Venture capital market study 2021

Financing start-ups with venture capital and valuation of start-ups in real-life practice

Editorial

The financial ecosystem of start-ups is driven by venture capital from initial investment until exit giving founders, managers and employees the space to indulge their passion and potential. Once again, we level-up transparency regarding private-law agreements between the parties by diving deep into financing, valuation and contractual design as well as ESG compliance topics.

The 2nd study of this kind by us allows to sharpen the view of all participants of the financial ecosystem in addition to well-known statistics on the (corporate) venture capital market. Based on a broad and in-depth survey of investors, this study creates a unique database for Germany enabling benchmarking and better decision-making.

This interdisciplinary 'bridge' between valuation practice and the legal arrangement of funding rounds in investment agreements also allows conclusions to be drawn about negotiation processes and the motivation behind them. Venture capitalists, together with founders and managers, can increase transparency and thus make a better contribution to the success of start-ups.

We hope you can gain helpful insights and we would welcome any suggestions you might have.

Best wishes

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Agenda

A

Executive summary

Executive summary

For this market study, Prof. Dirk Honold (Nuremberg University of Applied Sciences), Ventury Analytics GmbH and PwC surveyed German and foreign investors in start-ups that focus on the German market in their investment strategy or have made deals in Germany. The entire study is focused on the German target market. Across all questions (except for specific detailed questions), up to 64 investors participated at peak. The number of participants is assigned to each question.

Overall, almost 40% classic Venture Capitalists (VC) and more than 30% Corporate Venture Capitalists (CVCs) were recorded in typical structure and investment duration. The investment focus is predominantly on B2B business models with a focus on SaaS, software development and Industry 4.0.

More than 360 deals are financed annually by the participating VCs, usually with straight equity capital. Almost 2/3 of the participants invest up to €5M in the initial investment and over 50% in the follow-on investment, with a tendency towards higher investment volumes in the range of €5M–€15M in the follow-on investment.

The total investment volume covered by the study participants is arithmetically more than €2B per year.

Executive summary (I/IV)

Financing and valuation of start-ups

1

The average deal size calculated out of the given answers increased to €5.8M from €5.2M in 2020. (Compare B.9)

2

Across all stages, CVCs have lower return requirements then VCs. In the Early Stage, VCs require an average return of 38% while CVCs require 21%. (Compare C.10)

3

Across all stages, investors' IRR expectations are in relation to the complete fund portfolio between 18% p.a. for Early Stage and 16% p.a. for Later Stage (on average), the expected multiple between 5.8 for Early Stage and 2.8 for Later Stage (on average). (Compare C.10)

4

The expected returns per portfolio company as well as money multiples are lower in all stages than in the previous study from 2020. (Compare C.10)

5

Value creation impact starts especially in the Early Stage with the deal flow and is above all stages dominated by the deal selection. As it could be expected, value add by the VC management is more important in Early Stage as exit management in Later Stage. (Compare C.1)

6

M&A deals / trade sales are the most common exit channels, mostly with a multiple of 1–3 times closely followed by 3–5 times and higher returns in case of an IPO. (Compare C.2)

Executive summary (II/IV)

Contractual designs of financing rounds

7

We see a high VC experience level of the sample group. Approximately 50% of the participants have worked in the industry for over 10 years. (Compare B.1.1)

8

In most cases, investors tend to insist on liquidation preference except for Later Stage with only about 50% of the cases. Especially in Early Stage deals, the ratio between participating and non-participating preferences is roughly 50:50 (Compare D.1 and D.2)

9

Particularly, with regard to dividends, valuation, investment amount and option pools, investors are frequently willing to negotiate. This may be used by the founding teams. But for other terms, such as the share ratio, drag-along rights, pro rata rights and liquidation preferences, it is less likely to negotiate more favorable terms. (Compare D.1)

10

Anti-dilution rights are always or often used in 3/4 to about 2/3 of cases, decreasing across stages. However, a founder-friendly broad based weighted average anti-dilution clause is predominantly chosen, followed by full ratchet. There is a negative correlation between enforcement of the clause and agreement, also between full ratchet and weighted average (Compare D 6.1 and 6.2)

11

Drag-along rights are used in 3/4 of all investment cases: minimum majorities (50%–80%) and valuation (< 3x) are standard leading acceptance of investors against single parties. (Compare D.14)

Executive summary (III/IV)

Special questions on ESG and “Zukunftsfonds”

12

More than 60% of the participants take ESG criteria into account in their investment process. For the remaining participants, more than 60% are currently developing this topic. The process behind this is yet only partially standardized for almost 80% of the participants. (Compare E.1)

13

ESG compliance is only included in the initial valuation and the shareholder agreement for just under 1/4 of the participants. As more than half expect an increase of valuation by ESG compliance, they prepare for KPIs accordingly. 3/4 of the investors already do or plan to include ESG KPIs into their funds reporting. (Compare E.2)

14

Over 70% of participants expect only a small impact of the German “Zukunftsfonds” on the startup ecosystem. (Compare E.3)

Executive summary (IV/IV)

Confirmation of last year's results

1

The target share ratio of investors is predominantly 10%–24.9%, with over 80% planning to make follow-on investments to maintain the share ratio in subsequent rounds. Slightly more than 1/5 of the participants see the share quota at less than 10%. (Compare B.10)

2

In the case of Early Stage investments, the investors' own experience is most frequently used for company valuations, followed by market logic and the VC method. DCF methods are gaining in importance in the Later Stage. (Compare C.3)

3

Nearly 80% (70% last year) of participants indicated that the ultimate enterprise value achieved depends significantly on the negotiation process, in addition to scaling potential and the management team. (Compare C.12)

4

The share of employee stock options (ESOP) is predominantly 6%–10% of total capital (based on: fully diluted, post-money). With regard to the structure of the exercise price, the valuation of the last round is used directly or indirectly with adjustments with a shift to nominal value in comparison to last year. (Compare D.12 and D.13)

5

While vesting is still agreed for founders in more than 4/5 of cases in the Early Stage phase, this figure drops to 1/3 in the Later Stage. The vesting period also shortens from the Early Stage to the Later Stage. (Compare D.8)

Testimonials

“

Startups are pushing innovation and growth forward, they are the key to our future competitiveness in Germany and Europe – and VC is turbo-charging them. Thanks to the study’s closer look on the financing and valuation of startups, the venture capital market becomes more transparent and thus predictable for young entrepreneurs. VC is crucial for a powerful startup ecosystem, thus founders need to embrace it and seize their opportunities. Through understanding how VCs work, this concise analysis will lower uncertainty and thus barriers for young entrepreneurs and propel our German startup ecosystem.

Christian Miele – Partner Headline

The significant gap regarding the return requirements of CVCs compared to Financial VCs can be explained by the prioritization of strategic goals over financial goals at most CVCs. However, given the know-how and the additional (corporate) resources that CVCs can provide, I expect mature CVCs to achieve at least average VC industry returns in the long run.

Markus Solibieda – Managing Director, BASF Venture Capital GmbH

The study supplies much needed information about deal structures in Germany, it will help inform founders on what to expect for small to mid-sized investment rounds. The report also shows clearly that investors are able to write large tickets and push innovating companies to peer level from VC hotspots like Silicon Valley needed to transform the German ecosystem.

Karin Kleinhans – Partner, LSP

B

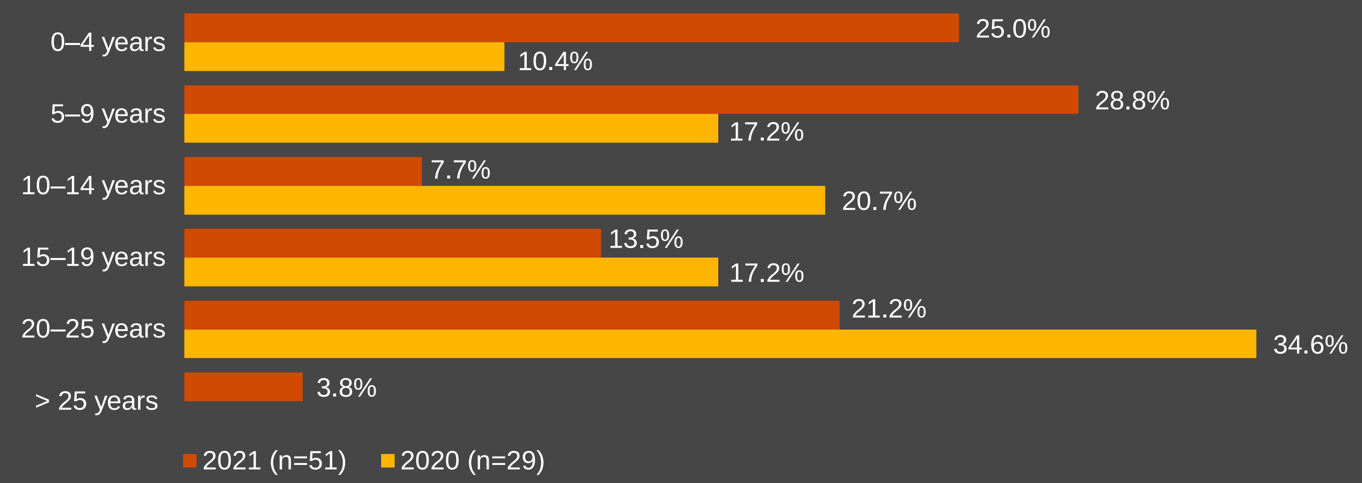
General part

General part

1.1 & 1.2

Overall, 46% of the respondents have more than 10 years of experience in evaluating start-ups. However, this percentage has decreased compared to last year's results. At the same time, most of them also follow the valuation guidelines of IPEV and EVCA.

How many years of experience do you personally have in valuing start-ups? (In %)



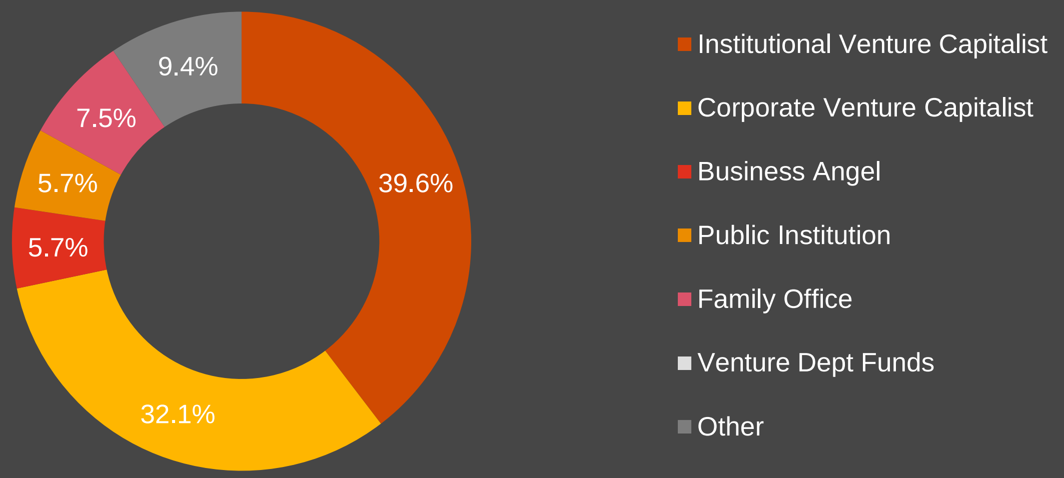
Which evaluation guidelines do you follow? (n=28) (Frequency in %)

General part

2.1 & 2.2

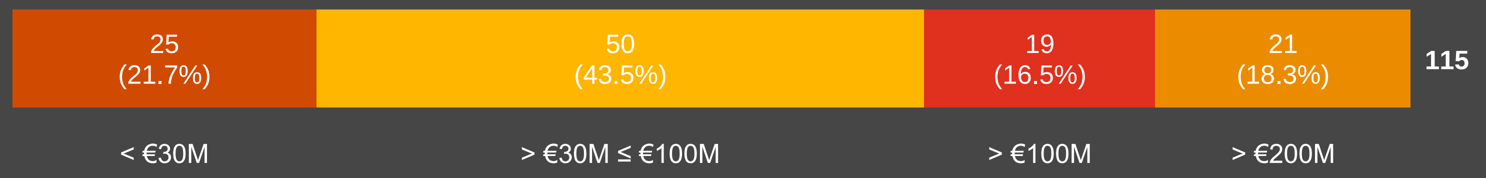
Participants break down into about 40% traditional VC, more than 30% CVCs, and about 10% (semi)public funds with an average maturity of majority 10 years and renewal options. 1/4 of the participants manage evergreen funds.* Thereof only a bit more than 1/3 manage funds with a size above €100M.

What kind of Venture Capitalist are you? (n=53)
(In %)



How many funds in the following size does your venture capital company manage? (n=39)

Number of funds



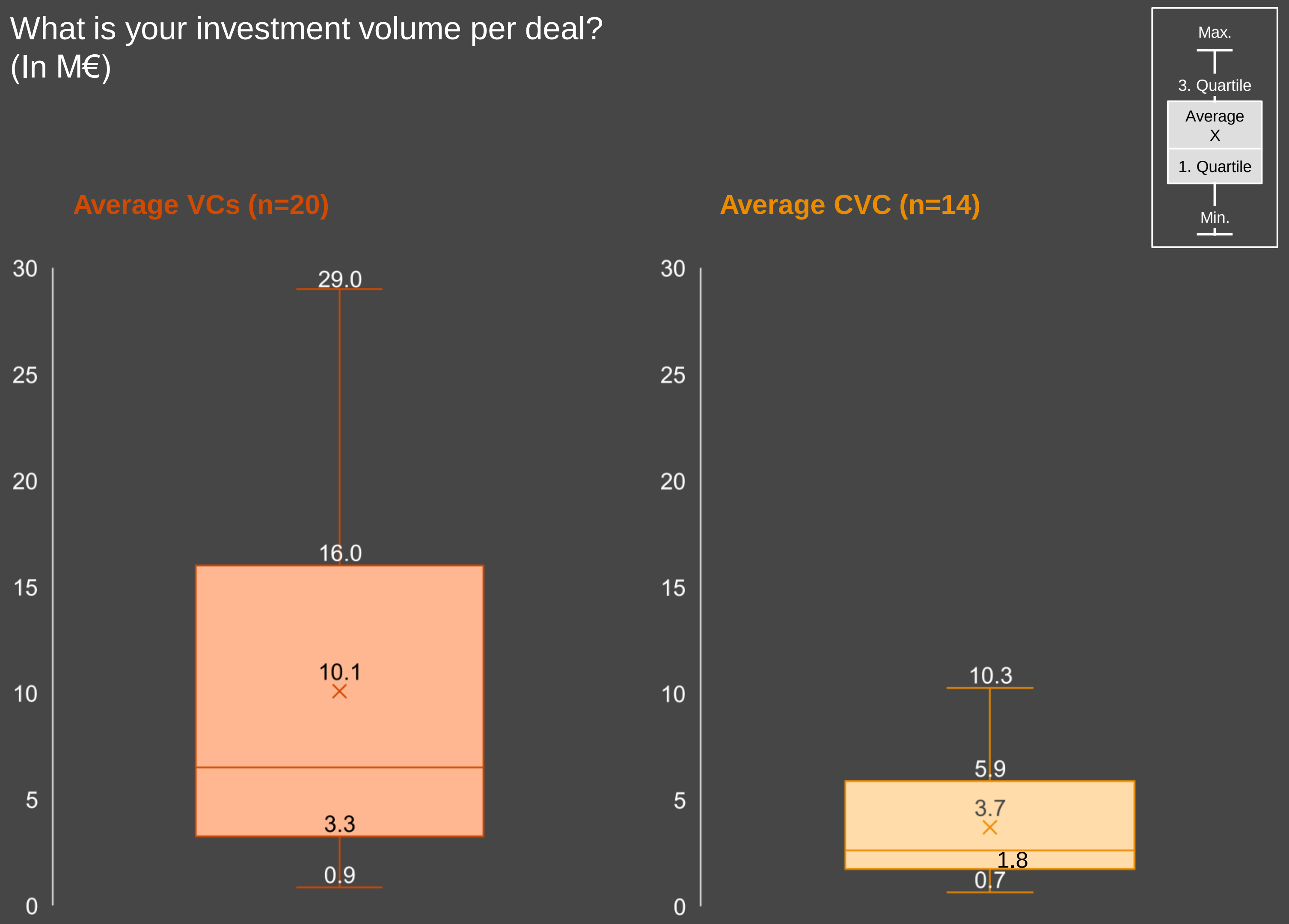
*Evergreen funds are funds that do not have a fixed duration.

General part

3

The breakdown by VCs and corporate VCs shows that institutional investors invest a significantly lower investment volume per deal than VCs do.

What is your investment volume per deal?
(In M€)



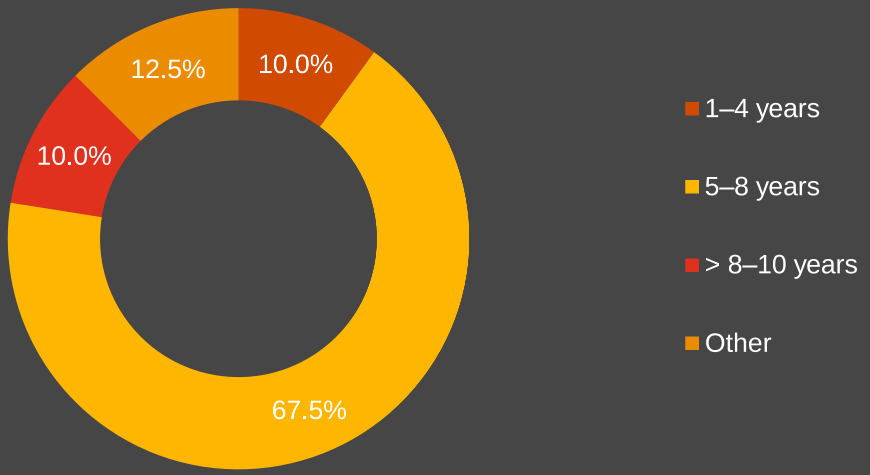
The responses from CVCs were adjusted for an outlier with an average investment volume of €155M.

General part

4.1 & 4.2

Holding periods stay in the classical brackets, the Deep-Tech Future Fund and other players may enhance the holding period partially. VC funds usually operate in small teams thus the number of deals p.a. stays low.

What is the expected holding period of your investments? (n=41)
(In %)



How many deals do you close per year approximately? (n=41)

Over all participants
369 deals
per year are closed.

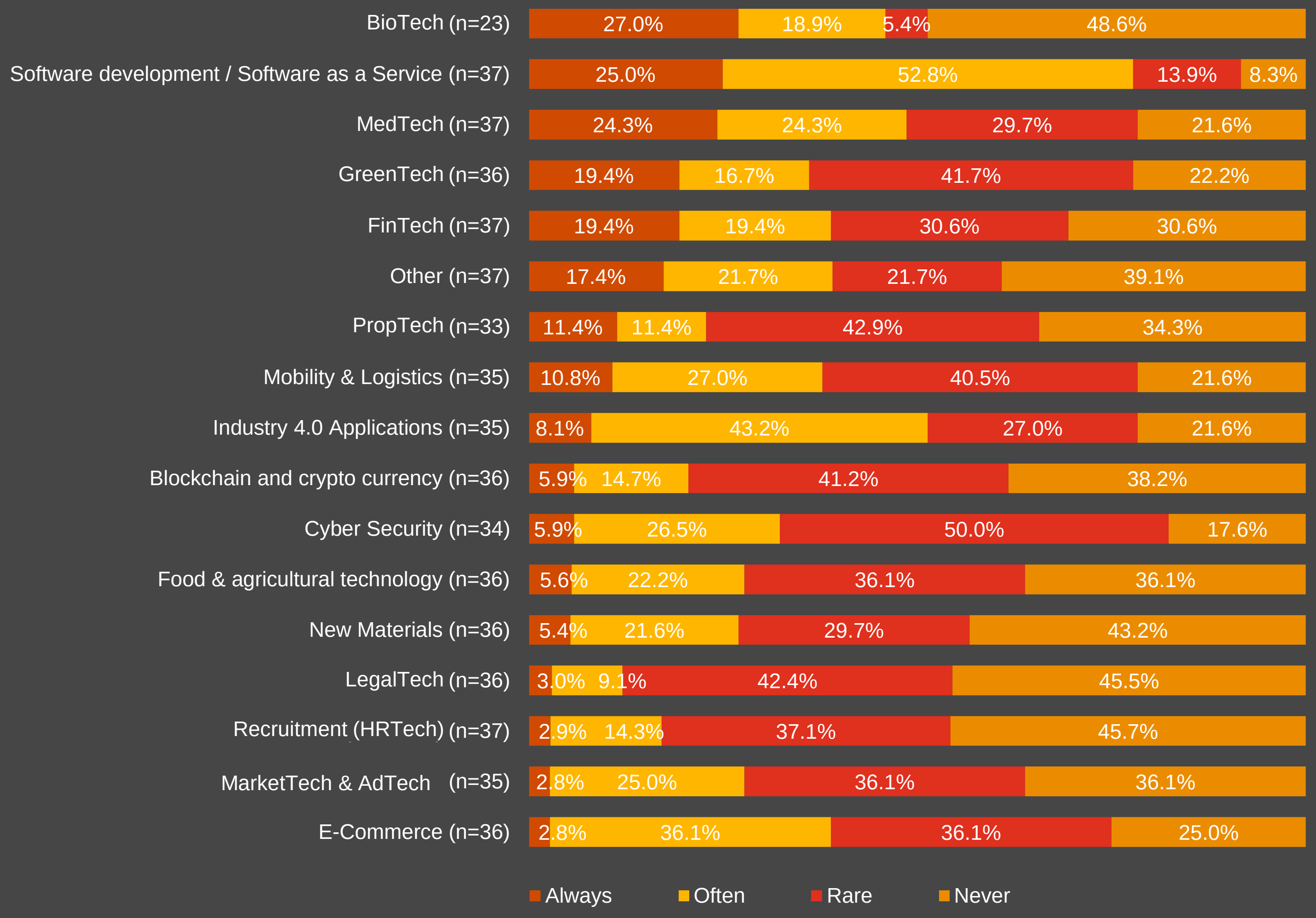
Per participant on
average 9
(median=5)

General part

5

The industry focus of the participants is predominantly SaaS / Software development and Industry 4.0 as well as MedTech and BioTech. Less addressed are LegalTech topics as well as HRTech and PropTech.

Which industry do your VC funds focus on?
(In %)

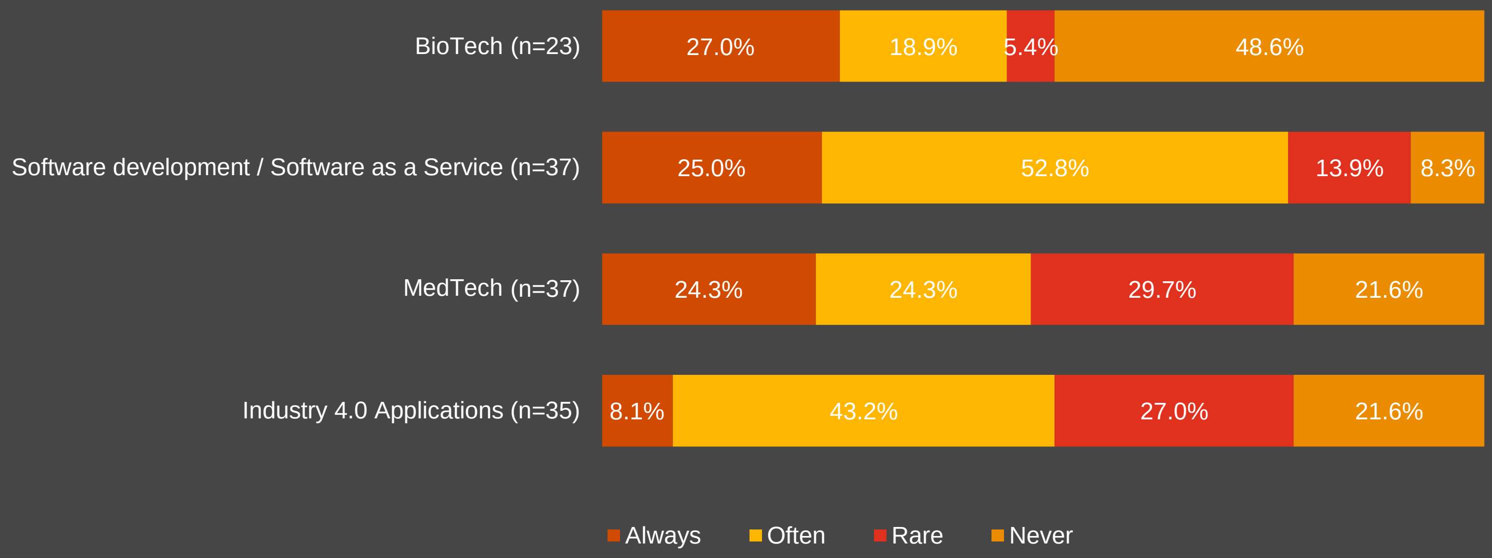


General part

5

Compared to the previous year's study, it is apparent that BioTech is experiencing a greater focus of almost 8 percentage points, while in the same period the focus has shifted somewhat away from Industry 4.0.

Which industry do your VC funds focus on?
(In %)



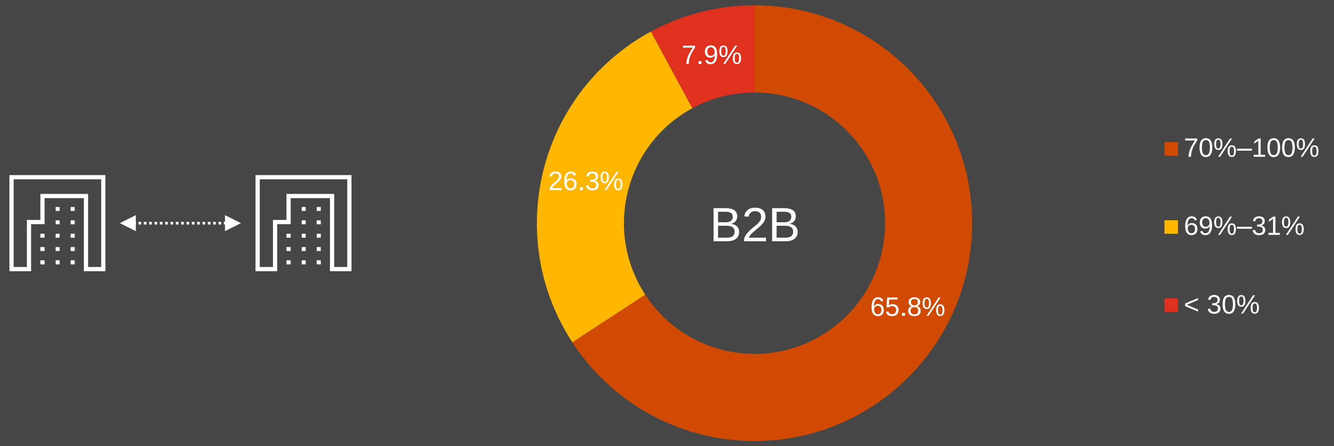
Delta between 2021 and 2020	**Always**	**Often**
BioTech	7.9%	-0.2%
Software development / Software as a Service	-8.3%	9.0%
MedTech	4.2%	-5.7%
Industry 4.0 Applications	-12.7%	-4.7%

General part

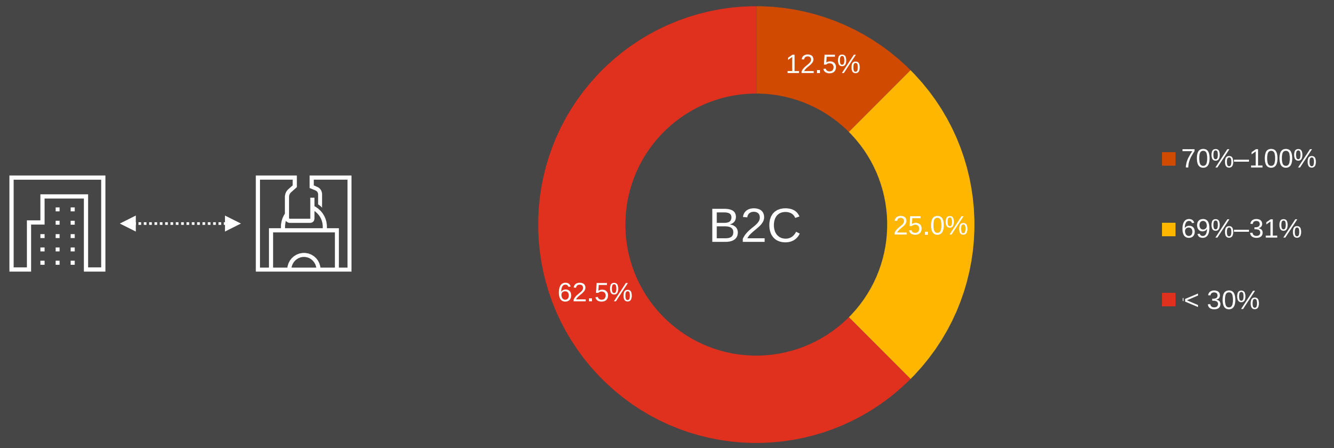
6

About 65% of participants place over 70% of their investments in B2B business models. This emphasizes the strong focus on B2B business models in the VC ecosystem – over 60% of participants report the level of investment in B2C at less than 30%.

Which market participants are the portfolio companies you invest in mainly focusing on? (n=38) (In %)



Which market participants are the portfolio companies you invest in mainly focusing on? Share of investments (in %) / B2C (n=32)

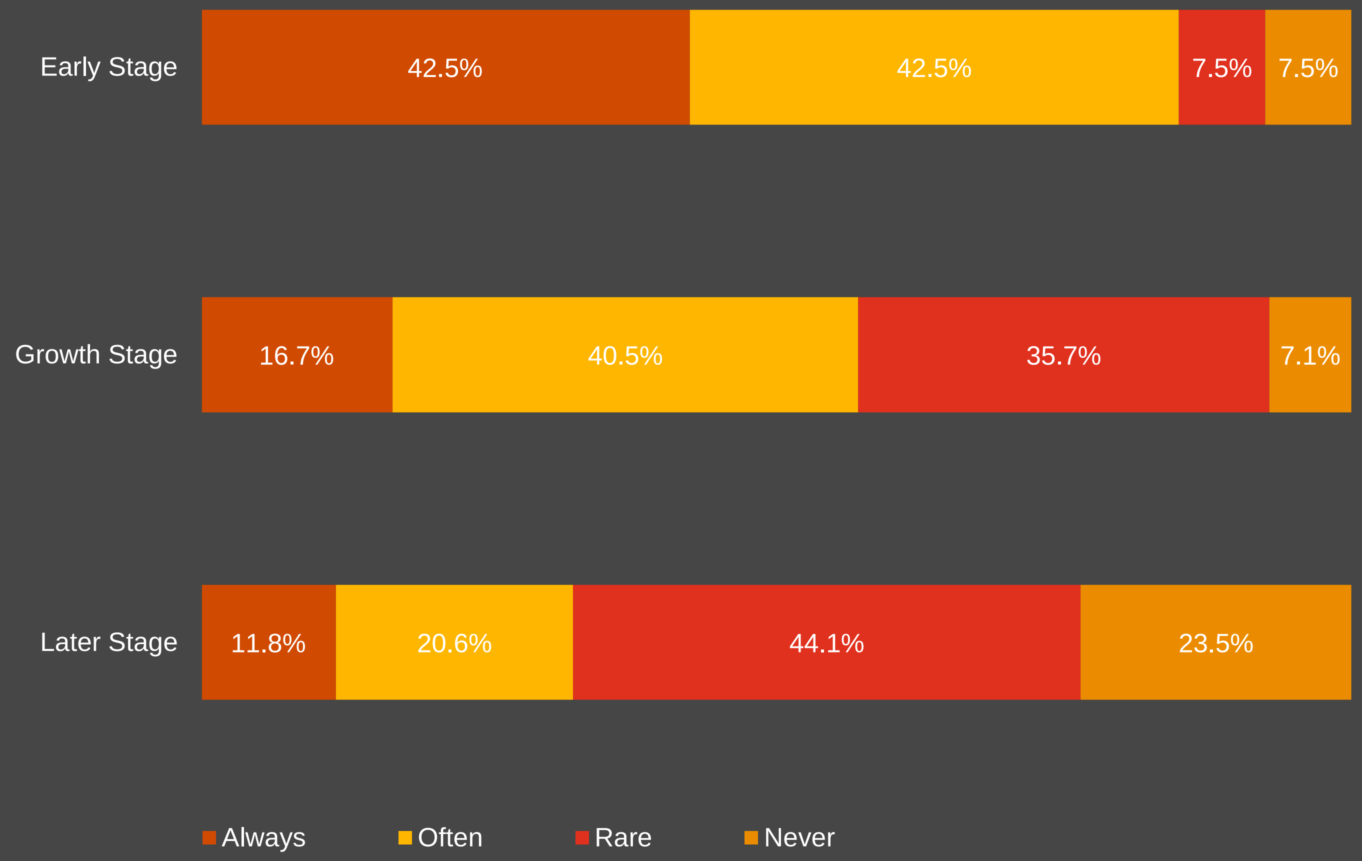


General part

7

Most participants invest their funds in Early Stage phases with a decreasing tendency to Later Stage investments.

In which start-up stage do your VC funds mainly invest? (n=41)
(Frequency in %)

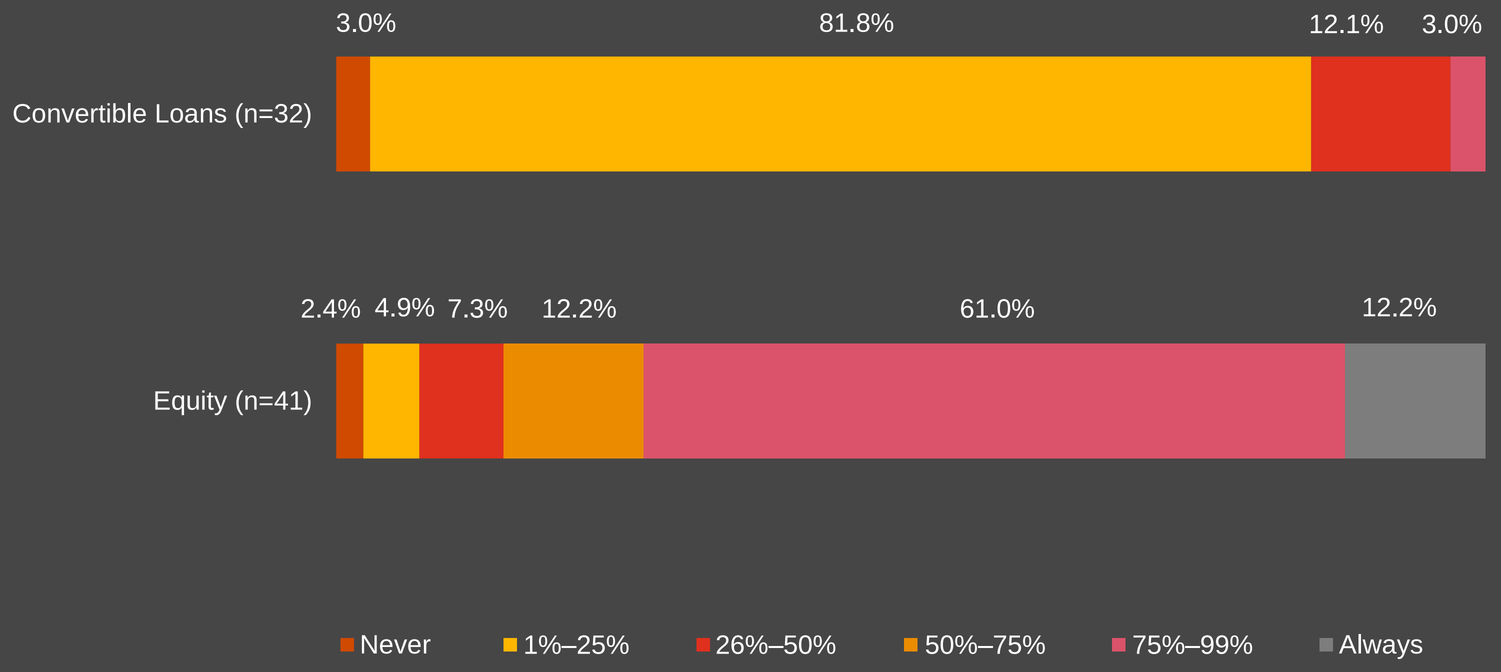


General part

8

In terms of the type of investment, the classic, direct investment with equity dominates. As an additional result, we found that a combination from equity and convertible note (also viewed as HTGF – Standard Model) is also used by 45% of the participants. (n=22 for this additional question)

What type of investment instrument do you usually use to finance the portfolio companies on average (Breakdown in %)?

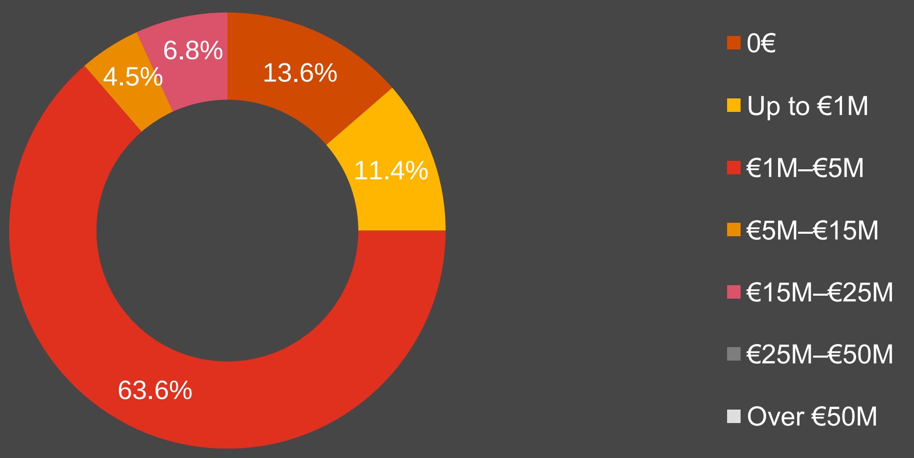


General part

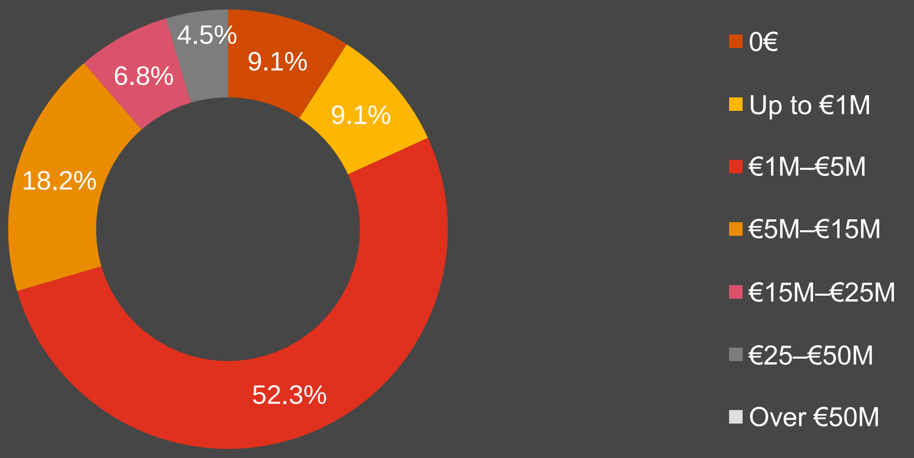
9

There is a significant step-up of individual financing round volumes from initial to follow-on investment. Almost 90% of the participants invest up to €5M in the initial investment and only over 70% in the follow-on investment, with a tendency towards higher volumes in the range of €5M–€15M in the follow-on investment.

What is your typical investment volume for an initial investment? (n=44) (In %)



What is your typical investment volume for a follow-up investment? (n=44) (In %)

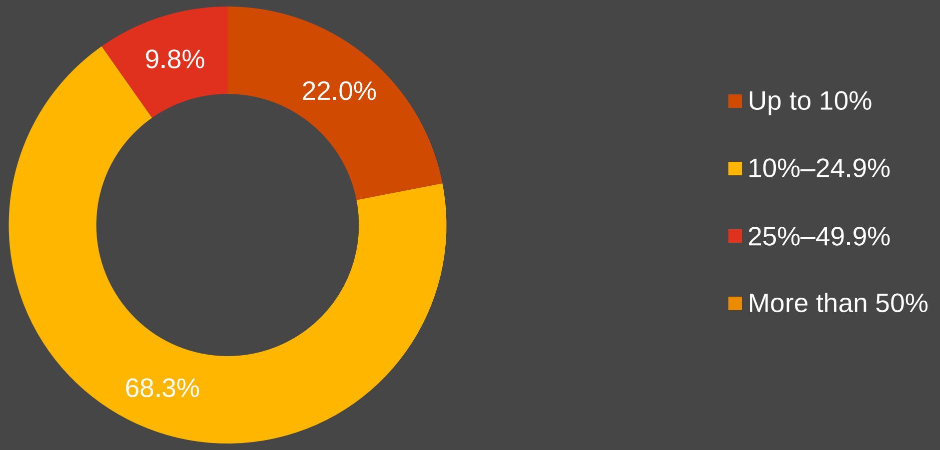


General part

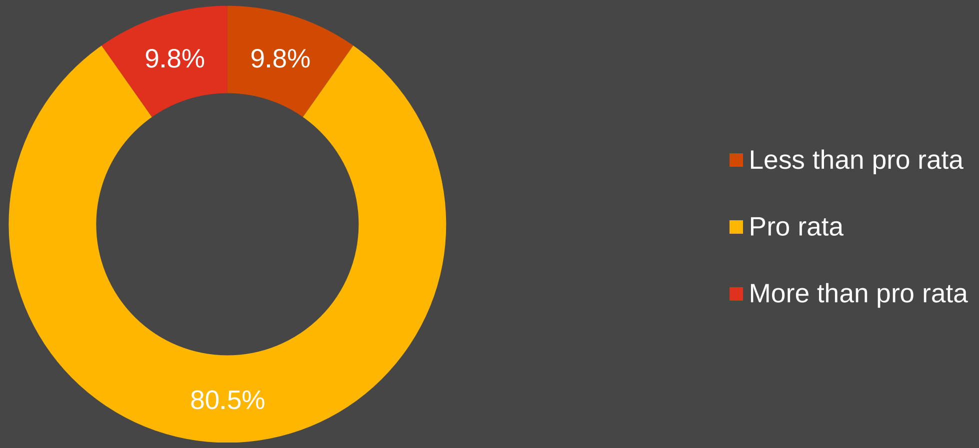
10.1 & 10.2

The target investor ownership rate is 10.0%–24.9%, with 80% planning to make follow-on investments to maintain the ownership rate in subsequent rounds.

What participation quota in the portfolio company do you expect at the initial investment? (n=41) (In %)



What participation in subsequent rounds are you planning? (n=41) (In %)



C

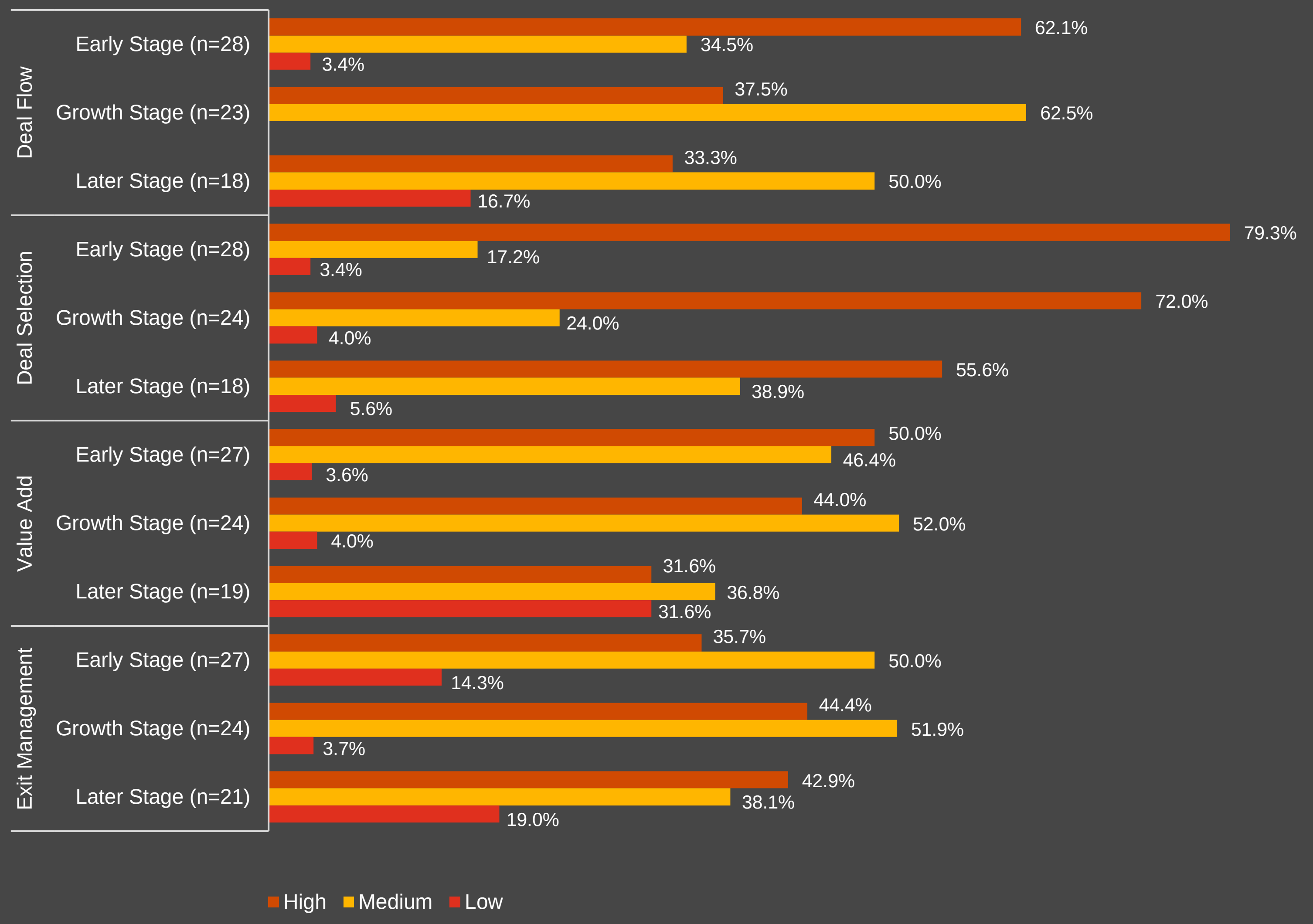
Financing and valuation of start-ups

Financing and valuation of start-ups

1

Value creation impact starts especially in the Early Stage with the deal flow and is above all stages dominated by the deal selection. As it could be expected, value add by the VC-Management is more important in Early Stage, as is exit management in Later Stage.

What contributes most to your value creation?
(In %)



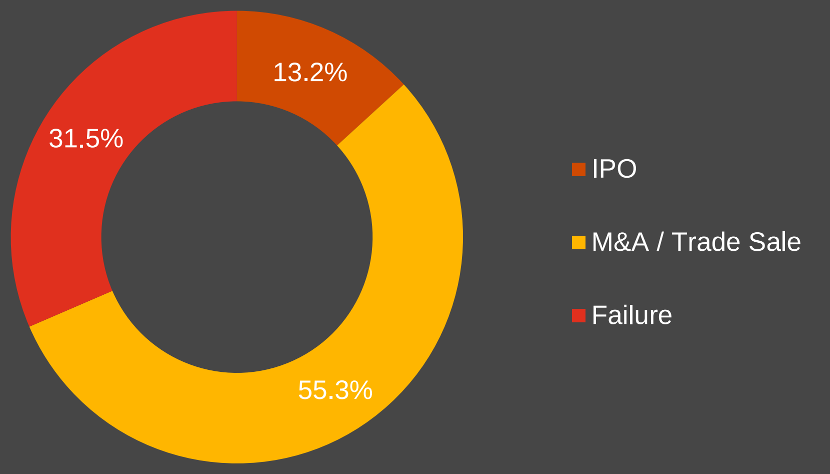
Financing and valuation of start-ups

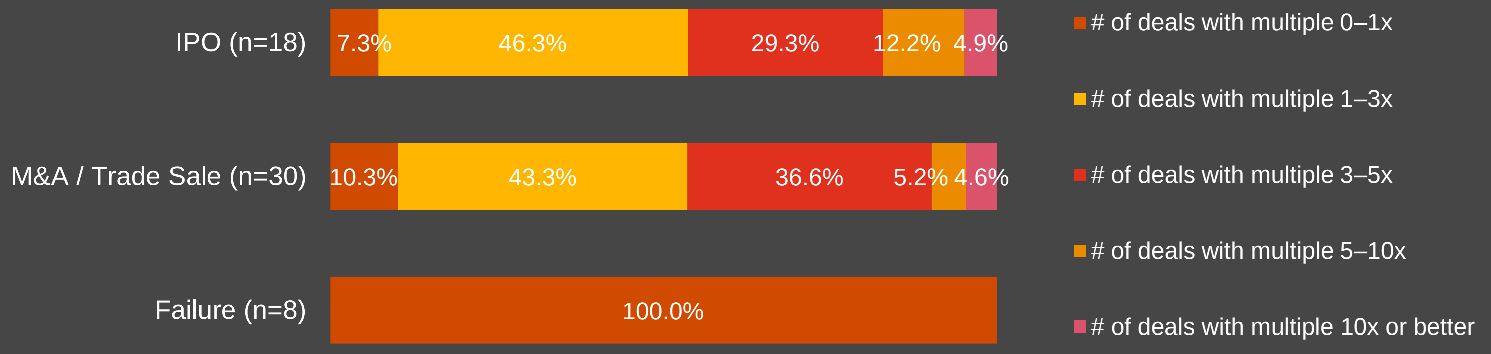
2

M&A Deals / Trade Sales are the most common exit channels, mostly with a multiple of 1–3 times closely followed by 3–5 times and higher returns in case of an IPO.

With regards to exits: If you think of the portfolio companies you have invested in, how many times (or %) of those investments have you experienced each of the following outcomes?

How many times (or %) of those investments have you experienced each of the following outcomes? (n=31)



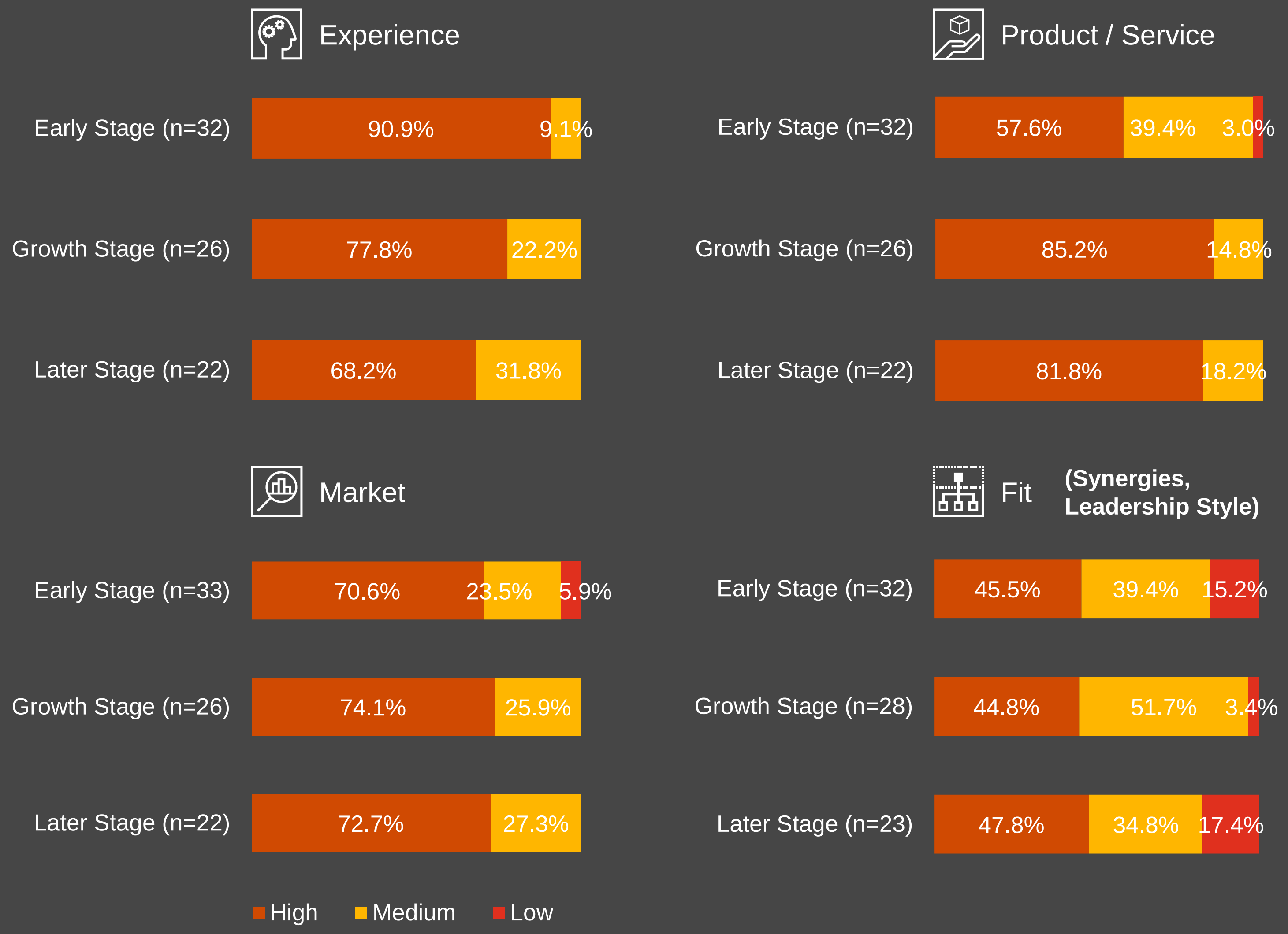


Financing and valuation of start-ups

3

In terms of qualitative valuation criteria, respondents strongly rely on their own experience in the Early Stage, while from the Growth Stage onwards, the product / service is considered most important. In general, the market is attributed greater importance than the fit of the company among all stages.

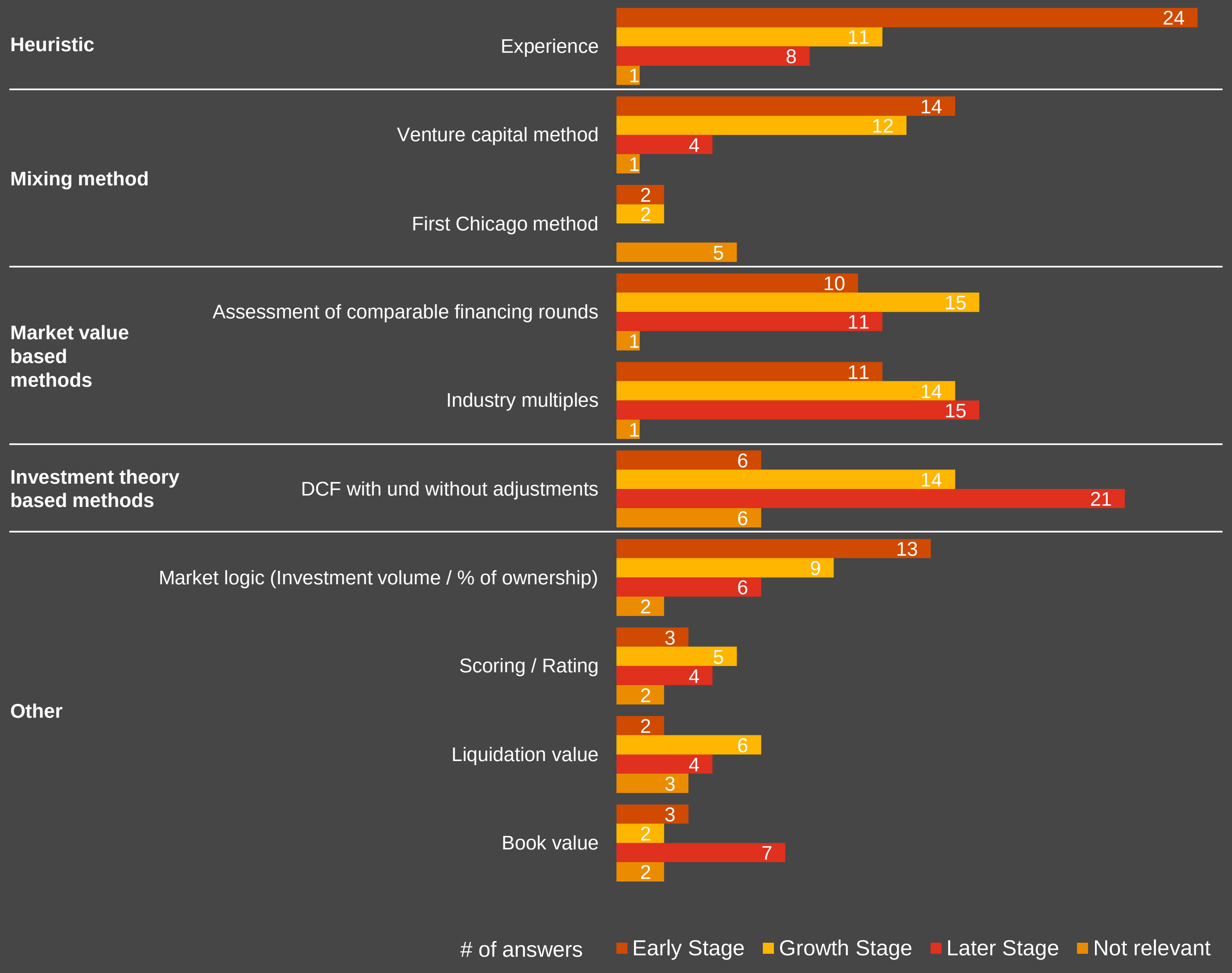
How important are the following main qualitative categories for the valuation of a portfolio company? (Frequency in %)



Financing and valuation of start-ups

4

In the case of early-stage investments, the investor's own experience is most frequently used for company valuations, followed by various multiple approaches and the VC method; DCF methods only gain importance in the Later Stage.

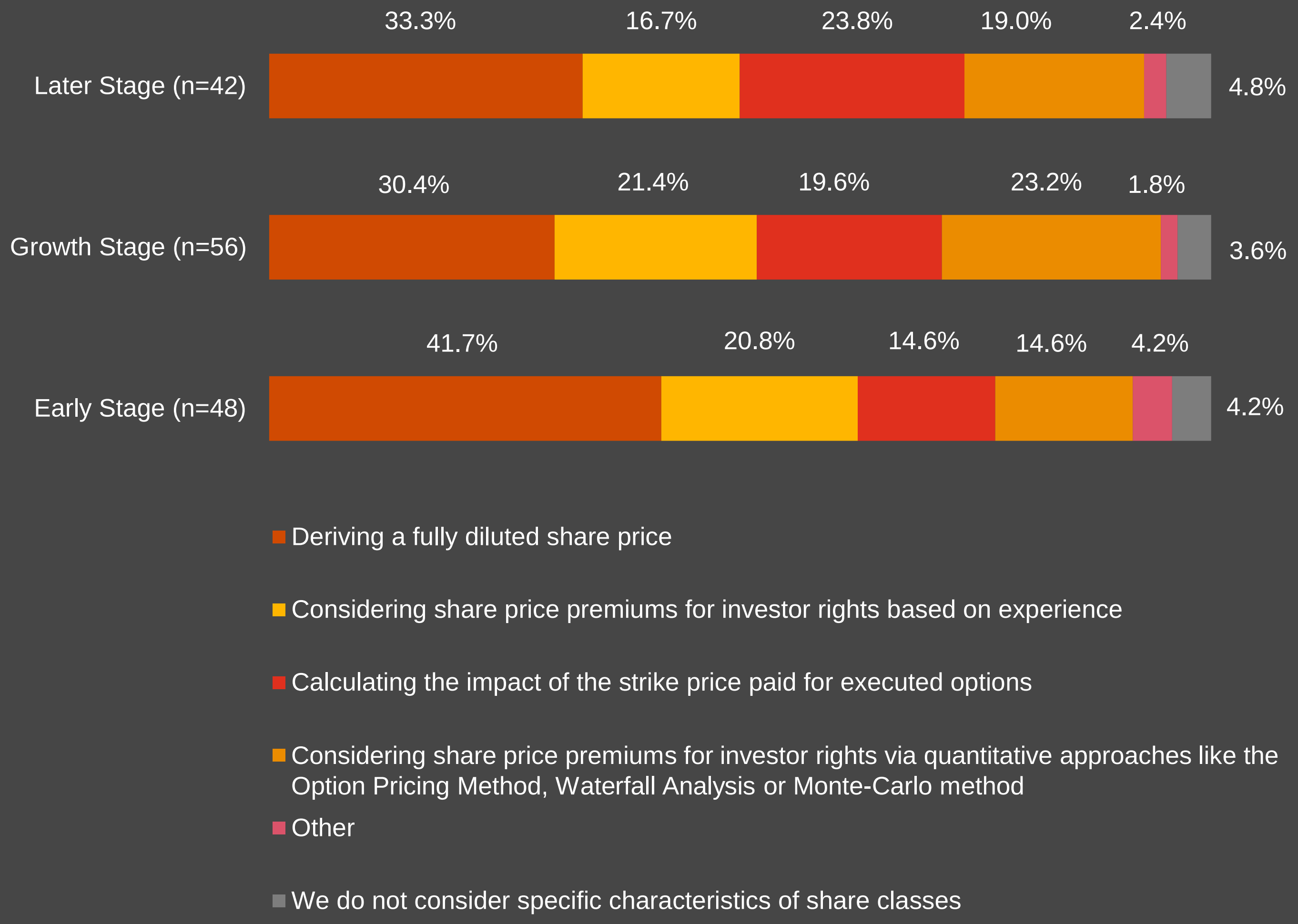


Financing and valuation of start-ups

5

The simple fully diluted share price is often derived especially in the Early Stage. In Growth and Later Stage more often the concrete consideration of specific share characteristics is made by experience based premiums or quantified by Monte-Carlo-Simulation, Waterfall-Analysis and Option Pricing Method approaches. Paid strike prices are considered as relevant for valuation especially in Later Stage.

During the investment process, how do you consider the specific characteristics of the acquired share class in the valuation process? (In %)



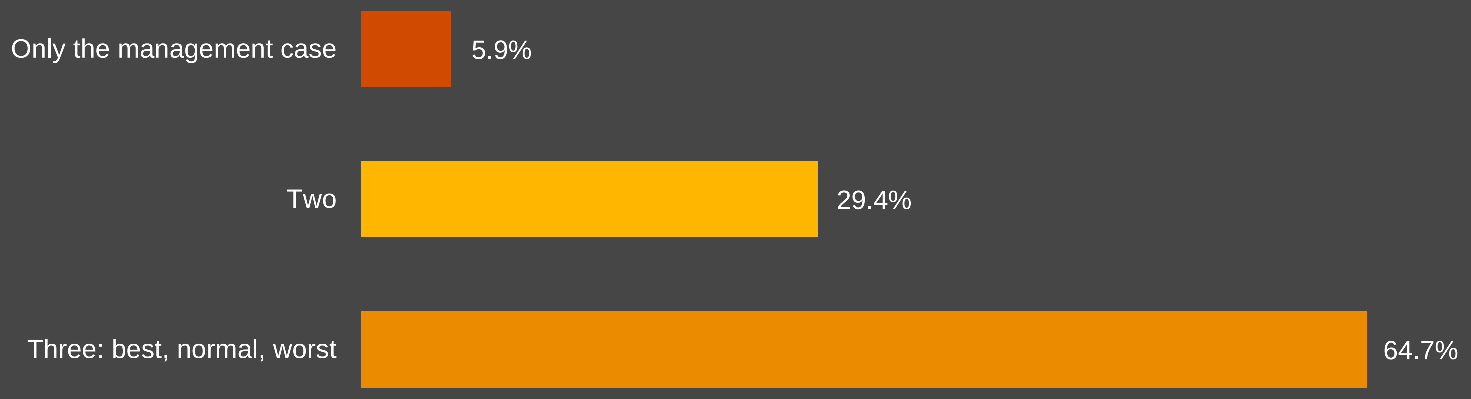
Financing and valuation of start-ups

6.1 & 6.2

Most founders use two stages in the DCF model and predominantly calculate three cash-flow scenarios.

How many stages do you assume in the DCF model? (n=15) (Frequency in %)

How many cash flow scenarios do you use? 2021 (n=17)

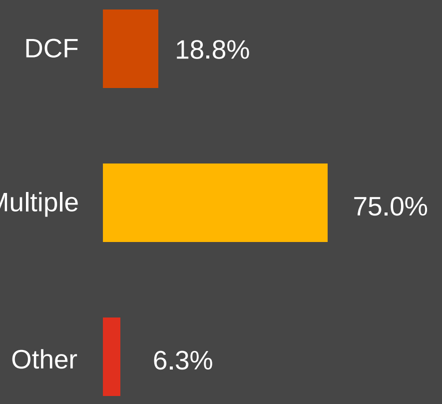


Financing and valuation of start-ups

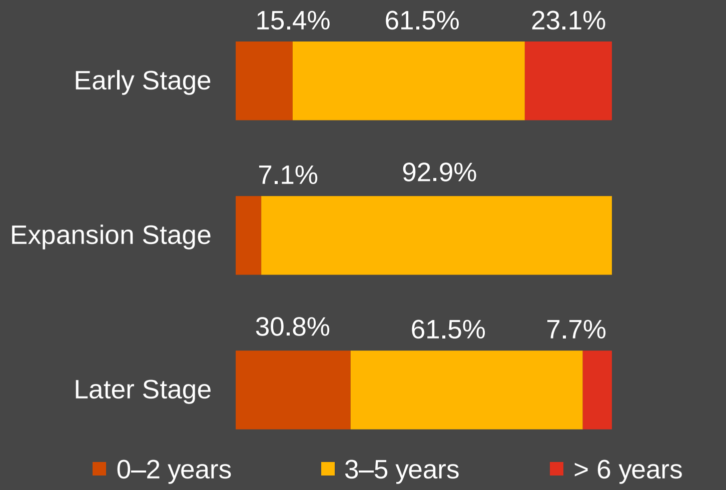
7.1 & 7.2 & 7.3

Participants using the Venture Capital method for valuation calculate the exit value of the portfolio company using multiples. One time the answer "target value" was given. Mostly 3–5 years expected financials are used for the multiples.

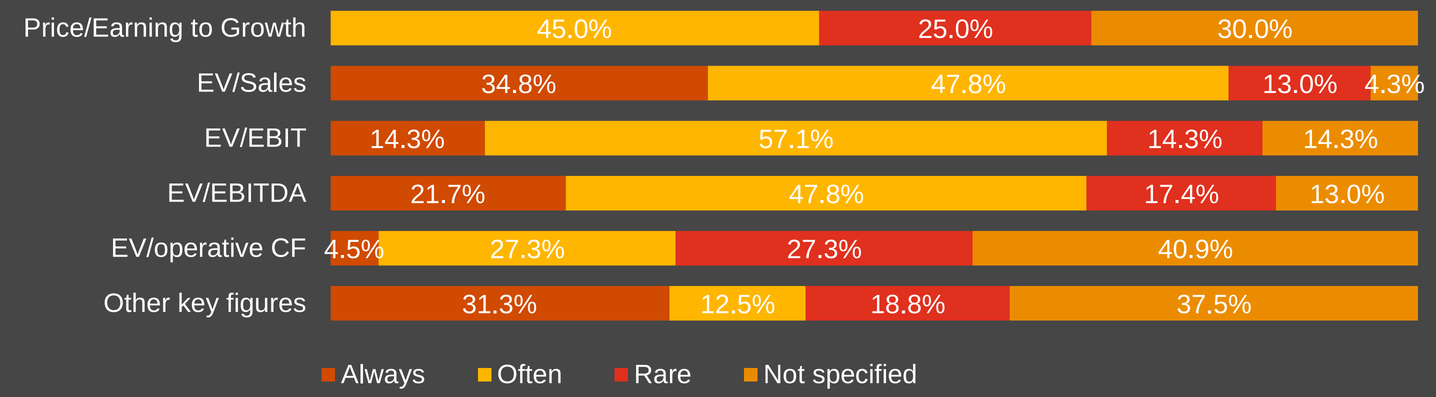
How is the exit value for the VC method determined? (n=16) (Frequency in %)



Multiples: Which year (or range) is used as a basis? (n=14) (Frequency in %)



Which multiples do you usually apply? (n=28) (Frequency in %)



Financing and valuation of start-ups

8.1 & 8.2 & 8.3

The business plan is adjusted by 3/4 of the investors via the calculation of different scenarios. The corresponding discount rate is calculated via the risk-free interest rate with individual markups.

Which model do you mainly follow? (n=27) (In %)

Acceptance of the business plan by the founder of the possible target company (or only rough adjustments)

22.2%

Adjustment of the business plan by the founder of the possible target company

77.8%

Which procedure do you mainly use to adjust the business plan? (n=20) (In %)

Calculation of different scenarios (e.g. worst, best, management case)

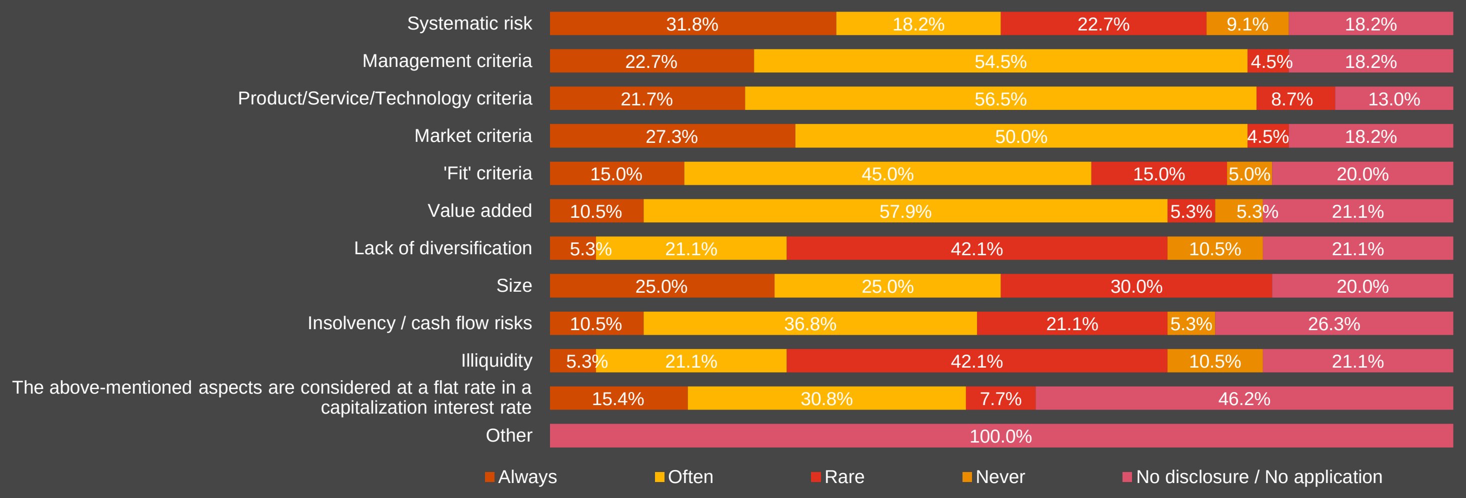
100%

Financing and valuation of start-ups

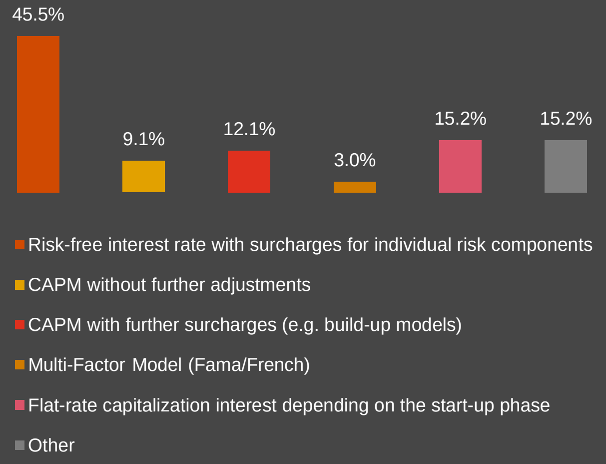
9

Management criteria as well as product / service / technology and market criteria are the most common individual surcharges for risk aspects when it comes to determining the required discount rate.

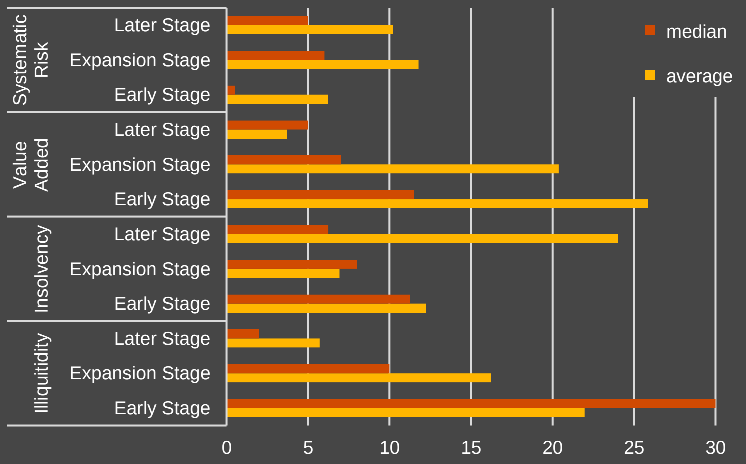
Which risk aspects do you usually take into account when determining the cost of capital, the required yield / discount rate? (n=27) (Frequency in %)



How is the required yield or the discount rate determined? Frequency in %
(based on number of participants: 25)



Please indicate the premiums for the following adjustments in the different stages (in percent) (n=11)

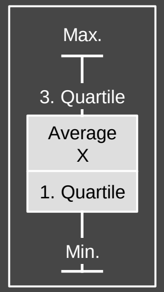


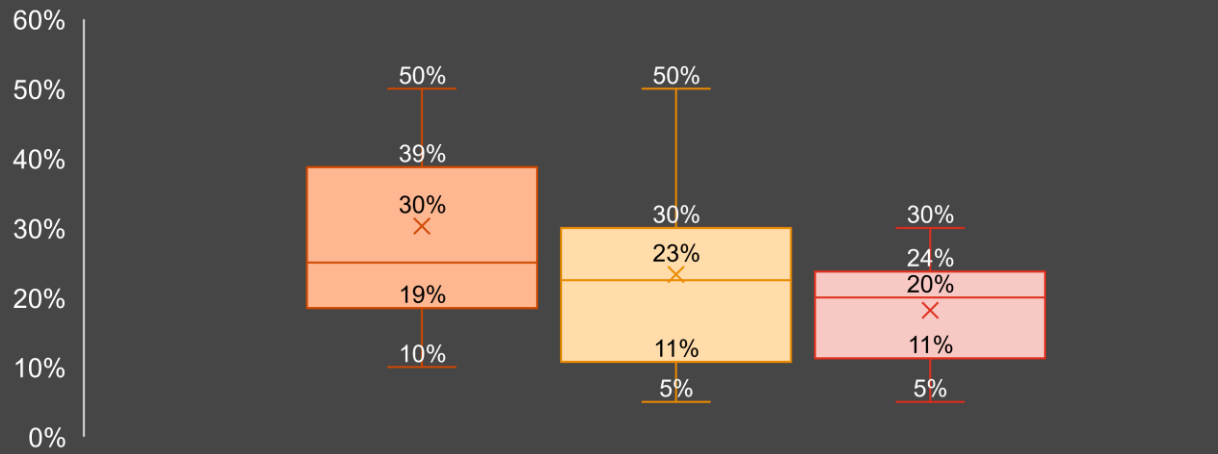
Financing and valuation of start-ups

10.1 & 10.2

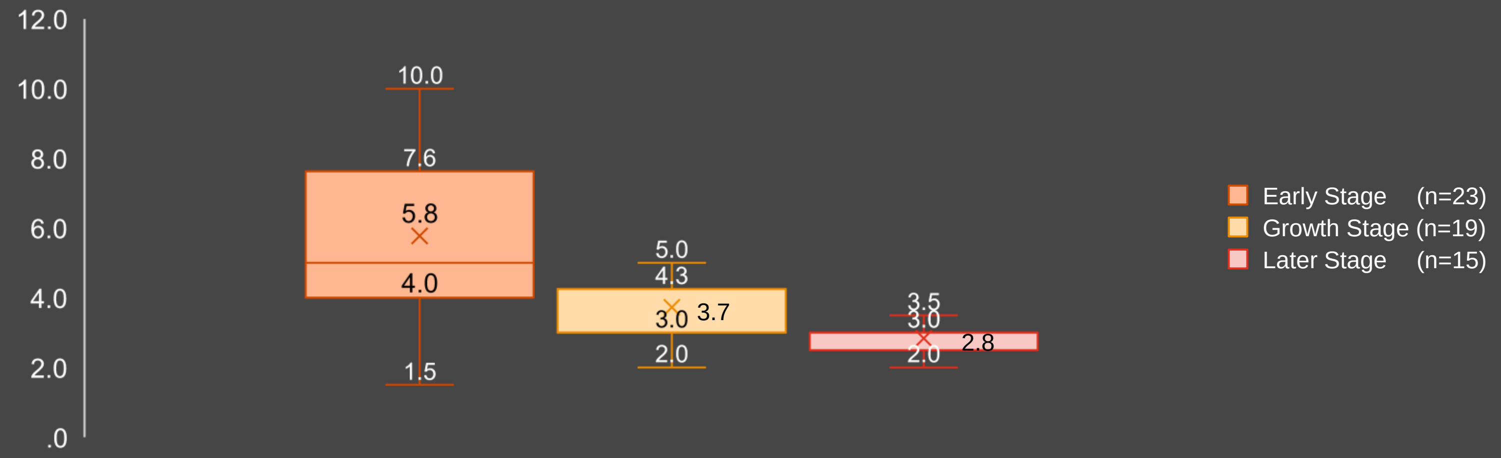
The expected IRR in relation to the portfolio companies ranges between 30% p.a. for Early Stage and 20% p.a. for Later Stage (on average), the expected multiple on average between 5.8 for Early Stage and 2.8 for Later Stage.

What is the average IRR for a single-target portfolio company per stage? (In %)





What is the average expected Money Multiple for the respective portfolio company, a single-target portfolio company per stage?

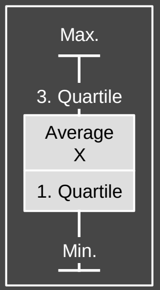


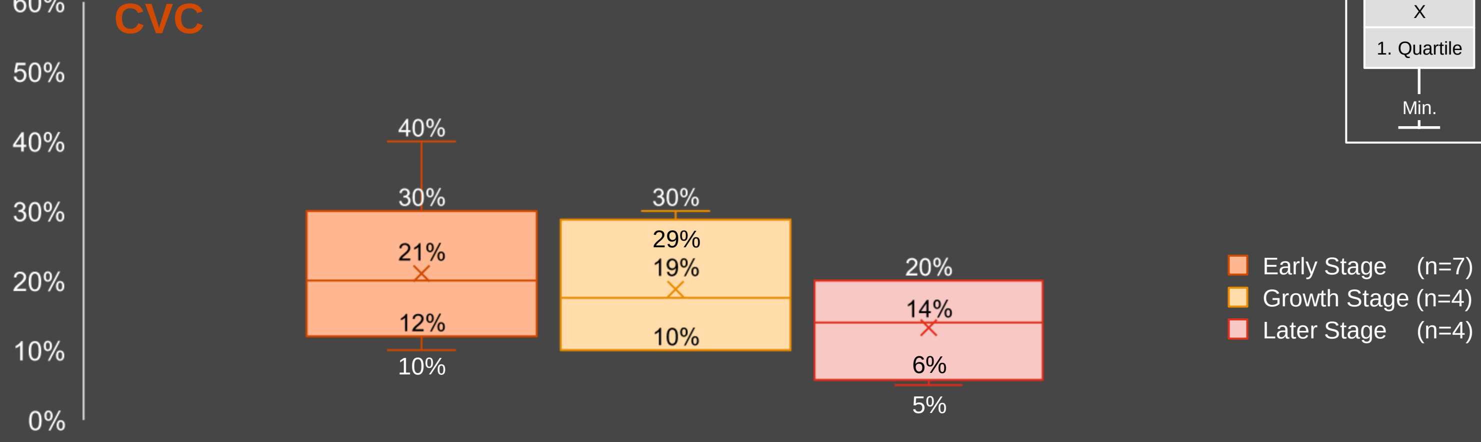
Financing and valuation of start-ups

10.3 & 10.4

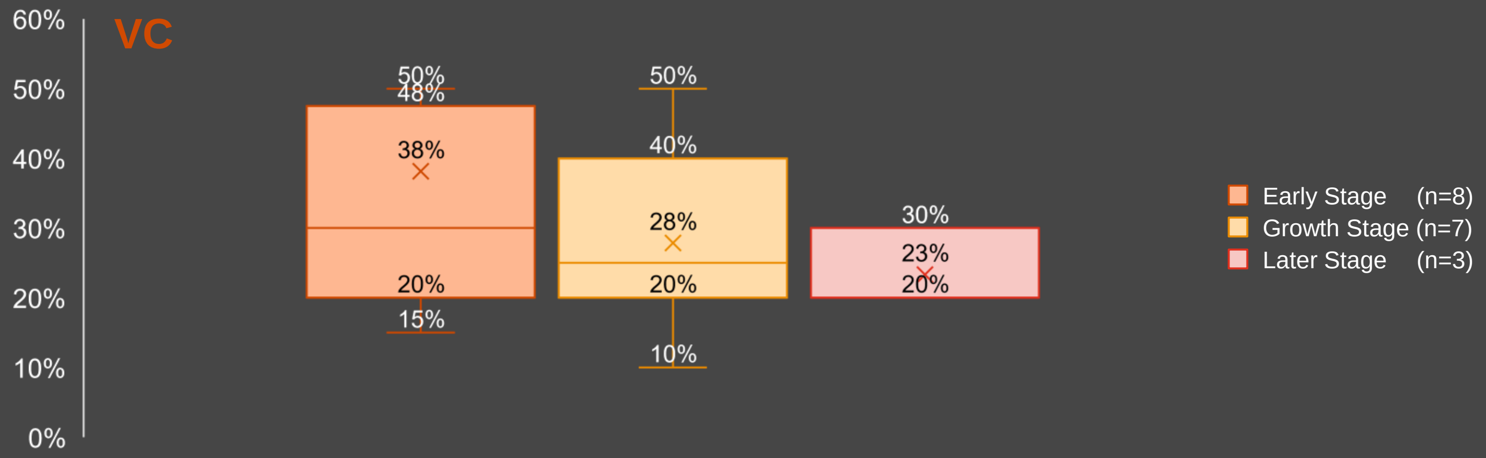
The expected IRR for the single portfolio companies is for all stages materially lower for CVCs in comparison to VCs.

What is the average IRR for a single-target portfolio company per stage? (In %)





What is the average IRR for a single-target portfolio company per stage? (In %)

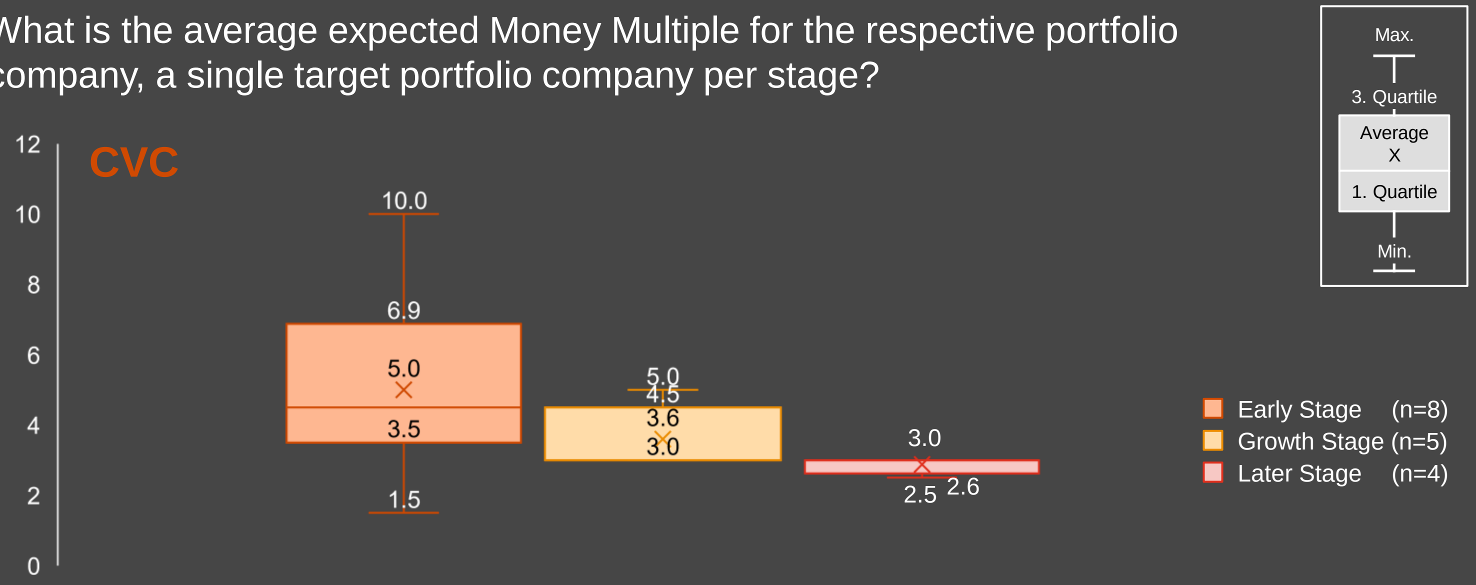


Financing and valuation of start-ups

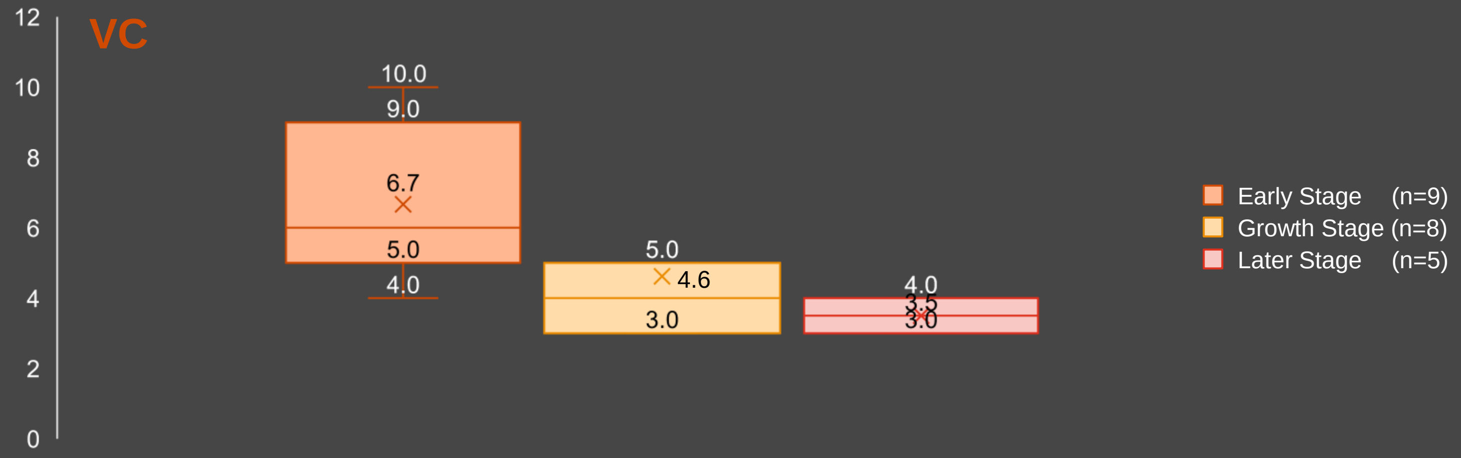
10.5 & 10.6

The expected Money Multiple for the single portfolio companies is for all stages lower for CVCs in comparison to VCs.

What is the average expected Money Multiple for the respective portfolio company, a single target portfolio company per stage?



What is the average expected Money Multiple for the respective portfolio company, a single target portfolio company per stage?

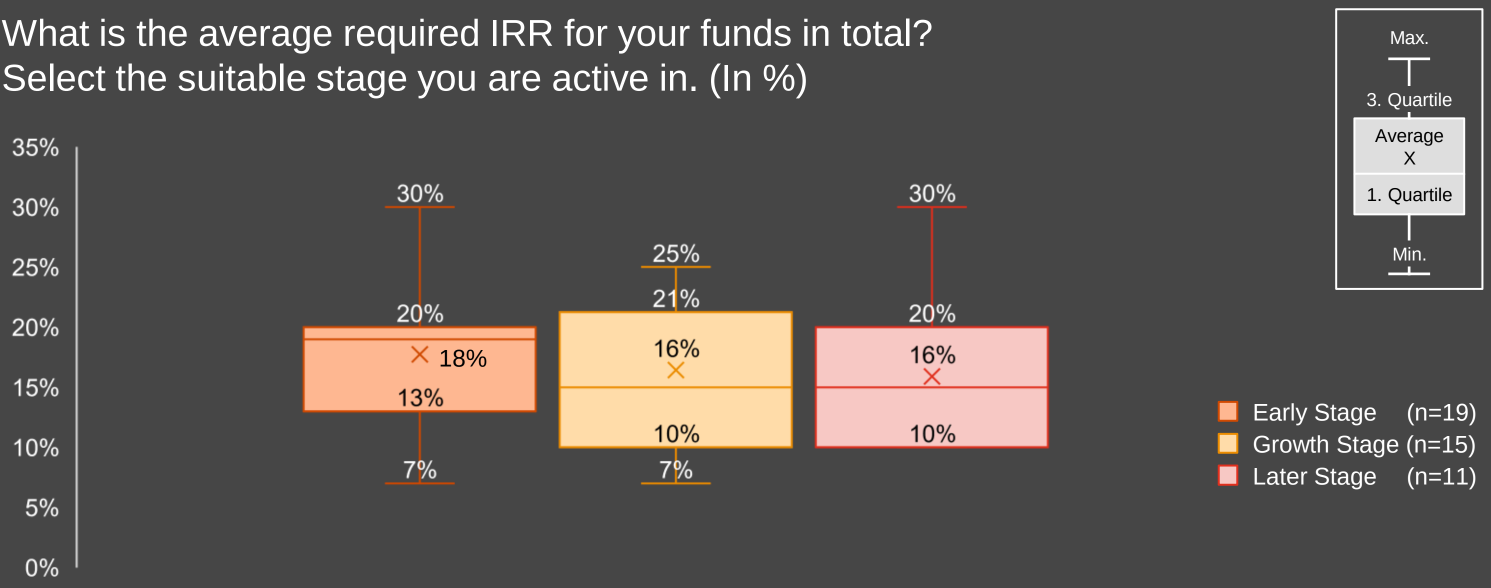


Financing and valuation of start-ups

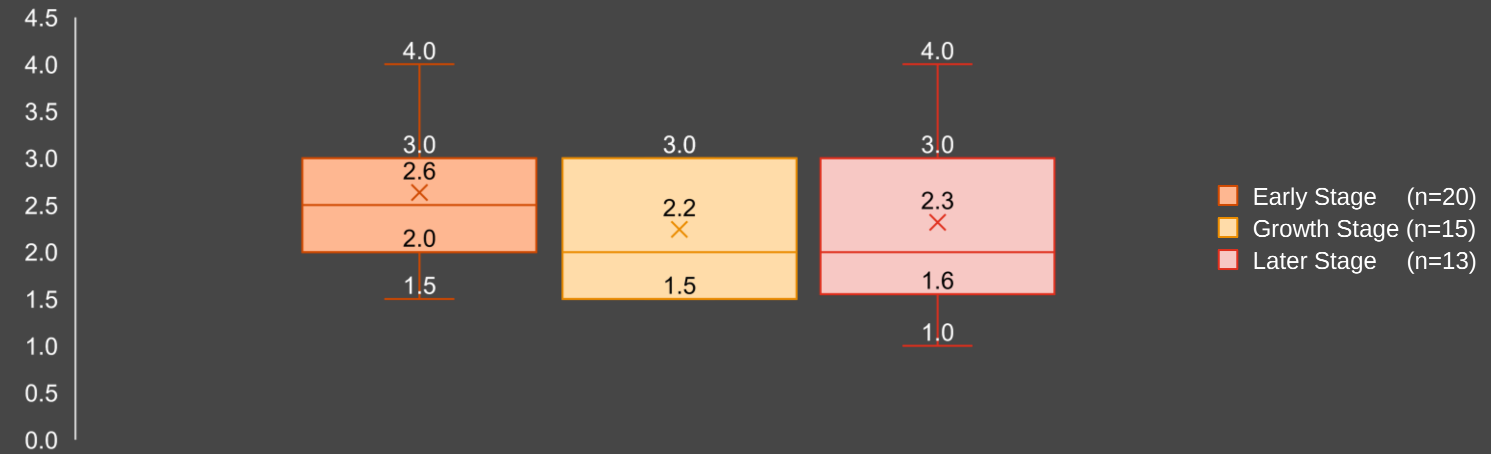
11.1 & 11.2

The expected IRR in relation to the fund ranges between 18% p.a. for Early Stage and 16% p.a. for Later Stage (on average), the expected multiple on average between 2.6 for Early Stage and 2.3 for Later Stage.

What is the average required IRR for your funds in total? Select the suitable stage you are active in. (In %)



What is the average expected Money Multiple for your funds in total? Select the suitable stage.

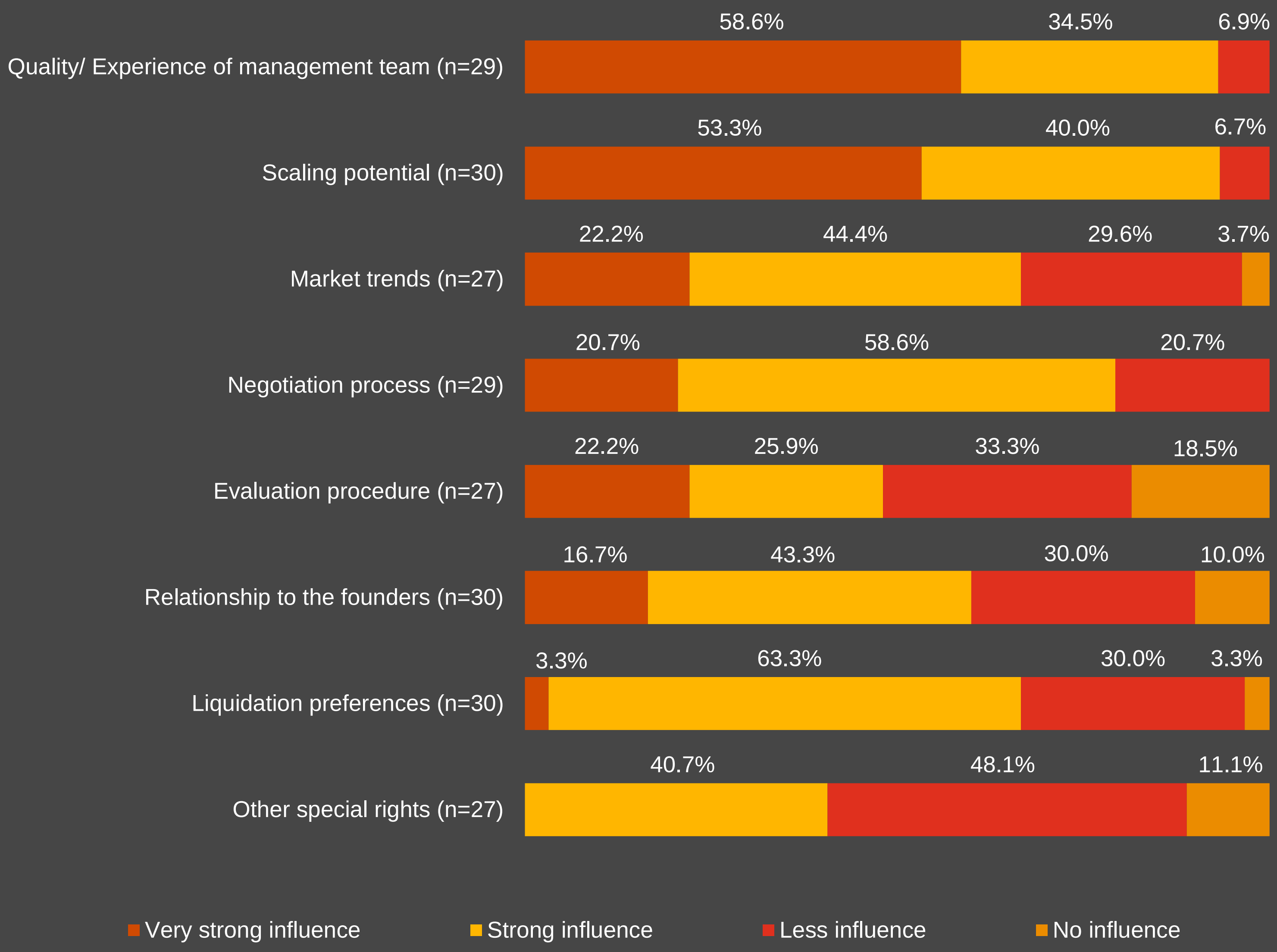


Financing and valuation of start-ups

12

Nearly 80% of the participants stated that the company price ultimately achieved depends on the negotiation process in addition to the experience of the management team, scaling potential and market trends. Special rights play a subordinate role.

What influence do the following criteria have on the company valuation ultimately paid? (Frequency in %)



D

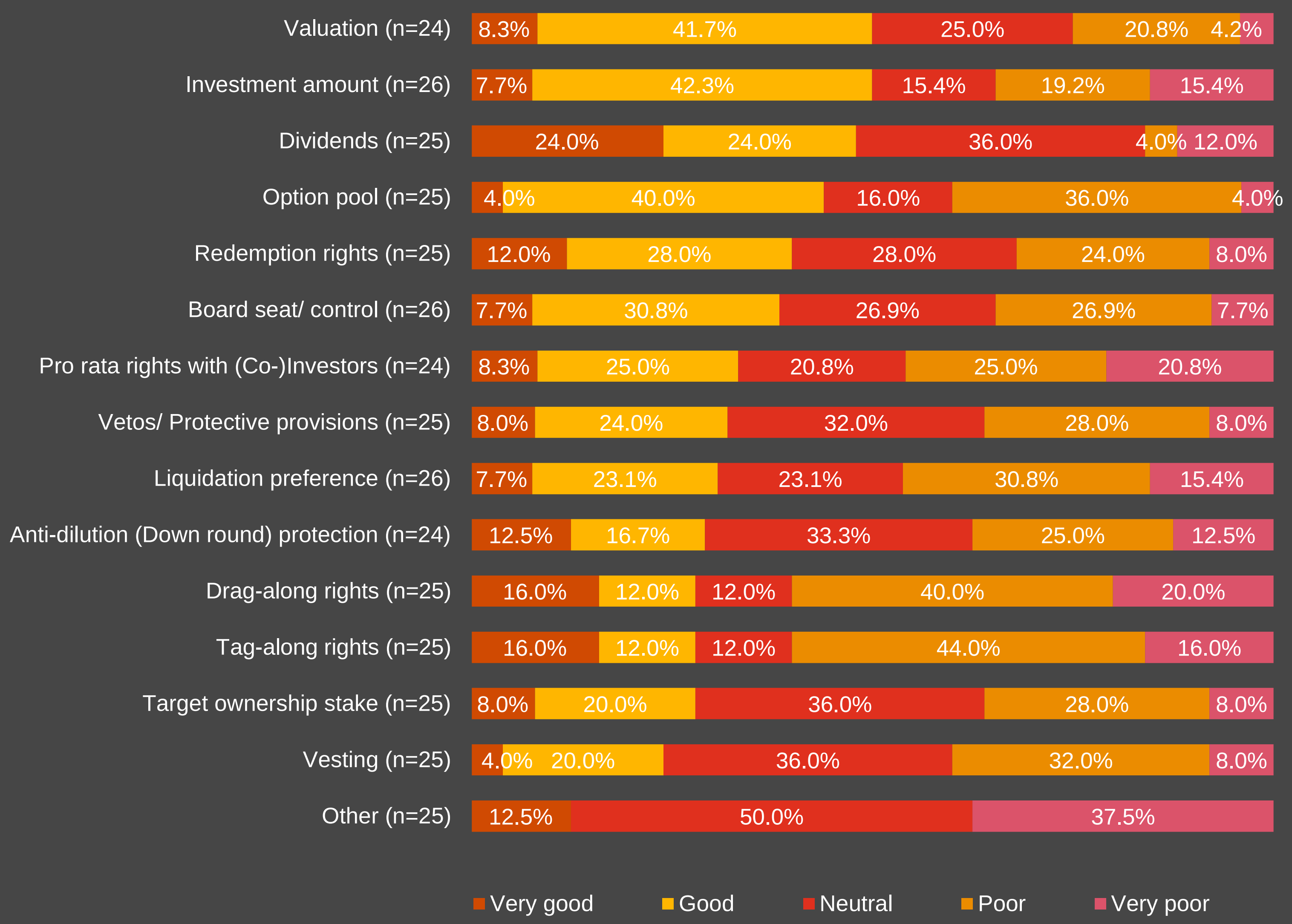
Contractual design of financing rounds

Contractual design of financing rounds

1

Particularly with regard to dividends, valuation, investment amount and option pools, investors are frequently willing to negotiate. But for other terms, such as the share ratio, drag-along rights, pro rata rights and liquidation preferences, it is less likely to negotiate more favorable terms.

What term sheet items are you flexible on when negotiating a new investment? (Frequency in %)

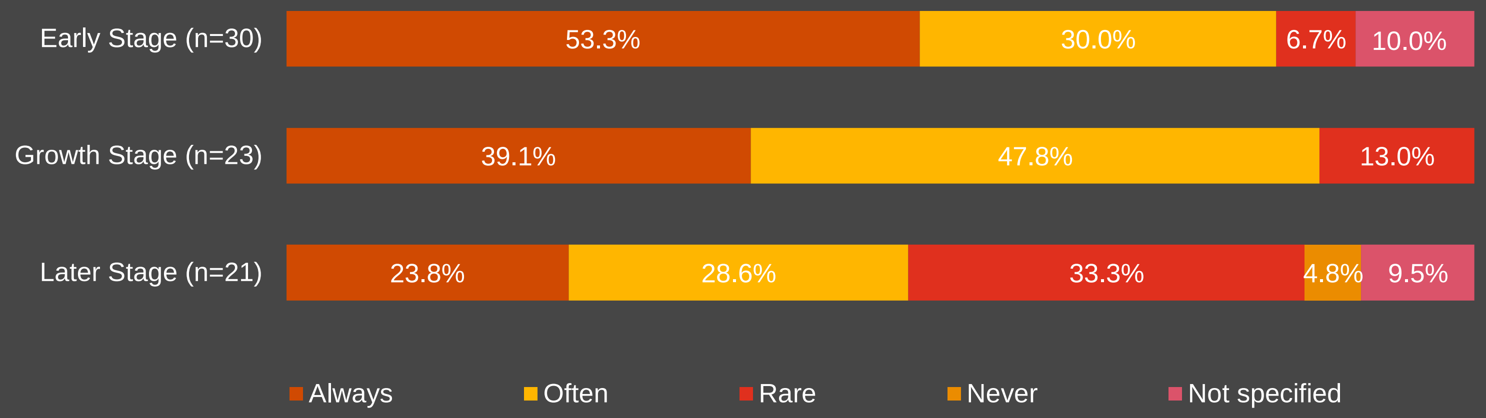


Contractual design of financing rounds

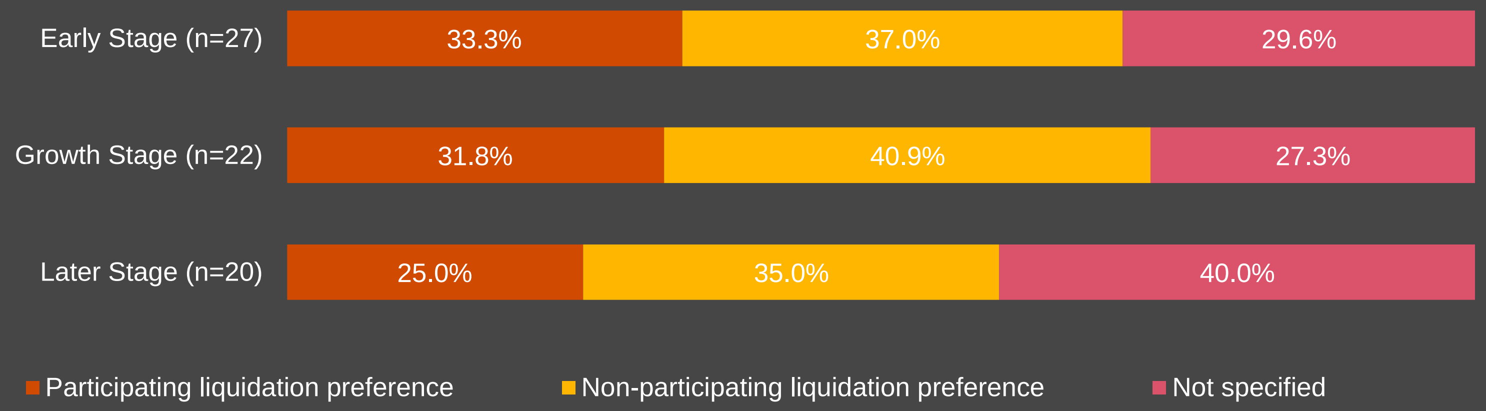
2.1 & 2.2

In most cases, investors tend to insist on liquidation preferences, except for Later Stage with only about 50% of the cases. Especially in Early Stage deals, the ratio between participating and non-participating preferences is approximately 50:50.

How often do you agree on liquidation preferences when you invest in a new portfolio company? (In %)



What kind of liquidation preferences do you agree on in the different stages? (Frequency in %)

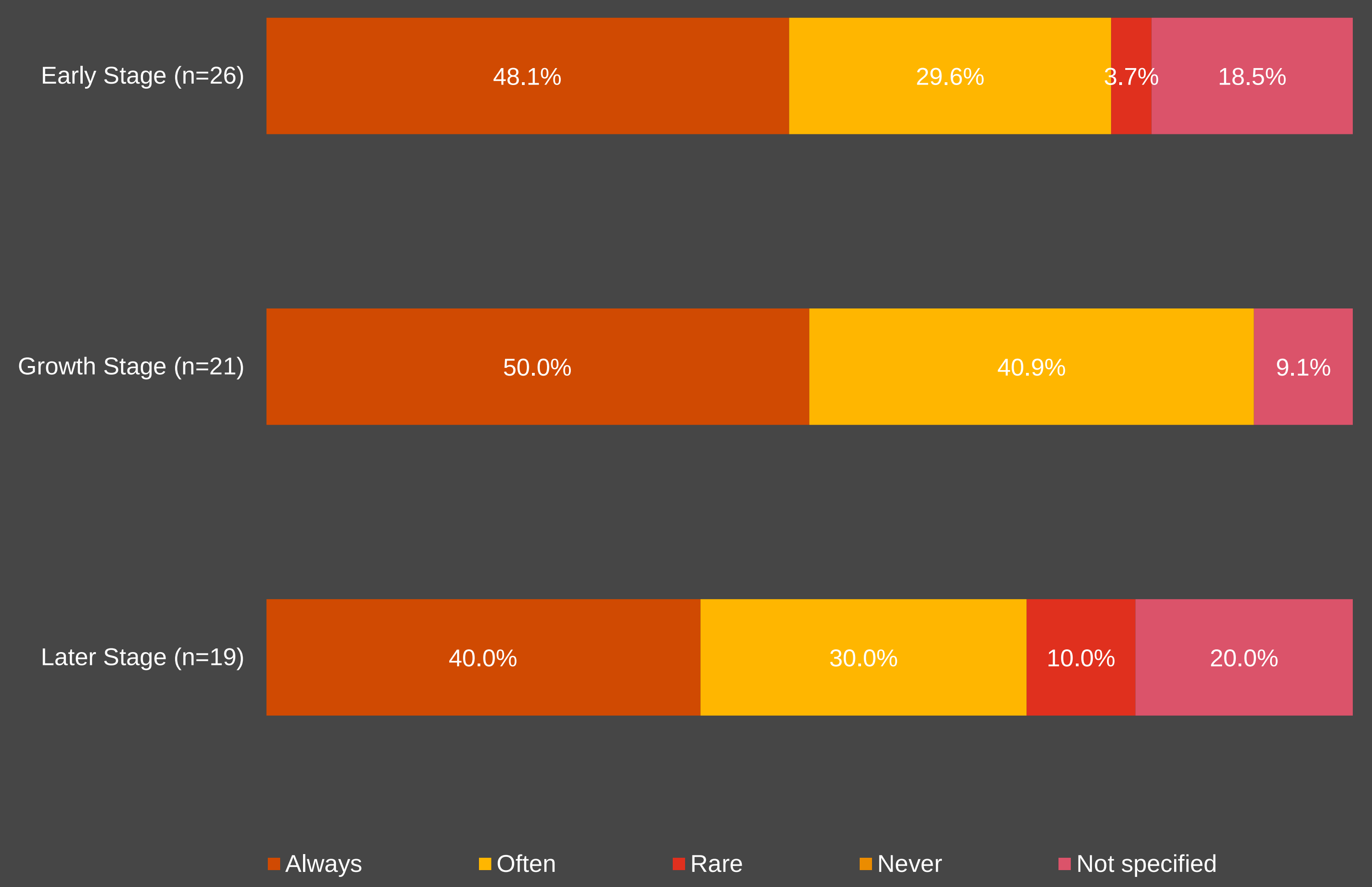


Contractual design of financing rounds

3

Almost exclusively, liquidation preferences are always or often agreed according to the LIFO (Last-In First-Out) principle. In the Later Stage, this agreement decreases somewhat.

Are the agreed liquidation preferences senior to previous preferences (= the last agreed liquidation preference is given priority)? (In %)

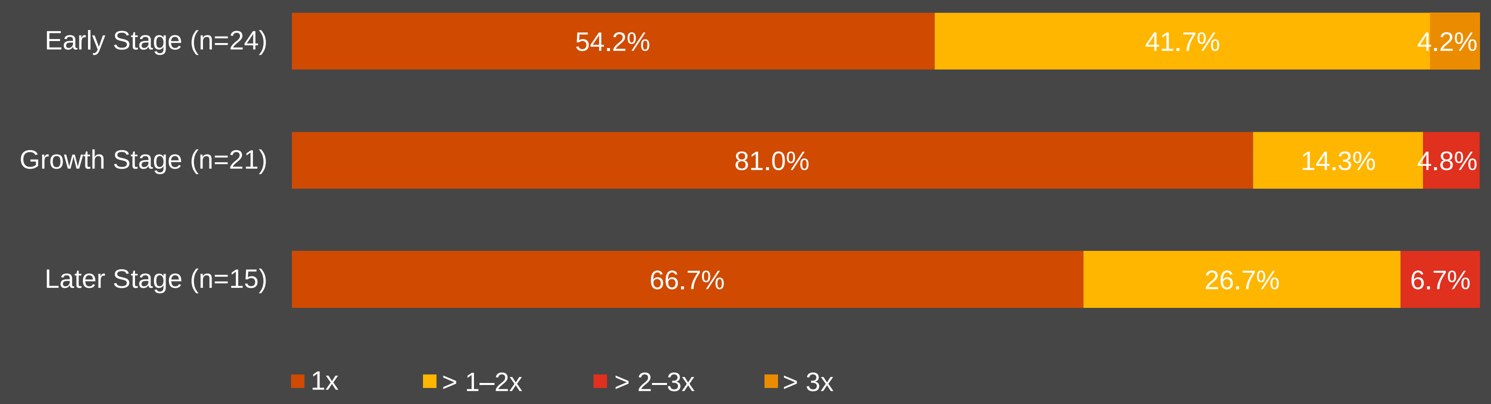


Contractual design of financing rounds

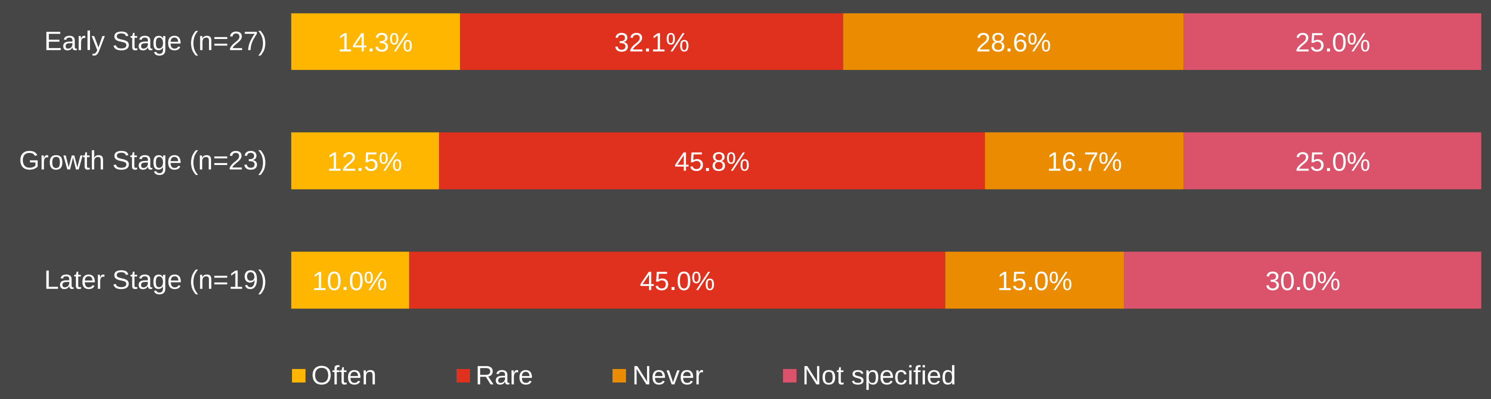
4.1 & 4.2

More than 50% of the participants do not apply a multiple on the liquidation preference. Caps on participation are rather rarely agreed upon by participating investors.

Which multiplier or / and interest rate do you usually apply to liquidation preferences? (Frequency in %)



How often do you apply a capped amount on a participating liquidation preference?* (Frequency in %)



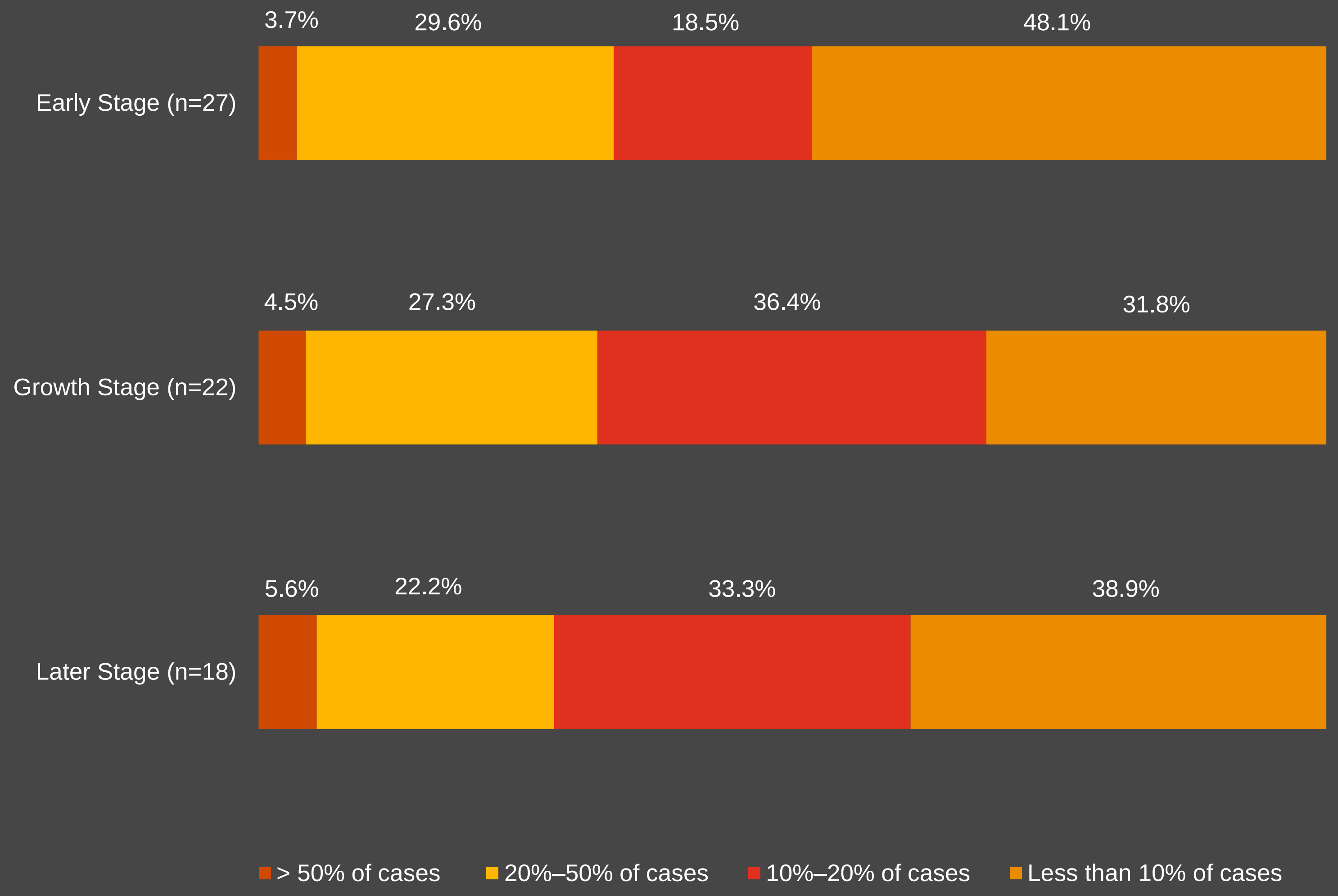
*The answer option "Always" was not selected by the participants.

Contractual design of financing rounds

5

Liquidation preferences are rarely used by investors to offset high company values. It is less used then in the last year's study. This could indicate a more mature market.

How often have you negotiated more favorable liquidation preferences to offset high company values? (In %)

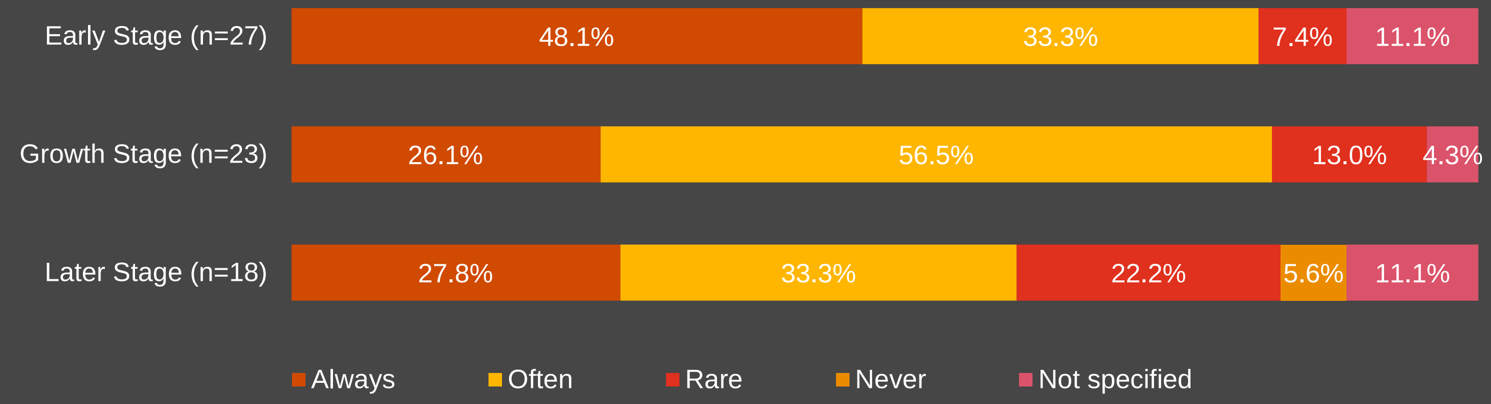


Contractual design of financing rounds

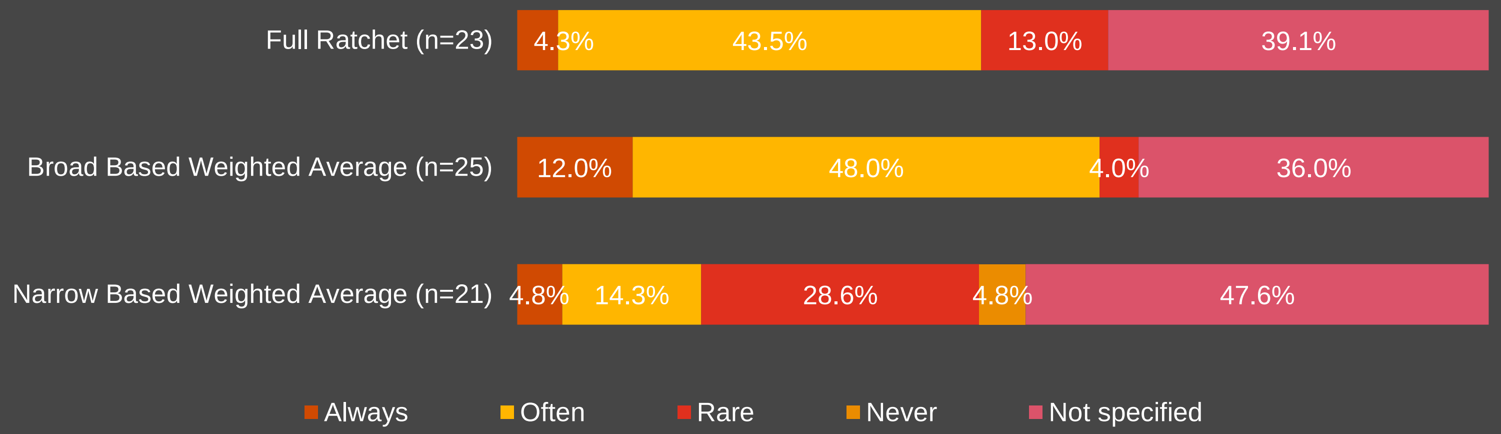
6.1 & 6.2

Anti-dilution rights are always or often used in 3/4 to about 2/3 of cases, decreasing across stages. However, a founder-friendly broad-based weighted average anti-dilution clause is predominantly chosen, followed by full ratchet.

How often do you agree on anti-dilution (down round protection) clauses when you invest in a new portfolio company? (In %)



What kind of anti-dilution clauses do you predominantly use? (In %)

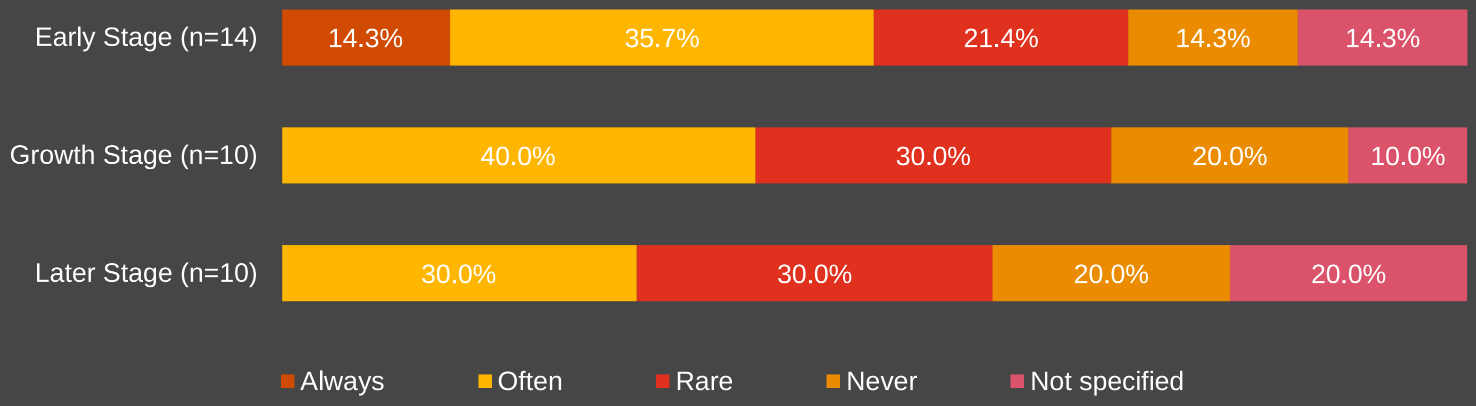


Contractual design of financing rounds

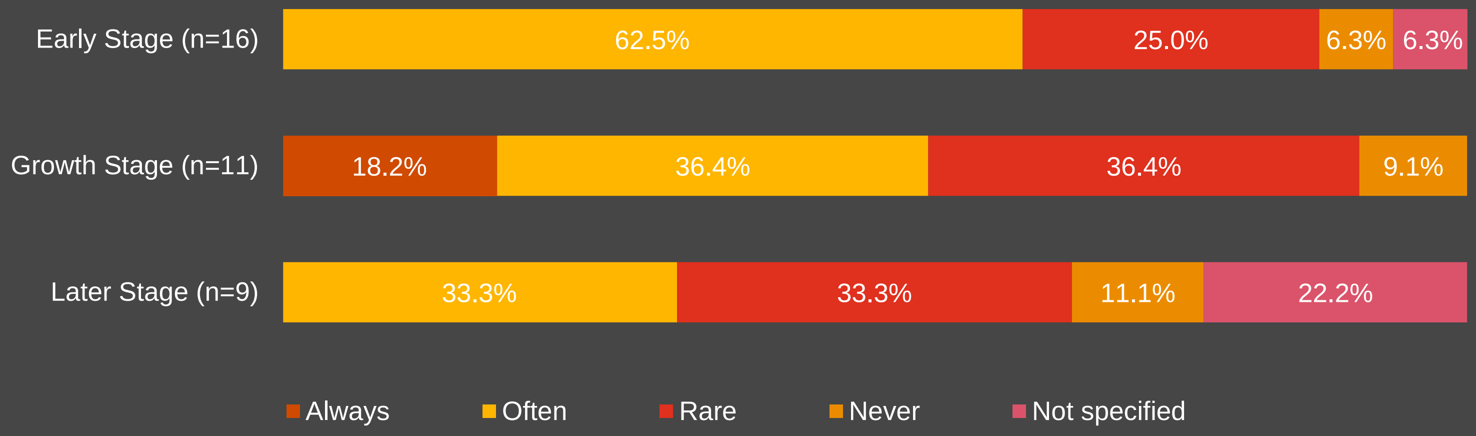
7.1 & 7.2

Weighted average anti-dilution clauses tended to be enforced more than the full ratchet variants. Only in the Later Stage are there hardly any significant differences. There is a negative correlation between enforcement of the clause and agreement, also between full ratchet and weighted average.

How often do you enforce full ratchet anti-dilution clauses? (Frequency in %)



How often do you enforce weighted average anti-dilution clauses? (Frequency in %)

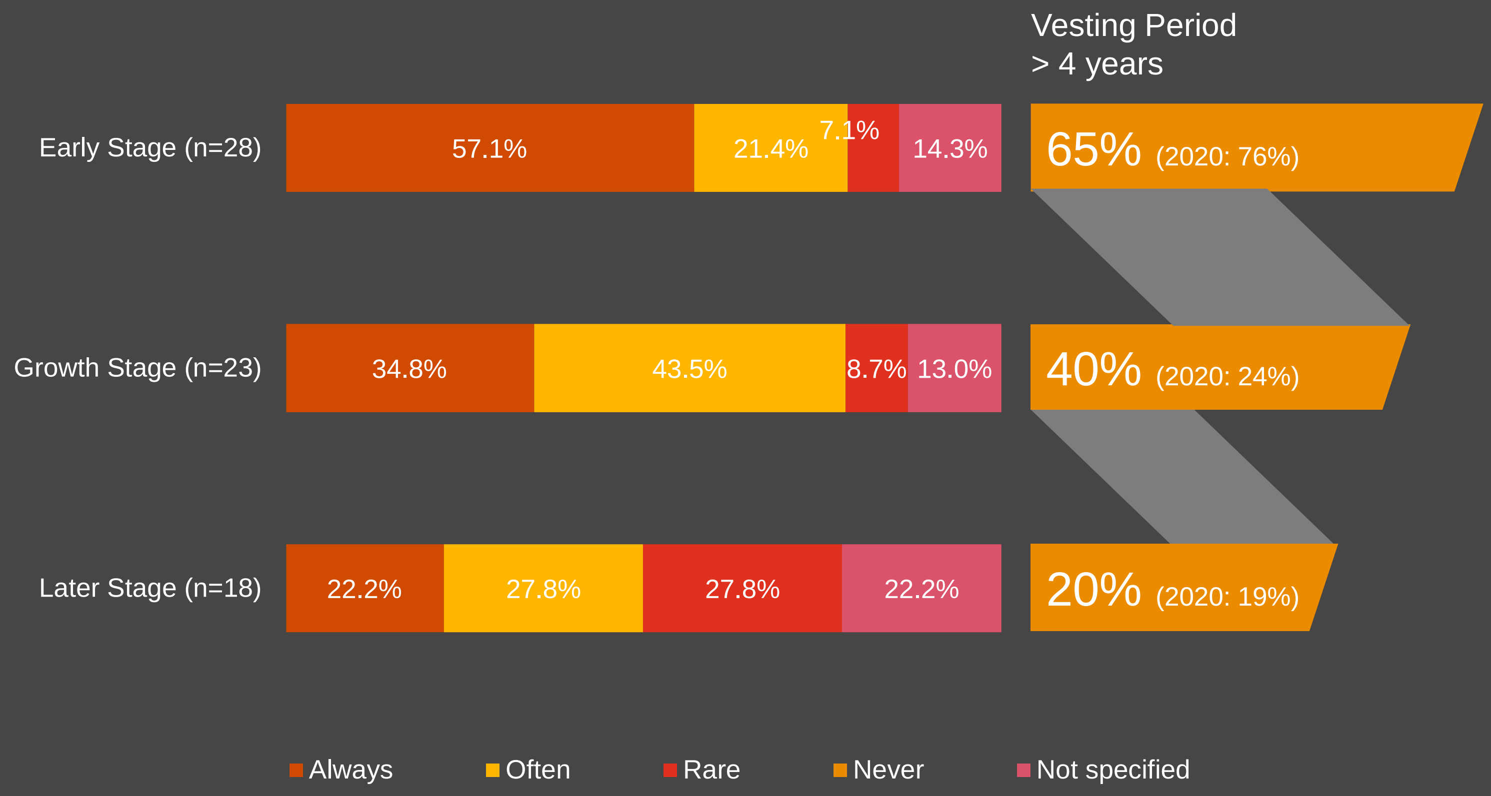


Contractual design of financing rounds

8.1 & 8.2

While vesting is still agreed for founders in more than 4/5 of cases in the Early Stage phase, this figure drops to 1/2 in the Later Stage. The vesting period also shortens from the Early Stage to the Later Stage.

How often do you agree on vesting clauses against founders? (Frequency in %)

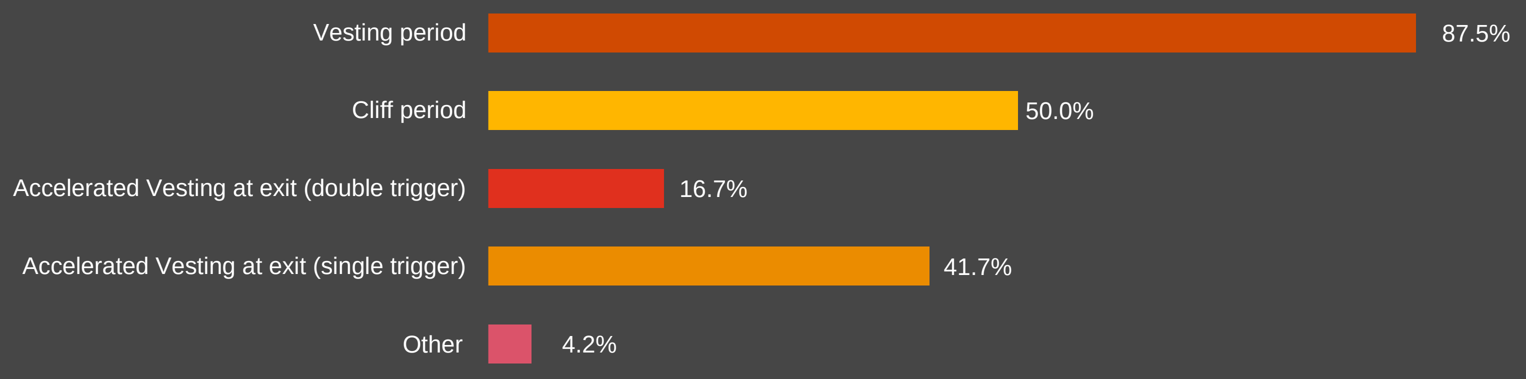


Contractual design of financing rounds

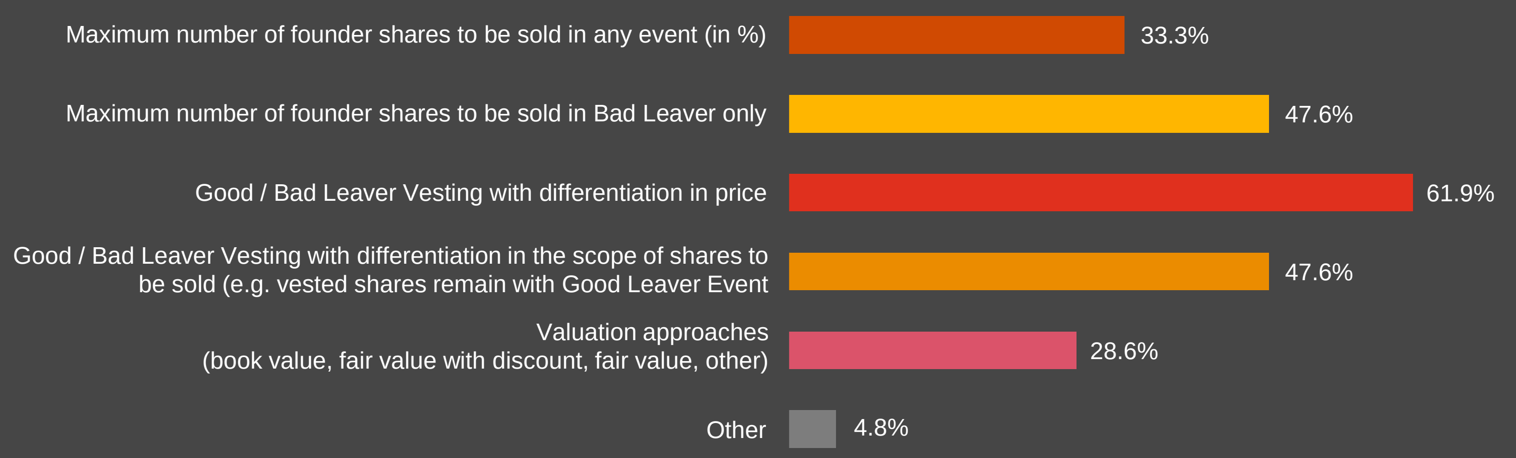
9.1 & 9.2

The vesting period is by far the most commonly agreed parameter in vesting clauses. But a cliff as well as good and bad leaver clauses are applied.

What design options do you use for Founders' Vesting? (n=24) (In %)



What form of vesting do you agree on regarding the scope and price of shares to be sold by departing founders? (multiple answers possible) (n=21) (In %)

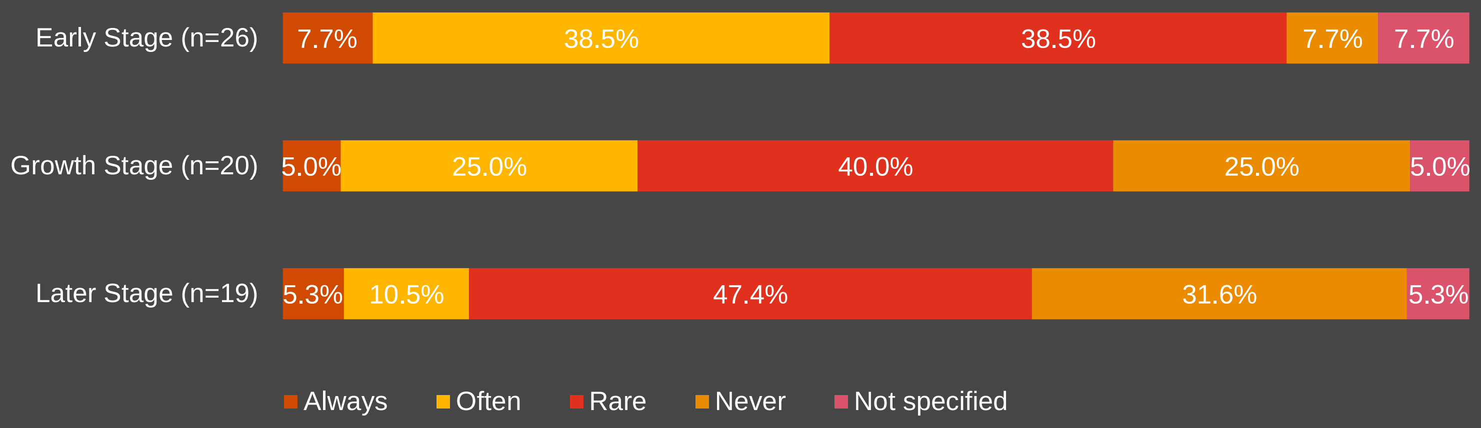


Contractual design of financing rounds

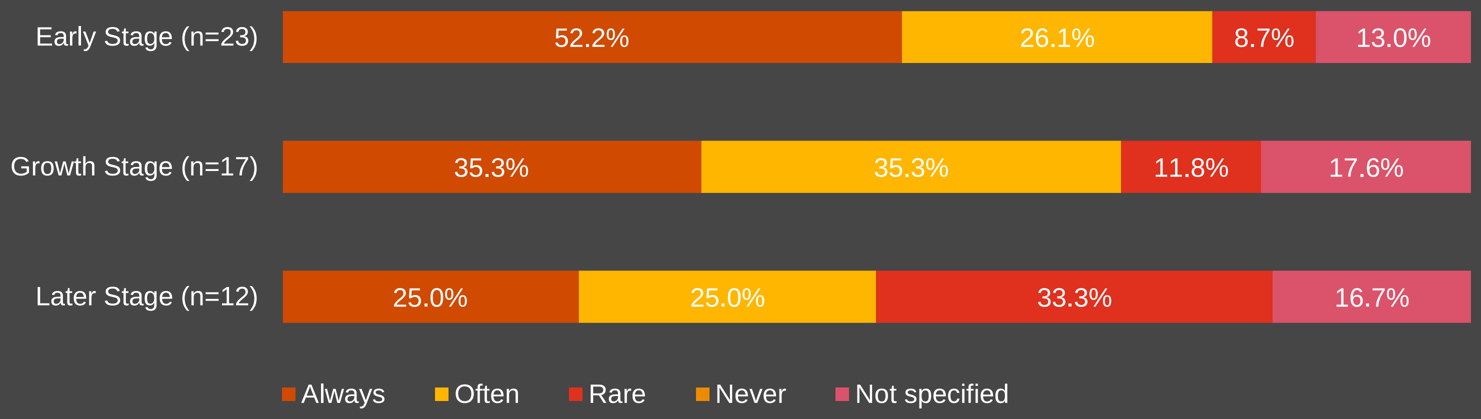
10.1 & 10.2

Convertible loans are rarely agreed in more than 50% of cases mostly with discounts. Additional detailed answers show that on average discounts of 20% are agreed.

In which stages do you invest in portfolio companies via convertible loans? (Frequency in %)



How often do you apply discounts for conversion purposes to the valuation of the following financing round? (Frequency in %)

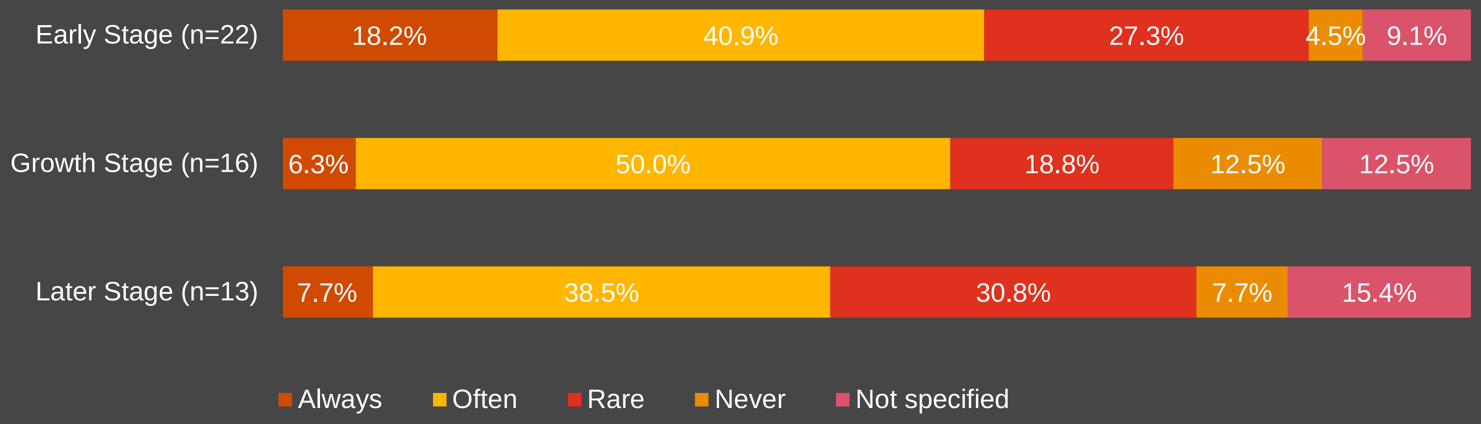


Contractual design of financing rounds

11.1 & 11.2

Caps on the valuation of the following financing round are used often in case of negotiation on convertible notes. The cap is based on individual agreements.

How often do you use caps on the valuation of the following financing round? (Frequency in %)



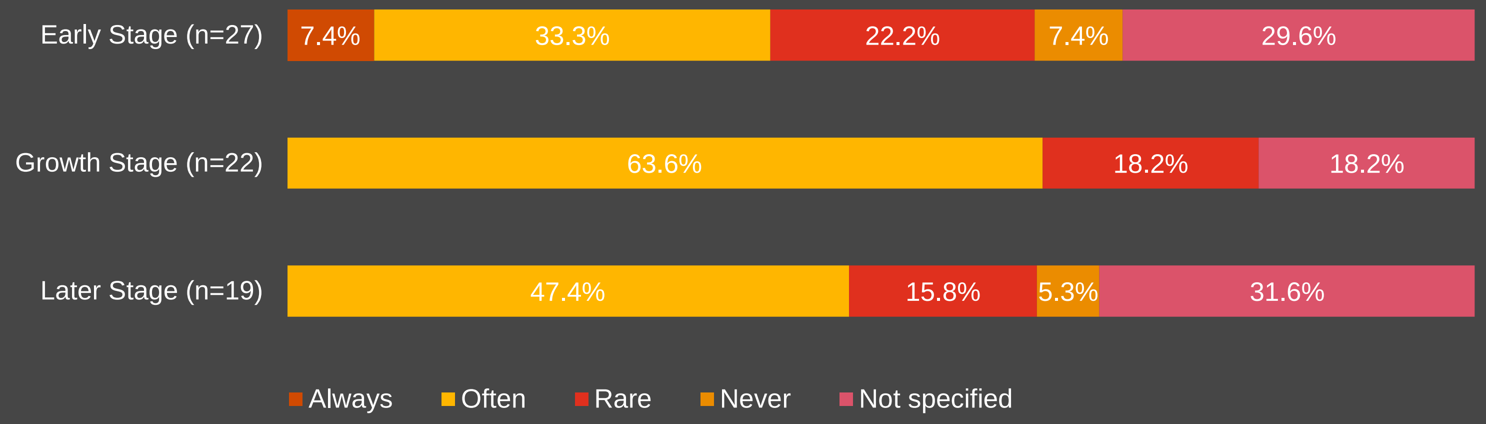
How high is the agreed cap on average? (n=22) (Frequency in %)

Contractual design of financing rounds

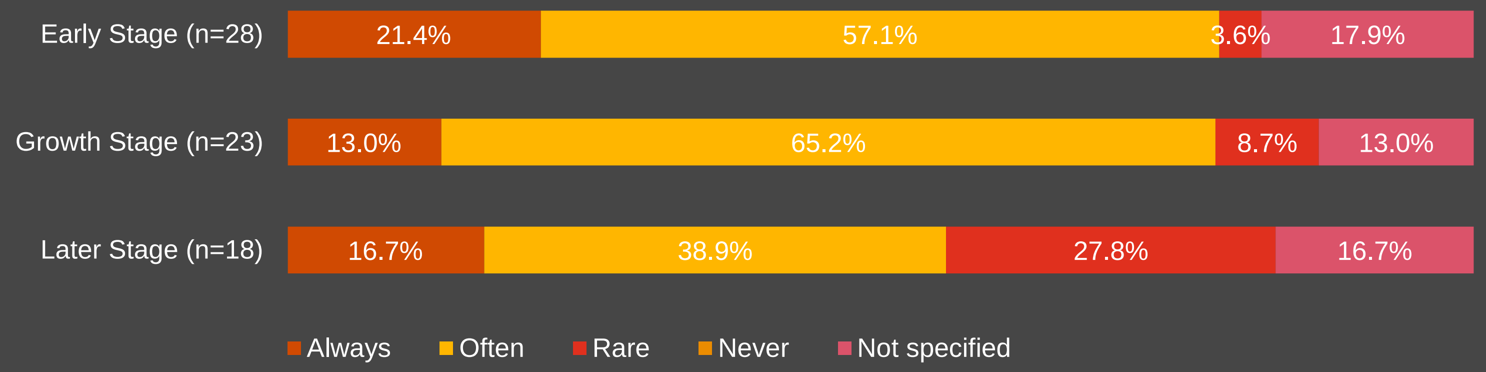
12.1 & 12.2

ESOP is highly used and most investors expect to create a new pool of employee options when they invest in a company, but economic burden from existing pools is on average only accepted by about half of the investors.

How often do you accept economic burden from existing ESOP* pools when you invest in a new company? (Frequency in %)



How often do you arrange / expect new ESOP pools to be established when you invest in a new company? (Frequency in %)



*ESOP: Employee Stock Option Plans

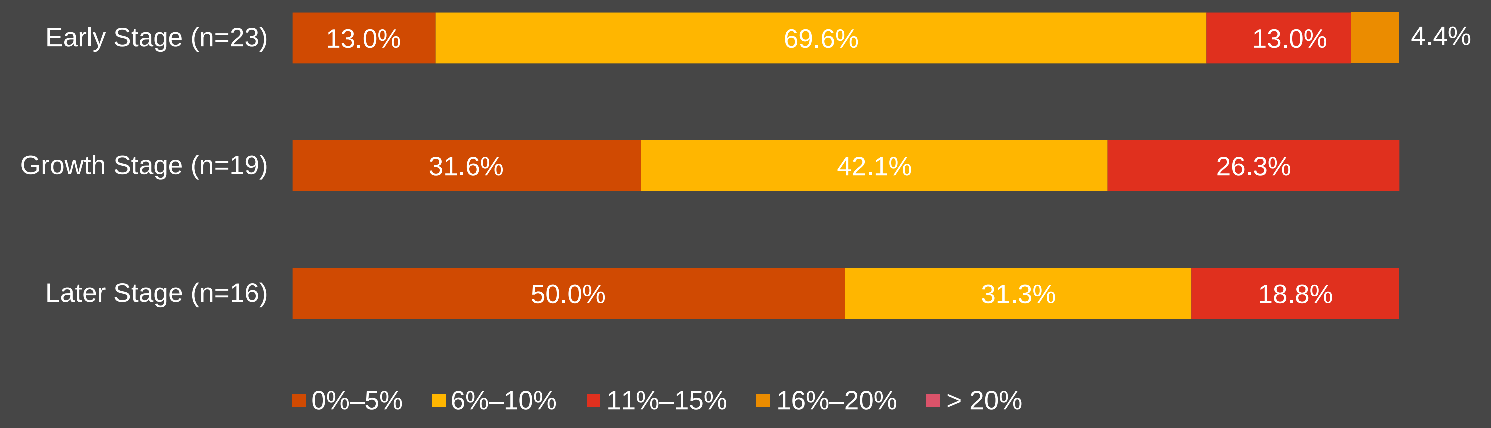
Contractual design of financing rounds

13.1 & 13.2

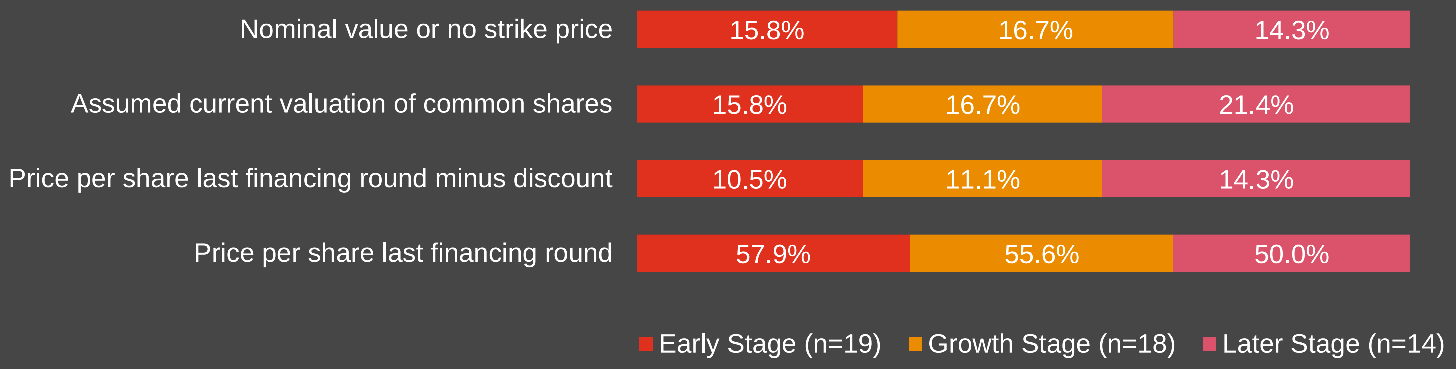
ESOP:
In the Early Stage, investors predominantly want pool sizes of 6%–10%. This decreases to 0%–5% up to the Later Stage.

Often the valuation of the last round is used directly or indirectly with adjustments.

What is the average size (non-allocated; fully diluted post round) that you expect / plan for ESOP* pools in a portfolio company? (Frequency in %)



Are you assuming that strike prices will be agreed under ESOPs and if so, what should the strike prices be based on? (In %)



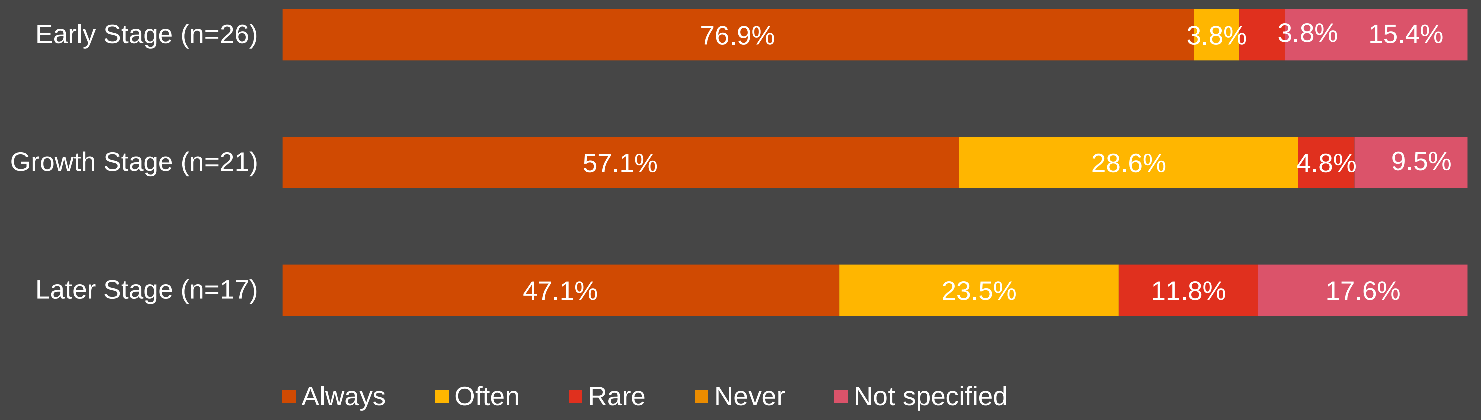
*ESOP: Employee Stock Option Plans

Contractual design of financing rounds

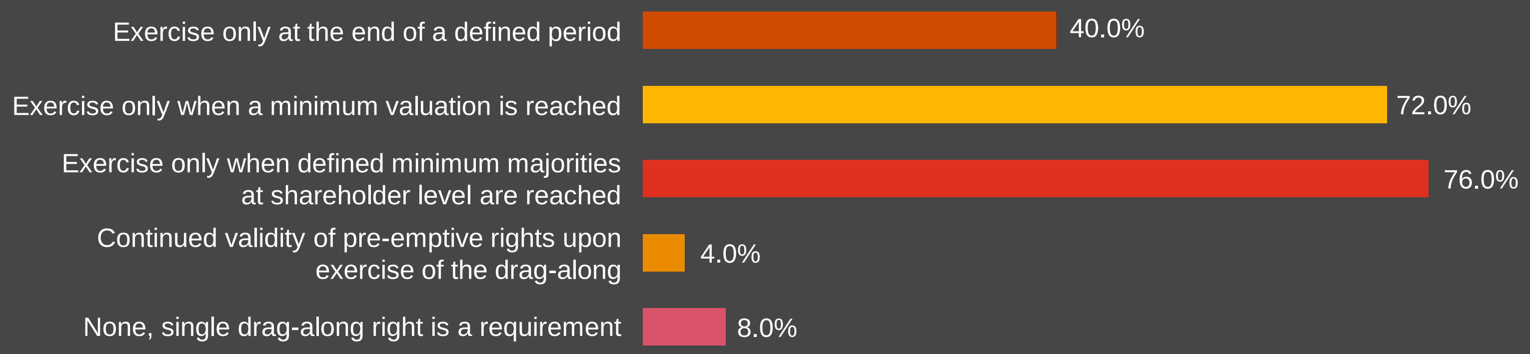
14.1 & 14.2

Drag-along rights are used in 3/4 of all cases. A drag-along is standard in the Early Stage area with a slightly decreasing tendency over the lifetime of the portfolio company. Most investors agree to exercise the option only if there is a minimum valuation or a majority of investors.

How often do you arrange drag-along rights for your own venture capital company (as the case may be, together with co-investors of the same round)? (Frequency in %)



Which of these design options do you agree on for drag-along clauses for your own venture capital company (as the case may be, together with co-investors of the same round)? (multiple answers possible) (n=25)

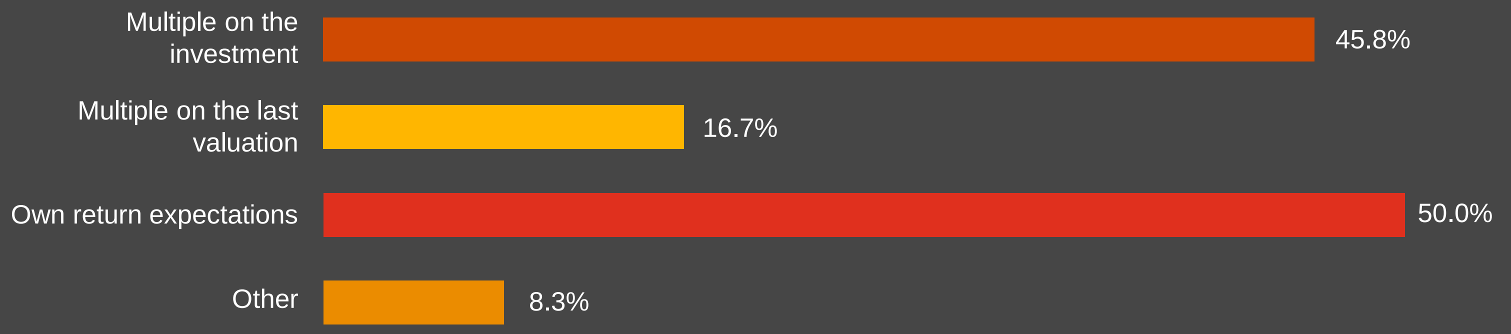


Contractual design of financing rounds

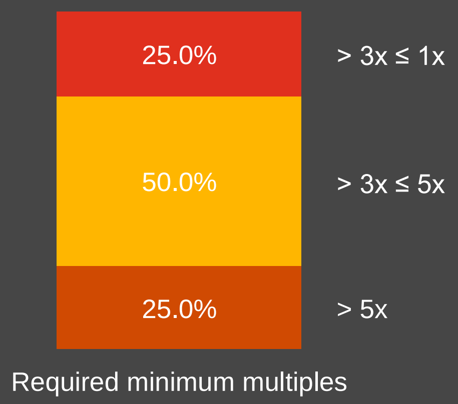
15.1 & 15.2 & 15.3

Drag-along:
Minimum majorities (50%–80%) and valuation (< 3x) are standard leading acceptance of investors against single parties.

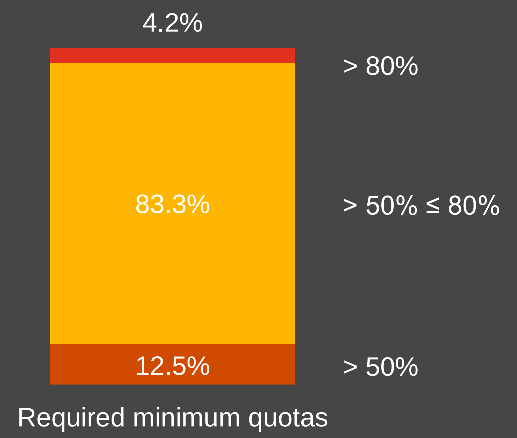
How is the minimum valuation for the drag-along clause calculated? (n=24) (In %)



What is the minimum valuation expressed as a multiple of the valuation of the last financing round? (n=4)



What is the average agreed minimum majority requirement at shareholder level? (n=24)

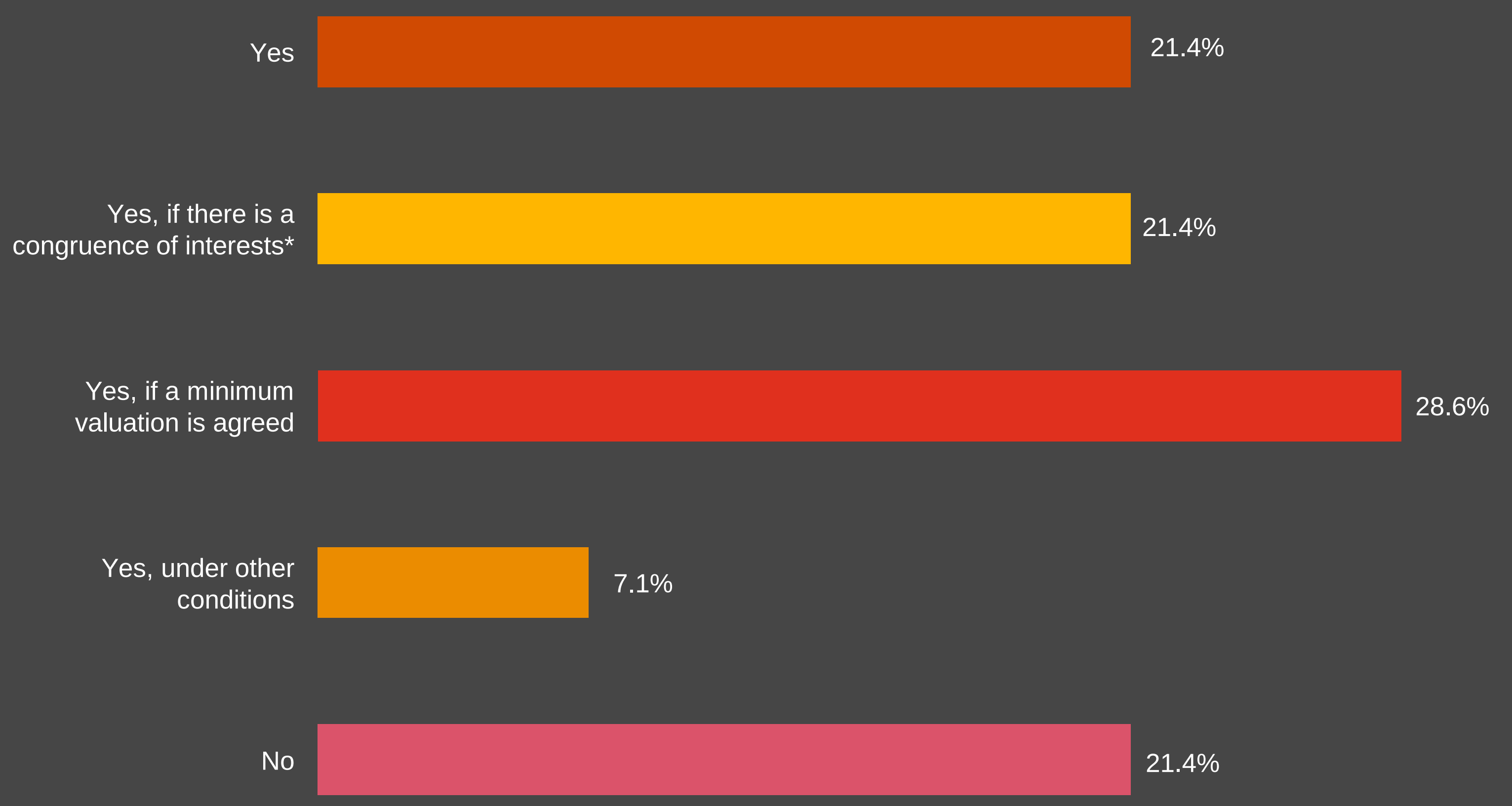


Contractual design of financing rounds

16

Generally, investors accept drag-along rights against themselves especially if there was a minimum valuation or a higher valuation called in the subsequent round.

Do you accept drag-along rights of subsequent investors against you? (n=28) (In %)



*e.g. higher valuation of the subsequent investor

E

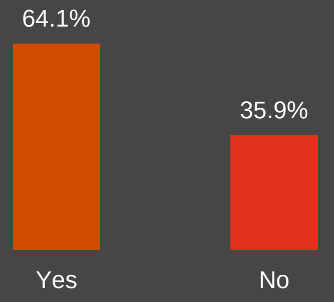
Special questions on ESG and “Zukunftsfonds”

Special questions on ESG and “Zukunftsfonds”

1

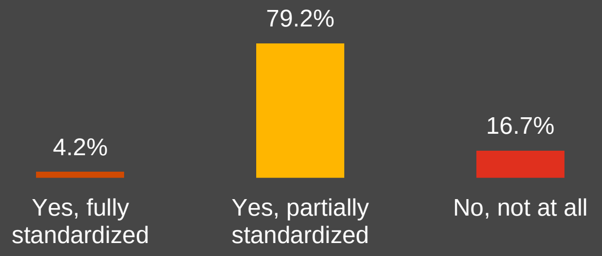
More than 60% of the participants take ESG criteria into account in their investment process. For the remaining participants, more than 60% are currently developing this topic. The process behind this is yet only partially standardized for almost 80% of the participants.

Do you currently consider ESG criteria in your investment process? (n=39) (Frequency in %)



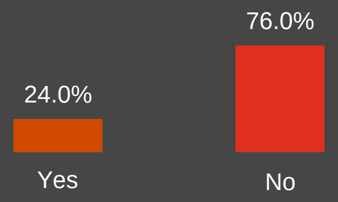
If yes

Do you have a standardized screening process based on ESG criteria to screen target companies for ESG risks and opportunities before the investment? (n=24) (Frequency in %)



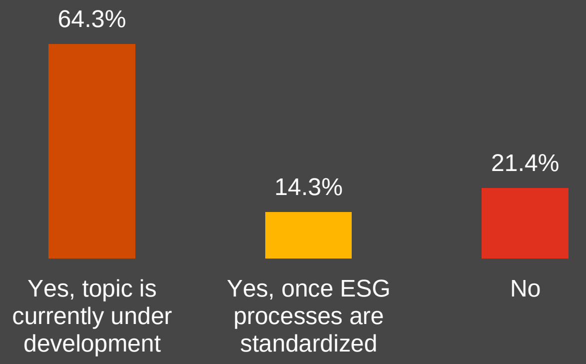
Do you consider ESG criteria in your portfolio management process? (n=24) (Frequency in %)

Do you consider ESG screening results for your valuation? (n=25) (Frequency in %)



If no

Are you planning to consider ESG in the future for the investment process? (n=13) (Frequency in %)

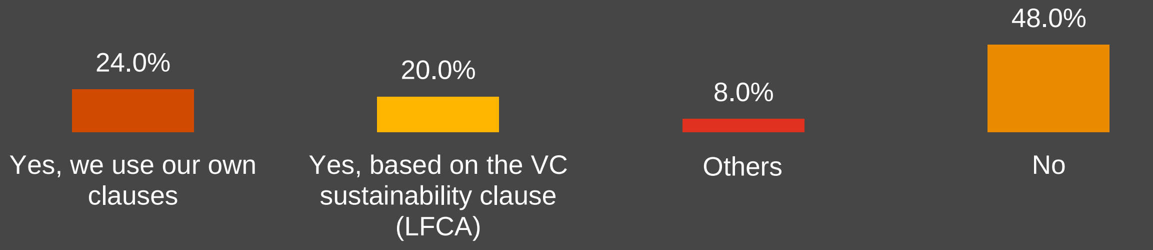


Special questions on ESG and “Zukunftsfonds”

2

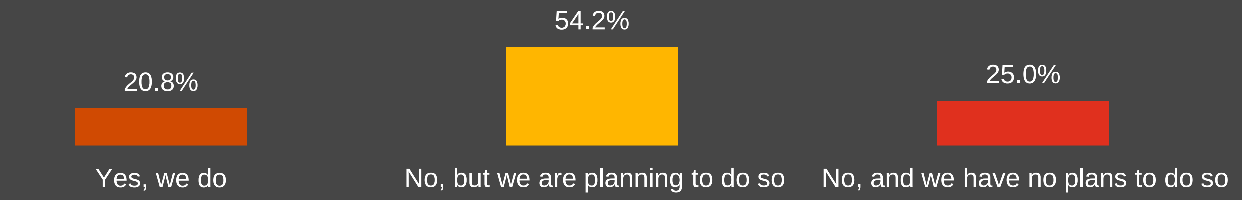
ESG compliance is only included in the initial valuation and the shareholder agreement for just under 1/4 of the participants. As more than half of respondents expect an increase of valuations by ESG compliance, they prepare for KPIs accordingly. 3/4 of the investors already do or plan to include ESG KPIs in their funds reporting.

Do you implement ESG-related clauses in the term sheet / later shareholder’s agreement? (n=25) (Frequency in %)

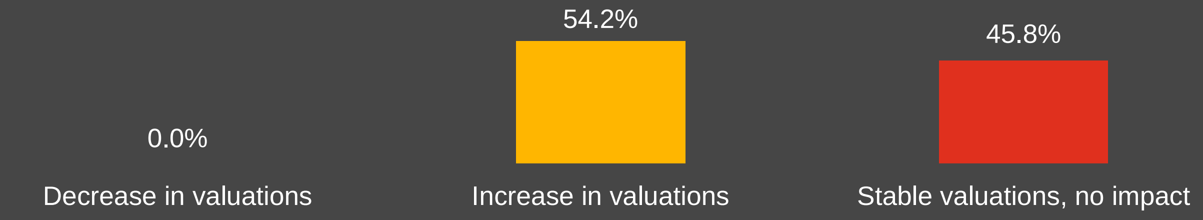


If yes

Do you include ESG KPIs into your funds reporting? (n=24) (Frequency in %)



What do you expect how ESG compliance will impact future Exit valuations? (n=24) (Frequency in %)



Special questions on ESG and "Zukunftsfonds"

3

Over 70% of respondents expect the German "Zukunftsfonds" to only have a small impact on the start-up ecosystem in Germany.

What impact on the German start-up eco-system do you expect by the "Zukunftsfonds" of the German Government? (n=40) (Frequency in %)