EIF VC Survey 2023: Market sentiment, scale-up financing and human capital

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We would like to thank the respondents to the EIF surveys. Without their support and valuable replies, this project would not have been possible. This paper benefited from comments and inputs by many EIF colleagues, for which we are very grateful; we would like to express particular thanks to Oscar Farres and the EIF Research & Market Analysis colleagues. Moreover, we would like to express our gratitude for fruitful collaboration, support and advice to our Invest Europe colleagues Julien Krantz and Lucrezia Lo Sordo. All errors are attributable to the authors.
Dear Reader,

The European VC ecosystem is undoubtedly at a challenging moment of its history. Fund managers and investee companies have all gone to a continuum of various and very different crises. I only want to mention the pandemic and the related economic fallout, the Russian war of aggression against Ukraine, the energy price shock, the current period of high inflation and interest rates.

All of those crises have had a particular impact on the VC market, typically starting with a strong slump in market sentiment and subsequently also in market activity. However, there are signs that the resilience of the market has improved compared to other market disruptions of previous decades, e.g., the dotcom crisis in the early noughties or the global financial and economic crisis from 2007 onwards. In contrast to those periods, when VC fundraising and investments had dropped substantially and remained subdued for longer periods, the crises period of the last three years were characterised by smaller and shorter drops in market activity that were immediately followed by a strong upswing.

The current market environment, which is characterised by tightening monetary and financial conditions, rising interest rates, and subdued economic activity, has already remained with us for quite some time and led to a weaker fundraising and exit environment. Portfolio companies are thus facing significant obstacles, in particular in their access to equity finance. However, when looking ahead, our new EIF VC Survey 2023 shows some signs of hope for a turnaround. While many indicators for the current situation dropped to their lowest levels since the start of our survey in 2018, the expectations for the next 12 months have improved, in particular as regards fundraising and exits.

Our survey respondents have also mentioned several longer-term structural challenges, in particular with respect to scale-up financing and access to human capital. These are elements that require policy makers’ particular attention.

EIF’s Research & Market Analysis strives to support this process by improving the availability of information for evidence-based policy interventions, which are needed especially during and in the aftermath of crises. With two regular and anonymous equity surveys, the EIF VC Survey and the EIF Private Equity Mid-Market Survey, the EIF’s Research & Market Analysis team provides unique market insight, typically on an annual basis.

The study at hand looks at the current situation, developments in the recent past, and expectations for the future. In this publication, the main results are summarised and compared over time. The respondents of the EIF VC Survey, VC fund managers investing in Europe, revealed very interesting insights, providing a unique picture of the developments and the market sentiment in 2023.

I thank Invest Europe for their support, and I also thank all the contributors for this insightful project and analysis. In order to facilitate the reading, we offer a hybrid slide document instead of the traditional Working Paper style. I hope you will enjoy it.

Kind regards,

Helmut Kraemer-Eis
EIF Chief Economist and Head of Research & Market Analysis
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**General**

**Investments**

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EIF VC Survey

Executive summary

EIF Research & Market Analysis
Survey wave 2023
The EIF VC Survey

Executive summary

Number of respondents: 472

Most important stage:
- Pre-seed: 17%
- Seed: 32%
- Early: 34%
- Later stage / Growth stage: 18%

Most important sectors:
- Software: 39%
- Biotech: 14%
- Energy-related: 7%
Executive summary

Exceptional times require unique market insight

Evidence-based policy intervention to address challenges and opportunities

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

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

• The already large outreach of the EIF surveys, which are coordinated by EIF’s Research Market Analysis (RMA), and the high relevance of the questionnaire topics for both market participants and policy makers have further increased through a cooperation with Invest Europe since 2021.

The EIF surveys provide a unique source of information and insight

• The EIF VC Survey and the EIF Private Equity Mid-Market Survey provide the opportunity to retrieve unique market insight. To the best of our knowledge, the combined EIF VC Survey and EIF PE MM Survey currently represent the largest regular survey exercise among GPs in Europe.

• The 2023 wave of the EIF VC Survey and the EIF PE MM Survey focused on issues related to market sentiment, scale-up financing, European strategic autonomy, and the role of human capital (particularly skills and diversity) in European VC and PE mid-market. We look at the current situation, developments in the recent past, and expectations for the future. The present EIF Working Paper 2023/93 focuses on the topics of VC market sentiment, scale-up financing and human capital. The findings are also summarised and compared over time. Several publications on other survey topics are under preparation, such as the results of the EIF PE MM Survey.

• The EIF survey results are published in the EIF Working Paper series: www.eif.org/research.
Most of the EIF VC Survey market sentiment indicators deteriorated further in 2023; but the expectations for the near future have improved

- Gloomy VC perceptions of the current fundraising environment were shared by 70% of respondents. In addition, two out of the three biggest challenges in the VC business in 2023 are related to fundraising.

- While respondents still reported, on average, a higher number of new investments, the pace has slowed down considerably. In the same vein, a large share of VCs declared difficulties in finding co-investors. Consistent with these findings, the vast majority of respondents reported decreases in both competition among investors and entry prices. High investee company valuations are no longer a prominent challenge for VCs.

- Portfolio companies developed worse than expected for more VCs than during the COVID-19 crisis, and respondents anticipate more insolvencies than in the previous year. Access to external finance of portfolio companies has worsened significantly. A record 2 in 3 VCs reported a decrease in valuations of portfolio companies.

- Similar to previous years, securing equity financing is the biggest challenge for VC portfolio companies, followed by recruiting skilled professionals and customer acquisition and retention.

- The exit environment worsened significantly in 2023 according to 72% of VCs. Regarding exit routes, the relative importance of IPOs and trade sales decreased, while the occurrence of insolvencies, secondary sales and sales to financial investors increased. IPOs/sales of listed stocks were reported to be largely based on primary listings outside the EU. In fact, together with fundraising, the overall exit environment has become the biggest challenge for VCs.

- The key challenges of the exit environment are insufficient liquidity in the IPO market and difficulties in finding potential buyers.

- VC exit prices decreased further, according to 77% of VCs, and as anticipated in last year’s survey. Nonetheless, 1 in 3 VCs expect a recovery over the next 12 months.

- While many market sentiment indicators of the EIF VC Survey that cover the current situation deteriorated further compared to 2022, expectations for the next 12 months have improved for most of the reported categories.

- At the same time, the confidence in the long-term growth prospects of the VC industry declined in 2023.
EIF VC Survey

2 Market sentiment

EIF Research & Market Analysis
Survey wave 2023
VCs’ perception of their state of business has deteriorated, but the situation is expected to improve

- VC fund managers’ perception of their state of business continued to decline in 2023, falling to a level below the COVID-19 crisis.
- The percentage of respondents that express a negative perception of the current situation has reached a record high (6%).
- The “net balance” of responses decreased further by 15 percentage points (down to 53% from 68% in 2022). (See the related page of the section “Information about this study” for an explanation of the term “net balance”.)

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

- In contrast to the current situation, the outlook is more positive: expectations for the next 12 months have recovered from the record low in 2022 and are comparable to pre-COVID-19 levels.

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

Fundraising environment

The perception of the fundraising environment has reached an all-time low, but the outlook is expected to improve.

- The pessimistic market perception seen in 2022 has deteriorated even further in 2023, reaching an all-time low in the time-series of the survey results.
- The net balance of -68% shows a high level of pessimism regarding the fundraising environment.
- Only 2% of fund managers express a positive perception of the current fundraising environment.

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

- However, respondents’ expectations for the fundraising environment in the near future have rebounded and the net balance of responses is once again positive (up to 17% from -43% in 2022).
- The share of optimistic respondents rose from last year’s record low of 15% to reach an all-time high of 39%.

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

Easiness in finding co-investors

Finding co-investors has become even more difficult; however, the outlook is more positive.

- Finding co-investors has become even more difficult in 2023.
- The share of respondents who stated that it is easy to find co-investors dropped further to a record low of only 13%.

Q: “Over the last 12 months, how easy/difficult is it currently to find co-investors to syndicate?”

Note: The “Average” response option was only provided since the 2021 survey wave.
* The question was not asked in 2018.

- Expectations about future easiness in finding co-investors have improved from the all-time low in 2022.
- The share of respondents that expect finding co-investors to become easier has increased, leading to a strong improvement in the net balance of responses (from -31% to +10%).

Q: “Over the next 12 months, how do you expect finding co-investors to become?”
The most important barriers in finding co-investors to syndicate

- Divergent investment goals and approaches are the most frequently cited barriers in finding co-investors.

- By contrast, respondents expressed that costs, regulatory hurdles, and trust between parts are not as important barriers.

- VCs suggested that the most relevant policy measures to support co-investments include reduced bureaucracy, harmonised tax incentives for investors across the EU, and policies to enable cross-border investments.

Q: “What are the most important barriers in finding co-investors to syndicate?”
Note: The question was asked only to those respondents who perceived finding co-investors over the last 12 months (see preceding question) to be (very) difficult.
Q: “In your opinion, what are the most relevant policy measures to support co-investments?” (free-text question)
The number of investment proposals received has slowed down significantly, but the situation is expected to improve in the near future.

- The share of VCs reporting an increase in incoming investment proposals followed a negative trend and fell to the level of the COVID-19 crisis.
- At the same time, the share of respondents indicating a decrease in the number of investment proposals received more than doubled (from 11% to 24%).
- The positive net balance of 14% suggests that, on balance, the number of investment proposals increased, but at a continuously slower pace over the course of the last couple of years.

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

* The question was not asked in 2018 and 2019.

- Approximately half (51%) of VCs expect to receive an increased number of investment proposals over the next 12 months, while most of the other half (41%) of respondents expect the number to stay the same.
- In net balance terms, expectations are more optimistic than in 2022.

Q: “Over the next 12 months, how do you expect the number of investment proposals to you/your firm to develop?”
While investment activity has considerably slowed down, expectations are substantially more positive.

- **Investment activity continues to follow a negative trend**, as the share of respondents reporting an increase in the number of their new investments falls for the second consecutive year.

- At the same time, the **share of VCs reporting a decrease in their investment activity is at a record high** (28%), surpassing even that recorded during the COVID-19 crisis.

Q: “Over the last 12 months, how has the number of your new venture investments developed?”

* The question was not asked in 2018 and 2019.

- **VC’s expectations recovered** from last year’s drop, as the majority of respondents expect an increase in investment activity over the next year.

- In net balance terms, expectations have almost returned to 2021 levels.

Q: “Over the next 12 months, how do you expect the number of your new venture investments to develop?”
Competition among investors for potential investee companies

VCs currently report decreased competition for investee companies, but expect more competition in the future.

- **Competition** among investors for potential investee companies **dropped**, as expressed by the largest share of respondents (45%).

- As a result, the **net balance** of responses reached a record low (-28%) and turned **negative for the first time** in the time-series of the survey results.

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

- Almost half of respondents (48%) suggest that **competition** for potential investee companies **will stay the same** for the next 12 months.

- Nonetheless, the net balance of responses has turned positive again (21%), suggesting that **on average, VCs expect competition for investee companies to increase again** in the course of the next 12 months.

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

Following last year’s trend, entry prices have decreased further in 2023, with 77% (all-time high) of the respondents reporting a decrease in entry prices.

On top of that, the share of respondents reporting an increase in entry prices reached an all-time low (6%).

Almost half of VCs expect entry prices to stay the same in the next 12 months.

However, given the negative net balance of -13%, VCs expect, on average, entry prices to continue to decline, albeit not at the same pace as the year before.
Investment strategy

The share of VCs that did not invest continues to be very low.

Over the last 12 months*, have you...

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

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

- In 2023, more than 80% of respondents invested in both new deals and follow-ons in portfolio companies over the past 12 months.
Portfolio development

Current situation

Expectations for the next 12 months

Portfolio companies developed worse than expected; however, VCs expect an improvement over the next year.

- In 2023, portfolio companies’ development worsened, as net balance of responses fell to a record low of -31%.
- Almost half of the respondents reported that their portfolio companies developed worse than expected (a record high of 45%).

Q: “Over the last 12 months, how did your venture portfolio companies develop?”

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

- Although expectations worsened in 2022, this trend reversed in 2023, with expectations becoming more positive again. The majority of VCs expect their venture portfolio to improve in the next 12 months.
- At the same time, a significantly decreased share of VCs (7%) expect their portfolio companies to deteriorate in the next 12 months. VCs highlighted fundraising difficulties, high interest rates and the macroeconomic environment as the most important factors contributing to this pessimistic sentiment.

Q: “Over the next 12 months, how do you expect your overall venture portfolio to develop?”
Q: “Please briefly indicate the most important factors that would explain why you expect your overall venture portfolio to deteriorate.” (free-text question)
A large majority of respondents (71%) expect a positive NAV growth in 2023. This share is similar to 2022 (72%).

At the same time, the share of respondents that expect the NAV of their fund(s) to decrease (17%) is slightly higher than in 2022 (14%).
In 2020 and 2021, the question read: “Please indicate the expected % of your active portfolio companies that might file for insolvency due to the impact of COVID-19.”

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

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

Portfolio companies’ access to finance has worsened, but expectations have improved significantly.

- In line with last year’s expectations, access to finance of VCs’ portfolio companies has worsened and the net balance of responses (-7%) has even turned negative for the first time in the time-series of the survey results.
- The number of respondents who stated a (very) good access to finance of their portfolio companies reached an all-time low (22%).
- Nonetheless, half (49%) of VCs evaluate their portfolio companies’ access to finance as average.

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

- After a significant drop in expectations in 2022, VCs expect access to finance to improve in the next 12 months. The net balance of responses has rebounded strongly and has returned to positive territory.
- In the same vein, the share of VCs expecting a deterioration has dropped significantly (down to 26% from 65%).

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

*The question was not asked in 2019.
A record-high share of VCs (64%) reported a decrease in the current valuations of portfolio companies.

Simultaneously, the share of respondents that reported increased valuations declined to a record-low of 16%.

VCs expect, on average, valuations to increase in the next 12 months, as the net balance of responses is back to being positive (14%, up from -19% in 2022).

Although 1 in 4 respondents expect valuations to further decline over the next 12 months, this share has decreased significantly from the all-time high in 2022.

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

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

Portfolio company valuations decreased; however, 38% of VCs expect an increase going forward.
The percentage of insolvencies increased to 26% in 2023, close to the 28% record observed during the COVID-19 crisis.

The share of IPOs / sales of listed stocks decreased further in 2023 to 7%, which is a record low and half the share observed in 2022.

Trade sales continue to be the most frequent exit route, but the share fell to 38% from 50% in 2022.

*These exit categories were introduced from “2020 Feb” survey wave onwards.*
The highest share of IPOs / sales of listed stocks of portfolio companies is with primary listing outside the EU, and this share increased in 2023.

Trade sales to strategic buyers and sales to PE/VC/financial investors tend to be to acquirers headquartered in the EU. The share of respondents that report intra-EU trade sales to strategic buyers increased slightly, compared to the 2022 survey wave. These results could indicate increased difficulties to get access to EU stock markets. At the same time, this might also indicate fewer EU opportunities in the scale-up space.

A large part of exits is outside the EU, in particular in the case of IPOs / sales of listed stocks.

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

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

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

Exit environment

Over the last two years, the exit environment suffered from a shock comparable to the COVID-19 crisis. However, VCs expect the exit environment to improve again.

- The exit environment has weakened further since 2022 and VCs currently evaluate it worse than during the COVID-19 crisis.
- With an all-time high of 72%, the vast majority of respondents stated that the exit environment has deteriorated and only a small fraction of 7% sees improvements.

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

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

*The question was not asked in 2018 and 2019.

- In contrast to 2022, half (47%) of VCs anticipate an improvement in the exit environment over the next 12 months.
- Additionally, the share of respondents expecting the exit environment to deteriorate has decreased from the all-time high of 54% in 2022 to 17% in 2023.

Q: “Over the next 12 months, how do you expect the exit opportunities of your venture portfolio companies to develop?”
VCs see a strong decrease in exit prices, but expectations have improved compared to 2022.

- The vast majority of VCs report a decrease in exit prices, in line with last year’s expectations and continuing on the negative trend.
- The current sentiment is more negative than during the COVID-19 crisis, with a record of 77% of VCs reporting a decline in exit prices in 2023 compared to 35% in October 2020.

Exit prices

- Exit prices are expected to increase over the next 12 months, on balance, showcasing an improvement in expectations compared to 2022.

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

- The share of respondents expecting a decrease in exit prices has fallen substantially (from the record-high of 63% in 2022 to 25% in 2023).

Q: “When you consider your market over the next 12 months, how do you expect the following items to develop?” Graph shows the responses for “Exit prices.”
“Securing equity financing” is the key challenge currently seen for VC firms’ portfolio companies.

- Apart from “Securing equity financing”, which continues to be the top challenge for VCs’ portfolio companies, “Recruiting high-quality professionals” is seen as a very important challenge for portfolio firms and continues to be ranked second. In this context, VCs highlighted high competition for talent and a lack of skills in IT, marketing and sales; as well as a lack of C-level professionals to complement founders.

- Several challenges became more important this year, e.g., “Securing liquidity”, “Securing debt financing”, and “Internationalisation”.

- By contrast, “Geopolitical uncertainty and related consequences” and “Disruption of business activity” became less important compared to the previous year.

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

Note: The first number in brackets [a;b] corresponds to the current ranking of the challenge while the second number represents the respective ranking of the challenge in the EIF VC Survey 2022.
Biggest challenges faced by VCs’ portfolio companies over time

Q: “Please select the biggest challenges you currently see for your venture portfolio companies.” Note: The graph shows the percentage of respondents that selected the respective challenge as the first most important in each survey wave. Some categories were not available each year.

- In 2023, “Securing equity financing” tops the list of the first most important challenges faced by VCs’ portfolio companies for the second consecutive year.
- It is followed by “Customer acquisition and retention” which has re-gained importance as a challenge; and by “Recruiting high-quality professionals” which has always been a key challenge for portfolio companies throughout the years.
- By contrast, “Geopolitical uncertainty” and the “Costs of production and labour” now feature much less prominently among the challenges facing VC-backed companies.
Biggest challenges currently seen in VC business

The “Overall exit environment” and “Fundraising” have become the most important challenges currently seen in VC business.

- The “Overall exit environment” became the most important challenge, which is consistent with the gloomy evolution of exits discussed earlier in this report.
- “Fundraising” also jumped one position and now ranks second. This is consistent with the importance of a new challenge (introduced for the first time in this survey wave): “The lack of sufficient domestic LPs”.
- “Availability of scale-up finance for VC-backed companies” and “Lack of sufficient domestic limited partners (LPs)” and “LP ticket sizes/contributions” were introduced.
- “Market volatility” also declined considerably in importance.

Q: “Please select the biggest challenges you currently see in the venture capital business.” (multiple selection possible) Note 1: Several categories were renamed or added over the years. For example, as of 2023, the categories “Availability of scale-up finance for venture-backed companies”, “Lack of skilled workforce at the VC firm level”, “Lack of sufficient private domestic limited partners (LPs)” and “LP ticket sizes/contributions” were introduced. Note 2: The graph shows the percentage of respondents that selected the respective item as their first, second or third most important challenge. Note 3: This graph presents the results only for the year 2023.
Challenges faced by VC firms in regards to the exit environment

VCs mainly consider insufficient liquidity in the IPO market and general difficulties in finding potential buyers as the current main challenges regarding the exit environment.

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

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

- “Insufficient liquidity in the IPO market” and “General difficulties in finding potential buyers” are the main challenges regarding the exit environment. This was also the case in 2022.
- Additional challenges that were frequently mentioned by respondents are “Too few large-ticket buyers”, “Underdeveloped M&A market” and an insufficiently developed market infrastructure for IPOs in the EU.
“Fundraising” has remained, on average, the biggest challenge faced by VCs throughout the years. The exit environment has strongly increased in importance as a challenge over the last two years.

Q: “Please select the biggest challenges you currently see in the venture capital business.” Note 1: Several categories were renamed or added over the years. For example, as of 2023 the categories “Availability of scale-up finance for venture-backed companies”, “Lack of skilled workforce at the VC firm level”, “Lack of sufficient private domestic limited partners (LPs)” and “LP ticket sizes/contributions” were introduced. Note 2: The graph shows the percentage of respondents that selected the respective challenge as their first most important in each survey wave.

• “Fundraising” has remained, on average, the biggest challenge faced by VC firms throughout the years, followed by “Exit environment” and the “Number of high quality entrepreneurs”. The latter two challenges even increased in importance in 2023. The newly introduced categories “Lack of sufficient private domestic LPs”, “Availability of scale-up finance for venture-backed companies” and “LP ticket sizes/contributions” are all perceived as important challenges.

• “Political uncertainty”, “Market volatility” and “Disruption of business activity” (due to restrictions related to COVID-19 or sanctions) as well as “High investee company valuations” (the latter once perceived among the biggest challenges in VC) decreased in importance in 2023.

Effect of rising interest rates

Rising interest rates will...

Shift LPs’ attention toward better risk-reward solutions

- Strongly Disagree: 5%
- Disagree: 12%
- Undecided: 2%
- I don’t know: 50%
- Agree: 30%

Have a negative impact on the performance of your portfolio companies

- Strongly Disagree: 22%
- Disagree: 28%
- Undecided: 1%
- I don’t know: 38%
- Agree: 9%

Q: “Please indicate to what extent you agree or disagree with the following statements”

- Among the surveyed VCs, 80% expect that higher interest rates will shift LPs’ attention towards better risk-reward solutions that would provide higher yields at a lower risk.

- At the same time, 47% of VC fund managers expect that rising interest rates will have a negative impact on their portfolio companies’ performance.

- Only 1 in 4 VCs do not expect any negative impact of rising interest rates on portfolio companies’ performance.
Market sentiment – Challenges

Impact of prolonged increase in interest rates

A prolonged increase in interest rates could...

- Mitigate investor appetite to invest in VC funds: 79%
- Move investor preferences toward sectors and companies that are less sensitive to interest rate movements: 49%
- Decrease the valuation for VC funds: 38%
- Decrease investor appetite for acquisitions: 35%
- Decrease investor appetite for IPOs: 34%

Q: “What type of impact could a prolonged increase in interest rates have?” (multiple selection possible)

A prolonged increase in interest rates would mainly affect investors’ preferences

- 79% of VC fund managers fear that a prolonged increase in interest rates could mitigate investors’ appetite to invest in VC funds.
- Half of VC fund managers state that investor preferences could move towards sectors and companies that are less sensitive to changes in interest rates.
- However, almost 2 in 3 VC fund managers suggest that a prolonged increase in interest rates would not decrease fund valuations and exit opportunities.
Most promising countries for VC investments

VCs expect Germany, the UK, and France to be the most promising European countries for VC investments over the coming months.

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

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

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

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

<table>
<thead>
<tr>
<th>Country</th>
<th>Reasons</th>
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<tbody>
<tr>
<td>Germany</td>
<td>• Good deal flow in a sizeable market.</td>
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<td></td>
<td>• Government backing, top-notch ecosystem and academic excellence in tech.</td>
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<td></td>
<td>• Leading in cleantech innovation and climate tech solutions.</td>
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<tr>
<td>UK</td>
<td>• Large VC market with strong deal flow, fast-growing start-ups and talent.</td>
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<td></td>
<td>• London as a global tech hub with access to funding.</td>
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<td></td>
<td>• Emphasis on AI, life sciences and innovation support.</td>
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<tr>
<td>France</td>
<td>• Strong government support and financial environment for tech innovation.</td>
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<tr>
<td></td>
<td>• Talent and quality of entrepreneurship.</td>
</tr>
<tr>
<td></td>
<td>• Robust ecosystem with public financing, growing start-up dynamism and deep deal flow.</td>
</tr>
<tr>
<td>Spain</td>
<td>• Good science at low valuations and access to cost-effective high-quality talent.</td>
</tr>
<tr>
<td></td>
<td>• Emerging and fast-developing ecosystem with promising start-ups.</td>
</tr>
<tr>
<td></td>
<td>• Innovation speed and deep science opportunities.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>• Talent and quality of entrepreneurs.</td>
</tr>
<tr>
<td></td>
<td>• Excellent start-up climate.</td>
</tr>
<tr>
<td></td>
<td>• Government support and tax incentives.</td>
</tr>
<tr>
<td>Sweden</td>
<td>• Talent and quality of entrepreneurs.</td>
</tr>
<tr>
<td></td>
<td>• Excellent start-up climate and strong innovation.</td>
</tr>
<tr>
<td></td>
<td>• Governmental support in R&amp;D.</td>
</tr>
<tr>
<td></td>
<td>• Emphasis on innovation and science.</td>
</tr>
</tbody>
</table>

Q: "Why do you consider this/these country/countries promising?" (free-text question)

Note: We analyse only the top-six most promising countries in the preceding question.
Most promising sectors/industries in the near future

In 2023, Artificial Intelligence is the new sector mentioned more frequently as the most promising for VC investments in the near future.

Sectors with a strong digitalisation element, like Software, Fintech, and Cybersecurity are also on the rise.

Healthcare and Biotech continue to feature prominently (already since the survey waves during the COVID crisis).

The same is true for sectors related to Energy (decarbonisation, sustainable energy transition) and Climate (Cleantech and Climatech), particularly following the energy crisis and the difficult macroeconomic and geopolitical environment since last year.

Q: “What sector/industry would you consider as the most promising for VC investments in the near future (3-5 years)?” Note: The graph was generated using Wordcloud whereby the bigger the font size the more frequently the respective answer was mentioned in the free-text field. The graph depicts the 50 most frequently mentioned sectors/industries.

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

Venture Capital industry growth prospects

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

Average confidence

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

Average confidence

Fund managers’ confidence in the long-term growth prospects of the VC industry declined in 2023.

- Fund managers’ confidence in the long-term growth prospects of the VC industry declined to an all-time low in the history of the EIF VC Survey since 2018, both for their own market and for Europe overall.

- This development mirrors the challenging fundraising and exit environment in the context of the macroeconomic and geopolitical situation.

- At the same time, the confidence levels are still far above the average of the bandwidth (1 to 10) from which respondents could choose their confidence value.
EIF VC Survey

Scale-up financing & European strategic autonomy

EIF Research & Market Analysis
Survey wave 2023
Scale-up financing

**Insufficient financing opportunities for portfolio companies to scale-up in Europe**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Strongly Disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly Agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong activity by global investors is needed in the European VC market to increase the chances for companies to scale up</td>
<td>5%</td>
<td>11%</td>
<td>1%</td>
<td>56%</td>
<td>26%</td>
</tr>
<tr>
<td>Improving the possibility for European scale-ups to execute an IPO would enhance their growth ambitions</td>
<td>7%</td>
<td>11%</td>
<td>3%</td>
<td>42%</td>
<td>36%</td>
</tr>
<tr>
<td>Continuation secondary funds are necessary to extend the holding period in some portfolio companies</td>
<td>7%</td>
<td>15%</td>
<td>5%</td>
<td>45%</td>
<td>26%</td>
</tr>
<tr>
<td>Insufficient support for late-stage VC rounds favours relocation of European companies to other world regions</td>
<td>15%</td>
<td>16%</td>
<td>5%</td>
<td>39%</td>
<td>24%</td>
</tr>
<tr>
<td>Due to lack of European VC funds investing in scale-ups, investments in scale-ups are dominated by non-European investors</td>
<td>14%</td>
<td>20%</td>
<td>4%</td>
<td>40%</td>
<td>21%</td>
</tr>
<tr>
<td>The lack of secondary funds is triggering an early sale of European Tech scale-ups and hence hindering the creation of larger European Tech companies</td>
<td>11%</td>
<td>25%</td>
<td>7%</td>
<td>35%</td>
<td>19%</td>
</tr>
</tbody>
</table>

Q: ‘Do you think that there are sufficient financing opportunities for companies to scale up in Europe?’
Q: ‘Please indicate to what extent you agree or disagree with the following statements’.
Q: Do you see any other issue related to the financing of scale-up companies in Europe not mentioned above?

- Over 80% of VC fund managers (strongly) agree that stronger activity by global investors is crucial for scale-up financing in Europe.
- Creating more opportunities to execute an IPO is seen as an important mechanisms to improve European scale-up financing.
- VCs also highlighted the lack of a large unified IPO market in Europe, bureaucracy, non-harmonised legislation and regulations, and short fund life-times as other issues related to financing of scale-ups in Europe.

Scale-up financing: *non-EU investors*

Non-EU investors are prevalent in later-stage financing of EU companies

Q: “Have you observed non-EU lead investors in later-stage funding rounds for your EU companies?”

- 4 in 5 respondents have observed non-EU lead investors in later stage funding for EU companies.
- Only 3% of respondents have never observed non-EU lead investors in later stage funding.
- Prevalence of non-EU investors in later-stage funding could explain large share of exits by EU companies in US IPO markets.
Fundraising from foreign LPs

Foreign LPs provide ...

- Below 25% of new funds raised: 45% of respondents
- Between 25% and 49% of new funds raised: 26%
- Between 50% and 74% of new funds raised: 13%
- 75% or more of new funds raised: 6%
- I don't know / Prefer not to say: 10%

Almost half of VCs perceive the share of fundraising from foreign LPs as less than 25%.

- 45% of VC fund managers perceive the share of new funds raised by foreign LPs as less than 25%.
- Only 1 in 5 VC fund managers perceive the share of new funds raised by foreign LPs as 50% or higher.

Q: “Regarding VC fundraising in your reference market, how would you describe the current share of foreign versus domestic LPs?”

Scale-up financing & European strategic autonomy

The presence of foreign LPs is not perceived as a threat to the VC industry

78% of VC fund managers do not perceive the presence of foreign LPs as a threat to the VC industry.

2 in 5 VCs do not perceive an increasing interest of UK LPs to invest in funds launched by fund managers located in your reference market after Brexit. Almost 2 in 5 VCs do not perceive an increasing number of UK fund managers moving or opening a subsidiary in those markets.

VCs consider BioTech, AI, Energy, Deeptech, and Space as the most relevant sectors to strengthen European strategic autonomy.

Q: “The presence of foreign LPs constitutes a threat to the VC industry in your reference market.”

Q: “After Brexit, there is an increasing interest of UK limited partners to invest in funds launched by fund managers located in your reference market.”

Q: “After Brexit, there is an increasing number of UK fund managers moving or opening a subsidiary in your reference market.”

Q: “Which sectors would you consider most relevant to strengthen the EU strategic autonomy?”
Policies to support the development of the VC industry

- Supporting the creation/presence of government-backed funds of funds is the most frequently suggested policy measure to support the development of the VC industry.

- VCs also frequently suggested to support the development of competitive private pension funds, to reduce the limits insurance companies face to invest in venture capital, and to make available EU budget that supports investments in sectors of strategic importance.

**Note:** Percentages in black font on top of the bars show the aggregate percentage of respondents who have ranked the respective policy measure in their top-3 selections. Reading example: For 44% of VCs, “Support the creation/presence of government-backed fund of funds” is among their top-3 suggested policy measures; for 18%, it is even the first most important suggested policy measure.

Q: “What policy measures would you suggest to support the development of the VC industry in your reference market?” (multiple selection possible); and then “rank them by importance.”

Note: The graph shows the total percentage of respondents with respect to the three most important policies.
EIF VC Survey

Human capital and VC firm characteristics

EIF Research & Market Analysis
Survey wave 2023
VCs’ human capital characteristics: gender and age

Nearly half of the VC respondents are middle-aged, between 45 and 54 years of age. Only about 7% are younger VCs, below 35 years old.

Almost 9 in 10 VC respondents are male.

Q: “How do you identify?”

Q: “What is your age?”

Human capital and VC firm characteristics
VCs’ human capital characteristics: experience in VC

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

The vast majority of the surveyed fund managers are experienced VC investors – 40% have between 7 and 14 years of experience, while 26% even have more than 20 years of experience.

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

Two-thirds of respondents have been involved in 20 or more signed VC deals.
VCs’ human capital characteristics: experience outside VC

Q: “How many years of work experience outside the VC industry do you have?”

- 6 in 10 VCs reported more than 10 years of other experience before entering the VC industry.

Q: “Which of the following would best describe your type of work experience (outside the VC industry)?” (multiple selection possible)

- VCs are more often former entrepreneurs or investment bankers; 7% have experience as business angels.

VCs’ human capital characteristics: education

Q: “What is your highest degree of education?”

VCs are highly-educated investors, with 8 in 10 having a post-graduate qualification.

Q: “What was the main field in your education?”

Approximately 8 in 10 VCs have studied either business or a STEM degree.
Among respondents, 70% are EIF-supported, while 17% have never applied for EIF funding.

Q: “Has your investment firm ever applied to the EIF for funding for one of your venture capital funds?”
Q: “Are you familiar with the EIF and its activities?”
Q: “Did any of these applications result in EIF funding?”
VC firm characteristics

**Assets under management**

<table>
<thead>
<tr>
<th>Values in million Euro</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 10</td>
<td>3%</td>
</tr>
<tr>
<td>10 - 29</td>
<td>8%</td>
</tr>
<tr>
<td>30 - 49</td>
<td>8%</td>
</tr>
<tr>
<td>50 - 99</td>
<td>17%</td>
</tr>
<tr>
<td>100 - 199</td>
<td>24%</td>
</tr>
<tr>
<td>200 - 499</td>
<td>22%</td>
</tr>
<tr>
<td>500 - 999</td>
<td>8%</td>
</tr>
<tr>
<td>≥ 1000</td>
<td>10%</td>
</tr>
</tbody>
</table>

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

**Firm age**

<table>
<thead>
<tr>
<th>Age of the firm (years)</th>
<th>Percentage of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 or less</td>
<td>9%</td>
</tr>
<tr>
<td>4 - 7</td>
<td>27%</td>
</tr>
<tr>
<td>8 - 14</td>
<td>29%</td>
</tr>
<tr>
<td>15 - 21</td>
<td>20%</td>
</tr>
<tr>
<td>22 or more</td>
<td>14%</td>
</tr>
</tbody>
</table>

The average VC firm was established in 2010/11, making it on average 12 years old.

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

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

**Fund-related characteristics**

**Team experience**

- 75% of surveyed VC firms have completed a final closing for one or two funds to date.
- 22% have completed a final closing for more than two funds.
- 3% of VCs have completed a final closing for an unknown or unspecified number of funds.

**Number of VC funds with completed final closing**

- For 21% of respondents, their most recent fund was also the only one raised.
- 27% have completed a final closing for one or two funds.
- 18% have completed a final closing for three funds.
- 11% have completed a final closing for four funds.
- 11% have completed a final closing for five funds.
- 7% have completed a final closing for six to ten funds.
- 3% have completed a final closing for more than ten funds.

**Cooperation with Business Angels**

- 81% of respondents cooperate with business angels.
- 16% do not cooperate with business angels.
- 3% do not know or prefer not to say.

**Q:** “Was the latest fund your VC firm raised also the first fund that your firm raised?”

For about 1 in 5 VCs, their most recent fund was also the only one raised.

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

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

**Q:** “Do any of your funds co-invest with business angels?”

VCs’ cooperation with business angels is very high in terms of co-investing.

Human capital and VC firm characteristics

HQ & investment location / investment stage focus

- Approximately 7 in 10 VCs invest in seed (32%) or early-stage (34%) companies.

- Almost 5 in 10 VC fund managers come from VC firms headquartered in Germany (12%), France (10%), the Netherlands (9%), the UK (8%), and Spain (8%). (For further details on the survey design and sample construction, please see Information about this study.)

- Overall, the frequency with which a country is selected as the first most important country for investments is closely linked with the HQ country.

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

Q: “In which country/geography is your firm headquartered?”
Q: “Please select the most important countries in which your firm invests in ventures.” (multiple selection possible); and then “rank them by importance.”
Q: “What is (are) the most important venture stage(s) in which your firm invests?”
Most important industry in which VCs invest

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

Note: Percentages in black font on top of the bars show the aggregate percentage of respondents who have selected the respective industry. Reading example: 56% of VCs invest in Software; for 39%, it is even their first most important industry.

Q: “Please select the most important industries in which your firm invests in ventures.” (multiple selection possible); and then “rank them by importance.”
Focus of current & future investment portfolio

VC investment portfolios are more likely to include companies focusing on artificial intelligence, deep tech, digital health, and cleantech.

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

Human capital and VC firm characteristics

Sizes of companies in which VCs prefer to invest

- The vast majority of VCs tend to invest only in SMEs.
- Some VCs tend to invest also in Small Mid-Caps and Large Mid-Caps, probably indicating the participation in later funding rounds in scale-ups.

Note: Percentages in black font on top of the bars show the aggregate percentage of respondents who have selected the respective market segment. Reading example: 99% of VCs invest in SMEs; for 97%, it is even their first most important investment target.

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

VCs’ investment selection criteria

Management team, way ahead of the rest, plus Technology, and strategic fit with fund orientation are the three most important investment selection criteria.

Note: Percentages in black font on top of the bars show the aggregate percentage of respondents who have ranked the respective criterion in their top-3 selections. Reading example: For 67% of VCs, “Management team” is among their top-3 criteria; for 34%, it is even the first most important criterion. The graph presents the 10 most important investment selection criteria as indicated by survey participants.

Q: “Considering your firm’s overall activity in the VC market, what are your most important investment selection criteria?” (multiple selection possible); and then “rank them by importance.”
Human capital and VC firm characteristics

Gender diversity: at partner level

The majority (62%) of the VC teams are male-dominated, with 20% or less females as partners. However, some slow progress is observed compared to 2022.

- 44% of VCs report no female partners at all in the investment team of their firms. This percentage is, however, lower than the one (52%) recorded in 2022.
- About 1 in 4 (28%) VCs report female representation at partner level between 20% and 40%.
- Only 1 in 10 VCs report having a female partner share of 40%+ in their investment team.
- The average female representation in the investment teams of the surveyed VC firms is 17.1%, higher than the one (14.7%) recorded in 2022.
Human capital and VC firm characteristics

**Gender diversity: in investment-decision bodies**

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

**Gender diversity in senior investment team**

- For almost 5 in 10 VCs, female representation in the senior investment team of their firm is between 20% and 49%.
- But still, one-fifth report no female representation at all; while for another one-fifth of VCs, the share is below 20%.

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

**Gender diversity in investment committee**

- For 4 in 10 VCs, female representation in the investment committee of their firm is between 20% and 49%.
- However, more than one-third of VCs report no female representation at all.

Concluding remarks

EIF Research & Market Analysis
Survey wave 2023
Policy implications

Policy solutions to strengthen market resilience and focus on structural weaknesses

• In a market downturn, efficient public support is even more important, to mitigate the impact of the crisis on the ecosystem.

• Policy solutions should primarily strengthen the ability of the European VC ecosystem to absorb shocks, both current ones and future ones. Public support should also focus on helping to overcome structural market weaknesses.

• Examples of such policies include a deeper involvement of private long-term investors, who would not readily leave during a crisis, but rather stay in the market even during downturns, as well as initiatives to encourage financing of European scale-ups.

• With the VC exit environment significantly worsening, improving the exit environment should be one of the targets of future policy.

• Over the years and the various crises, the VC ecosystem has improved significantly and has proven better resilience, but there is still a lot of room for development.

• An efficient approach of providing public support and crowding-in private resources could help to eliminate structural issues.

• In such market conditions, an institution like the EIF has an important role to play; intervening counter-cyclically in case of market downturns and failures to mitigate long-run risks, in particular by designing and implementing financial instruments that support longer-term Public Policy Goals.

• Important examples are policies in the areas of climate, environment, sustainability, and ESG as well as human capital and skills.
Considerable downturn might come to a halt

Market sentiment deteriorated

- The European VC markets initially recovered quickly from the shock of the pandemic and showed no signs of “long COVID”.
- Having said this, the sudden halt and resumption in demand following the COVID-19 confinement measures resulted in significant supply chain issues, igniting a rising trend in import and producer prices, inflation as well as inflation expectations. These were further fuelled by the surge in energy prices in the aftermath of the war in Ukraine.
- In the context of high inflation, monetary policy and financial market conditions have tightened, with negative impacts on the fundraising and exit environment.
- In light of these developments, the survey findings clearly suggest that market sentiment has further deteriorated. Current macroeconomic uncertainties have started to have considerable negative effects on several aspects of the European VC market.

Expectations improved

- Perceptions on the fundraising and exit environment in the VC market are at a record low since the start of our EIF VC Survey in 2018. The importance of the exit environment as a key challenge for VCs has further increased in 2023. Exit prices have further decreased according to the vast majority of VCs, who primarily suffered from insufficient liquidity in the IPO market, and difficulties in finding potential buyers.
- In contrast to the current record-negative situation, the outlook for the next 12 months is more optimistic, with many VCs expecting the fundraising environment, new investments, exit opportunities, and the development of their portfolios to improve.
- Given that surveyed VCs’ expectations have become more positive for many of the market sentiment indicators in our survey, the crisis trough could have already been reached and a moderate upturn could be expected.

Scale-up financing is lacking

- At the fund level, alongside recurring challenges, VCs report severe fundraising issues and a lack of sufficient private domestic LPs.
- Availability of scale-up finance for venture-backed companies and LP ticket sizes and contributions are significant challenges for the VC business that point to substantial difficulties to find sufficient financing for companies to scale up and grow. This is further exacerbated by the currently very difficult exit environment.
- In the context of insufficient financing opportunities for companies to scale up in Europe, VCs suggest stronger activity by global investors in the European VC market and improved possibilities for European companies to execute an IPO are needed to enhance the growth ambitions of European scale-ups.

Concluding remarks
Policy implications

VCs see opportunity in every crisis

• At the beginning of the COVID-19 crisis, it looked as if the VC market would experience a doomsday scenario, but the market also realised opportunities in the crisis, as many VC-backed companies provide innovative solutions, for example in the areas of Healthcare and Biotech.

• In last year’s challenging economic and geopolitical environment, following the Russian war of aggression against Ukraine and the subsequent energy price shock, new promising sectors emerged. Energy and environment were at the centre of fund managers’ discussions, including technologies to facilitate sustainable energy transition and climate change mitigation. Technologies related to food and agriculture were also on the rise.

• This year, VCs’ focus has not only been on promising industries that have emerged from the recent crises, but also on other technologies that have the potential to impact citizens’ lives in the longer-term, with artificial intelligence being on top of the EIF VC Survey respondents’ list of sectors that are most promising in the next 3-5 years.

Permanent crisis and structural weaknesses

• From the Great Financial Crisis to the COVID-19 crisis and the current crisis driven by the Russian aggression against Ukraine, it seems that permanent crisis mode has been in effect for many years. Moreover, since almost two years, the difficult macroeconomic environment with tightening monetary and financial conditions has led to a gloomy fundraising and exit environment.

• At the same time, competition for investees, valuations and entry prices have decreased, which might be a needed market correction reducing the risk of overfunding, and at the same time could provide new opportunities.

• While investors might be able to overcome the current market downturn in the medium term, it is noteworthy that VCs have become increasingly worried about their portfolio companies’ difficulties in securing equity financing. There are also indications that European VC is suffering from structural deficiencies of a longer-term nature. Fund managers raised particular concerns about the availability of scale-up financing and, at the portfolio company level, recruiting of high-quality professionals.
EIF VC Survey

6 Information about this study

EIF Research & Market Analysis
Survey wave 2023
The EIF VC Survey

A unique source of information

- The *EIF Venture Capital Survey* and the *EIF Private Equity Mid-Market Survey* provide the opportunity to retrieve **unique market insight**.

- To the best of our knowledge, the combined *EIF VC Survey* and *EIF PE MM Survey* currently represent the **largest regular survey** exercise among GPs in Europe.

General survey approach

- The EIF equity surveys are **online surveys** of VC and Private Equity (PE) Mid-Market (MM) fund managers investing in Europe.

- Our surveys target **both EIF-supported as well as non-EIF supported** fund managers.

- All surveys are conducted on an **anonymous basis**.

- The vast majority of the respondents in the VC and PE MM surveys hold the position of CEO or Managing/General Partner, suggesting that their responses reflect the **views of the decision-makers** in the respective VC/PE firms.

Cooperation partners

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

- Indeed, a **part of the sample** for the *EIF VC Survey* 2023 comprises Invest Europe members.
This study and beyond

Respondents and survey period

- This study is based on the EIF VC Survey.

- The 2023 wave of the EIF VC Survey includes anonymised responses from 472 VC fund managers (from 371 VC firms).

- The headquarters of the VC firms contacted were predominantly in the EU 27 countries. Firms with headquarters outside of Europe were still included in the sample if they had an office in Europe and were active in the European VC market.

- Responses were received between 17 July and 4 September 2023.

Topics

- The main topics covered in the 2023 survey are market sentiment, scale-up financing, European strategic autonomy, and the role of human capital (in particular skills and diversity).

- Since the market sentiment topic was also covered in all previous survey waves, we compare the results using a time series.

Forthcoming

- All EIF survey-based studies (across all survey waves and asset classes) are regularly published in the EIF Working Paper series, available here: https://www.eif.org/research

- Forthcoming publications, based on the EIF VC Survey as well as on the EIF PE MM Survey, will cover topics related to Investing in Environment & Climate, ESG, Skills, and Gender diversity. A publication about the market sentiment in the private equity mid-market is also in preparation.
How to read the results

General information

• Some results shown in this publication (e.g., some results about the VCs’ human capital characteristics) are based on a number of respondents that is smaller than the overall number of EIF VC Survey 2023 respondents. This is either because some respondents selected the “I don’t know / Prefer not to say” response option or because a filter question preceded the question under consideration. In these cases, the final number of respondents is indicated in the respective graphs. Further details are available upon request.

• Throughout the report, rounded percentages are shown and therefore, for example, may not always add up to 100%.

• “European strategic autonomy” and “EU strategic autonomy” are used interchangeably in the report.

Terminology: Survey waves

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

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

Terminology: “net balances”

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

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

7  Annex

EIF Research & Market Analysis
Survey wave 2023
Number of respondents by country of VC firm HQ

- **Benelux [76]**
  Belgium, Luxembourg, Netherlands

- **CESEE [71]**
  Bulgaria, Croatia, Cyprus, Czechia, Estonia, Greece, Hungary, Latvia, Lithuania, Poland, Romania, Türkiye, Ukraine

- **DACH [82]**
  Austria, Germany, Liechtenstein, Switzerland

- **France [47]**

- **Nordics [46]**
  Denmark, Finland, Iceland, Norway, Sweden

- **South [78]**
  Italy, Portugal, Spain

- **UK & Ireland [52]**
  Ireland, United Kingdom

- **Others [19]**
  Canada, Israel, Singapore, USA, Others

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

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

**… the European Investment Fund**

The European Investment Fund (EIF) is Europe’s leading risk finance provider for small and medium sized enterprises (SMEs) and mid-caps, with a central mission to facilitate their access to finance. As part of the European Investment Bank (EIB) Group, EIF designs, promotes and implements equity and debt financial instruments which specifically target the needs of these market segments.

In this role, EIF fosters EU objectives in support of innovation, research and development, entrepreneurship, growth, and employment. EIF manages resources on behalf of the EIB, the European Commission, national and regional authorities and other third parties. EIF support to enterprises is provided through a wide range of selected financial intermediaries across Europe. EIF is a public-private partnership whose tripartite shareholding structure includes the EIB, the European Union represented by the European Commission and various public and private financial institutions from European Union Member States, the United Kingdom and Turkey. For further information, please visit www.eif.org.

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Invest Europe is the association representing Europe’s private equity, venture capital and infrastructure sectors, as well as their investors. Invest Europe has over 650 members, split roughly equally between private equity, venture capital and limited partners – with some 110 associate members representing advisers to the ecosystem. Those members are based in 57 countries, including 42 in Europe, and manage 60% of the European private equity and venture capital industry’s EUR 1,004 billion of capital under management. Businesses with private capital investment employ 10.5 million people across Europe, 4.5% of the region’s workforce.

Invest Europe aims to make a constructive contribution to policy affecting private capital investment in Europe and provides information to the public on Invest Europe members’ role in the economy. Invest Europe’s research provides the most authoritative source of data on trends and developments in the PE/VC industry. Invest Europe is a non-profit organisation based in Brussels, Belgium. For more information please visit www.investeurope.eu.

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