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An Analysis of the Performance of European Venture Capital-Funded Startups

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I. Introduction

This paper describes the workings of venture capital (VC) investing in Europe and offers data on the number, types, and values of the exits (IPOs, acquisitions, and shutdowns) of venture-funded European companies from 2015 through 2024. Analyzing these data answers questions such as:

- How many venture startups are acquired, by whom, and for what values?
- Which startups do an IPO or otherwise go public? How many? At what values?
- Which companies can survive and thrive as public companies?
- What fraction of companies fail totally?
- Could some companies do IPOs instead of being acquired?
- Has European VC been affected by increased scrutiny of acquisitions by European and US regulators?

Some discussions of antitrust enforcement envision that instead of being acquired, many startups could go public and operate as independent companies. The data for the US suggest otherwise. In the US, increased antitrust enforcement activity after 2021 deterred acquisitions of US-based venture-funded companies by the largest U.S. public companies, specifically the so-called GAFAM companies (Google, Amazon, Facebook, Apple, and Microsoft) that were particularly targeted by Federal Trade Commission (FTC) Chair Lina Khan. This deterrence, however, did not increase the number of IPOs for US startups, which fell from their 2021 peak of 63 to just 9 in 2022, 3 in 2023, and 2 in 2024, compared to the historical average of 27 per year from 2005 through 2020.[1]

At approximately the same time that US regulators were increasing scrutiny of the GAFAM acquisitions of US companies, European regulators were also targeting them as purported "gatekeepers" under laws like the EU Digital Markets Act (DMA). This paper examines detailed data for European VC-backed companies[2] to see if European VC activity has also been affected by more aggressive enforcement policies by both European and US regulators. The policy questions we address, and the brief findings, are:

> ***Did the new EU and US regulations have an impact on European venture acquisitions?*** For acquisitions by the targeted companies ("gatekeeper" companies in European regulation) the answer is Yes. The impact is clear to the naked eye. Acquisitions by "gatekeeper" companies went to zero for 2023 and 2024, while there was a decline among all 21 of the large companies most likely to be targeted by US and European regulators.

[1] See https://ccianet.org/research/reports/antitrust-enforcement-over-deters-acquisitions-squeezing-smaller-startups-and-venture-capital-investors/.

[2] See Appendix 2 for a detailed definition.

What was the impact on the total number of acquisitions? There appears to be little impact on total acquisitions. The count of acquisitions reached a peak in 2021 with the high stock market but has continued to hum along since then.

What about overall venture financing? The total deal count and dollars invested declined after 2021 (the peak, associated with the stock market high and pandemic boredom), both in the US and in Europe.

Did the regulations provoke more IPOs? The data say no.

Was there an impact on exit multiples? It appears no. While multiples have been generally declining since 2018, and the decline is present for both the tech sector of venture capital and as well the non-tech sector. Exit multiples had a peak in 2018 boosted by the Spotify exit, and a smaller peak in 2021 from the exits of TransferWise, Oatly, and Arrival (whose burst of value was short-lived).

Is there evidence that there was a European Kill Zone problem until 2021? Given the generally increasing VC and startup activity in Europe through 2021, there is no evidence of a Kill Zone problem that needed to be solved.

Is there evidence that the new EU regulations and US antitrust enforcement encouraged the creation and funding of startups in Europe? The answer is No. There is actually some decline after the peak in 2021, albeit not a dramatic decline. Venture investing in Europe continues in both dollars and deals, but at a somewhat reduced magnitude. There has certainly been no increase in startup formation or improvement in startup performance after 2021.

Are the results robust? Yes, the results are robust to the inclusion/exclusion of European countries that are not members of the European Union but do have strong economic linkages, such as the United Kingdom.

II. How venture capital investing works

Venture capital investing, which operates basically the same in the US and in Europe, is organized through venture capital funds. Investors, such as pension funds, endowments, and rich people, rarely invest in startup companies directly. Instead, they invest in the funds. The investors are referred to as "limited partners." The fund managers, the "general partners," choose the startups. These are somewhat like mutual funds in that the investors choose the fund, and the fund manager chooses the investments. An important difference is that neither the assets in the fund—the startup companies—nor the funds themselves are assets that are traded in any public market, and information about them is non-public and difficult to come by. Another important difference is that the funds are organized to have a fixed horizon, usually ten years. The limited partners expect the general partner to choose investments and to sell them either through an IPO or an acquisition within that time, thereby returning money to investors.

The venture funds (general partners) are compensated through an annual charge to investors of a fraction of the money they have raised, typically two percent per year, and also a fraction of any money made on startups that prove profitable, typically 20% of the value of the company less the amount invested in it. The profit on the company exit is called "carry." The typical deal is described as 2% on "assets under management" and 20% "carry," "two and twenty." Some funds have fees that are higher or lower than these typical terms. In each round of venture funding, typically several venture funds invest in the startup.

Startups approach the venture funds seeking money to develop their ideas. At the time they are founded and begin seeking money, they typically do not have a product, nor customers, nor revenues, but just ideas. They make presentations and pitches to the venture funds. Those found promising (expected to eventually be profitable) by the venture funds are selected to receive money from them.

The venture funds rarely give the startups enough money to get to the point of independence. Instead, they give them some, then wait and see what they accomplish, and later decide whether to make an additional investment. The typical startup does three or four rounds of funding before exiting. These exits can be grouped into three main categories: (1) initial public offerings (IPOs), (2) acquisitions, and (3) shutdowns.[3]

In an IPO, the company has typically reached a point where it has a product, customers, and revenues, but perhaps not profits. Of course, investors expect that eventually there will be profits. To do an IPO, the company must prepare its financial reports and file these and other materials about the details of its organization with the regulating body (in the US, this would be the Securities and Exchange Commission (SEC), while in Europe there are many exchanges, each with their own (roughly similar) rules for listing). Then the company can be listed on a stock exchange, and investors can place orders to buy and sell stock in the company. European companies may choose to list on a US exchange, such as NASDAQ or the New York Stock Exchange, or on one of the many European exchanges.

The burdens of being a public company are substantial. The company must continue to file regular financial reports and to disclose details about its organization, including operating management, the board of directors, trading by insiders, and more. Generally speaking, only large companies can afford the overhead of being a public company.

Acquisitions are sometimes a successful exit for a venture-funded company, but not always. Very successful acquisitions occur when a VC-funded company is acquired for much more than the money invested in it. Unsuccessful acquisitions occur when startups are failing but are not totally worthless, and they can avoid a total loss by being acquired. They cannot raise more money (they have already tried), they do not have enough revenue to survive on their own, and they are too small and too unprofitable to go public.

[3] Companies may also exit via a direct listing on a public exchange. Direct listings, which are easier and cheaper than IPOs, are more common in Europe than in the US, and allow companies to sell existing shares to public investors without creating or issuing any new shares. As such, a direct listing provides liquidity to early investors without raising any additional capital for the company. For the purpose of this report, direct listings are treated the same as IPOs and included in any IPO statistics.

Acquisition is the only available loss mitigation strategy for their investors that results in a liquidity event, allowing them to at least get back some of the capital they have invested.

Venture shutdowns are usually just that – shutdowns. Because they typically do not have much debt, venture-funded companies rarely go bankrupt. Instead, they reach a point where they are unable to raise more money, but do not yet have a viable business, and so they cease operations, pay off remaining bills, and shut down. The general partners, concerned for their own reputations, seldom allow them to get into a situation where they declare bankruptcy and involve a court in the disposition of their assets, though this does sometimes occur.

There is another smaller category of exits known as "reverse mergers." In a reverse merger, the company wanting to go public merges with a company that is already public but very small, usually because it is failing. Alternatively, the shell company may be a newly created company, but without operations or operational history, created solely to act as the vehicle for taking another company public. These shell companies are called Special Purpose Acquisition Companies (SPACs). Once the merger is completed, the merged company files its new combined financial statements and becomes properly registered, and stock for the newly combined entity begins trading.

The outcomes of reverse mergers are mainly a sorry tale. There were 14 European venture-funded startups that did reverse mergers from 2015 through 2024, eight of which had initial valuations of over $1 billion when they began trading publicly. Since their public listing, however, 5 of the 14 have already entered some type of administration or been liquidated. The most valuable company at listing, which had a valuation of $13 billion when it completed its reverse merger in March of 2021, entered administration (bankruptcy) by February 2024. Of the nine companies that are still publicly traded, four have lost 90% or more of their initial valuation, and the best performer is down "only" 58% with an annualized return of -47%. Reverse mergers, never common, remain a small and unprofitable footnote among exits when compared to acquisitions, shutdowns, and IPOs.

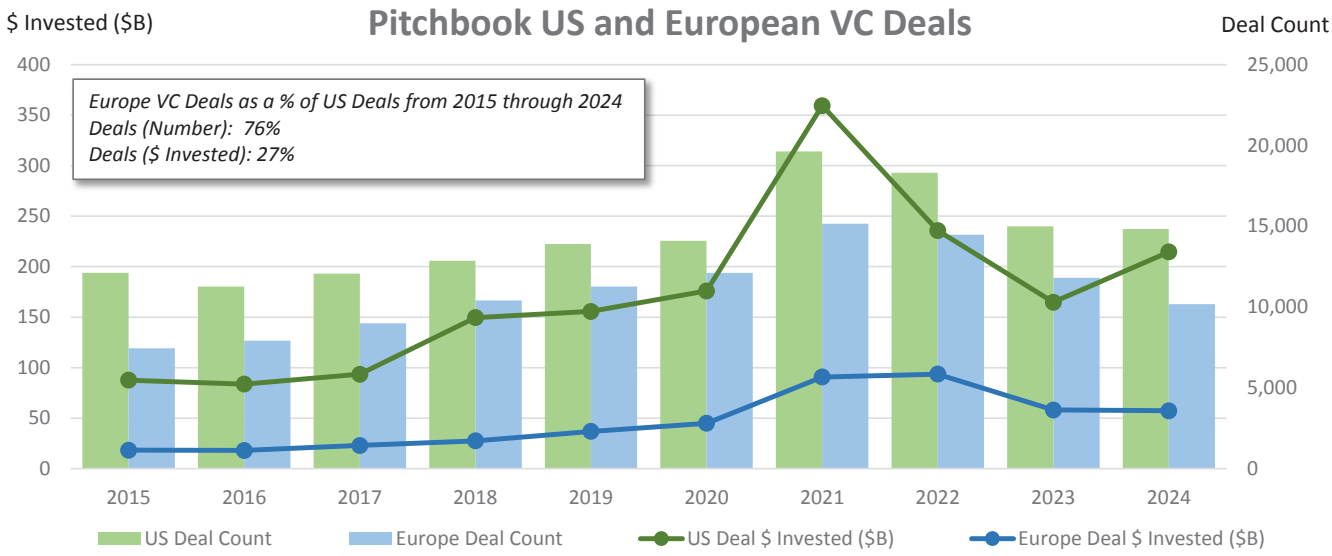
The exits associated with European VC-funded companies are analyzed further in the sections that follow.

III. European Venture Capital

Venture capital activity in Europe is considerably smaller than in the US, both in terms of companies funded and the total value of VC investments. Figure 1 (next page) compares the VC deals in the US with deals in Europe for 2015 through 2024 as reported by Pitchbook.[4] According to Pitchbook data, Europe had about three-quarters (76%) as many deals as the US over this 10-year period. In dollar terms, VC investments in European companies represent only about one-quarter (27%) of the money invested in US companies. European activity has been less volatile than the US in recent years. The US saw a much larger increase in US activity in 2021 and as well as a larger decrease in activity in 2022 and 2023. The US also had about the same number of deals in 2024 as 2023, with an increase in money invested, while European deals decreased and money invested remained basically flat from 2023 to 2024.

[4] Note that these figures include all industries, including biotech. The Pitchbook data also include some countries, such as Israel and Russia, that are not included in the analyses that follow. See Appendix 2 for a more detailed description of the data used.

Figure 1: US and European VC Activity, 2015-2024

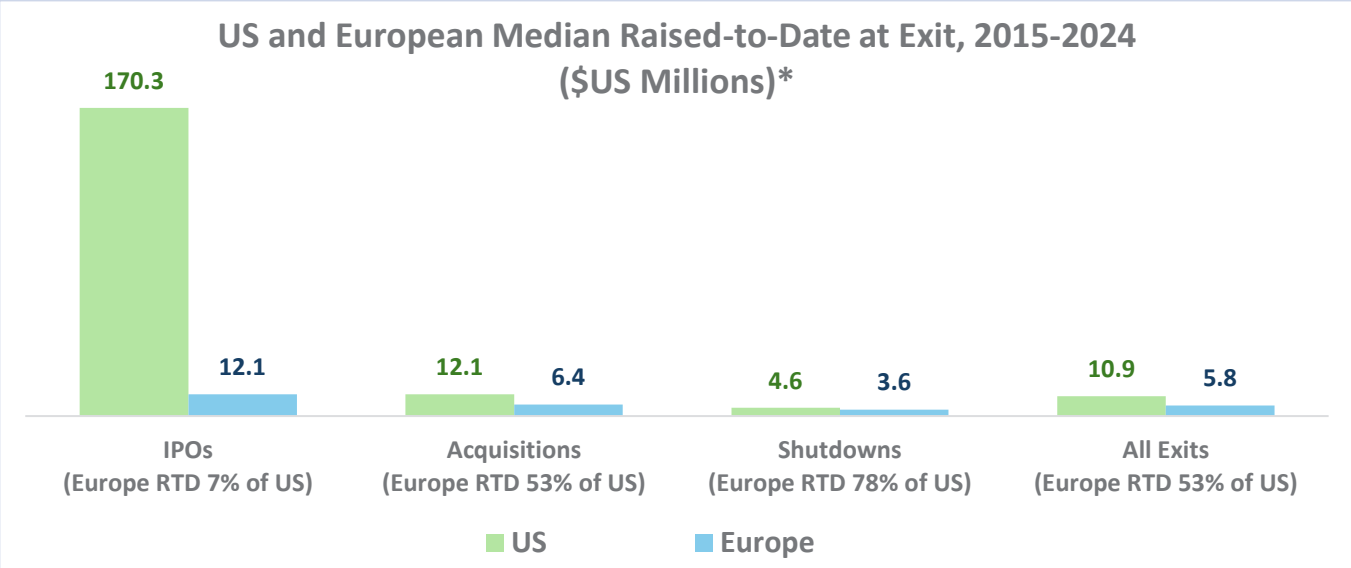


Source: Pitchbook European Venture Report, July 20, 2025 and Pitchbook/NVCA Q2 2025 Venture Monitor.

Venture-funded European companies also typically raise less venture funding than their US counterparts before exiting, regardless of the type of exit. As shown in Figure 2 (next page), the median amount raised-to-date (RTD) at exit in Europe was $5.8 million versus $10.9 million for US firms, or about half (53%) the US value. European VC-funded firms that shut down or were acquired also raised less money than US firms at 78% and 53% of the US RTD values, respectively. The largest difference between European and US exits, however, is for those companies that go public. In the US over this period, the median amount raised by firms that had IPOs was $170.3 million, while the median for European companies was $12.1 million, or just 7% of the US median value. These differences between the US and Europe may influence the extent to which European startups are affected by government antitrust enforcement policies.

**Excludes biotech companies.*

Figure 2: European Companies Raise Less Funding Before Exiting



IV. Regulatory Environment for European Technology Startups

European Regulators

The European Union's regulatory environment for technology companies is primarily governed by the European Digital Markets Act (DMA).[5] The DMA targets large online platforms, known as "gatekeepers," that control access to important digital markets. The act aims to prevent anti-competitive practices and ensure that smaller businesses and consumers have fair access to digital services. "Gatekeepers" are defined based on criteria such as market capitalization, number of users, and user engagement. The DMA aims to foster competition and promote consumer access by prohibiting certain practices by companies defined as gatekeepers, such as self-preferencing their own services over competitors and using data from business users to compete against them. It also mandates interoperability and data portability, allowing users to switch between services more easily. While the DMA does not explicitly prevent large tech companies from acquiring startups, its regulatory obligations impact such acquisitions by increasing the scrutiny of mergers and acquisitions involving these gatekeepers. If an acquisition by a designated gatekeeper company is deemed to significantly reduce competition or harm the market, it may draw regulatory attention, particularly if the target startup could enhance the acquirer's dominant position in the market, and the DMA could be leveraged to challenge or block such transactions.

[5] The European Union has imposed a number of other regulatory laws and policies targeting digital services, such as the Digital Services Act (DSA), but the general consensus is that the DMA has had a larger impact than the rest combined. Moreover, the next most important European digital regulatory policy, the DSA, came into force the same year as the DMA and had been developed across a similar timeframe.

The European Commission initially proposed the DMA in September 2020 as part of its broader digital strategy. In July of 2022, EU member states agreed on the final text of the DMA, and it was formally adopted by the European Parliament and Council in November of that year. It officially came into effect in May 2023, and on September 6, 2023, the European Commission designated the first six "gatekeeper" companies: Google (Alphabet), Amazon, Facebook (Meta), Apple, Microsoft, and ByteDance. It was foreseeable that the five U.S. companies initially designated were the GAFAMs, as European policymakers had openly signaled their intent to target these companies since early in the DMA process. In May 2024, the Commission added Booking Holdings (a European subsidiary of a U.S. company) to the list, for a total of seven companies currently designated as "gatekeeper companies."[6]

US Regulators

Because many European startups receive funding from or are acquired by US companies, changes in US regulatory activities have an impact not only in the US but in Europe as well. In the US, the appointment of Lina Khan to lead the FTC and Jonathan Kanter to lead the Department of Justice (DOJ) Antitrust Division, both in 2021, quickly led to increased enforcement activity. The "45th Annual Hart-Scott-Rodino Report" covering Fiscal Year 2022 by the FTC and DOJ touted increased merger enforcement:

> **"The FTC and DOJ together filed 50 merger enforcement actions in fiscal year 2022, representing the highest level of enforcement activity in over 20 years. The Commission brought 24 merger enforcement challenges in fiscal year 2022; 11 in which it issued final consent orders after a public comment period; seven in which the transaction was abandoned or restructured as a result of antitrust concerns raised during the investigation; and six in which the Commission initiated administrative or federal court litigation."[7]**

The aggressive antitrust enforcement posture went beyond just an increase in enforcement actions and included a host of actions that resulted in a "process is the punishment" paradigm, sometimes called the "merger tax." A "merger tax" in antitrust enforcement refers to the costs imposed on merging companies due to reporting requirements, regulatory scrutiny, enforcement actions, or legal challenges by antitrust authorities, which can make otherwise profitable transactions unprofitable due to costs in staff time, third-party expenditures, and transaction delays.

[6] See https://digital-markets-act.ec.europa.eu/gatekeepers_en.

[7] FTC and DOJ, "45th Annual Hart-Scott-Rodino Report", December 21, 2023, available at https://www.ftc.gov/news-events/news/press-releases/2023/12/ftc-doj-issue-fiscal-year-2022-hart-scott-rodino-notification-report [emphasis added]

After 2021, industry rapidly began to assign significant importance to the increased antitrust enforcement for its impact on mergers and acquisitions (M&A), especially in terms of acquisitions by larger companies. For example, the National Venture Capital Association (NVCA) Venture Monitor did not mention "antitrust" once in Q3 2019 or Q3 2020, but the Q3 2022 issue mentioned antitrust, the Q3 2023 issue included a detailed discussion of FTC and DOJ merger guidelines and the Hart-Scott-Rodino proposed overhaul, and the Q3 2024 issue included a lengthy discussion of antitrust, with the word appearing at least 18 times, including an analysis concluding, "In recent years, increased regulation and antitrust enforcement have effectively sidelined the largest technology companies from M&A activity."[8]

> **"Did Aggressive European and U.S. Regulatory and Antitrust Enforcement Help Spur European Startup Formation and Growth?"**

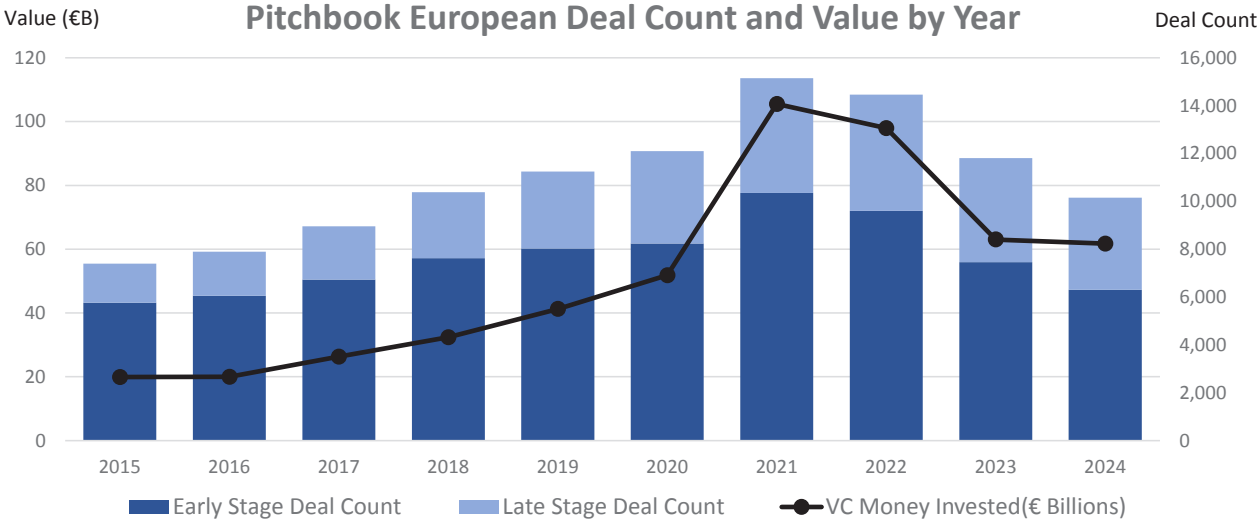
The aggressive antitrust enforcement posture of the regulators in Europe with the Digital Markets Act (DMA), and with US regulators at the FTC and DOJ Antitrust Division, sought to address concerns about a purported "Kill Zone" problem in tech.[9] The "Kill Zone" view predicts that the acquisition activities of large online platform operators harm competition by discouraging VCs from funding European tech startups. This theory is easy to test, so we ask: In the present venture market, are there any signs that the concern reflected in the Kill Zone theory was inhibiting or discouraging tech startup or VC activity in Europe through 2021? Moreover, was there any improvement in the performance of European startups or in VC activity or performance after 2021 that might suggest the newly aggressive antitrust and regulatory postures on both sides of the Atlantic were having beneficial results?

The data on European deals done and amounts invested indicate it has not. Pitchbook reports that annual venture investments in Europe rose from just under €20 billion in 2015 to a high of €106 billion in 2021, falling back to €60 billion in 2024, as shown in Figure 3. The number of deals has also increased over this period, more than doubling from about 7,400 in 2015 to over 15,000 in 2021 before falling back to just over 10,000 in 2024, with no signs of discouragement through 2021. VCs were providing increasing numbers of tech startups with early-stage financing and were supplying increasing amounts of capital to both early stage and late-stage startups through 2021, before declining in 2022 and 2023.

[8] National Venture Capital Association, "Venture Monitor," for Q3 2019, Q3 2020, Q3 2022, Q3 2023, Q3 2024, available at https://nvca.org/wp-content/uploads/2024/10/Q3-2024-PitchBook-NVCA-Venture-Monitor.pdf

[9] See https://ccianet.org/research/reports/antitrust-enforcement-over-deters-acquisitions-squeezing-smaller-startups-and-venture-capital-investors/ for an overview of the European Union and https://www.ftc.gov/system/files/ftc_gov/pdf/khan-remarks-stanford.pdf for the US.

Figure 3: VCs Provide European Startups with Increasing Amounts of Capital

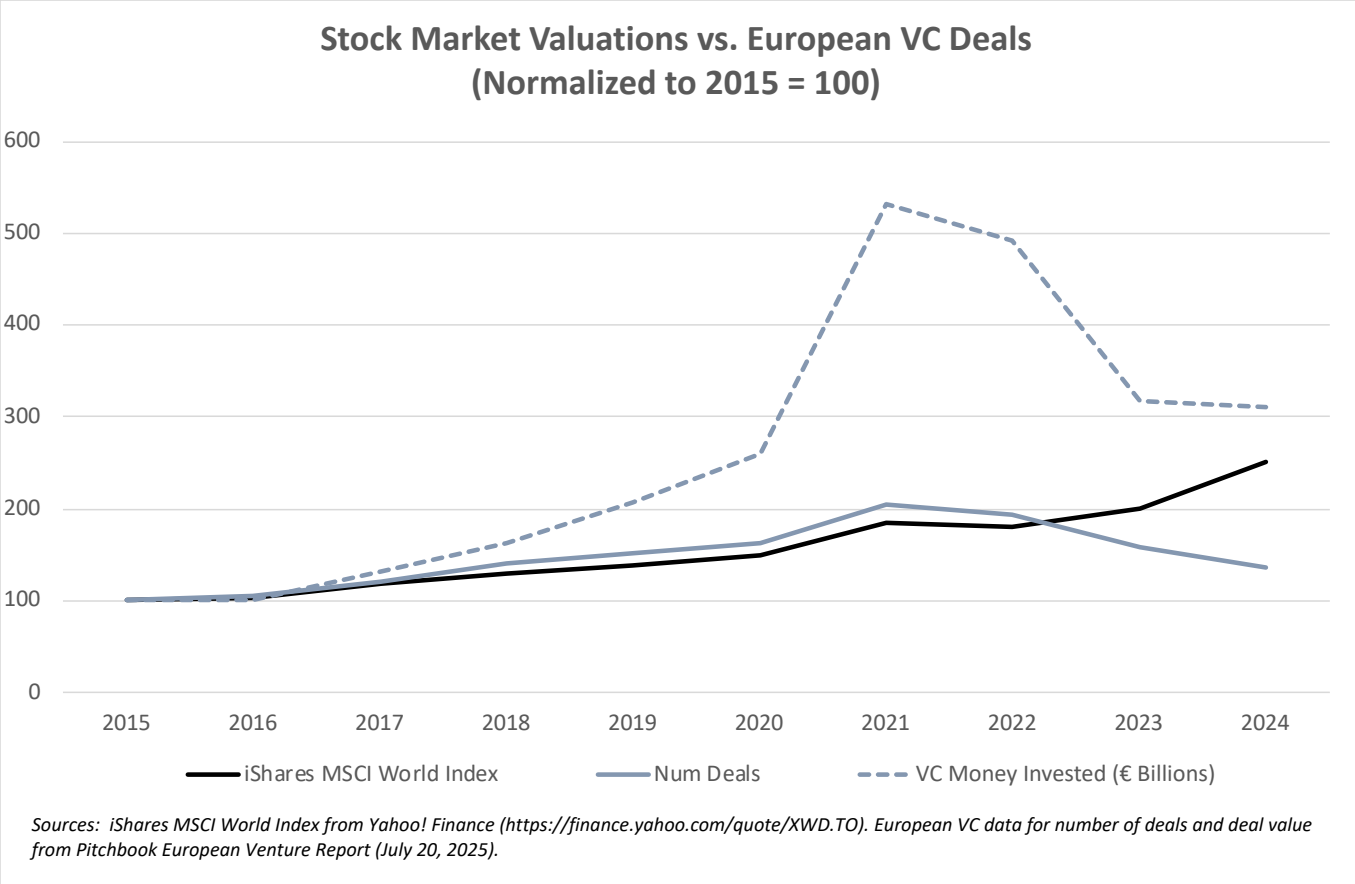


Source: Pitchbook European Venture Report, July 20, 2025.

To provide additional context, consider how VC investment activity in Europe compares to the stock market performance over this same period.[10] As shown in Figure 4 (next page), VC activity in Europe increased from 2015 through 2021, then decreased slightly in 2022, as did the value of global stocks (here represented by the iShares MSCI World Index ETF). As shown in the graph, the number of VC deals in Europe closely tracked the stock market performance through 2022; since then, however, VC deals have declined while stock market values have increased. For the total VC money invested in European startups, the pattern is similar, with both the money invested and the stock market values increasing from 2015 through 2021 and decreasing slightly in 2022. After 2022, the value of VC investments decreased significantly, falling by 37% from 2022 to 2024, while stock market values increased by 40%. If the actions taken by US and European regulators to address a potential "Kill Zone" problem were needed and effective, one would expect the exact opposite—that is, VC investments in European startups should have increased relative to their historical pattern starting in 2021 or 2022. Instead, **VC investments into European startups have noticeably declined despite continued stock market growth, indicating these regulatory actions may have done more harm than good.**

[10] Note that the analyses that follow include the UK as part of Europe, even though it exited the European Union in 2020. The analyses were performed both with and without VC-funded companies based in the UK, and the results were consistent regardless of whether or not such companies were included.

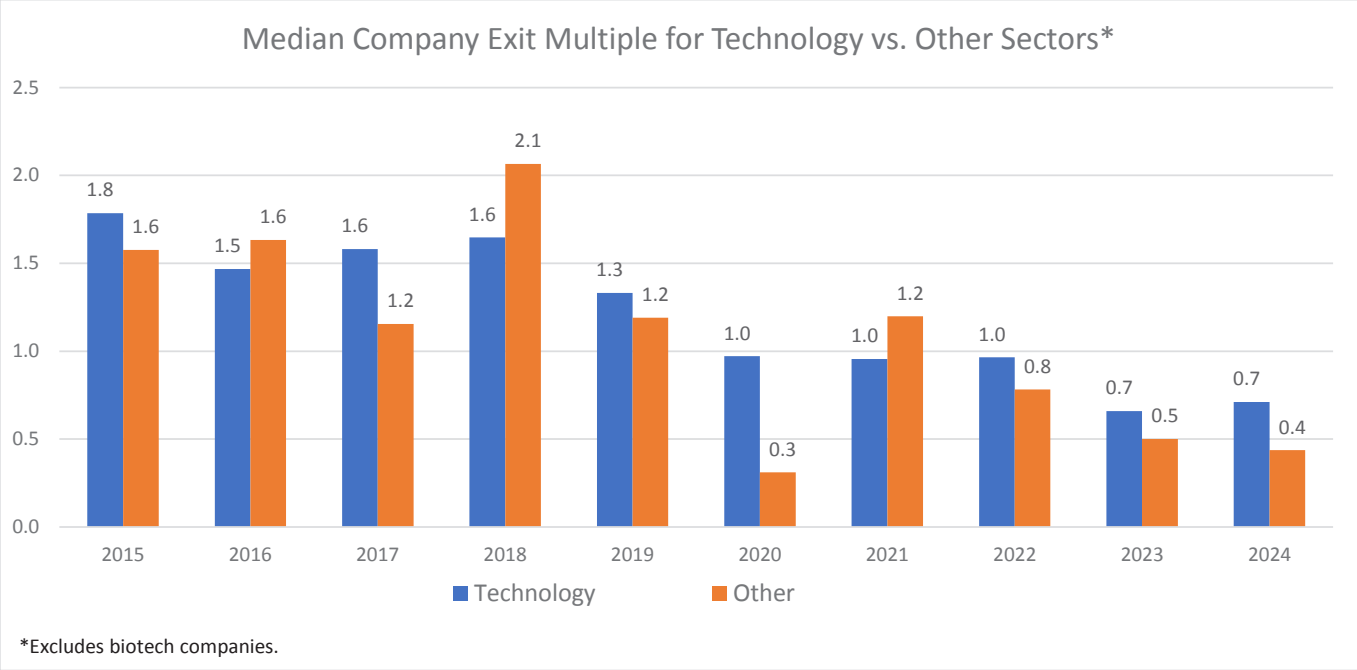
Figure 4: VC Investments in European Startups Tracked Stock Market Performance Through 2022, but has Since Diverged



Sources: iShares MSCI World Index from Yahoo! Finance (https://finance.yahoo.com/quote/XWD.TO). European VC data for number of deals and deal value from Pitchbook European Venture Report (July 20, 2025).

The exit multiple for a company, a popular measure of startup success, is the company exit value divided by how much money it raised while private. Figure 5 presents the time series of median exit multiples by exit year for both technology and "other" companies in Europe. To the extent U.S. and European antitrust policy affects European startup activity, the "Kill Zone" view predicts a decline in the performance of tech startups relative to all other venture capital-backed startups due to acquisitions by large tech companies, and no such decline is discernible for "tech" relative to "other". The low values post 2021 for both categories, with more of a decline in other companies relative to tech, indicate that any overdeterrence of acquisitions in tech due to aggressive enforcement activity by US and European regulators did not have a discernible impact in Europe.

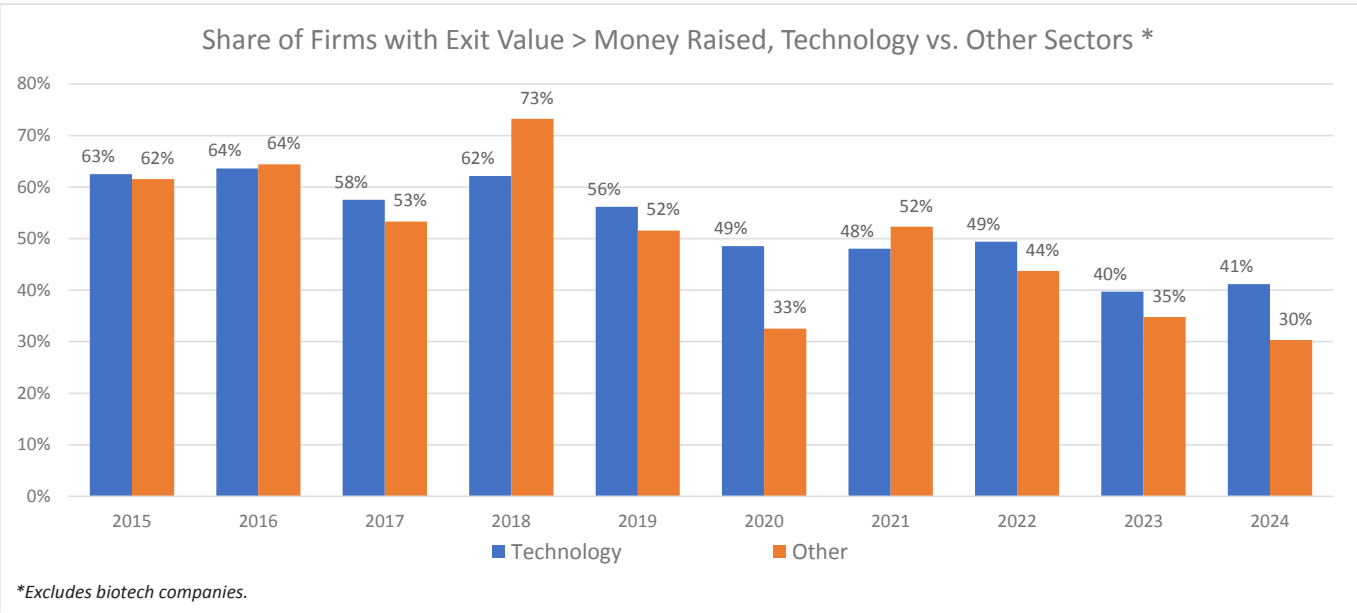
Figure 5: Annual Median Exit Multiple for European VC-Funded Companies



*Excludes biotech companies.

In addition, while the share of European startups who were worth more than the amounts invested in them (had an exit multiple larger than one) has fallen, the relative performance of tech companies versus other companies has not noticeably changed over the 2015-2025 period, as shown in Figure 6. This is contradictory to the "Kill Zone" view, which would predict a decrease in the performance of tech startups relative to all other venture capital-backed startups in Europe.

Figure 6: Annual Share of Exiting Companies with Exit Multiples Larger than One



Excludes biotech companies.

How Have Venture-Funded European Companies Fared Generally?

To analyze how European startups have performed over the past ten years, it is helpful to look at their exit activity. As discussed above, VC-funded companies may exit via an IPO, acquisition, or shutdown. Here is the quick summary of the 2,276 exits for European VC-funded companies from 2015 through the end of 2024:[11]

IPOs	6%
Shutdowns	24%
Acquisitions	70%

And we can further separate the acquisitions into

Profitable acquisitions	45% of exits, 64% of acquisitions
Unprofitable acquisitions	25% of exits, 36% of acquisitions

We designate an acquisition as "profitable" if the sale price of the company is more than the total money the company raised in its startup phase, and an unprofitable acquisition is one where the company is acquired for less than the total money raised. When an acquisition is unprofitable, the investors get some of their investment back but are not made whole, the general partners have their management fees from the period before the acquisition, but receive no carry, and the founders get nothing.

Founders may have earned a salary during the startup phase, but they have no profits on the exit. Adding the shutdowns and unprofitable acquisitions together, founders walked away from just about 50% of their startups with nothing in EU venture capital.

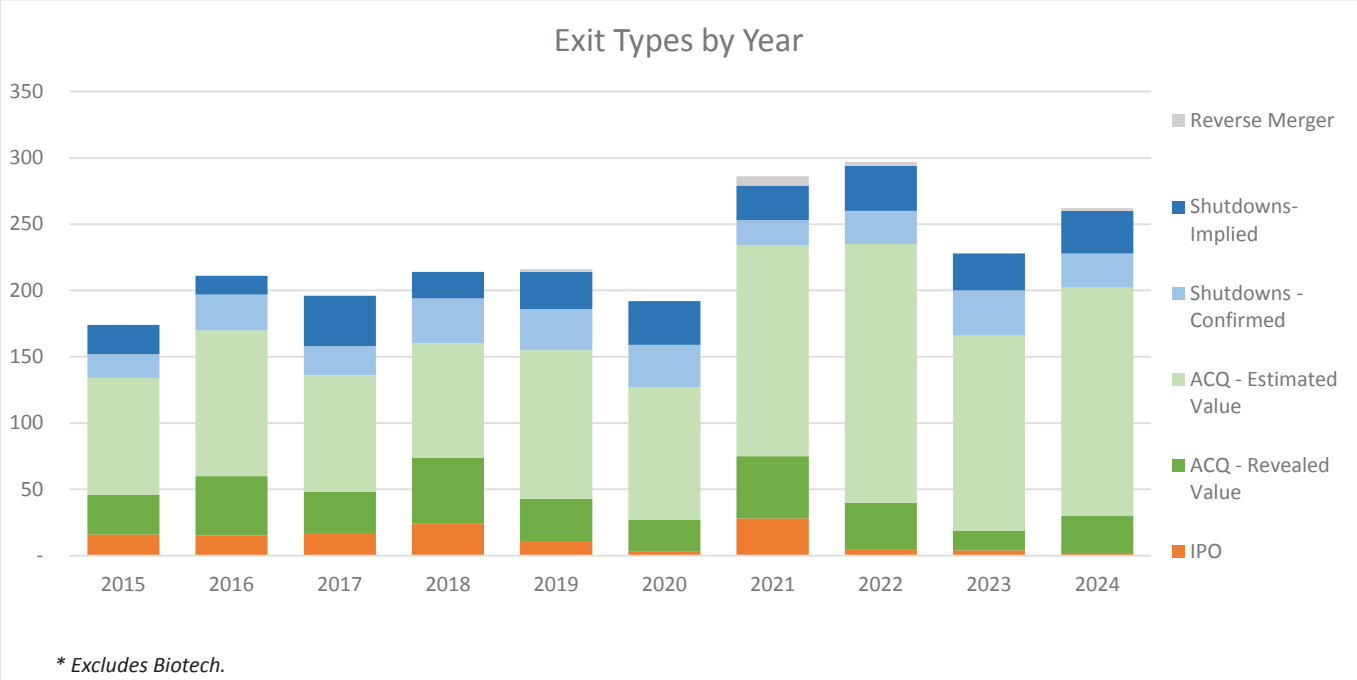
Startups that are failing but not totally worthless can avoid a total loss by being acquired. They cannot raise more money (they have already tried), they do not have enough revenue to survive on their own, and they are too small and too unprofitable to go public. Acquisition is the only available loss mitigation strategy for their investors. To the extent that acquisitions are reduced by the increased scrutiny by European and US regulators, it becomes more difficult for venture capital investors to salvage something on failing startups. Exit values will be lower and underwriting/funding standards must be tougher to compensate.

Figure 7 below presents the number of company exits by year from 2015 through 2024. Acquisitions are broken out into those with revealed values and those whose value we estimate.[12] Shut-downs are also divided into two categories, those that have been confirmed to have ceased operations and "implied" shutdowns (i.e., included as a shutdown because the company has not had a funding round for 10 years and has other indications of no longer operating independently, such as no longer having an active website, etc.).

[11] Included in the 2,276 exits there were 14 reverse mergers or SPACs among the European companies. The reverse mergers are not included in the discussion of exits here but are discussed in the section "How venture capital investing works" above.

[12] See Appendix 3 for a detailed discussion on how estimated acquisition values are calculated.

Figure 7: Exit Detail by Year



** Excludes Biotech.*

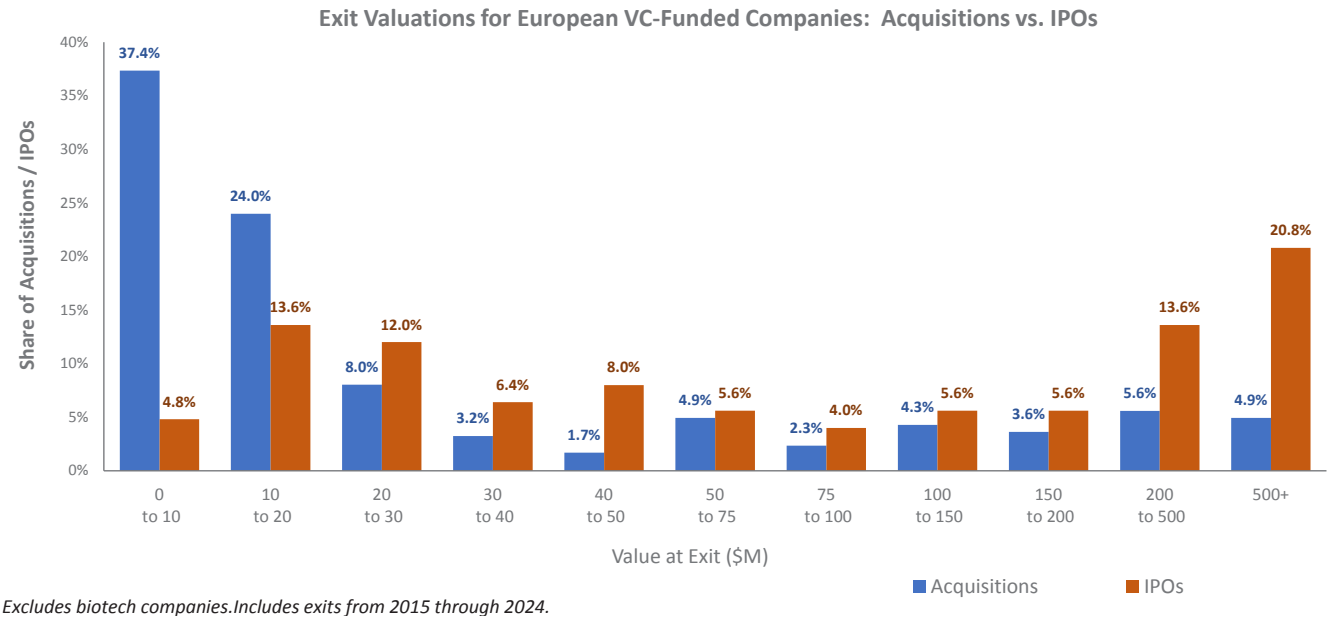
Acquisition and IPO values of venture-funded companies

There are 1,594 European companies who were acquired between 2015 and 2024. The average company had raised $22 million, and the median raised $6.4 million during the startup phase. The average acquisition value was $52 million, and the median was $7.4 million. Of these, 64% were bought for a sum greater than the total raised, and 36% for less than the company had raised.

The acquirers are other companies and private equity funds. Only 18% were acquired by a public company, with 7% acquired by U.S. public companies. Those acquired by public companies are far, far more valuable at exit than those acquired by private (non-public) companies. Private equity funds acquired 6% of the acquired companies. Being acquired by a private equity fund is a disappointment for most venture startups. It means they are not "done yet," but will still have general partners to answer to, who will likely exert more control over them than did their venture general partners.

IPOs are an order of magnitude less common than acquisitions, and the size distributions of acquisitions and IPOs differ sharply. About 37% of acquired European startups are acquired for less than $10 million. By contrast, only about 5% of European IPOs were valued at less than $10 million (all values are pre-money, that is, before adding any money raised in the IPO). The median startup IPO value is $71 million compared to $7.4 million for acquired companies, and the average value at IPO is $961 million compared to $52 million for those acquired. Figure 8 (next page) shows the distributions of exit values for European venture startups that were acquired or that went public.

Figure 8: Summary of Acquisitions and IPOs by Value at Exit



Excludes biotech companies.Includes exits from 2015 through 2024.

These statistics are key to understanding why more startups cannot be expected to go public. Most are simply not valuable enough to sustain the burdens of a public company. The average startup IPO has more than 18 times the value of the average acquisition at the time of exit ($961M vs. $52M), and the median IPO value is almost 10 times the median acquisition value ($71M vs. $7.4M). An acquirer only needs to have a useful purpose for the assets of the startup to justify a transaction, such as adding value to an existing operation. By contrast, IPO investors must have confidence that a startup is or will someday be capable of self-sustaining operation, a higher threshold than most startups can ever meet. IPOs are rarely appropriate for either small or unprofitable companies, whereas acquisitions make sense for companies that are too small to be public or are overall unprofitable but have an asset useful to a larger company.

The disparate fortunes of acquired vs IPO companies is reflected in the share of transactions that occurred at values below the total capital raised. More than one-third (36%) of acquired companies were worth less at acquisition than the money they raised, a sign that they were failing as independent enterprises. Even a few IPOs, but only a few, 3%, went public at valuations below the money they raised while private. The table below shows a breakout by value quintile.

Figure 9: Percent of Companies with Exit Values Less than Money Raised

Quintiles by Exit Value	Acquisitions		IPOs	
	Quintile Range	Percentage	Quintile Range	Percentage
First Quintile	$0.4 to 4.8 M	21%	$2.6 to 20.4 M	4%
Second Quintile	$4.8 to 6.5 M	44%	$20.4 to 41.9 M	8%
Third Quintile	$6.5 to 8.8 M	53%	$41.9 to 143.6 M	0%
Fourth Quintile	$8.8 to 18.1 M	48%	$143.6 to 506.7 M	4%
Fifth Quintile	Greater than $18.1 M	13%	Greater than $506.7 M	0%
Overall		36%		3%

European VC-funded companies, excluding biotech companies, with exits from 2015 through 2024.

Who are the acquirers of European venture startups? There are about 1,400 unique acquirers for the set of 1,600 acquired companies. About one-third of the acquisitions were by US companies, 18% of acquisitions are by public companies, and 7% were by public US companies.

During the period from 2015 through 2024, about $83 billion was spent on the acquired startups. Some acquirers are much more active and spend more than others. A set of 21 "Candidate Companies" (the 7 "gatekeeper" companies plus 14 additional US companies who are large enough to have been targeted for extra scrutiny by US regulators from 2021 through 2024), has acquired 2.4% of the acquired startups. More interesting is that the Candidate Companies have spent 7.3% of the total money spent on European venture startups. The reader is also surely interested in the acquisitions by the "gatekeeper" companies. These seven companies combined have bought 1.8% of the companies, and they spent 2.1% of the acquisition money.

Figure 10: Summary of Acquisitions

Acquirers	Number			Value ($M)		
	< $20M	≥ $20M	Total	< $20M	≥ $20M	Total
"Gatekeeper" Companies *	15	14	29	124	1,627	1,751
Candidate Companies **	20	19	39	181	5,838	6,019
All Acquisitions	1,291	303	1,594	9,565	73,273	82,838
"Gatekeeper" Companies' Share	1.2%	4.6%	1.8%	1.3%	2.2%	2.1%
Candidate Companies' Share	1.5%	6.3%	2.4%	1.9%	8.0%	7.3%

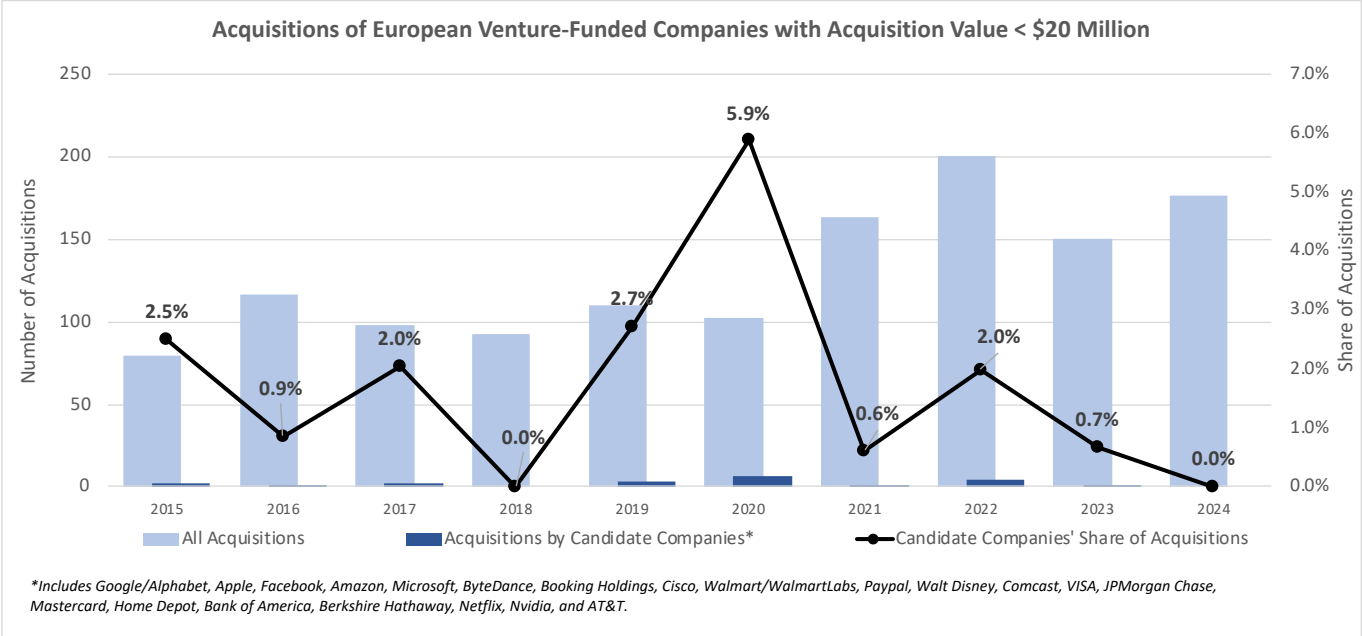
**"Gatekeeper" companies include Google (Alphabet), Apple, Facebook (Meta), Amazon, Microsoft, ByteDance, and Booking Holdings.*

***Candidate Companies include the 7 "gatekeeper" companies plus Cisco, Walmart/WalmartLabs, Paypal, Walt Disney, Comcast, VISA, JPMorgan Chase, Mastercard, Home Depot, Bank of America, Berkshire Hathaway, Netflix, AT&T and NVIDIA.*

We cannot expect that many of the acquired startups could have gone public as an alternative to being acquired. Approximately 82% were acquired for under $20 million or were money-losing acquisitions for their investors. They were not candidates for an IPO. Even among those who are very valuable, many were created with a single purpose, and developed a single asset, such as security, authentication, data management, streaming technology, and many other functions that are not themselves a standalone business, but a working part within a business.

Looking at just these smaller European companies with acquisition values below $20 million, it appears that aggressive antitrust enforcement starting in 2021 coincided with a decline in Candidate Company acquisitions of such startups, while other acquirers stepped in to pick up most of the short-fall, as shown in Figure 11. This is especially true for 2023 and 2024. However, the fact that other acquirers were willing to acquire these smaller startups does not mean that they were willing to pay as much as large acquirers would have been willing to pay.

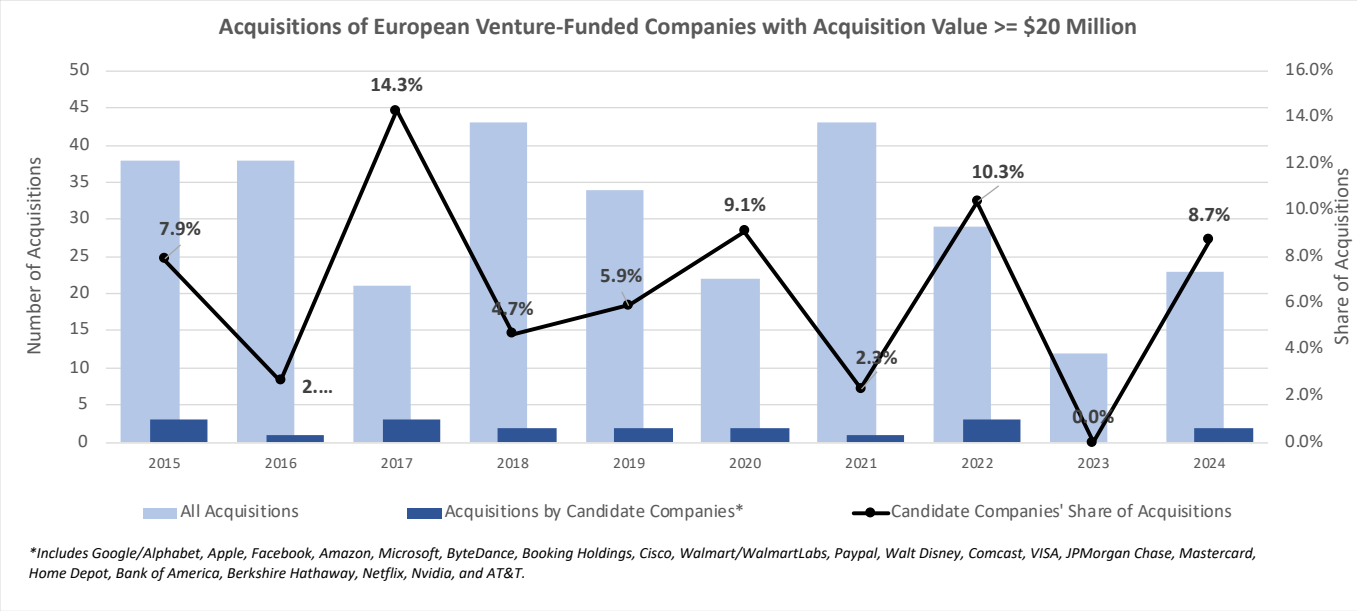
Figure 11: The Candidate Companies' Share of Acquisitions of Smaller Startups Peaked in 2020, While Acquisition Activity Generally Continued to Increase



**Includes Google/Alphabet, Apple, Facebook, Amazon, Microsoft, ByteDance, Booking Holdings, Cisco, Walmart/WalmartLabs, Paypal, Walt Disney, Comcast, VISA, JPMorgan Chase, Mastercard, Home Depot, Bank of America, Berkshire Hathaway, Netflix, Nvidia, and AT&T.*

For larger acquisitions, the pattern is not as clear. As shown in Figure 12 (next page), the number of |European acquisitions with values above $20 million has been roughly consistent through the past ten years, with approximately 20 to 40 such acquisitions per year, and the candidate companies accounting for somewhere between 2 and 10% of those acquisitions, though this varies by year. The most recent years do not show a clear pattern either, with the candidate companies' share going from 2.3% in 2021 to 10.3% in 2022, then falling to zero acquisitions in 2023 before accounting for 8.7% in 2024.

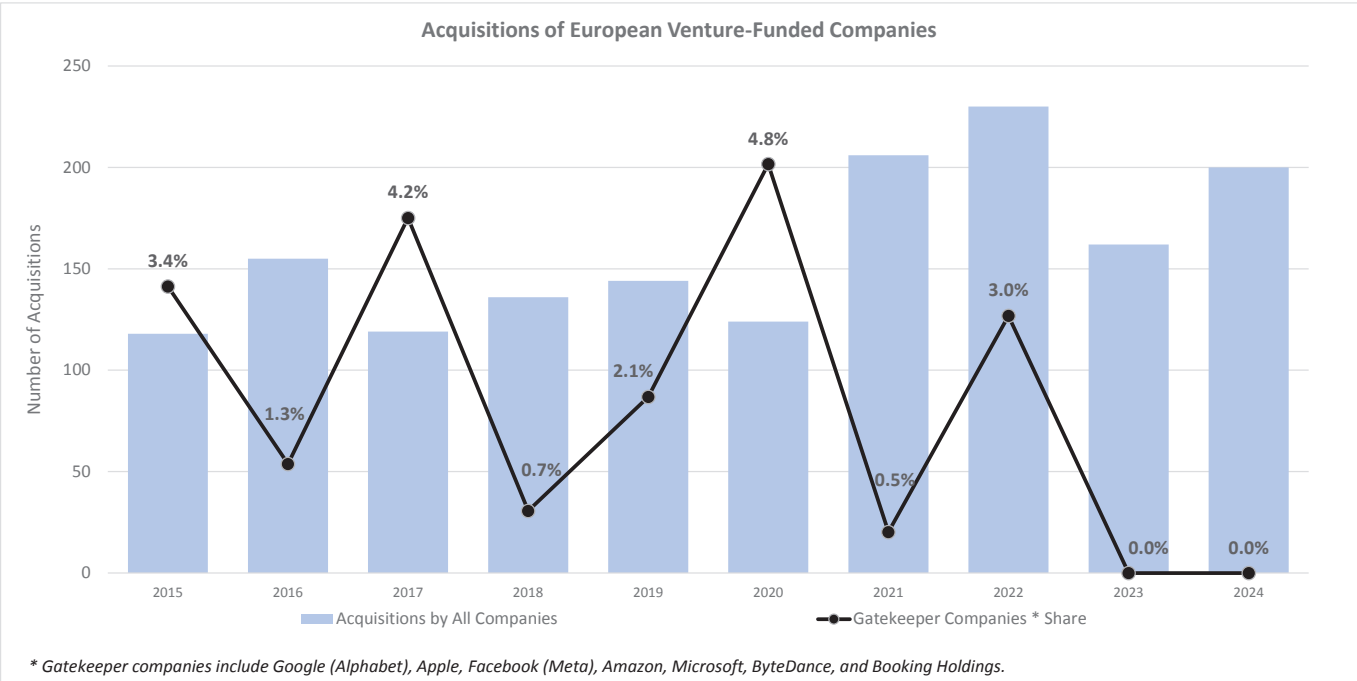
Figure 12: Acquisitions of Larger European Startups Has Not Followed the Same Pattern as Less Valuable Acquisitions



*Includes Google/Alphabet, Apple, Facebook, Amazon, Microsoft, ByteDance, Booking Holdings, Cisco, Walmart/WalmartLabs, Paypal, Walt Disney, Comcast, VISA, JPMorgan Chase, Mastercard, Home Depot, Bank of America, Berkshire Hathaway, Netflix, Nvidia, and AT&T.

For the seven "gatekeeper" companies specifically targeted by the DMA, the pattern is clearer, as shown in Figure 13 below. While the number of acquisitions has grown from 2015 through 2024, the share of acquisitions by the "gatekeeper" companies has declined, particularly in 2023 and 2024, when the seven companies had no acquisitions of European venture-funded companies.

Figure 13: Acquisitions by Companies Targeted by Digital Markets Act Have Fallen Markedly in Recent Years



* Gatekeeper companies include Google (Alphabet), Apple, Facebook (Meta), Amazon, Microsoft, ByteDance, and Booking Holdings.

Examining acquisition data in detail confirms intense antitrust enforcement scrutiny in recent years coincided with a noticeable decline in overall acquisitions, especially in 2023 and 2024, but that decline was stronger among smaller startups valued at under $20 million.

Figure 14: Detailed Acquisition Data for European Non-Biotech Companies, 2015-2024

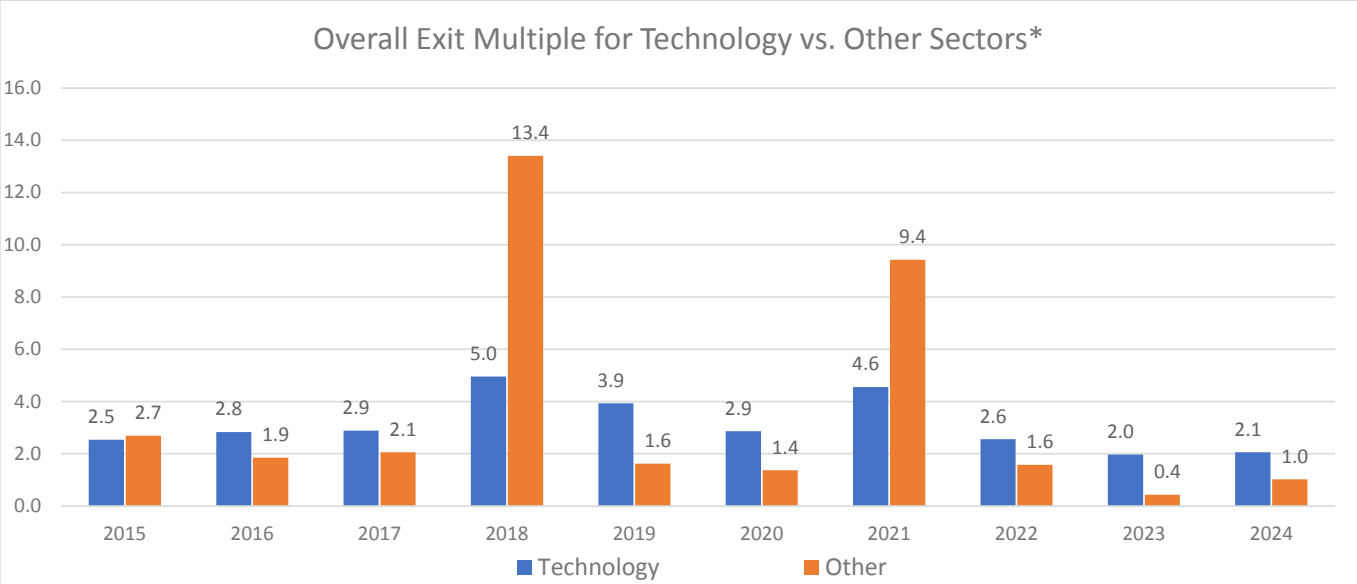
Acquirers	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Acquisition Value < $20M										
Gatekeeper Companies *	1	1	2	0	2	4	1	4	0	0
21 Candidate Companies **	2	1	2	0	3	6	1	4	1	0
Acquisitions by All Companies	**80**	**117**	**98**	**93**	**110**	**102**	**163**	**201**	**150**	**177**
Gatekeeper Companies * Share	1.3%	0.9%	2.0%	0.0%	1.8%	3.9%	0.6%	2.0%	0.0%	0.0%
21 Candidate Companies' Share	2.5%	0.9%	2.0%	0.0%	2.7%	5.9%	0.6%	2.0%	0.7%	0.0%
Acquisition Value >= $20M										
Gatekeeper Companies	3	1	3	1	1	2	0	3	0	0
21 Candidate Companies	3	1	3	2	2	2	1	3	0	2
Acquisitions by All Companies	**38**	**38**	**21**	**43**	**34**	**22**	**43**	**29**	**12**	**23**
Gatekeeper Companies * Share	7.9%	2.6%	14.3%	2.3%	2.9%	9.1%	0.0%	10.3%	0.0%	0.0%
21 Candidate Companies' Share	7.9%	2.6%	14.3%	4.7%	5.9%	9.1%	2.3%	10.3%	0.0%	8.7%
All Acquisitions										
Gatekeeper Companies	4	2	5	1	3	6	1	7	0	0
21 Candidate Companies	5	2	5	2	5	8	2	7	1	2
Acquisitions by All Companies	**118**	**155**	**119**	**136**	**144**	**124**	**206**	**230**	**162**	**200**
Gatekeeper Companies * Share	3.4%	1.3%	4.2%	0.7%	2.1%	4.8%	0.5%	3.0%	0.0%	0.0%
21 Candidate Companies' Share	4.2%	1.3%	4.2%	1.5%	3.5%	6.5%	1.0%	3.0%	0.6%	1.0%

** Gatekeeper companies include Google (Alphabet), Apple, Facebook (Meta), Amazon, Microsoft, ByteDance, and Booking Holdings.*

*** Candidate Companies include the 7 gatekeeper companies plus Cisco, Walmart/WalmartLabs, Paypal, Walt Disney, Comcast, VISA, JPMorgan Chase, Mastercard, Home Depot, Bank of America, Berkshire Hathaway, Netflix, Nvidia, and AT&T.*

Looking at another measure of the overall success of venture investing, the Overall Exit Multiple, suggests that the period of intense antitrust enforcement activity after 2021 coincided with a decline in the success of venture investing in technology startups. This measure gives stronger weight to particularly large and successful exits than the measures presented earlier. The overall exit multiple is the total exit value for the year divided by the total money raised by the same exiting companies. The results, presented in Figure 15 (next page), suggest that discouraging acquisitions by larger companies like the Candidate Companies reduced the value of startup exits for venture capital investors. This is consistent with reasonable expectations, as scaring away deep-pocketed bidders for acquisitions makes the bidding competition less intense and reduces the final sale price in most scenarios.

Figure 15: Annual Overall Exit Multiples



** Excludes biotech companies.*
Note the spikes in 2018 and 2021 for 'Other' companies, which represent the successful 2018 IPO of Spotify at a value of $33B and the 2021 exits of Oatly, TransferWise and Arrival at $9B, $11B, and $13B, respectively.

In other words, blocking 7% of the expenditure sources from participation in the acquisition market for European venture-funded startups has had a profound effect on venture values and outcomes. The increased scrutiny of acquisitions by large companies appears to have also discouraged outcomes for startups valued at less than $20 million, who are unlikely to have an IPO as an alternative exit option. Less total expenditure available, as well as fewer bidders, appears to lower valuations at exit as well. If the values of startups are lower as a result of US and European regulations which shut out 21 of the most active US startup buyers and potentially deterring other acquirers as well, European venture capital overall is less valuable. Investment will likely continue to decrease, and startup formation decline long term, if such a scenario persists.

Appendix 1

Venture Capital vs Private Equity

Formally speaking, venture capital is a form of private equity. In practice, what is called a "private equity fund" or "buyout fund" (we regard "PE fund and "buyout fund" as perfect synonyms) is not venture capital. Both are organized as partnerships with a general partner and limited partners, both typically have specified fund lifetimes of 10 years. Investments in both are restricted to institutions and "qualified" (rich) individual investors.

Venture capital investments are made by Venture Capital partnerships, nearly always together with other VC partnerships, in startup companies. The startups are always companies with the potential to become big and valuable, but unable to do so on self-generated revenues. At the first round of fund raising, the company will often have only an idea, but no product, no customers, and no revenues. In exchange for their money, the partnerships receive a security known as "convertible preferred" stock, not common stock. The point of convertible and preferred is that if the company still looks promising and still needs money to grow after it has spent its first round of funding, another round of funding will be done, and the investors in the second round will also get "convertible preferred" stock, but with a different preference for purposes of liquidation. Typically first rounds are called "Series A" and the second, "Series B", and so on. The preference takes the form of who gets her money first if the company is ultimately worth less than what all the investors put into it. Generally the Series B investors get all of their money back before the Series A gets any. All outside investors (A and B) get their money back before the founders (who have common stock) get anything. If the company ends up very valuable, all convertible preferred stock converts to common stock.

Nearly all venture capital investments can be classified in a few industries: software, hardware, biotech, and retail (retail consistently runs under 5% of total funding), and even the retail will have techy features. Generally these companies will have no debt, and if the company fails worthless, there are no debt-holders to pay off, save perhaps some payables. The total failure rate (no investor gets any money back) for venture companies is close to 50%. Besides the high total failure rate, the systematic risk (beta) of venture capital is on the order of 1.5 to 2.5.

By contrast, the companies bought in buyout deals are mature. They have a product, customers, revenues, and nearly always, positive cash flow. The buyout fund typically buys the entire company and receives common stock as its claim. It is rare to see a buyout deal that is syndicated (has multiple funds investing). A single fund buys the entire company, and a single general partner is in charge. The general partner usually gets very involved in running the company. The initial investment (the buyout) cannot be characterized as a "round of funding", it is simply an acquisition. There are no follow-on rounds of funding anticipated. The goal of the private equity investor is to buy the company, make it more valuable, and sell it. The actions to "make it more valuable" might be to make operations changes, assemble a group of companies to create a chain, re-arrange of the balance sheet, sell off some parts of the company, or reduce expenses. The deals are often called "leveraged buyouts" because the placement of debt on the balance sheet figures large in the deal.

Buyout "exits" can take the form of an IPO (sell the company to public investors) or selling the company either whole, or in parts, to another organization, usually an operating corporation, but sometimes another buyout fund. In terms of the records in commercial data sets, one sees as the first event an acquisition (fund buys company), then either another acquisition (fund sells to an operating company) or IPO (fund sells company to public investors). There are no fundraising events in between. When the buyout investors sell off parts or put debt on the balance sheet, this cash flow is usually recorded as a dividend to the buyout fund. Yes, the debt becomes an obligation of the company, but the buyout investors get the cash. The systematic risk of buyout funds, (beta) is much lower than that of venture, even a bit lower than the overall stock market, typically about 0.8 or 0.9. Total failures, situations where a company expires worthless, are rare. Even in a case like ToysRUs, which did go bankrupt, the buyout investors had a cash payment when they sold the debt they put on the ToysRUs balance sheet, so there was a partial recovery for the buyout investors prior to the bankruptcy.

The industries in buyouts are the old, old thing, not the new, new thing. The industries most represented in buyout deals are hospitality – restaurant chains and hotel/motel chains. Sometimes the buyout fund will buy individual companies and roll them up into a branded chain (e.g., pizza shops, extended-stay hotels, convenience stores, tire stores). Even nursing homes, a growing low-tech industry, are subject to buyouts. There were many deals in the early 2000s in which individual nursing homes and even publicly traded chains of nursing homes were bought up by private equity organizations and re-arranged. In these deals, the buyout fund sold real estate owned by the home, leased it back to the home, and thus isolated the real estate from any liability of the operating company. Occasionally there is a large deal for a single company, such as Dell, which was taken private by a buyout fund, which then went public again.

Sometimes we see acquisitions of venture-funded companies by buyout funds. The acquisition represents the exit from a venture fund, and an exit for the venture investors, sometimes for the founders too, but the entry of a new company to the portfolio of the buyout fund. At this point, the venture company always has products and revenues. Venture investors and founders are seldom happy for a company to be sold to a buyout fund. It is a sign that the highest bidders are not passive investors like public shareholders, who will now let management run things, but a bossy buyout general partner.

The potential for confusion between venture and buyout deals is great. First, both are held in funds that have the same limited partner/general partner structure. Second, both types of funds are equity holders in their portfolio companies. Third, both types own interests in and exercise control over private companies. Fourth, only accredited investors (rich people) and institutional investors (pension funds, endowments), can invest in venture and buyout funds, because their securities are not registered and they are not periodic reporters to the SEC. In both types, the securities do not trade. The funds now must make some SEC filings, but the reporting obligations are de minimis compared to those of public corporations and mutual funds.

Here is a convenient table of the features of Venture and Buyout funds:

Figure 16: Venture vs. Buyouts

	Venture	Buyouts
Industry	new	not-so-new
Stage	startup	mature
Revenues?	no	yes
Income?	no	yes
Multiple Investors?	nearly always	rarely
Multiple rounds of funding?	yes	no
Security bought	convertible preferred	common stock
Debt?	rare	common
Total failure rate	40%	<5%
Beta	1.5 to 2.5	0.8 to 0.9

Appendix 2

Data Used in Analysis

The data used in this analysis include only European-headquartered firms that received Venture Capital funding. We have combined data from the Dow Jones VentureSource (DJVS) database through Q1 2020, Crunchbase through the end of 2024, and our own research for exits associated with these companies. Companies are only considered to be VC-funded if they received investments from VC firms as opposed to angel investors or corporate VC funds, though we include all reported investments in our investment totals if the company has at least one funding round that includes at least one VC firm. We also exclude any firm that has VC investments below $1 million, as these are unlikely to represent true VC-backed firms.

We have defined "Europe" to include all European Union countries, as well as countries traditionally considered to be part of Europe, such as the United Kingdom, Switzerland, Norway, and Iceland. The 33 countries included are listed in Figure 17 in descending order by the number of exits from 2015 through 2024. Note that the three countries with the most startup exits—the United Kingdom, France, and Germany—account for almost two-thirds (64%) of all exits analyzed. The results of the analysis are robust to the inclusion or exclusion of the United Kingdom.

Figure 17: European Countries Included in Analysis

United Kingdom	Ireland	Luxembourg	Latvia	Liechtenstein
France	Switzerland	Poland	Bulgaria	Lithuania
Germany	Denmark	Czech Republic	Iceland	Slovakia
Sweden	Belgium	Portugal	Cyprus	Croatia
Spain	Italy	Estonia	Romania	Malta
Netherlands	Norway	Hungary	Slovenia	
Finland	Austria	Greece	Isle of Man	

Finally, we have excluded Biotech companies from this analysis. For the DJVS data, we have defined biotech companies as any company in the "Health" industry sector; all other companies are included either as "Tech" or "Other." Crunchbase may assign funded companies to multiple industries, so for the Crunchbase data, we have excluded companies primarily defined as companies in the following industries: Biotechnology, Medical Device/ Assistive Technology, or Pharmaceutical/Therapeutics. "Tech Sector" companies include companies primarily defined in one of the following industries: Hardware, Software, Telecommunications, Internet Services, Information Technology, Data & Analytics, Blockchain/ Cryptocurrency, or any specific "technology" category (e.g., Fintech, Cleantech, etc.). All other companies were categorized as "Other Sector" companies.

Appendix 3

Estimated values for acquisitions

About 22% of the acquisitions values we use in this analysis are known. The other 78% are estimated. Among the known values, some were learned with much more effort than others. As a general matter, our experience is that the lower the value of an acquired company, the more effort is made to conceal it.

When venture-funded companies are acquired, a valuation for the acquired company is shared a bit less than half of the time. "Sharing" can take many forms. The easiest values to learn are those that come in press releases, which then sometimes become headlines. We call these Category 1: "We acquired Digits.com for $10 billion". There are few values above $500 million that cannot be found in an easily accessed press release. Then there is Category 2, which has a bit of friction: the press release reports "We acquired Digits.com" but gives no value. If the acquirer is a public company, one can look at the acquirer's SEC filing, 10-k or 10-q, and sometimes find the acquisition and a phrase like "We acquired Digits.com for $27 million". Now Category 3: Same press release, and a public acquirer, but the phrase in the filing is "In the fourth quarter we acquired Digits.com", with no value in the text. After some rummaging around the filing, the analyst sees no other acquisitions for the quarter, and checks the cash flow table, which shows $22 million for business acquisitions. Category 4 is harder – the acquirer has acquired several companies, the cash flow table gives a total figure, which allows us to put a ceiling on the acquisition value. Our research on these categories shows that the harder we have to work to find an acquisition value, the lower it is.

Acquisition values are systematically related to many company and deal features. Most important is how much money the company raised in its venture phase. Also very important is whether or not the acquiring company was a public company. Other useful factors are how much time has passed since the company's original round of funding, how much time since the most recent round of funding, the company's industry category, number of employees (if known), the level of the stock market, and very important is whether the company was in the middle of a bridge round when the acquisition happened. A bridge round is a partial fund raising, in which the company must return the money to prospective investors if the planned total fundraising is not raised. An acquisition in the middle of a bridge round is evidence that the company was trying to raise money and remain private a little longer, but was unable, and was acquired instead.

In estimating acquisition values, we use all of the above fields plus a correction for selection bias (shared vs not shared) that we derive from comparing disclosed acquisition data to data that we have which is not public.