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The state of VC in 2022

31 MAY 2022



- 1 Tech investment activity
- 2 Investor landscape
- 3 The future of Venture Capital

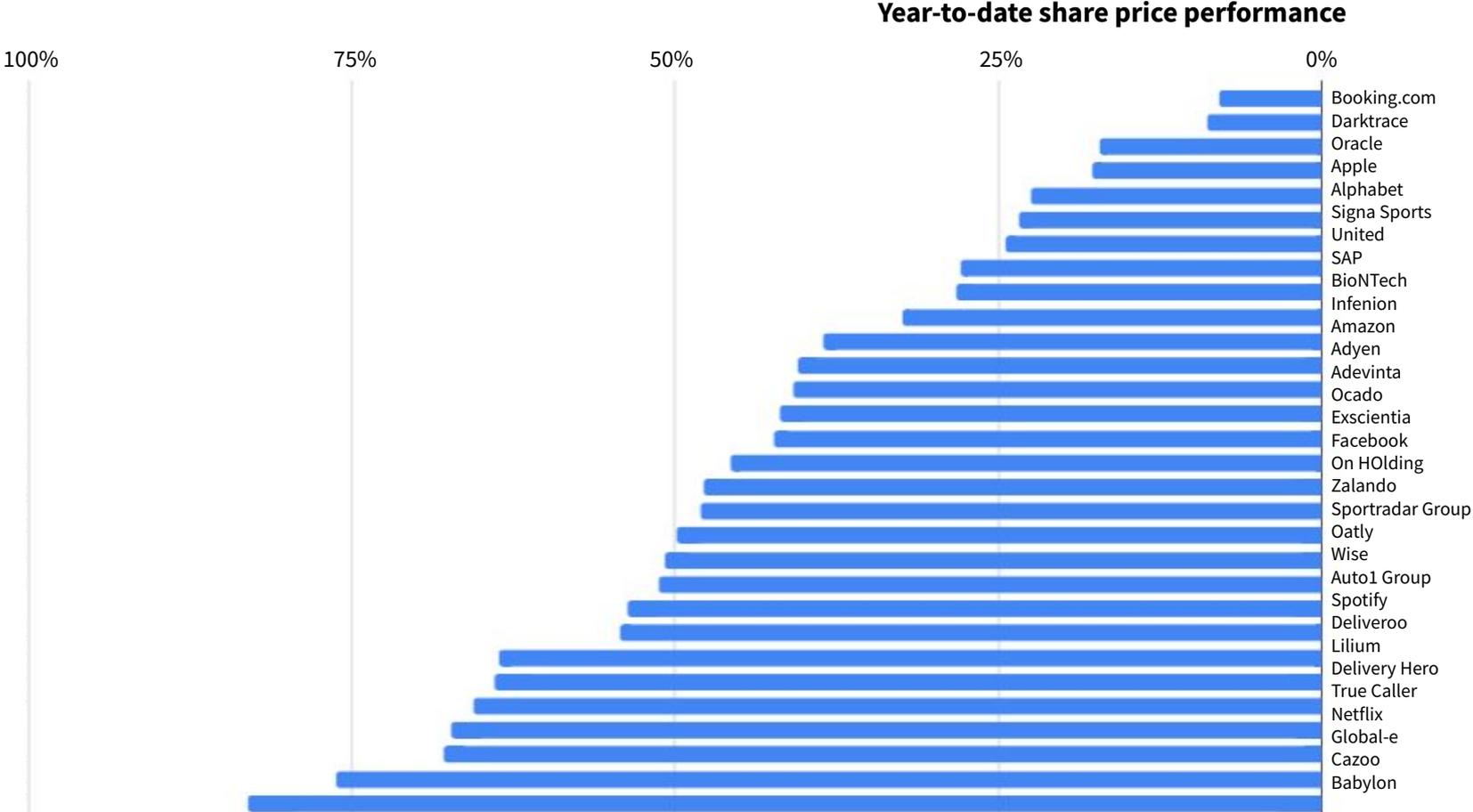
Nasdaq down 24% year to date, wiping out \$5 trillion in value.

12,081.39 ↓ 23.69% -3,751.41 YTD

May 31, 5:15:59 PM GMT-4 · INDEXNASDAQ · Disclaimer

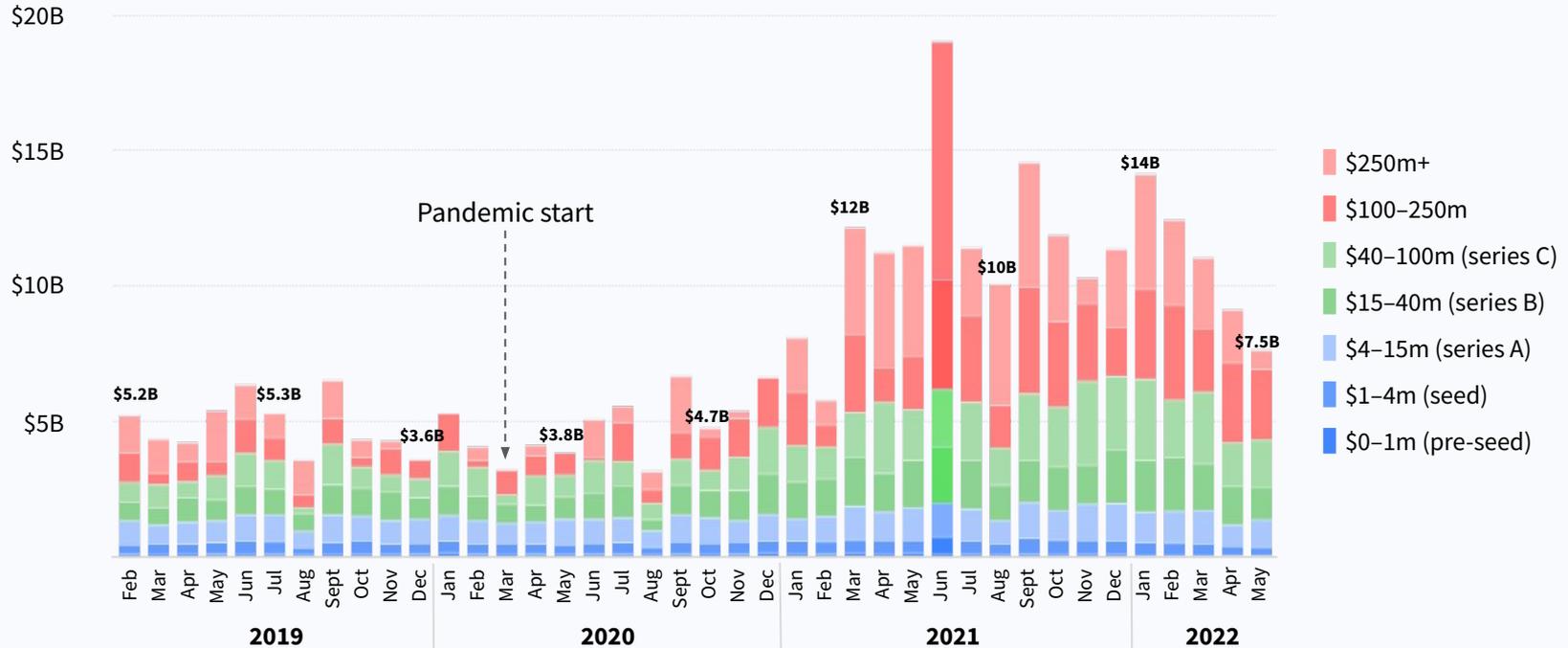


The big dispersion in tech stocks.



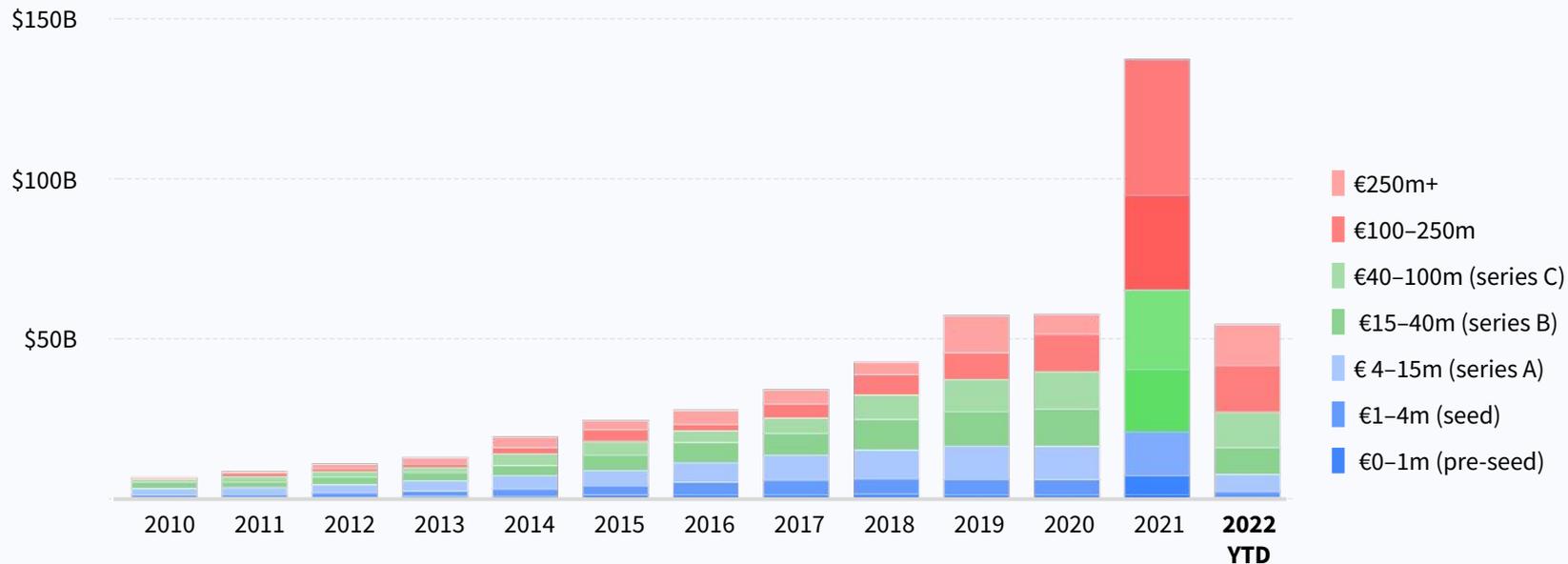
VC activity is also slowing down, but still high compared to pre-pandemic levels.

VC investment in EMEA startups » [view online](#)



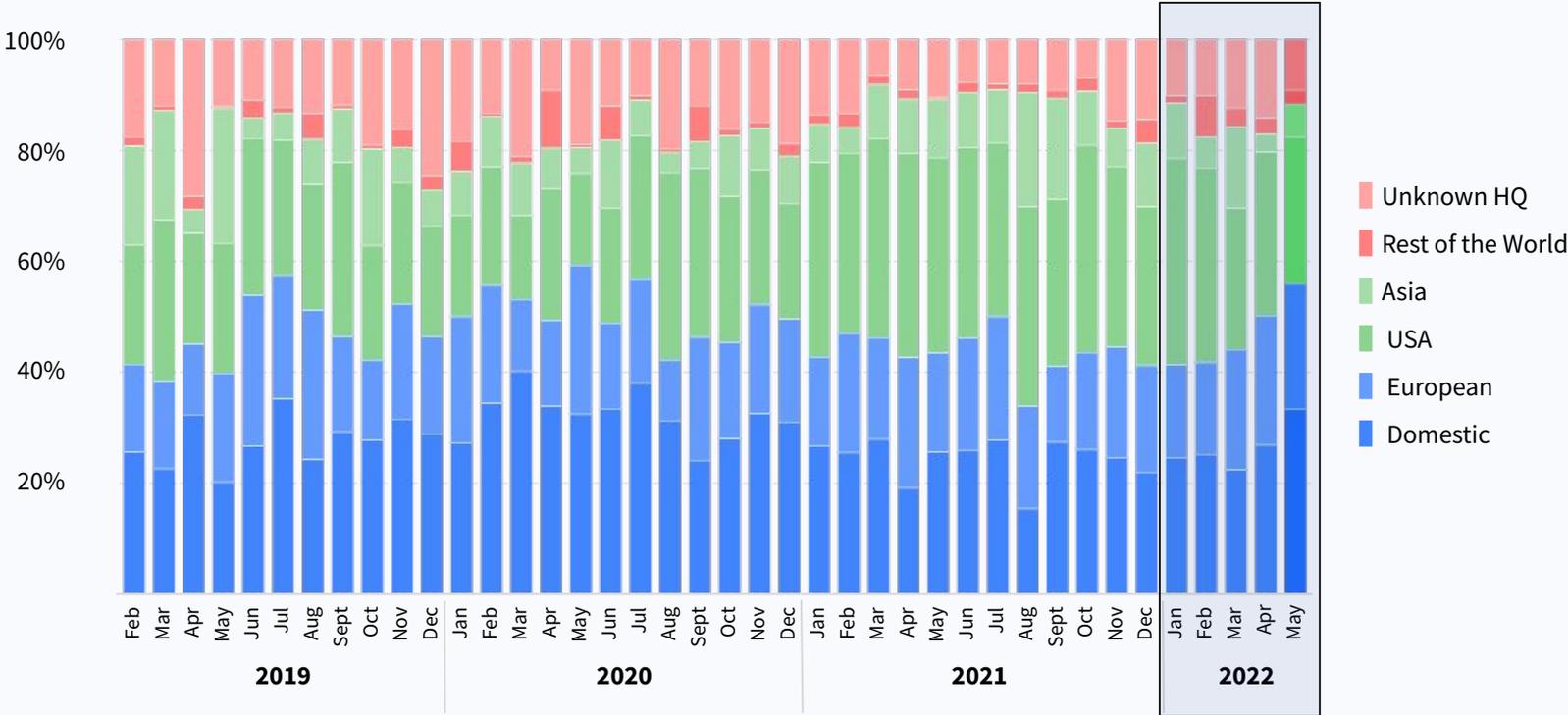
Weirdly, 2022 investment is already at the level of the full year of 2020.

VC investment in EMEA startups » [view online](#)



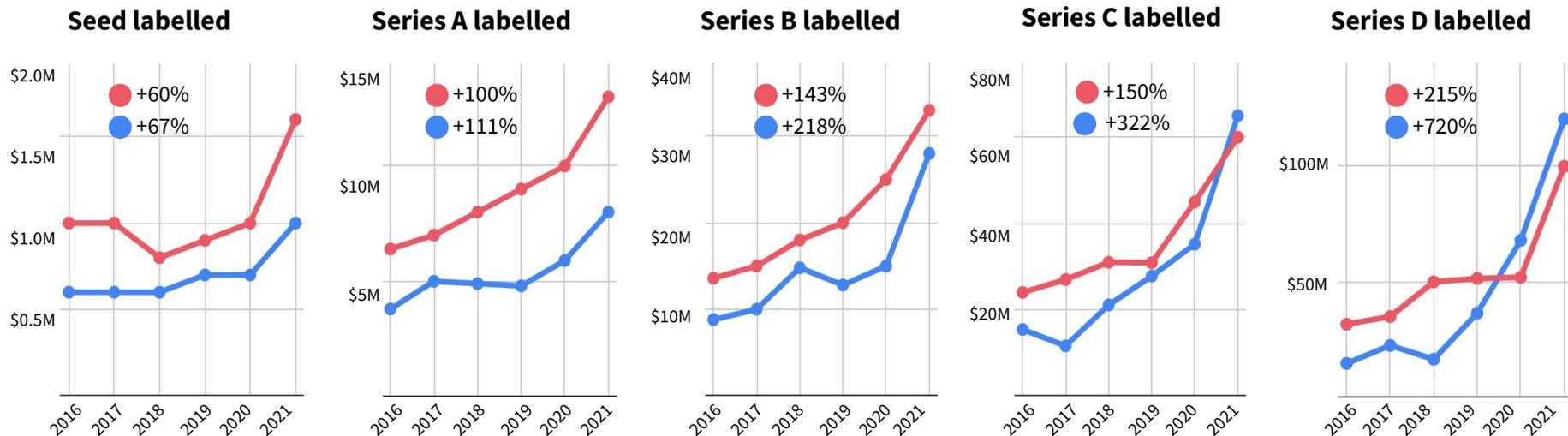
Noticeable pullback from US and Asian investors.

Sources of investment into EMEA startups » [view online](#)

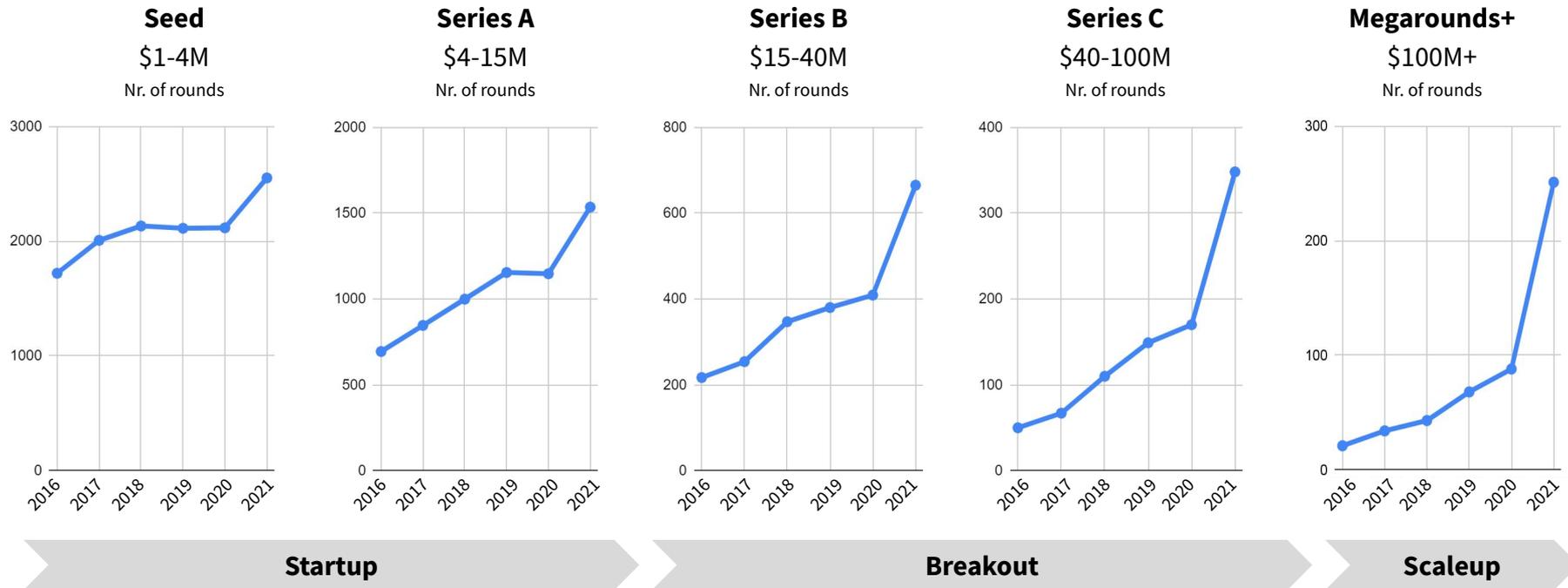


Self-labelled rounds show a massive spike in Series C & D round sizes. However, self-labelled rounds are notorious for being labelled inconsistently.

Median round sizes (self-labelled rounds) ● Europe ● USA



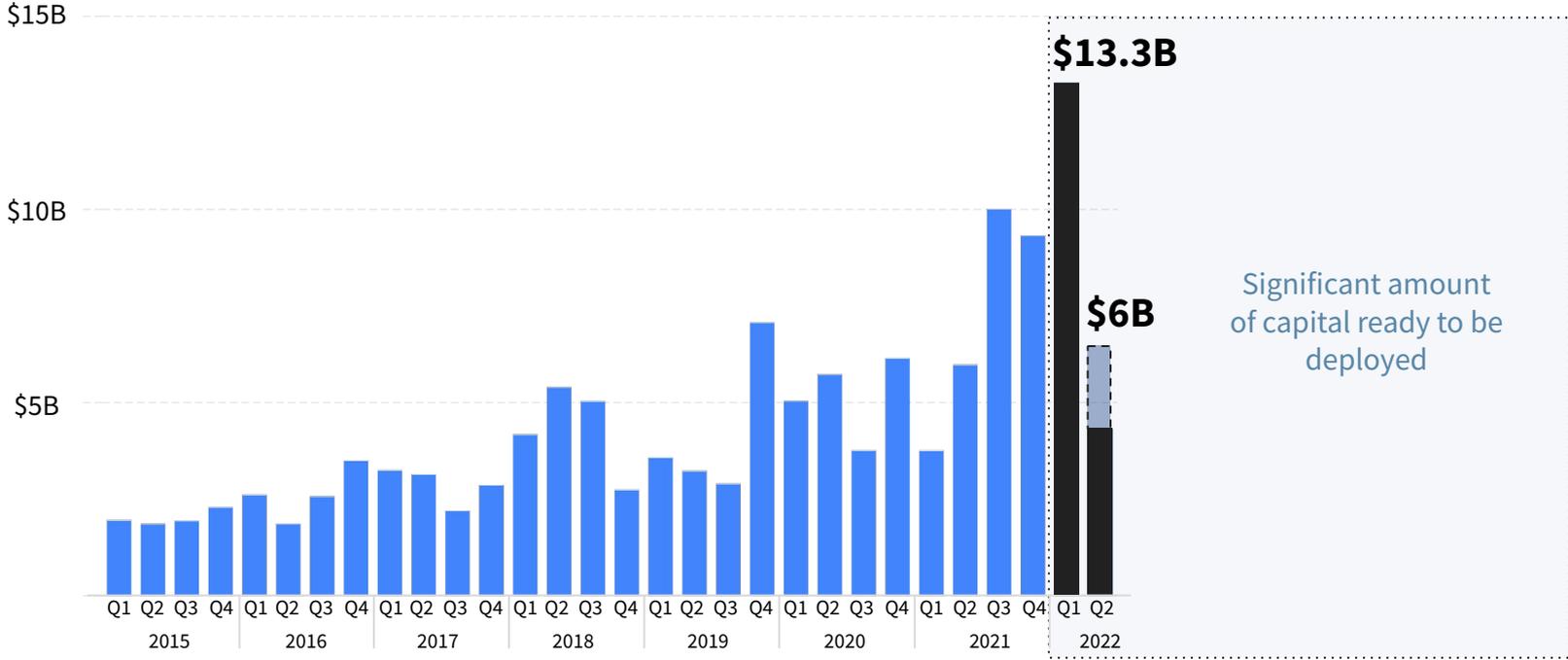
Standardized round labels give a more reliable picture. However, the conclusion is similar: massive spike in 2021 across later stages.



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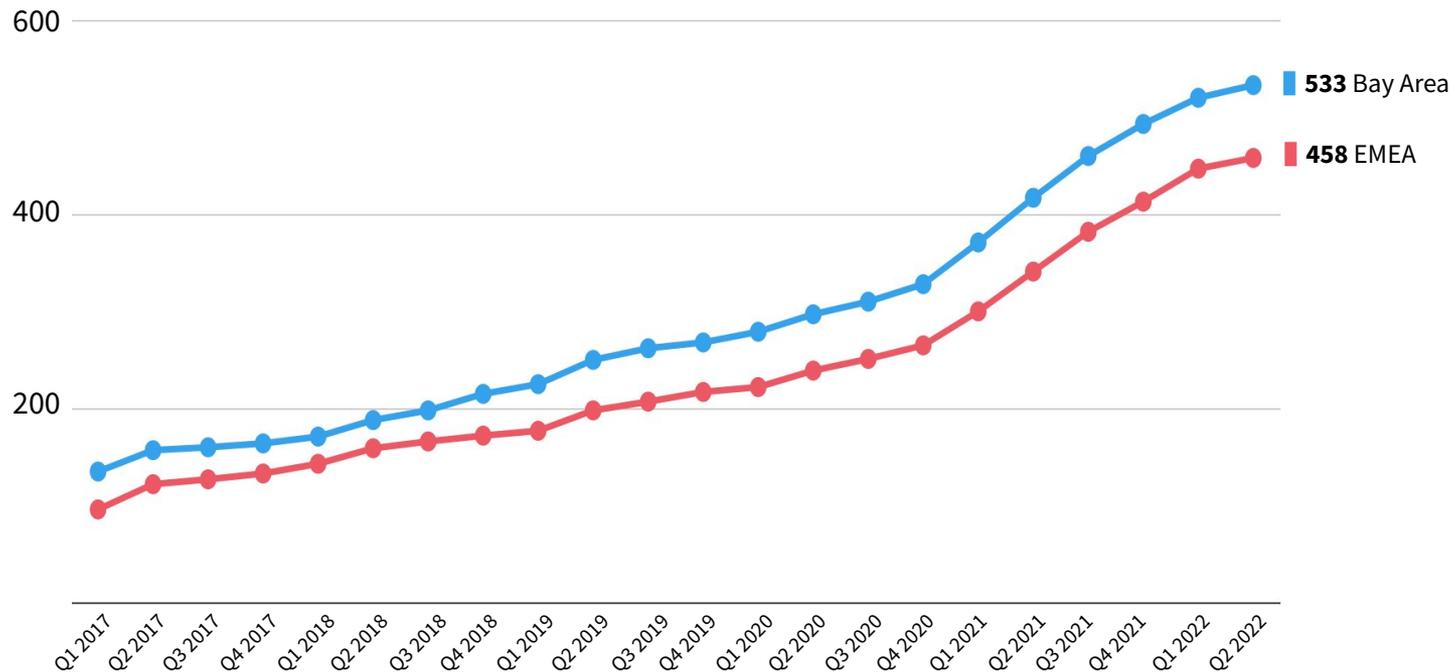
VCs raised more than ever before in Q1. But Q2 is about 55% lower.

New funds raised by EMEA investors » [view online](#)



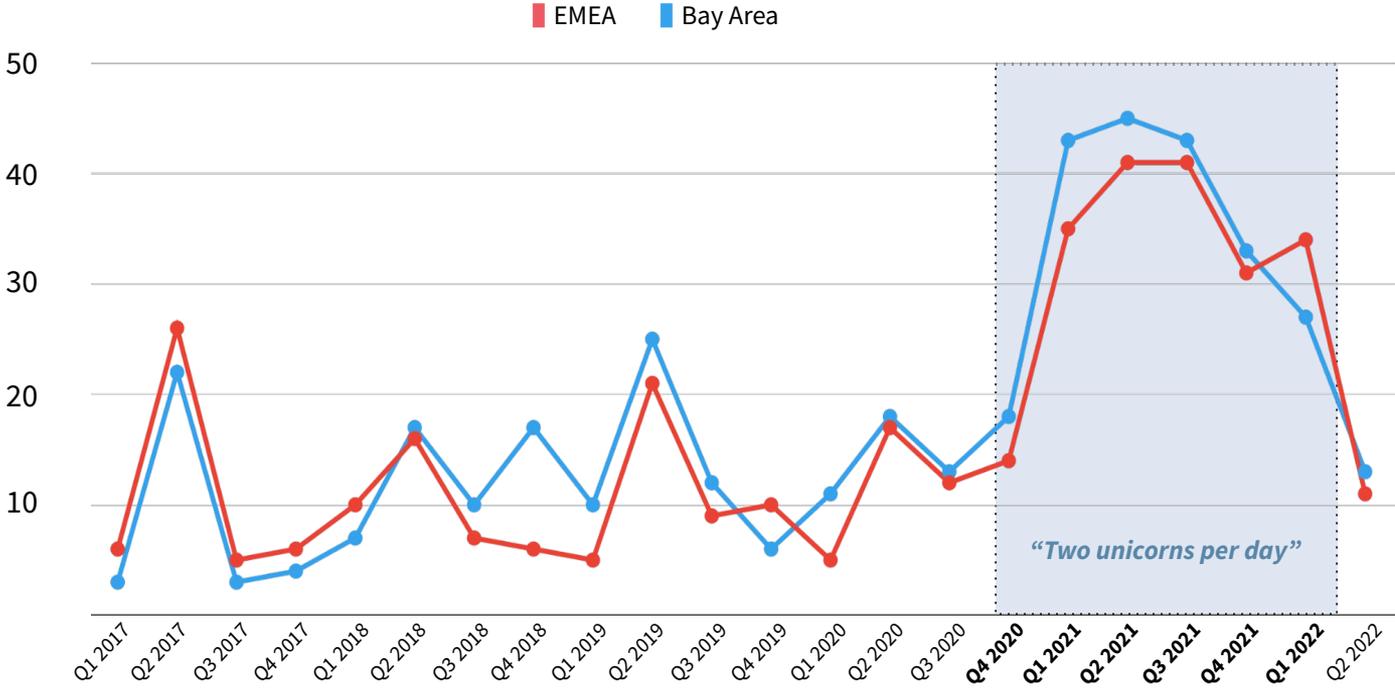
A rising tide: 458 unicorns have been created out of EMEA.

Cumulative number of unicorns » [view online](#)



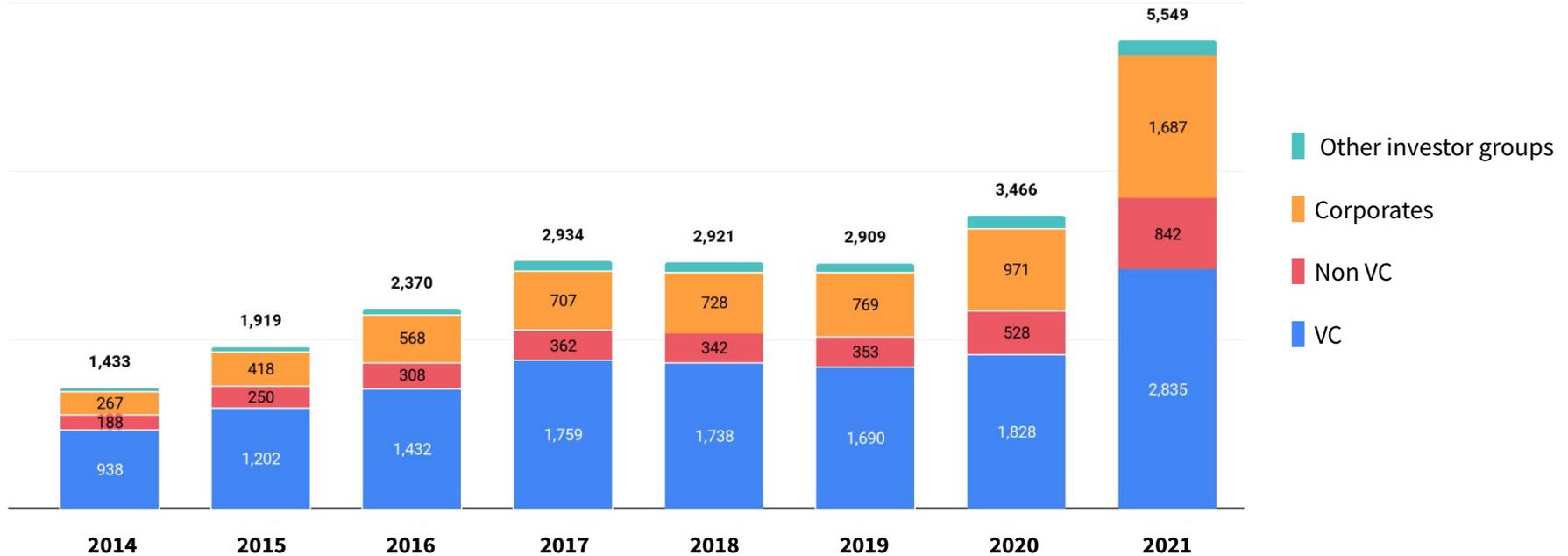
But unicorn creation is rapidly slowing down.

Number of new unicorns » [view online](#)



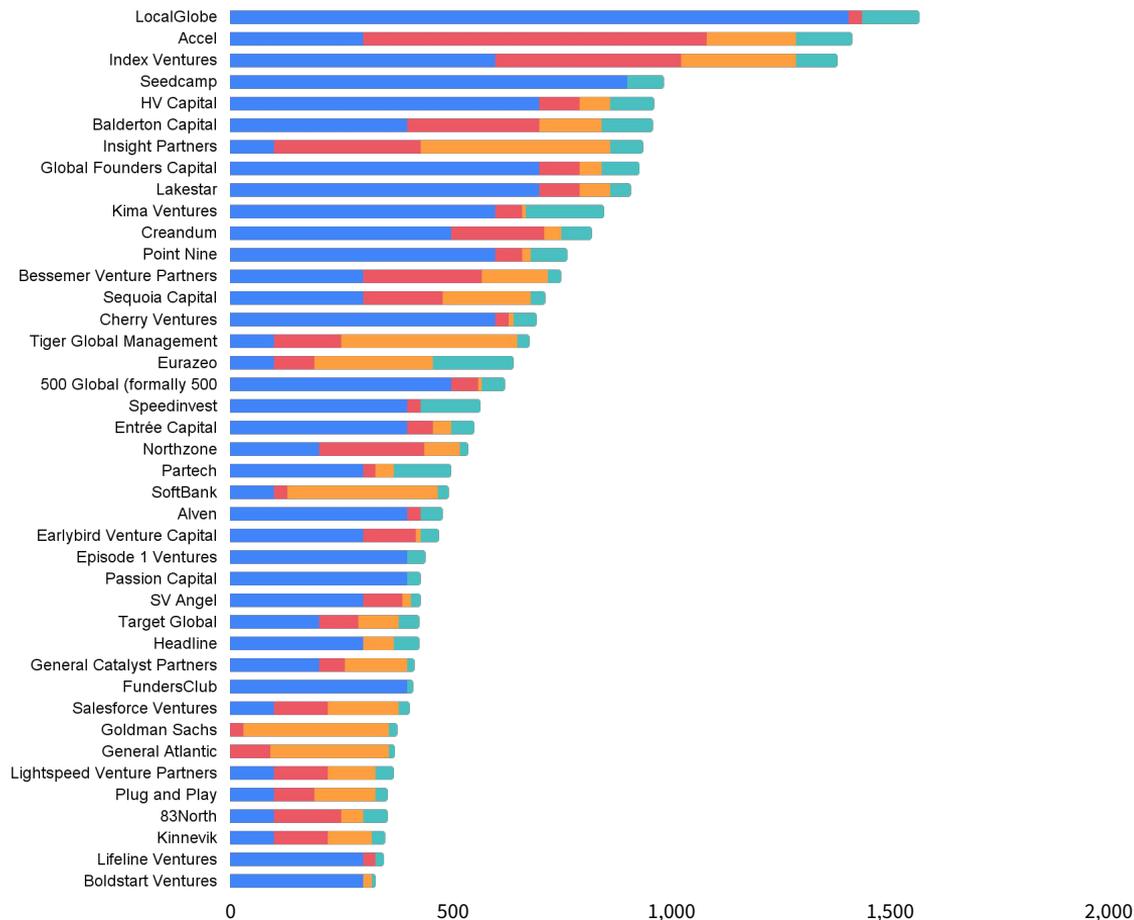
Meanwhile, the universe of investors has expanded.

Investors with at least one European VC investment each year

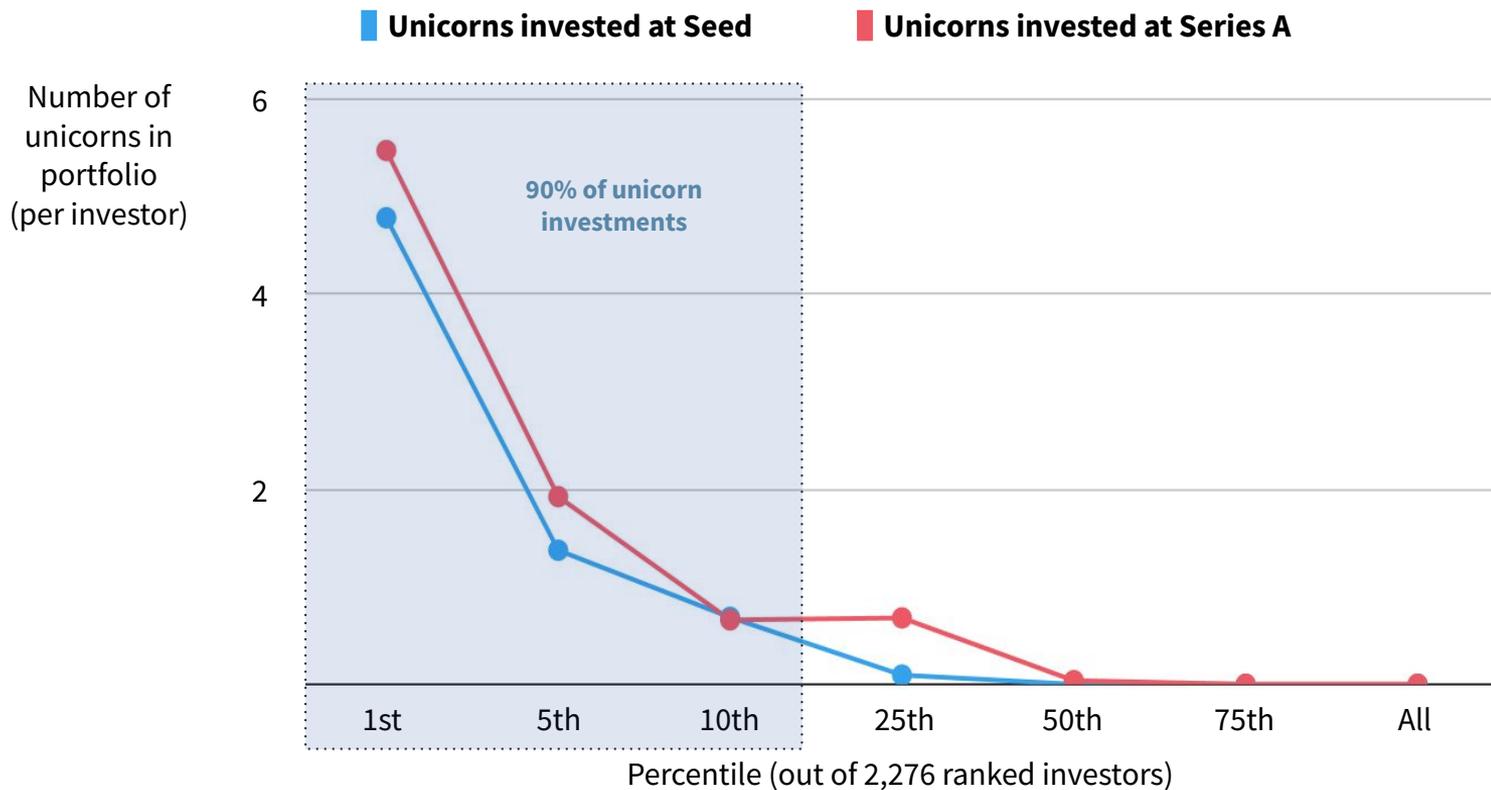


Top investors in unicorns and future unicorns.

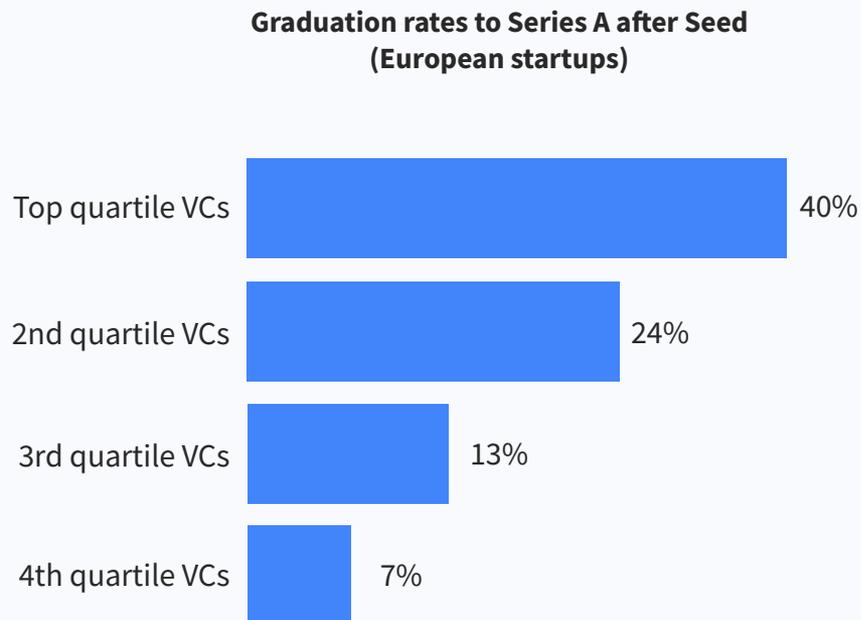
- Unicorns at Seed (100 points)
- Unicorns at A (30 points)
- Unicorns at B+ (10 points)
- Future unicorns (1-10 points)



The top 10% of investors make 90% of unicorn investments at seed.



Also, huge differences in graduation rates between European seed investors.



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Tech continues to eclipse other sectors.

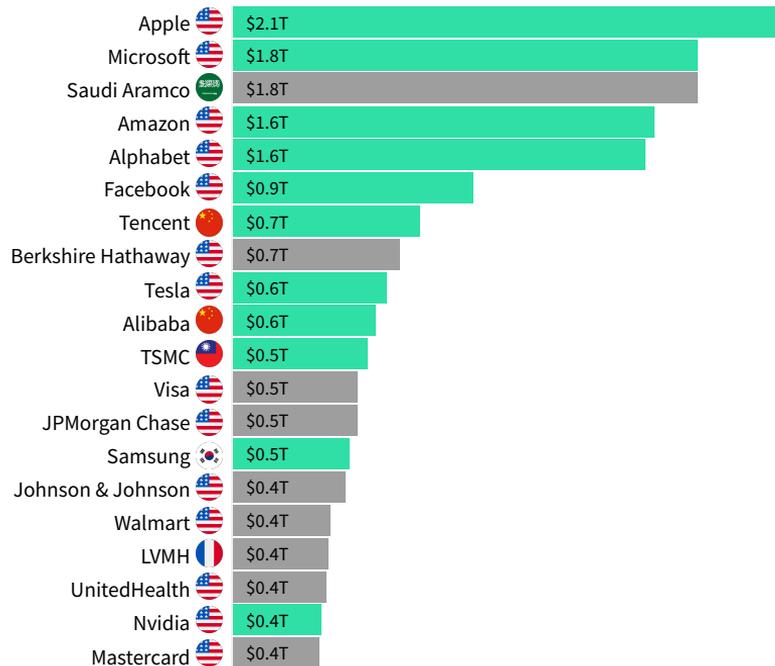


Source: Visual Capitalist (data and visual).

Europe completely missed the boat in 1990s and early 2000s ...

The world's 20 most valuable companies

■ VC-backed tech companies ■ Non-tech

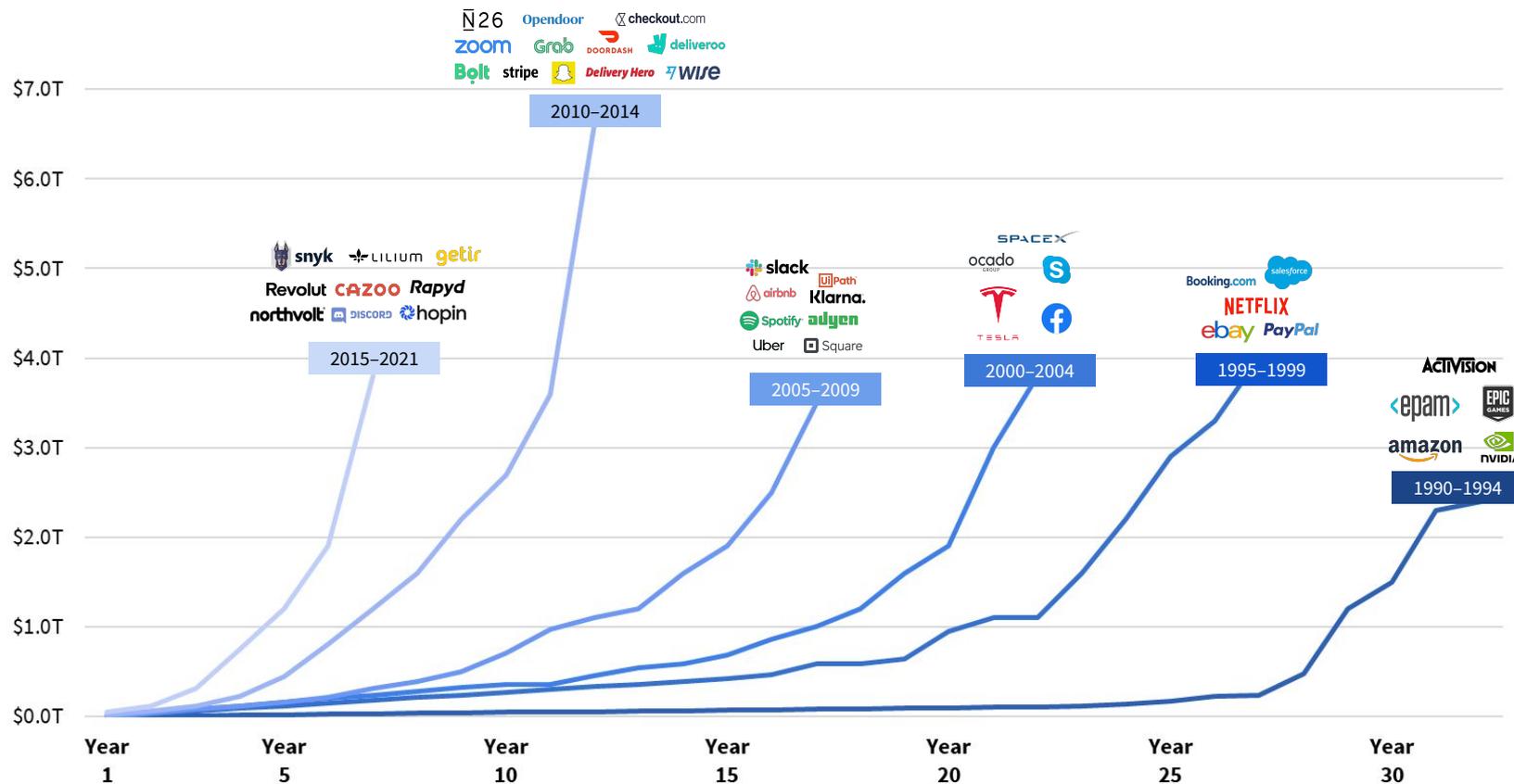


... and it's share of global equity has shrunk considerably.

Europe's share of world equity market capitalisation (MSCI)

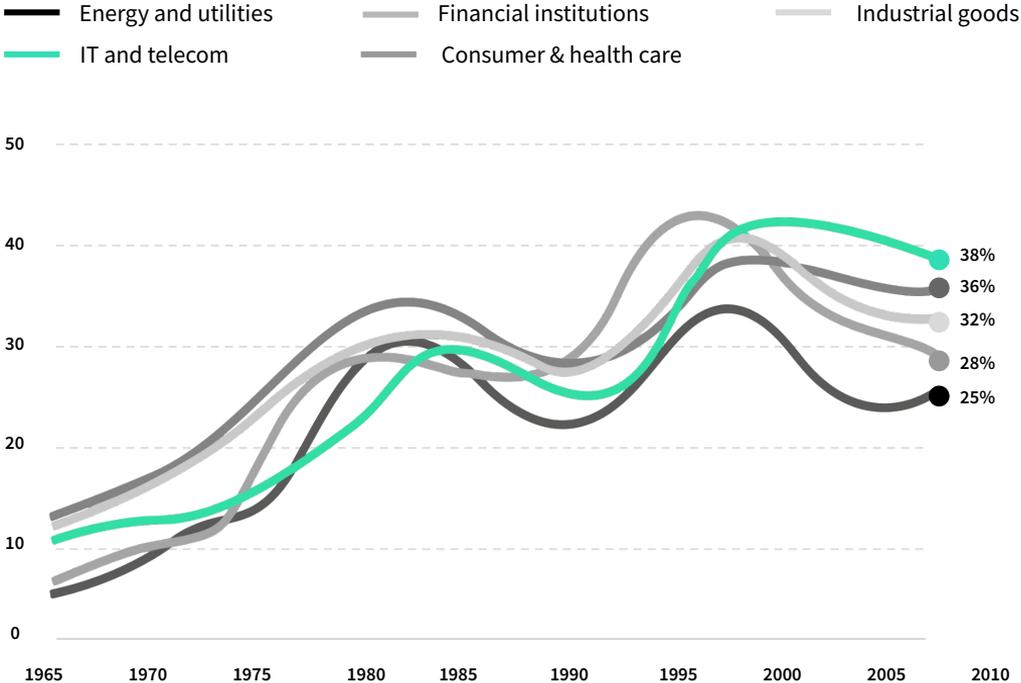


Europe gets a second chance: entrepreneurial value creation is at an all-time high. Younger cohorts of startups are scaling much faster than ever before.



Mortality risk of companies has increased – an opportunity for startups to disrupt large incumbents.

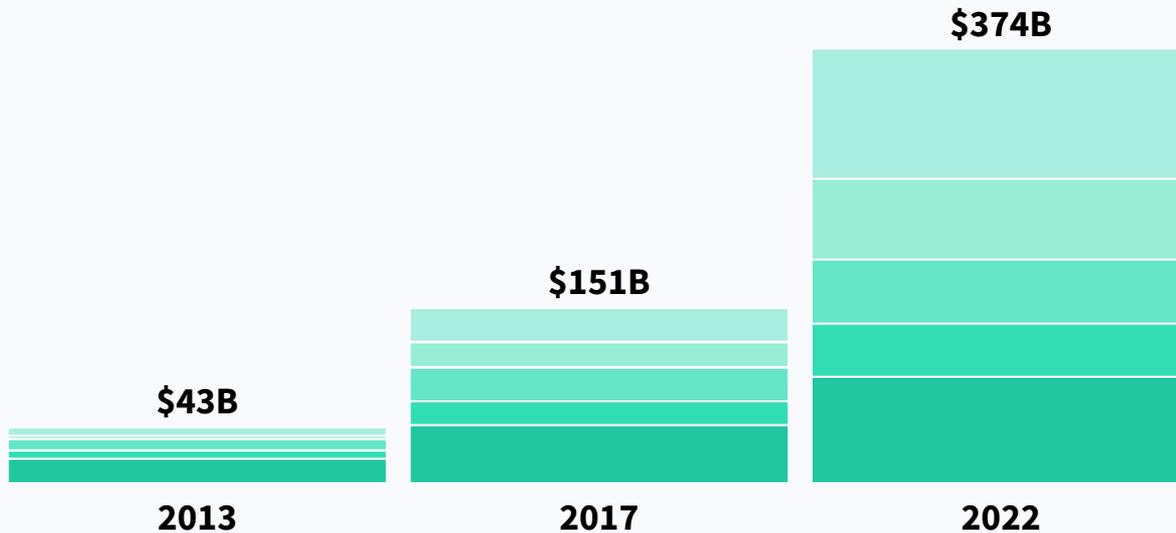
Five-Year mortality risk by sector (%)



Sources: BHI analysis; Compustat; S&P Capital IQ
Note: Based on approximately 35,000 US-listed companies; sectors assigned across time per current database allocation; sector grouping by BHI.
'Moving five-year average weighted by number of companies per sector group and year

Another opportunity: the biggest wave of Enterprise Cloud/SaaS adoption is now.

Enterprise spending on Cloud/SaaS



Early vs. late adopter personas (Bain)

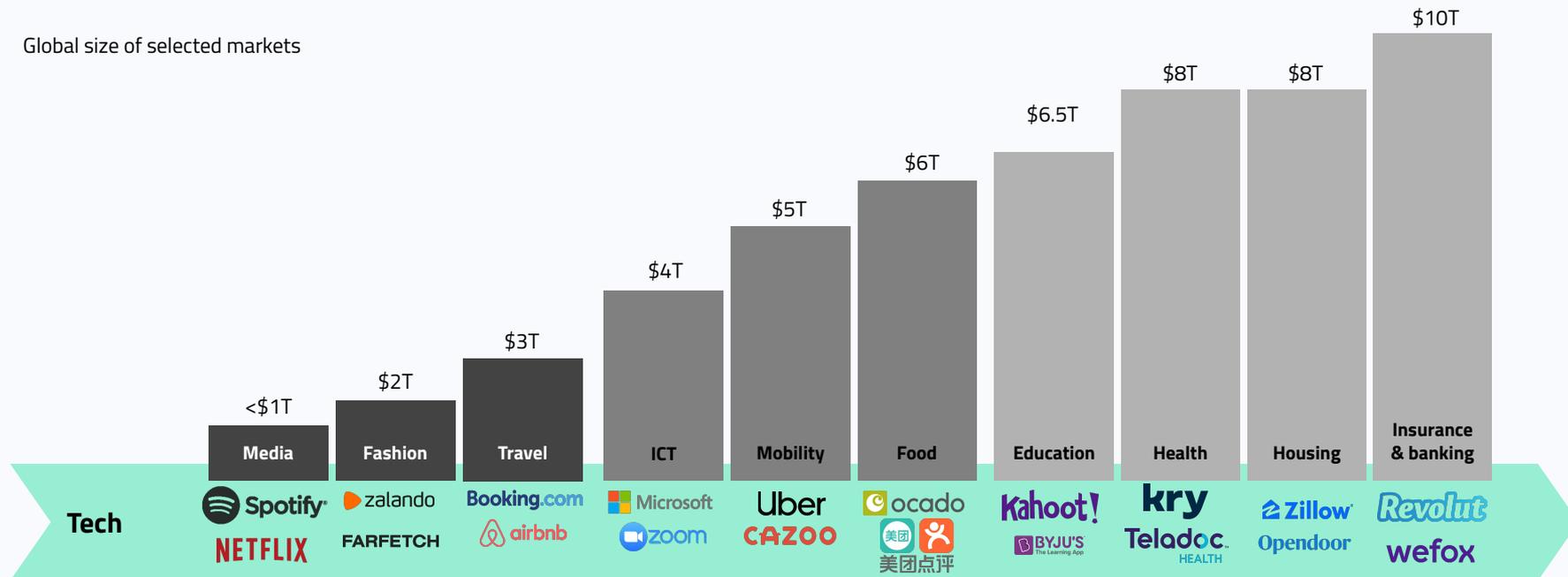
- ▶ Slow and Steady
- ▶ Price Conscious
- ▶ Price Conscious
- ▶ Heterogeneous
- ▶ Transformational

Growing corporate demand for things like AI, Encryption, and IoT.

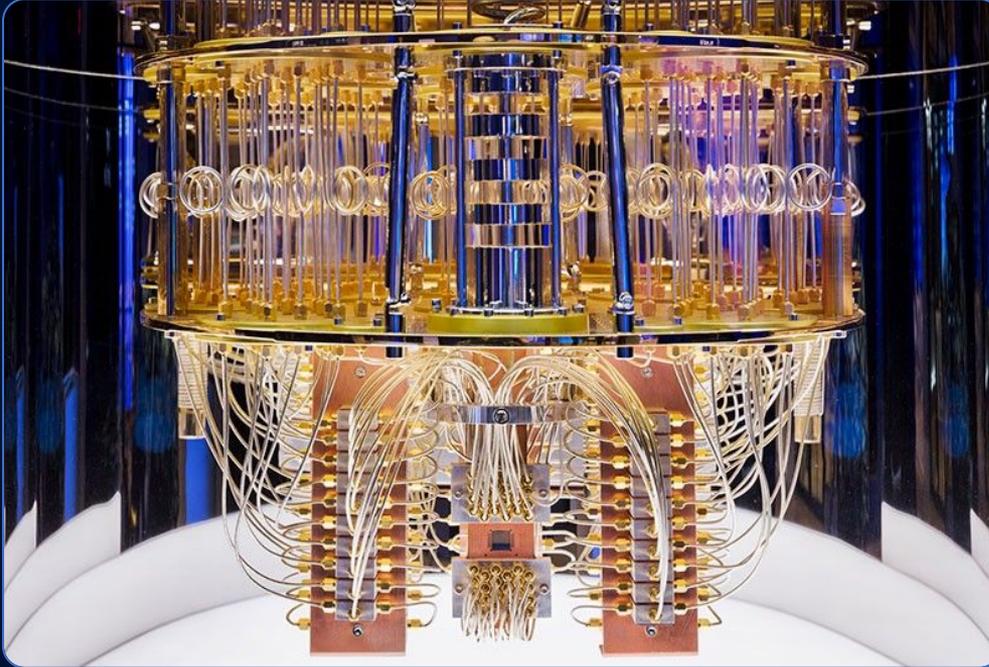


Entrepreneurs are going after bigger markets.

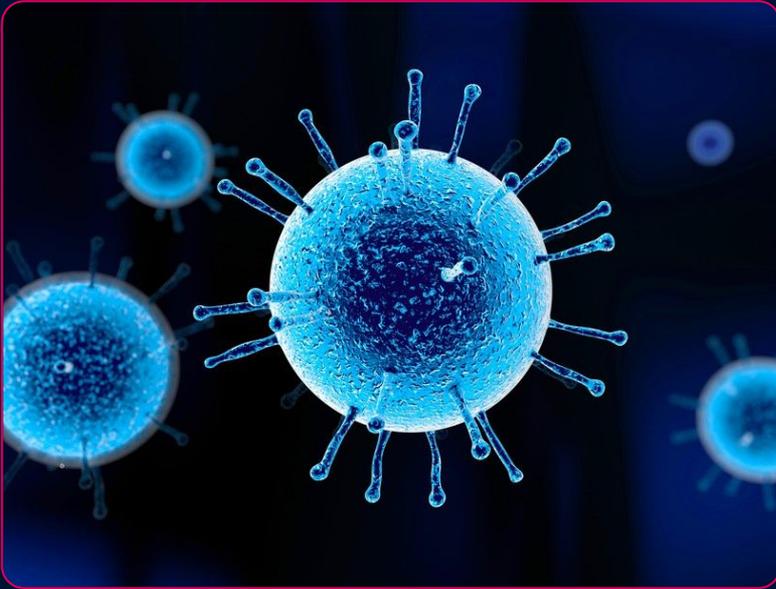
Global size of selected markets



From quantum computing to space tech... we're entering a futuristic age.



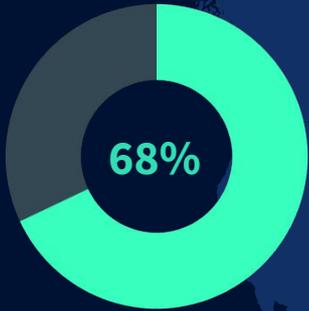
And many startups are directly addressing some of **the planet's biggest challenges.**



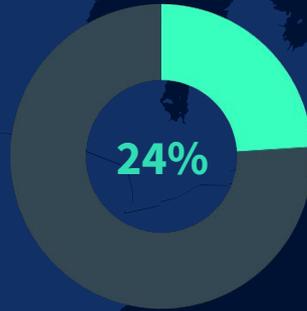
Another reason why VC matters for Europe: opportunity for massive job creation.

% of jobs at VC-backed companies (public companies only)

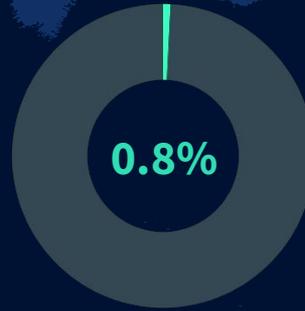
Bay Area



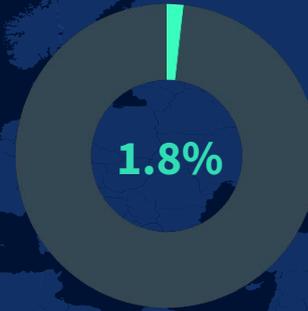
USA



UK



EU-27



Today's two giant trends, reinforcing each other.



Exponential age *

Radical innovations at accelerating pace

Software ate the world, 80% of population is online, economies are going digital



Entrepreneurial age **

Startups and venture capital are the dominant model for innovation

Intensifying global competition for talent and access to startups & innovation



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