

A WORD FROM J.P. MORGAN

Navigating the European venture landscape: Insights from Q3 2025

Key risks in financing trends

The Nasdaq has reached unprecedented highs, and tech IPOs are making a comeback. AI companies are securing substantial funding at elevated valuations. However, the One Big Beautiful Bill Act is expected to keep driving inflation in the US. Additionally, US tariffs and geopolitical conflicts are continuing to disrupt global supply chains, increasing uncertainty for tech founders and investors. Despite these risks, stock markets in Europe and the US continue to perform robustly, suggesting that these risks may be underpriced in public and private tech markets.

Conversely, European tech companies, both private and public, often trade at a discount compared with their US counterparts. This is attributed to factors such as market fragmentation, limited funding options, and regulatory challenges. For instance, the European Commission recently fined Apple €500 million for alleged anticompetitive behaviour,¹ and the EU's AI Act imposes compliance requirements on AI systems. However, these risks may be overstated, as many European tech companies are outperforming their US peers while maintaining capital efficiency. These companies are poised for significant IPOs or M&A exits in the coming years, and many are expanding across borders to mitigate valuation, regulatory, or geopolitical impacts.

Client concerns in the current economic and market environment

The US has imposed a 15% tariff on imported goods from the EU, affecting hardware companies in sectors such as defence, electronics, and consumer tech. This has led to a shift towards local sourcing and sales within European markets. In response, there has been a “flight to quality” among EU investors, with H1 2025 VC deal volume down 15% compared with H1 2024 volume, according to PitchBook. However, “hot” sectors such as AI and defence technology are garnering larger median check sizes and valuations. Investors are now taking longer to conduct due diligence—often over six months—thoroughly assessing market conditions, risks, and company performance before investing.



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Sector specialisation in the European market

Investor specialisation is prevalent in Europe. Established VC firms have long had partners focusing on specific verticals such as fintech, vertical AI, digital health, and medical technology (medtech). Smaller emerging managers are similarly focussing on subsectors they understand well. This specialisation is driven by a need to deeply understand sector dynamics and meet LPs' demands of a clear “right to win.” Sector specialisation is also geographically distinct, with enterprise AI and industrial automation thriving in Germany and the Nordics, while France excels in AI models. The UK leads in fintech, life sciences, and medtech.

Technological frontiers beyond AI and defence tech

AI-powered drug discovery companies are accelerating and reducing the cost of the development of new drugs. Isomorphic Labs, for example, recently raised a £448.9 million Series A round to advance AI drug discovery. Latent Labs is developing generative AI models for designing novel proteins. Unicorn exits in this space include that of Araris Biotech, acquired by Taiho Pharmaceutical Company for \$1.1 billion in March. Consumer health is also transforming with wearable devices and digital health solutions, such as ZOE's personalized nutrition insights and Oura's wearable ring devices for health monitoring. This convergence of wearable and digital health technology is redefining healthcare delivery and driving innovation in the medical sector.

¹: “Commission Finds Apple and Meta in Breach of the Digital Markets Act,” European Commission, 22 April 2025.

Adaptation of startup founders to the current economic environment

Over the past two years, many founders reduced burn rates in response to macroeconomic uncertainty and a slowdown in venture funding. Companies paused hiring and increased their adoption of AI solutions to augment existing staff. Startups that successfully integrated AI have scaled more efficiently. Lovable, a no-code app builder, reached \$100 million in annual recurring revenue (ARR) just eight months after launching. With only 45 employees, the company is demonstrating high efficiency by generating more than \$2 million in ARR per employee in its first year.

Busy areas in advisory and lending services

J.P. Morgan's Equity Private Placements team has seen increased demand from growth-stage tech companies seeking to raise rounds exceeding \$100 million, particularly in deep tech sectors such as AI, cloud, infrastructure, and life sciences. There is also a growing demand for secondary rounds as early investors seek liquidity. Growth-stage tech companies are raising debt to finance working capital, capital expenditures, or M&A activities, using credit finance to extend their runways and avoid equity dilution. Additionally, treasury support requests are rising for cash management and yield optimisation across borders, driven by companies expanding internationally and managing risks from foreign exchange and interest rate volatility.

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