

# The Journey to Series A in Europe

## Part 3

in partnership with



**LocalGlobe**

June 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

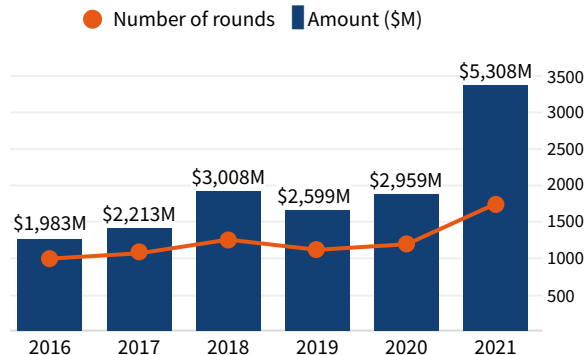
- Funding rounds are self-labeled with little consistency across different companies and investors.
- But robust benchmarks on the journey from Seed to Series A require reliable comparisons.
- So we've applied a systematic approach to re-labeling rounds based on amount, timing, sequencing, and more.
- 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

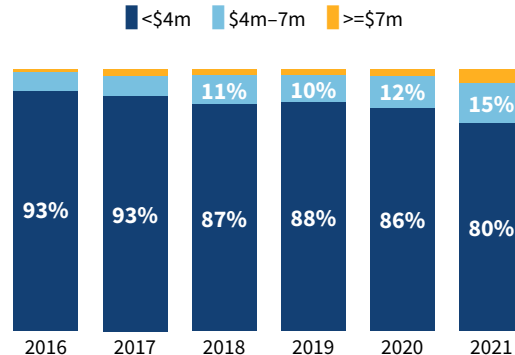
While the share of larger Seed rounds doubled, the vast majority of Seed and Seed+ rounds remained in the range of \$1–4m.

## Seed rounds

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

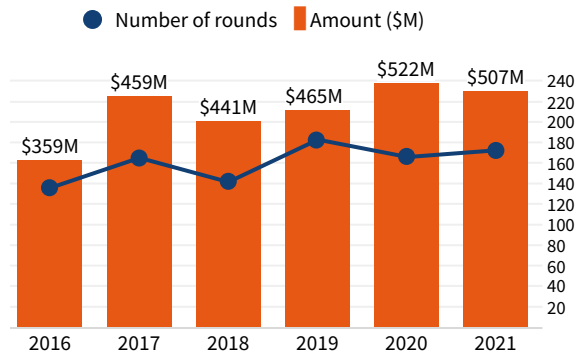


## Seed rounds by size

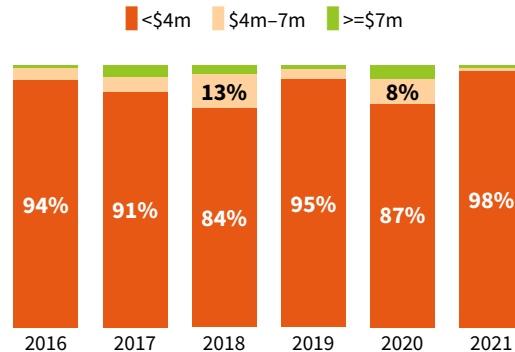


## Seed+ rounds

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



## Seed+ rounds by size

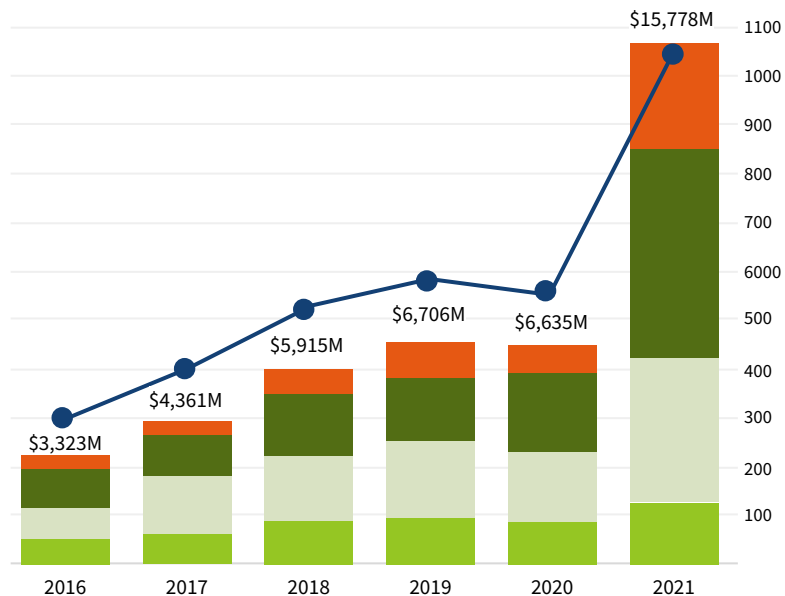


# Series A funding increased by almost 5x with more than double the number of rounds, the share of number of Series A rounds >\$15m almost doubled

## Series A rounds

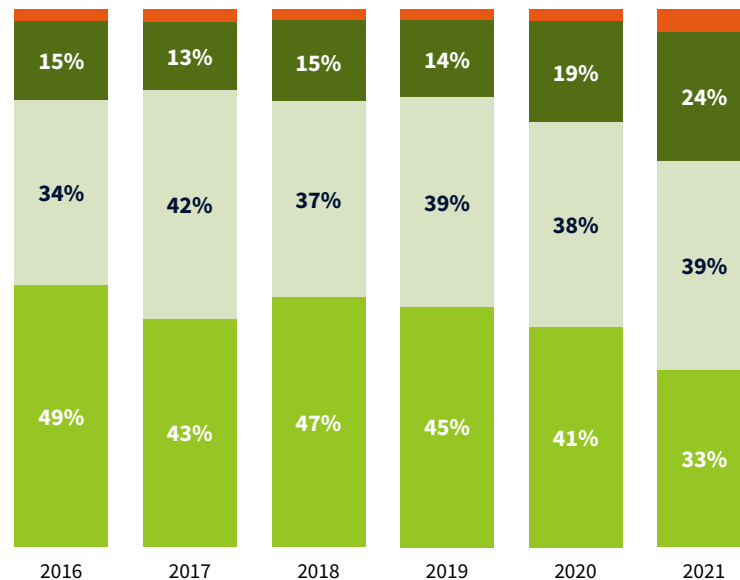
1st round >=\$4m self-labeled as Series A, \$4-100m otherwise

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

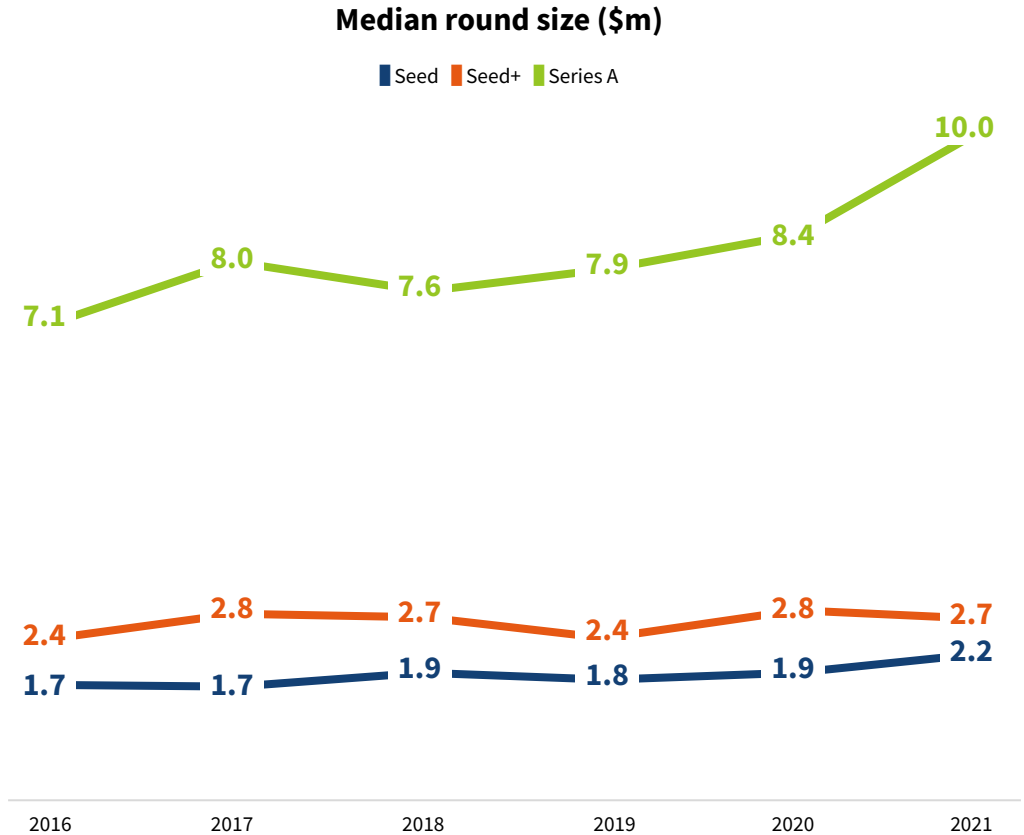


## Series A rounds by size

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



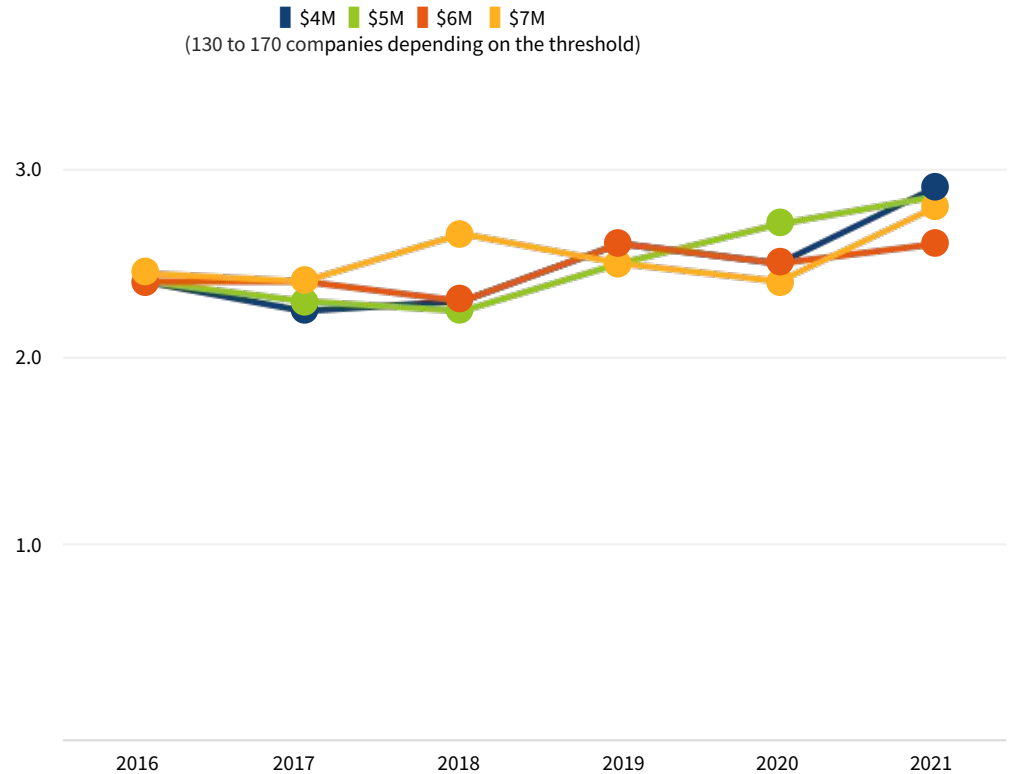
## The median Series A grew by 40%, with an expected spike in 2021



## 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)

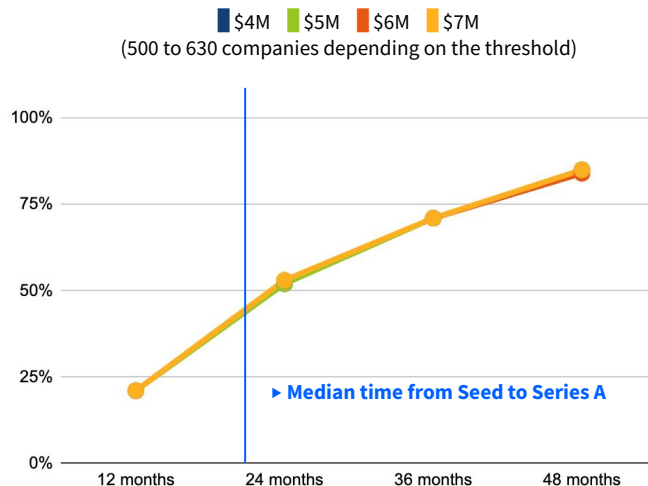


# The median time from Seed to Series A is ~24 months, and conversion to Series A mostly occurs within 36 months

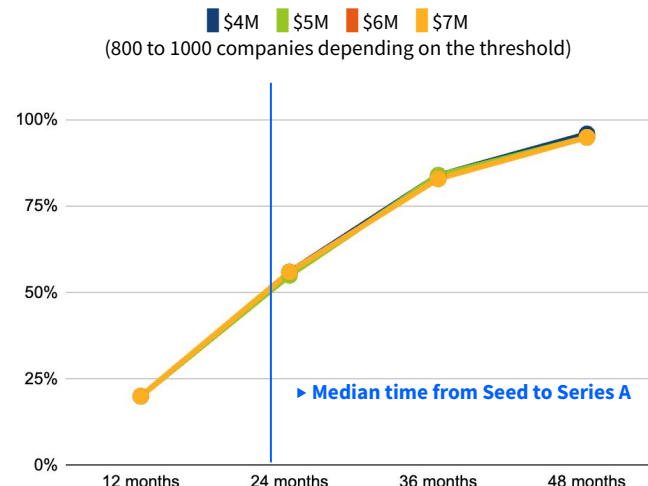
Threshold for a re-labeled Series A\*:

% 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.**

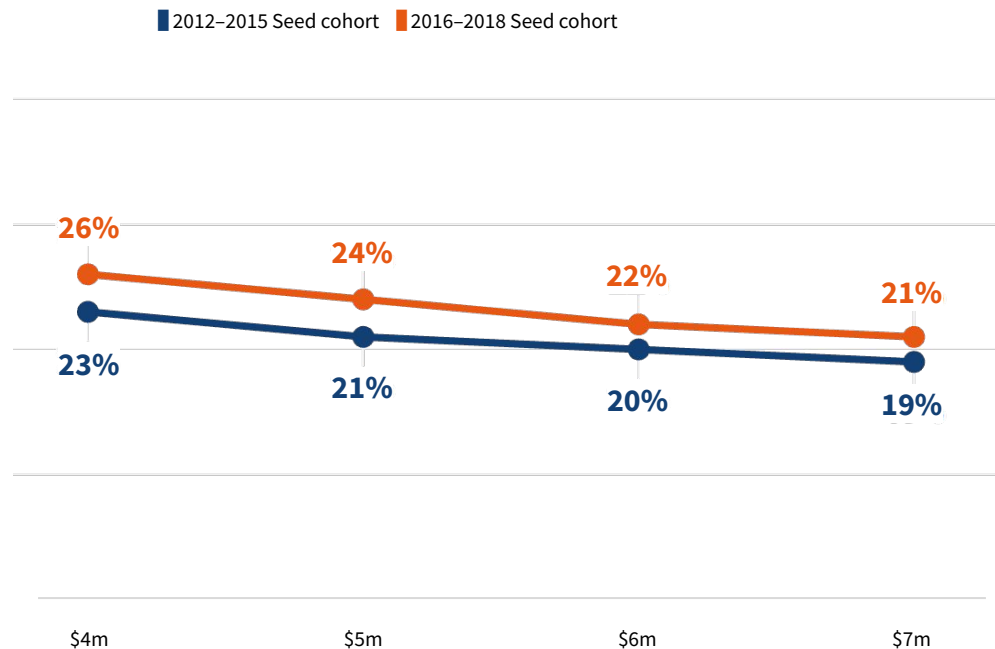
**As the different curves demonstrate, these figures are not at all sensitive to the threshold for a re-labeled Series A.**

\* 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



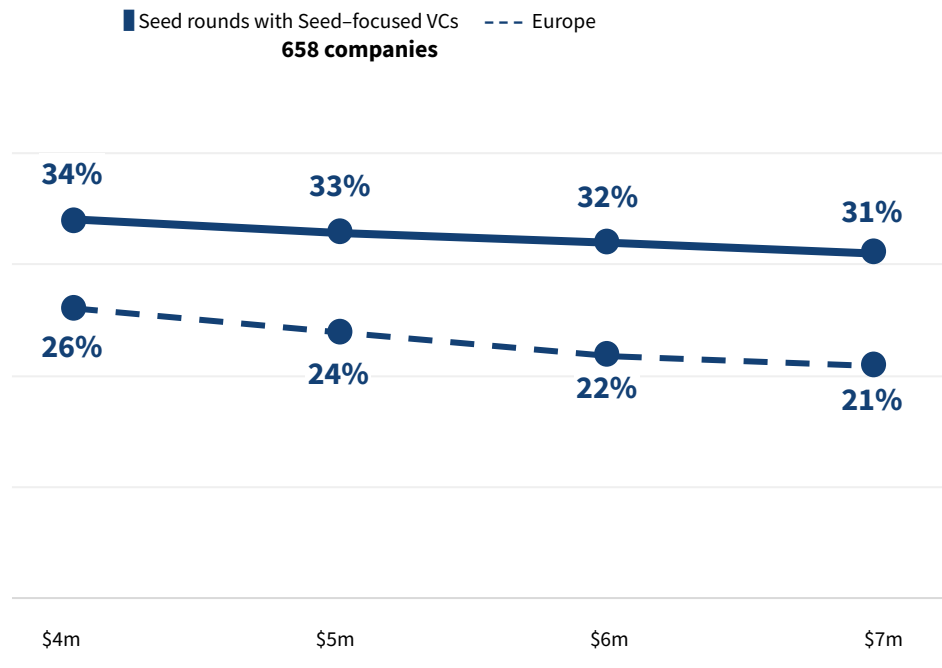
Threshold for a re-labeled Series A\*:

**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**



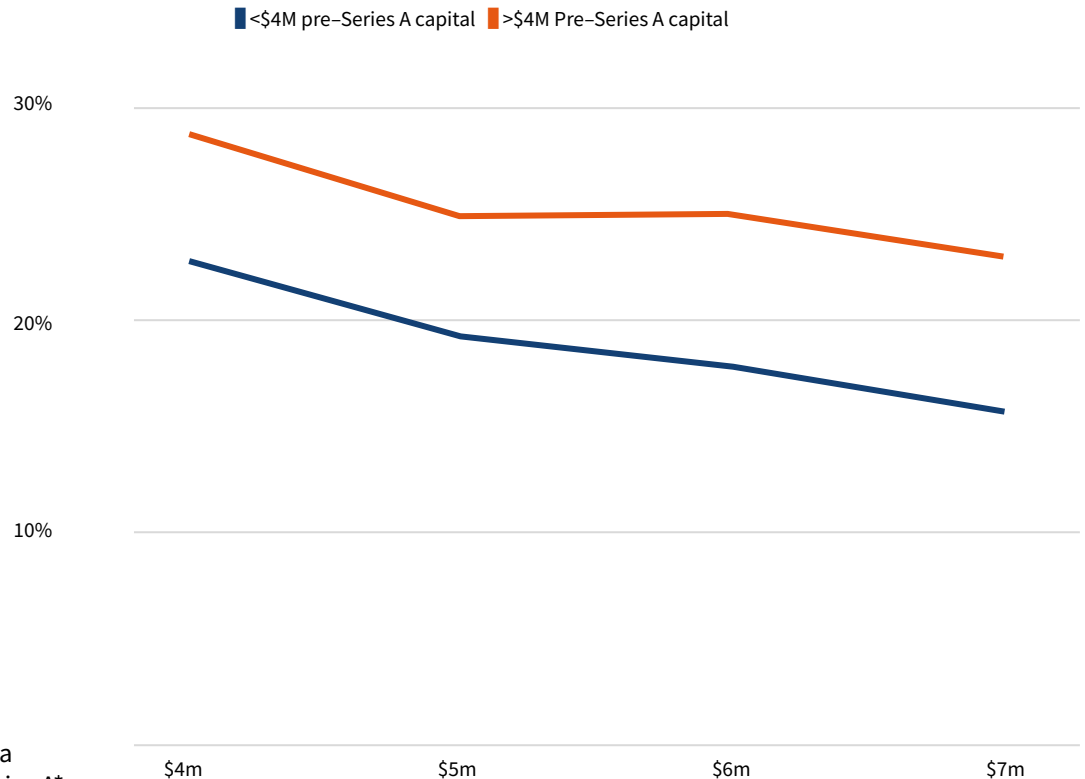
Threshold for a re-labeled Series A\*:

**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\*:

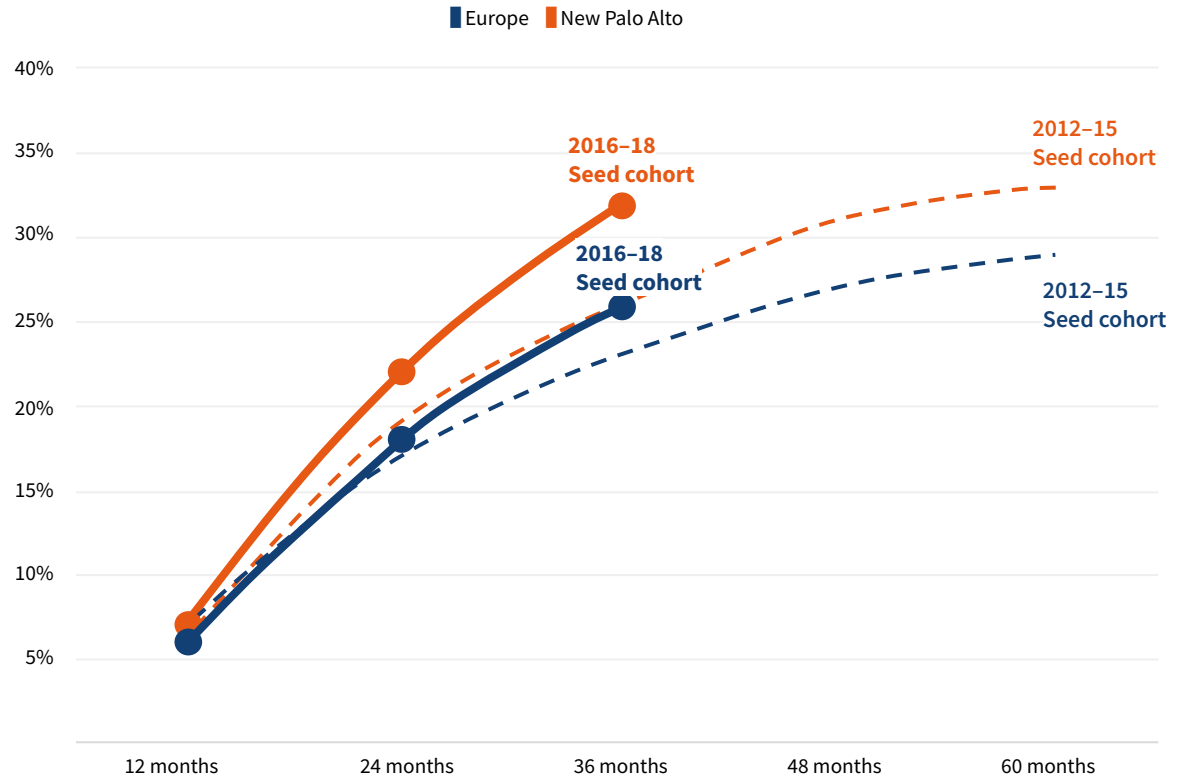
\* To assess the robustness of the findings, we included where possible a sensitivity analysis to the minimum qualifying amount for relabeling a round as a Series A when it wasn't self-labeled as such.

# 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



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### 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)

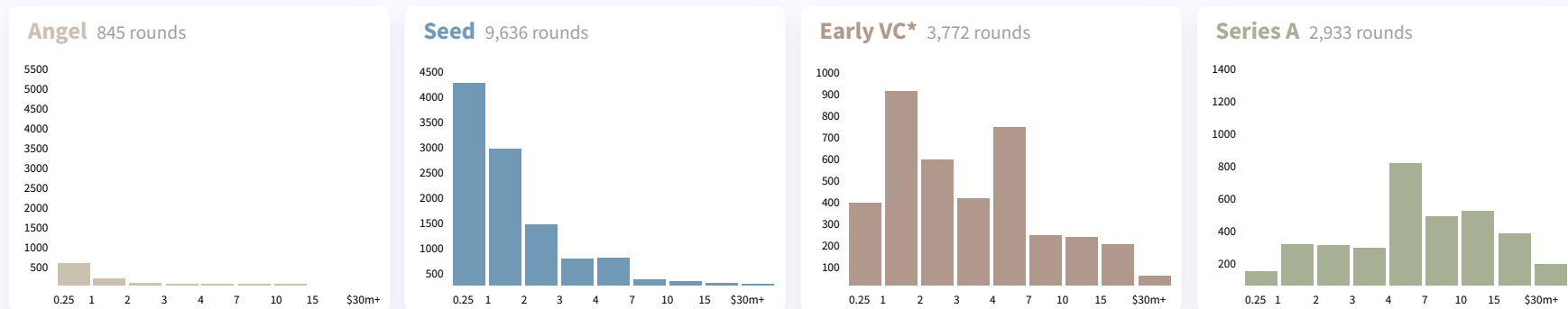
## STEP 5

### The following rounds were excluded:

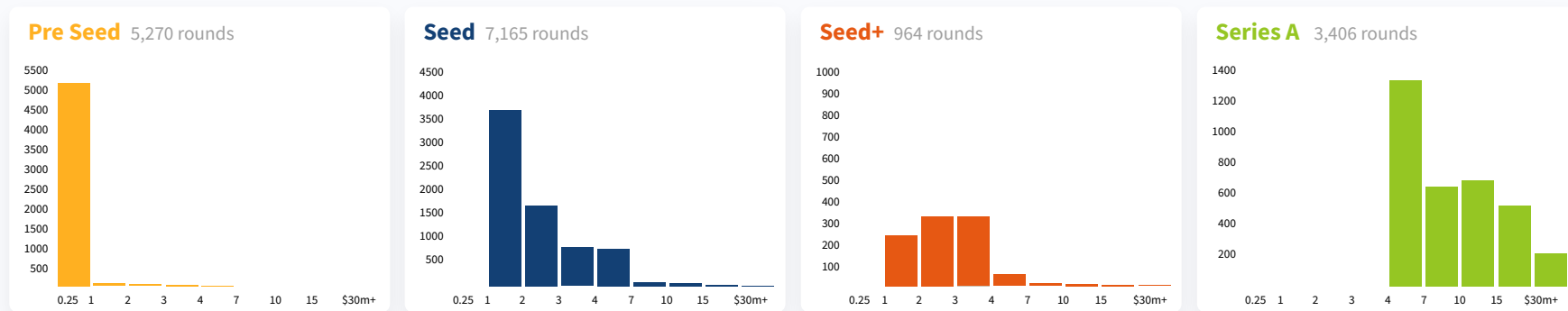
- Other undisclosed rounds self-labeled as "Seed" (7,308)
- Other rounds after qualified "Series A" rounds (2,802)
- Other rounds that were not re-labeled (1,232)

# 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





