State of European Angel Investing 2024

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Nordic Angels is a private initiative founded by Sweden's leading business angels aimed to develop, strengthen, and streamline the Nordic business sector and startup ecosystem.

As the largest investor network in the Nordics, Nordic Angels mobilizes business angels through digital platforms and physical events.

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Introduction

Globally, venture capital investing took a significant nosedive in 2023, dropping by 35% compared to 2022. Europe's VC ecosystem including angel investors, was not immune to the broader decline, but there were signs of resilience, particularly in fundraising, where the region doubled its share of the global total. Even so, Europe remains far behind the United States in terms of funding. To maintain or surpass its current position, Europe's VC ecosystem will need to make significant changes.

Against this backdrop, Europe's angel investor community played a significant positive role in 2023, attracting record numbers of new angels, and undergoing some consolidation, creating networks with the scale to support startups over a longer term.

Arguably the single most glaring gap between Europe and other regions is the falloff in investments after the seed stage. The region has a robust pipeline of innovation—particularly in deep tech—and accounts for more than 30% of global pre-seed investment but has failed to match the support in the early and late-stage funding rounds.

Given the importance of venture capital and the startups they fund to the broader economy and to economic growth, it is in the best interests of stakeholders across the ecosystem to examine how Europe can regain momentum and create a positive environment for innovation. This imperative is an urgent one, given the very real risk of Europe falling irretrievably behind the United States and China.

VC-backed companies are the strongest creators of jobs in Europe, and the link between a healthy VC ecosystem and the level of innovation in a country is borne out by the numbers: The 10 most innovative countries in 2022 were also among the top 10% of startup environments.

This report looks in depth at the European VC ecosystem, both from a region-wide perspective and through a country-by-country lens. It examines the forces that lead to a supportive environment for startups, details the investment themes emerging in the region (for example, deep tech), and concludes with recommendations to bridge the gap between the US and European VC Ecosystem.

A Challenging Year Across the Board

2023 was a challenging year for the global VC ecosystem as both fundraising and investments fell. In aggregate, global VC investments reached $314 billion in 2023, a decline of 35% compared to 2022. A number of factors contributed to the adverse investing environment, including high interest rates, geopolitical uncertainty, the failure of financial institutions that enabled the VC ecosystem, and a cool-down in tech valuations.

> **Investors are currently being cautious, sitting out the more volatile periods. Valuations, especially in the early tech space, have dropped. Investor protections, including provisions such as downside protection, have become more common.**

— Angel Investor, Netherlands

A tough year all around: However, what didn't change was the dominance of North America among VC ecosystems. The region accounted for roughly half of all global VC investments, with a share declining just slightly from 2022. Both Asia's and Europe's share remained broadly steady.

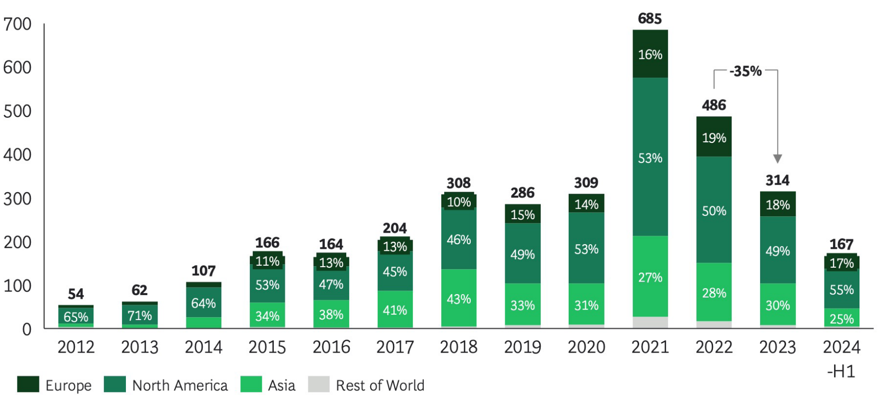
Europe fares better when taking a longer-term view: In 2012, for example, Europe's share of global VC investment was 13%. That share has grown at a 21% CAGR, reaching nearly 20% in 2022. This gradual but striking growth speaks to Europe's robust fundamental strengths—continuing regulatory support, a strong innovation pipeline, advanced academic centers, and a robust talent pipeline.

> **We've seen a growing trend in early-stage investments in Europe and Asia. Platforms like Angel East and Blast are showing that more investors are drawn to early-stage deals, seeking diversification and the opportunity to invest in cutting-edge technologies.**

— Co-founder and CEO,
France based Pan-European VC Investor

Global VC investments dropped in '23; Europe maintained its global share

Total VC investments by region, $B



CAGR	'12–'18	'12 –'23	'18–'20	'20–'23	'21–'22	'22–'23
Europe	27%	21%	18%	10%	-16%	-38%
North America	26%	14%	7%	-2%	-33%	-37%
Asia	57%	24%	-15%	0%	-28%	-29%

- In total, global VC investments summed to $314B in 2023, down -35% compared to 2022
- In line with the historic trend, NA accounts for a dominant global share with ~50% of total VC investments in 2023
- In 2012 Europe's market share was only 13%; it has grown with 21% CAGR (2012–2023), and in 2022 it reached ~20% share
- While Europe's share of global VC is under pressure in 2024, it broadly maintained its standing against North America

Source: Pitchbook, Dealroom, Expert interviews, Analysis by BCG/Nordic Angels

Finally, when it comes to VC fundraising, there is moderately good news and signs of resilience: Europe doubled its share of total global venture capital funds raised from 8% in 2022 to 16% in 2023. This growth occurred over a time period in which total capital raised globally declined by 57%, and the number of investment rounds was down as well, by 9%.

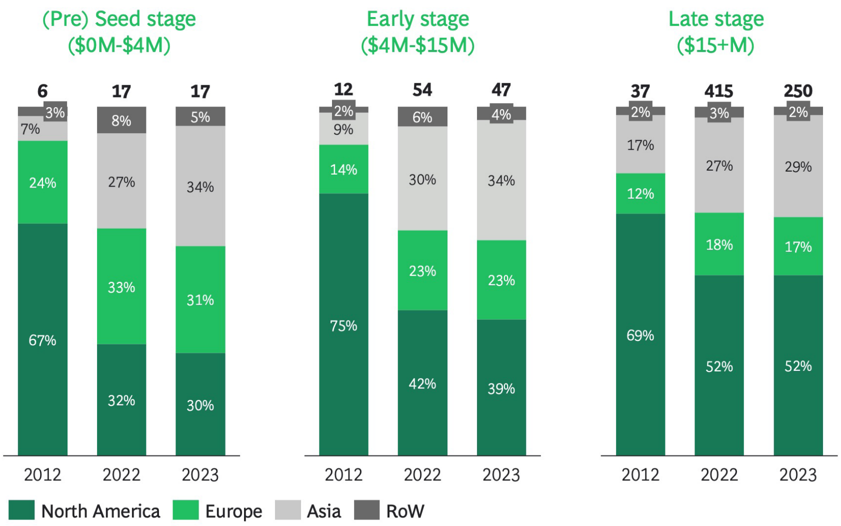
On the investment side, the shorter-term picture is less sanguine. In 2023, Europe lost ground in seed-stage investing, largely due to growth in share from Asia, while early and late-stage share for Europe was flat. The trend appears to be continuing: Data for the first half of 2024 shows Europe losing more ground to North America, dropping to 17% of global investments. Europe's share of new unicorns, another measure of the health of a VC ecosystem, decreased to roughly 14% in 2023, a 63% decline from 2022. (Notably, 8 of the 17 freshly minted European unicorns have angel backing—both through investments and expertise.)

Perhaps more concerning than the overall comparative numbers, Europe's most striking weakness arises in the later VC funding stages. This failure to scale is particularly apparent and worrisome in the deep-tech arena. European startups show much promise—and outsized funding success—in the early stages, only to lose momentum in later stages. There are success stories in Europe—the energy and semiconductors sectors are two—but the overall narrative continues to be one of early promise followed by spotty continuing support. Meanwhile, fintechs and B2B software saw the steepest declines.

> **I've experienced firsthand the challenges that founders face when scaling. My 'eureka' moment came when I realized how critical it is not just to provide funding, but to actively help founders navigate those tough, early growth phases. Every day, I work closely with founders, sharing my experiences and knowledge—whether it's refining their business model, connecting them to a global network, or securing their first round of funding. I also help ensure they have access to a pool of venture capital as they scale internationally. It's a hands-on role, but it's deeply rewarding to help bridge that gap between vision and long-term success.**
>
> — General Partner, Leading European Accelerator

Europe has caught up to the North America in (pre)seed funding and increased its share in early/late-stage funding over the last decade

Global VC investments by region, $B



- Europe's share of global VC funding has increased across the funding stages
- Asia's share of global venture capital grew in 2023, driven by resurgent China (post-covid opening), but has since come under pressure again; Europe maintained its share relative to North America

Source: Pitchbook, Dealroom, Expert interviews, Analysis by BCG/Nordic Angels

A growing concern for the EU venture capital ecosystem is the brain drain of companies and talent to markets like the United States and the Middle East. The challenge of brain drain from Europe to the United States is becoming increasingly pressing, as promising startups often relocate their headquarters to the United States due to a more supportive scale-up ecosystem and easier access to growth capital. Unicorns like Snyk (founded in the UK), Chainalysis (Denmark), Hugging Face (France) moved their HQs or significant operations to the United States, seeking larger markets and investment opportunities. Addressing this concerning trend is essential to retain talent and economic value within Europe.

> **Europe is watching some of its brightest innovators leave. The continent's most innovative ideas are drifting toward places where funding is easier. We need to stop this brain drain. If Europe wants a future shaped by its own innovation, it has to act - now.**

— Andreas Grape
Co-founder and CEO, Nordic Angels

Overall, the European VC landscape holds great promise: a vibrant and dispersed range of hubs drawing on local talent and supportive regulation. Cracking the code on scaling up at least some of the promising seed stage startups, and regaining momentum and share of unicorns, remain the most pressing concerns. Among investors, the angel community in particular can play a significant role in tackling this challenge, positioned as they are to not only invest but guide and mentor promising and innovative young companies.

The Angel Community

Despite the challenges in the broader global VC ecosystem and more locally, the European angel community is flourishing, with increased professionalization, scale, and a growing contribution to the European economy. Furthermore, angel networks are improving their ability to capture data from their communities, while investment databases have improved their reporting on angel activities.

In our discussions with angel investors, three key trends stood out as critically important for both angels and the companies they support.

> **Angels play a crucial role in fueling startups during their riskiest and earliest stages of growth. However, the recent downturn significantly impacted the ecosystem, as many angels paused investments due to heavy exposure in tech. Fortunately, a new wave of angels is emerging across Europe, including solo GPs who bring not only capital but also valuable expertise to support startups in their early development.**

— General Partner, Pan-European early-stage VC fund

1. **New angels.** The total number of angels joining the European VC community increased by roughly 10% in 2022.

2. **Scaling up.** European angel networks have consolidated in recent years, with the number of networks declining from roughly 400 in 2020 to 360 in 2022, while overall numbers of investors are growing. This consolidation is enabling a critical mass of angels to deploy capital, expertise, and connections. And networks are capturing economies of scale by attracting more members: The percentage of angel investors affiliated with a network has grown 16% annually between 2020 and 2022, to 43.4%.

3. **Increasing investments.** European angels are also investing more per network. The average investment per network in 2022 was €4 million; compared to €1.9 million in 2020. European angel investors also increased their visible deal participation in 2022 to 65%, defying the overall VC trend.

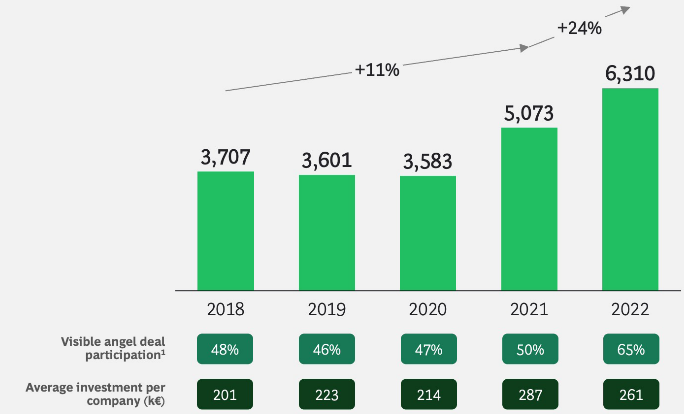
> **Starting and running a business is hard. For new founders, it's valuable to have an "adult in the room" who understands this and can support on a personal level.**

— Angel investor, UK

Strong increase in angel deal participation, driven by networking, professionalizing angel networks, and new angels entering the market

European angel investors increased their deal participation in 2022, defying the overall VC trend

Number of reported deals with at least 1 angel investor in Europe



Visible market increasing: Angel networks are more capable of capturing data from their communities while investment databased have improved their reporting on angel activities

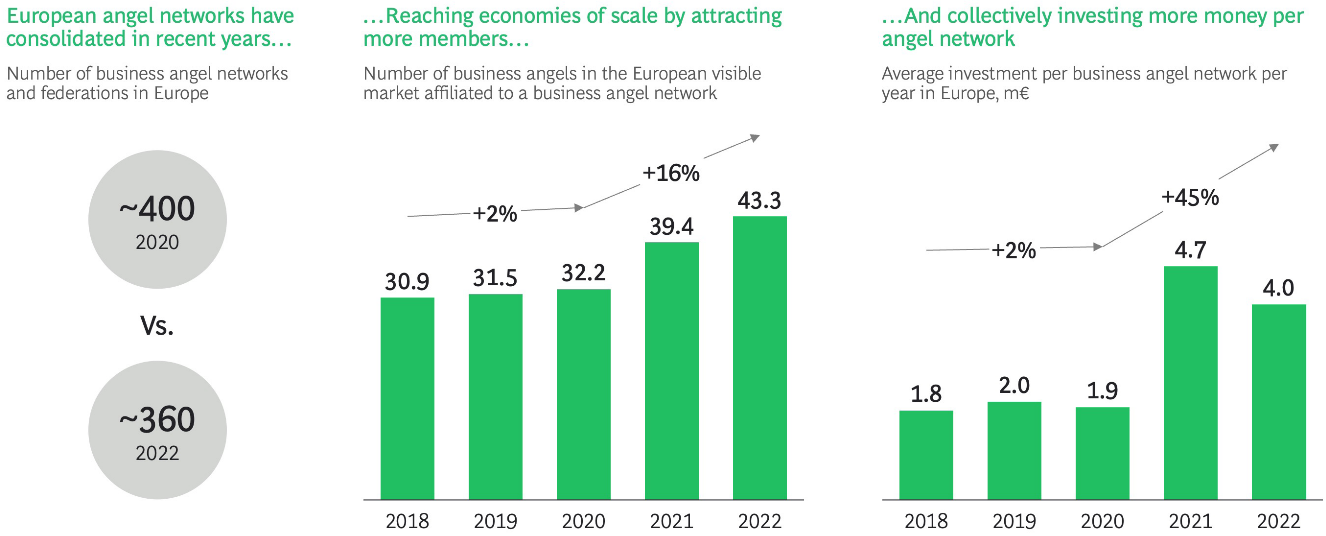
Professionalizing angel networks: A consolidation of European angel networks has taken place, building a critical mass of angels to deploy capital, expertise, and connections

New angels joining the community: The total number of angels joining the community increased by ~10% in 2022, explaining the increased participation at lower amounts

> It's great that more people are becoming angels since startups get easier access to funding. However, I've observed that more angels today spread their investments into more startups at lower ticket sizes. The implication is that **startups are receiving less active support and advice** from their angels.
>
> - European angel investor

Note: 1. Calculated as number of deals with at least one angel investor divided by total number of VC funding rounds in Europe
Source: European Business Angel Network; Dealroom

The European angel community is flourishing with angel networks attracting membership at record levels



Source: European Business Angel Network, Analysis by BCG/Nordic Angels

> **Business angels are vital to Europe's startup landscape, providing essential early-stage capital and guidance that bridge critical funding gaps, especially in deep tech and emerging hubs beyond major cities. With a more decentralized and specialized approach, they have come to fuel regional innovation, enabling diverse ecosystems to thrive. Without them it would be difficult if not impossible.**

— Ash Pournouri
(Co-founder and CEO, Nordic Angels)

An early stage deep-tech powerhouse

As mentioned, Europe is an early-stage deep-tech powerhouse, with an outsized share in areas like space tech (54% of global early-stage investment); climate tech (55%); quantum computing (69%); and hydrogen tech (43%). However, these early investments often fail to scale.

Signs for Europe are particularly worrisome in the key AI sector, where overall VC investments declined between 2022 and 2023. The danger is that Europe will fall so far behind the United States—which has a possibly insurmountable lead in AI investments—and Asia, that there is no way to make up ground. We believe, in fact, that Europe may be at an inflection point, the last moment to reverse the trend. It should be noted that investments in AI in North America are bolstered by private sector investments from the tech sector (for example, Microsoft and Google)—while there has not been a similar trend in Europe. In the crucial Gen AI sector the gap to the United States is even more pronounced, in both the model and application layers.

Europe is the global leader in attracting early-stage deep-tech capital but struggles to scale these early successes

Deep-tech Theme	Investment Theme Share Of Total Global Investment '23	Europe Share Of Total Investment '23	Europe Share Of Global Early-stage[1] Investment '23
AI	21% (+7.6pp) Delta '22-'23	14%	28%
Climate Tech	15% (+0.2pp)	41%	55%
Space Tech	2% (+0.6pp)	20%	54%
Cybersecurity	2% (-0.9pp)	18%	38%
Autonomous Mobility	1% (-0.2pp)	11%	28%
AI Chips and Processors	1% (+0.3pp)	8%	17%
Quantum computing	0% (+0.2pp)	41%	69%
Drug development	1% (-0.7pp)	16%	38%
Hydrogen	1% (+0.5pp)	54%	43%
Nuclear Fusion[2]	0% (+0.1pp)	13%	36%
	Europe Overall Share:	18%	25%

Above overall share · Below overall share · EU share increase '22-'23 · EU share decrease '22-'23

Europe with a strong ability to attract capital for early-stage startups across the majority of deep-tech investment themes, attracting a higher share than Europe's share of total early VC capital

Climate Tech, Space Tech, and Quantum computing stand out as European deep-tech strongholds

However, some concerns remain

Europe is lagging in the largest (and high growth) deep-tech theme of Artificial Intelligence

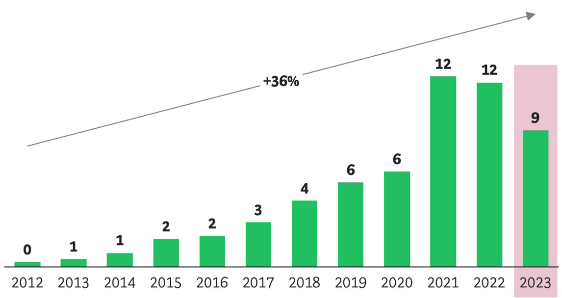
Europe is struggling to convert early-stage investment success into late-stage firms due to limited access to domestic late-stage funding, challenges in cross-border scaling, and a fragmented customer base, which makes companies choose to relocate as they scale

Note: Overlap in company industry definition may incur double counting of VC investment. 1. (Pre) Seed and Series A (rounds $0-$15M) 2. Data uncertainty due to low sample size
Source: Pitchbook, Dealroom, Expert interviews, Analysis by BCG/Nordic Angels

> **Europe is alarmingly underfunded in the AI sector, with less than 10% of GenAI investments in 2023. Without immediate action, it may never reclaim its place from the USA and China. We need to mobilize capital and support individuals investing in these innovative companies. Likewise, politicians must provide the necessary business conditions through long-term policies and clear legislation.**
>
> — Andreas Grape
> Co-founder and CEO, Nordic Angels

AI | Despite strong growth, Europe remains significantly behind North America in AI investments, UK and France are securing 55-60% of European investments

European VC investments in Artificial Intelligence ($B)

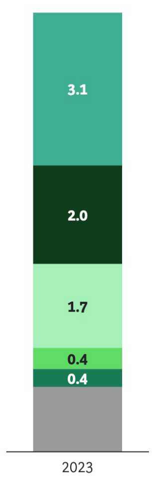


Share of global investment per region

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
EU	14%	10%	12%	14%	14%	11%	9%	13%	13%	12%	18%	14%
NA	79%	75%	74%	66%	59%	52%	50%	66%	67%	65%	58%	72%
Asia	5%	15%	13%	20%	27%	37%	40%	20%	18%	22%	22%	13%

Europe consistently fluctuated between 10-14% over the last ten years, while North America regained dominance in 2023 after a weaker 2022

VC investments in Artificial Intelligence, Top-5 countries Europe 2023 ($B)



	% Europe AI investment	% Total VC investment	CAGR '17-'23	CAGR '22-'23
United Kingdom	35%	32%	21%	-11%
France	22%	16%	26%	-17%
Germany	19%	14%	24%	0%
Netherlands	5%	4%	21%	10%
Spain	4%	3%	30%	-26%

France and Germany punching significantly above its weight in AI VC investment

Source: Pitchbook, Dealroom, Expert interviews, Analysis by BCG/Nordic Angels

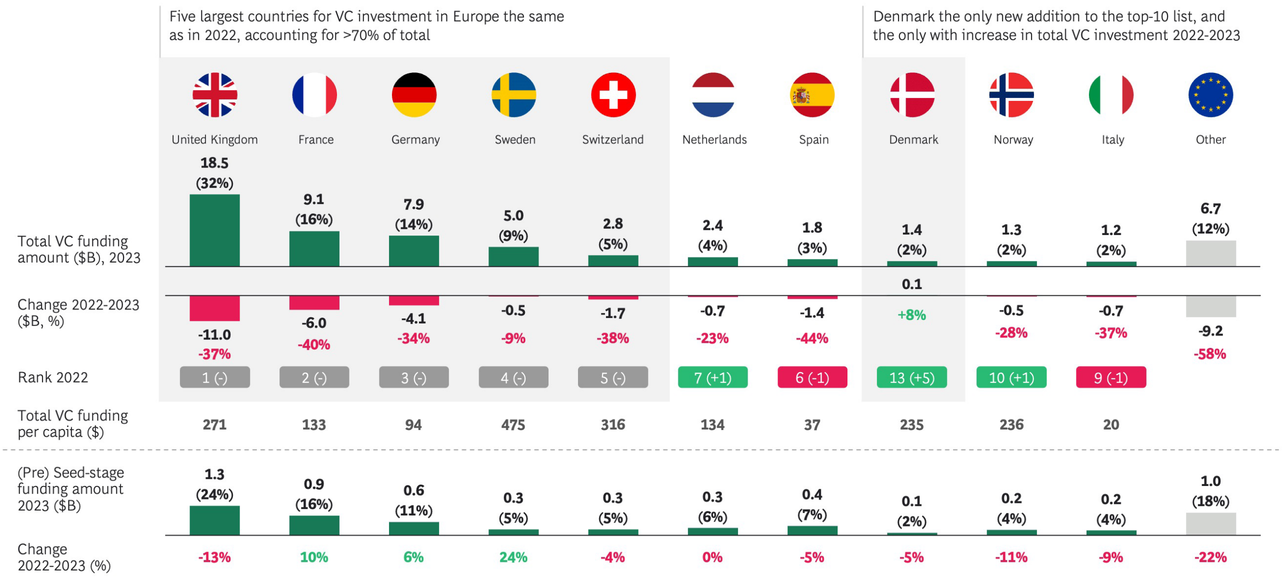
Diffusion of innovation

Europe overall is still a highly concentrated VC landscape, with five countries accounting for more than 70% of VC investment, and 2023 was a challenging year almost across the board. Denmark was the only major European economy that managed to grow VC investments between 2022 and 2023—with 8% growth in overall funding.

In a continuation of a trend we noted last year, vibrant regional VC ecosystems are emerging throughout Europe, with centers of innovation blossoming outside of major cities. Cities like London, Paris, Berlin, and Amsterdam are accounting for a decreasing share of national VC funding, giving way to vibrant ecosystems in smaller cities (see UK spotlight). In Germany, Hamburg and Munich saw increases in their share of the country's VC funding, while Berlin's share fell. Similarly, in the Netherlands, Amsterdam lost its share of the nation's VC funding, with Utrecht and Rotterdam picking up the slack.

> **Angels play a crucial role not only by funding but by mentoring founders through the scale-up process, addressing Europe's persistent challenge of converting early-stage potential into sustainable, later-stage success. To keep it short and simple, angels are not only necessary but instrumental in creating a robust, resilient, and competitive European startup ecosystem to keep pace with the rest of the world.**
>
> — Ash Pournouri
> Co-founder and CEO, Nordic Angels

VC investments | Five countries account for >70% of VC investment in Europe; Denmark only major economy that saw VC investments grow in '22-'23

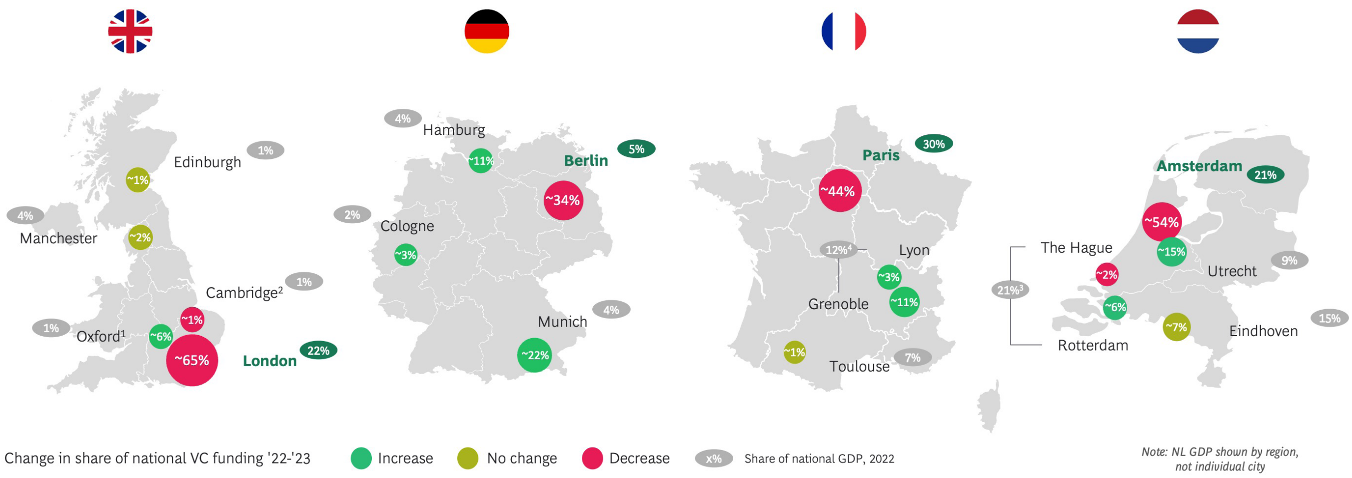


Source: Pitchbook, Dealroom, Expert interviews, Analysis by BCG/Nordic Angels

These lesser-known hubs are succeeding through a mix of characteristics including industrial heritage, public support, innovation culture, and a flywheel effect generated by early startup successes. Smaller hubs are also attracting angel investors, who have become more connected and organized through networks like France Angels, Business Angels Netzwerk Deutschland, and Stockholm Business Angels.

Capital hubs | Innovation diffusing beyond capital cities across European economies; Capital cities lost ground while smaller ecosystems grew

Share of national VC funding in 2023, %



Note: 1. GDP share for Oxfordshire county 2. GDP share for Cambridgeshire county
3. South Holland province including both The Hague and Rotterdam 4. Auvergne-Rhône-Alpes region including both Lyon and Grenoble
Source: Dealroom; Office for National Statistics (UK); Statistische Ämter (DE); Insee (FR); Statista (NL); Pitchbook

Through a country lens

A scan of VC ecosystems by country reveals a dynamic and diverse mixture of strengths.

The UK, as noted, is by far the largest VC market in Europe, with an 18% share of the region's total VC funding. (See sidebar: UK spotlight.)

France, the second-largest market in terms of VC funding, is one of the few Generative AI success stories, bucking the overall European trend. High-ticket companies include Mistral AI and Poolside AI. The market is also a striking example of the diffusion of VC funding; Paris's share of French VC funding dropped from 67% in 2022 to 44% in 2023. Meanwhile, Grenoble experienced a sharp increase. France also stands out in developing female talent, placing first among European nations in female STEM graduates. In terms of VC investment, overall funding was down 40% in 2023, but seed-stage investments were a bright spot, with a 10% gain over 2022.

Germany is characterized by a broad thematic focus—the largest sectors include energy, enterprise software, health, real estate, and food. The country's VC ecosystem is broad-based and decentralized, with startup activity taking place across the country's federal states. VC investment tumbled 34% in 2023; however, as in France, seed-stage funding bucked the trend, climbing 6%.

Sweden, ranked among the most innovative of nations globally, is deep in sustainability and climate tech, and second in size only to the UK. More than half of the county's VC investment is focused on the energy sector. Overall investments declined in Sweden, as they did throughout most of Europe (by 38% between 2022 and 2023), but to a lesser degree: only 9%. Europe as a whole, Meanwhile, funding rounds—particularly seed stage—increased.

Switzerland, supported by high-quality technological universities and a culture of innovation, is one of the few countries in Europe where robotics is among the top five sectors. Other areas of focus include health, fintech, and food tech. Late-stage funding took a particularly hard hit in 2023, dropping 44%.

The Netherlands is a stronghold for health and life science startups, which thrive in a dynamic ecosystem with university medical centers and major health players. Overall VC focus in the country is centered around health, fintech, transportation, and food tech. In the seed stage, startups in enterprise software, health, and energy receive the most funding. Most of the 300 to 500 active angels in the country are located in Amsterdam, but there is significant early-stage funding in cities like Rotterdam, Eindhoven, and Utrecht.

Spain experienced the largest investment decline among the top 10 European countries in 2023, but strong performance in the early stage (growth of 39% over 2022) and a top-five position in AI investments in Europe, are positive signs.

Denmark, as noted, was the only country among Europe's top 10 VC markets to experience growth in funding in 2023, driven largely by 39% growth in early-stage funding. (See sidebar: Denmark spotlight)

Norway, another leader in energy investments as well as transportation, is marked by strong government support for entrepreneurship. The country's VC funding numbers, in line with most of Europe, declined 28% between 2022 and 2023, while funding rounds fell 16% (25% in the late stage).

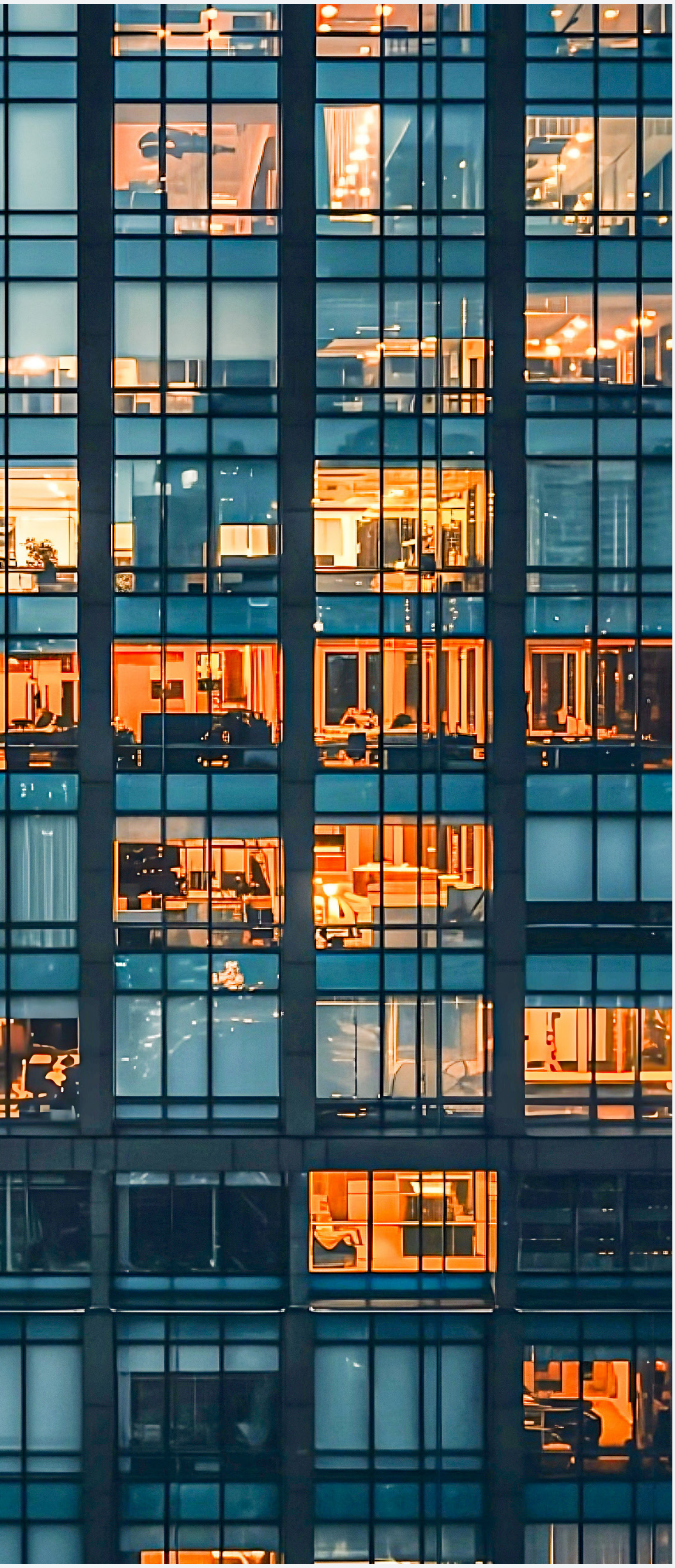
Italy, the 10h-largest VC ecosystem in Europe, has traditionally been challenged by talent shortages, with VC investment well below its economic might. Sector-wise, overall VC funding in Italy is focused on enterprise software, energy, fintech, health, and transportation. Looking at early-stage investments, fintech, health, and energy receive the most funding.

UK SPOTLIGHT

The UK is Europe's largest VC market, and London is its most prominent startup hub. Fintech is London's particular strength, attracting roughly half of all European VC investment in the sector. Despite its prominence, however, London lost significant ground in terms of share of UK VC funding in 2023: from 71% in 2022 to 65% in 2023. This underscores the strength of the country's regional hubs in places like Oxford, Manchester, and Edinburgh.

The UK has a vibrant angel community, with roughly 60 business angel networks, the most active being OION, Cambridge Angels, Minerva and Archangels. Overall, there are about 11,000 active business angels in the country, with roughly 70% located in London.

In terms of total VC investments, the UK's largest sectors are energy, fintech, health, transportation, and enterprise software. Energy in particular grew robustly as a share of total UK investments in 2023. Looking at seed-stage funding the sector lineup is similar, but there is more fragmentation, with a larger of share early funding going to the "other" category.



Generally, there has been a greater focus on profitable unit economics and cash flow-generating businesses in the UK since the 2022/23 slowdown. The market is picking up with particular interest in early-stage venture. There is still some nervousness, and tickets are only being written for solid businesses with strong founders, who are, ideally, turning a profit, but at least generating revenue (unlike pre-2022). Valuations are also being much more greatly questioned than they were before this period. The days of investing into businesses with significant burn rates and lofty valuations with huge multiples are gone.

— Angel investor, UK

DENMARK SPOTLIGHT

Alone among Europe's major economies, Denmark saw growth in VC investments in 2023. The 8% growth was driven mainly by early- and late-stage funding for health startups. Early-stage investments in particular, showed strength, with 39% growth compared to 2022. The number of rounds also increased: early-stage rounds were up 27%. In addition to health startups, fintech, energy, and food tech startups received significant VC investments.

This strong performance—particularly in a year of declining investments—propelled Denmark into the top 10 European VC markets. Denmark previously lagged behind countries like Sweden in many industries, including tech, but recent growth is evident through the Danish Growth Fund (Tillväxtfonden).

The angel investment landscape in Denmark is robust, with a total of 300 to 500 angels. Notable networks include Keystones, Danish Business Angels, and Business Angels Syddanmark. In 2022, these networks and others made 400+ visible investments.

> **Amid the challenges of attracting capital for start-ups, Denmark seems to stand resilient, where we in 2023 were witnessing a notable surge in venture capital investment in life sciences and deep tech, compared to our Nordic friends. This uplift signals a belief in innovation and Denmark is a place where opportunities are thriving.**

— Partner at leading Nordic VC

Copenhagen continues to be the hub for VC investments in Denmark. 60% of angel investors are based in the capital city, which also accounted for 68% of pre-seed VC investments; Aarhus and Odense are the next-largest, with 15% and 5% of pre-seed investments.

The Danish government and regulators have played a major role in the country's success, with active efforts to support startups and to create a welcoming environment for entrepreneurs; however; more is needed to maintain competitiveness. On the public side, tax incentives (such as the UK's SEIS) and reduced administrative friction should encourage startups to scale their businesses. Meanwhile, on the private side, professionalization and diversification of the potential pool of private investors continues.

> **We need to remove the friction in scaling a life-science business in Denmark. The burden and paperwork required to scale across the Danish regions can cause companies to look to other countries.**

— General Partner, Denmark-based
Pan-European early-stage VC

Meeting the Challenge

Europe's primary challenge is to convert early-stage momentum into late-stage success, and to adress the significant gap in attracting capital compared with the United States.

As discussed earlier, Europe continues to lag behind in converting early investment to late-stage success. There are a number of reasons why this is so, the primary ones being the lack of access to late-stage funding, the lack of a sizeable customer base, and companies and talent choosing to relocate once they are established.

> **It has been harder at every stage—both funds and angels are more cautious as they know follow-up rounds will be harder and so prefer to wait and see.**

— General Partner, Pan-European early-stage VC fund

Europe also continues to lag behind the United States in attracting capital overall. Key drivers pulling the United States ahead are a deeper financial market, the relatively favorable regulatory environment, and an ability to attract and retain top talent.

To bridge this gap between Europe and the United States in late-stage investments, European governments and regulators could restructure the capital raising process, simplify regulatory policies, and cultivate a culture of risk-taking among investors to create a supportive environment for startup growth and scalability.

Access to capital

European startups have been challenged by a lack of access to capital. One initiative that could help is to enable a higher degree of participation from institutional investors (such as pension funds and endowment funds) in venture capital. Another potential boost could come from simplifying exit opportunities for startups and incentivizing corporate acquisitions of startups

> **More capital needs to be directed toward high-risk sectors. Many limited partners are focused on "safe havens" like bonds, real estate, stock markets, and private equity, which limits the availability of venture capital.**

— Angel investor, Netherlands

An entrepreneurial ecosystem in educational institutions

Universities should be encouraged to embed entrepreneurship programs into core science curriculums and to foster startup incubators similar to the US ecosystem, where institutions like MIT and Stanford serve as a pipeline of entrepreneurs and innovators. More can be done to strengthen university-industry linkages in Europe, and to encourage international student exchange to learn from other ecosystems.

Addressing the gender imbalance

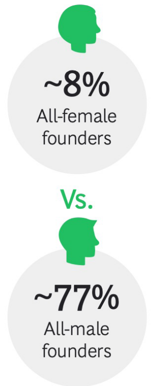
Female founders remain a rarity in the European startup scene—as of August 2024, only roughly 8% of startups had all-female founders, compared to 77% with all-male founders. This disparity indicates that Europe's VC ecosystem is missing out on a significant source of home-grown talent by not doing more to promote gender parity. There has been some good news, or at least the beginnings of a positive trend: The share of seed-stage European VC funding directed at startups with all-female founders has been steadily growing over the past four years, although it remains at only 10%. Investments in early and late-stage all-female startups remain firmly in the low single digits.

Female founders remain a rarity at the European startup scene

Failing to include women in the startup ecosystem means missing out on a significant pool of talent and potential innovation

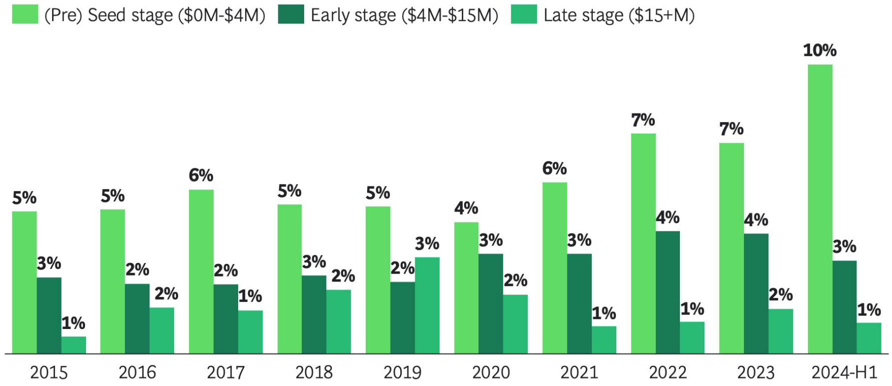
Female founders remain a rarity at the startup scene

Number of startups in Europe by founder's gender, August 2024



Female founders are closing the gap in seed-stage funding, but it has failed to translate into progress in early- and late-stage

Share of European VC funding directed at startups with all-female founders



Note: Including only data where the gender of the founder/-s is included
Source: Dealroom, Analysis by BCG/Nordic Angels, Desktop Research

> **We need creative ways to build a more diverse investor pool (not just traditionally wealthy people or those who have just exited), maybe by continuing to build structured schemes such as accelerator programs.**

— General Partner,
Denmark-based Pan-European early-stage VC

Streamlined regulations for deep-tech innovation

From a policy perspective, a unified European regulatory framework for deep-tech domains would provide transparency to deep-tech startups and investors (e.g., clarifying ownership rules). Policymakers should also consider harmonizing cross-border approval processes for deep-tech innovations (e.g., medical devices). To further address the drop-off in deep-tech funding in later funding stages, governments can create more specific regulatory pathways for deep-tech startups (e.g., gene editing). Regulators could also simplify exit opportunities for startups by improving exit environment for IPOs and incentivizing corporate acquisitions of startups.

> **We see immense potential in deep-tech innovation across Europe, but the current regulatory landscape often hampers early-stage investment. To unlock this potential, we need streamlined regulations to create a more predictable and supportive environment for investors. Europe's startup ecosystem is thriving, but to compete globally, especially in deep tech, we must make it easier for European investors to back these high-risk, high-reward ventures. Simplifying regulations will allow more capital to flow into breakthrough innovations and accelerate their path to market.**

— CEO, not-for-profit Nordic Incubators
and Science Park Organization

Expand access to domestic and global talent

To address talent shortages, policymakers could simplify recruitment for highly skilled workers through specialized visa programs and tax incentives (e.g., expanded tax relief for short-term employment). They can also simplify cross-border movement of talent with a framework on conflicting labor laws and portability of social benefits.

> **Despite advancements, talent mobility and regulatory environment remain challenges, affecting the startup ecosystem's growth.**

— Investment Director, Pan-Nordic early-stage VC

Risk-sharing through co-investment funds

To reduce investment risks, policymakers could establish dedicated public co-investment funds that support scale-up of riskier ventures. To improve access to global capital, regulators can also simplify rules around foreign ownership, cross-border financing, and co-investing with international venture capital firms.

Conclusion

Europe's VC ecosystem, while it holds great promise, was not immune to the global slowdown in VC investment. Despite this, the region's startup environment is cause for tempered enthusiasm. While Europe is still a highly concentrated market overall, VC activity within the top economies shows a healthy dispersion and will broaden access to local talent.

Europe's greatest challenge in VC investing is the ongoing failure to scale innovative startups. This report offers several initiatives and actions that members of the VC ecosystem can embrace to build on the region's solid foundations. Angel investors will continue to play a significant role as both investors and mentors, but it will take a broader coalition of governments, regulators, and investors of all kinds to create a market that rewards innovation and supports startups from inception to exit.

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Report methodology

This report combines both quantitative analysis and qualitative insights to provide a comprehensive view of the European angel investing ecosystem. Quantitative data was sourced from leading financial and venture capital databases, including PitchBook, Dealroom, and Preqin, which supplied data on investment trends, deal volumes, and market dynamics. Additionally, public datasets such as Eurostat provided macroeconomic context to the findings.

To complement the data, the report integrates expert insights drawn from extensive interviews with prominent European venture capitalists, angel investors, science park leaders, and incubator managers. BCG's and Nordic Angels' proprietary databases and insights from our venture capital specialists further enriched the analysis, ensuring depth and accuracy in interpreting emerging trends. This multi-source approach enabled us to capture a nuanced understanding of the European angel investing landscape and to identify actionable strategies for stakeholders.


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