

McKinsey
& Company

The new hidden champions

The amazing rise of B2B startups in Europe
February 2021

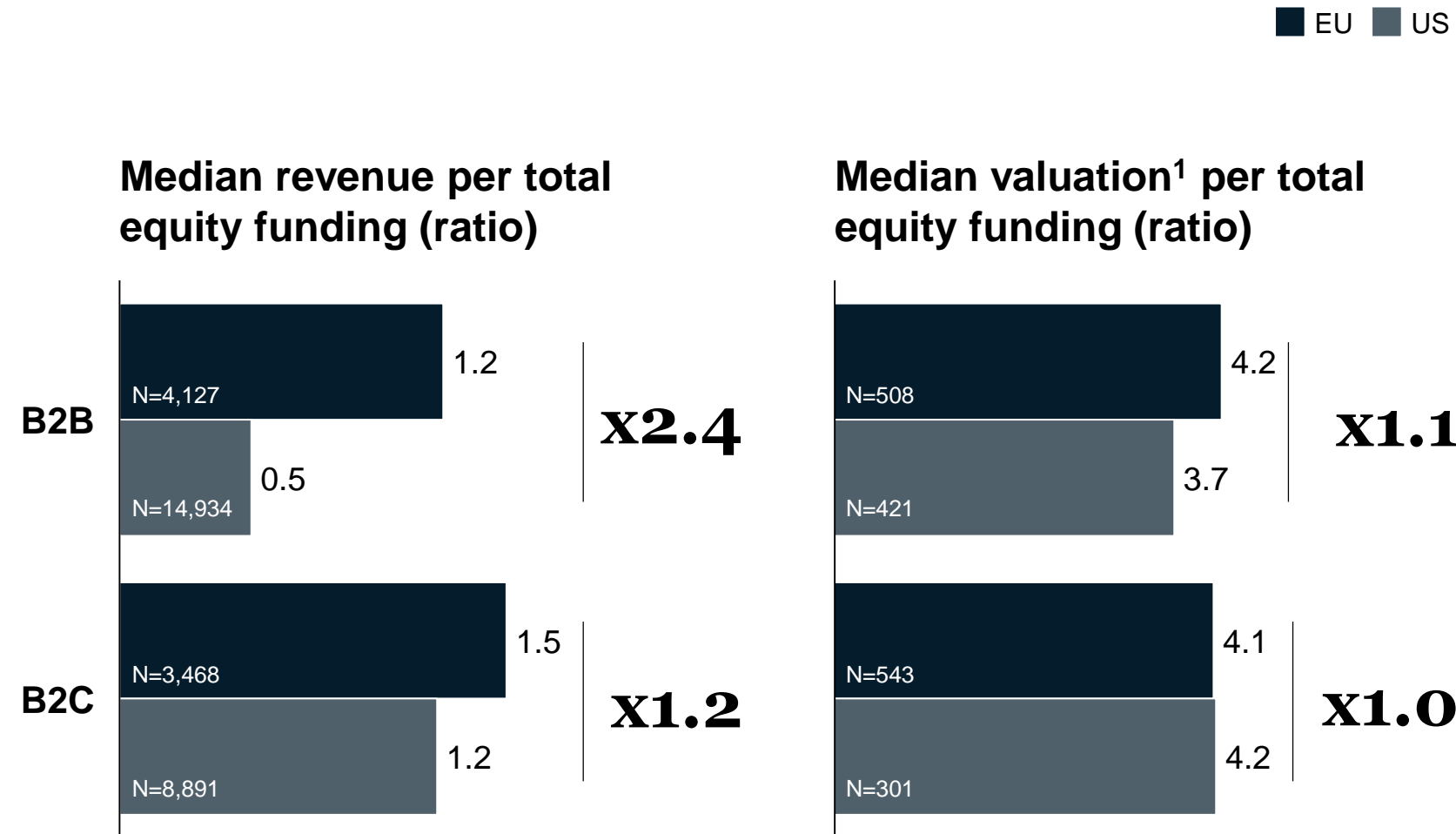
by Karel Dörner, Max Flötotto, Tobias Henz and Tobias Stralin

CONFIDENTIAL AND PROPRIETARY

Any use of this material without specific permission of McKinsey & Company
is strictly prohibited

European B2B startups generate more value per funding than US or B2C counterparts

All startups (B2B and B2C) founded 2010-2020 in the EU and US

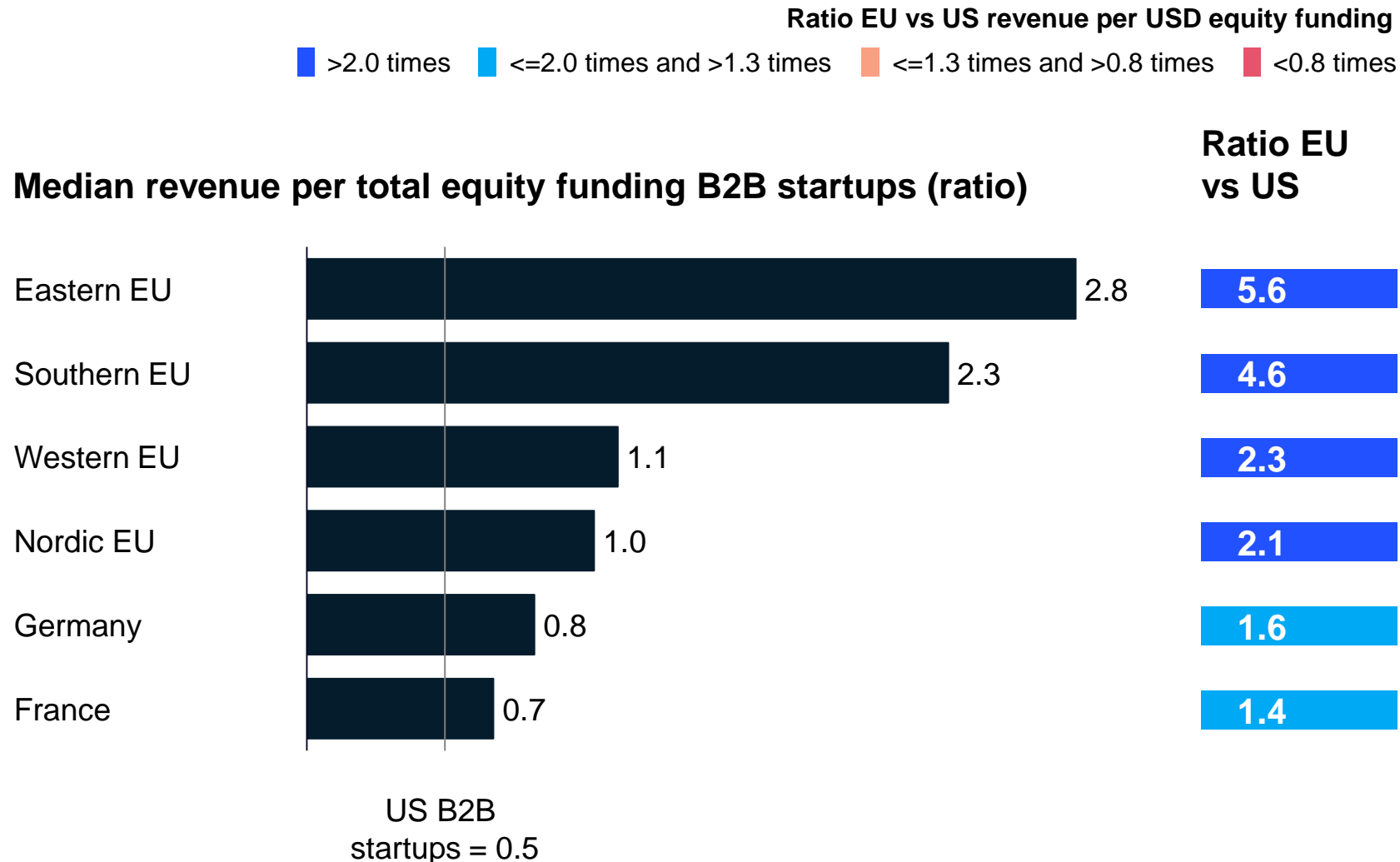


EU B2B startups generate 2.4x revenue on the invested dollar than their US counterparts and ~10% more valuation per funding

In B2C, European and US startup generate comparable value for funding

1. Valuations as published at funding rounds and recorded in Crunchbase database

Highest capital efficiency in Eastern EU, even Western EU >2x more capital efficient vs. US

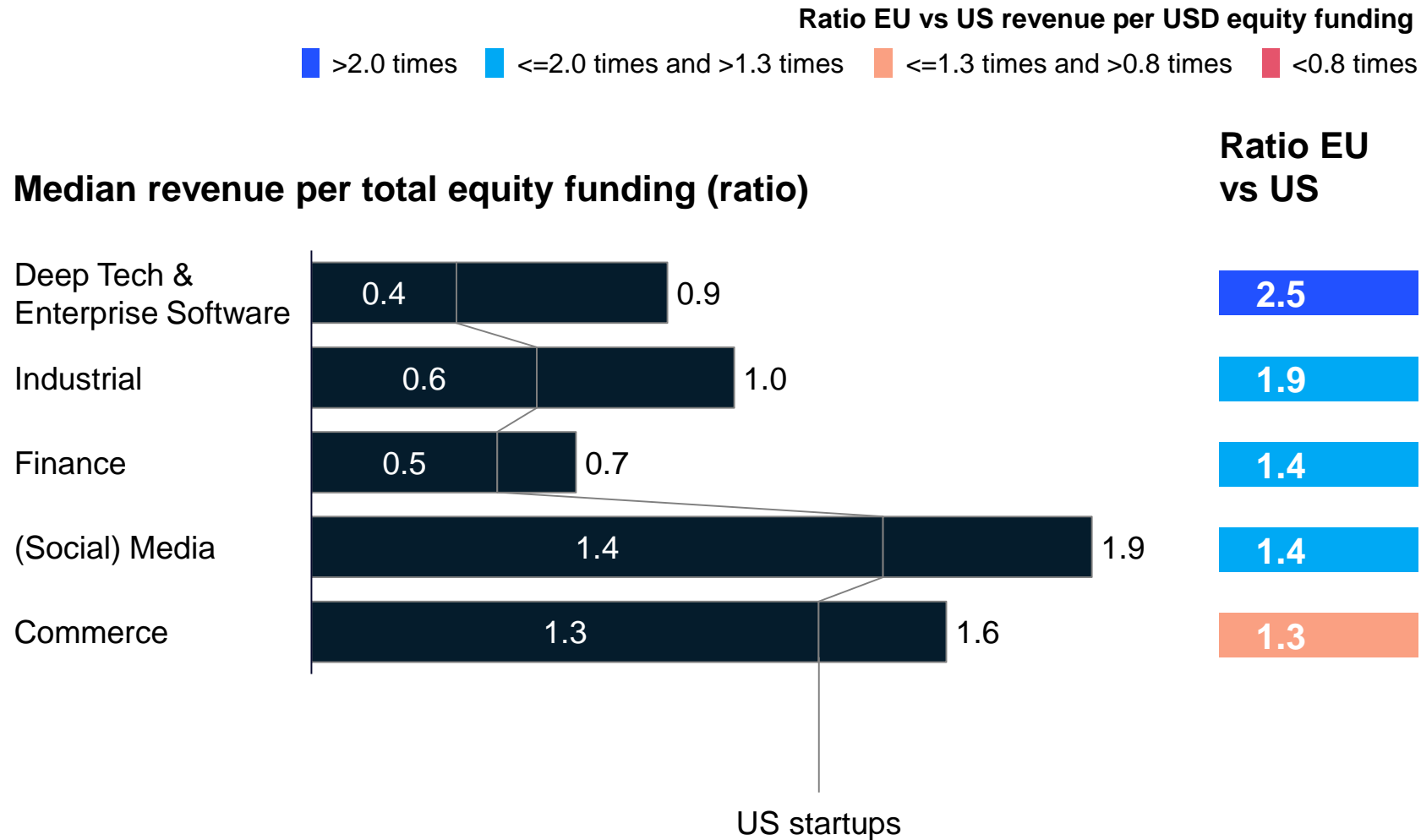


European B2B startups surpass their US peers in capital efficiency across countries / regions

Eastern and Southern EU B2B players are particularly capital efficient – with 5-6x revenue per equity funding compared to US players

Ratio is significantly smaller in largest European startup ecosystems – but even Germany and France achieve ~1.5x US revenue per dollar invested

EU startups in Deep Tech and Industrial topics outperform their US counterparts the most



European startups in Deep Tech and Industrial topics outperform US competitors the most in terms of capital efficiency

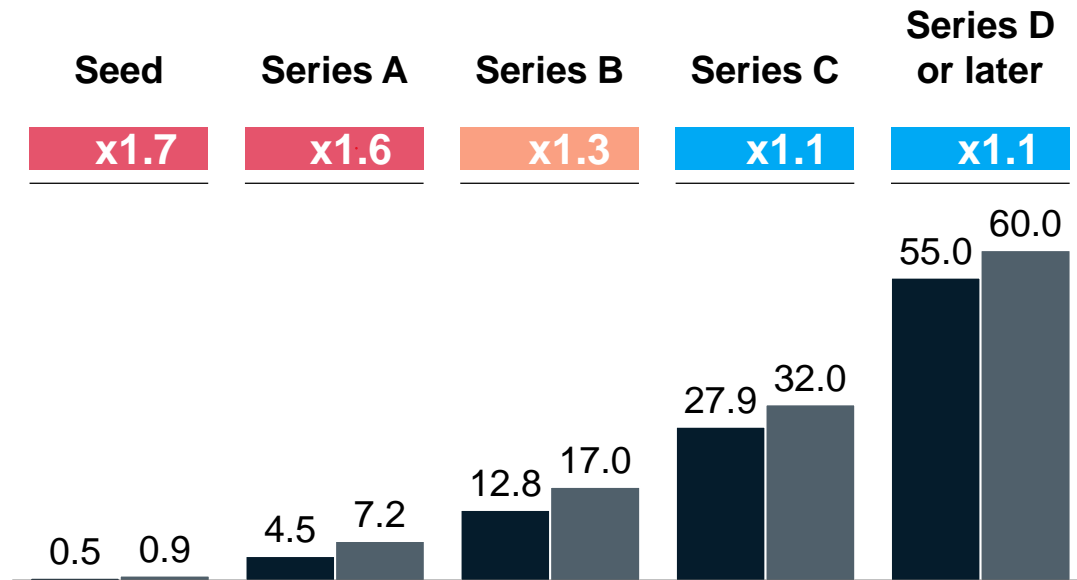
For European as well as US startups, (Social) Media and Commerce offer most “bang for the buck” in terms of revenue per dollar invested

Funding of EU B2B startups on par with US in later stages

Ratio EU vs US revenue per USD equity funding ■ EU ■ US
 ■ >2.0 times ■ <=2.0 times and >1.3 times ■ <=1.3 times and >0.8 times ■ <0.8 times

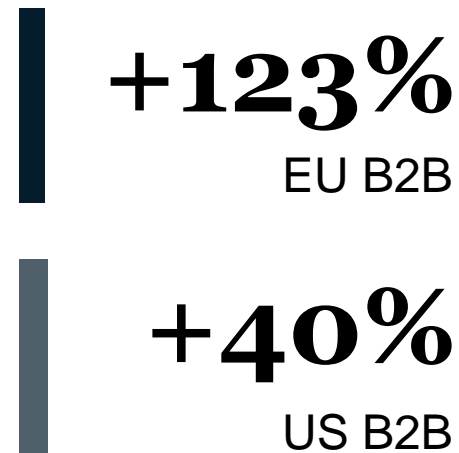
EU B2B startups collect similarly sized later stage rounds ...

Median funding sum in growth stage, USD mn



... while the numbers of raised rounds have vastly grown

Increase of number of Series A-C funding rounds from 2015 to 2020



In Seed and Series A rounds, US B2B startups collect ~1.6-1.7x more funding than their European counterparts

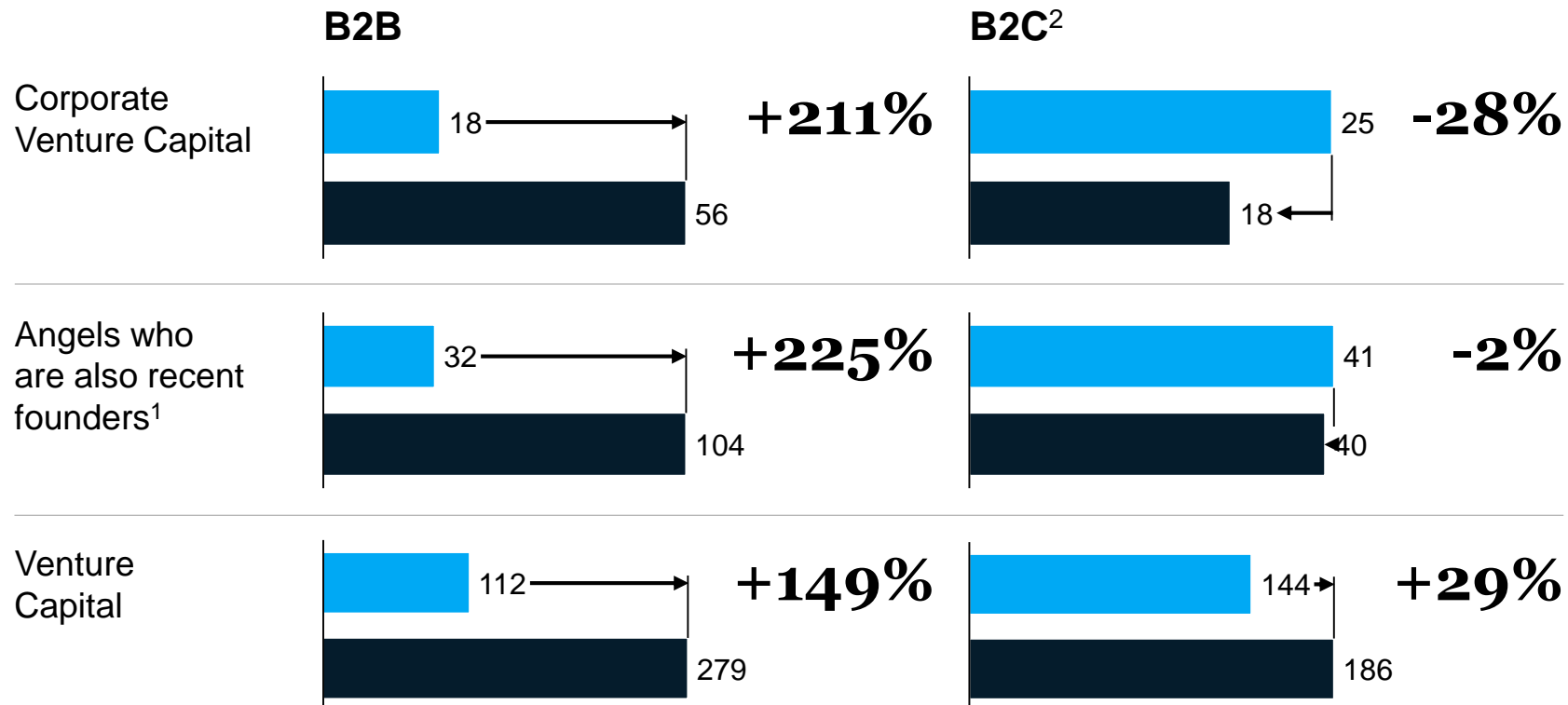
This gap is closed in later funding rounds: from Series C onwards, US players only raise ~10% more

The number of Series A-C rounds has risen significantly more in Europe in last 5 years (+123%) than in the US

Growth in funding rounds for B2B startups is driven by the full investor ecosystem

■ 2015 ■ 2020

Number of Series A-C funding rounds for EU startups where investor type participated, 2015 vs. 20



1.#of funding rounds under participation of angel investors that have been also listed as co-founder in a startup founded 2010-20

2.For B2C, the COVID-19 crisis is expected to have a more significant negative effect on 2020 investments than for B2B startups. However, effect is also stable when comparing 2015 with 2019

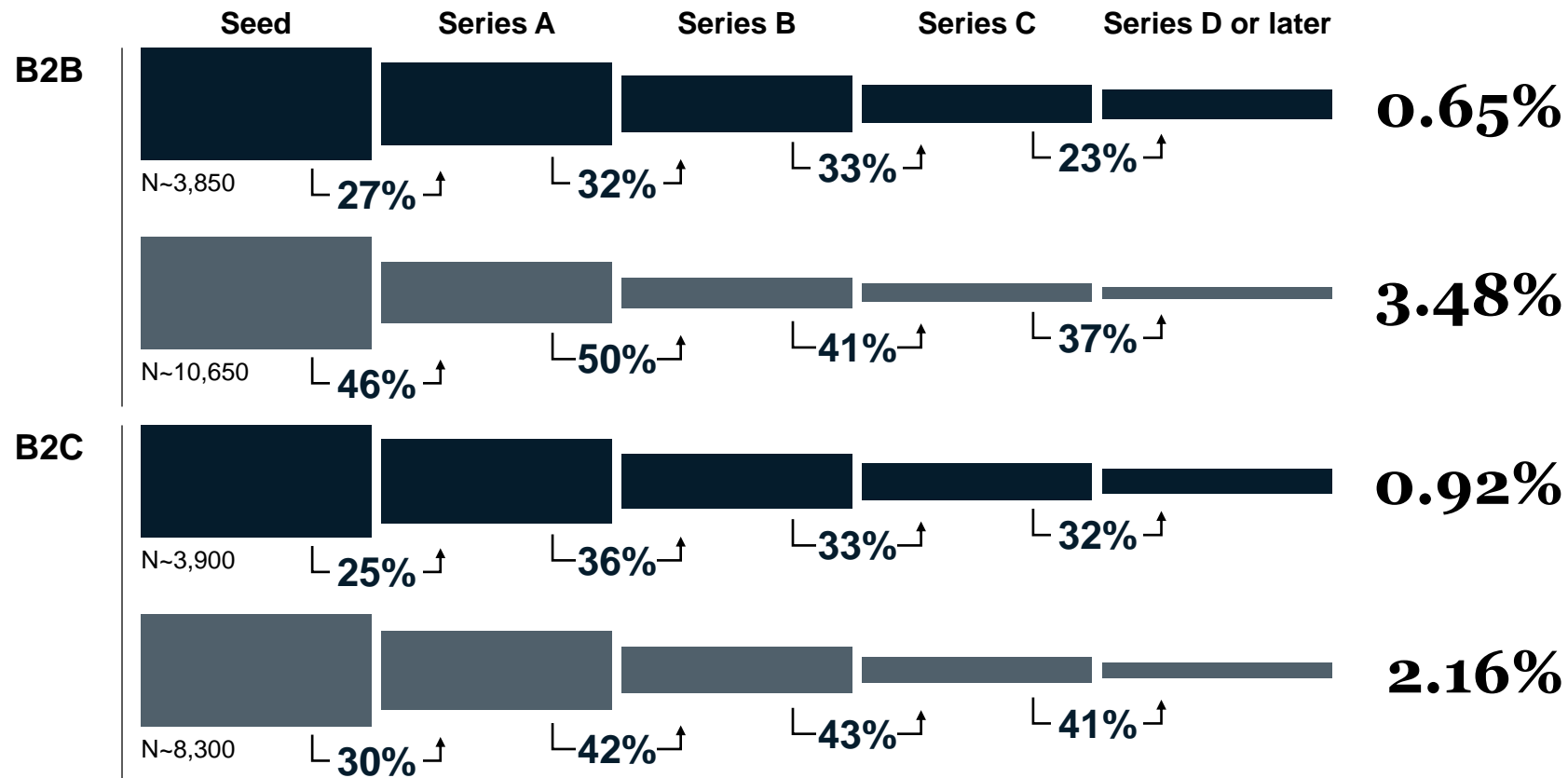
Growth in the number of Series A-C funding rounds in Europe is driven by the entire ecosystem

The major driver for this rise in the EU has been investment by angels who are also recent founders (particularly for B2B startups) as well as corporate VC

EU B2B startups fail earlier than US startups, with only 27% advancing from Seed to Series A

↳ x% ↗ Conversion to next funding stage ■ EU ■ US

Number of startups founded 2010-2015 reaching the respective funding stages



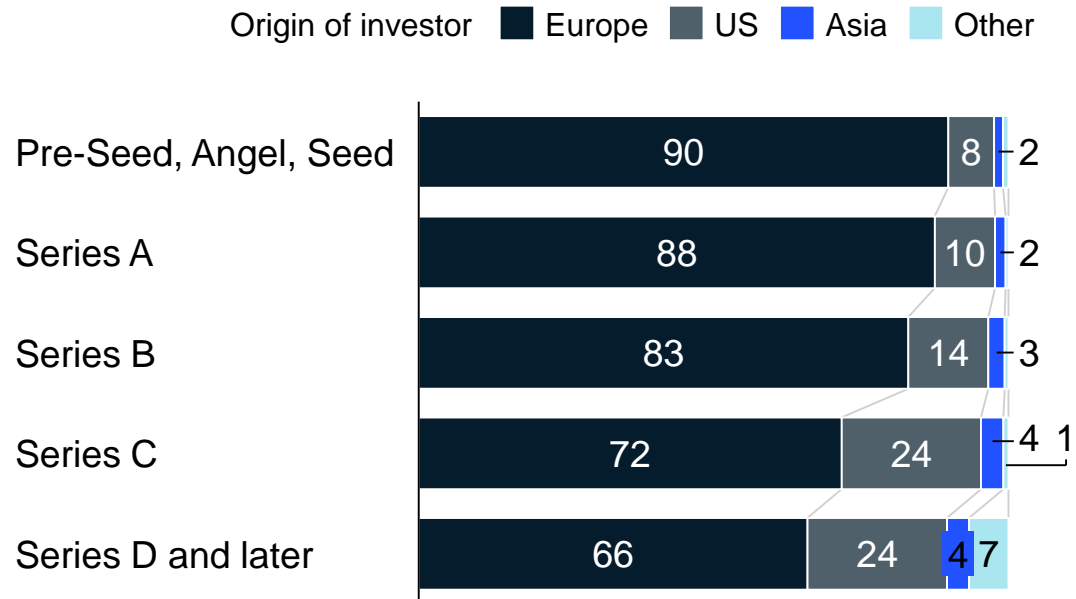
For B2B startups, only 27% of European players successfully move to a Series A after seed funding – compared to 46% in the US

Differences in startups ability to achieve the next funding round between the EU and US are much more pronounced for B2B players vs. B2C

US investors are increasingly drawn to EU B2B startups

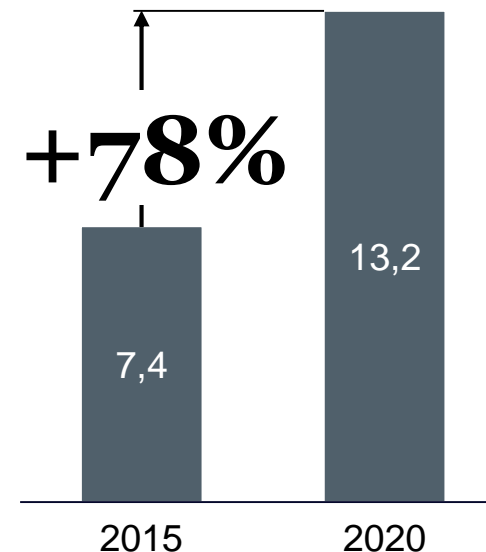
24% of investors funding Series C and later for EU B2B startups come from the US ...

Share of number of investors in funding rounds, in percent



... and the share of US investors in EU B2B Seed rounds is growing

Share of US-based investors in EU B2B Seed rounds, in percent

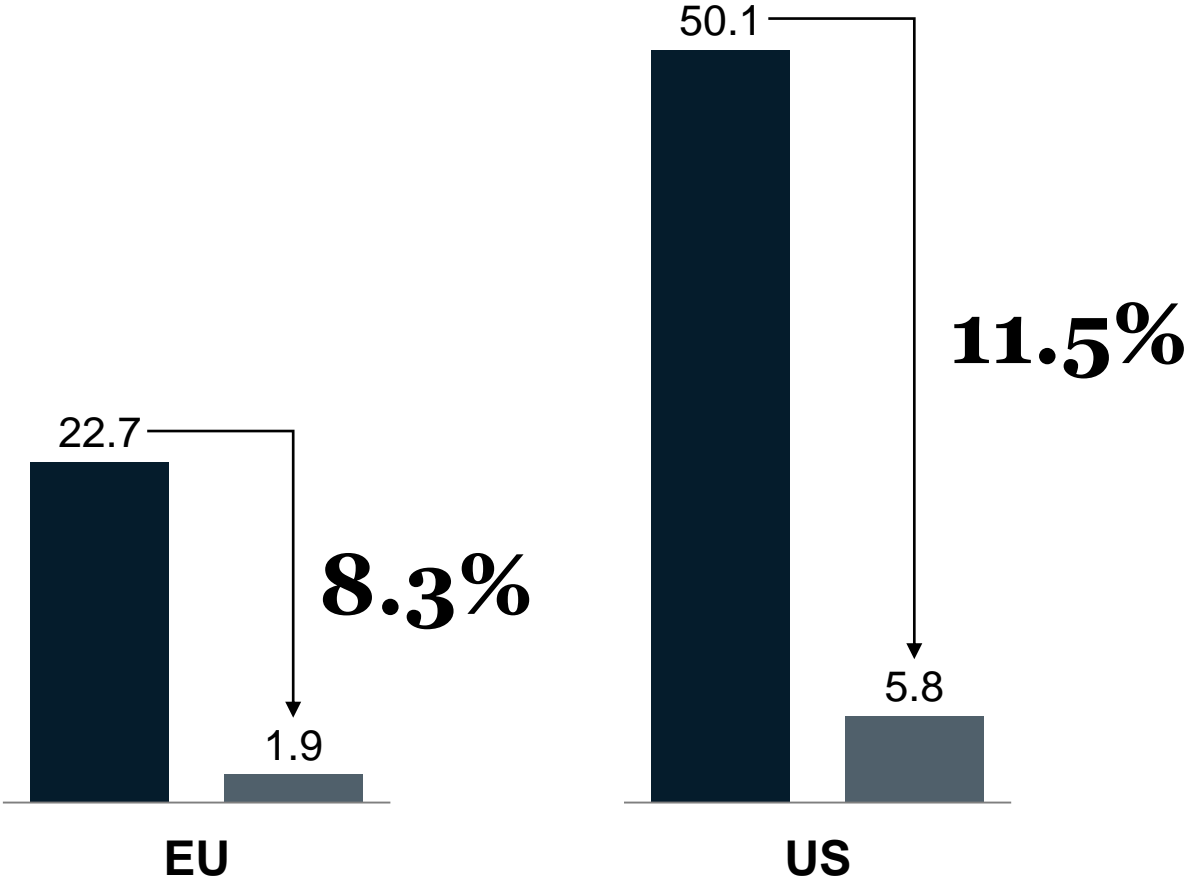


The share of US investors in European B2B startups is steadily increasing with maturity of the startup – rising from ~8% in in Pre-Seed, Angel and Seed rounds to ~24% in Series C and later

Involvement of US investors in Seed rounds has been growing over the past years – increasing by 78% from 2015 to 2020

8% of recent EU B2B founders have founded at least twice – ~12% in the US

- Number of B2B startup founders
- Thereof founders that had founded at least one venture before



About this analysis

Quantitative analyses based on data from
Crunchbase, representing

>130,000

companies founded from 2010-20 in Europe and the US, out of which ~77,900 are B2B startups and ~56,600 B2C startups

>85,000

recorded funding rounds out of which ~70,000 specified the funding stage – e.g., Seed, Series A, B, C, D and later-stage

>30,000

investors from all around the world that have been actively investing in startups founded 2010-20 in the EU and the US

Interviews with ~20 investors and founders of European B2B startups conducted in January and February 2021

