

VC Spend in DACH startups reaches record high of €2.1B in Q3 2020

Frontline Ventures, an early stage B2B SaaS venture capital firm specialising in global expansion, and Speedinvest, a European venture capital fund for early-stage tech startups, have today released the findings of a report analysing the state of tech and venture capital in Germany, Austria and Switzerland.

The report found that despite the pandemic investors are actively seeking to increase exposure to DACH tech and software startups, from pre-seed to exits, as VC investment in startups almost doubles to €2.1B (\$2.6B) from Q1 to Q3 2020. The data shows that during the same period DACH VCs secured €1.99B (\$2.35B) from LPs, a 25% increase from 2019 indicating that appetite has increased. This year also saw four debut funds with first-time managers in the DACH region raise €900M.

Liquidity in the DACH tech market is also bouncing back with M&A spend in the region already back to pre-pandemic levels in Q4 2020, so far totalling €1.34B (\$1.58B) after a €0.08B (\$0.1B) low in Q1 2020.

“This report dispels many of the myths about the

impact of COVID-19 on the tech ecosystem in the DACH region and Europe as a whole. Despite a temporary valuation slump, VC spend across DACH and wider Europe is at an all time high. Looking at the key players in DACH; at each level of the food chain, from LPs, to VCs, to startups, DACH tech is booming and the increased VC appetite highlighted in this report shows that venture capital in the region remains independent of day-to-day market turmoil, and that the timing has never been better to start a company.” – Helena Cavell, DACH Lead at Frontline Ventures

The report also found that:

Despite the European VC ecosystem maturing, growth capital is dominated by international funds, with growing interest from the US and Asia, while the early-stage landscape is predominantly European and US based.

A growing number of DACH VCs count unicorns in the portfolio or have exited companies at + \$1 billion valuations.

DACH countries lead Europe in R&D spending and filed patents with 2.4m patents filed in 2019 across DACH.

COVID-19 has fuelled fragmentation in local ecosystems. Switzerland is the most fragmented with just 27% of tech investment focused in Basel, while Germany is two-times more concentrated, and Austria three-times more focused.

Switzerland also ranks second in Europe, after the UK, to cumulatively produce the most capital from university spinouts having raised more from spinouts than any other DACH country combined.

“We’re not surprised that tech investors want more exposure to startups from German-speaking markets during the pandemic. When combined, Austria, Germany and Switzerland’s GDPs are larger than the entire US West Coast, and we lead Europe in R&D, filed patents and tech talent. Founders have all the ingredients in place to build game-changing companies, and that’s exactly what we’ve been seeing across multiple sectors.” – Felix Faltin, Principal and Digital Health specialist at Speedinvest

The report forecasts the following predictions for the DACH region in 2021:

Incubator, pre-seed and seed stage funds development will accelerate local startup growth.

New growth capital from Asia and the US will fuel increased competition for deals.

COVID-19 will continue to drive fragmentation with an increase of early-stage startups locating outside standard tech hubs.

DACH R&D will fuel B2B SaaS growth and a new wave of repeat entrepreneurs.

German regulatory shifts (DVG) will further accelerate a digital health boom.

Seed and Series A valuations will continue to grow in line with European trends as valuations inflate.

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