2024 Global Venture Capital - A year of partial rebound

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In Association with Deutsche Bank

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The global venture capital (VC) market is experiencing a rebound in 2024 after a period of recalibration following the peak “COVID years.” Investment volumes declined sharply in 2022 but found a new baseline in 2023. In 2024, venture capital activity has increased in terms of total investment volume, although the number of deals continues to decline, and significant exits or distributions remain elusive.

Overall, the global macroeconomic backdrop provides tailwind for venture capital with conditions more supportive to VC investments in 2025. Central banks globally have entered a phase of interest rate cuts making higher-risk asset classes like venture capital more attractive to investors. The US Federal Reserve has reduced its key interest rate by 1% in three steps, setting the target range for the federal funds rate at 4.25%-4.5%. Similarly, the European Central Bank has lowered its key interest rate to 2,75%, with the latest cut in January 2025. Moreover, expected Tech & de-regulation friendly new US administration combined with government initiatives like European Tech Champions Initiative (ETCI) or WIN in Germany and TiBi in France with activation of further capital pools (e.g. private capital, insurances) will likely further fuel venture capital growth in 2025.

1. Investment activity: Growth rebound of investment volume peaked in 4Q

After two consecutive years of declining investment volumes, 2024 saw global funding volume grow to $275bn. 4Q alone contributed $86bn, showing a 52% increase versus 3Q 2024 and constituting the highest quarterly volume since 3Q 2022.

This growth was primarily driven by the resurgence of mega-rounds (investments exceeding $100mn). In 2024, mega-rounds accounted for $135bn across 463 deals accounting for nearly 50% of entire funding volume. This represents a sharp increase from 2023, where mega-rounds only contributed $107bn (41% of total funding).

The majority of mega-round activity was concentrated in the US, particularly in AI-focused startups, reflecting broader market trends (see section 3).

However, the number of deals has steadily declined, dropping below 6,000 in the fourth quarter — the lowest quarterly deal count since 2016. This decline was driven by a reduction in early-stage activity. While the number of early-stage deals hit the low, early-stage valuations reached new records with a median early-stage valuation of $25mn and a median early-stage deal size of $2.1mn. Investors are concentrating on fewer but higher-quality opportunities, leveraging AI tools and infrastructure to drive the next wave of value creation.

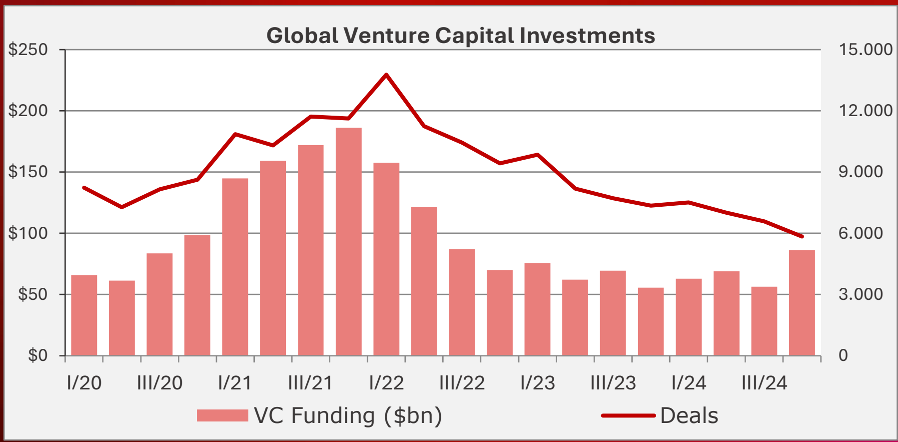

***Chart 1**: VC investment volume & deal count, Source: CBInsights*

2. Exits: Exit market and distributions or the lack of it

In contrast to investments, exits did not show a recovery in 2024. The global exit value dropped by 5% and reached $318bn, far less than the record-high $1.6 trillion in 2021. Quarterly exit values have fluctuated around an average of $82bn since 1Q 2023. The $94bn recorded in 4Q 2024 could mark the beginning of an upward trend as a new window for exit opportunities may open in 2025.

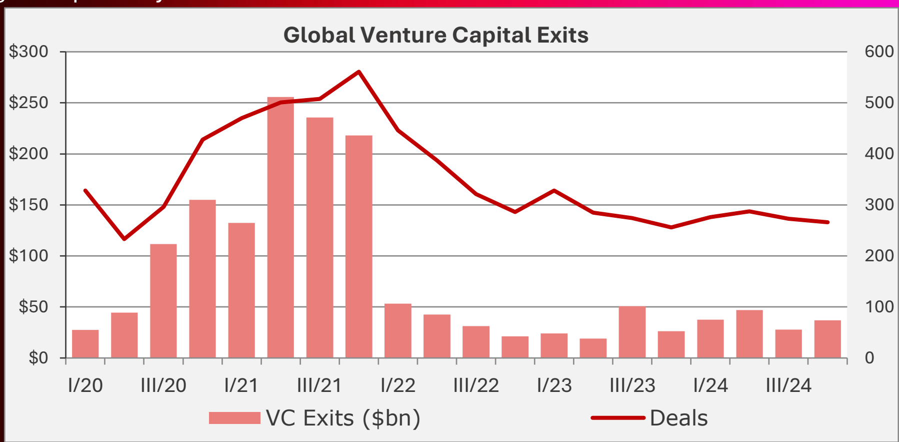

***Chart 2:** VC exit volume & count, Source: Pitchbook*

A regional analysis reveals a more nuanced picture. The global decline was primarily driven by Asia, where the exit volume decreased by 40% year-over-year to $92bn. By contrast, exit volumes have begun to recover in the US (+20% yoy) and notably Europe (+47% yoy).

Low level of distributions and consequently liquidity remains a key hurdle for LPs. In the US, the vc distributions as a share of net asset value stands at only 6.4% according to NVCA VC Monitor 2024 impacting the ability to fundraising. $76.1bn raised across 508 VC funds in 2024 in the US lowest level since 2019.

3. Investment trends: AI remains #1 investment trends

AI investments have reached a volume of over $100bn in 2024. With that AI startups have captured more than every third dollar (37%) of all venture funding in 2024 and are the clear driver for the rebound in investment volume.

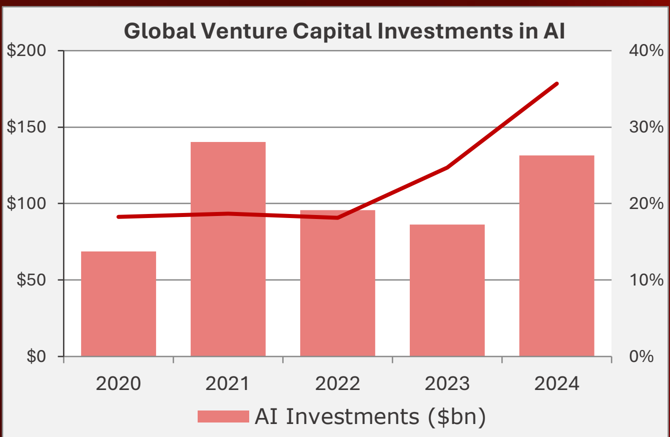

***Chart 3**: Global VC investments in AI, Source: Pitchbook*

AI investment volume nearly doubled from 2023, while its share increased significantly from 14% in both 2021 and 2022 to 37% in 2024. The strong dominance of AI is particularly visible when looking at the ”super-mega-rounds” (investments exceeding $1bn). From 16 super mega-rounds in 2024 with a total volume of $47.5bn, 9 are investments in into AI companies with volume of $38.4bn, representing 80% of all super mega-rounds. Those fundings went mostly into AI companies focusing on foundational layer technologies, which are particular capital intensive compared to AI companies focused on application layer solutions.

Second to AI in terms of funding volume is FinTech in 2024 with $34bn. However, the funding volume is declining from $42bn in 2023. This continues an ongoing trend of decline since 2021, with the share of FinTech funding dropping from 22% to 12% currently.

4. Regional trends: US and Silicon Valley dominance

The AI boom has led to a further significant concentration of venture capital in the US and specifically in Silicon Valley. The US reached an investment volume of $170bn accounting for 62% of entire global volume. In recent years, the US has contributed around half of global VC investment volume, but has reached on a quarter basis a record level of 70% in 4Q 2024.

Silicon Valley was a main driver of global VC investment volumes in 2024, contributing $82bn or 30%. In comparison, Silicon Valley reached almost as much investments as Europe and Asia combined ($92bn). Within the US, New York ($21bn) and Boston ($11bn) are the second and third largest regions in terms of venture capital volume with clear distance to Silicon Valley.

In 2024, Europe has surpassed Asia as second largest venture capital region globally. Asian venture capital activity has shrunk to $42bn in 2024, representing a 12.6% share of global VC volume, continuing a multi-year downward trend. In 4Q 2024, Asian investment volume fell below $10bn. The decline is mainly driven by China, where investments reached $13bn in 2024, which is less than half of 2023. Meanwhile, India has emerged as a strong VC player in Asia, contributing 27% of the region’s venture funding, with $11bn deployed in 2024 representing a 40% growth versus 2023.

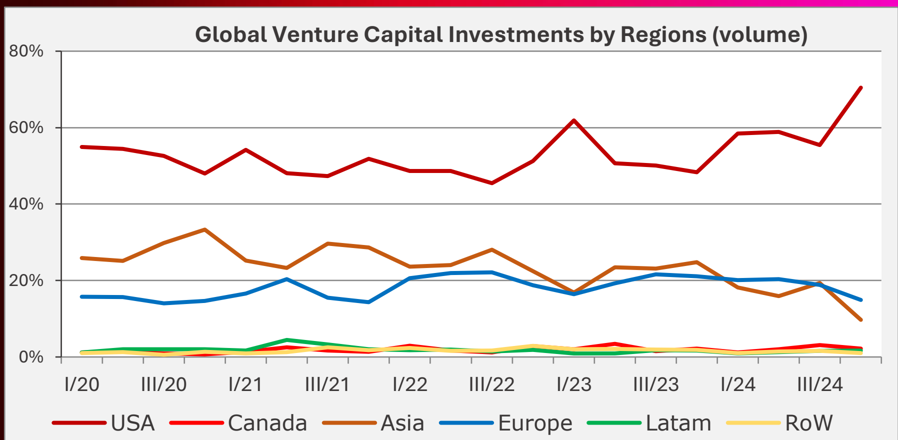

***Chart 4:** Regional split VC volume, Source: Pitchbook*

5. Insights into Europe and Germany: Europe becoming second largest VC region

Europe attracted $50bn in VC investments across 6,600 deals in 2024, surpassing Asia to secure its position as the second-largest VC region globally. This volume, similar to 2023 ($51bn), accounts for 18% of global VC funding and 24% of transactions.

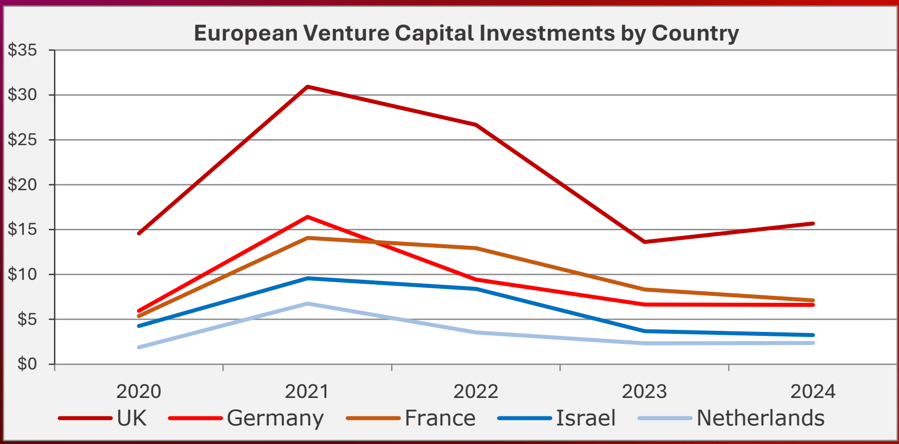

Chart 5: *European Venture Capital Investments by country*

Europe's higher share of transactions relative to investment volume reflects its focus on early-stage deals (73% compared to 64% in the US) and its lower participation in mega-rounds and super mega-rounds ($1bn out of a global $42bn super mega-round volume). Mega-rounds in Europe are still to a significant extent driven by US investors.

Within Europe, the UK (31%), France (14%), and Germany (13%) accounted for nearly 60% of the region's total VC investment volume. While France has shown slight decline, Germany have plateaued in terms of growth and the UK showed growing investment volume.

While AI has fueled the European venture capital market as well, e.g. with mega-round investments in Mistral AI and Poolside (both $0.5bn), it is less pronounced than in the US. Two investments from the top 10 transactions are direct AI investments and when including data center/ infrastructure investments, the number would raise to 4.

The most active European investors in terms of deal count in 2024 where BPI France (98 transactions, France), Index (63, UK) and High-Tech Gruenderfonds (61, Germany).

Germany consolidated its third rank within Europe in terms of investment volume behind the UK and France. At $6.7bn, investments were slightly above the previous year ($6.6bn). At the same time, it lagged well behind the record investment years of 2022 ($9.4bn) and 2021 ($16.5bn). The main reason: the number and volume of investments in the later stage and mega rounds are far behind the levels of 2020 to 2022 and are lacking in terms of international comparison. While the number of unicorns in Germany also rose sharply at that time, only one new unicorn was born in 2024 while various start-ups lost this status.

The German Venture Capital Barometer, a market sentiment index compiled by German Venture Capital and Private Equity Association (BVK), state bank KfW and Deutsche Börse shows a continuous upward trend. Since 2023 the index shows a clear upward trend and has slowly but steadily climbed back nearly into positive territory in parallel with the stabilization of investment levels.

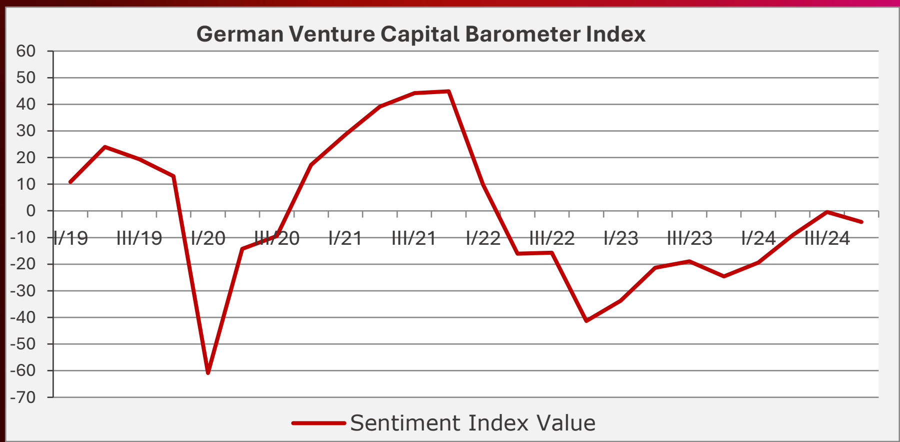

Chart 6*: Development of the German Venture Capital Barometer, Source: BVK/KfW/Deutsche Börse*

6. Investor split: Expanding of the investor types

The trend of increasing participation and diversification among investors in the venture capital ecosystem continued throughout 2024. While venture capital (VC) funds remain the dominant capital source globally, their overall share has declined to just over 30%. Notably, during the third quarter of 2024, their share temporarily fell below this threshold.

Three investor types have significantly increased their share of venture capital funding in recent years: (1) asset management and investment management firms,

(2) corporates and corporate venture capital (CVC) and (3) others, which includes family offices, insurance companies, and endowments.

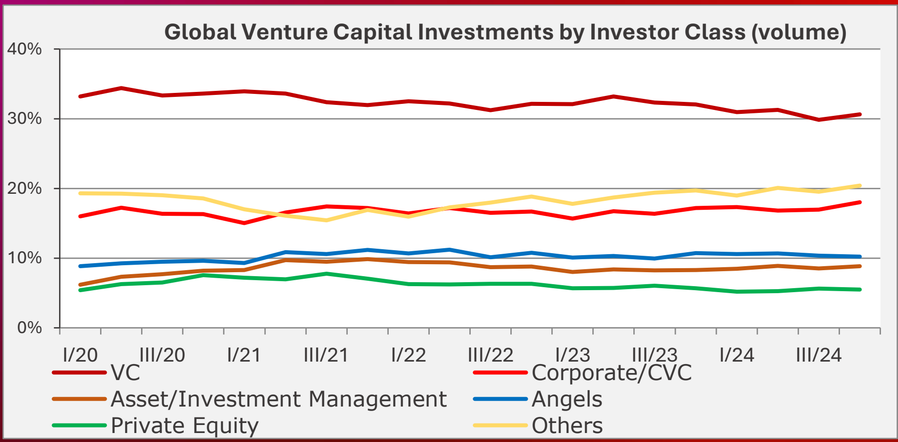

***Chart 7**: Investments by investor class, Source: CBInsights*

Corporate venture capital has solidified its position as an "all-weather" investor segment throughout economic cycles. The growth in this category has been particularly driven by Big Tech players such as Microsoft, Amazon, and NVIDIA, whose mega-round investments in foundational AI companies have shaped recent quarters. As a result, the share of venture investments by corporates and CVC has grown to 18% in 2024.

An increased interest and appetite in the venture capital asset class has also been evident among asset management and investment firms and other investor types. Other investor class includes pensions, souvereign wealth funds, endowments, family offices and insurances, which have historically not or only to a limited extent invested in venture capital. This broader appetite for venture capital has been accompanied by larger investment sizes. Asset management and investment management firms now account for 9% of total venture capital investments, up from 7% in 2020.

7. Outlook 2025

- 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, which is forecasted to be above $275bn.
- Exit Market: The reopening of the exit market is anticipated, creating favorable conditions for liquidity events and distributions back to investors fueling the investment cycle.
- Europe: Investment activity in Europe is forecasted to increase in 2025, surpassing the 2024 level of $50bn. Key growth drivers include (1) 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 governmental programs aimed at fostering innovation and transformation. Building on this growth, Europe is well-positioned to solidify its newly achieved rank as the second-largest VC region globally.

Sources

- Pitchbook
- CBInsights "State of Venture 2024" Report
- BVK
- Deutsche Bank Research
- NVCA VC Monitor 2024

More on European exit environment, see:

- https://www.stateofeuropeantech.com/chapters/outcomes
- https://www.eif.org/news_centre/publications/eif-vc-survey-2024-market-sentiment.pdf
- https://pitchbook.com/news/reports/q3-2024-european-venture-report

More on US exits, see:

- https://pitchbook.com/news/reports/q4-2024-pitchbook-nvca-venture-monitor

Appendix

Annex 1*: List of super mega-rounds exceeding $1bn investment round in 2024 (marked AI investments), Source: Pitchbook*

Company name	Funding (valuation) in USD bn	Region	Date
DataBricks	10.0 (62.0)	US	17 Dec
OpenAI	6.6 (157.0)	US	01 Oct
xAI	6.0 (50.0)	US	22 Nov
xAI	6.0 (24.0)	US	26 May
Anthropic	4.0 (n/a)	US	22 Nov
Anthropic	2.8 (18.4)	US	27 Mar
G42	1.5 (n/a)	UAE	16 Apr
Epic Games	1.5 (22.5)	US	07 Feb
Generate Capital	1.5 (n/a)	US	31 Jan
Anduril	1.5 (14.0)	US	7 Aug
CoreWeave	1.1 (19.0)	US	01 May
Moonshot AI	1.0 (2.5)	China	19 Feb
Safe Superintelligence	1.0 (5.0)	US	04 Sep
Scale AI	1.0 (13.8)	US	21 May
Wayve	1.0 (n/a)	UK	06 May
Wiz	1.0 (12.0)	US	07 May

Annex 2*: List of top 10 European VC transactions per investment amount (marked AI investments) , Source: Pitchbook*

Company name	Funding (valuation) in USD bn	Region	Date
Wayve	1.0 (n/a)	UK	06 May
Echelon Data Centres	0.9 (n/a)	Ireland	15 Feb
RSK Group	0.6 (n/a)	UK	17 Jun
Mistral AI	0.5 (6.2)	France	11 Jun
Poolside	0.5 (3.0)	France	02 Oct
Helsing	0.5 (5.4)	Germany	11 Jul
Monzo	0.4 (5.1)	UK	05 Mar
Lighthouse	0.4 (1.0)	UK	21 Nov
Bulk Infrastructure	0.4 (n/a)	Norway	05 Jun
Hostaway	0.4 (0.9)	Finland	17 Dec
Wayve	1.0 (n/a)	UK	06 May
Echelon Data centres	0.9 (n/a)	Ireland	15 Feb
RSK Group	0.6 (n/a)	UK	17 Jun
Mistral AI	0.5 (6.2)	France	11 Jun
Poolside	0.5 (3.0)	France	02 Oct
Helsing	0.5 (5.4)	Germany	11 Jul