



Startup Demographics

A standardized framework for measuring startup activity in tech ecosystems.

15 August 2023

AI generated image titled "Procrastination" made with Midjourney. Prompt: on a light blue canvas, a realistic optimistic painting, using vibrant colours, of a rocket launching on the right side, with a sunrise on the background --ar 2:1



Startup Demographics.

Data about startup ecosystems mostly focuses on the amount of venture capital invested, the number of unicorns, et cetera.

Startup Demographics looks at startup birth rates, survival rates, and success rates.

This report aims to broaden the set of useful metrics for measuring and benchmarking activity in startup tech ecosystems. Secondly, it proposes a standardized framework for tracking startup progress.

We welcome feedback to this report. We will work closely with our ecosystem development partners with implementing and perfecting this approach.

Why it matters.

1. Startups create **economic growth** through innovation, knowledge and jobs
2. Startups create **wealth** for their founders, (early) employees and investors
3. Startup success (and failure) creates positive **spillover effects** into more entrepreneurial activity
4. Startups' products and services provide consumers with **greater choices**
5. Many startups address **global challenges** (climate, health, education)
6. Enabling countries to build independent critical tech infrastructure: **tech sovereignty**

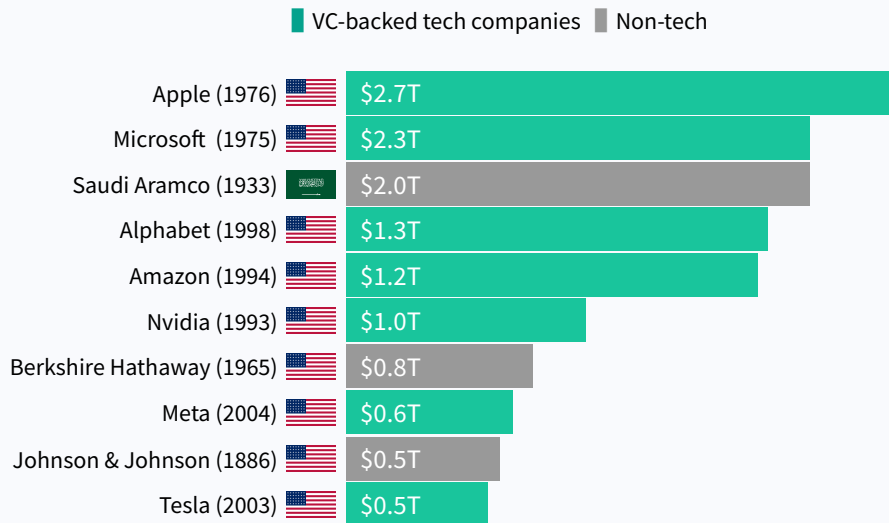


1. Fifty shades of greatness

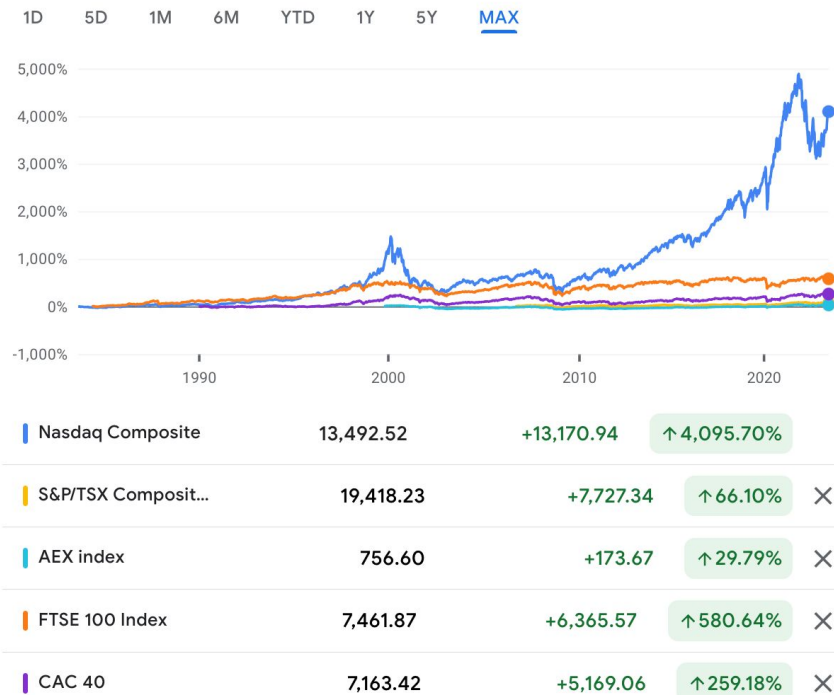
2. The startup journey

3. Startup demographics

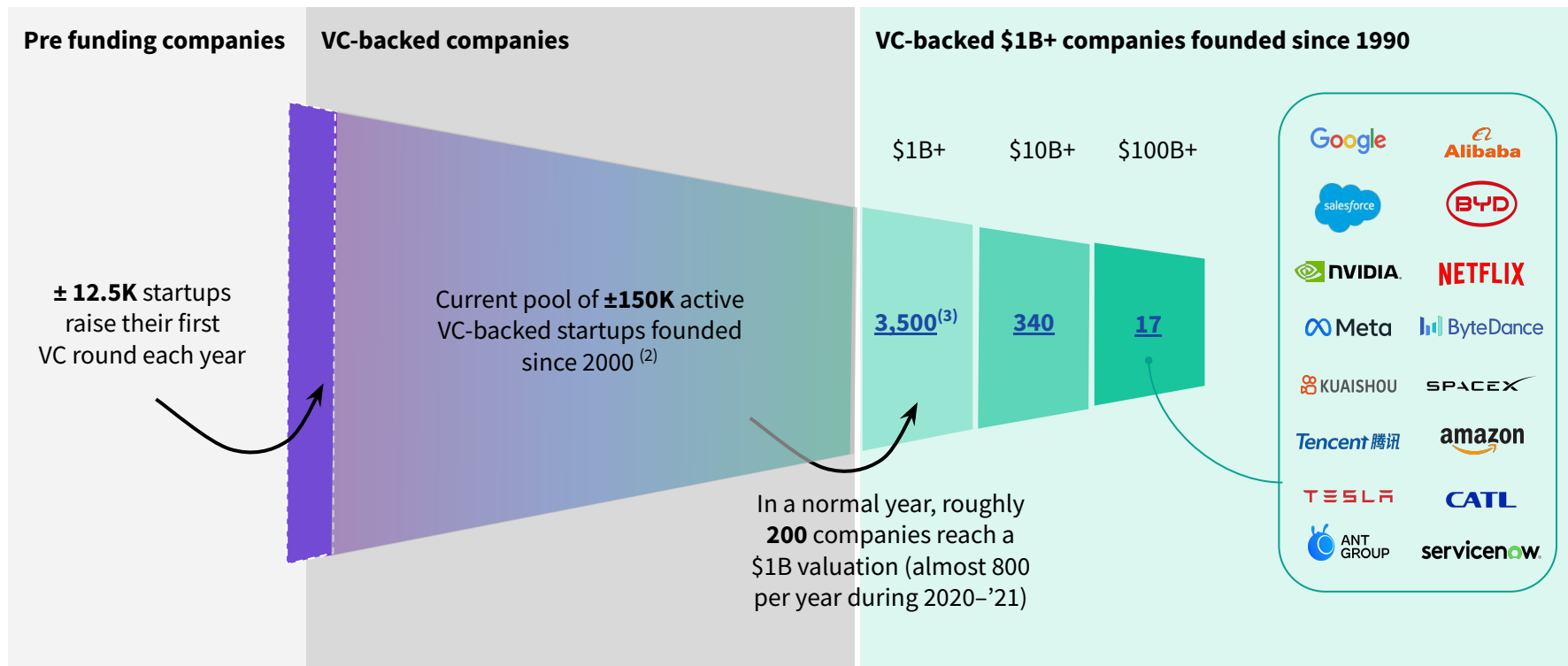
VC-backed tech companies dominate today's corporate landscape ...



... and have created the vast majority of wealth in the last two decades.



There are currently about 150K companies on a VC-backed journey. Roughly 1% of VC-backed startups reach \$1B+ valuation while 17 have reached \$100B.

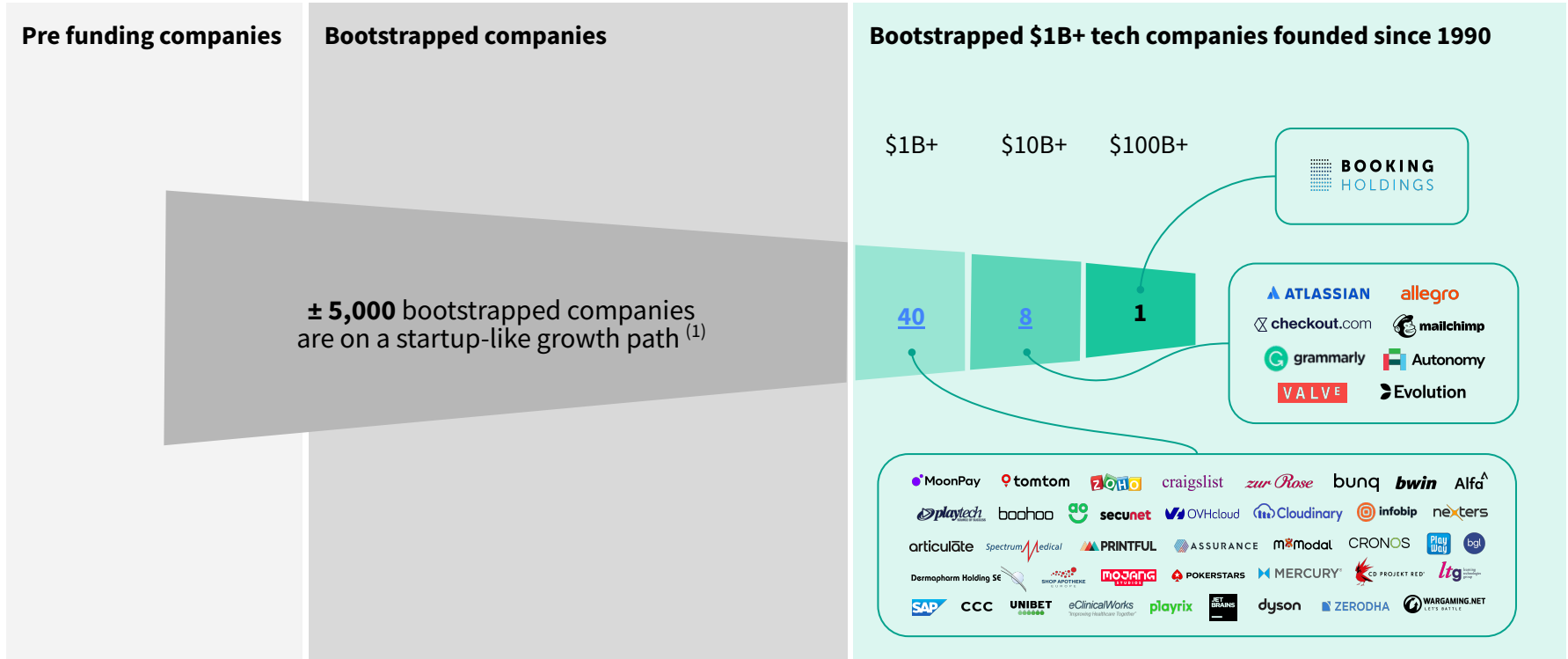


1. Dealroom estimate based on Dealroom Signal.

2. Total number of funded startups is over 300K, but 150K is the number that is currently active.

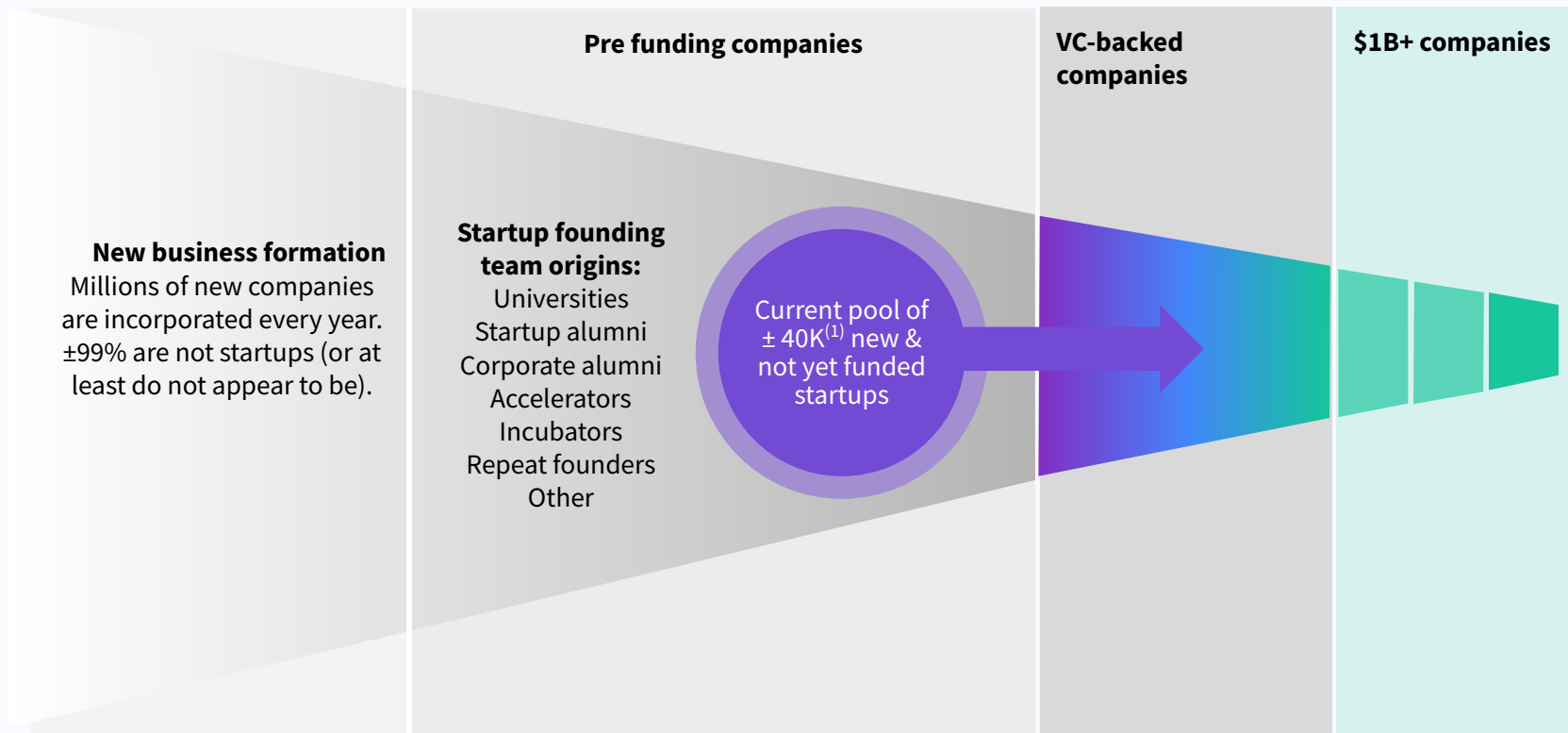
3. Of the 3,500 there are about [1,400 unrealized unicorns](#) and [1,300 \\$1B+ exits](#) (the remaining 700 are unconfirmed \$1B+ companies).

What about bootstrapping? At least 50 startups have reached the \$1B+ milestone without help of VC. That's about 1% of the total startup universe.



Note: bootstrapped doesn't mean zero funding but it means: no (known) institutional capital.
 1. Dealroom estimate based on Dealroom Signal.

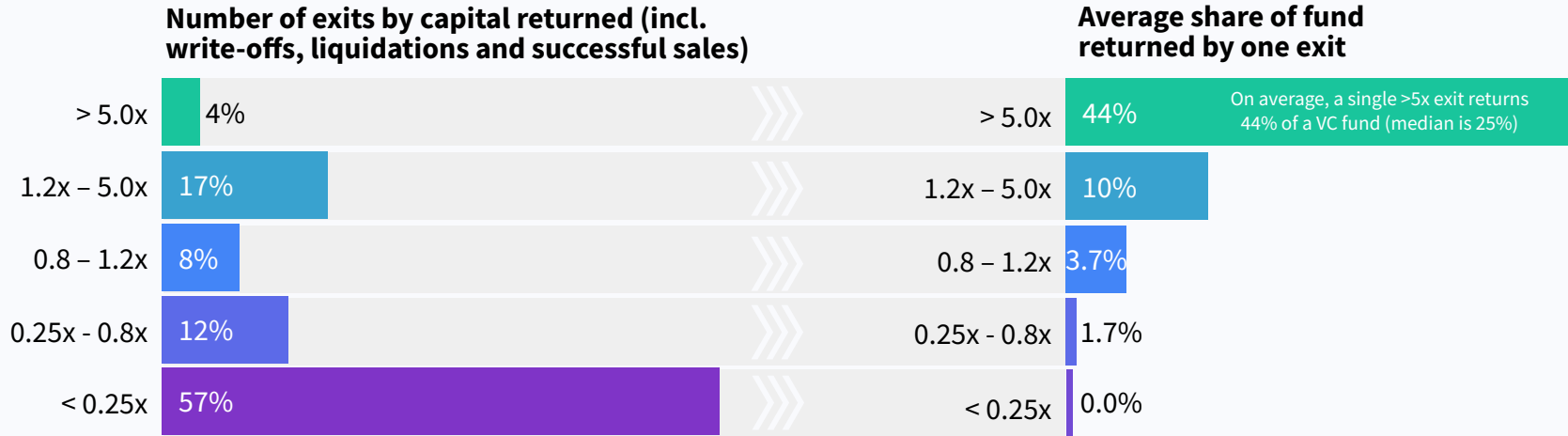
Every year, about 12.5K startups raise their first VC round. Dealroom Signal has identified a pool of 40K new and not yet funded startups.



Source: dealroom.co. Numbers are indicative.

1. Based on Dealroom Signal, taking into account founder background, university affiliation, and company description. Number depends on definition of startups.

Europe's EIF invests in many VC funds. Past EIF research gives us a sense of the distribution of outcomes: 4% of exits return over 5x, and thereby much of the fund.





EUROPEAN INVESTMENT FUND


 EQUITY PARTNERS


 Impact Ventures

















Project A








Scottish Equity Partners















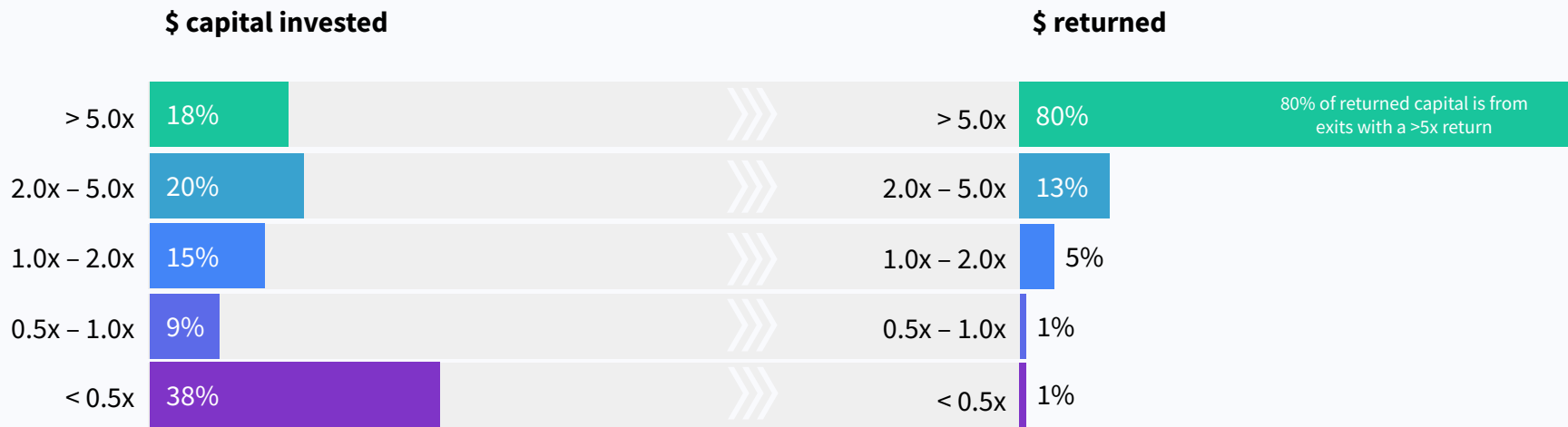
Selected logos in EIFs VC fund portfolio. [Full list.](#)

Page / 8

Source: EIF report ([source](#)). based on 2,065 early-stage VC investments, exited, made between 1996 and 2015 by EIF-backed VC funds. The figures include all the exit types, i.e. write-off, liquidations and successful sales.

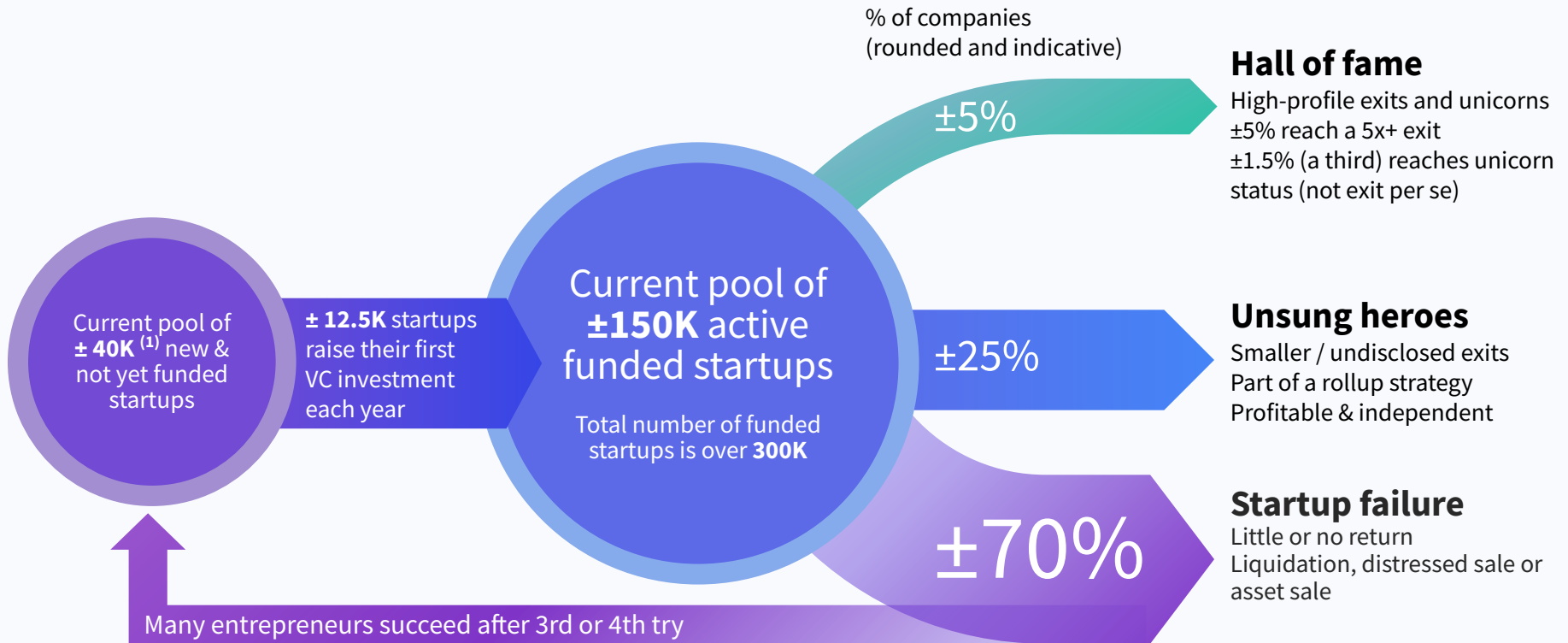
dealroom.co

Meanwhile, data from a prominent Fund-of-Funds shows that, among the best VC investors, 18% of capital invested is allocated to startups that return >5x.



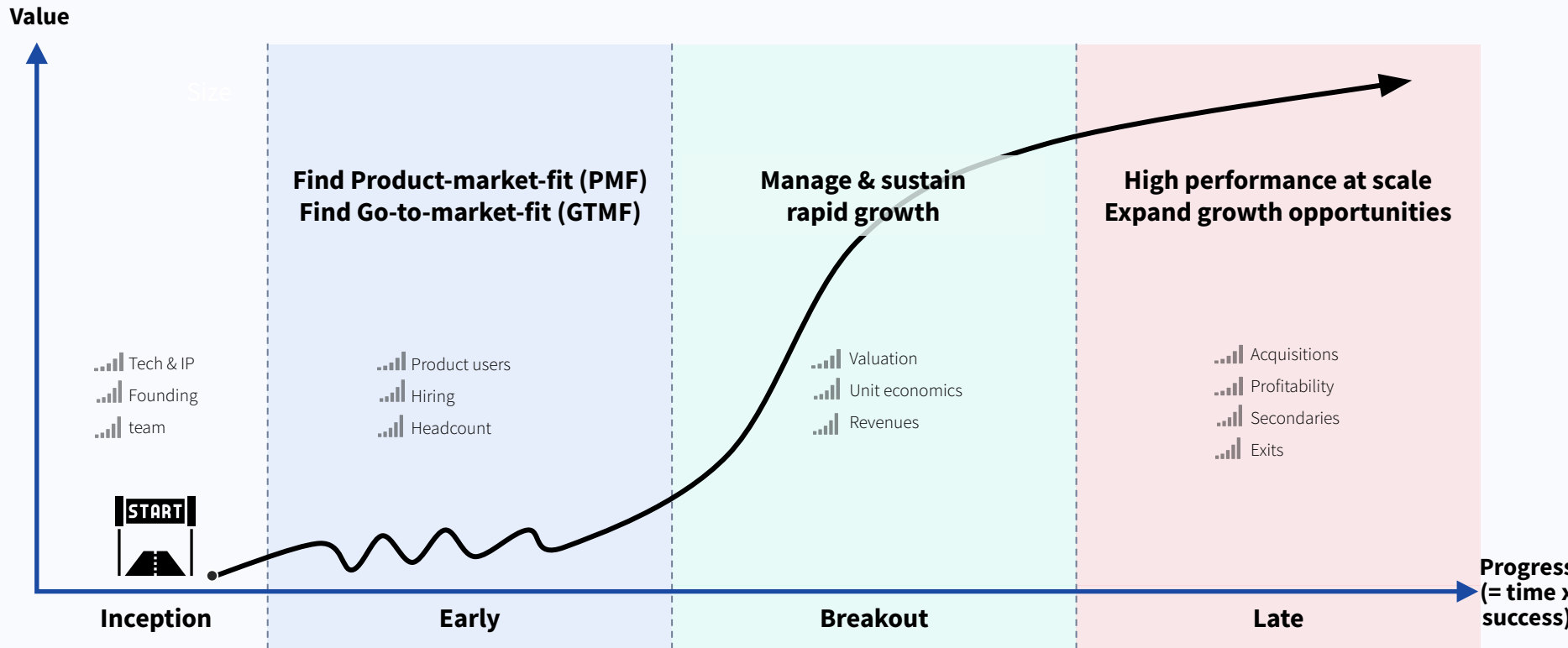
Selected logos in Adams Street European VC fund portfolio

In summary, the data directionally points to roughly 70% failures, 5% successes and 25% lesser known exits.

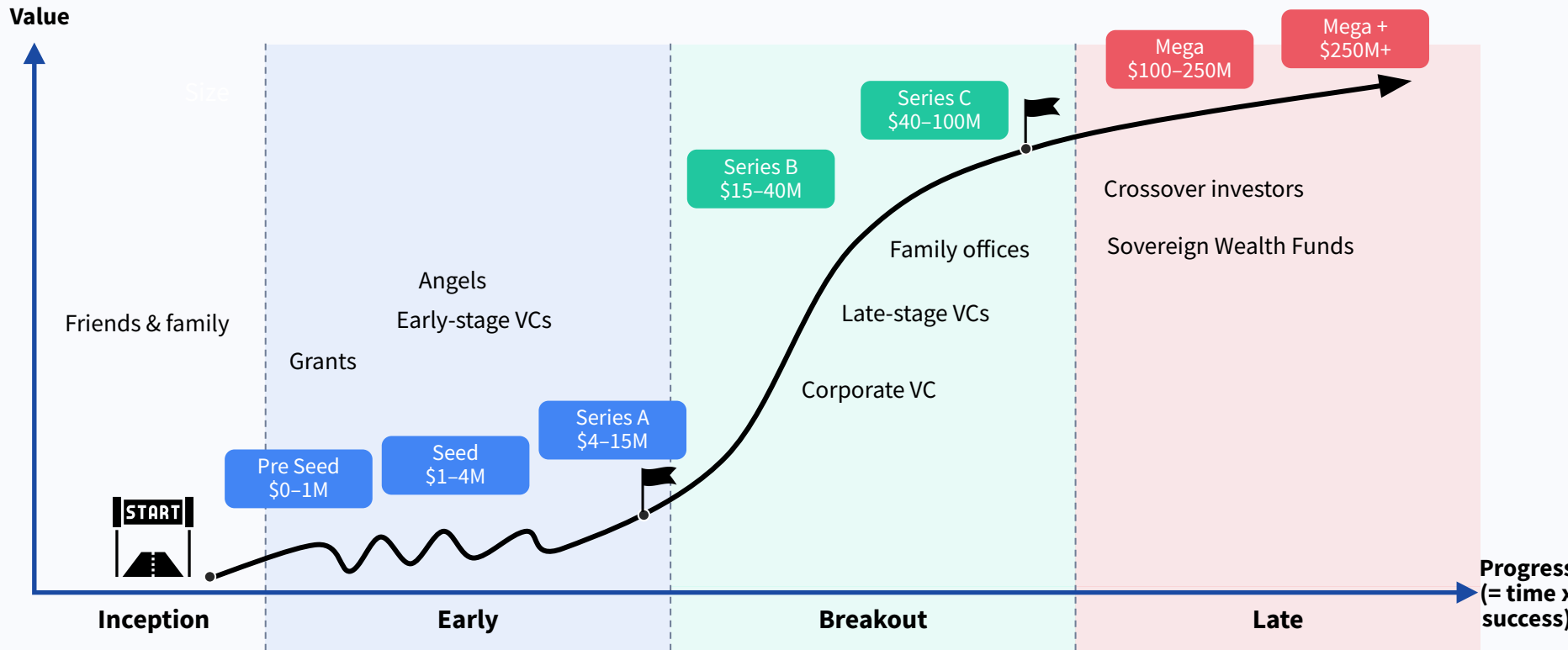


1. Fifty shades of greatness
- 2. The startup journey**
3. Startup demographics

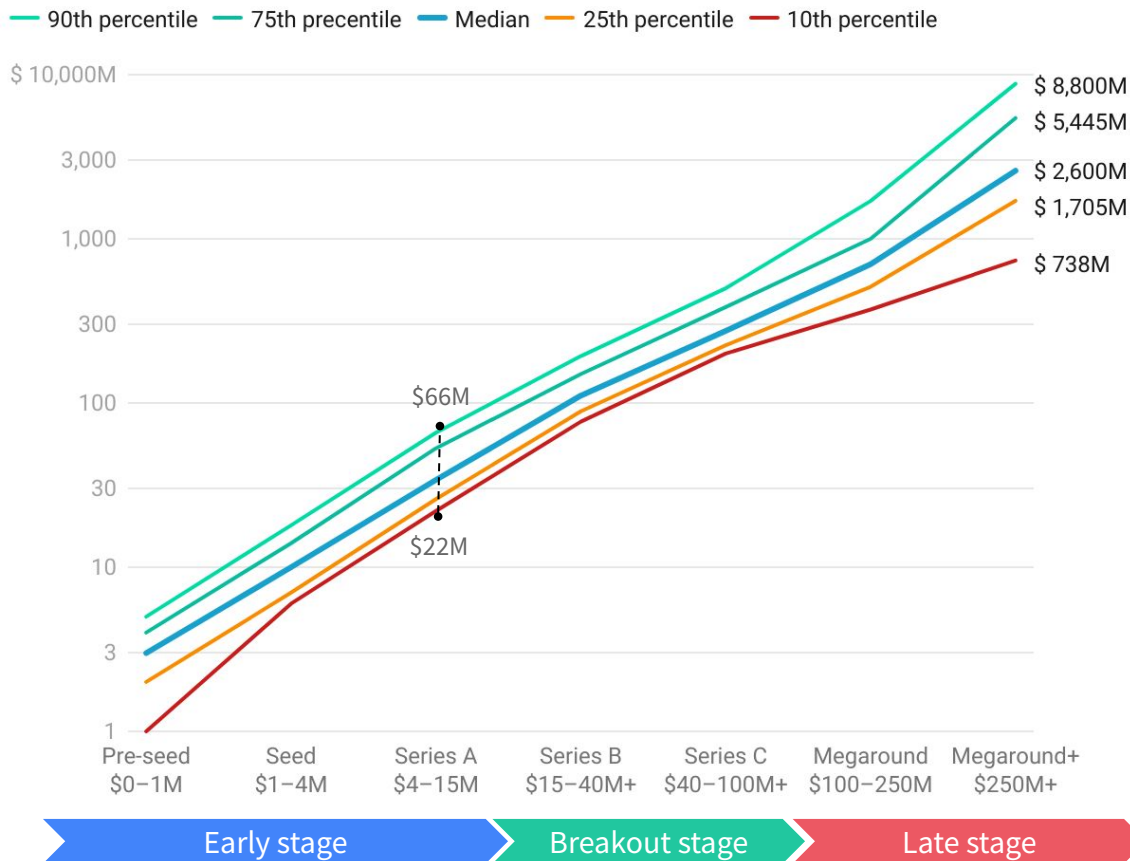
The startup journey can be broken into three stages, with new milestones and performance indicators at each stage.



In this mental framework, a \$30M self-reported “seed round” becomes essentially a startup with presumed Product-Market-Fit and Go-to-Market-Fit out of the gate.

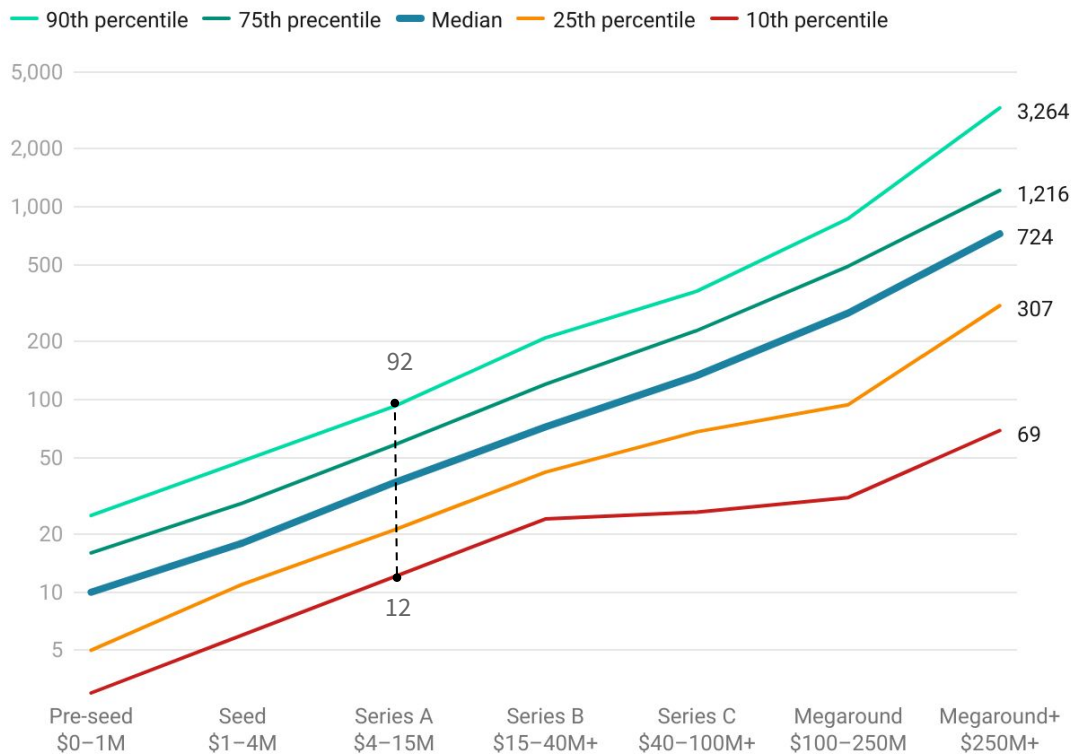


Valuation of European startups by stage (\$M)



By mapping real-life data onto this framework, we can see what the startup journey actually looks like across stages in terms of valuation ...

Headcount of European startups by stage



... and we can see the startup journey in terms of headcount.

Headcount heavily depends on the business model (think WhatsApp vs. Amazon).

In aggregate, **±50%** of all startup jobs are at the Early Stage, highlighting the value for local communities.

Early stage (±50% of all jobs)

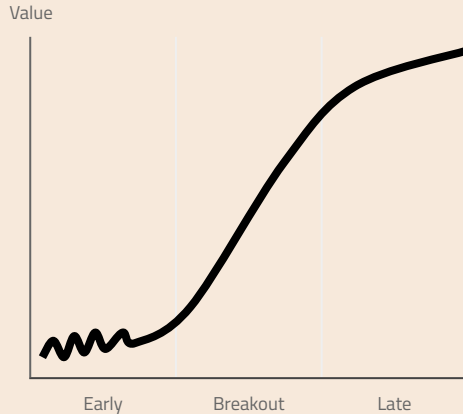
Breakout stage

Late stage

Deep Tech and Biotech startups have different paths than regular startups.

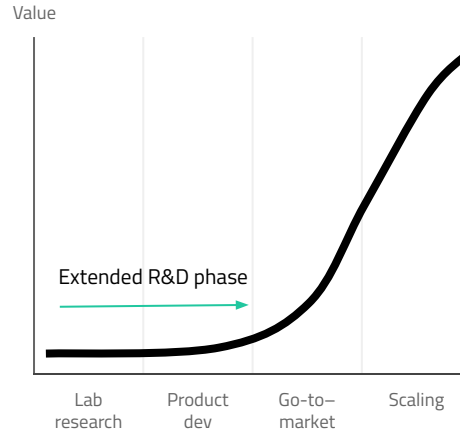
Regular startup

Exploit new but proven technologies
Validate product-market fit as early as possible
R&D and patent ownership is rare



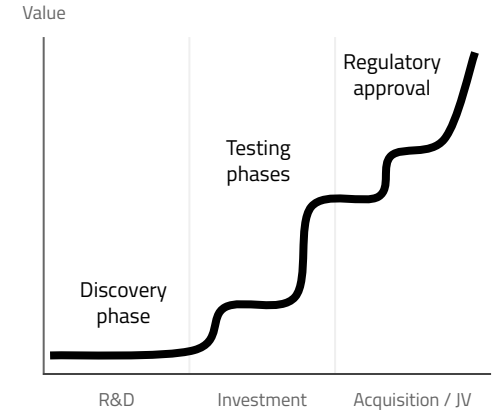
Deep Tech startup

Starts with extended R&D phase
Higher share of technical staff
Often involves hardware and/or IP



Biotech startup

Long and costly testing phases
Discovery phase becoming shorter *
Less market risk **



* AI, mRNA, digital therapeutics and gene editing make biotech gradually more like tech startups, at least for discovery phase.

** There's generally a market for curing diseases. But it has long been difficult to get funding for flu vaccines, for instance.

1. Fifty shades of greatness
2. Startup journey
- 3. Startup demographics**

Since 2010, at least 116K startups have taken the venture-backed journey.

Example: of companies founded in the year 2015, 12,631 have gone on the VC-backed journey.


Of those, 5,744 have raised a Pre-Seed round, but no further round. 3,104 have raised a Seed round, but no further round. 141 have raised at least one \$250M+ round.



Founding year	Early stage					Breakout stage		Total
	Pre-seed	Seed	Series A	Series B	Series C	\$100-250M	\$250M+	
2010	2,398	1,179	856	353	192	118	95	5,191
2011	3,170	1,481	967	439	244	158	121	6,580
2012	4,151	1,798	1,193	554	296	164	147	8,303
2013	4,775	2,064	1,280	549	313	191	109	9,281
2014	5,410	2,804	1,643	743	410	200	150	11,360
2015	5,744	3,104	2,023	890	491	238	141	12,631
2016	5,264	2,791	1,847	829	403	174	85	11,393
2017	5,146	2,771	1,913	849	431	184	81	11,375
2018	4,793	2,625	1,767	769	427	157	67	10,605
2019	4,518	2,384	1,627	662	268	95	49	9,603
2020	4,247	2,446	1,525	524	201	83	27	9,053
2021	3,176	1,983	1,360	366	136	44	16	7,081
2022	1,705	855	493	86	32	14	7	3,192
2023	273	85	38	17	3	3	-	419
Total	54,770	28,370	18,532	7,630	3,847	1,823	1,095	116,067

About 30% of startups make it to Series A or beyond.

Note that these are not conversion rates between rounds. Some startups also skip the (pre)seed stage and go straight to Series A. Some bootstrapped startups hop on the VC train as late as breakout stage, or even later. For instance, over [2,000](#) startups have skipped some earlier stages since 2018 alone. Sometimes only the Series A round is known. For conversion rates between Seed and Series A, see the separate [Journey to Series A](#) report.



Founding year	Early stage					Breakout stage		Late stage	
	Pre-seed	Seed	Series A	Series B	Series C	\$100-250M	\$250M+		
2010	100%	54%	31%	15%	7.8%	4.1%	1.8%		
2011	100%	52%	29%	15%	7.9%	4.2%	1.8%		
2012	100%	50%	28%	14%	7.3%	3.7%	1.8%		
2013	100%	49%	26%	13%	6.6%	3.2%	1.2%		
2014	100%	52%	28%	13%	6.7%	3.1%	1.3%		
2015	100%	55%	30%	14%	6.9%	3.0%	1.1%		
2016	100%	54%	29%	13%	5.8%	2.3%	0.7%		
2017	100%	55%	30%	14%	6.1%	2.3%	0.7%		
2018	100%	55%	30%	13%	6.1%	2.1%	0.6%		
2019	100%	53%	28%	11%	4.3%	1.5%	0.5%		
2020	100%	53%	26%	9.2%	3.4%	1.2%	0.3%		
2021	100%	55%	27%	7.9%	2.8%	0.8%	0.2%		
2022	100%	47%	20%	4.4%	1.7%	0.7%	0.2%		
2023	100%	35%	15%	5.5%	1.4%	0.7%	0.0%		

After 10 to 20 years, roughly a third of VC-backed startups have had an exit via strategic sale, buyout or IPO.

Founding year	Undisclosed amount	>\$0-100M	\$100-500M	\$1B+ exit	Total
2000	251	59	61	15	386
2001	167	51	42	30	290
2002	148	33	53	12	246
2003	184	68	40	36	328
2004	185	57	48	45	335
2005	233	75	109	16	433
2006	283	76	92	40	491
2007	295	85	101	32	513
2008	287	88	75	12	462
2009	411	71	104	38	624
2010	438	110	112	43	703
2011	484	92	104	37	717
2012	635	109	75	64	883
2013	537	112	74	10	733
2014	538	94	81	16	729
2015	494	111	85	6	696
2016	362	36	54	7	459
2017	206	34	38	-	278
2018	128	11	21	2	162
2019	80	6	7	2	95
2020	58	7	1	4	70
2021	12	3	3	-	18
2022	2	-	1	-	3

Founding year	Undisclosed amount	>\$0-100M	\$100-500M	\$1B+ exit	Total
2000	23%	5%	6%	1%	35%
2001	17%	5%	4%	3%	29%
2002	16%	4%	6%	1%	27%
2003	17%	6%	4%	3%	30%
2004	16%	5%	4%	4%	28%
2005	17%	5%	8%	1%	32%
2006	17%	5%	6%	2%	30%
2007	14%	4%	5%	2%	25%
2008	14%	4%	4%	1%	23%
2009	18%	3%	5%	2%	27%
2010	15%	4%	4%	2%	25%
2011	14%	3%	3%	1%	20%
2012	14%	2%	2%	1%	20%
2013	11%	2%	1%	0%	15%
2014	9%	2%	1%	0%	12%
2015	7%	2%	1%	0%	10%
2016	6%	1%	1%	0%	7%
2017	3%	1%	1%	0%	4%
2018	2%	0%	0%	0%	3%
2019	1%	0%	0%	0%	2%
2020	1%	0%	0%	0%	1%
2021	0%	0%	0%	0%	0%
2022	0%	0%	0%	0%	0%

Summary conclusions.

Startup demographics

Startup ecosystems have the potential to create immense value for society. At the same time, it is normal for 70% of VC-backed startups to fail. Due to this fact, the absolute number of startups in an ecosystem is not that meaningful in isolation. Startup Demographics looks at startup birth rates, survival rates, and success rates.

Startup journey

While every startup journey is different, the standardized framework presented in this report helps us make sense of startup data and draw more meaningful conclusions from it. Specifically, splitting the startup journey into three distinct stages (early, breakout, late) creates an almost universal picture that holds up across cycles.

Startup ecosystem funnel

It's helpful to visualise the startup ecosystems as a funnel, where companies move from one stage to the next. By looking at cohorts, progression and outcomes, we can understand where and where the funnel is working, and where the bottlenecks are.

Get all reports on dealroom.co/reports



Startup Demographics

A standardized framework for measuring startup activity in tech ecosystems.

14 August 2023

AI generated image titled "Processation" made with Midjourney. Prompt: on a light blue canvas, a realistic optimistic pointing, using vibrant colours, of a rocket launching on the right side, with a sunrise on the background --ar 2:1



The Journey to Series A in Europe Part 3

in partnership with



LocalGlobe

June 2023





dealroom.co