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# “Life is Growth” - How, where and when European tech companies start scaling up

MAY 2019

# Introduction

"Life is growth" is a quote from Morihei Ueshiba, founder of the Japanese martial art of aikido. It continues: "If we stop growing, technically and spiritually, we are as good as dead." It's easy to associate said quote with the world of startups, which Y Combinator founder Paul Graham in a widely-read September 2012 essay simply defined as such: "a startup is a company designed to grow fast".

European startups are no different, and there are plenty of fast-growing companies to analyse. In this report, we strive to do exactly that, as a follow-up to the previous "Seed The Future" report put together by Tech.eu in collaboration with Stripe and Techstars, and focused on early-stage startups in Europe.

Just like with 'early-stage startups', there's no standardised definition for a 'growth-stage' company, making it challenging to compare our research with other studies; and merely looking at financing rounds evidently only tells part of the story (which is why we combined the research with qualitative interviews with startup founders, who in unison highlighted the importance of 'sustainable growth').

In the context of this report and for the sake of consistency with the previous one, a growth-stage startup is defined as such: a company that has gone through the early stages of establishment, initial development of a product or service and reaching at least some form of product-market fit, to reach a state where business development becomes a crucial factor to become a sustainable business, and the concept of growth (in revenue, audience, new users, employees, addressed markets, etc.) takes precedence over pure 'survival'.

The time horizon between the two states remains, however, highly variable and there's evidently a degree of overlap. In general, we equate growth startups to companies that are getting traction and have begun investing in scale rather than development only.

The data we've analysed spans just south of 2,300 growth investments made in almost 2,000 European tech startups between 2016 and 2018, reaching just under €30 billion in total.

In this report, we dug into our vast data set to distinguish early-stage funding from growth financing rounds as those that (1) occur more than one year from initial seed or series A funding, or, (2) if occurring within the same year, they stand out in comparable size or scope to differentiate a new strategy. Wherever possible, we've returned to the original funding announcements to distinguish just how the funds were used for additional verification. As such, this constitutes one of the most comprehensive investigations of follow-on funding behavior of European startups anywhere.

One take-away from our research is that each startup has its own timeline, particularly across a multitude of regions/ecosystems, and that it's challenging to affix an arbitrary measure of age to a company to indicate when it might be 'moving from early-stage to growth stage'. This is true across verticals and business models, even with e-commerce and SaaS.

Raising private capital is only one way European startup founders choose to finance their businesses, and what you can learn from them is that there are also few generalisations to be made within that subset when it comes to follow-on funding, as time and size only gives you part of the story. After all, raising €1 million as a bootstrapped, revenue-generating SaaS company is different from a science-heavy deep tech or medtech startup raising €10 million to pursue scale, even if they're theoretically in the same stage of business development.

Each startup journey is individual, but this report offers a unique perspective on what defines and drives growth-stage startups across Europe, and how they are funded.

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# Key Takeaways

1. This report analyses 2,000+ growth startups that have **raised a total of more than €30 billion in growth funding** across 2,300+ investment rounds from 2016 to 2018.

2. On an annual basis, both the **total investment in growth startups and the number of funding deals have roughly doubled** in the last three full years.

3. This sign of maturation was particularly apparent **in the UK, Germany, France and Sweden, where scale-ups raised the bulk of growth funding** (€21 billion out of the €30 billion total, or 70%).

4. The average and mean size of the investment rounds going to growth startups **have dipped slightly year-over-year**.

5. Looking at verticals, the top industry categories for growth financing rounds in Europe are **fintech, medtech/health tech, SaaS and transportation**, in that order.

6. In 2018, just south of **€3.4 billion went into growth rounds for UK tech startups**, compared to €2.4 billion in France and €2 billion in Germany.

7. In 2018, total investment into growth startups **in France and Germany grew by roughly 27% and 26%, respectively**, whereas the number in the UK virtually stagnated and Sweden's total dropped by 13%.

8. Looking at the top 10 investors in European growth startup funding rounds, most prolific backers **are located in the UK, France and Sweden**, with German VCs only trailing

9. Compared to the US and China, **Europe as a whole still pales in comparison with regards to the total amount of venture funding going to startups**. The US leads with $255 billion in total financing from 2015 to 2018, followed by China with $123 billion and the aggregate of European countries at roughly $66 billion during that time period.

10 A preliminary analysis for Q1 2019 shows a continuation of the positive trend, with a **14% jump in total funding for growth-stage tech companies in Europe**, from €3.25 billion in Q4 2018 to €3.7 billion in the first three months of 2019.

11 The preliminary data for Q1 2019 also shows that **Israel and the UK were neck and neck in terms of number of deals** out of 242 transactions analysed, but Israel far outstrips the latter when it comes to total investment (roughly €850 million compared to €640 million in the UK).

12 The preliminary data for Q1 2019 also demonstrates **the bulk of growth funding going to medtech companies**, with SaaS and fintech duking it out for 'second place'.

13 When it comes to internationalisation, **Stripe research shows that only 1 in 2 growth-stage company in Europe has physically expanded beyond its home market**, even though the vast majority of German, French, British, Spanish and Italian businesses start selling abroad within their first 2 years of existence.

14 The United States remains - by far - the number one destination **with 27% of European companies having a physical presence there**. The largest EU economies follow, with the UK (12%), Germany (10,5%) and France (7,5%) being the most attractive European markets to open an office in.

# Contents

# A first look at the top-line numbers

Taking into account our definition of a growth-stage startup and some of the inherent limitations with this type of research as outlined in the methodology section at the bottom, it's clear that the overall trend for growing European technology companies is positive.

In terms of total investment volume going to growth-stage tech startups in Europe, the increase over the last three years is significant; in fact, from the starting point of our dataset (Q1 2016) to the end point (Q4 2018), the total amount of funding going to growth companies has nearly doubled in size.

The same is true for the number of growth funding deals we've monitored in 2016 compared to 2018, when Tech.eu recorded nearly 1,000 transactions vs. 510 in the first year of the analysed data set.

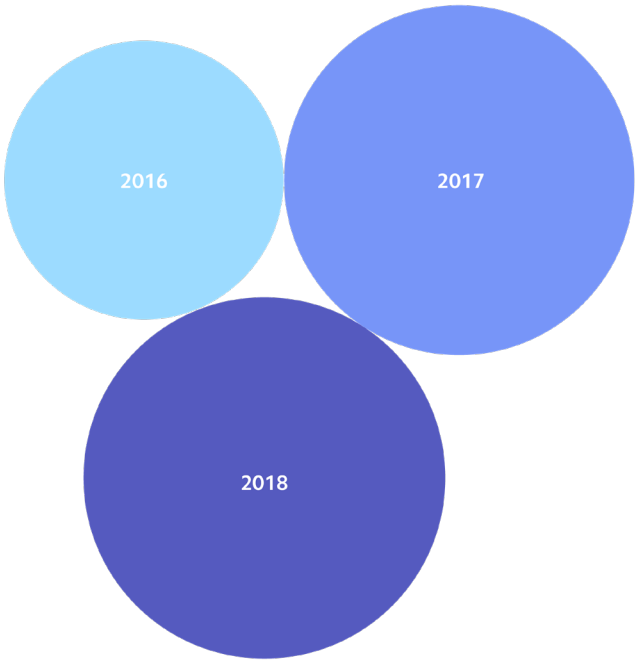
That said, the data also shows that the average and median size of funding deals for growth-stage companies have virtually stagnated, and even gone down slightly over the researched period.

We've taken a preliminary look at the data for Q1 2019, and it looks like the positive trend remains. In the first three months of 2019, Tech.eu has tracked more than 240 financing deals for growth-stage companies in Europe, totaling roughly €3.7 billion or close to €500 million more than the best quarter in the past three full years (Q4 2018 at €3.25 billion).

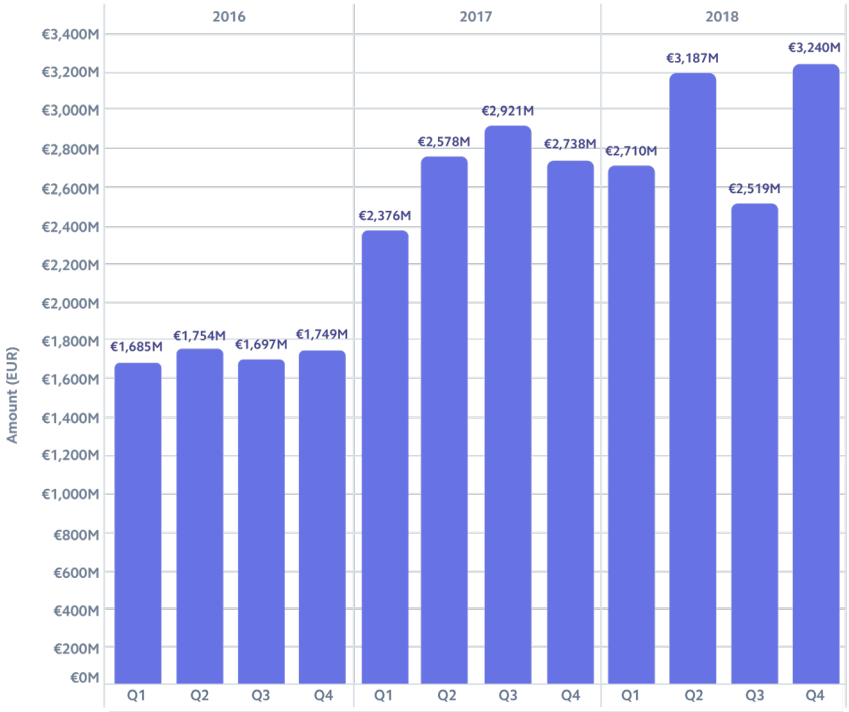
In Q1 2019, Israel and the UK were neck and neck in terms of number of deals, but Israel far outstrips the latter when it comes to total investment (close to €850 million compared to €640 million in the UK).

## Totals and Aggregates

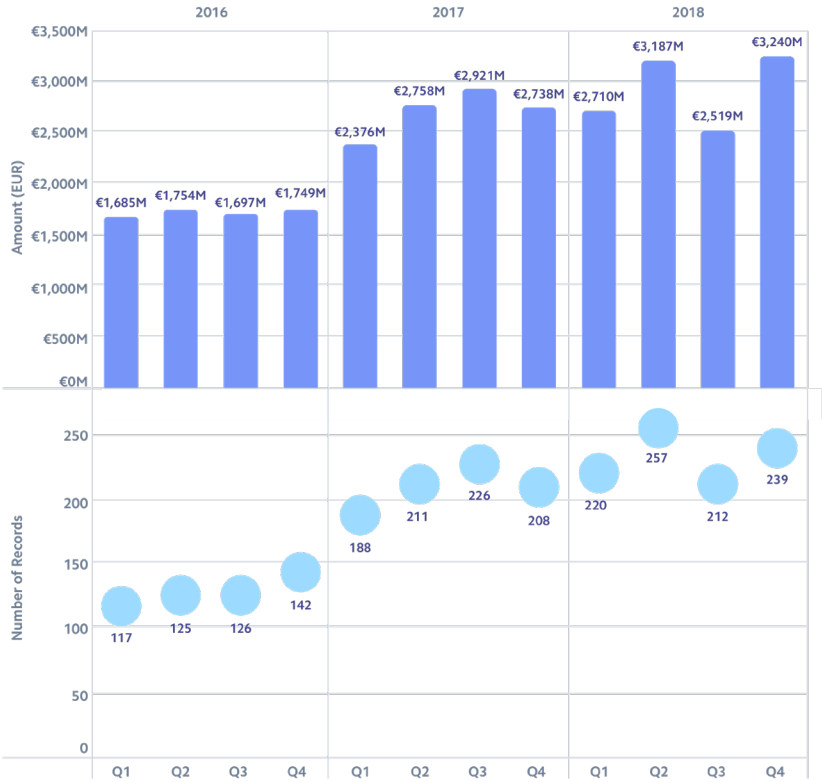
**Growth Rounds, Europe 2016-2018**



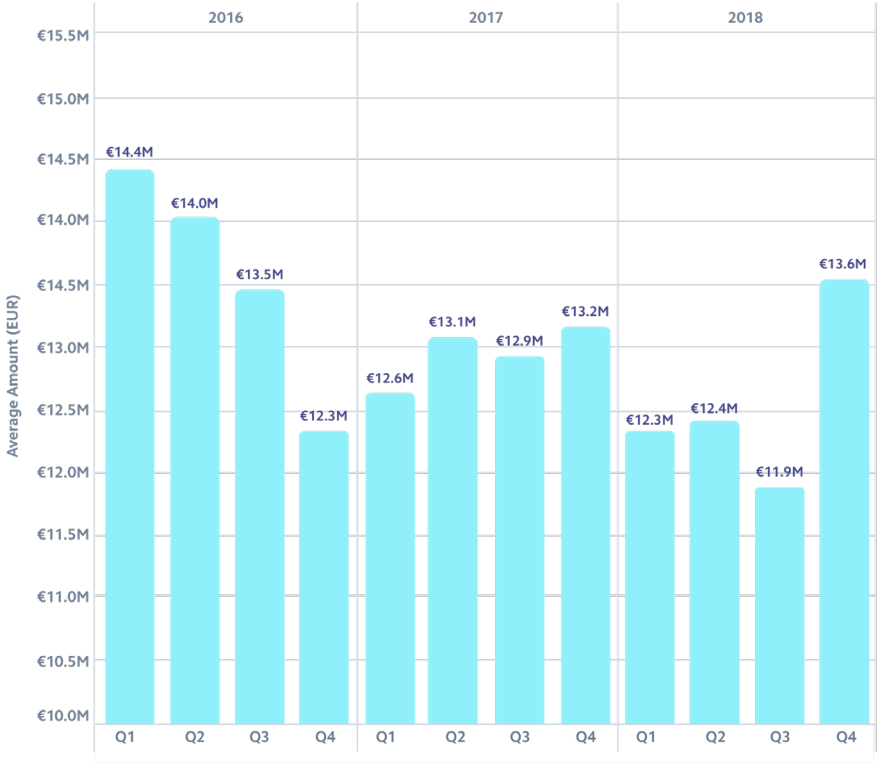
## Measuring Investment in European Growth Rounds, 2016 - 2018



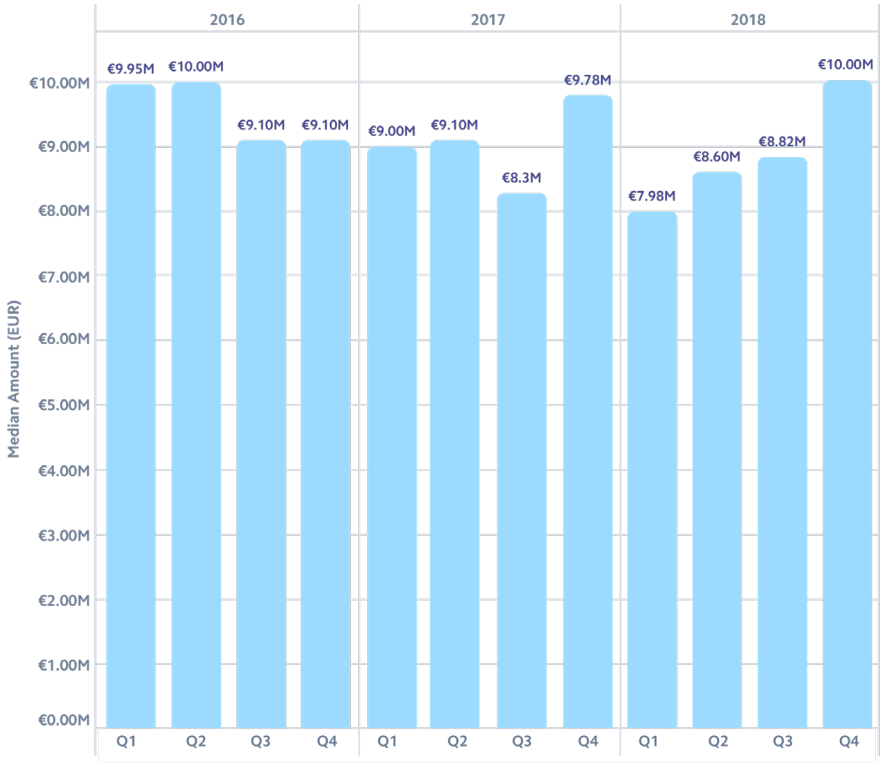

## Total Growth Rounds in Europe, 2016-2018



## Changes in Average Growth Rounds Size Across Europe, 2016 - 2018




## Median Size of Growth Rounds in Europe, 2016-2018



**Difference Between Median and Average Growth Rounds in Europe, 2016-2018**


# The evolution of growth round financing in Europe, by geography

Taking into account the aforementioned definition of a growth financing round and growth-stage startup, there are noticeable differences in the speed of maturation across the pan-European ecosystem(s).

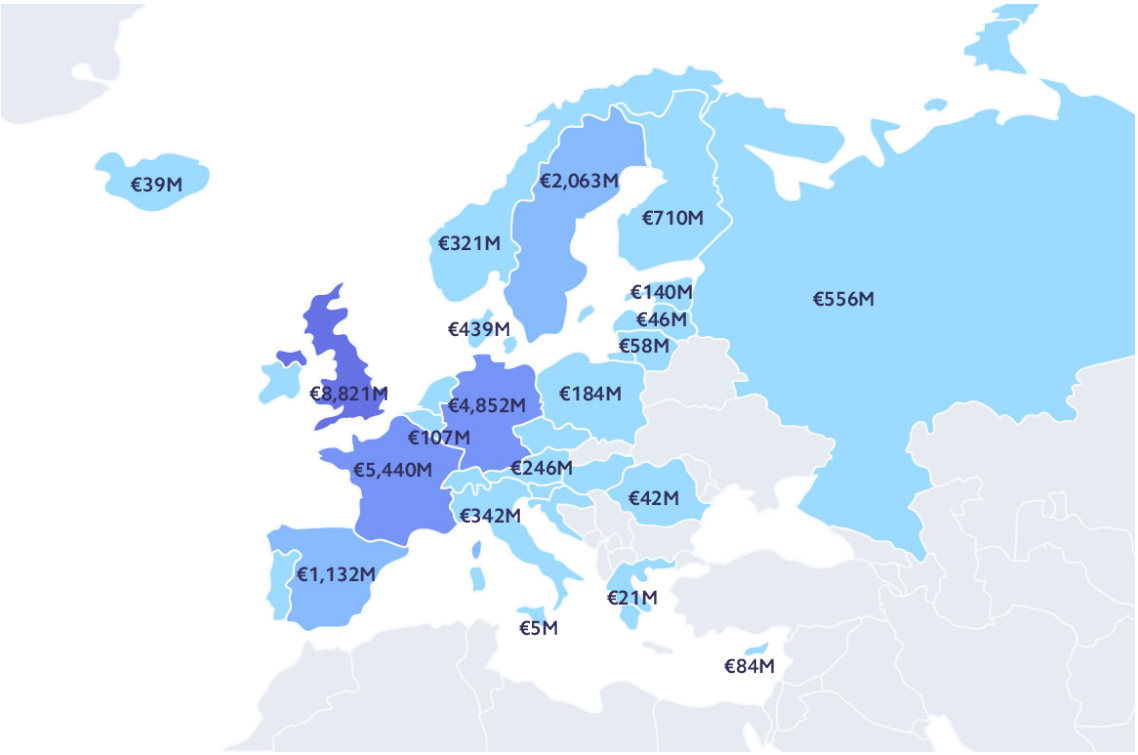
Unsurprisingly, the most sophisticated and mature ecosystems, namely the UK, France and Germany, have seen a large increase in both the number of growth financing deals and total investment volume in this category, with the former steadily leading the continental hubs. Sweden is a surprising fourth in this ranking with more than €2 billion going into growth startup financing rounds from Q1 2016 to Q4 2018.

The total of financing going to British, German, French and Swedish growth startups in this time period exceeds €21 billion, nearly double the amount raised by tech companies in the next 20 countries in the ranking.

This finding really speaks to the difference in ecosystem maturation between the top brass and the followers, which are all relatively close to each other in total investment volume compared to the four aforementioned outliers. It highlights that fragmentation is still a reality in Europe, and that its ecosystems move at varying speeds.

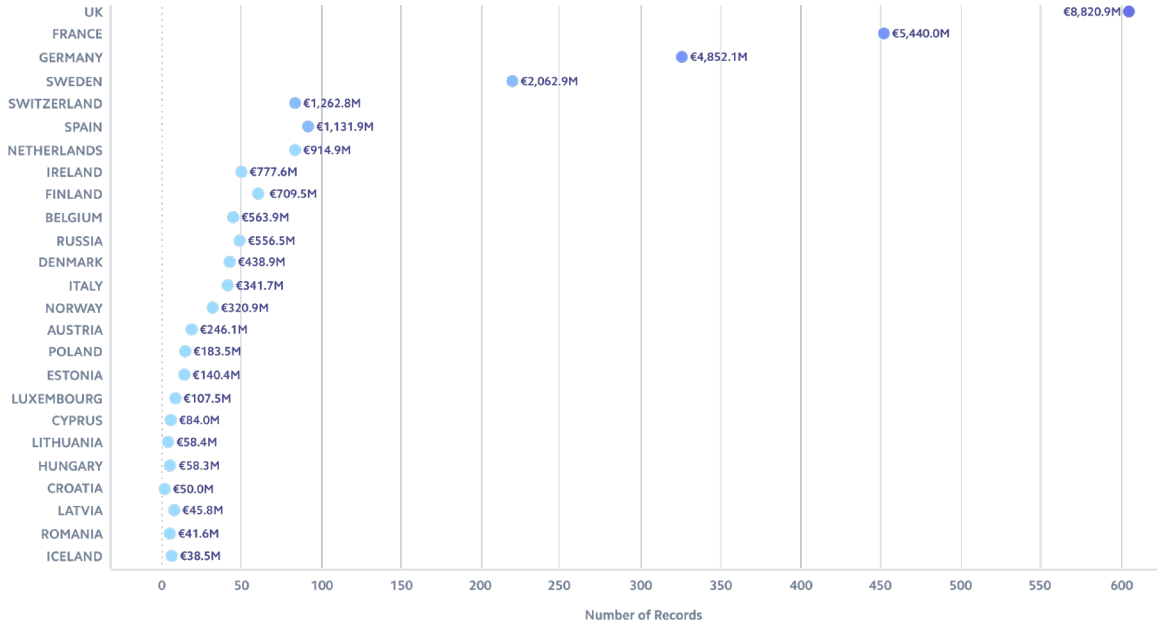
# Growth Round Differences by Geography[1]

### Total Growth Round Investments in Europe, 2016-2018




[1] When it comes to determining attributing a country of origin for companies, there often lacks a consensus. But for the purpose of quantitative analysis,Tech.eu's data makes a justification on a startup location by looking at a company's founding team and where the majority of the team is based. We use a multiple of sources to help make these distinctions, however, that doesn't necessarily make it easy. Take the case of Revolut, a company largely based in London, with a Russian-born founder, that is currently angling for a Lithuanian banking license. Is the company British, Russian, or soon to be Lithuanian, based on the outcome of the license? In this case, Tech.eu would attribute the company to the UK, as it where the company claims its headquarters and where the founder seemingly resides.

## Total Investment in European Growth Rounds, 2016 - 2018 (Top 25 Countries)




## Growth Rounds, Europe 2016-2018

| COUNTRY | 2016 (in €M) | 2017 (in €M) | 2018 (in €M) |
|---|---|---|---|
| UK | € 1,978 | € 3,478 (+75.83%) | € 3,365 (-3.25%) |
| France | € 1,199 | € 1,870 (+55.96%) | € 2,372 (+26.84%) |
| Germany | € 1,123 | € 1,651 (+47.02%) | € 2,079 (+25.92%) |
| Sweden | € 351 | € 916 (+160.97%) | € 796 (-13.10%) |
| Switzerland | € 463 | € 333 (-28.08%) | € 467 (+40.24%) |
| Spain | € 279 | € 495 (+77.42%) | € 358 (-27.68%) |
| Netherlands | € 175 | € 389 (+122.29%) | € 351 (-9.77%) |
| Ireland | € 231 | € 281 (+21.65%) | € 265 (-5.69%) |
| Finland | € 217 | € 277 (27.65%) | € 216 (-22.02%) |
| Belgium | € 168 | € 163 (-2.98%) | € 233 (42.94%) |

**Top 5 European Countries by Total Growth Round Investments, 2016-2018**


## The evolution of growth round financing in Europe, broken down by vertical

The top verticals for growth financing rounds in Europe are fintech, medtech/health tech, SaaS and transportation, in that order and in tune with the leading verticals for overall funding going to European technology companies.

The top 10 is rounded out by popular verticals for investors, such as transportation/mobility, martech (marketing tech), security, travel and fashion.

Europe-based growth companies in the financial technology category lead by a margin, attracting close to €5.4 billion worth of growth funding from Q1 2016 to Q4 2018, more than half the amount that went to the third vertical in the ranking (Software-as-a-Service startups).

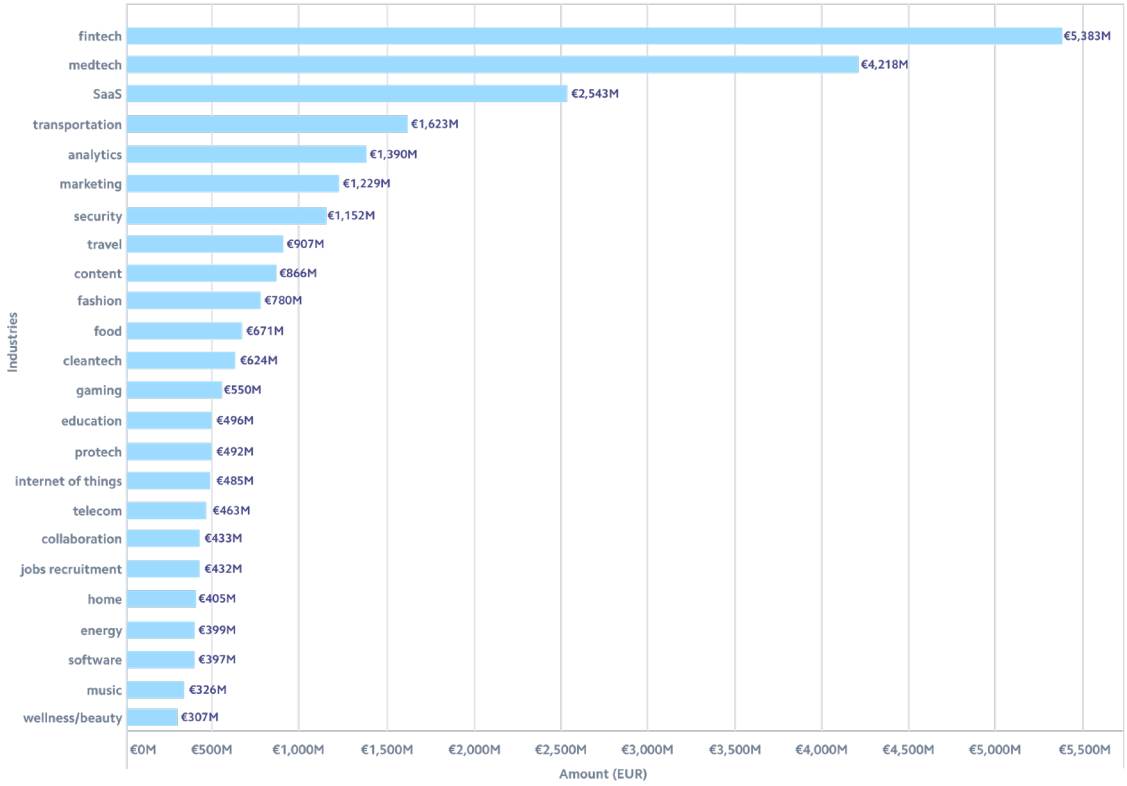
It is worth noting that 2017 was a particularly good year for the top verticals in the ranking; fintech, medtech and SaaS all saw the highest growth financing total in that year, rather than in 2018. This is in line with other Tech.eu research, which shows that 2017 was a record year for funding going to European technology companies overall, with the total number slightly dipping last year.

One possible reason is that the total of growth-stage investments into e-commerce companies has noticeably gone down since 2016, which is surprising given Europe's overall excellency in building e-commerce platforms and marketplaces in the past.

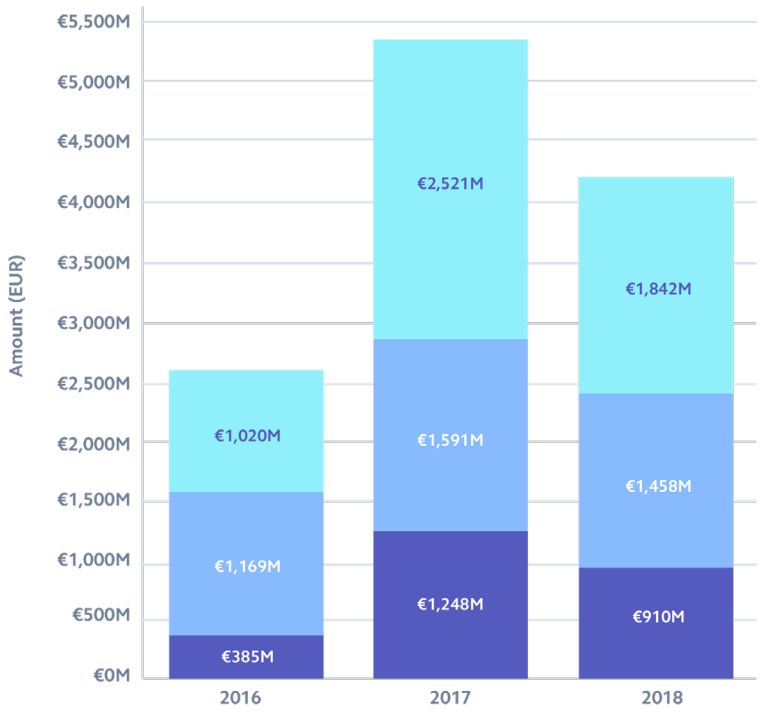
It is also worth noting: when looking at the median round size for growth financing in the top industries, it shows that the top 3 ecosystems in Europe are similarly shaped, with the exception of Germany, which boasts a noticeably higher median for the 'medtech' category.

# Analysis of Growth Rounds by vertical

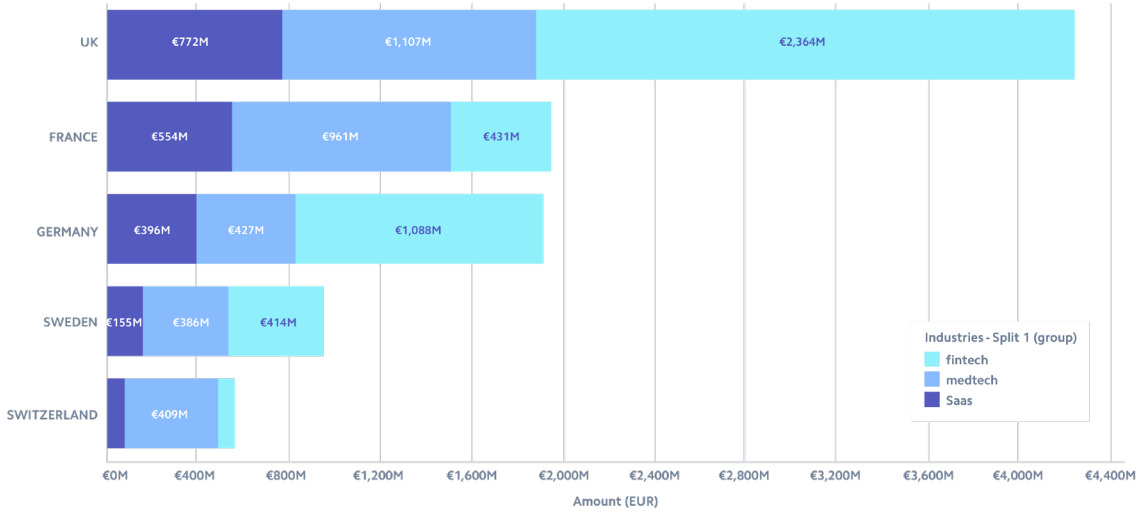
**Top 25 Growth Round Investments by Main Industry Vertical, Europe 2016-2018.**



## Top Three Industries Attracting European Growth Rounds (by Main Industry Vertical) 2016-2018




## Top Five Countries Attracting European Growth Rounds in Fintech, Medtech and SaaS (by Main Industry Vertical) 2016-2018



### Country Table of Median Deal Sizes Across European Growth Rounds in SaaS, Medtech and Fintech, 2016-2018

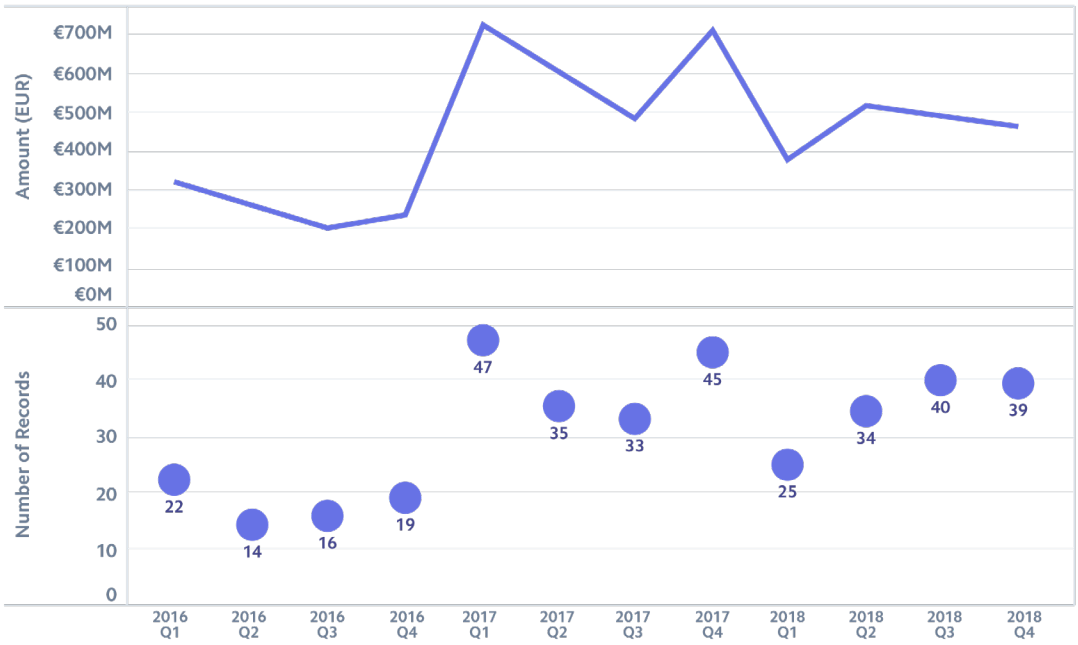
| Country | SaaS | medtech | fintech |
|---|---|---|---|
| UK | €11M | €11M | €11M |
| FRANCE | €10M | €9M | €10M |
| GERMANY | €10M | €14M | €11M |
| SWEDEN | €10M | €6M | €6M |
| SWITZERLAND | €22M | €16M | €6M |
| NETHERLANDS | €6M | €10M | €15M |
| IRELAND | €5M | €11M | €23M |
| SPAIN | €2M | €8M | €14M |
| BELIGIUM | €10M | €7M | €10M |
| RUSSIA | €8M | €6M | €9M |
| FINLAND | €7M | €5M | €7M |
| DENMARK | €14M | €9M | €4M |
| ITLAY | €10M | €8M | €10M |

Amount (EUR)

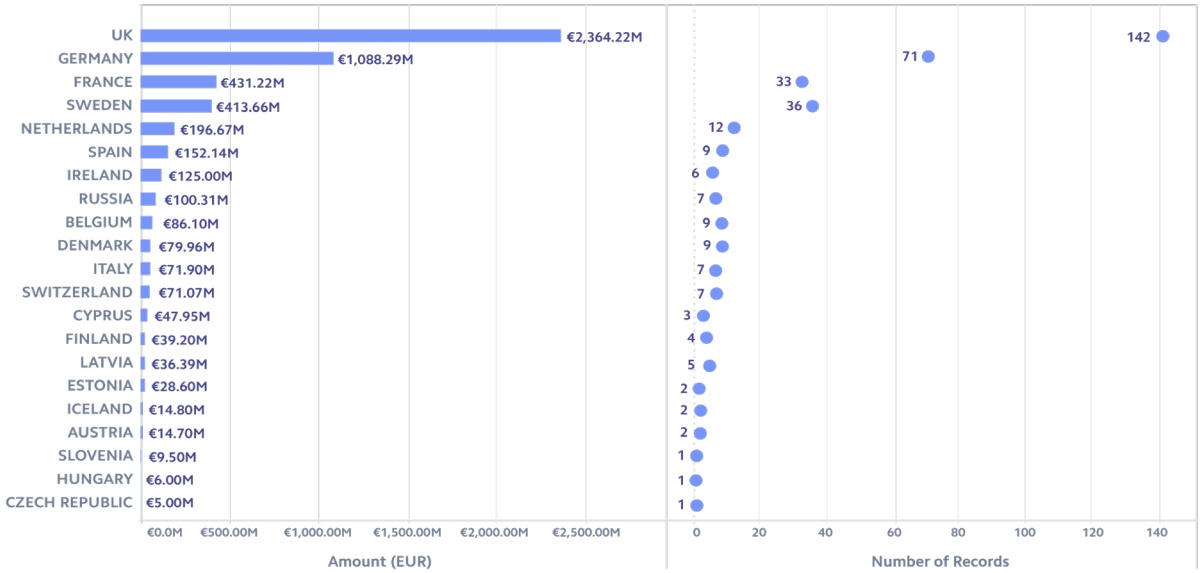
€18M — €2,364M

# Focus on Growth Stage Fintech Investments

### Special Focus on Growth Round Investments into European Fintech, 2016-2018 by Quarter and Number of Deals.



## Growth Round Investments into European Fintech, by Country 2016 - 2018.

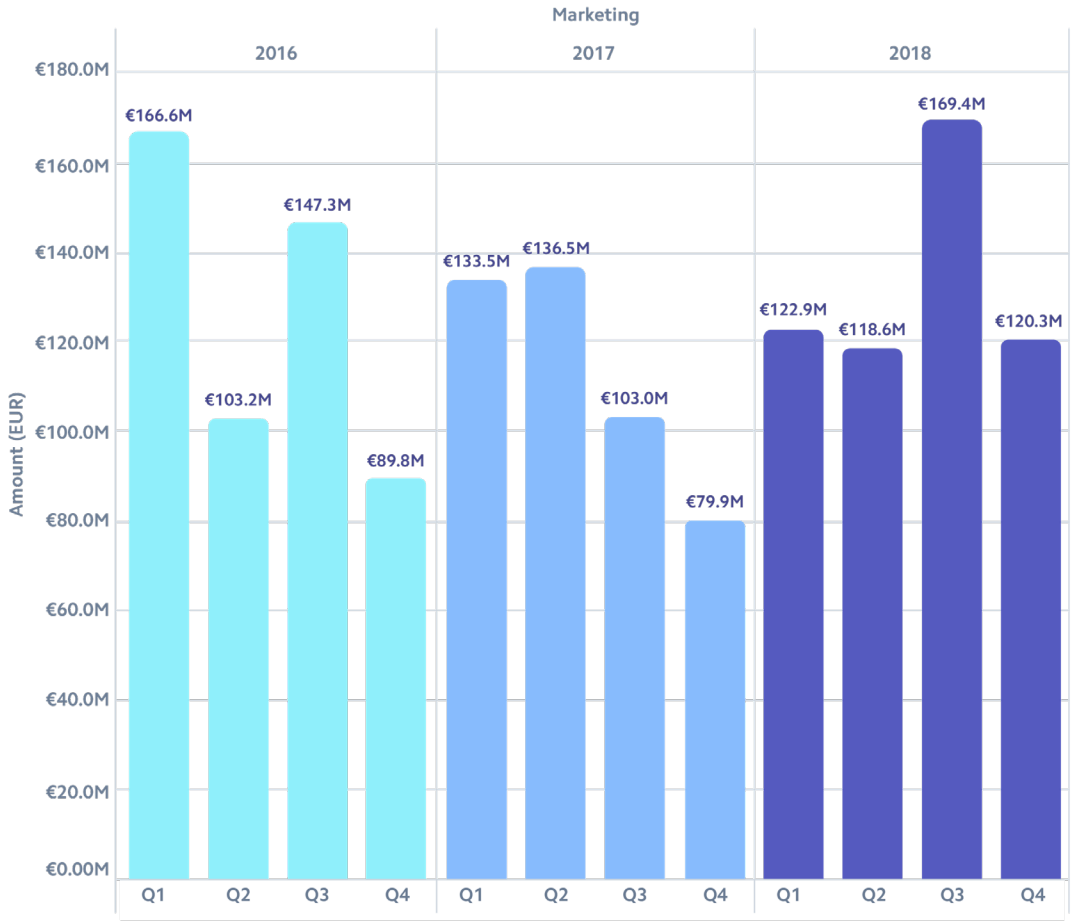



## Growth Stage FinTech Investment in Europe, Top 20 deals, 2016-2018

| COUNTRY | STARTUP | FINTECH |
|---|---|---|
| Sweden | iZettle | €100M |
| Sweden | Klarna | €97M |
| German | Smava | €90M |
| German | finleap | €81M |
| UK | WorldRemit | €77M |
| UK | Monese | €65M |
| UK | MarketInvoice | €63M |
| UK | Starling Bank | €58M |
| German | SolarisBank | €57M |
| UK | Proplend | €57M |
| UK | Reward Finance Group | €56M |
| UK | Receipt Bank | €55M |
| UK | iwoca | €54M |
| UK | Tinubu Square | €53M |
| UK | Credit Peers | €50M |
| UK | Simplesurance | €50M |
| UK | Zopa | €50M |
| UK | Global Processing Services | €50M |
| UK | Monzo | €49M |
| UK | Nutmeg | €47M |

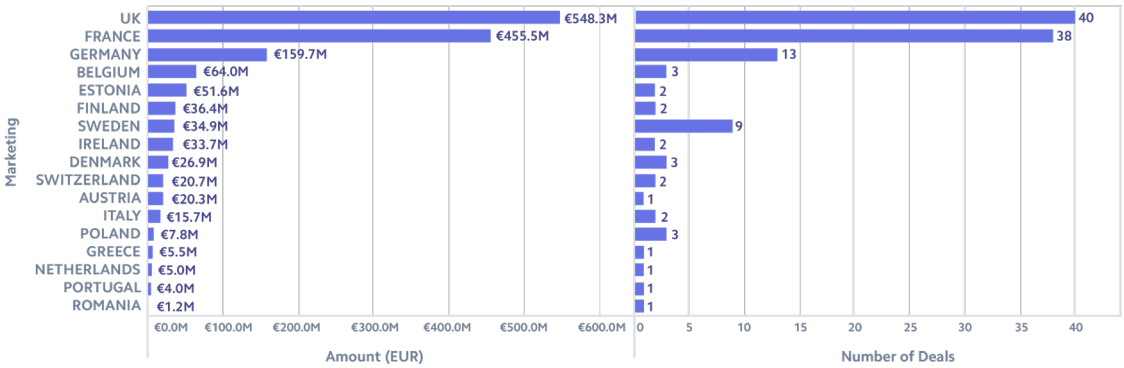
# Focus on Growth Investments into Marketing Tech Startups

**European Growth Round Investments into Marketing Technologies, 2016 - 2018**



## Differences Between European Average and Median Growth Round Investments into Marketing Technologies, 2016 - 2018


## European Growth Round Investments into Marketing Technologies, 2016 - 2018.

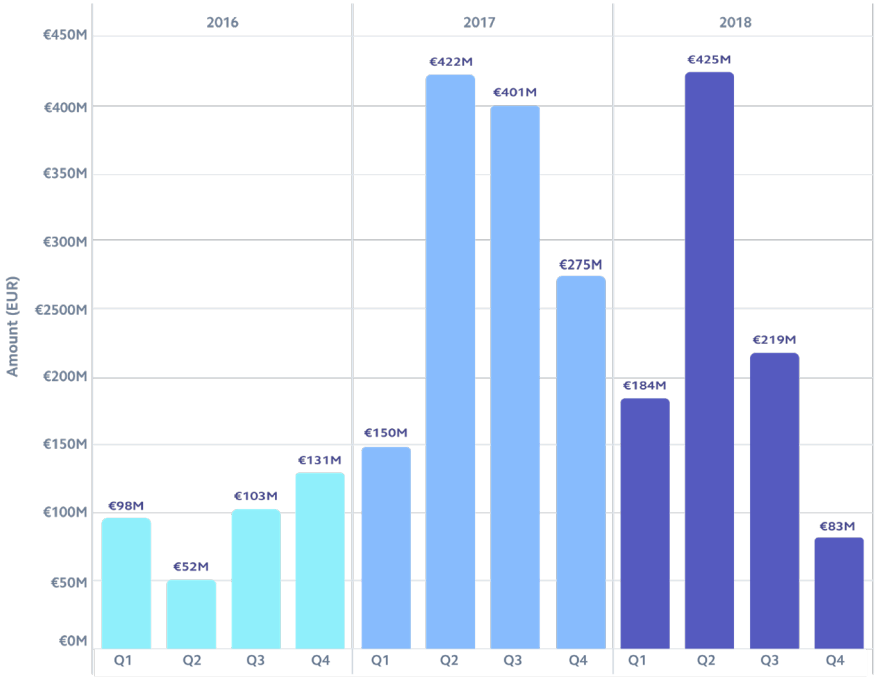


### Growth Stage MarTech Investment in Europe, Top 20 deals, 2016-2018

| COUNTRY | STARTUP | MARTECH |
|---|---|---|
| UK | Blippar | €80.9M |
| Belgium | Showpad | €45.5M |
| Germany | Market Logic Software | €45.0M |
| Germany | Uberall | €44.3M |
| Romania | Teads | €43.0M |
| UK | Qubit | €36.4M |
| France | Linkfluence | €36.0M |
| UK | GlobalWebIndex | €34.4M |
| France | iAdvize | €34.2M |
| UK | Bink | €30.2M |
| France | SendinBlue | €30.0M |
| UK | Lovecrafts | €29.1M |
| UK | Beamery | €28.6M |
| UK | NewVoiceMedia | €27.3M |
| France | Dolead | €25.9M |
| UK | Upstream Systems | €25.0M |
| UK | LoopMe | €23.7M |
| Ireland | Swrve | €22.8M |
| UK | Bliss | €22.7M |
| Austria | Emarsys | €20.3M |

# Focus on SaaS Growth Investments

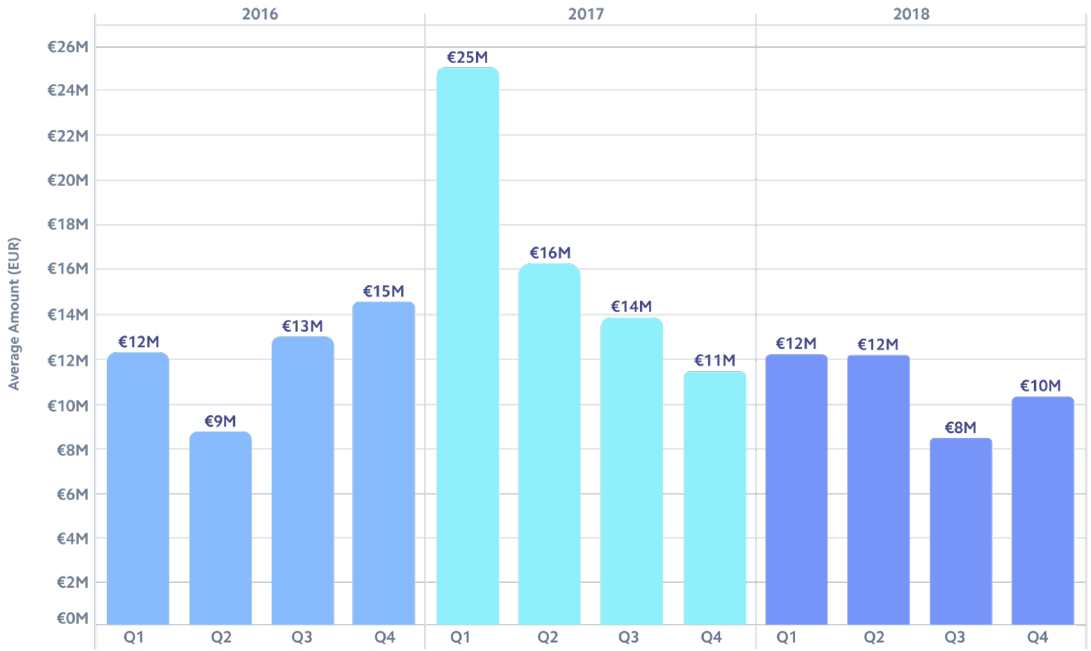
### SaaS Investment, Europe by Quarter, 2016-2018



SaaS (Software as a Service) remains one of Europe's most vibrant industries for growth company investment. As we are capturing growth rounds, the amount invested can be quite variable from year to year, and quarter to quarter. However, we see when compared to other verticals across Europe, that these digital technologies receive amongst the highest amount of investment from year on year.

### Median SaaS Growth Investment, Europe, 2016-2018


### Mean SaaS Growth Investment, Europe, 2016-2018



## Growth Investment into SaaS - Total, by Country, 2016-2018

| COUNTRY | AMOUNT (EUR) | NO. OF RECORDS |
|---|---|---|
| UK | €772M | 56 |
| France | €554M | 32 |
| Germany | €396M | 34 |
| Sweden | €155M | 15 |
| Finland | €111M | 10 |
| Netherlands | €103M | 7 |
| Switzerland | €88M | 4 |
| Denmark | €85M | 6 |
| Norway | €53M | 6 |
| Russia | €44M | 6 |
| Poland | €40M | 2 |
| Italy | €33M | 3 |
| Ireland | €33M | 5 |
| Belgium | €19M | 2 |
| Spain | €18M | 5 |
| Luxembourg | €14M | 1 |
| Hungary | €12M | 1 |
| Estonia | €6M | 2 |
| Austria | €5M | 1 |
| Portugal | €2M | 2 |

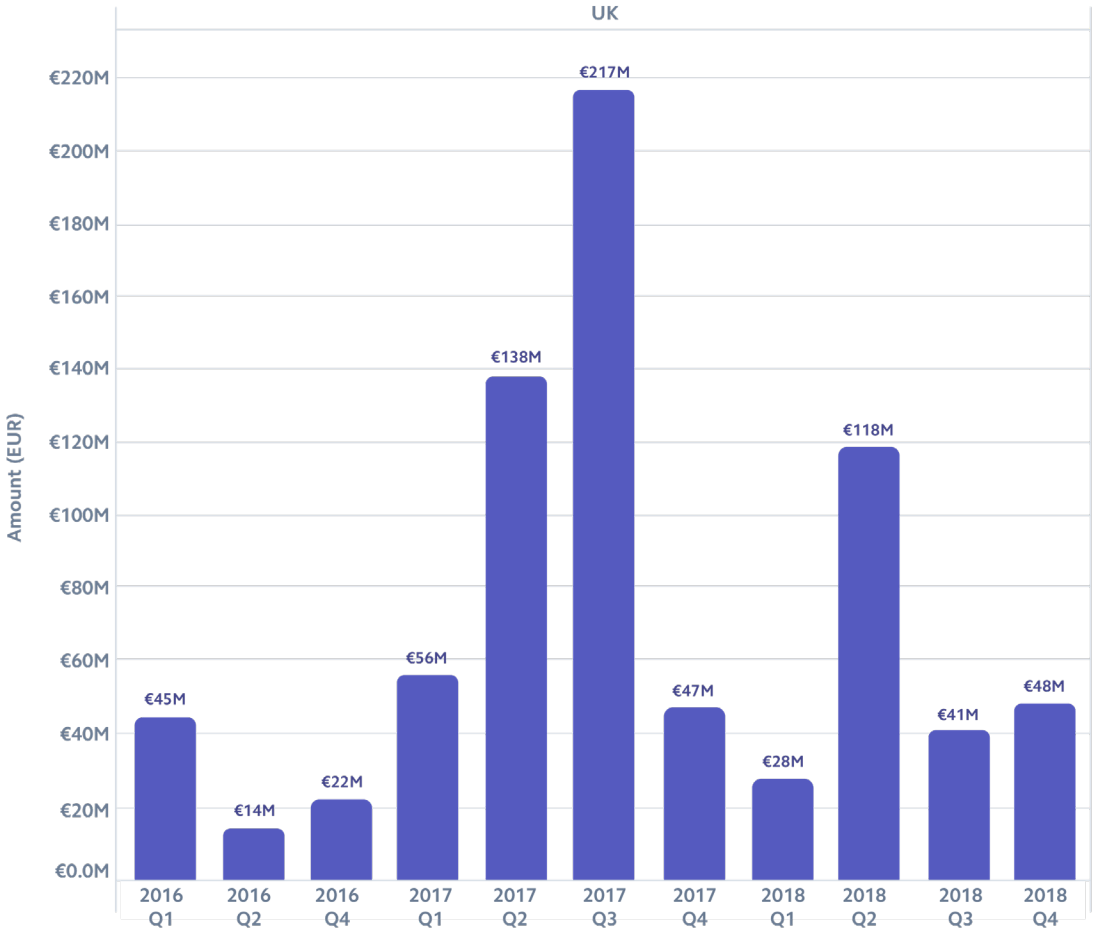
## SaaS, Top 20 Deals, 2016-2018

| COUNTRY | STARTUP | SAAS |
|---|---|---|
| France | Scality | €61M |
| France | oodrive | €59M |
| UK | Timico | €56M |
| Netherlands | MessageBird | €55M |
| France | Shadow | €52M |
| Belarus | Recommerce | €50M |
| France | Algolia | €48M |
| Germany | NewStore | €46M |
| UK | Bizagi | €44M |
| Switzerland | SonarSource | €41M |
| Poland | Survicate | €36M |
| Finland | MariaDB | €33M |
| Switzerland | beqom | €32M |
| UK | Callsign | €32M |
| France | Zenly | €31M |
| France | Wynd | €30M |
| Denmark | Templafy | €29M |
| France | HR Path | €27M |
| Sweden | Yubico | €27M |
| France | Nuxeo | €27M |

## Growth Investment into SaaS - Total, Top 5 Countries, 2016-2018

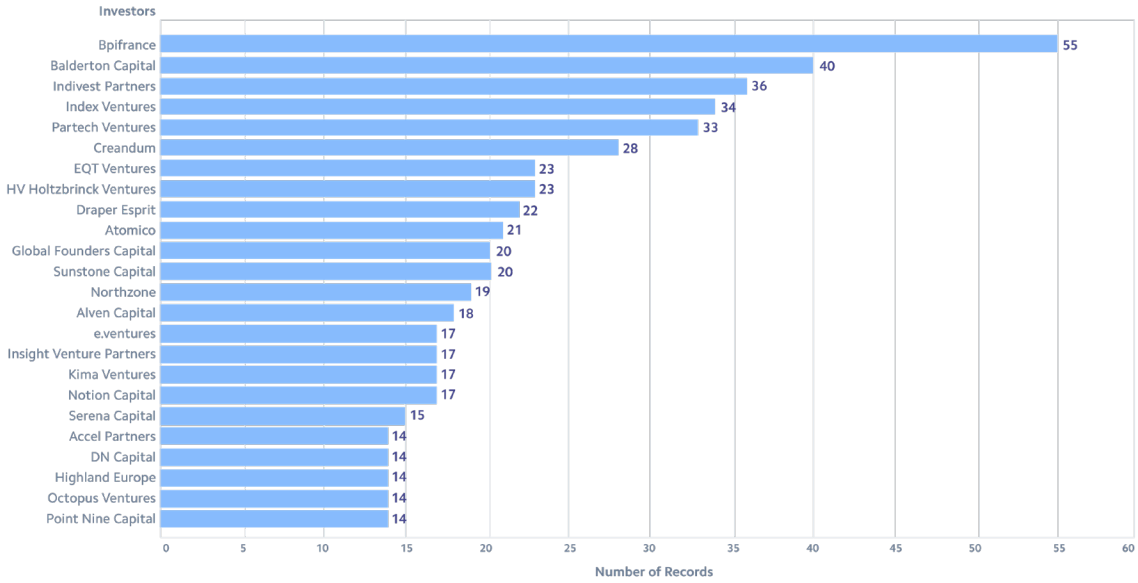
| COUNTRY | 2016 - Q1 | 2016 - Q2 | 2016 - Q3 | 2016 - Q4 | 2017 - Q1 | 2017 - Q2 | 2017 - Q3 | 2017 - Q4 | 2017 - Q1 | 2017 - Q2 | 2017 - Q3 | 2017 - Q4 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| UK | €45M | €14M | | €22M | €56M | €138M | €217M | €47M | €28M | €118M | €41M | €48M |
| France | €9M | €19M | €46M | €35M | €61M | €147M | €14M | €24M | €60M | €125M | €4M | €11M |
| Germany | €14M | €12M | €22M | €7M | €13M | €59M | €62M | €57M | €42M | €64M | €45M | |
| Sweden | | | | | | €53M | €4M | €12M | €16M | €11M | €53M | €7M |
| Finland | €8M | | | €10M | | | €25M | €13M | €15M | €34M | €6M | |
| Netherlands | | | €20M | | | €15M | | €61M | €1M | | €6M | |
| Switzerland | | | | €41M | | | €32M | | €2M | €13M | | |
| Denmark | €23M | | | | €9M | | | €25M | €16M | | | €13M |

## Growth Investment into SaaS - UK Total 2016-2018




* Q3 2016 - no recorded deals

## Top Investors into European SaaS Growth Companies, 2016-2018 by Number of Deals

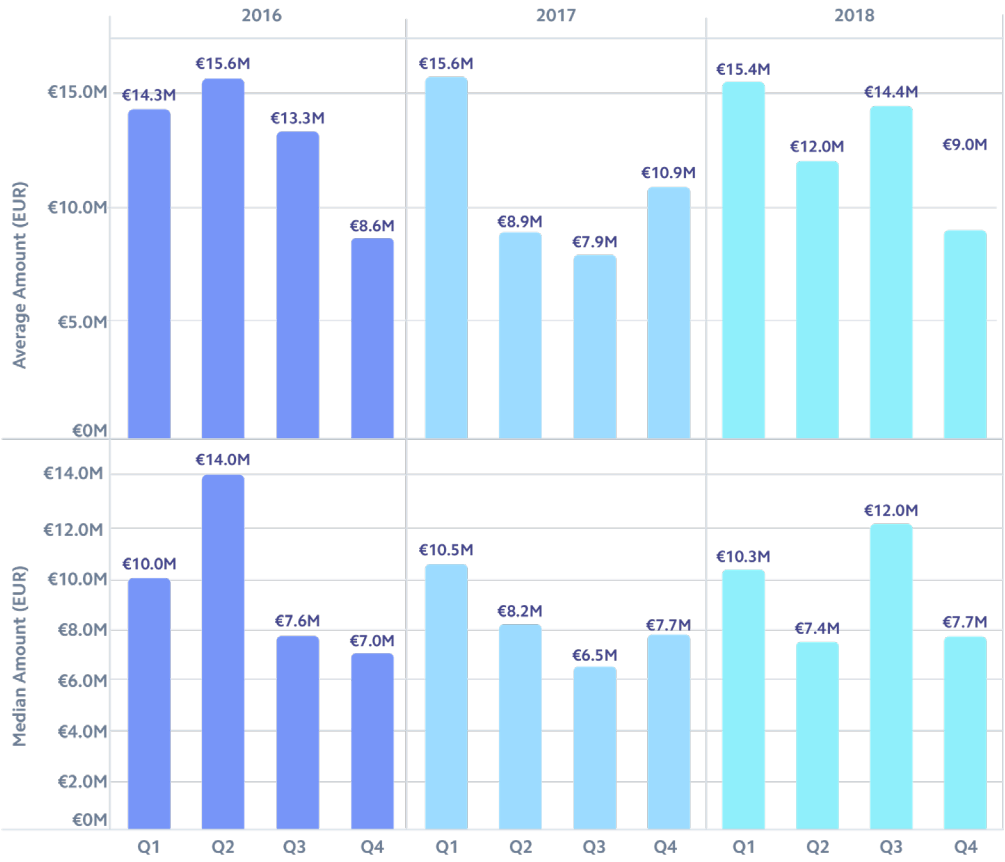


# Focus on E-commerce Growth Investments

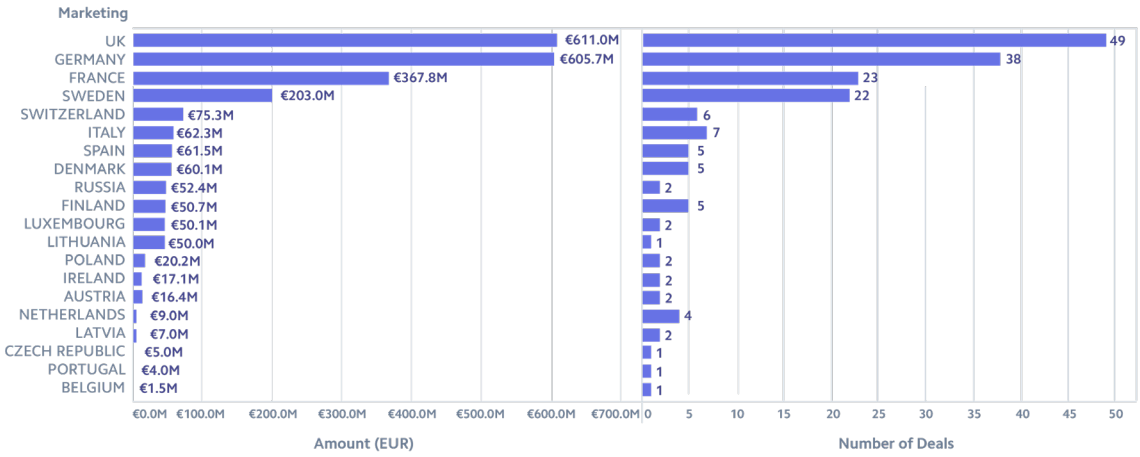
E-commerce has historically remained an area of European excellence in technology. However, as we see from the graph below, the amount of growth stage investments has dipped somewhat in Europe over time. While there could be a number of reasons for this, we can assume that the growing influence of non-European e-commerce platforms such as Amazon have impacted the amount of growth investment for E-commerce companies in Europe. However, when we look closer, some countries, fare quite well over the time period of investigation. For example, investments into UK growth stage E-commerce companies have grown year on year during our time period of investigation.

**Change in European E-commerce Growth Investments Over Time, 2016-2018 by Quarter**

## Differences Between Average and Median Growth Round Investments into European E-commerce, 2016-2018




## Top Countries Attracting European E-commerce Growth Investments, 2016-2018



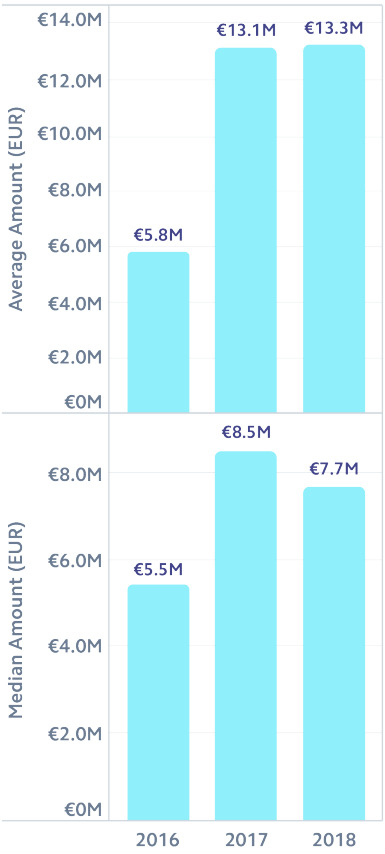
**Differences between Average and Median Growth Investments into European E-commerce Companies, Top 5 Countries**


# Focus on Adtech

Advertising technologies make up a smaller portion of Marketing technology. We've divided out these companies for a closer look. When compared to marketing technologies, we find that advertising technologies are experiencing considerable growth over the time period of analysis. In 2016, growth deals tagged as adtech received less than €20 million in Europe over the course of the year. By 2018 however, growth investments in adtech exceeded over €130 million. Unsurprisingly, the UK remains the leading destination in Europe for growth investments in advertising technologies, attracting over €125 million during 2016-2018.

## Changes in Growth Investment into European Advertising Technologies, 2016-2018

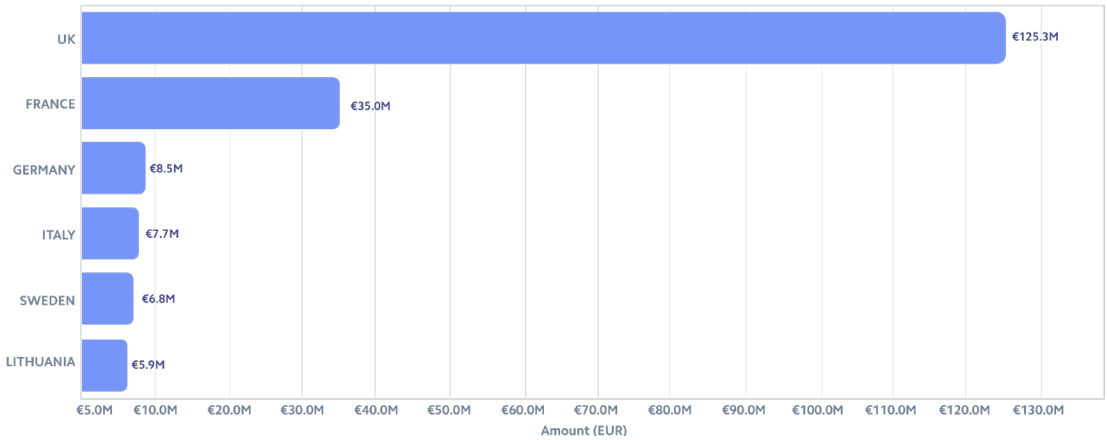

## Differences between Average and Median Growth Investments into European Advertising Technologies, 2016-2018




## Top Investments into Advertising Technology, 2016-2018

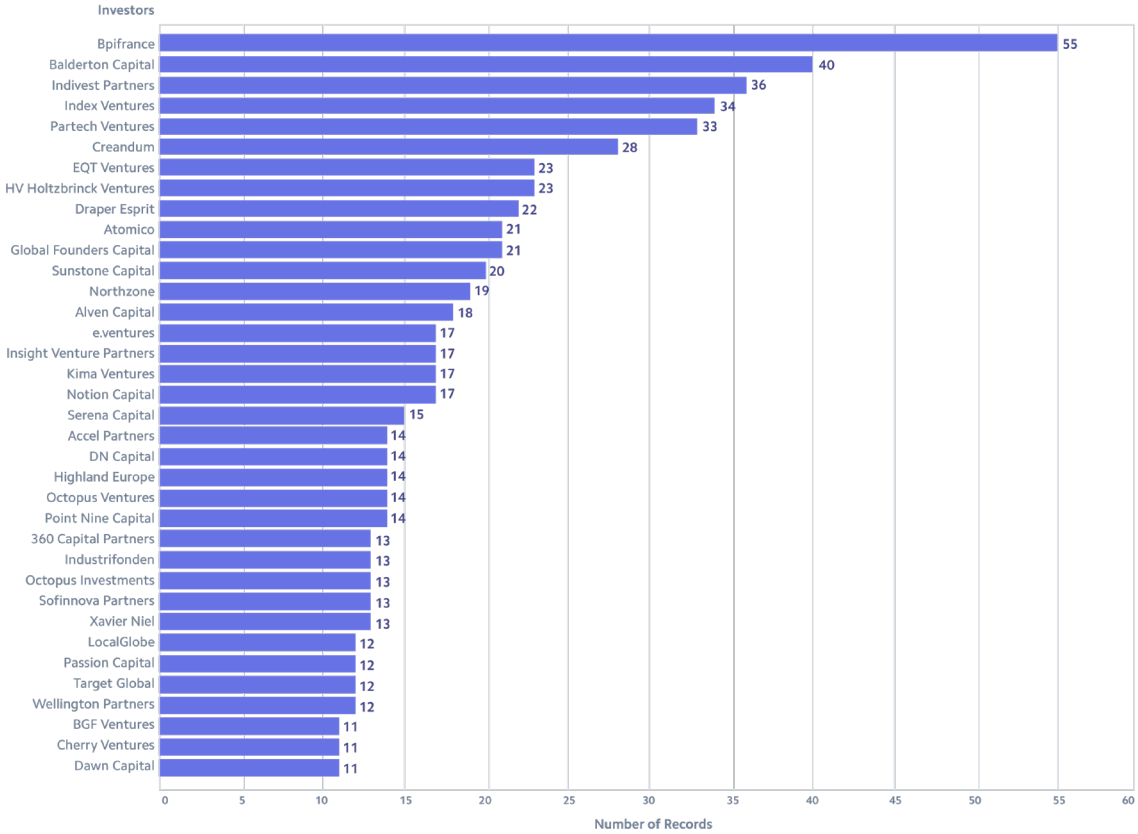
| COUNTRY | STARTUP | ADTECH |
|---|---|---|
| UK | GlobalWebIndex | €34.4M |
| UK | Totallymoney | €32.8M |
| UK | Upstream Systems | €25.0M |
| France | Vectaury | €20.0M |
| France | Geolid | €15.0M |
| Germany | Crealytics | €8.5M |
| UK | Partnerize | €7.7M |
| ITALY | Buzzoole | €7.7M |
| UK | Adbrain | €6.8M |
| Sweden | Universal Avenue | €6.0M |
| UK | admedo | €5.5M |
| UK | PowerLinnks | €5.1M |
| UK | Adyoulike | €5.0M |
| UK | Meniga | €3.0M |
| Sweden | DanAds | €0.8M |

### Top 5 European Countries Attracting Growth Investment into Advertising Technologies




# Who's investing in Europe's growth companies? A look at investor density

### Europe's Top Investors at Growth Stage, 2016-2018



## Top 9 European Countries for Startup Investment - Per Investor

| INVESTOR NAME | INVESTOR LOCATION | TOTAL NUMBER OF EUROPEAN COUNTRIES INVESTED IN | TOTAL % OF INVESTMENT IN EUROPE | FRA | GB | DE | SE | ES | FIN | NL | DK | IL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| accel.com | USA | 7 | 13.79% | 1.97% | 7.39% | 1.97% | | | | | | |
| insightpartners.com | USA | 14 | 26.14% | | 5.68% | 3.41% | | | | | | 4.55% |
| eventures.vc | USA | 8 | 42.37% | 3.39% | 11.86% | 15.25% | 3.39% | 3.39% | | | | |
| dncapital.com | USA | 6 | 68.29% | 7.32% | 17.07% | 31.71% | | | | | | |
| northzone.com | SWE | 7 | 77.14% | | 11.43% | 20.00% | 25.71% | | | | | |
| creandum.com | SWE | 8 | 88.24% | | 11.76% | 17.65% | 26.47% | | 11.76% | | 11.76% | |
| eqtventures.com | SWE | 6 | 78.79% | | 9.09% | 21.21% | 21.21% | | 12.12% | 9.09% | | |
| industrifonden.com | SWE | 3 | 95.65% | | 4.35% | | 86.96% | | | | | |
| bgf.co.uk | GBR | 4 | 93.18% | | 90.91% | 0.76% | 0.76% | | | | | |
| localglobe.vc | GBR | 11 | 88.71% | | 69.35% | | | 3.23% | | | | 4.84% |
| octopusventures.com | GBR | 6 | 84.00% | | 74.00% | 2.00% | | | | 2.00% | | 2.00% |
| balderton.com | GBR | 8 | 84.78% | 6.52% | 52.17% | 8.70% | 8.70% | | | | | |
| atomico.com | GBR | 9 | 70.27% | | 29.73% | 5.41% | 5.41% | 5.41% | 5.41% | 5.41% | | |
| draperesprit.com | GBR | 6 | 85.29% | 8.82% | 58.82% | 5.88% | | | | | | |
| passioncapital.com | GBR | 4 | 96.97% | | 78.79% | 9.09% | | | | | | |
| notion.vc | GBR | 8 | 75.00% | 3.13% | 50.00% | | 3.13% | | | 6.25% | | |
| dawncapital.com | GBR | 8 | 68.42% | | 31.58% | 5.26% | 5.26% | | 5.26% | 5.26% | 5.26% | |
| bpifrance.fr | FRA | 6 | 95.15% | 92.72% | | | | | | 0.49% | | |
| kimaventures.com | FRA | 8 | 73.11% | 56.30% | 10.92% | 2.52% | | | | | | |
| idinvest.com | FRA | 11 | 89.57% | 61.74% | | 8.70% | | 5.22% | | | | |
| partechpartners.com | FRA | 8 | 68.93% | 45.63% | 11.65% | 4.85% | | | | | | |
| sofinnova.fr | FRA | 9 | 75.68% | 35.14% | 16.22% | 5.41% | | | | | | |
| 360capitalpartners.com | FRA | 7 | 90.91% | 60.61% | 6.06% | | | | | | | 6.06% |
| alven.co | FRA | 4 | 76.67% | 66.67% | | 3.33% | | | | | 3.33% | |
| serena.vc | FRA | 4 | 87.50% | 70.83% | | | | 4.17% | | | | |
| octopusinvestments.com | ESP | 3 | 87.50% | | 62.50% | | | | 12.50% | | | |
| heartcore.com | DNK | 7 | 82.76% | | 13.79% | 17.24% | 13.79% | | | | 20.69% | |
| globalfounders.vc | DEU | 8 | 59.43% | 13.21% | 17.92% | 23.58% | | | | | | |
| pointninecap.com | DEU | 9 | 65.91% | 9.09% | 6.82% | 29.55% | | 9.09% | | | | |
| hvventures.com | DEU | 7 | 84.09% | | 6.82% | 68.18% | | 2.27% | 2.27% | 2.27% | | |
| targetglobal.vc | DEU | 7 | 93.10% | | 6.90% | 44.83% | | 6.90% | | | | 13.79% |
| wellington-partners.com | DEU | 7 | 78.26% | 13.04% | 13.04% | 30.43% | 8.70% | | | | | |
| cherry.vc | DEU | 4 | 94.12% | | 5.88% | 76.47% | 5.88% | | | | | |
| indexventures.com | CHE | 9 | 40.00% | 6.40% | 20.80% | 5.60% | | | | | | |
| highlandeurope.com | CHE | 6 | 72.73% | 4.55% | 27.27% | 27.27% | | | 4.55% | | | 4.55% |
| AVERAGE | | 7.06 | 75.78% | 29.85% | 27.12% | 17.72% | 16.57% | 4.96% | 7.70% | 4.40% | 10.26% | 5.96% |

### Which investment firms are backing growing European technology companies, exactly?

As it turns out, growth financing is sourced from across the globe, but the data clearly shows a strong representation from domestic investors. Comprehensive lists of all VCs in Europe are difficult to find, but the list below - compiled by Techstars - gives some indication of investor density in this part of the world.

From the responses, we can assume that most tech investors are based in the UK (roughly 25% of the total) followed by Germany, France, Spain and Sweden, which corresponds neatly to where most of the financing for startups take place.

Proximity to backed startups in the growth stage clearly remains a highly important factor for VCs and other types of investors providing funding to fuel the fire for companies gaining early traction.

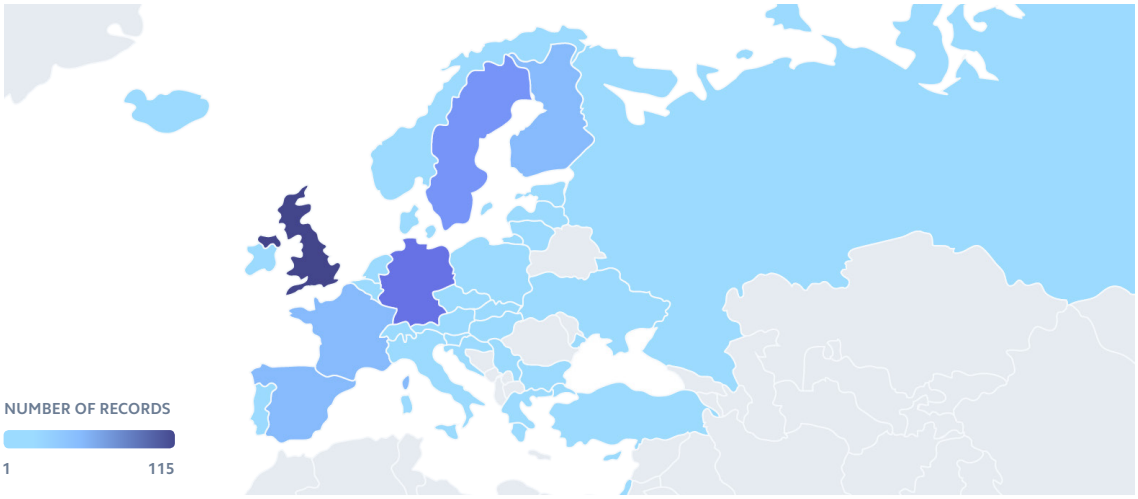
From 2016 to 2018, the most prolific investors in European growth-stage startups were Bpifrance, Balderton Capital, Idinvest Partners, Index Ventures and Partech Partners.

Notably, no German investment firm made the top 5 in the ranking; and in fact when looking at the number of deals, Sweden's Creandum and EQT Ventures come in at the 6th and 7th place, respectively, before HV Holtzbrinck Ventures turns up.

We also see relatively new, entrepreneur-led VC firms like Atomico and Global Founders Capital climb in the rankings. On the other hand, it's a surprise to see big-name VC Accel Partners only being the 20th most active investor in Europe's growth companies in this time period.

Two other things that are worth noting: one individual (Xavier Niel) made the ranking ahead of firms like LocalGlobe, Passion Capital and Cherry Ventures; and New York-based Insight Ventures Partners has been actively investing in Europe long enough to make it to 16th place.

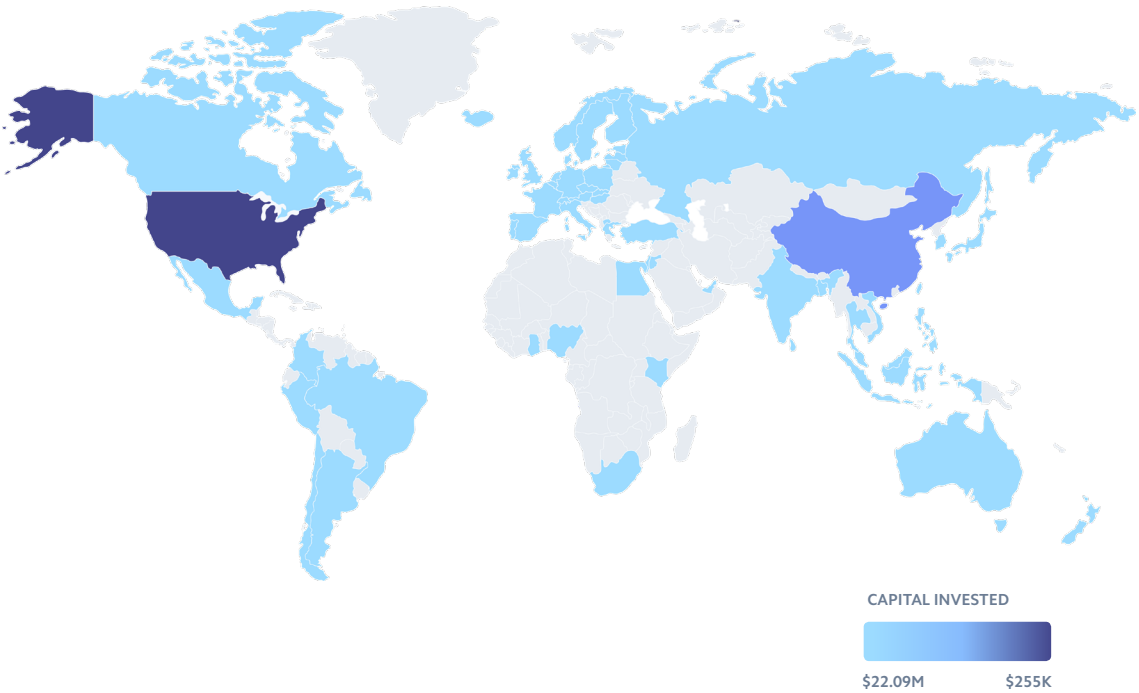
**Density of Local VC Firms**



# How Europe Stacks Up

Investment into European growth rounds can be analyzed in context with the overall investment landscape. When examining global investment into technology companies, it is easy to see how investments made into North America and Asia vastly overshadow those made into Europe. These graphs, developed from data shared from Pitchbook, indicate just how divergent the paths of private investment are. While funding into European tech has grown, especially at the growth stage, the graph below highlights unequal funding distribution of VC investment. This distribution has required European companies to depend on different avenues of furthering their ventures besides venture capital, encouraging them to turn to public investment, bootstrapping, or growth forecasts that are slower or more limited than they might be under different funding conditions in alternative geographies.

**The Landscape of Global VC Investment**



## Total Investment Volume, All Stages 2015-2018

| METROPOLITAN AREA | AMOUNT ($M) |
|---|---|
| Argentina | $207.03M |
| Australia | $2,073.86M |
| Austria | $770.06M |
| Bangladesh | $22.09M |
| Belgium | $936.91M |
| Brazil | $2,567.09M |
| Bulgaria | $46.64M |
| Canada | $8,260.38M |
| Chile | $113.20M |
| China | $122,965.00M |
| Colombia | $149.35M |
| Czech Republic | $124.78M |
| Denmark | $1,150.55M |
| Egypt | $63.25M |
| Estonia | $115.51M |
| Finland | $2,107.99M |
| France | $6,508.29M |
| Germany | $12,362.47M |
| Ghana | $103.38M |
| Greece | $51.28M |
| Hong Kong | $2,241.22M |
| Hungary | $337.25M |
| Iceland | $152.64M |
| India | $24,087.06M |
| Indonesia | $2,865.56M |
| Ireland | $1,980.92M |
| Israel | $6,334.54M |
| Italy | $660.43M |
| Japan | $3,767.40M |
| Jordan | $35.53M |

| METROPOLITAN AREA | AMOUNT ($M) |
|---|---|
| Kenya | $338.28M |
| Latvia | $135.63M |
| Lebanon | $93.32M |
| Lithuania | $101.85M |
| Luxembourg | $737.78M |
| Malaysia | $388.20M |
| Mexico | $510.02M |
| Netherlands | $3,085.93M |
| New Zealand | $535.56M |
| Nigeria | $160.75M |
| Norway | $822.52M |
| Peru | $38.97M |
| Philippines | $115.91M |
| Poland | $770.27M |
| Portugal | $193.91M |
| Russia | $844.07M |
| Singapore | $4,719.71M |
| Slovakia | $97.32M |
| South Africa | $406.49M |
| South Korea | $3,244.09M |
| Spain | $2,181.42M |
| Sweden | $3,857.96M |
| Switzerland | $2,859.72M |
| Taiwan | $1,142.82M |
| Thailand | $335.70M |
| Turkey | $258.98M |
| UAE | $1,764.43M |
| UK | $22,952.45M |
| USA | $254,921.70M |
| Vietnam | $281.48M |

CAPITAL INVESTED

$22.09M — $255K

## Global Venture Deals 2015-2018, Total Amount Invested (in $M)

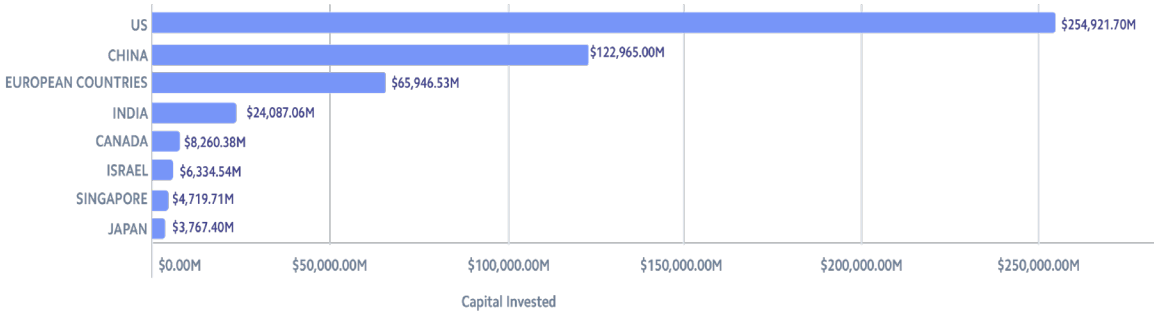
| METROPOLITAN AREA | AMOUNT ($M) |
|---|---|
| USA | $254,921.70M |
| China | $122,965.00M |
| European Countries | $65,946.53M |
| India | $24,087.06M |
| Canada | $8,260.38M |
| Israel | $6,334.54M |
| Singapore | $4,719.71M |
| Japan | $3,767.40M |
| South Korea | $3,244.09M |
| Indonesia | $2,865.56M |
| Brazil | $2,567.09M |
| Hong Kong | $2,241.22M |
| Australia | $2,073.86M |
| UAE | $1,764.43M |
| Taiwan | $1,142.82M |

## Global Venture Deals, 2015-2018, Number of Deals

| METROPOLITAN AREA | NO. OF DEALS |
|---|---|
| USA | 27,907 |
| European Countries | 12,158 |
| India | 2,703 |
| China | 1,830 |
| Canada | 1,411 |
| Israel | 835 |
| Australia | 544 |
| Singapore | 458 |
| Japan | 448 |
| Brazil | 288 |
| South Korea | 270 |
| Indonesia | 172 |
| Hong Kong | 134 |
| UAE | 98 |
| Taiwan | 60 |

While the USA and China garner the highest amount of venture investment from 2015-2018, when it comes to the number of deals made, Europe's dealflow follows the US, at 12,158.

**Global Venture Deals, 2015-2018, Total Amount invested (in $M)**




# Strategic Investments: Supporting European SMEs at Growth

As we have seen in the previous section, private investment into European tech remains yet a fraction of the total as found in North America and in China. It is for this reason that across Europe, public funding has remained a crucial component for enabling and supporting European startups as they grow and scale. At the early stage, domestic initiatives such as Germany's EXIST programme, or supranational programmes, such as the European Commission's Horizon 2020 Phase 1 funding have become integral for companies to find foundational support. As companies grow, public funding continues to be an option for many companies in Europe, especially those building products that might fit outside traditional expectations of venture capital investment. One of the most innovative in this space is the European Investment Bank's European Fund for Strategic Investments (EFSI)[2]. The EFSI is the first pillar of the "Juncker Plan", a wide ranging proposal designed to encourage European investment after economic downturn in the early 2010s. Launched in 2015, the  instrument aims to mobilize €500 billion in new European investment by 2020 for projects aimed to support European competitiveness and growth. EFSI funding, alongside third party co-investors aims to grow companies and increase their impact, on jobs and economic growth. Ultimately, the European Investment Bank expects that 857,000 SMEs will benefit from the EFSI's funding (across all categories)[3].

[2] "The European Fund for Strategic Investments: From crisis response to lasting impact". The European Investment Fund, May 25,  2018. Available at https://www.eif.org/news_centre/publications/efsi-from-crisis-to-lasting-impact-en.pdf
[3] "EIF in 2018". European Investment Fund. April 12, 2019. Available at: https://www.eif.org/news_centre/publications/eif-2018-brochure-en.pdf

While the EFSI has a large remit, European scale ups are benefiting from the fund's investment priorities in the following areas:

- Research, development and innovation
- Energy
- Digital
- Transport
- Environment and resource efficiency
- Social infrastructure
- Sustainable agriculture, forestry, fishery and aquaculture
- Industry-support in less-developed and transition regions
- Smaller and midcap companies

The EFSI helps diversify the types of funding available for growth companies in Europe by addressing gaps in existing private investment. The type of support provided by EFSI funds varies according to programme, but can include loans, grants and equity funding. Of the equity funding opportunities, a newly "window" of funding is specifically targeted for Expansion and Growth companies.

The funding is particularly suited for companies whose products developing innovative, research intensive technologies and who might fit outside the scope of traditional calendars of venture capital. One example is Hungarian self-driving car startup AImotive. In 2018, the company was able to take advantage of a €20M loan from EFSI to help scale their technology. At the time, AImotive highlighted the importance of this funding stream:

> "The EIB loan, backed by the European Fund for Strategic Investments (EFSI), the heart of the Investment Plan for Europe (the Juncker Plan) will allow the 200-strong company to scale up operations in the rapidly evolving autonomous driving segment and expand its customer base of OEMs, Tier 1s and mobility services companies. AImotive will also be able to further mature its technology and bring safe, automotive grade versions of its product suite to the market."[4]

[4] "EIB Supports AImotive". December 14, 2018. Available at: https://aimotive.com/news/content/6607

European Fund for Strategic Investments (EFSI), SME Guarantee Window
Geographical Spread in the EU. Approved amounts as of April 8, 2019

| | NUMBER OF TRANSACTIONS | EIF FINANCING (€M) | EXPECTED MOBILISED INVESTMENTS |
|---|---|---|---|
| Austria | 5 | 171 | 899 |
| Belgium | 17 | 187 | 1,283 |
| Bulgaria | 13 | 136 | 1,515 |
| Croatia | 9 | 95 | 346 |
| Cyprus | 2 | 10 | 28 |
| Czech Republic | 16 | 549 | 3,250 |
| Denmark | 6 | 195 | 717 |
| Estonia | 8 | 29 | 811 |
| Finland | 7 | 292 | 1,556 |
| France | 50 | 2,725 | 16,783 |
| Germany | 29 | 977 | 6,137 |
| Greece | 14 | 413 | 3,798 |
| Hungary | 9 | 128 | 1,395 |
| Ireland | 9 | 279 | 1,564 |
| Italy | 78 | 2,799 | 32,850 |
| Latvia | 8 | 22 | 399 |
| Lithuania | 6 | 19 | 408 |
| Luxembourg | 6 | 93 | 280 |
| Malta | 1 | 6 | 17 |
| Netherlands | 12 | 196 | 1,527 |
| Poland | 13 | 246 | 3,743 |
| Portugal | 15 | 1,290 | 4,473 |
| Romania | 15 | 122 | 1,377 |
| Slovakia | 7 | 80 | 428 |
| Slovenia | 2 | 20 | 645 |
| Spain | 28 | 1,309 | 13,676 |
| Sweden | 12 | 392 | 1,408 |
| United Kingdom | 18 | 636 | 3,853 |
| Multi-country | 139 | 5,588 | 40,792 |
| TOTAL | 554 | 19,004 | 145,959 |

These figures are not part of formal EIF reporting on EFSI. Therefore, they are provisional and unaudited. They include all approved and signed transactions, irrespective of whether the availability period has already started. Available at: https://www.eif.org/what_we_do/efsi/ipe-efsi-geographies.pdf

# Best Practices for Growth: The Ireland Strategic Investment Fund

The European Fund for Strategic Investments is unique in its aims to support high growth companies, alongside more traditional strategic objectives, such as infrastructure spending.

Member state governments across Europe have also sought to build their own strategic investment funds to support key strategic priorities in society, alongside financial objectives.[5] Differing from more traditional sovereign wealth funds, strategic investment funds can provide a complementary fit with existing innovation policy to support competitiveness and economic objectives. In Europe, several countries maintain strategic investment funds, including France's Fonds Stratégique d'Investissement (FSI), and Italy's CDP Equity, (formerly Fondo Strategico Italiano). But unlike the EFSI, these funds tend to focus largely on supporting large infrastructure projects, rather than SMEs. However, Ireland's Strategic Investment Fund (ISIF) illustrates some of the benefits of how strategic support can help domestic ventures scale and grow.

Ireland's Strategic Investment Fund was developed in late 2014 and made its first investment in March 2015. Managed by the country's National Treasury Management Agency (NTMA), in the fund's first five years it had made over 100 investments worth over €3 billion. This strategic investment fund supports scale up and growth companies in a myriad of ways, including propelling the country's local venture capital landscape as well as direct investments in innovative, scaling companies. In ISIF's portfolio, you can find key investments in domestic companies, such as a €10m equity investment in Mainstay Medical, a Medtech company to support the development and commercialisation of a device to treat Chronic Low Back Pain.[6] Other investments have been made in local venture capital firms, such as supporting BGF, in a 2017 fund of €250M to be put towards investments in Irish small and medium-sized companies. Further investments in firms including Silicon Valley Bank, Draper Esprit, Scottish Equity Partners, and Frontline Ventures have further channeled venture funding to Ireland, helping to support the country's startup climate.

In 2019, the Fund has focused on commercial investment with impact, and providing "patient capital" to support domestic businesses in becoming global ones.[6] Ireland's experience with the ISIF shows how countries can prioritize investment into growth companies strategically, as well as make investments with strong returns. For example, an investment in investors Carlyle Cardinal Ireland provided a four-fold return for the ISIF when one of the firm's portfolio companies was purchased two years later.[8]

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[5] "Strategic Investment Funds: Different Animals to Deal With". IPE. September 2016. https://www.ipe.com/investment/briefing-investment/strategic-investment-funds-different-animals-to-deal-with/10014922.fullarticle

[6] "Investments to Date" Available at: https://isif.ie/portfolio/investments-to-date

[7] "Ireland Strategic Investment Fund Investment Strategy 2.0: Towards 2040 -investing commercially and with substantial impact". 1 February 2019. https://isif.ie/uploads/publications/ISIF-Investment-Strategy-For-publication.pdf

[8] "State banks strong return from Payzone €100m sale to AIB/First Data" Irish Independent. https://www.independent.ie/business/technology/state-banks-strong-return-from-payzone-100m-sale-to-aibfirst-data-38056522.html

# Scale Up Challenges: Talent Acquisition, Employee Ownership and Mindset

Startup funding remains only one part of the scaling puzzle in Europe. Other factors, such as talent acquisition, ambition, and strategy have been examined when comparing the outcomes of European startups as compared to their counterparts in North America and Asia. Conditions for building high growth companies across each of these geographies remain highly divergent from one another, however, a considerable perception remains that European potential continues to lag behind what it could be. In November 2018, the European Commission's Digital Single Market strategy organized a high level workshop to troubleshoot the challenges of European companies scaling in Europe. Entitled, Startups: how to scale-up and face world competition, the workshop brought together a number of key stakeholders and experts to investigate some of the policy areas that have stymied startup growth in Europe.[9] The delegation's conclusion identified talent acquisition as being the primary challenge for European scaleups. The difficulty in attracting talent is attributed to three factors. First, fragmentation in ownership. The Commission report outlines that Europe lacks a playbook when it comes to giving equity, and that considerable fragmentation in ownership schemes exists across the continent. Secondly, for countries that offer relatively clear paths to employee ownership, there remains little awareness or understanding about the existing schemes. Finally, the commission argues, that the final barrier to attracting talent is down to cultural differences in how entrepreneurialism is understood. The report argues that young people in Europe are more likely to prefer working for corporate entities rather than startups, preventing companies from attracting early stage talent.

## The Not Optional Movement

Later that month, the European investment firm Index Ventures launched Not Optional, an open letter and campaign to improve the conditions for equity ownership in Europe. The letter aimed to spark a new social and political movement and conversation around employee ownership and taxation in Europe. The letter argues that the European tech sector lags behind others in the opportunity for firms to give stock options to their early employees. They argue that the punitive and patchy rules across the continent prevent companies from giving early employees stock options, which prevent them from receiving payouts at a company's exit. Without this shared ownership, the letter, and movement argues, European companies will be unable to attract top talent for their companies, and the lack of stock options is the key rationale for why European

[9] Startups: how to scale-up and face world competition, Event held November 19, 2018, Avenue de Beaulieu 25, Auderghem. Digital Single Market Directive. https://ec.europa.eu/digital-single-market/en/news/startups-how-scale-and-face-world-competition

tech companies in the scale and growth phase struggle to find talent. In contrast, the Not Optional movement highlights that the opportunity for Silicon Valley companies to do this, has been one of the prime rationales for the region's growth and success.

The letter, calls on legislators to fix the existing regulatory climate to ensure that these rules better allow companies to pass on stock options for early employees. Since its launch, a number of Europe's most significant CEOs and tech founders have signed on from the original 31 names advanced at the project's launch. Most prominent of these, Nicolas Brusson of French unicorn BlaBlaCar, who argued: "Successful companies shouldn't just generate a handful of wealthy executives and entrepreneurs – they should also create wealthy early employees through stock option schemes, as this will, in turn, mean more is being re-invested into the local ecosystem."[10]

While the Not Optional movement ties limited avenues for employee ownership and stock options to poor workforce acquisition, it doesn't mean that employee ownership is absent (in our interview section, we have heard from Push Doctor and Aircall, which both give stock options to their employees). Currently, the UK, Estonia, and France have developed initiatives that allow generous stock options to be shared with employees at hiring, but across Europe every country allows some degree of employee ownership, despite restrictions.

[10] Europe's stock options muddle is handing America a big advantage. Katia Moskvitch. Wired. November 28, 2018. https://www.wired.co.uk/article/europe-startups-open-letter-governments

# Existing Employee Ownership Schemes

## The United Kingdom

In the UK, stock options are most commonly shared through either Enterprise Management Incentive (EMI) Schemes[11], or Unapproved Share Option Schemes. Enterprise Management Incentive Schemes are available to employees if their companies have assets of £30 million or less. Companies utilizing this program may grant shareholder-employees options up to the value of £250,000 in a 3-year period, of which the employee won't have to pay Income Tax or National Insurance on the shares if they were originally bought for market value rate. Unapproved Share Option Schemes, in contrast, are open to considerable choice by employers in how they are designed and what types of company they can be used. However, in contrast to EMI schemes, employees owning shares under Unapproved Share Option Schemes generally will have to pay capital gains tax at the time of sale on their shares.[12]

## Sweden

In November 2017, Sweden passed new budgetary requirements[13] for awarding stock options after long consultation with the country's startup ecosystem, investors and local stakeholders.[14] A less cumbersome climate for awarding stock options was one of the key demands set out in the country's startup manifesto, and the new regulation provides for companies under ten years old to pass on tax-free stock options to their employees, which are only taxed at the time of sale. Previously, shares in equity were subject to income taxes. These options must be exercised between three and ten years of their granting, and may only be authorized by companies that fit several conditions, as to their company sector, company size, and public employee ownership.[15]

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[11] Tax and Employee Share Schemes. UK Government Digital Service. https://www.gov.uk/tax-employee-share-schemes/enterprise-management-incentives-emis

[12] Guidance HS287 Employee share and security schemes and Capital Gains Tax (2015). HM Revenue and Customs, Updated April 6, 2018. https://www.gov.uk/government/publications/employee-share-and-security-schemes-and-capital-gains-tax-hs287-self-assessment-helpsheet/hs287-employee-share-and-security-schemes-and-capital-gains-tax-2015

[13] Statens budget 2018 Rambeslutet, Sveriges Riksdag. November 22, 2017. https://www.riksdagen.se/sv/dokument-lagar/arende/betankande/statens-budget-2018-rambeslutet_H501FiU1

[14] Long Live Swedish Startups. Precisely. November 23, 2017. https://precisely.se/2017/11/23/long-live-swedish-startups-employee-stock-options/

[15] https://www2.deloitte.com/se/sv/pages/tax/articles/employee-stock-options-would-not-be-subject-to-benefit-taxation-if-certain-criteria-are-fulfilled.html

## Estonia

> "Stock options offer an excellent means for startups to motivate and retain their employees. In order to encourage companies and especially the startup community to take up this possibility, the Estonian Parliament made taxing employee stock options more flexible. Our system is simple and applies to all companies. I am glad that the attractiveness of this solution has been recognised in an international comparison"
>
> **— TOOMAS TÕNISTE, ESTONIAN MINISTER OF FINANCE[16]**

According to an analysis by Index Ventures, Estonia has Europe's most proactive and supportive regime for awarding employee stock options in Europe.[17] Estonia's current regulatory scheme for stock options was developed after long consultation with the country's Startup Leaders Club,[18] a key organization of the country's top entrepreneurs and investors. Estonia's stock option plan, is even more employee and investor-friendly than tax regimes in the United States, by allowing the use of stock options by startups at all stages of growth, and for all levels of employee. Employee taxation is deferred to the point of sale, and taxation on shares is limited. Shares are recorded at a central register point, and the country utilizes open documentation for share ownership.[19]

## Moving Forward

Not Optional argues that different regulatory and taxation environments across Europe have led to different ownership laws in each country, leading some geographies to be disadvantaged. The movement argues, that a pan-European scheme of employee stock ownership and taxation should be prioritized, to bring consistency across the continent.

Since the movement's inception, Index Ventures has been prominent in continuing dialogue around these regulatory challenges, however, it is unclear that this movement would have developed without the support of an institutional investor. An investigation by both Index and third parties has found that stock options might not be particularly attractive to startup

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[16] "Estonia Is Internationally Acknowledged for the treatment of Employee Stock Options" 5. December 2018. https://www.rahandusministeerium.ee/en/news/estonia-internationally-acknowledged-treatment-employee-stock-options

[17] Index Ventures. Rewarding Talent, When are Employees Taxed? https://www.indexventures.com/rewardingtalent/handbook/when-are-employees-taxed

[18] Estonian Startup Leaders Club, Eesti Startupijuhtide Klubi https://www.startupleadersclub.com/

[19] Startup Estonia Resources for Estonian Startups. https://www.startupestonia.ee/resources

employees, especially considering that they do not expect it,[20] [21] which in some respects challenges Index's assertion that the lack of employee ownership is killing talent prospects.

While stock options remain a key consideration for employees, it is clear that other policies aimed at talent acquisition must be considered alongside efforts to promote a common shareholding scheme. As of March 2019, over 700 European tech CEOs have signed on to Not Optional's letter. But as we have seen in this report and beyond, Europe's technology sector continues to flourish, harmonized stock options in place, or not. In 2018, Spotify and Adyen each surpassed valuations of over $20 billion, and Europe has been home to more IPOs than the United States over the last four years. Commissioner for the Digital Single Market Mariya Gabriel has highlighted how, Europe's ecosystem is more dense than ever – there are now 5.7 million professional developers in Europe, up by 200,000 on 2017 while the US amount to a flat 4,4 million.[22] While acquiring talent will always remain a pressing need for European scaleups, other barriers remain to prevent the actualization of the full potential of European companies.

## Perception and mindset may challenge scaling in Europe

Beyond share options, the European Commission has identified several further challenges for company scaling in Europe. Firstly, regulatory challenges and market access remain one of the key barriers that are continually mentioned when companies look to grow beyond their borders. Across the continent, regulatory barriers exist both in terms of scaling across geographies, but also in terms of scaling production or R&D, through taxation on investment. Despite efforts to deepen the Capital Markets Union (CMU), obstacles have remained for the distribution of cross border investment funds to scaling companies.[23] In 2018, a proposed directive[24] and accompanying regulation[25] were advanced to help better facilitate the cross border distribution

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[20] Does Europe need to fix "monkey money" stock options? Maija Palmer. March 20, 2019. Sifted. https://sifted.eu/articles/europe-fix-stock-options-notoptional-employee-ownership/

[21] Index Ventures Guide to Stock Options for European Entrepreneurs https://www.indexventures.com/blog/introducing-our-guide-to-stock-options-for-european-entrepreneurs

[22] Opening speech by Commissioner Mariya Gabriel - Startup Europe Summit 2019. https://ec.europa.eu/commission/commissioners/2014-2019/gabriel/announcements/opening-speech-commissioner-mariya-gabriel-startup-europe-summit-2019_en

[23] Breaking Down Investment Barriers at Ground Level, the European Investment Bank https://www.eib.org/attachments/thematic/breaking_down_investment_barriers_en.pdf

[24] European Commission Directive amending Directive 2009/65/EC of the European Parliament and of the Council and Directive 2011/61/EU of the European Parliament and of the Council with regard to cross-border distribution of collective investment funds https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=COM:2018:92:FIN&from=en

[25] European Commission Regulation on facilitating cross-border distribution of collective investment funds and amending Regulations (EU) No 345/2013 and (EU) No 346/2013 https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=COM:2018:110:FIN&from=EN

of collective investments and reduce the costs for scaling companies entering new markets. The directive aims to support a more integrated single market by increasing competition to give investors more choice, as well as promote transparency between national regulators. While some critics argue that these new rules do not go far enough,[26] these new actions demonstrate the awareness of some of these key challenges as well as the intention to address it.

Unfortunately, despite these efforts may be insignificant to counter perceptional barriers to market access. Research from the European Commission's Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs has found that the perception of barriers, even beyond the realization of them, has prevented companies from pursuing growth.[27] Despite efforts to ease access to the single market, previous experience with regulatory gridlock and the perception of the costs associated with cross-border growth can prevent companies from moving to new markets as quickly as they might otherwise. In 2018, approximately 29% of European companies perceived regulatory costs as being a high, or considerable obstacle to achieving their growth objectives.[28]

The extent of these obstacles remains unknown, but further scaling challenges have more cultural and social origins.[29] The Commission points to innovation roadblocks due to different working styles between local partners, and a lack of experience amongst founders and tech teams that are building companies for the first time. A final challenge is found in when founders choose to prioritize a local, as compared to a global mindset, which may create artificial barriers to scaling beyond one's own borders. Startup EU programs, such as Soft Landing,[30] My Gateway[31] and the Erasmus for Entrepreneurs[32] program have been designed to challenge this mindset and encourage network building and connection for European entrepreneurs across Europe. Their intention is to build ties between founders of different geographies, to raise ambitions as well as to help expose founders to new markets with the tools of overcoming regulatory barriers.

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[26] Commission issues proposals to reduce regulatory barriers to the cross-border distribution of investment funds, Osborne Clarke. 18 June 2018. https://www.osborneclarke.com/insights/commission-issues-proposals-to-reduce-regulatory-barriers-to-the-cross-border-distribution-of-investment-funds/

[27] Regulatory barriers and firm innovation performance study, June 22, 2018. Directorate General for Internal Market, Industry, Entrepreneurship and SMEs. Available at: https://publications.europa.eu/en/publication-detail/-/publication/a4bb00fc-7822-11e8-ac6a-01aa75ed71a1/language-en

[28] Regulatory barriers and firm innovation performance study, June 22, 2018. Directorate General for Internal Market, Industry, Entrepreneurship and SMEs. Available at: https://publications.europa.eu/en/publication-detail/-/publication/a4bb00fc-7822-11e8-ac6a-01aa75ed71a1/language-en

[29] Startups: how to scale-up and face world competition, Event held November 19, 2018, Avenue de Beaulieu 25, Auderghem. Digital Single Market Directive. https://ec.europa.eu/digital-single-market/en/news/startups-how-scale-and-face-world-competition

[30] Soft Landing https://soft-landing.eu/

[31] My Gateway https://mygatewayproject.eu/

[32] Erasmus for Entrepreneurs https://www.erasmus-entrepreneurs.eu/

# Growing Abroad

Looking specifically into expansion patterns, only 1 in 2 growth-stage company in Europe has physically expanded beyond its home market.[28] This isn't to say that there is no interest. The vast majority of German, French, British, Spanish and Italian businesses actually sell abroad within their first 2 years of existence (between 70% and 80% depending on the market[29]). This is particularly true for B2B products.

But the actual (or perceived) difficulties of expanding beyond their home borders forces growth-stage businesses to stretch the model of selling from their domestic market for as long as possible. Up until a Series A funding round, the majority of companies remains domestic-only.

This comes with vast disparities across the continent, with smaller markets (e.g., Belgium, Latvia, Estonia and Lithuania) defaulting to having offices outside of their home countries much earlier in their existence to address a more meaningful market. After a Series B financing round, internationalisation becomes the norm throughout the continent, with 56% having an international office when they reach that stage. Surprisingly enough, 39% of companies who have received a Series D financing round, still have domestic-only operations.

**Where do European growth-stage businesses expand to?**
Surprisingly, the US remains - by far - the number one destination with 27% having a physical presence there. The largest European economies follow, with the UK (12%), Germany (10,5%) and France (7,5%), being the most attractive European markets to open an office in.

The UK is particularly interesting. While it remains the primary expansion market for European growth-stage businesses when they open an office abroad (12%), followed by Germany (10,5%) and France (7,5%), UK businesses seems to favor the US over the rest of the EU. 16% of British business have opened an office in the US vs 12,5% in another European country. This is the only European country with this pattern.

[28] Stripe study 2019
[29] https://stripe.com/fr-SG/newsroom/stories/global-natives

# Founder Case Studies

## Teamleader

**JEROEN DE WIT, CO-FOUNDER AND CEO**


> "Every phase has its challenges and it looks different from time to time… A lot depends on you as a person.. it's really a different person you need to be to run a company at the growth stage as compared to the early stage…Especially as a CEO"
>
> **— JEROEN DE WIT**

Teamleader is an all-in-one software platform that provides companies a comprehensive solution for managing their customer relationships, invoicing, and project management needs. Co-founder and CEO Jeroen De Wit started his entrepreneurial journey early, founding a web design company in high school with several friends. During their time running RGB Scape, Jeroen and his co-founders began to realize some of the challenges their customers were having with managing their projects and business flow.

Visiting his customers outside of business hours, the RGB Scape team noticed the long hours kept by their SME company clients. Jeroen realized that many of its clients spent considerable time working on invoices and CRM materials that could easily be automated. As entrepreneurs themselves, the RGB Scape team knew the pain points faced by these companies, but they also knew that they had the tools to be able to assist them. With this realization, Jeroen and his co-founders launched Teamleader in 2012.

At the early stage, Teamleader was supported by bootstrapping, with a focus on ensuing viability. From the early days, the company did not take out investment, choosing to grow organically. It forced the team to think strategically and focus on building strong relationships during the product development stage. This lean mindset has remained central to the company's DNA, despite the company's considerable growth in the last several years.

"Every month in the early days, there was 0 euros in the bank account… But after working hard, for months and months, at a certain point, you begin to get a bit of runway, and begin to secure part of your company".

Teamleader's early focus was on the product. But when the company moved into the growth stage, looking to scale across their home market of Belgium and beyond, they had to transition to becoming more metric driven and to find standardized processes that would enable them to stay lean and grow sustainably.

De Wit describes that when Teamleader scales and enters a new country, they have to adjust the product and sales strategy to suit the needs and expectations of each new market. Before entering a new country, the company works hard to understand the new landscape and competition of each new market, and understand how unit economics works in each new market. Teamleader is proud that they are profitable in a number of markets, which they then can use that cash to invest in other markets and expansion plans.

The growth stage brings up new challenges for teams, as they adjust to new business dynamics. When managing multiple markets, De Wit stresses the importance of building a strong leadership team, but also specialists in customer acquisition, to allow you to standardize your processes.

De Wit describes the challenges for founders when it comes to transitioning at growth: "You don't know how far you can grow, or scale you're your company…when it becomes too hard, I think maybe you should question, if you are the right person, in the right place to scale this company further."

Today, Teamleader has raised four funding rounds. Their last round, in July 2018 was for nearly $20 million. Despite this cash flow, the company has chosen to scale sustainably and not pursue growth at all costs. They remain committed to their commercialization and remaining profitable in a number of markets, in order to maintain a high focus on their product and ensure the best customer experience.

## Where to scale

Teamleader's HQ is in Ghent, Belgium. They have decided to scale within Europe first, rather than going to larger markets. "Go where your audience is. Our audience is present in Europe. We know this market. And the market here, is so huge, there is no reason to go to US at the moment…"

The company is proud to be located in Ghent, which De Wit describes as having an excellent quality of life and benefiting from the legacy of one of Europe's largest social media companies several years ago. The company benefits from the university city's "entrepreneurial spirit" and the largest talent pool in Belgium. As it is a small city with several prominent startups, finding talent can be difficult, but they haven't had any problem recruiting talent from outside to move to the city to join the team.

"It's a unique combination, a medieval city, the largest student population in Belgium, a lot of tourists and a place where people still live in the inner city."

> "Continually invest time to meet customers, competition, and maintain that external view. This is super important"
>
> **— JEROEN DE WIT, CO-FOUNDER AND CEO**

# Aircall

**JONATHAN ANGUELOV, CO-FOUNDER & COO**


> "The big challenge from moving from a startup to a scaleup is you hire a generalist team, and then a specialist team where every single person has a single role that contributes to the overall project"
>
> **— JONATHAN ANGUELOV**

Aircall is a unique B2B cloud call center service that integrates with your existing business solutions. The company was founded in 2014, and co-founder Jonathan admits, at the time, no one was thinking about telephony. Phones were something you had on your desk at work, and they just existed there. Despite it being something that you used everyday, no one was thinking about how to make the phone work better with the existing technology you are using. Aircall was designed to revolutionize the phone system, and today, they have an international footprint.

The company's scaling strategy was forecast from the first days. Co-founder Jonathan Anguelov describes, "Starting from day one, we wanted to be an international company…Today we are about 210 people, 35% people in New York, the rest are in Paris and we cover the whole world." It was this international staff that helped to propel the company forward, as evidenced from an early example where a Spanish speaking intern helped the company land a substantial contract from Mexico. As the four co-founders are French, maintaining a diverse company was something they made sure to champion from the beginning.

Jonathan describes, ""The very difficult part of a startup is to go international. When I am speaking with founders, and they are asking for advice about how to go global, I ask them, do you have experienced people from the country you are wanting to target? You need to specialize. You need to make sure the wording of your product, is relevant. Having a diverse company, with a diverse staff will help you grow."

From Day one, Aircall was designed to be an international company, "without the DNA of a country". This transnational nature allows them the opportunity to converse easily with the entire world, something that is essential for a company transforming telephony. The company made sure that their first employees in Paris were foreigners, and today, 50% of people in the company, don't speak French at all. Now Aircall is made up of 27 nationalities. And for the company's customers, Aircall will always have someone that speaks their language.

This country consciousness has helped Aircall enter new markets as the company grows. In each instance, they have been sure to adapt their marketing, product, and language on the website to be sure that they could reach prospective customers in a way that was most accessible to them. But beyond this, when it comes to scaling, it is building the right team, that is most important.

When it comes to scaling, "The transition is going from having generalists, people doing a little bit of everything, to specialists…and that's where interesting things happen. You begin to have specialists, that know how to do things better than you, and they are going to teach you, and that feeling is incredible. And that's the most amazing thing about being an entrepreneur."

But beyond the hiring process, keeping this team engaged remains key for Aircall. Jonathan describes, "How we scale is by staying close to our employees, by having transparency, at all levels. Another thing we have done, is give equity. Everyone has a bit of equity in the company, so this company, is partly yours. Now, we have almost no attrition."

In May 2018, Aircall raised a $29 million in Series B led by Draper Esprit. Jonathan describes how the shift in the fundraising strategy from the early stage to the growth stage is very different. When investors are considering initial fundraising, they are looking at the founders, the product and the potential. But the growth stage, investors are looking at the company as if it was "naked". The investors at this stage, look very closely at the numbers, the KPIs, and determining if the growth is healthy, and not a fad.

Today, Aircall is based both in New York and Paris. Jonathan remarks that Paris is an incredible place for founders right now. He describes, "Paris, is like a village. All the entrepreneurs know each other. Its amazing how the entrepreneurs gather, discuss problems, solutions and the landscape is very interesting currently. Financing is booming, and VCs they understand that the next generation of companies will be tech companies and the market is insanely big. Somehow Paris is in the middle, of the world, in between the US and Asia, so from France, we can easily talk to customers all over the world. It's really, really interesting what is happening."

> "The most important, is focus. Focus on what matters. It is so easy to want to do so much at the same time. But keep to that vision. And don't let yourself become distracted. Stick to your vision, and stick to that. I've seen hundreds of companies failing because they didn't do that."

# Push Doctor

**WAIS SHAIFTA, CEO**


> "Health care is ever changing.. the product has to evolve into different areas to keep up… We have to constantly engage with our consumers to understand what they need and to be able to deliver on their needs"
>
> **— WAIS SHAIFTA**

Push Doctor is the UK's leading online health platform that connects patients to medical professionals in real time, allowing them immediate access to a doctor to get prescriptions, referrals and sick notes. The company was founded in 2013 by Matt Elcock and Eren Ozagir. The company came into being when Eren Ozagir became ill on a business trip and was unable to find a doctor. Since it's founding, Push Doctor has become the number one online doctor in the UK.

Wais Shaifta came to Push Doctor five years after the company's founding. The company's co-founders were ready to scale the company and were looking at building an executive team to bring the company to the next level. Wais, a seasoned executive with experience at other hypergrowth startups Treatwell and Just Eat, was delighted to come on board to assist with Push Doctor's growth.

Wais' external hire epitomized a critical juncture for Push Doctor, which defined the company's transition to a growth company. Upon arrival, Wais noticed that the product needed to become more than just an app, it had to evolve. To be successful in the next stage, a clear product roadmap had to be developed to ensure the company would be able to give more value to consumers and help shape future health care as well.

Similarly, Wais noticed that the company was built on great people, but to grow, you need to bring in external talent, and blend it with internal talent, and make it grow in the right way. Helping to build up an advanced product team was critical, and required a different skillset than the hypergrowth marketing that enabled Push Doctor to become the UK's market leader.

Beyond building the team, working with their stakeholders has been key to Push Doctor's growth. Working constructively with the UK's NHS has been an important part of the company's scaling strategy. Wais describes how the healthcare industry is incredibly regulated, and working with NHS doctors, the company has sought to be an important partner for them. They have continually engaged in knowledge sharing and constant dialogue with the NHS' digital team and developed partnerships with the health service. This dialogue helps the

company understand the health service's pain points and help deliver a better product for consumers. Through this engagement, the company learned how challenged the NHS remains with digital solutions

When it comes to scaling, Wais notices a few mistakes made by founders in other fields. He shares, "The biggest trap is scaling too fast. Its important to prioritize  scaling appropriately, rather than scaling fast. With internationalization, you build one core market and you shouldn't go to the next until you have your product really cemented. If you are moving in too many markets to fast, you are continually building and rebuilding your product to adapt to each market. Sometimes, then you are focusing on the new market, at the neglect of your existing market." As Push Doctor is focused on the UK market only for now, their big focus is to ensure that this market is served as best as possible before moving further afield.

Push Doctor is based in Manchester, in the north of the UK. Wais describes Manchester as a perfect location for Push Doctor, highlighting how it is a very exciting digital hub. Part of this excitement comes from the many exiting companies, headquartered there, including Amazon and Moonpig, as well as other institutions that have a high focus on healthcare. Wais also describes how they are working to upskill and connect the city's digital infrastructure: "A big thing we wanted to do, is be the pioneers of the digital environment and be a passionate about bringing people together. We have a big event space, where it is important for us to share practice."

> "Stay relevant. I remain in continuous conversation by speaking with the public, the private sector, the consumers, our doctors. I am always in dialogue with all of these stakeholders. The moment you move away from your product and you're not involved in it, it's the moment when someone else is going to move in."

# Job Today

**POLINA MONTANO, CO FOUNDER AND COO**



> "You have to remain an optimist. When you are growing a company, there becomes a moment where not only you have to grow, but you have to grow sustainable. It makes no point to open up 50 offices tomorrow if you have to shut them down unless you do something amazing. Growth has to be sustainable."
>
> **— POLINA MONTANO**

Job Today is an employment marketplace app that is based in Luxembourg City, Luxembourg. Despite it's founding in the city state, the company is the largest job platform in the UK and operates in Spain and the United States. Job Today utilizes a location based job search to connect employers with job seekers for largely casual, short and long term positions. The company aims to provide a digital CV for those that are applying for positions outside those you would see on Linkedin. Job Today was developed as a response to Polina's needs as a manager in the retail and service industry. She had long worked in retail management and realized how customer service is the first connection your employees have with your company. However, churn of staff in casual jobs was very high. Employers were under pressure for finding candidates quickly, yet early career job seekers were also challenged to find entry level positions. Job Today addresses these two pain points with a digital CV. Since the company's founding, it has processed over 100 million job applications.

Job Today's story is unique due to their headquarters. Based in Luxembourg, the company has considerable reach in a number of foreign markets. Being based elsewhere is not a hindrance for Job Today to operate in these markets. As Polina describes, "once you know your product, and once you know your customer, being remote in a different geography is not a problem".

## Investment

In September 2016, Job Today raised an additional $16 million for their job platform, adding to nearly $50 million raised for the company since it's founding. When it comes to growth stage financing, Polina highlights that its important to approach investment smart from the very beginning. As she describes "It is important to pick your first investors right. Picking your first investors for the Series A or the Seed Round, its important to get the right investors on board from the start. If you get it right, and they share your vision, and they understand the industry, they will be able to guide you for the next round of funding, and point you to who to approach..

When it comes to fundraising, it is good to have a plan and also a time frame, fundraising should not go on forever". It needs to have  a clear end point.

But when it comes to investment at the later stages, "It is very important to go for investors  that share your vision as well. You have to be transparent and you should manage expectations".

Polina encourages founders looking for growth funding to do their due diligence. Leverage your existing network and your existing investors. It is not important to be located in the same market as your investors, as long as you are both invested in the product. You should partner with those that are aligned."

Job Today is a unique case as it has scaled internationally from one of the smallest countries in the world. The country of Luxembourg stands out for their work in attracting international companies to the country, however much of the prioritization remains in Fintech. Even so, Job Today has found considerable success with their consumer product. The country's tech scene continues to grow and remains a supportive destination for entrepreneurs.

> "When it comes to advice for founders, Polina is clear, "Grow, but whatever you do learn from it. Try to make everything you do, a learning process…In the end, its about tradeoff. As a startup, you always have to prioritize. You don't have money, or time, or staff to do the amount of things you want to do. What you have to do, is prioritize. Importantly, consider which product or feature, is really going to move the needle for my business right now. This should always be you focus."

# SwiftComply

**MICHAEL O'DWYER, CO-FOUNDER**


Michael O'Dwyer's SwiftComply fits within a unique market, the B2B company is part govtech and part cleantech, helping restaurants abide by industry regulations for fat, oil and grease removal. It might not be the first type of business you would consider for a startup, but as a longtime city engineer, and later, as an environmental consultant, he found that it was an industry that necessitated a technical solution. From these vantage points, he saw close up how the inefficiencies and loss that had an impact on the bottom line of these restaurant businesses, and how there was an opportunity there to remove barriers from what was a cumbersome process for consumers.

The company's growth story demonstrates the role that government and public funding can contribute to growth stage companies in Europe. The company credits the support of public investment, first, the local Dublin enterprise office, Dublin BIC and then later Enterprise Ireland funding. Public investment was a natural fit for a company that did not fit the traditional VC profile, and one, that many traditional investors lacked familiarity with. But the prospective value of the company was not lost on the local community, which rallied around the young company, with free support from local accelerator programs, Startup Boost and the local Guinness Enterprise Center. It was this support that helped propel the first three person company to London, to take part in the Techstars London accelerator program. Enterprise Ireland funding supported the company's growth from the earliest stage, and has continued to fund the company today.

Early on, the company realized that it would need to leave Europe to become a sustainable and impact driven business. And while the company had found its product market fit, expanding beyond Ireland would be difficult unless they received some investment. Rather than reaching out to investors, Swift Comply looked to local partners and the EU's Horizon 2020 Programme, one of the largest SME funding organizations in the world. Partnerships with local authorities and estates took the company to open new offices in the UK and the Netherlands, and after a successful application, the Horizon 2020 Grant helped enable Swift Comply to reach the US market.

"Reaching the US, the Horizon 2020 funding has given us the platform to do that. We wouldn't have been able to do that without them. It has been hard to scale across multiple jurisdictions, but it has helped us and to build out the product." But the application process is not easy. O'Dwyer recounts, "the application is hard to do, we had already raised our seed round when we went for this—but upon success, it was such a seal of approval-- it gives great credibility for the global scale. We are big advocates for it. It is hard for software companies to qualify- in our case it really seamed to resonate at the European Level".

When we decided to move the to US, we couldn't have done it without the Stripe Atlas program. As Michael recounts, it was "absolutely incredible and saves companies money and time. While it was not a complete solutions, it saved us $100k and a few months".

Headquartered in Dublin, but with offices across Europe and the United States, Swift Comply's example shows how a strong reliance on one's network and local partners can help companies scale at a lower investment level. The company's founders have relied on the Dublin City local enterprise office, as well as resources from Startup Europe, to build their network across the continent, leading to some of their first customers. Local resources such as the Dublin Startup Commissioners Office and the Irish Business Angels network were critical local assets to help sustain the company throughout its scaling. The company has sought to remain profitable and sustainable through revenue to sustain its growth.

> "The lesson I give to everyone-- good investors invest in traction. Great investors invest in the future. Show how your solution is along the pathway to an inevitable future and the invest. Identify what the inevitable future is and show how your solution is a credible step on that path…You have to be really honest with yourself. If you have to show that this opportunity is one on the future. Raising funding is a part of the journey, not a destination."
>
> **— MICHAEL O'DWYER**

# Karma

**HJALMAR STÅHLBERG NORDEGREN, CO-FOUNDER AND CEO; LUDVIG BERLING, CO-FOUNDER AND CTO**

> "Those that I want to thank, I want to direct a huge thanks to those that did not support our pivot, because that put so much drive into us. Those ones that said that this was the worst idea we ever had. Even after supporting us initially, then we got into the food waste business and those that said this is ridiculous. This is equally important. A huge thank you to them. You have to take rejection and move forward."
>
> **— HJALMAR STÅHLBERG NORDEGREN, CO-FOUNDER AND CEO**

Karma is an app that aims to address food waste in the restaurant industry. The company was founded by a team of four young founders from Sweden, and was born out of a desire to give back and apply their technical skills to something meaningful. The founders of Karma met in secondary school and began their collaboration in on a previous web development company, Responster. After deciding to try a new business model, the four founders experimented with several technical products and relied on consumer feedback to drive product development into the social impact space. The outcome became Karma, an app designed to address the reality that 1/3 of all food produced is wasted in developed countries.

From the beginning Karma has sought to be a global company, as they see the problems they are addressing as global ones. Karma launched in Sweden in 2016 and has moved to the UK in 2018. In March 2019, the company expanded to France. Today, over 2,000 retailers sell surplus food on Karma. Karma's founders have also sought sustainable growth while scaling fast. They took advice from other companies on how to properly scale globally, but Hjalmar admits, "Despite having all the cards on the table and knowing how to expand based from talking to every other business, you don't have a clue until you try it. We were optimistic about the expansion, you have to be, but there will always be challenges. For us, it has been hiring, understanding that its been a different culture, how you need to adjust your marketing and approach. That's something you have to learn by doing."

Alongside scaling in geography, the company has had to ramp up their recruitment. Ludwig Berling, Karma's co-founder and CPO recalls, "We doubled our headcount for three consecutive years. The biggest learning, is for every growth phase you are in, and the number of employees you have, it's a completely different story, it differs so much. You have to be aware of this, you have to be adaptable, and realize that things you said a year ago, and collaboration techniques that you used then, might not work at all anymore."

As largely first time managers, this scaling company is still growing. Hjalmar is clear with new recruits: "things will break and change as you go, and we will replace them as we go". The team prioritizes staying humble and being flexible, as the company brings on more and more talent to assist with their scaling ambitions. When it comes to bringing on new talent, the Karma team sees recruitment as "an art". Ludwig offers, "Don't underestimate on how long its going to take or how hard it is. Never settle. We've taken a long time to develop our recruiting process. But ultimately, you have to follow your gut and you always have to make sure, is this a person I am going to be happy to work with for a very long time?"

In August 2018, the company raised a $12 million Series A. When it comes to growing the company, Hjalmar describes how the company has approached each investment stage differently. When it comes to finding investment, its almost like recruiting. You have to spend some time with them to get to know them. We had spent so much time trying to explain how big this could be, but our investors, e.ventures, they immediately knew what we were doing and they knew how big it could be if they do it right. And that really resonated with us.

> "We were very humble about the things we don't know. We are always asking people that have done it before. We are not afraid to ask and to say, "please help us". That's one of the reasons why I think we have been so successful so far."
>
> **— LUDVIG BERLING**

> "Fail fast and learn from it. As long as you learn from it, it's fine"
>
> **— HJALMAR STÅHLBERG NORDEGREN**

# Conclusions

1. While there is no standardised definition of what constitutes a growth startup or growth financing round, this report looks at European tech startups that have survived the early stage of building a business to come to product-market-fit and initial traction in their respective market. Merely looking at capitalisation only tells part of the story, and there are differences in speed of scaling, geography, financing needs, etc; i.e. every growth startup has its own journey to learn from.
2. This report analyses a subset of European startups gaining traction beyond the early stage, more specifically 2,000+ companies that have raised more than €30 billion in growth funding in 2,300+ investment rounds, as measured from Q1 2016 to Q4 2018.
3. During this time period, both the total amount of growth funding for European technology companies, as well as the number of transactions monitored by Tech.eu have doubled in size, with a slight decline when it comes to both the median and average round size in the past three years.
4. The UK, France, Germany and Sweden have seen a large increase in both the number of growth financing deals and total investment volume from 2016 until the end of 2018.
5. The top verticals for growth financing rounds in Europe are fintech, medtech/health tech, SaaS and transportation, in that order.
6. European fintech companies attracted close to €5.4 billion worth of growth funding from Q1 2016 to Q4 2018, more than half raised by SaaS startups.
7. Growth financing is sourced from across the globe, but our data clearly shows a strong representation from domestic investors. Based on Techstars' crowd-sourced list of firms in Europe, most tech investors are based in the UK (roughly 25% of the total) followed by Germany, France, Spain and Sweden.
8. Identified barriers to scaling for growth companies based in Europe include regulatory challenges, talent acquisition and retention, market access, entrepreneurial mindset, options and incentives for increased employee ownership, cross-border distribution of capital and other factors outlined in the report.

# Methodology and Disclaimers

This report covers "growth" stage companies in Europe from 2016 to 2018. The data that is used in this report covers just under €30B privately invested into growth rounds into European technology companies during this time frame. This accounts for 2,271 investments into 1,920 firms across the European Union and Russia. Just as with an "early stage" company, there is not a fixed definition of what encloses a "growth stage" company. Depending on whom you ask, there are a few different characteristics that can be used to differentiate the two. The first, generally encloses those that are newly established, developing their product and business model, whereas growth companies, is where they begin to take flight. But the time horizon between the two remains highly variable. Oftentimes, there can be significant overlap between finding product market fit and racing to new geographies. Growth companies are often understood to be those that are those investing in scaling their product to larger and bigger markets, building upon features and growing their revenue.

However, just as when characterizing early stage companies, it is not easily possible to distinguish growth companies by just looking at the funding rounds alone. In truth, every startup is a growth company. Growth, is the true definition of what a startup is. Any company that is looking to expand beyond its geography, its ambition is always to grow and scale. However, these ambitions are not easy to discern from looking at a dataset. It is not possible to isolate the ambitions of the founders and executive team based on funding rounds alone. So deeper analysis was needed. The companies included in this analysis were determined for inclusion in this dataset for a number of factors. For the researcher, to understand the nature of the funding rounds and its use, we went back to the original data, the original press releases, and the original description of the funding to determine if we could classify what a "growth" round consisted of. What we concluded, was that growth grounds were those that happen after initial funding and communicate a scaling or a deviation in strategy from investment obtained earlier. This change of strategy is communicated in several ways—either by the amount of them that has passed since initial funding, to the amount of capital invested. We distinguish growth rounds as those that (1) occur more than one year from initial seed or series A funding, or, (2) if occurring within the same year, they stand out in size or scope to distinguish a new strategy or funding. Wherever possible, I've returned to the original funding announcements to distinguish just how the funds were used for additional verification. As such, this constitutes one of the most comprehensive investigations of follow on funding behavior of European startups anywhere.

What you notice when you dig inside this data, and the announcements that accompany these releases, a few hard truths about the European tech landscape become very clear. What you

learn, is that each company has it's own timeline. You cannot affix an arbitrary measure of age to a company to indicate when the company might be moving to the growth stage—each of them, moves at their own steam. You might think that this is possible within certain verticals or technologies (E-commerce or SaaS, for example), however, this is not the case. Each of these companies moves under their own steam.

Secondly, the primary thing you notice when digging deep into the data, is that you can apply few generalizable expectations on funding behavior. It's important to remember, that a majority of founders in Europe, and elsewhere, do not use private capital investment to fund their ventures. Therefore, even among the small sample that do, as captured in this dataset, you can ascribe few generalizations for their pursuit for follow on funding. There is not a specific size, or number you can expect for a follow on, growth round. You cannot affix an arbitrary €10million or even €5 million to a funding round and expect that this justification tells you something meaningful about what stage that company is in their journey. You can't. When you dig deeper, you notice that for some companies, follow on funding of just €1 million or more is suitable for a bootstrapped, revenued company to scale to a new market. In some verticals such as medtech, €1 million is barely enough to turn the lights on in the lab. But for others, especially those that are working with digital products and services, and already are receiving revenue, they have the choice to not accept significant levels of venture capital funds. What you notice, is that each of these stories is unique, diverse and even more varied than companies at the early stage. The way they choose to approach scaling is also quite unique, some choosing to go straight to the American market, and others scaling carefully and sustainably across Europe first. Each journey is an individual one.

What you find, is that growth looks different for different companies. Some companies to grow, a round might be 2million, but others are sustained by differing rounds of 1.5 million, 7 million, and then 26 million. For Alan, a growth round means a change from 24 million in 2018 from 12 million in 2016. Some growth rounds fall under €5 million. But based on their activity, and continued viability, they are still growing—despite what your assumptions might be based on the investment volume.

Due to the many different technologies that they utilize and the markets and verticals many of them seek to reach, it is often difficult to isolate, and attribute a single vertical to these innovative companies. During the data collection process, each one of these has been attributed a unique category by the Tech.eu team, based on a variety of factors. These include how the company describes themselves and the industries they are active in. Here, we have used our best judgment to attribute companies most appropriately.

In order to truly identify the companies that were considered "growth stage" I followed several rules in developing the dataset.

1. Companies must be founded in 2012 or later

2. If companies were explicit about the type of funding they raised, I include all stated angel, Seed and Series A funding for the company during the time period (2016-2018).

3. Most companies do not attribute the round type to their funding. Still others will raise several funds, over multiple years, following a growth model that is only known to them. If the round type was not attributed, and could not be found through researching the company, I examined the funding history for the company in question and made a justification based on the (a) size of the round; (b) years on from seed/angel funding, and (c) total investment raised.

4. European companies have vastly different timelines from one another. Significant investment beyond the first two investment records-- no matter how they are attributed indicates a change in company strategy (moving to growth).

The neatness of quantitative analysis collapses nuances between what are very multifaceted companies. Quantitative analysis treats companies as data points (two fintech companies measured only on their origin and fundraising), when in actuality, they all have very unique journeys, resources and outcomes. There is often very little that can be comparable about many of these cases and much lost in between the numbers. Wherever possible, I have used visualizations to help reveal trends and projections with the data, to help readers focus on the relationships, rather than the figures. This is why we have sought to include qualitative insights wherever possible, to help give depth and illustrate a selection of stories from around the continent.

The exception to these rules, are attributed in the text. Most significantly, this is in the analysis of the "How Europe Stacks Up" section, with a global comparison of VC trends around the world from 2015-2018. The bulk of these graphs and analysis comes from data collected by Pitchbook, a leading and credible source for data on the types of technologies used by the startups we cover. These trends reflect Pitchbook's attribution for VC rounds, which tends to be more inclusive than Tech.eu's methodology that we use to consider a "technology" company.

## Data Collection Procedure

From November 2013 onwards, Tech.eu has continuously monitored over 200 sources of news and information across multiple European regions and languages. All of the transactions have been analyzed by the Tech.eu team for the purpose of this report, along with additional

transactions that were not reported by any of the aforementioned sources but flagged by people from our collective networks. In many cases, the deal size was not disclosed, but we've included estimates for any transaction reported by a publication that we consider reliable and trustworthy.

When a deal size was disclosed, but in a currency different from the euro, we've converted the amounts around the date the transaction was first announced or reported we cannot guarantee the converted amount exactly mirrors the price at the time of the closing of an agreement (mainly because that date is rarely shared). In this report, you will find all graphs and tables refer to this euro figure with the notation (est) for the estimated value. In the text, when referring to specific investments, the deal sizes are referred to in the context in which they were initially shared (usually U.S. dollars).

We have opted to include non-European Union member states such as Norway, Switzerland and others in this analysis when available, as we consider them to be an integral part of the European technology industry as such. This is in line with Tech.eu's overall editorial policy.

Considering the vastness, fragmentation, and breadth of the different languages that define Europe, it is possible that some transactions are not included in our analysis. It is important to remember, that as these are often deals made by private companies, not all are disclosed.