

KfW Venture Capital Dashboard

Q4 2024

KfW Research

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Overview

The German venture capital market in Q4 2024



The year 2024 gives cause for cautious optimism about the German VC market: In total, around EUR 7.4 billion was invested in German start-ups in 2024, moderately exceeding the deal volume of the previous year (+4%). In the final quarter of 2024, 484 deals were closed with a volume of EUR 1.4 billion. Based on the number of deals identified, the German VC market even recorded its third strongest year. Overall, financing activity in the German VC market remains steady. The slump in sentiment after the tough consolidation phase appears to be over for now, and that could positively impact financing activity in 2025.



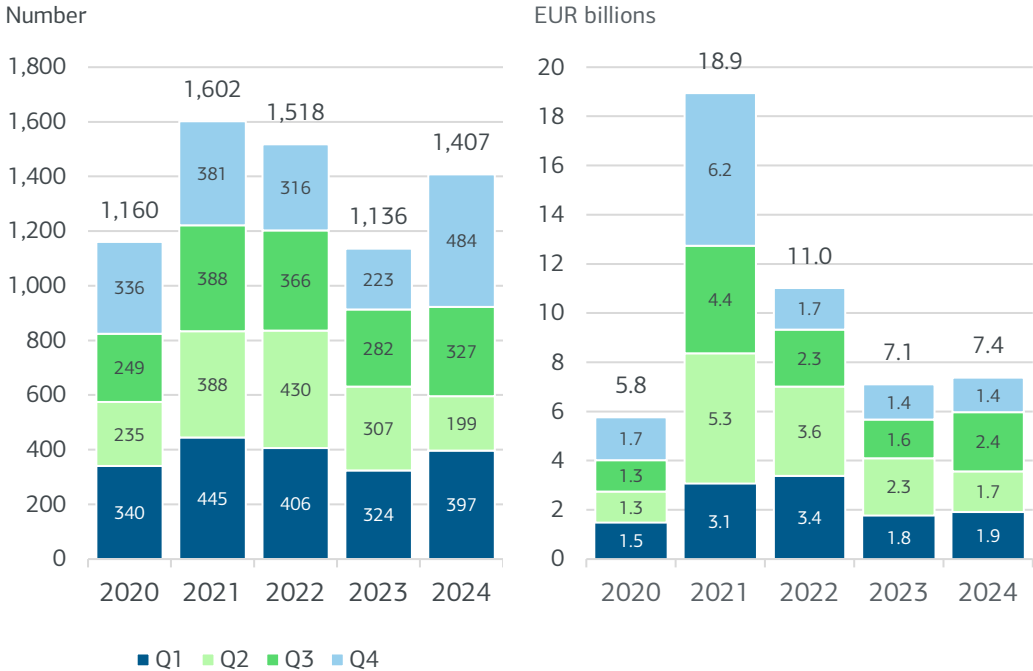
Investors are focusing on industrial areas that address key societal and economic challenges. In 2024, the energy sector was top of the agenda with investments of around EUR 1.2 billion (market share of 16%). This illustrates the unwavering interest in solutions for sustainable energy generation and storage for the transition to a greener economy. Technologies in the field of health followed closely behind with a volume of investment of approx. EUR 1 billion and a market share of 15%. The field of security – IT security, defence and dual-use technologies – also developed strongly in 2024 against the backdrop of geopolitical conflicts, with a volume of over EUR 500 million.



The fact that last year the German VC market was able to match and even slightly surpass the previous year's volume of investment suggests that 2025 will also likely see investments on at least the same level. The likely most important positive impetus in 2024 was the cycle of interest rate cuts initiated by the Fed and ECB. Further moderate interest rate reductions by central banks are to be expected in 2025 as well, which should make fundraising even easier for VC companies and further improve funding conditions for start-ups. At the same time, however, the economy will again provide little impetus for the business activities of German start-ups in 2025. The first VC funds that were launched in the strong fundraising years from 2020 are approaching their de-investment phase. The opportunities for exits that yield returns, with which VC funds generate return flows to their investors, will therefore gain further importance for the funding cycle in the VC market.

German start-ups raised EUR 7.4 billion in 2024, slightly exceeding the deal volume from the previous year

Number of deals and deal volume



Source: Dealroom.co, KfW Research (as at: 02.01.2025).

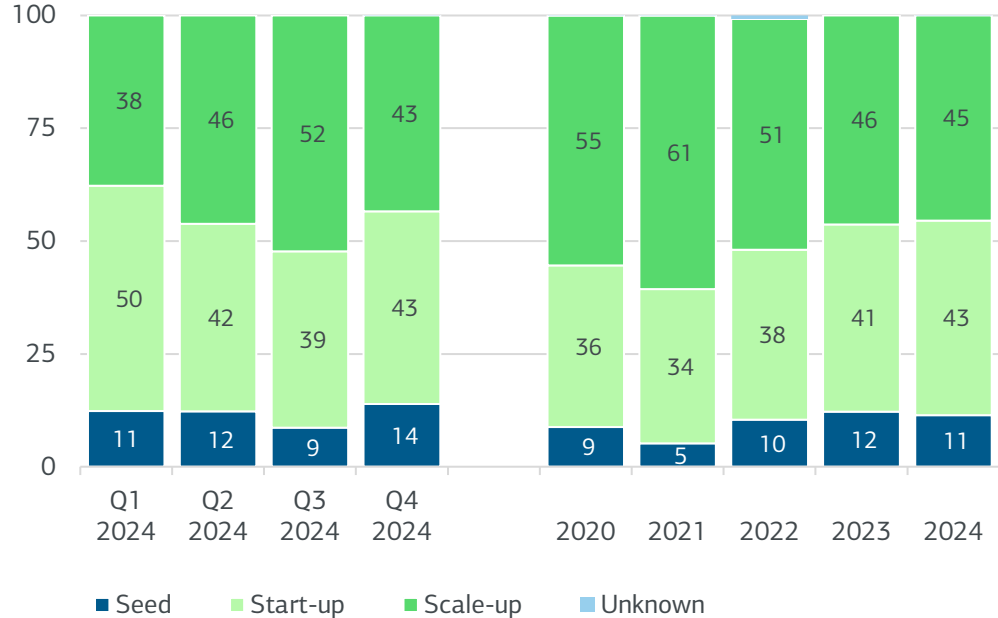
German start-ups raised some EUR 1.4 billion in the final quarter of 2024. That was equal to the volume of the final quarter of 2023 but around 42% lower than in the third quarter of 2024. Overall, the year 2024 closed with a deal volume of EUR 7.4 billion, slightly surpassing the level of the previous year (+4%). The market appears to have finally left the hard consolidation phase behind that had started with the end of the zero interest rate policy.

The large number of deals recorded in Q4 2024 corroborates this. At 484, the number of deals was considerably higher than in the preceding quarter. A total of 1,407 deals were recorded in the year 2024 as a whole. That was significantly more than in the previous year (1,136).

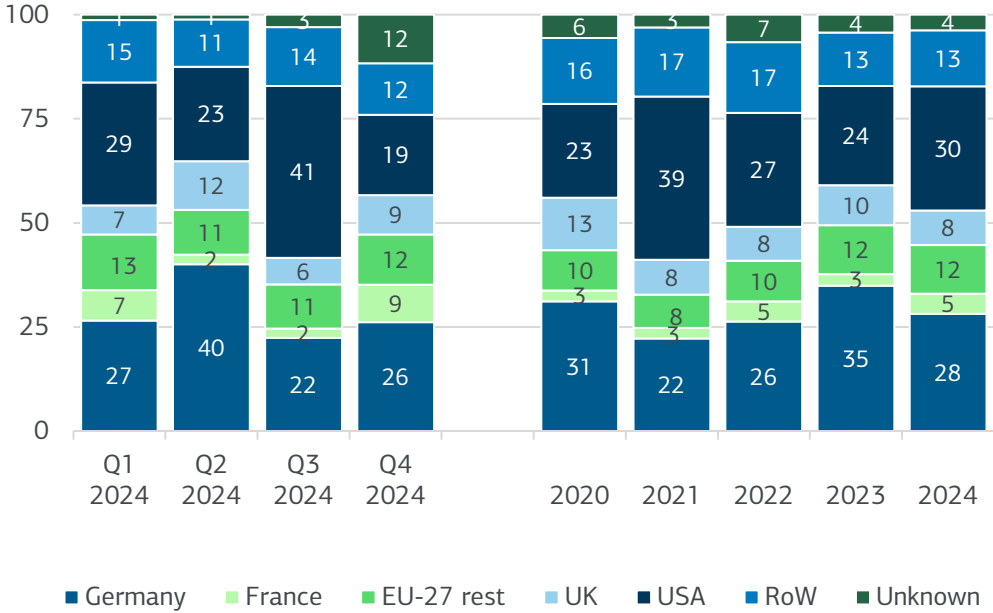
The years 2022 and 2023 were characterised by declines, particularly in growth financing in the scale-up stage. In contrast, in 2024 significant changes on the previous year in the market shares of the various funding phases could no longer be observed. Around 45% of the funds were invested in the scale-up stage, that is, in growth finance transactions from Series C. The start-up stage, that is, funding rounds of Series A / B, accounted for 43% of the investment volume. Eleven per cent of the funds were raised by German start-ups under angel and seed funding rounds.

Financing stages with similar market shares in 2024 as in the previous year – over 70% of funds came from foreign investors

Deal volume by phases (in per cent)



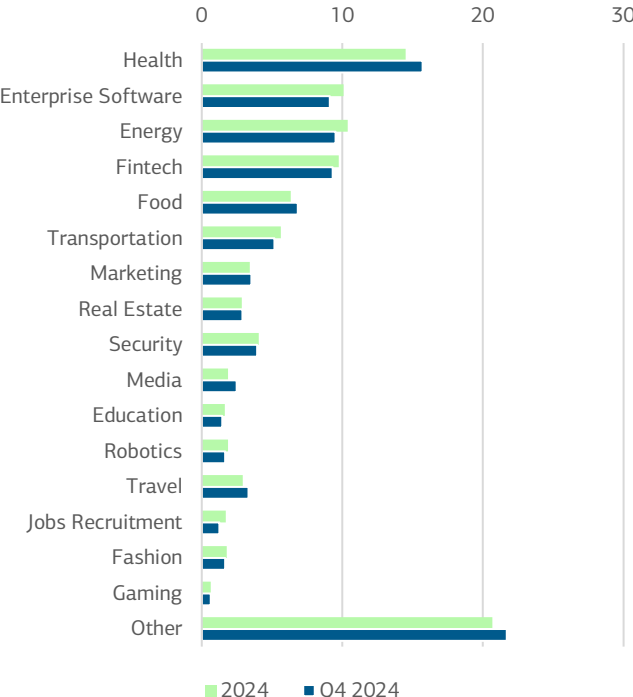
Deal volume by investor origin (in per cent)



Source: Dealroom.co, KfW Research (as at 02.01.2025).

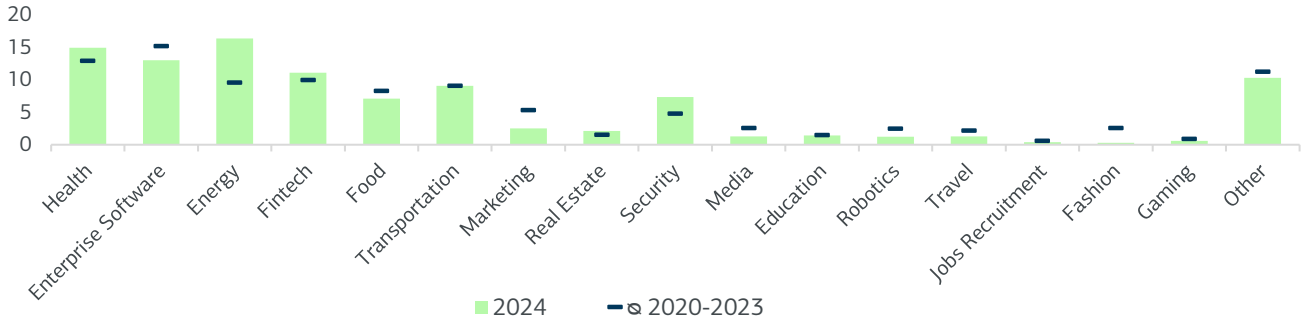
Energy start-ups with the highest funding volume in 2024

Share of deals by industry (in per cent)



Health start-ups closed the largest portion of deals – 16% – in Q4 2024. In all of 2024, just over EUR 1 billion was invested in the health segment. A higher volume – almost EUR 1.2 billion – was raised only by start-ups in the field of sustainable energy generation and storage in all of 2024. That means the share in the deal volume also grew most significantly in this field on the previous years. Besides the high need for capital for the development of corresponding technologies, this signifies the particular market opportunities which investors see in this field under the green transition. Security, a field that comprises IT security solutions as well as defence and dual-use technologies, also attracted particular investor interest. The deal volume invested in this field in 2024 was EUR 500 million, which was also a larger market share than on average over the years 2020–2023.

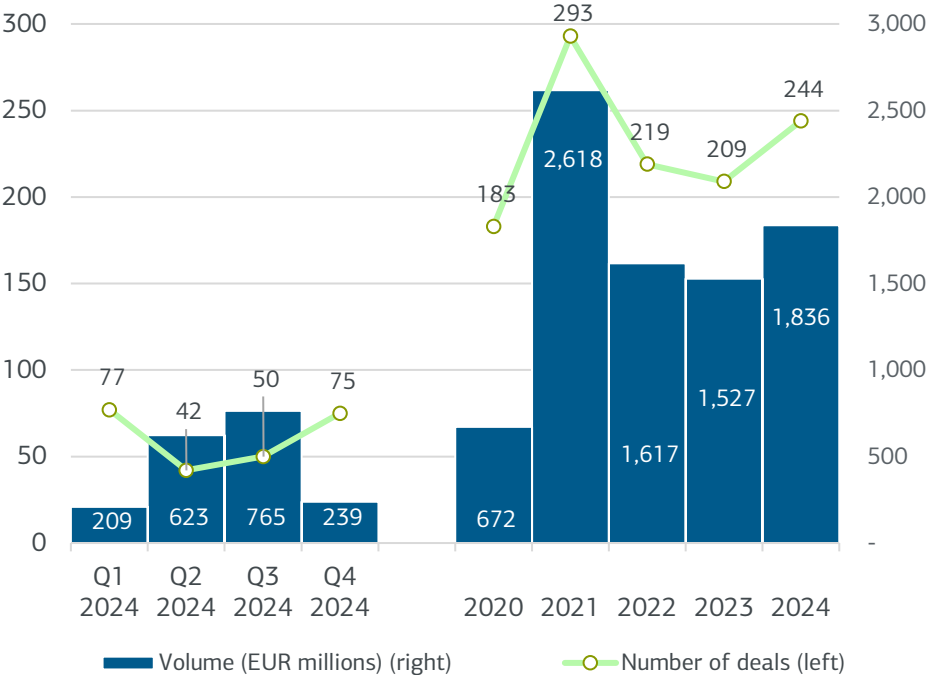
Share of deal volume by industry (in per cent)



Source: Dealroom.co, KfW Research (as at 02.01.2025).

Focus Artificial Intelligence

Number of deals and deal volume



In Q4 2024, German start-ups operating in the technology field of artificial intelligence (AI) closed a total of 75 VC deals, raising EUR 239 million. Although the deal volume was lower compared with the previous quarters, 2024 was the second strongest year for the funding of AI start-ups in Germany so far, with a good EUR 1.8 billion in total. In two of the past year’s quarters, the largest deal in the German VC market was closed by an AI start-up.

AI is a cross-cutting (vertical) technology developed and used in a range of industries. According to the definition of the transaction data provider Dealroom.co, AI technologies include hardware and software in the areas of application of machine learning/deep learning, generative AI, computer vision and natural language processing.*

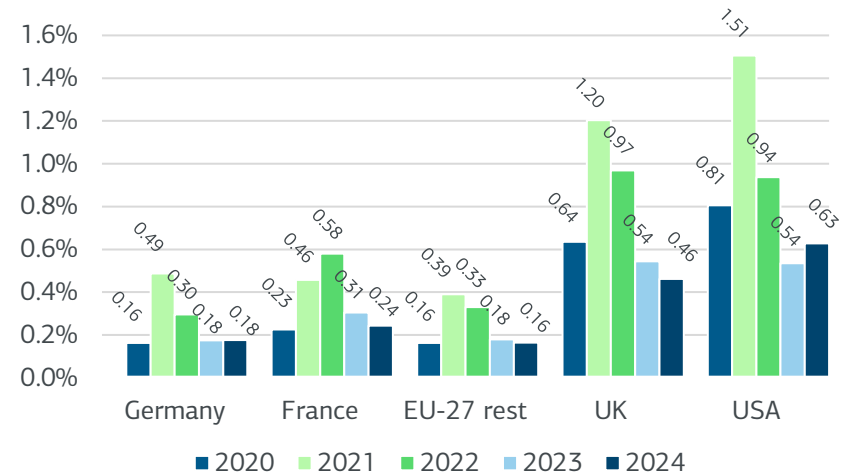
Note: * Since there is no generally accepted definition, the figures reported here may differ from those of other sources.
 Source: Dealroom.co, KfW Research (as at 02.01.2025).

German VC market rose above the EU-27 average again

Deal volume in USD millions

	2024 Q1	2024 Q2	2024 Q3	2024 Q4
Germany	2.094	1.829	2.639	1.543
France	1.781	2.363	1.603	1.876
EU-27 rest	8.332	7.754	7.230	7.653
UK	3.838	5.250	2.957	4.123
USA	37.771	42.782	40.136	60.176

Deal volume in per cent of respective GDP

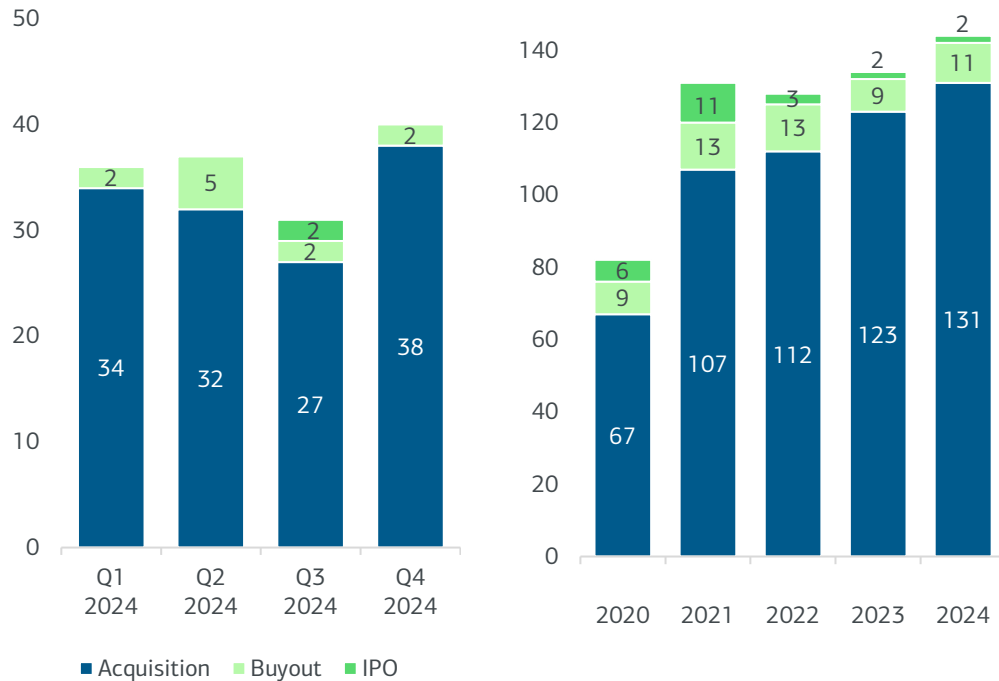


With a share of 0.18% of GDP, the deal volume in Germany in 2024 was just above the EU-27 average (0.16%). With the slight increase in the deal volume, the German VC market followed the positive development of global VC deal volume. However, there were definitely regional differences in the way the VC deal volume developed last year. In France and the UK, the share of deal volume to GDP decreased slightly. Among the comparison markets considered here, the US VC market is the only one in which the deal volume as a share of GDP grew significantly in 2024 compared with the previous year.

Source: Dealroom.co (as at 02.01.2025), IMF and own calculations.

Successive increase in exit transactions in the past two years was driven by more takeovers

Number of exits in VC-financed German start-ups



In 2024, the number of exits from VC-funded German start-ups reached the highest level, 144, of the past five years. The M&A market plays by far the most important role for exits from VC-funded start-ups in Germany. This was even more the case since the environment for IPOs deteriorated noticeably with the interest rate reversal since 2022.

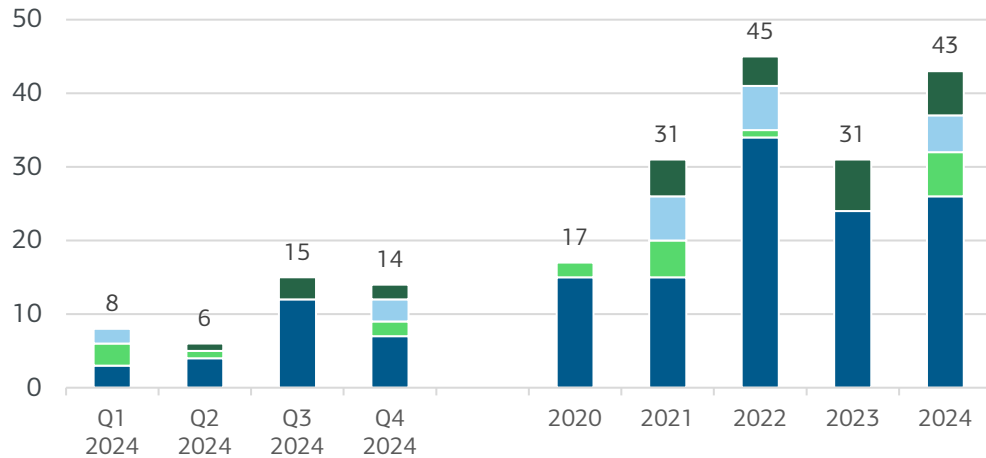
In the fourth quarter, 38 exits from VC-funded start-ups in Germany by way of acquisitions were recorded. Two buyout transactions also took place. Thus, the final quarter was the one with the most exits of the year. From a buyer's point of view, the still favourable valuations likely contributed to making additional purchases attractive in the course of 2024. From a seller's perspective, lower company valuations reduce the achievable exit proceeds.

Two IPOs were recorded retroactively for the third quarter of 2024. The IPOs were conducted by enterprises in the field of electric mobility and additive manufacturing. There is still much hope that after the long dry spell, more IPOs will revive the exit market in the year 2025.

Source: Dealroom.co, KfW Research (as at 02.01.2025).

2024 was the second strongest year for venture debt in Germany

Number of venture debt deals



By deal size:

■ <100 EUR million
 ■ ≥ 100 - 250 EUR million
 ■ ≥ 250 EUR million
 ■ Unknown

In Q4 2024, 14 debt finance operations by start-ups were observed in the German venture debt market. That means the number of venture debt deals was on a similar level as in the previous quarter. With a total of 43 deals, 2024 was the year with the second-highest number of deals closed in the German venture debt market after the previous record year 2022 (45 deals).

To be sure, the German venture debt market is of relatively moderate size as measured by the number of annual transactions. However, funding activity last year was lively once again in a historic comparison, demonstrating a steadily growing interest on the part of businesses and providers of capital. Thus, venture debt will probably continue to be an important instrument in the funding of German start-ups and scale-ups in the coming year as well.

Source: Dealroom.co, KfW Research (as at 02.01.2025).

Annex

Annex (1)

Deals

	2024	2024	2024	2024	2020	2021	2022	2023	2024
	Q1	Q2	Q3	Q4					
Market overall									
Volume (EUR million)	1,903	1,663	2,399	1,403	5,761	18,942	11,014	7,096	7,369
Number of deals	397	199	327	484	1,160	1,602	1,518	1,136	1,407
Deal size* (Ø, EUR million)	13	14	15	12	9	20	11	10	13
Stages (EUR million)									
Seed	235	204	208	195	507	976	1,150	867	842
Start-up	950	691	937	599	2,063	6,480	4,146	2,944	3,178
Scale-up	718	768	1,255	609	3,184	11,471	5,627	3,285	3,350
Unknown	-	-	-	0	7	15	92	-	0
By deal size (count)									
<100 EUR million	146	118	157	114	636	903	977	722	535
≥ 100 - 250 EUR million	5	3	4	3	7	30	20	13	15
≥ 250 EUR million	-	1	1	-	1	12	4	2	2
unknown	246	77	165	367	516	657	517	399	855
Deal volume by investor location (EUR million)**									
Germany	504	667	537	367	1,795	4,213	2,898	2,479	2,076
France	139	38	53	126	152	487	537	193	357
EU-27 rest	255	179	255	169	557	1,508	1,070	838	858
UK	133	194	153	133	725	1,581	898	680	614
USA	561	377	991	270	1,297	7,431	3,017	1,690	2,199
RoW	285	189	339	173	910	3,147	1,864	909	987
Unknown	25	19	72	164	324	576	731	307	280

Source: Dealroom.co (as at 02.01.2025).

Note: The evaluations are based on Dealroom.co. The figures may differ from other data sources. They are based on the cut-off date and may even change retroactively through the addition of new data. The following financing stages/occasions are counted as venture capital deals: The following financing stages/occasions are counted as venture capital deals: Angel and seed (phase: 'seed'), Series A / Round 1, Series B / Round 2 and early VC (phase: 'start-up'), Series C+ / Round 2+, growth, late VC and megarounds+ (phase: 'scale-up') and deals with unknown financing round. Grants, support programmes, media for equity and venture debt are not included.

* Only deals that specify deal volume; ** approximated under the assumption that investments are equally distributed among all investors in each deal.

Annex (2)

Deals

Industries	Deal count				2020	Share of deals (%)			
	2024 Q1	2024 Q2	2024 Q3	2024 Q4		2021	2022	2023	2024
Health	51	26	51	76	13 %	13 %	13 %	12 %	14 %
Enterprise Software	43	22	33	44	12 %	14 %	11 %	12 %	10 %
Energy	51	24	25	46	10 %	10 %	9 %	10 %	10 %
Fintech	42	19	31	45	5 %	7 %	8 %	11 %	10 %
Food	23	10	23	33	6 %	7 %	7 %	7 %	6 %
Transportation	22	15	17	25	7 %	5 %	7 %	5 %	6 %
Marketing	13	9	9	17	5 %	5 %	5 %	4 %	3 %
Real Estate	11	6	9	14	4 %	4 %	4 %	2 %	3 %
Security	19	7	12	19	4 %	4 %	4 %	4 %	4 %
Media	7	1	6	12	3 %	2 %	3 %	1 %	2 %
Education	4	8	4	7	3 %	3 %	3 %	2 %	2 %
Robotics	7	3	8	8	3 %	2 %	2 %	2 %	2 %
Travel	11	6	8	16	3 %	3 %	2 %	3 %	3 %
Jobs Recruitment	4	5	9	6	2 %	1 %	2 %	2 %	2 %
Fashion	5	3	9	8	2 %	2 %	2 %	2 %	2 %
Gaming	3	2	1	3	1 %	1 %	1 %	2 %	1 %
Other	81	33	72	105	17 %	17 %	18 %	19 %	21 %

Source: Dealroom.co (as at 02.01.2025).

Note: The evaluations are based on Dealroom.co. The figures may differ from other data sources. They are based on the cut-off date and may even change retroactively through the addition of new data. The following financing stages/occasions are counted as venture capital deals: Angel and seed (phase: 'seed'), Series A / Round 1, Series B / Round 2 and early VC (phase: 'start-up'), Series C+ / Round 2+, growth, late VC and megarounds+ (phase: 'scale-up') and deals with unknown financing round. Grants, support programmes, media for equity and venture debt are not included.

Annex (3)

Deals (Artificial Intelligence)

	2024	2024	2024	2024	2020	2021	2022	2023	2024
Market overall	Q1	Q2	Q3	Q4					
Volume (EUR millions)	209	623	765	239	672	2.618	1.617	1.527	1.836
Number of deals	77	42	50	75	183	293	219	209	244
Deal size* (Ø, EUR million)	5	23	25	7	6	16	11	10	14

Source: Dealroom.co (as at 02.01.2025).

Note: The evaluations are based on Dealroom.co. The figures may differ from other data sources. They are based on the cut-off date and may even change retroactively through the addition of new data. Artificial intelligence (AI) is a cross-cutting (vertical) technology that comprises both hardware and software and is developed and used in a range of industries. AI technologies mainly include machine learning, computer vision and natural language processing. The following financing stages/occasions are counted as venture capital deals: Angel and seed (phase: 'seed'), Series A / Round 1, Series B / Round 2 and early VC (phase: 'start-up'), Series C+ / Round 2+, growth, late VC and megarounds+ (phase: 'scale-up') and deals with unknown financing round. Grants, support programmes, media for equity and venture debt are not included.

* Only deals that specify deal volume.

Annex (4)

Benchmarks

	2024	2024	2024	2024	2020	2021	2022	2023	2024
USD million	Q1	Q2	Q3	Q4					
Germany	2,094	1,829	2,639	1,543	6,338	20,837	12,116	7,805	8,106
France	1,781	2,363	1,603	1,876	5,983	13,545	16,113	9,259	7,624
EU-27 rest	8,332	7,754	7,230	7,653	24,914	67,046	54,897	32,555	30,968
UK	3,838	5,250	2,957	4,123	17,154	37,811	30,021	18,212	16,168
USA	37,771	42,782	40,136	60,176	171,965	355,171	241,274	146,428	180,864
as share of GDP (%)									
Germany					0.16%	0.49%	0.30%	0.18%	0.18%
France					0.23%	0.46%	0.58%	0.31%	0.24%
EU-27 rest					0.16%	0.39%	0.33%	0.18%	0.16%
UK					0.64%	1.20%	0.97%	0.54%	0.46%
USA					0.81%	1.51%	0.94%	0.54%	0.63%

Source: Dealroom.co (as at 02.01.2025), IMF and own calculations.

Source: Dealroom.co (as at 02.01.2025).

Note: The evaluations are based on Dealroom.co. The figures may differ from other data sources. They are based on the cut-off date and may even change retroactively through the addition of new data. . The following financing stages/occasions are counted as venture capital deals: Angel and seed (phase: "seed"), Series A / Round 1, Series B / Round 2 und Early VC (phase: "start-up"), Series C+ / Round 2+, growth, late VC and megarounds+ (phase: 'scale-up') and deals with unknown financing round.

Grants, support programmes, media for equity and venture debt are not included.

Annex (5)

Exits

	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2020	2021	2022	2023	2024
IPO	-	-	3	-	6	11	3	1	3
Buyout	2	5	2	2	9	13	13	9	11
Acquisition	34	32	27	38	67	107	112	123	131

Source: Dealroom.co (as at 02.01.2025).

Note: Due to methodological changes at the data provider Dealroom.co, the figures presented here are not directly comparable with previous editions of the KfW VC Dashboard. Purchases and majority shareholdings (50%-100%) are counted as acquisition; buyout: mentioned as 30%-100% takeover by private equity firms, or as 'buyout' in the transaction.

Venture Debt

	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2020	2021	2022	2023	2024
Market overall									
Volume (EUR million)	1,715	228	268	2,488	811	3,992	3,698	674	4,699
Number of deals	8	6	15	14	17	31	45	31	43
Deal size* (Median, EUR million)	100	18	13	40	20	67	15	24	32
By deal size (count)									
<100 EUR million	3	4	12	7	15	15	34	24	26
≥ 100 - 250 EUR million	3	1	-	2	2	5	1	-	6
≥ 250 EUR million	2	-	-	3	-	6	6	-	5
Unknown	-	1	3	2	-	5	4	7	6

Source: Dealroom.co (as at 02.01.2025)

Note: The definition of venture debt follows Dealroom.co and SVB (2020): European VC Pulse Check H1 2022. It captures debt capital transactions of banks and non-banks to young growth-oriented enterprises. We exclude lending capital –loans to FinTech and other platforms collateralized by assets (SME loans, real estate, etc.).

* Only deals that specify deal volume.

Published by:

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