

Scale-up funding, investor behaviour and the changing growth-capital landscape across Europe.

Key takeaways

Europe's growth-capital ecosystem is becoming deeper and more institutional. In July 2026, the EIB Group and EU27 governments launched the second phase of the European Tech Champions Initiative, targeting up to €15 billion of fund commitments and aiming to mobilise as much as €80 billion of investment into more than 1,500 European scale-ups.

Institutional investors are also being drawn more directly into the market. In September, the European Commission and EIB Group launched the European Institutional Investors Pact, designed to channel long-term capital into Europe's innovation ecosystem, including through ETCl 2.0 and the €5 billion Scaleup Europe Fund.

However, the underlying financing gap remains. EIB research shows that EU scale-ups raise around 50% less capital than comparable San Francisco companies by the time they reach ten years of age, illustrating the continued shortage of large domestic growth investors.

Growth capital is becoming a strategic European priority

European policymakers increasingly view scale-up finance as a competitiveness issue rather than simply a venture-capital problem.

The challenge is well understood: Europe produces strong early-stage companies, but many struggle to access sufficiently large pools of capital once funding requirements move into the tens or hundreds of millions of euros.

The EIB's 2025/26 Investment Report describes a clear financing progression. Venture capital dominates early growth, but larger equity rounds and dedicated growth capital become increasingly important as companies scale, while deep capital markets are ultimately required for IPOs and strategic exits.

That gap has historically pushed successful European businesses toward US investors, overseas listings or foreign acquirers.

ETCl 2.0 is intended to address precisely this problem. The initiative plans to support more than 100 European growth funds, including up to 45 mega-funds, and envisages average investment tickets of approximately €200 million into individual scale-ups.

Europe's scale-up capital pipeline

Stage	Typical Financing
Early stage	Venture capital

Early growth	VC + venture debt
Scale-up	Growth equity
Later growth	Growth equity + private credit
Maturity	PE / public markets / M&A

Source: Veyne analysis based on EIB Investment Report 2025/26.

The scale-up funding gap remains structural

Despite improving capital availability, Europe still trails the US significantly in later-stage financing.

The EIB's scale-up research finds that financing differences become more pronounced as businesses mature. By approximately ten years of age, EU scale-ups have raised only around half as much capital as comparable San Francisco companies.

The issue is not primarily a shortage of promising companies.

Europe has strong technology clusters, experienced founders and a substantial early-stage venture ecosystem. The challenge is that fewer European investors are able to lead very large growth rounds.

Lead investors matter because they perform diligence, establish valuation and attract additional participants. Where domestic lead capital is scarce, companies increasingly rely on non-European investors to anchor later-stage financings.

This can ultimately affect more than ownership. Companies funded predominantly by overseas investors may be more likely to pursue foreign listings, international headquarters or strategic exits outside Europe.

The policy focus has therefore shifted from simply increasing venture funding to creating a deeper European growth-capital market.

Institutional capital is beginning to move into scale-ups

A key change in 2026 is the growing involvement of pension funds, insurers, asset managers and other long-term institutional investors.

The European Institutional Investors Pact launched in September specifically aims to create a more direct channel between institutional capital and European technology companies. Thirteen institutional investors had already indicated their intention to participate at launch.

ETCI 2.0 follows the same logic.

Rather than government capital financing companies directly, public institutions increasingly seek to anchor private growth funds and crowd in larger pools of institutional capital.

The first ETCI programme supported 15 mega-funds and contributed to the development of 12 EU-based unicorns. The second phase is designed to operate at approximately four times the scale.

This model is important because Europe's scale-up problem cannot realistically be solved through public capital alone.

ETCI 2.0 ambition

Metric	Target
Fund-of-funds target	Up to €15bn
Total capital mobilised	Up to €80bn
Scale-ups supported	1,500+
Funds supported	100+
Potential mega-funds	Up to 45
Average company ticket	~€200m

Source: European Investment Bank.

Growth capital is broadening beyond traditional venture funds

The distinction between venture capital, growth equity and private equity is becoming less rigid.

Companies with meaningful revenues, strong retention and clearer paths to profitability increasingly attract a broader range of investors. These can include dedicated growth-equity funds, traditional private-equity firms, crossover investors, sovereign capital and strategic investors.

European private capital enters this environment with substantial firepower.

Invest Europe reported €1.37 trillion of capital under management across European private equity and venture firms at the end of 2025, including €459 billion of dry powder. That uninvested capital equated to approximately 93% of the amount invested by European private-equity firms between 2022 and 2025.

This does not mean all of that capital is available to technology scale-ups. Much is allocated to buyouts and other strategies.

It does, however, illustrate the growing depth of the European private-capital ecosystem and the potential for more capital to move into growth-stage opportunities where returns are attractive.

Deep tech is attracting disproportionately large rounds

Growth capital is increasingly flowing into sectors where Europe has strong technical capabilities and where capital requirements are particularly high.

The European Innovation Council reported in June that EIC-backed companies had raised €15.5 billion, including twelve equity rounds above €100 million. More than 1,000 investors had co-invested alongside the EIC, with 80% of transactions involving cross-border capital.

AI, defence, semiconductors, quantum, energy and advanced industrial technologies are increasingly prominent.

These sectors naturally require larger pools of patient capital because commercialisation cycles are longer and R&D requirements can be substantial.

This is changing the character of European growth investment.

Growth capital is no longer primarily about financing SaaS businesses as they expand internationally. It is increasingly supporting infrastructure-heavy and strategically important technologies where financing requirements can reach hundreds of millions of euros before maturity.

Growth investors are becoming more selective on economics

More available capital does not imply lower underwriting standards.

Growth investors are increasingly looking for companies that combine strong revenue expansion with evidence of operating leverage and capital efficiency.

The broader private-equity market illustrates the same trend. PwC reported that European PE transaction value reached €457.6 billion in 2025, up 28%, despite deal count falling 8%. At the same time, average purchase prices remained high at 12.8x operating earnings and leverage ratios had moderated to around 50%.

That combination puts greater emphasis on fundamental value creation rather than financial engineering alone.

For growth-stage technology companies, the implication is similar. Investors remain willing to finance high growth, but they increasingly want confidence around gross margins, retention, cash efficiency and the route to profitability.

The strongest companies can still raise substantial rounds. The middle of the market remains considerably more selective.

Larger European funds could reduce dependence on foreign capital

One of Europe's historic limitations has been fund size.

Large US growth funds have often been better positioned to lead €100 million-plus financing rounds because they operate with substantially larger pools of capital.

ETCI 2.0 specifically attempts to change this by supporting European mega-funds alongside growth funds with more than €300 million under management.

The objective is not to exclude international capital.

Foreign investors remain important to the European ecosystem and can provide networks, expertise and access to global markets.

The strategic objective is instead to ensure that European companies have credible domestic alternatives.

A deeper European growth market gives founders more financing choices, gives domestic investors greater participation in successful companies, and reduces the risk that attractive technology assets must leave the region simply to access sufficient capital.

Exits remain critical to the next stage of market development

Capital formation alone will not solve the growth-financing gap. European investors also need credible routes to liquidity.

If IPO markets remain shallow and M&A is dominated by overseas buyers, returns from

successful European companies will continue to flow disproportionately outside the region. This is why EIB policy increasingly links scale-up finance with broader capital-market reform.

Europe needs not only larger venture and growth funds, but also sufficiently deep public markets capable of supporting companies once they reach maturity. European Investment Bank

The long-term success of initiatives such as ETCI 2.0 will therefore depend partly on whether Europe can improve the full capital lifecycle from startup to growth financing and eventual exit.

Veyne view

We expect European growth capital to become deeper and more institutional through the remainder of 2026 and into 2027.

Public initiatives such as ETCI 2.0 should help crowd more institutional capital into the market, while substantial private-sector dry powder creates capacity for larger growth investments.

However, the funding gap is unlikely to disappear quickly.

Capital will remain concentrated around businesses with clear category leadership, strategic relevance and credible economics. The strongest European scale-ups should have more financing options, while companies without those characteristics may continue to find the step from venture funding to institutional growth capital difficult.

The direction of travel is positive. Europe's challenge is now to convert increased capital availability into a genuinely self-sustaining growth and exit ecosystem.

Selected market signals

Market Signal	2026
ETCI 2.0 fund target	Up to €15bn
Target capital mobilisation	Up to €80bn
Scale-ups targeted	1,500+
Scaleup Europe Fund	€5bn
European PE/VC capital under management	€1.4tn
European PE/VC dry powder	€459bn
Capital gap vs San Francisco peers	~50%

Source: EIB, European Commission and Invest Europe.

Sources

EIB Europe launches €80 billion investment alliance to scale up tech leaders ([Link](#)); EIB European Commission and EIB Group launch Institutional Investors Pact to boost investment in tech scale-ups ([Link](#)); EIB The scale-up gap: Financial market constraints holding back innovative firms in the European Union ([Link](#)); Invest Europe Positioned for the Challenge:

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