

A WORD FROM JP MORGAN

Our views on the market

The European venture capital landscape is seeing increased momentum. Overall, there is positive sentiment despite the macroeconomic and geopolitical challenges. We are seeing traditional industries such as manufacturing and healthcare increasingly embrace digital transformation, and VCs are keen to invest in tech companies that serve these large traditional sectors.

A standout sector is healthtech, which saw a 15% surge in venture capital investment in 2024. AI and biotech are still leading in early-stage investments, with more than \$4 billion invested into the EU's AI and biotech sectors in the first two months of 2025.

We are seeing positive trends in several areas:

- **Growth rounds:** From December 2024 to February 2025, there were 58 VC-backed deals exceeding \$50 million in the EU, showcasing robust growth-stage investment activity compared with the past three years. This surge in larger deals reflects growing investor confidence in the potential of European startups and indicates a maturing funding ecosystem.
- **Capital availability:** VCs report sufficient capital is now available for their best growth- and later-stage portfolio companies, providing opportunities for the companies to reach substantial scale and revenue. This influx of growth capital is a testament to the strength of European tech companies.
- **Fintech IPOs and M&A activity:** Large fintech IPOs are anticipated, along with potential M&A activity from large corporate acquirers and private equity in the UK and EU. These developments are expected to create significant liquidity, which will stimulate further investment in the next generation of disruptive startups.
- **Increased VC fundraising:** In February alone, 16 VC funds in the UK and EU raised €2 billion, indicating strong LP and VC confidence. This wave of VC fundraising underscores the belief in the potential of European investors and the region's ability to deliver substantial venture returns. The fresh capital injection will likely spur further investment, enabling VCs to back a new generation of disruptive companies.



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Alex is a managing director at J.P. Morgan, overseeing the coverage of venture capital funds in Europe. His role is to support partners in venture funds by providing access to J.P. Morgan's extensive global services, including fund banking and lending, commercial and investment banking, and connections to J.P. Morgan's network of investors, corporates, and sector specialists.

However, European venture faces some challenges, and geopolitical uncertainties and regulatory complexities remain. Geopolitical tensions, particularly those affecting trade relations, pose risks to companies and the exit markets. Additionally, fragmented regulations, especially in AI and fintech, create barriers and can stifle innovation. These complexities require startups and investors to navigate a maze of compliance requirements, which can slow growth and deter investments.

Hardware companies exporting to the US are now anticipating the negative impact of tariffs and the removal of Inflation Reduction Act incentives. There is also an increased focus on data privacy and data security. The EU AI Act, which came into effect in 2024, categorizes AI systems based on potential risk and applies stricter regulations to higher-risk applications.

Consequently, the European venture ecosystem must remain adaptable to mitigate these headwinds.