



Snapshot at Crossover Investors'
Activity in Europe
from 2018 to 2023

Foreword

Robust financing remains critical for realizing the potential of transformative ideas. Whether that takes the form of an IPO, acquisition, or investment to remain independent, startups must be sufficiently capitalized to continue their journey through their late stages and beyond. In our inaugural annual report last year, “The Path To IPO,” we highlighted the vital role that Crossover Investors – firms that can invest in the private and public markets – must play in sustaining that momentum and creating the kind of startup economy that Europe needs to remain competitive over the coming decades.

While Crossover Investing surged in Europe, we can now clearly say that the world experienced a record year in 2020 and 2021. This year, we wanted to review the state of Crossover Investing in Europe through 2023 to see what lessons it might reveal.

The data shows that European startups experienced a rush of interest from a handful of non-European Crossover Investors that made it appear as though some of the Growth Equity challenges had been solved, or at least improved. In general, our data shows that these firms were concentrating on SaaS and software.

However, those same investors have reduced their investment activity over the past two years. And yet, the data suggests that overall, Europe’s Crossover sector remains stronger than it was before the flood of external investment. In part, that’s because a handful number of firms accounted for a large percentage of Crossover Investing – and therefore their moderation has had an outsized impact.

Let’s take a closer look at the numbers.



Methodology

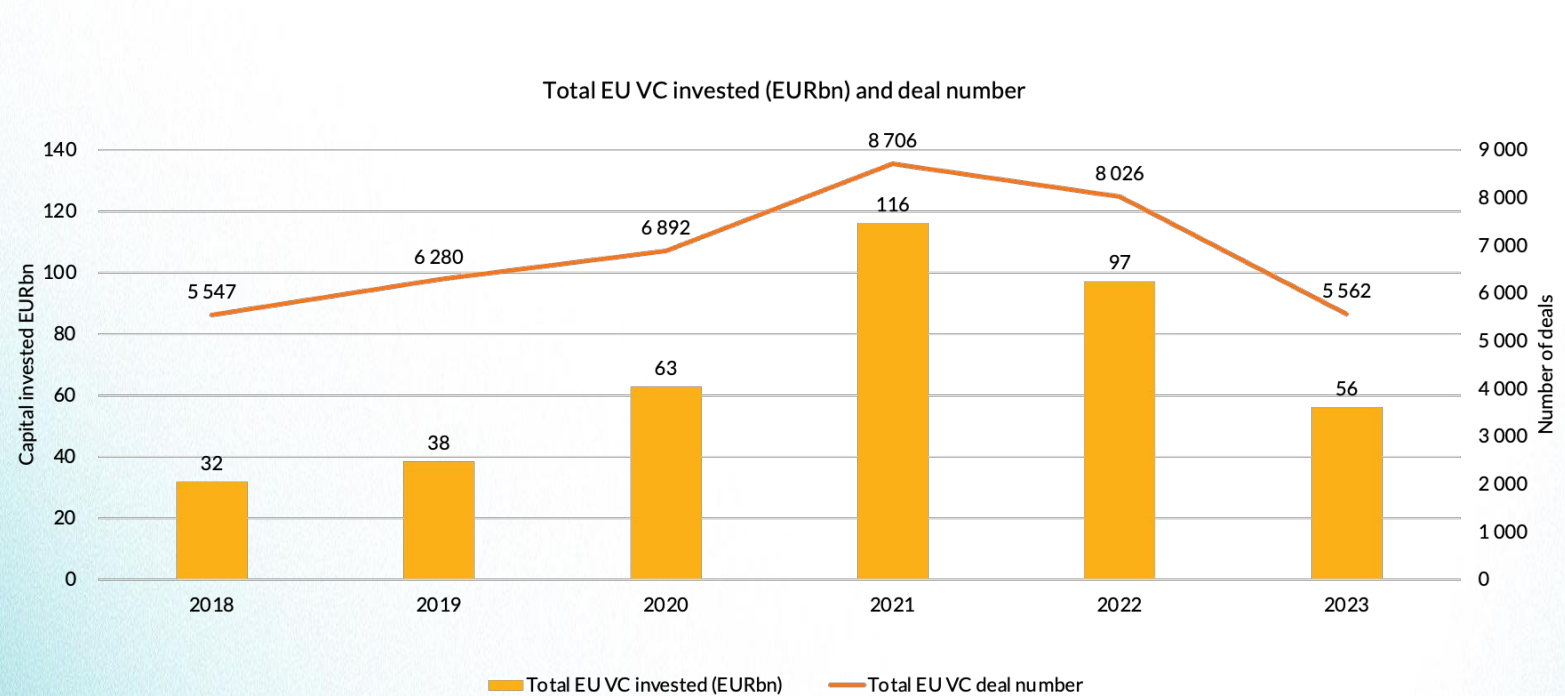
This report combines quantitative and qualitative input provided by industry experts. Working with our primary data provider, PitchBook, we have refined the filters and definitions we use to more precisely capture the companies and investors that reflect the relevant VC market. This resulted in a more precise approach that represents an important evolution from our previous annual report.

As before, our focus remains on VC-backed companies that are headquartered in Europe. We selected the 65 Crossover Investors that we believe are moving the market. We gathered data on the cumulative amount raised by these companies when a Crossover Investor participates in their fundraising rounds. However, it is not possible to determine the exact capital invested by each specific investor. For example, in a €100 million Series D round led by a Crossover Investor, our sample will include this investment as a Crossover Investment. Nevertheless, the Crossover Investor might have actually contributed €80 million, with the remaining €20 million coming from a non-crossover new or existing shareholder.

The fundraising data is from 2018 to 2023 and excludes incubator and Business Angel deals but does include PIPE (Private Investment in Public Equity) deals where Crossover Investors have historically played a big role.



In 2023, European VC investments fell to ~€60bn from a peak of ~€120bn in 2021

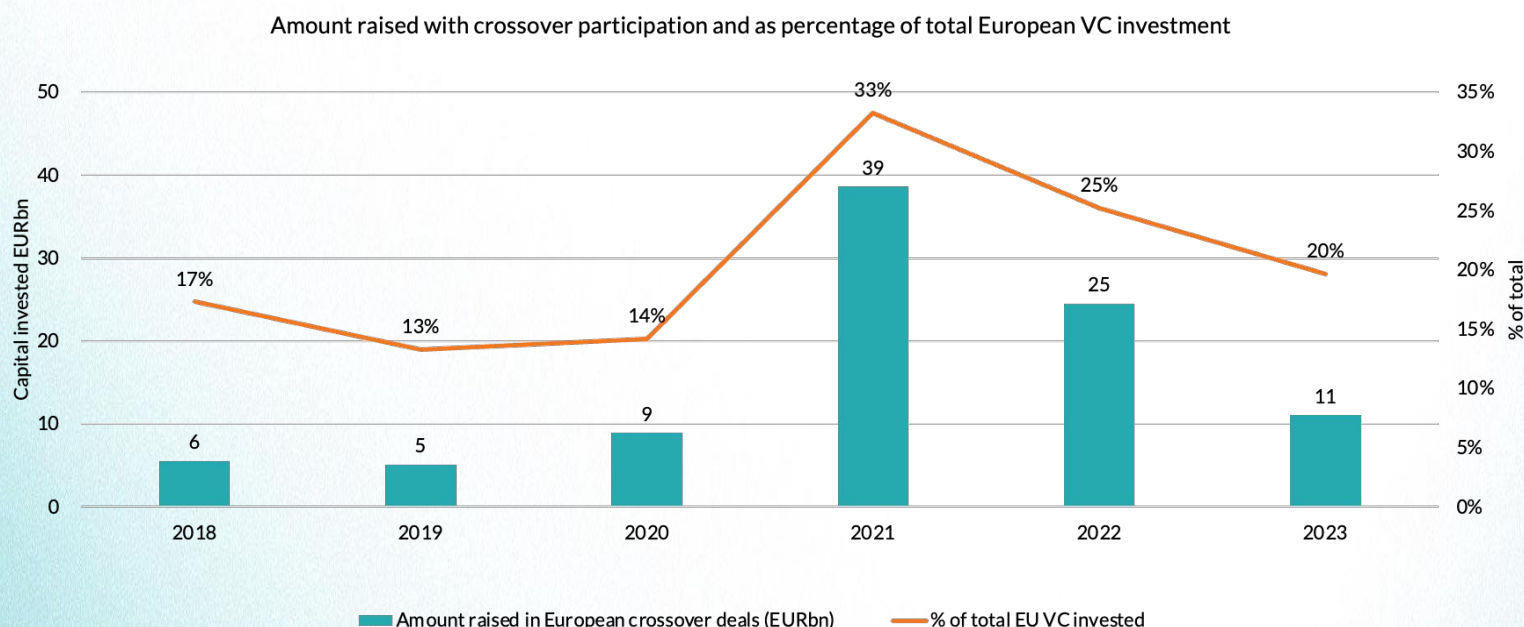


Note: PitchBook data, Revaia analysis. Total amount raised include PIPEs.

The total European VC capital market peaked in 2021 with €116bn across 8,706 deals. It has since fallen by 52% to €56bn and 5,562 deals. In between, 2022 briefly appeared to suggest a softer landing, particularly thanks to a strong Q1 in France.

Still, it is important to note that Europe overall emerged far stronger in the wake of the pandemic and investment frenzy, with 2023 investment numbers significantly higher than 2019.

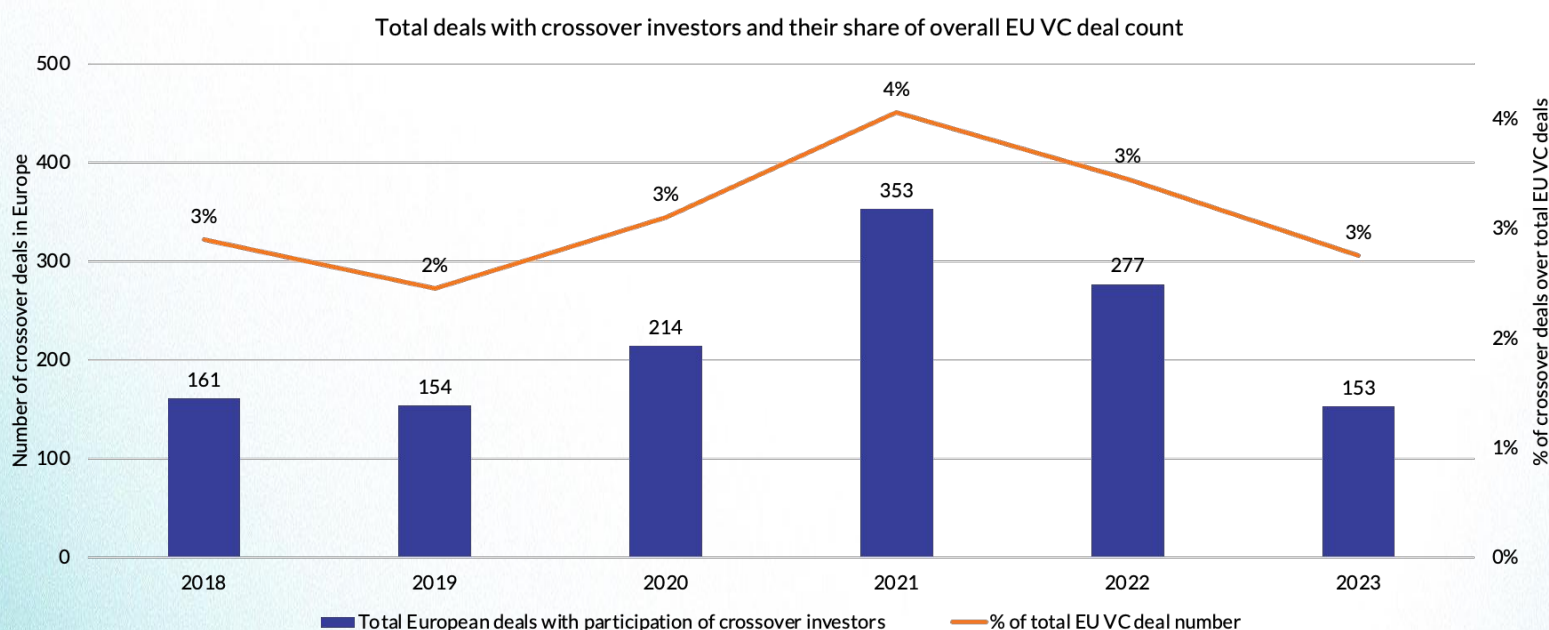
European VC rounds raised in 2023 with Crossover Investors dropped to ~€10bn from ~€40bn in 2021



European VC rounds raised in 2021 with at least one Crossover Investor totaled ~€40bn – about one-third of all money raised. Last year, these investors only participated in rounds totaling €11bn. At first glance, this suggests a dramatic boom-and-bust cycle.

However, Crossover Investors still participated in 20% of all European funding rounds. That 2023 total is more than double from 2019. Despite the narrative about Crossover Investing retrenching in 2023, it hasn't completely collapsed.

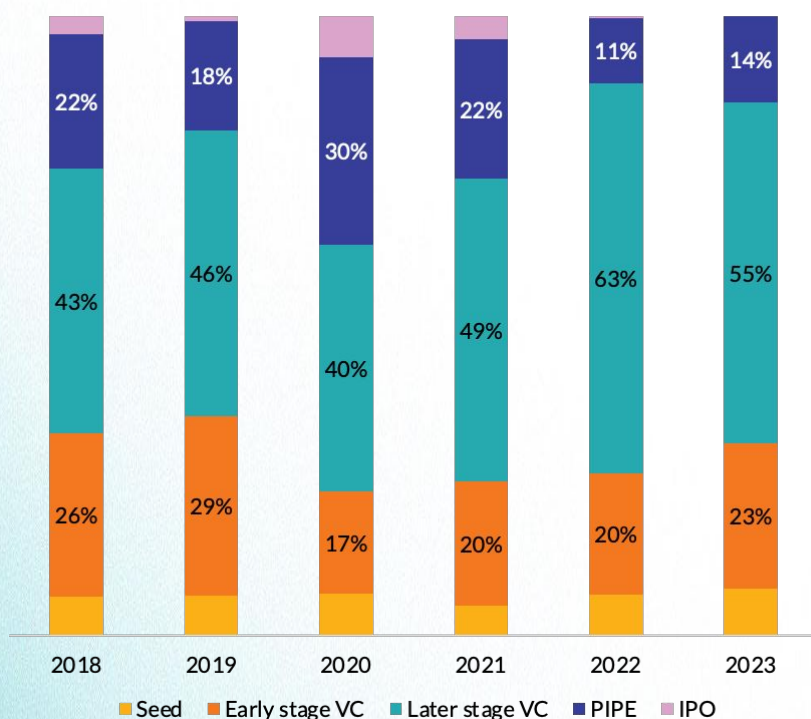
Crossover Investors concentrated their European investments on a small number of deals, generally less 4% of total



While we identified 65 Crossover Investors participating in funding rounds for European startups, these checks were concentrated in a small fraction of deals. In 2021, a Crossover Investor was present in 353 deals, almost one per day, but just 4% of overall funding rounds. Last year, that number had fallen to 153 rounds, but the rate held relatively steady at 3% of all deals.

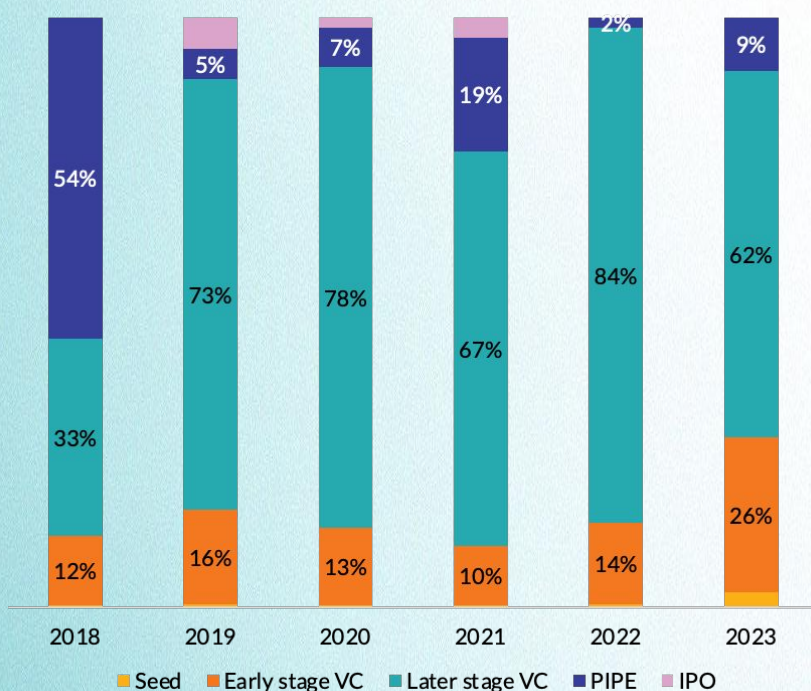
Crossover Investors are investing at the late-stage part of the European VC market

Total EU VC invested (EURbn) by round type

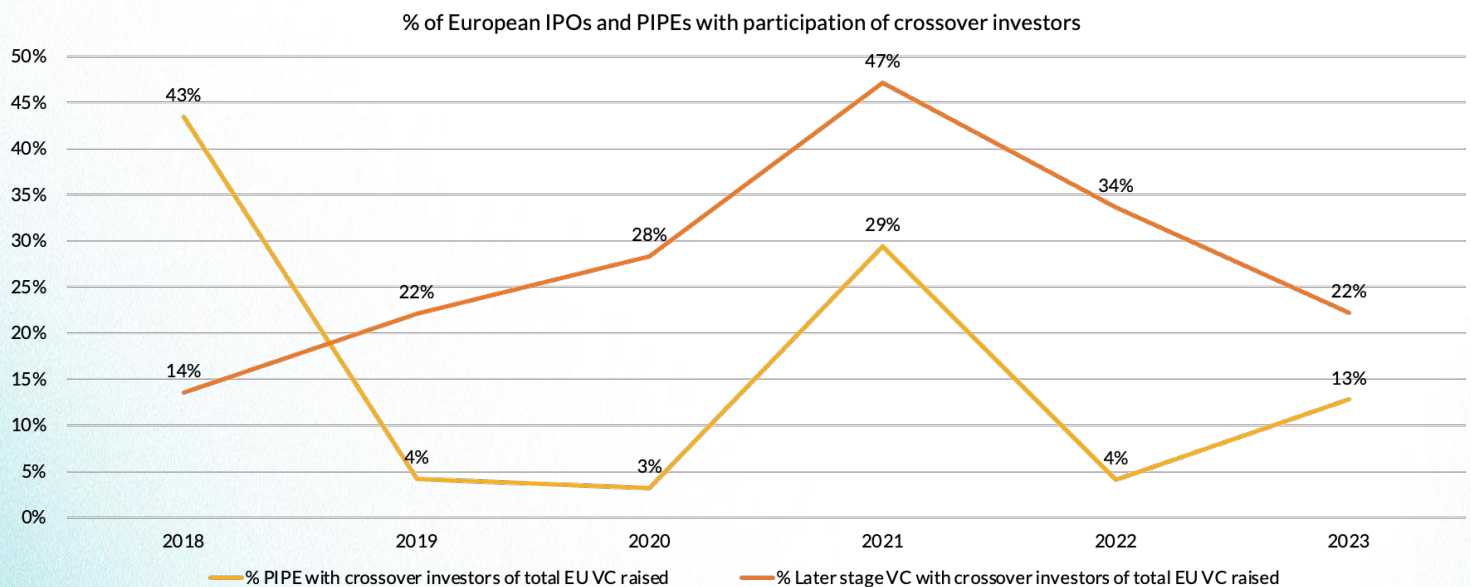


Looking at Crossover Investing by stage, they remained more active in later-stage deals, accounting for 67% of their deals in 2021 and holding steady at 62% in 2023. Still, we detected a shift as early-stage accounted for 26% of Crossover deals, up from 10% two years ago. Some investors wanted to de-risk their portfolio, while others saw an opportunity to back a wider range of startups that could offer bigger returns later.

Amount raised in European crossover deals (EURbn) by round type



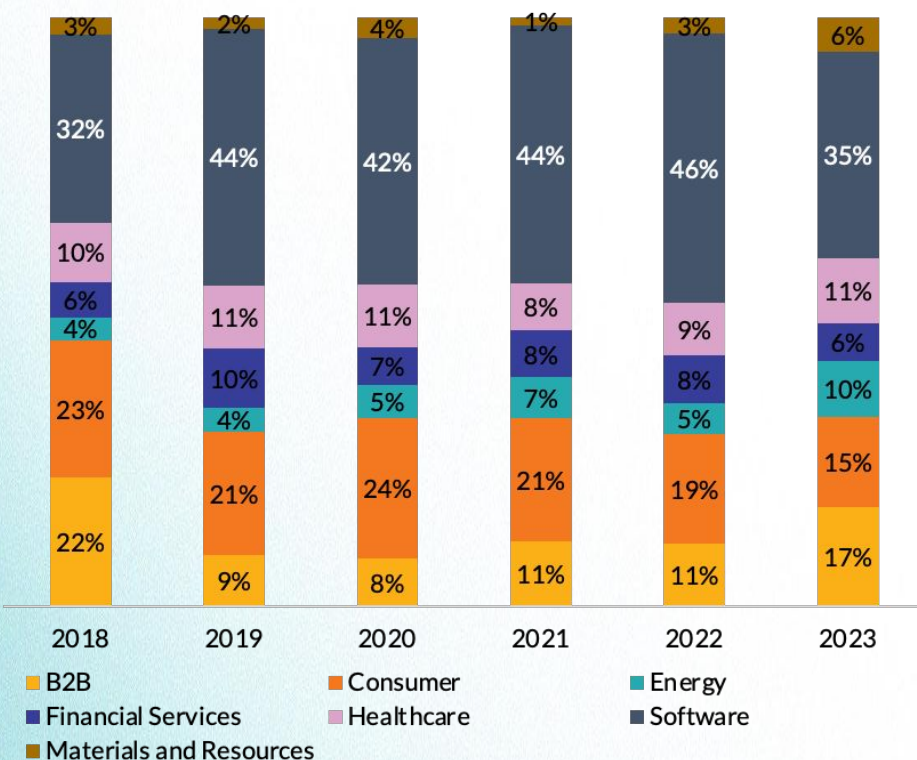
Crossover-backed deals in 2021 represented ~50% of the European later stage VC and ~30% of the PIPE markets



The profound impact of Crossover Investors can be seen in 2021 when they participated in almost half of all late-stage deals. This helped fuel 9-figure rounds that once seemed rare in the ecosystem and drove a steep rise in valuations. At the same time, they were 30% of the PIPE market. By 2023, Crossover Investors were only in 22% of late-stage rounds, leaving a big void for companies looking for investment for their scaleup journey.

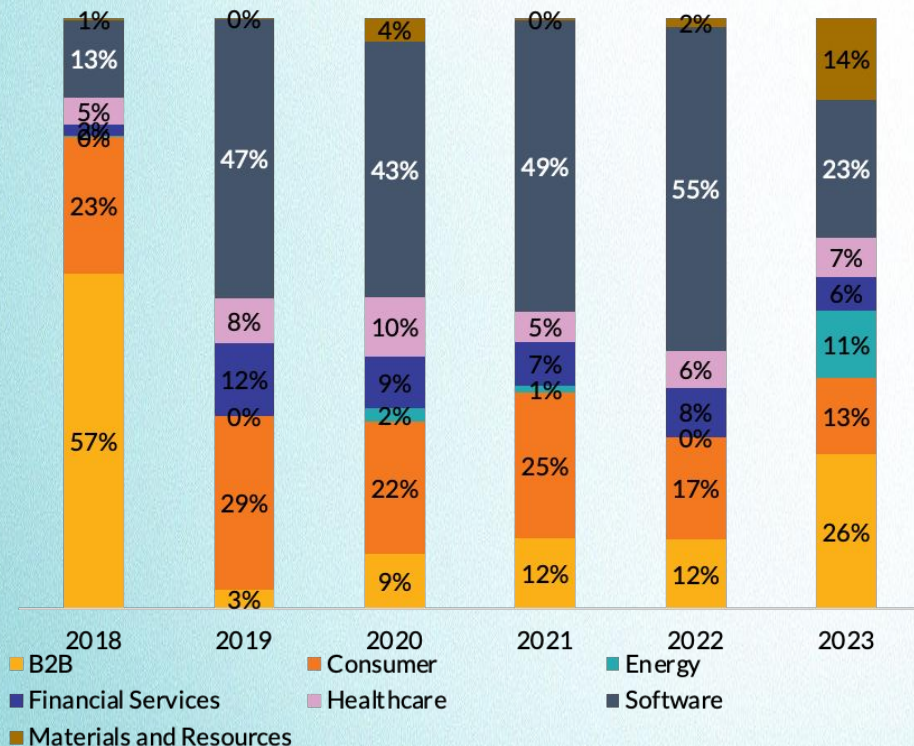
Crossover Investors are generally indexing on Software companies (>40% of capital invested) just like the broader European VC market

Total EU VC invested (EURbn) by round type

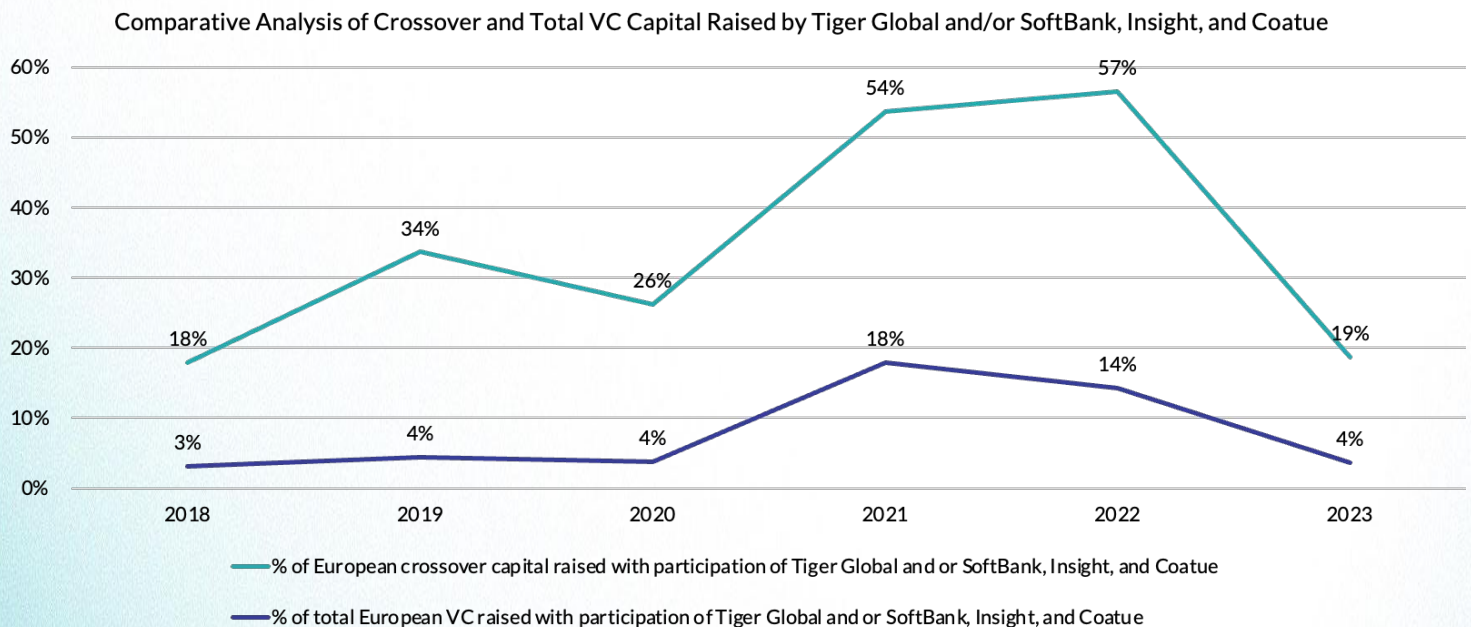


Crossover Investors are following European VC market trends by placing about 40% of their total capital in software companies. Energy and climate-related companies attracted a bit more attention last year with many of those with a hardware component requiring larger investment to scale up research and production.

Total EU crossover capital (EURbn) by round type



In 2021, 18% of total European VC raised involved Tiger Global and/or SoftBank, Insight Partners, and Coatue, but fell to 4% in 2023



To further understand the role of Crossover Investors, let's take a closer look at the four biggest players: SoftBank, Tiger Global, Insight Partners, and Coatue. While Insight Partners is known for its PE investments, we include it here because it also has a (small) public investment strategy and is a big contributor to European VC capital financing.

These top 4 names participated in 18% of all capital raised in 2021 and accounted for 54% of deals that included a Crossover Investor. By 2023, those figures had fallen to 4% and 19% respectively. This clarifies the extent to which the overall European funding landscape was determined by just a handful of investors.

Conclusion

While many of the trendlines are down, it's clear that Europe has remained resilient and emerged from a turbulent period in a much stronger position than it was 5 years ago.

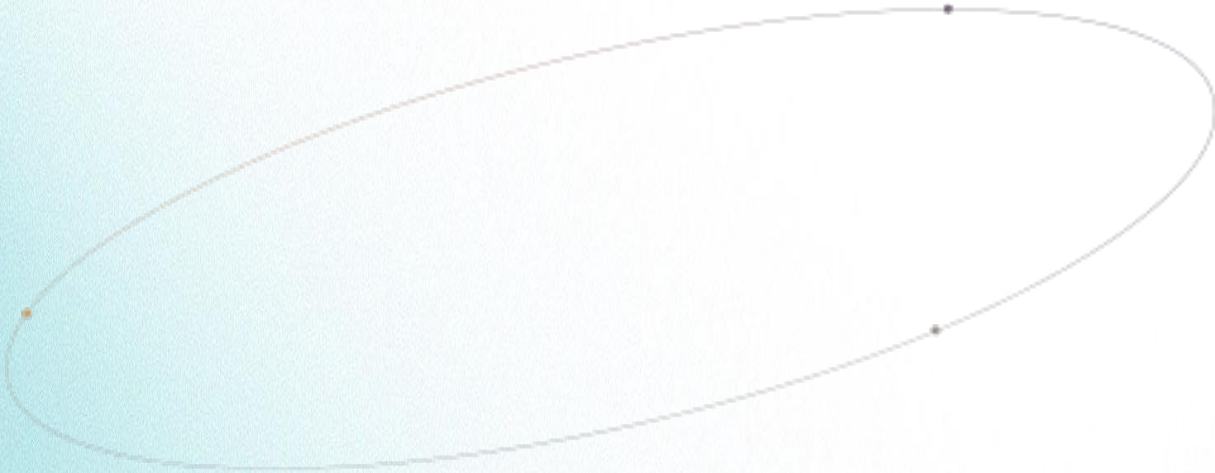
Still, we must redouble efforts to put in place all the necessary pieces for the innovation journey, from the very earliest moments of startup inception through all of the stages of scaling, and finally to robust exits that sustain the very best companies while providing the liquidity needed for investors to make this cycle larger and faster. And this all must be done while holding fast to the values that guide us.

Beyond facts and figures, there continues to be an immense amount of unheralded qualitative work being done to forge strong relationships between founders and investors to educate each side about what is needed for a company to successfully continue its scaling journey.

As we survey the landscape of innovation actors, we are heartened by the unwavering commitment of partners such as Bpifrance, Euronext and Deutsche Börse, to do the hard, unsung labor in the trenches required for the European ecosystem to fulfill its promise. They understand this will be a long-term effort.

At Revaia, we are proud to do our part in this collective effort as we work together to build the European economy of tomorrow.





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