



# Growth Equity Update

February 2024 – Edition 23

- **European venture capital raises strong in January:** January 2024 got off to a strong start with the value of European venture capital raises reaching c\$4.3bn
- **Up 125% yoy:** It was the highest European monthly total since the \$6.3bn of September 2023 and, prior to that, the \$5.1bn of June 2022. It was up 125% on the \$1.9bn raised in January 2023
- **Markets have had a good start to the year:** Ytd to mid-February both the NASDAQ Composite and the tech focused NASDAQ 100 are up 7%, the S&P 500 is up 5.5%, STOXX 600 Europe is up 2.5% ytd and the FTSE 100 is flat
- **Encouraging signs in the return of IPOs:** There have been four sizeable US IPOs ytd of which three are trading up on their placing price. Europe has had three IPOs all of which are trading up
- **Venture Capital in France:** This edition has a deep dive into the French venture market. €8.5bn was raised for French VC backed companies in 2023. There were fifteen VC deals of \$100m+ raising \$1.75bn led by deals in ClimateTech and AI. French VC funds raised in 2023 were €3.2bn, ahead of 2022's level of €3bn. Exits from French VC funds were €5.3bn in 2023, half the level of 2021, but only marginally lower than the €5.4bn of 2022
- **US companies bigger users of equity to incentivise staff:** Ledyg's 'State of Equity and Ownership 2024' survey finds that US companies are more active users of equity to incentivise staff. It also concludes that 22% of European funding rounds saw a valuation cut in 2023 against 9% in the US.

## Off to a decent start

***Despite inflation disappointments having shifted back expectations for the timing of interest rate cuts, global markets have started 2024 in robust fashion. IPOs are back on the scene and January was a strong month for venture companies raising capital in Europe.***

After a strong close to 2023 and, despite caution from market observers at the beginning of the year, markets have continued their upwards momentum into 2024 with performances ranging from the NASDAQ Composite and NASDAQ 100 up 7% to the FTSE 100 flat ytd. The Refinitiv Venture Capital Index, which seeks to monitor the real time performance of the venture capital industry and whose performance is partly driven by the moves in public markets, and particularly tech heavy indices like NASDAQ is up 15% ytd. It closed 2023 up 56%.

The performance year to date has come despite a check to the ‘irrational exuberance’ of market participants that interest rate cuts might come as early as March. Notably the December inflation numbers in each of the US, EU and the UK rose over November, breaking in each case a consistent downtrend in the preceding months. This was enough to have some commentators advise against the market’s hopes of early rate cuts. Quoted on Bloomberg Business, the chief economist at Santander Stephen Stanley, commented of the Fed’s approach,

*“Powell was very clear. The data seen over the past six months on core inflation (core PCE deflator running at a 1.9% annualized rate) is exactly what the Fed is hoping to see, but policymakers simply need to see more. The passage of time and continued benign readings are necessary to move the Fed to begin to cut rates. I can confidently forecast that time will pass, but, I doubt that the inflation data will be as good over the next six months as it was in the last six, which is why I believe that easing will come later than the market is currently pricing.”*

And so it came to pass. **US inflation** in January (reported on February 13) slowed by less than expected coming in at 3.1%, better than the 3.4% of December but worse than market expectations of 2.9%. Core inflation, ex food and energy, was flat month on month at 3.9%. More encouragingly the PCE (core personal consumption expenditure index), which is the Fed’s most closely followed index, rose 2.9% in December (reported January 26) , down from 3.2% in November. This was the first time that it had come in below 3% since 2021.

The chairman of the Fed, Jay Powell has reiterated that the Fed expects to make three rate cuts in 2024, heading off hopes in some quarters that it might conduct up to six rate cuts in the year. His tone remains measured,

*“The broader situation is that the economy is strong, the labour market is strong, and inflation is coming down. My colleagues and I are trying to pick the right point at which to begin to dial back our restrictive policy stance. That time is coming.”*

The current level of rates is at 5.25%-5.5%, a 23 year high. The next Fed meeting is due on March 19-20<sup>th</sup>. The market now has a close to zero expectation of a rate cut at this meeting while the futures market is implying that the likelihood of a May rate cut has dropped from 50% to 30%.

The ECB held rates unchanged at 4% for the second successive time at its December meeting while commenting that interest rates would be kept at ‘sufficiently restrictive levels for as long as necessary’ in pursuit of the 2% inflation target.

The **Eurozone** January inflation figure was 2.8%, falling modestly from the 2.9% registered in December but still ahead of the 2.4% of November. Services inflation rose at 4% for the third month in a row and core inflation ( ex-energy and food) was at 3.3%, down from 3.4% in December but ahead of forecasts of 3.2%. The overall impact was thus modestly disappointing relative to immediate expectations.

In mid-January the European Commission published its Winter 2024 Economic Forecasts entitled ‘A delayed rebound in growth against faster easing of inflation’.

Its theme was that the EU economy has entered 2024 on a weaker footing than expected. The European Commission's Winter Interim Forecast revised the 2023 Euro area GDP growth outcome down to 0.5% in 2023 from the 0.6% projected in the Autumn Forecast. It revised its 2024 EU GDP growth forecast down from 1.2% to 0.8% and 2025 from 1.6% to 1.5%.

On a more positive note the EU expects inflation to slow faster than previously expected in 2024. Inflation in the Euro area is now expected to fall from 5.4% in 2023 to 2.7% in 2024 (was 3.2% ) and to be 2.2% in 2025 (unchanged).

### European Commission – The Winter 2024 Interim Forecast – Inflation forecasts lower but GDP growth down.

	Real GDP Growth			Real GDP Growth			Inflation				Inflation		
	Winter 2024	Interim	Forecast	Autumn 2024	Interim	Forecast	Winter 2024	Interim	Forecast	Autumn 2024	Interim	Forecast	
	2023	2024	2025	2023	2024	2025	2023	2024	2025	2023	2024	2025	
Euro Area	0.5	0.8	1.5	0.6	1.2	1.6	5.4	2.7	2.2	5.6	3.2	2.2	
EU	0.5	0.9	1.7	0.6	1.3	1.7	6.3	3	2.5	6.5	3.5	2.4	

Source: EU Economic forecast – Winter 2024

Once again the ECB discouraged hopes of early rate cuts. The market has been pencilling in a rate cut as early as April. ECB president Christine Lagarde commented that the ECB would need to be confident that inflation is on track to reach 2% before making cuts (the 2025 inflation forecast is still at 2.2%). She said,

*“It will take data, it will take more time . . . The last thing I want to see is making a hasty decision to see inflation rise again and have to take more measures.”*

Earlier Christine Lagarde had commented that market expectations for an ECB rate cut in the spring were ‘not helping’ the fight against inflation, suggesting instead that the data required to justify a rate cut would not be ready until ‘late spring’.

The one area of relative positive news on inflation has come in the **UK**. The December inflation rate had risen for the first time in 10 months reaching 4% compared with 3.9% in November. The January figure remained at 4%, better than analysts’ forecasts of 4.2%. Services inflation was also less than expected, albeit it edged up to 6.5% from 6.4%. Core inflation (ex-energy and food) was unchanged at 5.1%.

The Bank of England’s February Monetary Policy Report notes that inflation is expected to fall to the target 2% during Q2 2024, largely due to falls in energy prices yoy, before climbing back to c2.75% by the end of 2024 and averaging c2.3% in the following two years.

**CPI inflation is projected to fall temporarily to the 2% target in 2024 Q2 before increasing again in Q3 and Q4.** This profile of inflation over the second half of the year is accounted for by developments in the direct energy price contribution to 12-month inflation, which becomes less negative. In the MPC’s latest most likely, or modal, projection conditioned on the lower market-implied path for Bank Rate, CPI inflation is around 2¾% by the end of this year. It then remains above target over nearly all of the remainder of the forecast period. This reflects the persistence of domestic inflationary pressures, despite an increasing degree of slack in the economy. CPI inflation is projected to be 2.3% in two years’ time and 1.9% in three years.

<https://www.bankofengland.co.uk/monetary-policy-report/2024/february-2024#vs-2>

This market is now more optimistic on UK rate cuts. It has a c65% expectation of an initial UK rate cut in June 2024. There are growing expectations of three rather than two rate cuts by the end of 2024.

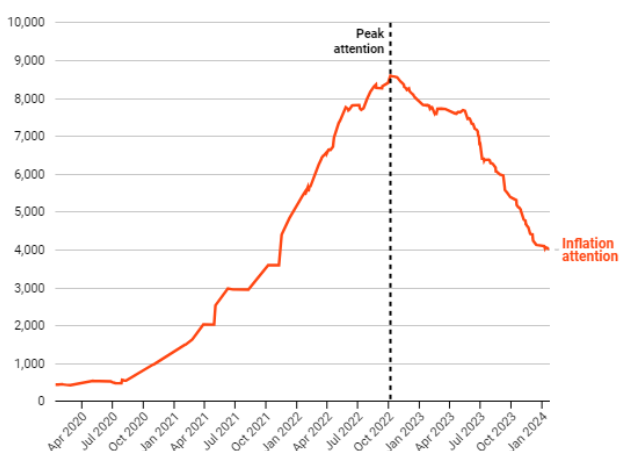
**Where does all this leave us?** Blackrock’s systematic team (‘combining the power of big data, data science, and deep human expertise to modernize the way we invest’) recently posed the question:

*“For equity investors, the pace of disinflation and strength of the recent equity market rally raises the question of whether all the potential “good news” on the economy is already reflected in market pricing.”*

Their conclusion was:

*“We find that close to none of the cross-sectional price action that took place during the abnormally high inflation period has since reversed—even with peak price pressures far behind us and substantial progress on inflation normalization.”*

**This suggests that markets may be behind in pricing the magnitude of recent declines in inflation and presents an opportunity to generate alpha in the cross-section of markets as pricing dynamics reverse.**



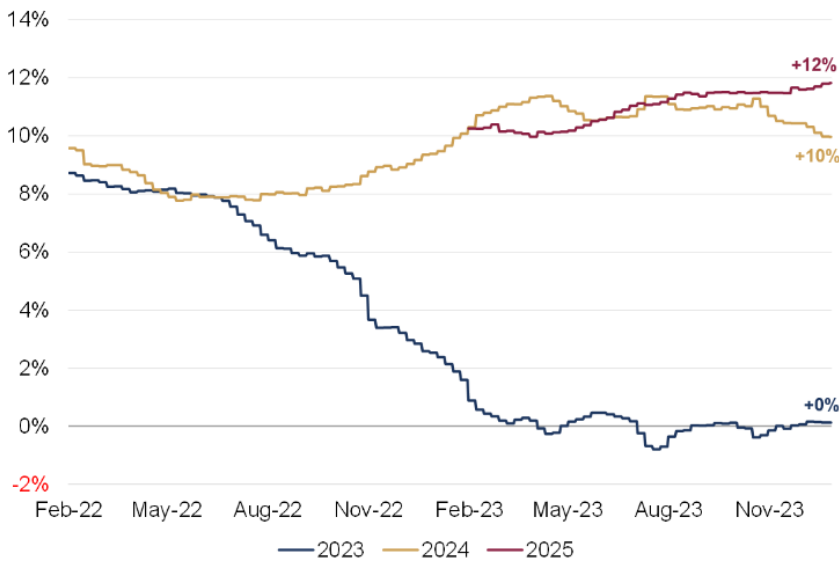
Source: BlackRock Systematic, Dow Jones News, January 2024



Source: BlackRock Systematic, January 2024

Meanwhile corporate earnings are holding up. Earnings estimates for 2024 and 2025 have been holding steady in recent months and indicate low double digit growth in both 2024 and 2025.

**Evolution of global earnings estimates by calendar year**  
(Earnings per share growth,%)



Source: Rothschild & Co, Datastream, I/B/E/S

**IPOs in 2024:** The state of the exit market remains of great interest to venture capital funds and private equity after a very muted year for both M&A and IPO exits in 2023. The positive start to equity markets in 2024 after a strong 2023 has already led to a largely unanticipated flurry of IPOs in the US and Europe.

**In Europe there have been three IPOs to date in 2024.** All three were in early February, two of the three closed up on the first day (the other was down 1%) and all are now healthily ahead of their placing prices.

**There have been four US IPOs of notable size ytd in 2024,** the largest of which raised \$1.36bn. Three of the four closed the first day at a premium and have remained at a premium. The laggard was the first of the year, which closed on its first day at a 15% discount to the placing price and has remained at around that level.

The record of the recent large US IPOs from September/October 2023 has improved. Only Instacart remains at below its placing price, down 11%. Klaviyo is flat against its placing price. Birkenstock after a disappointing debut is now up 7% since IPO. Arm Holdings has captured the AI wave and is 152% higher than its placing price.







**Price performance of the ‘Big Four’ US Autumn 2023 IPOs**

	Symbol	Offer date	Shares (m)	Offer price \$	Amount sold (\$m)	First day Close \$	Change %	Price Jan 17 \$	Change %	Price Feb16 \$	Change %
Arm Holdings	ARM	14-Sep-23	95.5	51	4871	63.6	24.7	68.5	34.3	128.3	152
Instacart	CART	19-Sep-23	22	30	660	33.7	12.3	23.9	-20.3	26.7	-11
Klaviyo	KVYO	20-Sep-23	19.2	30	576	32.7	9.0	25.9	-13.8	29.9	0
Birkenstock	BIRK	11-Oct-23	32.3	46	1486	40.2	-12.6	49.4	7.5	49.3	7

Source: Rothschild & Co

It is clear that there is a substantial backlog of companies waiting to IPO. While there may still be issues to thrash out over valuation expectations the market is clearly offering a window to companies to move ahead with IPO plans. Should private companies float at a discount to previous valuations? As Jamie Dimon the CEO of the world’s largest bank has observed “My advice to a company, if you can go public, you want to go public, you need to go public, don’t wait too long.”

Rothschild & Co strategist Kevin Gardiner summarises the current key drivers of the market in this graphic:

	<b>GROWTH</b> <i>Neutral</i>	<b>Economic resilience continues</b> The two biggest economies – the US and China – grew briskly last year, and this momentum continued into 2024. The soft business surveys appear to be stabilising – even in Europe. We are still not out of the cyclical woods: monetary policy may not have had its full impact yet, and energy prices might spike anew (see below). However, with real wages currently growing again on both sides of the Atlantic, we continue to think that a major downturn is neither necessary nor likely
	<b>INFLATION</b> <i>Positive</i>	<b>Disinflation becomes more visible</b> It looks increasingly as if the corner has been turned on headline and even core inflation across the major economies – central bank targets are moving into focus. Importantly, nominal wage growth remains restrained – perhaps because pay is rebounding in real terms, as noted – and energy prices remain far below 2022's highs. Wage settlements struck today may reflect inflation from a year ago: wage growth may be a consequence – and not yet a cause – of inflation
	<b>POLICY</b> <i>Neutral</i>	<b>Interest rates: easing in 2024?</b> Central banks belatedly realised that their credibility was at stake, and eventually acted decisively to raise nominal interest rates in 2022 and 2023. Inflation has since fallen meaningfully on both sides of the Atlantic, and the tightening cycle seems to have concluded. However, central banks remain vigilant – the recent shifts lower in interest rate expectations look a little overdone – but modest rate cuts this year seem plausible to us
	<b>GEOPOLITICS</b> <i>Negative</i>	<b>Geopolitical risk intensifies</b> The grim events in the Middle East have suddenly rekindled global tensions, even as the trauma in Ukraine seemed to be contained. Amidst the emotion it is easy to imagine the worst, but as yet, safe haven assets and currencies, and – importantly – oil prices, have not moved outside recent ranges. China-US tensions still matter most, and the temperature around Taiwan remains cool – even after the election in the latter. Of course, election cycles loom in the US and UK – the political noise in 2024 will become louder
	<b>VALUATIONS</b> <i>Neutral</i>	<b>Valuations remain balanced</b> Global stocks are close to all-time highs, but valuations are still inexpensive and earnings expectations continue to stabilise around the prospect of resumed growth in 2024. Despite the big year-end rally in bond markets – and the loss of valuation headroom – real yields are still mostly positive. Bonds offer more credible diversification than for many years
	<b>CANARIES / RISKS</b> <i>Neutral</i>	<b>Low volatility may not last</b> Banking risk faded quickly after March's drama, but the risk of financial accidents surely remains elevated after such a sharp normalisation of interest rates. Economies are not out of the cyclical woods just yet. But traded options are not especially expensive, even though the free 'Fed put' has been withdrawn, and bonds increasingly offer more cost-effective diversification, as noted. We remain unconvinced that cryptocurrencies – despite their revival in 2023 – offer anything here

Source: Rothschild & Co

## And what about venture capital raises?

### A decent start in Europe in January – up 125% by value on January 2023

**European venture capital raises in January:** January 2024 got off to a strong start in terms of the value of venture capital raises with the total raised in the month reaching c\$4.3bn.

**Scale:** It is the highest monthly total since the \$6.3bn of September 2023 and, prior to that, the \$5.1bn of June 2022. It was 125% higher than the \$1.9bn raised in January 2023.

**Large raises:** The thirteen \$100m plus raises in Europe in January compares with 12 in September 2023, one in October, 11 in November and eight in December. June 2022 (14) was the last time there were this many \$100m raises in a month in Europe.

**Volume:** There were 48 raises in Europe of over \$20m in January – again the highest since September 2023 (50) and before that October 2022 (52).

**Diversity** – 16 different industry categories were represented in the top 30 raises.

**Notable deals** included:

The largest raise in the month was \$570m for **Travelport**, a retailing platform for travel agencies. Its existing equity holders and lenders invested, led by Elliott Investment Management. **Picnic**, an Amsterdam based online grocery business with an eco-twist (it delivers using electric trolleys) raised \$389m. It operates in the Netherlands, France and Germany. Sales (presumably GMV) were €1.25bn in 2023. The Bill & Melinda Gates Foundation and Dutch supermarket, Edeka, led the round.

French EV charging business **Electra**, where R&Co advised the lead investor PGGM, raised \$335m. Another clean energy deal saw a \$330m equity raise from **H2 Green Steel** which also involved the company raising \$3.9bn in additional debt.

**Aira**, the Swedish 'Spotify of heat pumps' raised a \$160m Series B led by Altor, Kinnevik and Temasek. Also in Sweden, **Visit Group**, the travel software business received a \$110m investment from PSG Travel.

In Germany **Ineratec**, an eFuels business raised \$129m while **FINN**, the German car subscription business, raised \$110m. **Everphone**, a German platform for corporate smartphone and tablet management raised a total of \$297m in equity and debt.

**D-Orbit**, an Italian satellite vehicle which deposits satellites into their orbital positions raised \$110m. **IX**, the Norwegian robotics business raised \$100m. **Build a Rocket Boy**, the Scottish games business raised \$110m led by Redbird Capital. **TravelPerk**, the Spanish business travel platform raised \$104m in a Series D + led by Kinnevik and Felix Capital.

**The 'AI Spring'**: The influx of money into Generative AI and the applications that use it has now been inevitably dubbed 'the AI Spring'. Four European AI led businesses raised in January.

UK company **Eleven Labs** develops natural-sounding speech synthesis and text-to-speech software using AI. It raised \$80m in a Series B led by a16z.

Germany's **Qdrant** operates in the field of vector databases. This allows users to manage and search high-dimensional data and to handle billions of vectors with efficiency and at scale, a process key to AI and machine learning applications. The company raised \$28m in a Series A led by Spark Capital.

**Robin AI**, which enables legal teams to draft contracts using a generative AI co-pilot, raised \$26m in a Series B led by Temasek.

**Nabia**, a French business that has developed an AI assistant to help doctors make clinical notes, raised \$24m in a deal led by Cathay Innovation.

### The leading European Venture Capital raises of January 2024

Country	Date	Company	Stage	Amount	Valuation	Sector	Investors	What it does
UK	Jan-24	Travelport	Funding	570		Marketplace	Elliott Investment Management, Davidson Kempner, Cai	Travelport - travel bookings for travel suppliers
Netherlands	Jan-24	Picnic	Funding	389		Online grocery	Bill & Melinda Gates, Edeka	Eco friendly online supermarket
France	Jan-24	Electra	Equity	335		ClimateTech	PGGM	EV charging stations
Sweden	Jan-24	H2 Green Steel	Equity	330	+3.9bn debt	ClimateTech	Microsoft Climate Innovation Fund, Mubea Siemens Fin	hydrogen-powered steel plant
Germany	Jan-24	Everphone	Series D	297	part debt	Telecomms	Capnor and Calista	platform for corporate smartphones and tablets,
Sweden	Jan-24	Aira	Series B	160		ClimateTech	Altor, Kinnevik and Temasek,	clean energy-tech solutions
Germany	Jan-24	Ineratec	SeriesB	129		ClimateTech	Piva Capital, Planet A Ventures, MPC,	e-Fuels made from recycled CO2 and renewable energy.
Sweden	Jan-24	Visit Group	Growth funding	110		Travel software	PSG.	collaborative commerce software to in-destination experience ve
Germany	Jan-24	FINN	Series C	110		Car subscription	Planet First Partners, HV Capital, Korelya Capital, UVC	car subscription provider
Italy	Jan-24	D-Orbit	Series C	110		Space Logistics	Marubeni Corp, Avantgarde, CDP VC, Seraphim Spac	ION Satellite Carrier vehicle
UK	Jan-24	Build A Rocket Boy	Series D	110		Games	RedBird Capital Partners, Galaxy Interactive, NetEase	( independent game developer and publisher,
Spain	Jan-24	TravelPerk	Series D+	104		Travel	Kinnevik and Felix Capital.	business travel management platform
Norway	Jan-24	1X	Series B	100		Robotics	EQT Ventures	AI humanoid robotics
Germany	Jan-24	Instagrid	Series C	95		ClimateTech	Teachers Venture Growth, MSIM, Energy Impact Partne	Portable batteries
Denmark	Jan-24	Monta	Series B	88		ClimateTech	Energize Capital, GreenPoint Partners	EV charging platform
Norway	Jan-24	Calluna Pharma	Series A	82		Biotech	Forbion,Sarsia, p53, Investinor	clinical stage therapies
UK	Jan-24	Eleven Labs	Series B	80	1100	AI Software	a16z, Nat Friedman, Daniel Gross	AI Voice Generating platform
UK	Jan-24	hyperexponential	Series B	73		Software	Battery Ventures, a16z, Highland Europe.	insurance pricing decision intelligence (PDI) software,
Netherlands	Jan-24	Vico Therapeutics	Series B	60		Biotech	Ackermans & van Haaren, Droia Ventures	clinical-stage genetic medicines for neurological diseases
Germany	Jan-24	Infinite Roots	Series B	58		Alternative protein	Dr. Hans Riegel Holding GmbH, EIC Fund, REWE Grou	fermentation and fungi for alternative proteins
UK	Jan-24	Tokamak Energy	Series C	50		ClimateTech	Legal & General Capital,	commercial fusion technology
France	Jan-24	Flowdesk	Series B	50		Fintech	Cathay Innovation ,Cathay Ledger Fund, Eurazeo	digital asset trading technology company
Switzerland	Jan-24	Timeline	Series D	49		Health Science	BOLD (Business Opportunities for L'Oréal Developme	consumer health biotech company
UK	Jan-24	Bumper	Funding	48		Fintech	Autotech Ventures, Shell Ventures, InMotion Ventures	flexible payments for car repairs
UK	Jan-24	10x Banking	Funding	44		Fintech	BlackRock and JPMorgan Chase	SaaS core bank operating system
Switzerland	Jan-24	Sygnum Bank	Funding	40	900	Crypto	Azimut Holding	Crypto banking
Israel	Jan-24	Bluewhite	Series C	39		Robotics	Alummi Ventures and LIP Ventures	agricultural Robot-as-a-Service (RaaS)
France	Jan-24	Scalix	Series A	37		Semiconductors	Bpifrance, Go Capital, Thales.	Fabless semiconductors
Germany	Jan-24	Kittl	Series B	36		Software	IVP	Graphic design software
UK	Jan-24	Vortexa	Series C	34		Data	Morgan Stanley Expansion Capital	real-time global analytics platform for energy and freight markets,
Netherlands	Jan-24	Onera	Series C	33		Healthcare	EQT Life Sciences and Girmv	sleep diagnostic and monitoring solutions
Netherlands	Jan-24	Soly	Funding	33		ClimateTech	ArcTem Ventures,US-based Fifth Wall,	leasing solar energy systems, batteries, and charging stations.
France	Jan-24	Aqemia	Series A	33		Biotech	Wendel Growth, Bpifrance	oncology and immuno-oncology
UK	Jan-24	Enterprise Therapeutics	Series B	32		Biotech	Panakes Partners, Versant Ventures, Novartis Venture	Respiratory disease
UK	Jan-24	ZiLo	Series A	32		Software	Citi, State Street,FISV	global asset and wealth management software
Switzerland	Jan-24	icotec.ag	Growth funding	30		Healthcare	MVM Partners	high-tech implants for spinal tumors
France	Jan-24	Latitude	Series B	30		Space Logistics	Crédit Mutuel Innovation, Expansion, Bpifrance	Space launch manufacturer
Slovakia	Jan-24	CloudTalk	Series B	29		Software	KPN Ventures, Lead Ventures	AI-powered cloud phone system for sales
Finland	Jan-24	Cactus	Funding	28		ClimateTech	OP Finland Infrastructure, Finnish Climate Fund.	Smart energy storage systems
Germany	Jan-24	Qdrant	Series A	28		Software/AI	Spark Capital	vector database for AI applications
UK	Jan-24	Robin AI	Series B	26		AI	Temasek.	Uses AI to automate an drafting and negotiating contracts,
UK	Jan-24	Vertice	Series B	25		Software	83North, Bessemer	cloud spend management platform,
Sweden	Jan-24	TrusTrace	Funding	24		Software/SaaS	Circularity Capital	platform for supply chain traceability and compliance.
France	Jan-24	Nabia	Series B	24	180	Healthtech -AI	Cathay Innovation	AI assistant for doctors that generates clinical notes
Switzerland	Jan-24	Transmutex	Series A	23		ClimateTech	Union Square Ventures and Steel Atlas	nuclear reactor which uses thorium
Germany	Jan-24	Disco Pharma	Seed	22		Biotech	Sofinnova Partners, Panakes Partners, M Ventures	drugs in the field of cancer cells
Israel	Jan-24	Xyte	Series A	20		Software	Intel Capital,	Xyte Device Cloud,
UK	Jan-24	CryptoSafe	Funding	20	95	Crypto	VentureX Capital, NexTech Ventures, Blockchain Innov	capital efficiency in the cryptomarket
Total				4309				

Source: Rothschild & Co, FINSMES, Sifted, TechCrunch, press reports

## Focus on France

### A deep dive into the French VC market in 2023.

France remains a vibrant venture capital market, enjoying a strong entrepreneurial base, high level government support and the aid of a substantial public sector investment bank, Bpifrance.

In line with Europe as a whole though the amounts raised in French venture capital deals in 2023 were below the record years of 2021/2022. In total €8.5bn was raised for venture backed companies in France in 2023, 42% below the peak level of €14.7bn, which in France was achieved in 2022.

The value of activity in the French VC market in 2023 remained above that of 2019-2020, boosted by fifteen French VC deals of \$100m. These were led by **Climate Tech** with six deals raising \$1.75bn of which three were in solar power.

Solar energy was a focus of large French ClimateTech deals in 2023. **Technique Solaire Group**, a producer of renewable energies raised \$214m in a funding round led by Credit Agricole Group and Bpifrance. Technique Solaire uses solar photovoltaic and biogas infrastructures, operating some 450 MWp of photovoltaic energy across new buildings, rooftops, carports, ground-mounted solar installations. It has 45% (200 MWp) of its solar assets operating on farms. **TSE**, a developer of solar energy power plants and agrivoltaic solar solutions, raised \$143m in April in a deal led by Eurazeo. TSE has designed and built 460MW of ground-and-roof mounted solar plants in France, corresponding to the annual energy consumption of 110,000 people. It also develops agrivoltaic solutions for farmers. **mylight150** which has supplied 30,000 fully integrated residential solar solutions solar energy systems to homes, raised \$105m in a deal led by the Eiffel Investment Group. Together, Technique Solaire Group, TSE and mylight150 raised \$460m.

French battery business **Verkor** raised \$910m in a Series C in September 2023 as part of an overall package of €2bn of financing which included debt support from the European Investment Bank, plus French government subsidies of c€650m. The financing will fund the construction of Verkor's first gigafactory in Dunkirk which, it is intended, will have an initial production capacity of 16 GWh/year and be operational by 2025. The Series C was led by Macquarie Asset Management's Energy Transition Solutions Fund.

In May 2023 **Driveco** the French electric vehicle charging company announced that it had raised \$260m in a deal led by APG. The business started in 2010 when it span out from the solar energy developer Corsica Sole which also participated in this round. Driveco operates the second largest French EV public charging network with over 8,000 charging points.

**Accenta** provides decarbonisation solutions to buildings offering a one-stop shop for building owners to reduce energy consumption by up to 80% and carbon footprint by 95%. It raised \$119m in September in a deal led by existing backer EREN Groupe.

**Ynsect**, the agritech business which produces insects for animal feed raised a \$175m Series D from undisclosed and existing investors in April. Previous investors have included Astanor Ventures and Bpifrance. The company simultaneously announced it was cutting its headcount by 20% and closing its Dutch production facility. In a shift of focus the business is to move to developing smaller production facilities and putting more emphasis on insects for human consumption, pet food and plant food rather than lower value animal feed.

As an industry ClimateTech was followed by **Artificial Intelligence** with three deals.

French generative AI company **Mistral AI** raised a total of €490m across two deals and was the only business in France to be accredited as a new unicorn in 2023. Mistral AI was established just in May 2023 by a team of three founders experienced in AI, Arthur Mensch (formerly at DeepMind in Paris), Timothée Lacroix, and Guillaume Lample (both formerly in Meta's Paris AI business). Its plan is to compete with OpenAI in the building, training and application of large language models and generative AI using only publicly available data and to launch a LLM by 2024. Four weeks later the company raised €105m (\$113m) in a seed round led by Lightspeed. It was the largest seed round ever in Europe and valued the four-week-old business at \$240m. In September 2023 the company released its first model, the Mistral 7B, making it available as a free download for developers. In early December Mistral closed a new \$415m Series A round valuing the company at \$2bn, this time led by a16z.

In August 2023 the US foundational AI player **Poolside** raised a \$126m seed round and decided to move its headquarters to Paris. The deal was led by French tech investor Xavier Niel and was supported by Bpifrance amongst others. In total these three AI deals raised c\$630m.

Three technology based deals raised \$337m. In January quantum computing business **Pasqal** raised a \$100m Series B in a round led by Singapore’s Temasek. **ChapsVision** a customer engagement and loyalty data handling software business raised \$105m in a deal led by Qualium in September. MicroLED is an emerging flat panel display technology with potential use for mobile phones and other screen based devices. French MicroLED business **Aledia** raised \$132m in October from its partners including CEA Investissement and Bpifrance to launch the industrialisation of its MicroLED technology for displays.

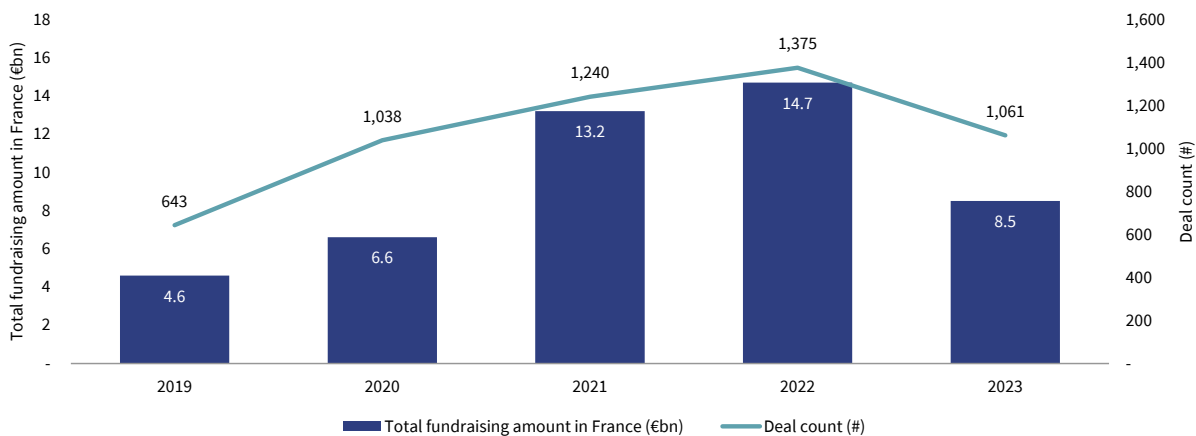
The sole previous unicorn to raise money again in 2023 was the blockchain / crypto business **Ledger** which raised \$100m in March. Biotech **Amolyt Pharma** which specialises in developing therapeutic peptides for rare endocrine and metabolic diseases raised \$138m in January.

**France – Fifteen VC deals of \$100m+ in 2023 raise \$1.75bn**

Company	Raise \$m	Sector	Stage	Lead investor	Date
Verkor	910	ClimateTech	Series C	Macquarie	Sep-23
Mistral AI	415	AI	Series A	a16z, Lightspeed	Dec-23
Driveco	262	Climate Tech	Funding	APG, Mirova, Corsica Sole.	May-23
Technique Solaire	214	ClimateTech	Funding	Bpifrance, Crédit Agricole	Nov-23
Ynsect	175	AgriTech	Series D	Undisclosed	Apr-23
TSE	143	ClimateTech	Funding	Eurazeo	Apr-23
Amolyt Pharma	138	Biotech	Series C	Sofinnova Partners	Jan-23
Aledia	132	Technology	Financing	CEA Investissement	Oct-23
Accenta	119	ClimateTech	Financing	EREN Groupe	Sep-23
Mistral AI	113	AI	Seed	Lightspeed	Jun-23
Pasqal	107	Quantum Computing	Series B	Temasek, BPIFrance	Jan-23
ChapsVision	105	Software	Funding	Qualium	Sep-23
mylight150	105	Climate Tech	Funding	Eiffel Essentiel, Azora Capital	Dec-23
Ledger	100	Fintech/blockchain	Series C +	True Global Ventures	Mar-23
Poolside	100	Software/AI	Seed +	Xavier Niel, Felicis	Aug-23

Source: Rothschild & Co

**€8.5bn was raised for French VC backed companies in 2023**

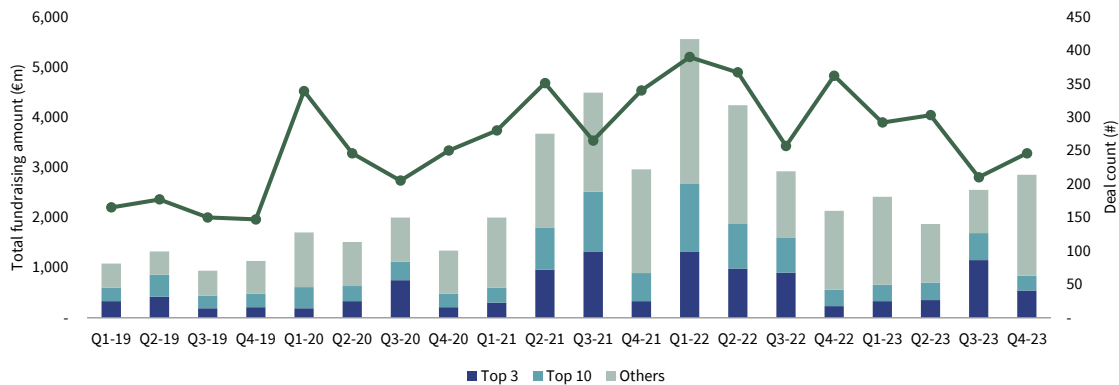


Source: Avolta

On an encouraging note, Q4 2023 saw €2.9bn of VC deals in France, the highest level in six quarters.



## French VC fundraising by quarter – Strong end to 2023



Source: Avolta

The three **most active VC firms** in terms of volume of deals in France were led, unsurprisingly, by **Bpifrance**. The state owned entity, which is a major player in the French VC market, was involved in 161 VC deals in total.

It was followed by Paris based **Kima Ventures**, a seed fund that invests in around a hundred startups each year. Kima's founder is Xavier Niel, chairman of Iliad. He was particularly focused on AI in 2023 and is an investor in Mistral AI. Scaleway, the cloud provider that is part of the Iliad Group, hosted the 'first European AI conference' in Paris in November at the Xavier Niel owned Station F. Based in Paris' 13th arrondissement in a former rail freight depot, Station F is described as the 'world's largest start up campus' with 1,000 startups.

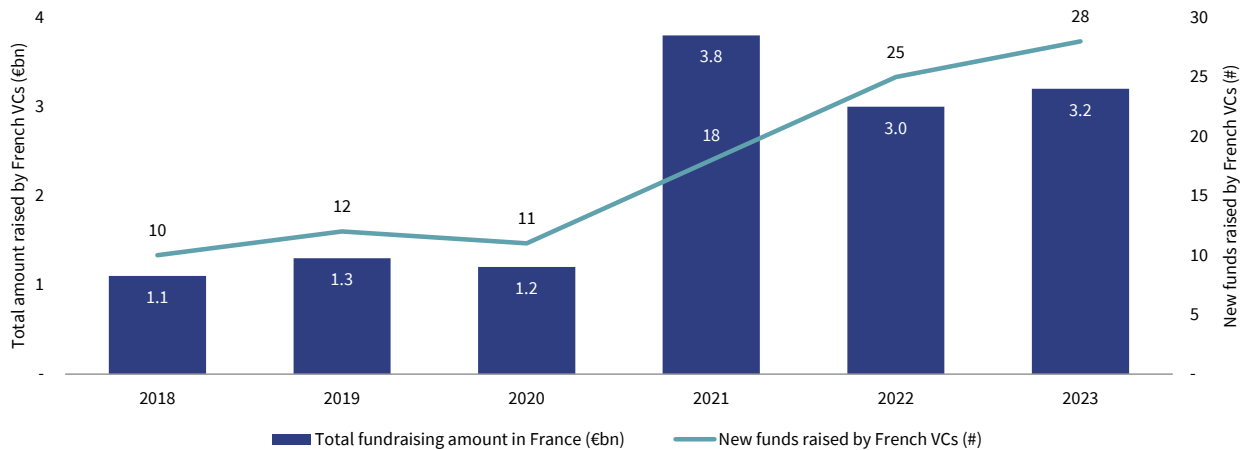
**SuperCapital**, with 47 deals, was the third largest player by volume in the French VC market. It is another seed investor based in Paris averaging around 50 deals a year mainly pre seed to Series A.

Most Active French VC funds by volume 2023	Deals in 2023	France - New VC Funds raised in 2023	€m	Month
Bpifrance	161	Eurazeo	400	Jul-23
Kima Ventures	69	Singular	400	Dec-23
Super Capital	47	CDC Croissance	300	Jun-23
European Innovation Council	38	Partech	245	Feb-23
UI Investissement	33	Blisce	225	Apr-23
Motier Ventures	27	Elaia	200	Mar-23
NACO	20	Sofinnova Partners	190	Oct-23
BNP Paribas Developpement	19	SWEN Capital	170	Mar-23
Demeter	18	Breega Capital	150	Oct-23
XAnge	14	EDU Capital	150	Apr-23

Source: Pitchbook, Dealroom. Avolta

The amount raised by French VC funds in 2023 was modestly above the 2022 level at €3.2bn versus €3bn. It was only 16% down on the peak year of 2021 when funds raised stood at €3.8bn. Q4 2023 was particularly active for fund raising. This was a strong performance in a European context. Overall European VC funds raised €16.2bn in 2023, the lowest figure since 2018. It was down by over half from the peak year of fundraising in 2021 (€33.3bn) and down 43% versus 2022's €28.2bn. The largest funds were raised by Eurazeo and by Singular, both attracting €400m.

## French VC funds raised €3.2bn in 2023

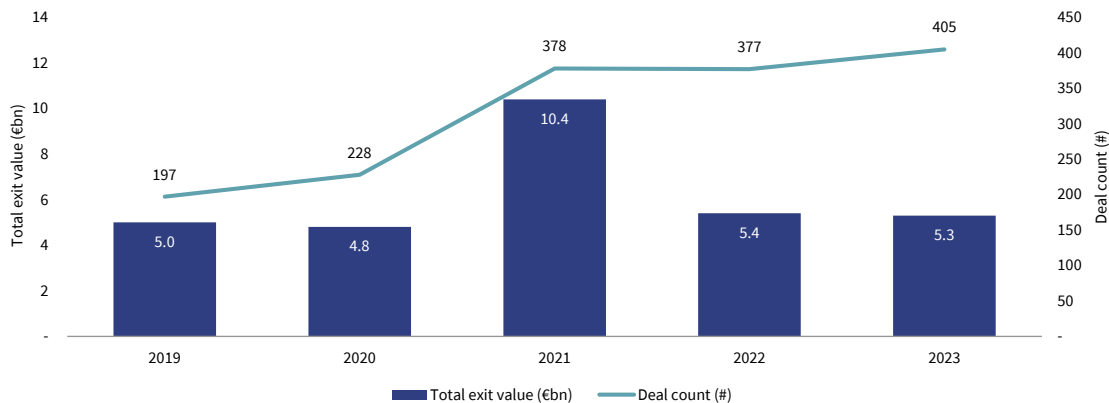


Source: Avolta

Both the M&A and the IPO markets were depressed in 2023 as market participants adapted to a higher interest rate regime. The value of exits globally in 2023 is estimated by Pitchbook at \$225bn, a fraction of the \$1,456bn of 2021 and still 30% down on the \$321bn total of 2022. US VC exit activity was the lowest for a decade.

In this context the exit performance in France by VCs was relatively strong. Although down by almost half relative to 2021, the level of exits in 2023 at €5.3bn was only marginally lower than the €5.4bn of 2022. In France, given the modest activity in the IPO market, some 70% by value of exits from VC funds in 2023 was through acquisition by strategics.

## Exits from VC funds were €5.3bn in 2023



Source: Avolta

## Surveying Equity ownership trends and the fundraising picture

### Interesting start of the year survey from Ledgly.

Swiss equity management platform Ledgly, which itself has just raised \$22m in a Series B, is a business that provides a platform for all shareholders in a company to monitor ownership of the business. It means that employees, founders and investors have constant access to the cap table of the companies in which they are involved. In turn this enables them to keep track of the value of their holdings.

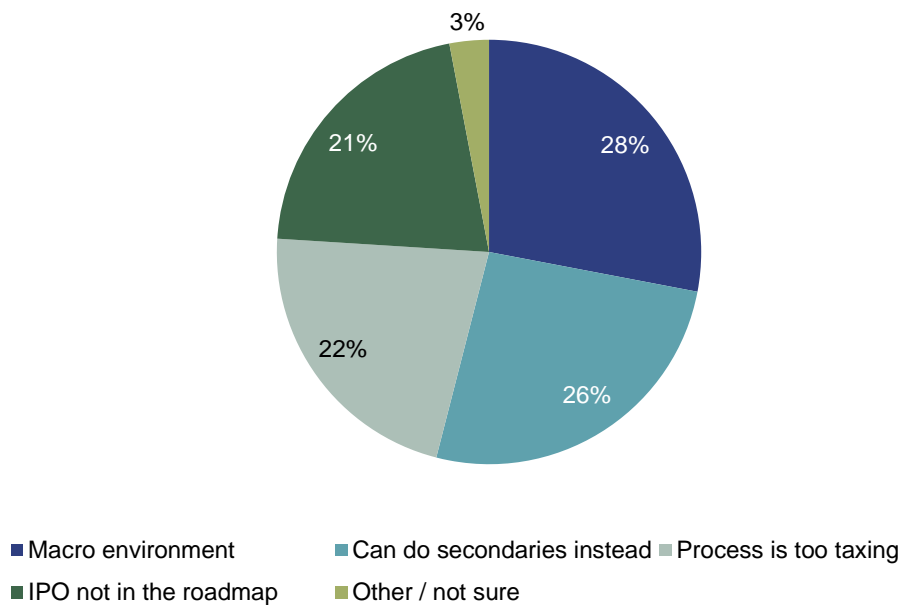
Unsurprisingly equity ownership and the trends around it are of substantial interest to Ledgly. The company recently issued its 'State of Equity and Ownership 2024' survey. Ledgly, surveyed 2,500 companies across ten markets.

Perhaps surprisingly, the survey indicated that 72% of UK technology companies would prefer to list in the UK rather than any other venue. 88% of US companies said they would prefer to IPO in the US given the choice. In

Europe Swiss companies are the most open to listing in the US, with 36% of companies stating they would opt to IPO in the US if they could.

The survey found that the headwinds of 2023, most notably the macroeconomic environment had led one in five companies to deprioritise plans to IPO. 26% cited that an ability to do secondaries was a factor in not going ahead with an IPO. Given the subdued state of the secondaries market in 2023 this seems surprising, although as our Growth Equity Update 22 reported, the secondary market looks more active going into 2024 ([GEU 22 - click here](#)). 22% of The Ledgy respondents, perhaps more accurately, thought the process was 'too taxing.'

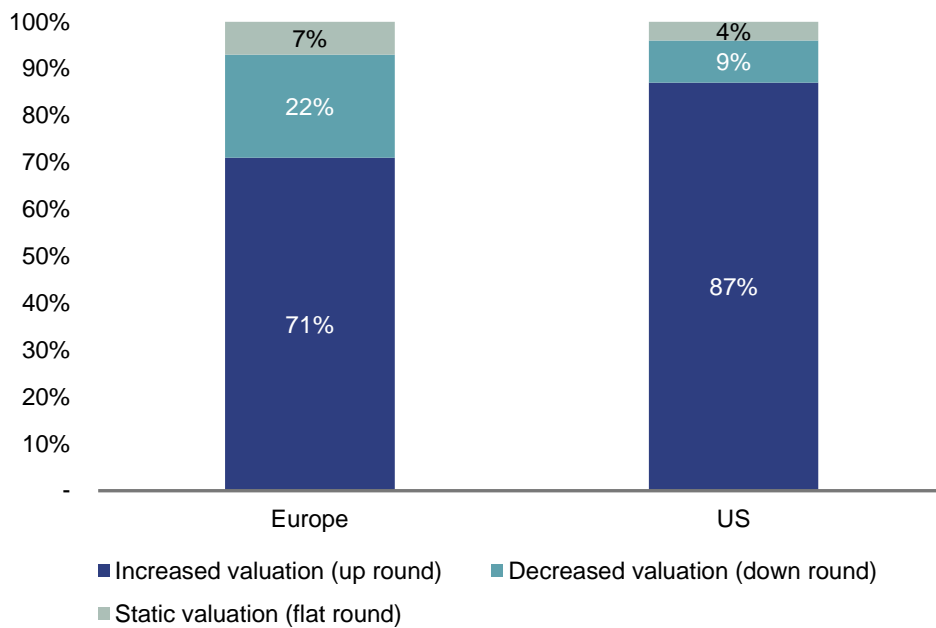
### Reasons cited for being less likely to IPO.



Source : Ledgy - State of Equity Survey 2024

The valuation environment, and the tough climate for fundraising, were probably the key reasons why larger companies (over 1000) employees held off fundraising in 2023. 48% of large companies raised money in 2023 as opposed to almost 70% of smaller companies (250- 999 employees).

The survey found that there were twice as many advertised down rounds in Europe than in the US. It registered that 22% of European funding rounds saw a valuation cut in 2023 against only 9% in the US. Within Europe the survey reports that more than a quarter of all rounds raised in Germany, the Netherlands and Finland were down rounds. Swiss and Danish startups fared better, though, with only 12% and 14% of companies in those countries raising down rounds. Smaller companies were more likely to have experienced a down round than their larger peers.



Source : Ledgy – State of Equity Survey 2024

And on the key question of employee knowledge of the value of their equity the survey found that senior management is well aware of the value of equity, the junior ranks less so. 93% of founders and 87% of C-suite executives in the UK were found to know their company’s latest valuation dropping to just 56% of managers and 37% of junior staff.

US companies appear to be more active users of equity to incentivise staff. In 2023 84% of US companies distributed stock to staff. By contrast the percentage of companies doing so in France, Germany and the UK were in a range of 52-55% and in each case the percentage fell year on year. In 2024 US companies also expect to be more active in secondary sales. 48% of US companies say that they are likely to run a secondary share sale in the next 12 months compared to 38% of companies in Europe.

## Our views on the state of the venture capital markets

















2022 saw sharp falls in the public markets on the back of a combination of global inflation, rising interest rates, and increased geopolitical risk. In 2023 there was a substantial rally on NASDAQ, led by the major tech stocks, a rally more palely reflected in other markets. The Refinitiv Venture Capital Index, which seeks to monitor the real time performance of the venture capital industry, fell 55% in 2022. In 2023 it was up 56%. YTD in 2024 it is up 16% meaning the total fall since the peak at end November 2021 is 28%. Our summary of the outlook is:

- The deterioration in the interest rate, inflation and macro-economic environment has had a sharp impact on valuations in private markets. The scale of the fall in the Refinitiv VC index in 2022 was much more substantial than the 33% fall on NASDAQ. This was reflected in some big valuation reductions in some high-profile VC rounds in 2023
- There is substantial dry powder in the VC industry. This though appears to be prioritised to support existing rather than new investments
- Best-in-class companies, addressing critical rather than nice-to-have requirements, continue to attract support. There are still hotspots for investment most notably in ClimateTech and Artificial Intelligence. Certain investors remain very active in the space with substantial funds to deploy
- The speed of the investment process has slowed considerably. The level of diligence on new deals has stepped up
- For much of 2023 big late-stage deals were few and far between with the strongest part of the market in terms of appetite being in Seed and Series A where there is less immediate pressure on valuation. The last few months though have seen a notable pick-up in large later stage deals, most notably in ClimateTech and Software
- 2023 saw more downrounds, albeit the substantial fund raising of 2021 and the ability of companies to eke out existing resources has limited the number of these

- It seems likely that the more difficult conditions for fundraising, and the lack of a clear path in some cases to early cash positive status, will mean a flurry of venture capital backed businesses looking to sell or merge their businesses
- Valuation priorities have shifted with investors having moved away from an emphasis on revenue growth and revenue multiple emphasis. There is a sharp focus instead on profitability (or a rapid path to it), on positive free cash flow and an emphasis on DCF and comparative based multiples.

## Rothschild & Co: Selected recent deals in Growth Equity and Private Capital

A selection of recent deals on which we have advised.

 <p><b>Castore: £145m equity funding</b></p> <ul style="list-style-type: none"> <li>Sole adviser to Castore, the premium sportswear brand and end-to-end retailing platform for global sports teams on its first institutional funding round</li> <li>The £145m equity investment was led by The Raine Group and valued Castore at £800m pre-money (£945m post)</li> <li>Rothschild &amp; Co Debt Advisory also upsized Castore's RCF by £25m to a total of £100m</li> </ul>	 <p><b>Skyroot: \$51m Series B</b></p> <ul style="list-style-type: none"> <li>Sole adviser on its Series B raise of INR 4,030m (US\$51m) from GIC Private Limited and LK Advisers</li> <li>Looking to 'uberize' space for small satellite operators, Skyroot will use its differentiated solid propulsion technology to offer on-demand, affordable launch vehicles. It plans its first orbital launch by early 2023</li> </ul>	 <p><b>YuLife: c \$120m+ Series C</b></p> <ul style="list-style-type: none"> <li>Adviser to YuLife on its investment by T Rowe Price</li> <li>T Rowe Price's first ever private investment in European FinTech</li> <li>The Series C extension valued YuLife at c.\$800m, a 3x uplift from its valuation at its Series B announced in July 2021</li> </ul>	 <p><b>Carsome: US\$290m Series E</b></p> <ul style="list-style-type: none"> <li>US\$290m Series E fundraise led by SeaTown Holdings International and 65 Equity Partners Holdings</li> <li>The funding round brought Carsome's valuation to US\$1.69bn, cementing its position as Malaysia's first and largest tech unicorn</li> <li>Follows US\$170m Series D2 round in Sept 2021, on which we also advised</li> </ul>
 <p><b>FL Entertainment: €7.2bn combination with Pegasus Entrepreneurs and simultaneous c€550m equity raising</b></p> <ul style="list-style-type: none"> <li>FL Entertainment is composed of Banijay, largest independent content producer globally, and BetClic Everest Group, Europe's fastest-growing sports betting platform. Pegasus is an Amsterdam-listed SPAC</li> <li>Largest ever European SPAC business combination an PIPE raising</li> </ul>	 <p><b>Insight Partners: strategic investment in Precisely</b></p> <ul style="list-style-type: none"> <li>Led investment in a recap of Precisely Software Incorporated, in an investor group that will also include Partners Group, Clearlake Capital, TA Associates, and Centerbridge Partners</li> <li>Precisely is a leading data integrity and infrastructure software company</li> </ul>	 <p><b>Kpler: Minority stake Acquisition</b></p> <ul style="list-style-type: none"> <li>Adviser to Five Arrows Growth Capital and Insight Partners on joint acquisition of a minority stake in Kpler Holding S.A. from its founders</li> <li>Consisted of acquisition of c.30% of secondary share capital of Kpler plus primary investment of €20m</li> <li>Kpler is a leading SaaS provider of data and analytics to energy markets</li> </ul>	 <p><b>Harmay: US\$90m Series D</b></p> <ul style="list-style-type: none"> <li>Advised Harmay on its US\$90m Series D equity financing from a group of leading Chinese and global growth equity /venture capital funds</li> <li>Harmay is a premium beauty retailer</li> <li>Raise was led by QY Capital (an entity related to Alibaba New Retail Fund) plus existing investors</li> </ul>
 <p><b>SEBA Bank: CHF110m raise</b></p> <ul style="list-style-type: none"> <li>Advised on fundraising co-led by a consortium of new investors specialised in blockchain and fintech including Altive, Ordway Selections and Summer Capital</li> <li>DeFi Technologies, leader in decentralized finance, and Alameda Research, a global cryptocurrency quantitative trading firm, also participated</li> </ul>	 <p><b>First Digital Bank: US\$120m capital raise</b></p> <ul style="list-style-type: none"> <li>Advised on capital raise through a syndicate of investors including Tencent, SBI Investment Co, Julius Baer, and West Coast Equity Partners</li> <li>First bank to receive a banking license in Israel for over 42 years and first neobank in Israel</li> </ul>	 <p><b>Fibrus: £270m seven-year debt package</b></p> <ul style="list-style-type: none"> <li>Advised on package comprising a £200m capex facility, £20m revolving facility and up to £50m uncommitted accordion facility</li> <li>Fibrus is an alternative provider of full fibre network infrastructure and broadband in rural UK</li> <li>Highly active in European fibre infrastructure: our 7th debt financing mandate in UK fibre in last 3 years</li> </ul>	 <p><b>Marwyn Acquisition Company II: £500m equity raise</b></p> <ul style="list-style-type: none"> <li>Advised Marwyn Acquisition Company II on the launch of its equity raise, by way of a 12-month placing programme</li> <li>The company will seek to raise up to £500m during the next twelve months from equity investors in a structure which is distinct from the typical 'SPAC' structure</li> </ul>
 <p><b>Azerion: €1,300m enterprise value combination with EFIC1</b></p> <ul style="list-style-type: none"> <li>Advised on combination with European FinTech IPO Company 1 B.V - a SPAC that raised c.€382m through IPO on Euronext Amsterdam in 2021</li> <li>Azerion provides solutions to automate purchase and sale of digital advertising inventory</li> <li>Landmark transaction - one of the largest de-SPAC transactions across Europe to date</li> </ul>	 <p><b>Gousto: £240m primary and secondary rounds</b></p> <ul style="list-style-type: none"> <li>£70m primary financing for food delivery company Gousto with Softbank Vision Fund 2 in Jan '22</li> <li>In Feb '22 secondary component of £170m from institutional investors including SoftBank, Grosvenor Food &amp; AgTech, Railpen and Fidelity</li> <li>Valued Gousto at £1.2bn on a pre-money basis</li> </ul>	 <p><b>GreenWay: €85m Series C</b></p> <ul style="list-style-type: none"> <li>Advised Greenway Infrastructure on its €85m Series C fundraise</li> <li>Led by a consortium of infrastructure funds including Generation Capital and Helios Energy Investments. The transaction is the first known investment by an infrastructure fund in an EV charging network in Central and Eastern Europe</li> </ul>	 <p><b>Diabeloop: €37m Series C</b></p> <ul style="list-style-type: none"> <li>Advised on its €37m Series C capital raise</li> <li>Following extensive investor outreach, LBO France was chosen to lead the raise jointly with existing investors including Supernova Invest, AGIR à dom., CEMAG INVEST and Odyssee VenturesA</li> <li>Diabeloop provides automated insulin delivery system and handset facilitating diabetes management</li> </ul>

**For more information, or advice, contact our Growth Equity team:**

[Chris Hawley](#)

Global Head of Private Capital

[chris.hawley@rothschildandco.com](mailto:chris.hawley@rothschildandco.com)

+44 20 7280 5826

+44 7753 426 961

[Patrick Wellington](#)

Vice Chairman of Equity Advisory

[patrick.wellington@rothschildandco.com](mailto:patrick.wellington@rothschildandco.com)

+44 20 7280 5088

+44 7542 477 291

[Mark Connelly](#)

Head of North American Equity Market Solutions

[mark.connelly@rothschildandco.com](mailto:mark.connelly@rothschildandco.com)

+1 212 403 5500

+1 917 297 5131

[Stéphanie Arnaud](#)

Managing Director – France

[stephanie.arnaud@rothschildandco.com](mailto:stephanie.arnaud@rothschildandco.com)

+33 1 40 74 72 93

+33 6 45 01 72 96

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