affinity

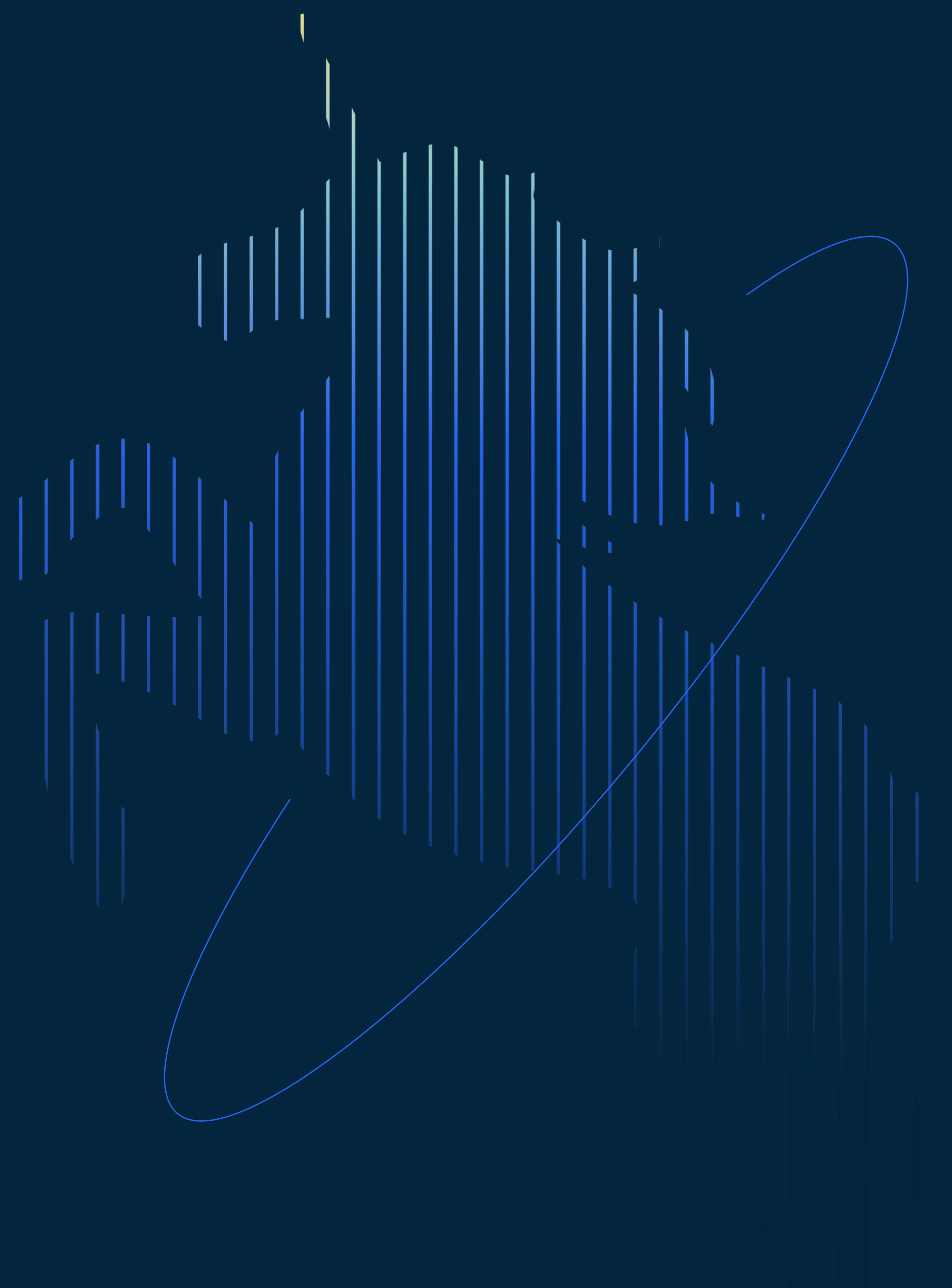
The Relationship Intelligence Benchmark Report

U.S. VS. EUROPEAN EDITION

SEPTEMBER 2022

An analysis of investment trends among top U.S. and European VC firms, the anatomy of the unicorns they've invested in, and the role relationship intelligence played in discovering them.

Table of contents



Introduction

In 2021, 2.5x more unicorns were minted worldwide than in 2020, representing $338 billion in investments!

First used in 2013 by venture capitalist Aileen Lee, the term “unicorn” refers to a privately held startup company with a value of over $1 billion. At that time, there were just 39 in the United States; today, there are **over 950 unicorns around the globe**—twice as many as just two years ago.

2021 was a banner year for the VC industry and unicorns, as investors burned through the dry powder they kept in reserve during lockdowns. While the rate of European unicorn growth continues to outpace that of the United States, overall VC funding in Europe dropped 50% in H1 2022, compared to 37% in the U.S., a direct result of the disconnect between value and valuation.

What's in this report?

An analysis of investment trends among top VC firms, the anatomy of the unicorns they've invested in, and the role relationship intelligence played in discovering them.

Some of the top findings you'll discover in this report are:

- The rate at which Europe has produced unicorns has been steadily outpacing the U.S.
- The U.S. has seen monthly funding drop by **37%**
- U.S. investment in European unicorns grew from **4.6B** to **24.6B**, a **5.3x** increase
- European investments in European unicorns grew from **6.1B** to **17.9B**, a **2.9x** increase
- There was an **8%** decrease in new opportunities added to U.S. VC pipelines

From exceedingly high funding at the end of 2021 to a 2022 recession felt on both sides of the pond, explore how U.S and European VCs compare in the race to find (and fund) the next herd of unicorns.

Report sources

These findings are based on Affinity Data—our platform's proprietary, enhanced dataset—and third-party data providers available within the Affinity CRM. Nearly a third of that data is from companies that have invested in at least one unicorn. To further clarify the trends guiding the VC industry—and unicorn investing more specifically—we:

- Consolidated datasets from public sources, including Dealroom.co
- Analyzed the past three years of relationship intelligence data about VCs who use Affinity
- Conducted research on the state of the VC industry

All amounts are reported in U.S. dollars. Unless otherwise stated, "Europe" refers to countries both within and outside the European Union and the Eurozone, including the U.K.

*All data from the Affinity platform was aggregated and anonymized to protect our customers' privacy.

01

Unicorn growth and funding

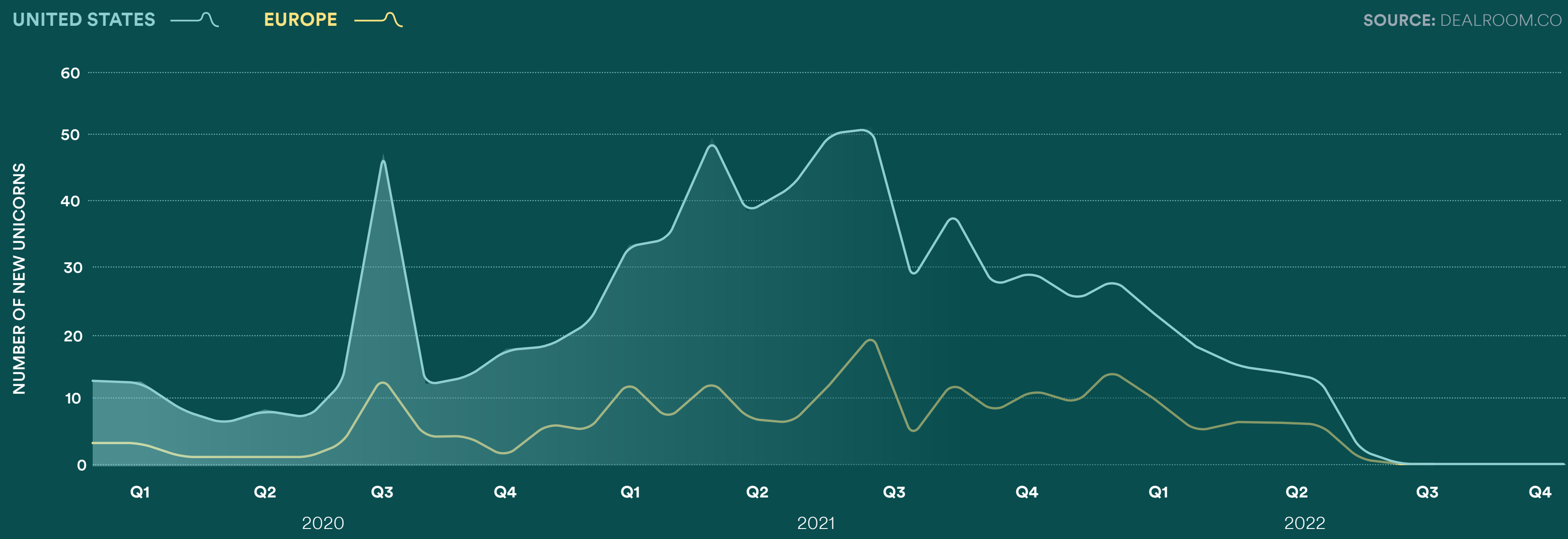
Rate of unicorn creation

Over the past 5 years, the U.S. has been creating net new unicorns at 52% YoY—**half the rate of Europe**, which is creating them at 2x YoY.

Even after the global economy hit a recession the beginning of 2022, Europe's funding markets outperformed those of the U.S., But trends show that may soon come to a halt.

The U.S. has seen monthly funding drop by 37% through the end of May. In comparison, Europe has seen funding decline by 50% over the same period.

Unicorns by location



New unicorns by European country

The images show the timing of unicorn creation month-to-month follows a similar pattern across Europe and the United States, with the United States still being the clear leader in creating new ones.

Europe is gaining unicorn creation speed as the U.S. loses momentum, particularly in tech startups, but Europe hasn't surpassed the U.S. But U.S. tech recently went from a hiring frenzy to nearly 40,000 layoffs in the space of fewer than 6 months, clearing a path for Europe to gain some ground in unicorn creation.

In 2021, the United States minted 2.2x more tech unicorns than in 2020; Europe minted more than 5x additional 1B tech beasts.

The U.K. is Europe's undisputed startup powerhouse.

Home to nearly 90 unicorns (most headquartered in London), the U.K. has always led Europe in unicorn creation. Despite recession fears, Europe's economy grew in 2022, and economists expect it to remain healthy for quite a while.

Unicorn creation

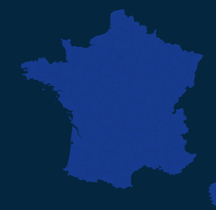
Netherlands

2020	4
2021	6
2022	3

Sweden

2020	9
2021	8
2022	6

France



2020	3
2021	12
2022	6

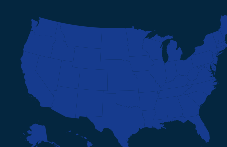
Germany

2020	4
2021	25
2022	12

United Kingdom

2020	12
2021	33
2022	12

United States



2020	185
2021	454
2022	147

SOURCE: DEALROOM.CO

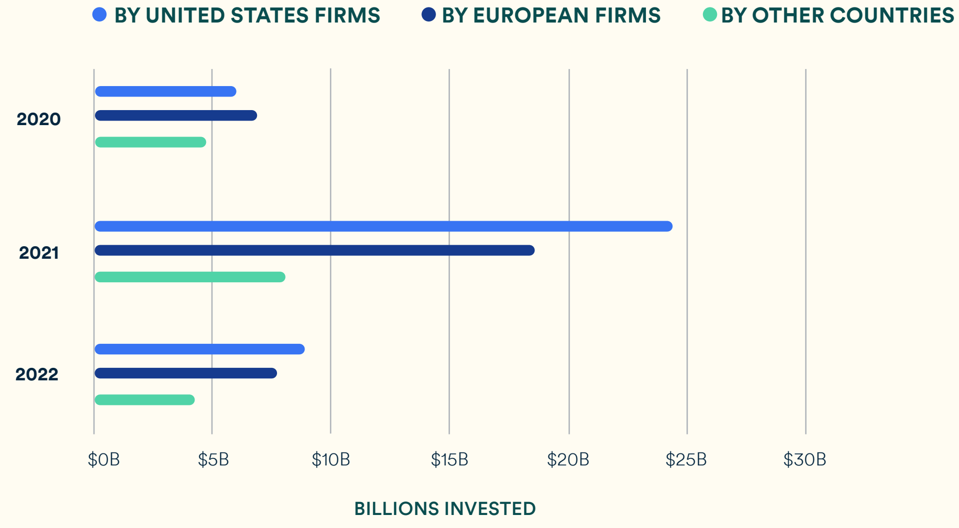
New funds raised

U.S. investment in European unicorns grew from **4.6B** to **24.6B**, a **5.3x** increase between 2020 to 2021. While European investments in European unicorns grew from **6.1B** to **17.9B**, a **2.9x** increase between 2020 to 2021.

Because there is more available investment capital in the U.S., as startups surpass a certain size, it makes sense for unicorn companies to seek more funding from the United States vs. Europe.

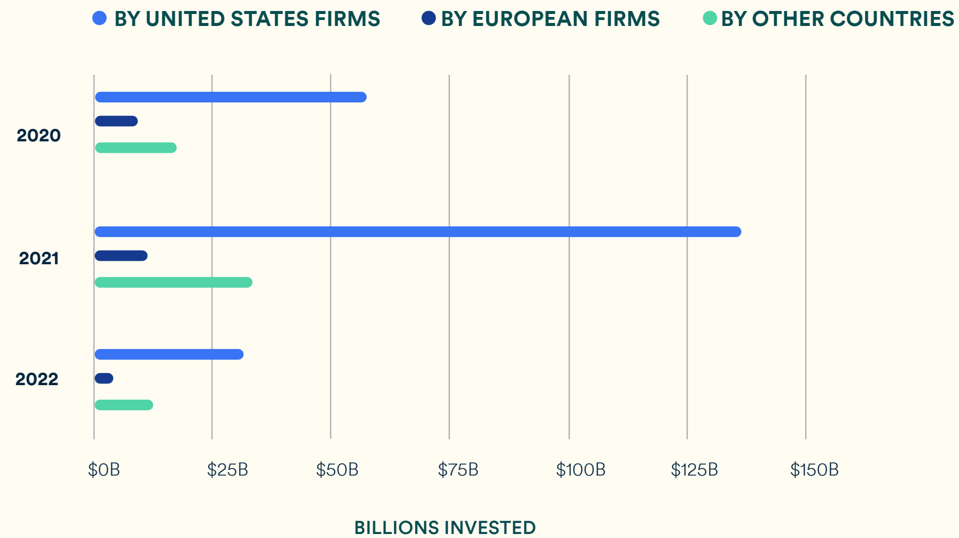
Neither region is on pace to match their 2021 numbers this year, while global investment looks like it will be comparable, if not slightly lower, by the end of the year. And even as unicorn investment remained reasonably robust in the last two years, the value of all VC investments began to diminish.

Investments in European unicorns



SOURCE: DEALROOM.CO

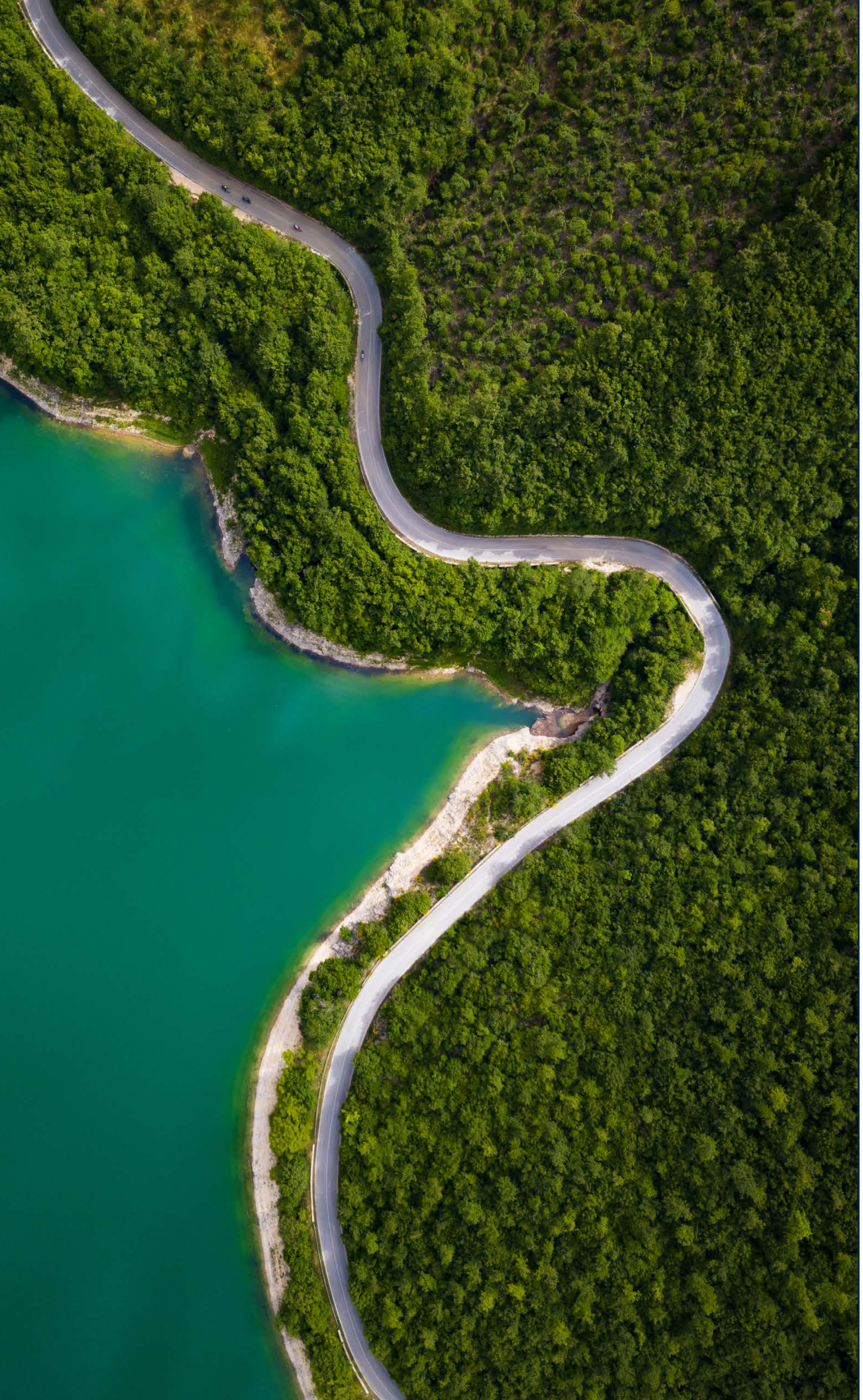
Investments in U.S. unicorns



SOURCE: DEALROOM.CO

02

Roadmap to finding a unicorn



How investors found their unicorns

While European unicorn creation is on the rise and trying to catch up with its U.S. counterparts, many factors go into determining how and when investment takes place.

To truly understand the information covered in the first half of this report, you need to look at how VC firms got here. Analyzing the work happening behind the scenes will paint the complete picture of why the industry looks the way it does in Europe and the U.S.

In the second half of this report, we fill in the gaps by examining key activities like emails sent, meetings taken, pipeline growth, and opportunity growth from some of the top investors in unicorns, which help to explain the full picture of how the U.S. and European firms are finding and funding unicorns.

Let's start with exploring opportunity pipelines and how emails and meetings are leading indicators of what's going on in these industries.

Building opportunity pipeline

Pipeline creation comes before the unicorns

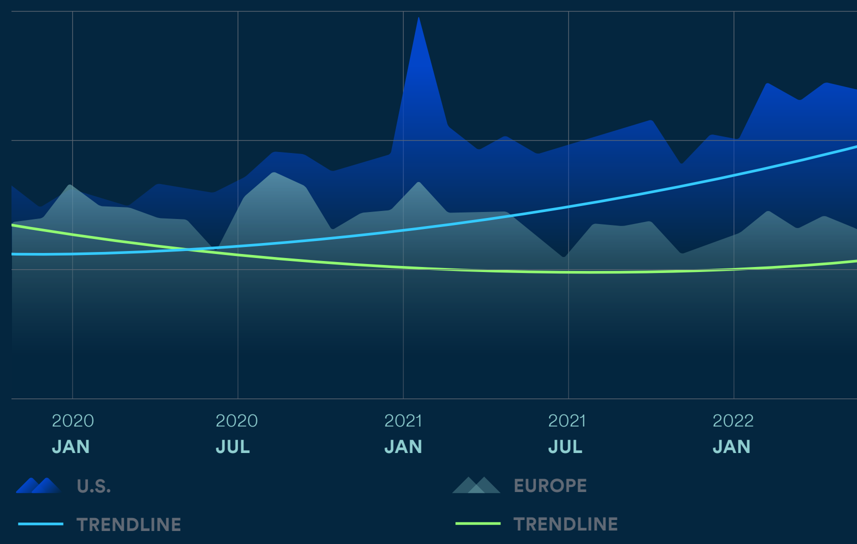
It takes months to years of exploring trends, data, and insights to determine which companies VC firms will invest in next. These firms determine who to spend their time with by looking at their opportunity pipeline and finding the right ways to engage.

Two key components of communications for dealmaking are emails sent and meetings taken. Affinity platform data found that the US and Europe meeting activity has been steadily increasing over the last 3 quarters. U.S. firms saw a **10%** growth in meeting activity in H1 2022, and European firms saw a **9%** increase during the same period.

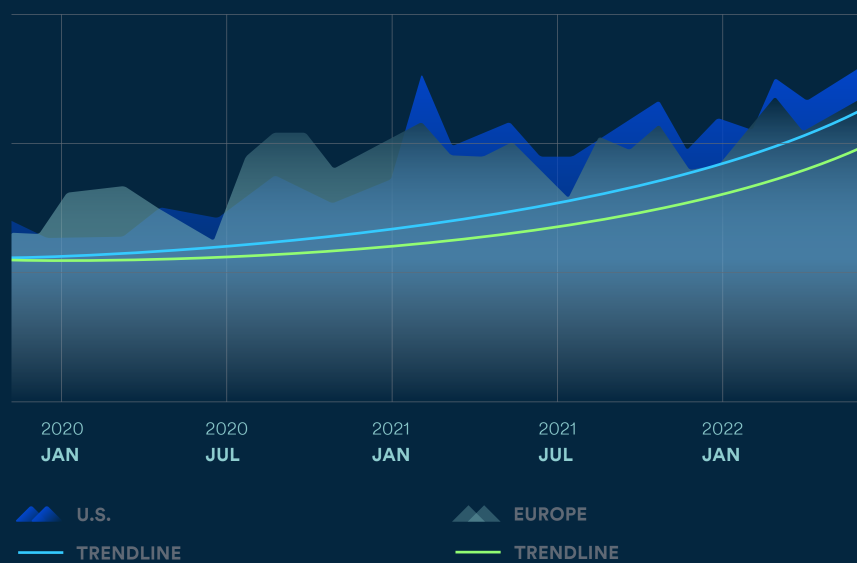
From the start of 2022, U.S. email activity has grown by **10%**, showing similar priority in the method of opportunity engagement. Meanwhile, European email activity has seen a slower increase at **3%**, likely due to the region's cyclical nature of summer holidays. Additionally, this slowdown in activity could result in a lower deal pipeline for European VC firms that aim to compete against the U.S. for unicorn attention.

This overall increase in communication reflects the urgency of building a strong opportunity pipeline during the rumblings of a potential recession. Ultimately, VCs across the U.S. and Europe are prioritizing various communication points to ensure strong dealflow opportunities to weather the changing markets.

Email activity per firm



Meeting activity per firm



The power of your network

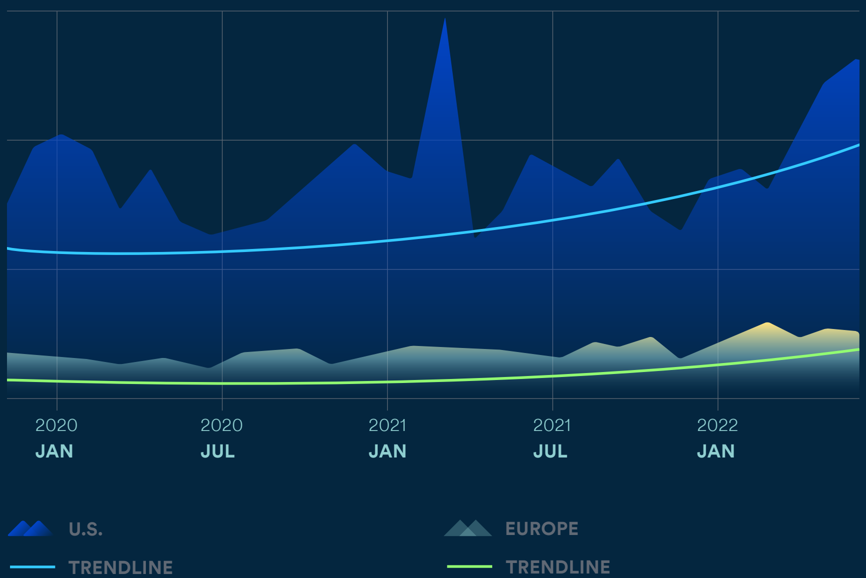
Business network growth

Network growth is a significant indicator of potential deal opportunities and pipeline growth. U.S. VCs prioritized building the right relationships in Q1 2022, expanding their business networks by a staggering **39%** compared to Q1 2021.

European firms put equal attention into their business networks in the first quarter of the year with a **22%** growth in business networks compared to Q4 2021; however, they are only on track for only a **4%** growth in Q2 2022 when compared to Q1 2022.

This slowdown in European network growth in Q2 2022 could be due to how quickly their networks grew in Q1. They're now focused on nurturing those relationships and turning them into opportunities vs. actively hunting for more. Nevertheless, **4%**, although small, is still positive for European firms, who have now posted back-to-back quarters of network growth.

Business network growth per firm



The power of your network

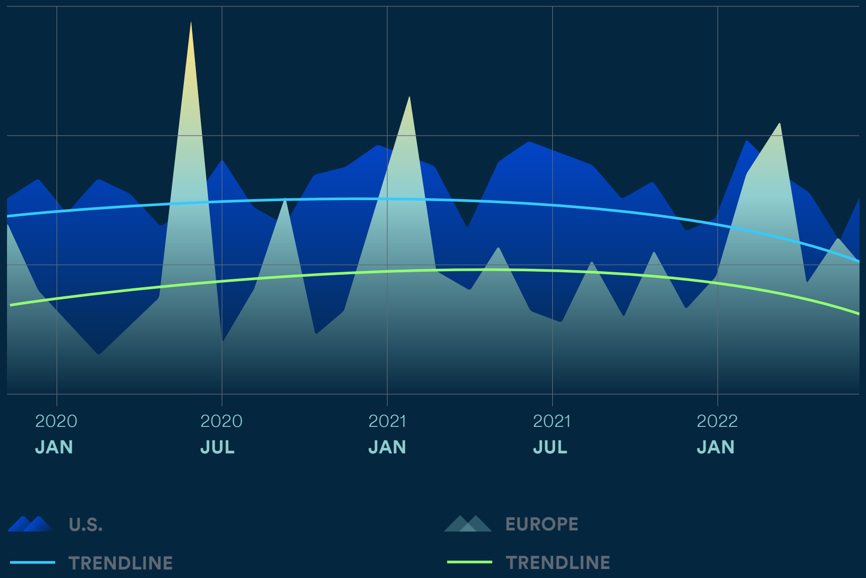
Deal opportunities

When we look at growth in deal opportunities, there was an **8%** decrease in new opportunities added to U.S. VC pipelines from Q1 2022 into Q2 2022. This is expected due to the high volume in response to today's pandemic and economic conditions.

In Europe, VCs accelerated their dealmaking by a whopping **23%** in 2021 through Q1 2022, with a **31%** decrease in Q2 2022 as they moved those deals through their pipeline and hit the summer vacation period with external economic factors. Even still, this activity puts them well beyond U.S. figures.

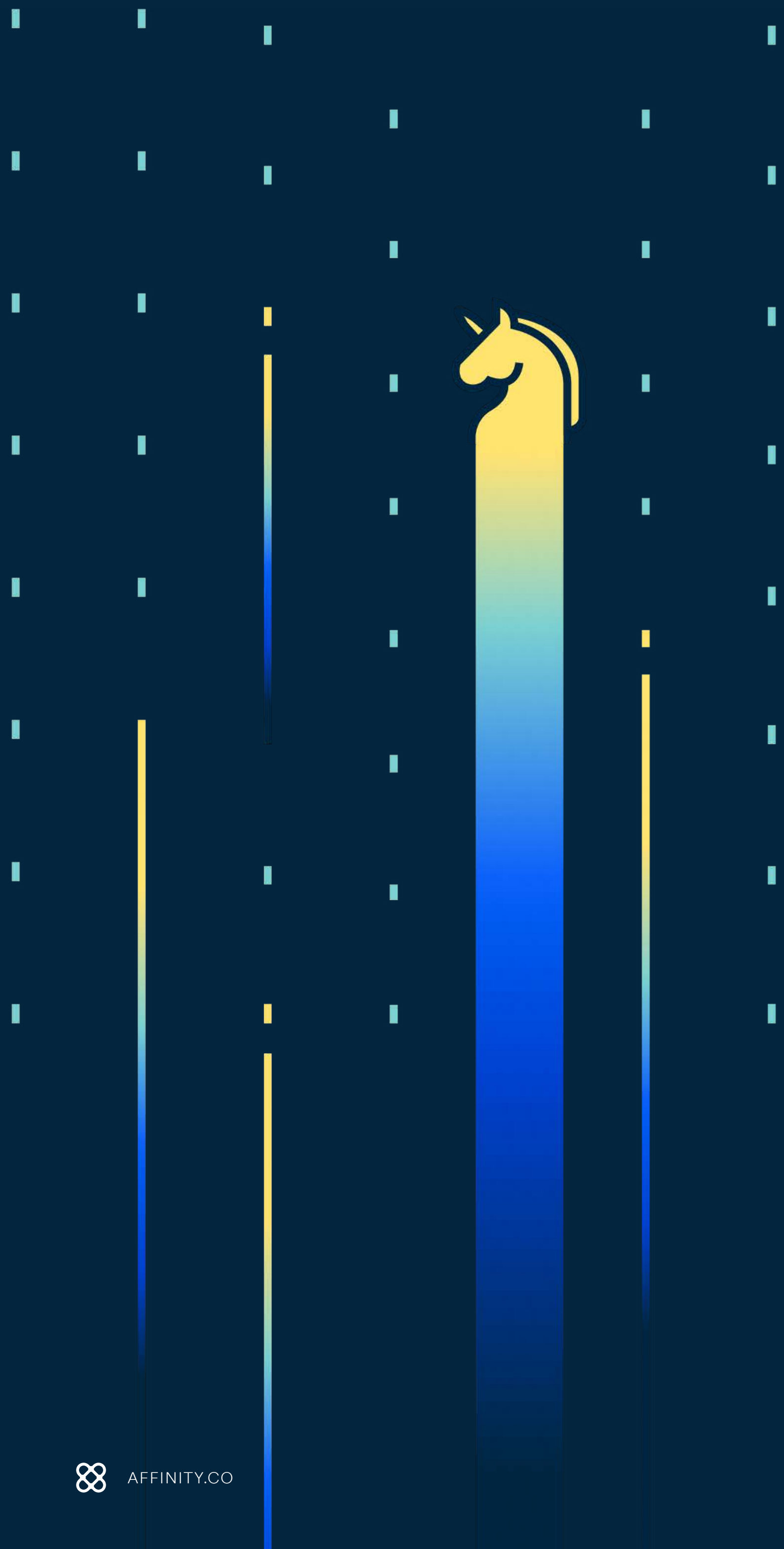
Based on this, growth rates will likely continue flat downward in both regions for the immediate future as riskier market conditions force VCs to approach the market more conservatively.

Deal opportunities per firm



03

Relationship Intelligence



affinity

The most successful private investors and VCs don’t just have more resources or more money to invest—they’re experts at managing their relationships.

The journey from finding a new opportunity to closing a deal can involve dozens of people across your team and professional network.

Accurately tracking the deal flow—every person involved, every Zoom call, every meeting, document, and story shared over dinner—is imperative for building deeper, longer-lasting business relationships.

But effectively managing all of the information relevant to each connection, and knowing when and how to act on that data, gets harder and harder as your business gets bigger and bigger.

Find out how Affinity can help your firm leverage relationship intelligence to grow your business network effectively, manage your dealflow easily, and have more time to spend on successful dealmaking.

info@affinity.co

What is relationship intelligence?

Relationship intelligence is a category of insights into your team's network, business relationships, and client interactions that helps you find, manage, and close deals.

Billions of data points are hiding in plain sight and routinely go uncaptured. This "data exhaust," produced by emails, meetings, calendars, notes from calls, and more, contains a wealth of information about who knows your contacts and what they've spoken about previously, as well as the frequency, cadence, and quality of those communications. All those insights add up to relationship intelligence.

The Affinity relationship intelligence platform generates these insights through algorithms that analyze data from every email, meeting, and interaction between your organization and every business contact you've engaged with.

It automatically enriches those insights with additional context from Affinity Data—our own, proprietary data sets—and external data partners, including Crunchbase, PitchBook, and, of course, Dealroom.co, to provide a comprehensive understanding of your business network and dealmaking opportunities.

Relationship Intelligence is the guiding force for Affinity, which is used by over **2,000** global private capital firms to track over **500,000** new introductions and **450,000** deals every month.

Find, manage, and close more deals with Affinity.

Learn More

Relationship Intelligence Benchmark Report

U.S. vs. European Unicorn edition | September 2022

Written by Affinity.co

Designed by Jennifer Chan and Sandy Roy

Data analysis by Faizan Mehdi and Dan Polonka

Data compilation by Maria Fradkin

Press inquiries press@affinity.co

SEP 2022