2Q 2025 Global Venture Capital: Continuous Investment Rebound with Eyes on Exit Market

Authors
Joerg Landsch (Head Central CVC at Deutsche Bank and BVK Board Member)
Attila Dahmann (Head of Market Research at BVK)

In Association with Deutsche Bank

2Q 2025 Global Venture Capital – Continuous Investment Rebound with Eyes on Exit Market

1. Investment Activity: *High Capital Concentration Around High-Potential Tech*

The venture capital industry had a promising beginning to the year as OpenAI led the way to the highest funding numbers since 2022, and this momentum trickled into the second quarter of 2025, as investments totaled USD 94.6 billion. This reflects an impressive 34% YoY increase, but a 24% drop from 1Q 2025, though it would portray a 12% uptick if the USD 40b OpenAI deal was excluded. 2Q2025 is the third consecutive quarter with over USD 90bn investment volume, substantiating the rebound of venture capital since investment numbers dipped after 2021.

Though an investment volume of USD 94.6b implies the second-highest quarterly total since 2Q 2022, the number of deals faces continuous decline, with 6,028 deals struck (9% QoQ). Deals made plummet in number to the lowest value since 2016; after peaking in 1Q 2022, they have been on a gradual decline ever since. With median deal size in 2025 YTD reaching an all-time high of USD 3.5m (another record quarter since 2Q 2022), the trend to more quality deals at higher valuation continues. Funding rounds centered around AI attract first-rate tickets, as median deal size of the hottest industry leaps to USD 4.6m. Median deal size also grew across all stages of the venture lifecycle.

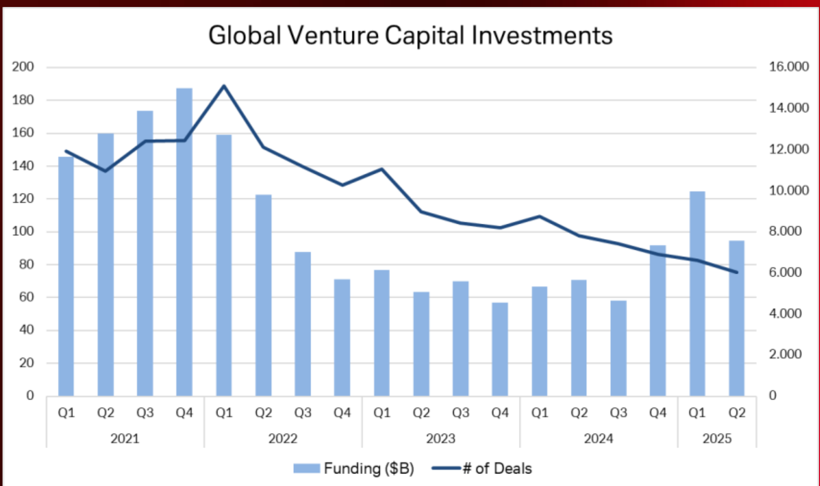

***Chart 1**: Global VC Investments in Terms of Volume and Deal Count, Source: CBInsights*

In the years 2022-2024, mega-round deals swept an average of 45% of total fundraising dollars, but in 2025 YTD, this portion has noticeably increased to 66% of total investment volume. The number of mega rounds (deals worth USD 100m+) struck in 2Q was 156, maintaining consistency from the last quarter (155 in 1Q), but up 31% YoY (119 deals in 2Q 2024). As a result, 156 mega-rounds accounted for 61% of total investment volume, while the 5,872 non-mega-round deals accounted for the remaining 39%. These statistics support the developing trend towards a quality-over-quantity approach as capital becomes more concentrated around fewer deals. With AI and hard tech costing a great deal to produce, more money is being allocated to startups with substantial potential for expansion, resilient underlying metrics, and a strong foundation backed by expertise.

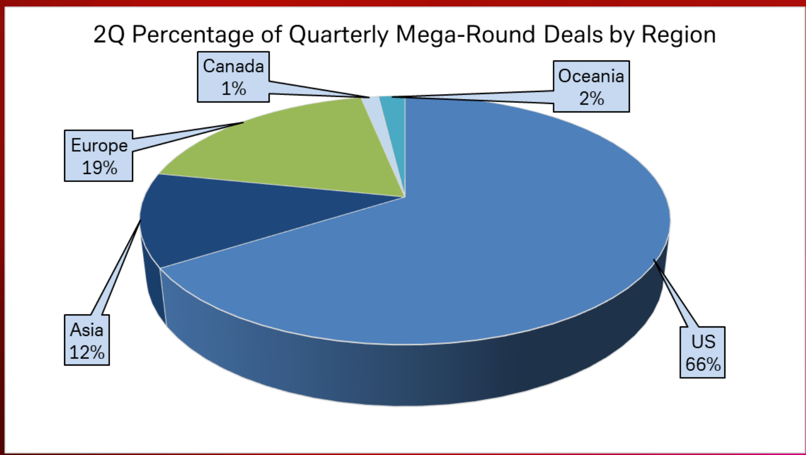

***Chart 2**: Second Quarter Regional Share of Mega-Round Deals, Source: CBInsights*

The second quarter of 2025 maintains the momentum the industry has gained in the past year. It also exhibits increasing deal size, favoring cutting-edge technology which has significant potential to heavily impact the future.

2. Exits: All Eyes on Exit Market Recovery

Exit volume reached a global total of USD 111.1b, up 24% QoQ and at its highest number since 3Q 2022, however, still significantly below M&A activity in 2021, which showed a 3x higher quarterly activity. Exits are far from making a full rebound given global uncertainty levels, including tariff tensions. Given required distributions and liquidity, all eyes are on the exit market – particularly in the US.

The exit market began to signal a comeback towards the end of 2Q with some high-profile IPO fundraises in the US, such as those of Chime (USD 9.8b), Circle (6.9b), Caris Life Sciences (6.0b), Hinge Health (2.6b), Slide Insurance (2.1b), Voyager (1.7b), and Omada Health (1.1b). With the recent completion of several tariff trade deals between the US and other nations, uncertainty has begun to subside. Public markets are trading near/at all-time highs again, with Nasdaq at 20,370 points at the end of 2Q (+18% since EO1Q), overcoming recovery from losses at the beginning of the year. The fundamentals for increasing activity in 2H2025 exist.

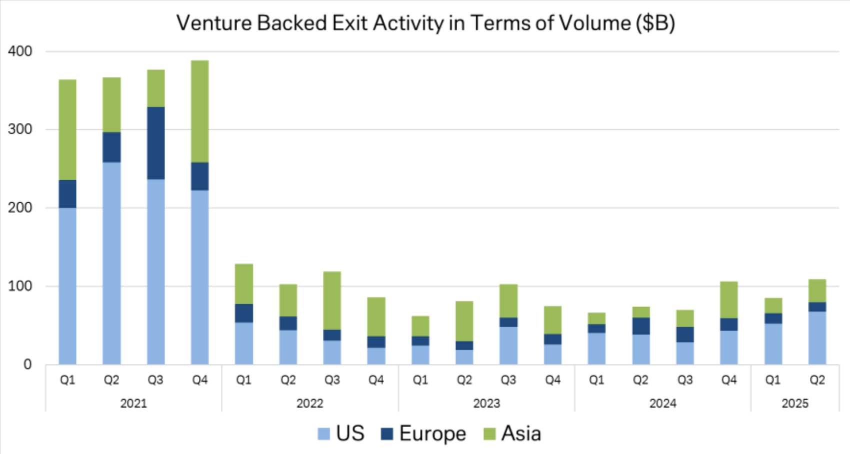

***Chart 3**: Global VC exit activity in the US, Europe, and Asia, Source: KPMG Venture Pulse*

The amount of capital raised has slightly picked up as the year progresses since the macroeconomic environment has begun to slightly neutralize, but the numbers still do not live up to prior years. In 2024, USD 187.3bn was raised, and well over 200b was raised each year in the 2020s. Just USD 48.8b has been raised so far in 2025, with 31.4b of that being raised in 2Q, signaling increasing investor confidence as the macroenvironment begins to improve.

3. Investment Trends: *Hard Tech and AI Booming While CVC Deals Hit 7-Year Low*

AI continued to pave the way for promising investment in the second quarter of 2025, and hard tech, including defense, aerospace, and medical device capabilities, took 6 out of the top 10 largest equity deals in 2Q.

AI startups attracted USD 47.3bn globally in investments during 2Q 2025, with the US – who attracted USD 39.7bn of it – trailblazing by dollars poured into the sector. AI accounts for one of every two venture capital dollars allocated this quarter. Meta's USD 14.8bn corporate minority investment in ScaleAI not only highlights Mark Zuckerberg's push to build his superintelligence team at Meta – it also represents the largest equity deal of 2Q. Elon Musk's xAI closed a USD 5.0bn Series D round to make the second largest deal of 2Q, and Thinking Machines, who raised the fifth-largest total fundraise of the quarter (USD 2.0bn), also raised the largest Seed deal of the quarter, with the next-largest seed round not even a tenth of its size.

Defense and aerospace tech performed favorably this quarter given the global push to ramp up national defense. Out of the top 10 equity deals of the quarter, 3 were aerospace/defense companies.

In line with the overall VC market, the number of deals made by corporate venture capital firms (742) hit its lowest value in 7 years as well. However, the funding volume of CVC transactions declined as well to USD 17.0bn, down 25% QoQ. Uncertain economic conditions for corporations in 2Q have been one contributing factor.

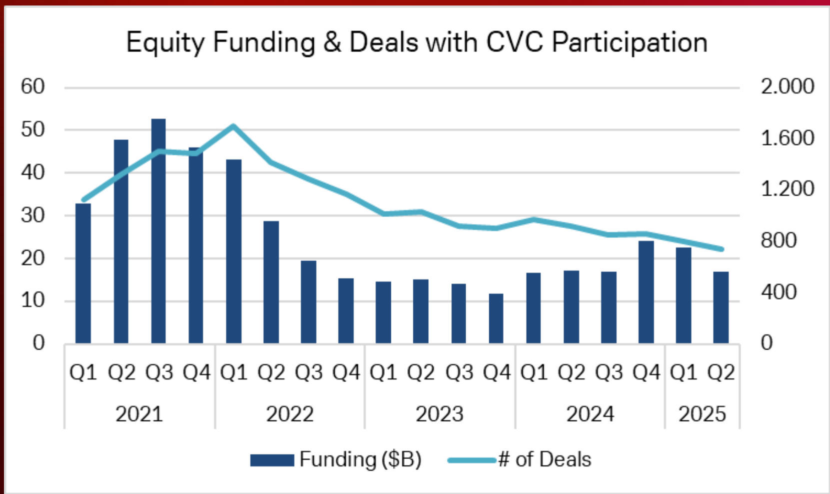

***Chart 4**: Quarterly VC funding with CVC participation, Source: CB Insights*

Out of the top 10 CVCs by company count in 2Q, 5 came from Japan, 4 from the US, and 1 from Spain. This unexpected statistic resulted from a successful revival of investment activity in Japan this quarter. Japan was the only country to see a quarterly increase in both number of deals made (370) and investment volume (USD 0.8b). The most productive CVC of the quarter, Mitsubishi UFJ Capital, struck a whopping 23 deals, and Google Ventures and Coinbase Ventures trailed close behind with 20 and 19 deals respectively.

These trends allude to the recognizable impact of geopolitics on venture capital strategies, the enduring leadership of AI in setting the funding pace, and a slowdown in venture investment backed by corporates.

➔ ***to be continued on page 4***

Expertise from Deutsche Bank Research

German Startup Ecosystem – Punching Below its Weight

Germany has a vibrant startup ecosystem, boasting over 21,000 startups, but innovative companies struggle to scale due to an intricate regulatory framework, a lower penetration of VC, and a fragmented EU single market.[1]

The German startup system has grown significantly, with the creation of 2,845 startups in 2024 (+7% YoY) and 522,000 workers employed by startups (+26% since 2020). In Q1 2025, 746 startups were created – 172 of which were software companies. This represents the strongest Q1 since 2022. At the same time, the German VC market continues to be underwhelming in size, with annual new VC investments of 0.18% of GDP, which is considerably less than in similarly innovative economies like France (0.25%), Denmark & Finland (0.30%), and the US (0.65%). Furthermore, also German startups' workforce (1.1% of total employment) is much smaller than in other nations such as Sweden (2.1%), the UK (2.2%), Israel (5.4%), and the US (8.4%).

Funding is a key concern for growth-oriented startups. Over the last three years 40-60% of German startups managed to secure external funding, according to the German Startup Monitor. Nevertheless, almost 3 out of 4 startups look to secure external financing in 2025, an uptick from last year, and the envisaged amounts are also somewhat higher. Government support is the most important external funding source, used by almost half of startups in 2024, followed by business angels. Only 19% of startups are financed by VC.

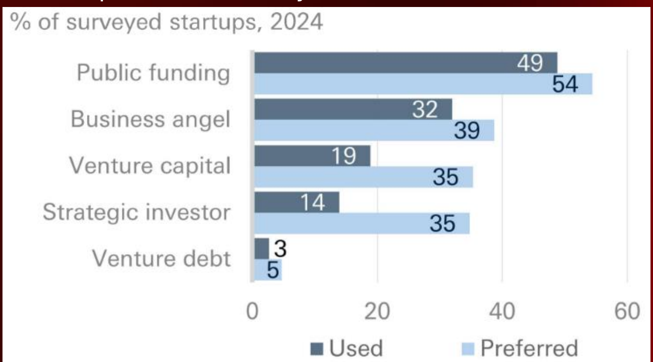

***Figure 1:** Only one in five German startups manage to secure VC funding. Sources: Deutscher Startup Monitor (Startup-Verband), Deutsche Bank Research*

The government aims to strengthen the startup system through a EUR 100bn "Deutschlandfonds" and the doubling of the WIN initiative to EUR 25bn. Both programmes are geared towards mainly relying on private investment.

Going forward, Germany can build on its excellent research institutions and an increasingly experienced startup ecosystem. Startups often originate from universities and tend to cluster in certain areas, with Bavaria (Munich) and Berlin being the main hubs – contributing 19% and 18% of new startups in 2024, respectively. Munich stands out due to its proximity to universities and its high patent density, while Berlin scores better in terms of access to funding, valuation, and talent.

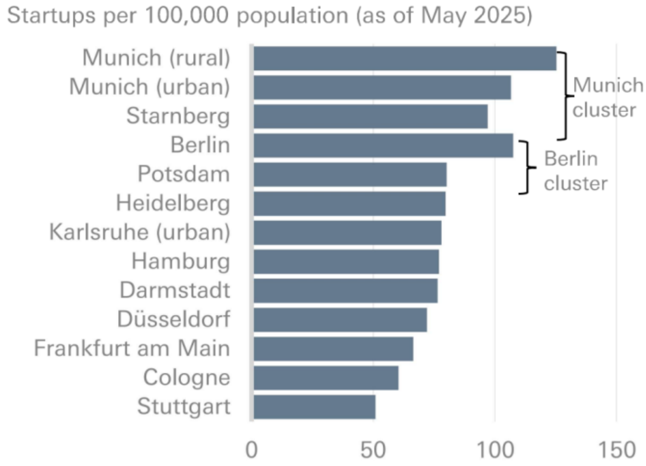

***Figure 2:** Munich and Berlin are the top German startup hubs, followed by university towns. Sources: startupdetector, Deutsche Bank Research. Note: Districts with more than 50 startups per 100,000 inhabitants.*

Looking ahead, there are several reasons for optimism that Germany will become a more fertile ground for startups. The new government aims to strengthen the startup ecosystem through various initiatives, including a streamlined founding process, regulatory sandboxes, and additional financing. Moreover, after years of stagnation, the German economy is expected to gain significant steam next year. Startup creation has shown strong momentum already in the first quarter of this year and VC funding has picked up, too. Geopolitical shifts may also lead European investors to double down on domestic startups. However, the outlook for the exit market continues to be uncertain. Especially for IPOs (globally), caution prevails due to shifts in global trade patterns and heightened geopolitical risks. Last but not least, efforts to remove hurdles to the EU single market and truly make progress with the capital markets union will remain crucial for the long-term success of the European startup environment.

Authors:
Ursula Walther, Analyst
Jan Schildbach, Senior Economist

[1] *See also Germany Monitor: German startup ecosystem – punching below its weight, July 5, 2025*

4. Insights into Europe and Germany: *Europe's Investment Landscape & Exit Lags, Yet Germany Sees a Strong Quarter*

In the second quarter of 2025, Europe attracted USD 13.8b in venture capital investment spread across 1,497 deals, marking a slight 5% quarterly drop regarding investment volume. With this muted maintenance, Europe carved out a 15% share of global VC funding — with one of the top 10 global equity deals, Helsing, happening in Germany. Europe's proportion of investment activity is up from last quarter because of the USD 40b OpenAI deal skewing in favor of the US in 1Q, but slightly declined since last year, when it counted for closer to a fifth of all investment activity.

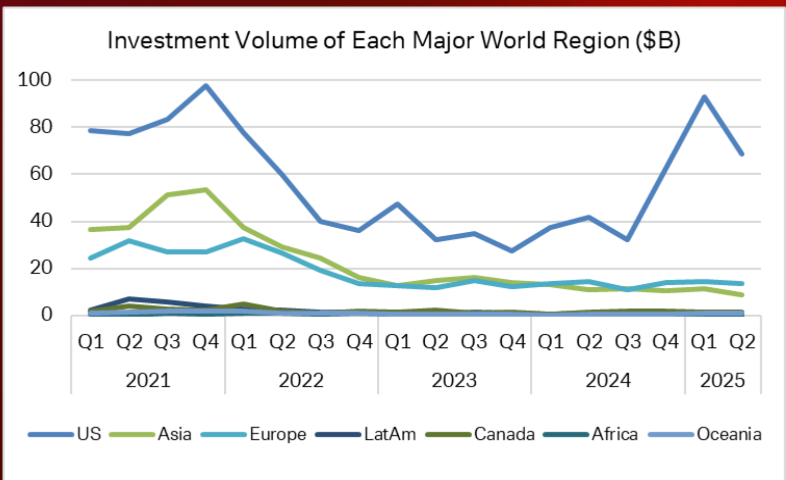

***Chart 5:** Regional split VC investment volume, Source: CB Insights*

Europe has raised USD 5.7b in venture funds in 2025 YTD. Over 80% of rounds raised in Europe this year have been up rounds. In conjunction with the fact that many American and international firms have invested in Europe's top deals, this signals optimism about capabilities and potential global impacts of European startups.

The median pre-money valuation seen in late-stage rounds, including Series D+, has more than tripled since 2024 to USD 1.6b. On the other hand, there has been a smaller overall share of Series D+ rounds occurring in Europe so far this year, as Series A and B rounds dominate.

The most active European investors in terms of deal count in 2Q 2025 were British firm Index Ventures (21 transactions), Bpifrance (19) and Austrian-based Speedinvest (16). In addition, three German VC firms appeared on the list. High-Tech Gruenderfonds was the seventh-largest European investor by deal count (11). Bayern Kapital and Project A Ventures, with 9 deals each, tied for 10th place.

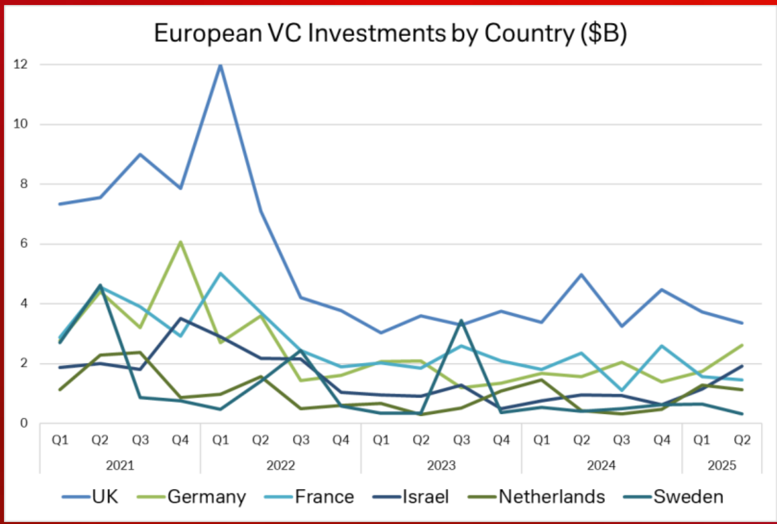

***Chart 6:** European Venture Capital Investments by Country, Source: CBInsights*

In terms of exit volume, Europe is lagging not only the US, but Asia too. Asia generated USD 29.7b in exit value in 2Q, up by over 10b from 1Q (19.2b), gaining some traction after a sluggish start to the year. China had 3 IPOs which generated over USD 1bn. Europe generated USD 11.6b in exits, and the difference is directly attributable to the strength of IPO markets as Europe executes more M&As at lesser values. European public listings in 2025 YTD account for less than 5% of exits in terms of number. When looking at the top 10 IPOs globally, 7 are in the US and 3 are in China, leaving an important economic power off the list – this should sound the alarm for Europe to draw attention to their public market weakness. The United States accounted for 61% of total exit volume in 2Q 2025, and Asia had 27%, while Europe took 10% and saw a USD 2 billion drop in volume from 1Q.

When looking at venture capital markets of the different countries in Europe, the picture is starting to change. The United Kingdom continues to lead the way with USD 3.4b in investments volume, however Germany was not far off with USD 2.6b. Germany is gaining the second position in front of France, whose investment volume remained consistent at relatively low level of USD 1.5 billion.

Germany experienced a promising quarter with QoQ increase of USD 0.4bn to reach USD 2.6bn. The growth was driven by 3 megarounds (Helsing, Quantum Systems and Scalable Capital). Investment in Berlin has been steadily climbing for 7 quarters in a row, apart from an especially strong uptick experienced in 1Q 2024, while Paris and London have experienced falling volumes since the first half of last year. On a nationwide level, Germany has now surpassed France in terms of investment volume for the second quarter in a row, and inches closer to the UK every quarter. As quarterly numbers are often driven by a few transactions, the mid- to long-term trend of Germany's growing VC scene must be more definitively determined in the future.

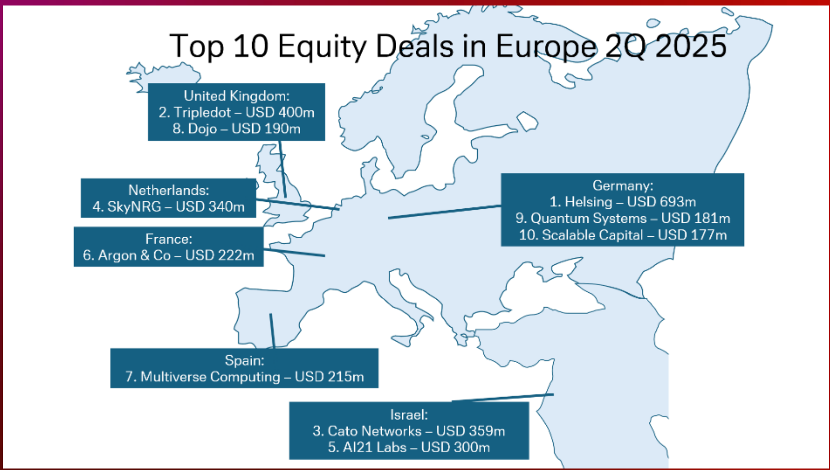

Chart 7: *Top 10 VC Deals of 2Q 2025 in Europe in Terms of Fundraising, Source: CBInsights*

In March, Chancellor Friedrich Merz announced an EUR 500bn Defense and Infrastructure Fund, approved by a two-thirds majority in the Bundestag, and pledged to allocate 20% of it towards climate protection and energy transition activities, implying heightened cleantech investment in the future. Out of the top 10 equity deals in Europe for the quarter, 3 were German companies – 2 of which were defense companies. Munich-based defense giants Helsing and Quantum Systems raised USD 693m and 181m respectively.

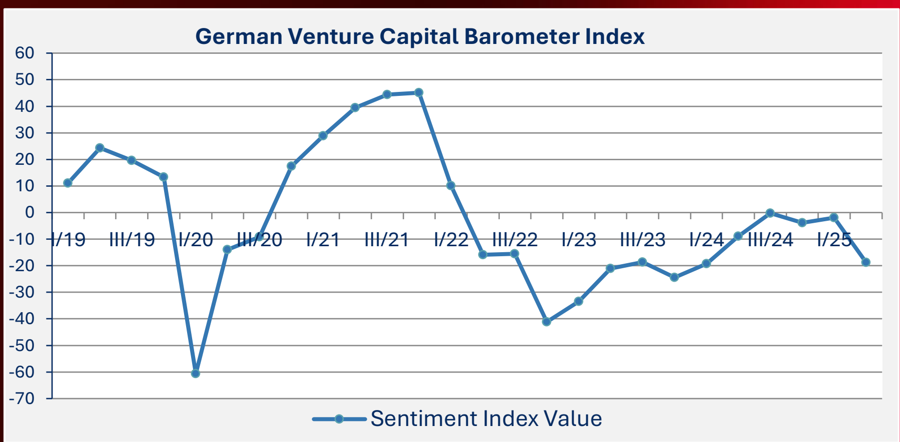

Chart 8*: Development of the German Venture Capital Barometer, Source: BVK/KfW/Deutsche Börse*

The VC sentiment in Germany—measured by the German Venture Capital Barometer, a market sentiment index compiled by the German Venture Capital and Private Equity Association (BVK), state bank KfW, and Deutsche Börse—took a surprising downturn in the second quarter. The indicator lost 17 points to -18.8 points. The climate traffic light thus jumped back to red, after having been yellow in previous quarters. Both, the assessment of the current situation and the business expectations in six month deteriorated significantly. The unexpected, significant decline in sentiment is likely to be related to the increased uncertainty caused by global political events in recent weeks, particularly the volatile trade policy of the US ("Liberation Day"), and geopolitical tensions in the Middle East, which flared up during the survey period and had a temporary impact on oil prices and stock markets.

5. Outlook for Remainder of 2025

At the start of the year, we made the following three predictions in our previous publication:

1. Investment Volume: Global investment volume is expected to grow, driven by key macroeconomic factors such as declining interest rates, transformative technological trends—particularly around AI and its industry-wide impact—and deregulation developments in the US. These factors will support robust capital deployment, with forecasts projecting total investments above USD 275 billion.

2. Exit Market: The reopening of the exit market is anticipated, creating favorable conditions for liquidity. Although recent market uncertainty and increased volatility in public stocks have emerged, we remain optimistic that the exit market will regain momentum in 2H 2025.

3. Europe: Investment activity in Europe is forecasted to increase in 2025, surpassing the 2024 level of USD 50 billion. Key growth drivers include (1) an increased focus on European transformation sectors, such as DeepTech, Energy/Climate, AI, Security, and Defense; (2) rising asset inflows into VC funds from "new" investor types, including insurance companies and private investors; (3) lower interest rates, providing a favorable funding environment; and (4) the positive impact of EU- and national-level government programs aimed at fostering innovation and transformation. Building on these factors, Europe is well-positioned to solidify its newly achieved rank as the second-largest VC region globally.

Half of the year has flown by, and, upon a retrospective assessment, we feel reassured about our original predictions. It is evident that global investment volume will surpass USD 275 billion, as 78% of this has already been achieved in just the first half of 2025. In accordance with our insights regarding the exit market, it initially experienced a rocky start, but as trade agreements between key world players including the US, EU, UK, and Japan have very recently been made, we expect positive development for the exit market. Lastly, we remain confident, that Europe’s investment activities will exceed USD 50 bn in 2025 with 57% achieved in 1H2025.

Sources

- CBInsights "State of Venture Q2 2025" Report
- BVK / KfW / Deutsche Börse German VC Barometer
- Pitchbook NVCA Q2 2025 Venture Monitor
- KPMG Private Enterprise Venture Pulse Q2 2025
- Deutsche Bank Research

Appendix

Annex 1*: List of largest rounds in 2Q 2025,*
Source: CBInsights

Company	Round amount in USD	Region	Industry
Scale AI	14.8b	US	AI Development
xAI	5.0b	US	AI Development
World View	2.6b	US	Aerospace
Anduril Indust-ries	2.5b	US	Defense
Thinking Machi-nes Lab	2.0b	US	AI Development
Montera Infra-structure	1.5b	US	Data Centers
Anysphere	900m	US	AI Coding As-sistant
Commonwealth Fusion Systems	800m	US	Nuclear Fusion
Helsing	693m	Germany	Defense
Neuralink	650m	US	Medical Devices

Annex 2*: List of largest AI rounds in 2Q 2025,*
Source: CBInsights

Company	Round amount in USD	Region	Industry
Scale AI	14.8b	US	Internet
xAI	5.0b	US	Internet
Anduril Industries	2.6b	US	Defense
Thinking Machines Lab	2.0b	US	Internet
Anysphere	900m	US	Internet
Helsing	693m	Germany	Defense
Neuralink	650m	US	Medical De-vices
Applied Intuition	600m	US	IT Services
Cyera	540m	US	Internet
Clay	530m	US	Internet