

# The Journey to Series A in Europe

Fundraising benchmarks for founders of early-stage companies

Part 1



Dealroom.CO

in partnership with



# What you need to know

1. European early-stage funding has continuously increased, now at **4x** relative to 2012, with massively more investors.
2. The median time from reported Seed to Series A is **18 months**.
3. The average European conversion rate from Seed to Series A is **19%** within 36 months from the Seed.
4. Companies raising Seed from top investors are **significantly** more likely to raise Series A, and do so faster.
5. Companies raising **\$2-3m** in total pre Series A funding convert better than those raising less, but raising more than \$3m does not improve conversion rates.
6. There is a growing share of **“New Series A”s** in the range of \$7-15m.

# Why have we created this analysis?

## The problem - funding rounds are self-reported and labeled with no consistency.

- For example, Seed rounds can range from almost \$0 to \$15m, while many early-stage rounds are not labelled at all.
- So founders and investors **struggle to obtain useful benchmarks on the early-stage funding journey.**
- Even the basic question - what share of “Seed” companies raise a “Series A” - is difficult to answer with confidence.

## The solution - apply a systematic re-labeling of rounds.

- The relabeling is based on size, timing and company age **to allow for consistent and reliable comparisons.**
- Use this re-labeled dataset to create standardised benchmarks on key fundraising dimensions.
- We understand this methodology, like any other, may raise questions and we welcome feedback.
- Yet, we are confident it offers **a new level of insight on the reality of the early-stage funding journey in Europe.**

# The detailed methodology for re-labeling rounds

22,000+ European funding rounds\* between January 2012 to September 2018 were re-labelled in the following way:

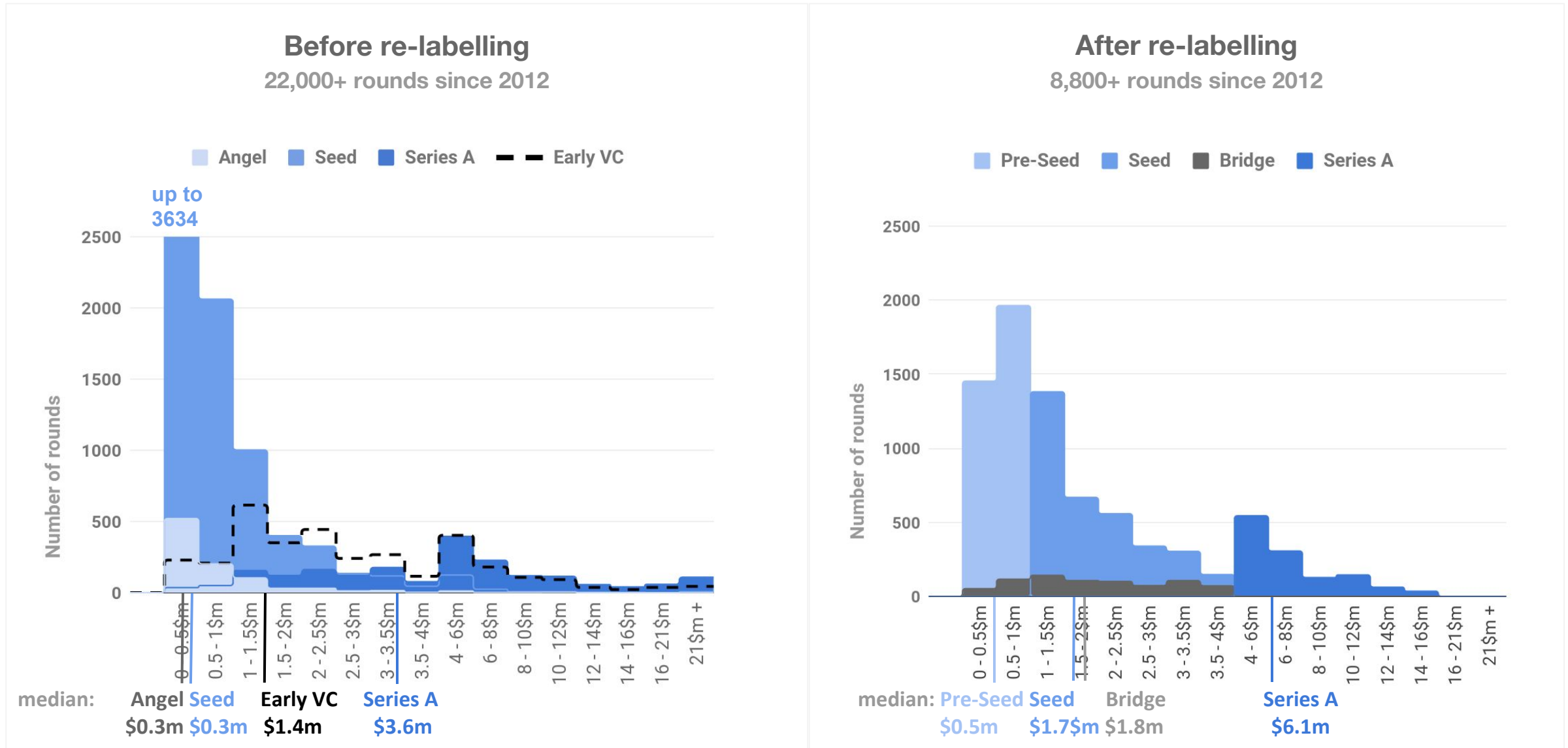
- **Seed** is the first round to be  $\geq \$1\text{m}$
- **Series A** is the first round to be  $\geq \$4\text{m}$  and  $< \$15\text{m}$ , split between **Old Series A** ( $\leq \$7\text{m}$ ) and **New Series A** ( $> \$7\text{m}$ )
- Any round before the **Seed** that is  $\geq \$0.25\text{m}$  is labelled as a **Pre-Seed** round
- Any round between **Seed** and **Series A** is labelled as a **Bridge** round

The following rounds were excluded:

- Rounds  $< \$0.25\text{m}$  or  $> \$15\text{m}$  (5,200 undisclosed + 4,300  $< \$0.25\text{m}$  + 2,900  $> \$15\text{m}$ )
- Rounds that happened more than 5 years after founding (3,100 rounds excluded)
- All rounds of companies with 1+ round(s) of undisclosed size between Pre-Seed and Series A (420 rounds excluded)

**The final dataset covers 8,800 funding rounds of 6,500 companies.**

# And indeed, re-labelling makes a huge difference...



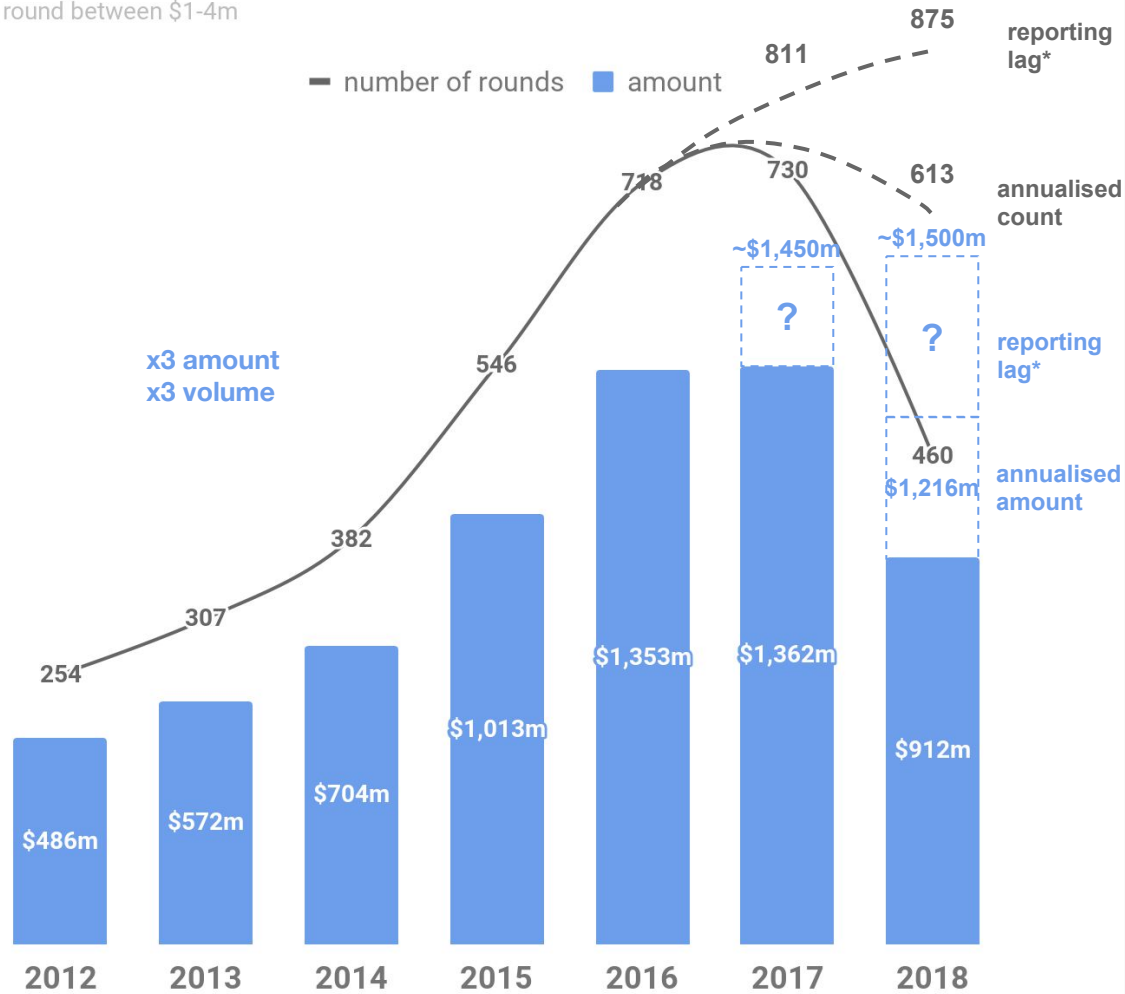
# Findings 1:

## Volume and distribution of rounds

# Early-stage funding in Europe has increased dramatically

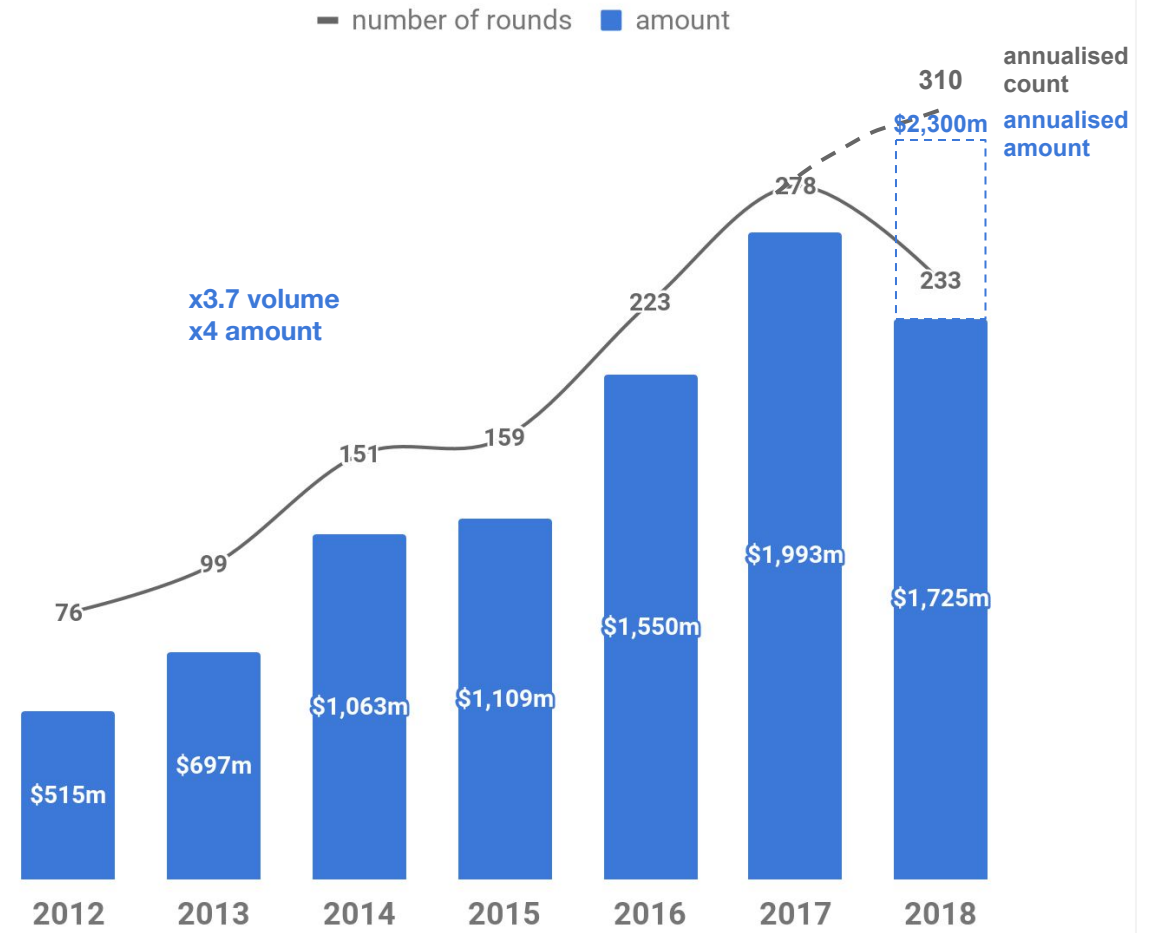
## Seed rounds

1st round between \$1-4m



## Series A

1st round between \$4-15m



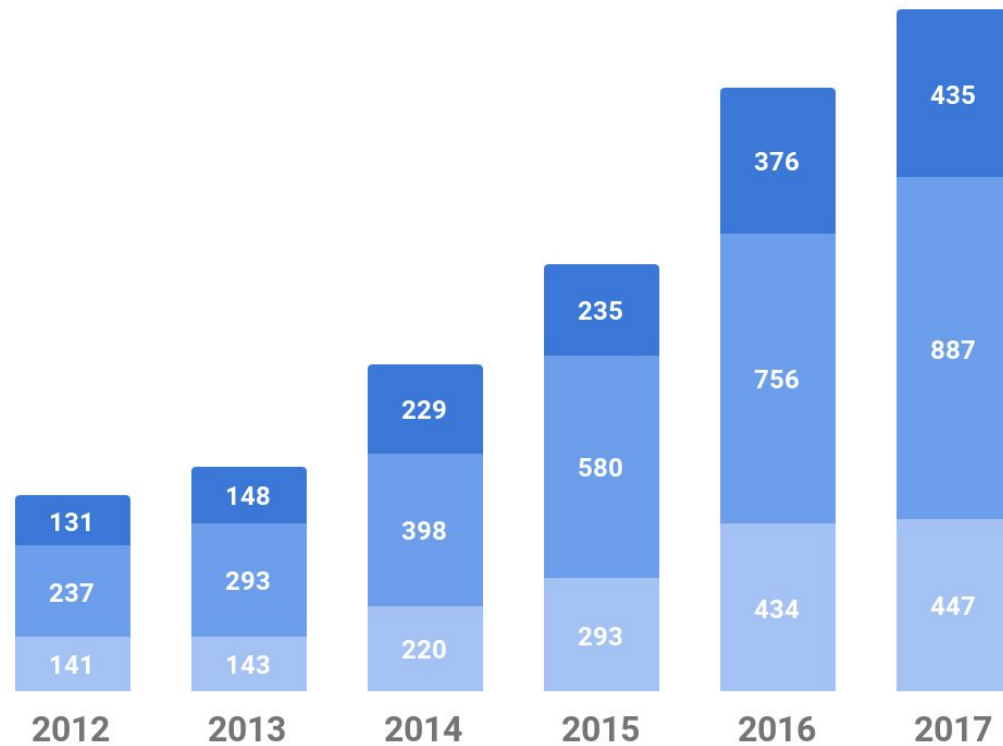
The reporting lag is the difference between the date of a round's disclosure and the reported date of a round's occurrence. We calculated that for 80% of Seed rounds the reporting lag is less than 12 months (see slide 22).

# Europe's early-stage investor base has grown in depth

## Number of unique investors with 1+ investment(s) per year, per round type

Seed is the 1st round between \$1-4m ; Series A is the 1st round between \$4 -15m

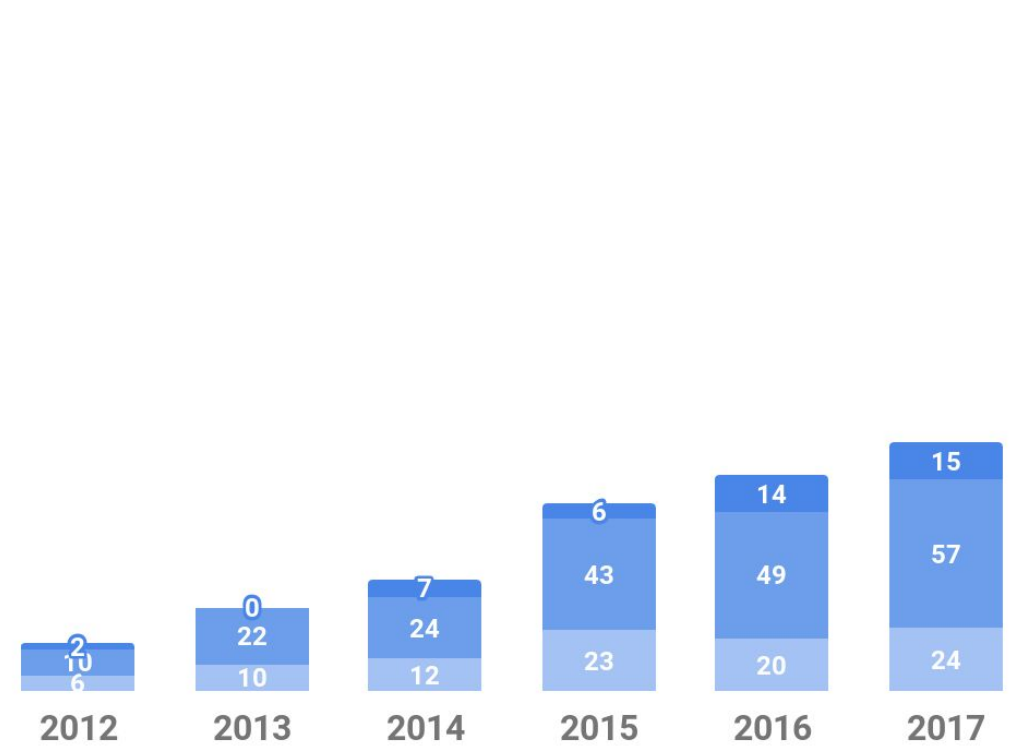
■ Pre-Seed ■ Seed/Bridge ■ Series A



## Number of unique investors with 4+ investments per year, per round type

Seed is the 1st round between \$1-4m ; Series A is the 1st round between \$4 -15m

■ Pre-Seed ■ Seed/Bridge ■ Series A

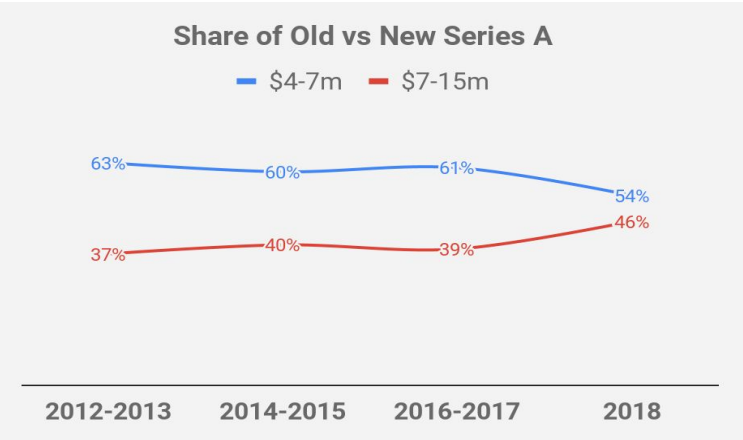
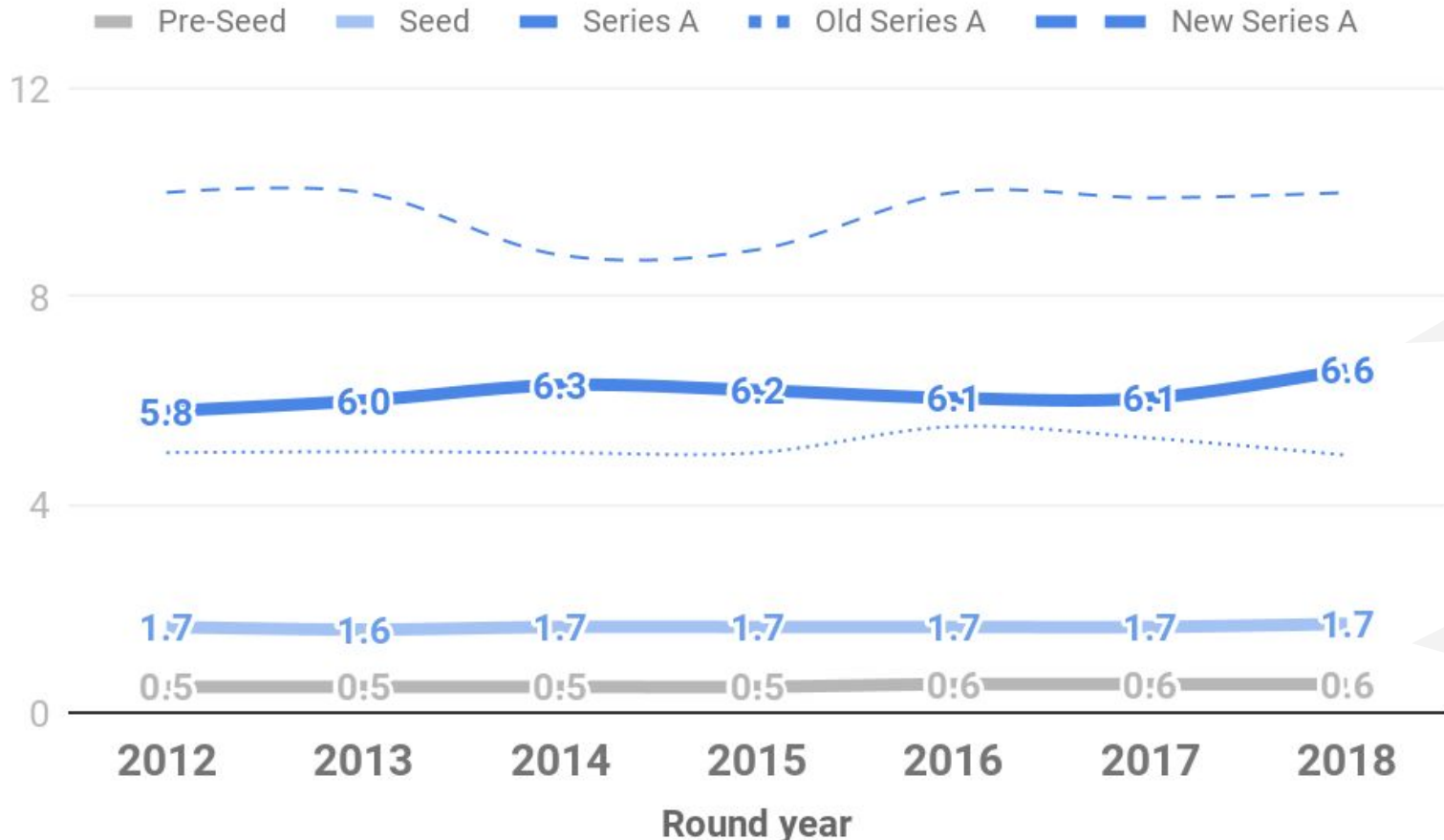




# Series A rounds have been increasing in size

## Median round sizes in \$m

Seed is the 1st round between \$1-4m ; Series A is the 1st round between \$4 -15m



**Series A sizes are going up due to the emergence of the “new Series A” of \$7-15m, as shown above**

**Pre-Seed and Seed round sizes appear stable, but that should be considered with care, given their necessarily imposed range in our methodology**

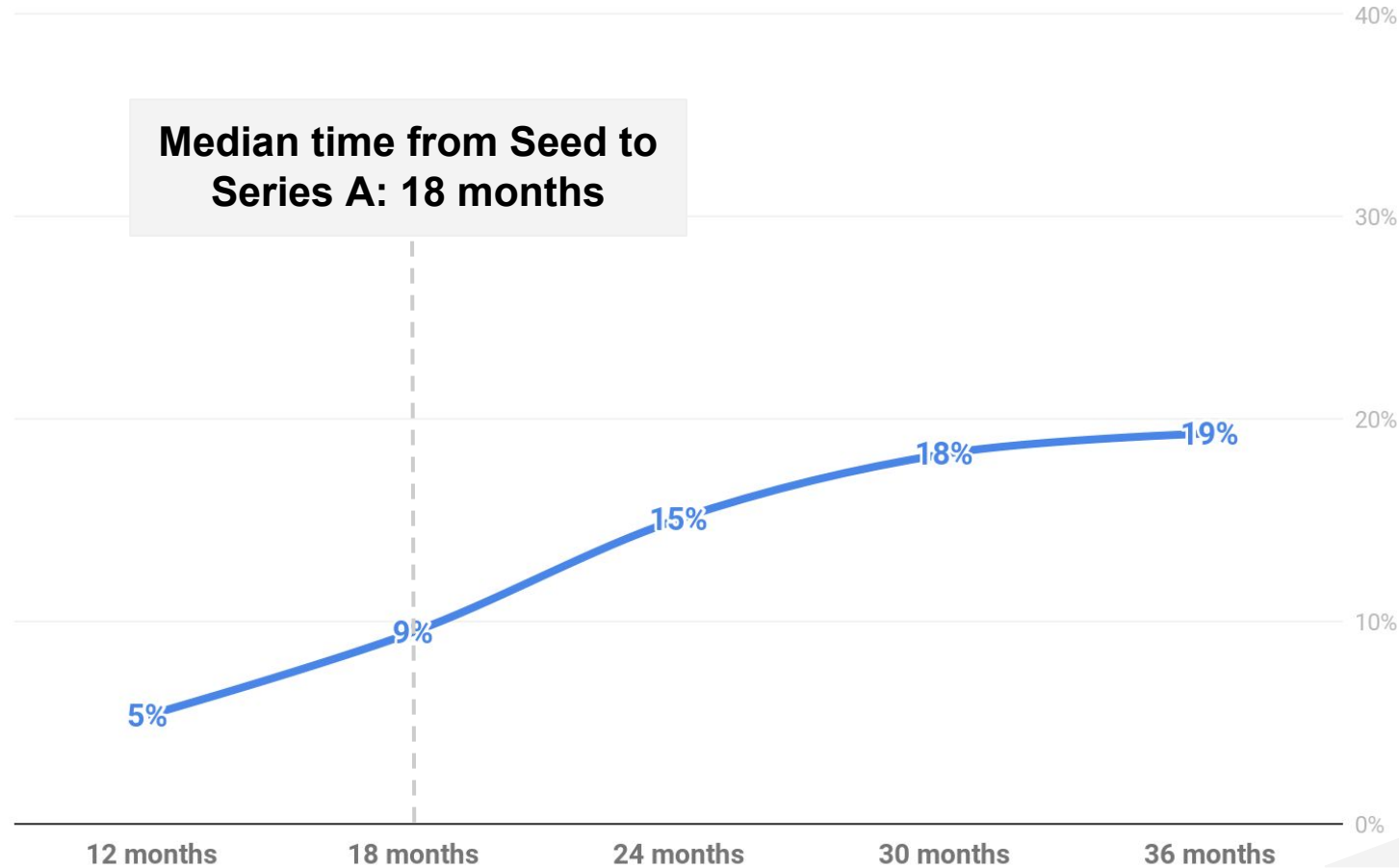
## **Findings 2:**

# **Conversion rates and time to Series A**

# 19% of Seed companies have raised a Series A after 36 months

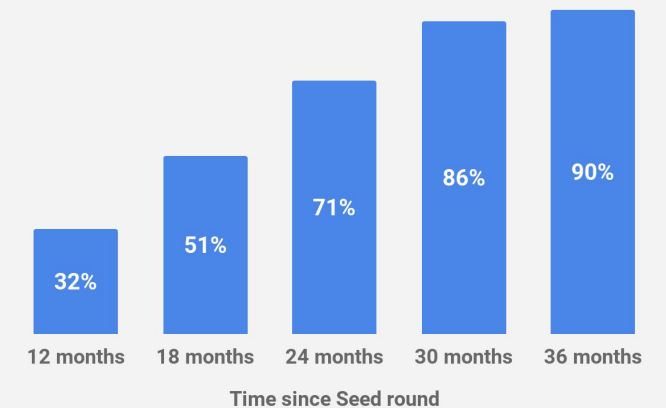
## Conversion to Series A by time elapsed since Seed round

Seed is the 1st round between \$1-4m ; Series A is the 1st round between \$4 -15m



Other studies have previously indicated higher conversion rates, but their methodologies typically hadn't compared like-for-like funding rounds or compared like-for-like cohorts in terms of elapsed time\*

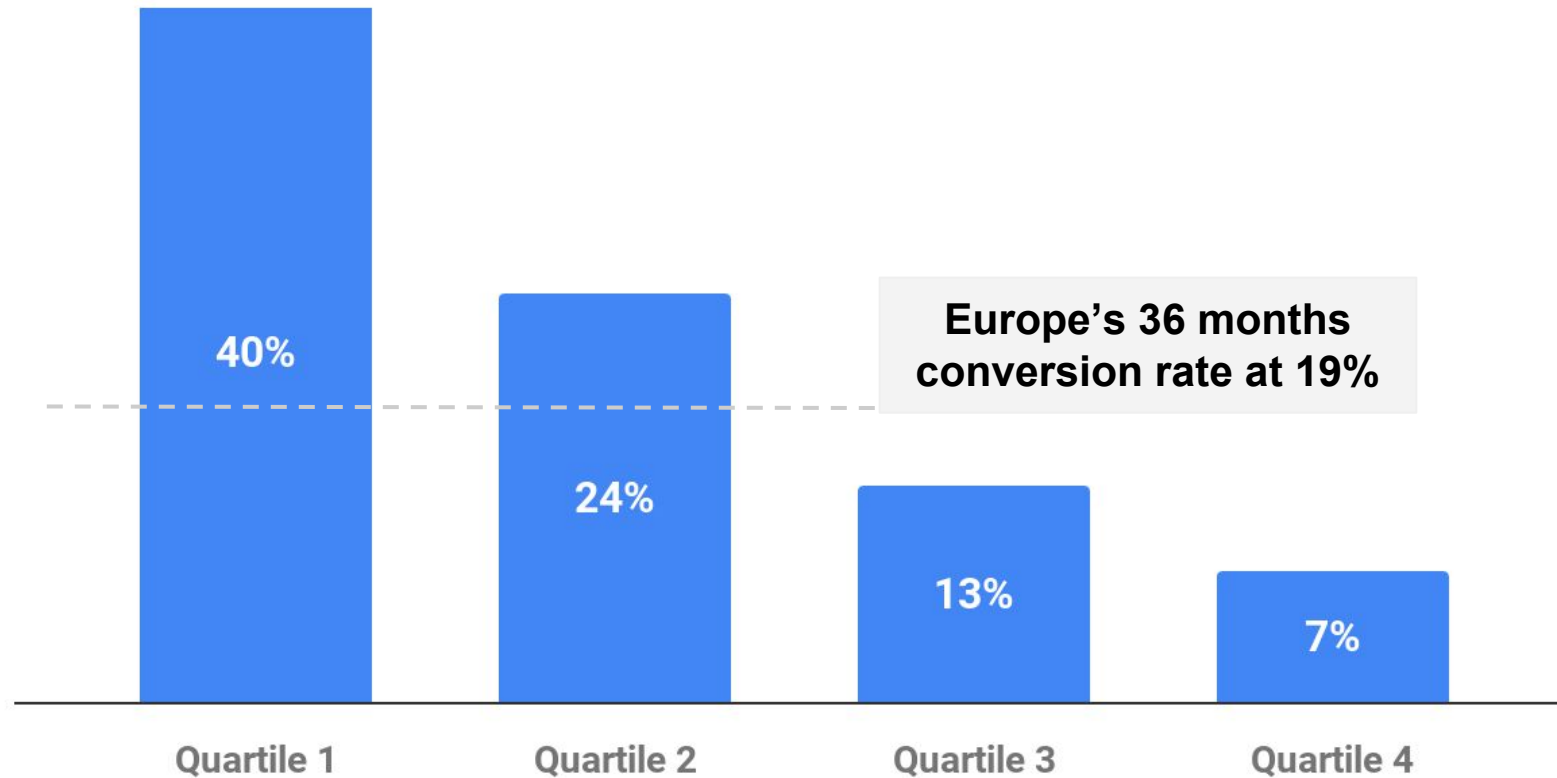
Methodology: 90% of Series A have happened by 36 months after the Seed round, making it a good cutoff for measuring conversion rates



# Probability of raising Series A varies hugely with the Seed investor

## Median conversion rates from Seed to Series A by investors quartiles

Seed is the 1st round between \$1-4m ; Series A is the 1st round between \$4 -15m



## Seed VC funds in Quartile 1



**500**  
startups

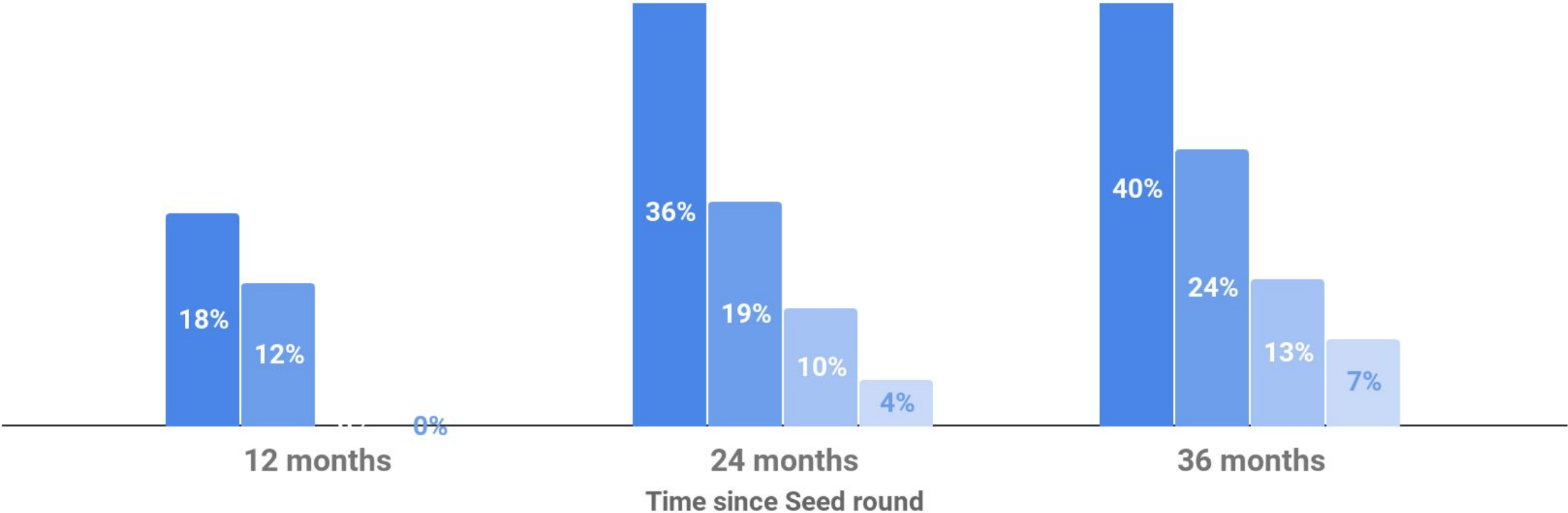
Based on disclosed Seed and Series A rounds, conversion rates were calculated for VC funds that made at least 8 Seed rounds since 2012, and at least 75% of their first investments over that period were in Seed or Pre-Seed rounds. The cut-off period for conversion is 36 months. Inevitably, newly established Seed funds wouldn't have been able to qualify for this analysis.

# Companies that raise from top quartile Seed investors are significantly more likely to convert to Series A and do so faster

## Median conversion rates from Seed to Series A by investor quartiles

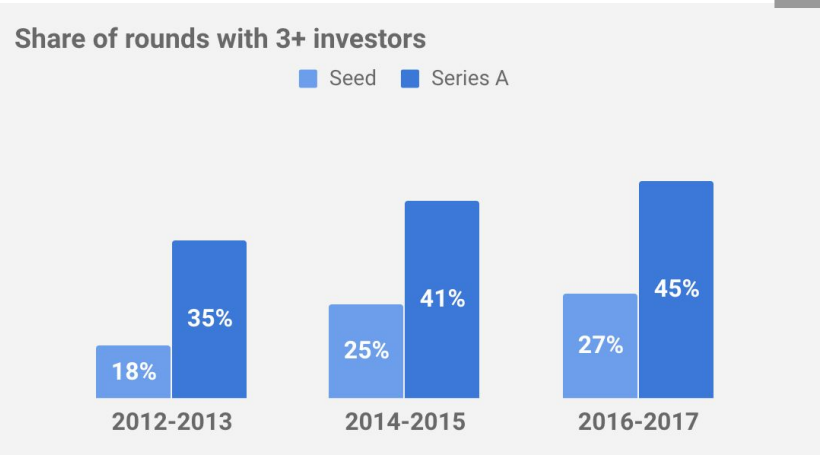
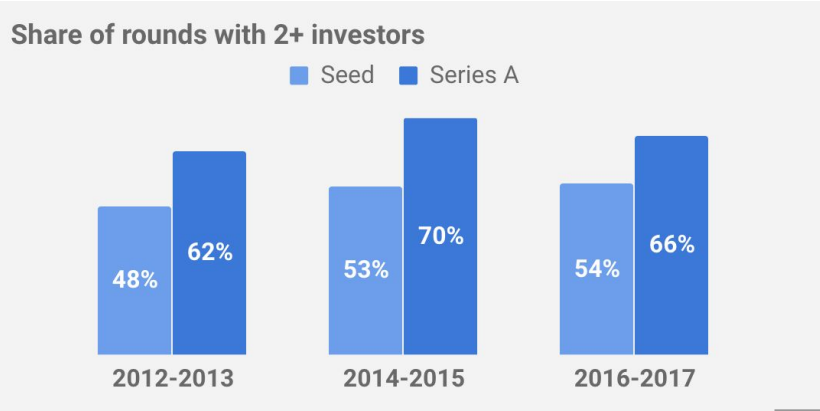
Seed is the 1st round between \$1-4m ; Series A is the 1st round between \$4 -15m

■ Top quartile ■ Quartile 2 ■ Quartile3 ■ Bottom quartile



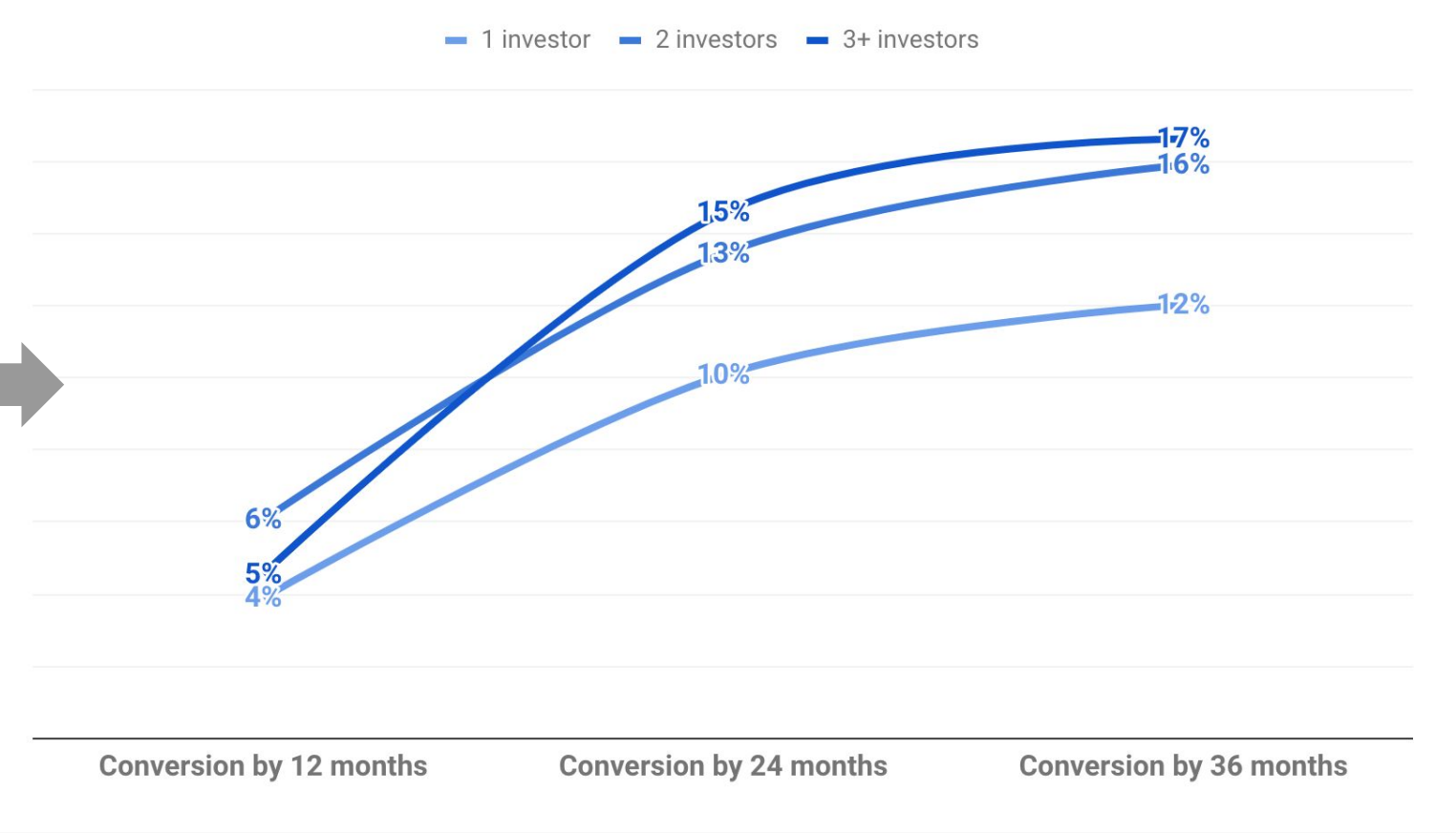
# Collaborative Seed rounds involving 2+ investors are observed to have a higher probability of converting to Series A

## Increased collaboration



## Conversion rate from Seed to Series A by number of investors in the Seed round

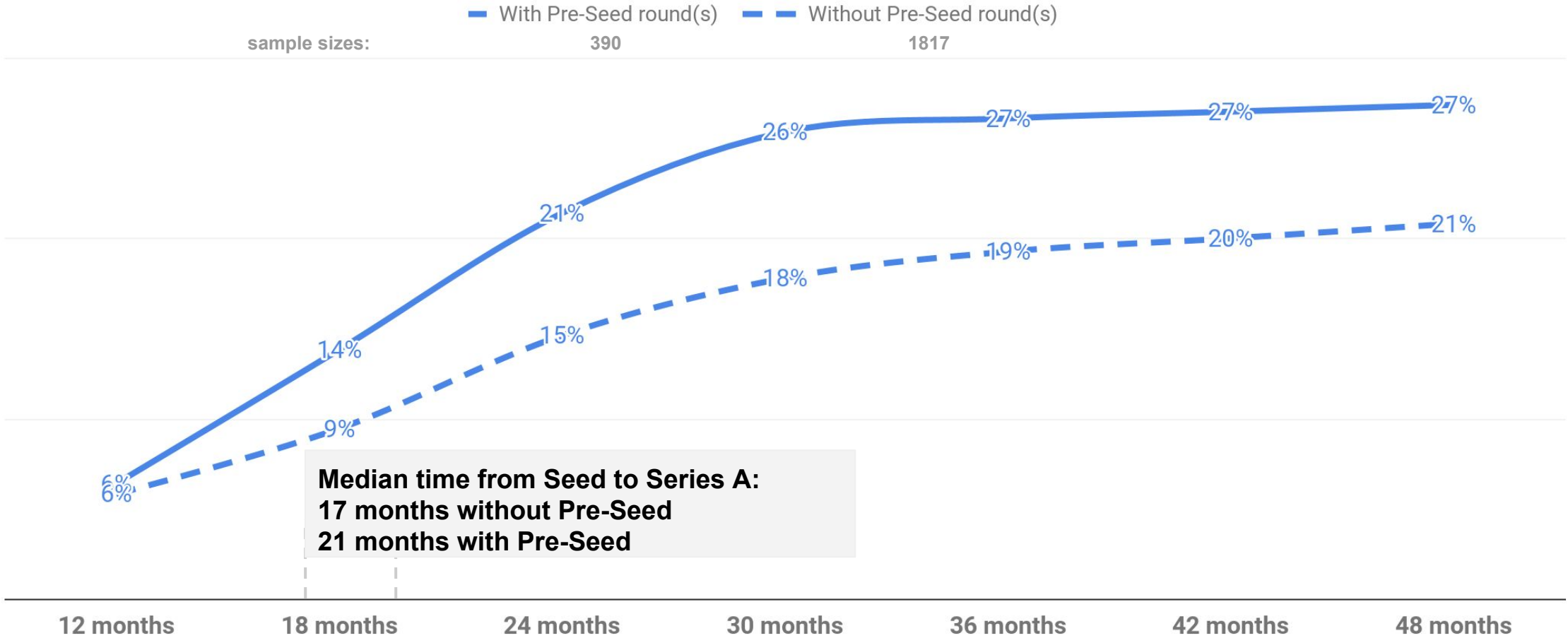
Seed is the 1st round between \$1-4m ; Series A is the 1st round between \$4 -15m



# Companies raising a Pre-Seed convert at higher rates to Series A

## Conversion rate to Series A by time elapsed since Seed round

Seed is the 1st round between \$1-4m ; Series A is the 1st round between \$4 -15m

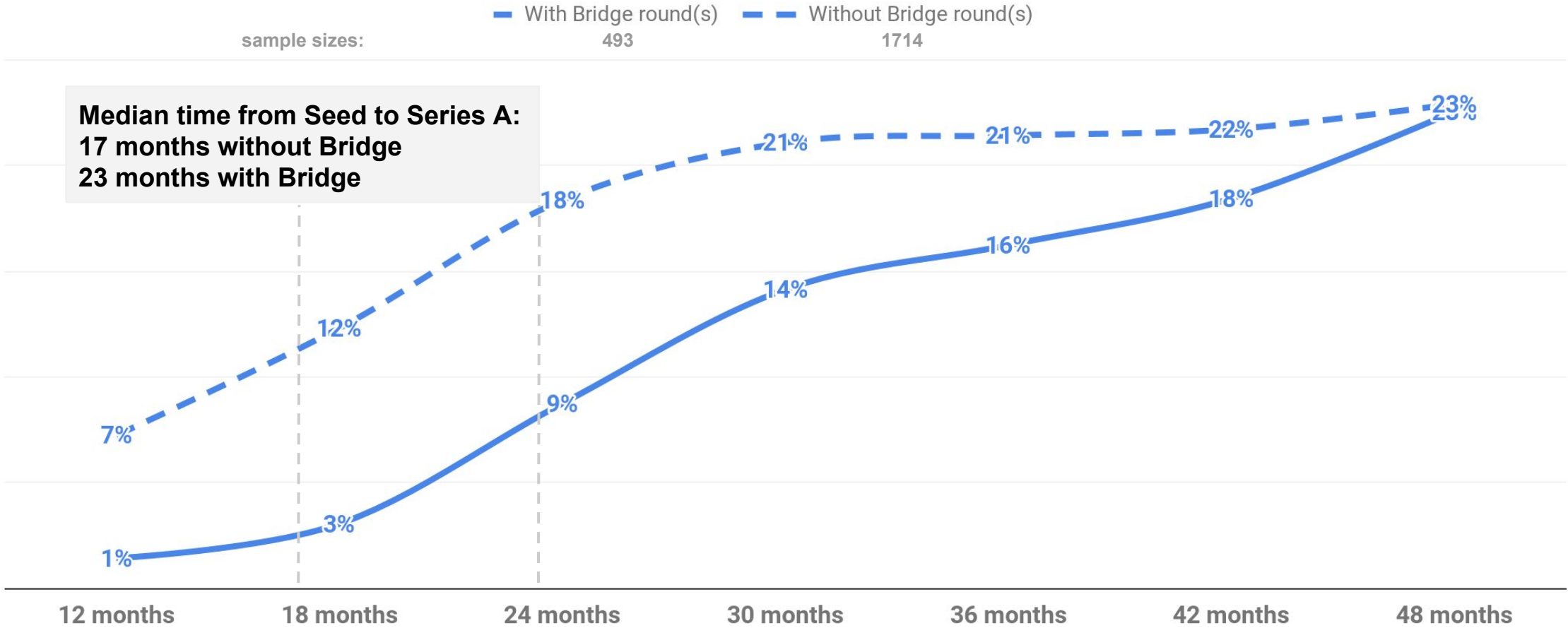


**Median time from Seed to Series A:  
17 months without Pre-Seed  
21 months with Pre-Seed**

# Bridge rounds push out the timing of the Series A, but don't appear to increase the probability that companies make it to Series A

## Conversion rate to Series A by time elapsed since Seed round

Seed is the 1st round between \$1-4m ; Series A is the 1st round between \$4 -15m



Median time from Seed to Series A:  
17 months without Bridge  
23 months with Bridge

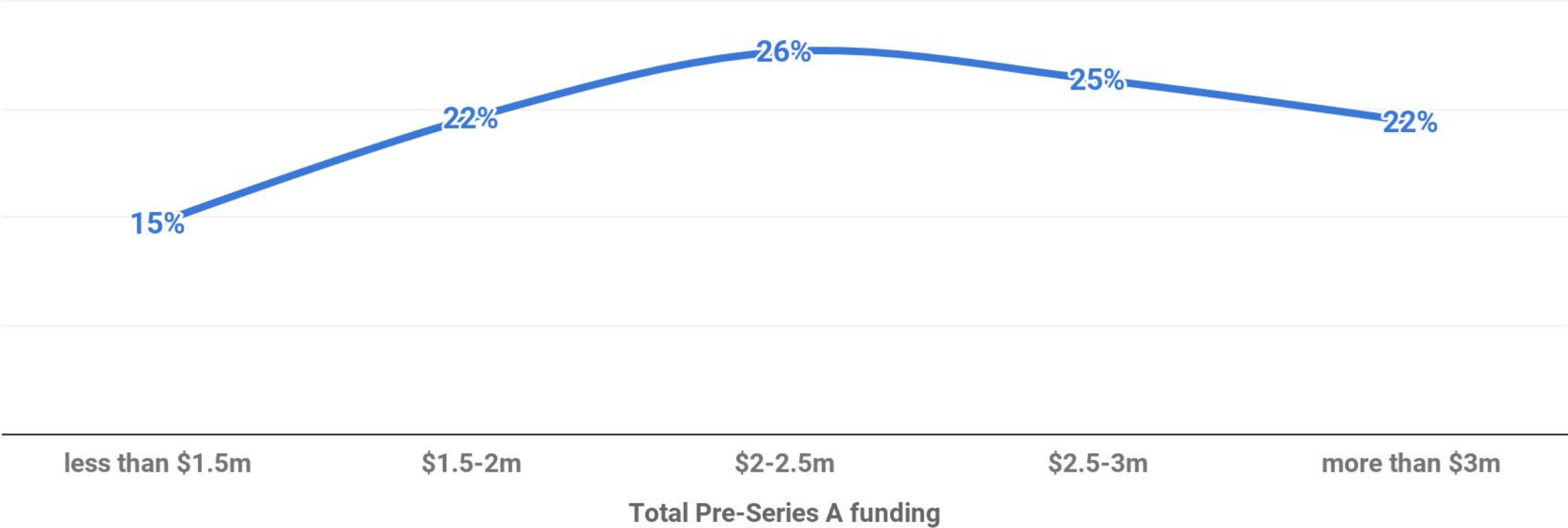


# Companies that raise \$2-3m in total Pre-Series A funding have the highest conversion rate to Series A

## Conversion rate and median time to Series A from Seed

Seed is the 1st round between \$1-4m ; Series A is the 1st round between \$4 -15m

— conversion rate



Conversion rates are based on 2012-2016 Seed rounds.  
The cut-off period for conversion is 36 months.  
Pre-Series A funding = Pre-Seed + Seed + Bridge.

# Key takeaways: early-stage European funding landscape

## European early-stage funding has exploded

- Early-stage funding in Europe has increased dramatically since 2012, **growing well over 4x** in just a few years
- In contrast to trends in other regions, the data shows no evidence that European early-stage funding is declining
- Series As, in particular, are increasing in size with **a growing number of “New Series A” rounds of \$7-15m**

## The early-stage investor base in Europe is larger and more collaborative than ever

- Europe’s early-stage investor base (number of active investors) has massively grown
- As the size of the investor base has grown, Europe has witnessed an increase in the level of investor collaboration
- There is evidence that **increased investor collaboration is associated with better conversion rates to Series A**

# Key takeaways: insights on going from Seed to Series A

## How much runway do you realistically need to make it to Series A?

- The **median time to raise Series A is 18 months**; a third of raise a Series A within 12 months of their Seed
- The **conversion rate from Seed to Series A is 19% within 36 months of the Seed**, or 15% in 24 months

## How much you raise matters

- **Companies raising \$2-3m in total Pre-Series A funding have the highest conversion rate to Series A**
- Raising too little may impact the chances of converting to Series A: companies raising <\$1.5m convert at lower levels
- Companies raising Pre-Seed+Seed funding have a materially higher conversion rate to Series A

## Who you raise capital from matters

- **Companies raising Seed from top investors are significantly more likely to raise Series A, and do so faster**

# Appendix

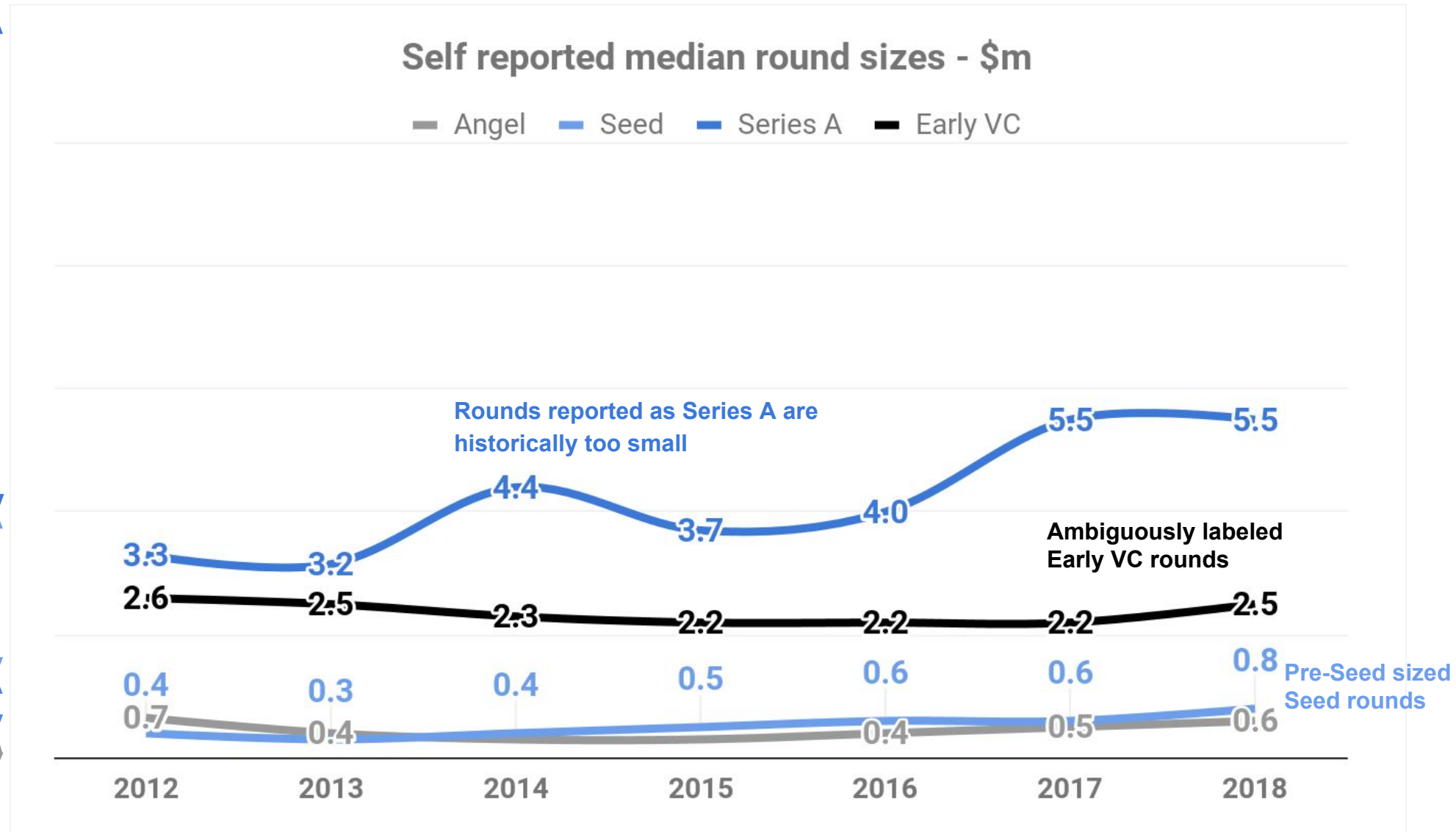
# The evolution of median round sizes for self-reported rounds supports the round size boundaries defined in this analysis

Our re-labelled round size boundaries:

Series A  
\$4-15m

Seed  
\$1-4m

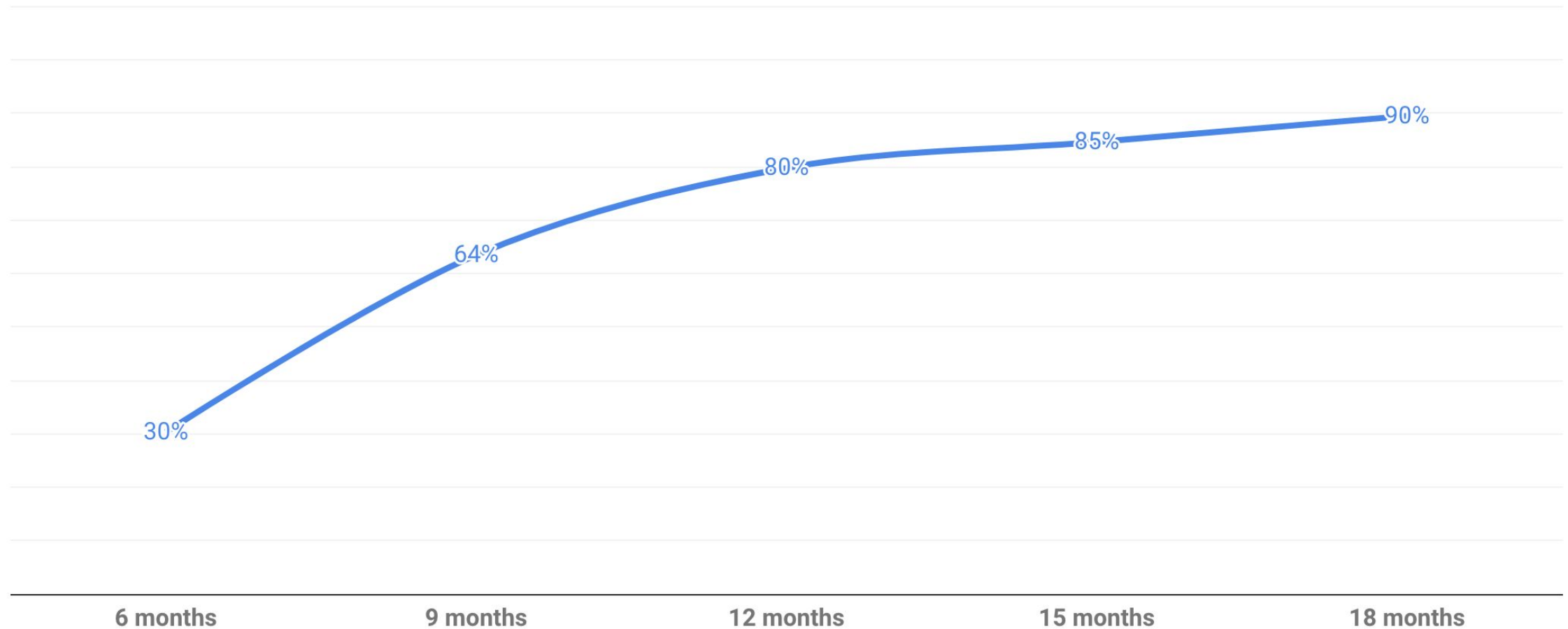
pre-Seed  
\$0.25-1m  
noise



# Reporting lag between the date of a round's disclosure and the reported date of a round's occurrence

## Share of Seed rounds disclosed since the beginning of the year

Seed is the 1st round between \$1-4m



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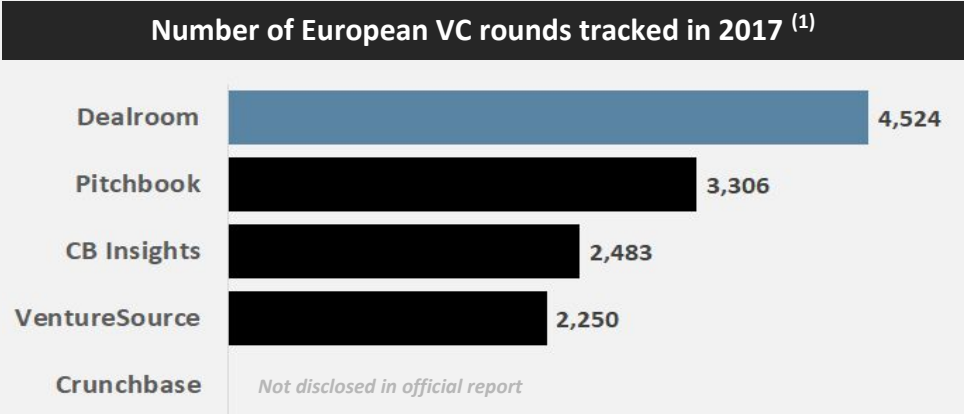
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