



Growth Equity Update

November 2024 – Edition 32

- **Secondary considerations:** *‘The traditional view is that venture capital is a cradle to grave industry where the only exit opportunities come from a full acquisition or IPO. With exit timelines extending by several years and trillions of dollars locked up in illiquid private companies, that mindset is starting to change. Shareholders of venture backed companies, limited partners and fund managers are increasingly turning to the secondary market as a tool for interim liquidity.’ StepStone.* We review recent deals in a buoyant VC secondaries market and look at some of the new dedicated funds.
- **VC fundraising – new money, new strategies:** Pitchbook’s global data on VC fundraising indicates the industry raised \$30bn in Q1, US\$50bn in Q2 and \$63bn in Q3. We look at recent raises, focusing on General Catalyst’s new concept of a broader partnership with founders which states *‘to achieve outsize impact using applied AI and global resilience to address what we believe are the world’s great challenges, we must also transcend the traditional definition of venture capital.’*
- **Venture capital raises – Strong October:** October’s Deal Monitor recorded 45 US deals at \$100m+ (vs 18 in September) raising \$16bn, the biggest month of the year. Europe’s \$3.5bn of October raises was the third highest month ytd and 2.7x October 2023.
- **I, AI, AI, AI, AI, AI like you very much...** According to Crunchbase one in three US venture capital dollars raised in 2024 has gone to AI. Post October’s \$6.6bn OpenAI raise further big deals for xAI, Anthropic, Perplexity and Sierra appear in the offing.
- **Further rate cuts:** 25bps from the Fed, the Bank of England, and the ECB and more likely before year end, plus a boost to stocks (but not bonds) from the Trump trade.
- *‘We learn from history that we do not learn from history.’* Hegel

Secondary activity picks up

With the IPO market still muted and with the fallout from the changing environment in venture capital since 2021 still working its way through the system, interest in the secondaries market is buoyant.

With exits still at a relatively low ebb there has been a marked pick up in secondary activity through 2024. A number of big secondaries have caught the eye in recent weeks.

In early October, the UK neobank **Monzo** announced it had completed a secondary share sale valuing the business at \$5.9bn. The shares were mainly sourced from existing employees with buyers including StepStone and Singapore's GIC. Monzo's CEO TS Anil stated, *'It's great to be able to provide employees with some liquidity, while meeting further investor demand for Monzo equity.'*

The company's March 2024 funding round, which raised \$430m, was at a \$5bn valuation. A further \$190m of funding was announced in May, valuing the business at \$5.2bn. The secondary deal appears to have valued Monzo at \$5.9bn. The secondary offer appears to have been made to existing staff, allowing them to sell up to 40% of their holdings. It was not extended to former staff.

Later in October **Vinted**, the consumer-to-consumer second-hand fashion marketplace, closed a €340m secondary share sale to a group of new investors led by the private equity business TPG and including new investors such as Baillie Gifford, FJ Labs, Hedosophia, Invus Opportunities, Manhattan Venture Partners, and Moore Strategic Ventures. The sale valued Vinted at €5bn versus the €3.5bn in its €250m Series F in 2021. Vinted's CEO Thomas Plantenga commented the sale *'rewards our employees for their dedication in making Vinted a success.'*

Later in October **Moneybox**, the UK savings and investment platform, announced a secondary share sale with the Apis Global Growth Fund III and Amundi jointly investing c£70m in the business. Apis committed £5.5m in primary with £54.5m absorbing secondary sales. Amundi purchased £8m of secondary shares. In this case existing investors were entitled to sell c10% of their holdings at a share price of £10.08 (vs the Series D at £5.58 and the Series C at £3.50). The secondary valued Moneybox at £550m, up 84% over the March 2022 Series D valuation and almost three times the level of the July 2020 Series C. Moneybox has an extensive shareholder base of 35,000 including employees, customer shareholders and crowdfunder investors.

Matt Cooper, co-CEO of Crowdcube observed *'This marks the largest secondary liquidity event ever for a private company in the UK and EU by number of sellers. More than 26,000 retail investors backed Moneybox in some of Europe's most successful retail investment rounds for a private company, and it is fantastic to see them now being rewarded with the chance to sell part of their shareholding.'*

Another UK fintech, **GoCardless**, is in the process of arranging a secondary sale for employees, worth as much as \$200m.

In August **Revolut** announced a secondary share sale to provide employee liquidity. The deal which was led by new investors Coatue and D1 Capital Partners and existing investor Tiger Global was done at a \$45bn valuation. The valuation was up from the \$33bn recorded at the July 2021 raise. The company did not reveal the cap on the size of the deal. Press reports suggest that the total size of the deal was \$500m and that the CEO of Revolut, Nik Storonsky, accounted for c40%-60% of this, or \$200m-\$300m. His remaining stake is still said to be worth several billion dollars.

In March 2023 Dublin based fintech **Stripe Inc** raised \$6.5bn in a funding round to address the Restricted Stock units (RSUs - share incentives) which Stripe has for some years built into the compensation packages of key employees. About \$3.5bn of the \$6.5bn was used to cover the tax obligations arising from the RSUs with the rest being used to buy shares from employees who wished to sell.

In March 2024, Stripe again facilitated the sale of shares by employees by establishing a tender offer with the participation of Goldman Sachs Growth Equity and Sequoia together with some funds from Stripe's own resources. The tender offer for c\$1bn of stock valued the company at \$65bn, 30% higher than the March 2023 level.

Open AI held a tender offer in February this year allowing employees to sell at a valuation of \$86bn. OpenAI has told employees it intends to hold one tender offer roughly every year subject to market conditions. The October 2024 \$6.6bn primary round valued the company at a \$150bn valuation. **Space X** holds secondary rounds twice a year to allow employees and shareholders to sell stock.

Canva, the graphic design tools company had a \$1.6bn secondary market sale in March valuing the company at \$26bn. In August 2023 Blackbird Ventures sold \$150m of shares to Coatue Management and ICONIQ Capital at a \$25.5bn valuation. Blackbird also sold shares in the March 2024 transaction although the bulk of the stock sold was from current and former employees.

There are a number of issues and opportunities surrounding the use of secondaries. For a company it presents a number of opportunities.

Providing liquidity to staff: As we have seen, this is a key function of many secondaries. Employees are critical in start-ups, and many will have a substantial part of their wealth tied up in the start-up in which they have been involved. Life events though do not wait for delayed IPO markets and so employees often need to crystallise some of that value pre-IPO to ease regular financial demands. As the Monzo example though shows, there are choices to be made even here. The recent Monzo secondary offer was not extended to former staff, allowing it to prioritise current employees and leaving the former staff with their stakes still in the business.

Tidying up the cap table: As businesses grow and scale up, early-stage investors may not have the desire or the means to participate in larger scale later stage funding rounds. A secondary offers the chance to simplify the cap table with larger shareholders consolidating their positions by buying out earlier stage investors who no longer want to stay the course. Again, there are mechanics around such a process with a potential tension between obtaining the highest possible price for the stock sold and controlling which shareholders exit the business.

Introducing new shareholders: In several of these processes we have seen the secondary led by new investors in the company – the Vinted secondary is a good example. It presents an opportunity for investors to come into a business at a more established stage while simultaneously allowing earlier stage investors a liquidity event. Particularly with the switch in VC emphasis to profitability and cash flow post 2021, the gap between rounds may become longer and the size of rounds may become smaller. In such cases a secondary is an opportunity for a new investor to establish a decent sized holding in a business.

Valuation benchmark: In each of the cases we have reviewed, the valuation benchmark set in the recent secondary exceeded that achieved in the previous formal round. This simple result probably masks a myriad of competing considerations. The success of the companies we have highlighted will have the secondary process easier to complete as buyers are keen and sellers are being taken out at a premium to the previous price benchmark. Such factors will not always prevail...

A pre-IPO manoeuvre: Linked to all these factors, a secondary is frequently a useful pre-IPO manoeuvre. Ahead of an imminent IPO it can help to clean up the cap table, bring in new investors who intend to support the IPO, provides liquidity to employee shareholders, and provides an updated valuation benchmark.

Returning to valuation: One of the obvious potential issues in secondaries is valuation. We observed that the spate of recent high-profile secondaries has been conducted at a premium to the most recent announced round. These happy circumstances will not, however, prevail in all cases. Founders are clearly sensitive to valuation and both founders and existing investors typically wish to avoid setting a price benchmark below that of a previous round. The announcement of a secondary at a lower price may be taken as a negative signal for the prospects of a business.

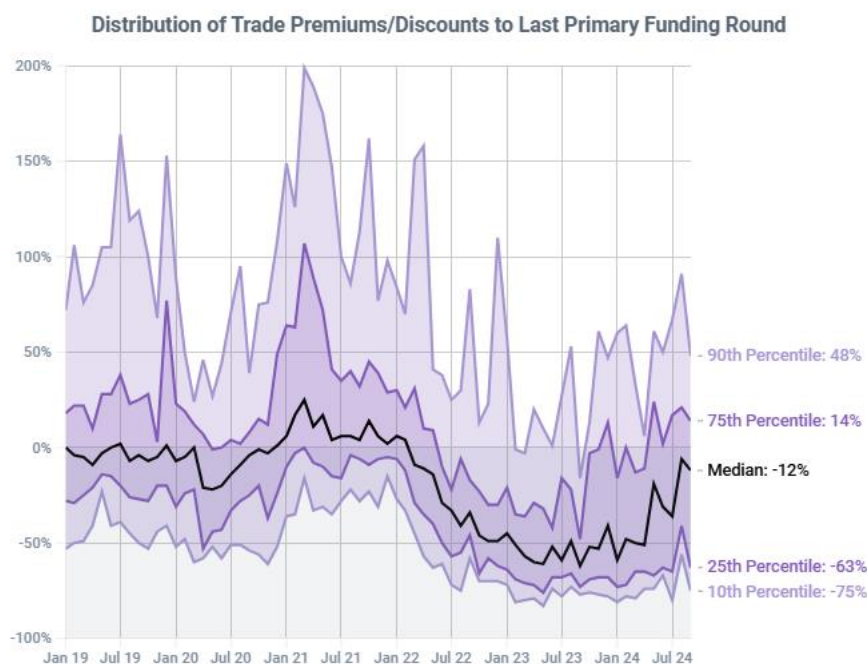
The lack of publicly available financial information on private companies can make them difficult to price. Michael Podolny, a San Francisco based partner at global law firm Latham & Watkins comments:

“The most complicated aspect of engaging in secondaries for a VC fund is sourcing opportunities; transactions are private, off-market, confidential and require trusted relationship[s] and access to data. Additionally, pricing these less mature and less visible assets in the venture market is challenging, as it involves getting access to data and a more qualitative analysis and negotiation compared to the more straightforward – often intermediated – processes in private equity.”

One way of tracking trends in secondary market valuations is to look at the data provide by Forge Global, a leading US based secondary market exchange.

The chart tracks the valuation trends seen on the Forge Global with the data reflecting the firming of the VC market we have seen in the last year. At the peak of the VC market in 2021, stock on the secondary markets traded at a median premium to the valuation seen in the last funding round, turning positive in December 2020, hitting a peak of a 25% premium in March 2021 and remaining in positive territory until February 2022 (the month that Russia invaded Ukraine).

AS VC markets declined the gap between secondary market prices and the last round widened to a negative 49% by December 2022. The nadir was hit in September 2023 at -62%. Since then, the recovery has been substantial. By September 2024, the median discount to the last public round had narrowed to just 12%.



Source: Forge Data as of 09/30/2024

We have seen a number of funds raising money specifically to address the burgeoning market for secondaries. In June **Lightspeed Venture Partners** applied to the SEC to become a ‘registered investment adviser.’ This allows it to avoid the cap on venture funds that states they can hold no more than 20% in secondary rather than new investments. Lightspeed has a total of \$25bn of assets and is reported to have spent c\$580m on secondaries in the last three years. Quoted in the FT Michael Romano, chief business officer of Lightspeed commented,

“Given market dislocation we were able to purchase a lot of very compelling new opportunities at significant discounts of 45 to 50 per cent compared to the last fundraising round... ..Absent an IPO or any M&A, venture capital firms need to get more creative to identify paths to liquidity. Secondaries are a key component of that.”

In September **Industry Ventures** raised \$1.45bn for its tenth secondaries fund. In August **GSquared** raised \$1.1bn for its most recent secondaries fund. In Europe **Isomer Capital** launched a new \$128m secondaries fund in April. These funds are directed not just at buying secondary stakes in companies direct but also at buying up the portfolio, or parts of the portfolio, of other VC funds that are seeking liquidity for their assets.

StepStone Group announced a new \$3.3bn fund devoted to secondaries in June this year. Partner John Avirett commented:

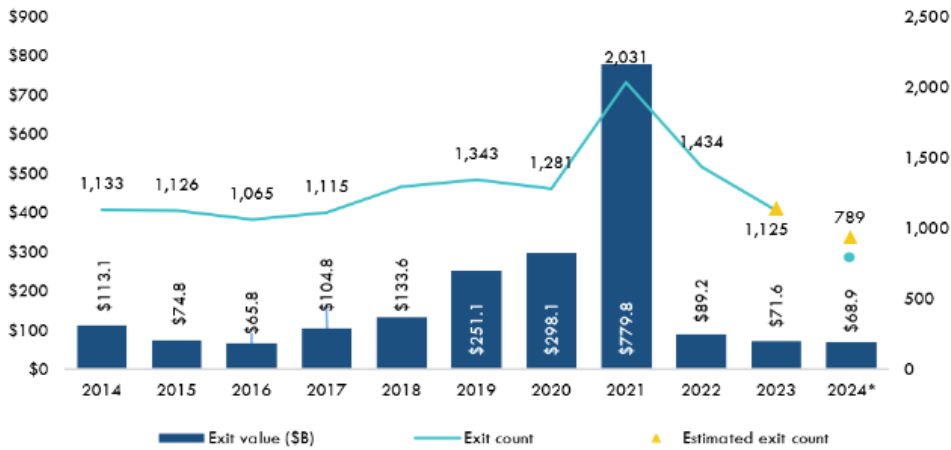
“The traditional view is that venture capital is a cradle to grave industry where the only exit opportunities come from a full acquisition or IPO. With exit timelines extending by several years and trillions of dollars locked up in illiquid private companies, that mindset is starting to change. Shareholders of venture backed companies, limited partners and fund managers are increasingly turning to the secondary market as a tool for interim liquidity. We are in a privileged position to help each of these parties achieve their goals through the solutions we offer.”

The StepStone approach illustrates the options available in the secondary market. It aims to provide liquidity to founders and early investors in mature venture-backed companies; to purchase interests in venture capital funds from limited partners; and to assist fund managers with structured solutions like portfolio strip sales, tenders, and continuation funds.

The rise of the secondary market in VC mirrors a much more well-developed secondaries market in private equity. Its increased popularity is correlated to the continued depressed level of exits given the modest level of IPOs and M&A activity. This is illustrated in these charts from Pitchbook.

The first shows that annual exit activity has revived modestly in 2024 at a value of \$68.9bn to end Q3 versus \$89bn and \$72bn for the whole of 2022 and 2023. The implied annualised exit rate of \$92bn in 2024 though will still be substantially below the levels of 2017-21.

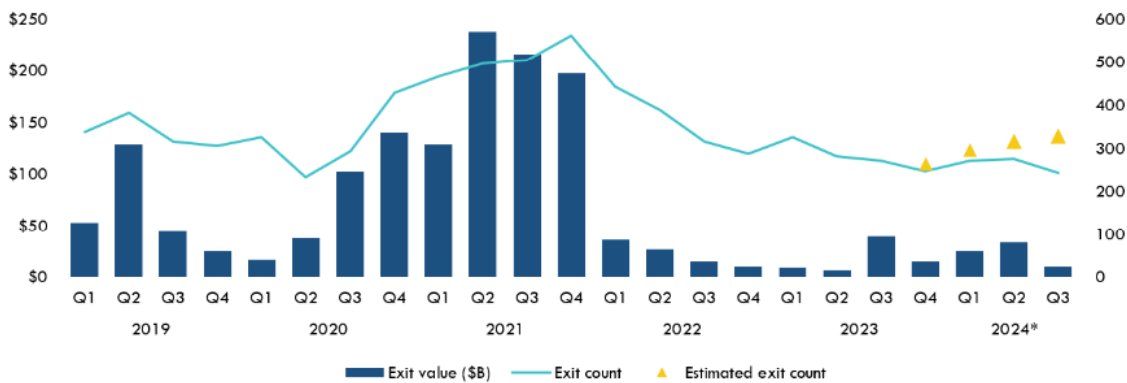
US VC Exit activity



Source: Pitchbook

The next chart looks at the recent quarterly trend. Q3 2024 saw \$10.4bn generated across 243 exit events, the lowest since Q2 2023. The IPO market continues to be tepid. By sector, the largest exits came from healthcare.

Quarterly US Exit activity (\$bn)



Source: Pitchbook

Venture Funds – a flurry of fundraising

The more positive tone prevails

We observed in our October Growth Equity Update that, while the statistics for global venture capital firm fundraising continued to look relatively downbeat, the tone of recent fundraising trends had begun to look more optimistic. This was borne out by Pitchbook data on global VC fundraising to the end of September which indicates that globally the industry raised \$30.4bn in Q1, US\$50.1bn in Q2 and \$62.6bn in Q3 bringing the ytd total to \$143.1bn. This means global VC funding is on a run rate for a full year total close to \$190bn, versus the \$203bn in 2023 and the peak of \$382bn in 2021.

Substantial fund announcements continue to be made. In October General Catalyst announced that it had raised \$8bn for its most recent funds, reported as the biggest fund raise by a VC firm since March 2022 when Tiger Global raised \$12.7bn.

General Catalyst's \$8bn will be allocated in three ways:

The largest portion of \$4.5bn is for core venture capital investments across seed and growth equity, deployed through dedicated strategies: Ignition (early-stage), Endurance (growth-stage), and Health Assurance.

There will be \$1.5bn dedicated to company creation, including 'venture buyouts' and the development of new businesses from the ground up.

Some \$2bn will be in separately managed accounts (SMAs) targeted at fuelling 'the next generation of groundbreaking technologies and businesses'.

Interestingly Hemant Taneja, the CEO of General Catalyst identifies the \$3.5bn to be deployed in the latter two buckets as a different way of investing in venture, becoming involved in starting up companies rather than limiting itself to funding start-ups already created.

"Behind the moves that we're making is the fundamental observation that venture capital does not scale. There are the same number of outlier [companies] whether you make funds bigger or make funds smaller.

But to achieve outsize impact using applied AI and global resilience to address what we believe are the world's great challenges, we must also transcend the traditional definition of venture capital. So, we've broadened our founder and capital solutions to venture beyond and support founders with a broader partnership."

An example of this approach came with the massive \$900m Series A raise by Pacific Fusion in October. The aim of the company, which was founded in the summer of 2023 is to 'power the world with abundant, affordable, clean energy'. The company believes that in the last two years, breakthroughs in inertial fusion and pulsed power have opened a path to affordable fusion power. The company aims to build a high-gain pulsed magnetic fusion driver to achieve 'net facility gain' (more fusion energy output than all stored energy input). In parallel, it has started engineering the components and systems needed for affordable commercial fusion systems. It will take a long time though. The plan is to have a full-scale demonstration system sometime in the early 2030s, and commercial systems later in the decade.

General Catalyst led the deal for this project with a long list of backers (Andrew Forrest, Breakthrough Energy Ventures, Elad Gil, Eric Schmidt, John Doerr, Ken Griffin, Lachy Groom, Leitmotif, Lightspeed, Lowercarbon Capital, Mustafa Suleyman, Patrick Collison, Reid Hoffman, Richard Merkin, and Trousdale Ventures).

Pacific Capital notes 'We structured the round in a unique way: The funding is all committed upfront (to mitigate financing risk), and it's unlocked as we achieve predefined milestones (to ensure accountability). We're enormously grateful to Hemant, the GC team, and our founding syndicate for their creative partnership in structuring the financing.'

Meanwhile **Lightspeed Venture Partners** is reported in the press as being close to raising c\$7bn across three new funds which would exceed the \$6.7bn it raised in its last round of new funds in 2022. Around \$2.8bn is to be devoted to a VC style continuation fund with the rest targeted for a growth-stage fund and one focused on seed and Series A companies.

Insight Partners is expected to close its Flagship XIII fund in early 2025. It is reported to have more than \$10 billion of commitments with a target of \$12.5bn. Insight funds invest across the range in growth with the company writing cheques from \$5m to \$500m and from seed to IPO.

In the cross-over field, **Coatue Management** is in the process of raising \$1bn, mainly from institutional investors, to invest in artificial intelligence start-ups.

The Trump trade

Further interest rate cuts and a positive response to the US election result have further boosted markets.

The first full week of November saw the removal of political uncertainty and a substantial electoral victory for the Republicans combined with a further Fed rate cut. It led to a strong week for equity markets with the S&P up 4.7% and NASDAQ up 5.8%. Year to date NASDAQ is now up 30%, and the S&P500 is up 26%.

The European markets continue to lag. Both the EuroSTOXX 600 and the FTSE 100 were barely changed in the week of the US elections. The STOXX600 is now up 5% YTD and the FTSE 100 by 4%.

The US election cycle appeared not to disturb the cycle of Fed decision making. At its meeting on November 6-7 the Fed cut US interest rates by 25bps to 4.5%-4.75%. There had been a minority view, given the generally buoyant trend in jobs statistics (but not the hurricane and strike impacted October pre-election number of 12,000), that the Fed might not cut rates at this meeting and so the announcement was greeted positively. The Fed instead commented that inflation was *'somewhat elevated,'* that labour market conditions had *'generally eased'* and that the economy was growing at a *'steady pace.'*

There was the usual cautious tone from the Fed on the pace of further rate cuts. The Fed's official dot plot, which shows its projected course of interest rates, indicates another 25bps of rate cuts by the end of 2024 (thus implying a further 25bps rate cut at the December 17th meeting) taking the Fed rate to 4.25%-4.5%.

The Fed dot plot then looks for a further fall of 100bps in rates to 3.25%-3.5% by the end of 2025.

That implies four rate cuts of 25bps each. As ever, there are eight Fed meetings planned in 2025. So, there will be Fed meetings in 2025 where rates are not cut, and the market has already moved to speculation as to when the Fed will pause on interest rate cuts. In turn this partly depends on inflation and partly on a view of where 'neutral' rates – where inflation is held in check while growth remains stimulated - should end up. The October inflation number came in at 2.6%, modestly above the 2.4% of September but in line with market expectations. Core CPI (ex-food and energy) was again at 3.3%, in line with expectations albeit still above the Fed's target level. On that basis the market continues to factor in a further 25bps rates cut in December but appears not to be expecting a rate cut at the Fed meeting scheduled for January 29.

The Fed appears to have done a reasonably good job in pulling off the seemingly unachievable – controlling inflation while encouraging growth and guiding the US towards a soft landing. In this context continuity post the election is seen as desirable by the market and appears to be achievable. Back in July President elect Trump indicated that he would not seek to remove Jay Powell as chair of the Fed if elected. Despite subsequent criticism of Powell from the Trump camp during the election campaign, that appears still to be the position. Asked at the latest Fed meeting whether he would step down early from his post – his allotted term runs until May 2026 – Jay Powell made it clear that the new administration has no right to remove him and that he intends to serve out his term.

The Trump Trade: Meanwhile the US election result engendered a pivot in markets as sectors and stocks seen as potential beneficiaries of the new administration responded to the result. The so called Trump trade saw bond yields rise (the price of bonds fell) as investors anticipated higher trade tariffs, a higher deficit due to tax cuts, higher inflation, and fewer interest rate cuts. The anticipation that Trump's administration will imply less regulation, lower taxes, less immigration, and higher tariffs sent certain sectors of the stock market notably higher, including banks, energy stocks, smaller companies, and some tech stocks. Crypto related stocks have been big beneficiaries of the expectation of lower regulation.

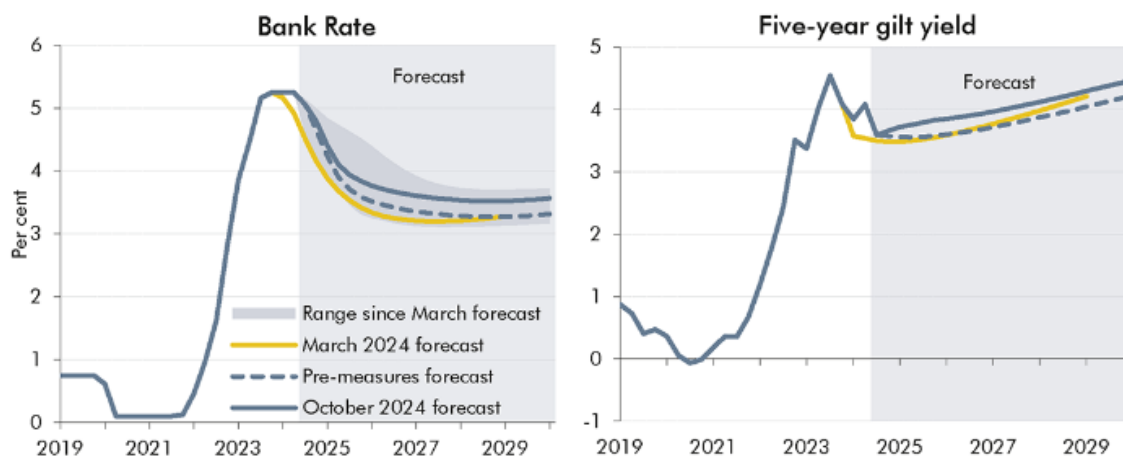
In the UK on November 7 the Bank of England (BoE) again cut interest rates, taking them down by 25bps to 4.75%. At its September meeting the BoE had left rates unchanged. In August it had cut rates by 25bps to 5%, the first rate cut since 2020. In August, the decision was a close one with a 5-4 majority on the BoE rate setting committee for a cut. The November meeting was a much more one-sided affair with an eight-to-one majority for a further 25bps cut.

The rate cut came post the first budget of the new Labour government. The Budget is anticipated to put upwards pressure on inflation with the Office of Budget Responsibility saying, *'We estimate that Budget policy measures increase inflation by 0.4 percentage points at their peak effect in 2026, mainly reflecting the impact of the excess demand generated by the fiscal loosening and some pass-through of employer NICs to consumer prices.'*

UK CPI was at 1.7% in September, which is beneath the BoE's 2% target, but it is not expected to stay at such low levels. The OBR expects UK inflation to pick up to 2.6% in 2025 and then slowly to fall back to 2% by 2027-28. Compared to its March forecast, inflation is 110bps/60bps higher in 2025/2026 *'driven mainly by greater-than-expected persistence in wage growth and the impact of the near-term fiscal loosening in this Budget.'*

On interest rates the OBR now expects interest rates to fall to c3.5% in the final year of its forecast, 2029. It has raised its expectation for interest rates in 2025 and 2026 by around 50bps relative to the March forecast and by 25bps across the entire range of the forecast reflecting the discretionary fiscal easing in the Budget.

Bank Rate and five-year gilt yield



Note: March 2024 forecast is the average of 10 working days to 23 January. Pre-measures forecast is the average of 10 working days 12 September. Range is the minimum and maximum daily value between our March forecast and 23 October.

Source: Bank of England, OBR

After the November 7 decision the BoE governor, Andrew Bailey commented ‘We need to make sure inflation stays close to target, so we can’t cut interest rates too quickly or by too much, but if the economy evolves as we expect, it’s likely that interest rates will continue to fall gradually from here.’

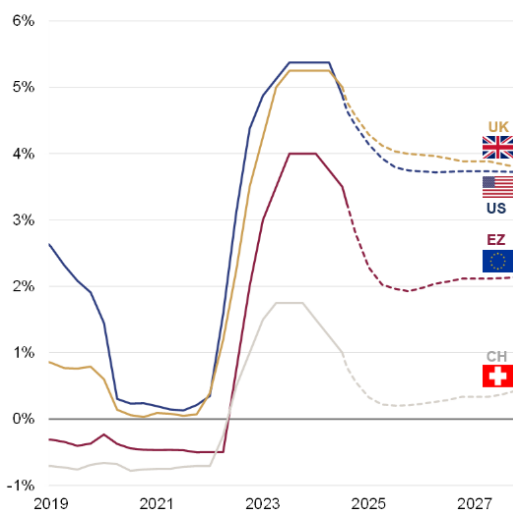
All this, plus the US election result with its prospect of potentially higher trade tariffs impacting inflation, means the market no longer anticipates the BoE will cut rates at its next meeting on December 19.

In June, **the ECB** lowered interest rates for the first time in five years, cutting the core interest rate by 25bps to 3.75%. It followed this up in its mid-September meeting with another 25bps cut to 3.5%. Despite the minutes of that meeting saying that a ‘gradual’ and ‘cautious’ approach to rate cuts was still appropriate because it is ‘not fully certain that the inflation problem was solved’ the ECB again cut rates in October. The ECB cut rates by 25bps to 3.25%.

The commentary from ECB president Christine Lagarde post the decision indicates that the ECB sees inflation on track saying that recent indicators had ‘improved our confidence’ that the Euro area is on track to reach its 2% inflation target in 2025. Eurozone inflation was 1.7% in September albeit expected to rise towards the end of the year. With the Eurozone economy still weakening the market anticipates further 25bps rate cuts at both the December and January meetings taking rates down to 2.75% at that point.

Interest rates are starting to fall

Market-implied policy rates¹ for the US, UK, Eurozone and Switzerland



Source: Rothschild & Co, Bloomberg

Derived from OIS curves (three-month tenor: USD – SOFR; GBP – SONIA; EUR – ESTR; CHF – CHF OIS)

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

	GROWTH Positive	Robust economies Growth remains positive on both sides of the Atlantic, and unemployment rates historically subdued. Forward-looking business surveys show services in better shape than manufacturing, though suggest overall momentum can continue into the final quarter. Moreover, on balance, both monetary and fiscal policy remain loose. A major downturn still seems neither necessary nor likely
	INFLATION Positive	Above-target inflation may be manageable Inflation is back at targeted levels (2%), or close to them, across the developed world. However, we continue to think it may not stay there, but will instead settle in the 2-4% region for the next year or so: economies are not fragile enough, and labour markets loose enough, for targets to be achieved sustainably. Even so, this may not trouble businesses, particularly those with strong pricing power
	POLICY Positive	Rates are falling Inflation trending at above-target levels will not allow central banks – or bond investors – to relax completely. However, with policy rates above what we think of as their long-term norms, there is still room for rates to fall in both the US and Europe in what remains of 2024 and in 2025. Market expectations for those cuts also look more realistic than in recent months
	GEOPLITICS Negative	Geopolitical risk further intensifies Conflict in the Middle East has escalated again, following exchanges between Israel and Iran. Meanwhile, the situation in Ukraine is still showing few signs of resolve, with North Korea now seemingly involved. China's latest military drills were also a reminder that it has not dropped its claim on Taiwan. Moreover, the possibility of another Trump presidency looms. However, as we note so often: what troubles us as citizens does not always affect portfolios. The business cycle usually matters most, and for now, it remains constructive
	VALUATIONS Negative	Stock valuations are full, but not excessive Global stocks are near all-time highs and US valuations – while not outlandish – are expensive. However, earnings expectations are drifting higher and non-US stocks appear less overvalued. Meanwhile, in fixed income, government bond yields are close to what we might consider as fair value, and look more useful as diversifiers. Corporate bonds are still looking expensive, with spreads back close to post-global financial crisis lows
	MARKET DYNAMICS Neutral	Volatility picks up (a little) Stock volatility was remarkably low before the August sell-off, and, while it has quickly fallen back again, remains higher than before that event. Ongoing financial risk must still be elevated after the sharp normalisation of interest rates, but big banks' balance sheets look well capitalised, and accidents may be confined to such casualties as regional US banks, commercial real estate, and private markets

Source: Rothschild & Co

Venture capital raises – Strong October

US venture raises were particularly strong in October with our monitor recording 45 deals at \$100m or more (compared with 18 in September) topped by the \$6.6bn raise for OpenAI led by Thrive Capital, Khlosa Ventures, Microsoft and Nvidia. In total US venture raises for the month stood at just short of \$16bn. It is the biggest month of the year to date.

There were fourteen deals of \$200m or more. There were three artificial intelligence raises. The **OpenAI** deal raised \$6.6bn at a valuation pre money of \$150bn. A \$500m Series B led by Bain Capital, DST Global and Nvidia for **Poolside** was the third largest deal of the month. Poolside has built a foundation model, an API, and an Assistant to help software engineers. In turn the model learns how the developers write code and infuses this into its process. **Lightmatter's** high powered photonics interconnect layer (30 terabits) enables 1024 GPUs to operate simultaneously. Effectively it speeds up the performance of AI datacentres. Its \$400m Series D was led by T Rowe Price and Google Ventures and valued the company at \$4.4bn.

Energy related deals were prominent in the month. **Pacific Fusion** raised \$900m in a Series A led by General Catalyst and Alkeon Capital. A \$500m investment in **X-energy** was led by Amazon Web Services. The company is a developer of small modular nuclear reactors and AWS will use X-Energy's reactors to power its datacentres with 5GMW of power planned to come on stream by 2039.

The energy demands of AI are also being addressed by **Crusoe Energy**. Its mission states 'AI requires a tremendous amount of energy. Taking an 'energy first' approach to building and operating clean computing infrastructure, Crusoe reduces both the costs and the environmental impact of the world's expanding AI needs.' The company aims to deliver 'gigawatts of new data centre capacity.' Crusoe raised \$500m in a Series D led by Founders Fund that valued the business at \$3bn.

Other ClimateTech deals were the \$405m raised in a Series F by **Form Energy** led by T Rowe Price and GE Vernova. Form uses an iron-air battery system for long term energy storage. **BrightNight** raised \$440m in a strategic investment from Goldman Sachs Alternatives. BrightNight has a 31-gigawatt renewable power project portfolio, including solar, energy storage, and hybrid solutions.

Two substantial biotech deals. **Kailera Therapeutics** - oral therapies for the treatment of obesity - raised \$400m in a Series A led by Atlas Venture and Bain Capital Life Sciences. **Seaport Therapeutics**, with a range of novel anxiety and depression treatments, raised \$225m in a deal led by General Atlantic and T Rowe Price.

A couple of fintech deals. Mortgage release company **Splitero** raised \$300m in a deal led by Antarctica Capital and insurance company **Zinnia** raised \$300m from Vista Credit Partners.

Rounding out the bigger deals, cybersecurity company **Armis** raised a \$200m Series D at a valuation of \$4.2bn with General Catalyst and Alkeon Capital leading. It was last valued at \$3.4bn in a November 2021 raise. Its ARR, which has doubled in 18 months, is \$200m suggesting a c20x revenue multiple. The Armis Centrix platform offers real-time cyber exposure management. **Beta Technologies** raised \$380m in a Series C led by the QIA, Fidelity and TPG Rise. The company is developing electric fixed-wing and eVTOL (electric vertical take-off and landing) aircraft.

The US – \$16bn of US venture backed raises of \$100m+ in October

Country	Date	Company	Stage	Amount \$m	Valuation \$m	Sector	Investors	What it does
US	Oct-24	OpenAI	Funding	6,600	150,000	AI	Thrive Capital, Khosla, Nvidia, Microsoft	Large Language Models
US	Oct-24	Pacific Fusion	Series A	900		Energy	General Catalyst and Alkeon Capital,	nuclear fusion-based energy source,
US	Oct-24	poolside	Series B	500		AI- software	Bain Capital, DST Global, Nvidia	AI for software development
US	Oct-24	Crusoe Energy Systems	Series D	500	3,000	Energy	Founders Fund	neocloud data center providing outsourced cloud computing
US	Oct-24	X-energy	Series C	500		Climate Tech	Amazon	small modular nuclear reactors for clean energy generation.
US	Oct-24	BrightNight	Equity	440		Climate Tech	Goldman Sachs Alternatives	renewable power producer
US	Oct-24	Form Energy	Series F	405		Climate Tech	T. Rowe Price, GE Vernova,	multi-day energy storage systems
US	Oct-24	Lightmatter	Series D	400	4,400	Datacentres	T. Rowe Price, GV, FMR	silicon photonics
US	Oct-24	Kalera Therapeutics	Series A	400		Biotech	Atlas Venture, Bain Capital Life Sciences, RTW Investments	oral therapies for the treatment of obesity
US	Oct-24	Beta Technologies	Series C	380		Aerospace	QIA Fidelity, TPG Rise	electric vertical take-off and landing planes.
US	Oct-24	Splitero	Funding	388		Fintech	Antarctica Capital	Mortgage release
US	Oct-24	Zinnia	Financing	355		Insurance	Vista Credit Partners	Life and Annuity
US	Oct-24	Seaport Therapeutics	Series B	225		Biotech	General Atlantic, T. Rowe Price	novel neuropsychiatric medicines
US	Oct-24	Armis Security	Series D	200	4,200	Cybersecurity	General Catalyst and Alkeon Capital,	cyber exposure management & security platform
US	Oct-24	Zip	Series D	190		Software	BOND, DST Global,	procurement orchestration platform
US	Oct-24	Sierra	Funding	175	4,500	AI	Greenoaks Capital, Thrive Capital, Iconiq	AI-powered customer service chatbots to enterprises
US	Oct-24	Aktis Oncology	Series B	175		Biotech	JanusHenderson,RA Capital	targeted alpha radiopharmaceuticals for solid tumors,
US	Oct-24	Melio	Series E	150	2,000	Fintech	Fiserv	Payments platform
US	Oct-24	Impulse Space	Series B	150		Space	Founders Fund, Lux Capital and Spring Tide,	in space transportation services,
US	Oct-24	DTIQ	Funding	145		Software	Bain Capital Credit	SaaS video analytics for restaurants and specialty retail
US	Oct-24	EvenUp	Series D	135		Data - AI	Bain Capital Ventures, Premij Invest,	personal injury AI and document generation,
US	Oct-24	City Therapeutics	Series A	135		Biotech	Arch Venture	RNAi therapeutics across multiple diseases.
US	Oct-24	Zap Energy	Series D	130		Energy	Soros Fund Management, BAM Ekvate,	liquid-metal-cooled fusion test platform,
US	Oct-24	AtVenu	Funding	130		Event Management	Sixth Street	manage retail sales at live events,
US	Oct-24	Eon	Funding	127		Cloud	Greenoaks, Quiet Ventures.	cloud backup solution provider
US	Oct-24	Maven Clinic	Series F	125		Healthcare	StepStone Group, General Catalyst, Sequoia,	virtual clinic for women's and family health
US	Oct-24	Terray Therapeutics	Series B	120		Biotech	Bedford Ridge Capital, Nventures	AI platform for drug development
US	Oct-24	Triven Bio	Series B	115		Biotech	Goldman Sachs Alternatives, FMR	antibody-based therapies for immunological disorders
US	Oct-24	Evomune	Series C	115		Biotech	RA Capital, Sectoral AM	immune-mediated inflammatory diseases,
US	Oct-24	Avonics Therapeutics	Series A	115		Biotech	Comorant AM, venBio Partners	Neuromedicines
US	Oct-24	FingerCheck	Funding	115		Human Resources	Edison Partners	Payroll and HR Management
US	Oct-24	Nusano	Series C	115		Medical	The Washco Group, S32	medical radioisotopes
US	Oct-24	Avanell	Series B	112		Biotech	Novo Holdings, F-Prime Capital, Eight Roads Ventures	clinical-stage cell therapy company
US	Oct-24	Nimble Robotics	Series C	106	1,000	Robotics	FedEx, Cedar Pine.	robotics and autonomous e-commerce fulfillment
US	Oct-24	Toca Football Inc	Series F	100		Leisure	Family offices	soccer experience
US	Oct-24	DoorLoop	Series B	100		Software	JMI Equity	property management software
US	Oct-24	Cytovale	Series D	100		Healthcare	Sands Capital, CPP Investments	commercial-stage medical diagnostics company,
US	Oct-24	Glisko	Series F	100		Healthcare	Georgian, Health Catalyst Capital, Canaan	digital healthcare platform
US	Oct-24	Redaptive	Funding	100		Climate Tech	Canada Pension Plan Investment Board	Energy-as-a-Service (EaaS) provider
US	Oct-24	Path Robotics	Funding	100		Robotics	Drive Capital, Matter Venture Partners	AI in robotic welding
US	Oct-24	Valon Tech	Funding	100		Fintech	WestCap, Andreesen Horowitz,	vertically integrated mortgage servicing platform
US	Oct-24	DoorLoop	Series B	100		Software	JMI Equity	property management software
US	Oct-24	Decagon	Series B	100		AI	Bain Capital Ventures	AI customer support agents
US	Oct-24	Auger	Seed	100		Software	Oak HC	Inventory management platform
US	Oct-24	JudeBio	Seed	100		Biotech	Atlas Venture, The Column Group	oligonucleotide medicines delivered to the kidney,
Total				15,953				

Source: Rothschild & Co, Crunchbase

In Europe, our Deal Monitor recorded \$3.5bn of venture capital raises in October, the third highest monthly total ytd. The amount raised was 2.7x the level of October 2023 and almost 30% higher than October 2022. This is a bounce back after Q3 2024 saw European VC raises down 27% on Q3 2023 and 10% down on Q3 2022. It means that YTD 2024 European raises are now at \$29.1bn, 15% ahead of the 2023 level.

It was a strong month for Climate Tech raises with four deals in the top twelve including the largest. French asset management business Mirova invested \$528m to become a significant minority investor in the independent power producer **RP Global** which is commissioning 2.5GW of solar, wind and storage assets by 2029. The European Bank for Reconstruction and Development invested \$110m in **GreenGenius** to support renewable energy development in EBRD countries. The Lithuanian business has developed 2.7 GW of renewable energy projects and has completed 549 MW worth of projects across solar, wind, biomethane and batteries. Swiss business **terralayr** raised \$84m in equity and debt from RIVE Private Investment, Creandum and Earlybird. It is a developer of renewable battery storage systems. **Aira** of Sweden raised a Series B of \$69m from Temasek and Statkraft Ventures to expand its heat pump business.

There were five biotechs in the top ten, continuing the recent revival in raises in the industry. **Purespring Therapeutics** raised \$105m in a Series B led by Sofinnova and Gilde Healthcare. It is developing gene therapy for kidney diseases. **Agomab Therapeutics'** Series D was led by Sanofi and Invus and raised \$89m for its treatments in fibrosis and chronic conditions. **Resolution Therapeutics** has a cell therapy for liver disease and raised \$83m in a Series B led by Syncona. **Blue Earth Therapeutics**, which is developing novel cancer treatments, raised \$77m in a deal led by Soleus Capital and Sands Capital Management. **Nuclera's** benchtop protein system attracted \$75m in funding in a deal led by Elevage Medical Technologies.

The second largest deal of the month was the \$500m Series E raised by martech **Insider** led by General Atlantic. Insider describes itself as an omnichannel experience and customer engagement platform. The

Turkish company aims to develop further its marketing software offering, invest in AI related R&D and to grow its staff base and geographic footprint.

One fintech in the leading group with **Zepz**, an international money transfer platform – it owns WorldRemit and Sendwave- raising \$267m from Accel, Leapfrog and IFC.

Space services business **The Exploration Company** which has developed Nyx, a reusable space capsule, raised \$165m at a \$465m post money valuation in a deal led by Balderton Capital.

Europe - \$3.5bn of raises in October

Country	Date	Company	Stage	Amount \$m	Valuation \$m	Sector	Investors	What it does
Austria	Oct-24	RP Global	Funding	528		ClimateTech	Mirova	Renewable energy developer
Turkey	Oct-24	Insider	Series E	500		Marketing	General Atlantic	Digital marketing
UK	Oct-24	Zepz	Funding	267		Fintech	Accel, IFC, Leapfrog, TCV.	international money transfer
Germany	Oct-24	The Exploration Company	Funding	165	465	SpaceTech	Balderton	reusable space capsule - Nyx.
Lithuania	Oct-24	GreenGenius	Funding	110		ClimateTech	European Bank for Reconstruction and Development	renewable power developer
UK	Oct-24	Purespring Therapeutics	Series B	105		Life Sciences	Sofinnova Partners, Glide Healthcare	gene therapy for kidney diseases.
Belgium	Oct-24	Ajomab Therapeutics	Series D	89		Biotech	Sanoft and Invas	modulating fibrosis/regeneration in chronic indications
Switzerland	Oct-24	terralay	Funding	84		Climate Tech	IVE Private Investment, Creandum, Earlybird,	renewable battery storage systems
UK	Oct-24	Resolution Therapeutics	Series B	83		Biotech	Syncona Ltd	macrophage cell therapy for liver disease.
UK	Oct-24	Blue Earth Therapeutics	Series A	77		Biotech	Soleus Capital, Sands Capital Management	cancer treatments
UK	Oct-24	Nuclera	Funding	75		Biotech	Eieavage Medical Technologies	benchtop protein system
Sweden	Oct-24	Aira	Series B +	69		ClimateTech	Temasek, Statkraft Ventures, Kinnevik	air source heat pumps
Germany	Oct-24	Blacklane	Series G	66		Ridehailing	TASARU Mobility, Mercedes-Benz Mobility, Gargash Enterprises	chauffeur services provider
UK	Oct-24	Homestree	Financing	65		ClimateTech	CPP Investment	residential energy services
UK	Oct-24	Basecamp Research	Series B	60		Biotech	Singular, S32, redalpine	design of novel protein sequences
Spain	Oct-24	Submer	Series C	56	500	ClimateTech	M&G Investments, Mundi Ventures	data center cooling solutions
Sweden	Oct-24	Sana	Funding	55	500	AI	NEA, Menlo Ventures	custom AI agents
Italy	Oct-24	Genespire	Series B	50		Biotech	Sofinnova Partners, XGEN Venture and CDP Venture Capital	gene therapies for pediatric patients' genetic diseases
Spain	Oct-24	INBRAIN Neuroelectronic	Series B	50		Medical	imec xpand, EIC Fund, Fond ICO Next Tech	brain-computer interface therapeutics (BCI-Tx)
Sweden	Oct-24	Polarium	Funding	49		ClimateTech	Vargas Holding, AMF	Energy storage
UK	Oct-24	LoQus23 Therapeutics	Series A	46		Biotech	Forbion, SV Health	somatic expansion inhibitors for Huntington's Disease
UK	Oct-24	All Space	Funding	43		SpaceTech	BOKA Capital	Satellite communications technology
Switzerland	Oct-24	X Farm Technologies	Series C	39		Software	Partech, Mouro Capital, Swisscom Ventures,	digitalisation of the agri-food sector,
Israel	Oct-24	Zenith	Series B	38		Cybersecurity	Third Point Ventures and DTCP	agent-less application security platform
Germany	Oct-24	Aignostics	Series B	34		Biotech	ATHOS, Mayo Clinic, HTGF,	multi-modal pathology data into insights
Sweden	Oct-24	CorPower Ocean	Funding	35		ClimateTech	NoordicNinja, SEB Greentech	wave energy technology
Israel	Oct-24	Port	Series B	35		Software	Accel, Bessemer	internal developer portal
France	Oct-24	Fligran	Series B	35		Cybersecurity	Insight, Accel, Moonfire	cyber threat anticipation
France	Oct-24	Antive	Funding	33		Software- Insurance	Blossom Capital, Elaia,	Automate the claims process
Norway	Oct-24	eSmart Systems	Funding	33		Software	TILT Capital	inspection and maintenance solutions for infrastructure
UK	Oct-24	Enara Bio	Series B	33		Biotech	Pfizer Ventures and M Ventures	Antigen targets for solid tumors
UK	Oct-24	Eptopia	Pre Series	31		Biotech	Investissement Québec, adMare Biolnnovations	cancer immunotherapeutics
Israel	Oct-24	Kando	Funding	30		Climate Tech	DC Thomson, LIP, Ram-On Investments	wastewater intelligence company
Israel	Oct-24	Stream.Security	Series B	30		Cybersecurity	U. S. Venture Partners, Citi Ventures	real-time cloud security solutions
UK	Oct-24	Relievixity	Series B	30		Data - AI	Greycroft and Interactive Brokers	Investment tools and analytics
Germany	Oct-24	OroraTech	Series B	28		Data - software	Korys, the European Circular Bioeconomy Fund, Bayern Kapital	intelligence-as-a-service wildfire management platform
France	Oct-24	Stolk	Series B	28		Insurtech	Alven, Andreessen Horowitz, MunichRe	cyber insurance services for SMEs
Netherlands	Oct-24	Paebbl	Series A	25		ClimateTech	Capnamic, Climate Pledge Fund (Amazon), Holcim	decarbonization technology
UK	Oct-24	Omnea	Series A	25		Software	Accel, First Round Capital	all-in-one procurement platform
Italy	Oct-24	Cyber Guru	Series B	25		Cybersecurity	Riverside Acceleration Capital, EduCapital	cybersecurity awareness training platform,
Netherlands	Oct-24	Tebi	Series A	22		Fintech	Index Ventures	financial platform for independent hospitality and retail
Sweden	Oct-24	Flower	Series A+	22		ClimateTech	Northzone, 82an Invest	battery energy storage infrastructure
UK	Oct-24	BNL	Funding	21		Data	Factset, Nasdaq Ventures, IQ Capital's Growth Fund	historical markets data
Sweden	Oct-24	Yazen	Series A	21		Healthcare	Evli Growth Partners and Helsana HealthInvest	GLP-1 weight-loss medications/lifestyle advice
Israel	Oct-24	Air Doctor	Series B	20		Marketplace - Health	Marketplace - Health Moon, Tokio Marine Holdings, Samsung Ventures	travel health
UK	Oct-24	Omnea	Series A	20		Software	Accel, First Round Capital	procurement and supplier risk management platform,
Sweden	Oct-24	EvolueteIQ	Funding	20		Software	Round2 Capital, Nordea Growth Fund,	enterprise digital transformation
Switzerland	Oct-24	Lymphatica Medtech	Series B	20		Medtech	Panakés Partners, TechWald Next	treatments for lymphedema
Italy	Oct-24	hlyp	Funding	20		Software	Nexitalia SGR, Alkermia Capita	digital services for mobility and vehicle assistance
Portugal	Oct-24	Infraspeak	Series B	20		Software	Endeit Capital	develops tools for facilities management
UK	Oct-24	Pure Pet Food	Funding	20		Consumer	Felix Capital	DTC subscription pet food
UK	Oct-24	Periego	Funding	20		Edtech	ITHA&A, Medialhuis, Raine	Book subscription service
Total				3,606				

Source: Rothschild & Co

Catching up on AI raises

According to Crunchbase one in three US venture capital dollars raised in 2024 has gone to AI

We wrote extensively in last month's Growth Equity Update about Open AI's \$6.6bn raise which valued the business at \$150bn. With the market clearly in the mood for AI investment the round, not surprisingly, has led to a flurry of other prospective AI related raises.

Despite having raised \$6bn as recently as May this year at a pre-money valuation of \$18bn, **xAI** is reportedly seeking another fund raise. This time the Elon Musk led business is said to be looking for a \$5bn raise at a valuation of up to \$45bn. The business started in July 2023 and in November that year launched Grok-1, an AI LLM 'modelled after the Hitchhiker's Guide to the Galaxy. It is intended to answer almost anything and, far harder, even suggest what questions to ask!' In March, Grok-1.5 was launched with improved reasoning capabilities and in its 1.5V version, stronger processing capability for visual information. The last round was supported by investors including Valor Equity Partners, Vy Capital, Andreessen Horowitz, Sequoia Capital, FMR, Prince Alwaleed Bin Talal and Kingdom Holding, amongst others.

Anthropic is one of the key rivals to OpenAI. In May 2023 it raised a \$450m Series C led by Spark Capital with participation from Google, Salesforce Ventures, Sound Ventures, and Zoom Ventures. The valuation – not officially revealed at that time - was said to be in the order of \$4bn-\$4.5bn. In September 2023 Amazon concluded a \$4bn investment in the business. In January 2024 Anthropic raised a \$1.2bn Series D

led by Menlo Ventures valuing the company at \$18bn. Anthropic was reported in September to be in early talks to raise a further round at a valuation of \$30bn-\$40bn.

In April, this year **Perplexity AI** raised a \$250m Series C valuing the business at \$2.5bn. The round was led by NEA and IVP. This followed a \$74m Series B completed in early January and supported by Nvidia, Jeff Bezos and others which came in at a valuation of c\$520m.

Perplexity describes itself as ‘*the world’s first fully functional conversational answer engine.*’ The business looks to compete with Google, with users typing in questions and receiving conversational style answers, with much of the information derived from web scraping. This has led to accusations by publishers that Perplexity has plagiarised their material which in turn led Perplexity to announce in July this year a ‘*Publishers Program*’ that offers publishers a double-digit share of Perplexity’s (yet modest) revenues.

Perplexity has now entered a new round of funding talks and is reported to be seeking to raise c\$500m at a valuation of c\$9bn.

Sierra describes itself as a conversational AI company. It has developed conversational AI chatbots (‘*I knew the AI agent would answer questions quickly, but I didn’t expect the responses to be so genuine and empathetic*’) aiming to improve customer experience using AI. Management has a strong pedigree. The business was founded by Bret Taylor, the former co-CEO of Salesforce and current chair of OpenAI.

In February 2024 Sierra raised \$110m in a deal led by Sequoia and Benchmark which valued the company, founded in early 2023, at a valuation of close to \$1bn. In late October Sierra raised a further \$175m in a deal led by Greenoaks Capital, ICONIQ and Thrive Capital that valued the business at c\$4.5bn.

US VC AI raises \$100m+ ytd – 32 deals and \$23bn raised

US VC AI raises 2024 to date								
Country	Date	Company	Stage	Amount \$m	Valuation \$m	Sector	Investors	What it does
US	Oct-24	OpenAI	Funding	6,600	150,000	AI	Thrive Capital, Khosla, Nvidia, Microsoft	Large Language Models
US	May-24	xAI	Funding	6,000	18,000	AI	Kingdom Holding, Vector Equity Partners, Vy Capital, az16, Sequoia	large language models
US	May-24	CoreWeave	Funding	1,100	19,000	AI	Coatue, Magnestar	AI cloud infrastructure
US	May-24	Scale AI	Series F	1,000	13,800	AI	Accel, Y Combinator	data foundry for AI
US	Sep-24	Safe Superintelligence	Funding	1,000	5,000	AI	Andreessen Horowitz, Sequoia	AI research lab
Canada	Jul-24	Clio	Series F	900	3,000	AI - Legal	NEA, GSAM	AI based solutions for legal industry
US	Feb-24	Figure	Series B	675	2,675	AI/Robotics	Microsoft, OpenAI Startup Fund, NVIDIA,	Humanoid robots
US	Jun-24	AlphaSense	Funding	650	4,000	AI	Viking Global, BDT, MSD	Market intelligence platform
US	Aug-24	Groq	Series D	640	2,600	AI	BlackRock Private Equity Partners	GroqCloud™, creating AI applications
US	Oct-24	poolside	Series B	500	500	AI- software	Bain Capital, DST Global, Nvidia	AI for software development
US	Feb-24	Lambda	Series C	320	1,500	Software	US Innovative Technology Fund	GPU Cloud computing services
US	Jul-24	Skid AI	Series A	276	1,500	Robotics	Lightspeed Venture Partners, Coatue, SoftBank	scalable foundation model for robotics
US	Sep-24	Glean	Series E	260	4,600	AI	Ailmeier and DST Global,	Work AI platform for enterprise data
US	Apr-24	Perplexity	Series C	250	2,500	AI	NEA and IVP	generative AI-based search engine
US	Apr-24	Rivos	Series A-3	250	250	Semiconductors/AI	Matrix Capital Management,	RISC-V CPUs and Data Parallel Accelerator for LLMs
US	Mar-24	Applied Intuition	Series E	250	6,000	Software	Lux Capital	Gen AI for automotive industry
US	Apr-24	Perplexity	Series C	250	2,500	AI	NEA and IVP	generative AI-based search engine
US	Sep-24	World Labs	Funding	230	230	AI	Andreessen Horowitz, NEA, Radical Ventures	Spatial intelligence AI
US	Apr-24	Augment	Series B	227	977	AI	Sutter Hill Ventures, Index Ventures	AI coding assistance
US	Feb-24	Glean	Series D	200	2,200	Software/AI	Kleiner Perkins, Lightspeed Venture Partners	AI work assistant for enterprises
US	Mar-24	Celestial AI	Series C	175	175	Software	US Innovate Tech fund	Optical interconnect tech for AI
US	Oct-24	Sierra	Funding	175	4,500	AI	Greenoaks Capital, Thrive Capital, Iconiq	AI-powered customer service chatbots to enterprises.
US	Jan-24	Kore.ai	Funding	150	150	AI/Software	FTV Capital, NVIDIA	No code platform for chatbots
US	Feb-24	Abridge	Series C	150	850	Healthcare	Lightspeed Venture Partners, Redpoint Ventures	AI models for clinicians
US	Mar-24	Zephyr AI	Series A	111	111	Healthtech	El Lilly	AI for precision medicine
US	Feb-24	Sierra	Funding	110	1,000	AI	Sequoia Capital, Benchmark	Conversational AI platform
US	Mar-24	Together	Series C	106	1,250	AI	Salesforce Ventures	Open source AI platform
US	Apr-24	Blaize	Funding	106	106	AI	Bess Ventures, Franklin Templeton, DENSO	AI computing edge solutions
US	Feb-24	Recogni	Funding	102	102	Semiconductors/AI	Celesta Capital, GreatPoint Ventures	Gen AI chip designer for AIs
US	Jun-24	Hebbia	Series B	100	100	AI	Andreessen Horowitz	Gen AI to search large documents
US	Jul-24	Harvey	Series C	100	1,500	AI - Legal	Google Ventures, OpenAI, Kleiner Perkins	legal AI platform
US	Oct-24	Decagon	Series B	100	100	AI	Bain Capital Ventures	AI customer support agents
Total				23,063				

Source: Rothschild & Co

Our views on the state of the venture capital markets

The combination of global inflation, rising interest rates, and increased geopolitical risk substantially impacted the venture capital market in 2022 and 2023. As we move through 2024 adaptation to the ‘*new normal*’, the refocusing of venture backed companies to achieve a better balance of growth, profitability and cash flow and the delivery of interest rate cuts have led to increased optimism and enthusiasm for growth equity. 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 interest in venture capital to fund artificial intelligence, both the foundation LLM models, the applications of AI and industries (data centres, semiconductors) supporting the development of AI.

- Best-in-class companies, addressing critical requirements, continue to attract support. There are still hotspots for investment most notably in Artificial Intelligence and Climate Tech. Certain investors remain highly active in the space with substantial funds to deploy.
- The speed of the investment process has slowed. The level of diligence on new deals has stepped up.
- 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. These continue into 2024.
- There is substantial dry powder in the VC industry. This though appears to be prioritised to support existing rather than new investments.
- It seems 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.

Read the previous editions: [May 2022](#), [June 2022](#), [June 2022 \(2\)](#), [July 2022](#), [August 2022](#), [Sep 2022](#), [October 2022](#), [November 2022](#), [December 2022](#), [January 2023](#), [February 2023](#), [March 2023](#), [April 2023](#), [May 2023](#), [June 2023](#), [July 2023](#), [August 2023](#), [September 2023](#), [October 2023](#), [November 2023](#), [December 2023](#), [January 2024](#), [February 2024](#), [March 2024](#), [April 2024](#), [May 2024](#), [June 2024](#), [July 2024](#), [August 2024](#), [September 2024](#), [October 2024](#)

Selected recent deals in Growth Equity and Private Capital

A selection of recent deals on which we have advised

 <p>TechMet: US\$180m QIA investment</p> <ul style="list-style-type: none"> US\$180m investment by QIA and follow-on investments from S2G Ventures and the U.S. International Development Finance Corporation TechMet is a global critical technology metals investment platform focused on battery technology and energy transition 	 <p>Castore: £145m equity funding</p> <ul style="list-style-type: none"> £145m equity investment led by The Raine Group, valued Castore at £800m pre-money (£945m post) Rothschild & Co Debt Advisory team upsized Castore's RCF by £25m to a total of £100m Represents the first institutional funding round for Castore, the premium sportswear brand 	 <p>ELECTRA</p> <p>Electra - PGGM Investment: €304m Series B capital raise</p> <ul style="list-style-type: none"> PGGM on the €304m Series B capital raise for Electra Electra, a leading player in electric vehicle charging, focusing on building and operating fast charging stations across Europe 	 <p>YuLife: c \$120m+ Series C</p> <ul style="list-style-type: none"> YuLife on its investment by T Rowe Price T Rowe Price's first ever private investment in European FinTech The Series C extension valued YuLife at c.US\$800m, a 3x uplift from its valuation at its Series B announced in July 2021
 <p>Carsome: US\$290m Series E</p> <ul style="list-style-type: none"> US\$290m Series E fundraising led by SeaTown International and 65 Equity Partners The funding round increased Carsome's valuation to US\$1.69bn, cementing its position as Malaysia's first and largest tech unicorn Follows US\$170m Series D2 round in Sept 2021, on which we also advised 	 <p>Gousto: £240m primary and secondary rounds</p> <ul style="list-style-type: none"> £170m secondary investment from institutional investors including SoftBank, Grosvenor Food & AgTech, Railpen and Fidelity £70m primary investment by SoftBank Vision Fund II in Jan '22 £240m total funds raised, valuing Gousto at £1.2 billion on a pre-money basis 	 <p>SEBA Bank: CHF110m raise</p> <ul style="list-style-type: none"> CHF110m fundraising co-led by a consortium of new investors, including Altive, Ordway Selections and Summer Capital, specialising in blockchain and fintech. DeFi Technologies, leader in decentralized finance also participated 	 <p>First Digital Bank: US\$120m capital raise</p> <ul style="list-style-type: none"> US\$120m capital raise through a syndicate of investors including Tencent, SBI Investment Co, Julius Baer, and West Coast Equity Partners First Bank to receive a banking license in Israel for over 42 years and first neobank in Israel
  <p>FL Entertainment: €7.2bn business combination</p> <ul style="list-style-type: none"> €7.2bn combination with Pegasus Entrepreneur Transaction included a c€550m equity raising FL Entertainment is composed of Banijay, largest independent content producer globally, and BetClic Everest Group, Europe's fastest-growing sports 	  <p>Insight Partners: strategic investment in Precisely</p> <ul style="list-style-type: none"> US\$2bn+ recap of Precisely Software Incorporated Insight Partners led a group that included Partners Group, Clearlake Capital, TA Associates, and Centerbridge Partners as investors in Precisely. Precisely is a leading data integrity and infrastructure software company 	 <p>Kpler: minority stake acquisition</p> <ul style="list-style-type: none"> Acquisition of a minority stake in Kpler, a leading SaaS provider from its founders, Five Arrows and Insight Partners. Transaction included c.30% of secondary share capital of Kpler plus primary investment of €20m 	 <p>Fibrus: £270m seven-year debt package</p> <ul style="list-style-type: none"> £270m debt package comprising a £200m capex facility, £20m revolving facility and £50m uncommitted accordion facility Fibrus is an alternative provider of full fibre network infrastructure and broadband in rural UK Rothschild & Co's seventh debt financing mandate in UK fibre in the last three years
 <p>GreenWay: €85m Series C</p> <ul style="list-style-type: none"> €85m Series C fundraising 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 	 <p>Harmay: US\$90m Series D</p> <ul style="list-style-type: none"> US\$90m Series D equity financing from a group of leading Chinese and global growth equity/venture capital funds Raise was led by QY Capital (an entity related to Alibaba New Retail Fund) plus existing investors 	 <p>Skyroot: \$51m Series B</p> <ul style="list-style-type: none"> c. US\$51m (INR 4,030m) Series B raise led by GIC Private Limited and LK Advisers Looking to 'uberize' space for small satellite operators, Skyroot will use its differentiated solid propulsion technology to offer on-demand, affordable launch vehicles 	 <p>Elcogen: c€100m of equity raises</p> <ul style="list-style-type: none"> €30m equity fundraising from Baker Hughes and Mirae Asset Global Investments. c€100m total capital raised following our €24m equity raise from HydrogenOne Capital in May-'22 and €45m from HD Hyundai Group in Oct-23 Elcogen develops solid oxide electrolyser cell technology for green hydrogen production

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