

# Start-up-Barometer Germany

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# Design of the Study

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Sources: Press releases of Start-ups or Investors, Press reporting, Dow Jones VentureSource

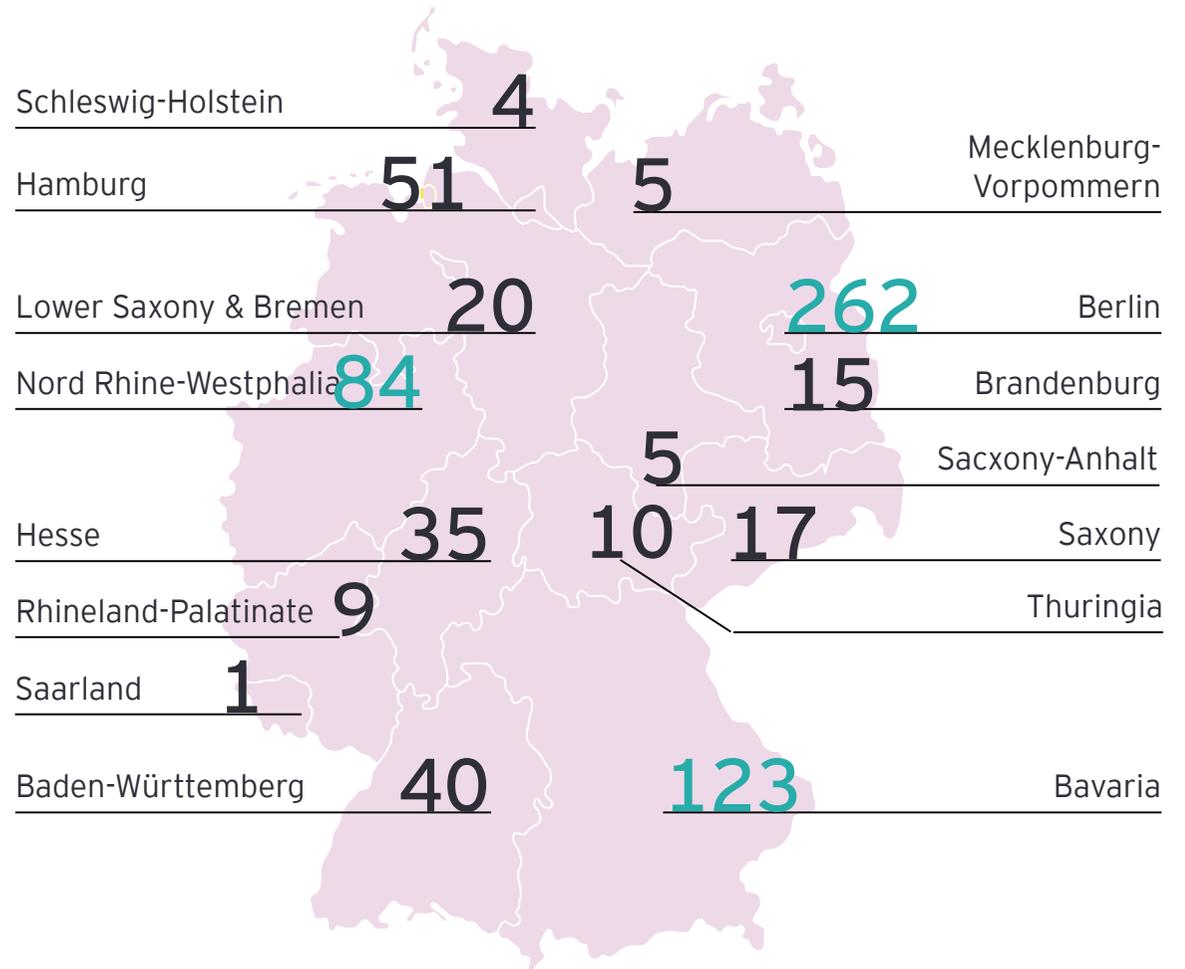


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## Number of start-ups that received financing in 2019, by state



# Press release

**Record sums for German start-ups - Berlin remains ahead, Munich catches up**

- **Total value of investments in start-ups increases by more than a third to 6.2 billion euros**
- **Number of investment rounds increases by 13 per cent to 704**
- **E-commerce is becoming less important, software, FinTech and mobility start-ups receive significantly more money**

The financing boom in the German start-up segment continues: Young companies were able to raise more fresh capital in 2019 than ever before. In total, they received EUR 6.2 billion, 36 percent more than in the previous year. The number of financing rounds rose by 13 percent to 704.

Once again, the lion's share of the invested capital flowed to Berlin: Start-ups from the capital received a total of EUR 3.7 billion in 262 financing rounds last year - an increase of 41 percent over the previous year. Investments in Bavaria grew even more strongly: by 93 percent to EUR 1.55 billion. The mobility provider FlixBus was primarily responsible for this strong increase. According to media reports, it received EUR 500 million - the largest sum ever paid to a German start-up.

Also receiving more money than in the same period last year were North Rhine-Westphalian start-ups (up ten percent to EUR 268 million) and start-ups from Baden-Württemberg, where the investment volume almost tripled to EUR 209 million. In contrast, the inflows from Hamburg (minus 54 percent to EUR 254 million) and Hesse (minus 44 percent to EUR 73 million) were down. All the same: more financing rounds were counted at all six top locations in Germany than in the previous year. The strongest growth was recorded in North Rhine-Westphalia, where the number of deals rose by 45 percent to 87.

These are the results of the start-up barometer of the auditing and consulting firm EY (Ernst & Young). Companies whose

founding dates back no more than ten years were taken into account.

"German start-ups have never before received as much money as last year, so the financing boom continues unabated," says Hubert Barth, CEO of EY Germany. "Once again, a number of very large deals, mainly from foreign investors, were the main reason for the investment record. As many as 13 financing rounds in the order of more than 100 million euros were counted last year - seven in the first half of the year, six in the second half. In 2018 as a whole, there were only six such mega-deals. "Top start-ups again had little difficulty in obtaining fresh capital last year, and the number of German Unicorns has continued to rise in 2019," observes Peter Lennartz, partner at EY.

Lennartz was also pleased that the number of financing rounds had increased significantly overall, so that significantly more young companies were receiving fresh money, said Lennartz. In particular, more small early-stage investment rounds with a maximum volume of five million euros were registered, the number of which rose by 27 percent to 541. In contrast, medium-sized investments between EUR 10 and 50 million declined - their number dropped by 14 percent from 81 to 70.

"There is very much and sufficient liquidity in the market - with a continuing strong upward trend. Financially strong and predominantly international investors from the USA, Great Britain and Asia are particularly interested in very large transactions, also because valuations in Europe are still relatively cheap compared to Silicon Valley," says Lennartz. German venture capitalists are also conducting intensive fundraising and launching new funds. But Lennartz emphasizes: "In order to get the first, smaller rounds of financing from predominantly German investors, the young companies must operate a business model from the outset that can potentially be successful internationally. Then they can enter the big rounds with international investors".

In order to further promote the financing of start-ups, the German government is planning a "Future Fund", which is to channel more capital into the German start-up scene. Lennartz supports such an initiative because it sends a strong signal for innovation in Germany as a future location: "France has led the way and has shown what dynamics can be sparked when the state becomes more actively involved and mobilizes broad support for the innovative and digital start-up scene.

"Especially in times of looming crises in important areas of Germany's manufacturing industry, the digital economy is becoming increasingly important as a job engine," adds Hubert Barth. "The tailwind in this area is already so strong that there are more jobs than suitable applicants. The Federal Government is therefore well advised to support the digital economy not only financially, but also with further tax and education policy measures".

# Pressemitteilung

## FinTech and Mobility outstrip e-commerce

The dominance of e-commerce business models was finally broken in 2019: Most of the money, EUR 1.6 billion, went to young mobility providers - mainly due to the two mega financing rounds for FlixBus and GetYourGuide. Compared to the previous year, this is almost four times as much. In the industry ranking, FinTechs and software companies rank second and third with EUR 1.3 and 1.2 billion respectively. The FinTech segment increased by 95 percent in terms of financing volume, the number of financing rounds rose by 24 percent to 67. Software start-ups recorded an 82 percent increase in financing volume, while the number of financing rounds rose by 53 percent to 221. E-commerce is only in fourth place with EUR 730 million - compared to the previous year, the financing volume fell by 56 percent, while the number of financing rounds rose by only four percent.

The bottom line is that the start-up scene has thus become more differentiated over the past year, while the focus of investors has also changed, observes Peter Lennartz: "We are seeing increasing interest, particularly in highly innovative technology business models. SaaS (Software as a Service), analytics and AI are on the rise and currently benefit from high valuations. Although e-commerce is receding somewhat into the background, it remains an important and strong segment. In the FinTech segment, consolidation is likely to occur in 2020 due to the oversupply of providers".

## Almost 60 percent of the capital flows to Berlin

By far the two biggest deals of the past year were the EUR 500 million for the Munich start-up FlixBus and the EUR 428 million financing for the Berlin travel start-up GetYourGuide. In third place follows the Berlin used car platform Frontier Car Group with an investment volume of EUR 361 million. Of the twenty largest investment rounds last year, 13 went to Berlin-based companies and four to Munich-based companies. "Berlin continues to dominate the start-up scene and will remain the most important German lighthouse internationally," Lennartz notes. "But Bavaria, with its center in Munich, has caught up strongly in recent years thanks to its outstanding qualities in the high-tech sector and is establishing itself as the second German start-up location that is also internationally recognized".

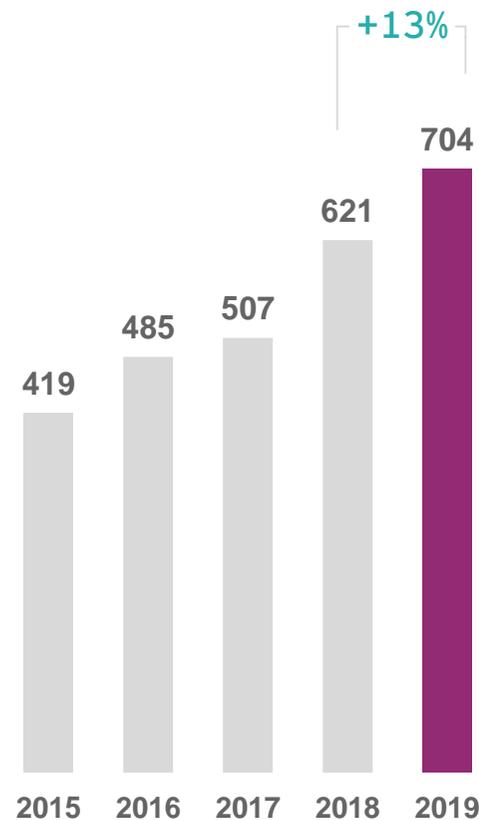
# Start-up financing rounds 2019: Number and volume reach new record levels

## Start-up financing in Germany

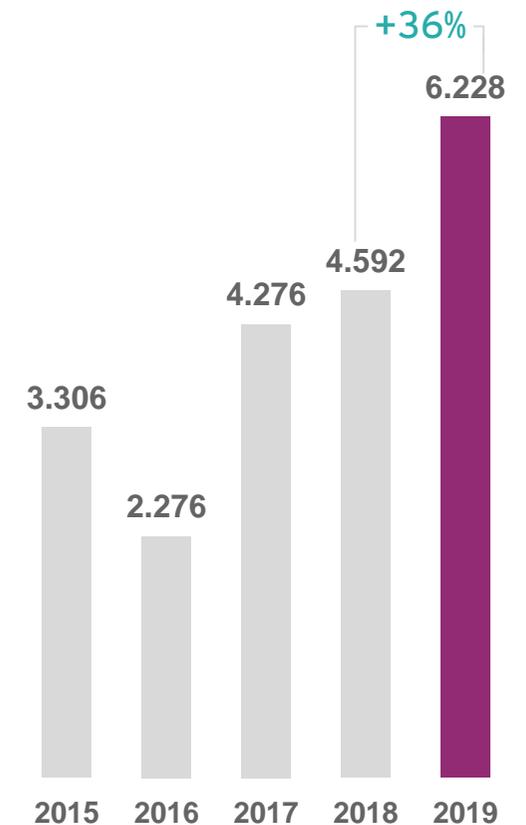
### Number and value of financing rounds in Germany

Throughout Germany, the number of financing rounds in 2019 rose significantly compared to the previous year: by 83 or around 13 percent to a total of 704 deals. The total value of these investments even increased by leaps and bounds compared to 2019: by 36 percent or a good EUR 1.6 billion to around EUR 6.23 billion. This is the third year in a row that the investment volume has increased. The number of deals has already increased for the fourth year in a row.

## Number



## Volume in EUR million



# Second half of 2019: Total financing volume exceeds EUR 3 billion for the first time in a half-year period - number of deals also reaches new record level

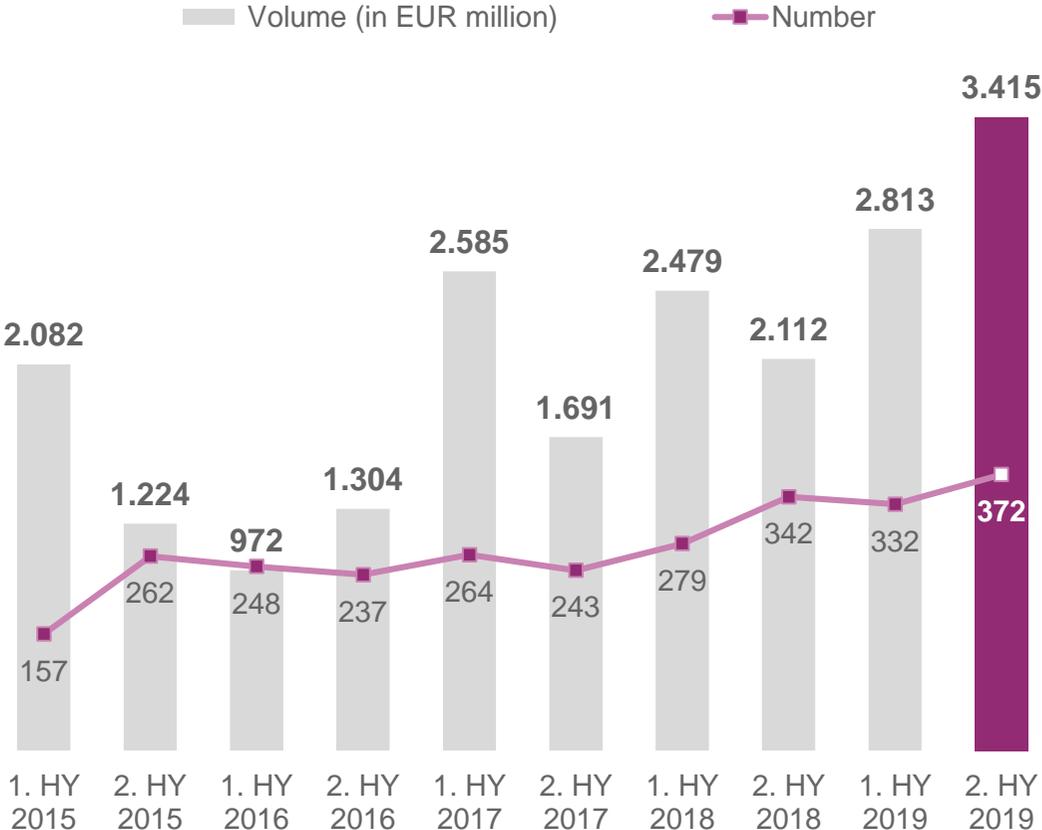
## Start-up financing in Germany; 2015 to 2019

### Number and Volumes (in EUR million)

#### Number and value of financing rounds per half-year

In the second half of 2019, both the number and total volume of start-up financing reached new record levels for a half-year: Compared with the first half of the year, which had marked the highest level to date, the deal volume increased by a further 21 percent to a good EUR 3.4 billion.

The number of deals rose by 12 percent to 372 compared with the first half of the year.

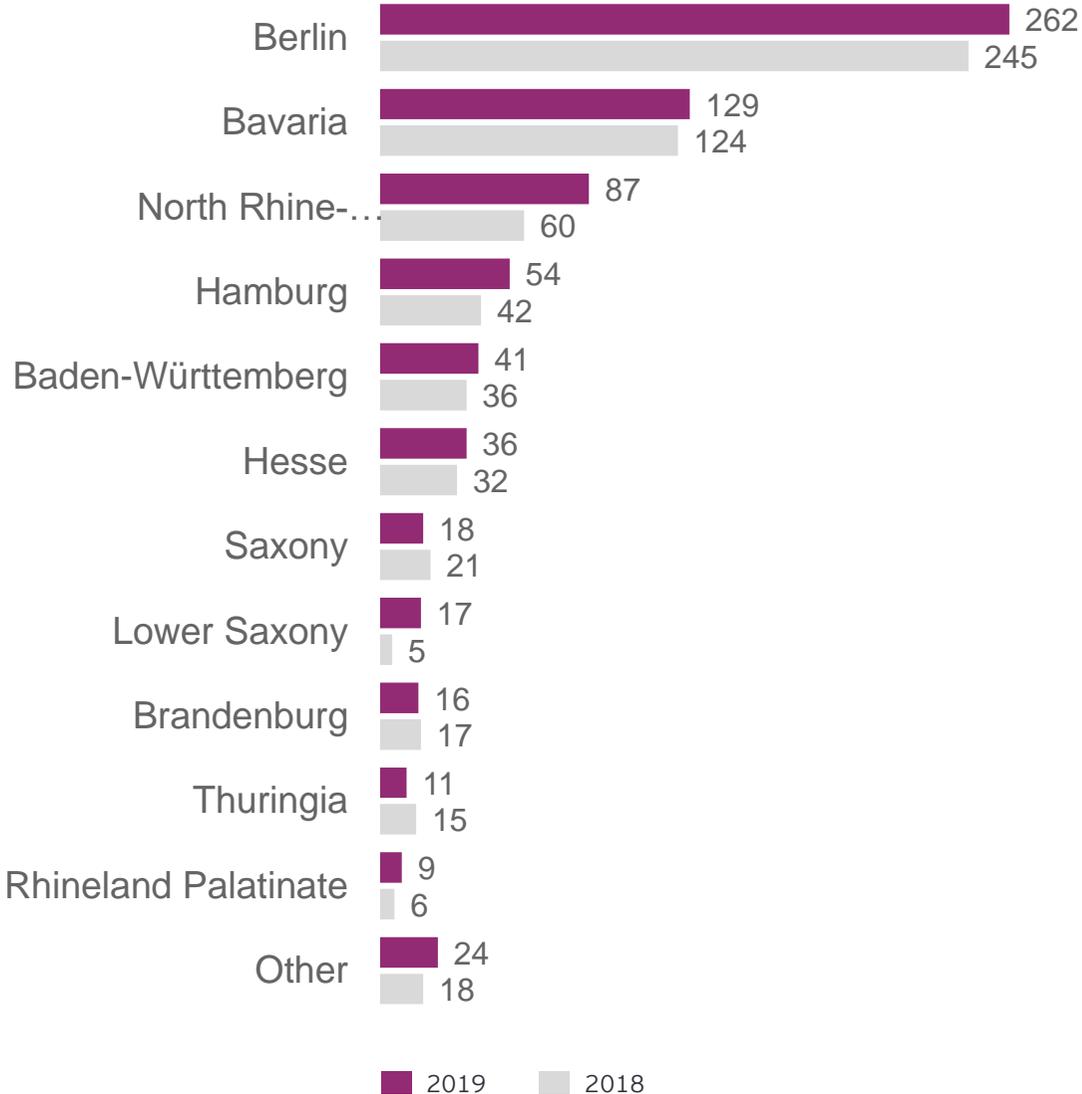


# Berlin 2019 with twice as many deals as Bavaria and three times as many deals as North Rhine-Westphalia

## Start-up financing in Germany 2019 and 2018

Number of financing rounds by state

Berlin was once again the hotspot of the German start-up scene in 2019: With 262 financing rounds, start-ups in the German capital accounted for 37 percent of all financing rounds counted here. Bavaria was able to confirm its second place from the previous year in terms of the number of deals and, with 129 deals, recorded 50 percent more than the third-ranked North Rhine-Westphalia. 7 of Germany's top 10 states recorded an increase in the number of deals compared to the previous year.

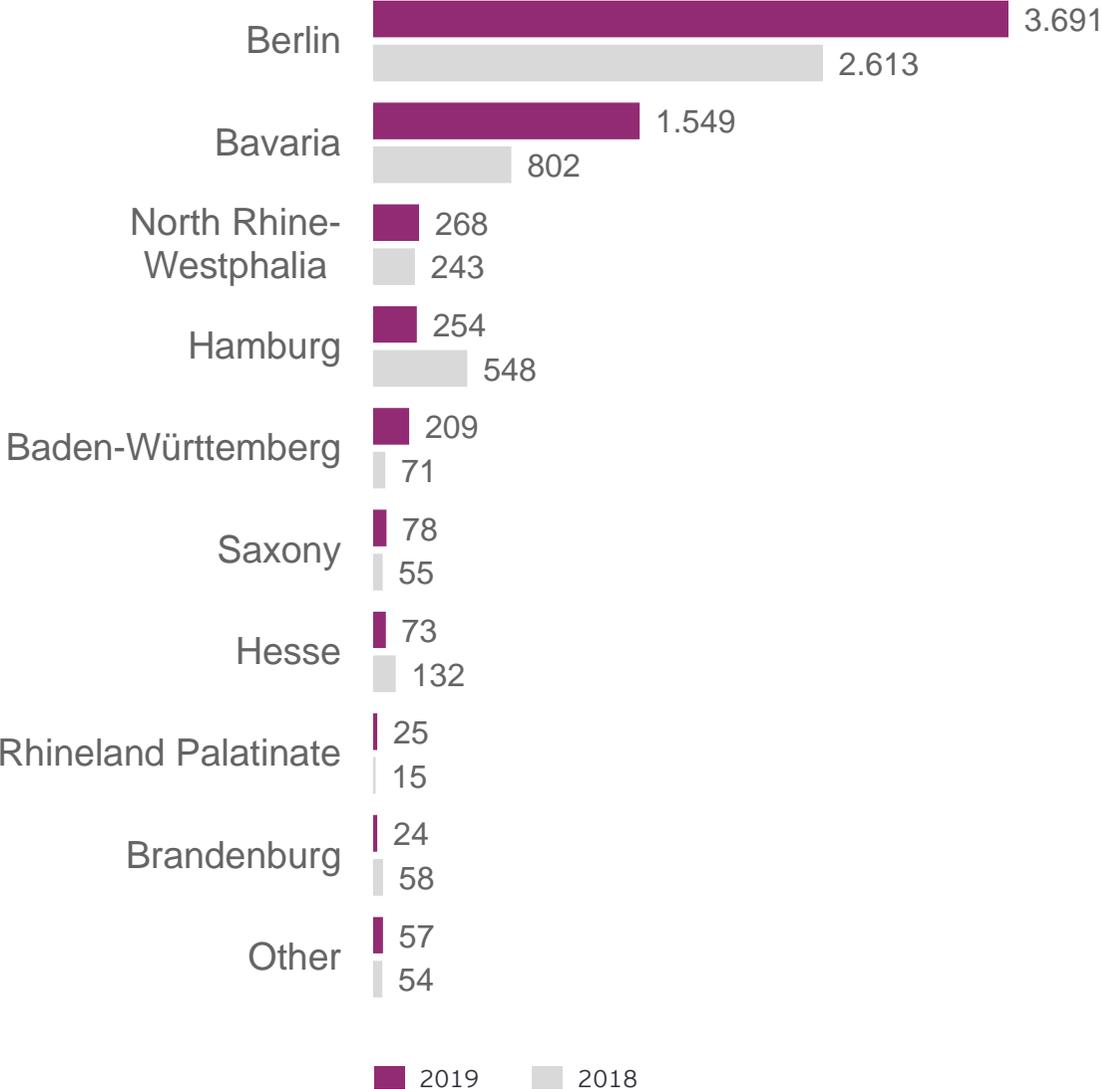


# Berlin also clearly ahead of Bavaria in terms of deal volume - NRW already far behind in third place

## Start-up financing in Germany 2019 and 2018

Financing amounts per state (in million euros)

As in previous years, Berlin start-ups were by far the most able to raise capital among the federal states: Nearly three out of five euros (59 percent) invested in start-ups in Germany were invested in Berlin start-up companies in 2019. With a market share of around 25 per cent, Bavaria ranks second ahead of North Rhine-Westphalia and Hamburg, which each have a market share of a good 4 percent in 2019.



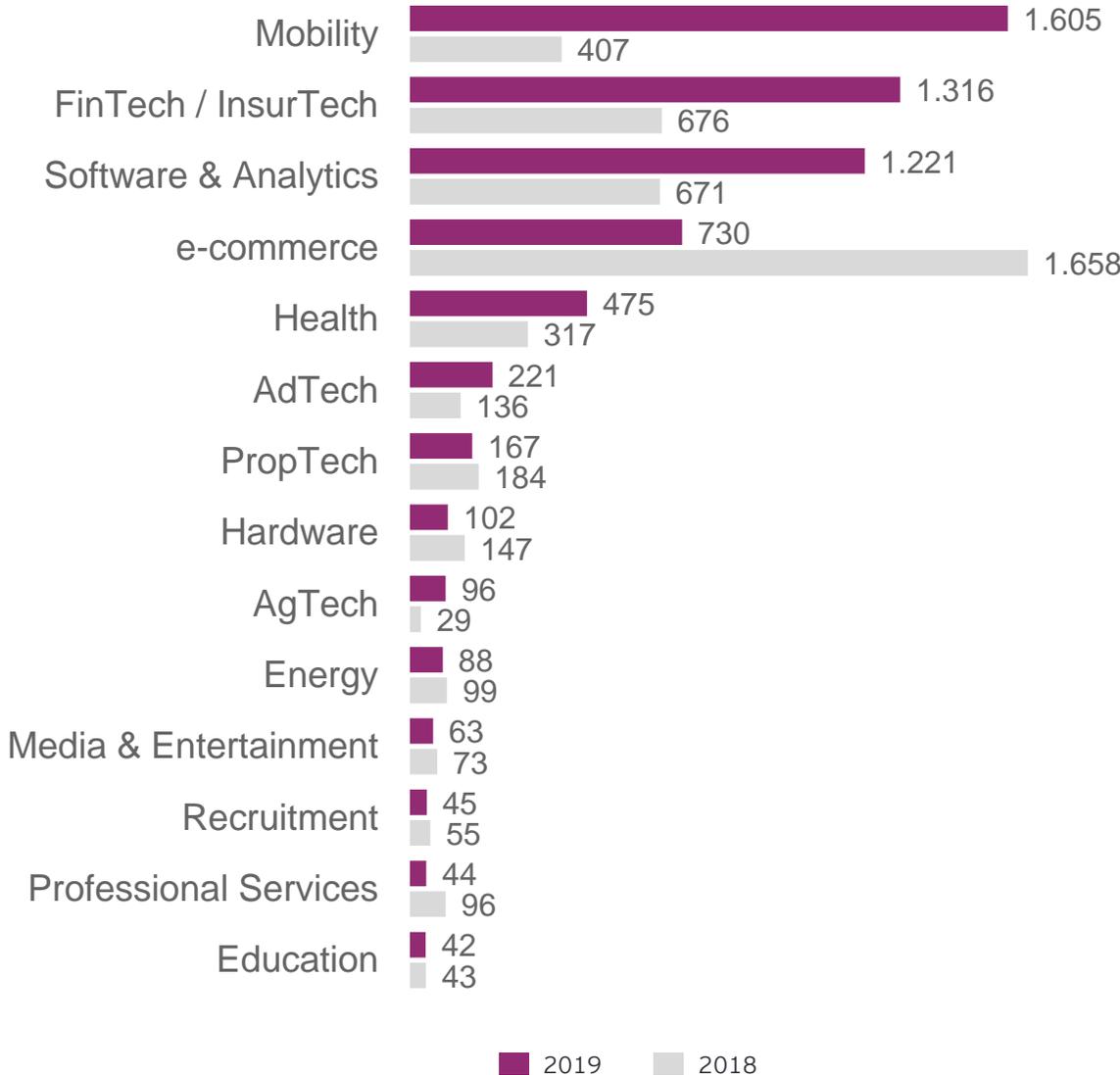
# Industries: Mobility attracts the most investment capital - including FinTech/InsurTech and Software & Analytics with investments in the billions

## Start-up financing in Germany 2019 and 2018

Financing totals per sector (in million euros) in Germany

Most of the money was invested in 2019 in the Mobility division. The two top deals of the year (FlixMobility, GetYourGuide) also fell into this area, which, with a total sum of around EUR1.6 billion, was able to attract almost three times as much financing capital as in the previous year.

The FinTech / InsurTech segment is in second place, followed by the Software & Analytics and e-commerce segments. The latter led the rankings in previous years.



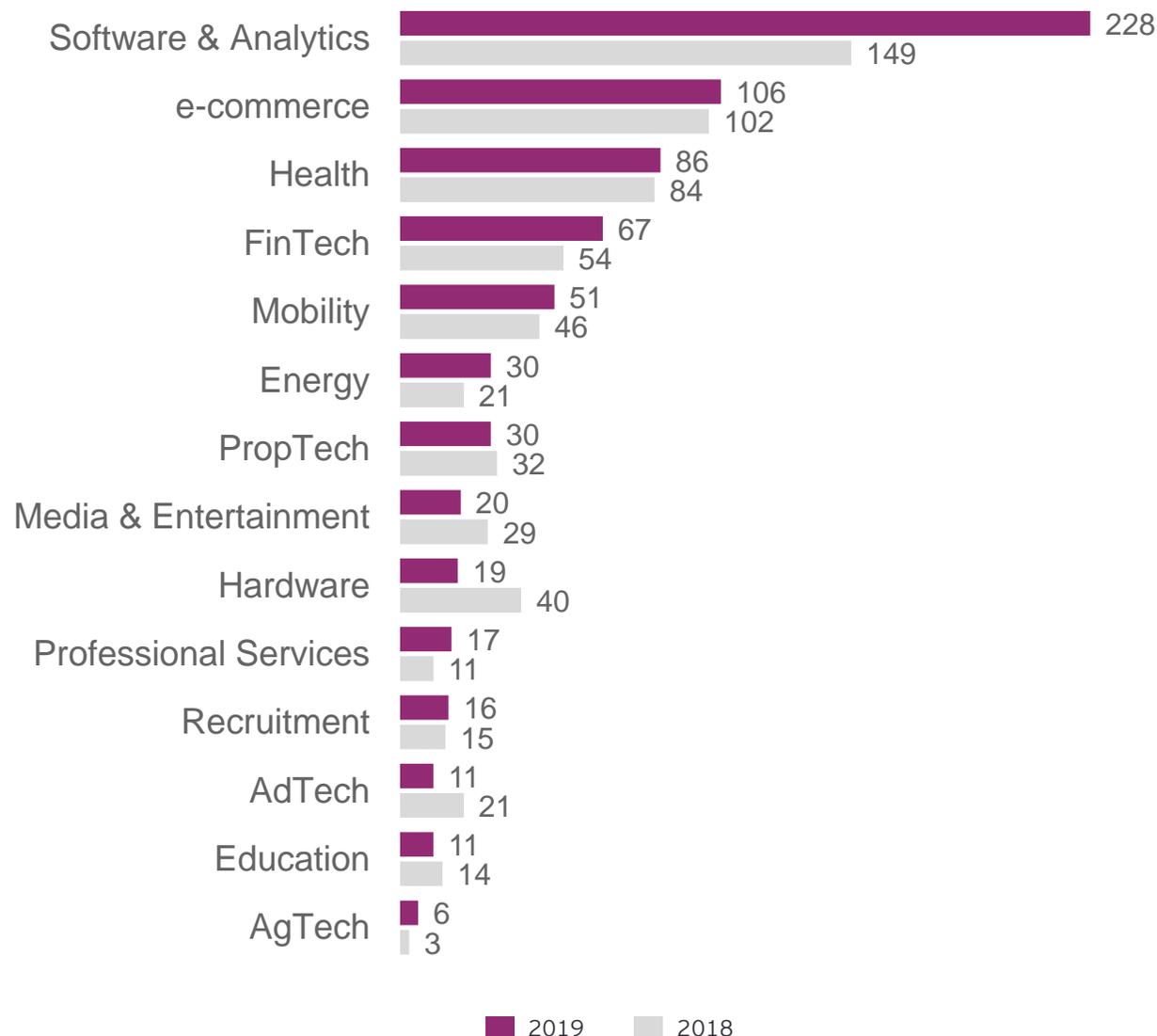
# Software & Analytics with by far the most financing rounds - before e-commerce and health

## Start-up financing in Germany 2019 and 2018

### Number of financing rounds in Germany by sector

As in the previous year, the Software & Analytics division accounted for the largest number of financing rounds in 2019: Compared to 2018, the number rose by 53 percent from 149 to 228. With SaaS, Artificial Intelligence, Virtual Reality, Blockchain, Cloud, Cyber Security and Data Analytics, this division includes start-ups with new technologies.

In second place is the e-commerce segment, followed by the health segment. Both sectors recorded slightly more deals in 2019 than in the previous year.

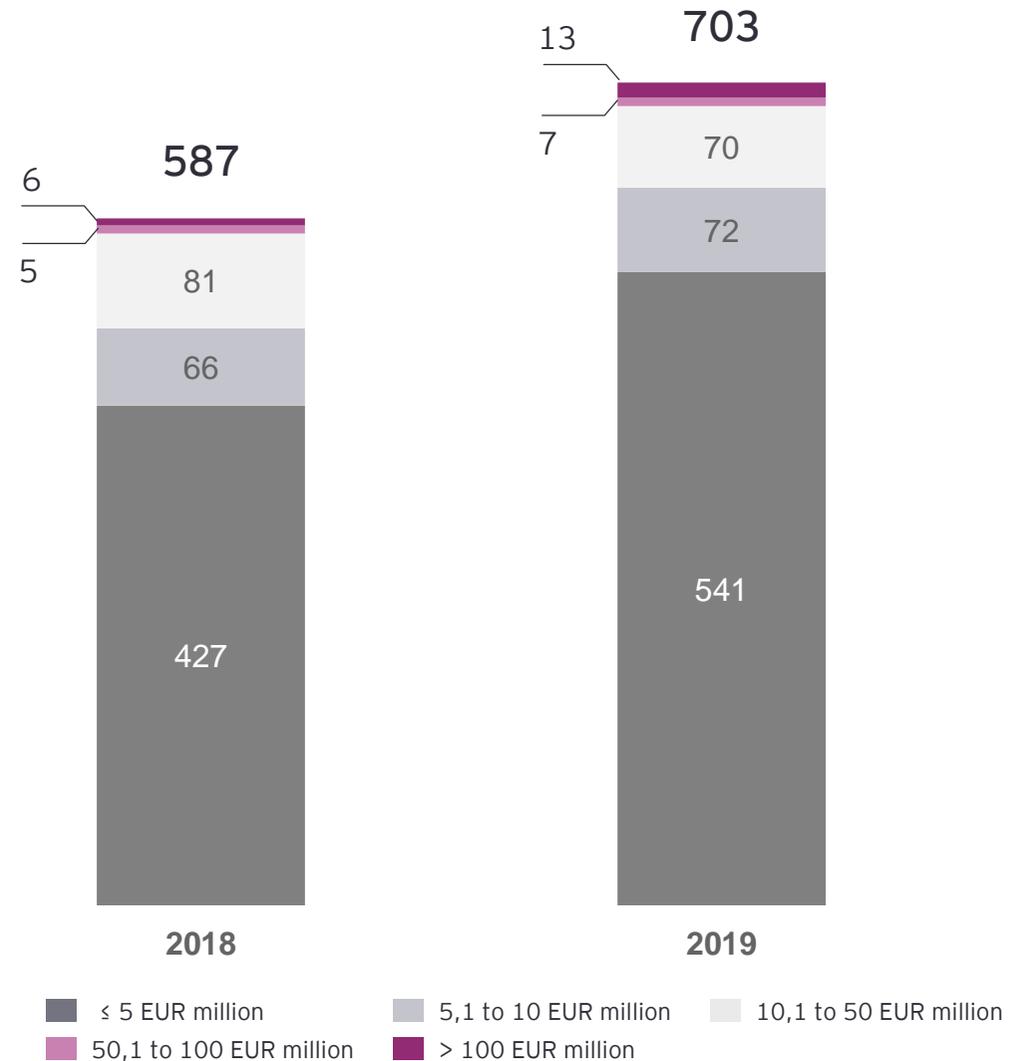


# Significantly more large and small financings

## Start-up financing in Germany 2019 and 2018

By size class, number of financing rounds in the size class mentioned<sup>1</sup>

In 2019, the number of small deals of up to EUR 5 million will increase significantly - by 27 percent - compared to the previous year. The number of large deals of more than EUR 50 million has also risen significantly, from 11 to 20 deals. In contrast, the number of medium-sized deals in the range of EUR 5 to 50 million has fallen slightly - from 147 to 140.



<sup>1</sup> A total of 704 (621) financing operations were counted in 2019 (2018), but information on the volume of financing is only available for 703 (587) transactions.

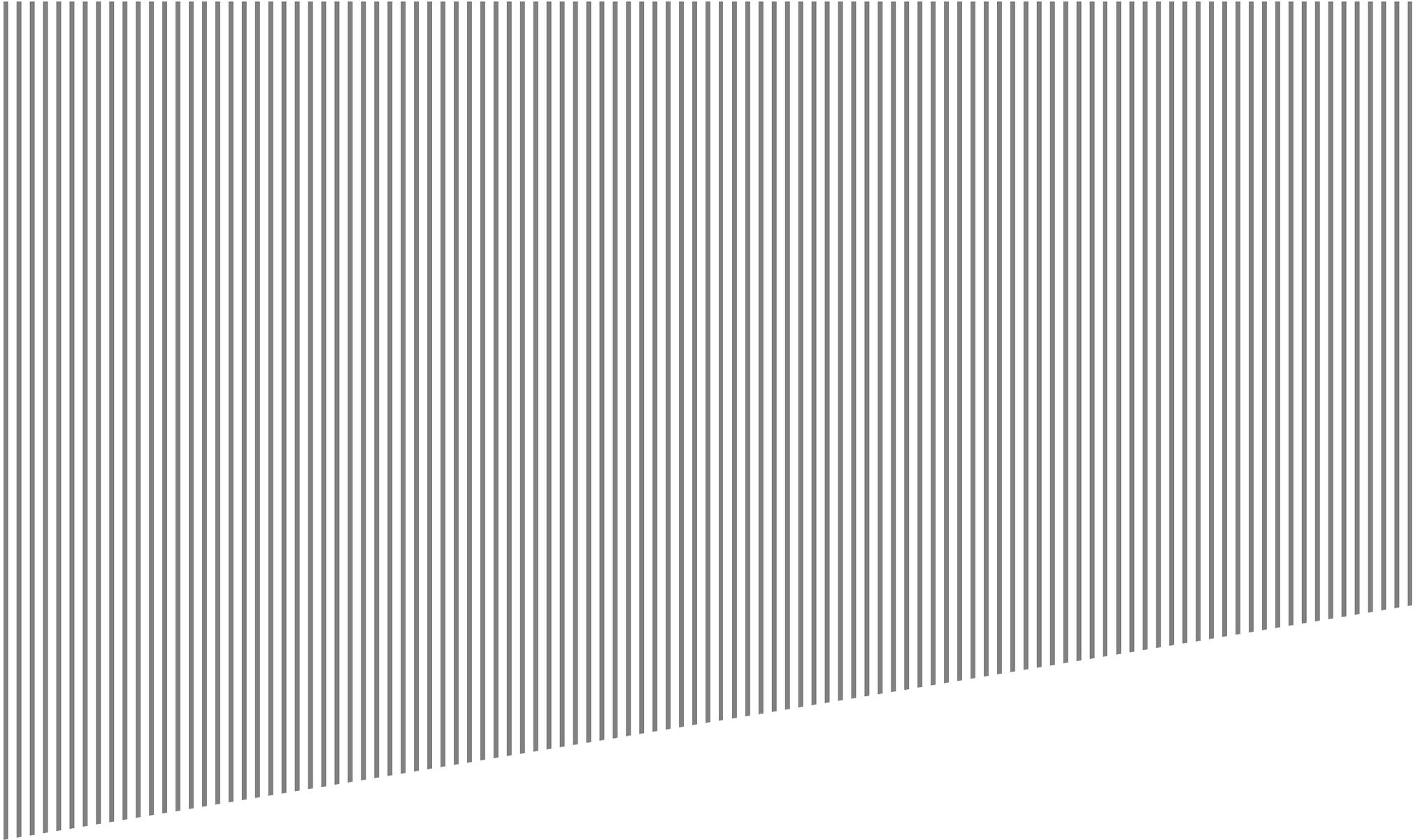
# FlixBus ahead of GetYourGuide with the largest financing round

## Top 5 financings in Germany in the first half of 2019

Company	Month	Financing amount in million euros	State
FlixBus	July	500	Bavaria
GetYourGuide	May	428	Berlin
Frontier Car Group*	November	361	Berlin
N26	January	266	Berlin
Celonis	November	261	Bavaria

\* according to media reports; total not confirmed by the company

Focus on sectors and federal states

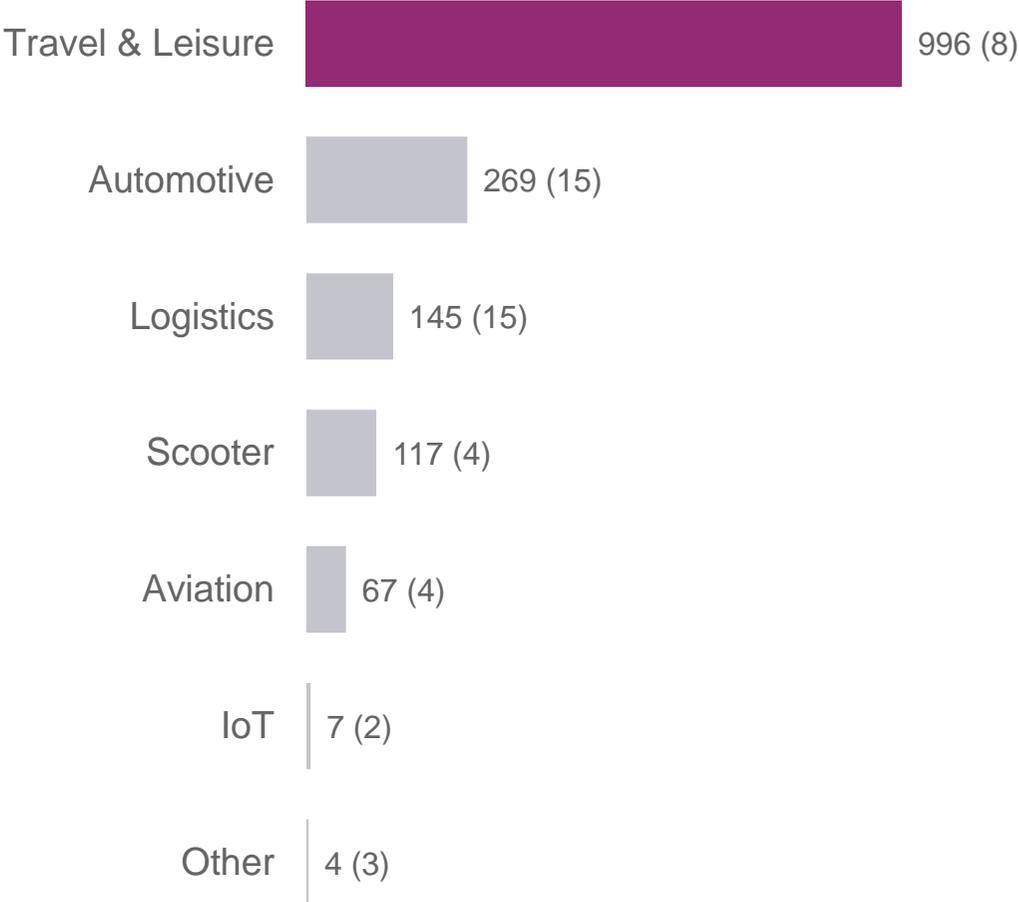


# Detailed analysis Mobility: Travel & Leisure with the largest investment sum - Automotive and Logistics with the most deals

## Financing in the Mobility sector 2019

Financing amounts per sub-sector in Germany (figures in EUR million); in brackets: Number of financing rounds

The Travel & Leisure sub-sector accounted for 62 percent of total invested capital in the Mobility segment. However, the two largest deals alone accounted for EUR 928 million of the total EUR 996 million invested here. The Automotive sector in second place accounted for around 17 percent of the capital invested in the Mobility sector.



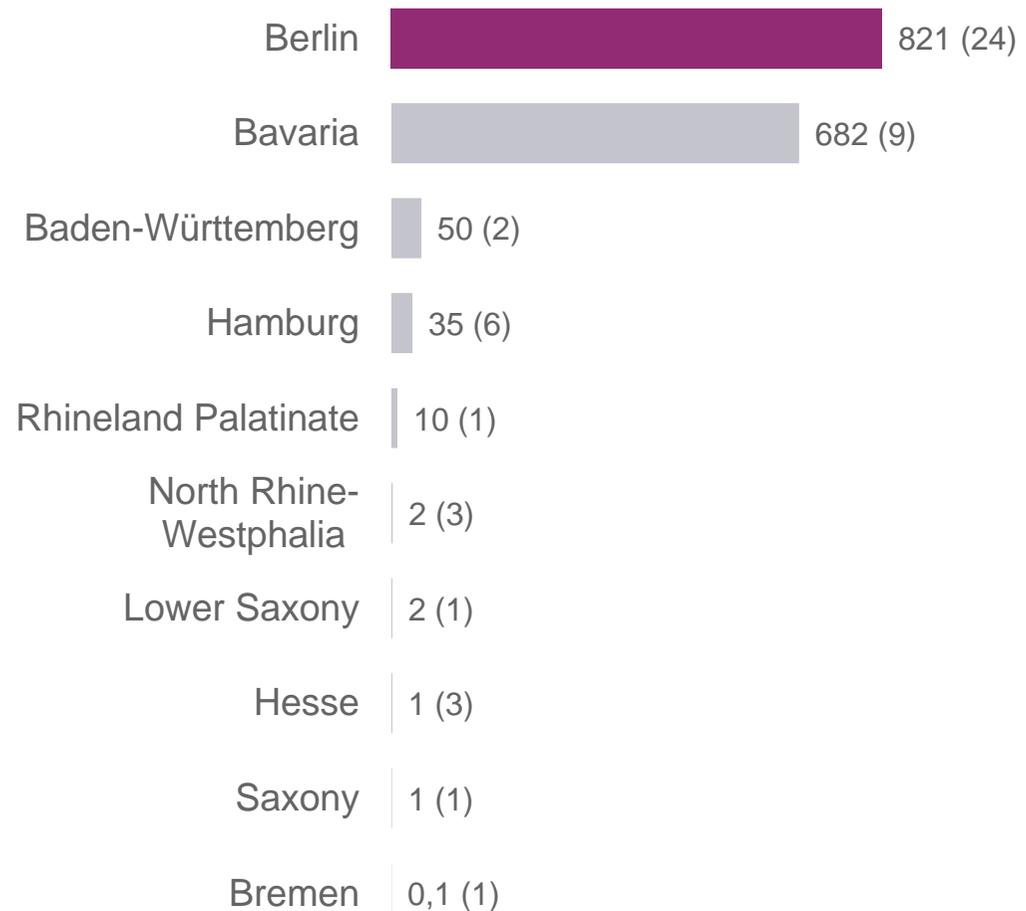
# Mobility: Start-ups in Berlin receive the most, closely followed by start-ups in Bavaria

## Financing in the Mobility sector 2019

Financing amounts per state in Germany (figures in EUR million); in brackets: Number of financing rounds

In 2019, Berlin start-ups received a good half (51 percent) of the capital invested in Germany in the Mobility sector and recorded the highest number of financing rounds.

Bavarian start-ups achieved a market share of 43 percent in the mobility sector, but recorded significantly fewer financing rounds than the start-up scene in Berlin.

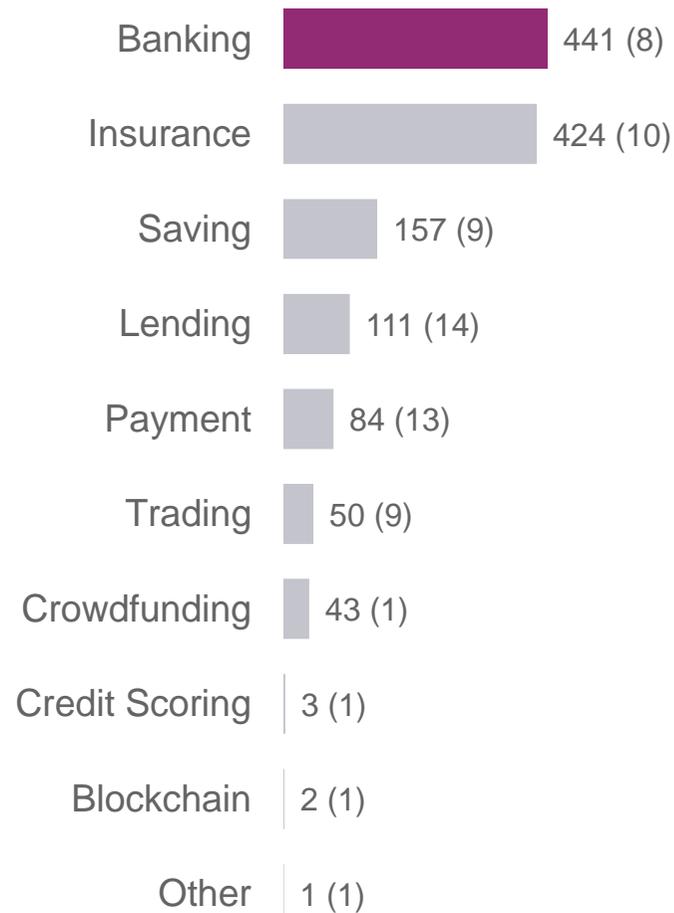


# Detailed analysis FinTech/InsurTec: Banking and insurance receive the most investment capital - before saving and lending

## Financing in FinTech/InsurTech 2019

Financing amounts per sub-sector in Germany (figures in EUR million); in brackets: Number of financing rounds

In the FinTech/InsurTec Mobility division, the two subsectors Banking and Insurance accounted for around two-thirds of the total invested capital with EUR 441 million and EUR 424 million respectively, although the majority of the invested sum in the Banking subsector (95 percent) was accounted for by the two top deals of N26.



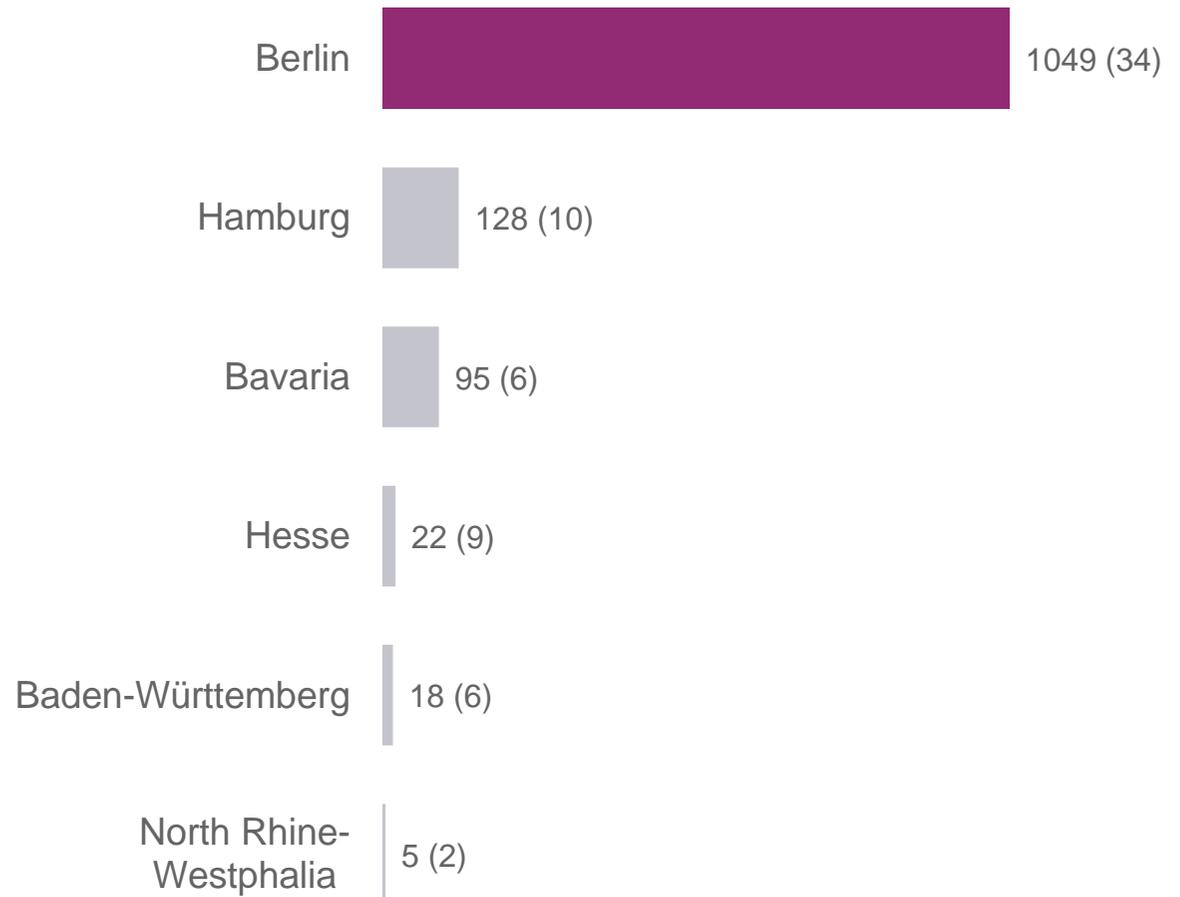
# FinTech/InsurTech: Berlin start-ups with a market share of 80

## Financing in FinTech/InsurTech 2019

Financing amounts per state in Germany (figures in EUR million); in brackets: Number of financing rounds

In 2019, Berlin start-ups received around 80 percent of the capital invested in Germany in the FinTech/InsurTech sector and recorded by far the most financing rounds.

Start-ups in Hamburg achieved a market share of 10 percent, followed by Bavarian start-ups, which had a market share of 7 percent.

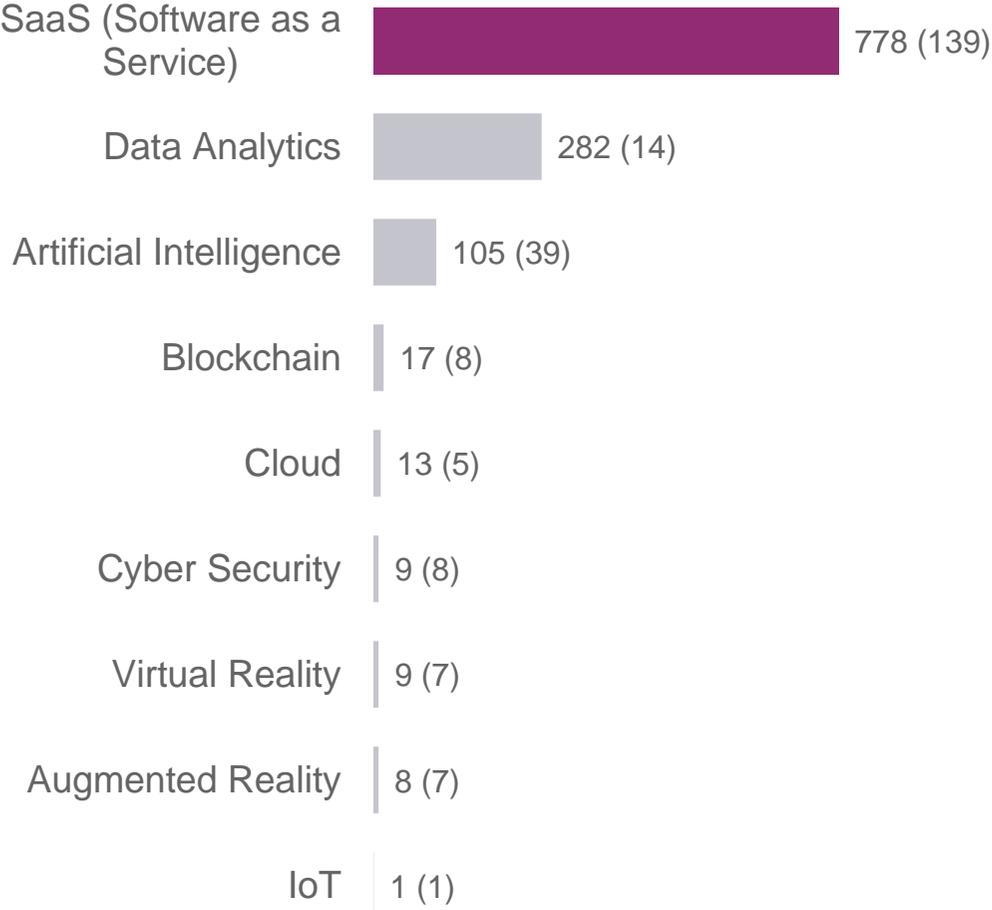


# Detailed Analysis Software & Analytics: Software as a Service receives the most, followed by Data Analytics and AI

## Financing in Software & Analytics 2019

Financing amounts per sub-sector in Germany (figures in EUR million); in brackets: Number of financing rounds

Within the Software & Analytics division, the Software as a Service segment recorded by far the most deals in 2019 with 139 deals and EUR 778 million, the highest investment volume and two of the top 3 deals within the sector (Signavio and Powercloud). The sub-sectors Data Analytics and AI, ranked second and third, were also able to attract investment totals of more than EUR 100 million each.



# Software & Analytics: Bavarian start-ups receive the most, closely followed by Berlin software companies

## Financing in Software & Analytics 2019

Financing amounts per state in Germany (figures in EUR million); in brackets: Number of financing rounds

In 2019, Bavarian start-ups recorded the highest inflow of investment capital and the second highest number of financing rounds in the Software & Analytics segment, at almost EUR 500 million.

However, at EUR 482 million, start-ups from Berlin received only slightly less capital, but they recorded more financing rounds than their Bavarian competitors.

Start-ups in Baden-Württemberg also received a financing sum of more than EUR 100 million.



# Detailed analysis e-commerce: Automotive with the highest investment volume - ahead of Food and Services

## Financing in e-commerce 2019

Financing amounts per sub-sector in Germany (figures in EUR million); in brackets: Number of financing rounds

In the e-commerce sector, the automotive subsector recorded the highest inflow of investment capital in 2019, with EUR 376 million. However, the bulk of this amount was accounted for by the top deal in the sector.

The food sector also attracted more than EUR 100 million in 2019.



# E-commerce: More than 70 percent of invested capital goes to capital city start-ups

## Financing in e-commerce 2019

Financing amounts per state in Germany (figures in EUR million); in brackets: Number of financing rounds

In 2019, Berlin again recorded the highest number of deals and the highest financing volume in the e-commerce segment: at EUR 528 million, a good 72 percent of the total of EUR 528 million invested in e-commerce went to capital city start-ups.

Apart from Berlin, only the start-up scene from North Rhine-Westphalia achieved a double-digit market share of around 17 percent.

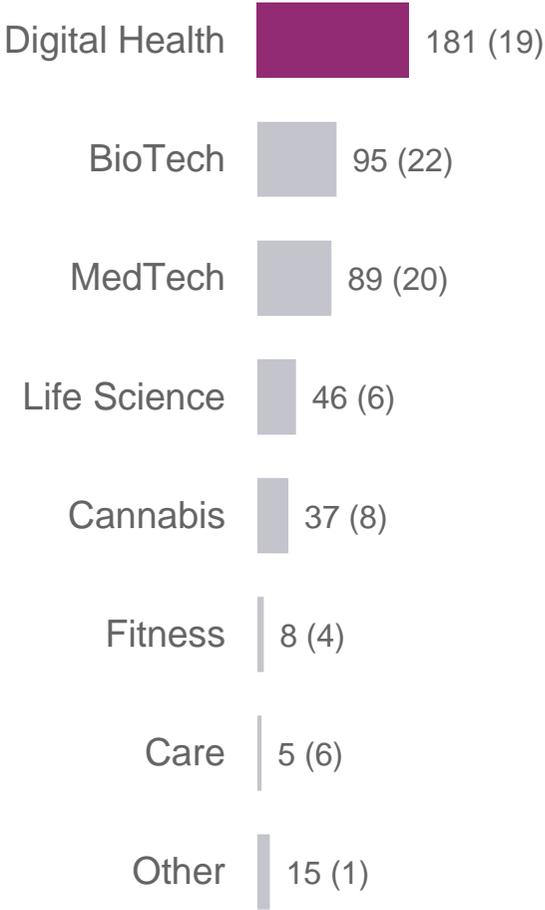


# Detailed analysis Health: Digital Health before BioTech and MedTech - Cannabis receives 37 million euros

## Financing in Health 2019

Financing amounts per sub-sector in Germany (figures in EUR million); in brackets: Number of financing rounds

Within the Health segment, the **Digital Health** segment recorded the highest investment volume and top deal in 2019 with EUR 181 million (Doctolib, EUR 150 million). Most financing rounds were counted in the **BioTech** sub-sector. In the still young **Cannabis** sub-sector, 8 deals were recorded with a financing volume of approximately EUR 37 million.



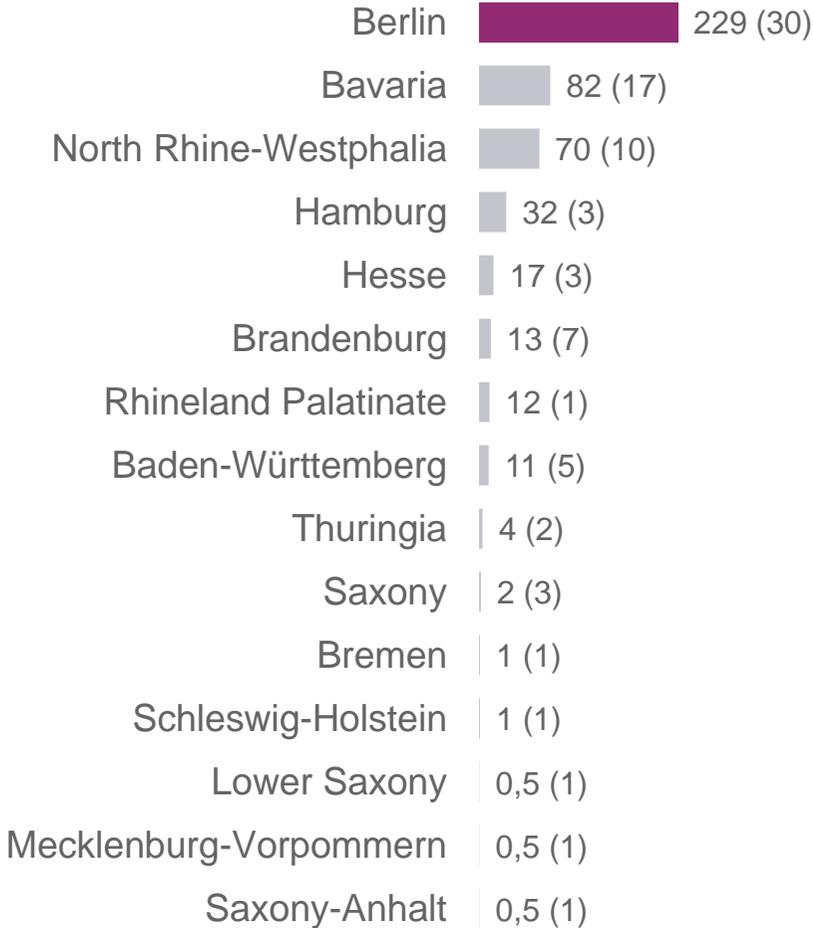
# Health: Berlin start-ups receive the most -wide regional distribution of start-ups

## Financing in Health 2019

Financing amounts per state in Germany (figures in EUR million); in brackets: Number of financing rounds

In the health sector, too, Berlin start-ups received by far the highest inflow of investment capital in 2019 at EUR 229 million, corresponding to a market share of 48 percent, and recorded the highest number of deals.

Start-ups in Bavaria and North Rhine-Westphalia nevertheless received sums in the high double-digit millions. In addition, financing rounds were counted in all federal states with the exception of Saarland.



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