



Senatsverwaltung  
für Wirtschaft, Energie  
und Betriebe



# Shortage of later stage venture capital in Germany: more acute due to Corona crisis

MARCH 2020

## **How can Germany's startup ecosystem overcome the Corona Crisis?**

- The Corona crisis is creating immediate cash flow issues for many startups. In Germany, there are now talks of a startup support plan, potentially similar to France's €4 billion plan which had been announced on 25 March
- What's at stake: in the past years, Germany's startup ecosystem has created global champions, creating billions in value and tens of thousands of jobs. In addition, a younger and also bigger generation of young startups is just starting to emerge
- Going into the crisis, Germany's startup ecosystem had become increasingly dependent on large foreign venture capital investors. This leaves it particularly vulnerable, potentially, in the current situation
- This report assesses the current state of venture capital in Germany, to facilitate current discussions and provide data-driven insights

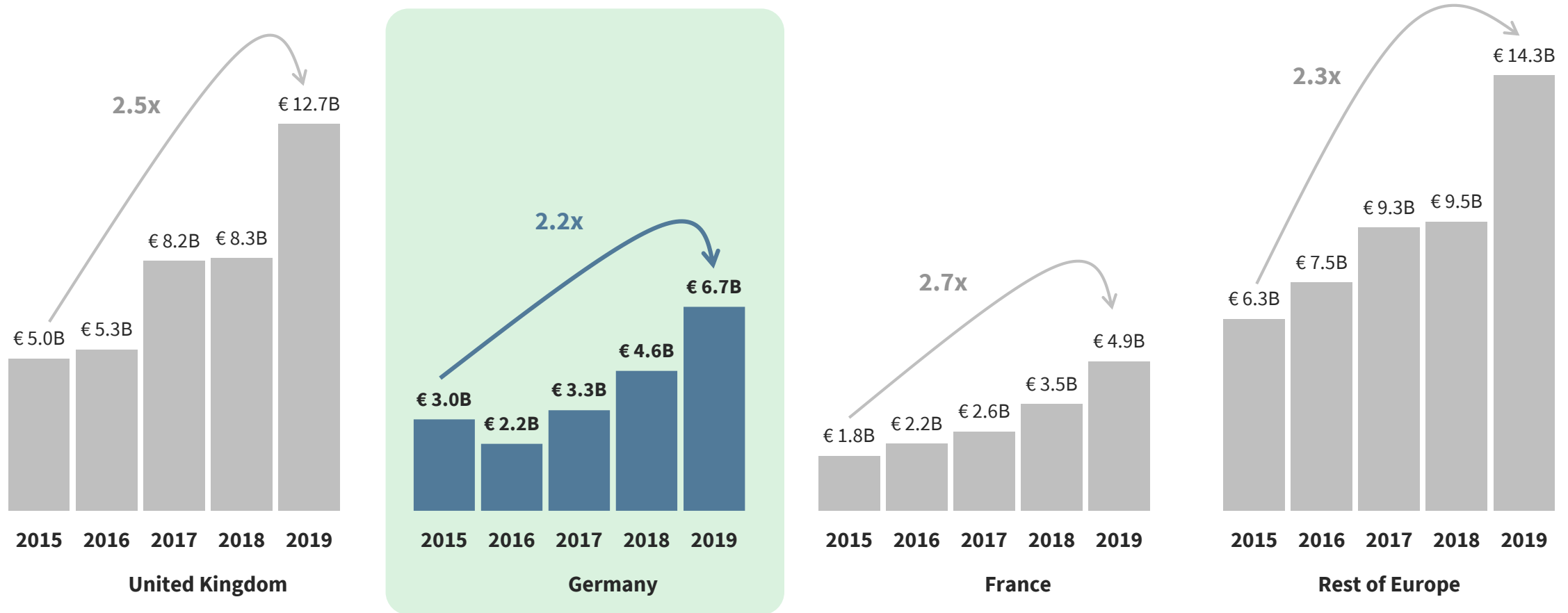
## SECTION 1

**Until the Corona Crisis, there had been a continuous rise of venture capital in Germany. Yet, mid growth stage venture capital has not kept up with the rest of Europe, particularly France.**



## Going into the crisis, Germany has seen a rapid rise in venture capital, in line with the rest of Europe.

Venture capital investment <sup>(1)</sup>

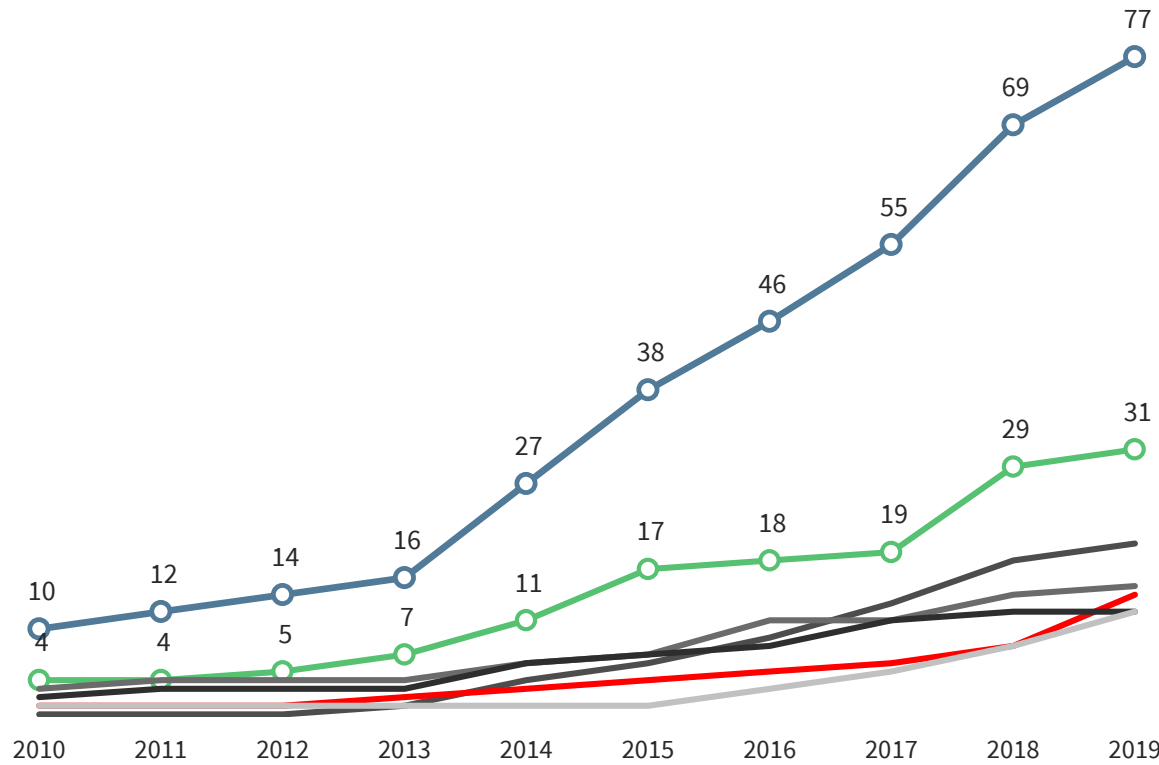


Source: Dealroom.co.

1. Excludes buyouts, secondary transactions, debt, lending capital, grants.

# Germany has been the #2 ecosystem in Europe by most meaningful measures such as number of unicorns.

Cumulative number of unicorns created by year \$1 billion valuation is reached



United Kingdom

31 | Germany

- 22 | Israel
- 15 | Netherlands
- 14 | France
- 12 | Sweden
- 12 | Switzerland

## Unicorns created in 2019

UK: 8

**Rapyd**

**CMR SURGICAL**

**babylon**

**sumup®**

**trainline**

**Acuris**

**checkout.com**

**ovc energy**

France: 6

**meero**

**eFront**

**ivalua**

**Doctolib**

**kyriba**

**dataiku**

Germany: 4

**DEPOSIT SOLUTIONS**

**sumup®**

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**wefox**

Switzerland:

**luxoft**

4

**VEEAM**

**Numero**

Israel: 4

**Lemonade**

**riskified**

**monday.com**

**Lightricks**

Rest of Europe: 5

**Kaseya**

**ION**

**Glovo**

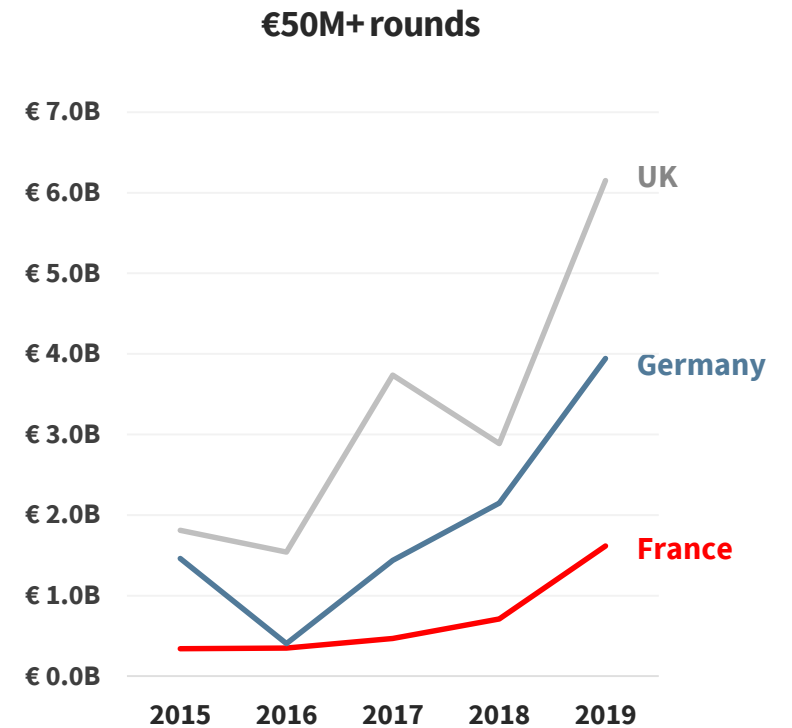
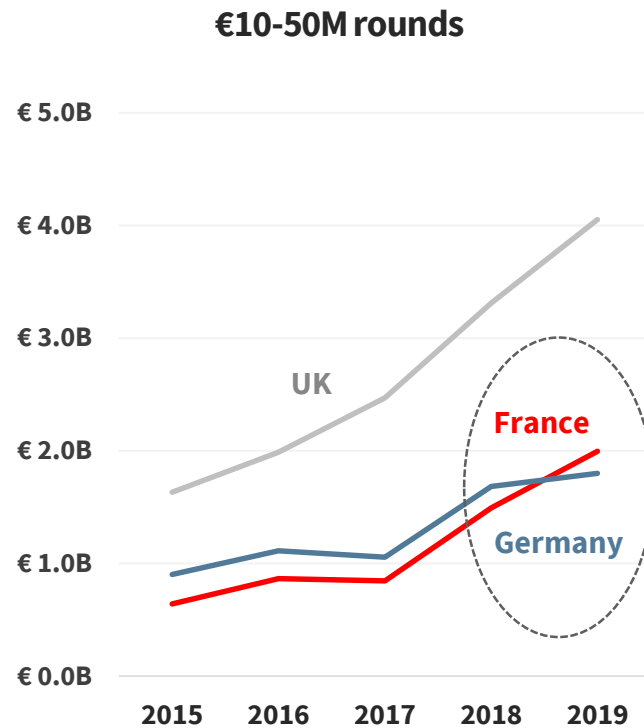
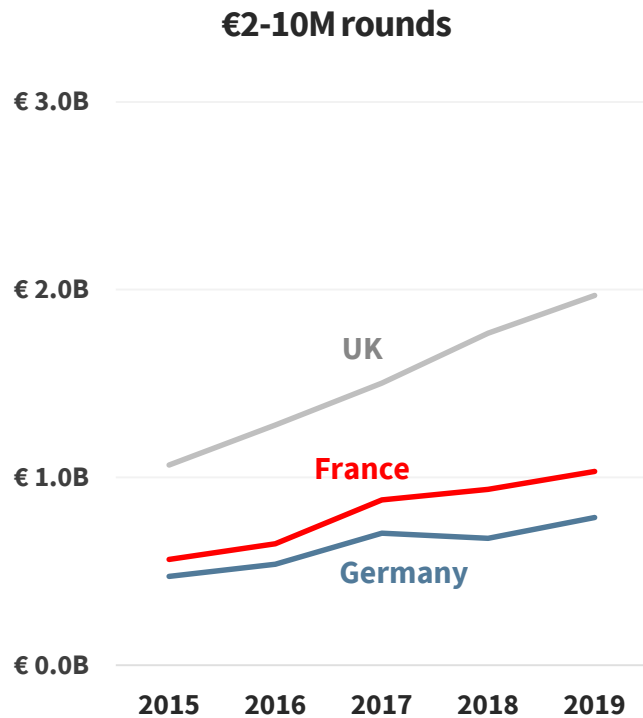
**team.blue**

**collibra**

**Vinted**

# However, France has caught up with Germany by capital invested into rounds up to €50M.

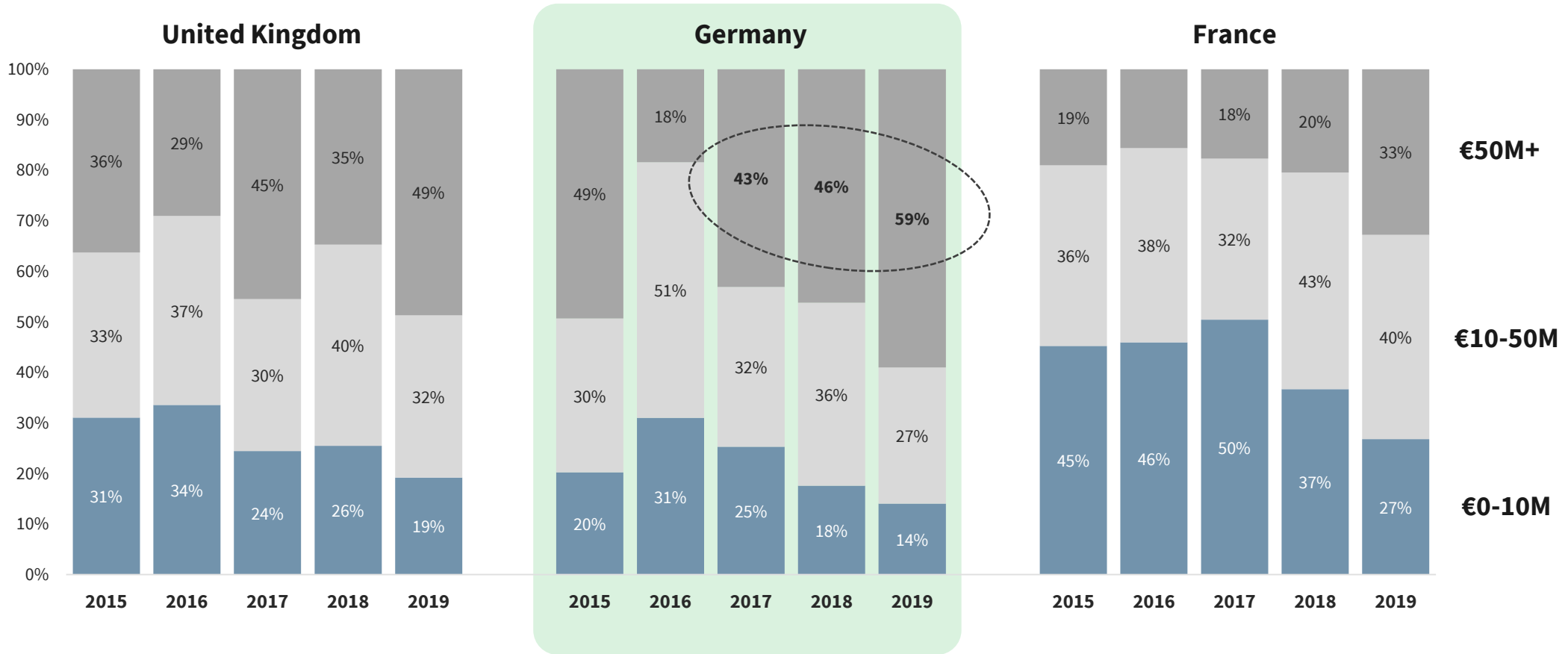
## Amount of VC invested by round size



Source: Dealroom.co. Excludes buyouts, secondary transactions, debt, ICOs, lending capital, grants.

# German venture capital is more dominated by larger rounds than the UK and France.

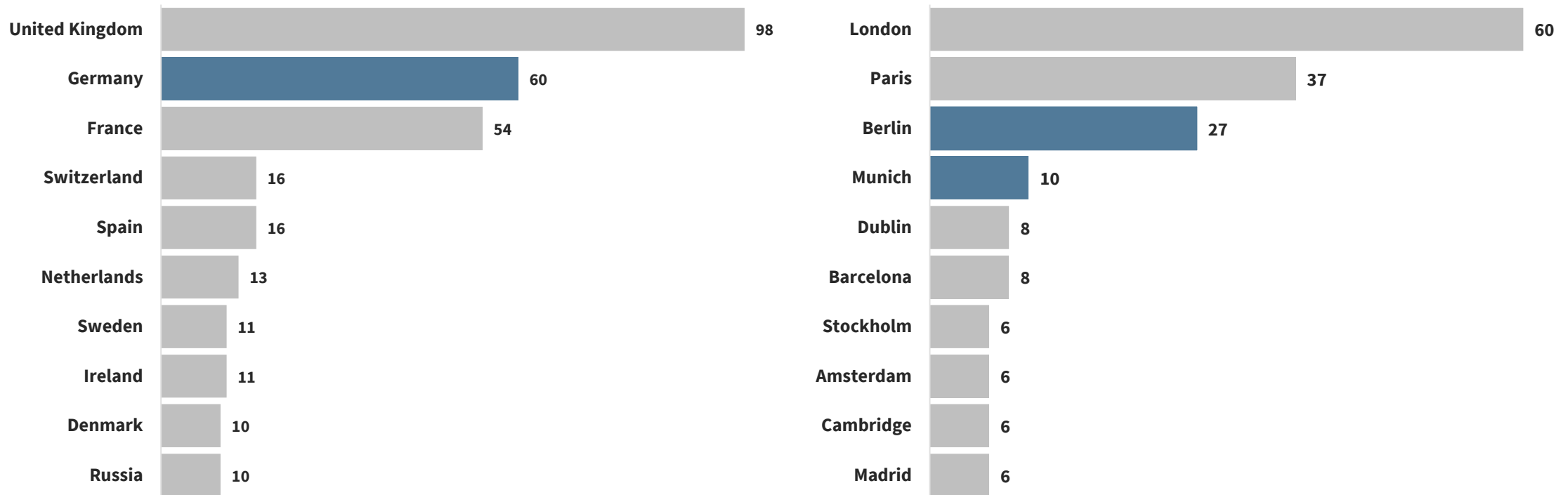
% of amount invested by size



Source: Dealroom.co

# By number of potential future unicorns <sup>(1)</sup> France has caught up with Germany while Paris has already overtaken Berlin.

Number of potential future unicorns: startups valued over €250 million but less than €1 billion.



Source: Dealroom.co.

1. Startups valued over €250 million but less than €1 billion, excluding acquired and/or public companies.



## SECTION 2

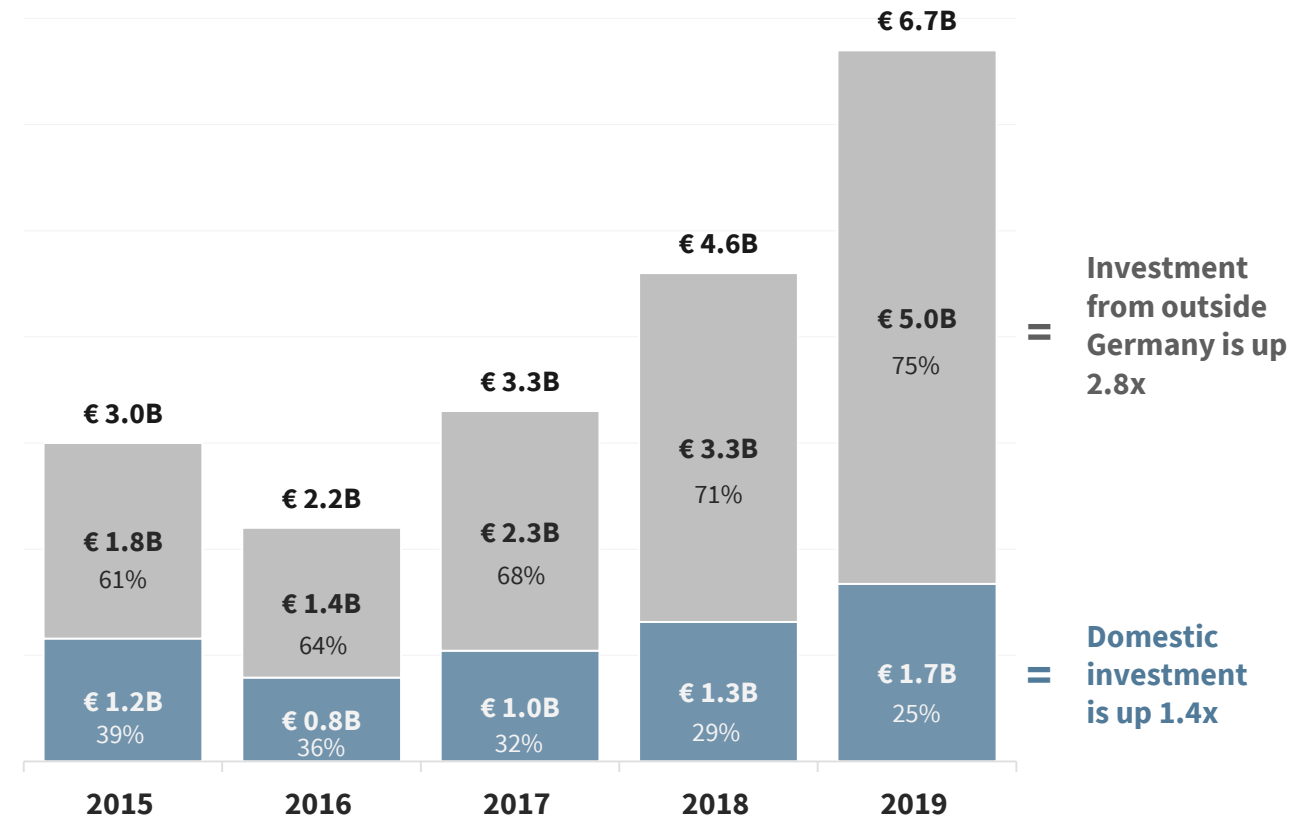
**Massive influx of foreign venture capital into German startups: a sign of strength on the one hand. But as a result, share of domestic capital is lowest of any major ecosystem in Europe.**



# Much of the increased investment in German startups is driven by foreign (mainly US & Asian) investment which has been growing twice as fast as domestic investment.

	From	Investments	Combined round size since 2015
SoftBank		GetYourGuide, Solaris Bank, Auto 1 Group	€ 970M
<b>TEMASEK</b>		GetYourGuide, Omio, SoundCloud	€ 731M
<b>INSIGHT</b> VENTURE PARTNERS		N26 Group, HomeToGo, Blinkist, HelloFresh, Delivery Hero	€ 681M
<b>GIC</b>		N26 Group	€ 427M
<b>Tencent</b> 腾讯		N26 Group, OST, Pepo	€ 305M
<b>VALAR</b> VENTURES		N26 Group, Taxfix, Coya	€ 292M
<b>SPARK</b> CAPITAL		GetYourGuide, Tourlane, Careship	€ 195M
<b>PRINCEVILLE</b> CAPITAL		Auto 1 Group	€ 180M

Domestic and foreign venture capital investment into Germany



Source: Dealroom.co. Only includes rounds with disclosed Investors.

## As a result, foreign investors have built up significant stakes in Berlin's most promising startups.




N26

\$3.5B valuation

Insight Partners   
Valar Ventures   
Tencent   
GIC 



AUTO1  
GROUP

€3B valuation

Softbank   
Princeville Capital   
Goldman Sachs 





celonis

\$2.5B valuation

Accel Partners   
83North 



wefox

\$1.7B valuation

Goldman Sachs   
CreditEase   
Mubadala   
OMERS Ventures 

DEPOSIT  
SOLUTIONS

€1B valuation

Greycroft Partners   
Valar Ventures 




omio

\$1B valuation

Temasek   
Hill House   
Kinnevik 



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GUIDE

\$1B valuation

Temasek   
Heartcore Capital   
Softbank   
Swisscanto Invest 

FCG | FRONTIER  
CAR GROUP

\$700M valuation

Prosus/OLX   
TPG Capital 

raisin.

€500M+ valuation

Goldman Sachs   
Index Ventures 

inform

Est. \$400M+ valuation

Atomico   
Balderton   
Triple Point   
Astanor 

## Does it matter if late stage rounds are gobbled up by US or Asian investors?



### Jan Miczaika, Partner HV Ventures

For the startups, not really. Obviously there are advantages to having local investors, e.g. speed and local knowledge. However a global perspective can also be helpful. On a more general level Germany needs a strong financial sector to remain competitive in a globalised world. Germany is underrepresented in banking, public and private equities, the exchanges are small and illiquid and IPOs are few.



### Pawel Chudzinski, Partner Point Nine Capital

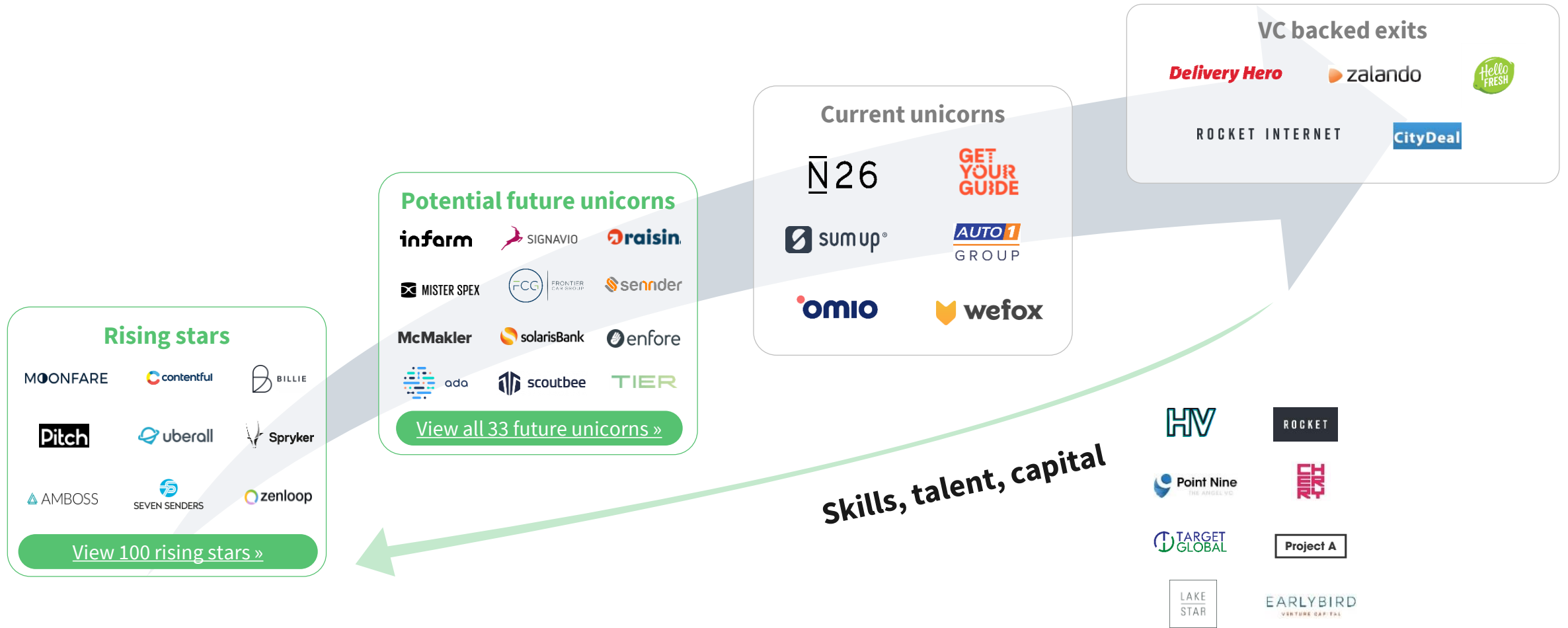
The advantage of having more German late stage capital would be faster late stage rounds + distributed more broadly. Now it seems that there is a lot of small rounds and a bunch of huge rounds and the middle would potentially work better with more local providers. Also, if markets change, if global investors appetite diminishes, late stage funding availability to German startups would be affected negatively.



### Yaron Valler, Managing General Partner Target Global

It is a problem first and foremost for the LPs who want to get returns. The ability of “asset allocators” (as opposed to VCs) to produce returns from this asset class is limited as they are focusing on the wrong parameters, such as profitability at the expense of growth and the company’s future. This also creates a problem for entrepreneurs as well as the entire ecosystem. The issue is working with the right investor for the right point in a company’s lifecycle.

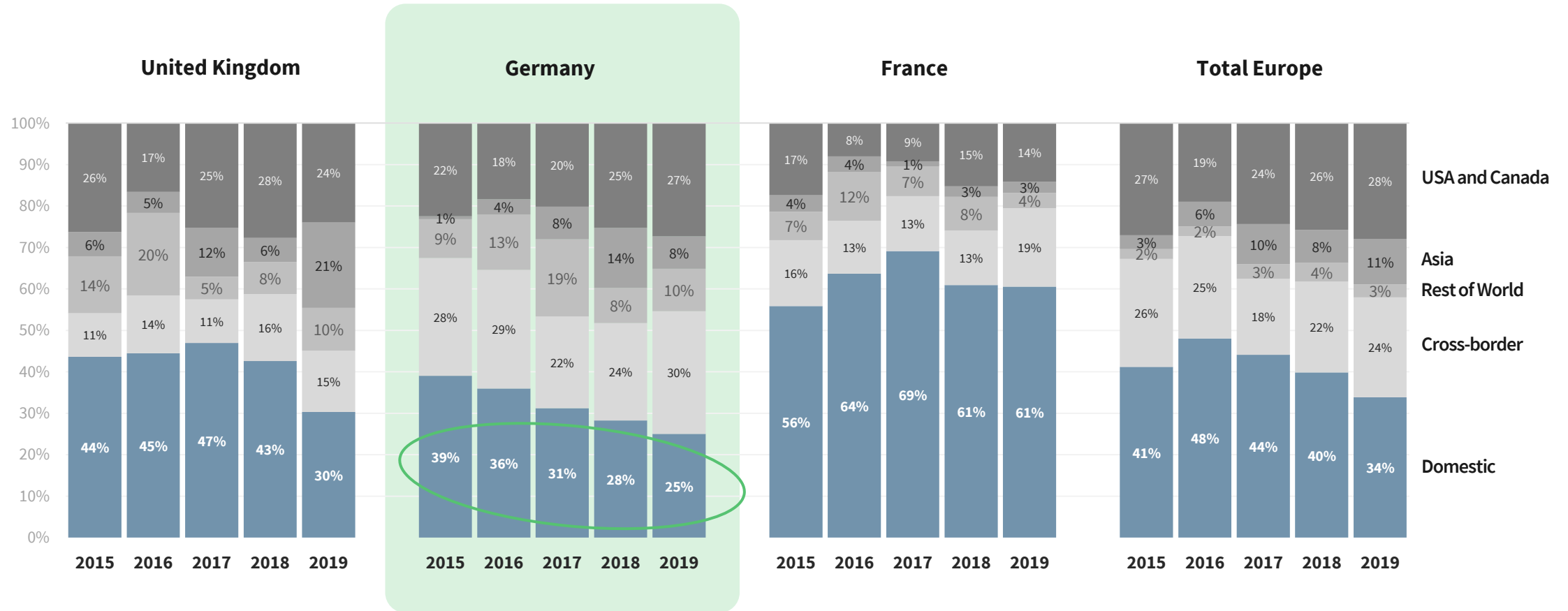
# For a self-sustaining ecosystem with positive network effects, it helps if German investors stay involved also at later stages.



Source: Dealroom.co

# In Germany, the share of domestic capital has diminished, while the share of foreign capital has increased. The same trend is also visible in the UK.

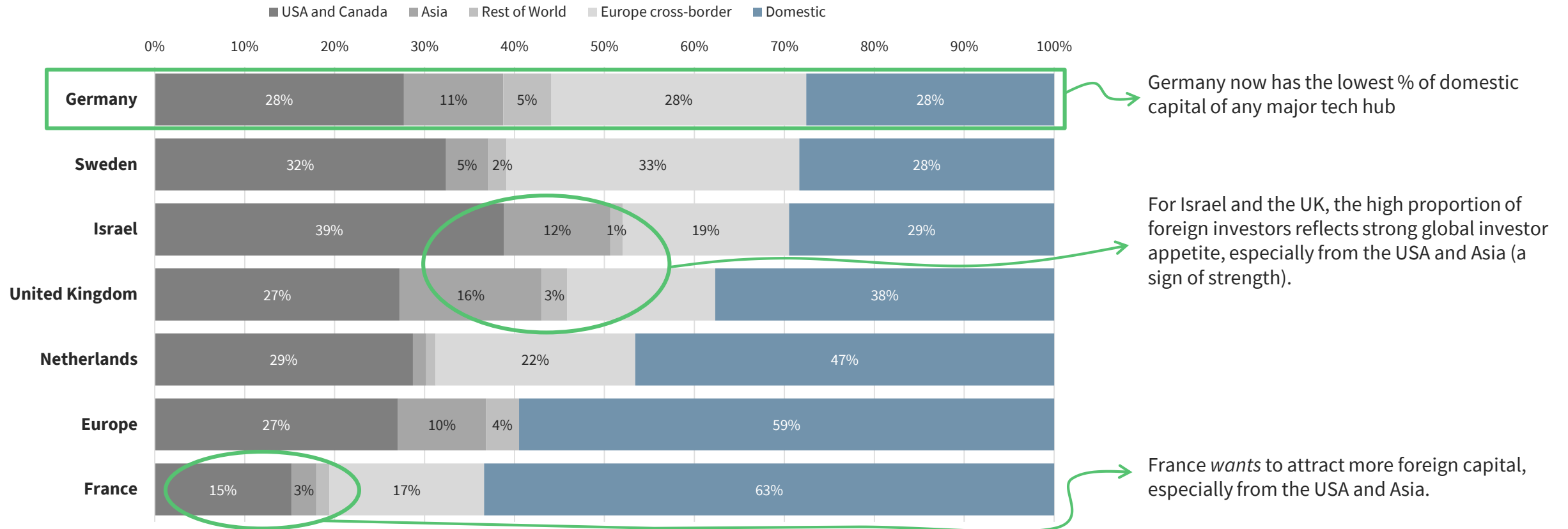
% of investment by source



Source: Dealroom.co estimates.

## But what is the “right” proportion of foreign capital? Being attractive to foreign investors is a sign of strength (see Israel and the UK). Meanwhile, France is actively seeking more foreign investors.

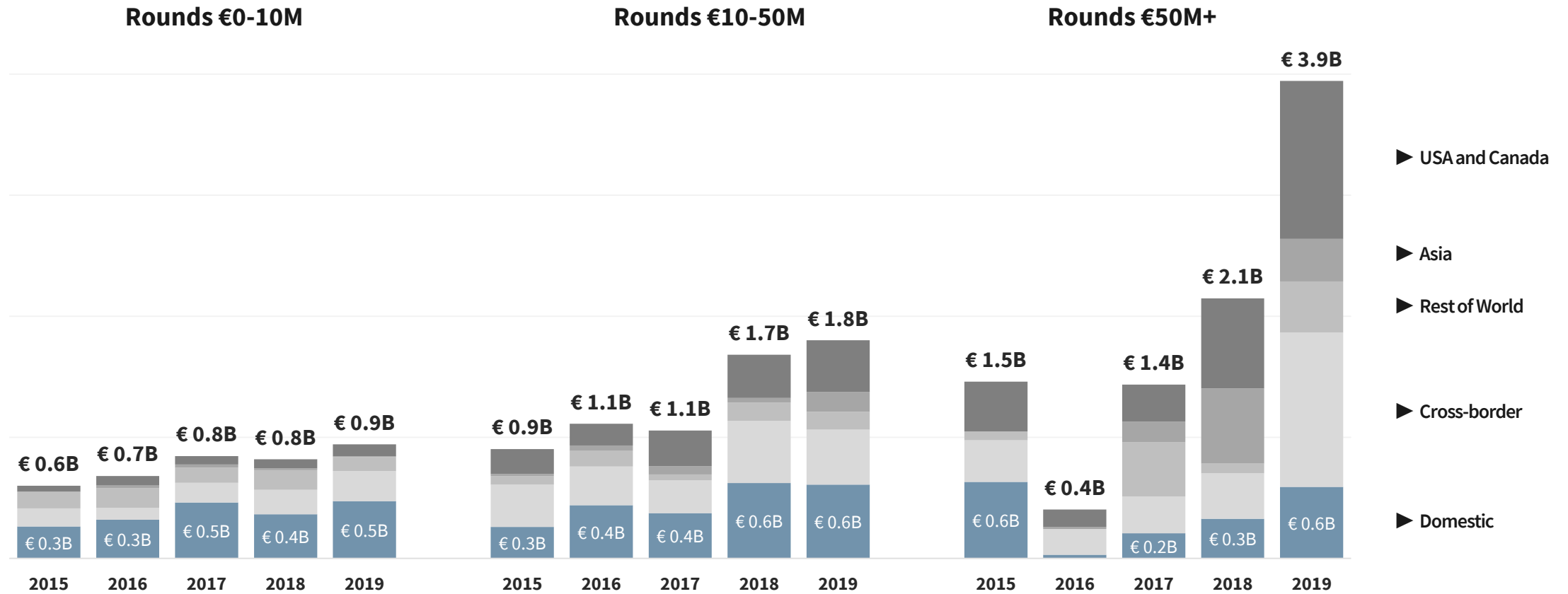
% of foreign investment (2018 - 2019) by country and source



Source: Dealroom.co estimates. Only includes rounds with disclosed Investors.

# Larger rounds drive most of the increase in venture capital. And these larger rounds are predominantly funded by foreign investors.

Venture capital investment in Germany by source and size



Source: Dealroom.co



# Is there a lack of German late stage capital?



**Jan Miczaika, Partner HV Ventures**

There are almost no funds who are able and willing to invest in later stage deals, especially for an initial investment (follow-ons are somewhat different). However for every deal >€10m (or so) we currently see broad interest from US-based investors, ready to fly in at a moments notice. Once companies reach a late stage there is generally enough appeal to attract international investors. This trend will move "earlier", with international investors writing smaller and smaller tickets.



**Pawel Chudzinski, Partner Point Nine Capital**

There are only few late stage investors in Germany for sure. However, given that the later stage you go, the more international the funding landscape becomes, this is not such a huge problem for the ecosystem - international late stage funds are happy to pile in, it seems. But I think that more local late stage funds will be beneficial to the ecosystem - and it is slowly but surely happening.

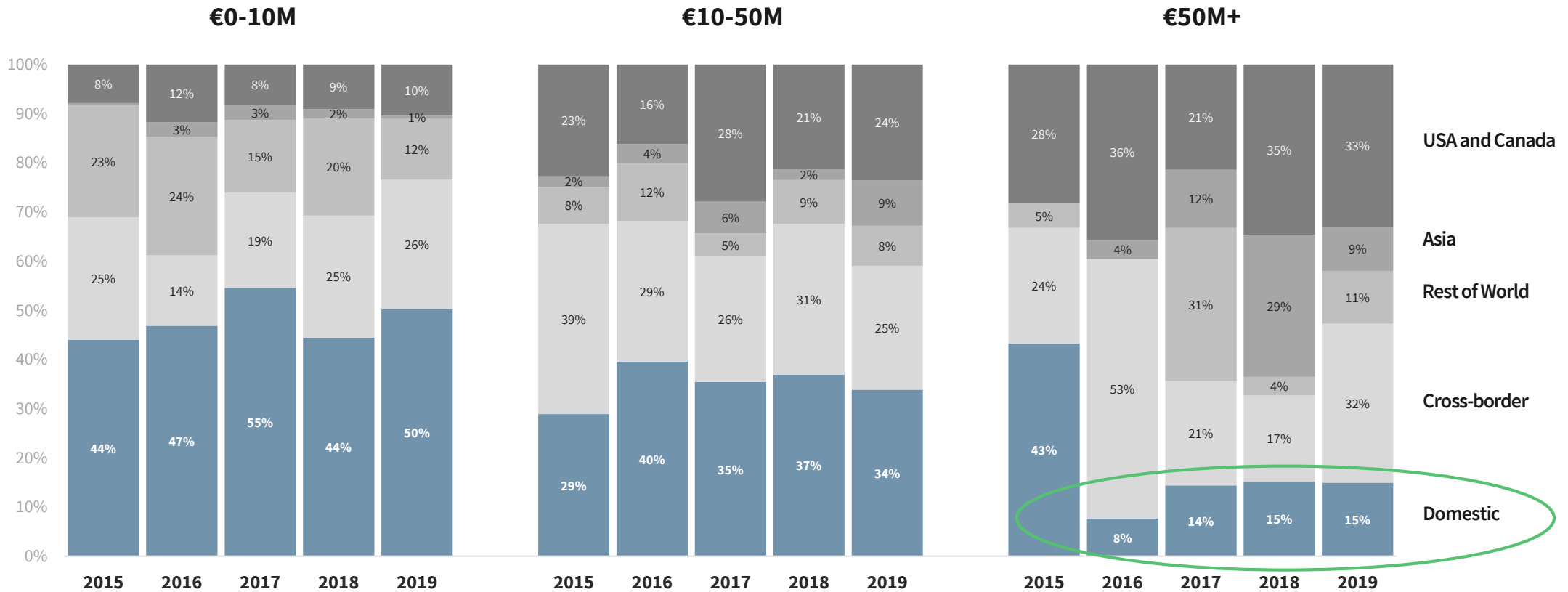


**Yaron Valler, Managing General Partner Target Global**

We see a lack of not only German, but European late stage capital. Larger rounds are mainly financed by non-European VCs. The real shortage is in mid stage, or Early Growth as we call it - when we talk about late venture this is the stage we should refer to. There is ample capital for super late stage (pre capital markets) which is handled by "asset allocators".

# German venture capital investors are involved in only 15% of these larger rounds.

% of investment by source and size



Source: Dealroom.co

## SECTION 3

**Germany's venture capital industry is best-in-class in Europe, in early stage investing. More larger German funds are gradually starting to emerge, who can also support later stage investing.**



# German early stage VC firms dominate Europe's league tables, along with the UK.

## Seed stage investors




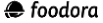


















































































Investor	Home base	European \$1B+ exits	Current European unicorns	Future Unicorns
#1 <b>Global Founders Capital</b>	Berlin	8	3	7
#2 <b>LocalGlobe</b>	London	1	3	9
#3 <b>Seedcamp</b>	London	0	4	3
#4 <b>Point Nine Capital</b>	Berlin	2	1	5
#5 <b>Hoxton Ventures</b>	London	0	3	3
#6 <b>Agoranov</b>	Paris	1	2	3
#7 <b>Cherry Ventures</b>	Berlin	0	2	3
#8 <b>Atlantic Labs</b>	Berlin	0	2	2
#9 <b>Caixa Capital Risc</b>	Barcelona	0	2	1
#10 <b>Venrex</b>	London	1	1	1
#11 <b>Entrée Capital</b>	London	0	2	0
#12 <b>Sound Ventures</b>	Los Angeles	0	2	0
#13 <b>Antai Venture Builder</b>	Barcelona	0	2	0
#14 <b>Bonsai Venture Capital</b>	Madrid	0	2	0
#15 <b>Kima Ventures</b>	Paris	0	1	12

## Series A stage investors

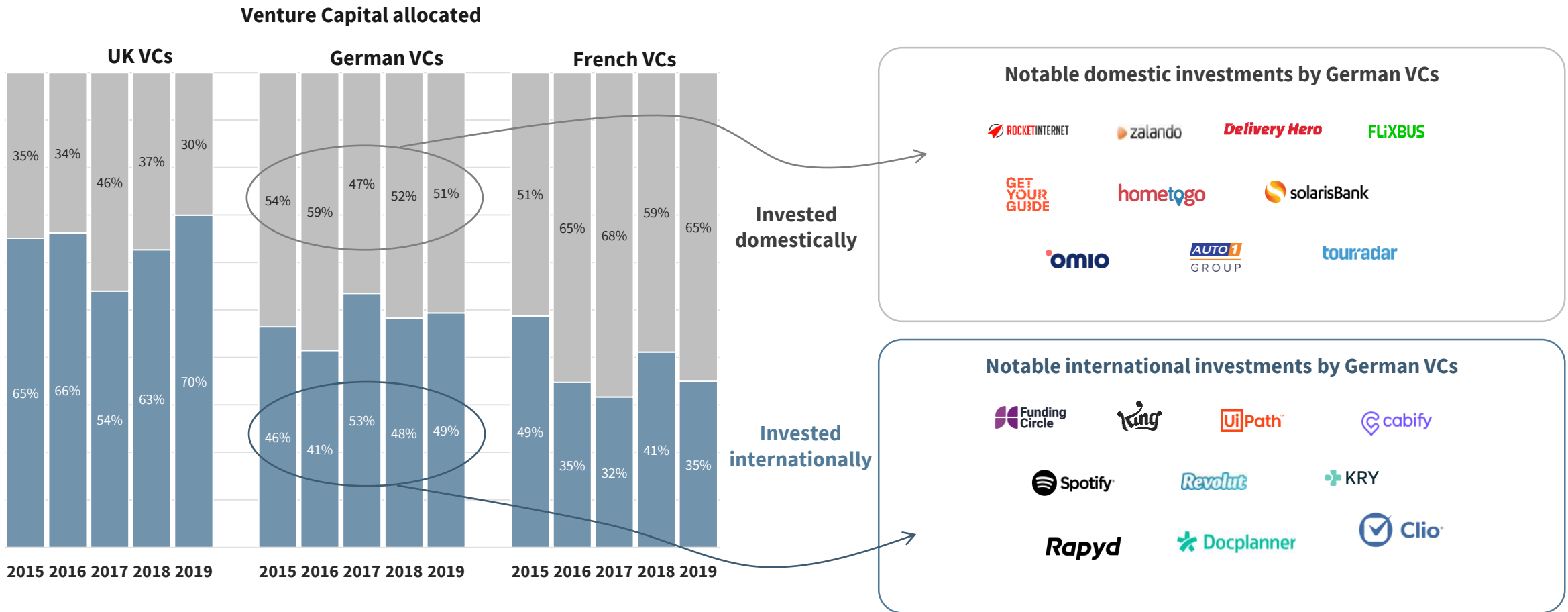
Investor	Home base	European \$1B+ exits	Current European unicorns	Future Unicorns
#1 <b>Index Ventures</b>	London	14	7	14
#2 <b>Accel Partners</b>	London	8	11	22
#3 <b>HV Holtzbrinck Ventures</b>	Munich	6	3	9
#4 <b>Northzone</b>	Stockholm	6	2	7
#5 <b>Balderton Capital</b>	London	4	3	13
#6 <b>Idinvest Partners</b>	Paris	3	4	10
#7 <b>Lakestar</b>	Berlin, Zurich, London	3	4	9
#8 <b>Target Global</b>	Berlin	1	4	8
#9 <b>Atomico</b>	London	3	2	7
#10 <b>Battery Ventures</b>	Boston	0	5	3
#11 <b>TEV Ventures</b>	Essen	2	3	2
#12 <b>Creandum</b>	Stockholm	2	2	7
#13 <b>Dawn Capital</b>	London	2	2	7
#14 <b>Scottish Equity Partners</b>	London	4	0	2
#15 <b>83North</b>	London	3	1	2

Source: Dealroom.co [Europe's Most Prominent Venture Capital Investors](https://dealroom.co/europe-most-prominent-venture-capital-investors).

# German VCs have been able to back iconic startups both domestically (Delivery Hero, Zalando) and internationally (e.g. Revolut, Spotify, UiPath).

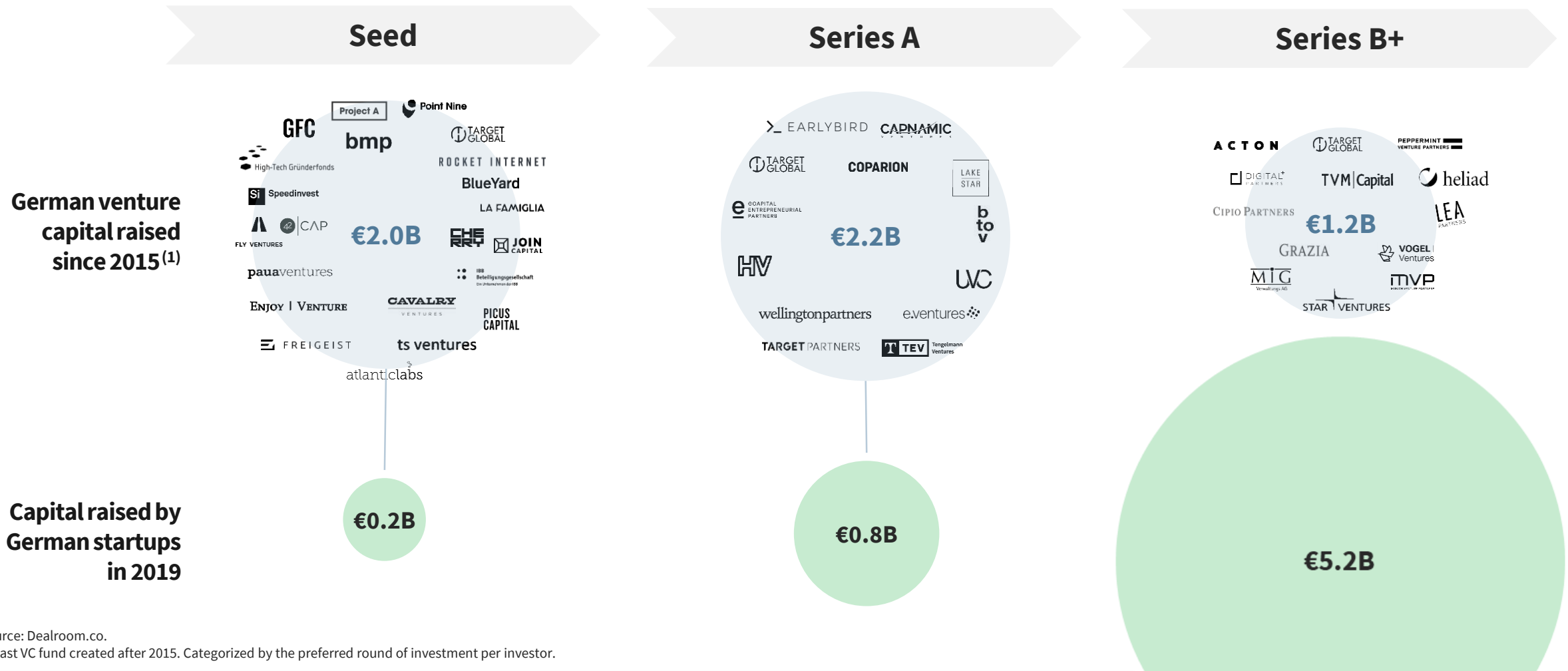
Investor	Latest fund	Notable domestic German investments	Notable investments outside Germany
 <b>Rocket Internet / Global Founders Capital</b> Berlin based Seed fund	€ 900M   Jan 2019	    	  
 <b>Lakestar</b> Zurich & Berlin based Series A fund	\$ 700M   Sep 2019	    	  
 <b>HTGF</b> Berlin & Bonn based Seed fund	€ 320M   Jul 2018	   	  
 <b>HV Holtzbrinck Ventures</b> Munich & Berlin based Seed/Series A fund	€ 306M   Jan 2018	    	  
 <b>Project A Ventures</b> Berlin based based Seed/Series A fund	€ 200M   Sep 2019	    	  
 <b>Cherry Ventures</b> Berlin based Seed fund	€ 175M   Jun 2019	    	  
 <b>Earlybird Venture Capital</b> Berlin based Series A fund	€ 175M   Jul 2018	    	  
 <b>BlueYard Capital</b> Berlin based Seed fund	€ 120M   Jan 2019	 	  
 <b>Target Global</b> Berlin based multi-stage fund	€ 120M   Feb 2020	    	  
 <b>Point Nine Capital</b> Berlin based Seed fund	€ 75M   Jun 2017	    	  

# German VC firms invest half of capital abroad, more than French VC firms, but less than UK VC firms.



Source: Dealroom.co

There are over 150 German VC firms, but 78% of capital is raised by Seed and Series A stage funds, whereas 83% of fundraising is late stage.

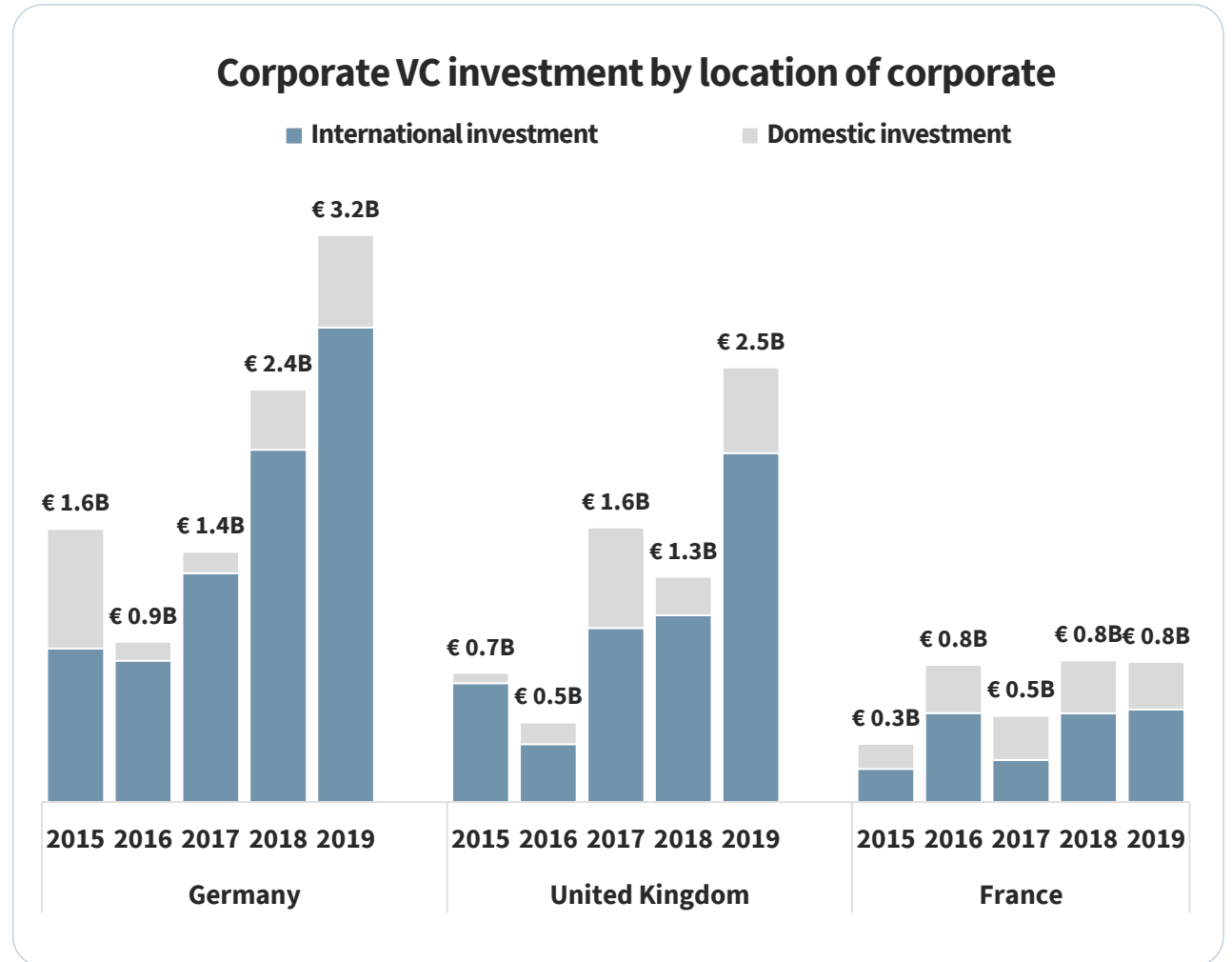


Source: Dealroom.co.

1. Last VC fund created after 2015. Categorized by the preferred round of investment per investor.

The most active corporate venture investors in Europe are German. Still, German corporates spend only 0.1%<sup>(1)</sup> of their revenues on external innovation; much less than their internal innovation budgets.

Media	Automotive	Industrial
axel springer Hubert Burda Media ProSiebenSat.1 Media SE G+J	Volkswagen BMW GROUP Daimler AG	EVONIK INDUSTRIES BASF BOSCH RWE e-on
Finance	Retail	Technology
Deutsche Bank COMMERZBANK Allianz	adidas DHL METRO GROUP TENGELMANN ventures Henkel	SAP SIEMENS Deutsche Telekom



Source: Dealroom.co  
 1. Matthias Hilpert in FutureMadeInGermany.de



# What has been the reason for the lack of German late stage capital?



**Jan Miczaika, Partner HV Ventures**

Historically returns have been relatively low, but this is changing according to institutional investors. A larger problem is that the typical collectors of capital in Germany, e.g. pension funds, insurances and state institutions typically do not invest in private equity - or even strongly in public equities, for that manner. Additionally the German governmental "pay-as-you-go" pension system, with a relatively private pension sector, leads to less capital available for investment.



**Pawel Chudzinski, Partner Point Nine Capital**

I think in line with reasons for historical lack of VC - no track record of venture success because the German VC industry started in the 90s, got hit by the bus of the crash of 2000 and never was able to show success. Now that it has, money is piling it, and it is just easier to fill in a €100m fund then a €500m or €1b fund, but they are happening.

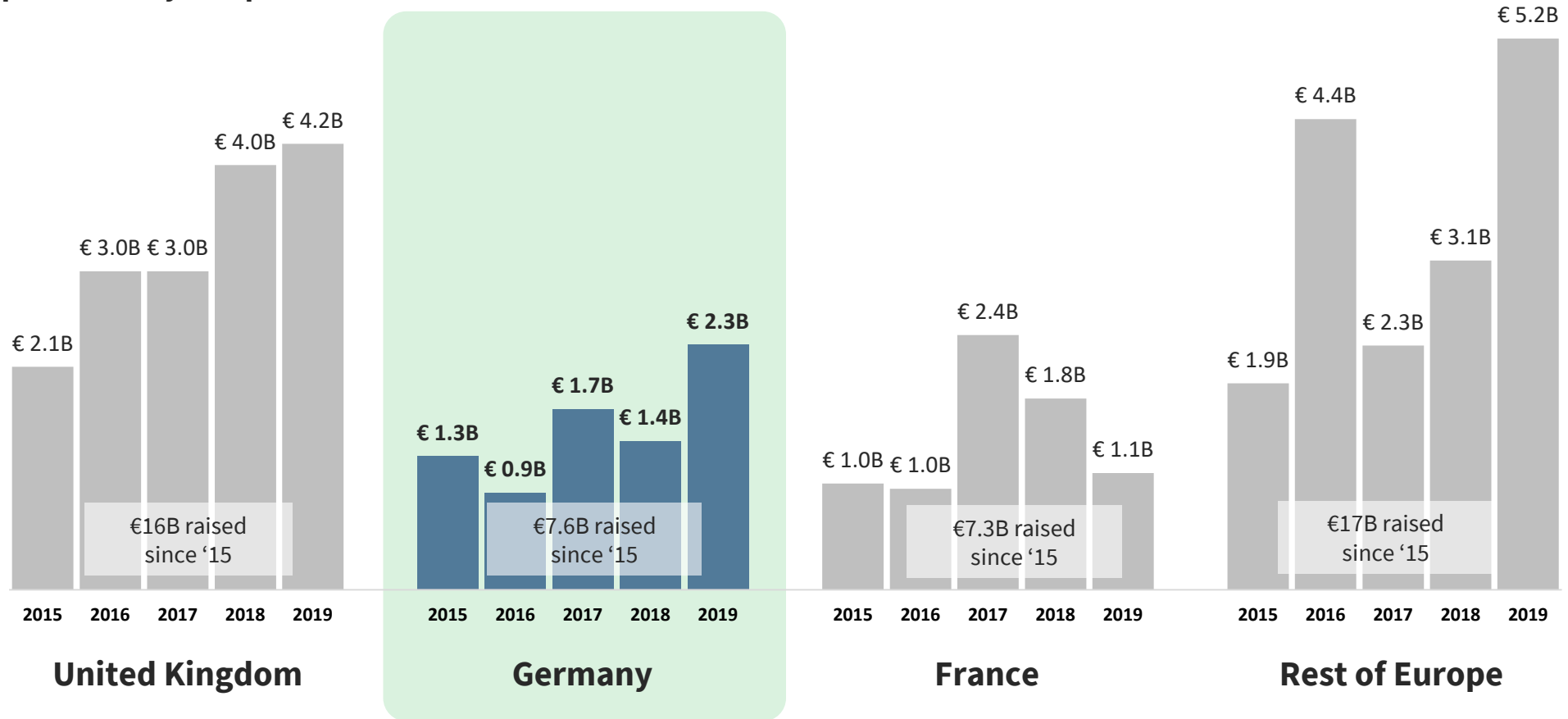


**Yaron Valler, Managing General Partner Target Global**

The pension system is inherently broken due to population aging and longer lives. The only way for the funds to pay pensions in the long run will be to increase their exposure to high yield instruments such as venture capital. Pension funds are among the largest venture capital investors in the US. Perhaps there is something to learn from the world's most robust economy. Furthermore, there is a national priority question at stake. If Germany wants to remain competitive it needs to invest more in VC. The great initiatives of HTGF and the various "Landesbanken" are a good start but not enough.

# Across Europe, 2019 was a record year for new fund raising by VCs (and 2020 started strong).











Amount of capital raised by European VCs



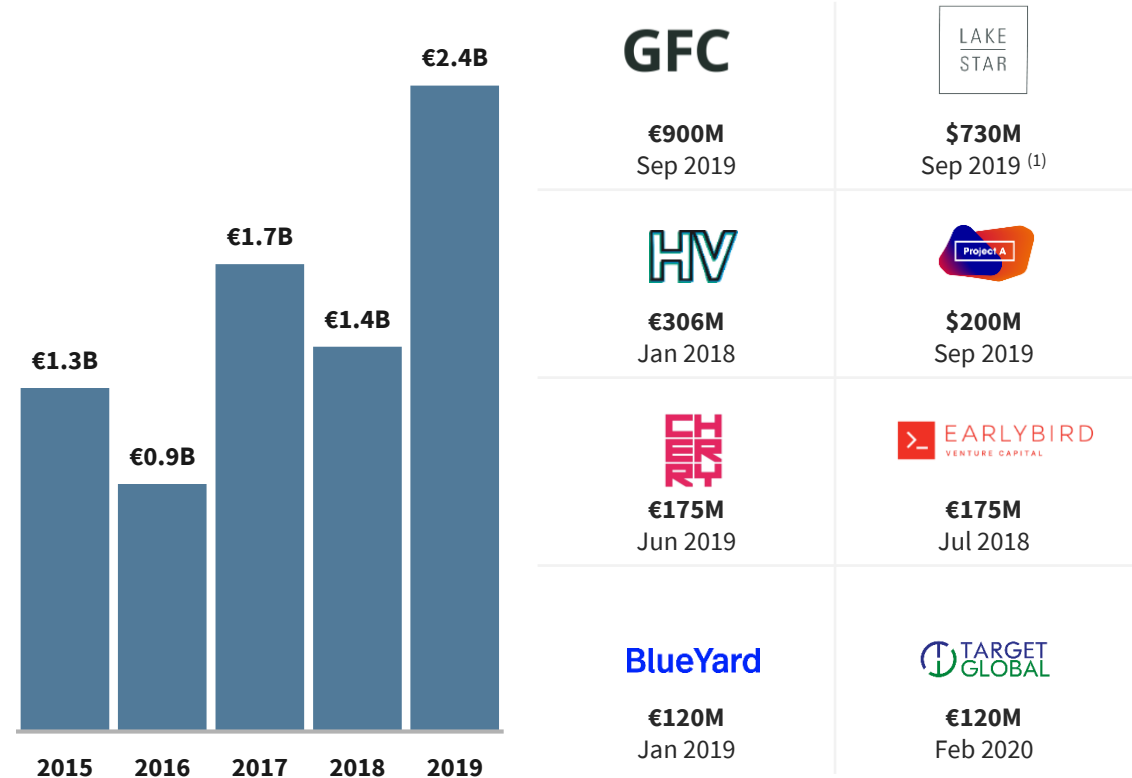
Source: Dealroom.co

# German VCs have started raising bigger funds. Appetite from LPs is growing.

## Selected LPs in German VC firms

EIF (European Union)	 EUROPEAN INVESTMENT FUND
State-owned institutions & Landesbanken	 Bundesministerium für Wirtschaft und Energie  Investitionsbank Berlin <b>LB BW</b> <b>KFW</b>
German private institutions and corporates	 <b>sap</b>  axel springer  NRW.BANK  GJJ  ProSiebenSat.1 Media SE <b>Hubert Burda Media</b>
Family offices & individuals	 HAMBURG FAMILY OFFICE HAMBURG · NEW YORK  Reimann Investors
Foreign investors	<b>TEMASEK</b>

## New funds raised by German VC firms



Source: Dealroom.co  
1. Closing in Feb 2020.



# InvestEurope data shows that funding sources started to shift in 2018 towards more pension funds, fund-of-funds, USA and UK investors.

## New funds raised by source in Germany vs. Europe

Funding sources by type	German VCs				European VCs	
	2015	2016	2017	2018	2018	
Unclassified	63%	14%	22%	36%	23%	
Government agencies	31%	33%	21%	28%	14%	
Pension funds	0%	0%	0%	10%	7% > Positive developments with more upside	
Fund of funds	0%	0%	1%	8%	10% > Positive developments with more upside	
Family offices	3%	5%	5%	4%	8% > Upside potential	
Corporate investors	0%	26%	8%	3%	9%	
Insurance companies	0%	2%	1%	3%	4%	
Other asset managers	0%	15%	33%	2%	5%	
Private individuals	1%	1%	3%	2%	7% > Upside potential	
Banks	1%	2%	5%	1%	5% > Upside potential	
Endowments and foundations	0%	1%	0%	1%	4% > Upside potential	
Academic institutions	0%	0%	2%	1%	0%	
<b>New funds raised</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

Funding sources by region	German VCs				European VCs	
	2015	2016	2017	2018	2018	
Unclassified	56%	14%	22%	36%	2%	
DACH	34%	66%	65%	30%	11%	
North America	0%	-	0%	15%	15% > Positive developments with more upside	
France & Benelux	10%	17%	11%	9%	39%	
UK & Ireland	0%	-	1%	7%	15% > Positive developments with more upside	
Southern Europe	-	-	0%	3%	6%	
Rest of the world	-	-	0%	0%	0%	
Asia & Australia	-	4%	-	0%	3%	
CEE	-	-	-	-	3%	
Nordics	-	-	-	-	2%	
Unclassified Europe	0%	-	-	-	4%	
<b>New funds raised</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	

Source: Invest Europe / EDC

1. DACH = Germany, Austria, Switzerland.

## How important is government funding?



**Jan Miczaika, Partner HV Ventures**

The EIF is an often under-acknowledged pillar of European startup activity. Without it, there would be much fewer funds (and startups). I am in general always sceptic of individual government interventions. But for example the Nordic system of loss-prevention guarantees for pension funds investing in VC led to the creation of a vibrant financing ecosystem, at very little cost to the government.



**Pawel Chudzinski, Partner Point Nine Capital**

I like the European Investment Fund (EIF), I think they did an amazing job on keeping the VC industry alive and forming it, Europe-wide. However, maybe they were focused too much on the smaller funds and not on the later stage funds.



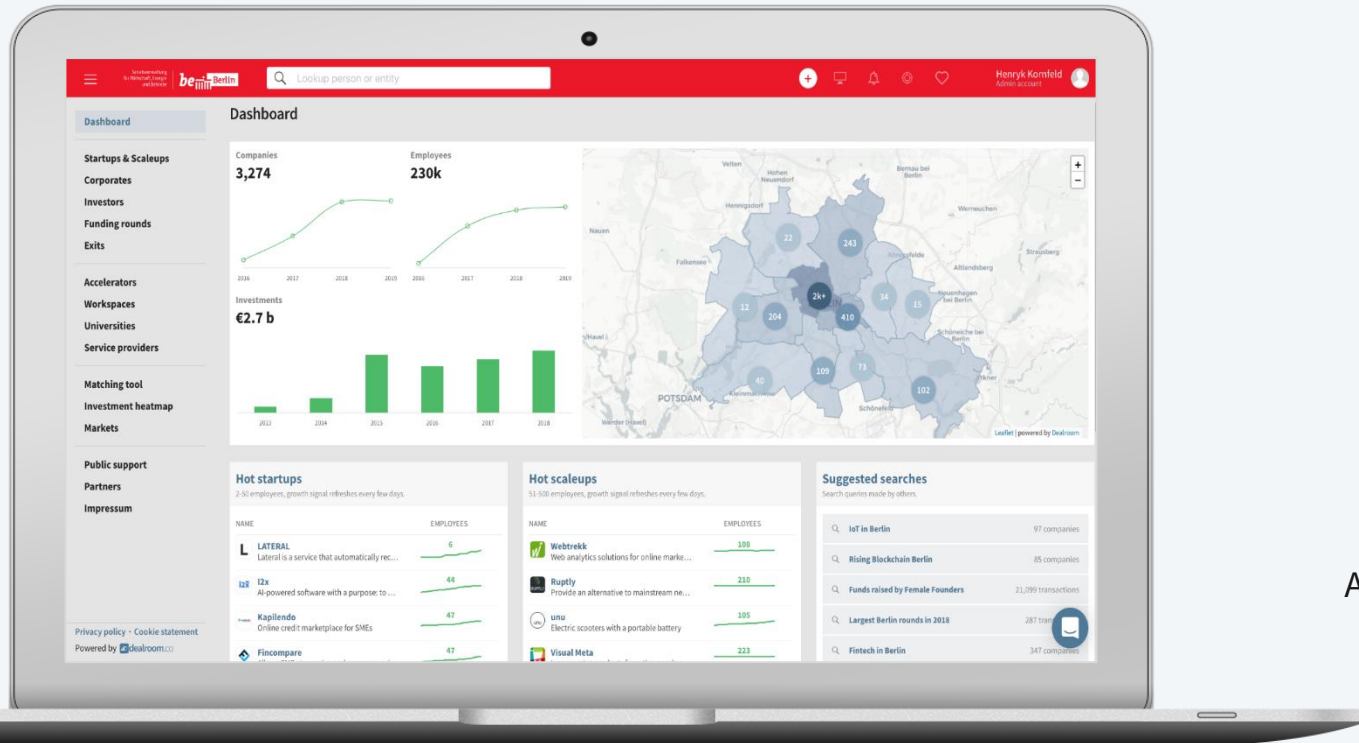
**Yaron Valler, Managing General Partner Target Global**

We can only welcome government initiative, but we think there is much more that can be done. Most of these initiatives are nice for publicity but means little. To give a recent example: for a country as big as France to commit to € 5b over 5 years is very little capital. For comparison: this is the amount invested in Israel in only half a year.

## Our conclusions.

- Germany still ranks #2 in Europe by most key measures. But in **mid growth stage venture capital, Germany has been overtaken by France**, which is also apparent by the number of “future unicorns”
- Large rounds (€50M+) dominate in Germany and those are 85% funded by foreign investors. Asian and USA investors have built up significant stakes in Berlin’s most promising startups. Being attractive to foreign investors is a sign of strength, but **Germany stands out by its low % of domestic venture capital**
- **Germany’s VC industry is top-class in Europe in early stages** (by number of unicorns invested for example). There are over 150 German VC firms, but 78% of capital is raised by Seed and Series A stage funds, whereas 83% of investment is late stage
- **Larger German funds have started to emerge.** According to InvestEurope data, German VC firms are starting to raise more of their capital outside of the DACH region (70% in 2018, up from 40% in prior three years). Pension funds have started to invest more in 2018. Academic institutions and family offices are still lagging

# The most complete and detailed picture of Berlin's tech ecosystem, in partnership with City of Berlin: <https://startup-map.berlin>



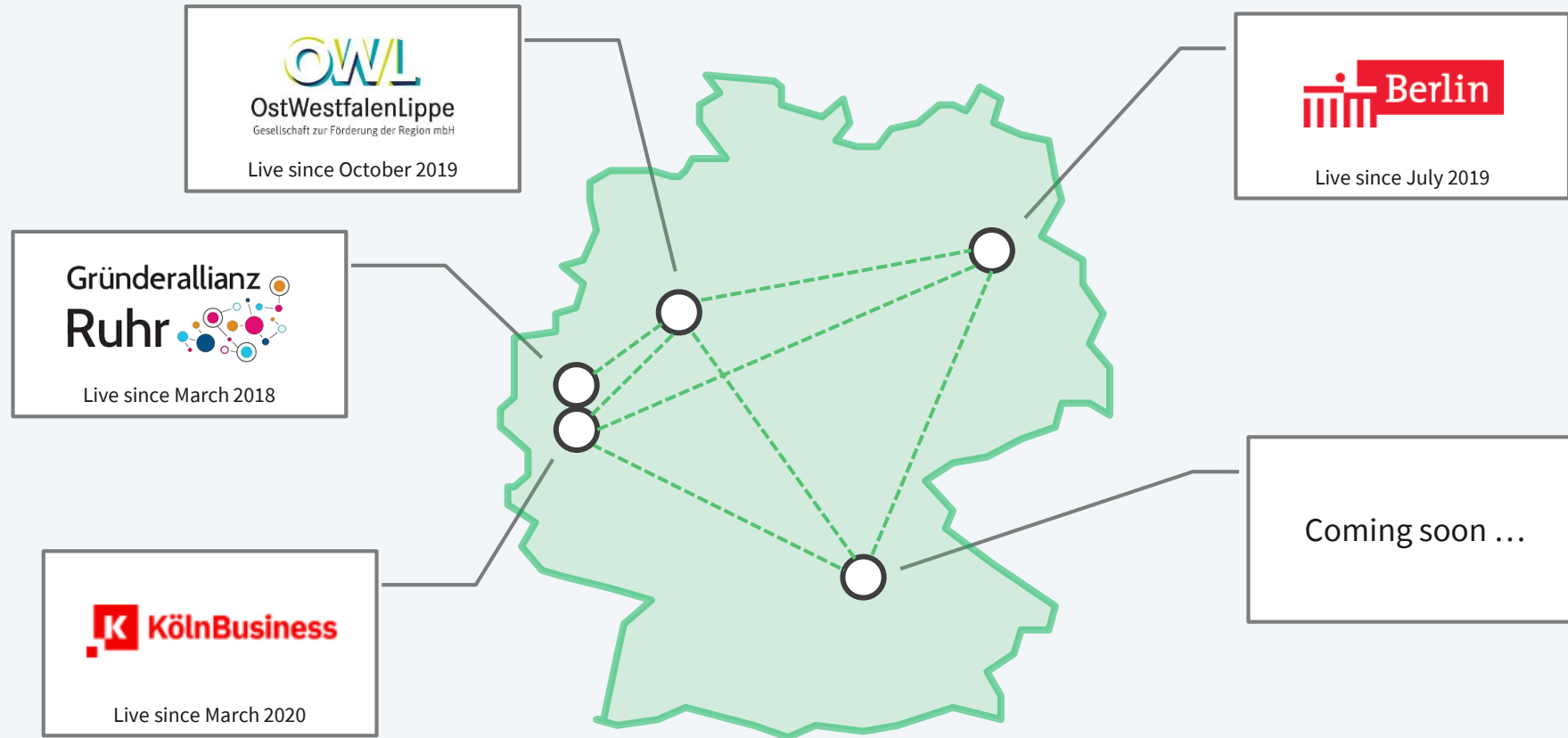
3,800+  
startups & scaleups

1,200+  
funds & corporate investors

200+  
Accelerators, workspaces

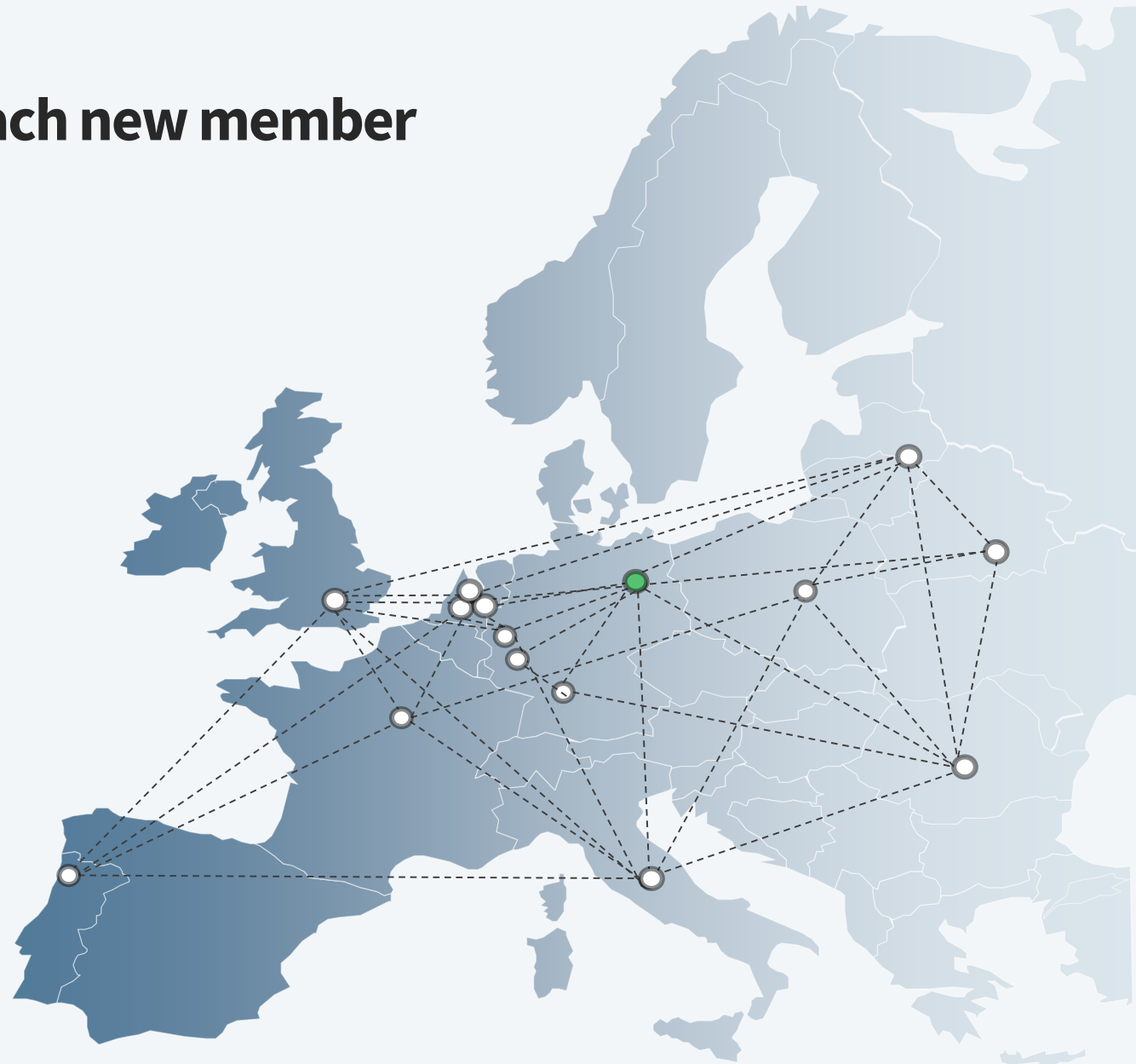
3,000+  
Funding rounds & exits

# Ecosystem solutions already four major hubs in Germany, and soon launching one more.





# An expanding combined network: each new member adds more value.



Visit <https://startup-map.berlin>

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Get new insights & trends

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ecosystem dynamics

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