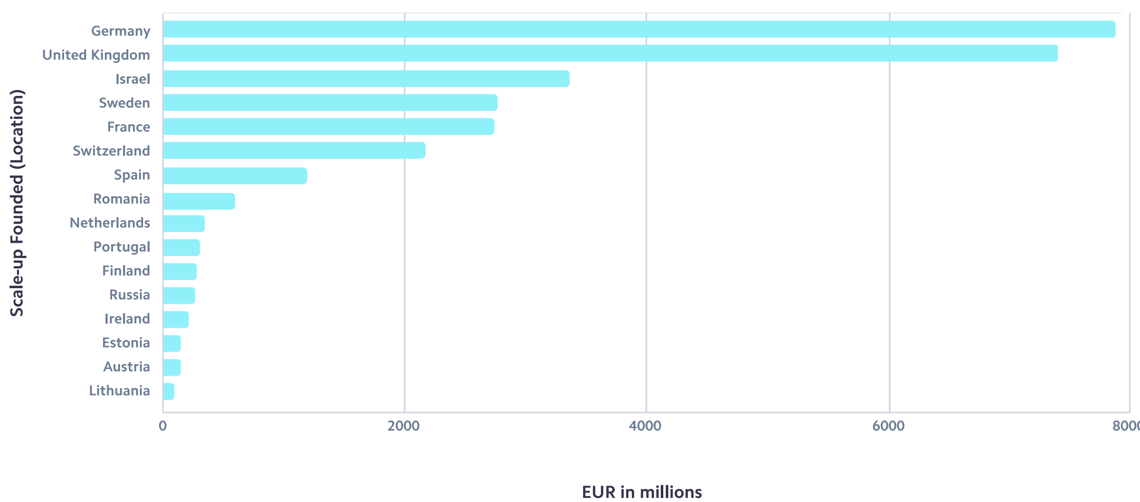
The other driver of the European market, the UK, comes out at about €7.5 billion in late-stage funding, a number that notably can rise quickly before the end of the year with rumoured mega deals for Revolut and Monzo in the works. That said, the same is the case for Germany (with Lilium reportedly in talks with investors to raise between $400 million and $500 million in new funding) and Israel (where mobile marketing company ironSource just announced more than $400 million from private equity investor CVC Funds after the end of Q3 2019).

It is worth keeping an eye on France, and in particular the list of [French 'Next40' scale-ups] that are primed for substantial growth in the near future.

Switzerland and Spain are behind on the top 5 countries in the list, but close on either side of the mean funding size for the data set (€1.8 billion), with the former small nation enjoying its place in the ranking thanks to recent big financing rounds for companies like Roivant and Veeam.

Where are the European scale-ups attracting late-stage funding based?

The UK and Germany are clearly driving the market



4. Who are the investors backing Europe's late-stage tech scale-ups?

Evidently, there are far fewer investment firms in the world that are capable of leading or even participating in €100 million+ funding rounds than during the earlier stages of capital-hungry tech businesses. As a result, the number of investors in those rounds is typically lower than your average Series A of B funding round.

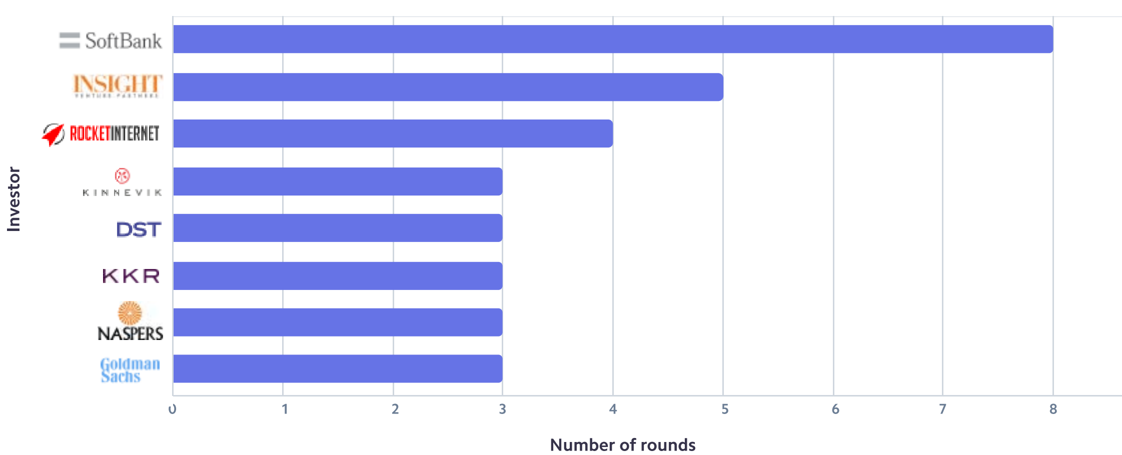
In fact, the data shows that the majority of late-stage financing rounds for European tech scale-ups involve only a single investor (62.9%), while 17.4% and 9.1% of rounds involve two and three investors, respectively.

Only 10.7% of late-stage funding rounds for European tech companies involve more than three investors.

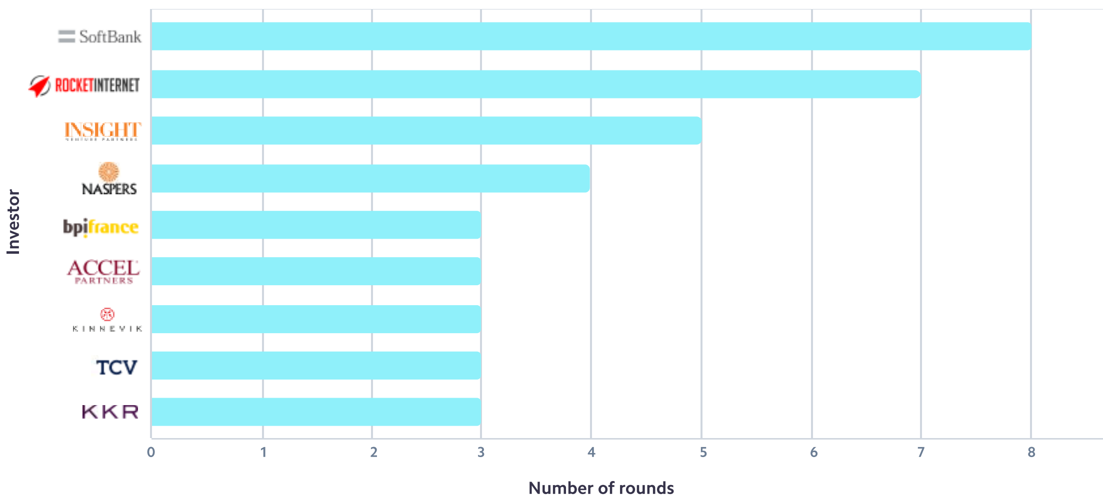
The 'big dogs' - investment firms capable of leading mega funding deals on their own - that are investing in European tech include SoftBank and its Vision Fund, US-based growth investment company Insight Venture Partners, Germany's Rocket Internet, Sweden-based investment group Kinnevik and DST Global.

Based on the number of rounds they have led, that top 5 is followed by the likes of KKR (US), Naspers (South Africa) and Goldman Sachs (US). The latter may not often do rounds on its own, but Goldman Sachs actually comes out on top when you look at the total number of late-stage financing rounds for European tech scale-ups it's been involved in, outpacing Rocket Internet and even SoftBank.

Top solo investors in European late-stage deals by number of rounds



Investors in European scale-ups, by participation in late-stage deals



SoftBank is the king, however.

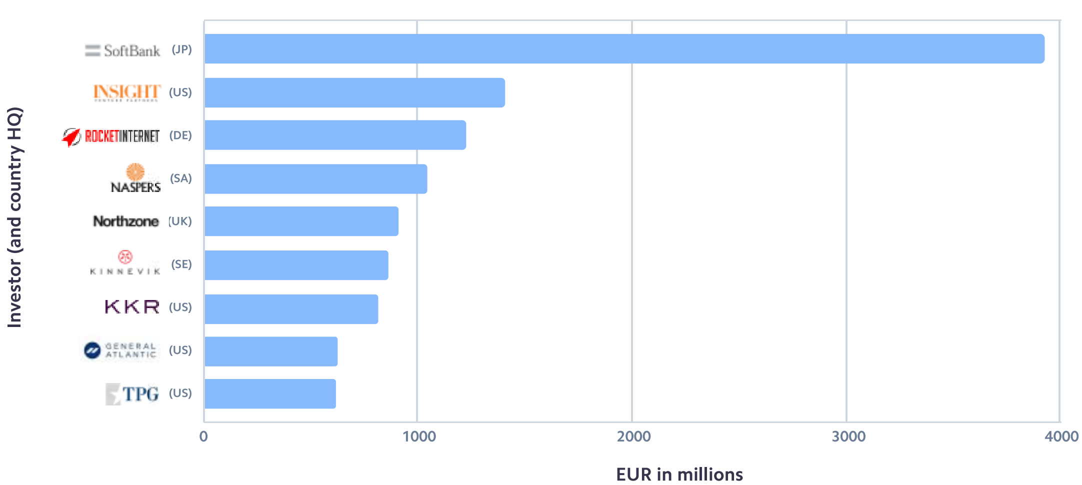
Its domination becomes clearer when you look at the ranking based on total funding size. Through its Vision Fund, the Japan-born investment behemoth has pumped nearly €4 billion into European late-stage companies, while Insight Venture Partners has deployed 'only' about €1.4 billion in capital from 2015 to Q3 2019.

In other words, the second-biggest backer of European tech scale-ups has injected roughly only a third of capital compared to the leader.

Another way to look at it: even if you add up the total funding provided by Insight (~€1.4 billion), Rocket Internet (~€1.2 billion) and Naspers (~€1 billion), you would still come up rather short for SoftBank's €3.9 billion in total.

In fact, that difference of €300 million would be almost the total amount invested in Europe's tech scale-ups by the European Investment Bank.

Top solo investors in European late-stage deals by total funding size



5. A closer look at exits

The availability of significant amounts of growth capital for late-stage European tech scale-ups from a wide variety of potential sources - thought mostly situated outside of the region - is inevitably having a massive impact on the exit market.

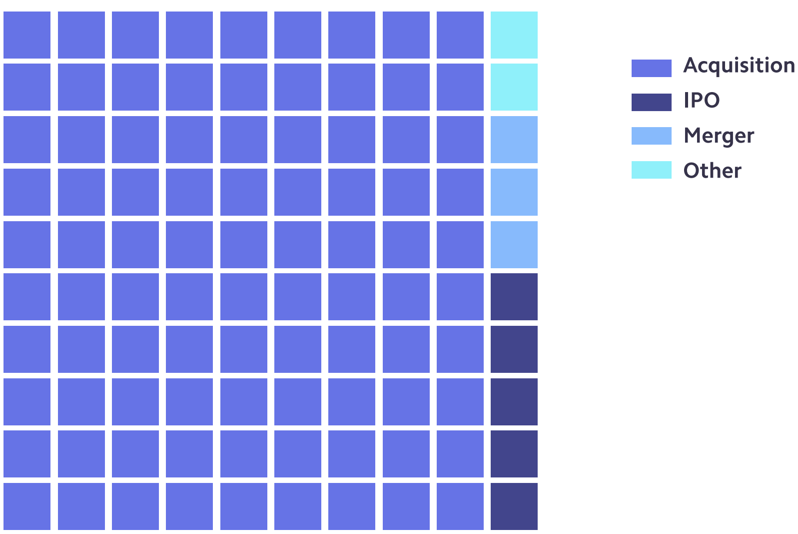
Following a global trend, European growth companies are staying private a lot longer than ever before, which is driving down considerably the number of tech acquisitions and IPOs across the region.

That's not to say a small number of companies which have raised a €100 million round or larger from 2015 to Q3 2019 haven't since exited by way of M&A or IPO (e.g. PayPal buying iZettle, Ctrip acquiring Skyscanner, or Spotify going public on the NYSE by way of directly listing its shares).

While the vast majority of companies raise substantial financing rounds precisely to stay private and independent, exits still take place, though clearly most are acquisitions. Of the European tech companies that have seen an exit in recent years, nearly 90 percent (89.7% to be exact) were acquired, followed by only 4.4% which have started trading shares on the public markets.

European tech exits by type (2015 - Q3 2019)

Almost 90% of exits were acquisitions, only 4.4% IPOs

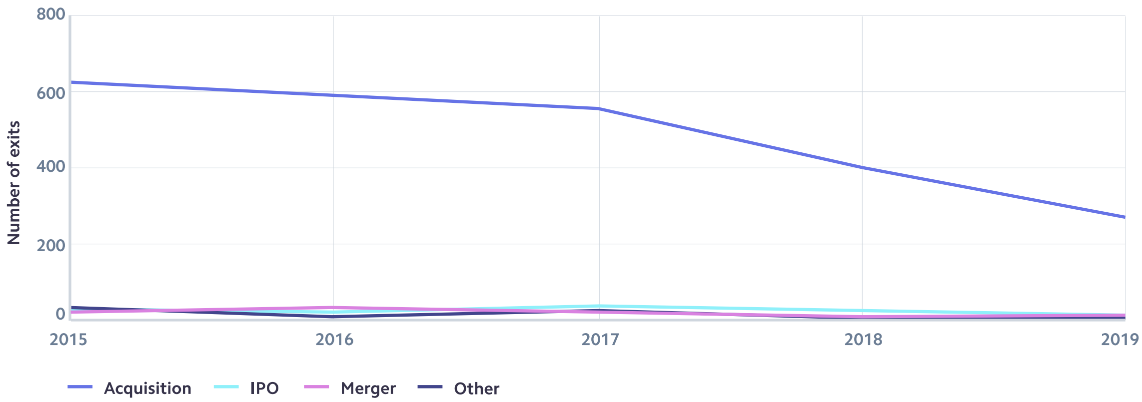


While the share of acquisitions compared to overall exits remains very high, the fact that companies are raising bigger rounds as depicted earlier in this research means that they are able to stay private and independent longer than ever before, putting pressure on Europe's stock exchanges in particular, and acquisition-hungry corporations to a lesser degree

As a result, the number of acquisitions of European tech scale-ups that have raised significant rounds of funding in recent years is dropping fast over time. While Tech.eu tracked 629 acquisitions in 2015, that number decreased by nearly 12% to 555 by 2017, and in the first three quarters of 2019 to a mere 273 deals.

European tech exits over time

As companies stay private longer, the number of acquisitions drops



Looking at tech IPOs in Europe, the signs are even clearer. While there were 36 IPOs at the peak in 2017, that number steadily decreased by nearly 42% to only 21. In 2019, the number of tech IPOs will be significantly lower even than that; we recorded only 5 tech IPOs in Europe in the first three quarters of the year so far.

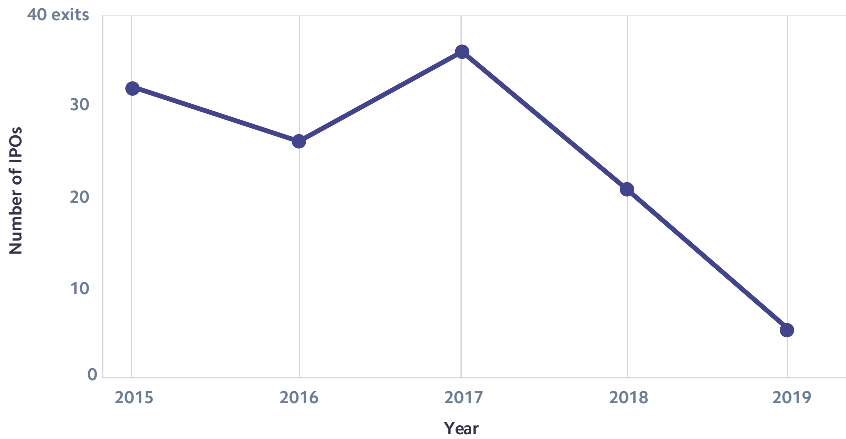
Worth noting: one of those few tech IPOs this year was the listing of German remote connectivity software maker TeamViewer. Its IPO gave it a valuation of €5.25 billion when it started trading its shares on the Frankfurt Stock Exchange in September 2019.

There have also been a number of notable 'almost-IPOs' in the European tech space. France's Deezer, for instance, pulled its planned IPO in October 2015 in favour of staying private a while longer; the company went on to raise a €160 million round in August 2018 and may make another attempt at a public listing in the near future.

Germany's HelloFresh also publicly decided to scrap a planned IPO in 2015 to eventually go public in November 2017.

Another example is iZettle, which was well on its way to the public markets when PayPal suddenly swooped in and acquired the Swedish fintech scale-up for $2.2 billion in May 2018. The UK-based travel meta search and booking scale-up Skyscanner, too, was mulling an IPO when China's Ctrip acquired the company for £1.4 billion back in November 2016.

European tech IPOs over time



6. A look at policy

With technology companies now ranking among the largest businesses on the planet by market capitalisation, it is of little surprise that governments across Europe, too, are eager to ensure its scale-ups continue to thrive.

Companies in this space are driving technological advancements, innovation across industries, economic and net job growth, and increased competition which tends to lead to improved products and services across the board.

For technology companies in Europe to prosper and evolve into world-class category leaders in their fields, they will need to cooperate with policymakers, and for that they will need to learn and try to understand the political and regulatory environment that they operate in (or will eventually operate in).

Already, entrepreneurs, investors and other industry stakeholders from across Europe are actively engaging with legislators and policymakers, but it's important that they continue to help shape an environment in which founders and their companies can flourish and compete on a level playing field.

Policymakers, in turn, will need to engage in ongoing dialogue with the startup and investment community in Europe and beyond, and crucially balance support with the need for scrutiny on how those businesses will go on to shape markets and society as a whole. They will also need to play a much more active role in connecting Europe's plethora of tech clusters, communities, ecosystems and vertically specialised hubs, to build alliances and knowledge through sharing.

To ensure that European tech startups grow into scale-ups, investments are needed in capital markets, talent mobility and knowledge, research, education, digital skills, culture and efficient means for technology transfer. Europe has a breadth of talent and competencies, but it can do a lot better when it comes to turning that excellence into global success stories.

Let's take a look at some of the existing initiatives to unlock capital and support scale-ups in their journey:

6.1 Funding - EU level

For the European technology industry to thrive, it should not try to copy Silicon Valley - unless of course it makes sense to do so, and there is no harm in learning and following established best practices. While it has been a hotbed of innovation for many decades, people often forget that Silicon Valley would still be simply a valley with a lot of apricot trees if it weren't for massive federal support for research.

The Santa Clara Valley region's entrepreneurial flywheel started spinning as far back as during the Cold War, during which the US government embarked on an unprecedented program of subsidy of scientific R&D. The federal government built Silicon Valley, or at minimum tremendously helped turn it into the world's preeminent tech hub, and it was the Small Business Investment Act of 1958 that was in no small part responsible for laying the groundwork for the region's private/venture capital industry to take shape and boost its growth.

Without venturing too deep into the origin story of Silicon Valley, it's worth keeping in mind that it was a number of different initiatives led by the government of the United States that enabled a steady rise of investment - both from public and private sources - in both scientific research, development, innovation and support for growth businesses in the technology space.

In Europe, too, only a mix of different initiatives leveraging its strengths through both public and private financing will enable it to sustain growth and create/maintain competitiveness on a global level.

As for public funding: the research and innovation programme Horizon Europe, proposed by the European Commission in June 2018 as part of the EU-long-term-budget for the years 2021-2027, intends to keep the EU at the forefront of global research and innovation with a proposed budget of €100 billion (compared to south of €80 billion of funding for its predecessor programme, Horizon 2020.

A preliminary political agreement by the European Parliament, Council and Commission on the Horizon Europe programme was reached in March 2019, and is now subject to formal approval by the Parliament and Council.

The same month, the European Commission introduced the creation of a European Innovation Council (EIC) to turn Europe's scientific discoveries into businesses that can scale up faster. Currently in its pilot phase, the EIC should become a full-fledged reality from 2021 under Horizon Europe, with a proposed budget of €2 billion.

But the Commission is also clear in its intentions to unlock private capital and support multiple means of financing for growth businesses on top of public funding through grants, subsidies, loans or other mechanisms.

In April 2018, the European Investment Fund (EIF) and the European Commission debuted a pan-European VC Funds-of-Funds programme dubbed VentureEU to boost investment in innovative start-up and scale-up companies across Europe.

Backed by EU funding to the tune of €410 million, the funds are aiming to raise up to €2.1 billion of public and private investment, which is in turn expected to trigger an estimated €6.5 billion of new investment in innovative scale-ups across Europe and effectively doubling the amount of venture capital currently available in Europe.

The goal is for this capital to be spread across multiple investment firms, and thus ultimately end up being invested in tech companies in different stages over multiple years. In the context of this report, it's important to note that it's unlikely that a lot of this capital will be used for the financing - directly or indirectly - of late-stage growth businesses specifically. More likely, it's startups in the seed or early growth phases - rather than companies that are already in the process of scaling up - and performant investment firms that will benefit from these funding programs down the line.

It should be emphasised that the VentureEU initiative complements other actions to boost venture capital in Europe. Notable earlier proposals include an expansion of the European Venture Capital funds (EuVECA) regulation and a bid to address the bias in the tax system to favour equity over debt financing.

Also worth noting: European institutions want to ensure that the capital is not only deployed in already mature (or at least maturing) markets but also in those member states that risk getting 'left behind' due to the sheer youthfulness and comparatively small size of their respective tech ecosystems.

In order to address the investment gap in Central, Eastern and South Eastern Europe (CESEE) in the digital economy, for instance, the European Commission has teamed up with the European Investment Bank (EIB), the European Investment Fund (EIF), the European Bank for Reconstruction and Development (EBRD) and the World Bank Group agreed to launch the Digital Innovation and Scale-up Initiative, also called DISC.

The initiative, launched in June 2019 at the Digital Assembly in Bucharest, is establishing the first regional investment facility that specifically targets digital innovations and the scaling-up of technology startups in the CESEE region.

DISC's main objectives are to develop a regional joint initiative supported by the aforementioned organisations to leverage funding and competencies; to enhance financing and access to advisory services for tech startups with high-growth potential; to provide advisory support, connect innovators with investors, and enhance the visibility of digital champions; to offer technical assistance to public agencies to strengthen their capacity to design, develop and implement digital innovation programs; to strengthen strategic investments in the enabling environment for digital innovations, and to connect digital innovation ecosystems across the region.

6.2 Policies - EU level

The leaders of the European Union have major challenges ahead of them to secure and increase Europe's competitiveness. Decisions will need to be made that have the potential to radically reshape tech business models, reconfigure the competitive landscape and change the relationship between citizens and the content and services they consume online - and those decisions could even have global ramifications.

Take data for example. As of May 2018, with the entry into application of the General Data Protection Regulation (GDPR), Europe boasts a single set of data protection rules for all companies operating in the EU, wherever they are based. The regulation in EU law on data protection and privacy applies to all individual citizens of the EU and the European Economic Area (EEA), and also addresses the transfer of personal data outside both areas.

Worth noting: the public sector is one of the most data-intensive ones, and the re-use of its data can contribute to the overall growth of the European economy, the development of AI, and/or the fight against societal challenges. The goal of the EU is therefore to facilitate re-use as well as the free flow of data across borders to achieve a European digital single market or DSM.

Meanwhile, the ePrivacy Regulation (ePR) is a proposal for greater regulation of electronic communications within the European Union, in order to increase privacy for individuals and entities. The scope of the regulation would apply to any business that provides any form of online communication service, uses online tracking technologies, or engages in electronic direct marketing.

Then there's the controversial reform of online copyright rules, which was voted to pass by the European Parliament in March 2019 and subsequently approved by the Council of the European Union in April 2019. The directive has generally been supported by newspapers, publishers, and media groups, yet opposed by major tech companies (inside and outside the EU) and a number of Internet users, as well as human rights advocates.

Also worth a mention is the e-Commerce Directive, the legal framework for online services. Since the launch of the Digital Single Market Strategy in May 2015, the EU has attempted to implement policies that will enable citizens to enjoy full access to all goods and services offered online by businesses in the EU.

The EU has worked on a revised 'Payment Services Directive' and new rules on cross-border parcel delivery services, new rules to stop unjustified geo-blocking, revised consumer protection rules and more, in an effort to boost international e-commerce activity.

Finally, there's the European competition law is which promotes the maintenance of competition within the European 'Single Market' by regulating anti-competitive conduct by companies to ensure that they do not create cartels and monopolies that would damage the interests of society.

On the surface, these policies and proposals do not significantly affect European tech scale-ups, in a good or a bad way, although clearly there are exceptions to the rule: European e-commerce giants evidently benefit from a forward-thinking e-Commerce Directive, and increased scrutiny on monopolistic behaviour by way of the competition law helps level the playing field for tech companies aiming to scale globally.

Yet while much of the attention goes to Europe's evolving data protection and privacy rules, copyright and competition law, the reality is that fast-growing technology businesses in Europe have other fish to fry, as they seek greater market share and accelerate their growth through capital and, crucially, talent.

6.2.1 On talent

As the European technology industry continues to grow and mature across different markets, a veritable war for tech talent is raging across the region. Scale-ups in particular highlight the utmost importance of being able to attract, compensate, (re)train and retain a wide variety of skilled workers to help them grow their business, secure their competitiveness and augment their expertise and IP.

Contrary to popular belief, it's not that there exists a massive shortage of skilled tech talent in Europe when it comes to software developers, engineers, product managers, computer and data scientists, and designers. In fact, the talent pool is becoming deeper and wider, even if still as fragmented as the Union itself.

It's also not that it's unattractive for foreign founders to establish their businesses in Europe, thanks to the relatively new introduction of special 'startup visas' in certain member states, tax incentives and laxer labour laws specifically targeting entrepreneurs from outside the countries' borders.

The main issue is that finding the best of the best people, across borders, and being able to quickly engage, hire, activate and efficiently compensate them remains a giant challenge, causing headaches for founders of European tech startups and scale-ups alike.

In other words, it's talent mobility and not necessarily availability that is the crux of the problem.

To enable fast-growing tech businesses to build the best possible teams, Europe needs to invest heavily in digital skills, technical and entrepreneurial education, but also in infrastructure, the harmonisation of regulatory frameworks, diversification, the reformation of labour and insolvency legislation and the taxation system, and much more.

That European tech scale-up founders want to hire and retain the best talent is one thing, but another major problem in Europe is that many of them also wish there was a better way to compensate the people who help them build and grow their businesses. Indeed, entrepreneurs from all corners of the region have loudly been calling for the EU to fix the 'patchy, inconsistent and often punitive rules' currently governing employee ownership—the practice of giving staff members stock options to acquire a slice of the company they work for.

Stock options are one of the main levers that startups and scale-ups use to recruit and retain talent, and they have been a key driver in the growth of the tech ecosystem in Silicon Valley and beyond. In Europe, however, the policies that govern employee ownership today are often archaic and ineffective.

See for example what Johannes Reck, the co-founder and CEO of GetYourGuide (one of the European tech scale-ups that raised late-stage funding and is featured in the report), had to say about how the lack of stock options is holding Germany back in a recently published essay on Sifted.

If Europe wants to ensure its current and future tech scale-ups get or maintain a chance at competing globally, a deeper look at talent mobilisation and retention mechanisms should be very high on its policymakers' agendas.

6.2.2 Vertical-specific policies

Singling out Fintech, Software/SaaS and Medtech/Health Tech as the two strongest European tech sectors, based on the investment size and number of late-stage financing rounds in recent years, there are a number of EU-specific policies worth placing in context.

FINTECH:

At the moment, Europe is undergoing seismic changes in the banking, finance, and insurance industries, partly because of the emergence of a group of innovators in the financial technology (Fintech) space. As noted earlier in this report, it's companies in this field - such as Klarna, Transferwise, N26, Revolut and Monzo - that are the driving force behind the surge of late-stage funding for European tech companies, and are likely to continue to be so in the coming years.

Earlier this year, the European Parliament ThinkTank also acknowledged fintech as a rapidly growing sector but also outlined a number of challenges, such as "data and consumer protection issues, and the risk of exacerbating financial volatility or cybercrime".

To tackle these challenges, policy- and lawmakers in the EU have adopted and announced several initiatives, for instance on intra-EU payment services, data protection, crowdfunding and regulatory sandboxes (controlled environments for testing new applications on real customers).

In January 2018, the EU's Revised Payment Services Directive (PSD2) directive went into force across member states. This directive has unlocked a new wave of opportunities for startups, leading banks to share their data with third -parties, and allowing the latter to initiate transactions through the bank.

While some experts argue that the PSD2 would level the playing field and boost a true 'open banking' system, there is criticism as well. Some experts have brought up the fact that access to bank account information raises the question as to who should pay for the infrastructure needed for such interconnectivity. In addition, the sharing and use of client identification details could heighten the threat of cyber attacks. To this end, banks are calling for tighter security regulations for newcomers, and have raised concerns about the authentication systems they use.

Two months after the PSD2 went into force, in March 2018, the European Commission adopted an action plan on FinTech to 'foster a more competitive and innovative European financial sector'.

The action plan sets out 19 steps that the Commission intends to take to enable innovative business models to scale up at EU level, support the uptake of new technologies such as blockchain, AI and cloud services in the financial sector, to increase cybersecurity and the overall integrity of the financial system, and to enhance further investor, consumer and data protection.

The European Commission is also monitoring the development of crypto-assets and initial coin offerings (ICOs) with the ESAs. Based on an assessment of risks and opportunities, it will assess whether regulatory action at EU level is required.

SOFTWARE/SaaS:

The most relevant piece of EU legislation with regards to the Software/SaaS industry in Europe is the aforementioned e-Commerce Directive 2000/31/EC, which covers B2C and B2B transactions as well as services provided free of charge to the recipient, e.g. funded by advertising or sponsorship.

Since the launch of its Digital Single Market Strategy in May 2015, the European Union has tried to implement policies that will enable its citizens to enjoy full access to all products, but also services offered online by businesses in the EU.

One important aspect of this: on 11 December 2018, the European Commission announced a proposal for new detailed measures that should 'pave the way for a smooth transition' to new VAT rules for e-commerce that come into force in January 2021.

MEDTECH/HEALTH TECH

From software applications to analytics, wearables to sensors, and headsets to mobile devices, there are a lot of European medtech / health technology companies coming out of Europe. That's not a huge surprise, given that the market was worth €110 billion in 2018, according to Medtech Europe, the European trade association for the medical technology industry including diagnostics, medical devices and digital health.

Medical technologies are tightly regulated in the European Union, but that doesn't mean there's no room for innovation. In fact, one of the European Commission's main objectives when it comes to healthcare is to provide its citizens access to safe, qualitative digital services.

In line with its Digital Single Market strategy and after analysing the results of an open public consultation, the European Commission in April 2018 published a 'Communication on Digital Transformation of Health and Care in the Digital Single Market'.

These policy documents give direction to EU activities in this field for the coming years, and outline three main priorities:

- Citizens' secure access to their health data, also across borders - enabling citizens to access their health data across the EU
- Personalised medicine through shared European data infrastructure - allowing researchers and other professionals to pool resources (data, expertise, computing processing and storage capacities) across the EU
- Citizen empowerment with digital tools for user feedback and person-centered care - using digital tools to empower people to look after their health, stimulate prevention and enable feedback and interaction between users and healthcare providers.

6.3 Funding + policies at member state level

As the analysis and data above shows, the UK and Germany are clearly driving the market for late-stage funding. But that doesn't mean that other huge European economy, France, is not a horse in this race at all.

Shortly after he was elected as France's president, Emmanuel Macron vowed to make turn the country into a 'nation of unicorns', or private companies valued at $1 billion or more.

Almost three years later, the country's tech ecosystem is benefiting from measures, including the scrapping of a wealth tax on all assets other than property, a flat tax on dividends and an easier process to wind down companies.

The French tech industry also lauds the creation of a special tech visa, making it easier for the sector to import talent, as a boost for the country's ecosystem.

However, in a recent speech at the Elysée, Macron correctly addressed the lack of sufficient growth capital as one of the main challenges to the further development of French scale-ups.

In the same speech, Macron announced that a group of insurers and asset managers have pledged €5 billion in investment for French tech firms as part of a push to nurture France's fledgling startups into a cohort of highly-valued heavyweights.

It followed an announcement from May 2019 when the European Investment Fund said it agreed to guarantee €2 billion in innovation loans provided by Bpifrance, a public investment bank that finances French businesses at every stage of their development with credit, guarantees and equity funding. With a total of approximately €9 billion under management, Bpifrance has backed a huge number of companies and funds directly or indirectly, including some of the French scale-ups included in this research such as Meero, BlaBlaCar and Ÿnsect.

As France pushes for its goal to have 25 unicorns by 2025, other major EU countries seem to have been blindsided by its ambitious plans.

German entrepreneur turned investor Frank Thelen was quick to call for a similar funding drive by his home country, noting that Germany's tech sector is held back by the inability of scale-ups to raise late-stage capital from local institutions.

His words were echoed by Klaus Hommels, founder of venture capital fund Lakestar, who recently told a conference audience that German startups would lose out to rivals in Asia who have greater funding.

"If we want to fight back we need substantial money. Macron did this. I don't think it is that is difficult to do," he said, ending his presentation with a callout to German lawmakers and fading words on his final slide to reveal the letters "WTF" according to Sifted.

The UK, meanwhile, seems to be mired in Brexit and also lacks plans as ambitious as French president Macron's. We should note the existence of programs such as 'Future Fifty', which is billed as the UK's leading late-stage growth programme, "bringing together the country's most successful tech companies to build a powerful network".

Some of the companies featured in this report on late-stage tech funding in Europe are alumni of the programme, which includes Farfetch, Deliveroo, Just Eat, Funding Circle, Zoopla, Transferwise, GoCardless, WorldRemit and others.

The Enterprise Europe Network, both inspired and funded by Innovate UK, also launched a scale-up programme 'for ambitious people' in May 2018.

But, in conclusion, in most if not all EU countries, it is clear that there is a distinct lack of policies, support systems and programs specifically designed for late-state technology scale-ups.

6.4 Further reading

The European Tech Alliance, an organisation that aims to serve as the voice of a number of Europe-born tech scale-ups, recently released its manifesto 'Europe's Tech Vision 5 Years from Now', compiling a total of 8 recommendations for EU policymakers.

The association, which counts companies like Klarna, Rovio, Zalando, Spotify, King and Bolt among its members, calls for the involvement of the tech community in policy creation and adoption, 'fair' taxation that doesn't stifle innovators, take into account the wider tech ecosystem when drafting and amending any new policies on data policy, among other recommendations.

Similarly, the pro-entrepreneur Allied For Startups organisation has a list of policy priorities for EU lawmakers, including attention to blockchain, artificial intelligence, data access and privacy, copyright, platforms and net neutrality.

Finally, we would like to reference Mind The Bridge and the organisation's recent launch of its (free) 'Tech Scaleup Europe – 2019 Report'.

As you can tell from the European tech scale-up founder and executive insights shared with us in the context of this research report (full quotes below), policy is definitely on their minds.

Here are a number of relevant quotes lifted from their contributions:

> It has never been easier to start a company or seek seed funding for young entrepreneurs; successful past startups also created vast networks of alumni that cover all business functions and are now branching into investment as well. But it has to be said we are still a very long way from a fully mature ecosystem, at least until the Digital Single Market is a reality and fragmentation along national jurisdictions is not as acute.
>
> — **IONUT LACUSTA**
> **GLOVO**

> TransferWise has to be licensed in every single state in the US as there is no federal license for us to operate. This is in stark contrast to the European Union, where one license is enough to operate in all Member States. European regulators have begun to foster an environment in which tech challengers can prosper on a level playing field with incumbents.
>
> However, in order to attract that talent, it's important we can give people the right incentives. Share options play an important role and there is more the EU can do to offer founders and employees progressive share options policies. In the US, there is more homogeneity, but in Europe these initiatives are essentially defined by the company. This means that in many cases, shares are only given to senior management, rather than to all employees.
> Finding and scaling talent is one of the biggest challenges tech companies face, so the share options offer is crucial and it helps maximise retention.
>
> — **TRANSFERWISE**

> I think the big wheel is already turning at a slow yet increasing pace as the virtuous cycle of success (exits, IPOs) creates more success (tech talent, serial entrepreneurs, operators, funding, credibility, ambition, role models/cultural change). This is a process that takes time and is likely to continue in any case.
>
> I'd further try to boost private investments into venture funds, invest in developing technical talent, make it easier to hire talent also from outside EU borders, and work on developing regulation so that more successful companies can be built out of Europe as a 'single market'.
>
> — **MIKI KUUSU**
> **WOLT**

> Global hyper-growth brings a lot of issues, especially in terms of recruitment. We are fighting a talent war, and need to hire foreign profiles, but administrative issues and paperwork make it really difficult. Hiring people should be easy, and it's not.
>
> — **THOMAS REBAUD**
> **MEERO**

7. Founder insights

Transferwise (UK)

In recent years, we've seen that the tech industry in Europe has become much more mature. Especially looking at financial technology (fintech), we see that the most exciting developments are happening in Europe, rather than in Silicon Valley.

That's partly due to an innovative approach from regulators and policymakers. For example, TransferWise has to be licensed in every single state in the US as there is no federal license for us to operate. This is in stark contrast to the European Union, where one license is enough to operate in all Member States. European regulators have begun to foster an environment in which tech challengers can prosper on a level playing field with incumbents. The Bank of England has opened up settlement accounts for non-banks. Tech companies are now no longer reliant on the banking monopoly. This means that tech companies can grow revenue, expand their customer base and grow exponentially, which makes them more attractive to investors. That innovative approach has meant that financial technology companies stay in Europe to develop their startups and later stage VC funding is no longer confined to Silicon Valley. European startups are now responsible for creating hubs across the European Union, attracting talent locally and internationally.

However, in order to attract that talent, it's important we can give people the right incentives. Share options play an important role and there is more the EU can do to offer founders and employees progressive share options policies. In the US, there is more homogeneity, but in Europe these initiatives are essentially defined by the company. This means that in many cases, shares are only given to senior management, rather than to all employees. Finding and scaling talent is one of the biggest challenges tech companies face, so the share options offer is crucial and it helps maximise retention.

Today, companies are staying private for longer. This helps them work towards achieving their mission in an independent but sustainable way. At TransferWise, we always ask ourselves: "Would it improve the lives of our customers if we went public? Do they care?" The answer is that they don't care. They trust us to power money without borders and we won't be able to tackle that issue any better if we were to IPO right now. Recently, we provided some liquidity for early investors and employees through a secondary sale, where they had the opportunity to sell a small portion of their shares. This is a way of giving back to those who trusted us from the beginning, and it allows us to stay private for longer.

Tech.eu: There has been a noticeable increase in late-stage (Series D, E and up) and large (more than €100 million) European tech funding rounds in the past few years. How would you explain this trend?

> On the one hand, the tech scene in Europe has seen a significant surge – plenty of software companies that have been interested in developing, perfecting and selling solid products on the global market. On the other hand, the European VCs are following on the footsteps of American VCs and observing new standards that have been established by funds such as Vision Fund.
>
> — **VARGHA MOAYED**
> **UIPATH (ROMANIA/US)**

> Based on what I've personally seen in the last decade, the European tech ecosystem has developed dramatically over that time. Today, there is a far higher quantity of experienced serial entrepreneurs around, who many became wealthy in earlier (mostly smaller) exits and are now working on their next companies and/or investing as angel investors or venture investors. This has both increased the quality and quantity of European tech ventures, as well as created an influx of domestic angel and venture funding.
>
> Meanwhile, companies like Supercell, Spotify and Delivery Hero have shown that it is possible to build even $10B+ Internet companies out of Europe, raising the overall ambition level in the ecosystem. These positive success cases have also helped build and attract talent to work on scalable tech companies. Together, this development in talent, entrepreneurs, investors, culture, best practises and the wider ambition level has been crucial in building the foundation for more and larger European success stories to come out in the future.
>
> — **MIKI KUUSU**
> **WOLT (FINLAND)**

> (1) overall markets are very high, (2) lot of risk capital available, including scale up capital and (3) more startups ready to make the jump to scale-up
>
> — **STIJN CHRISTIAENS**
> **COLLIBRA (BELGIUM)**

> On the one hand there is more capital in the global markets that has been exposed to hyper-growth opportunities; it has learned important lessons on the entire lifecycle of startup, including the late-stage. On the other hand, there is a genuine growth in the number of entrepreneurs and many more companies mature into fields ripe for disruption.
>
> — **IONUT LACUSTA**
> **GLOVO (SPAIN)**

> Over the past few years, we have seen an important trend in the startup market: companies take longer to initiate an IPO and funding is raising up massively in a world in which profitability is taking the lead role.
>
> The increase in late-stage funding rounds is definitely a result of companies' maturation, which is followed by a higher expectation in positive returns by investors. Although, at first sight, series D, E and even F represent less advantages to incoming investors due to the higher entry valuations, the fact is that the high performance of early stage rounds in annualized returns is inversely proportional to the failure rates, which shows the risk of investing in such young businesses. Indeed, late-stage funding is characterized by lower failure rates. This means a inversing trend in the sector that points out the given importance to a sustainable economic growth model as well as to the market maturity.
>
> — **JUAN DE ANTONIO**
> **CABIFY (SPAIN)**

> There is more and more interest from American and non-European investors because it's a cheaper ecosystem for investing than in the US. So, instead of trying to overtake each other in a competitive market they are coming to Europe for new opportunities. It's also been accelerated by French Tech programs that have made our start-ups even more visible.
>
> — **THOMAS REBAUD**
> **MEERO (FRANCE)**

Tech.eu: Are European tech ecosystems becoming more mature, or is the investment community (or both), and can you apply your answer to this to your own company/situation?

> By definition as time passes everything becomes more mature and European tech is no different with now a couple of European tech entrepreneurs having built and sold companies who can pass on their learnings to the next generation, act as mentors and business angels. However, all in all the European Tech scene is still behind in terms or maturity, opportunities and ambition compared to the American or the Chinese ones.
>
> — **VARGHA MOAYED**
> **UIPATH**

> From personal experience the Belgian tech ecosystem seems a lot more mature than back in the day we started Collibra (more startups, more incubators, more accelerators, more communities, ...). There also seems to be more risk capital available, both # of funds as well as size of the funds.
>
> — **STIJN CHRISTIAENS**
> **COLLIBRA**

> In our company's case, we have been built by a team of founders and early employees who already had experience from working on multiple other tech companies (both successful and now defunct ones). Meanwhile, our early investors and board members were experienced serial entrepreneurs and operators, and early venture capitalists mostly European VC funds founded in the past 5-10 years. Meanwhile, I'd say our ambition level was shaped by companies like Supercell and Spotify that came before us, meaning that we wouldn't be satisfied only looking for an early exit.
>
> — **MIKI KUUSU**
> **WOLT**

> To a large extent both are happening. It has never been easier to start a company or seek seed funding for young entrepreneurs; successful past startups also created vast networks of alumni that cover all business functions and are now branching into investment as well. Additionally, many traditional public investors moved to the private side and joined late-stage or pre-IPO rounds. But it has to be said we are still a very long way from a fully mature ecosystem, at least until the Digital Single Market is a reality and fragmentation along national jurisdictions is not as acute.
>
> — **IONUT LACUSTA**
> **GLOVO**

> Back in the day, French startups only attracted French funds. Today, foreign VCs invest in projects that aim to be global from the get-go, whether they're French or coming from elsewhere. Both VCs and European startups have learned to be more ambitious. And Meero welcomed a US fund in its last $230M round. Investors are convinced by startups that have a vision, big ambitions and know how to execute the two, no matter where they come from
>
> — **THOMAS REBAUD**
> **MEERO**

> As it was said before, we can see the tech ecosystems becoming more mature, as well as the investment community. Nowadays, companies are more concerned to become profitable and to develop a sustainable business model, not only focus in the short term, but also in the long term. Also investors and VC firms are more specialized and focused in finding out niches and new opportunities. Without any doubt, we at Cabify are following the direction to profitability, as we believe that sustainability must have a social, environmental as well as a financial approach. We are committed to generating higher annual revenues and finally assuming ourselves as a profitable company.
>
> — **JUAN DE ANTONIO**
> **CABIFY (SPAIN)**

Tech.eu: Do you expect this trend (an increase in late-stage funding rounds for European tech scale-ups) to continue, and if so, which sectors and/or geographies do you think will play a growing role in this? If not, why do you expect this trend not to continue?

> We think this trend will follow the global trend. If the global trend abates, we believe so will the European one.
>
> — **VARGHA MOAYED**
> **UIPATH**

> Yes, at least for a little while longer, because (1) there are a lot of promising startups that can manage the jump to scale-up (given market conditions and proper management) and (2) there is late stage capital available.
>
> — **STIJN CHRISTIAENS**
> **COLLIBRA**

> I think great companies can now come from anywhere in Europe where there's talent available. I'd also foresee the quantity of successful companies that come from outside the main tech hubs like London and Berlin to further increase over the next decade (e.g. Nordics, CEE). Personally, I just look at the quality and quantity of early-stage ventures today compared to ten years ago (both are a lot higher), and extrapolate a continued positive trend from there.
>
> — **MIKI KUUSU**
> **WOLT**

> Southern Europe continues to hold significant untapped potential. Iberia alone is a natural hub for LATAM and much of the Global South; the same can be said of EEMEA. Glovo's growth trajectories in Peru or Romania or Egypt are impressive and surprising.
>
> — **IONUT LACUSTA**
> **GLOVO**

> SaaS has a bright day ahead of it, and what matters most is really the ambition to be immediately pan-European and quickly global. Where you come from does not really matter in the end.
>
> — **THOMAS REBAUD**
> **MEERO**

> Yes, as the market gets more mature, this is an expected trend. The decrease in business angel and seed financing in the last three years has been noticeable. Undoubtedly, investors are focused on reducing risk by favoring more mature businesses. This can be explained due to the uncertainties regarding the economic and political global scenario.
>
> Additionally, this shows a need of consolidation for the startup and tech ecosystem: the biggest startups aren't European but we do have a big market that it's key for players all over the world. This opportunity shouldn't be missed. If we think about the key sectors involved in this trend, we can still point out software as an industry which continues to get more financial volume. This sector represents more than 40% of the actual venture capital investment, according to the last KPMG report. In terms of geography, in Europe, we see the growth of innovation hubs with an investment rise in the Nordic countries, France, Poland and Spain.
>
> In our country, we registered a seven years' record in venture financing numbers in the last quarter, which has reached approximately 400$ M. This puts Spain in the ninth position in the european top financing countries. However, this development also proves potential and we believe that the Spanish ecosystem has space for improvement and has to be an ever more relevant player.
>
> — **JUAN DE ANTONIO**
> **CABIFY (SPAIN)**

Tech.eu: In the United States, China and Israel, a growing number of late-stage financing options and increased activity means companies are staying private longer than ever before. Do you expect this to be the case in Europe as well, and how does this apply to your own situation/ company?

> Yes, and as far as UiPath is concerned, we will go public when we feel that we have achieved some important milestones internally as well as when the market conditions will be favourable to do so. But it will indeed be more a matter of choice than requirement as we could be funded and self-funded with private money for a while.
>
> — **VARGHA MOAYED**
> **UIPATH**

> This does look like a global trend. Today, there seems to be a lot more funding available in the private markets than before, while different instruments are a lot more diversified than before as well. Many entrepreneurs maybe 'postpone' the process of going public when there are less cumbersome sources of funding available also in the later stages.
>
> — **MIKI KUUSU**
> **WOLT**

> Yes, because Europe typically tends to follow the others.
>
> — **STIJN CHRISTIAENS**
> **COLLIBRA**

> Very hard to assess yet. Exit opportunities in the EU in general and Spain in particular are less likely than in the US to be IPOs. There are market, structural, legal and regulatory reasons for this reality to not change soon.
>
> — **IONUT LACUSTA**
> **GLOVO**

> Globally, from a strategic perspective, companies are taking more time to reach their IPO and this also starts to be noticed in Europe. Since there is a greater focus on profitability, companies can collect important outtakes from the last announced IPOs and see how essential it is to create a sustainable business model focused in the long run.
>
> — **JUAN DE ANTONIO**
> **CABIFY (SPAIN)**

> As it is easier to raise higher amounts today, it doesn't make much sense to go public too early as it means a lot of constant reporting. Staying private longer leads to larger possibilities.
>
> — **THOMAS REBAUD**
> **MEERO**

Tech.eu: When you had/have conversations about raising late-stage capital rounds, is it mostly inbound i.e. do investors seek you out, or do/did you actively scout for firms that are capable of doing mega deals?

> In our case we have been fortunate enough to have investors chasing us and hence had the luxury to choose those with a mindset that fit best with our specific needs.
>
> — **VARGHA MOAYED**
> **UIPATH**

> Both. In our case, there are a lot of active investors in the space and not so many companies in the later stages. However, we've also always actively reached out to relevant investors that we could learn from and who could be a good fit for us.
>
> — **MIKI KUUSU**
> **WOLT**

> Late-stage rounds in Collibra were mostly investors coming to us.
>
> — **STIJN CHRISTIAENS**
> **COLLIBRA**

> Both.
>
> — **IONUT LACUSTA**
> **GLOVO**

> We'd say that it's a mix of both kinds of conversations, however we've learnt that explaining your project and the positive impact you expect to deliver to your stakeholders is most of the times a useful conversation to have, as there are learnings all over the process.
>
> — **MIKI KUUSU**
> **WOLT**

> Well, both. New funds are inbound and outbound. But what is really important, is that our investors follow us from the beginning. It's a good indicator of the trust they put in us. Again, our global ambition was really a game-changer for foreign funds.
>
> — **THOMAS REBAUD**
> **MEERO**

Tech.eu: Do you think there is, or will be, more late-stage capital available from Europe-based or European-founded investment firms, or will EU tech scale-ups have to continue raising from American and/or Asia-based VCs, private equity firms, corporations and state funds?

> We think that regardless of availability of later stage funds in Europe, European tech entrepreneurs will and should continue to raise funds from American and Asian based VCs. That is because it is not only about the money, but also the exposure to these essential markets that raising money with leading non-European VCs can provide.
>
> — **VARGHA MOAYED**
> **UIPATH**

> I'd say the European funding gap has moved to a lot later stages than it used to be. Today, there are a lot of high-quality investors available from the seed stages until maybe Series B (referring up to 30-50m€ rounds). However, from Series C onwards (now talking about €100m+ rounds), there are a lot fewer options available in Europe than elsewhere. For instance in our case, over 2/3 of the investors we spoke with for our Series C came from outside Europe, while we'd mostly focused on speaking with European investors up until our Series B.
>
> — **MIKI KUUSU**
> **WOLT**

> There are (and will be) European late stage firms but the number of firms and the size of their funds will remain smaller than the global ones.
>
> — **STIJN CHRISTIAENS**
> **COLLIBRA**

> I imagine the EU ecosystem will continue to grow and mature and I expect that a higher share of VC funds will come from within the Union. But the non-EU capital market players are here to stay: they enjoyed early successes, have significant expertise, their coffers are full(er) and the EU will continue to be a highly attractive market for them for many years.
>
> — **IONUT LACUSTA**
> **GLOVO**

> The Venture capital (VC) industry is still underdeveloped in Europe so yes, there's an opportunity to expand its impact. Although the numbers have slightly changed in the last year, European VC funds are obviously smaller compared to the US, as a result, sometimes startup companies naturally move to ecosystems where they have better chances of investment.
>
> — **JUAN DE ANTONIO**
> **CABIFY (SPAIN)**

> Being European is no longer a blocking factor and there’s no reason for it to stop.
>
> — **THOMAS REBAUD**
> **MEERO:**

Tech.eu: From your perspective, is there something the EU government(s) can and/or should do to unlock more capital specifically for funding homegrown, fast-growing tech businesses?

> Government’s role should be about fundamental conditions of business, not fundraising. So they can help indirectly by pushing for further harmonization of legislation across EU, simplification of bureaucracy, support for quality education and finally they can help by buying the first buyers of EU-based technologies (like the US does).
>
> — **VARGHA MOAYED**
> **UIPATH**

> I think the big wheel is already turning at a slow yet increasing pace as the virtuous cycle of success (exits, IPOs) creates more success (tech talent, serial entrepreneurs, operators, funding, credibility, ambition, role models/cultural change). This is a process that takes time and is likely to continue in any case. I'd further try to boost private investments into venture funds, invest in developing technical talent, make it easier to hire talent also from outside EU borders, and work on developing regulation so that more successful companies can be built out of Europe as a 'single market'.
>
> — **MIKI KUUSU**
> **WOLT**

> Currently an area where the EU is not globally competitive is stock options and their taxation. There's a lot of variance between member states, in terms of legislation and the taxation of stock options. Improvement at the EU-level would benefit not only the employees of startups and scale-ups, but also the entire economic area in terms of attracting and keeping talent.
>
> — **STIJN CHRISTIAENS**
> **COLLIBRA**

> Yes: feasible equity compensation schemes; promoting intra-EU and non-EU mobility for talent; designing future regulations with a view that EU start-ups will face Asian and US competition on third markets. And never stop investing in language or technical training - we are dealing with a significant software engineering shortage.
>
> — **IONUT LACUSTA**
> **GLOVO**

> There can be initiatives such as VentureEU which helps European startups to get funding. These kind of projects stimulates Europe to reach a higher innovation level and built a more competitive market at a regional level.
>
> Additionally, EU governments can definitely contribute to build a more flexible structure or framework that better cover the needs that startups could have in relation to funding, as well as other areas that are crucial for their growth. For instance, a company based in Spain has a lot of difficulties to share stock options with their employees in comparison to other countries. As a result, the value proposition that a startup has for its stakeholders is sometimes not well reflected in national regulations.
>
> — **JUAN DE ANTONIO**
> **CABIFY (SPAIN)**

> The French government has implemented a lot of startup-friendly actions with initiatives like BPI, French Tech or The Next40. This helps a lot in the development and promotion of our activities.
>
> — **THOMAS REBAUD**
> **MEERO**

Tech.eu: Is there anything you'd like to add about the growing trend of late-stage funding flowing to European tech scale-ups?

> Investment is an instrument you can use to make your business grow. If you have the right vision, the right plan and the right data points to prove that "yes, you can" then investment can be found as long as you are willing to "look beyond the church tower".
>
> — **STIJN CHRISTIAENS**
> **COLLIBRA**

> I could be considered an impatient person, but in terms of the European tech ecosystem developing, I think all the basics are there, and we mostly need patience to wait for more and more results to come in over time. However, it's a competitive world, where the US has a huge head start compared to Europe, while China is investing aggressively across the board to catch up to the US. In other words, the European Union and governments should look closely at what we can learn from others to further accelerate this development.
>
> — **MIKI KUUSU**
> **WOLT**

> This is only the beginning :)
>
> — **IONUT LACUSTA**
> **GLOVO**

> The best advice to early-stage companies to scale up is to be agile but, at the same time, to be able to create and consolidate a baseline of simple processes as your company gets a bigger structure. Automate repetitive processes are also crucial to save time for planning, strategy development and business growth.
>
> — **JUAN DE ANTONIO**
> **CABIFY (SPAIN)**

> Global hyper-growth brings a lot of issues, especially in terms of recruitment. We are fighting a talent war, and need to hire foreign profiles, but administrative issues and paperwork make it really difficult. Hiring people should be easy, and it's not.
>
> — **THOMAS REBAUD**
> **MEERO**

8. Methodology and disclaimers

DATA COLLECTION PROCEDURE

From November 2013 until present day, Tech.eu has continuously monitored over 200 sources of news and information across multiple European regions and languages, to build an extensive database of tech funding, M&A and IPO activity.

All of the late-stage financing transactions and exits have been analyzed by the Tech.eu team for the purpose of this report, along with additional transactions that were not reported by any of the aforementioned sources but flagged by people from our collective networks.

In a limited number of cases, the deal size was not disclosed, but we've included estimates for any transaction reported by a publication that we consider reliable and trustworthy. When a deal size was disclosed, but in a currency different from the euro, we converted the amounts around the date the transaction was first announced or reported; we cannot guarantee, however, that the converted amount exactly mirrors the price at the time of the closing of an agreement (mainly because that date is rarely shared).

We have opted to include non-European Union member states such as Israel, Norway, Switzerland and others in this analysis when available, as we consider them to be an integral part of the European technology industry as such. This is in line with Tech.eu's overall editorial policy. Considering the vastness, fragmentation, and breadth of the different languages that define Europe, it is always possible that some transactions are not included in our analysis. It is important to remember, that as these are often deals made by private companies, not all are disclosed.

DATA ANALYSIS METHODOLOGY

For the purpose of this report, Tech.eu collected, vetted and subsequently analysed any disclosed funding round for a European or Israeli scale-up of €100 million and above, as recorded in the period Q1 2015 until Q3 2019. The fourth quarter of 2019 was not included in the data analysis as the research was concluded and published before the end of the year. In total, we tracked just over 110 mega funding deals in Europe during this time period.

For our research, we looked at the number of rounds; the total, mean and median size of the investments and the verticals (what) and geographies (where) these mega deals have taken place from 2015 to Q3 2019.

In addition, we looked at which investors were involved in these late-stage funding rounds for European tech scale-ups, as well as where these investors are headquartered and which type of capital they typically provide.

We also looked at exits (M&A + IPO) to draw conclusions on this aspect in relation to the measured surge of late-stage financing flowing to European tech companies, and included sections on policy and legislation to provide insights on this aspect.

On top of the data, we interviewed a number of founders and executives from European tech scale-ups that have raised late-stage funding rounds in recent years to add qualitative information and anecdotal insights to the report.

AUTHOR AND ACKNOWLEDGMENTS

This report was written by Robin Wauters, the founding editor of Tech.eu and a technology journalist and researcher specialised in Europe's startup and scale-up ecosystem(s).

In addition, he is the co-founder of BeCentral, a digital campus located in Brussels Central Station where people can come to learn new technologies, grow a startup and impact society.

An active supporter of technology entrepreneurship in Europe, Robin also consults with governments both at the EU and national level on ways to help improve the conditions of their startup ecosystem(s), and frequently speaks at events worldwide about this topic.

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