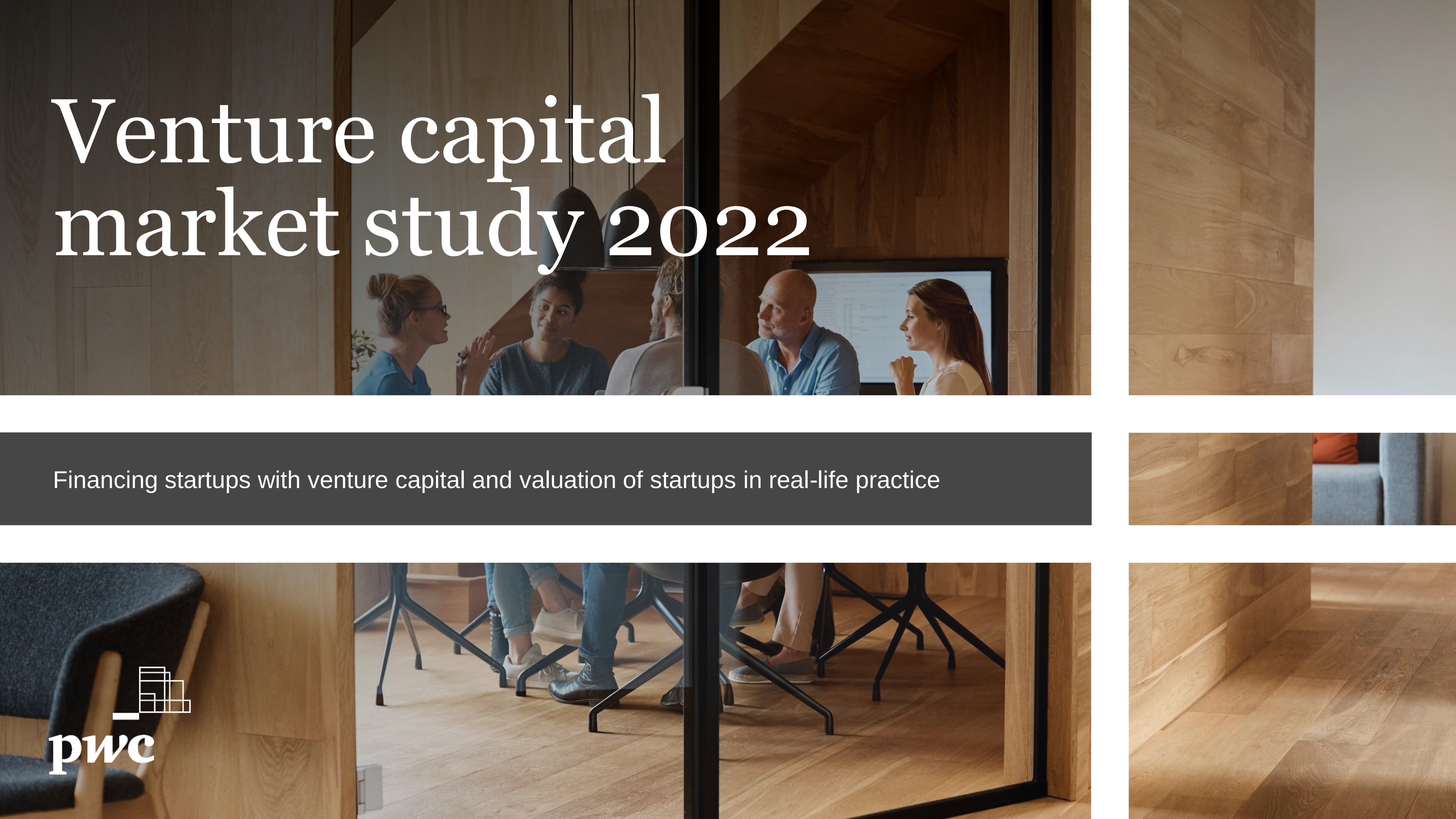
# Venture capital market study 2022

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



# Editorial

The financial ecosystem of startups 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 legal terms as well as the impacts in the venture ecosystem due to the geopolitical uncertainties.

The 3rd study of this kind by us, also supported by BVK*, allows to sharpen the view of all participants with a deep dive 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 framework 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 startups.

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

Best wishes

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*The study was supported by German Private Equity and Venture Capital Association (BVK)

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# Executive summary

For this market study, Prof. Dr. Dirk Honold (Nuremberg University of Applied Sciences), Ventury Analytics GmbH and PwC surveyed German and foreign investors in startups 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), the participants went up from 42 in last years study to 56 (and 62 investors participated at peak). The number of participants is deposited with each question.

Overall, more than 33% institutional venture capitalists (VC) and about 37% 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 Climate-Tech and SaaS / software development. Less addressed are still Legal-Tech topics as well as Gov-Tech.

According to our sample, 360 deals are financed annually by the participating investors, usually with equity capital. Almost 3/4 of the participants invest up to €5M in the initial investment and in the follow-on investment still missing a clear trend to higher investments.

# Executive summary (I/IV)

## General part

1

Compared to the previous study, Climate-Tech business models have almost doubled as an industry focus of participants who always or often address this focus. It is now almost as frequent as the leading focus SaaS. Compare 6.2

2

CVCs still need the approval of a supervising committee in 90% of cases, whereas VCs act independently from its supervising committee in 60% of the cases. A more independent action of CVCs could support the contribution of CVCs to the ecosystem. Compare 9

3

CVCs are still not compensated by carried interests in more than 70% of the cases, despite the fact that VCs as their syndicate partners are compensated with carry models by default in 90% of the cases. The acceptance of a long-term and sustainable impact of CVCs should drive compensation models which would also attract experienced professionals. Compare 10

4

CVCs accept participation quotas below 10% more often than VCs. In 2022, the number of CVCs investing with a participation quota below 10% increased and is higher than the usual range of 10%–24.9%. Compare 13.1, 13.2 & 13.3

# Executive summary (II/IV)

## Valuation methods

**5**

Compared to 2021, the expected IRR related to the portfolio companies has increased significantly. For Early Stage investments, the average IRR expected is 36% (2021: 30%) while for Growth Stages it amounts to 32% (2021: 23%). Compare 14.1 & 14.2

**6**

Money Multiples change only slightly compared with the previous year. Compare 15.1 & 15.2

**7**

The realized exit multiples of investors increased with more multiples larger than 10 for IPOs and trade sales multiples exceeding 5. Compare 23

**8**

Compared to 2021, CVCs significantly increased the expected IRR for a single target portfolio company resulting in similar IRRs expected by VCs which remained the same. Compare 23

**9**

In more than 80% of the underlying cases, an exit to corporates is never or only rarely intended by CVCs. Compare 24

# Executive summary (III/IV)

## Drafting of agreement / legal terms

**10**

In ~ 25% of the underlying cases, the investment restrictions under the German Foreign Trade Legislation are a deciding factor in the most relevant Later Stage and therefore a relevant factor for investment decisions in the German ecosystem. Compare 25

**11**

Investors are currently less flexible in negotiations on deal terms. The flexibility especially declines in the core parameters of valuation, investment amount, liquidation preference and protective provisions. Compare 26.1 & 26.2

**12**

(V)ESOP schemes have been extensively used in the past, but the frequency of application increased again in all phases this year, confirming the essentiality and the importance of (V)ESOP for the ecosystem. Compare 35

**13**

The vast majority of participants consider improvements in the taxation of (V)ESOP schemes in Germany necessary to avoid disadvantages to other countries in recruiting the best talents. The changes in §19a EStG are very seldomly applied or even unknown to the marked participants. Compare 37

**14**

Exceptions from founders lock-up are still limited and not market standard. Even if an exception is accepted, it is almost limited to a percentage below 5% of the total shares of the company. Less than one third of the investors are prepared to acquire shares in a secondary (e.g. from founders). Compare 39.

# Executive summary (IV/IV)

## Additional questions – Geopolitical uncertainties

**15**

The current geopolitical uncertainties adversely affect Later Stage investments with a decreasing effect towards Early Stage deals. The crisis enhances decarbonization solutions which leads to a stronger focus on e.g. Climate-Tech companies than before. Compare 41

**16**

More than 85% of the participants expect lower deal valuations due to the current geopolitical uncertainty. Compare 42

# Testimonials

"

The performance of CVC is always a challenge to assess and measure, due to the diverse set of stakeholders involved and the dual goal of strategic and financial success. This study helps both CVC and entrepreneurs delve deeper into the drivers of that success and to navigate the value creation journey together.

**Catherine Dietrich – CFO Allianz X GmbH**

Since we do not see a clear trend toward higher financing rounds, the openness of the German Foreign Trade and Payments Act is needed to be able to further bring foreign investors on board. We need to continue to work hard on the improved framework conditions and support, such as through the Future Fund, in order to also be able to build up unicorns in Germany with German or European VC capital.

**Florian Heinemann – Founding Partner Project A**

The German venture capital market and startup ecosystem have developed enormously. Nevertheless, there is still a lot of untapped potential to support startups and innovative technology companies in Germany in the best possible way with venture capital. Germany's growth, innovativeness and future viability depend significantly on a strong venture capital scene, which in turn needs a competitive framework and a strong domestic investor base. The study provides exciting insights into how VCs work and thus offers helpful information for managers, founders but also institutional investors. This transparency strengthens the venture capital and startup ecosystem.

**Ulrike Hinrichs – Executive Member of the Board BVK**

The study provides useful and timely information on the state of VC investing in Germany as well as the similarities of and differences between independent and corporate VCs. It should be helpful to entrepreneurs, policy makers and anyone else interested in VC investing.

**Steve Kaplan – Neubauer Family Distinguished Service Professor of Entrepreneurship and Finance University of Chicago – Booth School of Business**

# B

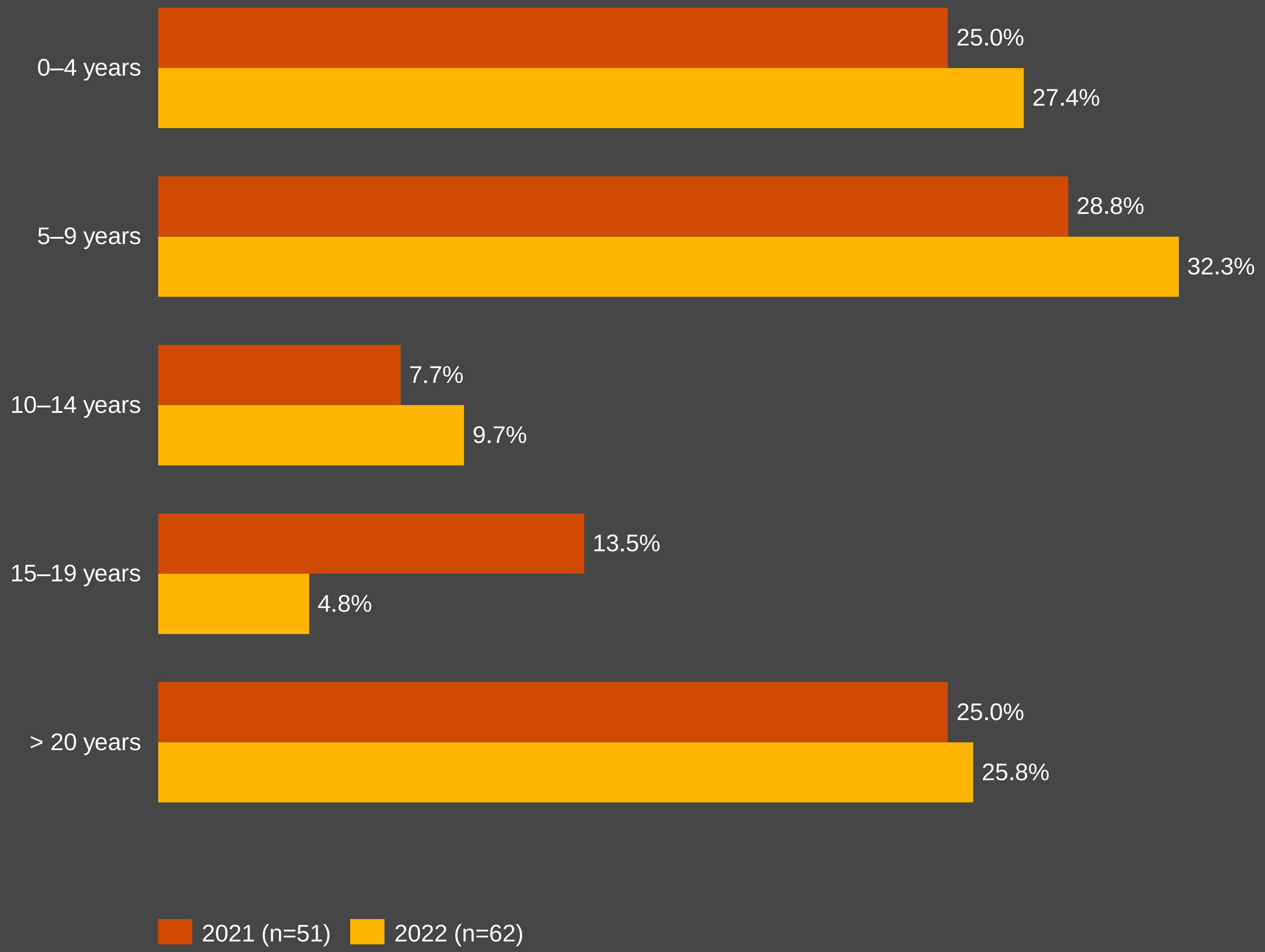
General part

# General part

## 1

A trend towards a decreasing experience of venture capital investors can be derived from 2021 to 2022. Overall, 40% of the respondents have more than 10 years of experience in evaluating startups.

# personal years of experience in the venture capital industry

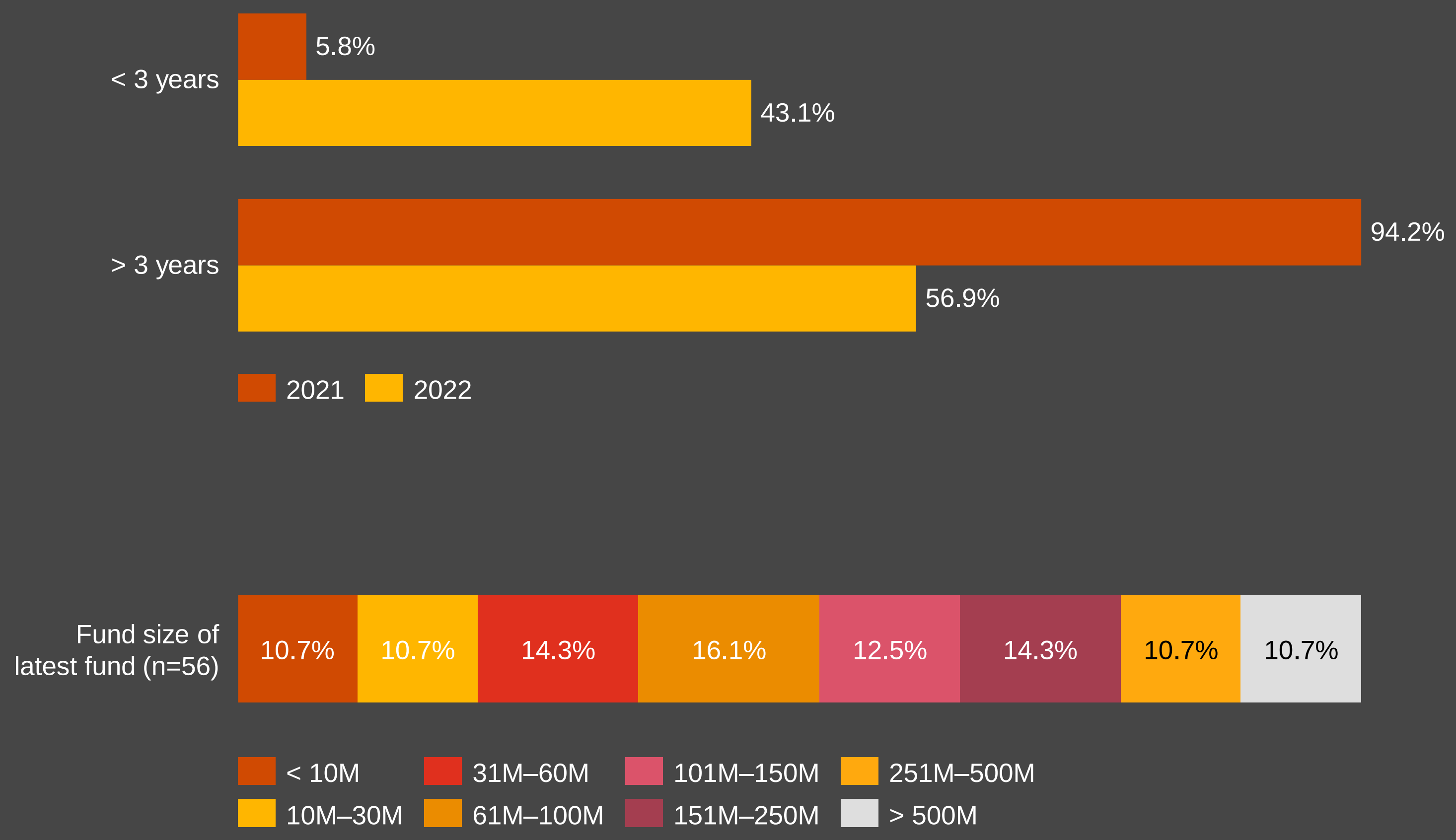


# General part

## 2

Nearly 50% of the respondents manage funds with a size above €100M while more than 40% of the funds exist for 3 years or even less.

## Vintage year and fund size of latest fund*



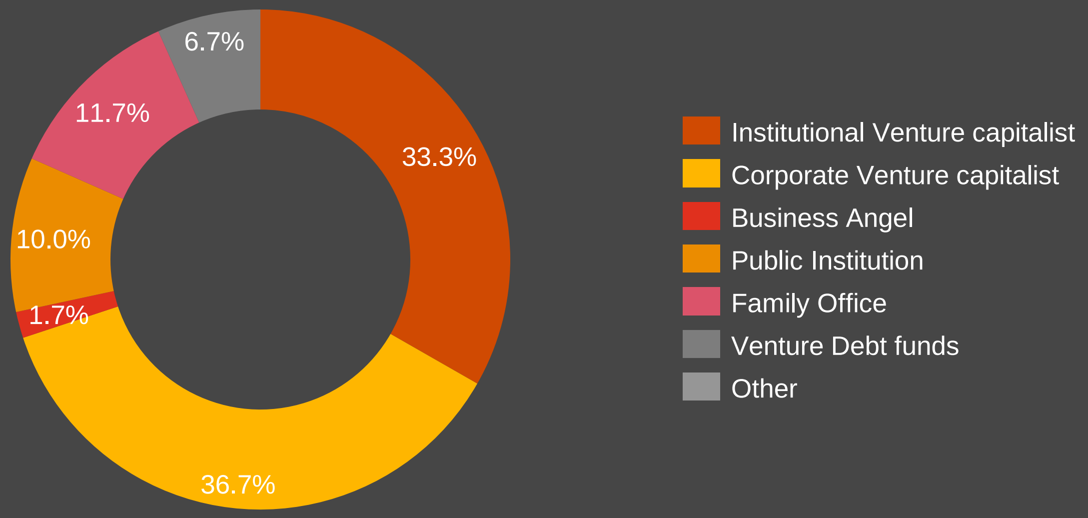

*n (2021) = 52; n (2022) = 58.

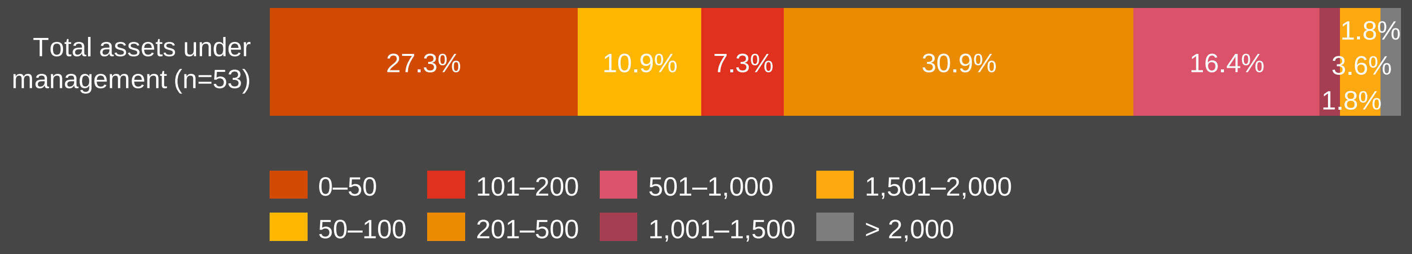
# General part

## 3

Respondents break down into 33% institutional VCs, ~ 37% CVCs, and 10% (semi)public funds. Almost 95% of the funds have less than 1B assets under management. Most of them range between €200M–€500M.

Type of venture capitalist (n=60)



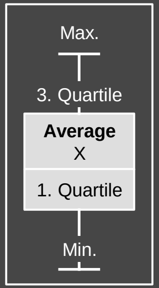



# General part

## 4

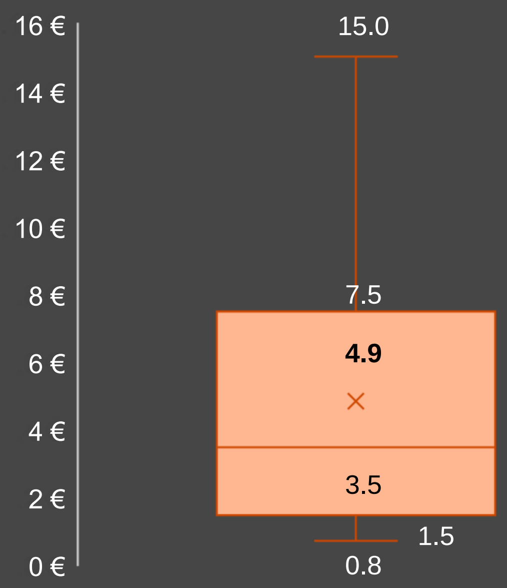
The investment volumes by VCs are 50% higher than CVC investment volumes. Compared to 2021, the average investment volume of VCs decreased by more than 50%. Additionally, VCs also make deals exceeding investment volumes of €10M whereas the largest rounds by CVCs amount to €6M.

To what volume do you make investments per deal?




**VC**

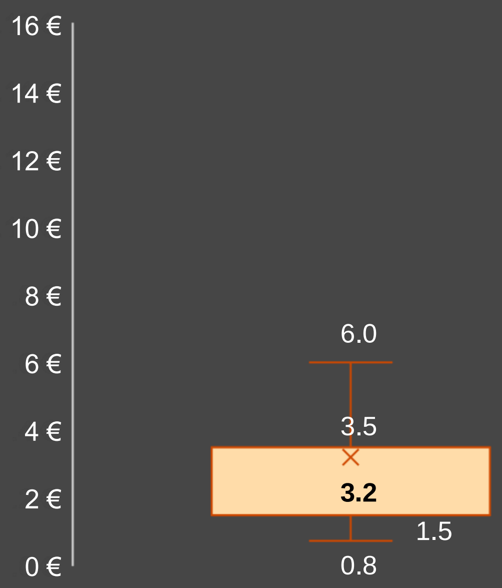
Investment volume per deal on average (in M€) (n=20)




Average VC: 4.9M
(2021: 10.1M)

**CVC**

Investment volume per deal on average (in M€) (n=19)



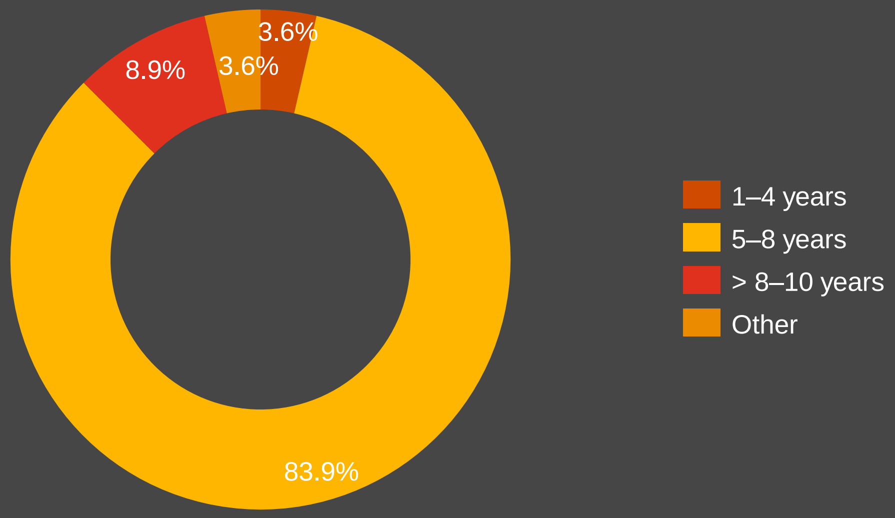

Average CVC: 3.2M
(2021: 3.7M)

# General part

## 5

Holding periods of investments stay in the common ranges with the majority of 5 to 8 years. Other market players may enhance the holding period partially. As VC funds usually operate in small teams, the number of deals p.a. remains relatively low.

Average investment holding period aimed for (in years) (n=56)




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

| Statistics for # deals aimed to be closed in one year | Value 2022 | Value 2021 |
|---|---|---|
| n | 56 | 42 |
| Lowest value | 1 | 1 |
| Highest value | 25 | 50 |
| Average | 6.4 | 9.0 |
| Median | 5.0 | 5.0 |

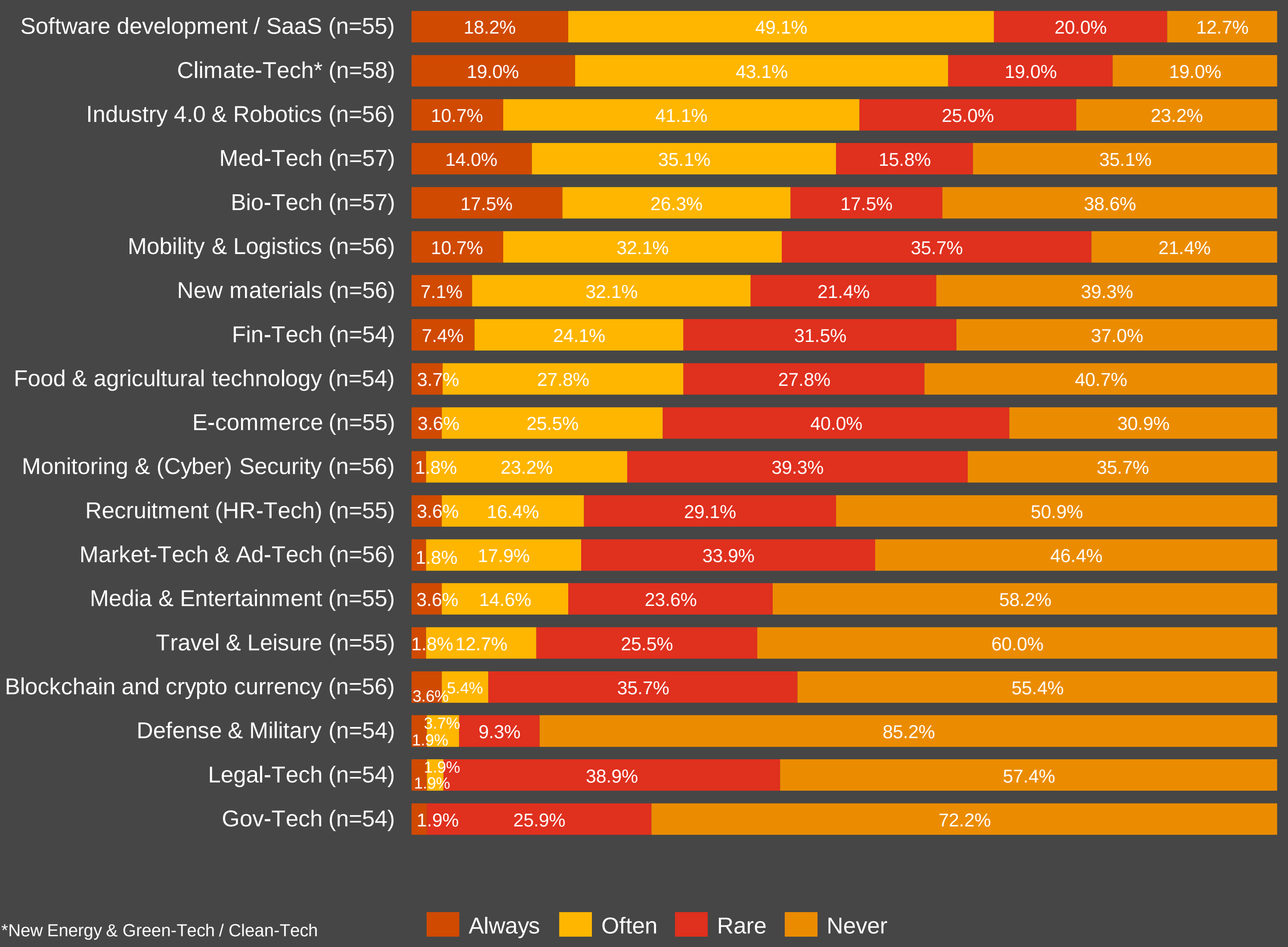
Overall participants closed 360 deals per year. (2021: 369 deals)

# General part

## 6.1

The industry focus of participants is predominantly allocated on Climate-Tech and SaaS / software development followed by Bio-Tech and Med-Tech. Less addressed are industries as Legal-Tech as well as Gov-Tech.

## Industry investment focus



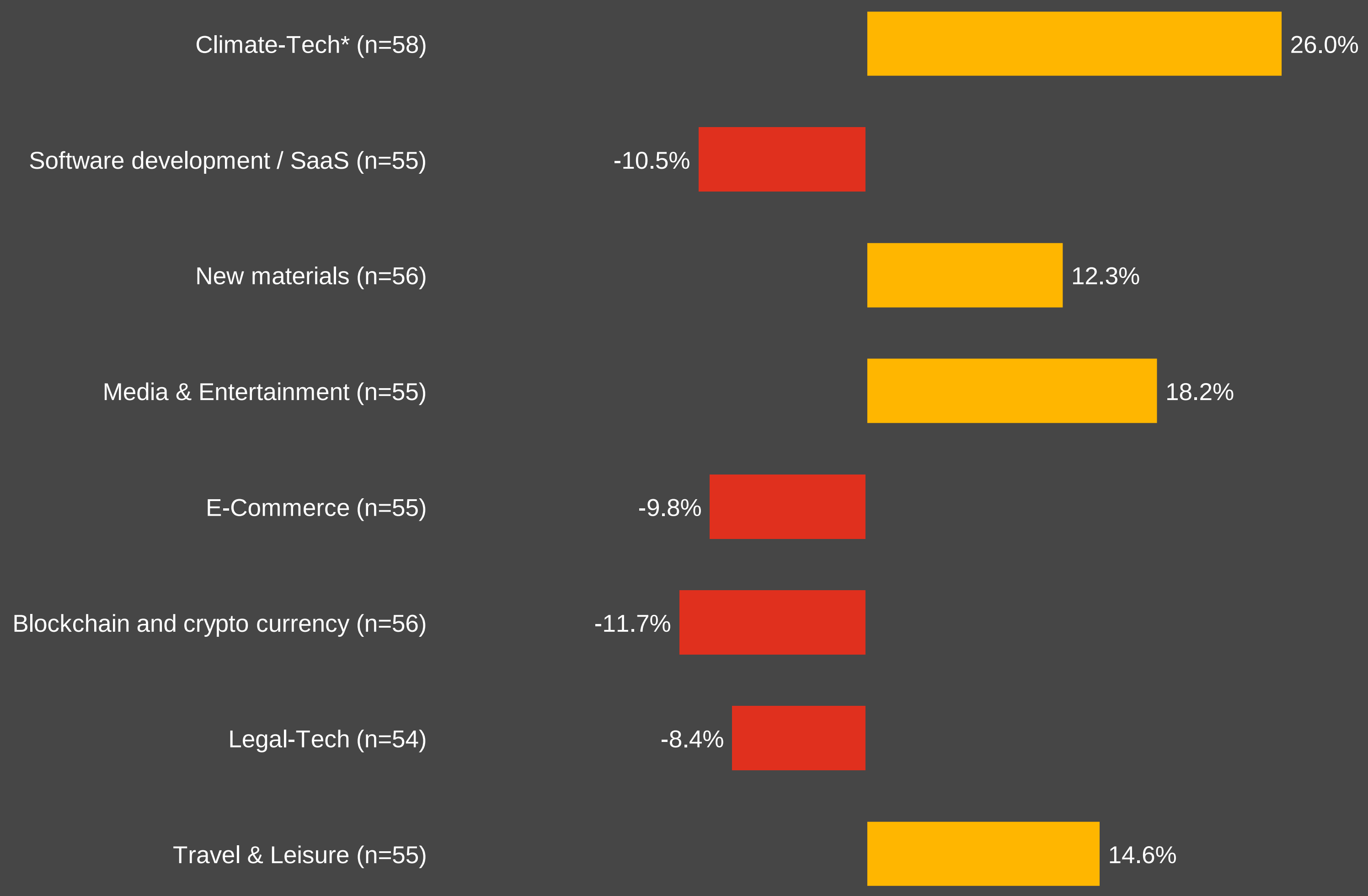

*New Energy & Green-Tech / Clean-Tech

# General part

## 6.2

Compared to the previous study a major industry shift is recognized towards Climate-Tech business models which are considered always or often. Due to the stabilized status of the Covid-19 pandemic, Travel & Leisure Investments are receiving interest again.

Industry Shift from 2021 to 2022 in %-points for always and often



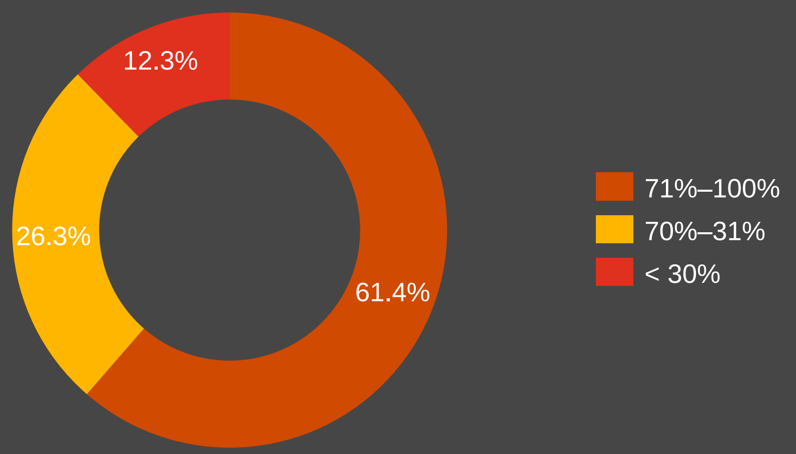

*New Energy & Green-Tech / Clean-Tech

# General part

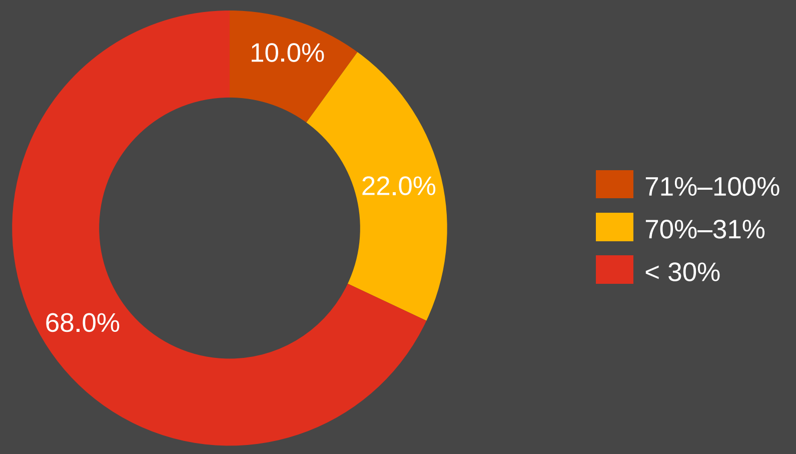
## 7

The trend to B2B business models is ongoing within the VC ecosystem. Approx. 60% of participants place over 70% of their investments in B2B business models while close to 70% of participants report less than 30% B2C investments.

**B2B** – Type of market participants addressed by portfolio companies (n=57)




**B2C** – Type of market participants addressed by portfolio companies (n=50)

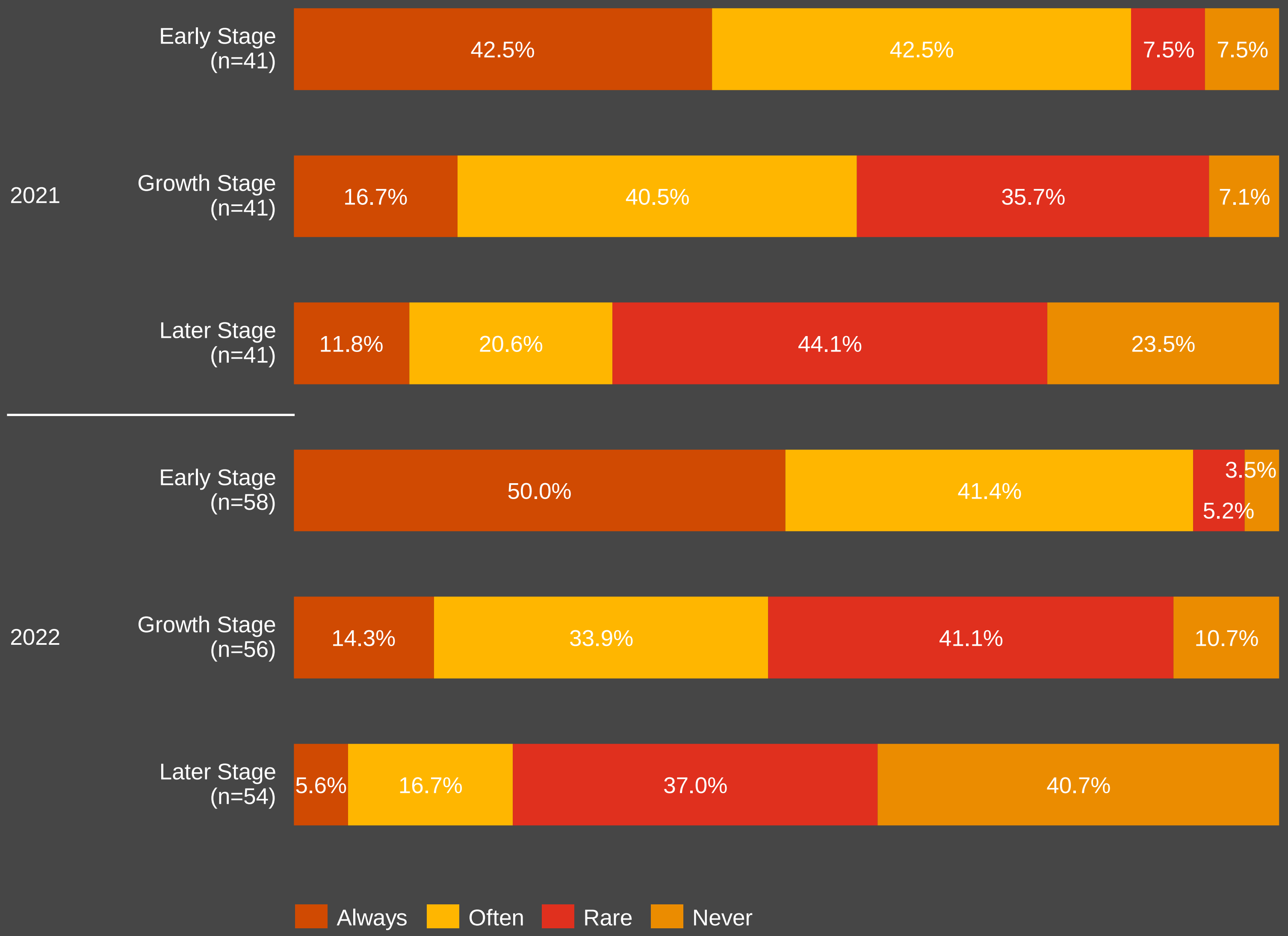


# General part

## 8.1

In 2022, the trend of more Early Stage focused funds compared to Later Stage funds has amplified even more since 2021.

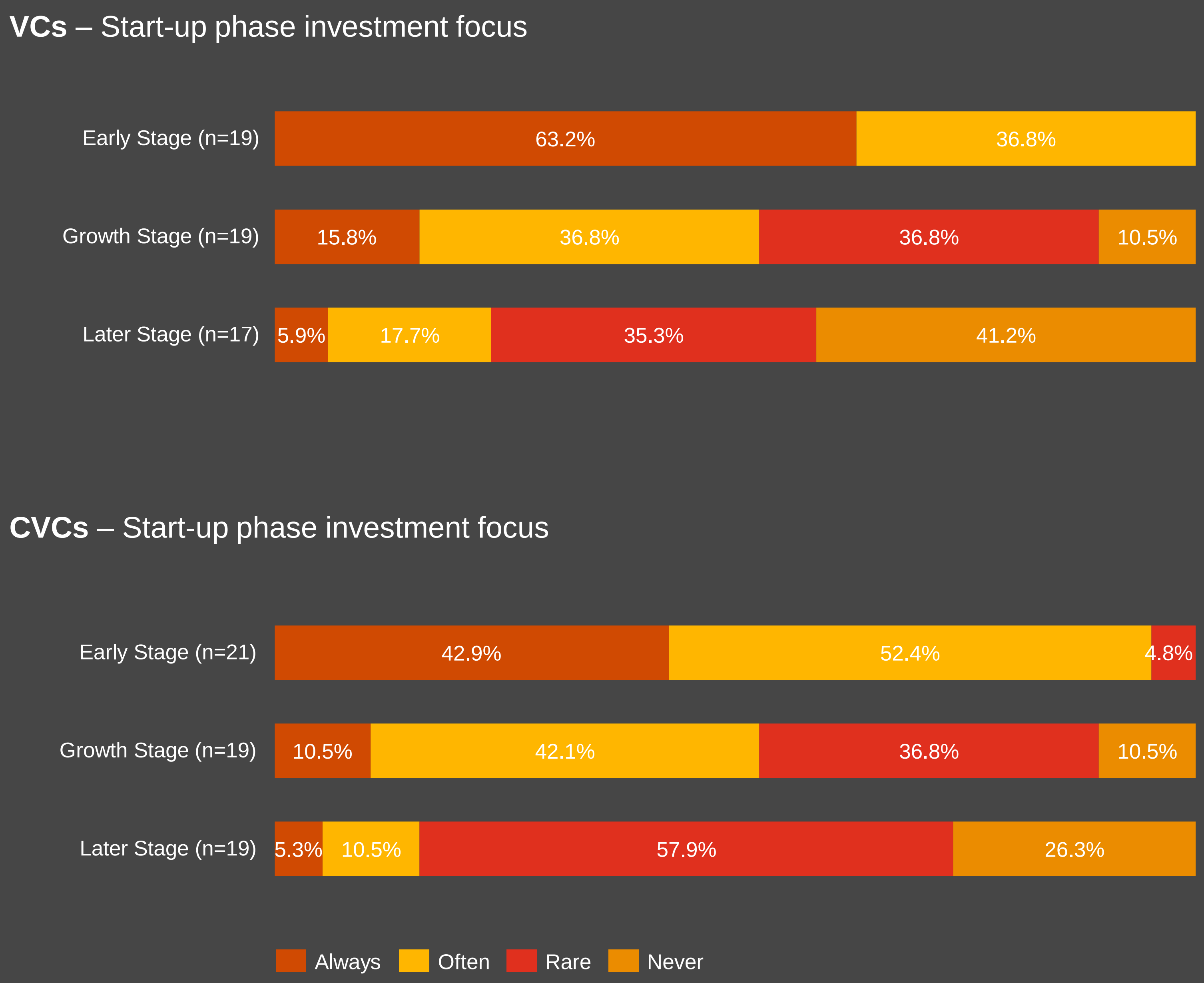
Start-up phase investment focus



# General part

## 8.2

VCs invest with a slightly broader approach regarding different stages than CVCs.

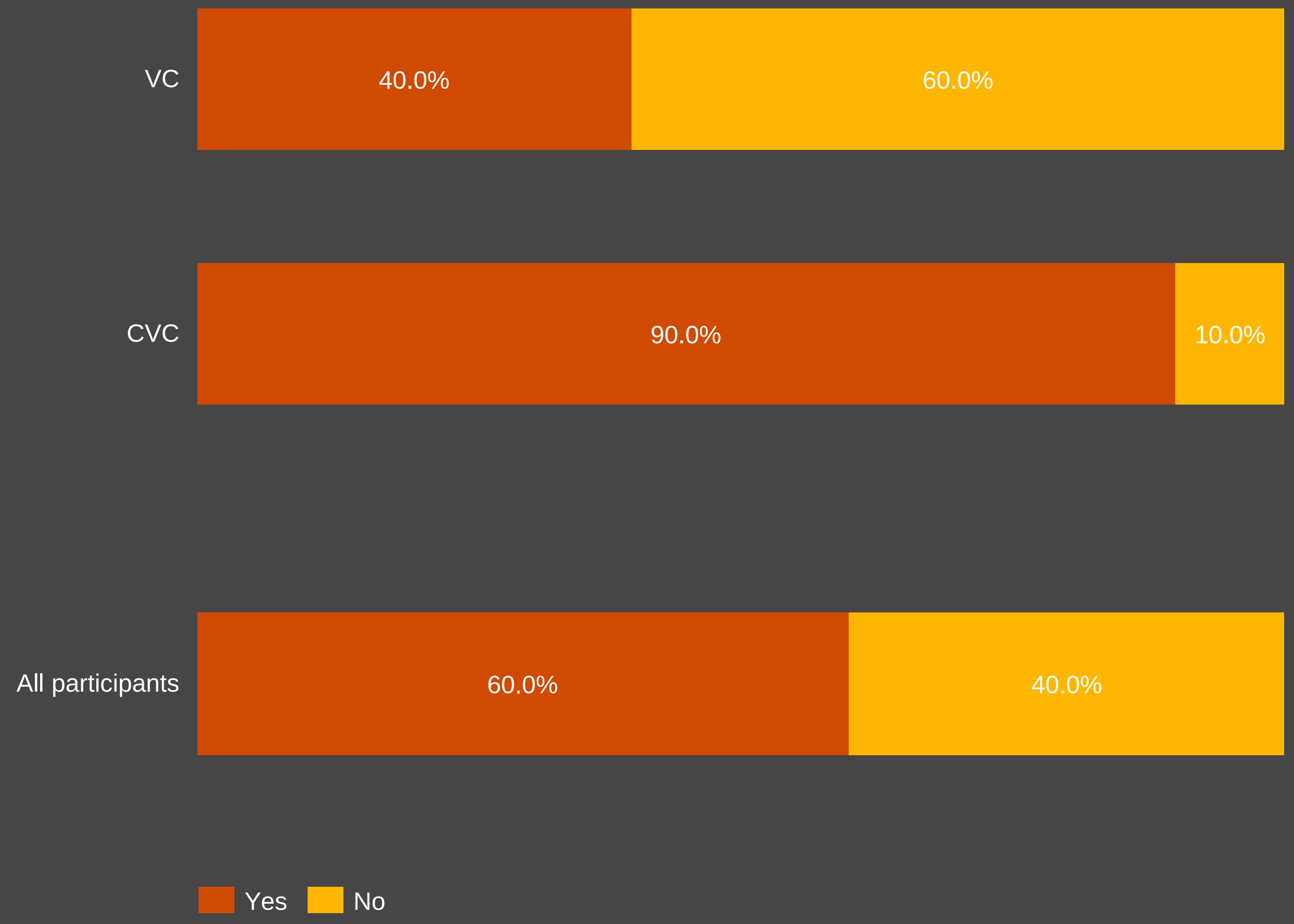


# General part

9

CVCs still need an additional approval of a supervising committee in 90% of the cases, whereas VCs can act independently from its supervising committee in 60% of the cases.

Required additional approval from supervising committee for investment decisions besides the fund's management*



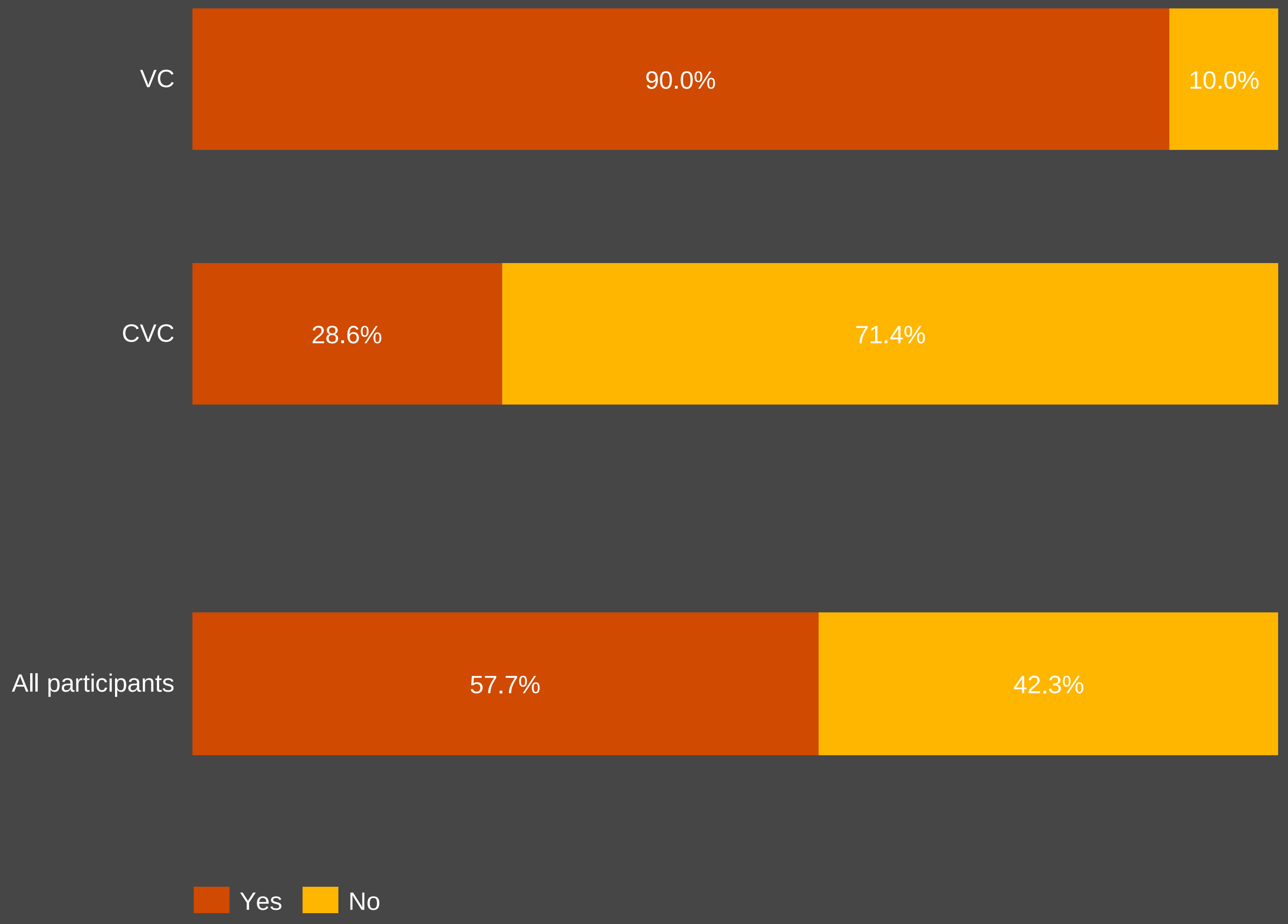

*n=20 (CVC & VC), n=58 (all participants)

# General part

## 10

CVC investment management is still not compensated with a carry in more than 70% of the cases, despite the fact that VCs as their syndicate partners are compensated with a carry model by default in 90% of the cases.

The investment management (GP) receives compensation with a carry*



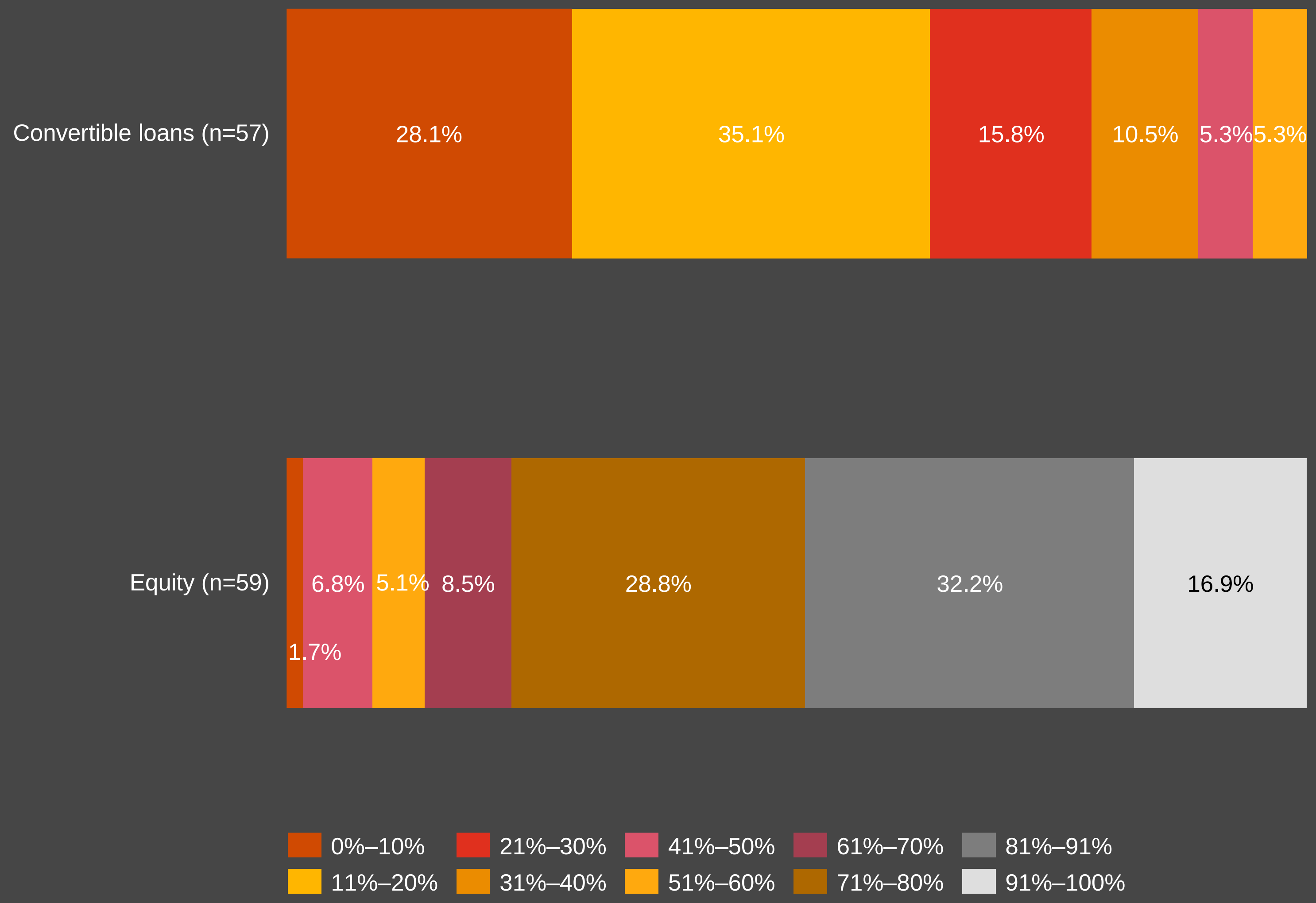

*n=20 (CVC & VC), n=59 (all participants), Additional answer „Yes per Investment“ with 1,69% in total.

# General part

11

As type of investment, the straight equity investments dominate, whereas convertible loans are often used as investment alternative (e.g. in bridge financings).

Type of investment instrument used to finance the portfolio companies (breakdown in %)

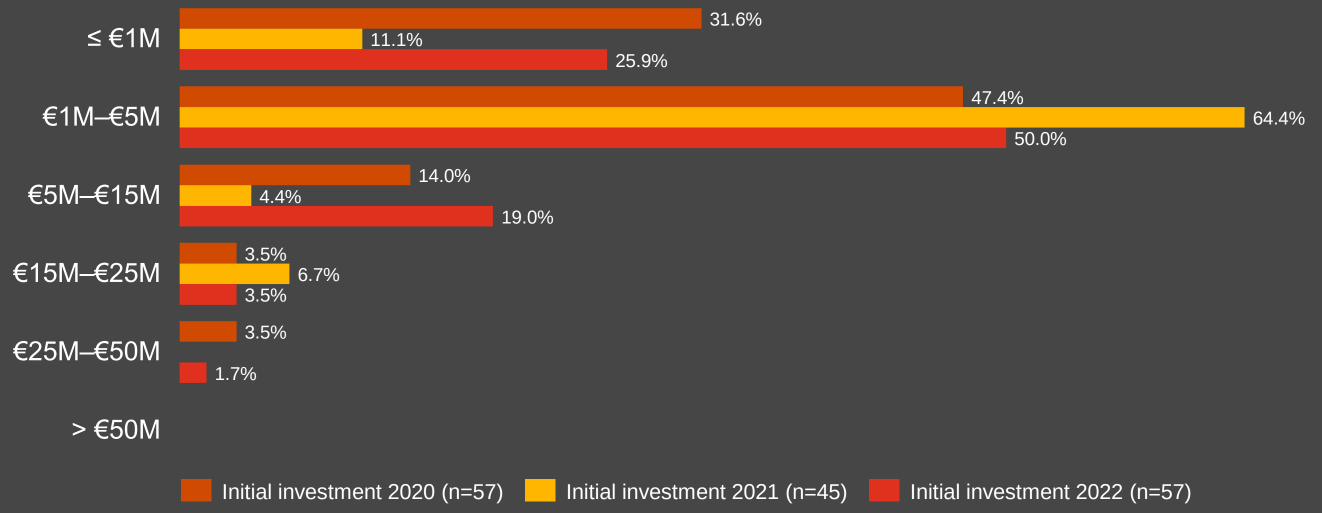


# General part

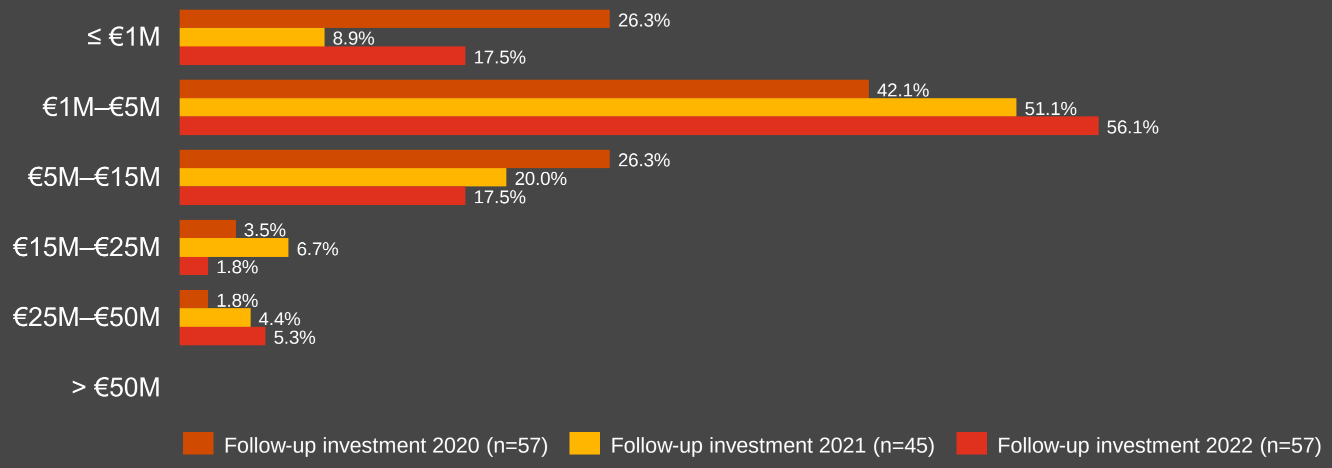
12

Compared to 2021, there is still no clear tendency for deals with a higher financing volume.

## Comparison initial investments




## Comparison follow up investments

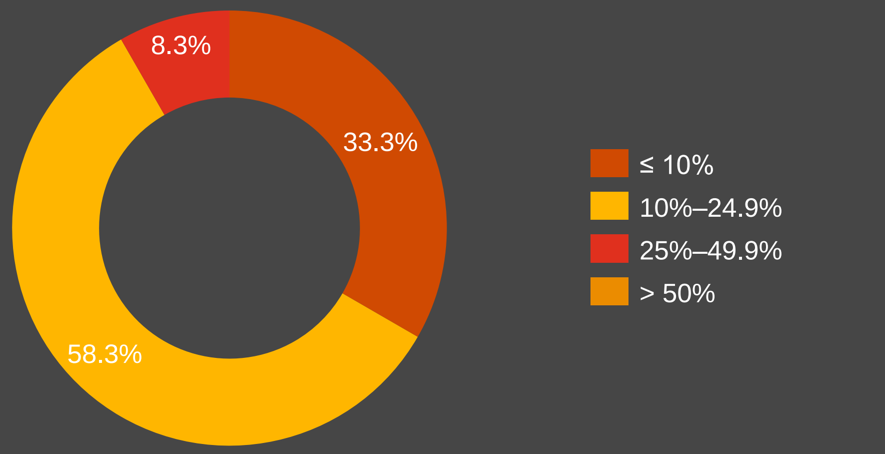


# General part

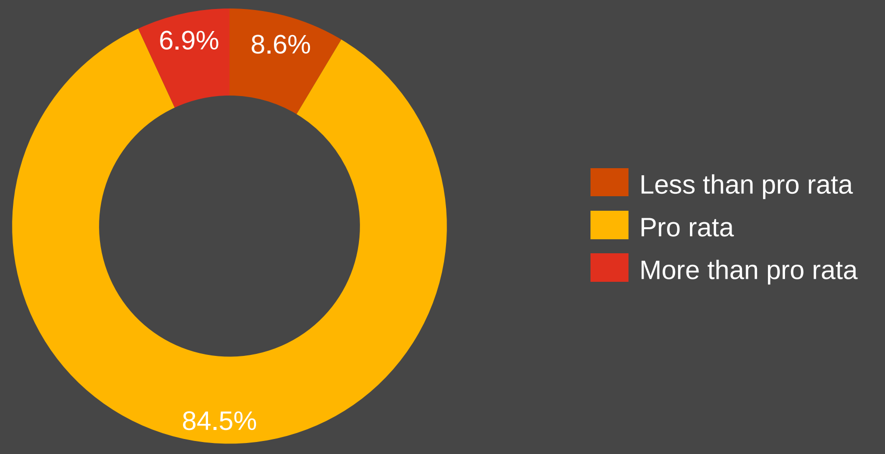
## 13.1

The target investor ownership rate is between 10%–24.9%, with 80% planning to make follow-on investments to maintain the ownership rate in subsequent rounds.

Expected target participation quota at initial investment (n=60)




Planned participation in follow-on rounds (n=58)

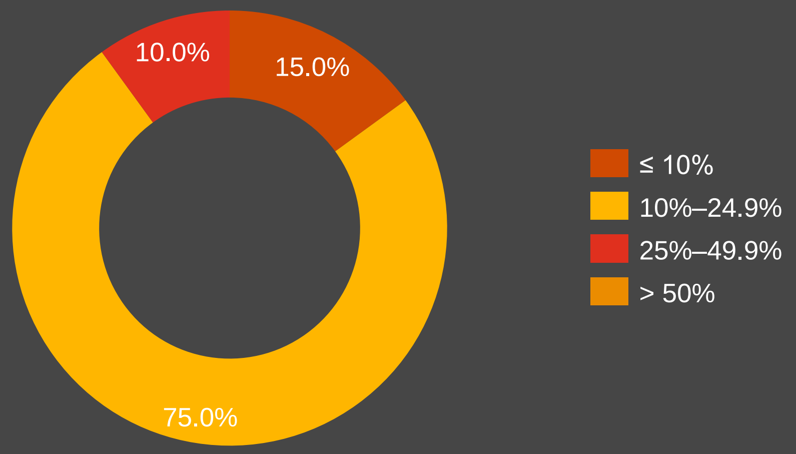


# General part

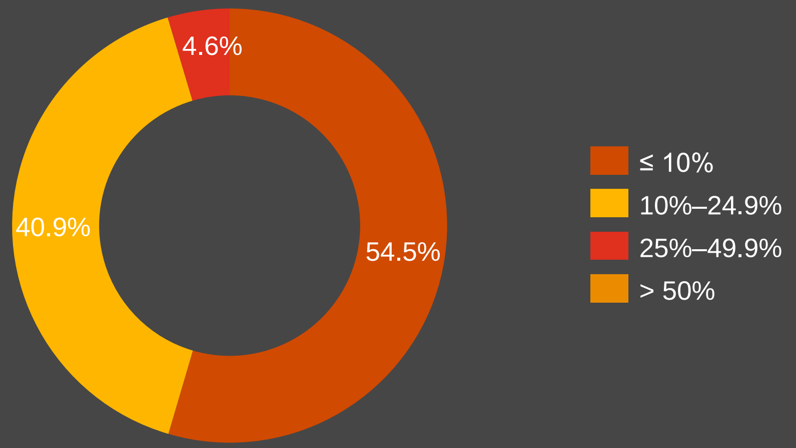
13.2

CVCs accept participation quotas below 10% more often than VCs.

**VC** – Expected target participation quota at initial investment (n=20)




**CVC** – Expected target participation quota at initial investment (n=22)

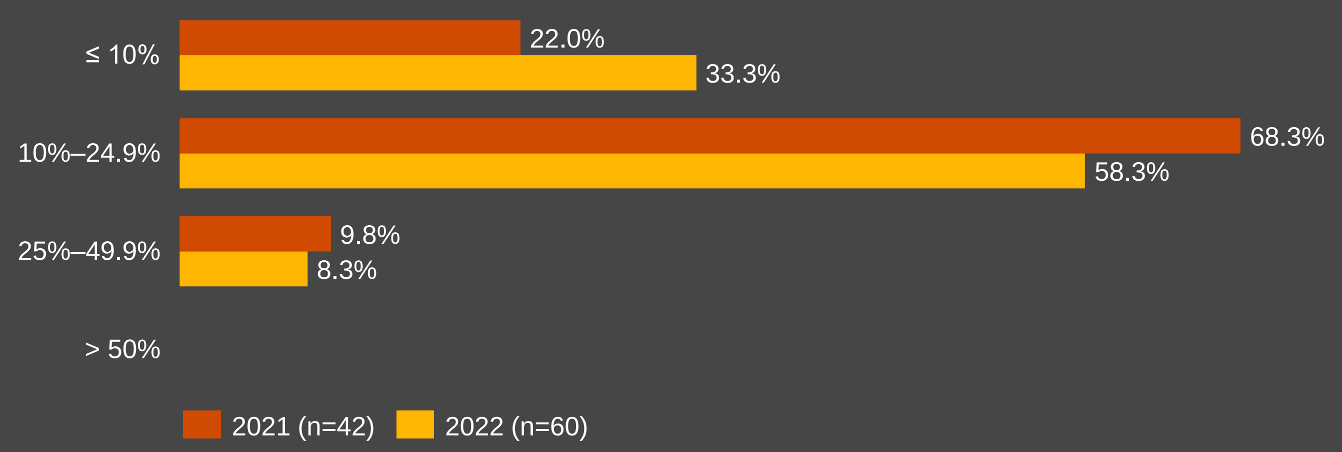


# General part

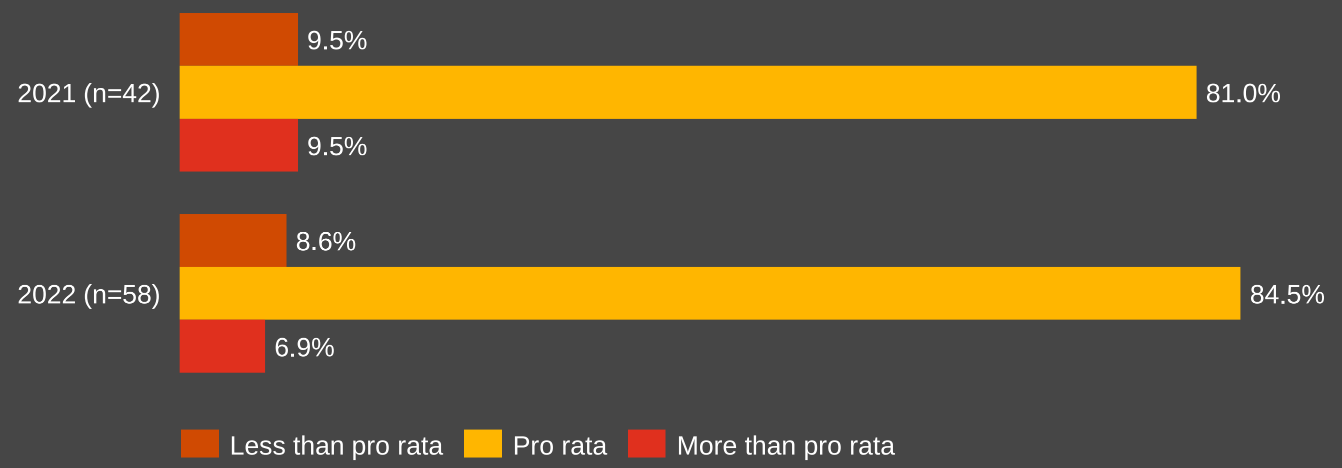
## 13.3

Overall, the target ownership rate at initial investments is decreasing compared to last year. The higher absolute amount of up to 10% quotas results in the increased number of CVC participants compared to last year.

### Expected target participation quota at initial investment




### Planned participation in follow-on rounds



# C

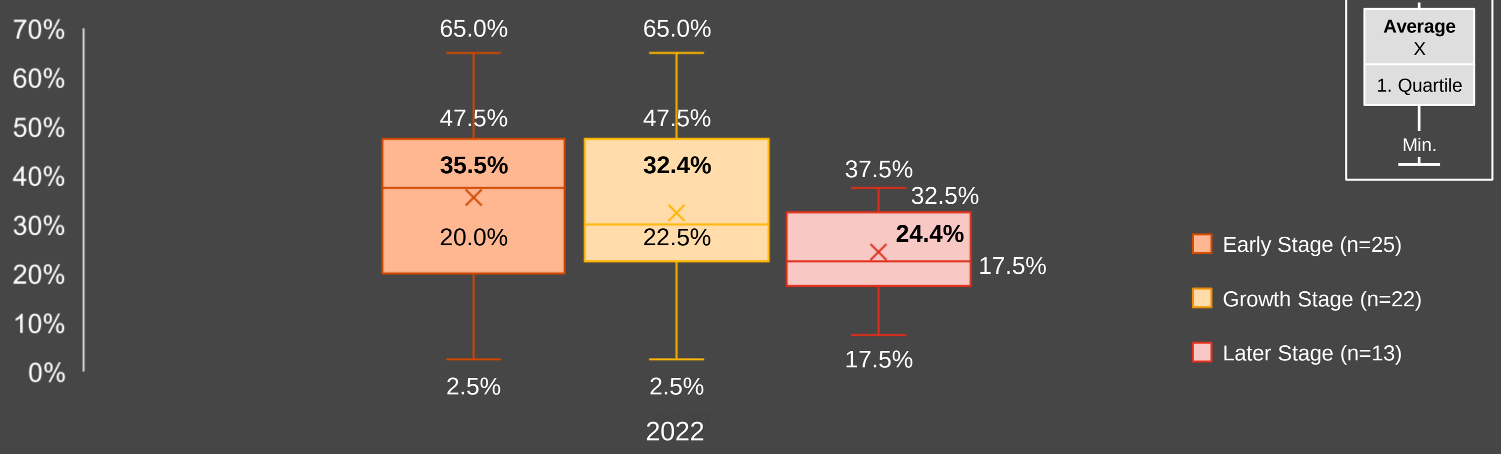
Valuation methods

# Valuation methods

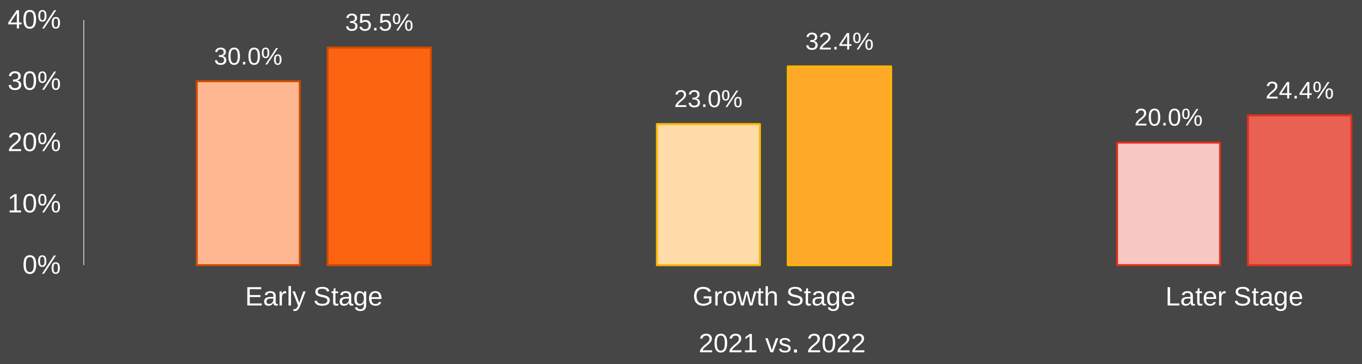
## 14.1

Compared to 2021, the expected IRR related to the portfolio companies has increased significantly. For Early Stage investments, the average IRR expected is 36% (2021: 30%) while for Growth Stages it amounts to 32% (2021: 23%).

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




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

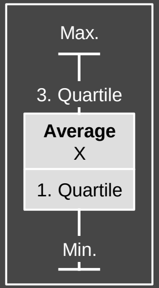


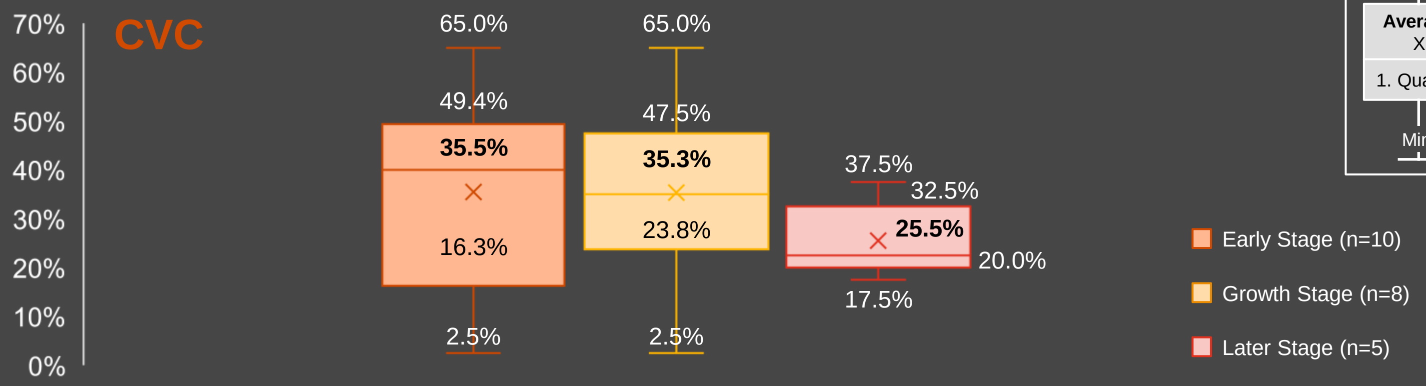
# Valuation methods

## 14.2

Compared to 2021, CVCs significantly increased the expected IRR for a single target portfolio company resulting in similar IRRs expected by VCs which remained the same.

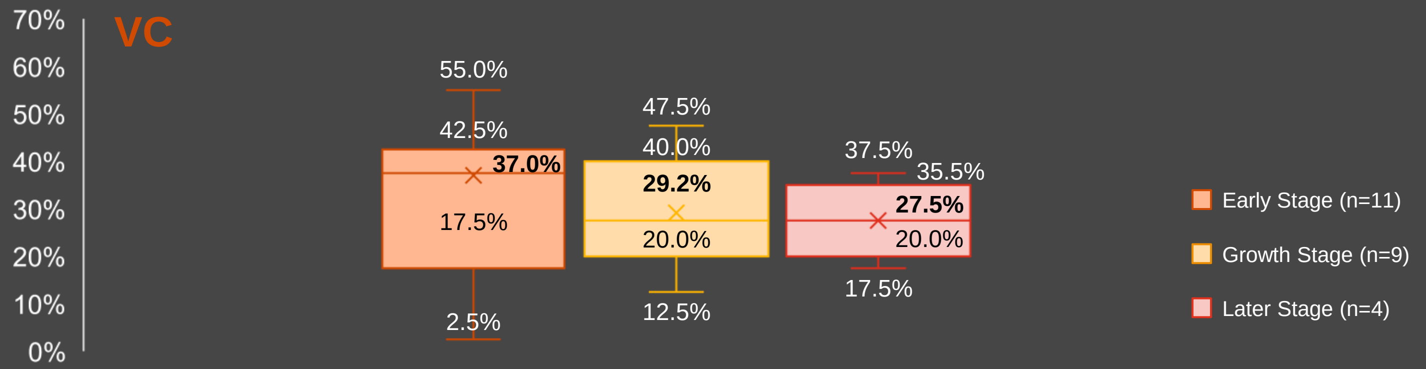
What is the average IRR for a single target portfolio company per stage?
(IRR individual portfolio company)




| On average | Early Stage | Growth Stage | Later Stage |
|---|---|---|---|
| 2021 | 21.0% | 19.0% | 14.0% |

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



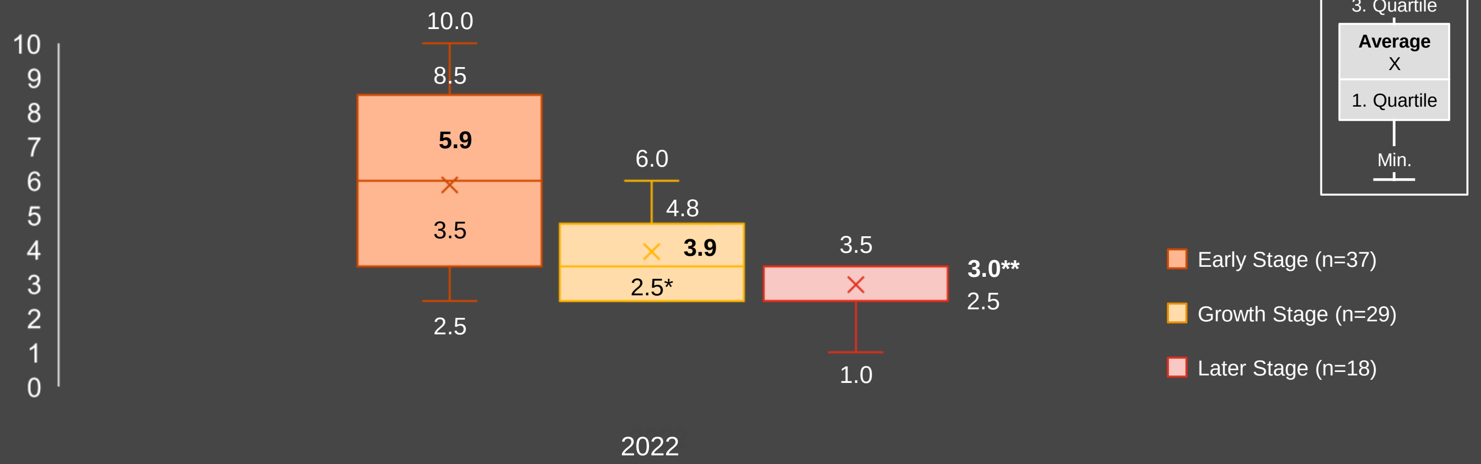

| On average | Early Stage | Growth Stage | Later Stage |
|---|---|---|---|
| 2021 | 38.1% | 27.9% | 23.3% |

# Valuation methods

## 15.1

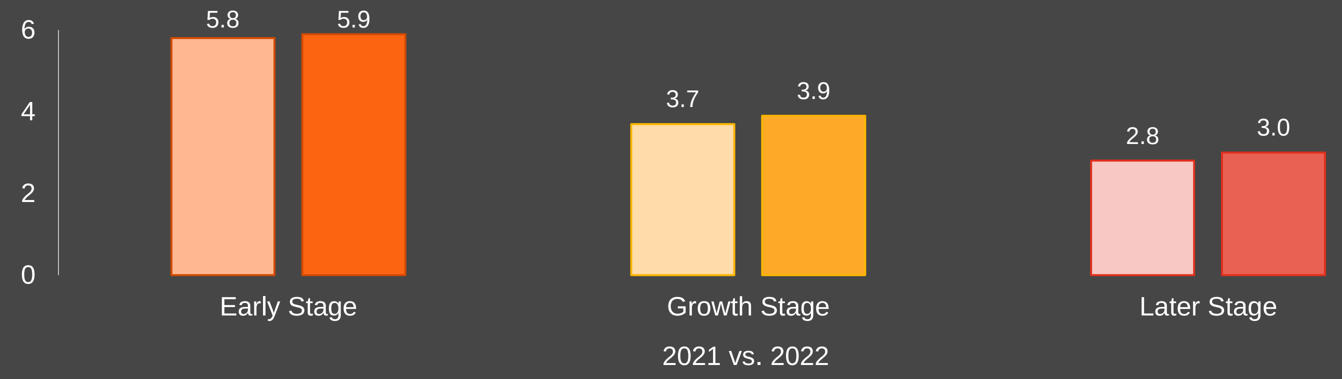
Despites the increase in IRR, expected multiples are only slightly affected.

What is the average expected Money Multiple for a single target portfolio company per stage and for your funds in total? (MM individual portfolio company)




* 1st quartile equal to minimum
** median equal to 3rd quartile

Average expected Money Multiple comparison 2021 vs. 2022

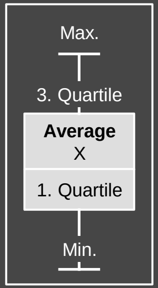


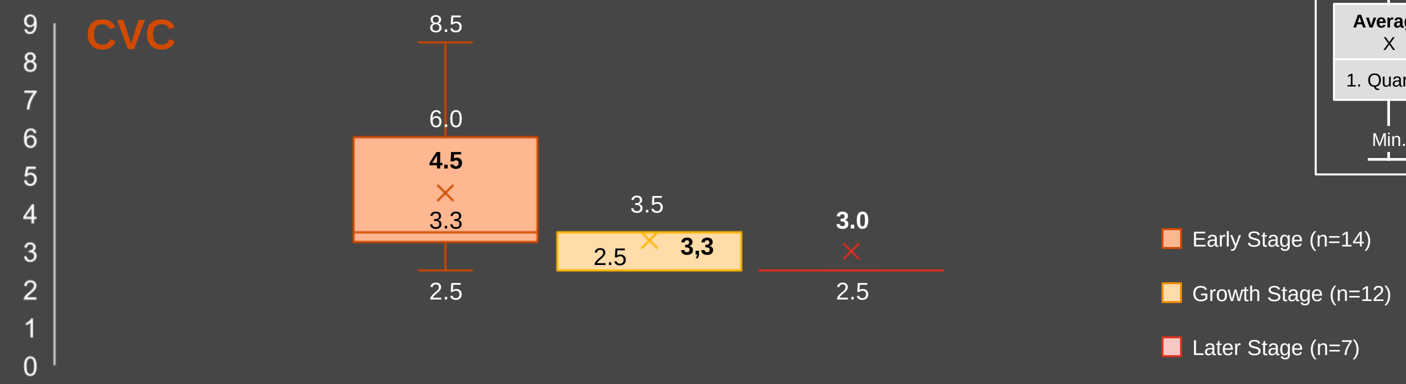
# Valuation methods

## 15.2

In comparison to VCs, CVCs show a lower expected Money Multiple for the single portfolio companies over all stages.

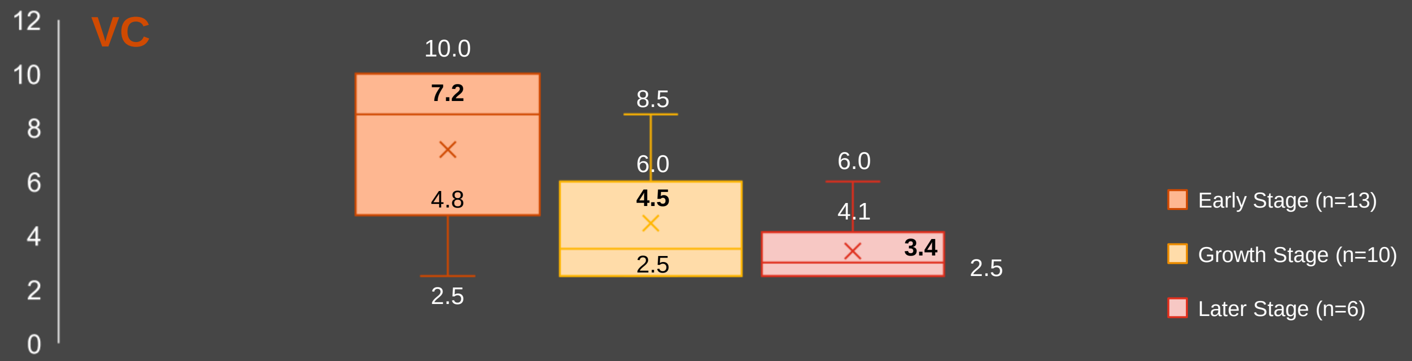
What is the average expected Money Multiple for a single target portfolio company per stage and for your funds in total? (MM individual portfolio company)




| On average | Early Stage | Growth Stage | Later Stage |
|---|---|---|---|
| 2021 | 5.0 | 3.6 | 2.6 |

What is the average expected Money Multiple for a single target portfolio company per stage and for your funds in total? (MM individual portfolio company)



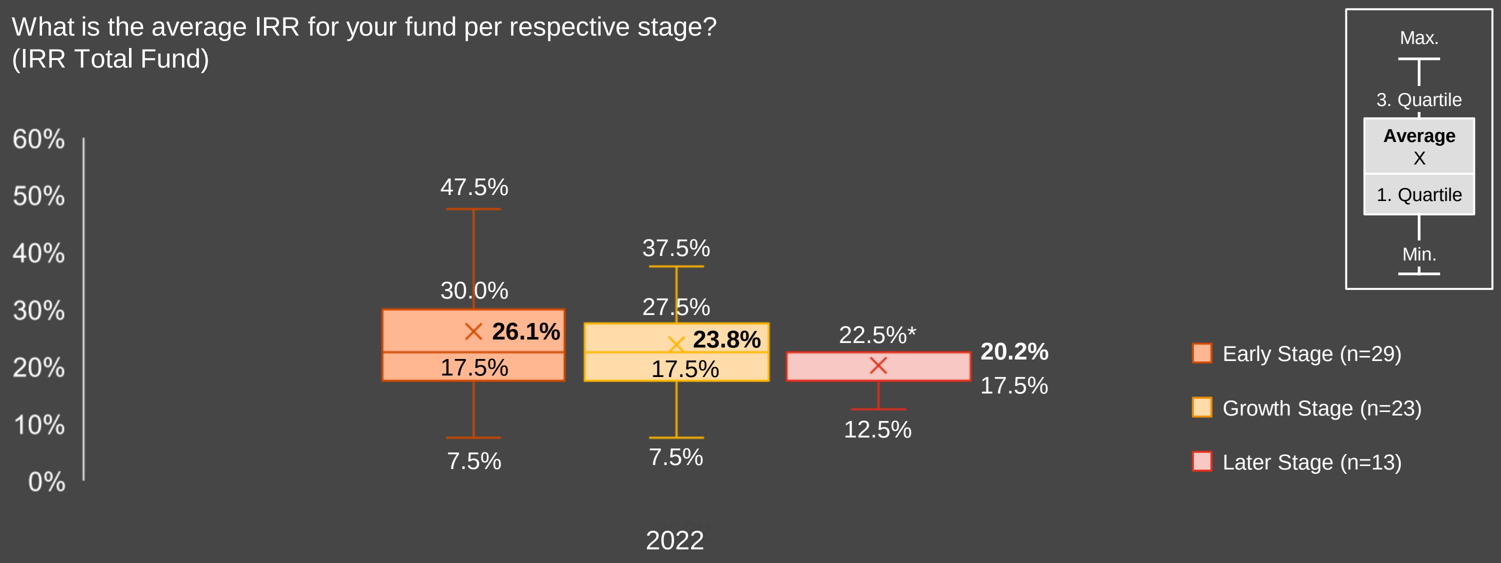

| On average | Early Stage | Growth Stage | Later Stage |
|---|---|---|---|
| 2021 | 6.7 | 4.6 | 3.5 |

# Valuation methods

16

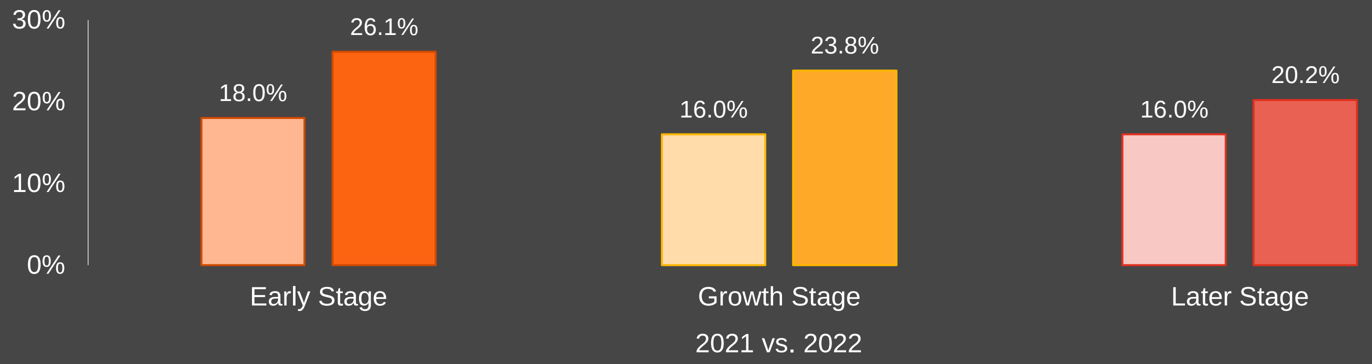
The expected IRR in relation to the fund has increased significantly. For Early Stage investments, the average IRR is 26% (+8%) while for Growth Stages it amounts to 24% (+6%).

What is the average IRR for your fund per respective stage?
(IRR Total Fund)




* 3rd quartile equal to maximum

What is the average IRR for your fund per respective stage?
(IRR Total Fund)

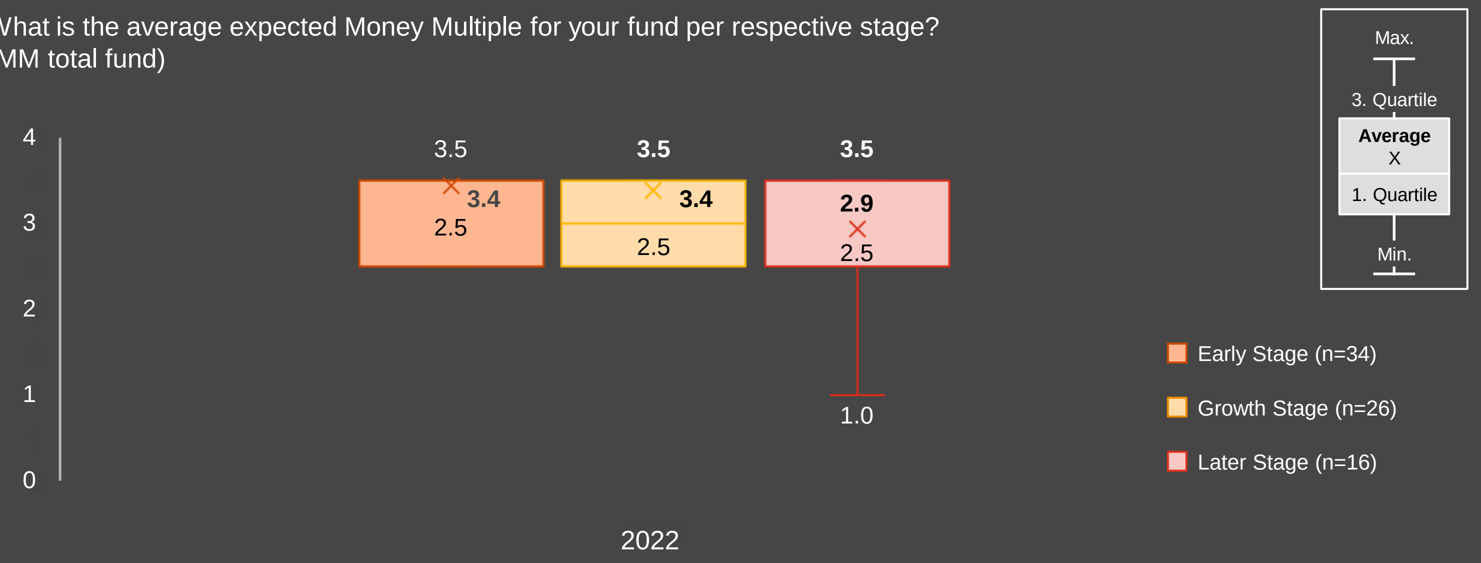


# Valuation methods

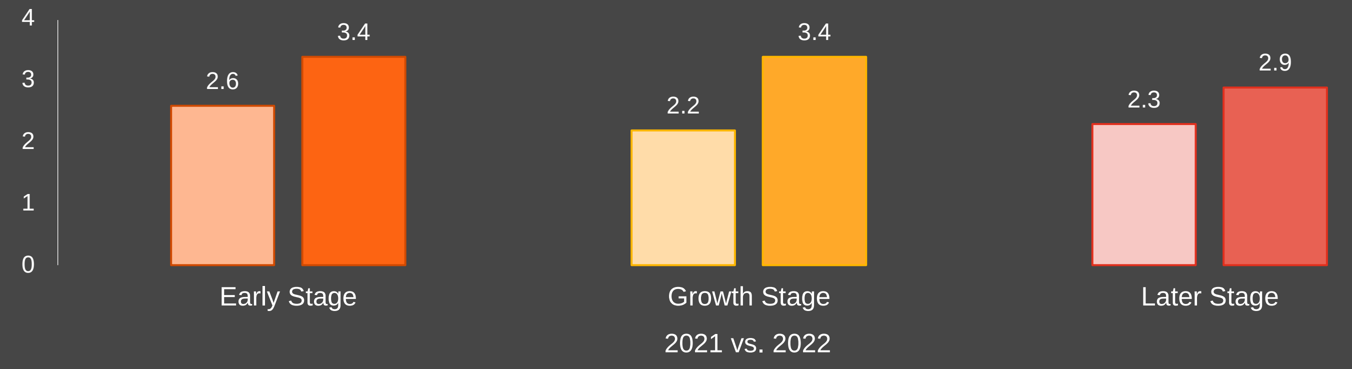
## 17

The expected average Money Multiple also increased significantly and lies at 3.4 for Early Stages and 2.9 for Later Stages.

What is the average expected Money Multiple for your fund per respective stage? (MM total fund)




Average expected Money Multiple for your fund comparison 2021 vs. 2022



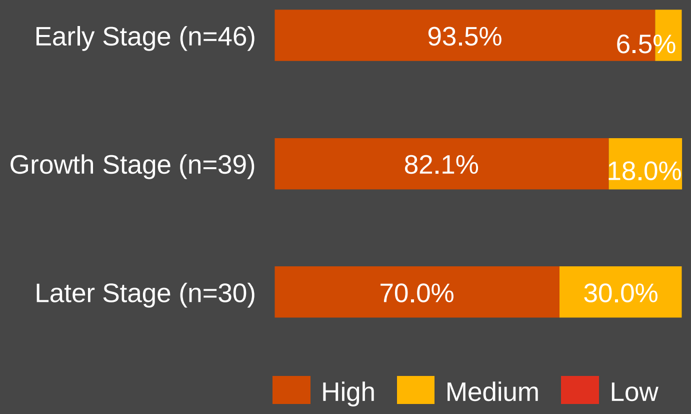
# Valuation methods

18

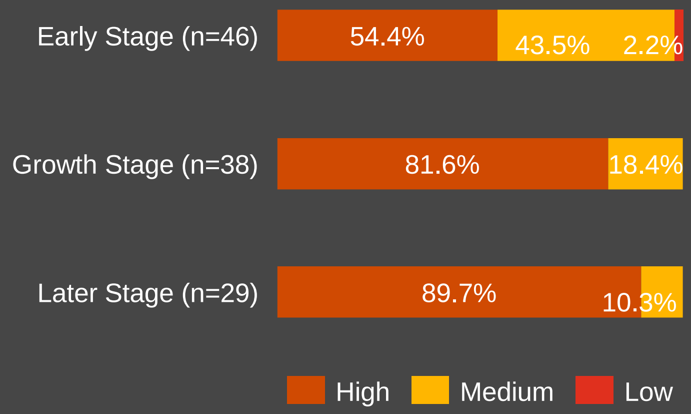
In terms of qualitative valuation criteria, respondents focus on management teams, while from the Growth Stage onwards, the product / service is considered as most important. Among all stages, the market is generally more important than the company fit.

How important are the following main qualitative categories for the valuation of a portfolio company?

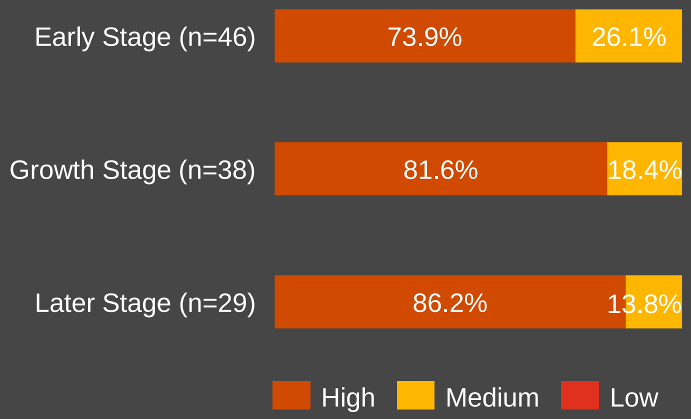
## Management team (e.g., experience)



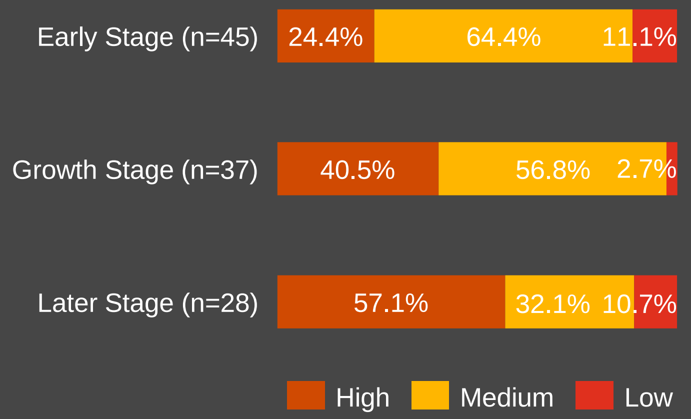

## Product / Service




## Market




## Fit (e.g., Synergies, Leadership style)

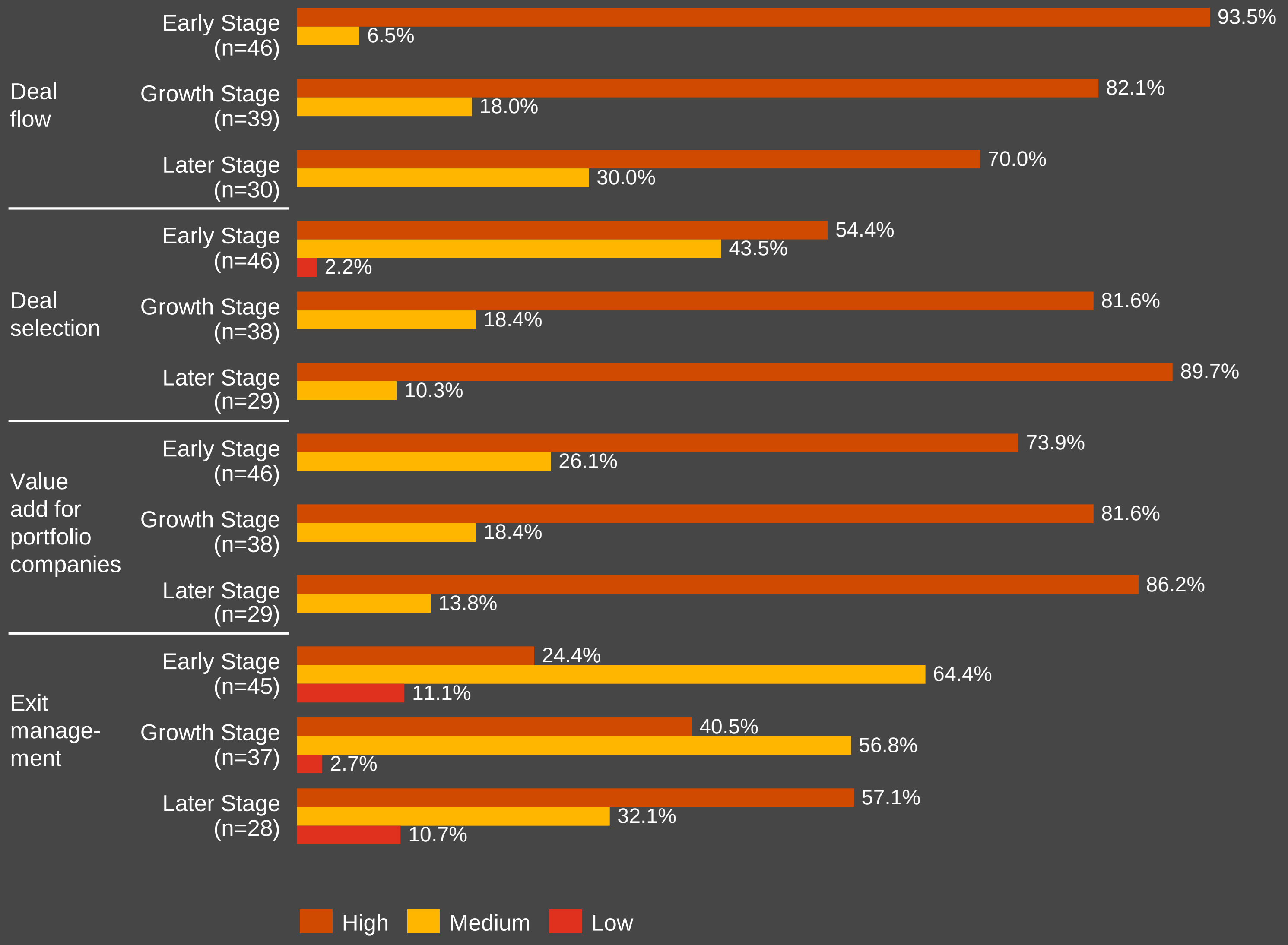


# Valuation methods

19

In the Early Stage, value creation impact starts at the deal flow phase and shows also high impact during the deal selection phase and with the value add for portfolio companies among all stages.

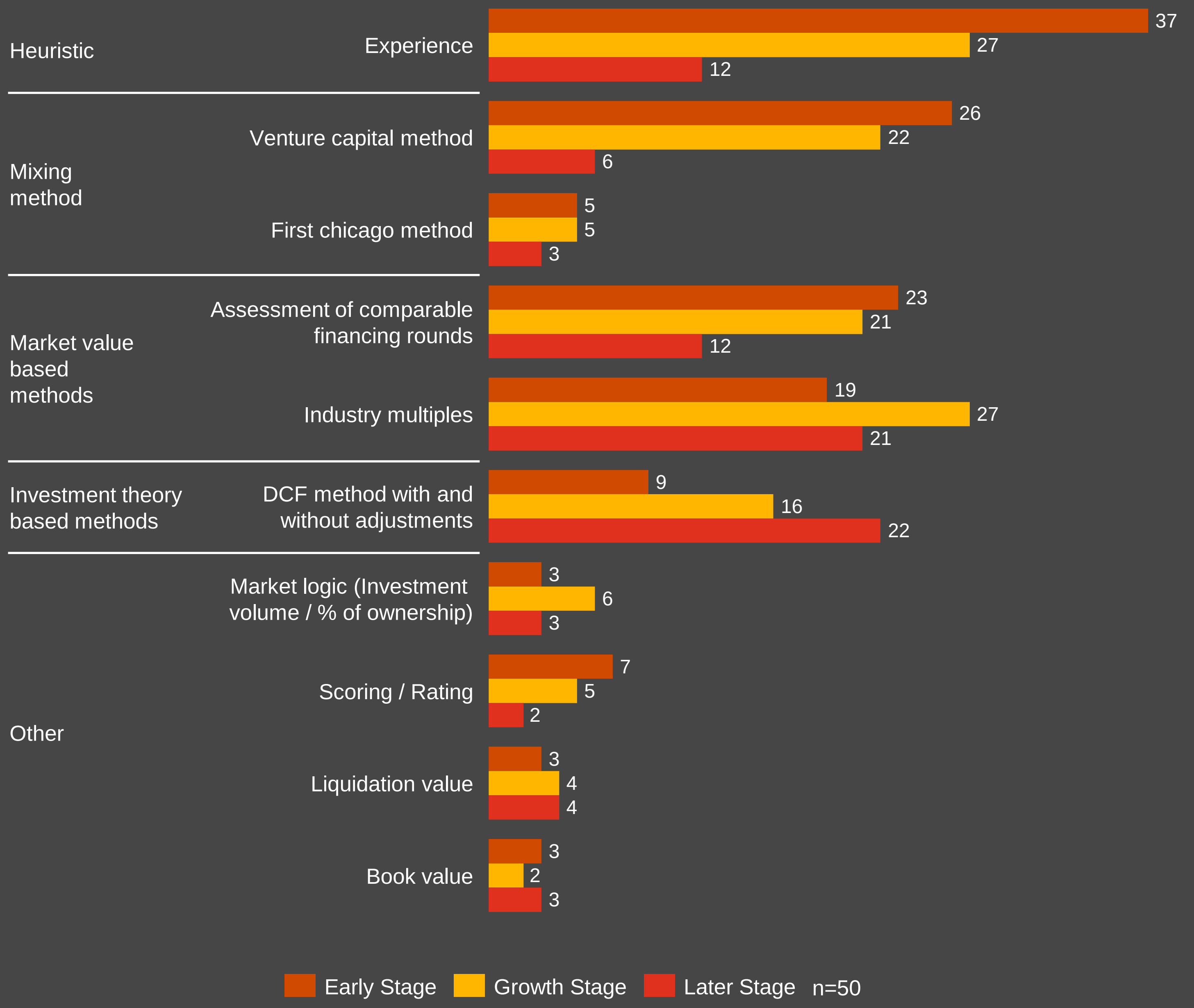
How important are the following criteria for your value creation?



# Valuation methods

## 20.1

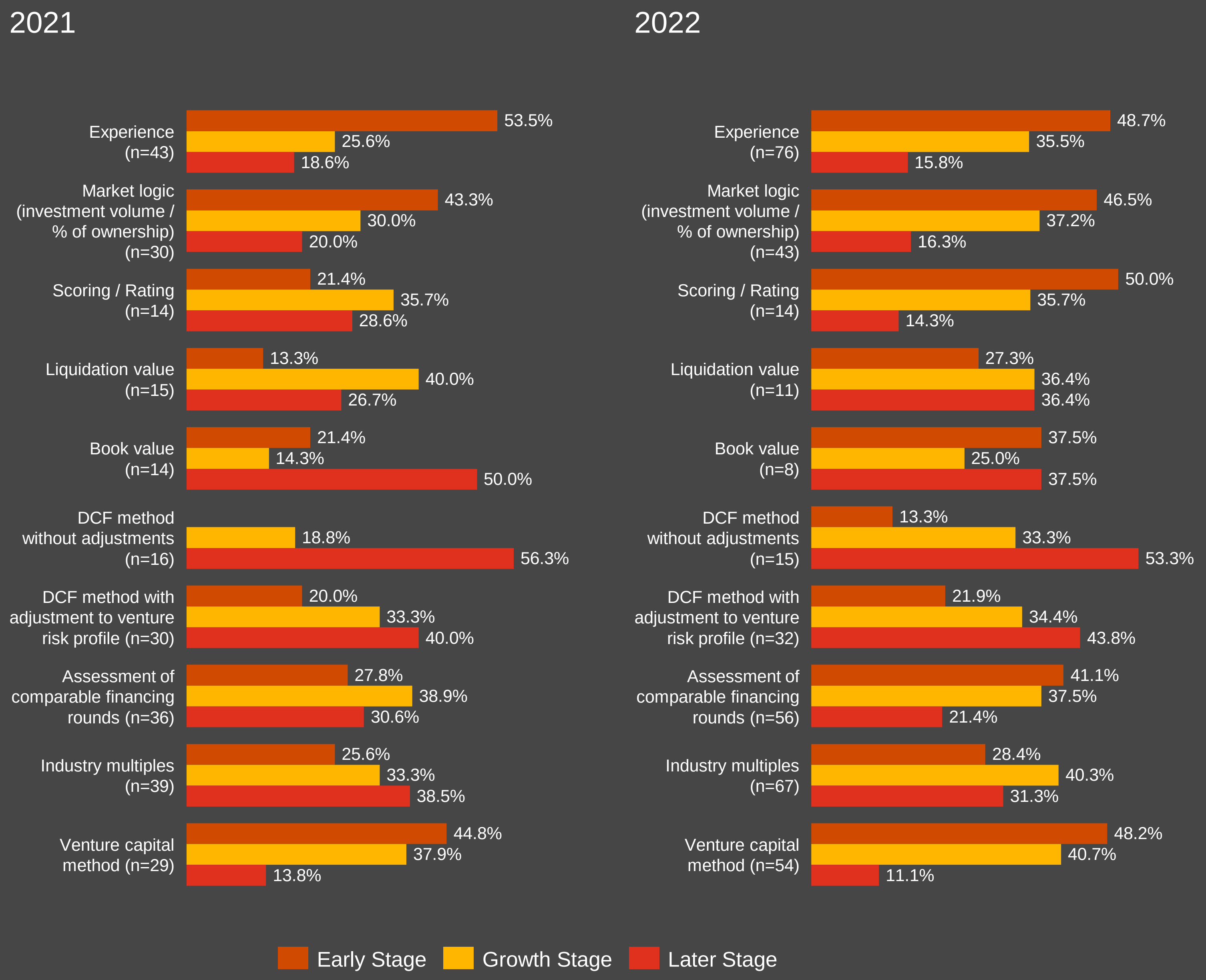
For Early Stage investments, the investor's own experience is the most relevant factor for company valuations, followed by the VC method and various multiple approaches. DCF methods only gain importance in the Later Stage.



# Valuation methods

## 20.2

While in 2021, investors' experience had the most relevant influence on Early Stage valuations, in 2022, other criteria such as market logic, scoring, industry multiples and the venture capital method also gained significant relevance as determinants for company valuations.

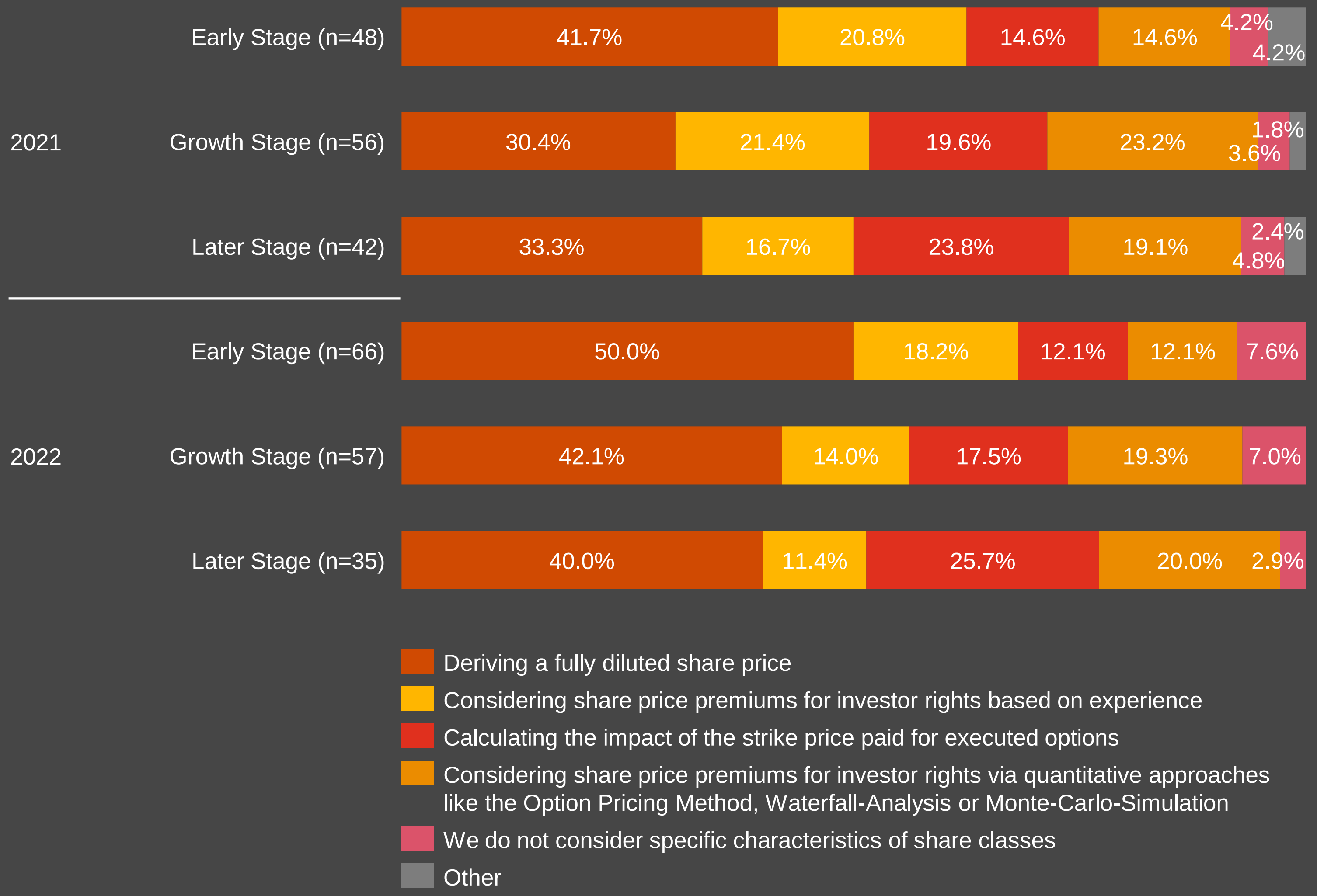


# Valuation methods

## 21

The simple fully diluted share price is often derived in the Early Stage. In Growth and Later Stages, specific share characteristics are more often based on experience-derived premiums or quantified by approaches such as the Monte-Carlo-Simulation, waterfall analysis and option pricing method. In Later Stages, paid strike prices are especially considered as relevant for valuations.

During the investment process, how do you consider the specific characteristics of the acquired share class in the valuation process (e.g. liquidation preferences, anti-dilution clauses)?

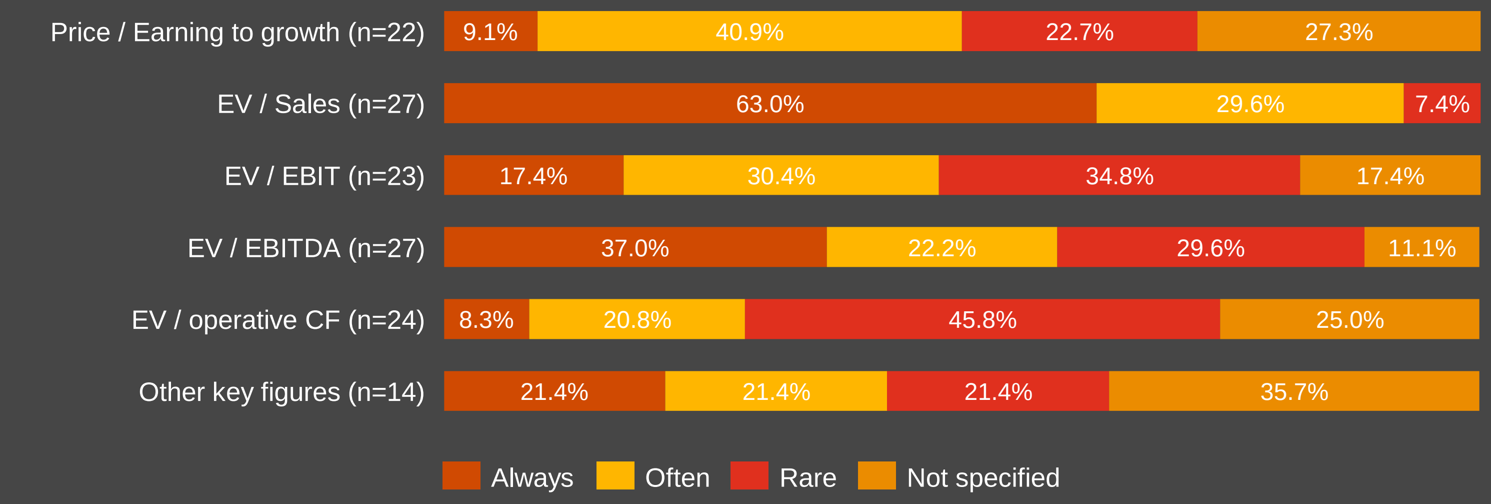


# Valuation methods

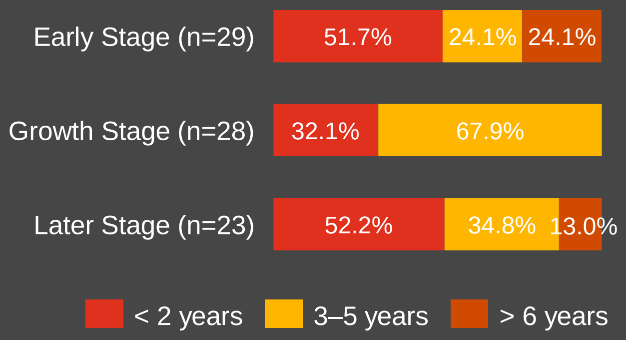
## 22.1

When applying the VC method, the EV / Sales multiple is the most relevant. There is a clear shift to reference years less far in the future. Mostly < 2 years expected financials are used for the multiples.

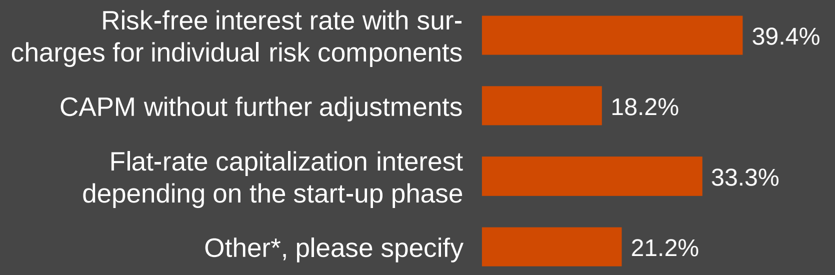
### Which multiples do you usually apply?




### Multiples: Which year (or range) is used as a basis?




### How is the required yield or the discount rate determined? (n=33)



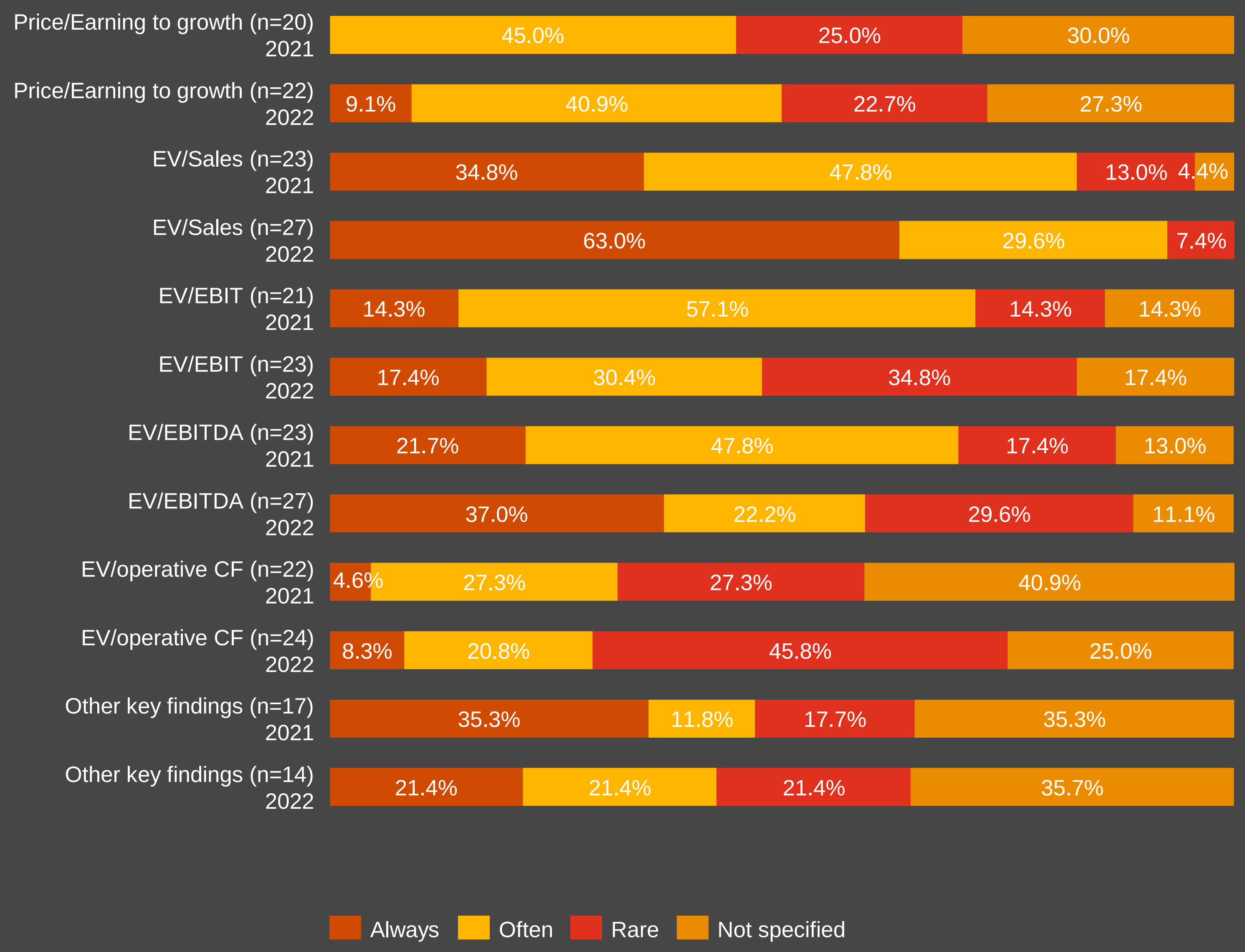

*Other: "No Required Yield or N / A"

# Valuation methods

## 22.2

Compared to the previous study, EV / Sales Multiples have seen a significant increase for valuation purposes.

Which multiples do you usually apply?

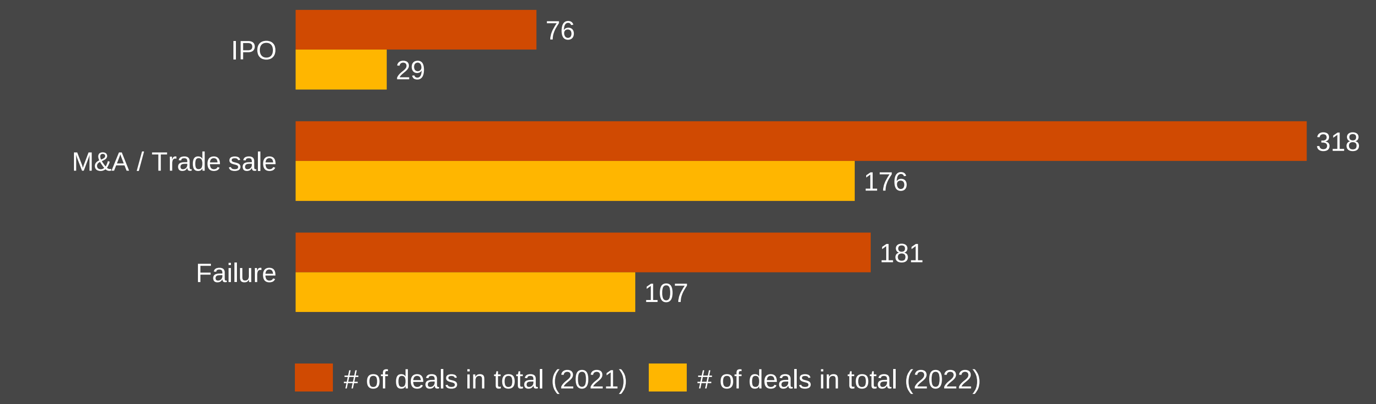


# Valuation methods

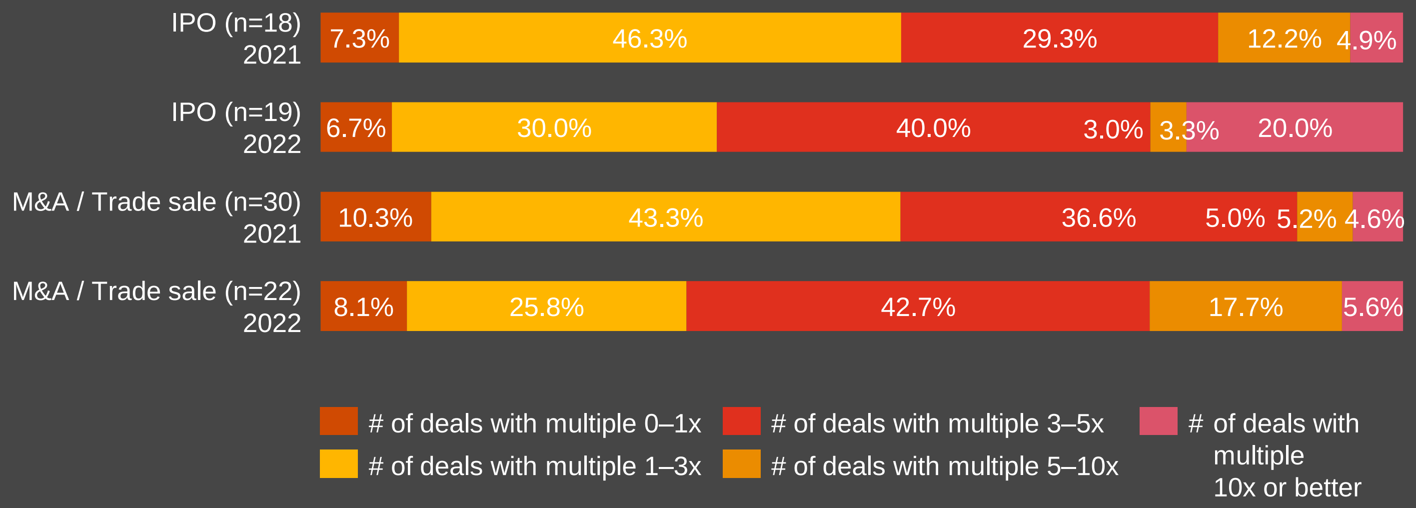
23

In comparison to 2021, exit multiples have strongly increased. 20% of the multiples are higher than 10x for IPOs (2021: 5%) and 18% of the multiples are higher than 5x for trade sales (2021: 5%).

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?




2022: # of participants = 25; 2021: # of participants = 31

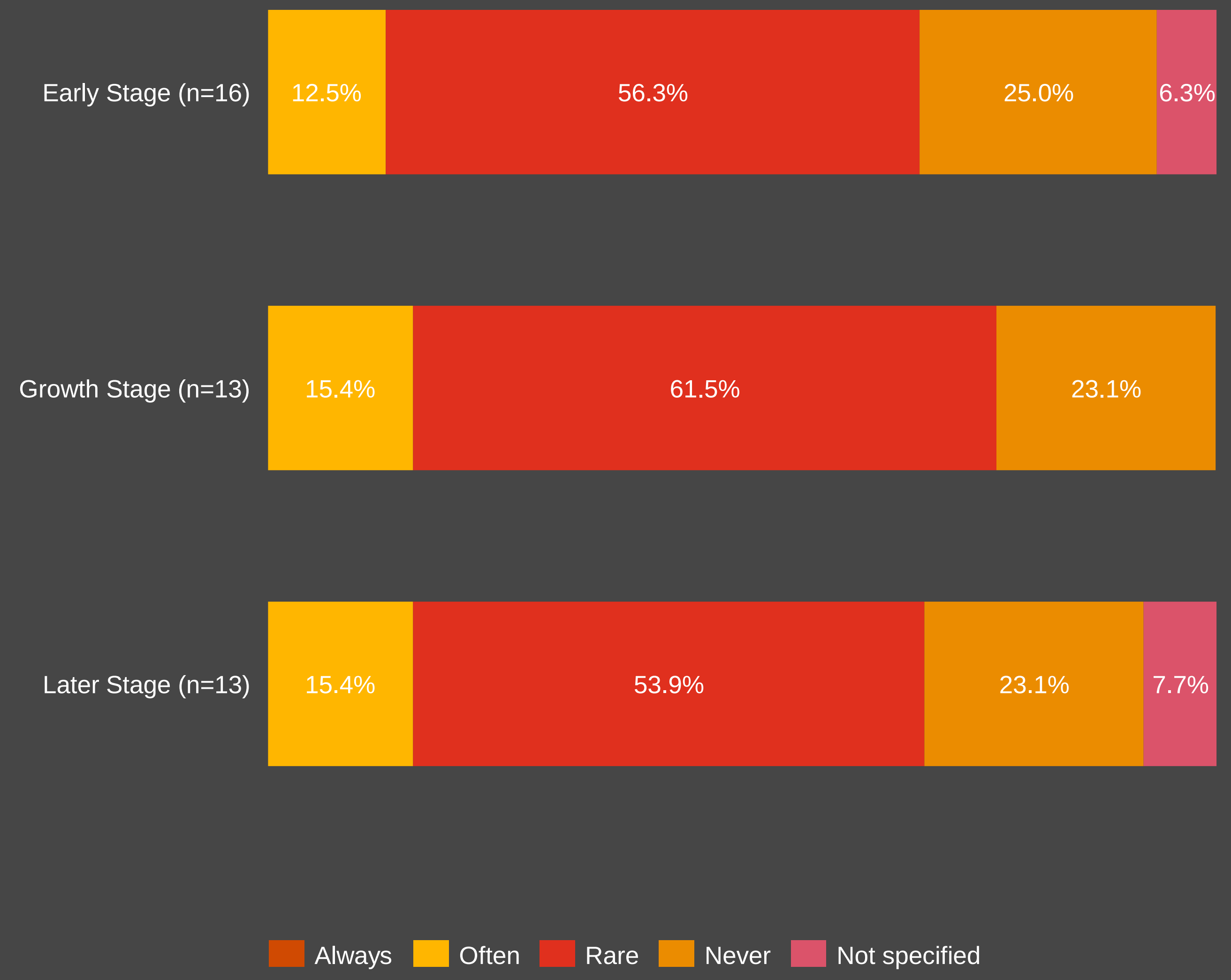


# Valuation methods

24

In more than 80% of the cases, an exit to corporates is never or rarely intended by CVC vehicles (or groups).

Is it intended by your CVC vehicle (or your group) to acquire the portfolio company in total (or in a majority) in the course of an exit?



# D

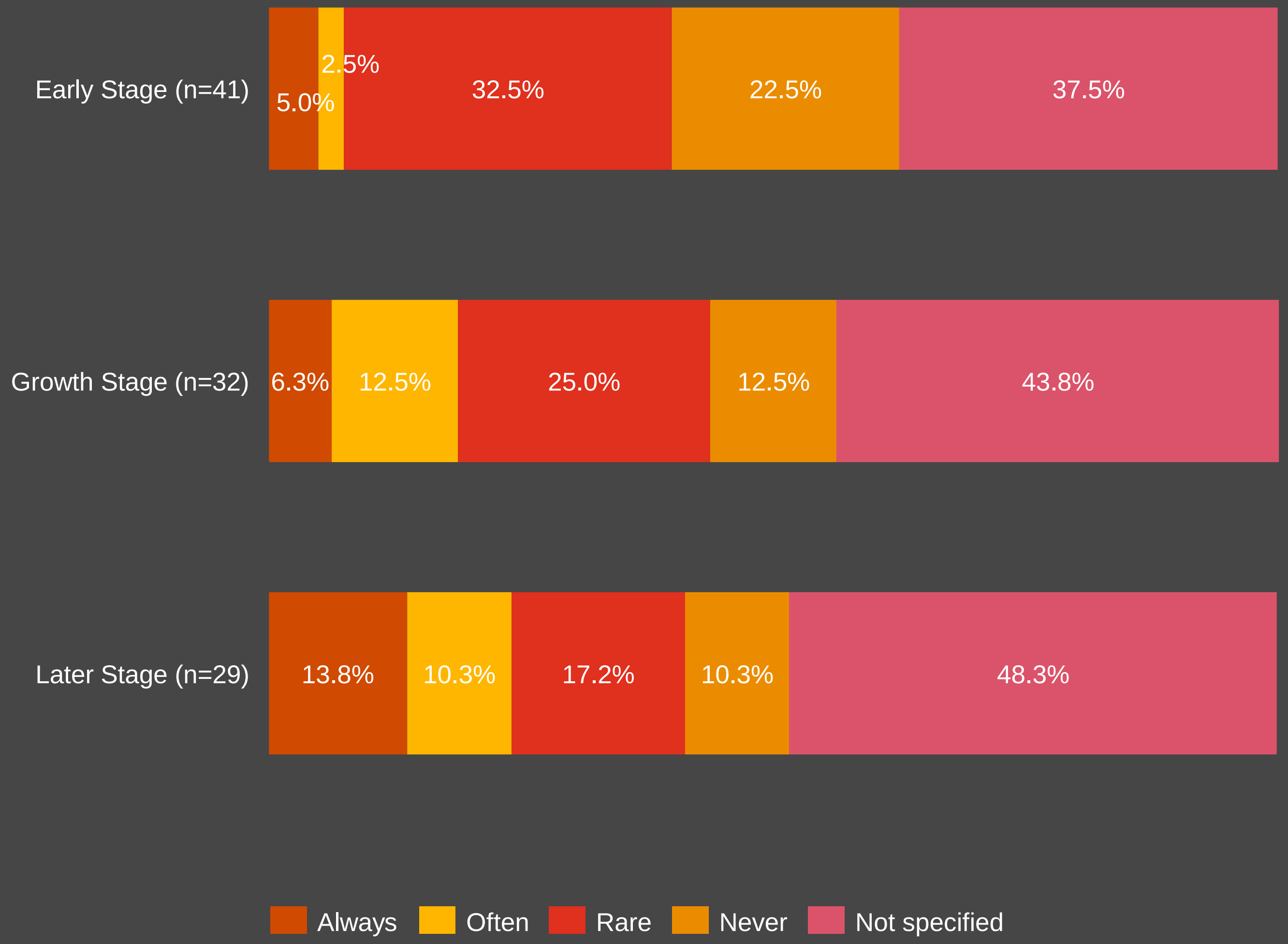
Legal terms

# Legal terms

## 25

In almost 25% of the underlying cases, the investment restrictions under the German Foreign Trade Legislation are a deciding factor in the most relevant Later Stage and therefore a relevant factor for investment decisions in the German ecosystem.

Are the rules of investment control under the German Foreign Trade Legislation a deciding factor for selection of a purchaser / investor in a trade sale exit (depending on the stage of the portfolio company at exit)?

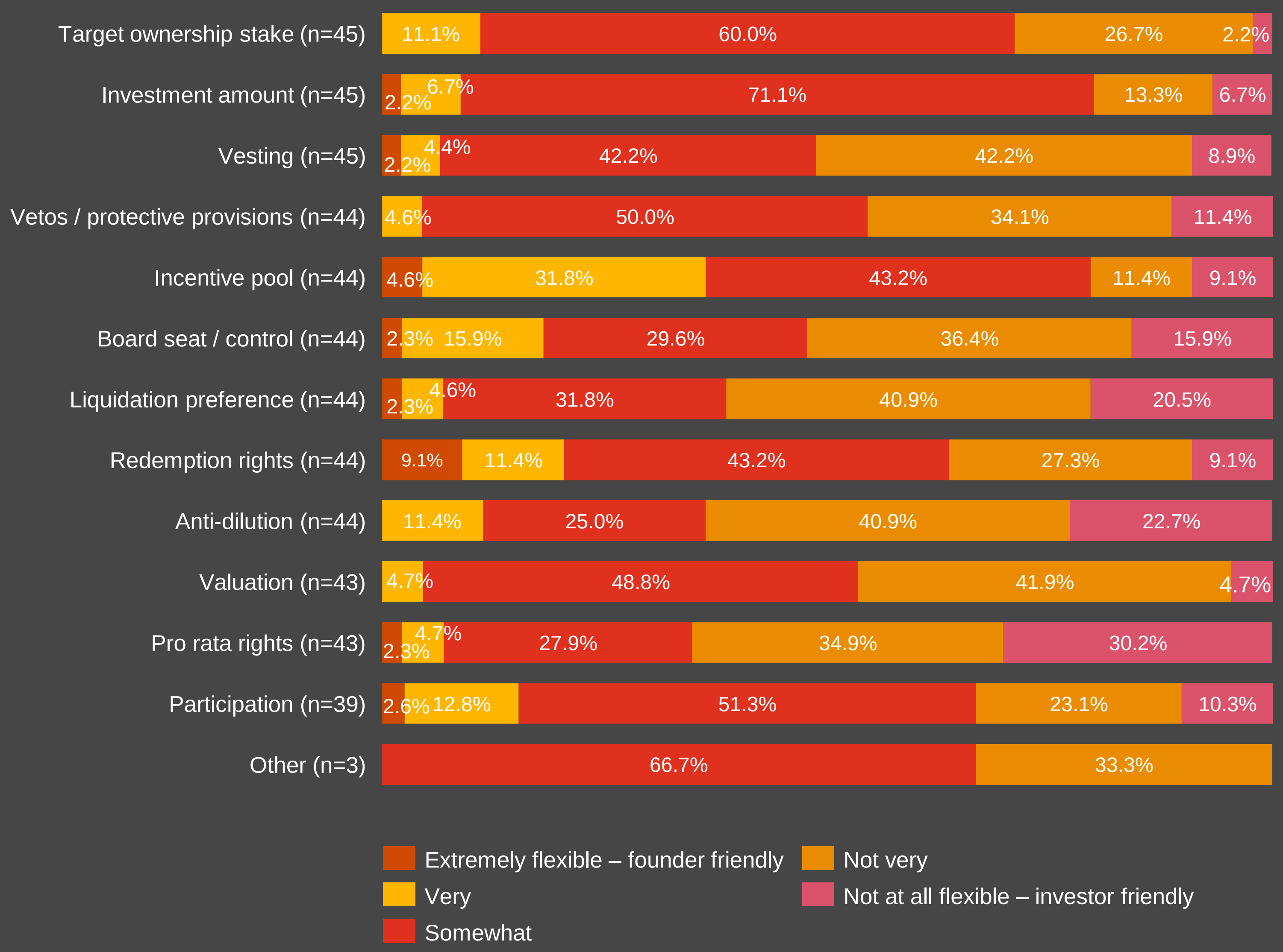


# Legal terms

## 26.1

Incentive pools offer the highest flexibility of investors in term sheet negotiations of a new investment.

In which term sheet items are you flexible on when negotiating a new investment?

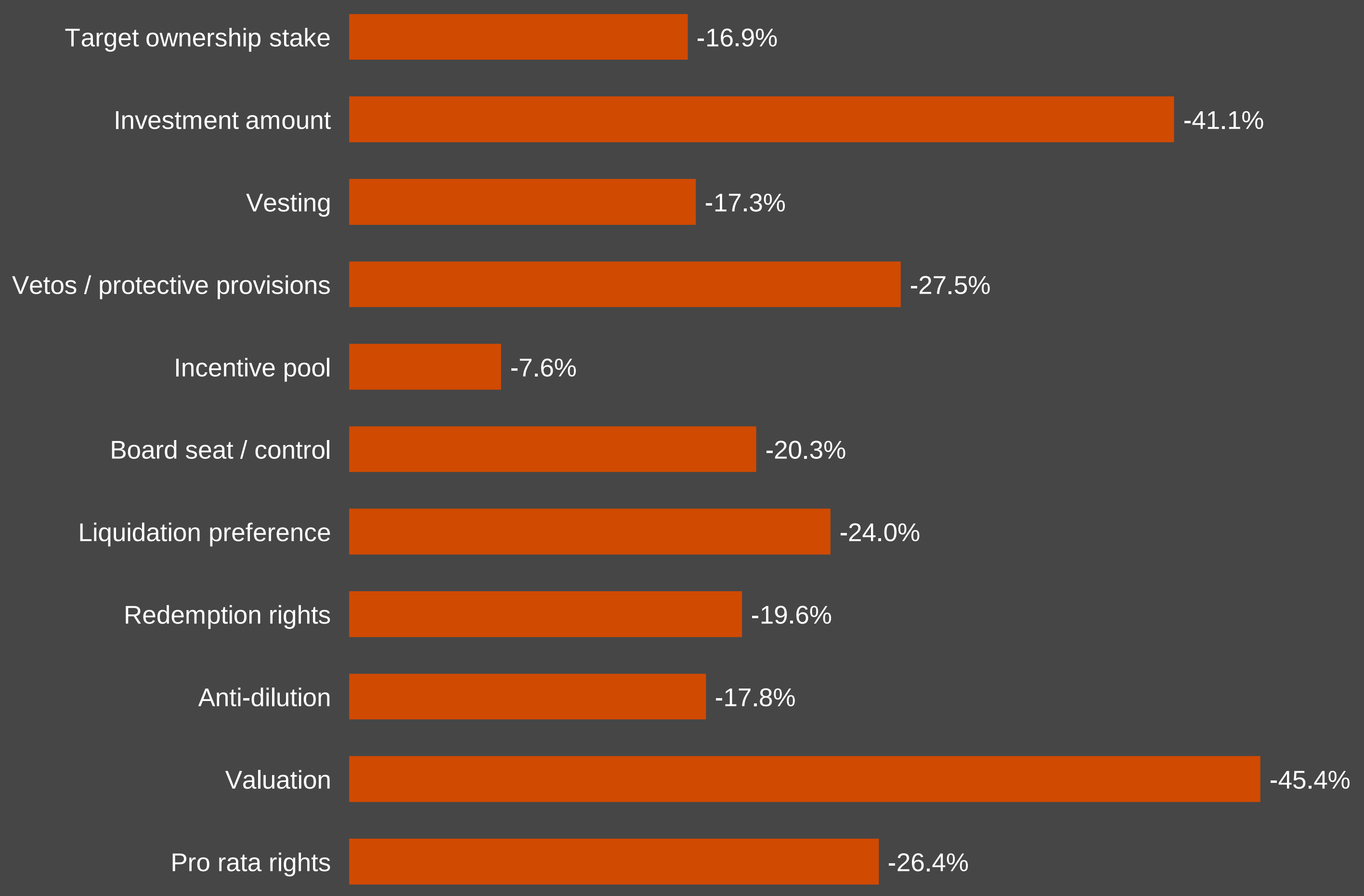


# Legal terms

**26.2**

Investors are currently less flexible in negotiations on deal terms. The flexibility especially declines in the core parameters of valuation, investment amount, liquidation preference and protective provisions.

Difference between 2021 and 2022 in %-points of extremely and very flexible



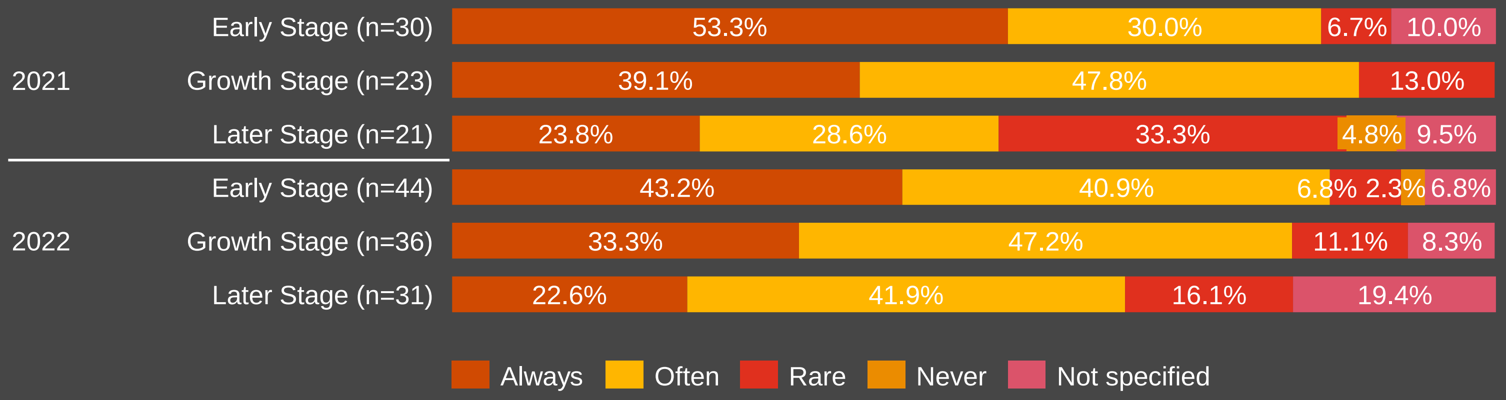

For the evaluation of this question, the sum of the “very good and good" responses from 2021 were compared with the sum of the “extremely and very flexible" responses. The delta is shown in the graphic.

# Legal terms

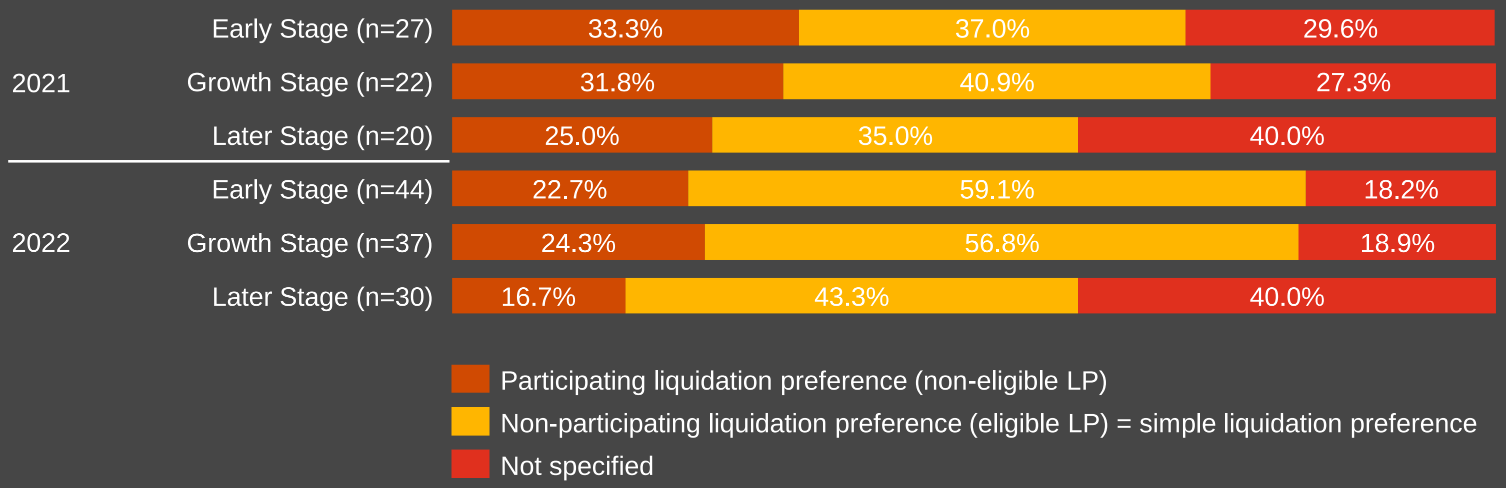
## 27

The relevance of liquidation preferences for investments remains on a high level and is in average slightly increasing to previous years. The non-participating liquidation preference predominates, whereas also participating LPs are still used in a substantial number of cases.

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




What kind of liquidation preferences do you agree on mostly in the different stages of the portfolio company?

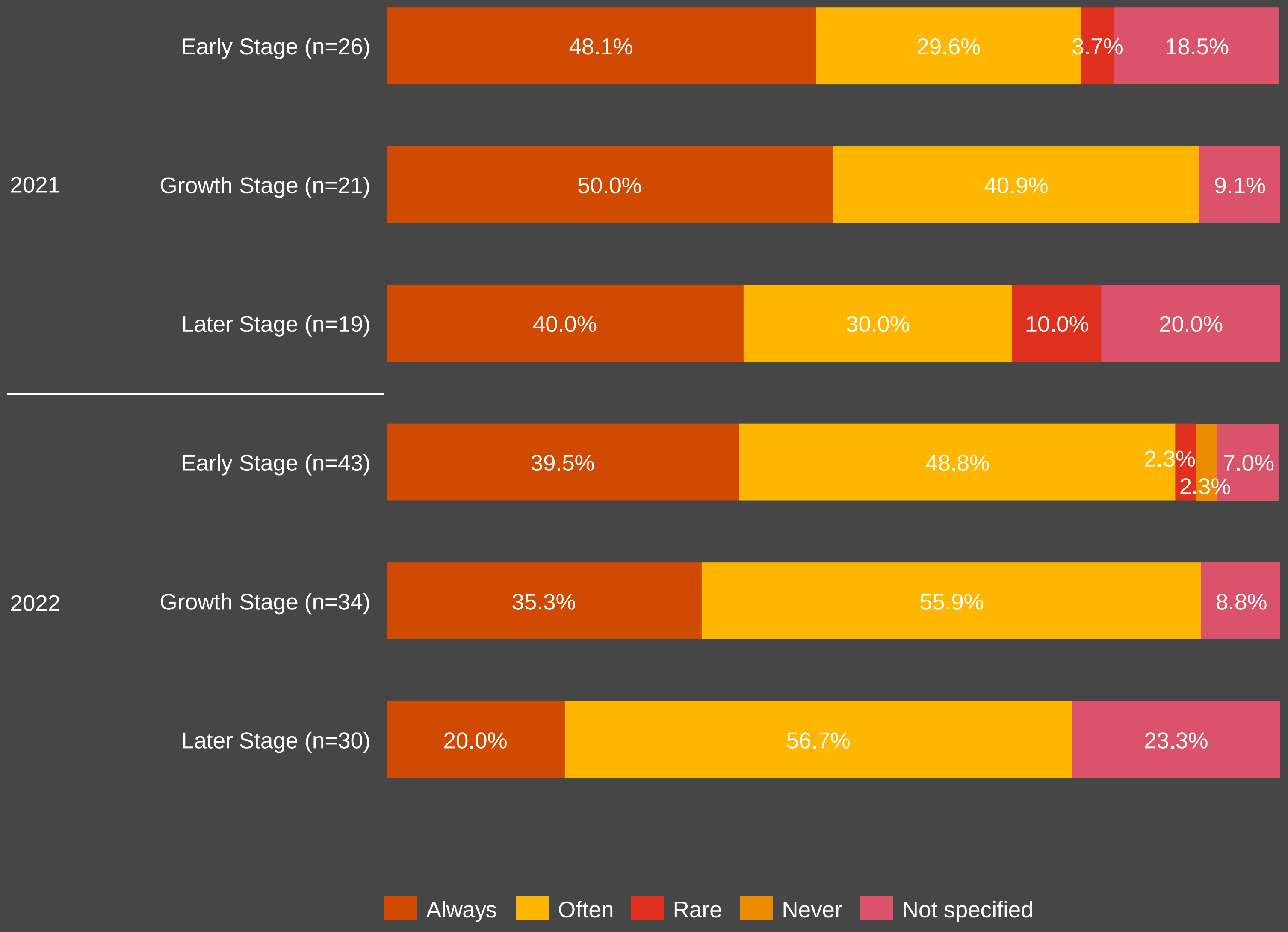


# Legal terms

## 28

LIFO (Last-In First-Out) principles are even more often agreed on liquidation preferences and set as standard.

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

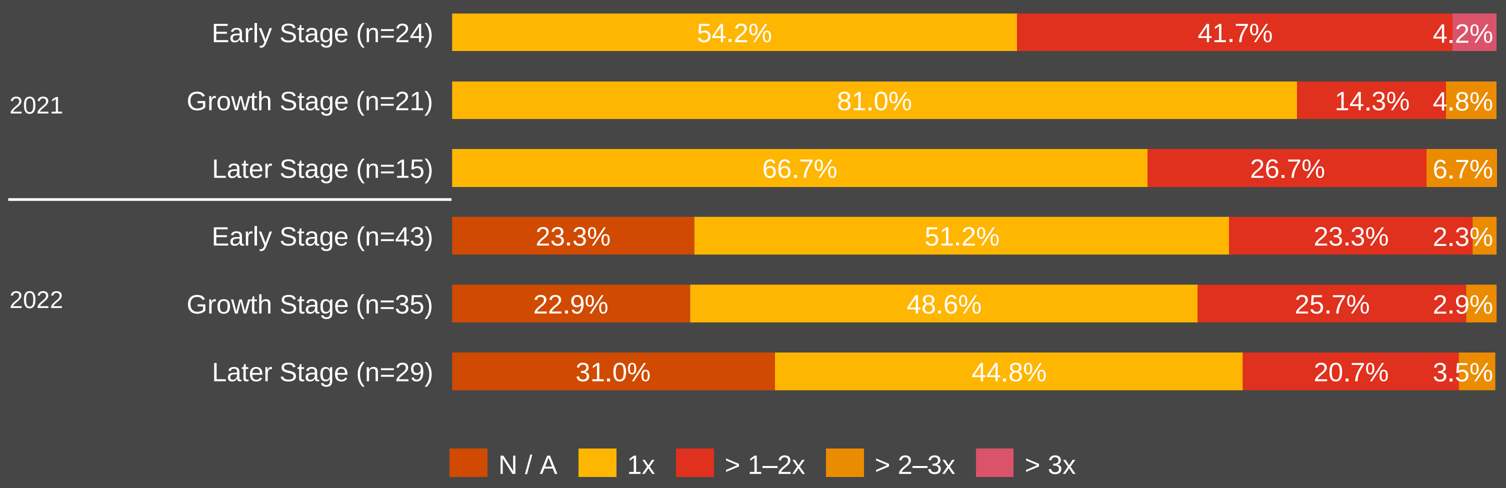


# Legal terms

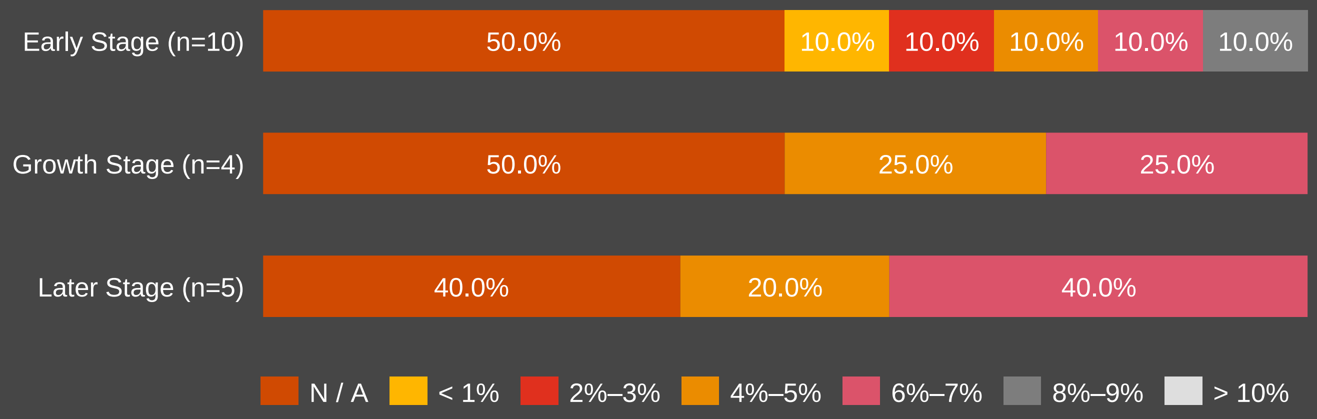
## 29

More than 70% of the participants do not request for an additional multiple on the liquidation preference. About 50% of the participants apply interest rates to liquidation preferences.

Which multiple do you usually apply to liquidation preferences?




Which interest rate do you usually apply to liquidation preferences?

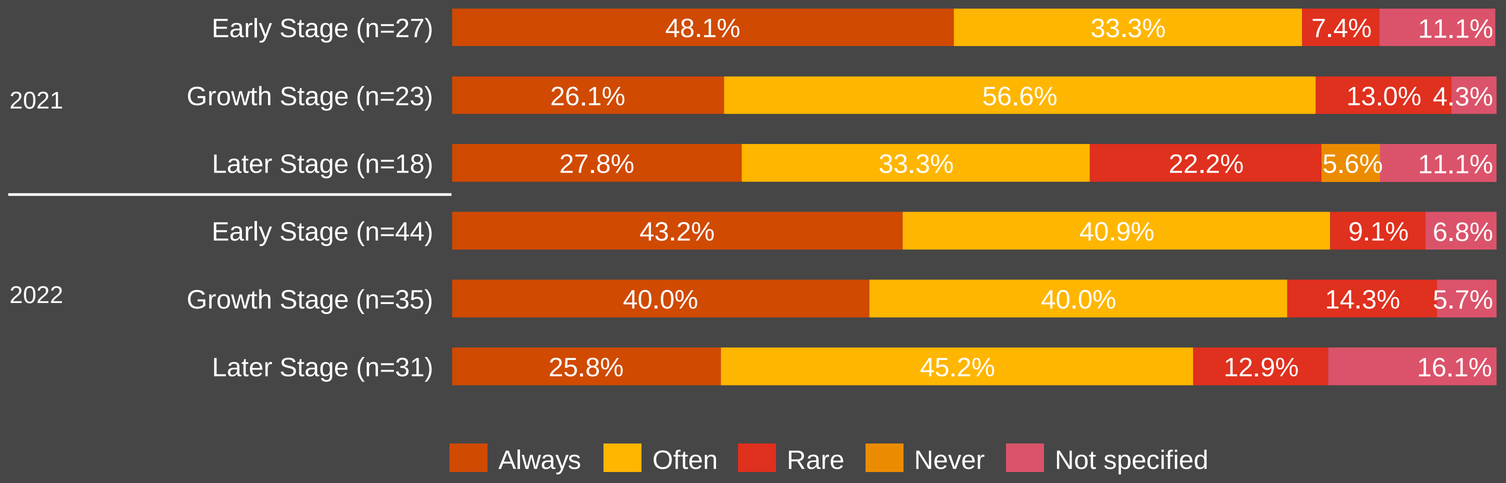


# Legal terms

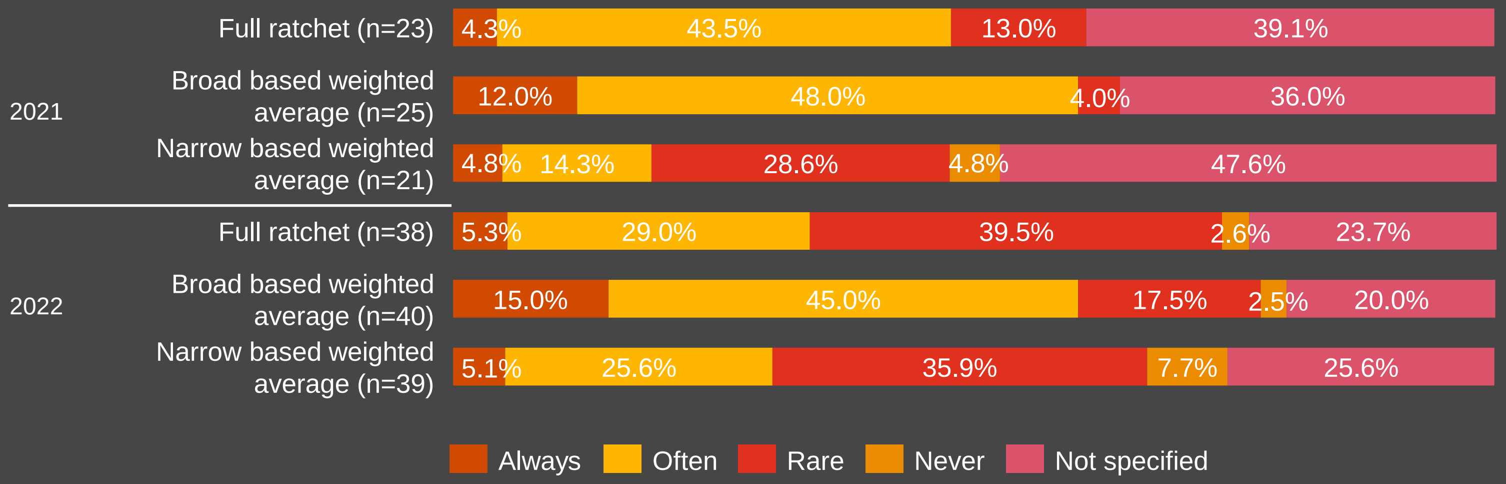
## 30

The relevance of anti-dilution protection clauses for investments remains on a high level and is in average slightly increasing to previous years. The broad based weighted average method predominates, whereas also full ratchet anti-dilution clauses are used significantly in the market.

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




What kind of anti-dilution clauses do you predominantly use?

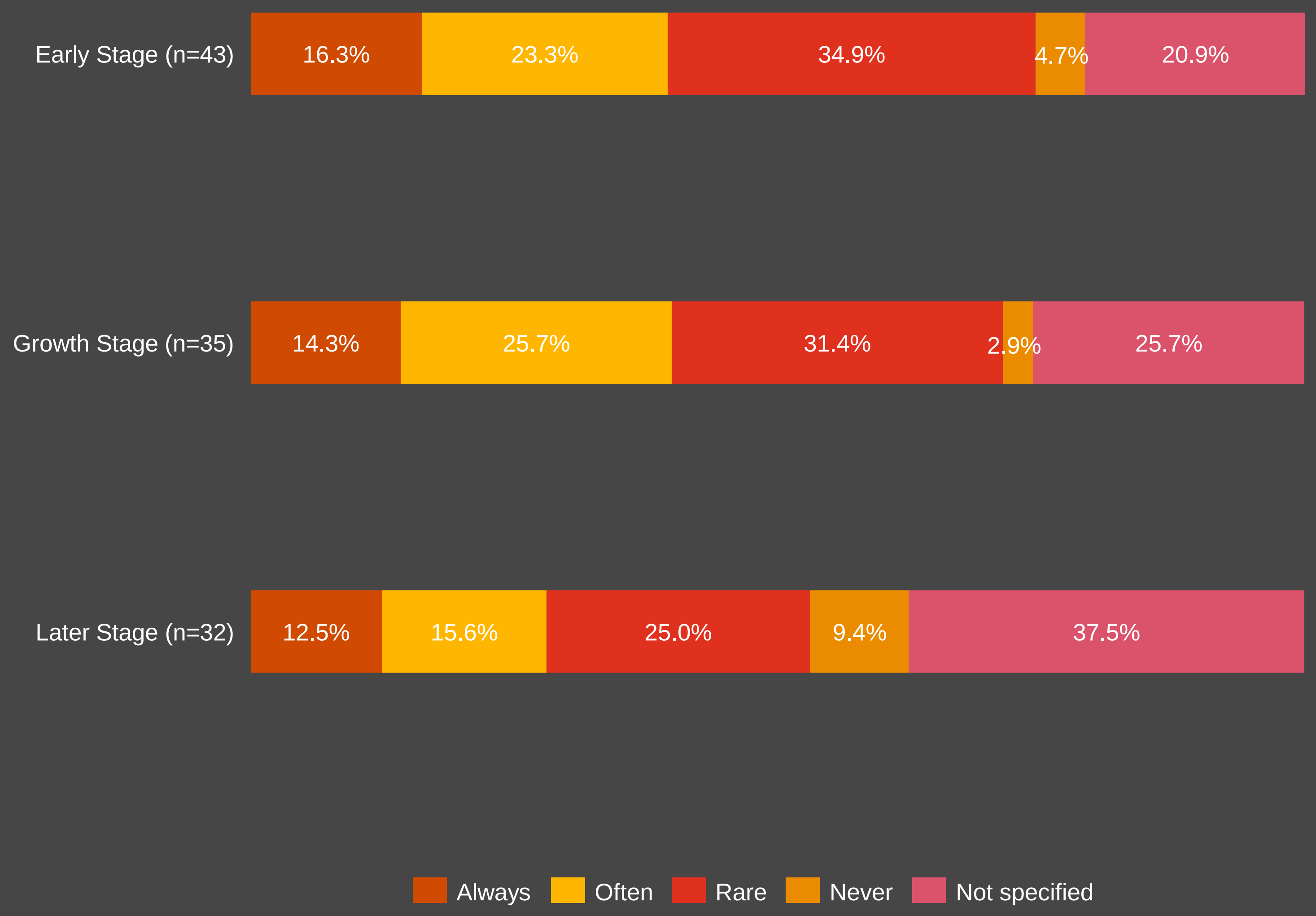


# Legal terms

31

Less than 40% of the participants (declining to 28% in Later Stage) often fully enforce their rights under anti-dilution clauses.

How often do you fully enforce anti-dilution clauses?

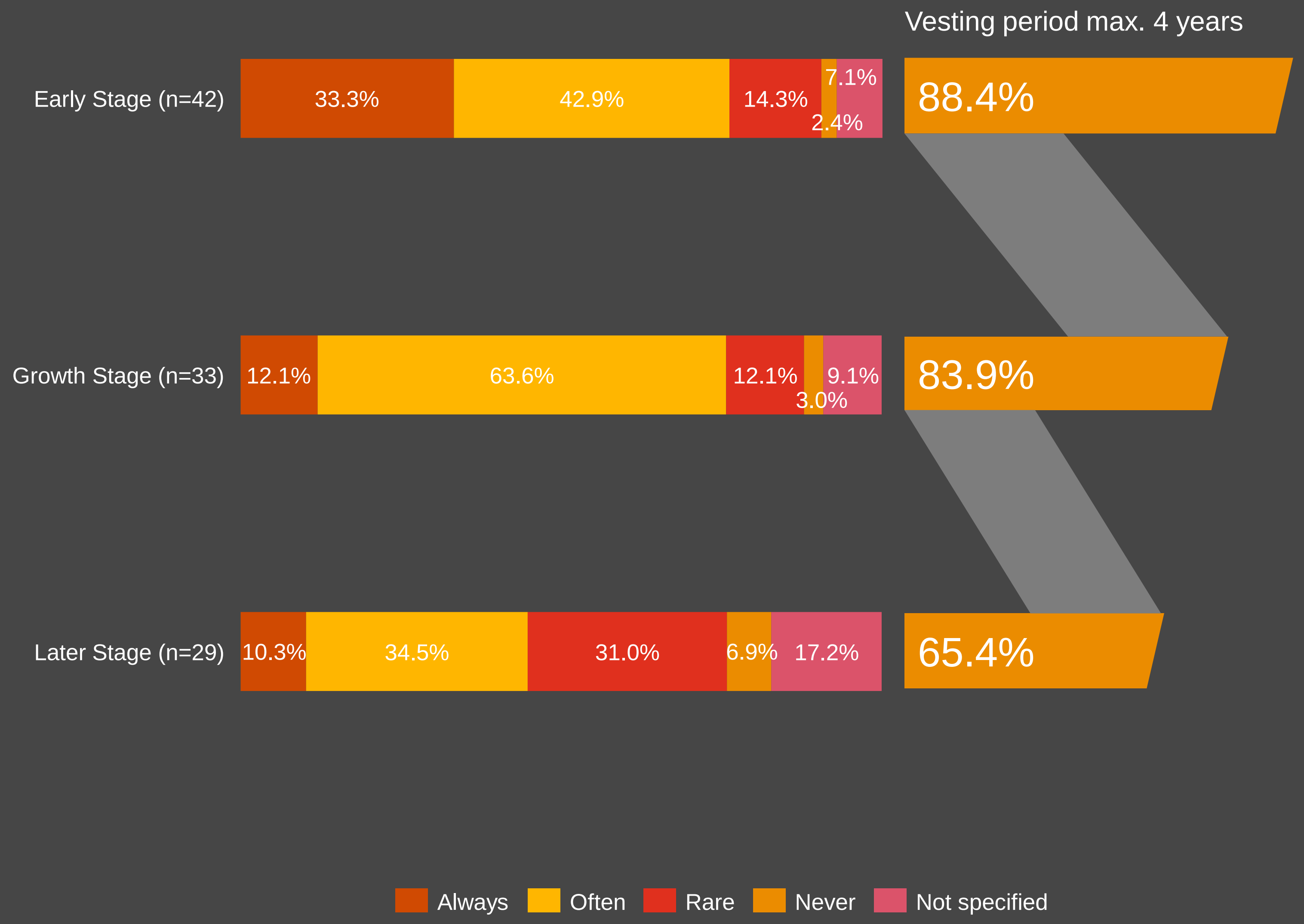


# Legal terms

## 32

While vesting for founders is agreed in more than 4/5 of cases in the Early Stage phase, the usage decreases to less than 50% in the Later Stage. The vesting period also shortens substantially from Early Stage to Later Stage.

How often do you agree on vesting clauses against founders?

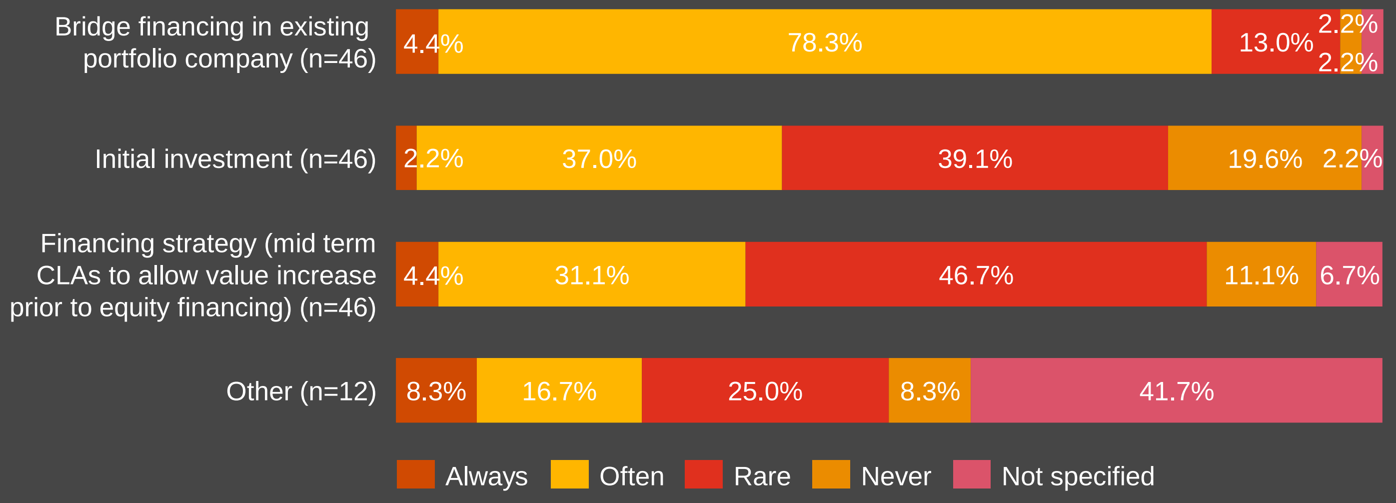


# Legal terms

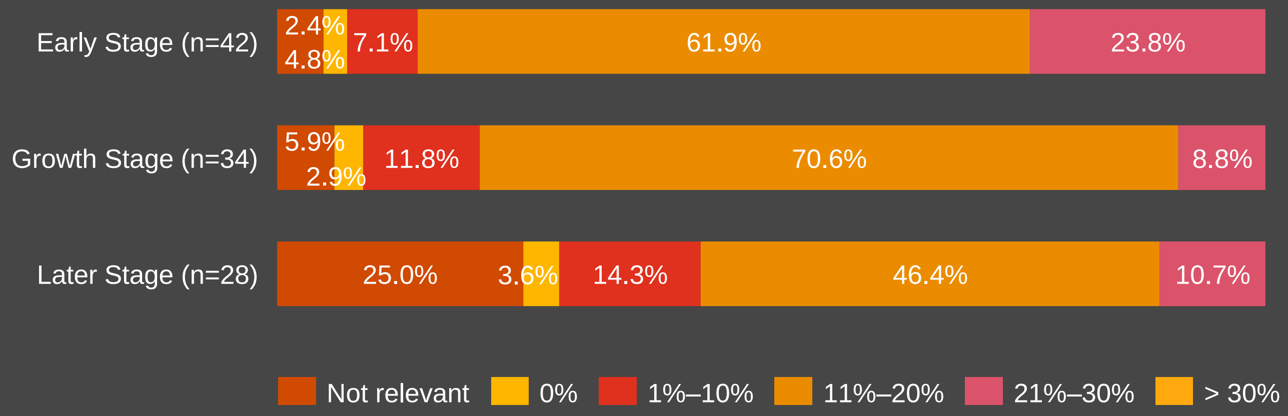
## 33

In most of the cases investors use convertible loans for bridge financing in existing portfolio companies. A discount in conversions between 11%–20% is predominant.

In which financing situation do you invest in portfolio companies by convertible loans?




Which discount (conversion in future equity financing round) do you usually agree on in convertible loans (average depending on stage)?

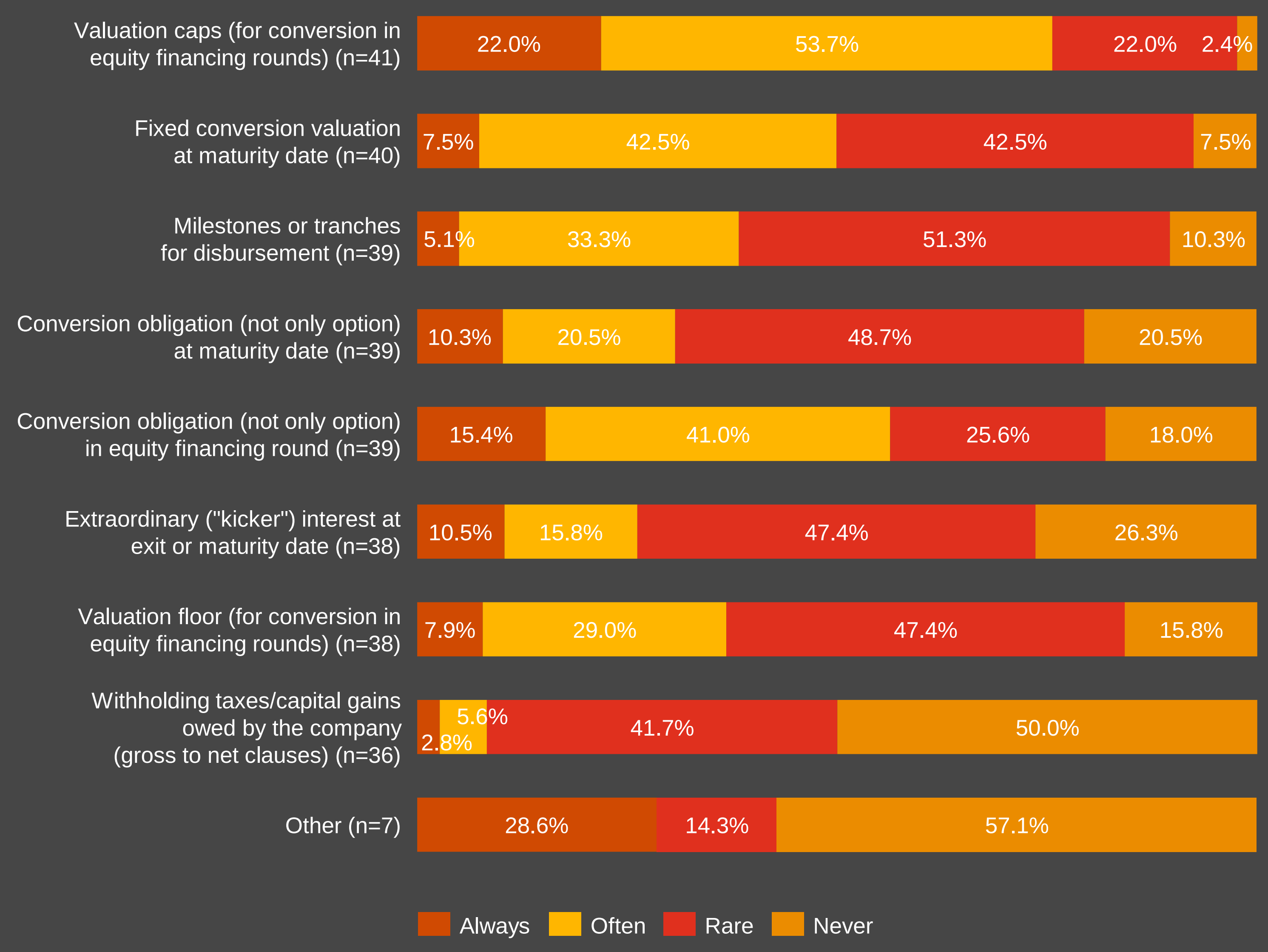


# Legal terms

## 34

Valuation caps are common in convertible loans as an additional conversion term, followed by a fixed conversion valuation at maturity date and the conversion obligation in equity financing rounds.

On which further conversion terms do you usually agree on in convertible loans?

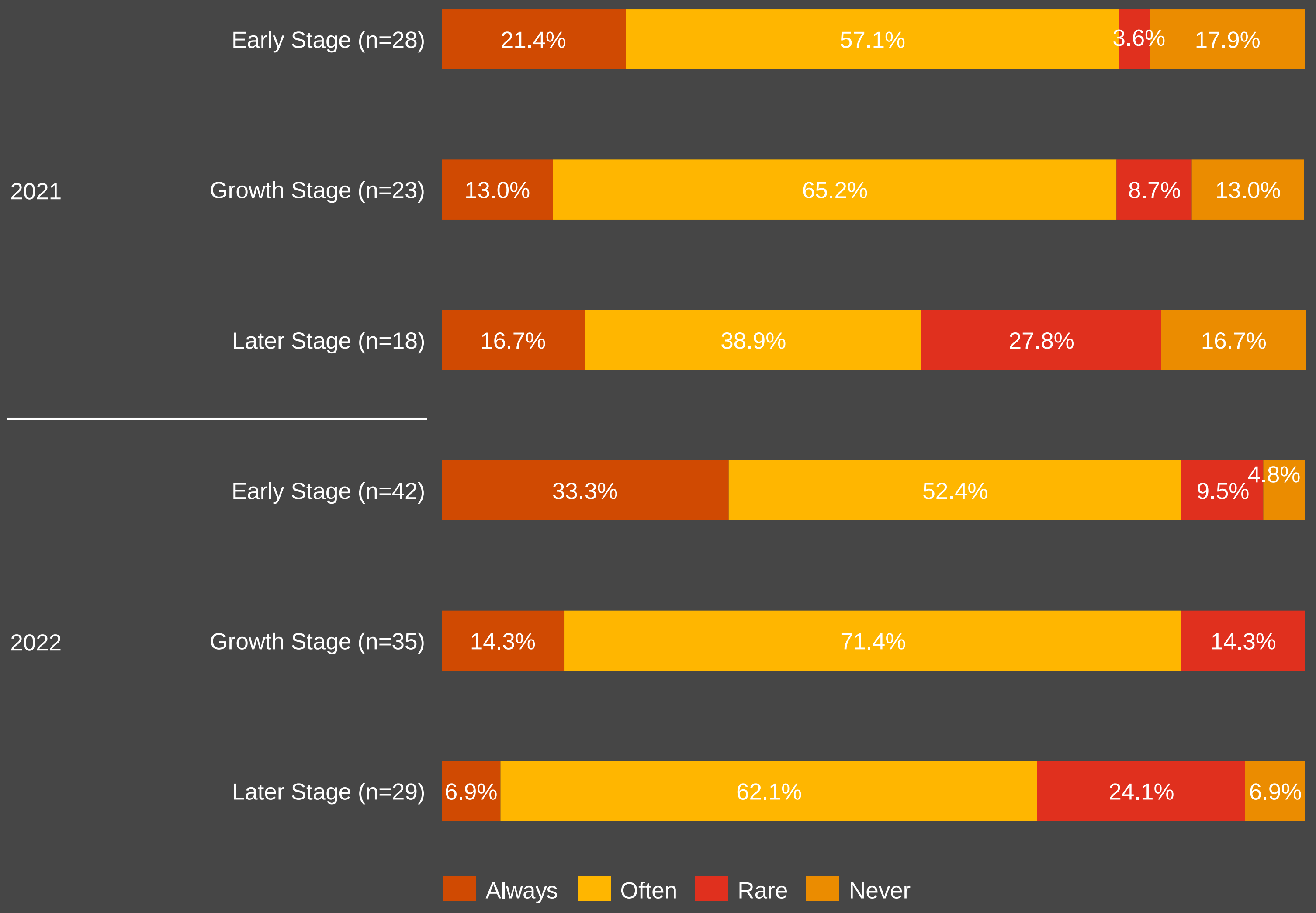


# Legal terms

35

(V)ESOP schemes have been extensively used in the past, but the frequency of application increased again in all phases this year, confirming the essentiality and the importance of (V)ESOP for the ecosystem.

Do you (usually) expect the implementation of new (V)ESOP pools or the set up of an existing (V)ESOP pool in an initial investment in a portfolio company?



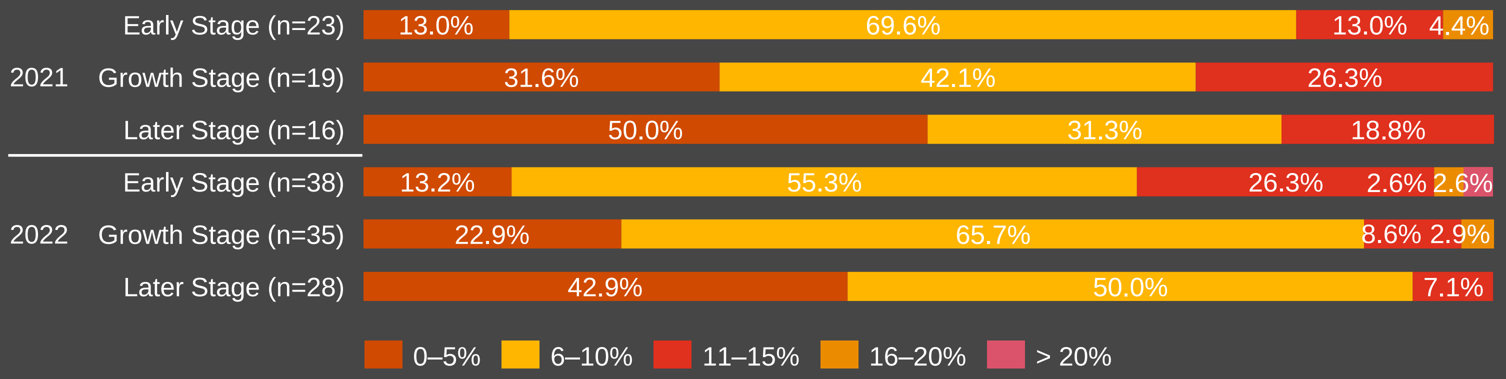
# Legal terms

## 36

In the Early Stage, investors predominantly strive for (V)ESOP pool sizes of 6%–10%. This decreases to 0%–5% in the Later Stage. A trend is registered to larger pool sizes in the Early Stage compared to last year's study.

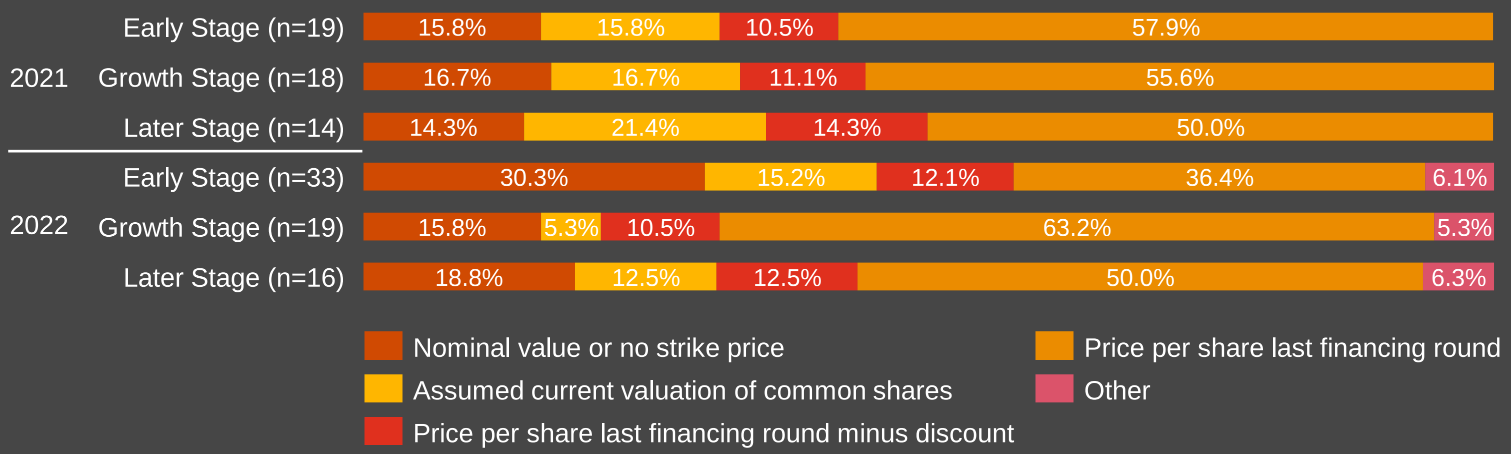
In the Early Stage, the latest round price is most frequently used as a strike price, followed by the nominal value.

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




*ESOP: Employee Stock Option Plans

Are you expecting strike prices to be agreed on in the issuance of (V)ESOP and if so, what should the strike prices be based on?



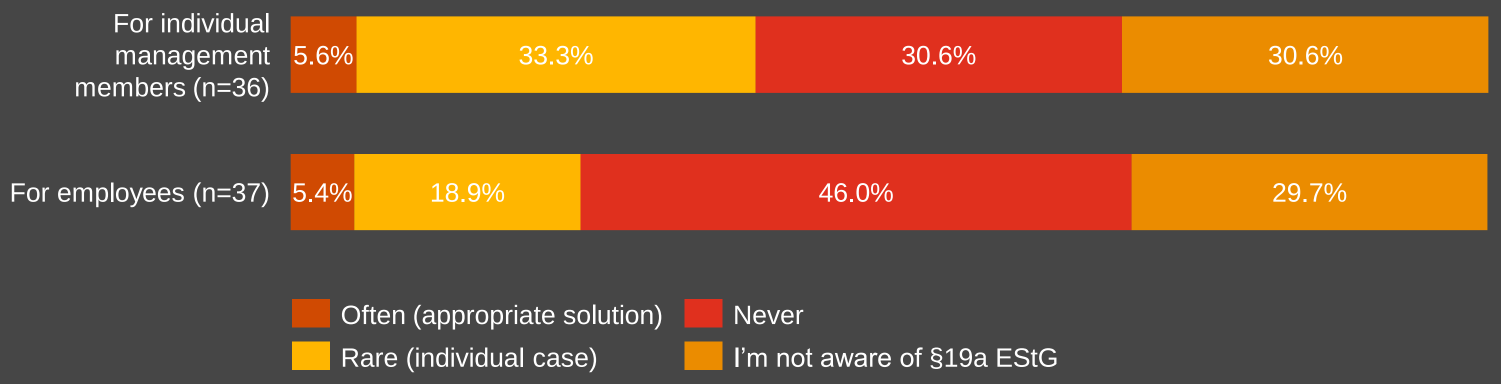

*The answers „not relevant“ are not shown in this analysis.

# Legal terms

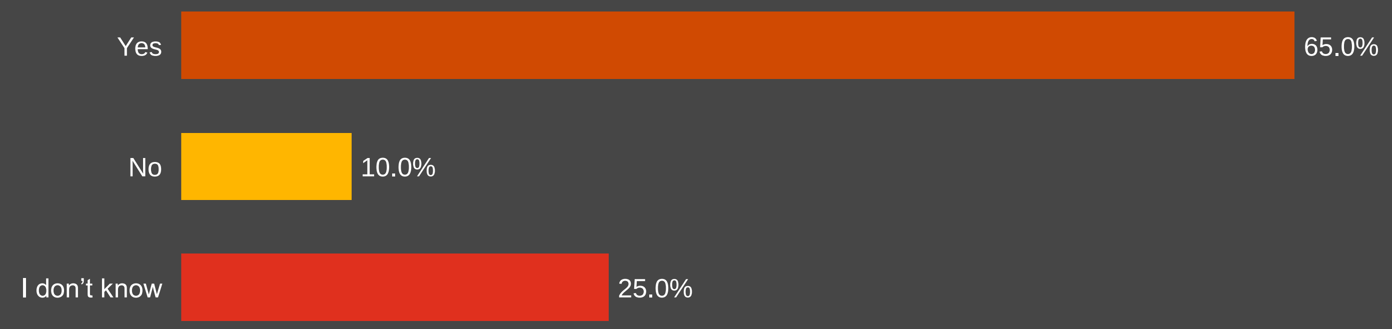
## 37

The vast majority of participants consider improvements in the taxation of (V)ESOP schemes in Germany necessary to avoid disadvantages to other countries in recruiting the best talents. The changes in §19a EStG are very seldomly applied or even unknown to the marked participants.

Did you or your German portfolio companies agree on non-virtual incentive schemes (e.g. by issuance of real shareholdings in the portfolio companies to beneficiaries) based on §19a EStG (tax deferral regulation on wage taxes)?




Does the tax regulation of (V)ESOP for management and employees in Germany in comparison to other countries create a disadvantage in recruiting the best talents? (n=40)

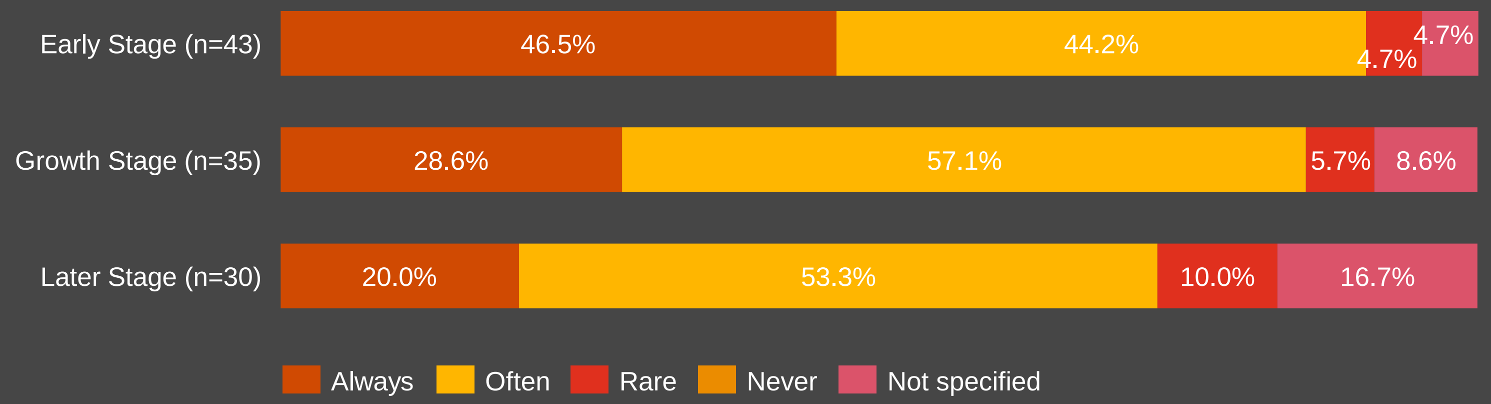


# Legal terms

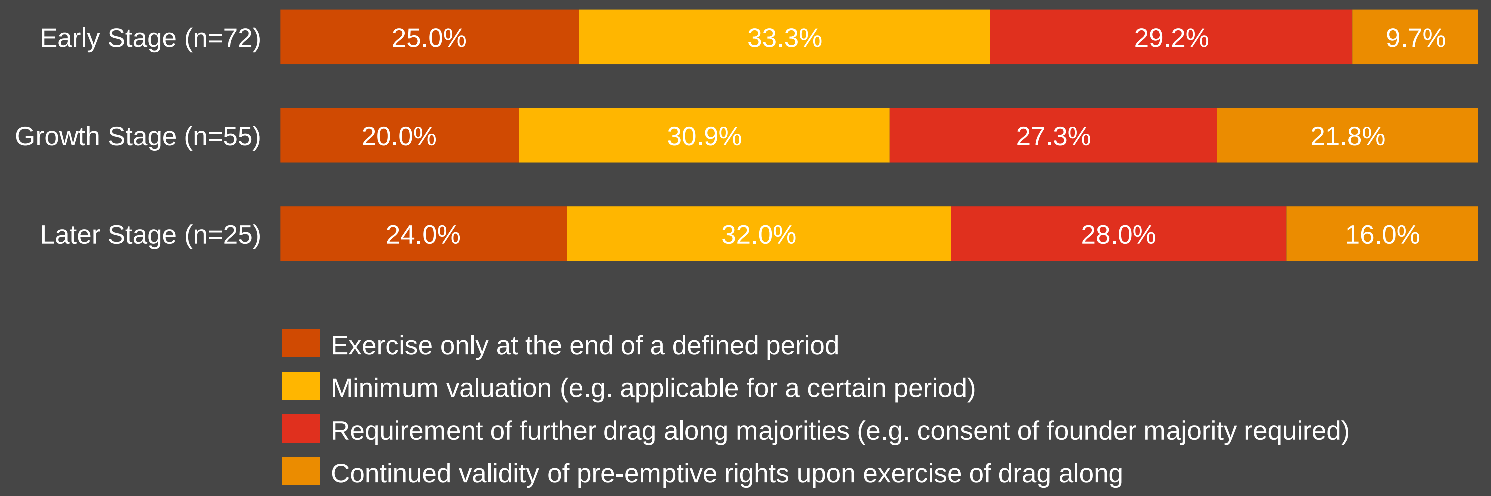
## 38.1

Drag along rights are requested by most of the investors, slightly decreasing in the Later Stage. However, limitations of the drag along by minimum valuations, majority requirements or time thresholds are often accepted.

Do you usually agree on drag along rights in favor of your venture capital company (as the case may be, to be exercised together with co-Investors)?




Which drag along terms do you accept in respect to drag along clauses in favor of your own venture capital company (as the case may be, to be exercised together with co-Investors)?

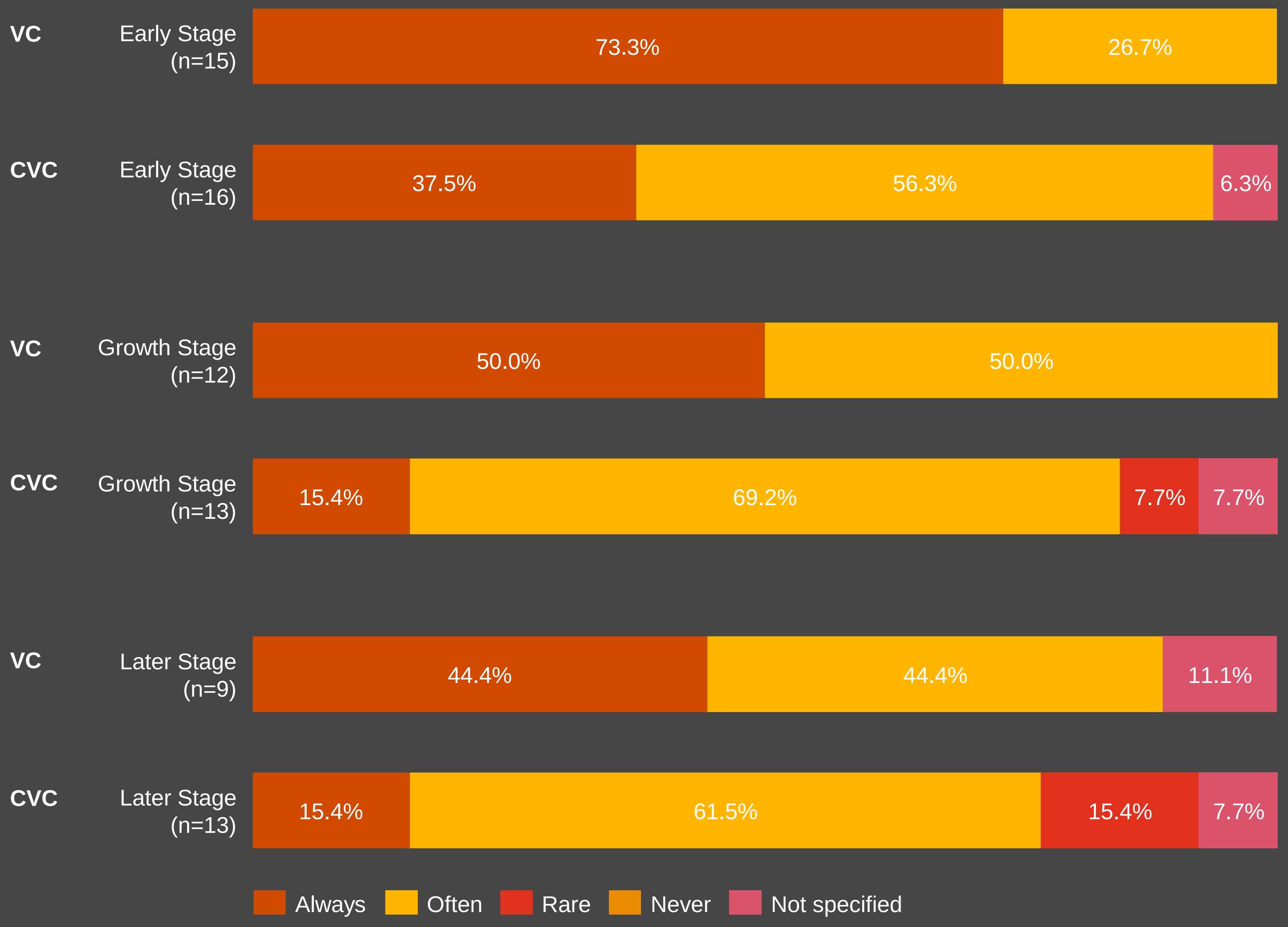


# Legal terms

## 38.2

Institutional VCs and CVCs request for drag along rights to a similar extent.

Do you usually agree on drag along rights in favor of your venture capital company (as the case may be, to be exercised together with co-investors)?

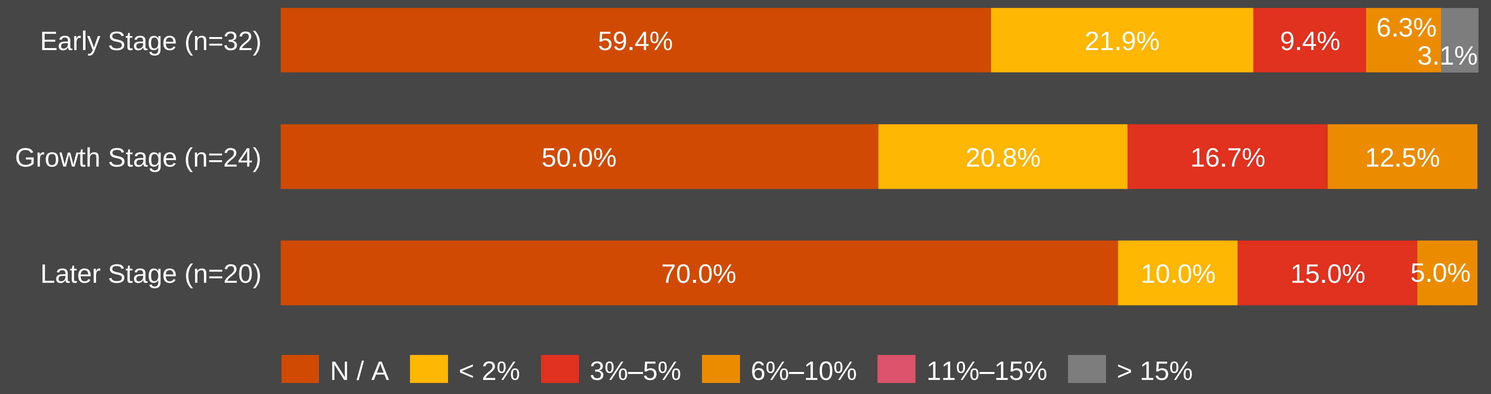


# Legal terms

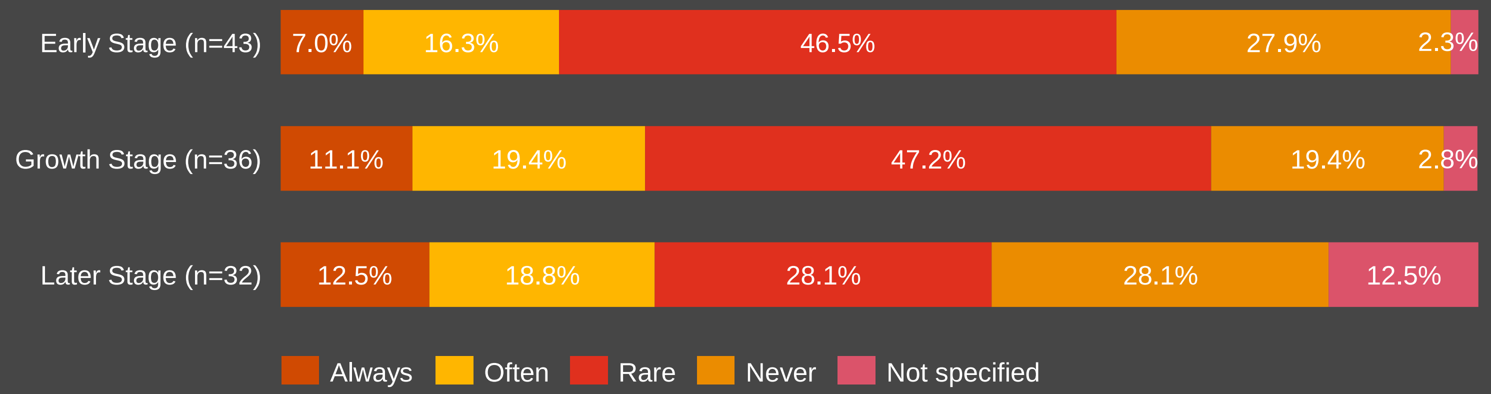
39

Exceptions from founders lock-up are still limited and not market standard. Even if an exception is accepted, it is limited to a percentage below 5% of the total shares of the company in most cases. Less than one third of the investors are prepared to acquire shares in a secondary (e.g. from founders).

Do you agree on a certain portion of founder shares to be excepted from the lock-up in your initial investment in a portfolio company (e.g. secondary entitlement of founders; in % of the total shares of the portfolio company)?




Is your venture capital company prepared to acquire existing shares in a portfolio company (e.g. of founders) in a secondary trade?



# E

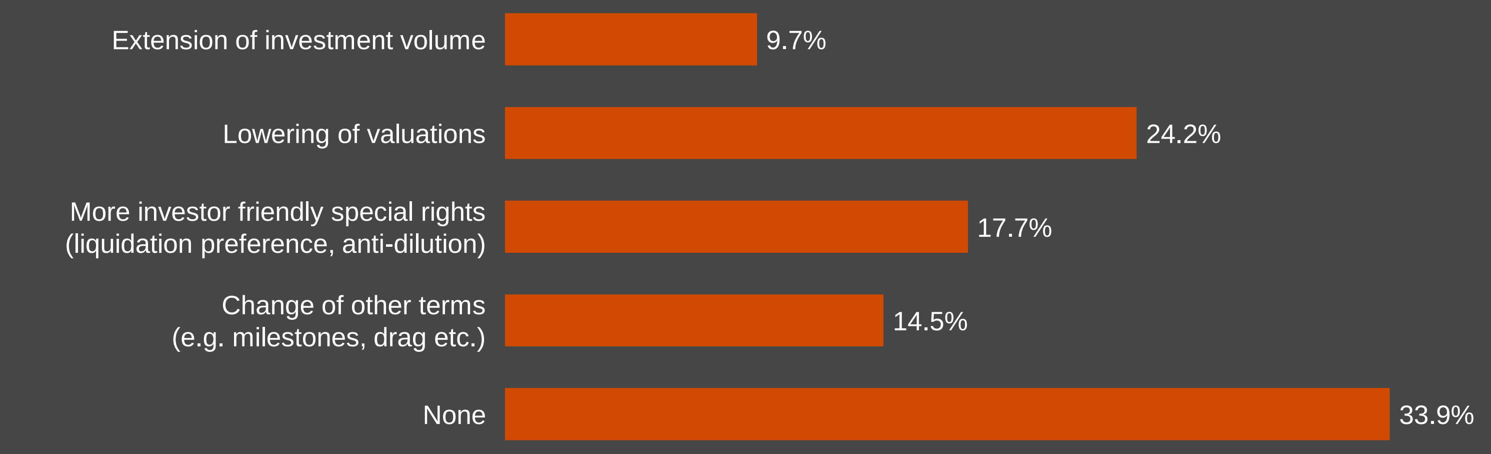
## Additional questions – Geopolitical uncertainties

# Additional questions–Geopolitical uncertainties

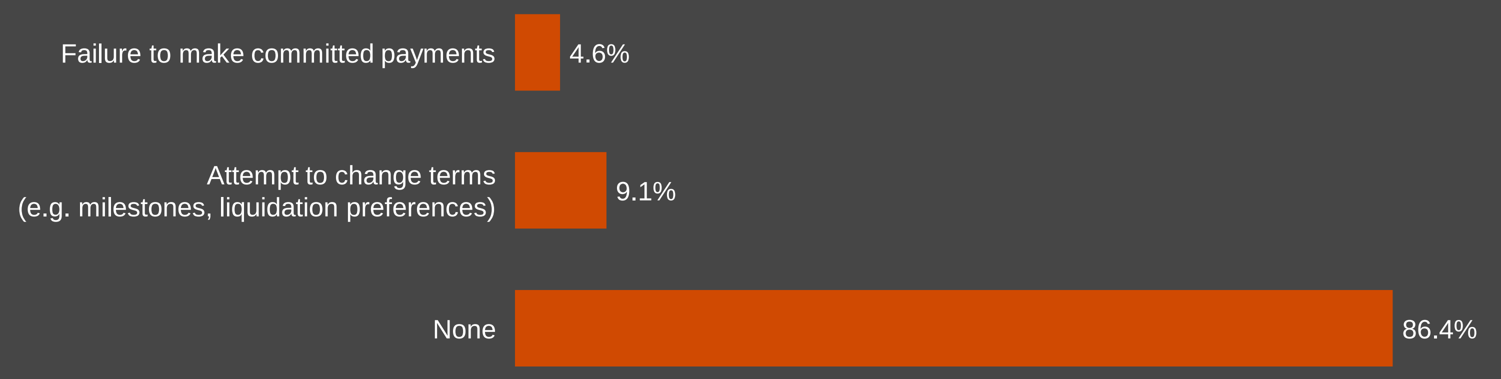
40

Due to the geopolitical uncertainties, valuations decreased in 34% of the underlying deals following the increasing trend of more investor-friendly term sheets. However, in 34% of the cases of the cases, the macro-economic situation has not affected deals signed before February 2022.

What impact does the current geopolitical uncertainty have on deals you signed (but did not close) before February 2022? (n=44)




What impact does the current geopolitical uncertainty have on deals you closed before February 2022? (n=43)



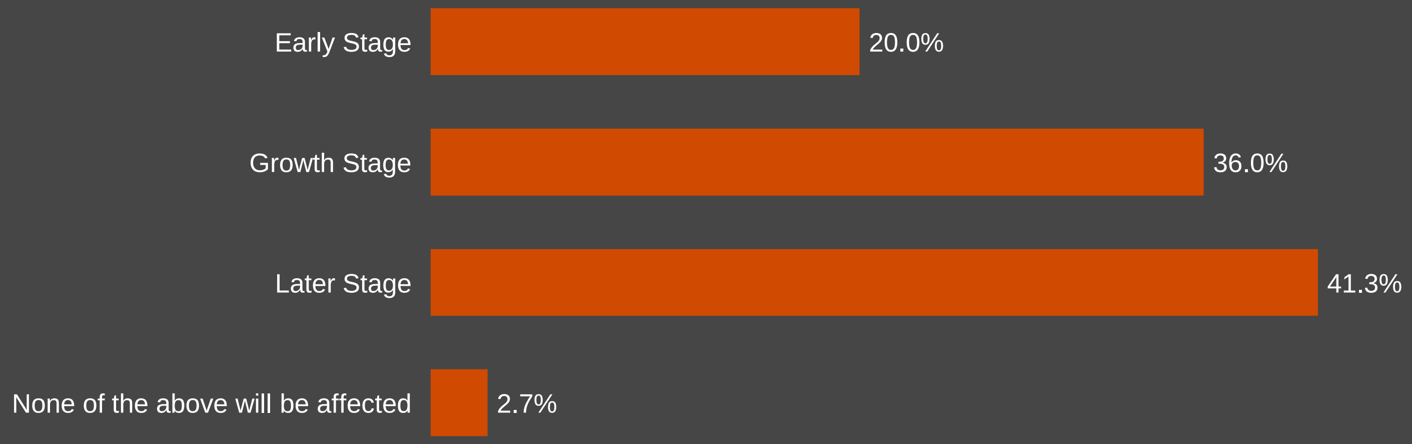

*Other: E.g. Russian investors are excluded

# Additional questions–Geopolitical uncertainties

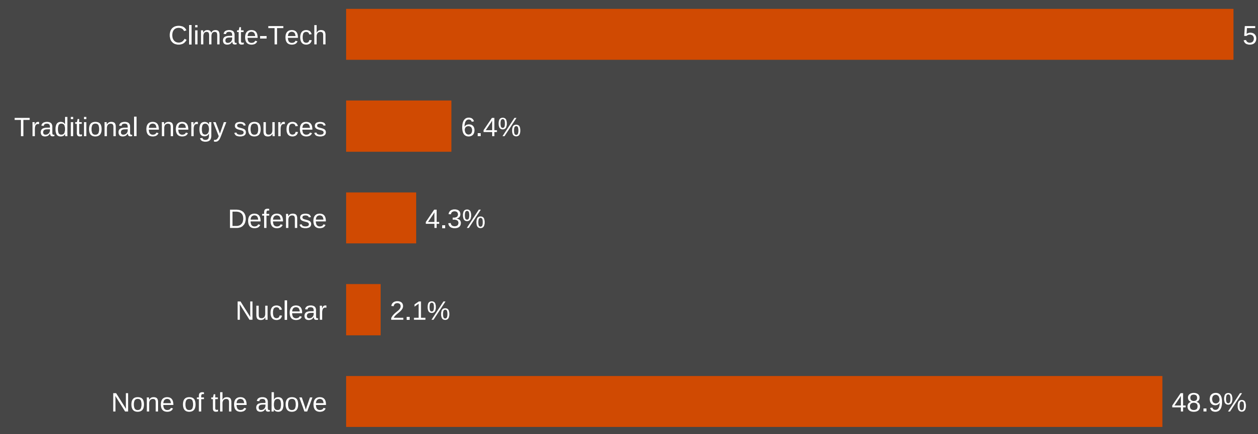
41

The current geopolitical uncertainties especially affect Later Stage investments with a decreasing effect towards Early Stage deals. The crisis has led to stronger focus on decarbonization solutions which results in a higher number of investors focusing on Climate-Tech companies than before.

Which of the start-up phases do you expect to be most affected by the current geopolitical uncertainty in terms of valuation? (n=44)




Are the following industries recent or of greater than before interest to you, due to the current geopolitical uncertainty? (n=47)

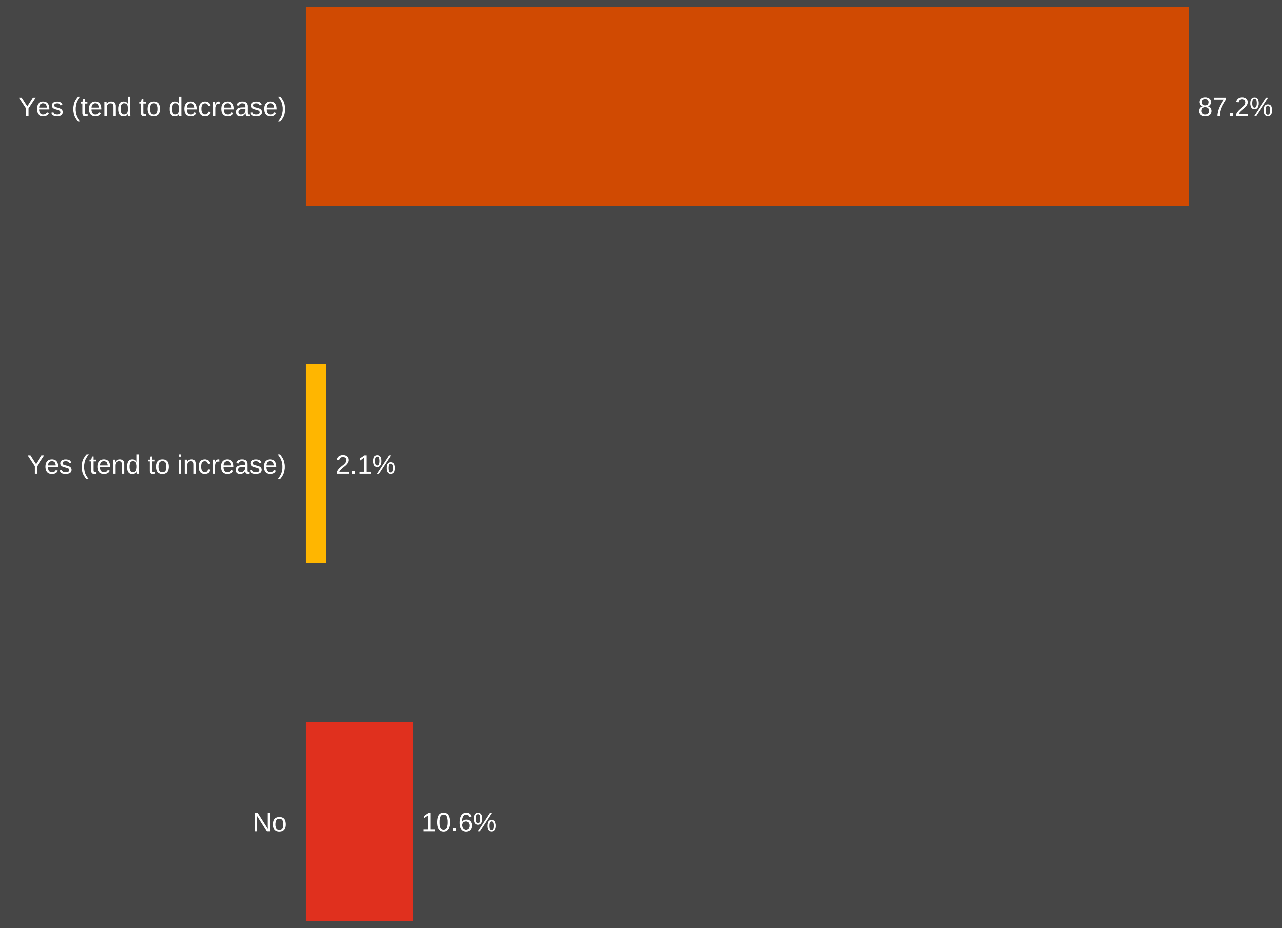


# Additional questions– Geopolitical uncertainties

## 42

More than 85% of the participants expect lower deal valuations due to the current geopolitical uncertainties.

Do you expect the current geopolitical uncertainty to have an impact on the valuation? (n=48)

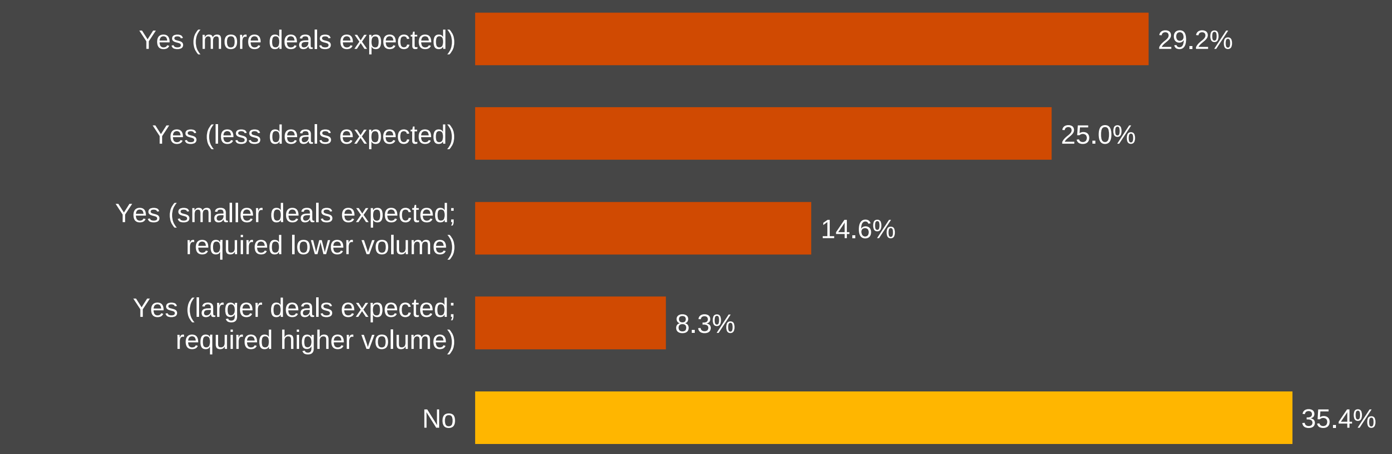


# Additional questions–Geopolitical uncertainties

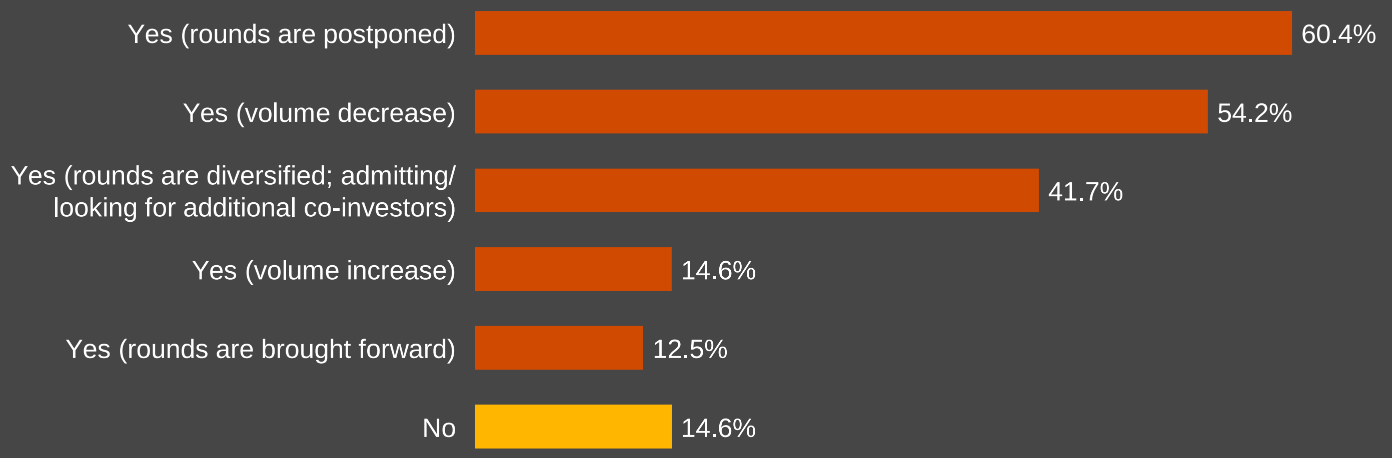
43

On average, the deal flow is not affected by the current geopolitical uncertainties. However, more than half of the respondents expect financing rounds to be postponed and investment volumes to be lowered.

Do you expect the current geopolitical uncertainty to have an impact on the deal flow received? (n=54)




Do you expect the current geopolitical uncertainty to have an impact on the completion of further financing rounds in the existing portfolio? (n=48)



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# References

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