
Fundraising in Europe –challenges, opportunities, and implications for Korean startups

REDDAL

Next Rise – European Tech Summit

Seoul, June 14, 2024

Even with global economic headwinds and rising interest rates, startups with balanced risk profile and clear path to valuation are securing a steady stream of funding

Key drivers in European VC landscape, 2024

Fewer deals at higher valuations, active cleantech deals



- Q1 2024 total VC deal value was 16.3BEUR, a noticeable increase of 19% from the previous year while the number of deals decreased by 26% YoY
- Early-stage deals make up most of the deal count and value in the first quarter, supported by large transactions like H2 Green Steel (Sweden), Mistral AI (France) and Electra (France)
- Cleantech deals, sitting at 6.8BEUR in Q1 2024, are surpassing AI and machine learning deals in total value in the European VC market

Difficult fundraising, hope for reduced interest rates



- GP capital is more difficult to come by due to valuation haircuts and conservative investment approaches amidst volatile global macroeconomic situations and unclear exit timelines
- Valuations and deal activities will likely improve from gradual rate cuts from key entities like the European Central Bank and the Federal Reserve

Investors as strategic partners



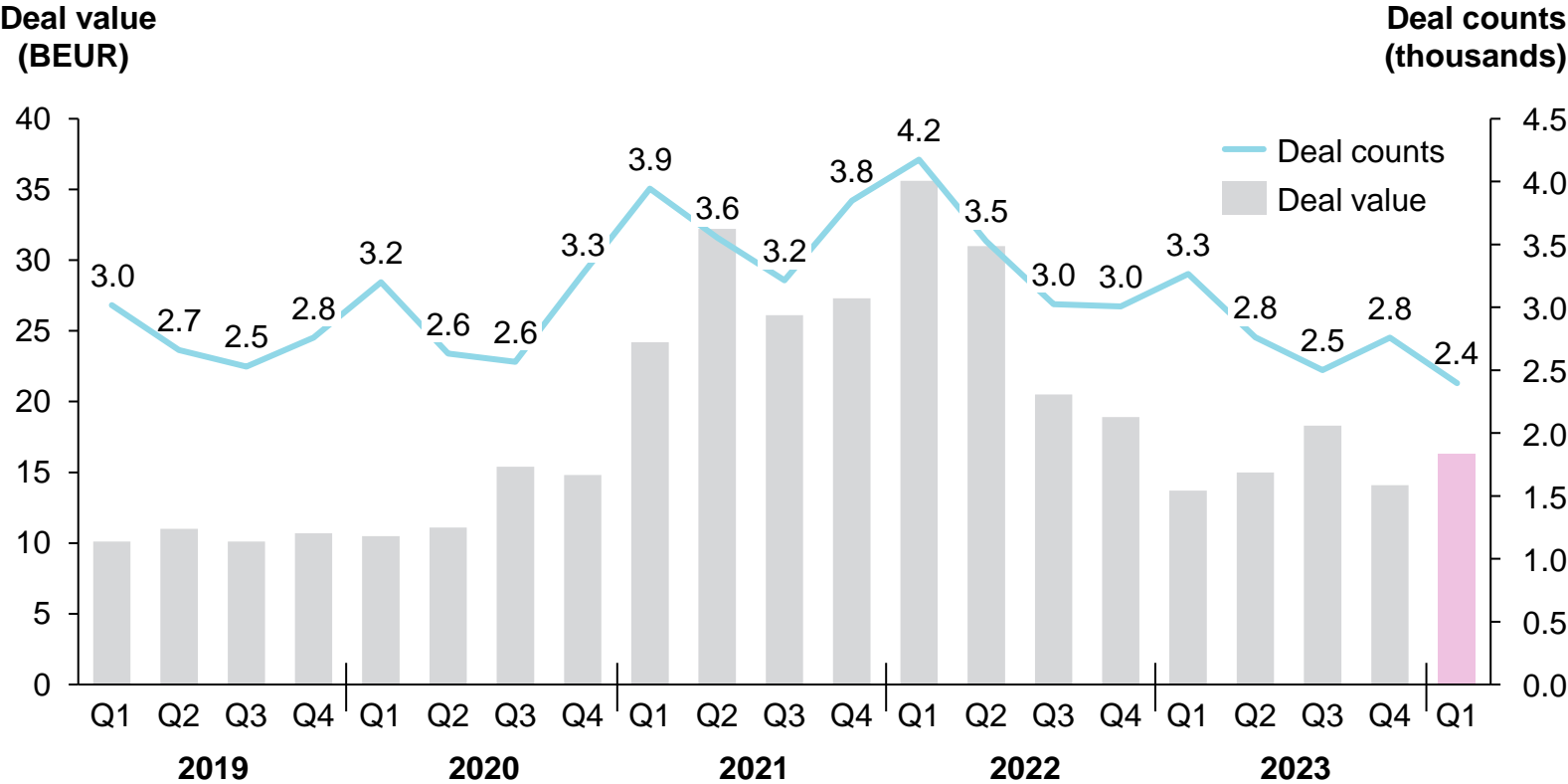
- Cautious approach by investors leading to greater strategic and operational support from them
- Seasoned investors in Europe can support stable growth by actively supporting strategic alliances and providing guidance towards risk minimization
- At the same time, IPO-seeking startups should proceed with caution as investors may look for M&A-based exit strategy due to slow markets

Source: [Pitchbook](#) (2024), [DAA Capital Partners](#) (2024), Reddal analysis.

Despite decreasing deal counts, the deal value witnessed a 19% increase; investors' particular interests in cleantech sector and large deals in the sector are noticeable

Deal volume and value

European VC deal counts and value



Major sectors deal counts and total value

Industry	2023	2024 – Q1	Trend
Cleantech	11.6BEUR 1 123 deals	6.8BEUR 223 deals	↑
AI and ML	10.3BEUR 1 795 deals	1.8BEUR 328 deals	↓
Fintech	8.1BEUR 1 132 deals	2BEUR 203 deals	—

France aims to have 25 green unicorns by 2030. 54BEUR government budget has been allocated to fuel growth of cleantech companies.

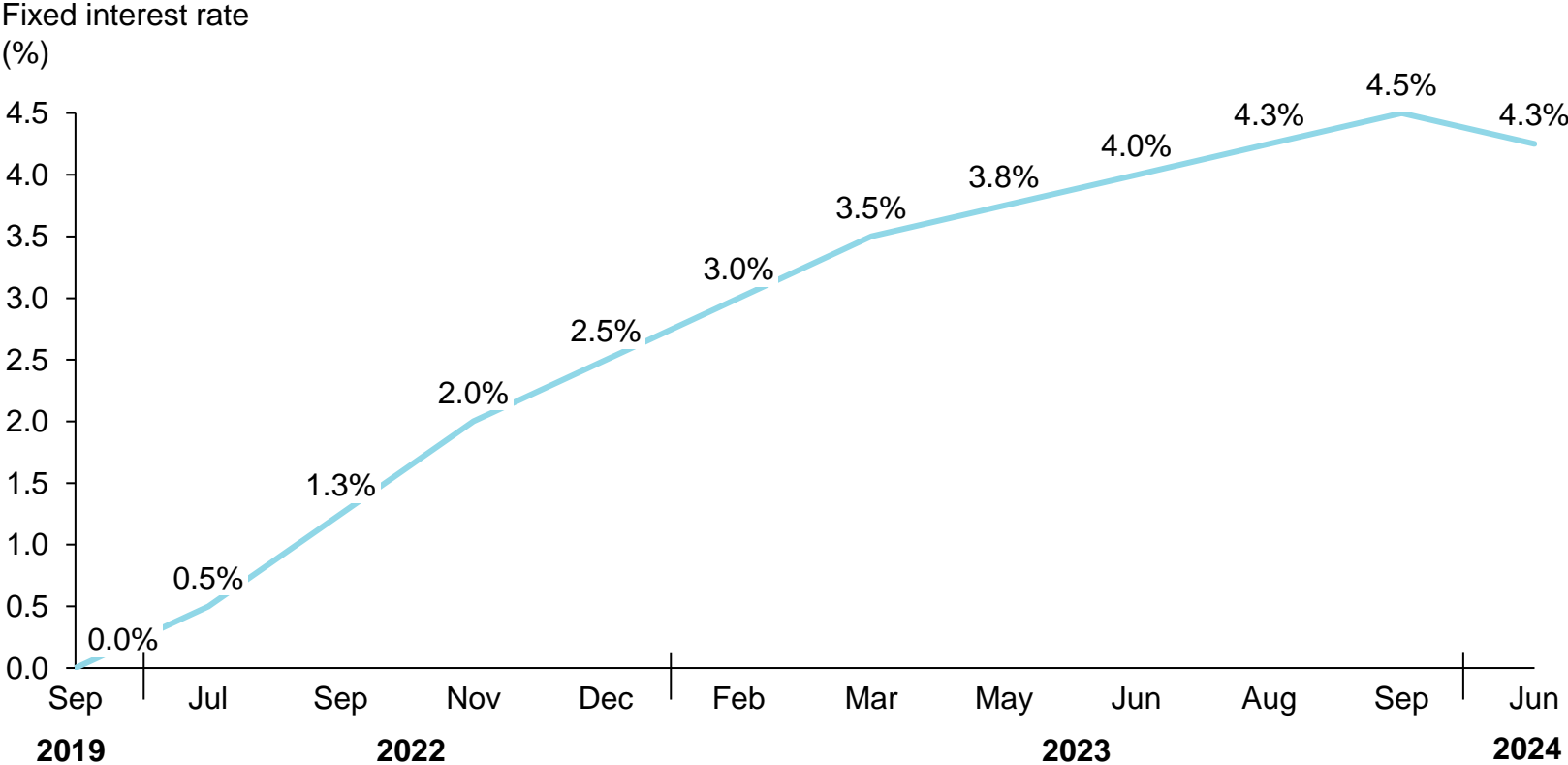
Europe raises ca. 1/3 of global seed funding. For Europe as a whole, early-stage deals made most of the deal count and value in the first quarter.

Source: [Pitchbook](#) (2024), [Dealroom](#), [Dealroom](#) (app), [StartupGenome](#), [Dealroom](#), [CBInsights](#).

Lowering the interest rate by ECB for the first time after two years can be a positive sign for both the investors and the startups

Fundraising challenges

Fluctuation of the European Central Bank fixed interest rate



Interest rates' implications on fundraising

- Capital availability is significantly affected by the interest rates
- European Central Bank has been adjusting the interest rates to stabilize the inflation rate, down to 2%
- After 9 consecutive periods of increasing the interest rate, the ECB recently decreased the interest rate for the first time in June 2024
- Lowered interest rate and increasing capital availability are raising hopes for both investors and startups to find fundraising opportunities as well as exits via traditional means, such as IPO with improved valuations

Following the strong years of 2021 and 2022, deals, exits, and fundraising have been dampened due to rising interest rates. The European capital overhang is estimated at around 350 billion EUR, highlighting a lack of deal opportunities.

Source: [Statista](#), [ECB](#), [AlphaSense](#), [Cacaos Investor Services](#) (2023), Reddal analysis.

Venture partners can be more than capital providers; finding right VC investors can have significant implications in market entry and growth strategies

Investors as strategic partners



Source: [DAA Capital Partners](#) (2024), [Visible VC](#) (2024).

Agenda

European VC landscape overview

Korean VC landscape overview

Despite various challenges, UK, France, and Germany remain dominant in the European VC landscape along with emerging countries like Ireland and the Nordics

Overview notable new VC activities in Europe

1 UK: London continues to be the epicenter of VC activity, with significant investments in fintech and healthcare.

Sectors on the rise: Fintech, AI, Healthcare, Cleantech

Notable activities: Revolut (800MUSD Series E in 2021), Babylon Health (4.2BUSD SPAC deal in 2023)

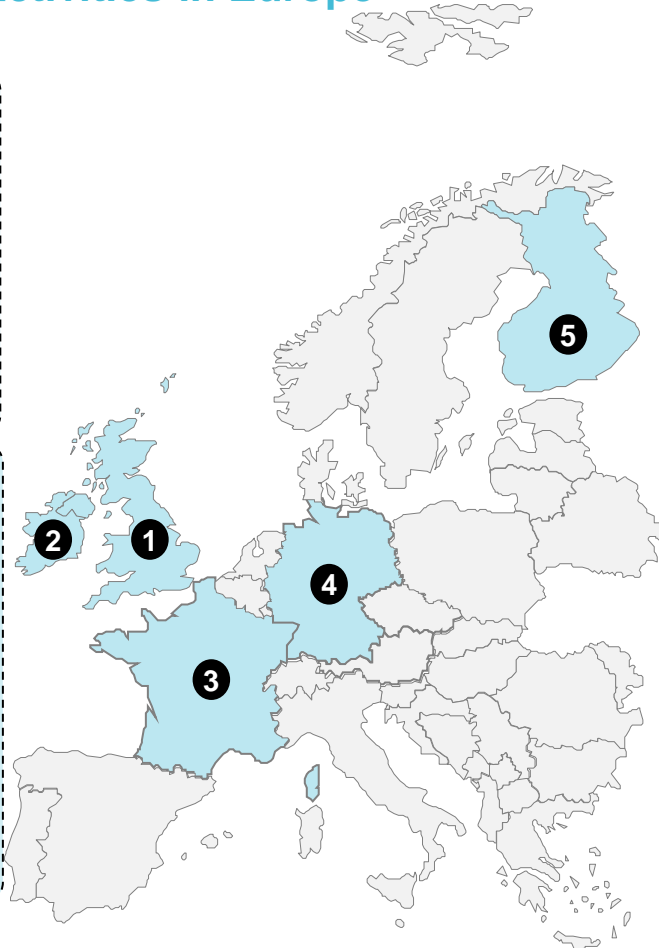
Key VCs: Atomico, Balderton Capital, Index Ventures, Accel Partners, LocalGlobe

2 Ireland: Dublin is gaining investment traction for multiple sectors as government support sustains, including the Ireland Strategic Investment Fund (ISIF).

Sectors on the rise: Cleantech, healthcare, agritech

Notable activities: Wayflyer (150MUSD Series B in 2023), Flipdish (100MUSD Series C in 2023)

Key VCs: ACT Venture Capital, Atlantic Bridge Capital, Delta Partners, Frontline Ventures, Sure Valley Ventures, Fountain Healthcare Partners



3 France: Government support for tech innovation in initiatives like the French Tech Visa and Bpifrance's funding programs.

Sectors on the rise: Fintech, cleantech, healthcare, cybersecurity

Notable activities: Mistral AI (650MEUR fundraising in 2024)

Key VCs: Bpifrance, Kima Ventures, Super Capital, AngelSquare, UI Investissement

4 Germany: Well known presence of startups in transportation, and energy.

Sectors on the rise: Mobility, fintech, cleantech, healthcare

Notable activities: Liliom (192MUSD capital raise in 2023)

Key VCs: Earlybird Venture Capital, Holtzbrinck Ventures, HV Capital

5 Finland: Strong track record in IT industry with developing transportation / cleantech industries

Sectors on the rise: Gaming, healthcare, cleantech

Notable activities: Nightingale Health (40MEUR Series C in 2023)

Key VCs: Lifeline Ventures, Inventure, OpenOcean, Maki.vc, Icebreaker.vc

Emerging sectors





- **Cleantech:** Growing importance of renewable energy and other sustainable solutions visible in increasing interests of investors
- **Healthcare and biotech:** Telemedicine, digital therapeutics, and medical devices continue to gain attention
- **Fintech:** A strong focus across all countries with investments in areas like payments, neo-banking, and Insurtech

Source: [Blake Barkely](#) (2024), [Vestbee](#) (2024), [Furthr](#) (2023).





Rising number of new funds in Eastern Europe is noticeable as well as large number of new UK-based funds closing

New funds in Europe – 2024





Western Europe, DACH region, and the UK

Country	Funds
 UK	<ul style="list-style-type: none"> Plural – Closed second fund at 400MEUR, continuing with early-stage funding Frontline – Closed a 100MUSD growth fund to invest in US B2B startups from Series B onwards that want to launch in Europe Episode 1 – Closed its 3rd fund at 76MGBP, focusing on AI, TechBio, open-source, software infrastructure, healthtech, and marketplaces startups Ada Ventures – Closed its 2nd fund at 63MGBP, targeting pre-seed and see-stage startups VC Delin Ventures – Closed a new 46MGBP targeting future of work, education and learning pre-seed and seed-stage startups
 Germany	<ul style="list-style-type: none"> World Fund – Closed a 300MEUR first fund, aiming to make 25-30 investments into climate tech startups Earlybird – Closed its 2nd fund at 173MEUR, focused in healthtech for Series A-B
 Austria	<ul style="list-style-type: none"> Speedinvest – Closed the latest fund at 350MEUR; to invest in deeptech, fintech, health and techbio, climate and industrial tech, and Saas, targeting early-stage startups
 Netherlands	<ul style="list-style-type: none"> DeepTechXL – Raised 110MEUR to invest in photonics, complex mechanical engineering, semiconductors, and quantum computing

Nordics

Country	Funds
 Finland	<ul style="list-style-type: none"> 3TS Capital Partners – Closed Fund IV with 111MEUR, focusing on growth stage investments with ICT and tech-enabled service sectors Nordic Science Investments – Closed a 60MEUR fund to support deeptech spin-out startups emerging from universities
 Sweden	<ul style="list-style-type: none"> NATO Innovation Fund – Sweden is the 24th NATO ally to join the independent venture capital firm, that has a 1BEUR fund backing innovation across the alliance
 Norway	<ul style="list-style-type: none"> Verdane – Closed Edda III at 1.1BEUR, which will target European companies in digitalization and decarbonization
 Denmark	<ul style="list-style-type: none"> Kost Capital – First fund closed with undisclosed amount (25MEUR target)

Eastern Europe

Country	Funds
 Poland	<ul style="list-style-type: none"> OTB Ventures – Closed deeptech fund at 185MUSD (targeting Series A investments and seed fundings) Full Speed Ventures – Closed 2nd 50MUSD technology fund SMOK Ventures – 2nd 25MUSD funds with plans to support 35 pre-ssed and seed startups from Central and Eastern Europe Warsaw University of Technology Investment Factory (WUT IF) – launched an initial fund, targeting 5MUSD, aiming to back 18 deeptech startups from Polish universities
 Lithuania	<ul style="list-style-type: none"> Practica Capital – Closed 3rd fund at 80MEUR, targeting seed-stage investments in tech startups across the Baltic, offering up to 3MEUR initially and ongoing support up to 8MEUR
 Estonia	<ul style="list-style-type: none"> 2C Ventures – launched its initial fund with a target size of 50MEUR, to support early-stage startups in the Baltic and Nordic countries, focusing primarily on the Estonian market related to renewable energy, waste reduction, water management, circular economy and other cleantech solutions
 Romania	<ul style="list-style-type: none"> GapMinder – launched 80MEUR GapMinder Fund II that will invest in seed and late seed stages tech companies from Romania, Moldova, Serbia, Croatia, Slovenia, and Bulgaria

Source: [Vestbee](#) (2024), [Pääomasijoittajat](#) (2024), [Tech EU](#) (2024).

In France, deal counts have declined, especially for fintech and SaaS startups; however, continued government push and new fundraising activities signal resilience of the market

French VC landscape

Major VC firms by investment number (2020-2023)



Bpifrance (established 2013)

- 682 investments done
- Specialising in early and mid stages of various sectors



Kima Ventures (established 2010)

- 305 investments done
- Specialising in early stage of SaaS and internet sectors



Super Capital (established 2020)

- 126 investments done
- Specialising in early and mid stages of SaaS and energy sectors



AngelSquare (established 2016)

- 94 investments done
- Specialising in early and mid stages of various sectors



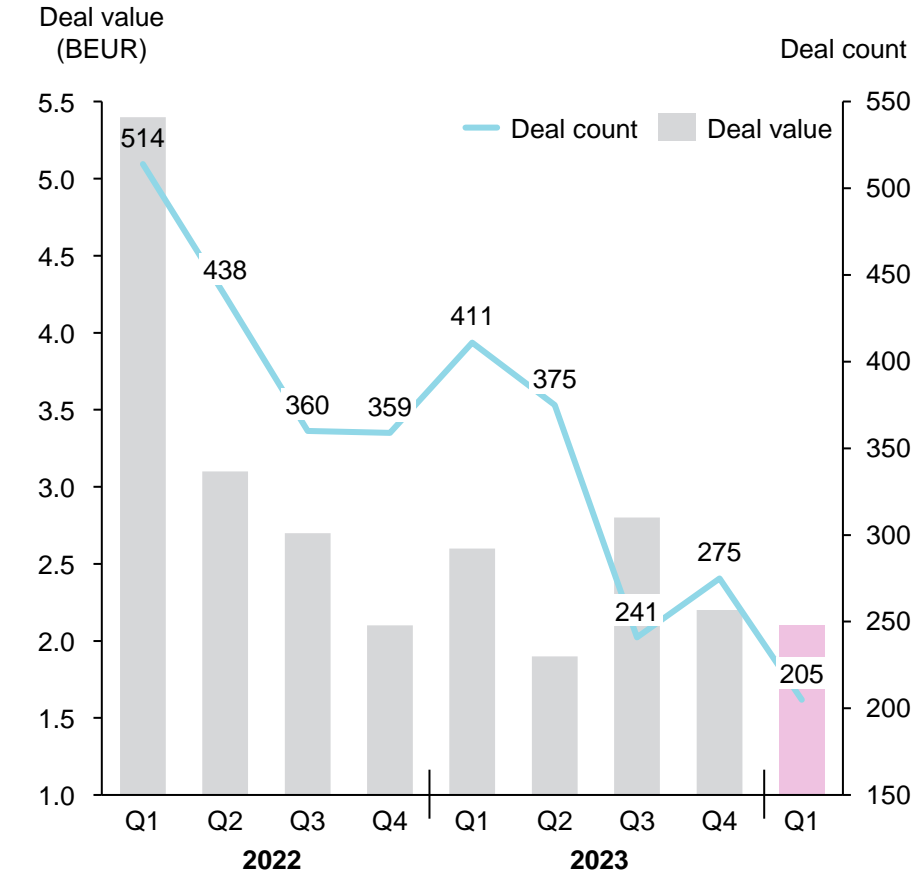
UI Investissement (established 2004)

- 92 investments done
- Specialising in early and mid stages of health and agribusiness sectors

Key trends

- French VC deals dipped in Q1 2024 (2.1BEUR, 205 deals) compared to Q1 2023 (2.6BEUR, 411 deals)
- Early-stage rounds saw record highs (>40% capital raised), reflecting cautious investor approach
- Electra's 304MEUR Series B exemplifies larger Q1 deals
- US investor participation grew (21% of deals) likely due to France's strong AI sector (for example, Mistral AI)
- SaaS remains dominant, but cleantech and AI are surging (cleantech deal value up from 1.6BEUR in 2022 to 2.5BEUR in 2023; Adionics' 25MEUR Series B)
- French VC exits slow in Q1 2024 (28 acquisitions, 8 buyouts, no recorded exit values), with unicorn count remaining at 21
- French government's Tech Next40/120 program added 120 new startups (combined net revenue details unavailable)

Deal activities



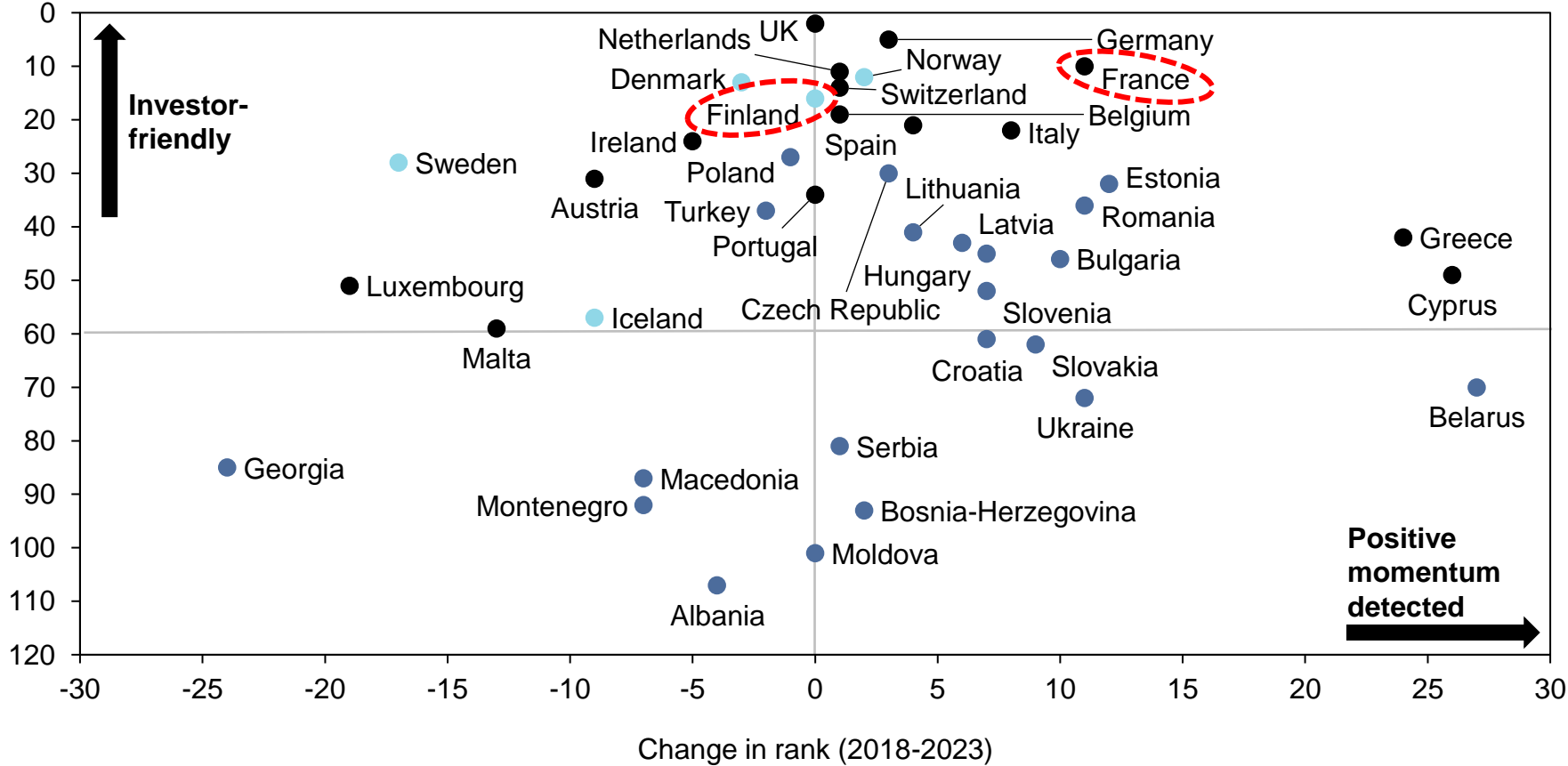
Source: [Pitchbook](#) (2023), [Pitchbook](#) (2024), [Chamber and Partners](#) (2024), [Sifted](#) (2024), [Bpifrance](#), [Kima ventures](#), [Crunchbase](#), [AngelSquare](#), [UI Investissement](#), [Super Capital](#).

While Western Europe and the Nordics traditionally represented most attractive investment markets, CEE region is reducing the gap

Investor attractiveness index in Europe (2018-2023)

Rank, 2023

- Eastern Europe
- Western Europe
- Nordic countries



Remarks

- Assessment areas for the attractiveness index include:
 - Economic activity
 - Depth of capital market
 - Taxation
 - Investor protection and corporate governance
 - Human and social environment
 - Entrepreneurial culture and deal opportunities
- Finland had the highest score on legal enforcement and security of property rights, while UK, Germany, and France scored high on human/social environments and entrepreneurial opportunities.

Source: [Venture Capital and Private Equity Country Attractiveness Index \(2023\)](#), [\(2018\)](#), [UK](#), [Germany](#), [France](#), [Finland](#).

Agenda

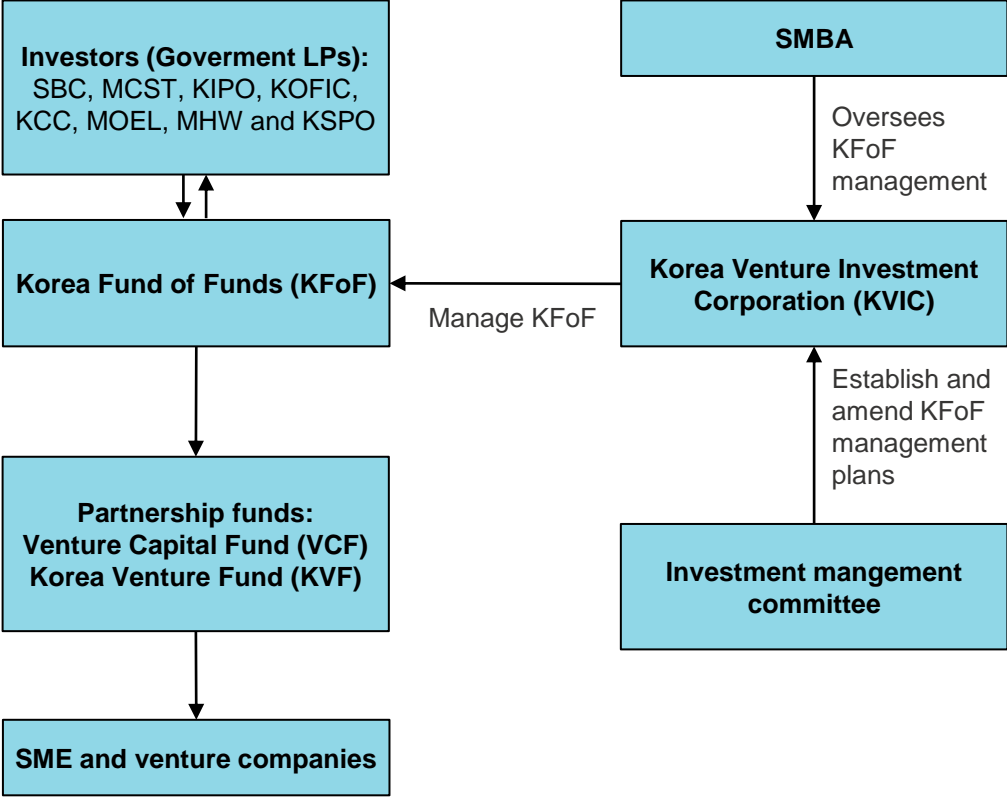
European VC landscape overview

Korean VC landscape overview

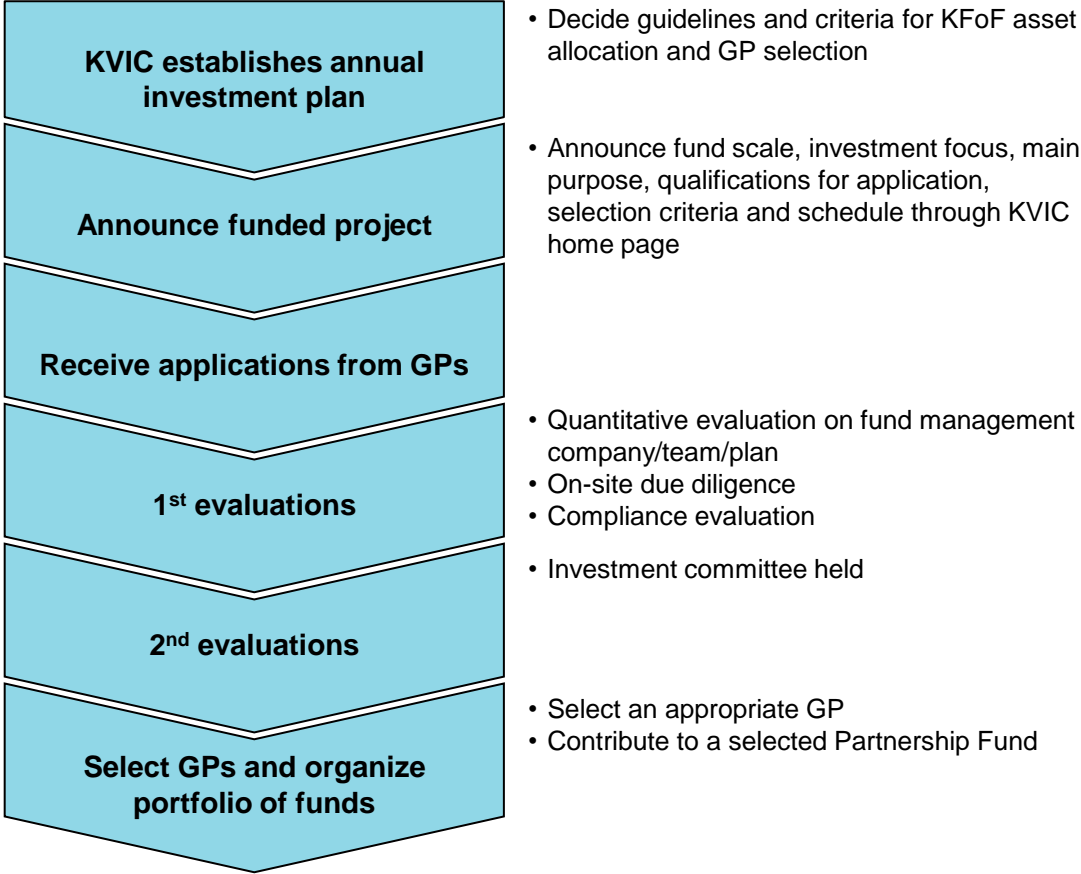
The Korean VC industry established its foundation through government-led Fund of Funds

Role of Korea Fund of Funds in Korean VC

Korea Fund of Funds structure



GP selection process

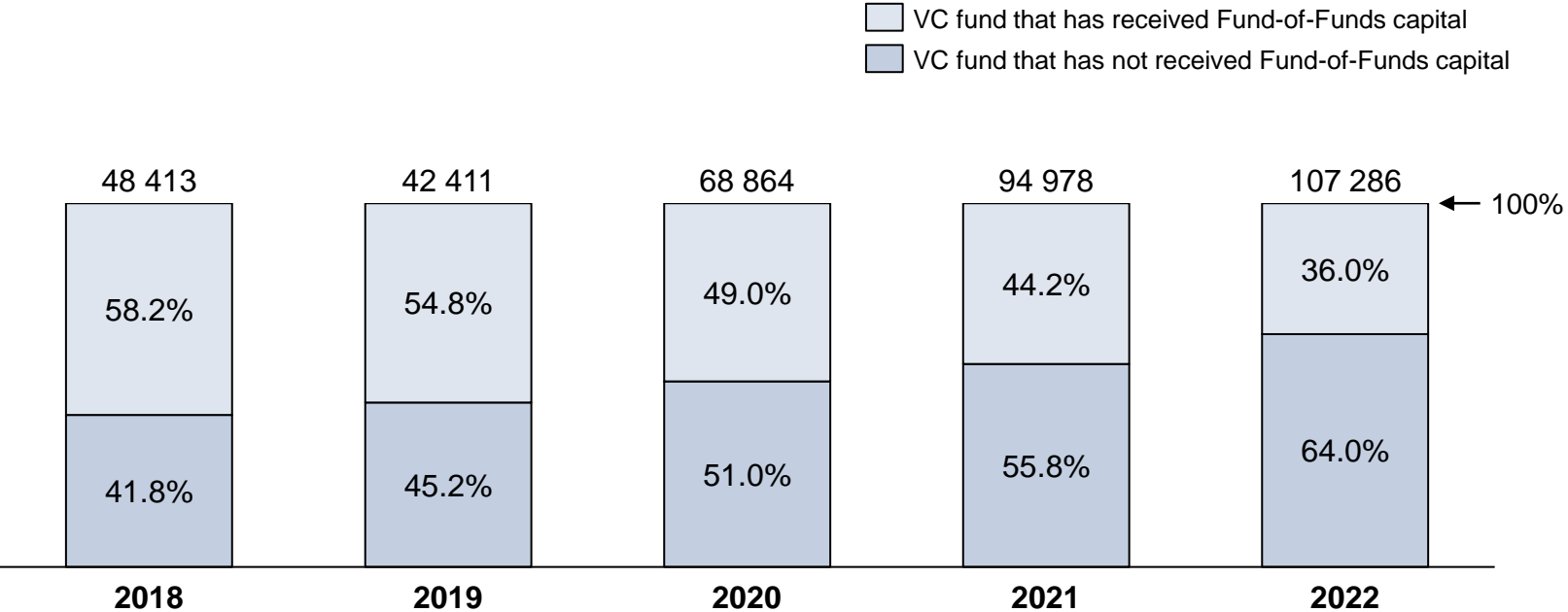


Source: Korea Venture Investment Corporation (www.K-vic.co.kr).

The Korean VC market is being restructured under private sector leadership and more and more funds are independently formed without capital inflow from Fund-of-Funds

Increasing role of private sector in VC industry

Composition of Korean VC funds based on whether they receive investment from Fund-of-Funds

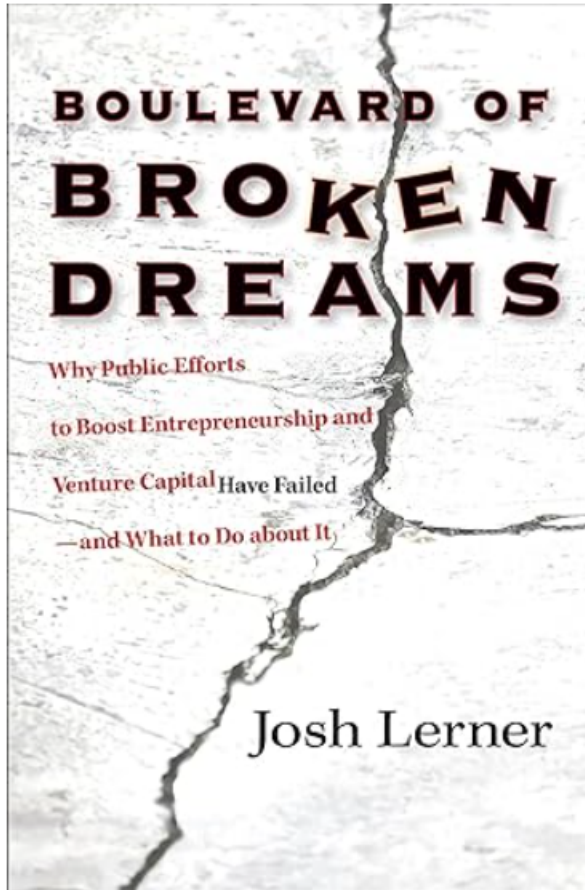


- Government driven VC industry has presented several challenges such as lack of efficiency, bureaucracy, risk aversiveness, and sustainability of the industry
- Government is pushing on policies to increase the role of private sector in VC industry by promoting CVC (corporate venture capital) and forming a fund-of-funds composed of more private investors

Source: Ministry of SMEs and Startups.

It has been demonstrated time and again that government interference into the venture capital and startup sector is not very effective...

Josh Lerner, Harvard Business School – Boulevard of broken dreams



Boulevard of Broken Dreams: Why Public Efforts to Boost Entrepreneurship and Venture Capital Have Failed--and What to Do about It (The Kauffman ... on Innovation and Entrepreneurship, 11) Paperback – Illustrated, February 26, 2012



by Josh Lerner (Author)

4.3 ★★★★★ 38 ratings

Part of: The Kauffman Foundation Series on Innovation and Entrepreneurship (9 books)

[See all formats and editions](#)

How governments can do a better job of supporting entrepreneurship and venture capital

Silicon Valley, Singapore, Tel Aviv—the global hubs of entrepreneurial activity—all bear the marks of government investment. Yet, for every public intervention that spurs entrepreneurial activity, there are many failed efforts that waste untold billions in taxpayer dollars. When has governmental sponsorship succeeded in boosting growth, and when has it fallen terribly short? Should the government be involved in such undertakings at all? *Boulevard of Broken Dreams* is the first extensive look at the ways governments have supported entrepreneurs and venture capitalists across decades and continents. Josh Lerner, one of the foremost experts in the field, provides valuable insights into why some public initiatives work while others are hobbled by pitfalls, and he offers suggestions for how public ventures should be implemented in the future.

Discussing the complex history of Silicon Valley and other pioneering centers of venture capital, Lerner uncovers the extent of government influence in promoting growth. He examines the public strategies used to advance new ventures, points to the

Conservative investors look for targets in late-stage ICT and manufacturing companies while large capital overhang and subsidies may result in active deal making during 2024 and onwards

Korean VC landscape

Major VC firms by revenue (H2 2022)

VC	AUM (BRW)
Korea Investment & Securities	3 193
Softbank Ventures	1 888
KB Investment	1 807
IMM Investment	1 400
DAOL Investment (now Woori)	1 392
AJU IB Investment	1 359
Intervest	1 246
Atinum Investment	1 203
LB Investment	1 194
Smilegate Investment	1 119
Mirae Asset Venture Investment	1 050
SV Investment	990
DSC Investment	985
SBI Investment	977
Shinhan VC	965
Company K Partners	785
Stonebridge Capital	783
Premier Partners	726
TS Investment	704
Hana Ventures	676

Source: Company websites, [Premium Contents](#) (2024), [KVIC](#), [KDB](#) (2024), [Money Today](#) (2024).

Key trends

Decreasing VC fundraising activities

- VC Fundraising decreased in 2023 to 12.8TKRW, a 4.9TKRW decrease from the previous year, largely due to increased interest rates
- Policy-driven investments and private sector VC investments both decreased by 33.2% and 26.5%, respectively, YoY

Late-stage deals and industry preferences for risk mitigation

- 6.9% deal volume increase for late-stage deals whereas early stage and growth-stage deal volumes decreased by 20.2% and 28.3%
- ICT manufacturing, electronics, and machinery with long-term growth prospects see increased investment activities
- This is a clear shift from Covid-era interests in gaming, logistics, bio/pharmaceutical, and entertainment

Early-stage deal subsidies from government coming

- Stage-specific government funding and private VC investment encouragement
 - Early-stage subsidies: 6.1TKRW
 - Growth-stage subsidies: 1.8TKRW
 - Late-stage subsidies: 0.4TKRW
- KONEX scale-up fund (100BKRW fund for KONEX IPO support) to promote policy financing institutes support investment activities

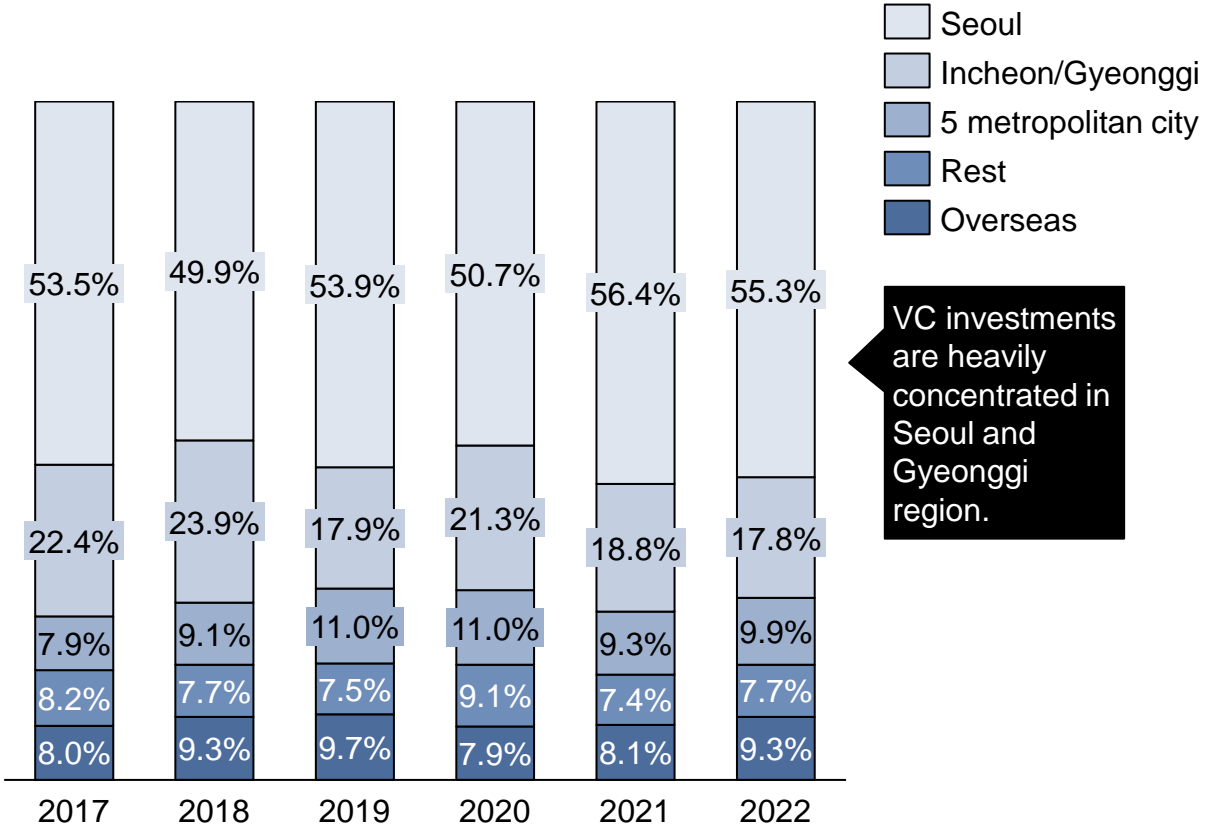
Capital availability and investor movements

- Record-breaking 11.8TKRW capital overhang attributed to new funds established during 2019–2022, with new “mega funds” closings expected in 2024
- VCs must make investments within 3 years of fund closing to continue collect management fees from LPs
- Increased investment activities driven by government push for early-stage startup investments and rising valuations may signal more active investment activities in 2024 and beyond

The government designated innovation clusters to drive balanced development – each region to promote designated sectors with incentives

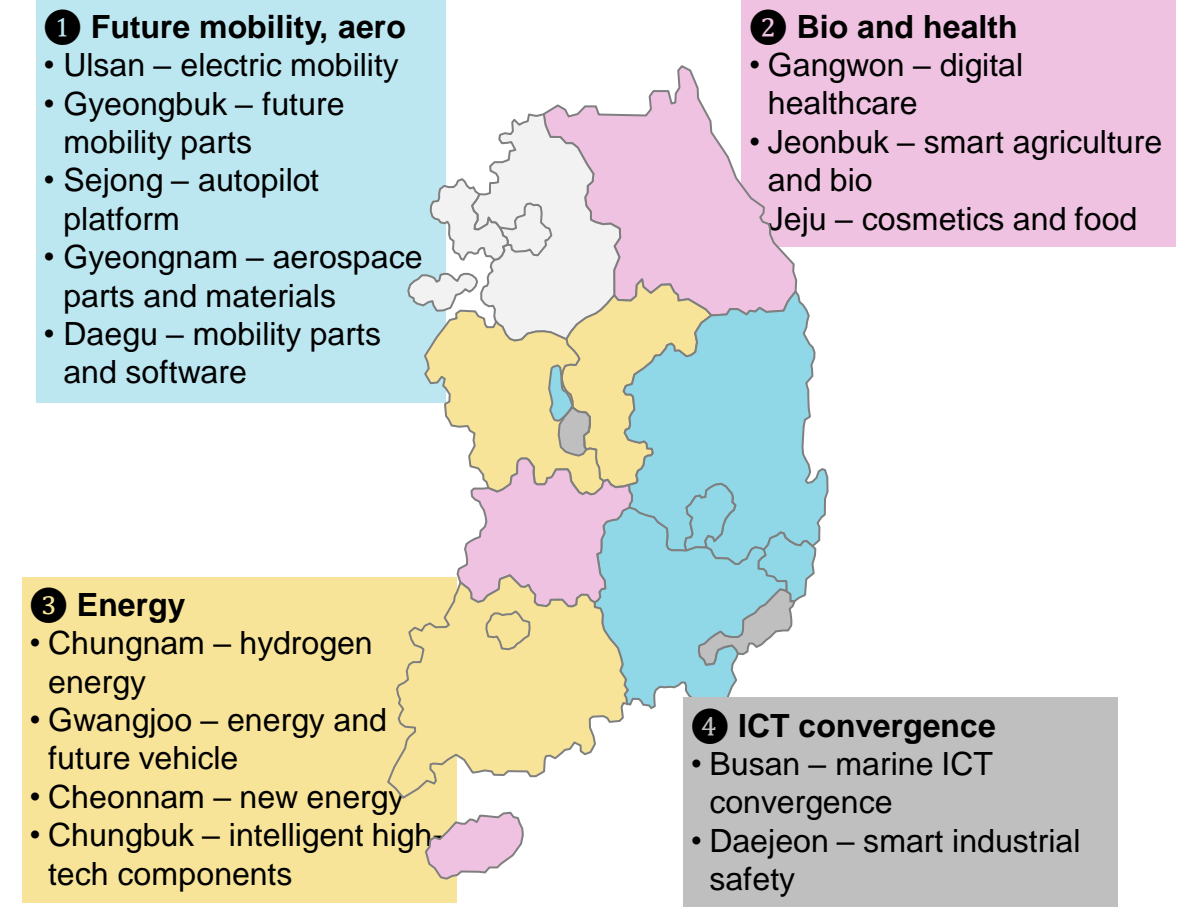
Korea VC investment overview

Korean VC investment by region



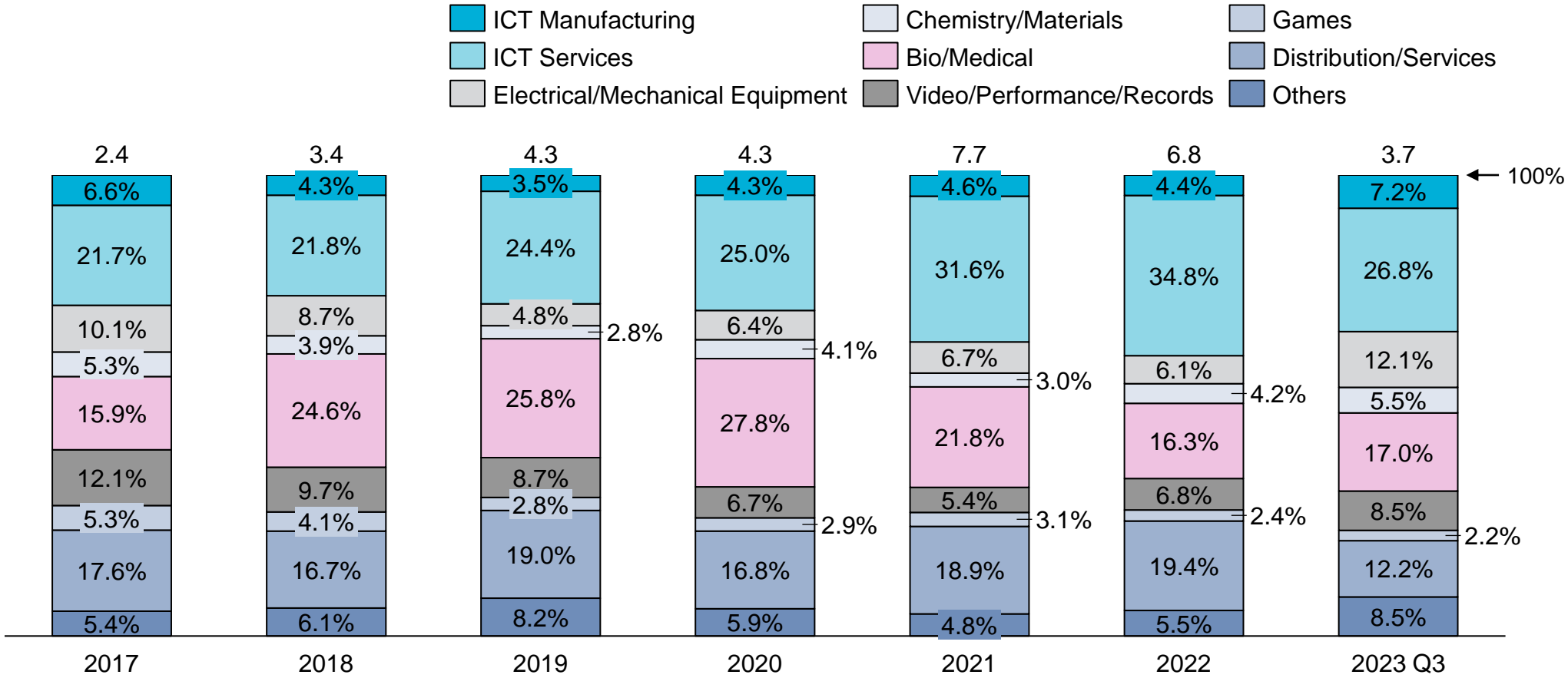
Source: KIAT (www.kiat.or.kr), Korea Venture Capital Association (www.kvca.or.kr).

Innovation cluster overview



A significant portion of VC investments is concentrated in the ICT sector – expectations for the bio industry have significantly decreased

Korean VC investment by sectors, TKRW



Source: Korea Venture Capital Association (kvca.or.kr).

A large, dark, 3D number '1' stands on a rooftop covered in gravel. In the background, a city skyline is visible under a cloudy sky. The text 'Working together for successful growth!' is overlaid in white.

Working together for
successful growth!