

Start-up-Barometer Germany

January 2019

Design of the study

- ▶ The EY Start-up-Barometer Germany is being issued since 2014, effective 2015 twice per year
- ▶ Sources: Press releases of Start-ups or Investors, Press reporting, CB Insights

EY Contact

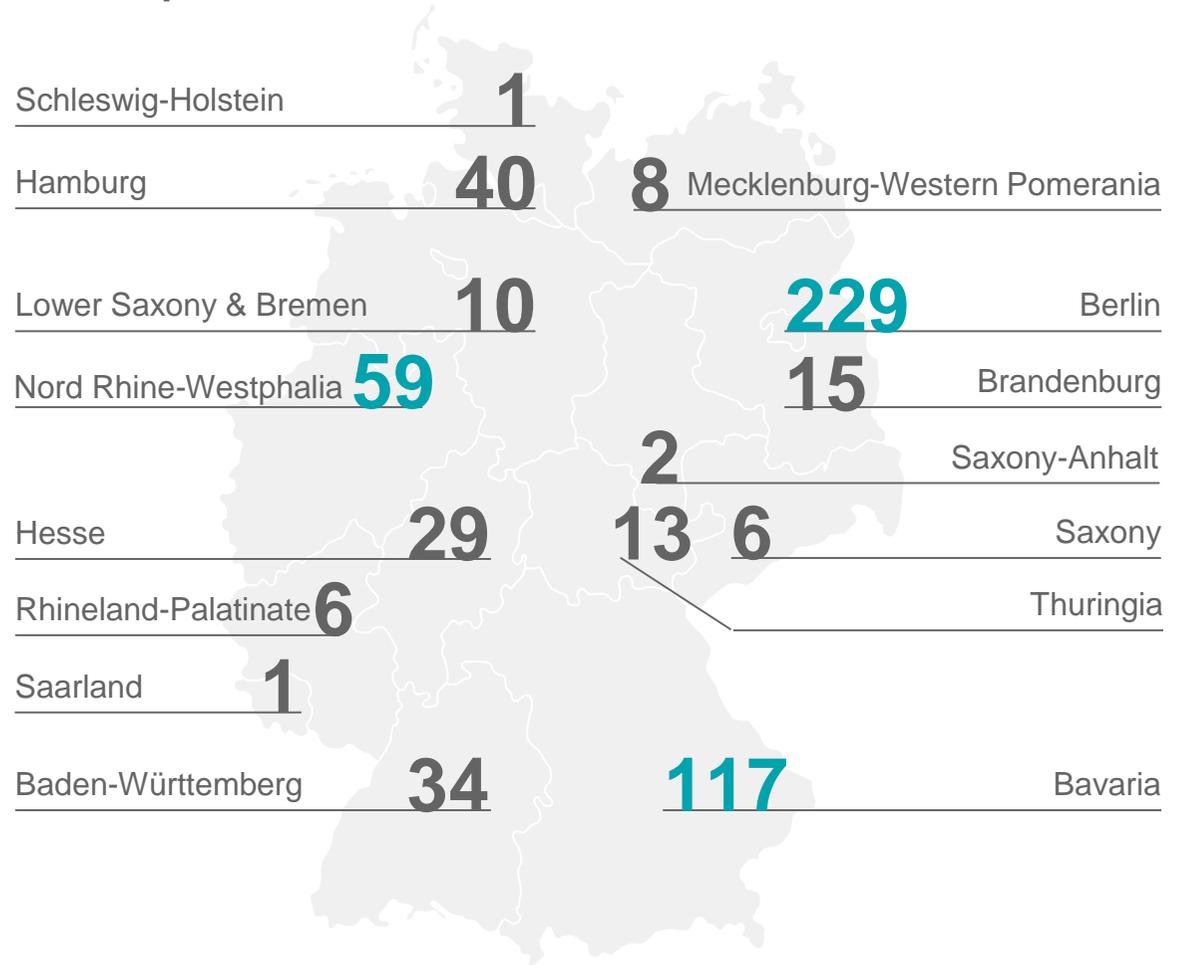


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Number of German Start-ups with venture capital financing in 2018 per state



Record investments in German Start-ups - Berlin remains ahead, but Bavaria and Nord Rhine-Westphalia are catching up

Berlin, January 10, 2019. German Start-ups received more money in 2018 than ever before: a total of around EUR 4.6 billion were invested in German Start-ups last year - 7 percent more than in the previous year. Furthermore the number of investments also reached a new high by 615, in comparison to the previous year with 507 transactions.

Berlin again defended the title as Germany's Start-up capital. Berlin Start-ups received a total of EUR 2.64 billion in 247 transactions last year. The number of transactions was 6 percent higher than in the previous year, while the investment volume fell by 11 percent. The reason for the decline is a smaller number of mega-transactions: In 2017 alone, the Berlin food delivery service Delivery-Hero had received EUR 808 Million from investors in two transactions - in 2018 the EUR 460 Million cash injection for Auto1 was the only comparable big deal in the capital.

Significantly more money than in the previous year were invested in Start-ups from Bavaria, Hamburg and North Rhine-Westphalia.

In Bavaria, the investment volume rose by 97 percent to EUR 802 Million, in Hamburg by 138 percent to EUR 548 Million and in North Rhine-Westphalia even by 154 percent to EUR 243 Million. Bavaria and North Rhine-Westphalia also recorded a significant growth in the number of transactions: by 63 percent to 124 in Bavaria and 54 percent to 60 in North Rhine-Westphalia. In Hamburg, the number of transactions rose only slightly - by 8 percent - to 42.

These are the major results of the EY Start-up barometer 2018. Only companies younger than 10 years were included in the research. In addition to classic venture capital investments, the study also includes cash inflows from IPOs and ICOs (Initial Coin Offerings) .

"For the Start-up location Germany, the year 2018 was again successful - the volume of pure venture capital investments even rose to record levels. In addition, more and more German Start-ups are getting fresh capital, "observes Peter Lennartz, Head EY Start-up Initiative and Partner at EY.

Strong growth in medium size deals

In 2018, there were six major transactions with a volume of more than EUR 100 Million, the number was at the level of the previous year. While investments above EUR 50 Million also registered only a slight growth from 5 to 7, the number of medium-sized investments in the range of EUR 10 to 50 Million rose sharply - by 48 percent from 54 to 80%.

"The number of double digit investments increased significantly by more than 40 percent compared to prior year. Double digit deals represented almost 15 percent of all deals in 2018. This demonstrate the growing trust of investors, including world known international VCs and PEs as well as from corporate investors. It also documents the growing quality of young entrepreneurs in Germany".

The strongest growth outside of Berlin

Berlin is still the leading Start-up location in Germany - however, other states are catching up: While the number of transactions in Berlin grew only slightly, there were

increasing financing rounds in Bavaria and North Rhine-Westphalia, and the investment volumes were also significantly higher than in the previous year. Although the investment volume in Hamburg also rose significantly, this was mainly due to two cash injections for the Hamburg Fashion Startup "About You" with a total value of EUR 320 Million.

"The Start-up location Bavaria, especially the area around Munich, is currently developing strongly and is catching up by big steps. The combination of cutting-edge research, enormous economic power with numerous DAX groups and a high density of venture capital investors, coupled with a high quality of life, is developing a promising dynamic ", observed by Hubert Barth, Chairman of the Board from EY Germany.

The fact that increasing numbers of young growth companies are also receiving large amounts of money outside Berlin is a positive signal for Germany, says Barth: "Start-ups are playing an increasingly important role in the digital transformation of the German economy. With their innovations, founders are giving new impulses for the digitalization and are also changing the established companies. It is important that this dynamic takes place everywhere in Germany, at all major business locations. Accordingly, the expansion and promotion of ecosystems for Start-ups in our cities and regions is a top priority. We're well on track with it."

Record investments in German Start-ups - Berlin remains ahead, but Bavaria and Nord Rhine-Westphalia are catching up

New technologies and FinTechs increasingly in the focus of investors

Although most of the money in 2018 were invested again in E-Commerce companies, the total volume decreased by 12 percent compared to 2017, to EUR 1.64 billion euros. This segment's share of the total financing volume decreased from 42 to 35 percent.

On the other side Software & Analytic Start-ups showed a massive increase. The segment includes highly technical business models such as artificial intelligence, blockchain, virtual and augmented reality, as well as Start-ups in the fields of cloud, cyber and analytics.

The investment in this segment more than doubled compared to the previous year from EUR 295 Million to EUR 670 Million, and the number of financings increased almost equally - from 75 to 148. Therefore the E-Commerce sector, to which 101 financings were allocated, lost in the number of financings its top place in the industry comparison.

"While most of the money is still invested in E-Commerce business models, we are seeing an increasing number of highly innovative and highly technology-driven artificial intelligence, blockchain and virtual reality Start-ups now attracting Millions of dollars – which are good news for Germany as a high-tech location ", emphasized Peter Lennartz.

The financing volume in the FinTech sector also increased strongly (by 22 percent to EUR 659 Million), as well as in the mobility sector (by 45 percent to EUR 427 Million) and in the PropTech sector (by 204 percent to EUR 184 Million).

By contrast, investments in Health Start-ups (by 39 percent to EUR 316 Million) and in young media companies (by 75 percent to EUR 73 Million) declined.

As in the year before, the biggest transactions of the past year were accounted for the E-Commerce sector. In January, the Berlin-based used-car platform Auto1 collected EUR 460 Million. In July, the Hamburg fashion Start-up About You received EUR 264 Million and in June the furniture Start-up Home24 received EUR 172 Million due to its IPO.

Initial coin offerings contributed EUR 255 Million, IPOs EUR 331 Million

For the first time, ICOs (Initial Coin Offerings) have significantly emerged as a new form of financing - despite the numerous critical voices. In total, German Start-ups got EUR 255 Million from 22 successful ICOs last year. The trend is, however, strongly declining: After 13 ICOs in the first half of the year, which contributed EUR 205 Million, only 9 transactions with an amount of only EUR 49 Million were registered in the second half of the year.

In addition, 3 Start-ups have ventured an IPO in 2018, taking a total of EUR 331 Million. In 2017, 4 IPOs in the Start-up sector had been counted, in which the Start-up companies had received EUR 794 Million.

Start-up financing rounds 2018: Number and Volume at new high

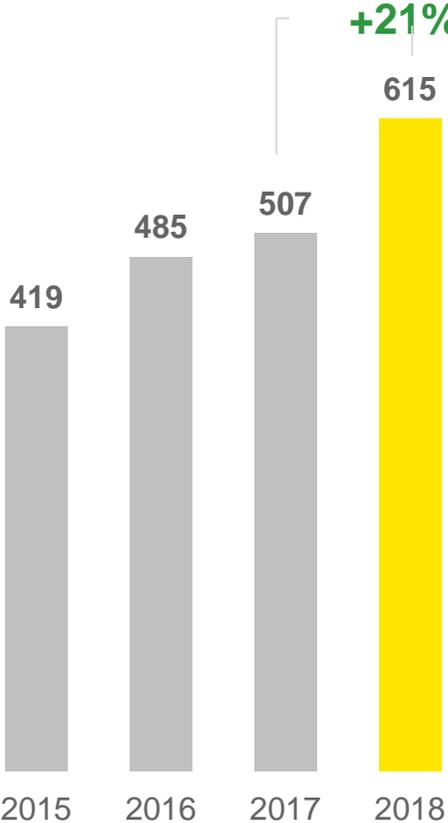


Investments in German Start-ups

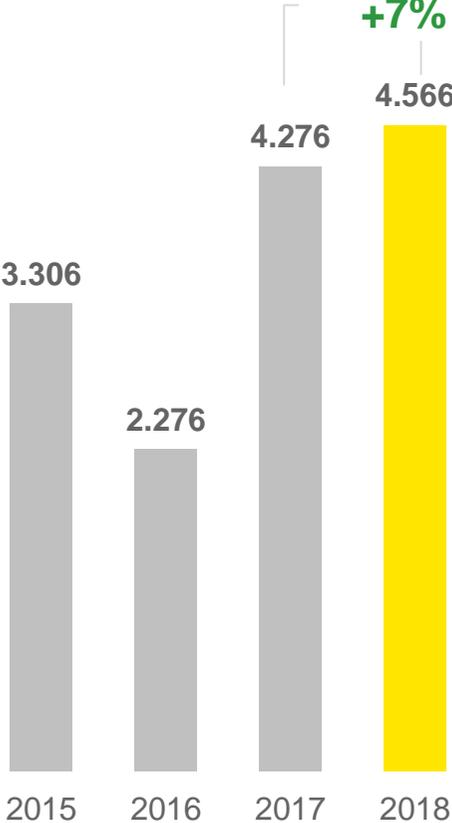
Number and volume of financing rounds in Germany

- ▶ In Germany, the number of financing rounds in 2018 increased significantly compared to the previous year: by 21 percent to 615.
- ▶ The total value of these investments increased by nearly seven percent, or EUR 290 Million, to around EUR 4.6 billion in 2018, exceeding the previous year's record level.

Number



Volume in EUR Million



Number and volume with the highest value for a second half of the year

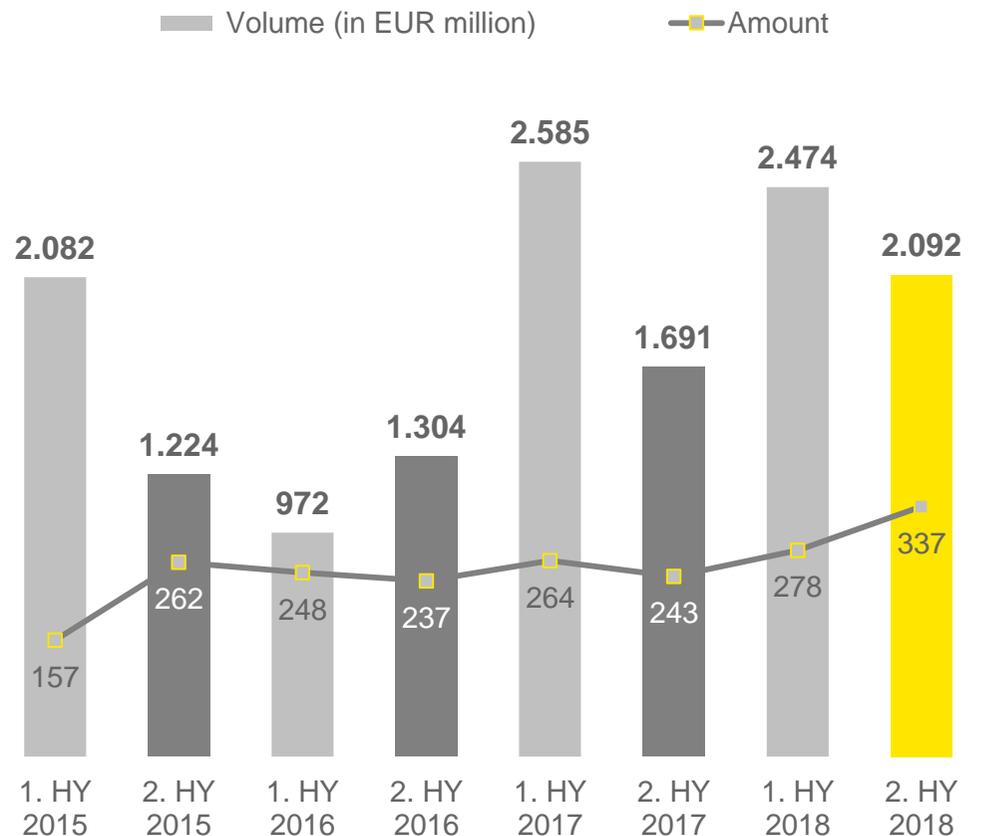


Investments in German Start-ups, from 2015 to 2018

Numbers and Volumes (in EUR Million)

Number and volume of financing rounds per half year

- ▶ In the second half of 2018, the deal volume rose by around 24 percent or EUR 400 Million to the highest level in a second half of the investigation period compared to the same period of the previous year. However, it remained around 15 percent below the level of the first half of the year.
- ▶ The number of financings increased by 22 percent compared to the same period of the previous year and with a number of 337 even reached the highest half-year value since 2015.



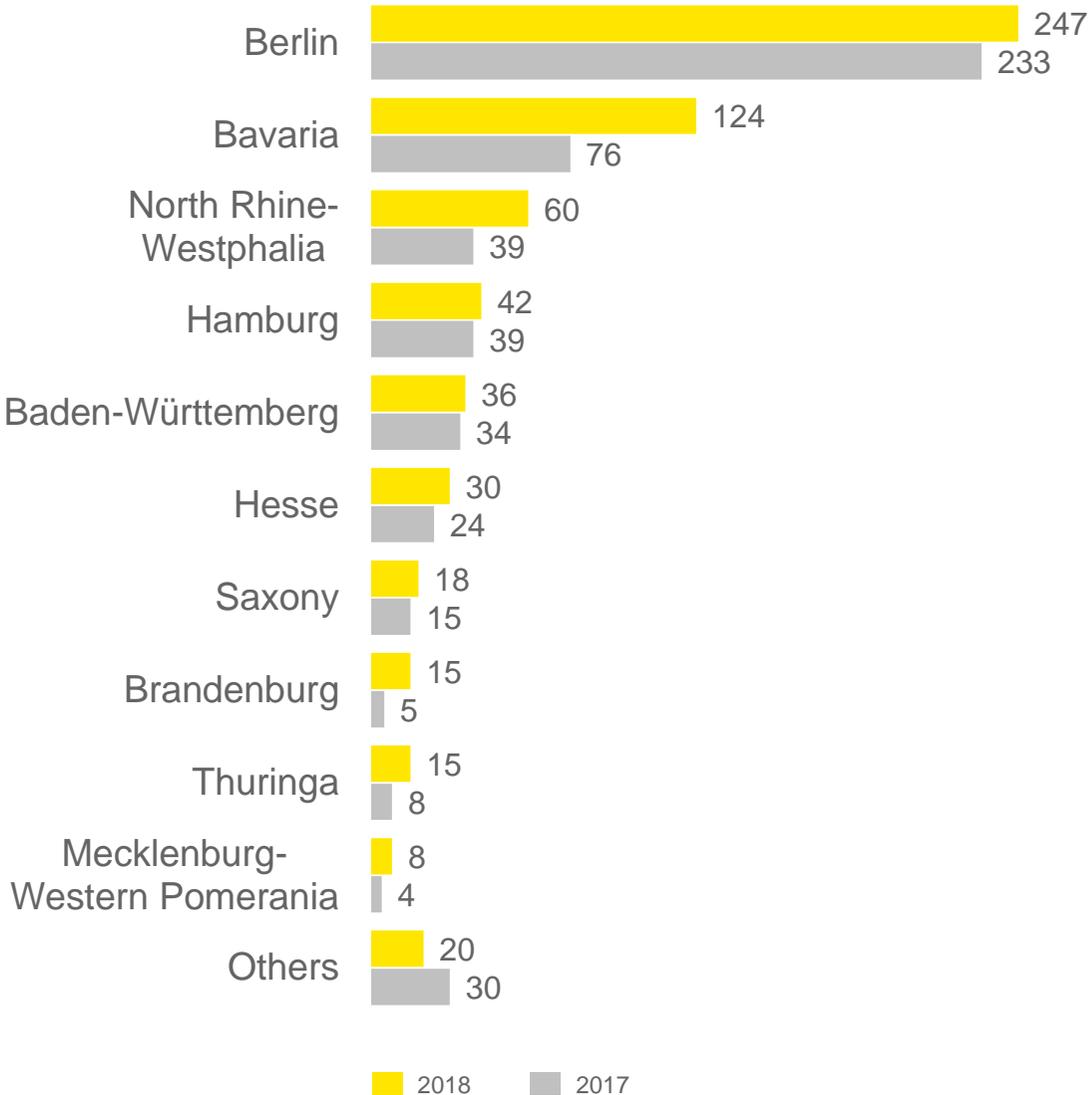
Berlin, regarding the number of Deals, again clearly ahead of Bavaria, North Rhine-Westphalia



Investments in German Start-ups 2018 and 2017

Amount of rounds of financing per state

- ▶ Berlin was once again the hotspot of the German Start-up scene in 2018: 40 percent of all listed financing rounds in the country were assigned to Berlin based companies
- ▶ Bavaria was able to maintain its second place in the number of deals from the previous year and recorded at least twice as many deals as the third-placed North Rhine-Westphalia and nearly three times as many deals as Hamburg with its fourth place
- ▶ All states in the top 10 recorded an increase in the number of deals compared to the previous year.



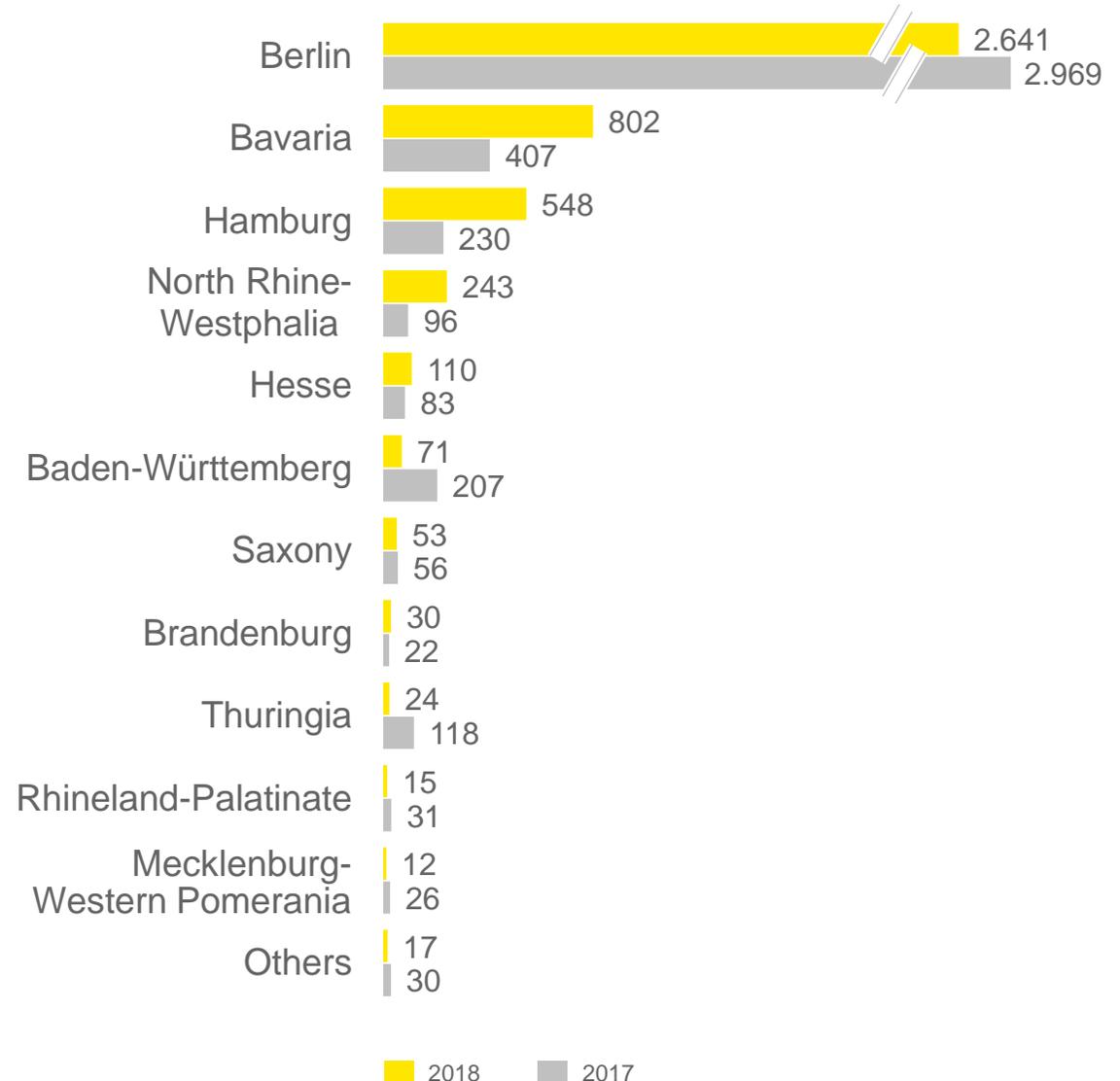
Berlin also as the Hotspot regarding the deal volume – but Bavaria and Hamburg are catching up



Investments in German Start-ups 2018 and 2017

Financing amounts per state (Information in EUR Million)

- ▶ As in the previous year, Berlin Start-ups were by far the largest in attracting capital compared to the states: More than every second Euro (59 percent) was invested in Berlin in 2018.
- ▶ With a market share of 18 percent, Bavaria ranks second ahead of Hamburg, which will bring it to a market share of 12 percent in 2018. Both states can significantly increase their market share compared to 2017, while Berlin is recording a decline.



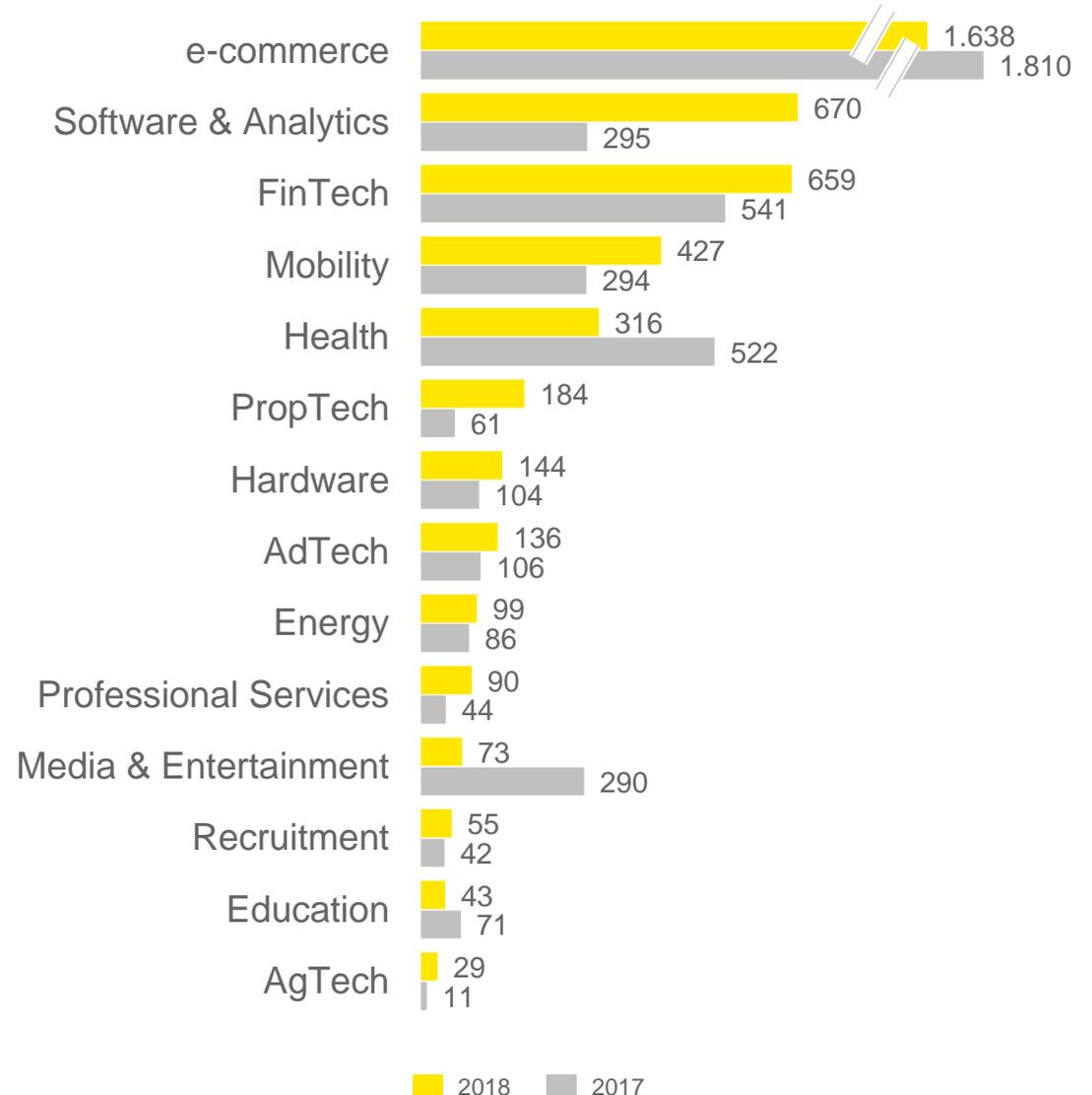
Industries: Most investment capital flows into E-Commerce



Investments in German Start-ups, 2018 and 2017

Financing amounts per industrie (Information in EUR Million)

- ▶ As in the previous years, most of the money in 2018 was invested in E-Commerce. However, the investment volume fell compared to the previous year.
- ▶ Second place goes to Software & Analytics, ahead of FinTech. Both sectors generated more capital than in the previous year, with Software & Analytics showing a particularly strong growth in 2018.



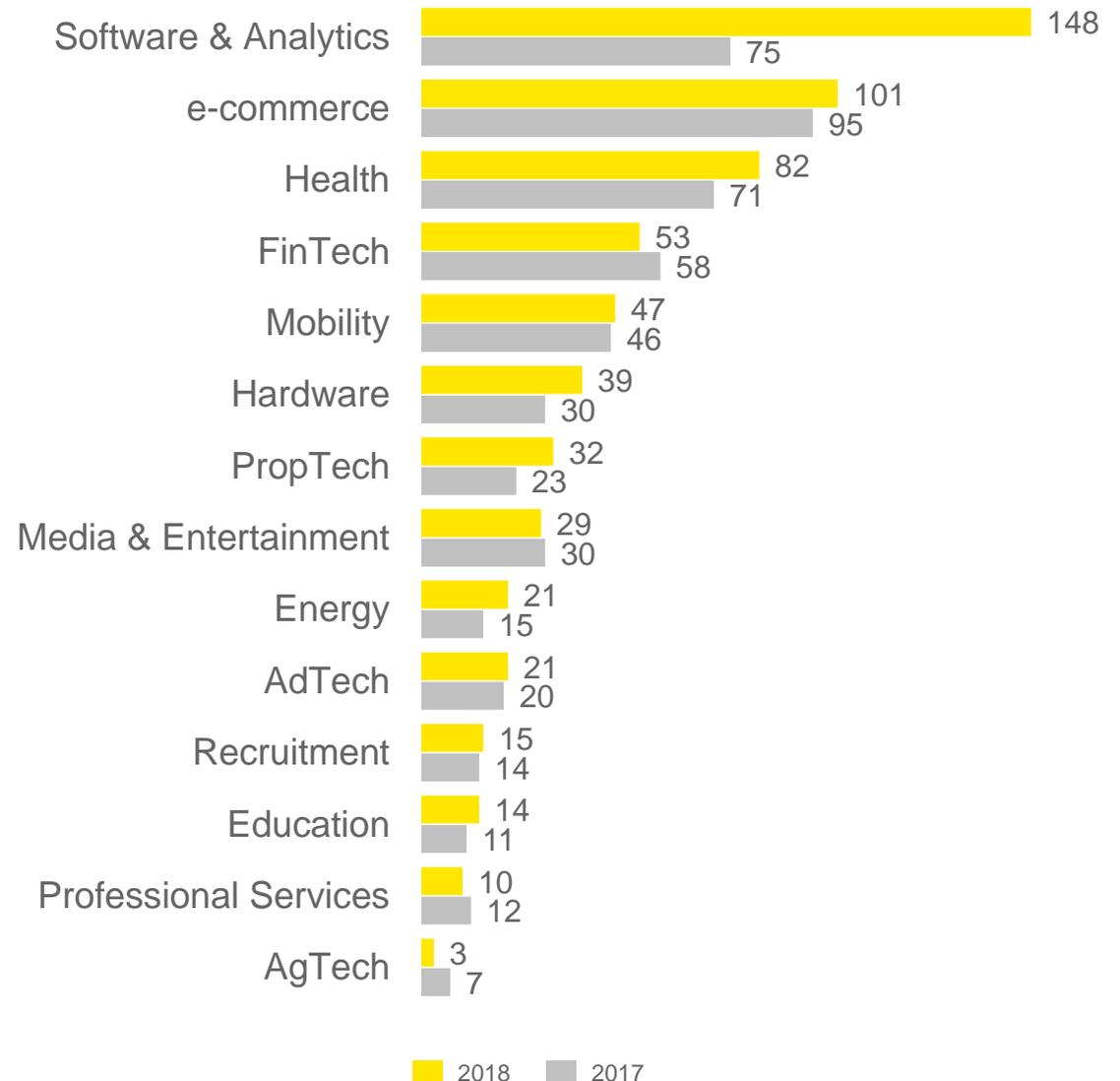
Most financing rounds in Software & Analytics



Investments in German Start-ups, 2018 und 2017

Amount of financing rounds per sector in Germany

- ▶ For the first time in the investigation period, the Software & Analytics sector combined most of the financing rounds in 2018: Compared to 2017, the number has almost doubled from 75 to 148. With SaaS, Artificial Intelligence, Virtual Reality, Blockchain, Cloud, Cyber Security, and Data Analytics, this area includes startups in the field of new technology.
- ▶ In second place is E-Commerce, ahead of the Health sector. Both sectors also gained more financing rounds in 2018 than in the previous year.



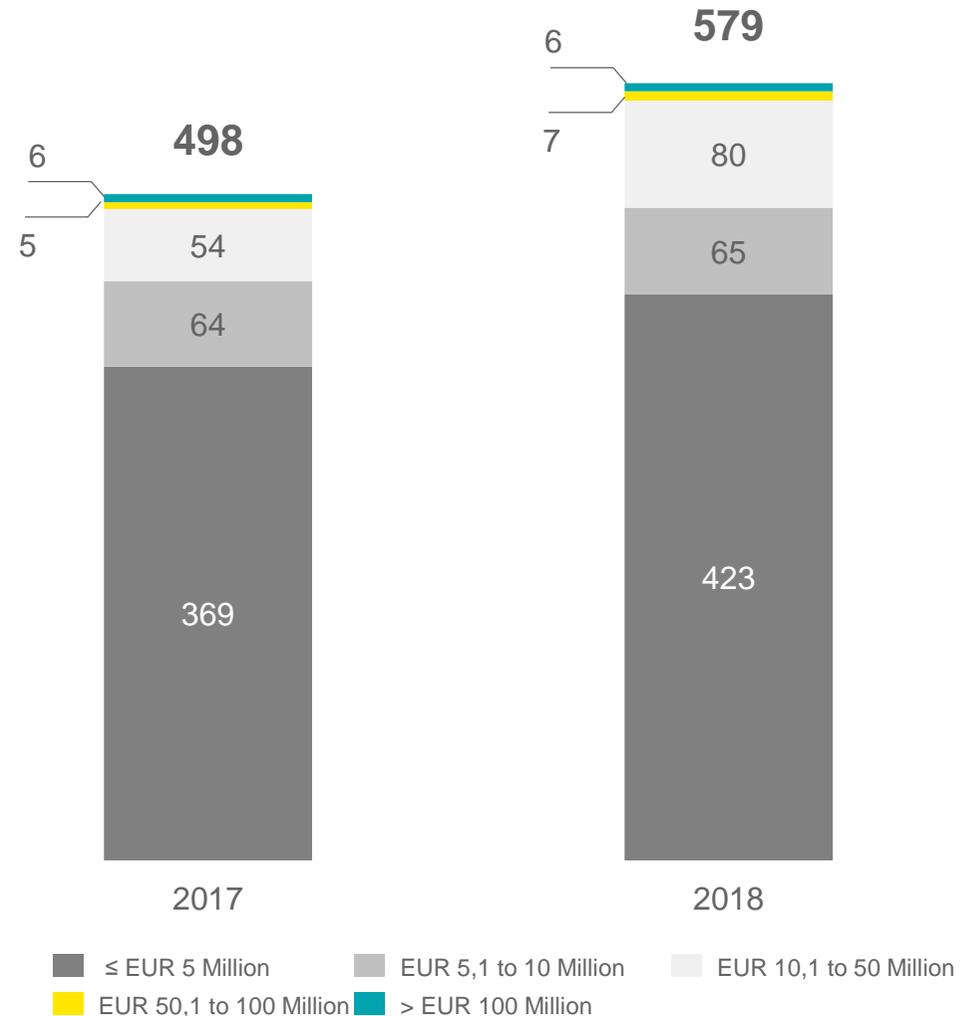
Significantly more medium-sized financings



Investments in German Start-ups

By size classes, number of financing rounds in the mentioned size class¹

- ▶ The number of small and medium-sized deals (up to EUR 10 Million) increased by 13 percent compared to the previous year, and the number of larger deals (between EUR 10 and 50 Million) even by 48 percent
- ▶ The number of large deals (more than EUR 50 Million) has also increased once more - from 11 to 13.



¹ In total, in 2018 (2017) 613 (507) financings were counted, but only 579 (498) transactions include information on the financing volume.

Auto1 with the biggest round of financing



Top-5-Investments in Germany in 2018

Company	Month	Financing amount in EUR Million	State
Auto1	January	460	Berlin
About You	July	264	Hamburg
Home24*	June	172	Berlin
GoEuro	October	132	Berlin
N26	March	132	Berlin

* IPO

Sector Focus



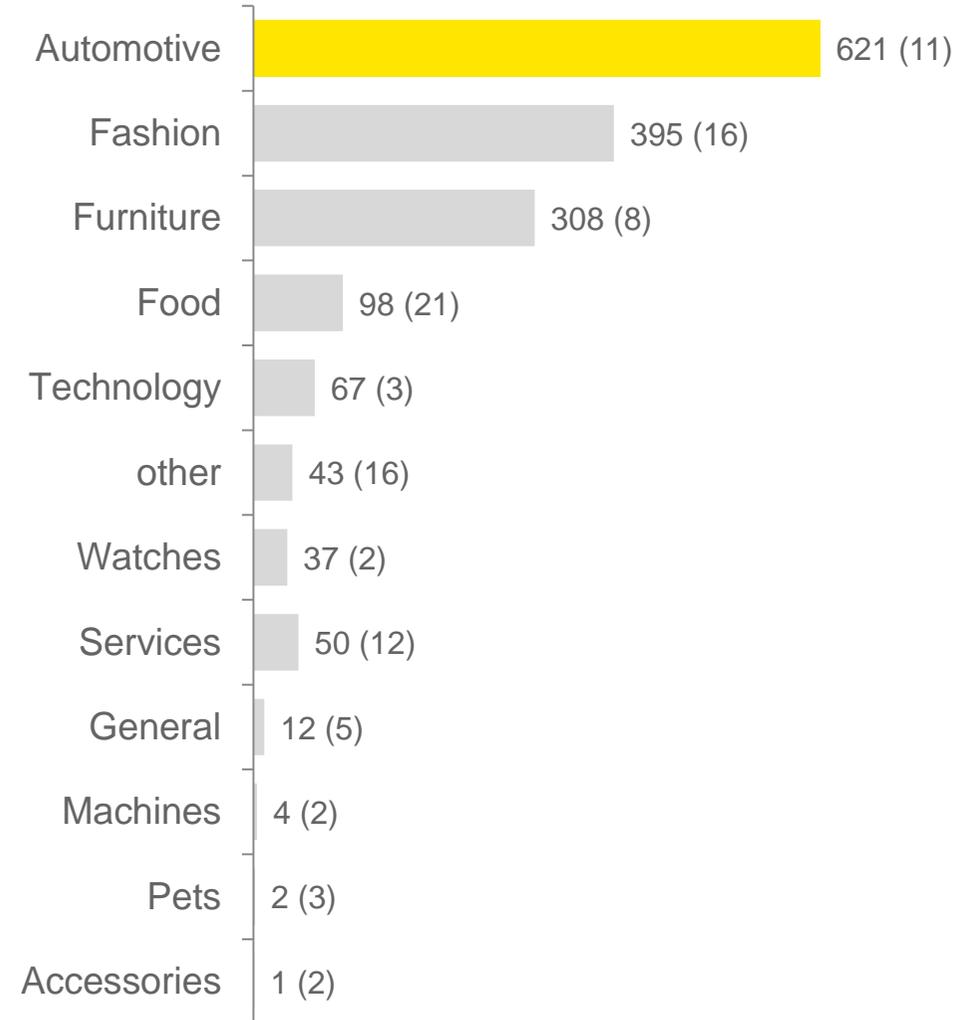
Detailed analysis E-Commerce: Automotive in front of Fashion with the highest investment capital



Investments in E-Commerce in Germany, 2018

Financing amount per sub-sector
(Information in EUR Million), in brackets:
Amount of rounds of financing

- ▶ Unlike in previous years, when most of the investment capital in the E-Commerce sector was invested in food startups, in 2018 most of the money went into **Automotive startups**: EUR 621 Million were invested in 11 rounds of financing, whereby EUR 460 Million were accounted by a single deal (Auto 1).
- ▶ In second place is the Fashion sector in front of the Furniture. Food finished only in fourth place in 2018, but combined most of the financing rounds.



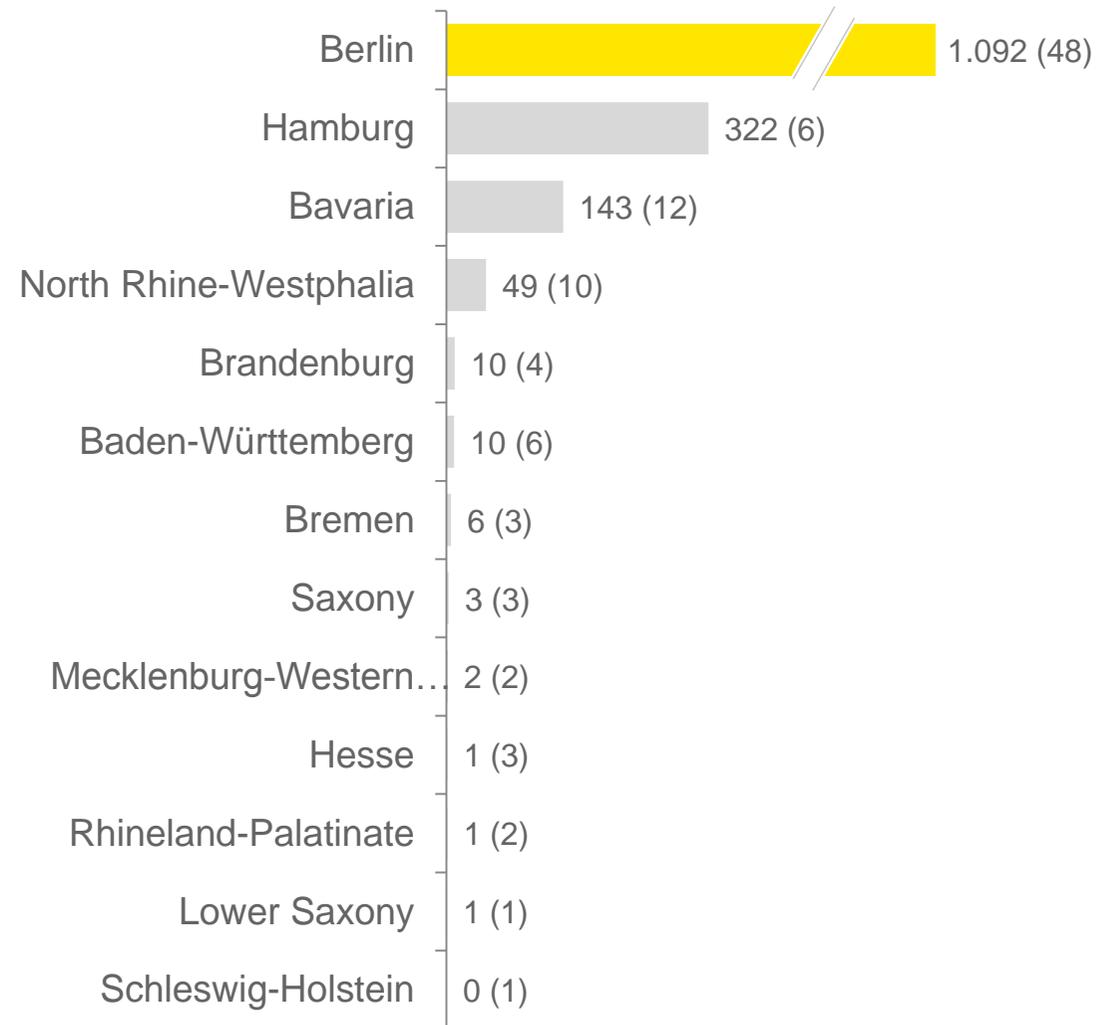
E-Commerce: Berlin far ahead of the rest of the republic



Investments in E-Commerce, 2018

Financing amount per state (Information in EUR Million), in brackets:
Amount of rounds of financing

- ▶ As in the previous year, **Berlin** recorded by far the highest volume of deals in E-Commerce and by far the highest financing volume in 2018: Around, 67 percent (EUR 1.1 billion) of the EUR1,638 Millions invested in E-Commerce went to capital city Start-ups
- ▶ In second place is Hamburg, ahead of the two territorial states of Bavaria and North Rhine-Westphalia.



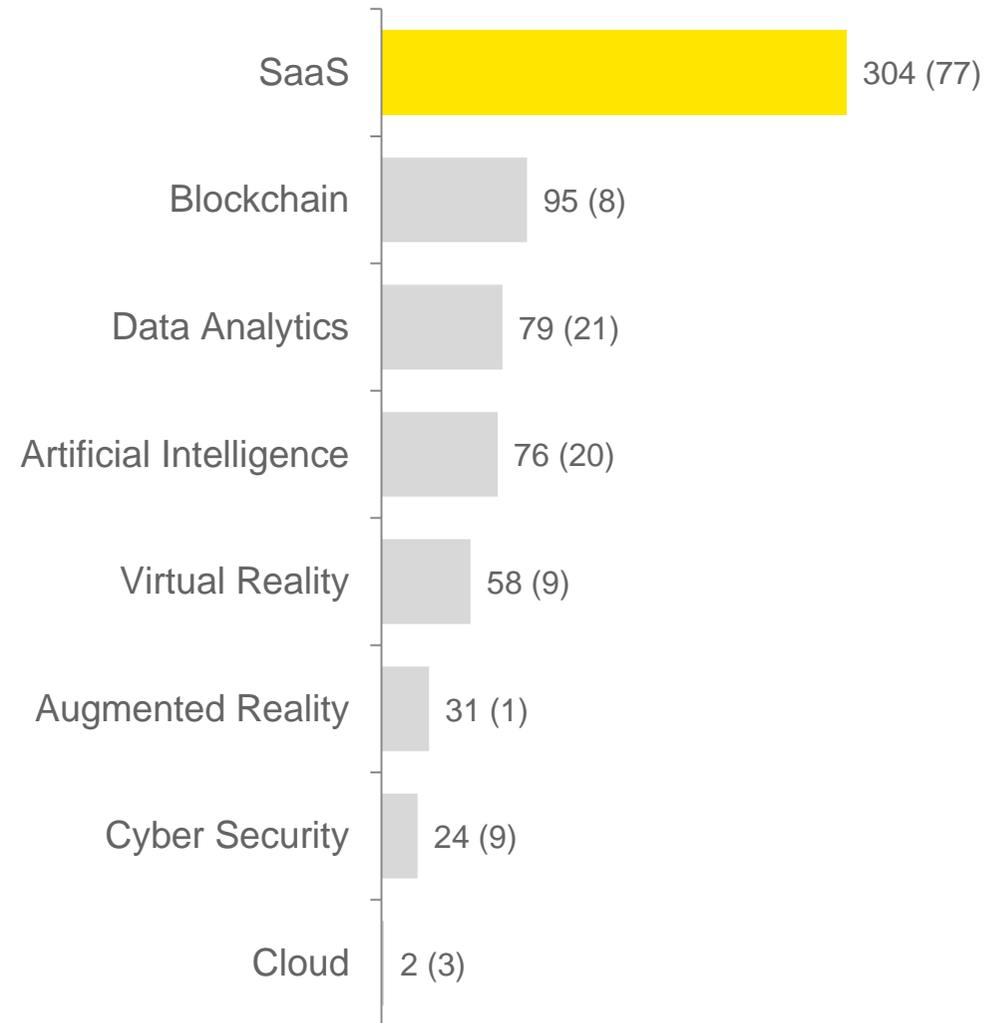
Detailed analysis Software & Analytics: Software as a Service attracts the most investment capital



Investment in Software & Analytics, 2018

Financing amount per sub-sector
(Information in EUR Million), in brackets:
Amount of rounds of financing

- ▶ Within Software & Analytics, the Software as a Service segment recorded the highest volume of deals last year as well as the largest investment volumes, followed by the subsectors Blockchain, Data Analytics and Artificial Intelligence.
- ▶ Compared to the previous year, the invested capital in blockchain Start-ups has tenfold from 9 to EUR 95 Millions.



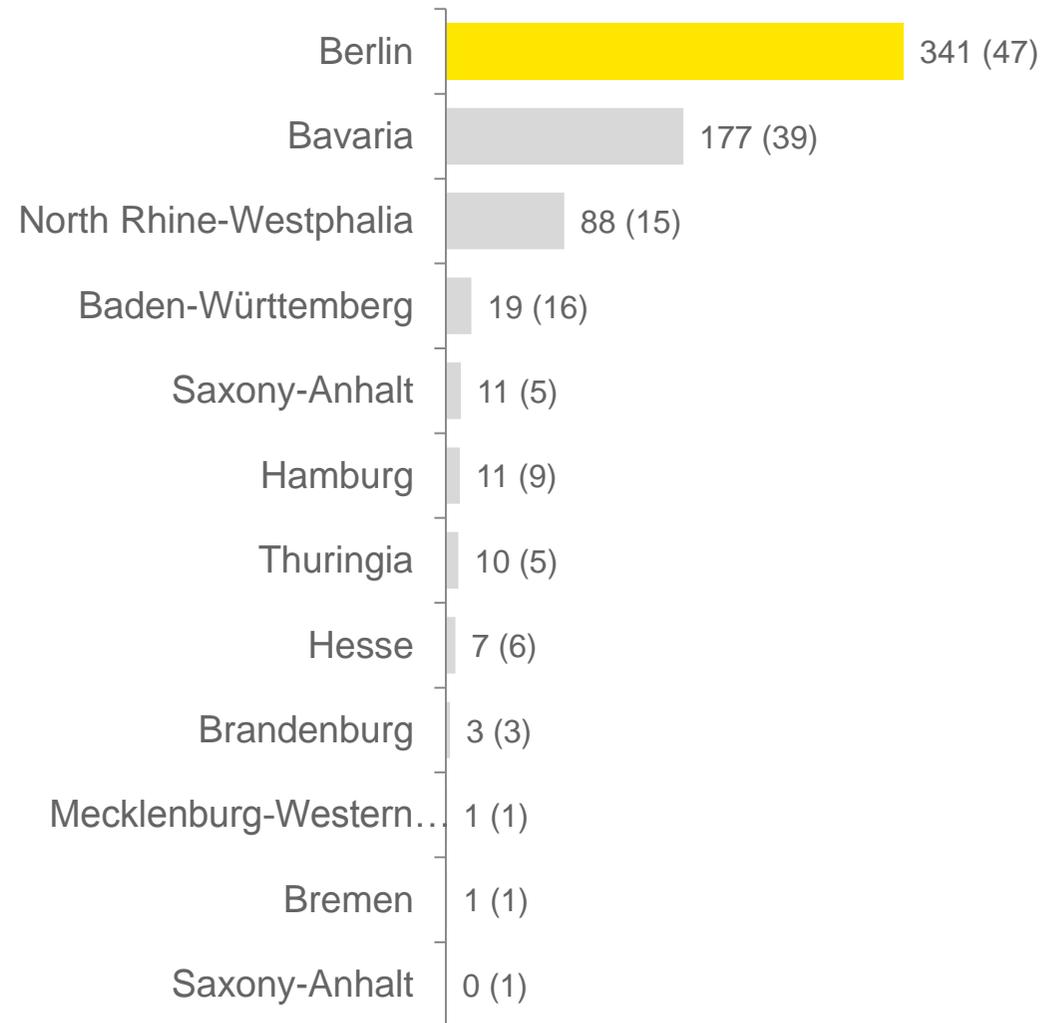
Software & Analytics: Berlin Start-ups receive the most, followed by Bavarian



Investments in Software & Analytics, 2018

Financing amount per sub-sector
(Information in EUR Million), in brackets:
Amount of rounds of financing

- ▶ Berlin Start-ups recorded the highest number of deals in 2018 and with EUR 341 Million also the highest inflow of investment capital in the sector of Software & Analytics.
- ▶ Followed by Bavarian software companies in second place, which brought in 39 financing rounds on a total investment of EUR177 Millions.



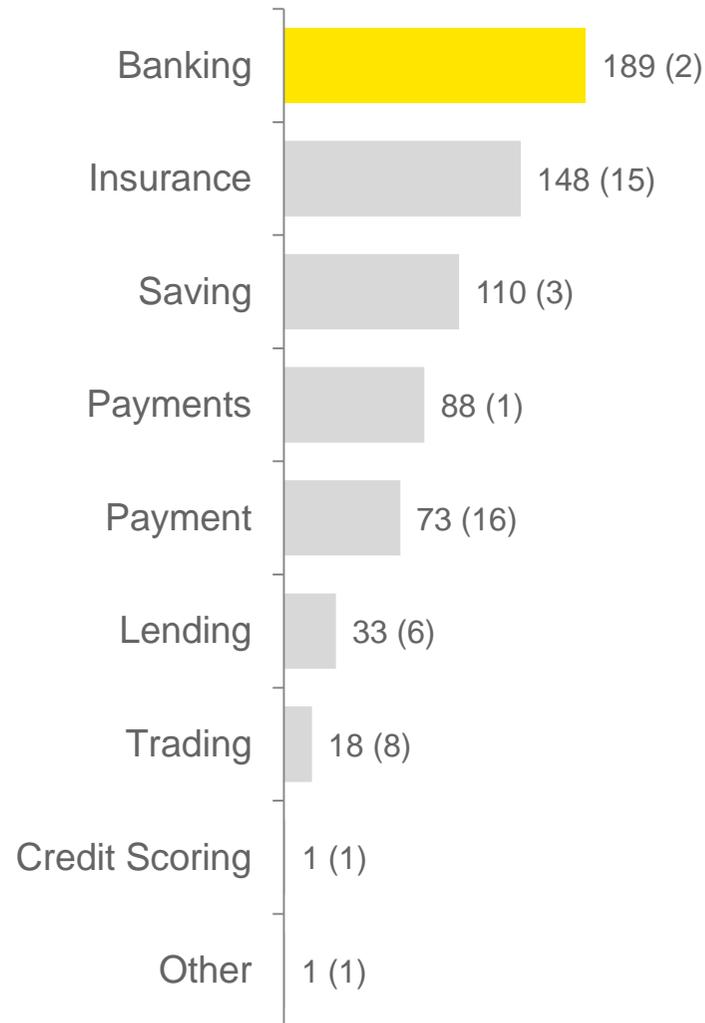
FinTech: Banking and Insurance attracting the most of the investment capital



Investments in FinTech in Germany, 2018

Financing amount per sub-sector
(Information in EUR Million), in brackets:
Amount of rounds of financing

- ▶ In the FinTech sector, the Banking segment recorded the largest inflow. They raised EUR 189 Millions of investment capital in just two rounds of financing.
- ▶ Ranks two and three are followed by the Insurance and Saving sub-sectors, which achieved an investment volume of either EUR 148 Million and EUR 110 Million.
- ▶ The Lending segment, which had the most investment capital (EUR 249 Millions) in the previous year, received only EUR 33 Millions in 2018.



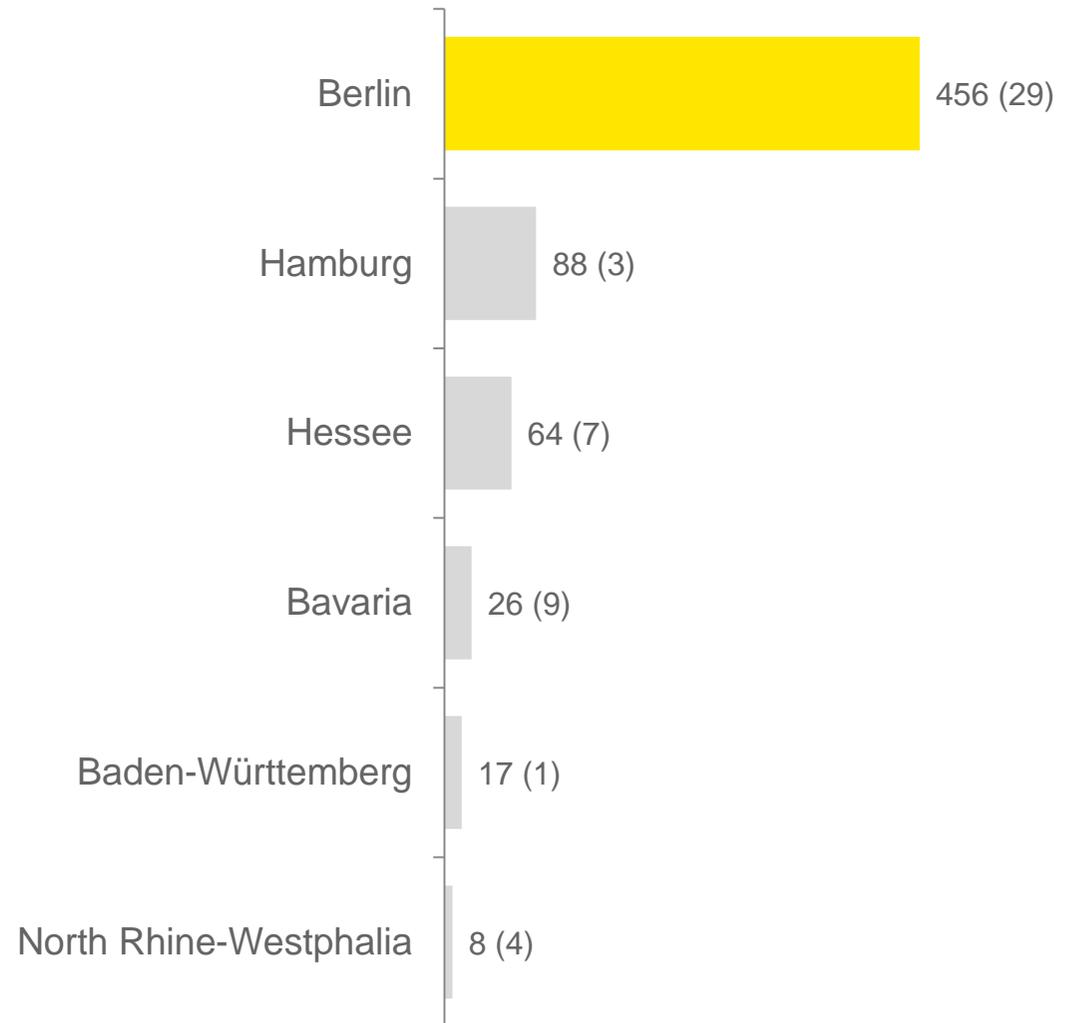
FinTech: Berlin clearly ahead of Hamburg and Bavaria



Investments in FinTech in Germany, 2018

Financing amount per sub-sector
(Information in EUR Million), in brackets:
Amount of rounds of financing

- ▶ FinTech companies in Berlin received a total of EUR 456 Millions in fresh capital in 29 financing rounds in 2018 – that makes 69 percent of the total amount which was invested in this area in Germany last year.
- ▶ Hamburg's FinTech Start-ups recorded an inflow of EUR 88 Millions in only 3 rounds of financing.



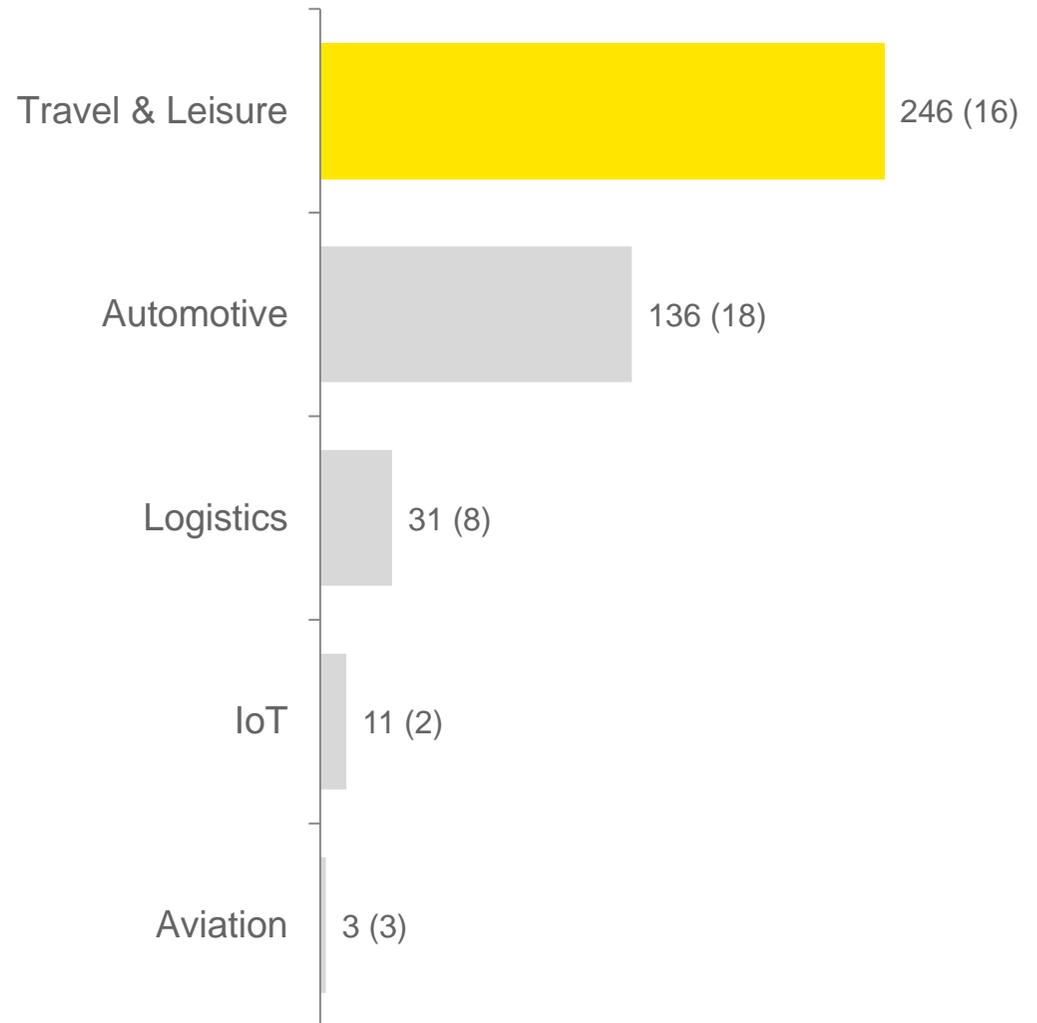
Detailed analysis Mobility: Travel & Leisure ahead of Automotive



Investments in Mobility in Germany, 2018

Financing amount per sub-sector
(Information in EUR Million), in brackets:
Amount of rounds of financing

- ▶ In the area of mobility, 89 percent of the total amount of invested capital was assignable to the two subsectors Travel & Leisure (58 percent) and Automotive (31 percent)
- ▶ In the sub-sector Travel & Leisure alone EUR 132 Million were spent on on big deal (GoEuro).



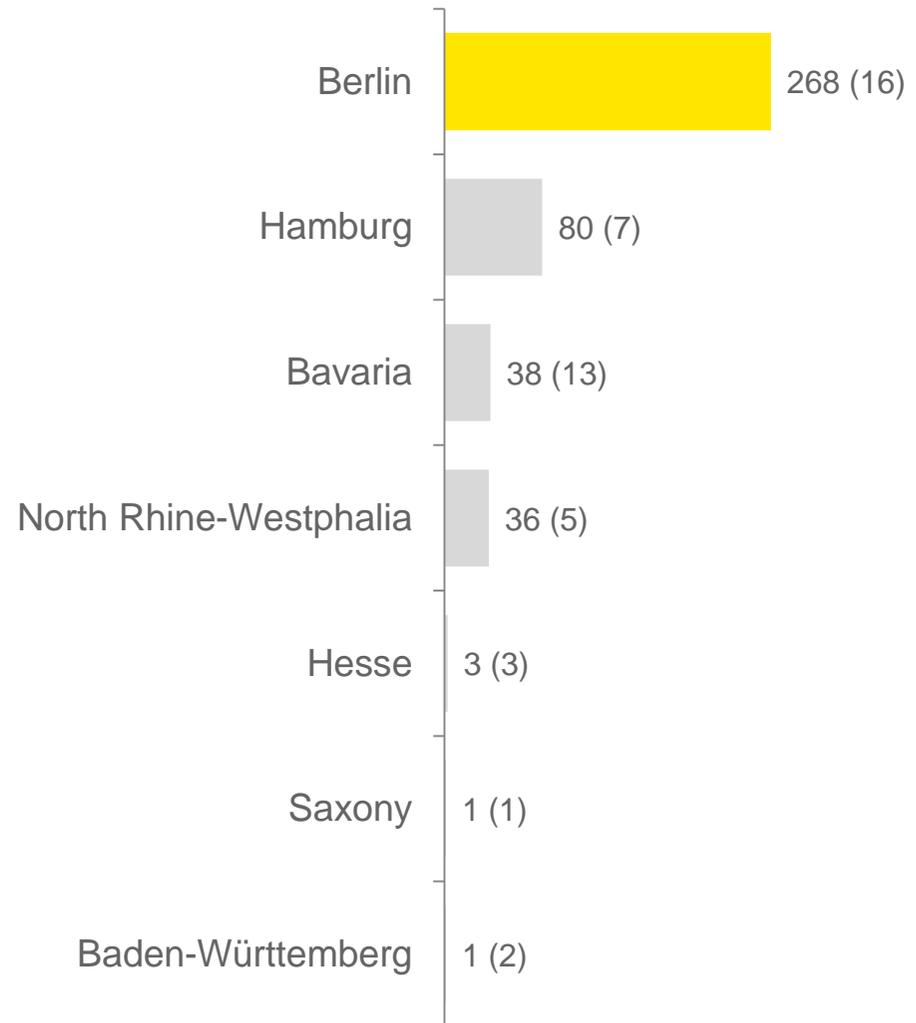
Mobility: Berlin startups receive the most - followed by software companies from Hamburg



Investments in Mobility in Germany, 2018

Financing amount per sub-sector
(Information in EUR Million), in brackets:
Amount of rounds of financing

- ▶ In 2018, **Berlin** Start-ups received around 63 percent of the capital invested in mobility in Germany
- ▶ **Hamburg** Start-ups made it to 19 percent.



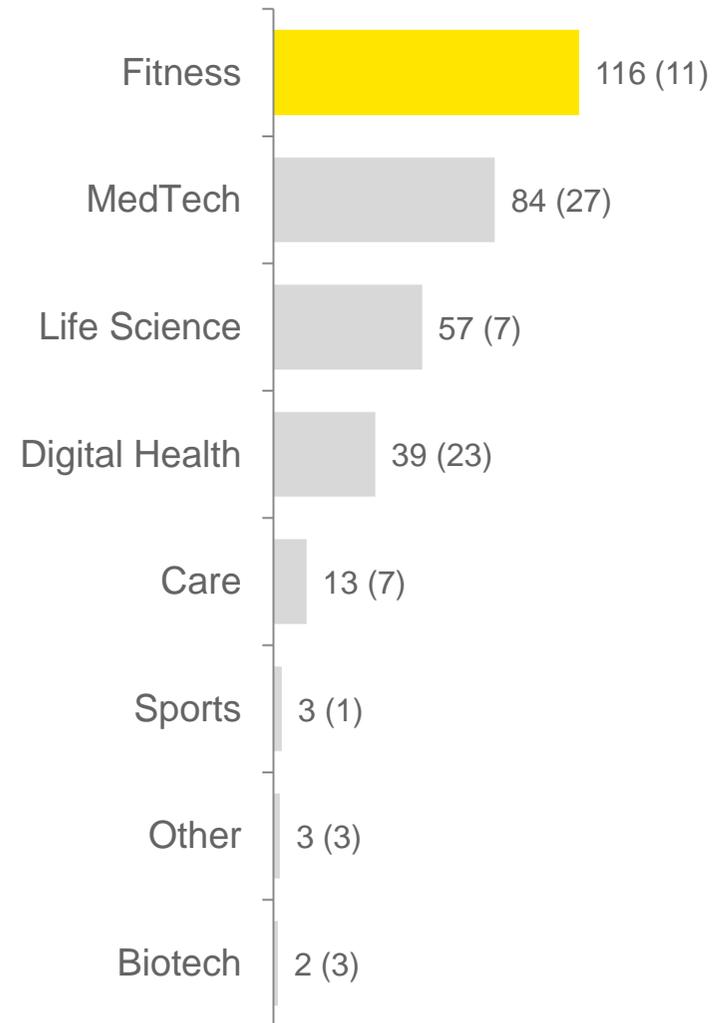
Detailed analysis Health: Fitness ahead of MedTech and Life Science



Investments in Health in Germany, 2018

Financing amount per sub-sector
(Information in EUR Million), in brackets:
Amount of rounds of financing

- ▶ In Health, the Fitness Segment attracts the most investment capital of EUR 116 Million, followed by the MedTech, Life Science and Digital Health sectors
- ▶ Most rounds of financing were found in MedTech, followed by Digital Health.



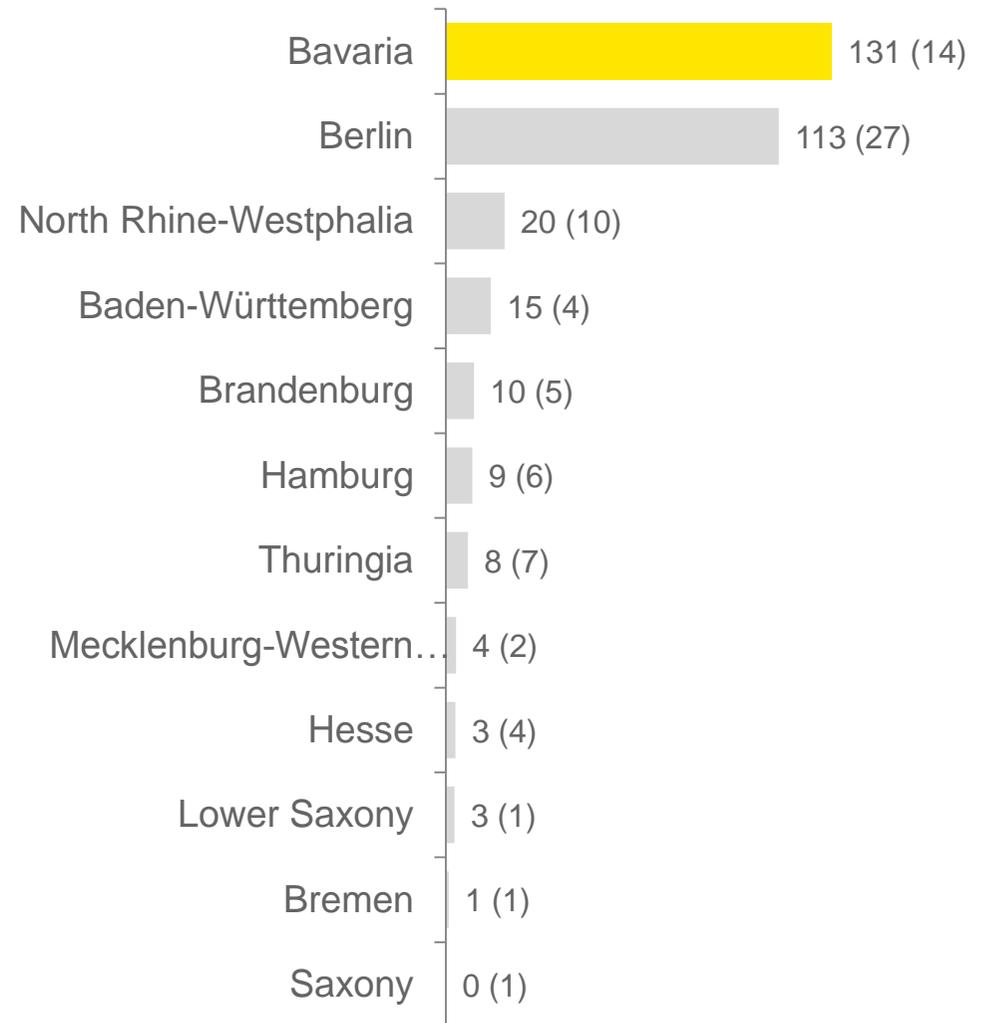
Health: Bavaria shortly ahead of Berlin



Investments in Health in Germany, 2018

Financing amount per sub-sector
(Information in EUR Million), in brackets:
Amount of rounds of financing

- ▶ Although most deals in the Health sector were registered in Berlin, Bavaria had the highest investment volume: a total of EUR 131 Millions flowed in the Health sector. Berlin Start-ups in comparison made it to EUR 113 Millions.
- ▶ Overall, Bavarian and Berlin Start-ups combined a market share of 77 percent.



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