European Investment Fund

EIF VC/PE Barometer Survey

Q1 2025

EIF Market Assessment & Research

Working Paper 2025/104

Introducing EIF's new Quarterly VC/PE Barometer Survey

We are currently navigating exceptional market conditions, characterised by unprecedented uncertainty and heightened volatility. Such exceptional times require more frequent market insight. In response to that, the EIF has launched a new format within its long-running Equity Surveys, a new VC/PE Barometer Survey that will track the market sentiment on quarterly basis.

By gauging fund managers' perspectives across key indicators – including fundraising, exits, valuations, access to external finance, new investments, and deal flow – the survey offers a comprehensive view of current market dynamics and forward-looking expectations. Each edition also features an in-depth focus topic. This quarter, we examine the perceived impact of the new US administration policies on the European VC/PE landscape.

Key highlights

To the best of our knowledge, the EIF Equity Surveys represent the largest regular survey exercise among GPs in Europe. In this barometer edition, 864 VC and PE mid-market fund managers contributed their insights. These are the key highlights:

Market sentiment

- Deteriorating sentiment among fund managers, reflecting growing concern over both current market conditions and – more strikingly – expectations for the near term. Persistent market volatility and heightened uncertainty have taken the greatest toll on exits and fundraising, a sharp contrast to the strong optimism observed just a year ago. For the first time in three years, expectations for these two key indicators have turned negative once again.
- Mixed evidence on valuations. Respondents were almost evenly split between reporting increases and decreases in portfolio company valuations. The relative resilience of European public equity markets – especially compared to the US – and the European Central Bank's signals of greater openness to further interest-rate cuts in 2025 may be underpinning this more optimistic view among European VC/PE managers. This stands in contrast to the more pessimistic narratives dominating recent financial headlines.
- Resilient deal flow, so far. On a more encouraging note, deal flow remains resilient, indicating that despite challenging conditions, dealmaking activity across Europe has – so far – held firm.

Perception of the new US administration policies and their impact on Europe's VC/PE ecosystem

- Tariffs and geopolitics shake confidence. Rising tariffs and geopolitical uncertainty are seen as undermining investor confidence, cross-border M&A, exits, and valuations – particularly for scale-ups. Later-stage VC and growth capital are expected to be most negatively impacted.
- An opportunity for Europe? Nearly half of surveyed GPs expect reduced US investment in Europe, but one-third foresee more US companies relocating to Europe. As the appeal of US markets as a strategic base for talent and globally-oriented businesses is questioned, Europe is viewed by several surveyed GPs as a more stable and reliable investment environment, potentially benefiting from a "brain gain" amid US policy shifts.
- A test for European resilience and responsiveness. Whether Europe can seize the opportunities created by the US situation depends on its ability to address its longstanding structural barriers. GPs call for deeper capital markets, simplified regulation, and harmonised tax policies to strengthen the VC/PE ecosystem and attract talent and capital.

Market sentiment

By the end of 2024, and after strong declines in previous years, the VC/PE market activity in Europe had stabilised and the outlook for 2025 was optimistic. However, in Q1 / early Q2, this resilience of the VC/PE ecosystem was challenged. In the aftermath of heightened uncertainty and market volatility, VC/PE sentiment has deteriorated not only regarding the evaluation of current market conditions, but even more so regarding expectations for the near future (raising questions as to whether the worst of the recent market turmoil is yet to be seen). The values of many of the market sentiment indicators considered lie at the lower end of their time-series distribution (see Annex for details).

Overview of sentiment on key market indicators (net % of respondents)	Current perception		Expectations	
	Net % Q1 2025 [1]	Difference Q1 2025 vs. 2024 [2]	Net % Q1 2025 [3]	Difference Q1 2025 vs. 2024 [4]
Fundraising environment	-50.2%	↑ 5.1p.p.	-1.0%	↓ -46.3p.p.
Exit environment	-33.9%	↓ -6.5p.p.	-8.6%	↓ -60.9p.p.
Investees' access to external finance	-6.4%	↓ -1.4p.p.	-1.6%	↓ -32.8p.p.
Valuations	-5.5%	↓ -15.3p.p.	15.8%	↓ -42.2p.p.
New investments	16.5%	↓ -3.7p.p.	34.9%	↓ -12.7p.p.
Incoming investment proposals	22.5%	↓ -15.9p.p.	39.3%	↓ -18.2p.p.

Note: "Net %" in columns [1] and [3] reflects the net balance of respondents, i.e. the percentage of respondents expressing a positive sentiment vis-à-vis the respective market indicator (currently, see "current perception", or for the next 3 months, see "expectations") minus the percentage of respondents expressing a negative sentiment. Positive (resp. negative) net balance values are highlighted in green (resp. red) font colour. "Difference" in columns [2] and [4] reflects the percentage point (p.p.) difference between the net balance value in Q1 2025 and the one in 2024. An increase (resp. decrease) is marked with an upward green (resp. downward red) arrow. Please refer to the Annex for the detailed wording of the questions vis-à-vis the aforementioned market indicators.

Exits and fundraising impacted the most

As also shown by preliminary Q1 activity data by various data providers, it is exits, particularly via IPOs or M&As, that have experienced the first and most adverse impact of recent market turmoil, during which several high-profile IPOs (such as those of Klarna and 1Komma5) were postponed. For the first time since 2022, surveyed GPs' expectations have turned negative again, contrary to the strong optimism expressed a year ago. A similar pattern is observed for the fundraising environment.

Access to external finance of portfolio companies is also perceived difficult, on balance – particularly for VC investees. This is in line with evidence showing difficult availability of finance in early 2025, as reported in the latest ECB Survey on the Access to Finance of Enterprises.

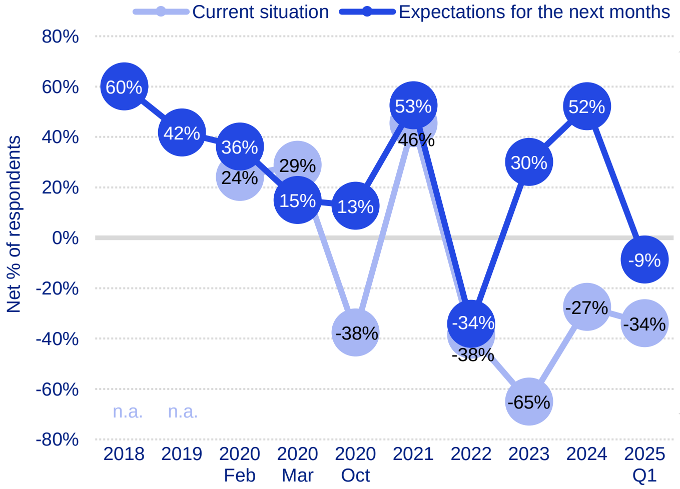
Mixed evidence on valuations

While GPs report, on balance, a decrease in the valuations of their portfolio companies in recent months, there is significant divergence in the opinions expressed. When considering the full range of responses in detail, the percentage of respondents reporting a decrease (approximately one-third of the total) is almost equally high to the one of those reporting an increase. Going forward, contrary to the pessimistic expectations expressed for other market indicators, an increase in valuations is even expected.

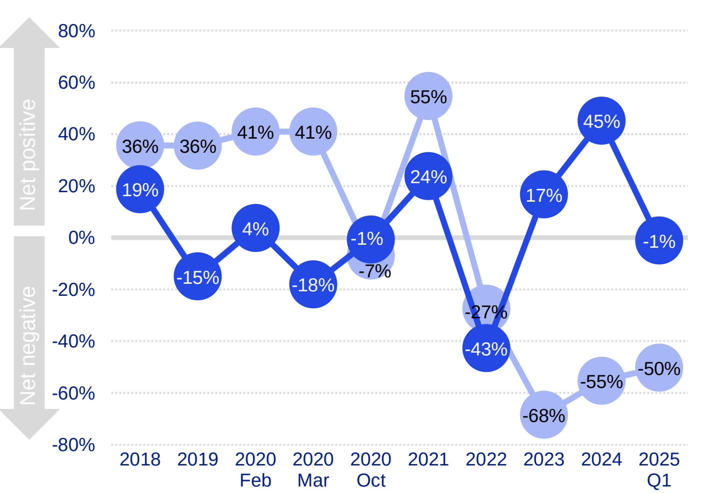
Deal flow remains resilient

Both the number of incoming investment proposals as well as the number of actual investments undertaken increased, on balance (albeit at a slower pace), and the same is expected in the near future. This indicates that despite challenging conditions, dealmaking activity across Europe has – so far – held firm.

Exit opportunities have worsened in recent months and are expected to deteriorate further



No signs of improvement in the near future of an already very challenging fundraising environment



Q. Over the last months, how has the exit environment for your portfolio companies developed? / Over the next months*, how do you expect the exit opportunities of your portfolio companies to develop?*
** 3 [12] months for the quarterly barometer [annual] survey*

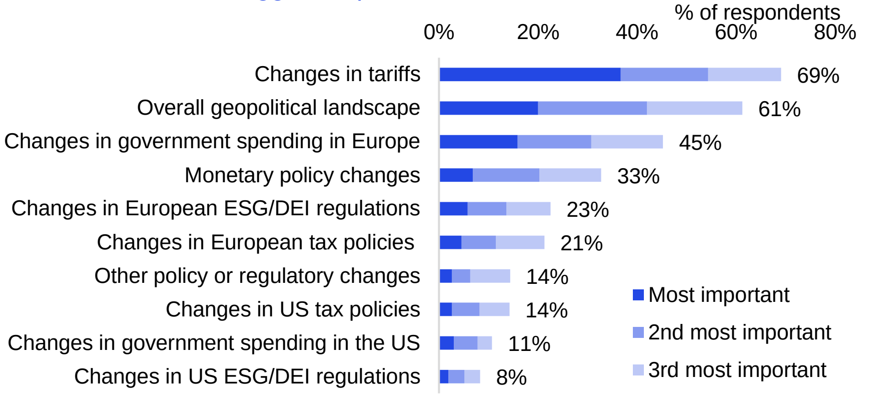
Q. How would you rate the current fundraising environment? / Over the next months, how do you expect the fundraising environment to develop?*

** 3 [12] months for the quarterly barometer [annual] survey*

In focus: Impact of the new US administration policies

Fund managers are currently more concerned about tariffs, trade wars, and geopolitical tensions than about monetary policy changes. GPs highlight that tariffs and geopolitical uncertainty – spanning the wars in Ukraine and the Middle East, EU-China/US-China tensions, and erratic US policy – are eroding investor confidence and disrupting supply chains, cross-border M&A, exit strategies, and valuations, especially for scale-ups. On the positive side, expectations for increased EU government spending on infrastructure, AI, defence, and strategic reindustrialisation are seen as catalysts for VC/PE growth and innovation.

Changes in tariffs and geopolitical tensions likely to have the biggest impact on VC/PE business

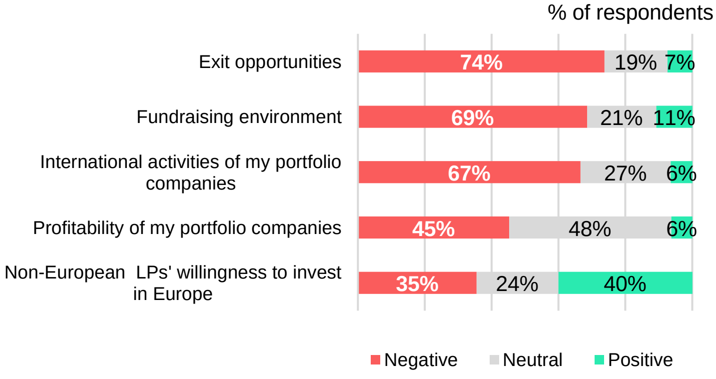


** DEI: Diversity, Equity, and Inclusion*

Q. Over the next 12 months, what are the expected policy changes in Europe or in the US that are likely to have the biggest impact on your VC/PE business?

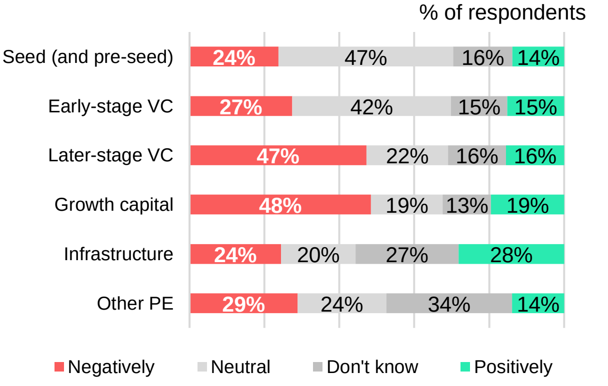
In such times of heightened uncertainty and volatility, exits, particularly via IPOs, are the first to be impacted, as investors exercise a more cautious "wait-and-see" approach. In recent months, there has indeed been news of VC/PE-backed companies putting their IPO plans on hold. While VC investees (which are typically in earlier stages and more geared towards services than goods production) are perceived as less vulnerable to the direct impact of tariffs, yet two-thirds of GPs fear adverse effects from the new US policies on their portfolios' international operations – rising to a top concern among PE-focused respondents. As the ability to exit and internationalise is particularly relevant for scale-ups, it is not surprising that in terms of company development stages and related focus areas of investors, later-stage VC and growth capital are likely to experience the most negative developments.

Exits and fundraising expected to be most negatively impacted



Q. What impact do you expect the new US administration to have on various aspects of your VC/PE business?

Later-stage VC and growth capital likely to experience the most negative developments



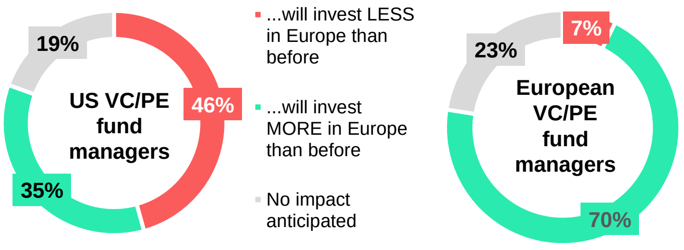
Q. As a consequence of the new US administration policies, how might different VC/PE stages in Europe be affected by the developments?

On the positive side, increased EU government spending on infrastructure, AI, defence, and strategic reindustrialisation are seen as catalysts for VC/PE growth and innovation. And notably 40% of GPs anticipate growing interest from non-European LPs to invest in Europe, especially in sectors facing investment pullback in the US.

In focus: Impact of the new US administration policies

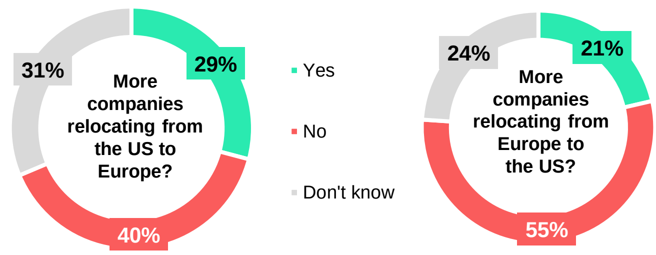
In light of the uncertainty around how the new policies might affect the flow of capital (and talent) from the US to Europe, and vice-versa, the following insights emerge.

Almost 1 in 2 surveyed GPs expect that US-based VC/PE fund managers will invest less in Europe



Q. Which of the following effects do you expect as a consequence of the new US administration policies?

At the same time, almost 1 in 3 surveyed GPs expect more companies to relocate from the US to Europe in 2025



Q. In the course of 2025, do you expect that companies will relocate more frequently than in 2024 …?

In subsequent open-ended questions, GPs discussed several "pull" and "push" factors for Europe and for the US.

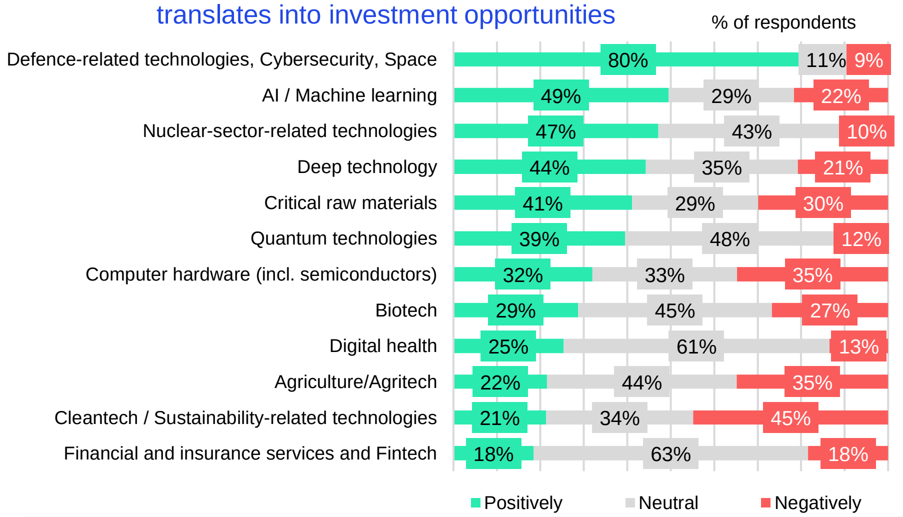
For GPs expecting more company relocations **from the US to Europe**:

"Push" factors for the US	"Pull" factors for Europe
▪ Political instability and unpredictability ▪ Regulatory uncertainty and protectionism ▪ Anti-immigration policies and talent flight ▪ Economic volatility and capital flight ▪ Cultural and strategic misalignment	▪ Geopolitical and regulatory stability ▪ Clearer and accommodating sector-specific regulation ▪ Talent repatriation and attraction ▪ Access to non-dilutive funding and public support ▪ Socio-cultural alignment and quality of life

For surveyed GPs expecting more company relocations from the US to Europe, erratic policymaking, rising protectionism, and macroeconomic volatility are seen as key drivers of uncertainty in the US, undermining investor confidence and the appeal of US markets as a strategic base for talent and globally-oriented businesses. This is further exacerbated by US' restrictive immigration policies and declining support for foreign talent and academia, according to some survey respondents.

By contrast, and despite structural weaknesses in the European economy (see also further below), many survey respondents perceive Europe as a more stable investment environment in terms of consistent policymaking and institutional reliability. Europe's measured response to the announced US policy shifts reinforced this perception. Europe's robust regulatory support for climate, sustainability and social impact are also identified as major draws. Several respondents also see Europe as a more inclusive, knowledge-driven, and socially cohesive environment; and expect these values to resonate with those who may be concerned about what is viewed as democratic backsliding and cultural misalignment in the US.

Europe's call for greater resilience and sovereignty translates into investment opportunities



In terms of the sectors that appear to be winners in Europe as a consequence of the new US administration policies (and stronger focus on these areas in the EU), defence-related technologies, cybersecurity, space, and AI are at the forefront. Messages for cleantech are mixed. As discussed earlier, Europe's continuous commitment to sustainability could attract more investments in the sector, also from companies outside Europe. At the same time though, if investors perceive a re-balancing of strategic priorities and an increasing difficulty in justifying a "green premium" over short-term financial returns, the sector might face significant headwinds.

Q. As a consequence of the new US administration policies, how might the following sectors in Europe be affected?

In focus: Impact of the new US administration policies

For GPs expecting more company relocations **from Europe to the US**:

"Push" factors for Europe	"Pull" factors for the US
▪ Overregulation, bureaucratic burden, stricter tax regime ▪ Lack of capital, stifled growth, poor valuations, few exits, low appetite for risk ▪ Market fragmentation and restricted customer base ▪ Less sector-specific expertise and slower pace of innovation	▪ Incentives for reshoring (e.g., federal subsidies, access to public contracts, procurement advantages, etc.) ▪ Reduced red-tape and favourable tax environment ▪ Access to deep capital markets, higher valuations, and strong exit environment ▪ Access to a larger, unified market with a strong customer base ▪ Stronger innovation ecosystem and sector-specific expertise

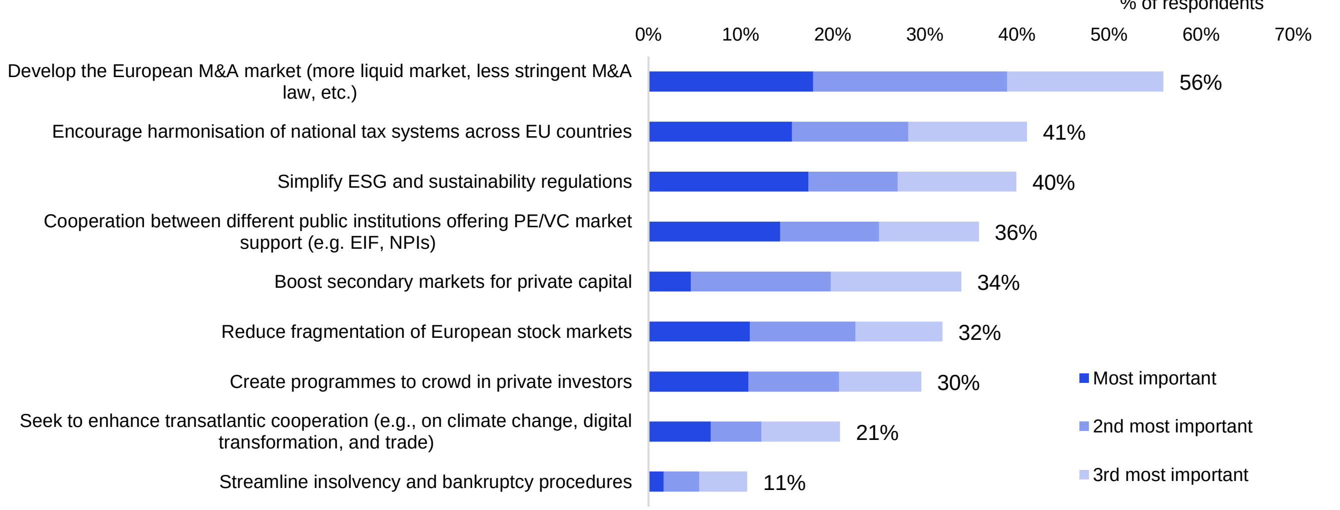
Push factors for Europe point to its long-standing structural weaknesses

Fund managers highlight the fragmented landscape (in terms of regulations, tax regimes, labour laws, market conditions, and business practices) across EU member states and the lack of a unified, single market as key barriers to innovation and scale-up growth. In addition, Europe's VC/PE ecosystem is viewed as underdeveloped, with limited access to growth capital, risk-averse LPs, and low participation of institutional investors. Shallow capital markets, weaker exit opportunities, and lower valuations often force European companies to look abroad for funding to achieve growth. Europe is also perceived as lagging in sector-specific expertise and ambition, particularly in deep tech, AI, and biotech, fuelling broader concerns that the region is falling behind the US in innovation and global tech leadership, and struggles to support high-growth entrepreneurship. The issue, therefore, is not only whether the instability currently perceived in the US market could create opportunities for Europe, but perhaps even more importantly, whether Europe can nurture a vibrant VC/PE ecosystem that could pick up on these opportunities, and accommodate the potential talent and capital flows.

GPs call for greater harmonisation and simplification across the EU to unlock growth and competitiveness

Key priorities for EU policy makers should be developing deeper, more liquid markets (particularly for M&As to improve exit opportunities), harmonising tax regimes across member states, and streamlining ESG/sustainability regulations (which is even the top policy priority for PE-focused respondents). Surveyed GPs are supportive of the rollback measures outlined in the recent Omnibus bill, and see initiatives like the Capital Markets Union and the proposed "28th Regime" as transformational towards reducing cross-border frictions. Many also endorse the concept of "EU Inc" (a unified approach to industrial, technological, and investment policy) as a necessary next step to strengthen Europe's competitiveness and sovereignty.

GPs call for a deeper, harmonised market; and simplified regulations across the EU



Q. How important would you consider the following suggestions for European PE/VC-related policy measures to react to the policies of the new US administration?

ANNEX

Further information about this study and how to read the results

Survey approach and timeline

- The EIF Equity Surveys are online surveys of VC and PE mid-market fund managers investing in Europe.
- The surveys are conducted on an anonymous basis, and target both EIF-supported as well as non-EIF supported fund managers.
- The Q1 2025 Barometer Survey was conducted between 24 April and 15 May 2025.
- The surveys were introduced in 2018, and up until 2024 they were conducted once per year (with the exception of the year 2020 when multiple waves were conducted to capture the immediate effects of the covid crisis). Even though the reporting periods might differ between the previously conducted annual survey waves and the current quarterly barometer survey, the time-series of these prior surveys is still used to provide some context for the latest market sentiment results.

Net balance

- Results on market sentiment are reported on a "net balance" basis.
- The net balance refers 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 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.

Respondents

- Responses were received from 864 VC and PE mid-market fund managers.
- The vast majority of the respondents hold the position of CEO or Managing/General/Founding Partner, suggesting that their responses reflect the views of the decision-makers in the respective VC/PE firms.
- The headquarters of the participating VC/PE firms are predominantly in the EU 27 countries, most notably Germany, France, the Netherlands, Sweden, Italy, Spain, but also the UK.
- Results are shown for the pooled sample of VC and PE mid-market respondents, and cover the full spectrum of the investment universe, from (pre-)seed and early-stage investors to later-stage VC, growth capital, and other PE (mid-market) activities.
- Approximately two-thirds of the fund managers who contributed their insights are VC GPs.
- The results, however, are qualitatively similar across asset classes and investment stages. If at all any meaningful differences were observed in the pattern of results, these are reported separately in the text.

Questions used in the market sentiment section of the survey

- *On fundraising environment*: How would you rate the current fundraising environment? / Over the next 3 months, how do you expect the fundraising environment to develop?
- *On exit environment*: How has the exit environment for your portfolio companies developed over the last 3 months?/ How do you expect the exit opportunities of your portfolio companies to develop over the next 3 months?
- *On investees' access to external finance*: How would you rate the access to external finance of your portfolio companies? / How do you expect the access to external finance of your portfolio companies to develop over the next 3 months?
- *On valuations*: How have current valuations of portfolio companies developed in your market over the last 3 months? / How do you expect current valuations of portfolio companies to develop in your market over the next 3 months?
- *On incoming investment proposals*: How has the number of investment proposals to your firm developed over the last 3 months? / How do you expect the number of investment proposals to your firm to develop over the next 3 months?
- *On new investments*: How has the number of your new investments developed over the last 3 months? / How do you expect the number of your new investments to develop over the next 3 months?

Response options are based on a 5-point Likert scale, e.g., ranging from *[very bad … to very good], [significantly deteriorate(d) … to significantly improve(d)], [significantly decrease(d) … to significantly increase(d)]*, etc.

ANNEX

Time-series overview of sentiment on key market indicators (net balance of respondents)

	Current perception			Expectations		
	Net % *Q1 2025* [1]	Time-series range of net balance values (2018-present) [2] MIN	[2] MAX	Net % *Q1 2025* [3]	Time-series range of net balance values (2018-present) [4] MIN	[4] MAX
Fundraising environment	-50.2%	-68.4%	54.7%	-1.0%	-42.7%	45.3%
Exit environment	-33.9%	-6.5%	45.5%	-8.6%	-34.1%	60.2%
Investees' access to external finance	-6.4%	-27.4%	66.8%	-1.6%	-52.8%	35.7%
Valuations	-5.5%	-48.3%	74.3%	15.8%	-19.4%	75.7%
New investments	16.5%	5.5%	51.4%	34.9%	11.5%	54.7%
Incoming investment proposals	22.5%	12.1%	64.0%	39.3%	30.9%	64.0%

• Q1 2025

Note: "Net %" in columns [1] & [3] reflects the net balance of respondents, i.e. the percentage of respondents expressing a positive sentiment vis-à-vis the respective market indicator (currently, see "current perception", or for the next 3 months, see "expectations") minus the percentage of respondents expressing a negative sentiment. Columns [2] & [4] show the time-series range (from the minimum to the maximum value) of the corresponding net balance values, across all survey waves (from 2018 till present). This time-series distribution is split into terciles; with red (green) being the lower (upper) tercile, and grey being the middle tercile. Cells in columns [1] & [3] are highlighted in red, green or grey colour, depending on whether the "net %" in Q1 2025 falls in the lower, upper or middle tercile of the corresponding time-series distribution.

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… the European Investment Fund

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