

1Q 2025 Global Venture Capital: A Strong Start to the Year in an Uncertain Macroeconomic Environment

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



1Q 2025 Global Venture Capital – A Strong Start to the Year in an Uncertain Macroeconomic Environment

1. Investment Activity: Investors Take a Quality-Over-Quantity Approach to Deals

The global venture capital industry saw a strong start to the year as OpenAI led the way to the highest funding numbers since 2022. VC investment volume ascended to a strong performance in 1Q 2025, as investments totaled USD 120.9 billion. This reflects a 34% increase from 4Q 2024, along with an impressive 86% year-over-year (YOY) growth, amounting to the highest quarterly total since 2Q 2022.

With investment volume at USD 120.9 billion, the substantial growth witnessed in 1Q was propelled by an all-time high in mega-rounds (investments exceeding USD 100 million). A particularly notable transaction was the USD 40 billion investment into OpenAI, led by SoftBank, which accounted for nearly a third of entire funding activity in the quarter and stands as the largest funding round in VC history. Even when this landmark deal is excluded, the remainder of funding still reached USD 81 billion—comparable to the performance seen in 4Q 2024 (another record quarter since 2Q 2022).

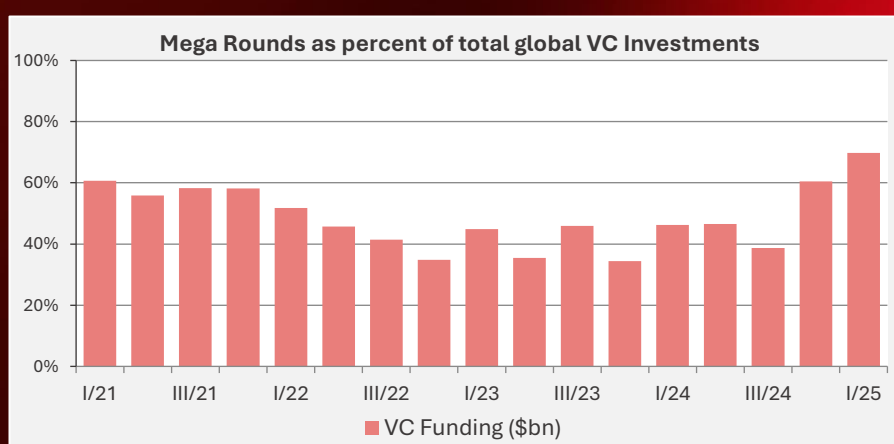


Chart 1: Mega Rounds as percent of total funding, Source: CBInsights

Concurrently, the number of deals amounted to 5,846, reflecting a 28% YOY drop—and the lowest deal count observed since 2016—primarily driven by fewer early-stage transactions. This trend suggests that investors are concentrating capital on fewer, higher-quality

startups. Despite the decline in early-stage deal volume, the sector reached new valuation milestones, with a median early-stage deal value of USD 2.7 million and a median early-stage valuation of USD 25 million. An all-time high was also recorded for early-stage equity funding mega-rounds executed in a single quarter—with 8 AI companies raising over USD 100 million each—through 7 series A rounds and 1 seed round. These metrics indicate a strategic shift towards backing startups with robust growth potential and strong underlying fundamentals.

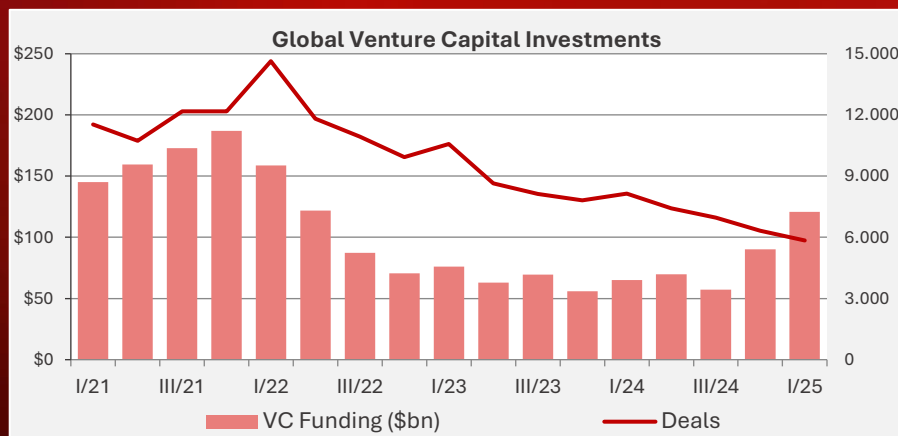


Chart 2: VC investment volume & deal count, Source: CBInsights

Overall, the first quarter of 2025 highlights a shift in the global venture capital ecosystem towards growing investment volume with simultaneously increasing concentration of funding.

2. Exits: Exit Market is still waiting for Recovery

In contrast to investments, exits failed to see an uptick in the first quarter of 2025. Exit volume amassed a global total of USD 78.2 billion, down 20% from 4Q 2024. The 636 exit deals tallied this quarter also reflect a 17% decline from the number of exits recorded last quarter (767).

A regional analysis reveals the investment landscape tilted further in favor of North America. The global decline was chiefly attributable to Asia, where exit volume dwindled from USD 36.8 billion in 4Q 2024 to just USD 5.6 billion in 1Q 2025, a massive 85% quarterly decline. North America singlehandedly accounted for almost three quarters (74%) of total exit volume in 1Q 2025, up USD 15

billion from last quarter, while Europe accounted for just 16% and saw a USD 3 billion slump from the previous quarter. North America also contributed almost half to the number of exits in 1Q 2025 (310), and Europe contributed close to a third of the total (185), with the remainder of the world accounting for one-fifth of global exit deals (141).

CoreWeave, who raised over USD 24 billion in an IPO, solely accounted for over 40% of North America's exit volume and roughly 26% of global exit volume. With credit due in part to CoreWeave, the United States saw its highest regional quarterly exit volume since 4Q 2021, while the world lagged behind concerning exit dollars. However, several notable startups have enacted plans for exits expected to come to fruition later this year, such as Alphabet's announcement to acquire Wiz for USD 32 billion, and IPO filings of high-profile companies such as Klarna, StubHub, Gemini, and Voyager.

A continued lack of distributions and worrisome attitudes regarding liquidity put pressure on the fundraising market. USD 17.4 billion represents the amount of global venture fundraising so far in 2025, equating to a mere tenth of the USD 171 billion raised in 2024, as LPs remain reserved on account of economic ambiguity.

3. Investment & Regional Trends: AI and Silicon Valley Dominate 1Q VC Activities

Investment in the first quarter of 2025 was evidently shaped by AI and the continued prominence and dominance of Silicon Valley as an investment region.

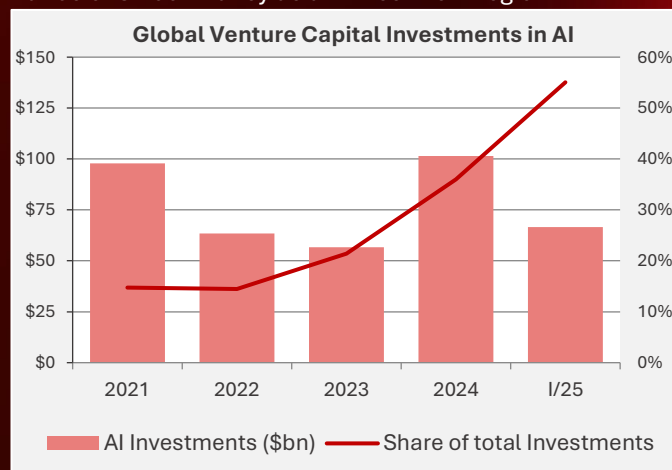


Chart 3: Global VC investments in AI, Source: CBInsights

AI startups attracted an impressive USD 67 billion in investments during 1Q 2025, accounting for over 55% of total venture capital funding allocated during the quarter. This surge was notably driven by the landmark USD 40 billion investment in OpenAI, a figure that rivals nearly the entire annual VC funding volume in Europe in 2024 (approximately USD 50 billion). However, OpenAI is not the sole contributor; the quarter also saw a record 8 mega-rounds in Seed and Series A funding for AI companies.

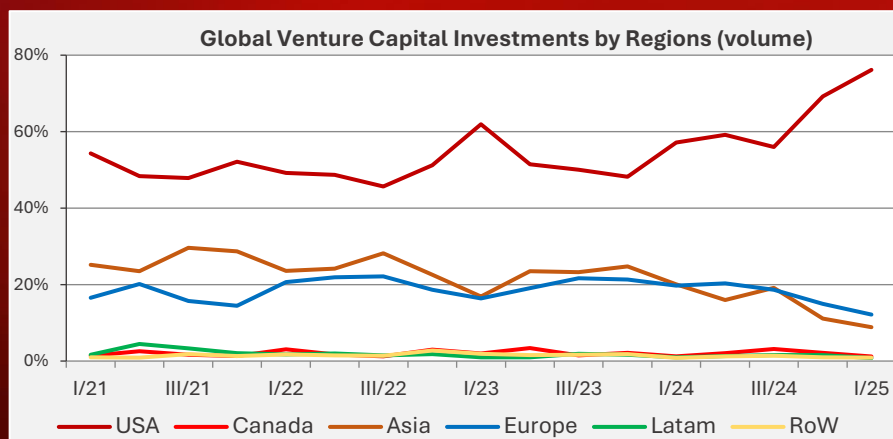


Chart 4: Regional split VC volume, Source: CB Insights

AI-related investments now represent one-fifth of all VC-backed companies in 1Q 2025, and this proportion soars to 70% when focusing exclusively on Seed and Series A deals. These statistics bestow striking evidence that investors are placing substantial bets on the AI sector.

When assessing from a regional perspective, Silicon Valley solidified its industrial supremacy by capturing nearly half (49%) of global venture capital dollars, up from historical figures of around 15%. This remarkable increase, fueled by the AI boom in recent years, had already elevated Silicon Valley's share of total venture investment to between 20% and 40% in 2024, and it has now peaked at 49%. Consequently, the United States' share of global venture capital funding has risen to 75% in the first quarter of 2025.

These trends allude to not just the transformative impact of AI on venture capital strategies, but also the enduring leadership of Silicon Valley in setting the funding pace and industry trends for global investment activities.

➔ to be continued on page 4

Expertise from Deutsche Bank Research



German Coalition Agreement – Nudges for Risk Capital Markets

Germany's new coalition government is aiming for a rebound of the economy and stronger competitiveness following years of anemic growth. To this end, alongside other measures, it also wants to boost the environment for young, innovative companies through risk capital markets.

Specifically, the new government seeks to strengthen the financing of startup and scaleup companies, where Germany is lagging.¹ The most important element could be the creation of a EUR 100 billion “Deutschlandfonds” dedicated to closing the gap in growth and innovation financing (see Figure 1 and Figure 2). The fund will act as a fund-of-funds and will ultimately support the financing of innovative scaleup and SME companies in Germany. The federal government will provide EUR 10 billion in equity, with the aim of increasing the fund volume tenfold through private investments. The details and timeline are yet to be worked out.

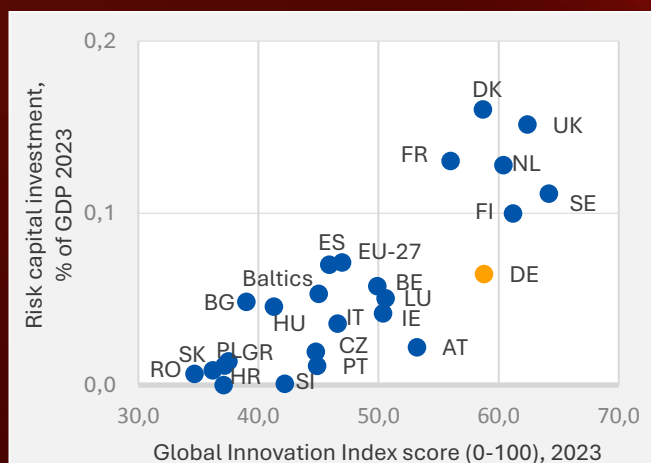


Figure 1: German risk capital market – small compared to the country's innovative strength, Sources: WIPO, OECD, Invest Europe, EBAN, IMF, Deutsche Bank Research

Second, additional financing for startups may come from the WIN initiative, whose volume the new government wants to double to EUR 25 billion, using public guarantees. The initiative was launched in September 2024, with several German banks and insurance companies pledging to invest up to EUR 12 billion in venture capital by 2030. Furthermore, another public fund for startups, the “Zukunftsfonds”, is to be made permanent beyond 2030. The fund is EUR 12.5 billion in size and provides means for VC funds and startup companies, with a focus on financing of scaleup firms. Overall, the larger and longer-

term public funding of venture capital could help to attract additional private resources and particularly allow for larger funding rounds – closing an important gap in the German innovation system.

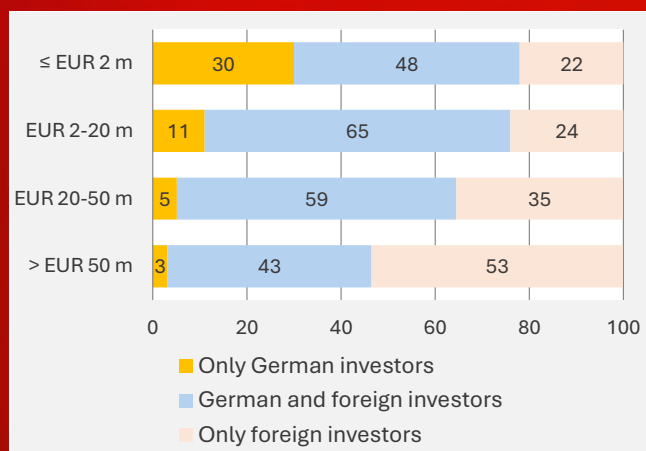


Figure 2: The larger the VC deal, the larger the share of foreign investors - VC deals in Germany by origin of investor, in % (avg. 2021-23), Sources: KfW, based on data from Dealroom.co

Third, beyond financing, the coalition agreement contains a range of measures to strengthen the German startup ecosystem in general, including streamlined and faster processes for founding companies (within 24 hours as a target), creation of regulatory sandboxes, and bolstering employee equity participation. That said, improving exit markets for private investors in successful growth companies does not appear to be in focus.

Finally, at the EU level, the new coalition targets reforming the Solvency II regulation to lower capital requirements for insurance companies to invest in infrastructure projects and venture capital. The proposed removal of national capital buffers could also facilitate investments by institutional investors.

Much will depend on concrete implementation – and on timing. Many details have yet to be worked out. The sooner the reforms are addressed, the more likely it is that they will be adopted, given the government's priorities could shift over time. Hence, there remains some uncertainty for the time being. But the proposed measures could significantly push forward Germany's risk capital market in the next couple of years.

Authors:

Ursula Walther, Analyst

Jan Schilbach, Senior Economist

¹⁾ See also *Focus Germany: Strong risk capital markets – vital for unlocking green and digital innovations*, January 29, 2024.

4. Insights into Europe and Germany: Europe's Growing Investment Landscape, with Germany Surpassing France

In first quarter of 2025, Europe attracted USD 14.4 billion in venture capital investments across 1,462 deals, marking a 7% increase compared to 4Q 2024 and the second consecutive quarter of rising funding volumes. Despite this robust performance, Europe's relative share of global VC funding declined from 18% to 12%—a dip primarily driven by the out-sized impact of the OpenAI super-mega round. Excluding this singular transaction, Europe's funding share would have remained consistent at around 18%.

The record-breaking USD 40 billion investment in OpenAI not only set a record for super-mega rounds—it also highlighted a key challenge within Europe: the absence of super-mega rounds (deals exceeding USD 1 billion). In this context, the OpenAI round alone closely approached the entire annual VC funding volume in Europe from 2024—around USD 50 billion. Furthermore, the concentration of US investors in the top 10 European mega rounds in 1Q 2025 emphasizes Europe's ongoing dependency, a dynamic that various initiatives are aiming to address.

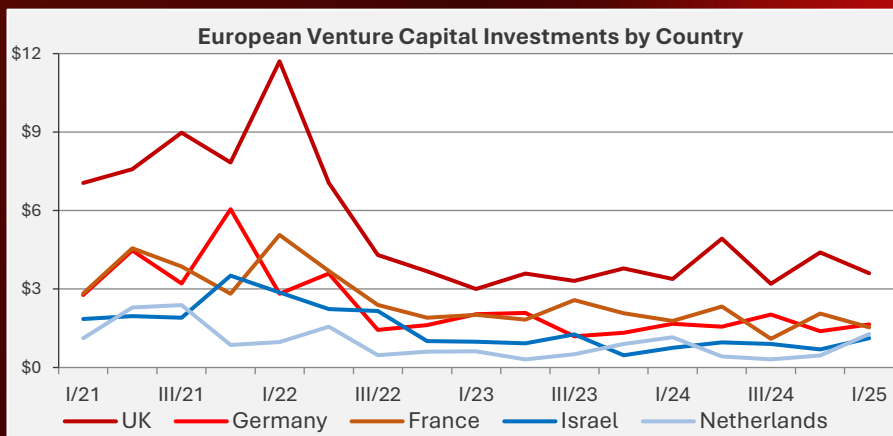


Chart 5: European Venture Capital Investments by country, Source: CBInsights

Regionally, there are notable differences within the European market. The United Kingdom led with USD 3.6 billion in investments, while Germany, with USD 1.6 billion, slightly surpassed France's USD 1.5 billion.

Although quarterly movements are expected, there is an observable midterm trend of declining investment activity in France, with 1Q 2025 representing the second-lowest funding period in the last six years for the country. Meanwhile, investment in Germany grew by 19%

compared to 4Q 2024 (USD 1.4 billion) and has remained stable YOY.

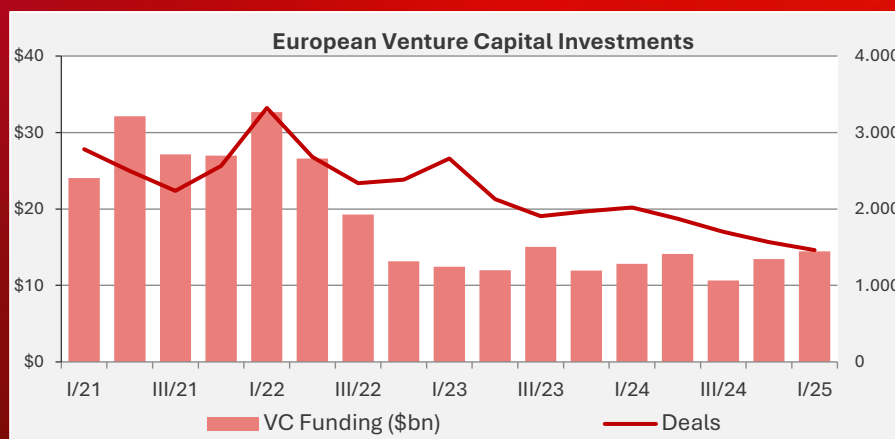


Chart 6: European Venture Capital Investments, Source: CBInsights

Europe exhibits a broader diversity in investment categories compared to the U.S. While AI is a significant driver, sectors such as health tech, security/defense, climate, and industrial technologies account for a relatively higher share of investments in Europe versus the US, reflecting a more balanced approach to fostering innovation across various industries.

The most active European investors in terms of deal count in 1Q 2025 were BPI France (33 transactions), followed by the Italian firm CDP Venture Capital (21) and UK-based Fuel Ventures (14). Two German VC firms, High-Tech Gruenderfonds and Picus Capital, ranked 4th and 5th in terms of deal count, with 13 and 11 transactions respectively.

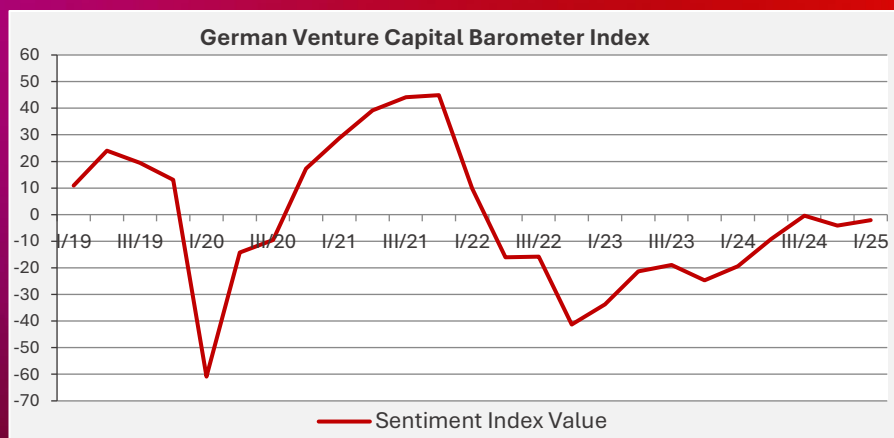


Chart 7: Development of the German Venture Capital Barometer, Source: BVK/KfW/Deutsche Börse

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—had suffered a slight dip at the end of 2024 but was able to at least partially make up for this at the beginning of 2025. The index has thus returned to its almost continuously rising sentiment trend since 2023.

5. Outlook for Remainder of 2025

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

- 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.
- 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.
- 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.

With 1Q behind us, we are even more confident in our predictions that (1) global investment volume will surpass USD 275 billion (43% achieved by EO1Q) and (3) Europe’s activities will exceed USD 50 billion (29% achieved by EO1Q) and reinforcing its position as the world’s second-largest VC region. In terms of our second prediction regarding the exit market, we have witnessed persisting uncertainties due to market volatility. But, given prospects of many companies that are rapidly growing or intending to IPO in the coming months, we remain optimistic about the resurgence of exits during the remainder of 2025.

Sources

- Investments: CBInsights “State of Venture 1Q 2025” Report
- Market Sentiment: BVK / KfW / Deutsche Börse German VC Barometer
- Exits: Pitchbook’s Q1 2025 Global VC First Look, Pitchbook NVCA Q1 2025 Venture Monitor, KPMG Private Enterprise Venture Pulse Q1 2025
- Deutsche Bank Research

Appendix

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

Company name	Round amount in USD bn	Region	Sector
OpenAI	40,000	US	Internet
Aligned	5,000	US	Computer Hardware & Services
Anthropic	3,500	US	Internet
Binance	2,000	Cayman Islands	Internet
Safe Superintelligence	2,000	US	Internet
Groq	1,500	US	Internet
Anthropic	1,000	US	Internet
Your.World	834	Netherlands	Internet
Digital Edge DC	640	Singapore	Computer Hardware & Services
Isomorphic Laboratories	600	UK	Internet
Saronic	600	US	Industrials
Vista Global	600	UAE	Automotive & Transportation

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

Company name	Round amount in USD bn	Region	Sector
OpenAI	40,000	US	Internet
Anthropic	3,500	US	Internet
Safe Superintelligence	2,000	US	Internet
Groq	1,500	US	Internet
Anthropic	1,000	US	Internet
Isomorphic Laboratories	600	UK	Internet
Saronic	600	US	Industrials
Lambda	480	US	Computer Hardware & Services
Apptronik	403	US	Industrials
CoreWeave	350	US	Internet

Annex 3: List of largest European rounds in 1Q 2025, Source: CBInsights

Company name	Round amount in USD bn	Region	Sector
Your.World	834	Netherlands	Internet
Isomorphic Laboratories	600	UK	Internet
Verdiva Bio	411	UK	Healthcare
Valorem	366	France	Energy & Utilities
Modivo	355	Poland	Internet
Neko Health	260	Sweden	Internet
Amboss	259	Germany	Internet
TravelPerk	200	Spain	Internet
Windward Bio	200	Switzerland	Healthcare
Auro	187	Spain	Mobile & Telecommunications

