

The Journey to Series A in Europe

Part 3

in partnership with



LocalGlobe

July 2023



Key takeaways

Funding rounds between 2016–21:

- While Seed funding in Europe surged, most (>80%) Seed rounds remained in the range of \$1–4m.
- In numbers, share of >\$15m Series A almost doubled, while share of <\$7m Series A dropped from ½ to ⅓.

Time from Seed to Series A for the 2016–18 Seed cohort:

- The median was ~24 months, but may in fact be at least 6 months longer due to the typical reporting lag.
- As with the 2012–15 cohort, conversion to Series A mostly (>80%) occurred within 36 months.

Conversion rate from Seed to Series A within 36 months for the 2016–18 Seed cohort:

- Only 1 in every 4–5 companies has converted – no significant change relative to the 2012–15 Seed cohort.
- Companies with a Seed-focused VC fund invested in their Seed saw a higher conversion rate of 1 in 3.
- Only a handful of Seed-focused VCs which mostly led/co-led rounds, had a conversion rate of >50%.

The rationale for this analysis

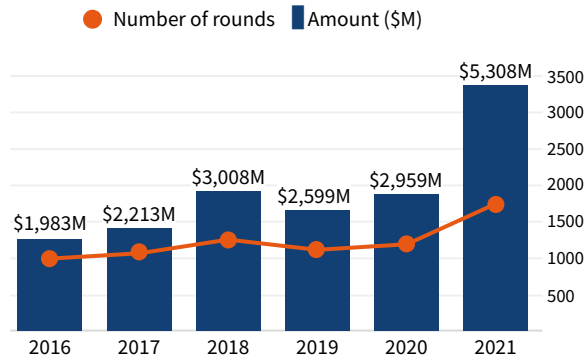
- Funding rounds are self-labeled with little consistency across different companies and investors.
- But robust benchmarks on the journey from Seed to Series A require reliable comparisons.
- So we've applied a systematic approach to re-labeling rounds based on amount, timing, sequencing, and more.
- This generated a qualified dataset of 16,805 relevant funding rounds of 12,957 companies since 2016.
- We've assessed developments in the funding environment and in the dynamics of conversion from Seed to Series A during that period, and compared those to the first analysis we published 4 years ago.
- Where possible, we conducted a sensitivity analysis of the methodology to ascertain the validity of the findings.
- The full methodology and definitions are detailed at the end of this document.

Seed funding in Europe more than doubled between 2016–21

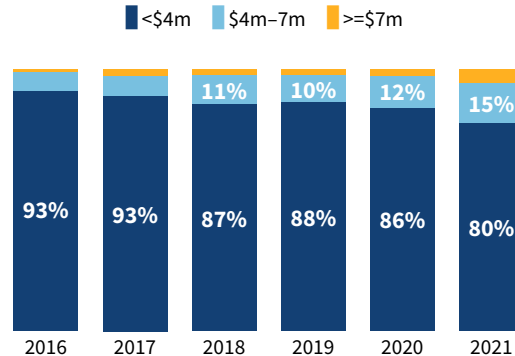
While the share of larger Seed rounds doubled, the vast majority of Seed and Seed+ rounds remained in the range of \$1–4m.

Seed rounds

1st round >=\$1m self-labeled as Seed, \$1–7m otherwise

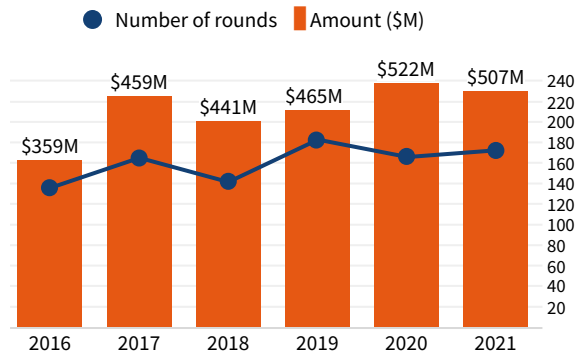


Seed rounds by size

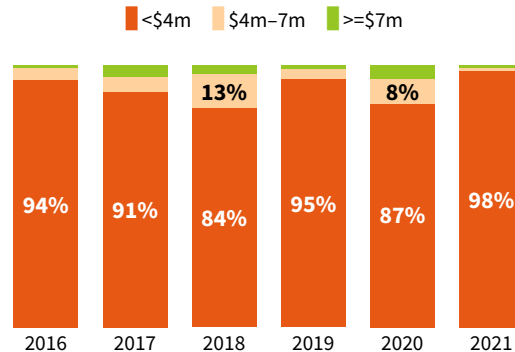


Seed+ rounds

Rounds between a Seed and a Series A, larger than the Seed



Seed+ rounds by size

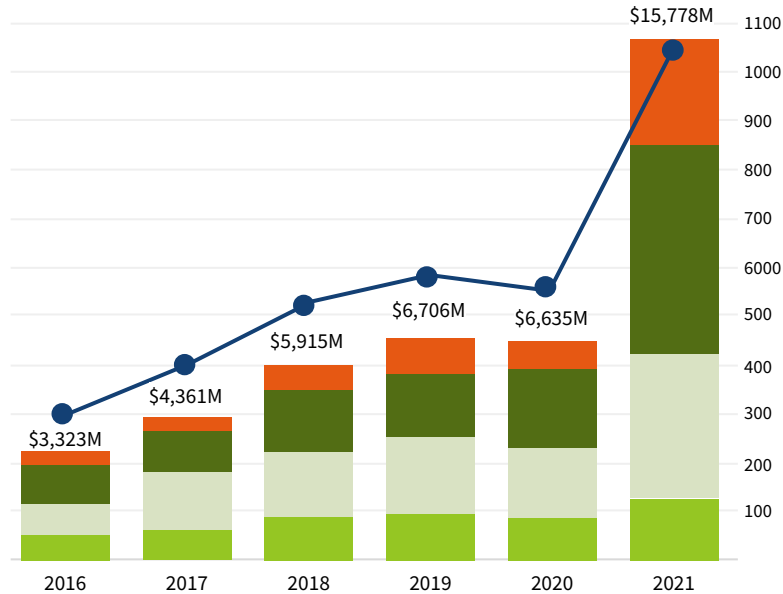


Series A funding increased by almost 5x with more than double the number of rounds, the share of number of Series A rounds >\$15m almost doubled

Series A rounds

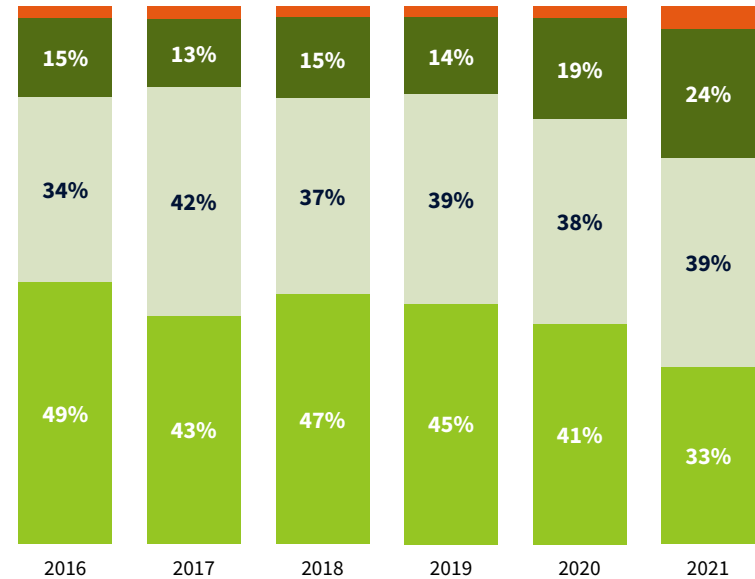
1st round >=\$4m self-labeled as Series A, \$4-100m otherwise

● Number of rounds ■ \$4m-7m ■ \$7-15m ■ \$15m-50m ■ \$50m

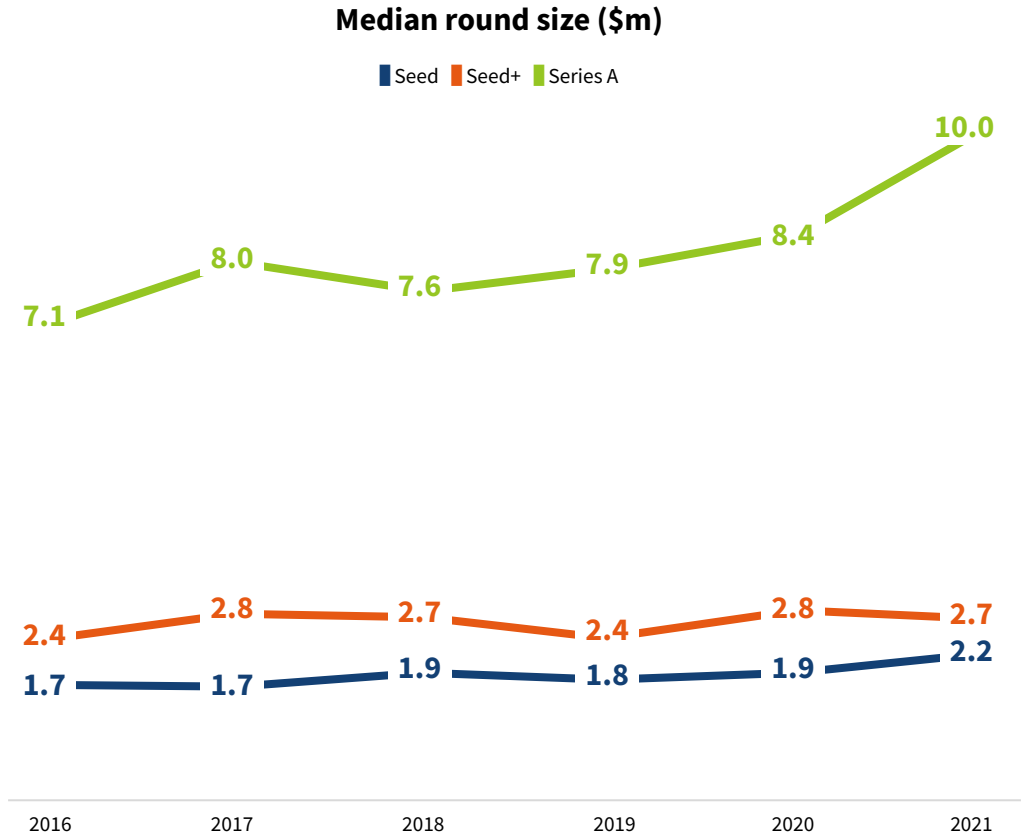


Series A rounds by size

■ \$4m-7m ■ \$7-15m ■ \$15m-50m ■ \$50m



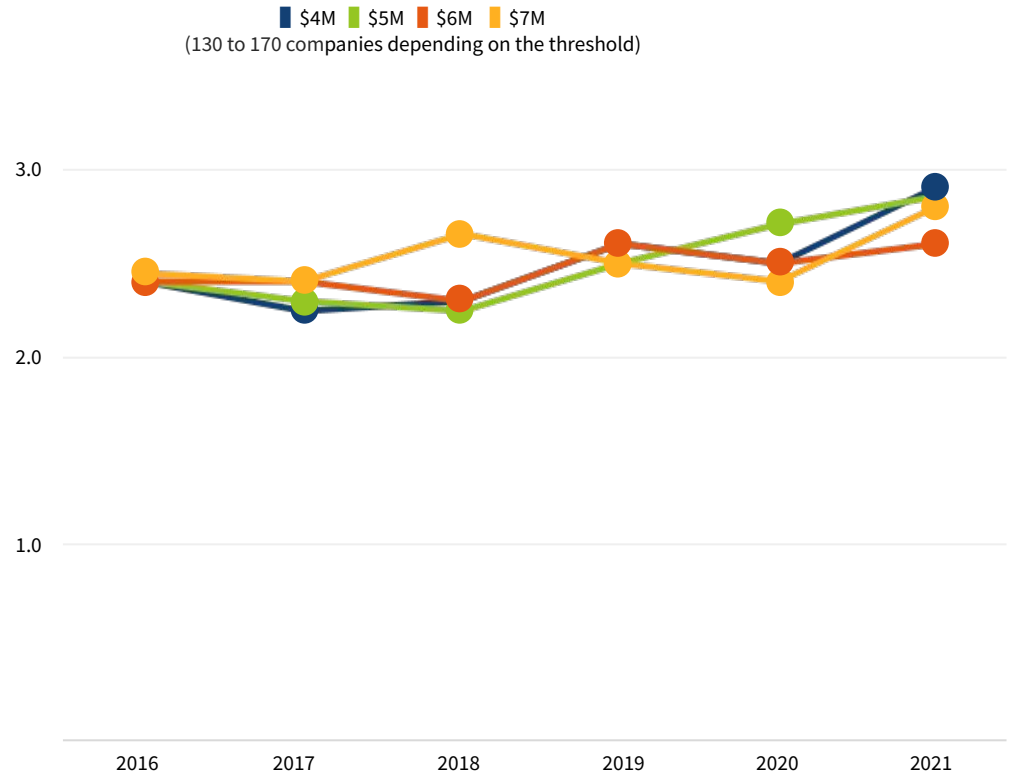
The median Series A grew by 40%, with an expected spike in 2021



The median amount of capital raised pre-Series A has remained between \$2.5–3m

Threshold for a re-labeled Series A*:

Median pre-Series A capital raised by companies (\$m)

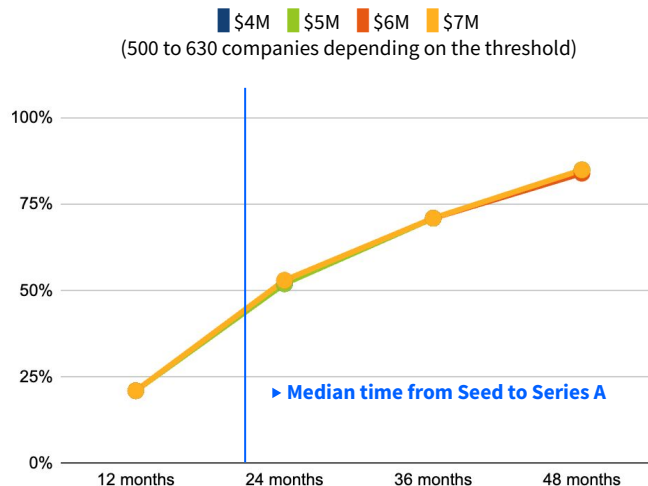


The median time from Seed to Series A is ~24 months, and conversion to Series A mostly occurs within 36 months

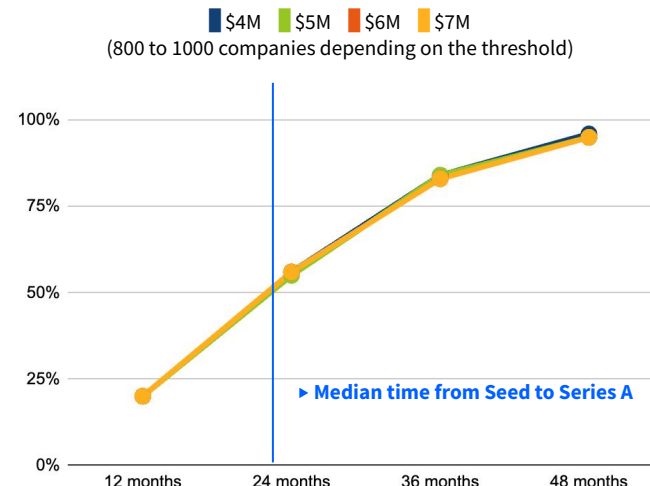
Threshold for a re-labeled Series A*:

% of companies that raised their Series A by that time, out of all converted companies

2012–2015 Seed cohort



2016–2018 Seed cohort



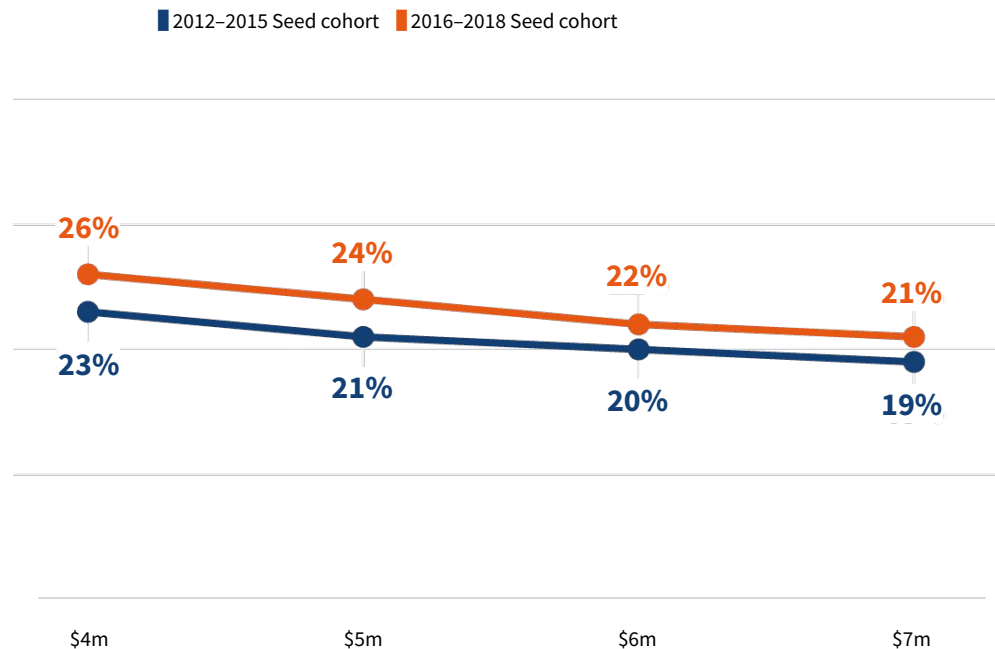
Considering the typical lag between the closing and reporting of Seed rounds – which is less common with Series A rounds – the actual median from Seed to Series A may be at least 6 months longer.

As the different curves demonstrate, these figures are not at all sensitive to the threshold for a re-labeled Series A.

* To assess the robustness of the findings, we included where possible a sensitivity analysis to the minimum qualifying amount for relabeling a round as a Series A when it wasn't self-labeled as such.

Only 1 in every 4–5 companies converts from Seed to Series A, and despite the funding surge – that rate has barely changed between the 2012–15 and 2016–18 Seed cohorts

Conversion rate from Seed to Series A within 36 months



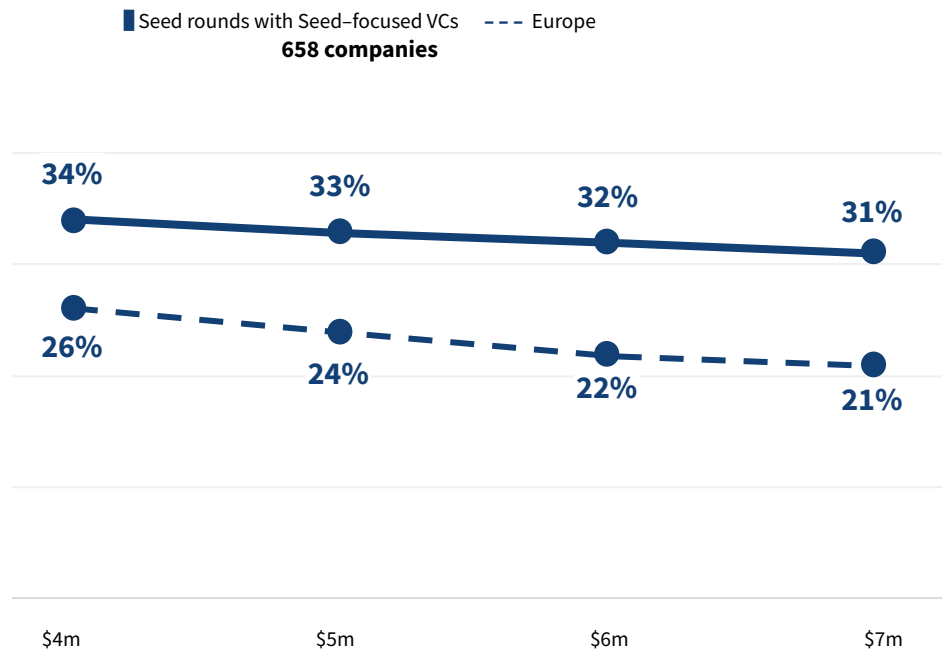
Threshold for a re-labeled Series A*:

These conversion rates vary only slightly (around 1 percentage point) from the ones calculated only based on qualified self-labeled Seed and Series A rounds, demonstrating that while the re-labeling makes the analysis more robust, it doesn't materially alter its conclusion.

* To assess the robustness of the findings, we included where possible a sensitivity analysis to the minimum qualifying amount for relabeling a round as a Series A when it wasn't self-labeled as such.

Companies that had a Seed-focused VC fund invested in their Seed round saw a higher conversion rate of 1 in 3

Conversion rate from Seed to Series A within 36 months, 2016–18 Seed cohort



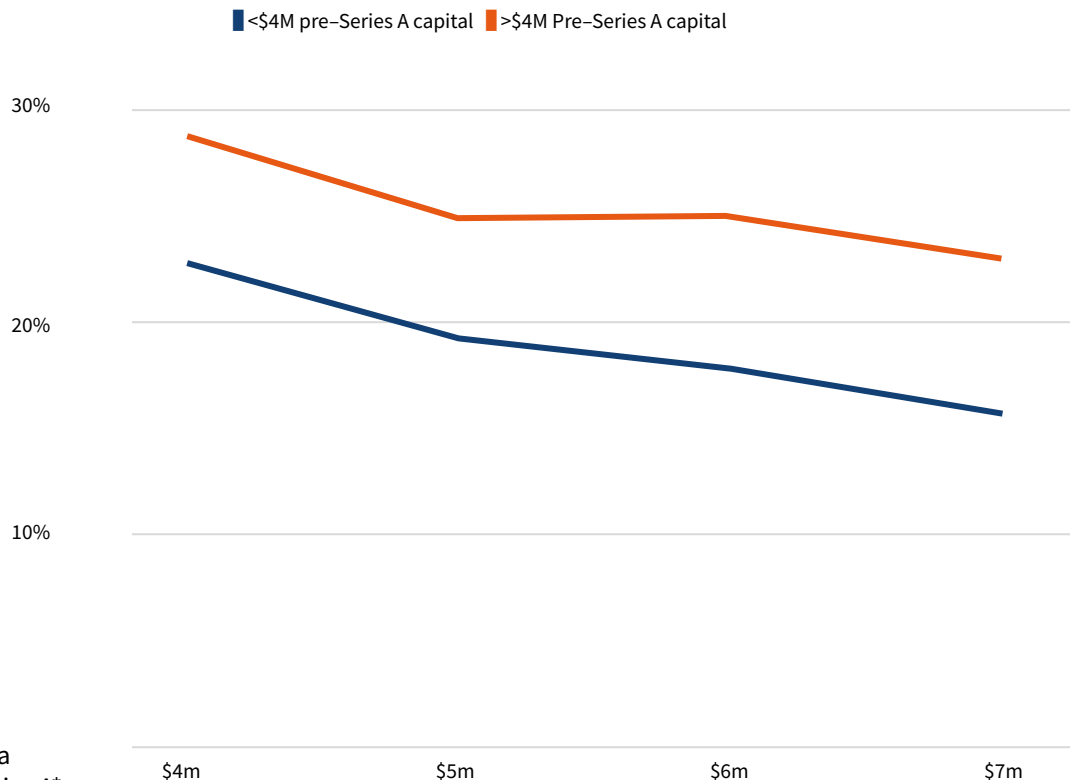
Threshold for a re-labeled Series A*:

This is based on the set of portfolio companies of 126 Seed-focused VC funds (excluding state-owned): those who at least 70% of their first investments in a company were at Pre-Seed/Seed/Seed+ stage, and made at least 4 Seed/Seed+ investments during 2016–18.

* To assess the robustness of the findings, we included where possible a sensitivity analysis to the minimum qualifying amount for relabeling a round as a Series A when it wasn't self-labeled as such.

Companies that raise more than \$4m of pre-Series A funding have a higher conversion rate to Series A

Conversion rate from Seed to Series A within 36 months, 2016–18 Seed cohort



Threshold for a re-labeled Series A*:

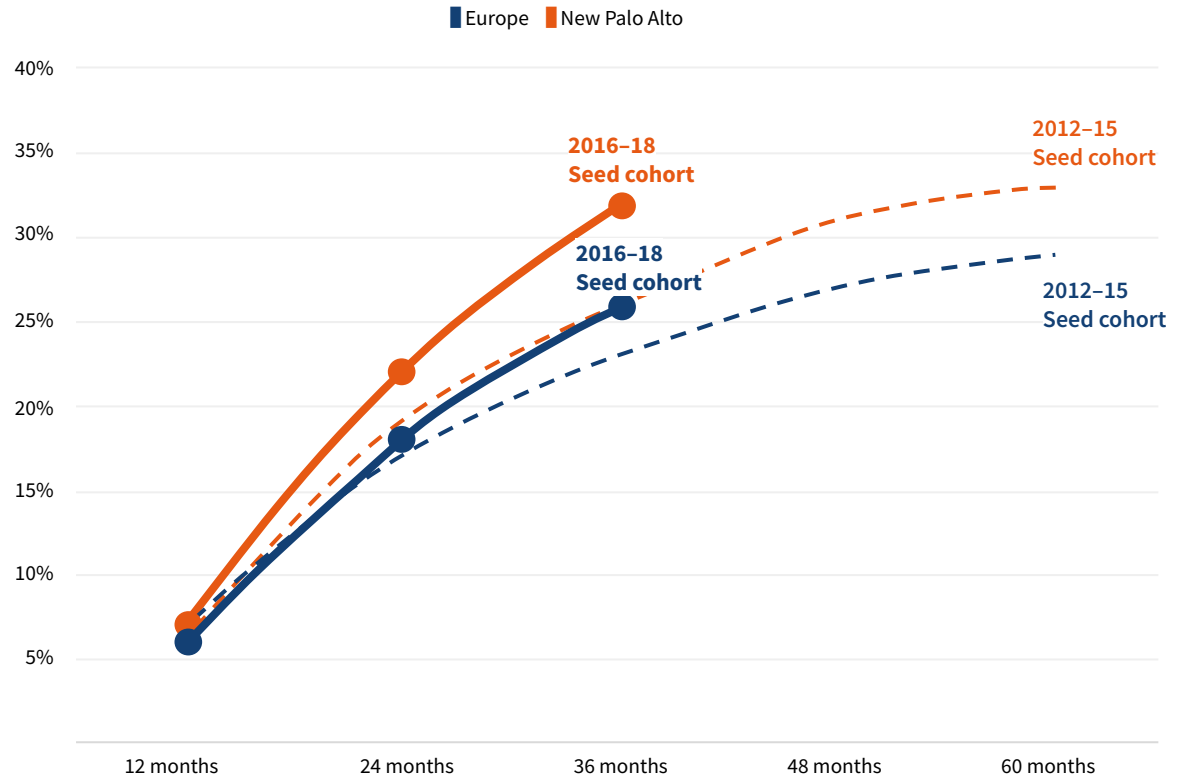
* To assess the robustness of the findings, we included where possible a sensitivity analysis to the minimum qualifying amount for relabeling a round as a Series A when it wasn't self-labeled as such.

The conversion rate from Seed to Series A in New Palo Alto has been consistently higher than the European by ~5 percentage points

New Palo Alto (NPA) is a supercluster of leading European ecosystems and research hubs that sit within a four hour train ride of London.



Conversion rate from Seed to Series A



Some seed-focused funds have seen a conversion rate of >50% with the 2016–18 Seed cohort

9–20 Seed investments



PICUS CAPITAL



20+ Seed investments



Funds were considered only if: at least 70% of their first investments in a company were at Pre-Seed/Seed/Seed+ stage, they made at least 9 Seed/Seed+ investments during 2016–18, and they were a lead/co-lead investor in most of them.

Methodology & definitions

STEP 1

58,203 European funding rounds between January 2010 to December 2021 were considered

Exclusion of rounds:

(a) of companies founded before 2010 (9,656); (b) smaller than \$250k (8,367); (c) of undisclosed size which weren't self-labeled as "Seed" (4,909); (d) larger than \$100m and labeled as "Growth Equity" or "Late VC"; or (e) larger than \$30m which weren't self-labeled and where no smaller or other self-labeled rounds took place

5,271 remaining rounds.

STEP 2

Qualification of rounds which were self-labeled as "Seed" or "Series A"

- First rounds \geq \$1m, self-labeled as "Seed" which took place within 5 years from founding – were qualified as "Seed" (6,184)
- First rounds \geq \$4m, self-labeled as "Series A" – were qualified as "Series A" (2,320)

STEP 3

Re-labeling and qualification of other rounds:

- First rounds \geq \$1m (and \leq \$7m) which took place within 5 years from founding – were re-labeled as "Seed" (3,044) *
- First rounds \geq \$4m where no round was qualified as a "Series A" yet – were re-labeled as "Series A" (1,654)
- Undisclosed rounds self-labeled as "Seed" followed by a qualified "Series A" where the company has no other qualified "Seed" rounds – were qualified as "Seed" (307)

STEP 4

Re-labeling and qualification of "Pre-Seed", "Seed Extension", and "Seed+" rounds:

- Any round $>$ \$250k which took place within 5 years from founding and where a qualified "Seed" hasn't preceded it – was re-labeled as "Pre-Seed" (8,078) **
- Any round after and smaller than a qualified "Seed" and before a qualified "Series A" – was relabeled as "Seed Extension" (1,140)
- Any round after and larger than a qualified "Seed" and before a qualified "Series A" – was relabeled as "Seed+" (1,612)

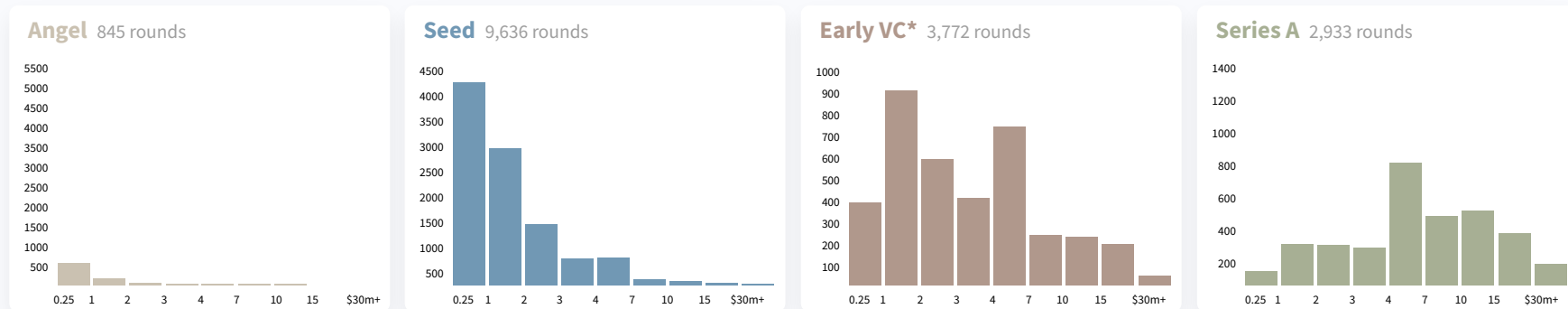
STEP 5

The following rounds were excluded:

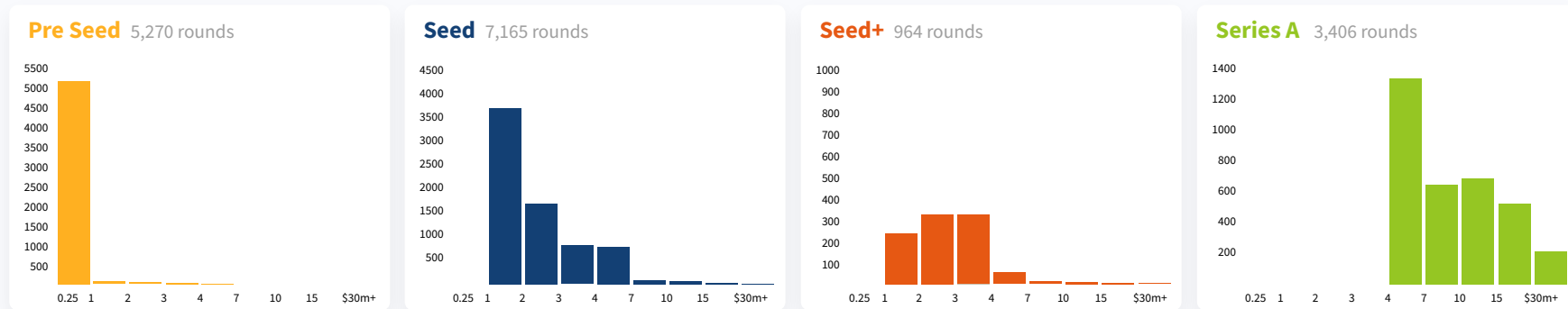
- Other undisclosed rounds self-labeled as "Seed" (7,308)
- Other rounds after qualified "Series A" rounds (2,802)
- Other rounds that were not re-labeled (1,232)

The qualified dataset of 16,805 relevant funding rounds of 12,957 companies since 2016

Before re-labeling



After re-labeling



Check out our previous reports

The Journey to Series A – Part 1

The Journey to Series A – Part 2



