



PRACTICES OF
EUROPEAN
VENTURE CAPITALISTS

April 2023



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School



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PRACTICES OF EUROPEAN VENTURE CAPITALISTS

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PRACTICES OF EUROPEAN VENTURE CAPITALISTS

ABOUT THIS REPORT

The European venture capital (VC) market picked up and proliferated after the 2008 economic breakdown but faced a sharp slowdown in the second half of 2022 and 2023. Starting the recovery from the impact of the Covid-19 pandemic, Russia's invasion of Ukraine elevated geopolitical tensions and caused a global economic slowdown. As for many other industries, the increasing macroeconomic volatility, with rising inflation and supply disruptions, has severely affected the venture capital market.

At the same time, groundbreaking changes are taking place in society, not least the emergence of new technologies, that create opportunities for VC investors. Artificial intelligence, blockchain, and deep-tech are just a few. The investor landscape for startups is also changing rapidly, with new types of investors entering the scene, such as new forms of corporate VCs, special purpose acquisition companies (SPACs), and super business angels.

To get a better understanding of the VC landscape, leading European business schools and universities have joined their efforts and conducted a broad study of VC practices in Europe. In this report, we present our findings on how European venture capitalists select, value, and structure investment deals, what type of value-added activities they provide, and how successful they are with their investments. We highlight similarities and differences among various types of VCs, of different sizes, investment focuses, and locations. For thorough statistical analysis as well as elaborate discussions and academic explanations behind the results, we refer to the research papers being developed based on the data from this study.

On behalf of the research team,

Benjamin Le Pendeven, PhD
Project leader



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KEY FACTS ABOUT THE VCS IN THE STUDY

100 M€
avg fund size

The VC's average fund size amounts to 100 mEUR

10-20%
target stake

Most frequent ownership targets are between 10 and 20%

64%
syndicated deals

64% of the investments are made in syndicates

851
proposals/y

The VCs receive on average 851 investment proposals per year

40%
trade sale exits

40% of the exits are done through trade sales, 7% by IPOs

Team
most important

The management team is, by most VCs, considered the key driver behind investment decisions, and the main reason for both successful and failed investments

6%
closure rate

Of the investment proposals received, 6% lead to investments

45%
failures/low returns

45% of investments made are failures or reach less than 2x invested capital

Large variation
among EU VCs

Significant heterogeneity in practices between the VCs depending on the type, region, market maturity, stage and industry focus, and fund size



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EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

INTRODUCTION

This report presents practices undertaken by European VCs. The information is based on 885 responses from venture capital investors across Europe.

PRE-INVESTMENT

DEAL FUNNEL PROCESS

On average, venture capitalists across Europe receive **851** investment proposals per year. Of those, 6% lead to investments.

There is significant variation across VCs. For example, governmental VCs meet entrepreneurs applying for funding significantly more often than other VCs and have a higher closure rate. Independent VCs have the lowest closure rate.

INVESTMENT SELECTION

By far, the **management team's ability** has the highest impact on investment decisions made by European VCs. The second most important factor is the **offering**, particularly to corporate VCs. Governmental VCs, to a greater extent than the others, highlight syndication partners as important when selecting investments.

VALUATION

71% of European VCs look at **comparable transactions** when valuing startups. However, often no formal valuation method is used, but the investment size and the VCs' target ownership stake determine the value of the portfolio company. Corporate VCs, family offices, and governmental VCs apply formal methods more often than independent VCs.

63% of the VC investors **target ownership** stakes between 10 and 20% when negotiating deals.

The most frequently mentioned factors affecting company valuation are the value of comparable investments, the portfolio company's anticipated exit, and the desired ownership stake. European VCs often adjust valuation levels based on the perceived risk level and the current industry conditions.

DEAL STRUCTURE

Pro-rata right is the most frequent contractual term negotiated by the VCs, followed by anti-dilution protection, and liquidation preference.

When negotiating contractual terms, European VCs are more flexible with option pools and dividends. At the same time, they are not flexible when negotiating drag and tag along rights, pro-rata rights, and good/bad leaver clauses.

INVESTMENT

VALUE-ADDED ACTIVITIES

Most European VCs, 83%, help their portfolio companies raise **follow-on financing** and **provide strategic guidance**. Most VCs have seats on the board of directors in their investee firm.

Independent VCs seem to be significantly more active than the other VCs, Western VCs more than VCs from other European regions, early-stage more than late-stage VCs, and health/life science-focused more than IT-focused VCs.

SUCCESSFUL INVESTMENTS

72% of European VC firms consider a competent **management team** the most critical driver behind investment success. 15% put forward the **offering**, i.e., the product, service, or technology, as the most important factor. Health/life science-focused VCs highlight the importance of the business model to a greater extent than the other VCs.

UNSUCCESSFUL INVESTMENTS

The primary reason behind unsuccessful investments is the **management team**, considered the most important factor by 62% of European VCs. 11% of the investors believe the **offering** to be the main reason for failure.



EXECUTIVE SUMMARY, CONTINUED

POST-INVESTMENT

EXIT ROUTES & MULTIPLES

The most common exit route for European VCs is through **trade sales**, which account for 40% of the exits. 7% of the exits are IPOs. The failure rate amounts to 22%. Western VCs and late-stage VCs are more likely than the other VCs to exit their portfolio companies through trade sales, while health/life science-focused VCs more often exit through IPOs.

45% of the exit multiples received by European VCs are **negative or limited** (< 2x), while only 9% are above 10x invested capital. Governmental VCs have higher failure rates and reach lower exit multiples than other types of VCs. Late-stage VCs receive higher exit multiples than other VCs.

INVESTMENT OUTCOMES

The average net IRR for **fund-based** European VCs is 13%. The net IRR for health/life science-focused VCs is considerably lower, while VCs operating in less mature VC markets reach a higher average net IRR.

Corporate VCs consider their investments to also bring non-financial benefits to their corporations, particularly in terms of technology watch and discovery, and through partnerships with other investors.

Governmental VCs put forward several societal benefits from their investment activities, particularly attracting private co-investors as well as contributing to job creation, innovation, and economic growth in specific regions or sectors.

INTERNAL ORGANIZATION

SYNDICATION

Of the investments made by European VCs, **64%** are syndicated. Governmental, Northern, and health/life science-focused VCs syndicate investments to a greater extent than the other VCs.

The primary reason for syndicating is to get **complementary expertise**, particularly for corporate VCs, and due to **capital constraints**. To Northern VCs, risk sharing is an important reason to syndicate.

When choosing syndicate partners, industry experience, reputation, and capital size is of vital importance.

INCENTIVE PROGRAMS

Most European VCs, i.e., **74%**, run some type of incentive program, but with variation across VCs. The most common incentive program is based on **carried interest**. While many independent VCs have incentive programs (85%), only 22% of the governmental VCs run such programs.

DECISION MAKING

Decisions are taken by **majority voting** in 36% of European VCs, while **unanimous voting** is used by 31% of the investors. Only 4% of the VCs make decisions on an individual basis.



RESEARCH CONTEXT

RESEARCH CONTEXT

This report is based on responses from **885** European venture capital investors. Most responses are from VCs in **France** (20%), followed by **Germany** (13%), **Spain** and **Sweden** (each 10%), and **Belgium** (9%).

Data were collected between March and October 2022.

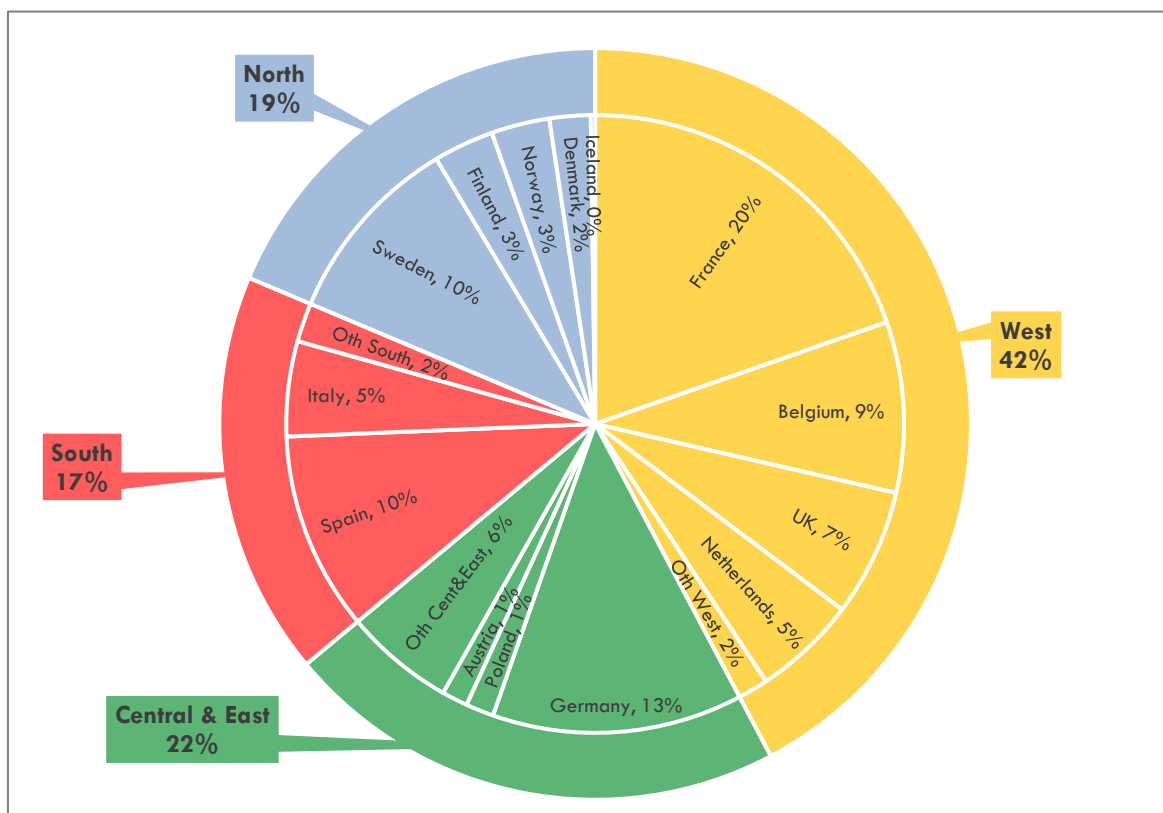


Figure A.1 Responses, by country



RESEARCH CONTEXT, CONTINUED

To study variation among different VCs, the data was divided into subgroups within six categories:

- VC TYPE** Independent VC (75%), Corporate VC (12%), Family Office (4%), and Governmental VC (9%).
- REGION** Western Europe (42%), Central & Eastern Europe (22%), Southern Europe (17%), and Northern Europe (19%).
- MATURITY** The level of VC market maturity based on the countries' total VC investments in relation to GDP, split into three groups: Low maturity (16%), Medium maturity (61%), and High maturity (23%).
- STAGE FOCUS** VCs focusing on all company stages (14%), Early-stage focus (60%), and Late-stage focus (7%). The remaining 19% did not state their stage focus.
- INDUSTRY FOCUS** VCs with a broad industry focus (36%), Health/Life science focus (7%), and IT focus (29%). The remaining 28% either focused on another sector or did not state their industry focus.
- FUND SIZE** VCs with an above-median (i.e., 60 mEUR) for the average last three funds (22%) and below (23%). The remaining 55% did not have a fund structure or did not state their fund sizes.

Table A.1 Overview of respondents. Responses broken down into subgroups within six categories.

	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE		
	All	IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Number of respondents	885	662	105	36	82	374	193	153	165	146	539	200	123	530	60	315	59	254	192	204
% of total	100%	75%	12%	4%	9%	42%	22%	17%	19%	16%	61%	23%	14%	60%	7%	36%	7%	29%	22%	23%

Independent VCs by far largest subgroup in the sample

Most responses from Western VCs

VCs in mature markets dominate the sample

Most responses from early-stage VCs

More responses from IT-focused than from Health-focused VCs

RESEARCH CONTEXT, CONTINUED

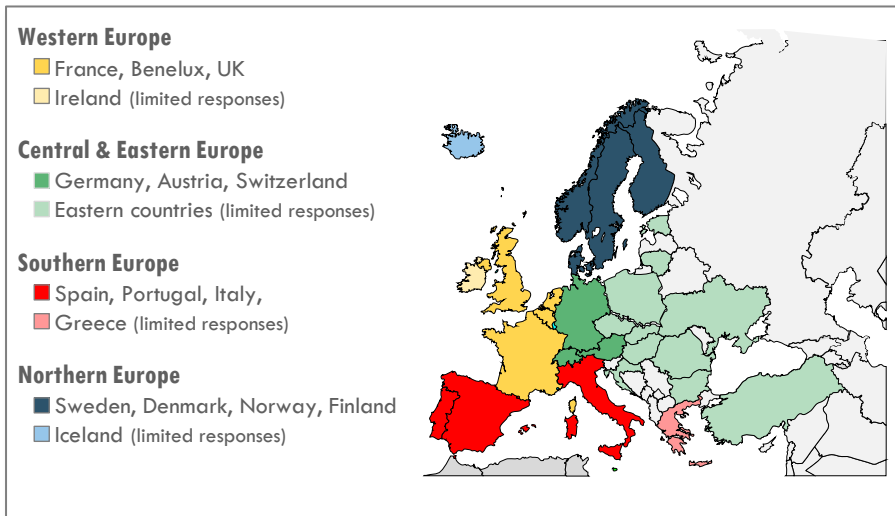


Figure A.2 European countries included in the study, categorized by regions

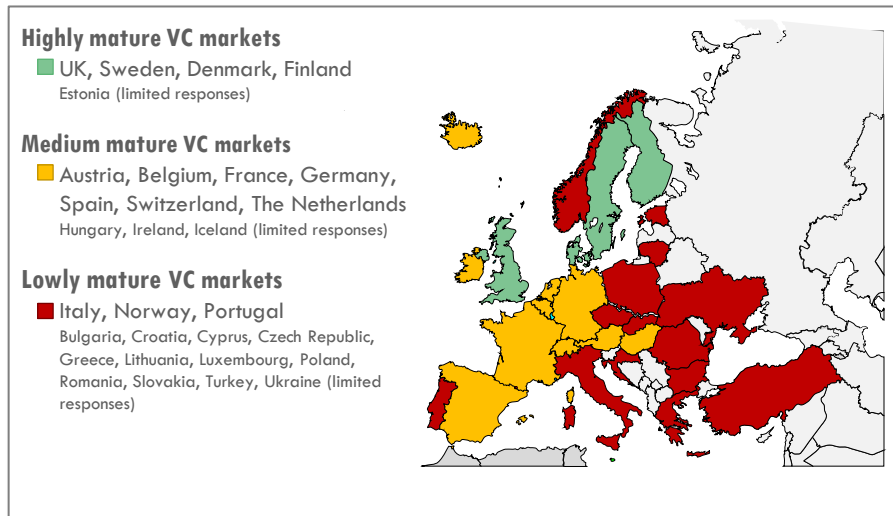


Figure A.3 European countries included in the study, categorized by VC market maturity (total venture capital investments in relation to GDP)

RESEARCH CONTEXT, CONTINUED

52% of the respondents are **partners** in their VC firms. The average **fund size** managed by the independent VCs is 100 mEUR (median fund size is 60 mEUR). The VCs **receive**, on average, 851 investment proposals annually, of which 38 lead to **closed deals**.

Table A.2 Basic statistics. Basic statistics on the VC firms included in the study. Average presented.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Most recent fund	2020					2020	2020	2019	2020	2020	2020	2020	2020	2020	2019	2020	2020	2020	2020	2020
Respondent is a partner	52%	56%	44%	51%	26%	46%	53%	55%	61%	64%	45%	61%	48%	57%	46%	49%	61%	64%	57%	67%
Fund size, avg last 3 funds, MEUR	100	100	N/A	N/A	N/A	106	97	87	104	49	112	113	165	87	140	107	178	80	170	34
Investment proposals last 12 months, avg	851	966	637	367	343	988	866	722	676	607	944	806	680	946	312	853	475	1004	1289	820
Closed deals last 12 months, avg	38	44	20	10	24	64	24	19	17	18	40	51	39	41	8	43	10	45	60	43

Independent VCs receive 3x more investment proposals on average than Governmental VCs and Family offices

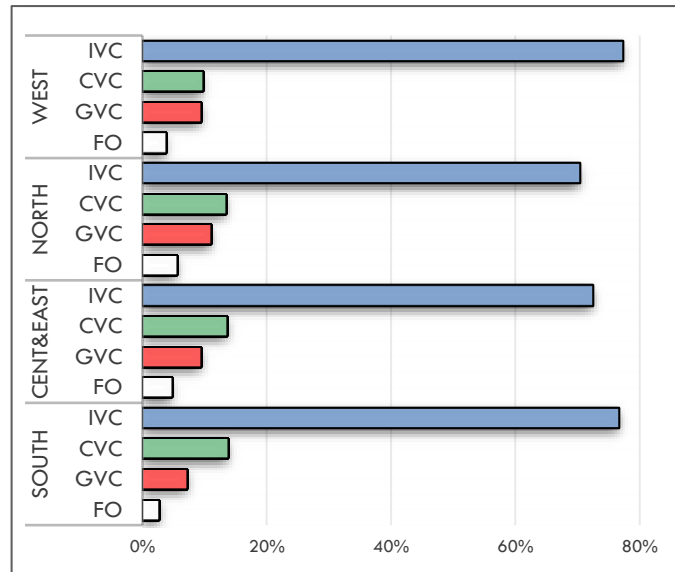
Western VCs receive most investment proposals and close more deals

Early-stage VCs receive more investment proposals than late-stage VCs

IT-focused VCs receive more investment proposals than other VCs



RESEARCH CONTEXT, CONTINUED



Similar split of types of VCs in the four regions.

Figure A.4 Responses, by region and VC type

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PRE-INVESTMENT

1. DEAL FUNNEL PROCESS
2. INVESTMENT SELECTION
3. VALUATION
4. DEAL STRUCTURE



DEAL FUNNEL PROCESS

The average number of investment proposals the respondents receive annually amounts to **851**. Of the total investment proposals received, VCs meet on average 37% of the fund-seeking entrepreneurs, the partner group/investment committee reviews 20% of the deals, and 12% go through due diligence. Term sheets are offered to 8% of the fund-seeking entrepreneurs and, ultimately, 6% of the investment proposals **result in closed deals**.

Table 1.1 Deal funnel process. The percentage of opportunities considered by the respondents that reach different investment stages. Average presented.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Met management at least once	37%	35%	36%	35%	54%	36%	33%	40%	40%	39%	36%	38%	38%	37%	36%	42%	31%	35%	33%	35%
Reviewed by partners/investment committee	20%	19%	18%	23%	32%	21%	18%	21%	21%	21%	20%	23%	19%	25%	23%	24%	19%	18%	18%	
Exercised due diligence	12%	11%	12%	13%	20%	12%	13%	12%	12%	12%	12%	14%	11%	14%	14%	14%	10%	12%	9%	
Offered term sheet	8%	7%	7%	12%	15%	8%	8%	8%	8%	7%	8%	9%	9%	8%	11%	9%	7%	8%	8%	6%
Closed deals	6%	5%	8%	7%	9%	7%	5%	5%	5%	5%	7%	6%	7%	6%	7%	7%	4%	6%	6%	5%
Investment proposals last 12 months, avg	851	966	637	367	343	988	866	722	676	607	944	806	680	946	312	853	475	1004	1289	820

Governmental VCs meet a higher ratio of entrepreneurs
 Closure rates for Governmental VCs are significantly higher than for Independent VCs

Northern and Southern VCs more often meet with applying entrepreneurs than VCs from other regions

Health-focused VCs meet with fewer entrepreneurs and have a somewhat lower closure rate

DEAL FUNNEL PROCESS, CONTINUED

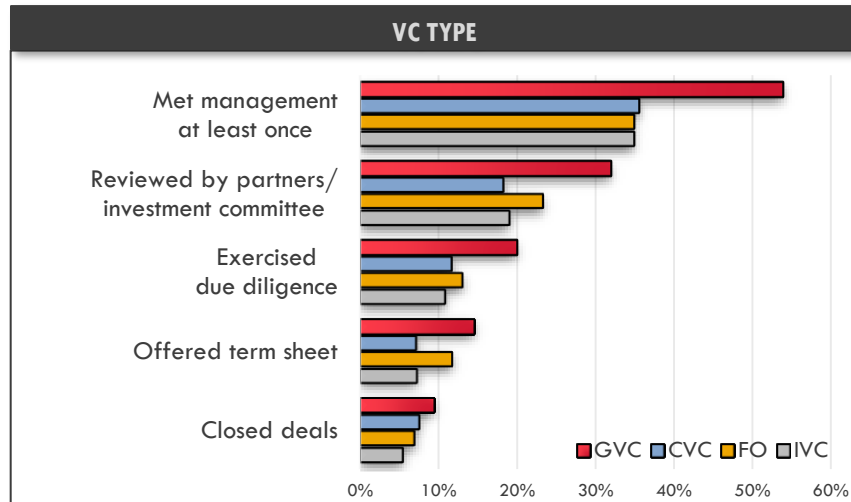


Figure 1.1 Deal funnel process, by VC type

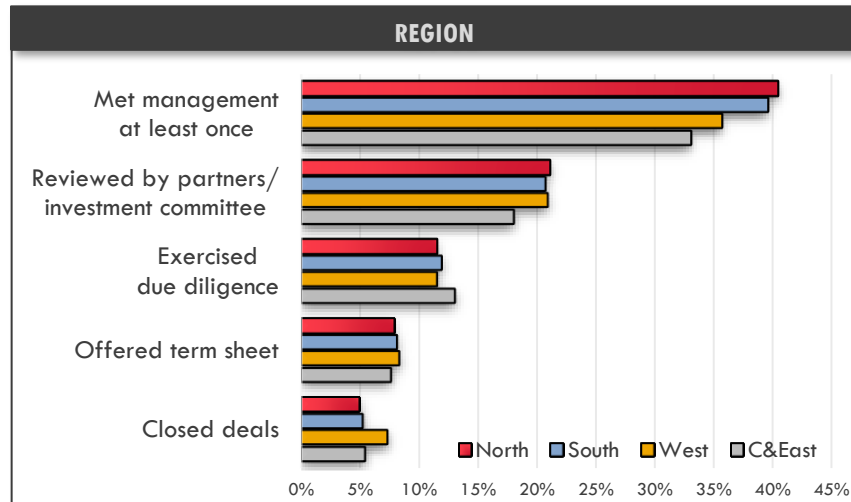


Figure 1.2 Deal funnel process, by region

1

PRE-INVESTMENT

1. DEAL FUNNEL PROCESS
2. INVESTMENT SELECTION
3. VALUATION
4. DEAL STRUCTURE



IMPORTANT FACTORS FOR INVESTMENT SELECTION

The respondents were asked to present factors that affect their selection decisions and rank them in order of importance. Most of the VCs considered the **management team** highly important (93%), the **offering** (i.e., the product, service, or technology) was deemed important by 62%, and the **total addressable market** by 58%.

Table 1.2.1 Important factors for investment selection. The percentage of the respondents who report the factor as important when deciding whether to invest.

	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE		
	All	IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Management team	93%	93%	91%	96%	93%	94%	95%	94%	88%	95%	94%	89%	94%	95%	78%	94%	91%	93%	93%	95%
Offering: Product/service/technology	62%	62%	72%	50%	61%	63%	61%	65%	60%	61%	62%	64%	57%	65%	49%	57%	59%	69%	69%	62%
Total addressable market	58%	59%	59%	58%	51%	61%	53%	53%	62%	58%	56%	64%	53%	61%	43%	58%	32%	63%	66%	63%
Exit potential	47%	50%	41%	35%	36%	49%	45%	45%	47%	54%	46%	44%	48%	47%	45%	43%	55%	52%	57%	50%
Business model	47%	45%	56%	31%	59%	45%	48%	46%	49%	40%	47%	51%	52%	44%	65%	52%	25%	44%	38%	46%
Valuation & deal terms	45%	47%	48%	31%	37%	47%	40%	41%	51%	42%	44%	52%	51%	44%	49%	45%	42%	46%	50%	45%
Competitive position	43%	43%	39%	31%	49%	44%	39%	34%	50%	37%	44%	44%	50%	41%	45%	43%	47%	42%	48%	39%
Fit with fund	41%	43%	42%	39%	31%	40%	42%	40%	44%	46%	40%	41%	40%	43%	29%	34%	45%	50%	46%	48%
VCs ability to add value	37%	36%	45%	46%	33%	41%	35%	24%	43%	39%	33%	44%	35%	38%	35%	35%	30%	38%	35%	36%
Industry	21%	20%	25%	15%	27%	22%	20%	26%	17%	17%	23%	22%	23%	21%	24%	21%	17%	21%	23%	19%
Syndication partners	19%	17%	22%	15%	34%	18%	21%	11%	26%	16%	19%	23%	21%	20%	10%	19%	42%	16%	24%	13%
Existing investors in portfolio firm	15%	13%	19%	31%	19%	14%	19%	13%	16%	16%	15%	15%	13%	16%	12%	15%	15%	16%	15%	12%

Independent VCs consider exit potential more important than other VCs

Corporate VCs consider offering to be particularly important

Family Offices consider offering and business of less importance than the other VCs

Southern VCs less focused on their ability to add value

Late-stage VCs are less focused on the management team and total addressable market but more on business model

IT-focused VCs consider offering to be highly important

Governmental VCs put forward the importance of business model and syndication partners more often

Management team and exit potential less important in more mature VC markets

Health-focused VCs less focused on total addressable market but consider syndication partners to be important



MOST IMPORTANT FACTOR FOR INVESTMENT SELECTION

The most important factor for investment selection is the **management team**, ranked the highest by 53% of the VCs, followed by **fit with the fund** (11%) and, after that, the **offering** (11%).

Table 1.2.2 Most important factor for investment selection. The percentage of respondents who ranked the factor as the most important when deciding whether to invest.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Management team	53%	55%	38%	65%	50%	54%	50%	59%	50%	56%	53%	52%	44%	57%	33%	57%	30%	57%	53%	57%
Fit with fund	11%	10%	17%	12%	9%	11%	10%	11%	11%	8%	12%	11%	11%	11%	10%	7%	15%	12%	11%	13%
Offering: Product/service/technology	11%	10%	14%	0%	14%	12%	10%	5%	13%	8%	11%	11%	11%	10%	14%	10%	26%	9%	12%	7%
Total addressable market	9%	9%	9%	12%	9%	9%	10%	10%	8%	14%	7%	9%	11%	8%	10%	9%	6%	10%	11%	10%
Exit potential	3%	4%	2%	0%	0%	2%	2%	3%	8%	6%	2%	4%	4%	3%	2%	4%	8%	2%	3%	5%
Industry	3%	3%	6%	0%	6%	3%	4%	5%	2%	1%	4%	3%	4%	3%	4%	3%	6%	2%	2%	4%
Business model	3%	3%	3%	4%	4%	3%	5%	3%	2%	1%	4%	3%	6%	2%	14%	3%	0%	4%	3%	1%
Valuation & deal terms	2%	2%	0%	0%	3%	1%	2%	3%	2%	1%	2%	2%	7%	0%	8%	3%	2%	1%	2%	1%
Competitive position	2%	1%	3%	0%	4%	1%	4%	0%	2%	3%	2%	0%	1%	2%	0%	2%	2%	1%	1%	1%
VCs ability to add value	1%	1%	5%	4%	0%	1%	1%	0%	3%	2%	1%	2%	1%	1%	4%	1%	0%	1%	0%	0%
Existing investors in portfolio firm	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Syndication partners	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Fewer of the Corporate VCs put forward the management team as the most important factor, while fit with fund is mentioned more often

Family Offices most often rank the management team as the most important factor – but never the offering

Southern VCs rank management higher but the offering lower than VCs from other regions

The addressable market is considered the most important factor more often by VCs in mature markets

The management team is of less importance to late-stage VCs

The management team is considered of less importance, but the offering of higher importance to Health-focused VCs

IMPORTANT FACTORS FOR INVESTMENT SELECTION, CONTINUED

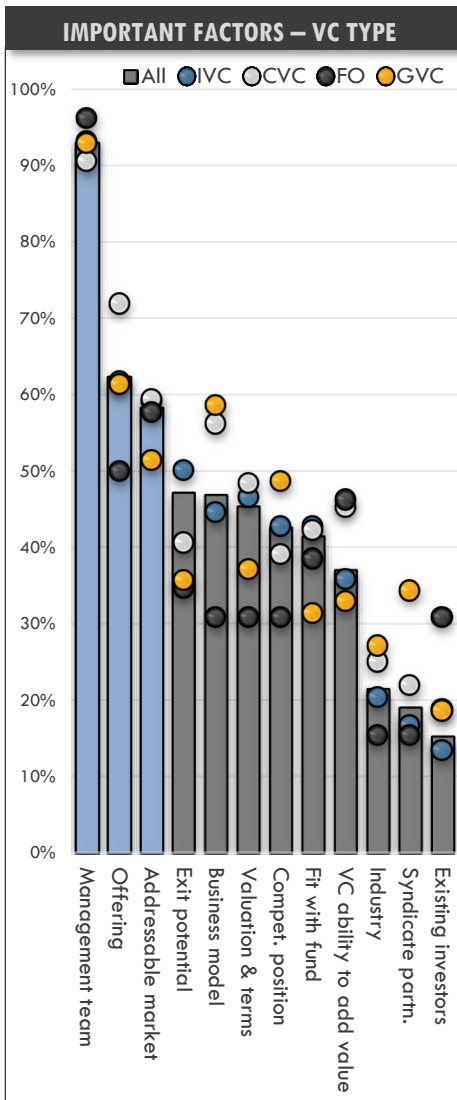


Figure 1.2.1 Important factors for investment selection, by VC type

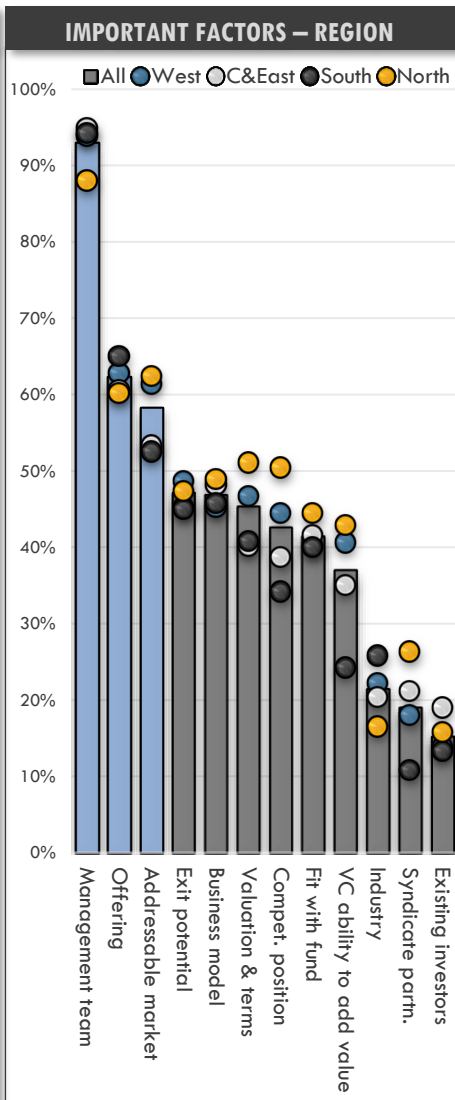


Figure 1.2.2 Important factors for investment selection, by region

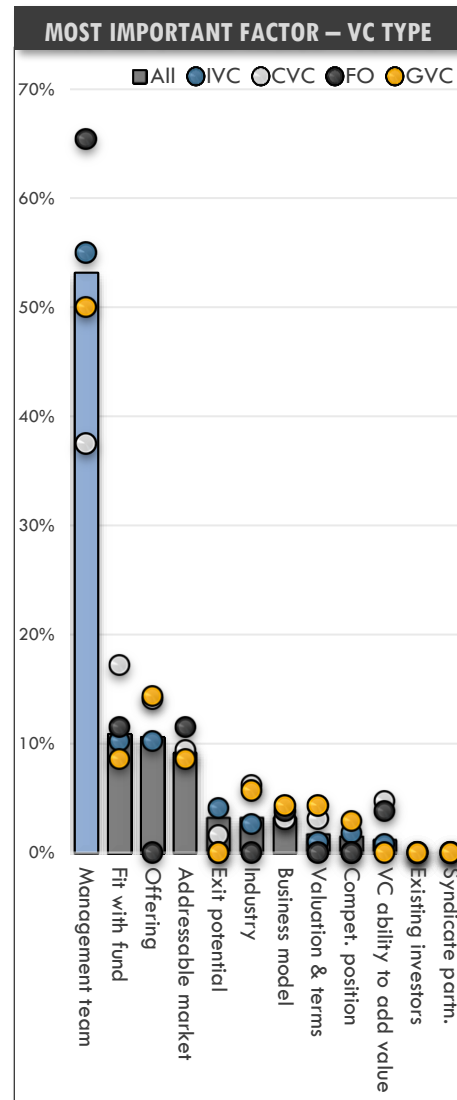


Figure 1.2.3 Most important factor for investment selection, by VC type

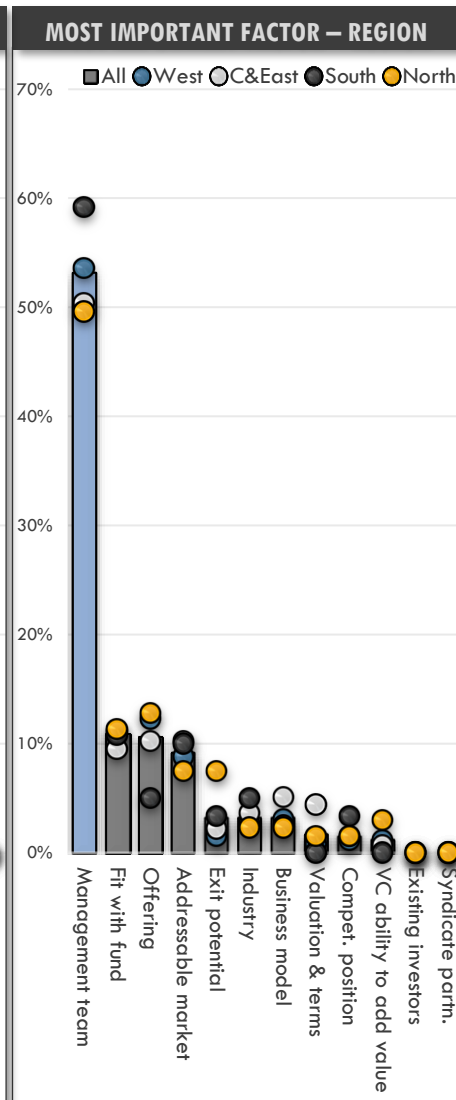


Figure 1.2.4 Most important factor for investment selection, by region



IMPORTANT MANAGEMENT QUALITIES

When asked about what management qualities the VCs consider important when selecting investments, **ability/competence/knowledge** is the most mentioned factor (75%), followed by **commitment/passion** (73%), and then **entrepreneurial experience** (66%). When asked about the most important factors, the same factors are ranked the highest. Fewer VCs (44% and 41%, respectively) mention team-related factors, such as team synergies and teamwork.

Table 1.2.3 Important and most important team management qualities. The percentage of the respondents who reported the factor as important in a portfolio company's management team (top), and the factor that received the highest rank (bottom).

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
ALL IMPORTANT FACTORS																				
Ability/Competence/Knowledge	75%	77%	70%	58%	71%	72%	74%	80%	77%	77%	74%	77%	81%	74%	74%	74%	74%	77%	81%	80%
Commitment/Passion	73%	75%	70%	77%	62%	68%	73%	77%	81%	81%	69%	78%	68%	76%	62%	77%	55%	73%	76%	79%
Entrepreneurial experience	66%	63%	83%	69%	69%	65%	69%	64%	65%	63%	67%	64%	66%	66%	64%	65%	72%	64%	68%	60%
Industry experience	64%	62%	70%	42%	74%	61%	60%	70%	65%	67%	63%	63%	72%	62%	62%	63%	74%	63%	63%	67%
Team synergies/heterogeneity	44%	41%	52%	54%	57%	45%	52%	41%	38%	45%	47%	38%	44%	46%	28%	45%	32%	43%	43%	41%
Teamwork/cohesiveness	41%	39%	47%	50%	43%	43%	41%	38%	40%	39%	39%	45%	34%	43%	32%	40%	25%	42%	44%	39%
MOST IMPORTANT FACTOR																				
Ability/Competence/Knowledge	28%	31%	19%	15%	25%	27%	21%	34%	32%	30%	28%	28%	32%	28%	28%	25%	26%	32%	32%	33%
Commitment/Passion	26%	26%	30%	27%	19%	21%	33%	27%	29%	30%	23%	31%	18%	29%	14%	30%	15%	26%	23%	30%
Entrepreneurial experience	19%	18%	23%	19%	24%	22%	19%	13%	19%	15%	21%	19%	23%	17%	34%	20%	21%	18%	19%	13%
Industry experience	13%	12%	20%	8%	10%	14%	11%	14%	11%	14%	12%	13%	17%	12%	10%	9%	28%	13%	15%	10%
Team synergies/heterogeneity	7%	7%	5%	12%	12%	8%	9%	8%	4%	8%	9%	3%	6%	8%	2%	10%	2%	6%	5%	7%
Teamwork/cohesiveness	5%	4%	3%	12%	10%	6%	7%	2%	5%	3%	6%	5%	2%	5%	10%	6%	6%	4%	3%	5%

Ability is somewhat less critical, but commitment/passion more critical, to Family Offices

Industry experience and team synergies are of larger importance, while commitment/passion of lower priority, to Governmental VCs

Commitment/passion more important in less mature VC markets

Team synergies are of less importance to late-stage VCs. Entrepreneurial experience is considered the most important factor to late-stage VCs

Industry experience is of large, but commitment/passion and teamwork of low, importance to Health-focused VCs

IMPORTANT MANAGEMENT QUALITIES, CONTINUED

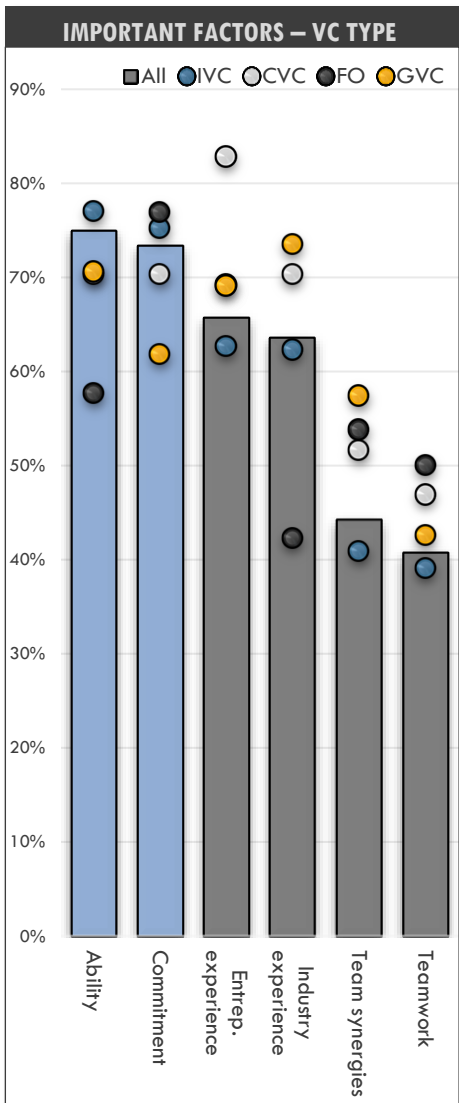


Figure 1.2.5 Important team management qualities, by VC type

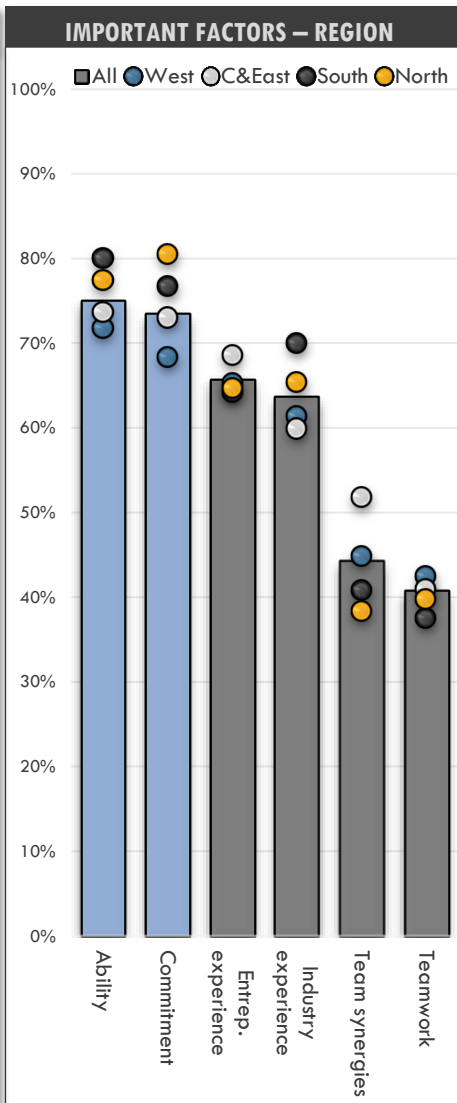


Figure 1.2.6 Important team management qualities, by region

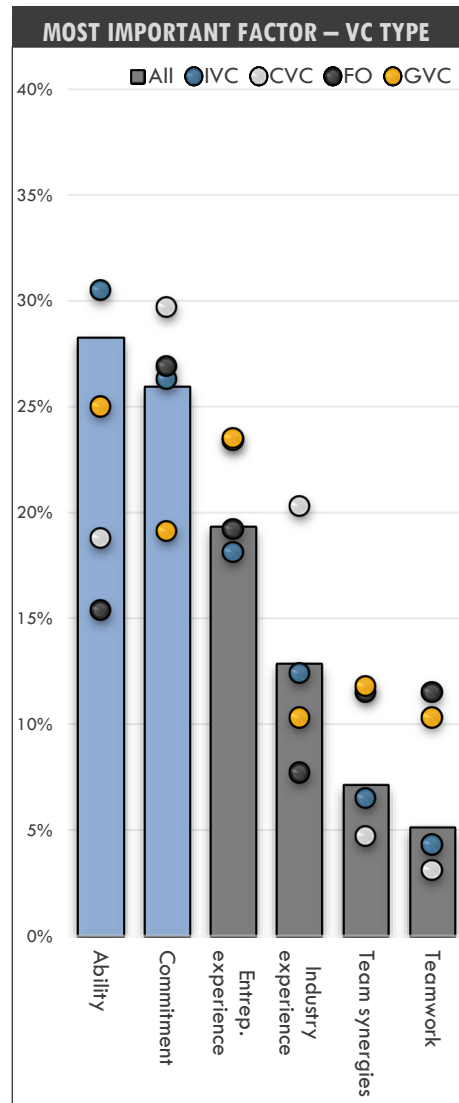


Figure 1.2.7 Most important team management qualities, by VC type

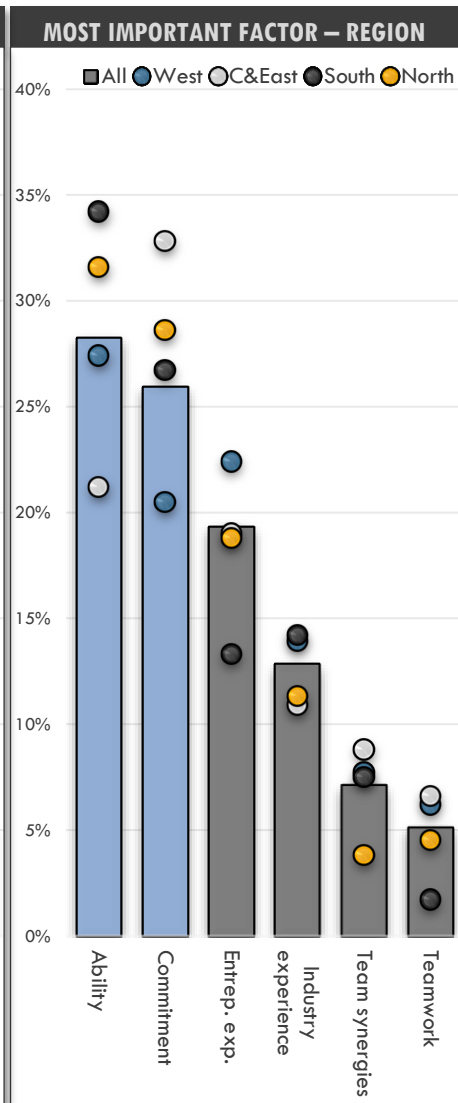


Figure 1.2.8 Most important team management qualities, by region

1

PRE-INVESTMENT

1. DEAL FUNNEL PROCESS
2. INVESTMENT SELECTION
- 3. VALUATION**
4. DEAL STRUCTURE



VALUATION METHOD

The most popular valuation method used by the respondents is **comparable transactions** (71%). More than 60% of the VCs, from time to time, do **not use any formal valuation method**, but the size of the investment round and the investor's target ownership percentage determine the value of the prospective portfolio company. Less than 30% of the respondents apply a valuation method based on internal rate of return, cash-on-cash multiples, or net present value/discounted cash flows.

Table 1.3.1 Valuation method. The percentage of the respondents who reported the use of the respective valuation method.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Comparable transactions	71%	69%	78%	71%	77%	69%	66%	75%	76%	72%	70%	72%	79%	68%	80%	73%	63%	70%	69%	64%
Consequence round size & target ownership	62%	63%	64%	48%	55%	66%	69%	52%	57%	56%	64%	63%	48%	69%	23%	59%	65%	65%	72%	69%
Internal rate of return (IRR)	27%	24%	36%	29%	34%	26%	23%	33%	24%	28%	28%	20%	43%	21%	46%	34%	14%	19%	22%	22%
Cash-on-cash multiple	25%	26%	28%	5%	16%	25%	29%	25%	21%	34%	24%	19%	38%	21%	32%	27%	23%	23%	29%	24%
Net present value/Discounted cash flow	19%	15%	33%	29%	36%	18%	19%	24%	18%	18%	21%	16%	32%	15%	32%	21%	28%	13%	17%	10%

Corporate VCs, Family Offices, and Governmental VCs apply formal valuation methods to a greater extent than Independent VCs

Late-stage VCs to a higher extent apply formal valuation methods

Health-focused VCs rarely apply the IRR valuation method



VALUATION METHOD, CONTINUED

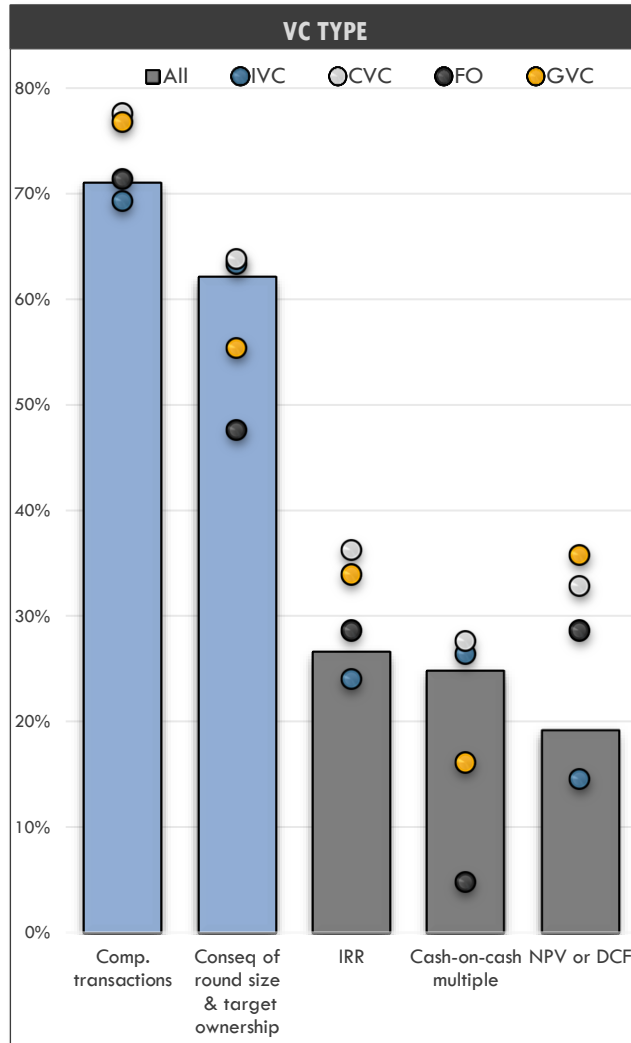


Figure 1.3.1 Valuation method, by VC type

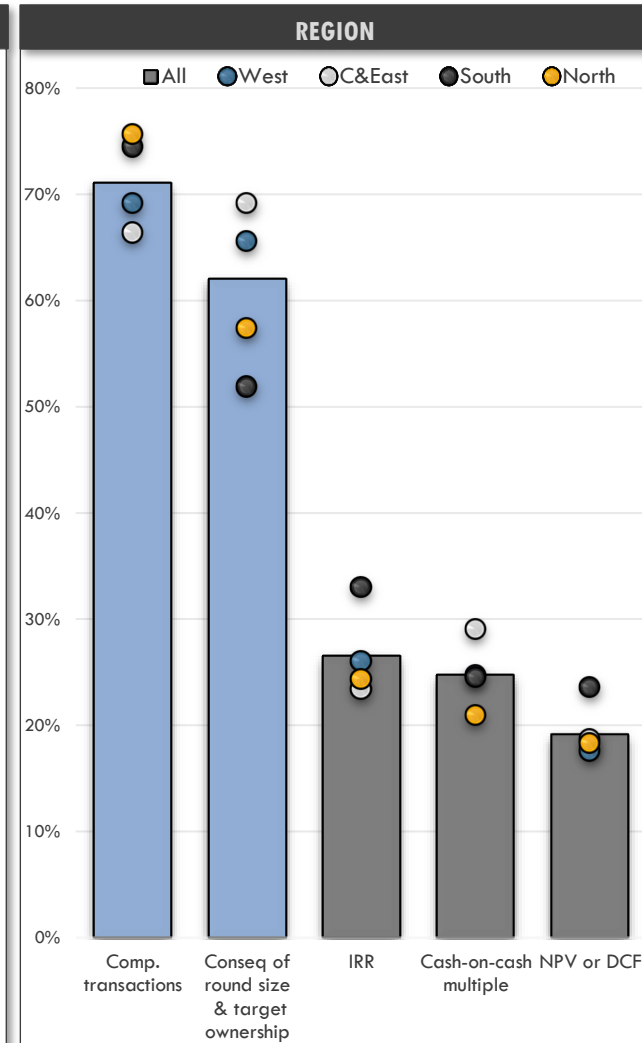


Figure 1.3.2 Valuation method, by region

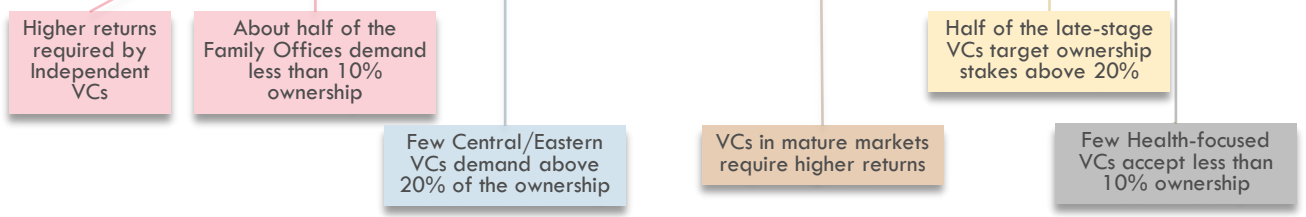


TARGET OWNERSHIP & REQUIRED RETURN

Target ownership percentages range between **10 and 20%** for most VC investors (63%). The required return in terms of **IRR amounts to 29%**, while the required **cash-on-cash multiple** is 6.4, on average.

Table 1.3.2 Target ownership & required return. The respondents' target ownership in portfolio firms (top), and their required return (bottom). Average presented.

	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE		
	All	IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
TARGET OWNERSHIP																				
Less than 10%	18%	17%	26%	48%	12%	15%	23%	29%	10%	22%	18%	17%	21%	19%	9%	19%	5%	17%	9%	20%
Between 10 and 20%	63%	64%	59%	43%	65%	65%	71%	45%	68%	58%	64%	64%	56%	67%	41%	61%	64%	66%	73%	68%
More than 20%	19%	19%	16%	10%	23%	20%	6%	26%	21%	21%	18%	19%	24%	14%	50%	20%	32%	16%	18%	12%
REQUIRED RETURN																				
Required IRR	29%	30%	30%	28%	25%	27%	35%	29%	31%	28%	29%	31%	27%	31%	24%	29%	31%	30%	33%	31%
Required cash-on-cash multiple	6.4	7.1	3.7	4.6	4.1	5.9	6.7	6.0	7.8	6.2	5.7	8.6	4.8	6.9	4.5	6.7	6.4	6.5	7.6	7.8



FACTORS AFFECTING VALUATION

When deciding what valuation to offer prospective portfolio firms, the valuation of **comparable investments** is the most frequent factor, considered important by 74% of respondents, followed by **exit consideration** (64%) and then the **desired ownership fraction** (58%). The same three factors are considered the most important ones when ranking the factors.

Table 1.3.3 Important factors and the most important factors for portfolio company valuation. The percentage of the respondents who reported the factor as important when deciding valuation (top), and the factor that received the highest rank (bottom).

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
ALL IMPORTANT FACTORS																				
Valuation of comparable investments	74%	72%	76%	80%	82%	70%	71%	79%	80%	76%	71%	79%	83%	71%	84%	74%	84%	71%	73%	70%
Anticipated exit of portfolio company	64%	67%	57%	65%	55%	65%	69%	53%	69%	68%	63%	64%	74%	63%	62%	65%	61%	65%	71%	65%
Desired ownership fraction	58%	59%	57%	40%	52%	57%	59%	50%	66%	56%	54%	68%	48%	62%	33%	56%	57%	60%	63%	65%
Negotiation power of the entrepreneurs	37%	37%	44%	30%	32%	39%	38%	44%	27%	40%	39%	30%	27%	40%	29%	37%	25%	39%	37%	40%
Competitive pressure from other VCs	29%	28%	35%	40%	21%	31%	25%	28%	28%	26%	29%	30%	21%	31%	16%	27%	16%	31%	33%	27%
MOST IMPORTANT FACTOR																				
Valuation of comparable investments	33%	29%	33%	55%	54%	30%	27%	44%	36%	42%	29%	36%	39%	30%	49%	37%	41%	28%	24%	26%
Anticipated exit of portfolio company	33%	34%	32%	20%	23%	36%	34%	21%	34%	30%	35%	29%	41%	31%	38%	34%	30%	33%	35%	35%
Desired ownership fraction	23%	25%	19%	10%	16%	22%	26%	21%	23%	17%	23%	28%	12%	27%	9%	19%	21%	27%	31%	29%
Negotiation power of the entrepreneurs	7%	7%	9%	10%	0%	8%	6%	9%	4%	9%	8%	2%	4%	8%	4%	6%	7%	6%	8%	6%
Competitive pressure from other VCs	3%	2%	4%	0%	5%	1%	5%	4%	2%	3%	3%	2%	0%	3%	0%	3%	0%	3%	1%	4%

Desired ownership fraction is of less importance to Family Offices and Governmental VCs

Late-stage VCs consider desired ownership and entrepreneurs' negotiation power less important – but valuation of comparable transactions highly important

Anticipated exit is considered less critical, and the negotiation power of entrepreneurs more critical, to Southern VCs

Health-focused VCs consider valuation of comparable investments to be of high importance, while competitive pressure from other VCs of minor importance

FACTORS AFFECTING VALUATION, CONTINUED

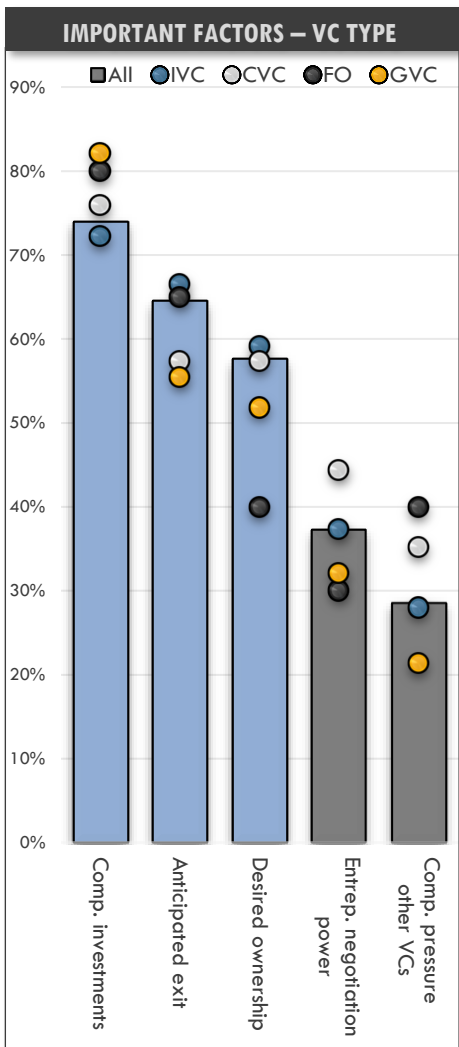


Figure 1.3.3 Important factors for portfolio company valuation, by VC type

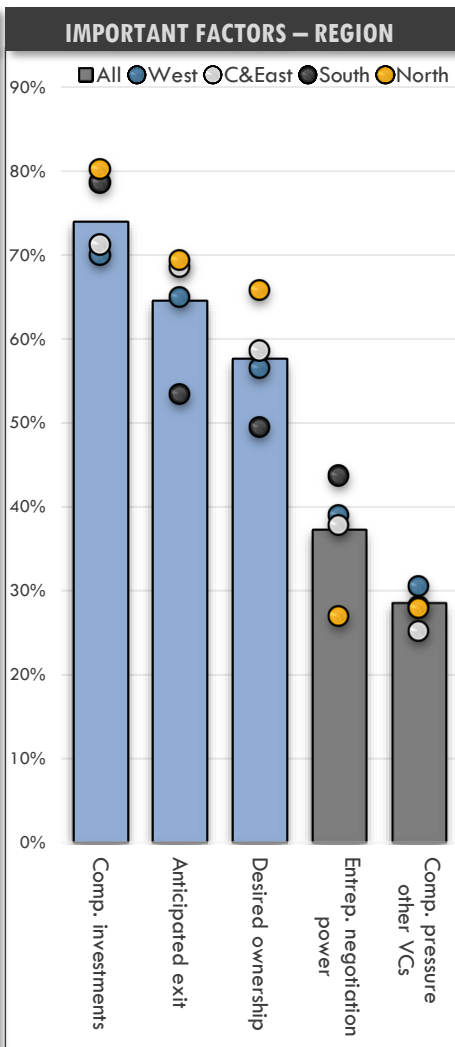


Figure 1.3.4 Important factors for portfolio company valuation, by region

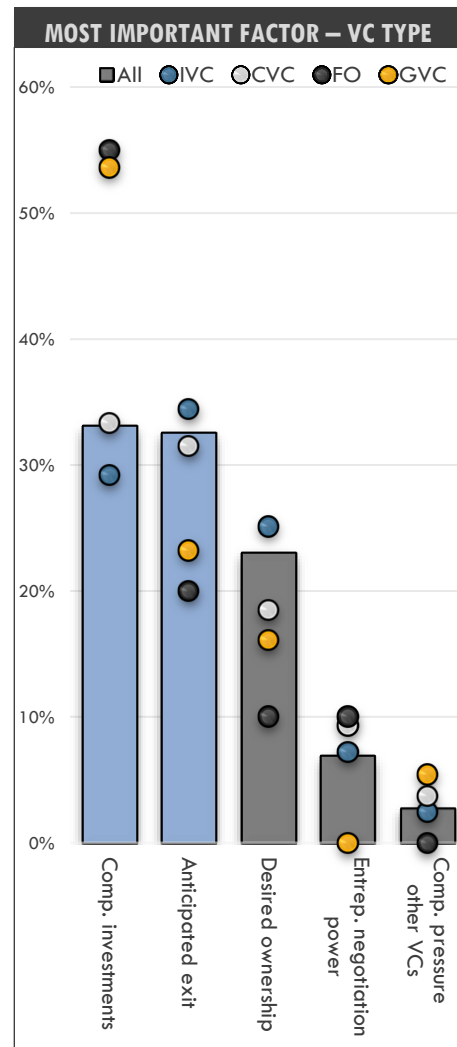


Figure 1.3.5 Most important factor for portfolio company valuation, by VC type

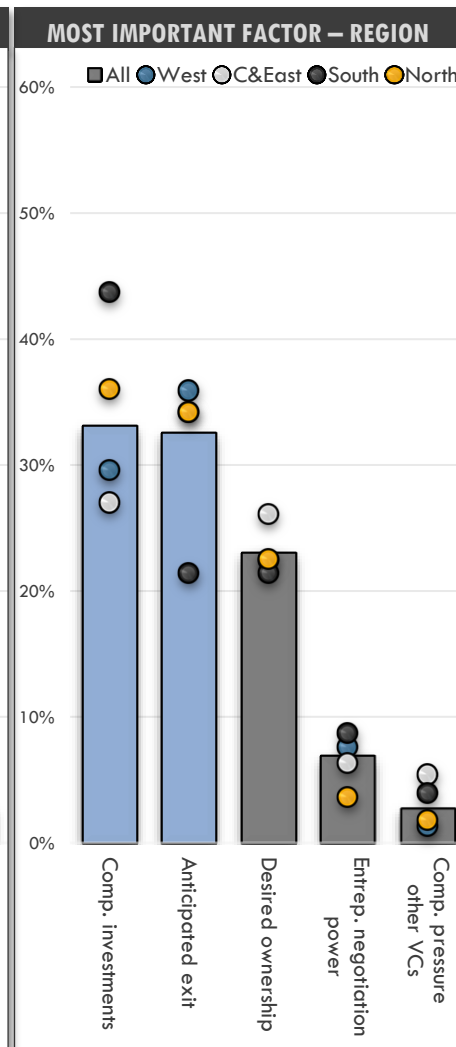


Figure 1.3.6 Most important factor for portfolio company valuation, by region

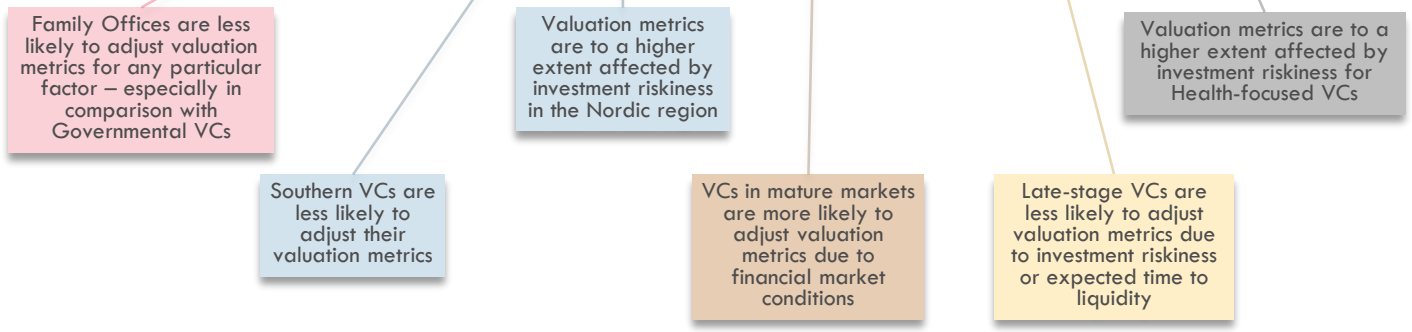


VALUATION METRIC ADJUSTMENTS

When asked about possible factors affecting valuation metrics, 59% of respondents report that the metrics are adjusted with the **investment's perceived risk level**, 41% by **industry conditions**, and 29% adjust valuation metrics based on the **expected time to exit**. Around 20% of the VCs do not make any adjustments but use the same metrics for all investments.

Table 1.3.4 Adjustments to required valuation metrics. The percentage of the respondents who reported that their required valuation metrics vary with the respective factor.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Investment's riskiness	59%	59%	60%	50%	64%	62%	52%	55%	66%	61%	57%	65%	61%	60%	49%	58%	70%	57%	60%	58%
Industry conditions	41%	41%	39%	32%	39%	46%	32%	36%	42%	39%	42%	39%	44%	40%	40%	42%	35%	41%	38%	45%
Expected time to liquidity event	29%	30%	25%	32%	29%	29%	21%	29%	38%	30%	26%	36%	39%	28%	18%	28%	33%	29%	35%	28%
Financial market conditions	29%	29%	25%	18%	39%	32%	25%	22%	35%	23%	28%	38%	37%	28%	31%	27%	30%	34%	32%	28%
Nothing, same for all investments	22%	21%	28%	32%	16%	18%	30%	26%	17%	22%	23%	18%	18%	22%	29%	23%	16%	22%	23%	22%



VALUATION METRIC ADJUSTMENTS, CONTINUED

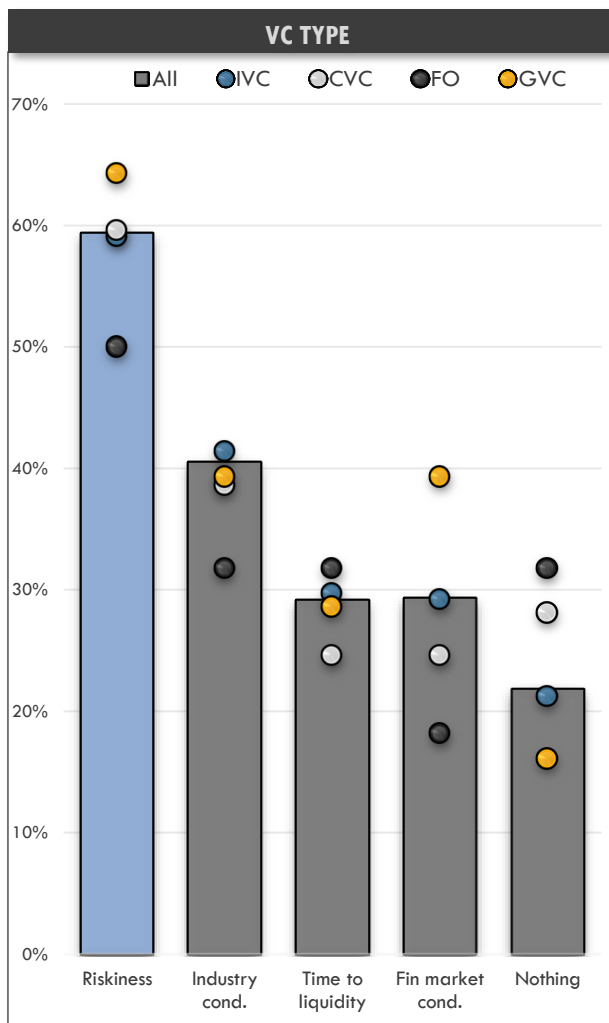


Figure 1.3.7 Adjustments to required valuation metrics, by VC type

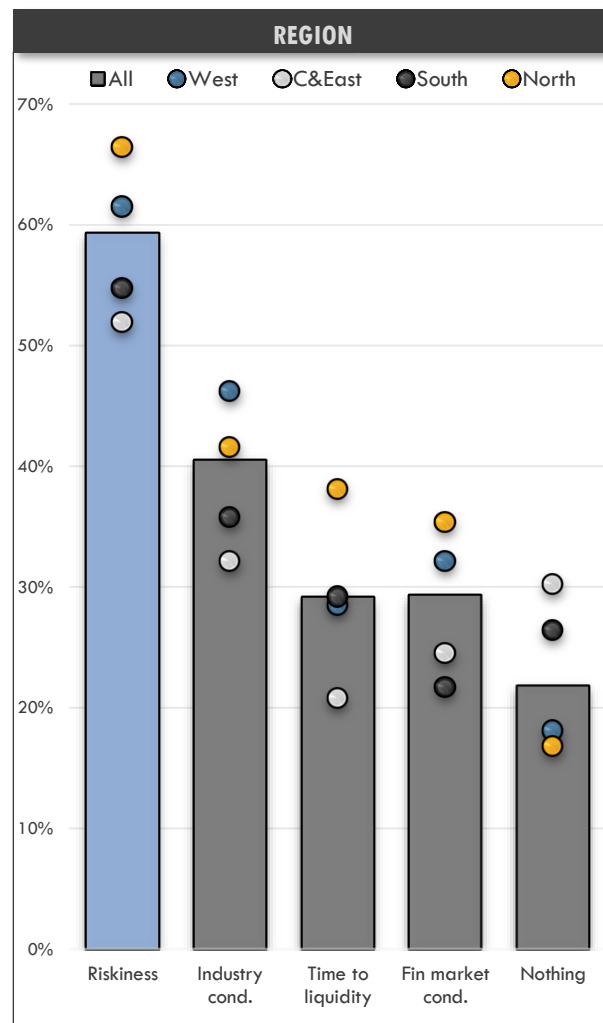


Figure 1.3.8 Adjustments to required valuation metrics, by region

1

PRE-INVESTMENT

1. DEAL FUNNEL PROCESS
2. INVESTMENT SELECTION
3. VALUATION
4. **DEAL STRUCTURE**



CONTRACTUAL TERM FREQUENCY

The most frequent contractual terms negotiated by European VCs are **pro-rata rights** (80%), followed by **anti-dilution protection** (68%), **liquidation preference** of at least one (65%), followed by **veto rights** (63%). Cumulative dividends are only required by 25% of the VCs.

Table 1.4.1 Frequency of various contractual terms. How frequently the respondents use various contractual features in investments made. Average of the frequency (scale 0 to 100) reported.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Pro-rata rights	80%	81%	82%	79%	69%	81%	83%	71%	83%	75%	79%	85%	77%	81%	73%	81%	70%	81%	83%	82%
Anti-dilution protection	68%	69%	68%	56%	62%	75%	73%	65%	47%	65%	73%	55%	72%	67%	67%	67%	73%	68%	73%	68%
Liquidation pref. 1x or greater	65%	67%	62%	51%	56%	72%	66%	64%	49%	63%	68%	56%	67%	64%	64%	62%	70%	67%	68%	71%
Veto rights	63%	64%	65%	51%	60%	56%	67%	64%	69%	70%	58%	68%	60%	63%	64%	64%	48%	64%	59%	68%
Participation liquidation preference	57%	57%	57%	39%	60%	60%	59%	57%	48%	52%	61%	50%	58%	57%	49%	59%	72%	52%	57%	61%
Redemption rights	52%	50%	61%	51%	55%	50%	60%	48%	50%	53%	50%	54%	48%	53%	47%	54%	48%	48%	48%	52%
Cumulative dividends	25%	24%	25%	34%	30%	25%	24%	31%	20%	32%	26%	17%	36%	21%	35%	27%	41%	20%	28%	20%

Governmental VCs more rarely demand pro-rata rights and liquidation preference

Western VCs more often demand anti-dilution protection

Northern VCs less often demand anti-dilution protection and liquidation preference

Pro-rata rights more important to VCs in mature markets

Pro-rata requirements and veto rights are less, but participation liquidation preference and cumulative dividends are more, important to Health-focused VCs

DEAL STRUCTURE: CONTRACTUAL TERM FREQUENCY, CONTINUED

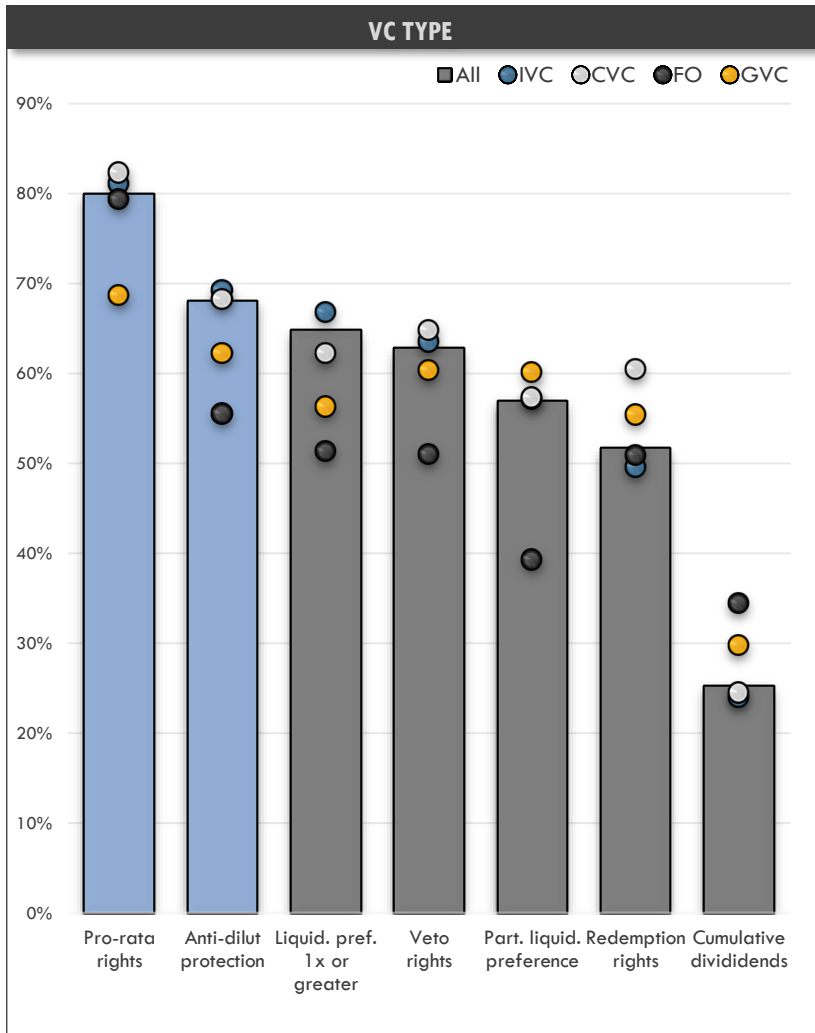


Figure 1.4.1 Frequency of various contractual terms, by VC type

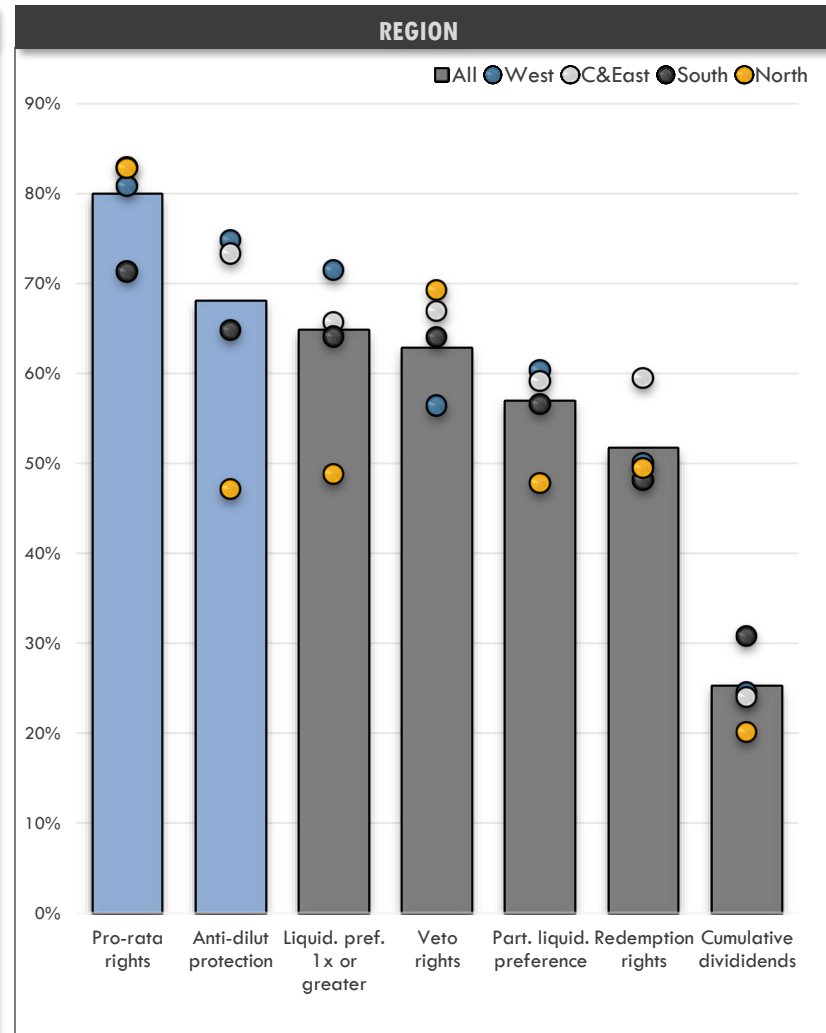


Figure 1.4.2 Frequency of various contractual terms, by region

DEAL STRUCTURE: CONTRACTUAL TERM FLEXIBILITY

Respondents were asked to indicate the terms they are more or less flexible with when negotiating new investments. VCs are **most flexible** when negotiating **option pools** and **dividends** (+20 points each), followed by **investment amounts** (+10 points). The VCs are least flexible when negotiating **drag and tag along rights** (-49 points each), followed by **pro-rata rights** (-43 points), and then **good/bad leaver clauses** (-36 points).

Table 1.4.2 Flexibility on contractual terms. The flexibility the respondents have when negotiating the contractual item in a new investment, on a scale from -100 (not at all flexible and investor-friendly) to 100 (extremely flexible and founder-friendly). Average presented.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Option pool	20	21	16	21	20	27	16	17	20	22	16	24	19	18	23	30	14	17	17	
Dividends	20	20	30	38	5	20	27	19	15	36	16	15	38	16	19	17	13	22	12	21
Investment amount	10	11	9	11	2	12	15	5	8	6	12	8	13	10	10	11	6	9	6	16
Ownership stake	6	7	-1	28	-2	9	7	4	3	11	6	2	11	5	4	10	-9	2	1	9
Redemption rights	0	1	-3	-6	-2	-6	3	5	5	8	-3	2	10	-2	2	-1	-5	1	-1	-1
Valuation	-4	-4	-4	3	-6	-8	-1	-6	2	-6	-6	4	-9	-2	-16	-3	-7	-5	-3	-2
Participation liquidation preference	-9	-8	-15	12	-15	-20	-1	-21	16	-5	-18	12	-15	-7	-10	-9	-35	-4	-13	-8
Vesting	-10	-10	-9	-14	-12	-10	-3	-15	-14	0	-12	-14	-1	-13	-3	-11	-4	-11	-15	-14
Anti-dilution	-14	-14	-24	-6	-8	-30	-7	-20	16	-9	-24	5	-22	-13	-11	-8	-33	-16	-21	-14
Board control & board rights	-15	-14	-22	6	-26	-22	3	-16	-19	-4	-19	-15	-19	-13	-32	-11	-48	-13	-24	-9
Good/bad leaver clauses	-36	-36	-39	-53	-31	-40	-31	-42	-30	-31	-38	-37	-32	-38	-29	-35	-31	-39	-39	-41
Pro-rata rights	-43	-44	-49	-41	-29	-50	-44	-32	-38	-27	-47	-46	-38	-46	-20	-41	-38	-50	-54	-46
Drag along right	-49	-49	-43	-64	-48	-55	-39	-50	-46	-41	-51	-50	-54	-48	-51	-49	-64	-50	-53	-48
Tag along right	-49	-50	-43	-58	-46	-49	-48	-55	-45	-49	-49	-50	-49	-50	-39	-52	-46	-51	-52	-52

Family Offices tend to be more founder friendly

Central/Eastern VCs are more founder friendly, whereas the Southern VCs are more investor friendly

VCs in mature markets are more investor friendly

Health-focused VCs are significantly less flexible when negotiating ownership stake, participation liquidation preference, anti-dilution, and board control

DEAL STRUCTURE: CONTRACTUAL TERM FLEXIBILITY, CONTINUED

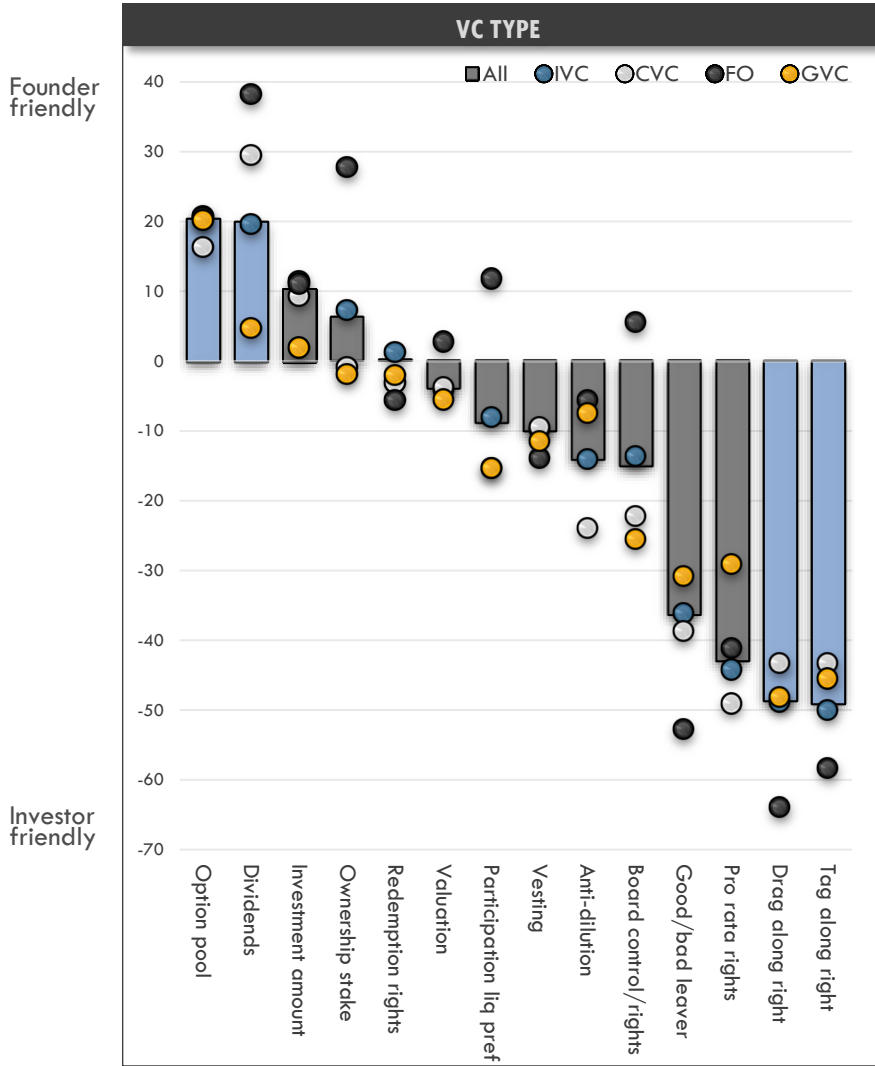


Figure 1.4.3 Flexibility on contractual terms, by VC type

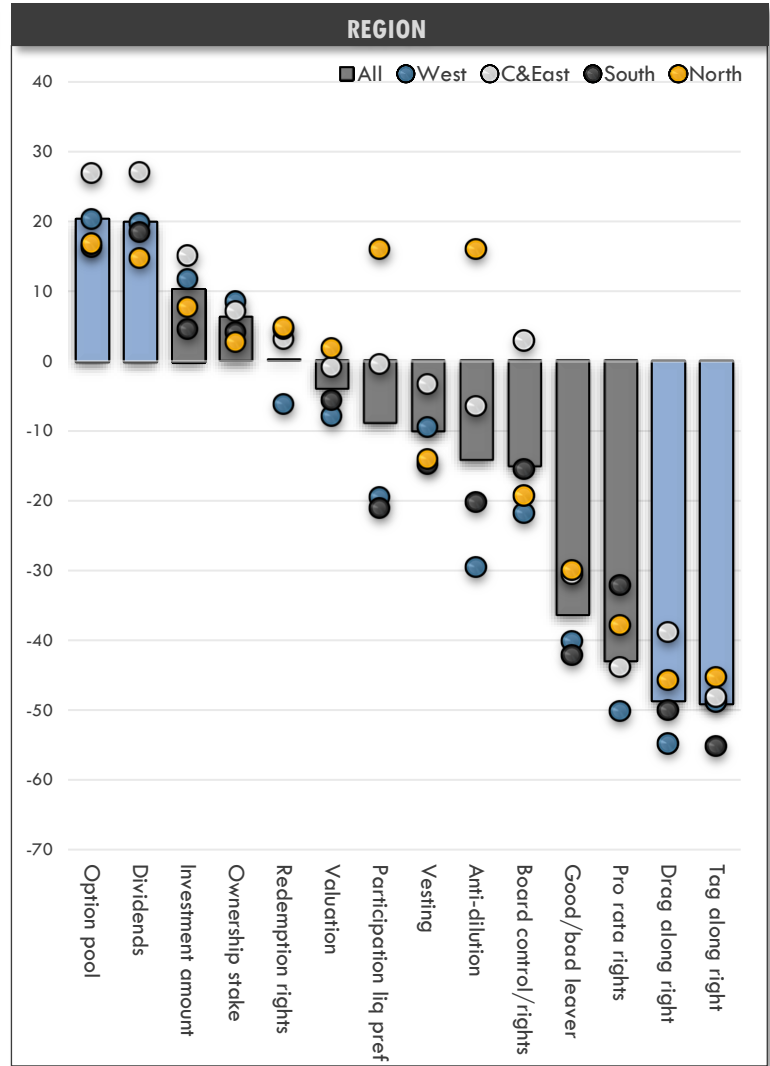


Figure 1.4.4 Flexibility on contractual terms, by region

2

INVESTMENT

1. VALUE-ADDED ACTIVITIES
2. SUCCESSFUL INVESTMENTS
3. UNSUCCESSFUL INVESTMENTS

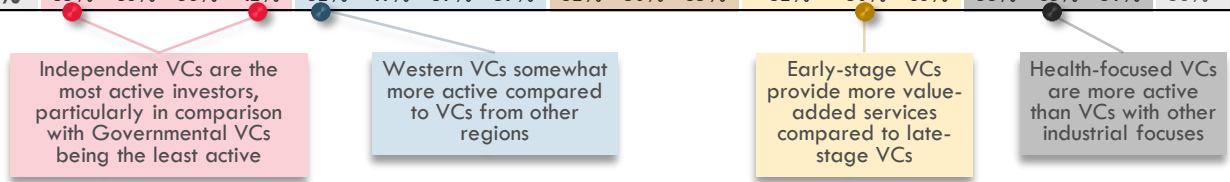


VALUE-ADDED ACTIVITIES

When asked about value-adding activities, 83% of the VCs state that they support their portfolio companies with **raising follow-on financing** and by providing **strategic guidance**, 75% **take seats on the board of directors** in the portfolio companies, 72% help their ventures with **connections** to potential customers, partners, etc., while 69% of the VCs provide support in **exit processes**. Fewer VCs support their portfolio companies in the hiring of staff and board members (66%) or provide help in acquisition processes (52%).

Table 2.1.1 Activities in portfolio companies. How frequently the respondents undertake the activity when working with their portfolio firms. Average of the frequency (scale 0 to 100) reported.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Help in raising follow-on financing	83%	85%	72%	77%	73%	83%	84%	80%	82%	80%	83%	83%	75%	85%	75%	82%	86%	84%	87%	88%
Provide strategic guidance	83%	85%	80%	77%	71%	85%	80%	78%	84%	81%	83%	83%	81%	84%	76%	80%	88%	84%	88%	85%
Having a seat in the board	75%	76%	75%	62%	74%	81%	60%	73%	79%	66%	77%	77%	77%	74%	83%	73%	86%	76%	84%	73%
Connect with different parties	72%	73%	75%	70%	58%	75%	69%	71%	70%	70%	73%	71%	72%	74%	56%	69%	75%	72%	74%	76%
Help in exit processes	69%	73%	51%	61%	61%	71%	67%	68%	69%	66%	72%	67%	70%	69%	75%	70%	79%	71%	82%	68%
Help with hiring staff	66%	69%	55%	61%	56%	70%	59%	61%	71%	60%	67%	70%	64%	67%	64%	64%	76%	70%	76%	68%
Provide operational guidance	64%	66%	63%	67%	52%	64%	62%	59%	71%	60%	63%	69%	60%	66%	52%	63%	67%	65%	66%	69%
Help in acquisitions	52%	55%	36%	56%	42%	52%	41%	57%	57%	52%	50%	55%	52%	50%	66%	53%	63%	51%	58%	53%



VALUE-ADDED ACTIVITIES, CONTINUED

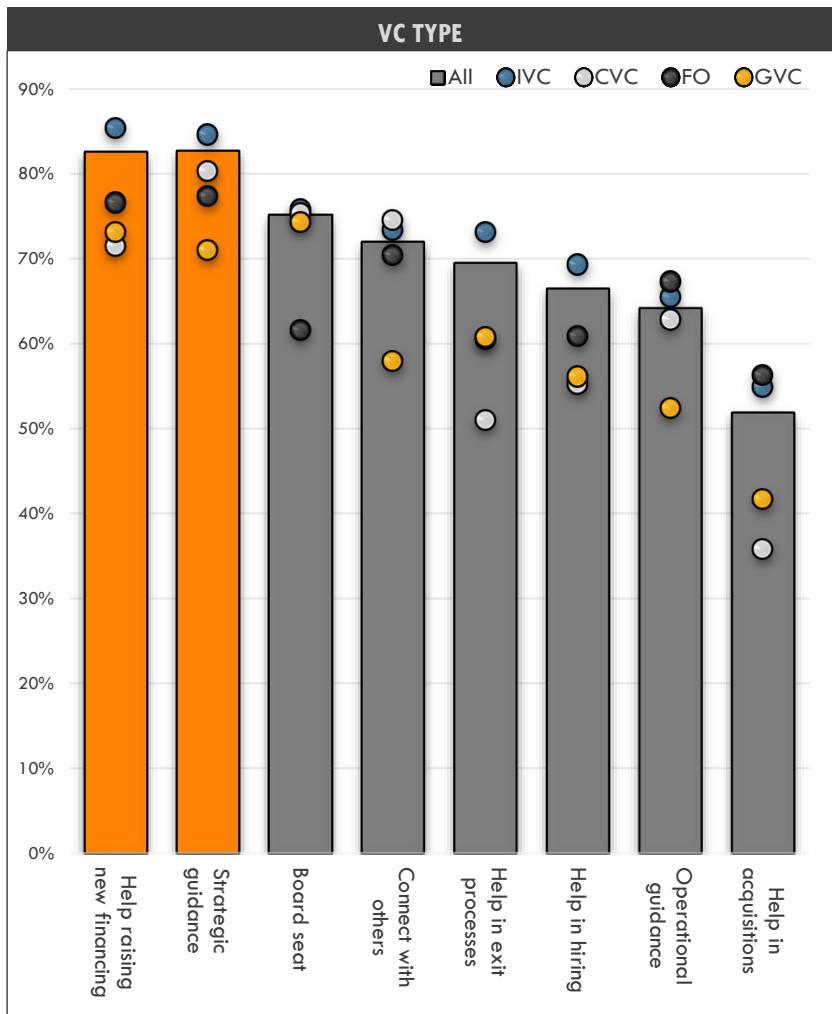


Figure 2.1.1 Activities in portfolio companies, by VC type

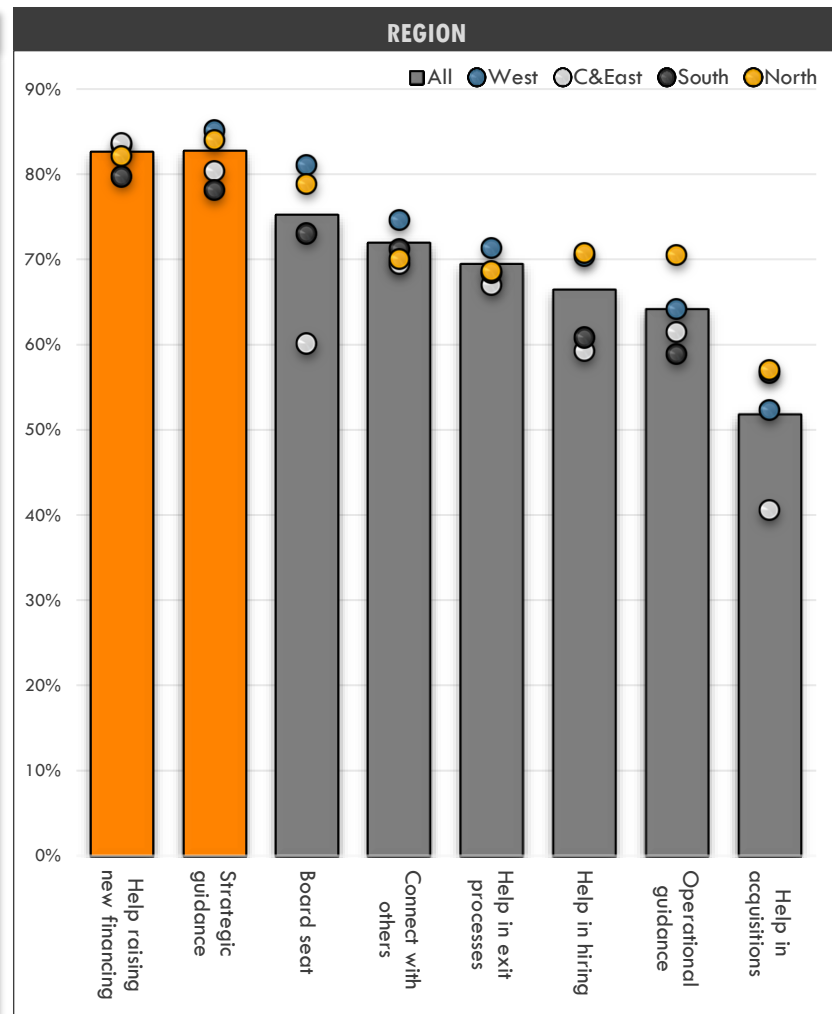


Figure 2.1.2 Activities in portfolio companies, by region

2

INVESTMENT

1. VALUE-ADDED ACTIVITIES
2. **SUCCESSFUL INVESTMENTS**
3. UNSUCCESSFUL INVESTMENTS



IMPORTANT FACTORS BEHIND SUCCESSFUL INVESTMENTS

The most frequently mentioned driver behind successful investments is the **management team** (96%), followed by the **offering**, i.e., the product, service, or technology (72%). After that, **timing** is put forward as an important factor (56%), followed by **industry conditions** (43%) and the **business model** (39%). **Good luck** is considered to contribute to successful investments by a third of the VCs. Few highlight their **own contribution** as a critical factor for success.

Table 2.2.1 Important factors contributing to successful investments. The percentage of the respondents who reported the factor as important to their successful investments.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Management team	96%	95%	98%	100%	100%	96%	97%	98%	94%	95%	98%	93%	95%	97%	92%	98%	93%	95%	91%	98%
Offering: Product/service/technology	72%	73%	67%	82%	67%	70%	69%	71%	79%	79%	70%	72%	70%	74%	61%	69%	65%	76%	78%	75%
Timing	56%	56%	56%	59%	51%	52%	52%	50%	71%	56%	50%	70%	54%	57%	45%	58%	48%	55%	56%	57%
Industry conditions	43%	42%	46%	35%	51%	42%	43%	47%	43%	44%	44%	42%	46%	43%	45%	45%	40%	40%	48%	44%
Business model	39%	35%	54%	47%	43%	37%	39%	38%	41%	40%	37%	42%	45%	34%	71%	43%	10%	40%	33%	30%
Good luck	33%	34%	25%	35%	39%	32%	38%	27%	38%	28%	33%	40%	36%	33%	26%	37%	15%	35%	36%	30%
Board of directors	22%	22%	25%	12%	29%	22%	22%	24%	22%	22%	23%	21%	26%	22%	21%	22%	28%	22%	25%	22%
Capital market conditions	19%	18%	19%	29%	20%	18%	19%	21%	18%	18%	19%	18%	18%	19%	21%	19%	10%	20%	23%	17%
The investor's contribution	12%	12%	10%	18%	16%	12%	9%	18%	12%	13%	11%	14%	11%	12%	16%	16%	8%	11%	10%	14%

Business model is considered important to Corporate VCs

Offering highlighted to a higher extent by Family Offices

Northern VCs to a higher extent than the others put forward timing and good luck as important

Timing and good luck are considered to contribute more to successful investments in mature VC markets

Late-stage VCs less often mention good luck as a driver behind successful investments

Health-focused VCs less often mention the business model, good luck and capital market conditions as important success factors



MOST IMPORTANT FACTOR BEHIND SUCCESSFUL INVESTMENTS

The importance of the **management team** is even more apparent when asking about the most important contributor to investment success, where 72% of the VCs rank the factor as the most critical. The **offering** is considered the most important by 15% of the VCs. Less than 3% of the respondents consider any other factor the most important for successful investments.

Table 2.2.2 Most important factor contributing to successful investments. The percentage of respondents who ranked the factor as the most important behind their successful investments.

	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE		
	All	IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Management team	72%	71%	69%	100%	77%	73%	77%	70%	68%	71%	74%	70%	61%	76%	63%	73%	55%	75%	68%	75%
Offering: Product/service/technology	15%	17%	12%	0%	16%	15%	11%	16%	20%	18%	15%	14%	19%	15%	11%	13%	38%	13%	17%	16%
Timing	3%	3%	10%	0%	0%	4%	1%	2%	6%	1%	3%	7%	5%	3%	3%	3%	0%	3%	4%	2%
Business model	3%	3%	6%	0%	2%	3%	2%	6%	1%	2%	4%	2%	6%	1%	13%	4%	3%	3%	2%	0%
Good luck	2%	2%	2%	0%	0%	2%	2%	0%	4%	1%	1%	4%	3%	2%	0%	3%	3%	1%	3%	2%
Industry conditions	2%	2%	0%	0%	2%	3%	2%	0%	2%	1%	1%	3%	0%	2%	8%	1%	0%	3%	3%	1%
Board of directors	1%	2%	0%	0%	2%	0%	5%	2%	0%	3%	1%	0%	3%	1%	3%	2%	3%	1%	1%	3%
Capital market conditions	1%	1%	2%	0%	0%	1%	0%	2%	0%	1%	1%	0%	1%	1%	0%	0%	0%	1%	1%	1%
The investor's contribution	0%	0%	0%	0%	2%	1%	0%	1%	0%	1%	0%	0%	1%	0%	0%	1%	0%	0%	0%	1%

Management team particularly important to Family Offices

Management team most important to Central/Eastern VCs

Fewer of the late-stage VCs put forward the management team, and more the business model, as the most important factor

Health-focused VC to a lower extent rank management team, and to a higher extent the offering, as the most important factor

IMPORTANT FACTORS BEHIND SUCCESSFUL INVESTMENTS, CONTINUED

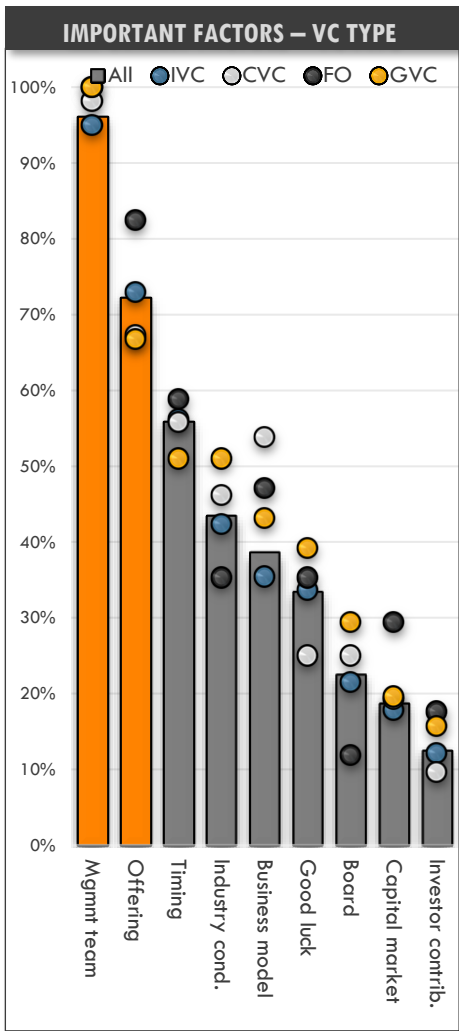


Figure 2.2.1 Important factors contributing to successful investments, by VC type

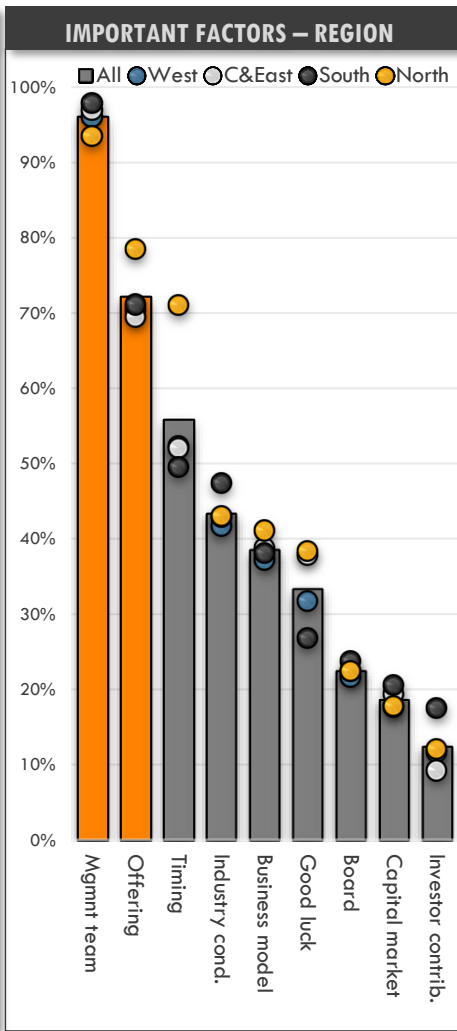


Figure 2.2.2 Important factors contributing to successful investments, by region

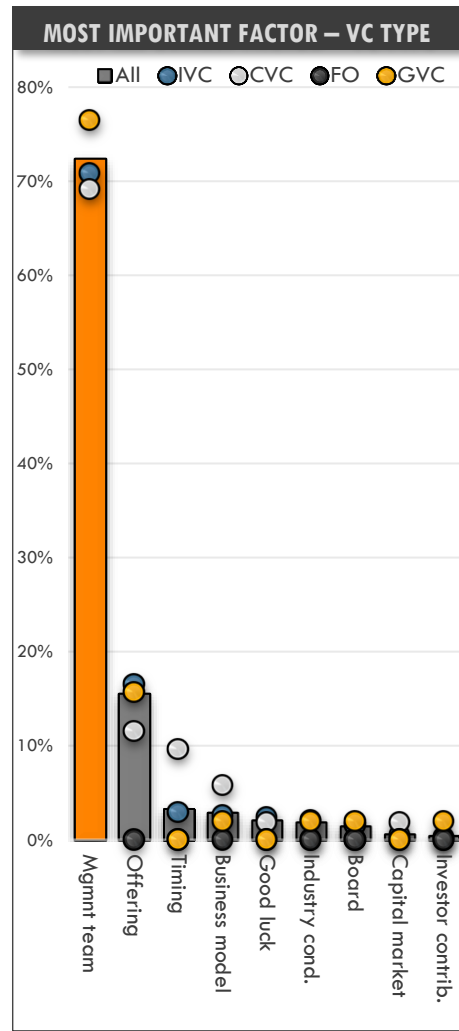


Figure 2.2.3 Most important factor contributing to successful investments, by VC type

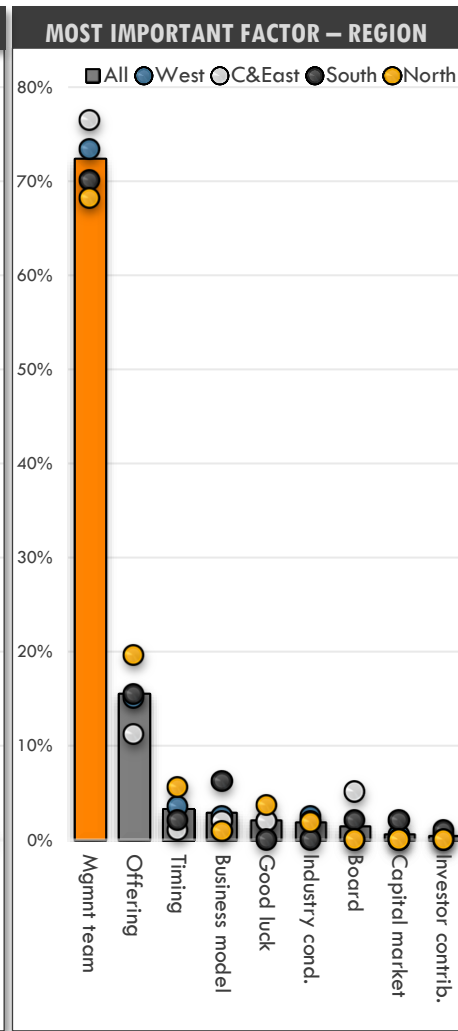


Figure 2.2.4 Most important factor contributing to successful investments, by region

2

INVESTMENT

1. VALUE-ADDED ACTIVITIES
2. SUCCESSFUL INVESTMENTS
3. **UNSUCCESSFUL INVESTMENTS**



IMPORTANT FACTORS BEHIND UNSUCCESSFUL INVESTMENTS

When asked about reasons behind failed investments, **the management team** (91%) is the most mentioned factor, followed by **the offering** (55%). After that, **industry conditions** (47%), **timing** (41%), and the **business model** are put forward as causes of failures. Few VCs consider that their own involvement has contributed to unsuccessful investments.

Table 2.3.1 Important factors behind unsuccessful investments. The percentage of the respondents who reported the factor as important to their failed investments.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Management team	91%	91%	88%	100%	92%	95%	86%	90%	90%	92%	88%	86%	93%	84%	93%	81%	90%	87%	92%	
Offering: Product/service/technology	55%	54%	57%	63%	59%	52%	51%	53%	65%	53%	52%	62%	58%	56%	38%	53%	68%	55%	62%	49%
Industry conditions	47%	47%	47%	38%	51%	48%	44%	50%	45%	48%	45%	50%	54%	45%	51%	47%	43%	44%	47%	50%
Timing	41%	42%	45%	25%	37%	40%	46%	32%	50%	42%	37%	51%	41%	43%	24%	37%	22%	46%	44%	43%
Business model	40%	38%	53%	44%	45%	35%	47%	39%	46%	46%	37%	44%	39%	39%	57%	40%	24%	47%	35%	40%
Bad luck	21%	22%	20%	6%	22%	24%	22%	15%	21%	16%	21%	26%	23%	20%	27%	23%	16%	20%	23%	18%
Capital market conditions	20%	19%	16%	19%	29%	19%	20%	17%	23%	19%	19%	23%	15%	20%	24%	21%	19%	20%	24%	17%
Board of directors	16%	15%	18%	6%	18%	16%	13%	18%	15%	17%	15%	17%	19%	15%	11%	18%	11%	16%	21%	10%
The investor's contribution	4%	4%	2%	0%	8%	3%	4%	3%	5%	3%	3%	6%	1%	4%	11%	5%	0%	3%	5%	3%

Corporate VCs mention the business model as a factor contributing to failures more often than other VCs

Governmental VCs highlights capital market conditions to a higher extent

Northern VCs attribute failures to a higher extent to the offering, while Southern VCs less frequently mention timing as a factor behind failures

Late-stage VCs to a lower extent attribute failures to the offering and timing – but to a higher extent to the business model

Health-focused VCs to a higher extent consider the offering, but to a lower extent the business model, to be an important factor behind failures



MOST IMPORTANT FACTOR BEHIND UNSUCCESSFUL INVESTMENTS

When ranking the factors affecting investment failures, the importance of management is even more apparent. 63% of the VCs consider the **management** the primary cause behind investment failures, whereas the **offering** is ranked highest by 11%. Around 7% point out **industry conditions, timing,** or the **business model** as the main reason for investment failure.

Table 2.3.2 Most important factor behind unsuccessful investments. The percentage of respondents who ranked the factor as the most important behind their failed investments.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Management team	62%	63%	63%	81%	51%	67%	68%	54%	56%	58%	66%	56%	47%	66%	60%	64%	38%	64%	62%	63%
Offering: Product/service/technology	11%	11%	10%	13%	14%	8%	7%	14%	18%	9%	9%	18%	14%	12%	0%	7%	35%	12%	11%	10%
Industry conditions	8%	8%	10%	0%	12%	7%	10%	12%	6%	9%	8%	7%	12%	7%	11%	9%	5%	7%	9%	8%
Timing	8%	7%	12%	6%	10%	7%	3%	10%	11%	9%	6%	12%	13%	7%	8%	8%	8%	7%	10%	7%
Business model	6%	6%	6%	0%	14%	7%	6%	6%	6%	8%	7%	3%	10%	4%	19%	9%	3%	5%	3%	6%
Capital market conditions	2%	2%	0%	0%	0%	2%	1%	2%	2%	1%	2%	2%	1%	2%	3%	0%	5%	3%	5%	1%
Bad luck	1%	1%	0%	0%	0%	2%	1%	0%	1%	1%	1%	2%	1%	1%	0%	1%	0%	1%	1%	1%
Board of directors	1%	1%	0%	0%	0%	1%	3%	1%	0%	2%	1%	0%	0%	1%	0%	1%	3%	1%	1%	2%
The investor's contribution	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

The management team is mentioned as the most important factor more often among Family Offices

Business model highlighted more often by late-stage VCs

Fewer Health-focused VCs consider management, while more consider the offering, to be the most important factor behind failures

IMPORTANT FACTORS BEHIND UNSUCCESSFUL INVESTMENTS

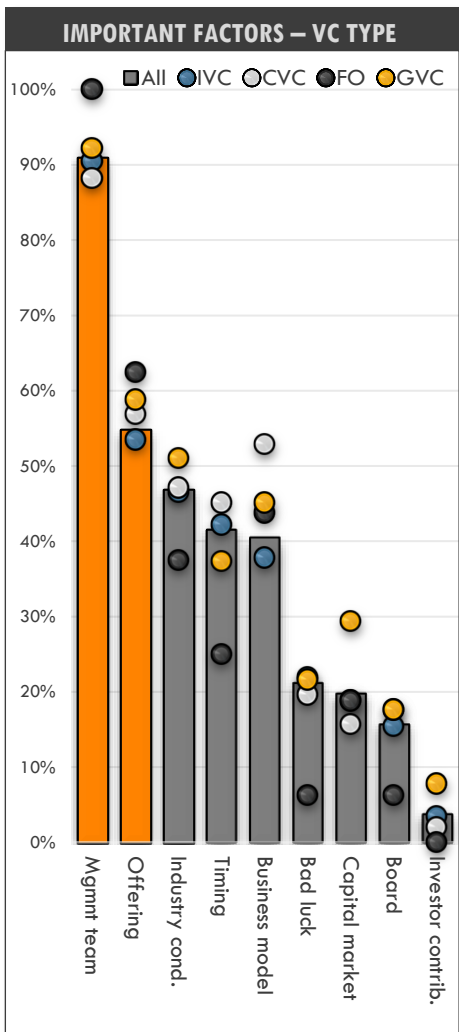


Figure 2.3.1 Important factors behind unsuccessful investments, by VC type

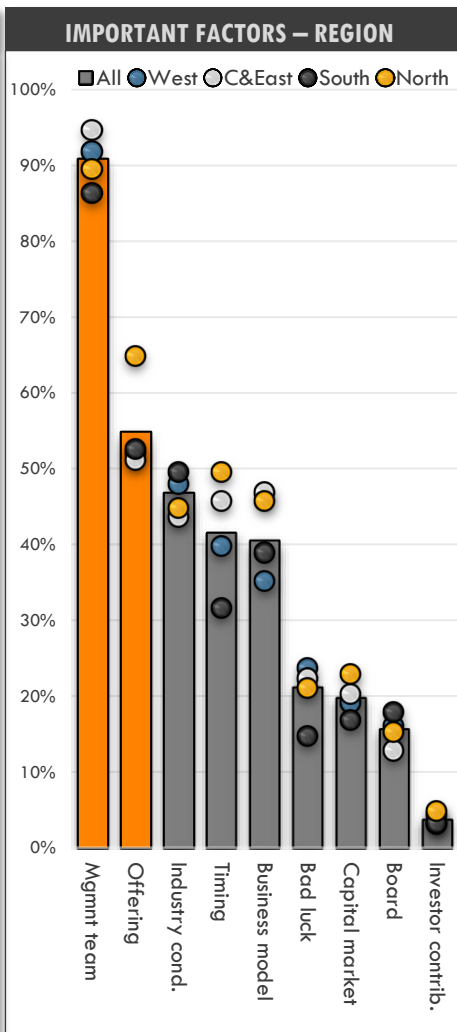


Figure 2.3.2 Important factors behind unsuccessful investments, by region

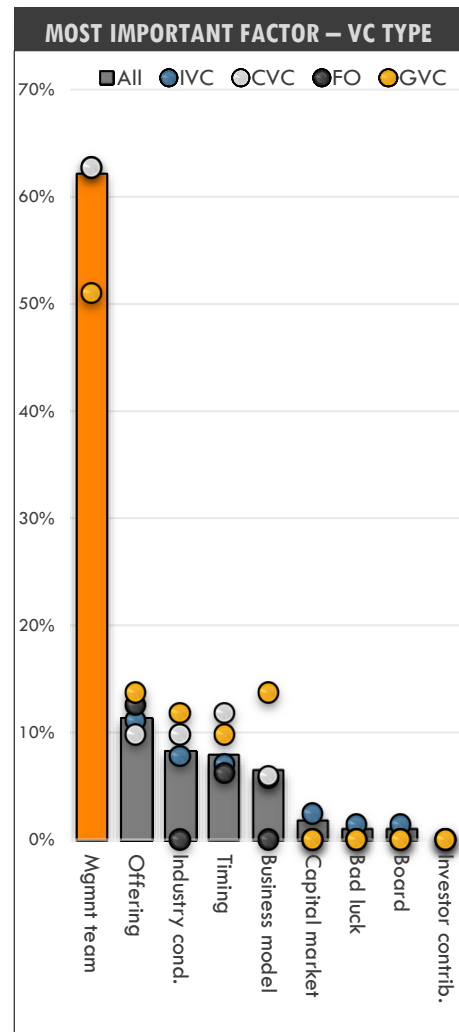


Figure 2.3.3 Most important factor behind unsuccessful investments, by VC type

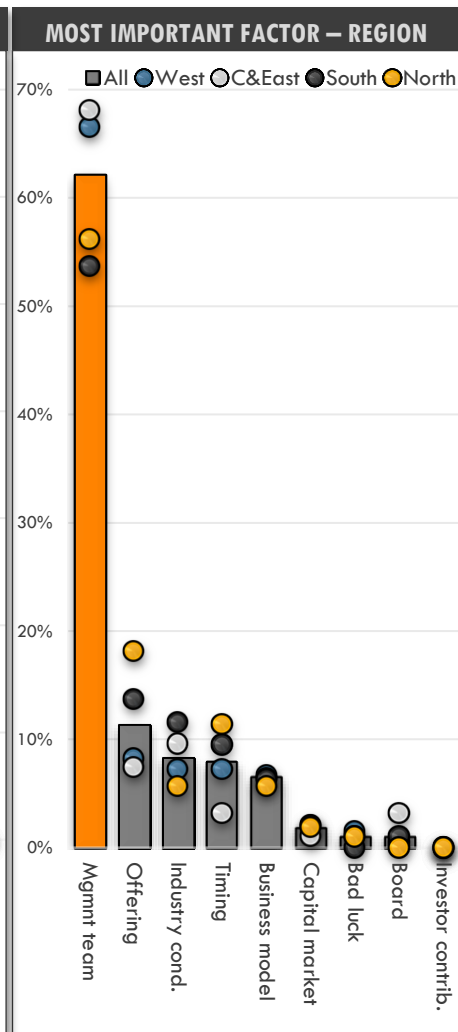


Figure 2.3.4 Most important factor behind unsuccessful investments, by region

3

POST-INVESTMENT

1. EXIT ROUTES & MULTIPLES
2. INVESTMENT OUTCOME



EXIT ROUTES & MULTIPLES

The most common exit route for European VCs is through **trade sales**, amounting to 40% of the investments made, 7% are through **IPOs**, and 22% are **failures**. 28% of the investments **exceed set goals**.

Table 3.1 Exit routes, objective fulfilment and exit multiples. The proportion of investments made by the respondents during the last decade that were exited through the respective route (top), the percentage of investments exceeding investment objectives (middle), and the proportion of investments during the last decade that reached the respective exit multiple (bottom). Average presented.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
EXIT ROUTES																				
Trade sale (with a >1x value)	40%	41%	32%	53%	36%	45%	37%	37%	35%	38%	43%	34%	39%	37%	63%	40%	36%	44%	43%	39%
Failure	22%	20%	21%	22%	33%	19%	22%	25%	24%	24%	21%	22%	21%	23%	11%	22%	24%	20%	22%	22%
IPO	7%	6%	7%	3%	10%	6%	5%	6%	9%	6%	5%	10%	8%	6%	10%	6%	15%	6%	8%	3%
% Investments exceeding objectives	28%	29%	25%	33%	21%	28%	27%	30%	26%	27%	29%	26%	28%	26%	41%	27%	27%	30%	26%	28%
EXIT MULTIPLES																				
< 1x	22%	21%	24%	18%	31%	21%	20%	26%	24%	23%	22%	23%	20%	24%	11%	24%	25%	21%	25%	21%
1x – 2x	23%	22%	26%	16%	33%	22%	21%	28%	23%	24%	23%	22%	23%	23%	22%	23%	20%	23%	19%	23%
2x – 5x	25%	26%	20%	27%	23%	27%	25%	23%	22%	24%	26%	24%	24%	24%	36%	25%	36%	24%	27%	25%
5x – 10x	13%	13%	13%	12%	13%	12%	17%	11%	12%	15%	13%	10%	14%	12%	12%	12%	15%	12%	14%	12%
> 10x	9%	9%	6%	9%	8%	7%	8%	10%	11%	13%	6%	11%	11%	8%	5%	8%	9%	9%	9%	8%

Family Offices to a greater extent exit their investments through trade sales

The failure rate is highest among Governmental VCs, and multiples below 1x more frequent

Western VCs more often exit through trade sales

Late-stage VCs more frequently exit through trade sales and to a larger extent exceed investment objectives

Health-focused VCs more often exit through IPOs and get higher levels of 2x - 5x exit multiples

EXIT ROUTES & MULTIPLES, CONTINUED

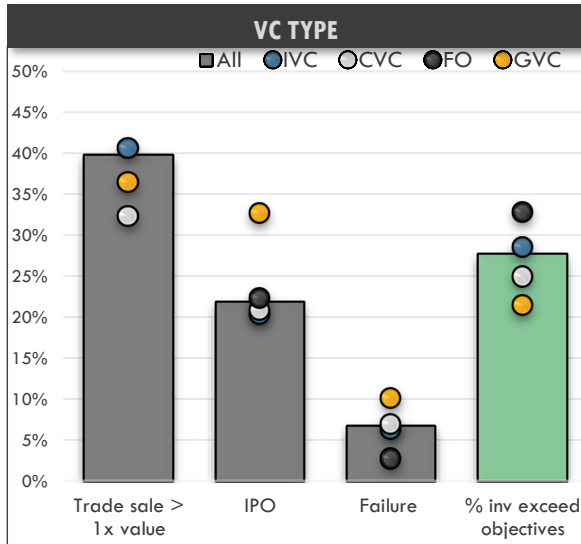


Figure 3.1.1 Exit routes & objective fulfilment, by VC type

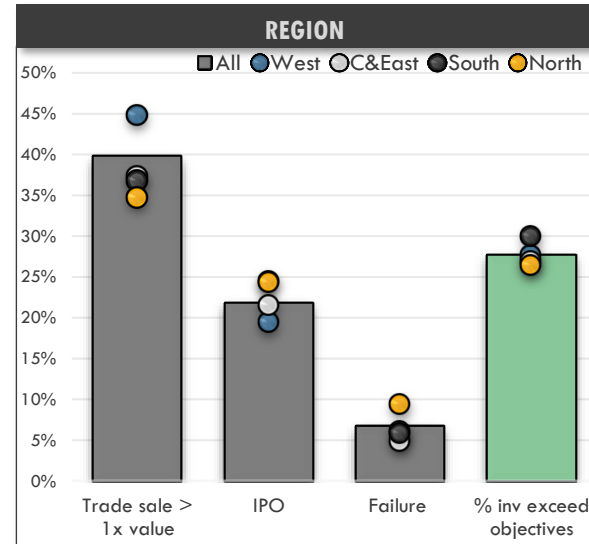


Figure 3.1.2 Exit routes & objective fulfilment, by region

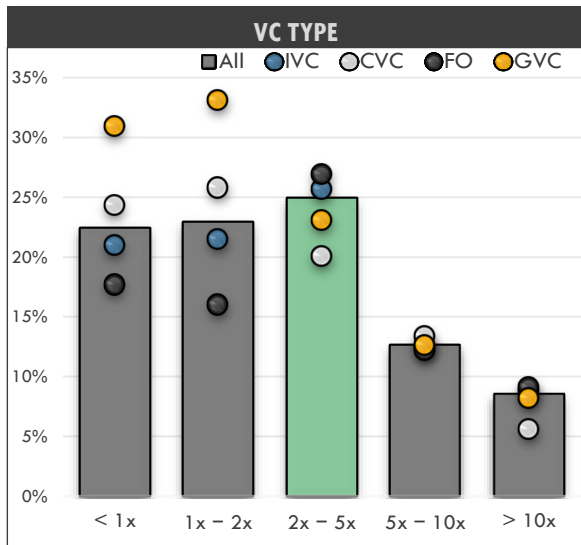


Figure 3.1.3 Exit multiples, by VC type

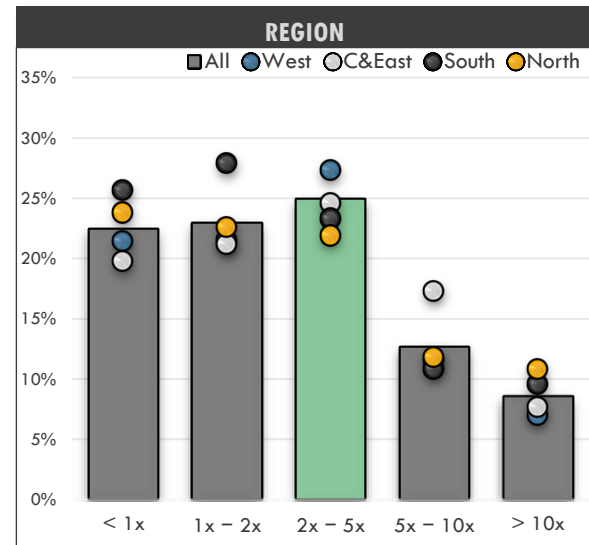


Figure 3.1.4 Exit multiples, by region

3

POST-INVESTMENT

1. EXIT ROUTES & MULTIPLES
2. INVESTMENT OUTCOME



INVESTMENT OUTCOME: FUND-BASED VCS

For fund-based VCs, the **average net IRR** of their last funds (maximum 3) amounts to 13%.

Table 3.2.1 Investment outcome – Fund-based VCs. The average net IRR percentage for the three most recent funds for VC firms with a fund-based structure.

REALIZED, NET	All	REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
IRR-% most recent closed fund	12%	12%	13%	12%	12%	17%	13%	7%	11%	12%	12%	14%	1%	14%	12%	13%
IRR-% second most recent closed fund	14%	13%	16%	14%	16%	19%	14%	12%	14%	15%	10%	14%	11%	16%	15%	13%
IRR-% third most recent closed fund	13%	14%	17%	11%	11%	5%	15%	10%	15%	13%	8%	14%	12%	15%	16%	8%
Average IRR (max three last funds)	13%	13%	15%	14%	13%	17%	14%	10%	13%	14%	11%	15%	6%	15%	14%	13%

Central/Eastern fund-based VCs have higher net IRR on average

Higher average net IRR for fund-based VCs in less mature markets

Lower average net IRR for Health-focused fund-based VCs

INVESTMENT OUTCOME: CORPORATE VCS

Corporate VCs have, besides financial goals, several other purposes for their investments. These VCs put forward that 76% of their investments contribute to **technology watch/discovery**, 64% **facilitate partnerships** with other investors, 60% support the corporate company's **existing businesses**, 59% enrich the corporation through the **development of new businesses**, and 37% help the corporation to prepare for **future acquisitions**.

Table 3.2.2 Investment outcome – Corporate VCs. The extent to which the corporate VCs have reached the objectives of their parent companies.

	All	REGION				MATURITY			STAGE			INDUSTRY		
		West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT
Technological watch/discovery	76%	65%	86%	80%	77%	70%	75%	80%	73%	77%	73%	76%	90%	80%
Financial returns	71%	69%	82%	51%	79%	67%	68%	79%	74%	68%	95%	66%	50%	80%
Facilitate partnerships with other investors	64%	55%	71%	76%	59%	50%	70%	58%	56%	65%	90%	73%	0%	64%
Support existing businesses	60%	51%	57%	69%	70%	78%	54%	63%	60%	61%	50%	60%	80%	57%
Develop new businesses	59%	56%	54%	67%	63%	56%	61%	58%	50%	62%	66%	61%	90%	61%
Preparations for future acquisitions	37%	33%	42%	32%	42%	27%	40%	34%	25%	39%	50%	28%	60%	34%

Southern corporate VCs to a higher extent consider that their investments facilitate partnerships with other investors

Corporate VCs in less mature VC markets to a greater extent find that their investments support their existing businesses

Late-stage corporate VCs to a greater extent consider that their investments facilitate partnerships with other investors and prepare for future acquisitions

Health-focused corporate VCs to a greater extent consider that their investments contribute to the development of new businesses and prepare for future acquisitions



INVESTMENT OUTCOME: GOVERNMENTAL VCS

Governmental VCs also have other objectives than purely financial for their investments. Governmental VCs state that 83% of their portfolio companies **attract capital from private co-investors**. 78% of their investments have contributed to **job creation** and **spurred innovation**, while 77% contribute to **economic growth**. 47% of the governmental VC investments support **unprivileged** and/or **minority groups**.

Table 3.2.3 Investment outcome – Governmental VCs. The extent to which the governmental VCs have reached set objectives.

	All	REGION				MATURITY			STAGE			INDUSTRY		
		West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT
Attraction of private co-investors	83%	86%	82%	74%	85%	77%	84%	84%	81%	83%	88%	85%	82%	74%
Job creation	78%	78%	82%	77%	76%	77%	78%	80%	84%	75%	82%	79%	81%	79%
Spur innovation	78%	84%	74%	68%	79%	72%	79%	83%	80%	78%	68%	79%	81%	71%
Economic growth in specific region/sector	77%	88%	78%	68%	69%	64%	84%	72%	79%	76%	79%	78%	82%	81%
Financial returns	72%	75%	69%	59%	78%	70%	71%	77%	66%	75%	74%	72%	81%	81%
Support unprivileged/minority groups	47%	46%	48%	50%	47%	44%	48%	49%	50%	47%	53%	51%	33%	25%

Southern governmental VCs consider that fewer of their non-financial objectives are reached

Late-stage governmental VCs consider that fewer of their investments spur innovation

IT-focused governmental VCs to a lower extent support unprivileged/minority groups

INVESTMENT OUTCOME, CONTINUED

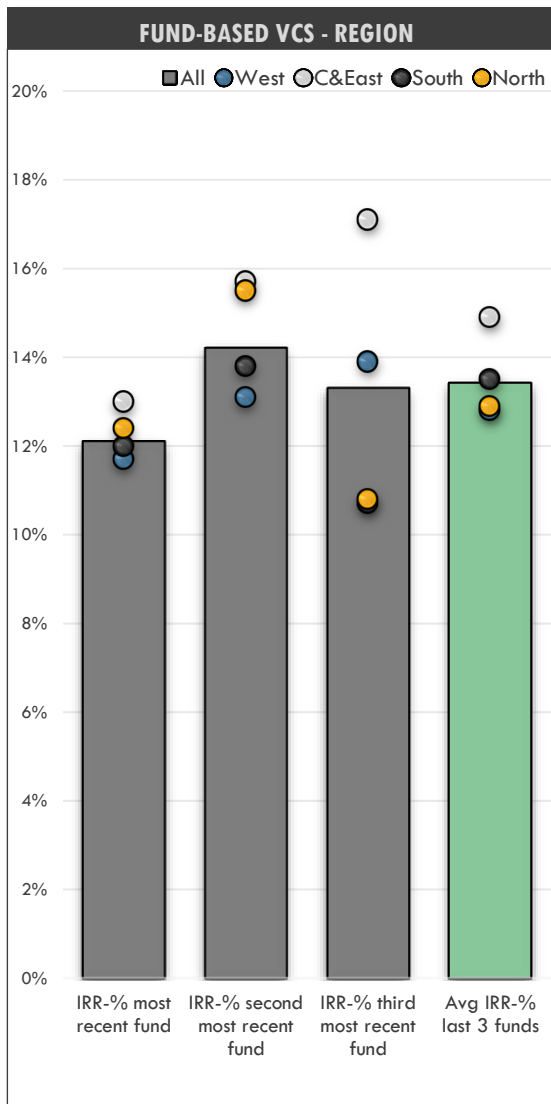


Figure 3.2.1 Net IRR outcome three most recent funds for fund-based VCs, by region

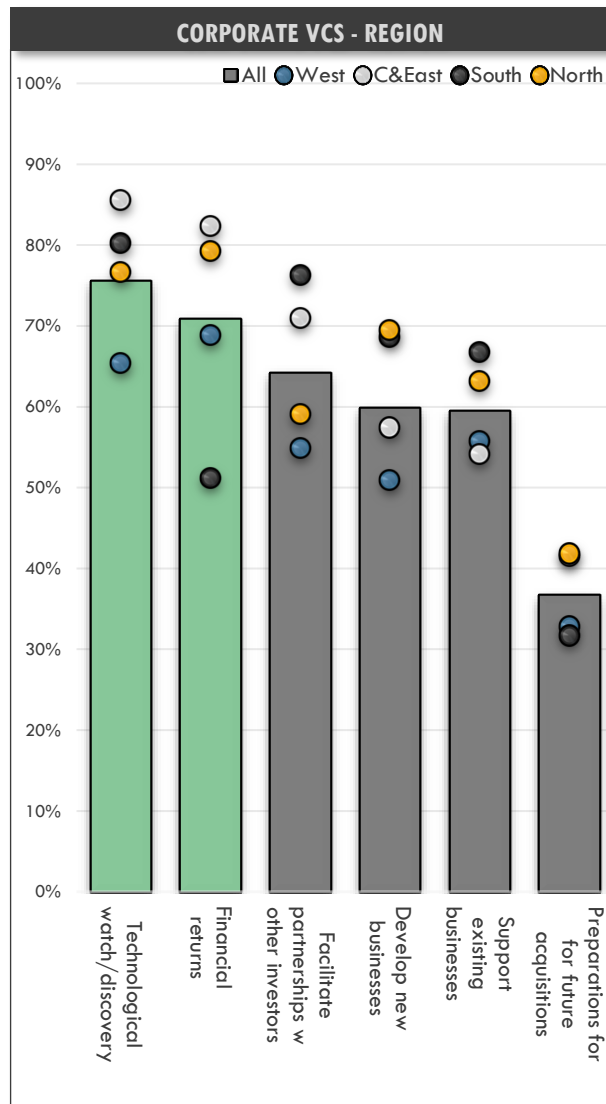


Figure 3.2.2 Investment outcome for corporate VCs, by region

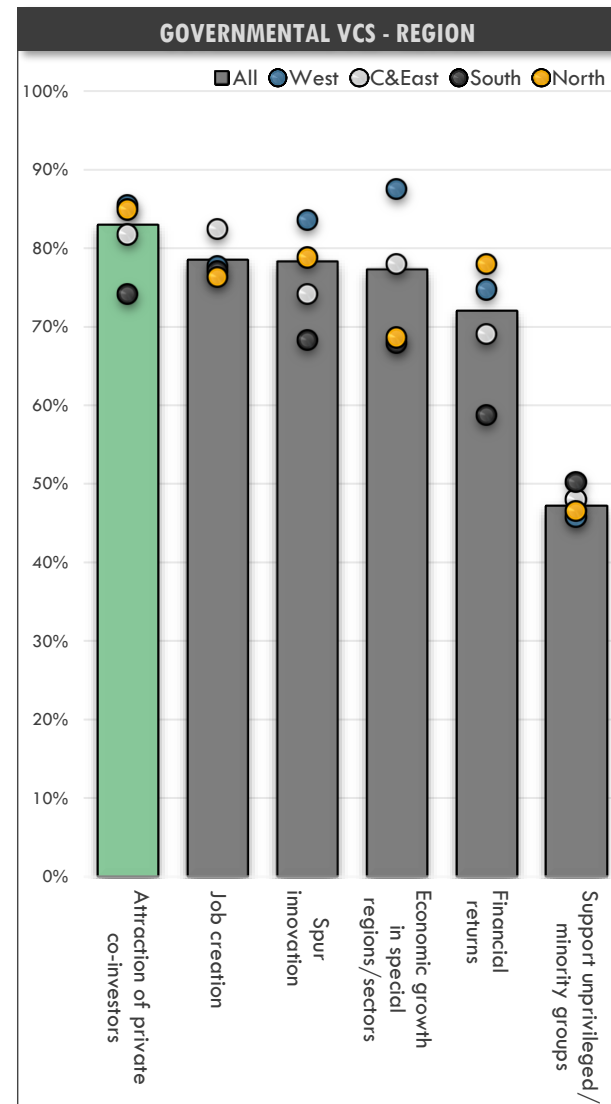


Figure 3.2.3 Investment outcome for governmental VCs, by region

4

INTERNAL ORGANIZATION

1. SYNDICATION
2. INCENTIVE PROGRAMS
3. DECISION MAKING



REASONS FOR SYNDICATION

On average, **64%** of European VC investments are syndicated. Common reasons for syndication are to obtain **complementary expertise (78%)**, due to **capital constraints (57%)**, or because of **invitations by the lead investor (39%)**. The most important factor behind syndication is **access to complementary expertise (38%)**, followed by **risk sharing (28%)**.

Tables 4.1.1 Important factors and the most important factor affecting syndication behavior. The percentage of the respondents who reported the factor as important for choosing to syndicate investments (top), the rate of syndicated investments (middle), and the factor that received the highest rank (bottom).

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
ALL IMPORTANT FACTORS																				
Complementary expertise	78%	78%	90%	93%	66%	82%	75%	75%	76%	73%	80%	78%	79%	80%	65%	77%	76%	78%	82%	79%
Capital constraints	57%	60%	43%	53%	46%	58%	59%	57%	53%	65%	55%	55%	47%	61%	42%	58%	68%	53%	63%	61%
Invitation by lead investor	39%	38%	48%	53%	34%	33%	47%	41%	42%	46%	36%	40%	40%	39%	42%	39%	20%	44%	38%	38%
Risk sharing	28%	27%	30%	27%	42%	22%	16%	37%	45%	35%	23%	36%	28%	27%	42%	28%	32%	30%	24%	27%
Invitation to future rounds	25%	23%	33%	40%	32%	22%	29%	22%	28%	21%	26%	26%	31%	25%	16%	25%	20%	30%	26%	23%
Avg % syndicated investments	64%	62%	62%	62%	80%	67%	60%	53%	71%	59%	65%	65%	71%	65%	39%	64%	84%	59%	71%	62%
MOST IMPORTANT FACTOR																				
Complementary expertise	38%	39%	55%	7%	24%	45%	36%	33%	30%	33%	41%	34%	43%	39%	23%	35%	29%	40%	44%	38%
Risk sharing	28%	27%	30%	27%	42%	22%	16%	37%	45%	35%	23%	36%	28%	27%	42%	28%	32%	30%	24%	27%
Capital constraints	22%	24%	3%	33%	20%	22%	29%	18%	18%	21%	24%	19%	18%	23%	26%	24%	32%	19%	21%	25%
Invitation by lead investor	7%	7%	10%	27%	2%	5%	13%	8%	5%	9%	6%	9%	9%	7%	7%	8%	7%	6%	5%	7%
Invitation to future rounds	3%	3%	3%	7%	0%	3%	4%	3%	1%	2%	3%	2%	0%	3%	0%	2%	0%	5%	3%	2%

Corporate VCs and Family Offices consider complementary expertise to be particularly important
To corporate VCs, capital constraints are rarely a reason to syndicate investments

Governmental VCs syndicate investment more frequently and seek risk sharing more often than the other VCs

Risk sharing rarely important to Central/Eastern VCs

Northern VCs syndicate more often than VCs from other regions and more often for risk sharing

Late-stage VCs syndicate investments less often and more rarely due to capital constraints

Health-focused VCs syndicate investments more often and to a higher extent due to capital constraints

REASONS FOR SYNDICATION, CONTINUED

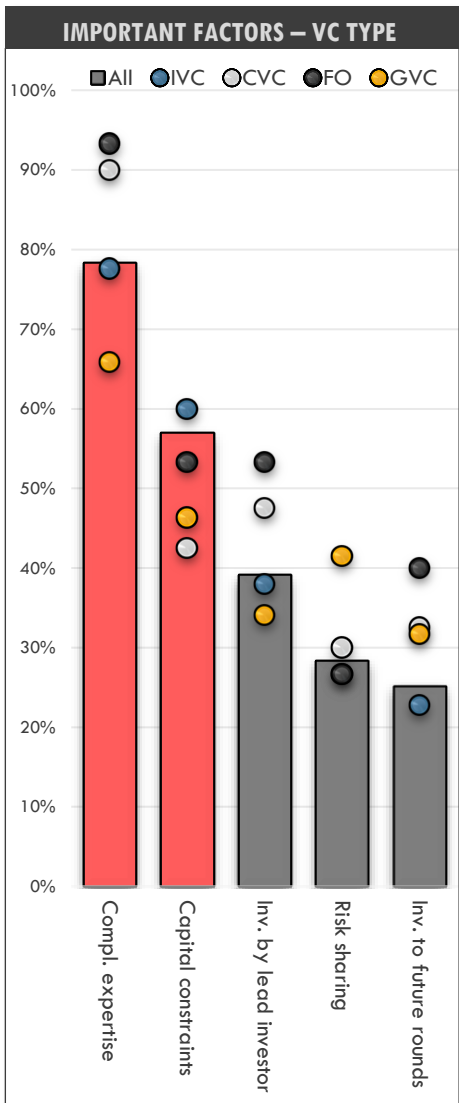


Figure 4.1.1 Important factors affecting syndication behavior, by VC type

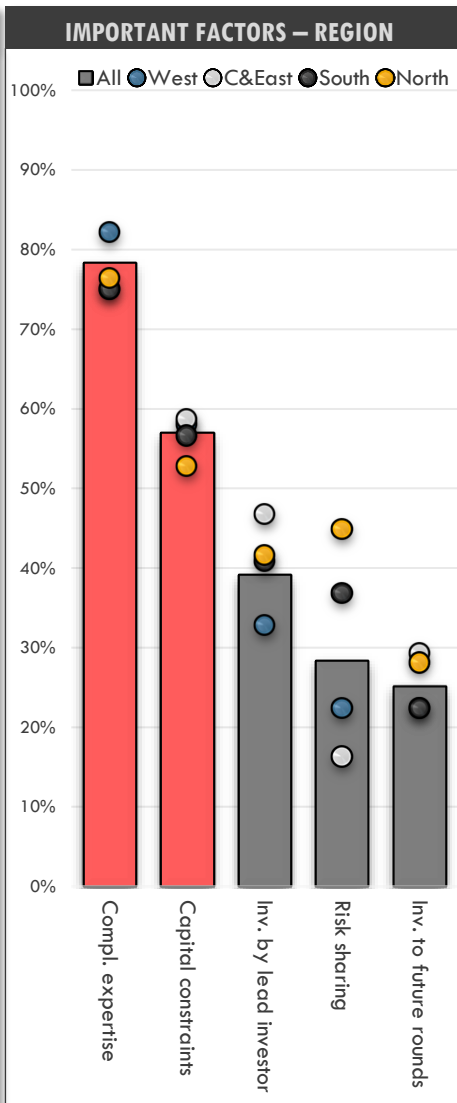


Figure 4.1.2 Important factors affecting syndication behavior, by region

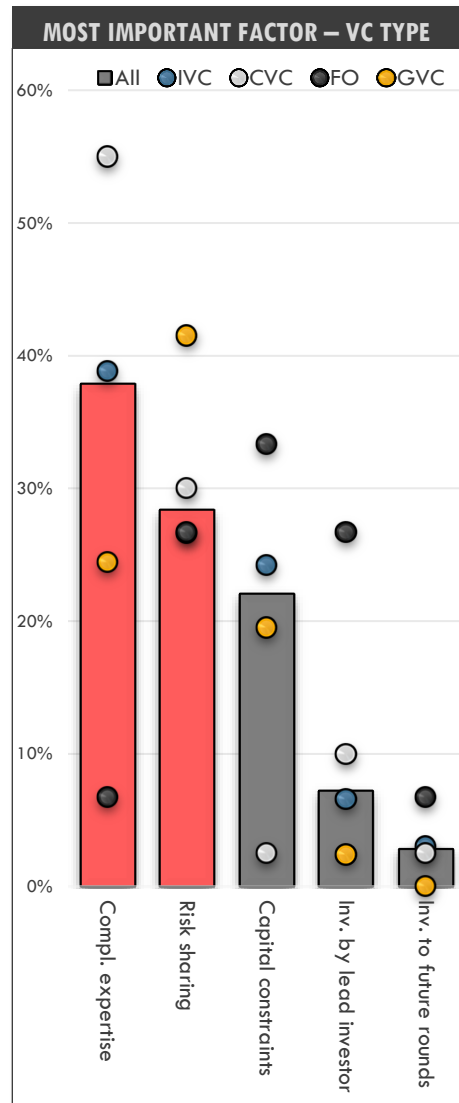


Figure 4.1.3 Most important factor affecting syndication behavior, by VC type

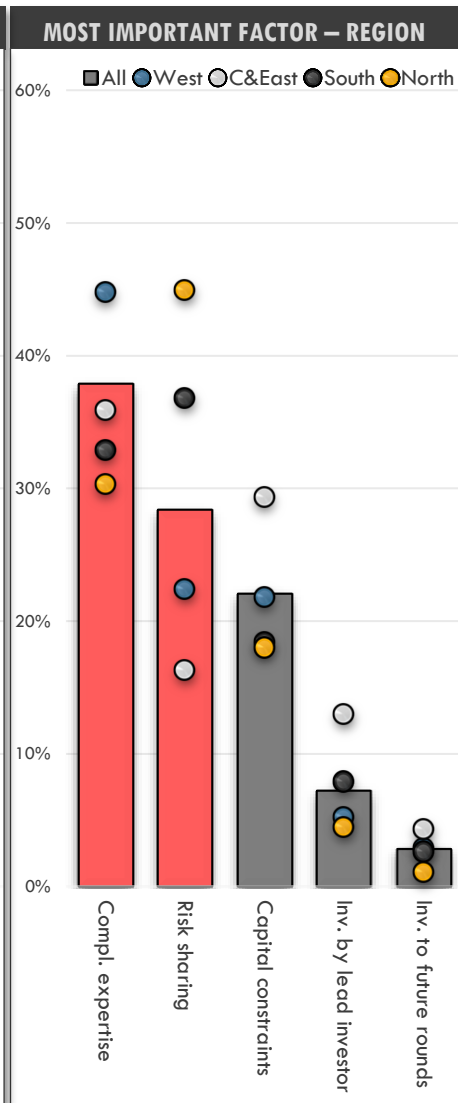


Figure 4.1.4 Most important factor affecting syndication behavior, by region

CHOICE OF SYNDICATION PARTNER

Important factors when choosing a syndication partner are the partner's **industry expertise** (71%), **reputation** (70%), amount of **capital or size** (60%), and **track record** (58%). Social connection (27%) and geographical location (26%) are least important. 30% of the VCs highlight **partner reputation** as the most important factor.

Tables 4.1.2 Important factors and the most important factor affecting the choice of syndication partner. The percentage of the respondents who marked the factor as important for choosing a syndication partner (top), and the factor that received the highest rank (bottom).

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
ALL IMPORTANT FACTORS																				
Partner's industry expertise	71%	71%	79%	53%	69%	74%	63%	74%	71%	70%	72%	69%	83%	70%	61%	73%	75%	66%	75%	71%
Partner's reputation	70%	70%	75%	82%	61%	68%	76%	73%	66%	72%	70%	70%	70%	72%	59%	65%	73%	75%	75%	71%
Partner's capital/size	60%	60%	58%	47%	69%	60%	60%	54%	66%	62%	58%	62%	56%	62%	51%	61%	75%	55%	64%	57%
Partner's track record	58%	55%	64%	82%	67%	52%	62%	60%	64%	68%	53%	62%	61%	59%	46%	61%	43%	58%	54%	56%
Past successes together	42%	42%	42%	59%	37%	40%	43%	33%	51%	37%	39%	52%	43%	42%	37%	46%	23%	44%	42%	41%
Mutual social connection	27%	28%	27%	47%	14%	26%	28%	31%	24%	25%	28%	25%	20%	28%	32%	28%	16%	25%	24%	26%
Partner's geographical location	26%	28%	19%	18%	18%	30%	22%	22%	25%	28%	25%	25%	22%	27%	17%	21%	21%	34%	33%	31%
MOST IMPORTANT FACTOR																				
Partner's reputation	30%	31%	37%	41%	12%	28%	34%	37%	26%	39%	29%	26%	30%	32%	17%	23%	30%	36%	32%	37%
Partner's industry expertise	22%	20%	39%	12%	28%	24%	17%	25%	21%	20%	24%	20%	25%	21%	24%	26%	21%	17%	18%	20%
Partner's capital/size	17%	17%	10%	6%	33%	17%	18%	16%	19%	16%	17%	19%	16%	17%	24%	19%	27%	12%	13%	19%
Partner's track record	14%	14%	10%	18%	20%	14%	16%	12%	15%	13%	14%	16%	14%	14%	15%	18%	11%	12%	18%	11%
Past successes together	6%	7%	4%	6%	0%	6%	7%	3%	9%	2%	7%	8%	8%	6%	2%	6%	5%	9%	10%	4%
Mutual social connection	5%	6%	2%	6%	0%	6%	5%	4%	5%	5%	5%	5%	1%	6%	7%	4%	2%	7%	3%	6%
Partner's geographical location	4%	4%	0%	6%	4%	4%	2%	3%	5%	3%	3%	4%	4%	3%	7%	2%	5%	5%	4%	3%

To Corporate VCs, the partner's industry experience is of vital importance, while Family Offices find the factor of limited interest

Governmental VCs consider the partner's capital/size to be particularly important

Previous successes together with the partner is more important to Northern VCs

Partner's experience, reputation, and track record are of less importance to late-stage VCs

Partner's capital/size of higher, but track record and past successes together are of lower, importance to Health-focused VCs

CHOICE OF SYNDICATION PARTNER, CONTINUED

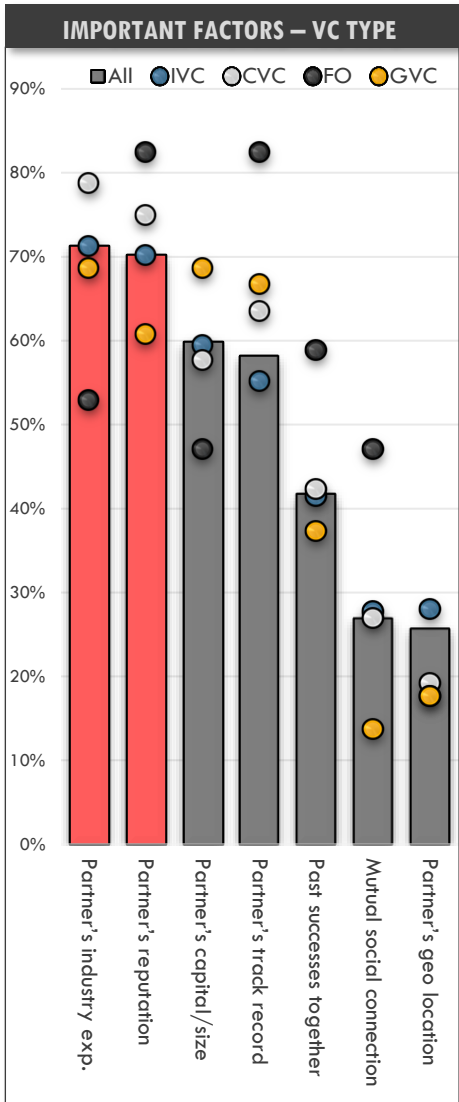


Figure 4.1.5 Important factors affecting choice of syndication partner, by VC type

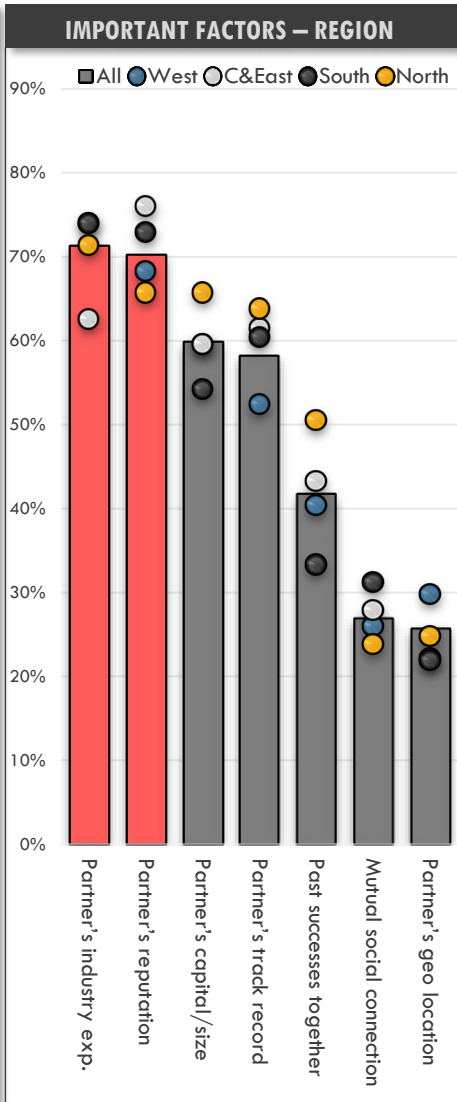


Figure 4.1.6 Important factors affecting choice of syndication partner, by region

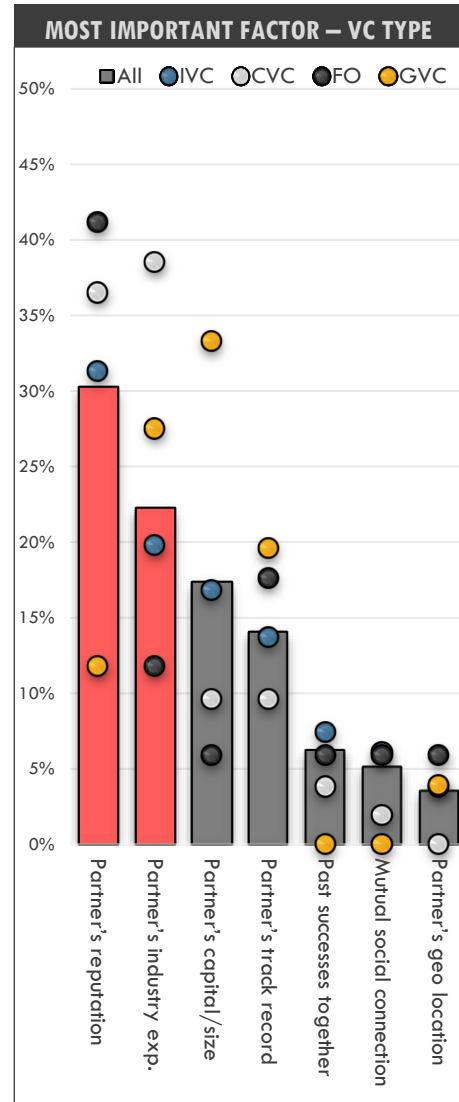


Figure 4.1.7 Most important factor affecting choice of syndication partner, by VC type

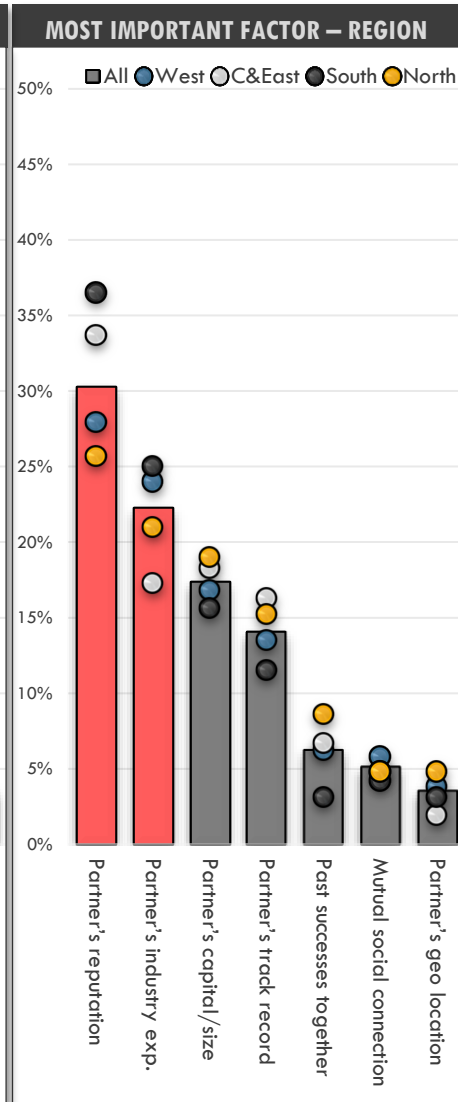


Figure 4.1.8 Most important factor affecting choice of syndication partner, by region

4

INTERNAL ORGANIZATION

1. SYNDICATION
2. **INCENTIVE PROGRAMS**
3. DECISION MAKING



INCENTIVE PROGRAMS

Of the VCs, **74%** run some type of incentive program. Among the VCs who run incentive programs, the most common model is based on **carried interest (61%)**, followed by **annual bonuses (27%)**.

Table 4.2 Incentive programs. The percentage of the respondents who reported being incentivized based on the performance of the fund/VC firm/organization they work for (top) and what incentive model used (bottom).

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Incentivized on performance	74%	85%	51%	71%	22%	72%	78%	74%	75%	85%	71%	75%	66%	76%	76%	69%	81%	82%	90%	86%
Carried interest	61%	75%	22%	34%	12%	64%	67%	58%	53%	67%	62%	56%	50%	65%	55%	55%	67%	70%	87%	82%
Annual bonus	27%	26%	41%	34%	13%	27%	24%	33%	23%	32%	25%	26%	29%	25%	40%	25%	30%	28%	33%	17%

Independent VCs are more often incentivized, particularly in comparison with governmental VCs

Carried interest is more common in Western VCs, particularly in comparison with Northern VCs

Early-stage VCs are more often incentivized with carried interest



INCENTIVE PROGRAMS, CONTINUED

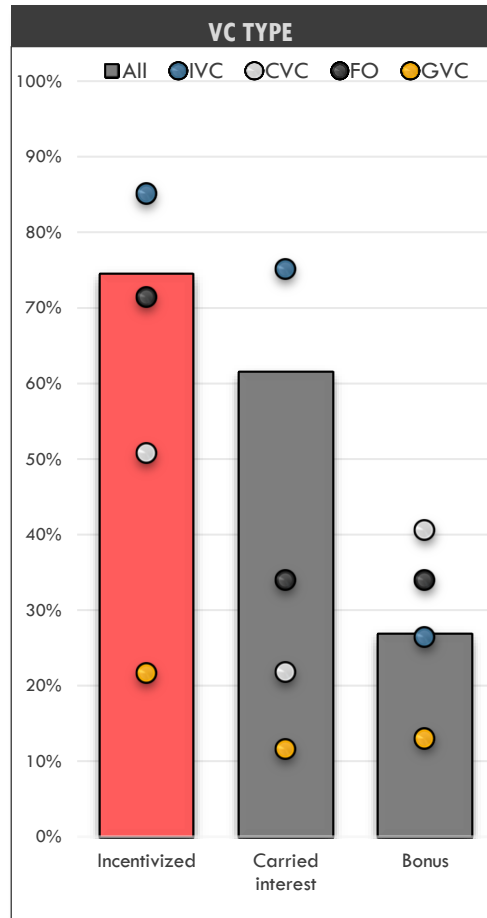


Figure 4.2.1 Incentives programs, by VC type

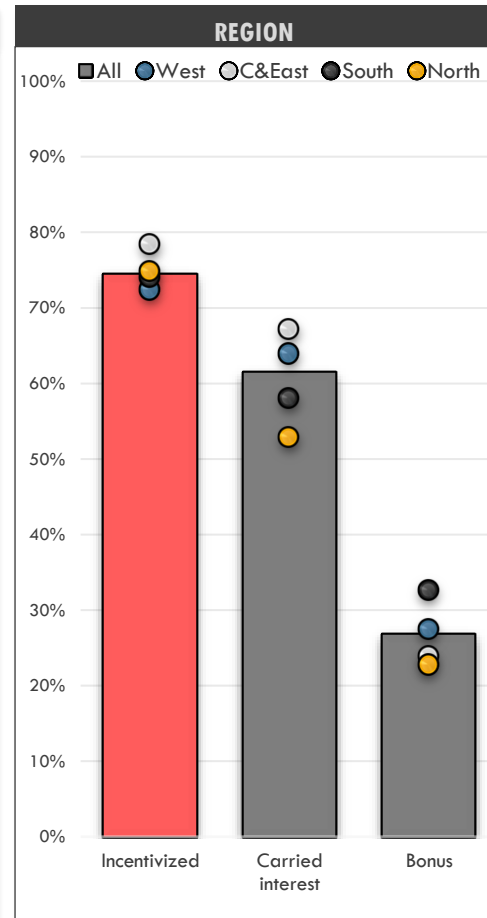


Figure 4.2.2 Incentive programs, by region

4

INTERNAL ORGANIZATION

1. SYNDICATION
2. INCENTIVE PROGRAMS
3. **DECISION MAKING**



DECISION MAKING

Most VC investors make investment decisions based on **majority voting** among the group of investment managers/partners or others involved (36%), followed by **unanimous voting**, i.e., based on the acceptance from all investment managers/partners (31%). 25% of the VCs base their decisions on **consensus but with veto power** for individual investment managers/partners. Only 4% make **individual investment decisions**, i.e., each investment manager/partner is free to decide and invest with only the consultative role of the others.

Table 4.3 Decision making. How the respondents decide whether to invest in a portfolio company. Average presented.

	All	VC TYPE				REGION				MATURITY			STAGE			INDUSTRY			FUND SIZE	
		IVC	CVC	FO	GVC	West	C&East	South	North	Low	Med	High	All stages	Early	Late	Broad	Health	IT	Large	Small
Majority voting	36%	35%	38%	19%	45%	37%	30%	44%	31%	36%	37%	34%	39%	35%	35%	38%	22%	39%	38%	31%
Unanimous voting	31%	32%	28%	34%	24%	31%	32%	37%	26%	40%	31%	24%	33%	31%	35%	26%	50%	31%	31%	39%
Consensus but with veto power	25%	26%	18%	31%	19%	25%	27%	16%	31%	18%	25%	31%	20%	26%	20%	25%	22%	24%	23%	25%
Individual decision	4%	4%	2%	9%	3%	3%	4%	2%	4%	2%	4%	3%	3%	4%	2%	5%	5%	2%	5%	3%

Governmental VCs to a higher extent base their decisions on majority voting

Northern VCs are the most consensual, while the Southern VCs are the least

Health-focused VCs apply majority voting less often, but unanimous voting more often

DECISION MAKING, CONTINUED

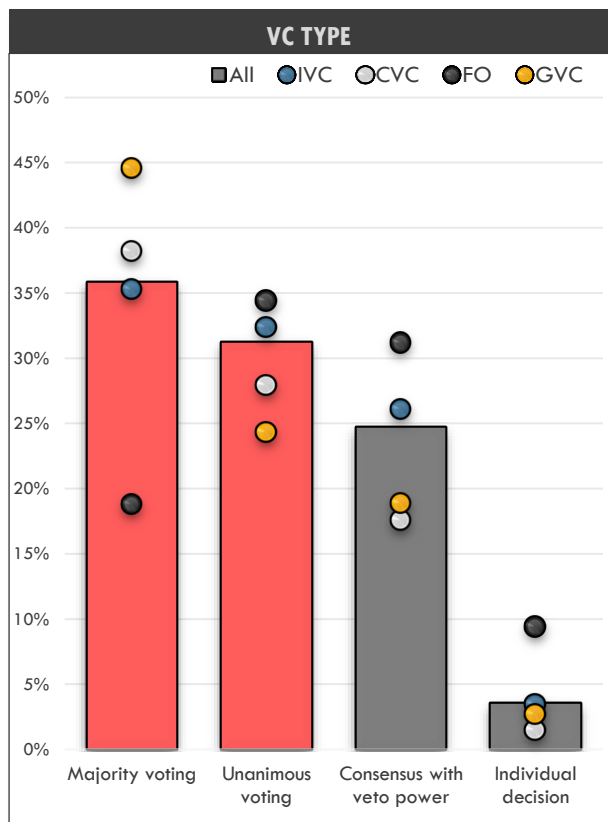


Figure 4.3.1 Decision making, by VC type

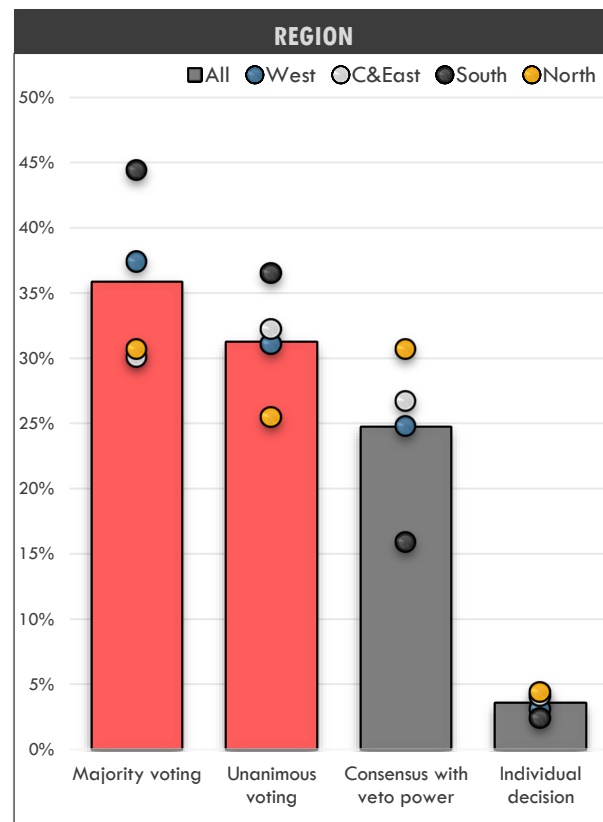


Figure 4.3.2 Decision making, by region



METHODOLOGY & GLOSSARY

METHOD¹

SURVEY DESIGN AND DATA COLLECTION

- The survey design was, to a great extent, based on the validated survey by Gompers et al. (2020)², who examined the practices of US venture capitalists. Supplementary questions were added, and the survey was adapted to a European context. Adjustments were made following feedback from a few venture capitalists in five European countries who tested the initial survey.
- A comprehensive list of European venture capital investors was compiled based on membership registers from regional and national venture capital associations, data from commercial databases, and the personal networks of the researchers involved in this project.
- The first wave of surveys was sent via Qualtrics in March 2022, and the final reminder in October 2022. The generous promotion by VC associations, alumni networks, social media campaigns, and personal emails to VCs in our network allowed us to reach a significant part of the European VC market.
- We received a total of 1,224 responses. We removed all responses from non-VC investors, such as business angels, LBO funds, and funds of funds, as well as responses from non-European investors. This left us with 885 responses, which form the basis for this study.
- All statistics presented in this report are means or mean proportions for the full sample and subgroups. More thorough statistical analysis would provide information on whether differences between the subgroups' average results are statistically significant or are driven by other confounding effects.

VC CATEGORIES

Relying on self-reported data, we categorized the VC investors into subgroups based on the following:

- **VC Type**, which differentiates between independent VCs, corporate VCs, family offices, and governmental VCs.
- **Region**, which differentiates between Western (i.e., France, Benelux, UK, and Ireland), Central & Eastern (i.e., Germany, Austria, Switzerland, and Eastern countries), Southern (i.e., Spain, Portugal, Italy, and Greece), and Northern (i.e., Sweden, Denmark, Norway, Finland, and Iceland) investors.
- **VC market maturity**, which divides the sample based on the maturity of the VC market. Specifically, we differentiate between low mature (aggregated VC investments/GDP \leq 0.05%), medium mature (0.05% < aggregated VC investments/GDP < 0.10%), and high mature (aggregated VC investments/GDP \geq 0.10%) VC markets.
- **Stage focus**, which differentiates between stage-agnostic (i.e., both early and late-stage), early-stage (i.e., seed and early-stage), and late-stage (i.e., growth and late-stage), investors.
- **Industry focus**, which differentiates between a broad, health and life science, and IT-related, industry investment focus. Industry focus was calculated as the most frequently reported industry group when multiple industries were reported.
- **Fund size**, which differentiates between below and above median fund size. The median fund size in our sample was 60 mEUR and is based on the average fund size for the latest raised (maximum three) funds.

¹ For a more detailed method description, see: Le Pendeven, B., & Verbouw, J. (2023). *How do European Venture Capitalists make Decisions, make Investments, and are Organized? Methodological Considerations of a European Project*. Working paper. Available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4416030

² Gompers, P., Gornall, W., Kaplan, S.N., & Strebulaev, I.A. (2020). How do venture capitalists make decisions? *Journal of Financial Economics*, 135(1), 169-190.



GLOSSARY

GENERAL	Venture capital	Equity financing of private, entrepreneurial ventures by professional investors who additionally provide non-financial services such as management assistance, operational and strategic guidance, and governance-related value-adding.
	Independent VC	A VC firm operating independently from larger institutions and corporations, and typically have a limited partner structure that allows them to raise funds from a variety of sources.
	Corporate VC	A VC firm funded and operated by a larger corporation. Typically invests in companies complementary to the corporation's business activities or are strategically important to its long-term growth plans.
	Family Office	A type of private wealth management firm that provides financial and investment services to high-net-worth individuals and families.
	Governmental VC	A VC firm operated by a government agency or entity. Typically focuses on investing in companies that are strategically important to the government and may also provide support to companies located in certain geographic areas or are owned by members of underrepresented groups.
	VC Market Maturity	Not all countries have an equally developed VC market. Our VC market maturity variable captures how mature a national VC market is based on the aggregated amount of all VC investments divided by national GDP.

VALUATION	Cash-on-cash multiple	The factor by which the VC's initial investment has multiplied upon exit.
	Comparable transactions (multiples)	Valuation metric that estimates the value of a company based on comparable transactions in similar companies, industries, or markets. Examples include annual recurring revenue (ARR) or EBITDA multiples, which result in its suggested valuation when multiplied by the focal company's current ARR or EBITDA.
	"Consequence of round size & target ownership"	Is referred to when no formal valuation method is applied, but the size of the investment round and the VCs target ownership percentage determine the value of the prospective portfolio company.
	Discounted Cash flow (DCF)	A valuation model that values a company by discounting all its relevant future cash flows to the present.
	Internal rate of return (IRR)	Valuation metric that measures the profitability of an investment over time. IRR is calculated by determining the discount rate that makes the net present value of future cash flows equal to zero.
	Net present value	Valuation metric that calculates the present value of future cash flows, discounted back to their current value using a discount rate.

INCENTIVE PROGRAMS	Carried interest	A share of the profits that the fund's general partners receive after the fund has made successful investments and returned capital to its limited partners.
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GLOSSARY, CONTINUED

CONTRACTUAL TERMS	Anti-dilution	Protect investors' ownership percentage in the event of a future financing round at a lower valuation than the current round.
	Cumulative dividends	Dividends that cumulatively accrue over time until they are paid out.
	Drag along rights	Are activated in the event of specified transactions (such as trade sales or IPOs) and require minority shareholders to comply with majority shareholders (minority shareholders are "dragged" into the transaction along with the majority shareholders).
	Good/bad leaver clauses	Protect investors if the entrepreneur(s) suddenly leaves the company. Defines good and bad leavers and specifies what happens to the shares of leaving entrepreneurs.
	Option pool	A reserved subset of shares that can be awarded to employees in the form of share options.
	Liquidation preference	A specified amount or share of the proceeds that must be paid to investors in case of liquidation.
	Participation liquidation preference	A common type of liquidation preference which allows investors to additionally pro-rata participate in the remaining proceeds.
	Pro-rata rights	Allows investors to participate in follow-on financing rounds to maintain their ownership percentage.
	Redemption rights	Protect investors by requiring portfolio companies to repurchase their shares after a specific period.
	Tag along rights	Obligations towards the majority shareholders to include minority investors in the sale of the former's equity stake.
	Vesting	The incremental build-up of share rights in the company for the entrepreneur(s) over time, usually four years.
	Veto rights	Allows minority investors to prevent the implementation of (i.e., veto) important decisions in the company.



ACKNOWLEDGEMENTS



ACKNOWLEDGEMENTS

We are grateful for the generous support of the general partners, representing venture capital firms across Europe, who provided us with data about their practices. These comprehensive and verified pan-European statistics would not be possible without their ongoing commitment.

We also thank the regional, national, and European venture capital and private equity associations who helped promote the survey, allowing us to reach a representative sample of the European VC market. In particular, we would like to thank Active Owners Denmark, AIFI, Bureau of Entrepreneurial Finance, BVA, BVCA, BVK, France Invest, FVCA, InnovUp, Invest Europe, Italian Tech Alliance, LaziInnova, LPEA, NVP, SECA, SPAINCAP, and SVCA. We thank Alexis Briand and Aditya Khurana for their assistance, as well as Bpifrance, Open VC (Stéphane Nasser), and Paris Impact Investing (Omar Bendjelloun) for promoting the survey to their communities.

We are grateful to the teams within our institutions who helped us create the communication tools, GDPR statement, and copyrights statement. We thank Max Berre for proofreading and Miguel Meuleman for providing valuable comments on earlier versions of the report.

Finally, we would like to thank the VC investors who tested the survey and provided feedback on this report for their time and valuable comments and feedback, which significantly increased the quality of our study.



Practices of European Venture Capitalists



A video presentation of the full study is available here:

[Practices of European Venture Capitalists](#)



Our collection of thematic short videos:

1. [What is the current landscape of the Venture Capital industry in Europe?](#)
2. [What are the pre-investment practices of the Venture Capitalists in Europe?](#)
3. [To what extent do European Venture Capitalists help their portfolio start-ups?](#)
4. [Important factors behind successful and unsuccessful investments](#)
5. [Practices of European Venture Capitalists' Exits!](#)
6. [How do Venture Capitalists work internally?](#)



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