About Startup Europe Partnership (SEP)

Established by the European Commission in January 2014 at the World Economic Forum in Davos, SEP is the first pan-European open innovation platform dedicated to transforming European startups into scaleups by linking them with global corporations and stock exchanges.

By participating in the SEP program, global companies have access to the best technologies and companies with the goal of initiating business partnerships and venture corporate investments. Scaleups are exposed to qualified sales/strategic opportunities as well as funding options either via venture capital, private placements or IPOs.

SEP is led by Mind the Bridge, a global organization based in Europe and Silicon Valley.

SEP is a Startup Europe initiative. Partners include leading corporates and the European Investment Fund/European Investment Bank Group, London Stock Exchange Group, Nesta, EBAN, European Startup Network, The ScaleUp Institute.

For more info:

http://startupeuropepartnership.eu | @sep_eu
It is great to see that our efforts to get Europe back in the lead of global innovation are starting to pay off with strong growth in both start-ups and scale-ups. This paints a picture of a European ecosystem which is not only catching up with other regions but also charting its own course towards success.

Carlos Moedas
EU Commissioner for Research, Science and Innovation
Scaleup Europe Is Finally Taking Off!

by Alberto Onetti, Chairman, Mind the Bridge

Sustained growth.
That is, growth which can be expected to continue. The world of startups is obsessed by this concept.

If we look at the numbers of the European startup ecosystem we, finally, spotted a sustained growth pattern. The efforts put in place in the last few years to support the startup ecosystems in Europe seem to finally pay off.

The number of European scaleups have been growing consistently by 20% year after year on an average (+13% in 2018). This means Europe added about 1,400 new scaleups in 2018.

This growth pattern is even more visible in terms of capital invested.
In 2017, we witnessed a remarkable step-up.

The capital invested into European scaleups jumped to $22B from approximately $14B average from the previous 3 years (2014-2016). The headline for 2018 is that the capital invested has almost doubled, breaking the $40B barrier of capital poured into scaleup ecosystem.

The other piece of news is that the growth in capital invested does not come only from venture capital (increased by over $4B). Over $13B come from the stock markets (mostly driven by Spotify and Adyen IPOs) and additional $2.8B through cryptos (ICOs).
The gap with the US remains huge with 3 times more number of scaleups and 6 times more number of investments. China has surpassed Europe with 40% more scaleups fueled by over 2.5 times the capital.

Then, a classical “Good News, Bad News” situation.

Europe is growing, but it needs to accelerate faster. And to do it, the recipe is clear: more investments are required. The current level (at 0.53% of GDP) is obviously insufficient, especially when China invests 1.34% and the US 3.58%. It goes without saying that Europe has multiple ways through which scaleups in its ecosystems behave according to their given situations, unlike in the US where growth routes are standardized and there is an expected plan of exit for every startup.

The following sections of this report as well as in the dedicated in-depth country reports, we will go deeper into where the growth is taking place by geography and by vertical. As with many of such analysis efforts, we have tried to understand the country and region trends as well as their alternative financing options and scaleup growth paths because there is (not yet or) no specific way for tech companies to scale up in Europe.
Comparing World’s Ecosystems

Europe is growing. This is a fact. But where it stands compared to international benchmarks, which of course means the US and China in the case of large economies?

Figure 3
Europe vs. US

As of 2018, we tracked 22,910 scaleups in the US that is over 3 times higher than Europe. This results in a density number of 7 scaleups per 100K inhabitants which is well above the 1.2 per 100K inhabitants of the Old Continent. This gap only widens when factoring in the total capital raised. The US scaleups have raised $731B since inception, about 6 times more than the amount raised by their European counterparts. Regarding commitment, meaning the percentage of GDP invested, once again the US shines with investments in scaleups equalling 3.58% of GDP. That is almost 7 times more compared to 0.53% in Europe. The gap remains huge, but it is slowly narrowing year over year. In 2018, Europe produced almost 1,400 scaleups (vs. 2,150 in the US) and invested $41B (vs. $73B in the US). The delta was enormous in the previous years.

Figure 4
Europe vs. China

Starting 2019, we extended our research perimeter to include China. As of 2018, we tracked 9,935 scaleups in China which was about 40% higher than Europe. China has a huge advantage when factoring in for the capital raised. The Chinese scaleups have raised $337B, that is 2.7 times greater than the amount raised in Europe. Relatively, the investments in Chinese scaleups equal 1.34% of GDP which is 2.5 times higher than Europe.
As we are comparing the world’s tech innovation hubs, it is also worth to dive into Israel the "Startup nation", and Silicon Valley.

**Israel scores better than all European ecosystems (except the UK)** in the scaleup population size with 1,156 tech scaleups and $18.8B in capital raised. Israel is a tiny country and market, and tech scaleups headquartered in the “Startup Nation” are born global by definition. This strongly impacts on the scaleup density ratio (13.6 scaleups per 100k residents) and GDP invested in scaleups (5.6% of GDP), which are better than the US.

The most impressive is the comparison with Silicon Valley. The San Francisco Bay Area by itself accounts for roughly the same number of scaleups as of the entire European continent, however, it attracted 2.5 times more investments, and it compares closely to China as a whole. It is no surprise that this relatively small region acts as the world epicenter of innovation showing outstanding concentration rates. **More than half (60.7%) of the GDP of the region is invested in tech**, while there are about 83 scaleups for each 100k residents. **Silicon Valley is literally a solo runner**, with ratios that are not even comparable to those of Europe.
7,034
Number of Scaleups

$125.6B
Capital Raised

TECH SCALEUP EUROPE 2019
The Traditional Powerhouses Are the Major Players in the Scaleup Economy
But Southern Europe Seems to Accelerate.

The regional averages confirm that the states of the Central and Northern regions have the strongest performance.

The whole of British Isles outpace the rest of Europe with about 35% of scaleups and capital raised versus 12% of the population and 14% of GDP. Though they represent 28% of the European population and 36% of GDP, the Central States led by France and Germany contribute to “only” 27% of scaleups and 30% of investments. On the contrary, the Nordics overperform considering their relative size (5% of Europe’s population and 6% of the GDP) with 16% of scaleups and 19% of capital invested. The Baltics follow a similar pattern: despite the fact that they represent less than 1% of the continent’s GDP and population, they produce 1.5% of scaleups and 1.2% of capital.

Southern Europe is once again dragging its feet in the innovation wave, with 10% of scaleups and 6% of capital raised regardless of their 20%+ share in Europe’s GDP and population. Eastern Europe’s potential is still to be exploited. Their current share (4% of companies and 1.8% of capital) do not reflect the potential represented by their 161 million population (27% of total) and 3.5 trillion GDP (15% of total).

It is to be noted that:

◆ Southern and Eastern Europe (as well as the Baltics) show a situation of relative undercapitalization compared to the other European regions: as an average, they have a lower share in capital raised than number of companies.

◆ Southern Europe is definitely seeing momentum, being the European region that showed the largest relative growth in number of scaleups (+44% compared to last year increase), followed by the British Isles (+29%, even more remarkable increase considering the large base), and the Baltics (+27%).

◆ All the regions added more new scaleups compared to prior year, with two exceptions: the Nordics (-19%) and Eastern Europe (-10%).

◆ The new capital invested into scaleups all over Europe was higher compared to prior year. On this front, the Nordics (+500%, though the increase is mostly driven by Spotify IPO), Benelux (+418%, figure quite impacted by Adyen IPO), Southern Europe (+189%), Baltics (+75%) and British Isles (+42%) show the best performances.

Scaleup Europe Country Index 2019

We continue to see the importance of traditional economic powers in the European innovation scene and cannot understate that the strongest economies and - inside them - the largest city hubs’ continue to produce the most scaleups. Among these major players, the UK continues to lead the pack, adding 519 scaleups to its population for a total of 2,217 (32% of the total), clearly unhindered by Brexit talks in the meantime.

It is followed by France (859 scaleups, the 12%), Germany (649, the 9%), and Sweden (542, the 8%).

It is also important to consider the money involved, and in terms of capital raised the picture looks slightly different.

1 - Mind the Bridge, StartupCity Hubs in Europe - 2018 Report, Brussels, November 2018.
<table>
<thead>
<tr>
<th>Country</th>
<th>Rank</th>
<th>Scaleups/Capital Raised</th>
</tr>
</thead>
<tbody>
<tr>
<td>FRANCE</td>
<td>1</td>
<td>859 $12.7B</td>
</tr>
<tr>
<td>GERMANY</td>
<td>2</td>
<td>649 $18.7B</td>
</tr>
<tr>
<td>SWITZERLAND</td>
<td>3</td>
<td>317 $17.5B</td>
</tr>
<tr>
<td>SWEDEN</td>
<td>4</td>
<td>542 $18.7B</td>
</tr>
<tr>
<td>ITALY</td>
<td>5</td>
<td>317 $5.5B</td>
</tr>
<tr>
<td>DENMARK</td>
<td>6</td>
<td>222 $3.6B</td>
</tr>
<tr>
<td>FINLAND</td>
<td>7</td>
<td>208 $2.5B</td>
</tr>
<tr>
<td>NETHERLANDS</td>
<td>8</td>
<td>277 $7.6B</td>
</tr>
<tr>
<td>UK</td>
<td>9</td>
<td>256 $18.7B</td>
</tr>
<tr>
<td>SPAIN</td>
<td>10</td>
<td>222 $3.6B</td>
</tr>
<tr>
<td>AUSTRIA</td>
<td>11</td>
<td>208 $1.8B</td>
</tr>
<tr>
<td>PORTUGAL</td>
<td>12</td>
<td>173 $2.2B</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>13</td>
<td>159 $1.4B</td>
</tr>
<tr>
<td>NORWAY</td>
<td>14</td>
<td>132 $1.6B</td>
</tr>
<tr>
<td>AUSTRIA</td>
<td>15</td>
<td>79 $0.7B</td>
</tr>
<tr>
<td>POLAND</td>
<td>16</td>
<td>78 $0.7B</td>
</tr>
<tr>
<td>PORTUGAL</td>
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<td>75 $0.6B</td>
</tr>
<tr>
<td>ESTONIA</td>
<td>18</td>
<td>60 $0.9B</td>
</tr>
<tr>
<td>GREECE</td>
<td>19</td>
<td>48 $0.4B</td>
</tr>
<tr>
<td>ICELAND</td>
<td>20</td>
<td>41 $0.5B</td>
</tr>
<tr>
<td>HUNGARY</td>
<td>21</td>
<td>39 $0.4B</td>
</tr>
<tr>
<td>CZECH REP.</td>
<td>22</td>
<td>37 $0.2B</td>
</tr>
<tr>
<td>UKRAINE</td>
<td>23</td>
<td>32 $0.2B</td>
</tr>
<tr>
<td>LUXEMBOURG</td>
<td>24</td>
<td>29 $0.8B</td>
</tr>
<tr>
<td>LITHUANIA</td>
<td>25</td>
<td>28 $0.5B</td>
</tr>
<tr>
<td>ROMANIA</td>
<td>26</td>
<td>24 $0.4B</td>
</tr>
</tbody>
</table>

- **Number of Scaleups**
- **Capital Raised ($B)**
- **Ranking Change (2018 vs. 2017)**
The UK still dominates with $39.5B (31% of total capital invested into scaleups). Germany ($18.7B, 18%) precedes Sweden ($17.5B, 14%), France ($12.7B, 10%) and the Netherlands ($7.6B, 6%). Switzerland ($5.5B, 4%), Spain ($4B, 3%), and Ireland ($3.6B) follow them.

Sweden hopping France, and the Netherlands passing Spain and Switzerland - when considering capital raised - have the most noticeable change since last year. This is mostly due to oversize IPOs of Spotify ($9.2B) and Adyen ($1.1B).

We have observed a tendency few times in our country-specific reports on scaleup ecosystems for the "rich to get richer" or "the winner takes it all", and it is noticeable here at a European level as well. The top 3 countries (Germany, France, and the UK) combine for a total of 53% of the scaleup population of Europe, demonstrating a clear dominance among European scaleup ecosystems. Moreover, when combined, they account for 56% of the total amount of funding, a highly impressive figure.

If we add Sweden to the top 3s club, the figures go up to 61% and 70% respectively.

The mid-level group of 9 countries with a number of scaleups in the 100-300 range includes Switzerland ($5.5B in capital raised, but strongly impacted by the ICO channel), Spain ($4B), Netherlands ($7.6B), Finland ($2.5B), Ireland ($3.6B), Italy ($1.8B), Denmark ($2.2B), Belgium ($1.4B), and Norway ($1.6B). Standing below that are the emerging ecosystems (around 50-75 scaleups each): Austria, Poland, Portugal, and Estonia at around the $600-900M threshold in fundraising.

Standing below that are the emerging ecosystems (around 50-75 scaleups each): Greece, Iceland, Hungary, Czech Republic, Ukraine, Lithuania, and Romania complete the list of the top 25 Scaleup countries with about 25-50 scaleups each and $200-500M in capital raised. An exception in this group is represented by Luxembourg, whose larger amount of capital raised ($800M) is partially biased by the presence of Global Fashion Group, which alone raised $563M.

**Top Country Performers**

Comparing 2018 to 2017, some countries accelerated their growth path in new scaleups and new investments. The performance of the UK in 2018 was quite impressive. We registered 519 new scaleups, that is about 40% more than the number of scaleups that were added the prior year (373 in 2017). We also observed a solid 44% growth in capital raised: $11.4B vs $7.9B in 2017 that is a $3.5B increase.

**France grew in capital** ($1.6B more than 2017) and lowered in the number of companies with only 7 new scaleups compared to prior year. Our forecast for France is bullish since the progress in capital increase typically produces results in the mid term.

**For Germany, 2018 has been a flat year** with a slight increase in investments (from $3.9B to $4B) and a relatively lower in the number of new scaleups (117 vs 130 in 2017).

Sweden’s and Netherlands’ increased leap in capital has been driven by the IPOs of their super scalers (Spotify and Adyen), although, Sweden showed a significant slow-down in the number of new scaleups (only 50 compared to 126 in the prior year), while the Netherlands showed further growth (64 vs 55 in 2017).

Among the other countries, Spain, Denmark, Estonia, and Norway showed good progress both in the number of new scaleups and capital raised, while Italy, Belgium, and Ireland are stuck at prior year levels.
To best measure the innovation ecosystem of Europe in comparison to the size of the overall economy, it is useful to relate the funding raised as a percentage of GDP, which we define as “scaleup investing ratio”. This year the 7,034 tech scaleups we tracked across 45 countries have collectively raised about $125.6B in funding, equal to 0.53% of Europe’s GDP. This represents a further 17% increase over last year’s number of 0.45% of GDP invested.

Comparing the capital raised to GDP allows us to take measure of the “commitment” of Europe to the innovation economy, and track changes in this commitment as the percentage fluctuates, hopefully in an upward direction.

The following section will provide in-depth details as to who contributed the most in this regard, and which countries have shown the most commitment, as measured by their percentage of GDP invested in scaleups.

An additional metric we regularly track is the “scaleup density ratio”, that takes into account the population of a country and the presence of scaleups there. This year, European ecosystems have shown consistency in their growth, with 1.2 scaleups per 100k residents, raising from 1 in the previous year.

There is a spread across these averages of scaleup density and investments, as shown on the matrix with the averages at the center.
In the top right quadrant we find ecosystems characterized by many scaleups and large amount of financing (both above the European average).

Unsurprisingly, the UK is located there and is joined by smaller countries that are also outperforming the European average. Although the size of the countries varies, with Sweden being the next largest, the group is mostly composed by Nordic countries (plus Switzerland and the Netherlands). The situation of the Baltic countries is also highly remarkable, with Estonia among the top performers and Lithuania just slightly behind the average in terms of number of scaleups.

Both France and Germany show amounts of investments lower than the average. France is positioned quite close to the center due to a larger scaleup population (in line with the European average). Germany appears behind the European average both for number of scaleups and capital raised.

The lower left sector includes those countries that underperform the average value both in percentage of GDP invested and number of scaleups per capita. All main Southern European countries (Spain, Italy and Portugal) are present here, with Italy, one of the largest European economies, being outperformed by almost all other ecosystems. As expected, many emerging ecosystems, more specifically Eastern European countries, underperform the average results despite their relatively impressive growth.

Austria, Spain, and Portugal appear to be ahead of the others in taking steps towards the center. Belgium and Norway just need to close the gap in terms of capital invested.
Do You Want a Scaleup Nation? Build Startup Champions

By analyzing the movements of countries in the matrix along the years, we observe a convergence to a linear distribution. Emerging countries typically move up initially rather than right. This means that they initially have a more diluted market for the amount of capital available, i.e. a population of small scaleups.

As quality startups emerge, the investment gap begins to narrow owing to more scaleups that able to raise larger amounts of money.

Then, the policy recommendation is to focus on creating startup champions rather than enlarging the base by spreading capital among multiple companies. This will drive the further growth of the ecosystem.

2018, The Year of IPOs

Scaleups generally raise money through three different channels of funding: the venture capital channel (VC), the stock market through initial public offering (IPO) and the new, likely a bit inflated, method of ICO (Initial Coin Offering).

Our data shows that $93.2B of capital poured into European scaleups comes from venture capital and private investors, by far the large majority (74%) of the total capital.

European scaleups are still mostly depending on venture capital. $22.6B new capital was invested by VCs in 2018.

That said, in 2018 the relative percentage of VC funding declined in favour of other channels: IPOs and ICOs, both showing a significant increase.
The IPO channel plays a key role in a startup ecosystem. On the one hand, it provides scaleups the capital needed for fueling significant organic growth; on the other hand, **IPOs offer exit opportunities to VCs and investors**. However, the total capital that European scaleups were able to secure through the stock market is still marginal. As of the end of 2018, slightly more than $25B (20% of the capital raised by scaleups) comes from stock markets through IPOs. This is the elephant in the European scaleup room.

As shown in our latest report focused on Tech IPOs², **only 2.6% of the European tech scaleups have gone public**.

And not all of the IPO money comes from Europe as 49% of the capital has been raised on the US stock markets.

However, 2018 seems to be a turning point as $13.7B was raised by European scaleups through IPOs last year, doubling more than the overall amount secured as of December 2017.

Whether 2018 has been, similarly to 2014³, an exceptional year triggered by a few huge IPOs ($9B+ for Spotify plus Adyen, Farfetch and Neon - all around $1B) or a new season characterized by a larger adoption of the IPO channel by European scaleups (e.g. Elastic, Funding Circle, Ocado, Westling, Home 24, Sumo Group, ...), it deserves to be monitored over time.

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3 - 2014 figure is impacted by several large IPOs: IHS Markit ($1.3B), AO World ($0.7B), Zalando ($0.7B), Zoopla ($0.6B), Odigeo ($0.5B), Boohoo ($0.5B), and King.com ($0.3B).
## ICOs: Bubble or Not?

Cryptocurrencies and related Initial Coin Offerings (ICOs) have been the new kids on the block since 2016.

At the time, scaleups also started to exploit cryptocurrencies as a new way of financing. While, before 2017, only a few hundred million dollars were collected through ICOs ($0.2B), in 2017 this channel literally boomed with $2.2B raised. And, in 2018, the capital secured through ICOs over doubled ($4.8B), bringing the total amount to $7.2B (6% of the total).

**As of the end of December 2018, 4.3% of European scaleups have completed an ICO.**

Surprisingly, if we look at the geographies where the largest ICOs happened, we find an unusual picture. After a year of dominance by the “Crypto Valley” of Switzerland, the UK regains the top spot in the chart. **The British Isles raised 40% ($2.9B) of the total ICO capital, a big jump from about $0.3B total of last year, though it is relatively biased by the large offerings including Telegram Messenger4 and Sirin Labs.**

Switzerland follows with $1.9B, 35% of total, up from last year’s total of $1.3B (which represented 30% of total).

ICOs have proven to be a very interesting substitute for the first round of financing of tech scaleups.

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4 - Several companies that raise funds through ICO provide cyber security and online privacy-related products and services. It is not uncommon for them to share the characteristics of the “liquid company”, where employees operate remotely from several countries globally. Telegram makes no exception. Founded in 2013 by the two Russian brothers Nikolai and Pavel Durov (former founders of VK), Telegram is registered as a British entity. See methodology for further details.
Eastern European and Baltic scaleups are surely taking advantage of this, as they cumulatively raised over $1.2B by selling cryptos. To be specific, the surge on the emerging scaleup scene for a few Eastern European countries is almost entirely powered by coin offerings. This is in the case of countries such as Croatia, Slovenia, and Serbia, where over 90% of capital raised comes from ICOs. In the Baltics, in the last two years, more capital was raised through ICOs than through VCs. On the contrary, Southern and Nordic countries continue to be quite late to the ICO game.

On an average, the ICO channel provides 4.6 times higher capital (an average of $24.2M), than the generic series A backed by traditional VCs ($5.2M on average).

Another benefit scaleups are leveraging from ICOs is speed, which is as important as availability in startup funding. European scaleups on an average take 3.2 years to complete the Series A financing, and almost 8 years to go public. The ICO path is much faster.

On an average, tech scaleups looking at trading on the cryptocurrency markets file for an ICO in 1.3 years since inception. Only time will decide whether this speed is a trending phenomenon or if it will become the norm for ICOs.

### Figure 14
2018 TOP EUROPEAN TECH ICOs

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>HQ</th>
<th>ICO Funding ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telegram</td>
<td>London</td>
<td>London</td>
<td>$1,700M</td>
</tr>
<tr>
<td>DFINITY</td>
<td>Zug</td>
<td>Zug</td>
<td>$195M</td>
</tr>
<tr>
<td>SIRIN LABS</td>
<td>London</td>
<td>London</td>
<td>$158M</td>
</tr>
<tr>
<td>BANKERA</td>
<td>Vilnius</td>
<td>Vilnius</td>
<td>$152M</td>
</tr>
<tr>
<td>PumaPay</td>
<td>Limassol</td>
<td>Limassol</td>
<td>$117M</td>
</tr>
<tr>
<td>FlashToken</td>
<td>Lisbon</td>
<td>Lisbon</td>
<td>$72M</td>
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<tr>
<td>London Football Exchange</td>
<td>London</td>
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<td>cryptosolar tech</td>
<td>Malaga</td>
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<td>Sensirion</td>
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<td>Zug</td>
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<td>$52M</td>
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<tr>
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<td>London</td>
<td>London</td>
<td>$50M</td>
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<tr>
<td>online</td>
<td>Bucharest</td>
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<td>Hamburg</td>
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<td>savedroid</td>
<td>Frankfurt</td>
<td>Frankfurt</td>
<td>$50M</td>
</tr>
<tr>
<td>SwissBorg</td>
<td>Lausanne</td>
<td>Lausanne</td>
<td>$50M</td>
</tr>
</tbody>
</table>
We need to take extra precaution while reading the numbers about capital raised through ICOs.

As described in the Infographic below, money raised by startups through ICOs is not necessarily fully available to the company (due to the hefty commission percentage of 10-15% required to convert crypto into regular currencies) and it is exposed to potentially relevant price fluctuations.

Based on our analysis, the average depreciation of cryptocurrencies has been over 40% by the end of 2018 since offering. That means that, of the $7.2B raised by European scaleups until the end of 2018, the amount actually "available" for operations is lower than $3.5B.

Focus: ICOs

Crypto offerings have proven to be a unique alternative channel of financing for European scaleups. Though below there are some key aspects to be factored.

- It has become relevant by providing over $7B for financing in Europe.
- It is growing fast with only $37M in 2016 while nearly absent in 2015.
- Europe together with the Far-East (Singapore/Hong Kong) plays a leading role in ICOs until they are regulated by SEC in the US. In China ICOs are officially banned.
- ICOs are “democratising” fundraising as they are accessible by scaleups in geographies (e.g. Eastern Europe and the Baltics, where they represent respectively 28% and 40% of capital raised by local scaleups, an increasing percentage since last year) where the traditional funding channels (VC and IPOs) are not well developed.

On the other hand, there are also a similar number of concerns:

- It remains unclear if and at what pace the ICO growth will continue and how this will impact other funding channels.
- We must also assess the issue of scam or inauthentic ICOs (currently estimated at a rough 5%).
- Money raised through an ICO is not necessarily fully available to the company and it is exposed to potential relevant price fluctuations.
  - Exchanging large amount of crypto into fiat, which is still the currency most companies use to pay employees and contractors, is pretty much impossible at this time due to regulatory concerns, and it is therefore necessary to resort to OTC players. Such exchanges take a hefty commission percentage to convert crypto into fiat (5% to 15%).
  - Additionally, there is a psychological barrier in exchanging crypto into fiat, for crypto entrepreneurs. Finally, the capital raised is exposed to huge price fluctuations.

Holding Crypto

A company which has ICO’d not holding their coin may send a signal to the market about their beliefs on the validity of their currency (that includes Bitcoin and Ethereum, of course). Entrepreneurs do not want to be singled out by their community, so there is a trade-off. The difficulty is also enhanced because all transactions on the blockchain are public, a company selling millions of dollars of the proceedings in an ICO, is visible to everyone (it is different for private sales, of course, but ICOs are public events).

Converting Crypto

If a person raises $20M in crypto, and exchanges them immediately into dollars, assuming s/he finds an exchange that is willing to exchange for big sums, the result would be ($20M - commission) equaling to $18M. If s/he does not convert them, then the following month his/her holding position might be $5M, or $40M.

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5 - See: http://www.nifa.org.cn
*Powa (GBR) and Green Apple Media (IRE) are not included (closed)
Super Scalers ($1B+ raised)
Spotify Leads the Super Scalers Pack

In line with our methodology, rather than looking for Unicorns (i.e., companies with valuation higher than one billion dollar), we have analysed the “Scalers”, i.e., tech scaleups who have raised $100M+. By choosing this approach we are valuing the capital available for investments over theoretical valuations. In 2018, 50 scaleups crossed the $100M bar of capital raised and turned into scalers.

In total, we have now 184 scalers in Europe versus the 134 we counted last year. Though these giants represent only a small part (2.6%) of the scaleup population, they are the powerhouses. They cumulatively raised slightly closer to $63.4B that is about half the total capital made available to European tech scaleups. The UK spawned the highest number of scalers (55) representing 1/3rd of the total. Germany follows with 30 scalers, almost one out of five. The third place in the ranking is held by France (20), with Switzerland following with 16 scalers. It is worth noting that half (8) of Swiss scalers leveraged the ICO channel, collecting $1.2B altogether.

In Europe, there are 11 companies that raised more than $1B in funding (or closer to it).

We call them “Super Scalers”.

Only 4 countries in Europe have “super scalers”: Germany, Netherlands, the UK, and Sweden. In 2018, 6 new members were admitted to this club of which 3 are Dutch.

The fintech Adyen crossed the $1B barrier going public on the Euronext in Amsterdam. The energy company Lithium Werks raised $1.3B from a pool of Chinese investors, while the food delivery platform TakeAway.com raised north of $0.7B.

Other new kids on the block include Farfetch, the British fashion-tech giant “with Portuguese blood”, whose successful $0.9B IPO matched and surpasses its previous total VC funding, Telegram Messenger (British entity with Russian founders), a rather unique case in the ICO scene ($1.7B raised), and Auto1group (the German autotech/e-commerce platform), which joined the ranks thanks to the $0.5B capital injection by Japanese giant Softbank.

Last but not least to be mentioned is Spotify, whose gargantuan IPO ($9.2B raised on the NYSE) is the real news of the year for Scaleup Europe.

6 - France is still missing from the “premier league”, though companies such as Neoen ($0.7B), Deezer ($446M), BlaBlaCar ($427M), Showroomprive ($329M), Sigfox ($311M) and Criteo ($311M) are candidates to cross the billion line.

The European Single Market Exists… in Startup Fundraising

Mapping the flows of capital in and out of European member states is a relevant endeavor to show that scaleups seem capable of fundraising nationally and internationally.

If in 2017, about 40% of VC capital came from domestic investors then in 2018, it rounds with domestic money contributed “only” for 28%. In parallel, 25% of capital invested into scaleups comes from investors from other European countries (it was 11% the year before).

On the other hand, approximately +40% of the capital still comes from outside Europe.

The US investors play a leading role in this case with 26% of overall investments, followed by China (8% - double compared to 2017) and Japan (3%).

Another trend we have seen in prior reports, and still present here is that the rounds led by US investors are less frequent in terms of volume, but have higher average values in terms of size (more than double the amount).

1.5 rounds out of 10 are lead by US investors, but they account for about one quarter of the capital raised by European scaleups.
Deep Tech, Cyber Security Are the Fast-Growing Technologies

**Fintech is by far the largest industry in Scaleup Europe.** Approximately $7.1B was invested with fintech scaleups, a number that’s about 50% more than last year. The standouts in the vertical driving this were Transferwise with $280M raised, Klarna ($250M), and Oaknorth ($120M).

**Cyber Security and Energy & Cleantech are the fastest growing**, with approximately $3B new investments each, about 5 times higher than in 2017.

**On the rise is also Medtech** ($1.9B, tripling the capital raised in 2017). Among the top 10, Retail & E-Commerce, Fashiontech, and Enterprise Software are quite stable and are replicating last year’s performance.

Emerging industries e.g. Insurtech, Autotech, and Industry 4.0 are gaining momentum quickly as they each raised about half a billion dollar in 2018.

Adtech, Digital Travel and traditional Digital Media and Web Platforms (including social media) are definitely losing momentum if we do not take into account the outlying performance of Spotify’s IPO.

If we aggregate companies developing **Deep Tech and AI technologies** across industries (including Machine Learning, Analytics, Data Mining, Natural Language Processing, Human Computer Interaction, etc.), they **attracted $2.1B in investments**.
Mind the Bridge categorizes “Tech Companies” as follows:

“Startup”
<$1M funding raised

“Scaleup”
>$1M funding raised

“Scaler”
>$100M funding raised

“Super Scaler”
>$1B funding raised

“Dual Companies”
Startups founded in one country that relocated their headquarters – and with that part of their value chain – abroad, while maintaining a strong operational presence in their country of origin.

Mind the Bridge defines “Tech Companies” as companies:
- operating in Tech & Digital industries,
- founded in the New Millennium,
- with at least one funding event since 2010.

Biotech, Life Sciences and Pharma, Semiconductors are currently not included in the scope of research.

Categorization of “Tech Companies” is based on capital raised (including both capital raised through private equity and on the stock markets), not on valuation.

It includes:
- All private equity funding rounds (including angel investments, seed capital, series A, B, C, etc…), either coming from VCs and CVCs; funding raised on equity crowdfunding platforms; convertible notes and other equity-based financial instruments.
- Public funding provided in exchange for equity (e.g. specific investments vehicles from the EIB).
- IPO proceeds, at closing price, including over-subscribed shares.
- Capital raised through ICO (exchange rate of cryptos at the day of ICO).

Operations with no new cash entering company’s balance sheet as a number of existing shareholders sell all or a portion of their holding are not considered. This includes e.g. secondary funding rounds, buyouts and buy-ins.

It does not include (but not limited to): public grants, debt financing, product crowdfunding.

Mind the Bridge produces and monitors the following indicators:

“Scaleup Density Ratio”
Number of scaleups per 100K inhabitants.
A measure of density of scaleups in a given ecosystem.

“Scaleup Investing Ratio”
Capital raised by Scaleups as a percentage of GDP.
A measure meant to measure the capital invested in scaleups in a given ecosystem, compared to the size of the overall economy of that country.

“Scaleup Country Index”
Country ranking built upon Scaleup Density Ratio and Scaleup Investing Ratio.
A measure of the overall innovation commitment of a given ecosystem and its ability to produce significant tech players.

“Scaleup (City) Hub Index”
Hub ranking built upon Scaleup Density Ratio and Scaleup Investing Ratio.
A measure of the overall innovation commitment of a given city/tech hub and its ability to produce significant tech players.

“Scaleup Matrix”
The matrix visually compares ecosystems by factoring the Scaleup Density Ratio and Scaleup Investing Ratios.
Other definitions:

“Exit”
Liquidity event that occurred since 2010.

“M&A (Merger & Acquisition)”
For companies that exited via M&A, the valuation is the amount that the company got acquired for.

“IPO (Initial Public Offering)”
For companies that went public, the exit valuation is that on the day of the IPO.

“ICO (Initial Coin Offering)”
A mean of raising capital using cryptocurrencies issued by the company (“tokens”) in exchange for legal tender or other cryptocurrencies such as Bitcoin or Ethereum. Price data converted in US$ at day of sale. Data collected from Tokendata.io, Coinmarketcap.com and other sources including official company documents.

“GDP (Gross Domestic Product)”
Data from IMF (2018, PPP).

“Population”
Data from World Bank, United Nations, Local government and other reliable sources (2018, or most recent census data).

Mind the Bridge data covers the following geographies:

“Continental Europe”
“Tech Scaleup Europe” analyzes scaleups headquartered in 45 Continental European states as listed below. We define European regions as follows:
British Isles: United Kingdom (including Gibraltar, Guernsey and Jersey), Ireland
Central Europe: France, Germany, Switzerland, Austria, Principate of Monaco, Liechtenstein.
Nordics: Denmark, Iceland, Finland, Sweden, Norway.
Southern Europe: Spain, Italy, Portugal, Greece, Malta, Cyprus, Andorra, San Marino, Vatican City.
Benelux: The Netherlands, Belgium, Luxembourg.
Eastern Europe: Poland, Czech Republic, Slovakia, Slovenia, Croatia, Serbia, Bosnia and Herzegovina, Montenegro, Macedonia, Kosovo, Albania, Romania, Bulgaria, Hungary, Moldova, Ukraine, Belarus.
Baltics: Estonia, Lithuania, Latvia.

Mind the Bridge provides international comparisons with the following ecosystems.

“United States of America”
“Tech Scaleup Europe” analyzes scaleups headquartered in all 50 US states.
Overseas territories (e.g. Guam) are not included.
Data collected with the support of Crunchbase and analyzed and reclassified by Mind the Bridge.
The Report has a special focus on the Silicon Valley ecosystem. Refer to “Mind the Bridge, European Innovation Economy in Silicon Valley, September 2018” for further info about methodology.

“China”
The special administrative regions of Hong Kong and Macau are included.
Data collected with the support of Zero2IPO and analyzed and reclassified by Mind the Bridge.

“Israel”
Data collected with the support of StartupNation and analyzed and reclassified by Mind the Bridge.

Preliminary Nature of Data
Research is ongoing and results reported in this report are preliminary and cannot be considered as final.

Mind the Bridge sources of information include the MTB database, business information platforms, portfolios of VC companies, corporate venture units, business angels, accelerators and active seed and early stage funds, crowdfunding platforms, tech competitions and events, and other relevant channels.

Mind the Bridge welcomes contribution from everyone in the startup ecosystems by providing data and indicating cases of scaleup companies and exits to be monitored.

SEP Monitors are published by Mind the Bridge in collaboration with CrESIT.
About Mind the Bridge

Mind the Bridge is a global organization that provides innovation advisory services for corporates and startups. With HQs in San Francisco (CA) and offices in London, Italy, Spain, and Belgium, Mind the Bridge has been working as an international bridge at the intersection between Startups and Corporates since 2007.

Mind the Bridge scouts, filters and works with 3,000+ startups a year supporting global corporations in their innovation quest by driving open innovation initiatives that translate into curated deals with startups (namely POCs, licensing, investments, and/or acquisitions).

Mind the Bridge publishes curated reports on the status of the scaleup ecosystems in different geographies, as well as M&As, IPOs, and innovation market trends in various verticals.

Mind the Bridge has strong partnerships with entities such as the London Stock Exchange and the European Commission, for whom it runs the Startup Europe Partnership (SEP) open innovation platform.

Mind the Bridge is the organizer of the Startup Europe Comes to Silicon Valley (SEC2SV) and Startup Europe Comes to Israel (SEC2IL) missions and the European Innovation Day conference.

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