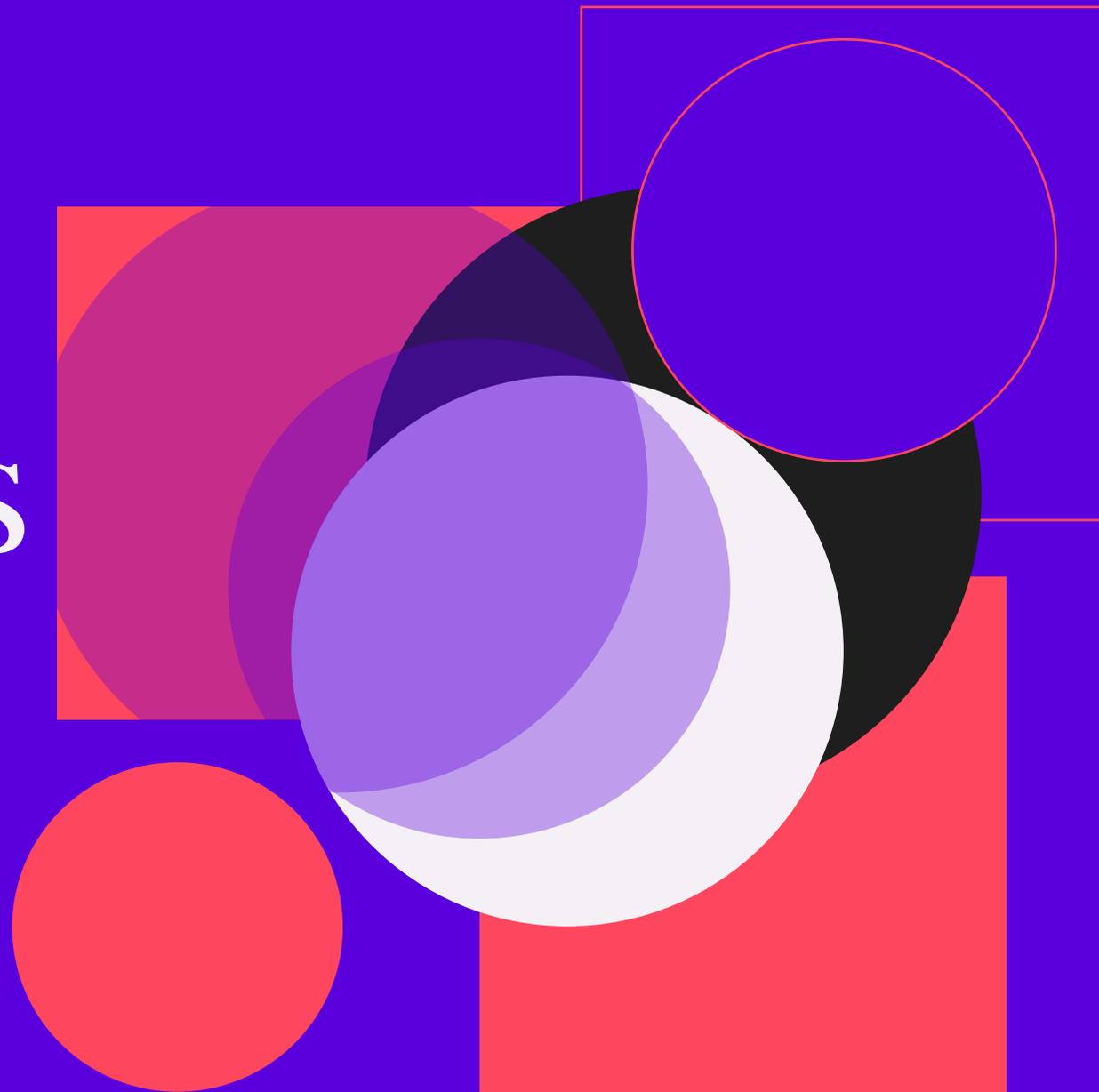


DACH STARTUPS DECODED

A look at the DACH region's startup ecosystem, showcasing trends across dealmaking, fundraising and exits.



Foreword



In an era of rapid technological advancement and entrepreneurial spirit, the DACH region has established itself as a powerhouse within the European startup landscape. With a strong tradition of engineering excellence and rich pool of talent, the region's startup ecosystem has flourished, attracting global attention and investment.

This report aims to decode the current state of the DACH startup ecosystem, by analysing trends across dealmaking, fundraising, and exits to identify key opportunities and the challenges that lie ahead.

By analyzing the region's entrepreneurial landscape, we aim to provide valuable insights and guidance to founders, investors, and policymakers who seek to navigate this vibrant and dynamic ecosystem.

For more than a decade, at NGP Capital, we have had a front-row seat in witnessing the evolution of the region's ecosystem having backed leading category-creators such as GetYourGuide, Scandit, ANYbotics, Babbel, and Clue.

The DACH region boasts a rich tapestry of startups spanning across diverse sectors, including fintech, e-commerce, health tech, mobility, and artificial intelligence. From Berlin to Vienna to Zurich, innovation hubs have emerged. These startups are not only disrupting traditional industries but also creating new markets, redefining business models, and addressing pressing societal challenges.

One of the key strengths of the region's startup ecosystem is its deep-rooted culture of engineering and technical excellence. Drawing on a tradition of precision engineering, the region has nurtured a skilled workforce, producing cutting-edge technologies that have made their mark on the global stage.

However, amidst the region's remarkable achievements, challenges must also be acknowledged and addressed. While the DACH startup ecosystem has thrived, it faces hurdles such as funding slowdown, regulatory complexity, and talent retention.

Bridging the gap between startups and investors, streamlining regulatory frameworks, and fostering a diverse and inclusive entrepreneurial culture are pivotal to sustaining the momentum and ensuring long-term success.

We firmly believe that by understanding and actively addressing opportunities and challenges, the DACH region can unleash its full potential as a global leader in innovation and entrepreneurship.

Christian Noske
Partner
NGP Capital



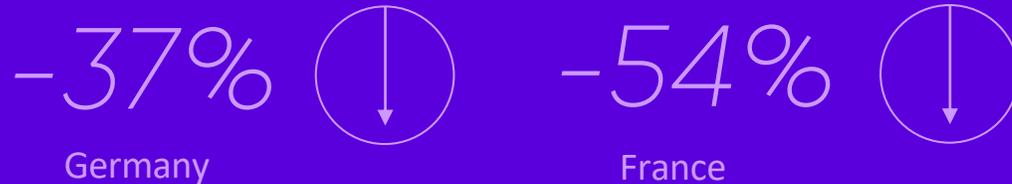
Key takeaways

1

Analysis reveals encouraging signs of stability emerge in Q2 2023, with VC funding levels in the DACH region returning to pre-2021's 'fundraising bubble' levels.

2

Germany's funding levels dropped less than other European startup hubs between the first half of 2022 and the same period in 2023.



3

DACH-based generative AI startups attracted more funding (\$248M) in Q2 2023 than they did during the whole of 2022 (\$210M).

Methodology & data



Methodology

In the report, we analyze data related to DACH area venture funding and venture funded companies. The analysis is based on data from NGP Capital's data & ML platform Q, which aggregates data across multiple sources.



Data from **Q1 2020 to Q2 2023**, unless otherwise mentioned.



All venture funding is included, PE and growth equity are excluded.



Data includes Germany, Switzerland, Austria & Liechtenstein. UK & France are used on a single chart for reference.

Data Characteristics

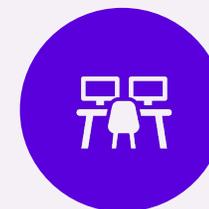
In addition to venture funding data, the analysis drills down to job postings by startup companies, while company and investor momentum measures are created by NGP Capital.



NGP Quality scores for investors & companies rank performance against a set of similar competitors.



5,644 funding rounds of **3,905** companies.



76,476 amount of job Postings analyzed.

Germany dominates DACH region VC funding

But Switzerland punches above its weight

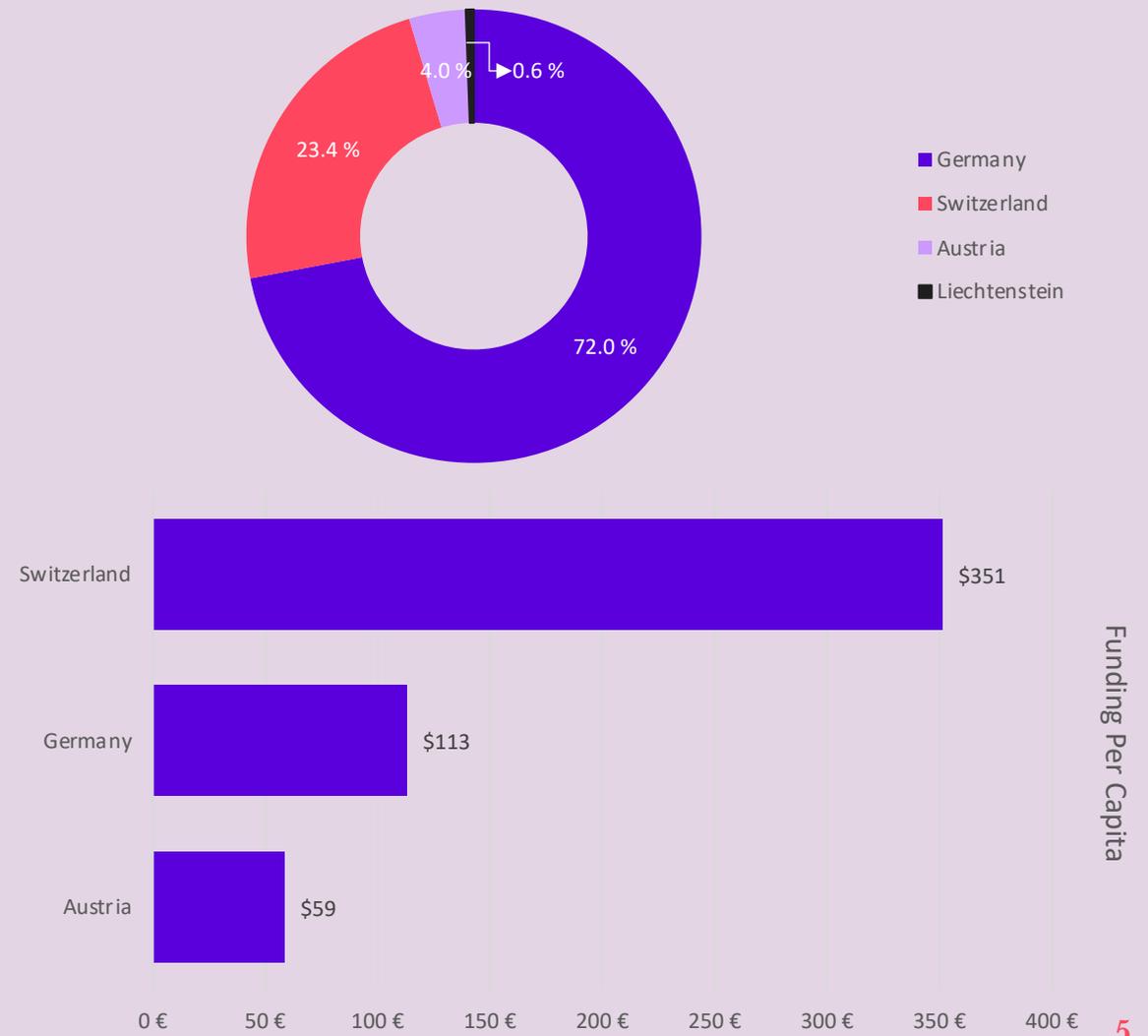
During the period from Q3 2022 to Q2 2023, a significant portion of venture funding in the DACH region was invested in German startups, accounting for 72.0% of the total.

While Germany leads VC funding in the region in absolute terms, this is shadowed by Switzerland when focusing on per capita numbers.

Germany's dominance in venture funding can be attributed to its larger size compared to the rest of the DACH region. To provide a clearer perspective, venture funding per capita is valuable. In this regard, Switzerland leads with \$351, followed by Germany at \$113 per capita.



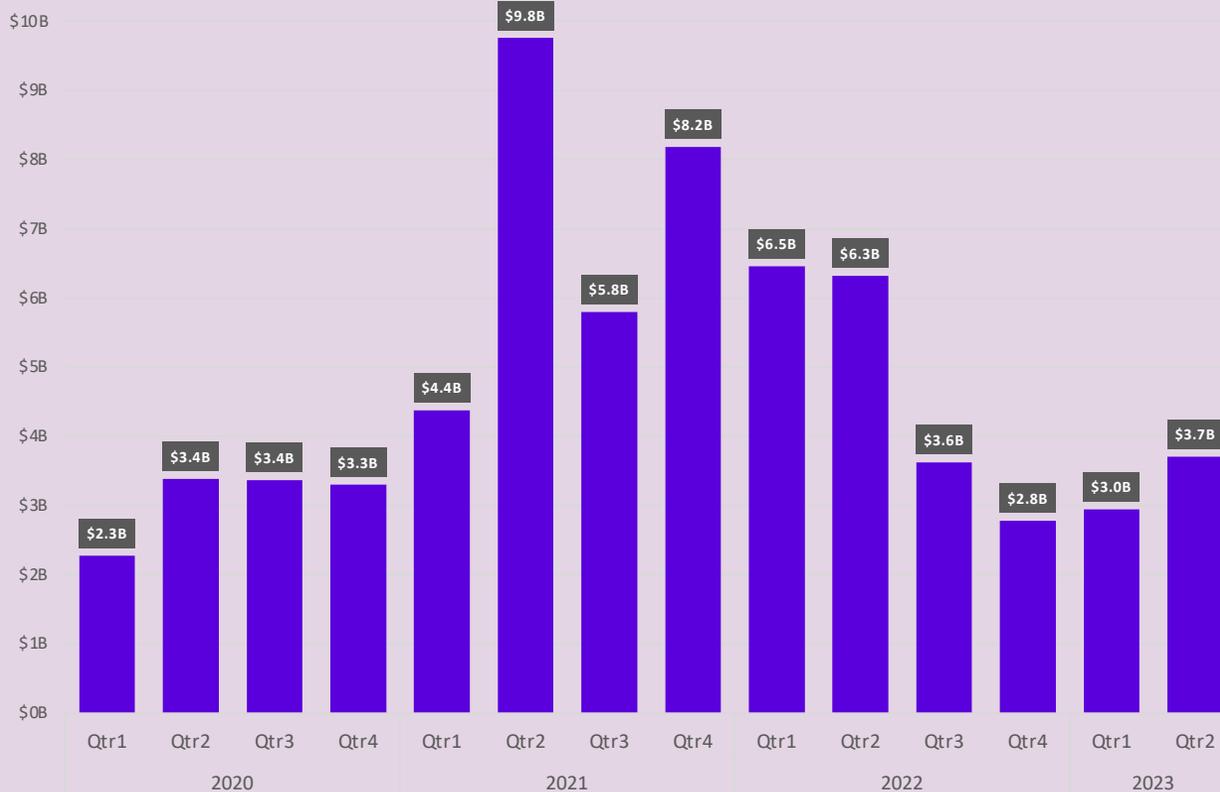
% Share Of Venture Funding By Country, Q3 2022 to Q2 2023



Encouraging signs of stability in Q2 2023



DACH Venture Funding, Q1 2020 - Q2 2023



Region impacted by the global venture reset

Downturn in global venture funding began in Q2 2022, mirrored in DACH with Q2 2022 ending weaker than Q1 2022, contrary to the usual trend.

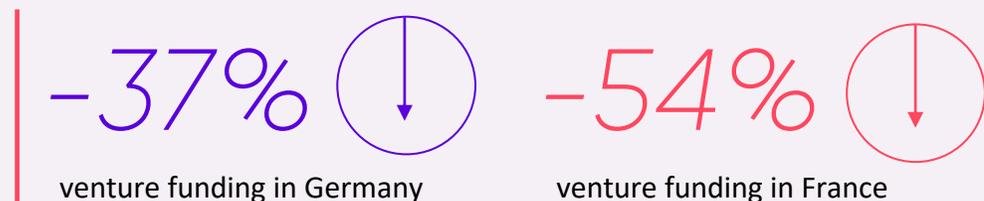
After a 54% decline in Q1 2023 compared to Q1 2022, there are positive signs of stability as Q2 2023 concludes with a smaller 41% decrease compared to Q2 2022.

However, venture funding is far below the peak levels seen in 2021. With minimum quarterly funding at \$4.4B during 2021, starting from Q3 2022 venture funding hasn't risen above \$3.7B, and dropped to a minimum of \$2.8B in Q4 2022.

Germany perseveres more than neighbors

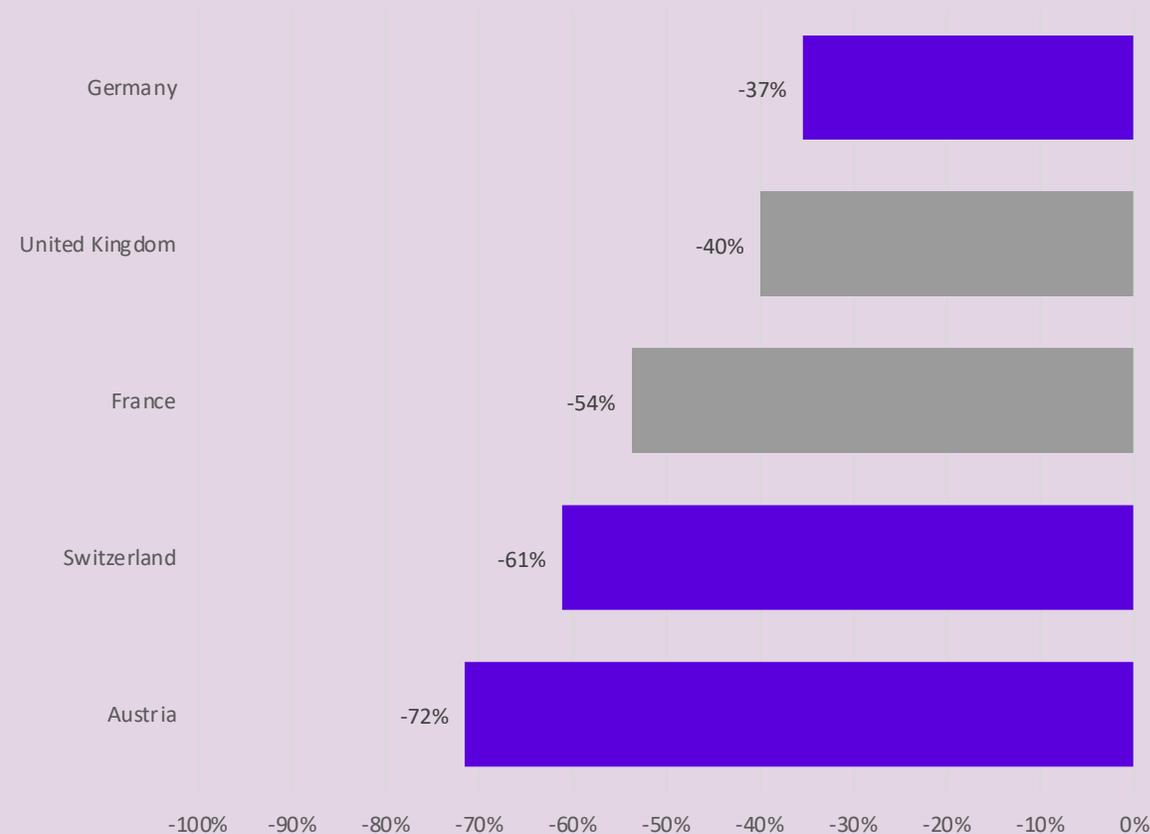
Swiss & Austrian venture funding down by two thirds

In the comparison between H1 2023 and H1 2022, German venture funding has seen a 37% slowdown, performing relatively better than France and the UK, which experienced declines of 54% and 40% respectively.



On the other hand, Switzerland and Austria both experienced a steep decline compared to their larger neighbors.

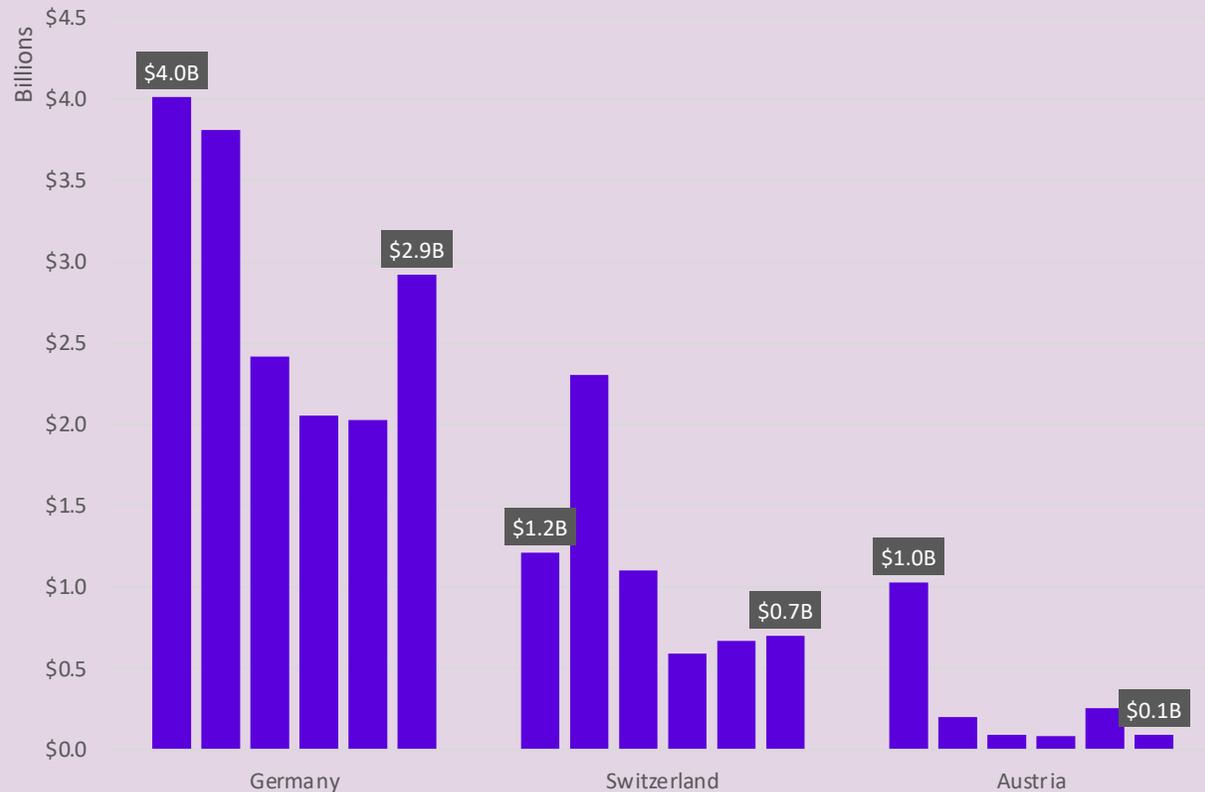
Change In Venture Funding By Country, % H1 2023 vs H1 2022



Germany leads the uptick in Q2 2023



Quarterly Venture Funding, Q1 2022 to Q2 2023



Switzerland is holding steady, while Austria falls behind

In Germany, the venture funding in Q2 2023 was robust, reaching \$2.9 billion. Although this figure was 25% lower compared to Q1 2022, it still reflects a strong performance.

In Q2 2022, Switzerland experienced a funding peak, raising \$2 billion. However, since then, funding has significantly decreased, with only \$0.7 billion raised in Q2 2023.

The surge in funding during Q2 2022 can be attributed to German startups, as other markets did not demonstrate a similar increase in funding.

Secondary cities show resilience amid downturn

Munich, Lausanne, and Basel show strong performance

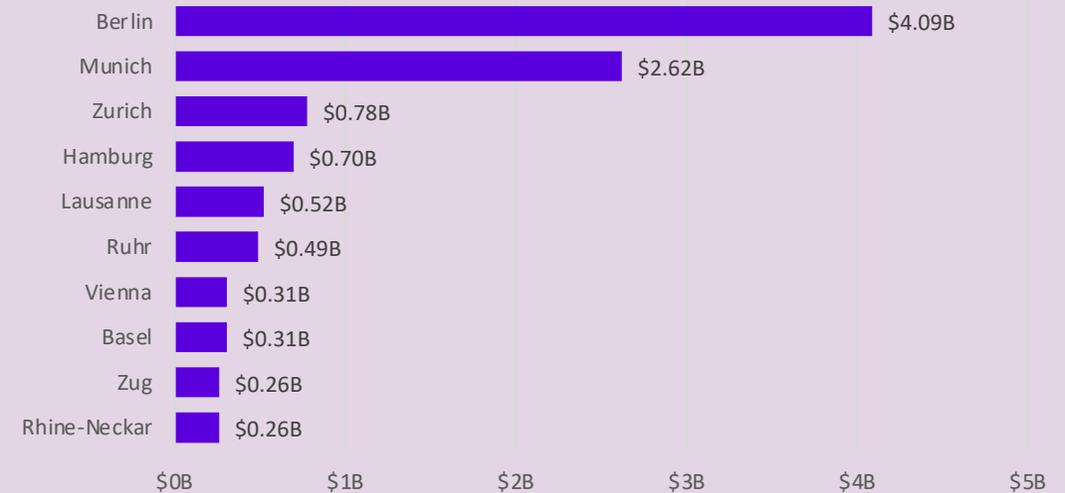
In terms of total venture funding over the past year, Berlin, Zurich, and Vienna have emerged as the leading startup hubs in their respective countries.

However, what's worth noting is that these leading startup hubs are currently facing a concerning trend in funding. Berlin has experienced a decline of 44% in funding, Vienna has seen an 80% drop, while Zurich has faced a significant decline of 77%.

By contrast, the secondary cities have demonstrated a more positive performance. Cities such as Munich (-16%), Hamburg (+8%), Lausanne (+72%), Ruhr (-10%), and Basel (+161%) have shown relatively favorable numbers.



Total Venture Funding By City, Q3 2022 to Q2 2023



Venture Funding By City, % change H1 2022 to H1 2023



Market Deep Dives



Travel, food & health-tech thrive

Enterprise Software, Fintech, and Transportation fall behind

During the first half of 2023, sectors such as Travel (+52%), FoodTech (+38%), and HealthTech & Life Sciences (+5%) have experienced noteworthy growth compared to the previous year.

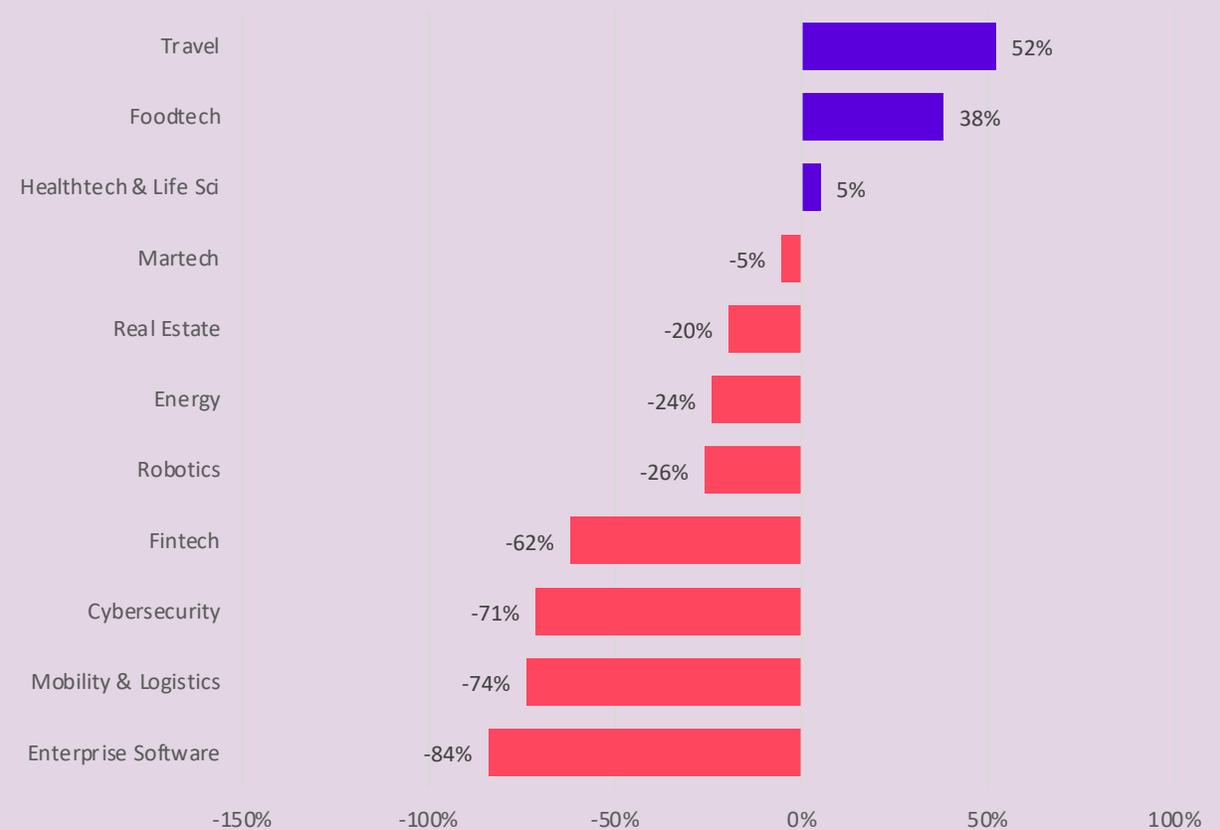
Meanwhile, some of the DACH region's historically thriving industries are displaying concerning figures.

Software-driven sectors such as Enterprise Software (-84%), Cybersecurity (-71%), and Fintech (-62%) have experienced significant declines.

Industries such as MarTech, Real Estate, Energy, and Robotics have been relatively stable.



Venture Funding Per Industry, H1 2023 vs H1 2022



DACH's B2B sector reigns supreme in funding

B2C startups make recovery with stronger rebound

The DACH startup funding market primarily focuses on B2B companies, accumulating \$19 billion in venture funding between Q1 2022 to Q2 2023, while B2C companies have received \$8.2 billion during the same period.

Both sectors experienced a simultaneous slowdown since 2022, with B2B funding declining by 57%, slightly more than the 55% decrease in B2C funding.

However, B2C funding shows a faster rebound, reaching 75% of Q1 2022 levels by Q2 2023, compared to B2B reaching only 59% of their Q1 2022 funding levels during the same period.

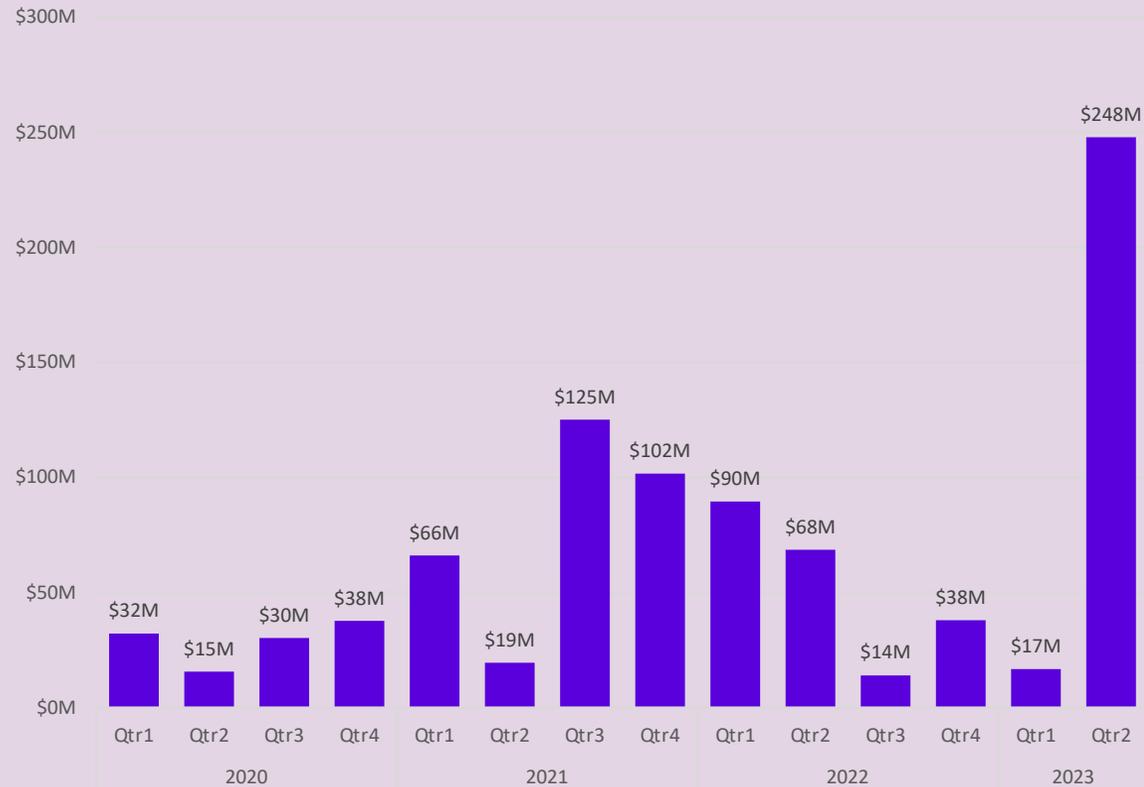


Funding By Customer Type, Q1 2022 to Q2 2023

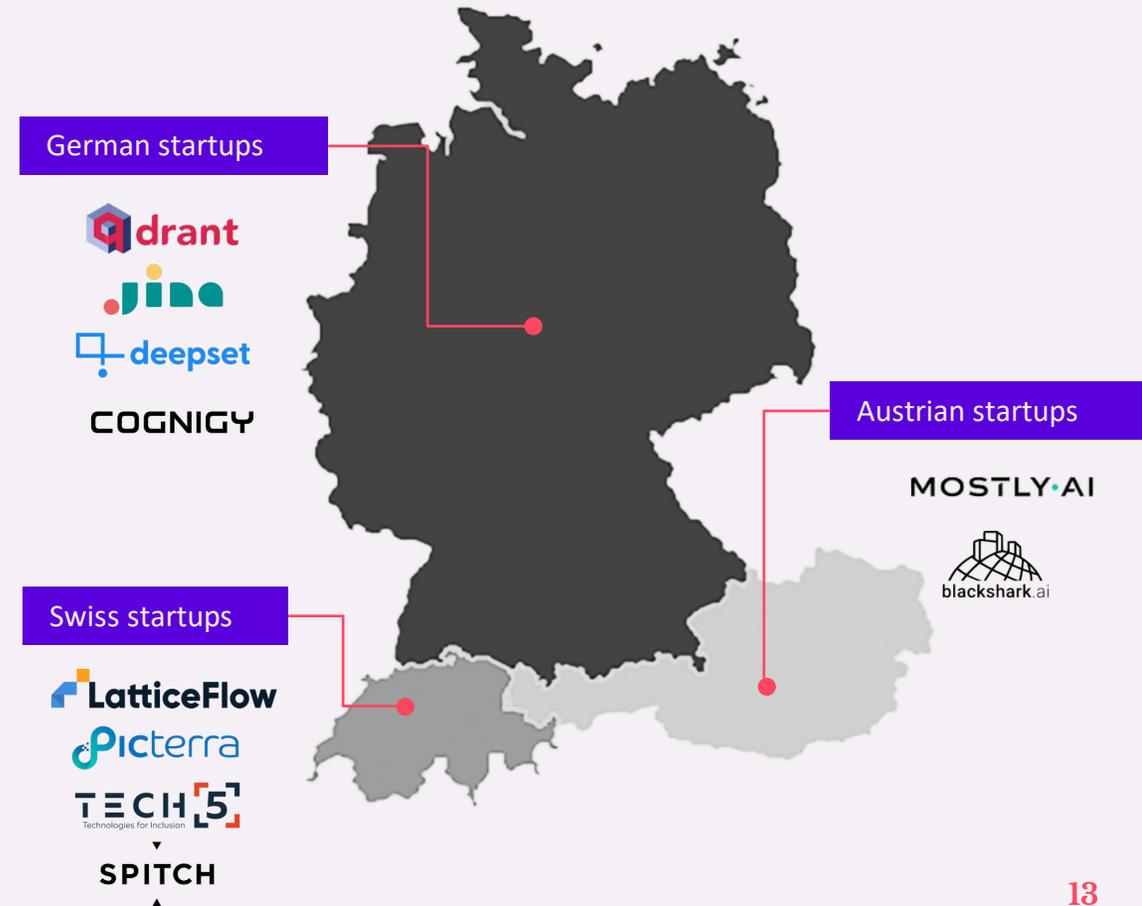


Record AI funding as AI race intensifies

Funding Raised By DACH-based AI startups, Q1 2020 to Q2 2023



Spotlight on DACH's AI startups: Swiss deep-tech expertise leads the way



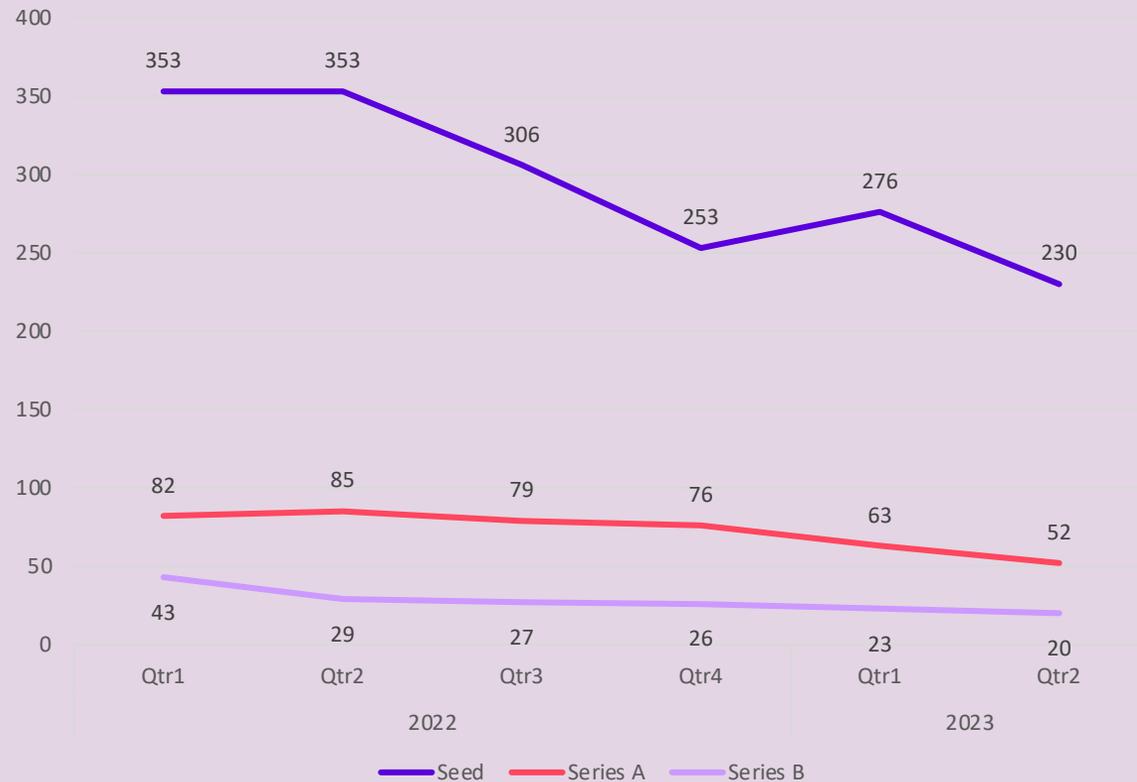
Funding Round Analysis

A blue line graph is positioned at the bottom of the slide. It starts with a horizontal segment on the left, then rises at a steep angle, reaches a horizontal plateau in the middle, and finally rises again at a steep angle towards the right edge of the slide.

Decline in deal count across all stages



Deal Count Per Quarter, Q1 2022 to Q2 2023



Series B rounds slowest with 53% decrease from Q1 2022

Across all stages from Seed to Series A, there has been a decrease in the number of funding rounds. This decline has been gradual between Q1 2022 and Q2 2023.

The number of Series B rounds in Q1 dropped by 53% compared to Q1 2022 while Series A rounds decreased by 37%. By contrast, Seed rounds fell by 35% with a total of 230 rounds taking place.

It's important to bear in mind for deals in Q2 2023, some of the decreases might be due to reporting lag.

Seed rounds grow, but later rounds shrink



Median Round Size Per Quarter



Median Seed rounds increase in size

Since the beginning of 2021, median Series B rounds have experienced a 27% decrease, while median Series A rounds have decreased by 13% on average. In contrast, the median size of Seed rounds has increased by 36%.

However, there is a noticeable upward trend in Q2 2023 in average round sizes across all stages.

While there may be fewer companies receiving funding, the trend indicates a stronger focus on higher-quality companies that are securing funding.

Fundraising cycles show lengthening trend

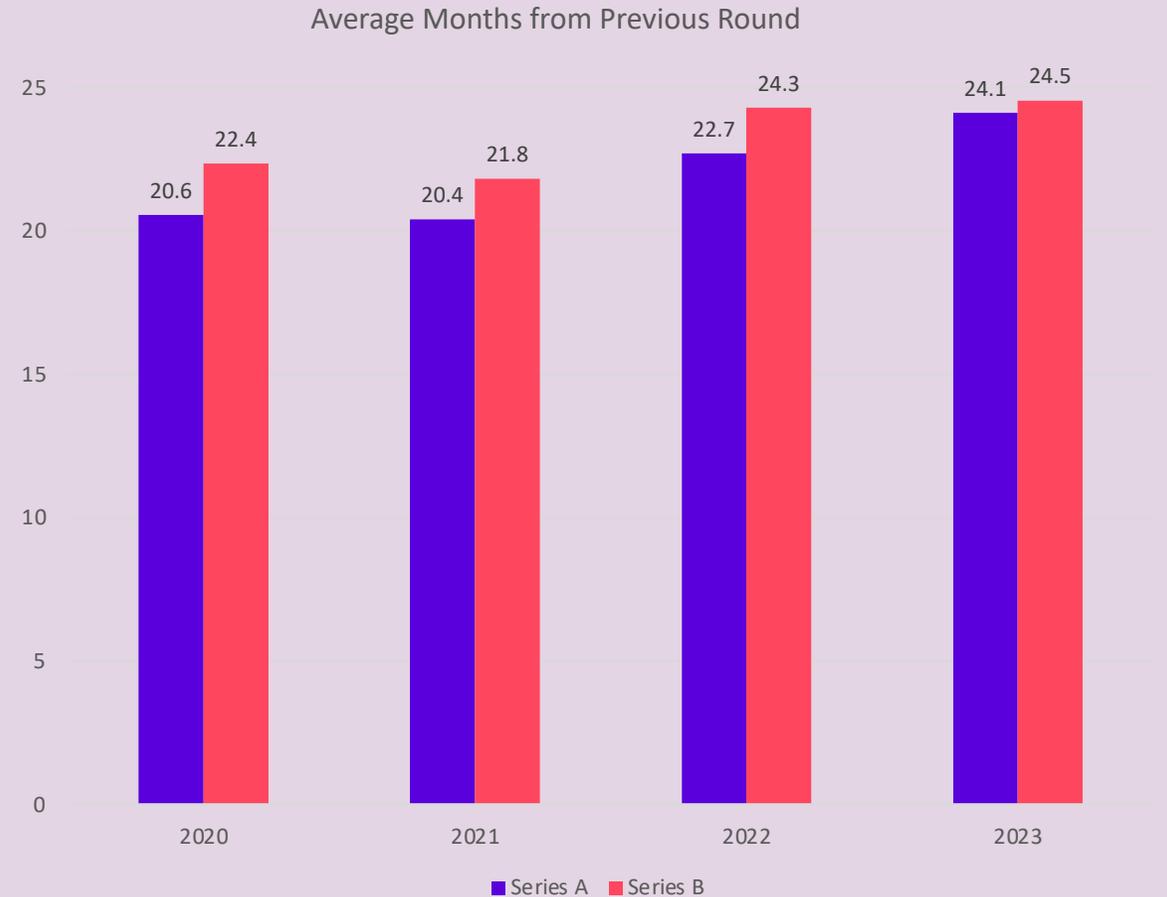


Raising a Series A is slower than before

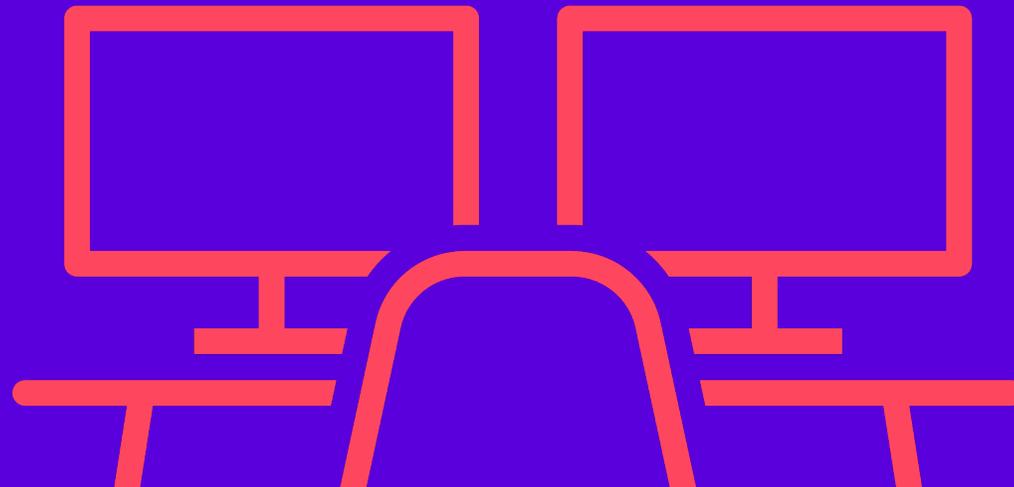
When examining the time between funding rounds, it becomes evident that fundraising cycles have been extended in 2022, and further in 2023. In this analysis, we specifically focus on Series A and Series B rounds.

In 2020 and 2021, Series A rounds were typically raised around 20 months after the Seed round. However, in 2023, Series A rounds are being raised on average 24 months after the Seed round.

On the other hand, the slowdown in Series B fundraising has been relatively less significant, moving from 22 months to a corresponding 24 months in the same interval.



Job Market Deep Dive



Startup jobs postings show signs of stability



Quarterly Startup Job Postings, Per HQ Country



Swiss startup jobs market remains stable

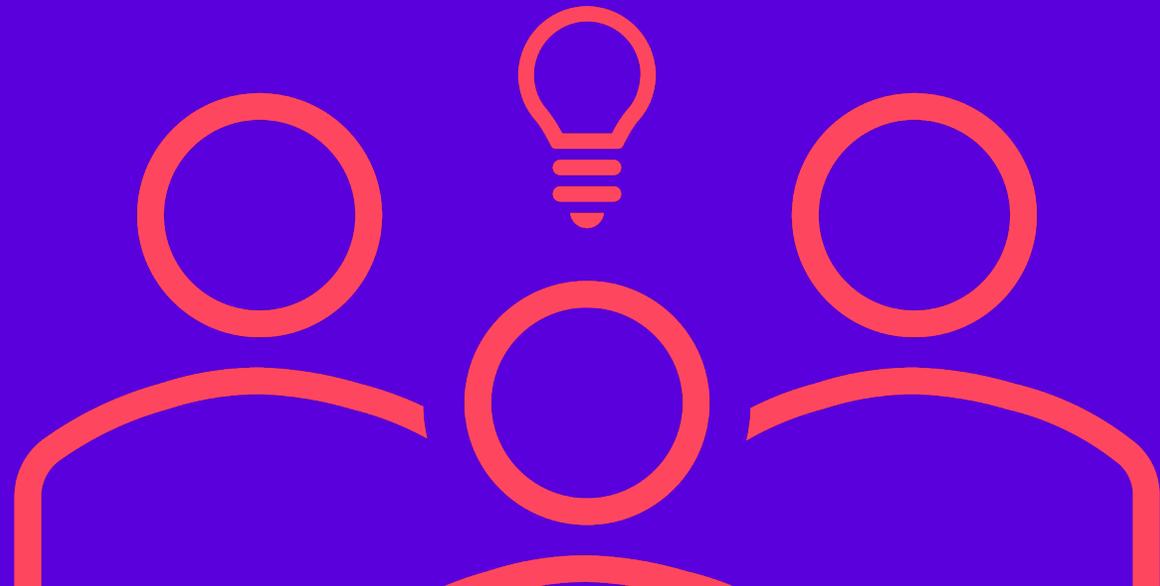
During Q1 2022, a total of 16,536 jobs were posted by DACH-based startups, which decreased to 9,331 jobs in Q2 2023.

While new job postings in the region declined by 44%, it is worth noting that the decline appears to have stabilized since Q4 2022.

Interestingly, the decrease in job postings is primarily driven by Germany and Austria.

By contrast, job postings in Switzerland have remained stable throughout the entire reporting period, fluctuating between 1,000 and 1,300 per quarter.

Investors

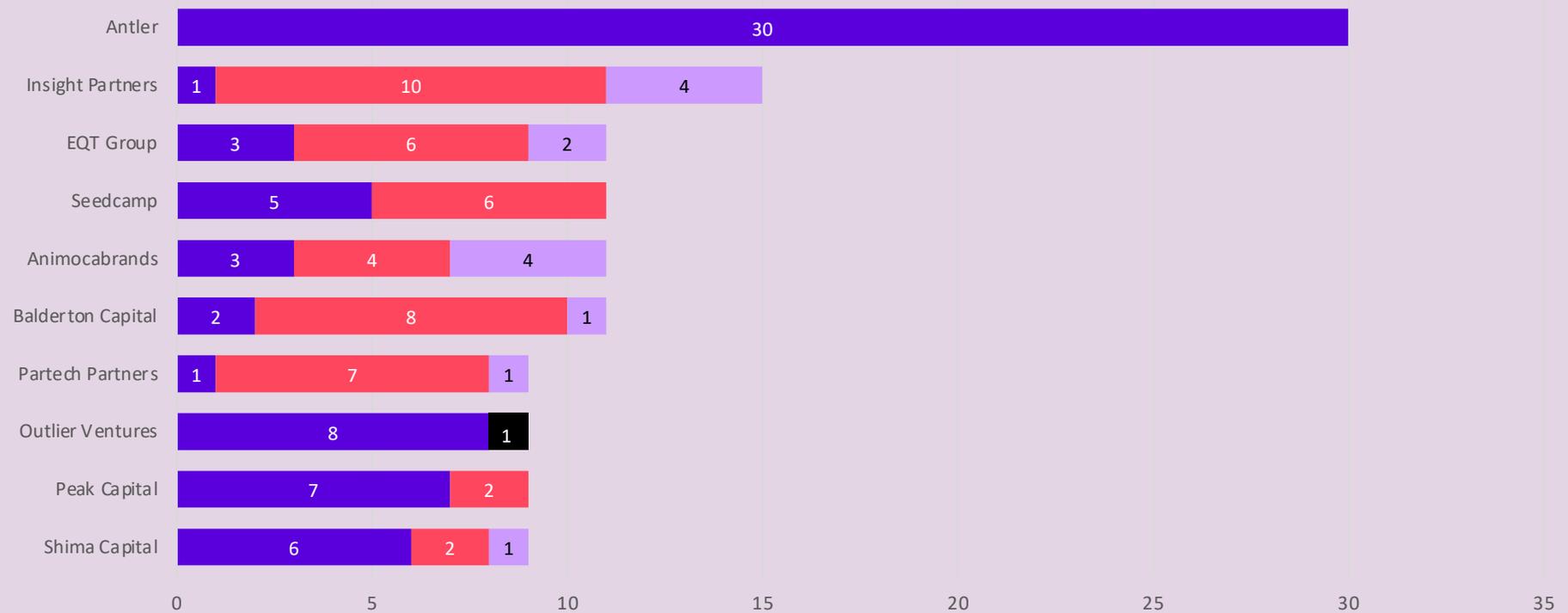


Top 10 foreign VCs investing in DACH startups



Majority of the active foreign investors in the DACH region predominantly focus on Series A & B

Rounds Per Investor, Q1 2022 to Q2 2023



Round # based on publicly announced deals

Seed Early VC Late VC Other

Top 10 investors active in DACH

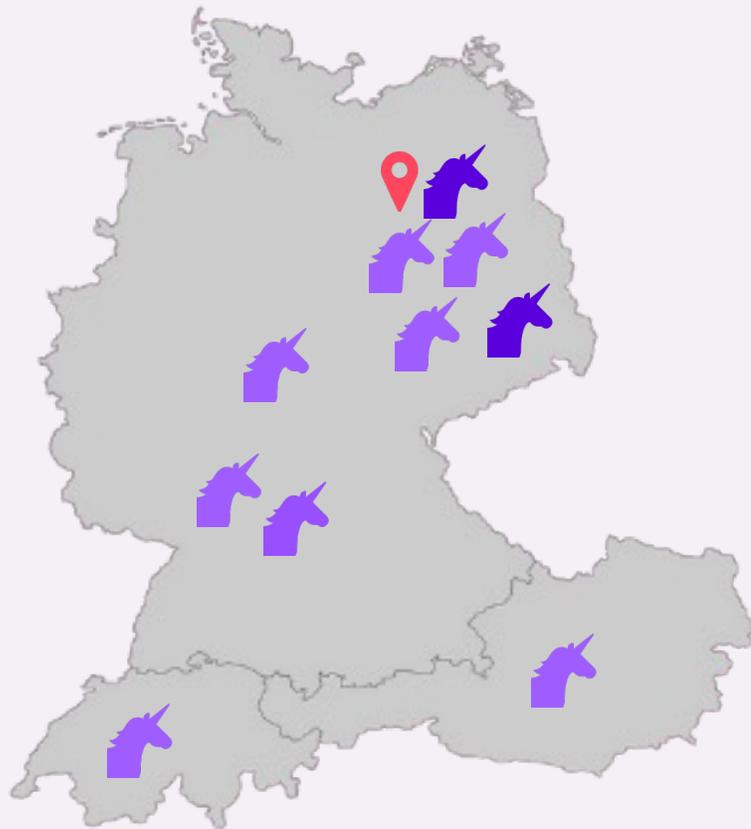


The list includes top 10 investors with over 5 publicly announced rounds in the DACH region since 2022, based on NGP's Investor Quality scoring criteria. All investors listed score higher than 97% of their global comparables. Top Investments are selected based on highest perceived momentum.

Investor	Headquarters	# Rounds	Top investments
PīCUS CAPITAL	Munich, Germany	23	Everstores (100%), Nefta (97%), Junto (95%)
FoodLabs	Berlin, Germany	19	Project Eaden (95%), Foodji (95%), Klim (94%)
Seedcamp	London, United Kingdom	11	CNC24 (97%), Crowd.dev (96%), Buynomics (92%)
ACE & Company	Geneva, Switzerland	11	Destinus (96%), SmartHelio (94%), Planted (86%)
DVH VENTURES	Cologne, Germany	9	Qunomedical (99%), Buynomics (92%)
neosfer	Frankfurt, Germany	9	Secfix (93%), Pliant (90%), Circula (88%)
CREANDUM	Stockholm, Sweden	8	Project Eaden (95%), Topi (95%), Prewave (91%)
Point Nine Capital	Berlin, Germany	8	Workerbase (96%), Soba (93%), ampere.cloud (97%)
tiny	San Francisco, US	6	Cello (98%), Trawa (97%), Otterspace (96%)
bmp Ventures	Berlin, Germany	5	Neotiv (91%), Fleming (89%), Solar Materials (89%)

New DACH unicorns since 2022

10 companies joined the Unicorn club since 2022, with two reaching the \$1B valuation mark in 2023. Interestingly, Berlin is home to 5 out of the 10 companies while Zurich's Scandit showcases the Swiss deep-tech stronghold.



2022 DACH Unicorns

2023 DACH Unicorns



2022 Funding Average

€157M



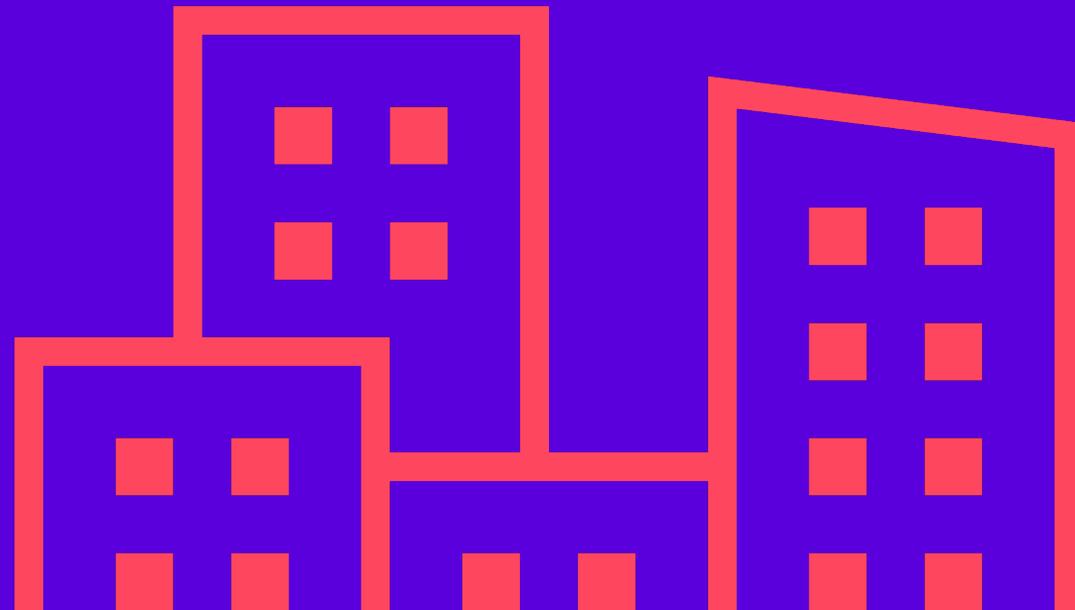
Portfolio Company



Berlin top growing club since 2022

Source: Valuation data is based on Pitchbook

Top DACH Companies



Top 10 soonicorns



Top 10 companies with highest momentum, current estimated valuation over 100 million. The ranking is based on NGP Capital's machine learning algorithm, Q, which is trained on actual outcomes.

Soonicorn

	Description	Previous Round	
The Exploration Company	Manufacturer of reusable and modular orbital vehicles	\$43.9M Series A in 2023	Est. valuation 100M+ NGP Capital Soonicorns ranked by Q's proprietary AI platform powering company & market discovery Berlin top growing soonicorn club
ENVIRIA	Developer of solar energy projects with a SaaS-like model	\$23.7M Series A in 2022	
MWbotics	Robotics solution for automating industrial inspections	\$50M Series B in 2023	
MOSTLY AI	AI-generated structured synthetic data provider	\$25M Series B in 2022	
Taktile	AI based credit decisioning solution for banks and credit institutions	\$20M Series A in 2022	
verity	Provider of drones for warehouse inventory management	\$11M Series B in 2023	
Cere	Decentralized data and finance cloud for enterprises	\$50M Late VC in 2022	
WorkMotion	Cloud-based platform for HRMS suite	\$40M Series B in 2022	
Jina	Provider of a cloud-based Python library for neural networks	\$30M Series A in 2021	
sosafe	Cloud based platform offering cyber security training for employee awareness	\$73M Series B in 2022	

Top 10 exits since 2020

While the exit market has been stagnant the past two years, notable exits in the DACH region include Software AG's buyout in April 2023 and Lillium's Spac in 2021.

Company	Description (at exit time)	Valuation	Exit Details	Location
AUTO 1	Wholesale platform for used cars	€ 7.9 B	IPO in Feb 2021	Berlin, Germany
sportradar	Sports data provider	\$ 7.4 B	IPO in Sep 2021	St. Gallen, Switzerland
n	Running shoes with unique cushioning	\$ 7.3 B	IPO in Sep 2021	Zurich, Switzerland
ABOUT YOU	Online fashion retailer	€ 3.92 B	IPO in Jun 2021	Hamburg, Germany
zooplus	Online retailer of pet food and supplies	\$ 3.50 B	Buyout in Aug 2021	Munich, Germany
LILIUM	Developer of an electric air vehicle	\$ 3.30 B	SPAC in Sep 2021	Munich, Germany
software AG	Enterprise integration software provider	€ 2.20 B	Buyout in Apr 2023	Darmstadt, Germany
atai LIFE SCIENCES	Clinical-stage pharma for mental health	\$ 2.30 B	IPO in Jun 2021	Berlin, Germany
MYR	Treatments for hepatitis B and D	€ 1.10 B	M&A in Dec 2020	Bad Homburg, Germany
SONO MOTORS	Developer of electric car	\$ 1.10 B	IPO in Nov 2021	Munich, Germany

Source: Valuation data is based on Pitchbook

About NGP Capital



NGP Capital backs early-stage B2B companies from Series A onwards in Europe, the US, Israel, and China within enterprise software, industrial tech, cybersecurity, and infrastructure.

Through its \$400m fifth fund launched in 2022, NGP Capital invests in companies driving the convergence of the physical and virtual.

Founded in 2005, NGP Capital has over \$1.6B in AUM and has invested in more than 100 companies of which 18 became unicorns and 11 went on to IPO.

Some of the companies NGP has backed in the DACH region include ANYbotics, GetYourGuide, Babbel, eGYM, Clue, and Scandit.

For more information about NGP Capital visit: www.ngpcap.com