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Working Paper

EIF Venture Capital Survey 2024: Market sentiment

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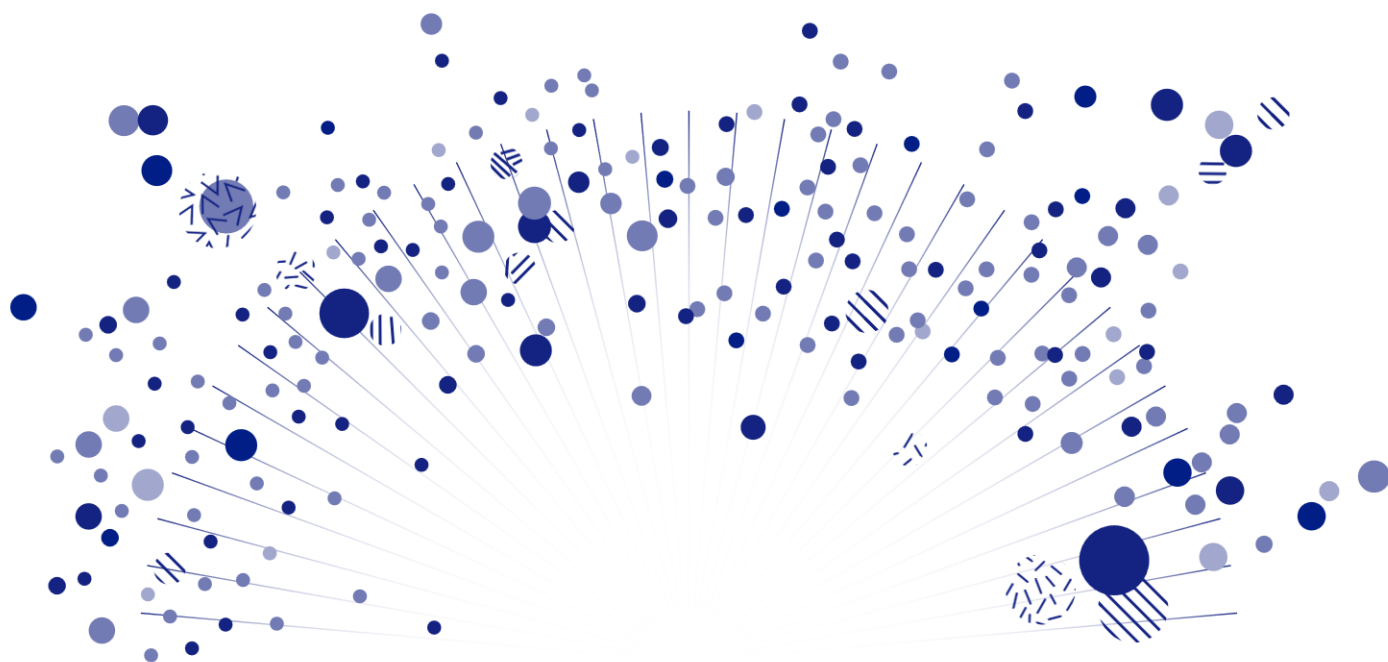
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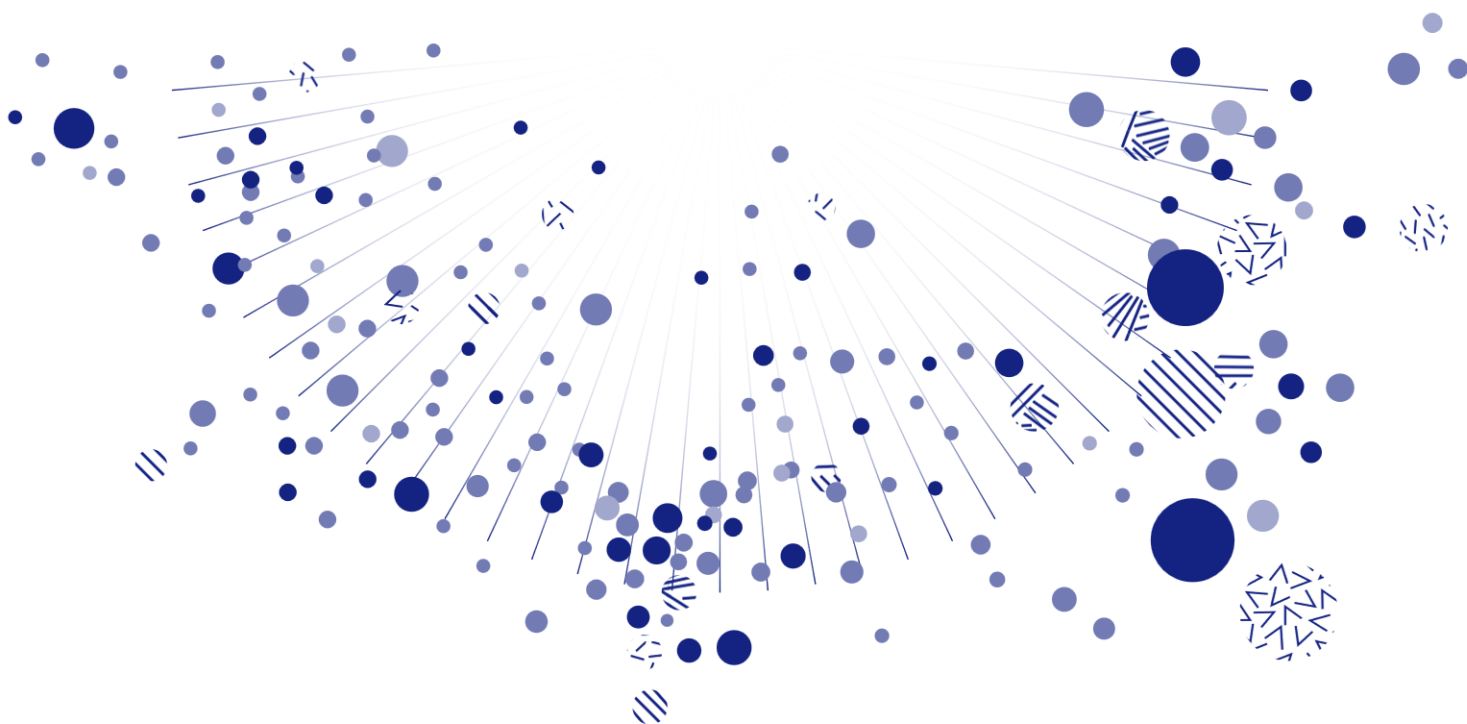


EIF VC Survey 2024: Market sentiment

With the support of

INVEST
EUROPE

Antonia Botsari, Frank Lang



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EIF Market Assessment & Research

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We would like to thank the respondents to the EIF surveys. Without their support and valuable replies, this project would not have been possible. This paper benefited from comments and inputs by many EIF colleagues, for which we are very grateful. We would also like to thank colleagues from Politecnico di Milano, Politecnico di Torino, University of Bologna, Universidad Complutense de Madrid, and University of Luxembourg for their research support. Moreover, we would like to express our gratitude for fruitful collaboration, support and advice to our Invest Europe colleagues Julien Krantz and Lucrezia Lo Sordo. All errors are attributable to the authors.

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VC Survey 2024

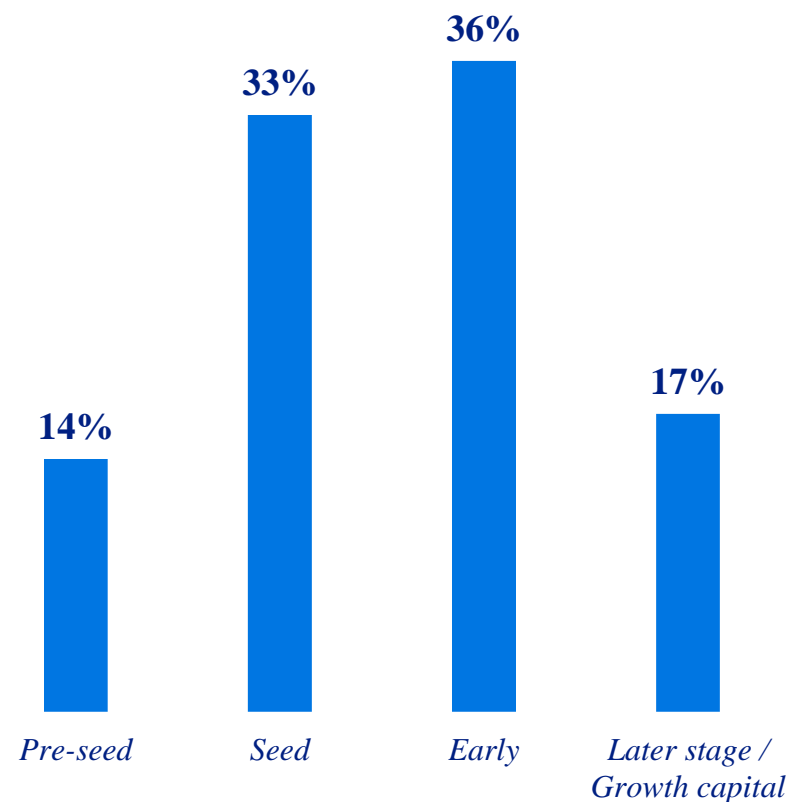
Introduction

The *EIF VC Survey* 2024 at a glance

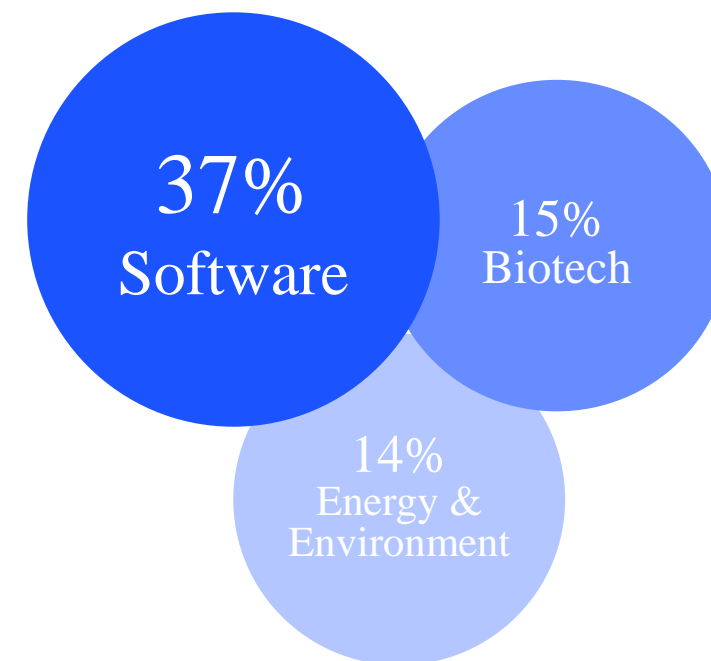
Number of respondents

398

Most important stage



Most important sectors



EIF VC Survey results: Key highlights (I)



The difficult macroeconomic environment is still weighing on the VC market and on VC-backed companies...

Fundraising

- In 2024, gloomy perceptions with respect to fundraising are still shared by more than 6 in 10 VC fund managers.
- Three out of the top-four challenges currently seen in the VC business are related to fundraising.
- In the same vein, approximately 1 in 3 VCs continue to report difficulties in finding co-investors.

Exits

- The exit environment is still perceived challenging – and has even surpassed fundraising as the *first* most important challenge.
- Exit prices have decreased, on balance, for the third year in a row.
- Insufficient IPO market liquidity and a thin M&A market are mentioned as key challenges for exits.
- Indeed, over the past 12 months, IPOs and trade sales have decreased significantly, with IPOs in particular falling to an all-time low in the survey record of these data.
- By contrast, insolvencies reached a record-high value.

EIF VC Survey results: Key highlights (II)



... and VCs continue to face significant challenges

Scale-up financing

- The lack of scale-up financing in Europe exacerbates the exit-related challenges.
- According to the majority of the surveyed VC fund managers, the scale-up financing gap even worsened in the last year.
- A lack of private domestic LPs and large institutional investors contributes to this structural market weakness.
- In this context, the survey statistics about the exit routes of VC-backed companies reveal that (more than) half of trade sales and IPOs in the last 12 months were to non-EU buyers.

Portfolio development

- VC portfolio companies continue to operate in a difficult financing environment.
- Access to external finance has remained equally difficult to last year's all-time low.
- In 2024 (and for the third consecutive year), "Securing equity financing" remains the most important challenge for VC-backed companies.
- It is followed by "Customer acquisition and retention" which has re-gained importance as a challenge, and by "Recruiting high-quality professionals" which has always been a key challenge for portfolio companies throughout the years.
- On balance, portfolio companies have performed worse than expected.

EIF VC Survey results: Key highlights (III)



However, there are signs that the market environment is improving, and expectations going forward are now much more optimistic.

- For many market sentiment indicators (inter alia with respect to VCs' overall state of business, fundraising, portfolio development, access to external finance, exit opportunities, and exit prices), the level of optimism expressed for the next 12 months has almost recovered to or even surpassed that observed in 2021 – which was a record year for the VC market in Europe.
- VC fund managers report, on balance, a higher number of incoming investment proposals as well as of new investments undertaken.
- The pace of new investment activity has in fact accelerated for the first time in three years, with the trend expected to continue in the near future.
- As investment activity picks up, so does competition among investors for potential investee companies as well as entry prices and valuations.
- VCs see promising investment opportunities in several sectors, particularly in the areas of AI and energy/climate.
- Fund managers' confidence in the long-term growth prospects of the European VC industry picked up slightly from last year's all-time low.

VC Survey 2024



Fundraising

Last year, the perception of the fundraising environment for VC funds had reached an all-time low in the time-series of the VC survey results. **In 2024, gloomy perceptions with respect to fundraising are still shared by more than 6 in 10 VC fund managers.**

However, the outlook has become much more positive, with 1 in 2 VCs expecting the fundraising environment to improve in the next 12 months – the highest level of optimism observed since the launch of the survey in 2018 .

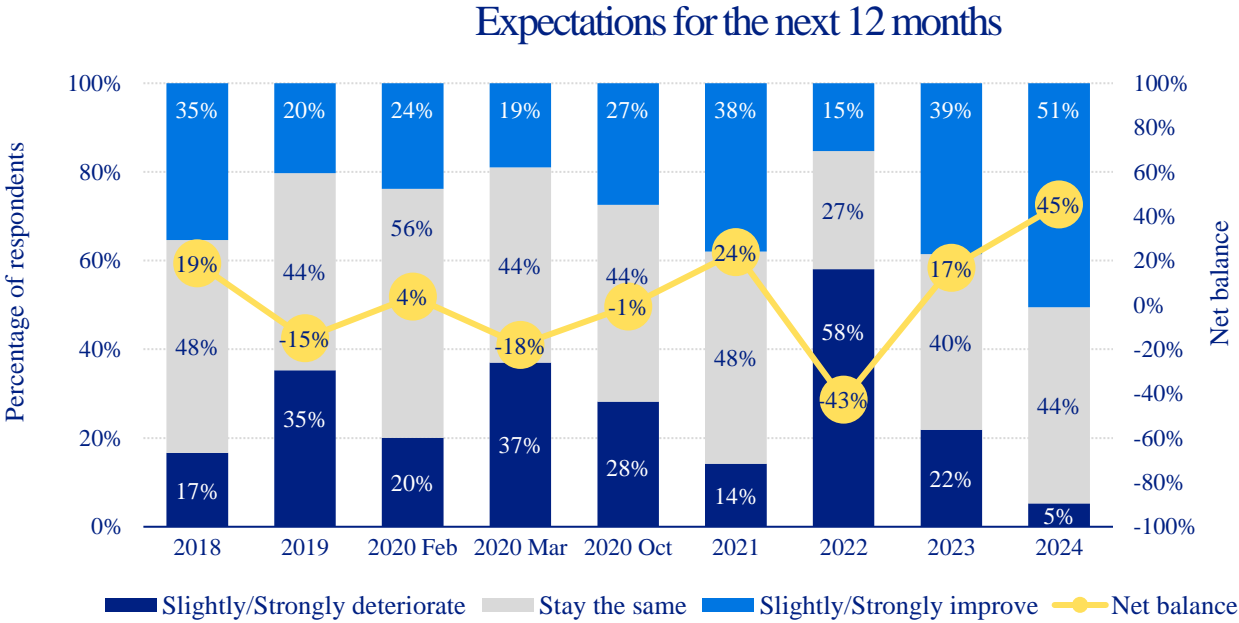
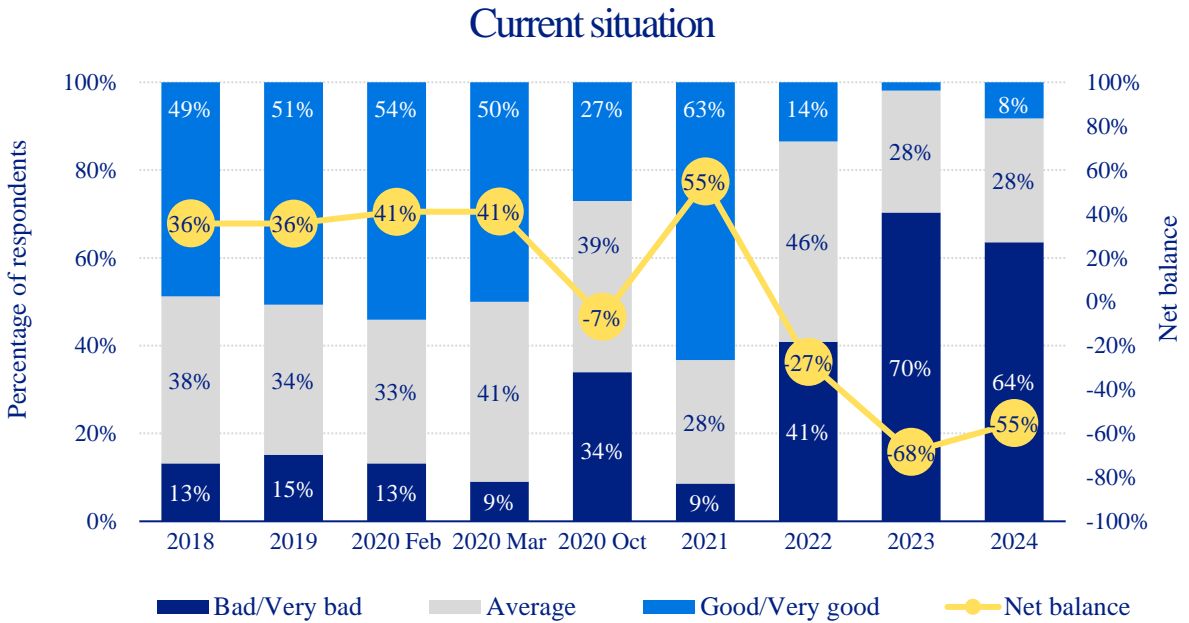
In the same vein, approximately **1 in 3 VCs continue to report difficulties in finding co-investors**. There too, however, fund managers express much more optimistic expectations going forward.

It is, therefore, perhaps not surprising that even though VCs' perception of their **state of business** had worsened significantly in 2022 and in 2023, it remained relatively stable year-on-year in 2024, with 70% of VCs (a record-high) expressing a positive outlook for the near future.

Fundraising environment



The current fundraising environment is still evaluated very negatively, on balance, but the perception has slightly picked up from last year's all-time low; and expectations have improved significantly, reaching an all-time high in the time-series of the survey results.

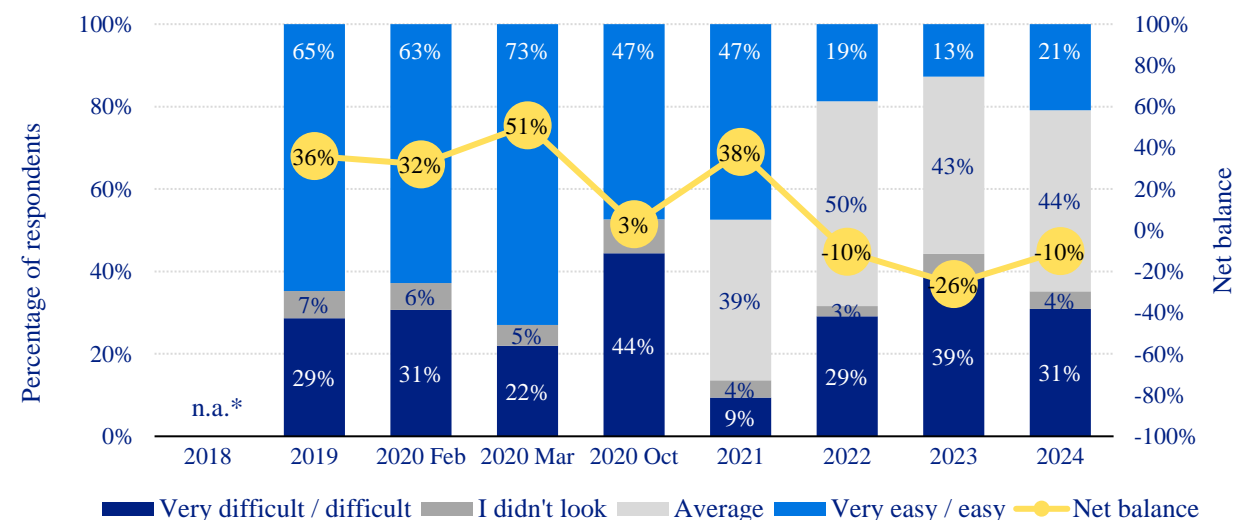


Q: “How would you rate the current fundraising environment?”

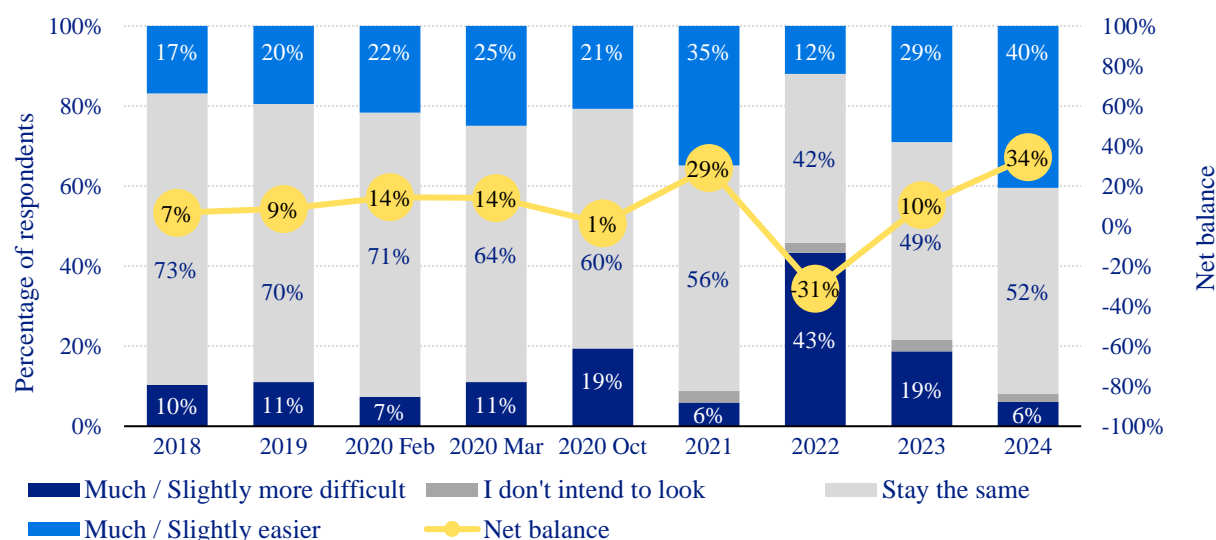
Q: “Over the next 12 months, how do you expect the fundraising environment to develop?”

Easiness in finding co-investors

Current situation

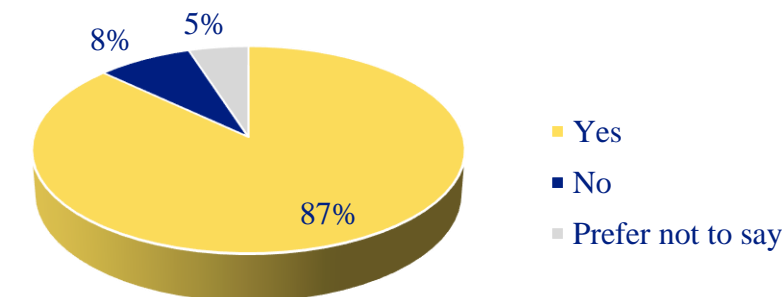


Expectations for the next 12 months



Finding co-investors is still perceived difficult, on balance, albeit less so than a year ago; however, the outlook is much more positive.

Co-investments with investors outside existing shareholder base



Q: "Over the last 12 months, how easy/difficult was it to find co-investors to syndicate?"

Note: The "Average" response option was only provided since 2021.

The question was not asked in 2018.

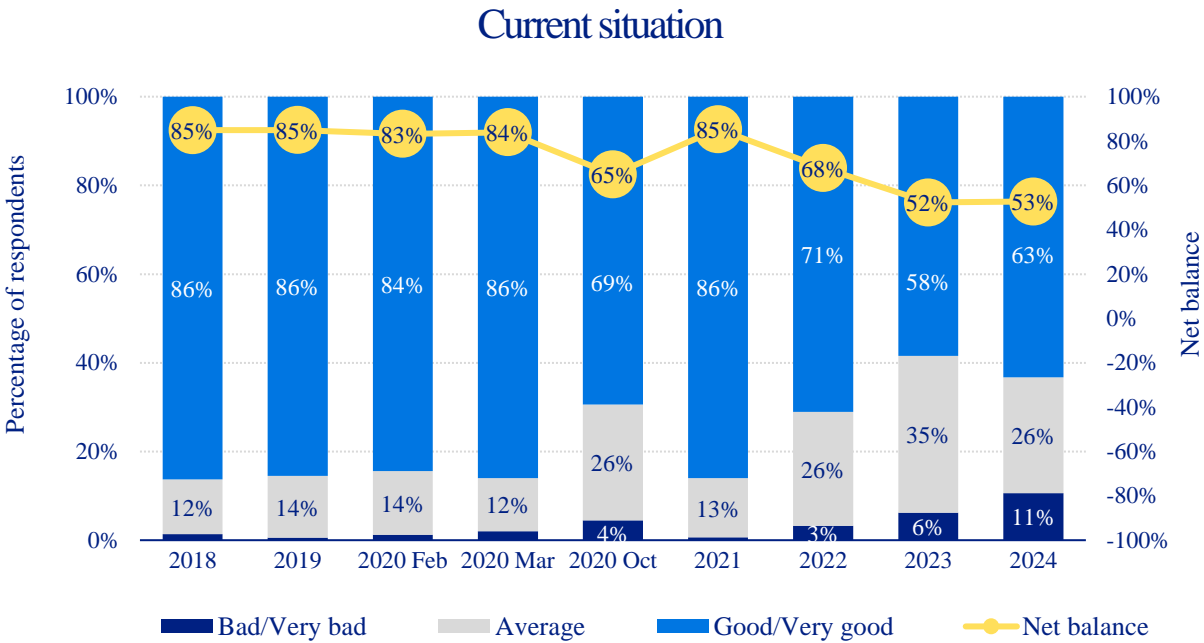
Q: "Over the next 12 months, how do you expect finding co-investors to become?"

Q: "Have you ever done any co-investments with investors outside your existing shareholder base?"

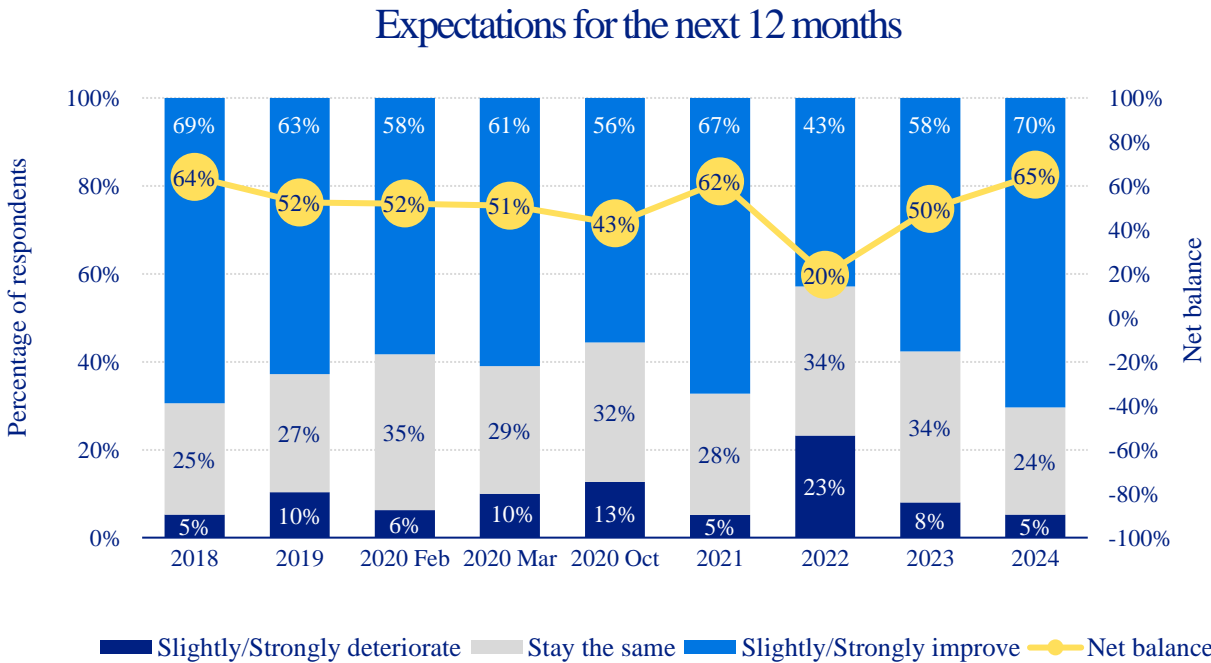
State of business



VCs’ perception of their current state of business has remained relatively stable year-on-year, but expectations are much more optimistic.



Q: “How would you assess the current state of your business?”



Q: “Over the next 12 months, how do you expect the state of your business to develop?”

VC Survey 2024

Investments

VC fund managers report, on balance, a **higher number of incoming investment proposals as well as of new investments undertaken**. The overwhelming majority of VCs continue to invest in both new deals and follow-ons in portfolio companies.

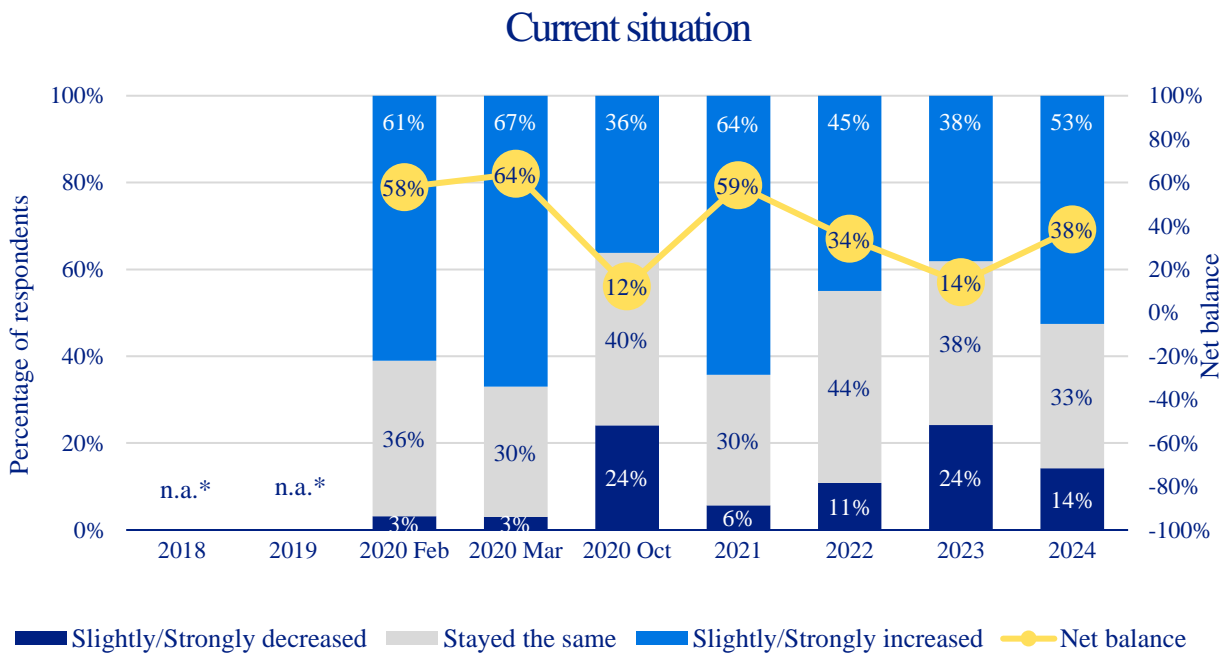
The pace of new investment activity has in fact accelerated for the first time in three years, with the trend expected to continue in the near future.

As investment activity picks up, so does competition among investors for potential investee companies as well as entry prices. Following last year's all-time low, in 2024, competition for potential investees has increased again, on balance, and further increase is expected in the next 12 months. Entry prices decreased for the third consecutive year (albeit at a slower pace in 2024 than in previous years), but going forward, an increase is expected for the first time since 2021.

Number of investment proposals received

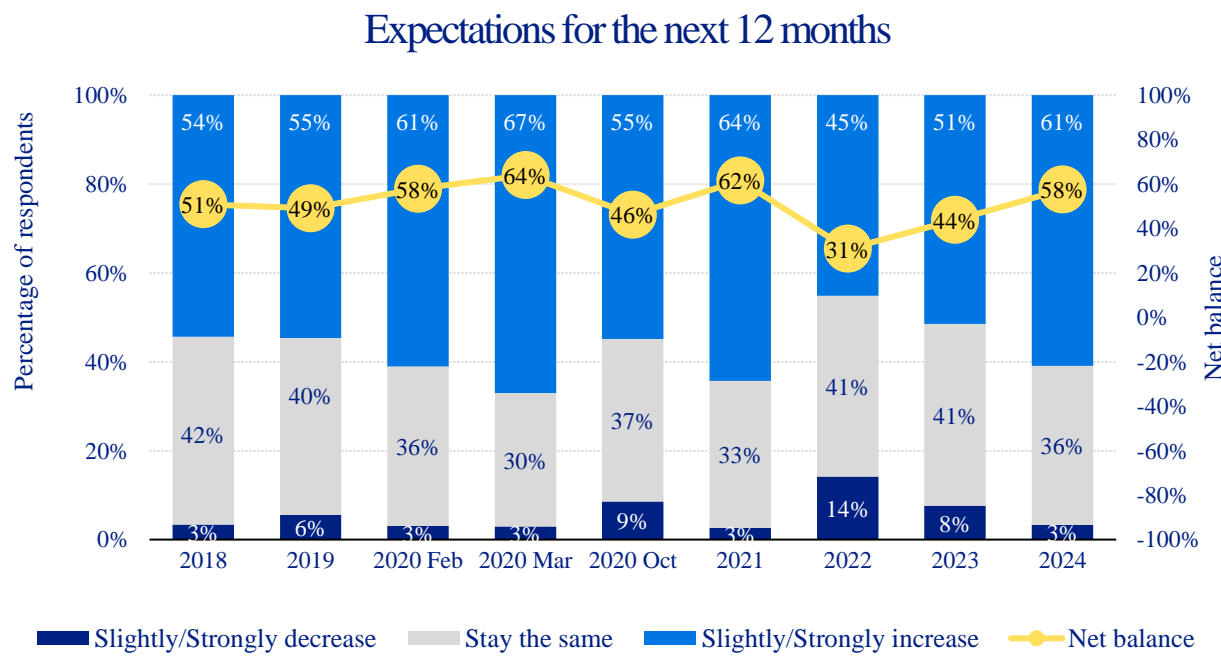


Incoming investment proposals to VC firms have increased further, on balance; and more are expected going forward.



Q: “Over the last 12 months, how has the number of investment proposals to your firm developed?”

* The question was not asked in 2018 and 2019.

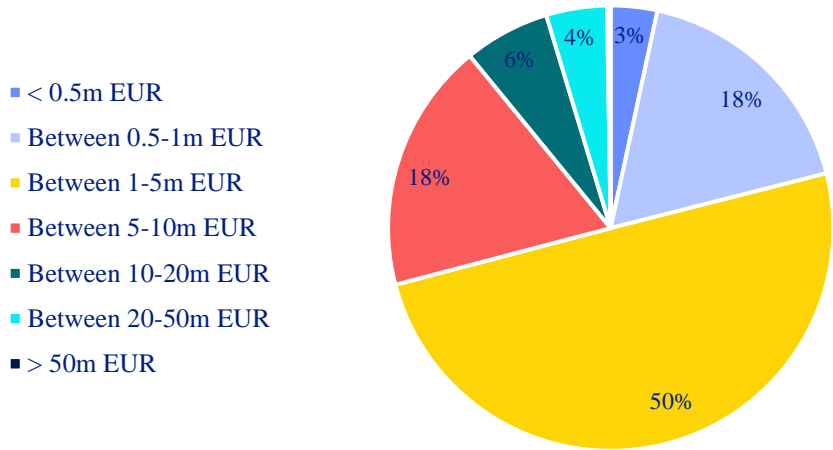


Q: “Over the next 12 months, how do you expect the number of investment proposals to your firm to develop?”

In focus: Investment proposals and investment rate



Equity investment amount requested in proposals received

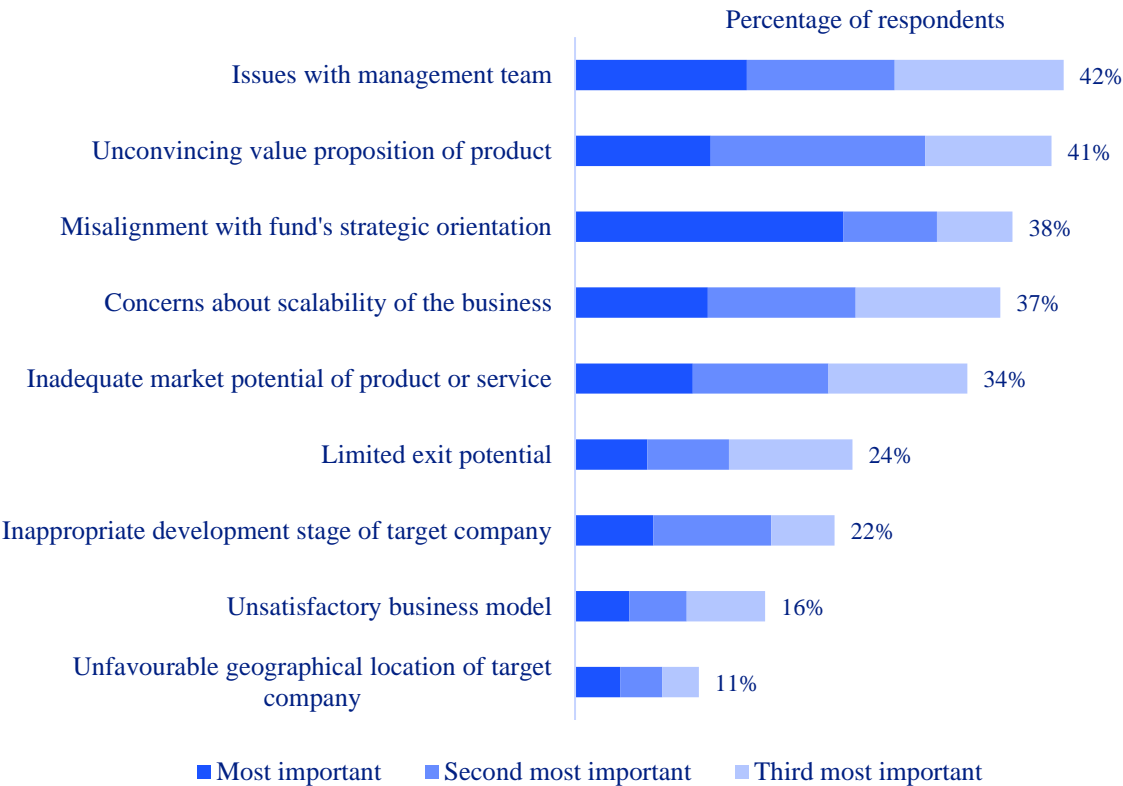


Q: “What was the most common equity investment amount requested in the proposals received over the last 12 months?”

Implicit average investment rate* **7%**

* Calculated as (Number of qualified investment proposals received during last 12 months / Number of investments undertaken); average percentage across respondents.

Reasons for not investing

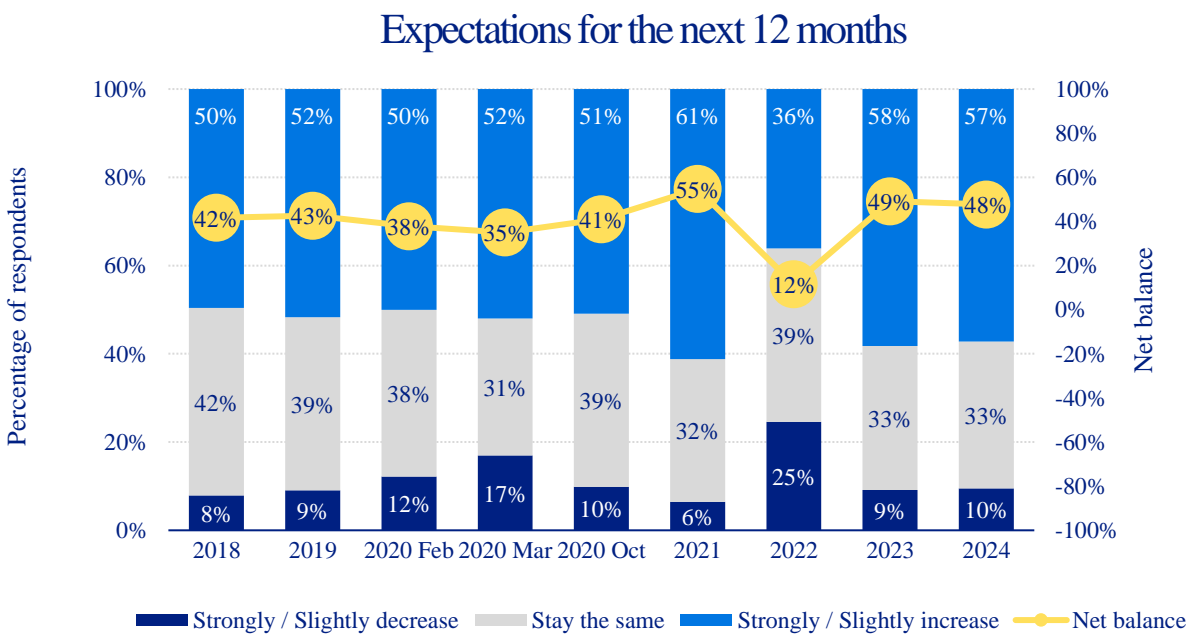
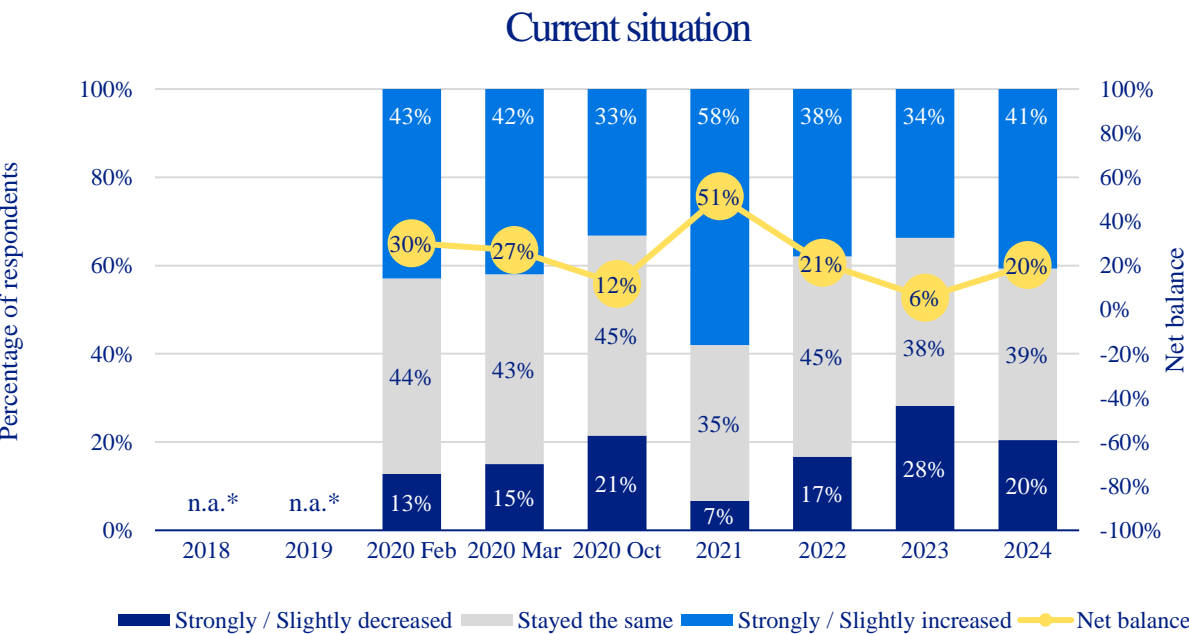


Q: “What were the primary reasons for not investing in some of the qualified investment proposals received over the last 12 months?” (multiple selection possible)

Number of new investments



The pace of new investing activity has accelerated, on balance – for the first time in three years, and this trend is expected to continue in the near future.



Q: “Over the last 12 months, how has the number of your new investments developed?”
* The question was not asked in 2018 and 2019.

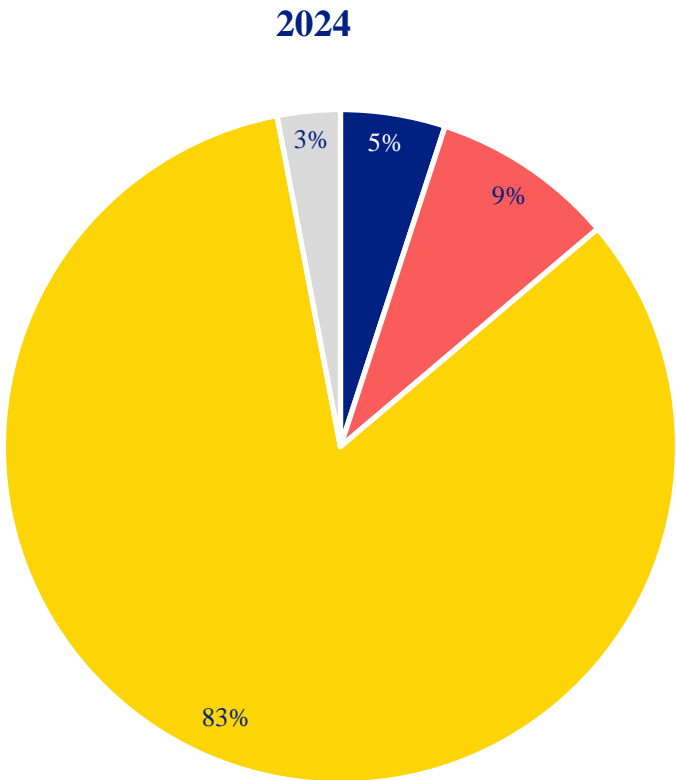
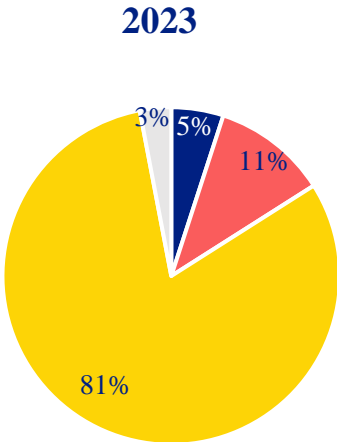
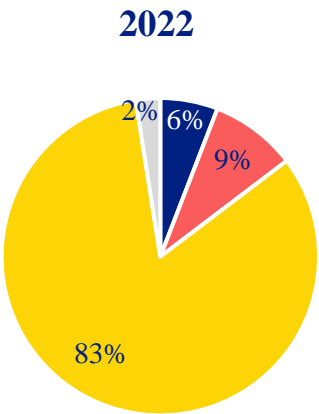
Q: “Over the next 12 months, how do you expect the number of your new investments to develop?”

Investment strategy



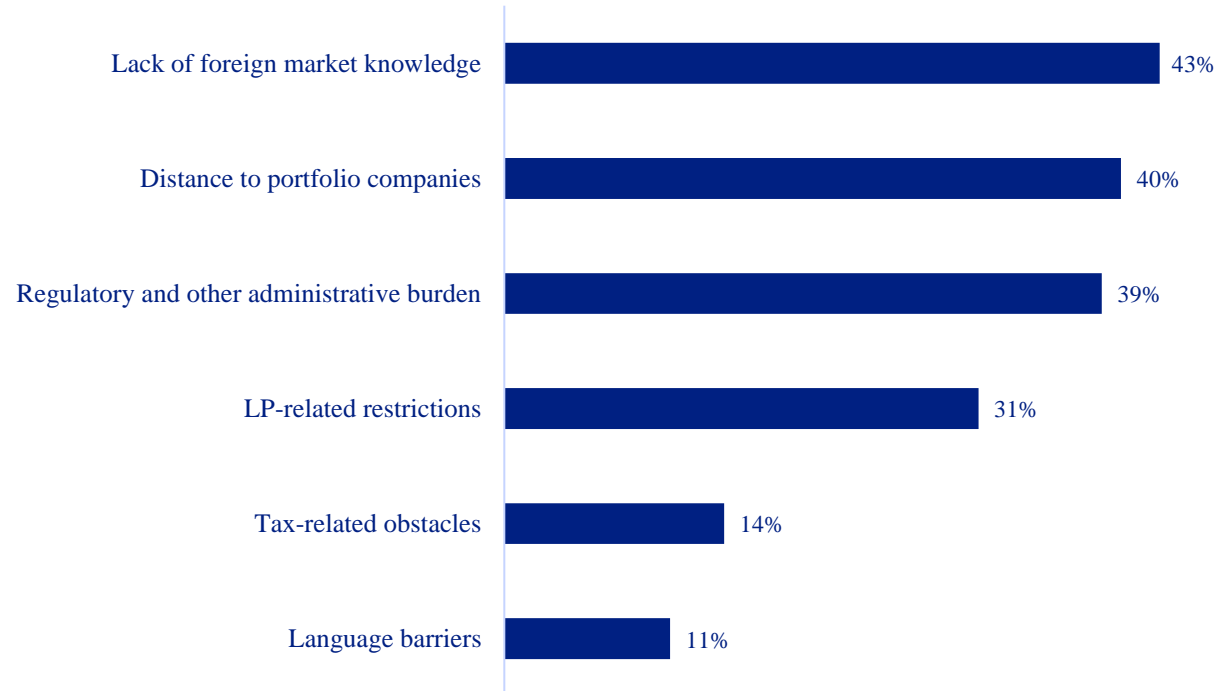
VCs continue to invest in both new deals and follow-ons in portfolio companies.

Over the last 12 months, have you...



■ ... invested in new deals only? ■ ... invested in follow-ons in portfolio companies only? ■ ... invested in both new deals and follow-ons in portfolio companies? ■ ... not invested?

Investment barriers



VCs state the lack of knowledge in foreign markets as well as geographical and regulatory considerations as the main reasons hindering cross-border investments within the EU.

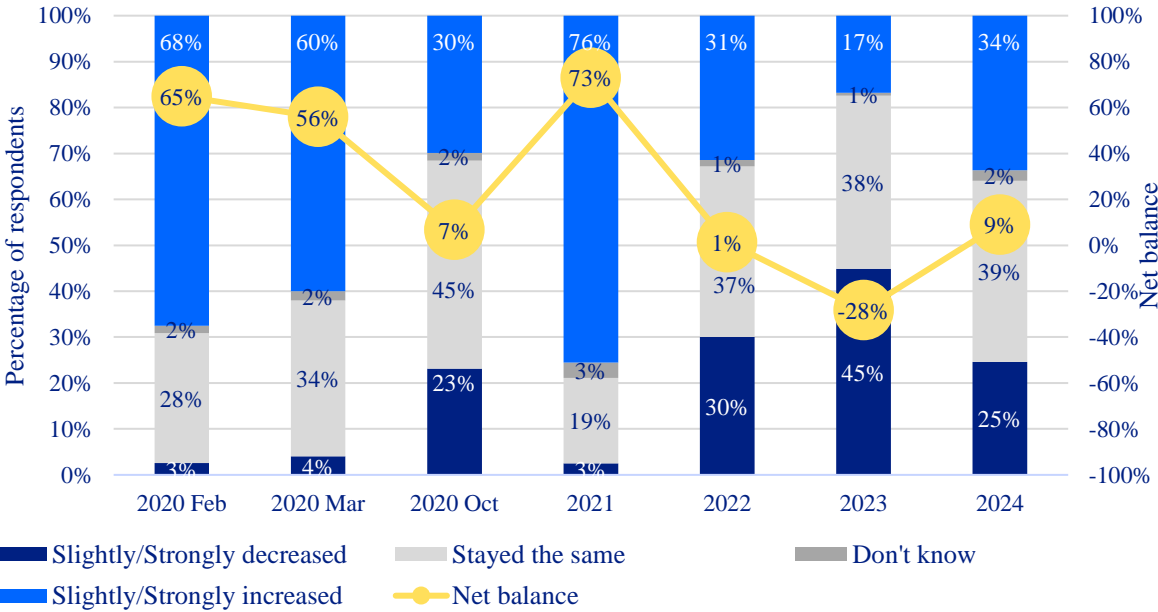
Q: “In the context of your investment activity, what would you consider to be the main barriers that hinder cross-border investments within the EU?” (multiple selection possible)

Competition among investors for potential investees



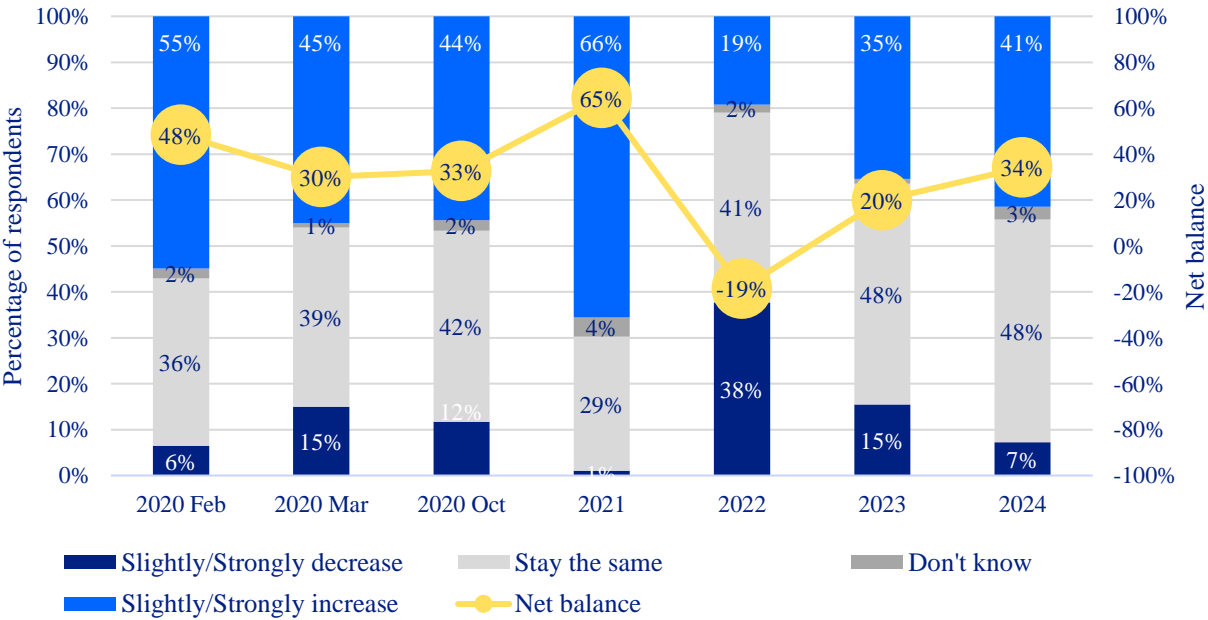
Following last year’s all-time low, competition for potential investees has increased again, on balance; and further increase is expected looking ahead.

Current situation



Q: “When you consider your market over the last 12 months, how have the following items developed?” Graph shows the responses for “Competition among investors for potential investee companies”.

Expectations for the next 12 months

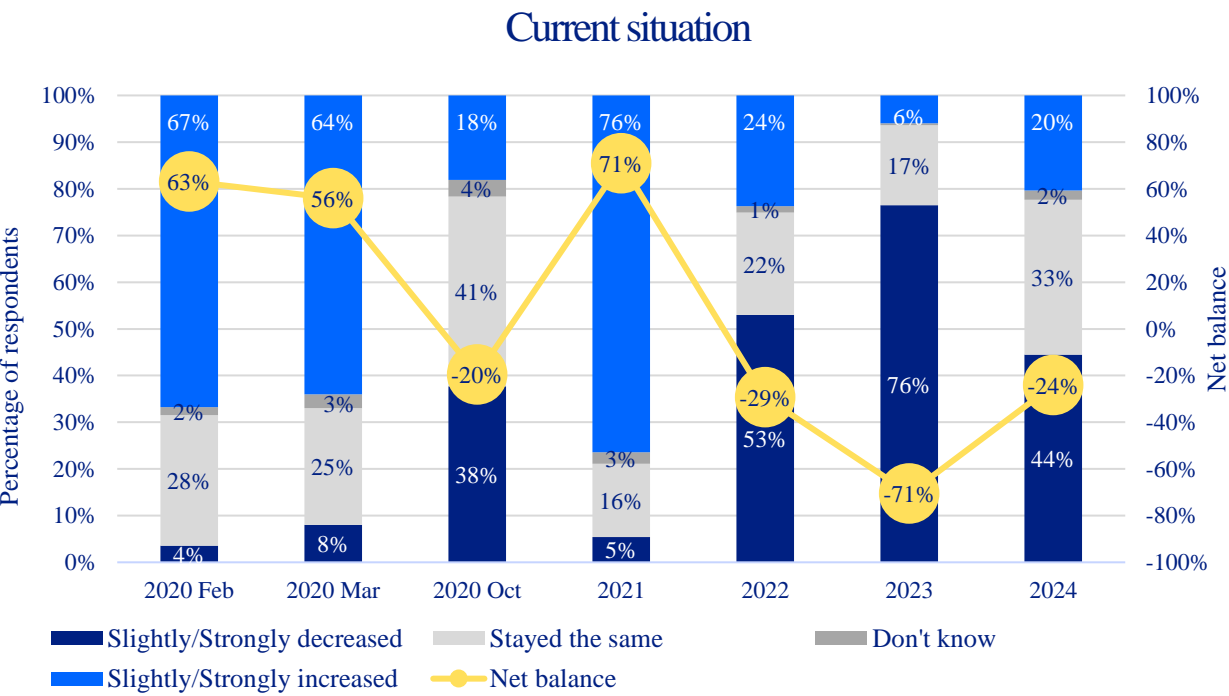


Q: “When you consider your market over the next 12 months, how do you expect the following items to develop?” Graph shows the responses for “Competition among investors for potential investee companies”.

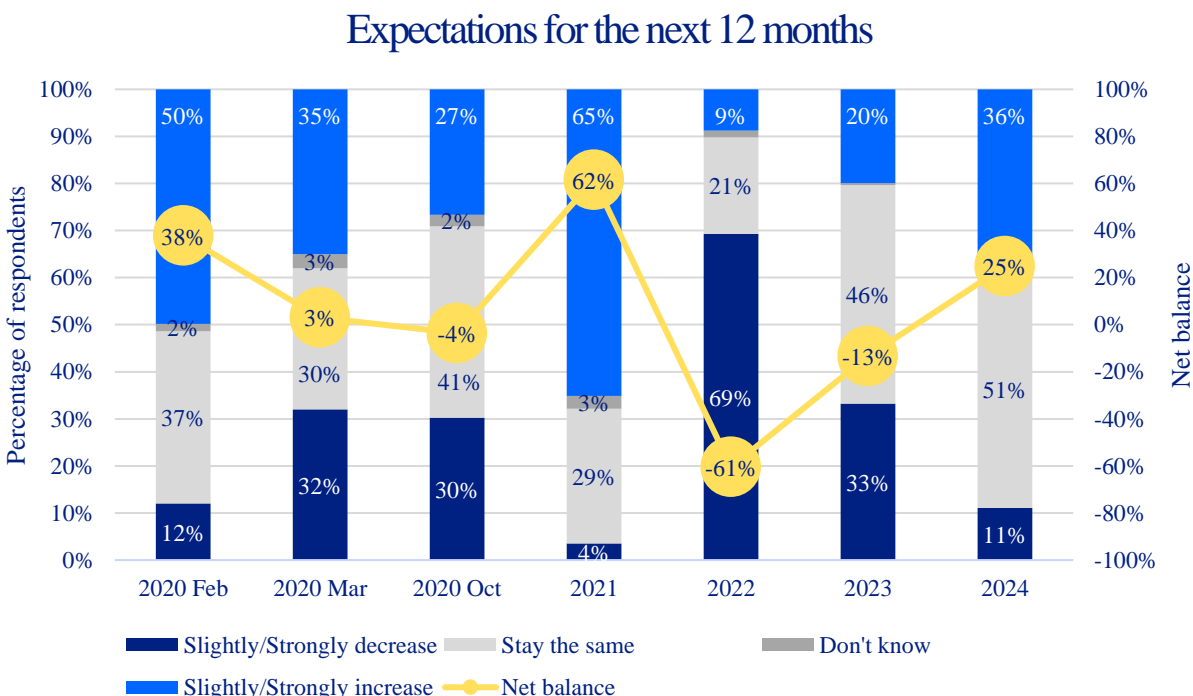
Entry prices



While entry prices have continued to decrease, on balance, for the third year in a row (albeit at a slower pace), an increase is expected for the first time since 2021.



Q: “When you consider your market over the last 12 months, how have the following items developed?” Graph shows the responses for “Entry prices”.



Q: “When you consider your market over the next 12 months, how do you expect the following items to develop?” Graph shows the responses for “Entry prices”.

VC Survey 2024

Portfolio

In light of fundraising challenges and a still difficult macroeconomic environment, VC fund managers report that, on balance, their **portfolio companies performed worse than expected**. VCs are **nonetheless more optimistic about the future**, with the vast majority expecting positive NAV evolution in 2024 (in the range of 10 to 25%, according to one-third of VCs).

Access to external finance of VC portfolio companies has remained equally difficult to last year's all-time low, but optimism going forward has increased significantly (almost reaching the peak observed in 2021).

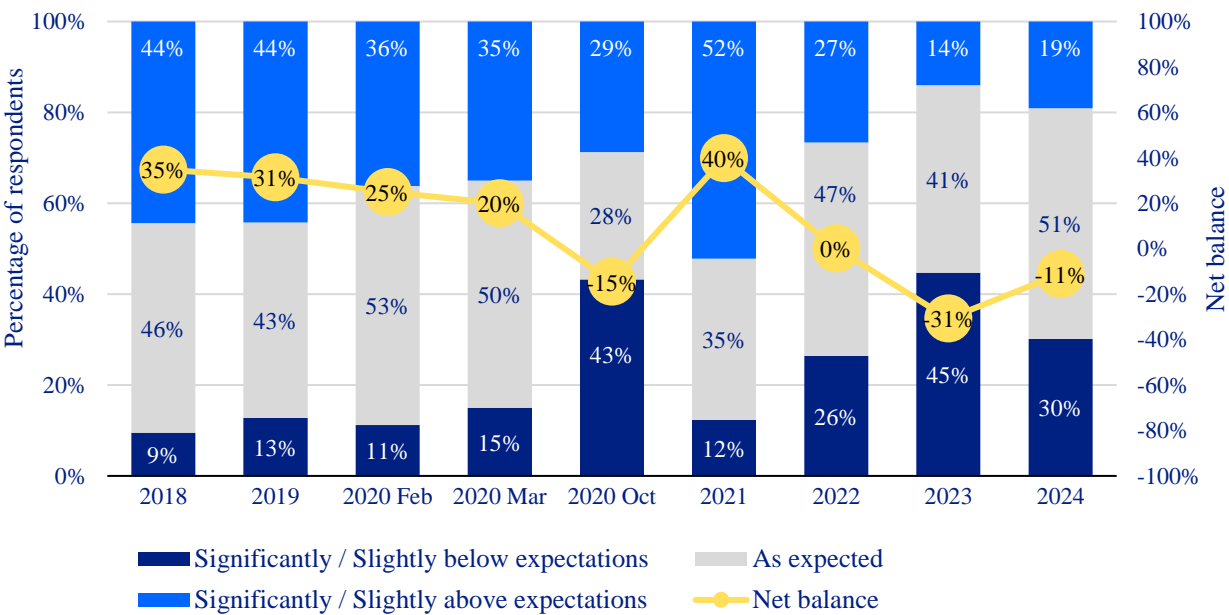
Valuations of VC-backed companies have also increased, on balance, for the first time in three years, while the outlook suggests that further increase should be expected in the next 12 months.

Portfolio development



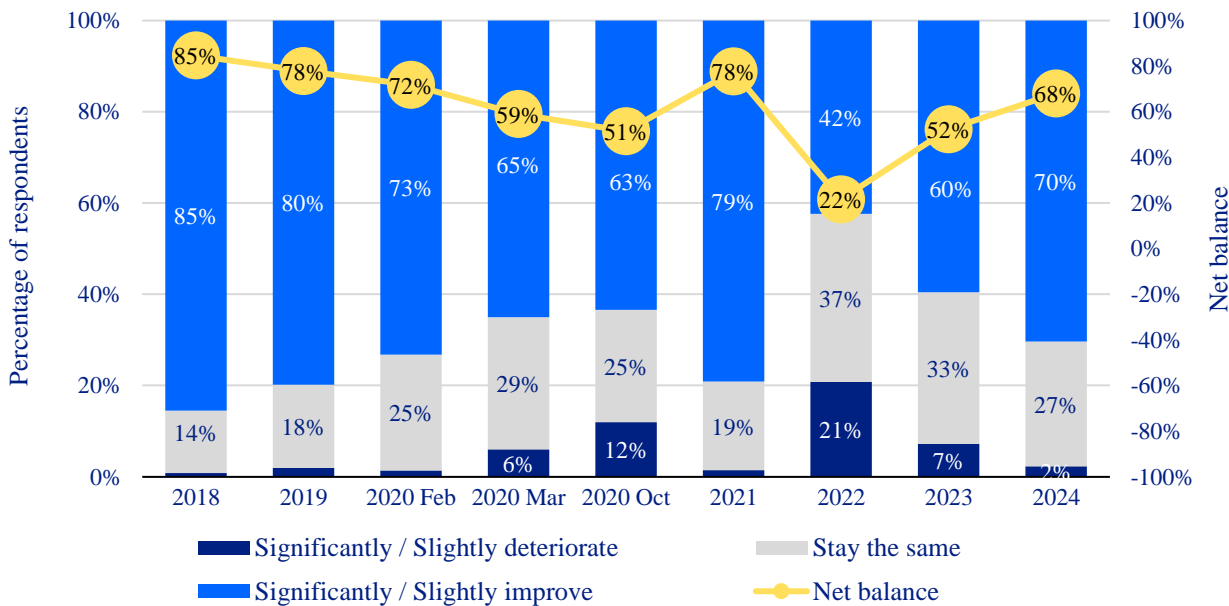
Portfolio companies continued to develop below expectations, on balance; but VCs are more optimistic about the future.

Current situation



Q: “Over the last 12 months, how did your portfolio companies develop?”
Note: The October 2020 survey wave asked about developments since March 2020, while the other survey waves asked about developments over the last 12 months.

Expectations for the next 12 months

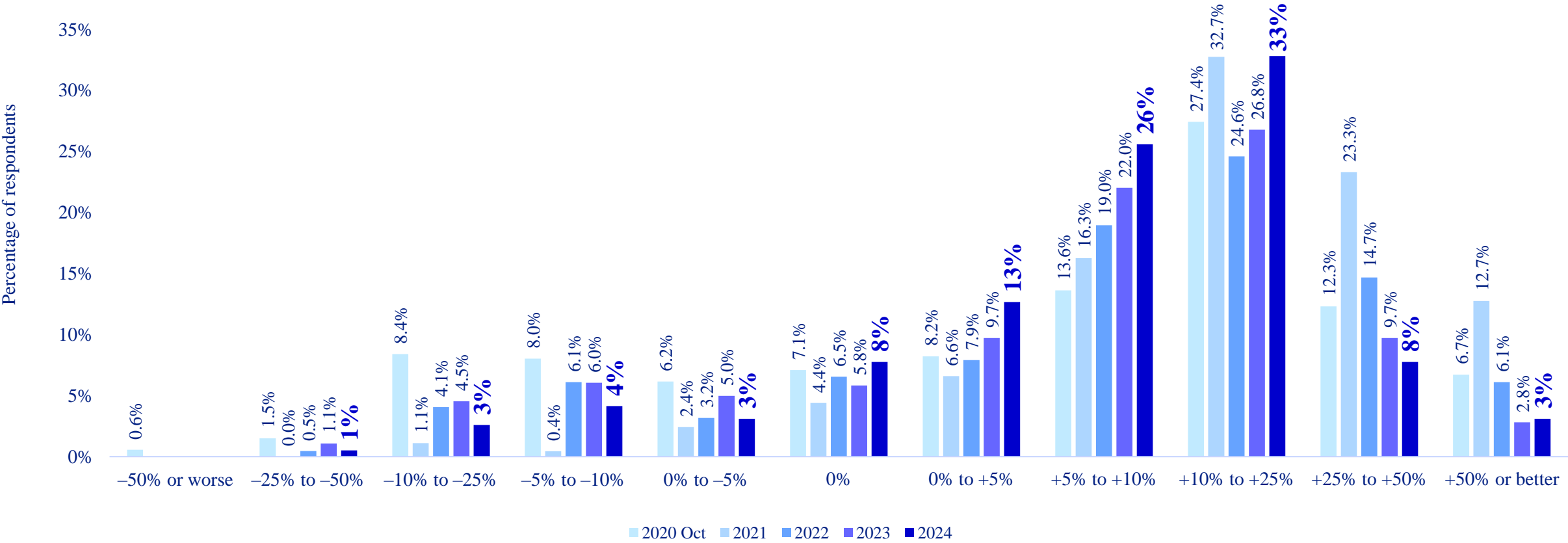


Q: “Over the next 12 months, how do you expect your overall portfolio to develop?”

NAV of fund(s) / value of portfolio



*The vast majority of VCs expect positive NAV evolution in 2024;
1 in 3 expects NAV development in the range of 10 to 25%.*



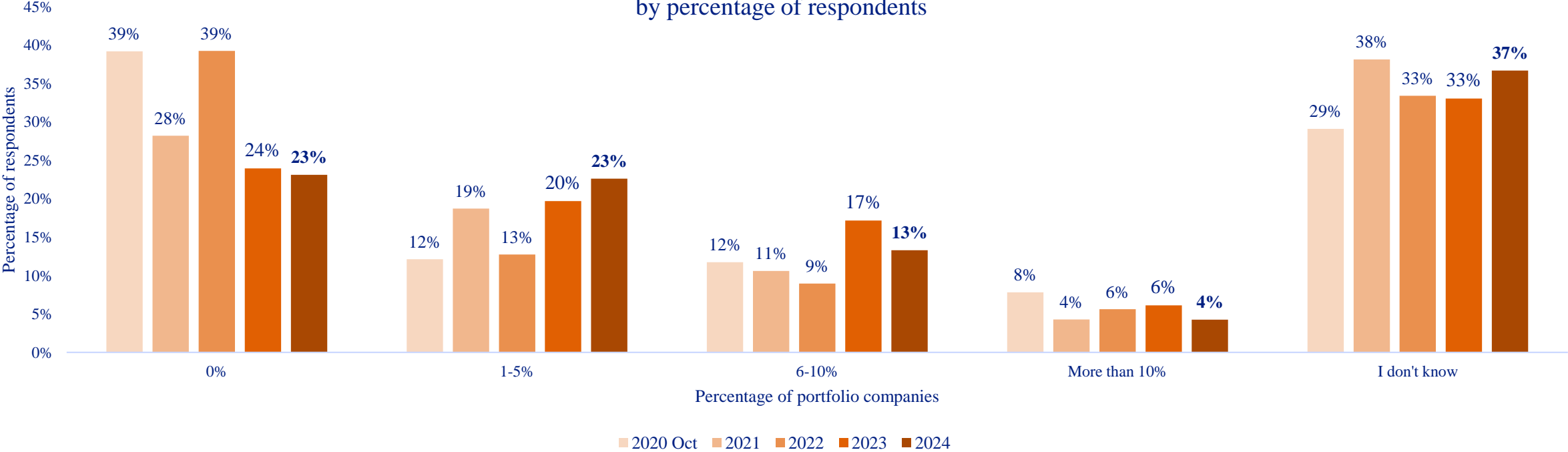
Q: “How do you expect the NAV (Net Asset Value) of your fund(s) to evolve until the end of Q4 202X compared to the NAV as of Q4 202X-1? (measured as % change from Q4 202X-1 to expected NAV in Q4 202X)”

Insolvencies



Only 1 in 4 VCs expects no insolvencies in their portfolio – the lowest value in the time-series record of these data.

Percentage of portfolio companies that might file for insolvency,*
by percentage of respondents



Q: “Please indicate the expected % of your active portfolio companies that might file for insolvency in 202X”.

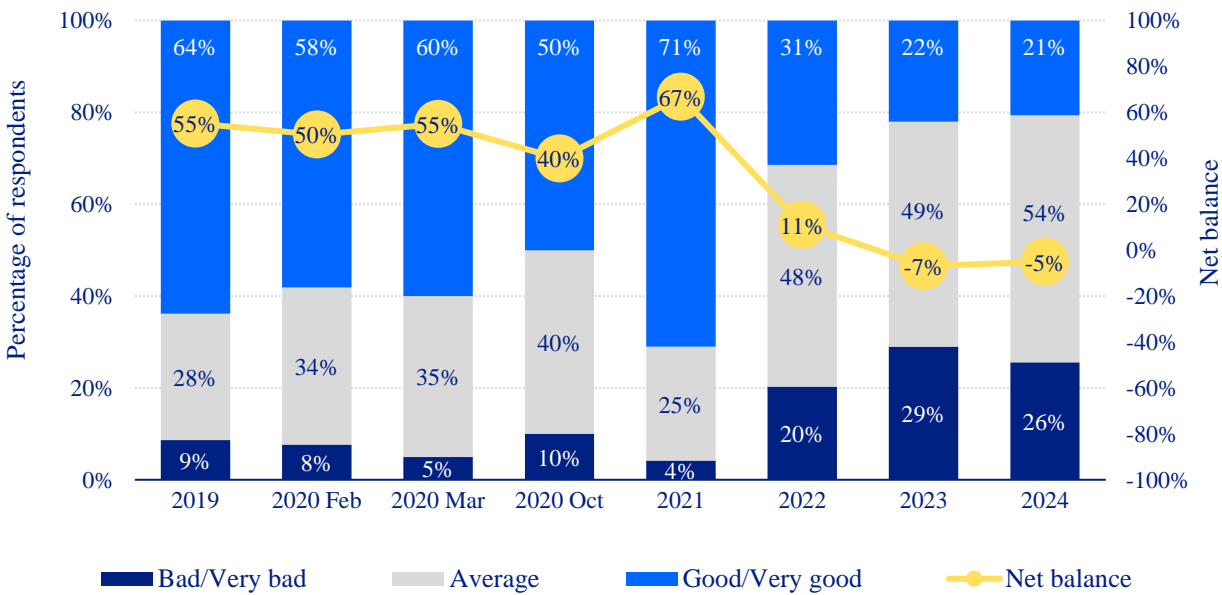
* In 2020 and 2021, the question read: “Please indicate the expected % of your active portfolio companies that might file for insolvency due to the impact of COVID-19.”

Access to external finance of portfolio companies



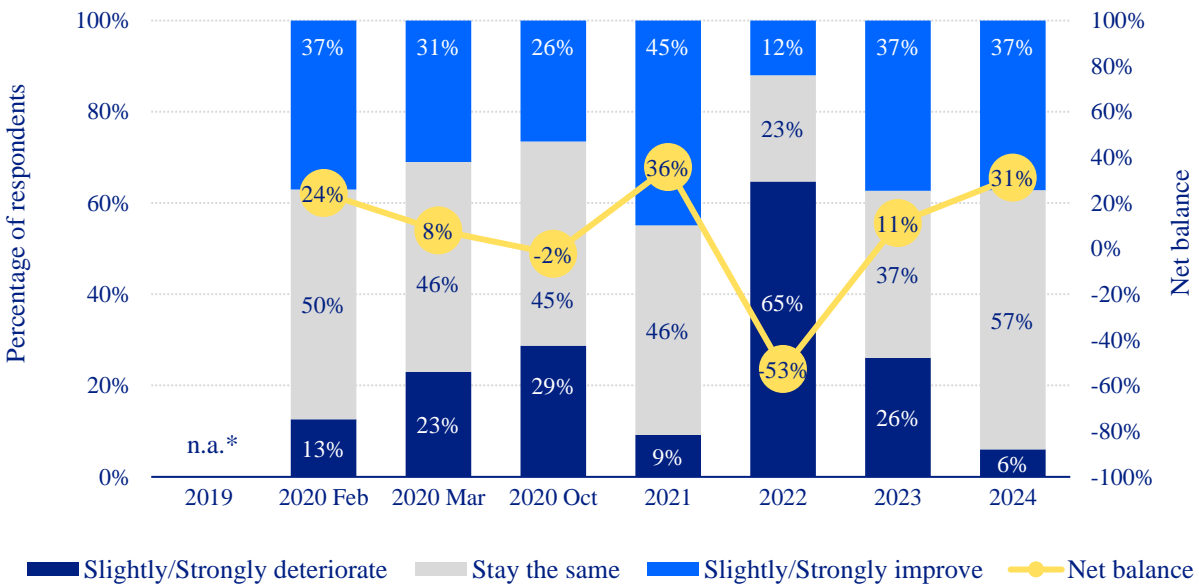
Access to external finance of VC portfolio companies has remained equally difficult to last year’s all-time low, but optimism going forward has increased significantly (almost reaching the peak observed in 2021).

Current situation



Q: “How would you rate the access to external finance of your portfolio companies?”

Expectations for the next 12 months



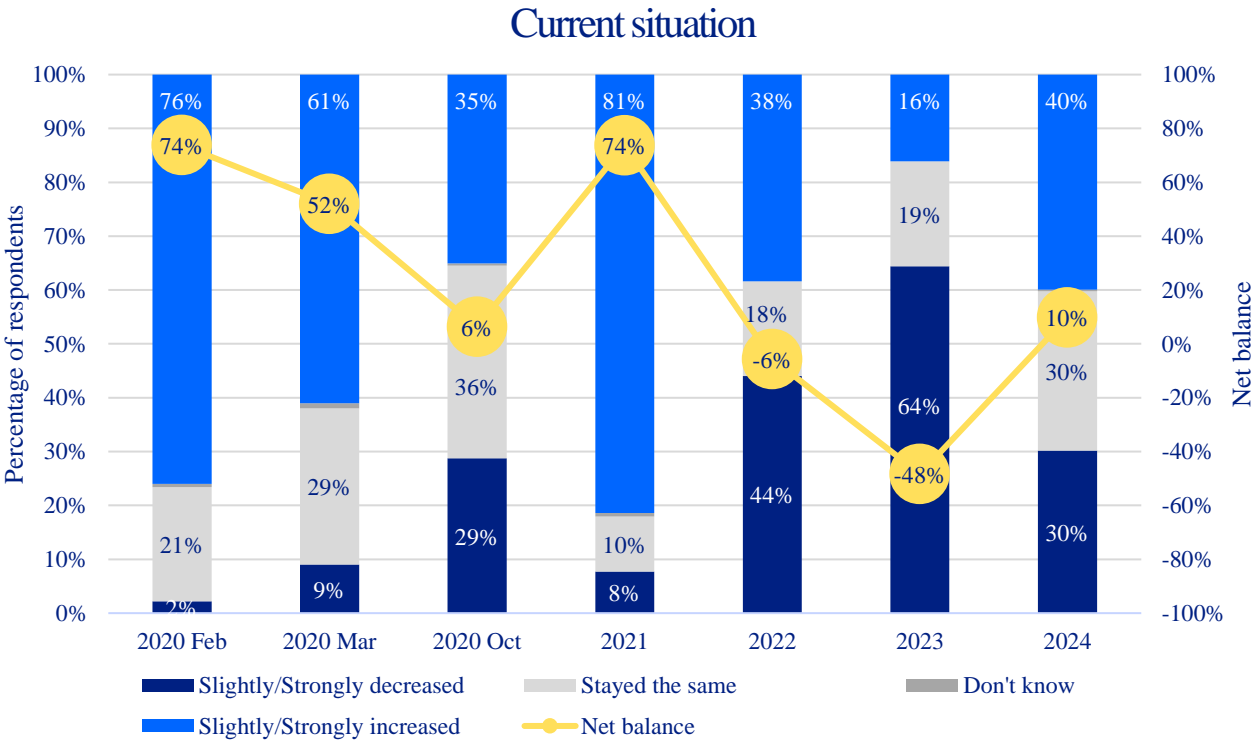
Q: “Over the next 12 months, how do you expect the access to external finance of your portfolio companies to develop?”

*The question was not asked in 2019.

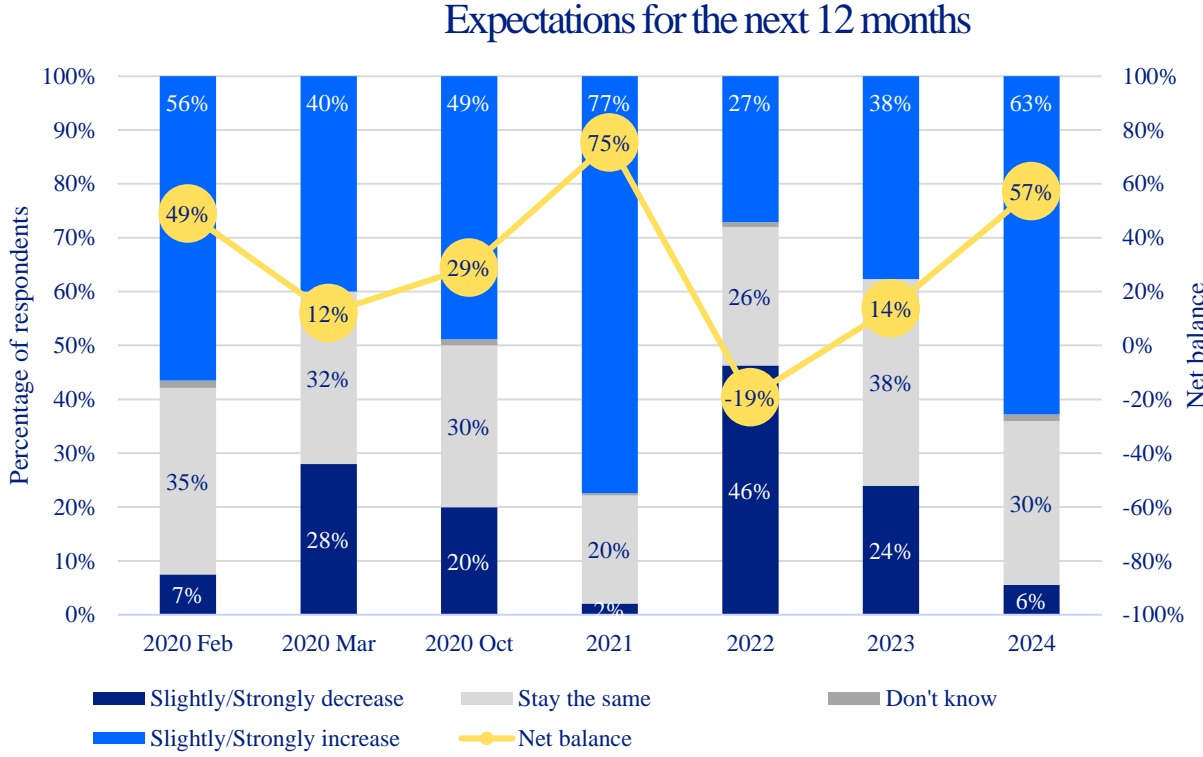
Valuations of portfolio companies



Following last year’s all-time low, valuations of VC portfolio companies have increased, on balance, for the first time in three years; while the outlook suggests that further increase should be expected in the next 12 months.



Q: “When you consider your market over the last 12 months, how have the following items developed?” Graph shows the responses for “Current valuations of portfolio companies”.



Q: “When you consider your market over the next 12 months, how do you expect the following items to develop?” Graph shows the responses for “Current valuations of portfolio companies”.

VC Survey 2024

Exits

The exit environment is still perceived challenging by almost half of the surveyed VCs, and **exit prices have decreased**, on balance, for the third year in a row.

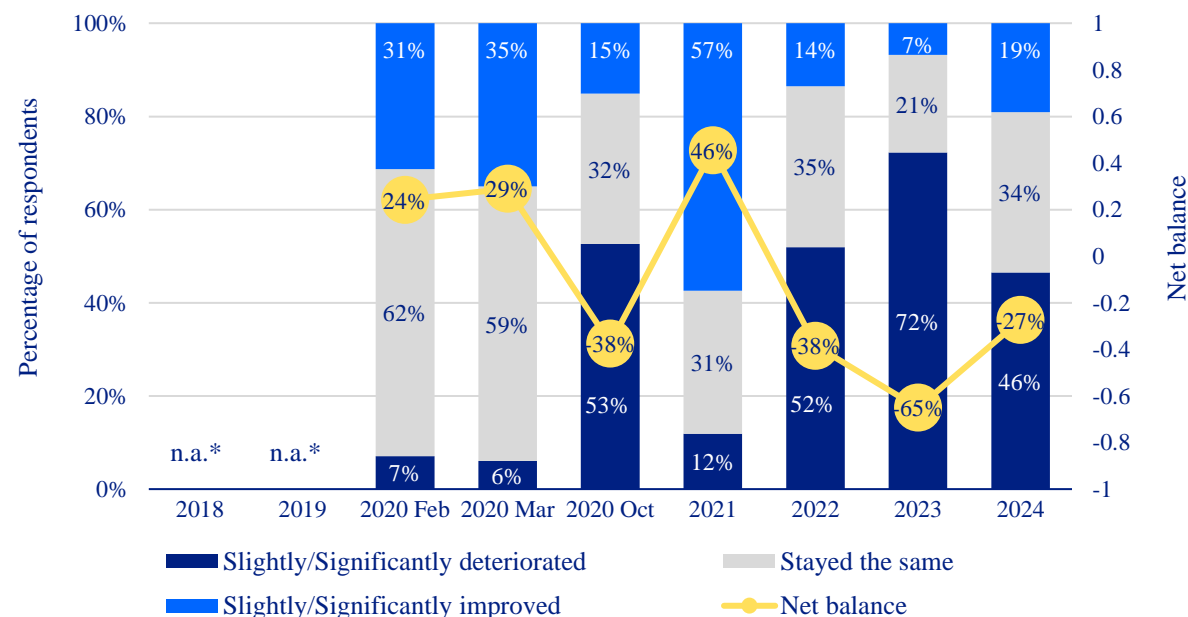
This is echoed in the fact that over the past 12 months, **insolvencies increased further** and even reached a record-high value in the time-series of the survey results. By contrast, **trade sales and IPOs have decreased significantly**, with IPOs in particular falling to an all-time low in the survey record of these data.

The scale-up financing gap in Europe exacerbates the exit-related challenges. Approximately 6 in 10 VCs perceive scale-up financing in Europe as insufficient, while at least 1 in 2 states that the scale-up financing conditions have even worsened in the last year. The scale-up gap is also highlighted in the survey statistics about the exit routes of VC-backed companies: (more than) half of trade sales and IPOs in the last 12 months were to non-EU buyers.

Exit environment

The exit environment is still perceived challenging, but 6 in 10 VCs expect the exit opportunities to improve. This level of optimism has not been observed since 2021.

Current situation

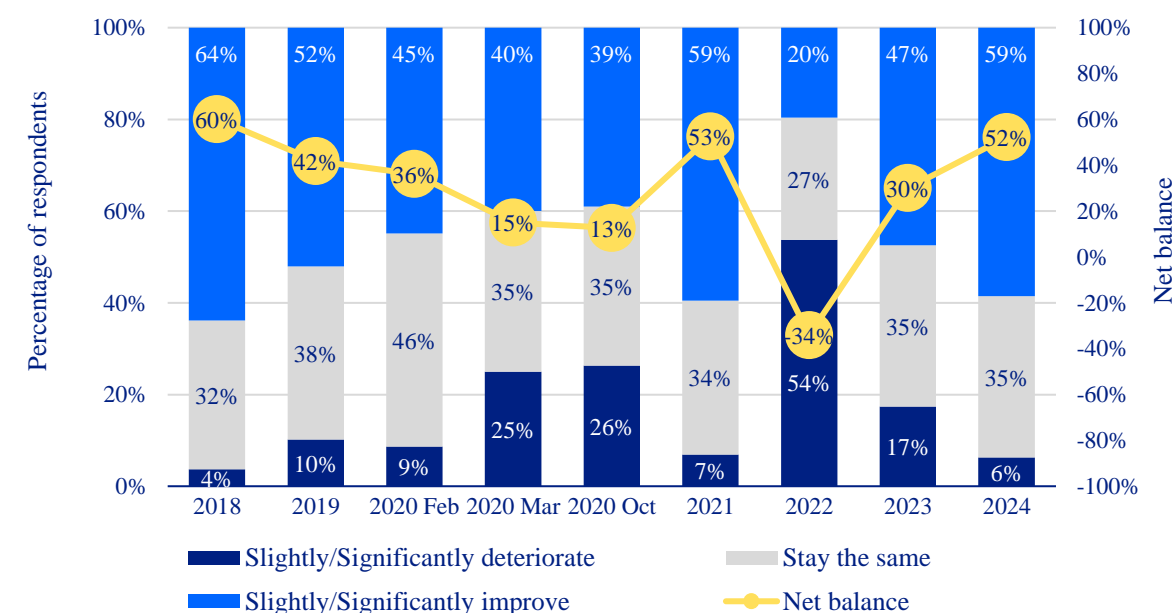


Q: “Over the last 12 months, how has the exit environment for your portfolio companies developed?”

Note: The October 2020 survey wave asked about developments since March 2020, while the other survey waves asked about developments over the last 12 months.

*The question was not asked in 2018 and 2019.

Expectations for the next 12 months



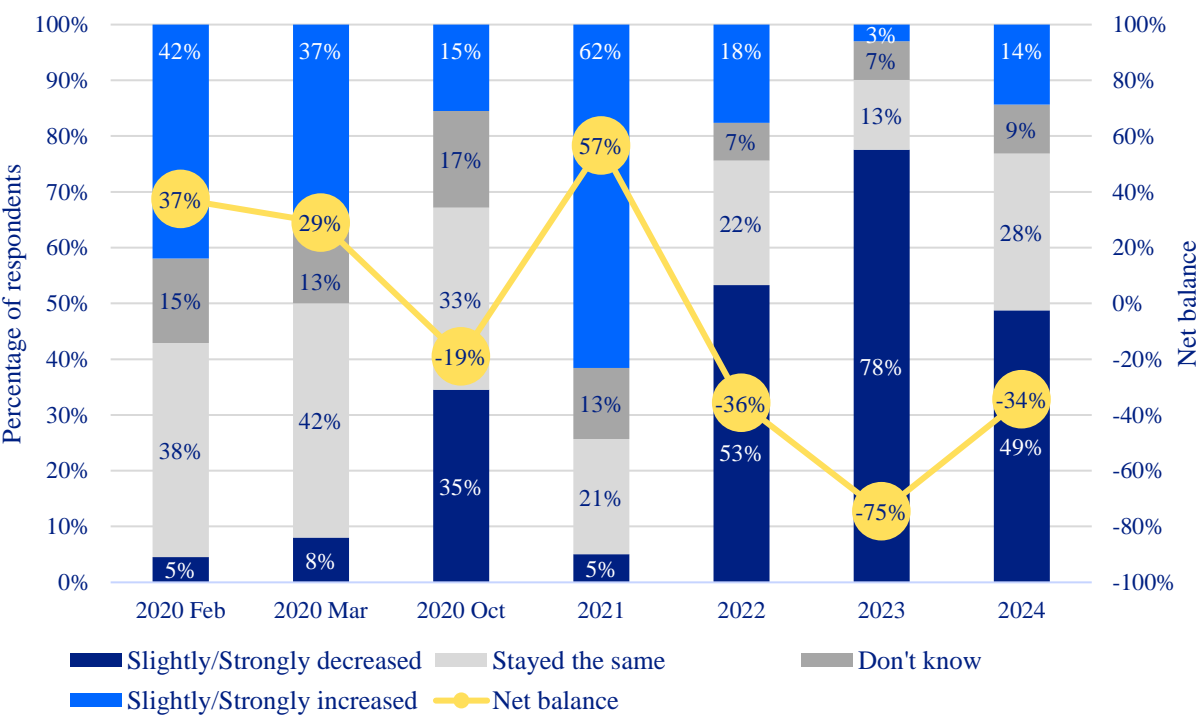
Q: “Over the next 12 months, how do you expect the exit opportunities of your portfolio companies to develop?”

Exit prices



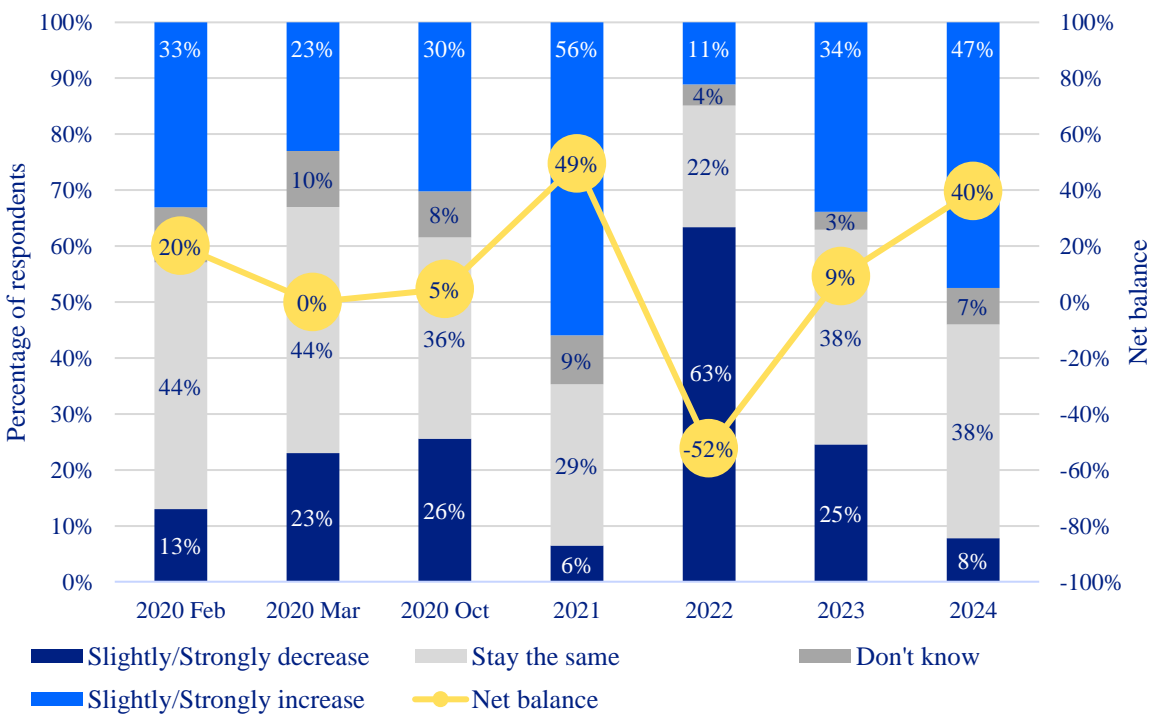
Reflecting the challenges in the exit environment, exit prices decreased, on balance, for the third consecutive year; but are expected to recover going forward.

Current situation



Q: “When you consider your market over the last 12 months, how have the following items developed?” Graph shows the responses for “Exit prices”.

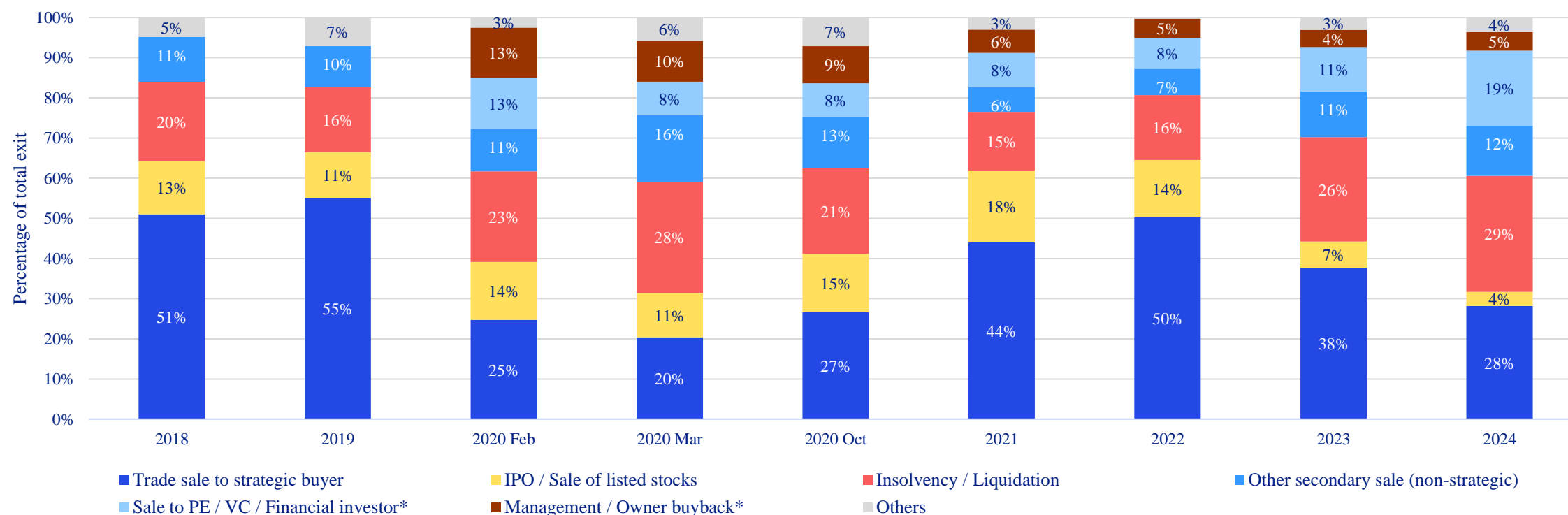
Expectations for the next 12 months



Q: “When you consider your market over the next 12 months, how do you expect the following items to develop?” Graph shows the responses for “Exit prices”.

Exit routes

Over the past 12 months, insolvencies increased further, while trade sales and IPOs have significantly decreased (IPOs in particular fell to an all-time low in the time-series record of these data).



* These exit categories were introduced from “2020 Feb” survey wave onwards.

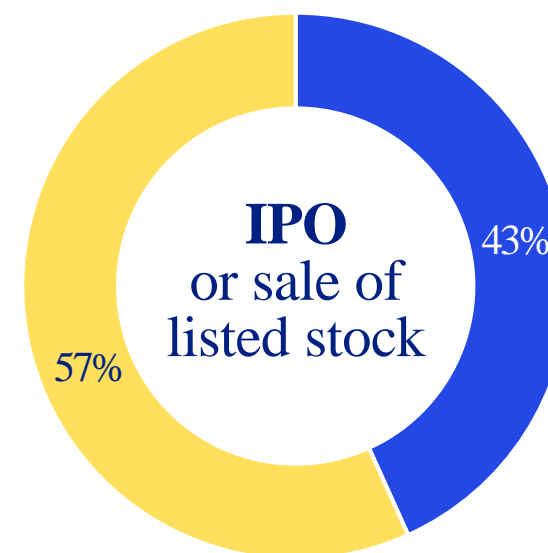
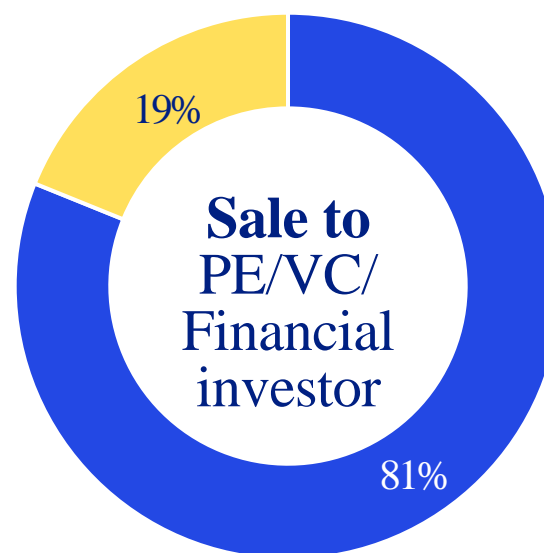
Q: “Over the last 12 months, how many of your portfolio companies exited via the following exit routes?”

Note: The graph reports the resulting percentages of the respective exit routes, excluding the “no exit” option. The October 2020 survey wave asked about developments since March 2020.

In focus: Trade sales – Secondary sales – IPOs

Unlike sales to PE/VC/financial investors which are predominantly to acquirers headquartered in the EU, (more than) half of trade sales and IPOs in the last 12 months were to non-EU buyers.

● EU buyers ● Non-EU buyers
% of companies exited



Q: "Please tell us, if your trade sales (sales to financial institutions; sales to other VC/PE firms) have been to strategic buyers (investors; 3rd parties) headquartered within or outside the EU."

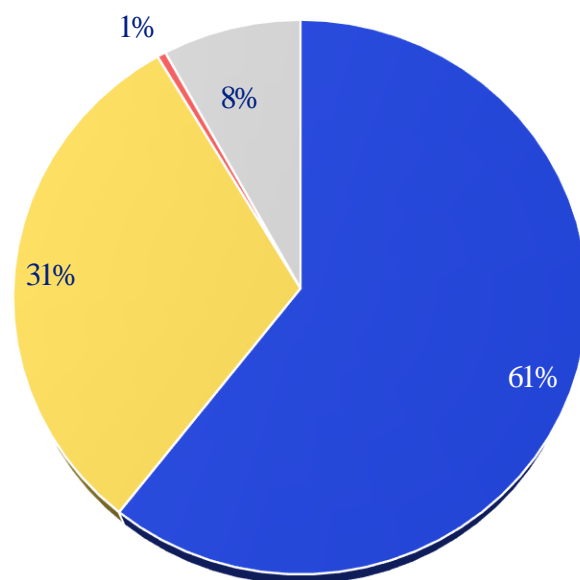
Q: "Please tell us, if your IPOs / sales of listed stocks have been with primary listing within or outside the EU."

Note: The results may include portfolio companies located outside the EU prior to exit.

In focus: Secondary sales

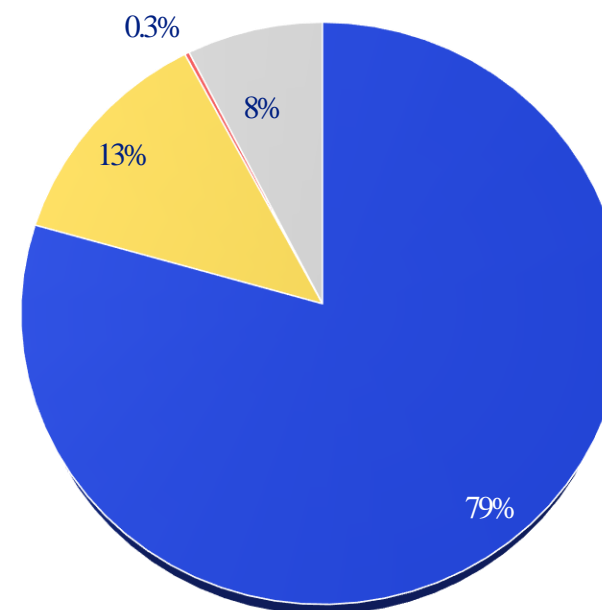
The vast majority of VCs have not experienced an LP- or GP-led secondary transaction.

LP-led transactions



Q: “How often have LPs in your fund(s) sold their stake through a secondary transaction (i.e. commonly referred to as LP-led secondary transactions)?”

GP-led transactions



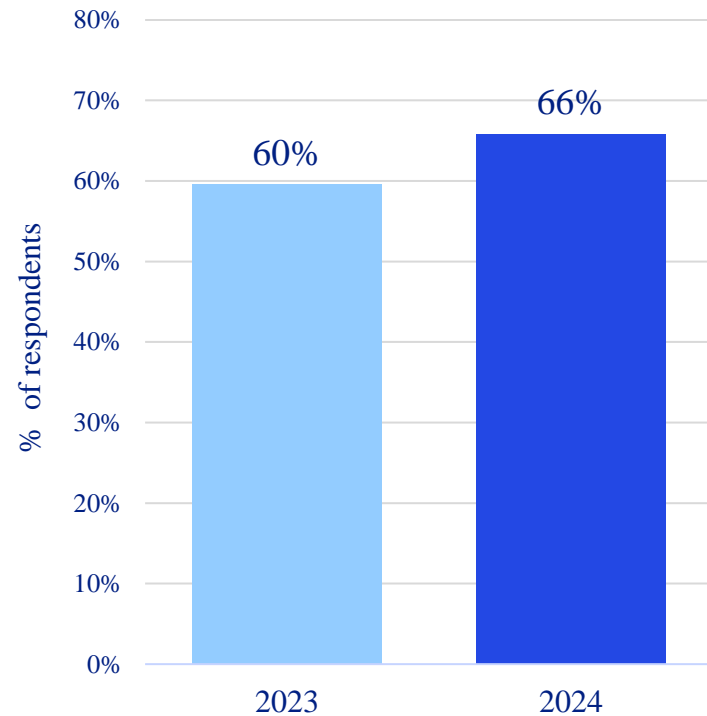
Q: “Have you already structured a GP-led secondary transaction (i.e. also referred to as a continuation fund) in the past?”

In focus: Scale-up financing



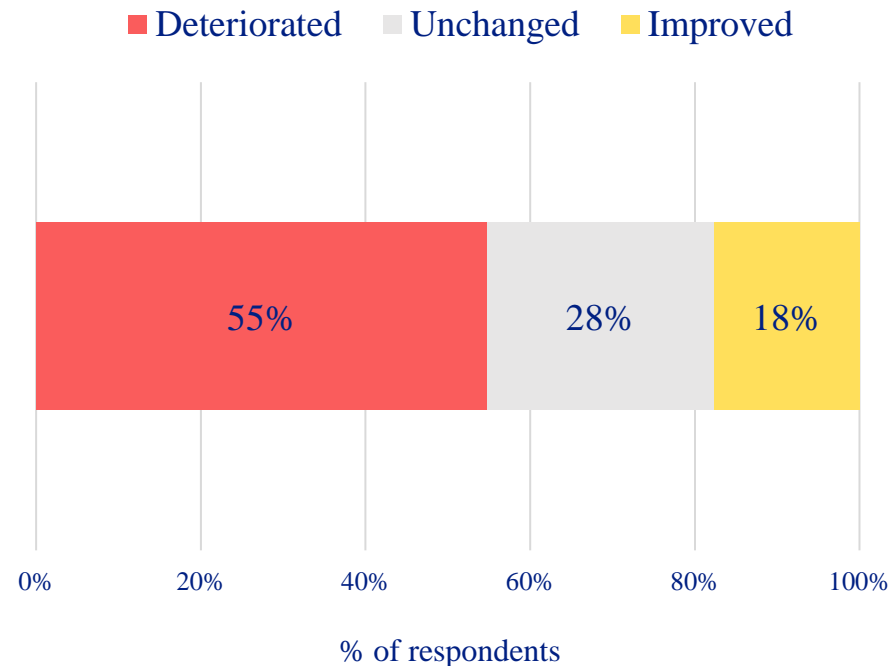
(Approximately) 6 in 10 VCs perceive scale-up financing in Europe as insufficient, and state that scale-up financing conditions have worsened in the last year.

Respondents perceiving scale-up financing in Europe as insufficient



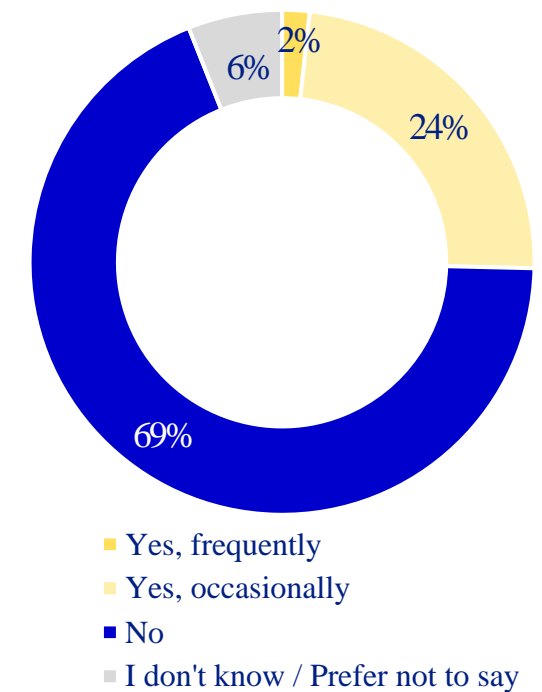
Q: "Do you think that there are sufficient financing opportunities for companies to scale up in Europe?"

Scale-up financing conditions in Europe (last 12 months)



Q: "How have the conditions for financing companies to scale up in Europe evolved over the last 12 months?"

Frequency of sales to scale-up funds



Q: "Have you ever sold any of your portfolio companies to funds that support companies to scale up in Europe?"

Challenges

In 2024, “**Securing equity financing**” remains the most important challenge facing VC-backed companies – for the third year in a row. It is followed by “**Customer acquisition and retention**” which has re-gained importance as a challenge; and by “**Recruiting high-quality professionals**” which has always been a key challenge for portfolio companies throughout the years.

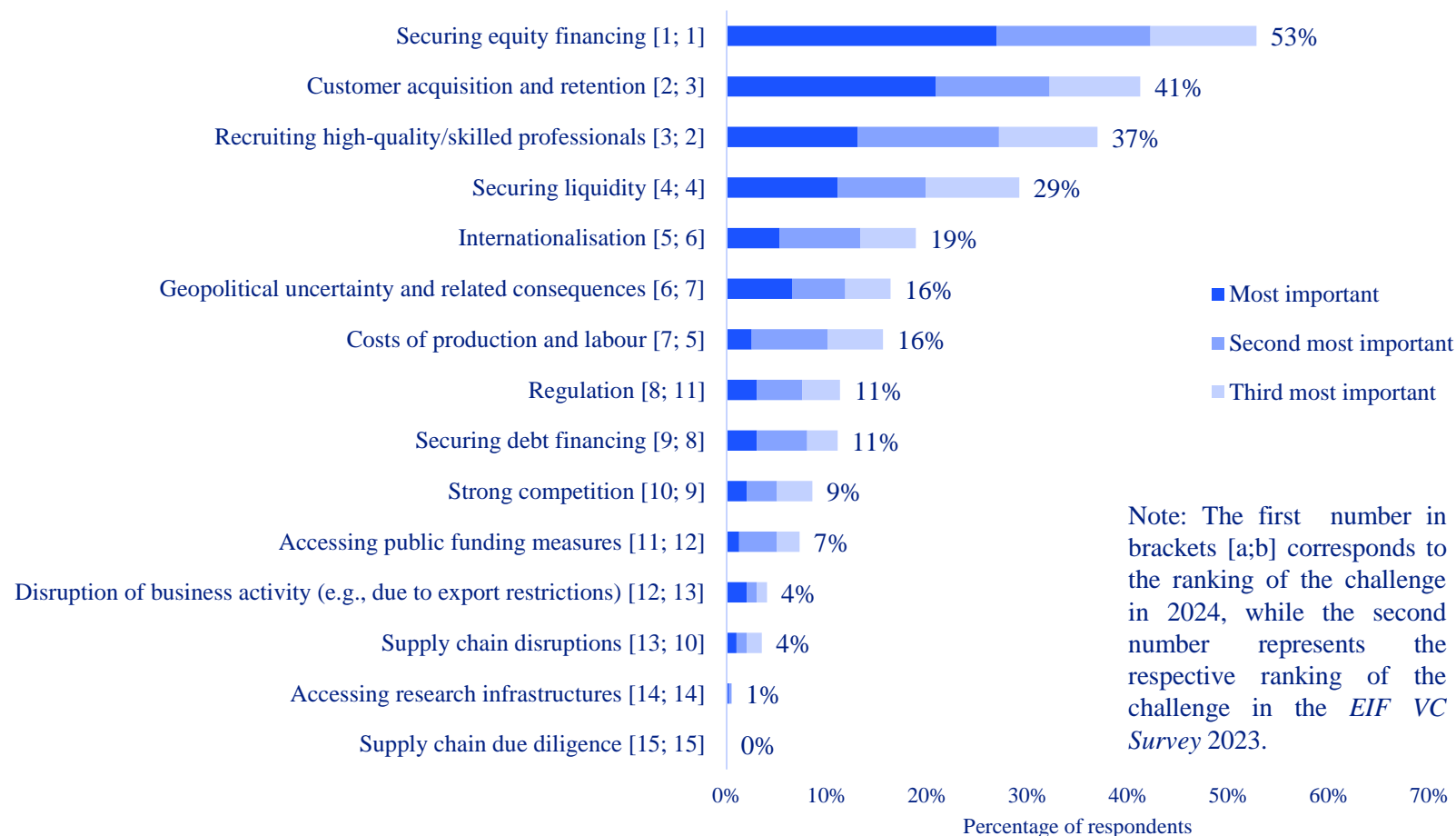
By contrast, as deflationary pressures continue, the “Costs of production and labour” now feature much less prominently among the challenges, compared to the peak observed in 2022.

While fundraising is, on average, the biggest challenge seen in VC business over time, the **exit environment** has strongly increased in importance as a challenge over the last two years, even surpassing fundraising as the *first* most important challenge. **Insufficient IPO market liquidity** and a **thin M&A market** are mentioned as key challenges for exits.

At the same time, three out of the top-four challenges are related to **fundraising**, including the **lack of private domestic LPs** and the **availability of scale-up financing** (whose importance as a challenge increased over the last year).

Geopolitical uncertainty and the related consequences (which had subsided in 2023, following a peak in 2022) is now re-emerging as an important challenge, probably reflecting the escalation of the Middle East conflict.

Biggest challenges for *portfolio companies* in 2024



“Securing equity financing” remains the most important challenge for VCs’ portfolio companies, followed by “Customer acquisition and retention” and “Recruiting high-quality professionals”.

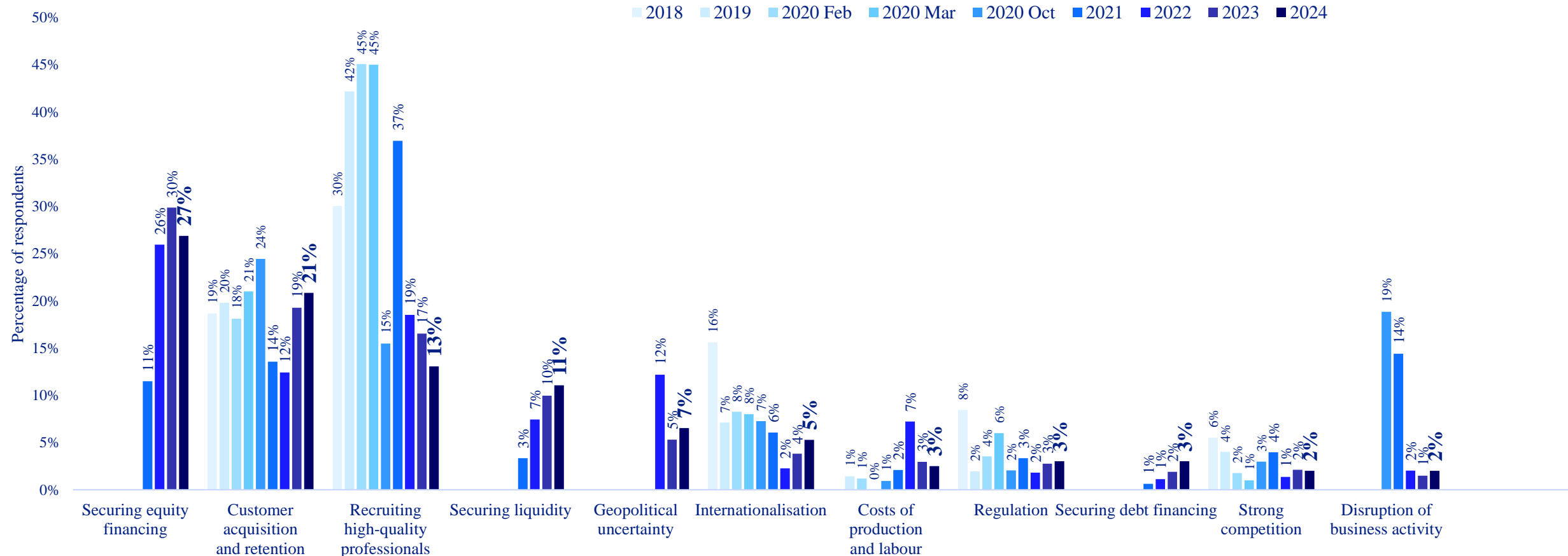
Note: The first number in brackets [a;b] corresponds to the ranking of the challenge in 2024, while the second number represents the respective ranking of the challenge in the *EIF VC Survey 2023*.

Q: *“Please select the biggest challenges you currently see for your portfolio companies” (multiple selection possible)*

Note 1: The graph shows the percentage of respondents that selected the respective item as their first, second or third most important challenge.

Note 2: This graph presents the results only for the year 2024.

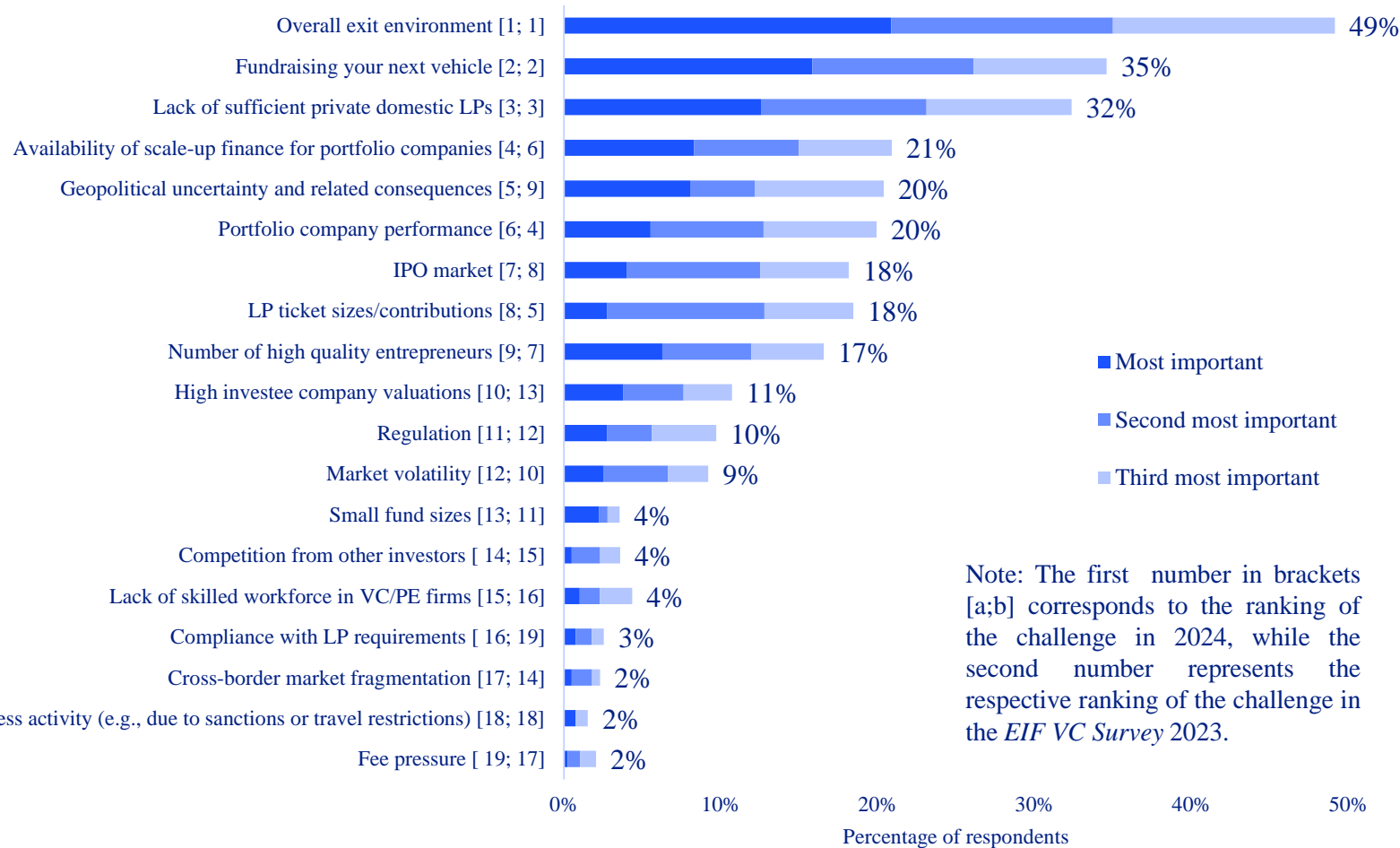
Biggest challenges for *portfolio companies over time*



Q: "Please select the biggest challenges you currently see for your portfolio companies."

Note: The graph shows the percentage of respondents that selected the respective challenge as the first most important in each survey wave. Some categories were not available each year.

Biggest challenges *currently seen in VC business*



The “Overall exit environment” remains the most important challenge currently seen in VC business. At the same time, three out of the top-four challenges are related to fundraising: “Fundraising your next vehicle”, “Lack of sufficient domestic LPs”, and “Availability of scale-up finance”.

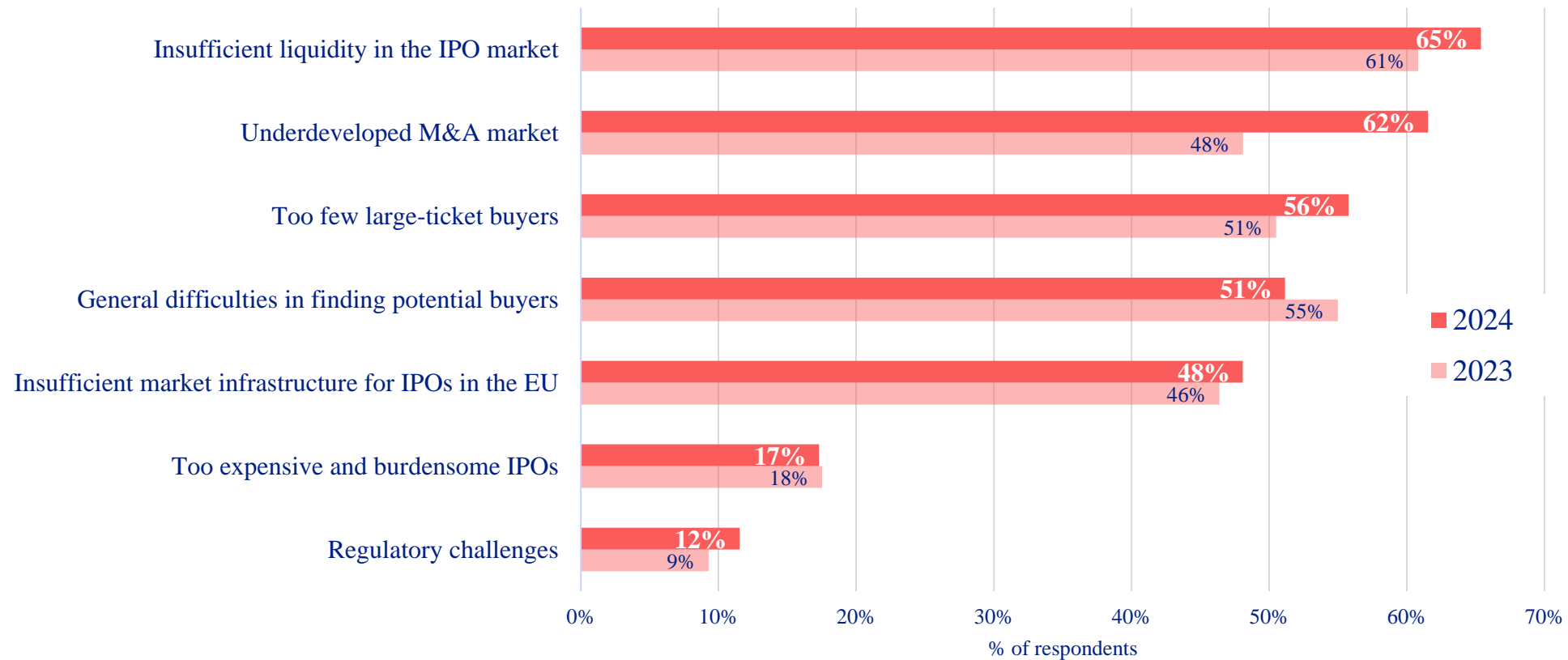
Q: “Please select the biggest challenges you currently see in the venture capital business.” (multiple selection possible)

Note 1: The graph shows the percentage of respondents that selected the respective item as their first, second or third most important challenge.

Note 2: This graph presents the results only for the year 2024.

In focus: Exit-related challenges

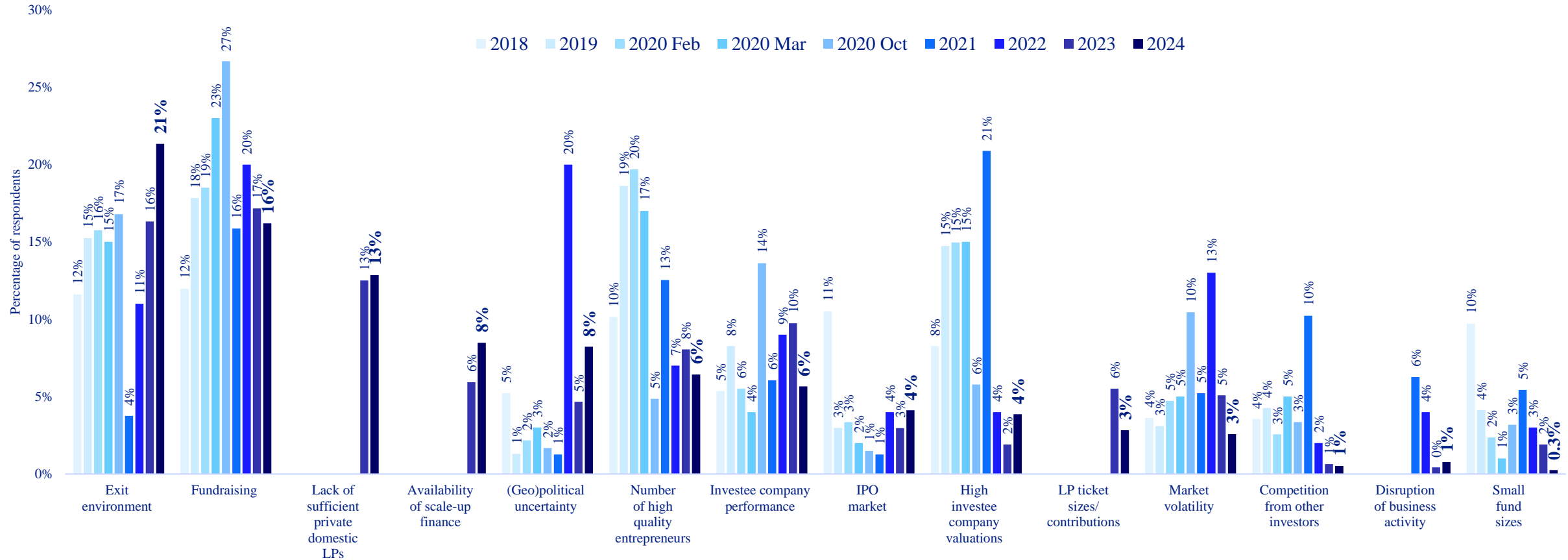
Insufficient IPO market liquidity and a thin M&A market are mentioned as key challenges for exits.



Q: “What are the current main challenges regarding the exit environment?” (multiple selection possible)

Note: This question was asked only to those respondents who selected the “Overall exit environment” among the biggest challenges in VC business in the preceding question.

Biggest challenges *in VC business over time*



Q: “Please select the biggest challenges you currently see in the venture capital business.”

Note: The graph shows the percentage of respondents that selected the respective challenge as the first most important in each survey wave. Some categories were not available each year.

VC Survey 2024

Prospects

VCs see promising investment opportunities in several sectors, particularly **in the areas of AI and energy/climate**.

A large share of VC fund managers confirm to have companies active in AI, **Deeptech**, and **Cleantech** in their portfolio; these investment themes are expected to remain important in VCs' future portfolios.

Furthermore, AI, **Biotech**, and Energy/Climate are perceived as the most promising sectors for investment over the next 3-5 years. Deeptech, **Cybersecurity**, and **Defense** also feature prominently.

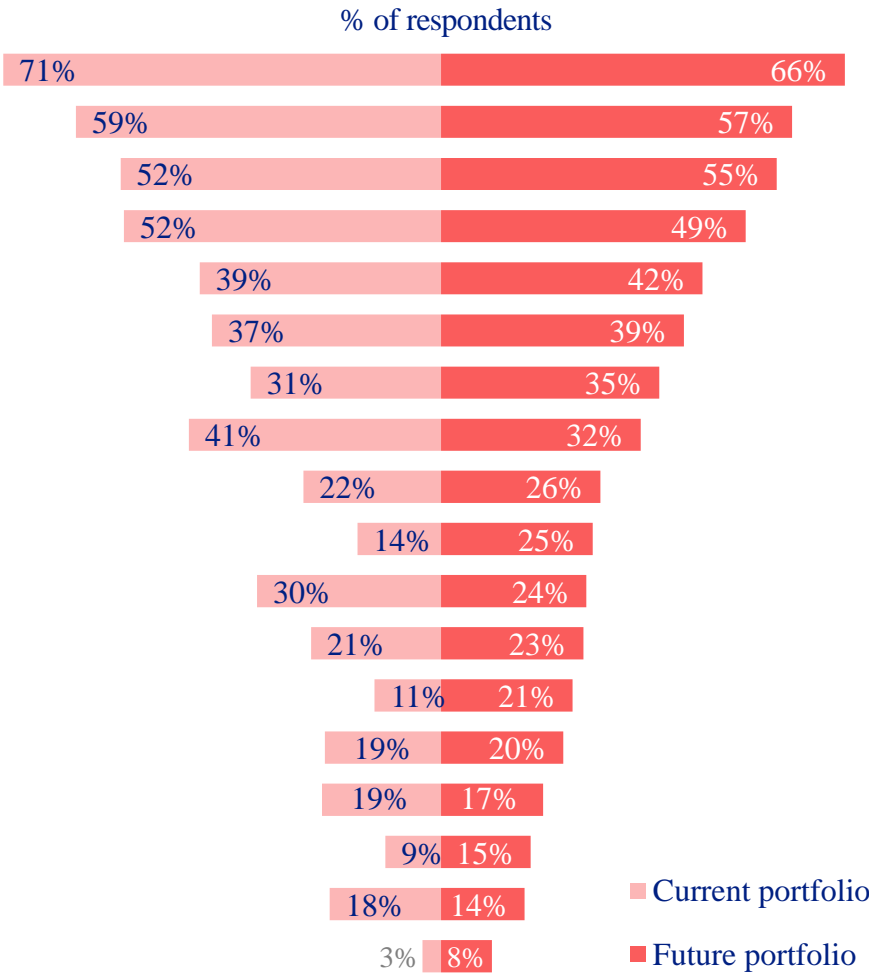
Fund managers' **confidence in the long-term growth prospects of the European VC industry** picked up slightly from last year's all-time low, and remains well above the average threshold on the 1-10 confidence scale.

Current and future investment themes



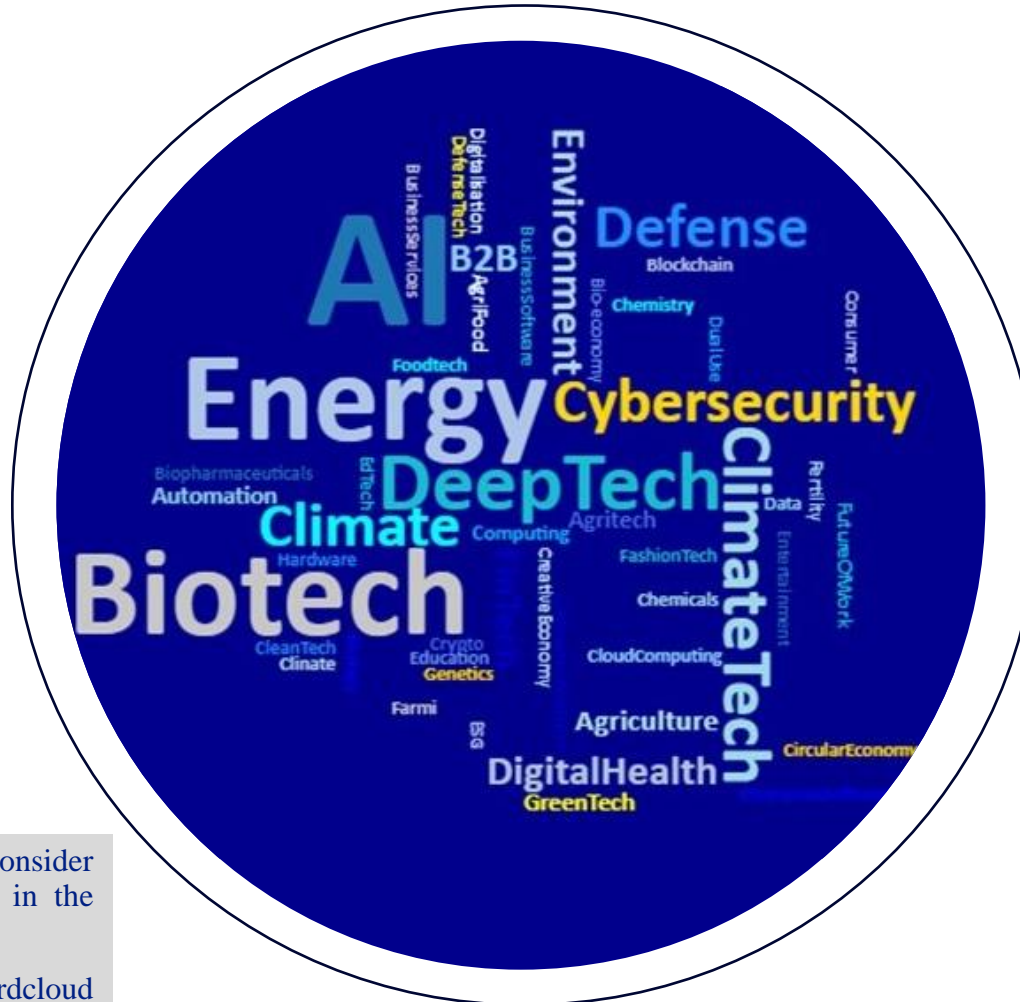
AI, Deeptech and Cleantech are the most prevalent themes for current and future investments.

- Artificial intelligence / machine learning
- Deep technology
- Cleantech / Environmental sustainability-related technologies
- Digital health
- Circular economy
- Cybersecurity
- Agritech
- Fintech
- Industrial biotech
- Quantum computing
- Education tech
- Semiconductors
- Blue economy
- Space
- Defense-related technologies
- Critical raw materials
- Blockchain
- Nuclear-sector-related technologies



Q: “Does your current investment portfolio include at present a company focusing on the following themes?” (multiple selection possible)
Q: “Does your investment portfolio aim to include in the future a company focusing on the following themes?” (multiple selection possible)

Most promising sectors/industries in the near future



AI, Biotech, and Energy/Climate are perceived as the areas with the greatest investment potential.

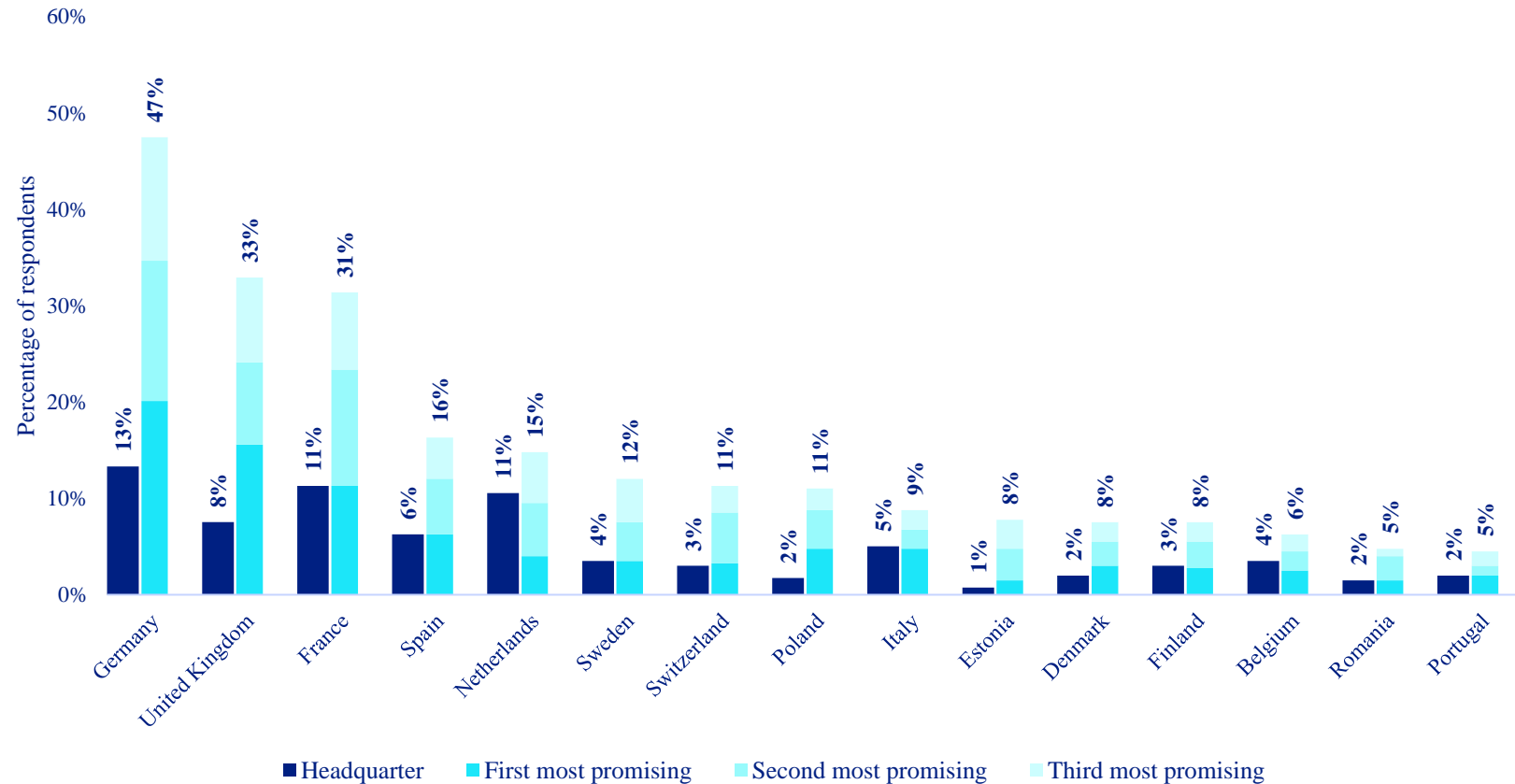
Deeptech, Cybersecurity, and Defense also feature prominently.

Q: “Which sector/industry would you consider as the most promising for investments in the near future (3-5 years)?”

Note: The graph was generated using Wordcloud whereby the bigger the font size the more frequently the respective answer was mentioned in the free-text field. The graph depicts the 40 most frequently mentioned sectors/industries.

Key: AI: Artificial Intelligence; B2B: Business-to-Business;
SaaS: Software as a Service.

Most promising countries for VC investments



Germany, the UK and France were ranked as the most promising European countries for VC investments in the next 12 months. For these countries, the difference between the share of respondents that selected the respective country as the most promising and the share of respondents headquartered in the same country is particularly high.

Percentages in **black font** on top of the green bars show the aggregate percentage of respondents who have ranked the respective country in their top-3 choices.

Q: “In which country/geography is your firm headquartered?”

Q: “According to your expectation, please select those European countries (up to 3) that will be the most promising for investments over the next 12 months.”

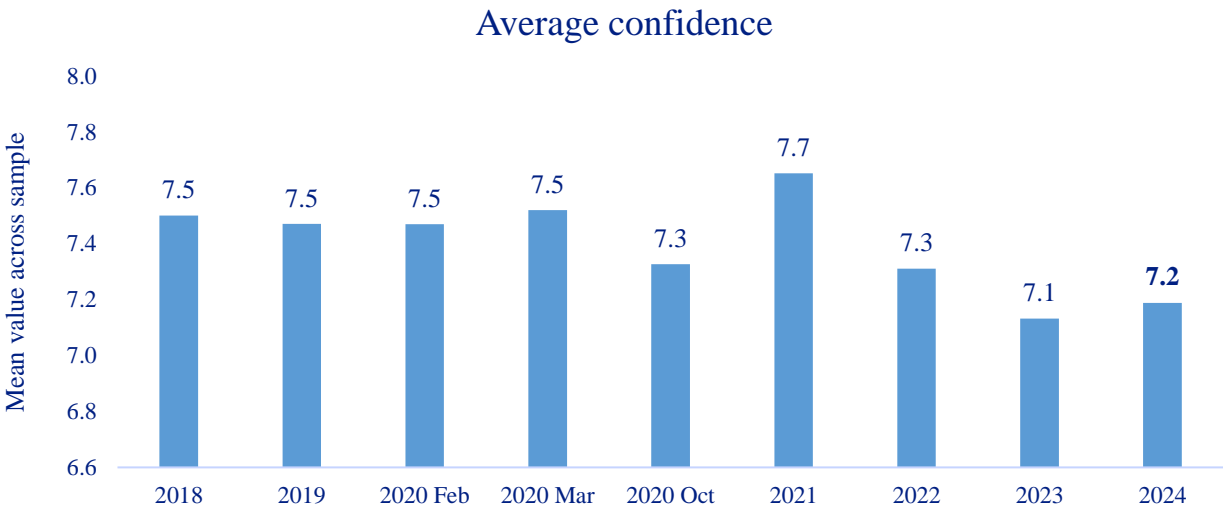
VC industry growth prospects



On a scale of 1 to 10, how confident are you in the long-term growth prospects of the Venture Capital industry in **your** market?



On a scale of 1 to 10, how confident are you in the long-term growth prospects of the **European Venture Capital** industry?

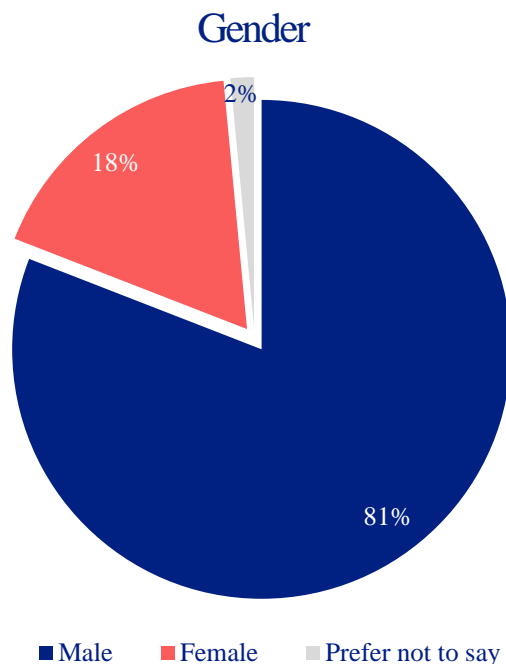


Fund managers’ confidence in the long-term growth prospects of the European VC industry picked up slightly from last year’s all-time low, and remains well above the average threshold on the 1-10 confidence scale.

VC Survey 2024

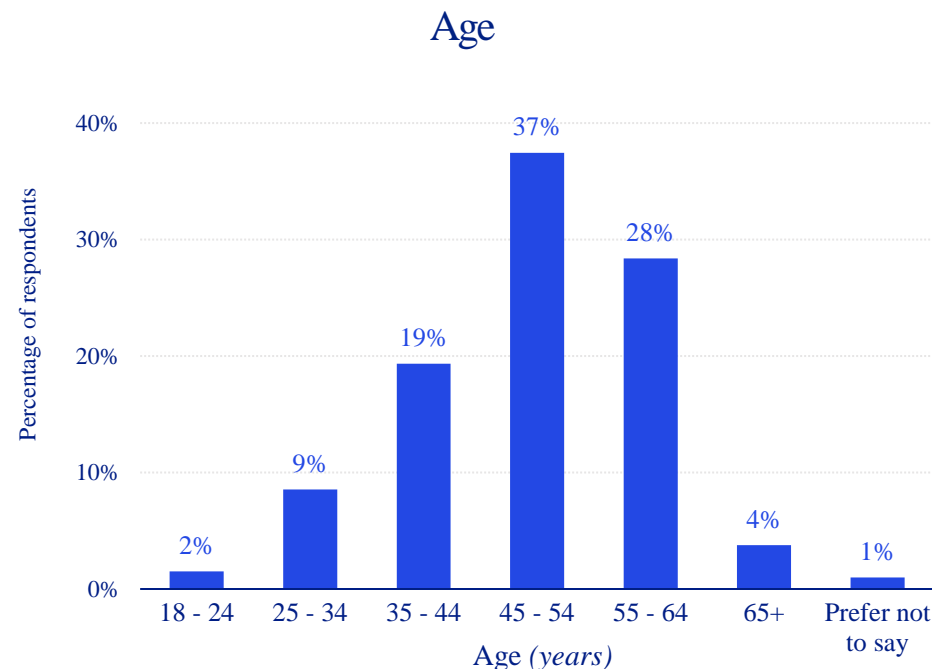
Sample demographics

VCs' human capital characteristics: *gender and age*



Q: "How do you identify?"

*8 in 10
respondents are male.*

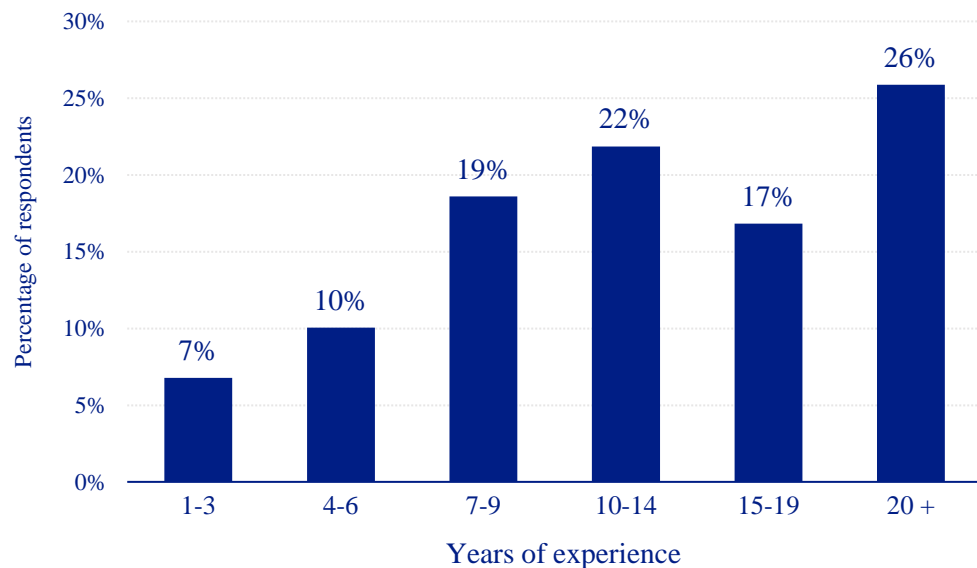


Q: "What is your age?"

*65% of the respondents are middle-aged,
between 45 and 54 years of age.
Only 11% are younger VCs,
below 35 years old.*

VCs' human capital characteristics: *experience*

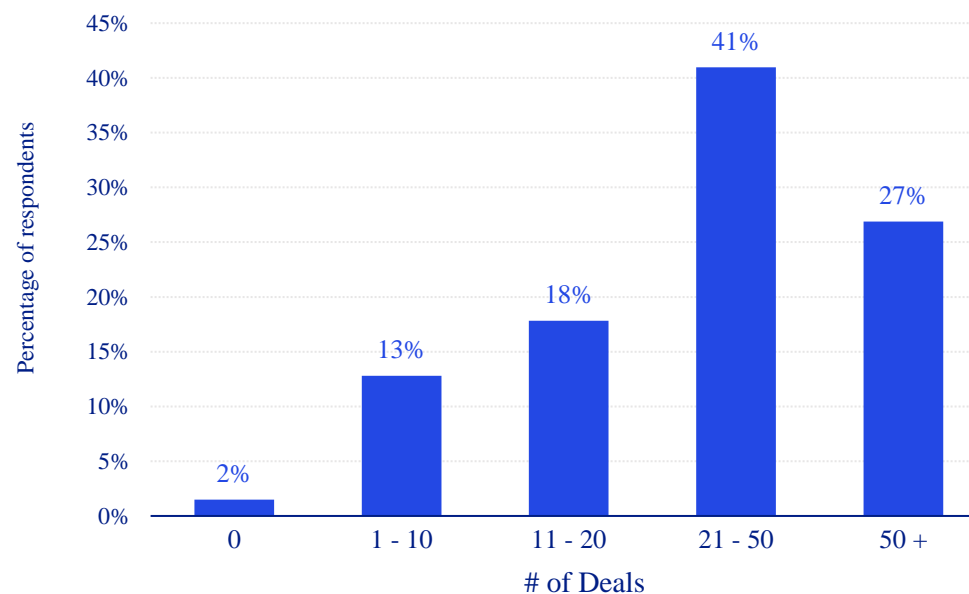
Years of experience in VC



Q: "In total, how many years of experience in investment-related activities in the VC industry do you have?"

The vast majority of the surveyed fund managers are experienced VC investors; 41% have between 7 and 14 years of experience, while 26% even have more than 20 years of experience.

Number of signed VC deals

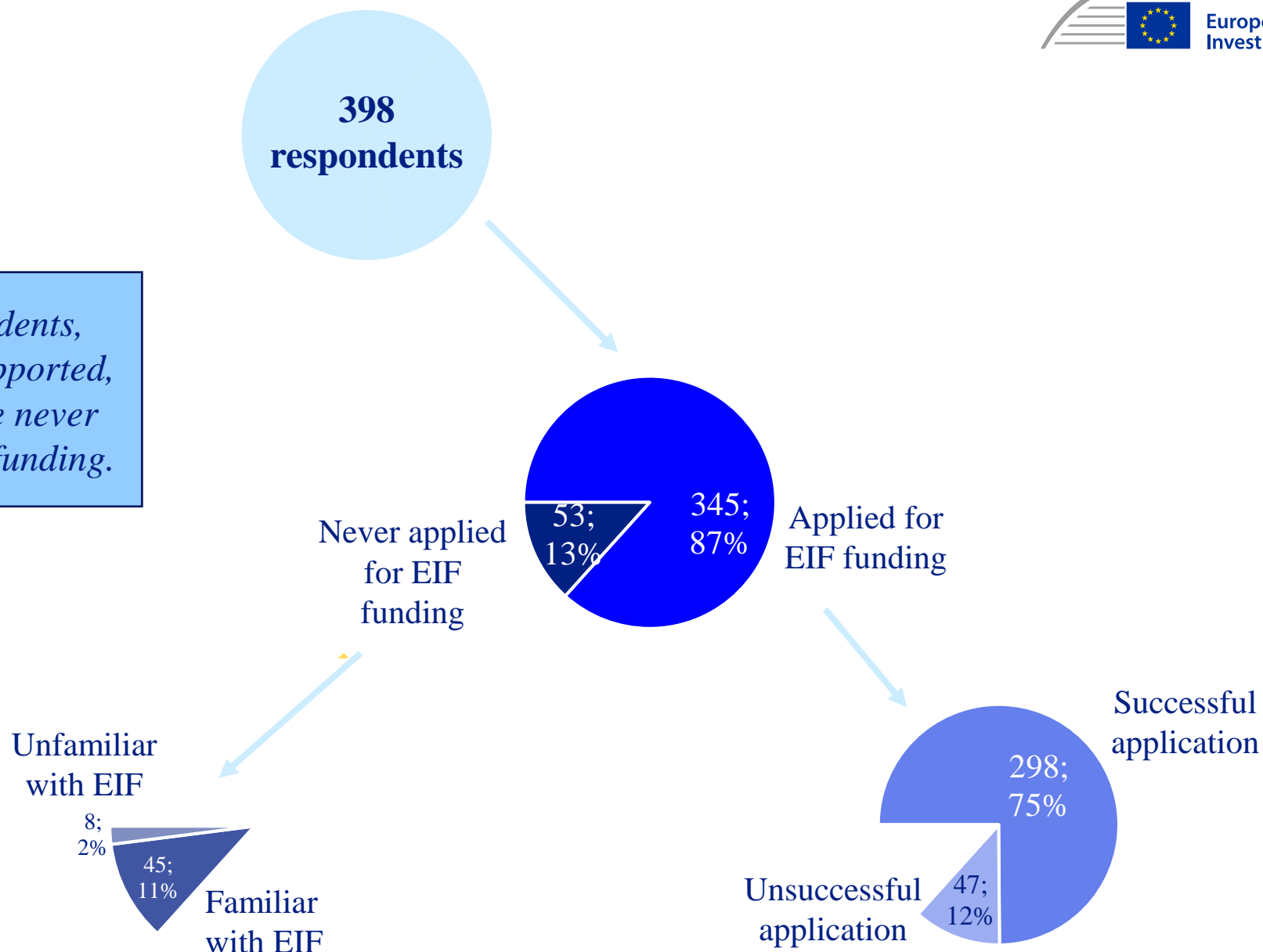


Q: "In total, in how many signed VC deals have you been involved in your career?"

Approximately two-thirds of the respondents have been involved in 20 or more signed VC deals.

EIF relationship

Among respondents, 75% are EIF-supported, while 13% have never applied for EIF funding.



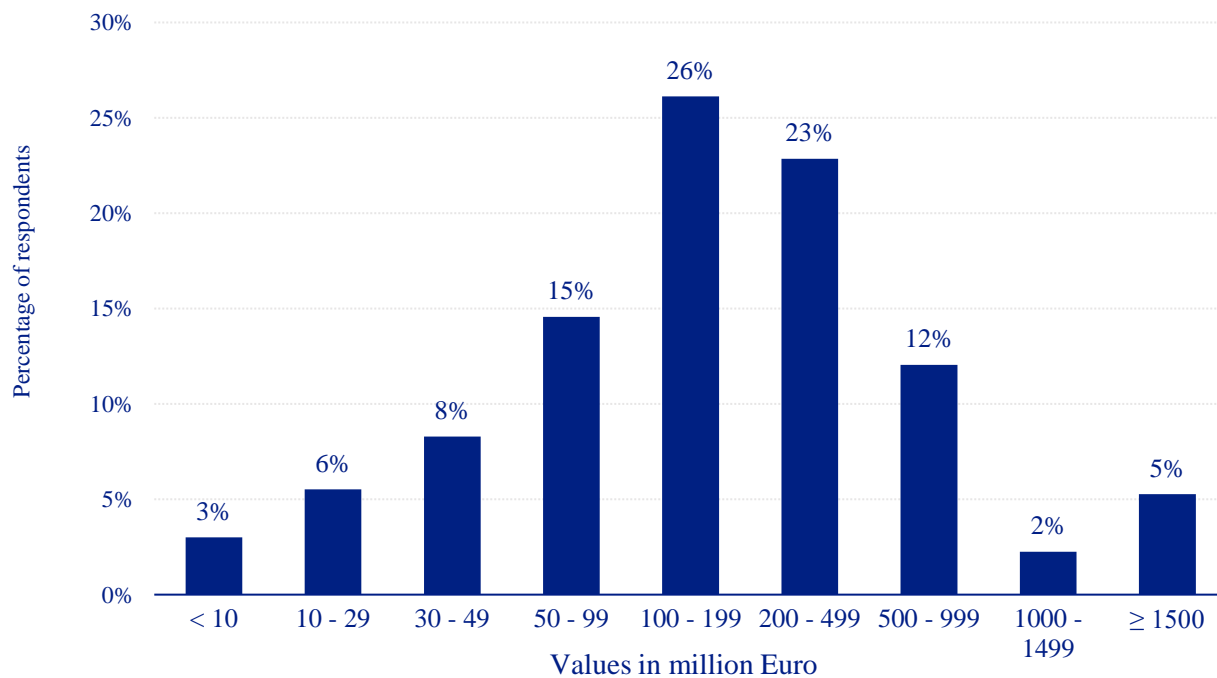
Q: "Has your firm ever applied to the EIF for funding for one of your VC funds?"

Q: "Did any of these applications result in EIF funding?"

Q: "Are you familiar with the EIF and its activities?"

VC firm characteristics

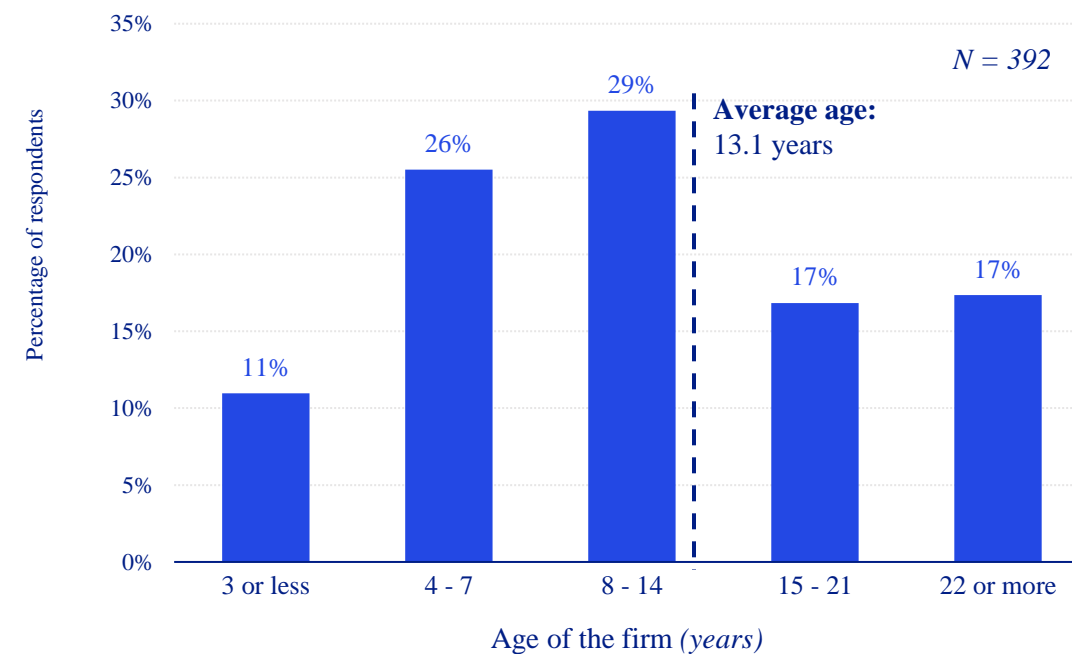
Assets under management



Approximately 6 in 10 VC firms have assets under management between EUR 50m and EUR 500m.

Q: “What are your firm’s total approximate assets under management (defined as “the sum of capital committed in all active funds”)?”

Firm age

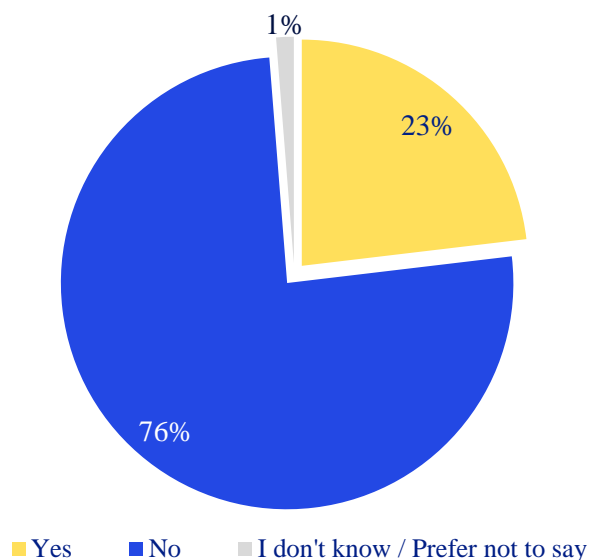


The average VC firm in the survey was established in 2010/11, making it on average 13 years old.

Q: “In what year was your firm established?”

Fund-related characteristics

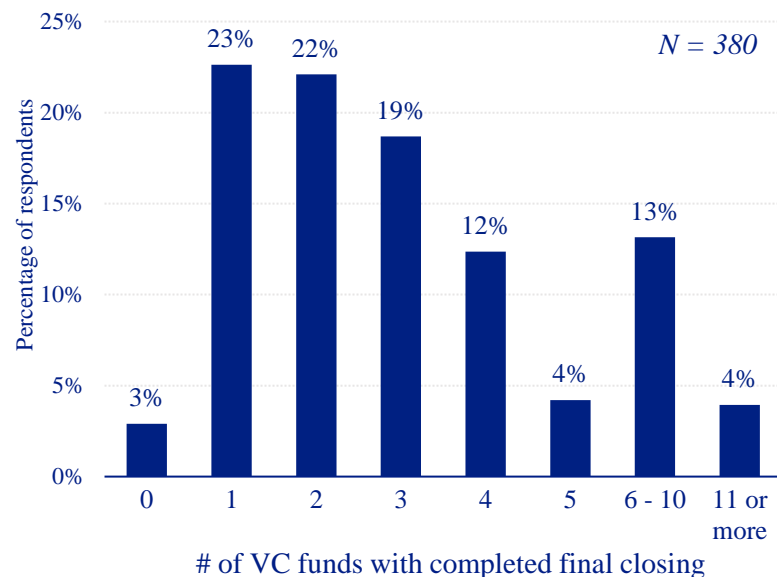
Team experience



Q: "Was the latest VC fund your firm raised also the first VC fund that your firm raised?"

For about 1 in 4 VCs, their most recent fund was also the only one raised.

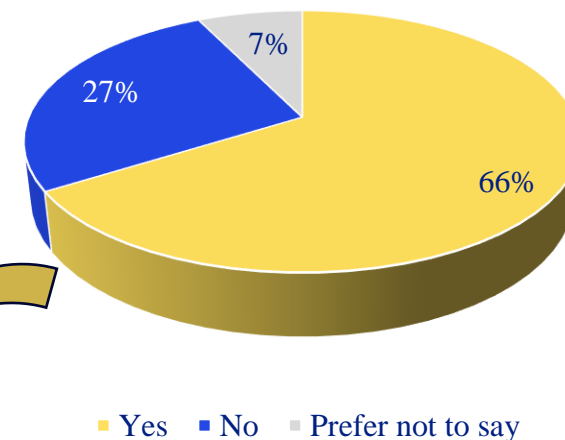
Number of VC funds with completed final closing



Q: "In total, for how many VC funds has your firm completed a final closing to date?"

Almost half of the surveyed VC firms have completed a final closing for one or two funds to date.

National or Regional Promotional Institutions as investors in VC funds



Q: "Do you have a national or regional promotional institution as an investor in any of your VC funds?"

Average share held by NPIs:

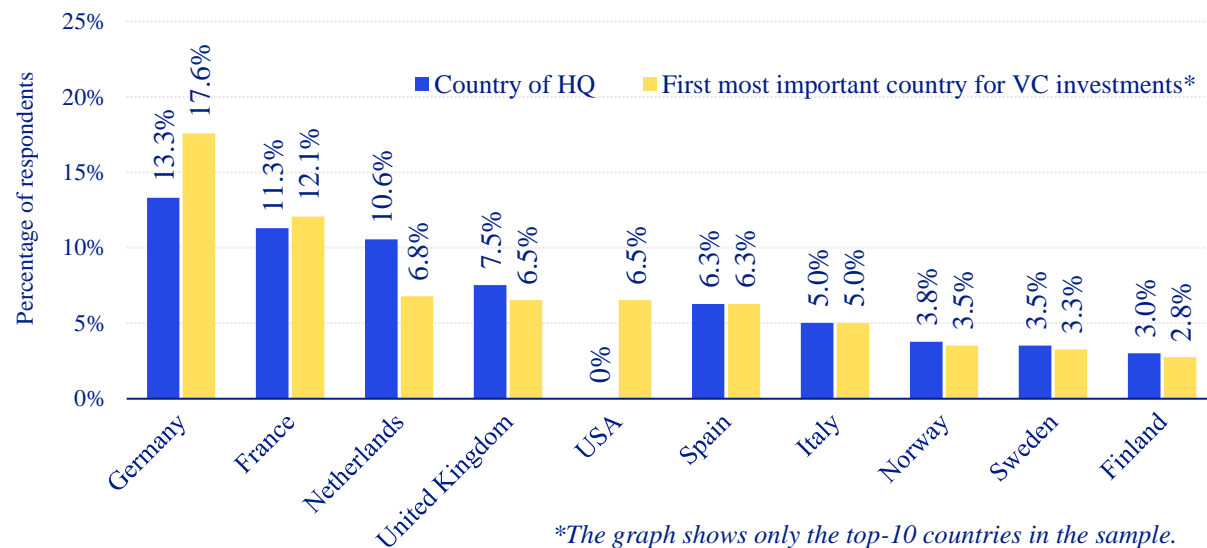
25.2%

Q: "In those funds in which you do have a national or regional promotional institution ("NPI") as an investor, what is the average share that these NPIs hold (in percentage)?"

HQ & investment location / investment stage focus



Distribution of respondents by HQ country of VC firm

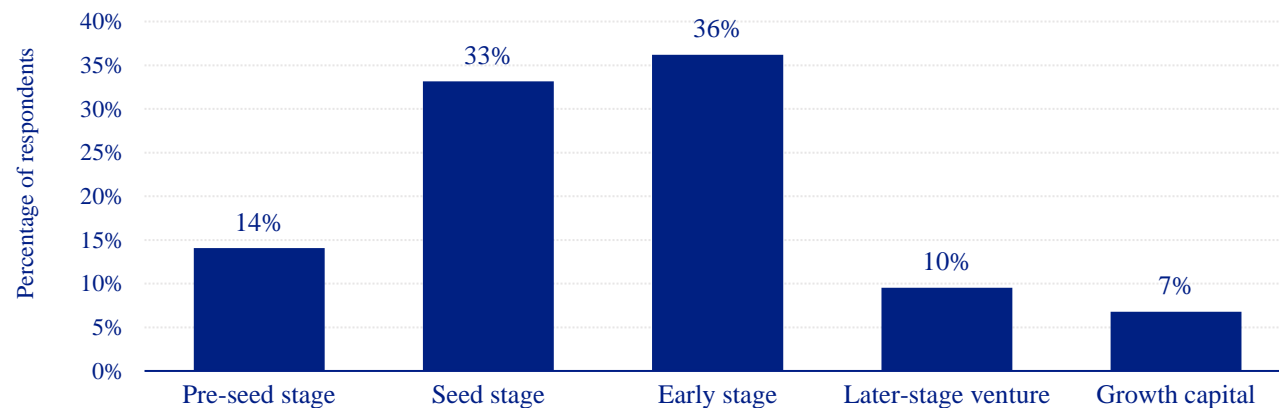


*The graph shows only the top-10 countries in the sample.
Please refer to the [Annex](#) for the full list of countries.

The frequency with which respondents select a country as their first most important country for investments is closely linked with their HQ country.

Germany is mentioned more frequently as the most important country for investments than would be expected from the frequency with which it is mentioned as a HQ country. This also applies for the USA.

Most important investment stage



Approximately 7 in 10 VCs invest in seed (33%) or early-stage (36%) companies.

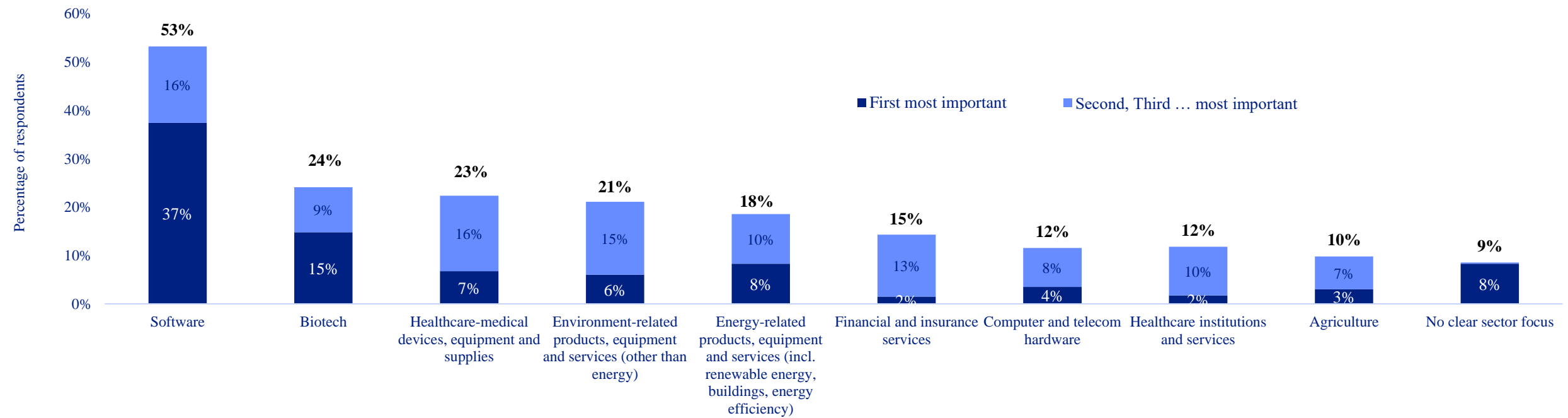
Q: "In which country/geography is your firm headquartered?"

Q: "Please select the most important countries in which your firm invests" (multiple selection possible); and then "rank them by importance."

Q: "What is (are) the most important stage(s) in which your firm invests?"

Most important industry in which VCs invest

The most important industry in which VCs invest is Software, followed by Biotech, Healthcare equipment, and Energy & Environment.

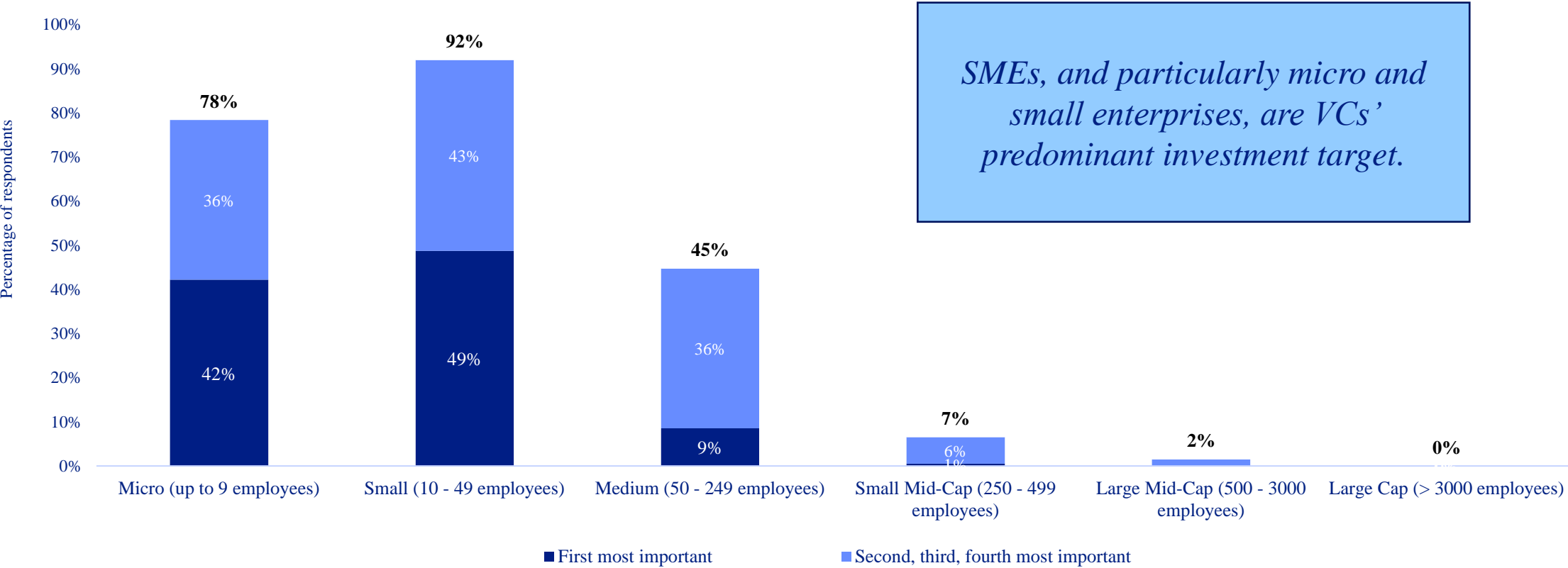


*Note: Percentages in **black font** on top of the bars show the aggregate percentage of respondents who have selected the respective industry. Reading example: 53% of VCs invest in Software; for 37%, it is even their first most important industry.*

The graph shows the 10 most important industries, as indicated by survey participants. Other response options included: Business products, Business Services, Chemicals and materials, Computer services, Consumer goods, Consumer services, and Telecom services.

Q: “Please select the most important industries in which your firm invests.” (multiple selection possible); and then “rank them by importance.”

Sizes of companies in which VCs prefer to invest

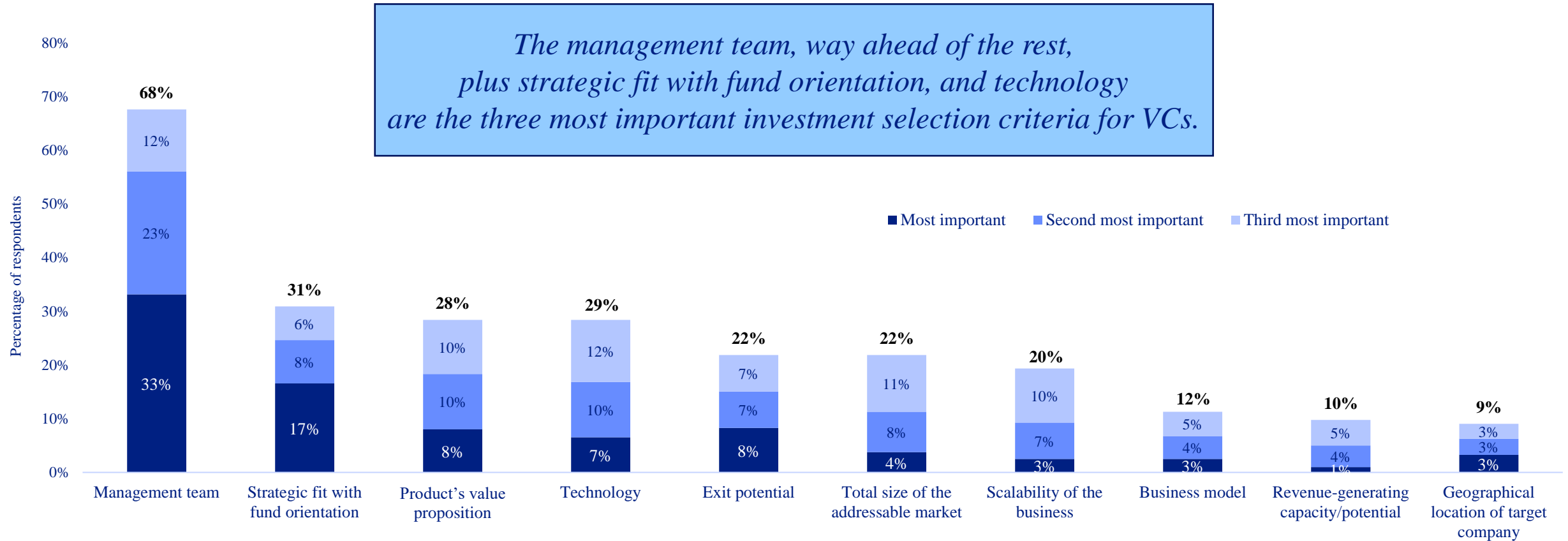


SMEs, and particularly micro and small enterprises, are VCs’ predominant investment target.

*Note: Percentages in **black font** on top of the bars show the aggregate percentage of respondents who have selected the respective market segment. Reading example: 78% of VCs invest in Micro enterprises; for 42%, it is even their first most important investment target.*

Q: “What are the sizes of companies in which your firm prefers to invest (enterprise sizes, by number of employees at the time of the first investment)?” (multiple selection possible); and then “rank them by importance.”

VCS' investment selection criteria



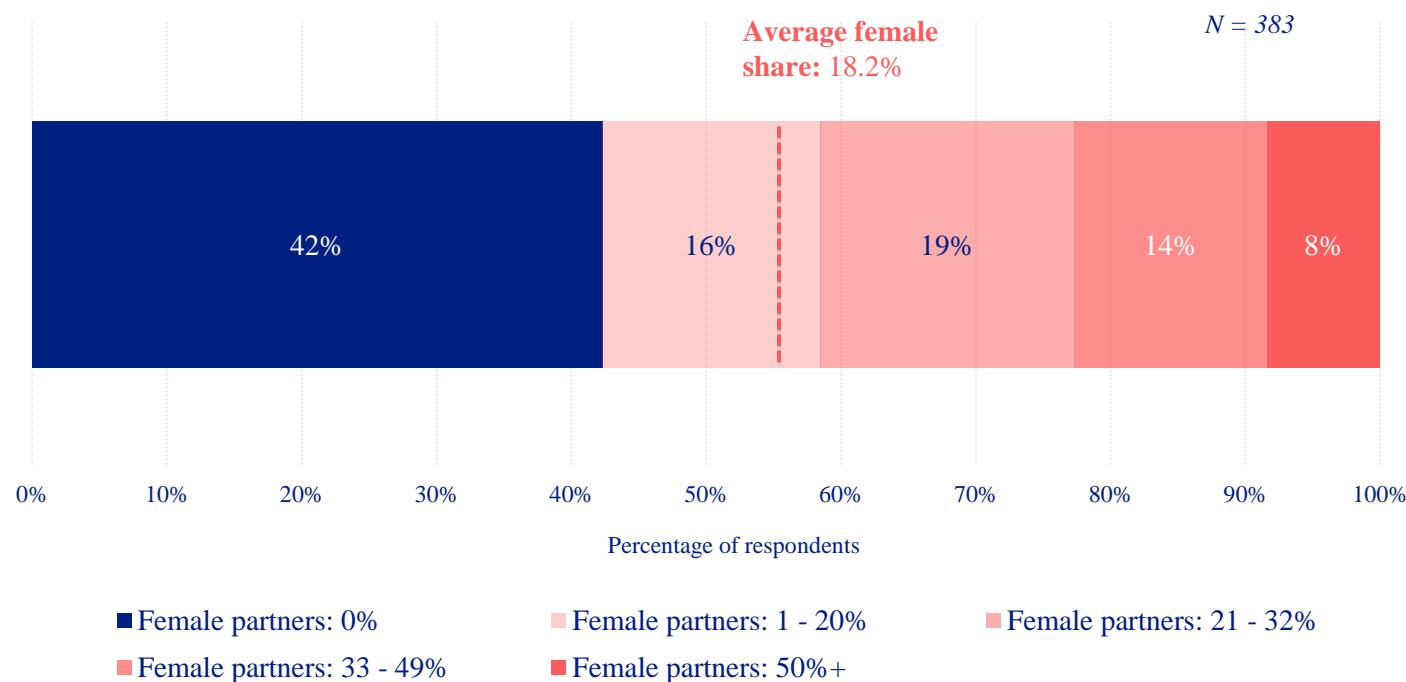
*Note: Percentages in **black font** on top of the bars show the aggregate percentage of respondents who have ranked the respective criterion in their top-3 selections. Reading example: For 68% of VCs, "Management team" is among their top-3 criteria; for 33%, it is even the first most important criterion.*

The graph presents the 10 most important investment selection criteria, as indicated by survey participants. Other response options included: Cash-generating capacity/potential, Development stage of target company, Diversity & inclusion considerations, ESG considerations, Industry, Market leadership, Our ability to add value to the investee, Past performance/track record, Profitability/profitability potential of the business, Referral by other GPs/investors, and Valuation & deal terms.

Q: "What are your most important investment selection criteria?" (multiple selection possible); and then "rank them by importance."

Gender diversity: *at partner level*

Gender diversity at partner level



4 in 10 VCs report no female partners at all in their respective firms.

In only 22% of the VC teams, female partners make up at least one-third of the total.

However, some slow progress is observed compared to previous years.

The average share of female partners across all surveyed VC firms is 18.2%, slightly above the values recorded in previous survey waves (2023: 17.1%; 2022: 14.7%).

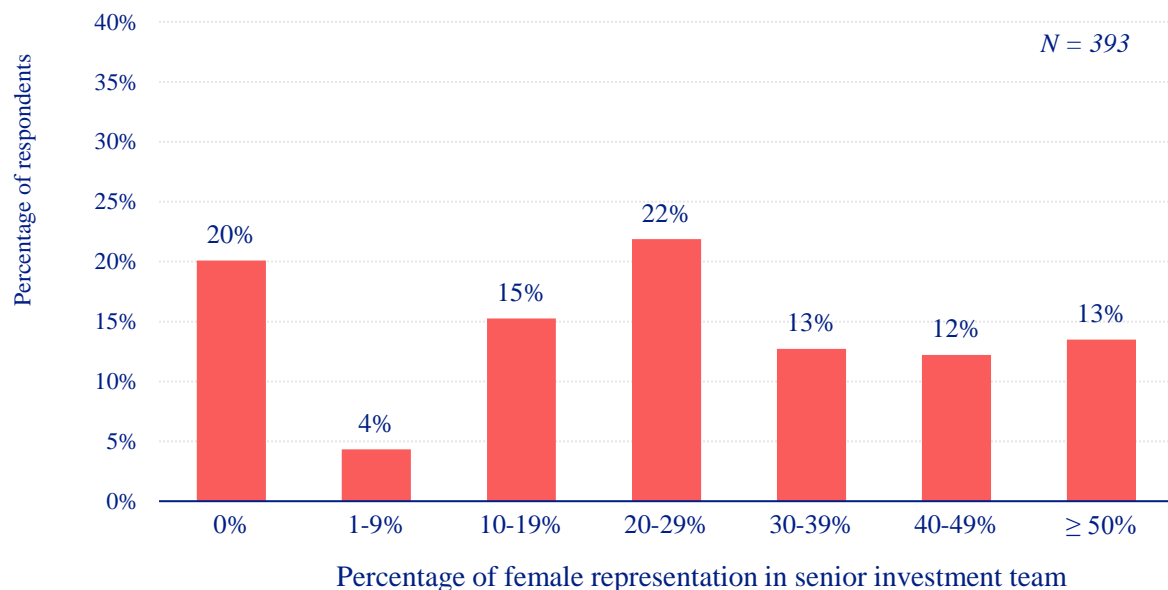
Q: "How many partners (all types) are there in your firm?"

Q: "How many female partners (all types) are there in your firm?"

Gender diversity: *in investment-decision bodies*

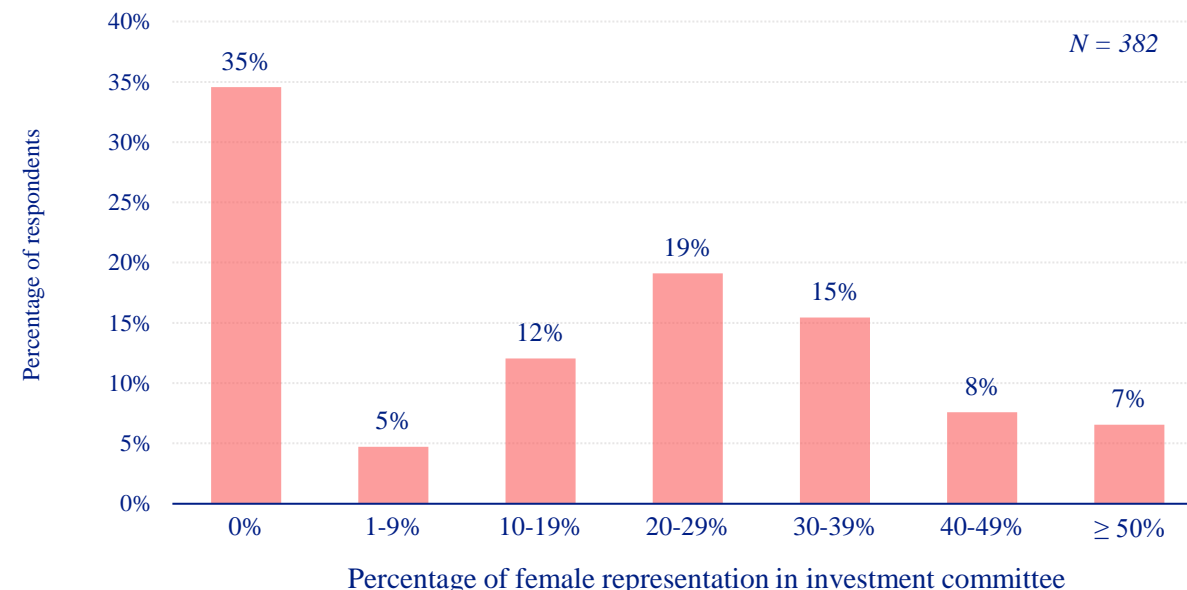
1 in 5 VCs report no female representation at all in the senior investment team of their firm, with the percentage increasing to 1 in 3 VCs when it comes to female representation in the investment committee. In this respect, no progress is observed vis-a-vis last year's survey results.

Gender diversity in **senior investment team**



Q: "Please indicate the percentage of female representation in your firm's senior investment team."

Gender diversity in **investment committee**



Q: "Please indicate the percentage of female representation in your firm's investment committee."

VC Survey 2024

Concluding remarks

Permanent crisis mode

- From the Great Financial Crisis to the COVID-19 crisis and the more recent crises driven by geopolitical tensions, it seems that a permanent crisis mode has been in effect for many years.
- The difficult macroeconomic environment over the last two years and the tightening monetary and financial conditions are still weighing on VCs and their portfolio companies.
- Fundraising and the exit environment are still perceived very challenging.
- VC-backed companies still experience difficulties in their access to finance, particularly when it comes to securing equity financing.

But crisis trough could have already been reached

- On the back of a softening economic outlook, mildly accelerating growth, decreasing inflationary pressures and normalising monetary policy, **VCs express much more optimistic expectations going forward**, for almost all of the market sentiment indicators considered in the survey.
- As valuations recover (expected by the vast majority of surveyed VCs, for the first time in three years) and interest rates continue to decrease (the ECB cut rates three times already since June), the VC deal activity is expected to improve further.

Focus on addressing structural weaknesses

- With the impact of cyclical factors foreseen to gradually wane, greater emphasis should be placed at addressing structural needs and challenges of more longer-term nature.
- Survey participants consider the scale-up financing conditions in Europe to be insufficient, and state that the latter have even deteriorated in the last year.
- The **availability of scale-up finance** for venture-backed companies, a **lack of private domestic LPs and large institutional investors** as well as **LP ticket sizes and contributions** are all perceived as significant challenges for the VC business.
- All the above point to substantial difficulties in finding sufficient financing for companies in Europe to scale-up and grow.
- Surveyed VCs also raise important concerns about recruiting skilled professionals. As highlighted in the recent Draghi report, such **skills shortages** are acting as a further barrier to innovation and technology adoption.

Policy implications

- Policy solutions should focus not only on strengthening the ability of the European VC ecosystem to absorb shocks, but also on helping to overcome structural market weaknesses.
- Examples of such policies include the **crowding-in** and deeper involvement of **private long-term investors** – who would not readily leave during a crisis, but rather stay in the market even during downturns – as well as initiatives to **encourage financing of European scale-ups**.
- With the VC exit environment having significantly worsened in recent years, **improving the exit environment** should also be one of the targets of future policy.
- An institution like the EIF has an important role to play...
 - ... by intervening counter-cyclically in case of market downturns and failures to mitigate long-run risks;
 - ... and, in particular, by designing and implementing financial instruments that support longer-term Public Policy Goals.

VC Survey 2024

Information about this study

Exceptional times require unique market insight



A unique source of information

The EIF concentrates on supporting the necessary private sector VC infrastructure to address market gaps and challenges as well as to support opportunities with the aim to further enhance the attractiveness of European VC as an alternative asset class.

In order to improve the availability of information for evidence-based policy interventions, the EIF performs, on a regular basis, the *EIF VC Survey* and the *Private Equity Mid-Market Survey*. In addition, the *EIF Business Angels Survey* was performed in 2019, 2020 and 2021/22. An *EIF Private Debt Survey* was performed in 2021.

The *EIF VC Survey* and the *EIF Private Equity Mid-Market Survey* – combined the **largest regular survey exercise among GPs in Europe** – provide the opportunity to retrieve unique market insight.

Cooperation partners

The already large outreach of the EIF surveys, which are **coordinated by EIF's Market Assessment & Research (MAR)**, and the high relevance of the questionnaire topics for both market participants and policy makers have further increased through cooperations, such as with Invest Europe since 2021.

Indeed, **a part of the sample** for the *EIF VC Survey 2024* comprises **Invest Europe members**.

This study and beyond

Respondents and survey period

- This study is based on the *EIF VC Survey*.
- The 2024 wave of the *EIF VC Survey* includes anonymised responses from **398 VC fund managers**.
- The headquarters of the VC firms contacted were predominantly in the EU 27 countries. Firms with headquarters outside of Europe were still included in the sample if they had an office in Europe and were active in the European VC market.
- Responses were received between 11 July and 26 August 2024.



General survey approach

- The EIF equity surveys are **online surveys** of VC and Private Equity (PE) Mid-Market (MM) fund managers investing in Europe.
- Our surveys target **both EIF-supported as well as non-EIF supported** fund managers.
- All surveys are conducted on an **anonymous basis**.
- The vast majority of the respondents in the VC and PE MM surveys hold the position of CEO or Managing/General Partner, suggesting that their responses reflect the **views of the decision-makers** in the respective VC/PE firms.
- The surveys look at the **current market situation, developments in the recent past, and expectations for the future**. Where possible, the findings are also summarised and compared over time.

How to read the results

General information

- Some results shown in this publication (e.g., some results about the VCs' human capital characteristics) are based on a number of respondents that is smaller than the overall number of *EIF VC Survey 2024* respondents. This is either because some respondents selected the “I don't know / Prefer not to say” response option or because a filter question preceded the question under consideration. In these cases, the final number of respondents is indicated in the respective graphs. Further details are available upon request.
- Throughout the report, rounded percentages are shown and therefore, these may, for example, not always add up to 100%.

Terminology: Survey waves

- Several analyses draw on the results of multiple *EIF VC Survey* waves, as outlined below:
 - “2024”: 11 July – 26 August 2024
 - “2023”: 17 July – 4 September 2023
 - “2022”: 13 July – 29 August 2022
 - “2021”: 2 July – 4 August 2021
 - “2020 Oct”: 7 October – 3 November 2020
 - “2020 Mar”: 1 March – 10 March 2020
 - “2020 Feb”: 29 January – 28 February 2020
 - “2019”: 7 February – 18 March 2019
 - “2018”: 7 November – 18 December 2017

Please note that the survey results for “2020 Feb” and “2020 Mar” are based on the first 2020 *EIF VC Survey* wave, which was performed between 29 January and 10 March 2020. To analyse the immediate effects of the COVID-19 crisis, the results of that survey wave were split into two response sets: (i) responses received in (January/)February, and (ii) responses received in March. See EIF Working Paper 2020/064 for details.

Terminology: “net balances”

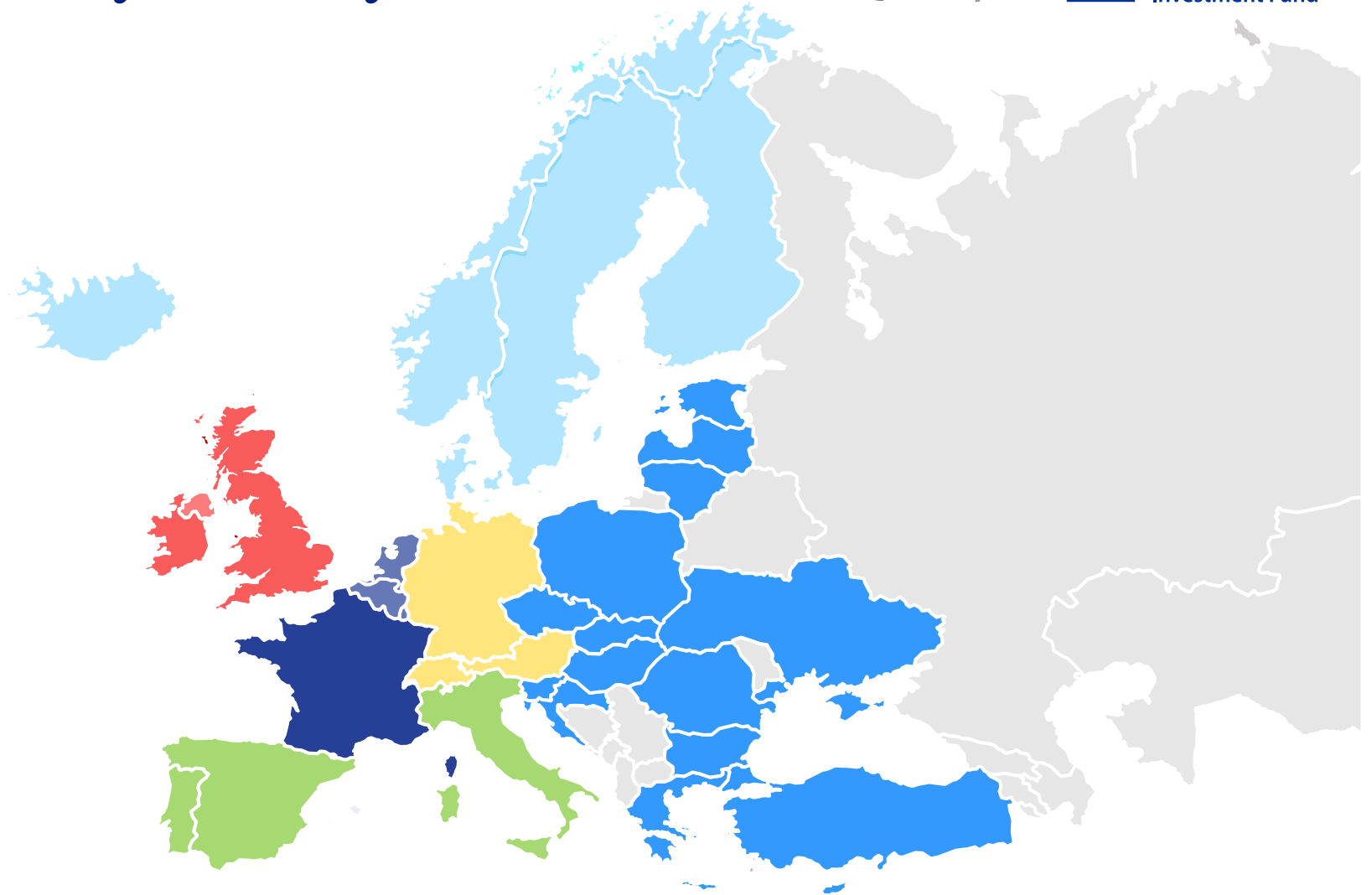
- The “**net balances**” shown in graphs refer to the percentage of respondents reporting a positive response minus the percentage of respondents reporting a negative response. (For example: In the question “Over the next 12 months, how do you expect the number of your new investments to develop?”, the net balance refers to the percentage of respondents expecting the number of their new investments to slightly/strongly increase minus the percentage of respondents expecting the number of their new investments to slightly/strongly decrease.)

VC Survey 2024

Annex

Number of respondents by country of VC firm HQ

- **Benelux [70]**
Belgium, Luxembourg, Netherlands
- **CESEE [57]**
Bulgaria, Croatia, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia, Türkiye, Ukraine
- **DACH [71]**
Austria, Germany, Switzerland
- **France [45]**
- **Nordics [50]**
Denmark, Finland, Iceland, Norway, Sweden
- **South [54]**
Italy, Malta, Portugal, Spain
- **UK & Ireland [42]**
Ireland, United Kingdom
- **Others [9]**
Canada, Israel, Singapore, USA



Q: “In which country/geography is your firm headquartered?”

Note: The list only mentions the countries with at least 1 respondent to the *EIF VC Survey*.

List of acronyms

- AI: Artificial Intelligence
- AUM: Assets Under Management
- BA(s): Business Angel(s)
- Benelux: (the countries of) Belgium, Netherlands, Luxembourg
- bn: billion
- CEO: Chief Executive Officer
- CESEE: (countries in) Central, Eastern, South-Eastern Europe
- COVID(-19): Coronavirus disease pandemic
- DACH: (the countries of) Germany, Austria, Switzerland
- EIB: European Investment Bank
- EIF: European Investment Fund
- ESG: Environmental, Social, Governance
- EU: European Union
- EUR: Euro
- Feb: February
- GP(s): General Partner(s)
- HQ: Headquarter
- ICT: Information and Communications Technologies
- IPO: Initial Public Offering
- LP(s): Limited Partner(s)
- m: million
- M&A: Mergers and acquisitions
- Mar: March
- MAR: Market Assessment & Research
- MBO: Management Buy-Out
- NAV: Net Asset Value
- NPI: National Promotional Institution
- Oct: October
- PE MM: Private Equity Mid-Market
- Q: Question
- Q4: Fourth quarter of a year
- SME: Small and Medium-sized Enterprise
- UK: United Kingdom
- USA: United States of America
- VC: Venture Capital
- VCs: Venture Capital fund managers

About ...

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